

Business Results Briefing 1Q FY12/2017

Broadleaf Co., Ltd.

TSE 1st Section: 3673



Contents

Chapter 1

Overview of 1Q FY12/2017
Business Results

2

Chapter 2

Acquisition of Tajima Inc.

12

Appendix [Reference]

Corporate Profile, Sales Fields, etc.

19

Chapter 1

Overview of 1Q FY12/2017 Business Results

PL Summary

POINT

Income declined due to decreased sales and increased stock-related expenses.

(¥ million)

	FY2017 1Q			FY2016 1Q
	Results	YoY change	YoY (Ratio)	Results
Net sales	3,295	-153	-4.5%	3,448
Operating income	-78	-363	-	285
Net income	-57	-235	-	178
Net income ratio	-1.7%	-6.9%	-	5.2%
EPS*	-¥1.29	-¥4.97		¥3.68

- EPS in 1Q 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

POINT

Sales in Network Service continued to increase, but were unable to offset a decrease in Business Application Software.

(¥ million)

	FY2017 1Q			FY2016 1Q
	Results	YoY change	YoY (Ratio)	Results
Business Application Software	1,794	-209	-10.4%	2,003
System Support	300	-14	-4.5%	314
Maintenance	135	-10	-6.6%	145
Provision of Consumables	165	-4	-2.6%	169
Network Service	1,201	69	6.1%	1,131
Stock	957	61	6.8%	896
Transaction	231	11	5.0%	220
PSF ^{*1}	159	0	0.3%	158
Order Placement and Acceptance ^{*2}	72	10	17.0%	62
Others	13	-3	-18.3%	16
Net sales	3,295	-153	-4.5%	3,448

*1: Payment agency service for recycled parts

*2: BL Parts Order System and CarpodTab

Breakdown of Sales in Business Application Software

POINT

Automotive business application software recorded decreased sales, while sales of non-automotive business application software rose.

(¥ million)

	FY2017 1Q			FY2016 1Q
	Results	YoY change	YoY (Ratio)	Results
Automotive	1,119	-248	-18.1%	1,367
Renewed	960	-230	-19.3%	1,189
New customers	160	-19	-10.4%	178
Non-automotive	434	55	14.6%	379
Renewed	298	79	36.2%	219
New customers	137	-24	-14.8%	160
Total	1,553	-193	-11.0%	1,746
Renewed	1,257	-151	-10.7%	1,408
New customers	296	-42	-12.5%	338
Others	241	-16	-6.1%	257
Business Application Software total sales	1,794	-209	-10.4%	2,003

Current Status of Contract Renewal with Users

■ Image of contract renewal with users

(1) Conclusion of
lease agreement
(6 years)

(2) After about 4.5 years have passed, contract
renewal negotiations are commenced with users.

6-year lease contract

Negotiations and renewal

Customer A

(3) Closing before the expiration of the 6-year period

Customer B

Customer C

The number of agreements fluctuates depending on the renewal time, and
the unit price fluctuates depending on the remaining lease.

■ 1Q activities (review of proper level of remaining lease period), issues and countermeasures

Review of proper level

[Activities policy]

Shorten the period of remaining leases
toward annual/monthly billing systems
(Thoroughly control and adjust the leases to
minimize the influence of the shortening of
the period)

[1Q activities & issues]

Control and adjustment for each case did not
work well, so the remaining lease periods
were shorter than expected
=> Sales quantity in 1Q decreased

[Countermeasures]

Try to thoroughly enhance the control of
each project on the initiative of the
Headquarters and increase the unit price
through upselling

Key Indicators in Network Service Domain

POINT

Computerized automotive parts ordering service on industry platform steadily expanded toward the industry standard.

	End of 1Q FY2017 Results	End of FY2016 Results
■ Transactions		
BL Parts Order System		
Number of connections with maintenance shops	2,079	2,041
Number of parts dealers participating in transactions	335	335
CarpodTab		
Number of contracts	3,129	3,054

Breakdown of Expenses

POINT

Stock-related costs went up associated with stock splits, shareholder benefits, etc., while purchases decreased.

