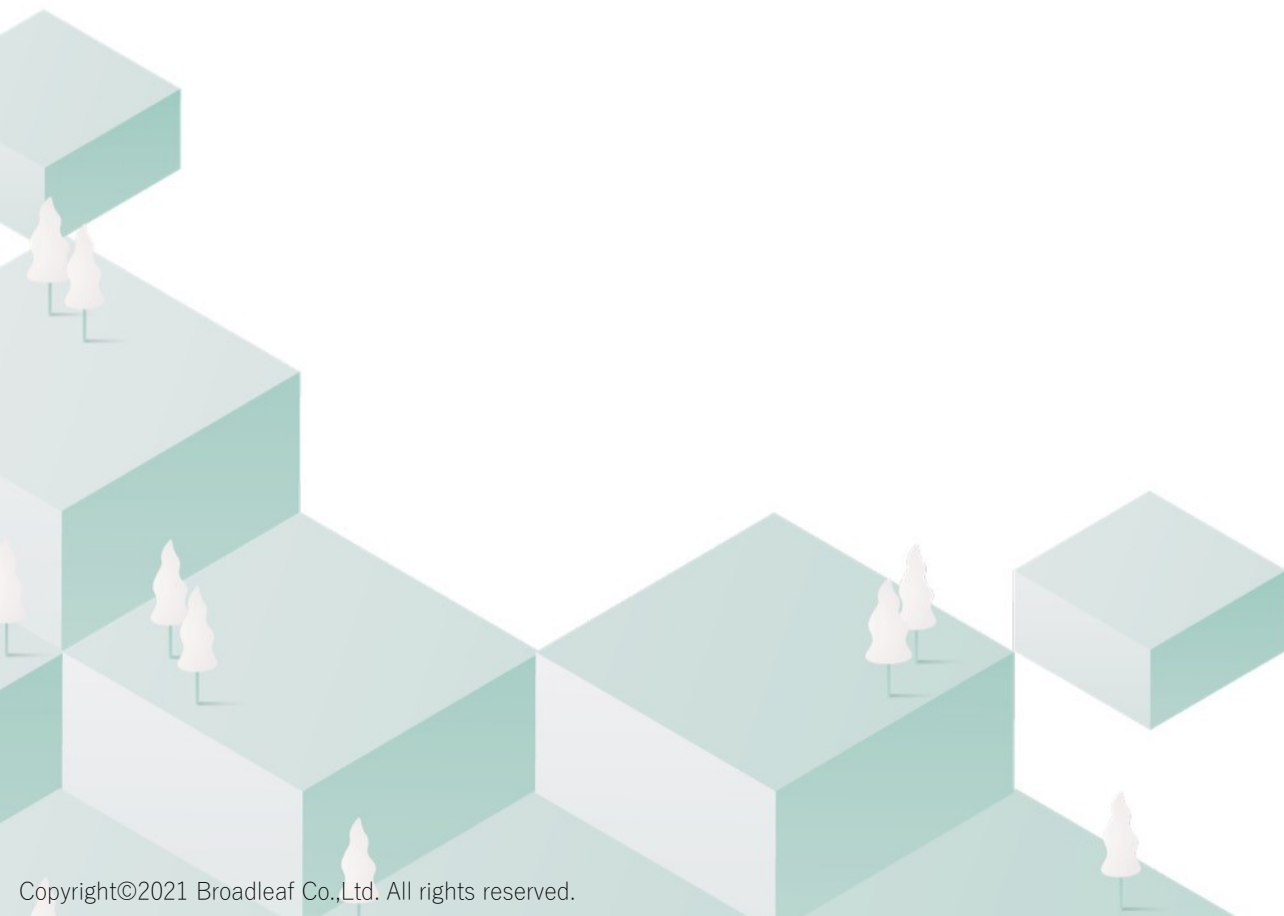




2020 Broadleaf Report

January 1st, 2020 > December 31st, 2020



Top Message

We would like to express our sincere gratitude to our shareholders for their continued support.

