



2Q FY12/2023 Business Results Briefing Material

August 10, 2023
Broadleaf Co., Ltd

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Progress in the growth strategy is steady and results have exceeded the plan

FY12/2023

1H Business Results

- Business condition has been favorable amid rising DX demand.
- As a result, performance further exceeded the revised earnings forecast.

Full-Year Earnings Forecast

- Business condition is expected to remain favorable in the 2H.
- The Company will continue to invest in development for expansion of cloud services.
- Full-year forecast was revised upward.

Medium-Term Management Plan (2022-28)

Performance Plan

- The performance is expected to exceed the original plan for 2 consecutive fiscal years.
- Accumulation of recurring revenue has been steadily increasing.

Measure 1 “Cloud Penetration”

- Cloud software is expected to be released in line with the plan.
- The number of users changing to cloud software will increase dramatically from FY2024.

Measure 2 “Service Expansion”

- Full-scale operation of cloud ordering platform will begin from 4Q of FY2023.

- The current business environment is favorable.
- Interest in Digital Transformation (DX) is high among clients across all business sectors and types, leading to increased demand for cloud services.
- This trend is anticipated to persist into the second half of FY2023. Therefore, we plan to intensify our sales activities to capture this growing demand.
- In light of the positive business results for the first half of FY2023, we have revised our full-year earnings forecast upward.
- Continuing from the previous fiscal year, financial results are expected to exceed the plan for the second consecutive year.
- Strategically, we will proceed as planned with the development of cloud software and other services. These initiatives will form the foundation for achieving high growth from the next fiscal year onward.

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Consolidated Financial Results for the 2Q

The Company achieved double-digit growth in revenue. Especially, sales of "Cloud service" on which we focused have doubled. The loss was also smaller than forecasted and showed improvement compared to the same period of the previous fiscal year.

(Millions of Yen)	FY2023 1H	FY2022 1H	YoY Change	YoY Ratio	Forecast (May 10)	Vs. Forecast
Revenue	7,390	6,520	+869	+13.3%	7,100	+290
Cloud service	2,141	1,046	+1,096	+104.7%	2,100	+41
Packaged system	5,248	5,474	-226	-4.1%	5,000	+248
Cost of sales	2,985	2,459	+526	+21.4%	2,950	+35
Gross profit	4,405	4,061	+343	+8.5%	4,150	+255
SG&A expenses, etc.	5,516	5,460	+56	+1.0%	5,700	-184
Operating profit *	-1,111	-1,398	+287	-	-1,550	+439
Profit before tax *	-1,102	-1,458	+356	-	-1,600	+498
Profit attributable to owners of the parent*	-826	-1,109	+282	-	-1,400	+574
Basic earnings per share*	-9.33 yen	-12.57 yen	-	-	-15.80 yen	-

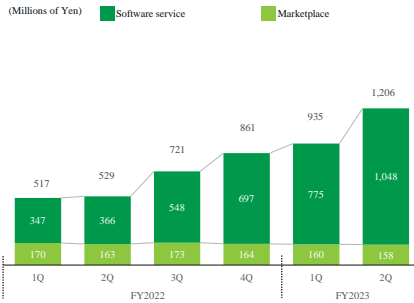
*Minus (-) represents loss

- Revenue: 7,390 million yen (an year-on-year increase of 13.3%)
- Both operating loss and loss attributable to owners of the parent improved compared to the previous year.
- The growth in revenue was primarily driven by "Cloud service."

Quarterly Sales by Service Categories

The number of users of software services, which are on a monthly subscription, has continued to increase. Sales from "Operation and support services" have decreased as users of packaged software switch to monthly subscriptions.

Quarterly Sales of "Cloud Service"



Explanation

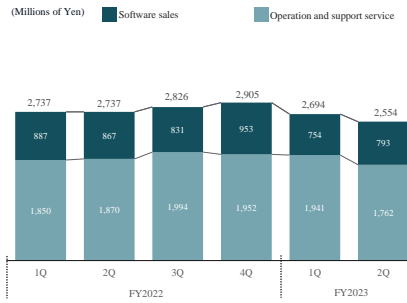
Software service

- The deployment of cloud software to small-to-medium-sized auto maintenance and auto body shops is advancing steadily.
- Capturing of IT demand for DX investment and compliance to the Electronic Book Storage Act has increased.

Marketplace

- There has been no significant change in the number of service users and the frequency of use.

Quarterly Sales of "Packaged System"



Explanation

Software sales

- Leasing sales of packaged software for the mobility sector have already finished.
- Demand for packaged software in the non-mobility sector has been strong due to recovery from COVID-19.

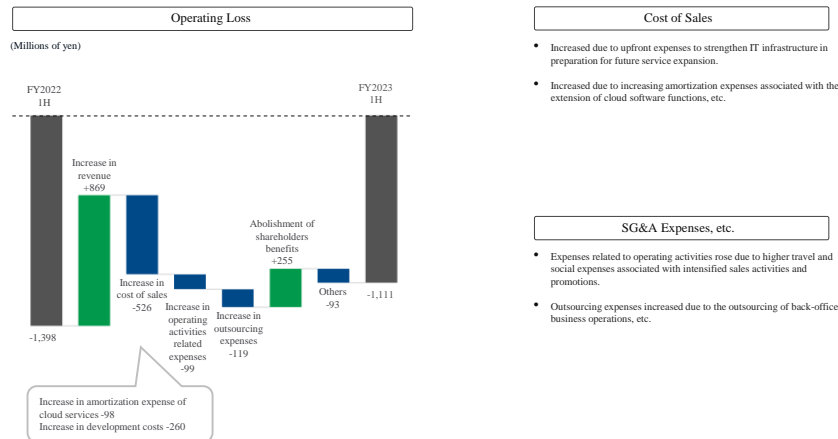
Operation and support service

- The number of users changing from packaged software to monthly subscriptions has been trending upward from the 2H of the previous fiscal year.

