



Business Results Briefing for FY12/2020

2020.1.1 — -December 31, 2020

DATE 2021.2.12

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1 Summary



	<p>Operating profit exceeded the forecast, but revenue and profit declined year on year</p> <p>Business results</p> <table><tbody><tr><td>Revenue</td><td>¥21.162 billion (-0.6% compared to forecast, -6.3% YoY)</td></tr><tr><td>Operating income</td><td>¥4.135 billion (+6.0% compared to forecast, -8.6% YoY)</td></tr></tbody></table>	Revenue	¥21.162 billion (-0.6% compared to forecast, -6.3% YoY)	Operating income	¥4.135 billion (+6.0% compared to forecast, -8.6% YoY)
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Operating income	¥4.135 billion (+6.0% compared to forecast, -8.6% YoY)				
	<p>We promoted the penetration of DX of customers by conducting sales activities using both online and face-to-face methods. While the number of customers has increased in 2020, negotiation period prolonged from Q2 to Q3</p>				
	<p>Automotive: There is demand for automobile inspection and statutory inspections, and the business environment is generally stable. Operators are actively responding to the sophistication of maintenances and adapting to digital administration</p> <p>Non-automotive: Travel agencies and bus operators continue to face challenging business environment</p> <p>OTRS: Priorities for investing in work analysis tools continue to decline in manufacturing and service industries</p>				

Revenue and profit decreased due to prolonged business negotiations

(Millions of yen)	FY2020	FY2019	YoY change	YoY ratio
Revenue	21,162	22,586	-1,424	-6.3%
Platform	10,275	10,192	+83	+0.8%
Application	10,887	12,394	-1,507	-12.2%
Operating profit	4,135	4,525	-390	-8.6%
Income before tax	3,820	4,486	-665	-14.8%
Profit attributable to owners of parent	2,465	3,093	-628	-20.3%
Basic earnings per share	28.16 yen	35.40 yen	-	-

Sales proportional to the number of customers (stock) increased, while sales linked to annual software sales (flow) decreased

(Millions of yen)	FY2020	FY2019	YoY change	YoY ratio	
Basic	7,616	7,654	-38	-0.5%	
PaaS/SaaS	5,365	5,542	-177	-3.2%	
Lump sum	2,365	2,735	-370	-13.5%	
Monthly	3,000	2,807	+193	+6.9%	
IaaS	Monthly	2,251	2,113	+139	+6.6%
EDI and settlement	905	920	-15	-1.6%	
PSF *	Monthly	554	603	-49	-8.1%
BLP/CPT *	Monthly	351	317	+34	+10.8%
Support	1,596	1,478	+119	+8.0%	
Maintenance	Monthly amount	878	708	+170	+24.0%
Supplies	Lump sum	719	770	-51	-6.6%
Others	—	157	140	+17	+11.8%
Total	10,275	10,192	+83	+0.8%	

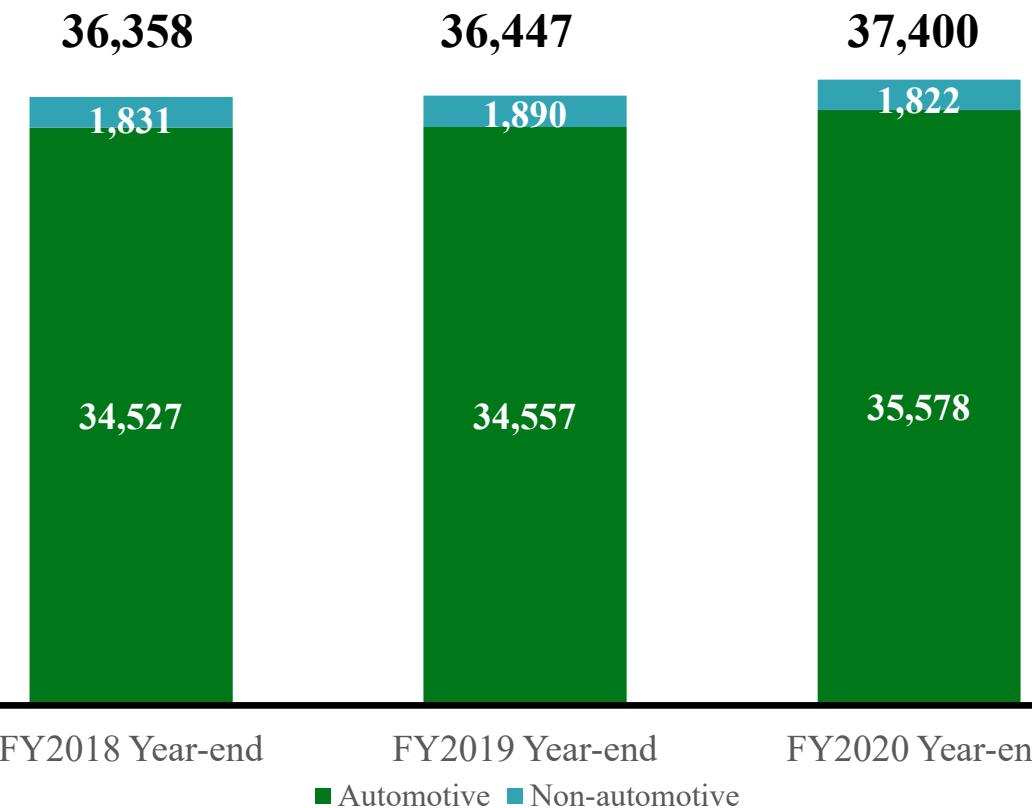
*[PSF] Settlement agent fee for automobile recycled parts transaction market "Parts Station NET" [BLP] Use fee for "BL Parts Order System"
[CPT] Use fee for "CarpodTab"

In Automotive sector, annual sales (flow) decreased due to prolonged business negotiations, but the number of customers (stock) increased. Non-automotive sector and OTRS were affected by frozen deals

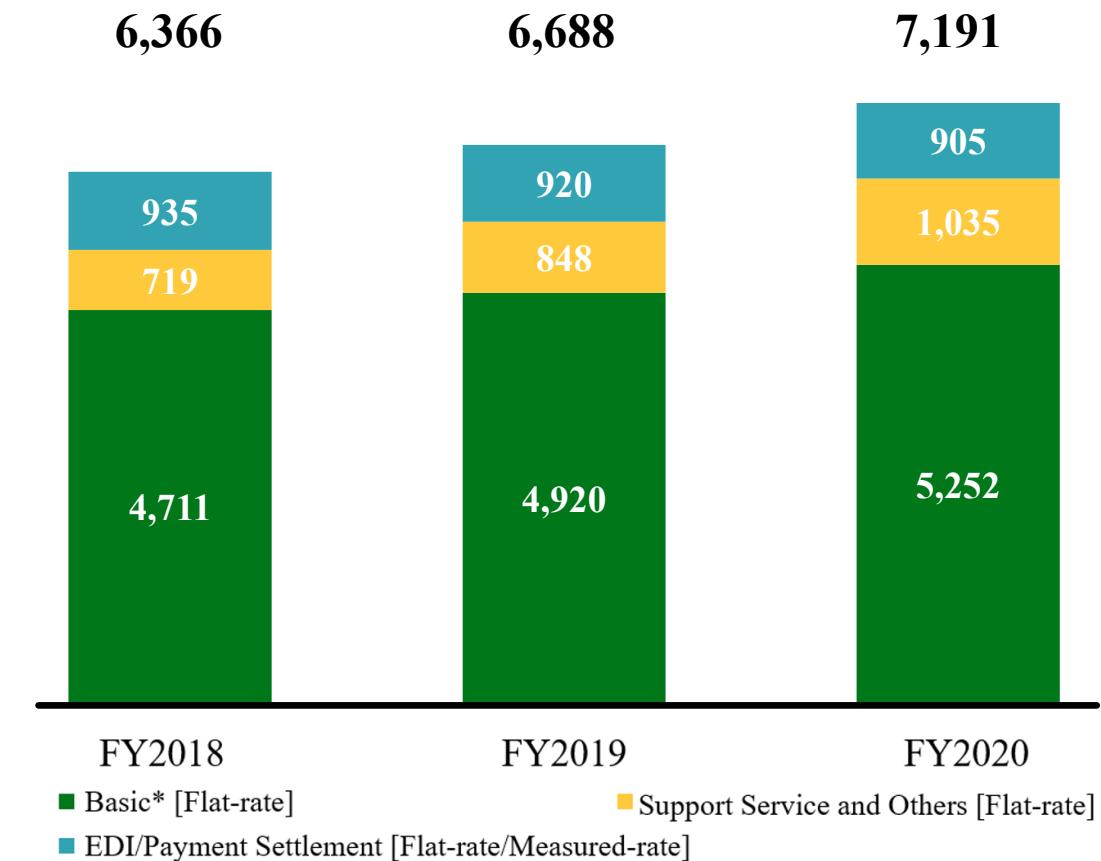
(Millions of yen)	FY2020	FY2019	YoY change	YoY ratio
By industry	8,806	10,448	-1,642	-15.7%
Automotive	7,545	8,874	-1,329	-15.0%
Non-automotive	1,261	1,574	-312	-19.8%
OTRS	204	338	-134	-39.7%
Others	1,877	1,608	+269	+16.7%
Total	10,887	12,394	-1,507	-12.2%

Revenue declined year on year, but the number of customers increased in 2020, and monthly sales increased accordingly

