



**Business Results for FY12/2021
Medium-term Management Plan**

Briefing Material

February 9, 2022

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NOTE)

- In this document, ".c Series" represents cloud-based software
- "NS Series" represents conventional software
- Figures are rounded to the nearest unit.

CHAPTER 1

Overview of FY12/2021 Business Results

Summary

Transition of industry-specific software to monthly subscription models **Progressed as planned**

Impact of transition to subscription

-1.654 billion yen

In order to realize smooth transition to ".c Series," cloud-based software, from 2022, for "NS Series," conventional software, the Company

- (1) restrained from renewals of a contract before its expiration
- (2) promoted the transition from multi-year lump-sum contracts to monthly subscription contracts (for some users)

The Company sold cloud-based software only to specific major users
 ※No sales to the general users in 2021

Transition to stock revenue**Progressed as planned**

Monthly sales ratio

39.9 %
(+3.9pts YoY)

Promoted the transition of industry-specific software to monthly subscription models

Monthly subscription (SaaS) sales **858** million (YoY +24.0%)

Strengthened proposals for monthly support service

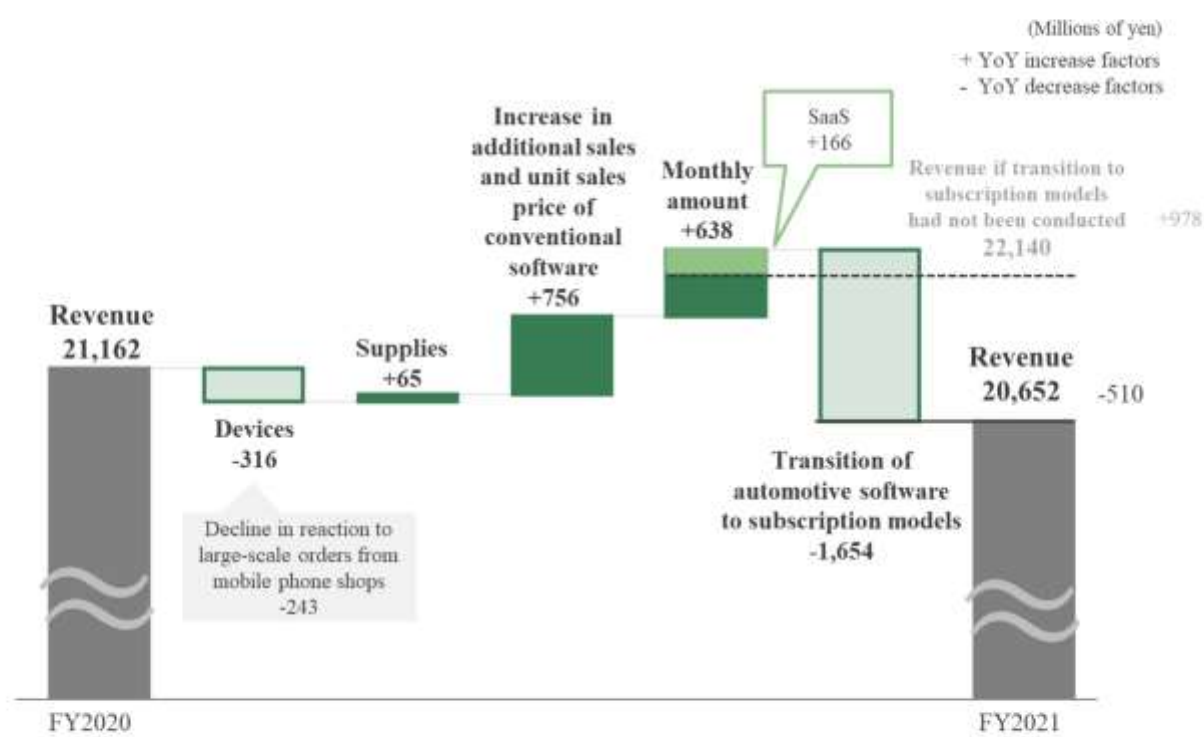
Monthly support service contract rate **63.4%** (+11.1pts YoY)

- Broadleaf ("the Company") will start providing new cloud-based software, ".c Series," in 2022
- Transition of industry-specific software to monthly subscription models has progressed as planned.
- In 2021, the Company sold monthly subscription contracts for conventional software, ".NS Series," to new cloud-based software.
- There was a negative impact of 1,654 million yen on revenue compared to the sales method under multi-year lease contracts.
- Transition of software to monthly subscription models is a negative factor for revenue in the early stages, while those sales will become stock revenue and stabilize the revenue over the long term.
- Transition to stock revenue also progressed as planned.
- The monthly sales ratio rose by 3.9 points year-on-year, to 39.9%.

Overview of the Consolidated Business Results

| (Millions of yen) | FY2021 | FY2020 | YoY change | YoY ratio |
|--|------------------|------------------|-------------|---------------|
| Revenue | 20,652 | 21,162 | -510 | -2.4% |
| Cost of sales | 5,753 | 6,088 | -335 | -5.5% |
| Gross profit | 14,898 | 15,074 | -176 | -1.2% |
| SG&A expenses, etc. | 11,503 | 10,939 | +564 | +5.2% |
| Operating profit | 3,395 | 4,135 | -740 | -17.9% |
| Profit before tax | 3,233 | 3,820 | -588 | -15.4% |
| Profit attributable to owners of the parent | 2,173 | 2,465 | -292 | -11.9% |
| Basic earnings per share | 24.72 yen | 28.16 yen | — | — |

Breakdown of Major Changes in Revenue (YoY)



- Device sales decreased, partly due to a decline in reaction to large-scale orders.
- Software sales increased due to additional sales of software to clients.
- Sales of SaaS, which are monthly subscription models of software, increased. Monthly sales increased due to an increase in the total number of software users.
- Since conventional software was offered to some clients under monthly subscription contracts, revenue decreased by 1,654 million yen.
- If the transition to monthly subscription models had not been conducted and the Company had continued to offer the software under multi-year lease contracts, revenue would have increased year-on-year.
- The Company promoted the transition to monthly subscription models in order to stabilize and enhance the revenue in the future.

Breakdown by Revenue Categories

| (Millions of yen) | FY2021 | FY2020 | YoY change | YoY ratio | Major factors of increase/decrease (Amount) |
|---------------------------|---------------|---------------|---------------|---------------|---|
| Platform | 11,479 | 10,692 | +786 | +7.4% | |
| SaaS | 858 | 692 | +166 | +24.0% | Increase in the number of users choosing monthly subscription contracts +166 |
| PaaS/IaaS (basic) | 7,830 | 7,555 | +275 | +3.6% | |
| Lump-sum | 2,448 | 2,365 | +83 | +3.5% | Progress in transition to subscription models -496 Additional sale of conventional automotive software, etc. +579 |
| Monthly amount | 5,382 | 5,190 | +192 | +3.7% | Increase in the total number of license +192 |
| EDI and settlement | 702 | 692 | +10 | +1.4% | Increase in the number of users of the ordering platform +21 Increase in monthly support services contract ratio +205 |
| Support | 1,866 | 1,596 | +270 | +16.9% | Increase in sale of supplies +65 |
| Others (DX) | 222 | 157 | +65 | +41.6% | Increase in the number of sale of DX Solutions etc. +68 |
| Application | 9,173 | 10,469 | -1,297 | -12.4% | |
| By industry | 7,868 | 8,868 | -1,000 | -11.3% | Progress in transition to subscription models -1,158 Additional sale of conventional automotive software, etc. +330 Decrease in sale of conventional non-automotive software -172 |
| OTRS | 223 | 204 | +20 | +9.6% | Recovery in demand in manufacturing industry +20 |
| Devices | 1,082 | 1,398 | -316 | -22.6% | Decrease in reaction to large-scale orders from mobile phone shops -243 |
| Total | 20,652 | 21,162 | -510 | -2.4% | |

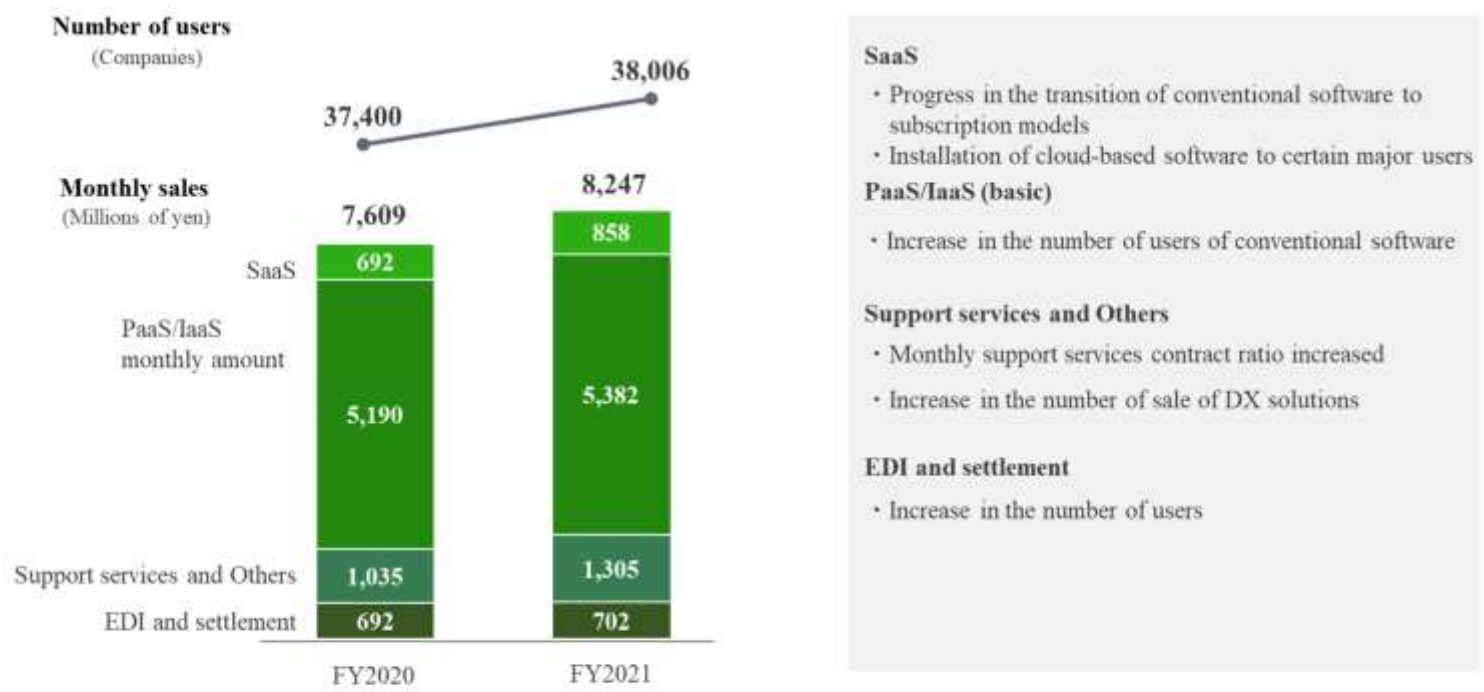
NOTE) SaaS category has been established since FY2021, and the breakdown of Application sales has been changed retroactively to reflect the launch of cloud-based software. For an explanation of revenue categories, please refer to the supplemental information on page 38.

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- Major factors for the changes, including the content on page 5, are listed on the right-hand side of the table.
- The transition to monthly subscription contracts for conventional software was a factor behind the increase in sales of SaaS.
- When a client purchases software under multi-year lease contracts, it is recorded as sales in both Application "By industry" and Application "PaaS/IaaS (basic)".
- The impact of 1,654 million yen due to the transition of software to monthly subscription models was a factor behind the decline in sales of Platform "PaaS/IaaS (basic)" and Application "By industry."

Number of Users and Monthly Sales



- Software users increased by 606 companies year-on-year to 38,006 companies.
- The number of clients is on an increasing trend, and the business situation is favorable.
- Not only did sales of SaaS increase due to the promotion of the transition to monthly subscription models, but monthly sales also increased in proportion to the number of users.

Breakdown of Changes in Operating Profit (YoY)



- Cost of sales decreased by 335 million yen year-on-year. While amortization expense of cloud-based software increased, there was a decrease in purchases.
- Update cost for service infrastructure increased due to the strengthening and expansion of the operating infrastructure in preparation for the diversification of cloud-based software and platform-type services.
- Personnel expenses increased due to a temporal increase in legal welfare expenses related to stock compensation.
- SG&A expenses, etc. increased by 564 million yen as a result of upfront costs and temporal costs.
- In addition to the above cost factors, the decline in sales had a significant impact. As a result, operating profit decreased by 740 million yen.