We would also like to express our deepest sympathies to people affected by COVID-19 and show sincere gratitude to medical workers as well as other professionals who are supporting the infrastructure of daily life.

Based on our corporate philosophy of "Gratitude and Happiness," Broadleaf Group has been working to support the business continuity of our customers and to contribute to the creation of new businesses. In FY2020, we have strengthened our online sales promotions while restricting sales activities with prevention of COVID-19 in mind. In this context, we have promoted DX support for customers through the provision of DX tools that help them improve their operational efficiencies and through the implementation of seminars and other programs. In addition, in anticipation of the arrival of a new mobility society, we implemented diversification of platforms we provide to domestic and overseas mobility service providers. These measures have been incorporated into the newly announced Mid-term Management Policy (2021-2023) and will be further promoted in the future. On the other hand, regarding sales of business software, although demand began to recover as negotiation period gradually recovered to normal level toward the end of FY2020, the number of deals for the full fiscal year declined year on year.

As a result, consolidated revenue for the financial year ended December 31, 2020 amounted to 21,162 million yen (down 6.3% year on year), 4,135 million yen (down 8.6%) in operating profit, 3,820 million yen (down 14.8%) in profit before tax, and 2,465 million yen (down 20.3%) in profit attributable to owners of the parent.

We would like to ask our shareholders for continued support.



Representative Director and President
Kenji Oyama

Financial Highlights

	(Millions of yen)		
	FY2019	FY2020	FY2021 (Forecast)
Revenue	22,586	21,162	20,100
Operating profit	4,525	4,135	2,400
Profit before tax	4,486	3,820	2,400
Profit attributable to owners of parent	3,093	2,465	1,550
Basic earnings per share (Yen)	35.40	28.16	17.64
Total assets	31,689	32,274	—
Total liabilities	8,469	7,671	—
Total equity	23,220	24,602	—

About results forecast

Starting in 2021, we will gradually roll out cloud services including software. While cloud-based software is expected to increase the number of users per a customer company, sales will be recognized on monthly basis instead of lump-sum basis. Therefore, revenue will be influenced at the time of launch. In addition, we expect to incur anticipatory expenses for developing cloud services since it is an anticipatory investment for accelerating future growth.

Dividend per share

	FY2019	FY2020	FY2021 (Forecast)
Annual	13.0 yen	13.2 yen	7.0 yen
Interim	6.5 yen	6.6 yen	3.5 yen
Year-end	6.5 yen	6.6 yen	3.5 yen
Dividend Payout Ratio	36.7%	46.9%	39.7%

New dividend policy (applied from FY2021)

Our basic policy is to distribute earnings in accordance with business results while retaining the surplus required for business development and maintenance of financial soundness to increase corporate value. We aim for a consolidated dividend payout ratio of 35% or more.