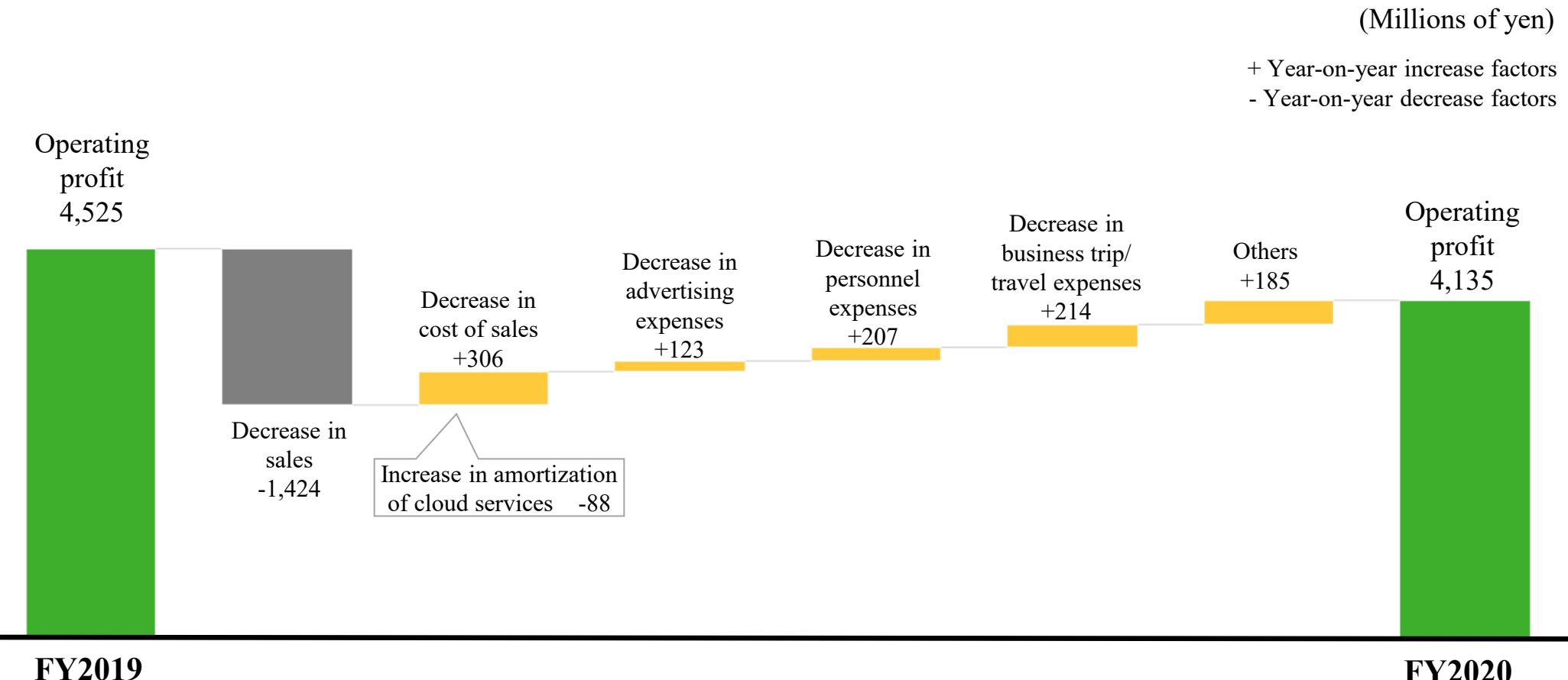
Changes in the number of customers
(the number of companies)



Changes in the monthly sales
(Millions of yen)



The drop in cost of sales was limited due to big deals of equipment sales and increased amortization burden of cloud services. We implemented cost-control measures such as reduction of operating-related expenses



Intangible assets increased due to investment in development of cloud services

(Millions of yen)	FY2020 Year-end	FY2019 Year-end	YoY Change	Breakdown of Major Changes
Current assets	7,752	7,987	-235	Cash and cash equivalents +199 Operating and other receivables -502
Non-current assets	24,522	23,702	+820	Intangible assets +1,528 Other financial assets -532
Total assets	32,274	31,689	+585	
Current liabilities	6,432	7,100	-668	Contract liabilities -439
Non-current liabilities	1,239	1,369	-130	Long-term interest-bearing debts -146
Total liabilities	7,671	8,469	-797	
Total shareholders' equity	24,602	23,220	+1,383	Recognition of profit +2,465 Dividend payout -1,146
Total liabilities and shareholders' equity	32,274	31,689	+585	

Free cash flow increased due to control of investments, etc.

(Millions of yen)	FY2020	FY2019	YoY Change	Breakdown of Major Changes
Cash flow from operating activities	5,056	3,762	+1,294	Decrease in operating and other receivables +340 Decrease in operating and other payables -226 Decrease in income taxes paid +510
Cash flow from investing activities	-2,774	-3,990	+1,216	Decrease in purchase of intangible assets +532 Decrease in purchase of investments +1,044
Cash flow from financing activities	-2,084	-2,366	+281	Decrease in repayments of long-term debts +316
Free Cash Flow	2,283	-228	+2,510	
Cash and cash equivalents	3,232	3,034	+199	

2 Mid-term Business Policy





Basic Policy

Aiming to evolve into a high-growth company in addition to maintaining stability as a company

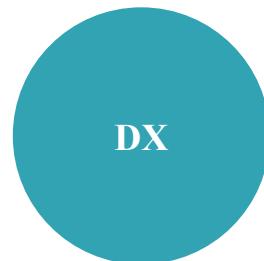


Approach

Measures to improve profitability in the core business software business,
Continue to implement measures to create businesses in new areas in parallel



Growth opportunities



Online/ remote/
digital administration



New statutory safety inspection
system and maintenance techniques



Entries of a variety of players

Increase in IT investment
by companies

Sophistication and digitalization of
auto maintenance

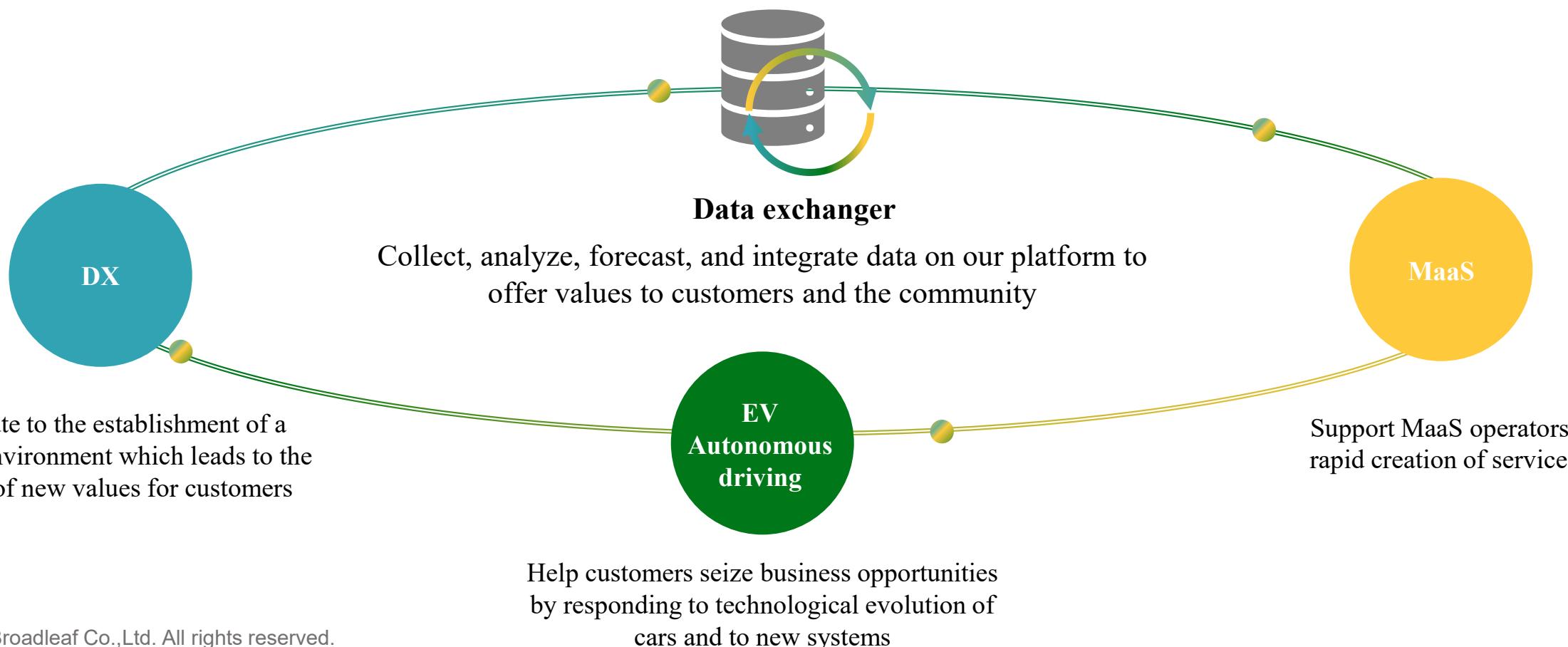
Increased demand for
service infrastructure



Theme for
2021-23

"Two DX"

- ① Promote customers' Digital Transformation (DX)
- ② Add value to our service infrastructure as the Data Exchanger (DX).