Overview of Balance Sheet

| (Millions of yen) | FY2021 Year-end | FY2020 Year-end | YoY change | Main breakdown |
|---|--------------------|--------------------|------------|--|
| Current assets | 8,405 | 7,752 | +653 | Operating and other receivables +496 |
| Non-current assets | 26,071 | 24,522 | +1,550 | Intangible assets +2,123 |
| Total assets | 34,476 | 32,274 | +2,202 | |
| Current liabilities | 7,512 | 6,432 | +1,080 | Short-term interest-bearing debts +1,732 |
| Non-current liabilities | 850 | 1,239 | -389 | Long-term interest-bearing debts -450 |
| Total liabilities | 8,362 | 7,671 | +690 | |
| Total equity | 26,114 | 24,602 | +1,512 | Profit attributable to owners of the parent +2,173 Dividend payout -930 |
| Total liabilities and shareholders' equity | 34,476 | 32,274 | +2,202 | |

- Non-current assets increased due to investment in development of cloud infrastructure, including new cloud-based software.
- For current liabilities, short-term interest-bearing debts increased due to short-term borrowings.
- Total shareholders' equity increased due to the recording of profit, despite the dividend payout.

Cash Flow Analysis

| (Millions of yen) | FY2021 | FY2020 | YoY change | Main breakdown |
|---|--------|--------|------------|--|
| Cash flow from operating activities | 3,783 | 5,056 | -1,274 | Profit before tax -588 Changes in operating and other receivables (minus shows increase) -984 |
| Cash flow from investment activities | -3,388 | -2,774 | -614 | Acquisition of intangible assets -801 |
| Cash flow from financing activities | -108 | -2,084 | +1,976 | Net changes in short-term loans payable (minus shows decrease) +1,802 |
| Free cash flow | 395 | 2,283 | -1,888 | |
| Cash and cash equivalents | 3,522 | 3,232 | +290 | |

- Operating cash flow decreased year-on-year due to a decrease in profit before tax and an increase in trade receivables.
- Cash used in investing activities increased due to investments in the development of cloud services.
- As a result, free cash flow also decreased, resulting in cash of 395 million .
- Cash balance at the end of the fiscal year increased year-on-year due in part to short-term borrowings.

CHAPTER 2

Results Forecast for FY12/2022

Forecast of Consolidated Results

| (Millions of yen) | FY2022 Full-year forecast | FY2021 Full-year | YoY change | FY2022 1H Forecast | FY2021 1H | YoY change |
|---|------------------------------|---------------------|------------|-----------------------|--------------|------------|
| Revenue | 12,300 | 20,652 | -8,352 | 5,800 | 9,937 | -4,137 |
| Cost of sales | 5,500 | 5,753 | -253 | 2,600 | 2,867 | -267 |
| Gross profit (loss) | 6,800 | 14,898 | -8,098 | 3,200 | 7,070 | -3,870 |
| SG&A expenses, etc. | 11,600 | 11,503 | +97 | 5,800 | 5,827 | -27 |
| Operating profit (loss) | -4,800 | 3,395 | -8,195 | -2,600 | 1,243 | -3,843 |
| Profit (loss) before tax | -4,800 | 3,233 | -8,033 | -2,600 | 1,239 | -3,839 |
| Profit (loss) attributable to owners of the parent | -5,000 | 2,173 | -7,173 | -2,700 | 795 | -3,495 |
| Basic earnings per share | -56.62 yen | 24.72 yen | - | -30.60 yen | 9.05 yen | - |

- The reasons for the sharp decrease in revenue will be explained on the next page.

Key Points of Revenue

While the business is in good condition, cloud-based software, which is recorded as monthly sales, becomes the main product, resulting in a significant decrease in sales.

Business Conditions

The number of users is trending upward, and will **continue to grow** in 2022

Changes from 2022

Change the main product for software sales

Conventional software "NS Series"

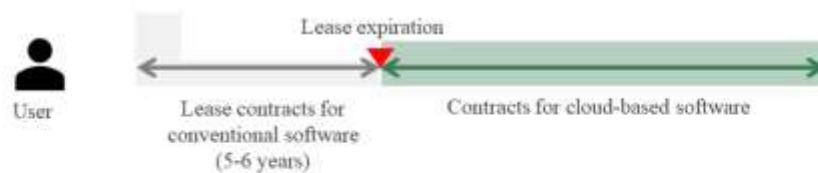
Sales recorded as Multi-year lump-sum

Cloud software ".c Series"

Sales recorded on a monthly basis

Amount of impact
Approx.
-8 billion
yen

Transition of users of conventional software to cloud-based software will be sequentially implemented in line with the expiration of previous lease contracts (5-6 years)



- Business conditions will continue to be favorable in 2022.
- Meanwhile, the main product for software sales will be changed to new cloud-based software, ".c Series."
- The Company will provide cloud-based software to clients at the timing of expiration of lease contracts for the conventional software, ".NS Series."
- The Company will record sales of ".c Series" on a monthly basis regardless of the type of contract the client chooses.
- In 2022, cloud-based software will account for the majority of total software sales. About 8 billion yen negative impact on sales will occur compared to the case where conventional software is sold under multi-year lease contracts.
- Business conditions will continue to be favorable, but sales of cloud-based software, a mainstay product, will decrease significantly since the sales is recorded on a monthly basis.

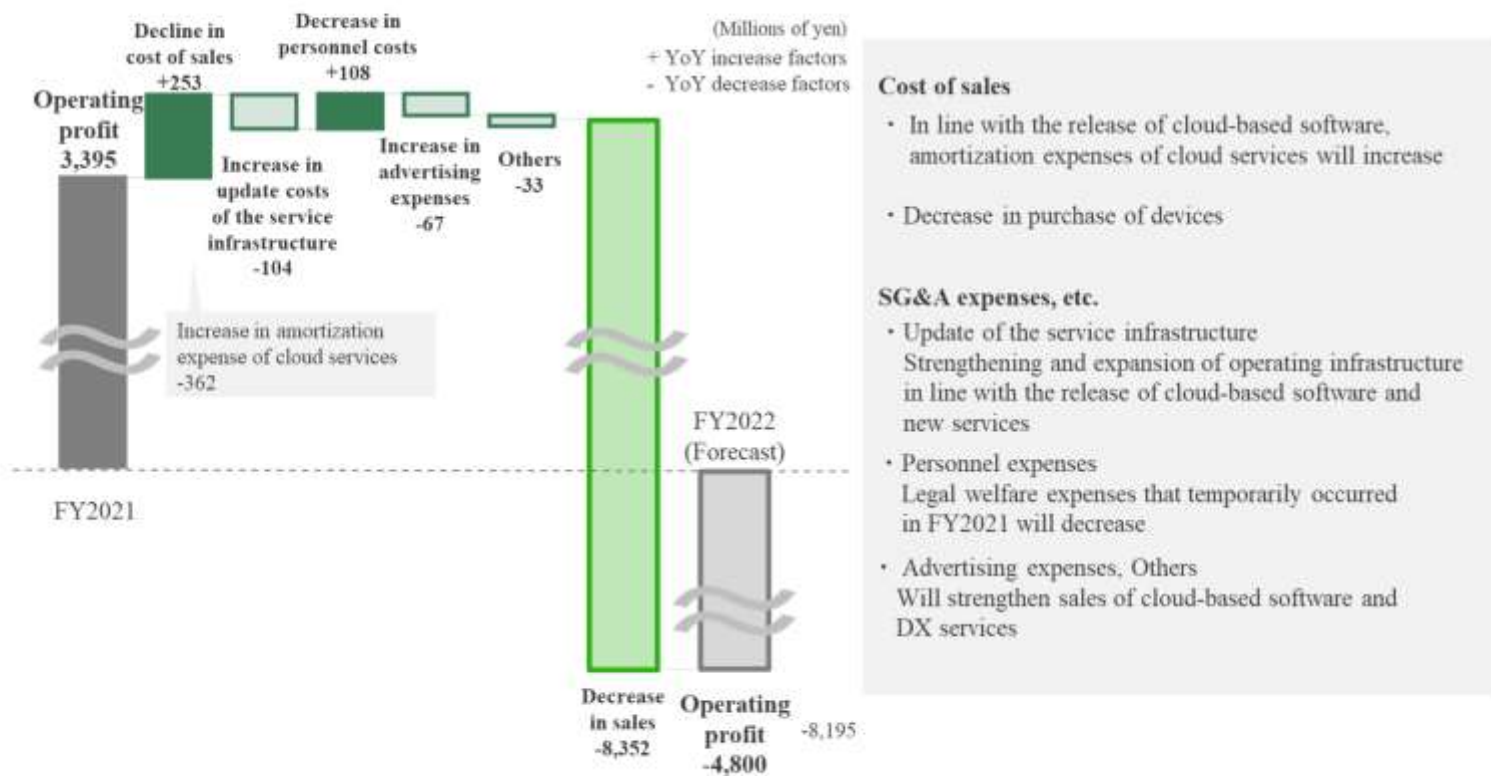
Forecast by Revenue Categories

| (Millions of yen) | FY2022 Full-year forecast | FY2021 Full-year | YoY change | YoY ratio | FY2022 1H forecast | FY2021 1H | YoY change | YoY ratio |
|--------------------|---------------------------------|---------------------|---------------|---------------|-----------------------|--------------|---------------|---------------|
| Platform | 9,800 | 11,479 | -1,679 | -14.6% | 4,620 | 5,552 | -932 | -16.8% |
| SaaS | 1,440 | 858 | +582 | +67.8% | 470 | 398 | +72 | +18.2% |
| PaaS/IaaS (basic) | 5,400 | 7,830 | -2,430 | -31.0% | 2,700 | 3,793 | -1,093 | -28.8% |
| EDI and settlement | 710 | 702 | +8 | +1.1% | 340 | 346 | -6 | -1.6% |
| Support | 1,830 | 1,866 | -36 | -2.0% | 920 | 912 | +8 | +0.9% |
| DX | 420 | 222 | +198 | +89.1% | 190 | 104 | +86 | +82.2% |
| Application | 2,500 | 9,173 | -6,673 | -72.7% | 1,180 | 4,385 | -3,205 | -73.1% |
| By industry | 1,600 | 7,868 | -6,268 | -79.7% | 750 | 3,828 | -3,078 | -80.4% |
| OTRS | 250 | 223 | +27 | +12.0% | 120 | 138 | -18 | -13.0% |
| Devices | 650 | 1,082 | -432 | -39.9% | 310 | 419 | -109 | -26.1% |
| Total | 12,300 | 20,652 | -8,352 | -40.4% | 5,800 | 9,937 | -4,137 | -41.6% |

NOTE) The breakdown of Application sales has been retroactively changed to reflect the launch of sales of cloud-based software.

- The majority of software sales are cloud-based software, so sales of SaaS will increase.
- Sales growth will accelerate in the 2H because sales in the 1H will become stock revenue.
- Sales will decline in both Platform "PaaS/IaaS (basic)" and Application "By industry" which consist of conventional software sales.
- Negative impact of about 8 billion yen corresponds to this portion.
- Monthly support services for cloud-based software are included in SaaS. Therefore, sales of "Support" will also decrease as transition from conventional software progresses.
- EDI and Settlement, which are sales of the ordering platform for auto parts, will be about the same level as the previous fiscal year.
- Sales of the Platform "DX," including website creation tools and groupware, will increase thanks to the tailwind of clients' response to DX.
- Device sales will decrease due to the transition to cloud-based software.

Breakdown of Changes in Operating Profit (Full-Year, YoY)



- Cost of sales will decrease by 253 million year-on-year. While amortization costs for cloud services will increase, purchases will decrease.
- Update costs for service infrastructure will increase as the Company enhances cloud-based software and platform-type services at the timing of release.
- Advertising expenses will increase due to the strengthening of sales of cloud-based software and new services.
- SG&A expenses, etc. will increase by 97 million yen.
- Operating profit is expected to decrease by 8,195 million yen due to the significant impact of the decline in sales in addition to the cost factors.

Key Points of the Balance Sheet

While trade receivables are expected to decrease, advances received are expected to increase, so financial soundness will be secured even if it will result in a net loss.

**Expected changes in the balance sheet
(Comparison with the end of 2021)**

| Assets | Liabilities |
|---|---|
| Trend of total assets is expected to go downward | Trend in advances received is expected to go upward (Lease contracts of cloud-based software) |
| No significant change in cash and deposits (Utilize advances received and available credit) | Trend of borrowings is expected to go upward (Utilization of available credit) |
| Trade receivables will be on a downward trend (Decrease due to recording of monthly sales) | |
| Intangible assets is expected to increase (Continue development of cloud services) | |
| | Equity |
| | Trend of total shareholders' equity is expected to go downward |
| | Retained earnings is expected to decrease |

In the case of lease contract, the Company receives a lump sum payment for 5 years

Supplemental information

- Two patterns of contracts for cloud-based software "5-year lease contract" and "monthly subscription contract"
- Majority are expected to be sold under "5-year lease contract"
- Even if the majority of the contracts consist of monthly subscription contracts, there is no concerns about working capital since the Company will utilize existing available credit

- Cloud-based software ".c Series" can be selected from a monthly subscription contract and a 5-year lease contract.
- The majority of clients are expected to choose lease contracts, as before.
- For cloud-based software, even in the case of lease contracts, sales are recorded on a monthly basis. Cash for 5 years are received in a lump sum at the time of conclusion of the contract.
- Cash flows is not expected to change largely compared to 2021 and before.
- Even if majority of the clients choose monthly subscription contracts, there are no concerns about a shortage in working capital, since the Company will utilize the existing available credit.
- In the balance sheet, while trade receivables are expected to decrease, advances received are expected to increase.
- Equity will decrease due to the expected loss. Still, there will be no problem with financial soundness.

