



# Broadleaf Co., Ltd.

(Securities Code: 3673 / TSE 1st)

## 1Q FY12/2013 Business Results Briefing



May 13, 2013

1. Our Profile and Growth Strategies
2. FY12/2013 Financial Forecasts and Quarterly Performances
3. Financial Highlights for 1Q FY12/2013
4. Reference



# Our Profile and Growth Strategies

---



BroadLeaf

Copyright (c) Broadleaf Co., Ltd. All rights reserved.

## Corporate Philosophy

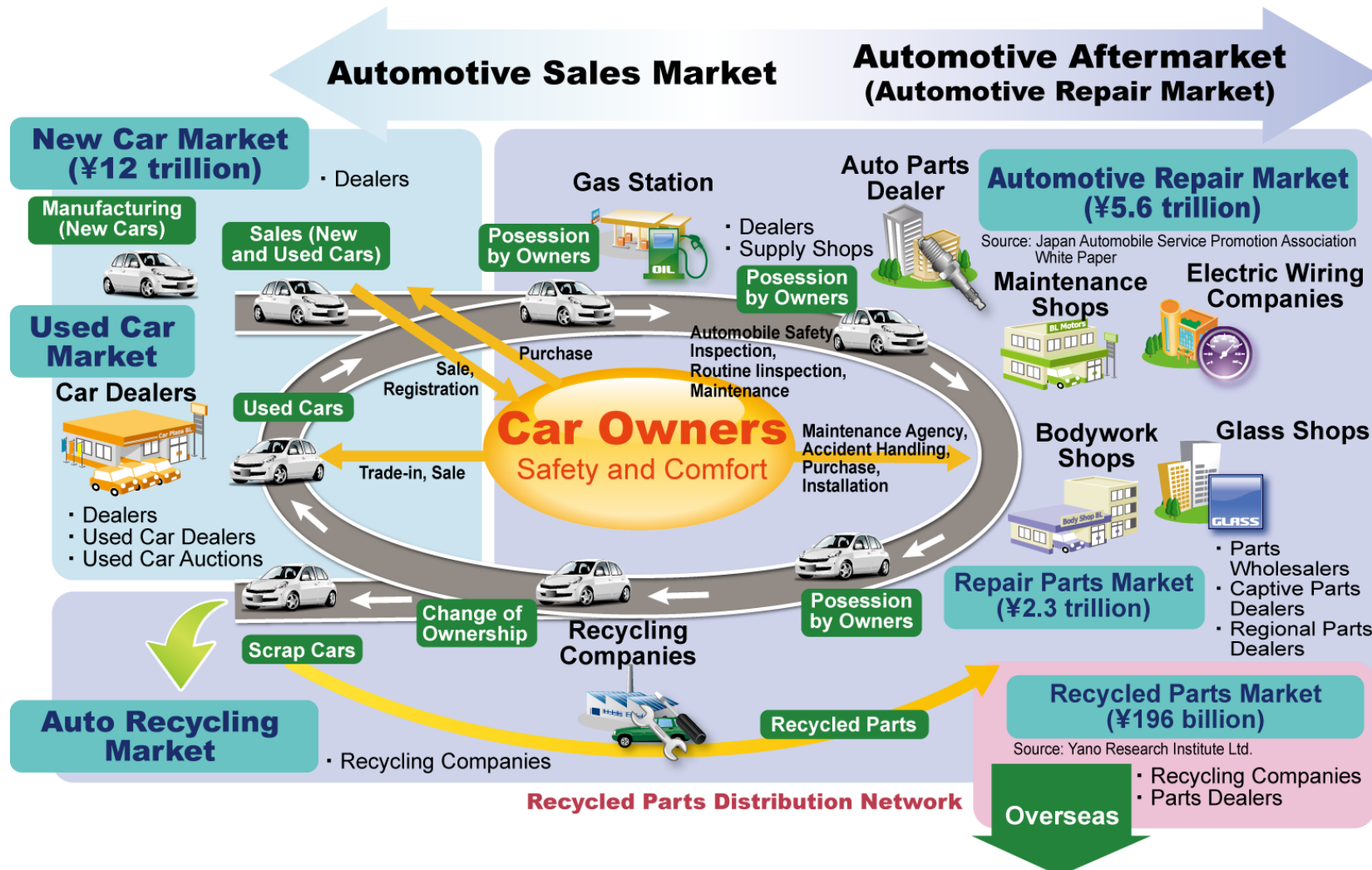
**Gratitude and Satisfaction: These are the underlying principles that drive our creation of new corporate value as we develop enterprise solutions for our partner-clients.**

Corporate Name:	Broadleaf Co., Ltd.
President and CEO:	Kenji Oyama
Stock Listing:	The First Section of the Tokyo Stock Exchange Securities Code: 3673 (Listed on March 22, 2013)
Founded/Established:	December 2005/September 2009
Capital Stock:	6,783,155,000 yen
Business Outline:	Development and sales of business applications, provision of network services, maintenance services, etc. for specific businesses centering on the automotive aftermarket industry
Head Office Location:	Floor 8, Glass Cube Shinagawa, 4-13-14, Higashi-Shinagawa, Shinagawa-ku, Tokyo
Business Offices:	35 offices in Japan
Development Centers:	3 centers in Japan (Sapporo, Tokyo, and Fukuoka)
Number of Employees:	841 (Sales: 579, Development: 169, Administration: 93)

(as of March 31, 2013)

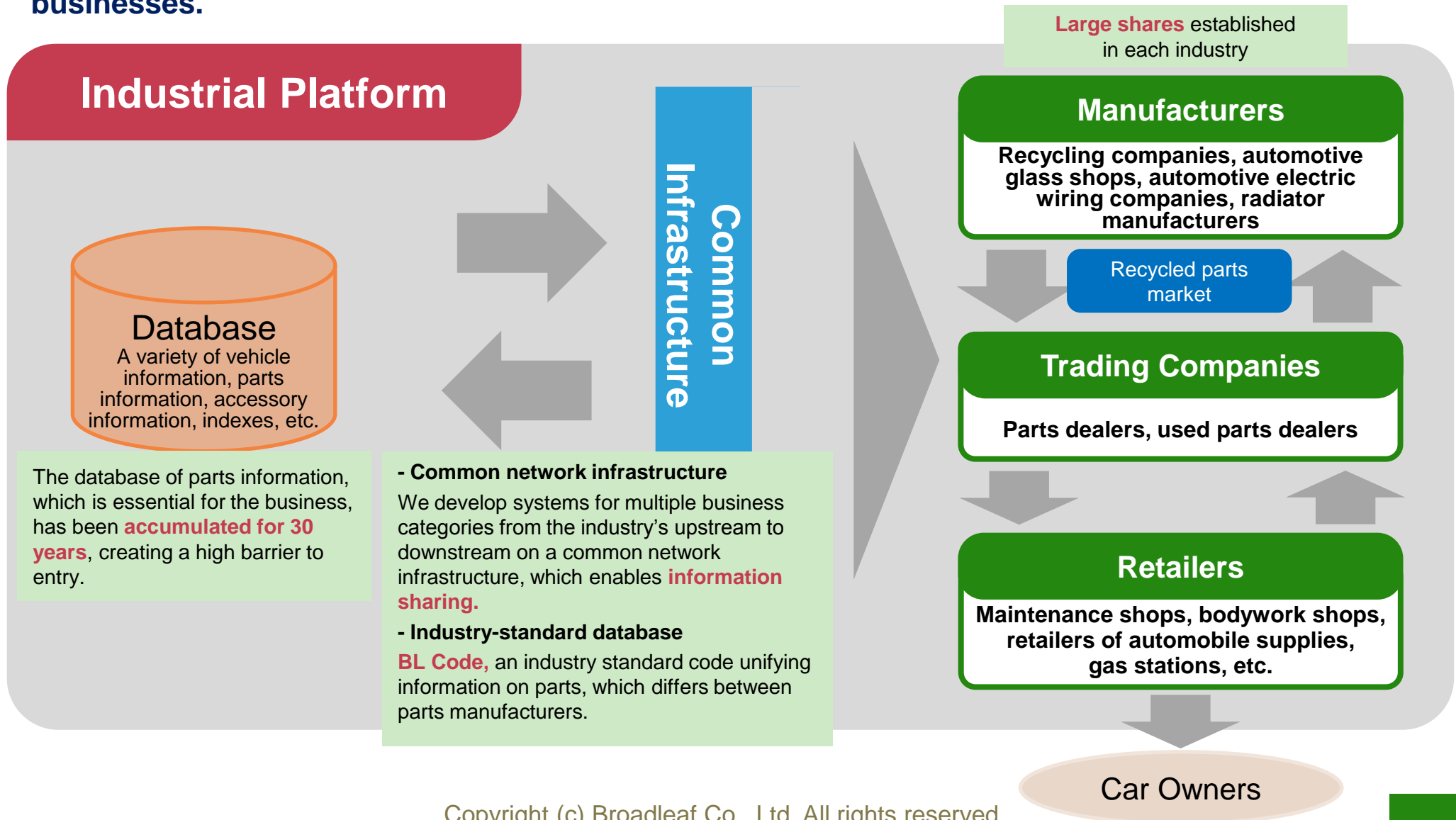
## 2. Automotive Aftermarket

The automotive aftermarket refers to a market of products and services to be used by car owners after purchase of their vehicles, including gasoline, accessories, safety inspections, maintenance checks, replacement of parts, and sales and scrapping.



