English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Consolidated Financial Results for the three months ended March 31, 2022 [IFRS]

May 9, 2022

Company name: Appier Group, Inc.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 4180
URL: https://www.appier.com/
Representative: Chih-Han Yu, Representative Director and CEO
Contact: Koji Tachibana, Senior Vice President of Finance
Phone: +81 3 6435 6617
Scheduled date for filing of quarterly securities report: May 13, 2022
Scheduled date of commencing dividend payments: -
Supplementary briefing material on quarterly financial results: Yes
Quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts are recorded to nearest million yen)

1. Consolidated Financial Results for the three months ended March 31, 2022

(1) Consolidated Operating Results (cumulative)

(% changes year-over-year)
(Millions of yen)

	Revenue		EBITDA *		Operating income (loss)		Income (loss) before income taxes		Net income (loss)		Net income (loss) attributable to owners of the parent company		Total comprehensive income	
Three months ended March 31, 2022	4,197	52.7	262	-	3	-	(27)	-	(46)	-	(46)	-	1,266	-
Three months ended March 31, 2021	2,749	26.8	(111)	-	(536)	-	(548)	-	(581)	-	(581)	-	(55)	-

* EBITDA = Operating income + Depreciation and amortization + Tax expenses included in operating expenses + IPO-related expenses

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2022	(0.46)	(0.46)
Three months ended March 31, 2021	(6.38)	(6.38)

*1 On January 29, 2021, the Company allotted common shares by 90,761,489 shares to the sole shareholder of the Company. Accordingly, basic earnings per share and diluted earnings per share are calculated as if the allotment of shares was executed at the beginning of the year ended December 31, 2021.

*2 Stock options equivalent to 1,579,471 shares of common stock as of March 31, 2022 are not included in the calculation of diluted loss per share, as they are antidilutive to earnings per share. Such stock options may potentially dilute basic earnings per share in the future.

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company
As of March 31, 2022	31,969	24,114	24,114	75.4
As of December 31, 2021	31,206	22,836	22,836	73.2

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2. Dividends

(Yen)

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Year	Total
FY2021	-	0.0	-	0.0	0.0
FY2022	-				
FY2022 (Forecast)		0.0	-	0.0	0.0

(Note) Revision of most recently announced dividend forecasts: No

3. Consolidated Financial Results Forecast for the year ending December 31, 2022

(% changes year-over-year)
(Millions of yen)

	Revenue		EBITDA *		Operating income (loss)		Income (loss) before income taxes		Net income (loss)		Net income (loss) attributable to owners of the parent company		Basic earnings per share
		%		%		%		%		%		%	Yen
FY2022	17,791	40.5	804	-	(288)	-	(326)	-	(417)	-	(417)	-	(4.12)

* EBITDA = Operating income + Depreciation and amortization + Tax expenses included in operating expenses + IPO-related expenses

(Note) Revision of most recently announced consolidated financial results forecasts: Yes

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(Notes)

(1) Changes in Significant Subsidiaries during the Period: No

(2) Changes in Accounting Policies and Changes in Accounting Estimates
1) Changes in accounting policies required by IFRS: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No

(3) Number of Shares Issued (common stock)
1) Total number of shares issued at the end of the period (including treasury stock):
As of March 31, 2022: 101,220,847 shares
As of December 31, 2021: 101,164,657 shares
2) Total number of treasury stock at the end of the period:
As of March 31, 2022: 80 shares
As of December 31, 2021: None
3) Average number of shares during the period (cumulative):
Three months ended March 31, 2022: 101,187,972 shares
Three months ended March 31, 2021: 91,071,746 shares

* On January 29, 2021, the Company allotted common shares by 90,761,489 shares to the sole shareholder of the Company. Accordingly, total number of shares issued at the end of the period and average number of shares during the period are calculated as if the allotment of shares was executed at the beginning of the year ended December 31, 2021.

* This quarterly financial report is outside the scope of quarterly review procedures by a certified public accountant or an audit firm.

