

English Translation

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Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending September 30, 2022 (Japanese GAAP)

May 10, 2022

Company Name: PLAID, Inc.
 Listing: Tokyo Stock Exchange
 Securities Code: 4165
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 Scheduled date to file quarterly securities report: May 10, 2022
 Scheduled date to commence dividend payment: —
 Preparation of supplementary materials for quarterly results: Yes
 Holding of financial results meeting: Yes (For institutional investors and securities analysts)

(Millions of yen with fractional amounts rounded down, unless otherwise noted)

1. Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending September 30, 2022 (from October 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	3,616	—	(303)	—	(351)	—	(340)	—
March 31, 2021	—	—	—	—	—	—	—	—

Note: Comprehensive income Six months ended March 31, 2022 (354) millions of yen (—%)
 Six months ended March 31, 2021 — millions of yen (—%)

	Net income (loss) per share	Diluted income (loss) per share
Six months ended	Yen	Yen
March 31, 2022	(8.92)	—
March 31, 2021	—	—

Note: The Company started preparing consolidated financial statements from the fourth quarter of the fiscal year ended September 30, 2021, therefore does not present the financial results for the previous fiscal year and year-on-year changes. Further, both return on equity and ordinary income to total assets for the fiscal year ended September 30, 2021 were calculated based on the year-end equity and year-end total assets respectively, because this is the first time the Company reported a consolidated balance sheet.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2022	7,640	4,670	60.1
March 31, 2021	6,983	4,953	69.6

Reference: Equity As of March 31, 2022 4,590 millions of yen
 As of March 31, 2021 4,861 millions of yen

2. Dividends

	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2021	—	0.00	—	0.00	0.00
Fiscal year ended September 30, 2022	—	0.00	—	0.00	0.00
Fiscal year ended September 30, 2022 (Forecast)	—	—	—	0.00	0.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

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3. Forecast of Consolidated Results for Fiscal Year Ending September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of parent		Net income (loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	7,186	32.0	(1,213)	—	(1,326)	—	(1,243)	—	(32.51)

Note: Revisions to the forecast of results since most recent announcement: Yes

*Notes to Financial Statements

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement

- a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- b. Changes in accounting policies for other reasons: None
- c. Changes in accounting estimates: None
- d. Restatement: None

(4) Number of issued shares (Common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	38,342,900shares
As of September 30, 2021	37,890,900shares

b. Number of treasury shares at the end of the period

As of March 31, 2022	63shares
As of September 30, 2021	25shares

c. Average number of outstanding shares during the period

As of March 31, 2022	38,118,272shares
As of March 31, 2021	36,667,285shares

*This quarterly financial results report is out of scope from audit conducted by certified public accountants or audit firms.

*Explanation of the appropriate use of earnings forecasts and other special notes

(Disclaimer regarding forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company. They are not intended as a promise by the Company that they will be achieved. Further, actual earnings, etc. may differ materially due to a variety of factors.

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1. Qualitative Information regarding Results for the period

(1) Overview of Operating Results during the period

The Company did not prepare quarterly consolidated financial statements for the consolidated cumulative 2nd quarter of the previous fiscal year, and therefore does not conduct a comparative analysis with the same period of the previous fiscal year.

With the mission of “Maximize the Value of People with the Power of Data,” the Company provides its CX (Customer Experience) (Note 1) platform KARTE via the cloud (Note 2) to companies that operate websites, smartphone apps, and other similar businesses, with the aim of returning the enormous amounts of diverse data that exists in the world as something valuable to consumers (Note 3) and distributing rich experiences as well. With so many services now available online, including shopping, travel, and finance, the Company believes that consumers do not want only simple conveniences such as being able to shop or make reservations from home. Rather, customers want high-quality communications and experiences that enable them to receive optimal proposals matched to their interests and situations.

Meanwhile, in order to respond to such consumers’ needs, companies need to correctly understand the situations of each individual through the accumulation, integration, and analysis of data. Based on this, companies are required to either create appropriate communications or build a system to personalize their websites or smartphone apps for their customers. However, these efforts are currently so complex and difficult for companies.

Through using KARTE, companies can analyze a variety of data, most notably real-time behavioral data on websites and smartphone apps, on a per-user basis. This allows the interests and status of each user to be visualized, therefore the company believes that this will make it easier to understand users not only in terms of PVs (Note 4) or UUs (Note 5) as figures, but also as individual people. Companies can then implement various communication measures that have been matched to the interests and situations of each individual user and verify the results of it through using KARTE.

As companies are increasingly interested in improving customer experience and utilizing data, KARTE is being used not only in the area of marketing on websites and smartphone apps, but also in a variety of corporate activities such as customer support. By enhancing the functions of KARTE and providing various products, we will continue to expand the data environment that enables companies to comprehensively understand their users in an integrated manner.

During the current 2nd quarter of the consolidated cumulative period, the Company made organizational changes and increased its workforce to strengthen sales of KARTE, and also took steps to further expand its business domain.

