Financial Results for the Fiscal Year Ended November 30, 2019

Q&A Session Summary

Q1 Regarding FY11/20 financial forecasts, the range of EBITDA guidance is larger than that of net sales. What expenses are expected to fluctuate? Also, how is the impact of Smartcamp Co., Ltd. joining the Group represented in this guidance?

A1 The range of EBITDA guidance is wider than that of net sales firstly due to advertising expenses which are expected to increase by some ¥1.2 billion at most relative to FY11/19. In addition, with regards to personnel expenses, while continuing to adequately control fixed costs, we plan to actively recruit necessary staff as well as talented personnel who we believe to be worthy of recruitment. As for the impact of Smartcamp Co., Ltd. joining the Group, we have included over ¥1 billion in FY11/20 consolidated net sales forecasts.

Q2 Among the KPIs of the Business domain, it was mentioned that the 12-month average churn rate was 1.8%. I would like to know how the churn rate trended after the new pricing plan was adopted, and its outlook for FY11/20.

A2 The churn rate of 1.8% (based on number of customers) incorporates impacts from the price plan revision. Meanwhile, the churn rate of 1.2% (the other churn rate that was disclosed) is the 12-month average prior to the pricing plan revision. Recent trends indicate that the churn rate has recovered to around this level. It is therefore reasonable to say that the churn rate is 1.2% when excluding the impact of the price plan revision.

Q3 Group ARR includes revenues from Smartcamp Co., Ltd. (¥805 million); does this figure represent net sales or only recurring revenue? I presume that Smartcamp Co., Ltd. does not book recurring revenue since [their business model] is not a subscription model. I would like to know the logic behind this figure.

A3 Two adjustments were applied. Firstly, fiscal year was adjusted to aggregate FY11/19 Group ARR. Secondly, as we explained when announcing the joining of Smartcamp Co., Ltd. to the Group in November 2019, we considered net sales from retained customers as recurring revenue. Based on these two adjustments, we included ¥805 million in FY11/19 Group ARR.

Q4 I would like to know the FY11/20 outlook and envisioned direction of the SaaS KPIs disclosed. Competitors have also actively been disclosing price per customer and indicating their intentions to raise price per customer in the medium- to long-term. I would like to know the outlook of the Company's ARPA; for example, is ARPA not expected to rise much in FY11/20 since this figure of approximately ¥59,000 is the figure after the price plan revision, or is ARPA expected to rise in line with an increase in partnerships with accountants?

A4 ARPA was increasing firmly even prior to the price plan revision. While FY11/20 ARPA will not benefit from price plan revision as in FY11/19, we believe that there are other elements that would drive ARPA, as in the past. Elements include (1) expansion in product lineup, (2) increase in net sales from charges as a result of the increase in size of companies using such services as *Money Forward Attendance*, *Expenses*, and *Payroll* which charge a fee per-user, (3) launch of the SaaS platform business, and (4) release of *Money Forward Cloud Accounting Plus*, an advanced version of *Money Forward Accounting*. FY11/20 financial forecasts were developed by multiplying ARPA by the expected increase in number of customers.

Q5 Regarding current cash flow, by deducting the lower end of FY11/20 EBITDA forecasts from cash and deposits as of FY11/19-end, current cash flow will be close to levels prior to last public offeringin December 2018. Based on outlooks for new investments among other initiatives, how much current cash flow does the Company want to secure? For example, will ¥5 billion be sufficient with an eye toward achieving profitability in and after FY11/21, or does the Company want to secure slightly more than that?

A5 We explained that the Company will be obtaining a bank loan when announcing the joining of Smartcamp Co., Ltd. to the Group in November, and have been contemplating financing methods including bank loans in relation to Smartcamp Co., Ltd. becoming a fully-owned subsidiary as disclosed on January 14. While engaging vigorously in various activities, we are constantly seeking an optimal balance sheet and also considering all kinds of funding options.

Q6 Does the Company have a quantitative outlook, for example, regarding future net cash?

A6. On the premise of maintaining net cash to be positive, we believe that the desirable level differs for different stages.

Q7 The difference between operating profit and EBITDA was some ¥0.2 billion in the past, but has risen to ¥0.6 billion in FY11/20. Is the Company considering new initiatives? I assume that goodwill for Smartcamp Co., Ltd. is not so large.

A7 Goodwill for Smartcamp Co., Ltd. is some ¥1.8 billion, and will be amortized over nine years, meaning that annualized amortization of goodwill will be ¥0.2 billion. Additionally, factor-based tax among other expenses included in selling, general and administrative expenses, which were not adjusted for in the past, are expected to become fairlylarge. We will therefore refine our calculation for EBITDA from FY11/20. This is one reason behind the widened difference between operating profit and EBITDA.

Q8 The churn rate of 1.8% seems to be considerably low considering that services are catered to SMEs. Is there still much potential for the churn rate to decline? In the medium- to long-term, to what level does the Company want to bring down the churn rate?

A8 The churn rate of 1.8% incorporates impact from the release of the new price plan, and the churn rate has recently improved to 1.2%. We seek to further improve this metrics since there are still other potential measures, such as developing new products. We believe that it is important to consider how to make customers satisfied. Also, if the value offered through our services rises through integrating data, the cost of switching services will also rise. Since we offer multiple services rather than just one, we aim to offer further benefits through connecting respective services. It is worth noting that the disclosed churn rate includes all customers, including both SMEs and sole proprietors.

Q9 It was mentioned that the Company aims to achieve profitability while increasing advertising expenses in FY11/20. What is the Company's outlook for profit levels after achieving profitability? I would like to know how the Company envisions growth in EBITDA and net sales; for example, does the Company plan to contain advertising expenses?

A9 Maximizing cash flow in the medium- to long-term is paramount as a SaaS business. To achieve this end, it is important that net sales increase firmly. We have disclosed our goal to achieve profitability in FY11/21, because we believe we can secure the growth in net sales necessary to achieve this. Our basic stance remains the same. We will continue making investments while assessing changes in the operating environment, including the listing of competitors.

Q10 In FY11/19, bad debt was booked in *MF KESSAI*. Are such incidents common in the business model of *MF KESSAI*? Or was the incident due to a certain problem? If the latter is the case, what countermeasures will the Company take? Also, how much credit cost is necessary according to the balance of purchased receivables?

A10 Some external directors pointed out the same at a recent Board of Directors' meeting, and we consider this as an issue that needs to be resolved. With the exception of the disclosed incident, the business itself has been trending favorably, and the disclosed incident can be considered a one-time anomaly. We are working to refine such functions as credit decisions and credit line control of customers so as not to repeat similar incidents.

Q11 Is there a possibility that growth in net sales will slow down as a result of the Company becoming cautious toward business in *MF KESSAI*? While some time has passed since the incident, can we assume that net sales has in actuality been growing steadily?

A11 We have been making a considerable effort to establish countermeasures, including refining the credit decision model and accumulating related data. Currently, we do not expect growth in net sales to slow down from present levels. In addition, operations of *MF KESSAI* are covered by insurance, and we have revised insurance policies after the incident. We are taking measures from the perspective of insurance as well, so as not to bear additional risks in the future.