

# ***Money Forward, Inc. and Subsidiaries***

*Consolidated Financial Statements for the  
Years Ended November 30, 2023 and 2022 (Unaudited)*

## Money Forward, Inc. and Subsidiaries

### Consolidated Balance Sheets November 30, 2023 and 2022 (Unaudited)

ASSETS	Thousands of Yen	
	2023	2022
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 5)	¥ 38,818,193	¥ 26,309,014
Short-term investments (Note 5)	37,539	403,851
Receivables (Note 5):		
Trade notes and accounts, and contract assets (Note 13)	4,139,325	2,327,171
Purchased	5,827,883	5,454,012
Other	901,265	580,102
Allowance for doubtful accounts	(155,775)	(94,815)
Operational investment securities (Notes 5 and 6)	3,667,981	1,769,083
Inventories (Note 7)	12,008	20,426
Other current assets	1,748,797	2,046,182
<b>Total current assets</b>	<b>54,997,220</b>	<b>38,815,030</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Buildings	991,232	593,629
Tools, furniture and fixtures	724,783	590,452
Construction in progress		8,750
Total	1,716,015	1,192,832
Accumulated depreciation	(552,669)	(461,765)
<b>Net property and equipment</b>	<b>1,163,345</b>	<b>731,066</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Investment securities (Notes 5 and 6)	16,640,845	13,284,537
Goodwill	3,843,595	4,504,481
Software	7,848,892	4,552,583
Software in progress	1,772,113	1,919,275
Lease and guarantee deposits (Note 5)	984,183	1,156,316
Other	1,032,213	1,023,413
<b>Total investments and other assets</b>	<b>32,121,844</b>	<b>26,440,608</b>
<b>TOTAL</b>	<b>¥ 88,282,410</b>	<b>¥ 65,986,706</b>

## Money Forward, Inc. and Subsidiaries

### Consolidated Balance Sheets November 30, 2023 and 2022 (Unaudited)

LIABILITIES AND EQUITY	Thousands of Yen	
	2023	2022
<b>CURRENT LIABILITIES:</b>		
Short-term loans (Notes 5 and 8)	¥ 4,937,000	¥ 8,240,000
Current portion of long-term loans (Notes 5 and 8)	3,488,750	2,295,000
Payables (Note 5):		
Trade accounts	370,317	340,994
Other	8,563,985	5,386,371
Accrued expenses (Note 5)	1,519,897	1,352,406
Accrued bonuses	297,960	190,600
Accrued bonuses to directors and Audit & Supervisory Board Members	80,042	58,029
Provision for customer reward points	260,316	47,608
Income taxes payable (Note 5)	219,037	169,550
Contract liabilities (Note 13)	4,849,429	3,486,806
Deposits received	5,422,686	2,264,560
Other current liabilities	771,154	132,841
<b>Total current liabilities</b>	<b>30,780,576</b>	<b>23,964,769</b>
<b>LONG-TERM LIABILITIES:</b>		
Long-term loans (Notes 5 and 8)	8,947,869	6,367,157
Convertible bonds with stock acquisition rights (Note 5)	12,000,000	
Bonds payable (Note 5)	1,000,000	
Liability for retirement benefits (Note 9)	6,454	4,848
Accrued bonuses	6,288	
Accrued bonuses to directors and Audit & Supervisory Board members	1,317	
Other long-term liabilities	879,440	567,107
<b>Total long-term liabilities</b>	<b>22,841,370</b>	<b>6,939,113</b>
<b>EQUITY (Notes 10 and 11):</b>		
Capital stock	26,716,695	26,316,141
Capital surplus	7,595,957	15,804,942
Stock acquisition rights	504,492	32,860
Accumulated deficit	(8,378,442)	(10,693,566)
Treasury stock	(1,352)	(1,219)
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	1,766,439	1,073,608
Foreign currency translation adjustments	123,445	101,059
Total	28,327,234	32,633,826
Noncontrolling interests	6,333,228	2,448,996
<b>Total equity</b>	<b>34,660,463</b>	<b>35,082,823</b>
<b>TOTAL</b>	<b>¥ 88,282,410</b>	<b>¥ 65,986,706</b>

See notes to consolidated financial statements.

## Money Forward, Inc. and Subsidiaries

### Consolidated Statements of Operations Years Ended November 30, 2023 and 2022 (Unaudited)

	Thousands of Yen	
	<u>2023</u>	<u>2022</u>
NET SALES (Note 13)	¥ 30,380,629	¥21,477,195
COST OF SALES	<u>11,298,423</u>	<u>8,079,469</u>
Gross profit	19,082,206	13,397,725
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	<u>25,412,008</u>	<u>21,867,022</u>
Operating loss	<u>(6,329,802)</u>	<u>(8,469,297)</u>
OTHER INCOME (EXPENSES):		
Interest and dividend income	2,638	1,073
Interest expense	(131,480)	(83,054)
Stock issuance costs	(4,730)	(4,126)
Bond issue costs	(108,324)	
Foreign exchange losses	(60,417)	(89,744)
Loss on investments in partnership	(39,177)	(22,047)
Equity in losses of associated companies	(70,906)	(922,064)
Loss on valuation of investment securities (Note 6)		(33,819)
Other—net	<u>(63,146)</u>	<u>7,454</u>
Other expenses—net	<u>(475,545)</u>	<u>(1,146,329)</u>
LOSS BEFORE INCOME TAXES	<u>(6,805,348)</u>	<u>(9,615,626)</u>
INCOME TAXES (Note 12):		
Current	120,120	101,095
Deferred	<u>(65,648)</u>	<u>(14,934)</u>
Total income taxes	<u>54,472</u>	<u>86,161</u>
NET LOSS	(6,859,820)	(9,701,788)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>(544,769)</u>	<u>(251,983)</u>
NET LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ (6,315,050)</u>	<u>¥ (9,449,804)</u>
	<u>Yen</u>	
PER SHARE INFORMATION (Note 2.u)—Basic net loss	¥(116.98)	¥(176.44)

See notes to consolidated financial statements.

## Money Forward, Inc. and Subsidiaries

### Consolidated Statements of Comprehensive Income Years Ended November 30, 2023 and 2022 (Unaudited)

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	Thousands of Yen	
	<u>2023</u>	<u>2022</u>
NET LOSS	¥ (6,859,820)	¥ (9,701,788)
OTHER COMPREHENSIVE INCOME (Note 16):		
Unrealized gain on available-for-sale securities	1,176,849	845,199
Foreign currency translation adjustments	22,385	90,160
Share of other comprehensive income of affiliates accounted for using equity method	<u>1,564</u>	<u>          </u>
Total other comprehensive income	<u>1,200,799</u>	<u>935,360</u>
COMPREHENSIVE LOSS	¥ <u>(5,659,020)</u>	¥ <u>(8,766,427)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Owners of the parent	¥ (5,599,833)	¥ (8,514,444)
Noncontrolling interests	(59,186)	(251,983)

See notes to consolidated financial statements.