Priority measures

Measure 1

Introduction of new cloud-based model to the market

Effects to the Company

Operational efficiency in the software business will improve, and the margin will rise

Effects to customers

Customers will be able to capitalize demand for maintenance and inspections adaptive to the new automobile inspection system and technological evolution of cars

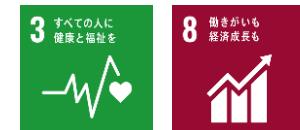
Effects to society

By responding to EV/PHV, we will support the spread of eco-friendly vehicles

Measure 2

Strengthening of DX solutions

It will bring synergistic effects to the software business, and sales per customer will increase



By encouraging penetration of the new work style, we will support improvements in labor productivity

Measure 3

EDI extension and opening of the ordering platform

The number of the platform users will rise, which will increase the monthly flat-rate/measured-rate sales



By establishing a framework for smooth transactions of recycled products, we will support the efficient use of natural resources

Measure 4

Deployment of the MaaS platform

Through commercialization in new area, it will create new revenue sources (including overseas)

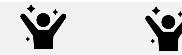


We will improve the convenience of daily life, eliminate the mobility gap, and support the reduction of environmental impact

Improve convenience and efficiency of development/operation by constructing all service on the same platform

Consumer

Mobility Service Users/Car Owners



User company
(Servicer)



Maintenance



Retail/Wholesale



Delivery/Transportation



Sharing



Transportation

Application
layer



Business software
(.c Series)



Ordering platform

Broadleaf branded service

Infrastructure
layer

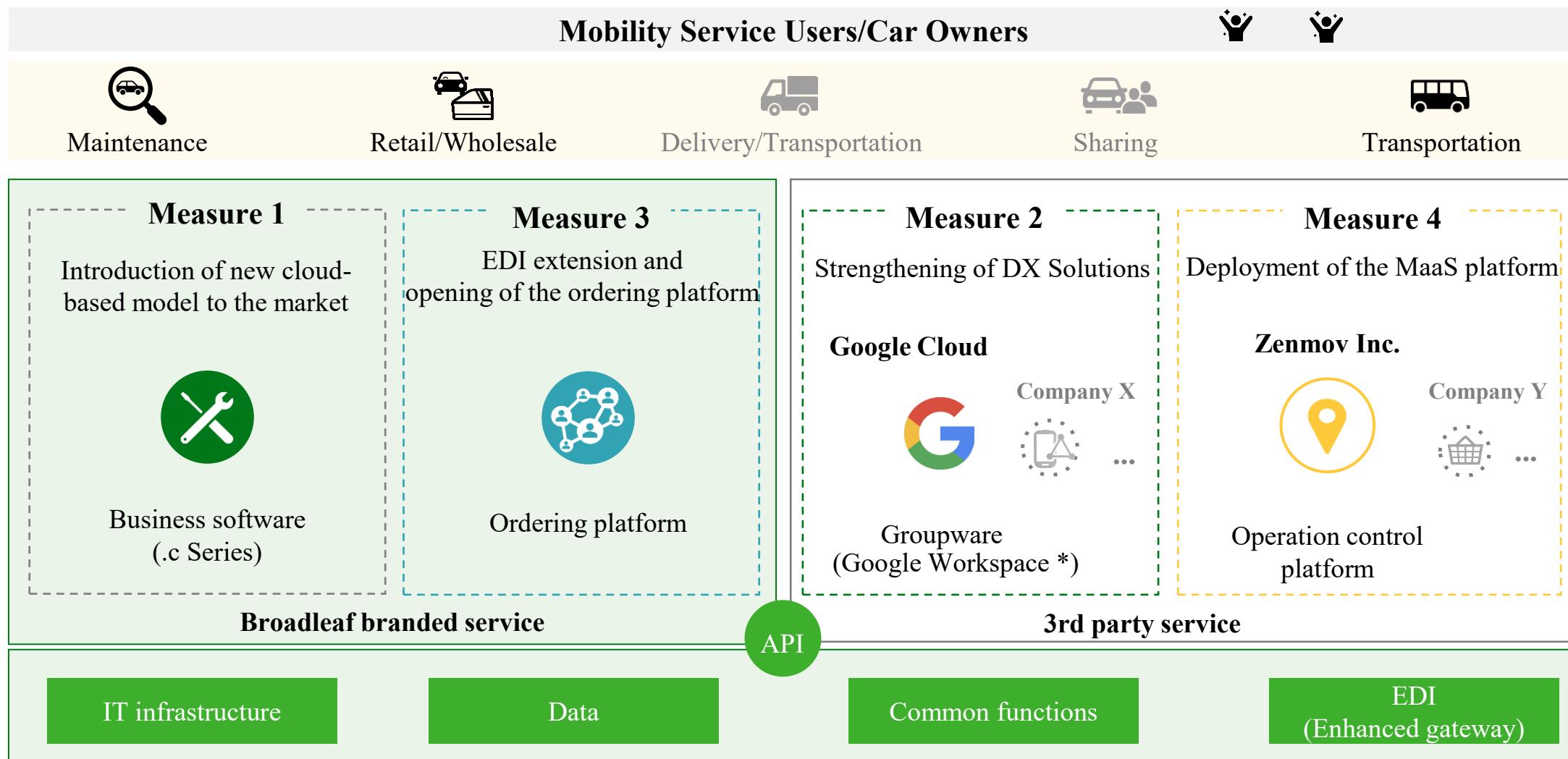
IT infrastructure

Data

Common functions

EDI
(Enhanced gateway)

API



* Google Workspace is currently in preparation

In 2021-23, profits will decline temporarily due to introduction of new cloud-based model to the market (Measure 1)

At the same time, we will strengthen DX solutions (Measure 2) and continue efforts to achieve high growth (Measures 3 and 4)

~2020 Structural Reform Period (Development of Growth Base)

Platform infrastructure development

Sales of business software

2021- Transition Period (Shift to stock-type sales)

Measure 4
Extension of 3rd Party services

Measure 3
EDI extension and opening of the ordering platform

Measure 2
Strengthening of DX Solutions

Measure 1
Launch of new cloud-based model

High-growth period (Full stock-type sales/3-layer structure)

Commercialization
of new services
(MaaS etc.)

Increase in number of users
and utilization rate of
the ordering platform

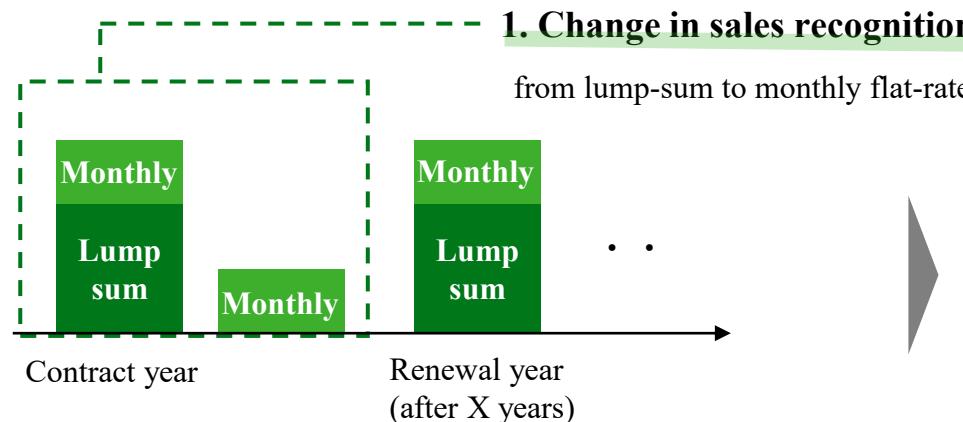
Sales of business software after
transition to the new cloud-
based model (including SDK,
OEM, and API etc.)

In the new model of software, not only will the functions and UI be improved, but the sales model itself will change significantly.

Image of changes in software sales per customer

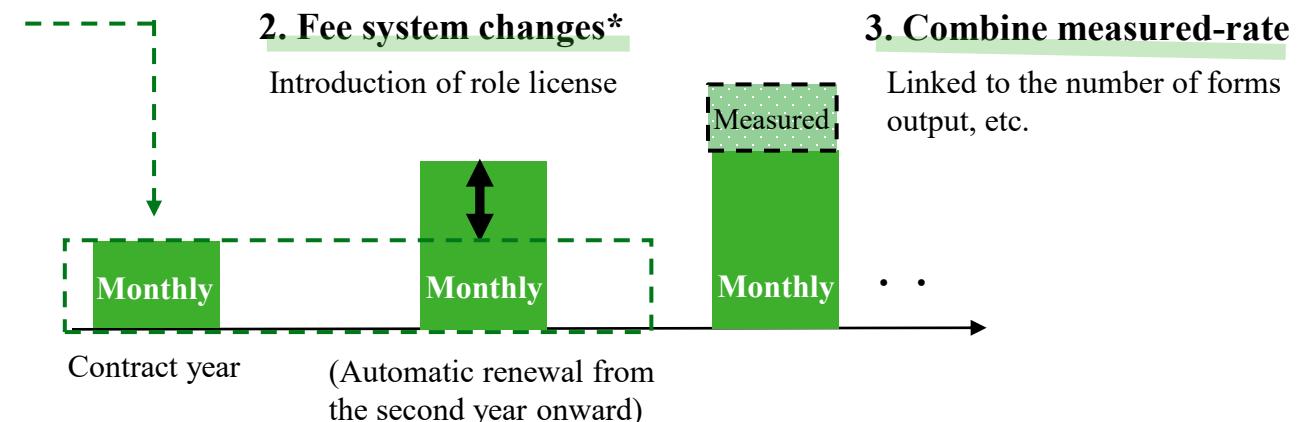
Current model ".NS Series"

Software use fee for X years (lump-sum)
+ DB and other use fee (monthly flat-rate)



New cloud-based model ".c Series"

Basic use fee (monthly flat-rate) + Role use fee (monthly flat-rate) × Number of IDs
+ Volume-based Charge (monthly measured-rate)



*Fee system

Software license + DB, etc.



