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PLAID, Inc. and its subsidiaries

**Consolidated financial statements and non-consolidated financial statements for the fiscal year
ended September 30, 2024**

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

(a) Consolidated balance sheet

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Assets		
Current assets		
Cash and deposits	3,827,359	4,744,925
Notes and accounts receivable - trade	980,467 ¹⁾	1,139,133 ¹⁾
Prepaid expenses	416,111	368,775
Other	76,562	15,348
Allowance for doubtful receivables	—	(24,784)
Total current assets	5,300,501	6,243,398
Non-current assets		
Property and equipments		
Buildings	26,227	26,227
Accumulated depreciation	(26,227)	(26,227)
Buildings, net	0	0
Tools, furniture and fixtures	181,966	225,272
Accumulated depreciation	(124,369)	(163,840)
Tools, furniture and fixtures, net	57,597	61,431
Property and equipments, net	57,597	61,432
Intangible non-current assets		
Goodwill	339,833	143,579
Total intangible non-current assets	339,833	143,579
Investments and other assets		
Investment securities	56,137	49,914
Bankruptcy reorganization claims	3,388	3,121
Lease and guarantee deposits	303,862	291,623
Long-term loans to employees	4,229	2,029
Long-term loans to directors	10,007	10,007
Deferred tax assets	33,225	434,334
Other	113,999	63,609
Allowance for doubtful receivables	(3,388)	(3,121)
Total investments and other assets	521,461	851,519
Total non-current assets	918,893	1,056,531
Total assets	6,219,394	7,299,930

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Liabilities		
Current liabilities		
Accounts payable	9,150	8,362
Short-term debt	1,660	100,000
Current portion of long-term debt	384,628 ²⁾	699,666 ²⁾
Accounts payable - other	742,290	709,795
Income taxes payable	55,253	228,020
Contract liabilities	504,487	852,480
Allowance for losses on order received	54,429	77,224
Other	709,628	900,348
Total current liabilities	2,461,527	3,575,899
Long-term liabilities		
Long-term debt	990,540 ²⁾	521,026 ²⁾
Deferred tax liabilities	18,493	—
Total long-term liabilities	1,009,033	521,026
Total liabilities	3,470,561	4,096,925
Net assets		
Shareholders' equity		
Capital stock	2,945,895	3,091,157
Capital surplus	5,029,365	5,174,628
Retained earnings	(5,424,590)	(5,103,858)
Treasury shares	(279)	(281)
Total shareholders' equity	2,550,391	3,161,646
Accumulated other comprehensive income (loss)		
Deferred gains and losses on hedges	41,904	(21,607)
Total accumulated other comprehensive income (loss)	41,904	(21,607)
Stock acquisition rights	7,147	7,147
Non-controlling interests	149,390	55,817
Total net assets	2,748,833	3,203,004
Total liabilities and net assets	6,219,394	7,299,930

(b) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated statement of income

(Thousand yen)

	Previous fiscal year (ended Sep.30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Net sales	8,633,638 ¹⁾	10,992,713 ¹⁾
Cost of sales	2,396,873 ²⁾	3,122,960 ²⁾
Gross profit	6,236,764	7,869,753
Selling general and administrative expenses	7,118,188 ³⁾	7,608,837 ³⁾
Operating income (loss)	(881,423)	(260,915)
Non-operating income		
Interest income	210	518
Subsidy income	286	—
Commissions received	283	—
Dividend income	—	0
Foreign exchange gain	—	569
Point redemption income	2,570	3,486
Other	813	954
Total non-operating income	4,164	5,528
Non-operating expenses		
Interest expenses	20,447	21,075
Compensation fees	2,000	9,563
Restricted stock-related expenses	515	38,819
Commission fees	16,082	4,166
Foreign exchange loss	13,497	—
Other	8,542	8,405
Total non-operating expenses	61,084	82,030
Ordinary income (loss)	(938,343)	184,413
Extraordinary losses		
Impairment loss	1,133,159 ⁴⁾	153,179 ⁴⁾
Loss on valuation investment securities	54,257	6,222
Total extraordinary losses	1,187,417	159,402
Net income (loss) before adjustment for taxes, etc.	(2,125,760)	25,010
Income taxes - current	22,403	189,423
Income taxes - deferred	(6,844)	(391,572)
Total income taxes	15,558	(202,149)
Net income (loss)	(2,141,318)	227,159
Net income (loss) attributable to non-controlling interests	(32,708)	(93,572)
Net income (loss) attributable to owners of parents	(2,108,610)	320,732

Consolidated Statement of Comprehensive Income

(Thousand yen)

	Previous fiscal year (ended Sep.30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Net income (loss)	(2,141,318)	227,159
Other comprehensive income		
Deferred gains or losses on hedges	12,888	(63,511)
Total other comprehensive income	12,888*	(63,511)*
Comprehensive income	(2,128,430)	163,648
(Breakdown)		
Comprehensive income attributable to owners of the parent	(2,095,721)	(257,220)
Comprehensive income attributable to non-controlling interests	(32,708)	(93,572)

(c) Consolidated Statement of Changes in Shareholders' Equity
Previous fiscal year(ended Sep.30, 2023)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	2,690,028	4,650,030	△3,315,980	△228	4,023,850
Changes during year					
Issuance of new shares (restricted stock compensation)	236,104	236,104	—	—	472,208
Issuance of new shares (Exercise of stock acquisition right)	19,762	19,762	—	—	39,525
Net income (loss) attributable to owners of parent	—	—	△2,108,610	—	△2,108,610
Acquisition of treasury shares	—	—	—	△50	△50
Changes in parent company equity related to transaction with no-controlling shareholders	—	123,468	—	—	123,468
Net change in items other than shareholders' equity	—	—	—	—	—
Total changes during year	255,866	379,334	△2,108,610	△50	△1,473,459
Ending balance	2,945,895	5,029,365	△5,424,590	△279	2,550,391

	Accumulated other comprehensive income (loss)		Stock acquisition rights	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Accumulated other comprehensive income			
Beginning balance	29,015	29,015	5,718	11,557	4,070,140
Changes during year					
Issuance of new shares (restricted stock compensation)	—	—	—	—	472,208
Issuance of new shares (Exercise of stock acquisition right)	—	—	—	—	39,525
Net income (loss) attributable to owners of parent	—	—	—	—	△2,108,610
Acquisition of treasury shares	—	—	—	—	△50
Changes in parent company equity related to transaction with no-controlling shareholders	—	—	—	—	123,468
Net change in items other than shareholders' equity	12,888	12,888	1,429	137,833	152,151
Total changes during year	12,888	12,888	1,429	137,833	△1,321,307
Ending balance	41,904	41,904	7,147	149,390	2,748,833

Current fiscal year (ended Sep. 30, 2024)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	2,945,895	5,029,365	△5,424,590	△279	2,550,391
Changes during year					
Issuance of new shares (restricted stock compensation)	83,439	83,439	—	—	166,878
Issuance of new shares (Exercise of stock acquisition right)	61,823	61,823	—	—	123,647
Net income (loss) attributable to owners of parent	—	—	320,732	—	320,732
Acquisition of treasury shares	—	—	—	△2	△2
Changes in parent company equity related to transaction with no-controlling shareholders	—	—	—	—	—
Net change in items other than shareholders' equity	—	—	—	—	—
Total changes during year	145,262	145,262	320,732	△2	611,255
Ending balance	3,091,157	5,174,628	△5,103,858	△281	3,161,646

	Accumulated other comprehensive income (loss)		Stock acquisition rights	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Accumulated other comprehensive income			
Beginning balance	41,904	41,904	7,147	149,390	2,748,833
Changes during year					
Issuance of new shares (restricted stock compensation)	—	—	—	—	166,878
Issuance of new shares (Exercise of stock acquisition right)	—	—	—	—	123,647
Net income (loss) attributable to owners of parent	—	—	—	—	320,732
Acquisition of treasury shares	—	—	—	—	△2
Changes in parent company equity related to transaction with no-controlling shareholders	—	—	—	—	—
Net change in items other than shareholders' equity	△63,511	△63,511	—	△93,572	△157,084
Total changes during year	△63,511	△63,511	—	△93,572	454,171
Ending balance	△21,607	△21,607	7,147	55,817	3,203,004

(d) Consolidated Statements of Cash Flows

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Cash flow from operating activities		
Net income (loss) before adjustment for taxes, etc.	(2,125,760)	25,010
Goodwill amortization	185,848	54,092
Depreciation costs	41,563	42,765
Depreciation costs on deposits	2,816	6,474
Stock-based compensation expense	205,477	198,075
Impairment loss	1,133,159	153,179
Loss (gain) on valuation of investment securities	54,257	6,222
Increase (decrease) in allowance for doubtful accounts	3,388	—
Increase (decrease) in allowance for losses on order received	45,140	22,795
Interest income	(210)	(518)
Subsidy income	(286)	—
Commission received	(283)	—
Interest expenses	20,447	21,075
Commission fee	16,082	4,166
Guarantee fee	3,944	—
Loss (gain) on sales of property and equipment	198	—
Decrease (increase) in notes and accounts receivable - trade	(187,949)	(158,666)
Decrease (increase) in bankruptcy or reorganization claims	(3,388)	—
Decrease (increase) in prepaid expenses	(103,453)	(79,832)
Decrease (increase) in long-term prepaid expense	(4,003)	96,735
Increase (decrease) in accounts payable, other	201,707	96,735
Increase (decrease) in accrued consumption taxes	24,643	(32,828)
Increase (decrease) in contract liabilities	107,29	347,993
Other	117,976	73,349
Sub total	(261,390)	943,381
Interest and dividend income received	210	518
Subsidy income received	286	—
Fees and commission received	283	—
Interest expenses paid	(27,209)	(20,938)
Income taxes paid	(37,270)	(22,482)
Cash flow from operating activities	(325,088)	900,478
Cash flow from investing activities		
Purchase of property and equipment	(46,714)	(57,617)
Proceeds from sale of property and equipment	1,114	—
Payments for acquisition of shares of subsidiaries resulting in change in scope of consolidation	(49,416)	—
Payments for lease and guarantee deposits	(332,753)	—
Proceeds from collection of lease and guarantee deposits	336,579	5,763
Proceeds from collection of long-term loans to employees	2,156	2,177
Other	—	(10)
Cash flow from investing activities	(89,033)	(49,686)

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Cash flow from financing activities		
Proceeds from short-term debt	—	100,000
Repayments of short-term debt	(207,506)	(1,660)
Proceeds from long-term debt	1,080,997	400,000
Repayments of long-term debt	(1,488,985)	(554,476)
Proceeds from acceptance of deposits	300,000	—
Syndicated loan fees paid	(3,246)	—
Proceeds from issuance of shares resulting from exercise of stock acquisition rights	39,237	122,911
Payments for acquisition of treasury shares	(50)	(2)
Proceeds from payments from non-controlling shareholders	407,847	—
Expenditures for the acquisition of subsidiaries' shares without a change in the scope of consolidation	(127,389) ²⁾	—
Cash flow from financing activities	905	66,773
Net increase (decrease) in cash and cash equivalents	(413,217)	917,565
Cash and cash equivalents at beginning of period	4,240,577	3,827,359
Cash and cash equivalents at end of period	3,827,359 ¹⁾	4,744,925 ¹⁾

[Notes on consolidated financial statements]

(Significant matters underlying the preparation of consolidated financial statements)

1. Scope of consolidation

Status of consolidated subsidiaries:

All of the Company's subsidiaries are consolidated

Number of consolidated subsidiaries: 4

Names of consolidated subsidiaries: Emotion Tech, Inc.

RightTouch Inc.

agito, Inc.

Codatum Inc.

Change in Consolidation Scope: Effective December 26, 2023, the Company newly established Codatum Inc. through a corporate split (incorporation-type company split), and Codatum Inc. was included in the scope of consolidation from the current consolidated fiscal year.

2. Fiscal year of consolidation subsidiaries

The closing date of the consolidated subsidiaries is the same as that of the Company.

3. Accounting policies

(1) Valuation criteria and methods for significant assets

(i) Investment securities

• Other investment securities

Stocks without market value, etc.:

The moving average method is used.

(ii) Derivatives

The market value method is used.

(2) Depreciation methods for significant depreciable assets

Property and equipments

Plaid and its consolidated subsidiaries use the declining balance method. However, buildings acquired on or after April 1, 2016 are depreciated using the straight line method.

The estimated useful lives of major asset items are as follows:

Buildings 2 to 5 years

Tools, furniture and fixtures 3 to 15 years

(3) Criteria for recording significant allowances

(a) Allowance for doubtful accounts

In order to prepare for bad debt losses on receivables, the estimated uncollectible amount is recorded based on the actual bad debt rate for general receivables and the separate likelihood of collection for specific receivables such as doubtful receivables.

(b) Allowance for losses on orders received

In order to provide for possible future losses related to contracts of orders, for those at the end of the fiscal year that are expected to incur losses and whose amounts can be reasonably estimated, the estimated amount of such losses is recorded.

