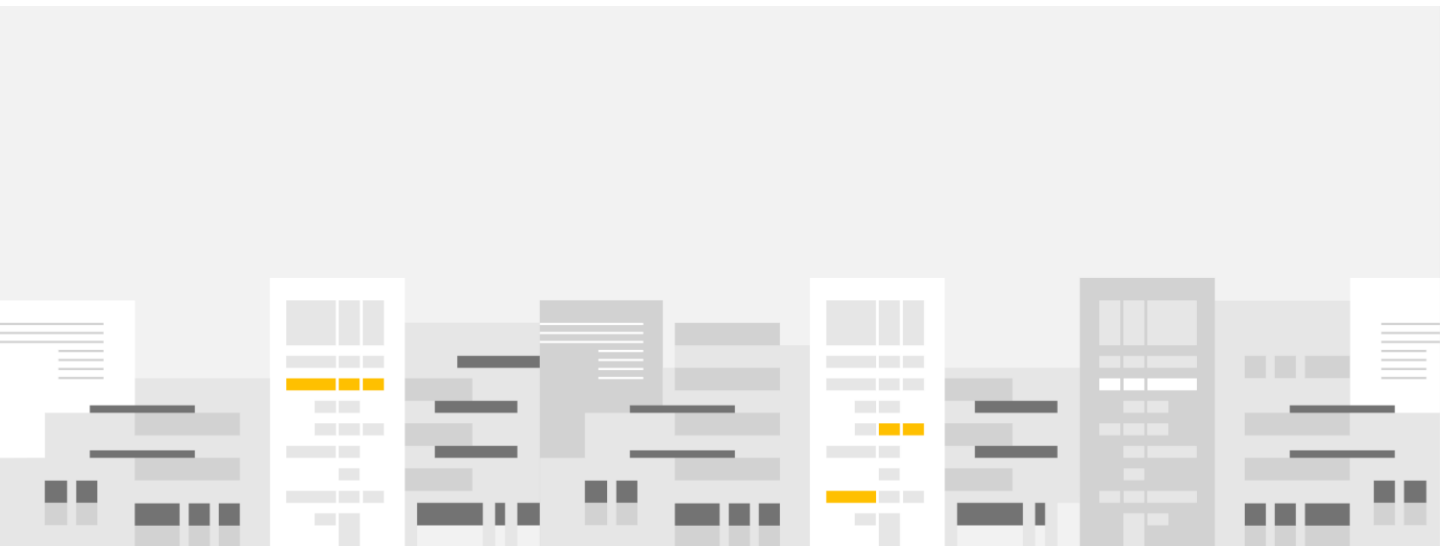


2021 Broadleaf Report

January 1st, 2021 > December 31st, 2021



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 and others who are supporting the infrastructure of daily life.

In FY2021, Broadleaf (“the Company”) has implemented a full model changeover of its business software to leading-edge cloud-based software, “.c Series,” featuring affordable pricing, superb operability and high scalability. The purpose of this full model changeover is to further contribute to the development of clients' businesses by changing its software into a service that quickly respond to changes in the management environment. In addition to software services, the Company intends to change various platform services into cloud services.

The full-scale provision of “.c Series” to clients will start in 2022. Reflecting this, the Company has formulated and announced the medium-term management plan (2022-2028). The Company will make clients using conventional software, “.NS Series.” to migrate to “.c Series” when their lease contracts expire. Since the migration to “.c Series” is expected to be fully completed in 2028, the Company has prepared a plan that covers the period up to FY2028.

Revenue will decrease in the short-term because sales of the cloud-based software that the Company provides to clients are recorded on a monthly subscription basis. However, this stabilizes sales and leads to the growth of sales because of the enhanced added value that software provides to clients. The Company will continue to promote the transition to cloud-based software because it is a priority measure that contributes to the enhancement of corporate value in the medium-to-long-term.

We ask our shareholders for their kind understanding and support.



