Money Forward, Inc. and Subsidiaries

Consolidated Financial Statements for the Year Ended November 30, 2018

Money Forward, Inc. and Subsidiaries

Consolidated Balance Sheet
November 30, 2018

	Thousands of Yen	
ASSETS	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents (Note 3)	¥ 4,951,530	¥ 5,727,354
Trade notes and accounts receivable (Note 3)	590,982	347,897
Allowance for doubtful receivables (Note 3)	(5,404)	(3,729)
Inventories (Note 4)	8,889	7,498
Purchased receivables (Note 3)	362,115	4,074
Other current assets	305,332	112,162
Total current assets	6,213,445	6,195,257
PROPERTY AND EQUIPMENT:		
Buildings	213,178	37,042
Tools, furniture and fixtures	112,466	24,113
Total	325,645	61,155
Accumulated depreciation	(37,002)	(25,285)
Net property and equipment	288,642	35,870
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Note 3)	825,215	98,052
Goodwill	893,407	796,608
Software	9,371	3,332
Lease and guarantee deposits (Note 3)	417,167	267,495
Other	12,918	747
Total investments and other assets	2,158,080	1,166,236
TOTAL	¥ 8,660,169	¥ 7,397,364

Money Forward, Inc. and Subsidiaries

Consolidated Balance Sheet
November 30, 2018

LIABILITIES AND EQUITY	Thousands of Yen 2018	Thousands of Yen 2017
CURRENT LIABILITIES:		
Short-term loans (Notes 3 and 5)	¥ 555,000	
Current portion of long-term loans (Notes 3 and 5)	510,000	¥ 310,000
Trade accounts payable (Note 3)	189,917	87,071
Other payables (Note 3)	236,959	179,918
Accrued expenses (Note 3)	428,688	165,153
Income taxes payable (Note 3)	29,172	23,880
Unearned revenue	774,649	579,960
Other current liabilities	124,543	84,637
Total current liabilities	2,848,930	1,430,622
LONG-TERM LIABILITIES:		
Long-term loans (Notes 3 and 5)	2,425,000	1,955,000
Other long-term liabilities	2,804	
Total long-term liabilities	2,427,804	1,955,000
EQUITY (Notes 6 and 7):		
Capital stock	3,378,155	3,350,697
Capital surplus	726,723	1,484,776
Accumulated deficit	(873,822)	(842,814)
Total shareholders' equity	3,231,057	3,992,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,677)	
Foreign currency translation adjustment	1,761	
Total accumulated other comprehensive income	(2,915)	
Stock acquisition rights	60,007	17,583
Noncontrolling interests	95,284	1,500
Total equity	3,383,433	4,011,742
TOTAL	¥ 8,660,169	¥ 7,397,364

See notes to consolidated financial statements.

Money Forward, Inc. and Subsidiaries

Consolidated Statement of Operations
Year Ended November 30, 2018

	Thousands of Yen	
	2018	2017
NET SALES	¥ 4,594,789	¥ 2,899,548
COST OF SALES	1,811,910	959,063
Gross profit	2,782,878	1,940,485
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	3,579,070	2,737,783
Operating loss	(796,191)	(797,298)
OTHER INCOME (EXPENSES):		
Interest income	60	19
Interest expense	(23,927)	(11,010)
Stock issuance costs	(2,271)	(11,045)
Listing-related costs		(13,657)
Other—net	1,733	(718)
Other expenses—net	(24,404)	(36,411)
LOSS BEFORE INCOME TAXES	(820,595)	(833,709)
INCOME TAXES (Note 8)		
Current	12,073	9,105
Deferred	1,249	
Total income taxes	13,322	9,105
NET LOSS	(833,918)	(842,814)
NET LOSS ATTRIBUTABLE TO:		
Noncontrolling interests	(18,472)	
Owners of the parent	¥ (815,445)	¥ (842,814)

	Yen	
PER SHARE INFORMATION (Note 2.p)—Basic net loss*[1]	¥ (42.34)	¥ (49.64)

*[1] Per share figures have been adjusted to reflect a 20-for-1 stock split that became effective on June 24, 2017.

See notes to consolidated financial statements.