- "Software service" has been the main driver of revenue growth.
- This growth is not only a result of existing clients switching to monthly subscriptions but also from steady acquisition of new clients.
- As the switch by existing clients is planned to continue until 2028, the upward trend in "Software service" sales is anticipated to persist over the next five years.
- The increase in revenue also reflects the progress in adopting various DX solutions, such as solutions complying to the Electronic Book Storage Act.
- We continue to offer packaged software to non-mobility sector clients.
- Therefore, sales of "Software sales" are expected to remain at the current level.
- Conversely, sales of "Operation and support service" are expected to decline as the transition to cloud software progresses, since they consist of ancillary services of packaged software.
- In the realm of cloud software, charges for ancillary services are bundled into monthly sales. Therefore, "Operation and support service" sales move to "Software service" sales.

Factors behind Changes in Operating Loss

Higher sales absorbed upfront investment costs such as software development and strengthening the infrastructure for providing services.



- Amortization expenses has increased due to expansion of provided functions of cloud services.
- Cost of sales has increased by 526 million yen year-on-year, driven by upfront spending on IT infrastructures. The investments include enhancement of processing performance, which is aimed to prepare for future growth in the number of users.
- In addition, we have strengthened sales activities, leading to increase in related expenses such as transportation expenses. We also continue conducting upfront investment to prepare for future growth, including the expansion of services and the strengthening of back office business operations to handle an increase in the number of clients in the future.
- As a result, despite cost reduction factors such as the abolition of shareholder benefits, Total SG&A expenses increased by 56 million yen.
- However, increase in revenue outweighed increase in costs, resulting in an improvement in operation loss of 287 million yen in 1H FY2023.

Balance Sheet Status

Non-current assets increased due to capitalization of software development and office leasing fees.
Current liabilities increased due to the implementation of borrowings, as well as an increase in contract liabilities resulting from increasing number of long-term contracts for cloud software.

(Millions of Yen)	FY2023 End of 1H	FY2022 Year-End	YoY Change	Major Breakdown of Increase/Decrease
Current assets	6,690	6,555	+135	Operating and other receivables +104
Non-current assets	29,038	26,980	+2,058	Intangible assets +1,034 Property, plant and equipment +592
Total assets	35,728	33,535	+2,192	
Current liabilities	9,265	6,583	+2,683	Short-term interest-bearing debts +1,747 Contract liabilities +911
Non-current liabilities	3,373	3,291	+82	Long-term interest-bearing debts +79
Total liabilities	12,638	9,873	+2,765	
Total equity	23,090	23,662	-573	Loss -844 Dividends payout -88
Total liabilities and equity	35,728	33,535	+2,192	

- Property, plant and equipment have increased due to an increase in leased assets such as office leasing fees. Also, intangible assets have increased due to investment in software development.
- Interest-bearing debts have increased due to borrowings from banks, along with contract liabilities.
- Contract liabilities mainly consist of advances received from 5-year lump-sum payment for cloud software, so an increase in contract liabilities is a positive indicator for cash flow.
- The percentage of clients choosing a 5-year lump-sum payment when subscribing cloud software was 29% for the full year of FY2022, while it rose to 48% in 1H FY2023.
- Total equity has decreased due to the reflection of loss for 1H FY2023 and the payment of a year-end dividend for FY2022.
- Nevertheless, the equity level remains at a sufficient level for ongoing business operations.

Cash Flows Status

Operating cash flow is trending upward due to an increase in contract liabilities resulting from the increasing number of long-term contracts for cloud software.

(Millions of Yen)	FY2023 1H	FY2022 1H	YoY Change	Major Breakdown of Increase/Decrease
Cash flow from operating activities	1,126	460	+666	Increase in operating and other receivables -1,895 Increase in operating and other payables +905 Increase in contract liabilities +953
Cash flow from investment activities	-1,917	-1,424	-493	Increase in payments for acquisition of intangible assets -395
Cash flow from financing activities	717	649	+68	Decrease in cash dividends paid +325 Increase in short-term loans payable +179 Repayment of long-term loans payable -438
Free cash flow	-791	-964	+173	
Cash and cash equivalents at end of the period	3,386	3,212	+174	

- Cash flows from operating activities have been negatively impacted by lower sales of “Packaged system.” However, from this fiscal year, the increase in recurring revenue from monthly subscriptions is a more positive factor.
- Increase in contract liabilities corresponding to advances received for cloud software is also a positive factor.
- Cash flows from investing activities have increased due to increased investment in the development of cloud services.
- Cash flows from financing activities include the repayment of long-term debt and short-term borrowings.
- Cash flow tends to improve compared with the previous fiscal year, and we maintain an adequate level of cash balance for ongoing business operations.

