

Financial Results for the 2nd Quarter of Fiscal Year Ending November 30, 2021

Q&A Session Summary

Q1: ARPA for sole proprietors has stopped decreasing. Has the impact from annual plans been mostly realized? Also, what measures did you take to differentiate yourself from other companies to achieve your strong acquisition of sole proprietors?

A1: We need to wait and see if the decline has stopped. We had predicted that it would decline a little more this fiscal year.

Compared to February (the end of Q1), which was the tax return filing period, the ratio of annual plan users has increased. However, ARPA has increased due to the expansion in the number of users of higher-end plans.

The reason for the strong acquisition of sole proprietors is the release of a function that allows data integration between the tax return module and Money Forward ME, a PFM (Personal Finance Management) service with over 12 million users. This synergy with personal services is a strength that no other company can match. We have not focused on the sole proprietor channel so much as it is not very cost-effective, but we will promote this very strong channel for acquiring users from Money Forward ME.

Q2: Regarding Finance domain, have sales of both Money Forward Kessai and Money Forward Early Payment declined in QoQ? Or is it only Money Forward Early Payment that is declining? Also, what is your approach to the provision of allowance for doubtful accounts going forward?

A2: As shown on page 47, sales in Finance domain increased in QoQ. We do not disclose the breakdown of Money Forward Kessai and Money Forward Early Payment, but both are following the same trend. Regarding the allowance for doubtful accounts, we follow accounting standards. General receivables are recorded based on the actual irrecoverable debt ratio. Doubtful receivables are individually estimated - in some cases, an allowance of 50% of those receivables is recorded, or in other cases 100% .

Q3: What is the future contribution of the JV with MUFG Bank in Finance domain, and what is the projected impact on earnings?

A3: The JV will be established this summer and the business will not start until the next fiscal year, so there will be no impact on the top line this year. We would like to announce the plans on a different occasion.

MUFG Bank has a very strong brand, and the JV will provide services to MUFG Bank customers as well. We believe that the JV will be able to reach wider customers than if we were to conduct business on our own. Since this is a business that uses balance sheets, we will need more funds as the business expands. Partnering with MUFG Bank, we will be able to solve this issue. We would like to make this JV a success and deliver value to its customers.

Q4: The QoQ growth rate of corporate ARPA in Business domain was flat, but considering that it was -2.3% in the Q2 of the previous fiscal year, it can be said that the effect of seasonality was reversed. How much effect do you see as the impact from acquiring medium-sized companies?

A4: As you understand, we have made progress in acquiring medium-sized companies with higher ARPA, which offsets the seasonality and resulted in a flat ARPA. On the other hand, the use of STREAMED itself has been expanding continuously, and the seasonal impact was smaller than last year.

Q5: Of the advertising expenses, the budget for Business domain for this fiscal year is disclosed as approximately 2 billion yen. I would like to know the consumption rate in the first half and the forecast for the second half.

A5: We have not changed our guidance. However, if the top line grows nicely, we will make additional investment as long as it's efficient. In the first half of the year, we used advertising expenses in Business domain of about 1 billion yen. We would like to refrain from disclosing the number of quarterly advertising expenses in the second half.

Q6: Net cash has fallen to about 2 billion yen, not including the short-term debt related to Money Forward Kessai and I assume the additional investment in Mekari and the acceleration of software development are probably behind this. What do you think about the current liquidity on hand?

A6: Although net cash is around 2 billion yen, there is no problem with liquidity on hand since most of our borrowings are long-term contracts. We are borrowing from various financial institutions, including megabanks and government-affiliated financial institutions. Since we were profitable in the first half, we have received proposals for additional lending.

Q7: The customer churn rate is 2.5%. Compared to 2.2% in the previous fiscal year, what is the reason for the slight deterioration?

A7: Churn rate was slightly higher due to an increase in the number of sole proprietor users. Churn rate for corporate clients has remained low. There are no major problems with products. Churn of medium-sized users was quite limited.

Q8: Excluding the impact of STREAMED, how much has ARPA for corporate customers increased? Also, if you divide the factors for the increase into up-selling existing customers and acquiring middle-sized customers, what would be the contribution level?

A8: Since corporate ARPA in Q1 was affected by the seasonal factor of STREAMED, it is better to consider the six months from Q4 of the previous fiscal year to Q2 of this fiscal year to understand the trend of ARPA increase excluding the seasonal effect of STREAMED. As for the factors behind the increase in ARPA, we believe that the contribution of up-selling has been limited at this point. The main factor is the increase in the ratio of medium-sized and larger companies with high unit prices per customer.

Q9: How do you expect the pricing changes in Business domain starting next June to affect ARPA?

A9: It is difficult to make an accurate forecast since the timing is more than one year away, but we expect that the impact on ARR in Business domain will go up by about 3 to 4%.

Q10: Based on the alliance with MUFG Bank, how do you expect the sales of Finance domain to grow in the future? Will the JV's balance sheet be a constraint for growth?

A10: We expect to provide greater value by JV than if we were to develop the business on our own. Due to the nature of the business, working capital will increase as it grows, but we believe that the financial base of MUFG Bank will enable us to provide stable services, which is another major advantage of this scheme.

Q11: How do you evaluate the possibility of sustaining or accelerating the corporate ARR growth rate in Business domain (YoY+50%)?

A11: Excluding R&AC, ARR grew at +43% YoY. At present, we are expanding our competitive product lineup and strengthening sales and marketing activities, such as collaborating with accounting firms and improving the registration process on the website. We aim to achieve further growth by focusing these initiatives.

Q12: QoQ growth in premium charge revenue in Home domain seems to be larger than in the past. Please tell us if there are any special factors.

Also, please explain (1) the progress of the electricity rate review service (fixed cost review) and (2) the potential of LIFENET Insurance' products through the insurance fee review service.

A12: Premium billing revenue is recorded based on Apple's revenue data, which may not necessarily be linked to growth in the number of premium users, so it is better to look at trends in the number of premium users from the perspective of trends.

As for electricity and insurance, both of them are performing well, but since it has been a short time since the services were released, we will refrain from disclosing the revenue impact at this time.

Q13: How will the enforcement of the Financial Services Intermediary Act affect your business? Does it have much to do with your business?

A13: The enforcement of the Financial Services Intermediary Business Act itself is positive because it will expand our options. As stated on page 37, we would like to apply for the intermediary license when it's reasonable for providing various services to individuals. For example, the Insurance Business Law is required for insurance, and the Financial

Instruments and Exchange Law is required for asset management. Whether to use the Financial Instruments Intermediary Business or not depends on the design of the service, to what extent we will create it, and to which company we will link the services. First and foremost, our challenge is to design a service that is easy for users to use and understand.

Q14: What is the rough figure of customer churn rate when you divide corporate customers and individual customers? Is churn rate for medium-sized customers close to zero?

A14: We do not disclose the results separately, but except for Q2 (when tax returns are due), the difference between churn for corporates and churn for individual customers is not so large. The churn by medium-sized companies is not zero, but it is low. In the medium to long term, we expect the churn rate for medium-sized companies to be the lowest.

Our mission is to contribute to the improvement of users' productivity. We provide a wide range of cloud services for medium-sized companies. Some of them may find it difficult to change their accounting software. In that case, they can start with the services which are relatively easier to start with, such as expense and payroll services. Once they understand that our services are useful, we can up-sell and cross-sell. We are focusing on expanding the medium-sized market.