



February 9, 2022
Broadleaf Co., Ltd

Notice of Formulation of Medium-Term Management Plan (2022-2028)

Broadleaf Co., Ltd. (Head Office: Shinagawa-ku, Tokyo, Representative Director and President: Kenji Oyama, hereinafter “Broadleaf”) has formulated a medium-term management plan (2022-2028) that covers the period from the fiscal year ending December 31, 2022 to the fiscal year ending December 31, 2028.

Based on its corporate philosophy of “Gratitude and Happiness,” Broadleaf continues its activities to contribute to the business continuity and business creation of its clients. It believes that working together with its clients to build an affluent society will lead to enhancement of its corporate value.

Since its foundation, Broadleaf has provided a variety of IT services, mainly in-house developed business software, to clients in a wide range of industries. Business operators in the automobility industry have become its main client industry. As part of its efforts to resolve social issues related to the global environment and transportation, the automobility industry is continuing to undergo remarkable evolution in automobiles, including electrification of power source, changes in the composition of materials, and technological improvements as represented by autonomous driving device. As automobiles evolve in this way, major changes in social infrastructure, including the restructuring of the legal system, has also occurred. In addition, the external environment is undergoing major changes, as evidenced by the growing awareness of a variety of working styles, triggered by the spread of COVID-19 which started two years ago.

Broadleaf believes it is important to make a plan that enhance the added value of its services so that it can quickly support its clients in responding to these changes related to their business operations, meet the expectations of business operators in the automobility industry, and develop together.

Under the Medium-Term Management Plan (2022-2028), Broadleaf’s management policy is **“Evolution into a unique platform company through promotion of DX in the automobility industry.”** It will build a prosperous society together with business operators in various industries by challenging new domains starting from the automobility industry, rather than limiting itself to existing client industry. Through these initiatives, it aims to **achieve an operating margin of 40% and profit attributable to owners of the parent of 8 billion yen in the fiscal year ending December 31, 2028, which is the final year of the plan.**

[Medium-Term Management Plan (2022-2028)]

1. Background of formulation

Since 2021, Broadleaf has been promoting business activities to provide value to its clients and society under the theme of “Two DX (1. Promote clients’ Digital Transformation, 2. Add value to its service infrastructure as the Data Exchanger).” As part of these efforts, in October 2021, it began full-scale deployment of “.c Series,” the new cloud-based software, which operates on “Broadleaf Cloud Platform (BCP),” a cloud-based infrastructure independently developed by Broadleaf, and it has been supporting DX of the automobility industry.

From 2022, Broadleaf will start offering the “.c Series,” which will become its mainstay service, to its clients in order, so it formulated a new medium-term management plan (2022-2028) as well. The plan is formulated as a plan until the fiscal year ending December 31, 2028 because it is expected that clients who use the old software will complete the transition to the “.c Series” upon the expiration of the contract by 2028.

2. Basic Strategy

With the cloud-based infrastructure BCP as the starting point, Broadleaf has positioned “**Penetration of the cloud-based products**” and “**Expansion of services**” as two basic strategies and will implement priority measures.

“Penetration of cloud-based products”

With “.c Series,” the cloud-based software, at the core, Broadleaf will support DX of its clients.

Key Strategies

- (1) Increase the number of provided licenses by expanding the target market by utilizing the product features of the “.c Series,” and increase sales per company by proposing DX solutions.
- (2) Prolong period of continued use by increasing the number of various kind of systems manufactured by other companies (accounting, personnel, etc.) that link with the “.c Series” through API (standard interfaces).
- (3) Implement enhancement of non-face-to-face sales and surely capture the renewal demand accompanied by the expiration of old software contracts, while further increasing the acquisition of new users.

“Expansion of services”

With “BCP,” the cloud-based infrastructure, as the starting point, Broadleaf will diversify its platform-type services.

Key Strategies

- (1) Improve functionality and usability to increase the usage rate and usage frequency of “BCP Ordering Platform” and make it the standardized platform for sales and purchase transactions in the auto parts market.
- (2) Consolidate auto finance affiliates into “BCP Auto Finance Platform” so that Broadleaf can provide a variety of financial services to users of the “.c Series.”
- (3) Promote the expansion of “BCP MaaS Platform” into the logistics domain.
- (4) Enable deployment of “.c Series” to car maker-affiliated dealers, etc. by increasing the number of third party vendors using the software development kit (SDK) of “BCP,” which will allow the usage of third party development resources.

The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English translation is for your convenience only. If there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.

3. Contributing to a sustainable society

Broadleaf endorses the Sustainable Development Goals (SDGs) proposed by United Nations and signed the “United Nations Global Compact” in December 2021. It positioned 2021 as the “first year for implementation” of sustainability management in the Broadleaf Group. It established the “Sustainability Policy” and revised the “Corporate Code of Conduct” to clarify its intention to contribute to a sustainable society both internally and externally.

From 2022 onward, Broadleaf Group will continue recognizing the issues surrounding sustainability as an important management issue, and by realizing initiatives to solve these issues, it will work to resolve social and environmental issues and achieve sustainable growth, as well as realizing a virtuous cycle of sustainable growth and corporate value enhancement for the Broadleaf Group.

