



PLAID, Inc.

Financial Results Briefing Q3 FY 9/22

August 9, 2022

Presentation

Moderator: Thank you very much for joining us today. I would now like to begin the presentation of the financial results for Q3 FY2022 of 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.

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.

Additionally, the information concerning companies or groups outside the Company is quoted from public information and elsewhere. The Company does not verify in any way or guarantee its accuracy, appropriateness, etc.

And for the details, please read these instructions carefully.

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

Let me start with CEO Kurahashi. If you would.

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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Kurahashi: I am Kurahashi, the representative of PLAID. Thank you for joining us today for this briefing on the Q3 financial results. I would like to proceed with my briefing after some opening remarks.

First, while this part has been posted in the past, we continue to develop products and promote our business under the mission of "maximize the value of people with the power of data." With COVID-19 and the ever-accelerating use of digital technology in the Japanese market, I feel that the scope of the world continues to be strongly interested in this essential use of data.

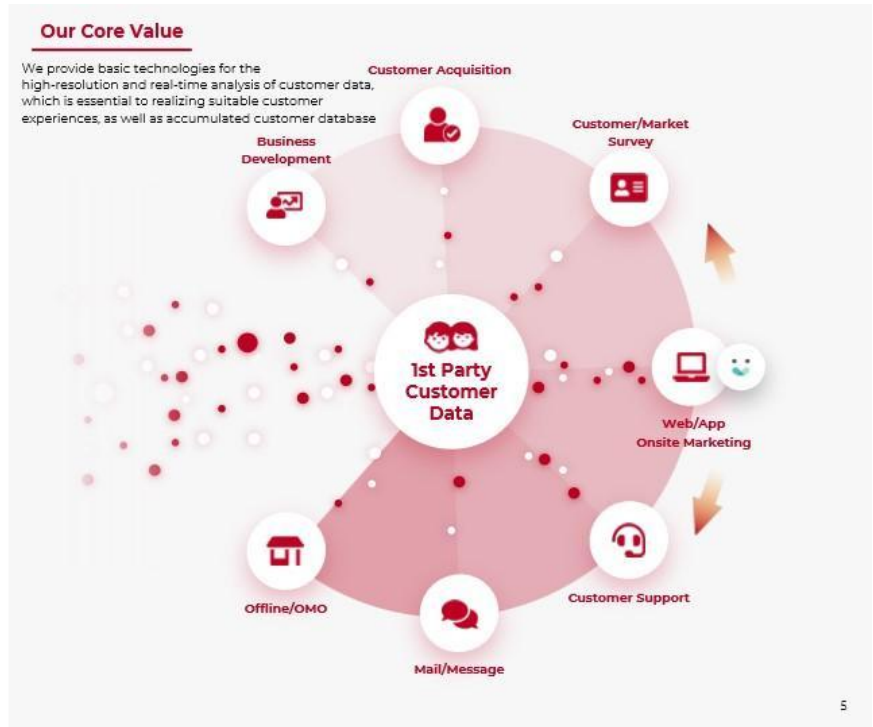
I would like to talk about our business performance and future prospects within this context.

Mission and Growth Strategy

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

High-resolution understanding of customers 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



This is another part which we have traditionally published, and we hope you will take a look at it.

Now, we will proceed to the first part of the presentation, in which Mr. Muto, our CFO, will explain the Q3 results.

Q3 FY 9/22 Financial Highlights

- 1 Consolidated net sales and ARR dipped from the previous quarter mainly due to churns and downsell, which was already reflected in the guidance revisions on May 2022, but we are addressing the customer retention issues
- 2 Consolidated gross profit margin dropped whilst Plaid's standalone one is kept at an appropriate level
- 3 Accelerated marketing investments and hiring, resulting in expanded quarterly operating loss
- 4 Overall financial results are progressing positively against the revised guidance on May 2022

Muto: I'm Muto, the CFO, will now give a briefing.

First, I would like to share with you some of the highlights of the Q3 financial results.

There are four key points.

The first point is net sales, especially ARR. This was a decrease from the previous quarter. The cause of this is the cancellation at the end of March. As I think we have talked about before, we had a relatively large number of contract renewals at the end of March, but the churn rate for these contracts increased, which affected the decrease in ARR for this April to June period.

This is a very big issue for our management team. Our business model is to accumulate ARR, and we basically expected ARR to increase each quarter, so we take this situation very seriously.

On the other hand, we have been working on customer retention in terms of churn and down-sells as our most important issue, and I personally believe that we are seeing certain positive signs in this area. There will be more on that later in talk on business updates by Kurahashi.

In addition, this was incorporated into the earnings revision at the previous earnings announcement in May, so it is not much of a surprise. Or to be more precise, the current net sales level is slightly better than the level incorporated in the earnings revision.

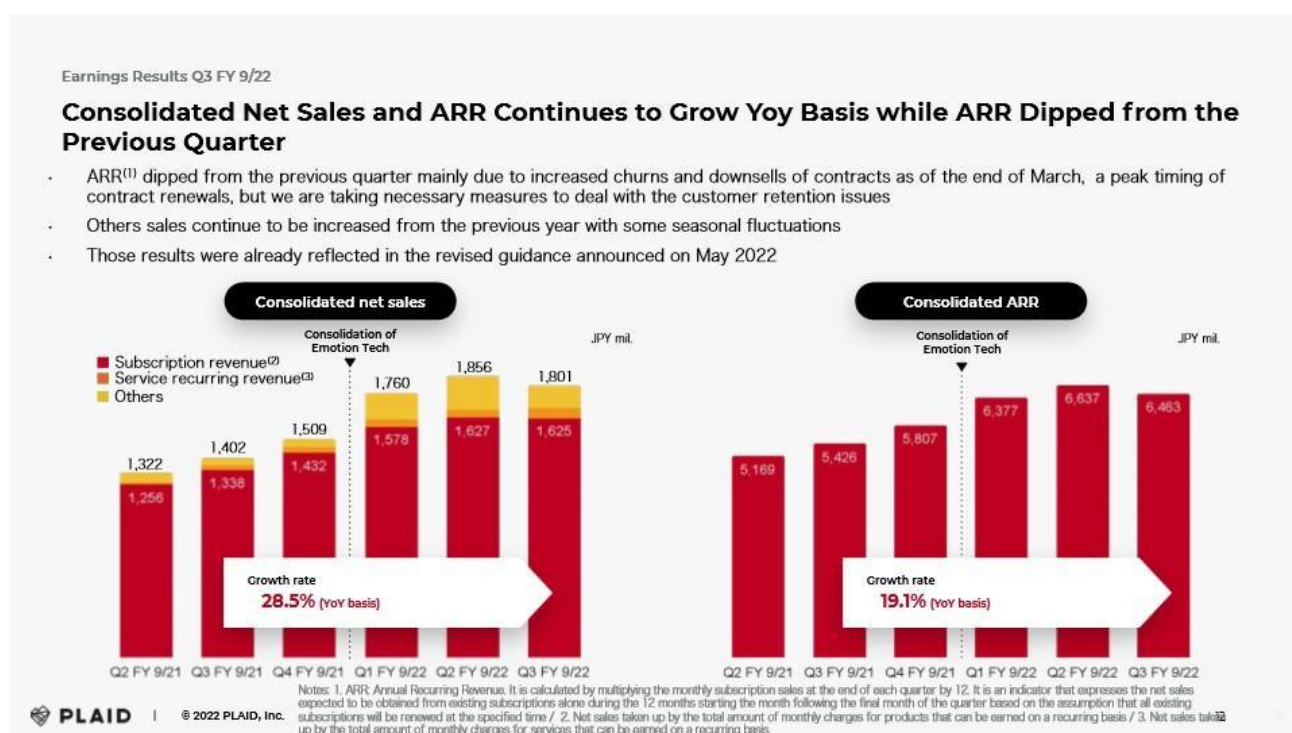
The second point is gross profit. The gross profit margin has actually declined on a consolidated basis, but this is largely due to the impact on gross profit of the consolidated subsidiary, Emotion Tech. PLAID Saas Business alone, on the other hand, was at 73.8%. This is a good level we have maintained, as will also be discussed in more detail later. Considering how our cost of sales is so easily affected by foreign exchange rates, we believe this is an excellent result.

