



PLAID, Inc.

Financial Results Briefing Q1 FY 9/21

February 12, 2021

# Presentation

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**Moderator:** Thank you very much for gathering. We would like to start the PLAID September FY2021 first quarter earnings report. This earnings report will be the first since the listing of our Company.

Before we go into the subject, let us introduce the policy of our earnings report going forward. The first and third quarter results will focus on the figures and will be explained by our CFO, Muto. First half and annual results will include numerical information as well as the strategy and business update by our CEO, Kurahashi.

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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Next, let me explain about the forward-looking statements. This presentation material 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.

Now our CFO, Muto, will be taking you through the presentation of the earnings result. We will open for Q&A after the presentation.

Mr. Muto, please.

## Overview

### Earnings Results Q1 FY 9/21

- JPY<sup>(1)</sup> 1,209 mil. of Net sales, up 36.6% yoy basis
- 848 mil. of SG&A, down 27.7% yoy basis
- 12 mil. of OP, turning black
- 232 mil. of net loss, due to temporary expenses or losses such as listing expenses and a loss on valuation of investment securities

Note: 1. All figures are JPY unless otherwise specifically mentioned

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(JPY mil.)	Q1 FY9/21	Q1 FY9/20	YoY	Q4 FY9/20	QoQ
Net sales	1,209	885	+36.6%	1,115	+8.4%
Cost of sales	348	294	+18.5%	312	+11.5%
Gross profit	861	591	+45.6%	803	+7.2%
Gross profit margin	71.2%	66.8%	+4.4pt	72.0%	▲0.8pt
SG&A	848	1,172	▲27.7%	888	▲4.5%
% of Net sales	70.1%	132.5%	▲62.3pt	79.6%	▲9.5pt
Operating income	12	▲581	-	▲84	-
Operating margin	1.1%	▲65.7%	+66.7pt	▲7.6%	+8.7pt
Non-operating income	1	0	+26.4%	0	+101.8%
Non-operating expenses	175	10	-	6	-
Listing expenses	170	-	-	2	-
Other	4	10	▲62.2%	4	▲8.0%
Ordinary income	▲161	▲591	-	▲90	-
Extraordinary losses	70	-	-	-	-
Loss on valuation of investment securities	70	-	-	-	-
Net income	▲232	▲591	-	▲91	-

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**Muto:** Thank you very much for introduction. So, let me start. Firstly, let me give you an overview of our Q1 results and the general business environment.

So, our general business environment is favorable. A tailwind for CX penetration continues. COVID-19 pandemic made Japanese Companies to accelerate shift to online and encouraged them to make digital transformation of their operations. Companies are paying more attentions to bring better customer experiences to their customers. Under the circumstances, we are improving our existing product KARTE and also developing new products as well. KARTE Blocks was launched as an open β version in the first quarter.

We made major update with our Datahub, our customer data platform product. We are successfully creating new leads and the pipeline for our new customer accretion activities. We continue to conduct our marketing and branding of KARTE and CX customer experiences. Besides, our IPO also contributed to increase the recognition of PLAID and KARTE. As a result of increasing leads and pipelines, our new customer accretion activity was doing well for past quarter, especially KARTE for App expanded its customer base at a higher pace than we expected.

Expansion with existing customers was also doing fine. Expansion of customers by upselling and then cross-selling exceeded with customer churn. We are keeping so-called negative churn status.

So, reflecting the favorable business environment and our good performance, Q1 net sales was JPY1,210 million, up 36.6% YoY basis. Q1 gross product margin was 71.2%, up 4.4 points from the same quarter of the last fiscal year and down 0.8 points from the previous quarter. Q1 operating profit was JPY12 million, while current losses and net losses were JPY161 million and JPY231 million, respectively, mainly due to temporary onetime non-operating expenses of JPY195 million, part of listing expenses.

## Overview

### Progress Against the Guidance for This Fiscal Year

- Better progress compared with previous fiscal year

#### Net sales for Q1 FY 9/21

1,209 mil.

23.2%

Guidance<sup>(1)</sup>  
5,211 mil.

#### Net sales for Q1 FY 9/20

885 mil.

22.1%

Results  
4,007 mil.



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Note 1. Announced on December 17, 2020

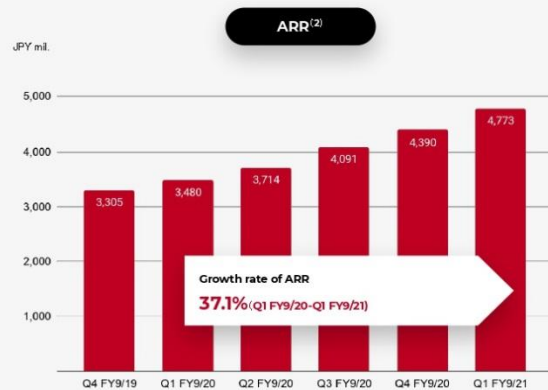
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Against our revenue guidance of JPY5,211 million, the progress rate was 23.2%, which is higher than 21.1% of progress rate for the same quarter of the last fiscal year. Besides, Q1 revenue beat Q1 revenue annualized [consensus] of JPY1,171 million.