Use of one license by turns



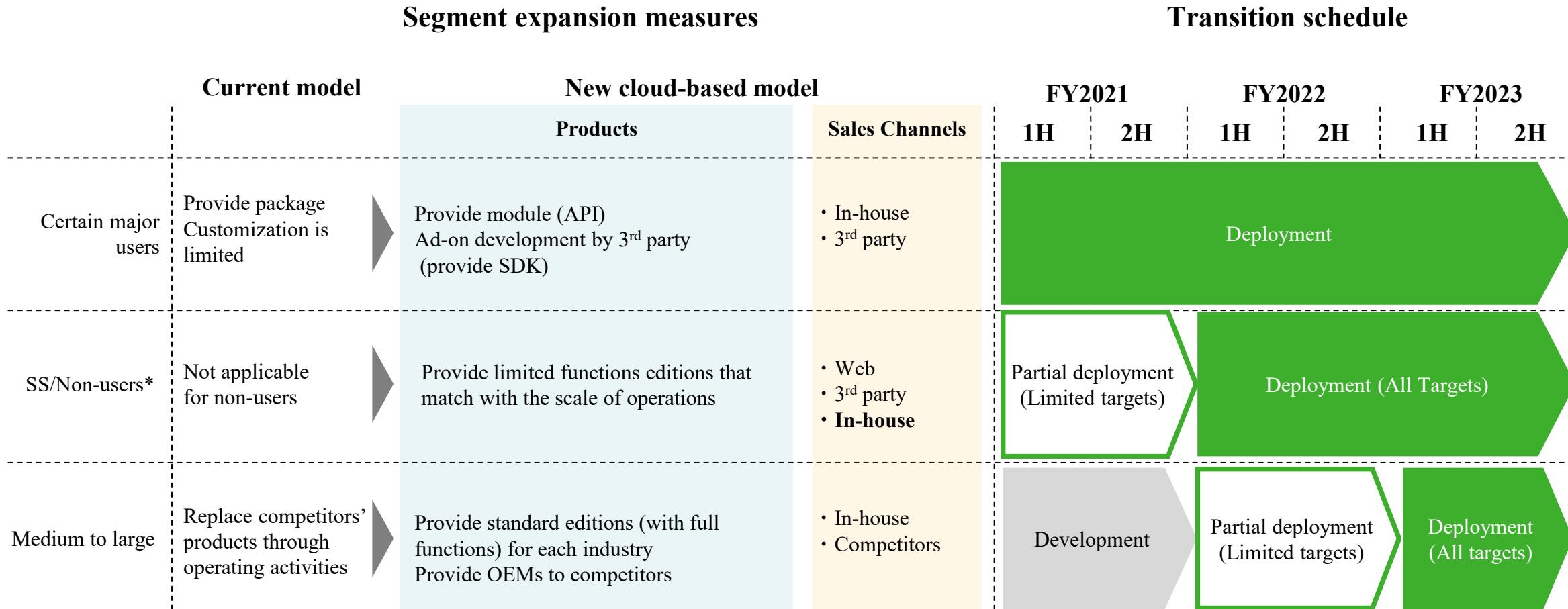
Basic license + Role license × IDs



Simultaneous use of roles linked to IDs

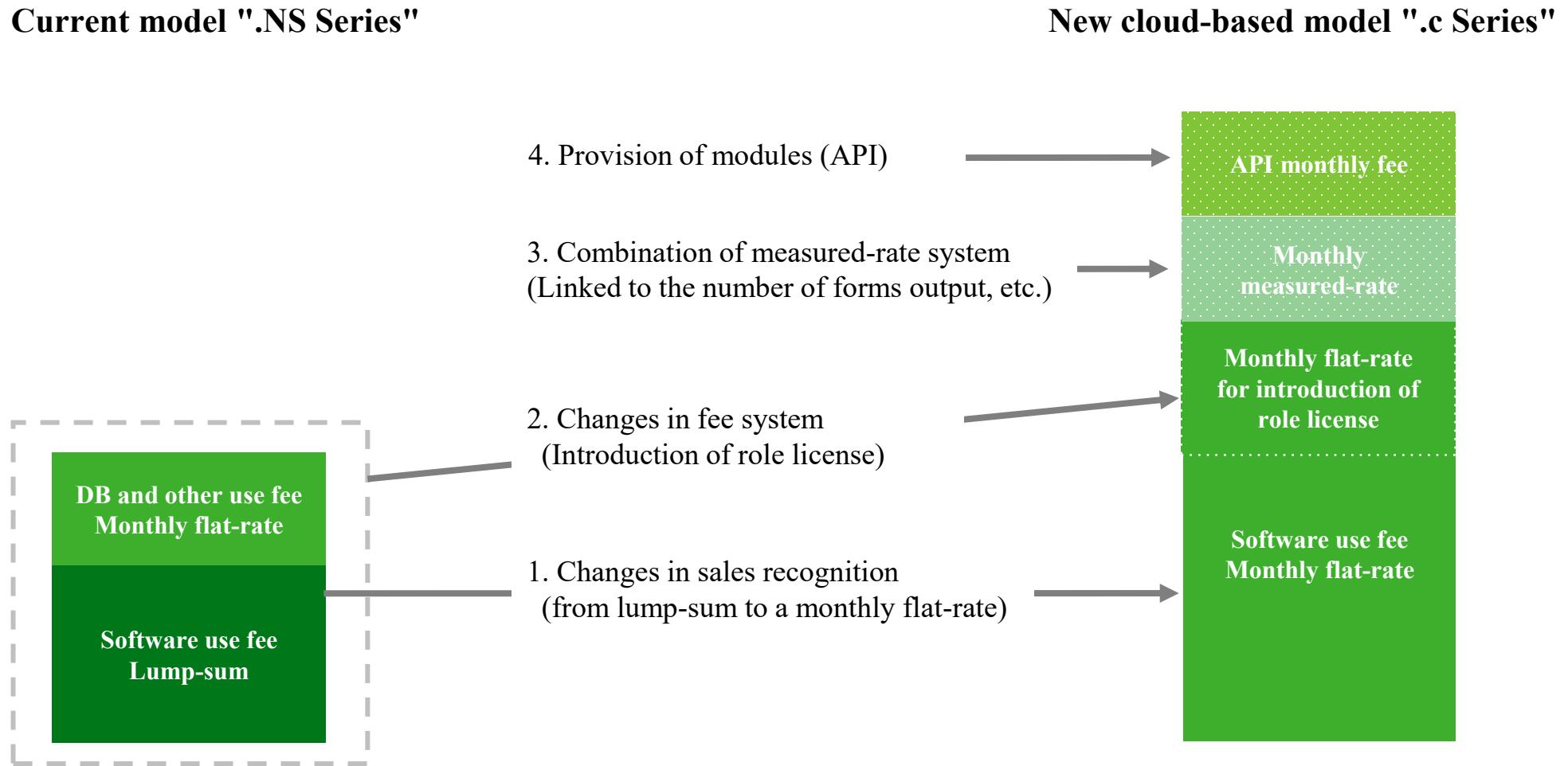


In addition to providing modules (APIs) to certain major users,
 Expand the software customer segment by making it a mechanism that can be contracted and introduced via the Web

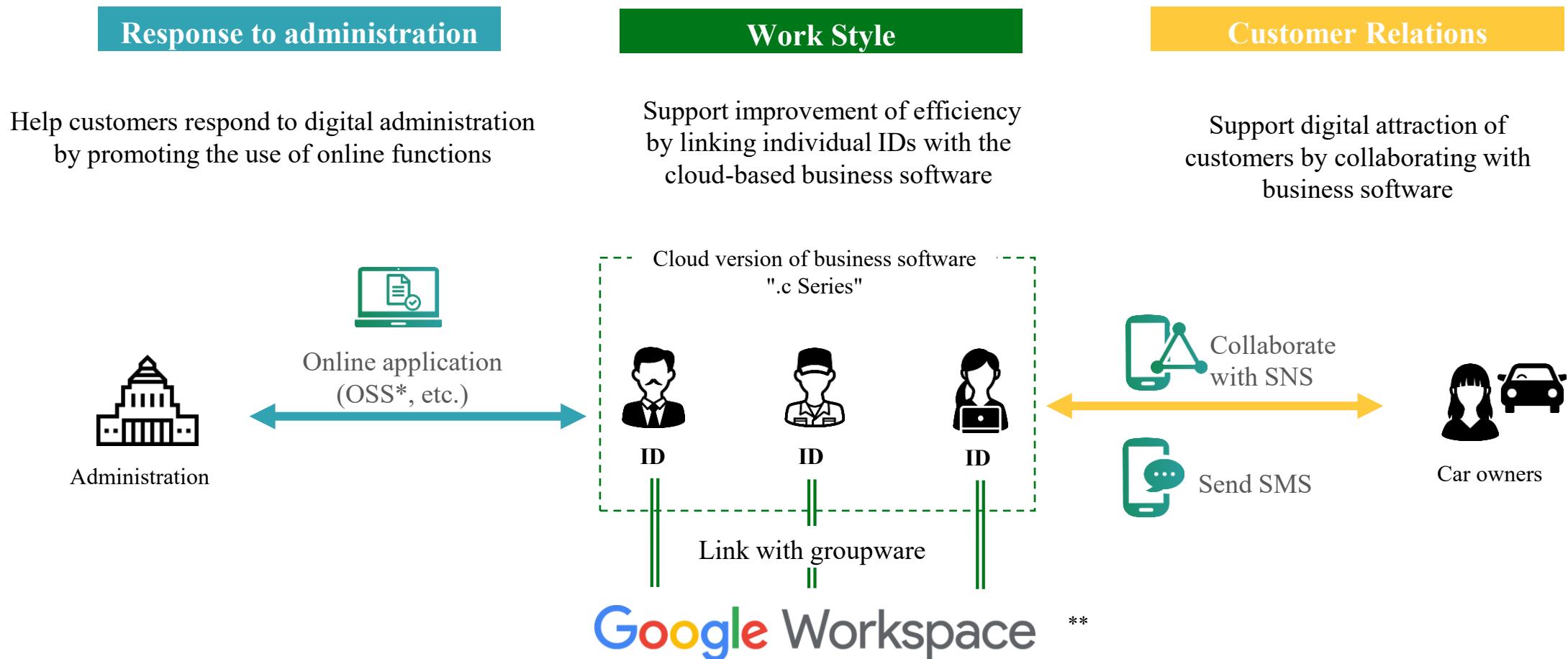


**"SS" are gas stations, and "non-users" are companies that do not install any business software
 NOTE)Schedules may change according to external environment, etc.

