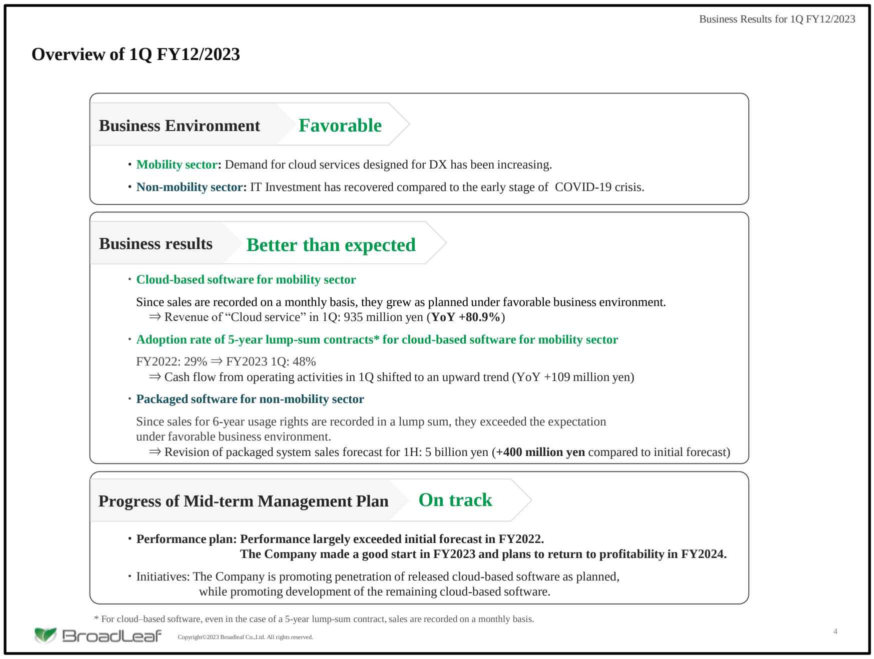
1Q FY12/2023 Business Results Briefing Material

Broadleaf Co., Ltd (3673)

May 10, 2023



- The current business environment continued to be favorable against a backdrop of growing interest in DX in the mobility sector and a recovery in demand from the COVID-19 crisis in the non-mobility sector.

- Regarding packaged software for non-mobility sector, the 6-year license fee is recorded as sales in a lump sum, so it largely influences the Company’s financial result. As a result, the performance for 1Q exceeded the Company’s expectation, and the earnings forecast for 1H FY2023 was revised upward.

- In the 2H FY2023, the Company will continue promoting sales of packaged software to exceed full-year earnings forecast.

- Regarding its medium-term management plan, the Company changed to a monthly subscription-type business model in 2022 (the first year of the plan), and constructed the base for future growth. On top of this, financial result was above the initial forecast.

- In 2023 (the second year of the plan), the Company continues to promote the penetration of cloud-based software, and succeeded in making a good start toward achieving profitability in 2024.

- Along with the penetration of cloud-based software, the number of clients adopting 5-year lump-sum contracts for cloud-based software increased, so operating cash flow shifted to an upward trend.

Overview of Consolidated Financial Results

- Revenue increased and loss decreased by capturing demand for cloud services designed for DX, while conducting upfront investment.

(Millions of yen)	FY2023 1Q	FY2022 1Q	YoY change	YoY ratio
Revenue	**3,629**	3,254	+375	+11.5%
Cloud service	**935**	517	+418	+80.9%
Packaged system	**2,694**	2,737	-43	-1.6%
Cost of sales	**1,483**	1,195	+288	+24.1%
Gross profit	**2,146**	2,060	+87	+4.2%
SG&A expenses, etc.	**2,682**	2,797	-115	-4.1%
Operating profit *	**-536**	-737	+201	-
Profit before tax *	**-541**	-646	+105	-
Profit attributable to owners of the parent*	**-405**	-570	+165	-
Basic earnings per share*	**-4.58 yen**	-6.48 yen	-	-

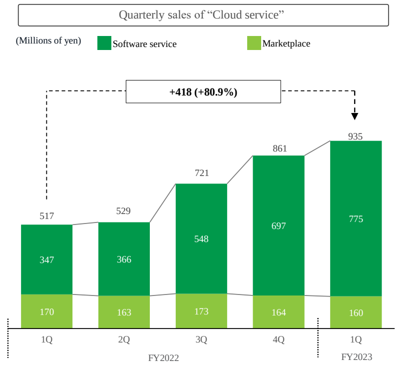
*minus (-) represents loss

- Revenue increased by 11.5% year on year to 3,629 million yen.

- Operating loss was 536 million yen, while loss attributable to owners of the parent was 405 million yen, which both improved year on year.

Quarterly Trends in the Sales of "Cloud service"

・Sales **increased by 80.9% year-on-year** due to transition of existing clients to cloud-based software and acquisition of new clients.



Software service

Main breakdown

・Cloud-based software for mobility sector

・Monthly subscription-type software services, such as DX solutions

Explanation

・Switching of mainstay business support software to monthly subscription contracts progressed as planned.

・Acquisition of new clients was steady.

Marketplace

Main breakdown

・Electronic ordering platform for auto parts

・Settlement agency service

Explanation

・The sales remained flat as the transaction volume of recycled auto parts market has peaked out.

・Next-generation version of ordering platform will be provided in the future.

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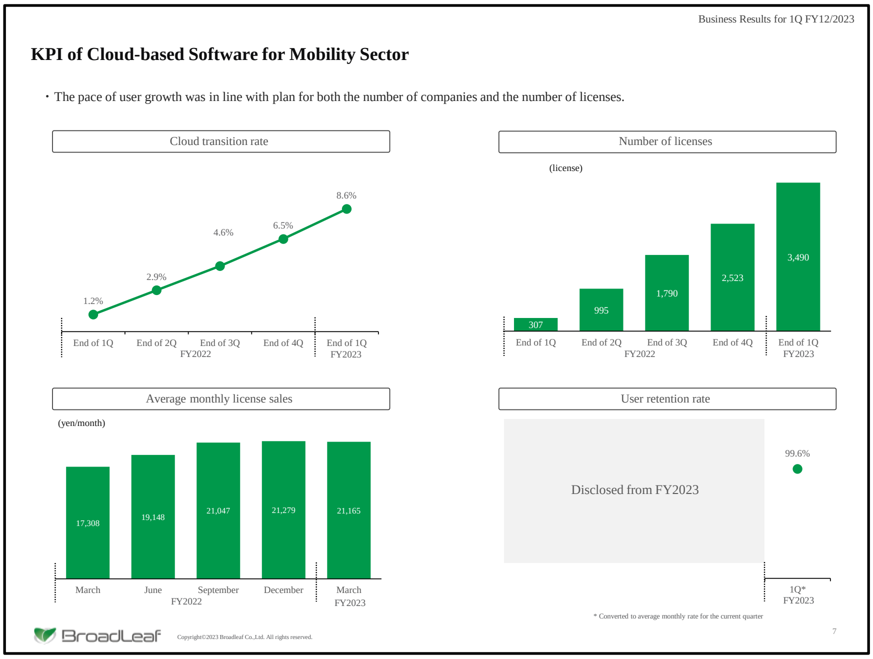
- Sales of "Cloud service" increased by 418 million yen (80.9%) year on year to 935 million yen.
- "Software service" drove the sales growth.
- In addition to transition of existing clients to monthly subscription contracts including cloud-based software, acquisition of new clients was steady.
- As the transition of existing clients is planned to continue until 2028, the upward trend in "Software service" is expected to continue over the next 5 years.
- The increase in sales was also attributable to the progress in the adoption of various DX solutions, including software for the Electronic Book Storage Act.
- Sales of "Marketplace" were flat in accordance with the plan.
- By switching to the next-generation version of the ordering platform, which is IT base for the purchase and sale of parts, sales are expected to increase in the future.



