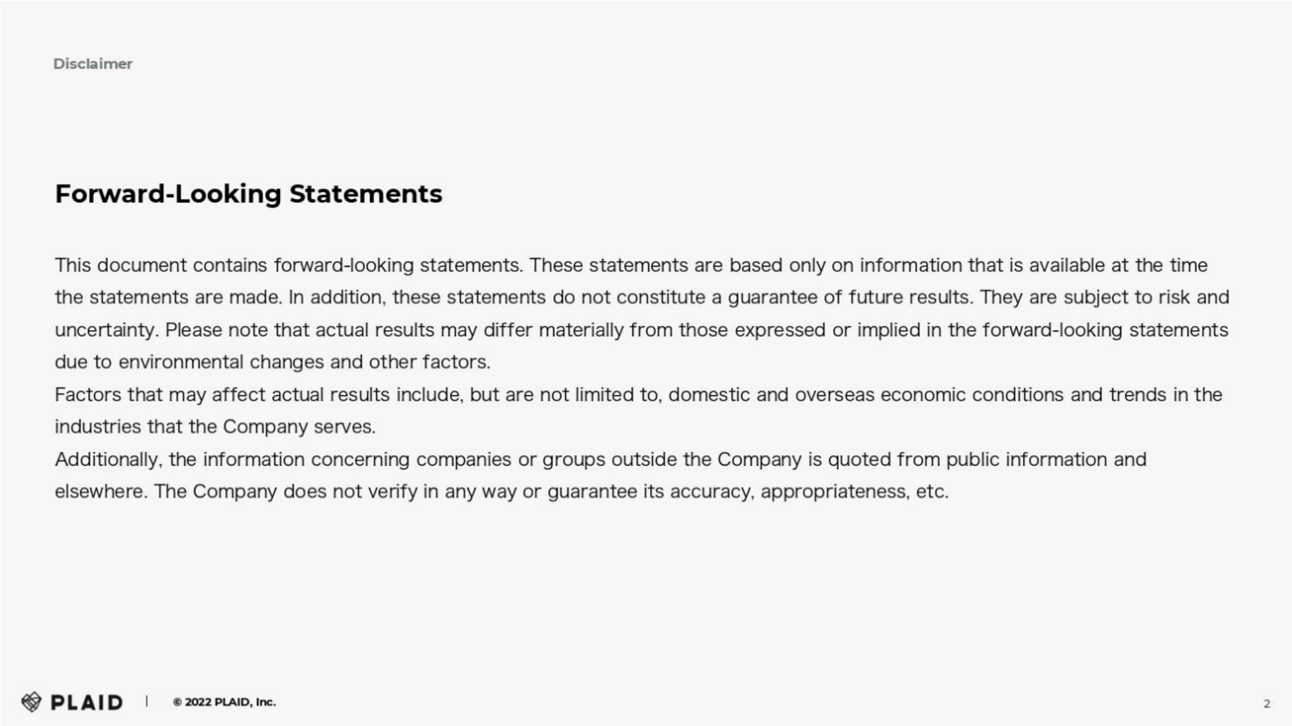
PLAID, Inc.

Financial Results Briefing Q2 FY 9/22

May 10, 2022

Presentation

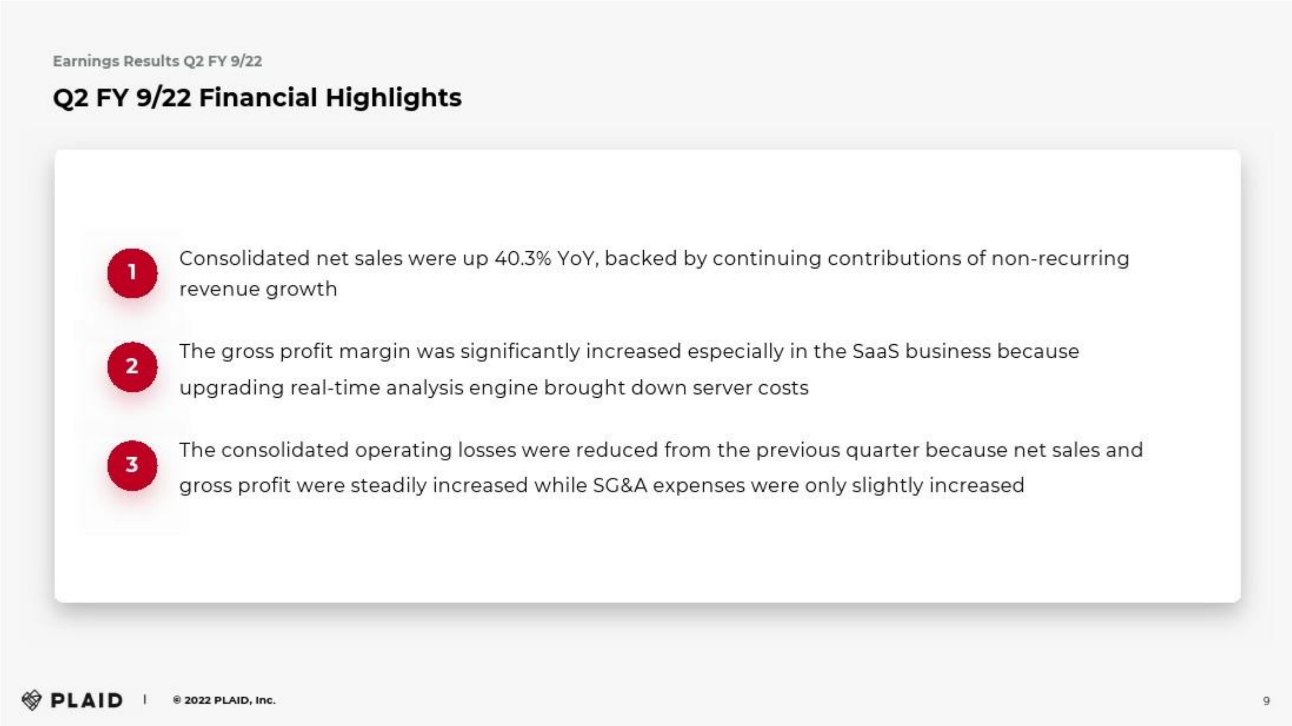
Moderator: Thank you very much for joining us today. I would now like to begin the presentation of the financial results for the second quarter of the fiscal year ending September 2022 for PLAID, Inc.



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.

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

We will now begin the presentation by Mr. Kurahashi, CEO and Mr. Muto, CFO. Thank you.



Muto: Now, I am Muto, CFO, I will first talk about the financial aspects, and then Kurahashi will talk about the business. Please look at page nine.

These three are the highlights of this second quarter consolidated results.

First, on a consolidated basis, net sales grew 40.3% YoY. In addition to our stand-alone growth, this is due to the growth of Emotion Tech's non-recurring consulting services. This will be explained later.

Second, gross profit on a consolidated basis is also well above the level of the full-year forecast. The introduction of the new analysis platform, which I have been talking about since the previous quarter, has improved the gross margin and gross margin ratio.

Third, the operating deficit has been reduced compared to the plan. This was partly due to increase in sales and gross profit, but it was also because of control of SG&A expenses, especially marketing expenses.

In addition, Emotion Tech is also performing better than expected, resulting in a smaller operating deficit and investment than we had expected. Next page, please.

Earnings Results Q2 FY 9/22

Net sales / YoY Growth Rate : Consolidated **1,856 mil.** (Q2 FY 9/22) **/ 40.3%**	**# of Customers[2] : Consolidated** **699** (End of March 2022)
ARR[1]/ YoY Growth Rate : Consolidated **6,637 mil.** (End of March 2022) **/ 28.4%**	**NRR[3] : Non-Consolidated** **107.6%** (Last three months avg.)
Gross Profit Margin : Consolidated / Non-Consolidated **73.5% / 73.6%** (Q2 FY 9/22)	**Employees : Consolidated / Non-Consolidated** **326 / 269** (End of March 2022)

Notes: 1. ARR: Annual Recurring Revenue. It is calculated by multiplying monthly subscription revenue at the end of each quarter by 12. It is an indicator that expresses the net sales expected to be obtained from existing subscriptions alone during the 12 months starting the month following the final month of the quarter based on the assumption that all existing subscriptions will be renewed at the specified time / 2. Total number of customers utilizing our products as of the end of each quarter / 3. NRR: Net Revenue Retention (Rate). It is calculated by dividing the (i) monthly subscription sales of current customers who have continued to subscribe for at least one year by (ii) the monthly subscription sales for the same month in the previous year

PLAID | 10

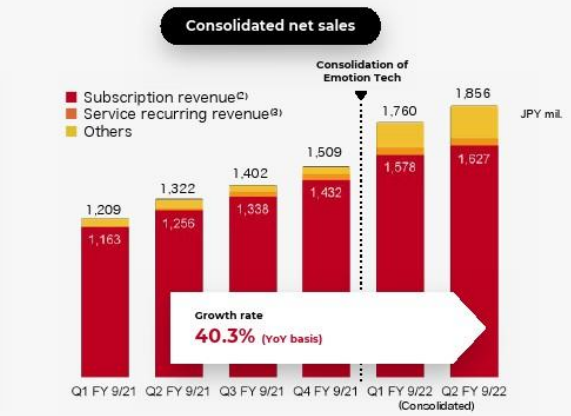
Here are the Key highlights.