Dividend forecast

Dividend per share

| (Yen) | FY2020 | FY2021 (Year-end is forecast) | FY2022 (Forecast) |
|-----------------------|--------|----------------------------------|----------------------|
| Interim | 6.60 | 4.00 | Undecided |
| Year-end | 6.60 | 4.70 | Undecided |
| Annual | 13.20 | 8.70 | Undecided |
| Dividend payout ratio | 46.9% | 35.2% | — |

FY2021 Year-end dividend

- Profit exceeded the forecast
- Year-end dividend increases by 0.7 yen from the previous forecast, and the Company plans to pay 4.7 yen per share

FY2022 Dividends

- Undecided
- 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

- The year-end dividend for FY12/2021 will be 4.7 yen, an increase of 0.7 yen from the previous forecast of 4.0 yen per share, since the profit exceeded the forecast.
- Annual dividend will be 8.7 yen per year.
- Dividend forecast for FY12/2022 is currently "undecided."
- In principle, dividends are linked to performance, but the dividend forecast will be determined in light of the progress made in the medium-term management plan and the status of retained earnings. The forecast will be promptly announced as soon as the Company becomes able to announce the forecast.

CHAPTER 3

Medium-term Management Plan (2022-2028)

Background of Formulation of the Plan

Updated the medium-term management policy announced in 2021 and formulated a performance plan up to 2028 in accordance with the launch of ".c Series," cloud-based software.

February 2021 Announced the mid-term management policy

Establishment of growth strategies and priority measures under the theme of "2 DX"

DX (1) Promote clients' digital transformation

DX (2) Add values to its service infrastructure as the Data Exchanger

October 2021 Released ".c Series," cloud-based software

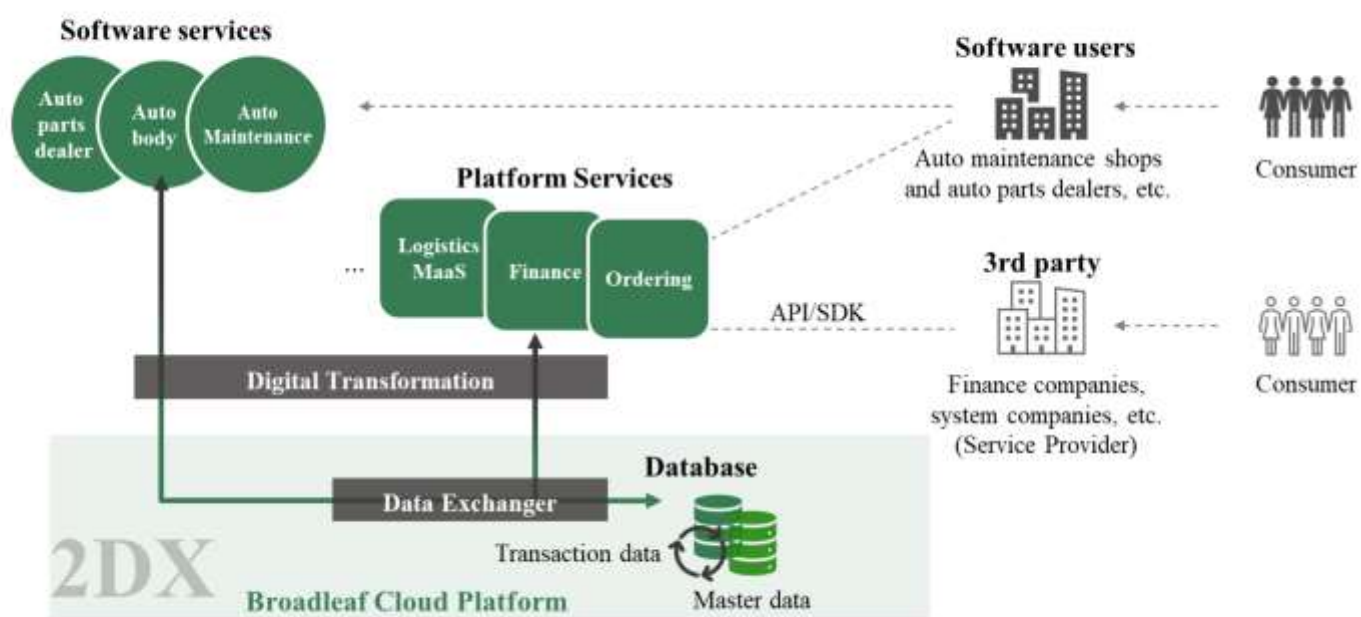
Started offering from 2022. The transition from conventional software is expected to be completed in 2028.

February 2022 Announced medium-term management plan (2022-2028)

Updated the medium-term management policy announced in 2021 and formulated a performance plan up to 2028

- Background for the formulation of the new medium-term management plan is as follows.
- The Company announced management policy from 2021 in February 2021. Performance plan was not announced at this point since it was before the release of cloud-based software, ".c Series."
- Cloud-based software was released in October 2021. The Company will start providing services to clients in 2022.
- Therefore, the Company updated priority measures that have been underway since 2021 and newly formulated performance plan as well.
- Starting in 2022, clients for conventional software will gradually transit to cloud-based software. Completion of the transition are expected to be in FY2028, so the Company formulated a plan up to FY2028.

Growth strategy

Growth strategy ①
Cloud penetrationGrowth strategy ②
Expansion of services

- Growth strategy is "Cloud penetration" and "Expansion of services"
- The Company's services use "Broadleaf Cloud Platform" as the common infrastructure.
- Priority measures for Growth Strategy ① "Cloud Penetration" are to raise the installation rate of the mainstay cloud-based software, ".c Series."
- Growth Strategy ② "Expansion of services" focuses on enhancing IT services that are essential to clients' business operations, placing cloud-based software at the core.
- "Broadleaf Cloud Platform" provides a variety of APIs that allow third-party services, such as third-party software, to be offered as a one-stop service.
- The Company will promote these priority measures from the perspective of the "2 DX."
- The first DX is digital transformation.
The Company will contribute to construction of clients' business base that will lead to the creation of new value by promoting clients' digital transformation (DX).
- The second DX is Data Exchanger.
The Company will enhance the added value of its services by collecting and analyzing data obtained not only from clients using software, but also from 3rd parties, on its unique cloud infrastructure "Broadleaf Cloud Platform."
- Data will become the added value of its services, and further data will be accumulated.
Through these processes, "Eco-Cycle" of data will be generated as a new source of value.

Consolidated Performance Plan

Record-high performance in 2026 is a milestone, continuing to grow as transition to stock revenue continues. The Company aims to achieve operating margin of 40% and profit of 8 billion yen in 2028.

| (Billions of yen) | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 |
|---|--------|--------|--------|--------|--------|--------|--------|
| Revenue | 12.3 | 14.7 | 18.5 | 22.0 | 25.5 | 29.0 | 32.5 |
| Operating profit (loss) | -4.8 | -2.7 | 1.0 | 3.3 | 6.7 | 10.0 | 13.0 |
| Operating margin | -- | -- | 5% | 15% | 25% | 34% | 40% |
| Profit (loss) attributable to owners of the parent | -5.0 | -2.9 | 0.6 | 2.0 | 4.2 | 6.3 | 8.0 |
| Equity attributable to owners of the parent | 20.0 | 17.5 | 18.0 | | | | |
| Percentage of equity attributable to owners of the parent | 60% | 50% | 52% | | | | |

- The Company will expand the functions of cloud-based software, ".c Series," which will become the mainstay product from 2022, through 2023, and expand the number of applicable client industries.
- Clients using conventional software will gradually transit to cloud-based software at the timing of expiration of existing lease contracts.
- This time, the Company announced performance plan up to 2028, when the transition for all clients is expected to be completed.
- The performance is expected to bottom out in 2022, return to profit in 2024, and hit a record high in 2026.
- When the transition to cloud-based software is completed in 2028, the operating margin is expected to be at the 40% level, and profit is expected to grow to 8 billion yen as well.
- The Company will record losses for the initial 2 years (2022-2023), but there will be no shortage of shareholders' equity, so there is no need for equity financing to strengthen its equity.

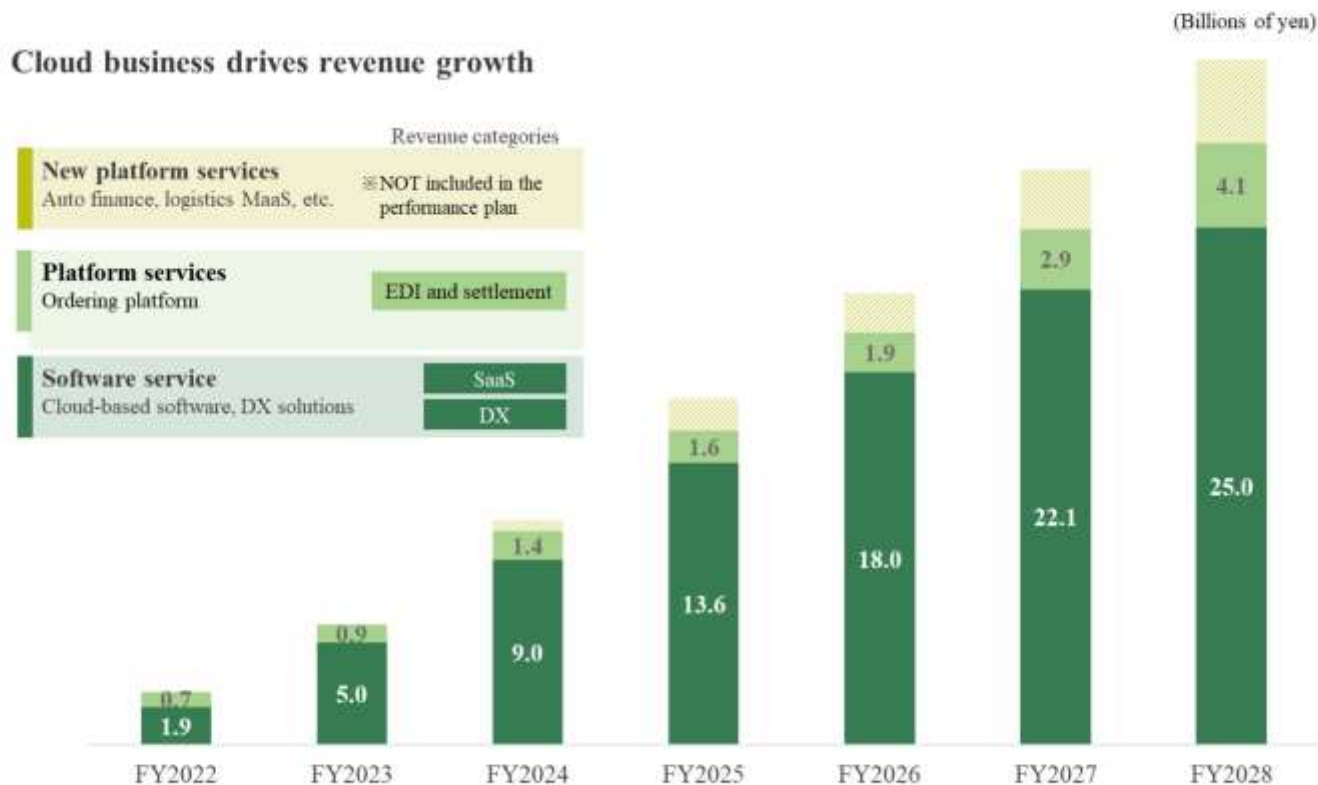
Revenue Plan by Business Categories

| (Billions of yen) | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Cloud business | 2.6 | 5.9 | 10.4 | 15.2 | 20.0 | 25.0 | 29.1 |
| Platform services | 0.7 | 0.9 | 1.4 | 1.6 | 1.9 | 2.9 | 4.1 |
| Software service | 1.9 | 5.0 | 9.0 | 13.6 | 18.0 | 22.1 | 25.0 |
| Conventional business | 9.7 | 8.8 | 8.1 | 6.8 | 5.5 | 4.0 | 3.4 |
| License sale | 1.9 | 1.6 | 1.6 | 1.6 | 1.6 | 1.5 | 1.5 |
| Ancillary services | 6.5 | 6.0 | 5.2 | 3.8 | 2.7 | 1.5 | 1.2 |
| Device sale, etc. | 1.3 | 1.2 | 1.3 | 1.4 | 1.3 | 1.1 | 0.7 |
| Total Revenue | 12.3 | 14.7 | 18.5 | 22.0 | 25.5 | 29.0 | 32.5 |

NOTE) Please refer to page 39 for a comparison between the breakdown of FY2022 sales forecasts and sales forecasts by revenue category.

