English Translation

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Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending September 30, 2022

(Japanese GAAP)

February 9, 2022

Company Name: PLAID, Inc.
Listing: Tokyo Stock Exchange
Securities code: 4165
URL: https://plaid.co.jp/
Representative: Kenta Kurahashi, Representative Director and CEO
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Scheduled date to file quarterly securities report: February 9, 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 1st Quarter of the Fiscal Year Ending September 30, 2022 (from October 1, 2021 to December 31, 2021)

(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	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31,2021	1,760	–	(180)	–	(196)	–	(184)	–
December 31, 2020	–	–	–	–	–	–	–	–

Note: Comprehensive income Three months ended December 31, 2021 (197) millions of yen (–%)
Three months ended December 31, 2020 – millions of yen (–%)

	Net income (loss) per share	Diluted income (loss) per share
Three months ended	Yen	Yen
December 31,2021	(4.87)	–
December 31, 2020	–	–

Note: The Company started reporting consolidated financial statements from 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	%
December 31, 2021	8,002	4,812	59.1
December 31, 2020	6,983	4,953	69.6

Reference: Equity As of December 31, 2021 4,732 millions of yen
As of September 30, 2020 4,861 millions of yen

2. Dividends

	Dividend per share				
	End of 1st quarter	End of second quarter	End of third 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	–				
Fiscal year ended September 30, 2022 (Forecast)		0.00	–	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
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%	Yen
Full Year	7,419	36.3	(1,565)	—	(1,694)	—	(1,694)	—	(44.72)
	~7,828	~43.8	~(1,343)	—	~(1,473)	—	~(1,473)	—	~(38.88)

Note: Revisions to the forecast of results since most recent announcement: None

*Notes

(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 due to 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 December 31, 2021	38,194,900shares
As of September 30, 2021	37,890,900shares

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

As of December 31, 2021	63shares
As of September 30, 2021	25shares

c. Average number of outstanding shares during the period

As of December 31, 2021	37,932,632shares
As of December 31, 2020	35,675,389shares

*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 1st 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 1st 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 1st quarter of the consolidated fiscal period, the Company’s ARR (Note 6) was 6,377,440 thousand yen. Meanwhile, the Company’s financial results for the same period were net sales of 1,760,796 thousand yen, an operating loss of 180,373 thousand yen, an ordinary loss of 196,300 thousand yen, and a net loss attributable to the parent company of 184,811 thousand yen. Furthermore, Emotion Tech Inc. has been consolidated in the Company’s statements of income (loss) starting from the current 1st quarter consolidated cumulative period.

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 December 31, 2021 were 5,975,771 thousand yen, up 1,019,231 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 975,421 thousand yen in cash and deposits resulting from the execution of long-term loans. Non-current assets were 2,027,063 thousand yen, down 347 thousand yen from the end of the previous consolidated fiscal year.

As a result, total assets were 8,002,834 thousand yen, up 1,018,883 thousand yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities as of December 31, 2021 were 1,801,886 thousand yen, up 161,615 yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 351,280 thousand yen in current portion of long-term debt.

Long-term liabilities were 1,388,044 thousand yen, up 997,824 thousand yen from the previous consolidated fiscal year. This was mainly due to an increase of 998,069 thousand yen in long-term debt.

As a result, total liabilities were 3,189,930 thousand yen, up 1,159,439 thousand yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets as of December 31, 2021 were 4,812,903 thousand yen, down 140,556 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 184,811 thousand yen. As a result, the equity-to-asset ratio was 59.1% (69.6% as of September 30, 2021).

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

There is no change from the previous notice in full-year earnings forecasts for the current fiscal year.

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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 December 31, 2021
Assets		
Current assets		
Cash and deposits	4,172,117	5,147,539
Notes and accounts receivable-trade	645,983	702,864
Other	138,963	125,793
Allowance for doubtful receivables	(525)	(425)
Total current assets	4,956,539	5,975,771
Non-current assets		
Property and equipment	33,706	43,263
Intangible non-current assets		
Goodwill	1,605,111	1,564,983
Total non-current intangible assets	1,605,111	1,564,983
Investments and other assets		
Investment securities	84,645	109,641
Lease and guarantee deposits	285,377	291,141
Long-term loans to employees	18,570	18,033
Total investments and other assets	388,593	418,816
Total non-current assets	2,027,410	2,027,063
Total assets	6,983,950	8,002,834
Liabilities		
Current liabilities		
Accounts payable	5,125	8,014
Short-term debt	200,000	200,000
Current portion of long-term debt	326,576	677,856
Accounts payable, other	583,510	495,084
Income taxes payable	58,300	16,116
Deferred income	165,019	—
Contract liabilities	—	153,175
Allowance for losses on order received	—	3,217
Other	301,738	248,422
Total current liabilities	1,640,271	1,801,886
Long-term liabilities		
Long-term debt	389,514	1,387,583
Deferred tax liabilities	705	461
Total long-term liabilities	390,219	1,388,044
Total liabilities	2,030,490	3,189,930
Net assets		
Shareholders' equity		
Common stock	2,642,620	2,671,035
Capital surplus	4,602,623	4,631,037
Retained earnings (Accumulated deficit)	(2,385,202)	(2,570,189)
Treasury shares	(114)	(228)
Total shareholders' equity	4,859,926	4,731,655
Accumulated other comprehensive income (loss)		
Deferred gains or losses on hedges	1,598	1,044
Total accumulated other comprehensive income (loss)	1,598	1,044
Stock acquisition right	2,287	3,145
Non-controlling interests	89,647	77,058
Total net assets	4,953,459	4,812,903
Total liabilities and net assets	6,983,950	8,002,834

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(2) Quarterly consolidated statements of income (loss) and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statement of income (loss))

(1st quarter consolidated cumulative period)

(Thousands of yen)

	Fiscal Year Ending September 30, 2022 (from October 1, 2021 to December 31, 2021)
Net sales	1,760,796
Cost of sales	475,295
Gross profit	1,285,501
Selling, general and administrative expenses	1,465,874
Operating income (loss)	(180,373)
Non-operating income	
Interest income	51
Commissions received	200
Other	385
Total non-operating income	636
Non-operating expenses	
Interest expenses	7,525
Foreign exchange loss	7,297
Other	1,740
Total non-operating expenses	16,563
Ordinary income (loss)	(196,300)
Income (loss) before income taxes	(196,300)
Income taxes - current	1,100
Total income taxes	1,100
Net income (loss)	(197,400)
Net loss attributable to noncontrolling interests	(12,588)
Net quarterly loss attributable to owners of parent	(184,811)

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(Quarterly consolidated statement of comprehensive income)
(1st quarter consolidated cumulative period)

(Thousands of yen)

	Fiscal Year Ending September 30, 2022 (from October 1, 2021 to December 31, 2021)
Net quarterly loss	(197,400)
Other comprehensive income	
Deferred gains or losses on hedges	(553)
Total other comprehensive income (loss)	(553)
Quarterly comprehensive income (loss)	(197,954)
(Breakdown)	
Comprehensive income attributable to owners of the parent	(185,365)
Comprehensive income attributable to noncontrolling interests	(12,588)

(3) 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 treatment)
(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 under review, 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 current 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 Standards 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.