## Financial and Performance Results

### Net Sales and ARR

- 1,209 mil. of net sales, up 36.6% yoy basis
- 4,773 mil. of ARR, up 37.1% yoy basis



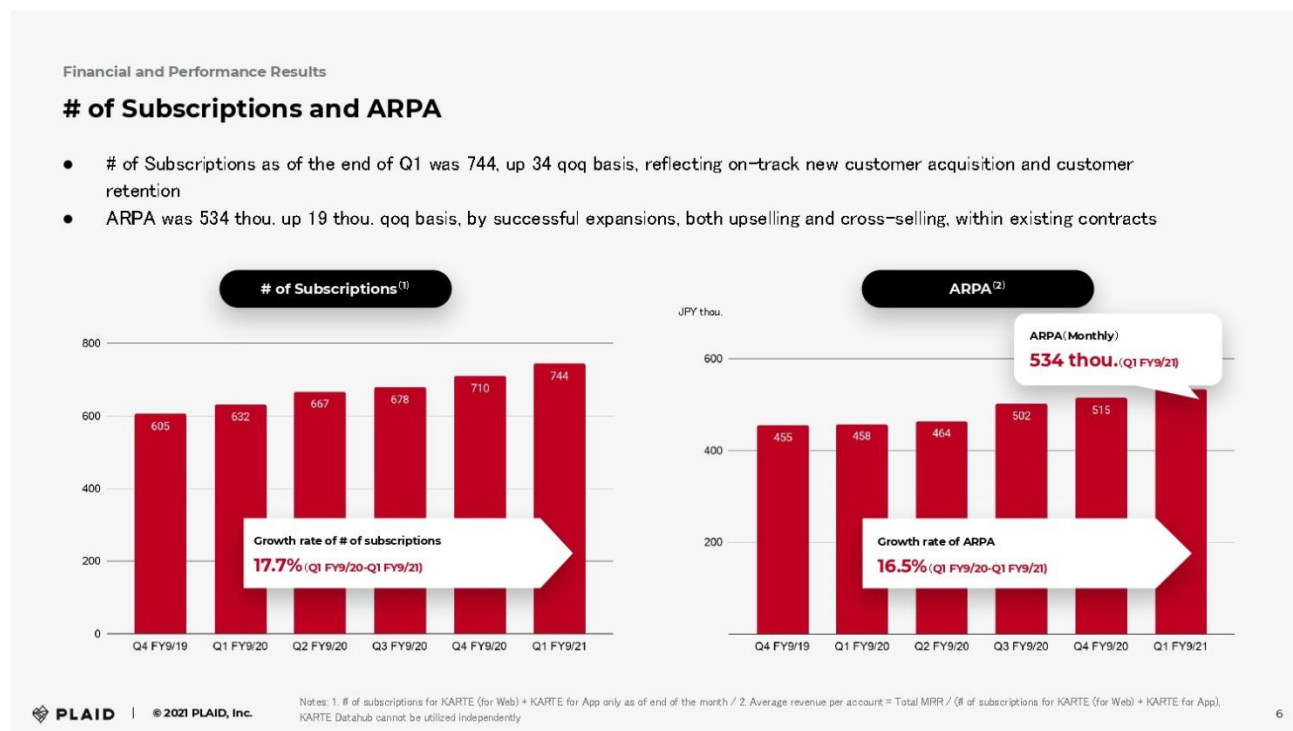
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Notes: 1. The amount of revenue recognized from subscribers of KARTE (for Web) and KARTE for App, including KARTE Datahub and other add-on options, excluding initial set-up and other one-time fees, for a given period / 2. ARR: MRR for the last full month of the given period \* 12

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So, hereafter, we'd like to explain each KPI and financial figure. Regarding our net sales and the ARR, both are growing steadily. YoY sales growth was 36.6%, led by both subscription number growth and price increase. The number of subscriptions and average revenue per account, or per prescription, are growing at 17.7% and 16.5% YoY basis, respectively. In addition, our subscription revenue ratio remained high at 96%.

Here are our ARR as of the end of Q1 JPY4,773 million. Net increase of ARR was JPY383 million, which is higher than JPY174 million for the same quarter of the previous fiscal year, or even higher than JPY299 million over the previous quarter. This larger net increase of ARR for Q1 compared with the same quarter of the last fiscal year was resulted from better net retention. Q1 net retention was positive, while the net retention for the corresponding period of the last fiscal year was negative due to relatively higher customer churn as of the end of December 2019.