Our cost of sales is largely server costs. These are largely denominated in USD. Therefore, though we originally expected that our gross profit margin would be decreased by the impact of the yen's depreciation, we made an effort to reduce the cost ratio on a basis where the exchange rate does not change. As a result, the cost ratio has been reduced to offset the impact of the yen's depreciation.

The third point is investments in marketing and securing human resources, which we are aggressively pursuing as originally envisioned. As a result, the operating deficit has increased, as we are continuing to invest in growth.

The fourth point is related to all of the numbers, compared to the revised numbers, net sales, gross profit, and operating income all moved in a positive direction. We don't yet have enough difference to revise our earnings, but all the numbers are moving in the right direction compared to the planned figures.

Now, I would like to explain the details of this area, so I would like to ask you to skip a few more pages and go into the first page of consolidated results.



Here are the net sales and ARR trends.

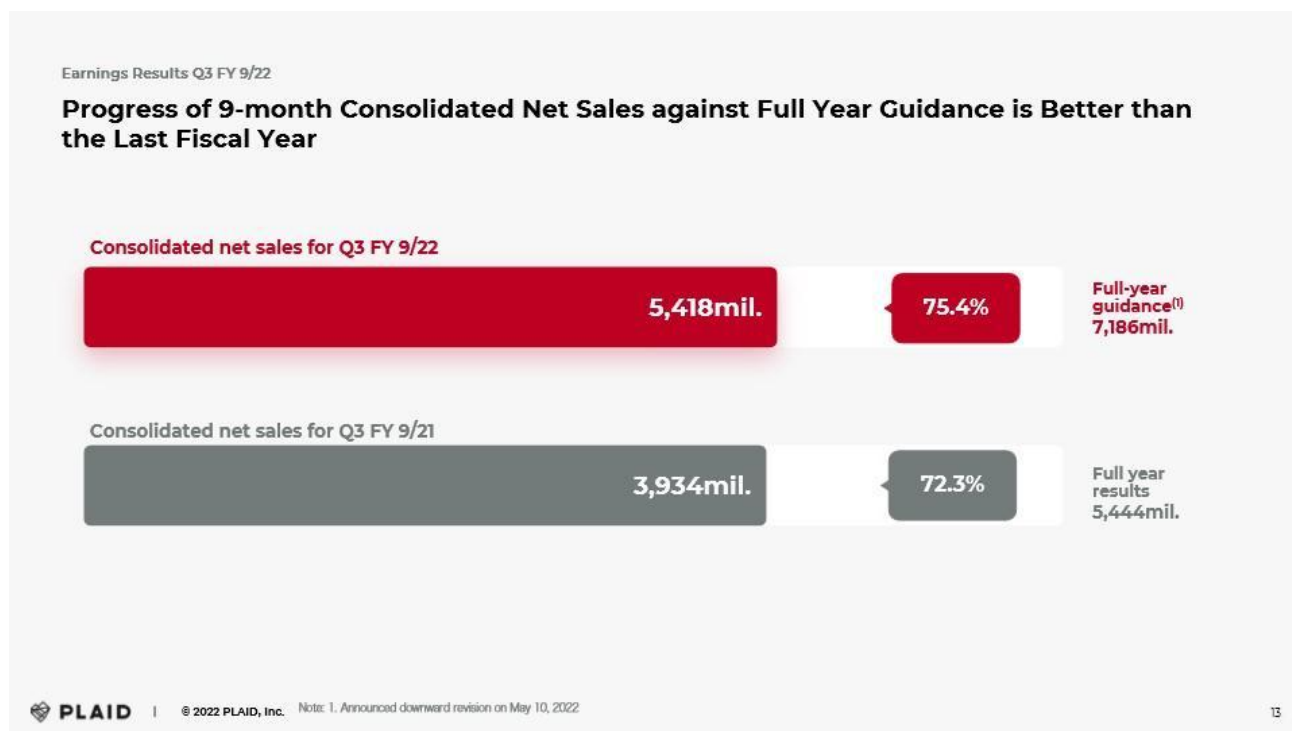
Net sales for Q3 were about JPY1.8 billion. This is the YoY growth of 28.5%.

ARR, on the other hand, grew by 19.1% or JPY6,463 million, YoY. However, as I mentioned earlier, ARR declined QoQ, which we see as a serious situation.

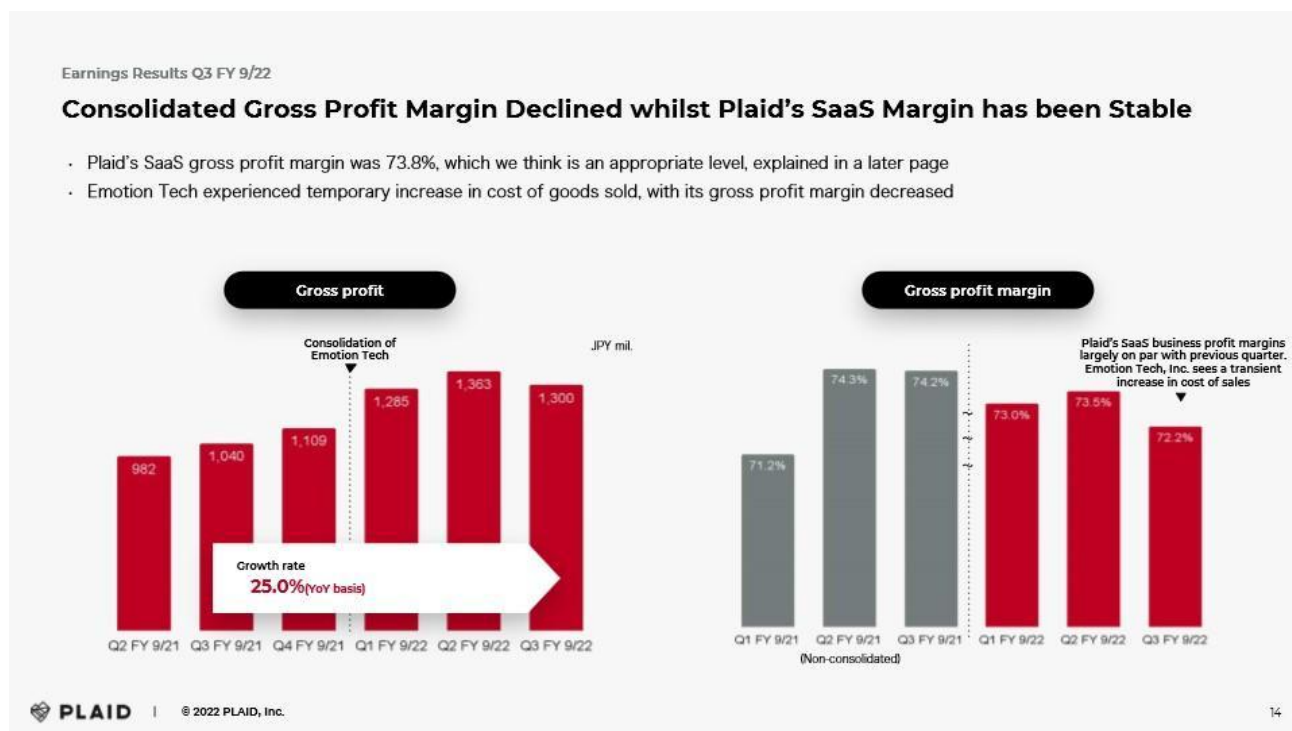
Since this is an accumulation-type business model, we had originally assumed that ARR would accumulate, but as I mentioned earlier, there were cancellations and down-sells.