Representative Director and President
Kenji Oyama

Financial Highlights

■ Consolidated business results and financial position

(Millions of yen)

	FY2020	FY2021	FY2022 (Forecast)
Revenue	21,162	20,652	12,300
Operating profit (loss)	4,135	3,395	-4,800
Profit (loss) attributable to owners of parent	2,465	2,173	-5,000
Total assets	32,274	34,476	
Total liabilities	7,671	8,362	
Total equity	24,602	26,114	
Cash flow from operating activities	5,056	3,783	
Cash flow from investing activities	-2,774	-3,388	
Cash flow from financing activities	-2,084	-108	

FY2021 business results and FY2022 business results forecasts

In FY2021, revenue decreased since the Company sold conventional software, “.NS Series,” in monthly subscription contracts instead of lease contracts to some clients, in order to realize a swift migration to cloud-based software, “.c Series,” that will be offered on a full-scale basis in 2022.

In FY2022, revenue will significantly decrease because sales will largely consist of “.c Series” whose sales are recorded on a monthly subscription basis. However, the Company expects that revenue will start to rise in FY2023 and beyond, reflecting an increase in the number of clients using “.c Series.”

■ Dividends per share

	FY2020	FY2021	FY2022 (Forecast)
Annual dividend	13.2 yen	8.7 yen	Undecided
Interim dividend	6.6 yen	4.0 yen	Undecided
Year-end dividend	6.6 yen	4.7 yen	Undecided
Consolidated dividend payout ratio	46.7%	35.2%	-

Mid-term Management Plan ①

Management Policy and Basic Strategies

The management policy that the Company has established in the medium-term management plan (2022-2028) is **“Evolution into a unique platform company through promotion of DX in the automobility industry.”**

With this in mind, the Company will provide various cloud-based services to clients in the automobility industry and other related industries in which its existing clients operate. With a view toward the achievement of the plan, the Company will move forward with its basic strategies, **“Penetration of the cloud-based products”** and **“Expansion of services,”** with **“Broadleaf Cloud Platform,”** a common platform for its services, as a starting point.

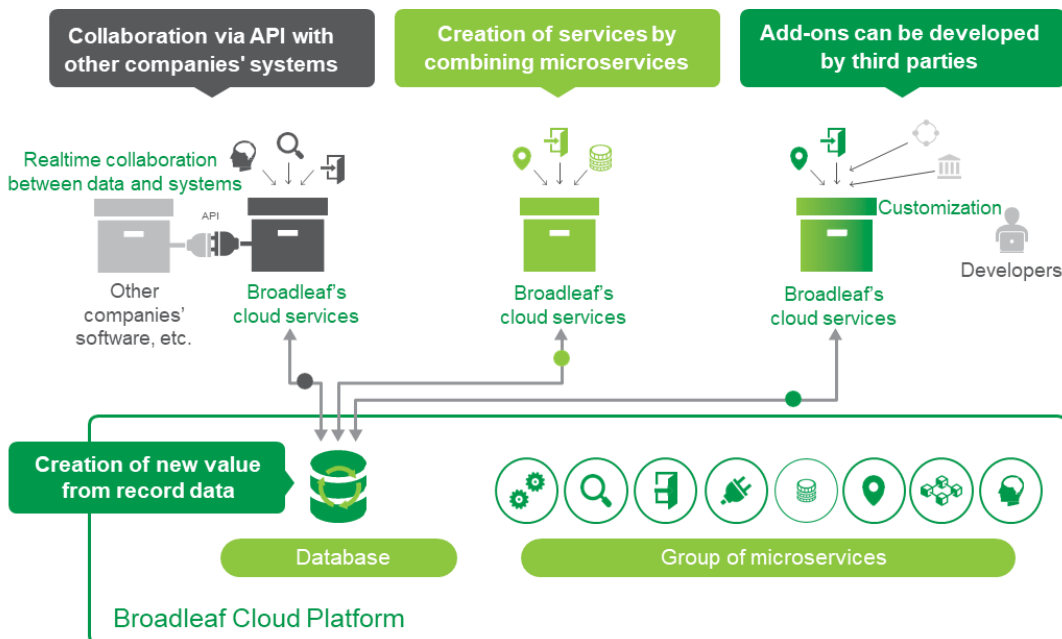
“Broadleaf Cloud Platform”