* Explanation of the Proper Use of Financial Results Forecasts and Other Notes

(Caution Concerning Forward-Looking Statements)

The forward-looking statements including the financial results forecast herein are based on information currently available to the Company and certain assumptions that can be deemed reasonable and are not intended as the Company's commitment to achieve such forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For conditions prerequisite to the financial results forecast and the points to be noted in the use thereof, please refer to "1. Qualitative Information on Consolidated Financial Results for the Period (3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast" on page 2 of the Appendix.

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1. Qualitative Information on Consolidated Financial Results for the Period

(1) Explanation on Operating results

The Company's mission is "to empower businesses with predictive artificial intelligence to grow and succeed based on data-driven decisions". We envision a day when all enterprise software will be powered by AI, with decision making becoming more precise, automated, and proactive.

During the three months ended March 31, 2022, demands for our services have been expanded because of the enhancement of our sales team and the efforts of continuous improvements of our solutions. ARR (*1) as of March 2022 was ¥15,758 million, a 49.1% growth from ¥10,572 million as of March 2021. Revenue for the three months ended March 31, 2022 was ¥4,197,460 thousand (up 52.7% year-over-year).

Gross profit for the three months ended March 31, 2022 was ¥2,100,834 thousand (up 60.3% year-over-year). This was due to an improvement in gross profit margin by enhancement of our CrossX algorithm and increase in the proportion of revenue derived from our other solutions, primarily AIQUA, AiDeal and AIXON, which have higher gross profit margins.

EBITDA (*3) was ¥261,818 thousand (¥111,894 thousand loss in the same period of the previous fiscal year), operating income was ¥3,185 thousand (¥535,631 thousand loss in the same period of the previous fiscal year), loss before tax was ¥27,296 thousand (¥548,421 thousand loss in the same period of the previous fiscal year), and loss attributable to owners of the parent company was ¥46,444 thousand (¥581,114 thousand loss in the same period of the previous fiscal year) because the increase in gross profit exceeded upfront investments in sales personnel and engineers for future business expansion.

(*1) Annual recurring revenue. For solutions provided under a consumption-based pricing structure, the ARR is calculated by annualizing the average monthly recurring revenue (*2) for the relevant period multiplied by 12. For solutions provided under a subscription-based pricing structure, the ARR is calculated by annualizing the recurring revenue for the last month of the relevant period multiplied by 12. The ARR for March 2022 is calculated by multiplying the one-month average of recurring revenue from October 2021 to March 2022 by 12 for solutions provided under the consumption-based pricing structure, and by multiplying the recurring revenue for March 2022 by 12 for solutions provided under the subscription-based pricing structure.

(*2) Revenue from recurring customers. For solutions provided under the consumption-based pricing structure, this refers to (1) customers that have used the Company's solutions for four or more quarters in a row and (2) new customers within the latest twelve months that have used the Company's solutions for three or more months in a row. For solutions provided under the subscription-based pricing structure, this refers to customers who have a contract with the Company for more than one year.

(*3) EBITDA = Operating income + Depreciation and amortization + Tax expenses included in operating expenses + IPO-related expenses

(2) Financial Position

(a) Assets, liabilities, and equity

(Assets)

Total assets as of March 31, 2022 amounted to ¥31,969,259 thousand, an increase of ¥763,686 thousand from December 31, 2021. Current assets increased by ¥274,283 thousand from December 31, 2021 mainly due to an increase of ¥2,068,837 thousand in Time deposits due to placement, an increase of ¥974,465 thousand in Other financial assets due to acquisition of financial assets measured at fair value through profit or loss, an increase of ¥229,014 thousand in Trade receivables due to increase in revenue, a decrease of ¥2,884,303 thousand in Cash and cash equivalents due to placement of time deposits. Non-current assets increased by ¥489,403 thousand from December 31, 2021 mainly due to an increase of ¥525,162 thousand in Goodwill and intangible assets due to capitalization of development costs that meet the requirements for capitalization.