## Money Forward, Inc. and Subsidiaries

### Consolidated Statements of Changes in Equity Years Ended November 30, 2023 and 2022 (Unaudited)

	Thousands of Yen								
	Capital Stock	Capital Surplus	Stock Acquisition Rights	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)		Noncontrolling Interests	Total Equity
						Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment		
BALANCE, NOVEMBER 30, 2021	¥ 25,775,494	¥ 17,233,262	¥ 38,529	¥ (2,755,553)	¥ (850)	¥ 228,409	¥ 10,898	¥ 1,802,791	¥ 42,332,981
Cumulative effect of adopting a new accounting standard (Note 3)				(513,796)				(9,877)	(523,674)
BALANCE, NOVEMBER 30, 2021—As restated	<u>25,775,494</u>	<u>17,233,262</u>	<u>38,529</u>	<u>(3,269,350)</u>	<u>(850)</u>	<u>228,409</u>	<u>10,898</u>	<u>1,792,914</u>	<u>41,809,307</u>
Net loss attributable to owners of the parent				(9,449,804)					(9,449,804)
Exercise of stock options (Notes 10 and 11)	76,617	76,617							153,235
Share-based payment—transfer restricted stock	464,029	464,029							928,059
Disposition of deficit (Note 10)		(1,924,900)		1,924,900					
Change in ownership interests of a subsidiary due to additional acquisition of shares		(44,066)							(44,066)
Changes in accumulated deficit due to associated companies to which the equity method is newly applied				100,687					100,687
Purchase of treasury stock (Note 10)					(369)				(369)
Net change in the year			(5,669)			845,199	90,160	656,082	1,585,773
BALANCE, NOVEMBER 30, 2022	<u>26,316,141</u>	<u>15,804,942</u>	<u>32,860</u>	<u>(10,693,566)</u>	<u>(1,219)</u>	<u>1,073,608</u>	<u>101,059</u>	<u>2,448,996</u>	<u>35,082,823</u>
Net loss attributable to owners of the parent				(6,315,050)					(6,315,050)
Exercise of stock options (Notes 10 and 11)	75,283	75,283							150,567
Share-based payment—transfer restricted stock	325,270	325,270							650,541
Disposition of deficit (Note 10)		(8,620,659)		8,620,659					
Change in ownership interests of a subsidiary due to additional acquisition of shares		169							169
Change in ownership interest of parent due to transactions with non-controlling interests		10,950							10,950
Adjustments due to change in the fiscal period of consolidated subsidiaries				9,514					9,514
Changes in accumulated deficit due to associated companies to which the equity method is newly applied									
Purchase of treasury stock (Note 10)					(132)				(132)
Net change in the year			471,632			692,830	22,385	3,884,231	5,071,080
BALANCE, NOVEMBER 30, 2023	<u>¥ 26,716,695</u>	<u>¥ 7,595,957</u>	<u>¥ 504,492</u>	<u>¥ (8,378,442)</u>	<u>¥ (1,352)</u>	<u>¥ 1,766,439</u>	<u>¥ 123,445</u>	<u>¥ 6,333,228</u>	<u>¥ 34,660,463</u>

See notes to consolidated financial statements.

## Money Forward, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows Years Ended November 30, 2023 and 2022 (Unaudited)

	Thousands of Yen	
	2023	2022
<b>OPERATING ACTIVITIES:</b>		
Loss before income taxes	¥ (6,805,348)	¥ (9,615,626)
Adjustments for:		
Income taxes—paid	(93,921)	(212,901)
Depreciation and amortization	1,769,723	921,351
Amortization of goodwill	660,886	643,093
Share-based remuneration expenses	1,172,393	439,697
Loss on write-down of investment securities		33,819
Stock issuance costs	4,730	4,126
Bond issue costs	108,324	
Equity in losses of associated companies	70,906	922,064
Changes in assets and liabilities:		
Increase in trade notes and accounts receivable, and contract assets	(1,811,838)	(804,765)
(Increase) decrease in inventories	8,290	(434)
Increase in purchased receivables	(373,871)	(1,231,857)
Increase in operational investment securities	(1,381,025)	(694,796)
(Decrease) increase in allowance for doubtful accounts	60,959	(58,380)
Increase in trade accounts payable	29,323	122,032
Increase (decrease) in other payables	3,170,549	3,207,851
Increase in accrued expenses	174,299	429,982
Increase in accrued bonuses	111,427	151,100
Increase in accrued bonuses to directors and Audit & Supervisory Board Members	22,594	58,029
Increase in provision for customer reward points	212,707	46,963
Increase in contract liabilities	1,362,623	1,259,605
Increase in deposits received	3,158,126	1,909,710
Other—net	828,461	(1,654,750)
Total adjustments	<u>9,265,672</u>	<u>5,491,544</u>
Net cash used in operating activities	<u>2,460,324</u>	<u>(4,124,082)</u>
<b>INVESTING ACTIVITIES:</b>		
Payments for short-term investments	(31,895)	(403,430)
Proceeds from withdrawal of short-term investments	400,000	200,000
Purchases of property and equipment	(632,850)	(333,022)
Purchases of intangible assets	(4,748,177)	(3,935,312)
Purchases of investment securities	(2,593,885)	(7,948,530)
Proceeds from sales of securities	58,473	
Payments for lease and guarantee deposits	(2,505)	(730,797)
Proceeds from collection of lease and guarantee deposits	132,260	168,053
Payments for purchase of newly consolidated subsidiary's stock (Note 17)		(1,808,290)
Other—net	<u>(30,184)</u>	<u>10,891</u>
Net cash used in investing activities	<u>(7,448,765)</u>	<u>(14,780,439)</u>
<b>FORWARD</b>	<u>¥ (4,988,440)</u>	<u>¥ (18,904,521)</u>

## Money Forward, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows Years Ended November 30, 2023 and 2022 (Unaudited)

	Thousands of Yen	
	<u>2023</u>	<u>2022</u>
FORWARD	¥ (4,988,440)	¥ (18,904,521)
FINANCING ACTIVITIES:		
(Decrease) Increase in short-term loans	(3,303,000)	3,540,000
Proceeds from long-term loans	7,000,000	6,981,433
Repayment of long-term loans	(3,225,400)	(2,455,089)
Proceeds from issuance of new shares	141,118	144,510
Proceeds from noncontrolling shareholders		294,000
Proceeds from partners of investment partnership	4,002,000	570,000
Distributions paid to partners of investment partnership	(41,441)	
Proceeds from Issuance of Bonds	988,831	
Proceeds from issuance of convertible bonds	11,902,843	
Other—net	<u>(2,165)</u>	<u>(480)</u>
Net cash provided by financing activities	<u>17,462,785</u>	<u>9,074,373</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>36,956</u>	<u>118,640</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE IN ACCOUNTING PERIOD OF SUBSIDIARIES	(2,123)	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	12,509,179	(9,711,507)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>26,309,014</u>	<u>36,020,522</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 38,818,193</u>	<u>¥ 26,309,014</u>

See notes to consolidated financial statements.



# Money Forward, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements Years Ended November 30, 2023 and 2022 (Unaudited)

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### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and also in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects from International Financial Reporting Standards as to the application and disclosure requirements.

In preparing these consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Money Forward, Inc. (the "Company") is incorporated and operates. The Japanese yen amounts in thousands are rounded down to the nearest thousand.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation**—The consolidated financial statements include the accounts of the Company and its 20 (19 in 2022) subsidiaries (together, the "Group") as of November 30, 2023. The subsidiaries are as follows:

Money Forward Kessai, Inc.  
Money Forward Hosho, Inc.  
Klavis, Inc.  
Money Forward Fine, Inc.  
Money Forward Financial, Inc.  
Money Forward i, Inc.  
Knowledge Labo, Inc.  
Money Forward Vietnam Co., Ltd ("MF Vietnam")  
Money Forward Synca, Inc.  
SMARTCAMP CO., LTD.  
Money Forward Venture Partners, Inc. ("MFVP")  
Series 1 HIRAC FUND Investment Limited Liability Partnership ("HIRAC FUND 1")  
R&AC Co., Ltd.  
ADXL, Inc.  
Biz Forward, Inc.  
HiTTO Inc.\*<sup>1</sup>  
Nexsol CO., LTD.("Nexsol")\*<sup>1</sup>  
Money Forward America\*<sup>2</sup>  
Series 2 HIRAC FUND Investment Limited Liability Partnership ("HIRAC FUND 2")\*<sup>2</sup>  
Money Forward India Private Limited\*<sup>3</sup>

\*<sup>1</sup> Newly acquired during the year ended November 30, 2022

\*<sup>2</sup> Newly established during the year ended November 30, 2022

\*<sup>3</sup> Newly established during the year ended November 30, 2023

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The affiliated companies to which the equity method is applied as of the end of the current consolidated fiscal year are as follows:

STARTUP DEBT FUND  
Susten Capital Management Inc.

The Company did not have any unconsolidated subsidiaries or associated companies that are not accounted for by the equity method as of November 30, 2023.

Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," which was issued by Accounting Standards Board of Japan ("ASBJ"), clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, Tokumei-Kumiai and other entities with similar characteristics. The Company has applied this task force and has consolidated HIRAC FUND 1 and HIRAC FUND 2.