- Cloud business does not solely consist of cloud-based software, but also consist of services that develop from "Broadleaf Cloud Platform."
- Cloud business is broadly divided into Platform services and Software service (SaaS).
- The provision of ".c Series," cloud-based software, which is included in Software service, will drive the growth of cloud business.
- Conventional business mainly consists of sales of conventional software.
- From 2022 to 2023 is the early stages of transition from conventional business to cloud business.
- Since conventional business already has a stock revenue, the scale of sales stays large at the early stages of transition.
- As the transition of sales to cloud business progresses, including the stock revenue portion of conventional business, the growth of the cloud business will accelerate.

Revenue Trend in Cloud Business

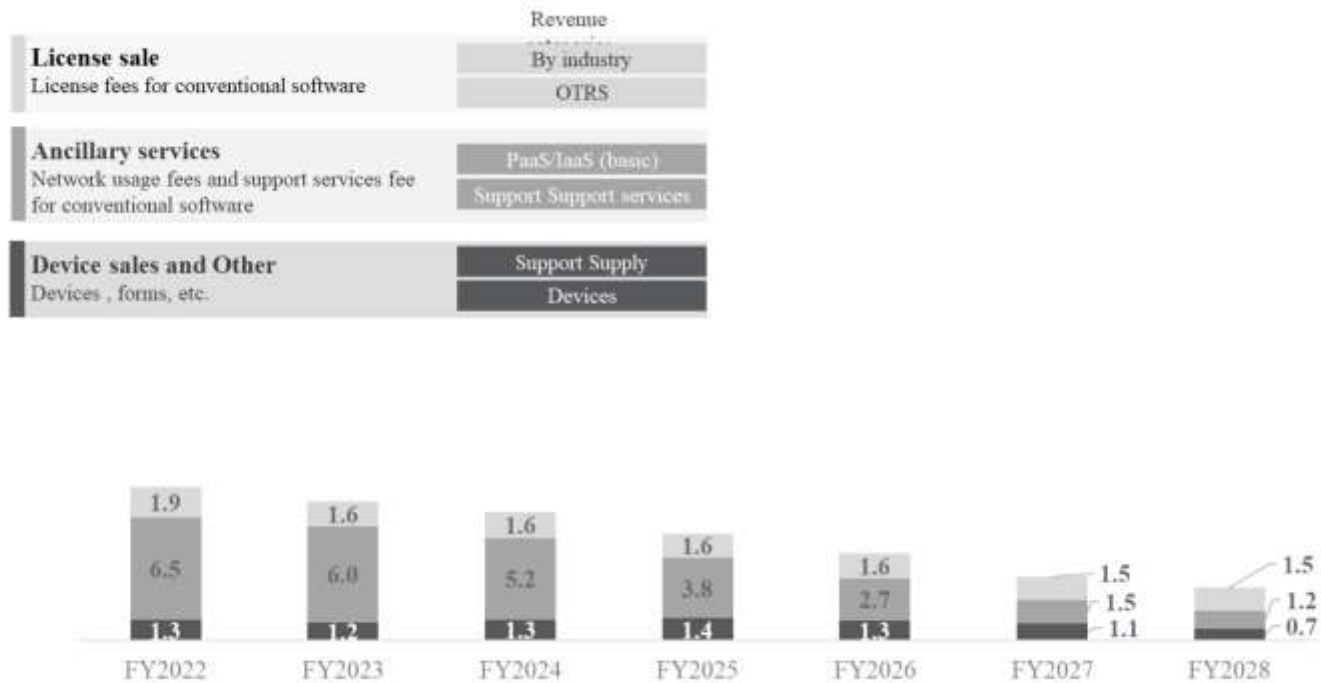


- Software service consists of cloud-based software, ".c Series," and various DX solutions such as groupware.
- A certain number of clients using conventional software will transit to cloud-based software every year, and market share is expected to expand as well due to high product competitiveness.
- Revenue will continue to increase due to progress in transition to stock revenue.
- The shaded green graph corresponds to this, which will drive the growth in revenue.
- For Platform services, sales of the ordering platform will also grow.
- The Company expects penetration of ordering platform in line with transition to cloud-based software. The Company will promote the adoption of the ordering platform as an industry standard for sales and purchase transaction of auto parts.
- The Company will also promote the development of new platform services which utilize "Broadleaf Cloud Platform" as the starting point, which are not included in the performance plan.
- The Company will provide new services that become upper factors for revenue plan in the future.

Revenue Trend in Previous Business

(Billions of yen)

As cloud business progresses, revenue of conventional business is expected to shrink.



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- Conventional business will shrink along with transition to cloud business.
- The Company has a lineup of software for multiple industries, and there are some conventional software for which cloud development is undecided, so license sales for conventional software are not expected to become zero in terms of revenue plan.
- Since ancillary services are monthly sales, the sales will be reduced over a certain period of time along with transition to cloud-based software, and those sales will transit to cloud business.
- PC sales are expected to decline due to transition to cloud-based software, and sales of forms and printers are also expected to decline due to the trend toward paperless operations.
- Device sale is a low-margin business.
- Promotion of transition to a cloud business which has a higher marginal profit ratio will lead to the acceleration of profit.

Growth Strategy ① Penetration of cloud-based products (1)

Key to achieving the performance target is the penetration of ".c Series," cloud-based software

Key Factors for Success



= **Cloud transition rate** (Rate of transition to cloud-based software)



= **Number of licenses** × **Average monthly license fee** × **(1 - churn rate)**

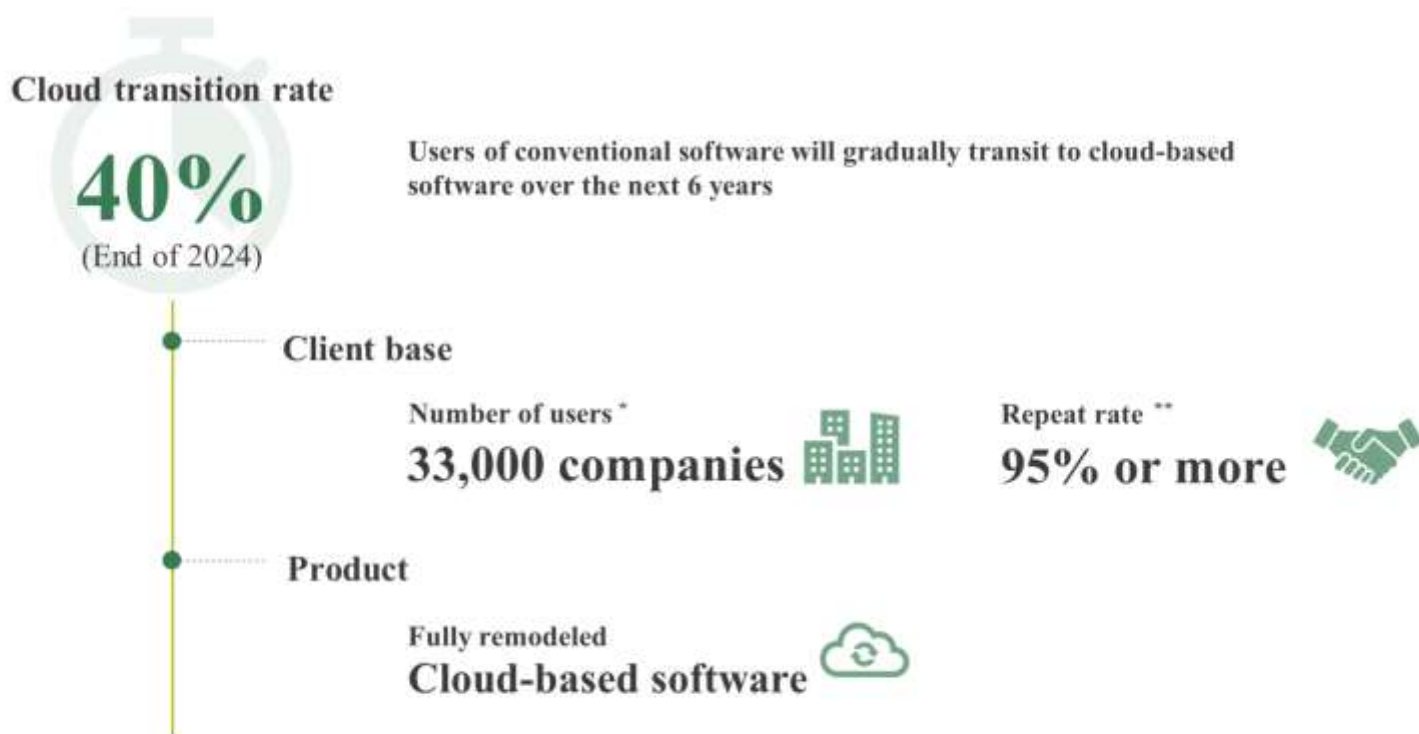
Total number of licenses
for cloud-based software

Monthly sales per license
for cloud-based software

Average churn rate per
year for cloud-based
software

- Penetration of ".c Series," cloud-based software, is the most important factor in achieving revenue plan.
- The Company sets four key indicators to watch the progress of penetration measures.
- One is the cloud transition rate.
This is mainly a determinant of the time-line.
- The number of cloud-based software licenses, average monthly license fee, and churn rate are factors that determine the amount of sales.
- These four indicators shows set values at a particular point of time in the future, and actual results will be disclosed at an appropriate timing.

Growth Strategy ① Penetration of cloud-based products (2)



- The total number of users of the Company's software is 38,000 companies. The target of ".c Series," cloud-based software, is 33,000 companies. The target include four industries: auto maintenance shops, auto body shops, auto parts dealers, and recycling shops.
- One of the assumptions for 2024 revenue plan is that 40% of the 33,000 companies will transit to cloud-based software by the end of 2024.
- In order to realize the rate of 40%, the Company will make clients transit to cloud-based software in line with the expiration of lease contracts for conventional software.
- The percentage of users repeating the use of conventional software is over 95%.
- Since cloud-based software has better merchantability and is easier to install, the Company expects nearly all of the users to adopt cloud-based software unless there are special reasons like closing of business.
- This is the reason the Company adopts "cloud transition rate" as a time-line indicator, and in the future, actual results will be announced at an appropriate timing.

Growth Strategy ① Penetration of cloud-based products (3)



*Number of companies and personnel in auto maintenance shops, auto body shops, auto parts dealers, and recycle shops

- The license system for “.c Series,” cloud-based software, is different from conventional software.
- For conventional software, one PC was necessary for installing one license. Consequently, majority of the companies adopted one license per company or store.
- Since cloud-based software is a terminal-free web app, license can be distributed to each individuals based on the end users’ ID accounts.
- As a result, the way of thinking of the target clients changes from the number of companies or stores to the number of personnel.
- In the target four industries, the number of companies is more than 0.1 million, while the number of personnel is more than five times the number of companies.
- The Company optimized set price and assumed number of sales for each target company after carefully investigating the number of employees and its occupational mix.
- There are various types of licenses according to the combination of industries and jobs, as well as the size of a company. Although the unit price varies according to the type of license, 24,000 licenses in total are expected to be provided by the end of 2024.
- The average monthly license fee in 2024 is expected to be 23,000 yen.
- Actual results for “number of licenses” and “monthly price” will be announced at an appropriate timing.