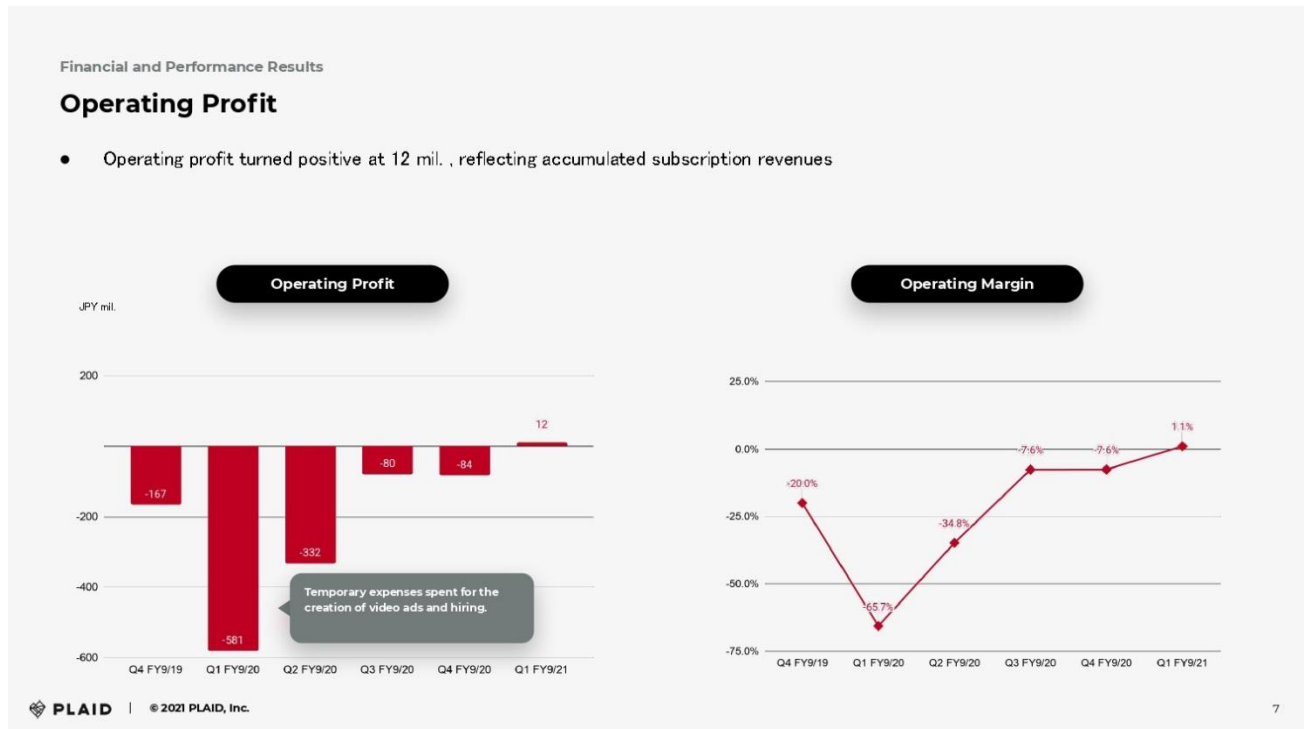
The number of subscriptions as of the end of Q1 was 744, up 17.7% YoY basis. The net increase of subscription number was 34, larger than 27 over the same quarter of the previous fiscal year, and slightly larger than 32 of the previous quarter. As explained in ARR net increase, higher customer retention for Q1 resulted in the large increase of the number of subscriptions.

Average revenue per subscription, ARPA, as of the end of Q1, was JPY534,000, up JPY19,000 from the previous quarter. This increase is due to partly upselling and cross-selling, and secondly lower than average revenue per subscription, or terminated contract. Customer acquisition itself affects negatively, because new customer average revenue per subscription is generally lower than average revenue of existing customers. However, this increase, new customer pricing is improving because of our shift of our focus to more enterprise customers.

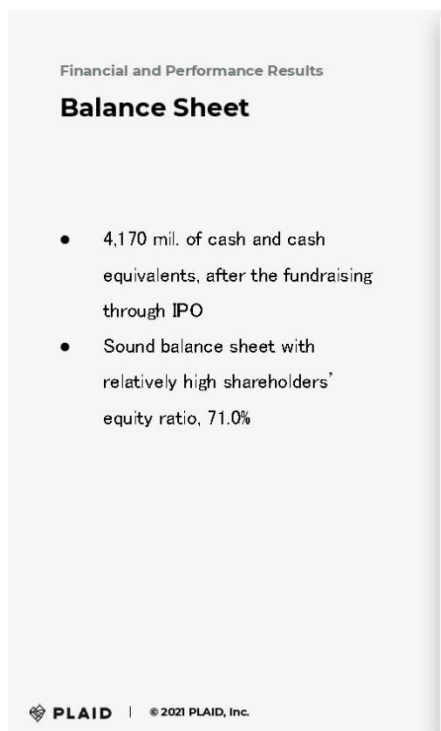
In line with the increase in the number of subscriptions, the number of customers was also increased by 26 to 500. Average number of subscriptions per customer is 1.49, almost flat with or slightly lower than the previous quarter. Which means that we're increasing new customer accretion, rather than expansion within existing customers. Q1 gross profit margin was 71.2%, up 4.4 points YoY basis, down 0.8 points QoQ basis.