Money Forward, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended November 30, 2018

	Thousands of Yen	
	2018	2017
NET LOSS	¥ (833,918)	¥ (842,814)
OTHER COMPREHENSIVE INCOME:		
Valuation difference on available-for-sale securities	(4,677)	
Foreign currency translation adjustment	1,761	
Total other comprehensive income	(2,915)	
COMPREHENSIVE INCOME	¥ (836,833)	¥ (842,814)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥ (818,361)	¥ (842,814)
Noncontrolling interests	(18,472)	

See notes to consolidated financial statements.

Money Forward, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended November 30, 2018

	Thousands of Yen									
					Accumulated Other Comprehensive Income					
	Capital Stock	Capital Surplus	Accumulated Deficit	Total Shareholders' Equity	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustment	Total Accumulated Other Compre-hensive Income	Stock Acquisition Rights	Non-controlling Interests	Total Equity
BALANCE, DECEMBER 1, 2016	¥ 2,290,990	¥ 463,904	¥ (888,972)	¥ 1,865,921				¥ 20,920		¥ 1,886,842
Net loss			(842,814)	(842,814)						(842,814)
Issuance of new shares (Note 6)	1,433,750	1,433,749		2,867,500						2,867,500
Exercise of stock options (Note 7)	51,026	51,026		102,052						102,052
Capital reduction (Note 6)	(425,068)	425,068								
Disposition of deficit (Note 6)		(888,972)	888,972							
Net change in the year								(3,337)	¥ 1,500	(1,837)
BALANCE, NOVEMBER 30, 2017	3,350,697	1,484,776	(842,814)	3,992,659				17,583	1,500	4,011,742
Net loss			(815,445)	(815,445)						(815,445)
Exercise of stock options (Note 7)	27,458	27,458		54,916						54,916
Disposition of deficit (Note 6)		(784,437)	784,437							
Purchase of shares of consolidated subsidiary		(1,072)		(1,072)						(1,072)
Net change in the year					¥ (4,677)	¥ 1,761	¥ (2,915)	42,424	93,784	133,293
BALANCE, NOVEMBER 30, 2018	¥ 3,378,155	¥ 726,723	¥ (873,822)	¥ 3,231,057	¥ (4,677)	¥ 1,761	¥ (2,915)	¥ 60,007	¥ 95,284	¥ 3,383,433

See notes to consolidated financial statements.

Money Forward, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended November 30, 2018

	Thousands of Yen	
	2018	2017
OPERATING ACTIVITIES:		
Loss before income taxes	¥ (820,595)	¥ (833,709)
Adjustments for:		
Income taxes—paid	(9,970)	(6,637)
Depreciation and amortization	142,409	15,793
Stock issuance costs	2,271	11,045
Listing-related costs		13,657
Changes in assets and liabilities:		
Decrease (increase) in trade notes and accounts receivable	(231,457)	(144,113)
Decrease (increase) in purchased receivables	(358,041)	(4,074)
Increase (decrease) in trade accounts payable	102,845	46,516
Increase (decrease) in other payables	46,087	62,419
Increase (decrease) in accrued expenses	263,534	51,295
Increase (decrease) in unearned revenue	194,689	265,580
Other—net	(127,135)	23,475
Total adjustments	25,231	334,956
Net cash used in operating activities	(795,363)	(498,750)
INVESTING ACTIVITIES:		
Purchase of property and equipment	(301,554)	(9,336)
Purchase of intangible assets	(73,243)	(1,180)
Purchases of investment securities	(735,591)	(68,025)
Payment for lease and guarantee deposits	(236,425)	(201,503)
Proceeds from purchase of newly-consolidated subsidiary’s stock	6,802	
Payment for purchase of newly-consolidated subsidiary's stock	(1,330)	(786,311)
Other—net	53,329	802
Net cash used in investing activities	(1,288,012)	(1,065,554)
FINANCING ACTIVITIES:		
Increase (decrease) in short-term loans	554,119	
Proceeds from long-term loans	1,000,000	1,800,000
Repayment of long-term loans	(360,000)	(135,000)
Proceeds from issuance of new shares	51,254	2,955,775
Listing-related costs paid		(13,657)
Proceeds from issuance of share acquisition rights	46,992	
Other—net	13,416	1,500
Net cash provided by financing activities	1,305,783	4,608,618
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	1,768	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(775,824)	3,044,313
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,727,354	2,683,041
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 4,951,530	¥ 5,727,354

(Continued)

Money Forward, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended November 30, 2018

