Money Forward, Inc. and Subsidiaries

Consolidated Financial Statements for the
Years Ended November 30, 2021, 2020 and 2019
(Unaudited)

Money Forward, Inc. and Subsidiaries

Consolidated Balance Sheets
November 30, 2021, 2020 and 2019 (Unaudited)

ASSETS	Thousands of Yen 2021	2020	2019
CURRENT ASSETS:			
Cash and cash equivalents (Note 4)	¥36,020,522	¥ 8,719,850	¥ 7,192,537
Short-term investments (Note 4)	200,000	200,000	
Receivables (Note 4):			
Trade notes and accounts	1,516,402	1,228,255	890,638
Purchased	4,222,155	2,210,303	2,068,872
Other	250,872	150,648	275,205
Allowance for doubtful accounts (Note 4)	(102,517)	(56,747)	(41,953)
Operational investment securities (Notes 4 and 5)	1,074,286	219,851	
Inventories (Note 6)	21,762	83,005	7,297
Other current assets	822,273	705,152	475,544
Total current assets	44,025,758	13,460,320	10,868,142
PROPERTY AND EQUIPMENT (Note 3):			
Buildings	460,326	424,973	321,304
Construction in progress	3,112		
Tools, furniture and fixtures	383,671	252,597	183,220
Total	847,111	677,570	504,524
Accumulated depreciation	(309,780)	(199,338)	(117,140)
Net property and equipment	537,330	478,231	387,384
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 4 and 5)	5,006,164	2,230,427	1,789,955
Goodwill (Note 3)	3,068,762	3,547,877	2,621,095
Software (Note 3)	2,313,203	623,057	18,870
Software in progress (Note 3)	723,223	393,400	
Lease and guarantee deposits (Note 4)	606,325	580,220	465,730
Other	712,468	410,833	174,657
Allowance for doubtful accounts (Note 4)	(50,678)	(12,619)	(12,619)
Total investments and other assets	12,379,469	7,773,196	5,057,687
TOTAL	¥56,942,558	¥21,711,748	¥16,313,216

(Continued)

Money Forward, Inc. and Subsidiaries

Consolidated Balance Sheets
November 30, 2021, 2020 and 2019 (Unaudited)

LIABILITIES AND EQUITY	Thousands of Yen 2021	2020	2019
CURRENT LIABILITIES:			
Short-term loans (Notes 4 and 7)	¥ 4,700,000	¥ 2,510,000	¥ 2,000,000
Current portion of long-term loans (Notes 4 and 7)	1,713,041	968,344	620,776
Payables (Note 4):			
Trade accounts	211,852	175,032	184,730
Other	1,822,487	1,664,797	755,661
Accrued expenses (Note 4)	908,826	717,171	646,781
Accrued bonuses (Note 4)	34,506	16,874	11,641
Accrued points	644		
Income taxes payable (Note 4)	350,189	89,930	77,188
Unearned revenue	1,722,767	1,454,299	872,713
Other current liabilities	812,054	643,955	225,189
Total current liabilities	12,276,371	8,240,405	5,394,682
LONG-TERM LIABILITIES:			
Long-term loans (Notes 4 and 7)	2,141,100	3,067,741	2,809,533
Liability for retirement benefits (Note 8)	2,376		
Other long-term liabilities	189,728	165,833	78,840
Total long-term liabilities	2,333,205	3,233,574	2,888,373
EQUITY (Notes 9 and 10):			
Capital stock	25,775,494	9,614,410	6,942,818
Capital surplus	17,233,262	2,910,162	4,026,306
Stock acquisition rights	38,529	46,549	54,541
Accumulated deficit	(2,755,553)	(3,111,275)	(3,211,257)
Treasury stock	(850)	(146)	(146)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	228,409	214,893	120,126
Foreign currency translation adjustment	10,898	(9,752)	(6,917)
Total	40,530,190	9,664,841	7,925,471
Noncontrolling interests	1,802,791	572,927	104,687
Total equity	42,332,981	10,237,768	8,030,159
TOTAL	¥56,942,558	¥21,711,748	¥16,313,216

See notes to consolidated financial statements.

(Concluded)

Money Forward, Inc. and Subsidiaries

Consolidated Statements of Operations
Years Ended November 30, 2021, 2020 and 2019 (Unaudited)

	Thousands of Yen		
	2021	2020	2019
NET SALES	¥15,632,601	¥11,318,217	¥ 7,156,784
COST OF SALES	4,814,024	3,700,849	2,832,672
Gross profit	10,818,576	7,617,367	4,324,112
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	11,880,838	10,422,150	6,770,263
Operating loss	(1,062,262)	(2,804,783)	(2,446,151)
OTHER INCOME (EXPENSES):			
Interest income	78	113	293
Gain on sale of investment securities (Note 5)	3,213	325,233	
Gain on step acquisitions		100,000	
Interest expense	(48,325)	(37,035)	(28,524)
Stock issuance costs	(313,935)	(25,351)	(90,735)
Loss on valuation of investment securities (Note 5)		(17,690)	
Impairment losses (Notes 3 and 14)			(12,533)
Loss on business restructuring (Note 14)			(61,395)
Other—net	(8,834)	4,857	(438)
Other (expenses) income—net	(367,803)	350,127	(193,333)
LOSS BEFORE INCOME TAXES	(1,430,066)	(2,454,655)	(2,639,484)
INCOME TAXES (Note 11):			
Current	136,850	49,616	32,381
Deferred	15,632	(25,792)	(51,283)
Total income taxes	152,483	23,824	(18,901)
NET LOSS	(1,582,549)	(2,478,479)	(2,620,583)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(100,287)	(55,197)	(48,532)
NET LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (1,482,262)	¥ (2,423,282)	¥ (2,572,050)
	Yen		
PER SHARE INFORMATION (Note 2.s)—Basic net loss*	¥(29.97)	¥(52.08)	¥(58.95)

* Per share figures have been retrospectively adjusted to reflect a 2-for-1 stock split effective December 1, 2020.

See notes to consolidated financial statements.

Money Forward, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended November 30, 2021, 2020 and 2019 (Unaudited)

	Thousands of Yen		
	2021	2020	2019
NET LOSS	¥ (1,582,549)	¥ (2,478,479)	¥ (2,620,583)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 15):			
Unrealized gain on available-for-sale securities	13,516	94,859	124,803
Foreign currency translation adjustment	20,651	(2,835)	(8,679)
Total other comprehensive income	34,167	92,023	116,124
COMPREHENSIVE LOSS	¥ (1,548,382)	¥ (2,386,455)	¥ (2,504,458)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent	¥ (1,448,094)	¥ (2,331,350)	¥ (2,455,926)
Noncontrolling interests	(100,287)	(55,105)	(48,532)

See notes to consolidated financial statements.

