

Business Results Briefing 2Q FY12/2017

Broadleaf Co., Ltd.

TSE 1st Section: 3673



Contents

Chapter 1

Overview of 1H Business Results
for FY12/2017

2

Chapter 2

Full-Year Results Forecasts

9

Chapter 3

Management System and Policies
of the New Group

15

Appendix [Reference]

Corporate Profile, Sales Fields, etc.

20

Chapter 1

Overview of 1H Business Results for FY12/2017

PL Summary

POINT

While both sales and income declined, income exceeded the initial forecasts (February 14) by a large margin.

(¥ million)

	FY017			FY2016	FY2017
	1H Results	YoY change	YoY (Ratio)	1H Results	Initial 1H Forecasts
Net sales	7,926	-238	-2.9%	8,164	8,100
Operating income	918	-524	-36.3%	1,442	600
Operating income ratio	11.6%	-6.1%	-	17.7%	7.4%
Net income	559	-368	-39.7%	927	390
Net income ratio	7.1%	-4.3%	-	11.4%	4.8%
EPS*	¥12.62	-¥6.55	-	¥19.17	¥8.81

* EPS in 1H FY12/2016 is based on the assumption that a stock split (1:2) that comes into force on December 17, 2016 was carried out at the beginning of the fiscal year.

Sales by Category (1H)

POINT

While Network Service maintained higher sales, the increase was not enough to offset a fall in sales in Business Application Software.

(¥ million)

	FY2017			FY2016
	1H Results	YoY change	YoY (Ratio)	1H Results
Business Application Software	4,889	-376	-7.1%	5,266
System Support	612	-21	-3.3%	633
Maintenance	270	-19	-6.6%	289
Provision of Consumables	342	-2	-0.6%	344
Network Service	2,425	160	7.1%	2,265
Stock	1,921	123	6.9%	1,798
Transaction	467	21	4.6%	447
PSF ^{*1}	318	-4	-1.4%	322
Order Placement and Acceptance ^{*2}	150	25	20.1%	124
Others	36	16	79.4%	20
Net sales	7,926	-238	-2.9%	8,164

*1: Payment agency service for recycled parts

*2: BL Parts Order System and CarpodTab

Breakdown of Sales in Business Application Software (1H and 2Q)

Broadleaf Co., Ltd.
Q2 2017
INVESTOR RELATIONS

POINT

The number of user renewals improved in 2Q due to the full enforcement of renewal control.

(¥ million)

	FY2017				FY2016	
	1H Results	YoY change	2Q Results	YoY change	1H Results	2Q Results
Automotive	3,599	-120	2,480	128	3,719	2,352
Renewed	3,175	-81	2,215	148	3,256	2,067
New customers	424	-39	264	-21	463	285
Non-automotive	883	86	449	30	798	419
Renewed	601	91	303	11	511	292
New customers	282	-6	145	18	287	127
Total	4,482	-34	2,929	158	4,517	2,771
Renewed	3,776	10	2,519	160	3,767	2,359
New customers	706	-44	410	-2	750	412
Others	408	-341	167	-325	749	492
Business Application Software total sales	4,889	-376	3,095	-168	5,266	3,263

Key Indicators in Network Service Domain

POINT

Steadily expanding toward the industry standard.

	FY2017 Results at the end of 1H	FY2016 Results at the end of the year	FY2016 Results at the end of 1H
■ Transactions			
BL Parts Order System			
Number of connections with maintenance shops	2,097	2,041	1,929
Number of parts dealers participating in transactions	337	335	335
CarpodTab			
Number of contracts	3,177	3,054	2,762

Breakdown of Expenses

POINT

While cost of sales declined, personnel expenses and stock-related costs increased.