Consolidated Earnings Forecast (Full-year)

The forecast was revised for both revenue and loss, taking into account the financial results for the first half of FY2023 and the current business environment.

(Millions of Yen)	FY2023 Full-Year Forecast	FY2022 Full-Year	YoY Change	YoY Ratio	Previous Forecast (May 10)	Vs. Forecast
Revenue	15,300	13,833	+1,467	+10.6%	15,000	+300
Cost of sales	6,100	5,346	+754	+14.1%	6,100	±0
Gross profit	9,200	8,487	+713	+8.4%	8,900	+300
SG&A expenses, etc.	11,400	11,384	+16	+0.1%	11,600	-200
Operating profit *	-2,200	-2,897	+697	-	-2,700	+500
Profit before tax *	-2,300	-3,005	+705	-	-2,800	+500
Profit attributable to owners of the parent *	-1,900	-2,431	+531	-	-2,400	+500
Basic earnings per share ^a	-21.42 yen	-27.54 yen	-	-	-27.07 yen	-

*Minus (-) represents loss

- Full-year earnings forecast was revised upward.
- Recurring revenue, which mainly consists of monthly subscriptions, already consists more than 70% of our revenue.
- Revenue was revised upward due to leasing sales of packaged software and sales of devices exceeding our expectations, amid steady build-up of recurring revenue.
- While strengthening sales activities and promotions as well as conducting necessary upfront investments, we will reduce unnecessary or non-urgent costs through reexamination of expense items.

Full-Year Sales Forecast by Service Categories

Sales forecast for “Cloud service” remains unchanged since the number of users is expected to grow as planned.
Sales forecast for “Packaged system” was revised upward, taking into account business conditions in non-mobility sector.

(Millions of Yen)	FY2023 Full-Year Forecast	FY2022 Full-Year	YoY Change	YoY Ratio	Previous Forecast (Feb. 10)	Vs. Forecast
Cloud service	5,900	2,628	+3,272	+124.5%	5,900	±0
Software service	5,250	1,958	+3,292	+168.2%	5,250	±0
Marketplace	650	670	-20	-3.0%	650	±0
Packaged system	9,400	11,205	-1,805	-16.1%	9,100	+300
Software sales	2,500	3,539	-1,039	-29.3%	2,200	+300
Operation and support service	6,900	7,666	-766	-10.0%	6,900	±0
Total	15,300	13,833	+1,467	+10.6%	15,000	+300

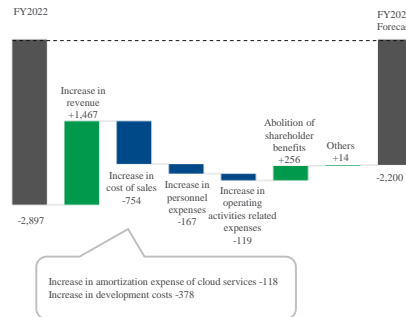
- Sales forecast remains unchanged for “Software service,” as monthly subscription sales are expected to continue rising as planned in the 2H FY2023.
- Packaged software sales have been stronger than anticipated and sales of "Software sales" progressed well, resulting in an upward revision of 300 million yen.

Breakdown of Changes in Full-Year Operating Loss Forecast

Increase in revenue will absorb the cost of prior investment in preparation for further revenue growth and higher operating expenses.

Operating Loss

(Millions of yen)



Cost of sales

- Amortization expenses of cloud services will increase in line with the launch of cloud services.
- Development costs will increase due to the development of new cloud services.

SG&A expenses, etc.

- In addition to the strengthening of recruitment activities, expenses related to share-based compensation are expected to increase.
- Expenses related to sales activities and strengthening of promotions are expected to increase.
- Various infrastructure expenses necessary for strengthening the operation of cloud services are expected to increase.
- As a result of the abolishment of the shareholder benefit program in FY2022, its related expenses in FY2023 are expected to decrease.

- Amortization expenses are expected to increase in line with the expansion of the scope of provided services such as cloud software. Development expenses, which are recorded as costs of sales, are also expected to increase.
- Furthermore, since revenue will turn upward from this fiscal year, we will actively enhance upfront investment to strengthen sales and promotional activities in order to capture clients' DX demand.
- Operating loss is expected to improve by 697 million yen year-on-year, as the increase in revenue associated with the accumulation of recurring revenue will absorb these increased costs.

Dividend Forecast

Year-end dividend forecast for FY2023 remains unchanged from 1.00 yen per share.

Dividend per share

(Yen)	FY2023 (Forecast)	FY2022
Interim dividend	0.00 yen	0.00 yen
Year-end dividend	1.00 yen	1.00 yen
Annual dividend	1.00 yen	1.00 yen
Consolidated dividend payout ratio	-	-

Explanation

- 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.
- Annual dividend forecast for FY2023 is 1.00 yen per share (interim dividend: 0.00 yen, year-end dividend: 1.00 yen).

- The interim dividend for FY2023 was 0 yen.
The year-end dividend is planned to be 1 yen per share.
- We expected a loss to be recorded in FY2023. However, in view of the progress of the medium-term management plan and the situation of retained earnings, the distribution will be made with the intention of returning profit and retained earnings to shareholders as much as possible.