Server cost, the single largest item within our cost, has been well under control. Our server cost is generally proportional to the number of unique users and the number of events, such as purchase events. Cost by user or cost by event, both, kept stable or get slightly lower thanks to our effort to use our server effectively. In addition, our customer success team regularly monitors event volume from our customers' website or mobile apps, and then make upselling proposals or controlling the event volume to those customers with higher event profit when necessary. Those efforts also contributed to the improvement of our gross profit margin.

All of OpEx ratios are in decline. R&D and the G&A ratio declined mainly due to the increase in net sales. Sales and marketing ratio also declined. This is due to less spending in marketing, in addition to the sales flow.



Operating profit turned positive, up JPY12 million. This is the correcting accumulated subscription revenue, increase of subscription revenue, and OpEx [inaudible] partially deferred to the next quarter.



(JPY mil.)	FY9/18	FY9/19	FY9/20	Q1 FY9/21
Total current assets	2,463	1,892	2,642	4,749
Cash and deposits	2,161	1,374	2,091	4,170
Notes and accounts receivable, trade	232	368	475	506
Other	69	149	75	72
Total non-current assets	494	309	426	354
Total current liabilities	519	615	1,084	1,176
Total non-current liabilities	508	397	380	302
Total net assets	1,929	1,188	1,604	3,624

Let me quickly touch upon our balance sheet. Cash and cash equivalents were increased by JPY2,080 million to JPY4,170 million. After this increase, the execution of over-allotment at our IPO resulted in additional cash increase by JPY852 million. This happened on January 14th.

#### Key Facts

<b>ARR<sup>(1)</sup></b> <b>4,773 mil.</b> (12/2020)	<b># of Subscriptions<sup>(3)</sup></b> <b>744</b> (12/2020)
<b>Net sales / Growth rate yoy basis</b> <b>1,209 mil.</b> (Q1 FY9/21) / <b>36.6%</b> (Q1 FY9/21)	<b>ARPA<sup>(4)</sup></b> <b>534 thou.</b> (12/2020)
<b>Gross profit / Gross profit margin</b> <b>861 mil.</b> (Q1 FY9/21) / <b>71.2%</b> (Q1 FY9/21)	<b>NRR<sup>(5)</sup></b> <b>102.1%</b> (LTM)
<b>Subscription revenue ratio<sup>(2)</sup></b> <b>96.2%</b> (Q1 FY9/21)	<b>Employees<sup>(6)</sup></b> <b>193</b> (12/2020)

Notes: 1. Annual Recurring Revenue (ARR) (MRR for 12/2020) \* 12. Recurring Revenue includes KARTE (for Web), KARTE for App, KARTE Desktop and other add-on options / 2. Calculation: (Q1 FY9/21 cumulative total Subscription Revenue of KARTE (for Web), KARTE for App, KARTE Desktop and other add-on options (not including initial set-up fee for each services etc.)) / (Q1 FY9/21 cumulative total revenue) / 3. # of subscriptions for KARTE (for Web) + KARTE for App only as of end of the month / 4. Average revenue per account: (MRR for 12/2020 / # of subscriptions as of 12/2020) / 5. Net revenue retention (NRR): Measures as a percentage the increase or decrease of revenue generated from a particular cohort of customers over time. For a given month we calculate it as (1) MRR for the given month from existing customers who have subscribed for more than one year divided by (2) MRR for the same month of the preceding fiscal year. We present NRR on an average basis for the last twelve months by calculating the NRR for each month in the relevant period and dividing the sum by 12 / 6. Number of employees as of 12/2020

So, here is a summary [page]. Net revenue retention rate was 102.1%, almost flat from the previous quarter number. Actually, this is the 12-month average of monthly net NRR. The three-month average NRR for Q1 was above 102.1%. So, we expect NRR will be gradually increased going forward if we can keep the current level or above level of net retention.

#### Financial Highlights

#### Earnings Results Q1 FY 9/21

- 1 Net sales has been growing at steady pace
- 2 Well controlled GPM level by effective usage of servers and upselling
- 3 OP turned black due to accumulated subscription revenues
- 4 Net loss temporarily impacted by listing expenses and a loss on valuation of investment securities



So, here's a summary or takeaway for our Q1 result. Firstly, sales growth is growing steadily, and secondly, the growth profit margin is stable. Thirdly, operating profit turned positive for now, and fourthly, finally, net losses due to temporary expenses.

Let me make a comment on forward-looking basis. We would like to keep our top-line and bottom-line guidance level for the fiscal year. Our operating profit turned positive for Q1, but this does not mean we will continue to keep positive operating profit. Regarding our operating profit guidance level for this fiscal year we would like to keep it at JPY25 million, as already announced.

In addition, let me make a general comment. Let me state that it is possible that we might accelerate our investment into OpEx to create revenue growth and that it might have a negative impact on our bottom line for this fiscal year or after, but as said, this is kind of a general statement. So at this moment, we do not have any concrete plans for doing so, but if that is the case, we might have to revise our guidance level.


This is the end of our finance section.