### 3. Our Strengths

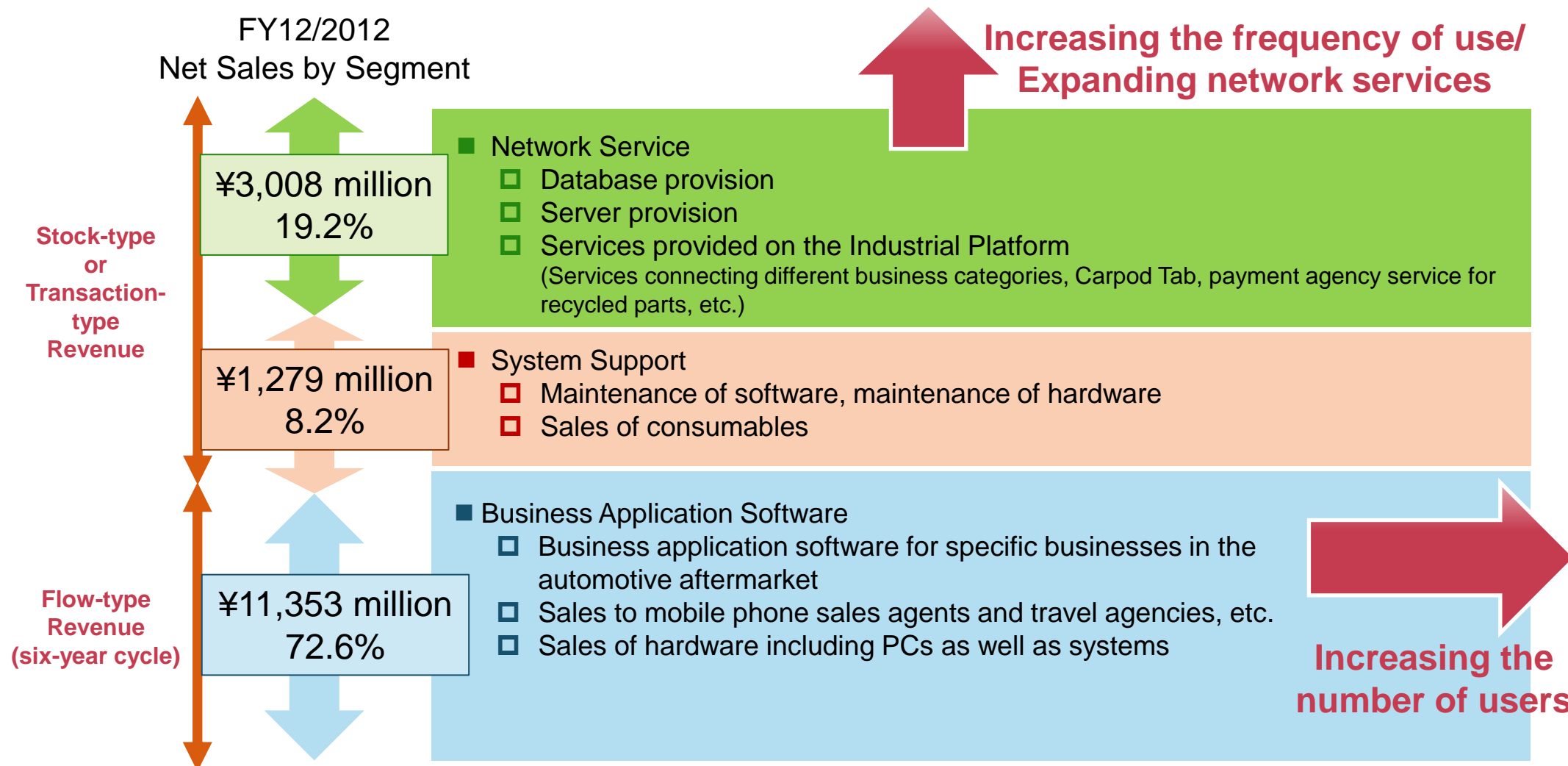
**We connect participants in a very large, divided market with a common network infrastructure and promote the Industrial Platform to help users improve their operational efficiency and create businesses.**





## 4. Our Sales Mix

We aim to increase our sales by having our IT services on the Industrial Platform in our effort to increase the number of users through the expansion of our network services and with the competitive edge of our product services.

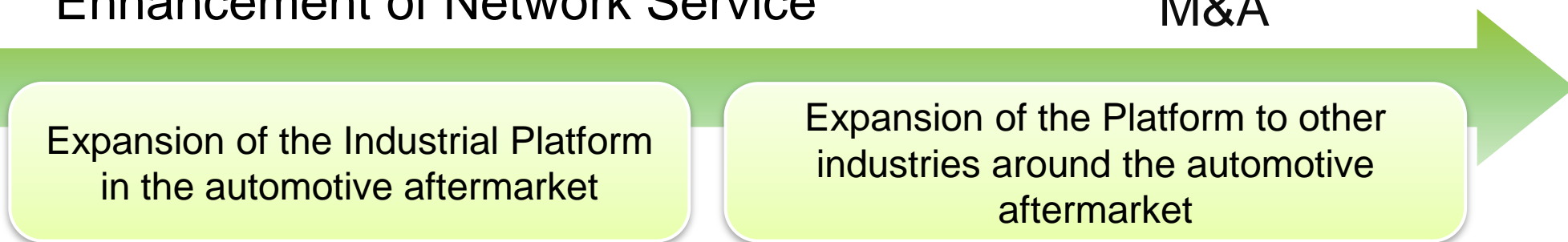


**We accelerate our growth in Japan and overseas as a new type of information service company with its roots in industry, which supports the creation of users' business.**

### 1) Provision of IT services on the Industrial Platform

Enhancement of Network Service

M&A



Expansion of the Industrial Platform in the automotive aftermarket

The diagram shows a large green arrow pointing to the right. Inside the arrow, there are two light green rounded rectangular boxes. The first box contains the text 'Expansion of the Industrial Platform in the automotive aftermarket'. The second box contains the text 'Expansion of the Platform to other industries around the automotive aftermarket'.

Expansion of the Platform to other industries around the automotive aftermarket

### 2) Approach to overseas growth markets

Operation of automotive business by drawing on the expertise we developed in Japan



Business operation in China

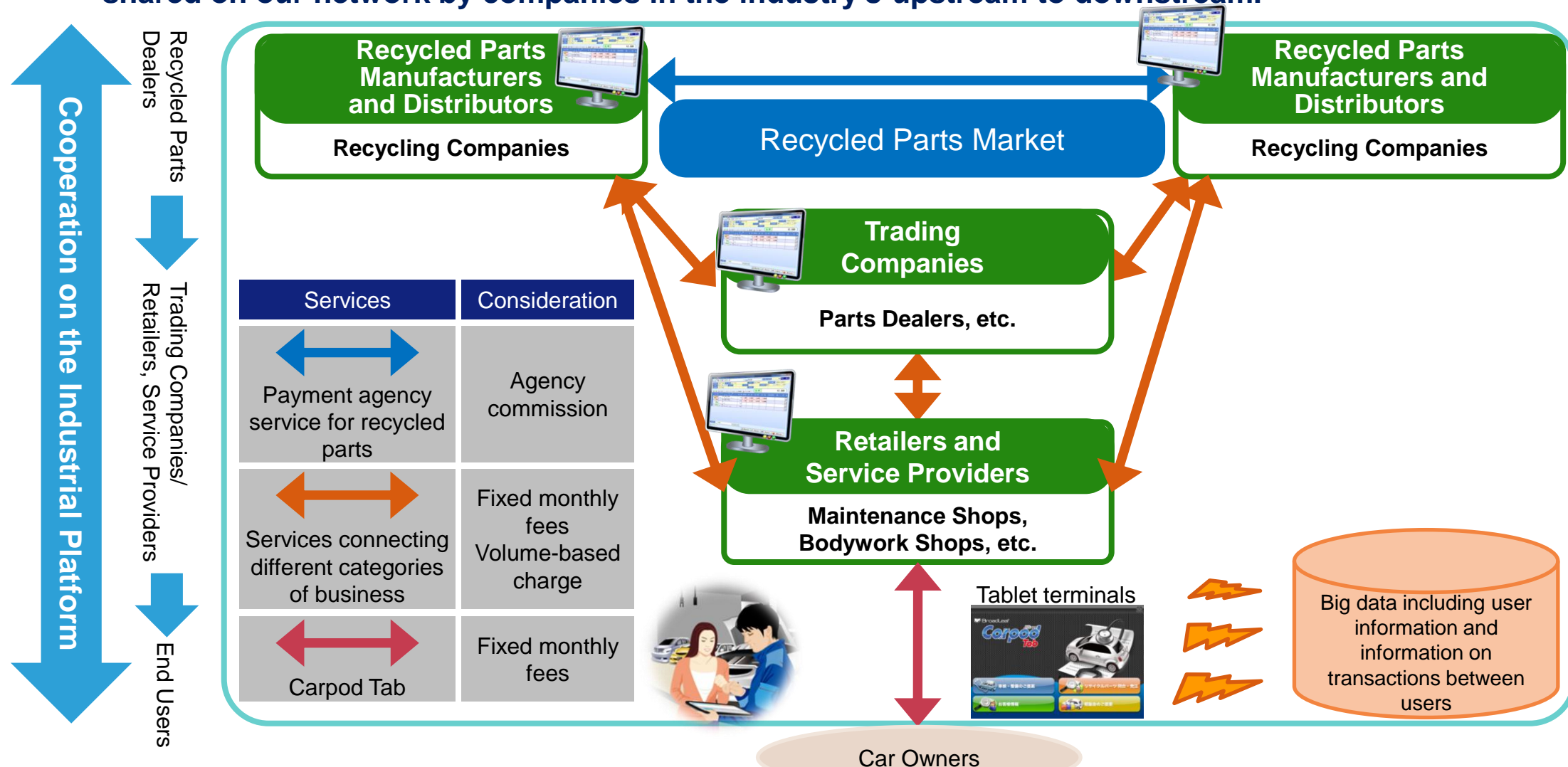
The diagram shows a large green arrow pointing to the right. Inside the arrow, there are two light green rounded rectangular boxes. The first box contains the text 'Business operation in China'. The second box contains the text 'Expansion into ASEAN countries'.

