

## Business Results for FY2021 and Medium-term Management Plan Briefing

### Q&A [Summary]

#### **Q1 Will hardware continue to be sold in the future? Will the sales be recorded in a lump sum?**

We will continue to sell hardware if our clients demand for it, but we do not intend to aggressively sell it to produce sales, partly due to the low profit margin. The sales will be recorded in a lump sum as before.

#### **Q2 Out of the two types of contracts for cloud-based software (5-year lease contracts and monthly subscription contracts), why do the Company assume majority of the clients will choose a 5-year lease contract?**

When first installing cloud-based software, we anticipate that many clients will choose "5-year lease contracts" because hardware is likely to be purchased together. Conventionally, more than 90% of clients have purchased hardware together with software. In addition, a discount for a long-term contract is applied for a 5-year lease contract. Based on these factors, we assume that more clients will be choosing "5-year lease contracts" instead of "monthly subscription contracts."

#### **Q3 What are the advantages and disadvantages of monthly subscription contract?**

Sales for cloud-based software are recorded on a monthly basis regardless of the type of contract. As a result, we expect revenue to stabilize. We are also aiming to enhance revenue by expanding services and implementing measures to increase licenses per company. In addition, the benefit of the monthly subscription contract is that it reduces retention costs since it is automatically renewed on a monthly basis.

On the other hand, the recording of sales on a monthly basis has a negative impact on performance until the number of contracts accumulates. Also, the general disadvantage is the increase in the churn rate, but we do not believe this is the case for Broadleaf. Even for conventional software, repeat rate of clients continuing the usage of the software was already extremely high (95% or more), and the number of clients was steadily increasing. Even if we transit to a "monthly subscription contract," we assume clients will continue using cloud-based software, since it has better merchantability.

**Q4 Is the Company also planning to continue offering conventional software, which will be booked as a lump-sum sales, instead of cloud-based software?**

We offer separate software for multiple industries.

We will not provide conventional packaged software to industries where cloud-based software is already launched, such as auto maintenance shops and auto body shops. On the other hand, we are considering continuing to provide conventional packaged software for the travel agencies and mobile phone shops. These will be booked as a lump-sum sales as before. In the future, transition to cloud-based software may be considered if there are advantages for developing the software on a common cloud infrastructure.

**Q5 What will happen to Tajima's products along with transition to cloud-based software?**

Partly because Tajima is already providing software for the auto body shops on OEM, we are considering changing the software to our cloud-based software, including those for auto maintenance shops. We will make announcement as soon as the policy is decided.