



**PLAID, Inc.**

**Financial Results Briefing Q4 FY 9/21**

**November 9, 2021**

# Presentation

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**Moderator:** Thank you for your patience. Thank you very much for joining us today. I would now like to begin the presentation of the financial results for the fourth quarter of the fiscal year ended September 30, 2021 for PLAID, Inc.

Before getting into the content, I would like to share with you the procedures of today's financial results briefing. First, Mr. Kurahashi, CEO, will talk about the mission, future growth strategy, and the latest business update based on the growth strategy. After that, CFO Muto will give you an update on the financial side.

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.

Factors that may affect actual results include, but are not limited to, domestic and overseas economic conditions and trends in the industries that the Company serves.

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About the disclaimer. Today's presentation contains forward-looking statements. This explanation is not a guarantee of future results and involves risks and uncertainties. Please note that actual results may differ materially from these forward-looking statements due to changes in the environment and other factors. As for the details, please read these instructions carefully.

There will be a Q&A session after the presentations by CEO Kurahashi and CFO Muto. We have a Q&A form that you can use to ask questions via text at any time.

Mr. Kurahashi will now make a presentation. Thank you.

**Kurahashi:** This is Kurahashi from PLAID, Inc. Thank you.

I would like to quickly explain our results for the fiscal year ended September 30, 2021, the announcement of the fourth quarter and full-year results.

Mission

# Maximize the Value of People with the Power of Data

No algorithm goes beyond imagination and flexibility of people.  
That is why we focus on developing technologies that encourage people's creativity.

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Next, please.

As mentioned at the beginning of the presentation, we start with an explanation of our mission and growth strategy. We would like to proceed with the business update, the results for the fiscal year ended September 30, 2021, and the consolidated earnings forecast for the fiscal year ending September 30, 2022.

The first one is our mission. I have talked about this in the past but let me mention it again briefly. Our mission is to “maximize the value of people with the power of data.”

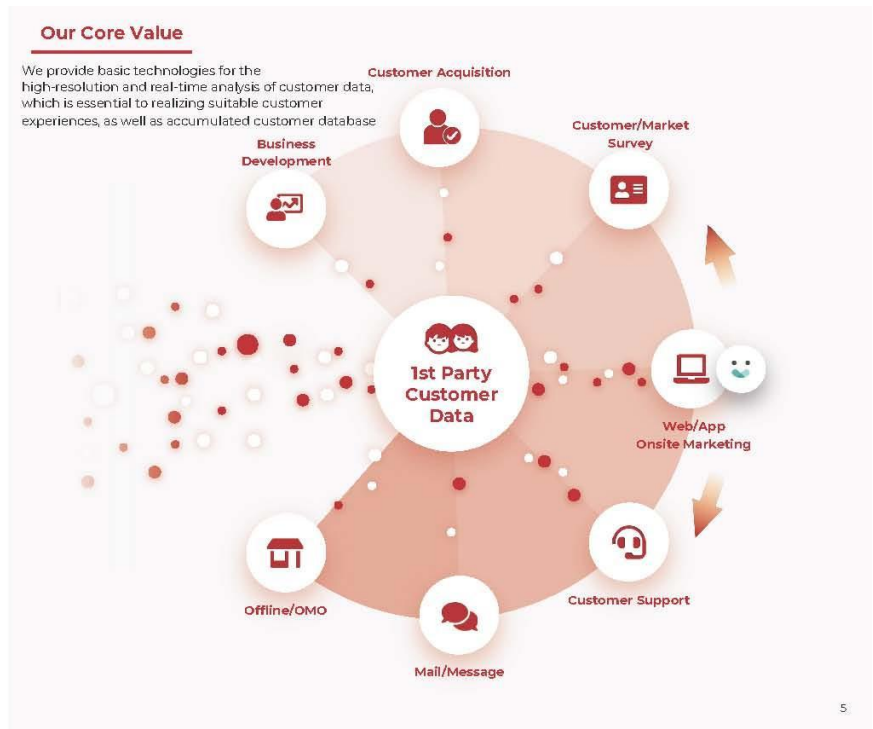
In recent years, there has been a wave of DX, digital technology, cloud software, SaaS, and data like ours. There are many companies in the world that are using these technologies to accelerate their business growth, and we are not only investing in technology to improve business efficiency, productivity, and cost reduction as typified by conventional IT investments, but we are also using these technologies and data to improve human potential and creativity. How do we create new value and possibilities for the Company and its business? We want to provide products that directly contribute to this goal.

#### Mission and Growth Strategy

### To Realize Customer-Focused Business Activities by Supporting the Use of Customer Data

A high-resolution understanding of the customer is essential to realizing suitable customer experiences

Plaid supports customer-focused business activities based on the proprietary real-time analysis engine enabling high-resolution customer understandings and accumulated customer database as our core value



I would like to briefly explain the business development we are currently undertaking based on this idea.

As you can see on the upper left, it says, “Realizing customer-focused business activities by supporting the use of customer data.” If you look at the image on the right side of this page, you can easily see that the points of contact between companies and services and their users and consumers are becoming more and more diverse.

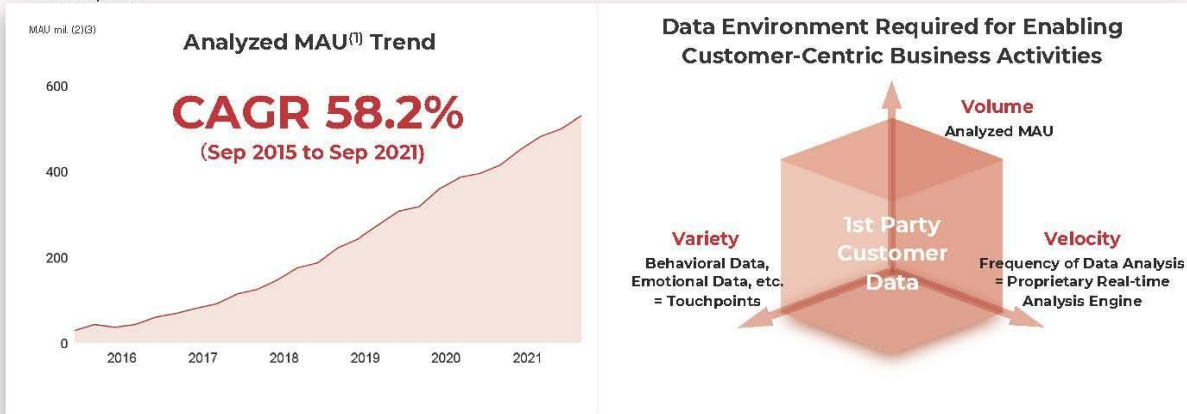
Websites and apps are of course, but email, social networking sites, offline contacts, advertisements, etc., are becoming more and more diversified. We believe that it is becoming very difficult to capture these customers.

We are able to measure and capture the points of contact between these increasingly decentralized and digitalized companies, services, and end users from a data perspective, and enable companies to deliver the right value to users. We are developing our business with the hope of providing such an environment.

As you can see on the right, our products initially provided applications for websites and native applications for smartphones and other devices. In the future, for example, we will provide applications for the user support side and for diversifying customer contact points to enable integrated user understanding. We would like to provide such an environment.

## Customer Data Accumulation

- Customer data has been steadily accumulated since KARTE was launched in 2015
- We plan to continuously enrich data environment for supporting customer-focused business activities through product development



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Notes: 1. MAU: Monthly active users. The number of unique active users for a particular website or mobile application during a particular one-month period / 2. Quarterly average from April 2015 to September 2021 / 3. Total of the view events

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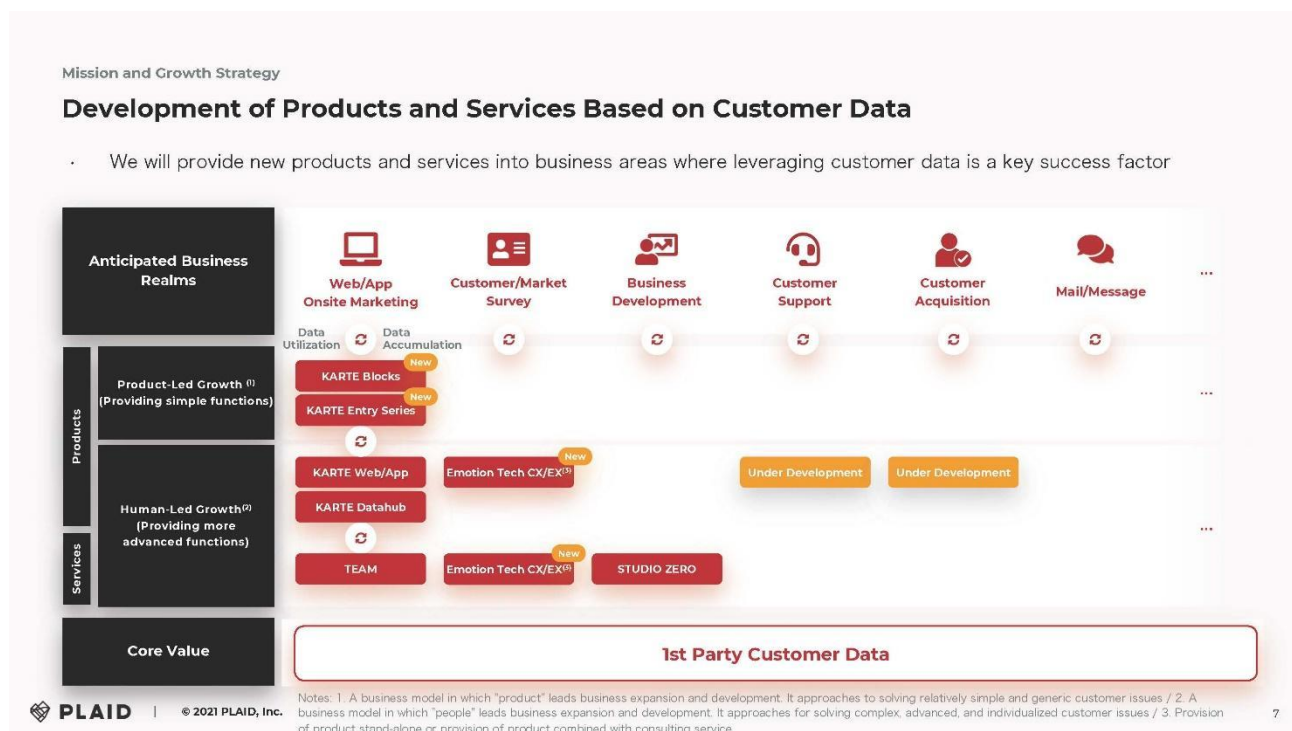
Next, the number of end users that will be measured through the product and application delivery to date.