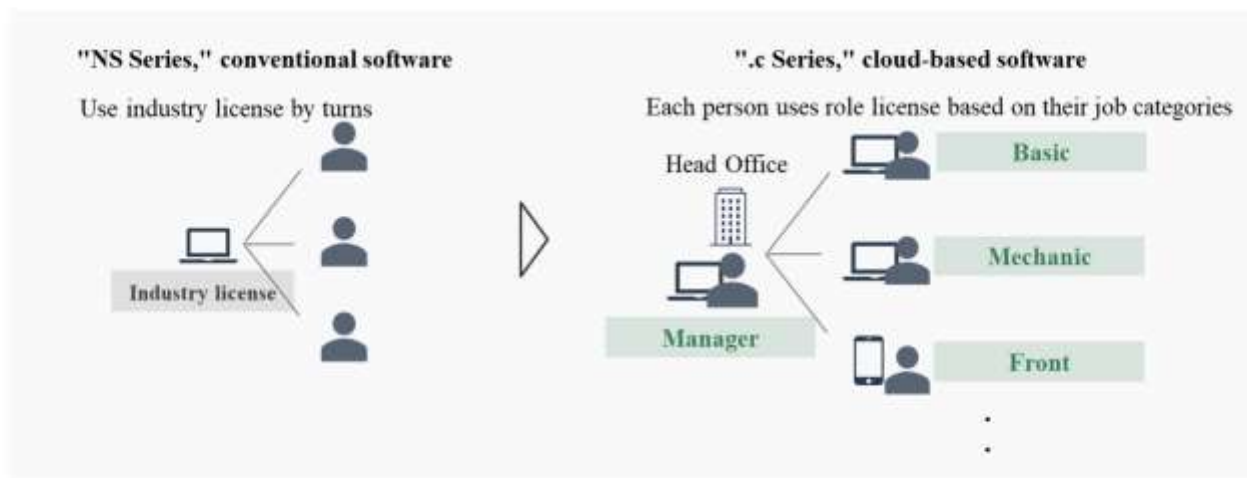
Growth Strategy ① Penetration of cloud-based products (4)

**Role license
based on each industry and job category**

- Role licenses * subdivided by job categories is set in addition to basic licenses for each industry

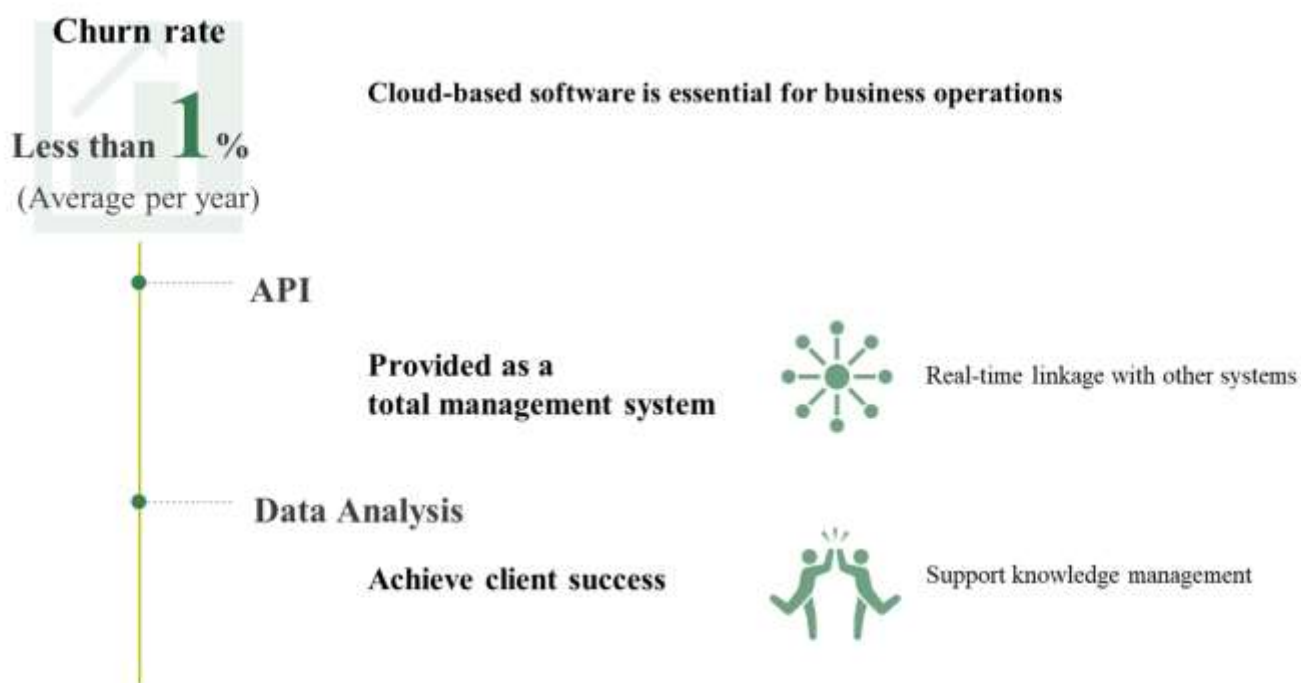
**Terminal free
since the software is running on the Web**

- Real-time integrated management of information and systems of each base is available at the headquarter.
- Portability that enables usage in any location



- Since cloud-based software is a terminal-free Web app, license can be distributed to each individuals based on the end users' ID accounts.
- "Basic pack," which is set according to each industry, will be installed to each store.
- The first person can use the software by using the "basic pack."
From the second person onward, "role license," which is a job type-specific license, needs to be adopted.
- In this figure, licenses for manager role, mechanic role, and front role are added in addition to the "basic pack," which add up to four licenses in total.
- The system is changed from the conventional system of one license per one store to the new system of one license for each employee in cloud-based software.
- Due to this change in the license system, the number of adopted licenses per store will increase compared to conventional software.

Growth Strategy ① Penetration of cloud-based products (5)



- For conventional software, the percentage of repeat users who renew the contract after expiration of the lease contract is 95% or more.
- Since renewal occurs every 6 years, when all users are considered as a parameter, the churn rate in one year is less than 1%.
- Cloud-based software “.c Series” is not a mere administrative system, but is positioned as a total management system that is indispensable to the business operations of clients. It is equipped with various functions and services that support clients’ business development.
- The churn rate for cloud-based software is expected to be extremely low because it will be used over a longer period than conventional software.

Growth Strategy ① Penetration of cloud-based products (6)

Single sign-on

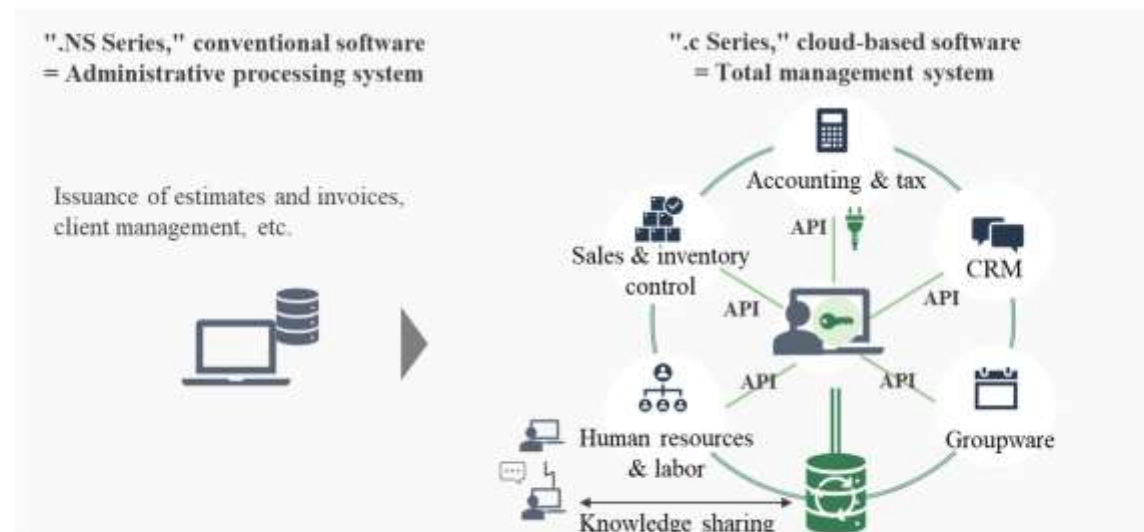
- Login to other systems with the same cloud-based software account ID

Real-time linkage by using the API

- Function linkage and data linkage

Analysis and sharing of the knowledge

- Support knowledge management based on the usage conditions, etc.

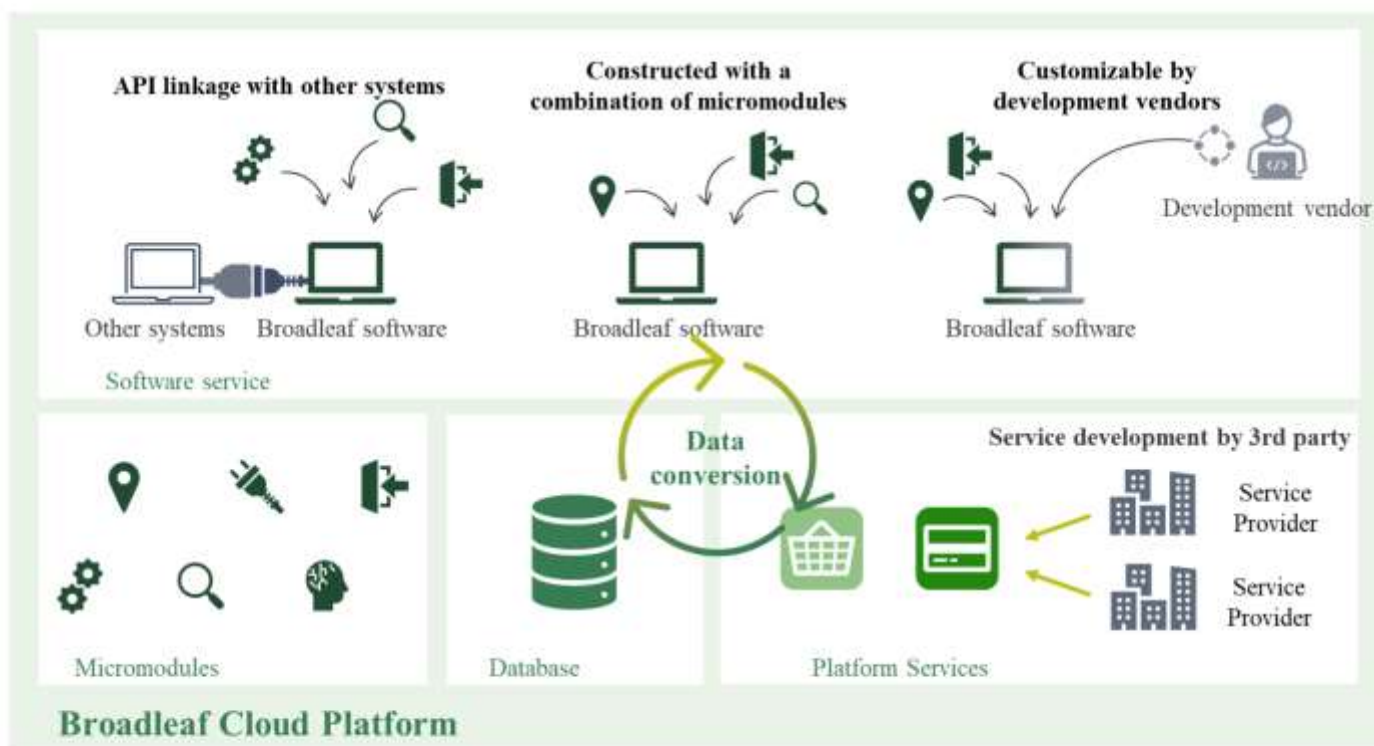


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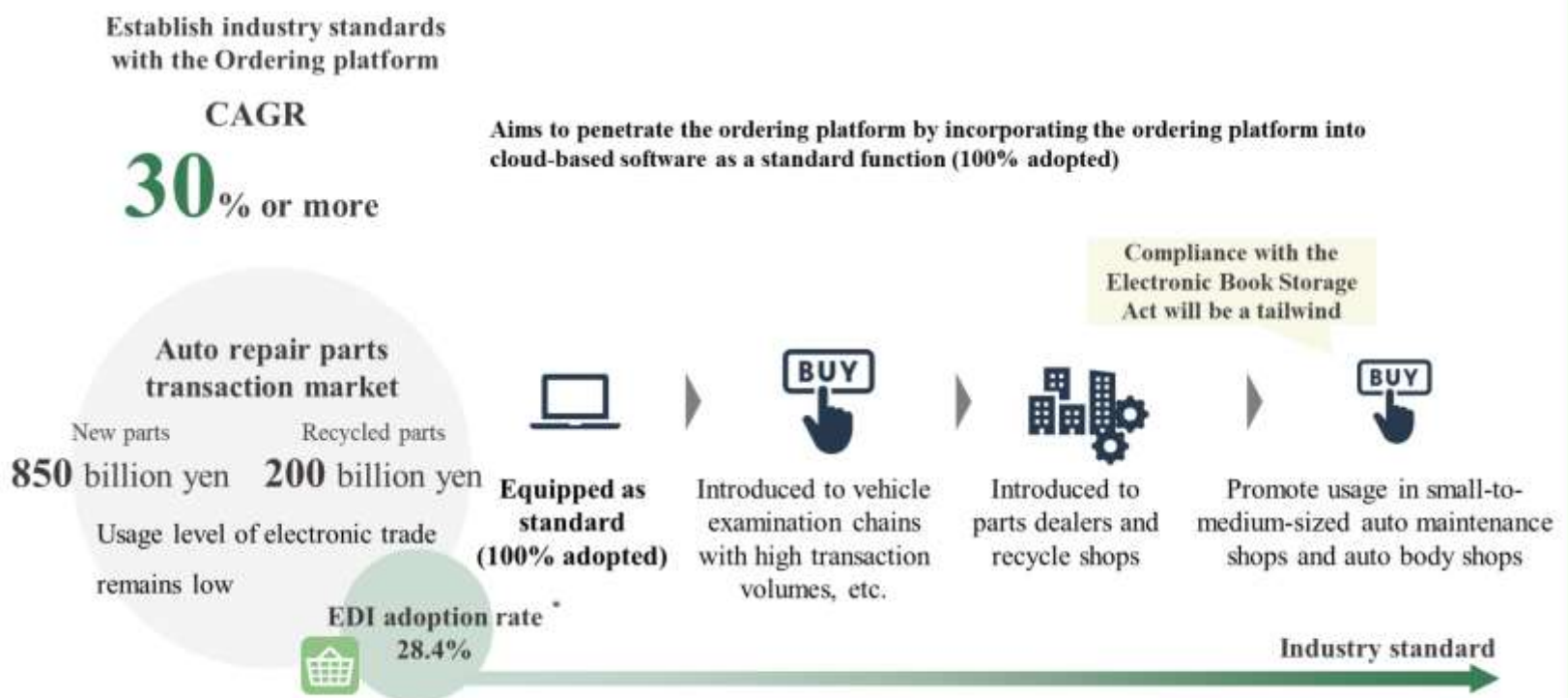
- Cloud-based software, ".c Series," can control other systems and external networks by closely linking with them through the API of "Broadleaf Cloud Platform."
- ".c Series" will play a key role in the enterprise system.
- Since ".c Series" has AI-based learning function, it learns operation method and process specific to each company, store, or ID, and organize them as a knowledge.
- ".c Series" accumulates knowledge significant for continuous and efficient business operations and realize knowledge sharing within the company and store.
- The Company shifts from the way of thinking of business processing system to the way of thinking of a total management system which becomes the core of clients' business, such as ERP.
- Another feature of cloud-based software is that it can easily establish system-to-system linkage, like ERP. This feature is expected to contribute to an increase in the number of licenses and an increase in the unit price per client.