	Thousands of Yen	
	2018	2017
ADDITIONAL CASH FLOW INFORMATION RELATED TO PROCEEDS FROM (PAYMENT FOR) PURCHASE OF NEWLY-CONSOLIDATED SUBSIDIARIES' STOCKS:		
Current assets	¥ (219,772)	¥ (227,590)
Non-current assets	(1,595)	(3,544)
Goodwill	(105,740)	(796,608)
Current liabilities	11,875	27,544
Non-current liabilities	30,000	
Noncontrolling interests	87,233	
Acquisition costs	(198,000)	(1,000,200)
Cash and cash equivalents acquired	204,802	213,888
Proceeds from (payment for) purchase of newly-consolidated subsidiaries' stocks	¥ 6,802	¥ (786,311)

See notes to consolidated financial statements.

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 as to the application and disclosure requirements.

In preparing these consolidated financial statements, certain reclassifications and rearrangements 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.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which 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 nine subsidiaries (together, the "Group"), namely, Money Forward Fine, Inc. (“MF Fine”, previously named MF Alpha Lab, Inc.), MF KESSAI, Inc. ("MF KESSAI"), MF HOSHO, Inc. ("MF HOSHO"), mirai talk, Inc. ("mirai talk"), Klavis, Inc. ("Klavis"), Money Forward Financial, Inc. (“MF Financial”), Knowledge Labo, Inc. (“Knowledge Labo”), Wakufuri, Inc. (“Wakufuri”), and MONEY FORWARD VIETNAM CO., LTD (“MF Vietnam”) at November 30, 2018.

During the year ended November 30, 2018, the Company newly established MF Financial and MF Vietnam, and acquired 51.4% of Knowledge Labo's shares and 55.6% of Wakufuri's shares.

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 at November 30, 2018.

The excess of the acquisition cost over the fair value of the net assets acquired on the date of acquisition is recognized as goodwill, and amortized 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.

Financial statements of MF KESSAI, MF HOSHO, mirai talk and MF Vietnam at September 30, the closing date of these subsidiaries, are used in consolidation. Additionally, certain adjustments necessary for consolidation that are related to significant transactions that occurred during the period from October 1 to November 30 were made. During the year ended November 30, 2018, MF Fine changed its fiscal year end from September 31 to November 30. In accordance with this change, consolidated financial statements are prepared based on the statement of income of MF Fine for fourteen-months fiscal period from October 1, 2017 to November 30, 2018.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—In accordance with the 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 IFRSs or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items which 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; and (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.

c. ***Business Combinations***—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees and 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, the Group will 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 Group will 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. The Group recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. 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 a 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.

   During the year ended November 30, 2018, the Company acquired 51.4% of Knowledge Labo's shares and 55.6% of Wakufuri' shares. Details for material transaction are discussed in Note 12.

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 Investment Securities***—Under Japanese GAAP, marketable 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.

   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.

   All investment securities held by the Group as of November 30, 2018 and 2017, are nonmarketable available-for-sale securities.

g. ***Property and Equipment***—Property and equipment are stated at cost. Depreciation of property and equipment is calculated under the declining-balance method based on the estimated useful lives of the assets, with the exception of buildings, for which the straight-line method is applied.

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.

No impairment losses were recorded for the year ended November 30, 2018 and 2017.

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 Receivables***—The allowance for doubtful receivables 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. ***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 pension plan. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment by the Company, or from one of the consolidated subsidiaries. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain ages specified by the Company or any of the consolidated subsidiaries prior to the mandatory retirement age.

The required amount of contribution to the defined contribution pension plan for the year ended November 30, 2018 and 2017, was ¥47,751 thousand and ¥24,980 thousand, respectively.

l. ***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.

m. ***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.

n. ***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. 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.

o. ***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.

p. ***Per Share Information***—Basic net income per share is computed by dividing net income or loss attributable to shareholders by the weighted-average number of shares outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of shares for the year ended November 30, 2018 and 2017, was 19,258,082 shares and 16,978,175 shares, respectively.

As discussed in Note 6, other than common stock, the Company had class A, B, C, D and E stocks which have different rights and conditions as to the distribution of residual assets and others. In calculating per share figures, such stocks are treated the same as common stock.