In the new cloud-based model, ".c Series," sales recognition not only change to monthly system, but also change to a sales model that combines introduction of role licenses, a new measured-rate system, and provision of modules.



Add DX-related functions to business software and provide DX-tools at the same time

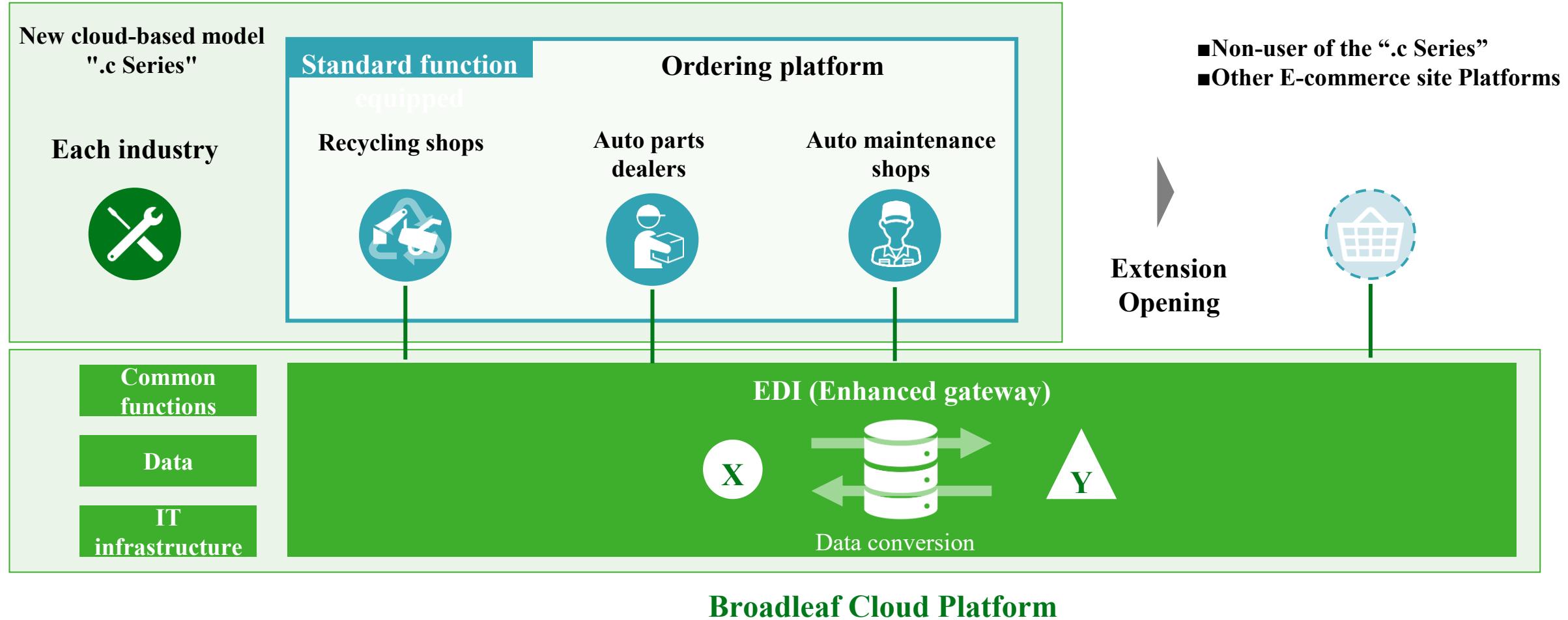


*OSS (one-stop service)

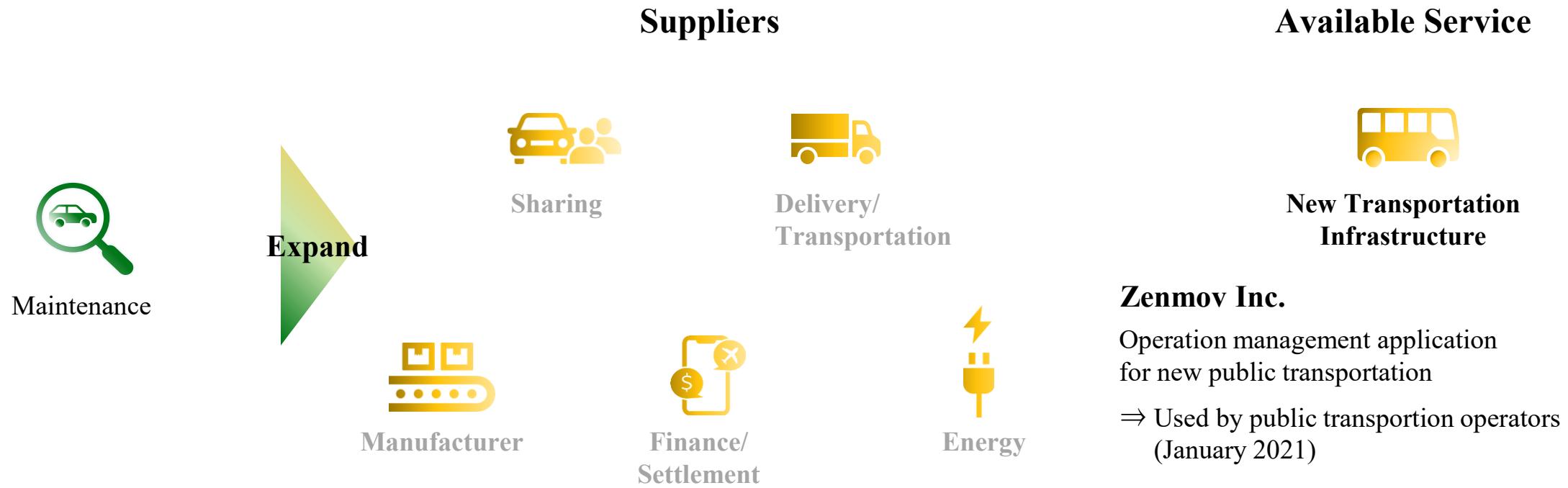
A service that can file applications online for payment of administrative procedures for car ownership, automobile tax, inspection registration fees, etc.

** Google Workspace is currently in preparation

In the new cloud model, ".c Series," the ordering platform is installed as a standard function
In addition, we will implement extension measures such as opening of trading participants.

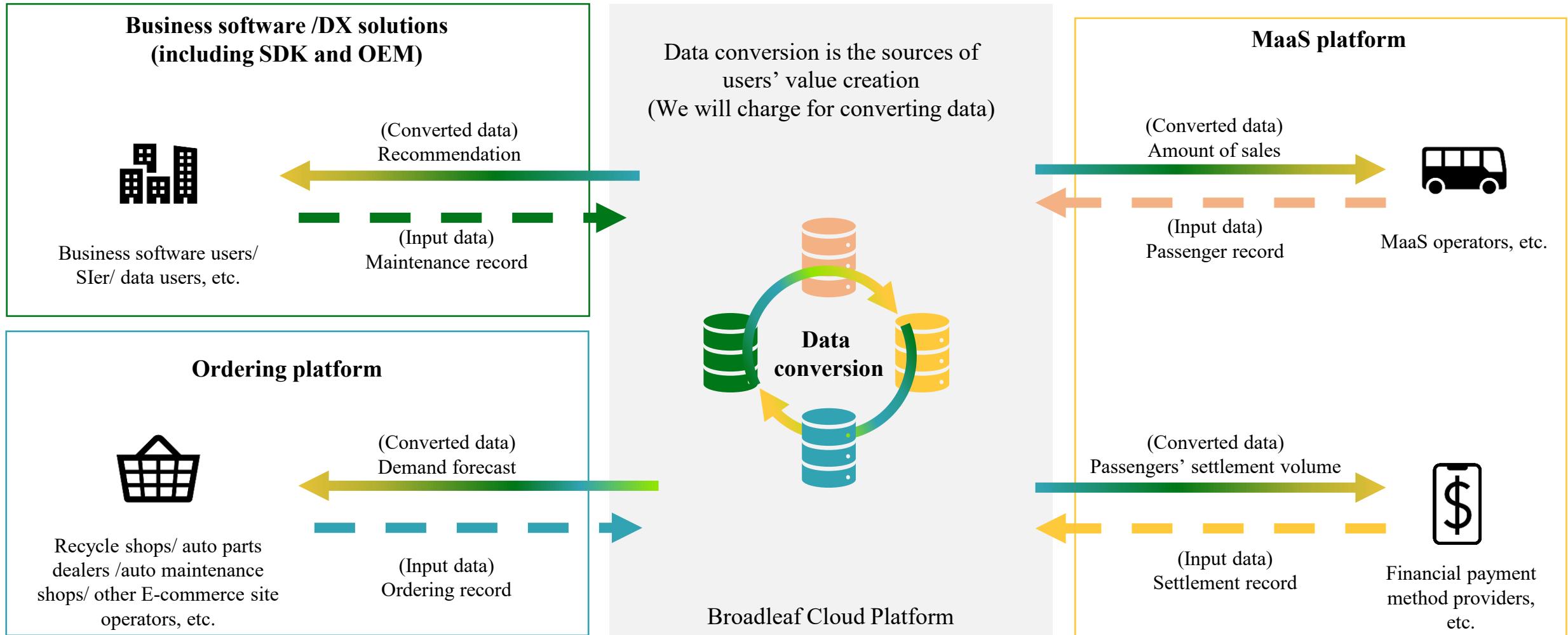


In January 2021, we began offering a service menu for public transportation (MaaS operators) in the Philippines. We will gradually add general function modules to the service menu and deploy them to a wide range of MaaS operators