As you can see on the left side of the page, the total number of monthly active unique users is also growing steadily.

As you can see on the right, in order to make useful data, we must be able to measure the volume of this data. In addition to that, we are able to measure a wide variety of data. The ability to convert various touch points and customer contacts into data. And on the right side, there must be a foundation for analytics to process those data at high speed and with high availability. We believe that it is necessary to prepare the environment for the utilization of 1st party customer data along these axes.

Through these efforts, we will improve the quality of the insights that KARTE can return from data to corporate service providers. To improve the quality of the output from the Company on top of that. The system will be used as a foundation to provide KARTE applications for the web and mobile app, and to provide various applications beyond that, and to increase the efficiency of data processing by processing large amounts of data.

From these various perspectives, customer data analysis methods are very important, and I believe that they can play a key role not only in KARTE's productivity, but also in the experience that corporate services deliver to users and in improving corporate value.



Next, this is the first time to include this slide also in this document.

As you can see on the left, the business areas we will provide and whether we will provide them as products or as services. And they lead to our core values. The left axis is described as such.

As I mentioned at the beginning, we have been providing onsite and on-app marketing environments for websites, native applications, and smartphone applications.

KARTE for Web, KARTE for App, and KARTE Datahub, which are shown in the middle of this page, were the mainstays of this project. In September 2021, we released KARTE Blocks, KARTE Entry Series, which are a slightly simplified version of KARTE, shown in the top row on the left side of this page.

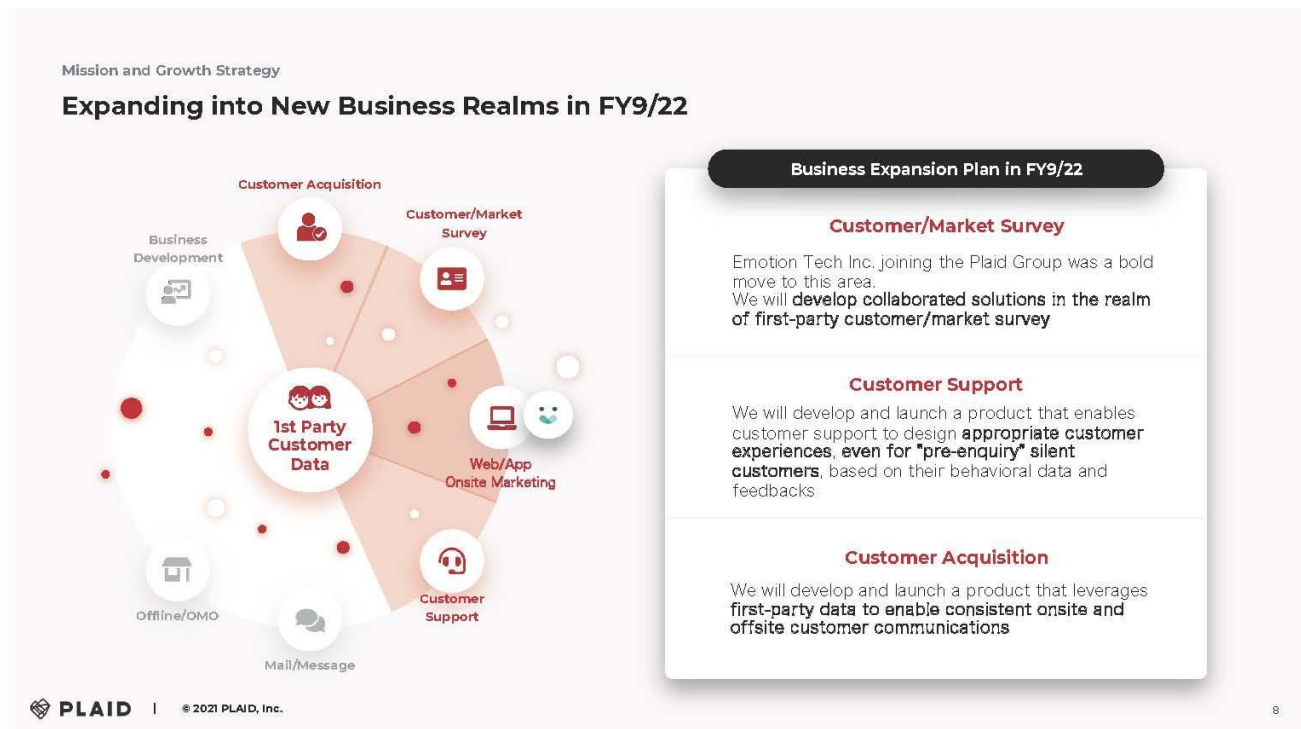
At the same time, it is a product and environment that can solve a wide variety of problems, so make sure that customers take advantage of it. Or we can help our customers implement our products into their client strategy. From this perspective, the TEAM service is in progress, the so-called professional services, which are shown in the first row on the left.

Then, in September, Emotion Tech joined the PLAID Group in the form of a merger and acquisition. From here, we have started to provide not only products but also consulting services through people. This is the second row from the left, the Customer/Market Survey category. And the third row, Business Development. We have also recently launched ". me," a joint venture between us and Mitsui & Co.

We will co-create the future of the industry, not only by ourselves, or with KARTE software, but also with other companies. The project for this purpose, STUDIO ZERO, has also started in the fourth quarter of fiscal 2021. I think it has been a year in which we have started a variety of activities.

And to the right of that, in the fourth and fifth rows. Customer support and customer acquisition. In addition to on-site marketing activities and communications, we will provide applications that make full use of the KARTE and 1st party customer data environment to support customer support, customer acquisition, customer attraction, and advertising. With this in mind, we are currently developing new product services for this domain.

In other business areas not mentioned here, we will continue to develop applications and businesses based on our long-term strategy to capture a variety of customer contacts as common customer data in the future.



This may be the main message of the day.

As I have already mentioned at the beginning of this report, we will start entering new business areas in the fiscal year ending September 30, 2022.

As you can see on the right side of this page, Emotion Tech recently joined the PLAID Group through M&A in September. With them as the key, we will expand into the customer and market research area in earnest.

The middle one, the customer support area. For example, a call center, chat center, or a website or app that provides or matches content to help end users solve their own problems in the form of FAQs. The Company is planning full-scale business development in these areas in the fiscal year ending September 2022.

The bottom row, the launch of a product that enables off-site customer communication using 1st party customer data. We have been preparing for the launch of this product at some point this fiscal year.



This area of customer support and customer acquisition has been an area of strong demand from KARTE customers for some time.

First of all, we have been focusing on the communication and marketing of services and end users on websites and applications, and since this market has just started, we are still in the phase of aiming for overwhelmingly large growth. In order to provide a more integrated environment for data utilization, we are now fully prepared to start developing in this area.

Therefore, in the fiscal year ending September 2022, we will be expanding into these 3 new markets as the PLAID group, so I think it would be good if you understand that we have begun a year of aggression.

Now, let me turn the tone back a bit and explain about the recent business updates.

I would like to talk about 2 major points. The official version of KARTE Blocks is available as well as KARTE Entry Series for EC in EC category. There is a Cart Package. I would like to briefly explain these 2 points.

The slide is titled "Business Updates" and "Launch of the Official Version of KARTE Blocks". It lists two bullet points: "On September 14, 2021, we launched the official version of KARTE Blocks, which had previously been provided as a beta version" and "Started a 'freemium' model, by offering a free plan that can be used by anyone involved in website updating and improving operations, regardless of the size of their company". Below the text are three columns, each with a "Feature" icon and a description. Feature 1 is "BMS (Block Management System)", Feature 2 is "No-code Management", and Feature 3 is "Free Plan Available". The slide footer includes the PLAID logo, "© 2021 PLAID, Inc.", and the number "10".