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

Per share figures in the accompanying consolidated financial statements have been adjusted to reflect a 20-for-1 stock split that became effective on June 24, 2017.

q. ***Change in Accounting Standard***

Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions

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." PITF No. 36 is effective for annual periods beginning on or after April 1, 2018. The Company adopted PITF No. 36 on April 1, 2018, and continue to account 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.

r. ***New Accounting Pronouncements***

Revenue Recognition—On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition,” and ASBJ Guidance No. 30, “Implementation Guidance on Accounting Standard for Revenue Recognition.” The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group expects to apply the accounting standard and guidance for annual periods beginning on December 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

s. ***Change in Presentation***

Consolidated Balance Sheet

“Purchased receivables,” which were included in “other current assets” in current assets in the fiscal year ended November 30, 2017, have been presented as a separate item in the fiscal year ended November 30, 2018 since the materiality of the amount increased. To reflect this change, consolidated financial statements for the fiscal year ended November 30, 2017 have been reclassified. Consequently, the previously stated amount of ¥116,236 thousand for “other current assets” in current assets for the fiscal year ended November 30, 2017, has been reclassified as “purchased receivables” totaling ¥4,074 thousand and “other current assets” amounting to ¥112,162 thousand.

“Trade accounts receivable,” which was presented as a separate item in current assets in the fiscal year ended November 30, 2017, has been presented as “trade notes and accounts receivable” since the Group newly recorded trade notes receivable in the fiscal year ended November 30, 2018. To reflect this change, consolidated financial statements for the fiscal year ended November 30, 2017 have been reclassified.

Consolidated Statements of Cash Flow
"Decrease (increase) in purchased receivables," which was included in "other—net" in operating activities in the fiscal year ended November 30, 2017, has been presented as a separate item in the fiscal year ended November 30, 2018 since the materiality of the amount increased. To reflect this change, consolidated financial statements for the fiscal year ended November 30, 2017 have been reclassified. Consequently, the previously stated amount of ¥19,401 thousand for "other—net" in operating activities for the fiscal year ended November 30, 2017, has been reclassified as "Decrease (increase) in purchased receivables" totaling ¥(4,074) thousand and "other—net" amounting to ¥23,475 thousand.

"Purchase of property and equipment" and "purchase of intangible assets," which were included in "other—net" in investing activities in the fiscal year ended November 30, 2017, have been presented as separate items in the fiscal year ended November 30, 2018 since the materiality of the amount increased. To reflect this change, consolidated financial statements for the fiscal year ended November 30, 2017 have been reclassified. Consequently, the previously stated amount of ¥(9,714) thousand for "other—net" in investing activities for the fiscal year ended November 30, 2017, has been reclassified as "purchase of property and equipment" totaling ¥(9,336) thousand, "purchase of intangible assets" totaling ¥(1,180) thousand, and "other—net" amounting to ¥802 thousand.

3. 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. The Group does not enter into any derivative contracts.

(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 customer credit risks. Investment securities held by the Group are unlisted equity securities and investments in partnership and exposed to the issuers' credit 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 three 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 investment securities, the Group periodically reviews the financial condition of the issuer. 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.

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, 2018 and 2017, are as follows:

November 30, 2018	Thousands of Yen Carrying Amount	Fair Value	Unrealized Gain (Loss)
Assets:			
(1) Cash and cash equivalents	¥ 4,951,530	¥ 4,951,530	
(2) Trade notes and accounts receivable	590,982		
Allowance for doubtful receivables	(5,404)		
	585,577	585,577	
(3) Purchased receivables	362,115	362,115	
(4) Lease and guarantee deposits	417,167	417,167	
Total	¥ 6,316,390	¥ 6,316,390	
Liabilities:			
(5) Trade accounts payable	¥ 189,917	¥ 189,917	
(6) Short-term loans	555,000	555,000	
(7) Other payables	236,959	236,959	
(8) Accrued expenses	428,688	428,688	
(9) Income taxes payable	29,172	29,172	
(10) Long-term loans, including current portion	2,605,000	2,604,223	¥ (776)
Total	¥ 4,044,737	¥ 4,043,960	¥ (776)

November 30, 2017	Thousands of Yen Carrying Amount	Fair Value	Unrealized Gain (Loss)
Assets:			
(1) Cash and cash equivalents	¥ 5,727,354	¥ 5,727,354	
(2) Trade notes and accounts receivable	347,897		
Allowance for doubtful receivables	(3,729)		
	344,167	344,167	
(3) Purchased receivables	4,074	4,074	
(4) Lease and guarantee deposits	267,495	267,495	
Total	¥ 6,343,091	¥ 6,343,091	
Liabilities:			
(5) Trade accounts payable	¥ 87,071	¥ 87,071	
(6) Short-term loans			
(7) Other payables	179,918	179,918	
(8) Accrued expenses	165,153	165,153	
(9) Income taxes payable	23,880	23,880	
(10) Long-term loans, including current portion	1,965,000	1,960,233	¥ (4,766)
Total	¥ 2,421,023	¥ 2,416,256	¥ (4,766)

Notes: (1), (2), (3), (5), (6), (7), (8) and (9)—As these items are settled within one year and have fair values approximately equal to their carrying amounts, they are stated at their carrying amounts.