As a result, for the current 2nd quarter of the consolidated fiscal period, the Company’s ARR (Note 6) was 6,638,796 thousand yen. Meanwhile, the Company’s financial results for the same period were net sales of 3,616,944 thousand yen, an operating loss of 303,291 thousand yen, an ordinary loss of 351,098 thousand yen, and a net loss attributable to the parent company of 340,039 thousand yen.

The description by segment is omitted because the SaaS business is the only segment of the Company.

- Notes:
1. CX refers to customer experience which is defined to include the experience that the customers feel good, that is to say “the value that the customers realize through the experience”.
 2. The cloud refers to cloud computing, which is a generation term for the provision of software and other systems through the internet as a service.
 3. Consumers refers to all of the general, unspecified number of people in the world, while “Users” refers to the people to whom companies provide products and services.
 4. PV: Page Views. It refers to the number of times a particular page in a website is opened. It is an indicator used to measure how much a website is being viewed.
 5. UU: Unique Users. It refers to the number of distinct individuals who visited a particular website or accessed a particular smartphone app during any given period, regardless of how often that action occurs during the relevant period.
 6. ARR: Annual Recurring Revenue. It is calculated by multiplying the monthly subscription revenue sales at the end of each quarter by 12. This figure serves as a performance indicator for net sales, expected to be obtained over the 12 months starting from the month following the final month of the fiscal year only from existing subscriptions. This assumes all existing subscriptions will be renewed at their various renewal timings.

(2) Overview of financial position

(Assets)

Current assets as of March 31, 2022 were 5,613,719 thousand yen, up 657,179 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 544,412 thousand yen in cash and deposits resulting from the execution of long-term loans. Non-current assets were 2,027,015 thousand yen, down 394 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 80,255 thousand yen in goodwill due to the amortization of goodwill, despite an increase of 24,996 thousand yen in Investment securities, and an increase of 25,713 thousand yen in Lease and guarantee deposits. As a result, total assets were 7,640,735 thousand yen, up 656,785 thousand yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities as of March 31, 2022 were 1,705,000 thousand yen, up 64,728 yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 101,056 thousand yen in accounts payable, other, and an increase of 277,000 thousand yen in current portion of long-term debt. Long-term liabilities were 1,265,216 thousand yen, up 874,996 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 875,702 thousand yen in long-term debt.

As a result, total liabilities were 2,970,216 thousand yen, up 939,725 thousand yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets as of March 31, 2022 were 4,670,519 thousand yen, down 282,940 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to the posting of a net loss attributable to the owners of the parent company of 340,039 thousand yen.

As a result, the equity-to-asset ratio was 60.1% (69.6% as of September 30, 2021).

(3) Overview of Cash Flows during the period

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2022 were 4,716,530 thousand yen, up 544,412 thousand yen as from September 30, 2021. This was mainly due to factors such as the proceeds of long-term debt, despite loss before income taxes, an increase in accounts receivable, trade, a decrease in accounts payable, other, a repayment of long-term debt, and other factors.

The status of cash flow and their factors for the 1st six months of the current fiscal year, are as follows.

(Cash Flow from Operating Activities)

Net cash used in operating activities was 583,290 thousand yen. This was mainly due a loss before taxes of 351,098 thousand yen for upfront investments such as advertising expenses and personnel expenses for new customer acquisition, an increase in accounts receivable, trade of 123,740 thousand yen, and a decrease in accounts payable, other of 103,176 thousand yen.

(Cash Flow from Investing Activities)

Net cash used in investing activities was 92,437 thousand yen. This was mainly due to purchase of property and equipment of 42,793 thousand yen such as employee PCs and office equipment, payment of lease and guarantee deposits of 25,713 thousand yen, and purchase of investment securities of 24,996 thousand yen.

(Cash Flow from Financing Activities)

Net cash provided by financing activities was 1,220,141 thousand yen. This was mainly due to proceeds from long-term debt of 1,500,000 thousand yen.

(4) Consolidated Financial Results Forecasts and Other Forward-looking Statements

Please see the "Notice of revision of forecast of non-consolidated results" released today for the earnings forecasts for the fiscal year ending September 30, 2022.

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2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	4,172,117	4,716,530
Notes and accounts receivable, trade	645,983	769,724
Other	138,963	127,890
Allowance for doubtful receivables	(525)	(425)
Total current assets	4,956,539	5,613,719
Non-current assets		
Property and equipment	33,706	63,932
Intangible non-current assets		
Goodwill	1,605,111	1,524,855
Total non-current intangible assets	1,605,111	1,524,855
Investments and other assets		
Investment securities	84,645	109,641
Lease and guarantee deposits	285,377	311,091
Long-term loans to employees	18,570	17,495
Total investments and other assets	388,593	438,227
Total non-current assets	2,027,410	2,027,015
Total assets	6,983,950	7,640,735
Liabilities		
Current liabilities		
Accounts payable	5,125	13,582
Short-term debt	200,000	200,000
Current portion of long-term debt	326,576	603,576
Accounts payable, other	583,510	482,454
Income taxes payable	58,300	34,198
Deferred revenue	165,019	—
Contract liabilities	—	146,182
Allowance for losses on order received	—	759
Other	301,738	224,247
Total current liabilities	1,640,271	1,705,000
Long-term liabilities		
Long-term debt	389,514	1,265,216
Deferred tax liabilities	705	—
Total long-term liabilities	390,219	1,265,216
Total liabilities	2,030,490	2,970,216
Net assets		
Shareholders' equity		
Common stock	2,642,620	2,677,799
Capital surplus	4,602,623	4,637,802
Retained earnings (Accumulated deficit)	(2,385,202)	(2,725,242)
Treasury shares	(114)	(228)
Total shareholders' equity	4,859,926	4,590,131
Accumulated other comprehensive income (loss)		
Deferred gains or losses on hedges	1,598	—
Total accumulated other comprehensive income (loss)	1,598	—
Stock acquisition right	2,287	4,002
Non-controlling interests	89,647	76,385
Total net assets	4,953,459	4,670,519
Total liabilities and net assets	6,983,950	7,640,735