Again, I would like to reiterate that we have been working on this issue as our number one priority so I personally believe that we are on track to achieve a certain degree of

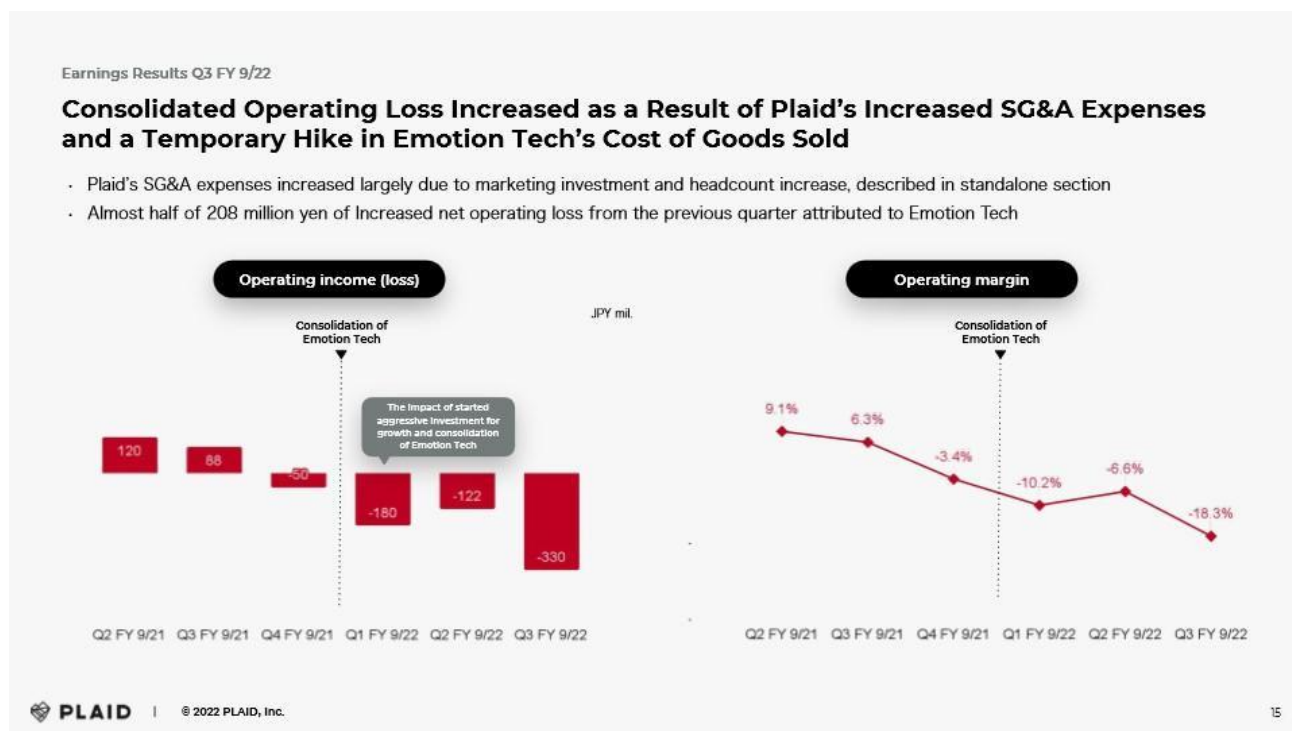
progress on this matter. Again, this level of ARR has been factored into our earnings forecast.



As for net sales, the Q3 cumulative total is JPY5,418 million, or 75.4% of the full-year forecast of JPY7,186 million. We do not expect Q4 to be any worse than Q3, so based on this rate of progress, we believe that the achievement of the full-year forecast is quite likely.



Gross profit, as I mentioned earlier, has dropped from 73.5% to 72.2% on a consolidated basis. PLAID's non-consolidated gross profit itself has not changed that much. This decrease in the gross profit margin is due to a temporary increase in the cost of net sales at our consolidated subsidiary Emotion Tech.



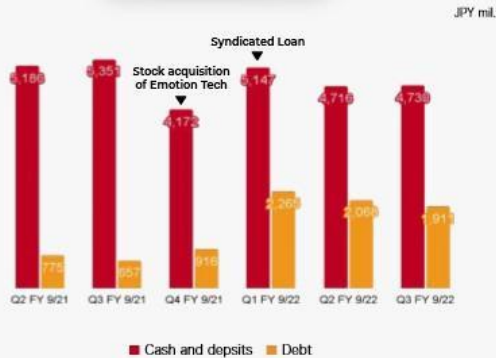
Here is the operating deficit for Q3. It is a deficit of JPY330 million. The deficit increased QoQ by approximately JPY200 million from JPY122 million. JPY100 million of this is the result of our investment in marketing and recruiting human resources, and the other half is attributable to Emotion Tech.

We expect the increased cost of sales at Emotion Tech to be a temporary factor and to improve in the future. We are also making investments for growth.

Maintain a Sound Financial Condition on Balance Sheet

- Maintain a sound balance sheet, with approximately 2.5 billion yen net cash and 0.5 billion yen of unused commitment line as of the end of the quarter

Cash and Debts



Reference: Equity



Our balance sheet remains healthy, and we believe that our debt level is appropriate. We have JPY2.5 billion of net cash, and we have another JPY500 million as a revolving credit facility, which ensures sufficient liquidity.

ARR Growth Slowed Down due to Churns on March end, Fully Reflected in the Guidance Revisions on May, and We are Working on to Improve Customer Retention Issues

- Contribution to ARR⁽¹⁾ growth by the expansion of existing customers, or NRR⁽²⁾, has dropped to around 0%, or 100%, due to churns & downsales on March end
- We are already working on customer retention issues

ARR bridge



NRR

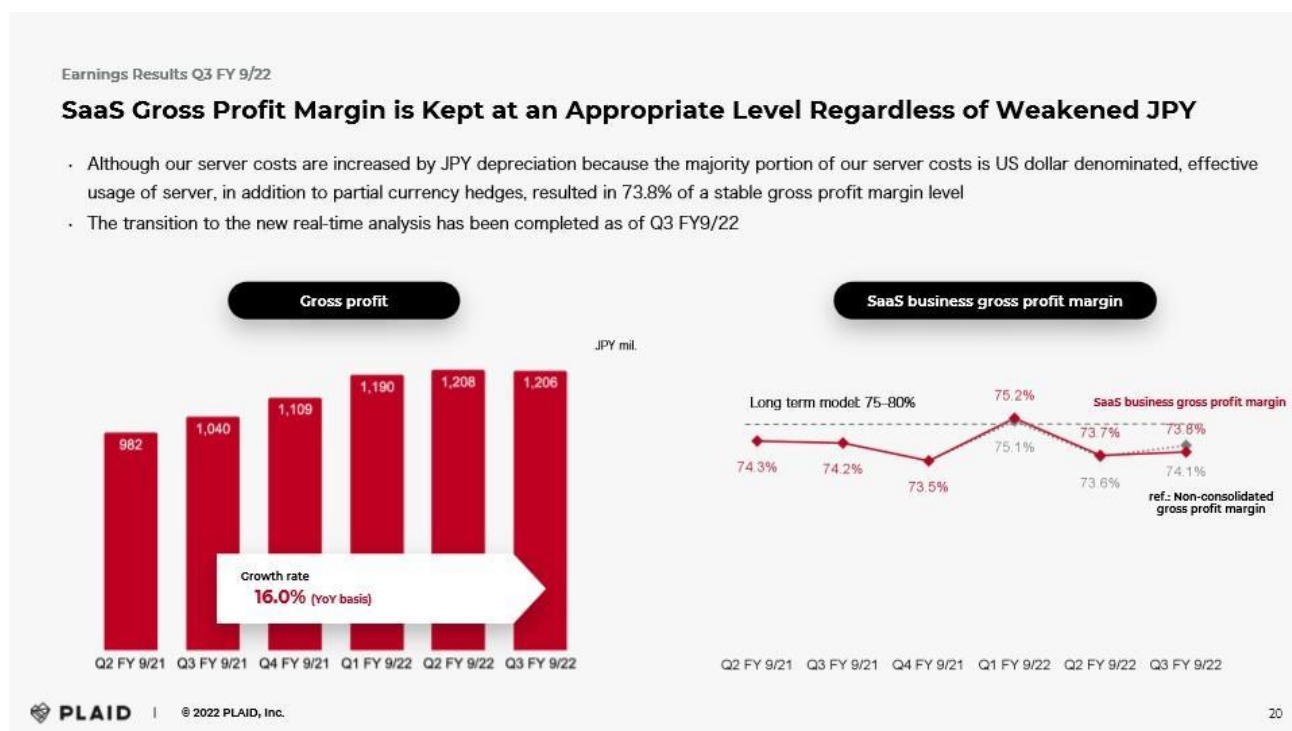


Notes: 1. ARR: Annual Recurring Revenue. It is calculated by multiplying monthly subscription revenue at the end of each quarter by 12. It is an indicator that expresses the net sales expected to be obtained from existing subscriptions alone during the 12 months starting the month following the final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

Next, I will explain our non-consolidated numbers.

