



Consolidated Financial Results for the Term Ended December 2021 (Based on J-GAAP)

February 14, 2022

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Stock code: 7048

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Scheduled date of the Ordinary General Meeting of Shareholders: March 25, 2022

Scheduled date to submit the Annual Securities Report: March 29, 2022

Scheduled date to commence dividend payments: —

Availability of supplementary briefing materials on financial results: Available

Financial Results Briefing Session: Scheduled (For institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Term Ended December 2021 (January 1, 2021 to December 31, 2021)

(1) Consolidated Results of Operations

(% indicates YoY changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Term ended December 2021	492	(44.7)	(1,098)	—	(1,104)	—	(1,157)	—
Term ended December 2010	890	(79.5)	(1,333)	—	(1,250)	—	(1,547)	—

(Note) Comprehensive income: Term ended December 2021: -1,135 million yen (—%)

Term ended December 2010: -1,581 million yen (—%)

	Profit per share	Fully diluted profit per share	Return on equity	Return on assets	Operating profit margin
	Yen	Yen	%	%	%
Term ended December 2021	(35.12)	—	(136.5)	(61.5)	(222.9)
Term ended December 2020	(53.58)	—	(117.5)	(30.7)	(149.8)

(Reference) Equity in earnings of affiliates: Term ended December 2021: -million yen

Term ended December 2020: -million yen

(Note) Diluted profit per share for the term ended December 2020 is not stated, irrespective of the existence of dilutive shares, given that the term resulted in a net loss.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Term ended December 2021	1,870	1,175	61.4	34.15
Term ended December 2020	1,718	552	31.9	18.94

(Reference) Shareholders' equity: Term ended December 2021: 1,148 million yen

Term ended December 2020: 547 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Term ended December 2021	(680)	(43)	970	1,197
Term ended December 2020	(3,244)	(213)	417	917

2. Dividends

	Annual dividends					Dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Term ended December 2020	—	0.00	—	0.00	0.00	—	—	—
Term ended December 2021	—	0.00	—	0.00	0.00	—	—	—
Term ending December 2022 (forecasts)	—	0.00	—	0.00	0.00		—	

3. Consolidated Forecasts for the Term Ending December 2022 (from January 1, 2022 to December 31, 2022)

Financial results projections for the term ending December 2022 have not been established as the uncertain effects of the new coronavirus outbreak on business activities render the preparation of plausible calculations impracticable at this time. Financial results projections will be disclosed promptly as data become available.

* Notes

- (1) Significant changes of subsidiaries during the period (changes in specific subsidiaries involving changes in the scope of consolidation): No

New: — (company name) Excluded: 1 company (company name) LINKTIVITY PTE LTD.

- (2) Changes in accounting policies, changes in accounting estimates and restatements

- 1) Changes in accounting policies due to the revision of accounting standards: Not applicable
- 2) Changes in accounting policies other than 1): Not applicable
- 3) Changes in accounting estimates: Not applicable
- 4) Restatements: Not applicable

Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares)	Term ended December 2021	33,271,400 shares	Term ended December 2020	28,934,700 shares
2) Total number of treasury shares at the end of the period	Term ended December 2021	97 shares	Term ended December 2020	97 shares
3) Average number of shares during the period (cumulative)	Term ended December 2021	32,956,022 shares	Term ended December 2020	28,879,352 shares

(Reference) Summary of non-consolidated results

Non-consolidated results for the term ended December 2021 (January 1, 2021 to December 31, 2021)

- (1) Non-consolidated Results of Operations

(% indicates YoY changes)

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Term ended December 2021	300	(68.6)	(1,063)	—	(1,095)	—	(1,145)	—
Term ended December 2020	954	(77.6)	(1,137)	—	(1,059)	—	(1,455)	—

	Profit per share	Fully diluted profit per share
	Yen	Yen
Term ended December 2021	(34.75)	—
Term ended December 2020	(50.39)	—

(Note) Diluted profit per share for the term ended December 2021 is not stated, irrespective of the existence of dilutive shares, given that the term resulted in a net loss.

- (2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Term ended December 2021	1,413	956	66.6	28.27
Term ended December 2020	1,628	492	30.0	16.88

(Reference) Shareholders' equity: Term ended December 2021: 940 million yen
Term ended December 2020: 488 million yen

* The summary of financial results is not subject to audit by a certified public accountant or an audit corporation.