Expansion into ASEAN countries




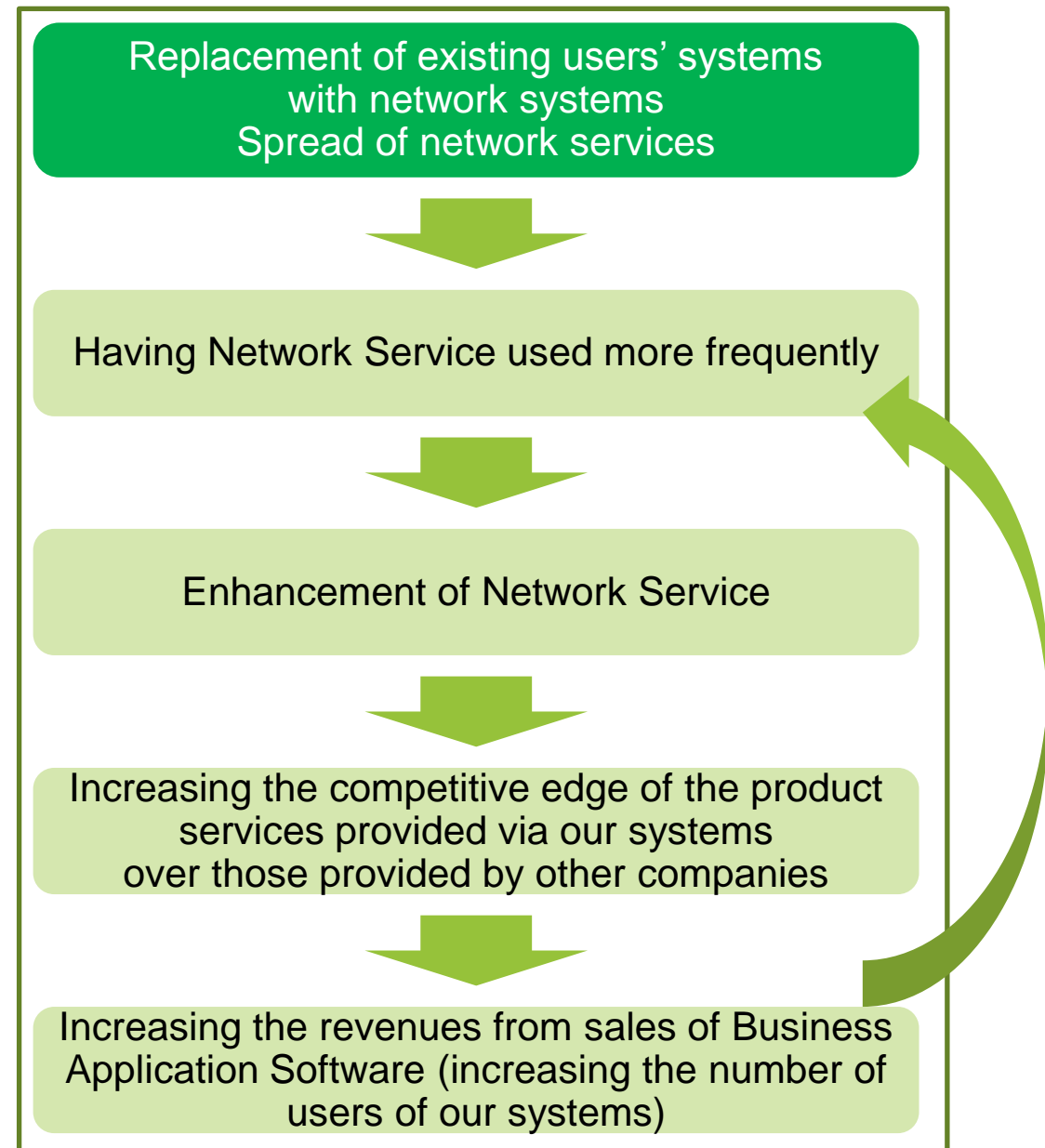
## 6. Provision of IT Services on the Industrial Platform (1/3)

We provide IT services that support the businesses of various companies by having information on the demands of car owners for parts replacement resulting from maintenance, inspections, etc. shared on our network by companies in the industry's upstream to downstream.



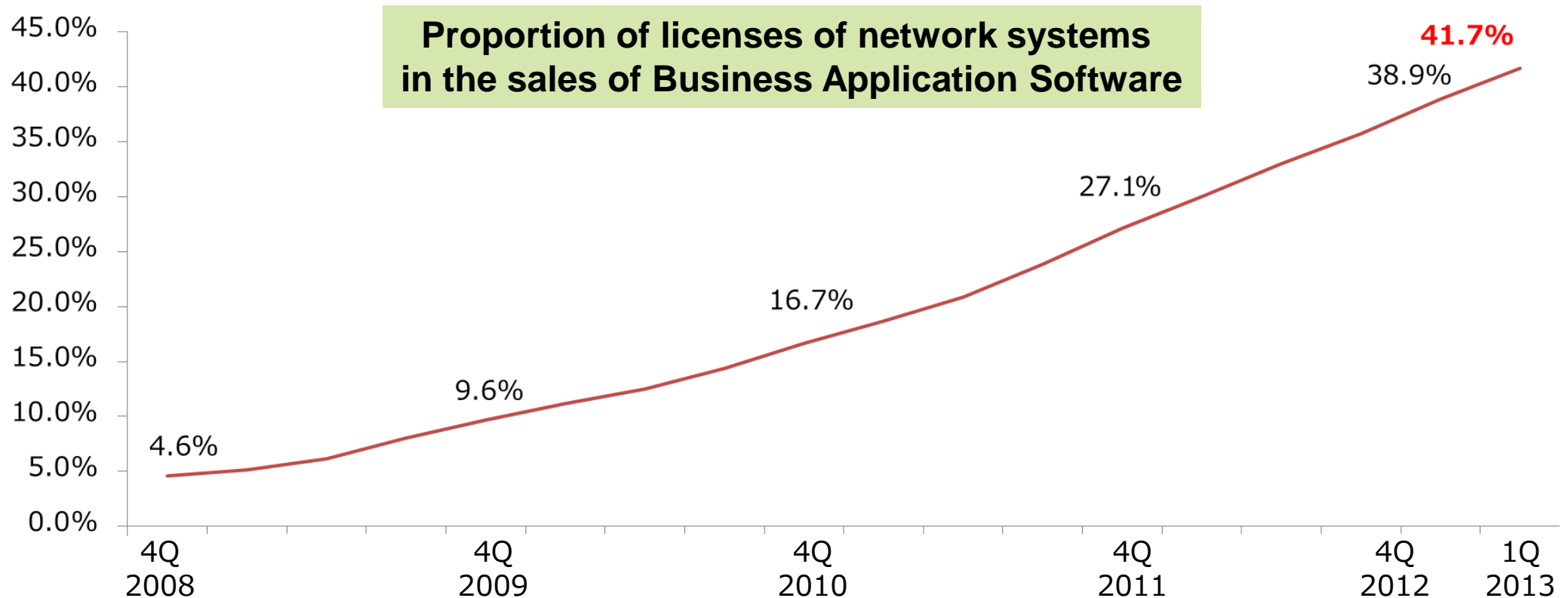
### Growth strategies in Japan

- ❑ Focusing more on efforts to spread of services into existing users rather than increasing business application software licenses
- 
- ❑ The market penetration of the following is necessary to expand our network services:
    - 1) **Network systems**
      - Increasing network system users, rather than stand-alone system users, to reinforce network services
    - 2) **Services connecting different categories of business**  
(BL. Parts Ordering System)
      - Increasing users of these services, which permit the placement and receipt of orders and checking of inventory on the network
    - 3) **Tablet-based services**  
(Carpod Tab)
      - Spreading tablet-based services to increase the convenience of network services



## 8. Provision of IT Services on the Industrial Platform (3/3)

- The proportion of network systems, which serve as the infrastructure of our Network Service, has been increasing steadily.
- The proportion of network systems has been growing steadily. It was 38.9% as of the end of 2012 and **41.7%** as of the end of the 1st quarter. It has been contributing to increasing unit prices in the sales of Business Application Software and increasing the sales of Network Service.