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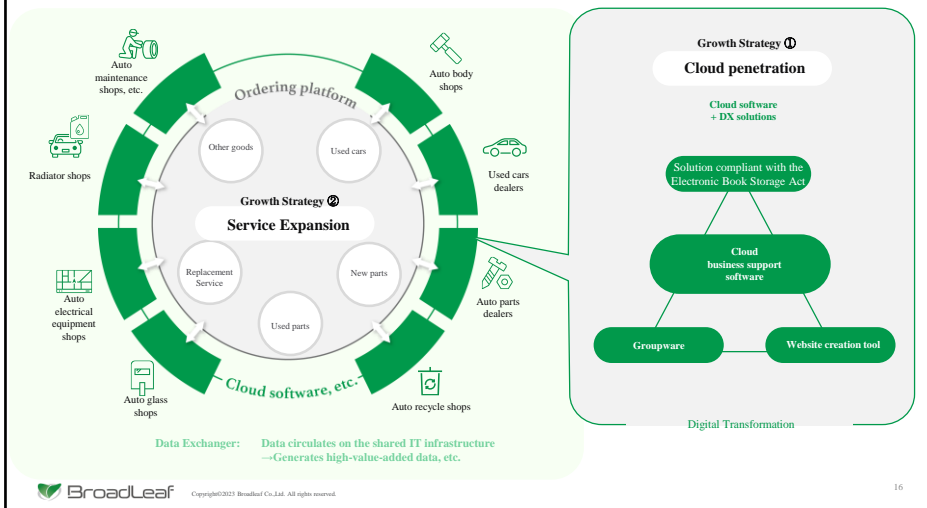
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Medium-Term Management Plan (2022-28): Growth Strategy

In order to evolve into a unique platformer in the mobility industry, we are advancing our growth strategies of “Cloud Penetration” and “Service Expansion.”

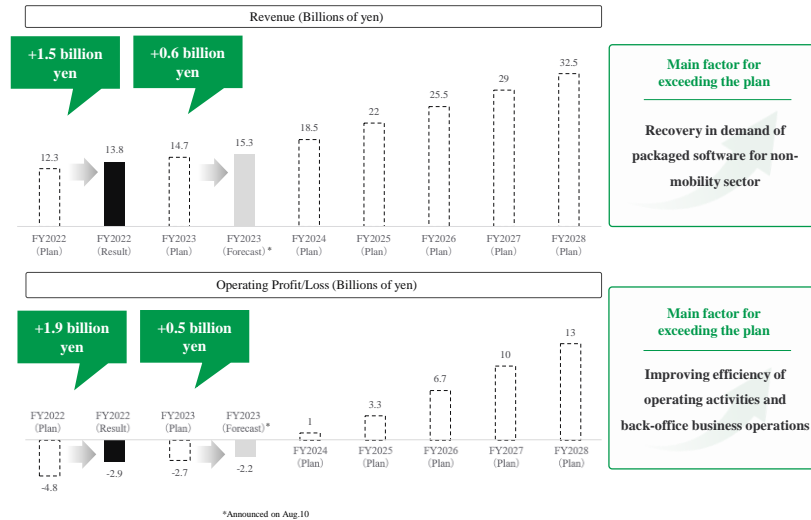
Positioning of Our Services



- Our management policy for medium-term management plan is “Evolution into a unique platform company in the mobility sector,” and we are promoting two growth strategies to achieve this goal.
- The first is “Cloud penetration.” We aim to contribute to DX of the mobility sector by quickly providing cloud software and other cloud products to more clients.
- Another is “Service expansion.” We are developing and deploying our own platform services in order to connect people, goods, money, and information in the mobility sector.

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

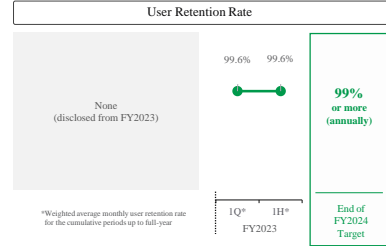
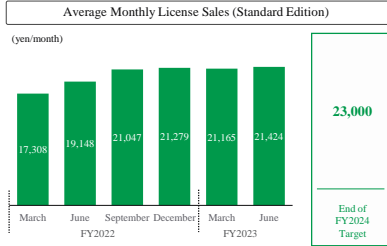
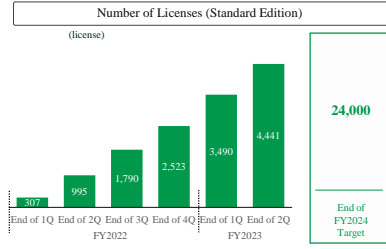
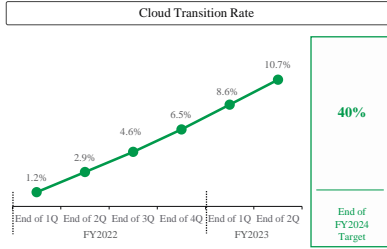
Financial results are expected to exceed the plan for 2 consecutive fiscal years.



- We announced performance plan for seven years from 2022 to 2028
- Following 2022, 2023, the second year of the plan, is also expected to exceed the plan.
- Sales of packaged software for non-mobility sector have exceeded the plan.
- Sales of cloud software for the mobility sector have progressed as planned, leading to a further rise in the monthly subscription sales ratio.
- Operating loss improved more than initially planned, as improvement in the efficiency of business activities led to more cost reduction than anticipated.