	FY2017 1Q		FY2016 1Q
	Results	YoY change	Results
Net sales	3,295	-153	3,448
Cost of sales	947	-103	1,050
SG&A expenses	2,430	67	2,362
Personnel Expenses	1,188	-14	1,202
R&D Expenses	47	-93	140
Others	1,195	174	1,021
Other operating revenue	5	-247	252
Other operating expenses	1	-2	3
Operating income	-78	-363	285
Total personnel expenses*	1,376	-20	1,396
Subcontract cost	255	-119	374

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

BS Summary

POINT

The cash and deposits balance decreased due to the continued acquisition of own shares from the previous year (to January 31).

(¥ million)

	FY2017		End of FY2016	Major factors for increase/decrease
	End of 1Q	Change from end of FY2016		
Current Assets	9,748	-2,557	12,304	Decrease in cash and deposits (-1,296) Decrease in operating receivables (-1,366)
Non-current Assets	12,992	-25	13,018	
Total Assets	22,740	-2,582	25,322	
Current Liabilities	3,736	-1,244	4,980	Decrease in operating debt (- 681) Decrease in accrued income taxes (- 601)
Non-current Liabilities	1,003	-180	1,183	Decrease in long-term loans payable (-180)
Total Liabilities	4,739	-1,424	6,163	
Total Shareholders' Equity	18,001	-1,158	19,159	Recognition of net loss (-57) Decrease by acquisition of own shares (-530) Decrease by dividend of surplus (-563)
Total Liabilities and Shareholders' Equity	22,740	-2,582	25,322	

FY12/2017 Results Forecasts

POINT

There is no change from the results forecast published on February 14.

(¥ million)

	FY2017		FY2016	
	1H Forecasts	Full-year Forecasts	1H ^{*1}	Full-year
Net sales	8,100	17,000	-	16,760
Operating income	600	2,000	-	2,953
Profit	390	1,230	-	1,876
EPS	¥8.81	¥27.79	-	¥39.47
DPS	Interim ¥11.0 (Full-year ¥22.0)	Year-end ¥11.0	Interim ¥8.75 ^{*2} (Full-year ¥21.25)	Year-end ¥12.5

*1 1H FY2016 results in IFRS will be disclosed in 2Q FY2017

(Reference) 1H FY 2016 results [Japanese standard/Non-consolidated] Net sales ¥8,196 million, Operating income ¥920 million, Net income ¥622 million

*2 Assumes that the stock split (1:2) that came into force on December 17, 2016 was made at the beginning of the year

(Reference) 1H FY12/2017 Sales Forecasts by Category

(¥ million)

	FY2017		(Reference: Japanese standard/ Non-consolidated) FY2016	
	2Q Estimates*	1H Forecasts	2Q Results	1H Results
Business Application Software	3,206	5,000	3,281	5,293
System Support	320	620	319	633
Maintenance	165	300	144	289
Provision of Consumables	155	320	174	343
Network Service	1,279	2,480	1,135	2,270
Stock	993	1,950	904	1,803
Transaction	229	460	226	446
PSF	161	320	163	322
Order Placement and Acceptance	68	140	62	124
Others	57	70	4	20
Net sales	4,805	8,100	4,736	8,196

* FY2017 1H Forecasts – 1Q Results

Chapter 2

Acquisition of Tajima Inc.

Overview of Share Acquisition of Tajima Inc.

POINT

On May 12, the Company concluded a share transfer agreement with Tajima Inc. to acquire all its shares and make it a subsidiary.

Company to be acquired:

Tajima Inc.



Acquisition price:

¥1,670 million (100% acquisition)

* Except advisory expenses of ¥110 million

Funds for acquisition:

Cash reserves

Scheduled date of share transfer: July 31

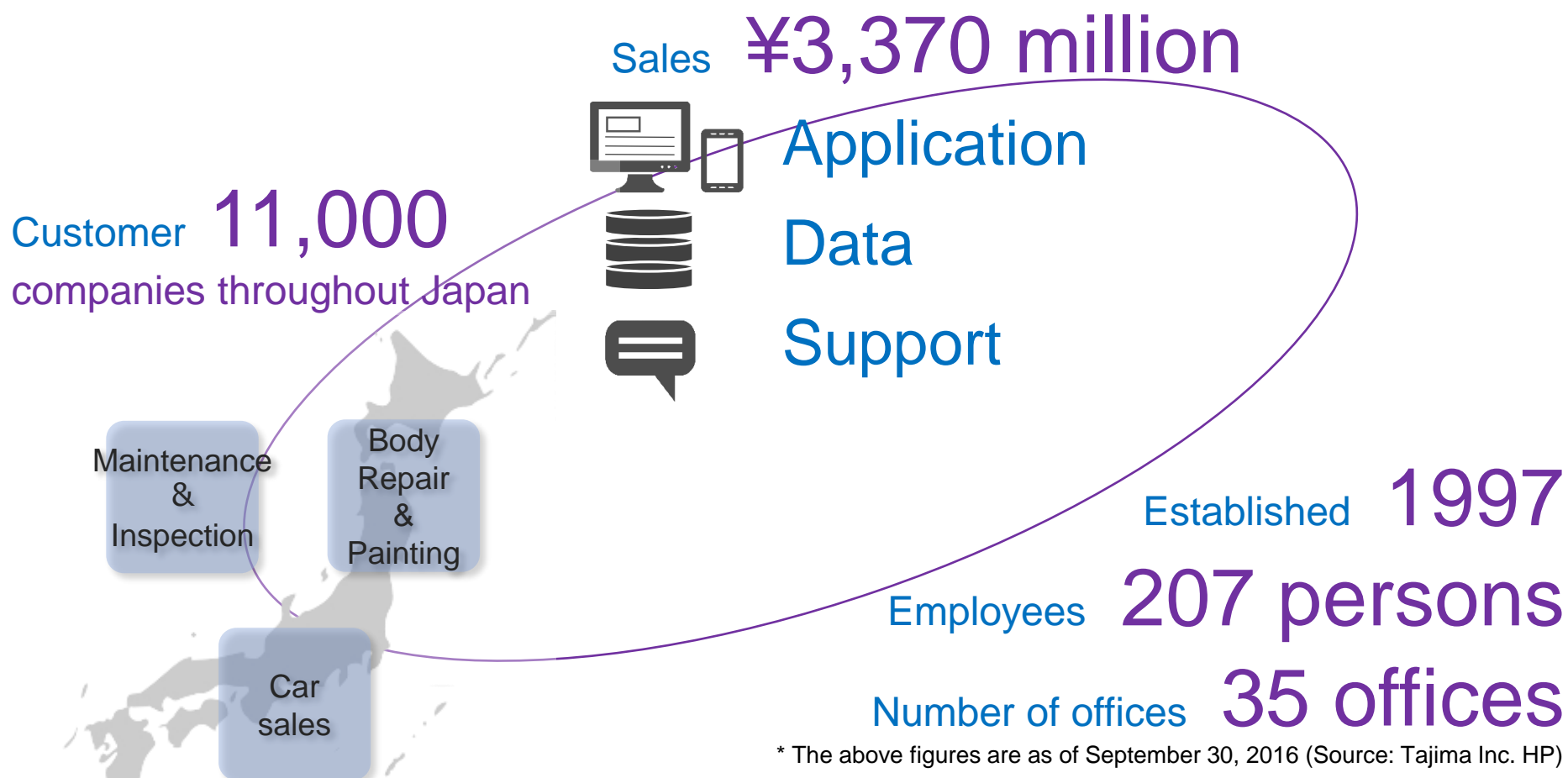
Impact on business results in this fiscal year:

To be disclosed as soon as confirmed
(Tajima Inc. will be included in the scope of consolidation from July 2017.)

Overview of Tajima Inc.

POINT

This company has advantages in different customer groups from ours. Its Isshin Tasuke series has won high recognition in the industry.