	FY2017		FY2016
	1H Results	YoY change	1H Results
Net sales	7,926	-238	8,164
Cost of sales	2,105	-366	2,472
SG&A expenses	4,907	412	4,495
Personnel Expenses	2,562	221	2,341
R&D Expenses	81	-86	167
Others	2,264	277	1,987
Other operating revenue and expenses	4	-241	245
Operating income	918	-524	1,442
Total personnel expenses*	2,958	273	2,685
Subcontract cost	643	-70	713

* Sum of labor cost (cost of sales) and personnel expenses (SG&A expenses)

BS Summary

POINT

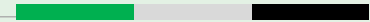
Cash and deposits declined due to the payment of dividends and share buyback (~January 31) in 1Q. z

(¥ million)

	FY2017		End of FY2016	Major factors for increase/decrease
	End of 1H	Change from end of FY2016		
Current Assets	11,130	-1,174	12,304	Decrease in cash and deposits (-1,331) Increase in operating receivables (145)
Non-current Assets	13,155	137	13,018	
Total Assets	24,285	-1,037	25,322	
Current Liabilities	4,786	-194	4,980	Increase in operating debt (-89) Decrease in accrued income taxes (-253)
Non-current Liabilities	855	-328	1,183	Decrease in long-term loans payable (-342)
Total Liabilities	5,641	-522	6,163	
Total Shareholders' Equity	18,644	-515	19,159	Recognition of net income (559) Decrease by acquisition of own shares (-530) Decrease by dividend of surplus (-563)
Total Liabilities and Shareholders' Equity	24,285	-1,037	25,322	

Chapter 2

Full-Year Results Forecasts



Full-Year Results Forecasts

POINT

Initial results forecasts for FY12/2017 have been revised in consideration of the conversion of Tajima Inc. to a consolidated subsidiary, etc.

[Background to results announced this time and supplementary explanation]

- The transfer of Tajima's shares was completed on July 25.
- In FY12/2017, results of Tajima from August to December will be consolidated.
- Forecasts of Broadleaf excluding Tajima take into account progress in the first half, etc. (page 11).

	Net sales	Operating income	Profit before tax	Profit	EPS (yen)
Initial results forecasts (Feb. 14)	17,000	2,000	1,960	1,230	27.79
Revised results forecasts (Aug. 4)	17,800	2,100	2,050	1,240	28.00
Amount of change	800	100	90	10	0.21
Rate of change	4.7%	5.0%	4.6%	0.8%	0.8%
Results in the previous fiscal year	16,760	2,953	2,921	1,876	39.47

Sales Forecasts by Category

POINT

The impact of the consolidation of Tajima on sales is ¥1.3 billion.

	FY2017			(¥ million)
	(Consolidation of Tajima)	(Excluding Tajima)		FY2016
	Revised forecasts	Revised forecasts	Initial forecasts	Results
Business Application Software	11,300	10,350	10,700	10,894
System Support	1,250	1,200	1,250	1,243
Maintenance	550	550	600	570
Provision of Consumables	700	650	650	673
Network Service	5,250	4,950	5,050	4,623
Stock	4,200	3,900	3,900	3,663
Transaction	950	950	950	918
PSF	650	650	650	657
Order Placement and Acceptance	300	300	300	261
Others	100	100	200	43
Net sales	17,800	16,500	17,000	16,760

.NS2 Series

POINT

.NS2, which adopts a hybrid tariff structure, was launched (July 14) as a bridge model until the injection of a cloud model.

Car maintenance network system

自動車整備ネットワークシステム

SF.NS2

Car bodywork estimate network system

自動車钣金見積ネットワークシステム

BK.NS2

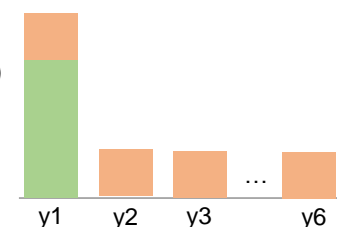
Automobile sales network system

車両販売ネットワークシステム

CS.NS2

Old .NS Series

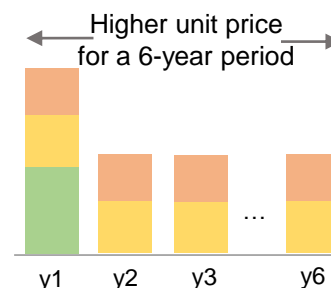
- (1) Lump-sum license for 6 years (lease contract)
- +
- (2) Network utilization charge (monthly fee)



