



**3Q FY12/2020**

( from January 1,2020 to September 30, 2020 )

# Business Results Briefing

**November 4, 2020**



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\*Financial figures indicated in this material are based on consolidated accounting to which International Financial Reporting Standards (IFRS) are applied. The indicated figures are rounded off.

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Progress of the business results was favorable for the cumulative third quarter, and the Company promoted digital transformation (DX) of customers through webinars, etc.

<b>Business results</b>	<p>Revenue and profit decreased compared to previous financial year, but the progress toward full-year target is favorable.</p> <table> <tr> <td>Revenue</td><td>15,544 million yen (down 7.7% year on year) including monthly sales of 5,331 million yen (up 6.9% year on year)</td></tr> <tr> <td>Platform</td><td>7,440 million yen (down 1.8% year on year)</td></tr> <tr> <td>Application</td><td>8,104 million yen (down 12.5% year on year)</td></tr> <tr> <td>Operating profit</td><td>2,864 million yen (down 19.5% year on year)</td></tr> </table>	Revenue	15,544 million yen (down 7.7% year on year) including monthly sales of 5,331 million yen (up 6.9% year on year)	Platform	7,440 million yen (down 1.8% year on year)	Application	8,104 million yen (down 12.5% year on year)	Operating profit	2,864 million yen (down 19.5% year on year)
Revenue	15,544 million yen (down 7.7% year on year) including monthly sales of 5,331 million yen (up 6.9% year on year)								
Platform	7,440 million yen (down 1.8% year on year)								
Application	8,104 million yen (down 12.5% year on year)								
Operating profit	2,864 million yen (down 19.5% year on year)								
<b>Activities</b>	<p>Promoted penetration measures for DX of customers through webinars, etc. Conducted sales activities using both online and face-to-face style. The situation of prolonged business negotiation continued.</p>								
<b>Expense/ Investment</b>	<p>Controlled cost by reducing mainly advertising expenses and operating expenses. The development of cloud software generally progressed as planned. Strengthened the investment in order to secure the continuity of the service.</p>								
<b>Credit risk</b>	<p>Since the Company managed credit risk thoroughly, the impact of the materialization of credit risk is extremely small.</p>								

The impact of COVID-19 remained, and the trend of prolonged business negotiations continued in the third quarter (from July to September)

(¥ million)	FY2020 Cumulative 3Q	FY2019 Cumulative 3Q	YoY change	YoY ratio
Revenue	15,544	16,840	-1,297	-7.7%
Platform	7,440	7,579	-139	-1.8%
Application	8,104	9,261	-1,157	-12.5%
Operating profit	2,864	3,558	-693	-19.5%
Profit before tax	2,815	3,523	-709	-20.1%
Profit attributable to owners of parent	1,867	2,320	-453	-19.5%
Basic earnings per share	¥21.33	¥26.55	-	-

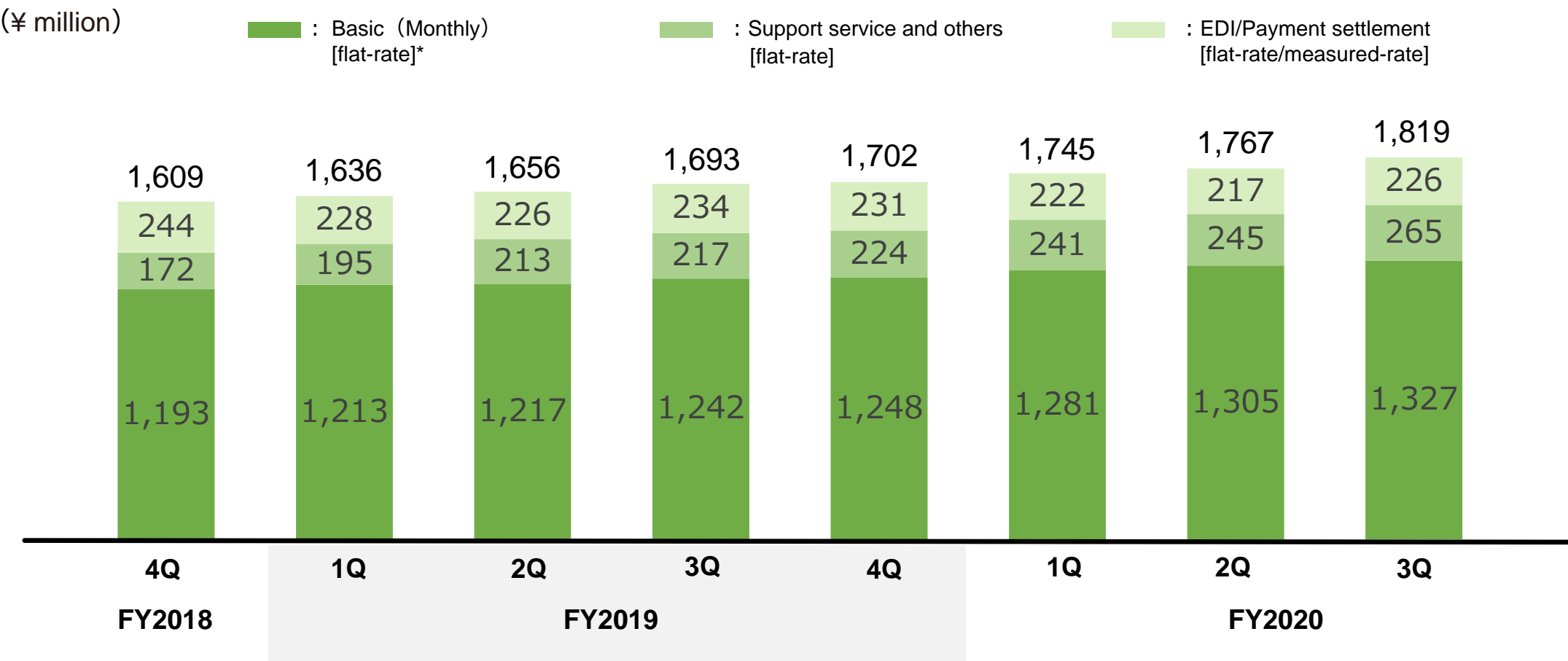
Monthly sales continued to increase as a whole, but Basic lump-sum sales decreased because it is linked to the number of software sales.