Business Updates

### Major Update of the KARTE Datahub

- Major updates of KARTE Datahub, adding Business Intelligence (BI) function and  $\beta$  version machine learning platform
- Use cases will be expanded from marketing focus to broader business areas

**Analysis and visualization of big data without changing them into different kinds of data**




**Spreadsheet**

Enables the processing and analysis of data using functions and filters, through operations that are similar to spreadsheet software operations

**Dashboard**

Visualizes data, creating charts based on the results of analysis from queries or sheets. It permits the creation of dashboards with drag and drop operations

**Templates for machine learning models for each business issue**



**Purchasing customer prediction**

Purchase probability of each user can be determined or coupons can be distributed to users based on this prediction

**Leaving customer prediction**

Revisiting probability of each user can be estimated or effects of measures re-engaging dormant users can be maximized with this prediction

**Loyal customer prediction**

'Magic numbers' effective for high LTV users are derived and UIs or messages can be improved based on this prediction

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Let me make a business update hereafter. There are three pages from here. Firstly, December 13th, we announced major update of the Datahub. So as you can see, Datahub BI [inaudible] enables our customers to make data processing and analysis easily.

With a spreadsheet function, like Excel or Google spreadsheets, our customers can use the function or filters for data processing and analysis. With dashboard they can create real-time chart. Our customers can make data processing when analyzing offline data held at corporate IT infrastructure, in addition to real-time behavior of data collected by KARTE, through end-to-end or one-stop platform. This is about Datahub BI.

Another one, parameterized ML, and this function enables our customers, our customers without technical knowledge to create machine-learning-based prediction models on KARTE Datahub. It is not easy for companies to use machine learning for their businesses, because they need bothersome procedures when they try to use machine learning, such as data collection, data annotation, modeling, prediction, and the connecting model to their services. Besides, they also need a kind of specialized and skilled partner for machine learning. To such pain points, this parameterized machine learning enables our customers to use machine learning for their



businesses by just using preset templates on Datahub and automated processes. What they have to do is just to set parameters. With this parameterized ML, our customers can make a purchasing customer prediction model for optimizing coupon delivery, or make a leaving customer prediction model for selecting their customers to send emails for the engagement, or make a loyal customer analysis to gauge magic numbers for loyal customers.

Business Updates

## Provision of the Open $\beta$ Version of KARTE Blocks

- November 18, 2020, 'KARTE Blocks' open  $\beta$  <sup>(1)</sup> version made available, which redefines websites as aggregated 'blocks'

**What are possible for website management by this new BMS?**

Redefines websites as an aggregation of blocks to manage, update, and review websites by each 'block', just by adding a tag without writing codes

**Adding a tag**

Ready to use just by adding a tag to the website

**Tearing down a website into blocks**

A website is torned down into blocks, enabling users to select and replace blocks on their administration screens

**Managing blocks**

Users can edit and update each block as they desire, without writing code in addition to setting publishing schedules

**Measuring effects**

Effects of blocks can be measured and visualized, enabling users to continuously improve website performance

Note: 1. KARTE Blocks is currently available as an open  $\beta$  version, so it is not included in the number of contracts. Disclosure will be considered when the number of KARTE Blocks users has reached a level where it should be disclosed

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Next, KARTE Blocks. This new product went into the open  $\beta$  phase on November 18. Now, double-digit number of customers are using Blocks for a fee.

Business Updates

## KARTE CX Conference 2021

KARTE CX Conference 2021 has been held, through which organizations and their talents can learn why CX and how to practice CX on their services

This year, the third time for this conference, Data and App versions are separately held

### KARTE CX Conference 2021

Events date: Tuesday, February 2, 2021 / Wednesday, February 3, 2021 / Thursday, February 4, 2021 11:00-14:00

Form of a meeting: Online

### KARTE CX Conference 2021 for Data

Events date: Tuesday, February 9, 2021 / Wednesday, February 10, 2021 11:00-14:00

Form of a meeting: Online

### KARTE CX Conference 2021 for App

Events date: Tuesday, February 16, 2021 / Wednesday, February 17, 2021 11:00-14:00

Form of a meeting: Online

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Finally, though this is an event for Q2, we're holding a KARTE [inaudible] conference. This time, actually the third time for three years, we added KARTE conference specialized for data and specialized for app, which are focused on mobile app use cases and data calculation use cases, respectively.

So, this is end of my presentation, and thank you for paying attention to my presentation.

## Question & Answer

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**Moderator:** Now we will go into Q&A session.

**Q1:** My question was about the revenue opportunity and the revenue model that you're going to have for your new products, the Datahub and KARTE Blocks and how you'll charge for them and how much that might—the scale of which it could increase the revenue opportunities from different types of customers. parameterized ML.

**Muto:** We are already selling Datahub, and a number of customers are already using Datahub. Those major updates are a kind of adding new functions to Datahub. At this moment, we have not disclosed any pricing for Datahub, any pricing for those two options, KARTE Datahub BI for, but we believe that by providing those key additional functions to Datahub, we will be able to increase the pricing of the Datahub in the future. That is about Datahub.

Regarding the Blocks, so I hope you know the function of KARTE Blocks. Actually, we are selling KARTE Blocks to customers as a open  $\beta$  product and we are receiving additional fee from our customers. But our main purpose over selling KARTE Blocks is not to pursue a short-term revenue opportunity, but rather we believe KARTE Blocks will expand the opportunity to sell KARTE suite to those customers.

