



# Becoming a leading SaaS company in Japan

2Q FY12/2022 Business Results Briefing Material

Broadleaf Co., Ltd (3673)

August 9, 2022

Copyright©2022 Broadleaf Co.,Ltd. All rights reserved.

# Contents

---

- 1. Overview of 2Q FY12/2022 Business Results**
- 2. Results Forecast for FY12/2022**
- 3. Progress of the Medium-Term Management Plan (2022-2028)**
- 4. Supplemental Information**

# **1. Overview of 2Q FY12/2022 Business Results**

## Overview of Consolidated Financial Results

From 2022, the Company has suppressed sales of packaged systems and began switching to cloud services which are recorded as monthly sales.

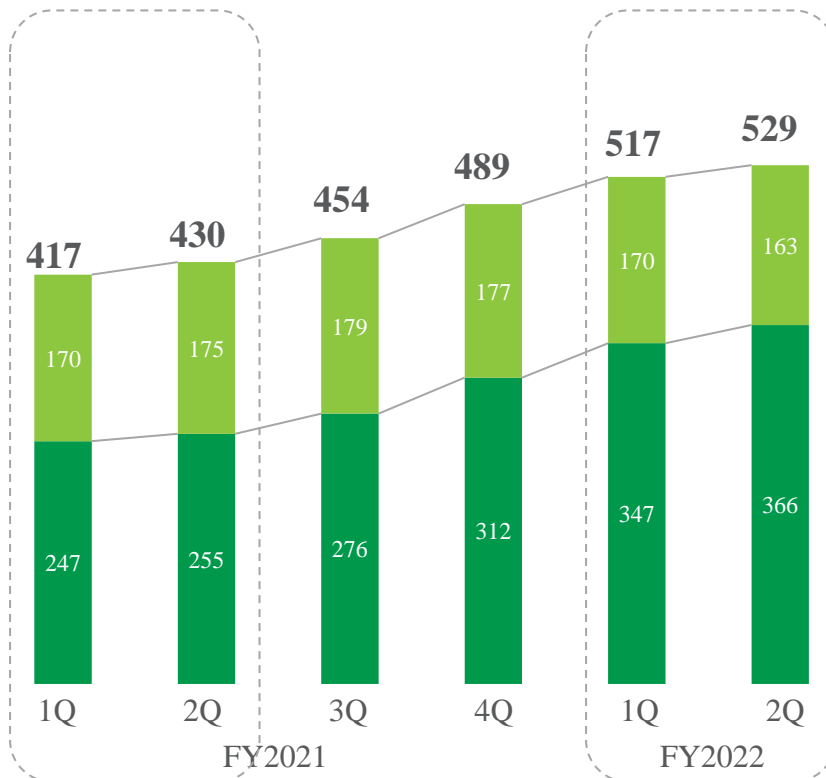
(Millions of yen)	FY2022 1H	FY2021 1H	YoY change
Revenue	<b>6,520</b>	9,937	-3,417
Cloud service	<b>1,046</b>	847	+199
Packaged system	<b>5,474</b>	9,090	-3,615
Cost of sales	<b>2,459</b>	2,867	-408
Gross profit	<b>4,061</b>	7,070	-3,009
SG&A expenses, etc.	<b>5,460</b>	5,827	-368
Operating profit *	<b>-1,398</b>	1,243	-2,641
Profit before tax *	<b>-1,458</b>	1,239	-2,697
Profit attributable to owners of the parent *	<b>-1,109</b>	795	-1,904
Basic earnings per share*	<b>-12.57 yen</b>	9.05 yen	-

\*minus (-) represents loss

# Quarterly Trends in Sales of Cloud Service

Sales of software services has progressed as planned.

(Millions of yen)



## Software service

The number of licenses for “.c Series” has increased

The number of monthly subscription licenses for “.NS Series” has increased

→ Users who have multiple lease contracts with different expiration dates will switch to “.c Series” at the timing of the expiration of the last contract. Until then, for contracts that expire earlier, users will renew the contracts to monthly subscription license for “.NS Series.”

## Marketplace

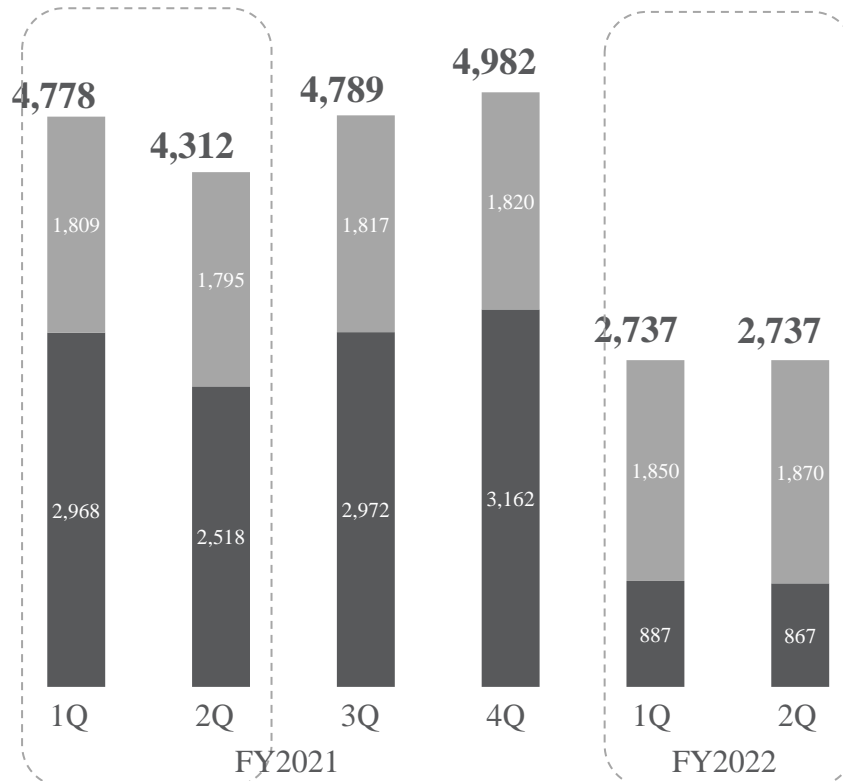
Sales has decrease due to the impact of a decrease in the transaction volume in the auto recycled parts market.

	FY2022 1H	FY2021 1H	YoY change
Cloud service	1,046	847	+199
Marketplace	333	345	-12
Software service	713	503	+211

# Quarterly Trends in Sales of Packaged System

Sales of Packaged system has decreased due to the switch to cloud services.

