



FY2018 Financial Results

# FY12/2018 Business Results Briefing

Broadleaf Co., Ltd.  
TSE 1st Section: 3673

Feb. 14 2019

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Note: Under IFRS, figures smaller than the units of display are rounded off. Under Japanese accounting standards, figures smaller than the units of display are omitted.



# Summary

(Published on August 3, 2018)

## Consolidated results

Revenue and operating profit increased YoY and exceeded forecasts.

Revenue	¥21.29 billion (up 17.0% YoY/achievement rate 100.4%)
Operating profit	¥4.11 billion (up 36.7% YoY/achievement rate 105.5%)

## BL on a non-consolidated basis

Taking in user renewals.

Net sales	¥19.01 billion (up 10.4% YoY)
Operating profit	¥3.49 billion (up 27.3% YoY)

## Tajima

Turned to profitability thanks to sales strategy focusing on gross profit	
Operating profit	¥0.16 billion (operating loss of ¥0.08 billion in the previous fiscal year)

## Establishment of the basis for growth

Commencement of services of Broadleaf Cloud Platform

- As the first step, launched next-generation cloud system “Maintenance.c (start-up version).”
- Provided partner program for third parties.

## Focused products

Expansion of operation analysis software “OTRS” (up 33.7% YoY)

# PL Summary (Consolidated, IFRS)

Achieved a significant increase in both revenue and profit.

(¥ million)	FY2018	FY2017*1			FY2018*3
	Full-year	Full-year	YoY Change	YoY (Ratio)	Full-year forecast
Revenue	21,285	18,195	+3,090	+17.0%	21,200
Operating profit	4,115	3,011	+1,104	+36.7%	3,900
Profit	2,656	1,932	+724	+37.4%	2,500
Profit per share*2	¥30.36	¥21.81	+8.55	+39.2%	¥28.58

\*1 Tajima Incorporated was made into a subsidiary of Broadleaf as of July 25, 2017, and the contribution of its net sales to FY2017 results is for five months, from August to December.

\*2 Calculated assuming that the stock split (1:2) which took effect on April 1, 2018 was carried out at the beginning of FY12/2017.

\*3 Published on August 3, 2018

Reference: Initial results forecasts (February 14, 2018) Revenue: 20,400; Operating profit: 3,300; Profit: 2,100



# Sales by Category (Consolidated, IFRS)

Sales of Business Application Software and Network Service showed a double-digit increase.

(¥ million)	FY2018 Full-year	FY2017*1 Full-year	YoY Change	YoY (Ratio)
Business Application Software	14,206	11,737	+2,469	+21.0%
System Support	1,314	1,264	+50	+4.0%
Maintenance	601	556	+45	+8.2%
Provision of Consumables	713	708	+5	+0.7%
Network Service	5,765	5,194	+571	+11.0%
Stock	4,711	4,177	+534	+12.8%
Transaction	935	939	-3	-0.4%
PSF	634	642	-8	-1.3%
Order Placement and Acceptance	301	296	+5	+1.6%
Others	118	78	+40	+50.7%
Total	21,285	18,195	+3,085	+17.0%

\*1 Tajima Incorporated was acquired and made a subsidiary of Broadleaf as of July 25, 2017, and the contribution of its net sales to the results of FY2017 is for five months from August to December.

## Sales by Category (Non-Consolidated, Japanese Standard)

Sales of Business Application Software also increased significantly on a non-consolidated basis, and higher sales of Network Service continued.

(¥ million)	FY2018 Full-year	FY2017 Full-year	YoY Change	YoY (Ratio)
Business Application Software	12,559	11,069	+1,489	+13.5%
System Support	1,227	1,230	-2	-0.2%
Maintenance	576	550	+26	+4.8%
Provision of Consumables	651	679	-28	-4.2%
Network Service	5,225	4,919	+305	+6.2%
Stock	4,171	3,904	+267	+6.8%
Transaction	935	938	-3	-0.4%
PSF	634	642	-8	-1.3%
Order Placement and Acceptance	300	296	+4	+1.6%
Others	118	76	+41	+54.7%
Total	19,012	17,219	+1,793	+10.4%

# Breakdown of Sales in Business Application Software (Non-Consolidated, Japanese Standard)

User renewals drove sales in the automotive sector as a result of focusing on that demand.