Money Forward, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended November 30, 2021, 2020 and 2019 (Unaudited)

	Thousands of Yen								
						Accumulated Other Comprehensive Income (Loss)			
	Capital Stock	Capital Surplus	Stock Acquisition Rights	Accumulated Deficit	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Noncontrolling Interests	Total Equity
BALANCE, DECEMBER 1, 2018	¥ 3,378,155	¥ 726,723	¥60,007	¥ (873,822)		¥ (4,677)	¥ 1,761	¥ 95,284	¥ 3,383,433
Net loss attributable to owners of the parent				(2,572,050)					(2,572,050)
Issuance of new shares (Note 9)	3,375,312	3,375,312							6,750,624
Exercise of stock options (Notes 9 and 10)	70,206	70,206							140,413
Share-based payment—transfer restricted stock	119,143	119,143							238,287
Purchase of shares of a consolidated subsidiary		(768)							(768)
Disposition of deficit (Note 9)		(264,310)		264,310					
Effect of change of consolidated subsidiaries' closing date				(29,694)					(29,694)
Purchase of treasury stock (Note 9)					¥(146)				(146)
Net change in the year			(5,466)			124,803	(8,679)	9,403	120,061
BALANCE, NOVEMBER 30, 2019	6,942,818	4,026,306	54,541	(3,211,257)	(146)	120,126	(6,917)	104,687	8,030,159
Net loss attributable to owners of the parent				(2,423,282)					(2,423,282)
Issuance of new shares (Note 9)	2,394,216	2,394,216							4,788,432
Exercise of stock options (Notes 9 and 10)	110,744	110,744							221,489
Share-based payment—transfer restricted stock	166,631	166,631							333,262
Increase by share exchanges		449,998							449,998
Purchase of shares of a consolidated subsidiary		(1,714,697)							(1,714,697)
Change in ownership interest of parent due to transactions with noncontrolling interests		226							226
Disposition of deficit (Note 9)		(2,523,264)		2,523,264					
Net change in the year			(7,991)			94,766	(2,835)	468,239	552,179
BALANCE, NOVEMBER 30, 2020	9,614,410	2,910,162	46,549	(3,111,275)	(146)	214,893	(9,752)	572,927	10,237,768
Net loss attributable to owners of the parent				(1,482,262)					(1,482,262)
Issuance of new shares (Note 9)	15,786,000	15,786,000							31,572,000
Exercise of stock options (Notes 9 and 10)	95,920	95,920							191,840
Share-based payment—transfer restricted stock	279,163	279,163							558,327
Disposition of deficit (Note 9)		(1,837,984)		1,837,984					
Purchase of treasury stock (Note 9)					(704)				(704)
Net change in the year			(8,020)			13,516	20,651	1,229,864	1,256,011
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

See notes to consolidated financial statements.

Money Forward, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended November 30, 2021, 2020 and 2019 (Unaudited)

	Thousands of Yen		
	2021	2020	2019
OPERATING ACTIVITIES:			
Loss before income taxes	¥ (1,430,066)	¥ (2,454,655)	¥ (2,639,484)
Adjustments for:			
Income taxes—paid	(51,498)	(31,562)	(22,263)
Depreciation and amortization	394,640	120,578	66,924
Amortization of goodwill	473,425	369,962	110,184
Share-based remuneration expenses	249,764	148,680	82,472
Gain on step acquisitions		(100,000)	
Gain on sale of investment securities	(2,868)	(325,233)	
Loss on valuation of investment securities		17,690	
Stock issuance costs	313,935	25,351	90,735
Impairment losses			12,533
Loss on business restructuring			61,395
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(303,621)	(274,608)	(175,085)
Decrease (increase) in inventories	61,241	(64,949)	1,870
Increase in purchased receivables	(2,011,852)	(141,431)	(1,706,756)
Increase in operational investment securities	(854,435)	(219,851)	
Increase in allowance for doubtful accounts	83,829	14,793	48,907
Increase (decrease) in trade accounts payable	36,820	(16,784)	(5,186)
(Decrease) increase in other payables	(7,714)	874,817	483,480
Increase in accrued expenses	192,387	45,279	160,212
Increase in accrued bonuses	16,961	5,232	11,641
Increase in unearned revenue	268,468	581,586	98,063
Other—net	242,930	305,446	(284,664)
Total adjustments	(897,587)	1,334,998	(965,535)
Net cash used in operating activities	(2,327,653)	(1,119,657)	(3,605,019)
INVESTING ACTIVITIES:			
Payments for short-term investments	(400,000)	(400,000)	
Proceeds from withdrawal of short-term investments	400,000	200,000	
Purchase of property and equipment	(204,667)	(123,639)	(117,549)
Payment for intangible assets	(2,129,319)	(1,042,643)	(13,520)
Purchases of investment securities	(2,824,447)	(459,497)	(778,611)
Proceeds from sale of investment securities	24,027	349,881	
Payment for lease and guarantee deposits	(69,623)	(156,923)	(16,302)
Proceeds from collection of lease and guarantee deposits	19,159	15,227	4,112
Payment for purchase of newly consolidated subsidiary's stock		(988,862)	(1,836,200)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation (Note 2.a)	(14,218)		
Other—net	(381)	79	(26,309)
Net cash used in investing activities	(5,199,470)	(2,606,378)	(2,784,380)
FORWARD	¥ (7,527,124)	¥ (3,726,035)	¥ (6,389,399)

(Continued)

Money Forward, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended November 30, 2021, 2020 and 2019 (Unaudited)

	Thousands of Yen		
	2021	2020	2019
FORWARD	¥ (7,527,124)	¥ (3,726,035)	¥ (6,389,399)
FINANCING ACTIVITIES:			
Increase in short-term loans	2,190,000	510,000	1,445,000
Proceeds from long-term loans	1,000,000	1,222,000	1,200,000
Repayment of long-term loans	(1,159,944)	(632,724)	(800,000)
Proceeds from issuance of new shares	31,444,347	4,978,368	6,796,736
Purchase of treasury shares of subsidiaries	(704)		(146)
Proceeds from noncontrolling shareholders	196,000		
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(1,390,629)	(3,390)
Proceeds from partnership	1,140,000	570,000	
Payment of listing related costs	(11,539)		
Other—net	(334)	(334)	(334)
Net cash provided by financing activities	34,797,825	5,256,681	8,637,865
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	29,970	(3,332)	(7,457)
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,300,671	1,527,313	2,241,006
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,719,850	7,192,537	4,951,530
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 36,020,522	¥ 8,719,850	¥ 7,192,537

See notes to consolidated financial statements.

(Concluded)

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 in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects from International Financial Reporting Standards ("IFRS") 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 2020 and 2019 consolidated financial statements to conform to the classifications used in 2021.

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 15 (14 in 2020 and 11 in 2019) subsidiaries (together, the "Group") as of November 30, 2021. The detail of the subsidiaries is as follows:

Money Forward Fine, Inc.
Money Forward Kessai, Inc. ("MF Kessai," previously MF KESSAI, Inc.)*1
Money Forward Hosho, Inc. ("MF Hosho," previously MF HOSHO, Inc.)*1
Money Forward i, Inc. ("MF i," previously mirai talk, Inc.)*1
Klavis, Inc.
Money Forward Financial, Inc.
Knowledge Labo, Inc. ("Knowledge Labo")*2
MONEY FORWARD VIETNAM CO., LTD ("MF Vietnam")
Money Forward Synca, Inc. ("MF Synca")*3
SMARTCAMP CO., LTD. ("SMARTCAMP")*4
Money Forward Venture Partners, Inc. ("MFVP")*5
Series 1 HIRAC FUND Investment Limited Liability Partnership ("HIRAC FUND")*5
R&AC Co., Ltd. ("R&AC")*6
ADXL, Inc. ("ADXL")*7
Biz Forward, Inc. ("Biz Forward")*8

*1 During the year ended November 30, 2019, MF Kessai, MF Hosho and MF i changed its fiscal year end from September 30 to November 30. In accordance with this change, consolidated financial statements are prepared based on the statement of income of those companies for the twelve-month fiscal period from December 1, 2018 to November 30, 2019.

*2 The Company holds 51.4% of Knowledge Labo's shares as of November 30, 2021.

*3 The Company newly established MF Synca during the year ended November 30, 2019.

*4 The Company acquired 72.3% of SMARTCAMP's shares during the year ended November 30, 2019. Subsequently, the Company acquired additional shares of SMARTCAMP during the year ended November 30, 2020, to make it a wholly owned subsidiary.

*5 The Company newly established MFVP and HIRAC FUND during the year ended November 30, 2020.

*6 The Company acquired R&AC's shares during the year ended November 30, 2020, to make it a wholly owned subsidiary.

*7 The Company established ADXL during the year ended November 30, 2021.