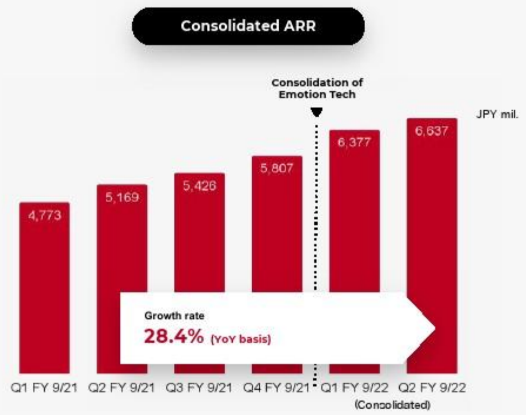
Net Sales and ARR grew by 40.3% and 28.4%, respectively. Gross profit, at the level which I mentioned earlier, and the number of customers is just under 700, NRR is 107.6%. The Company has 326 employees on a consolidated basis.

Earnings Results Q2 FY 9/22

Consolidated Net Sales and ARR are Growing Steadily

- Consolidated net sales were up 40.3% YoY, backed by steady increase in recurring revenue as well as a contribution by non-recurring revenue growth
- Consolidated ARR[1] was increased by 260 JPY mil. from the previous quarter to 6.6 JPY bil.





Notes: 1. ARR: Annual Recurring Revenue. It is calculated by multiplying monthly subscription revenue at the end of each quarter by 12. It is an indicator that expresses the net sales expected to be obtained from existing subscriptions alone during the 12 months starting the month following the final month of the quarter based on the assumption that all existing subscriptions will be renewed at the specified time. / 2. Net sales taken up by the total amount of monthly charges for products that can be earned on a recurring basis / 3. Net sales taken up by the total amount of monthly charges for services that can be earned on a recurring basis

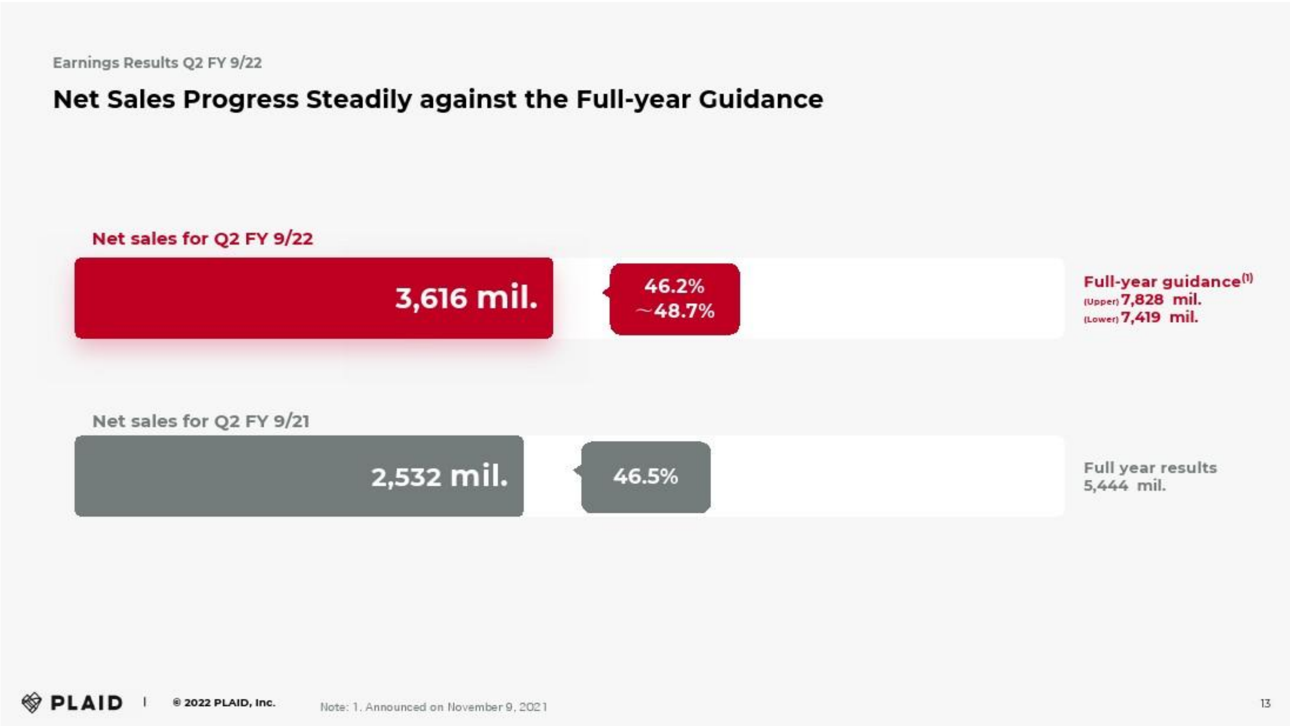
PLAID | 12

Net Sales on a consolidated basis for Q2 came to JPY1.86 billion. This represents a growth of 40.3%. Basically, these net sales consist of three components which have been in this form since the previous quarter when Emotion Tech was consolidated. The bottom layer represents subscription revenue, and it includes the product usage fee.

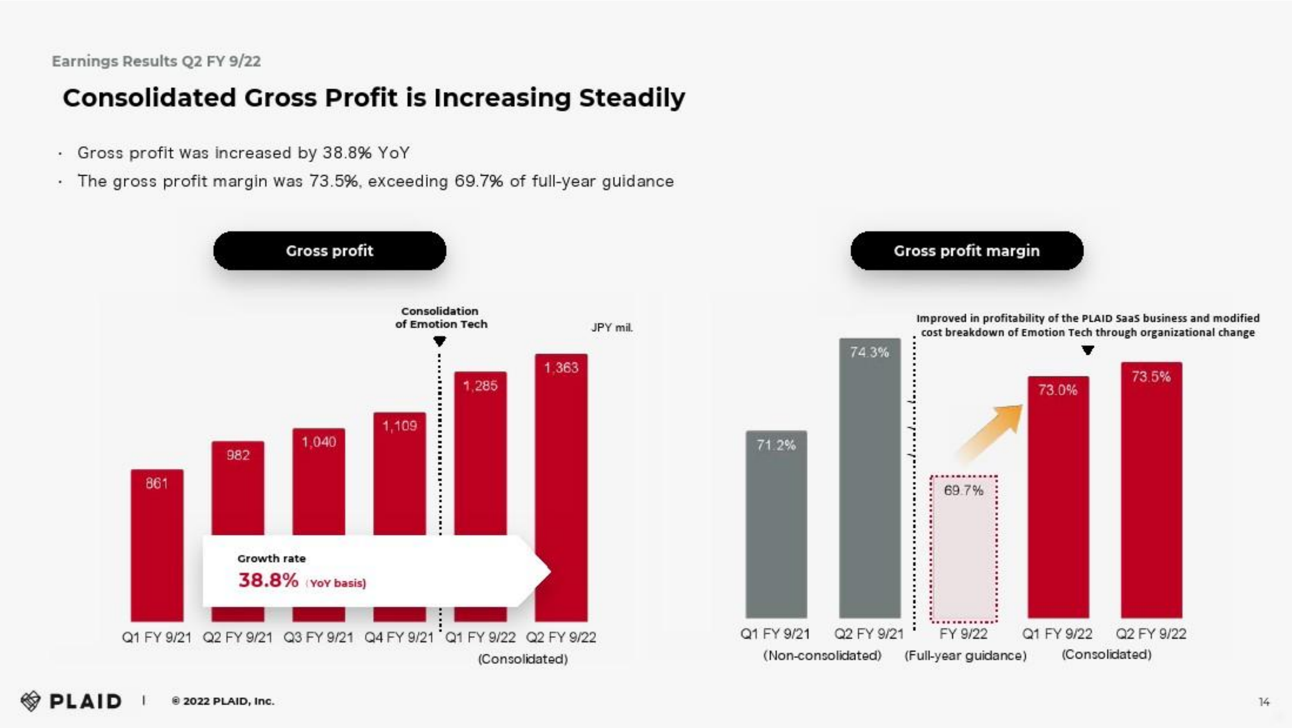
Look at the second layer. This is the fee for consulting and other services, but it is a recurring one, one that can be charged on an ongoing basis.

