



PLAID, Inc.

Financial Results Briefing Q4 FY 9/22

November 8, 2022

Presentation

Moderator: Thank you very much for joining us today. I would now like to begin the presentation of the financial results for Q4 of the fiscal year ended September 2022 of PLAID, Inc.

Disclaimer

Forward-Looking Statements

This document contains forward-looking statements. These statements are based only on information that is available at the time the statements are made. In addition, these statements do not constitute a guarantee of future results. They are subject to risk and uncertainty. Please note that actual results may differ materially from those expressed or implied in the forward-looking statements due to environmental changes and other factors.

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There will be a Q&A session after the presentations.

Today's presentation will be given by CEO, Kurahashi; CFO, Muto; and Director, Takayanagi. First, CEO Kurahashi will explain. Thank you.

Kurahashi: Thank you for participating in the financial results meeting of PLAID, Inc. for the fiscal year ended September 2022. I would like to start off the meeting.

Before that, since this is the first time for Director Takayanagi, who will also explain in the part of business update, to participate in such a briefing session, I would like to ask him to briefly introduce himself. Thank you.

Takayanagi: Thank you very much. My name is Takayanagi, and I am the Director of PLAID. As I will discuss in the business update in the second half of the meeting, I am in charge of the new business area that will create PLAID's next growth. Today, I would like to talk about the technology behind KARTE's infrastructure and new initiatives for new businesses that utilize KARTE's data.

Kurahashi: Thank you very much. FY2022 ended September was a very eventful year. We see this as a year of very strong preparation for the future. From this perspective, I hope you will listen to today's financial results briefing and our discussion on medium- to long-term growth.

First, Muto will explain the results for the fiscal year ended September 30, 2022.

Earnings results FY 9/22

Both sales and operating income exceeded guidance

JPY mil.	FY9/21 Results	FY9/22			Comment
		Guidance	Results	Difference	
Net sales	5,444	7,186	7,295	109	· All group companies exceeded guidance
Year-on-Year	-	32.0%	34.0%	+2.0pt	
Gross profit	3,993	5,233	5,367	134	· Upgraded real-time analysis platform further reduces server-related costs
Gross profit margin	73.3%	72.8%	73.6%	+0.8pt	
SG&A	3,822	6,477	6,249	▲228	· Operating loss improved compared to guidance, mainly due to more efficient management of advertising and outsourcing costs.
Operating income	170	▲1,213	▲882	331	

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Muto: Now I, Muto, will explain. I hope you will proceed to page 6.

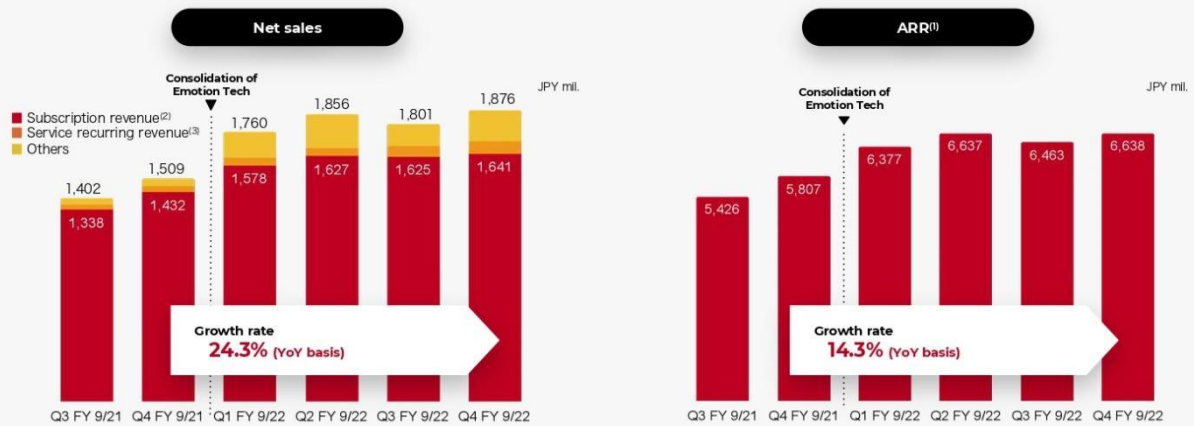
First, here are the consolidated results. Consolidated net sales grew 34% YoY to JPY7.295 billion. Now, there are three companies in the Group. PLAID, RightTouch, and EmotionTech all exceeded their revised plans company wide. Although we made a downward revision to our plan for sales in May, the lower limit of the sales forecast for the fiscal year was initially JPY7.419 billion. Our result was JPY125 million less than the original plan, but I think we can say that the sales level was almost in line with the forecast before the revision at the beginning of the year.

Second, gross profit. As we will discuss later, the impact of the introduction of the new analysis platform was more than expected in a positive way. As a result, the gross profit margin increased 0.8 percentage points on a consolidated basis. Although 0.8 points may not sound like much, it is in fact a significant impact.

The third point, the last one on this page, is operating loss. This is smaller than planned. In addition to the improvement in gross profit, this is the result of controlling SG&A expenses in light of the market environment and financing environment.

Both sales and ARR return to an increasing trend

- Plaid's net sales and ARR increased QoQ due to strong new customer acquisition and lowered churn
- EmotionTech also continues to perform well with new contracts with enterprise companies

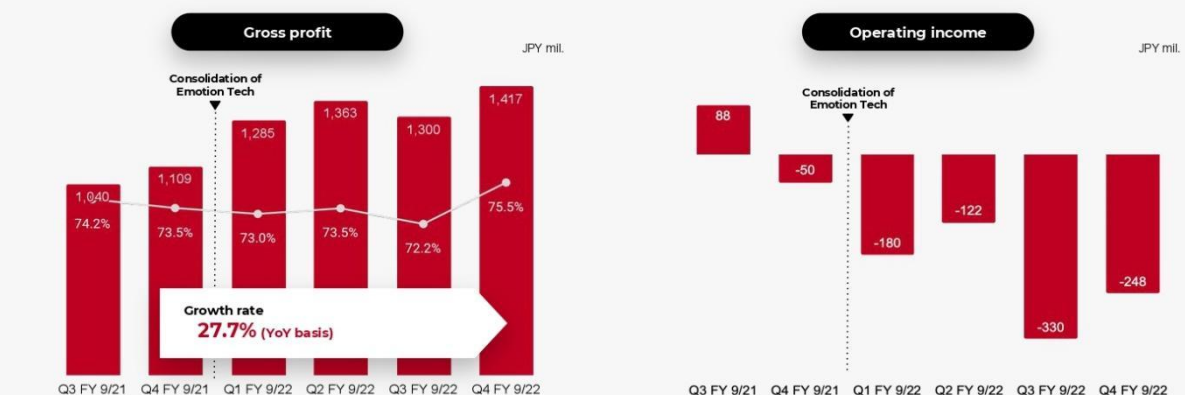


Both sales and ARR are back on a growth trajectory QoQ.

Unfortunately, both ARR and net sales for Q3 were lower than the previous quarter. From here, one of the main points is that in Q4, net sales and ARR are back on an upward trajectory again. In addition, while PLAID was not alone in this situation, EmotionTech is still experiencing strong growth, exceeding our projections for the last fiscal year.

Significant increase in gross profit margin and cost controls have reduced the operating loss

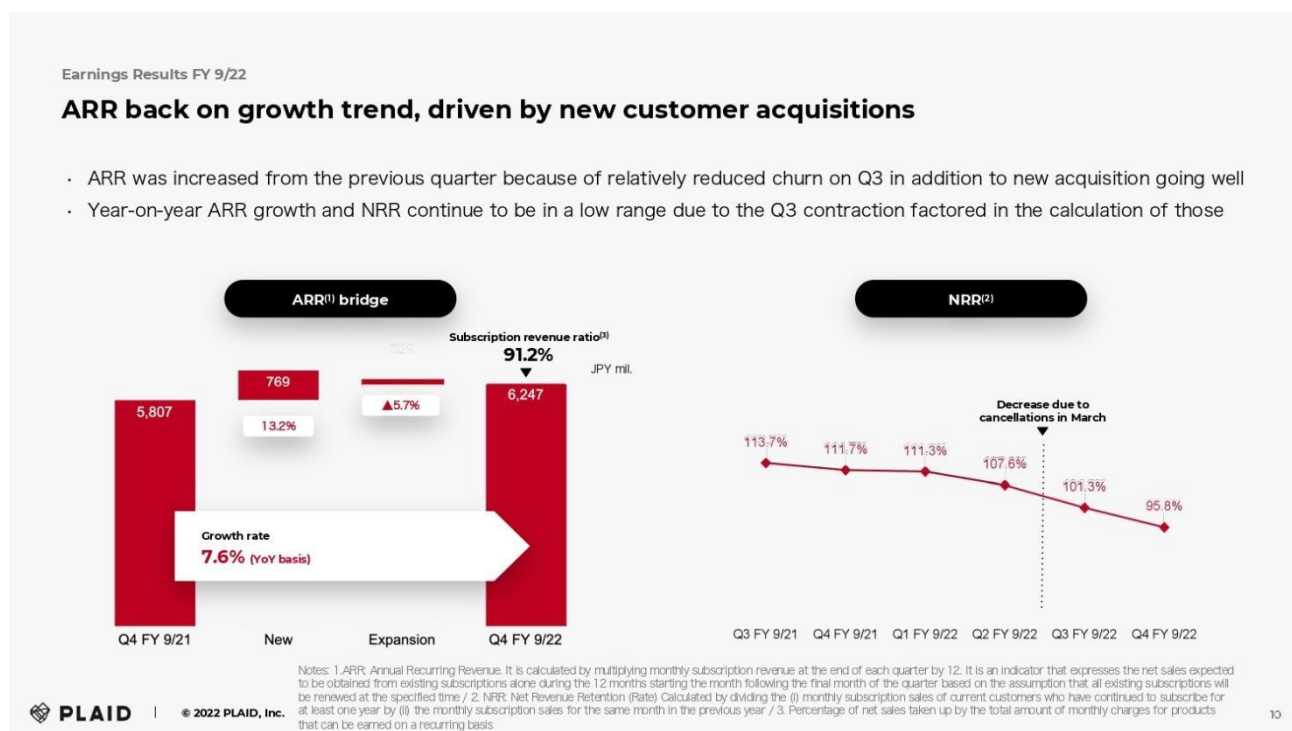
- Plaid's standalone gross profit margin have been significantly expanded
- Plaid reduced SG&A whilst EmotionTech expanded operating loss, resulting in reduced consolidated operating income



This is consolidated gross profit and operating profit.