Broadleaf Cloud Platform

Data converted on the platform becomes a source of value creation by data users



3 Results forecasts



Priority Measures for 2021-23



Introduction of new cloud-based model to the market

- Modular sales for certain major customers will be recognized as monthly sales, which will be a factor for the decline in sales of approximately ¥500 million (LTV does not decrease)
- Sales of new cloud-based software for gas stations will have positive effect on sales, but contribution will be limited due to small scale and recognition of monthly sales



Strengthening of DX solutions

- Steady sales are expected, but contribution to sales will be limited due to monthly usage system



EDI extension and opening of the Ordering Platform

- Contribution to profit will be limited because the introduction of the new ordering platform will be from 4Q onward.



Deployment of the MaaS platform

- Business deployment of the MaaS platform will begin, but contribution to sales will be limited
- Others are still in R&D phase

Impact on business results in 2021

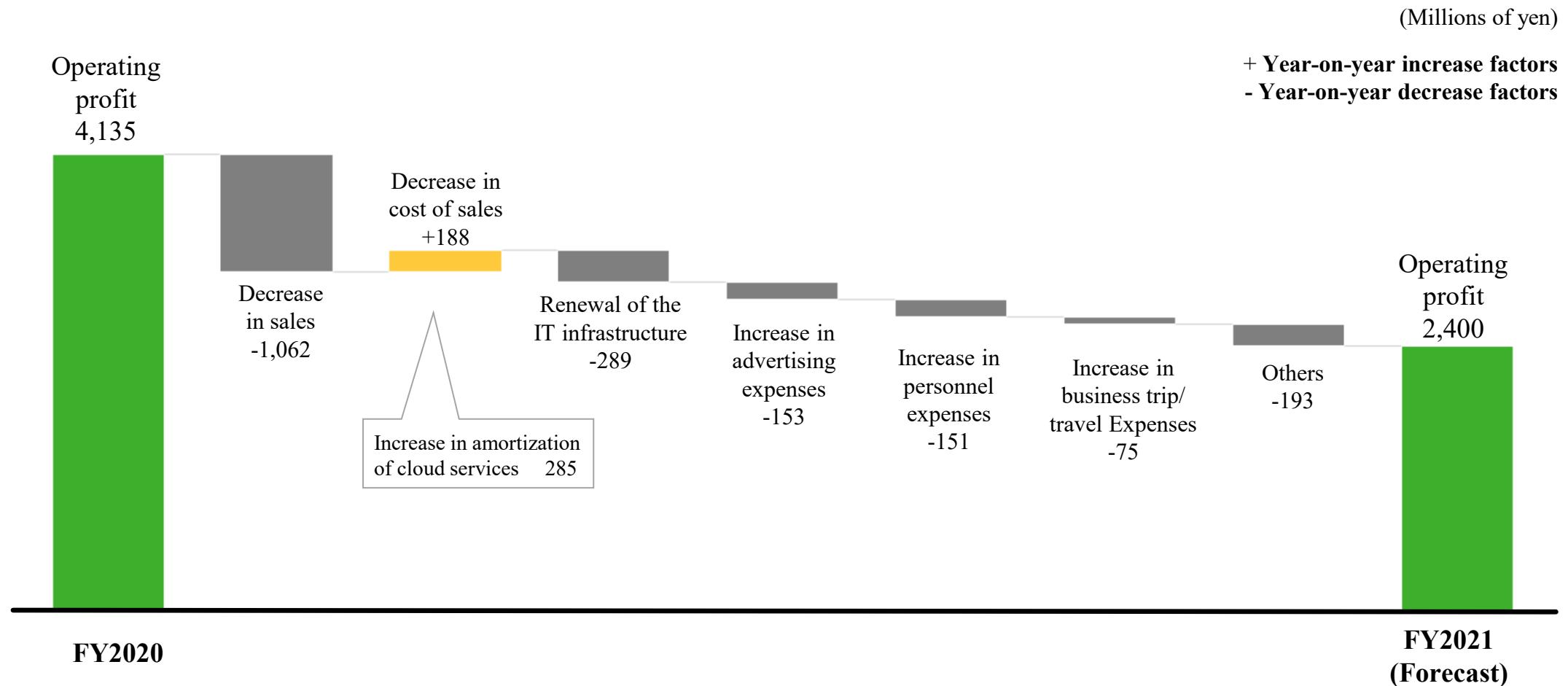
In addition to decrease in revenue of application sales, anticipatory cost burden is expected.

(Millions of yen)	FY2021 Full-year forecast	FY2020 Full-year	YoY change	YoY ratio	FY2021 1H Forecast	FY2020 1H	YoY change	YoY ratio
Revenue	20,100	21,162	-1,062	-5.0%	9,500	10,232	-732	-7.2%
Operating profit	2,400	4,135	-1,735	-42.0%	700	1,628	-928	-57.0%
Income before tax	2,400	3,820	-1,420	-37.2%	700	1,614	-914	-56.6%
Profit attributable to owners of parent	1,550	2,465	-915	-37.1%	430	1,066	-636	-59.6%
Basic earnings per share	17.64 yen	28.16 yen	-	-	4.90 yen	12.18 yen	-	-

The main factor for decrease in revenue of Application By industry is the change in accounting methods due to partial introduction of new cloud-based modules to certain major customers

(Millions of yen)	FY2021 Full-year forecast	FY2020 Full-year	YoY change	YoY ratio	FY2021 1H forecast	FY2020 1H	YoY change	YoY ratio
Platform	10,400	10,275	+125	+1.2%	4,900	4,872	+28	+0.6%
Basic	7,600	7,616	-16	-0.2%	3,600	3,600	-0	-0.0%
EDI and settlement	920	905	+15	+1.7%	420	439	-19	-4.4%
Support	1,700	1,596	+104	6.5%	800	761	+39	+5.1%
Others	180	157	+23	+14.8%	80	72	+8	+11.7%
Application	9,700	10,887	-1,187	-10.9%	4,600	5,360	-760	-14.2%
By industry	8,050	8,806	-756	-8.6%	3,800	4,165	-365	-8.8%
OTRS	250	204	+46	+22.7%	100	132	-32	-24.0%
Others	1,400	1,877	-477	-25.4%	700	1,064	-364	-34.2%
Total	20,100	21,162	-1,062	-5.0%	9,500	10,232	-732	-7.2%

In addition to the burden of amortization of cloud services, operating-related expenses is expected to increase on the assumption that operating activities will return to a similar level as the normal period.



Year-end dividend for the year ended December 2020 is expected to be ¥6.60 per share as forecasted at the beginning of the fiscal year. For the fiscal year ending December 2021, the company forecasts an annual dividend of ¥7.00 per share (interim dividend of ¥3.50 and year-end dividend of ¥3.50) due to the introduction of a new dividend policy.