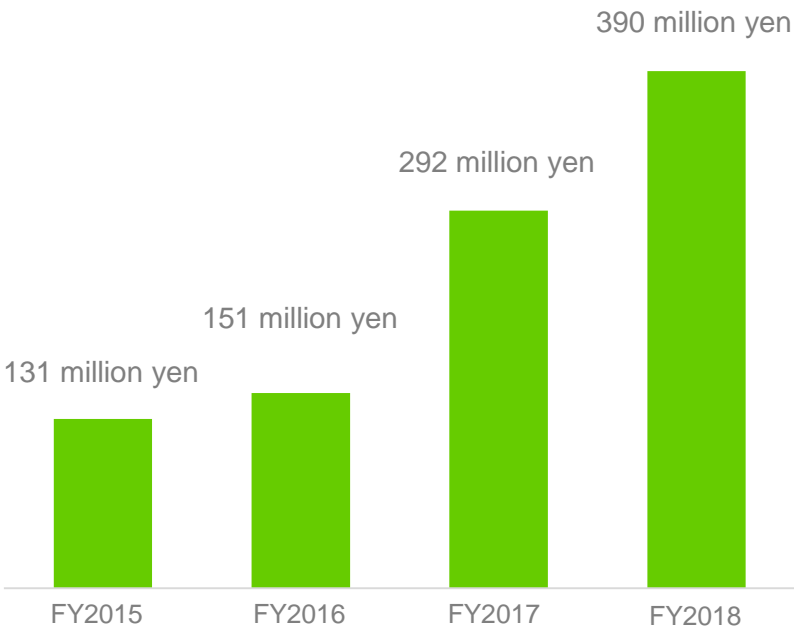
(¥ million)	FY2018 Full-year	FY2017 Full-year	YoY Change	YoY (Ratio)
Automotive	9,577	8,194	+1,382	+16.9%
Renewed	8,729	7,215	+1,513	+21.0%
New customers	847	979	-131	-13.4%
Non-automotive	1,806	1,848	-41	-2.2%
Renewed	1,204	1,255	-50	-4.0%
New customers	601	593	+8	+1.4%
Others	1,175	1,026	+148	+14.5%
Total	12,559	11,069	+1,489	+13.5%



# Growth of Operation Analysis Software “OTRS”

Adopted by a wide range of industries centered on manufacturing, OTRS was on a growth path.

■ Sales trends (BL on a non-consolidated basis, Japanese standard)



■ OTRS(Operation Time Research Software)

Operation analysis/optimization software made based on the method of Industrial Engineering (IE)



- (1) Operation video recording
- (2) Factorization of movements
- (3) Analysis and elimination of waste
- (4) Realignment of operations
- (5) Standardization