(¥ million)		FY2020	FY2019	YoY change	YoY ratio
		Cumulative 3Q	Cumulative 3Q		
Basic		5,497	5,684	-187	-3.3%
PaaS/SaaS		3,823	4,116	-293	-7.1%
	lump-sum	1,584	2,012	-428	-21.3%
	Monthly	2,239	2,104	+135	+6.4%
IaaS	Monthly	1,674	1,568	+106	+6.8%
EDI / Payment settlement		665	689	-23	-3.4%
PSF *	monthly	407	454	-47	-10.3%
BLP/CPT *	monthly	258	235	+23	+9.9%
Support		1,163	1,099	+65	+5.9%
Support service	monthly	639	517	+121	+23.5%
Provision of consumables	lump-sum	525	582	-57	-9.8%
Others	–	113	107	+6	+5.8%
Total		7,440	7,579	-139	-1.8%



# Transition of Monthly Sales (Three Months)

In addition to increase in the number of software users and support service contract ratio, deals of services related to DX also increased



# Breakdown of Application Sales

Sales in By industry and OTRS decreased because trend of prolonged business negotiations continued.  
 Sales in Others increased because there were big deals on equipment sales.

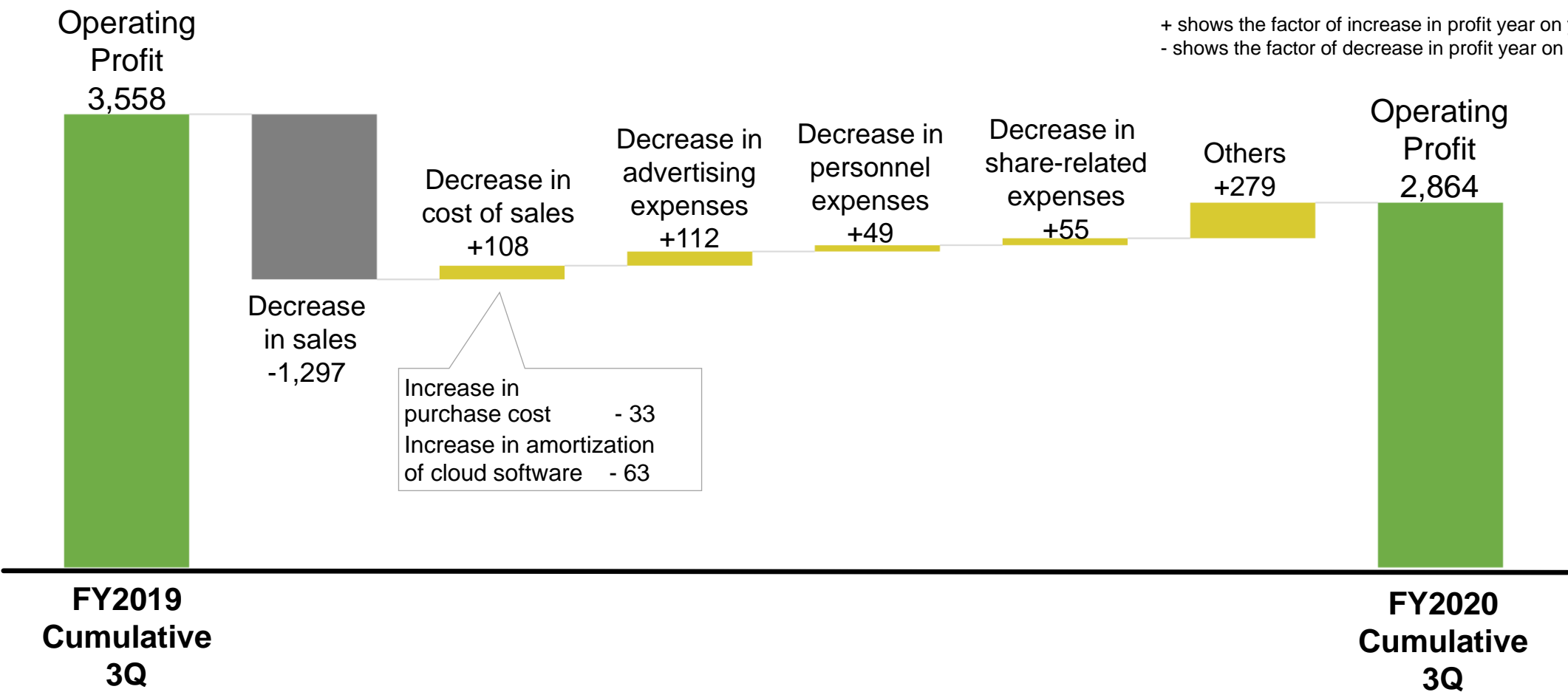
(¥ million)	FY2020 Cumulative 3Q	FY2019 Cumulative 3Q	YoY change	YoY ratio
By industry	6,489	7,788	-1,299	-16.7%
Automotive	5,548	6,598	-1,050	-15.9%
Non-automotive	941	1,189	-249	-20.9%
OTRS	173	282	-109	-38.6%
Others	1,442	1,192	+250	+21.0%
Total	8,104	9,261	-1,157	-12.5%



# Breakdown of Operating Profit

Decline in cost of sales was limited, and even though the Company reduced SGA expenses, it was not sufficient to compensate the decrease in revenue.