- The cloud transition rate shows how many percent of target clients for cloud-based software actually switched to cloud-based software. It is expected to reach 100% in 2028.

- As the cloud transition rate increases, the number of users of cloud-based software will increase, and the number of licenses will increase proportionately.

- Average monthly license sales are expected to increase over the next fiscal year due to the provision of cloud-based software for auto parts dealers and auto recycle shops, which tend to have higher unit prices, and the increasing number of major auto maintenance shops switching to cloud-based software.

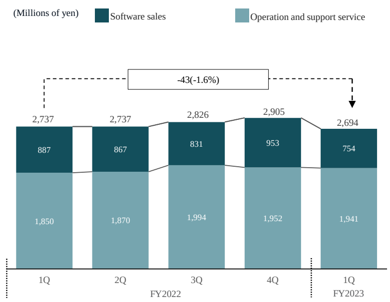
- The user retention rate is an indicator of how many percent of clients at the beginning of the fiscal year are continuing to use the software until the end of the fiscal year. For 1Q, existing clients account for almost 100%, but since there are new clients that install the software on a trial basis, including these users, the rate becomes 99.6% on a monthly basis.

- As the user retention rate is also expected to stabilize when the cloud transition rate increases, the Company will closely monitor it so that it does not fall below the current level.

Quarterly Trends in Sales of “Packaged system”

- Mobility sector is switching to provision of cloud-based software.
- **Sales of software for non-mobility sector were strong.**

Quarterly sales of “Packaged system”



Software sales

Main breakdown

- Leasing sales of packaged software

Explanation

- Subsidiaries and sales agents also ceased leasing sales of packaged software for mobility sector.
- Acquiring of orders of packaged software for non-mobility sector progressed ahead of plan.

Operation and support service

Main breakdown

- Ancillary services of packaged software

Explanation

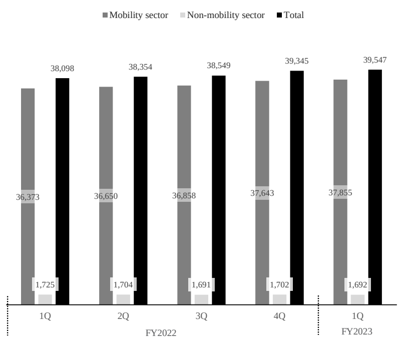
- Sales moved to “Cloud service” side in line with the transition to cloud-based software.

- Sales of “Packaged system” declined by 43 million yen (1.6%) to 2,694 million yen.
- In the previous fiscal year, Tajima and the Company’s sales agents sold packaged software for auto maintenance shops and auto body shops under lease contracts. From this fiscal year, they are providing monthly subscription contracts in those cases as well. Therefore, shift from sales of “Packaged system” to sales of “Cloud service” progressed further.
- Meanwhile, the Company continued to sell packaged software for non-mobility sector, and demand recovered more than expected.
- Since “Operation and support service” consists of ancillary services for packaged software, the sales is transferred to “Software service” sales along with transition to cloud-based software.

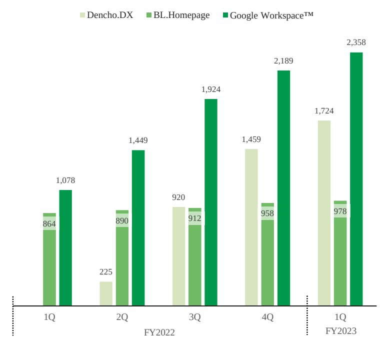
Quarterly Trends in the Number of User Companies and Licenses of DX Solutions

・**User companies in mobility sector increased** due to the launch of cloud-based software, which is highly competitive.
・The number of licenses of DX solutions, which can be used regardless of the sector, also increased by offering them along with cloud-based software.

Number of software user companies



Licenses of DX solutions



- In the mobility sector, the number of user companies continued to grow steadily as a result of favorable business conditions and the launch cloud-based software, which is highly competitive and can be installed flexibly.

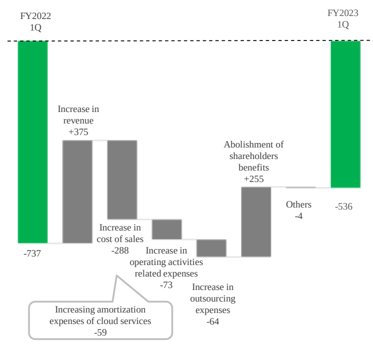
- Licenses for various DX solutions that can be introduced regardless of the client's industry also increased due to strengthening of proposals that meet clients' needs.

Factors behind Changes in Operating Loss

- Loss decreased due to increase in revenue, which absorbed upfront expenses such as investment in development and strengthening of management infrastructure for future growth.

Operating loss

(Millions of yen)



Cost of sales

- Increased due to upfront expenses to strengthen IT infrastructure in preparation for future service expansion

SG&A expenses, etc.

- **Operating activities expenses**
  Travel expenses and social expense increased due to active sales activities and sales promotions.
- **Outsourcing expenses**
  Increased due to outsourcing of back-office business operations, etc.

- Amortization expenses of cloud services increased, as the scope of provision of cloud services including cloud-based software expanded year-on-year.

- In addition, in order to prepare for the increase in software usage in the future, upfront costs including enhancement of performance and expansion of functions for cloud services increased.

- As a result, cost of sales increased by 288 million yen.

- SG&A expenses decreased by 115 million yen due to the abolishment of the shareholder benefit program, despite an increase in operating activities-related expenses as a result of increased sales activities.

- The increased costs are positioned as upfront investments for future growth, such as strengthening of cloud services, sales promotions, and management infrastructure in preparation for service expansion.

- As a result, operating loss in 1Q FY2023 decreased by 201 million yen.

