



Becoming a leading SaaS company in Japan

3Q FY12/2022 Business Results Briefing Material

Broadleaf Co., Ltd (3673)

August 9, 2022

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1. Overview of 3Q FY12/2022 Business Results

Summary

▶ Growth in 3Q sales of monthly subscription-type services accelerated compared to 2Q.

- Explanation
- The number of expired contracts for packaged system “.NS Series” increased from June.*
 - Average monthly license fee of cloud-based software service “.c Series” increased.
 - Sales activities of solution corresponding to Electronic Book Storage Act “Dencho.DX” have fully started from June.

▶ Sales of packaged systems and their ancillary services was steady.

- Explanation
- “.NS Series” are sold under multi-year lease contracts to clients who belong to industries which do not have “.c Series.”

▶ The Company has continued to enhance the efficiency of sales activities.

- Explanation
- The Company has promoted participation in digital events and penetration of online sales and contracts.

* When clients' multi-year lease contracts for “.NS Series” expire, “.c Series” will be provided in general. However, to some clients (A. clients with multiple contracts, B. clients who need specific functions), monthly contracts of “.NS Series” will be provided for a limited period (A. until last contract expires, B. until necessary functions are equipped).

What clients with expired contracts chose	3Q	Ref.) 1H
“.NS Series” (monthly contract)	30%	65%
“.c Series”	70%	35%

Overview of Consolidated Financial Results

From 2022, the Company has limited sales of packaged systems under multi-year lease contracts to industries with no “.c series,” so revenue and profit has decreased.

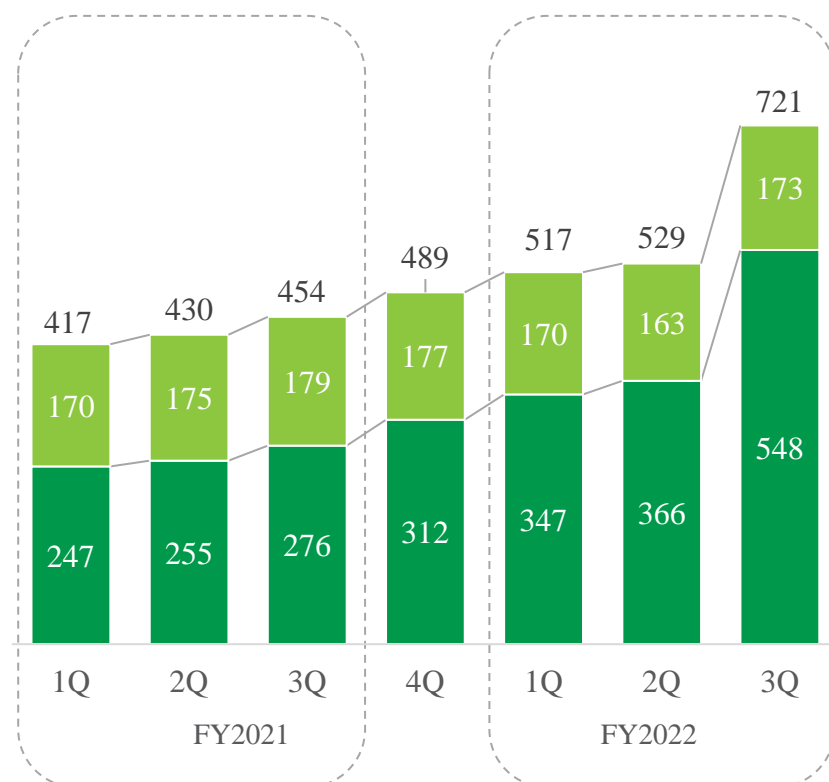
(Millions of yen)	FY2022 Cumulative 3Q	FY2021 Cumulative 3Q	YoY change
Revenue	10,067	15,181	-5,114
Cloud service	1,767	1,302	+465
Packaged system	8,300	13,879	-5,579
Cost of sales	3,902	4,309	-407
Gross profit	6,165	10,871	-4,707
SG&A expenses, etc.	8,028	8,529	-501
Operating profit *	-1,863	2,342	-4,205
Profit before tax *	-1,914	2,340	-4,254
Profit attributable to owners of the parent *	-1,433	1,500	-2,933
Basic earnings per share*	-16.23 yen	17.07 yen	-

*minus (-) represents loss

Quarterly Trends in Sales of Cloud Service

Growth in sales of software service accelerated in 3Q.

(Millions of yen)



Software service

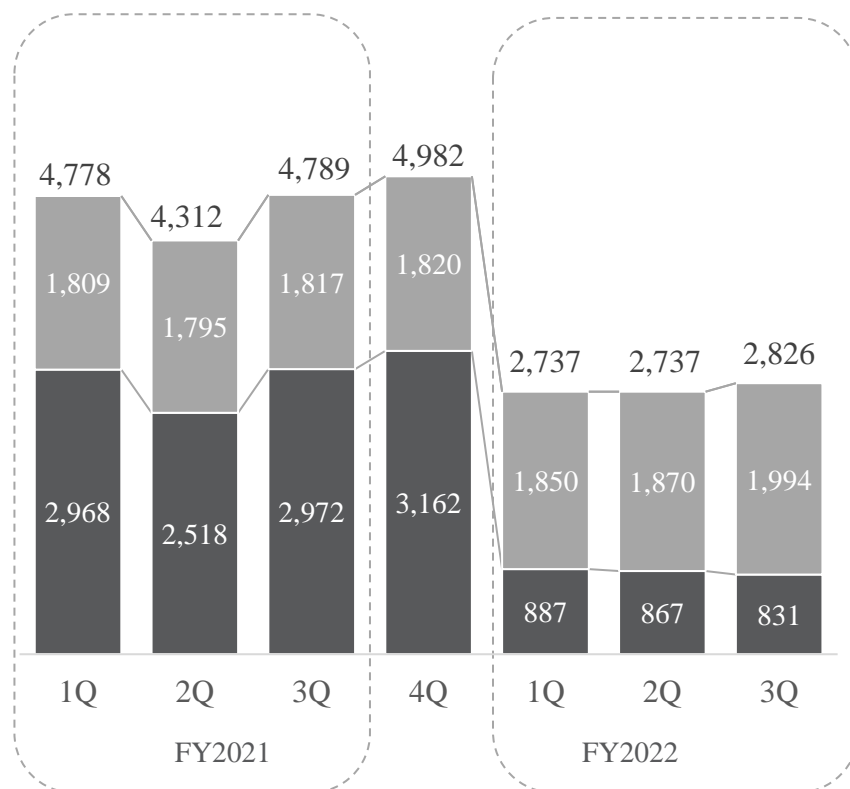
- The number of expired contracts for “.NS Series” increased from June.
- Average monthly license fee of “.c Series” increased.
- Sales activities of “Dencho.DX” have fully started from June.

	FY2022 Cumulative 3Q	FY2021 Cumulative 3Q	YoY change
Cloud service	1,767	1,302	+465
Marketplace	506	524	-18
Software service	1,261	778	+483

Quarterly Trends in Sales of Packaged System

Sales have decreased since sales of packaged systems under multi-year lease contracts have been limited to industries with no “.c Series.”

(Millions of yen)



Operation and support

Usage rates of ancillary services for “.NS Series” increased.

Software sales

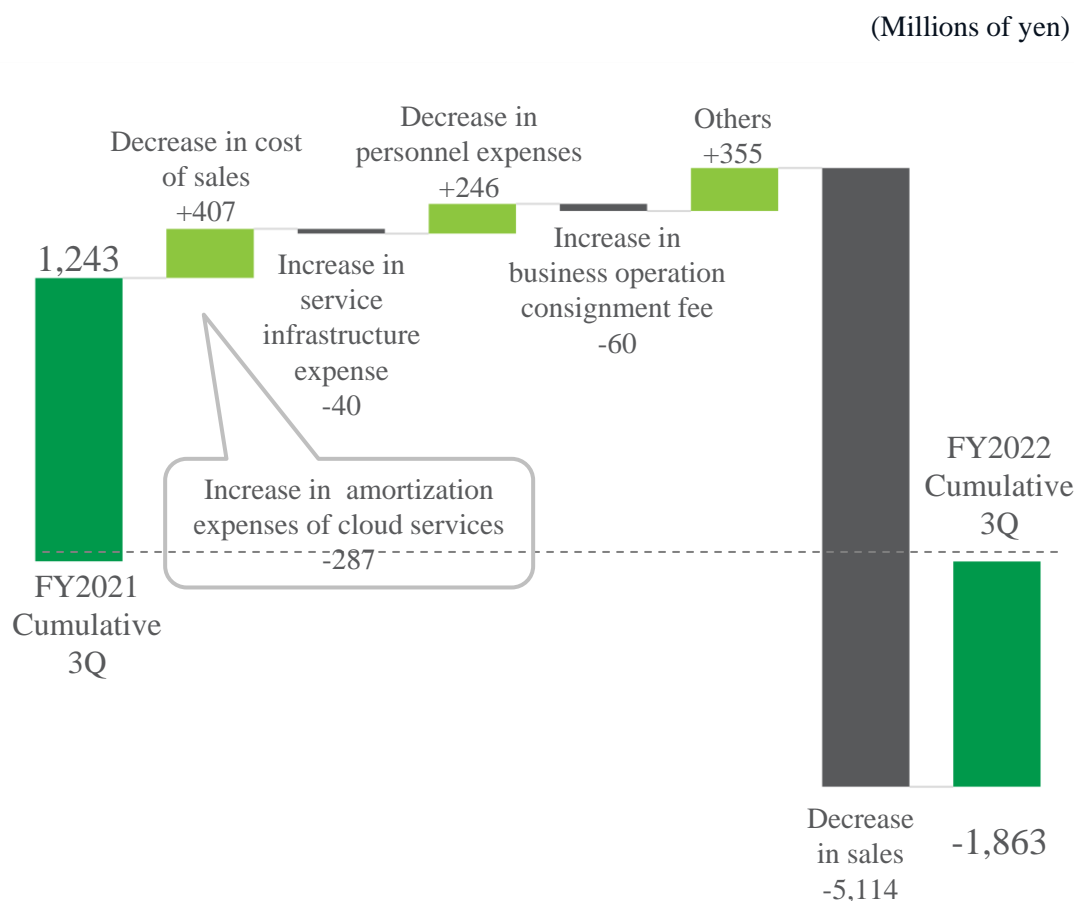
Sales of “.NS Series” under multi-year lease contracts have been limited to industries with no “.c Series.”*