Due to the use of the microservice architecture*1 design method, basic IT functions and business applications that are necessary for clients' businesses can be implemented quickly. In addition, the microservices can be linked to other companies' software through an API*2, enabling swift construction and provision of IT solutions that best adapt to clients' business environments. Further, a large amount of collected data can be processed at high speed and be reused cyclically as new added value in the services.

Because of this superb flexibility and scalability, the Company's cloud services can be quickly provided to a broad range of clients (Penetration of the cloud-based products), and a variety of services required in business can be deployed (Expansion of services).

*1 A method of creating applications by combining services that are separated according to their function.

*2 Application Programming Interface, which enables connections between applications and applications or programs and programs.



Mid-term Management Plan ②

Consolidated Performance Plan

In the medium-term management plan (2022-2028), the Company aims to achieve **operating margin of 40%** and **profit attributable to owners of parent of 8.0 billion yen** in FY2028, the final year of the plan.

Impact of the transition to cloud-based software on revenue

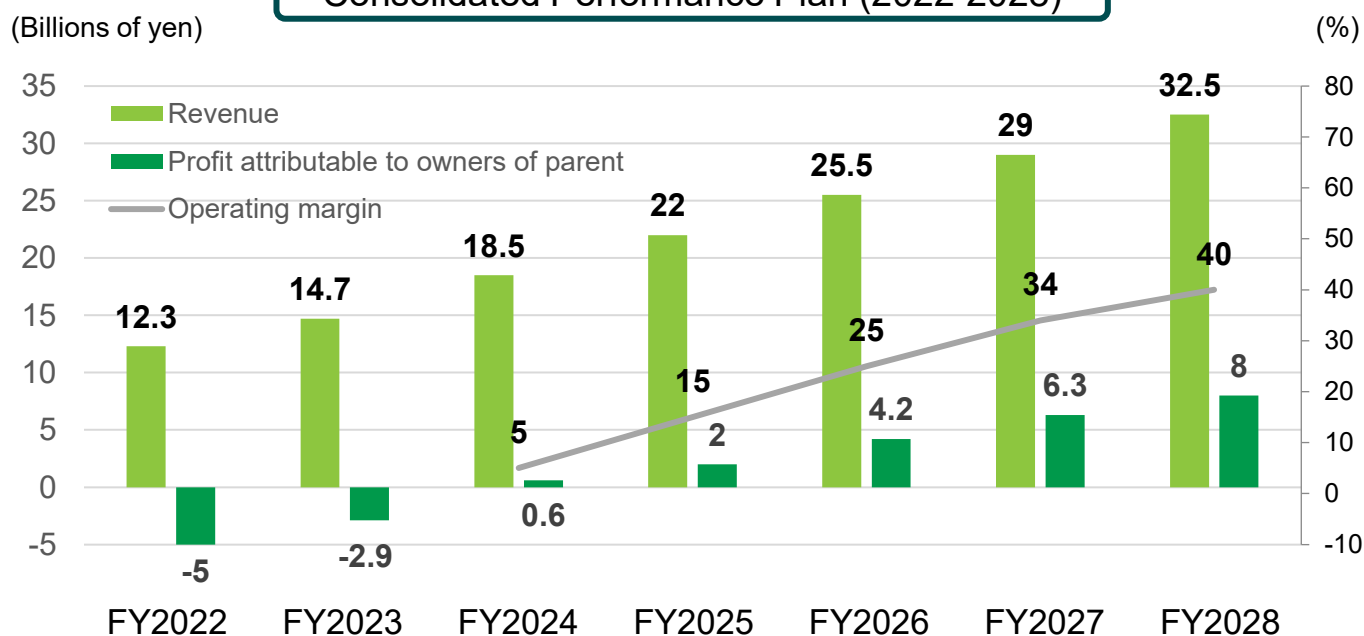
FY2022 is the first year of the transition to “.c Series” in which sales are recorded on a monthly subscription basis. Thereafter, with a certain number of clients expected to migrate each year to “.c Series” over the next six years, revenue will increase year on year in FY2023 and beyond.