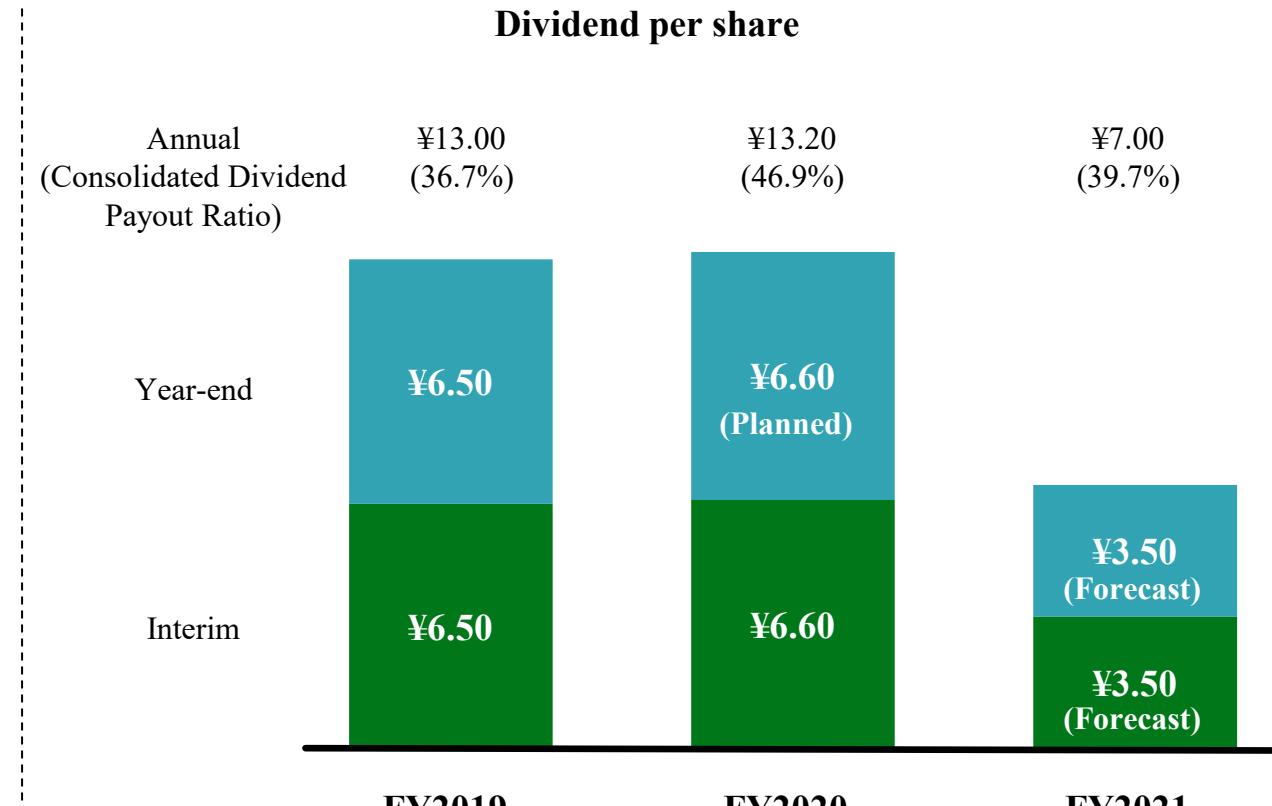
Dividend Policy

After change)

Our basic policy is to distribute earnings in accordance with business results while retaining the surplus required for business development and maintenance of financial soundness to increase corporate value. We aim for a consolidated dividend payout ratio of 35% or more.

Before change)

Our basic policy is to maintain a stable dividend by securing the internal reserves required for the future business development and strengthening of the management structure. Our target payout ratio is approximately 20%.



4 Topics



An emergency webiner was held on December 25, 2020, after a vehicle equipped with an autonomous driving level 3 received type approval from MLIT

On Tuesday, November 11, 2020, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) became the first in the world to give type approval to a vehicle with autonomous driving level 3. In order to provide updated information to operators involved in auto maintenance that are entering an era of major transformation, we held an emergency webinar entitled "This is how auto maintenance will change due to appearance of the autonomous driving level 3 of Honda Legend announced on November 11".

In the webinar, we provided information on possible changes in the automobile society that may occur after the launch of vehicles equipped with autonomous driving level 3 and the accompanying trends in administration, as well as administrative trends associated with the automobile specific maintenance system which was enforced in April 2020, from the viewpoint of DX.

Reference) Specific Maintenance System

In April 2020, the auto maintenance system was launched as a new system. The system expanded the scope from the previous "disassembly and maintenance", in which engines and brakes were removed, to maintenance or modification without removal (maintenance of electronic control equipment) which may influence movements of installed equipment. In addition, the "autonomous operation equipment" installed in vehicles with autonomous driving levels of at least 3 was added as the target equipment, and the name of the system was changed to "specific maintenance."

Source: MLIT "About Specific Maintenance System"
https://www.mlit.go.jp/jidosha/jidosha_fr9_000016.html

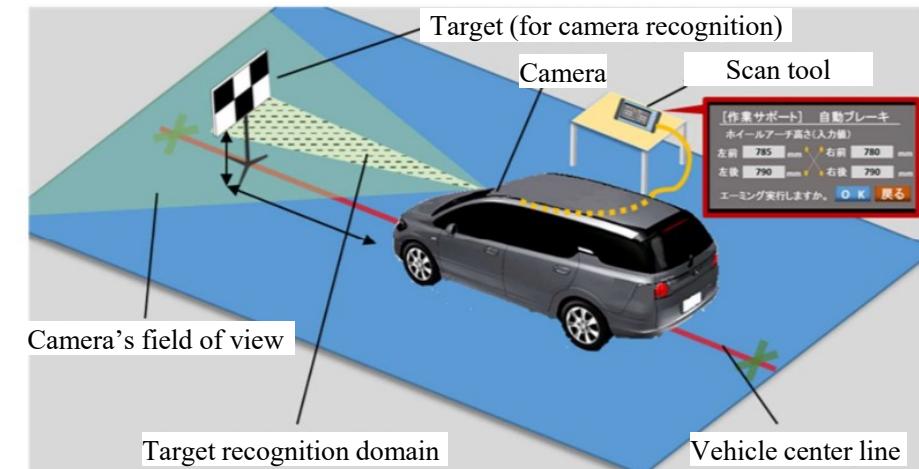


Figure: An Example of inspection subject to maintenance of electronic control equipment

Source: MLIT "Training session for Maintenance Leaders of Electronic Control Devices"
<https://www.mlit.go.jp/jidosha/content/001331469.pdf>

Participated in a new public transportation model business launched in Pasay, Philippines, which started operations on January 15, 2021

<Traffic issues facing the Philippines>

Traffic congestion is a social issue in the Philippines, and its economic loss amounts to 3.5 billion pesos per day (about 7.6 billion yen).

Pasay City, which is implementing this model business, has no means of on-time transportation from train stations to shopping malls, and needs for on-time transportation services are extremely high.



Figure 1: Images of the E-Tricycle and Payment Terminal

<Service content of model business>

The following service will be provided as "New Public Transportation" to solve the above issues.

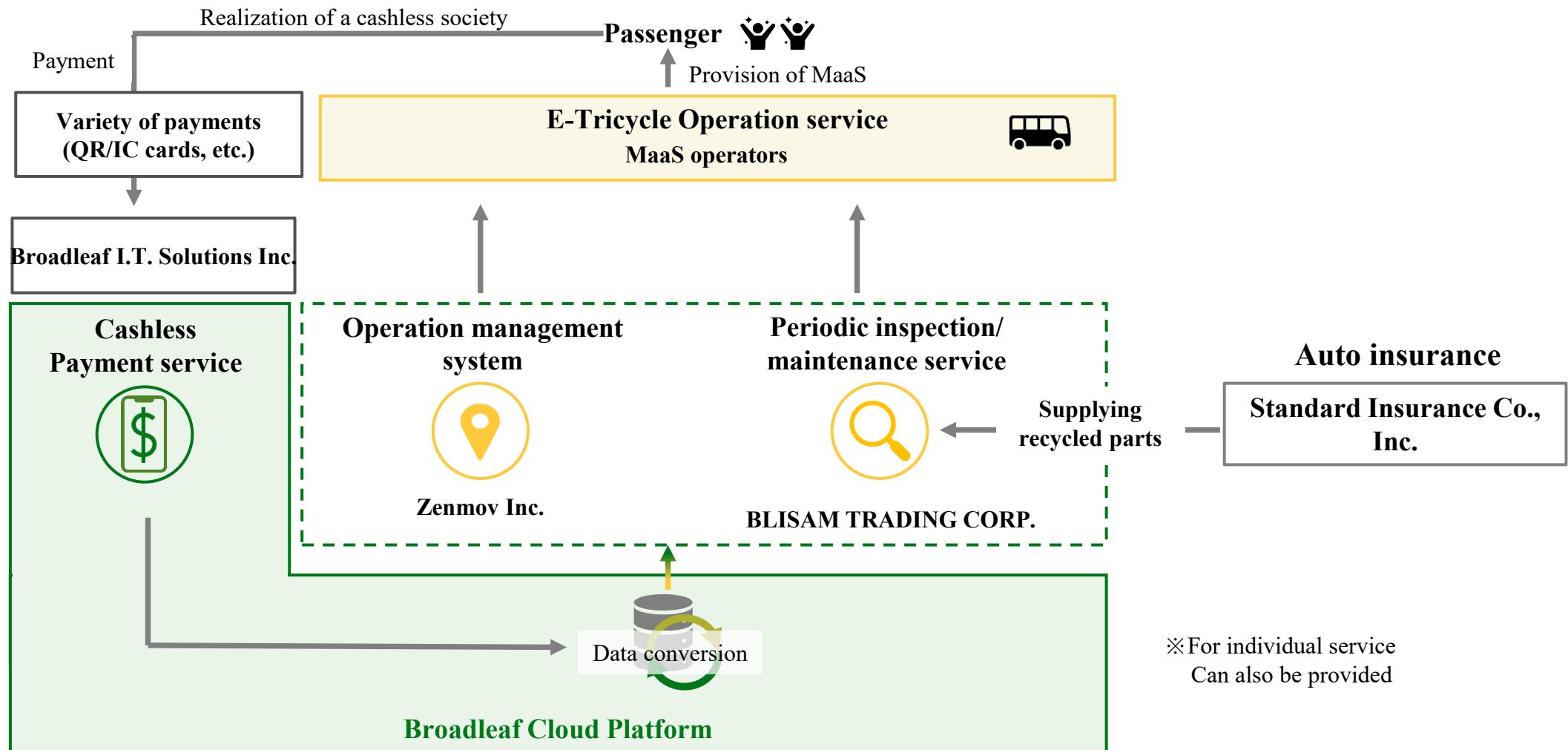
- E-Tricycle Operation service [Provided by MC Metro]
- ─ Operation management system necessary for efficient operation [Provided by Zenmov Inc.]
- ─ Data infrastructure that can analyze the data on the system [Provided by Broadleaf Co., Ltd]
- ─ Cashless payments compatible with mobile QR payments [Provided by Broadleaf IT. Solutions Inc.]
- ─ Visiting periodic inspection/maintenance service for vehicles [Provided by BLISAM TRADING CORP.]