New .NS Series

Giving consideration to needs for the addition of options during the lease period

- (1) Basic fee (lease contract)
- +
- (2) Option of functions (monthly fee)
- +
- (3) Network utilization charge (monthly fee)

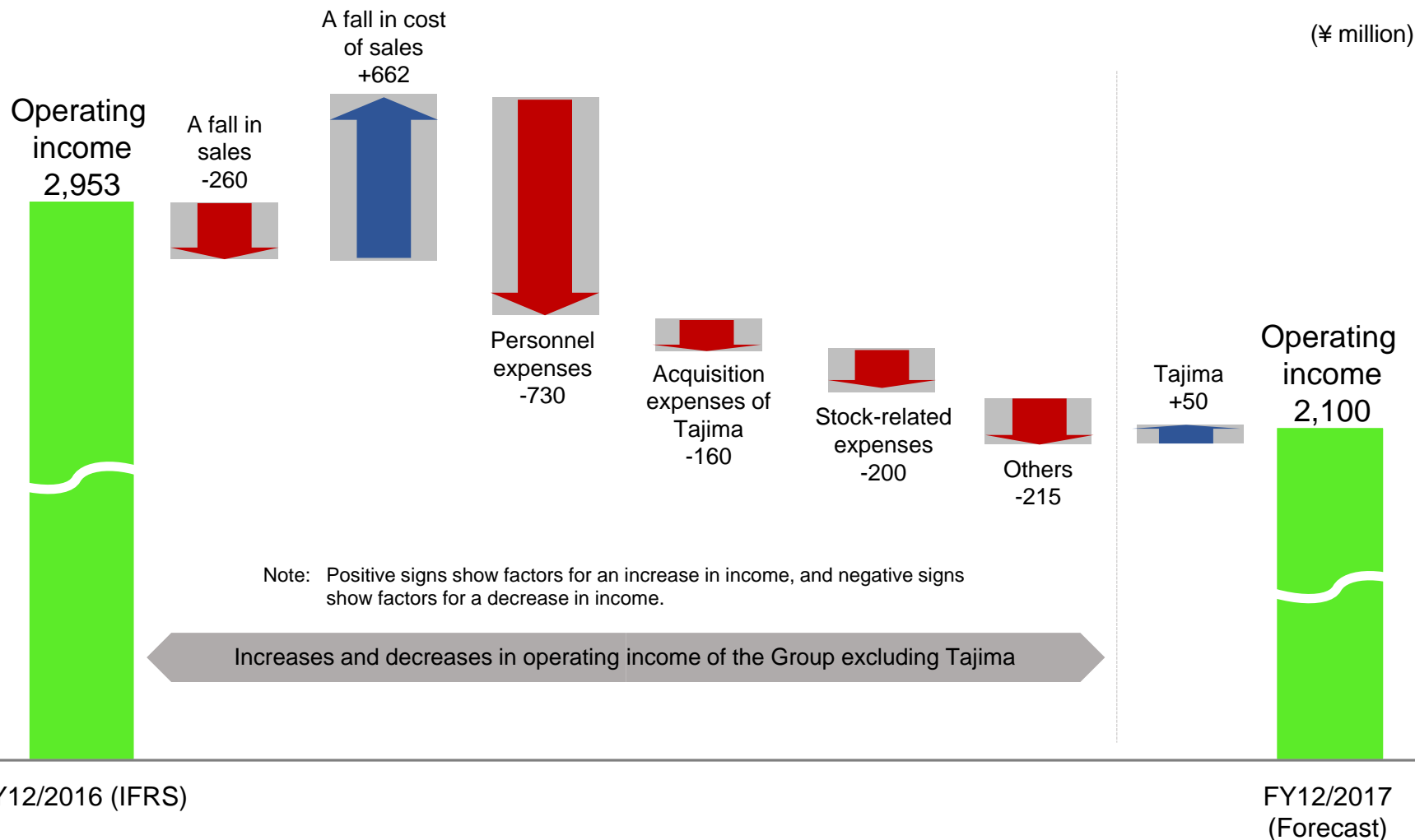


Factors for Changes in Operating Income (Year on Year)

POINT

Enhance the allocation of expenses to human resources to ensure growth over the medium and long terms.