## 9. Operation in China and Other Asian Countries (1/2)

1

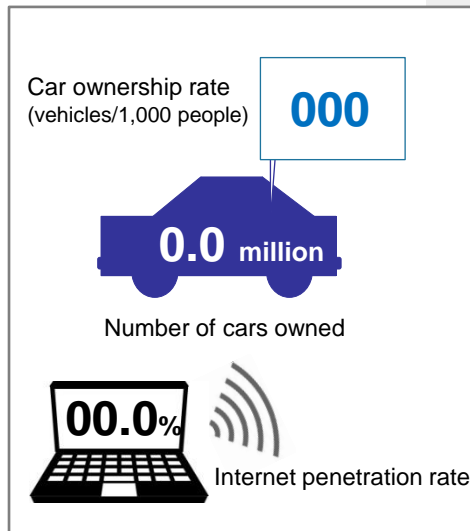
The automotive aftermarket has expanded due to the increase in car ownership. The market size is particularly large in China.

2

The recycled parts market is being formed due to the increase in demand for repairs that has resulted from the spread of cars.

3

The Internet infrastructure, which is the basis of our services, is being developed.

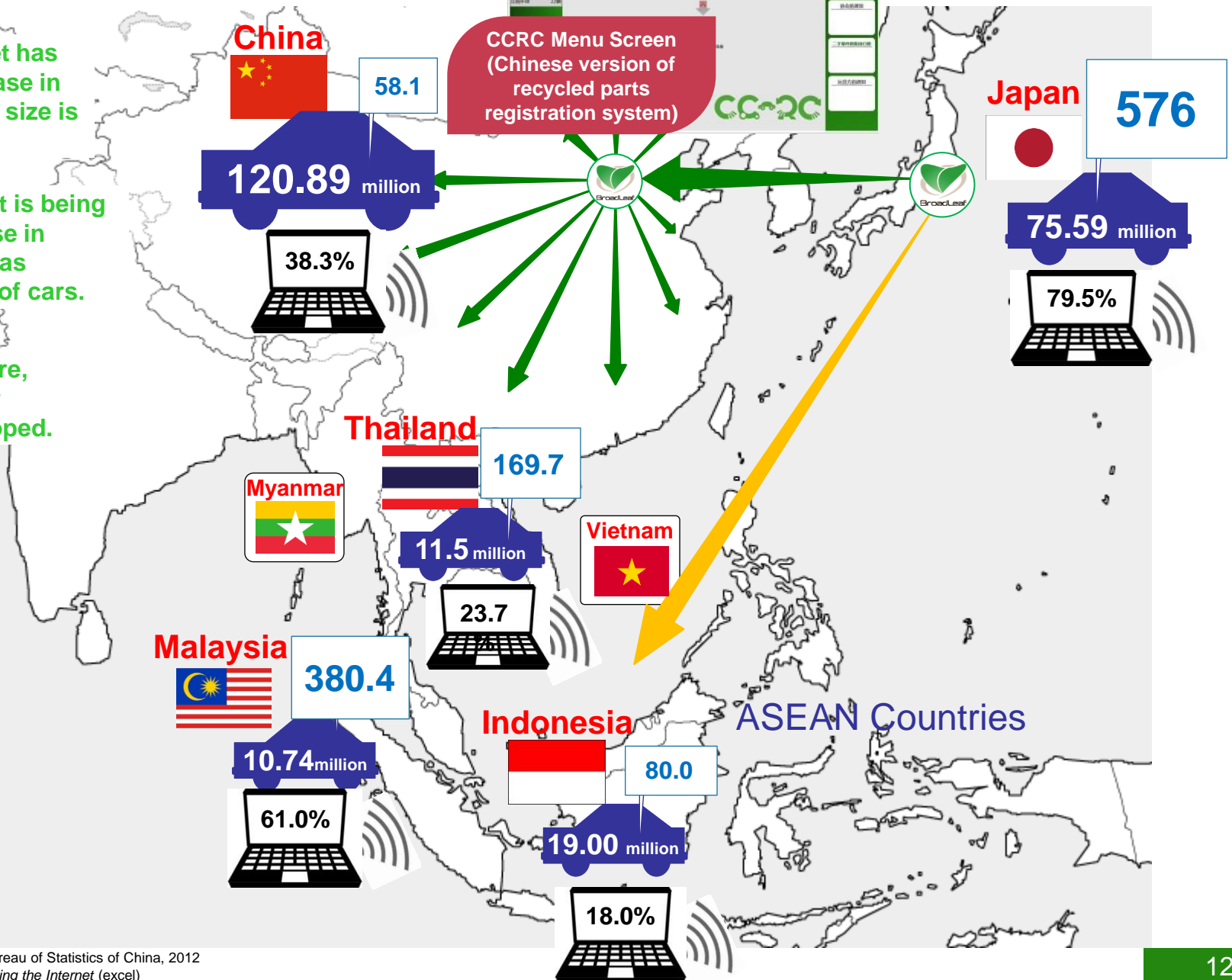


Sources:

Car ownership rate: *Automotive Yearbook*

Number of cars owned: *Automotive Yearbook*; National Bureau of Statistics of China, 2012

Internet penetration rate: ITU, *Percentage of individuals using the Internet* (excel)



### **Established the “Beijing Japan-China Automobile Recycling Center” (April 22, 2013) (Registered name in China: Beijing Hua Xia Dong Ying Qi Che Ke Ji You Xian Ze Ren Gong Si)**

**In Beijing, China, we established a joint venture that provides comprehensive consultations to automobile recycling companies for providing recycled parts manufacturers with consultations on factory design and management, technical support, introduction of IT systems, employee training, and other matters.**

#### □ Background

Given the rapid increase in car ownership, the Chinese government has been encouraging the modernization and standardization of factories for manufacturing recycled parts. To contribute to the development of China's automobile recycling industry, we will provide advanced technologies and expertise that we have developed in Japan.

#### □ Our target

- Increasing business opportunities in IT services for China's automobile recycling industry via the new company

#### □ Investment ratio (capital stock: 5 million yuan)

- Broadleaf Co., Ltd. (investment ratio: 28%; 1.4 million yuan)
- Beijing Jin Se Heng Ye Zai Sheng Zi Yuan Ji Shu kai fa Co., Ltd. (investment ratio: 52%; 2.6 million yuan)  
(a company headquartered in Beijing that was established at the initiative of an influential Chinese automobile recycling company)
- Kokusai Recycle Jigyo Kyokai K.K. (investment ratio: 20%; 1.0 million yuan)  
(a company headquartered in Hyogo Prefecture that was established jointly by automobile recycling companies in Japan)

# FY12/2013 Financial Forecasts and Quarterly Performances

---



BroadLeaf

Copyright (c) Broadleaf Co., Ltd. All rights reserved.