(4) Accounting for significant deferred assets

Stock issuance cost

All costs are processed at the time of expenditure.

(5) Significant hedge accounting methods

(a) Hedge accounting method

Deferred hedge accounting method is applied. The Company has applied the allocation method for forward exchange contracts when the requirements for the allocation method are met.

(b) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts Hedged items: Accounts payable-other

(c) Hedging policy

In order to reduce the risk of foreign currency fluctuations, the Company conducts hedging within the amount of the liabilities to be hedged.

(d) Method for evaluating the effectiveness of hedging

The Company assesses the hedging effectiveness based on the amount of fluctuation of both the hedged items and the hedging instruments, comparing the cumulative market fluctuations of the hedged items and the hedging instruments during the period from the start of hedging to the time of effectiveness assessment. For items for which the allocation method is applied, the hedging effectiveness assessments are omitted based on the judgment that their effectiveness has been proved at the time of adoption.

(6) Goodwill amortization method and period

The Company amortizes goodwill using the straight-line method over a reasonable number of years (6-10 years), determined on a case-by-case basis.

(7) Scope of funds in the consolidated statement of cash flows

Scope of funds consist of cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition, which are readily convertible into cash, and are exposed to insignificant risk in terms of changes in value.

(8) Criteria for recording significant revenues and expenses

In the Company's mainstay SaaS business, revenue generated from contracts with customers is classified into product revenue, which relates to the providing of products, and service revenue, which relates to the providing of professional services. For either type of revenue, any revenues generated from the continuous provision of products or services, such as monthly subscription fees, are recognized monthly based on the period when the products or services are provided to the customer. Any revenue that relates to the initial introduction of a product or the provision of a temporary one-off service is considered to be a transaction fulfilled when the work is complete and so is recognized as revenue generated at one point in time.

(9) Foreign currency translations

Monetary receivables and payables denominated in foreign currencies are converted into Japanese yen at the spot exchange rate on the consolidated closing date with the resulting exchange difference treated as a profit or loss.

(Significant accounting estimates)

Evaluation of goodwill

(a) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

(Thousand yen)

	Previous consolidated fiscal year	Current fiscal year
Goodwill	339,833	143,579

(b) Information about content of significant accounting estimates for identified items

In preparing the consolidated financial statements, the Company assesses the evidence of impairment by grouping non-current assets so that estimates of impairment loss appropriately reflect the actual state of business. Non-current assets are grouped based on managerial accounting categories.

If any evidence of impairment exists, future cash flows of the asset group before discount are estimated. If it is determined that the total amount of future cash flows before discount based on the target company's future business plan is less than the book value and an impairment loss should be recognized, the book value is reduced to the recoverable amount, and the reduction in book value is recorded as an impairment loss.

In terms of goodwill in the current consolidated fiscal year for Emotion Tech, Inc., a consolidated subsidiary, signs of impairment were recognized in the asset group that includes goodwill due to continued negative operating income. Consequently, during the current consolidated fiscal year, the necessity of recognizing an impairment loss was assessed. Upon comparing the carrying amount of the asset group, including goodwill, with the total amount of undiscounted future cash flows, it was determined that the goodwill should be fully written off as an impairment loss.

In the current consolidated fiscal year, the Company recognized an impairment loss on the goodwill of a consolidated subsidiary, Emotiontec Corporation, because the operating income (loss) of the subsidiary was continuously negative, and the asset group including the goodwill showed signs of impairment. Therefore, the Company determined whether or not to recognize an impairment loss in the current consolidated fiscal year, and as a result of comparing the total amount of undiscounted future cash flows with the carrying amount of the asset group that includes the goodwill, the goodwill was fully impaired.

Recoverability of Deferred Tax Assets

(a) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

(Thousand yen)

	Previous consolidated fiscal year	Current fiscal year
Deferred Tax Assets	33,225	434,334

(b) Information about content of significant accounting estimates for identified items

Deferred tax assets are recognized in accordance with the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26) to the extent that it is deemed effective to reduce future tax liabilities by reversing deductible temporary differences or offsetting tax loss carryforwards against taxable income. The Company recognizes deferred tax assets to the extent that it is deemed effective to reduce the future tax burden. The recoverability of deferred tax assets is determined based on the classification of the entity in accordance with the "Guidance on Recoverability of Deferred Tax Assets," the expected reversal of the deferred tax assets and deferred tax liabilities, and future taxable income, including tax planning.

Estimates of future taxable income used to determine the recoverability of deferred tax assets are estimated on the basis of business plans, but the forecasts of ARR expansion and new acquisitions of professional services included in such business plans are subject to uncertainty. Therefore, changes in the terms and conditions of these future estimates could have a significant impact on the consolidated financial statements in the following fiscal years and beyond.

(Change in accounting policies)

Not applicable.

(Accounting standards issued but not yet applied)

Not applicable.

(Change in presentation method)

(Notes to Consolidated Balance Sheets)

Claims in bankruptcy, etc." which was included in 'Other' under 'Investments and other assets' in the previous consolidated fiscal year, is separately presented in the current consolidated fiscal year due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified. As a result, 117,387 thousand yen presented as "Other" in "Investments and other assets" in the consolidated balance sheets for the previous consolidated fiscal year has been reclassified as "Reorganization claims in

bankruptcy, etc.” of 3,388 thousand yen and “Other” of 113,999 thousand yen.

(Notes to Consolidated Statements of Income)

Point redemption income,” which was included in ‘Other’ under ‘Non-operating income’ in the previous consolidated fiscal year, is separately presented in the current consolidated fiscal year due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified. As a result, 3,383 thousand yen presented as “Other” under “Non-operating income” in the consolidated balance sheets for the previous consolidated fiscal year has been reclassified as “Point redemption income” of 2,570 thousand yen and “Other” of 812 thousand yen.

Restricted stock expense related,” which was included in ‘Other’ under ‘Non-operating expenses’ in the previous consolidated fiscal year, has been independently presented in the current consolidated fiscal year due to its increased importance. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified. As a result, 9,057 thousand yen presented as “Other” in “Non-operating expenses” in the consolidated balance sheet for the previous consolidated fiscal year has been reclassified as 515 thousand yen for “Restricted stock expense related” and 8,542 thousand yen for “Other.

(Notes to Consolidated Statements of Cash Flows)

Decrease (increase) in long-term prepaid expenses,” which was included in ‘Other’ under ‘Cash flows from operating activities’ in the previous consolidated fiscal year, has become more significant and is therefore separately presented in the current consolidated fiscal year. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified. As a result, 113,973 thousand yen presented as “Other” in “Cash flows from operating activities” in the consolidated balance sheets for the previous consolidated fiscal year has been reclassified as “Increase (decrease) in long-term prepaid expenses” (4,003) thousand yen and “Other” 117,976 thousand yen.

(Consolidated balance sheet)

Monetary loan agreement and term loan agreement with executable period, and related financial restrictions

Previous consolidated fiscal year (Sep 30, 2023)

PLAID has concluded financial loan agreements with MUFG Bank, Ltd. and Resona Bank, Ltd. for the purpose of establishing a stable financing system going forward and refinancing existing loans. Each of these agreements has the following financial covenants, and if any of these are violated, the loans may be repaid in full at the request of the lender.

(1) Term loan agreement with executable period (with MUFG Bank, Ltd.)

I. On the consolidated balance sheet at the end of each quarter starting from June 2023, the total amount of net assets must be maintained at 50% or more of the total net assets as at the end of September 2022.

II. On the consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 1,000,000 thousand yen or more.

Calculation formula: Cash and deposits - Interest-bearing debt

III. On the non-consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 700,000 thousand yen or more.

Calculation formula: Cash and deposits - Interest-bearing debt

The undrawn balance of term loans with executable period as of the end of the current consolidated fiscal year is as follows.

Term loans with executable period	1,000,000 (thousand yen)
Outstanding balance of unexecuted loans	600,000 (thousand yen)
Balance due	400,000 (thousand yen)

(2) Monetary loan agreement (with Resona Bank)

I. The consolidated adjusted operating income for the fiscal year ending September 2025 shall not be a loss.

Calculation formula: Operating income + Goodwill amortization + Stock-based compensation expenses + Other non-recurring expenses

II. The amount of net assets on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 50% or more compared to the fiscal year ended September 2022.

III. The amount of cash and deposits minus interest-bearing debt shown on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 1,000,000 thousand yen or more.

The debt balance at the end of the current consolidated fiscal year is as follows.

Debt balance as on September 30, 2024	428,600 (thousand yen)	(of which 142,800 thousand yen scheduled to be repaid within one year)
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Current fiscal year(Sep 30, 2024)

PLAID has concluded financial loan agreements with MUFG Bank, Ltd. and Resona Bank, Ltd. for the purpose of establishing a stable financing system going forward and refinancing existing loans. Each of these agreements has the following financial covenants, and if any of these are violated, the loans may be repaid in full at the request of the lender.

(1) Term loan agreement with executable period (with MUFG Bank, Ltd.)

I. On the consolidated balance sheet at the end of each quarter starting from June 2023, the total amount of net assets must be maintained at 50% or more of the total net assets as at the end of September 2022.

II. On the consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 1,000,000 thousand yen or more. Calculation formula: Cash and deposits - Interest-bearing debt

III. On the non-consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 700,000 thousand yen or more. Calculation formula: Cash and deposits - Interest-bearing debt

The undrawn balance of term loans with executable period as of the end of the current consolidated fiscal year is as follows.

Term loans with executable period	1,000,000 (thousand yen)
Outstanding balance of unexecuted loans	1,000,000 (thousand yen)
Balance due	— (thousand yen)

(2) Monetary loan agreement (with Resona Bank)

IV. The consolidated adjusted operating income for the fiscal year ending September 2025 shall not be a loss.

Calculation formula: Operating income + Goodwill amortization + Stock-based compensation expenses + Other non-recurring expenses

V. The amount of net assets on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 50% or more compared to the fiscal year ended September 2022.

VI. The amount of cash and deposits minus interest-bearing debt shown on the consolidated balance sheet at the

end of each fiscal year and second quarter shall be maintained at 1,000,000 thousand yen or more.

The debt balance at the end of the current consolidated fiscal year is as follows.

Debt balance as on September 30, 2024	285,800 (thousand yen)	(of which 142,800 thousand yen scheduled to be repaid within one year)
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(Consolidated statement of income)

(1) Revenue generated from contracts with customers

All revenues are derived from contracts with customers. The amounts of revenues arising from contracts with customers are presented in “Notes to Consolidated Financial Statements (Revenue Recognition), 1. Information on the breakdown of revenues arising from contracts with customers” in the Notes to Consolidated Financial Statements.

(2) Provision for loss on order received and reversal of provision for loss on order received included in cost of sales

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Allowance for doubtful receivables	45,140	22,795

(3) The major items and amounts of SG&A expenses are as follows:

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Salaries and allowance	2,999,839	3,411,900
Advertising expenses	633,642	526,780
Goodwill amortization	185,848	54,092

(4) Impairment loss

Previous fiscal year ended Sep. 30, 2023

In the current consolidated fiscal year, the Group recognized impairment loss on the following asset group.

(Thousand yen)

Location	Purpose	Type	Amount
Minato Ward, Tokyo	Business assets	Tools, furniture and fixtures	11,540
Minato Ward, Tokyo	—	Goodwill	1,121,618
Total			1,133,159

(1) Background leading to recognition of impairment loss

(a) The Company's group reduced the book value of tools, furniture and fixtures to the recoverable amount because the profitability of the SaaS business declined and recovery of the investment amount was not expected.

As a result, the book value of tools, furniture and fixtures was reduced to the recoverable amount, and 11,540 thousand yen was recorded as an impairment loss in extraordinary losses.

(b) Due to the inability to achieve the initially expected revenue from the goodwill generated by the acquisition of shares in Emotion Tech Inc., the book value of the goodwill has been reduced to its recoverable amount. The reduced amount of 1,121,618 thousand has been recognized as an impairment loss and recorded as an extraordinary loss.

(2) Asset grouping method

Assets are grouped based on managerial accounting categories.

(3) Calculation method of recoverable amount

(a) The recoverable amount of business assets is calculated using estimated future cash flows that are expected to occur depending on the asset's useful life and unit of cash-generation. Since future cash flows are expected to be negative, the use value is calculated as zero.

(b) The recoverable amount of goodwill is measured by its use value based on future business plans, and is calculated by discounting future cash flows at a rate of 20.5%.

Current fiscal year ended Sep. 30, 2024

In the current consolidated fiscal year, the Group recognized impairment loss on the following asset group.

(Thousand yen)

Location	Purpose	Type	Amount
Minato Ward, Tokyo	Business assets	Tools, furniture and fixtures	11,018
Minato Ward, Tokyo	–	Goodwill	142,161
Total			153,179

(1) Background leading to recognition of impairment loss

(a) Since profitability of the SaaS business declined and is no longer expected to bring a return on the amount invested, the company's group reduced the book value of tools, furniture, and fixtures to a recoverable amount, recording 11,018 thousand yen as an impairment loss in extraordinary losses.