The excess of the acquisition cost over the fair value of the net assets of an acquired subsidiary at the date of acquisition is recognized as goodwill, and amortized by using the straight-line method over 8 to 11 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

For a subsidiary whose closing date is different from that of the Company, certain adjustments necessary for consolidation have been made. Such subsidiaries are MF Vietnam and Money Forward India Private Limited, the closing dates of which are September 30 and March 31, respectively. They prepare financial statements as of September 30, to be used in the consolidated financial statements after adjusting significant transactions occurred in the two months to the consolidated balance sheet date.

For an associated company accounted for by the equity method whose closing date is different from that of the Company, such company's financial statements, which are up to three months after from the consolidated balance sheet date, are used in the consolidated financial statements.

- b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—Under ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development ("R&D"); (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

- c. Business Combinations**—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.
- d. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include short-term investments which mature or become due within three months of the date of acquisition.
- e. Inventories**—Merchandise and work in process are stated at the lower of cost, determined by the specific identification method, or net selling value. Supplies are stated at the lower of cost, determined by the last purchase method, or net selling value.
- f. Marketable and Investment Securities**—Under Japanese GAAP, marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

All the Group's investment securities in investments and other assets as of November 30, 2023 and 2022 were available-for-sale securities.

Nonmarketable available-for-sale securities are stated at cost as determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to their net realizable value by a charge to income.

- g. Property and Equipment**—Property and equipment are stated at cost. Depreciation of property and equipment is calculated under the straight-line method based on the estimated useful lives of the assets.

The range of estimated useful lives is principally from 15 to 50 years for buildings and from 2 to 15 years for tools, furniture and fixtures.

- h. Impairment of Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. Impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- i. **Software***—Software for internal use is amortized using the straight-line method over five years based on the estimated useful life of the software.
- j. **Allowance for Doubtful Accounts***—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the outstanding receivables.
- k. **Accrued Bonuses to Employees***—Bonuses to employees are accrued at the year-end to which such bonuses are attributable.
- l. **Accrued Bonuses to Directors and Audit & Supervisory Board Members***—Bonuses to directors and Audit & Supervisory Board Members are accrued at the year-end to which such bonuses are attributable.
- m. **Provision for Customer Reward Points***—The Group recognizes provision for customer reward points at an estimated amount expected to be used by customers in the future as of the consolidated balance sheet date.
- n. **Retirement and Pension Plans***—The Group has a defined contribution pension plan and a life planning allowance plan, one of which each employee is entitled to participate in. Employees who select the life planning allowance plan are entitled to receive additions to their salaries instead of receiving benefits from the pension plan.

A certain consolidated subsidiary has adopted the simplified method of calculating retirement benefits and liabilities for retirement benefits by using the amount required to be paid at the end of the fiscal year for retirement benefits as the retirement benefit obligation.

- o. **Stock Options***—The cost of employee stock options is measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights, as a separate component of equity, until exercised.

On January 12, 2018, the ASBJ issued PITF No. 36, "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions." This requires transactions granting stock acquisition rights to employees and others which involve considerations with vesting conditions to be accounted for in accordance with ASBJ Statement No. 8, "Accounting Standard for Share-based Payment." The Company adopted PITF No. 36 on April 1, 2018, and has accounted for the transactions granting stock acquisition rights to employees and others, which involve considerations with vesting conditions that occurred prior to the application of PITF No. 36 in accordance with the accounting policy previously applied.

- p. **Revenue Recognition***—The principal services of the Group's platform service business are Money Forward Cloud, a SaaS designed for back-office operation of companies and Money Forward ME, a household accounting recording and asset management service designed for individuals. The performance obligation of these services is to provide services over the contract period to the customers and thus satisfied over time. Therefore, the transaction price is allocated throughout the contract period, over which revenue is recognized. In addition, for certain software development contracts that are mainly provided for financial institutions, the Company has determined that their performance obligations are satisfied over time. Therefore, revenue is recognized based on the degree of completion determined by using the input method if it is reasonably estimable.
- q. **Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations and comprehensive income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
- r. **Research and Development Costs***—R&D costs are charged to income as incurred.

- s. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date and the foreign exchange gains and losses from translation are recognized in the consolidated statement of income (operations). Available-for-sale securities denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date and the foreign exchange gains and losses from translation are recognized in equity.
- t. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate. Differences arising from such translations are shown as "foreign currency translation adjustment" under accumulated other comprehensive income.
- u. Per Share Information**—Basic net income or loss per share is computed by dividing net income or loss attributable to shareholders by the weighted-average number of shares outstanding for the period, retrospectively adjusted for stock splits. The weighted-average number of shares for the years ended November 30, 2023 and 2022, was 53,982,543 shares and 53,556,752 shares, respectively.

Diluted net income per share is not disclosed, as it is anti-dilutive, given the Group's net loss position.

**v. Changes in Presentation**

(1) Consolidated Balance Sheets

Deposits received, which were included in " Other current liabilities " under " CURRENT LIABILITIES " in the previous fiscal year, are presented as a separate line item in the current fiscal year due to its increased monetary materiality. In order to reflect this change in presentation, the consolidated financial statements for the years ended November 30, 2022, have been reclassified.

As a result, ¥2,397,401 thousand presented as " Other current liabilities " under " CURRENT LIABILITIES " in the consolidated balance sheets for the year ended November 30, 2022, has been reclassified as " Deposits received " of ¥2,264,560 thousand and " Other current liabilities " of ¥132,841 thousand.

(2) Consolidated Statements of Operations

Foreign exchange losses and Loss on investments in partnership, which were included in " Other—net " under " OTHER INCOME (EXPENSES) " in the previous fiscal year, are presented as a separate line item in the current fiscal year due to its increased monetary materiality. In order to reflect this change in presentation, the consolidated statements of operations for the years ended November 30, 2022, have been reclassified.

As a result, ¥ (104,337) thousand presented as " Other—net " under " OTHER INCOME (EXPENSES) " in the consolidated statements of operations for the year ended November 30, 2022, has been reclassified as " Foreign exchange losses " of ¥ (89,744) thousand, " Loss on investments in partnership " of ¥ (22,047) thousand, and " Other—net " of ¥7,454 thousand.

(3) Consolidated statements of cash flows

Increase in deposits received, which were included in "Other—net" under " OPERATING ACTIVITIES " in the previous fiscal year, are presented as a separate line item in the current fiscal year due to its increased monetary materiality. In order to reflect this change in presentation, the consolidated financial statements for the years ended November 30, 2022, have been reclassified.

As a result, ¥254,960 thousand presented as "Other—net" under " OPERATING ACTIVITIES " in the consolidated statements of cash flows for the year ended November 30, 2022, has been reclassified as " Increase in deposits received " of ¥1,909,710 thousand and "Other—net" of ¥ (1,654,750) thousand.

- w. Application of Japanese Group Relief System**—Effective the fiscal year ended November 30, 2023, the Company and some domestic consolidated subsidiaries have adopted the Japanese Group Relief System in which the Company is the tax sharing parent company.

### 3. CHANGE IN ACCOUNTING POLICIES

#### **Application of Accounting Standard for Fair Value Measurement**

The Company has elected to apply the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred as the "Guidance on Accounting Standard for Fair Value Calculation") starting from the beginning of the consolidated fiscal year ended November 30, 2023 and to apply the new accounting policies set forth in the Guidance on Accounting Standard for Fair Value Calculation in the future accordance with the transitional treatment set forth in Article 27, paragraph (2) of said guidance.

### 4. SIGNIFICANT ACCOUNTING ESTIMATES

#### (1) **Impairment of Property and Equipment and Intangible Assets**

##### (a) *Amounts recorded in the consolidated financial statements*

	Thousands of Yen	
	<u>2023</u>	<u>2022</u>
Property and equipment	¥ 1,163,345	¥ 731,066
Intangible assets (excluding goodwill)	9,621,465	6,472,365

##### (b) *Information on the significant accounting estimate*

###### Calculation Method

Assets are grouped according to management accounting categories based on business units. If there is any indication that an asset or asset group may be impaired, the Group assesses whether an impairment loss should be recognized by comparing the sum of the undiscounted future cash flows from the asset group with the carrying amount.