(4)—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.

(10)— 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 market values approximate book 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, 2018 and 2017, are as follows:

	Carrying Amount	
	Thousands of Yen	
	2018	2017
Investment securities—Unlisted equity securities	¥ 788,997	¥ 98,052
Investment securities—Investments in partnership	36,218	
Long-term loans	330,000	300,000

All investment securities as of November 30, 2018 and 2017, are either unlisted equity securities or investments in partnership. Therefore, 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, 2018 and 2017, is as follows:

	Due in 1 Year	
	Thousands of Yen	
	2018	2017
Cash and cash equivalents	¥ 4,951,530	¥ 5,727,354
Trade notes and accounts receivable	590,982	347,897
Purchased receivables	362,115	4,074
Total	¥ 5,904,628	¥ 6,079,326

4. INVENTORIES

Inventories at November 30, 2018 and 2017, consisted of the following:

	Thousands of Yen	
	2018	2017
Merchandise	¥ 49	¥ 76
Work in process		759
Supplies	8,840	6,661
Total	¥ 8,889	¥ 7,498

5. SHORT-TERM AND LONG-TERM LOANS

Short-term loans and long-term loans as of November 30, 2018 and 2017 are as follows:

	Average Interest Rate	Thousands of Yen 2018	Thousands of Yen 2017
Short-term loans	0.6%	¥ 555,000	
Current portion of long-term loans	0.9%	510,000	¥ 310,000
Long-term loans	1.4%	2,425,000	1,955,000
Total		¥ 3,490,000	¥ 2,265,000

Certain long-term loans have variable repayment terms and conditions that are subject to the operating results of the Company. Such long-term loans at November 30, 2018 and 2017, were ¥330,000 thousand and ¥300,000 thousand, respectively.

Long-term loans have annual maturities through 2023. The details as of November 30, 2018 are as follows:

Year Ending November 30	Thousands of Yen
2019	¥ 510,000
2020	510,000
2021	840,000
2022	900,000
2023	175,000
Total	¥ 2,935,000

At November 30, 2018 and 2017, no assets were pledged as collateral for the long-term loans above.

The Group has current account overdraft agreements with two financial institutions in order to raise funds efficiently. The maximum amount and the outstanding balance as of November 30, 2018 were ¥1,000,000 thousand and ¥555,000 thousand, respectively. There were no contracts as of November 30, 2017.

6. 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 May 15, 2017, the Company carried out a capital reduction, reduction of additional paid-in capital, and appropriation of other capital surplus in order to dispose of the accumulated deficit as of November 30, 2016. In accordance with Article 452 of the Companies Act, the Company first reduced capital stock by ¥425,068 thousand and such amount was transferred to additional paid-in capital. Then, the Company transferred ¥888,972 thousand of additional paid-in capital to other capital surplus. Subsequently, the Company appropriated ¥888,972 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, 2018, 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, 2017. In accordance with Article 452 of the Companies Act, the Company transferred ¥784,437 thousand of additional paid-in capital to other capital surplus. Subsequently, the Company appropriated ¥784,437 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.)Under the Companies Act, a company may issue two or more classes of stocks with different features which have different provisions on dividends of surplus, distribution of residual assets, and other matters. Other than common stock, the Company had class A, B, C, D and E stocks that have different rights and conditions as to the distribution of residual assets and others. Each of such stock has a put option to acquire a share of the Company's common stock.

The Company executed a 20-for-1 stock split on June 24, 2017. The stock split was conducted for common stock and all class stocks outstanding at the time of the stock split by way of a free share distribution. The number of shares and per share figures in the accompanying consolidated financial statements have been adjusted to reflect the stock split. Number of authorized shares of common stock as of November 30, 2018 and 2017, was 44,978,000 shares.