	FY2022 Cumulative 3Q	FY2021 Cumulative 3Q	YoY change
Packaged system	8,300	13,879	-5,579
Operation and support	5,714	5,420	+294
Software sales	2,586	8,458	-5,873

* Industries with no “.c Series” (Car dealers, auto electrical equipment shops, radiator shops, auto glass shops, mobile phone shops, machine tool dealers, travel agencies, bus operators)

Factors Behind Changes in Operating Profit

Operating loss was recorded due to negative impact of decrease in revenue, partly offset by reduction in SG&A expenses, etc.



Cost of sales

- Cloud amortization expense increased in line with the release of cloud services.
- Purchase cost of devices decreased.

SG&A expenses, etc.

- Service infrastructure expense
IT infrastructure expense for providing cloud services increased.
- Personnel expenses
Legal welfare expense which temporarily occurred in FY2021 decreased.
- Business operation consignment fee
Business operations were partly outsourced for optimization.
- Others
Operating expenses were reduced.

Balance Sheet Status

Current assets decreased due to limited sales of packaged systems under multi-year lease contracts to industries with no “.c Series.” The Company maintains sound financial position despite dividend payments and the recording of loss.

(Millions of yen)	FY2022 End of 3Q	FY2021 Year-end	Change	Major factors of increase/decrease
Current assets	6,240	8,405	-2,164	Cash and cash equivalents -369 Operating and other receivables -1,676
Non-current assets	27,223	26,071	+1,151	Intangible assets +948
Total assets	33,463	34,476	-1,013	
Current liabilities	8,234	7,512	+722	Operating and other payables -922 Short-term interest-bearing debts +2,188
Non-current liabilities	664	850	-185	Long-term interest-bearing debts -79
Total liabilities	8,898	8,362	+537	
Total equity	24,565	26,114	-1,549	Dividends payout -414 Loss -1,433
Total liabilities and shareholders' equity	33,463	34,476	-1,013	

Cash Flow Status

Cash flow from operating activities decreased due to an increase in contract ratio of monthly subscription-type services, but there was no shortage in working capital.

(Millions of yen)	FY2022 1H	FY2021 1H	YoY change	Major factors of increase/decrease
Cash flow from operating activities	644	1,413	-769	Decrease in profit before tax -4,254 Decrease in trade and other receivables +2,437
Cash flow from investment activities	-2,173	-2,329	+156	Decrease in purchase of intangible assets +226
Cash flow from financing activities	1,157	711	+446	Decrease in dividends paid +516
Free cash flow	-1,529	-916	-614	
Cash and cash equivalents	3,153	3,029	+124	

2. Results Forecast for FY12/2022

Consolidated Results Forecasts

Full-year results forecasts was revised in order to reflect business results for the first nine months as well as current business condition.

(Millions of yen)	FY2022 Full-year forecast		Difference	FY2021 Full-year
	Revised forecast	Previous forecast (August 9)		
Revenue	13,300	12,700	+600	20,652
Cost of sales	5,400	5,200	+200	5,753
Gross profit	7,900	7,500	+400	14,898
SG&A expenses, etc.	11,100	11,500	-400	11,503
Operating profit *	-3,200	-4,000	+800	3,395
Profit before tax *	-3,400	-4,100	+700	3,233
Profit attributable to owners of the parent *	-2,700	-3,200	+500	2,173
Basic earnings per share*	-30.58 yen	-36.24 yen	-	24.72 yen

*minus (-) represents loss

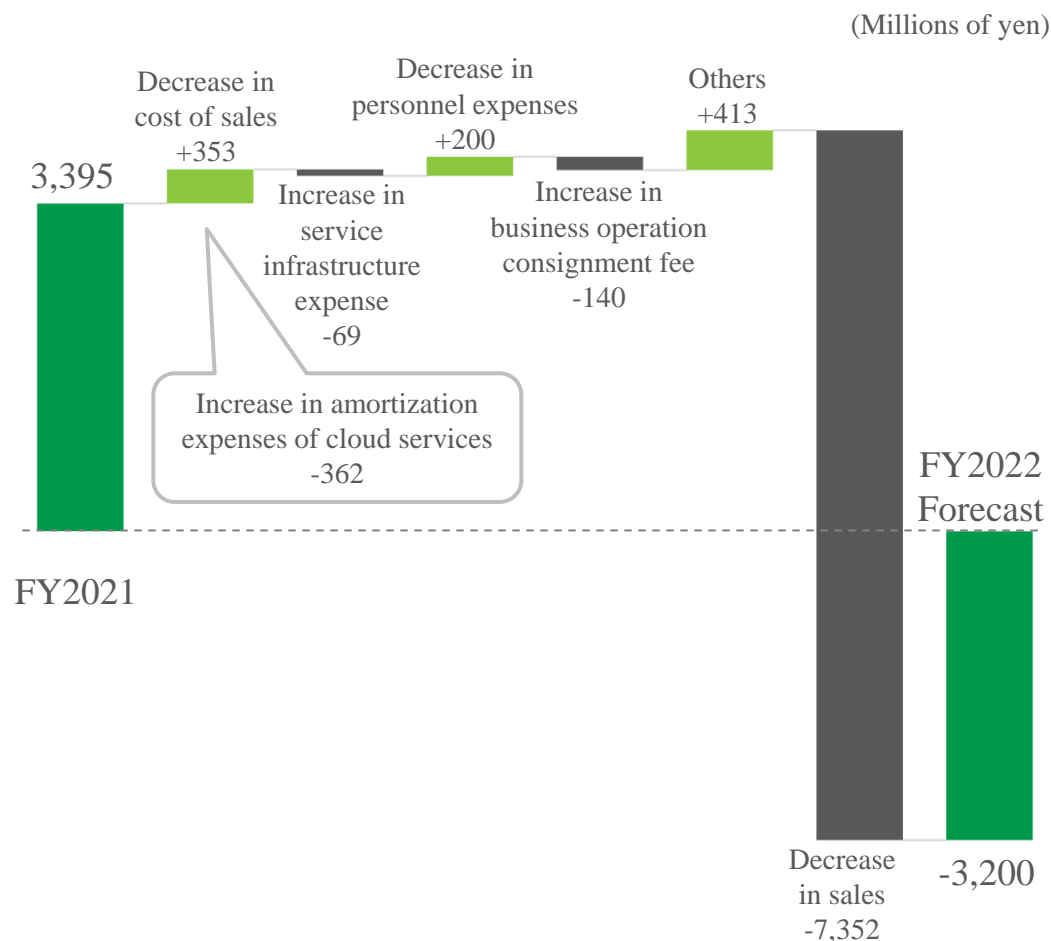
Revenue Forecast by Service Category

No change in sales plan for cloud services in FY12/2022. Revenue forecast for packaged system was revised since both sales and support services are expected to exceed the plan.

(Millions of yen)	FY2022 Full-year forecast		Difference	FY2021 Full-year
	Revised forecast	Previous forecast (August 9)		
Cloud service	2,540	2,540	-	1,791
Software service	1,860	1,860	-	1,090
Marketplace	680	680	-	701
Packaged system	10,760	10,160	+600	18,860
Software sales	3,250	2,830	+420	11,620
Operation and support	7,510	7,330	+180	7,240
Total	13,300	12,700	+600	20,652

Factors Behind Changes in Operating Profit

Decrease in cost of sales is expected to be limited due to an increase in amortization expenses and maintenance costs for cloud services.



Cost of sales

- Amortization expense is expected to increase due to the release of cloud services.
- Maintenance cost of cloud services is expected to increase.

SG&A expenses, etc.