The third layer, in yellow, includes sales of consulting services, etc., which are not charged on a recurring basis, as well as other products that we call legacy products and initial costs.

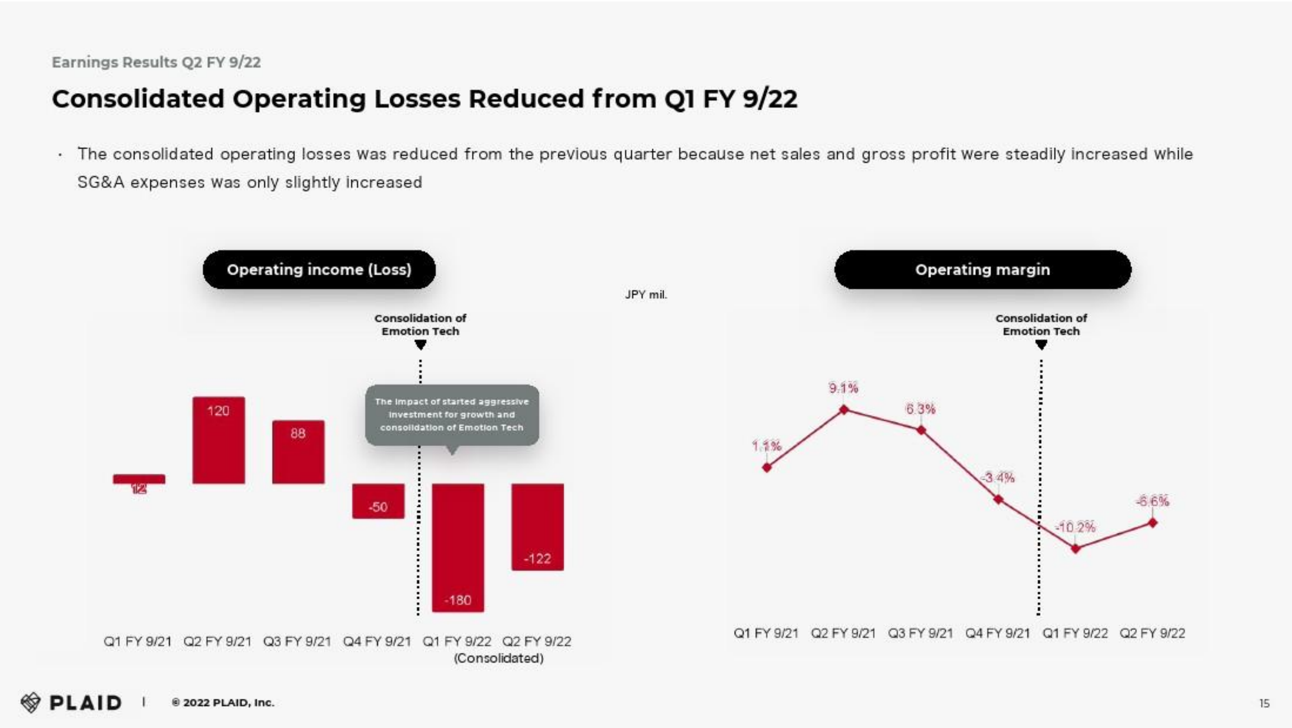
As you can see, the yellow area has grown significantly, contributing to the growth in Net sales. On the other hand, if you look at the right-hand side, ARR on a consolidated basis was JPY6.63 billion, a growth of 28.4%.



Although we have revised our business performance this quarter, we are looking at the percentage of progress against the pre-revision forecast. The current fiscal year is JPY3.616 billion, which is 46.2% to 48.7%, which is not a bad rate of progress compared to last year. Therefore, we believe that progress up to Q2 is good.

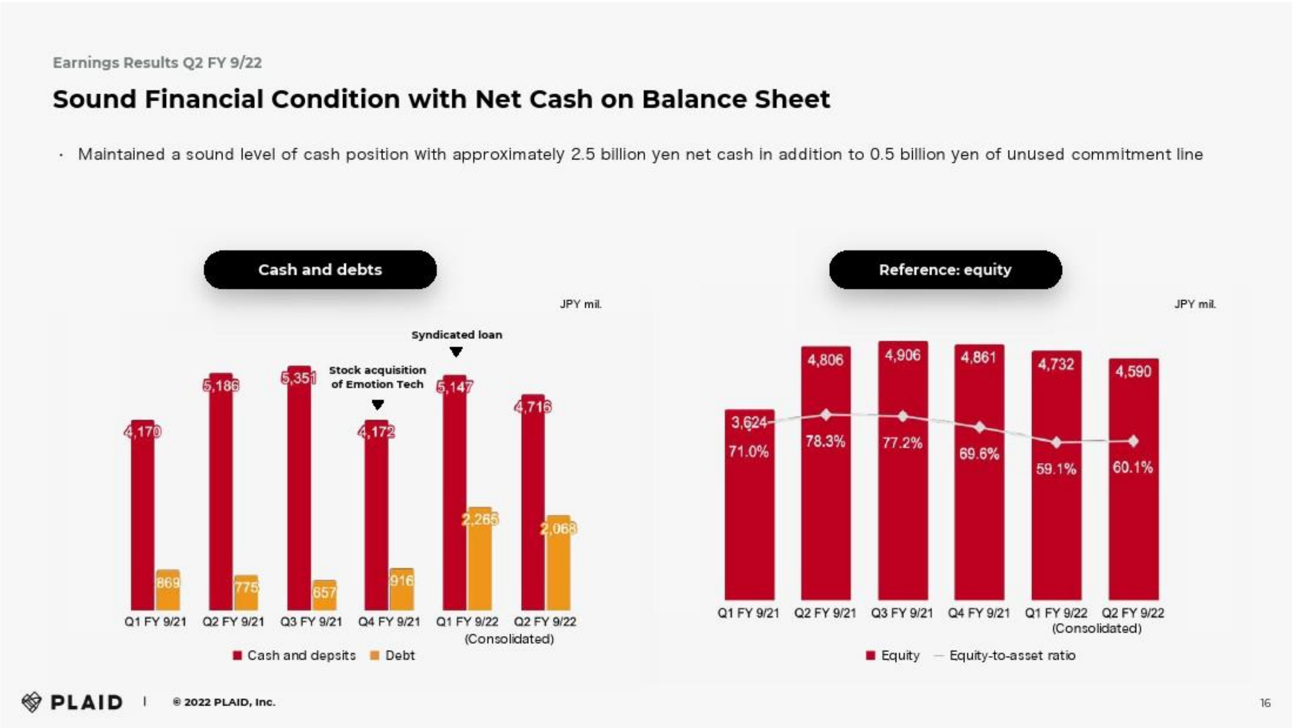


Next is gross profit on a consolidated basis. Here, gross profit growth was 38.8% to JPY1.36 billion in Q2. The gross profit margin, this is the right-hand side. The assumption for this forecast was a level of about 69% as shown there, but we achieved a level significantly higher than this in Q1 and Q2.