(b) Regarding goodwill generated from the acquisition of Emotion Tech, since it is no longer expected to generate the profits originally forecast, the book value was reduced to a recoverable amount, with the reduction amount of 142,161 thousand yen recorded as an impairment loss in extraordinary losses.

(2) Asset grouping method

Assets are grouped based on managerial accounting categories.

(3) Calculation method of recoverable amount

The recoverable amount of business assets is calculated using estimated future cash flows that are expected to occur depending on the asset's useful life and unit of cash-generation. Since future cash flows are expected to be negative, the use value is calculated as zero.

(Consolidated statement of comprehensive income)

Reclassification adjustments and tax effects related to other comprehensive income

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Deferred gains or losses on hedge :		
Amount accrued	18,577thousand yen	(91,541)thousand yen
Reclassification adjustments	—	—
Before tax effect adjustments	18,577	(91,541)
Tax effect	(5,688)	28,030
Deferred gains or losses on hedges	12,888	(63,511)
Total other comprehensive income (loss)	12,888	(63,511)

(Consolidated statement of changes in shareholders' equity)

Previous fiscal year ended Sep. 30, 2023

1. The class and total number of shares issued

	Numbers of shares on October 1, 2022	Numbers of shares increased during fiscal year	Numbers of shares decreased during fiscal year	Numbers of shares on September 30, 2023
Issued shares				
Common stock*	38,606,9000	736,717	—	39,343,617
Total	38,606,9000	736,717	—	39,343,617

Note: The increase of 736,717 shares in common stock was due to 134,000 shares issued through the exercise of stock acquisition rights and 602,717 shares issued as restricted stock compensation.

2. The class and total number of shares of treasury stock

	Numbers of shares on October 1, 2022	Number of shares increased during fiscal year	Number of shares decreased during fiscal year	Number of shares on September 30, 2023
Treasury shares				
Common stock*	63	1,354	—	1,417
Total	63	1,354	—	1,417

Note: The increase of 1,354 treasury shares was due to 74 shares acquired from fractional share purchases and 1,280 shares acquired as restricted stock.

3. Stock acquisition rights and treasury stock acquisition rights

Reporting company (Parent company)	Description	Type of shares to be issued	Number of shares to be issued				Balance on September 30, 2023 (thousand yen)
			As on October 1, 2022	Increase during fiscal year	Decrease during fiscal year	As on September 30, 2023	
	Stock acquisition rights as stock options	—	—	—	—	—	7,147
	Total	—	—	—	—	—	7,147

4. Dividends

(1) Amount of dividends paid

Not applicable.

(2) Dividends with a record date in the current consolidated fiscal year and an effective date in the following fiscal year

Not applicable.

Current fiscal year ended Sep. 30, 2024

1. The class and total number of shares issued

	Number of shares on October 1, 2023	Number of shares increased during fiscal year	Number of shares decreased during fiscal year	Number of shares on September 30, 2024
Issued shares				
Common stock*	39,343,617	1,287,327	–	40,630,944
Total	39,343,617	1,287,327	–	40,630,944

Note: The increase of 1,287,327 shares in the number of issued common shares is due to the issuance of 1,072,000 new shares accompanying the exercise of stock options and the issuance of 215,327 new shares as restricted stock awards.

2. The class and total number of shares of treasury stock

	Number of shares on October 1, 2023	Number of shares increased during fiscal year	Number of shares decreased during fiscal year	Number of shares on September 30, 2024
Treasury shares				
Common stock*	1,417	132,215	–	133,632
Total	1,417	132,215	–	133,632

Note: The increase of 132,215 shares in the number of treasury shares of common stock is due to the acquisition of 4 shares from the buyback of less-than-one-unit shares and the acquisition of 132,211 shares due to the purchase of restricted stock.

3. Stock acquisition rights and treasury stock acquisition rights

Reporting company (Parent company)	Description	Types of shares to be issued	Number of shares to be issued				Balance on September 30, 2024 (thousand yen)
			As on October 1, 2022	Increase during fiscal year	Decrease during fiscal year	As on September 30, 2023	
	Stock acquisition rights as stock options	–	–	–	–	–	7,147
	Total	–	–	–	–	–	7,147

1. Dividends

(1) Amount of dividends paid

Not applicable.

(2) Dividends with a record date in the current consolidated fiscal year and an effective date in the following fiscal year

Not applicable.

Consolidated statement of cash flows

- (1) Relationship between cash and cash equivalents at end of period and the amounts of items shown on the consolidated balance sheet

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Cash and deposits	3,827,359 thousand yen	4,744,925 thousand yen
Cash and cash equivalents	3,827,359	4,744,925

- (2) The main breakdown of assets and liabilities of the company that became a new consolidated subsidiary due to the acquisition of shares

Previous fiscal year ended Sep. 30, 2023

As a result of consolidating agito, Inc. as a new subsidiary following the acquisition of its shares, the breakdown of assets and liabilities at the commencement of consolidation, as well as the relationship between the acquisition cost of the new subsidiary's shares and the expenditures (net amount) for the acquisition of these shares, is as follows:

	(Thousand yen)
Current assets	261,005
Non-current assets	26,727
Goodwill	202,700
Current liabilities	(187,950)
Long-term liabilities	(65,443)
Non-controlling interests	(11,415)
Acquisition cost	225,626
Cash and cash equivalents	(176,209)
Net: Expenditures for acquisition	49,416

Current fiscal year ended Sep. 30, 2024

Not applicable.

Significant non-cash transactions

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Capital increase due to the issuance of new shares as restricted stock compensation	236,104	83,439
Capital reserve increase due to the issuance of new shares as restricted stock compensation	236,104	83,439

(Lease transactions)

1. Finance lease transactions

Not applicable.

2. Operating lease transactions

Accrued lease payments on non-cancelable operating lease transactions

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Due within 1 year	335,906	335,906
Due after 1 year	1,070,934	764,953
Total	1,406,841	1,100,859

(Financial instruments)

1. The status of financial instruments

(1) Company policy for financial instruments

The Group's policy is to limit fund management to short-term deposits and not engage in speculative transactions. Moreover, funds are procured through borrowing from financial institutions and third-party allotment.

(2) Details of financial instruments and associated risks

Notes receivable and accounts receivable are exposed to customer credit risk.

Lease and guarantee deposits are mainly related to a lease agreement of the Company's headquarter office and exposed to counterparty's credit risk.

Long-term loans to employees are exposed to the credit risk of employees.

Investment securities are mainly shares of companies with which the Company has business relationships. Any unlisted shares are subject to risk in the financial conditions of the companies in question.

Operating payables such as accounts payable (trade and other) are due within one year. Some of these liabilities are denominated in foreign currencies and although they are exposed to the risk of exchange rate fluctuations, they have been hedged with the use of derivative transactions (forward exchange contracts). The Company limits the use of derivative transactions to forward exchange contracts for the purpose of hedging against the risk of exchange rate fluctuations of liabilities denominated in foreign currencies.

(3) Risk management system for financial instruments

(a) Management of credit risk (Risk related to breach of contract by customers)

We are working to reduce customer credit risk related to notes and accounts receivable in accordance with the Company's credit management regulations. In addition, we are working to reduce the risk of notes and accounts receivable by managing due dates and balances, etc.

The Company strives to reduce the risks associated with lease and guarantee deposits by monitoring the counterparties' credit status.

Long-term loans to employees are appropriately managed in accordance with the Company's internal rules on loans to employees.

(b) Management of market risk (Risk of fluctuations in exchange rates, interest rates, etc.)

The Company manages market risk, in particular, fluctuation risk of borrowing interest rate, by regularly monitoring the market interest rate. For unlisted stocks, we regularly monitor the financial status, etc. of the issuers (client companies).

Regarding certain operating payables denominated in foreign currencies, the Company hedges against the risk of exchange rate fluctuations using forward exchange contracts.

(c) Management of liquidity risk related to fundraising (risk of being unable to make payments on due dates)

The Company manages liquidity risk by preparing and updating internal fund management plans. In addition, the Company maintains a certain level of liquidity on hand.

(4) Supplementary information on fair market values of financial instruments

Since variable factors are reflected in estimating the fair value of financial instruments, different assumptions and factors could result in a different fair value.

2. Fair market values of financial instruments

Consolidated balance sheet amounts, fair market values and differences are as follows:

Previous fiscal year ended Sep. 30, 2023

(Thousand yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Lease and guarantee deposits	303,862	299,597	(4,264)
(2) Long-term loans to employees (including current portion)	6,406	6,322	(84)
(3) Long-term loans to directors	10,007	9,868	(138)
Total assets	320,276	315,788	(4,488)
(4) Long-term debt (including current portion)	1,375,168	1,369,906	(5,261)
Total liabilities	1,375,168	1,369,906	(5,261)
Derivative transactions ³⁾			
Items for which hedge accounting is applied	60,397	60,397	–

Notes:

- 1) Cash and deposits, notes and accounts receivable, accounts payable (trade), short-term debt, accounts payable (other) and income taxes payable have been omitted because their market value approximates the book value since they are settled in cash and in a short period of time.
- 2) The financial instruments below are not included in the table above because there are no quoted market prices and it is extremely difficult to determine their fair value. The carrying amounts of these instruments presented in the consolidated balance sheet are as follows:

(Thousand yen)

	Consolidated balance sheet amount
Unlisted stocks	56,137

- 3) Derivative transactions through the allocation method for forward exchange contracts, etc. are used to hedge forecasted transactions denominated in foreign currencies. Their fair market values are based on forward exchange rates.

Current fiscal year ended Sep. 30, 2024

(Thousand yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Lease and guarantee deposits	291,623	287,228	(4,394)
(2) Long-term loans to employees (including current portion)	4,229	4,171	(57)
(3) Long-term loans to directors	10,007	9,878	(128)
Total assets	305,859	301,279	(4,580)
(4) Long-term debt (including current portion)	1,220,692	1,214,222	(6,469)
Total liabilities	1,220,692	1,214,222	(6,469)
Derivative transactions ³⁾			
Items for which hedge accounting is applied	31,143	31,143	–

Notes:

- 1) Cash and deposits, notes and accounts receivable, accounts payable (trade), short-term debt, accounts payable (other) and income taxes payable have been omitted because their market value approximates the book value since they are settled in cash and in a short period of time.
- 2) The financial instruments below are not included in the table above because there are no quoted market prices and it is extremely difficult to determine their fair value. The carrying amounts of these instruments presented in the consolidated balance sheet are as follows:

(Thousand yen)

	Consolidated balance sheet amount
Unlisted stocks	49,914

- 3) Derivative transactions through the allocation method for forward exchange contracts, etc. are used to hedge forecasted transactions denominated in foreign currencies. Their fair market values are based on forward exchange rates.

Notes:

- 1) Scheduled redemption amount after the consolidated closing date for monetary claims
Previous fiscal year ended Sep. 30, 2023

(Thousand yen)

	Due within one year	Due after one year and up to five	Due after five years and up to ten	Due after ten years
Cash and deposits	3,827,359	–	–	–
Notes and accounts receivable - trade	980,467	–	–	–
Lease and guarantee deposits	26,088	277,773	–	–
Long-term loans to employees (including current portion)	2,177	4,229	–	–
Long-term loans to directors	–	10,007	–	–
Total	4,836,093	292,009	–	–

Current fiscal year ended Sep. 30, 2024

(Thousand yen)

	Due within one year	Due after one year and up to five	Due after five years and up to ten	Due after ten years
Cash and deposits	4,744,925	–	–	–
Notes and accounts receivable - trade	1,139,133	–	–	–
Lease and guarantee deposits	19,936	271,687	–	–
Long-term loans to employees (including current portion)	2,199	2,029	–	–
Long-term loans to directors	–	10,007	–	–
Total	5,906,194	283,724	–	–

- 2) Scheduled redemption amount after the consolidated closing date for long-term debt and other interest-bearing debt

Previous fiscal year ended Sep. 30, 2023

(Thousand yen)

	Due within one year	Due between one and two years	Due between two and three years	Due between three and four years	Due between four and five years	Due after five years
Short-term debt	1,660	–	–	–	–	–
Lease and guarantee deposits	300,000	–	–	–	–	–
Long-term debt	384,628	510,838	319,374	22,644	22,644	115,040
Total	686,288	510,838	319,374	22,644	22,644	115,040

Current fiscal year ended Sep. 30, 2024

(Thousand yen)

	Due within one year	Due between one and two years	Due between two and three years	Due between three and four years	Due between four and five years	Due after five years
Short-term debt	100,000	–	–	–	–	–
Lease and guarantee deposits	300,000	–	–	–	–	–
Long-term debt	699,666	408,766	13,140	13,140	13,140	72,840
Total	1,099,666	408,766	13,140	13,140	13,140	72,840

3) Breakdown by level of fair market value of financial instruments

The market value of financial instruments is classified into the following three levels according to the observability and importance of the inputs used to calculate the market value.

