

## Financial Results for the 3rd Quarter of Fiscal Year Ending November 30, 2019

### Q&A Session Summary

Q1 What is the contribution of the pricing change to the 70% YoY growth in recurring sales of Business domain? Also, do you expect growth to accelerate in Q4 relative to Q3 in view of the recent consumption tax reform and current marketing campaign in the “¥1 Billion Support Campaign”?

A1 Nearly half of the 70% YoY growth in recurring sales of Business domain derived from changes in unit price as a result of the pricing change. As for our outlook for Q4, we do not expect results to change significantly from Q3 results of 70% YoY growth in recurring sales for the Business domain, which exceeded guidance (as of Q2) for 2H recurring sales growth rate (+60%-65% YoY).

Q2 In Home domain, the net sales growth rate seems slightly lacking despite implementing a TV advertising campaign. What direction does the Company envision taking in its B2C business going forward?

For example, if the Company judges that the effect from acquiring new premium users via mass advertising has subsided, and therefore plans to shift to a profitability-oriented phase, or if the Company will pursue upselling by deploying new businesses, as seen in the transfer of employees from Corporate to Home domain.

A2 We acknowledge the issue that growth in Home domain net sales is weak relative to initial forecasts. Regarding our strategy going forward, we are in the process of developing new services with an aim to create new monetization points. While we currently provide added value through “visualizing cash flow as well as wealth,” we believe that the next value proposition to pursue is to link this to users’ actions and encourage positive behavioral changes. Since we are not a financial institution, we intend to do so by offering advice and knowledge based on the user data.

We feel positive that the TV advertising aired in late December and January contributed to the increase in number of total users. We continue to discuss whether to implement TV advertising going forward. Meanwhile, we believe that it is necessary to build a lean cost structure with focus on fixed cost management in Home domain. Since net sales and the number of users has been increasing steadily, we aim to curb personnel expenses and build a cost structure which enables us to secure profits.

The premium paying user ratio is 2.4% and it continues to rise. However, it may appear as though growth in net sales from premium charges is slowing down due to increase in ratio of annual plan subscriptions.

Q3 Why is the increase in Q3 net sales of Business domain significantly exceeded guidance for 2H (as of Q2); was it because the Company initially forecasted high growth in Q3 in light of the timing of the consumption tax reform, or did net sales increase unexpectedly due to other factors? If this increase was larger than expected, I would like to understand the reason; for example, was it because of external factors, or because churn rate was lower than expected?

A3 One of the factors was that when converting plans, corporates automatically converted to the Business Plan (monthly) and Sole Proprietors to the Personal Light Plan (monthly); however, after that, conversion from monthly to annual plans progressed at a more gradual pace than expected. Since the rate for annual plans includes a discount, a gap was observed relative to initial guidance (because sales mix was not in line with expectations).

Q4 What impact has the “¥1Billion Support Campaign” produced? Does the Company plan to use up all ¥1billion?

A4 Regarding the “¥1Billion Support Campaign,” it has been taking time for accounting firms to reach out to their clients after our sales team approach the accounting firms. While the campaign seems to attract greater attention from potential users and accountants than it does with IT implementation subsidies, chances are low that we will distribute all ¥1billion considering that the campaign will expire by the end of December. Meanwhile, we have received many inquiries from accounting firms that were interested in using cloud-based accounting software, but didn't have the chance up till now. We believe that the consumption tax reform is serving as a tailwind; however, we assume that user pain towards adapting to the consumption tax reform will become more apparent from the end of October to November, and therefore aim to acquire customers with the campaign.

Q5 What is the Q4 outlook for breakdown of expenses?

A5 In addition to continually recruiting new personnel, we seek to increase strategic investment in marketing initiatives with an eye toward the year-end adjustment season as well as tax filing season.