Balance Sheet Status

- As the adoption rate of 5-year lump-sum payment for cloud-based software for mobility sector rose (FY2022: 29%, 1Q FY2023:48%), **the balance in contract liabilities increased**.

(Millions of yen)	FY2023 End of 1Q	FY2022 Year-end	YoY change	Major breakdown of increase/decrease
Current assets	**6,518**	6,555	-37	Cash and cash equivalents -156
Non-current assets	**28,373**	26,980	+1,393	Property, plant and equipment +729 Intangible assets +419
Total assets	**34,891**	33,535	+1,356	
Current liabilities	**7,594**	6,583	+1,012	Short-term interest-bearing debts +975 Contract liabilities +437 Operating and other payables -120
Non-current liabilities	**3,923**	3,291	+632	Long-term interest-bearing debts +631
Total liabilities	**11,517**	9,873	+1,644	
Total equity	**23,374**	23,662	-288	Loss -414 Dividend payout -88
Total liabilities and equity	**34,891**	33,535	+1,356	

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- Property, plant and equipment increased due to an increase in lease assets, and increase in intangible assets due to investment in software development. As a result, assets rose 1,356 million yen from the end of FY2022, to 34,891 million yen.

- Property, plant and equipment increased by 729 million yen since headquarters rent was booked as a lease asset due to the change in IFRS16.

- Debt increased by 1,644 million yen to 11,517 million yen due to an increase in interest-bearing debt resulting from borrowings from banks and an increase in contract liabilities.

- Contract liabilities are a positive indicator of cash flow since they mainly consist of advances received from the 5-year lump-sum payment of cloud-based software.

- The percentage of clients who adopted a 5-year lump-sum payment for cloud-based software was 29% in FY2022, but rose to 48% in 1Q FY2023.

- Total shareholders' equity fell by 288 million yen to 23,374 million yen due to the reflection of the loss in 1Q and the payment of the year-end dividend for FY2022.

Cash Flows Status

- As the adoption rate of the 5-year lump-sum payment of cloud-based software for mobility sector rose (FY2022: 29%, 1Q FY2023:48%), **the cash-flow balance improved.**

(Millions of yen)	FY2023 1Q	FY2022 1Q	YoY change	Major breakdown of increase/decrease
Cash flow from operating activities	**136**	28	+109	Increase in trade and other receivables -1,867 Increase in trade and other payables +880 Increase in contract liabilities +470
Cash flow from investment activities	**-854**	-768	-86	Increase in payments for acquisition of intangible assets -22
Cash flow from financing activities	**561**	574	-12	Decrease in cash dividends paid +325 Net increase in short-term loans payable -281
Free cash flow	**-718**	-740	+22	
Cash and cash equivalents at end of the period	**3,301**	3,358	-57	

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- Operating cash flow increased by 109 million yen year-on-year to 136 million yen.

- Operating cash flow shifted to an upward trend due to an increase in contract liabilities, which correspond to advances received for cloud-based software, despite the decline in sales of packaged software.

- Cash used in investing activities was 854 million yen, an increase of 86 million yen year-on-year.

- Investment amount remains unchanged from the previous fiscal year since the Company continues to invest in the development of cloud-based software, etc.

- Cash from financing activities was 561 million yen due to short-term borrowings.

- The balance of cash and deposits at the end of 1Q was 3,301 million yen, which is sufficient for business operations.

Consolidated Earnings Forecast (First Half of FY2023)

・Upward revision of 1H forecast was conducted considering progress up to 1Q and the reevaluation in the timing of booking of expenses.

(Millions of yen)	1H FY2023		YoY change	FY2023		1H FY2022
	Revised forecast	Initial forecast		1Q	2Q forecast	
Revenue	**7,100**	**6,700**	**+400**	3,629	3,471	6,520
Cost of sales	**2,950**	**2,850**	**+100**	1,483	1,467	2,459
Gross profit	**4,150**	**3,850**	**+300**	2,146	2,004	4,061
SG&A expenses, etc.	**5,700**	**6,000**	**-300**	2,682	3,018	5,460
Operating profit *	**-1,550**	**-2,150**	**+600**	-536	-1,014	-1,398
Profit before tax *	**-1,600**	**-2,200**	**+600**	-541	-1,059	-1,458
Profit attributable to owners of the parent *	**-1,400**	**-1,900**	**+500**	-405	-995	-1,109
Basic earnings per share*	**-15.80 yen**	**-21.45 yen**	-	-4.58 yen	-11.22 yen	-12.57 yen

*minus (-) represents loss

- The Company revised 1H earnings forecast upward.

- The Company’s recurring sales already accounts for more than 70% of the total sales. In addition, transition of clients to monthly subscription contracts continues in FY2023. Therefore, the initial forecast for FY2023 was weighted toward the 2H.

- However, leasing sales of packaged software for non-mobility sector progressed ahead of schedule. In addition, the timing of recording expenses was reviewed.

- In light of these factors, the Company adjusted the balance between 1H forecast and 2H forecast, and changed the ratio from 45:55 to 47:53, which is about the same as the result of previous fiscal year.

- In 2H, the company will strive to acquire new clients to cover the sales acquired ahead of schedule.

Sales Forecast by Service Category (First Half of FY2023)

・Forecast for "Packaged system" was revised upward as leasing sales of packaged software progressed ahead of schedule.

(Millions of yen)	1H FY2023		YoY change	FY2023		1H FY2022
	Revised forecast	Initial forecast		1Q	2Q forecast	
Cloud service	**2,100**	**2,100**	**-**	935	1,165	1,046
Software service	**1,800**	**1,800**	**-**	775	1,025	713
Marketplace	**300**	**300**	**-**	160	140	333
Packaged system	**5,000**	**4,600**	**+400**	2,694	2,306	5,474
Software sales	**1,300**	**1,100**	**+200**	754	546	1,754
Operation and support service	**3,700**	**3,500**	**+200**	1,941	1,759	3,720
Total	**7,100**	**6,700**	**+400**	3,629	3,471	6,520

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- The forecast for "Software service" remains unchanged since it consists of monthly subscription sales. Progress is good, so probability of achievement increased.

- The forecast for "Software sales" was revised upward by 200 million yen, reflecting the progress in sales of packaged software.

- The forecast for "Operation and support service," which consists of ancillary services for packaged software, was also revised upward by 200 million yen, since the sales for database and support service was accumulated more than expected.

Consolidated Earnings Forecasts (Full-year)

・Forecasts for revenue and operating profit remain unchanged, and the probability of achievement became higher than at the beginning of the term.