Consolidated gross profit in Q4 gross margin of 75.5%. Q3 was at 72.2%, so there has been quite a large improvement from this point on. Q3 and Q4 gross profit margins for EmotionTech have not changed that much, but the improvement in PLAID's non-consolidated gross profit margin is reflected in this figure.

As I mentioned earlier, the operating profit margin is on an improving trend. This is not the result of forcibly trying to reduce the deficit, but considering investment efficiency.



From here, I would like to explain about the PLAID stand-alone.

First, here is our stand-alone ARR trend. As I mentioned earlier, the ARR dropped from Q2 to Q3. However, from Q3 to Q4, this ARR increased again, with an ARR of 6,133 million in Q3. This increased again to 6,247 million in Q4.

Looking at ARR growth YoY, it was 7.6%, or 95.6% of NRR, which seems not very good. This is not due to the current situation but rather the effect of the churn of Q3, which I have already told you.

The impact of this Q3 churn will appear for about a year in YoY terms, so the numbers in this area are not expected to improve immediately even if the current situation improves. So I hope you will understand this point and take a look at it, but I think the important point is that we can see this improvement QoQ. In addition, our business operations are becoming stronger.

Analysis of Situation by factor, recognition of issues and efforts to address them

	Analysis of situations by factor	Issue Recognition and measures to be taken
New customer acquisition	<ul style="list-style-type: none"> Slightly better than the revised plan Pipelines becoming strong The number of leads is on rise owing to reinforced marketing activities and the percentage of leads converting into pipeline is increased by a dedicated team's efforts 	<ul style="list-style-type: none"> Hiring and nurturing sales persons: the number of sales is not sufficient compared with the number of pipelines since we have prioritized the allocation of human resources to customer success
Existing customer expansion	<ul style="list-style-type: none"> The gross expansion of existing customer exceeded the revised forecast Especially upselling of web and cross-selling of datahub went well 	<ul style="list-style-type: none"> Value recognition and retention as the first priority: we commonly understand that our customer feel the value of KARTE by fully utilizing it though expansion through upselling and cross-selling is also important Cross-selling of new products to existing customers: we expect contributions from new product lines such as Blocks, Signals or Marketing Automation to be described later
Contraction	<ul style="list-style-type: none"> Slightly larger MRR contraction due to churn and downsell It is properly measured whether customers are feeling value by using our products and we are working on to improve customer value 	<ul style="list-style-type: none"> Standardization of customer success operations: we aim at better monitoring of customers' status and efficient operations Increasing customer success persons: we need to further increase those to internalize some outsourced customer success operations

Our MRR is broken down into three components. Incremental MRR buildup due to new customer acquisitions, and existing customer gross expansion. On the other hand, decrease due to down selling and cancellations. I would like to explain the situation in each of these three elements.

First, MRRs from new customer acquisitions exceeded the revised plan. It is slightly exceeding, but more importantly, the pipeline of new customers is very good. The activity of the marketing team, especially the inbound marketing team, in acquiring potential customer leads has been increasing significantly, and as a result, inbound business negotiations have become a very strong pipeline.

On the other hand, we have reported an increase in cancellations in Q3. And we decided to allocate human resources to customer success in order to focus on the value of existing customers. As a result, if anything, sales personnel are now in short supply. We are short of sales personnel, especially experienced salespeople, to support the pipeline we are creating, so one of our challenges is to recruit and train sales personnel.

The second is the expansion of transactions with existing customers, which also exceeded the plan. Upselling of KARTE for web or cross-selling of datahub is going better than planned. As a matter of fact, the most important point of customer success right now is not to sell new products or raise prices, but rather, as I mentioned earlier, to make people feel the value of the product.

The focus is on helping customers utilize the products, so it was not really a situation of forcing on up-selling and cross-selling from July to September. On the other hand, I believe that this is an indication that these areas will grow if we proceed with the customers' utilization of products in a natural way.

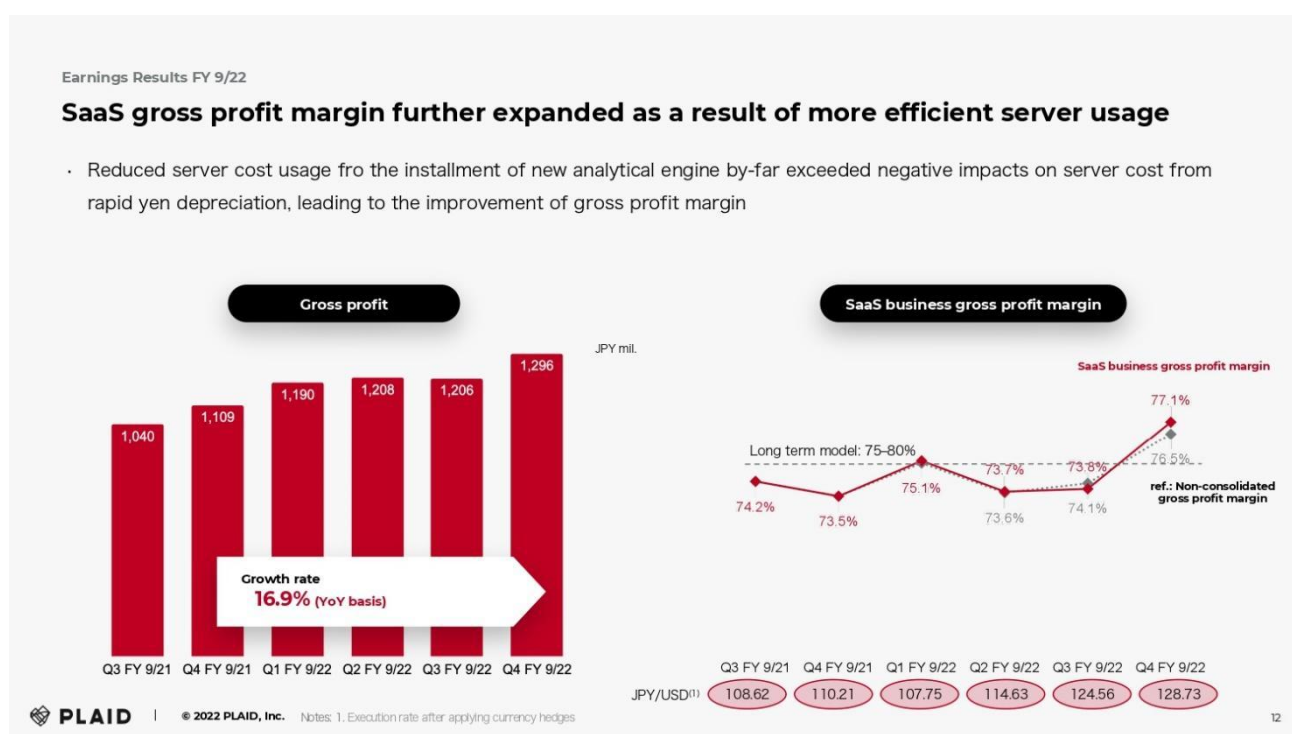
In addition, as I will explain later, we have a full lineup of new marketing automation products and cross-selling products such as Blocks and Signals, which I have already

introduced. I expect that these cross-selling products will naturally grow as we show the future.

Third, cancellations and down-sells, which slightly exceeded the revised plan. Unfortunately, this change in Success' organization and leadership did not leave much time to improve the actual utilization by customers.

On the other hand, looking at the current situation, all, in a sense, the utilization of customers is becoming more visible, and the current utilization is increasing, and the churn, or retention rate, is becoming very good compared to the period from July to September.

So, in this regard, we will standardize this customer support and customer success operation to deliver this value-enhancing activity to more customers. We will also increase the number of employees in this area, and I believe that this will be the next step in building up our MRR.

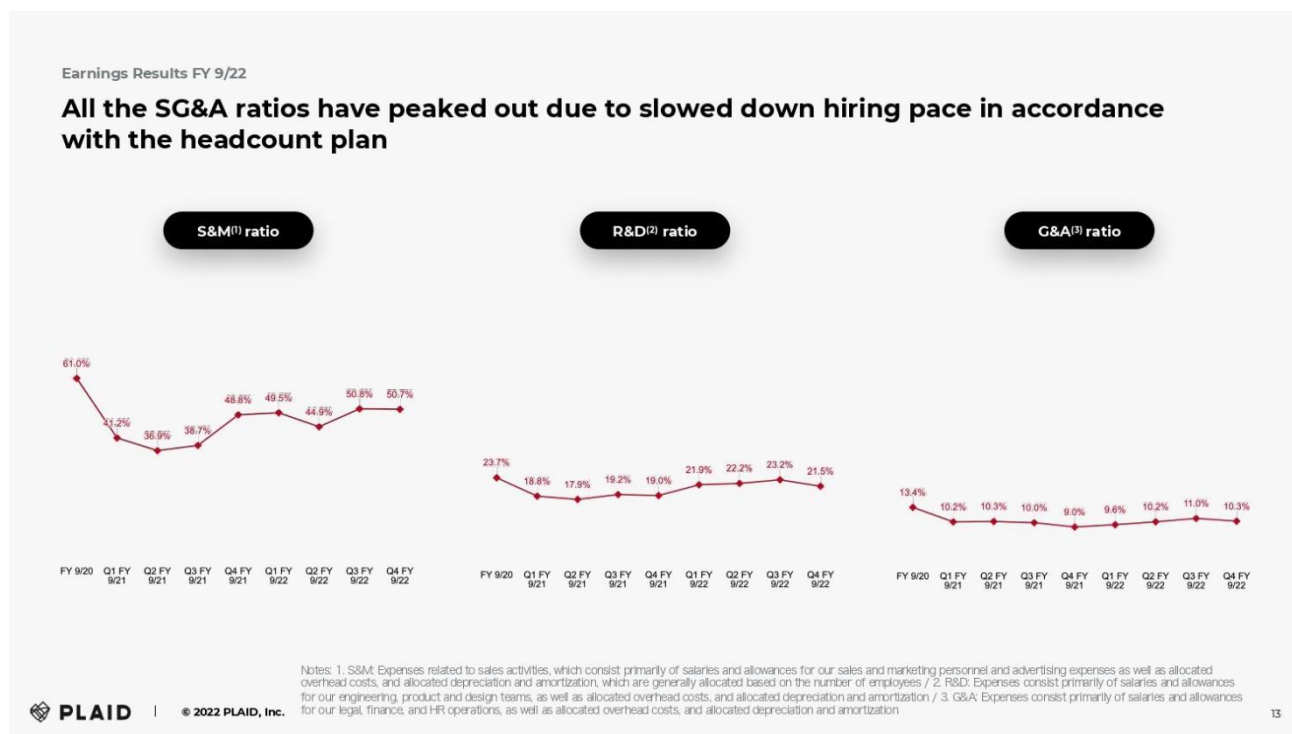


Next is the cost side. As I mentioned in the previous section, our non-consolidated gross profit from the SaaS business has improved considerably on a consolidated basis.