# 1. FY12/2013 Financial Forecasts

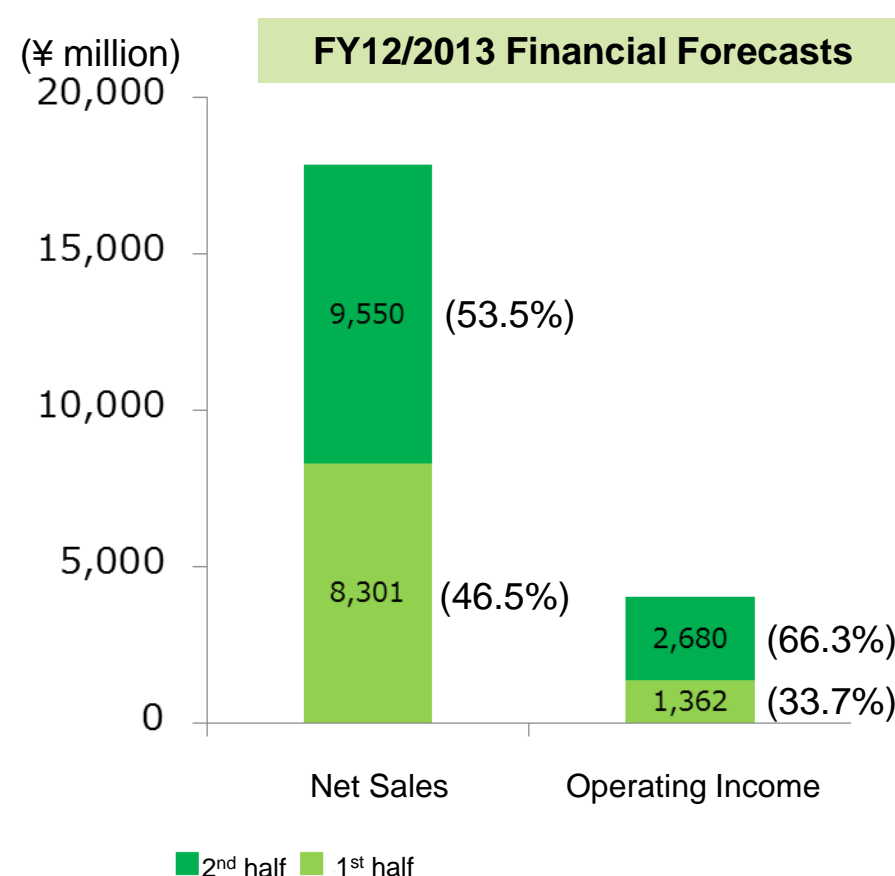
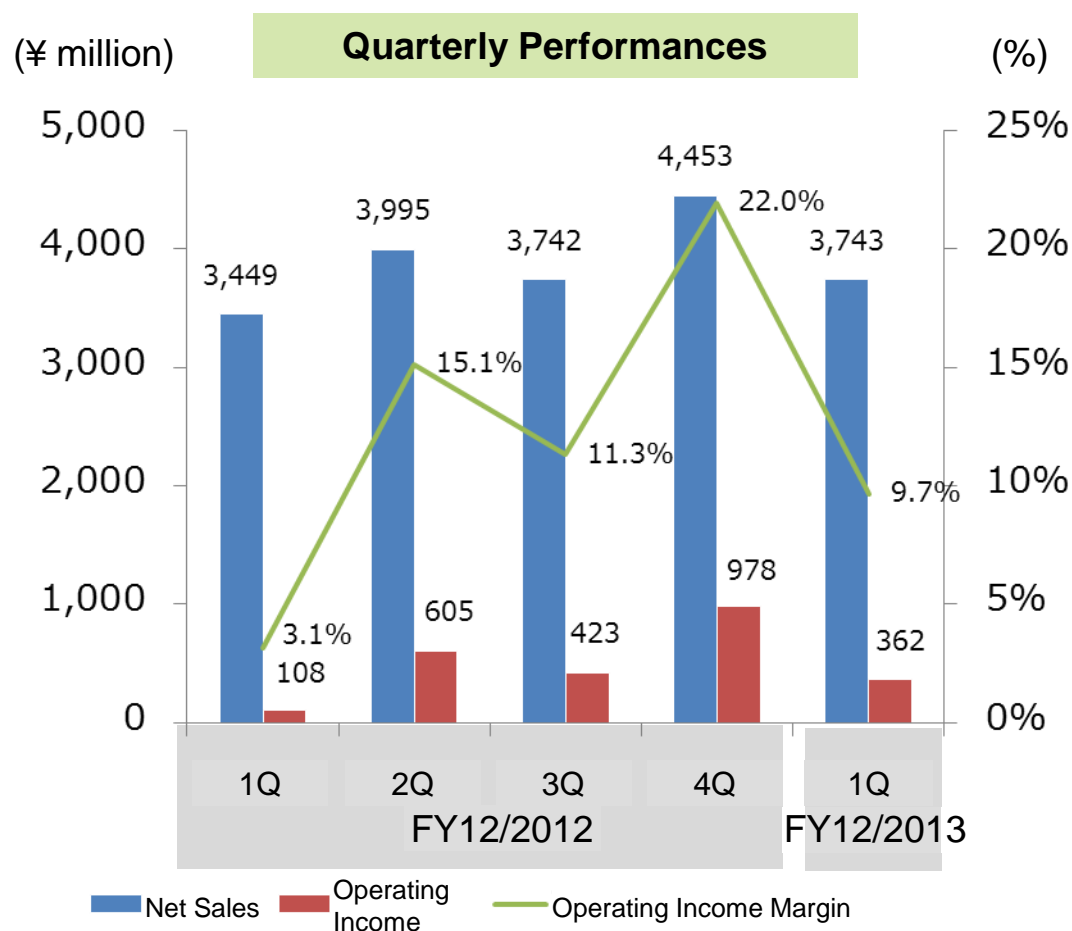
- Net sales are forecast to increase 14.1% from the previous fiscal year due to booming replacement demand in Business Application Software sales and the growth of Network Service business.
- An increase in net sales of ¥474 million is anticipated in the Network Service business, which is expected to grow.
  - The ratio of sales from this business to total sales will increase from 19.2% to 19.5%.
- Regarding operating income, because the amount of costs remains the same level as described earlier, any increase in sales is reflected almost directly in an increase in operating income.
- Return on equity (ROE) is forecast to increase to 11.9% due to record income.

(¥ million)	FY12/12 Actual	FY12/13 Forecasts	YoY Change	
			Amount	Ratio
Net Sales	15,641	17,851	+2,210	14.1%
Business Application Software	11,353	12,982	+1,629	14.3%
System Support	1,279	1,386	+107	8.4%
Network Service	3,008	3,482	+474	15.8%
Cost of Sales	4,616	4,247	-368	-8%
Gross Profit	11,025	13,604	+2,578	23.4%
SG&A Expenses	8,911	9,561	+649	7.3%
Operating Income	2,114	4,042	+1,928	91.2%
Net Income	815	2,089	+1,274	94.2%
EPS	¥36.30	¥86.12	+¥49.82	—
ROE	5.6%	11.9%	—	—



## 2. Quarterly Performances

- The amount of net sales increased in the 2nd quarter, and particularly in the 4th quarter, because our Business Application Software business with existing clients concentrated on certain periods.
- The amount of net sales less the amount of fixed costs, which is approx. ¥3.3 billion to ¥3.4 billion, is the operating income for each quarter. Accordingly, the operating income margin changes from quarter to quarter.



# Financial Highlights for 1Q FY12/2013

---



BroadLeaf

Copyright (c) Broadleaf Co., Ltd. All rights reserved.

# 1. Financial Highlights for 1Q FY12/2013

(¥ million)	1Q 2012	1Q 2013	YoY Change	
			Amount	Ratio
Net Sales	3,449	3,743	+293	8.5%
Business Application Software	2,404	2,609	+204	8.5%
System Support	326	323	-2	-0.9%
Network Service	718	810	+91	12.7%
Cost of Sales	1,043	1,083	+40	3.9%
Gross Profit	2,406	2,659	+253	10.5%
SG&A Expenses	2,298	2,297	-1	-0.1%
Operating Income	107	362	255	236.0%
Ordinary Income	50	312	262	517.5%
Net Income	-52	110	162	—