Here is ARR. Looking at PLAID alone, new business has grown by 12.2%, so I would say that this area is less of an issue and more something we would like to grow.

On the other hand, as to the expansion of existing transactions, for the reasons I mentioned earlier, the NRR is decreasing. As for the future, we are working on how much we can prevent churn and down-selling, and how much we can get customers to utilize our services. It may take some time before the effects of these efforts become apparent, but I believe they will be in the right direction.



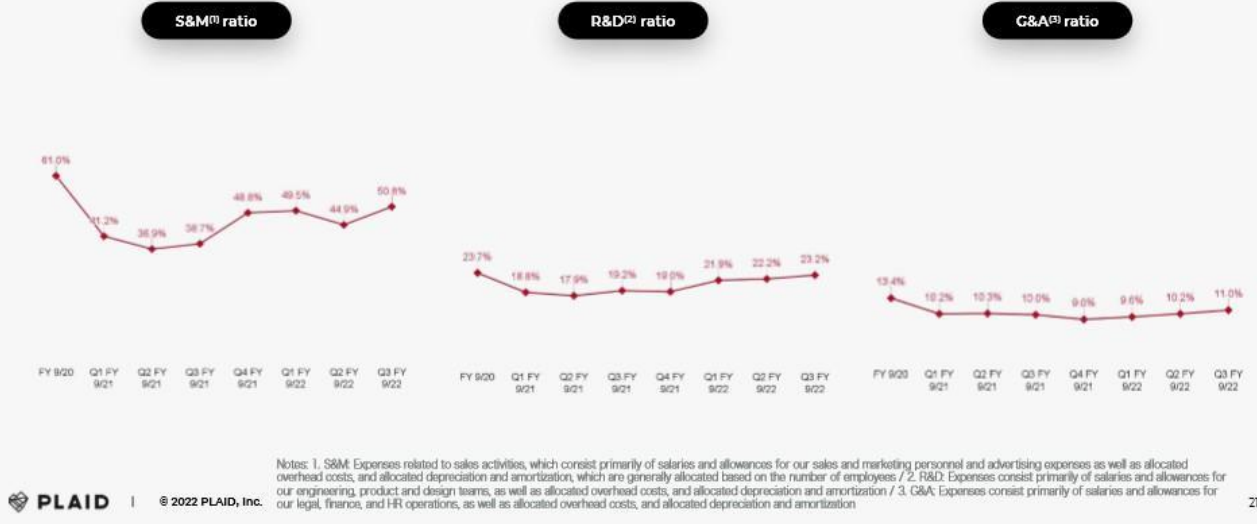
Here is the non-consolidated gross margin ratio.

As you can see from the graph on the right, the SaaS business is the one shown in red, and the rest are in gray. The gross profit margin for the SaaS business has remained almost flat at 73.7% to 73.8%.

As for our exposure to foreign exchange, we calculate that a JPY1 depreciation would result in a nearly 0.2% deterioration in the cost ratio. It is about the same as saying that if the yen goes down by JPY10, our cost ratio will decline by nearly 2%. As you know, the exchange rate has fluctuated considerably from the last quarter to the current quarter. The fact that we maintained the cost ratio to this extent is in part because of the shift to the new analysis platform, which is mentioned. Had it not been for the exchange rate, I think we would have been able to achieve a higher gross margin.

On the other hand, since the yen's depreciation will continue to be a trend in the future, we would like to build a cost structure that is not so affected by foreign exchange rates by utilizing foreign exchange hedging and other means.

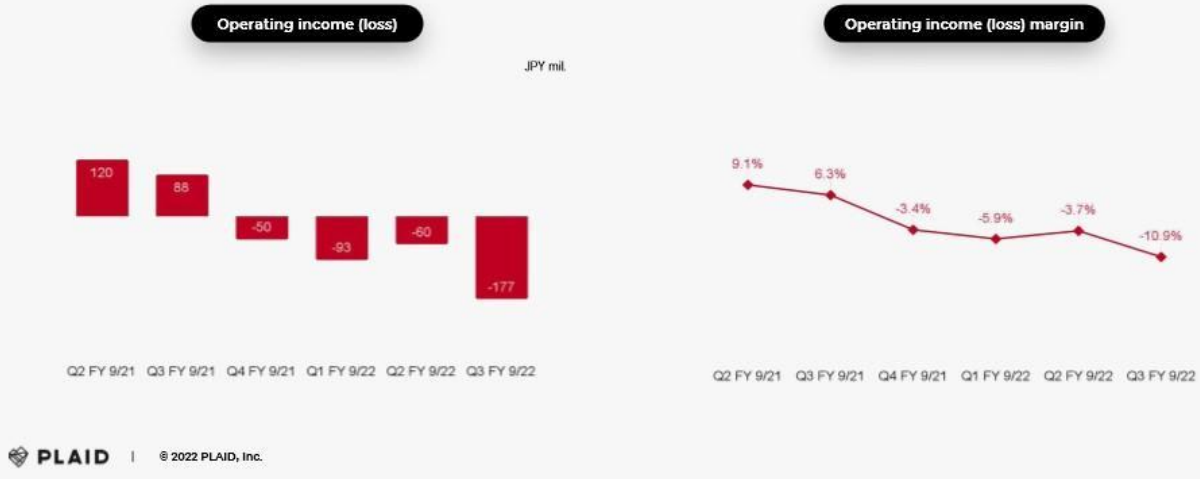
S&M Ratio was Up due to Marketing Investments and Hiring Business Personnel



The S&M ratio on the left side has been increasing, as we have been investing in marketing and acquiring business personnel. As a result, the stand-alone portion of the business had an operating deficit of JPY177 million in Q3.

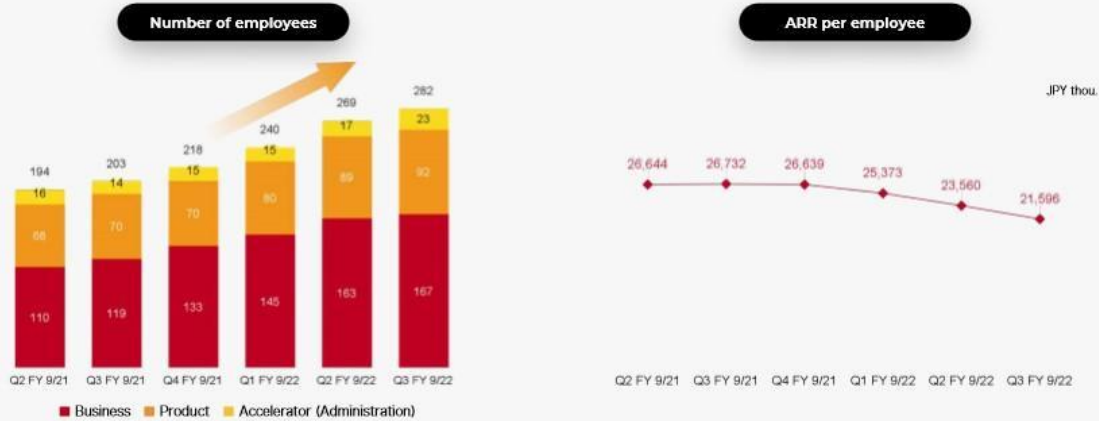
Accelerated Marketing Investments and Hiring, Resulting in Expanded Quarterly Operating Loss

- Made online advertisements for lead generation and customer acquisition, in addition to branding spending
- Hiring is as scheduled, described in the next page



Successfully Hiring Talents Both For Business and Product Development

- Talent acquisition, which was re-accelerated around Q3 FY9/21, is proceeding smoothly
- ARR per employee has gradually been decreased



With regard to the acquisition of human resources, we have been investing in increasing our human resources since the current fiscal year. Although the ARR per capita is decreasing, this investment is being made with that expectation.