As you all know, we are in an environment of unprecedented yen depreciation, but since our server costs are denominated in dollars, the yen's depreciation is a factor that increases our costs. Despite that, the most recent SaaS gross margin improved significantly to 77.1%. We believe this is the effect of the introduction of the new real-time analysis platform that we have reported several times in our financial results announcements so far.

On a currency basis, it is Q4 of the fiscal year ended September 30, 2021, just one year ago. It was then JPY110 and now JPY128. We have hedged our exposure to the yen, so the effective exchange rate is lower than the market rate, but the yen has depreciated by 15%. This is actually a 4% deterioration in the cost ratio on a cost basis, which should

result in a deterioration in gross profit. But on the contrary, it has improved by nearly 4%, from 73.5% to 77%. On the flip side, the introduction of this new analysis platform has improved gross margins by nearly 8%.



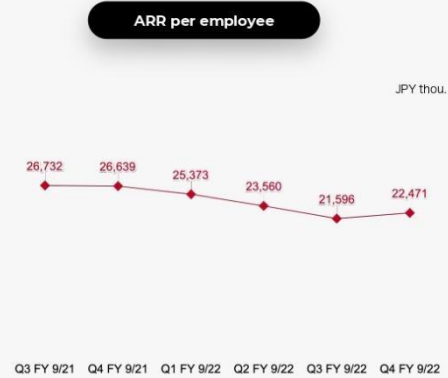
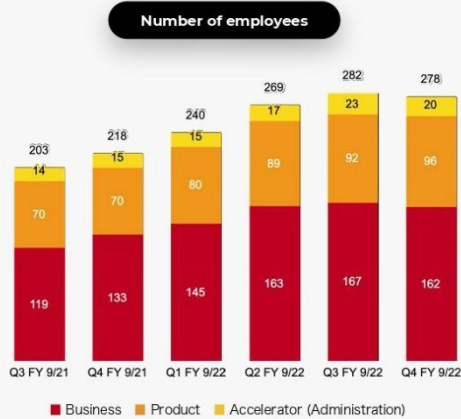
This is about personnel. This SGA has increased in the last fiscal year because we increased our investments and personnel, but the upward trend there has slowed down.



As I have already mentioned, the deficit in terms of operating profit or operating profit margin has not expanded as much as we had planned.

Successfully Hiring Talents as planned

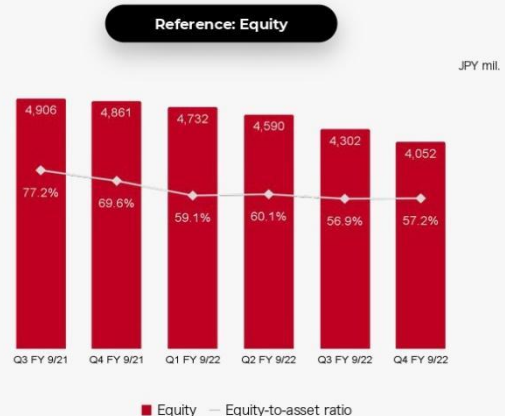
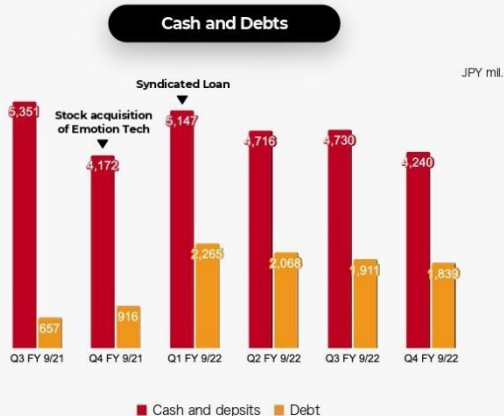
- Hiring continues to be proceeding well and the number of employees reached at 278 as of the end of the previous fiscal year, slightly less than the initially targeted level
- ARR per employee will be increased as we take measures to improve productivity



This is the pace of personnel acquisition. Some have recently slowed the pace of headcount acquisition, so I think you can see from the ARR per employee that productivity is still improving again.

Maintain a Sound Condition of Balance Sheet and cash on hands

- Maintain a sound balance sheet, with approximately net cash and 0.5 billion yen of unused commitment line as of the end of the quarter



With a healthy balance sheet and over JPY2 billion in net cash on hand, we have enough cash to run our business this fiscal year without financing.

FY 9/22 Financial Highlights (Consolidated/Non-Consolidated)

- 1 By facing a situation that Q3 ARR declined quarter-on-quarter basis, we committed to redesign our operation to improve our customers' value recognition and to allocate human resources to customer success, ultimately enhancing our business foundation
- 2 Regardless of unprecedented yen depreciation, dollar denominated server cost was significantly reduced due to the introduction of new analytical engine, expanding gross profit margin remarkably
- 3 Actual operating loss was smaller than the forecast by successfully controlling SG&A with more efficient advertising and outsourcing while hiring continues as planned
- 4 EmotionTech, consolidated from the end of the last fiscal year, has achieved a growth exceeding the initial plan

We would like to share with you some of the highlights of the FY2022.

First, the ARR compared to the previous quarter declined because of an increase in cancellations in Q3. I think this was a very critical situation, but under these circumstances, we must focus on the customer's value. We have been thinking about how to satisfy our existing customers, and have made progress in allocating human resources to customer success and strengthening other business operations. As a result, I believe that our business foundation has become very strong. This is the first point.

The second point is that the cost ratio, which is mainly server costs, is declining and the gross profit margin is rising amid the weakening yen, which is a positive result that we could not have imagined at the beginning of the fiscal year.

Third, while making appropriate investments in human resources, by utilizing SG&A expenses with an awareness of ROI, we were able to reduce the deficit to JPY880 million compared to the forecast of nearly JPY1.2 billion in the earnings forecast.

Fourth, EmotionTech, which was consolidated at the end of last fiscal year, has achieved growth far exceeding our plan throughout the fiscal year.

This concludes my explanation.

Kurahashi: Before I move on to toward medium- and long-term growth, I would like to give a brief review of the fiscal year ended September 2022.

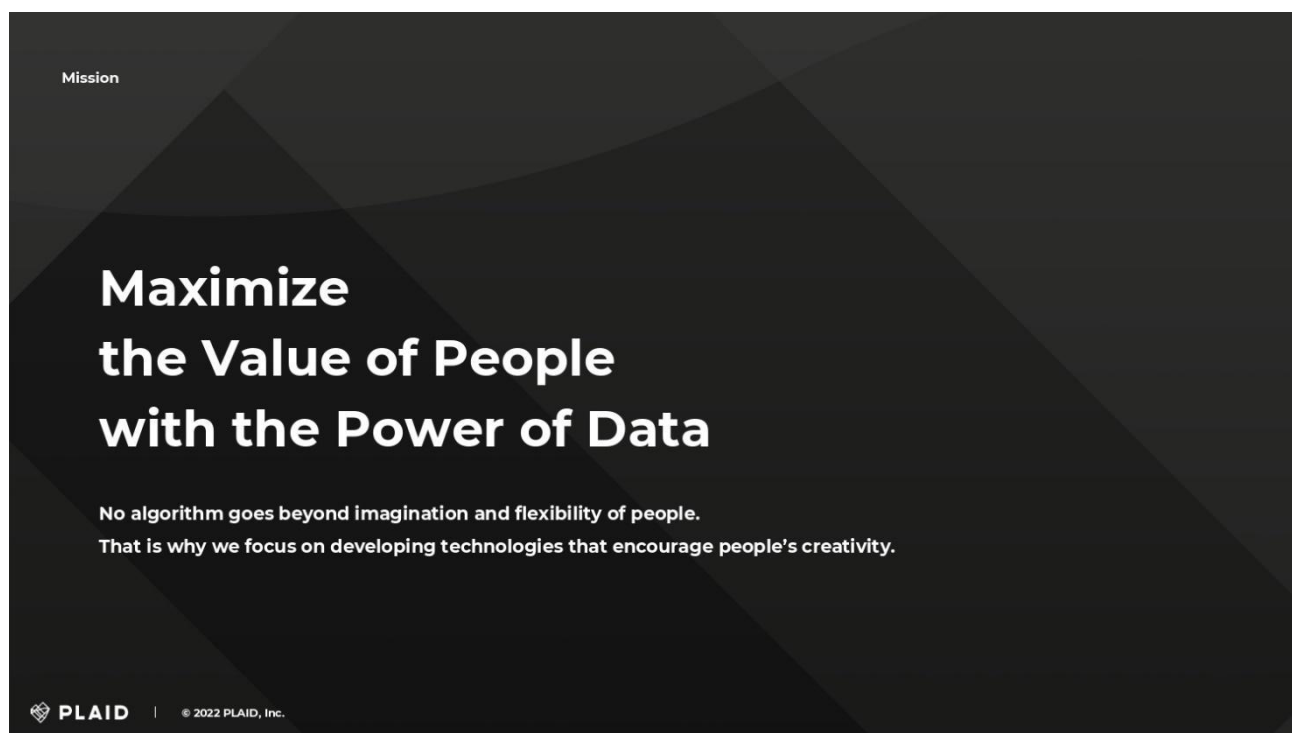
First, I think we made very good progress this year in laying the foundation for long-term growth. In each quarterly earnings announcement for the fiscal year ended September 30, 2022, I have been telling that we will boldly take steps to make the necessary revisions in anticipation of future business growth, and we are making steady progress. We believe that there was a short-term negative impact on earnings, such as in Q3, but we see this and other results as important preparation for progress.

While the Company had been growing at a high rate for several years prior to FY2022, it was unable to keep up with changes in its operations and organization, such as organizational liabilities that inevitably arise and accumulate along with growth, market phases, and changes in business phases. We believe that we have made progress in resolving these problems.

In terms of short-term performance, various indicators are steadily improving after bottoming out in Q3, and we were very confident about our future growth in the fiscal year under review.

At the same time, we have been more aggressively investing in future possibilities in 2021 and 2022 than before. Specifically, we are releasing products and services, and strategically expanding into group companies, including M&A. In the sense that we have been able to release this area through 2021 to 2022, I think this means that these are not short-term profit contributions, but very important preparations for the future long-term growth of PLAID.

Of course, it was tough in the sense that we have been invested simultaneously for long-term growth while strengthening our footing, but we hope to prove that this decision was the right one by achieving solid results in the current and next fiscal years.