So, this is kind of a product for product led growth. Because at this moment, not all of our potential customers immediately need KARTE. Because, KARTE is a product for relatively advanced customers who need to deal with their online customers on their website or on their apps. But KARTE Blocks is for customers with more primitive, more early stage pain-point, which is that they have to create their webpages or their mobile apps. KARTE Blocks also helps our customers to customize their webpages. So, what we're thinking is that by selling, by providing KARTE Blocks, and then as a next step, we will be able to find our opportunities to sell our KARTE itself. So, KARTE Blocks is expanding market opportunity for KARTE itself.

**Participant:** Thank you very much. I'll give somebody else the opportunity to ask a question.

**Q2:** I have two questions for you. First, could you maybe talk about what drove average revenue per subscription growth, how much of that is product cross-sell versus maybe contracts renewing at a higher rate? Then I have a follow-up question after that.

**Muto:** Give us a moment. The short answer to that question is that both cross-selling and upselling both contributed to our expansion of our customers. If I compare the cross-selling and upselling of the past quarter compared to the corresponding past quota of the last fiscal year, I think more upsell was contributing to this net expansion rather than cross-selling.

**Q3:** Thank you. Then as you approach companies, how receptive are they to your digital marketing solution? Are you finding when you go in to meet companies, you're the first one approaching them with a product like yours? Or are you displacing other companies when you go in and acquire new clients?

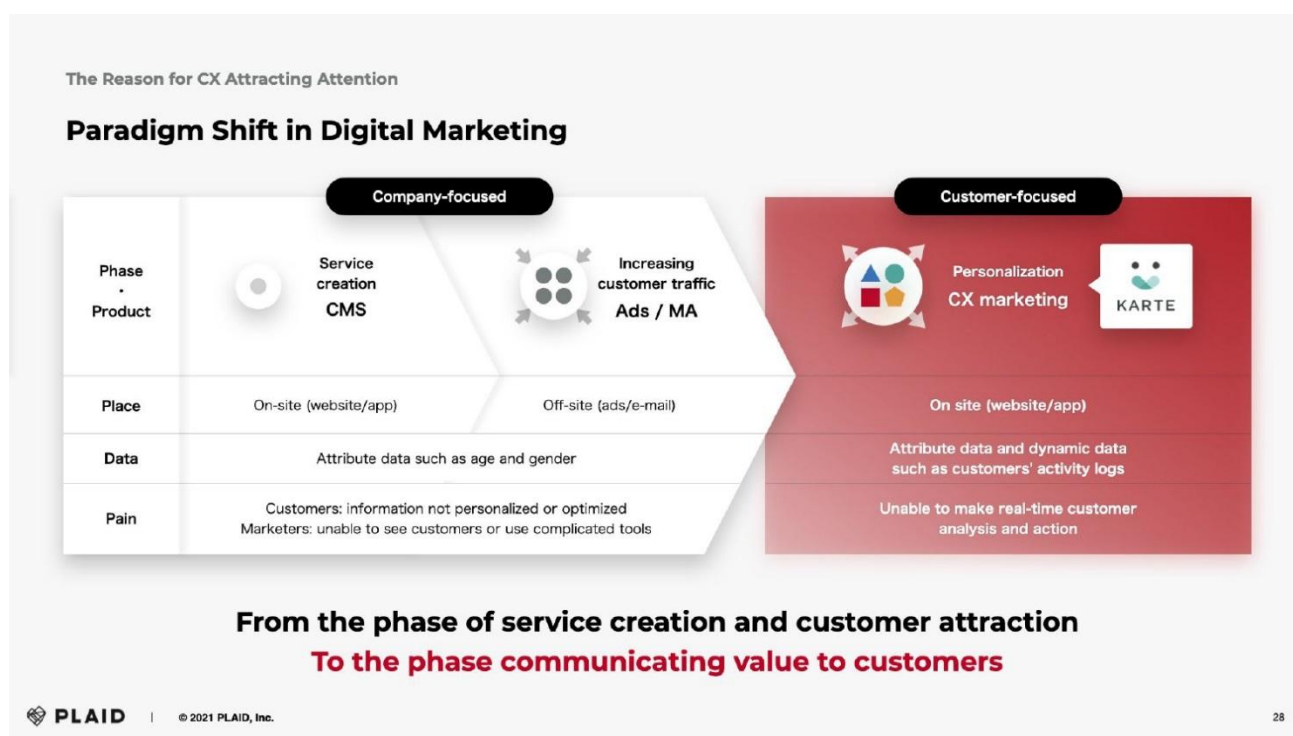
**Muto:** We do not have exact data on that point. But I believe in most of cases, KARTE is add-on, not displacing anything. For example, customers are using Adobe Experience Cloud or Marketing Cloud, and customer will have a contract with us for KARTE in addition to Adobe, or maybe same

thing can be said for Salesforce. That's why Salesforce is helping to sell our KARTE to their clients, because KARTE can be connected to Salesforce. But for some cases, some customers will terminate their existing contract with both vendors and change to KARTE for several reasons. Maybe one reason would be the overseas [inaudible] may be too expensive, and KARTE can cover both the online and offline customer communication messaging. So, the answer is in most cases, KARTE would be add-on product, but sometimes KARTE would displace those products.