We have reached a certain milestone in our annual plan, so the pace of this expansion of human resources in the future will be modest in the short term.

Overall Financial Results are Progressing Positively against the Revised Guidance on May 2022

(JPY mil.)	1st Half Results (Consolidated)	2nd Half Guidance (Consolidated) (revision on May 10, 2022)	Q3 FY22 Results	Summary
Net sales	3,616	3,570	1,801	· Plaid's standalone sales in line with the guidance while working on key issues resulting in the downward revision · Emotion Tech's sales better than expected
YoY Growth Rate	42.8%	22.6%	28.5%	
Gross profit	2,648	2,585	1,300	· Consolidated gross profit margin in line with the guidance
Gross Profit Margin	73.2%	72.4%	72.2%	
SG&A	2,952	3,525	1,631	· Operating loss was lower than forecast because of unused SG&A budgets
Operating income	▲303	▲910	▲330	

Here is an overall summary of the actual results against the earnings forecast.

First, regarding net sales, the revised forecast is JPY3.57 billion. Q3 actual net sales were JPY1,801 million. If you double this amount, you get JPY3.5 billion, so we feel that we are progressing at a better level than our consolidated performance forecast in terms of net sales.

As for gross profit, we have achieved almost half of our goal, which I believe is generally in line with the budget.

If you look at the SG&A expenses and the resulting operating margin, we had expected a deficit of JPY910 million in H2, but the deficit was JPY330 million in Q3. Although we intend to make a certain level of investment in H2, a portion of our SG&A budget on a consolidated basis actually went unexpended. As such, our current view is that the operating deficit will be slightly lower than expected. Therefore, we recognize that we are making good progress in terms of our earnings forecast.

That's all from me.

Mr. Kurahashi will explain the next portion.

Business Updates

Plaid's Standalone Business Condition Showing Signs of Improvement

- Development of systems to improve business conditions is proceeding steadily

PLAID
(Non-consolidated)

	Future Policy	Current Situation
New customer acquisition	<ul style="list-style-type: none"> Develop the SOM of ~3,800 companies for KARTE and KARTE for App through sales and marketing activities and the development of new products and functions tailored to each customer's capabilities and resources. Develop a new customer base by expanding business realms for products such as RightSupport. 	<ul style="list-style-type: none"> Some progress has been made in improving company systems through organizational and human resource reforms. We are now focusing on strengthening our pipelines for future growth. Efforts to develop new customer bases through the expansion of business realms are making a real impact.
Existing customer expansion	<ul style="list-style-type: none"> Promotion of upselling/cross-selling through full-scale development of new launched products, functional enhancement and launches of new products, etc. 	<ul style="list-style-type: none"> RightSupport/Signals both expanding steadily
Churn / Downsell	<ul style="list-style-type: none"> Enhance human support services (TEAM & Customer Success) by strengthening of partner collaboration and education of internal talent Improve onboarding process and product design 	<ul style="list-style-type: none"> Some progress has been made in improving company systems through organizational and human resource reforms. We are now focusing on providing value to curb future churn and downsells.

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Kurahashi: Let me talk about some business updates.

This slide. The information is organized in that matrix in terms of new customer acquisitions, expansion of existing customers, and churn/downsell on the rows, and with future policy on the left column, and the current situation on the right. You can look at the details, of course, but I would like to pick out a few areas I would like to focus on and talk about.

First, let me talk about new customer acquisitions. There was a slight slowdown from last year to this year. We had assumed there were two main reasons for this.

One is the first contact. How can we successfully establish contact between our customers and us? From there, how do we turn this contact with companies into business meetings? Our commitment to this issue, and our human resources, were not sufficient. As a result of our inability to sufficiently prepare, there was a gap between the growth in the market and our activities, and also a gap between customer expectations and our proposals. We see this as the major factor. We are prioritizing the allocation of human resources to divisions like marketing and inside sales, the latter of which is in charge of turning leads into meetings.

In addition, we have been conducting market research rather than analyzing existing customers. We are now working on a plan for new customer acquisition, and we are beginning to see a certain level of response in terms of developing new customer segments.

Since activities in this phase are not reflected in business results in real time, there we expect a slight time lag with the business performance. However, we believe that we are beginning to see a positive response in the development of this customer segment.

Another point is our relationships with existing customers. Regarding the downward earnings revision that we reported to you at the time of the announcement of Q2 financial results in May, our biggest weakness was the fact that a certain number of large cancellations occurred. To address this issue, we built a base system for supporting existing customers.

Each client has its own requirements and expectations of KARTE, such as the size of the client and the degree of difficulty of the project. We need to properly classify customers' needs and assign the personnel to give them the right capabilities, support, and success. We have been working on the development of this base system.

With this, we believe we have reached a certain milestone regarding the most basic aspects of the stabilization of our relationship with customers. However, we would like to take actions to further improve this situation, or to take more aggressive actions. From the perspective of stabilizing our relationship with customers, as customers use KARTE on a daily basis and conduct business activities outside of KARTE, it is very important to have a system in place for understanding the situations of customers.

We are a company that supports customers in the use of data. From this perspective, we need to build a system to gain a firm grasp of their situation from the data and support them. We will also need to design appropriate KPIs and other similar things for this initiative. We will not only provide products, but also provide human services and support to customers. We call this service TEAM. Through proactively making changes to the TEAM service and other efforts, we hope to stabilize our relationship with existing customers.

One more issue regarding our relationships with existing customers I would like to discuss is shown in the middle row on the right side of the matrix. RightSupport and Signals are expanding steadily. This new product and service lineup, which we have been developing and preparing to offer since last year, got off to a very good start this fiscal year.

As I will talk about later, we are making good progress in the important initial validation phase. The initial MRR acquisition is also progressing well.

I previously mentioned the stabilization of our relationships with existing customers. Beyond that, we are now making various preparations with the expectation that the products and services that we have prepared up to this point will start up smoothly and come to fruition in the next fiscal year.

Therefore, we see this as Q3 is a time to solidify our foothold with both new and existing customers. We feel that this will lead to solid acquisition of new customers in Q4 and Q1 of the next period to follow.

Business Updates

KARTE CX Conference 2022

Time and Date: 10:00–18:00 Tuesday, July 12, 2022

Format: Offline/Online Event

Venue: Akasaka Intercity Conference

Participating Companies: See list below

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I would like to talk about a few topics. KARTE CX Conference 2022, a hybrid offline and online conference was held on July 12. It was a one-day conference where dozens of speakers provided talks and about 25 sessions were held.

As you can see on the left side of this page, various companies gave presentations and held sessions on their data and CX initiatives at this event. The event received a great deal of attention about how those companies utilize CX and customer data to help their businesses and their customers. We were able to have well over a thousand participants in total, both online and offline. I feel that this movement is continuing to gain strength, and that it is gaining even more attention.

Therefore, as I mentioned regarding the previous slide, we are in the process of building the foundation on which we can build our business with the market's growth.

We believe that this trend will continue to strengthen. We are in the process of strengthening our internal foundations so that we can leverage this trend to grow our business. We believe that the market is very favorable to us.