Changes in number of issued shares of common stock and class stocks for the year ended November 30, 2018 and 2017, are as follows:

	Shares*						
	Common Stock	Class A Stock	Class B Stock	Class C Stock	Class D Stock	Class E Stock	Total
Balance, December 1, 2016	8,562,000	1,280,000	2,220,000	2,408,000	1,508,360	683,340	16,661,700
Issuance of new shares—public offering	1,617,700						1,617,700
Issuance of new shares—third party allotment	382,300						382,300
Exercise of put options of class stocks (Note)	8,099,700	(1,280,000)	(2,220,000)	(2,408,000)	(1,508,360)	(683,340)	
Exercise of stock acquisition rights	511,820						511,820
Balance, November 30, 2017	19,173,520						19,173,520
Exercise of stock acquisition rights	156,120						156,126
Balance, November 30, 2018	19,329,640						19,329,640

*Shares have been adjusted to reflect a 20-for-1 stock split that became effective on June 24, 2017.

Note: On June 23, 2017, as all of the put options of the class stocks were exercised, the Company acquired all of the outstanding shares of each class stock as treasury stock and delivered shares of common stock to the shareholders in return. All shares of the treasury stock acquired were immediately retired in accordance with the resolution reached at the Board of Directors' meeting held on the same date.

7. STOCK OPTIONS

Gain on reversal of stock acquisition rights, which was recorded due to forfeiture of stock options, for the year ended November 30, 2018 and 2017, was ¥3,778 thousand and ¥605 thousand, respectively.

Stock options outstanding as of November 30, 2018, are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
#1	4 directors	240,000 shares	March 14, 2013	¥24	From March 9, 2015 to December 28, 2022
#2	4 directors 6 employees 4 outside consultants	420,000 shares	February 8, 2014	¥200	From February 8, 2016 to February 7, 2024
#3	1 director 5 outside consultants	9,000 shares	April 22, 2015	¥350	From February 8, 2016 to February 7, 2024
#4	4 directors 21 employees	570,000 shares	April 30, 2015	¥350	From February 8, 2016 to February 7, 2024
#5	1 outside director 3 external statutory auditors 39 outside consultants	48,000 shares	March 23, 2016	¥550	From March 17, 2018 to March 16, 2025
#6	4 directors 39 employees 1 outside consultant	583,400 shares	March 23, 2016	¥550	From March 17, 2017 to March 16, 2025
#7	2 business partners	201,840 shares	March 23, 2016	¥1,500	From March 17, 2018 to March 16, 2025
#8	6 directors 62 employees	282,000 shares	March 15, 2017	¥750	From March 15, 2020 to March 14, 2026
#9	2 outside directors 3 external statutory auditors 6 outside consultants	31,000 shares	March 15, 2017	¥750	From March 15, 2020 to March 14, 2026
#10	1 outside director	4,000 shares	June 23, 2017	¥750	From June 23, 2020 to June 22, 2026
#11	7 directors 1 outside director 1 external statutory auditor 2 outside consultants 60 employees 6 directors of subsidiaries	319,500 shares	February 5, 2018	¥3,155	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:

	#1	#2	#3	#4	#5	#6	#7	#8	#9	#10	#11
						(Shares)					
Non-vested											
November 30, 2016—Outstanding	280,000	508,000	9,000	684,000	48,000	724,000	201,840				
Granted								342,000	31,000	4,000	
Canceled				(18,000)		(25,600)		(5,000)			
Vested	(280,000)	(508,000)	(2,250)	(266,400)		(139,680)					
November 30, 2017—Outstanding			6,750	399,600	48,000	558,720	201,840	337,000	31,000	4,000	
Granted											320,000
Canceled				29,760		93,840		66,000			7,500
Vested			2,250	133,200	12,000	139,680					
November 31, 2018—Outstanding			4,500	236,640	36,000	325,200	201,840	271,000	31,000	4,000	312,500
Vested											
November 30, 2016—Outstanding											
Vested	280,000	508,000	2,250	266,400		139,680					
Exercised	(240,000)	(90,000)		(122,200)		(59,620)					
Canceled											
November 30, 2017—Outstanding	40,000	418,000	2,250	144,200		80,060					
Vested			2,250	133,200	12,000	139,680					
Exercised		56,000	2,500	61,200	4,740	31,680					
Cancelled	40,000	82,000		43,440		26,760					
November 31, 2018—Outstanding		280,000	2,000	172,760	7,260	161,300					
Exercise price	¥ 24	¥ 200	¥ 350	¥ 350	¥ 550	¥ 550	¥ 1,500	¥ 750	¥ 750	¥ 750	¥ 3,155
Average stock price at exercise		¥ 4,112	¥ 4,567	¥ 4,141	¥ 4,607	¥ 4,391					
Fairly evaluated unit price (as of grant date)											¥ 146.95

Note: The number of options granted and the exercise price presented in the preceding table have been adjusted to reflect a 20-for-1 stock split that was effective June 24, 2017.

