

# 2022 Interim

## Broadleaf Report

January 1<sup>st</sup>, 2022 > June 30<sup>th</sup>, 2022



# Top Message

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

Based on our corporate philosophy of “Gratitude and Happiness,” Broadleaf Group continuously works to contribute to our clients’ business continuity and creation.

In the first half of FY2022 (from January 1, 2022 to June 30, 2022), we promoted the market penetration of the new cloud-based software “.c Series” in line with the basic strategy of the mid-term management plan (2022-2028).

“.c Series” is business software that fully embraces cloud computing technology and is provided to clients as a SaaS solution. It offers a wide range of services for different industries and jobs, and clients can select only what they actually need. “.c Series” is also equipped with an intuitive UI, so that once installed, it can be used straight away. Moreover, it is designed to enable the rapid addition of functions in response to system changes or other circumstances and to facilitate the development of additional functions to meet unique client requirements.

With such advantages of “.c Series” as strong selling points, we proactively conducted sales activities to coincide with the full-scale provision in 2022 and, as a result, many clients adopted “.c Series”. In the second half of FY2022, we will continue stressing the advantages “.c Series” to ensure that we not only win new clients but also make clients who are using our previous software to switch to “.c Series” in order.

In FY2022, revenue is expected to decrease year on year because sales of SaaS such as “.c Series” are recorded on a monthly subscription basis.

From next fiscal year onwards, revenue will start to increase as sales accumulate, and we plan to achieve revenue stability and growth as clients using SaaS increase.

Through implementation of the mid-term management plan (2022-2028), we aim to “become “a leading SaaS company in Japan” and “a unique platform company.”

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)

	FY2021 1H	FY2022 1H	FY2021	FY2022 (Forecast)
Revenue	9,937	6,520	20,652	12,700
Operating profit (loss)	1,243	-1,398	3,395	-4,000
Profit (loss) attributable to owners of parent	795	-1,109	2,173	-3,200
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Total assets	33,216	33,079		
Total liabilities	8,237	8,328		
Total equity	24,979	24,751		

## About business results and financial position

In the first half of FY2022, the Company mainly worked on sales activities of SaaS such as ".c Series". Since sales of SaaS are recorded on a monthly subscription basis, service fee for the period starting from the month in which the contract was concluded become the sales for the period. Meanwhile, since the previous software is sold mainly based on a multi-year lease contract, the usage right fee for multiple years (usually six years) are recognized as sales in a lump sum at the time of conclusion of the contract. ".c Series" has been well-received among clients, and sales have also progressed steadily. However, business results showed declines in revenue and profits due to the factors outlined above. Our financial position remains sound even after the recording of losses.

## ■ Dividends per share

	FY2021	FY2022
Annual dividend	8.7 yen	1.0 yen (Forecast)
Interim dividend	4.0 yen	0.0 yen
Year-end dividend	4.7 yen	1.0 yen (Forecast)

## About dividend

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. In FY2022, we expect to report a loss attributable to owners of parent. However, in light of our financial position and other factors, we announced an annual dividend forecast of 1.0 yen (interim dividend of 0.0 yen and year-end dividend of 1.0 yen).

# Progress of Mid-term Management Plan①

## Overview of the plan

### Management policy

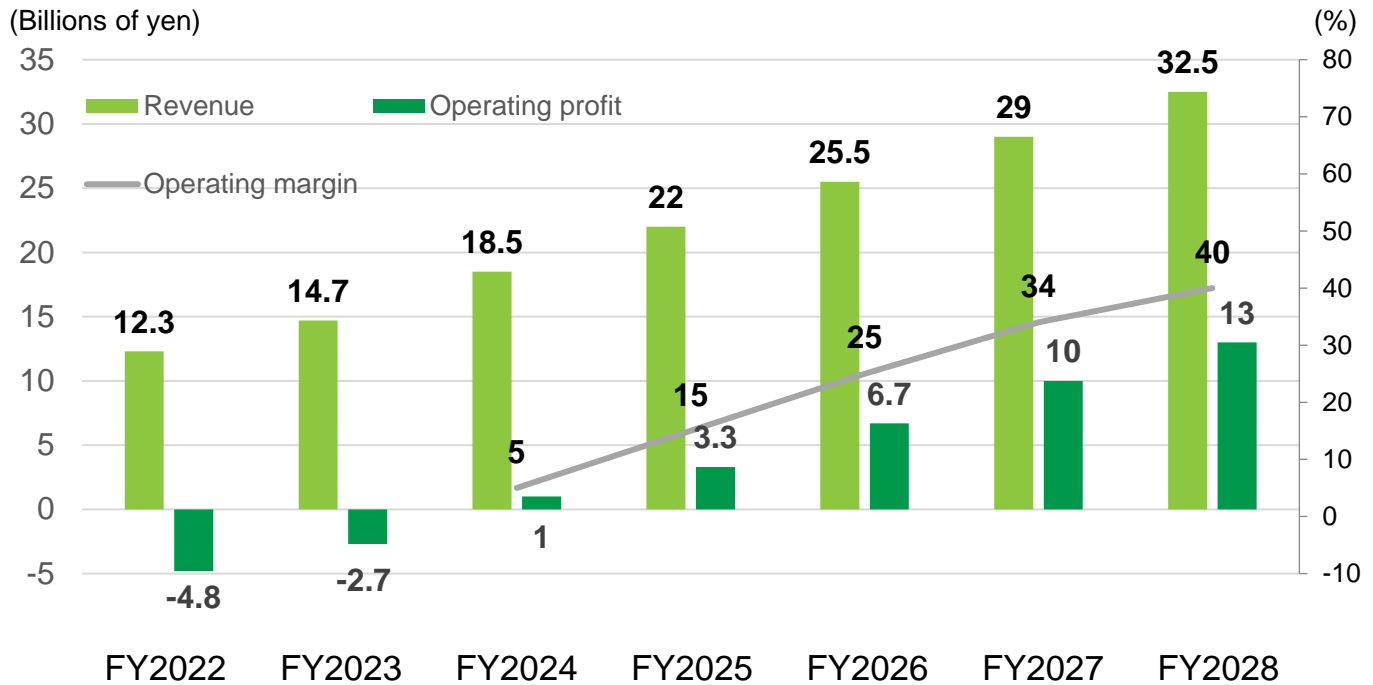
We seek to evolve into a unique platform company through promotion of DX in the mobility industry.

