

English Translation

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Consolidated Financial Results for the 3rd Quarter of the Fiscal Year Ending September 30, 2022 (Japanese GAAP)

August 9, 2022

Company Name: PLAID, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4165
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 Scheduled date to file quarterly securities report: August 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 3rd Quarter of the Fiscal Year Ending September 30, 2022 (from October 1, 2021 to June 30, 2022)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended June 30, 2022	5,418	—	(633)	—	(720)	—	(676)	—
June 30, 2021	—	—	—	—	—	—	—	—

Note: Comprehensive income Nine months ended June 30, 2022 (699) Millions of yen (—%)
 Nine months ended June 30, 2021 — Millions of yen (—%)

	Net income (loss) per share	Diluted income (loss) per share
	Yen	Yen
Nine months ended June 30, 2022	(17.72)	—
June 30, 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 3rd quarter of the previous fiscal year and year-on-year changes.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	7,565	4,350	56.9
September 30, 2021	6,983	4,953	69.6

Reference: Equity As of June 30, 2022 4,302 Millions of yen
 As of September 30, 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 ending September 30, 2022	—	0.00	—		
Fiscal year ending 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 most recently announced: 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 methods for preparing the quarterly consolidated financial statements: None

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

- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None
- 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 June 30, 2022	38,595,900 shares	As of September 30, 2021	37,890,900 shares
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b. Number of treasury shares at the end of the period

As of June 30, 2022	63 shares	As of September 30, 2021	25 shares
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c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended June 30, 2022	38,207,281 shares	Nine months ended June 30, 2021	37,064,846 shares
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* This quarterly financial results report is out of scope from quarterly review 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.

Table of contents

1. Qualitative Information regarding Results for the Period	2
(1) Overview of Operating Results during the Period	2
(2) Overview of Financial Position	2
(3) Consolidated Financial Results Forecasts and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income (Loss) and Quarterly Consolidated Statements of Comprehensive Income	5
Quarterly Consolidated Statements of Income (Loss)	5
3rd Quarter Consolidated Cumulative Period	5
Quarterly Consolidated Statements of Comprehensive Income (Loss)	6
3rd Quarter Consolidated Cumulative Period	6
(3) Notes on Quarterly Consolidated Financial Statements	7
(Notes regarding Assumption of a Going Concern)	7
(Notes on Significant Changes in the Amount of Shareholders' Equity)	7
(Changes in Accounting Policies)	7

1. Qualitative Information regarding Results for the Period

(1) Overview of Operating Results during the Period

The Company, PLAID Group, did not prepare quarterly consolidated financial statements for the consolidated cumulative the 3rd 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 those measures 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 3rd 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 3rd quarter of the consolidated fiscal period, the Company’s ARR (Note 6) was 6,463,285 thousand yen. Meanwhile, the Company’s financial results for the same period were net sales of 5,418,937 thousand yen, an operating loss of 633,906 thousand yen, an ordinary loss of 720,199 thousand yen, and a net loss attributable to the parent company of 676,848 thousand yen.

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

Notes:

1. CX stands for Customer Experience which is defined to include the experience that the customers feel good, i.e., “the value that the customers realize through the experience.”
2. The term “cloud” here means cloud computing, which is a general term for the provision of software and other systems as a service through the internet.
3. Consumers refer to all of the general, unspecified number of people in the world, while “Users” refer to the people to whom companies provide their products and services.
4. PV stands for 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 stands for 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 stands for Annual Recurring Revenue. It is calculated by multiplying the monthly subscription revenue at the end of each quarter by 12. It is a performance indicator for net sales, which are expected to be obtained only from the existing subscription contracts during the 12 months starting the month following the final month of this quarter, based on the assumption that all existing subscriptions will be renewed with the same conditions at the timing of renewal.

(2) Overview of Financial Position

(Assets)

Current assets as of June 30, 2022 were 5,575,285 thousand yen, up 618,746 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 558,075 thousand yen in cash and deposits resulting from the execution of long-term loans. Non-current assets were 1,990,658 thousand yen, down 36,752 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 120,383 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 7,565,944 thousand yen, up 581,993 thousand yen from the end of the previous consolidated fiscal

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year.