(Millions of yen)



### Software sales

Sales has decrease since the Company limited the sales of “.NS Series” under multi-year lease contracts to some industries\* in order to proceed with switching to cloud services

### Operation and support

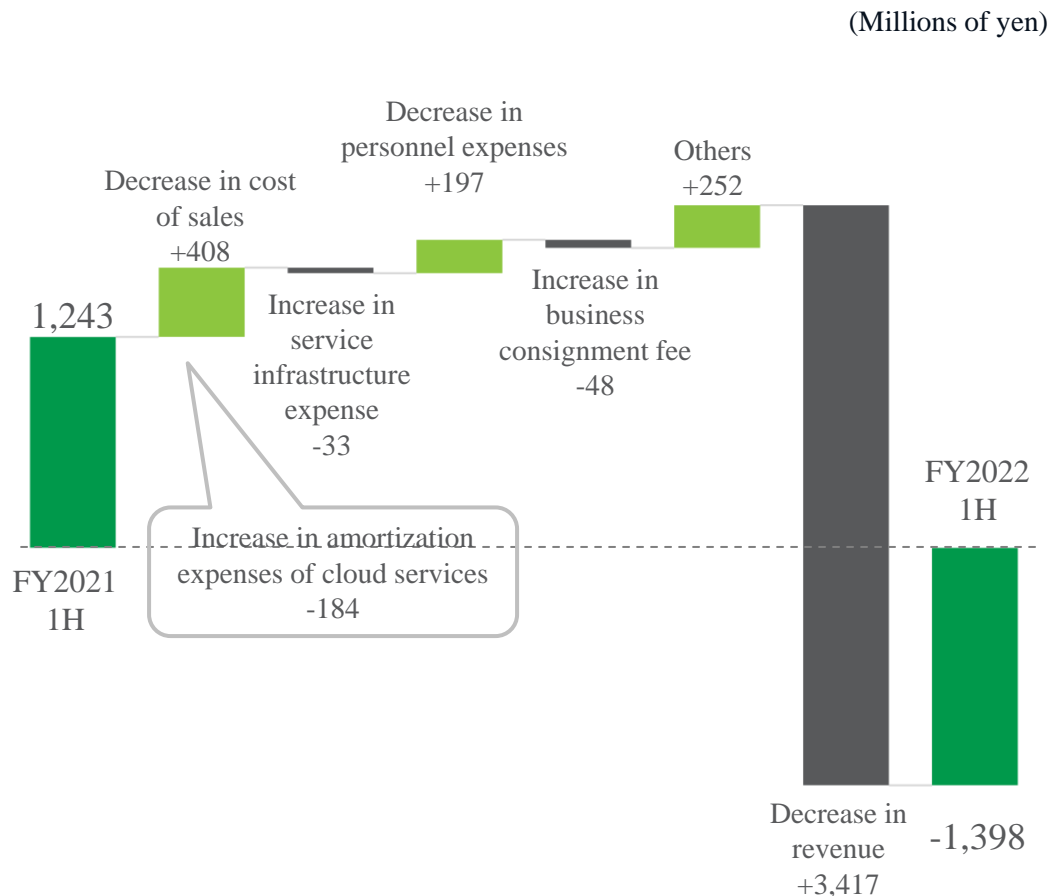
Sales has increased due to an increase in the usage rate of ancillary services such as support services for “.NS Series” and sales of supplies.

	FY2022 1H	FY2021 1H	YoY change
Packaged system	5,474	9,090	-3,615
Operation and support	3,720	3,604	+117
Software sales	1,754	5,486	-3,732

\* Industries with no ".c Series" lineup (Car dealers, auto electrical equipment shops , radiator shops, auto glass shops, mobile phone shops, machine tool dealers, travel agencies, bus operators)

## Factors Behind Changes in Operating Profit

Profit has decreased due to negative impact of decrease in revenue, partly offset by reduction in SG&A expenses, etc.



### Cost of sales

- Cloud amortization expense has increased in line with the release of cloud services.
- Purchase cost of devices has decreased.

### SG&A expenses, etc.

- Service infrastructure expense  
IT infrastructure expense for providing cloud services has increased.
- Personnel expenses  
Legal welfare expenses which temporarily occurred in FY2021 has decreased.
- Business operation consignment fee  
Business operations were partly outsourced in order to optimize businesses.

## Balance Sheet Status

Current assets has decreased due to suppression of sales of packaged systems under multi-year lease contracts. The Company maintains sound financial position despite dividend payments and the recording of loss.

(Millions of yen)	FY2022 1H-end	FY2021 Year-end	Change	Major factors of increase/decrease
Current assets	<b>6,309</b>	8,405	-2,095	Cash and cash equivalents -311 Operating and other receivables -1,775
Non-current assets	<b>26,770</b>	26,071	+699	Intangible assets +654
Total assets	<b>33,079</b>	34,476	-1,397	
Current liabilities	<b>7,691</b>	7,512	+179	Operating and other payables -845 Short-term interest-bearing debts +1,509
Non-current liabilities	<b>637</b>	850	-213	Long-term interest-bearing debts -99
Total liabilities	<b>8,328</b>	8,362	-34	
Total equity	<b>24,751</b>	26,114	-1,363	Dividends payout -414 Loss -1,109
Total liabilities and shareholders' equity	<b>33,079</b>	34,476	-1,397	



## Cash Flow Status

Cash flow from operating activities has decreased due to a decrease in profit before tax, but there was no shortage in working capital.

(Millions of yen)	FY2022 1H	FY2021 1H	YoY change	Major factors of increase/decrease
Cash flow from operating activities	<b>460</b>	1,080	-619	Decrease in income before income taxes -2,697 Decrease in trade and other receivables +1,755
Cash flow from investment activities	<b>-1,424</b>	-1,564	+140	Decrease in purchase of intangible assets +92
Cash flow from financing activities	<b>649</b>	537	+112	Decrease in dividends paid +164
Free cash flow	<b>-964</b>	-485	-479	
Cash and cash equivalents	<b>3,212</b>	3,287	-76	

## **2. Results Forecast for FY12/2022**

## Consolidated Results Forecasts (Compared with Previous Forecast)

Full-year results forecast has been revised in order to reflect business results for the first six months as well as current business condition.

(Millions of yen)	FY2022 Full-year forecast		Difference
	Revised forecast	Previous forecast (May 11)	
Revenue	12,700	12,300	+400
Cost of sales	5,200	5,200	-
Gross profit	7,500	7,100	+400
SG&A expenses, etc.	11,500	11,900	-400
Operating profit *	-4,000	-4,800	+800
Profit before tax *	-4,100	-4,800	+700
Profit attributable to owners of the parent *	-3,200	-5,000	+1,800
Basic earnings per share*	-36.24 yen	-56.62 yen	-

\*minus (-) represents loss

## Consolidated Results Forecasts (YoY)

Revenue will decrease since the Company will restrain sales of packaged software under multi-year lease contracts and sell software services whose sales are recorded on monthly basis from 2022.

(Millions of yen)	FY2022 Full-year forecast	FY2021 Full-year	YoY change
Revenue	12,700	20,652	-7,952
Cost of sales	5,200	5,753	-553
Gross profit	7,500	14,898	-7,398
SG&A expenses, etc.	11,500	11,503	-3
Operating profit *	-4,000	3,395	-7,395
Profit before tax *	-4,100	3,233	-7,333
Profit attributable to owners of the parent *	-3,200	2,173	-5,373
Basic earnings per share*	-36.24 yen	24.72 yen	-

\*minus (-) represents loss

## Revenue Forecast by Service Category (Compared with Previous Forecast)

No change in sales plan for software services in FY12/2022.