*8 The Company established Biz Forward jointly with MUFG Bank, Ltd. during the year ended November 30, 2021. The Company holds 51.0% of Biz Forward's shares as of November 30, 2021.

*9 The Company excluded Wakufuri, Inc. from the scope of consolidation due to the disposal of its shares during the year ended November 30, 2021.

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 Company did not have any unconsolidated subsidiaries or associated companies as of November 30, 2021.

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 5 to 10 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. MF Vietnam closes its accounts on its closing date, September 30, to prepare financial statements to be used in the consolidated financial statements.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("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, 2021, 2020 and 2019 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 6 to 50 years for buildings and from 4 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 Points***–To prepare for the use of points granted to users, the amount expected to be used in the future is accrued.

m. ***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.

n. ***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," which requires transactions granting employees and others stock acquisition rights, 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 employees and others stock acquisition rights, which involve considerations, with vesting conditions that occurred prior to the application of PITF No. 36 in accordance with the accounting policy previously applied.

o. ***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.

Effective December 1, 2018, the Group adopted ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (the "Partial Amendments," issued on February 16, 2018). Under the amended accounting standard, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively, and related income tax disclosures have been expanded.

p. ***Research and Development Costs***—R&D costs are charged to income as incurred.

q. ***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.

r. 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.

s. 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, 2021, 2020 and 2019, was 49,450,642 shares, 46,530,118 shares and 43,633,089 shares, respectively.

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

t. Change in Accounting Policy for Depreciation of Property and Equipment—Prior to the fiscal year ended November 30, 2020, the Group had applied the declining-balance method for depreciation of property and equipment, except for buildings (excluding facilities attached to buildings acquired on or before March 31, 2016), which were depreciated by the straight-line method. Effective the fiscal year ended November 30, 2020, the straight-line method is adopted for depreciation of all property and equipment.

In the fiscal year ended November 30, 2019, the Company introduced a new pricing plan that bundles five services and facilitates the use of multiple modules, which led to the increase in revenue of the Group. The demand for the services has been stable.

In light of this situation, the Group changed its hiring and facility plan and reassessed the depreciation method. As property and equipment owned by the Group are expected to be used and wear out evenly over the useful life due to the generation of stable recurring revenue, the Group judged that it would be more appropriate to allocate depreciation expenses evenly over the useful life in the future and changed to the straight-line method.

Due to this change, operating loss and loss before income taxes for the year ended November 30, 2020, decreased by ¥23,032 thousand, respectively.

u. Changes in Presentation

(1) *Adoption of accounting standard for disclosure and accounting estimates*

The "Accounting Standard for Disclosure and Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements for the fiscal year ended November 30, 2021, and notes to significant accounting estimates have been included in Note 3, "Significant Accounting Estimates."

However, the notes do not include details of the previous consolidated fiscal year in accordance with the transitional treatment set forth in the proviso to the Accounting Standard for Disclosure of Accounting Estimates No. 11.

(2) *Consolidated statements of cash flows*

Share-based remuneration expenses, which were included in "Other—net" under "Net cash provided by (used in) 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, 2020 and 2019, have been reclassified.

As a result, ¥454,127 thousand presented as "Other—net" under "Cash flows from operating activities" in the consolidated statements of cash flows for the year ended November 30, 2020, has been reclassified as "Share-based remuneration expenses" of ¥148,680 thousand and "Other—net" of ¥305,446 thousand, and ¥(202,192) thousand presented as "Other—net" under "Cash flows from operating activities" in the consolidated statements of cash flows for the year ended November 30, 2019, has been reclassified as "Share-based remuneration expenses" of ¥82,472 thousand and "Other—net" of ¥(284,664) thousand.

v. Accounting Changes and Error Corrections—Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

w. New Accounting Pronouncements

(1) *Revenue recognition*

- ASBJ Statement No. 29 Accounting Standard for Revenue Recognition (March 31, 2020)
- ASBJ Guidance No. 30 Implementation Guidance on Accounting Standard for Revenue Recognition (March 31, 2020)
- ASBJ Guidance No. 19 Implementation Guidance on Disclosures about Fair Value of Financial Instruments (March 31, 2020)

(a) Outline

The International Accounting Standards Board ("IASB") and US Financial Accounting Standards Board ("FASB") jointly developed comprehensive revenue recognition standards and issued "Revenue from Contracts with Customers" in May 2014 (IASB's IFRS 15 and FASB's Topic 606). Considering that IFRS 15 is applied from fiscal years beginning on or after January 1, 2018, and Topic 606 is applied from fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

(b) Scheduled Date of Application

The aforementioned standard and guidance will be applied from the beginning of the fiscal year ending November 30, 2022.

(c) Effect of Application of the Accounting Standards

The effect of the application of the aforementioned standard and guidance on the Group's consolidated financial statements are under evaluation.

(2) *Fair value measurement*

- ASBJ Statement No. 30 Accounting Standard for Fair Value Measurement (July 4, 2019)
- ASBJ Guidance No. 31 Implementation Guidance on Accounting Standard for Fair Value Measurement (July 4, 2019)
- ASBJ Statement No. 9 Accounting Standard for Measurement of Inventories (July 4, 2019)
- ASBJ Statement No. 10 Accounting Standard for Financial Instruments (July 4, 2019)
- ASBJ Guidance No. 19 Implementation Guidance on Disclosures about Fair Value of Financial Instruments (March 31, 2020)

(a) Overview

In light of the IASB and the FASB issuing basically similar detailed guidance on fair value measurement (IFRS Article 13, Fair Value Measurement; GAAP Accounting Standards Codification Topic 820, Fair Value Measurement), the ASBJ has released the Accounting Standards for Fair Value Measurement, which set out measures to ensure consistency between Japanese and international accounting standards with regard to the guidance and disclosure of the value mainly of financial instruments.

The basic policy in developing the accounting standard for fair value measurement by the ASBJ was to incorporate the principles of IFRS 13 to ensure the comparability between financial statements. In addition, alternative accounting treatments are provided for common business practices in Japan to the extent that they do not impair comparability. The core principle of the standard and guidance is that an entity should use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(b) Scheduled Date of Application

The aforementioned standard and guidance will be applied from the beginning of the fiscal year ending November 30, 2022.

(c) Effect of Application of the Accounting Standards

The effect of the application of the aforementioned standard and guidance on the Group's consolidated financial statements are under evaluation.

3. SIGNIFICANT ACCOUNTING ESTIMATES

(1) *Impairment of Property and Equipment, Software and Software in Progress*

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

	Thousands of Yen
	2021
Property and equipment	¥ 537,330
Software	2,313,203
Software in progress	723,223

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

Calculation Method

The Group groups its assets 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, 2021, the Group determined that there was an indication of impairment loss 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 believes that the undiscounted future cash flow will exceed the carrying amount of the property and equipment, and no impairment loss was recognized.

Key Assumptions

With respect to the estimation of future cash flows, the Group formulates 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, and the Group expects continuous revenue growth.

Impact for the Next Fiscal Year

In calculating the indicators 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
	2021
Operational investment securities—Unlisted equity securities	¥1,014,297
Investment securities—Unlisted equity securities	4,480,163

(*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 capacity through future growth of the investee companies. For unlisted stocks, the acquisition cost is used as the balance sheet value as it is recognized to be extremely difficult to determine the fair value. In assessing the value of such unlisted stocks, the Group recognizes impairment losses when the real value of the stocks, which reflects the excess earning capacity of the stocks 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 capacity has been maintained as of the end of the current 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 and market environment, etc., in light of the degree of deterioration in business performance and the status of financing.

Significant Assumptions

The significant estimates in the valuation of unlisted stocks are the sales and operating income included in the business plan to reasonably determine the likelihood of recovery to the acquisition cost of each stock.