(Millions of yen)	FY2023 Full-year forecast	FY2022 Full-year	YoY change	FY2023		FY2022	
				1H forecast	2H forecast	First half	Second half
Revenue	**15,000**	13,833	+1,167	7,100	7,900	6,520	7,312
Cost of sales	**6,100**	5,346	+754	2,950	3,150	2,459	2,887
Gross profit	**8,900**	8,487	+413	4,150	4,750	4,061	4,425
SG&A expenses, etc.	**11,600**	11,384	+216	5,700	5,900	5,460	5,924
Operating profit *	**-2,700**	-2,897	+197	-1,550	-1,150	-1,398	-1,499
Profit before tax *	**-2,800**	-3,005	+205	-1,600	-1,200	-1,458	-1,548
Profit attributable to owners of the parent*	**-2,400**	-2,431	+31	-1,400	-1,000	-1,109	-1,323
Basic earnings per share*	**-27.07 yen**	-27.54 yen	-	-15.80 yen	-11.27 yen	-12.57 yen	-14.97 yen

*minus (-) represents loss

- The Company adjusted cost of sales and SG&A expenses since the timing of booking costs was reviewed. However, revenue, operating loss and below are unchanged at this point.

- Progress is going ahead of schedule, so the probability of achieving full-year earning result increased.

- Since the Company’s sales consist mainly of recurring sales, the fact that sales is progressing ahead of schedule means that recurring sales are accumulating at a faster pace than expected.

Sales Forecast by Service Category (Full-year)

・There is no change in the forecast for any of the categories, and "Cloud service" sales are expected to steadily increase.

(Millions of yen)	FY2023 Full-year forecast	FY2022 Full-year	YoY change	FY2023		FY2022	
				1H forecast	2H forecast	First half	Second half
Cloud service	**5,900**	2,628	+3,272	2,100	3,800	1,046	1,582
Software service	**5,250**	1,958	+3,292	1,800	3,450	713	1,244
Marketplace	**650**	670	-20	300	350	332	337
Packaged system	**9,100**	11,205	-2,105	5,000	4,100	5,474	5,730
Software sales	**2,200**	3,539	-1,339	1,300	900	1,754	1,784
Operation and support service	**6,900**	7,666	-766	3,700	3,200	3,720	3,312
Total	**15,000**	13,833	+1,167	7,100	7,900	6,520	7,312

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- For all categories, forecast remains unchanged at this point.
  Progress is currently favorable, so the probability of achievement increased.

- Sales of "Software service" is expected to rise more than twice year-on-year.

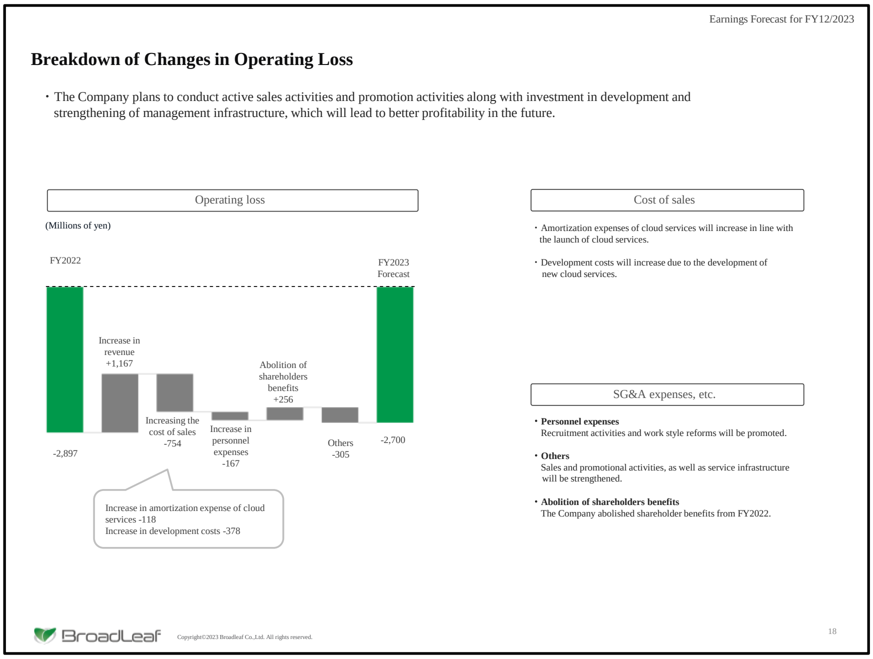
- Full-fledged turnaround in sales of "Marketplace" is expected to start from the next fiscal year or later, as planned.

- Sales of "Packaged system" will decline as planned, as sales of packaged software under lease contracts is limited to non-mobility sector from FY2023.

- Sales of "Operation and support service" will decline as clients of packaged software switch to cloud-based software, but those sales will move to sales of "Cloud service."

- Therefore, the Company expects overall sales to start increasing after bottoming out in 2022, and increasing revenue is expected to continue until 2028, the final year of the medium-term management plan.

- Also, the Company is beginning to implement measures to ensure that revenue and profit continue to grow from 2029 onward after the medium-term management plan.



- Increase in revenue due to the accumulation of recurring sales will contribute to decrease in loss.

- On the other hand, amortization expenses of cloud services is expected to increase in line with the expansion of the scope of services provided, including cloud-based software, and the cost of sales is expected to increase by 754 million yen year-on-year, due to the rise in development costs recorded as cost of sales.

- Further, while the abolishment of the shareholder benefit program is a factor behind the decrease in loss, expenses related to operating activities are expected to increase.

- Since the current fiscal year, which is the year revenue starts to increase, is a good timing to strengthen sales and promotional activities, the Company plans to implement upfront investment in order to accelerate the increase in revenue in the future.

- Therefore, SG&A expenses are expected to increase by 216 million yen.

- As a result, operating loss is expected to decrease by 197 million yen.

Dividends Forecast

・The dividends forecast for FY2023 is undetermined.

Dividend per share

(Yen)	FY2023 (Forecast)	FY2022
Interim dividend	Undetermined	-
Year-end dividend	Undetermined	1.00
Annual dividend	Undetermined	1.00
Consolidated dividend payout ratio	-	-

Explanation

・The Company plans to announce forecast once a reasonable calculation becomes possible in light of the progress of the medium-term management plan and the status of retained earnings.

- Dividends for FY2023 have not been determined for both the interim and the year-end dividends.

- Forecasts are scheduled to be announced when it becomes possible to make reasonable calculations in light of the progress of the medium-term management plan and the situation of internal reserves.

1 Business Results for 1Q FY12/2023

2 Earnings Forecast for FY12/2023

3 Progress of the Medium-Term Management Plan (2022-28)

4 Topics

5 Supplemental Information

Medium-term Management Plan (2022-28): Performance Plan

・The Company will achieve record-high performance in FY2026, with a target of operating margin of 40% and profit of 8 billion yen in FY2028.
・Performance in FY2022 exceeded the initial forecast, and performance in FY2023 is also expected to exceed the initial forecast for 1H FY2023.