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(2) Quarterly Consolidated Statements of Income (loss) and Quarterly Consolidated Statements of Comprehensive Income (Quarterly Consolidated Statement of Income (loss)) (2nd quarter Consolidated Cumulative period)

(Thousands of yen)

	Fiscal Year Ending September 30, 2022 (from October 1, 2021 to March 31, 2022)
Net sales	3,616,944
Cost of sales	967,989
Gross profit	2,648,954
Selling, general and administrative expenses	2,952,245
Operating income (loss)	(303,291)
Non-operating income	
Interest income	125
Subsidy income	586
Commissions received	671
Other	218
Total non-operating income	1,601
Non-operating expenses	
Interest expenses	14,602
Foreign exchange loss	29,727
Other	5,079
Total non-operating expenses	49,409
Ordinary income (loss)	(351,098)
Income (loss) before income taxes	(351,098)
Income taxes - current	2,203
Total income taxes	2,203
Net income (loss)	(353,301)
Net loss attributable to noncontrolling interests	(13,261)
Net quarterly loss attributable to owners of parent	(340,039)

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(Quarterly Consolidated Statement of Comprehensive Income) (2nd quarter Consolidated Cumulative period)

(Thousands of yen)

	Fiscal Year Ending September 30, 2022 (from October 1, 2021 to March 31, 2022)
Net quarterly loss	(353,301)
Other comprehensive income	
Deferred gains or losses on hedges	(1,598)
Total other comprehensive income (loss)	(1,598)
Quarterly comprehensive income (loss)	(354,900)
(Breakdown)	
Comprehensive income attributable to owners of the parent	(341,638)
Comprehensive income attributable to noncontrolling interests	(13,261)

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(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal Year Ending September 30, 2022 (from October 1, 2021 to March 31, 2022)
Cash flow from operating activities	
Income (loss) before income taxes	(351,098)
Amortization of goodwill	80,255
Depreciation and amortization	13,521
Stock-based compensation expense	1,715
Increase (decrease) in allowance for doubtful receivables	(100)
Increase (decrease) in allowance for losses on order received	759
Interest expenses	(125)
Subsidy income	(586)
Commissions fee	(671)
Interest expenses	14,602
Decrease (increase) in accounts receivable, trade	(123,740)
Decrease (increase) in prepaid expenses	10,532
Increase (decrease) in accounts payable, other	(103,176)
Increase (decrease) in accrued consumption taxes	(99,538)
Increase (decrease) in Contract liabilities	(18,837)
Other	10,218
Sub total	(566,268)
Interest received	125
Subsidy income received	586
Commissions received	671
Interest expenses paid	(14,602)
Income taxes paid	(3,803)
Net cash provided by (used in) operating activities	(583,290)
Cash flow from investing activities	
Purchase of property and equipment	(42,793)
Purchase of investment securities	(24,996)
Payment of lease and guarantee deposits	(25,713)
Proceeds from collections on long-term loans to employees	1,065
Net cash provided by (used in) investing activities	(92,437)
Cash flow from financing activities	
Proceeds from long-term debt	1,500,000
Repayments of long-term debt	(347,298)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	69,806
Purchase of treasury stock	(113)
Payment of syndicated loan fees	(2,253)
Net cash provided by (used in) financing activities	1,220,141
Net increase (decrease) in cash and cash equivalents	544,412
Cash and cash equivalents at beginning of year	4,172,117
Cash and cash equivalents at end of quarter	4,716,530

(4) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Assumption of a Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Change in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has decided to apply the accounting standards including the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the start of the 1st quarter of the consolidated accounting period, and to recognize revenue for transfer of goods/services promised to customers in an amount reflecting the expected consideration in return for those goods or services. This change has no effect on the balance of profit and loss and retained earnings at the beginning of the current fiscal year.

Due to the application of the aforementioned accounting standards including the Accounting Standard for Revenue Recognition, deferred revenue, which was presented under current liabilities in the consolidated balance sheet for the previous fiscal year, is now presented as contract liabilities under current liabilities from the 1st quarter consolidated accounting period.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation method.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other related accounting standards have been applied from the beginning of the current 1st quarter consolidated accounting period. In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the aforementioned accounting standards including the Accounting Standard for Measurement of Fair Value will be applied prospectively. Note that the change will have no effect on the quarterly consolidated financial statements.