

**Financial Results for the 2nd Quarter of Fiscal Year Ending November 30, 2020**  
**Q&A Session Summary**

Q1. Based on the financial announcements by other SaaS public companies, there have been cases where SMB customer acquisitions have not grown as a result of COVID-19. I would like to know more on customer acquisition in Business domain.

A1. In a recent Nikkei newspaper article on the shift to cloud-based expense management, it was noted that the number of our corporate customer acquisitions in May increased by approximately 60% from January. In fact, the pace of acquisition of corporate clients for *Money Forward Cloud* is accelerating.

We see the increasing use of cloud-based accounting software by accounting firms and their corporate clients. Also, *Money Forward Cloud Accounting Plus*, which targets mid-sized corporates, received good reviews from several audit firms and the number of cases in which audit firms give recommendations for this service is increasing. We believe that the effects of these customer acquisitions will continue to appear from Q3 onwards, and we will try to achieve net sales target of 7.22 billion yen (YoY+73%) in Business domain that we indicated at the beginning of the fiscal year.

Q2. *Money Forward Carrier* seems to be a way to monetize through B2B route using Home domain's user base. What differentiates it from other HR services? Would such a service make larger revenue than premium charge of *Money Forward ME*?

A2. We are working on various ways to monetize its customer base in Home domain. Currently we already have a model for sending customers to financial planners for life planning advice. The differentiating factor in *Money Forward Career* (new service) is that (i) life planning assistance for those who feel money is a bottleneck with regard to their career and (ii) use of FFS(Five Factors & Stress) diagnosis which makes both companies and jobseekers happy. Ogawa, the manager of this business, had been in charge of recruiting at Money Forward for a long time. This service was launched with his expertise, network and a passionate desire. We have a deep understanding of the challenges of the industry and will introduce a commission structure that is different from traditional services. We believe this is another differentiating factor of this business. We will start small, and then we will consider expansion plan as it develops. We do not think this business will be able to reach a scale that exceeds premium charge revenue of *Money Forward ME* in a short span, so we will gradually expand the monetization of this kind of service.

Q3. As CFO is being replaced, is there a strategic change? Will there be a more focus on investment in Business domain, expansion of business areas more broadly, or focus on cash flow? Tell us the big picture of your strategy.

A3. There are no major strategic changes. Kanesaka had been leading the Company's fundraising and other activities as CFO since 2014. Even after he retired as CFO in 2019 and led the foundation of Money Forward Synca, he has been involved in important decisions about the Group's operations including finance and IR. We do not think there will be any major changes to the company's strategy.

Kanesaka has been the director in charge of M&A, but this time around, Kanto (executive director and CSO of Money Forward and CEO of Klavis) will take over the responsibility for M&A. With regard to the strategy execution, sourcing new projects and networking, we believe that our management structure has been further strengthened. We hope to maintain the existing policy while further accelerating our growth in the future.

Q4. Regarding Mr. Kanesaka's reappointment as CFO, how committed is he going to be to the management of Money Forward Synca?

A4. Inquiries to Money Forward Synca are increasing, and as you can see in today's presentation, the company is also starting new services. The team has also been strengthened to about 10 people. Going forward I (Kanesaka) will be working hard on managing Money Forward Synca as well as CFO role at Money Forward.

Q5. If you look at ARPA of Business domain of Q1 and Q2 to exclude the impact of introduction of new pricing plan of previous year and the new consolidation of Smart Camp, the increase was relatively moderate, so I assume the acceleration of user acquisition owing to COVID-19 was not observed at least until May. I'd like to know if you have any KPIs indicating the acceleration after June. Also, what level of ARPA are you aiming to achieve by the end of this fiscal year?

A5. This time, we disclosed ARPA in detail. On page 29 of the presentation material, you can see the breakdown of pricing plans for corporate users. Transition from monthly subscription to annual subscription is a positive movement for us since we would like our users to use the service in a long term and would like to keep the churn rate at a low level. In the last three-

month, average basic charge per corporate user has fallen by 3 percentage points, and annual subscription of Business plan which we would like to increase the most increased by 3 percentage points. Although ARPA will decrease in this movement, we believe it will lead to the decrease in the churn rate in the long term. Regarding ARPA on page 27 of the presentation material, it increased by 1 percentage point in Q2 owing to the expansion of the end users of partner accountants. ARPA is expected to increase gradually at this pace as no further price changes are planned at this time.