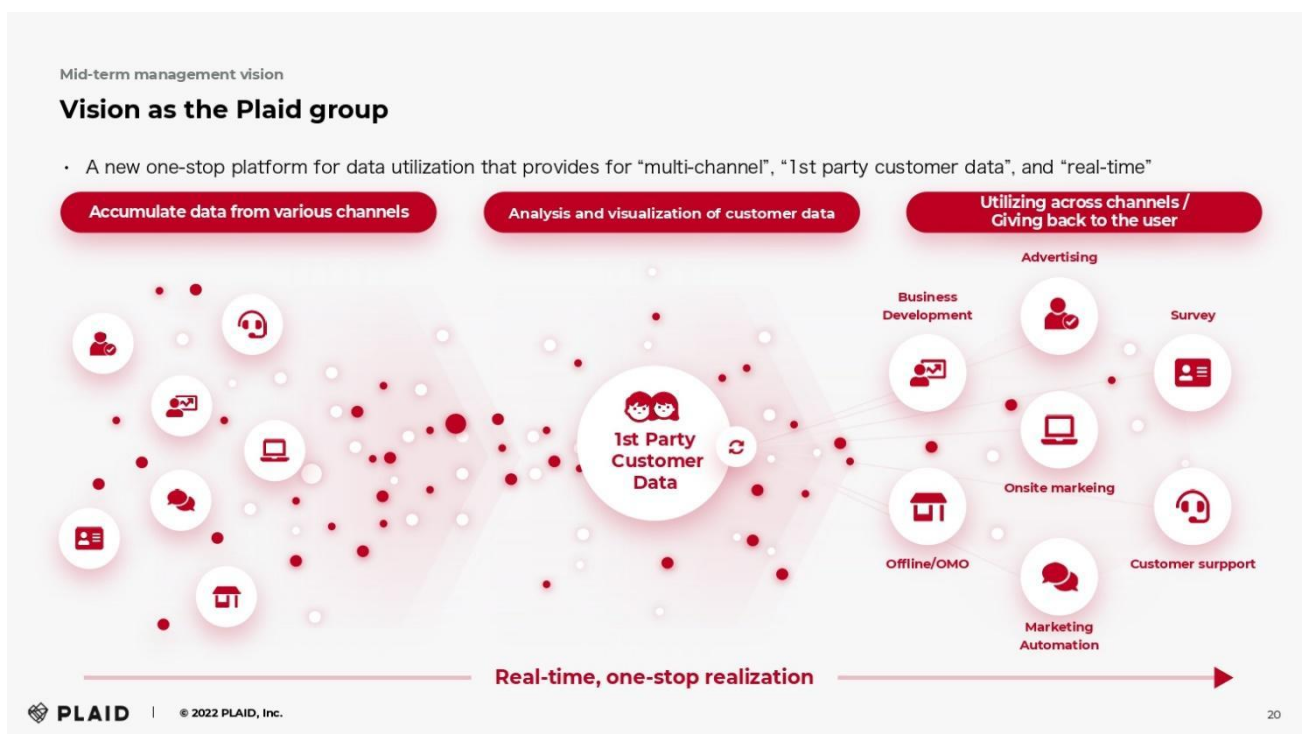


Now, I would like to talk about medium- to long-term growth. First of all, I would like to reiterate that our mission at PLAID is to maximize the value of people with the power of data. As I have explained many times before, our mission is to keep it abstract and to look broadly at the possibilities for our future.

Recently, I think the world has been focusing on IT investment, DX, digitalization, the use of the Internet, and the use of data. However, I think there are two broad categories: defensive and offensive.

There are defenses such as reducing costs, increasing operational efficiency. On the other hand, we understand that the world is still lacking in terms of aggressive investment in technology. Specifically, beyond cost reduction and operational efficiency, we will also bring out the creativity and productivity of people. We believe that the use of technology and data from this perspective will create the future.

In particular, looking at the social situation, the significance of services and products to consumers, and the significance of the work of employees of companies that provide such services and products, are required. We would like to move toward a state in which they can firmly be proud of themselves. We hope to co-create with customers for the future, by providing such support to customers.



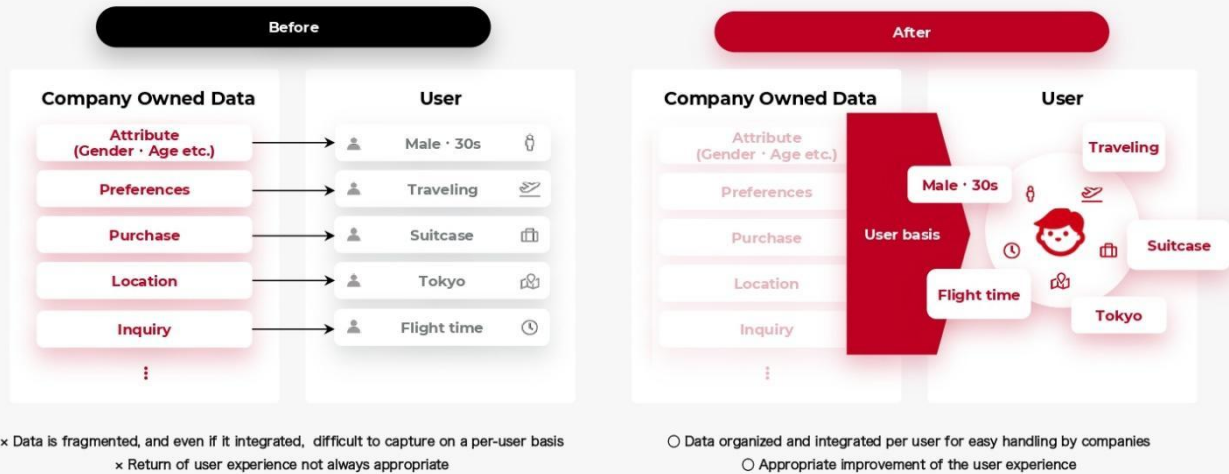
Next slide. We are showing you once again the whole picture of our business.

Simply put, we believe that the key to corporate activities from this point forward is how to build a sound and usable structure for the Company's important customer data assets. Many companies are measuring data but are not utilizing or handling it as expected.

Data is generated through a variety of channels. It certainly will come in the future where everything, including offline, will be converted to data. We will integrate these data firmly on the user and customer basis so that customers can understand them well. The integrated data will then be used to provide an experience to users across all channels. We have been providing a next-generation data utilization environment that is a one-stop for these kinds of activities.

The era to come :

Fragmented user data is integrated and the right customer experience is returned through correct customer understanding



This slide shows the before and after view of the sense of the times we will be facing in the future.

We believe that a trend will come to return appropriate customer experiences to users and consumers, rather than utilizing fragmented user data. We provide the necessary analysis engines and other applications for various types of jobs and tasks.

Mid-term management vision

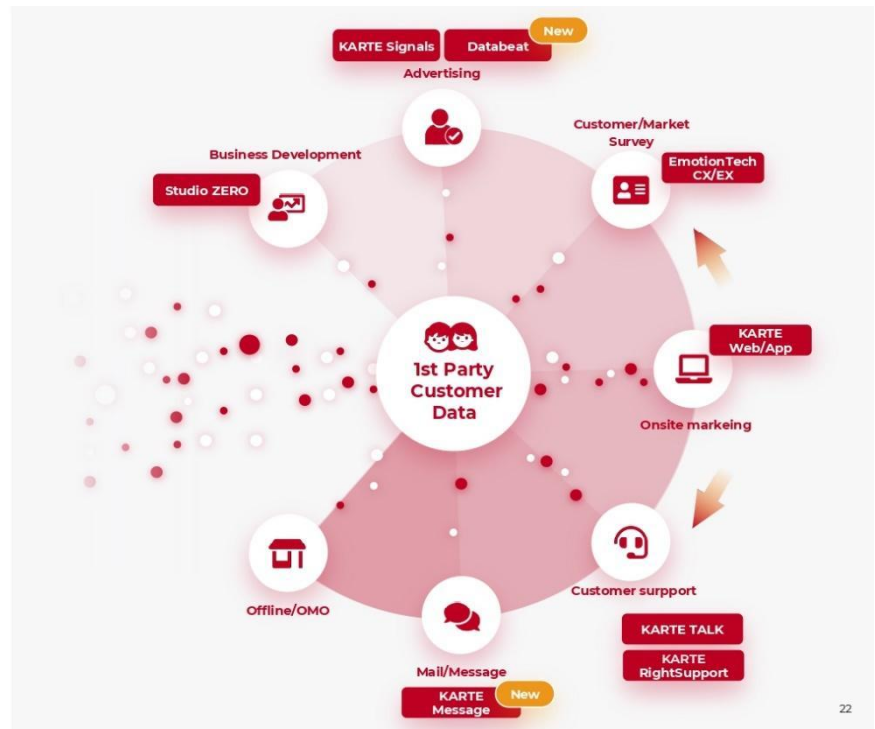
Overall Strategy of the PLAID Group

Initially started our business around on-site marketing area by offering KARTE, which have strengths on per-user real-time data analytics and real-time on-site actions

Thereafter expanded touch points and obtained multi-channel contacts with users by offering products and services optimized for specific areas or use cases such as customer support or marketing research

Now developing a foundation for a platform with strengths in "multi-channel", "1st party customer data", and "real-time".

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This is the map of the PLAID Group's overall strategy that we have been presenting since the announcement of our financial results for Q3 in FY2021.

As the use of third party customer data, etc., will be regulated in the future, it is very important to create an environment that enables the integrated accumulation and use of first party customer data, which is very important for companies.