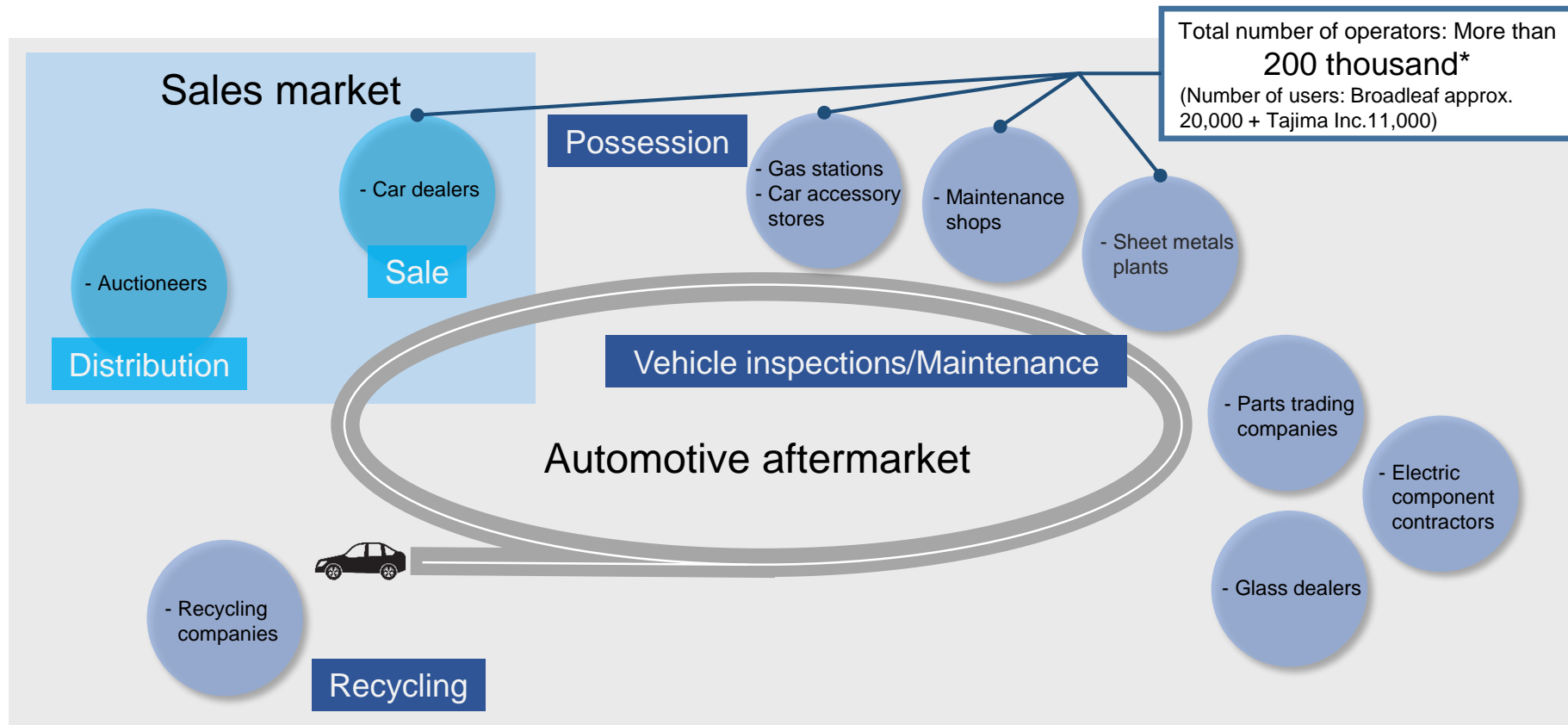


* The above figures are as of September 30, 2016 (Source: Tajima Inc. HP)

Market Conditions

POINT

Among automotive aftermarket operators, a clear trend toward strengthening the links with car owners centered on vehicle inspections and maintenance has been observed. There are increasing opportunities to provide our estimate system to various operators.



Vehicle inspection and maintenance service providers for car users are assumed to be the target market

Number of maintenance operators: approx. 92,000 (MLIT), number of gas stations: approx. 49,000 (METI), number of sheet metal plants: approx. 30,000 (estimated by Broadleaf), number of car dealers: 83,000 (METI)

Purpose and Effects of the Acquisition

POINT

With the acquisition of Tajima Inc., the second largest company in the industry, we will be able to implement the mid- and long-term business strategies in more stable conditions as the market leader.