(Millions of yen)	FY2022 Full-year forecast		Difference	Reason for revision
	Revised forecast	Previous forecast (May 11)		
Cloud service	<b>2,540</b>	2,570	-30	
Software service	<b>1,860</b>	1,860	-	
Marketplace	<b>680</b>	710	-30	Reflected the decrease of transaction volume in auto recycled parts market
Packaged system	<b>10,160</b>	9,730	+430	
Software sales	<b>2,830</b>	2,500	+330	Updated the number of software sales for the current fiscal year due to the shortening of business negotiation period
Operation and support	<b>7,330</b>	7,230	+100	Reflected an increase in the usage rate of ancillary services
Total	<b>12,700</b>	12,300	+400	

## Revenue Forecast by Service Category (YoY)

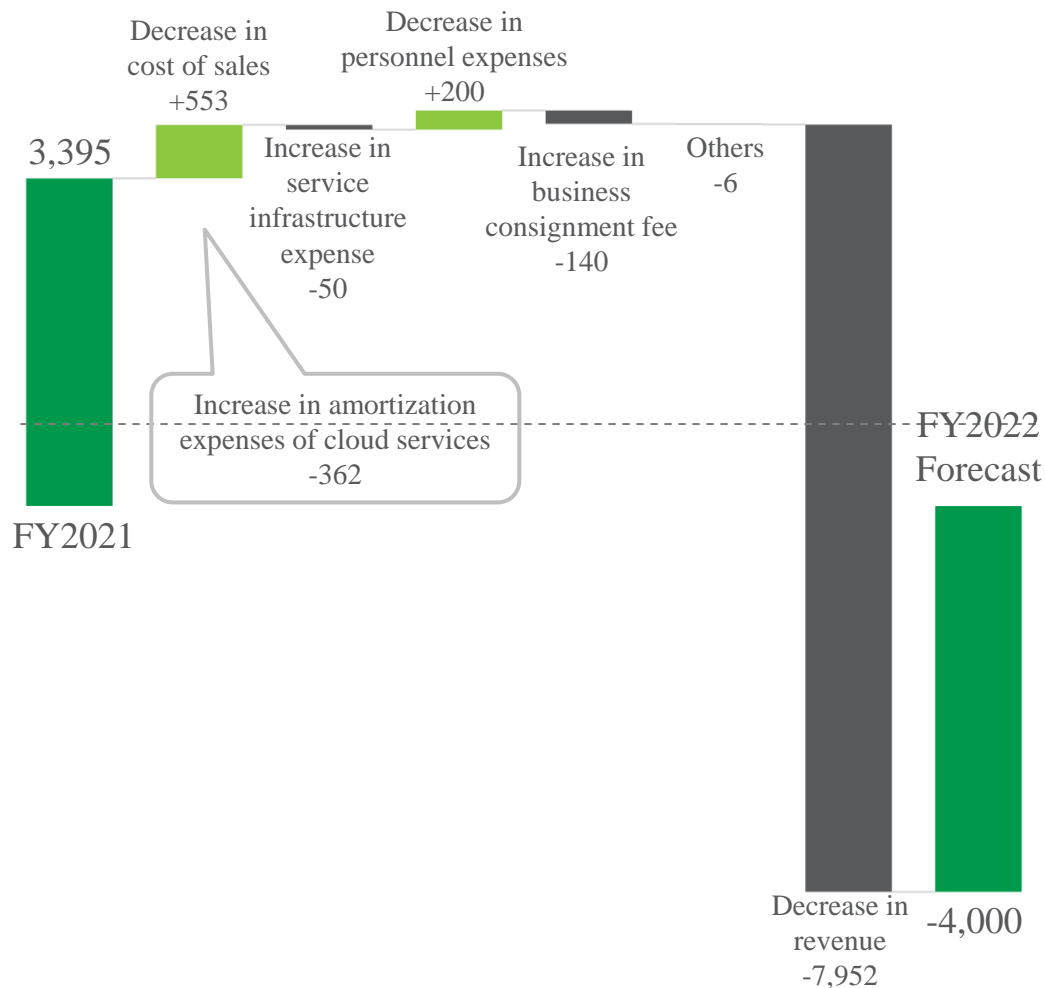
Sales of Software service is expected to increase due to an increased number of users. Sales of Packaged system is expected to decline due to restrained sales under multi-year lease contracts.

(Millions of yen)	FY2022 Full-year forecast	FY2021 Full-year	YoY change
Cloud services	2,540	1,791	+749
Software service	1,860	1,090	+770
Marketplace	680	701	-21
Package system	10,160	18,860	-8,700
Software sales	2,830	11,620	-8,790
Operations and support	7,330	7,240	+90
Total	12,700	20,652	-7,952

## Factors Behind Changes in Operating Profit

Decrease in cost of sales is expected to be limited due to an increase in amortization expenses and maintenance costs for cloud services.

(Millions of yen)



### Cost of sales

- Amortization expense is expected to increase due to the release of cloud services.
- Development cost of cloud services at a maintenance phase is expected to increase.

### SG&A expenses, etc.

- Service infrastructure expense  
IT infrastructure expense for providing cloud services is expected to increase.
- Personnel expenses  
Legal welfare expenses which temporarily occurred in FY2021 is expected to decrease.
- Business operation consignment fee  
Partial outsourcing of business operations for optimization.
- Others  
Active promotion and sales activities for new services.

## Dividend Forecast

As announced on June 22, no interim dividend will be paid (0 yen per share).  
Year-end dividend is unchanged from the forecast of 1 yen per share

### Dividend per share

(Yen)	FY2022	FY2021
Interim dividend	-	4.0
Year-end dividend (Forecast)	1.0	4.7
Annual dividend (Forecast)	1.0	8.7
Consolidated dividend payout ratio	-	35.2%

### Dividends

- Although financial results for FY12/2022 and FY12/2023 is planned to be a loss, the Company judged that it is possible to pay a dividend in consideration of retained earnings, so it announced annual dividend forecast of 1.0 yen per year for FY12/2022.



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

## Performance Plan

The Company views record-high performance in 2026 as a milestone.

Transition to recurring revenue will progress and revenue will continue to grow.

The Company aims to achieve operating margin of 40% and profit of 8 billion yen in 2028.

(Billions of yen)	FY2022 After revision	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Revenue	127	147	185	220	255	290	325
Operating profit *	-40	-27	10	33	67	100	130
Operating margin	-	-	5%	15%	25%	34%	40%
Profit attributable to owners of the parent *	-32	-29	6	20	42	63	80
Equity attributable to owners of the parent	200	175	180				
Percentage of equity attributable to owners of the parent	60%	50%	52%				

\*minus (-) represents loss

## Revenue Plan by Service Category

The Company plans to grow the new cloud services while shrinking packaged systems. Out of cloud service, software service is expected to drive the revenue growth.