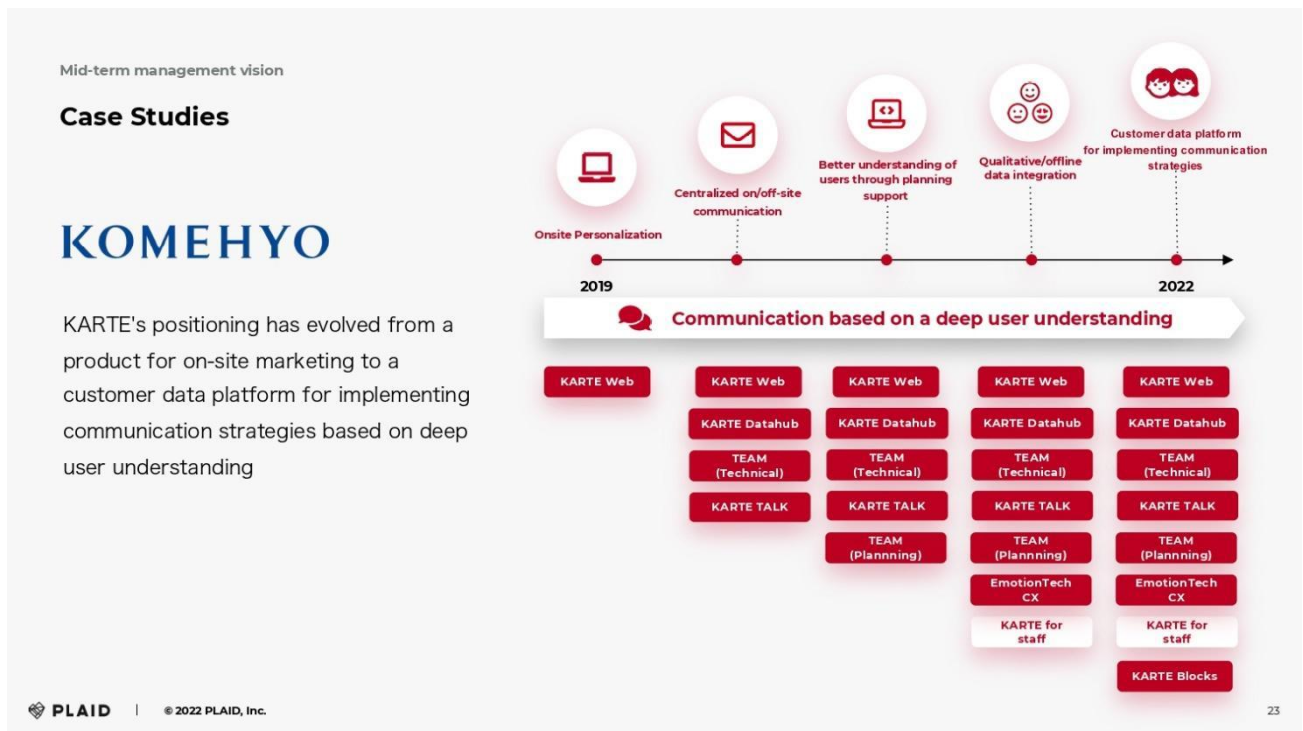
As I show you this map, PLAID initially offered products to support on-site marketing, or marketing on websites and apps, as shown on the right side of the map. Recently, we have been providing products that are effective in various fields, such as job types, touch points between users and services, and so on.

In FY2022, we have KARTE RightSupport in the customer support area on the lower right, and KARTE Signals in the advertising area above this. Recently, agito, Inc., that provides Databeat, joined the Group in the advertising area.

And the bottom. The start of our expansion into the marketing automation area is one of the steps we have taken in this overall strategy.

In particular, marketing automation and advertising are areas in which we have received strong demand from companies since the early stages of our business development. However, we have intentionally delayed the start of such business domains that have already reached a certain level of maturity, and have prioritized enabling real-time communication and proposals between companies, services, and users on websites and apps. In other words, we are now fully prepared to expand our business into the advertising and marketing automation domain.

We are actually offering these products and services, but how are our clients actually using the KARTE product series and the services offered by PLAID? We have one model case for you today.



This time, we have Komehyo Holdings Co., Ltd. as a case in point. The relationship between KOMEHYO and KARTE started in 2019, and it's been roughly three years this year, 2022.

The first step was the introduction of KARTE Web, for real-time marketing on the website and on-site personalization, as shown here on the left.

From there, we have KARTE Datahub, which is a data management product, and our TEAM service, which is a professional service for using them effectively and technical support. And KARTE TALK, which includes various messaging functionalities, mainly chat, to promote communication between companies and users.

The next step, we will then move on to the full-fledged utilization of first party customer data for the business as a whole. We also provide support for planning how to strategically utilize the data and the product environment.

This led to the introduction of the NPS survey consulting services provided by EmotionTech, a PLAID Group company, and KARTE for staff which is not our main product yet, but which is a solution to create this product that we offer for specific situations. Specifically, the support by offline stores, offline in-store staff and online customers or online users' staff. We have also begun to offer these kinds of specialized solutions.

And on the far right, KARTE Blocks in terms of faster PDCA cycle of the website itself. In this way, a wide range of products are being used by KOMEHYO.

There are, of course, products that are not yet used. KARTE has become the foundation for the long-term strategy of KOMEHYO, especially for its customer strategy and user communication strategy.

Case Studies

KOMEHYO

Participated in the KARTE CX Conference 2022 in July 2022 as a model case for designing a customer strategy that starts with understanding the customer












We believe that this kind of initiative, whether or not KARTE is used, would be a very advanced use case in the world. Once a year, we hold the KARTE CX Conference, a series of online and offline events where we share and give back to the community the various use cases and strategies of companies that use KARTE. In this context, KOMEHYO spoke on the themes of building customer experience and designing customer strategies, starting from understanding the customer.

In the future, we will see a trend toward building multi-channel customer experiences utilizing first party customer data, as in the case of KOMEHYO, and this will become a core strategy for companies. We would like to accelerate our business development not only in terms of products, but also in terms of planning.

We are still mostly at the product level when it comes to PLAID, so we would like to strengthen our service development from the perspective of how to utilize these products in the future.

Overview of Plaid group by business domain

Business domain	Overview	Main product/service	FY9/22 Net sales ⁽¹⁾
PLAID	KARTE domain <ul style="list-style-type: none"> Offers products and services centered around KARTE to enrich CX⁽²⁾ and marketing for companies 	    	6,507mil.
	New business domain <ul style="list-style-type: none"> Create new value with partners through data/technology collaboration by opening Plaid's APIs and various alliances with companies. 	 PLAID Ecosystem STUDIO ZERO	43mil.
RT ⁽³⁾ /ET ⁽⁴⁾ / agito	Group companies <ul style="list-style-type: none"> Offers products and services optimized for areas other than on-site marketing where Plaid is focused on currently 	  	811mil. ⁽⁵⁾



One more point, which I think is very important in this financial announcement, I would like to report to you from this announcement in the form of an overview or business progress by area of the PLAID Group.

In PLAID, the division is made up of the KARTE domain, new business domain, and group companies. I hope to be able to develop the story, dividing it to some extent along these three axes.

I have explained KARTE as our core business in the past, so I will not go into details, but the Net sales for FY2022 was JPY6.5 billion.

As for the new business domain, it is led by Director Takayanagi, who is participating in this earnings announcement today, and I hope he will speak directly to you about it later. As for the Group companies, this KARTE RightTouch company, which was carved out of PLAID as a wholly owned subsidiary and strategic subsidiary, operates KARTE RightSupport, as well as EmotionTech, agito, Inc., and Databeat. We have these three companies. Each company in this group is engaged in activities to provide product services optimized for areas other than those covered by KARTE. Now, the volume there is JPY800 million.

Medium-term status of each area and current focus

Business domain		Our vision for the medium term	Current focus
PLAID	KARTE domain	<ul style="list-style-type: none"> Formulate a solid foundation to enrich CX offered by companies to their customers by evolving our products and capabilities to deliver values 	<ul style="list-style-type: none"> Develop and upgrade products Strengthen a delivery capability by redesigning operations and increasing human resources of marketing, sales and customer success
	New business domain	<ul style="list-style-type: none"> Build up experiences of and establish steadfast presences of enhancing DX⁽¹⁾ or EX⁽²⁾ focused on users' viewpoints in each industry 	<ul style="list-style-type: none"> Offer more APIs and create representative use cases together with technology, integration and business partners Ecosystem is focused on providing solutions to retail industry as a first step and Studio Zero is offering consulting services across industries
RT ⁽²⁾ /ET ⁽³⁾ /agito	Group companies	<ul style="list-style-type: none"> Each company has solid presences in each market and plays a key role as a part of indispensable channels in group's platform by integrating with Plaid's products 	<ul style="list-style-type: none"> Develop and upgrade products, and exploit markets by increasing human resources

Next, each area is described in terms of our vision for the medium term and its current focus.

In the KARTE area, which is the leading business area, we have been developing our products more and more aggressively. We are still developing the product, but in addition to developing this product, we have the ability to deliver it. Also I mentioned earlier TEAM services and planning, how can we strengthen our delivery capabilities? This is becoming a very important point. Since this is a core area that drives the growth of the entire group or is the main revenue driver, this means that we are working to generate even higher productivity.

Specifically, as you can see on the right, we are firmly refining our marketing/sales/customer success operations. In addition, we would like to strengthen the mechanism for productivity improvement from the aspect of mechanism by firmly preparing and updating the design of various systems, including the personnel evaluation system.

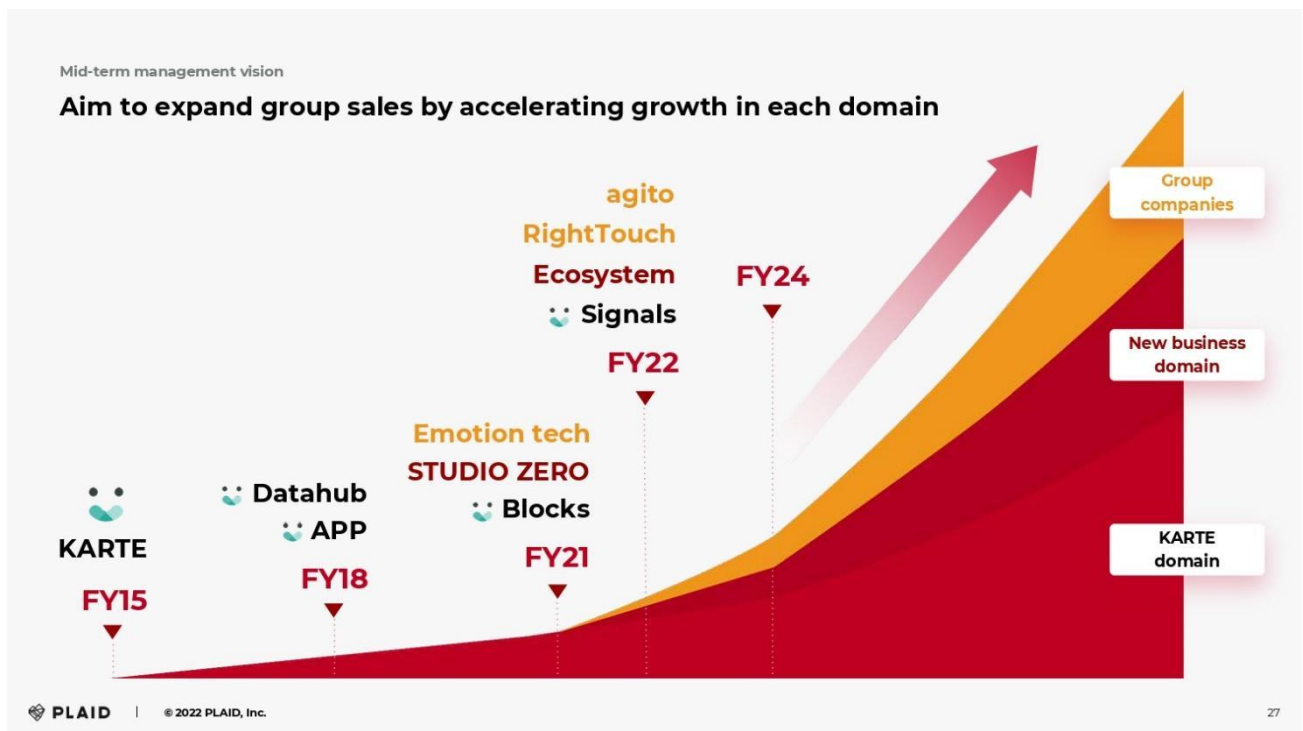
As for the new business domain, it is not only customer experience but also DX, EX, and employee experience from the user's point of view, we are also expanding our business to support improvement in these areas. We are also actively developing alliances, collaborations, and partnerships with various industries and retailers, as well as strengthening our API offerings.