Business Updates

The Potential Market Size of KARTE / KARTE for App

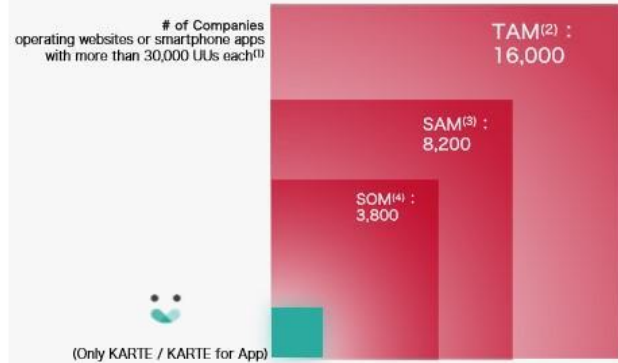
There are about 3,800 companies in Japan that are likely to adopt KARTE / KARTE for App based on its current functions and pricing
Large potential market is existing

ref :

550 companies as of the end of Q3 FY 9/2022

Notes: 1. This is the number of companies operating Japanese website with more than 30,000 UUs per month based on data from SimilarWeb Ltd. as of February 2019 and smartphone apps that have been updated within 365 days and downloaded 5,000 times, based on Appannie's data as of June 2021. They are defined as companies with the potential to adopt KARTE/KARTE for App / 2. TAM: Total Addressable Market. This is the sum of the number of companies operating websites and smartphone apps in Japan, calculated based on the criteria described in (Note 1) / 3. SAM: Service Addressable Market. This is the number of companies that are likely to adopt KARTE/KARTE for App by function enhancements or pricing changes, etc. / 4. SOM: Service Obtainable Market. This is the number of companies in SAM (Note 3) that are expected to have a particularly high potential to adopt KARTE/KARTE for App in light of their industry and business model etc.

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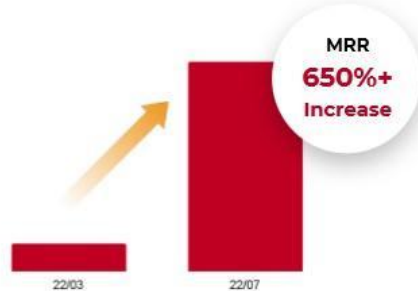
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In fact, even in terms of just KARTE for web, and KARTE for App, which is for apps, alone, I believe there is still plenty of room to offer these products to new customers.

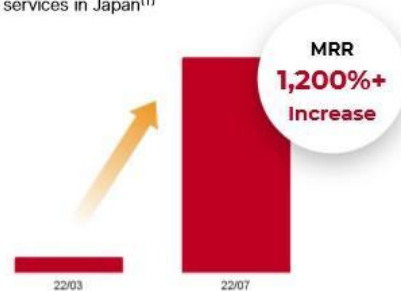
As mentioned regarding the conference earlier, I believe that we are entering a phase where this market will become more and more apparent. We would like to provide value to this market. In addition, we would like to expand our TAM by contributing with the new products I mentioned earlier. We are working toward that.

MRR of New Business Realms Has Increased Significantly**KARTE RightSupport**

- MRR increased significantly due to contracts with major companies in various industries such as finance and telecommunications
- Cross-selling to existing customers and adoption by new customers have both progressed

**KARTE Signals**

- MRR has increased significantly due to adoptions in a wide range of industries, including retail, travel, and real estate
- In June 2022, the Company began a tie-up with Yahoo! Advertising. It now covers all the major programmatic ad placement services in Japan⁽¹⁾



Next is an update on KARTE RightSupport and KARTE Signals, which I mentioned briefly earlier. We call these two new business areas, and we see them as having made a very good start in their first fiscal year.

In the first fiscal year, the biggest focus will be on how well we refine and create these products/services. Their testing and verification are progressing well. As you can see from this MRR, we are making steady progress in the acquisition of MRR and customer contracts. This meets or exceeds our expectations for the first fiscal year.

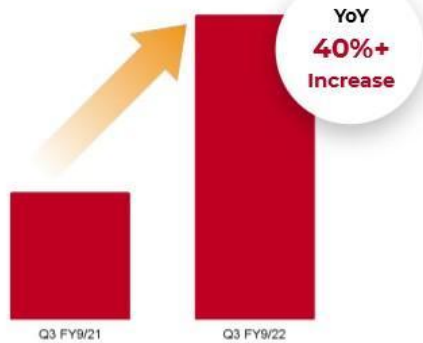
The left side shows KARTE RightSupport, which has made a very good start with a positive 650% change in MRR from March to July. We are seeing cases where enterprise customers of KARTE that we have not been able to approach with KARTE web or for App are starting to sign contracts in the context of customer support. This situation is very promising.

On the right is KARTE Signals. KARTE Signals increased by 1200% from March to June. The percentage increase is not necessarily significant, because the actual numbers are still small. However, I hope it conveys to you that we are off to a very good first start. As we are making firm progress in connecting with major advertising platforms, customers are gradually starting to recognize KARTE Signals and test it out.

These figures show that the products and new services that we have been working on since last fiscal year have been properly launched. They also show that although we are still in the verification phase this fiscal year, we will have no small impact on our business performance next fiscal year.

Net Sales Rapidly Expanded through Acquisitions of Several Large Contracts, etc.**Net sales**

- Multiple orders from major players in multiple industries
- Growing much faster than planned at the time of joining the Group

**Major topics**

- Adoption of Emotion Tech CX at 308⁽¹⁾ Kappa Sushi restaurants of the Colowide Group
- Emotion Tech CX visualizes issues with ever-changing customer experiences to better support the improvement of store experiences



Another point is the progress of Emotion Tech, which joined our group this fiscal year, with its results now being published as part of our consolidated results.

First, the left side. This is the trend of net sales. It is making very good sales progress. More and more large contracts are being awarded. The company is currently making much more progress than planned at the time of joining the Group. The net sales of the company grew at a rate of more than 40% YoY. I believe that the company will continue to accelerate its growth. As the growth rate recovers, the atmosphere of the team and the momentum of the business will increase. Because of this progress, we are very much looking forward to Q4 and the next period.

Onto the right side. One example of good progress is that Kappa Sushi of the COLOWIDE Group has introduced Emotion Tech's product at all 308 of its restaurants.

Unlike KARTE, Emotion Tech is developing its business by targeting companies that are mainly developing their business offline as well as online. This is just one symbolic case of their initiatives with such companies. We are seeing an increase in these very large, comprehensive, and bold implementations. As such, we want to make solid progress in this area for the next fiscal year.

In the current fiscal year, as Emotion Tech's summarize, the company has been to develop a solid foundation for its business. We will be actively promoting synergy and collaboration between Emotion Tech's products and PLAID's products in the next fiscal year. This is something we would like to actively work on as part of our business strategy.

That is all from me on today's topics. Thank you.

Moderator: This concludes our presentation on PLAID, Inc.'s financial results for Q3 FY2022. Thank you for your attention.

Question & Answer

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

We have already received four questions from the form, so I will start with those.

Q1: First, have there been any cancellations by emerging ventures clients due to cost containment stemming from deteriorating funding? Also, do you see the possibility of cancellations spreading in the future?

Muto: Basically, there are some clients who are emerging ventures, and it is possible that some cancellations may have occurred due to their financial situation to an extent that we are not aware of. However, I do not believe that any of the cancellations of large deals, which are my bigger concern, included this type of cancellation.

I think you have a certain amount of understanding about cancellations, since we talked about it last time. To reiterate, is a matter of course to provide a good product and to have customers use it and buy its value.

We believe that KARTE is a great product, and our customers think so, too. The employees and members think so too. However, it was my feeling, or rather my realization, that there is a gap between when they start using the product and realize how good it is. How to properly fill in that gap is important.

I am personally convinced that if we do this, things will go in a better direction.

Q2: Please tell us how many percentage points the yen's depreciation alone pushed down gross profit.

Muto: I mentioned nearly 0.2 points per JPY1 earlier, but this is an estimate. I believe the impact would be between 0.15 and just under 0.2 points per JPY1. Therefore, we believe that if the yen depreciates by JPY1, the cost price will fall 0.15 to 0.2 percentage points. Since the yen has weakened from JPY116 to JPY130 in Q3 on the Nikkei average, I believe there was originally a negative impact of about 2%.