(¥million)



No significant changes other than increase in intangible assets gained by cloud software development investment and increase in short-term interest-bearing debt .

(¥ million)	FY2020 End of 3Q	End of FY2019	YoY change	Main factors of increase/decrease
Current assets	7,989	7,987	+2	Decrease in cash and deposits -265 Increase in operating and other receivables +341
Non-current assets	24,335	23,702	+634	Increase in intangible assets +1,034
Total assets	32,324	31,689	+635	
Current liabilities	7,072	7,100	-28	Decrease in operating and other payables -355 Increase in short-term interest-bearing debt +1,357
Non-current liabilities	1,229	1,369	-140	Decrease in long-term interest-bearing debt -135
Total liabilities	8,301	8,469	-168	
Total shareholders' equity	24,023	23,220	+803	Recognition of profit +1,867 Dividend payout -1,146
Total liabilities and shareholders' equity	32,324	31,689	+635	

In addition to increase in free cash flow due to control of investment, cash and deposit balance increased due to short-term borrowing from the banks.

(¥ million)	FY2020 Cumulative 3Q	FY2019 Cumulative 3Q	YoY change	Main factors of increase/decrease
Cash flow from operating activities	2,114	1,376	+739	Decrease in operating and other receivables +62 Decrease in operating and other payables -86 Decrease in income taxes paid +507
Cash flow from investing activities	-1,938	-2,961	+1,023	Decrease in acquisition of intangible assets +421 Decrease in acquisition of investment +985
Cash flow from financing activities	-441	-2,112	+1,672	Increase in short-term debt +1,400
Free cash flow	176	-1,586	+1,762	
Cash and cash equivalents	2,769	1,928	+841	

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No change to results forecasts announced on August 7, 2020

(¥ million)	<b>FY2020 Full-year forecast</b>	<b>FY2019 Full-year result</b>	<b>YoY change</b>	<b>YoY ratio</b>	<b>FY2020 Necessary amount for 4Q*</b>	<b>FY2019 4Q result</b>	<b>YoY change</b>	<b>YoY ratio</b>
Revenue	21,300	22,586	-1,286	-5.7%	5,756	5,746	+11	+0.2%
Operating profit	3,900	4,525	-625	-13.8%	1,036	967	+68	+7.1%
Profit before tax	3,900	4,486	-586	-13.1%	1,085	962	+123	+12.8%
Profit attributable to owners of parent	2,700	3,093	-393	-12.7%	833	774	+60	+7.7%
Basic earnings per share	¥30.87	¥35.40	-	-	-	-	-	-

\* Calculated by subtracting the amount of cumulative 3Q from full-year result forecast

## Results Forecasts by Revenue Categories

No change to results forecasts announced on August 7, 2020

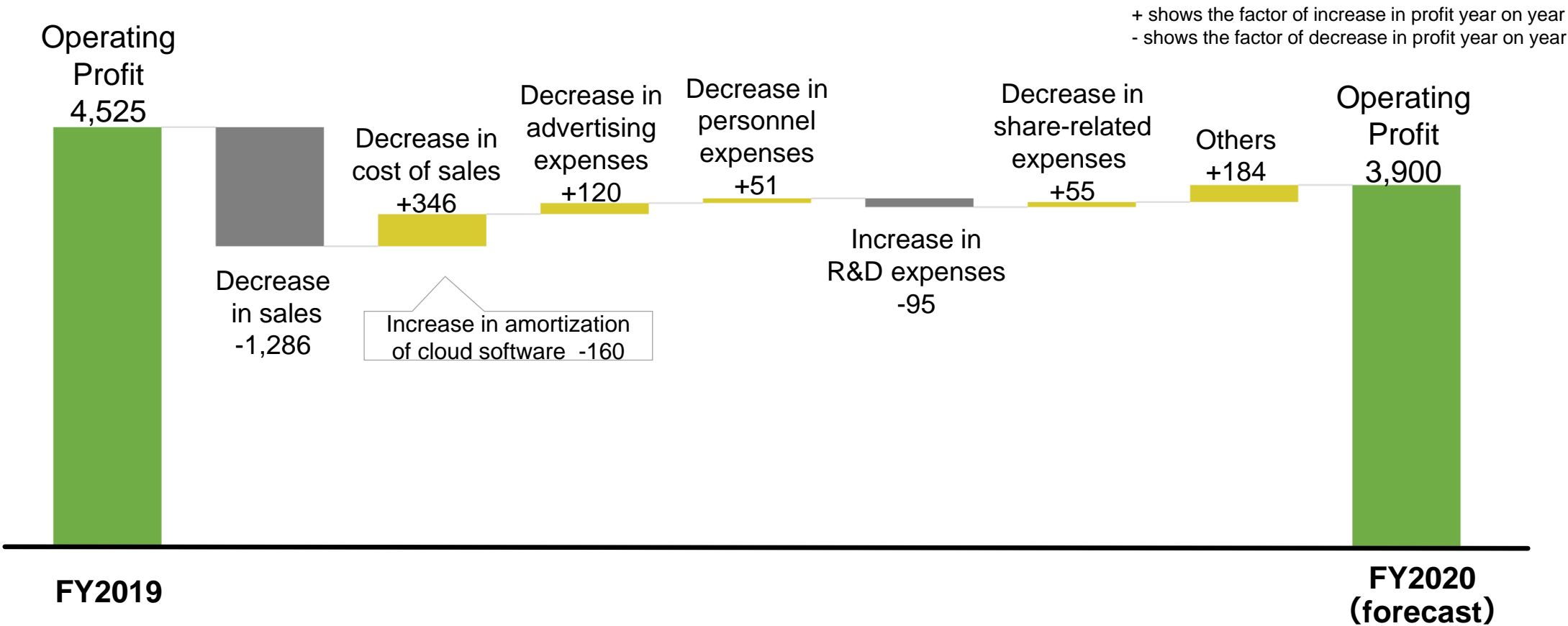
(¥ million)	<b>FY2020 Full-year forecast</b>	<b>FY2019 Full-year result</b>	<b>YoY change</b>	<b>YoY ratio</b>	<b>FY2020 Necessary amount for 4Q*</b>	<b>FY2019 4Q result</b>	<b>YoY change</b>	<b>YoY ratio</b>
Platforms	10,100	10,192	-92	-0.9%	2,660	2,613	+47	+1.8%
Basic	7,600	7,654	-54	-0.7%	2,103	1,970	+132	+6.7%
EDI/Payment settlement	850	920	-70	-7.6%	185	231	-46	-20.1%
Support	1,500	1,478	+22	+1.5%	337	379	-42	-11.1%
Others	150	140	+10	+6.9%	37	33	+4	+10.6%
Applications	11,200	12,394	-1,194	-9.6%	3,096	3,132	-36	-1.2%
By industry	9,200	10,448	-1,248	-11.9%	2,711	2,660	+51	+1.9%
OTRS	200	338	-138	-40.8%	27	56	-29	-51.7%
Others	1,800	1,608	+192	+12.0%	358	416	-58	-13.9%
Total	21,300	22,586	-1,286	-5.7%	5,756	5,746	+11	+0.2%