(Billions of yen)	FY2022 Plan	FY2022 Result	FY2023 Forecast	FY2024 Plan	FY2025 Plan	FY2026 Plan	FY2027 Plan	FY2028 Plan
Revenue	**12.3**	**13.8**	15.0	18.5	22.0	**25.5**	29.0	**32.5**
Cloud service	**2.6**	**2.6**	5.9	10.4	15.2	**19.9**	25.0	**29.1**
Packaged system	**9.7**	**11.2**	9.1	8.1	6.8	**5.5**	4.0	**3.4**
Operating profit *	**-4.8**	**-2.9**	-2.7	1.0	3.3	**6.7**	10.0	**13.0**
Operating margin	-	-	-	5%	15%	**25%**	34%	**40%**
Profit attributable to owners of the parent*	**-5.0**	**-2.4**	-2.4	0.6	2.0	**4.2**	6.3	**8.0**

*minus (-) represents loss

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- The Group possesses excellent client assets and competitive cloud-based products.

- For cloud-based products, the Group will further enhance competitiveness by continuing to expand the menu.

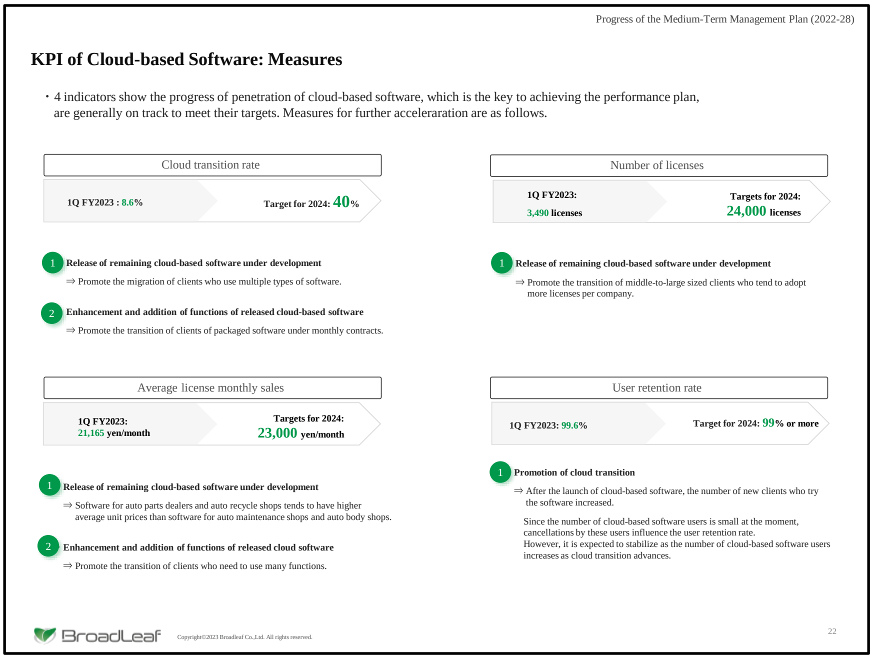
- There are already resources to sell products as well as management infrastructure for business operations.

- From this perspective, medium-term management plan has a high certainty of achievement.

- In 2026, the Company plans to reach record highs, and using this as a milestone, it plans to reach a level of operating profit of 13 billion yen and profit of 8 billion yen in 2028.

- The final year of the Company‘s management plan is 2028, but it will continue to expand its cloud services that utilize "Broadleaf Cloud Platform" as the starting point, in order to continue expanding its earnings thereafter.

- This will be an additional element to the performance plan, so the Company plans to disclose the information at an appropriate timings through press releases and other media.



- The target for the cloud transition rate at the end of 2024 is 40%. Current figures are 8.6%, but since many clients will switch from 2024 to 2025, it is expected to accelerate in 2024.

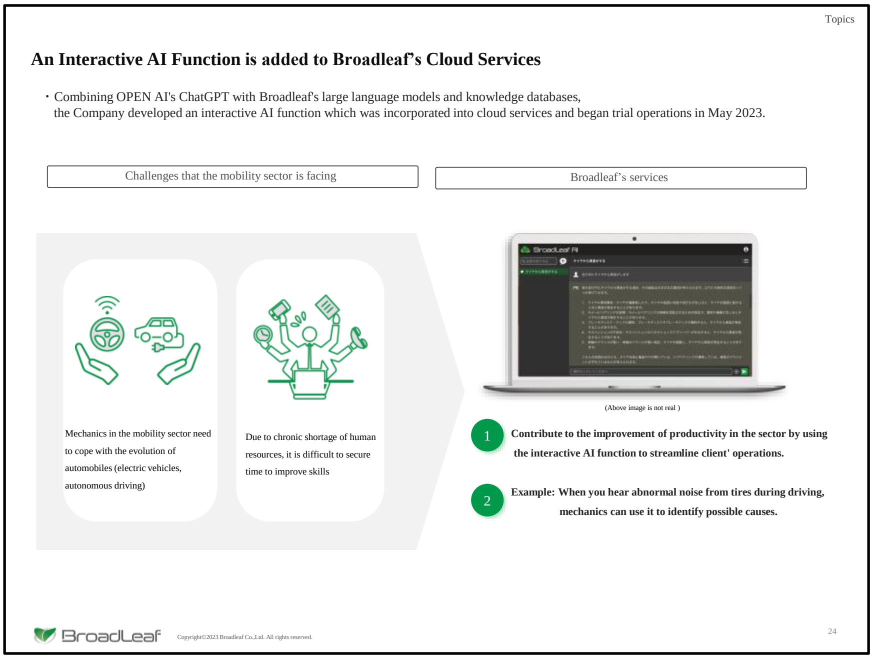
- On the assumption of switching to cloud-based software that will be launched in the future, some users are temporarily using packaged software under monthly subscription contracts. At the timing of the launch of products, these users will promptly switch to cloud-based software.

- Auto parts dealers and auto recycle shops tend to install multiple licenses per company, so the number of license is expected to grow largely in 2024.
  Therefore, the number of licenses is expected to increase from 3,490 licenses to 24,000 licenses by the end of 2024.

- Major auto maintenance shops who are scheduled to switch to cloud-based software in the future, and auto parts dealers and auto recycle shops basically have higher unit prices.

- Furthermore, as the ratio of existing clients out of cloud-based software users increases, the average unit price will rise, so the average monthly license sales will also rise from 21,165 yen per month to 23,000 yen per month level in 2024.

- Similarly, as the ratio of existing clients out of cloud-based software users by increases, user retention rate is expected to trend upward from the current level of 99.6%.



- As announced on April 28, Broadleaf's cloud services was equipped with an interactive AI function.

- The Company combined OPEN AI's Chat GPT with large language model which are trained using the mobility sector data and know-hows accumulated in the Company, and knowledge database. This enables provision of high-value-added services that can be used to improve the businesses of its clients.