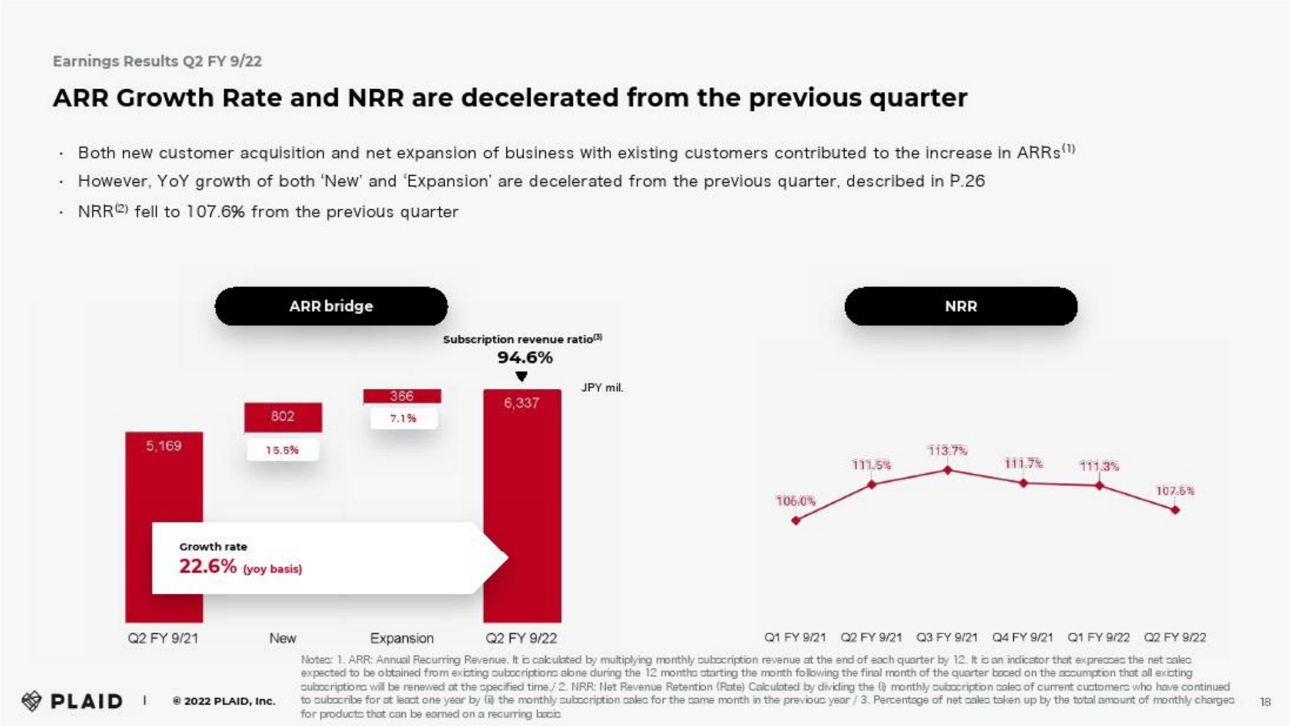
You can see that the operating deficit has shrunk in Q2 compared to Q1.

As I mentioned earlier, we originally envisioned long-term investments in new products, branding, etc., in addition to short-term marketing expenses, but we decided to make investment and expenditures as they are needed at the right time.s As a result, the deficit has been reduced to JPY122 million on the consolidated basis.



As you can see from the balance sheet, we basically have sufficient cash. We have JPY4,716 million in cash and have borrowed JPY2,068 million, so we have net cash of JPY2.5 billion plus a commitment amount of JPY500 million, so our financial position remains sound.

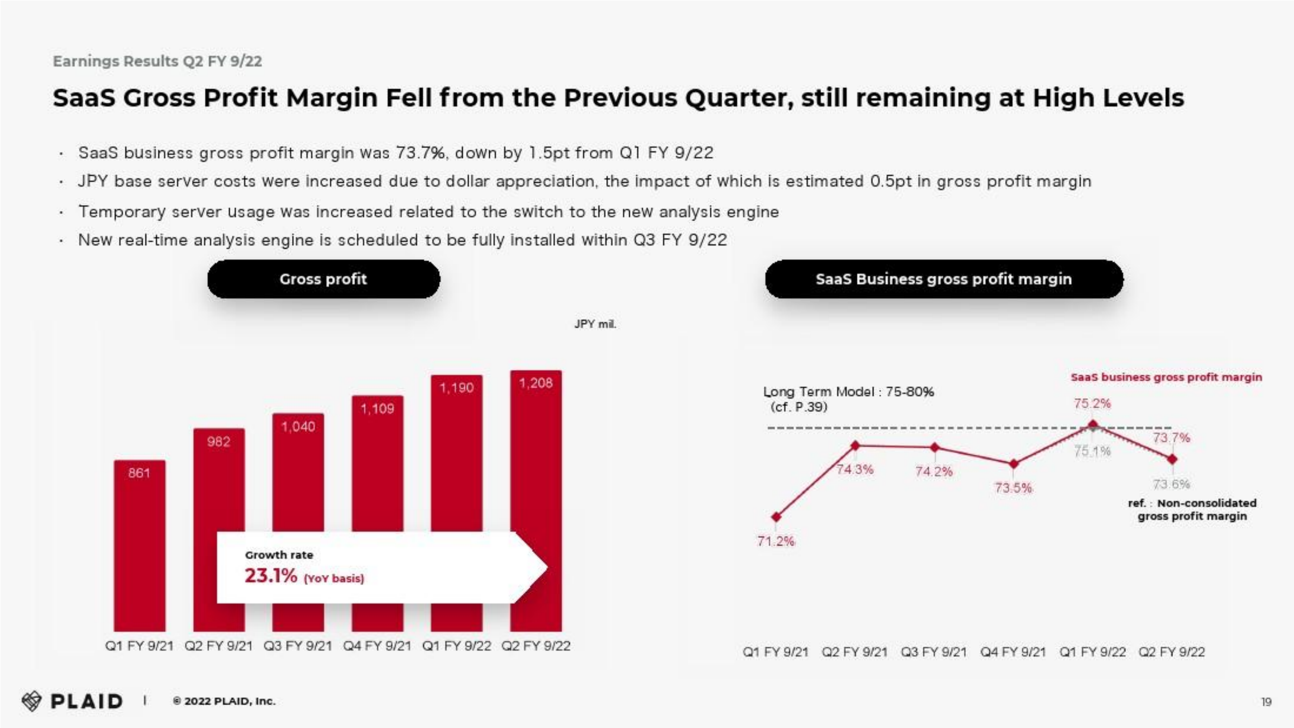
These are the consolidated figures.



Nextis a non-consolidated basis. As for the ARR growth of PLAID alone, Q2 figures show a growth of 22.6% YoY.

If we break this down into new customer acquisition and expansion of existing customers, new customers account for 15.5% of the total. The existing portion is 7.1%. That is ARR level. And if you look at NRR, it is 107.6%, which is roughly 7% of the existing transaction expansion.

I will provide more details on this situation in a later section, but compared to this expansion in Q1, the speed of growth has slowed down. Mr. Kurahashi will later explain how we perceive these issues and what measures are being taken to address them.



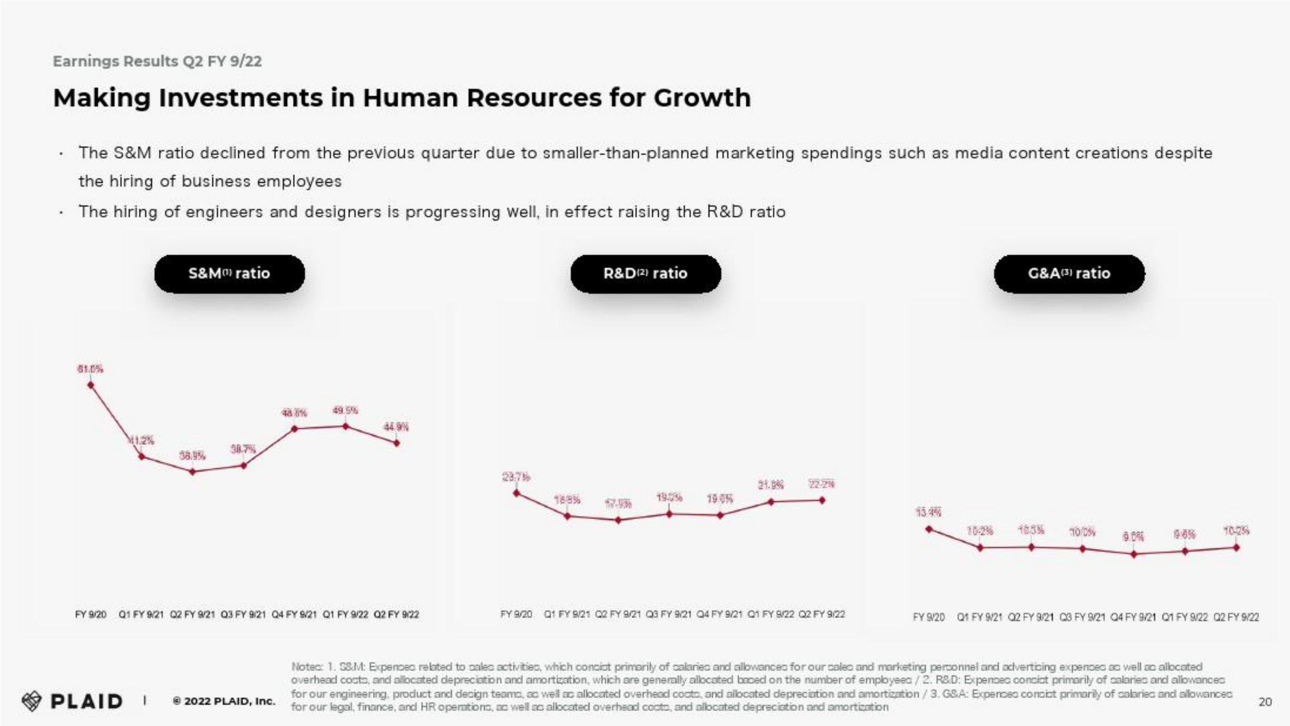
This is the gross profit on a non-consolidated basis. The movement is basically the same as that of the consolidated basis. The impact of the new analysis infrastructure has reduced server costs, resulting in a high gross margin.