\* Calculated by subtracting the amount of cumulative 3Q from full-year result forecast

# Breakdown of Operating Profit (Full-year)

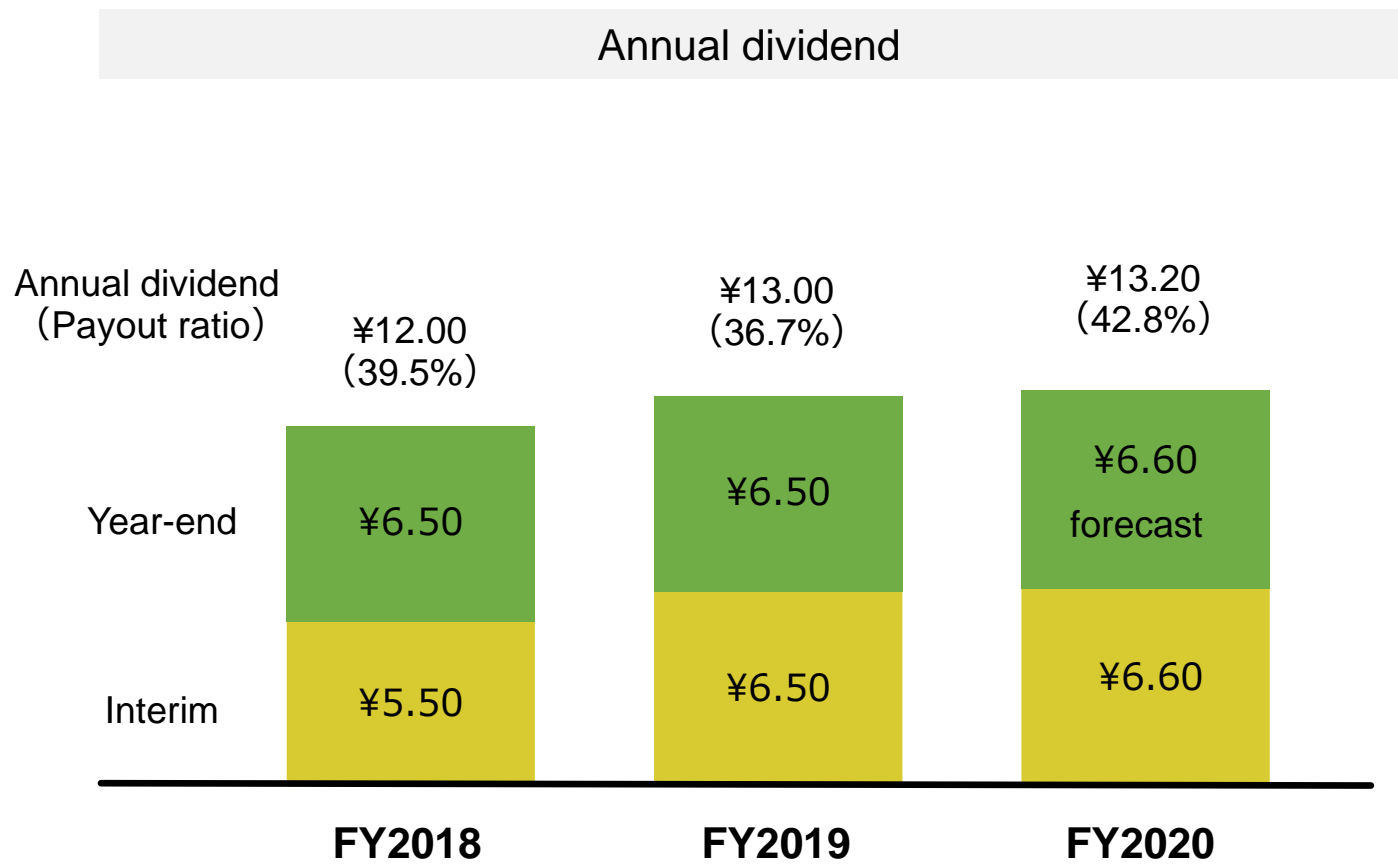
While the reduction of operating expenses and general expenses would be promoted, amortization expenses of cloud software and R&D expenses would increase, so it would be difficult to compensate the decrease in revenue.