Level 1: Market value calculated from quoted prices in active markets for identical assets or liabilities

Level 2: Market value calculated using directly or indirectly observable inputs other than those in Level 1

Level 3: Market value calculated using significant unobservable inputs

When multiple inputs with a significant impact on the calculation of market value are used, the fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which those inputs belong.

(a) Financial instruments and liabilities recorded on the consolidated balance sheet at fair market value

Previous fiscal year ended Sep. 30, 2023

	Fair value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Derivative transactions Items for which hedge accounting is applied	–	60,397	–	60,397

Current fiscal year ended Sep. 30, 2024

	Fair value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Derivative transactions Items for which hedge accounting is applied	–	31,143	–	31,143

(b) Financial instruments and liabilities not recorded on the consolidated balance sheet at fair market value

Previous fiscal year ended Sep. 30, 2023

	Fair value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Lease and guarantee deposits	–	299,597	–	299,597
Long-term loans to employees (including current portion)	–	6,322	–	6,322
Long-term loans to directors	–	9,868	–	9,868
Total assets	–	315,788	–	315,788
Long-term debt (including current portion)	–	1,369,906	–	1,369,906
Total liabilities	–	1,369,906	–	1,369,906

Note: The following explains the valuation techniques used in calculating market value and inputs related to market value calculation.

Current fiscal year ended Sep. 30, 2024

	Fair value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Lease and guarantee deposits	–	287,228	–	287,228
Long-term loans to employees (including current portion)	–	4,171	–	4,171
Long-term loans to directors	–	9,878	–	9,878
Total assets	–	301,279	–	301,279
Long-term debt (including current portion)	–	1,214,222	–	1,214,222
Total liabilities	–	1,214,222	–	1,214,222

Note: The following explains the valuation techniques used in calculating market value and inputs related to market value calculation.

Derivative transactions

Derivative transactions are calculated based on the prices offered by the financial institutions with which we do business. Their fair market value is classified as Level 2.

Lease and guarantee deposits

The fair value of lease and guarantee deposits is calculated based on the present value of future cash flows discounted by the yield of Japanese government bonds corresponding to the remaining period. Their fair market value is classified as Level 2. If the corresponding yield of Japanese government bonds is negative, the fair value is calculated using a discount rate of zero.

Long-term loans to employees (including current portion)

The fair value of long-term loans to employees is calculated based on the present value of the total amount of principal and interest discounted by the assumed interest rate for similar new loans. Their fair market value is classified as Level 2.

Long-term loans to directors

The fair value of long-term loans to directors is calculated based on the present value of the total amount of principal and interest discounted by the assumed interest rate for similar new loans. Their fair market value is classified as Level 2.

Long-term debt (including current portion)

Of the fair market value of long-term debt, those debts with variable interest rates reflect market interest rates over a short period, and since their fair market value is similar to the book value, their fair value depends on the book value. For those debts with fixed interest rates, the present value is calculated by discounting the total amount of principal and interest by the interest rate that would be expected if a similar new borrowing were made. Their fair market value is classified as Level 2.

(Investment securities)

Other investment securities

Previous fiscal year ended Sep. 30, 2023

Unlisted stocks (consolidated balance sheet amount of 56,137 thousand yen) are not listed because there is no market price and it is extremely difficult to determine their fair value.

Current fiscal year ended Sep. 30, 2024

Unlisted stocks (consolidated balance sheet amount of 49,914 thousand yen) are not listed because there is no market price.

(Derivative transactions)

Derivative transactions for which hedge accounting is applied:

Currency-related

Previous fiscal year ended Sep. 30, 2023

(Thousand yen)

Hedge accounting method	Type of transaction	Main hedged items	Contracts amounts	Contract amounts over one year	Fair value
Allocation method for forward exchange contracts (Forecasted transactions)	Forward exchange contracts				
	Buying USD	Accounts payable - other	813,570	–	60,397
Total			813,570	–	60,397

Current fiscal year ended Sep. 30, 2024

(Thousand yen)

Hedge accounting method	Type of transaction	Main hedged items	Contracts amounts	Contract amounts over one year	Fair value
Allocation method for forward exchange contracts (Forecasted transactions)	Forward exchange contracts				
	Buying USD	Accounts payable - other	809,578	–	31,143
Total			809,578	–	31,143

(Stock options)

1. Name and amount recorded for expenses in relation to stock options

(Thousand yen)

	Previous fiscal year ended Sep. 30, 2023	Current fiscal year ended Sep. 30, 2024
Selling general and administrative expenses	1,429	-

2. Details, number and changes in stock options

(1) Details of stock options

	1st stock options	3rd stock options
Guarantees	One Audit & Supervisory Board Member of the Company 13 employees of the Company	One Audit & Supervisory Board Member of the Company 63 employees of the Company
Number of stock options by stock type*	Common stock: 615,000 shares	Common stock: 1,885,000 shares
Date of grant	June 30, 2015	February 28, 2018
Vesting conditions	<p>The conditions for exercising stock acquisition rights are as follows:</p> <p>(A) The stock acquisition rights holder is required to hold the position of a director or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(B) The stock acquisition rights can be exercised only when the Company's shares are listed on a stock exchange in Japan or overseas. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(C) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(D) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares).</p> <p>(E) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.</p>	<p>The conditions for exercising stock acquisition rights are as follows:</p> <p>(A) The stock acquisition rights holder is required to hold the position of a director, auditor or other officer or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(B) The stock acquisition rights can be exercised only when the Company's shares are listed on a stock exchange in Japan or overseas. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(C) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(D) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares).</p> <p>(E) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.</p>
Required service period	No fixed period has been set.	No fixed period has been set.
Exercise period	From July 1, 2015 to June 30, 2025	From February 24, 2020 to February 23, 2028

	4th stock options	5th stock options
Guarantees	Two directors of the Company 35 employees of the Company	One director of the Company Two Audit & Supervisory Board Members of the Company
Number of stock options by stock type*	Common stock: 1,109,000 shares	Common stocks: 90,000 shares
Date of grant	January 12, 2019	April 3, 2019
Vesting conditions	<p>The conditions for exercising stock acquisition rights are as follows:</p> <p>(A) The stock acquisition rights holder is required to hold the position of a director, auditor or other officer or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(B) The stock acquisition rights can be exercised only when the Company's shares are listed on a stock exchange in Japan or overseas. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(C) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(D) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares). (</p> <p>E) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.</p>	<p>The conditions for exercising stock acquisition rights are as follows:</p> <p>(A) The stock acquisition rights holder is required to hold the position of a director, auditor or other officer or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(B) The stock acquisition rights can be exercised only when the Company's shares are listed on a stock exchange in Japan or overseas. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(C) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(D) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares).</p> <p>(E) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.</p>
Required service period	No fixed period has been set.	No fixed period has been set.
Exercise period	From January 12, 2021 to January 11, 2029	From March 20, 2021 to March 19, 2029

	6th stock options	7th stock options
Guarantees	115 employees of the Company	One employee of the Company
Number of stock options by stock type*	Common stock: 627,000 shares	Common stock: 5,000 shares
Date of grant	August 12, 2020	February 1, 2021
Vesting conditions	<p>The conditions for exercising stock acquisition rights are as follows:</p> <p>(A) The stock acquisition rights holder is required to hold the position of a director, auditor or other officer or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(B) The stock acquisition rights can be exercised only when the Company's shares are listed on a stock exchange in Japan or overseas. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(C) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(D) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares).</p> <p>(E) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.</p>	<p>The conditions for exercising stock acquisition rights are as follows:</p> <p>(A) The stock acquisition rights holder is required to hold the position of a director, auditor or other officer or employee of the Company or any of its subsidiaries, or be an external partner, at the time of exercising the rights. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(B) In the event of the death of the stock acquisition rights holder, the stock options may not be inherited. However, this shall not apply if approval is obtained by decision of the Board of Directors of the Company.</p> <p>(C) The stock acquisition rights may not be exercised in numbers less than one unit (fractional shares).</p> <p>(D) Other conditions for exercising the stock acquisition rights shall be in accordance with a Stock Acquisition Rights Allocation Agreement to be concluded separately between the Company and the holder of the stock acquisition rights.</p>
Required service period	No fixed period has been set.	No fixed period has been set.
Exercise period	From August 12, 2022 to August 11, 2030	From February 1, 2023 to January 31, 2031

Note: Converted to number of shares.

(2) Number and changes in stock options

The following table summarizes the changes in stock options and price information applicable for the year ended September 30, 2024

(a) Number of stock options

	1st stock options	3rd stock options	4th stock options
Pre-vest (Number of shares)			
As at end of previous fiscal year (Sep. 30, 2023)	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Non-vested	–	–	–
Post-vested (Number of shares)			
As at end of previous fiscal year (Sep. 30, 2023)	317,000	1,003,000	817,000
Vested	–	–	–
Exercised	235,000	773,000	64,000
Forfeited	–	–	5,000
Unexercised	82,000	230,000	748,000

	5th stock options	6th stock options	7th stock options
Pre-vest (Number of shares)			
As at end of previous fiscal year (Sep. 30, 2023)	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Non-vested	–	–	–
Post-vested (Number of shares)			
As at end of previous fiscal year (Sep. 30, 2023)	90,000	444,000	5,000
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	156,000	5,000
Unexercised	90,000	288,000	–

(b) Price information

(Yen)

	1st stock options	3rd stock options	4th stock options
Exercise price	33	100	603
Average stock price at time of exercise	634	743	675
Fair valuation unit price on date of grant	–	–	–

	5th stock options	6th stock options	7th stock options
Exercise price	603	1,142	3,795
Average stock price at time of exercise	–	–	–
Fair valuation unit price on date of grant	–	–	1,430

3. Estimation method for fair valuation price of stock options

- (1) Since the Company's shares were unlisted at the time the first to sixth stock options were granted, the fair valuation price of stock options is estimated based on the estimation of the intrinsic value per unit.

The value of the company's stock that will serve as the basis for calculating intrinsic value per unit is determined upon the results of measurement using the DCF (Discounted Cash Flow) method. The method of estimating the intrinsic value per unit is calculated by deducting the exercise price from the valuation price of the value of the company's stock.

- (2) The method for estimating the fair valuation price of the 7th round of stock options is as follows:

(a) Evaluation method used: Black-Scholes model

(b) Main basic figures and estimation method

	7th stock options
Stock price volatility ¹⁾	40.10%
Expected remaining period ²⁾	Six years
Forecasted dividend ³⁾	0 yen/share
Risk-free interest rate ⁴⁾	(0.102%)

Notes:

- 1) Based on the simple average of the volatilities of similar listed companies
- 2) Based on the average remaining period between the exercise commencement date and maturity date.
- 3) Based on actual dividends for the most recent fiscal year.
- 4) The risk-free interest rate is set at 0% because the yield on government bonds corresponding to the expected remaining period is negative.

4. Estimation method for number of vested stock options

Since it is difficult to reasonably estimate the number of stock options that will expire in the future, a method has been adopted that reflects purely the number of stock options that have actually been forfeited.

5. The total intrinsic value at the end of the current consolidated fiscal year when calculated based on the intrinsic value per unit of stock options and the total intrinsic value on the exercise date of stock options exercised during the current consolidated fiscal year

- (a) Total intrinsic value at the end of the current consolidated fiscal year: 525,980 thousand yen
- (b) Total intrinsic value on the exercise date of stock options exercised during the current consolidated fiscal year: 642,529 thousand yen

(Restricted stock compensation)

1. Details, scale, and fluctuation of transactions involving the pre-issued grants of shares as part of the compensation for directors