(Liabilities)

Current liabilities as of June 30, 2022 were 2,033,263 thousand yen, up 392,992 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 351,310 thousand yen in contract liabilities. Non-current liabilities were 1,182,254 thousand yen, up 792,034 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 781,313 thousand yen in long-term debt.

As a result, total liabilities were 3,215,518 thousand yen, up 1,185,027 thousand yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets as of June 30, 2022 were 4,350,425 thousand yen, down 603,033 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 676,848 thousand yen.

As a result, the equity-to-asset ratio was 56.9% (the ratio as of September 30, 2021 was 69.6%).

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

Consolidated financial results for the current consolidated 3rd quarter cumulative period were generally in line with plans. Therefore, the Company has decided to remain the previously-published full-year earnings forecast.

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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 June 30, 2022
Assets		
Current assets		
Cash and deposits	4,172,117	4,730,192
Notes and accounts receivable, trade	645,983	647,918
Other	138,963	197,599
Allowance for doubtful receivables	(525)	(425)
Total current assets	4,956,539	5,575,285
Non-current assets		
Property and equipment	33,706	68,242
Intangible non-current assets		
Goodwill	1,605,111	1,484,727
Total non-current intangible assets	1,605,111	1,484,727
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	16,955
Total investments and other assets	388,593	437,687
Total non-current assets	2,027,410	1,990,658
Total assets	6,983,950	7,565,944
Liabilities		
Current liabilities		
Accounts payable	5,125	19,098
Short-term debt	200,000	200,000
Current portion of long-term debt	326,576	540,856
Accounts payable, other	583,510	470,010
Income taxes payable	58,300	17,908
Deferred revenue	165,019	—
Contract liabilities	—	516,329
Allowance for losses on order received	—	15,519
Other	301,738	253,541
Total current liabilities	1,640,271	2,033,263
Long-term liabilities		
Long-term debt	389,514	1,170,827
Deferred tax liabilities	705	11,427
Total long-term liabilities	390,219	1,182,254
Total liabilities	2,030,490	3,215,518
Net assets		
Shareholders' equity		
Common stock	2,642,620	2,689,478
Capital surplus	4,602,623	4,649,480
Retained earnings (Accumulated deficit)	(2,385,202)	(3,062,051)
Treasury shares	(114)	(228)
Total shareholders' equity	4,859,926	4,276,679
Accumulated other comprehensive income (loss)		
Deferred gains or losses on hedges	1,598	25,892
Total accumulated other comprehensive income (loss)	1,598	25,892
Stock acquisition right	2,287	4,860
Non-controlling interests	89,647	42,993
Total net assets	4,953,459	4,350,425
Total liabilities and net assets	6,983,950	7,565,944

(2) Quarterly Consolidated Statements of Income (Loss) and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statement of Income (Loss))
(3rd Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Fiscal Year Ending September 30, 2022 (from October 1, 2021 to June 30, 2022)
Net sales	5,418,937
Cost of sales	1,468,992
Gross profit	3,949,945
Selling, general and administrative expenses	4,583,852
Operating income (loss)	(633,906)
Non-operating income	
Interest income	174
Subsidy income	661
Commissions received	970
Other	337
Total non-operating income	2,144
Non-operating expenses	
Interest expenses	21,105
Foreign exchange loss	51,710
Other	15,621
Total non-operating expenses	88,436
Ordinary income (loss)	(720,199)
Income (loss) before income taxes	(720,199)
Income taxes - current	3,303
Total income taxes	3,303
Net income (loss)	(723,502)
Net income (loss) attributable to noncontrolling interests	(46,653)
Net quarterly income (loss) attributable to owners of parent	(676,848)

(Quarterly Consolidated Statement of Comprehensive Income (Loss))
(3rd Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Fiscal Year Ending September 30, 2022 (from October 1, 2021 to June 30, 2022)
Net income (loss)	(723,502)
Other comprehensive income	
Deferred gains or losses on hedges	24,294
Total other comprehensive income (loss)	24,294
Quarterly comprehensive income (loss)	(699,208)
(Breakdown)	
Comprehensive income attributable to owners of the parent	(652,554)
Comprehensive income attributable to noncontrolling interests	(46,653)

(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 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 of the current 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 1st quarter of the current 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.