## 2. Analysis on Changes in Net Sales

### □ Business Application Software: Increase of ¥204 million (up 8.5% yoy)

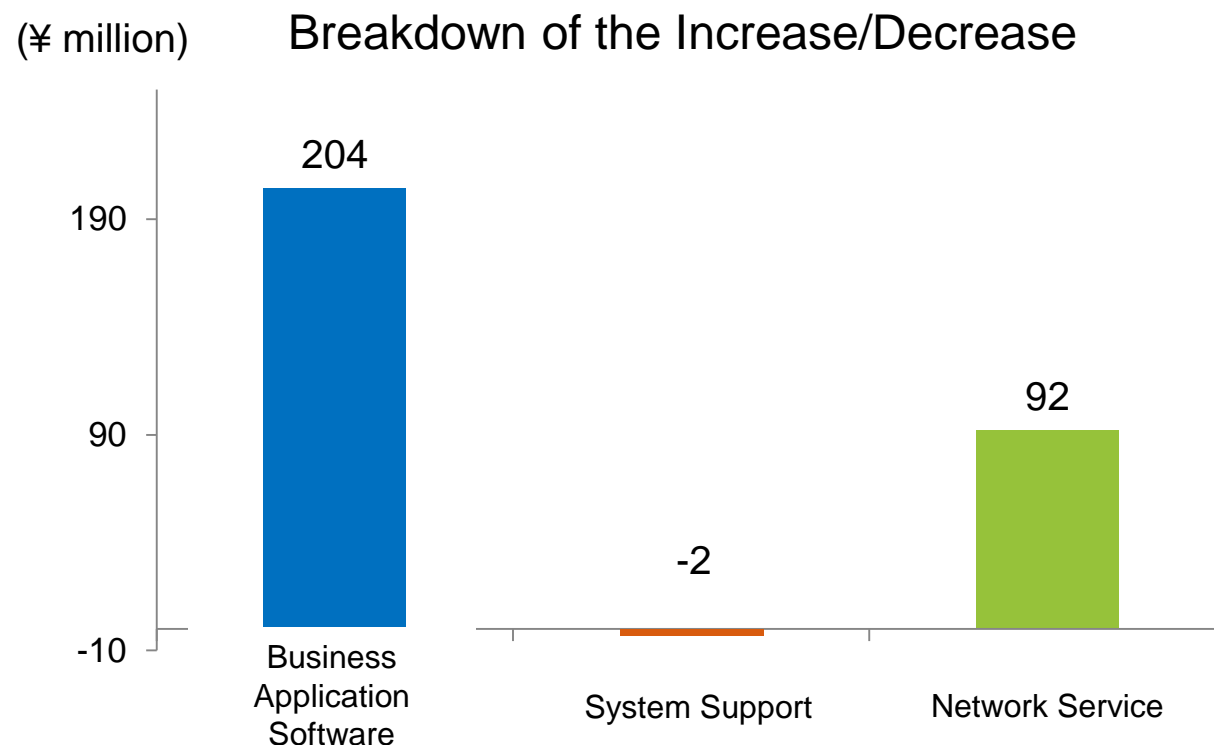
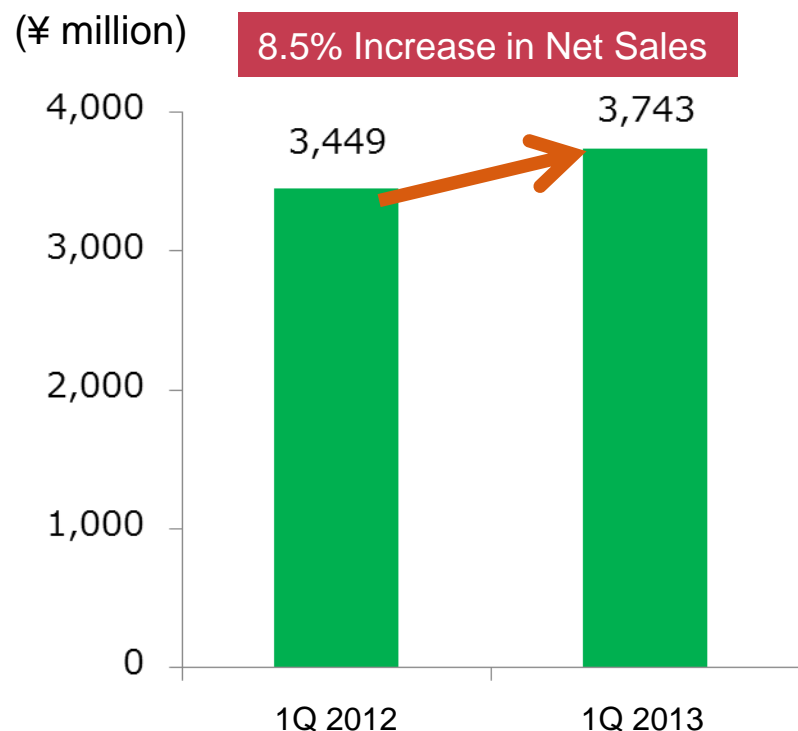
→ Net sales increased by 8.5% due to growth in sales of network systems, whose unit prices are high.

### □ System Support: Decrease of ¥2 million (down 0.9% yoy)

→ Attributed to the slump in sales of consumables (maintenance has remained solid).

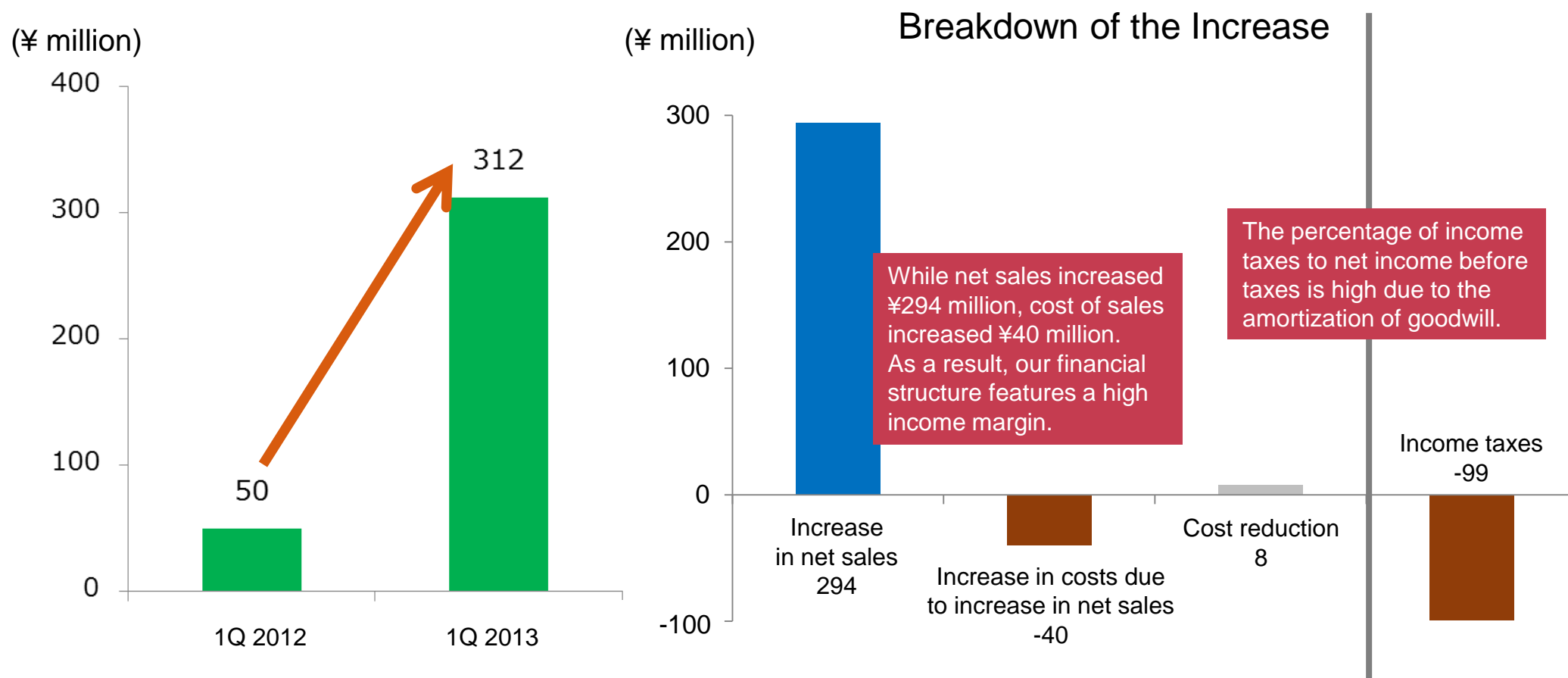
### □ Network Service: Increase of ¥92 million (up 12.7% yoy)

→ Increases in sales from database updating services, server provision, and services connecting different business categories contributed to the increase.



### 3. Analysis on Changes in Ordinary Income

- Ordinary income for the 1st quarter increased to ¥312 million (517.5% yoy).
- The increase is mainly attributed to growth in sales from Business Application Software and Network Service.
- Costs have been reduced due to the decrease in payment costs that resulted from the decrease in interest-bearing debt we took out at the time of MBO.



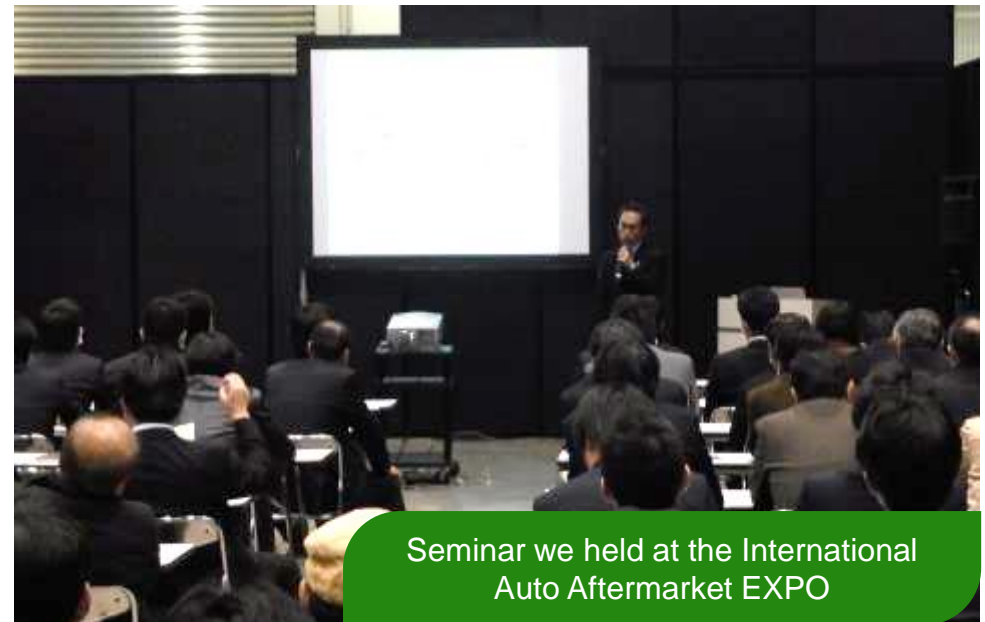
### □ Expansion of the Industrial Platform in Japan's automotive aftermarket