- Service infrastructure expense
Strengthening and extension of operational infrastructure cloud services, etc.
- Personnel expenses
Legal welfare expenses which temporarily occurred in FY2021 is expected to decrease.
- Business operation consignment fee
Partial outsourcing of business operations for optimization.
- Others
Reduction of operating expenses.

Dividend Forecast

Year-end dividend is unchanged from the forecast of 1 yen per share.

Dividend per share

(Yen)	FY2022	FY2021
Interim dividend	-	4.0
Year-end dividend (Forecast)	1.0	4.7
Annual dividend (Forecast)	1.0	8.7
Consolidated dividend payout ratio	-	35.2%

Dividend

- Although financial results for FY12/2022 and FY12/2023 is planned to be a loss, the Company judged that it is possible to pay a dividend in consideration of retained earnings.
- The Company announced annual dividend forecast of 1.0 yen per share for FY12/2022.

3. Progress of the Medium-Term Management Plan (2022-2028)

KPI

Since market penetration of the core product “.c Series” is the key factor for achieving the mid-term performance plan, the Company has set four KPIs to manage their progresses.

KPI Targets for the End of 2024

Cloud transition rate: 40%

Definition: $\text{Number of “.c Series” user companies} \div \text{Number of industry-specific software user companies (target industries of “.c Series”*)}$

Standard version of “.c Series”

Number of licenses: 24,000 licenses

Definition: Number of chargeable licenses in the target month

Average monthly license fee: 23,000 yen /month

Definition: $\text{Sales in the target month} \div \text{Number of charge licenses in the target month}$

Churn rate: Less than 1%

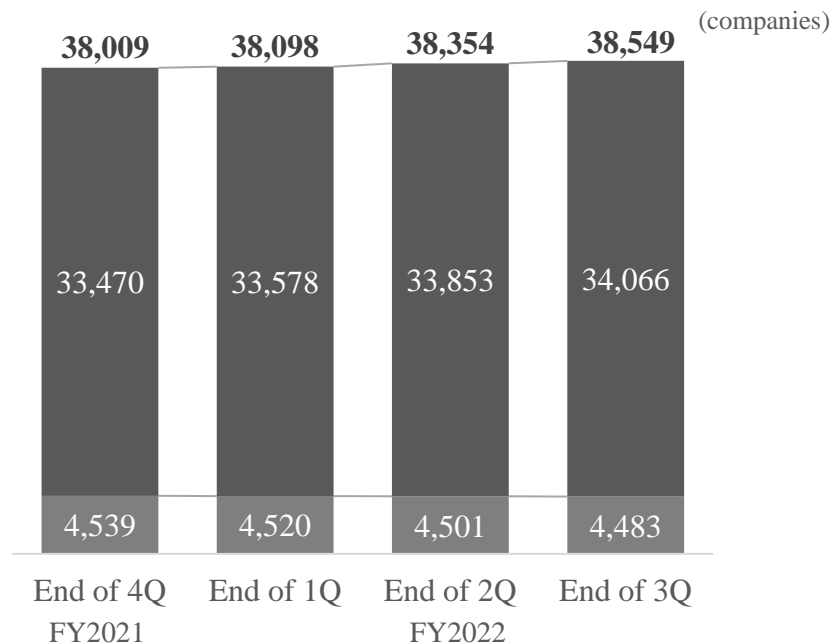
Definition: $\text{12-month average of } <\text{the number of cancelled licenses in the target month} \div \text{the number of chargeable licenses in one month before the target month}>$

* Clients in auto maintenance shops, service stations, auto body shops, auto parts dealers, and recycling shops

Total Number of Clients of Industry-Specific Software

Total number of clients* increased due to the progress in acquisition of new clients in target industries of “.c Series.”

- Clients in auto maintenance shops, service stations, auto body shops, auto parts dealers, and recycling shops (target industries of “.c Series”)
- Clients in other industries **



Clients in target industries of “.c Series”

- Competitiveness has further improved due to the launch of “.c Series,” and the acquisition of clients of other companies’s products progressed.
- Target clients has expanded since “.c Series” have a broad price structure.

Reference:

Difference between the number of clients at the end of FY2021 and those at the end of FY2020: +606 companies

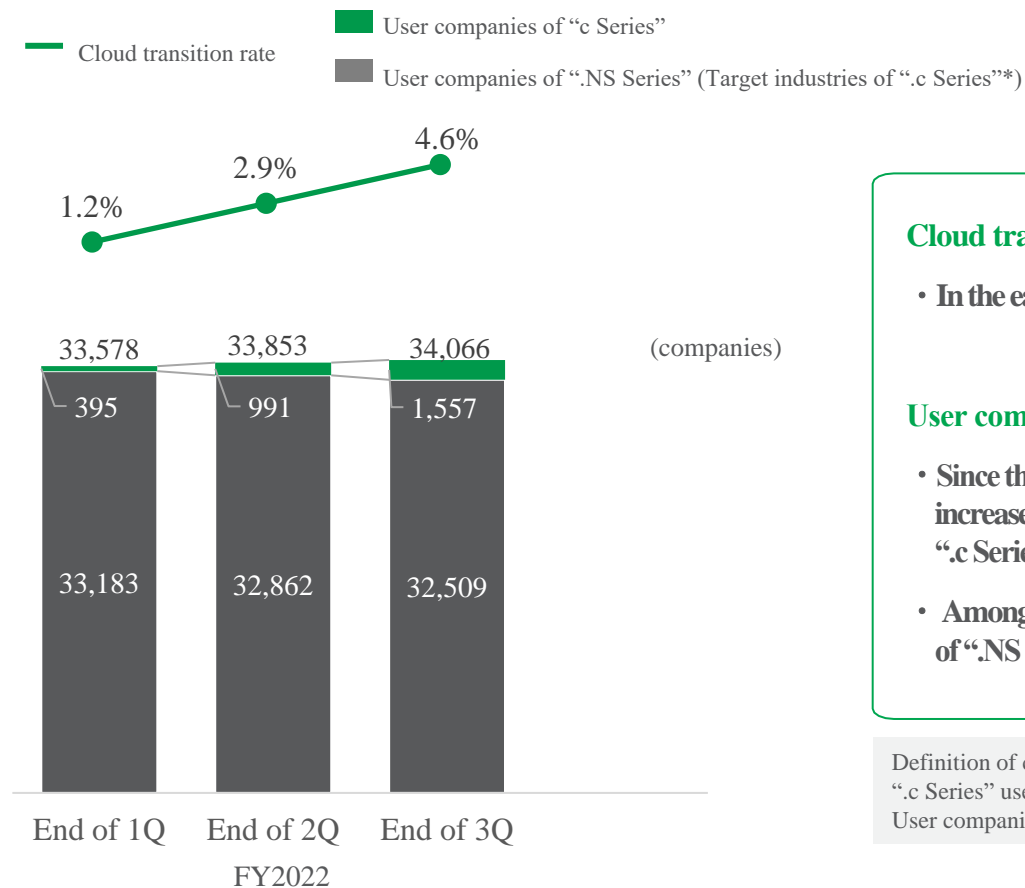
* Number of user companies of cloud-based software service “.c Series” + packaged system “.NS Series”

** Car dealers, auto electrical equipment shops , radiator shops, auto glass shops, mobile phone shops, machine tool dealers, travel agencies, bus operators

Note) “.c Series” for auto parts dealers and recycling shops have not yet been provided.

Switching to “.c Series”

Cloud transition rate at the end of 3Q is 4.6%.



Cloud transition rate

- In the early stage, the transition will proceed moderately.

User companies of “.c Series”

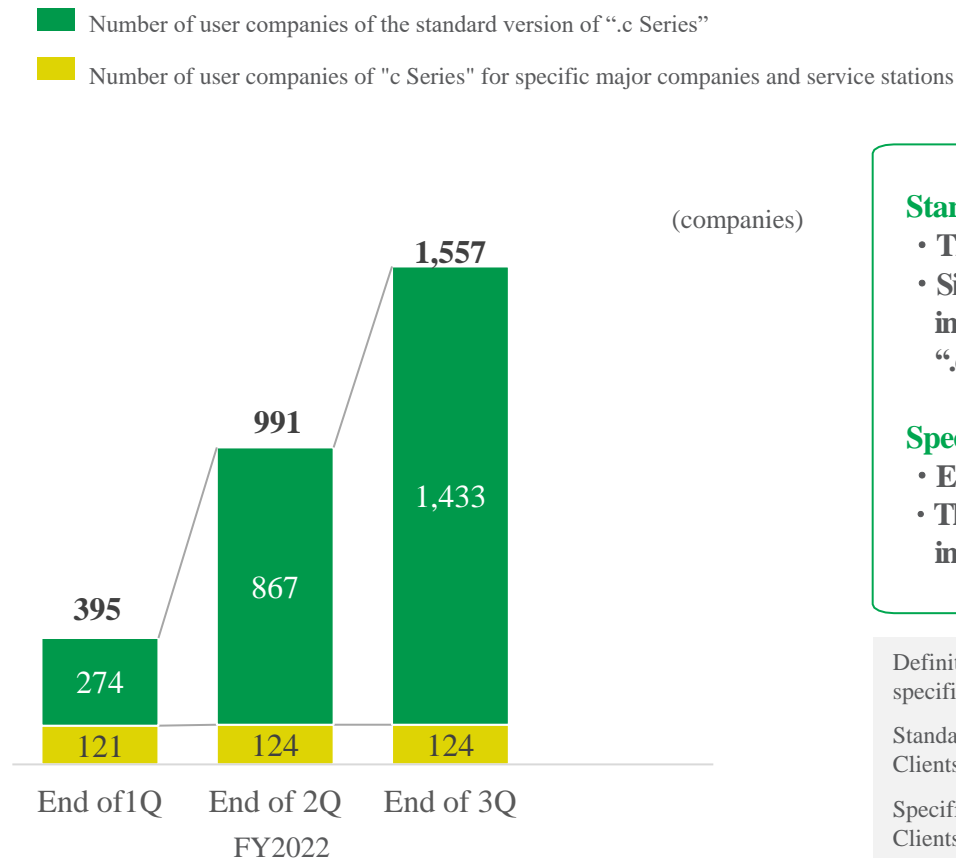
- Since the number of expired contracts of “.NS Series” increased from June, the number of user companies of “.c Series” increased linearly.
- Among 1,557 companies, clients using monthly contracts of “.NS Series” for a limited period are not included.