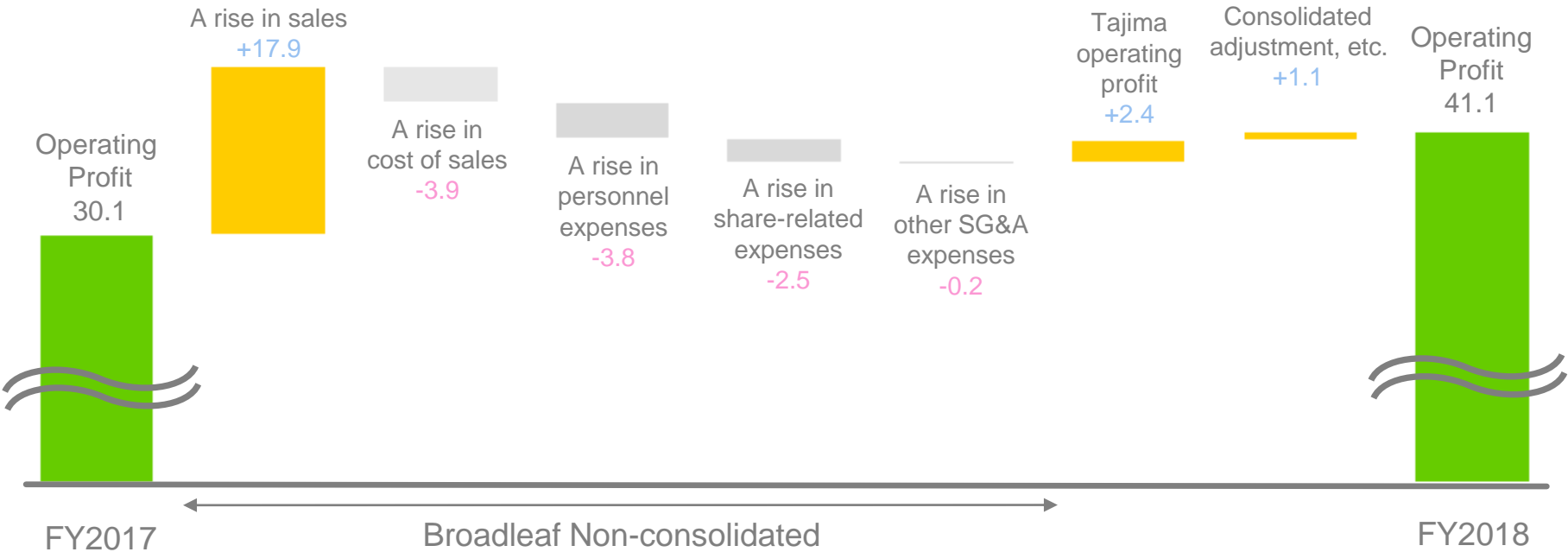
■ Industries that have adopted OTRS

Automobile/transport equipment, general electric, machinery/machine parts, computer/communication equipment, precision instruments, semiconductor/electric and electronics, metal and resin processing, science, food and medicine, steel and metals, construction, public offices and educational institutions, etc.

# Breakdown of Increase/Decrease in Operating Profit (Consolidated, IFRS)

Operating profit increased significantly due to higher sales of Broadleaf and effects from consolidating Tajima, which offset higher expenses.

(¥ 100 million)



BS Summary (Consolidated, IFRS)