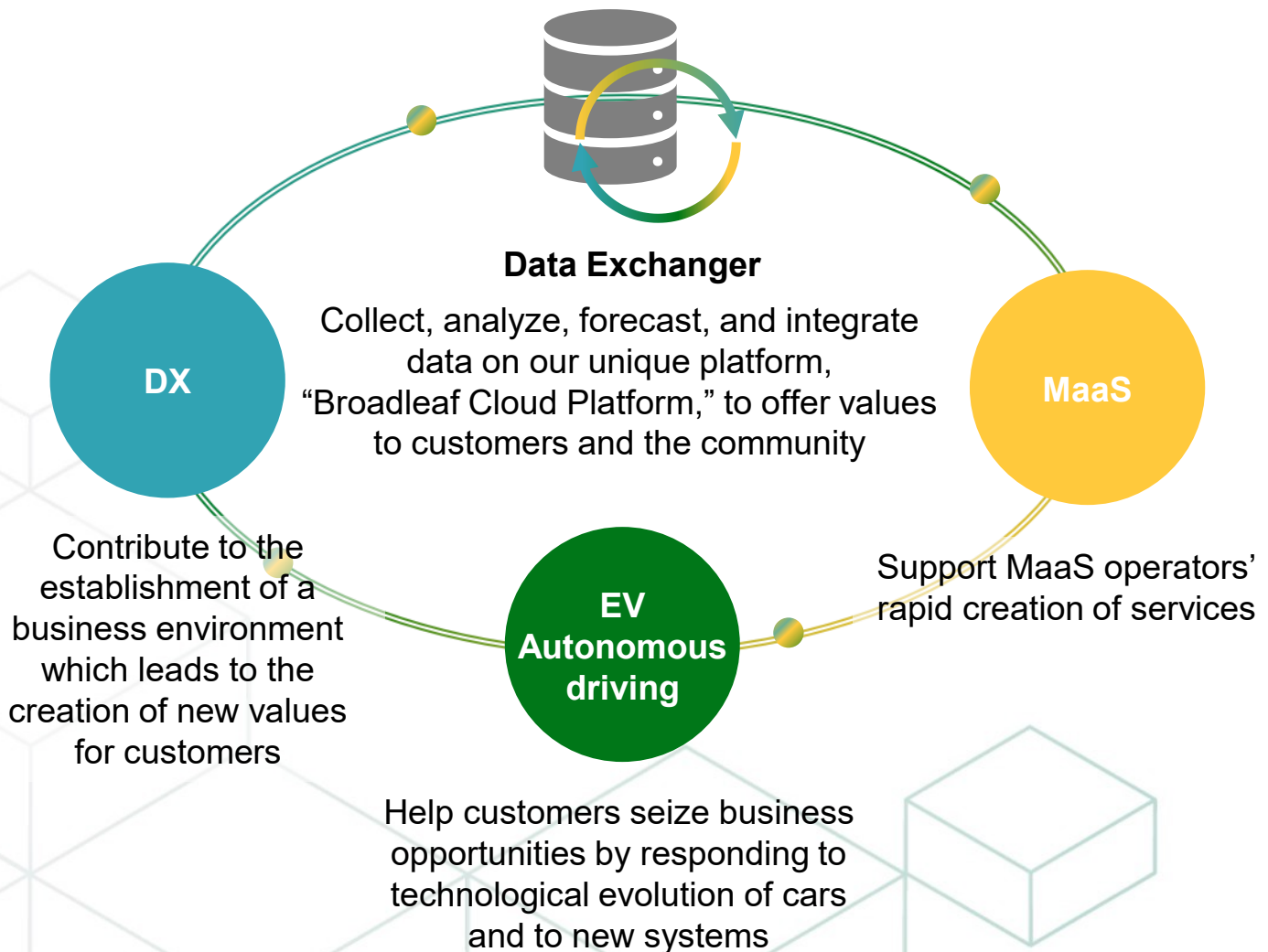
Mid-term Management Policy (2021-2023)

We are aiming to evolve into a high-growth company by implementing measures to improve profitability in our mainstay business software business and measures to create businesses in new areas in parallel. In 2021-2023, the theme of our mid-term management policy is “Two DX.”

Theme for Mid-term Management Policy

"Two DX"

- ① Promote customers' Digital Transformation (DX)
- ② Add values to our service infrastructure as the Data Exchanger (DX).



Priority Measures for 2021-23

Measure 1: Introduction of new cloud-based model to the market

We will change the model of business software and successively introduce it to the market as a new cloud-based model. In 2021, we will begin introducing the new model in advance to specific major customers, and we will gradually expand the target users of new model from 2022.

Expected effects on the business:

- We will provide Software Development Kits (SDK) for third party system developers. This enables them to add add-on programs to our business software, making it easy to deploy the software to a variety of customers.
- We will be able to provide optimum functions for customers as many as they need, depending on users' attributes and intended use. This is expected to increase the number of users per a customer company.
- Sales will be recognized on monthly basis (monthly sales). As a result, sales will decline in the short term, but revenue will stabilize in the medium to long term as sales gradually shift to recurring revenue.