Revenue structure during the transition to cloud-based software

There will be no significant changes in sales expenses or general and administrative expenses until most clients migrate to “.c Series.”

Since the software is developed in-house, the profit structure is characterized by a high profit margin. Therefore, based on the Company’s revenue model, operating margin will increase in line with the increase in revenue.

Consolidated Performance Plan (2022-2028)



Topic ① Collaboration with Toyota Finance

The Company has agreed with Toyota Finance Corporation to collaborate in the provision of mobility financial services.

Collaboration with Toyota Finance for the provision of Mobility Financial Services (Announced on October 27, 2021)

Toyota Finance will provide financial services related to car sales and auto maintenance through the Company's network of business operators in automotive aftermarket industry*. Linking Toyota Finance's financial services with its cloud-based software, ".c Series," will enable car owners to apply for loans for the purchase of used cars or examination and inspection of vehicles. Business operators in automotive aftermarket industry will benefit from an environment in which they can use one-stop service that covers from estimation to settlement. The service is scheduled to launch this spring.

* Refers to auto maintenance shops, auto body shops, gas stations, auto accessory shops, auto parts dealers, used car dealers, recycling/scrap shops, etc.

Adoption of TOYOTA Wallet electronic money as a shareholder benefit item for FY2021 (Announced on October 27, 2021)

The Company will start to handle a variety of Toyota Group's financial services through collaboration with Toyota Finance. As part of these initiatives, it has decided to present electronic money on the Toyota Group's smartphone payment app, "TOYOTA Wallet," as its shareholder benefit item.

Number of shares held	Amount of TOYOTA Wallet electronic money to be presented
500 to 999 shares	5,000 yen
1,000 to 1,999 shares	10,000 yen
2,000 shares or more	20,000 yen

Topic ② Promotion of Work Style Reform

The Company is proactively promoting its work style reform, including telework. As part of these efforts, it participated in related events. Due to these efforts, it was selected as one of “100 Telework Pioneers” in Japan.

▶ Participation in “2021 Telework Days” (Announced on July 9, 2021)

The Company took part in “2021 Telework Days” sponsored by the Ministry of Internal Affairs and Communications, related ministries and agencies, and the Tokyo Metropolitan Government (held from July 19, 2021 to September 5, 2021).

“2021 Telework Days” were held to encourage the implementation of teleworking as part of the government’s efforts to promote the workstyle reforms, with an eye on reducing congestion during the Tokyo Olympics and promoting teleworking nationwide.

The Company started teleworking in March 2020, and since then it has been promoting workstyle reforms through DX, including supporting the establishment of teleworking environments and utilizing groupware to improve the productivity during teleworking.



▶ Selection as one of “100 Telework Pioneers” in Japan (Announced on November 24, 2021)

The Company was selected as one of “100 Telework Pioneers” for 2021, announced by the Ministry of Internal Affairs and Communications since its telework-oriented workstyles has been highly evaluated. “100 Telework Pioneers” is part of an initiative that the Ministry of Internal Affairs and Communications commenced in 2015 to choose companies or organizations with remarkable achievements on introduction and utilization of teleworking.

While moving forward with the introduction of teleworking, the Company has been working on various initiatives, including the introduction and implementation of a system to prevent long over-time works, creative measures to compensate for communication shortages. These initiatives contribute to both safety and health of employees as well as smooth business operations.



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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