And finally, the Group companies. First, we believe it is extremely important for each company to establish a high presence in the industry and domain in which it focuses. We will then move on to activities such as developing the knowledge of PLAID's businesses and the businesses of the Group companies, or pursuing group synergies.

However, each company is still refining its products and the market is still in its early phase, so rather than creating a mature growth curve, we need to first develop solid

value. And building a strong team. We will draw up a mid- to long-term strategy, focusing first on these fundamental aspects of the Company and its business. We hope to focus on that foundation first.

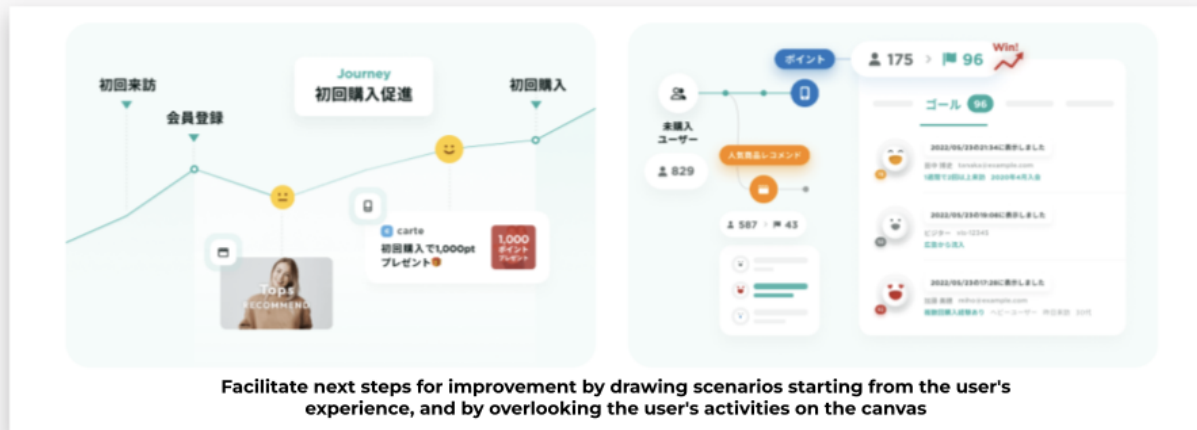
As I have just explained, the KARTE area is responsible for both profitability and mid- to long-term growth strategies. And when we look at it from a group-wide perspective, we will also make a solid upfront investment in this new area and in each of the Group companies. This kind of activity, with this kind of crispness, is what makes it compatible with the other activities. We would like to make progress in these disciplined activities as PLAID and would like to report back to you.



As I mentioned earlier, we have been developing various product services starting with KARTE for Web, and we would like to move from the phase of introducing each product to companies to firmly provide this wide range of value and to promote synergy and integrated value propositions. We hope to dramatically improve profitability by promoting integrated value propositions.

Launched marketing automation product "KARTE Message"

- Launched a beta version of KARTE Message, KARTE's marketing automation product engaged in communication with users off-line from customers' own services through email, mobile app push notification, SMS or LINE by a newly developed customer journey design function
- With high needs from existing customers, this products would contribute to creating cross-selling opportunities as well as better retentions



Facilitate next steps for improvement by drawing scenarios starting from the user's experience, and by overlooking the user's activities on the canvas



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(注) 1. At the start of the beta version of KARTE Message, email and app push notification functions are provided; SMS and LINE functions will be added in the future

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Now I would like to continue with business updates and topics.

First, as I mentioned earlier, we have begun offering a product called KARTE Message for marketing automation, e-mail marketing, and various message-based marketing activities. This will be a part of the service that PLAID has never really offered before.

Until now, the main area of our services has been to support marketing and communication on the customer's website and apps. However, as with KARTE Signals, we are expanding to user communication areas outside of our own services.

The need is especially great for marketing automation. On the other hand, as I mentioned earlier, compared to the real-time marketing area of KARTE for Web and KARTE for App, it is a little advanced, so called a legacy and large market. Therefore, we started with the novelty of the market, and then began to work on this relatively mature market.

In fact, in the case of integrated proposals to large enterprise companies, the marketing automation area is one area that is hard to miss. By offering these products, we are able to provide large enterprise customers with a good level of coverage and capability.

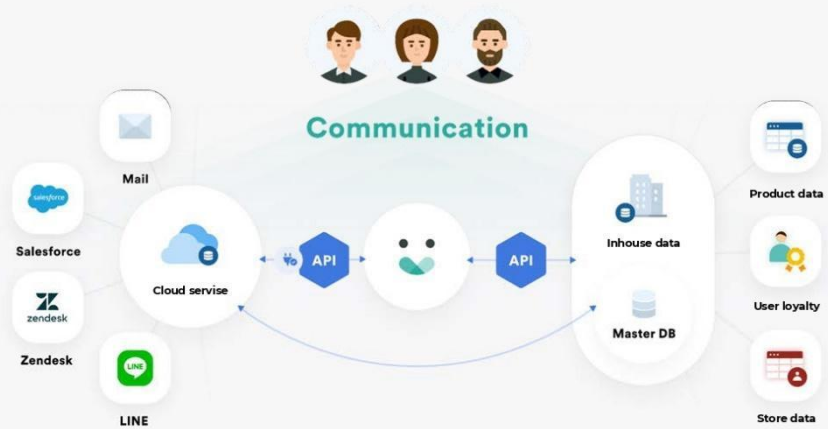
We have been paying attention to this product release internally and our customers are also looking forward to it. We would like to show the progress of this release as well as other information in our future IR and other media.

Next, I would like to hand over to Takayanagi to explain a new business domain.

PLAID Ecosystem created in collaboration with partners

New business domain
(Ecosystem)

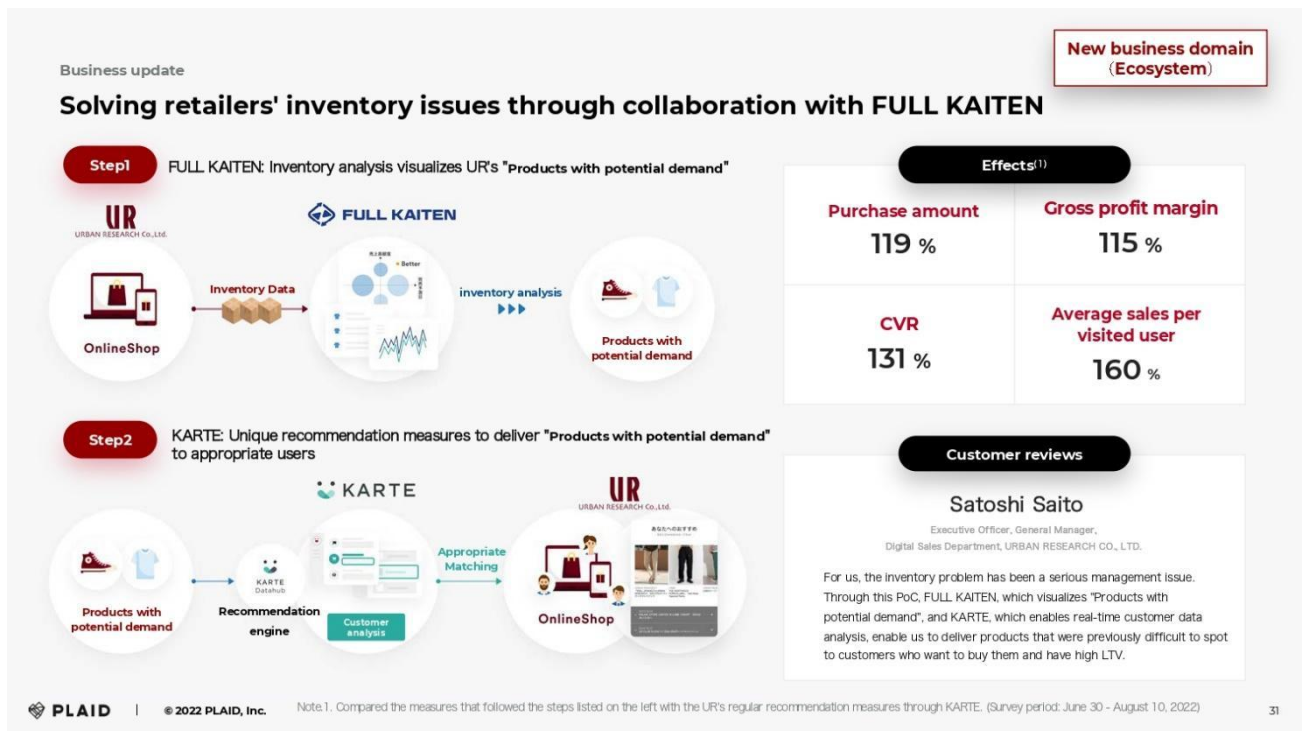
We add values for corporate customers to grow their businesses or solve their business issues by connecting KARTE's customer data with multiple systems in real-time that are used by our corporate customers



Takayanagi: Hello everyone, I am Takayanagi, Director. I am currently in charge of a new area that will contribute to PLAID's medium- and long-term growth, and I would like to talk about it today.

First, what is the PLAID Ecosystem on this slide? I would like to explain this to you. In today's presentation, Kurahashi also talked about the importance of first party customer data, and we have been receiving an increasing number of inquiries from our clients asking if they can utilize first party customer data in areas other than the marketing domain.

We cannot afford to miss out on such opportunities, so we are working to promote the use of such data and to strengthen the linkage with services provided by outside companies and systems already in place at our clients' companies. The PLAID Ecosystem is an initiative to take on the challenge of solving larger and deeper corporate issues.



Then I bought a concrete example of what we are actually doing. This is a case study of URBAN RESEARCH Co., Ltd., a major apparel company. In conclusion, this is an example of collaboration between our customer data, user behavior data, and FULL KAITEN Inc., a SaaS provider that addresses inventory issues.

Specifically, it is a case study of how the multiplication of behavioral data and analytical data with the inventory held by FULL KAITEN led to a solution to URBAN RESEARCH's inventory issue. I think the inventory issue is a major issue for retailers.