(1) Expansion of the target market & enhancement of competitiveness

(2) Acceleration of the industry standardization on the focusing services

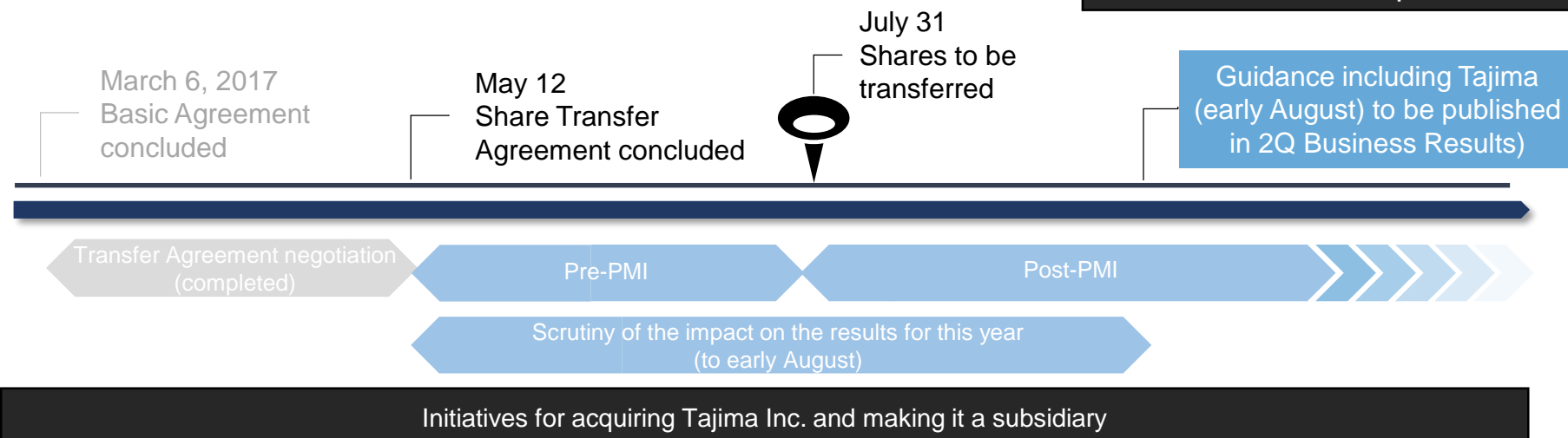
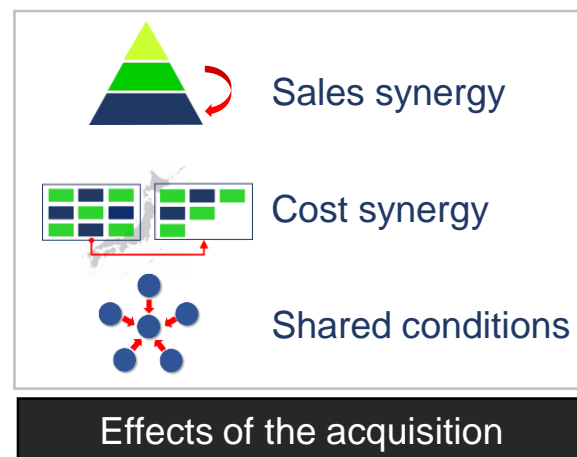
(3) Sharing & synergy of knowledge

(4) Improved efficiency of facilities and procurement

Future Schedule

POINT

Currently in preparation for consolidation from 3Q 2017

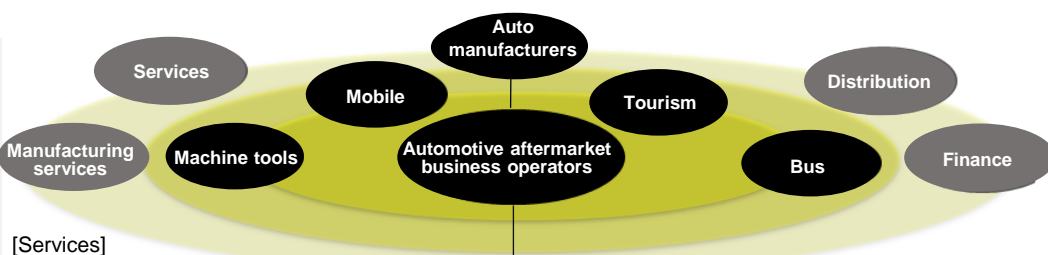


(Reference) Future Image of Broadleaf

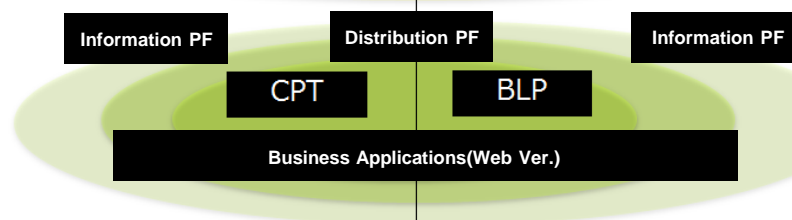
[Expansion of target markets]

[Evolution of services]

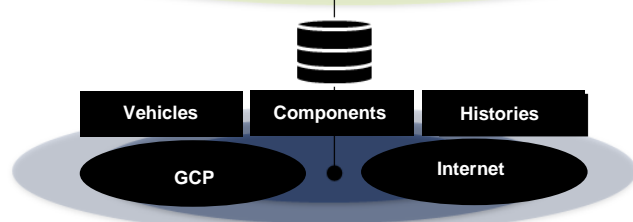
[Markets and customers]