(Liabilities)

Total liabilities as of March 31, 2022 amounted to ¥7,855,366 thousand, a decrease of ¥514,519 thousand from December 31, 2021. Current liabilities decreased by ¥420,308 thousand from December 31, 2021 mainly due to a decrease of ¥380,304 thousand in Other liabilities due to payment of bonuses. Non-current liabilities decreased by ¥94,211 thousand from December 31, 2021.

(Equity)

Equity as of March 31, 2022 amounted to ¥24,113,893 thousand, an increase of ¥1,278,205 thousand from December 31, 2021 mainly due to an increase of ¥1,312,566 thousand in Other components of equity due to changes in exchange rates.

(b) Cash flows

Cash and cash equivalents as of March 31, 2022 was ¥3,676,603 thousand, a decrease of ¥2,884,303 thousand from December 31, 2021.

Cash flows from each activity for the three months ended March 31, 2022 and their significant components are as follows:

(Cash flows from operating activities)

Net cash used in operating activities was ¥341,230 thousand, decreased by ¥281,055 thousand compared to ¥622,285 thousand for the three months ended March 31, 2021. This is mainly attributable to an increase of ¥172,320 thousand in Trade receivables (a decrease of ¥231,966 thousand in the same period of the previous fiscal year), a decrease of ¥353,532 in Other liabilities (an increase of ¥250,313 thousand in decrease of other liabilities compared to the same period of the previous fiscal year), a decrease of ¥135,070 thousand in Trade payables (an increase of ¥28,028 thousand in the same period of the previous fiscal year), a decrease of ¥521,125 thousand in Loss before tax compared to the same period of the previous fiscal year, a decrease of ¥131,913 thousand in Trade receivables (an increase of ¥360,675 thousand in the same period of the previous fiscal year), and an increase of ¥111,185 thousand in Depreciation and amortization compared to the same period of the previous fiscal year.

(Cash flows from investing activities)

Net cash used in investing activities was ¥2,568,662 thousand, increased by ¥2,815,393 thousand compared to the ¥246,731 thousand of income for the three months ended March 31, 2021. This is mainly attributable to an increase of Placement of time deposits by ¥1,162,668 thousand compared to the same period of the previous fiscal year, Acquisition of financial assets measured at fair value through profit or loss of ¥ 930,691 thousand (zero for the same period of the previous fiscal year), a decrease of ¥529,460 in Withdrawal of time deposits compared to the same period of the previous fiscal year, and an increase of ¥190,967 thousand in Payments for intangible assets compared to the same period of the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities was ¥122,472 thousand, increased by ¥13,571,151 thousand compared to the ¥13,448,679 thousand of income for the three months ended March 31, 2021. This is mainly attributable to a decrease of ¥13,568,092 thousand in Proceeds from issuance of shares compared to the same period of the previous fiscal year.

(3) Explanation on Future Forecast Information including Consolidated Financial Results Forecast

For the three months ended March 31, 2022, we have done better than expected in new customer acquisition and expansion on existing customers. In addition, gross profit margin has been improved due to the enhancement of our AI algorithm and the increase in the proportion of revenue derived from solutions with higher gross margins. Thus we outperformed our guidance in revenue and profit or losses announced on February 14, 2022. Accordingly, we have made an upward revision on our consolidated full-year guidance.

For further details, please refer to the "Announcement on Revision of the Consolidated Full-year Guidance" disclosed on May 9, 2022.