The profit contribution of Tajima is expected to be offset by expenses incurred.

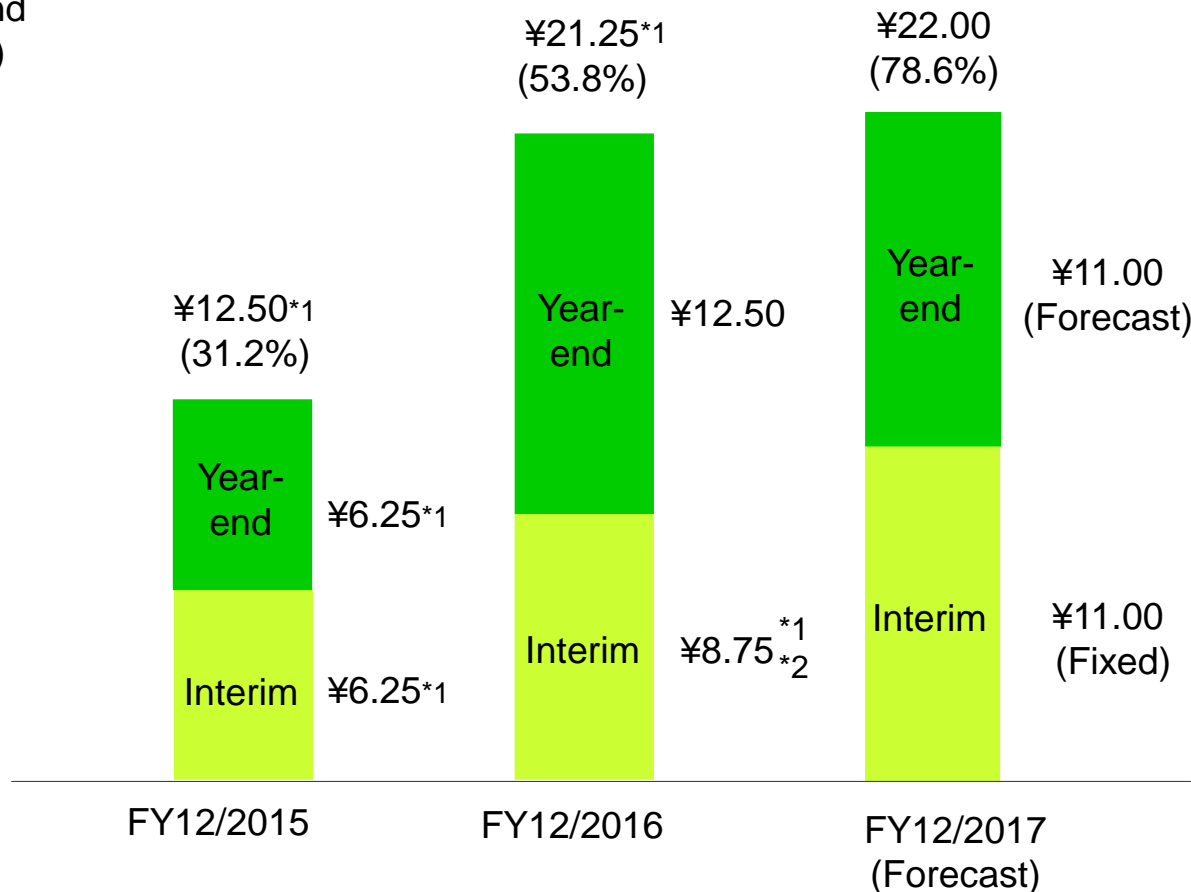


Dividends

POINT

The dividend forecast for FY12/2017 remains unchanged.