(1) Details

(a) Restricted stock to executives and employees of the Company

Guarantees	Eight executives of the Company 38 employees of the Company
Number of stock options by stock type*	Common stock 448,674 shares
Date of grant	December 19, 2022
Transfer restriction period	<p>Eligible employees are subject to the following restriction on the allotted shares:</p> <ol style="list-style-type: none">1) For one-third of the allotted shares (rounded down to the nearest whole share, hereinafter referred to as 'Allotted Shares A'), the transfer restriction period ('Transfer Restriction Period A') is from December 19, 2022 (the payment date) until December 31, 2023.2) For one-quarter of the allotted shares, excluding Allotted Shares A (rounded down to the nearest whole share, hereinafter referred to as 'Allotted Shares B'), the transfer restriction period ('Transfer Restriction Period B') is from December 19, 2022 (the payment date) until June 30, 2024.3) For one-third of the allotted shares, excluding Allotted Shares A and B (rounded down to the nearest whole share, hereinafter referred to as 'Allotted Shares C'), the transfer restriction period ('Transfer Restriction Period C') is from December 19, 2022 (the payment date) until December 31, 2024.4) For one-half of the remaining allotted shares, excluding Allotted Shares A through C (rounded down to the nearest whole share, hereinafter referred to as 'Allotted Shares D'), the transfer restriction period ('Transfer Restriction Period D') is from December 19, 2022 (the payment date) until June 30, 2025.5) For the remaining allotted shares (hereinafter referred to as 'Allotted Shares E'), the transfer restriction period ('Transfer Restriction Period E') is from December 19, 2022 (the payment date) until December 19, 2025. <p>Collectively or individually, the Transfer Restriction Periods A through E are referred to as the 'Transfer Restriction Periods'. During the respective Transfer Restriction Periods, the employees may not transfer, pledge, or otherwise dispose of the allotted shares.</p>
Conditions for lifting restrictions	<ol style="list-style-type: none">1) Transfer restrictions on the entirety of the allocated shares A shall be lifted upon the expiration of the transfer restriction period A, conditional upon the target employee having continuously held the position of an executive officer or employee of our company during transfer restriction period A.2) Transfer restrictions on the entirety of the allocated shares B shall be lifted upon the expiration of the transfer restriction period B, conditional upon the target employee having continuously held the position of an executive officer or employee of our company during transfer restriction period B. However, should the target employee lose their status as an executive officer or employee during the transfer restriction period B due to the completion of their term of employment (or the completion of a reemployment period following mandatory retirement), death, or any other reason deemed legitimate by our company's Board of Directors, the transfer restrictions on the allocated shares B will be lifted immediately after such loss. The number of shares from which the transfer restrictions will be lifted is calculated by taking the number of months from the month following the expiration date of transfer restriction period A to the month that includes the date of status loss (if the status is lost during transfer restriction period A, the number of months will be zero), dividing this number by six, and then multiplying by the number of allocated shares B, with any fractional shares resulting from this calculation being rounded down.3) Transfer restrictions on the entirety of the allocated shares C shall be lifted upon the expiration of the transfer restriction period C, conditional upon the target employee having continuously held the position of an executive officer or employee of our company during transfer restriction period C. However, should the target employee lose their status as an executive officer or employee during the transfer restriction period C due to the completion of their term of employment (or the completion of a reemployment period following mandatory retirement), death, or any other reason deemed legitimate by our company's Board of Directors, the transfer restrictions on the allocated shares C will be lifted immediately after such loss. The number of shares from which the transfer restrictions will be lifted is calculated by taking the number of months from the month following the expiration date of transfer restriction period B to the month that includes the date of status loss (if the status is lost during transfer restriction period B, the number of months will be zero), dividing this number by six, and then multiplying by the number of allocated shares C, with any fractional shares resulting from this calculation being rounded down.4) Transfer restrictions on the entirety of the allocated shares D shall be lifted upon the expiration of the transfer restriction period D, conditional upon the target employee having continuously held the position of an executive officer or employee of our company during transfer restriction period D. However, should the target employee lose their status as an executive officer

	<p>or employee during the transfer restriction period D due to the completion of their term of employment (or the completion of a reemployment period following mandatory retirement), death, or any other reason deemed legitimate by our company's Board of Directors, the transfer restrictions on the allocated shares D will be lifted immediately after such loss. The number of shares from which the transfer restrictions will be lifted is calculated by taking the number of months from the month following the expiration date of transfer restriction period C to the month that includes the date of status loss (if the status is lost during transfer restriction period C, the number of months will be zero), dividing this number by six, and then multiplying by the number of allocated shares D, with any fractional shares resulting from this calculation being rounded down.</p> <p>5) Transfer restrictions on the entirety of the allocated shares E shall be lifted upon the expiration of the transfer restriction period E, conditional upon the target employee having continuously held the position of an executive officer or employee of our company during transfer restriction period E. However, should the target employee lose their status as an executive officer or employee during the transfer restriction period E due to the completion of their term of employment (or the completion of a reemployment period following mandatory retirement), death, or any other reason deemed legitimate by our company's Board of Directors, the transfer restrictions on the allocated shares E will be lifted immediately after such loss. The number of shares from which the transfer restrictions will be lifted is calculated by taking the number of months from the month following the expiration date of transfer restriction period D to the month that includes the date of status loss (if the status is lost during transfer restriction period D, the number of months will be zero), dividing this number by six, and then multiplying by the number of allocated shares E, with any fractional shares resulting from this calculation being rounded down.</p>
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(b) Restricted stock to directors of the Company

Guarantee	One director of the Company
Number of stock options by stock type*	Common stock 154,043 shares
Date of grant	June 15, 2023
Transfer restriction period	The targeted directors shall not transfer, pledge, or dispose of the common shares of our company (hereinafter referred to as "the allocated shares") allocated to them based on this allocation agreement during the period from June 15, 2023 (payment due date) to June 15, 2026.
Conditions for lifting restrictions	The transfer restrictions on all the allocated shares shall be lifted on the expiration date of the transfer restriction period, provided that the targeted directors have continuously held the position of a director of our company during the transfer restriction period. However, should the targeted directors lose their position as a director of our company during the transfer restriction period due to the expiration of their term, death, or any other reason deemed legitimate by the company's Board of Directors, the transfer restrictions on the allocated shares will be lifted immediately after such loss. In the event of loss of position after the lapse of the fiscal year to which the date of allocation of the allocated shares belongs and after a period of three months (i.e., any date after January 1, 2024), the number of shares from which the transfer restrictions will be lifted is calculated by taking the number of months from the month following the payment due date to the month that includes the date of loss of position, dividing this number by 36, and then multiplying by the number of allocated shares, with any fractional shares resulting from this calculation being rounded down.

(c) Restricted stock to executives and employees of the Company

Guarantee	Ten executives of the Company 32 employees of the Company
Number of stock options by stock type*	Common stock 215,327 shares
Date of grant	March 25, 2024
Transfer restriction period	The Subject Officers and Employees shall, (i) The Allotted Shares (rounded down to the nearest unit; hereinafter referred to as "Allotted Shares A"), which are equivalent to one-third of the Allotted Shares, during the period from March 25, 2024 (payment date) to June 30, 2025 (hereinafter referred to as "Restriction Period A"). (i) During the period from March 25, 2024 (payment date) to June 30, 2025 (hereinafter referred to as "Restricted Period A"), with respect to the Allotted Shares (excluding Allotted Share A) (ii) During the period from March 25, 2024 (payment date) to June 30, 2025 (hereinafter referred to as "Restriction Period A") for the number of Allotted Shares (excluding Allotted Shares A) equivalent to one-fourth of the Allotted Shares (shares less than one unit shall be rounded down; hereinafter referred to as "Allotted Shares B"). (iii) During the period from March 25, 2024 (payment date) to December 31, 2025 (hereinafter referred to as "Restricted Transfer Period B") with respect to the Allotted Shares A and the Allotted Shares B (excluding Allotted Shares A)

	<p>(iii) During the period from March 25, 2024 (payment date) to December 31, 2025 (hereinafter referred to as “Restriction Period B”) for the number of Allotted Shares equivalent to one-third of the Allotted Shares excluding Allotted Shares A and B (shares less than one unit shall be rounded down and hereinafter referred to as “Allotted Shares C”) (iii) The number of the Allotted Shares (less than one unit of shares shall be rounded down and hereinafter referred to as “Allotted Share C”) equivalent to one-third of the Allotted Shares excluding Allotted Share B, from March 25, 2024 (payment date) to June 30, 2026 (hereinafter referred to as “Restriction Period C”)</p> <p>(iv) During the period from March 25, 2024 (payment date) to June 30, 2026 (hereinafter referred to as “Restriction Period C”) for the number of Allotted Shares (excluding Allotted Shares A through C) equal to one half of the Allotted Shares (shares less than one unit shall be rounded down; hereinafter referred to as “Allotted Shares D”) (iii) During the period from March 25, 2024 (payment date) to December 31, 2026 (hereinafter referred to as “Restricted Transfer Period D”) for the remaining Allotment Shares (excluding Allotment Share C)</p> <p>(v) The remaining Allotted Shares (hereinafter referred to as “Allotted Shares E”) (v) With respect to the remaining Allotted Shares (hereinafter referred to as “Allotted Shares E”), during the period from March 25, 2024 (payment date) to March 25, 2027 (hereinafter referred to as “Restricted Transfer Period E”; Restricted Transfer Periods A through E collectively or individually hereinafter referred to as the “Restricted Transfer Periods”), respectively, the Company shall not transfer or grant a security interest in the Allotted Shares. (i) During the period between the Restricted Transfer Period A and the Restricted Transfer Period E (hereinafter referred to as the “Restricted Transfer Period E”), the Company shall not transfer, create a security interest in, or otherwise dispose of the shares.</p>
<p>Conditions for lifting restrictions</p>	<p>(a) Subject to the condition that the Covered Officers and Employees have continuously held the position of executive officer of the Company or its subsidiary or employee of the Company or its subsidiary during the Restriction Period A, the restriction on transfer of all of the Allotted Shares A shall be lifted at the expiration of the Restriction Period A.</p> <p>(b) Subject to the condition that the eligible executive officer or employee has continuously held the position of executive officer of the Company or its subsidiary or employee of the Company or its subsidiary during the Restriction Period B, the restriction on transfer of all of the Allotted Shares B shall be cancelled at the time of expiration of the Restriction Period B. However, if the eligible executive officer or employee loses his/her position as an executive officer of the Company or its subsidiary or an employee of the Company or its subsidiary during the Restricted Period B due to the expiration of his/her employment period (however, if he/she is rehired after retirement, such reemployment period shall expire), death or other reasons deemed justifiable by the Board of Directors of the Company, the transfer restriction shall be cancelled at the end of the month following the month of the loss of such position. The number of months from the month following the month in which he/she loses his/her position as an executive officer of the Company or its subsidiary or an employee of the Company or its subsidiary due to death or other reasons deemed justifiable by the Board of Directors (if he/she loses such position during the Restriction Period A, such number of months shall be zero) The number of shares to be allotted shall be calculated by dividing the number of shares to be allotted by 6 by the number of Allotted Shares B (any fraction of less than one share resulting from the calculation shall be rounded down). (2) The restriction on transfer of the Allotted Shares B shall be cancelled.</p> <p>(c) The restriction on transfer of all of the Allotted Shares C shall be cancelled upon the expiration of the Restriction Period C, provided that the Subject Officer or Employee has continuously held the position of executive officer of the Company or its subsidiary, or employee of the Company or its subsidiary during the Restriction Period C. However, in the event that an eligible executive officer or employee loses his/her position as an executive officer of the Company or its subsidiary or an employee of the Company or its subsidiary during the Restricted Period C due to the expiration of his/her employment period (however, if he/she is rehired after retirement, the re-employment period shall expire), death or other reasons deemed justifiable by the Board of Directors of the Company, the transfer restriction shall be cancelled as of the time immediately following such loss of position. (i) the number of months from the month following the month including the expiration date of the Restricted Period B to the month including the date of such loss (if such position is lost during the Restricted Period B, such number of months shall be zero), divided by six (6); and The number of shares to be allotted shall be obtained by dividing the number of shares to be allotted by 6 by the number of shares to be allotted (if the calculation results in a fraction less than one share, such fraction shall be rounded down). (d) The restrictions on transfer of the Allotted Shares C shall be lifted.</p> <p>(d) On the condition that the Subject Officer or Employee has continuously held the position of Executive Officer of the Company or its subsidiary or employee of the Company or its subsidiary during the Restriction Period D, the restriction on transfer of all of the Allotted Shares D shall be cancelled at the expiration of the Restriction Period D. However, in the event that an eligible executive officer or employee loses his/her position as an executive officer of the Company or its subsidiary or an employee of the Company or its subsidiary during the Restricted Period D due to the expiration of his/her employment period (however, if he/she is reemployed after retirement, such reemployment period shall expire), death or other reasons deemed justifiable by the Board of Directors of the Company, the transfer of all of the Allotted Shares D shall be cancelled at the time immediately following such loss of position. (i) the number of months from the month following the month including the expiration date of Transfer Restriction Period C to the month including the date of such loss (if such position is lost during Transfer Restriction Period C, such number</p>

	<p>of months shall be zero), divided by 6, as of the time immediately following such loss; or The number of shares to be allotted shall be the number obtained by dividing the number of shares to be allotted by 6 by the number of shares to be allotted D (any fraction of less than one share resulting from the calculation shall be rounded down).</p> <p>(2) The restriction on transfer of the Allotted Shares D shall be lifted.</p> <p>(e) The restriction on transfer of all of the Allotted Shares E shall be cancelled upon the expiration of the Restriction Period E, provided that the Subject Officer or Employee has continuously held the position of executive officer of the Company or its subsidiary or employee of the Company or its subsidiary during the Restriction Period E. However, if the eligible executive officer or employee loses his/her position as an executive officer of the Company or its subsidiary or an employee of the Company or its subsidiary during the Restriction Period E due to the expiration of his/her employment period (however, if he/she is rehired after retirement, the reemployment period shall expire), death or other reasons deemed justifiable by the Board of Directors, the Company shall cancel the Restriction on Transfer of all of the Allotted Shares E at the time of expiration of such period. (i) the number of months from the month following the month including the expiration date of the Restricted Period D to the month including the date of such loss (if such position is lost during the Restricted Period D, such number of months shall be zero), as of the time immediately following the loss of such position The number of shares to be allotted shall be the number obtained by dividing the number of shares to be allotted by 3 by the number of Allotted Shares E (however, if the calculation results in a fraction of a share, such fraction shall be rounded down). (2) The restriction on transfer of the Allotted Shares E shall be lifted.</p>
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(2) The size of pre-issued grants and fluctuations thereof

(a) Expense amount and account titles

	Current fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Stock-based compensation expenses under sales and general administrative expenses	204,047 (thousand yen)	198,075 (thousand yen)

(b) Number of shares

Previous fiscal year ended Sep. 30, 2023 (shares)	601,437
Number of granted shares	215,327
Number of shares acquired at no cost	132,211
Number of vested shares	217,707
Number of non-vested shares	466,846

(c) Unit price information

(Yen)

	Restricted stock in December 2022	Restricted stock in June 2023	Restricted stock in March 2024
Fair value per share on the grant date	785	779	775

2. Estimation method for Fair value per share on the grant date

The restricted stock for executive officers and employees to be granted in December 2022 will be the higher of (1) 705 yen, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on November 7, 2022 (the business day preceding the date of the Board of Directors' resolution) and (2) the average closing price of the Company's common stock for each trading day from November 9, 2022 to November 16, 2022 (excluding days without closing price and rounding up any fraction less than one yen). (excluding days without a closing price and rounding up fractions less than one yen), whichever is higher.