Measure 2: Strengthening of DX solutions

Upon model change of business software, we will strengthen functions that respond to changes such as digital administration and expand DX tools that can be linked with the software.

Expected effect on the business:

- The number of customers is expected to grow because it will strengthen the appeal of business software.

Measure 3: EDI extension and opening of the ordering platform

We will work on EDI extension to expand tradable products and enable other E-commerce marketplaces to connect with our auto parts ordering platform.

Expected effect on the business:

- As convenience is enhanced, it will lead to an increase in the number of customers using the function and in the usage rate.

Measure 4: Deployment of the MaaS platform

We will expand service menu with the aim of expanding it to a variety of MaaS operators, both domestic and overseas.

Expected Effect on the business:

- It will enable our market to expand to markets different from business software.

Example of Deployment of the MaaS Platform

As an example of a MaaS business utilizing our unique IT platform, “Broadleaf Cloud Platform,” we will introduce the New Public Transportation Model Project, which began operations in Pasay City, the Philippines in January 2021.

Transport issues facing the Philippines

Traffic congestion is a social issue in the Philippines. Its economic loss reaches as much as 3.5 billion pesos per day as of 2018 (about 7.6 billion yen).

Pasai City, which implements the model project, has no means of transportation in place from stations to shopping malls, so needs for installation are extremely high.

Services of the Model Project

In order to solve these issues, the following services are provided as "New Public Transportation."

- E-Tricycle Operation service (Provided by MC Metro)
- Operation management system necessary for efficient operations
(Provided by Zenmov Inc.*1)
- Database which can analyze data on the system
(Provided by Broadleaf Co., Ltd.)
- Cashless payment using mobile QR code
(Provided by Broadleaf I.T. Solutions Inc. *2)
- On-site-visiting periodic inspection and maintenance service for vehicles
(Provided by BLISAM TRADING CORP. *1)

*1 Equity-method affiliate *2 Wholly owned subsidiary

Through this project, we will offer well-developed public transportation infrastructure to the Philippines and contribute to the alleviation of its traffic congestion. At the same time, this project will contribute to the spread of contactless payments, which will reduce the risk of COVID-19 expansion.



Figure: Images of E-tricycle and payment terminal

Other Topics

Counter-measures against COVID-19

Since COVID-19 expanded in 2020, we have been working hard on counter-measures against the infection, such as maintaining a target of coming-to-work rate of 50% or less. Since a state of emergency has been issued for second time, we are strengthening counter-measures as follows.

Our policies in response to the announcement of a state of emergency

Attendance System

- Target area of a state of emergency : Goal of working-from-home rate of 100%
- Non-target area of a state of emergency: Goal of working-from-home rate of 80% or more

Prevention of the infection

- Wearing of masks, hand washing, disinfection, and compliance with established guideline of office use

Out-of-work hours

- In general, nonurgent meals with others are prohibited

Received the “Most Liked!” IR Award

We received the “Most Liked!” IR Award in “JIRA IR Awards 2020” held by Japan Investor Relations Association. The “Most Liked!” IR Award is an award newly established in 2020 on the occasion of the 25th holding of the “JIRA IR Awards,” and winners are selected by the votes of companies that have applied to the “JIRA IR Awards.” The theme of 2020 was “IR activities during and after the COVID-19 era.” We promptly released the information on the impact of COVID-19 on our business activities to our stakeholders by including detailed information in our business results briefing. In addition, we prepared supplemental materials to explain our business models and business characteristics. We believe that these actions of enhancing the information our stakeholders want has led to the evaluation.



Disclaimer

The statements regarding results forecasts and future forecasts contained in this material are forecasts based on information available at the time of preparation of the materials and include potential risks and uncertainties. Accordingly, please note that actual business results may differ from these results forecasts due to various factors.

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