**Business Updates**

### Launch of the Official Version of KARTE Blocks

- On September 14, 2021, we launched the official version of KARTE Blocks, which had previously been provided as a beta version
- Started a 'freemium' model, by offering a free plan that can be used by anyone involved in website updating and improving operations, regardless of the size of their company

Feature 1	Feature 2	Feature 3
<b>BMS</b> (Block Management System)	<b>No-code Management</b>	<b>Free Plan Available</b>
KARTE Blocks is a new website management system which redefines websites as an aggregation of 'blocks' and allows each blocks to be updated, evaluated, and improved	Users can update, evaluate, and improve any component of their website without writing code just by pasting a single line of tag	Users can start with free plan. Furthermore, every procedure for utilizing KARTE Blocks, including signing up, changing plans, and onboarding, etc. can be completed online

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The first item is KARTE Blocks. In the past, KARTE was offered as an add-on communication tool, popping up messages, banners, chats, surveys, etc. on top of websites and applications.

KARTE Blocks is not a pop-up-based product, but a product that manages the website itself. Of course, we can simply update the images, text, and links on the website, but we can also personalize them in the same way as KARTE. This is a product that makes such things possible.

For more details, please refer to the website, but KARTE Blocks will allow you to update and personalize all parts and contents of your website, even the places that could not be updated with the conventional website design. It is a product that has been attracting a



lot of attention from various industries because it allows you to digital transform, DX, your website afterwards, so to speak.

Business Updates

### Aims of KARTE Blocks

- Contribute to eliminating "pain points" of management operations in every website
- Around 700 websites have signed up within just 1.5 months<sup>(1)</sup> since the launch of the official version

KARTE Blocks helps reduce troubles and costs of every website operator

**Around 700 Websites have Signed up within 1.5 Months since the Launch**

PLAID | © 2021 PLAID, Inc. Note: 1. From September 14, 2021 as the date of KARTE Blocks official version launch to October 31, 2021

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Next, please.

As I mentioned above, we believe that KARTE Blocks has a wide range of potential for both small and enterprise customers.

The launch was in mid-September, so 1.5 months have passed since then, and we now have about 700 sites signed up. This doesn't mean that 700 companies have paid contracts, but rather that the number of services that have opened accounts with KARTE Blocks has already exceeded 700, since the product is free to use.

In fact, unlike KARTE, KARTE Blocks provides almost no human support; customers, companies create their own accounts, set up the service on their websites with tags issued by KARTE, and start operating. All of our services are provided on a self-serve, do-it-yourself model.

From there, we are gradually seeing cases of changes to paid plans as an extension of self-serve. However, the first year of KARTE Blocks will be very important for us to build up our operations, such as product-led onboarding and customer success. We are currently working hard to refine these operations.

However, as so many services have already opened this account, expectations are very high, and conversions to fare-paying services are already emerging. In this environment, I want to make sure that we produce results as well as processes in the coming year.

In the future, editing websites with KARTE Blocks, unlike overlay pop-ups, will be a task that everyone does on a daily basis, so we would like to take this product, which is closer to where customers are now than KARTE, as a step forward and upgrade it to KARTE.


In addition, for companies that are already using KARTE, we hope that by using KARTE Blocks, which is closer to their daily operations, they will be able to continue to use the product, up-sell, and cross-sell opportunities when they look at KARTE in all. We will continue to refine the product over the next 6 months or a year, and hope that it will have an impact on KARTE as a whole in the future.

Business Updates

## Launch of KARTE Entry Series for EC

- Developing various solution packages with the goal of "quickly achieving clear results" by identifying common issues for each industries based on accumulated use cases and knowledge through providing KARTE
- As our first initiative, launched Cart Package, which includes "Easy win scenarios" such as cart abandonment and operating agent


**Features of KARTE Entry Series for EC**



**Plan**

**Proven Scenarios**


We have prepared some EC scenarios based on accumulated use cases and knowledge through providing for hundreds of companies so far



**Do**

**Plaid Handles both the Initial Setup and Operations**


Plaid handles the initial setup and scenario improvement, as well as reporting. Neither additional resources nor learning tool utilization, etc. is required for customers



**Check**

**New Pricing Plan, Easy to Start**

Putting single issue and goal of EC sites into one solution package, and providing it with new pricing plan, easy to start

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Next, KARTE Entry Series for EC.

As I mentioned in the previous announcement of the third quarter financial results, KARTE is an extremely versatile product that can solve a wide variety of issues. In other words, it is being used in a variety of situations in a truly diverse range of industries.

This means that the knowledge of those applications is concentrated on the KARTE database. From there, we will focus on the shopping cart, shopping basket, and other processes and scenes in the EC category, and extract ironclad measures that can be used by companies as knowledge. This is what the KARTE Entry Series for EC and Cart Package is all about.

From the perspective of the companies that implement this, they can almost leave it to us to implement this best practice in their own websites and carts. I think it is very meaningful. As a first step, we have started to develop the cart area, which has a huge impact on EC.

## Aims of Cart Package

### Cart abandonment is a serious issue for many EC operators

Cart abandonment rate: around **70%<sup>(1)</sup>** = Estimated opportunity loss: around **2.3X** the monthly sales

#### Major Concerns of EC Users



##### Loss of Time and Opportunity

Too long purchasing process / out of stock



##### Insufficient Information

Users can't quickly find the information as they want

#### Major Concerns of EC Operators



##### Loss of Time and Resources

Operators don't have enough time and resources for thinking up and executing their idea



##### Insufficient Know-how

Operators don't have much know-how for improving results

Next, please.

As you will see later, there is actually a 70% chance that an e-commerce customer will drop out of the cart, leave the cart, or not make a purchase. This means that only about 30% of the people who add a product to their cart end up buying it.

If we could get all of them, we would be able to increase our monthly sales by 2.3 times, but it is not that easy. However, 70% is a very high priority for a company to address, so KARTE is providing best practices in this area.

#### Business Updates

### Overview of Cart Package

- With customer utilizing data collected through KARTE, It is possible to understand the results of and reasons for cart abandonment, and to leverage this insight in order to improve each and every customer's experience
- We plan to offer the other solution packages for the EC industry beyond cart abandonment, planning to launch further line-up of KARTE Entry Series for various industries other than EC as well

**KARTE Entry Series**

## Cart Package

Various functions to visualize the cart experience and effectively prevent cart abandonment (cart abandonment analysis, A/B testing, multi-step email automation, etc.)

**Cart**

### Package Overview

Settings and Operation	PLAID (as consignee)
Pricing Structure	Fixed monthly fee + Variable fee
Usage Fee + Commission <sup>(1)</sup>	10,000 yen/month + 3% of sales via scenarios <sup>(2)</sup>
Contract Term	12 months

### Client Feedback

"We have implemented a variety of measures using the Cart Package. As a result, the cart abandonment rate fell by about 10%. Having actually used it, it becomes clear how effective it is."

Major Apparel Company A



PLAID

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Notes: 1. Tax exclusive / 2. The sales amount through services and functions of KARTE is an object to be calculated

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Next is the business model.

Usage fees start at JPY10,000 per month. It's not that you can use it for JPY10,000 only, but our business model is to receive a certain margin from the sales generated through the knowledge and measures we provide.

For companies, this is a managed service that enables them to implement, operate, and measure the effectiveness of these measures on their own websites by leaving it to KARTE or PLAID.

Of course, there are companies that use this service as a stand-alone product, and there are also companies that use KARTE and leave the cart part to KARTE Cart Package, so there are very high expectations here.

As many of you may have noticed, we have customers in a wide range of industries and sectors, not just in the e-commerce category. Roughly 1/3 of the total number of customers are EC customers, and 2/3 are non-EC customers.

In other words, I believe that it is possible to create a large number of entry series and packages in the future by combining the best practices of each industry with the measures that are applicable to each scene. The first step is to launch and grow the Cart Package. We will be releasing a variety of packages in the coming year. We are very much looking forward to this, and we hope to make good progress in this area.

Next, I would like to change the presenter to our CFO, Mr. Muto, for the results for the fiscal year ended September 30, 2021.

## FY 9/21 Annual Financial Highlights

- 1 Net sales up 35.9% YoY basis, resulting from successfully shifting our focus from new to existing customers under COVID-19 pandemic
- 2 Gross profit margin improved by YoY +2.1pt through more efficient server usage
- 3 Operating results turned positive as a result of controlled spendings in light of the COVID-19 pandemic
- 4 Achieved recently revised guidance level

**Muto:** Thank you very much. I would now like to talk about the results for the fiscal year and the most recent quarter.

First, I would like to talk about the highlights of the full-year results.

Sales for the full year are JPY5.4 billion. YoY growth has been significant, up 35.9%. The forecast at the beginning of the year was about JPY5.2 billion, which was about 30% growth against the previous year, so compared to that, I think we have achieved growth beyond our expectations.

Now on to gross profit margin. This figure improved by 2.1 points from the previous year to 73.3 %. In particular, the situation has been improving since the second half of last fiscal year, and it is expected to increase further from here.

The third point is operating income. As a result of our efforts to protect cash and control the budget in preparation for the listing of the Company in the last fiscal year under COVID-19, operating income for the full year is now in the black. We have a surplus of JPY170 million.

The fourth point, as I just mentioned, is that we are almost at the same level as our earnings forecast. The highlights for the full year are that the level is well above the initial forecast, and in line with the level of the most recent earnings forecast on September 28.

