

2Q FY12/2022 Business Results Briefing Q&A [Summary]

Q1 What are the reasons for the strong sales of packaged systems and the progress in the shortening of business negotiation period?

Packaged systems include products for various industries*, such as auto glass shops as well as mobile phone shops, machine tools dealers, and travel agencies. Growing demand in each industry is the reason for the strong sales of packaged systems. In addition, online business negotiations have become more widespread than ever, and as a result, business negotiation period has become shorter.

※Broadleaf (hereinafter “the Company”) does not sell packaged systems in industries where there is a lineup of new cloud-based software services (auto maintenance shops and auto body shops).

Q2 Packaged system sales have been going ahead of the plan in the first six months.

Will there be a reactionary decline in the third quarter onwards?

While sales of packaged systems were partially brought forward in the first six months, the Company has raised its annual sales plan in light of the shortening of business negotiation period and the recent business environment. Even if packaged system sales are strong, there will be no negative impact on the growth of cloud services, so the Company will continue to promote the sales.

Q3 How are the clients responding to cloud-based software services?

As the mobility industry undergoes significant changes, the services are evaluated by clients as a management system necessary for responding to changes and expanding their businesses. The number of companies switching from other companies' systems to the Company's new services is increasing. The number of inquiries from other companies is also increasing further since these cases are being introduced as examples in seminars and other events.

Q4 What are the KPI* targets for cloud-based software services as of the end of FY2022?

The Company has not announced the target for the end of FY2022, but please imagine that the progress will continue at the same level as the progress made up to the second quarter.

※KPIs are "cloud transition rate (percentage of users of cloud-based software services)," "number of licenses," "average monthly license fee," and "churn rate."

Q5 How large are the large-sized users, and are they included in the KPIs?

In the auto maintenance shops, which are the Company's main client industry, the company with more than 20 employees are classified as large-sized users. Although they are included in the KPIs, acquiring contracts from one large-sized company will not significantly increase the number of licenses, since only several licenses will be installed at an initial stage, even for large-sized users. Chain stores and franchises which have multiple stores are classified as specific major clients because their pricing structure differs from the standard version. These are not included in the KPI targets (end of 2024) of "number of licenses," "average monthly license fee," and "churn rate."