Q6. Regarding the termination of *Money Forward BizAccel*, the online lending business, what was different from your original idea or expectation? Will this cause any impairment of software?

A6. There is no impairment of software as we did not capitalize anything in relation to this business. The point which differed from our original plan was that the growth speed of this online lending business was slower than that of the group. We considered a variety of factors, including market conditions and the product market fit, and we decided that it would be better to allocate the resource to other services rather than to continue it. On the other hand, it is true that the default rate was lower than expected, and the needs of the service exist. We seek to offer new lending service by changing the business model, and we might try again in the future in new ways, such as partnering with financial institutions.

Q7. In Q1 results briefing, you mentioned the optimization of costs. How much effect has been appeared since then? Do you have any guidance for hiring and advertising expenses in the second half?

A7. We are working to improve efficiency by, for example, bringing some of our marketing activities in-house, which were previously outsourced. In Q3, we continue to invest in advertising while monitoring cost effectiveness and will keep investing as long as EBITDA is better than negative 2.8 billion yen and operating loss is better than 3.4 billion yen, which are the lower end of the full-year guidance range. Regarding hiring, we are carefully selecting great talents.

Q8. What was the consumption rate of advertising expenses in Q2 to your full year budget and how much level of advertising expenses should I expect for the second half?

A8. We are not monitoring it by consumption rate. We keep investing as long as EBITDA and operating loss are within the acceptable level. Advertising expenses in the first half was almost in line with our plan, and we will keep monitoring the cost effectiveness of customer acquisition in each sales channel and determine the volume of the advertising expenses in the second half. Regarding the impact of COVID-19 in terms of cost optimization, we are closely monitoring the cost of each department and reducing it such as server expenses as much as possible. We continue to invest for the future growth and minimize less effective expenses at the same time.

Q9. What is the reason for the accelerated growth in the number of *Money Forward ME* users?

A9. As shown on page 39 of the presentation material, the number of users exceeds 10.5 million. The number of quarterly user acquisition increased from 500,000 to 700,000 YoY with low CPA level. External reasons for this acceleration are that the awareness for personal finance increased due to the pandemic, and the need for monitoring the personal finance online also increased owing to the expansion of cashless payment. Internal reason is that we have been working to strengthen our marketing team and implement a variety of measures to acquire new customers more efficiently. Those may have contributed to the growth in the number of new users.

Q10. What is the reason for the acceleration of sales growth in Finance domain in Q2?

A10. There are three reasons. First, *MF KESSAI* has been growing dramatically. Second, although we have not disclosed the name of counterparty, we started providing OEM version of *MF KESSAI* for a financial institution since our system is highly evaluated. As such, the net sales related to the development of this system was recorded. Third, net sales of Money Forward Synca, of which I (Kanesaka) am serving as CEO, has been growing steadily and contributing to QoQ sales growth.

Q11. What is your maximum market share in the 3.6 trillion-yen TAM and what is the logic behind it? Who are your competitors?

A11. The situation differs in each domain. Regarding Business domain, the penetration rate of cloud back office service is still expected to be around 15-20%, so there is a growth potential. The service lineup is expanding including accounting, payroll, invoice, expense, attendance management and social insurance, and we are also catering services such as *Money Forward Cloud Accounting Plus* for post IPO and mid-sized corporates. The market of Business domain is growing, and although there is still some room to improve, we feel that our service quality is quite high even compared to our competitors.

Regarding Home domain, there are not many companies that offer PFM services. As announced, the number of *Money Forward ME* users exceeds 10.5 million and we feel that our market share is increasing. Since we have accumulated know-how, we would like to acquire larger market share.