2 Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Thousands of yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	6,560,906	3,676,603
Time deposits	14,939,084	17,007,921
Contract assets	889,153	794,907
Trade receivables	1,921,124	2,150,138
Other receivables	69,733	33,426
Other current assets	103,964	120,787
Other financial assets	-	974,465
Total current assets	24,483,964	24,758,247
Non-current assets		
Property, plant and equipment	138,885	138,841
Right-of-use assets	3,045,855	2,957,359
Goodwill and intangible assets	2,977,175	3,502,337
Deferred tax assets	180,548	179,954
Other financial assets	379,146	432,521
Total non-current assets	6,721,609	7,211,012
Total assets	31,205,573	31,969,259
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	2,096,881	2,129,962
Contract liabilities	97,685	103,554
Trade payables	1,477,760	1,408,873
Other liabilities	1,489,481	1,109,177
Current tax payables	18,270	14,798
Lease liabilities	492,672	506,083
Other current liabilities	77,424	57,418
Total current liabilities	5,750,173	5,329,865
Non-current liabilities		
Provisions	50,940	51,693
Deferred tax liabilities	10,040	10,262
Lease liabilities	2,558,732	2,463,546
Total non-current liabilities	2,619,712	2,525,501
Total liabilities	8,369,885	7,855,366
Equity		
Share capital	7,526,244	7,527,324
Capital surplus	23,644,664	23,655,725
Treasury shares	-	(58)
Retained earnings	(9,494,299)	(9,540,743)
Other components of equity	1,159,079	2,471,645
Equity attributable to owners of the parent company	22,835,688	24,113,893
Total equity	22,835,688	24,113,893
Total liabilities and equity	31,205,573	31,969,259

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Condensed Quarterly Consolidated Statements of Comprehensive Income

Condensed Quarterly Consolidated Statements of Profit or Loss

For the three months ended March 31, 2022

(Thousands of yen)

	2021 (From January 1, 2021 to March 31, 2021)	2022 (From January 1, 2022 to March 31, 2022)
Revenue	2,749,281	4,197,460
Cost of sales	(1,438,600)	(2,096,626)
Gross profit	1,310,681	2,100,834
Sales and marketing expenses	(1,020,575)	(1,346,164)
Research and development expenses	(422,288)	(460,787)
General and administrative expenses	(405,001)	(348,739)
Other income	3,524	59,335
Other expenses	(1,972)	(1,294)
Operating income (loss)	(535,631)	3,185
Finance income	10,617	16,196
Finance costs	(23,407)	(46,677)
Loss before tax	(548,421)	(27,296)
Income taxes	(32,693)	(19,148)
Loss for the period	(581,114)	(46,444)
Loss attributable to:		
Owners of the parent company	(581,114)	(46,444)
Basic loss per share (yen)	(6.38)	(0.46)
Diluted loss per share (yen)	(6.38)	(0.46)

Condensed Quarterly Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022

(Thousands of yen)

	2021 (From January 1, 2021 to March 31, 2021)	2022 (From January 1, 2022 to March 31, 2022)
Loss for the period	(581,114)	(46,444)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in the fair value of an equity investment measured at fair value through other comprehensive income	-	41,226
Total items that will not be reclassified subsequently to profit or loss	-	41,226
Items that may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	525,982	1,271,340
Total items that may be reclassified subsequently to profit or loss	525,982	1,271,340
Total other comprehensive income for the period	525,982	1,312,566
Total comprehensive income (loss) for the period	(55,132)	1,266,122
Total comprehensive income (loss) attributable to:		
Owners of the parent company	(55,132)	1,266,122

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

For the three months ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Thousands of yen)

	Equity attributable to owners of the parent company							
					Other components of equity			
	Share capital	Capital surplus	Treasury shares	Retained earnings	Financial statements translation differences of foreign operations	Unrealized gains from financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2021	0*	16,248,390	-	(8,315,781)	(264,441)	-	(264,441)	7,668,168
Loss for the period	-	-	-	(581,114)	-	-	-	(581,114)
Other comprehensive income	-	-	-	-	525,982	-	525,982	525,982
Total comprehensive loss	-	-	-	(581,114)	525,982	-	525,982	(55,132)
Share issued pursuant to the Listing	6,784,074	6,581,684	-	-	-	-	-	13,365,758
Share options of the company	-	27,402	-	-	-	-	-	27,402
Total transactions with owners	6,784,074	6,609,086	-	-	-	-	-	13,393,160
Balance at March 31, 2021	6,784,074	22,857,476	-	(8,896,895)	261,541	-	261,541	21,006,196

*Less than ¥ 1 thousand.