(¥ million)





Year-end dividend is expected to be ¥6.60, and annual dividend is expected to be ¥13.20 (¥0.20 increase year on year)



Dividend policy

Considering to raise the target dividend payout ratio regarding the past dividend performance.

Reference) Current dividend policy :

Stable dividend is the basic policy, with payout ratio of approximately 20%

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Start of Provision of Broadleaf Cloud Platform, a Business Platform for Third Parties, to Shelf AP, which Operates Used Car Marketplaces Using Blockchain Technology (November 4)

On November 4, 2020, Broadleaf Cloud Platform, a business digital platform developed and provided by the Company, and Shelf AP.jp, used car marketplaces operated by Shelf AP Co., Ltd. using blockchain technology, completed system construction and data linkage and started to provide service.

Shelf AP.jp

In the used car market, which continues to see global growth, Shelf AP.jp has introduced a distributed data structure and management method, which are features of the blockchain. Shelf AP.jp thereby increases the credibility and safety of data exchanged on the Internet and enables cross-border transactions in real time.

Broadleaf Cloud Platform

The features of the Broadleaf Cloud Platform are the collection, high-speed search and analysis of mass data, service implementation in the short term through a combination of business API services, and high scalability of usage.

**Shelf AP Co., Ltd.**

Planning, designing, development, operation and management of software, applications and platforms, etc. that use the blockchain, AI and other advanced technologies  
Head office: Shinagawa Grand Central Tower 8F, 2-16-4 Konan, Minato-ku, Tokyo  
CEO: Izuru Anzai  
URL: <https://shelfap.com/en/>

**Shelf AP**

Shelf AP is a business base in Asia of Shelf.Network Inc., which was established in April 2019. As one of the global partners of Shelf.Network, Shelf AP is provided with licenses for systems and operates in Asia and Oceania.

**Shelf.Network**

Shelf.Network, headquartered in Ukraine, was established in 2017. The head office is registered in New York. It operates a used car distribution platform using blockchain technology. Used car sales companies, auction companies and logistics companies in North America and Europe use the platform.

**Awards received**

Best European Blockchain startup, GrandFrontier Innovation Award (2018), Winner of Blockshow Europe (2018), Best real world application of Blockchain technology (2018), Top automotive re-marketing solution (2019), and many other awards

**CEO Lasha Antadze**

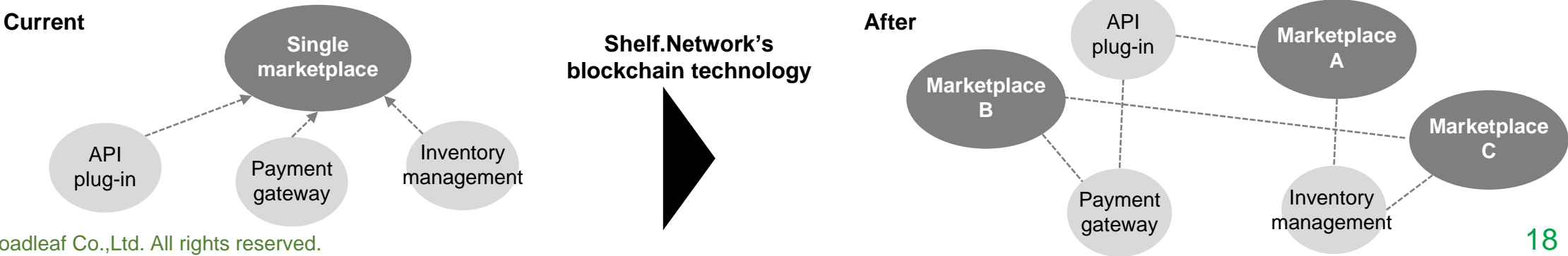
Lasha Antadze is the founder of Shelf.Network. He completed a program at Y-combinator, one of the world’s leading seed accelerators. In 2015, at the request of the Ukraine government, he developed a platform for privatizing state assets using blockchain distributed auction technology.

**Pavel Kravchenko**

Pavel Kravchenko is co-founder of Shelf.Network. He earned a PhD at Kharkiv National University of Radioelectronics. He is co-founder of Distributed Lab, a venture company that researches and develops cryptocurrency and blockchain technology in cooperation with industry, government and academia.

**Features**

Shelf.Network’s distribute electronic auction system connects multiple auction systems and enables multiple marketplaces to share used car inventory information. As a result, cross-border used car distribution is promoted.



Consumer

Mobility service users/car owners



User company



Used car dealer  
(Car Seven etc.)



Transportation



Delivery  
company



Travel agency/  
entertainment  
company



Car sharing  
company



Auto maintenance  
company



Retailer/  
wholesaler

Application

Shelf AP



Used car marketplace

Zenmov inc.