For the year ended November 30, 2023, the Group determined that there was an indication of impairment due to the fact that operating loss was continuously recorded and assessed whether an impairment loss should be recognized. As a result of the review, the Group reached a conclusion that the undiscounted future cash flow is expected to exceed the carrying amount of the property and equipment, and therefore no impairment loss was recognized.

###### Key Assumptions

In making estimates of future cash flows, the Group formulates a business plan based on the estimated amounts of future revenues and expenses. Significant assumptions used in the business plan include customer acquisition cost per customer, churn rate of paying customers, number of customers, and average revenue per customer, as well as continuous revenue growth based on such assumptions.

###### Impact for the Next Fiscal Year

In assessing indications of impairment, undiscounted future cash flows, and recoverable amount, various assumptions are used based on business plans, business environment, and other conditions. Therefore, if there is a change in the assumptions, an impairment loss may be recognized.

## (2) Evaluation of Investment Securities

### (a) Amounts recorded in the consolidated financial statements

	Thousands of Yen	
	2023	2022
Operational investment securities—Unlisted equity securities	¥ 2,745,140	¥ 1,729,083
Investment securities—Unlisted equity securities	15,553,030	12,554,701

### (b) Information on the significant accounting estimate

#### Calculation Method

The Group invests in several unlisted companies for business alliances and investment development at a value considerably higher than the amount based on the net asset value per share, based on the expectation of excess earning power through future growth of the investee companies. Such investments in unlisted equity securities are stated at their acquisition costs as they do not have quoted market prices. In assessing the value of such unlisted equity securities, the Group recognizes impairment losses when the substantial value of the equity securities, which reflects the excess earning power at the time of investment, has declined significantly. However, if the possibility of recovery is estimated to be sufficient, the Group may not recognize impairment losses. In assessing whether excess earning power has been maintained as of the end of the fiscal year, the Group collects the most recent performance data available for each individual investee and makes a judgment based on a comprehensive evaluation of the status of achievement of the investee's business plan, market environment and other factors, considering the degree of deterioration in business performance and the status of financing.

#### Significant Assumptions

The significant estimates used in measuring unlisted equity securities are sales and operating income included in the business plan to reasonably determine the likelihood of recovery to the acquisition cost of each investment.

#### Impact for the Next Fiscal Year

In measuring these investment securities, write-down of investment securities may be recorded due to changes in the economic environment of the investee.

## (3) Evaluation of Goodwill

### (a) Amounts recorded in the consolidated financial statements

	Thousands of Yen	
	2023	2022
Goodwill	¥ 3,843,595	¥4,504,481

### (b) Information on the significant accounting estimate

#### Calculation Method

Goodwill arose from acquisition of a subsidiary through an M&A transaction. Assets are grouped according to management accounting classifications based on the business unit to which the goodwill belongs. In determining whether the Group recognizes an impairment loss for goodwill for which there is an indication of impairment, the Group estimates the total undiscounted future cash flows from the asset group that includes the goodwill based on the future plans of each management accounting category where income and expenditure are continuously monitored.

## Significant Assumptions

The significant estimate in the measurement of goodwill is the future cash flows based on the business plan approved by the Board of Directors of the consolidated subsidiary, which are based on the future forecasts of sales and operating income and the growth rate considering future uncertainties.

## Impact for the Next Fiscal Year

Such estimate may be affected by changes in uncertain economic conditions in the future, and when actual results differ from the estimates, impairment losses may be recognized.

## 5. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) *Group Policy for Financial Instruments*

The Group raises funds by issuance of new shares through third-party allotment, bank loans, and Issuance of bonds payable and convertible bonds with stock acquisition rights in accordance with internal funds management plans. The Group's use of its surplus funds is limited to short-term deposits and other low-risk investments.

### (2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables such as trade accounts receivable and purchased receivables are exposed to credit risks of the debtors and assignors. Operational investment securities and investment securities held by the Group mainly consist of equity securities and investments in partnership for investment purpose or business promotion purpose that are exposed to the issuers' credit risks. Listed securities are exposed to market risks. Lease and guarantee deposits are mainly related to the lease agreement of the headquarter office and exposed to the counterparty's credit risks.

Most payables, such as trade accounts payable and other payables, are due within two months. Loans, bonds payable, and convertible bonds with stock acquisition rights are exposed to liquidity risks, however we manage this by checking cash flow in a timely manner.

### (3) *Risk Management for Financial Instruments*

#### *Credit risk management*

As to receivables, in accordance with internal rules of credit control, the Group controls due dates and balances of individual customers and monitors their financial conditions to identify and reduce the default risk of the counterparties at an early stage. As to lease and guarantee deposits, the relevant department monitors the counterparty's financial condition to identify and reduce the default risk of the counterparty at an early stage.

#### *Market risk management*

As to operational investment securities and investment securities, the Group periodically reviews the financial condition of the issuer and relationships with business partners to revise the holding status on a regular basis. Market values of listed equity securities are monitored on a quarterly basis.

#### *Liquidity risk management*

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. In order to control liquidity risks of payables, loans, bonds payable, and convertible bonds with stock acquisition rights the relevant department prepares and updates internal funds management plans in a timely manner based on the reports submitted by each department. In addition, the Group maintains a certain level of liquidity on hand.



#### (4) Fair Values of Financial Instruments

Fair values of financial instruments were summarized as follows:

**As of November 30, 2023**

<u>November 30, 2023</u>	<u>Thousands of Yen</u>		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Assets:			
(1) Receivables—Trade notes and accounts, and contract assets	¥ 4,007,687		
(2) Receivables—purchased	5,827,883		
Allowance for doubtful accounts (Note 2)	(155,775)		
	<u>9,679,795</u>	¥ 9,679,795	
(3) Operating investment securities	922,840	922,840	
(4) Investment securities—available-for-sale securities	345,539	345,539	
(5) Lease and guarantee deposits	<u>984,183</u>	<u>925,556</u>	¥ (58,627)
Total	<u>¥ 11,932,359</u>	<u>¥ 11,873,732</u>	<u>¥ (58,627)</u>
Liabilities:			
(6) Long-term loans, including current portion	¥ 12,436,619	¥ 12,435,241	¥ (1,377)
(7) corporate bond	1,000,000	1,000,412	412
(8) Convertible bond type bonds with stock acquisition rights	<u>12,000,000</u>	<u>12,000,000</u>	
Total	<u>¥ 25,436,619</u>	<u>¥ 25,435,654</u>	<u>¥ (964)</u>

- Note:
1. Information about fair values of cash and cash equivalents, short-term investments, trade accounts payable, short-term loans, other payables, accrued expenses, and income taxes payable are omitted because these items are settled in a short period of time and their fair values approximate their carrying amounts.
  2. Allowance for doubtful accounts is applicable to both (1) and (2) in the table above.
  3. Current portion of long-term loans is included in long-term loans.

**As of November 30, 2022**

<u>November 30, 2022</u>	Thousands of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
<b>Assets:</b>			
(1) Receivables—Trade notes and accounts	¥ 2,212,392		
(2) Receivables—purchased	5,454,012		
Allowance for doubtful accounts (Note 2)	(94,815)		
	<u>7,571,590</u>	¥ 7,571,590	
(3) Operating investment securities	40,000	40,000	
(4) Investment securities— available-for-sale securities	172,930	172,930	
(5) Lease and guarantee deposits	<u>1,156,316</u>	<u>1,091,665</u>	¥(64,651)
<b>Total</b>	<u>¥ 8,940,837</u>	<u>¥ 8,876,186</u>	<u>¥(64,651)</u>
<b>Liabilities:</b>			
(6) Long-term loans, including current portion	<u>¥ 8,662,157</u>	<u>¥ 8,662,411</u>	<u>¥ 254</u>
<b>Total</b>	<u>¥ 8,662,157</u>	<u>¥ 8,662,411</u>	<u>¥ 254</u>

- Note:
1. Information about fair values of cash and cash equivalents, short-term investments, trade accounts payable, short-term loans, other payables, accrued expenses, and income taxes payable are omitted because these items are settled in a short period of time and their fair values approximate their carrying amounts.
  2. Allowance for doubtful accounts is applicable to both (1) and (2) in the table above.
  3. Current portion of long-term loans is included in long-term loans.