The amount of restricted stock granted to directors in June 2023 is the closing price of the Company's common stock on the Tokyo Stock Exchange on May 24, 2023.

The amount of restricted stock for executive officers and employees granted in March 2024 is 775 yen, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on February 21, 2024 (the business day prior to the date of resolution by the Board of Directors).

3. Estimation method for Number of vested shares

Regarding the pre-issued grants, since it is basically difficult to reasonably estimate the number of confiscations in the future, the Company applies a method that only reflects the actual number of confiscations.

Tax effect accounting

1. Breakdown of deferred tax assets and liabilities by main cause

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Deferred tax assets		
Tax loss carryforwards ²	1,220,822	1,187,662
Depreciation costs	32,273	22,900
Investment securities	20,880	22,785
Software	243,060	272,242
Impairment loss	12,963	21,711
Enterprise tax payable	15,479	25,010
Allowance for doubtful receivables	1,037	8,067
Allowance for losses on order received	16,666	23,646
Stock-based compensation expense	58,246	33,965
Exchange contract	—	9,536
Accounts payable	—	52,459
Other	21,958	30,664
Subtotal deferred tax assets	1,643,389	1,710,6512
Valuation allowance for tax loss carryforward*	(1,220,822)	(1,023,996)
Valuation allowance for future deductible amounts	(389,340)	(252,320)
Subtotal less valuation allowance	(1,610,163)	(1,276,317)
Total deferred tax assets	33,225	434,334
Deferred tax liabilities		
Forward exchange contracts	(18,493)	—
Total deferred tax liabilities	(18,493)	—
Net deferred tax assets	33,225	434,334
Net deferred tax liabilities	(18,493)	—

Note: Amount of tax loss carryforward and deferred tax assets by carryover period

Previous fiscal year ended Sep. 30, 2023

Tax loss carryforwards and their deferred tax asset carryforwards by expiration date

Previous fiscal year (September 30, 2023)

(Thousand yen)

	Due within one year	Due between one and two years	Due between two and three years	Due between three and four years	Due between four and five years	Due after five years	Total
Tax loss carryforward*	100,099	94,030	45,079	83,222	178,499	719,891	1,220,822
Valuation allowance	(100,099)	(94,030)	(45,079)	(83,222)	(178,499)	(719,891)	(1,220,822)
Deferred tax assets	—	—	—	—	—	—	—

* Tax loss carryforwards are the product of multiplication with the effective statutory tax rate.

Current fiscal year ended Sep. 30, 2024

(Thousand yen)

	Due within one year	Due between one and two years	Due between two and three years	Due between three and four years	Due between four and five years	Due after five years	Total
Tax loss carryforward*	43,970	43,084	27,660	161,896	371,225	536,448	1,184,287
Valuation allowance	(43,970)	(43,084)	(27,660)	(17,248)	(352,207)	(536,448)	(1,020,620)
Deferred tax assets	—	—	—	144,648	19,018	—	163,666

* Tax loss carryforwards are the product of multiplication with the effective statutory tax rate.

2. Information on reconciliations between the normal effective statutory tax rate and the actual effective tax rate

Previous fiscal year ended Sep. 30, 2023

Loss before income taxes has been recorded and therefore omitted.

Current fiscal year ended Sep. 30, 2024

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Effective statutory tax rate	—	30.6%
(adjustments)	—	
Items Permanently Non-Deductible as Entertainment Expenses	—	38.6%
Per Capita Resident Tax	—	19.5%
Valuation allowance	—	(1,334.8%)
Tax deductions		(156.9%)
Stock-based compensation expense		130.4%
Miscellaneous losses	—	47.5%
Difference in applicable tax rates of consolidated subsidiaries	—	17.3%
Tax rate difference due to loss-making subsidiaries	—	163.6%
Goodwill amortization	—	66.2%
Goodwill impairment loss	—	174.0%
Other	—	(4.2%)
Effective tax rate after application of tax effect accounting	—	(808.2%)

* The previous consolidated fiscal year has been omitted because a loss before income taxes and minority interests was recorded.

(Merger related)

Not applicable.

(Asset retirement obligation)

Previous fiscal year ended Sep. 30, 2023

The Company and its consolidated subsidiaries recognize obligations associated with the restoration of the original condition of offices upon termination of the real estate lease agreements for our head office and other offices as asset retirement obligations.

Since security deposits related to the lease agreements are recorded as assets, instead of recognizing a liability for the said asset retirement obligations, we estimate the amount that is considered unlikely to be recovered from these security deposits and expense the portion that pertains to the current consolidated fiscal year.

Current fiscal year ended Sep. 30, 2024

The Company and its consolidated subsidiaries recognize obligations associated with the restoration of the original condition of offices upon termination of the real estate lease agreements for our head office and other offices as asset retirement obligations.

Since security deposits related to the lease agreements are recorded as assets, instead of recognizing a liability for the said asset retirement obligations, we estimate the amount that is considered unlikely to be recovered from these security deposits and expense the portion that pertains to the current consolidated fiscal year.

(Revenue recognition)

1. A breakdown of revenue from contracts with customers

Previous fiscal year ended Sep. 30, 2023

(Thousand yen)

	Sales			Total
	Products	Services	Other	
Goods or services transferred over time	7,335,082	679,717	10,551	8,025,351
Goods or services transferred at a single point in time	—	608,236	50	608,286
Revenue generated from contracts with customers	7,335,082	1,287,954	10,601	8,633,638
Other revenue	—	—	—	—
Sales to external customers	7,335,082	1,287,954	10,601	8,633,638

Note: The Group has one segment. Information is presented in a breakdown of revenue arising from contracts with customers for each product and service, categorized by the timing of revenue recognition.

Current fiscal year ended Sep. 30, 2024

(Thousand yen)

	Sales			Total
	Products	Services	Other	
Goods or services transferred over time	9,043,770	1,158,663	110,944	10,313,379
Goods or services transferred at a single point in time	—	679,333	—	679,333
Revenue generated from contracts with customers	9,043,770	1,837,997	110,944	10,992,713
Other revenue	—	—	—	—
Sales to external customers	9,043,770	1,837,997	110,944	10,992,713

Note:

The Group has one segment. Information is presented in a breakdown of revenue arising from contracts with customers for each product and service, categorized by the timing of revenue recognition.

2. Information that is the basis for understanding revenue generated from contracts with customers

As described in “Important Matters Fundamental for the Preparation of Consolidated Financial Statements: 3. Accounting Policies (8) Criteria for recording significant revenues and expenses.”

3. Information on the relationship between satisfying performance obligations under a contract with customers and the cash flow arising from the contract, and the amount and timing of revenue that is expected to be recognized from the contract with the customer existing at the end of the current to the following fiscal year and beyond

(1) Balance of contract assets and contract liabilities, etc.

(Thousand yen)

	Previous fiscal year	Current fiscal year
Receivables arising from contracts with customers (Beginning balance)	710,444	980,467
Receivables arising from contracts with customers (Ending balance)	980,467	1,139,133
Contract liabilities (Beginning balance)	396,699	504,487
Contract liabilities (Ending balance)	504,487	852,480

Contract liabilities mainly relate to deferred revenue arising from receiving lump-sum payments from customers for the monthly basic fee covering the contract period and are amortized over the period of provision of products and services. Of the amount of revenue recognized in the previous fiscal year, the amount included in the balance of contract liabilities as of the beginning of the period was 396,699 thousand yen. For the current fiscal year, the amount included in the balance of contract liabilities as of the beginning of the period was 502,283 thousand yen.

(Segment information, etc.)

[Segment information]

Previous fiscal year ended Sep. 30, 2023

This information is omitted as the Company operates a single segment, namely the SaaS business.

Current fiscal year ended Sep. 30, 2024

This information is omitted as the Company operates a single segment, namely the SaaS business.

[Supplementary information]

Previous fiscal year ended Sep. 30, 2023

1. Information by product and service

(Thousand yen)

	Products	Services	Other	Total
Sales to external customers	7,335,082	1,287,954	10,601	8,633,638

2. Information by geographical area

(1) Net sales

This information is omitted because there are no sales to external customers outside Japan.

(2) Property and equipments

This information is omitted because there are no property and equipment located outside Japan.

3. Information by major customers

This information is omitted because no external customer accounted for 10% or more of net sales in the statements of income (loss).

Current fiscal year ended Sep. 30, 2024

1. Information by product and service

(Thousand yen)

	Products	Services	Other	Total
Sales to external customers	9,043,770	1,837,997	110,944	10,992,713

2. Information by geographical area

(1) Net sales

This information is omitted because there are no sales to external customers outside Japan.

(2) Property and equipments

This information is omitted because there are no property and equipment located outside Japan.

3. Information by major customers

This information is omitted because no external customer accounted for 10% or more of net sales in the statements of income (loss).

[Information about impairment loss of fixed assets by reportable segment]

Previous fiscal year ended Sep. 30, 2023

Since the Group operates as a single segment in the SaaS business, the segment information is omitted.

Current fiscal year ended Sep. 30, 2024

The reportable segments of the Group are the SaaS business and advertising business. However, the share of the advertising business is small with the total segments, and its significance for disclosure purposes is limited, thus the segment information is omitted.

[Information about amortization and unamortized balance of goodwill by reportable segment]

Previous fiscal year ended Sep. 30, 2023

Since the Group operates as a single segment in the SaaS business, the segment information is omitted.

Current fiscal year ended Sep. 30, 2024

The reportable segments of the Group are the SaaS business and advertising business. However, the share of the advertising business is small with the total segments, and its significance for disclosure purposes is limited, thus the segment information is omitted.

[Information about gain on negative goodwill by reportable segment]

Previous fiscal year ended Sep. 30, 2023

Not applicable.

Current fiscal year ended Sep. 30, 2024

Not applicable.

[Related party information]

1. Transactions with related parties

(1) Transactions between the company submitting the consolidated financial statements and related parties

(a) Officers and major shareholders (limited to individuals), etc. of the company submitting the consolidated financial statements

Previous fiscal year ended Sep. 30, 2023

	Name of company or individual	Common stock or capital contribution (thousand yen)	Description of business or occupation	Details of transaction	Transaction amount (thousand yen)	Item	Year-end balance (thousand yen)
Officer	Keitaro Takayanagi	0.7 directly held	Company director	In-kind contribution of monetary claims ⁽¹⁾ compensation	119,999	–	–
Officer	Kentaro Muto	0.6 directly held	Company director	Loan of funds ⁽²⁾ Receipt of interest	– 100	Long-term loans to director	10,007

Transaction terms and policies for determining transaction conditions

Notes: 1) It is an in-kind contribution of monetary compensation claims based on a restricted stock compensation system.
2) The interest rate for loans is determined rationally, taking market interest rate into consideration.

Current fiscal year ended Sep. 30, 2024

	Name of company or individual	Common stock or capital contribution (thousand yen)	Description of business or occupation	Details of transaction	Transaction amount (thousand yen)	Item	Year-end balance (thousand yen)
Officer	Keitaro Takayanagi	0.7 directly held	Company director	In-kind contribution of monetary claims ⁽¹⁾ compensation	119,999	–	–
Officer	Kentaro Muto	0.3 directly held	Company director	Loan of funds ⁽²⁾ Receipt of interest	– 100	Long-term loans to director	10,007

Transaction terms and policies for determining transaction conditions

Notes: 1) It is an in-kind contribution of monetary compensation claims based on a restricted stock compensation system.
2) The interest rate for loans is determined rationally, taking market interest rate into consideration.

(Per share information)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Net assets per share	65.89 yen	77.54 yen
Net income (loss) per share	(53.92) yen	8.01 yen
Diluted earnings per share	– yen	7.85 yen

Note: Information on diluted net income per share for the current consolidated fiscal year is not stated as, even though there are dilutive shares, a net loss per share has been recorded.