Growth Strategy ② Expansion of Services (1)



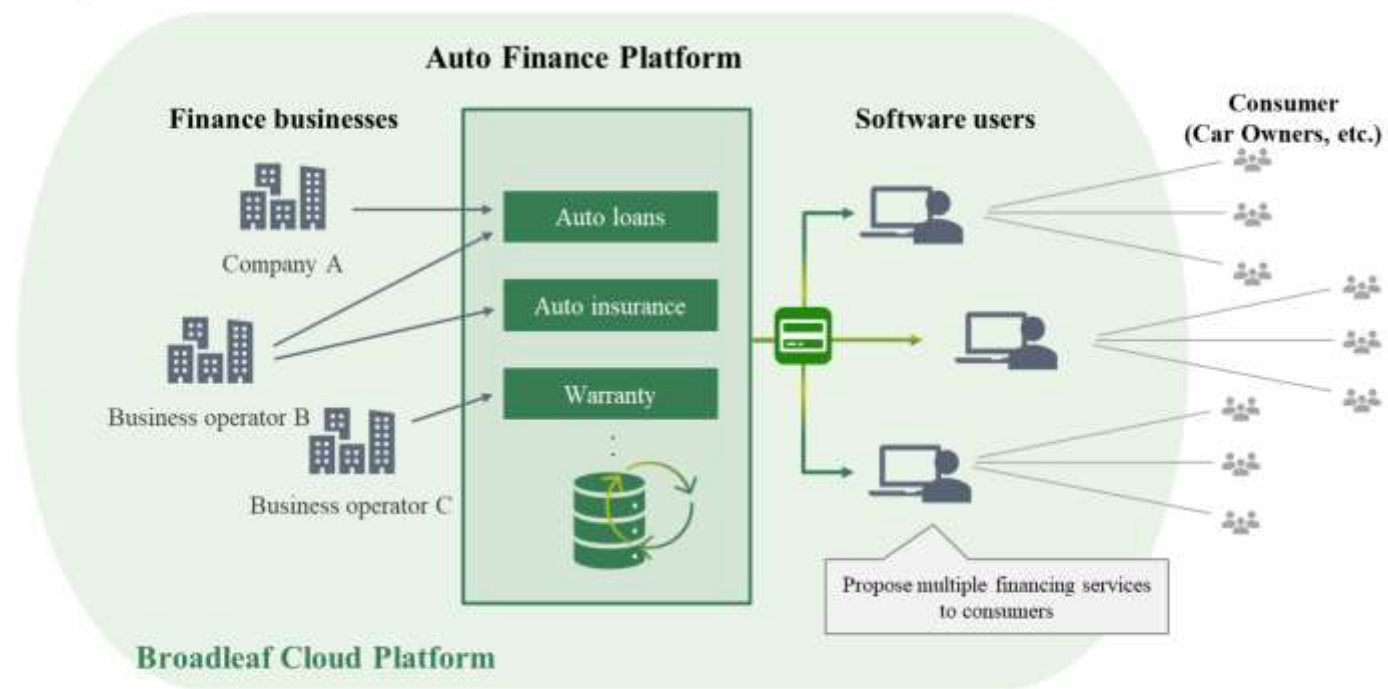
- “Broadleaf Cloud Platform” provides the required functions for IT-systems in the form of micro-modules.
- Since “Broadleaf Cloud Platform” has high scalability, it enables creation of services through combination of micromodules.
- Since the Platform is constructed from such modules, the Company can flexibly structure various software and provide them to its clients.
- It can be provided not only as software but also as module, and be used by the 3rd party as an API.
- Not only does it serve as the operating infrastructure for other companies’ software, but it also links their functions and data with the Company’s cloud-based software via API.
- System development companies can develop add-ons for the Company’s cloud-based software since development environment for the system is prepared as a kit.
- Development resources of 3rd party system companies become available, enabling the Company to respond to customization needs from major clients.
- The Platform is also equipped with system in which data is gathered from users other than the Company’s software users which will enhance the added value of services in a cyclical manner.
- With the architecture described above, the Company will develop new services based on "Broadleaf Cloud Platform."

Growth Strategy ② Expansion of Services (2)



- The ordering platform for auto repair parts is one of the platform services that the Company has been providing from the past.
- It is used when sales and purchase transactions are conducted between auto maintenance shop and auto parts dealer, between auto parts dealer and other auto parts dealer, or between recycling shop and auto parts dealer.
- The rate of client adopting the ordering platform are rising year by year, but the EDI adoption rate as of the end of 2021 was still 28.4%.
- In cloud-based software, “.c Series,” not only will the ordering platform be installed as a standard, but its linkage, operability, etc. will be enhanced as well. Therefore, usage frequency is expected to increase.
- Cloud-based software will be sequentially provided from auto maintenance shops which have been frequently using the ordering platform from the past.
- The Company will strategically promote expansion measures so that the use of the ordering platform will expand to auto parts dealers in response to the frequent use in auto maintenance shops, eventually expanding to small and medium-sized auto maintenance shops as well.
- Compliance with the Electronic Book Storage Act will also become an opportunity for promoting electronic sales and purchase transactions. The Company will accelerate sales at an annual growth rate of more than 30%.

Development of Auto Finance Platform



- In October 2021, the Company started collaboration with Toyota Finance and are preparing for the full-scale deployment of the auto finance business.
- The Company is planning to provide Toyota Finance's financial services to car dealers, auto maintenance shops, auto body shops, etc. that are users of the Company's software.
- Due to this measure, Toyota's auto financial services, which had previously provided only to Toyota-affiliated stores, will be available at non-affiliated companies which are the Company's users.
- The service is planned to be launched in the 1H of 2022.
- Eventually, by offering a variety of auto finance services of many financial companies, it will become a marketplace on "Broadleaf Cloud Platform."
- Since the Company already has many software users and many car owners who are a customer of its clients, it expects an increase in the total number of transactions by increasing the number of various finance products.

Policy for Allocating Management Resources

Concentrate all management resources on growth strategies of "Penetration of cloud-based products" and "Expansion of services"

Portfolio management

Implementation of portfolio management to realize optimal allocation of management resources

Economic value
(ROIC, sales growth rate, etc.)

+

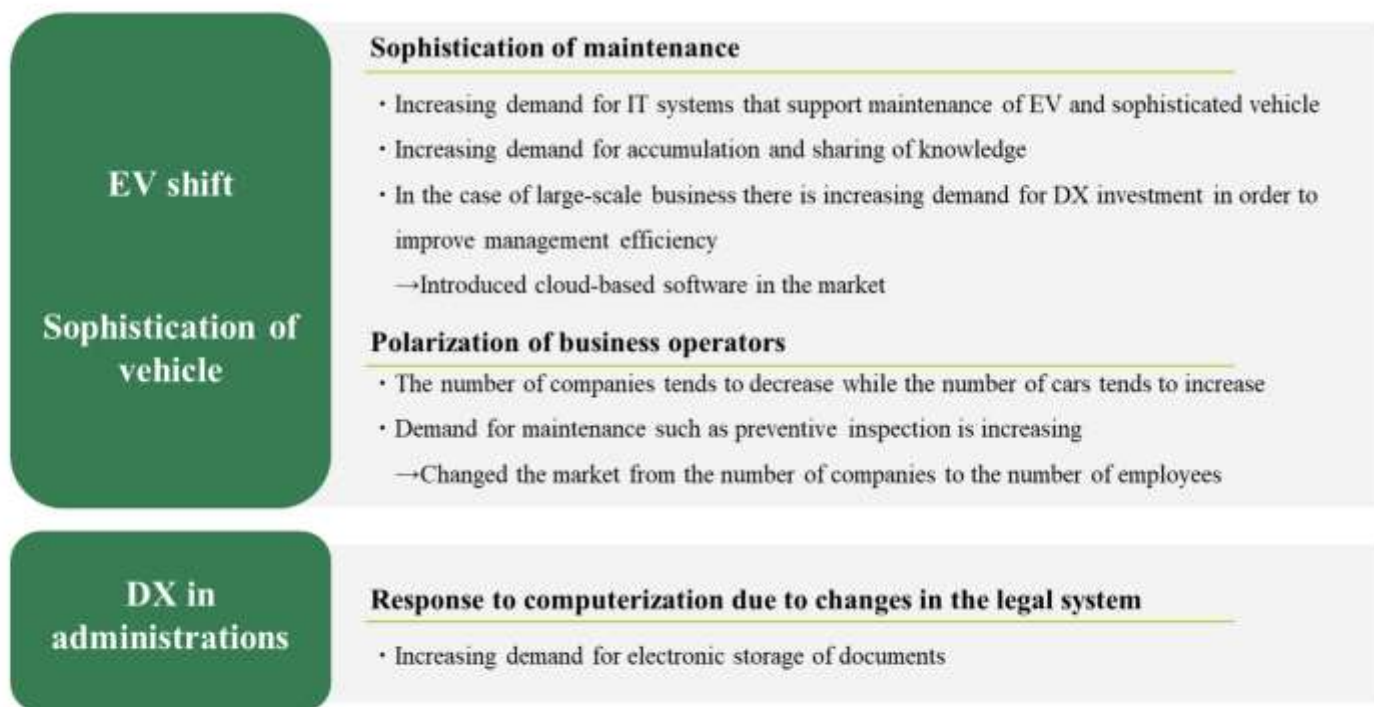
Market attractiveness and
the Company's strengths and advantages
(Market growth rate, market share, etc.)

**Investment in human capital and
intellectual property**

Recognize human resources and intellectual property as the core assets for realizing the Company's growth strategy, and make active investments in maximizing human capital and IP resources

- In order to promote both “Penetration of cloud-based products” and “Expansion of services,” strengthening of internal infrastructure in addition to strengthening of development and sales resources are necessary.
- In 2022 and 2023, while no profit is expected from an accounting perspective, the Company will maintain existing management resources in order to lead to acceleration of growth in the future.
- The Company will continue capital allocation with an emphasis on growth investments.
- The Company will conduct strict business management and aim to maximize management efficiency.

Environmental changes and their impact on the Company's business
 ~Automobility Industry ~



- In order to solve environmental issues such as climate change and social issues such as traffic accidents, the automobility industry and related administrations are undergoing significant changes.
- Typical initiatives include the shift of automobiles to EV.
- These changes are positive in terms of the Company's business environment.
- Investment in IT represented by DX is expected to increase in order for business operators in the automobility industry to respond to changes.
- The Company's client companies will continue to support the changing infrastructure of the automobility society.