[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)

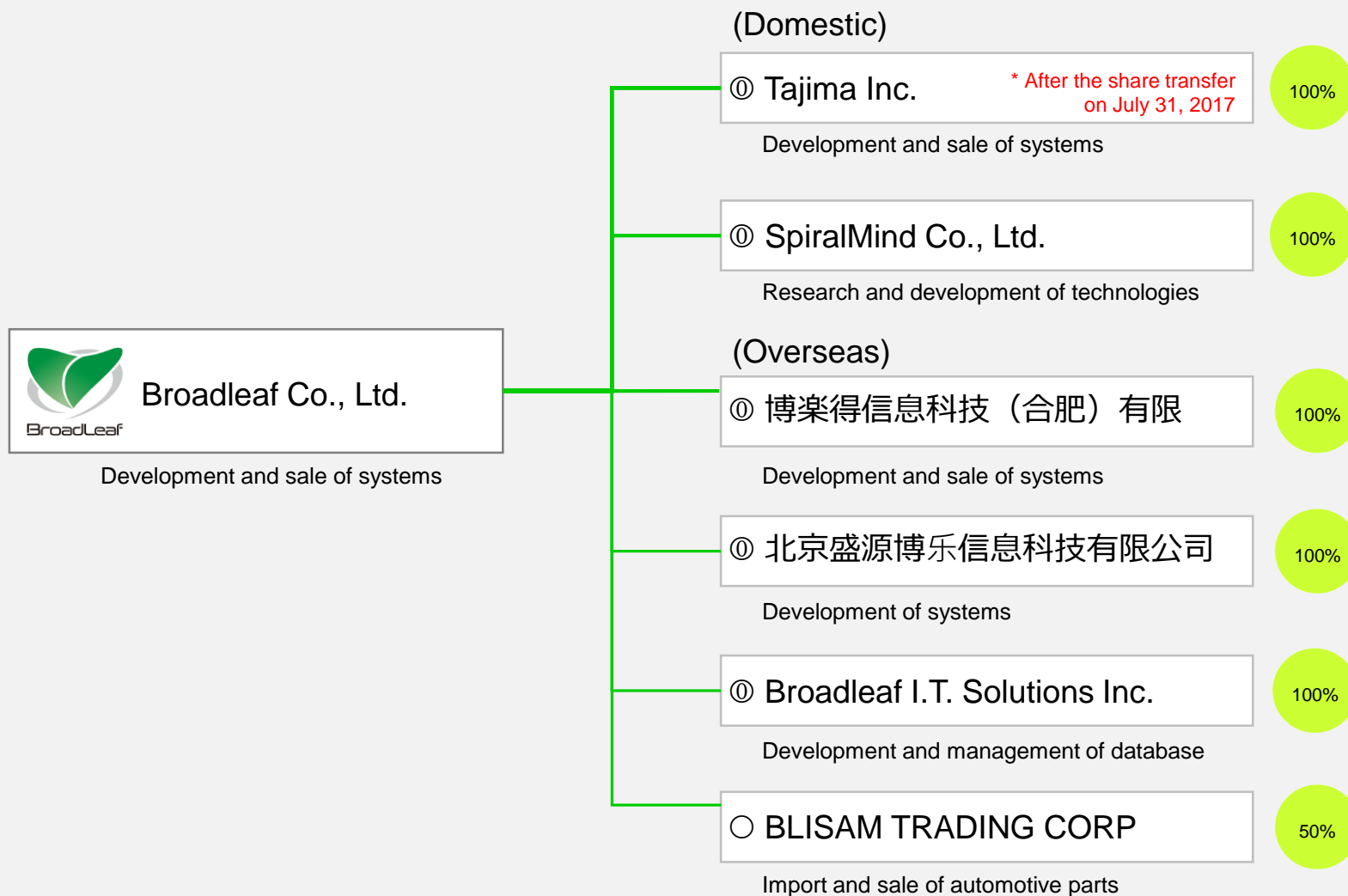
Appendix [Reference Information]

Corporate 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)

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



①: Consolidated subsidiary, ○: Companies accounted for using the equity method

%: Percentage of voting rights owned

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.

[Contact Information]

Broadleaf Co., Ltd.

Corporate Communications (IR/PR) Department

E-Mail: broadleaf-ir@broadleaf.co.jp