2. The basis for calculation of net loss per share were as follows:

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Net income (loss) per share		
Net income (loss) attributable to owners of parent (thousand yen)	(2,108,610)	320,732
Amount not attributable to common shareholders (thousand yen)	–	–
Net income (loss) attributable to owners of parent with respect to common stock (thousand yen)	(2,108,610)	320,732
Weighted average number of shares	39,103,231	40,059,692
Increase in common stock (shares)	–	813,990
Outline of potential common stock excluded from the computation of diluted net income per share due to its non-dilutive effect	Two types of stock acquisition right (Number of stock acquisition rights: 449,000 shares of common stock)	Two types of stock acquisition right (Number of stock acquisition rights: 288,000 shares of common stock)

(Significant subsequent event)

Not applicable.

[Consolidated supplementary schedules]

[Schedule of corporate bonds]

Not applicable.

[Details if borrowings]

	Beginning balance (thousand yen)	Ending balance (thousand yen)	Average interest rate (%)	Repayment deadline
Short-term debt	1,660	100,000	4.00	–
Current portion of long-term debt	384,628	699,666	1.67	–
Long-term debt (excluding current portion)	990,540	521,026	1.40	2025 - 2035
Total	1,376,828	1,320,692	–	–

Notes:

- 1) The average interest rate is the weighted average interest rate for the year-end balance of loans outstanding.
- 2) The scheduled repayment amounts for long-term debt and lease obligations (excluding current portion) for the five years following the consolidated closing date are as follows:

	Between one and two years (thousand yen)	Between two and three years (thousand yen)	Between three and four years (thousand yen)	Between four and five years (thousand yen)
Long-term debt	408,766	13,140	13,140	13,140

[Asset retirement obligation schedule]

Not applicable.

[Other]

Quarterly information, etc. for the current consolidated fiscal year

(Cumulative period)	End of Q1	End of Q2	End of Q3	Current fiscal year
Net sales (thousand yen)	2,531,780	5,264,996	8,062,600	10,992,713
Net income (loss) before adjustments for taxes, etc. (thousand yen)	(27,670)	57,115	73,956	25,010
Net income (loss) attributable to owners of the parent (thousand yen)	(16,233)	54,092	55,371	320,732
Net income (loss) per share (yen)	(0.41)	1.36	1.39	8.01

(Fiscal period)	End of Q1	End of Q2	End of Q3	End of Q4
Net quarterly income (loss) per share (yen)	(0.41)	1.76	0.03	6.55

2 Financial Statements

(1) Financial statements

(a) Balance sheet

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Assets		
Current assets		
Cash and deposits	2,963,658	4,118,904
Notes receivable - trade	813,788 ¹⁾	963,483
Prepaid expenses	374,955	405,618
Short-term loans to subsidiaries and affiliates	300,000 ¹⁾	180,000 ¹⁾
Other	130,415 ¹⁾	41,689 ¹⁾
Allowance for doubtful receivables	(204,992)	(84,658)
Total current assets	4,377,825	5,625,037
Non-current assets		
Property and equipments		
Buildings	26,227	26,227
Accumulated depreciation	(26,227)	(26,227)
Buildings, net	0	0
Tools, furniture and fixtures	181,966	223,883
Accumulated depreciation	(124,369)	(163,156)#
Tools, furniture and fixtures, net	57,597	60,727
Property and equipments, net	57,597	60,727
Investments and other assets		
Shares of subsidiaries and affiliates	608,235	236,079
Investment securities	56,137	49,914
Lease and guarantee deposits	251,914	245,514
Long-term loans to employees	4,22	2,029
Long-term loans to directors	10,007	10,007
Long-term loans receivable to affiliates	—	63,260
Claims provable in rehabilitation from bankruptcy	3,388	3,121
Long-term prepaid expenses	113,940	63,589
Deferred tax assets	—	393,333
Allowance for doubtful receivables	(3,388)	(3,121)
Total investments and other assets	1,044,465	1,063,729
Total non-current assets	1,102,062	1,124,456
Total assets	5,479,888	6,749,493

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Liabilities		
Current liabilities		
Current portion of long-term debt	364,000 ²⁾	642,800 ²⁾
Accounts payable - other	656,140 ¹⁾	657,371 ¹⁾
Income taxes payable	44,895	205,764
Contract liabilities	432,315	744,087
Allowance for loss on guarantees	—	100,000
Lease and guarantee deposits	300,000	300,000
Exchange contract	—	31,143
Allowance for losses on order received	54,429	77,224
Other	268,257	426,512
Total current liabilities	2,120,038	3,184,905
Long-term liabilities		
Long-term debt	735,800 ²⁾	393,000 ²⁾
Allowance for loss on guarantees	—	44,002
Deferred tax liabilities	18,493	—
Total long-term liabilities	754,293	437,002
Total liabilities	2,874,332	3,621,907
Net assets		
Shareholders' equity		
Capital stock	2,945,895	3,091,157
Capital surplus		
Capital reserve	4,905,897	5,051,160
Total capital surplus	4,905,897	5,051,160
Retained earnings (Accumulated deficit)		
Other retained earnings		
Retained earnings (Accumulated deficit)	(5,295,009)	(4,999,991)
Other retained earnings	(5,295,009)	(4,999,991)
Total retained earnings	(5,295,009)	(4,999,991)
Treasury shares	(279)	(281)
Total shareholders' equity	2,556,504	3,142,045
Adjustments for valuation, translation, etc.		
Deferred gains or losses on hedges	41,904	(21,607)
Total adjustments for valuation, transactions, etc.	41,904	(21,607)
Stock acquisition right	7,147	7,147
Total net assets	2,605,556	3,127,585
Total liabilities and net assets	5,479,888	6,749,493

(b) Income statement

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Net sales	7,644,542 ¹⁾	9,825,252 ¹⁾
Cost of sales	2,112,967 ¹⁾²⁾	2,966,230 ¹⁾
Gross profit	5,531,575	6,859,021
Selling general and administrative expenses	5,929,382 ³⁾	6,081,471 ³⁾
Operating income (loss)	(397,806)	777,549
Non-operating income		
Interest income	2,572 ¹⁾	6,025 ¹⁾
Commission received	24,896 ¹⁾	41,636 ¹⁾
Other	870	1,750
Total non-operating income	28,339	49,411
Non-operating expenses		
Interest expenses	17,329	14,624
Commission fee	16,082	4,166
Foreign exchange loss	13,525	—
Compensation fees	2,000	9,563
Restricted stock-related expenses	—	38,819
Other	5,190	7,758
Total non-operating expenses	54,127	74,933
Ordinary income (loss)	(423,594)	752,082
Extraordinary losses		
Provision for loss on guarantees	—	100,000
Loss on valuation of investment securities	54,257	6,222
Loss on valuation of subsidiaries and affiliates	1,644,958 ⁴⁾	382,156 ⁴⁾
Allowance for doubtful receivables of subsidiaries and affiliates	204,992	154,88
Other	—	44,002
Total extraordinary losses	1,904,209	687,262
Income (loss) before income taxes	(2,327,804)	64,766
Income taxes - current	3,804	153,545
Income taxes - deferred	—	(383,797)
Total income taxes	3,804	(230,251)
Net income (loss)	(2,331,608)	295,018

Cost of sales statement

	Notes No.	Previous fiscal year (ended Sep. 30, 2023)		Current fiscal year (ended Sep. 30, 2024)	
		Amount (thousand yen)	Ratio (%)	Amount (thousand yen)	Ratio (%)
I Labor cost		201,328	9.53	513,852	17.32
II Expenses	1	1,911,638	90.47	2,452,378	82.68
Cost of sales		2,112,967	100.00	2,966,230	100.00

Note: 1) The main breakdown is as follows:

Item	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Server costs (thousand yen)	1,574,552	1,714,052
Allowance for doubtful receivables (thousand yen)	45,140	22,795
Other (thousand yen)	291,946	715,530

(Cost accounting method)

The Company applies individual cost accounting based on actual costs.

(c) Non-consolidated statement of changes in shareholders' equity
Previous fiscal year(ended Sep.30, 2023)

(Thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders equity
		Capital reserve	Total capital surplus	Other retained earnings Retained earnings (carried forward)	Total retained earnings		
Beginning balance	2,690,028	4,650,030	4,650,030	(2,963,400)	(2,963,400)	(228)	4,376,430
Changes during year							
Issuance of new shares (Restricted stock compensation)	236,104	236,104	236,104	-	-	-	472,208
Issuance of new shares (Exercise of stock acquisition right)	19,762	19,762	19,762	-	-	-	39,525
Net income (loss)	-	-	-	(2,331,608)	(2,331,608)		(2,331,608)
Acquisition of treasury shares	-	-	-	-	-	(50)	(50)
Net change in items other than shareholders' equity	-	-	-	-	-	-	-
Total changes during fiscal year	255,866	255,866	255,866	(2,331,608)	(2,331,608)1	(50)	(1,819,925)
Year-end balance	2,945,895	4,905,897	4,905,897	(5,295,009)	(5,295,009)	(279)	2,556,504

	Adjustments for valuation, transaction, etc.	Stock acquisition right	Total net assets
	Deferred gains or losses on hedges		
Beginning balance	29,015	5,718	4,411,163
Changes during fiscal year			
Issuance of new shares (Restricted stock compensation)	-	-	472,208
new shares (Exercise of stock acquisition right)	-	-	39,525
Net income (loss)	-	-	(2,331,608)
Acquisition of treasury shares	-	-	(50)
Net change in items other than shareholders' equity	12,888	1,429	14,318
Total changes during fiscal year	12,888	1,429	(1,805,607)
Year-end balance	41,904	7,147	2,605,556

Current fiscal year(ended Sep.30, 2024)

(Thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders equity
		Capital reserve	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings (carried forward)			
Beginning balance	2,945,895	4,905,897	4,905,897	(5,295,009)	(5,295,009)	(279)	2,556,504
Changes during year							
Issuance of new shares (Restricted stock compensation)	83,439	83,439	83,439	–	–	–	166,878
Issuance of new shares (Exercise of stock acquisition right)	61,823	61,823–	61,823–	–	–	–	123,646
Net income (loss)	–	–	–	295,018	295,018–	–	295,018
Acquisition of treasury shares	–	–	–	–	–	(2)	(2)
Net change in items other than shareholders' equity	–	–	–	–	–	–	–
Total changes during fiscal year	145,262	145,262–	145,262–	295,018–	295,018–	–	585,541
Year-end balance	3,091,157	5,051,160	5,051,160–	(4,999,991)	(4,999,991)–	(281)	3,142,045

	Adjustments for valuation, transaction, etc.	Stock acquisition right	Total net assets
	Deferred gains or losses on hedges		
Beginning balance	41,904	7,147	2,605,556
Changes during fiscal year			
Issuance of new shares (Restricted stock compensation)	–	–	166,878
new shares (Exercise of stock acquisition right)	–	–	123,646
Net income (loss)	–	–	295,018
Acquisition of treasury shares	–	–	(2)
Net change in items other than shareholders' equity	(63,511)–	–	(63,511)
Total changes during fiscal year	(63,511)	–	522,029
Year-end balance	(21,607)	7,147	3,127,585

[Notes on consolidated financial statements]

(Significant accounting policies)

1. Valuation standards and methods for marketable securities

(1) Shares of subsidiaries and affiliates

The moving average method is used.

(2) Other securities

Marketable securities with no fair market value

The moving average method is used.

2. Depreciation method for non-current assets

Property and equipment

The declining balance method is used. However, the straight-line method is used for buildings and accompanying facilities acquired on or after April 1, 2016.

The estimated useful lives of major asset items are as follows:

Buildings: 2 to 5 years

Tools, furniture and fixtures: 4 to 15 years

3. Method of accounting for deferred assets

Stock Issuance Cost

Stock issuance cost is expensed when incurred.

4. Criteria for recording revenues and expenses

In the Company's mainstay SaaS business, revenue generated from contracts with customers is classified into product revenue, which relates to the providing of products, and service revenue, which relates to the providing of professional services. For either type of revenue, any revenues generated from the continuous provision of products or services, such as monthly subscription fees, are recognized as revenues for the period when the products or services are provided to the customer. Any revenue that relates to the initial introduction of a product or the provision of a temporary one-off service is considered to be a transaction fulfilled when the work is complete and so is recognized as revenue generated at one point in time.

5. Significant hedge accounting policies

(a) Hedge accounting method

Deferred hedge accounting method is applied. The Company has applied the allocation method for forward exchange contracts when the requirements for the allocation method are met.

(b) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts

Hedged items: Accounts payable - other

(c) Hedging policy

In order to reduce the risk of foreign currency fluctuations, the Company conducts hedging within the scope of applicable liabilities.

(d) Method for evaluating the effectiveness of hedging

The Company assesses the hedging effectiveness based on the amount of fluctuation of both the hedged items and the hedging instruments, comparing the cumulative market fluctuations of the hedged items and the hedging instruments during the period from the start of hedging to the time of effectiveness assessment. For items for which the allocation method is applied, the hedging effectiveness assessments are omitted based on the judgment that their effectiveness has been proved at the time of adoption.