Sustainability Policy

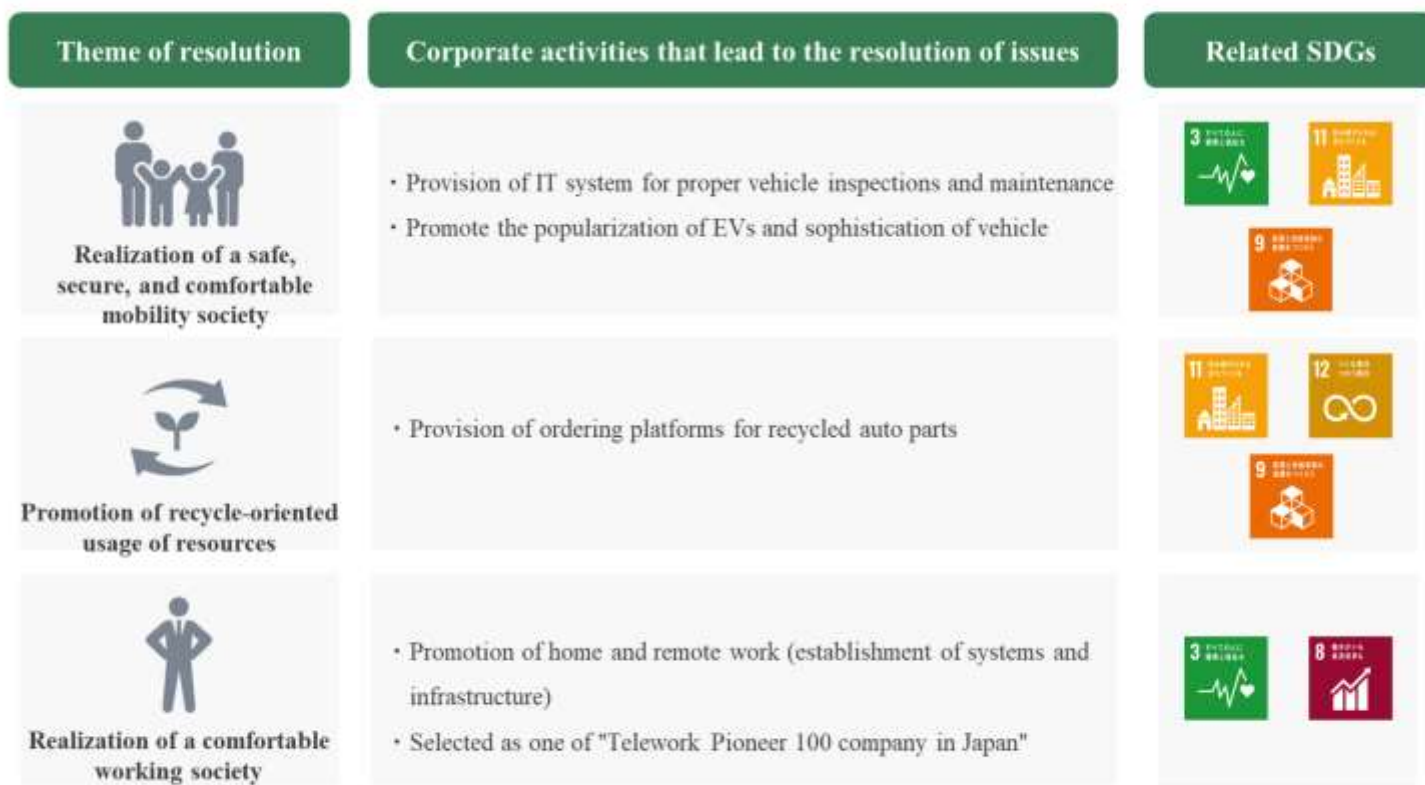
The Company aims to "realize a sustainable society" and "enhance its corporate value" through the practice of the ideas embodied in the "Corporate Philosophy" and "Origin of Company Name" of Broadleaf

Basic Policy

From a long-term perspective, the Company will strive to expand direct and indirect positive impacts (value creation) and reduce negative impacts (social responsibility) to various stakeholders by addressing priority issues, materiality, within "sustainability."

- The Company works to contribute to clients' business continuity and business creation
- The Company believes that striving to build an affluent society together with its clients will lead to the enhancement of its corporate value.
- Through its corporate activities, the Company will not only minimize the negative impact on the environment and society, but also work more actively with clients to promote activities that lead to the resolution of environmental issues and social issues.

Relationship between the Company's business and SDGs



- The Company indirectly contributes to resolution of issues since its business provides IT services to companies.
- Direct contact points with environmental and social issues are difficult to identify, but the Company will continue to promote activities while always being aware of the relationship between these issues.

Supplemental Information

Correspondence Table between Business Categories and Revenue Categories

Breakdown of FY2022 revenue forecast

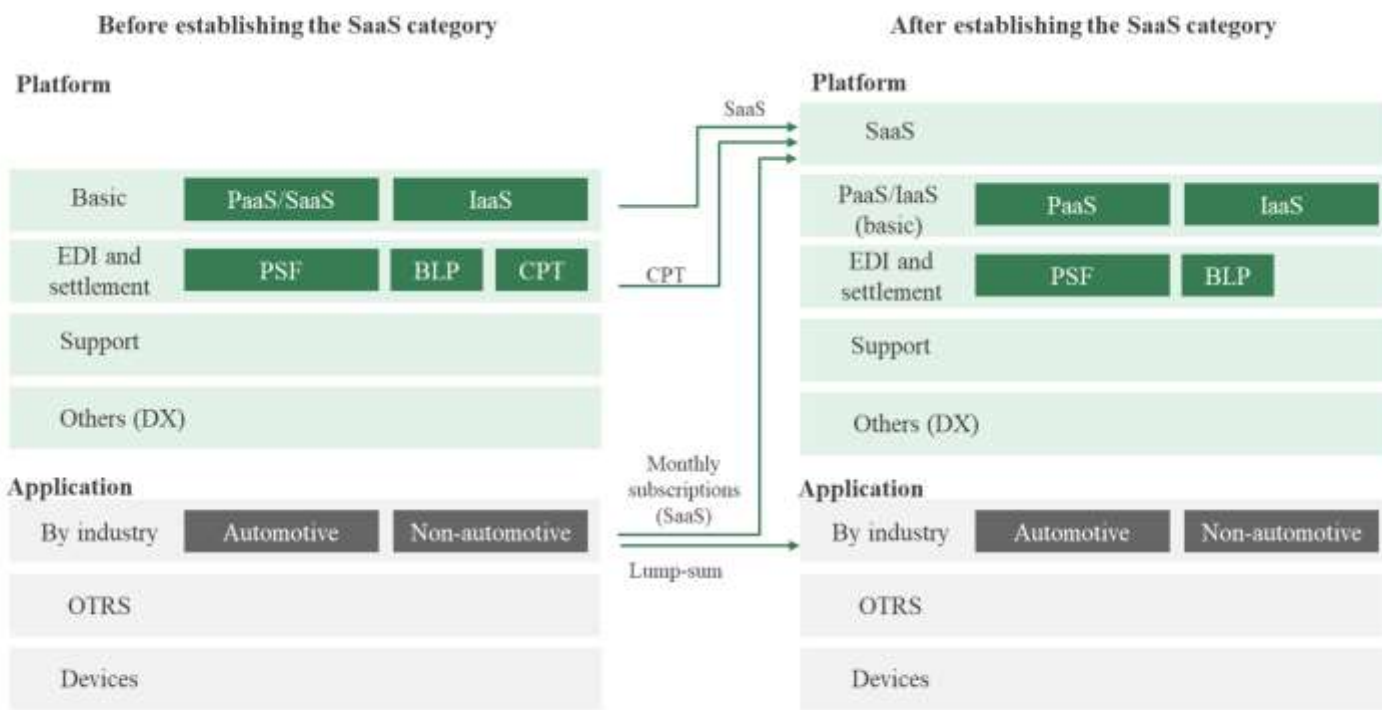
(Billions of yen)

| Business category | | Revenue category | | | |
|------------------------------|--------------------|------------------|-------------|--------------------------|----|
| Cloud business | | 26 | | | |
| | Platform services | 7 | Platform | EDI and settlement | 7 |
| | Software service | 19 | Platform | SaaS | 14 |
| | | | | DX | 4 |
| Conventional business | | 97 | | | |
| | License sale | 19 | Application | By industry | 16 |
| | | | | OTRS | 3 |
| | Ancillary services | 65 | Platform | PaaS/IaaS (basic) | 54 |
| | | | | Support Support services | 11 |
| | Device sale, etc. | 13 | Platform | Support Supplies | 6 |
| | | | Application | Devices | 7 |
| Total revenue | | 123 | | 123 | |

Details of Revenue Categories

| Major category | Category | | Details |
|----------------|--------------------|--|--|
| | Medium category | Small category | |
| Platform | SaaS | | <ul style="list-style-type: none"> • Provision of ".c Series," cloud-based software • Provision of ".NS Series" in a monthly subscription contract • Provision of "CarpodTab (CPT)," a tablet-type business terminal |
| | PaaS/IaaS (basic) | PaaS lump sum | • Provision of basic software and common functions of ".NS Series" |
| | | PaaS monthly | • Provision of database for ".NS Series" (auto parts, vehicles, and index information, tourist spot data, etc.) |
| | | IaaS monthly | • Provision of network server function required for the use of ".NS Series" |
| | EDI and settlement | PSF | • Provision of settlement agency services for "Parts Station NET," a network specialized in the transaction of recycled auto parts |
| | | BLP | • Provision of "BL Parts Order System," an ordering platform for auto parts |
| | Support | Support services | • Provision of support service and hardware maintenance service for clients using ".NS Series" |
| | | Supplies | • Sale of exclusive forms and OA supplies |
| Others (DX) | | • Provision of DX solutions such as website creation tools and groupware, etc. | |
| Application | By industry | | <ul style="list-style-type: none"> • Sale of ".NS Series" (excluding basic software) (Automotive category: auto maintenance shops, auto body shops, car dealers, auto parts dealers, auto glass shops, auto electrical equipment shops, recycling shops, etc.) (Non-automotive category: machine tool dealers, mobile phone distributors, travel agencies, sightseeing bus operators, etc.) |
| | OTRS | | • Sale of "OTRS", a work analysis and business optimization software |
| | Devices | | • Sale of devices such as PCs, printers, and peripheral devices, etc. |

Changes in Revenue Categories



Breakdown of Details by Revenue Categories (Full Year)

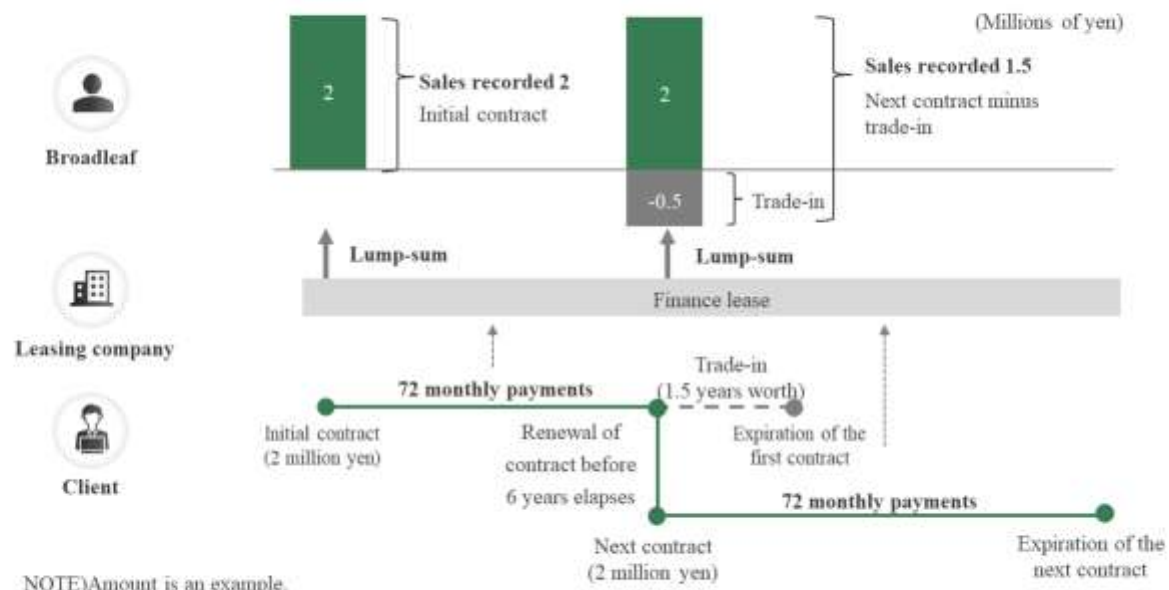
| (Millions of yen) | FY2021 | FY2020 | YoY change | YoY ratio |
|--------------------------------|--------|--------|------------|-----------|
| Platform | 11,479 | 10,692 | +786 | +7.4% |
| SaaS | 858 | 692 | +166 | +24.0% |
| PaaS/IaaS (basic) | 7,830 | 7,555 | +275 | +3.6% |
| PaaS (basic software/lump-sum) | 2,448 | 2,365 | +83 | +3.5% |
| PaaS (database/monthly) | 2,965 | 2,939 | +26 | +0.9% |
| IaaS (monthly) | 2,417 | 2,251 | +166 | +7.4% |
| EDI and settlement | 702 | 692 | +10 | +1.4% |
| PSF | 543 | 554 | -11 | -2.0% |
| BLP | 159 | 138 | +21 | +15.3% |
| Support | 1,866 | 1,596 | +270 | +16.9% |
| Support services | 1,083 | 878 | +205 | +23.3% |
| Supplies | 784 | 719 | +65 | +9.1% |
| Others (DX) | 222 | 157 | +65 | +41.6% |
| Application | 9,173 | 10,469 | -1,297 | -12.4% |
| By industry | 7,868 | 8,868 | -1,000 | -11.3% |
| Automotive | 6,779 | 7,607 | -828 | -10.9% |
| Non-automotive | 1,089 | 1,261 | -172 | -13.6% |
| OTRS | 223 | 204 | +20 | +9.6% |
| Devices | 1,082 | 1,398 | -316 | -22.6% |
| Total | 20,652 | 21,162 | -510 | -2.4% |

NOTE) The breakdown of Application sales has been retroactively changed in line with the launch of cloud-based software sales.