(Billions of yen)	FY2022 After revision	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Cloud services	25	59	104	152	199	250	291
Software service	19	50	90	136	180	221	250
Marketplace	7	9	14	16	19	29	41
Packaged system*	102	88	81	68	55	40	34
Software sales	28	22	25	26	25	22	20
Operation and support	73	66	56	42	30	18	14
Total	127	147	185	220	255	290	325

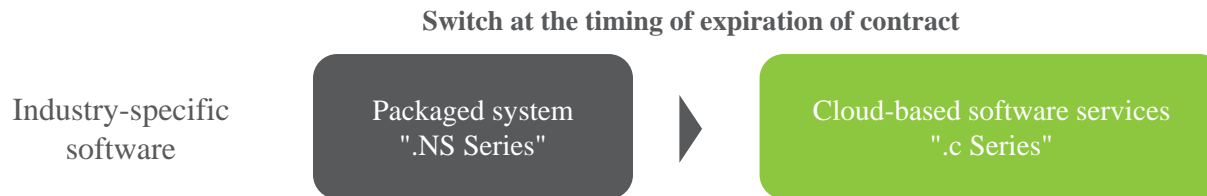
\* Changed the breakdown of Packaged system to figures in line with actual recording standard

## Growth Strategy

The Company will promote “Penetration of cloud-based products” as a Growth Strategy for “Software service,” and promote “Expansion of services” as a Growth Strategy for “Marketplace.”

### Penetration of cloud-based products

**Measure (1) Starting in 2022, existing users using industry-specific software will gradually switch to “.c Series,” a cloud-based software service.**



### Measure (2) Acquisition of new users

In addition to acquiring users from other companies, the Company will actively provide “.c Series” to service stations and car dealers that provide auto maintenance services as well.

### Expansion of services

#### Measure (3) Increase in the number of companies using marketplace-type services

The Company will increase the utilization rate of ordering platform for auto repair parts. It will also increase the number of companies participating in the auto finance platform.

## KPI

The Company has set four KPIs to show the progress of “Penetration of cloud-based products,” which is one of the growth strategies.

### KPI Targets for the End of 2024

**Cloud transition rate: 40%**

Definition: Number of “c Series” user companies / Number of industry-specific software users (target industries switching to “.c Series”\*)

**Standard version of “.c Series”**

**Number of licenses: 24,000 licenses**

Definition: Number of chargeable licenses in the target month

**Average monthly license fee: 23,000 yen /month**

Definition: Sales in the target month ÷ Number of charge licenses in the target month

**Churn rate: less than 1%**

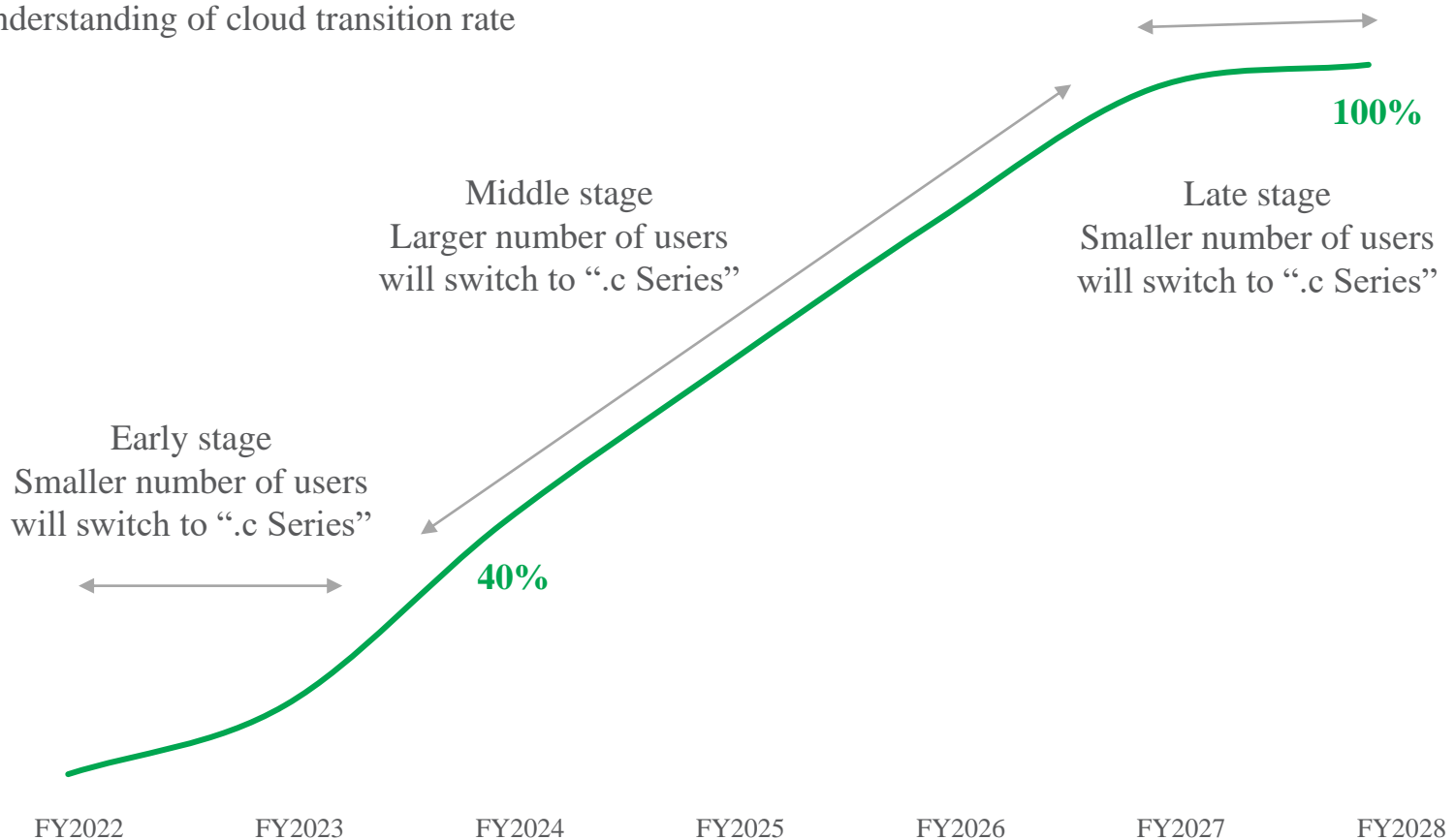
Definition: 12-month average of <the number of cancelled licenses in the target month ÷ the number of chargeable licenses in one month before the target month>

\* Users in auto maintenance shops, service stations, auto body shops, auto parts dealers, and recycling shops

## Understanding of Cloud Transition Rate (1)

Switching to “.c Series” will not proceed at a constant speed.  
The number at an early stage will be small, but will increase in the middle stage.

Understanding of cloud transition rate



## Understanding of Cloud Transition Rate (2)

One reason the number of users switching to “.c Series” is small at an early stage is that the number of contracts renewed six years ago was small.