In Q1, the gross margin was 75.2%, but compared to that, the rate has dropped by about 1.5% to 73.7%.

0.5 percentage points of this decrease is due to an increase in server costs resulting from the depreciation of the yen. Our main server costs are settled in dollars, but our income is in yen,, so the depreciation of the yen has slightly worsened our cost ratio.

In addition, there are temporary server costs associated with the transition to the new analysis platform. As a result, the Gross profit margin has decreased from the previous quarter.

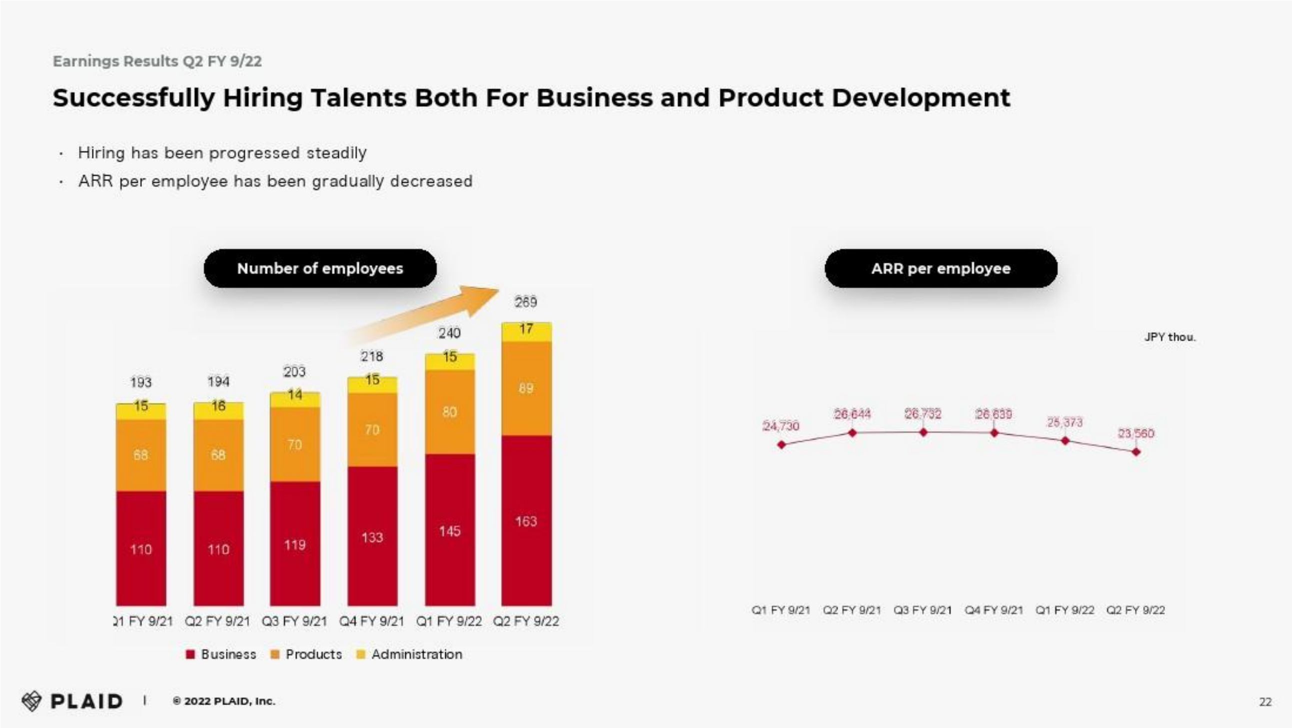
However, as we have stated in the past, we expect server costs for the new analysis platform to decline, so in that sense, we believe that in the long run, the gross margin ratio has achieved the levels of this long-term financial model.



The SGA expenses are shown on a non-consolidated basis. In terms of the Sales & Marketing ratio, it is down to 44.9%. This is related to marketing expenditures mentioned earlier.

On the other hand, there has been some growth in R&D. This indicates that the recruitment of designers and engineers is going well.

On a non-consolidated basis, the operating deficit was reduced by JPY60 million compared to JPY93 million in the previous quarter.



Human resource acquisition, we are doing well here. The number of employees has increased from 218 at the end of last fiscal year to 269. I think you can see that this is an increase on both the business side and the product side.

Although the ARR per employee is on a downward trend, this was our expectation from the beginning, and we believe that the absolute amount of JPY23 million is a high enough level.

Earnings Forecasts for FY 9/22

Revision of Full-year Earnings Forecast for FY 9/22

- Consolidated net sales are expected to fall short of the previous guidance due to the deceleration of PLAID's standalone SaaS business growth, described in P.26
- New customer acquisitions, existing customer retentions and existing customer expansions are all fall short of our initial plan for this fiscal year
- Consolidated operating losses and below are expected to be reduced from the previous guidance owing to an improved gross profit margin by upgrading real-time analysis engine and a decreased SG&A expenses such as re-planning marketing investments

(JPY mil.)	Previous guidance	Updated guidance	Difference	Change (%)	FY9/21 results
Net sales	7,419～7,828	7,186	▲641～▲232	▲8.2%～▲3.1%	5,444
Year-on-Year	+36.3%～+43.8%	32.0%	-	-	-
Gross profit	5,169～5,454	5,233	▲220～+64	▲4.0%～+1.2%	3,993
Gross profit margin	69.7%	72.8%	+3.1pt	-	73.3%
SG&A	6,734～6,797	6,477	▲257～▲320	▲4.7%～▲3.8%	3,822
Operating income	▲1,565～▲1,343	▲1,213	+130～+351	-	170

PLAID |

So far, I have talked about the results of the first half up to Q2. Now, I would like to talk about the earnings forecast.

In the previous presentation, I explained our forecast for the fiscal year with a Sales level of JPY7.4 billion to JPY7.8 billion. The level here has been revised downward to JPY7.186 billion. The lower limit of JPY7.4 billion that was disclosed in the previous range has been moved to JPY7.186 billion.

In terms of the percentage increase or decrease, the adjustment is about 8.2% to the original upper limit and 3.1% to the lower limit. This is a downward revision.

The background, as I mentioned earlier, is that the buildup of subscription sales and ARR is slowing. On the other hand, with regard to gross profit, there is the transition to the new analysis platform, so compared to the originally announced level, it is higher than the lower limit. The lower limit, which was JPY5.1 billion, is now updated to JPY5.233 billion. So basically, we are inside the range on a gross profit basis.

As for SG&A expenses, the announced SG&A expenses are lower than those in the previous announcement, resulting in an operating loss of JPY1.213 billion, at least JPY100 million lower than the lower limit of JPY1.3 billion. We have also revised the top and bottom lines in this area.

Kurahashi: I would like to talk from here as CEO.

In response to what has been said in the previous section and also in light of the revised full-year earnings forecast for the current fiscal year, I would like to briefly discuss the general situation and update on our business.

As mentioned earlier, we believe that the second half of this fiscal year is expected to be difficult, but let me begin by saying that I think I can tell you that we are not too pessimistic about it.

In January, we issued a press release on some of the details of the organizational changes, and we had positioned this fiscal year's plan as a period of forward investment. We decided that the timing was inevitable given our current business and the structure of our value provision, and therefore, we have decided to make this transition.

We would like to firmly update our activities and to make a shift to a mode that allows us to have a stronger investment discipline.

This slide shows the current non-consolidated business performance issues and the policy on how to respond to them. New customer acquisition, existing customer expansion, and cancellation/downsell are vertically listed. Issues and main action plans are listed horizontally. In a nutshell, as a result of these, we have recognized that to be caused by the market, our customers, and the PLAID offering products, their relationship and status, the recognition of issues and the delay in identifying them.

I am convinced that there is no mistake about the products we have created and the value we have been provided. However, we believe that new and existing products have been affected as a result of the delivery issues that have emerged in delivering these products to a wider range of customers.

Also, our main business, KARTE, has been in operation for about seven years since its release.

I believe that the good successes accumulated in the process of business growth up to this point have led to delays in transitions and high transition costs, including for the organization itself.

To reiterate, we are not pessimistic about the second half of the current fiscal year, even though we are expecting a difficult performance. We are making progress in identifying the causes and issues, and in sorting out the actions to be taken, especially the initial response. In terms of transitions for the next decade, we believe that we should proceed with a firm and painful transition at this time.