Definition of cloud transition rate
 “.c Series” user companies ÷
 User companies in target industries of “.c Series”

* Auto maintenance shops, service stations, auto body shops, auto parts dealers, and recycling shops
 Note) “.c Series” for auto parts dealers and recycling shops have not yet been provided.

Breakdown of “.c Series” User Companies (Standard Version/Specific Major Companies)

The increased number of “.c Series” user companies in 3Q are using the standard version of “.c Series.”



Standard version

- The Company started full-scale provision from 2022.
- Since the number of expired contracts of “.NS Series” increased from June, the number of user companies of “.c Series” increased linearly.

Specific major companies and service stations

- Early installation started from 2021.
- The pace of growth is not constant because of they are installed to multiple stores in bulk for each project.

Definitions of standard version and specific major companies and service stations

Standard version:

Clients using “.c series” with standard specification

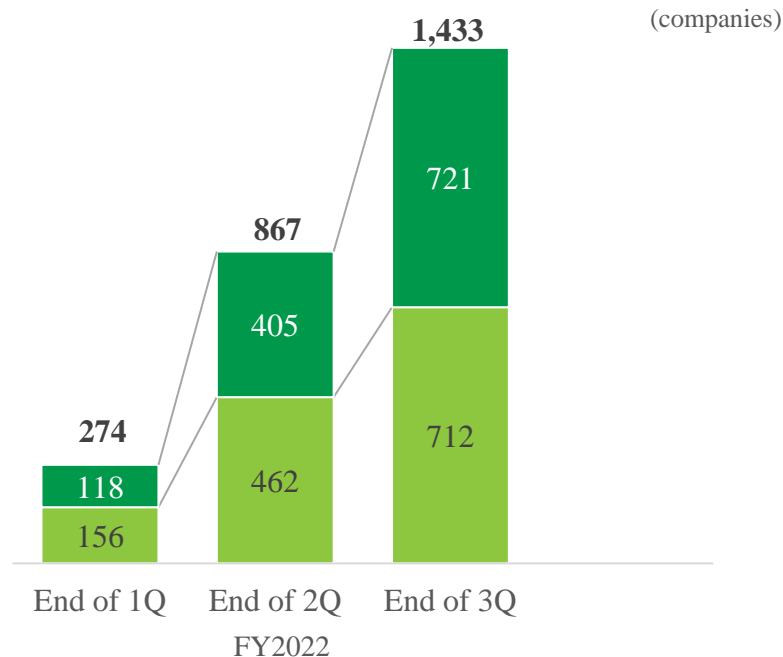
Specific major companies and service stations:

Clients using “.c series” with special specifications such as licensing system, etc.

Breakdown of User Companies of Standard Version of “.c Series” (Existing/New Clients)

Growth in the number of existing clients accelerated compared to 2Q.

- Existing client: Number of user companies of the standard version of “.c Series” who switched from “.NS Series”
- New client: Number of user companies of the standard version of “.c Series” who newly become the users



Existing clients

- Since the number of expired contracts increased from June, the pace of growth in the number of existing clients accelerated a little compared to 2Q.

New clients

- Acquisition of new clients remained steady due to the strong market reputation of “.c Series.”

Definitions of new clients and existing clients

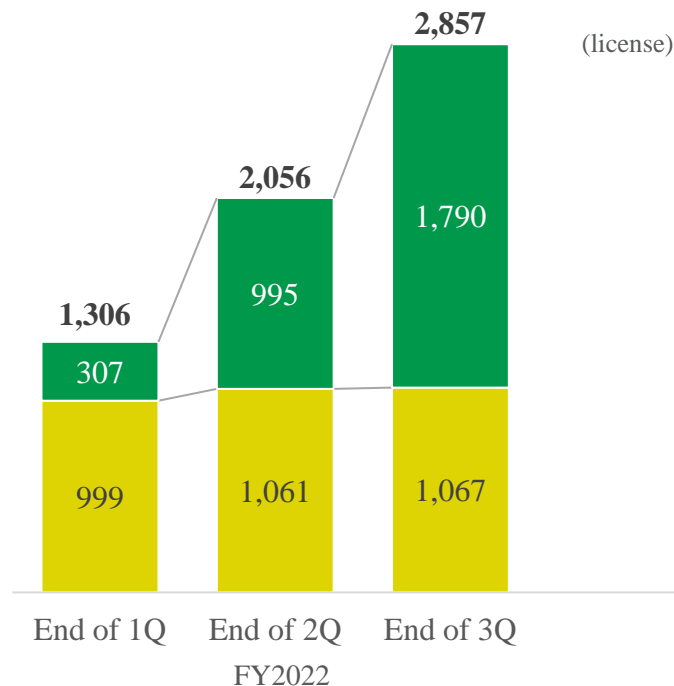
Existing client: Clients who switched from “.NS Series” to “.c Series”

New client: Clients who became a new user

Breakdown of “.c Series” Licenses (Standard Version/Specific Major Companies)

The majority of licenses of “.c Series” that increased in 3Q consists of standard version.

- Number of licenses of the standard version of “.c Series”
- Number of licenses of “.c Series” provided to specific major companies and service stations



Standard version

- The growth in the number of licenses increased compared to 2Q since they were installed not only to small-sized companies but also to middle-sized companies to some extent.

Definitions of standard version and those for specific major companies and service stations

Standard version:

Clients using “.c series” with standard specification

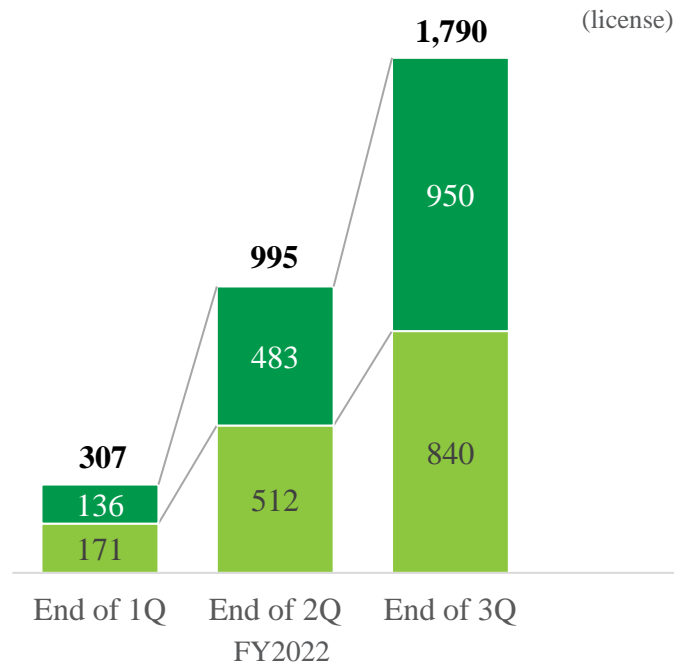
Specific major companies and service stations:

Clients using “.c series” with special specifications such as licensing system, etc.

Breakdown of Licenses for Standard Version of “.c Series” (Existing/New Clients)

The number of licenses of “.c Series” at the end of 3Q was 1,790 licenses.

- Existing client: Number of user companies of the standard version of “.c Series” switched from “.NS Series”
- New client: Number of user companies of the standard version of “.c Series” who newly became a user



Existing clients

- The growth in the number of licenses of “.c Series” increased compared to 2Q since they were installed not only to small-sized companies but also to middle-sized companies to some extent.

New clients

- Since many of new clients are small-sized companies, the licenses per company is slightly lower compared to existing clients, but the number steadily increased.