- The Company incorporated the function into its cloud-based software and DX solutions, and began trial operations in May 2023.

- Using the function, even inexperienced mechanics and front desks become able to create highly specialized responses just like experienced mechanics, by utilizing the accumulated mobility sector data and know-hows.

- In addition, many proposals can be made to improve the skills of employees.

- One of the challenges auto maintenance shops face is that, despite the fact that cars are evolving year by year, the labor shortage prevents employees from taking time to improve their skills.

- By utilizing interactive AI functions, it becomes possible to improve the operational efficiency and productivity of auto maintenance shops, and effectively utilize the emerging free time.

- The Company is also actively recruiting AI engineers, and is working on R&D with a view to introducing AI techniques and expanding services to areas including those other than the mobility sector in the future.

1 Business Results for 1Q FY12/2023

2 Earnings Forecast for FY12/2023

3 Progress of the Medium-Term Management Plan (2022-2028)

4 Topics

5 Supplemental Information

Indicators List ①

(Millions of yen)	FY2022				FY2023
	1Q	1H	Cumulative 3Q	Full-year	1Q
Recurring sales	2,367	4,766	7,481	10,294	2,876
Recurring sales ratio (%)	73%	73%	74%	74%	79%

(companies)	FY2022				FY2023	End of 2024
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	End of 1Q	Target
Total users of business support software	38,098	38,354	38,549	39,345	39,547	-
Mobility sector*	36,373	36,650	36,858	37,643	37,855	-
Non-mobility sector*	1,725	1,704	1,691	1,702	1,692	-
Cloud transition rate	1.2%	2.9%	4.6%	6.5%	8.6%	40%
Target user of cloud-based software**	33,578	33,853	34,066	34,357	34,618	-
User of cloud-based software	395	991	1,557	2,231	2,973	-
Standard version	274	867	1,433	2,099	2,831	-
Existing client	118	405	721	1,094	1,492	-
New client	156	462	712	1,005	1,339	-
Specific version	121	124	124	132	142	-
User of packaged software	33,183	32,862	32,509	32,126	31,645	-
Non-target user of cloud-based software	4,520	4,501	4,483	4,988	4,929	-

*Mobility sector: auto maintenance shops, auto body shops, auto parts dealers, auto recycle shops, car dealers, auto electrical equipment shops, radiator shops, auto glass shops, and service stations
Non-mobility sector: mobile phone shops, machine tools dealers, travel agencies, and bus operators (13 industries in total)

Indicators List ②

(license)	FY2022				FY2023	End of 2024
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	End of 1Q	Target
Cloud-based software license	1,306	2,056	2,857	3,620	4,633	-
Standard version	307	995	1,790	2,523	3,490	24,000
Existing client	136	483	950	1,381	1,970	-
New client	171	512	840	1,142	1,520	-
Specific version	999	1,061	1,067	1,097	1,143	-

(yen/month)	FY2022				FY2023	End of 2024
	March	June	September	December	March	Target
Average license monthly sales of cloud-based software	-	-	-	-	-	-
Standard version	17,308	19,148	21,047	21,279	21,165	23,000
Existing client	18,808	21,150	23,326	24,074	23,837	-
New client	16,115	17,261	18,470	17,900	17,701	-
Specific version	-	-	-	-	-	-

Indicators List ③

	FY2022				FY2023
	1Q	1H	Cumulative 3Q	Full-year	1Q
When lease contract of packaged software expires*					
Transition ratio to cloud-based software	-	35%	45%	44%	76%
Transition ratio to packaged software(monthly contract)	-	65%	55%	56%	24%

*Uses industries that have released cloud-based software (auto maintenance shops, auto body shops, service stations) as a population.

	FY2022 End of 4Q	FY2023 1Q	Target for the end of 2024
User retention rate of cloud-based software*	-	99.6%	99% or more
The number of users of cloud-based software	2,099	-	-

*User retention rate for cloud-based software：Weighted average of monthly user retention rate for the quarter
Monthly user retention rate：1－｛The number of cancelled companies in the month/（the number of clients of cloud-based software at the beginning of the term ＋New clients）｝

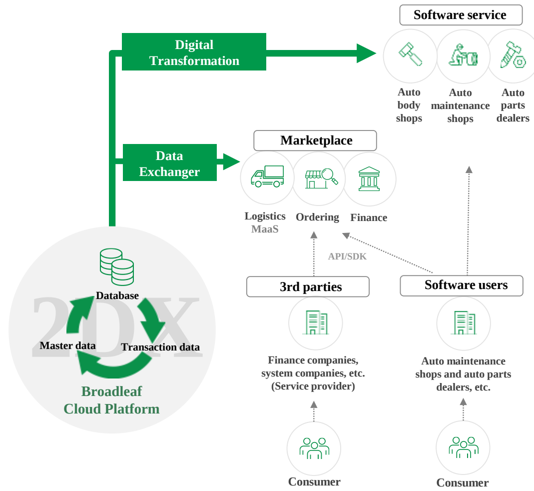
Medium-Term Management Plan (2022-28): Growth Strategy

Growth Strategy ①

Cloud penetration

Growth Strategy ②

Expansion of services



Medium-Term Management Plan (2022-28): Measures

・In order to penetrate the cloud-based products, the Company implements the following measures and manages the progress using the following KPIs.

1. Cloud transition

In 2022, the Company started transition to cloud-based software when existing clients' 6-year contracts for packaged software expires. The transition is scheduled to be completed in 2028.

Related KPI

・Cloud transition rate

2. Market expansion

".c Series," which has evolved into a total management system, is deployed not only in existing markets but also in new markets such as car shop chains, car dealers that provide auto maintenance services, and service stations.

Related KPI

・Cloud-based software licenses
・User retention rate of cloud-based software

Related indicators

・Total number of users
・Retention rate of packaged software users
・The number of cloud-based software users

3. Menu expansion

In addition to the various optional services of ".c Series," the Company provides various software services, including groupware, solutions that comply with law and regulation, and website creation tools.