Q3: In the US, it seems that more and more SaaS IT companies are promoting cost containment with an eye to business environmental degradation and shareholder measures. On the other hand, I would like you to explain the background of your management decision to increase the deficit by not slowing down the pace of marketing investment and hiring even after the increase in churns was detected.

Kurahashi: Of course, we are aware that there is such a trend in companies in and around SaaS IT. We have been discussing it so far, but we still believe that we should continue to make appropriate investments, and we are doing so.

Of course, the stock market environment is included, but the world's needs for CX and data utilization are, of course, connected in some ways. I believe business needs exist at a different rhythm. I also believe that we are still in a phase in which we need to firmly meet the expectations of our customers and deliver the products to them.

However, I believe that it is important to maintain uniformity and discipline within this business environment. We are thoroughly discussing how much to invest and in which areas as we are investing.

Muto: Whether it is difficult or not, I do not believe we are a company that cannot turn a profit, although this is really a personal viewpoint.

I think it would be necessary to change the cost structure. We have disclosed to you that we are aiming to make 20% to 25% operating profit based on the Long term model. At our JPY7 billion scale imagine we made an operating profit of 10% and 15%. Would this make us an attractive company? I do not think it necessarily would.

These US companies are of a certain scale, so it's fine that they improve profitability and generate operating income at such a level. However, my personal feeling is that we are too small to try to seriously generate operating income. I believe our path to generating value for our shareholders is to first expand the scale of our operations, and then generate profits, cash flow, and returns for our shareholders. I still believe that we need to expand the scale of our business. So, I think it is important to invest in growth.

On the other hand, I am very aware that the market environment is changing. As CFO, I am making use of the fact that the market environment is changing in order to change our internal discipline, or rather, our mindset about money.

We're not going to try to make a profit by forgoing investment in growth. We need to invest in growth but spend wisely. I believe that the market environment has changed our internal mode. We now think, if we're going to use the money, let's really think about what value we're going to get out of it. From this perspective, I think this change in the market environment is a good trend in terms of making us leaner.

Something that has been increasing lately is our headcount. This of course has had a time lag. We have been planning this, as well as our marketing investments, for a long time. The financial situation is not one that will require us to suddenly change these things. We have a lot of cash, and in that sense, we are financially sound. We're not smashing the brake pedal here. We often talk internally about things like spending wisely, which I mentioned earlier, and this concept has permeated the Company. You will see more things like looking ahead. I think it will be in our predictions and results.

Q4: You have mentioned that you have reached a certain point in improving your systems through organizational personnel reforms, but what specific actions have you taken? When do you expect to see the effects of these improvements in terms of business performance, and what kind of numerical impact do you expect to see?

Kurahashi: The first thing that we did was something that doesn't depend on the organization. After all, even among KARTE's contracted clients, the size of their contracts varies considerably. From the perspective of business performance, it is still very important to have stable business with companies with large contract sizes. As such,

from an early juncture we will repeatedly take a sample of customers with contract sizes above a certain level, have confirmed their situation carefully, and improve communication with them. We did this as a first step.

We are trying to take action well ahead by looking at the kind of projects there will be in H1 of the next fiscal year, and what the situation will be like. There is a reason for this. In many cases, customers above a certain size have already often made their decision to continue or terminate their contract long before they actually do so.

We are not talking about them making a decision to continue the contract one or two months ahead of time. Rather, in many cases, the Company has determined its future prospects with KARTE in advance.

Therefore, we have reorganized our perspective to a relatively longer one and are thoroughly and persistently communicating with customers who are currently at risk of canceling.

We are then working to ensure that these things are reflected in our organization. The level of difficulty in dealing with customers varies, so we have to break down the customers into appropriate groups, or rather, into appropriate rooms, and clearly assign TEAMS accordingly. To answer your question, the progress we made in our initial organizational response included these organizational developments, the assignment of human resources, and the development of our initial focus.

Q5-1: My question is for President Kurahashi. In your detailed explanation on page 25, you said your policies have been finalized, and explained the current situation, but also that there would be a time lag before things showed up in the results. This may be a bit of a nasty question, but how soon can you say with a loud voice that the results have come in? Some people are saying that the market will recover in two years, but I would like to see a clearer timeline here. Will the measures you take show results in H2 of next year, or H1?

Kurahashi: I would like to talk about the issue of the time-line you asked me about.

I believe there is a time lag from several perspectives. First of all, to briefly explain our business model, or rather, our business process, we have a market and receive inquiries from our marketing activities in said market. There are, of course, other routes besides inquiries. In some cases, we contact customers, and in other cases we meet them at offline events. Either way, we make contact with customers somehow. From there, we generate business meetings and initiate the sales process. When it comes to the sales process, you have to work with the people in the field, the supervisors above them, and in the case of large contracts, even with people up to the executive level. It differs depending on the purpose. The phase is different.

After we do the sale, and they actually start using the service, then customer service begins. Then there's expansion of contracts, such as up-selling, cross-selling, etc. That is the sequence of events.

For example, in the area of marketing, the first step is to make a contact with customers, which becomes our first market leads. We then turn these leads into business negotiations. It's a process here where business meetings are disclosed. We are seeing a

certain level of response to our efforts here, but there are various processes involved. Some are through events, as I mentioned earlier. Others are through searches. We call these inbound.

For example, some of them come in through Google ads, ads that are in the search section. Some come from seminars. There are many different routes. We are currently focusing first on those routes that are particularly important and working to improve them. I think the situation there has clearly improved.

So, it is not that all of the numbers have improved, but that we are working on the most important funnefirst. The assumption is that contact is made with the customer and business negotiations are initiated. However, sales activities are waiting after that. In other words, there is a time lag of several months between the time a client becomes aware of us or starts negotiations with us, and before they actually start using our services. Only after they sign a contract and start using the service is this transaction listed here as net sales. Therefore, there is a time lag before things are reflected in the business performance when you look at this funnel.

Another thing is that there is naturally a time lag in customer success, the part that comes after the contract is signed. For example, as I mentioned earlier, in the case of a large contract, the decision to renew the contract or to upsell or cross-sell and further accelerate use of the product is not made immediately before the contract renewal. It is happening much, much earlier. In other words, although we can of course make an effort regarding churn ,up-selling or cross-selling that may occur next month or the month after, it is difficult for our base improvement activities to suddenly be reflected in the figures. After all, that's how much of a lead time there is before a contract is signed with customers. So, I think there is a certain time lag here as well.

From the efforts made in Q3 to Q4, we are beginning to feel that the situation in various areas is gradually improving. But to be honest, it is difficult to say whether the numbers will suddenly be reflected in this upcoming Q4. The effects of these efforts will be seen in Q1 and Q2 of the next fiscal year. Of course, there may be some fluctuation when looking at a single month, but we believe that the overall trend will head in the right direction over the course of Q4, Q1, and Q2.

So, the fact is that there is a separate time lag before the improvements effect each of the indicators of net sales. In addition, we are a SaaS company, so the majority of our revenues come from the recurring revenue base. In terms of the comparison with last year, I think we will see a further recovery in the future. We have been discussing how best to tell our current situation when communicating with you.

We are considering how to communicate to everyone in the appropriate information and at the appropriate time.

Q5-2: To summarize, you are saying that the effect will become clear in Q1 and Q2 next year? And you are saying that it is unrealistic for that effect to be seen in Q4.

Kurahashi: I think the effect will be seen to an extent.

As I mentioned earlier, there are so many points to address in each business activity, whether it be marketing, inside sales, sales access, and so on. Therefore, we will start

with the most important ones and work our way down, so that the impact will be more like an accumulation of improvements rather than a sudden and dramatic increase.

Q6: My question is about the number of your clients. On a stand-alone basis, you are now at 550 companies. The number of companies decreased from 559 in Q1 to 550 in Q3, a net decrease of nine companies between acquisitions and cancellations.