Impact for the Next Fiscal Year

In the valuation of these investment securities, there is a possibility that a loss on valuation of investment securities will 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
	2021
Goodwill	¥3,068,762

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

Calculation Method

Goodwill incurs when the Group acquired a subsidiary through M&A. The Group groups its assets according to management accounting classifications based on the business unit to which the goodwill belongs. When there is an indication of impairment of goodwill and the Group determines whether to recognize an impairment loss, it estimates the total undiscounted future cash flows from the asset group including goodwill based on the future plans for each management accounting category where income and expenditure are continuously monitored.

Significant Assumptions

Significant estimate in the valuation of goodwill is the future cash flow based on the business plan approved by the Board of Directors of the consolidated subsidiary, which is based on the future forecast 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.

4. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group raises funds through issuance of new shares and bank loans 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 notes receivable, 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 net 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 are utilized for working capital requirements. Payables and loans are exposed to liquidity risks.

(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 and loans, 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 are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Such valuation techniques include certain assumptions. Results may differ if different assumptions are used in the valuation.

Financial instruments whose fair values are readily determinable as of November 30, 2021, 2020 and 2019, were as follows:

November 30, 2021	Thousands of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Assets:			
(1) Cash and cash equivalents	¥36,020,522	¥36,020,522	
(2) Short-term investments	200,000	200,000	
(3) Receivables—trade notes and accounts	1,516,402		
(4) Receivables—purchased	4,222,155		
Allowance for doubtful accounts*	(99,481)		
	5,639,077	5,639,077	
(5) Investment securities—available-for-sale securities	314,421	314,421	
(6) Lease and guarantee deposits	606,325	606,325	
Total	¥42,780,345	¥42,780,345	
Liabilities:			
(7) Trade accounts payable	¥ 211,852	¥ 211,852	
(8) Short-term loans	4,700,000	4,700,000	
(9) Other payables	1,822,487	1,822,487	
(10) Accrued expenses	908,826	908,826	
(11) Income taxes payable	350,189	350,189	
(12) Long-term loans, including current portion	3,824,141	3,823,821	¥(319)
Total	¥11,817,498	¥11,817,178	¥(319)

November 30, 2020	Thousands of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Assets:			
(1) Cash and cash equivalents	¥ 8,719,850	¥ 8,719,850	
(2) Short-term investments	200,000	200,000	
(3) Receivables—trade notes and accounts	1,228,255		
(4) Receivables—purchased	2,210,303		
Allowance for doubtful accounts*	(56,747)		
	3,381,811	3,381,811	
(5) Investment securities—available-for-sale securities	527,390	527,390	
(6) Lease and guarantee deposits	580,220	580,220	
Total	¥13,409,272	¥13,409,272	
Liabilities:			
(7) Trade accounts payable	¥ 175,032	¥ 175,032	
(8) Short-term loans	2,510,000	2,510,000	
(9) Other payables	1,664,797	1,664,797	
(10) Accrued expenses	717,171	717,171	
(11) Income taxes payable	89,930	89,930	
(12) Long-term loans, including current portion	3,706,085	3,706,238	¥153
Total	¥ 8,863,017	¥ 8,863,170	¥153

November 30, 2019	Thousands of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Assets:			
(1) Cash and cash equivalents	¥ 7,192,537	¥ 7,192,537	
(3) Receivables—trade notes and accounts	890,638		
(4) Receivables—purchased	2,068,872		
Allowance for doubtful accounts*	(41,953)		
	2,917,557	2,917,557	
(5) Investment securities—available-for-sale securities	312,648	312,648	
(6) Lease and guarantee deposits	465,730	465,730	
Total	¥10,888,473	¥10,888,473	
Liabilities:			
(7) Trade accounts payable	¥ 184,730	¥ 184,730	
(8) Short-term loans	2,000,000	2,000,000	
(9) Other payables	755,661	755,661	
(10) Accrued expenses	646,781	646,781	
(11) Income taxes payable	77,188	77,188	
(12) Long-term loans, including current portion	3,100,309	3,102,588	¥2,279
Total	¥ 6,764,669	¥ 6,766,948	¥2,279

* The amount represents allowance for doubtful accounts for receivables—trade notes and accounts and receivables—purchased.

Notes: (1), (2), (3), (4), (7), (8), (9), (10) and (11)—As these items are settled within one year and have carrying amount approximately equal to their fair values, fair values are stated at their carrying amounts.

(5)—Fair value of investment securities is stated at the quoted prices in active markets. Details are discussed in Note 5, "Investment Securities."

(6)—Fair value of lease and guarantee deposits is measured at the present value discounted by the corresponding yield of Japanese government bonds over the expected deposit period based on the lease contract. The carrying amount and fair value of lease and guarantee deposits include a portion not expected to be collectible, which is equivalent to the unamortized balance of asset retirement obligations. If the corresponding yield of Japanese government bonds is negative, the discount rate to be used for measurement will be zero.

(12)—Long-term loans with variable interest rates are measured at book value as the interest rate on these loans reflects the market rate in the short term and financial status of the Company has not changed significantly after the transaction and as a result, their book values approximate market values. 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.

Financial instruments which do not have quoted market prices and whose fair values are not reliably determinable are not included in the table above. The carrying amounts of such financial instruments as of November 30, 2021, 2020 and 2019, are as follows:

	Carrying Amount		
	Thousands of Yen		
	2021	2020	2019
Investment securities—Unlisted equity securities	¥4,460,163	¥1,511,341	¥1,382,564
Operational investment securities—Unlisted equity securities	1,074,286	219,851	
Investment securities—Unlisted share subscription rights	50,000	50,000	20,000
Investment securities—Investments in partnership	181,579	141,696	74,742
Long-term loans	30,000	330,000	330,000

Unlisted equity securities, unlisted share subscription rights, and investments in partnership do not have quoted prices. Because it is extremely difficult to determine their fair values, information regarding fair values of such investment securities is not disclosed.

Long-term loans in the preceding table have variable repayment terms and conditions that are subject to the operating results of the Company. Because it is extremely difficult to determine their fair values, fair values of such loans are not presented.

A maturity analysis of financial assets as of November 30, 2021, 2020 and 2019, is as follows:

	Due within 1 Year		
	Thousands of Yen		
	2021	2020	2019
Cash and cash equivalents	¥36,020,522	¥ 8,719,850	¥ 7,192,537
Short-term investments	200,000	200,000	
Trade notes and accounts receivable	1,516,402	1,228,255	890,638
Purchased receivables	4,222,155	2,210,303	2,068,872
Total	¥41,959,080	¥12,358,409	¥10,152,048

5. INVESTMENT SECURITIES

Operational investment securities and investment securities as of November 30, 2021, 2020 and 2019, consisted of the following:

	Thousands of Yen		
	2021	2020	2019
Current—Unlisted equity securities	¥1,074,286	¥ 219,851	
Total	¥1,074,286	¥ 219,851	
Noncurrent:			
Marketable equity securities	¥ 314,421	¥ 527,390	¥ 312,648
Unlisted equity securities	4,460,163	1,511,341	1,382,564
Unlisted share subscription rights	50,000	50,000	20,000
Investments in partnership	181,579	141,696	74,742
Total	¥5,006,164	¥2,230,427	¥1,789,955

The carrying amounts and aggregate fair value of marketable equity securities as of November 30, 2021, 2020 and 2019, were as follows:

	Thousands of Yen			
November 30, 2021	Carrying Amount	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities— Marketable equity securities	¥74,688	¥239,733		¥314,421
November 30, 2020				
Securities classified as available-for-sale equity securities:				
Marketable equity securities	¥74,688	¥452,702		¥527,390
Other	6,066	2,037		8,104
November 30, 2019				
Securities classified as available-for-sale equity securities— Marketable equity securities	¥99,336	¥213,312		¥312,648

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended November 30, 2021 and 2020, were as follows. No such gains or losses were recorded for the year ended November 30, 2019.