Cloud Penetration: Progress of Cloud Indicators

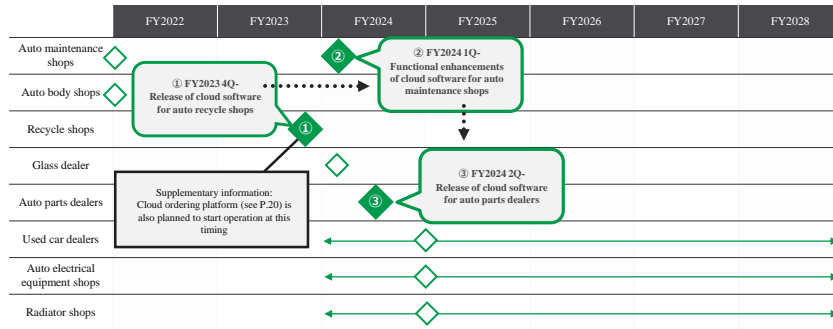
Considering the types and functions of currently released cloud software, the current level of indicators is as planned.



- Indicators that show the penetration of cloud software in the 2Q of FY2023 are described in the graphs.
- Figures are generally in line with our expectations.
- Targets for the end of 2024 are as described. Additional launch of cloud software is necessary for achieving these targets.

Cloud Penetration: Roadmap for Cloud Software Release and Functional Enhancements

There are three key approaches to accelerate the growth of cloud indicators to meet our end-of-FY2024 targets.



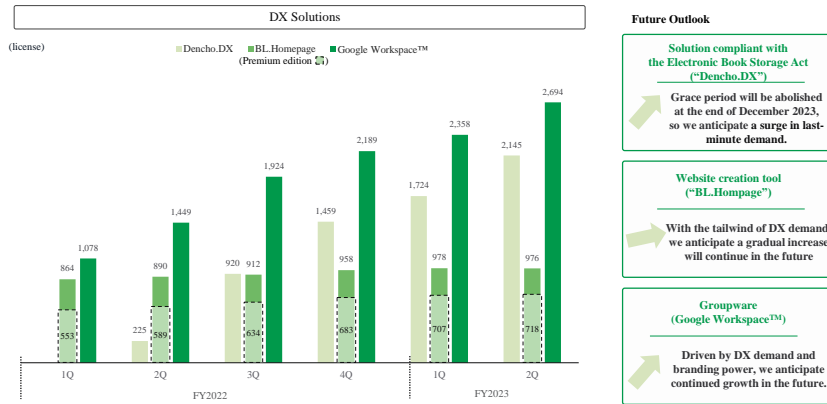
Reference: Indicators for packaged software (comparison by industry)		Auto parts dealers and auto recycle shops
Number of licenses per company (as of the end of 2022)	When compared with auto maintenance and auto body shops	About 2.5 times more
Average monthly amount sales (average of 2015-2020*)		About 1.1 times more
Number of companies (as of the end of 2022)	Auto maintenance and auto body shops: 29,182 companies	2,944 companies

*Since monthly contracts and multi-year lease contracts are mixed from 2021 onward, comparisons are made using figures prior to 2020

- There are three timings for cloud penetration to accelerate.
- In addition to the released cloud software for auto maintenance shops and auto body shops, those for auto recycle shops are planned to be launched in 4Q of FY2023, those for auto glass shops are planned to be launched in 1Q of FY2024, and those for auto parts dealers are planned to be launched in 2Q of FY2024.
- Regarding auto recycle shops and auto parts dealers, the number of licenses per company and average monthly sales per license are larger compared to auto maintenance shops and auto body shops. Similar trends can be seen in auto glass shops and auto electrical equipment shops as well.
- Therefore, the expansion of the industries to which cloud software is provided will become a factor behind the increase in the number of licenses and average monthly sales.
- Moreover, the cloud transition rate in 2024 is expected to jump up due to the expiration of the 6-year contracts in 2018, which had a larger number of subscribers.

Cloud Penetration: DX Solutions

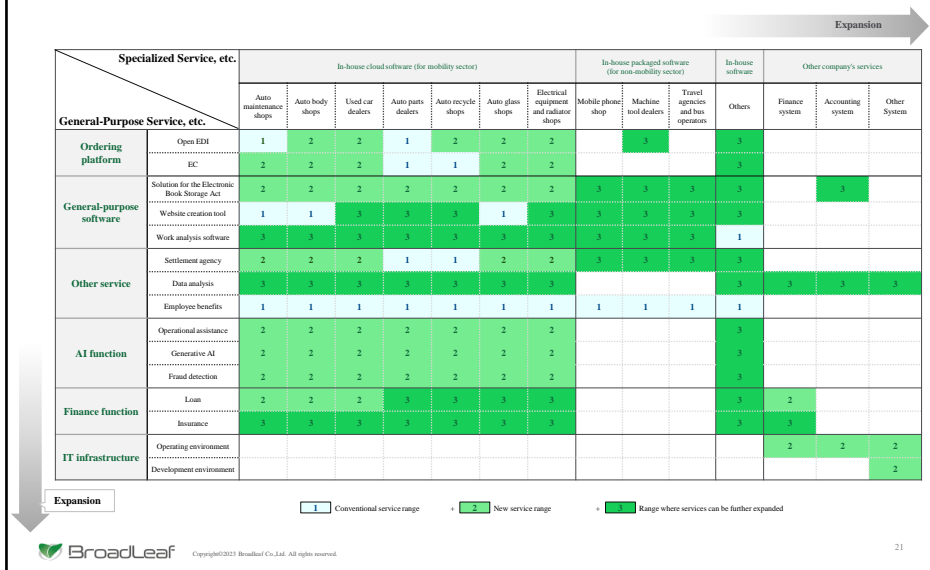
The number of licenses for DX solutions is generally on the rise.