6. Foreign currency translations

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates with the resulting exchange gain or loss recognized in the statements of income (loss).

7. Criteria for recording allowances

Allowance for doubtful receivables

In order to prepare for possible bad debt losses on receivables, the Company records an estimated uncollectible amount based on the loan loss ratio in the case of general receivables and based on individual considerations of the likelihood of collection in the case of specific receivables such as doubtful receivables.

Allowance for losses on order received

In order to provide for possible future losses related to contracts of orders on hand at the end of the fiscal year, those with high probability of generating losses and where it is possible to reasonably estimate the amount of such losses, the estimated amount of losses to be incurred in the future is provided as an allowance for losses on order received.

Allowance for loss on guarantees

To provide for losses related to guarantees, an allowance is provided for the estimated amount of losses to be incurred, taking into consideration the financial conditions of each guaranteed party.

Allowance for loss on business of subsidiaries and affiliates

To cover potential losses from the business activities of affiliates, the Company recognizes the estimated loss amount exceeding the book value of receivables from affiliates that the Company may be required to bear.

(Significant accounting estimates)

(1) Valuation of stocks of subsidiaries and affiliates

(a) Amount recorded in the financial statements for the fiscal year

(thousand yen)

	Previous fiscal year	Current fiscal year
Shares of subsidiaries and affiliates	608,235	236,079
Short-term loans to subsidiaries and affiliates	300,000	191,160
Long-term loans to subsidiaries and affiliates	–	63,260
Allowance for doubtful accounts	204,992	59,873
Allowance for loss on guarantees	–	100,000
Allowance for loss on business of subsidiaries and affiliates	–	44,002

(b) Information about content of significant accounting estimates for identified items

Stocks of subsidiaries and affiliates are stated at acquisition cost, which is the balance sheet amount. The valuation of stocks of subsidiaries and affiliates is based on a comparison of the real value, which reflects excess earning capacity, with the book value to determine whether there has been a significant decline in the real value.

In the event of a significant decline in the real value, a corresponding impairment loss is recognized; however, in cases where recovery is deemed probable, no impairment loss is recognized. In addition, allowances are provided for the estimated amount of losses to be incurred in accordance with “7. Accounting Standards for Allowances and Reserves” under “Significant Accounting Policies.

Any future deterioration in the Company's performance and financial position could affect the valuation and the amount of related reserves in the financial statements of the following fiscal year.

(2) Recoverability of Deferred Tax Assets

(a) Amount recorded in the financial statements for the fiscal year

	Previous fiscal year	Current fiscal year
Deferred tax assets	–	393,333
Deferred tax liabilities	18,493	–

(b) Information about content of significant accounting estimates for identified items

Deferred tax assets are the same as those described in “Notes (Significant Accounting Estimates)” to the consolidated financial statements.

(Change in accounting policies)

Not applicable.

(Change in presentation method)

(Notes to Statements of Income)

In the previous fiscal year, "commission fees paid," which had been included under "Other" in "Non-Operating Expenses," have been presented separately in the current fiscal year due to their increased materiality. To reflect this change in presentation, the statement of income for the previous fiscal year has been reclassified. As a result, the amount of 7,190 thousand yen previously reported under "Other" in "Non-Operating Expenses" has been reclassified into 2,000 thousand yen for "Commission Fees Paid" and 5,190 thousand yen for "Other".

(Balance sheet)

(1) Assets and liabilities of subsidiaries and affiliates

Monetary claims and obligations to subsidiaries and affiliates are as follows:

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Short-term monetary claims	355,994(thousand yen)	215,032(thousand yen)
Long-term monetary claims	—	63,260
Short-term monetary obligations	63,726	55,416

(2) Term loan agreement with executable period and loan agreement, and related financial covenants

Previous fiscal year ended Sep. 30, 2023

PLAID has concluded financial loan agreements with MUFG Bank and Resona Bank for the purpose of establishing a stable financing system going forward and refinancing existing loans. Each of these agreements has the following financial covenants, and if any of these are violated, the loans may be repaid in full at the request of the lender.

(1) Term loan agreement with executable period (with MUFG Bank)

- I. On the consolidated balance sheet at the end of each quarter starting from June 2023, the total amount of net assets must be maintained at 50% or more of the total net assets as at the end of September 2022.
- II. On the consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 1,000,000 thousand yen or more.
Calculation formula: Cash and deposits - Interest-bearing debt
- III. On the non-consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 700,000 thousand yen or more.
Calculation formula: Cash and deposits - Interest-bearing debt

The undrawn balance of term loans with executable period as of the end of the current consolidated fiscal year is as follows.

Term loans with executable period	1,000,000(thousand yen)
Outstanding balance of unexecuted loans	600,000(thousand yen)
Balance due	400,000(thousand yen)

(2) Loan agreement (with Resona Bank)

- I. The consolidated adjusted operating income for the fiscal year ending September 2025 shall not be a loss.
Calculation formula: Operating income + Goodwill amortization + Stock-based compensation expenses + Other non-recurring expenses
- II. The amount of net assets on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 50% or more compared to the fiscal year ended September 2022.
- III. The amount of cash and deposits minus interest-bearing debt shown on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 1,000,000 thousand yen or more.

The debt balance at the end of the current consolidated fiscal year is as follows.

Debt balance as on September 30, 2023 428,600(thousand yen) (of which 142,800 thousand yen scheduled to be repaid within one year)

Current fiscal year ended Sep. 30, 2024

PLAID has concluded financial loan agreements with MUFG Bank and Resona Bank for the purpose of establishing a stable financing system going forward and refinancing existing loans. Each of these agreements has the following financial covenants, and if any of these are violated, the loans may be repaid in full at the request of the lender.

(1) Term loan agreement with executable period (with MUFG Bank)

- IV. On the consolidated balance sheet at the end of each quarter starting from June 2023, the total amount of net assets must be maintained at 50% or more of the total net assets as at the end of September 2022.
- V. On the consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 1,000,000 thousand yen or more.
Calculation formula: Cash and deposits - Interest-bearing debt
- VI. On the non-consolidated balance sheet at the end of each quarter starting from June 2023, the amount calculated using the following formula must be maintained at 700,000 thousand yen or more.
Calculation formula: Cash and deposits - Interest-bearing debt

The undrawn balance of term loans with executable period as of the end of the current consolidated fiscal year is as follows.

Term loans with executable period	1,000,000(thousand yen)
Outstanding balance of unexecuted loans	1,000,000(thousand yen)
Balance due	— (thousand yen)

(2) Loan agreement (with Resona Bank)

- IV. The consolidated adjusted operating income for the fiscal year ending September 2025 shall not be a loss.
Calculation formula: Operating income + Goodwill amortization + Stock-based compensation expenses + Other non-recurring expenses
- V. The amount of net assets on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 50% or more compared to the fiscal year ended September 2022.
- VI. The amount of cash and deposits minus interest-bearing debt shown on the consolidated balance sheet at the end of each fiscal year and second quarter shall be maintained at 1,000,000 thousand yen or more.

The debt balance at the end of the current consolidated fiscal year is as follows.

Debt balance as on September 30, 2024 285,800(thousand yen) (of which 142,800 thousand yen scheduled to be repaid within one year)

(Income statement related)

(1) Transactions with subsidiaries and affiliates

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Transaction volume from business transactions		
Net sales	13,210	8,075
Purchase amount	121,887	309,024
Transaction volume from non-business transactions	27,143	47,210

(2) Provision of allowance for loss on orders received included in cost of sales

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Provision of allowance for loss on orders received	45,140	22,795

(3) Selling expenses accounted for approximately 14% in the previous fiscal year and 10% in the current fiscal year. General and administrative expenses accounted for approximately 86% in the previous fiscal year and 90% in the current fiscal year.

The major items and amounts of SG&A expenses are as follows:

(Thousand yen)

	Previous fiscal year (ended Sep. 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Salaries and allowance	2,467,147	2,717,139
Advertising expenses	687,038	453,076
Rents	288,320	262,820
Depreciation costs	38,232	38,787
Provision of allowance for doubtful accounts	3,388	27,417

(4) Valuation loss on affiliated company shares

Previous fiscal year ended Sep. 30, 2023

The valuation loss on affiliated company shares pertains to the Company's subsidiaries, Emotion Tech, Inc. amounting to 1,634,958 thousand yen and RightTouch, Inc. amounting to 10,000 thousand yen.

Current fiscal year ended Sep. 30, 2024

The valuation loss on affiliated company shares pertains to the Company's subsidiaries, Emotion Tech, Inc. amounting to 372,156 thousand yen and Codatum, Inc. amounting to 10,000 thousand yen.

(Investment securities)

Shares of subsidiaries and affiliates

Previous fiscal year ended September 30, 2023

Stocks of subsidiaries (amount on the balance sheet for the previous fiscal year: 608,235 thousand yen) are not listed because there are no quoted market prices and it is extremely difficult to determine their fair value.

Current fiscal year ended September 30, 2024

Stocks of subsidiaries (amount on the balance sheet for the current fiscal year: 236,079 thousand yen) are not listed because there are no quoted market prices.

(Tax effect accounting)

1. Breakdown of deferred tax assets and liabilities by main cause

(Thousand yen)	Previous fiscal year (ended Sep 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Deferred tax assets		
Tax loss carryforward	764,169	592,209
Depreciation costs	27,184	22,390
Investment securities	42,401	44,306
Shares of subsidiaries and affiliates	503,686	712,562
Software	225,283	228,226
Enterprise tax payable	12,582	22,503
Allowance for doubtful receivables	63,806	26,400
Provision of allowance for loss on orders received	16,666	23,646
Stock-based compensation expenses	58,246	33,965
Allowance for loss on business of subsidiaries and affiliates	—	13,473
Allowance for loss on guarantees	—	30,620
Accounts payable	—	52,459
Exchange contract	—	9,536
Other	11,261	27,900
Subtotal deferred tax assets	1,725,289	1,840,200
Valuation allowance for tax loss carryforwards for tax purposes	(764,169)	(428,543)
Valuation allowance for future deductible amounts	(961,119)	(1,018,323)
Subtotal less valuation allowance	(1,725,289)	(1,446,867)
Total deferred tax assets	—	393,333
Deferred tax liabilities		
Forward exchange contracts	△18,493	—
Total deferred tax liabilities	△18,493	—
Net deferred tax liabilities	△18,493	393,333

reconciliations between the normal effective statutory tax rate and the actual effective tax rate

Previous fiscal year ended Sep. 30, 2023

Information is omitted because a net loss before tax has been recorded.

Current fiscal year ended Sep. 30, 2024

	Previous fiscal year (ended Sep 30, 2023)	Current fiscal year (ended Sep. 30, 2024)
Effective statutory tax rate.	—	30.6%
(adjustments)		
Items Permanently Non-Deductible as		
Entertainment Expenses	—	14.9%
Per Capita Resident Tax	—	5.9%
Valuation allowance	—	(429.9%)
Tax deductions	—	(44.4%)
Stock-based compensation expense	—	50.3%
Miscellaneous losses	—	18.4%
Other	—	(1.3%)
Effective tax rate after application of tax effect accounting	—	(355.5%)

(Revenue recognition)

Notes are omitted because the same content is described in the “Notes on consolidated financial statements: Revenue recognition” section of the consolidated financial statements.

(Significant subsequent events)

Not applicable.

[Non-consolidated supplement schedules]

[Schedule for property, plant and equipment, etc.]

(Thousand yen)

Type of assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation or amortization at the end of current period	Amortization during the period	Balance at the end of current period
Property and equipment							
Buildings	26,227	–	–	26,227	26,227	–	0
Tools, furniture and fixtures	181,967	41,916	–	223,883	163,156	38,787	60,727
Total property and equipment	208,194	41,916	–	250,111	189,384	38,787	60,727

Note: 1. The balances at the beginning and end of the current period are stated at the acquisition cost.

Note: 2. The main items for the decrease in the current fiscal year are as follows:

Tools, furniture and fixtures	Decrease (thousand yen)	Computers, etc.	41,916
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[Schedule of allowances]

	Beginning balance	Increase	Decrease (Intended use)	Decrease (Other)	Ending balance
Allowance for doubtful receivables	208,380	396,287	208,380	308,507	87,780
Allowance for losses on order received	54,429	77,224	54,429	–	77,224
Allowance for loss on business of subsidiaries and affiliates		100,000	–	–	100,000
Allowance for loss on guarantees		44,002	–	–	44,002

Note1: The amount of allowance for doubtful accounts is the sum of the allowance for doubtful accounts against current assets and investments and other assets on the balance sheet.

Note2: Decrease (other) in allowance represents is reversal amount due to the execution of a debt-equity swap for a subsidiary.

(2) [Details of major assets and liabilities]

Information is omitted as consolidated financial statements are being prepared.

(3) [Other]

Not applicable.