In the long term, we believe that it is definitely a necessary challenge. Above all, I am convinced that the potential of our business, including the business we will develop from here, is expanding.

As you can see later, TAM has a vast area and also we are experiencing an expansion of the market. In addition, as shown at the beginning of this IR document, we are expanding the range of our products and the value we provide year by year.

I think there is no doubt that we have our own potential because of the expansion of these markets, the expansion of our value proposition, and the combination of these factors. As I mentioned earlier, we are currently trying to find a way to deliver these products to a large number of customers and to achieve scalability in this area.

However, as I mentioned earlier, we believe that this is an issue that we can definitely break through, and although it may take some time, we would like to move forward by firmly Solving problems each of these issues one by one.

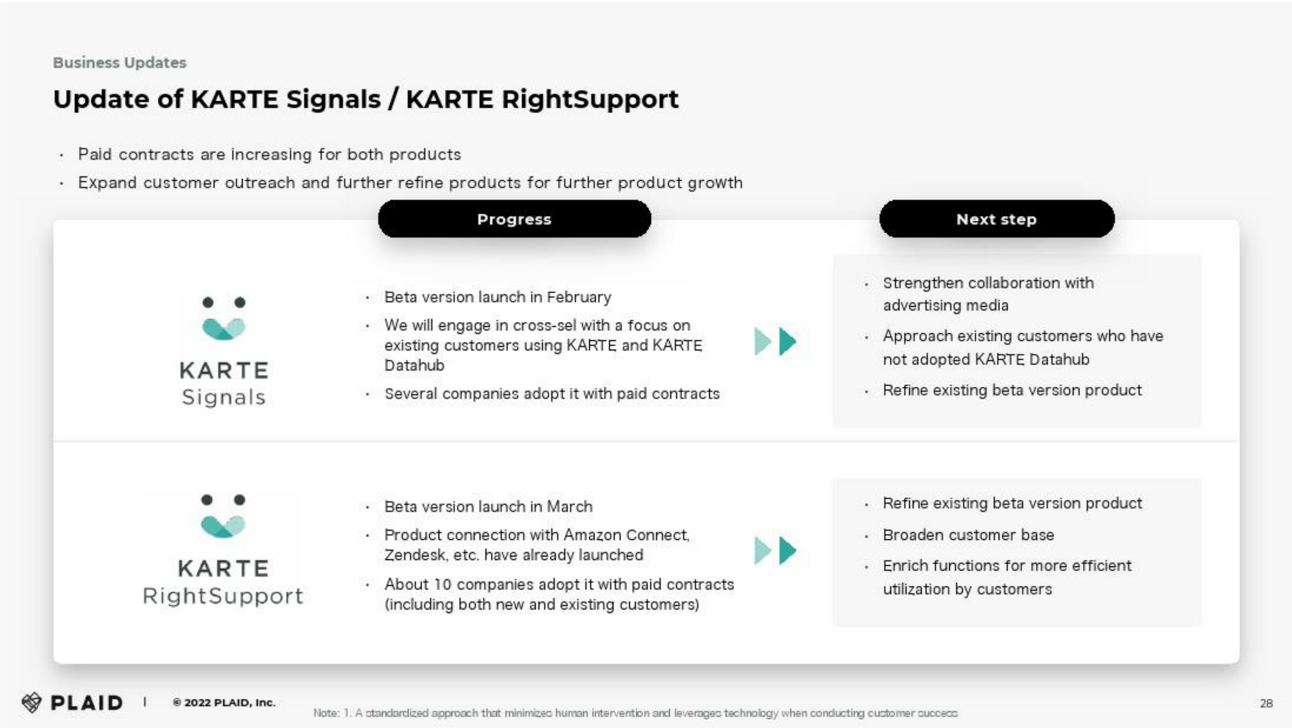
I hope you take a look at this slide for more details.

The TAM section I mentioned earlier was previously included in this document as the potential market size of KARTE for Web. The market size of KARTE for Apps is also included in this report.

For reference, the middle left-hand column shows the number of clients as of Q2 of the current fiscal year as 559.

On the right-hand side, there is a market with high potential to provide services within a short distance and in a short term, and in this market of SOM and SAM, there is a potential of nearly 10,000 customers. Our current number of existing customers is still only a small part of this market.

As the market expands and the way products are delivered changes, we think the potential market size here will surely expand. We are now reviewing our structure, including our delivery system, with an eye on the future, not just the present.



On the other hand, we are also making good investments, upfront investments, and movements as we look ahead to the future.

We have three topics: KARTE Signals, KARTE RightSupport, and Emotion Tech. I would like to talk about the first two, and about Emotion Tech from Mr. Umemura, who is the Director of Emotion Tech.

First, KARTE Signals, we launched a beta version in February. Paid contracts are already underway. We are currently in the process of launching the program based on KARTE's existing clients, including the verification of operations first.

We will enter the process of updating and refining the product and building operations with a view to introducing KARTE Signals as a stand-alone product in the future.

The online seminars for each of these product lines that we conducted immediately after the release of KARTE Signals were quite high-profile events, with more participants than for any other KARTE products to date.

This is a great start to experience the high level of attention from the market. It is difficult to make a large contribution to the bottom line suddenly, but we are now focusing on operations and building up the initial results with a view to the next fiscal year and beyond.

Next is KARTE RightSupport. We launched a beta version in March. We have already contracted with more than 10 clients for a fee, and we are running out of resources, which means that we are in a situation where we need to grow this business at an accelerated pace and allocate more human resources.

The overall relationship between KARTE RightSupport and KARTE can be seen in the opening document, the product mapping slide, which basically envisions KARTE as a product that we offer with the concept of one-stop management of various customer contact points.

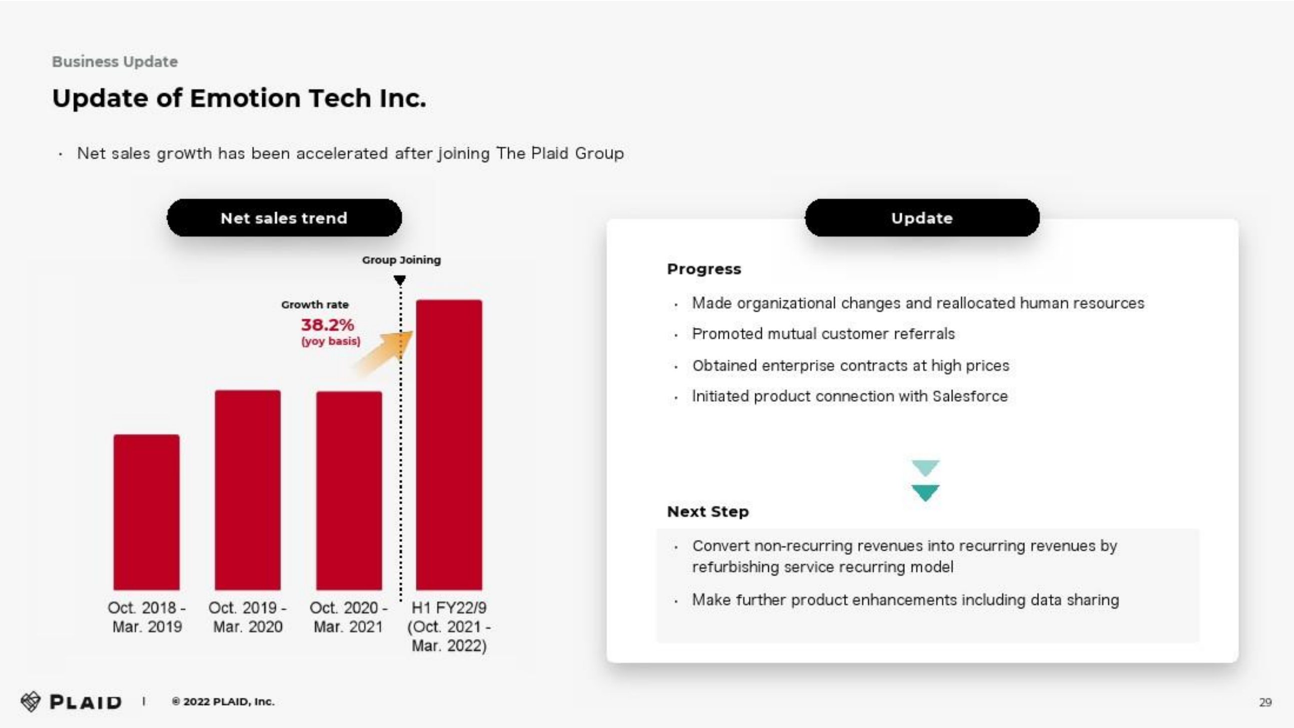
However, in addition to the traditional use of data for marketing purposes, KARTE RightSupport is a product that focuses on the organic use of data in the realm of customer support.