Operation management  
platform

Company Company Company

X



Y



Z



...

Third party



.c series



EC/EDI

Broadleaf applications

Infrastructure -  
middleware



Blockchain



Traceability



AI safety



Payment



AI data analysis



Interface



Network



Development  
platform



Operational platform

Broadleaf Cloud Platform services

## Determination of Details of Shareholder Benefits (November 4)

The shareholder benefits for the fiscal year ending Dec. 31, 2020 were determined as follows.

Number of shares held	Visa gift cards
500 to 999 shares	5,000 yen
1,000 to 1,999 shares	10,000 yen
2,000 shares or more	20,000 yen

### Reasons for continuously using Visa gift cards as shareholder benefits

Compared to QUO cards which we previously used as the shareholder benefits, Visa gift cards can be used in greater numbers of industries and business categories. In addition, from the perspective that they can be used in internet shopping, which are more frequently used under the influence of COVID-19, we continued using Visa gifts cards as the shareholder benefits.

### Eligible shareholders

Those shareholders whose names are recorded in the Company’s shareholder registry as of December 31, 2020 and who hold five trading units (500 shares) or more of the Company’s shares.

## Reciprocal Agency Agreement with Genetec Corporation (October 6)

Broadleaf and Genetec Corporation concluded a reciprocal agency agreement for OTRS and FlexSim.

Under the agreement, the effects of improvement activities resulting from OTRS can be simulated using FlexSim, a product of Genetec, which can show future improvements and their purposes.

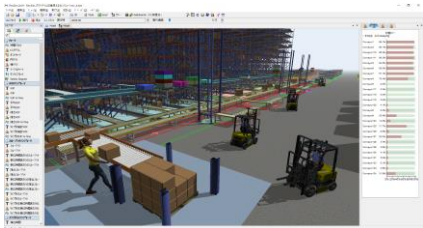
### OTRS, work analysis software

OTRS is used at many production sites as a tool for accurate video analysis and time analysis of movements of people, goods and machines using the IE (Industrial Engineering) method.



### FlexSim, 3D IoT simulation software

FlexSim calculates flows of goods and people, using 3D graphics. FlexSim is sold worldwide, particularly in Europe, the United States and China, through sales channels in 77 countries or more (a total of over 51,500 licenses).



## An MOU Concluded with BEMAC Philippines (July 20)

Broadleaf and its subsidiary BLITS concluded an MOU (memorandum of understanding) with BEMAC Philippines for building a comprehensive platform for after-sales service related to mobility in Philippines.

Broadleaf aims to build an infrastructure that will provide a one-stop solution for the production, sale, inspection and maintenance of electric vehicles and the distribution of service parts for electric vehicles.

### BEMAC Electric Transportation Philippines Inc.

BEMAC Electric Transportation Philippines Inc. is a subsidiary in the Philippines of BEMAC Corporation, a marine equipment manufacturer that designs, manufactures, installs and maintains a range of electrical equipment for large vessels.

BEMAC Electric Transportation Philippines has developed and sells E-Trike, an electric tricycle (tricycles are major vehicles in the Philippines). The company has delivered 3,000 tricycles to the government of the Philippines as of September 2019.

URL: <http://www.bemac-philippines.com/>

## BL.Homepage Premium Launched (March 2)

Broadleaf released BL.Homepage Premium, a website building and operation solution.

BL.Homepage Premium is a solution that enables the user to easily open a website, a tool necessary for attracting customers and expanding sales.



### Prices

Initial cost	100,000 yen (exclusive of tax)
Monthly charge	19,800 yen (exclusive of tax)



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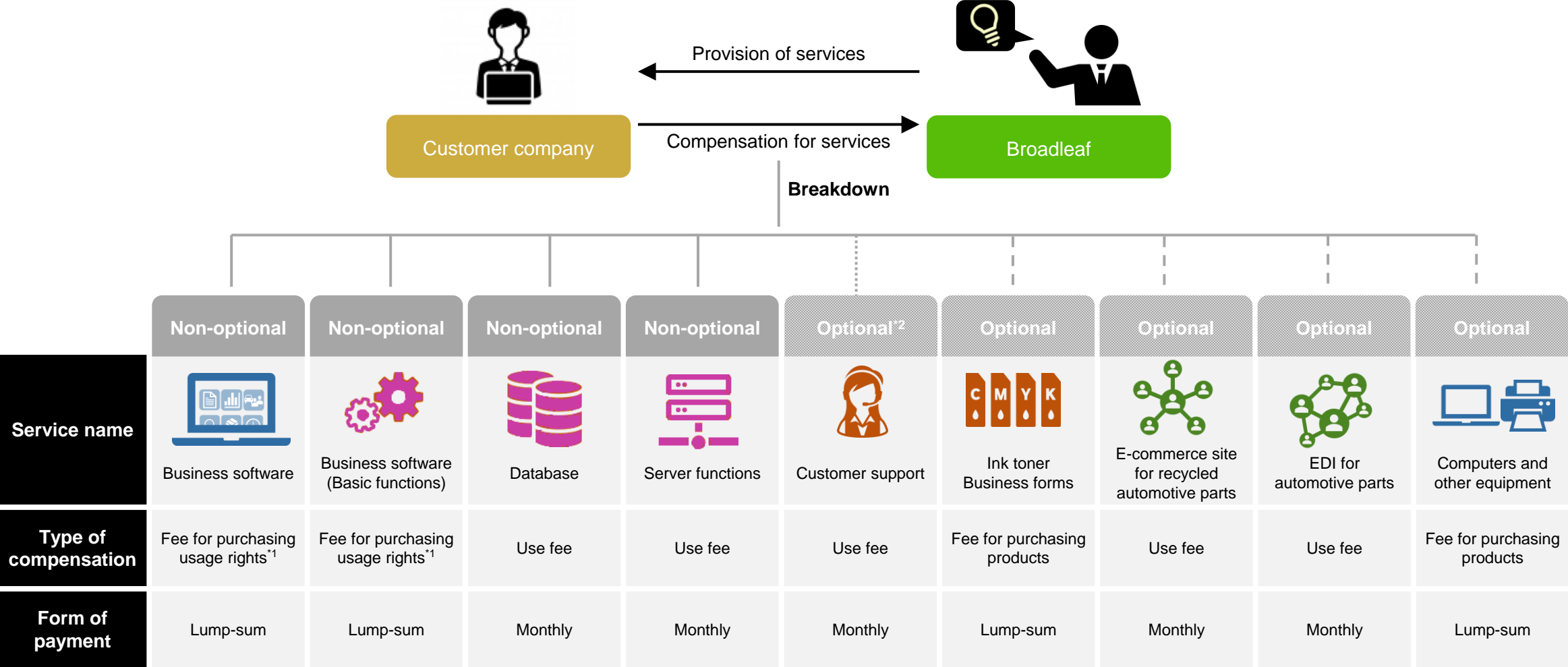
Appendix Company Profile, Revenue Categories