Carrying amounts of financial instruments that do not have a quoted market price in an active market as of November 30, 2023 and 2022, are as follows:

	<u>Carrying Amount</u>	
	Thousands of Yen	
	<u>2023</u>	<u>2022</u>
<b>Operational investment securities and investment securities:</b>		
Unlisted equity securities	¥18,298,171	¥14,283,785
Investments in partnerships	742,274	556,904

A maturity analysis of financial assets as of November 30, 2023 and 2022, is as follows:

	<u>Due within 1 Year</u>	
	Thousands of Yen	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	¥ 38,855,733	¥ 26,712,865
Receivables—accounts	4,007,687	2,212,392
Receivables—purchased	<u>5,827,883</u>	<u>5,454,012</u>
<b>Total</b>	<u>¥ 48,691,304</u>	<u>¥ 34,379,271</u>

### **Financial Instruments Categorized by Fair Value Hierarchy**

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

#### **(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet**

November 30, 2023	Thousands of Yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Operating investment securities:				
Securities	¥ 696,453			¥ 696,453
Other		¥ 226,388		226,388
investment securities:				
Available-for-sale securities				
Securities	128,290			128,290
Other		217,249		217,249
Total	¥ 824,743	¥ 443,637		¥ 1,268,380

November 30, 2022	Thousands of Yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Operating investment securities:				
Securities				
Other		¥ 40,000		¥ 40,000
investment securities:				
Available-for-sale securities				
Securities	¥ 162,930			162,930
Other		10,000		10,000
Total	¥ 162,930	¥ 50,000		¥ 212,930

(2) *The financial assets and liabilities not measured at the fair values in the consolidated balance sheet*

<u>November 30, 2023</u>	Thousands of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Lease and guarantee deposits		¥ 925,556		¥ 925,556
Liabilities:				
Long-term loans, including current portion		12,435,241		12,435,241
Bonds payable		1,000,412		1,000,412
Convertible bonds with stock acquisition rights		12,000,000		12,000,000
<b>Total</b>		<b>¥25,435,654</b>		<b>¥25,435,654</b>

<u>November 30, 2022</u>	Thousands of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Lease and guarantee deposits		¥ 1,091,665		¥ 1,091,665
Liabilities:				
Long-term loans, including current portion		¥ 8,662,411		¥ 8,662,411

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Operating investment securities and Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1.

The fair values of unlisted equity securities are measured at the quoted market prices. However unlisted equity securities are not traded in active markets, the fair values of unlisted equity securities are categorized as Level 2.

Lease and guarantee deposits

Fair value of lease and guarantee deposits is measured at the present value of their expected amount to be returned discounted by a risk-free interest rate over the expected deposit period, and are categorized as level 2.

Long-Term Bank Loans, Including Current Portion

Fair values of long-term bank loans (including current portion) are measured by using discounted present value techniques based on the total amount of the principal and interest and discount rates taking into account maturity and credit risk, and are classified as Level 2.

Long-term loans with variable interest rates are measured at their carrying amounts as the interest rate on these loans reflects the market rate in the short term and their carrying amounts approximate market values, and are classified as Level 2.

Long-term loans with fixed interest rates are measured at the present value of the total amount of the principal and interest taken as a whole discounted by an expected rate that would be applied for loans with the same terms and conditions, and are classified as Level 2.

### Bonds payable

The fair value of bonds payable is measured based on the present value of the total amount of principal and interest, discounted at the interest rate that would be applied if a similar bond were newly issued, and is classified as Level 2 fair value.

### Convertible bonds with stock acquisition rights

The fair value of convertible bonds with stock acquisition rights is measured at the quoted market prices. However convertible bonds with stock acquisition rights are not traded in active markets, the fair values of unlisted equity securities are classified as Level 2.

## 6. INVESTMENT SECURITIES

Operational investment securities and investment securities as of November 30, 2023 and 2022, consisted of the following:

	<u>Due within 1 Year</u>	
	<u>Thousands of Yen</u>	
	<u>2023</u>	<u>2022</u>
Current:		
Marketable equity securities	¥ 696,453	¥
Unlisted equity securities	2,745,140	1,729,083
Unlisted stock acquisition rights	226,388	40,000
Total	<u>¥ 3,667,981</u>	<u>¥ 1,769,083</u>
Noncurrent:		
Marketable equity securities	¥ 128,290	¥ 162,930
Unlisted equity securities	15,553,030	12,554,701
Unlisted stock acquisition rights	217,249	10,000
Investments in partnership	<u>742,274</u>	<u>556,904</u>
Total	<u>¥ 16,640,845</u>	<u>¥ 13,284,537</u>

The carrying amounts and aggregate fair value of marketable equity securities as of November 30, 2023 and 2022, were as follows:

<u>November 30, 2023</u>	<u>Thousands of Yen</u>			
	<u>Carrying Amount</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale equity securities				
Marketable equity securities	¥ 263,765	¥ 560,978		¥ 824,743
Unlisted stock acquisition rights	270,155	28,878		299,033
Total	<u>¥ 533,920</u>	<u>¥ 589,856</u>		<u>¥ 1,123,776</u>
<u>November 30, 2022</u>				
Securities classified as available-for-sale equity securities—				
Marketable equity securities	¥ 74,688	¥ 88,242		¥ 162,930

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the year ended November 30, 2023, were as follows. No available-for-sale securities were sold during the year ended November 30, 2022.

<u>November 30, 2023</u>	<u>Thousands of Yen</u>		
	<u>Proceeds</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Securities classified as available-for-sale equity securities—Marketable equity securities	¥102,678	¥34,807	

Loss on write-down of available-for-sale equity securities for the year ended November 30, 2023, were ¥239,839 thousand, which consisted of ¥239,839 thousand for Operational investment securities.

Loss on write-down of available-for-sale equity securities for the year ended November 30, 2022, were ¥58,829 thousand, which consisted of ¥25,009 thousand for equity securities and ¥33,819 thousand for stock acquisition rights.

## 7. INVENTORIES

Inventories as of November 30, 2023 and 2022, consisted of the following:

	<u>Thousands of Yen</u>	
	<u>2023</u>	<u>2022</u>
Merchandise	¥ 3,031	¥ 5,032
Work in process	3,039	8,092
Supplies	<u>5,937</u>	<u>7,301</u>
Total	<u>¥ 12,008</u>	<u>¥ 20,426</u>

## 8. SHORT-TERM AND LONG-TERM LOANS

Short-term loans and long-term loans as of November 30, 2023 and 2022, are as follows:

	<u>Thousands of Yen</u>	
	<u>2023</u>	<u>2022</u>
Short-term loans	¥ 4,937,000	¥ 8,240,000
Current portion of long-term loans	3,488,750	2,295,000
Long-term loans	<u>8,947,869</u>	<u>6,367,157</u>
Total	<u>¥ 17,373,619</u>	<u>¥16,902,157</u>

The weighted-average interest rates of short-term loans and long-term loans as of November 30, 2023 and 2022, are summarized as follows:

	<u>2023</u>	<u>2022</u>
Short-term loans	0.6%	0.5%
Current portion of long-term loans	0.6	0.5
Long-term loans	0.6	0.6

As of November 30, 2022, certain long-term loans have variable repayment terms and conditions that are subject to the operating results of the Company. Such long-term loans amounted to ¥30,000 thousand as of November 30, 2022.

Long-term loans have annual maturities through 2028. The details are as follows:

<u>Year Ending November 30</u>	<u>Thousands of Yen</u>
2024	¥ 3,488,750
2025	3,769,119
2026	2,608,750
2027	2,108,000
2028	<u>462,000</u>
Total	<u>¥ 12,436,619</u>

As of November 30, 2023 and 2022, no assets were pledged as collateral for the long-term loans above.

The Group has bank overdraft agreements with four financial institutions in order to raise funds efficiently. The total amount of the maximum amount of the bank overdrafts, outstanding balance, and remaining balance as of November 30, 2023 and 2022, were as follows:

	<u>Thousands of Yen</u>	
	<u>2023</u>	<u>2022</u>
Total amount of the maximum amount of the bank overdrafts	¥ 16,300,000	¥13,300,000
Outstanding balance	<u>4,937,000</u>	<u>8,240,000</u>
Remaining balance	<u>¥ 11,363,000</u>	<u>¥ 5,060,000</u>

## 9. RETIREMENT AND PENSION PLANS

The required amount of contribution to the defined contribution pension plan for the years ended November 30, 2023 and 2022, was ¥301,762 thousand and ¥257,059 thousand, respectively.