We have been contributing to the improvement of sales and sales growth, but we have been wondering if we can utilize our first party customer data to solve bigger and deeper issues. I would like to introduce some examples of how we would like to work with external partners to solve major issues in the future.

Steadily increasing transactions with major companies through each of BX/CX/EX



I would also like to talk about another new area, STUDIO ZERO.

Recently, we have been receiving an increasing number of inquiries from companies that are experiencing a labor shortage and are looking to create a new business or change from their existing business.

As you can see on the left side of this STUDIO ZERO initiative, we are providing services in the areas of BX, CX, and EX that go one step further than ever before to accompany corporate reforms.

As you can see on the right, we have already started supporting companies that can be said to be the top runners in their respective industries. We hope to accelerate our efforts in these new areas and link them to the growth of the PLAID Group's business.

That's all from me.

agito, Inc joining the Plaid Group

- Acquired approximately 66.8% of the Agito's outstanding shares, which provides "Databeat" that automates the extraction/updating/visualization of marketing-related data

Overview

Name	agito, Inc
Location	Chiyoda-ku, Tokyo
Established	September 2018
Representative	Kotatsu Takai
Employees	8 (as of May 2022)
Business Description	Offering the Marketing Data Platform "Databeat" and marketing support business

Transaction summary

Closing date	October 12, 2022
Consideration for the acquisition	225 million yen
% shares acquired	Approximately 66.8%
Acquisition method	The purchase of Agito's existing shares and the underwriting of its new shares issued by third party allotment
Sources of consideration	Cash
Impact on financials	Agito's balance sheet and income statement are consolidated from Q1 FY23 and Q2 FY23, respectively

Kurahashi: Finally, I would like to briefly explain one topic for the Group. agito, Inc., a company that joined the PLAID group as of October 12, 2022. It has joined our PLAID Group in the context of thoroughly strengthening our business development in this advertising area together with KARTE Signals starting this fiscal year. I will not go into details today, as I have already discussed this in the IR presentation on agito, Inc.

Aiming at transforming digital advertising operations



- Business relationship with leading companies in multiple industries through the offering of KARTE
- 1st party customer data properly collected by KARTE tags
- Development capabilities to standalize user data format and analyze users based on essential metrics such as LTV



- One of software platforms with the largest number of connections with digital advertising platforms in Japan
- data related to digital advertising platforms including spendings or deliveries of advertisements
- Knowledge and insights cultivated through the advertising agency business and development capabilities to reflect those into products

Shifting a focus of digital advertising operations from short-sighted metrics represented by CV⁽¹⁾ to essential value creation metrics such as LTV⁽²⁾

A very simple and important point is to think about future advertising areas or advertising strategies. Customers should not only think about advertising when considering their advertising strategy. Advertisements are one of the touchpoints

between users and services, and it is necessary to quantitatively visualize the results of these activities or the current status of relationship building with customers across multiple touchpoints, such as what kind of relationship was established between the service and the user after the user visited the service.

From the very beginning, we have been developing the foundation of KARTE with the concept of these environmental changes that will come in the future. User activity at all touchpoints should be well measured to quantitatively express the relationship between the Company and its users. We hope that you will keep an eye on the future development of agito, Inc. and KARTE Signals.

Earnings guidance for FY 9/23

Earnings Forecasts for FY 9/23

- Divided Plaid's standalone businesses into new business domain where we accelerate our investments into and KARTE domain
- In KARTE domain we pursue profitable growth**, paying more attention to efficiency and productivity while continuing moderate investments
- In the new business domain**, consisting of ecosystem domain and Zero, offering new business co-creation service, **we accelerate our investments**
- RightTouch and EmotionTech are also in a growth-focused investment stage
- We aim that **the adjusted consolidated operating income turns to black for FY9/25**

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(JPY mil.)		FY9/21 ⁽¹⁾ Result	FY9/22 Result	FY9/23 Guidance	Difference
Net sales	consolidated	—	7,295	8,523	1,228
	Non-consolidated	5,444	6,551	7,401	850
	KARTE Business	5,444	6,507	7,173	666
	New Business	—	43	228	185
	Group companies	—	811	1,279	468
Net Sales growth rate	consolidated	—	34.0%	16.8%	▲17.2pt
	Non-consolidated	35.9%	20.3%	13.0%	▲7.3pt
	KARTE Business	35.9%	19.5%	10.2%	▲9.3pt
	New Business	—	0.0%	419.1%	419.1pt
	Group companies	—	0.0%	57.6%	57.6pt
Adjusted operating income⁽²⁾	consolidated	—	▲718	▲979	▲261
	Non-consolidated	170	▲429	▲487	▲58
	KARTE Business	170	▲350	▲200	150
	KARTE Business excl. the unused commitment line ⁽³⁾	—	▲350	90	440
	New Business	—	▲79	▲286	▲207
	Group companies	—	▲302	▲491	▲189
ARR	KARTE Business	5,807	6,247	7,012	—
Difference	KARTE Business	1,416	439	764	325
ARR growth rate	KARTE Business	32.3%	7.6%	12.2%	4.7pt
JPY/USD ⁽⁴⁾		107.31	118.92	140.47	21.55

Note 1. Non-consolidated results / 2. Operating income before adjustment for FY9/21 / 3. Please refer to P38 / 4. Assumed exchange rate after currency hedge for FY9/23

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Lastly, Muto will explain the earnings forecast for the fiscal year ending September 2023.

Muto: This quarter, as mentioned earlier by Kurahashi, it is PLAID alone and the Group. Within PLAID alone, we have divided our earnings forecast into KARTE domain, existing domain and new business domain.

The basic idea is to shift the KARTE domain toward what is often called profitable growth, with an eye toward natural future growth but also with an eye toward profitability. On the other hand, we are aware that Ecosystem and STUDIO ZERO are new businesses that must be expanded from here, and that these businesses are in the investment stage.

As far as the Group is concerned, especially RightTouch, EmotionTech, and these two companies. We believe that the current fiscal year is the most opportune time to accelerate investment, so this is also in the investment stage this fiscal year.

Net Sales on a consolidated basis range from 7.2 billion to 8.5 billion. In terms of consolidated growth rate was 16.8%. Net sales of PLAID alone is at 13%, and for the KARTE business domain is 10.2%. If you look at these numbers, you can see that the growth rate is slowing down, so I would like to explain this to you later.

On the other hand, adjusted operating profit. Excluding stock-based compensation and goodwill, and then there is a one-time adjustment, but basically these two items are excluded from the adjusted operating profit. The deficit here is JPY979 million on a consolidated basis, but what I would like to show you is the KARTE domain. The KARTE area posted a loss of JPY200 million, and excluding a special server commitment, the KARTE domain posted a profit of JPY90 million for the current fiscal year. Including this and other factors, we expect to achieve profitability on a consolidated basis by 2025, the year after next year.

I would like to explain a little bit about this growth rate and profitability. The first thing you should see is that sales are 20.3%, stand-alone. This is down from 20.3% to 13%. Or where sales growth in the KARTE domain has dropped from 19.5% to 10.2%. This means that if you look at ARR on the other hand, ARR growth has gone up from 7% to 12.2%. This is explained on the next page.

Earnings guidance for FY 9/23

Earnings Forecasts - what we think about KARTE's growth rate for FY23 and onward

10.2% of KARTE domain's net sales yoy growth rate is rather influenced by the sluggish ARR growth for FY22


- FY22 ARR has a significant impact on FY23 net sales was 6,247 million yen, just 7.6% above FY21 ARR of 5,807 million yen, implying that FY23 net sales "starts" at almost the same level with FY22

12.2% of KARTE domain's ARR growth rate for FY23 is not fully reflecting the potential growth rate of KARTE as a product but rather negatively affected by on-going business operation redesigning

- The re-designing of business operations starting from Q3 FY22 has been in progress, in which we have reinforced customer success team to enhance customers' value recognition of KARTE but inversely we need to reinforce sales professionals and strengthen overall business operations
- We are aiming at accelerating ARR growth for the later half of FY23 as a result of above measures

KARTE domain's potential growth rate and growth rates after FY24 exceed FY23 growth rate

- New products such as Marketing Automation are definitely expanding KARTE's TAM and potential growth rates
- Redesigning of our business operations should ARR growth rate exceeding 1,416 million yen of FY21 ARR growth rate
- By enhancing our value proposition through developments and upgrades of our products and services and by strengthening our business operations, our ARR increase should exceed 1,416 million yen of ARR increase for FY21

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There are three points that are related to the growth rate. The first is that the 10.2% growth in net sales was largely due to the previous fiscal year. ARR at the end of the previous fiscal year will be the launchpad for net sales this fiscal year. But the ARR at the end of FY21 was JPY5.8 billion, while the ARR at the end of the previous year was JPY6.2 billion, so there is almost no difference. As a result, net sales for the current fiscal year are difficult to increase, or rather, the launchpad is in a very low state, resulting in this 10.2% growth rate. I hope you understand that we are not slowing down, but that this is the result of such an aggregate structure.

As you can see, the ARR growth rate is 12.2% this fiscal year compared to 7.6% in the previous fiscal year, so we are conscious of accelerating growth from the previous fiscal year. To be honest, I personally do not think that 12.2% is a good rate, and I do not think that it isn't the potential growth rate of KARTE's products.