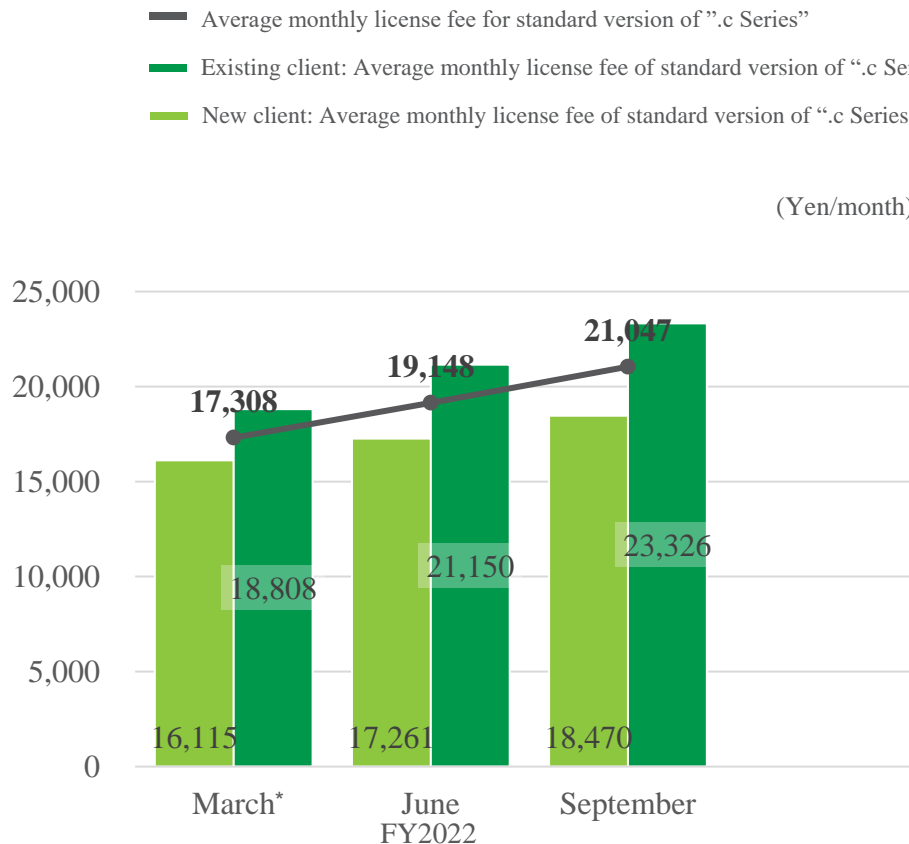
Definitions of new clients and existing clients

Existing client: Clients who switched from “.NS Series” to “.c Series”

New client: Clients who newly became a user

Average Monthly License Fee for Standard Version of “.c Series”

Average monthly license fee at the end of 3Q was 21,047 yen/month.



Existing clients

- Average monthly license fee in September exceeded the KPI target of 23,000 yen/month due to the progress in installation of “.c Series” to middle-sized clients.

New clients

- New clients tend to start with minimum plan since the percentage of small-sized clients is relatively high.

Definitions of new clients and existing clients

Existing client: Clients who switched from “.NS Series” to “.c Series”

New client: Clients who newly became a user

*For 1Q, monthly fee was calculated using the 3-month average, but it has been changed based on the judgment that average monthly fee at the latest month is appropriate.

4. Topics

Shareholder benefits

The shareholder special benefit plan will be abolished from the fiscal year ending December 31, 2022.

Reasons for the abolition of the shareholder benefit program

After careful consideration from the perspective of how to fairly return profits to its shareholders, the Company has decided to abolish the shareholder benefit program and concentrate on returning profits to shareholders through dividends, etc.

Date of abolition of the shareholder benefit program

The shareholder special benefit program will be abolished upon delivery to shareholders holding 5 units (500 shares) or more as recorded in the Company's shareholder registry as of the end of December 2021.

AI / Metaverse

Broadleaf agreed to jointly develop with Fujitsu in AI field

Broadleaf Co., Ltd. and Fujitsu Ltd. agreed to jointly develop to largely reduce the operational burden of “OTRS,” an operation analysis and optimization solution, by equipping operational segmentation AI technology.

→[Link](#) to the press release (October 19, 2022) *Japanese only

Group Company SpiralMind is promoting the establishment of metaverse space

Taku Kamata, the Representative of SpiralMind Co., Ltd. (Broadleaf Group), will participate as an advisor in the creation of a metaverse space in Tokyo Information Design Professional University, which will open next spring.

He is also in charge of open campus lectures in the field of metaverse.

→[Link](#) to the press release (September. 7, 2022) *Japanese only

5. Supplemental Information

KPI Related Data (Cloud Transition Rate/Breakdown of User Companies)

				(companies)
	FY2022			End of 2024
	End of 1Q	End of 2Q	End of 3Q	(KPI target)
Cloud transition rate*	1.2%	2.9%	4.6%	40%
Total number of user company	38,098	38,354	38,549	-
Target user company of “.c Series”*	33,578	33,853	34,066	-
“.c Series” user company*	395	991	1,557	-
Standard version	274	867	1,433	-
Existing client	118	405	721	-
New client	156	462	712	-
Specific major company	121	124	124	-
“.NS Series” user company	33,183	32,862	32,509	-
Non-target user company of “.c Series”	4,520	4,501	4,483	-

*Cloud transition rate = “.c Series” users ÷ Users in target industries of “.c Series”

KPI Related Data (Number of Licenses/Average Monthly Fee)

(license)

	FY2022			End of 2024
	End of 1Q	End of 2Q	End of 3Q	(KPI Target)
The number of “.c Series” license	1,306	2,056	2,857	-
Standard version	307	995	1,790	24,000
Existing client	136	483	950	-
New client	171	512	840	-
Specific major company	999	1,061	1,067	-

(Yen/month)

	2022			End of 2024
	March	June	September	(KPI Target)
Average monthly fee of “.c Series”	-	-	-	-
Standard version	17,308	19,148	21,047	23,000
Existing client	18,808	21,150	23,326	-
New client	16,115	17,261	18,470	-
Specific major company	-	-	-	-

Medium-Term Management Plan (2022-2028)

Performance Plan

(Billions of yen)	FY2022 After revision	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Revenue	13.3	14.7	18.5	22.0	25.5	29.0	32.5
Operating profit *	-3.2	-2.7	1.0	3.3	6.7	10.0	13.0
Operating margin	-	-	5%	15%	25%	34%	40%
Profit attributable to owners of the parent *	-3.4	-2.9	6	2.0	4.2	6.3	8.0
Equity attributable to owners of the parent	20.0	17.5	18.0				
Percentage of equity attributable to owners of the parent	60%	50%	52%				

*minus (-) represents loss

Medium-Term Management Plan (2022-2028)

Revenue Plan by Service Category

(Billions of yen)	FY2022 After revision	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Cloud services	2.5	5.9	10.4	15.2	19.9	25.0	29.1
Software service	1.9	5.0	9.0	13.6	18.0	22.1	25.0
Marketplace	0.7	0.9	1.4	1.6	1.9	2.9	4.1
Packaged system*	10.8	8.8	8.1	6.8	5.5	4.0	3.4
Software sales	3.3	2.2	2.5	2.6	2.5	2.2	2.0
Operation and support	7.5	6.6	5.6	4.2	3.0	1.8	1.4
Total	13.3	14.7	18.5	22.0	25.5	29.0	32.5

* Changed the breakdown of Packaged system to figures in line with actual recording standard

Medium-Term Management Plan (2022-2028)

Revenue Trend of Cloud Service in the Future

New platform services

Auto finance, logistics MaaS, etc.

