Financial Results for the 2nd Quarter of Fiscal Year Ending November 30, 2019

Q&A Session Summary

Q1 Regarding the Business domain, how will the revision in pricing affect ARPPU (Average Revenue Per Paid User) and churn rate going forward?

A1 Even taking cancellations into account, we expect stock sales from the Business domain to achieve a growth of 60-65% YoY in 2H, compared to the growth of 53% YoY in net sales (including flow sales) for the Business domain booked in 1H. While we still need to monitor churn rates and ARPPU for a while as a certain number of shifts from monthly to annual membership plans and cancellations are expected, current levels are within the expected range. The revision in pricing raises ARPPU mainly for corporate customers with 30 or less employees who subscribed via the Internet. For instance, in the case of sole proprietors, the Personal Light Plan is ¥1,280/month for monthly membership and ¥980/month for annual membership. Since the previous plan was ¥800/month, this difference will translate into the increase in ARPPU. In the case of corporates, the pricing of the accounting service alone was previously ¥2,980/month. While it is difficult to generalize the increase in ARPPU as some corporate customers originally used multiple services, the new Small Business Plan is ¥3,980/month for monthly membership and ¥2,980/month for annual membership. For those using our new Business Plan, the pricing is ¥5,980/month for monthly membership and ¥4,980/month for annual membership. While there are numerous variables including those mentioned, we expect YoY growth to accelerate in 2H (compared to 1H).

Q2 In the Business domain, it was mentioned that the Company will also focus on companies preparing for IPO and listed companies among others; however, I feel that the competition is intense among service providers in tiers lower than SAP. What kind of strategy does the Company plan to deploy, and how large of a company does the Company intend to reach out to?

A2 Allow me to explain in detail. We have consolidated our services for corporate customers with 30 or less employees, enabling them to use multiple services more seamlessly. As for corporate customers with more than 30 employees, they can continue to use stand-alone services such as [*Money Forward Cloud] Payroll*, *Attendance* and *Expense* (since it is difficult to implement multiple services at once in some cases). Companies with hundreds and thousands of employees also use our *Expense* and *Payroll* services. Companies with revenues of tens to hundreds of billions of yen most likely have complex operations and do not have imminent needs to replace their entire ERP, so we intend to provide our services to smaller-sized companies. Many of our customers are growing companies, and we ourselves must evolve in line with their growth, enabling them to conveniently use our services even post-IPO.

Q3 Regarding the Home domain, it seems actual net sales are falling behind the initial target, perhaps partially due to the decline in unit price accompanying the introduction of the annual membership plan. Could you explain this gap with the initial target?

A3 As for the annual membership plan, (In the medium to long term,) the positive impact from the decline in churn rate is estimated to be larger than the impact of discount in net sales. Currently, the increase in APRU (Average Revenue Per User) in the Home domain is limited. We therefore feel the need to provide additional value to customers and raise ARPU.

Q4 *Money Forward ME* seems to have experienced connection failures several times from around June. I would like to know the cause, countermeasures taken, and whether additional costs incurred.

A4 The connection failure of *Money Forward ME* was not a situation in which all customers could not connect to the service, but certain customers could not access the service due to defects in certain servers. Thus, we responded by allocating other servers to those customers. The Company employs many members with experience working in financial institutions and has always been confident about the high quality of services it provides. However, we recently encountered connection failures several times, and I also feel that this is an issue that needs to be fixed. The primary cause was a defect that occurred in the midst of a transition to a structure enabling service provision through partitioning a large database, in order to respond to the increase in data volume and number of users. We are currently holding discussions with our CTO and CISO, and plan to allocate more resources to system maintenance and operations. To reinforce our infrastructure, we have also recruited several highly competent engineers. We intend to further enhance stability in system operations and security.

Q5 In the Business domain, I hear that as business size expands, cloud-based accounting processes inevitably slow down and consume time. Going forward, what measures will the Company take as it actively targets large companies as well?

A5 As you rightly pointed out, large companies require more journal entries, and processing speed could slow down. Large companies also have high demand for processing paper-based data prior to their accounting processes, as seen in the recent case of Mitsui Fudosan Co., Ltd. installing *STREAMED*. We are making continuous efforts to refine the response time of our accounting services. While this issue cannot be solved overnight, transition to 5G enhances transmission speed, which in turn should drastically accelerate speed in cloud-based operations, most likely making processes quicker than that of packaged software. Furthermore, the advantage of cloud services is that it eliminates manual data entries, so we aim to add more API connections with upstream services.