- The solution complying to the Electronic Book Storage Act was launched in FY2022.
- As the lenient measure for the Electronic Book Storage Act will be abolished at the end of December 2023, there is an expectation of a surge in last-minute demand around that time.
- In realm of website creation tools, the adopted number of “BL.Homepage Premium,” a high-performance version of “BL.Homepage,” has been strong as well.
- Many clients are introducing groupware on the back of DX demand.
- Demand for DX is robust, and demand for these solutions is strong. In conjunction with cloud software, the company plans to strengthen proposals for these ancillary products.

Service Expansion: Scalability of the Platform Service

The range of available services, including ordering platform, expands as items on either horizontal or vertical axis are implemented.



- Our proprietary cloud infrastructure, “Broadleaf Cloud Platform,” offers a menu of platform services ranging from IT infrastructures to business logic and application layers.
- By linking our cloud software as well as various systems and services made by other companies with these platform services, it is possible to create new value-added services.
- There is no limit to these combinations.

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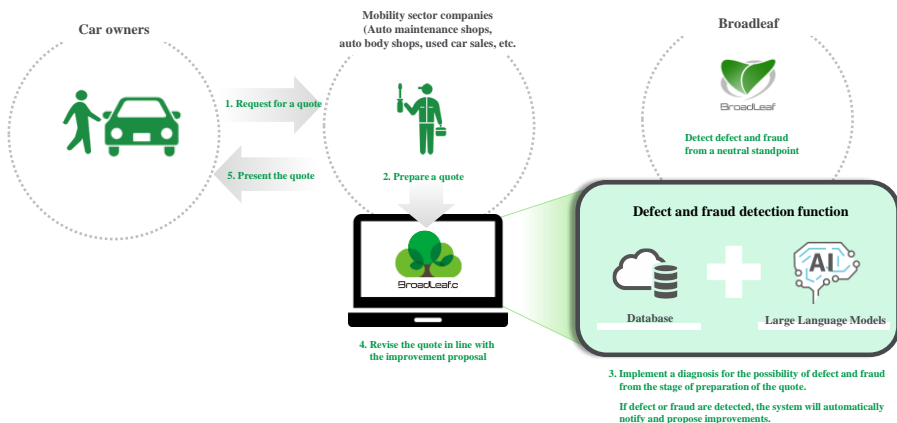
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Fraud Detection Service(with Broadleaf AI)

We have developed a function that automatically detect business defects and fraud using cloud software to prevent fraud

Diagram illustrating a car owner requesting a quote from a mobility sector company*



*In addition to quotes, we plan to expand the functionality to detect anomalies and fraud in various contracts (such as car purchase, car insurance, auto repair part purchase), electronic business information between companies, and auto maintenance record information.

- Using the large-sized database we have accumulated to date, including information on vehicle models, auto parts, and maintenance records, we have developed a system to detect whether automobiles are being inspected or repaired properly.
- From a neutral standpoint, we have already been providing similar functions to auto maintenance shops, auto body shops, financial companies, government agencies, etc. in order to provide accurate quotes to car owners.
- Utilizing our proprietary AI to further enhance this function, it will automatically detect defects and fraud of quotes and other documents, thereby contributing to a safe and secure mobility-society.

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List of Indicators ①

(Millions of yen)	FY2022				FY2023	
	1Q	1H	Cumulative 3Q	Full-year	1Q	1H
Recurring revenue	2,367	4,766	7,481	10,294	2,876	5,844
Recurring revenue ratio (%)	73%	73%	74%	74%	79%	79%

(companies)	FY2022				FY2023		End of 2024
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	End of 1Q	End of 2Q	Target
Number of companies using business support software	38,098	38,354	38,549	39,345	39,547	39,771	—
Mobility sector *	36,373	36,650	36,858	37,643	37,855	38,095	—
Non-Mobility sector *	1,725	1,704	1,691	1,702	1,692	1,676	—
Target companies for cloud software**	33,578	33,853	34,066	34,357	34,618	34,887	—
Number of cloud software companies	395	991	1,557	2,231	2,973	3,744	—
Standard edition	274	867	1,433	2,099	2,831	3,604	—
Existing client	118	405	721	1,094	1,492	1,937	—
New client	156	462	712	1,005	1,339	1,667	—
Specific edition	121	124	124	132	142	140	—
Number of packaged software companies	33,183	32,862	32,509	32,126	31,645	31,143	—
Non-target companies for cloud software	4,520	4,501	4,483	4,988	4,929	4,884	—
Cloud transition rate	1.2%	2.9%	4.6%	6.5%	8.6%	10.7%	40%

*Mobility sector: auto maintenance shops (& service stations), auto body shops, auto parts dealers, auto recycle shops, used car dealers, auto electrical equipment shops, radiator shops

Non-mobility sector: 13 industries: Mobile phone shops, machine tools dealers, travel agencies, and bus operators

**Of the 13 industries, the industries targeted for cloud software in the medium-term management plan are auto maintenance shops (& service stations), auto body shops, auto parts dealers, and auto recycle shops

Upon expiration of packaged software lease contracts*	FY2022				FY2023	
	1Q	1H	Cumulative 3Q	Full-year	1Q	1H
Transition ratio to cloud software	—	35%	45%	44%	76%	78%
Transition ratio to packaged software (monthly contracts)	—	65%	55%	56%	24%	22%

*The denominator is the industry in which the cloud software has been released (e.g., auto maintenance auto body shops).