Corporate Name	Broadleaf Co., Ltd.
Representative	Kenji Oyama, Representative Director, President and CEO
Listed on	Listed on the First Section of the Tokyo Stock Exchange on March 22, 2013 (3673)
Industry	Information and communication industry
Founded/Established	December 2005/September 2009
Capital Stock	JPY 7,148 million (consolidated)
Fiscal Year	From January 1 <sup>st</sup> to December 31 <sup>st</sup>
Business Outline	<p>The Company offers a wide range of IT services, including its independently developed business software.</p> <p>In addition to provision of business software that serves as core business systems, mainly for business operators belonging to the automotive aftermarket sector, the Company provides diverse, unique one-stop services, including electronic trading network for auto parts and big data analysis.</p> <p>In addition, looking ahead to the evolution of the mobility society going forward, it has been conducting surveys and research for the commercialization of advanced technologies.</p>
Head Office Address	Floor 8, Glass Cube Shinagawa, 4-13-14 Higashi-Shinagawa, Shinagawa-ku, Tokyo
Sales Offices	29 offices in Japan
Development Centers	3 centers in Japan (Sapporo, Tokyo and Fukuoka)
Main Subsidiaries	Tajima Inc.

# Revenue Categories (1)

## Types of Service

For a customer company, the Company provides multiple services, including business software, as a single package.



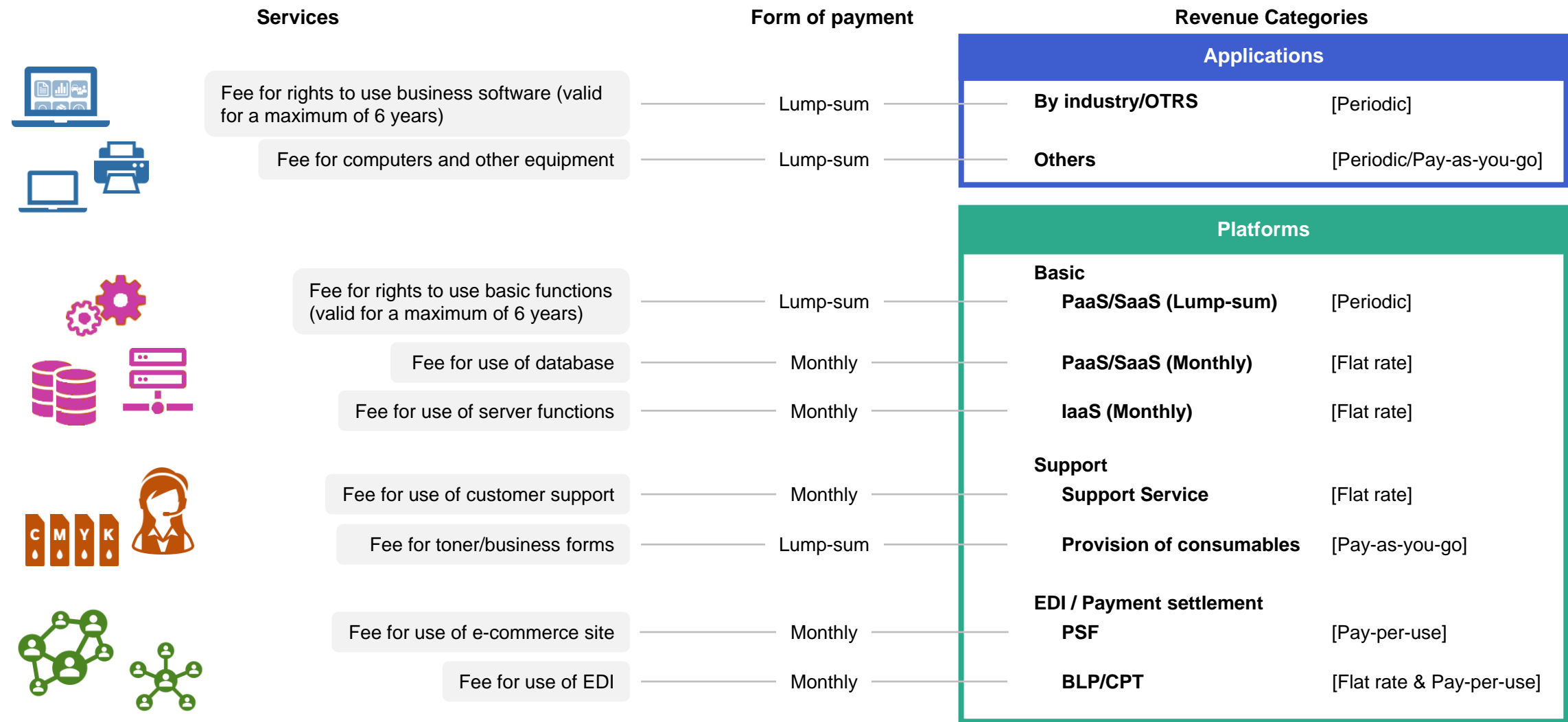
<sup>\*1</sup> Usage rights valid for a maximum of 6 years  
<sup>\*2</sup> Measures for improving the contract ratio were strengthened in the second half of 2019.