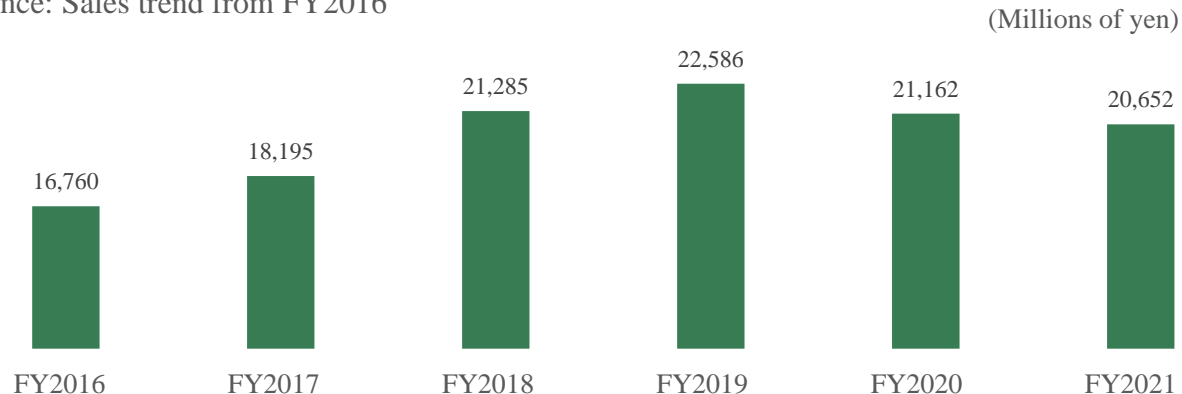
### Target users switching to “.c Series”

1) Users in auto maintenance shops, auto body shops, auto parts dealers, and recycling shops whose contracts for “.NS Series” is about to expire

→ Users who signed contracts for “.NS Series” six years ago

In FY2016-17, which is six years prior to the early stage of switching to “.c Series” (FY2022-23), the number of contracts to be renewed was small, so there are relatively few users whose contracts expire in FY2022-23.

Reference: Sales trend from FY2016



\* Tajima Inc. became consolidated subsidiary of Broadleaf Group from 3Q FY2017.  
Note) “.c Series” for auto parts dealers and recycling shops have not yet been provided.

## Understanding of Cloud Transition Rate (3)

Another reason the number of users switching to “.c Series” is small at an early stage is that users with multiple contracts switch to “.c Series” when all contracts expire.

### Target users switching to “.c Series”

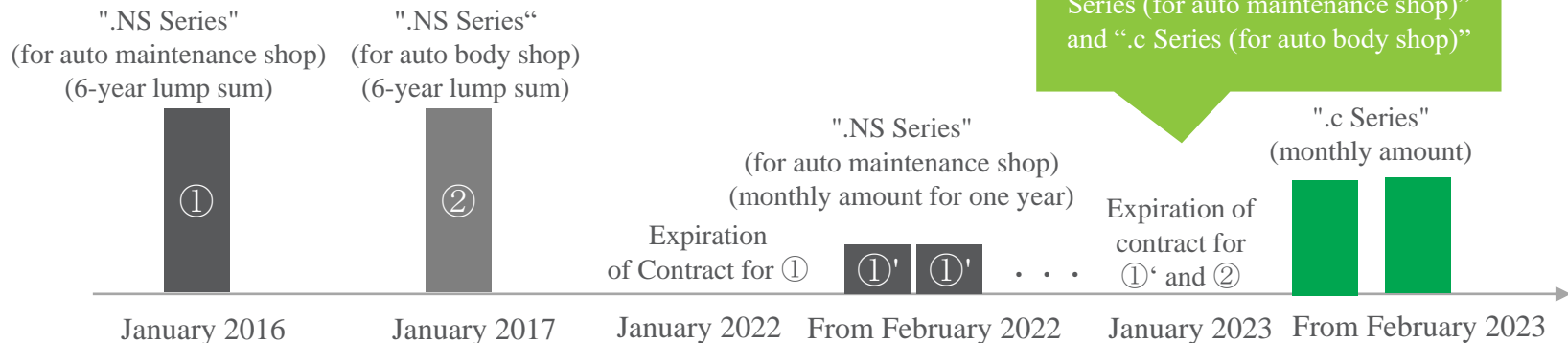
- 2) Users who have multiple lease contracts of “.NS Series” for multiple industries switch when all contracts expire  
 →Switching to “.c Series” when contracts period is remaining will result in negative sales\*

Example: Company A

- ①6-year contract for “.NS Series (for auto maintenance shop)” concluded in January 2016 → expires in January 2022
- ②6-year contract for “.NS Series (for auto body shop)” concluded in January 2017 → expires in January 2023

→In this case, in order to adjust the expiration date of ① with ②, the user will renew the contract to ①’ monthly subscription contract of “.NS Series (for auto maintenance shop)” for one year when the contract of ① expires.  
 After contract of ② expires, the company will switch to “.c Series.”

### ■Understanding on how the sales is recorded



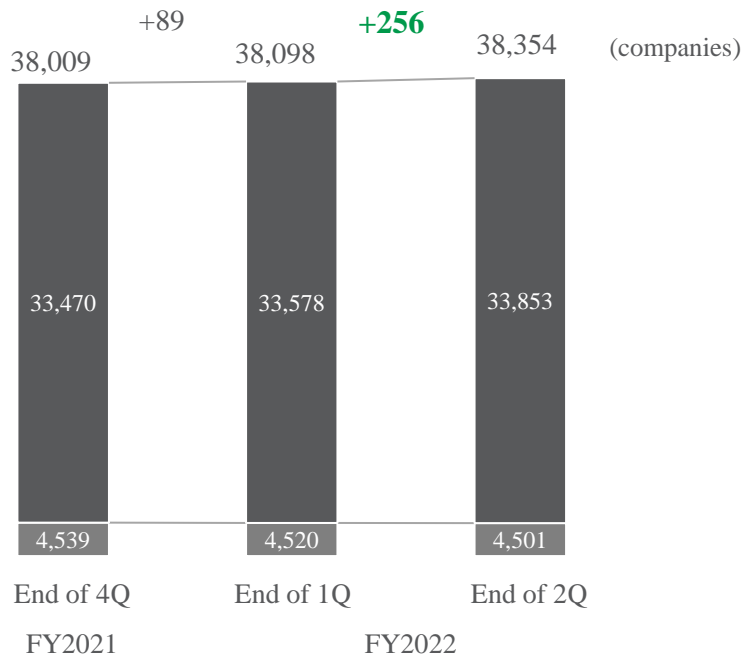
\* Please refer to supplemental information for details



# Total Number of Users of Industry-Specific Software

Acquisition of new users has progressed, and the total number of users of industry-specific software\* has increased

- Clients in auto maintenance shops, service stations, auto body shops, auto parts dealers, and recycling shops (target industries switching to ".c Series")
- \*\* Clients in other industries



**Acquisition of new users progresses mainly in auto maintenance shops.**

- Competitiveness has further improved due to the launch of “.c Series,” and the acquisition of users from other companies has progressed.
- Target clients has expanded due to the launch of “.c Series,” which has a broad price structure