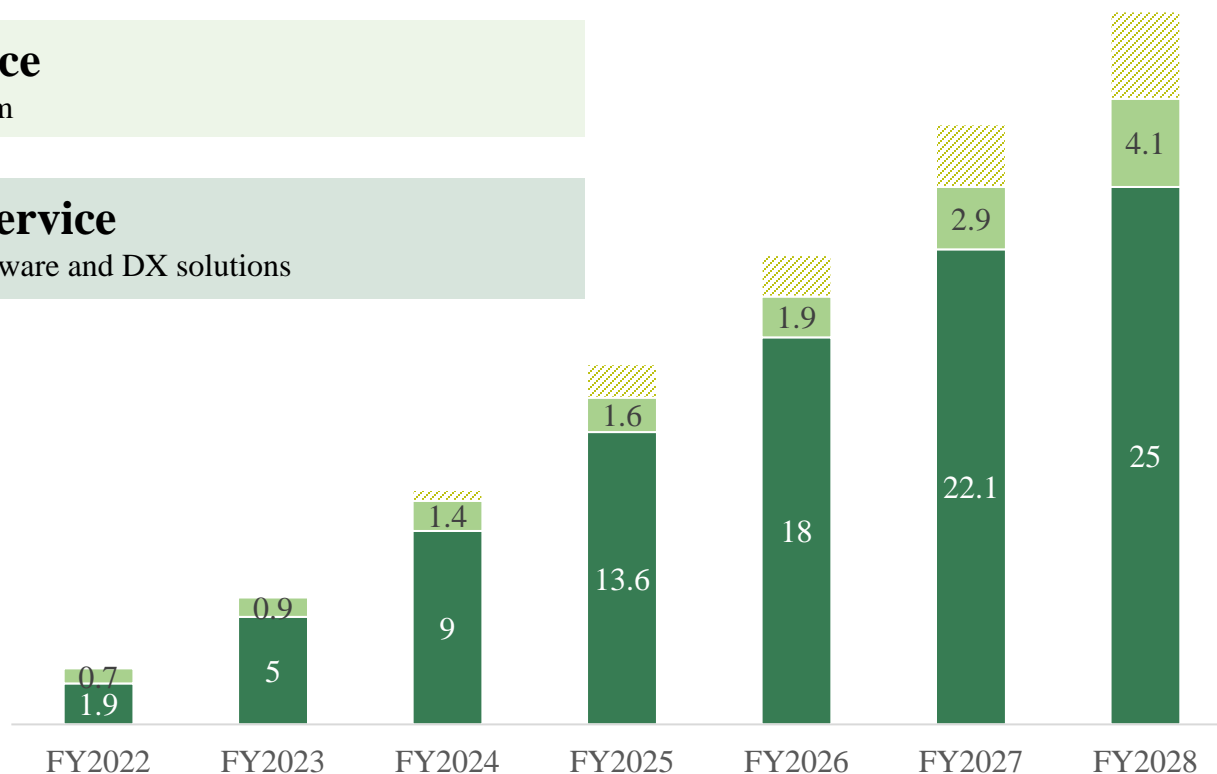
※ Not included in
the performance plan

Marketplace

Ordering platform

Software service

Cloud-based software and DX solutions



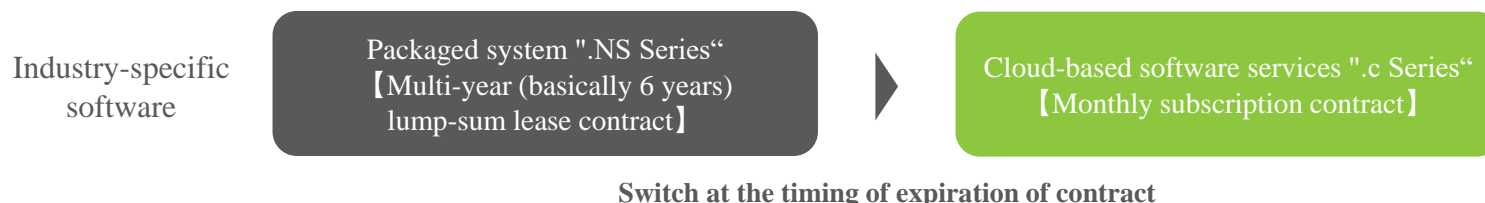
Medium-Term Management Plan (2022-2028)

Growth Strategy

The Company will promote “Penetration of cloud-based products” as a Growth Strategy for “Software service,” and promote “Expansion of services” as a Growth Strategy for “Marketplace.”

Growth Strategy (1) Penetration of cloud-based products

Measure (1) Starting in 2022, existing clients using industry-specific software will gradually switch to “.c Series,” a cloud-based software service.



Measure (2) Acquisition of new clients

In addition to acquiring clients from other companies, the Company will actively provide “.c Series” to service stations and car manufacturer-affiliated car dealers that provide auto maintenance services.

Growth Strategy (2) Expansion of services

Measure (3) Increase in the number of companies using marketplace-type services

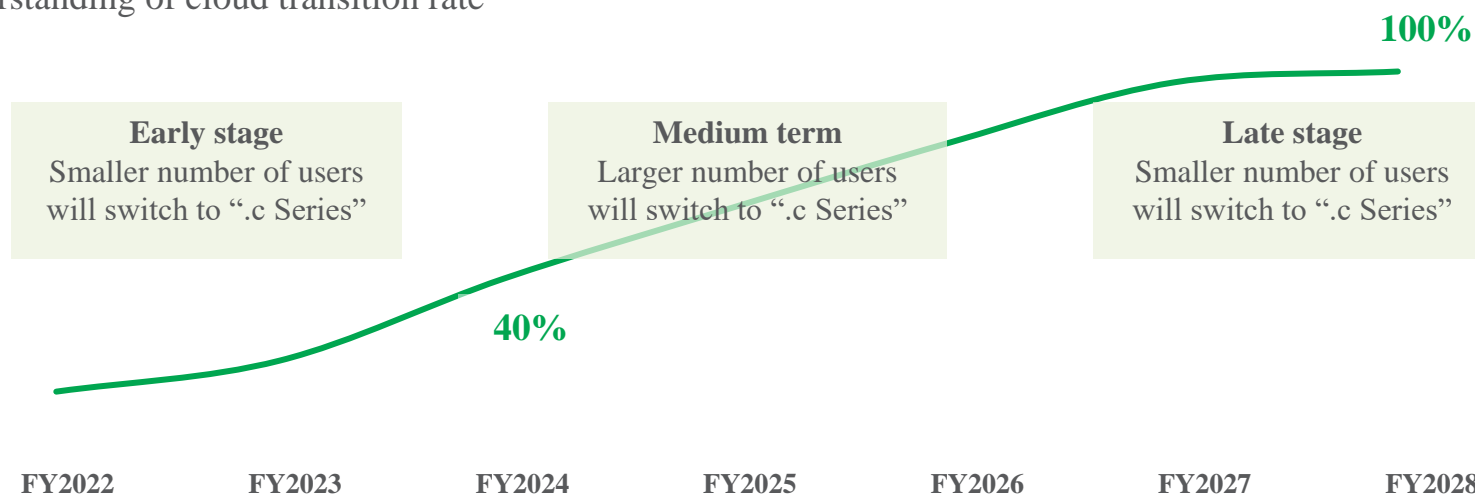
The Company will increase the utilization rate of ordering platform for auto repair parts. It will also increase the number of companies participating in the auto finance platform.

Medium-Term Management Plan (2022-2028)

Understanding of Cloud Transition Rate (1)

Switching to “.c Series” will not proceed at a constant pace. Clients switch when 6-years contracts expire, so the number of switching users depends on the number of deals 6 years ago.

Understanding of cloud transition rate



* Tajima Inc. became consolidated subsidiary of Broadleaf Group from 3Q FY2017.

Note) “.c Series” for auto parts dealers and recycling shops have not yet been provided.

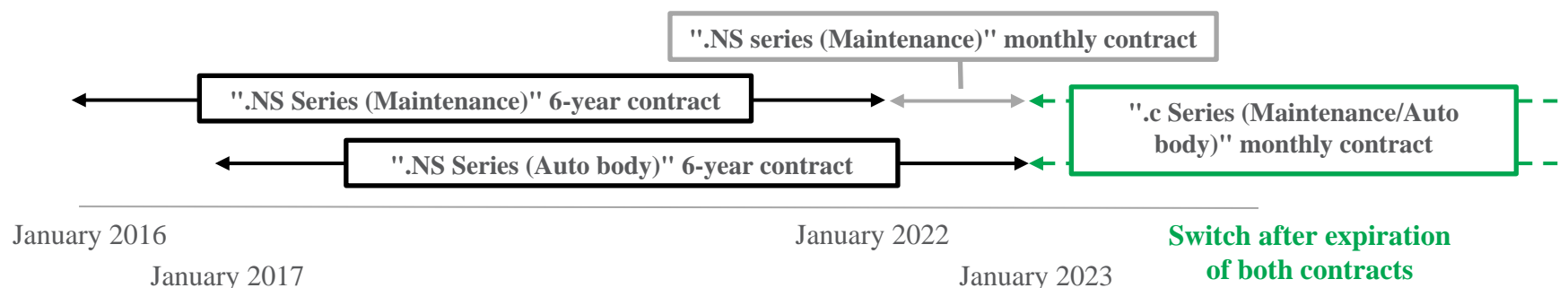
Medium-Term Management Plan (2022-2028)

Understanding of Cloud Transition Rate (2)

Since some clients will keep using “.NS Series” under monthly contracts for a limited period, the number of clients switching to “.c Series” is relatively small at the beginning of the plan.