Annual dividend
(Payout ratio)



*1 Amount adjusted for the share split (1:2) with the effective date on December 17, 2016

*2 The interim dividend in FY12/2016 is the sum of the ordinary dividend of ¥6.25 (share split-adjusted) and commemorative dividend of ¥2.5 celebrating the 10th anniversary (share split-adjusted).

Chapter 3

Management System and Policies of the New Group

Broadleaf Group

POINT

The market coverage of the existing businesses in Japan has expanded due to the acquisition of Tajima.

The Group system has been strengthened for the transformation of the earnings structure and the creation of new markets (Japan and overseas).

Japan



BroadLeaf

Broadleaf Co., Ltd.

Tajima

① Tajima Inc.

100%



① SpiralMind Co., Ltd.

100%

Overseas

(The Philippines)

① Broadleaf I.T.Solutions Inc.

100%

○ BLISAM TRADING CORP

50%

(China)

① 博樂得信息科技 (合肥)有限

100%

① 北京盛源博乐信息科技有限公司

100%

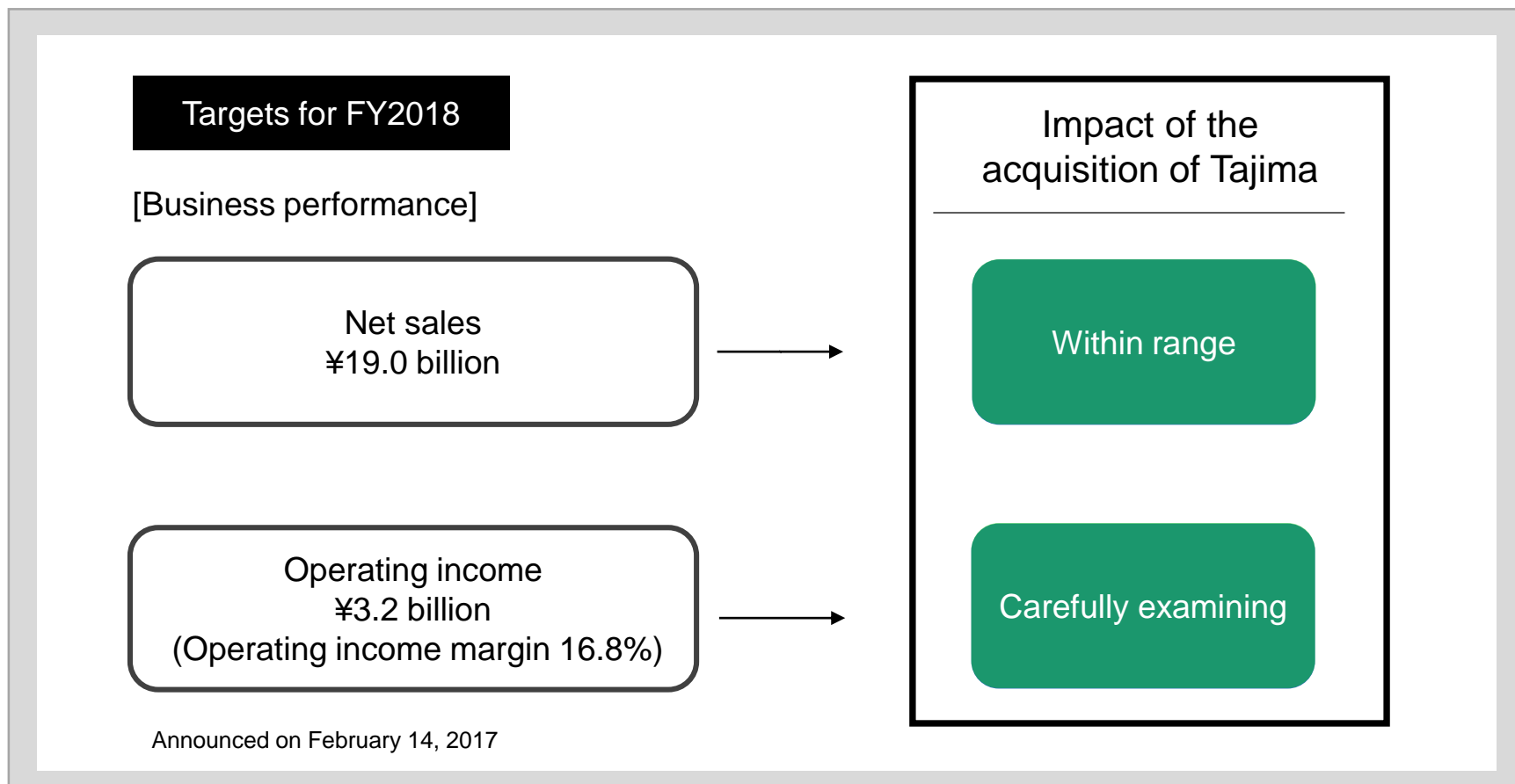
①: Consolidated subsidiaries. ○: Equity-method affiliates