Reference: Difference between the number of users at the end of FY2021 and those at the end of FY2020: +606 companies

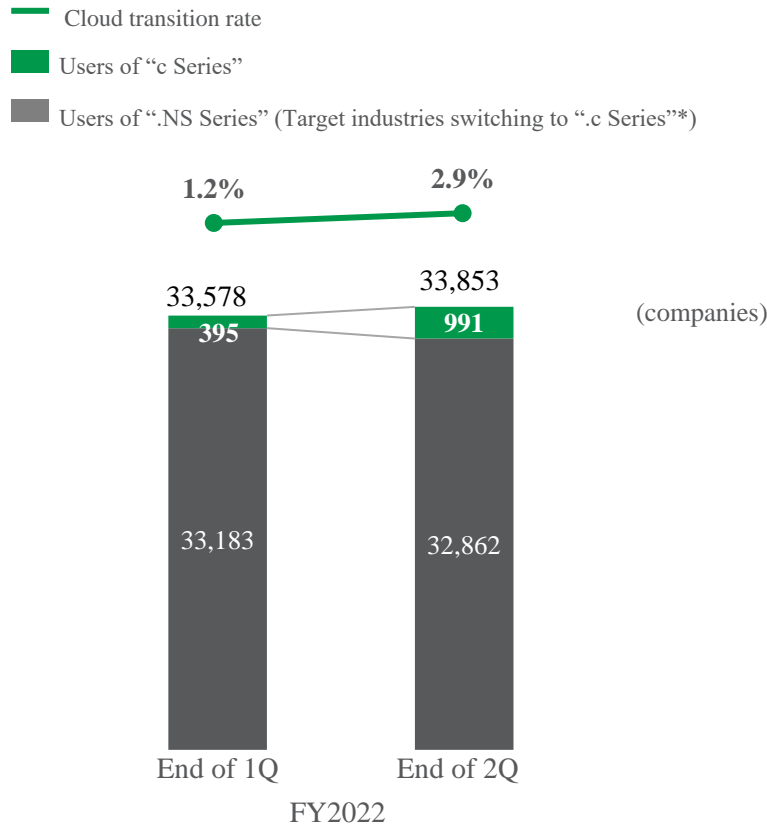
\* Number of users of cloud-based software service ".c Series" + packaged system ".NS Series"

\*\* Car dealers, auto electrical equipment shops , radiator shops, auto glass shops, mobile phone shops, machine tool dealers, travel agencies, bus operators

Note) ".c Series" for auto parts dealers and recycling shops have not yet been provided.

## Switching to “.c Series”

Switching to “.c Series” has progressed as planned.



**The cloud transition rate progressed within the scope of the plan.**

- Existing users are switching in order as the contract expires.
- For medium-sized-to large-sized users with multiple contracts\* whose expiration dates differ, they switch to ".c Series" at the timing when all contracts expire.

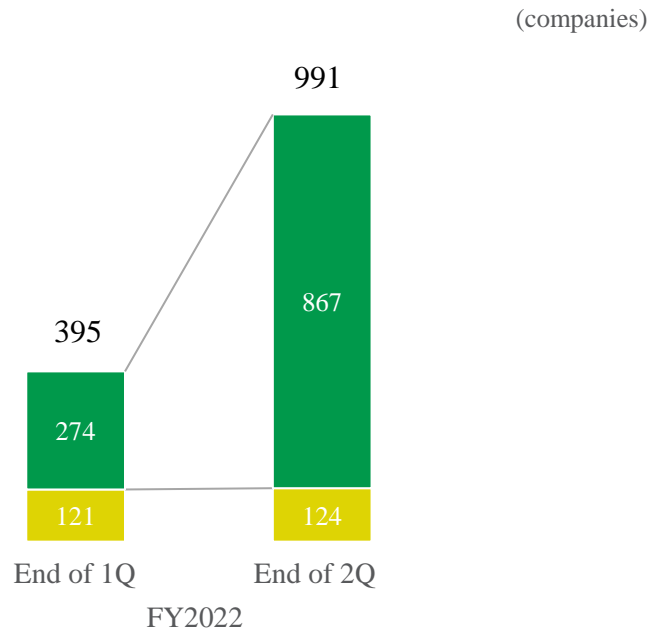
Cloud transition rate  
 = ".c Series" users  
 ÷ Target users in target industries switching to ".c Series"

\* Auto maintenance shops, service stations, auto body shops, auto parts dealers, and recycling shops  
 Note) ".c Series" for auto parts dealers and recycling shops have not yet been provided.

## Breakdown of “.c Series” Users (Standard Version/Specific Major Companies)

The number of “.c Series” users progressed as planned.

- Number of users of the standard version of “.c Series”
- Number of Users of “.c Series” in specific major companies and service stations



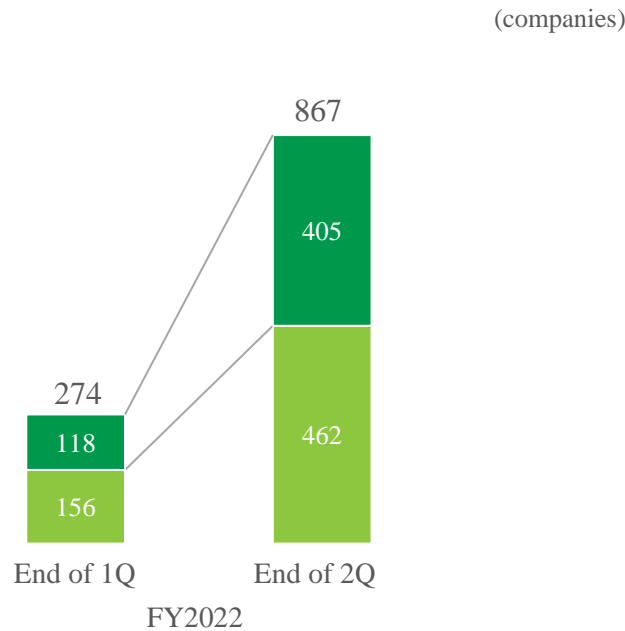
**The number of users has steadily increased as planned**

- The Company started full-scale provision of the standard version of “.c Series” to auto maintenance shops and auto body shops in 2022
- Regarding specific major companies and service stations, “.c Series” are installed to multiple stores in bulk for each project. Early installation started from 2021.

## Breakdown of Users of Standard Version of “.c Series” (Existing/New Clients)

**Users of standard version of “.c Series” has progressed as planned.  
There were more inquiries from new clients than expected**

- Existing client: Number of users of the standard version of “.c Series” that was switched from “.NS Series”
- New client: Number of users of the standard version of “.c Series” who newly become the users



### Existing clients

- Switched users in order from those whose contracts for “.NS Series” expire.

### New clients

- High reputation of “.c Series” in the market increased new clients switching from other companies’ system, etc.
- Target clients have expanded due to wide-ranging price system.