Sales Recognition in Lease Contract

Previous software ".NS Series" (for 6-year contracts)

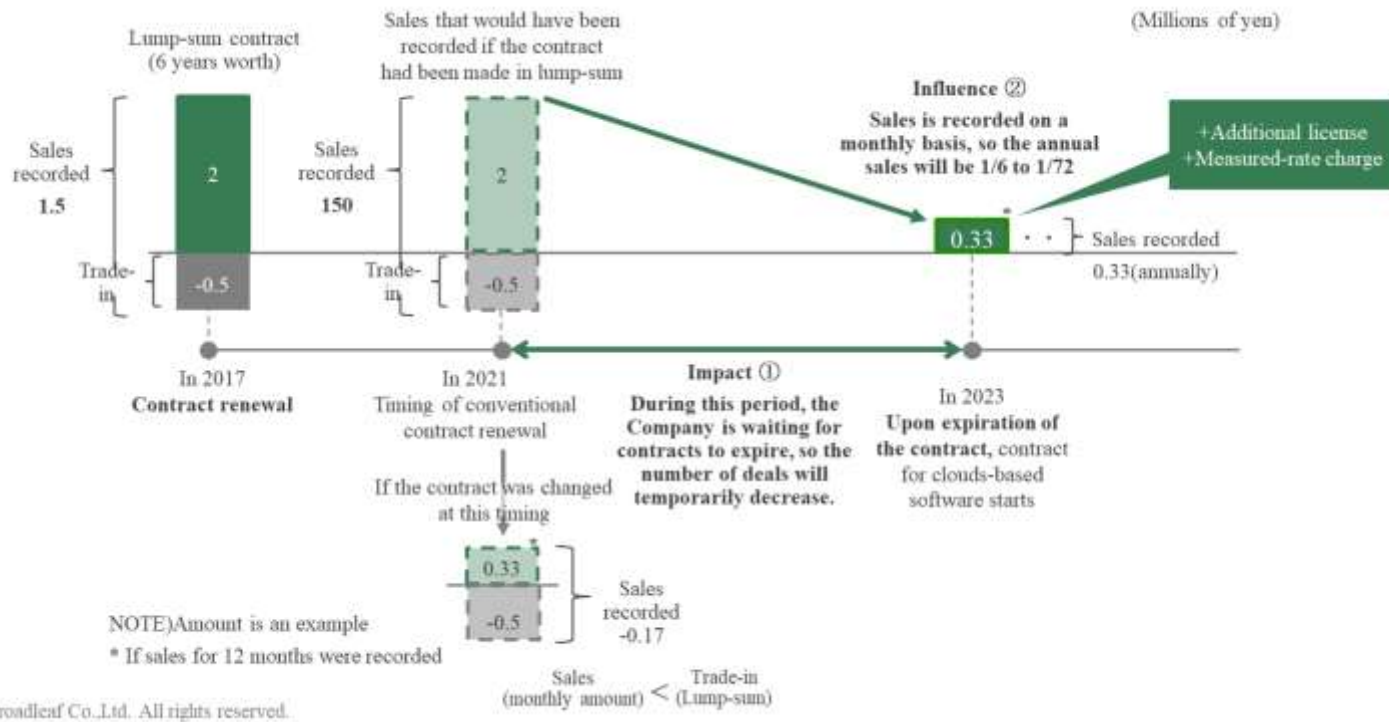
Most clients choose lease contracts. Prior to the expiration of the software rights purchase period (= lease period), the Company may trade in the remaining lease balance.



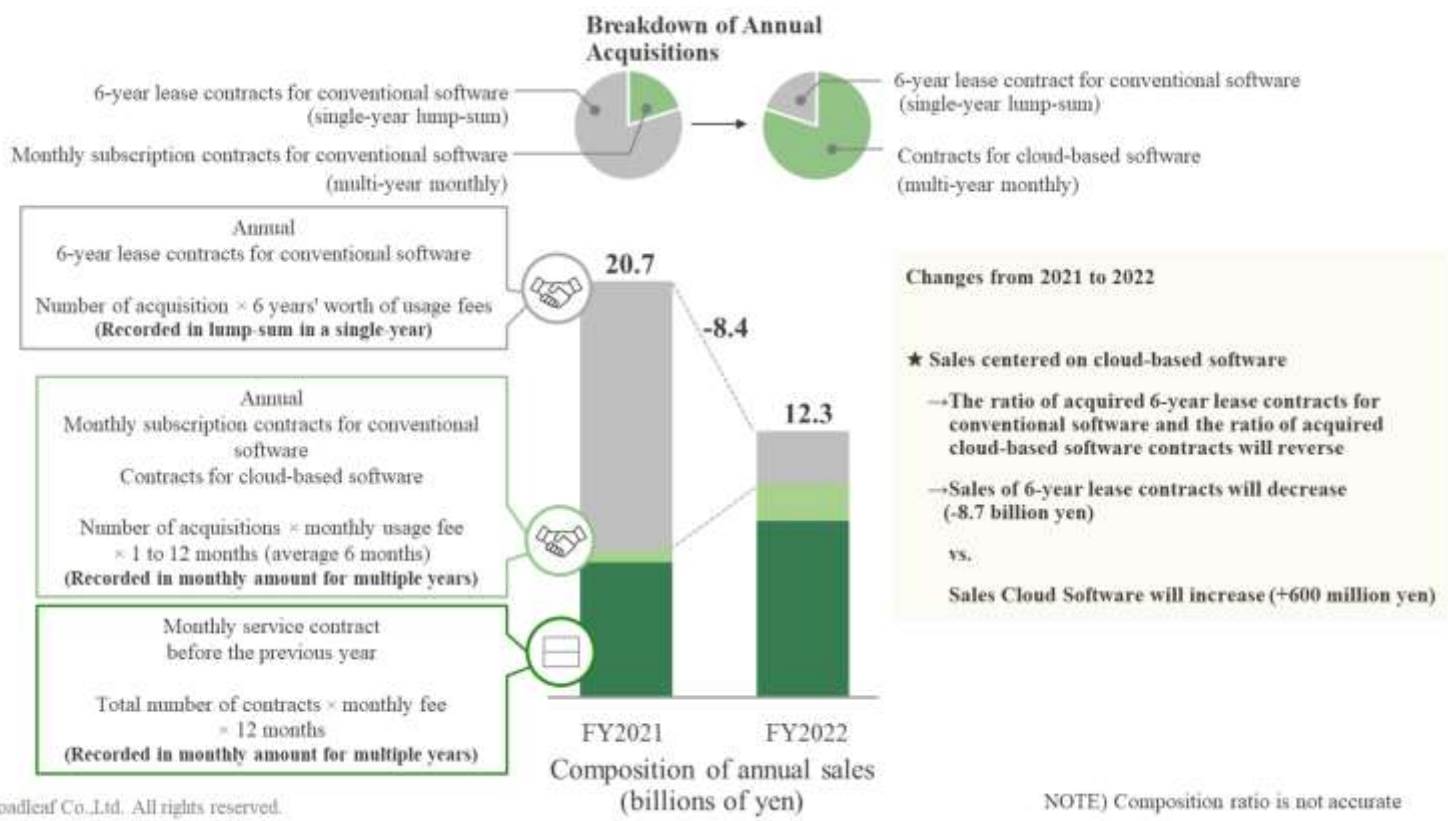
NOTE) Amount is an example.

Impact of Transition to Cloud-based Software

In the case where existing users with 6-year contract change to ".c Series" of cloud-based software (regardless of the type of contract)

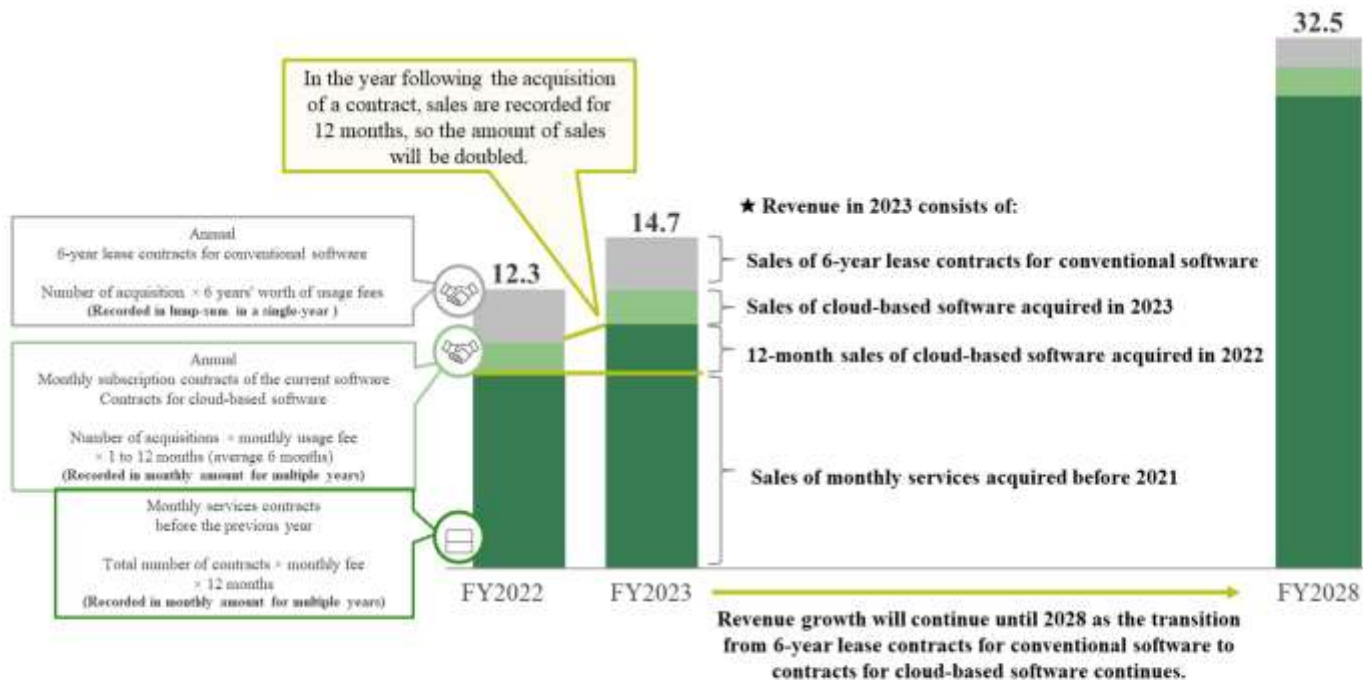


Reasons for the Decline in Revenue in 2022



Reasons for Continued Revenue Growth since 2023

(Billions of yen)



NOTE) Some conventional software is not planned to be transit to cloud-based software, and cloud-based software is recorded as monthly sales regardless of the type of contract.

Origin of the Corporate Philosophy and Company Name

"Gratitude and Happiness"

Broadleaf is promoting businesses that prosper together with clients, with the importance of the spirit of "gratitude and happiness", which is indispensable for deep ties between people and companies. When our products and services contribute to our clients' businesses, clients will feel satisfied about having connection with Broadleaf.

And We believe that the realization of daily growth in our businesses will create a sense of happiness.

With the hearts of clients, we will also be able to create "gratitude and happiness" that will lead to the provision of better products, services, and value to society.

Corporate Philosophy

Based on the spirit of "gratitude and happiness," we will develop business applications specializing in a wide range of industries and sectors, and contribute to the creation of our client' businesses by providing better products and services.

Origin of the company name

Broadleaf means just what it says – a broad leaf.

Broad leaves bathe in sunlight during spring and summer so that they can grow. In winter, the leaves and fruit fall from the tree and return to the ground as nutrients. This cycle creates a broader field in which a range of different plants and animals can live together.

We chose the name Broadleaf because we wanted to take a single leaf and plant it in the vast field of business, so that we can grow countless more leaves, produce fruit and keep on growing in the future, hand in hand with our customers and everyone else.

Corporate Profile

| | |
|-----------------------|--|
| Company Name | Broadleaf Co., Ltd |
| Representative | Kenji Oyama, Representative Director and President |
| Listed on | Listed on the First Section of Tokyo Stock Exchange (3673) *Planning to move to the Prime Market |
| Sector | Information and telecommunication |
| Founded/established | December 2005/September 2009 |
| Capital stock | 7.148 billion yen (consolidated) |
| Business Year | From January 1 to December 31 |
| Business Outline | <p>The Company offers a wide range of IT services, including its independently developed business software.</p> <p>In addition to providing business software that serves as core systems mainly to business operators in the automotive aftermarket industry, the Company delivers a variety of unique services including an ordering platform for auto parts and big data analysis as a one-stop service.</p> <p>Looking ahead to the future evolution of mobility society, the Company is also promoting research and studies related to the practical use of leading-edge technologies</p> |
| Head Office Location: | Floor 8, Glass Cube Shinagawa, 4-13-14 Higashi-Shinagawa, Shinagawa-ku, Tokyo |
| Domestic Offices | 28 Business Offices and 3 Development Centers in Japan |
| Major Subsidiaries | Tajima Inc. |

Disclaimer

The statements regarding results forecasts and future forecasts contained in this materials are forecasts based on information available at the time of preparation of the materials, so they 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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