

1Q FY12/2021 Business Results Briefing

Questions and Answers [Summary]

Q1 What were the factors behind the improvement in gross margin in the first quarter?

Sales of monthly charged services such as network server, database, and support services offered to our software users increased. In addition, the number of users adopting monthly charged DX tools such as website production are increasing. Gross margin improved due to rise in sales composition ratio of such services and tools with a higher marginal profit ratio. Also, we believe that the shift to monthly subscription (SaaS) in software sales will also be a factor behind the increase in gross margin.

Q2 Will monthly subscription become common in the future?

Major companies of our software users are positive in transitioning to cloud-based software with monthly subscription. We have already launched to cloud-based software “c Series” in the form of monthly subscription to specific major clients.

When excluding major companies and looking at the automotive aftermarket sector as a whole, we think there are some groups of companies who are still reluctant towards cloud software and monthly subscription. Nevertheless, among our software users including those from auto maintenance shops, there are growing needs for DX tools which enable active use of e-mail and websites in response to requests from car owners. Against the backdrop of this trend toward DX, concerns about cloud software and monthly subscription have been alleviated, so we will actively promote monthly subscription.

Q3 About the use of operating expenses

We are not going to use up all the cost budget limit set at the beginning of the term. Special department for cost management constantly controls expenditures. Therefore, cost will be spent from those of high importance and priority. Promotional expenses for the release of cloud-based software “c Series” are seen as highly important cost in the current fiscal year. We have also learned that new promotions through webinars and other means are more effective, so we will actively create key digital contents. At the same time, we will reduce sales-related expenses by continuing to promote our DX, such as shift to remote business negotiations.

In the second half of the fiscal year, we have formulated cost plans based on the assumption that we will actively engage in both online and offline sales activities. Depending on the situation of COVID-19, however, the actual cost may deviate from the plan.

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