The changes in the defined benefit obligation of the plan to which the simplified method is applied for the years ended November 30, 2023 and 2022, were as follows:

	<u>Thousands of Yen</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning of year	¥ 4,848	¥ 2,376
Net periodic retirement benefit costs	2,374	2,491
Benefits paid	<u>(768)</u>	<u>(18)</u>
Balance at end of year	<u>¥ 6,454</u>	<u>¥ 4,848</u>

## 10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). Significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### **a. Dividends**

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends at any time during the fiscal year.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if stipulated by the articles of incorporation of the company. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### **b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred between the accounts within equity under certain conditions, upon resolution of the shareholders.

### **c. Treasury Stock and Treasury Stock Acquisition Rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On February 21, 2022, the Company carried out reduction of additional paid-in capital and appropriation of other capital surplus in order to dispose of the accumulated deficit as of November 30, 2021. In accordance with Article 452 of the Companies Act, the Company first transferred ¥1,924,900 thousand of additional paid-in capital to other capital surplus. Subsequently, the Company appropriated ¥1,924,900 thousand of other capital surplus to offset the deficit.

On February 22, 2023, the Company carried out reduction of additional paid-in capital and appropriation of other capital surplus in order to dispose of the accumulated deficit as of November 30, 2022. In accordance with Article 452 of the Companies Act, the Company first transferred ¥8,620,659 thousand of additional paid-in capital to other capital surplus. Subsequently, the Company appropriated ¥8,620,659 thousand of other capital surplus to offset the deficit.



Changes in number of issued shares of common stock and treasury stock for the years ended November 30, 2023 and 2022, were as follows:

	Shares	
	<u>Common Stock</u>	<u>Treasury Stock</u>
Balance, November 30, 2021	53,382,460	36,475
Exercise of stock options	259,400	
Share-based payments—transfer restricted stock	186,675	
Acquisition of transfer restricted stocks without consideration		24,689
Purchase of treasury stocks that are less than one trading unit		83
Balance, November 30, 2022	<u>53,828,535</u>	<u>61,247</u>
Exercise of stock options	271,920	
Share-based payments—transfer restricted stock	134,850	
Acquisition of transfer restricted stocks without consideration		53,848
Purchase of treasury stocks that are less than one trading unit		29
Balance, November 30, 2023	<u><u>54,235,305</u></u>	<u><u>115,124</u></u>

## 11. STOCK OPTIONS

For the year ended November 30, 2023, the amount of expenses related to stock options was ¥471,976 thousand, which was included in selling, general, and administrative expenses.

Gain on reversal of stock acquisition rights, which was recorded due to forfeiture of stock options, for the years ended November 30, 2023 and 2022, was ¥1,535 thousand and ¥1,070 thousand, respectively.

The Company conducted a 100-for-1 stock split effective on December 15, 2014, a 20-for-1 stock split effective on June 24, 2017, and a two-for-one stock split effective on December 1, 2020. Number of shares and exercise prices of stock options are retrospectively adjusted to reflect these stock splits. Stock options outstanding as of November 30, 2023, are as follows:

<u>Stock Options</u>	<u>Persons Granted</u>	<u>Number of Options Granted</u>	<u>Date of Grant</u>	<u>Exercise Price</u>	<u>Exercise Period</u>
#2	4 directors 12 employees 4 outside consultants	1,188,000 shares	February 8, 2014	¥100	From February 8, 2016 to February 7, 2024
#3	1 director 5 outside consultants	18,000 shares	April 22, 2015	¥175	From February 8, 2016 to February 7, 2024
#4	4 directors 38 employees	1,400,000 shares	April 30, 2015	¥175	From February 8, 2016 to February 7, 2024
#5	2 outside directors 3 external statutory auditors 39 outside consultants	102,000 shares	March 23, 2016	¥275	From March 17, 2018 to March 16, 2025
#6	4 directors 55 employees 1 outside consultant	1,498,000 shares	March 23, 2016	¥275	From March 17, 2017 to March 16, 2025
#7	2 business partners	403,680 shares	March 23, 2016	¥750	From March 17, 2018 to March 16, 2025
#8	6 directors 79 employees	684,000 shares	March 15, 2017	¥375	From March 15, 2020 to March 14, 2026
#9	2 outside directors 3 external statutory auditors 6 outside consultants	62,000 shares	March 15, 2017	¥375	From March 15, 2020 to March 14, 2026
#10	1 outside director	8,000 shares	June 23, 2017	¥375	From June 23, 2020 to June 22, 2026
#11	7 directors 1 outside director 1 external statutory auditor 2 outside consultants 61 employees 6 directors of subsidiaries	640,000 shares	February 5, 2018	¥1,578	From February 5, 2019 to February 4, 2025
#12	4 directors 20 employees	1,166,000 shares	February 10, 2023	¥4,535	From March 1, 2025 to February 28, 2030
SMARTCAM P CO., LTD. #8	2 directors 40 employees	1,859 shares	March 27, 2023	¥164,966	From February 1, 2025 to January 31, 2030

Note: At the time the options are exercised, the holder of the stock options shall occupy the position of a director or employee of the Company or a director or employee of its subsidiaries or affiliate companies or an outside consultant unless otherwise approved by the Board of Directors of the Company. If the right holder of the stock options is a corporation, the stock options may not be exercised when an order of the following proceedings is made: bankruptcy proceeding, civil rehabilitation proceeding, corporate reorganization proceeding, special liquidation proceeding, and similar proceedings.

Stock option activity is as follows:

	<u>#2</u>	<u>#3</u>	<u>#4</u>	<u>#5</u>	<u>#6</u>	<u>#7</u>	<u>#8</u> (Shares)	<u>#9</u>	<u>#10</u>	<u>#11</u>	<u>#12</u>	SMARTCAMP CO., LTD. #8
<u>Non-vested</u>												
November 30, 2021—Outstanding						403,680	218,000	31,000	4,000	277,000		
Granted												
Forfeited							(3,600)			(4,200)		
Vested							(114,520)	(15,480)	(2,000)	(139,200)		
November 30, 2022—Outstanding						403,680	99,880	15,520	2,000	133,600		
Granted											1,166,000	1,859
Forfeited							(1,320)			(2,400)		(8)
Vested							(66,160)	(15,520)	(2,000)	(92,400)		
November 30, 2023—Outstanding						403,680	32,400	0		38,800	1,166,000	1,851
<u>Vested</u>												
November 30, 2021—Outstanding	24,000	4,040	100,800	43,280	277,160		121,240	17,000	4,000	195,200		
Vested							114,520	15,480	2,000	139,200		
Exercised			(800)	(10,000)	(109,960)		(70,840)	(9,000)	(6,000)	(52,800)		
Cancelled							(10,440)			(10,200)		
November 30, 2022—Outstanding	24,000	4,040	100,000	33,280	167,200		154,480	23,480		271,400		
Vested							66,160	15,520	2,000	92,400		
Exercised	(16,000)		(40,000)	(800)	(74,000)		(78,120)	(8,000)	(2,000)	(53,000)		
Cancelled							(10,680)			(18,200)		
November 30, 2023—Outstanding	8,000	4,040	60,000	32,480	93,200		131,840	31,000		292,600		
Exercise price	¥100	¥175	¥175	¥275	¥275	¥750	¥375	¥375	¥375	¥1,578	¥4,535	¥164,966
Average stock price at exercise	¥4,892		¥4,615	¥4,945	¥5,400		¥5,324	¥5,234	¥5,550	¥4,758		
Fair value at grant date											¥73.475	A.¥2,734.57 B.¥2,887.69 C.¥2,964.45

**Assumptions Used to Measure the Fair Value of Stock Options**

Because the Company was an unlisted company at the grant date of stock options #2 through #10, these stock options are measured at their intrinsic values instead of their fair values. The intrinsic value of each stock option is estimated based on the stock price determined under the discounted cash flow method.