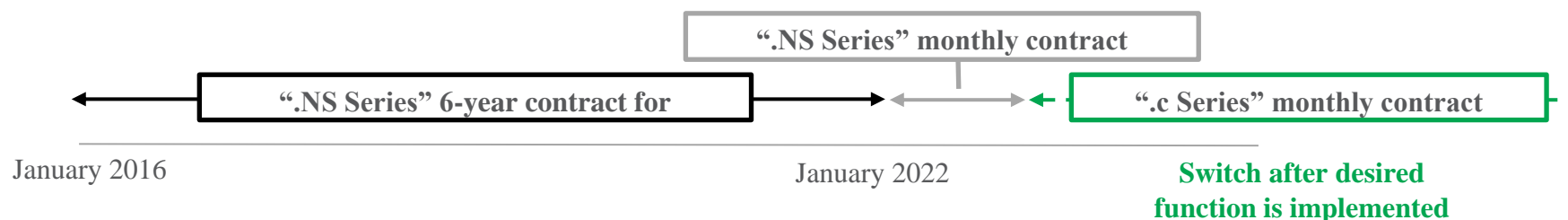
Case (1): Clients with multiple lease agreements

Example: Client with 6-year contract “.NS Series (for auto maintenance shop)” in 2016 and “.NS Series (for auto body shop)” in 2017



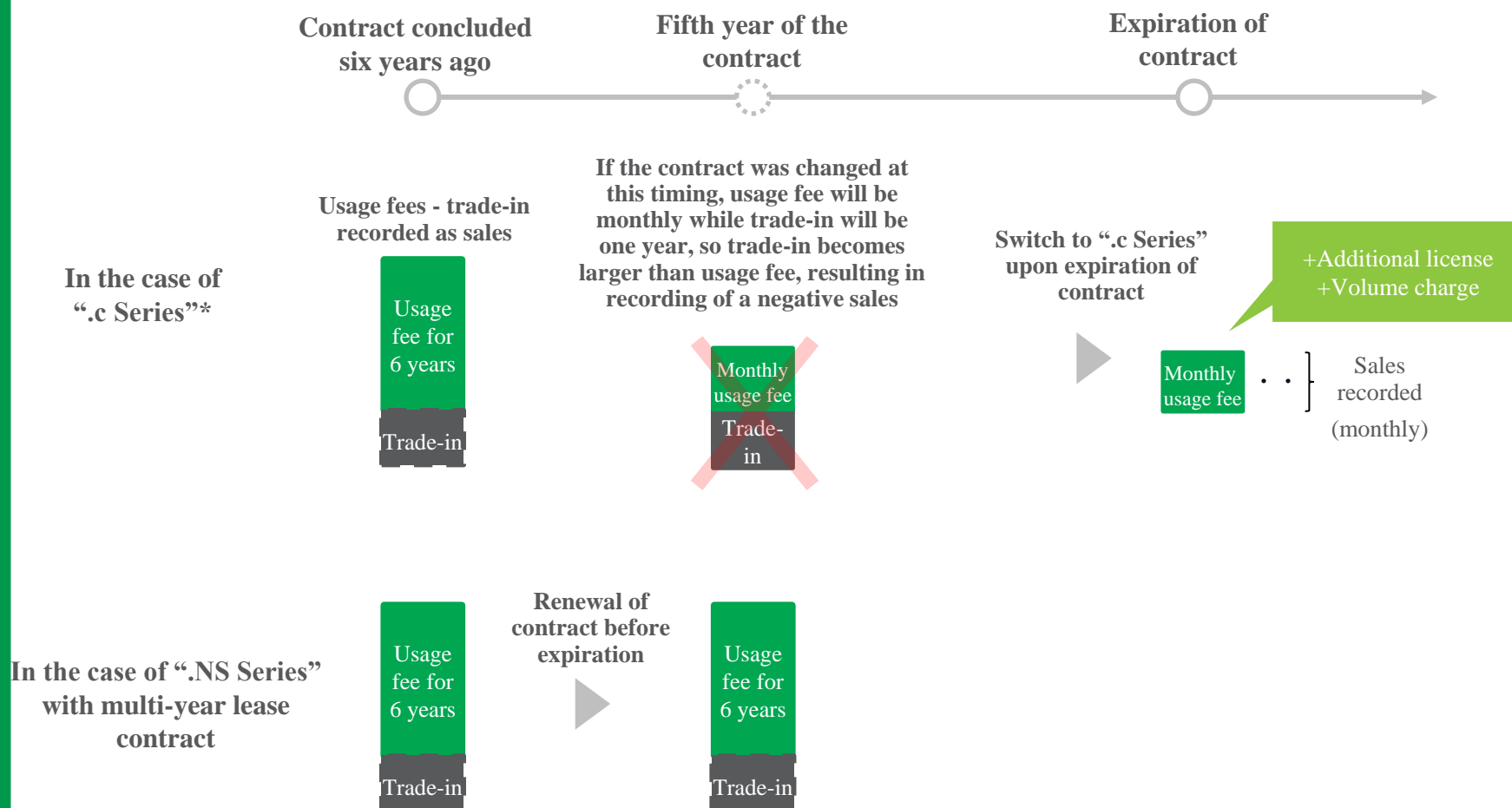
Case (2): Clients who wish to use a specific function

Example: Client whose contract of “.NS Series” will expire in 2022, but the desired function is not implemented at the time.



Reason for Switching to “.c Series” at the Expiration of Previous Contract

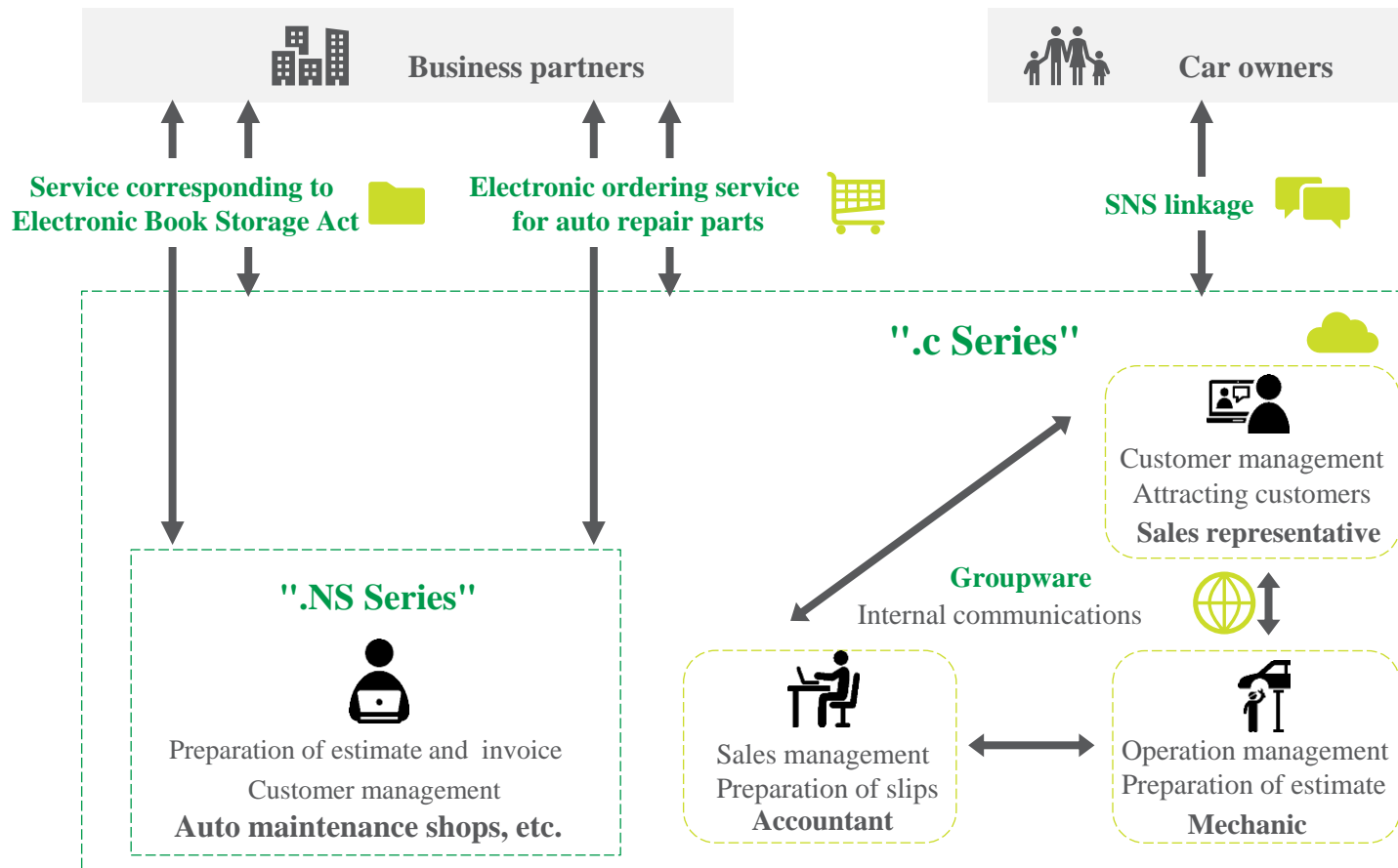
If existing clients who have lease contracts of “.NS Series” for 6 years switch to “.c Series” before the expiration of the contract, negative sales will be recorded.



