

2023

Interim Broadleaf Report

January 1, 2023 >>> June 30, 2023



Top Message

I would like to express my sincere appreciation to all our shareholders for your continued extraordinary support.

The Broadleaf Group (hereinafter referred to as the “Broadleaf Group”) is committed to realizing the principles embodied in our corporate philosophy—“Gratitude and Happiness”—as well as the spirit behind our company name. Even in the face of a rapidly evolving business environment, we continue to pursue initiatives that support the continuity and growth of our customers’ businesses. Under our Medium-Term Management Plan (2022-2028)(hereinafter “the plan”). We have set consolidated performance targets for the final year ending December 2028 and are promoting 2 growth strategies: “Cloud penetration” and “Expansion of services.”

**Consolidated Revenue
32.5 billion yen**

**Operating income 13 billion yen
(Operating profit margin: 40%)**

**Profit attributable to owners
of the parent 8 billion yen**

In the fiscal year ended December 2022, the first year of the plan, we laid the foundation for high revenue growth by launching our cloud software offerings and shifting to a monthly subscription-based revenue model.

In the second year of the plan (fiscal year ending December 2023), we actively promoted our cloud-based software and other DX-related solutions to customers. As a result, the number of monthly subscriptions increased significantly, leading to steady growth in recurring revenue and a clear shift toward a growth trajectory.

In the first half of the fiscal year ending December 2023 (January 1 to June 30), we saw an increase in recurring revenue driven by strong sales of our flagship monthly subscription-based cloud software, the “.c Series”, which contributed to growth in our overall customer base. Orders for packaged software, mainly for non-mobility sectors, also progressed steadily. On the cost side, we made strategic upfront investments—including enhancements to our cloud infrastructure—to prepare for future service expansion.

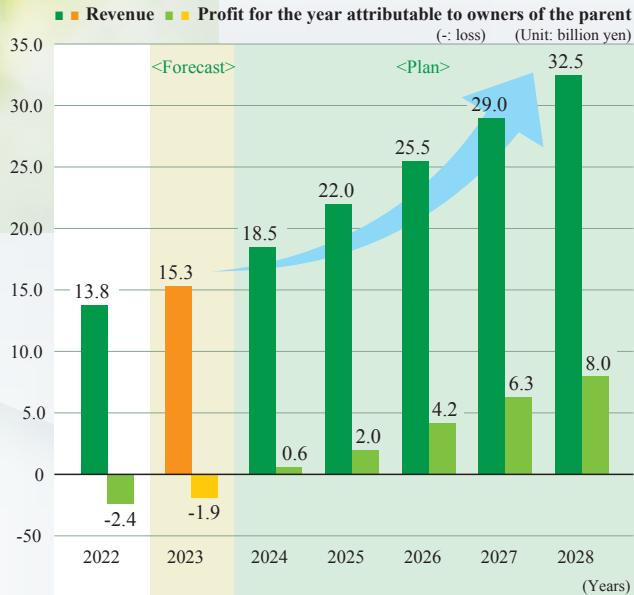
Through the continued execution of the plan, we are committed to achieving sustainable growth and enhancing corporate value through a virtuous cycle of customer success and business development.

We sincerely appreciate the continued support of our shareholders.

Representative Director and President **Kenji Oyama**



Progress of the Medium-Term Management Plan



Status and Progress through the the First Half of FY2023

Main Initiatives

Strengthened sales of “.c Series”

We stepped up sales of monthly subscription-based software, particularly our “.c Series” cloud software, which is our mainstay product. As a result, the total number of customers increased, leading to higher recurring revenue.

Enhanced secondary products related to SaaS

Sales of cloud software were steady, and the number of “Dencho.DX” that complied with the revised Electronic Book Retention Law as a cross-selling to existing customers and “B.L.Homepage” that incorporated the Company's website creation function increased.

Progress and Full-year Forecast

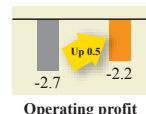
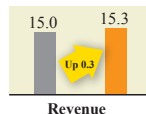
Full-Year Results Expected to Exceed the Initial Forecast, Continuing the Trend from FY2022

The number of monthly subscription software contracts recorded in FY2022 contributed to full-year revenue. In FY2023, we expect similar growth as existing customers continue transitioning to the “.c Series”, further driving cloud service expansion in the second half.

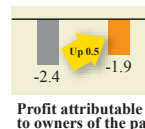
Favorable Business Environment Sustained into the Second Half of FY2023

Supported by a favorable business environment, full-year forecasts were revised upward.

■ Initial forecast ■ Revised forecast



(Billions of yen)



Our AI is not just a function, but a business-ready solution.

Our AI servicing
Special Feature 1

AI learns and recommends frequently used and highly relevant products and tasks.

Characteristics of AI

AI function learns

This AI function has the ability to learn and accumulates historical data and information used in daily operations that have been searched through daily quotation-making work, etc. From this accumulated data, it is possible to derive more accurate and accurate proposals and optimal solutions for efficiently carrying out operations.



Service Overview 1

Proposes products and operations that are highly relevant and used frequently.

AI analyzes trends and relevance from an enormous amount of data. It accurately proposes products and tasks that are used frequently or relevant. This will improve the operational efficiency of users.

Service Overview 2

Prevent errors arising from experience differences

While human work involves mistakes and omissions, AI prevents mistakes and omissions arising from experiential differences and continually proposes optimal and accurate suggestions.