I hope you will take a look at it later.

### Both Net Sales and ARR Keep High Growth Rate

- Both Net Sales and ARR continue to grow over 30% YoY basis
- Successfully shifted our focus from new to existing customers under COVID-19 pandemic



Next page, please.

As you can see here, sales grew at 35.9% and ARR growth was 32.3%, both growing at high pace.

The background to this is that as the COVID-19 situation continued, we strategically shifted our resources from new customers to expanding existing customers. By doing so, we were able to achieve a high growth rate even though the market environment may not have been necessarily easy.



## Gross Profit Margin Improved and Operating Income Turned Positive as a Result of Controlled Spendings in Light of the COVID-19 Pandemic

- Gross profit margin improved by YoY +2.1pt through more efficient server usage, improving profitability
- Operating results turned positive at JPY 170 mil., as a result of controlled spendings under COVID-19



On the other hand, the gross profit margin has grown faster than sales. This is due to the fact that the gross profit margin is increasing, as I mentioned earlier. As for operating income, as I mentioned earlier, we are back in the black this fiscal year, as shown in the summary of the full-year results.

## Q4 of FY 9/21 Financial Highlights

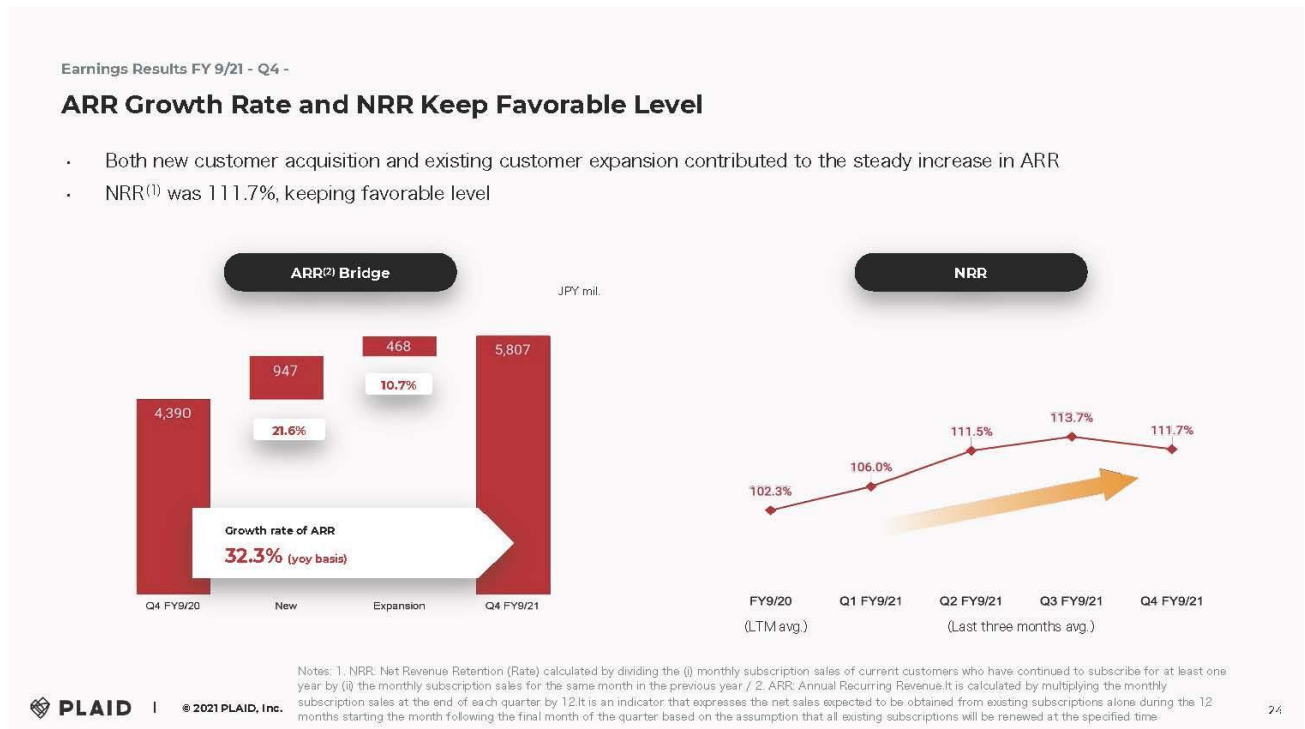
- Both new customer acquisition and existing customer expansion contributed to the steady increase in ARR
- Gross profit margin continued to be kept at a high level due to efficient server usage and upselling & cross-selling
- Q4 resulted in operating losses due to SG&A increase used for FY 9/22 growth or beyond

Next, I would like to talk about the situation in the most recent quarter.

Same here, but both new and existing expansions are going well. As you will see later, new customers contribute roughly 20%, 2/3, and existing customers contribute roughly

10%, 1/3, so the ARR is increasing. We are building up our ARR through both new and existing business. The gross profit margin has been healthy for the server as well.

With regard to SG&A expenses, I think we had mentioned that we would accelerate investment from the time we released our initial forecast, and as a result, we are in the red in the fourth quarter.



First is the growth of ARR.

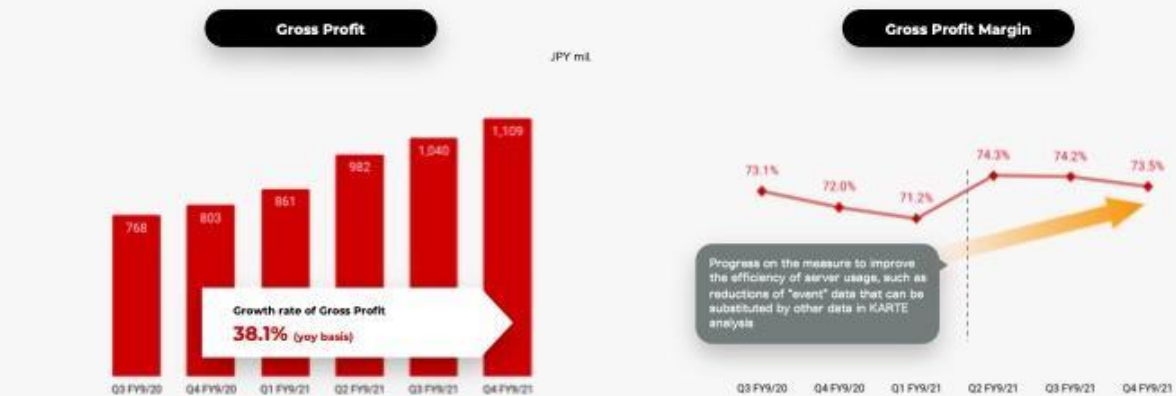
The 32.3% growth, as I told you earlier. If you look at the breakdown of this figure, new customer accounts for 21.6% and existing customer accounts for 10.7%, which is a very well-balanced growth.

The NRR has dropped slightly from the previous quarter, but it is still above 110%, which is a satisfactory level for us.

New customer growth, this 21.6%, is also expanding from the previous quarter, which I believe implies that new growth is steadily increasing.

## Gross Profit Margin Continue to Exceed the Level of Previous Year

- Gross profit margin continued to be kept at a high level due to efficient server usage and upselling & cross-selling

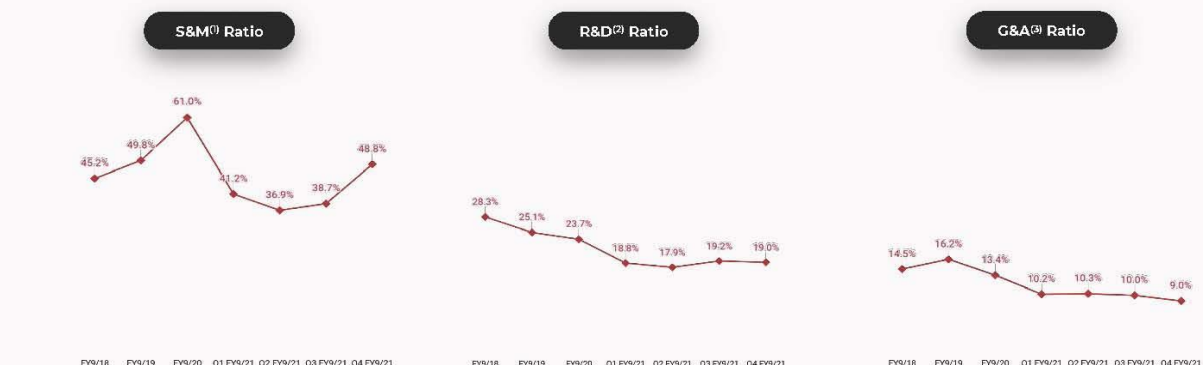


Gross margin growth was 38%, which was higher than the growth in sales or ARR.

If you look at the right side of the chart, you can see that the gross profit margin has dropped slightly from the previous quarter, but this is not a particularly significant change, but rather a temporary drop due to the introduction of mobile app with a large number of events. However, this is not permanent, and we believe that we will be able to maintain or improve this level.