Related KPI

・Average license monthly sales of cloud-based software

Related indicators

・Number of licenses for major software services

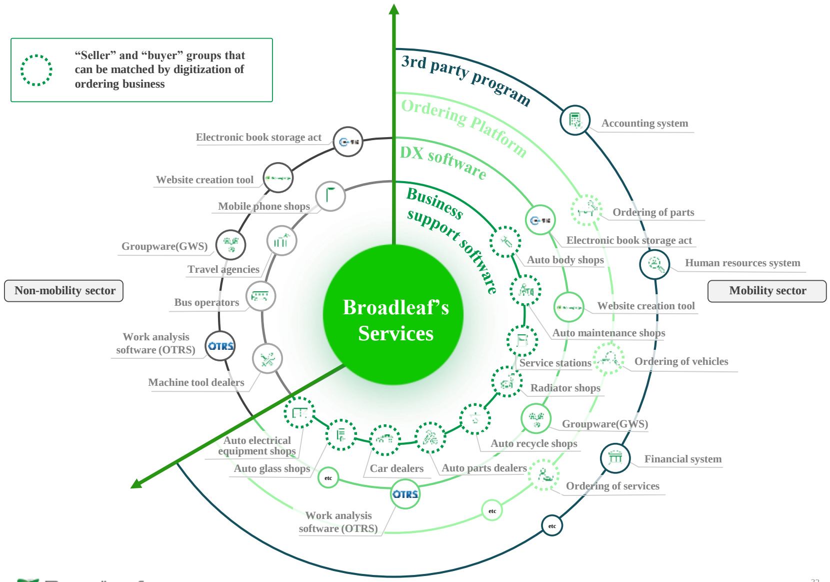
Medium-Term Management Plan (2022-28): Sales Plan by Service Category

- Within “Cloud services,” “Software service” is expected to drive the revenue growth.
- ″Packaged system” is expected to shrink as conventional software are changed to cloud services.

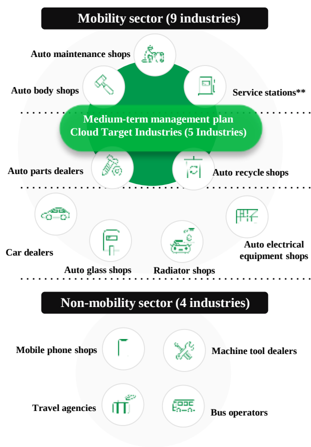
(Billions of yen)	FY2022 Plan	FY2022 Result	FY2023 Forecast	FY2024 Plan	FY2025 Plan	FY2026 Plan	FY2027 Plan	FY2028 Plan
Cloud service	2.6	2.6	5.9	10.4	15.2	19.9	25.0	29.1
Software service	1.9	2.0	5.3	9.0	13.6	18.0	22.1	25.0
Marketplace	0.7	0.7	0.7	1.4	1.6	1.9	2.9	4.1
Packaged system	9.7	11.2	9.1	8.1	6.8	5.5	4.0	3.4
Software sales	3.2	3.5	2.2	2.5	2.6	2.5	2.2	2.0
Operation and support service	6.5	7.7	6.9	5.6	4.2	3.0	1.8	1.4
Revenue	12.3	13.8	15.0	18.5	22.0	25.5	29.0	32.5
(Reference) Recurring sales ratio*	80%	74%	85%	86%	88%	90%	92%	94%

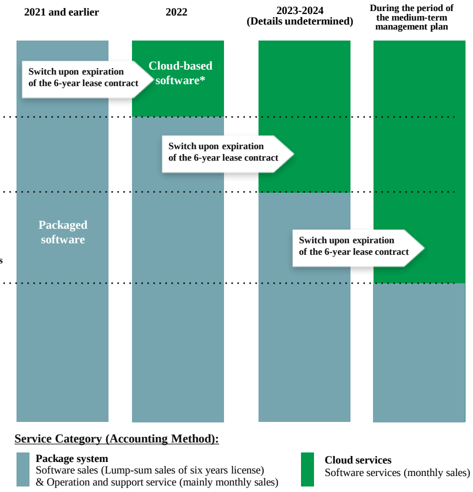
*Recurring sales ratio: (Software service, Marketplace, and Operation and support service) / Revenue

Expansion of Broadleaf's service area



Release Plan of Cloud-based Software





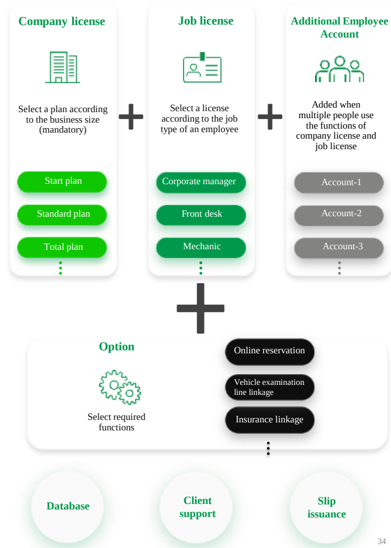
*Sales of packaged software is ended in principle, but it is provided to some users based on monthly fees for a limited time (see page 37)

**Service stations became a new market from cloud-based software

Service Structure (Cloud-based Software Service)

Select the required licenses and options according to the business size and contents

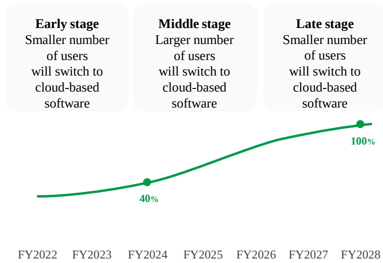
Clients will select a plan from the company license menu and select necessary job licenses in addition. When multiple people use the functions of company license and job license, purchase of additional employee account is necessary according to the number of users. There are also other service menus such as database and client support.



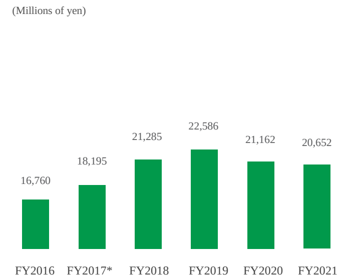
Understanding of Cloud Transition Rate

・Switching to cloud-based software will not proceed at a constant pace.
・Clients switch when 6-years contracts expire, so the number of switching users depends on the number of deals 6 years ago.

Understanding of cloud transition rate



Reference: Revenue from FY2016



* Tajima Inc. became consolidated subsidiary of Broadleaf Group from 3Q FY2017.
Note) cloud-based software for auto parts dealers and auto recycle shops have not yet been provided.

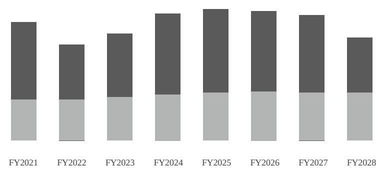
Understanding of changes in software sales due to cloud transition (The case of auto maintenance shops and auto body shops)

If the Company continues to sell packaged software in 2022 and beyond

About 1/6 of user companies renew their contracts each year,
but there is a wave in the number of contract renewals depending on the year.

Sales of licenses (6-year usage rights)
Target of each year: Companies who renew the contract for packaged software (About 1/6)
Accounting method: License fee for 6 years is booked in lump-sum as sales in the year when the contract is renewed.

