

3Q FY12/2023 Business Results Briefing

Q&A [Summary]

Q1. Please tell me about the status of the cloud software release plan for FY12/2024.

Taking into account the current status of software testing, we anticipate being able to start providing the cloud software as planned. We are working to resolve issues identified during the testing by the end of the current fiscal year.

Q2. What is the reason for decreasing the full-year sales forecast of “Software service” for FY12/2023 by 600 million yen?

The reason for the change is that the Company reassessed the 4Q sales plan for the upsell product "Dencho.DX." This adjustment is due to the cautious stance of our clients toward adopting the software compliant with the Electronic Book Storage Act, and the reallocation of our sales resources to assist clients in adapting to the Invoice System, which has affected the sales activities of “Dencho.DX.”

Q3. Will the decrease of 600 million yen in “Software service” sales forecast be postponed to the next fiscal year?

Although some sales of “Dencho.DX” are expected to be deferred to the next fiscal year, it is difficult to accurately predict the sales volume, since it is an upsell product (unlike main product, which mainly consists of contract renewals). Although there are some cautious moves as mentioned above, the demand is not disappearing, so we will continue to offer “Dencho.DX” to our clients in combination with other products.

Q4. How will the costs from the next fiscal year change compared to the past?

Development costs are expected to decrease since initial development is largely completed, but the reduction will be modest due to ongoing expenses related to additional development and enhancement. Also, with rising personnel and purchasing costs being a trend observed across the sector, we are closely monitoring their impact on our medium-term management plan. Details will be announced in the future.

Q5. What is the impact of the revision to the breakdown of the sales forecast by service category on the profit margin?

Although the earnings forecast will not be changed, the increase in the sales forecast of “Packaged system” will positively affect the profit margin in the short term because the development of packaged software and the associated amortization are already complete (unlike cloud software which is still under development and undergoing amortization).

Q6. After the Big Motor scandal in Japan, I heard inquiries about systems have been increasing. What is the situation since then?

Due to growing compliance concerns, we have observed an increase in the number of inquiries for the system designed to prevent fraud in vehicle examination. There is a time lag between these inquiries and the conclusion of a contract as many major companies want to install it along with cloud software, but we expect the number of contracts of the system to increase over the next year.

Q7. Sales of "Packaged system" are expected to exceed forecast for the second consecutive year. What is the future outlook?

Looking ahead, we do not expect the figures to deviate significantly from the medium-term management plan. This is because the figures of the plan are calculated based on the timing of contract renewals and are generally proceeding as planned. However, new deals of packaged software tend to be large, and since the number of new deals increased in 2022-23, the sales of packaged software are exceeding the original plan.