#### 1 Exhibition at the 11th International Auto Aftermarket EXPO (March 2013)

- Purpose of the exhibition: To increase the penetration of our network services on the Industrial Platform (e.g. Carpod Tab and BL. Parts Ordering System) in the market



Our booth at the International Auto Aftermarket EXPO



Seminar we held at the International Auto Aftermarket EXPO

<http://www.broadleaf.co.jp/platform/index.html>

### Expansion of the Industrial Platform in Japan's automotive aftermarket

#### 2 Development of new menus for Carpod Tab, a strategic tool for enhancing our network services

- Search and placement of orders for recycled parts
- Price estimates of light sheet metals
- Insurance simulation



Carpod Tab's screen for confirming recycled parts





- The dividend payout ratio is planned to be around 20%.

---
- We plan to pay a year-end dividend of **¥17.5** per share.
- We position the return of profit to our shareholders as an important management issue.

---
- We expect to secure **11.9%** ROE for FY12/2013.
- We aim to continue increasing operating income, shareholder return, and ROE.

# Reference

---



BroadLeaf

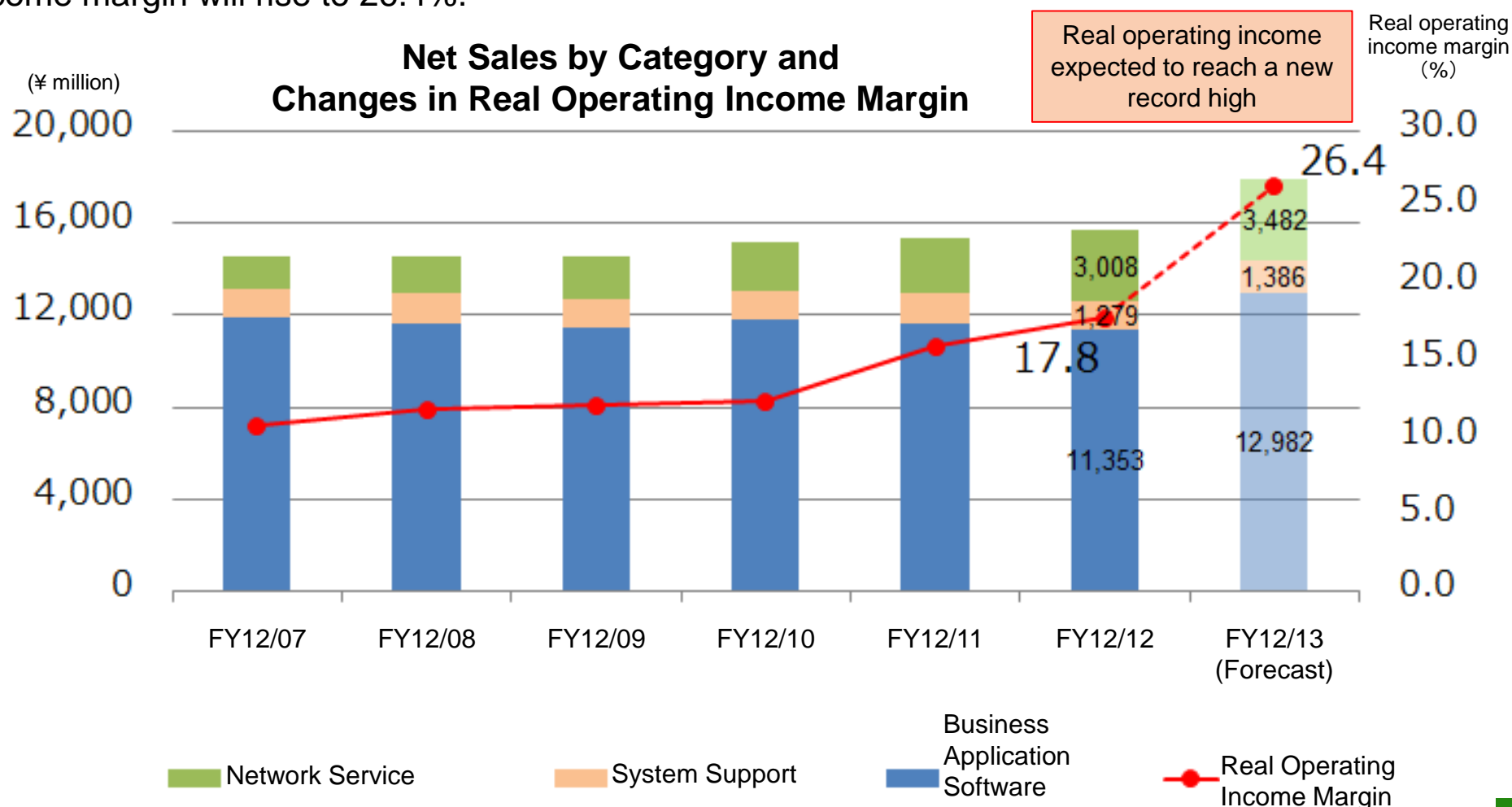
Copyright (c) Broadleaf Co., Ltd. All rights reserved.

# 1. Our Main Products and Services

Business Application Software		Main products and their descriptions	
Systems for maintenance shops		Support for the creation of optimal, easy-to-understand proposals for safety inspections and maintenance, management of the history information of each car owner such as linking between fault diagnosis, future maintenance schedules, replacement parts, etc.	
Systems for bodywork shops		Support for the rapid creation of price estimates for bodywork (repair of cars damaged in an accident, etc.), the provision of easy-to-understand information with 3D images and illustrations, etc. of cars, the handling of new materials, etc.	
Systems for parts wholesalers (parts dealers)		Support for the rapid operation of works such as searching, purchasing, and selling new parts and repair parts in response to demand from maintenance shops and bodywork shops	
Systems for automobile recycling companies		Analyzing information on transactions (big data) in the Parts Station NET, a recycled parts marketplace, to support the optimal production, purchases, and sales of parts	
System Support		Main services and their descriptions	
Maintenance		Maintenance of software and hardware for customers who have purchased our systems	
Provision of consumables		Sales of printers, ledger sheets and other consumables to customers who have purchased our systems	
Network Service		Main services and their descriptions	Main customers
Database provision		Providing parts information, including vehicle information on new cars, mainly via the network	Users who have introduced network systems
Server provision		Server maintenance services for users who utilize network systems through our server	
Business support		Business support services provided on the platform (network), which are aimed at helping users to promptly provide car owners with optimal services - Payment agency service for recycled parts (support for transactions between recycling companies) - BL. Parts Ordering System (support for transactions between commercial distributions of parts) - Carpod Tab (an application that supports the creation of optimal proposals for car owners)	Users in the automotive aftermarket who have introduced network systems

## 2. Net Sales by Category and Changes in Revenues

- Our sales consist of sales from Business Application Software, System Support, and Network Service as a high-growth business
- FY12/2013 net sales are forecast to be ¥17,851 million (up 14.1% yoy), and operating income is forecast to be ¥4,042 million (up 91.2% yoy).
- It is expected that the ratio of sales from Network Service will be higher, and that the effective operating income margin will rise to 26.4%.