For the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(Thousands of yen)

	Equity attributable to owners of the parent company							
					Other components of equity			
	Share capital	Capital surplus	Treasury shares	Retained earnings	Financial statements translation differences of foreign operations	Unrealized gains from financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2022	7,526,244	23,644,664	-	(9,494,299)	1,134,939	24,140	1,159,079	22,835,688
Loss for the period	-	-	-	(46,444)	-	-	-	(46,444)
Other comprehensive income	-	-	-	-	1,271,340	41,226	1,312,566	1,312,566
Total comprehensive income	-	-	-	(46,444)	1,271,340	41,226	1,312,566	1,266,122
Share options of the Company	-	9,981	-	-	-	-	-	9,981
Exercise of share options	1,080	1,080	-	-	-	-	-	2,160
Purchase of treasury shares	-	-	(58)	-	-	-	-	(58)
Total transactions with owners	1,080	11,061	(58)	-	-	-	-	12,083
Balance at March 31, 2022	7,527,324	23,655,725	(58)	(9,540,743)	2,406,279	65,366	2,471,645	24,113,893

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	2021 (From January 1, 2021 to March 31, 2021)	2022 (From January 1, 2022 to March 31, 2022)
Cash flows from operating activities		
Loss before tax	(548,421)	(27,296)
Depreciation and amortization	145,953	257,138
Interest income	(10,617)	(16,196)
Interest expense	6,419	16,534
Expected credit losses	602	17,937
Gain on financial assets measured at fair value through profit or loss	-	(115)
Gains on forfeited contingent consideration	-	(57,178)
Share-based compensation expense	27,402	12,085
Others	-	(257)
Change in working capital		
Contract assets	(360,675)	131,913
Trade receivables	231,966	(172,320)
Other receivables	(4,420)	53,518
Other current assets	(24,061)	(25,369)
Contract liabilities	27,948	2,589
Trade payables	28,028	(135,070)
Other liabilities	(103,219)	(353,532)
Other liabilities to a related party	(5)	-
Other current liabilities	(6,485)	(21,679)
Subtotal	(589,585)	(317,298)
Interest received	1,148	524
Interest paid	(6,419)	(16,479)
Income taxes paid	(27,429)	(7,977)
Net cash used in operating activities	(622,285)	(341,230)
Cash flows from investing activities		
Payments for property, plant and equipment	(6,343)	(10,068)
Payments for intangible assets	(275,694)	(466,661)
Payment for acquisition of a subsidiary	(495)	-
Withdrawal of time deposits	529,460	-
Placement of time deposits	(205)	(1,162,873)
Acquisition of financial assets measured at fair value through profit or loss	-	(930,691)
Others	8	1,631
Net cash provided by (used in) investing activities	246,731	(2,568,662)
Cash flows from financing activities		
Payment of lease liabilities	(115,916)	(122,470)
Proceeds from issuance of shares	13,568,148	56
Payment of expenses for issuance of shares	(3,553)	-
Payments to acquire treasury shares	-	(58)
Net cash provided by (used in) financing activities	13,448,679	(122,472)
Effects of exchange rate changes on cash and cash equivalents	59,178	148,061
Net increase in cash and cash equivalents	13,132,303	(2,884,303)
Cash and cash equivalents at the beginning of the period	1,634,707	6,560,906
Cash and cash equivalents at end of period	14,767,010	3,676,603

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not Applicable.

(Notes on Significant Changes in the Amount of Equity Attributable to Owners of the Parent Company)

Not Applicable.

(Segment Information)

The presentation of segments information is omitted as Appear Group consists of a single segment by AISaaS business.

(Events after the reporting period)

Not Applicable.