Because SMARTCAMP CO., LTD., a consolidated subsidiary of the Company, was an unlisted company, SMARTCAMP CO., LTD. #8 is measured at its intrinsic value instead of its fair value. The intrinsic value of the stock option is estimated based on the stock price determined under the discounted cash flow method.

Assumptions used to measure the fair value of stock option #12 are as follows:

Method used for evaluation: Black-Scholes model

Selected assumptions:

	<u>#12</u>
Stock price volatility (Note 1)	A.60.70% B.62.02% C.61.10%
Expected remaining period (Note 2)	A.4.56 year B.5.06 year C.5.56 year
Expected dividends (Note 3)	0% A.0.16%
Risk-free interest rate (Note 4)	B.0.20% C.0.27%

Note 1. The following calculations are based on the conditions below:

Stock price data collection period: 4.56 to 5.37 years

Frequency of price observation: Daily

Exceptional information: None

Discontinuous changes in the circumstances surrounding the company: Not applicable

2. Estimated based on the assumption that the rights are exercised at the end of exercise period as reasonable estimation is difficult due to insufficient historical data.
3. Based on the actual dividends for the fiscal year ended November 30, 2023.
4. Calculated based on the yield curve of risk-free assets as of the date of calculation and converted to the Interest rate by the continuous compounding method.

#### ***Estimation of the Number of Vested Stock Options***

Because it is difficult to reasonably estimate the number of options that will expire in the future, actual forfeiture is used.

#### ***Total Amount of the Intrinsic Values of Stock Options***

The total amount of the intrinsic values of the stock options as of November 30, 2023, was ¥3,195,794 thousand. The total amount of the intrinsic values of the stock options, which were exercised during the year ended November 30, 2023, at the date of exercise was ¥1,073,148 thousand.

## 12. INCOME TAXES

The Company and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 31% for the years ended November 30, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of November 30, 2023 and 2022, are as follows:

	Thousands of Yen	
	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Enterprise taxes payable	¥ 53,255	¥ 35,798
Business office taxes payable	10,278	6,759
Allowance for doubtful accounts	52,411	32,016
Accrued bonuses	102,911	71,256
Provision for customer reward points	79,708	14,577
Depreciation and amortization	461,190	363,480
Lease and guarantee deposits	50,618	40,550
Software in progress	89,798	89,798
Unrealized loss on available-for-sale securities	119	1,087
Tax loss carryforwards	6,271,892	5,322,629
Share-based payments—transfer restricted stock	302,037	229,872
Investment securities	270,792	270,792
Contract liabilities	59,522	103,703
Other	65,284	26,416
Total of tax loss carryforwards and temporary differences	<u>7,869,822</u>	<u>6,608,739</u>
Less valuation allowance for tax loss carryforwards	(6,200,695)	(5,286,325)
Less valuation allowance for temporary differences	<u>(1,503,448)</u>	<u>(1,229,399)</u>
Total valuation allowance	<u>(7,704,143)</u>	<u>(6,515,724)</u>
Deferred tax assets	165,678	93,014
Offset against deferred tax liability	<u>(6,504)</u>	<u>93,014</u>
	159,174	93,014
Deferred tax liabilities:		
Amortization of goodwill	9,101	10,172
Reserved profit of a subsidiary	7,243	6,811
Unrealized gains on available-for-sale securities	764,826	475,390
Enterprise taxes receivable	20,647	1,073
Insurance reserves	20,647	20,647
Other	7,498	
Deferred tax liabilities	809,317	514,096
Offset against deferred tax assets	<u>(6,504)</u>	<u>514,096</u>
Net deferred tax liabilities	<u>¥ 802,813</u>	<u>¥ 421,081</u>

Note: The significant increase in valuation allowances was mainly attributable to increase in valuation allowance for tax loss carryforwards

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of November 30, 2023 and 2022, were as follows:

	Thousands of Yen		
	2023		
	Tax Loss Carryforwards (Note 1)	Valuation Allowance	Deferred Tax Assets (Note 2)
Assets:			
Due within 1 year	¥ 251,721	¥ (251,721)	
Due after 1 year through 2 years	147,907	(146,660)	1,247
Due after 2 years through 3 years	193,978	(188,502)	5,476
Due after 3 years through 4 years	132,343	(128,142)	4,200
Due after 4 years through 5 years			
Due after 5 years	<u>5,545,941</u>	<u>(5,485,668)</u>	<u>¥ 60,272</u>
Total	<u>¥6,271,892</u>	<u>¥ (6,200,695)</u>	<u>¥ 71,197</u>

	Thousands of Yen		
	2022		
	Tax Loss Carryforwards (Note 1)	Valuation Allowance	Deferred Tax Assets (Note 2)
Assets:			
Due within 1 year	¥ 162,241	¥ (162,241)	
Due after 1 year through 2 years	269,555	(269,555)	
Due after 2 years through 3 years	248,025	(248,025)	
Due after 3 years through 4 years	112,281	(112,281)	
Due after 4 years through 5 years	123,335	(123,335)	
Due after 5 years	<u>4,407,190</u>	<u>(4,370,886)</u>	<u>¥ 36,304</u>
Total	<u>¥5,322,629</u>	<u>¥ (5,286,325)</u>	<u>¥ 36,304</u>

Notes: 1. The amounts above are determined by multiplying the corresponding tax loss carryforwards by the effective statutory tax rate.

2. The Company believes that deferred tax assets related to tax loss carryforwards are recoverable as it is highly probable that taxable income before adjustment for temporary differences equivalent to the estimated amount of deductions will be generated in the fiscal year in which the tax loss carryforwards are expected to be utilized.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended November 30, 2023 and 2022, is not presented as the Group recorded losses before income taxes.

Application of Japanese Group Relief System—Effective the fiscal year ended November 30, 2023, the Company and some domestic consolidated subsidiaries have adopted the Japanese Group Relief System in which the Company is the tax sharing parent company. The Company and some domestic consolidated subsidiaries apply the accounting and disclosure treatment of corporate tax, local corporate tax, and deferred tax accounting in accordance with Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42 issued on August 12, 2021).

## 13. REVENUES

### (1) Disaggregation of Revenues

Revenues from contracts with customers on a disaggregated basis for the year ended November 30, 2023 and 2022, were as follows:

	Thousands of Yen	
	2023	2022
Business Domain	¥ 18,712,163	¥ 12,704,425
Home Domain	3,989,491	3,145,673
X Domain	2,525,311	1,662,772
Finance Domain	1,586,457	1,168,273
SaaS Marketing Domain	3,531,639	2,766,962
Other	35,565	29,085
Total	¥ 30,380,629	¥ 21,477,195

### (2) Basic Information to Understand Revenues from Contracts with Customers

Basic information to understand revenues from contracts with customers is discussed in Note 2.

### (3) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

	Thousands of Yen	
	2023	2022
Receivables from contracts with customers:		
Balance at beginning of year	¥ 2,212,392	¥ 1,492,419
Balance at end of year	4,007,687	2,212,392
Contract assets:		
Balance at beginning of year	114,778	6,874
Balance at end of year	131,637	114,778
Contract liabilities:		
Balance at beginning of year	3,486,806	2,292,389
Balance at end of year	4,849,429	3,486,806

Note: Contract assets mainly represent unbilled receivables for revenue recognized over time based on the progress of certain software development contracts, which are to be transferred to receivables from contracts with customers at the time the right to consideration becomes claimable. Contract liabilities mainly represent considerations received in advance that are eliminated at the time of recognizing revenue.

The amount of revenue recognized for the year ended November 2023, which was included in the contract liabilities at the beginning of year, was ¥2,796,000 thousand.

### (4) Transaction Prices Allocated to Remaining Performance Obligations

The Company does not have any transaction that is individually significant with an expected contract period exceeding one year. Therefore, information about transaction prices allocated to remaining performance obligations is omitted applying the practical expedient. In addition, there are no significant amounts of variable consideration arising from contracts with customers that are not included in the transaction prices.

#### 14. RESEARCH AND DEVELOPMENT COSTS

R&D costs included in selling, general and administrative expenses for the years ended November 30, 2023 and 2022, were ¥179,117 thousand and ¥155,270 thousand, respectively.