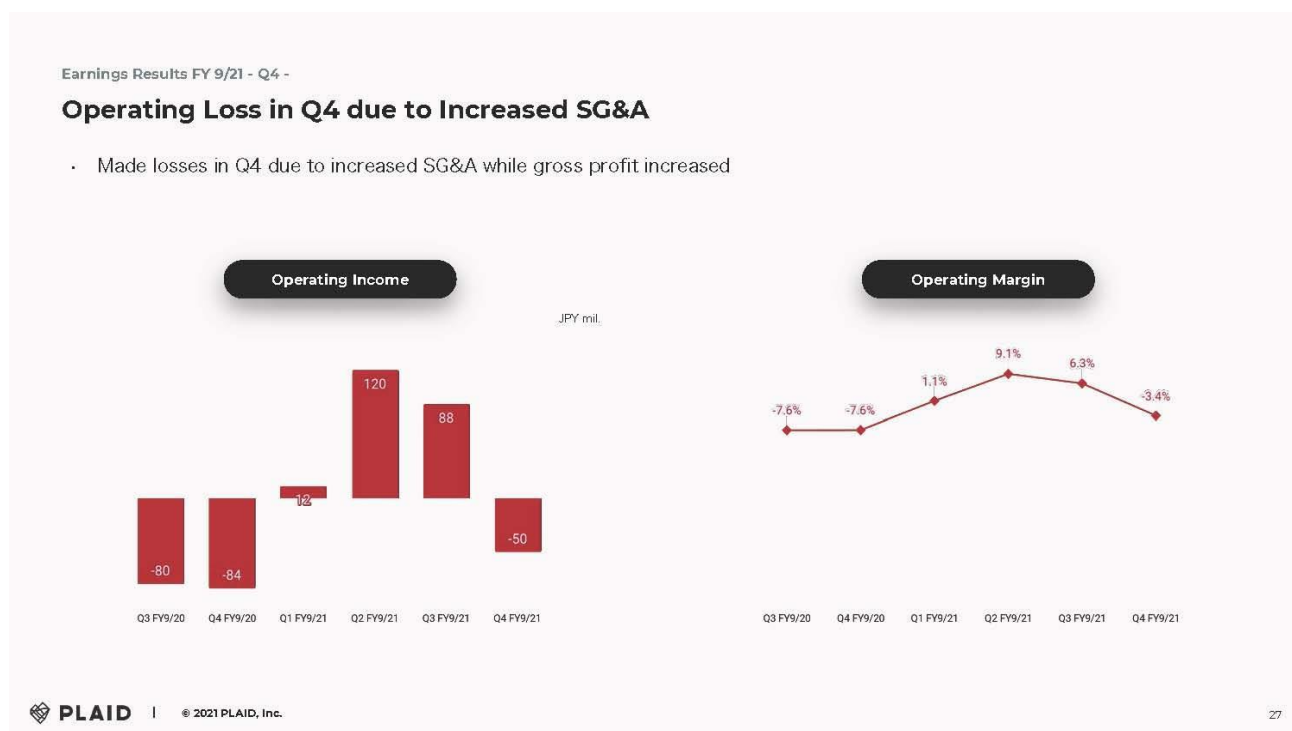
## SG&A Ratios to Net Sales Increased due to Acceleration of Recruiting and Marketing

- SG&A increased in Q4 due to spendings for growth in FY 9/22 and beyond such as recruiting and marketing expenses etc.



Notes: 1. S&M: Expenses related to sales activities, which consist primarily of salaries and allowances for our sales and marketing personnel and advertising expenses as well as allocated overhead costs, and allocated depreciation and amortization, which are generally allocated based on the number of employees / 2. R&D: Expenses consist primarily of salaries and allowances for our engineering, product and design teams, as well as allocated overhead costs, and allocated depreciation and amortization / 3. G&A: Expenses consist primarily of salaries and allowances for our legal, finance, and HR operations, as well as allocated overhead costs, and allocated depreciation and amortization

We believe that the major difference from the previous quarter is that the ratio of sales and marketing is showing that we are investing as planned.



As I explained at the beginning of this report, we were in the red in the fourth quarter, but we achieved a profit for the full year.

The above is a brief summary of our financial results for the full year and the fourth quarter.

I would now like to talk about the consolidated earnings forecast for the current fiscal year, the fiscal year ending September 2022. Before we talk about numbers, I would like to return the baton to Mr. Kurahashi to have him talk about what we want to do as a company.

## Strategic Initiatives Underlying Earnings Forecasts for the FY 9/22

- Reinforce our business foundation for long term growth as a strategic initiative in addition to the growth of existing businesses through developing new products or businesses by hiring talents, investing in marketing and new product offering



**Kurahashi:** I would like to talk briefly about the strategic focus that is the premise for the earnings forecast for the fiscal year ending September 2022.

As I mentioned at the beginning of this report, I believe that this fiscal year is the beginning of an aggressive year in very simple terms. We believe that this will be a very important year for us to be aggressive.

As I mentioned at the Next Focus in the presentation, new products are coming out 1 after another in addition to our existing business domains. We have already announced the KARTE Blocks and Entry Series.

In addition to the Emotion Tech movement, we will be developing new business products in the areas of customer support and customer acquisition, so it will be a very aggressive and exciting year.

In connection with this, as described under Next Focus, we will further grow existing businesses, make investments, and build a business foundation for long-term growth. In other words, we would like to aggressively invest in accelerating the growth of our existing businesses, as well as in new products and new business development.

We are currently preparing for the fiscal year ending September 2022 with a strong desire to make it a year of aggressive change from the previous fiscal year, and with the momentum from the launch of new products in August, September, and October, we would like to continue this fiscal year with good products, good business, and continued growth.

With this premise in mind, I would like you to listen to Muto's explanation. Now, Mr. Muto, please.

Earnings Forecasts for FY 9/22

**Earnings Forecasts<sup>(1)</sup>  
for the FY 9/22**

- Presented a range as our guidance, reflecting upside and downside potentials of existing businesses and uncertainty of new businesses
- Consolidated net sales is forecasted to grow at +36.3% ~ 43.8% YoY basis
- ARR of Plaid's SaaS business<sup>(2)</sup>, equivalent business scope with the previous fiscal year, is aimed to growth >30%

Notes: 1. Acquired 84.0% voting rights in Emotion Tech Inc. on September 28, 2021, and consolidated statement of income from FY 9/22 / 2. Non-consolidated SaaS business excluding TEAM business, etc.

(JPY mil.)	FY9/21	FY9/22 (estimate)	YoY
Net sales	5,444	7,419 ~7,828	+36.3% ~+43.8%
Gross profit	3,993	5,169 ~5,454	+29.4% ~+36.6%
Gross profit margin	73.3%	69.7%	▲3.6pt
SG&A	3,822	6,734 ~6,797	+76.2% ~+77.8%
Operating income (loss)	170	▲1,565 ~▲1,343	-

**Muto:** We plan to achieve a consolidated sales growth rate of 36.3% to 43.8% in the current fiscal year. As a result, we expect to achieve sales of JPY7.4 billion to JPY7.8 billion.

This range takes into account the upside and downside of existing businesses and the uncertainty of the outlook for new businesses in this fiscal year, as Kurahashi explained earlier, but we believe we can still maintain high growth.

As for growth on a standalone basis, we would like to aim for ARR growth of 30% or more.

Now on to gross profit margin.

This figure itself has decreased by 3.6 points to 69.7%,. However, there is more to these figures than meets the eye, and the reality is that gross profit on sales has improved further in our existing businesses. I will explain later.

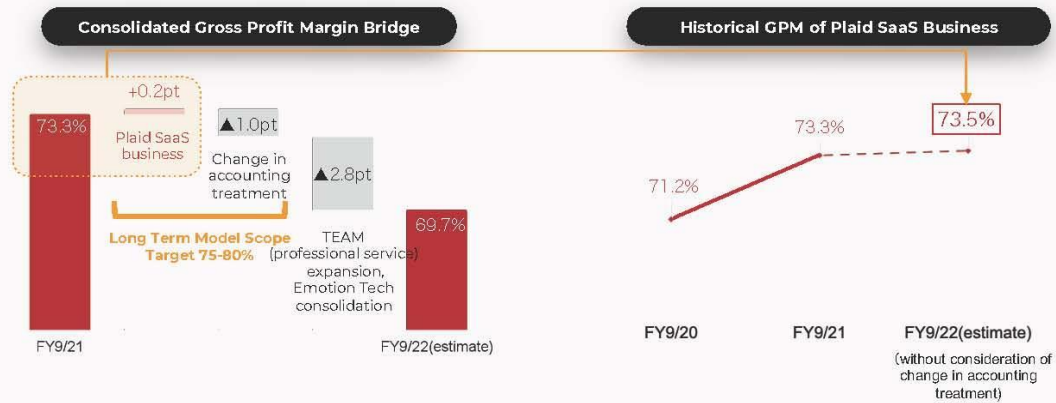
We plan to increase SG&A expenses by 76% to 78% from the previous year. This is a policy of accelerating investment to a great extent. These figures show that we want to invest in the current fiscal year, not only for the short term, but also for the long term.

As a result, operating income/loss will be in the red for about JPY1.3 billion to JPY1.5 billion or 1.6 billion on a consolidated basis. If we exclude the loss of Emotion Tech on a non-consolidated basis and the amortization of goodwill, or in other words, the portion associated with the consolidation of Emotion Tech, which we estimate is a little less than JPY600 million, the loss of PLAID on a non-consolidated basis will be JPY1 billion at most.