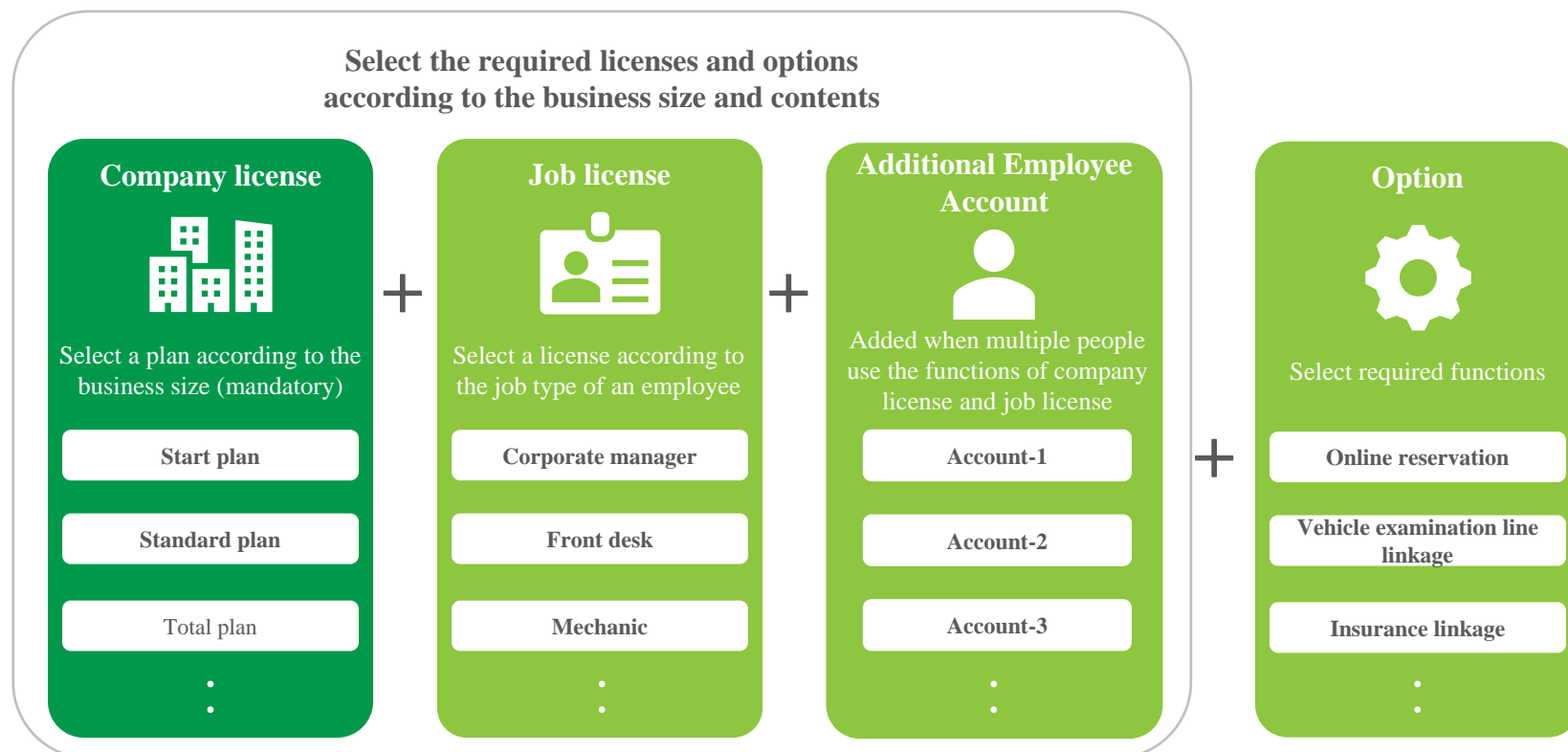
*The same applies when selling “.NS Series” under a monthly subscription contract

Difference between “.NS Series” and “.c Series”

“.c Series” go beyond the scope of estimation preparation and client management.
It contributes to improvement of users’ operational efficiencies in wider range.



Service Structure (Cloud-based Software Service)



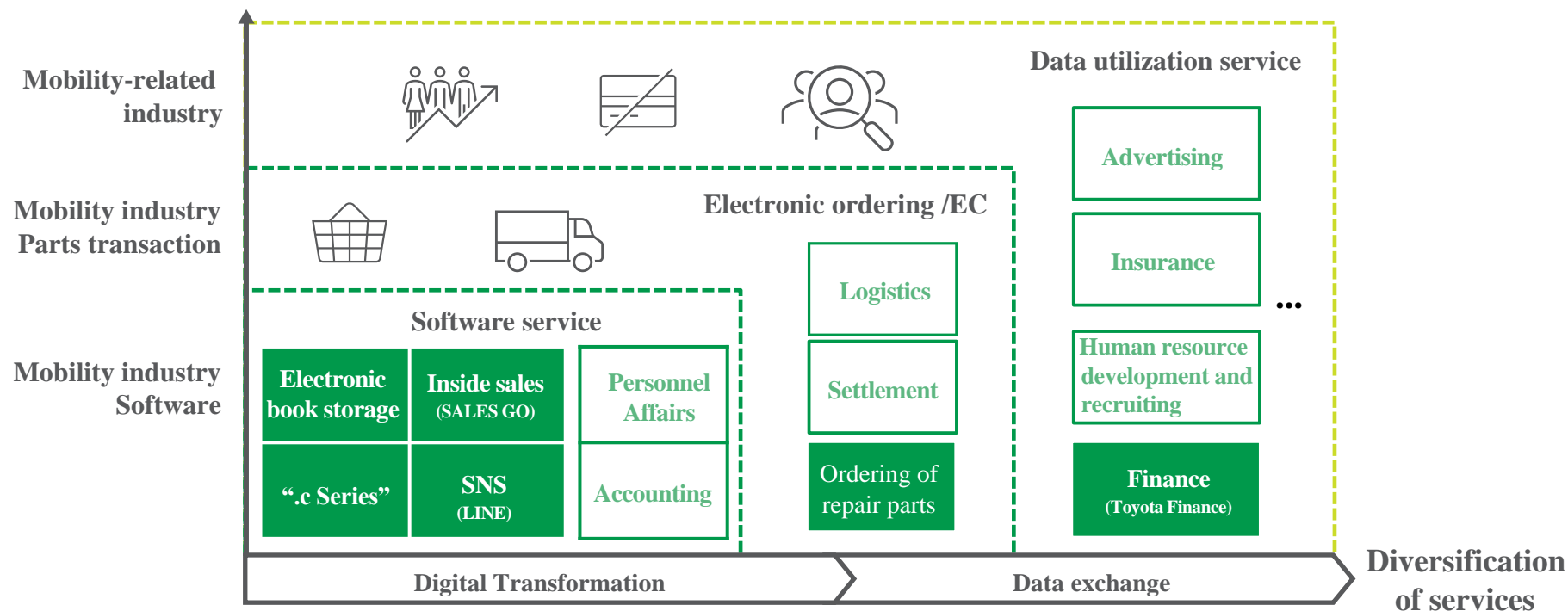
+ Database / Client support / Slip issuance, etc.

Clients will select a plan from the company license menu and select necessary job licenses in addition. When multiple people use the functions of company license and job license, purchase of additional employee account is necessary according to the number of users. There are also other service menus such as database and client support.

Expansion of Service

The Company will promote diversification of services through business alliances with various companies in addition to in-house services, starting from “.c Series.”

Business area expansion



Explanation of Sales by Service Category

Category Name		Description
Cloud services		
	Software service	<ul style="list-style-type: none"> • ".c Series," a cloud-based software service • Software services with monthly subscription contracts, etc.
	Marketplace	<ul style="list-style-type: none"> • Ordering platform for auto repair parts, etc.
Packaged system		
	Software sales	<ul style="list-style-type: none"> • Sales of ".NS Series," a packaged system, with lease contracts • Sales of "OTRS," a work analysis software
	Operation and support	<ul style="list-style-type: none"> • Ancillary services of “.NS Series” such as support services • Sales of supplies such as forms and toners

Revenue by Service Category (FY2021)

(Millions of yen)	FY2021 1Q	FY2021 1H	FY2021 Cumulative 3Q	FY2021 Full-year
Cloud services	417	847	1,302	1,791
Software service	247	503	778	1,090
Marketplace	170	345	524	701
Packaged system	4,778	9,090	13,879	18,860
Software sales	2,968	5,486	8,458	11,620
Operation and support	1,809	3,604	5,420	7,240
Total	5,195	9,937	15,181	20,652

Company Profile

Company name	Broadleaf Co., Ltd
Representative	Kenji Oyama, Representative Director and President
Listed on	Prime Market of Tokyo Stock Exchange (3673)
Sector	Information and telecommunication
Founded/Established	December 2005/September 2009
Capital stock	7.148 billion yen (consolidated)
Fiscal year	From January 1 to December 31
Business outline	<p>Using proprietary "Broadleaf Cloud Platform" as its infrastructure, the Company provides SaaS cloud services, marketplace-type services, and partner programs that enable functional and service collaboration with various players.</p> <p>These services are utilized as IT solutions that lead environmental changes, which are occurring in various industries including mobility industry, to business opportunities.</p>
Head office location	Floor 8, Glasscube Shinagawa, 4-13-14 Higashi-Shinagawa, Shinagawa-ku, Tokyo
Domestic offices	27 business offices and 3 development centers in Japan
Major subsidiaries	Tajima Inc.

Disclaimer

The results forecasts and forward-looking statements contained in this document are forecasts made by the Company based on information available at the time of preparation of the document and include potential risks and uncertainties.

Therefore, please be aware that actual results may differ from these results forecasts due to various factors.

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