**Participant:** Thanks for taking my questions and great quarter.

**Muto:** Thank you very much.

**Q4:** Good afternoon. I had a follow-up just to the answer that you provided regarding the competitive landscape. So, I was wondering if you could talk a little bit about who are other providers who provide a similar customer experience cloud. So, who do you often compete against either locally or globally? You mentioned Salesforce as being more a partner than a competitor. I was wondering what the dynamic with Adobe is with their marketing cloud? Is that direct competition? You said sometimes you're added on in addition to the Adobe offerings. I was wondering if you could just talk about the sort of competitive landscape globally, locally, and what you think outside of either pricing is a competitive advantage for PLAID?



**Muto:** Thank you very much for your question. So, I'm showing one page, this is the positioning of KARTE within the paradigm system marketing. So, the first step Company have to do to start kind of digital online business is they have to create their [inaudible] online. So they need a [inaudible] or they need some webpage creation as a first step.

As the second step, what they have to do is to gather profit. So, they have to send advertisements or send emails to increase profit onto their webpages or mobile app. This is the second phase. After gathering enough customers or online users on their webpages, what they have to do is they have to treat better, they have to give a better customer experiences to their online customers.

KARTE is mainly for the phase three. With KARTE, our other corporate customers can make a real-time segment of their online user, and then send real-time messages or customize the messages

to customers when they're online. So, in that sense, we believe Adobe or Salesforce or some other marketing automation product, are mainly for phase two. So, that's why KARTE is not directly competing with those products.

But sometimes corporate customers would like to use a tool to make a pop-up, to all users. So, some corporate customers do not need a real-time function. They can just show a pop-up to the user based on the [inaudible] data, not real-time data. For such customers, maybe they don't need KARTE, so they can use the cheap option.

So, I'll say the KARTE is appealing to corporate customers with higher motivation or a higher need for real-time customer treatment. Then that's why for this personalization or real-time marketing, we don't see competitor at this moment. But for this marketing automation phase, we see some domestic and international players. But we do not think they are direct competitors.

**Q5:** Thank you, that's very clear. If I may just follow up, so therefore when you mention there are sometimes customers who in the rare instances terminate contracts with their existing providers and then switch over to KARTE because it's cheaper than overseas, why are they doing that? Because as you said, it looks like the overseas competitors are in phase two, you're tackling phase three, so what might cause them to change or terminate those contracts? Would they still not beat that or can they directly do real time and not have the step two?

**Muto:** KARTE can be connected with a tool called a SendGrid. Then if they contract with us, they can send email, so they can cover some functions Adobe or Salesforce are providing. But in terms of a email, a chain email, or a marketing automation or focus function, actually, KARTE is not focusing on the marketing automation function. So, if the customer is more interested in kind of the phase three, real-time customer experiences, sometimes they can use KARTE even for kind of phase to send email. But for some customers who are still sending advertisement or email a lot, maybe marketing automation products, traditional marketing automation product are better.

**Participant:** Thank you very much.

**Q6:** Could you talk a little bit about how you identify individuals on your customers' websites and how that's changing? I know you're not really dependent on third-party cookies, but what identification techniques do you use when tracking end customers across different websites, and how is that changing? Is there any standardized identification method that you can use?

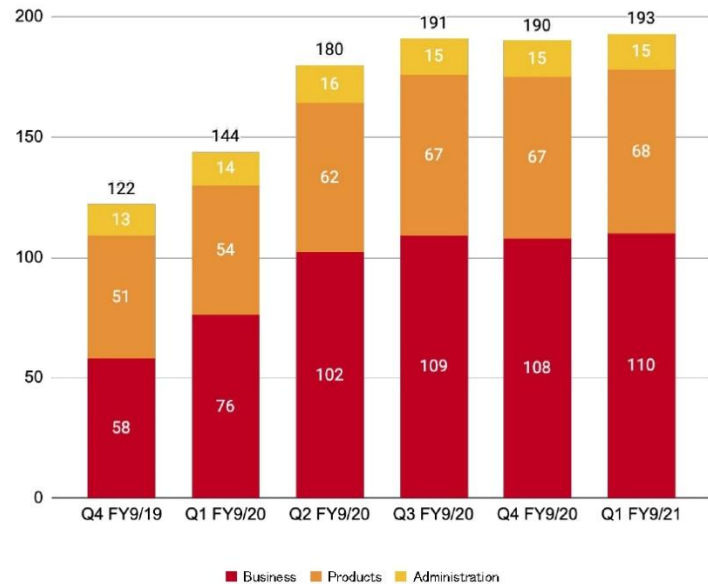
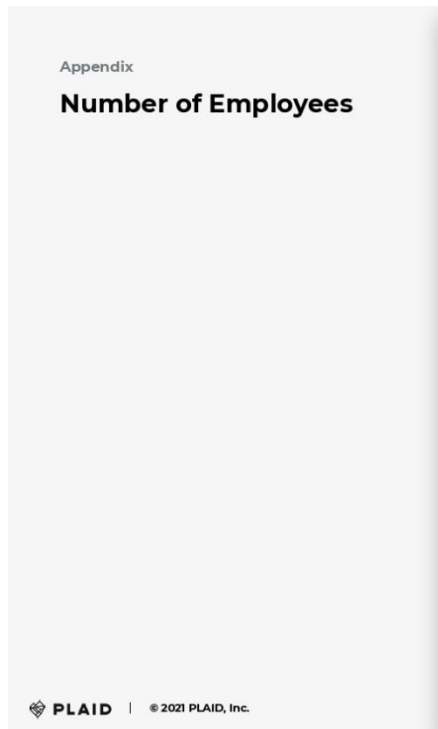
**Muto:** Yes, we are using cookie, but not third-party cookie. It's a first-party cookie. For example, our ecommerce customer uses KARTE to identify their customer, their online customers use their cookies. So, our customers cannot identify user behavior at different websites through KARTE. By using KARTE, what they can get is the behavior data of their user on their website.