## Plaid's SaaS Business Gross Profit Margin Continues to be Improved

- Consolidated gross profit margin for FY 9/22 is expected to be 69.7%
- Changes the accounting treatment of customer support and onboarding cost, moving those from SG&A to COGS from this FY
- Gross profit margin of Plaid SaaS continues to improve due to more efficient server usage



First, here is the gross profit on sales.

Please look at the table on the right. This is the gross profit on sales of PLAID on a non-consolidated basis, same as we announced last year. As you can see, we expect a small improvement of 0.2pt, from 73.3% to 73.5%.

Here are 2 reasons why it would drop to 69.7%.

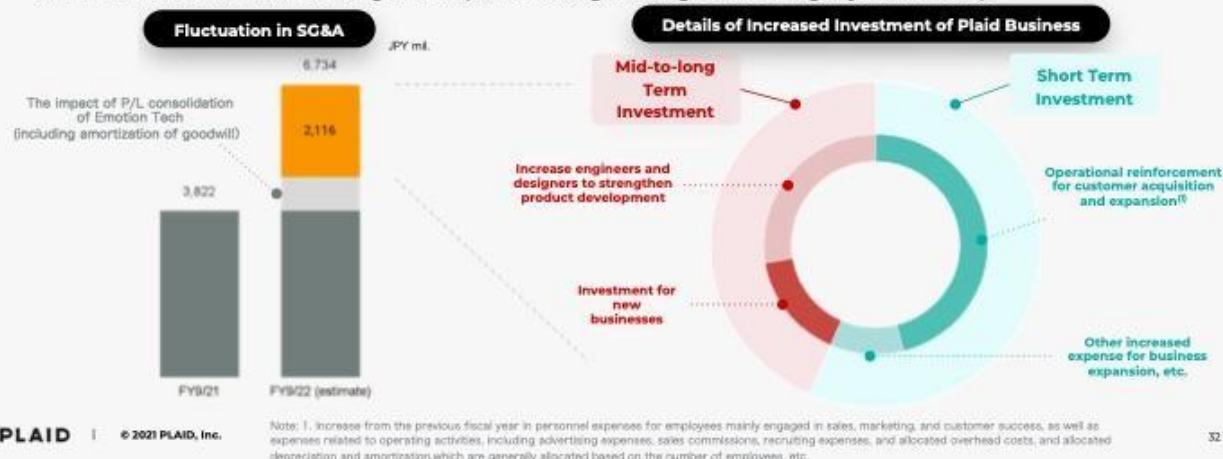
1 is that we plan to change our accounting treatment starting this year, which is customer support. It's support, not success. Besides, we offer an onboarding program to help customers get started using KARTEI think personnel costs for customer support and onboarding should be included in the cost of goods and services, and global SaaS companies also include this in the cost of goods and services, so we decided to reclassify it to cost of goods and services. As a result, it has dropped by 1 point.

In addition, Emotion Tech has joined the consolidated Group from this fiscal year, and a professional service business, which is called TEAM service, will be added, etc., so there was a 2.8pt decrease here.

So, in conclusion, we will continue to maintain a sound cost structure this fiscal year. In addition, we believe that we can raise the cost of sales from 75 to 80 over the long term, including this change in accounting policy, so we can say that we are in a good position regarding cost of sales.

## Breakdown of Spendings into Short and Mid-to-long Term Growth Related

- Ratio of incremental SG&A spendings for Plaid's existing business (**Short Term Investment**) portion to previous SG&A is about 30% while overall ratio of incremental SG&A is about 76.2% under this fiscal year guidance
- Significantly increase spendings for hiring product developments talents (**Mid-to-long Term Investment**)
- Emotion Tech makes investments for growth as planned, taking advantage of the timing to join Plaid Group



Next is SG&A expenses.

SG&A expenses are up nearly 76% in total for this fiscal year compared to JPY3.8 billion last year. If we exclude the SG&A of Emotion Tech and the amortization of goodwill, as I mentioned earlier, the JPY2.1 billion in the yellow portion of the bar graph on the left-hand side represents the increase in SG&A expenses on a non-consolidated basis.

In fact, 45% of these investments, when divided into short-term and long-term, are long-term investments. As you can see in the pie chart on the right, we are planning to increase the number of engineers and designers by about 40 in order to further develop our products.

As you know, the hiring of engineers and designers is quite tight right now, so being able to hire engineers and designers with such a certain level of ability is a great success. Therefore, we believe that being able to invest this much is quite a positive result for us.

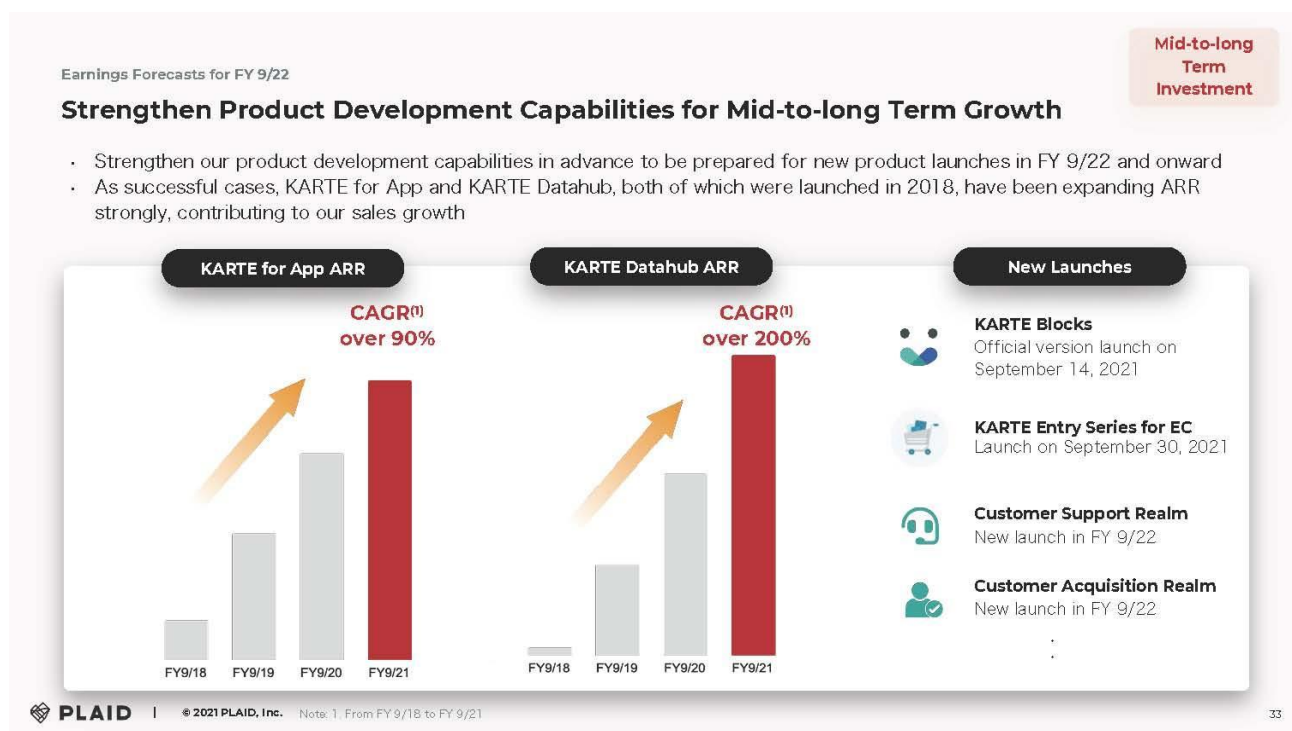
In addition, if we include the investment in marketing and outsourcing for new businesses that I mentioned earlier, 45% of the JPY2.1 billion is for long-term investment in the next fiscal year and beyond rather than the current fiscal year.

On the other hand, the investments that will contribute to our growth in the current fiscal year are shown in light blue on the right side. These are basically expenses related to customer acquisition and expansion, such as sales, customer success, hiring of members and associates who will build up our ARR, and marketing.

In total, this is about 55% of the JPY2.1 billion. Then, the amount invested in short-term investments is about JPY1.1 billion additional, which is roughly 30% of the JPY3.8 billion. Therefore, at first glance, it looks like SG&A expenses have increased by 76%, but if we look at short-term investments only, I believe the increase is about 30%.

We believe that this level is a healthy level given the growth rate that we are aiming for, and although we do not disclose the unit economics, LTV/CAC are maintaining a healthy level.

And then, about Emotion Tech. We invested JPY300 million in preferred shares as new money to acquire the majority. Emotion Tech's investment is in line with what we expected.



I would like to move on to medium-to-long term and short term.

Some people may wonder if we can really recover the 45% of our investment in the long term or in the medium-to-long term. I'm not talking about the ROI of investment, but I'd like to show you examples of how we have successfully created and launched new products in the past.

In 2018, though before that KARTE was offered only for the web, we launched an app version as KARTE for App. In the same year, we launched a CDP called KARTE Datahub, a data option, in late 2018. The cumulative annual growth rates for these products have been 90% and 200%, respectively.

I don't know if it's all of them, but they are expected to grow considerably as we implement new initiatives as laid out here. In contrast, I believe that this investment in the long term will be enough to make sense.