List of Indicators ②

(license)	FY2022				FY2023		End of 2024
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	End of 1Q	End of 2Q	Target
Number of cloud software licenses	1,306	2,056	2,857	3,620	4,656	5,649	—
Standard edition	307	995	1,790	2,523	3,490	4,441	24,000
Existing client	136	483	950	1,381	1,970	2,552	—
New client	171	512	840	1,142	1,520	1,889	—
Specific edition	999	1,061	1,067	1,097	1,166	1,208	—

(yen/month)	FY2022				FY2023		End of 2024
	March	June	September	December	March	June	Target
Average monthly license sales	—	—	—	—	—	—	—
Standard edition	17,308	19,148	21,047	21,279	21,165	21,424	23,000
Existing client	18,808	21,150	23,326	24,074	23,837	24,324	—
New client	16,115	17,261	18,470	17,900	17,701	17,507	—
Specific edition	—	—	—	—	—	—	—

	FY2022	FY2023		End of 2024
	End of 4Q	1Q	3Q	Target
Cloud software user retention rate **	-	99.6%	99.6%	99% or more
Number of cloud software users (companies)	2,099	-	-	-

**Cloud software user retention rate: Weighted average monthly user retention rate for the cumulative periods up to full-year
Monthly user retention rate: $1 - (\text{number of monthly cancellations} / (\text{number of cloud software users at the end of the previous fiscal year} + \text{number of newly acquired companies}))$

Sales by Service Categories (FY2023 2Q)

(Millions of yen)	FY2023 1H	FY2022 1H	YoY Change	YoY Ratio	Forecast (May 10)	Vs. Forecast
Cloud service	2,141	1,046	+1,096	+104.7%	2,100	+41
Software service	1,824	713	+1,110	+155.7%	1,800	+24
Marketplace	318	333	-15	-4.5%	300	+18
Packaged system	5,248	5,474	-226	-4.1%	5,000	+248
Software sales	1,546	1,754	-208	-11.9%	1,300	+246
Operation and support service	3,702	3,720	-18	-0.5%	3,700	+2
Total	7,390	6,520	+869	+13.3%	7,100	+290

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 Plan	FY2023 Forecast (Aug. 10)	FY2024 Plan	FY2025 Plan	FY2026 Plan	FY2027 Plan	FY2028 Plan
Revenue	12.3	13.8	14.7	15.3	18.5	22.0	25.5	29.0	32.5
Cloud service	2.6	2.6	5.9	5.9	10.4	15.2	19.9	25.0	29.1
Packaged system	9.7	11.2	8.8	9.4	8.1	6.8	5.5	4.0	3.4
Operating profit *	-4.8	-2.9	-2.7	-2.2	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	-2.9	-1.9	0.6	2.0	4.2	6.3	8.0

*Minus (-) represents loss

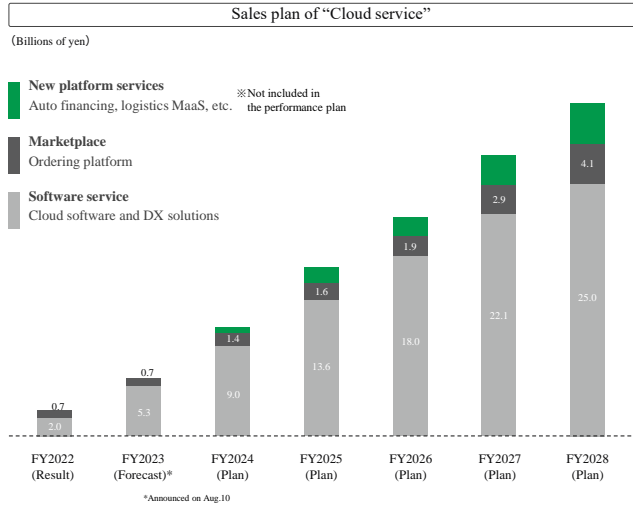
Medium-Term Management Plan (2022-28): Sales Plan by Service Categories

- 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 Plan	FY2023 Forecast (Aug. 10)	FY2024 Plan	FY2025 Plan	FY2026 Plan	FY2027 Plan	FY2028 Plan
Cloud service	2.6	2.6	5.9	5.9	10.4	15.2	19.9	25.0	29.1
Software service	1.9	2.0	5.0	5.3	9.0	13.6	18.0	22.1	25.0
Marketplace	0.7	0.7	0.9	0.7	1.4	1.6	1.9	2.9	4.1
Packaged system	9.7	11.2	8.8	9.4	8.1	6.8	5.5	4.0	3.4
Software sales	3.2	3.5	2.2	2.5	2.5	2.6	2.5	2.2	2.0
Operation and support service	6.5	7.7	6.6	6.9	5.6	4.2	3.0	1.8	1.4
Revenue	12.3	13.8	14.7	15.3	18.5	22.0	25.5	29.0	32.5
(Reference) Recurring revenue ratio*	80%	74%	85%	84%	86%	88%	90%	92%	94%