**Q7:** I think some American companies are trying to develop techniques where end-users agree to opt in to being tracked, and then that might—in return for incentives, so that the data can then be shared across multiple websites. Is that something you're considering?

**Muto:** Actually, we're not using third-party cookie, so at this moment we do not need to provide such incentive to get allowance for cookies. I'm not for sure, but given your explanation, I think that some kind of approval for third-party plucking, so plucking by different webpages or different parties provider away from the webpages where you are. I think, at least for first-party cookies, I don't think even in the US approval is necessary, but it depends on the website. But at least in Japan, we don't need to get such approval for the first party cookie usage.

**Participant:** Thank you very much.

**Moderator:** Thank you very much for the questions. So we have one question.



Note: 1. Number of employees as of the end of each fiscal quarter

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**Q8:** Thanks for taking my question. On one of your slides, I think it's page 21, your employee count has been pretty flat for the past three quarters. So, my question is do you feel like you are already capturing the full potential of the current clients that you can acquire right now in the market? Or do you feel like if you were able to grow your sales teams more you would be able to capture more clients much faster?

**Muto:** Thank you very much. So, yes and no. At this moment, we're maybe capturing clients' leads. Our lead to KARTE and also pipeline for KARTE are growing. So, to capture all the lead in the pipeline potentials, we think we need to increase our sales team, and also customer success team going forward. So, for last three quarters, we've been more focusing on productivity, especially given the environment of the COVID-19 pandemic. But now I think we are in a phase to increase the new customer acquisitions. For that purpose, going forward, we might further increase our sales and the customer access members later this fiscal year or next fiscal year.

**Q9:** Thank you. My second question is I think you mentioned about pipeline or maybe leads. Have you seen that pipeline increase over the last quarter since, let's just say September?

**Muto:** Yes, actually the fourth quarter lead or pipeline are increasing compared to the fourth quarter last fiscal year. We're not disclosing numbers on the number of leads or pipelines, but it's growing steadily. In addition, thanks to the increase in the name recognition of PLAID or KARTE with the IPO as of last quarter, I think that IPO is also contributing to increasing lead in the pipelines. So, I think we are on the right track to expand our opportunities in this market.

**Participant:** Thank you very much. Just a follow up.

**Muto:** Let me add one more thing. As I mentioned before, the KARTE Blocks would be a good way to increase our potential. KARTE Blocks is easier product and more appealing to the customers more immediate pain point. By having KARTE Blocks penetrated, before KARTE itself, opportunity for KARTE core will be expanded. We will be using KARTE Blocks for lead generation for KARTE core.

**Q10:** Thank you very much. Just as a follow up, you mentioned that pipeline or leads have been increasing for the past quarter. What kind of clients are you seeing are coming in? Are they any different from what you've been seeing, the clients that have actually contracting you in the past quarter? Or are they any different in terms of maybe industry or size of company, whether it's an SMB or enterprise?

**Muto:** Thank you. KARTE originally started with ecommerce industry. But now we are seeing the increase in non-ecommerce industry. One industry I'd like to mention is the finance industry.

They are shifting their focus more to this style. Mega banks are shutting down their branches, and instead of that, they are spending, investing in more digital by using KARTE they can make new customer acquisition as well as they can treat existing customers upselling or cross-selling.

In addition, Japanese finance industry, like mega banks, are becoming more open to use the cloud services. They used to be very cautious about using cloud service. But now they are opening their system to cloud companies like us. This is also contributing to penetration into the finance industry. Then besides finance industry have a big wallet. Compared with their IT investment, KARTE pricing will be quite cheap. Those are major reasons for increasing in the finance industry.

**Participant:** Thank you Very much.

**Moderator:** Thank you very much for the question.

Since there are no other questions, we would like to end the PLAID September FY2021 first quarter earnings report. Thank you all for gathering despite your busy schedule.

**Muto:** Thank you very much.

[END]



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