Definitions of new clients and existing clients

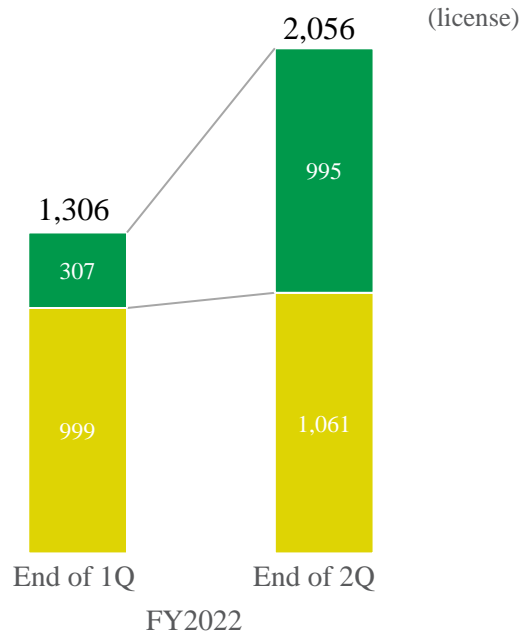
Existing client: Client who switched from packaged system to cloud-based software service

New client: Client who newly became users of cloud-based software services

# Breakdown of “.c Series” Licenses (Standard Version/Specific Major Companies)

“.c Series” licenses has progressed as planned.

- Number of licenses of the standard version of “.c Series”
- Number of licenses of “.c Series” provided to specific major companies and service stations



### Standard version

- Number of installed licenses per company: 1.1 (End of 2Q FY2022)
- The number of licenses has increased along with the increase in the number of user companies.

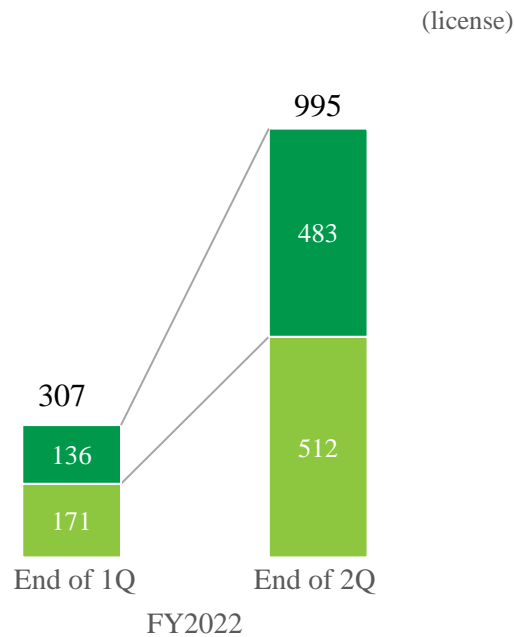
### Certain major companies and service stations

- Number of installed licenses per company: 8.6 (End of 2Q FY2022)
- This is because there are many large-sized users.

## Breakdown of Licenses for Standard Version of “.c Series” (Existing/New Clients)

Licenses for standard version of “.c Series” have progressed as planned. For both existing and new clients, licenses progressed almost in conjunction with the increase in the number of companies.

- Number of licenses of the standard version of “.c Series” used by existing clients
- Number of licenses of the standard version of “.c Series” used by new clients



### Existing clients

- Number of installed licenses per company: 1.2 (End of 2Q FY2022)
- Started installation from small-sized users

### New clients

- Number of installed licenses per company: 1.1 (End of FY2022 2Q)
- The current number of licenses per company is few due to an increase in small-sized users that were not users in the past.

→ In the initial stage of installation, users tend to install multiple licenses on a trial basis, and then cancel some of them in accordance with the use situation.

Definitions of new clients and existing clients

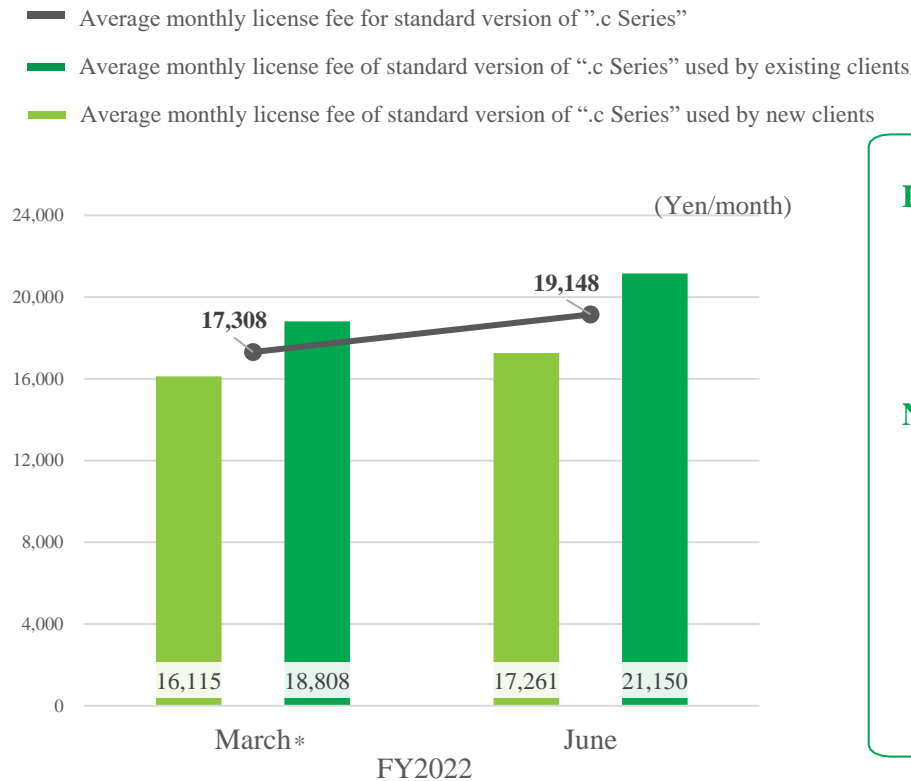
Existing client: Client who switched from packaged system to cloud-based software service

New client: Client who newly became users of cloud-based software services

## Average Monthly License Fee for Standard Version of “.c Series”

Average monthly license fee has progressed as planned.

Average monthly license fee has increased due to progress in installation to existing users.



### Existing clients

- Average monthly license fee has rose steadily.
- Installed from relatively small-sized users.

### New clients

- Although the percentage of small-sized users who were not seen as target before is high at the moment, average monthly license fee is rising steadily.

\*Until 1Q, monthly license fee was calculated using the 3-month average, but it has been changed based on the judgment that average monthly license fee at the latest month is appropriate.