## Returning to Appropriate S&M spending considering the Current Business Growth

- Regard 41.6% of S&M ratio for FY 9/21 as “under-investment”, resulted from less spendings in hiring and marketing for new customer acquisition and existing expansion under COVID-19 situation
- The S&M ratio is adjusted to an appropriate level, aiming at > 30% ARR growth of Plaid's SaaS business
- The S&M ratio is expected to gradually converge into 25-30% of that of Long Term Model



Notes: 1. This long term model is forward-looking, is subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company, and is based upon assumptions with respect to future decisions, which are subject to change. Actual results will vary and those variations may be material due to a number of factors, including those described in the "Risk Factors" section of the Offering Circular issued as of December 17, 2020. Nothing in this presentation should be regarded as a representation by any person that this long term model will be achieved, and the Company undertakes no duty to update its model as circumstances change.

On the other hand, what about short-term investments? To be honest, I believe that our investment in sales and marketing last year was under-investment, or insufficient.

The left-hand side of this page shows the sales and marketing ratio. The percentage has dropped from 61% the year before last to 41.9% last year. As I mentioned at the beginning of this report, the decision to protect cash under COVID-19 and the cost control in preparation for the listing were effective.

As we have been squeezing our investments too much, we want to bring our sales and marketing investments back to an appropriate level. As a result, we expect the ratio of sales and marketing to be about 50% this fiscal year.

At first glance, it may appear that the number has increased compared to last year, but the long-term trend is that it has decreased as the size of our sales revenue has increased. As I have already mentioned, we have provided a long-term financial model, and it is our commitment to approach this ratio over the medium to long term. Although there will be ups and downs in the short term, I believe that in the medium to long term, we will be able to control the ratio of sales and marketing in a way that we can generate this kind of revenue.

## Hiring of All Job Types will be Accelerated with an Aim to Expand Growth

- Continue to accelerate hiring, which already started in Q3 of FY 9/21
- Manage spendings with an eye to the balance of growth potential and high productivity, taking into account net sales per employee as a performance indicator



We currently do not disclose the number of sales staff or success staff. However, if you look at the overall number of employees, on the left side, you can see that we are planning to increase it.

On the other hand, if you look at the right side, you will see the sales per employee. Per capita sales have risen to JPY24.9 million or JPY25 million this fiscal year and last fiscal year. The year before that, it was JPY21 million.

This JPY25 million in sales per employee is quite high compared to other SaaS companies in Japan, and it's comparable to the top 30 SaaS in the world, which I think it's around JPY20 or JPY30 million. The level is quite high compared to that.

We still think that our scale is quite small. Compared to the TAM that we go to address, and compared to the market, the scale of our sales of JPY5 billion or JPY7.4 billion for this fiscal year is still quite small. Given what we're aiming for in the future, we need to scale up.

Given this, I believe that committing to growth and investing for growth, rather than improving efficiency at this time, will ultimately lead to the benefit of our shareholders.

The above is our forecast for consolidated results.

## Strategic M&A and Investment and Ecosystem Investment

- Make strategic M&A and investment following below guidance
- Separately make ecosystem investment aside from strategic M&A and investment

Strategic M&A and Investment	Ecosystem Investment
<b>Strategic Rationales</b> <ul style="list-style-type: none"> <li>▫ Expanding presence or scale in our existing markets</li> <li>▫ Making entry into new markets we are aiming at</li> <li>▫ Enhancing our group's value propositions through acquisitions of new capabilities or services</li> </ul>	<b>Aim</b> <ul style="list-style-type: none"> <li>▫ Forming an ecosystem by expanding KARTE's 'pluggable' products and collaborative partners</li> </ul>
<b>Investment Criteria</b> <ul style="list-style-type: none"> <li>▫ Strategic rationales</li> <li>▫ Potential synergies with The Plaid Group</li> <li>▫ Appropriate valuations and structuring</li> </ul>	<b>Investment Criteria</b> <ul style="list-style-type: none"> <li>▫ 'Plugging' with KARTE or other products contributing to the formation of the ecosystem</li> </ul>
<b>Structure Alternatives</b> <ul style="list-style-type: none"> <li>▫ Majority acquisitions</li> <li>▫ Minority investments as a step to majority</li> <li>▫ Minority investments with clear strategic purpose</li> </ul>	<b>Structure</b> <ul style="list-style-type: none"> <li>▫ Less-significant minority investment, the sum of which is internally pre-approved</li> </ul>

Lastly, in September, we acquired the majority of Emotion Tech's shares, and it joined the Group.

In this connection, I would like to talk about our policy on M&A. Basically, we would like to continue to execute strategic M&A investments in the future. The strategies listed here include expanding our presence, entering new areas, and improving the value we provide. I believe that strategic significance is important.

In addition, of course, synergies need to be generated, and valuations and structures need to be appropriate. I would like to consider these things as a prerequisite when considering investments and M&A. There are minorities and majorities, but we believe that the basic principle is to acquire the majority and have them join the Group. However, we are not limited to this, and we would like to consider projects where minorities can acquire majority status in the future, or projects with very high strategic significance for minorities.

Apart from this, we would like to invest in the creation of an ecosystem. This is in terms of increasing the number of products that can work with KARTE. We will make a minority investment in a relatively small, early-stage company that has the potential for a good product, and work with the product of that company. In this case, the intention is not so much strategy but as product collaboration and increasing the value of both products.

In terms of this, we would like to use a total of about JPY100 million per year to invest in this kind of ecosystem, and create an ecosystem centered on KARTE.

That's all the explanation I have for you.

**Moderator:** That's all of our explanation. Thank you very much for your attention.



## Question & Answer

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

**Q1:** You have explained about the new products, but which products do you expect to be the most important in terms of their contribution to medium-term growth in the fiscal year ending September 2013 and beyond? Could you please explain the reason for this as well?

**Kurahashi:** Thank you for your question. This is a change from the fiscal year ended September 2021, and from the fiscal year ending September 2022, the Company will go on the offensive. We are planning to make such a mode change in all aspects of our business and products.

In this slide, while answering your question, I would also like to say that the development of this product in the 1st party is 1 of the identities of PLAID, and it is also a point where we are overwhelmingly strong and highly competitive in the world.

Therefore, the development and launch of products from the 1st party will be our top priority to each domain. However, as Emotion Tech has joined the PLAID Group, we are also thinking of providing value in a more integrated and comprehensive manner by working closely with companies and startups that share a similar worldview and future goals with us. We would like to develop this method strongly regardless of whether it is the 1st party or the 3rd party.

Based on this, as you have asked, in terms of which products will contribute to medium-term growth in the fiscal year ending September 2023 and beyond, I can say that it is all of them.

The reason for this is that this assumed business area that you are now displaying, from on-site marketing, to so-called research, research-based markets, business development, customer support, customer acquisition, and email/messaging. It is quite diverse. For example, recently PLAID has been receiving an increasing number of calls from customers in a wide range of fields, including OMO, OtoO, and building an integrated offline experience.

The idea behind this is to integrate customer data with a high level of availability and to connect it to the user experience, and to connect it to the user experience in each customer setting. I think that this is what most of the customer settings specify in the near future.

I believe that this will be a huge paradigm shift, where customer data will be at the center, and the expressions of companies and services will be delivered to users in a more multifaceted way.

In a world where KARTE was not yet available, it would have been difficult to interpret and understand the user at each point of contact, but with KARTE, it is now possible to understand the user, communicate and provide value according to the customer's

context. I understand that a paradigm shift of that magnitude is taking place in the Internet world, and we believe that all of these areas will grow strongly in the future.

We are aware that the priority of companies in the world today is to IT-enable the environment, including improving business efficiency, but we believe that the priority will shift to how to develop services as a company. We believe that each business domain will accelerate its growth as a market through the middle of the 2020s, and in answer to your question, we believe that these markets will become apparent in all domains and areas.

**Q2:** Blocks, Entry Series, etc., do not seem to be products that can be sold by putting human resources into them. How do you intend to increase awareness of potential customers?

**Kurahashi:** That's right. Up until now, our business has focused on marketing activities, proposals through people, onboarding, and customer success. 1 point is to further strengthen and step into that area.

And to make these processes as product-led, as in the Entry Series and KARTE Blocks, not as human-led. We believe that this is also a very important challenge for us. These products, KARTE so far, are very versatile and can solve a variety of problems with a single product. Product-led is an approach to solve a specific problem with a simpler function.

So, we need to systematize the problems that KARTE has solved so far, and update the current work, like Blocks. With such an approach, the decision-making process for implementation will be a little easier, and even if we provide support for utilization, we will focus on products that can be used without that much in-depth support.

So, while we are marketing the 1st party, we will also be distributing simpler products based on our partnership. More than anything, we are positioning these products as the first step toward the general-purpose KARTE or KARTE's main contract. I believe that the PLG model will play a very important role in expanding the market, supporting HLG's human-led business model, and creating opportunities.

**Q3:** Regarding the plan for the current fiscal year, you are aiming for growth of 30% or more in ARR even in existing businesses. Is it correct to understand that growth of 30% or more is assumed even in the negative scenario at the lower end of the plan range, and growth exceeding 30% is factored in at the upper end of the range?

**Muto:** At the bottom side of the range, our ARR growth on a standalone basis will be below 30%. At the upper side of the range, our ARR growth is above 30%. So, it is not due to a consolidated company, such as Emotion Tech, but the range incorporates both the upside and downside scenarios of our existing ARR.