Item	Direction of Initiatives	Contribution to SDGs
E (Environment)	Measures for clients and society to reduce GHG (greenhouse gas) emissions generated in business activities and address climate change through IT solutions <ul style="list-style-type: none"> • Reduce CO2 in the entire supply chain through provision of services • Reduce GHG emissions from the Group’s business activities 	<ul style="list-style-type: none"> • 3: Good Health and Well-Being • 7: Affordable and clean energy • 11: Sustainable cities and communities • 12: Responsible consumption, production
S (Society)	Promotion of DX for clients and society through IT solutions <ul style="list-style-type: none"> • Promote work styles that are not restricted by locations Realization of a society that emphasizes equality and diversity <ul style="list-style-type: none"> • Promote work styles that are not restricted by locations • Create a healthy and safe workplace both physically and mentally • Promote diversity and inclusion 	<ul style="list-style-type: none"> • 3: Good Health and Well-Being • 5: Gender equality • 8: Decent work and economic growth • 10: Reduced inequalities
G (Governance)	Promotion of transparent and effective corporate governance	<ul style="list-style-type: none"> • 16: Peace, justice and strong institutions

4. Performance Plan

The client base for the fiscal year ending December 31, 2022 is expected to grow steadily. However, in the fiscal year ending December 31, 2022, the number of sales of “.c Series,” the cloud-based software, will account for the majority of the total number of annual software sales. As a result, since sales of the “.c Series” are recorded on a monthly basis compared to sales of conventional software which is recorded on multi-year lump-sum basis, the amount of annual sales recorded is expected to decrease by approximately 8 billion yen. This becoming the main factor, the consolidated revenue for the fiscal year ending December 31, 2022 will decrease year-on-year. Therefore, operating profit and profit attributable to owners of the parent are also expected to decrease and fall into losses.

With the increase in the number of users of the “.c Series,” monthly sales are expected to accumulate year by year. Therefore, consolidated revenue is expected to turn upward year-on-year from the fiscal year ending in December

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31, 2023 onward. Broadleaf does not plan to carry out a restructuring because the client base is expected to grow steadily and revenues is expected to recover from the fiscal year ending December 31, 2023 onward.

After achieving the highest performance in the fiscal year ending December 31, 2026 as a check point, Broadleaf aims to achieve an operating margin of 40% and profit attributable to owners of the parent of 8 billion yen in the fiscal year ending December 31, 2028, which is the final year of the plan.

The following is a consolidated performance plan from the fiscal year ending December 31, 2022 to the fiscal year ending December 31, 2028.

	Billions of yen						
Fiscal year ending December 31	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Revenue	12.3	14.7	18.5	22.0	25.5	29.0	32.5
Operating profit (loss)	-4.8	-2.7	1.0	3.3	6.7	10.0	13.0
Operating margin	—	—	5%	15%	25%	34%	40%
Profit (loss) attributable to owners of the parent	-5.0	-2.9	0.6	2.0	4.2	6.3	8.0

Fiscal year ending December 31	End of FY2022	End of FY2023	End of FY2024
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%

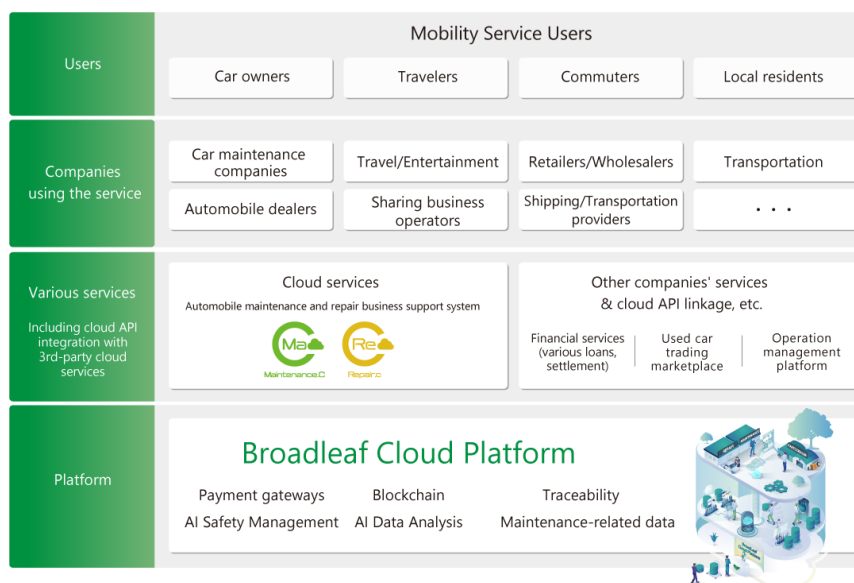
As Broadleaf expects to post a net loss in the fiscal years ending December 31, 2022 and the fiscal year ending December 31, 2023, retained earnings will decrease in both years, but it expects to maintain financial soundness without a capital shortage.

*The forward-looking statements such as earnings forecasts contained in this document are based on the information currently available to Broadleaf and certain assumptions which are regarded as legitimate. Actual results may differ from these forecasts due to various factors.

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[About Broadleaf Cloud Platform]

“BCP” is a cloud-based digital business platform for realizing IT innovation. It is characterized by the collection and analysis of large amounts of data along with high-speed searchability, rapid service implementation through the combination of business API (Application Programming Interface) services, and high scalability according to business needs. With “Broadleaf Cloud Platform” as a starting point, Broadleaf will collaborate with various partner companies across industries and sectors to provide new businesses and innovative services utilizing automotive-related big data infrastructure.



[About Broadleaf]

Broadleaf provides cloud-based services (SaaS) based on “Broadleaf Cloud Platform,” its independently developed cloud-based infrastructure. By linking it with various DX solutions, it can be used as a core system. In addition, it realizes data analysis and collaboration on platforms by utilizing its strengths in big data construction. In platform service (PaaS), it creates new value and supports clients’ growth through DX promotion by generating synergies that transcend industry boundaries with its high scalability.

[Broadleaf Co., Ltd.]

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