User benefit

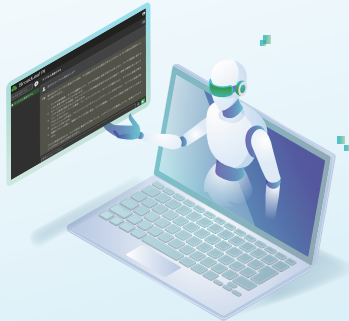
Reliable Support for Companies Facing Labor Shortages

This AI works like a single sales person or worker in proposing to customers. As a reliable partner, particularly for companies suffering from a shortage of employees, we will reduce the burden on employees and optimize business processes.

Characteristics of AI

Advent of interactive AI

As a revolutionary AI service for the Mobility sector, it is an interactive AI that combines ChatGPT's proprietary databases and knowledge. This AI leverages ChatGPT's natural linguistic processing capabilities and our own data base, which we have accumulated over 40 years.



Service Overview 1

Leveraging the latest technology

Companies, which is engaged in the mobility sector, are required to acquire sophisticated, state-of-the-art knowledge and skills in line with the advancement of automobiles, advances in functions, and revisions to laws and regulations. This interactive AI function, which we have developed independently, will make our customers' operations more efficient, and will enable them to create the hours for acquiring them.

Service Overview 2

AI services-a step toward streamlining the maintenance industry- where a wide variety of responses can be obtained

Answers to frequently asked questions are also available, and responses are prepared for a variety of questions, ranging from on-site operations such as automotive maintenance and auto body shops to management support. As a result, it is possible to derive optimal responses such as highly specialized mechanics, which contributes to the efficiency of various operations.

User benefit

Improving Operational Efficiency to Improve Productivity : Leveraging Time

In the Mobility sector, which faces the challenge of responding to the chronic shortage of human resources and the increasing sophistication of vehicles, it is possible to effectively utilize the hours created by the streamlining of operations through AI using the latest technologies to acquire skills and knowledge. It is also useful in resolving the shortage of human resources in maintenance operations.

*Our AI servicing
Special Feature 3*

Contributing to the Mobility Industry with a New Approach to Abnormality Detection and Fraud Prevention

Characteristics of AI

AI Business Monitoring and Abnormality Detection

This AI servicing will automatically detect any defects or fraud in businesses and send notifications to pre-registered parties. This makes it possible to conduct checks and improvement measures quickly.



Service Overview 1

New Functions to Support Strengthening Governance

As a new function to help strengthen governance for the Mobility sector, we have developed a function that can detect abnormal and fraud in various operations with a high degree of precision. This function combines the database accumulated independently for 40 years with the latest technology, and as a neutral role, it will be a service that supports the strengthening of governance of user companies.

Service Overview 2

Expansion of functions and abnormal detection of electronic transaction information

This AI service is planned to expand the service so that it can handle not only defect detection and fraud prevention, such as the creation of estimates, but also various contracts (purchasing parts required for vehicle purchasing, automobile insurance, and repairs), information on electronic transactions between companies, and information on maintenance records of automobiles. Through these measures, we will also detect defects and fraud in electronic transactions between companies and improve the reliability of our business processes as a whole.

Future development of our AI services

Provision of AI services to other companies in the same industry and other industries

These AI services are provided using Broadleaf Cloud Platform, our proprietary cloud infrastructure. This makes it possible to provide services not only to Mobility sector but also to other industries and types of businesses, and also to link and link with existing systems that have already been installed.

Financial Highlights

	(Millions of yen)			
	FY2022 1H	FY2023 1H	FY2022	FY2023 Forecast
Revenue	6,520	7,390	13,833	15,300
Operating loss	1,398	1,111	2,897	2,200
Quarterly attributable to owners of the parent/Net loss	1,109	844	2,431	1,900
Total assets	33,535	35,728		
Total liabilities	9,873	12,638		
Total equity	23,662	23,090		

Operating Results and Financial Position

Based on our corporate philosophy of “Gratitude and Happiness,” we will continue our activities to contribute to our customers' business continuity and business creation. At the same time, we will focus on the two priority measures outlined in the Medium-Term Management Plan (2022-2028): “Penetration of the Cloud” and “Expansion of Services.”

Amid these efforts, the transition of our core offerings to the “.c Series” has helped stabilize our Group's revenue. The “.c Series”, which offers flexible pricing and feature configurations, has contributed to strong new contract acquisition, resulting in an increase in the overall customer base. On the cost side, while upfront investments increased—particularly in service development and infrastructure to support future growth—we improved the efficiency of our sales promotion activities. As a result, for the first half of the fiscal year ending December 31, 2023, we achieved year-on-year revenue growth and significantly reduced our operating loss.

Dividend per share

	(yen)		
	FY2021	FY2022	FY2023 Forecast
Interim dividend	4.00	-	-
Year-end dividend (Forecast)	4.70	1.00	1.00
Annual dividend (Forecast)	8.70	1.00	1.00
Consolidated dividend payout ratio	35.2%	-	-

Basic policy on dividends

Our Group regards returning profits to shareholders as a key management priority.

Our basic policy is to distribute profits based on business performance, while securing internal reserves necessary for business development and maintaining financial soundness to enhance corporate value. We target a consolidated dividend payout ratio of 35% or higher.

Dividend for the Year Ending December 31, 2023

Although a net loss attributable to owners of the parent is planned for the fiscal year ending December 31, 2023, the Company has determined that a dividend can be paid based on the status of internal reserves and other financial conditions. Accordingly, a dividend of 1.00 yen per share for the full year is planned.