It is very interesting to note that there have been many cases where contracts with enterprise customers, who have had difficulty adopting KARTE in the past, have gone relatively smoothly with KARTE RightSupport.

By developing an approach to utilizing the same data for different purposes, we have been able to start relationships with companies that we have not had the opportunity to work with in the past. I believe that RightSupport will be a trigger to bring in a discontinuous element that is different from KARTE.

Both businesses are expected to have a negligible business impact in the current fiscal year. However, we are in the phase of refining the business to the point where it will have an impact in the next fiscal year and beyond, and I believe that we have achieved a very promising upfront investment.

In addition to this, I would like to talk about Emotion Tech, which joined the PLAID Group last year, and Mr. Umemura would like to talk about recent developments here.



Umemura: I am in charge of Emotion Tech, and I would like to talk now.

As shown in the graph, Emotion Tech, which joined the PLAID Group last October, was able to achieve a high YoY growth rate of 38.2% plus at the end of the first half of the year.

Recent progress includes organizational changes, appropriate investments, mutual customer referrals between PLAID customers and Emotion Tech customers, and cross-sell promotion of our products, which is steadily increasing our profit.

In the last six months, we have also succeeded in receiving a large order from a major Japanese company, and we are now in the process of working on this project with the aim of making recurring revenue in the medium to long term.

We are currently in the process of tuning our business model for the second half of the year. We are in the process of updating our business model to shift non-recurring revenue to recurring revenue, and we are also currently working on a major product update.

The first release is scheduled for this fall or winter, and the development team is currently working on new development in order to officially release a major updated product in about a year's time. That's all from me.

This is the end of my presentation. Thank you very much for your kind attention.

Question & Answer

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

We received questions in the Q&A form.

Q1: please tell us how much you expected ARR, only for the second half of the fiscal year, at the beginning of the fiscal year, and how much you reduced it this time.

Muto: the growth rate of PLAID alone was about 30%, which is in the middle of the range.

The range of PLAID's non-consolidated growth relative to the consolidated range was approximately 25% to 35%, with about 30% in the middle. In contrast, the revised forecast is based on the lower limit of a sales level of a little less than 20% on a PLAID non-consolidated basis for the current fiscal year.

We have been asked additionally whether new or existing is affected. As you can see, both new and existing customers grew at a slower pace in Q2 compared to Q1's YoY growth, and we believe that churn has had a certain impact.

As I mentioned in Q1, until now there have been relatively few cancellations of large contracts exceeding JPY1 million per month, but since Q1, there have been some individual circumstances, especially business conditions on the corporate side, such as the closing of services or cost reductions, that have caused cancellations.

This trend is still continuing, and the cancellation of these contracts, which are relatively large in terms of value, has had an impact on the current delay in ARR accumulation. That's all from me.

Q2: I have two confirmations. Regarding your company's strategy, you have said that you are aiming at high-end customers who spend more than JPY1 million per month, customers who can use the system well, and customers who do not require support. You said you would be relatively negative about cancellations of inexpensive services, but you will be targeting high-end customers.

I wonder if that strategy will change. On page 26, there is a subtle reference to sales and marketing activities associated with maturity, so my first question is whether to go all the way or to focus on the high-end as in the past.

The second question is that you would focus on products, but on the other hand, you also introduced the TEAM service, and as you can see on page 26, there were some customers who had difficulty without support, and the President mentioned the identification of delivery issues.

Will you continue to focus on products as before? Or will you place more emphasis on products plus , human support such as TEAM service than before? Please tell me if my understanding of these two strategies as they have been up to now is correct, and if there will be any changes in the future.

Kurahashi : First of all, I think you are talking about how we view the customer groups that we should focus on, or rather, prioritize in our strategy.

We have a history of testing different approaches to different customer segments. On the other hand, our main strategy has been to prioritize support for high-end companies that are large in scale or have the capability to use them to a certain extent.

Basically, I don't think the trend there will change. Churn in large customers, of course, is occurring. However, we are still seeing a certain level of stable utilization of the system.

Looking back over the past year or two, this is not only the value provision from our side, I have the impression that our business, products, and customers have begun to be targeted.

This is meant to be a kind of replacement targeting from the competitors. There are various approaches, such as lower-cost proposals or packages that include operations, etc., and where we do not offer such substantial value, we are being targeted by shifting the axis.

The other aspect is that larger companies, enterprise companies, may switch to in-house production if the use of KARTE is limited.

If only partial and fixed utilization is to be implemented in a company's service, it may be possible to consider lowering the cost of recurring by temporarily developing and implementing such a service.

So, although these seem to be two different issues or problems, we believe that they are just different cases that ultimately resulted in different outcomes.

I think it is important for us to take a fresh look at the value we provide, not only in terms of the products we offer, but also whether we are solving our clients' problems and generating ROI by making full use of our capabilities and to return to such very basic points.

We are thinking that the order of things should be to get those things in order first and then start various other things.

The second question is whether we are offering a TEAM service or a product-oriented development. In conclusion, it is both, but from a short- and medium-term perspective, as I mentioned in the first question, our project is quite flexible and general-purpose in some aspects.

Therefore, it is easy to imagine a case in which the intention or purpose of what is being utilized is not reached to the value without some intervention.

As the market phase in which we provide value gradually grows and progresses, there will naturally be an increasing number of customers who do not have capability and a clear sense of purpose.

In such cases, we believe that it is extremely important, not only to provide a product environment, but also to work closely with the client to develop strategies and achieve results and to make a human commitment to this process.

Therefore, we have been delivering performance through our products, but we would like to provide a more three-dimensional experience with the support of people, not just products.

On the other hand, PLAID's overwhelming strength is its products, how to make the person's activities productive and efficient. This is also important both for our support and for the activities of our clients .

Therefore, it is not one or the other, but in the short to medium term, we would like to promote value creation in terms of product plus people in this team. In the medium to long term, we think it is important to develop products that facilitate higher performance. That’s all from me.

Q2-2: Finally, you say that both are important, but in the short to medium term, products through people, plus three-dimensional offerings with people. In the mid- to long-term, you are developing products that can improve performance without spending that much on human resources. Is that what Mr. Kurahashi is targeting at in the mid-to-long term?

Kurahashi: I see. To clarify the nuance of your first question about whether we are targeting for the high-end users or the omnidirectional, I mentioned that our main strength is the high-end users.

I think we need to do more and more to make full use of our products and create value for those high-end users. We need to increase the influence of our products on these companies and their services.

For example, if there were 10 this year and 10 next year, it would mean that the value of the product has not increased, so I believe that continuous commitment is required.

In pursuing this goal, we are currently facing the issue that the value provided by products alone is not sufficient. Therefore, we need to provide value through people quickly to supplement this.

On the other hand, then, if this means that people will not be needed in the long term, my answer would be “no”. We are also improving efficiency through products so that we can invest more of that person's commitment in some sort of radical or unaddressed area.

However, I believe that it will be important to increase the commitment of people to new areas, so it is not that one or the other will disappear, but I think that it is very important to keep both wheels turning.

Q2-3: I understand.

I think you have been talking about products rather than consulting, but from now on, would it be correct to think of it as products with people?

Kurahashi: Yes, that's right. We are proud of the fact that we created this market and have been at the forefront of it, but as the market moves from the very early phase to the gross phase, the competitive environment and the rules on which competition is based, or rather, the required standards and content themselves, will change.

Rather than sticking to the past approach, we will focus on creating value based on the products and environment that we have refined and have confidence in.

Q2-4: Is it my understanding that the 100 people you hired at the beginning of the fiscal year also includes customer support and success, which you are targeting at?

Kurahashi : Yes, you are right.

As an aside, or perhaps to expand on the topic a bit, I would like to talk about organizational transitions, which I discussed in my part of the presentation, in other words, redefining the way delivery of value is done.

We are currently making organizational transitions in this sense, and I think the question is how to bring out the productivity of the newcomers as early as possible and at a higher level.

I think there were some environments where it was difficult to fully demonstrate this in the conventional way, and we are now making transitions with an eye to the years ahead, and at the same time, welcoming newcomers.

Q1-2: Regarding the first question, I wanted to ask you about the figures for the second half of the year only. I would like to read out the first question as well. Please tell us how much you expected ARR only for the second half of the fiscal year, at the beginning of the fiscal year, and how much it decreased this fiscal year.

Muto: Based on the sales I mentioned earlier, I think I mentioned earlier that the non-consolidated sales would be about 20% of the total sales for the full year.