Regarding X domain, large Slers could be our competitors. However, we have a lot of experience in app design and development, so we have been able to engage from initial phase of client projects such as app design. In terms of the business model of this domain, we'd like to increase net sales by 20-30% annually and generate solid profits.

In Finance domain, we are offering services at MF KESSAI (factoring) and Money Forward Synca. New needs are emerging in this ¥0.6-trillion market. Since the existing market is already served by other players, we will provide new value in the emerging market.

We recognize that it is very important for us to be No. 1 in each of these fields from a competitive standpoint.

Q12. What kind of software are your new customers switched from? Especially I would like to hear about the migration of the corporate clients of accounting firms.

A12. I will refrain from mentioning other companies' names, but users are mostly switched from package (on-premises) software. If you use cloud accounting service, you can minimize manual input by aggregating data. Also, you can access to the service from anywhere. We have received many positive feedbacks from accounting firms and corporates saying that they could save time and make their work easier with our services. One of the recent feedbacks we are happy about was that many accounting firms were able to start teleworking smoothly during the pandemic. Since the operation in accounting office is complicated and involves a lot of paperwork, it's not something you can do without preparation. Since each

accounting firm had been working on improving efficiency, the transition went smoothly, and we received many positive feedbacks. Now, accounting firms are working hard to provide value-added services such as supporting their SME clients to apply for loans and subsidies, and SMEs are counting on them more than ever before. We also released a function to judge if companies are eligible to apply for subsidy program based on their accounting data, and users are very happy with it. SaaS products such as Chatwork are becoming popular, and we feel that more clients of accounting firms are now using cloud services.

Q13. What immediate and medium- to long term impacts do you expect on opening-up API of cloud accounting?

A13. Since accounting system is the endpoint of data, as we mentioned on page 30 of presentation material, we think that connecting to SFA and business management tools, etc. is important. Recently, the integration with *Manageboard*, a business analysis SaaS, has been very effective. We received the feedback that cash flow simulation function can be conducted and enabled to get a loan in an appropriate timing by utilizing *Manageboard*. In addition, some fundraising related services by startups are emerging and API connection with those can improve efficiency. We think this is very important measure in medium- to long term. Also, API connection is expected to lead to lower churn rate.

Q14. Although several competitors are in accounting channel, what is the reason that Money Forward is acquiring customers well? What is the value you are offering to accounting firms?

A14. We are not the only player and the pioneer in cloud accounting market, but we have a unique positioning that has strong partnership with accounting firms nationwide. We have branch offices all over Japan and provide services while visiting accounting firms and hearing their business issues. I (Tsuji) also visit accounting firms across Japan to hear their needs. I think accounting firms are essential for SMEs' growth. Meeting the expectation in both functions and customer support is leading to trust from customers. We are not just providing software to accounting firms, but also providing features such as data output for management analysis and consulting, so that accounting firms can deliver better value to their clients. In addition, efficiency is improving in accounting firms by using *Money Forward Cloud*. We received feedbacks that the number of clients per accounting firm staff has increased to 40-60 from 20-30. We want to help businesses improve both efficiency and profitability.

Q15. Non-recurring revenue in Business and X domain looks strong. Do you think this trend will continue or was it particularly high in Q2?

A15 The biggest factor that non-recurring revenue of Business domain grew was Smartcamp. During the COVID-19 situation, demand of SaaS and cloud services has increased in both SMEs and enterprises. As we mentioned on page 32 of the presentation material, the KPI, the number of leads generated on *BOXIL*, increased drastically for the items shown on the right side, which implies the positive impact of COVID-19. It was not a one-off revenue, so we think it was natural. Currently we continue to see a number of inquiries, but we would keep a close eye on KPIs since COVID-19 impact going forward is still uncertain.

Regarding X domain, we announced full-year guidance of 1.25 billion yen+, and Q2 YTD already exceeded 670 million yen, which indicates solid progress. As non-recurring revenue is recorded at the time of inspection by clients, we did not record it intentionally in Q2, so the revenue was natural. Having said that, it was the first time that non-recurring revenue exceeded 300 million yen, which proves it was a particularly high level.