Assumptions Used to Measure the Fair Value of Stock Options

Because the Company was an unlisted company at the grant date of stock options #1 to #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.

Assumptions used to measure the fair value of stock option #11 are as follows:

Method used for evaluation: Black-Scholes model
Selected assumptions:

	#11
Stock price volatility (Note 1)	49.18%
Expected remaining period (Note 2)	7.17 years
Expected dividends (Note 3)	0%
Risk-free interest rate (Note 4)	(0.1%)

Notes 1. Calculated based on the stock prices of comparable listed companies since the Company has been listed for less than 2 years.
2. Estimated based on the assumption that the rights are exercised at the end of exercise period as reasonable estimation is difficult due to insufficient historical data.
3. Based on the actual dividends for the fiscal year ended November 30, 2018.
4. Calculated based on the yield curve of risk-free assets as of the date of calculation and converted to the Interest rate by the continuous compounding method.

Estimation of the Number of Vested Stock Options

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

Total Amount of the Intrinsic Values of Stock Options

The total amount of the intrinsic values of the stock options at November 30, 2018, and the stock options that were exercised during the year ended November 30, 2018, at the date of exercise were ¥6,030,152 thousand and ¥602,603 thousand, respectively.

8. 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 year ended November 30, 2018 and 2017.

Deferred tax assets from tax effects of significant temporary differences and tax loss carryforwards at November 30, 2018 and 2017, are as follows:

	Thousands of Yen	
	2018	2017
Deferred tax assets:		
Enterprise taxes payable	¥ 4,284	¥ 4,495
Business office taxes payable	1,898	1,382
Allowance for doubtful receivables	2,773	2,772
Depreciation and amortization	463,452	403,906
Lease and guarantee deposits	2,361	3,264
Software in progress	44,755	
Valuation difference on available-for-sale securities	1,738	
Tax loss carryforwards	829,277	699,774
Other	1,030	89
Total	1,351,573	1,115,684
Less valuation allowance	(1,351,573)	¥ (1,115,684)
Total deferred tax assets		
Deferred tax liabilities:		
Amortization of goodwill	1,249	
Unrealized gains on available-for-sale securities	440	
Total deferred tax liabilities	1,690	
Net deferred tax assets (liabilities)	¥ (1,690)	

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations and comprehensive income for the year ended November 30, 2018 and 2017, is not presented as the Group recorded losses before income taxes.

At November 30, 2018, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥2,685,618 thousand, which are available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending November 30	Thousands of Yen
2021	¥ 8,562
2022	104,341
2023	550,554
2024	847,461
2025	463,158
2026 and thereafter	711,541
Total	¥ 2,685,618

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses for the year ended November 30, 2018 and 2017, are as follows:

	Thousands of Yen	
	2018	2017
Salaries	¥ 1,209,218	¥ 863,273
Advertising	450,844	836,910
Retirement benefit expenses	36,451	24,980
Provision of allowance for doubtful receivables	1,701	3,704
Amortization of goodwill	90,794	

10. RELATED PARTY TRANSACTIONS

Transactions of the Group with a related party for the year ended November 30, 2017, consisted of exercises of stock options by the chief executive officer of the Company. Details are as follows:

Name	Position	Ownership Percentage (%)	Thousands of Yen
Yosuke Tsuji	President and Chief Executive Officer	17.5	¥ 66,975

There were no significant transactions between the Company and related parties for the year ended November 30, 2018.

11. SUBSEQUENT EVENTS

The Company issued new shares by way of an international offering on December 20, 2018 based on the resolution of its Board of Directors on December 5, 2018.