	Thousands of Yen		
November 30, 2021	Proceeds	Realized Gains	Realized Losses
Securities classified as available-for-sale equity securities— Marketable equity securities	¥8,051	¥2,330	¥345
November 30, 2020			
Securities classified as available-for-sale equity securities— Marketable equity securities	¥350,305	¥325,233	

The impairment losses on available-for-sale equity securities for the year ended November 30, 2020, were ¥17,690 thousand. No such losses were recorded for the years ended November 30, 2021 and 2019.

6. INVENTORIES

Inventories as of November 30, 2021, 2020 and 2019, consisted of the following:

	Thousands of Yen		
	2021	2020	2019
Merchandise	¥10,095		
Work in process	7,144	¥66,707	¥1,658
Supplies	4,522	16,298	5,639
Total	¥21,762	¥83,005	¥7,297

7. SHORT-TERM AND LONG-TERM LOANS

Short-term loans and long-term loans as of November 30, 2021, 2020 and 2019, are as follows:

	Thousands of Yen		
	2021	2020	2019
Short-term loans	¥4,700,000	¥2,510,000	¥2,000,000
Current portion of long-term loans	1,713,041	968,344	620,776
Long-term loans	2,141,100	3,067,741	2,809,533
Total	¥8,554,141	¥6,546,085	¥5,430,309

The weighted-average interest rates of short-term loans and long-term loans as of November 30, 2021, 2020 and 2019, are summarized as follows:

	2021	2020	2019
Short-term loans	0.5%	0.5%	0.5%
Current portion of long-term loans	0.6	0.7	0.8
Long-term loans	0.5	0.7	0.8

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, ¥330,000 thousand and ¥330,000 thousand as of November 30, 2021, 2020 and 2019, respectively.

Long-term loans have annual maturities through 2026. The details are as follows:

Year Ending November 30	Thousands of Yen
2022	¥1,713,041
2023	1,079,800
2024	880,750
2025	179,800
2026	750
Total	¥3,854,141

As of November 30, 2021, 2020 and 2019, no assets were pledged as collateral for the long-term loans above.

The Group has bank overdraft agreements with three 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, 2021, 2020 and 2019, were as follows:

	Thousands of Yen		
	2021	2020	2019
Total amount of the maximum amount of the bank overdrafts	¥7,500,000	¥5,000,000	¥2,000,000
Outstanding balance	4,700,000	2,510,000	2,000,000
Remaining balance	¥2,800,000	¥2,490,000	

8. RETIREMENT AND PENSION PLANS

The required amount of contribution to the defined contribution pension plan for the years ended November 30, 2021, 2020 and 2019, was ¥148,062 thousand, ¥102,697 thousand and ¥72,917 thousand, respectively.

The changes in liabilities for retirement benefits by simplified method are as follows:

	Thousands of Yen		
	2021	2020	2019
Balance at beginning of year			
Net periodic retirement benefit costs	¥2,500		
Amount paid as retirement benefit	(123)		
Balance at end of year	¥2,376		

9. 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 December 20, 2018, according to the resolution of the Board of Directors' meeting held on December 5, 2018, the Company issued 2,400,000 shares of its common stock by way of an international offering. The issue price was ¥2,946 per share and the total amount of issuance was ¥7,070,400 thousand. As a result, common stock and capital surplus increased by ¥3,375,312 thousand each.

On February 24, 2019, 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, 2018. In accordance with Article 452 of the Companies Act, the Company first transferred ¥264,310 thousand of additional paid-in capital to other capital surplus. Subsequently, the Company appropriated ¥264,310 thousand of other capital surplus to offset the deficit. (Additional paid-in capital and other capital surplus are included in "capital surplus" in the consolidated financial statements.)

On February 6, 2020, according to the resolution of the Board of Directors' meeting held on January 22, 2020, the Company issued 1,100,000 shares of its common stock by way of an international offering. The issue price was ¥4,577 per share and the total amount of issuance was ¥5,034,700 thousand. As a result, common stock and capital surplus increased by ¥2,394,216 thousand each.

On February 20, 2020, 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, 2019. In accordance with Article 452 of the Companies Act, the Company first transferred ¥2,523,264 thousand of additional paid-in capital to other capital surplus. Subsequently, the Company appropriated ¥2,523,264 thousand of other capital surplus to offset the deficit. (Additional paid-in capital and other capital surplus are included in "capital surplus" in the consolidated financial statements.)

On February 26, 2021, 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, 2020. In accordance with Article 452 of the Companies Act, the Company first transferred ¥1,837,984 thousand of additional paid-in capital to other capital surplus. Subsequently, the Company appropriated ¥1,837,984 thousand of other capital surplus to offset the deficit. (Additional paid-in capital and other capital surplus are included in "capital surplus" in the consolidated financial statements.)

On February 6, 2021, according to the resolution of the Board of Directors' meeting held on August 2, 2021, the Company issued 5,000,000 shares of its common stock by way of an international offering. The issue price was ¥6,586 per share and the total amount of issuance was ¥31,572,000 thousand. As a result, common stock and capital surplus increased by ¥15,786,000 thousand each.

Number of authorized shares of common stock as of November 30, 2021, 2020 and 2019, was 89,956,000 shares, 44,978,000 shares and 44,978,000 shares, respectively. The Company conducted a 2-for-1 stock split effective on December 1, 2020, through a resolution of its Board of Directors on October 15, 2020. In this regard, the Company's Article of Incorporation was amended and number of authorized shares of common stock increased on December 1, 2020.

Changes in number of issued shares of common stock and treasury stock for the years ended November 30, 2021, 2020 and 2019, were as follows:

	Shares	
	Common Stock	Treasury Stock
Balance, December 1, 2018	19,329,640	
Issuance of new shares through international offering	2,400,000	
Exercise of stock options	370,880	
Share-based payments—transfer restricted stock	64,840	
Acquisition of transfer restricted stocks without consideration		1,120
Purchase of treasury stocks that are less than one trading unit		38
Balance, November 30, 2019	22,165,360	1,158
Issuance of new shares through international offering	1,100,000	
Exercise of stock options	437,760	
Share-based payments—transfer restricted stock	85,452	
Issuance of new shares for stock exchange	62,646	
Acquisition of transfer restricted stocks without consideration		7,760
Balance, November 30, 2020	23,851,218	8,918
2-for-1 stock split	23,851,218	8,918
Issuance of new shares through international offering	5,000,000	
Exercise of stock options	551,080	
Share-based payments—transfer restricted stock	128,944	
Acquisition of transfer restricted stocks without consideration		18,479
Purchase of treasury stocks that are less than one trading unit		160
Balance, November 30, 2021	53,382,460	36,475

10. STOCK OPTIONS

Gain on reversal of stock acquisition rights, which was recorded due to forfeiture of stock options, for the years ended November 30, 2021, 2020 and 2019, was ¥2,462 thousand, ¥1,790 thousand and ¥1,901 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, a 2-for-1 stock split effective on December 1, 2020. Number of shares and exercise price are retrospectively adjusted. Stock options outstanding as of November 30, 2021, are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
#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

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:

	#2	#3	#4	#5	#6	#7	#8	#9	#10	#11
					(Shares)					
Non-vested										
November 30, 2018—Outstanding		9,000	473,280	72,000	650,400	403,680	542,000	62,000	8,000	625,000
Granted										
Forfeited							(30,000)			(21,700)
Vested		(4,400)	(246,880)	(23,840)	(200,960)					(43,900)
November 30, 2019—Outstanding		4,600	226,400	48,160	449,440	403,680	512,000	62,000	8,000	559,400
Granted										
Forfeited					(800)		(23,200)			(18,400)
Vested		(4,600)	(226,400)	(23,360)	(227,040)		(132,800)	(15,480)	(2,000)	(101,200)
November 30, 2020—Outstanding				24,800	221,600	403,680	356,000	46,520	6,000	439,800
Granted										
Forfeited					(5,600)		(14,680)			(11,200)
Vested				(24,800)	(216,000)		(123,320)	(15,520)	(2,000)	(151,600)
November 30, 2021—Outstanding						403,680	218,000	31,000	4,000	277,000
Vested										
November 30, 2018—Outstanding	560,000	4,000	345,520	14,520	322,600					
Vested		4,400	246,880	23,840	200,960					43,900
Exercised	(236,000)	(2,960)	(258,000)	(8,600)	(236,000)					(200)
Cancelled			(800)		(5,920)					(3,300)
November 30, 2019—Outstanding	324,000	5,440	333,600	29,760	281,640					40,400
Vested		4,600	226,400	23,360	227,040		132,800	15,480	2,000	101,200
Exercised	(152,000)	(4,000)	(326,400)	(14,960)	(305,920)		(43,840)	(6,000)		(22,400)
Cancelled					(2,560)		(6,360)			(5,400)
November 30, 2020—Outstanding	172,000	6,040	233,600	38,160	200,200		82,600	9,480	2,000	113,800
Vested				24,800	216,000		123,320	15,520	2,000	151,600
Exercised	(148,000)	(2,000)	(132,800)	(19,680)	(116,160)		(73,840)	(8,000)		(50,600)
Cancelled					(22,280)		(10,840)			(19,600)
November 30, 2021—Outstanding	24,000	4,040	100,800	43,280	277,160		121,240	17,000	4,000	195,200
Exercise price	¥100	¥175	¥175	¥275	¥275	¥750	¥375	¥375	¥375	¥1,578
Average stock price at exercise	¥6,805	¥7,260	¥5,674	¥5,384	¥6,110		¥6,232	¥5,231		¥7,116
Fair value at grant date										¥73.475

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.

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, 2021, was ¥9,201,081 thousand. The total amount of the intrinsic values of the stock options, which were exercised during the year ended November 30, 2021, at the date of exercise was ¥2,946,635 thousand.

11. 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, 2021, 2020 and 2019.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of November 30, 2021, 2020 and 2019, are as follows:

	Thousands of Yen		
	2021	2020	2019
Deferred tax assets:			
Enterprise taxes payable	¥ 77,050	¥ 16,947	¥ 17,520
Business office taxes payable	4,136	3,331	2,564
Allowance for doubtful accounts	52,456	20,557	18,504
Depreciation and amortization	441,029	645,122	762,379
Lease and guarantee deposits	31,089	23,216	11,444
Software in progress	93,353	89,797	89,797
Unrealized loss on available-for-sale securities	2,781	30,855	8,533
Tax loss carryforwards	2,698,238	2,217,845	1,435,507
Share-based payments—transfer restricted stock	107,255	55,403	29,311
Other	24,149	23,064	11,450
Total of tax loss carryforwards and temporary differences	3,531,540	3,126,141	2,387,012
Less valuation allowance for tax loss carryforwards	(2,691,552)	(2,205,914)	(1,405,671)
Less valuation allowance for temporary differences	(766,154)	(835,382)	(926,554)
Total valuation allowance	(3,457,706)	(3,041,296)	(2,332,226)
Deferred tax assets	73,833	84,844	54,786
Deferred tax liabilities:			
Amortization of goodwill	8,030	5,890	3,748
Reserved profit of a subsidiary	3,804	2,252	1,004
Unrealized gains on available-for-sale securities	104,815	138,984	65,316
Enterprise taxes receivable	929		
Deferred tax liabilities	117,579	147,127	70,068
Net deferred tax liabilities	¥ 43,745	¥ 62,282	¥ 15,282

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of November 30, 2021, were as follows:

	Thousands of Yen		
	2021		
	Tax Loss Carryforwards (Note 1)	Valuation Allowance	Deferred Tax Assets (Note 2)
Assets:			
Due within 1 year	¥ 31,385	¥ (31,385)	
Due after 1 year through 2 years	162,241	(162,241)	
Due after 2 years through 3 years	271,409	(271,409)	
Due after 3 years through 4 years	248,025	(248,025)	
Due after 4 years through 5 years	95,123	(95,123)	
Due after 5 years	1,890,053	(1,883,367)	¥6,686
Total	¥2,698,238	¥(2,691,552)	¥6,686

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 net operating loss carryforwards are expected to be deducted.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations and comprehensive income for the years ended November 30, 2021, 2020 and 2019, is not presented as the Group recorded losses before income taxes.

12. RESEARCH AND DEVELOPMENT COSTS

R&D costs included in selling, general and administrative expenses for the years ended November 30, 2021, 2020 and 2019, were ¥103,011 thousand, ¥102,101 thousand and ¥67,600 thousand, respectively.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses for the years ended November 30, 2021, 2020 and 2019, are as follows:

	Thousands of Yen		
	2021	2020	2019
Salaries	¥3,407,137	¥2,638,322	¥2,097,171
Advertising	2,695,701	3,361,671	1,520,673
Retirement benefit expenses	99,399	68,628	56,014
Provision of allowance for doubtful accounts	6,612	8,996	5,287
Allowance for bonuses	19,532	9,527	7,510
Allowance for points	644		
Depreciation	73,548	50,237	43,574
Amortization of goodwill	473,425	369,962	110,184
Rental expenses	386,564	388,200	345,266

14. OTHER INCOME AND EXPENSES

Impairment losses of ¥12,533 thousand for the year ended November 30, 2019, corresponds to the assets of mirai talk, Inc.'s business that the Company decided to downsize during the year.

Loss on business restructuring of ¥61,395 thousand for the year ended November 30, 2019, corresponds to the postponement of entering into the cryptocurrency business that the Company decided during the year.

15. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended November 30, 2021, 2020 and 2019, were as follows:

	Thousands of Yen		
	2021	2020	2019
Unrealized gain (loss) on available-for-sale securities:			
(Losses) gains arising during the year	¥(17,784)	¥493,760	¥189,679
Reclassification adjustment	(2,868)	(325,233)	
Amount before income tax effect	(20,653)	168,527	189,679
Income tax effect	34,169	(73,668)	(64,875)
Total	¥ 13,516	¥ 94,859	¥124,803
Foreign currency translation adjustment—			
Adjustments arising during the year	¥ 20,651	¥ (2,835)	¥ (8,679)
Total other comprehensive income	¥ 34,167	¥ 92,023	¥116,124

16. ADDITIONAL CASH FLOW INFORMATION

Year Ended November 30, 2020

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

	Thousands of Yen
	2020
R&AC	
Current assets	¥ (423,513)
Noncurrent assets	(39,231)
Goodwill	(1,296,744)
Current liabilities	88,488
Noncurrent liabilities	16,500
Noncontrolling interests	79,501
Amount acquired before the acquisition of control	150,000
Gain on step acquisitions	100,000
Acquisition cost	(1,325,000)
Cash and cash equivalents acquired	336,137
Payment for purchase of newly consolidated subsidiary's stock	¥ (988,862)

Year Ended November 30, 2019

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

	Thousands of Yen 2019
SMARTCAMP	
Current assets	¥ (326,466)
Noncurrent assets	(107,763)
Goodwill	(1,837,872)
Current liabilities	142,755
Noncurrent liabilities	69,533
Noncontrolling interests	61,477
Acquisition cost	(1,998,335)
Cash and cash equivalents acquired	162,134
Payment for purchase of newly consolidated subsidiary's stock	¥ (1,836,200)

17. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties for the years ended November 30, 2020 and 2019, consisted of exercises of stock options by the board of directors of the Company. Details are as follows. There were no significant transactions between the Company and related parties for the year ended November 30, 2021.