%: Percentage of voting rights owned

Performance Targets for FY2018

POINT

Sales target for FY2018 is within range, but we plan to review the income target because careful examination is necessary, given cost burdens and cost reduction effects, etc.

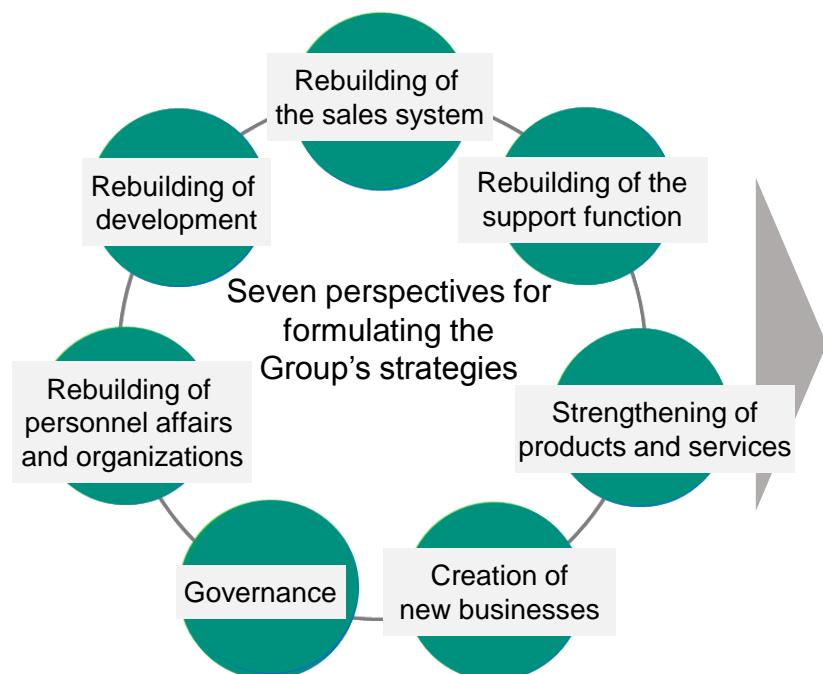


Key Factors of the Future Management Plan of the Group

POINT

Further expand the customer base, leveraging the comprehensive strength of the Group and the injection of overwhelming next-generation systems.

Build the Group management system in anticipation of the introduction of a new tariff structure.



Key factors of the management strategies of the Group from FY2018

1

Injection of next-generation business applications

- Phased and planned shift to a subscription model

2

Building of the slimmer management system of the Group

- Integration and collaboration of facility, procurement and sales functions and indirect functions

3

Generation of income from new services

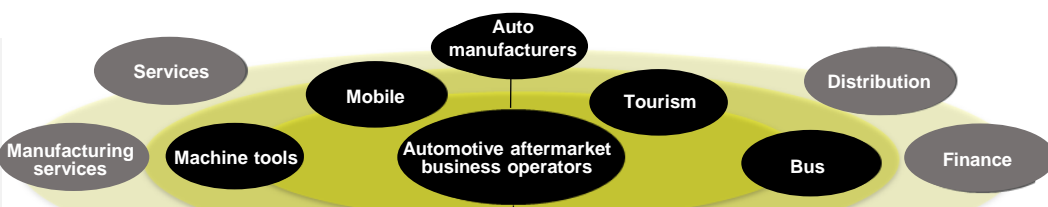
- Auto parts distribution and settlement, the utilization of data, and the application of advanced technologies (VR/MR, AI)