(1) Class and number of shares issued	Common stock of the Company: 2,400,000 shares
(2) Issuance price (offer price)	¥ 2,946 per share
(3) Payment amount	¥ 2,812.76 per share
(4) Payment date	December 20, 2018
(5) Capitalized amount	¥ 1,406.38 per share
(6) Total amount of issuance price (offer price)	¥ 7,070,400 thousand
(7) Total payment amount	¥ 6,750,624 thousand
(8) Total capitalized amount	¥ 3,375,312 thousand
(9) Method of offering	The offering was made outside of Japan, mainly in Europe and Asia
(10) Use of proceeds	1. Sales, marketing and product development activities of Money Forward Business to accelerate revenue growth: approximately ¥ 5,620,000 thousand 2. Investments to accelerate growth of the Money Forward Finance domain, primarily for MF KESSAI, an online invoicing and factoring service: approximately ¥ 600,000 thousand 3. Repayment of outstanding loans raised for the purposes of M&A and marketing expenses, in order to enhance the Company’s balance sheet and provide a solid foundation for further expansion through M&A: the reminder

12. BUSINESS COMBINATIONS

Business Combination by Acquisition

a. Outline of the business combination

(1) Name of acquired company and its business outline

Name of acquired company:	Knowledge Labo, Inc.
Business outline:	Development and provision of Manageboard and provision of consulting business

(2) Major reason for the business combination

With its mission “Change the management infrastructure of SMEs across Japan,” Knowledge Labo provides consulting services such as financial advisory service and cloud tool implementation support service. Furthermore, Knowledge Labo has own engineering team and launched SaaS-typed business analysis tool Manageboard in 2018. Since then, Manageboard has been helping accounting offices to add more values for their clients by automating the financial analysis including the estimation of future earnings and cashflow using accounting data.

On the other hand, the Group has been developing and offering internet services aiming at solving the money related issues of both individuals and corporates with its mission “Money Forward. Move your life forward.” Especially, in accounting and financial fields, the Company offers SaaS-typed services such as Money Forward Cloud Accounting/Tax Return, Money Forward Cloud Expense, Money Forward Cloud Invoice with an aim to automate and streamline the business by internet, alleviate concerns regarding cash flow and assist management decisions based on data.

Through this acquisition, the Group aims to solve the management issues of SMEs together, by strengthening the links between Money Forward Cloud Series and Manageboard and promoting Manageboard to accounting offices and SMEs using the Company’s client base.

(3) Date of business combination

July 25, 2018 (deemed date: August 31, 2018)

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of the company after the combination

No change

(6) Ratio of voting rights acquired

51.4%

(7) Basis for determining the acquirer

It is based on the fact that the Company acquired 51.4% of the voting rights through a third-party allotment to the Company.

b. The period for which the operations of the acquired company is included in the consolidated financial statements

From September 1, 2018 to November 30, 2018

c. Acquisition cost of the acquired company and related details of each class of consideration

	Thousands of Yen
Consideration for acquisition—Cash	¥ 198,000
Acquisition cost	¥ 198,000

d. Major acquisition-related costs

Advisory fee: ¥ 488 thousand

e. Amount of goodwill, basis of recognizing goodwill, and the method and period of amortization

(1) Amount of goodwill

¥105,740 thousand

(2) 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 synergies between the Group's Money Forward Cloud Series and Manageboard.

(3) Method and period of amortization

Goodwill is amortized on a straight-line basis over 5 years.

f. The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Thousands of Yen
Assets:	
Current assets	¥ 219,772
Non-current assets	1,595
Total	221,368
Liabilities:	
Current liabilities	11,875
Non-current liabilities	30,000
Total	¥ 41,875

g. Pro forma information

The effect on the consolidated statement of operations and comprehensive income for the year ended November 30, 2018, assuming this business combination had been completed as of December 1, 2017, the beginning of the fiscal year, is not presented because the estimated amount is not significant.

13. 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

Information about sales to customers by service

The Group classifies its sales into the following three categories, namely: (1) PFM Services—services to assist customers' personal financial management, (2) Money Forward Cloud Services (previously named MF Cloud Services)—services to automate and streamline customers' back office operations, and (3) Other.

Thousands of Yen			
2018			
PFM Services	Money Forward Cloud Services	Other	Consolidated
¥ 1,768,435	¥ 2,745,802	¥ 80,550	¥ 4,594,789

Thousands of Yen			
2017			
PFM Services	Money Forward Cloud Services	Other	Consolidated
¥ 1,383,573	¥ 1,507,513	¥ 8,462	¥ 2,899,548

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