### Basic strategies

We seek “Penetration of the cloud-based products” through the provision of “.c Series” which are launched in full-scale in 2022, and at the same time, we will promote “Expansion of services,” including enhancement of the functions of cloud services and development of a diverse services.

### Consolidated Performance Plan (2022-2028)

(As of the announcement on February 9, 2022)



# Progress of Mid-term Management Plan②

## Progress in the first half of FY2022

### Main initiatives

#### Enhancement of functions of ".c Series"

- **The Company added loan linkage function (announced on June 1, 2022)**  
Clients (auto maintenance shops, etc.) using ".c Series" can now offer Toyota Finance's financial services to car owners.

#### Rollout of new SaaS menu

- **Released "Dencho.DX" (announced May 17, 2022)**  
"Dencho.DX" is compliant with the Revised Electronic Book Storage Act, including electronic preservation and transmission of transaction-related documents in electronic transactions and issuance of electronic invoices.

### Performance progress

#### Sales of SaaS such as ".c Series" were steady.

- **Sales to new clients (clients not using the previous software) exceeded our initial expectation.**
- **Sales to existing clients (clients using the previous software) were in line with the plan.**

#### Performance in the first year of the mid-term management plan (FY2022) is expected to surpass the plan.

- **We raised the consolidated results forecast for FY2022 (announced on August 9, 2022)**

Revenue: 12.7 billion yen (up 0.4 billion yen from previous forecast)

Operating profit: Loss of 4.0 billion yen (up 0.8 billion yen from previous forecast)

# Sustainability-Related Topics

The Company signed the United Nations Global Compact ("UNGC") and was registered as a participant in December 2021. Currently, more than 17,500 companies from all over the world, including more than 500 companies from Japan (as of July 2022) support the Ten Principles of the UNGC in the four areas of "Human Rights," "Labour," "Environment" and "Anti-Corruption." Participants work with the UN to build a sound and healthy international community and to contribute to the creation of a sustainable society as responsible corporate citizens.

By signing the UNGC, the Company has clearly expressed its corporate stance. In addition, we are committed to meeting the demands of stakeholders and society and contributing to the achievement of the Sustainable Development Goals (SDGs) based on our Corporate Philosophy, which positions the spirit of "Gratitude and Happiness" as our fundamental principle.

## The Ten Principles of UNGC

Human Rights	Principle 01:	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 02:	make sure that they are not complicit in human rights abuses.
Labour	Principle 03:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 04:	the elimination of all forms of forced and compulsory labour;
	Principle 05:	the effective abolition of child labour; and
	Principle 06:	the elimination of discrimination in respect of employment and occupation.
Environment	Principle 07:	Businesses should support a precautionary approach to environmental challenges;
	Principle 08:	undertake initiatives to promote greater environmental responsibility; and
	Principle 09:	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.

For further details of our sustainability activities, please visit <https://www.broadleaf.co.jp/english/sustainability/>.

For further details about UNGC, please visit <https://www.unglobalcompact.org/>.

The following is the FAO for the mid-term management plan (2022-2028).

## **Q. Why did you newly develop a fully-redesigned software?**

A. We developed the new software ".c Series" which is far easier to install and use and has much better extensibility than the previous software, to ensure that more clients will find it useful and use it for longer period. Incorporating various information technology including advanced cloud computing technology, ".c Series" can quickly be adapted in response to changes in the client's business environment and can also meet more sophisticated requirements that could not be met before.

## **Q. Why will your sales fall with the change in software?**

A. Sales of SaaS such as ".c Series" are recorded on a monthly subscription basis, so the monthly service fee is recognized as sales each month. Meanwhile, the previous software is sold mainly based on a multi-year lease contract, so the usage right fee for multiple years (usually six years=72 months) are recognized as sales in a lump sum at the time of conclusion of the contract (cash income is also recognized at the time of sale). If we compare these two software, sales of SaaS will be less in the first year. However, unlike the previous software for which sales are recorded only in the year in which the contract is concluded, sales of SaaS will continue to be recorded every month in the next fiscal year and thereafter. Therefore, both software will result in a similar level of sales when seen over a period of six years.

## **Q. Why will profit margin increase more than before once revenue recovers?**

A. One of the characteristics of our software business is that the ratio of fixed costs is high, so the operating margin rises as revenue increase. Accordingly, when revenue return to the level before the full-scale provision of SaaS, the operating margin will be the same level as before. but if revenues reach new heights, the operating margin will also surpass previous levels. We will seek growth in revenue through implementation of the strategies and measures under the mid-term management plan.

## **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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