Note: The range of services to be provided differs according to the type of business of customer company.

# Revenue Categories (2)

## Correspondence Relationship with Revenue Categories

The form of payment differs according to the type of service. The correspondence relationship between the type of service and revenue categories is as indicated below.

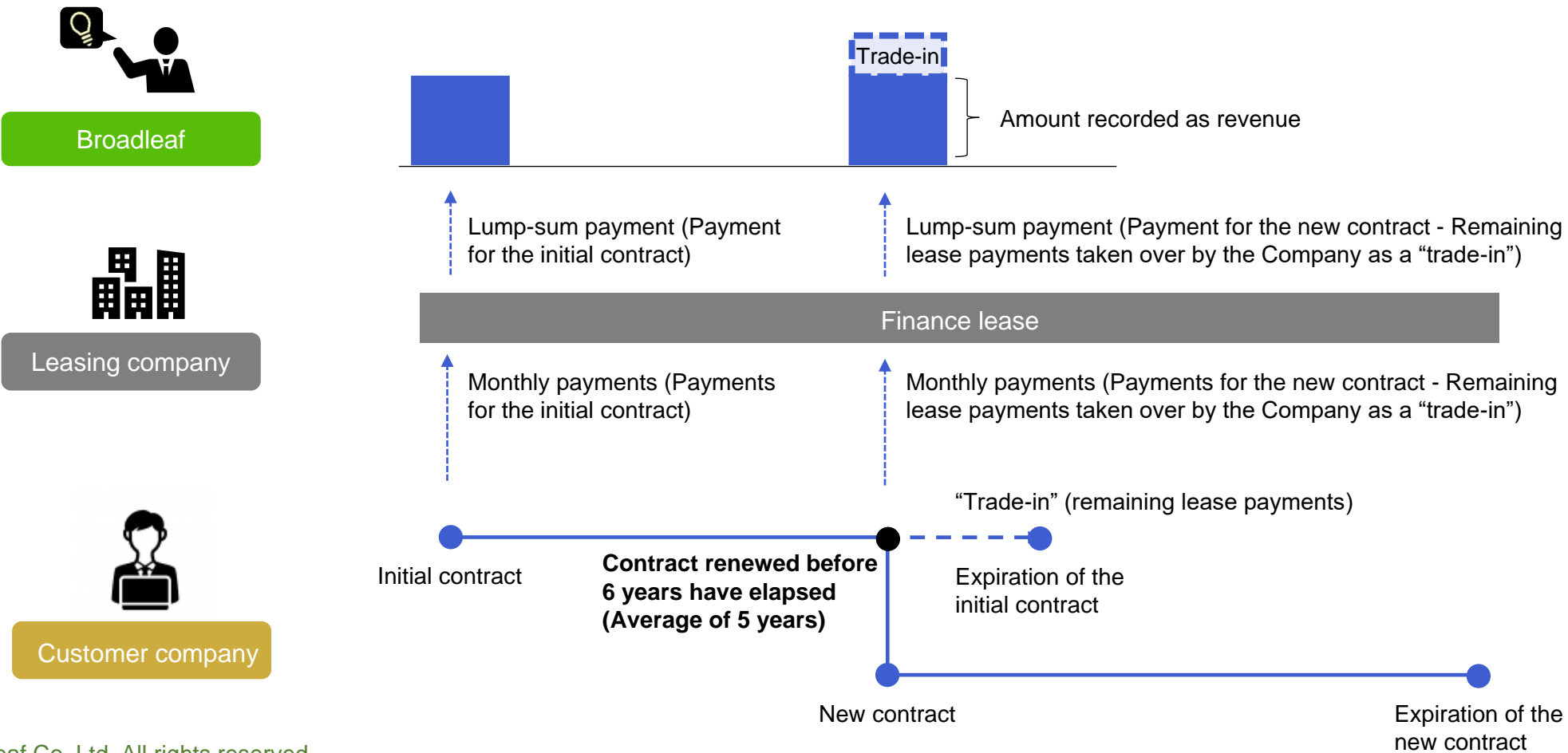


# Revenue Categories (3)

## Contract Renewal Timing

Most customer companies choose a lease contract.  
There are cases where the Company takes over the remaining lease payments as a “trade-in” before the expiration of the software lease period.

In the case of a 6-year contract



# Disclaimer

Results forecasts and future predictions provided in this document are the Company's judgment based on the information available as of the time of preparation of the document and contain potential risks and uncertainties.

Accordingly, please understand that the actual results may differ from the results forecasts provided here.

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