* Explanation for the appropriate use of performance forecasts and other special notes

Forward-looking statements such as business results projections set forth in this report have been prepared based on information available at the time of publication of this report and on certain assumptions judged to be reasonable. Note that actual business results, etc., may differ due to future uncertain factors.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	Previous consolidated fiscal year (December 31, 2019)	Current consolidated fiscal year (December 31, 2020)
Assets		
Current assets		
Cash and deposits	917,334	1,197,174
Trade accounts receivable	30,262	115,189
Other	150,460	102,102
Total current assets	1,098,057	1,414,466
Non-current assets		
Property, plant and equipment		
Buildings	629	8,865
Tools, furniture and fixtures	65,062	59,188
Other	7,608	-
Accumulated depreciation	(55,257)	△50,128
Total property, plant and equipment	18,043	17,924
Intangible assets		
Software	508,248	380,802
Software in progress	19,640	25,554
Other	216	216
Total intangible assets	528,104	406,572
Investments and other assets		
Deferred tax assets	2,581	2,337
Other	71,297	29,019
Total investments and other assets	73,878	31,356
Total non-current assets	620,026	455,853
Total assets	1,718,084	1,870,320

(Thousands of yen)

	Previous consolidated fiscal year (December 31, 2020)	Current consolidated fiscal year (December 31, 2021)
Liabilities		
Current liabilities		
Trade accounts payable	54,213	221,472
Short-term borrowings	611,384	-
Current portion of long-term borrowings	124,496	25,019
Accounts payable - other	76,469	43,440
Income taxes payable	1,397	48,527
Advances received	46,286	129,361
Provision for point card certificates	181,574	186,811
Other	40,516	36,451
Total current liabilities	1,136,339	691,084
Non-current liabilities		
Long-term borrowings	25,019	-
Deferred tax liabilities	248	60
Other	4,103	3,496
Total non-current liabilities	29,371	3,557
Total liabilities	1,165,710	694,642
Net assets		
Shareholders' equity		
Share capital	537,608	1,336,372
Capital surplus	648,173	1,585,238
Retained earnings	(620,768)	△1,778,132
Treasury shares	(70)	△70
Total shareholders' equity	564,943	1,143,408
Accumulated other comprehensive income		
Foreign currency translation adjustment	(16,966)	4,747
Total accumulated other comprehensive income	(16,966)	4,747
Share acquisition rights	4,397	15,820
Non-controlling interests	-	11,702
Total net assets	552,374	1,175,678
Total liabilities and net assets	1,718,084	1,870,320

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated statement of income)

(Thousands of yen)

	Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)	Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)
Operating revenue	890,513	492,656
Operating expenses	2,224,189	1,590,800
Operating profit (loss)	(1,333,676)	△1,098,144
Non-operating income		
Interest income	237	76
Subsidy income	108,171	53,008
Other	4,583	5,621
Total non-operating income	112,991	58,705
Non-operating expenses		
Interest expenses	2,810	1,630
Foreign exchange losses	86	4,104
Compensation expenses	10,166	-
Share issuance costs	16,357	49,325
Share acquisition rights issuance costs	-	8,944
Other	128	679
Total non-operating expenses	29,549	64,683
Ordinary profit (loss)	(1,250,233)	△1,104,121
Extraordinary losses		
Impairment loss	140,823	-
Extra retirement payments	47,633	14,085
Loss on liquidation of subsidiaries and associates	-	2,195
Total extraordinary losses	188,456	16,280
Profit (loss) before income taxes	(1,438,690)	△1,120,402
Income taxes - current	6,314	36,717
Income taxes - refund	(36,696)	-
Income taxes - deferred	156,531	243
Total income taxes	126,149	36,961
Profit (loss)	(1,564,840)	△1,157,363
Loss attributable to non-controlling interests	(17,585)	-
Profit (loss) attributable to owners of parent	(1,547,255)	△1,157,363

(Consolidated statement of comprehensive income)

(Thousands of yen)

	Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)	Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)
Profit	(1,564,840)	(1,157,363)
Other comprehensive income		
Deferred gains or losses on hedges	(580)	—
Foreign currency translation adjustment	(16,085)	(21,713)
Total other comprehensive income	(16,666)	(21,713)
Comprehensive income	(1,581,506)	(1,135,650)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(1,562,079)	(1,135,650)
Comprehensive income attributable to non-controlling interests	(19,427)	—

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	525,374	635,765	926,486	(25)	2,087,600
Changes during period					
Issuance of new shares					
Issuance of new shares - exercise of share acquisition rights	12,234	12,234			24,468
Profit attributable to owners of parent			(1,547,255)		(1,547,255)
Purchase of treasury shares				(44)	(44)
Net changes in items other than shareholders' equity		173			173
Total changes during period	12,234	12,407	(1,547,255)	(44)	(1,522,657)
Balance at end of the period	537,608	648,173	(620,768)	(70)	564,943

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	580	(2,722)	(2,141)	—	40,535	2,125,994
Changes during period						
Issuance of new shares						
Issuance of new shares - exercise of share acquisition rights						24,468
Profit attributable to owners of parent						(1,547,255)
Purchase of treasury shares						(44)
Net changes in items other than shareholders' equity	(580)	(14,243)	(14,824)	4,397	(40,535)	(50,788)
Total changes during period	(580)	(14,243)	(14,824)	4,397	(40,535)	(1,573,620)
Balance at end of the period	—	(16,966)	(16,966)	4,397	—	552,374

Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	537,608	648,173	(620,768)	(70)	564,943
Changes during period					
Issuance of new shares					
Issuance of new shares - exercise of share acquisition rights	798,764	798,764			1,597,528
Profit attributable to owners of parent			(1,157,363)		(1,157,363)
Purchase of treasury shares					
Change in ownership interest of parent due to transactions with non-controlling interests		138,300			138,300
Net changes in items other than shareholders' equity					
Total changes during period	798,764	937,064	(1157,363)		578,464
Balance at end of the period	1,336,372	1,585,238	(1,778,132)	(70)	1,143,408

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period		(16,966)	(16,966)	4,397		552,374
Changes during period						
Issuance of new shares						
Issuance of new shares - exercise of share acquisition rights						1,597,528
Profit attributable to owners of parent						(1,157,363)
Purchase of treasury shares						
Change in ownership interest of parent due to transactions with non-controlling interests						138,300
Net changes in items other than shareholders' equity		21,713	21,713	11,423	11,702	44,839
Total changes during period		21,713	21,713	11,423	11,702	623,304
Balance at end of the period	—	4,747	4,747	15,820	11,702	1,175,678

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)	Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Profit before income taxes	(1,438,690)	(1,120,402)
Depreciation	235,316	200,268
Impairment loss	140,823	—
Increase (decrease) in provision for point card certificates	5,035	4,802
Subsidy income	(108,171)	(53,008)
Extra retirement payments	47,633	14,075
Share issuance costs	—	58,269
Interest income	(237)	(76)
Interest expenses	2,810	1,630
Foreign exchange losses (gains)	8,492	(5,431)
Share-based remuneration expenses	4,397	14,075
Loss (gain) on liquidation of subsidiaries and associates	—	2,195
Decrease (increase) in trade receivables	1,259,617	(115,789)
Decrease (increase) in other assets	120,674	23,630
Increase (decrease) in trade payables	(1,701,670)	162,742
Increase (decrease) in accounts payable - other	(263,704)	(33,517)
Increase (decrease) in advances received	(1,521,802)	79,974
Increase (decrease) in other liabilities	(64,043)	(3,521)
Other	3,206	1,116
Subtotal	(3,270,312)	(777,105)
Interest received	237	76
Interest paid	(2,863)	(1,285)
Proceeds from subsidy income	74,002	75,163
Extra retirement payments	(45,852)	(14,705)
Income taxes (paid) refund	(93)	36,947
Net cash provided by (used in) operating activities	(3,244,881)	(680,280)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	—
Purchase of non-current assets	(213,347)	(81,580)
Payments of leasehold deposits	—	—
Proceeds from refund of leasehold deposits	—	38,048
Net cash provided by (used in) investing activities	(213,347)	(43,531)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	611,743	(600,229)
Repayments of long-term borrowings	(197,996)	(124,296)
Proceeds from issuance of shares	24,468	1,539,258
Purchase of treasury shares	(44)	—
Proceeds from issuance of share acquisition rights	—	5,487
Proceeds from share issuance to non-controlling shareholders	—	150,003
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(20,943)	—
Net cash provided by (used in) financing activities	417,237	970,023
Effect of exchange rate change on cash and cash equivalents	(19,713)	33,627
Net increase (decrease) in cash and cash equivalents	(3,060,705)	279,839
Cash and cash equivalents at beginning of period	3,978,040	917,334
Cash and cash equivalents at end of period	917,334	1,197,174

(Per Share Information)

	Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)	Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)
Net assets per share	18.94 yen	34.51 yen
Net income (net loss) per share	(53.58 yen)	(35.12 yen)
Fully diluted profit per share	— yen	— yen

(Note) 1. Diluted profit per share for the period under review is not stated, irrespective of the existence of dilutive shares, given that the period resulted in a net loss.

2. The basis for calculating profit per share and fully diluted profit per share is as follows.

	Previous consolidated fiscal year (From January 1, 2020 to December 31, 2020)	Current consolidated fiscal year (From January 1, 2021 to December 31, 2021)
Profit per share		
Profit (loss) attributable to owners of parent (thousand yen)	(1,547,255)	(1,157,363)
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent related to common stock (thousand yen)	(1,547,255)	(1,157,363)
Average number of common shares during the period (shares)	28,879,398	32,956,022
Fully diluted profit per share		
Profit adjustment attributable to owners of parent (thousand yen)	—	—
Increase in the number of common shares (shares)	—	—
(Share acquisition rights)	—	—
Summary of dilutive shares not included in the calculation of fully diluted profit per share due to the absence of dilutive effects	—	—