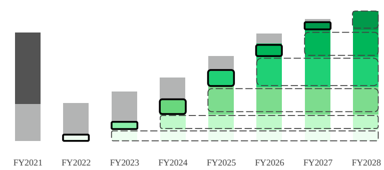
Sales of operation and support services
Target of each year: All users of packaged software
Accounting method: Monthly sales



If the Company starts selling cloud-based software (Green) from 2022

About 1/6 of companies using packaged software will switch to cloud-based software each year. Average sales are expected to rise after the transition completes due to different licensing systems

- For the year in which the contract is switched, the period after the contract is concluded will be is booked as sales ( ) .
  Therefore, sales from the following year onward ( ) will be roughly doubled because sales for 12 months are fully booked
- Sales of operation and support services are received from users of packaged software, so it will gradually decline as the transition proceeds.

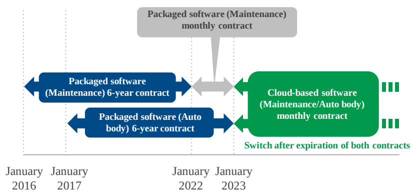


Cases for Providing a Monthly Contract of Packaged Software

・Some clients will keep using packaged software under monthly contracts for a limited period.

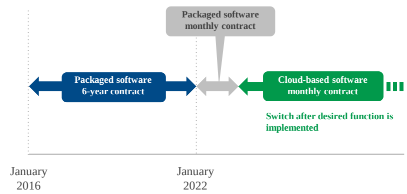
Case (1): Clients with multiple lease contracts

Example: Client with 6-year contract of packaged software for auto maintenance shop concluded in 2016 and 6-year contract for auto body shop concluded in 2017



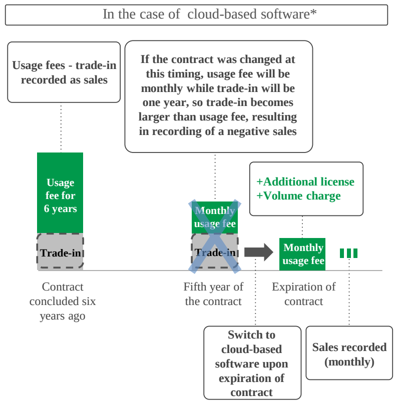
Case (2): Clients who wish to use a specific function

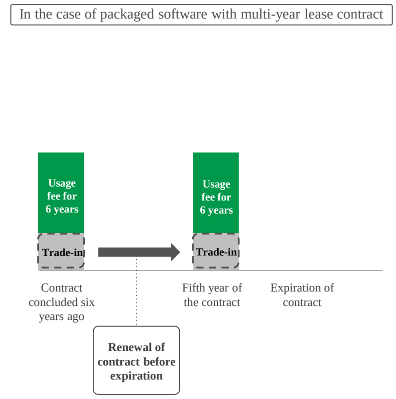
Example: Client whose contract of packaged software will expire in 2022, but the desired function is not implemented at the time.



Reason for Switching to Cloud-based Software when the Previous Contract Expires

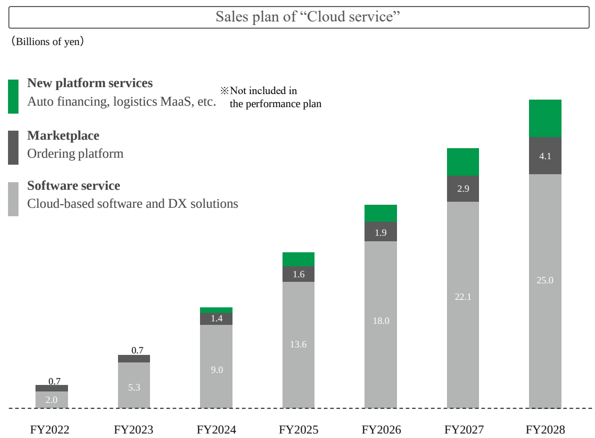
- If existing clients who have lease contracts of packaged software for 6 years switch to cloud-based software before the expiration of the contract, negative sales will be recorded.





*The same applies when selling packaged software under a monthly subscription contract

Sales Trend of Cloud Service Expected in the Future



Growth Strategy for the Ordering Platform in the Future

・By launching cloud-based software for auto parts dealers and auto recycle shops (seller side), preparation for renewing the ordering platform is done.

Make ordering platform an industry standard

CAGR 30% or more

Advance penetration of ordering platform by equipping them as standard function (100% adopted) of cloud-based software

Auto repair parts transaction market

New parts **850** billion yen

Recycled parts **200** billion yen

Usage level of electronic trades remains low

Equip ordering platform as standard function (100% adopted)

Introduce them to vehicle examination chains with high transaction volumes, etc.

Introduce them to auto parts dealers and auto recycle shops

Promote usage in small-to-medium-sized auto maintenance shops and auto body shops

EDI adoption rate 28.4%

Industry standards

*Adoption rate of ordering platforms by the Company's software users (auto maintenance shops) (as of the end of 2021)

Explanation of Service Category

Cloud service

Software service

・Provision of cloud-based software
・Sales of packaged software under monthly contract
・Provision of DX solutions
  ・"Dencho.DX," a solution for Electronic Book Storage Act
  ・"BL.Homepage," a website creation tool
  ・"Google Workspace™," a groupware

Marketplace

・Provision of electronic ordering platform for auto parts
  ・"BL Parts Order System," a transaction system for auto parts
  ・"Parts Station NET," a transaction network for recycled auto parts
・Settlement agency service

Packaged system

Software sales

・Sales of packaged software under lease contract
・Sales of "OTRS," a work analysis software

Operation and support service

・Ancillary services of packaged software such as support service
・Sales of supplies such as forms and toners

Company Profile

Company name	Broadleaf Co., Ltd
Representative	Kenji Oyama, Representative Director, President and CEO
Listed on	Prime Market of Tokyo Stock Exchange (3673)
Sector	Information and telecommunication
Founded/Established	December 2005/September 2009
Capital stock	7.148 billion yen (consolidated)
Fiscal year	From January 1 to December 31
Business outline	Using proprietary "Broadleaf Cloud Platform" as its infrastructure, the Company provides SaaS cloud services, marketplace-type services, and partner programs that enable functional and service collaboration with various players. These services are utilized as IT solutions that lead environmental changes, which are occurring in various industries including mobility sector, to business opportunities.
Head office location	Floor 8, Glasscube Shinagawa, 4-13-14 Higashi-Shinagawa, Shinagawa-ku, Tokyo
Domestic offices	27 business offices and 3 development centers in Japan
Major subsidiaries	Tajima Inc., SALES GO Inc., etc.

Disclaimer

The earnings forecast and forward-looking statements contained in this document are forecasts made by the Company based on information available at the time of preparation of the document and include potential risks and uncertainties.

Therefore, please be aware that actual results may differ from these results forecasts due to various factors.

Contact Information
Broadleaf Co., Ltd
Investor Relations Office
E-mail: bl-ir@broadleaf.co.jp