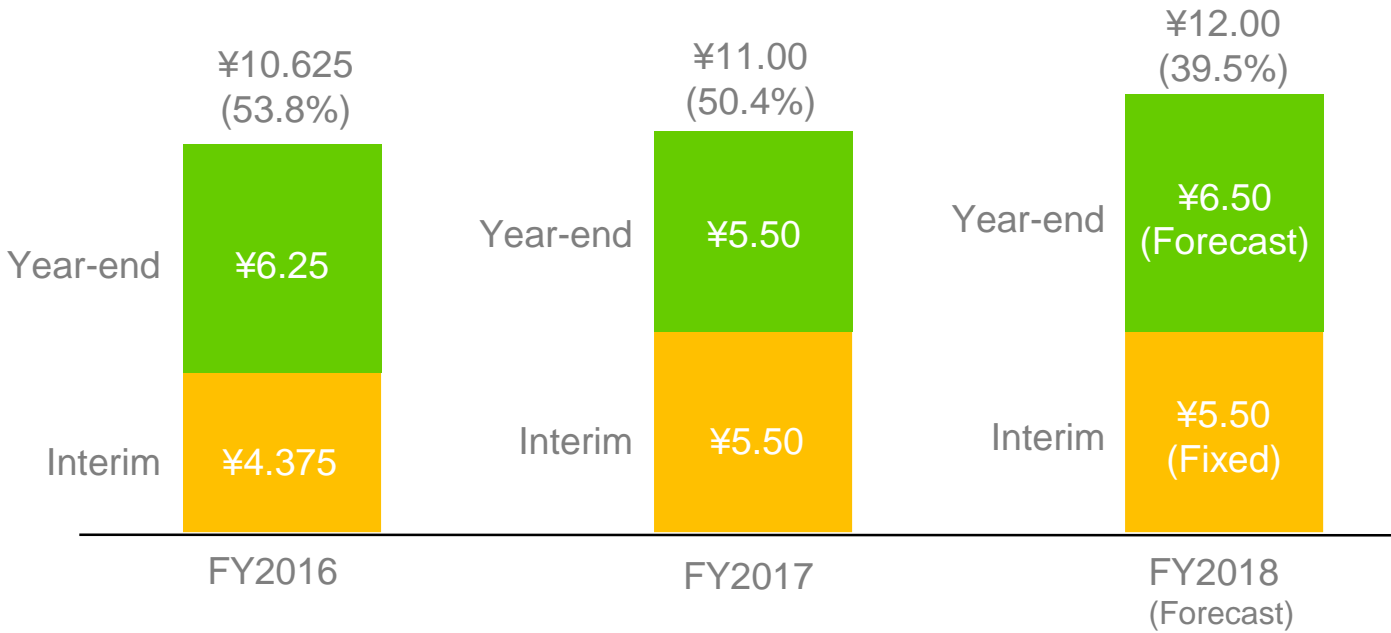
(¥ million)	FY2018 End of FY	FY2017 End of FY	YoY Change	Main Factors for Increase/Decrease
Current assets	10,619	11,400	-782	Decrease in cash and deposits (-344) Decrease in operating receivables (+538)
Non-current assets	18,794	16,663	+2,131	Increase in intangible assets (+1,651)
Total assets	29,413	28,063	+1,350	
Current liabilities	7,913	7,478	+436	
Non-current liabilities	466	848	-382	Decline in long-term interest-bearing debt (-376)
Total liabilities	8,379	8,326	+54	
Total shareholders' equity	21,033	19,737	+1,296	Recognition of profit (+2,656) Decrease by purchase of treasury shares (-1,006) Decline due to dividend payout (-967)
Total liabilities and shareholders' equity	29,413	28,063	+1,350	

# CF Summary (Consolidated, IFRS)

(¥ million)	FY2018 Full-year	FY2017 Full-year	YoY Change	Main factors for increase/decrease
CF from operating activities	4,566	2,558	+2,009	Increase in profit before tax (+1,116) Decrease in operating and other receivables (+895)
CF from investing activities	-2,496	-2,072	-424	Acquisition of intangible assets (-1,091)
CF from financing activities	-2,409	-2,251	-158	Increase in purchase of treasury shares (-475)
FCF	2,070	486	+1,585	-
Cash and cash equivalents	5,627	5,970	-344	-

# Dividends

Dividend per share increased ¥1 in the full year.



\* Amount after adjustment for the stock split (1:2) on the effective dates of December 17, 2016 and April 1, 2018  
Reference: Initial dividend forecast (published on February 14, 2018) Annual dividend: ¥11.00 (interim ¥5.50, year-end ¥5.50)





# Overview of Results Forecasts

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## Consolidated results

Both revenue and operating profit are expected to achieve a record high.

Revenue	¥22.00 billion (up 3.4% YoY)
Operating profit	¥4.50 billion (up 9.4% YoY)

## Basis for growth

Activate the development of services on the Broadleaf Cloud Platform.

- Expand domains where next-generation cloud systems are provided.
- Enhance new services in cooperation with third parties.