And I would like to add 1 more thing: as we expand our workforce in the future, we expect ARR to accelerate to some extent in the second half of this fiscal year. Therefore,

we have an image that we will increase the pace of ARR accumulation from the first half to the second half of this fiscal year.

**Q4:** I would like to confirm the figures with Mr. Muto, please refer to page 32, Emotion Tech.

First of all, in the detailed order of the questions, on the left side, under SG&A expenses, what is this figure of JPY6,734 million? Subtract the gray area, JPY3,822 million, from that, and subtract the orange area from that, and we can see that this is the SG&A of Emotion Tech.

From there, I think the goodwill cost is about JPY130 million, so if we subtract that, the SG&A cost of Emotion Tech is JPY665 million. I may have misheard something earlier, but Emotion Tech's deficit sounded like JPY600 million, so could you clarify this point first?

**Muto:** Yes, you're right. Emotion Tech's SG&A expenses are JPY630 million. The amortization of Emotion Tech's goodwill is about JPY170 million.

**Q5:** What are these JPY6,734 million SG&A expenses? There is a range, isn't there, for this season?

**Muto:** The lower limit of the range.

**Q6:** That's the lower limit. I understand. If so, the JPY600 million operating loss is a mishearing. SG&A expenses: JPY630 million, goodwill: JPY170 million. On the other hand, is it correct to assume that Emotion Tech's sales will be about JPY400 million this fiscal year?

**Muto:** It's much higher. It will be over JPY500 million, in terms of sales.

**Q7:** Over JPY500 million. I understand. Secondly, what is Emotion Tech's GP gross profit margin, and the breakdown of the cost, what kind of customers and what kind of cost composition? Since Emotion Tech is also included in the assumption that the gross profit margin will decrease, could you explain a little more about your business and gross profit margin in relation to market research?

**Muto:** I understand. I think it is difficult to disclose the gross profit margin, but basically, the business has a lower gross profit margin than ours. In terms of business, they provide a survey platform. Therefore, they conduct a survey of their customers, aggregate the results, and monitor them to see whether the NPS is high or low for each aspect of customer contact, or which customer settings are effective for the overall sales. They provide a platform for their customers to provide this kind of information. Software.

In addition to that, Emotion Tech also provides professional services, such as staffing for analysis. Therefore, it is a little different from the way we provide products on a stand-alone basis, where labor costs are included in the cost. Because of this, the answer is that Emotion Tech's gross profit margin is lower than ours.

**Q8:** Lastly, I would like to ask Mr. Muto about the advertising expenses for the fourth quarter which just ended, do they include TV commercials?

**Muto:** It's not included in there.

**Q9:** What did you use the JPY200 million for without TV commercials?

**Muto:** Recruitment. We pay commissions in advance in the beginning with recruitment, and then we produce the videos.

**Q10:** Sorry, it was marketing costs. I'm pretty sure the advertising costs are over JPY200 million, for the fourth quarter.

**Muto:** Video production. We also produce videos for new products and services, and we also have regular online advertisements.

**Q11-1:** I understand. Lastly, I would like to ask you, Mr. Kurahashi. This time, you disclosed investments for the current fiscal year and medium- to long-term investments separately, but were you able to provide information on sales for the next fiscal year and beyond?

In essence, you disclosed that 45% of the expenses for the current fiscal year are for investment in the next fiscal year and beyond rather than the current fiscal year. I would have really liked to see the sales for that next fiscal year and beyond. I wondered if that was where Mr. Kurahashi's value lay. What kind of internal discussions led to this kind of disclosure?

**Kurahashi:** I see. Just for my understanding, are you talking about how much sales are made up by the existing products and how much impact the new ones will have?

**Q11-2:** No, SG&A expenses have increased considerably this time, but as Mr. Muto explained, 45% of the JPY2.116 billion will be invested in the next fiscal year rather than this fiscal year.

55% is short term. 45% is long-term. I would like you to show us what kind of sales we can expect from fiscal 2023 and beyond by using this investment for the long term, and

I think that is the value of Mr. Kurahashi. Is there a reason why you didn't disclose it, if any?

**Kurahashi:** I see. I think this is probably a good time to briefly explain the concept of the product.

We believe that KARTE, the foundation of our business, is still in its early stages in the market, but it has grown to this scale, and we are now releasing various applications on top of it. In other words, I think you are saying that we should calculate the sales of new products that come out even in the short term when we consider them according to the phase of the Company.

A product is developed, and then it is tested, including the process, to find the actual growth point, which is something that always exists in each product line. In order to properly maximize the potential of the product in the domain, I think it is very risky to plan strictly how much sales this product should generate in the first year, or the first 3 months, or for the half year in the short term.

Therefore, we do not intend to spend too much time for searching the market, but for this fiscal year, the first thing to do is to start. In the process of getting started, the potential of the product should be thoroughly examined and a good product and good customer case should be made. We believe that this is the highest priority.

As a product company, we believe that it is very important not to evaluate investment in medium- to long-term growth, i.e., launching new products, based on short-term results, so we do not disclose this information.

We have basically the same perspective for products like Blocks. Of course, there are parts that will contribute to earnings, but the most important phase is how to design a large future potential, so we are basically preparing the environment for promoting new products from that stance.

**Q12:** 1 last point to add, please. Is there an internal figure for this?

**Kurahashi:** Of course, there are internal figures. However, these numbers are a little different from the products we are talking about now, such as KARTE for Web, for App, and Datahub. So, internally, we are thinking of a healthy revenue line in the appropriate product formation and generation phases.

Mr. Muto, if you have any follow-up comment, please let me know.

**Muto:** I totally agree with what Mr. Kurahashi just said. Internally, we have it in a variety of cases.

**Q13:** As for the new products for large customers in the future, is it something that can be sold to the same contact point of the customer company with existing sales resources? I feel that there is a risk of overall inefficiency if different sales know-how is required and we have to deal with different client companies than before.

**Kurahashi:** Expanding into new business domains will naturally have no negative impact on the business domains that we have already provided. In our business model, what I think is very important is that no matter which application we provide, the core of the application, such as the analysis engine or the customer database, will be the same.

Therefore, when a company is considering the introduction of a different application, we believe that it is an important advantage for them to have a certain foundation already created for the use of customer data. The first point is that we, as well as the client companies, have a structure that allows us to build up a solid foundation before moving on to the next stage of consideration.

Another point, and this goes back to our mission, is that we are not simply a company that provides marketing tools. Our mission is to provide companies with a technology environment that enables them to use customer data in various customer contact points and in corporate management.

In other words, when we expand into the areas of customer support and customer acquisition, we naturally have an advantage in the product environment, as I mentioned earlier, but it is very important to build solid communication and trust from the beginning with the customers who will be the new contact points.

However, even at this time, KARTE's performance on the website and apps, and the trusting relationships we have with them, will be very effective, and we believe that we can develop them in a good way. It is extremely important for our long-term mission that we make the best use of this opportunity. There will naturally be some difficulties, but we will do our best.

**Q14:** This is a bit brief, but I was wondering if you could give me a more detailed breakdown of your sales guidance you showed to us earlier? As I recall, in your answer earlier, you mentioned that Emotion Tech is a little more than JPY500 million, so if you take the median of the guidance, I think organic growth is about 30%, and the rest is Emotion Tech.

I is how much growth they are responsible for at the end of September in terms of YoY in Emotion Tech, and the other is the so-called assumption, which is the lower and upper limit of organic growth from here? Can you tell us what is the driver and what is the risk if things go wrong?

**Muto:** Yes, I understand. First of all, I'd like to refrain from talking about Emotion Tech's forecast. I mentioned earlier that the amount would be more than JPY500 million, and we have disclosed last year's figures, so you may want to make an estimate based on these.

Basically, this is the first year since Emotion Tech joined our group. We want them to build a foundation for their business through upfront investment, although sales are naturally important. In the past, Emotion Tech has been relatively restrained in its investments, so we are focusing on having them invest appropriately after they joined



our group in this fiscal year. We believe that Emotion Tech's growth in the next fiscal year and beyond is important.

Now I'm talking about the upper and lower limits. We have 2 ranges. 1 is that we are building up the pipeline of existing projects most recently, but in the future, in terms of the fiscal year, for example, 6 or 9 months ahead, we set a certain number of months and estimate them based on past data. In this context, there are conservative targets that we can almost certainly achieve, and there are also targets that we can grow to if we make certain appropriate investments. These are downside and upside of an existing business.

The other is, as Mr. Kurahashi explained at the beginning, for new products and new businesses, such as those in the area of customer acquisition and CS. There is naturally a certain amount of sales that can be expected. However, there are uncertainties associated with new businesses and new products, so we have created 2 ranges: 1 that does not anticipate these uncertainties and 1 that does.

**Q15:** Sorry, I have a follow-up question at the end, but the simple concept of both the lower and upper limits is that the downside and upside of new products are not incorporated to that extent. Does this mean that this is a possibility that will come into effect in the next fiscal year?

**Muto:** No. Only for the upside, we are expecting sales of new products.

**Moderator:** Thank you. With the conclusion of questions, we will now close the presentation of PLAID Inc.'s financial results for the fourth quarter of the fiscal year ended September 30, 2021.

Thank you for taking time out of your busy schedule to join us today.

[END]

## **Disclaimer**

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