Definitions of new clients and existing clients

Existing client: Client who switched from packaged system to cloud-based software service

New client: Client who newly became users of cloud-based software services

## **4. Supplemental Information**



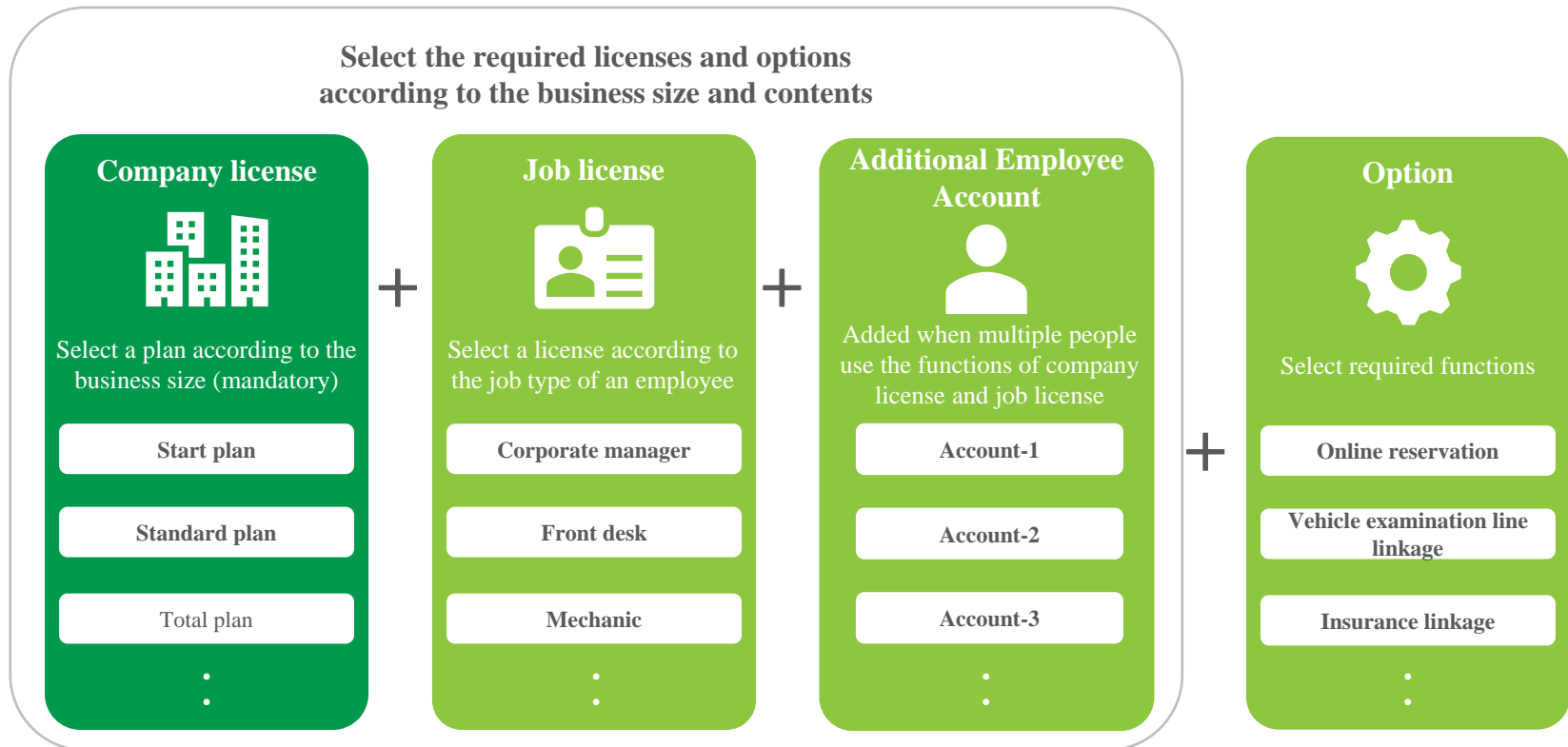
## Explanation of Sales by Service Category

Category Name	Description
<b>Cloud services</b>	
<b>Software service</b>	<ul style="list-style-type: none"> <li>• ".c Series," a cloud-based software service</li> <li>• Software services with monthly subscription contracts, etc.</li> </ul>
<b>Marketplace</b>	<ul style="list-style-type: none"> <li>• Ordering platform for auto repair parts, etc.</li> </ul>
<b>Packaged system</b>	
<b>Software sales</b>	<ul style="list-style-type: none"> <li>• Sales of ".NS Series," a packaged system, with lease contracts</li> <li>• Sales of "OTRS," a work analysis software</li> </ul>
<b>Operation and support</b>	<ul style="list-style-type: none"> <li>• Ancillary services of ".NS Series" such as support services</li> <li>• Sales of supplies such as forms and toners</li> </ul>

## Revenue by Service Category (FY2021)

(Millions of yen)	FY2021 1Q	FY2021 1H	FY2021 Cumulative 3Q	FY2021 Full-year
<b>Cloud services</b>	417	847	1,302	1,791
<b>Software service</b>	247	503	778	1,090
<b>Marketplace</b>	170	345	524	701
<b>Packaged system</b>	4,778	9,090	13,879	18,860
<b>Software sales</b>	2,968	5,486	8,458	11,620
<b>Operation and support</b>	1,809	3,604	5,420	7,240
<b>Total</b>	<b>5,195</b>	<b>9,937</b>	<b>15,181</b>	<b>20,652</b>

## Service Structure (Cloud-based Software Service)



+ Database / Client support / Slip issuance, etc.

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.

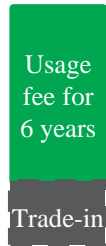
# Reasons for Switching to “.c Series” at the Expiration of Previous Contract

If existing users who have lease contracts of “.NS Series” for 6 years switch to “.c Series” before the expiration of the contract, negative sales will be recorded.



In the case of “.c Series”\*

The amount of usage fees minus trade-in are recorded as sales



If the contract was changed at this timing, usage fee will be monthly while trade-in will be one year, so trade-in becomes larger than usage fee, resulting in recording of a negative sales



Switch to “.c Series” upon expiration of contract



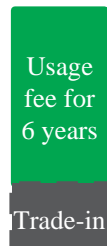
+Additional license  
+Volume charge

} Sales recorded (monthly)

In the case of “.NS Series” with multi-year lease contract



Renewal of contract before expiration



\*The same applies when selling “.NS Series” under a monthly subscription contract

## Company Profile

---

<b>Company name</b>	Broadleaf Co., Ltd
<b>Representative</b>	Kenji Oyama, Representative Director and President
<b>Listed on</b>	Prime Market of Tokyo Stock Exchange (3673)
<b>Sector</b>	Information and telecommunication
<b>Founded/Established</b>	December 2005/September 2009
<b>Capital stock</b>	7.148 billion yen (consolidated)
<b>Fiscal year</b>	From January 1 to December 31
<b>Business outline</b>	<p>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.</p> <p>These services are utilized as IT solutions that lead environmental changes, which are occurring in various industries including mobility industry, to business opportunities.</p>
<b>Head office location</b>	Floor 8, Glasscube Shinagawa, 4-13-14 Higashi-Shinagawa, Shinagawa-ku, Tokyo
<b>Domestic offices</b>	27 business offices and 3 development centers in Japan
<b>Major subsidiaries</b>	Tajima Inc.

## Disclaimer

---

**The results forecasts 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**

**Corporate Communication Department**

**E-mail:[bl-ir@broadleaf.co.jp](mailto:bl-ir@broadleaf.co.jp)**