## Focused products

- Strengthen overseas sales of “OTRS”
- Cooperation with global partners

## Investment in growth

- Activate investments in companies with sophisticated technologies.
- AI (data prediction), blockchain, VR/AR and others

## Results Forecasts (Consolidated, IFRS)

Both revenue and operating profit are expected to achieve a record high, and annual dividend per share is forecast to be ¥13.00.

(¥ million)	FY2019	FY2018			FY2019	FY2018		
	Full-year Forecasts	Full Year	YoY Change	YoY (Ratio)	1H Forecasts	1H	YoY Change	YoY (Ratio)
Revenue	22,000	21,285	+715	+3.4%	10,600	10,090	+510	+5.1%
Operating profit	4,500	4,115	+385	+9.4%	1,700	1,542	+158	+10.2%
Profit	2,800	2,656	+144	+5.4%	1,000	998	+2	+0.2%
Profit per share	¥32.07	¥30.36	+¥1.71	-	¥11.45	¥11.39	+¥0.06	-
Dividend per share	¥13.00	¥12.00	+¥1.00	-	¥6.50	¥5.50	+¥1.00	-

# Change of Sales Categories

To more clarify growth starting from platforms, sales categories have been changed.

New sales categories (in and after FY2019)

Platforms

- Basic (Basic fees for “.NS2” and “.NS3Ai,” server usage fee, database usage fee and cloud usage fee)
- Parts transaction
- Support
- OTRS (cloud)
- Data analysis, etc.

Applications

- Application by industry
- OTRS (stand-alone)
- PC and other devices

# Sales Forecasts by Category (Consolidated, IFRS)

Accelerate the shift from applications to platforms.

(¥ million)	FY2019 Full-year Forecasts	FY2018 Full-year	YoY Change	YoY (Ratio)	FY2019 1H Forecasts	FY2018 1H	YoY Change	YoY (Ratio)
Platforms	9,540	7,079	+2,461	+34.8%	4,580	3,494	+1,086	+31.1%
Basic*	6,910	4,711	+2,199	+46.7%	3,350	2,334	+1,016	+43.5%
Support	1,320	1,314	+6	+0.5%	650	649	+1	+0.1%
Parts transaction	1,010	935	+75	+8.0%	480	453	+27	+6.0%
Data analysis, etc.	300	118	+182	+153.2%	100	58	+42	+73.8%
Applications	12,460	14,206	-1,746	-12.3%	6,020	6,596	-576	-8.7%
By industry	11,860	13,816	-1,956	-14.2%	5,770	6,415	-645	-10.1%
OTRS	600	390	+210	+53.8%	250	181	+69	+38.1%
Total	22,000	21,285	+715	+3.4%	10,600	10,090	+510	+5.1%