As for the second half of the year, I have already shown you the growth for the first half, so you can get a general idea of it, but if you look at sales growth for the second half alone, I think it will be about 12% to 13%. Therefore, the background of this forecast is that we are looking at the second half of the fiscal year quite conservatively. That’s all from me.

Q3: In your explanation, CEO Kurahashi said that there was no problem in terms of products, but the issues arose in terms of contact with customers. Could you tell us what specific issues have had a significant impact on the results? Could you tell us if you have found a way to solve these issues and how they will be reflected in the numerical results in the future? Is this a situation where we can expect momentum to re-accelerate at the beginning of next quarter?

Kurahashi :

By starting at the beginning of the next fiscal year, you mean from October for us. The third and fourth quarters were held in between.

Re-acceleration, of course, is to be expected. We are preparing for this. However, as I mentioned earlier, I do not think that it is possible to make a sudden switch from the successful experience that has created growth to date to a premise that is firmly geared toward future growth.

In a product-centered culture, the order of thinking was to create a product with good and versatile potential, and then support the customer's capability to realize the potential of the product.

However, there are some of those customers who have not yet had a relationship with us. So I don’t mean that phases of all customers have changed. However, in terms of the total number of customers, there are many new customers who need to move to a new phase of business with a new set of products and objectives.

Therefore, the premise is not only the provision of the product and the commitment to it by the customer, but also our commitment to the results and performance of the product.

We need to redefine the value we provide, and based on that redefinition, we need to tune our clients' communication, inner operations, and project development.

We are now actively shifting our efforts in this direction. That would be my answer for now.

One point I would like to add is that we have been providing products that can solve various problems with a single product. So, we have to solve specific tasks in terms of how to use it to its fullest.

I think that this is where the commitment of the customers has become valuable in a sort of intermediary way.

Therefore, when customers asked about the concept of KARTE in the broad sense, there are companies that are able to translate that this sort of things are possible under a certain type of environment. There is also an increasing number of customers who are considering KARTE based on more specific values that can be provided and realized.

We need to update the value we provide and the communication system to include, not only the product, but also the support system including the people to create the value.

If that is the case, there will naturally be an impact on the overall numerical impact, such as the order rate, unit price, etc. For example, in the matrix I explained on slide 26, I think I mentioned the downside such as cancellations.

I believe that this will be very effective in hedging the risk of churn and downside risk, so we are now working on the very fundamental aspects. This is my response to the above question.

Q4: First point,Regarding this downward guidance on the top line, I wonder if I'm wrong for this. It seems to me that you are very weak and conservative, but could you please break it down a bit more and tell me more about this premise?

As far as I can see, the number of customers or the momentum of ARPU at PLAID as stand-alone needs to slow down even more in Q3 and Q4 to get to this 32% growth of 7.2 billion this quarter.

Could you be more specific about what is driving this, and whether the conservative top line guidance is being set at this level because we are seeing signs of this beyond this Q2?

Muto: First, I will talk about the numerical side of things, and maybe Kurahashi will add a little more, but we are very conservative in the way we set up the numbers.

We have PLAID and Emotion Tech, but Emotion Tech is performing quite well, so we are making plans based on a conservative sense of level amid the strong performance.

As for PLAID, as I mentioned earlier, April and the end of March are very important months for contract renewals, and we know how much the renewals mean to us. We can see that the ARR is reduced due to a certain level of termination, so we are factoring that in.

On the other hand, for the upside, or the acquisition of new business, we basically identify the existing pipeline and all existing business negotiations, and then multiply the probability based on past results to see at how much we would receive an order. On the flipside, we have not included any upside, such as building up a new pipeline.

Therefore, we have presented the lower limits, which has been lowered, only this time, unlike last time when we presented the range with lower and upper limits. Therefore, from our point of view, this is a commitment line, and we have set a conservative level as a level that should never be lowered. That is the idea behind the calculation.

Is that okay? I will answer in this way for now.

Q4-2:I just have one follow-up question, and I apologize for being so simplistic, but it seems like you spent a little less on advertising in Q2, but if you had spent a little more, would the numbers have increased?

Muto: There may be some subtleties, but we are spending the necessary money on advertising, and we are not cutting advertising expenses in a way that would adversely affect the growth of the ARR.

Basically, we call it branding, but it is not something that leads to short-term ARR accumulation or business acquisition but in the process of launching new products, such as Blocks or Signals.

We have not yet used the marketing expenses that we had planned to use for branding our products, and we are considering whether or not we should really use them this fiscal year. It's a reduction of marketing cost that has no impact on current businesses.

Q4-3: The second point which you mentioned earlier is Emotion Tech.

You said it was a pretty good stretch in the second quarter. Is this quite sustainable, even if we look at Q3 and Q4? You mentioned that there will be a major update in the fall, but I would appreciate your comments on the sales trends here.

Muto: Basically, we expect steady growth, but it is difficult to say how rapidly it will grow, since we still have a long way to go in this fiscal year. However, we have also conservatively factored in the performance of Emotion Tech, which is included in our forecast.

Q4-4: Lastly, I would like to ask about starting of KARTE RightSupport, Signals, and Blocks. The beta version has already been released, but can you tell us if the timing of the full official launch has shifted or changed slightly compared to three months ago?

Kurahashi: Okay, I would like to talk about this.

As for RightSupport and Signals, I think we started to talk about them around the time of our full-year results for the previous year, but I am aware that we are making on-schedule progress in the current fiscal year.

I can't fully state when the fully open version you just mentioned will be available.

This fiscal year is the timing for us to firmly build up use cases, our support system, and operations, so we will focus on improving quality in the current mode during this fiscal year.

On the other hand, we have not included Blocks in this topic. Since the launch, as for Blocks, unlike KARTE, we are proceeding under the concept of being able to start using it on a freemium basis or using it on a self-serve basis.

The scale of use is expanding to a certain extent, but I think it is important to mention that the difficulty in monetizing the self-serve service is different from the difficulty in providing value through a person.

So, we are still in the phase of trial and error, and I do not think that this is a delay in finding irregular value patterns, but I think that we are diligently and firmly continuing the challenge.

However, we are definitely discovering points, possibilities, and frequencies that could be breakthroughs for Blocks, and we will continue to make progress on these points and report on them in an official occasion like this.

Q4-5: Lastly, as a follow-up on RightSupport and Signals, the degree of progress to the target that your company originally had three months ago, was it slightly slower, slightly faster, or not much different?

For example, the number of customers you wanted to acquire by the end of this fiscal year, or the timing to launch the product at full capacity at the end of this fiscal year. Although I know you are working on tuning the product and other things since it is a beta version, but in the midst of various development efforts, did you find that you were a little bit delayed? If you have any impression about this, I would appreciate it if you could share it with us.

Kurahashi : I think there are a lot of very positive factors regarding these two.

The two projects may seem to have a similar start-up or plan, but the start-up approach is a little different, with RightSupport starting from the enterprise side. It is a large, well-designed and implemented approach that involves deep communication with the customer.

Therefore, we are proceeding in a contractual relationship with a relatively high unit price from the beginning.

As I mentioned earlier, we've been able to establish business relationships with customers that we had not been able to fully approach in KARTE's marketing, and this first year has been relatively easy for us to generate revenue in terms of the unit price. The plan that we have drawn up is very much in line with the plan, or rather on-schedule, and we are making progress.

In fact, there are already requests for additional resources to promote the project, so I would say that the situation is very positive.

As for Signals, as I mentioned earlier, we started offering it as an option for KARTE.

We are drawing up a schedule as an option, and in the case of Signals, that it will open up the functionality in stages. Therefore, this first step is not an option that requires a high unit price, so the revenue impact in the first year will be very low.

However, compared to RightSupport, the number of cases including implementation and verification tends to be larger. So first we will implement it as a first step, and then we expect profitability from it in the next fiscal year onward.

The progress of product development, delivery, and validation has not been delayed or accelerated to any great extent and is currently progressing as expected.

Moderator: Since the time has come, this is the closing of the financial results briefing for the second quarter of the fiscal year ending September 2022 for PLAID. Thank you for taking time out of your busy schedule to join us today.

Muto : Thank you very much.

[END]

Disclaimer

This transcript includes forward-looking statements. These forward-looking statements do not guarantee our future financial results, but involve risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements.

While the Company makes all reasonable efforts to ensure that this transcript is correct, accuracy cannot be guaranteed and the Company does not assume any responsibility for the correctness of any information contained in this transcript. The Company also cannot be held liable under any circumstances for any damages whatsoever resulting from data falsification by third parties, data download, and so forth. When this transcript contains incorrect information, this transcript is subject to change without notice at any time.