(Reference) Future Image of Broadleaf

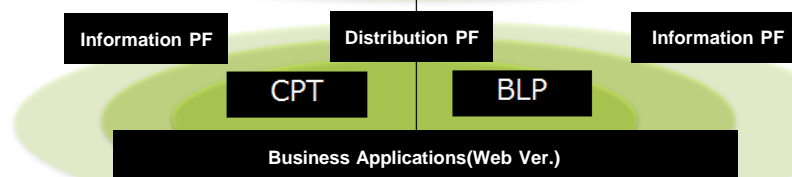
[Expansion of target markets]

[Evolution of services]

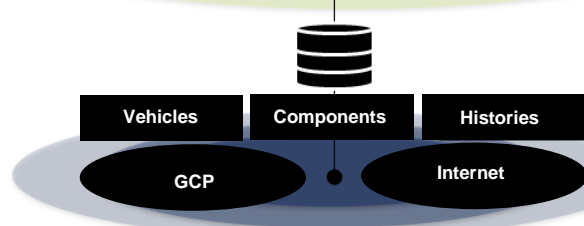
[Markets and customers]



[Services]



[IT infrastructure]



Application of advanced technologies

- Application of VR/AR, AI, etc.
(Collaboration with other industries)

Applied technology services

Big data & analytics

- Auto safety and security support services
(Collaboration with auto manufacturers)

Information services

Cloud service & software

- Business applications
- Work efficiency analysis tool (OTRS)

Industry-specific systems

Network/ Web services

- EC sites (Buhin MAX)
- B2B ordering service (BLP/CPT)

Information network

Auto parts distribution and settlement services

- Recycled parts market (PSN)

Platform

Overseas (components distribution network & platform)

Appendix [Reference Information]

Corporate Profile

Corporate Name	Broadleaf Co., Ltd.
Representative Director, President and CEO	Kenji Oyama
Listed on	Listed on the First Section of the Tokyo Stock Exchange on March 22, 2013 (3673)
Founded/Established	December 2005/September 2009
Capital Stock	JPY 7,147 million
Business Outline	IT network system to support automotive aftermarket operators and provision of services on the platform (Business applications, platforms for cooperation with different industries, recycled parts marketplace, development of car-related contents, etc.)
Head Office Address	Floor 8, Glass Cube Shinagawa, 4-13-14 Higashi-Shinagawa, Shinagawa-ku, Tokyo
Sales Offices	33 offices in Japan
Development Centers	3 centers in Japan (Sapporo, Tokyo and Fukuoka)
Employee	764 persons

(as of December, 31, 2016)

Sales Fields

Although the Company is in a single segment of IT services businesses, we have adopted the following classifications by business area

Classification			Detailed businesses
Major category	Medium category	Small category	
Business Application Software			<ul style="list-style-type: none"> - Development and sale of industry-specific business applications - Development and sale of operation analysis/optimization software - Purchase and sale of PC bodies, printers, etc.
System Support	Maintenance		- Business application maintenance service to the Company's Business Application Software customers and provision of hardware maintenance services
	Provision of consumables		- Purchase and sale of exclusive forms and OA supply goods to be used for the business applications
Network Services	Stock	Database provision services	- Provision of database of car-related vehicle information and parts-related information that is updated daily
		Server provision services	- Consideration for server maintenance required for the use of network-type systems
	Transactions	Recycled parts settlement agency services	- Operation of recycled parts distribution network "Parts Station NET" that shares inventory information on recycled parts Collecting fees as transaction amount settlement agency for parts dealing
		Computerized ordering system for parts, tablet-type operation support tools, etc.	<ul style="list-style-type: none"> - Provision of computerized ordering system for automotive parts - Provision of tablet-type operation terminals to maintenance business operators, etc.
	Others		- Products and services other than the above

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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