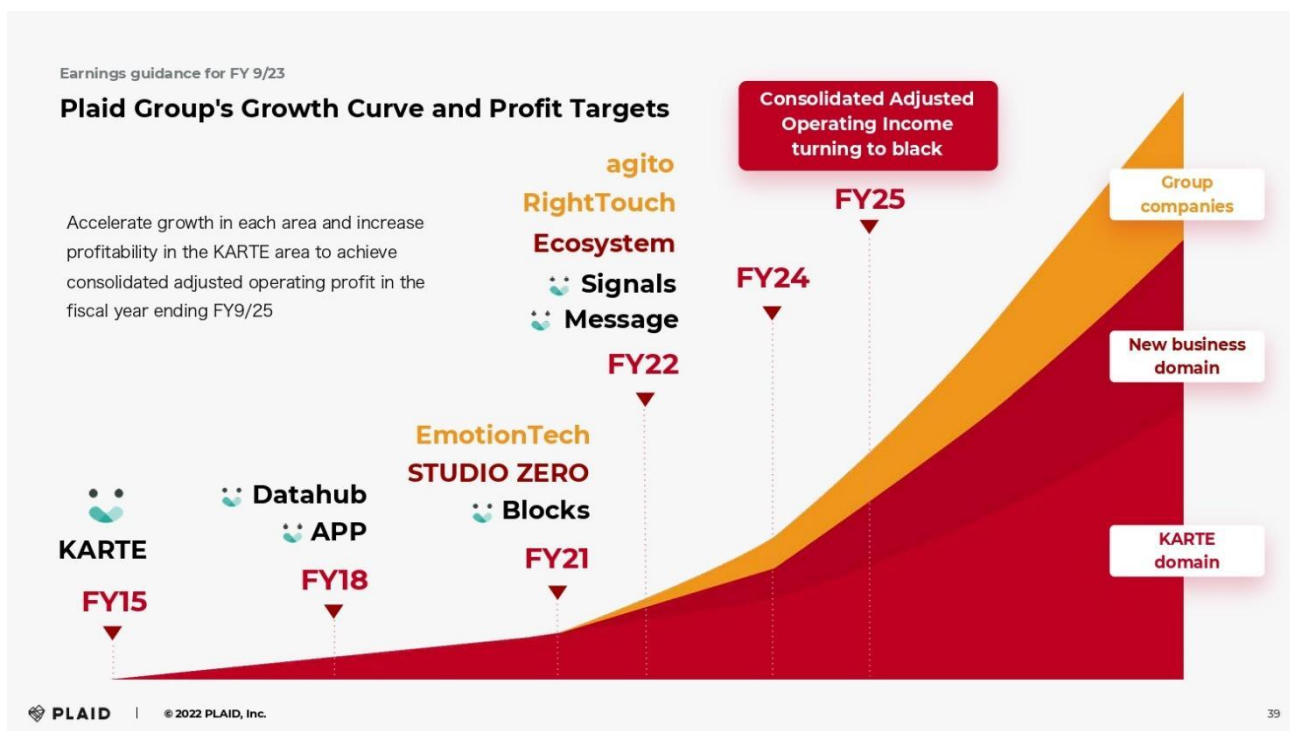
We believe that the restructuring of business operations that we have been pursuing since Q3 is still halfway through. For example, we have a situation where we do not have enough sales staff. Also we are enhancing the customers' value recognition now. They were not all low, but the low ones are being raised. Unfortunately, we do not believe that we will be able to realize our full potential growth prospects this fiscal year because we are still half ways through, so these are the levels we showed.

The third point is what is our potential growth rate. The marketing automation market is a very large market, and I believe that KARTE's marketing automation will have a good presence there. I believe that KARTE's TAM and growth potential will certainly improve with the evolution and development of these products. In that context, If you look at the amount of growth in ARR, it only increased by JPY439 million in the previous year. We're assuming an increase of JPY764 million this fiscal year. The JPY1,416 million in FY2021, then, is it what one could not expect to see? To be honest, this JPY1,416 million is a level that was achieved with fewer people than the current number of employees.

As I said, I believe there are business operation constraints in this fiscal year, but I honestly believe that this annual increment of JPY1,416 million in ARR is something that must be exceeded. So, while we hope to exceed this level this fiscal year, we are forecasting more than this for the current fiscal year, but we still need to exceed this level in the future. As we expand our business and operations, I believe that we need to expand our operations to achieve this level of ARR growth or conduct such a business. This is where the growth potential is.

Another point, the profitability part.

We have a deficit of JPY250 million due to the impact of foreign exchange rates on the servers, but we believe that our business is originally so profitable. We would like to increase the profitability of this business while balancing growth in the future. In conclusion, we would like to aim for a consolidated profit in the FY9/2025.



Kurahashi: Now, I would like to conclude with a brief comment on the outlook for the current fiscal year. As Muto mentioned earlier, we expect to return to profitability on a consolidated basis and on an adjusted operating profit basis in the fiscal year ending September 2025.

To achieve profitability, as I have been saying throughout today's presentation, we will continue to make appropriate upfront investments in new areas and business areas based on our mission, while maintaining the profitability and growth of our core businesses. We believe that we can achieve this timeline in a natural way while rotating both of these wheels, so we would like to move forward while placing one of these points in the foreground.

Once again, I would like to reiterate that we have made solid investments in 2021 and 2022 in terms of future possibilities while laying a firm foundation for the future and it has been a time of turning both wheels. We have strong confidence in this situation.

And in terms of converting those possibilities into growth and earnings from this fiscal year onward, this fiscal year is the start of that process. These are also internal operations, further marketing efforts, the hiring of people and the pursuit of group synergies. We are now at a point in time where we have identified a variety of other tasks, issues, and upside potentials, and we would like to create the kind of growth we have just shown by firmly promoting these tasks.

This is the end of our presentation.

Moderator: This concludes our presentation on PLAID, Inc.'s financial results for Q4 FY2022. Thank you for your attention.

Question & Answer

Moderator: We will now begin the Q&A session.

Q1: Hello. Thank you very much for your presentation. Since we don't have much time, please tell me one point regarding guidance. This is new guidance, but is it that kind of guidance that you work pretty hard to achieve? Or is it something like a minimum line that you will achieve?

In addition, I was wondering if the agito part is also reflected in this guidance. Also, you mentioned in your presentation that the pipeline is very good, conversion is good, and there are many products for cross-selling. Could you tell us how much of this is reflected in the guidance? Thank you.

Muto: Thank you for your question. First of all, in terms of the probability of this guidance, we are giving a sense of a certain level, 100%, or a level that can be achieved with certainty, so it is not a level that cannot be achieved with much effort. The probability is the same as the lower limit of the range we showed last time.

As I mentioned earlier, we do not believe that this ARR increase of JPY764 million is sufficient at all, and we would like to see this raised even more. On the other hand, there are human constraints in operations and other factors, so it would be sequential for this to get better. We hope to build on that, especially since we expect things to improve over H2 of the current fiscal year.

As for the new business domain, agito and other companies are also taken into account on a consolidated basis. So I don't think the product includes much in the way of marketing automation or other specifics. So we are making numbers there as a kind of upside. I'm not sure if I've answered all of your questions, but this is my answer.

Q2: I want to know a little more regarding the previous question, but you said that the sales of agito are included, but since this is from Q2 and the previous year's results were about JPY400 million, I'm not sure if this is about JPY300 million. Excluding that, the subsidiary's total would be about JPY900 million, so the EmotionTech portion would grow from JPY811 million to JPY900 million. Is it correct to see in this way?

And second, on an actual basis, the number of customers is increasing and the cost per customer is decreasing, but what is happening about this? Could you please explain the second point, whether you were able to get it from a relatively low amount of money?

Third, I would like Mr. Muto to explain how the new analytical platform will increase efficiency. If you can explain that, please. That's all from me.

Muto: The first point is that the past sales of agito include gross advertising sales, and our plan includes net advertising sales, so there is a slight adjustment. About JPY180 million have been included in the sales of this year.

The second point is difficult to give a full answer on that, but there were quite 1 large cancellation, and that has had an impact on the unit price. Therefore, the fact that the unit price is declining may be due to the fact that the unit price is affected by the loss of one very large project rather than a decline in the overall unit price.

The third point is the reduction of server costs. After all, a large portion of our cost is the server costs to Google. This is the realm of real-time analysis. For example, if you store a lot of real time user data in storage, that costs a lot of storage. The more data is exchanged between the customer's website server and Google's website server, the higher the cost of the servers. We should reduce that kind of exchanges with servers.

For example, by making some of the processing locally, if possible, the number of server interactions will be reduced which will speed up the process and lower the cost.

That's about as far as I can answer this kind of question. Maybe Kurahashi or Takayanagi can answer more, but that is the image I have.

Q3: How many people do you plan to hire this fiscal year to make up for the shortage of sales and other personnel?

Muto: I am not sure how much I should go into specifics, but I think we need to hire at least seven to eight salespeople, and maybe less than 10 at this point.

Q4: Can you please explain the causes for the cancellations? And how many customers are potentially at risk of churning due to that cause?

Secondly, is the decline in revenue from existing clients due to reduced spending on marketing investments as a result of economic concerns and other factors? Or, as in the previous quarter, the main factor is the impact of cancellations. Is there any risk that the acquisition of new customers will be slowed down due to concerns about the economic downturn?

Third, there appear to be a lot of products, but there also appears to be the potential for dispersion of development resources, longer lead times for sales and CS to become proficient, etc. What do you think? Please answer these questions.

Kurahashi: Now I would like to talk as the general framework. Regarding the reason for the cancellations, I would like to point out that we did not provide sufficient support in promoting the use of KARTE, which is overlapping with what I have already mentioned. We became listed in December 2020, Since our listing, we have been benchmarked by many companies, and at the same time, the market in which we operate is steadily growing. That is the kind of change in the competitive environment.

I believe that we have not been able to fully reflect and strengthen our support to our existing customers. Therefore, we must first make a commitment to understand the market situation precisely, and to understand our customers' situations precisely and efficiently.

Then, personnel to customer success who can respond well to the understanding of customer needs. We have been allocating and assigning personnel in a way that prevents mismatches or opportunity losses. As a result, I think we are achieving a return to a very good renewal and retention rate.

Second, the effect of factors such as reduced revenue from existing customers and reduced spending on marketing investments. We are asked if there are any concerns in the new areas. Of course, I cannot say that there are not.

On the other hand, this business and this business domain that we are developing is not something that a company should just have, but something that it will have to work on in the future. From this perspective, we believe that as time goes by, it will become more and more difficult to prioritize what to cut.

Our business domain is in a more efficient investment area, and we will accelerate investment in this area. On the other hand, we believe that customer success communication will become very important in order to lead to a firm streamlining of overall corporate activities.

I think this area is similar in terms of acquiring new customers. We are not aware of this as a serious risk, as we would like to approach this market in a broad sense in an appropriate and firm manner. Rather, we see it as an opportunity.

The third point is that there are many products, but it may take time to disperse them and increase the level of proficiency. This is also true in general.

On the other hand, the clients we are mainly focusing on now are companies that are promoting or intending to promote the use of data in a relatively multifaceted manner, and generally have large business sizes. We have a large number of companies with enterprise size contracts. In other words, we have been able to provide the necessary value, and we see this as a business opportunity that will clearly expand.

On the other hand, of course, it is not the case that everyone can handle all values at an appropriately high level. The roles of individual members are designed to be well maintained internally from the organizational development stage. We have also established an environment that enables members' self-driven growth and education from management by firmly linking the personnel evaluation system and other related systems. I believe that we will be able to create a better system to improve the proficiency of our members through this fiscal year.

Therefore, although this may be a difficult approach in general, we believe that our business is beyond that, and we will be able to clear the hurdle by actively working on these themes.

Moderator: This is the end of the financial results briefing for Q4 of the fiscal year ended September 30, 2022 for PLAID, Inc. Thank you for taking time out of your busy schedule to join us today.

Kurahashi: Thank you very much.

Muto: Thank you very much.

Takayanagi: Thank you very much.

[END]

Disclaimer

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