Year Ended November 30, 2020

Name	Position at the Company	Ownership Percentage (%)	Thousands of Yen
Yosuke Tsuji	Representative Director	14.69	¥52,081
Toshio Taki	Director	2.22	13,170
Naoya Kanesaka	Director	0.13	34,020

Year Ended November 30, 2019

Name	Position at the Company	Ownership Percentage (%)	Thousands of Yen
Yosuke Tsuji	Representative Director	16.21	¥94,990

Transactions between the Company's subsidiaries and related parties for the years ended November 30, 2021 and 2020, consisted of investment in HIRAC FUND. HIRAC FUND is an investment business limited partnership, and MFVP, a consolidated subsidiary of the Company, is its unlimited liability partner. Related parties made investment in accordance with the Investment Business Limited Liability Partnership Agreement. The investment funds are deposited in anticipation of future appropriation to capital calls. Details are as follows. There were no significant transactions between the Company and related parties for the year ended November 30, 2019.

Year Ended November 30, 2021

Name	Thousands of Yen Amount of Capital	Nature of Business or Position at the Company	Ownership Percentage (%)	Relationship	Description of the Transactions	Thousands of Yen Transaction of the Year	Account Name	Thousands of Yen Balance at the Year End
Pay Forward 2, Inc.	¥50,000	Investment Business		Investment	Investment Deposit	¥40,000	Other (deposit)	¥40,000
Tou, Inc.	27,000	Investment Business		Investment	Investment Deposit	12,000	Other (deposit)	12,000

Year Ended November 30, 2020

Name	Thousands of Yen Amount of Capital	Nature of Business or Position at the Company	Ownership Percentage (%)	Relationship	Description of the Transactions	Thousands of Yen Transaction of the Year	Account Name	Thousands of Yen Balance at the Year End
Takashi Ichikawa		Director	4.79	Director	Investment Deposit	¥ 6,000 24,000	Other (deposit)	¥24,000
Pay Forward 2, Inc.	¥50,000	Investment Business		Investment	Investment Deposit	20,000 80,000	Other (deposit)	80,000
Tou, Inc.	54,000	Investment Business		Investment	Investment Deposit	6,000 24,000	Other (deposit)	24,000

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.

18. BUSINESS COMBINATIONS

Year Ended November 30, 2020

Business Combination by Acquisition

(1) Outline of the business combination

(a) Name of acquired company and its business outline

Name of acquired company: R&AC Co., Ltd.

Business outline: Development and sales of cash reconciliation and receivable management system Victory-ONE Series

(b) Major reasons for the business combination

Victory-ONE® and V-ONE Cloud® offered by R&AC are Japan's No. 1* software specialized in cash reconciliation and receivable management that are widely used in both large corporates and SMEs. R&AC offers not only cloud-based versions but also on-premise versions, having strength in offering value-added services for medium-to large-sized corporates. The Company has been focusing on expanding the medium-sized customer base including pre-IPO companies by offering Money Forward Cloud Accounting Plus, Money Forward Cloud Expense and Money Forward Cloud Payroll to enhance medium to long-term shareholder and corporate value. By consolidating R&AC, the Company aims to enhance the product lineup for medium-to large-sized corporates, and to promote V-ONE Cloud® using its current network and customer base.

* According to research by Shopper's Eye Inc. (July 22, 2020): No. 1 in number of companies using cloud-based cash reconciliation software

(c) Date of business combination

August 11, 2020 (deemed date: August 1, 2020)

(d) Legal form of business combination

Share acquisition by cash

(e) Name of the company after the combination

No change

(f) Ratio of voting rights acquired

Ratio of voting rights before the acquisition	12.35%
Ratio of voting rights acquired at the date of business combination	65.43
Ratio of voting rights after the business combination	77.78%

(g) Basis for determining the acquirer

It is based on the fact that the Company additionally acquired 65.43% of the voting rights of R&AC.

(2) The period for which the operations of the acquired company is included in the consolidated financial statements

From August 1, 2020 to November 30, 2020

(3) Acquisition cost of the acquired company and related details of each class of consideration

	Thousands of Yen
Fair value of the shares held immediately before the acquisition on the date of acquisition	¥ 250,000
Consideration for acquisition—Cash	1,325,000
Acquisition cost	¥1,575,000

(4) Major acquisition-related costs

Advisory fee: ¥4,370 thousand

(5) Gain on step acquisitions

As a result of remeasuring 12.35% of R&AC's shares held by the Company immediately before the acquisition at fair value on the date of acquisition, gain on step acquisitions of ¥100,000 thousand was recognized.

(6) Amount of goodwill, basis of recognizing goodwill, and the method and period of amortization

(a) Amount of goodwill

¥1,296,744 thousand

(b) Basis of recognizing goodwill

The acquisition cost exceeded the fair value of the net assets of the acquired company as of the date of the business combination, which resulted in goodwill. Goodwill mainly represents the expected future profitability of the acquired company's business.

(c) Method and period of amortization

Goodwill is amortized on a straight-line basis over eight years.

(7) The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Thousands of Yen
Assets:	
Current assets	¥423,513
Noncurrent assets	39,231
Total	¥462,744
Liabilities:	
Current liabilities	¥ 88,488
Noncurrent liabilities	16,500
Total	¥104,988

(8) Pro forma information

The effect on the consolidated statement of operations and comprehensive income for the year ended November 30, 2020, assuming this business combination had been completed as of December 1, 2019, the beginning of the fiscal year, is not presented because the estimated amount is not significant.

Transactions Under Common Control

Additional acquisition of shares of a consolidated subsidiary

(1) Outline of the transaction

(a) Name of counterparty and its business outline

Name of counterparty: SMARTCAMP CO., LTD.

Business outline: Development and operation of BOXIL, a SaaS marketing platform

(b) Major reasons for wholly owning the shares of counterparty

The Company intends to make the most of the management resources of both companies and to make management decisions more expeditiously in order to accelerate business growth and enhance the Company's corporate value by wholly owning SMARTCAMP.

(c) Date of business combination

February 27, 2020

(d) Legal form of business combination

Acquisition of shares from noncontrolling interests by cash

(e) Name of the company after the combination

No change

(2) Outline of the accounting treatment implemented

This transaction is treated as a transaction with noncontrolling interests, which falls under the category of a transaction under common control, etc., based on "Accounting Standard for Business Combinations" and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(3) Acquisition cost of the acquired company and related details of each class of consideration

	Thousands of Yen
Consideration for acquisition—Cash	¥1,390,629
Acquisition cost	¥1,390,629

(4) Matters concerning changes in the Company's equity as a result of transaction with noncontrolling interests

(a) Main cause of change in capital surplus

Additional acquisition of shares of consolidated subsidiary

(b) Amount of capital surplus decreased due to the transaction with noncontrolling interests

¥1,342,366 thousand

Conversion of a consolidated subsidiary into a wholly owned subsidiary via share exchange

(1) Outline of transaction

(a) Name of counterparty and its business outline

Name of counterparty: R&AC Co., Ltd.

Business outline: Development and sales of cash reconciliation and receivable management system Victory-ONE Series

(b) Major reasons for wholly owning the shares of counterparty

The Company intends to make the most of the management resources of both companies and to make management decisions more expeditiously in order to accelerate business growth and enhance the Company's corporate value by wholly owning R&AC.

(c) Date of business combination

October 12, 2020

(d) Legal form of business combination

Share exchange in which R&AC becomes a wholly owned subsidiary of the Company

(e) Name of the company after the combination

No change

(2) Outline of the accounting treatment implemented

This transaction is treated as a transaction with noncontrolling interests, which falls under the category of a transaction under common control, etc., based on "Accounting Standard for Business Combinations" and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(3) Matters concerning additional acquisition of the subsidiary's shares by way of stock exchange

(a) Acquisition cost of the acquired company and related details of each class of consideration

	Thousands of Yen
Consideration for acquisition—Common stock of the Company	¥449,998
Acquisition cost	¥449,998

(b) Exchange ratio by type of shares, basis of the calculation for allotment and number of shares allotted

(i) Exchange ratio by type of shares

The Company allotted 348.034 ordinary shares of the Company for each ordinary share of R&AC.

