Translation

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# Regarding Our Investment Policy to Maximize Corporate Value Over the Medium- to Long-Term

As announced separately today, Money Forward, Inc. has received approval from the Tokyo Stock Exchange to change the listing of our shares from the Mothers Section to the First Section of the Tokyo Stock Exchange, effective June 14, 2021.

We have been making upfront investments proactively with the aim of maximizing its future corporate value. As a result, while sales have expanded rapidly, we have continued to post losses in past fiscal years. Although we have recorded an operating income in the first quarter, we expect to post an operating loss for the full year.

The details of our investments including policies and future outlook are as follows.

## 1. Main Area for Investment

More than 90% of our upfront investment costs are related to Business domain. In order to expand the user base of accounting firms, small and medium-sized companies and sole proprietors, we continue to invest in sales personnel costs, advertising costs, etc. to strengthen brand recognition and acquire new customers.

In making upfront investments, we conduct sales promotion activities by sales personnel, web marketing, TV commercials, etc., while monitoring cost effectiveness.

## 2. Investment Amount

The following is a breakdown of upfront investment costs for improving brand recognition and acquiring new customers in Business domain from the fiscal years ended November 30, 2019 to the fiscal year ending 2021.

| (Unit：Millions of yen) | Nov 2019<br>Actual | Nov 2020<br>Actual *2 | Nov 2021<br>Forecast *3 |
|---|---|---|---|
| Total costs for improving brand recognition and acquiring new customers | 1,203 | 3,381 | 3,073 |
| (Breakdown) | | | |
| Personnel costs for new customer acquisition (Number of personnel) *1 | 395<br>(82 persons) | 813<br>(140 persons) | 1,096<br>(178 persons) |
| Advertising expenses | 808 | 2,568 | 1,977 |

*1. Total of full-time, contract and part-time employees for new customer sales. The effect of acquiring R&AC Co.,Ltd. and SMARTCAMP Co.,Ltd. (+36 persons) is included in the fiscal year ended November 30, 2020.
*2. In the fiscal year ended November 30, 2020, advertising expenses increased significantly due to the launch of *Money Forward Cloud ERP* for mid-sized corporates.
*3. Forecast figures for the fiscal year ending November 30, 2021 are equivalent to the costs of the lower end of the guidance range.

3. Purpose of investment to maximize corporate value, investment policy and future investment plan
We mainly adopt subscription model for the services in Business domain. Since the customer churn rate is stable at a low level, we can make upfront investment based on medium- to long-term sales expectations to acquire new customers.

Specifically, the monthly customer churn rate for *Money Forward Cloud*, the main service of Business domain, was 0.8% on average in the fourth quarter of the fiscal year ended November 30, 2020, and 1.0% on average in the first quarter of the fiscal year ending November 30, 2021, which is lower than that of a typical SaaS service for SMEs.

Spending on cloud-based financial applications and payroll management applications in Japan represented 18% and 12% of the total spending on these software categories in 2019, which is lower than the levels in the UK (41% and 39% respectively), the US (50% and 87% respectively), Australia (66% and 50% respectively), and New Zealand (73% and 62% respectively). (Calculated by Money Forward, Inc. based on IDC Worldwide Public Cloud Services Spending Guide (Jan 2021).) Penetration of cloud services have gradually progressed in these countries, and we believe that Japan will also see a similar trend in the medium to long term.

Considering such business model and market environment, we have been proactively making upfront investments to strengthen brand recognition and acquire new customers based on the judgment that it will contribute to maximize the corporate value and shareholder value in the medium to long term, while the domestic SaaS market is rapidly expanding.

In the fiscal year ended November 30, 2020, we recorded an upfront investment totaling 3,381 million yen, including TV commercials and other web advertising in Business domain to improve brand recognition and acquire new customers. In the fiscal year ending November 30, 2021, we plan to make upfront investments totaling 3,073 million yen to improve brand recognition and acquire new customers. From the fiscal year ending November 30, 2022 onward, we will continue to make reasonable level of investment for improving brand recognition and acquiring new customer in order to establish a stable revenue base by increasing the number of customers and ARPA, while paying attention to financial indicators such as CPA and customer churn rate, in

addition to the conditions of the domestic SaaS market and competition with other companies. The amount of upfront investment is expected to increase in the future, taking into consideration the aforementioned circumstances and the Group's earnings situation.

Currently, the penetration rate of cloud accounting and payroll in Japan is low as mentioned above. However, as the penetration rate increases, i.e., as the market matures, we expect to be able to generate reasonable level of profit. As of the end of the first quarter of the fiscal year ending November 30, 2021, we had cash and deposits of 7.603 million yen and had bank overdraft contract to borrow up to 5,000 million yen, and we believe that we have enough cash and deposits to continue investment activities for the time being.

4. Outcome of the investment for the group

We recorded negative EBITDA of 2,180 million yen and 2,164 million yen for the year ended November 2019 and 2020, respectively. Although we plan to continue upfront investments aggressively to strengthen its brand recognition and acquire new customers in the fiscal year ending November 30, 2021, we expect to see an improvement in EBITDA compared to the previous fiscal year due to the expansion of our revenue base and a decrease in advertising expenses. Advertising expenses for the fiscal year ending November 30, 2021 are expected to be relatively small compared to the previous fiscal year as we conducted intensive investment in the fourth quarter of the fiscal year ended November 30, 2020 to strengthen brand recognition and acquire new customers in conjunction with the launch of *Money Forward Cloud ERP*.

Consolidated operating loss was ¥2,446 million and ¥2,804 million for the fiscal year ended November 30, 2019 and 2020, respectively, and is expected to be ¥1,196 million to ¥796 million for the fiscal year ending November 30, 2021. The main difference between consolidated EBITDA and consolidated operating loss is the amortization of goodwill associated with M&A.

In the first quarter of the fiscal year ending November 30, 2021, we recorded a consolidated operating income of 80 million yen due to the steady progress of the business. However, we expect to accelerate upfront investments from the second quarter and record a consolidated operating loss of 1,196 million yen to 796 million yen for the full year, as forecasted at the beginning of this fiscal year.

We have not disclosed its forecast for the fiscal year ending November 30, 2022 and beyond. We will strive to improve profitability over the medium to long term while making upfront investments proactively to strengthen brand recognition and acquire new customers to maximize corporate and shareholder value over the medium to long term.