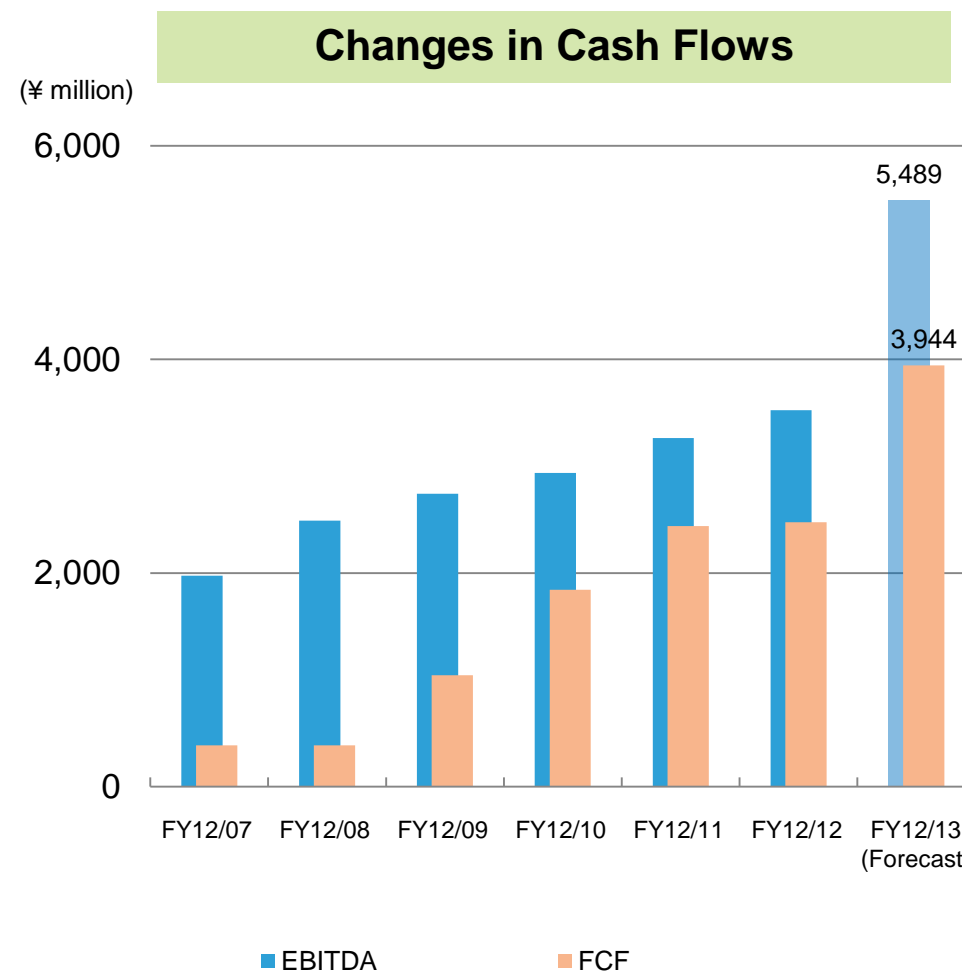
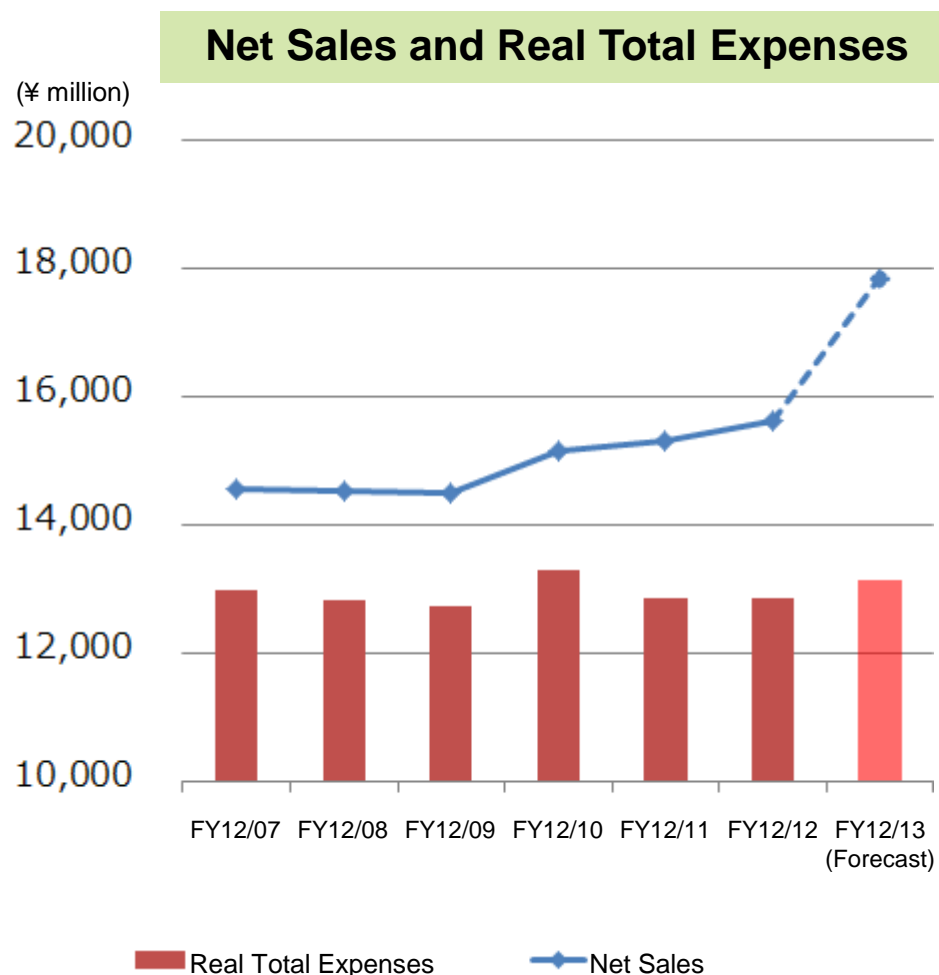


\* Real Operating Income Margin  
 = (Operating Income + Amortization of Goodwill) / Net Sales

Copyright (c) Broadleaf Co., Ltd. All rights reserved.

### 3. Cost Structure and Ability to Create Cash

- Because our real total expenses remain the same level at ¥13 billion, our PL has a structure in which an increase in net sales leads directly to an increase in profits.
- Our FCF has been increasing due to the growth of Network Service in addition to the stable user base.

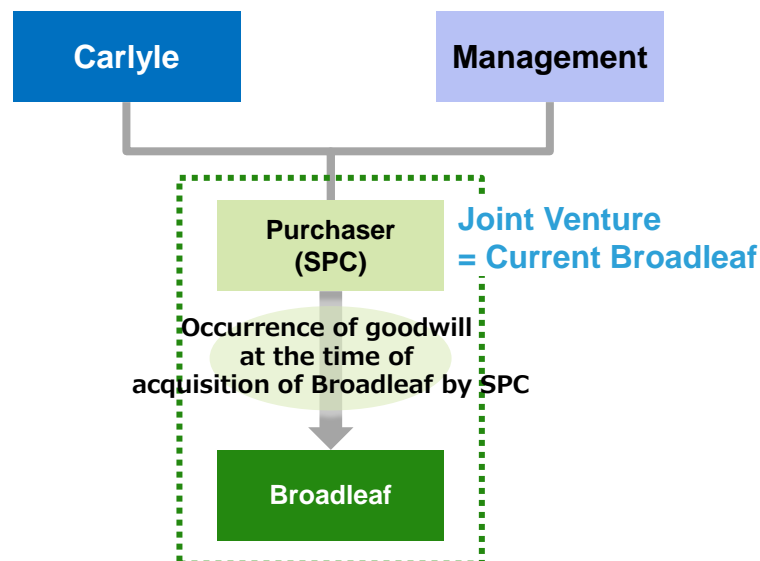


\* Real Total Expenses = Cost of Sales + SG&A Expenses – Amortization of goodwill

\* FCF = CF from Operating Activities + CF from Investing Activities

## 4. Goodwill

### □ Background of Occurrence of Goodwill



- Goodwill arose at the time of MBO in 2009.
- The amount of goodwill of ¥13.3 billion is a premium to the amount of net assets of Broadleaf paid by the SPC (Special Purpose Company), which is the purchaser, to shareholders of Broadleaf.
- There was no outflow of cash from Broadleaf at the time of the occurrence of goodwill.
- It is permitted by the auditing firm to amortize the amount of goodwill evenly over 20 years in light of the stable profitability of Broadleaf.

### □ PL after Amortization of Goodwill

- Amortization of goodwill (¥669 million) is a corporate accounting process under JGAAP. It is not a cash cost.
- It is expected that there will no longer be amortization of goodwill on the P/L once we have shifted to IFRS in the future.

#### P/L for FY12/2012

(¥ million)	After Amortization of Goodwill	Before Amortization of Goodwill
<b>Net Sales</b>	<b>15,642</b>	<b>15,642</b>
Cost of Sales	5,687	5,687
<b>Gross Profit</b>	<b>11,063</b>	<b>11,063</b>
Depreciation and Amortization	161	161
Amortization of Goodwill	669	0
Other SG&A Expenses	8,119	8,119
<b>Operating Income</b>	<b>2,114</b>	<b>2,783</b>
<b>Ordinary Income</b>	<b>2,036</b>	<b>2,732</b>
<b>Income before Taxes</b>	<b>2,036</b>	<b>2,705</b>
Taxes	1,220	1,220
<b>Net Income</b>	<b>815</b>	<b>1,484</b>

No information in this material is intended to solicit the purchase or sale of shares in Broadleaf.

Forward-looking statements contained in this material such as results forecasts and future prospects are forecasts and estimates made by Broadleaf based on information available at the time of the preparation of the material, and are subject to potential risks and uncertainties.

Please note that actual results may differ from the statements contained in this material due to various factors.

Broadleaf and the information provider accept no liability whatsoever for any damage arising from any action taken by a user based on the information contained in this material.

For inquiries, please contact:

Planning Section

Planning Department

Broadleaf Co., Ltd.

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