Figure 2: The operation route of the model business

By utilizing the one-stop services offered by the Broadleaf Group, MaaS operators will be able to smoothly develop their businesses

<Service Structure>



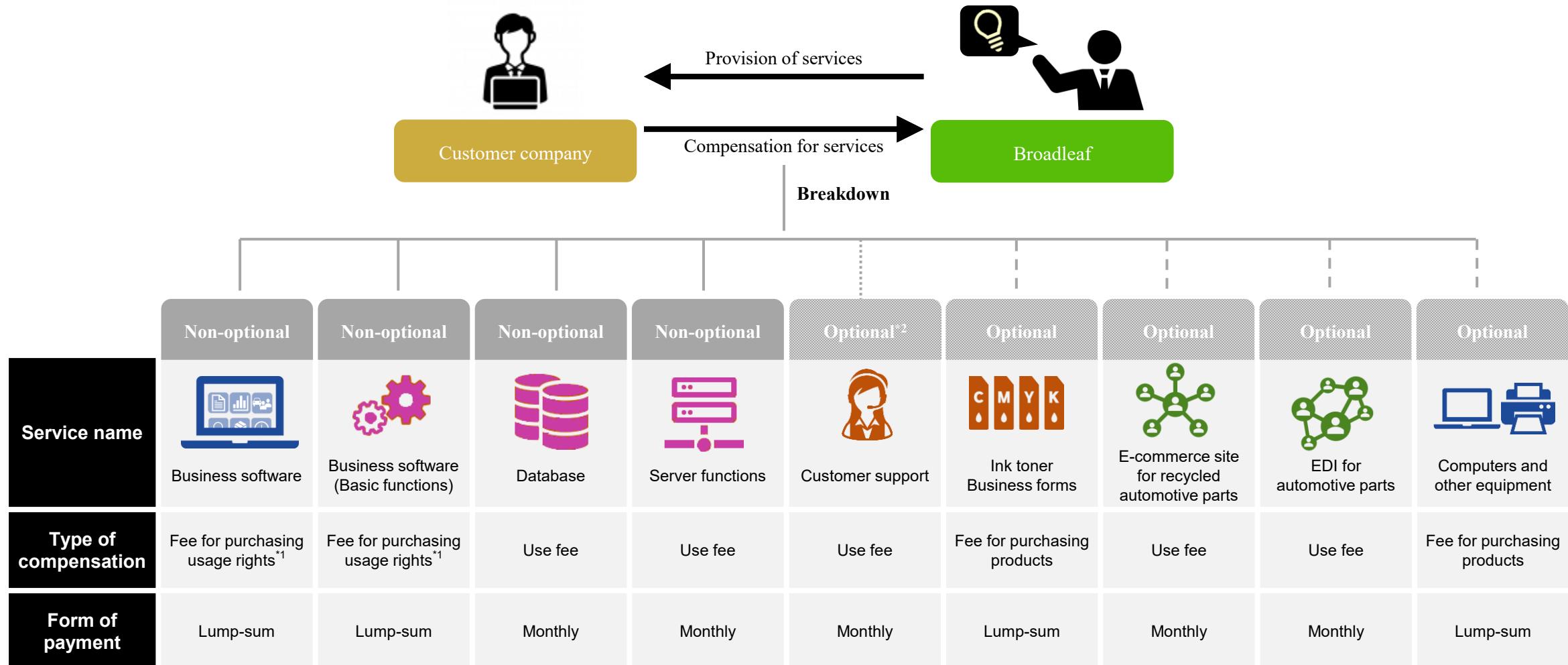
※ Broadleaf I.T. Solutions Inc: Wholly owned subsidiary / BLISAM TRADING CORP: Equity-method affiliate / Zenmov Inc: Equity-method affiliate / Standard Insurance Co, Inc.: Partner

Appendix

An abstract network diagram is positioned in the top right corner of the slide. It consists of several green circular nodes of varying sizes, connected by a web of thin, semi-transparent lines in shades of light blue, green, and yellow. The nodes are scattered across the upper right area, with some forming a small cluster on the right and others more isolated towards the top and left.

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 st to December 31 st
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 the ordering platform 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.

We provide customers with multiple services, including business software, as a single package.



*1 Usage rights valid for a maximum of 6 years

*2 Measures for improving the contract ratio were strengthened in the second half of 2019.

NOTE: The scope of provided service varies depending on industry of the customer.

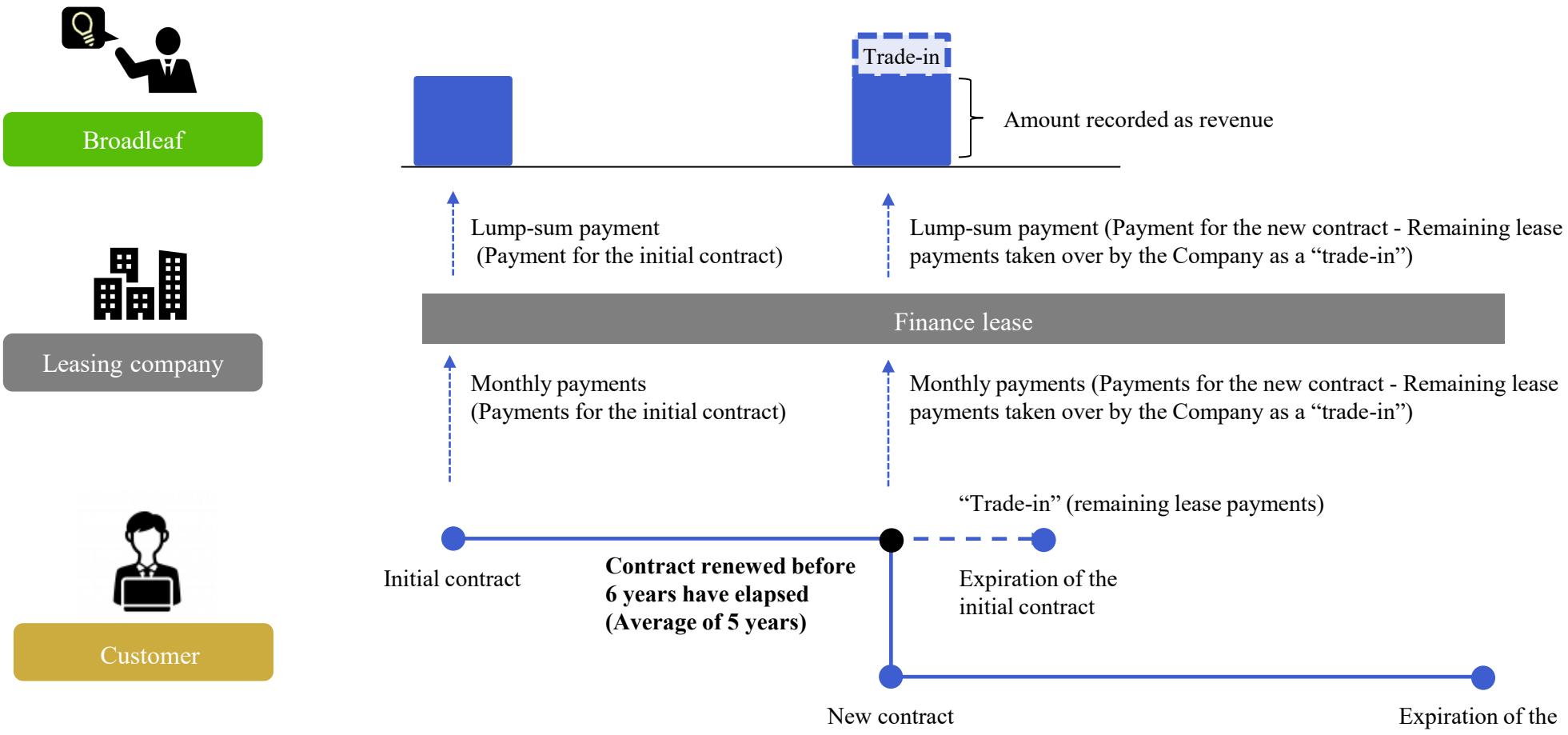
The form of payment differs according to the type of service.

The correspondence relationship between the type of service and revenue categories is as indicated below.

Services	Form of payment	Revenue Categories
 	<p>Fee for rights to use business software (valid for a maximum of 6 years)</p> <p>Fee for computers and other equipment</p>	Lump-sum
	Lump-sum	By industry/OTRS [Periodic]
	<p>Fee for rights to use basic functions (valid for a maximum of 6 years)</p> <p>Fee for use of database</p>	Lump-sum
	<p>Fee for use of server functions</p>	Monthly
	<p>Fee for use of customer support</p> <p>Fee for toner/business forms</p>	Monthly
	<p>Fee for use of e-commerce site</p> <p>Fee for use of EDI</p>	Lump-sum
	Monthly	Applications
	Monthly	Others [Periodic/Pay-as-you-go]
		Platforms
		Basic
		PaaS/SaaS (Lump-sum) [Periodic]
		PaaS/SaaS (Monthly) [Flat rate]
		IaaS (Monthly) [Flat rate]
		Support
		Support Service [Flat rate]
		Provision of consumables [Pay-as-you-go]
		EDI / Payment settlement
		PSF [Measured-rate]
		BLP/CPT [Flat rate & Measured-rate]

Most customers choose a lease contract.

Sometimes we take over the remaining lease payments as a “trade-in” before the expiration of the software lease period.



Disclaimer

The statements regarding results forecasts and future forecasts contained in this material are forecasts based on information available at the time of preparation of the materials and include potential risks and uncertainties.

Accordingly, please note that actual business results may differ from these results forecasts due to various factors.

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