#### 15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses for the years ended November 30, 2023 and 2022, are as follows:

	Thousands of Yen	
	<u>2023</u>	<u>2022</u>
Salaries	¥ 6,562,936	¥ 5,197,804
Advertising	5,669,333	6,585,555
Retirement benefit expenses	173,319	157,505
Accrual of bonuses	206,959	97,635
Accrual of bonuses to directors and Audit & Supervisory Board Members	78,623	58,029
Bad debt expenses	15,379	1,872
Expenses for customer reward points	212,707	46,963

#### 16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended November 30, 2023 and 2022, were as follows:

	Thousands of Yen	
	<u>2023</u>	<u>2022</u>
Unrealized gain (loss) on available-for-sale securities:		
Gains (losses) arising during the year	¥ 1,466,285	¥ 1,215,775
Reclassification adjustments to profit or loss	<u>(3,272)</u>	<u>                    </u>
Amount before income tax effect	1,463,013	1,215,775
Income tax effect	<u>(286,163)</u>	<u>(370,575)</u>
Total	<u>¥ 1,176,849</u>	<u>¥ 845,199</u>
Foreign currency translation adjustment— Adjustments arising during the year	<u>¥ 22,385</u>	<u>¥ 90,160</u>
Share of other comprehensive income of affiliates accounted for using equity method	<u>¥ 1,564</u>	<u>                    </u>
Total other comprehensive income	<u>¥ 1,200,799</u>	<u>¥ 935,360</u>



## 17. ADDITIONAL CASH FLOW INFORMATION

### *Year Ended November 30, 2023*

Not applicable.

### *Year Ended November 30, 2022*

The major components of payment for purchase of newly consolidated subsidiary's stock were as follows:

	<u>Thousands of Yen</u> <u>2022</u>
<u>HiTTO Inc.</u>	
Current assets	¥ 387,101
Noncurrent assets	107,854
Goodwill	1,926,022
Current liabilities	(180,859)
Noncurrent liabilities	<u>(241,682)</u>
Acquisition cost	1,998,516
Cash and cash equivalents acquired	<u>(353,914)</u>
Payment for purchase of newly consolidated subsidiary's stock	<u>¥1,644,602</u>

## 18. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties for the year ended November 30, 2023 and 2022 consisted of exercises of stock options by the board of directors of the Company. Details are as follows:

### *Year Ended November 30, 2023*

<u>Name</u>	<u>Position at the Company</u>	<u>Ownership Percentage (%)</u>	<u>Thousands of Yen</u>
Takuya Nakade	Director	0.08	¥25,467

### *Year Ended November 30, 2022*

<u>Name</u>	<u>Position at the Company</u>	<u>Ownership Percentage (%)</u>	<u>Thousands of Yen</u>
Yosuke Tsuji	Representative Director	13.27	¥34,569
Naoya Kanesaka	Director	0.21	15,148

For the year ended November 30, 2023, transactions between the Company's subsidiaries and related parties consisted of investments in HIRAC FUND 1 and HIRAC FUND 2. For the year ended November 30, 2022, transactions between the Company's subsidiaries and related parties consisted of investments in HIRAC FUND 1. HIRAC FUND 1 and HIRAC FUND 2 are investment limited partnerships, and MFVP, a consolidated subsidiary of the Company, is their unlimited liability partner. HIRAC FUND 1 and HIRAC FUND 2 make investments in accordance with the Investment Limited Liability Partnership Agreement. The investment funds are deposited in anticipation of future appropriation to capital calls. Details are as follows:

**Year Ended November 30, 2023**

Name	Thousands of Yen	Nature of Business	Ownership Percentage (%)	Relationship	Nature of the Transactions	Thousands of Yen	Account	Thousands of Yen
	Amount of Capital					Transaction during the Year		Balance at the Year-End
Pay Forward 2, Inc.	¥50,000	Investment Business		Investment	Investments in HIRAC FUND 1 and HIRAC 2 Receipt of deposits	¥ 32,000		
					Receipt of deposits		Other (deposits received)	¥ 18,000
Tou, Inc.	27,000	Investment Business		Investment	Investments in HIRAC FUND 1 and HIRAC 2 Receipt of deposits	18,000		
					Receipt of deposits		Other (deposits received)	18,000

**Year Ended November 30, 2022**

Name	Thousands of Yen	Nature of Business	Ownership Percentage (%)	Relationship	Nature of the Transactions	Thousands of Yen	Account	Thousands of Yen
	Amount of Capital					Transaction during the Year		Balance at the Year-End
Pay Forward 2, Inc.	¥50,000	Investment Business		Investment	Investments in HIRAC FUND 1 Receipt of deposits	¥ 20,000		
					Receipt of deposits		Other (deposits received)	¥20,000
Tou, Inc.	27,000	Investment Business		Investment	Investments in HIRAC FUND 1 Receipt of deposits	6,000		
					Receipt of deposits		Other (deposits received)	6,000

Note: All the voting rights of Pay Forward 2, Inc. are held by Yosuke Tsuji, Representative Director of the Company, and his relatives. All the voting rights of Tou, Inc. are held by Naoya Kanesaka, Director of the Company, and his relatives.

## 19. SUBSEQUENT EVENT

### *Reduction of Additional Paid-in Capital and Disposition of Accumulated Deficit*

On February 28, 2024, the 12th general shareholders' meeting of the Company approved a proposal regarding a reduction of additional paid-in capital and disposition of accumulated deficit, which was resolved at its Board of Directors' meeting held on January 22, 2024.

#### (1) Purposes

In order to improve financial soundness by conducting a disposition of accumulated deficit

#### (2) Outline of reduction of capital reserve

In accordance with Articles 448-1 of the Companies Act, the Company reduced ¥5,715,142 thousand of additional paid-in capital and transferred it to other capital surplus. The amount of capital surplus after the transfer amounted to ¥3,630,073 thousand.

#### (3) Outline of disposition of accumulated deficits

In accordance with Article 452 of the Companies Act, the Company appropriated other capital surplus of ¥5,715,142 thousand to offset the deficit. As a result, accumulated deficit was reduced by ¥5,715,142 thousand.

#### (4) Schedule

(a) Date of resolution at the Board of Directors' meeting: January 22, 2024

(b) Date of resolution at the General Shareholders' meeting: February 28, 2024

(c) Effective date: March 1, 2024

## 20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as it is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Because the Group engages in a single segment, namely, the platform service business, segment information is not presented.

## Related Information

### (1) Information about sales to customers

Sales to customers by business domain for the years ended November 30, 2023 and 2022, were as follows:

	Thousands of Yen	
	2023	2022
Business Domain	¥ 18,712,163	¥12,704,425
Home Domain	3,989,491	3,145,673
X Domain	2,525,311	1,662,772
Finance Domain	1,586,457	1,168,273
SaaS Marketing Domain	3,531,639	2,766,962
Other	<u>35,565</u>	<u>29,085</u>
Total sales to customers	<u>¥ 30,380,629</u>	<u>¥21,477,195</u>

### (2) Information about goodwill

Amortization of goodwill and remaining balance of goodwill as of and for the years ended November 30, 2023 and 2022, were as follows:

	Thousands of Yen	
	2023	2022
The platform service business:		
Amortization of goodwill	¥ 660,886	¥ 643,093
Remaining balance of goodwill	3,843,595	4,504,481

## 21. LEASE TRANSACTIONS

Operating lease transactions

Future minimum lease payments under non-cancellable operating lease transactions as of November 30, 2023 and 2022, were as follows:

	Thousands of Yen	
	2023	2022
Due within one year	¥ 785,044	¥ 295,480
Due after more than one year	<u>1,070,040</u>	<u>111,626</u>
Total	¥ 1,855,085	¥ 407,107

\* \* \* \* \*

## Additional Information on the Consolidated Financial Statements

All the figures in the accompanying consolidated financial statements are unaudited.

The accompanying consolidated financial statements are summarized and translated from the original Japanese version submitted to the Tokyo Securities Exchange with certain rearrangements and reclassifications therein. The consolidated financial statements in the original Japanese Securities Report were audited by Deloitte Touche Tohmatsu whose report, dated February 28, 2024, expressed an unmodified opinion on those consolidated financial statements.