1Q FY12/2025 Business Results Briefing
Q&A [Summary]

Q1 Could you explain the difference in calculation methods and other factors between the projected ARR of 19.7 billion yen for cloud software at the end of 2028 and the sales forecast for the same year?

The software service sales forecast of 23.3 billion yen for 2028 includes not only subscription fees for our cloud-based ".c Series" software, but also other revenue streams. These include one-time revenues such as initial setup fees incurred at the time of implementation, support and maintenance services, as well as revenue from other subscription-based services, such as our software compliant with the Electronic Book Storage Act.

In contrast, the ARR of 19.7 billion yen is calculated by multiplying the projected monthly recurring revenue for the ".c Series" as of December 2028 by 12. It represents the annualized recurring revenue on a subscription basis.

Q2 What caused the stronger-than-expected demand for PC and other hardware replacements?

The increase in demand was primarily due to hardware aging and the need to support newer operating systems and enhanced security measures. While we had anticipated a concentration of hardware upgrades around the fall of 2025, some customers advanced their replacement schedules. As a result, sales in the first quarter exceeded expectations. In effect, demand that had been expected later in the year materialized earlier than planned.

Q3 Is there potential upside in the ARPL of the cloud-based software by the end of 2028, considering factors such as increased option adoption or price revisions due to inflation?

The ARPL (Average Monthly Revenue Per License) for our cloud-based ".c Series" software is expected to rise from the current level of approximately ¥24,500 to around ¥28,500 by the end of 2028. Looking ahead, as the platform expands its functions as a cloud platform and integration with other services increases, there is potential for new billing items such as API connection fees and usage-based charges.

While these items may not directly impact ARPL, we expect overall revenue from cloud-related services to trend upward. Therefore, in addition to the increase in ARPL itself, we believe there is potential upside when considering the creation of new revenue opportunities related to the cloud platform.

Q4 Under the current medium-term plan, which industries are targeted for the release of cloud-based software, and which are not?

Our cloud migration efforts are focused on key segments within the automotive aftermarket. Cloud-based software has already been released for most of these industries, including businesses such as auto glass services. Going forward, we plan to expand into the vehicle sales domain, including used car dealerships.

On the other hand, we are not currently planning to develop cloud-based versions for certain niche areas within the automotive sector—such as radiator and electrical component services—as well as for non-automotive businesses like mobile phone retailers or the "OTRS" work analysis system used in manufacturing facilities.

Q5 Could you provide a breakdown of the number of cloud software licenses between those converted from packaged software and those from other sources?

As of the end of March 2025, the total number of licenses for our cloud-based ".c Series" software stood at 15,165. Of these, 11,066 licenses were converted from our packaged software (such as the ".NS" Series), while 4,099 licenses came from new customers or other non-packaged software users.

Q6 Why was the full-year earnings forecast left unchanged despite the upward revision to the first-half forecast? Also, what is the reason for the expected increase in SG&A expenses in the second half?

This is primarily because a portion of the hardware-related sales that were originally expected in the second half occurred earlier than anticipated in the first quarter. As a result, we believe it is necessary to carefully assess the progress of the second half before revising the full-year forecast, and have therefore decided to leave it unchanged at this time.

We have already factored in the impact of rising overall costs, including higher procurement expenses for IT infrastructure, reflecting the effects of ongoing inflation.

Q7 Has the cloud software for parts dealers already been released? Also, are there plans to release versions for used car dealers, electrical component service shops, or radiator shops?

The cloud software for parts dealers has already been released.

On the other hand, although our past IR materials have indicated that cloud software for used car dealers, electrical component service shops, and radiator shops would be released "from 2024 onward," these industries are currently not included in key cloud-related indicators of our medium-term plan, such as cloud rate, nor are they reflected in our cloud software revenue forecasts.

In these industries, business consolidation is progressing—for example, electrical component service shops are increasingly integrated with maintenance shops, and radiator shops are being combined with other business types.

We are carefully assessing these structural changes and evolving market needs to explore better ways to offer our solutions, potentially as part of upsell initiatives targeting the consolidating segments.