(ii) Basis of the calculation for allotment

After careful deliberation between the Company and R&AC based on a comprehensive review of factors such as financial condition, asset condition, and future prospects referring to the result of share value calculation conducted by the Company and by WARC Inc., an independent third party, the companies agreed that the formula for the share exchange ratio was appropriate and this business combination would contribute to the interests of shareholders of both companies.

(iii) Number of shares issued

62,646 shares

(4) Matters concerning changes in the Company's equity as a result of transaction with noncontrolling interests

(a) Main cause of change in capital surplus

Additional acquisition of shares of the subsidiary

(b) Amount of capital surplus decreased due to the transaction with noncontrolling interests

¥372,330 thousand

Year Ended November 30, 2019

Business Combination by Acquisition

(1) Outline of the business combination

(a) Name of acquired company and its business outline

Name of acquired company: SMARTCAMP CO., LTD.

Business outline: Development and operation of BOXIL, a SaaS marketing platform

(b) Major reasons for the business combination

SMARTCAMP provides "BOXIL," one of the largest SaaS marketing platform in Japan with more than 120 thousand registered members as of October 30, 2019, which earns more than 10 million page views per month across media. BOXIL enables users who are considering introduction of SaaS to search the most appropriate one for the user, and also helps SaaS vendors to discover potential customers and to enhance customer recognition. Corresponding to the rapid growths of the SaaS industry, SaaS vendors, including the Company, are required to differentiate them from other companies and to conduct more efficient marketing. Marketing market is expected to further expand in the future. Furthermore, by utilizing know-how cultivated in development and management of BOXIL, SMARTCAMP also offers "BALES," an inside sales agency services, and "BALES CLOUD," a CRM (Customer Relationship Management) SaaS product specialized for inside sales.

Through this acquisition, the Group aims to accelerate acquisition of new customers of Money Forward Cloud by utilizing SMARTCAMP's marketing know-how, and to increase users of BOXIL, BALES, and BALES CLOUD by utilizing the Company's network and customer base.

(c) Date of business combination

November 29, 2019 (deemed date: November 30, 2019)

(d) Legal form of business combination

Share acquisition

(e) Name of the company after the combination

No change

(f) Ratio of voting rights acquired

72.3%

(g) Basis for determining the acquirer

It is based on the fact that the Company acquired 72.3% of the voting rights of SMARTCAMP.

(2) The period for which the operations of the acquired company is included in the consolidated financial statements

Because the deemed acquisition date was November 30, 2019, operating results of the acquired company are not included in the accompanying consolidated financial statements.

(3) Acquisition cost of the acquired company and related details of each class of consideration

	Thousands of Yen
Consideration for acquisition—Cash	¥1,998,335
Acquisition cost	¥1,998,335

(4) Major acquisition-related costs

Advisory fee: ¥11,790 thousand

(5) Amount of goodwill, basis of recognizing goodwill, and the method and period of amortization

(a) Amount of goodwill

¥1,837,872 thousand

(b) Basis of recognizing goodwill

The acquisition cost exceeded the fair value of the net assets of the acquired company as of the date of the business combination, which resulted in goodwill. Goodwill mainly represents the expected future profitability of the acquired company's business.

(c) Method and period of amortization

Goodwill is amortized on a straight-line basis over nine years.

(6) The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Thousands of Yen
Assets:	
Current assets	¥326,466
Noncurrent assets	107,763
Total	¥434,229
Liabilities:	
Current liabilities	¥142,755
Noncurrent liabilities	69,533
Total	¥212,288

(7) Pro forma information

The effect on the consolidated statement of operations and comprehensive income for the year ended November 30, 2019, assuming this business combination had been completed as of December 1, 2018, the beginning of the fiscal year, is not presented because the estimated amount is not significant.

19. SUBSEQUENT EVENT

Business Combination by Acquisition

(1) Outline of the business combination

(a) Name of acquired company and its business outline

Name of acquired company: HiTTO Inc.

Business outline: Development and sales of HR chatbot HiTTO

(b) Major reasons for the business combination

A SaaS for HR and labor department, HiTTO, offered by HiTTO Inc. is a Japan's No. 1* AI-driven chatbot for employee usage that is mainly used in medium-sized to large-sized corporates. HiTTO provides an AI-driven HR chatbot that helps to create an organization that is resilient to change by building an information sharing system for internal employees mainly related to human resource management such as year-end adjustment, expense reimbursement, and benefits. HiTTO will contribute to the efficiency of back-office operations by automatically and immediately responding to employee inquiries that have traditionally been handled manually.

With the aim of increasing shareholder value and corporate value over the medium to long term, the Company is currently working to expand its customer base to medium-sized companies and pre-IPO companies through the provision of Money Forward Cloud, which covers accounting and finance, human resources and labor, and contracts. By the 100% acquisition of HiTTO Inc., the Company will further improve the efficiency of the users' back-office operations by saving manual labor and optimizing the response to employee inquiries. We aim to expand the number of users of HiTTO by utilizing the Company's network and customer base. In the future, we plan to further expand our users' benefit by providing individualized answers to each user by integrating HiTTO with our human resource management products such as Money Forward Cloud Attendance and Money Forward Cloud HR Database. In addition, we aim to expand HiTTO's service coverage to accounting, legal and information system departments by utilizing our know-how and data assets related to back-office operations, and also to further improve the AI model of HiTTO through collaboration with Money Forward Lab, which is engaged in research on natural language processing and other topics.

* According to research by Techno Systems Research Co., Ltd. (May 2019): Business Automation Tools Market Marketing Analysis, Share of AI chatbots for corporate internal use

(c) Date of business combination

December 22, 2021

(d) Legal form of business combination

Share acquisition by cash

(e) Name of the company after the combination

No change

(f) Ratio of voting rights acquired

100%

(g) Basis for determining the acquirer

It is based on the fact that the Company acquired the voting rights of HiTTO Inc. by cash.

(2) The period for which the operations of the acquired company is included in the consolidated financial statements

From January 1, 2022 to November 30, 2022

(3) Acquisition cost of the acquired company and related details of each class of consideration

	Thousands of Yen
Consideration for acquisition—Cash	¥1,998,516
Acquisition cost	¥1,998,516

(4) Major acquisition-related costs

Advisory fee: ¥18,082 thousand

(5) Amount of goodwill, basis of recognizing goodwill, and the method and period of amortization

Not determined at this time

(6) The assets acquired and the liabilities assumed at the acquisition date

Not determined at this time

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, 2021, 2020 and 2019, were as follows:

	Thousands of Yen		
	2021	2020	2019
Business Domain	¥10,559,090	¥ 7,299,786	¥4,165,747
Home Domain	2,465,372	1,894,460	1,671,162
X Domain	1,830,744	1,372,592	967,510
Finance Domain	768,715	743,016	339,312
Other	8,678	8,361	13,050
Total sales to customers	¥15,632,601	¥11,318,217	¥7,156,784

(2) *Information about goodwill*

Amortization of goodwill and remaining balance of goodwill as of and for the years ended November 30, 2021, 2020 and 2019, were as follows:

	Thousands of Yen		
	2021	2020	2019
The platform service business:			
Amortization of goodwill	¥ 473,425	¥ 369,962	¥ 110,184
Remaining balance of goodwill	3,068,762	3,547,877	2,621,095

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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 21, 2022, expressed an unmodified opinion on those consolidated financial statements.