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

Sales Trend of Cloud Service Expected in the Future



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

- In order to penetrate the cloud services, 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



Cloud software, 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 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 software users

3. Menu expansion



In addition to the various optional services of cloud software, 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 software

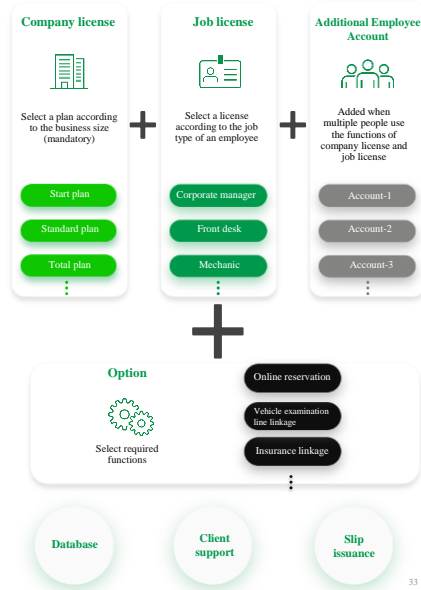
Related indicators

- Number of licenses for major software services

Service Structure (Cloud Software)

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

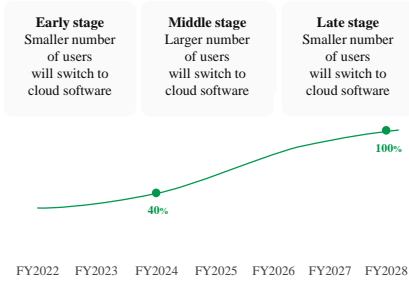
Clients will select a plan from the company license menu and select necessary job licenses in addition. When multiple people use the functions of company license and job license, purchase of additional employee account is necessary according to the number of users. There are also other service menus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

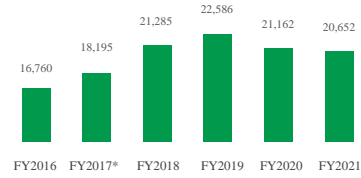
Understanding of cloud transition rate



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

Reference: Revenue from FY2016

(Millions of yen)



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

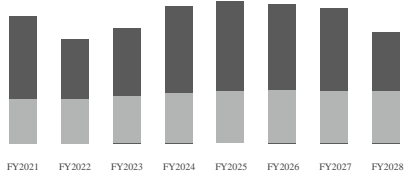
About 1/6 of user companies renew their contracts each year, but there is a wave in the number of contract renewals depending on the year.

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

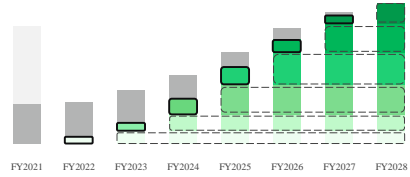
Target of each year: All users of packaged software
Accounting method: Monthly sales



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

About 1/6 of companies using packaged software will switch to cloud 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 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.

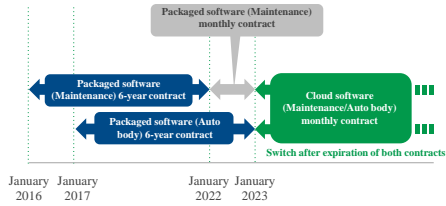


Cases for Providing a Monthly Contract of Packaged Software

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

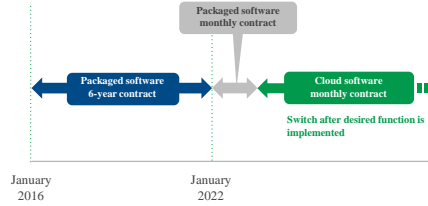
Case (1): Clients with multiple lease contracts

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



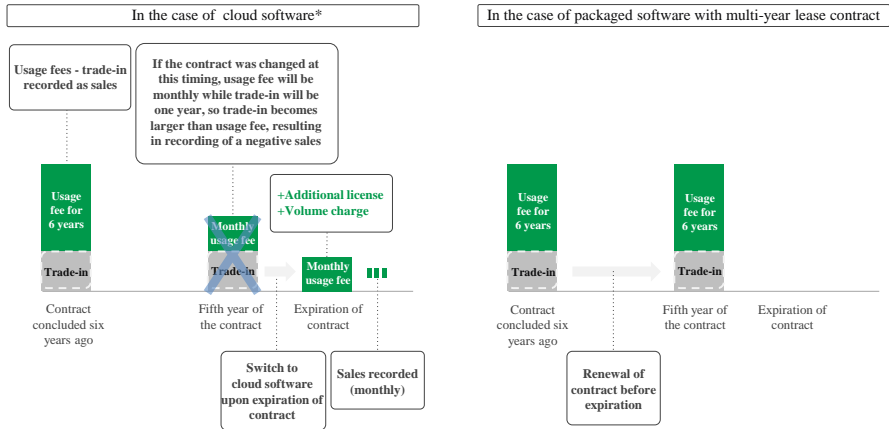
Case (2): Clients who wish to use a specific function

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 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

Explanation of Service Categories

Cloud service

Software service

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

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	BroadleafCo, 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.

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