Just for your information, the number of companies increased from 502 to 517 from Q2 to Q3 the previous year, an increase of 15 companies. What I would like to ask you is the number you acquired. In terms of the number of companies acquired between Q2 to Q3, which was bigger, that of last year, or that of this year? What is about the same level, or a significant drop? The nuance being what was the number of new acquisitions without cancellations. That's my first question.

Muto: As to whether the number of new acquisitions has decreased or increased significantly, it is difficult to say since we do not disclose these figures. I will answer that the difference between the previous quarter and the current quarter is between 5 and 10 companies, and that the number of new acquisitions has not changed that significantly. So, if it is moving, the impact is more in terms of churn or downside. Of course, we want to increase the number of new customers. I think our issue now is the downside.

Since we do not disclose the total number, I think the impact or the perception of the number would be totally different depending on whether the change is 5 or 10 companies versus 10 companies, or 5 or 10 companies versus 100 companies. However, I do not think it is that big of an issue.

Q7: This question is for Mr. Muto. In your answer to an earlier question, you said that a surplus at this scale would not be attractive. You said you need to invest in growth. You said that this would lead to results. You had 64 people join through Q3 of the current period and it seems that various improvements are being made in the onboarding program. However, when will the productivity of these people show up in the results?

Muto: To be honest, this is an aspect that I have reflected on, but to put it simply, if you look at each person, I think they will probably be up and running in three to five months. If they have customer success or sales experience, they can really get up and running in less than three months. Alternatively, if someone has done marketing from all different angles, but is working with customers for the first time, it will take a certain amount of time.

Of course, it's not as if these new people will be up and running naturally after six months. Yesterday I was just talking to the person who will be leading the customer success team starting July 1. He was saying that the managers on the ground are having an incredibly hard time right now.

The reason is that the managers in the field are quite experienced, but when you suddenly put a bunch of new people under them, it's quite a burden on the managers. Until now, we have trained new employees somewhat informally without assigning them to a manager. But now we are training them more formally under a manager, which is putting more of a load on the managers and is taking time for the new people

to get up and running. When new people are brought in all at once, it eats up the time of the existing capable people so this inevitably places a burden on them.

Last fiscal year, we achieved a certain level of profitability with the current situation. However, I think we were overly conscious of this, which led to restricting our hiring, which had a negative effect on this fiscal year. On the other hand, this fiscal year we increased the number of employees at a relatively high pace, so we are seeing such a situation in the field.

However, this situation isn't permanent. The situation, including the issues related to the organization mentioned, is becoming better. I believe that after three to six months of education and start-up time, the productivity of our team will increase considerably.

As far as future hiring, I think we have learned a lesson that it is necessary to take a certain number of members on a regular basis rather than suddenly between hiring and not hiring.

Q8: Is there a tendency for the risk of cancellation to increase when the contact person or person in charge of your clients' changes? Their unique literacy process may change the client's evaluation of your company, or the new person in charge may move to switch products in an attempt to make their own mark.

Kurahashi: I think there are both positive and negative aspects to a change in the person in charge. One is that our customers feel that they have a stable relationship with us including personal relationships. I think this is one of the assets.

On the other hand, however, if the distance is too close, it may be difficult to make price adjustments or new proposals, for example. In the case of global SaaS, which is something we should learn from, they regularly replace all of the account managers for customers. Some companies do this.

If it is important for a person in charge to firmly establish a relationship with the customer, how to change the relationship between that person and the customer into a relationship between the Company and the customer is probably the most important point. The question is how to make the relationship better even if the person in charge is changed. I think this is an important issue. This is my answer to your first question.

Another thing I would like to talk about is that KARTE is not a product that will be uniformly effective for everyone who introduces it. How it is used is important. Of course, we have provided follow-up services after the introduction of our products. However, we have always supported the customer's wishes as to how to use the system, giving the highest priority to the customer's wishes. In other words, we have been relying on our customers to generate value and utilize the product.

At the same time, however, as the importance of utilizing data grows at such a rapid pace, the composition of the customer's human resources, securing human resources, and the composition of the team will all become extremely difficult issues. So we need to provide not only products such as the TEAM service I mentioned earlier. We believe that this will have been an intrinsic value for our customers.

Therefore, as for things like changing of the people in charge, and the reliance on customers to create value, I think it is extremely important that we work hard on this. For that reason, we are now working to change the overall value of the service we provide, it's not just to take a single action.

I previously answered a question regarding the change of people in charge. My answer was from the perspective of changes to the person in charge due to our reorganization, etc. I would like to follow up a little on your question, as I slightly misunderstood the intent of your question.

I think the question was actually about changes of the person in charge on the client side, especially at the end of the fiscal year, when personnel changes are quite active. You were implying that the new person might think it would be easy to increase their performance in the short term and achieve soundness by cutting costs through cancellations.

I think this is very common. Although I won't say it happens equally to every company, I think it happens a lot to the companies which provide products, not just to us. It is not always the case that the new person in charge has a good understanding of our products and services, or that they have attention to the issues that can be solved by our products. As such, cancellations in this case are likely to occur.

On the other hand, we still need to build relationships, especially for large contracts, based on the assumption that this can occur. We also have to maximize the performance that KARTE provides. Or perhaps they need something that goes beyond the capabilities of KARTE. We also to get them to incorporate KARTE into other basic operations other than KARTE within client companies, such as sales activities. I believe this is very important.

For example, our core products include KARTE for Web, for App, and Datahub. Datahub is a product that manages the data behind the scenes of marketing action models like KARTE and passes data triggers to various actions.

Once products like these are in place, it will be easier for clients to create new operations that utilize various data via KARTE for Web and for App, and Datahub. In other words, KARTE's stickiness increases, which improves the churn rate and reduces risk of operational churn. That is how things are structured.

Therefore, we will continue to improve performance. In addition to building trust between companies, how can KARTE be connected to customers' operations and multifaceted value contribution? We believe that this will be a very important question to answer. We are placing particular emphasis on proactively making such communication proposals to our enterprise customers.

Q9: Are there any moves by some customers to increase their requests for price reductions? If so, is there a possibility of a certain level of compliance with those requests on your part? Even if the cancellation does not occur, it is possible that the price reduction could lower the NRR.

Kurahashi: If you ask me if the current price reduction request situation is accelerating, I don't really get that impression. Of course, there are cases in which the contract size

may decrease due to the contract or the cancellation of an option at the time of contract renewal. However, as to whether there is really an increase in cancellations, I don't think so.

On the other hand, it is also true that there is a growing number of products in the market that are less expensive and have more limited functions than ours. Therefore, the value of using KARTE should be clearly communicated to customers. As I answered your question earlier, how proactively we could support and promote customers' use of our products with or without explicit requests for support, I think this is important.

Q10-1: Thank you very much for your presentation.

I think the number of employees increased by only about 13 in Q3, with only four in the business departments. Can you tell me a little bit about why this was?

Muto: There are timing differences, and also some people have left the Company, so I think it's going to be a net increase.

Q10-2: I think you were targeting about 200 people by the end of Q4 in the business departments, so is it correct to say that you will be able to acquire quite a few people in Q4?

Muto: Perhaps I did not explain this well enough. We have made some adjustments in response to the market environment and our business performance. We have decided to narrow the hiring down to the talent we really need, so we will be hiring less than expected. Like I mentioned earlier, we are spending wisely. Given this context, we expect to hire fewer people than we anticipated at the beginning of the year.

Q11: Regarding Emotion Tech's recurring revenue, I think there was only one new customer acquired. Was this just Kappa Sushi? Plus, recurring revenue has been growing quite a bit in QoQ, but is this almost entirely due to Kappa Sushi? I'm looking at the number of consolidated customers minus PLAID's customers. So, the QoQ increase in recurring revenue is mostly Kappa Sushi's contribution. Is this correct?

Muto: That number includes common customers which are PLAID's and Emotion Tech's, so it is not necessarily company divided exactly.. So, I think Emotion Tech has acquired more new customers than that.

Moderator: Since the time has come, we will now adjourn the financial results briefing for Q3 FY2022 for PLAID, Inc.

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

Muto: Thank you very much.

Kurahashi: Thank you very much.

[END]

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