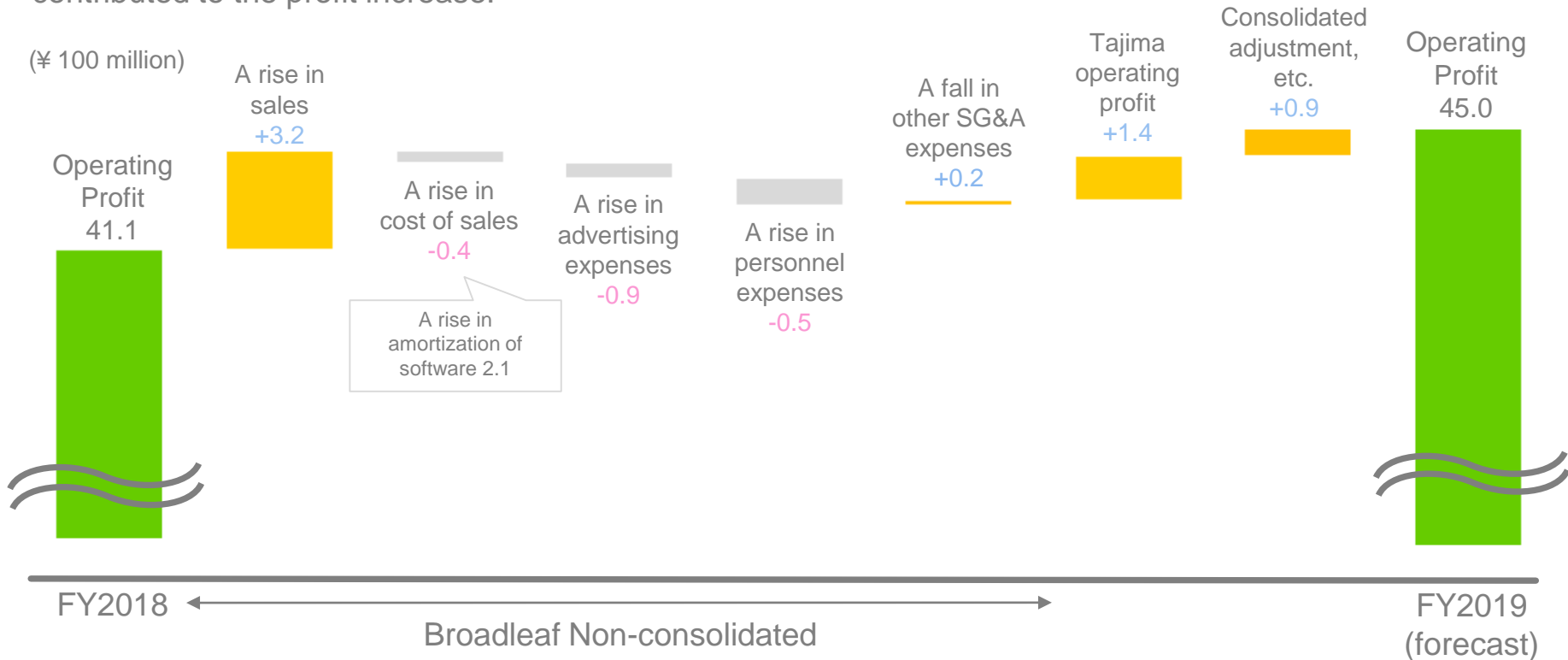
\* For FY2018, basic for .NS2 and .NS3 is not taken into account.

[Reference] Forecasts by Previous Sales Category (Consolidated, IFRS)

(¥ million)	FY2019 Full-year Forecasts	FY2018 Full-year	YoY Change	YoY (Ratio)	FY2019 1H Forecasts	FY2018 1H	YoY Change	YoY (Ratio)
Business Application Software	14,360	14,206	+154	+1.1%	6,910	6,596	+314	+4.8%
System Support	1,320	1,314	+6	+0.5%	650	649	+1	+0.1%
Maintenance	650	601	+49	+8.2%	320	291	+29	+10.1%
Provision of Consumables	670	713	-43	-6.0%	330	359	-29	-8.5%
Network Service	6,320	5,765	+555	+9.6%	3,040	2,844	+196	+6.9%
Stock	5,010	4,711	+299	+6.3%	2,460	2,334	+126	+5.4%
Transaction	1,010	935	+75	+8.0%	480	453	+27	+6.0%
PSF	650	634	+16	+2.5%	310	304	+6	+2.1%
Order Placement and Acceptance	360	301	+59	+19.6%	170	149	+21	+13.9%
Others	300	118	+182	+153.2%	100	58	+42	+73.8%
Net sales	22,000	21,285	+715	+3.4%	10,600	10,090	+510	+5.1%

# Breakdown of Increase/Decrease in Operating Profit (Consolidated, IFRS)

In addition to the effects of higher sales of the Company on a non-consolidated basis, Tajima also contributed to the profit increase.







# Basic Policy

Basic Policy

Accelerate evolution to becoming a platformer from a package software vender.

Targets

FY2021      Revenue: ¥ 27.00 billion  
Sales ratio of platforms: More than 60%

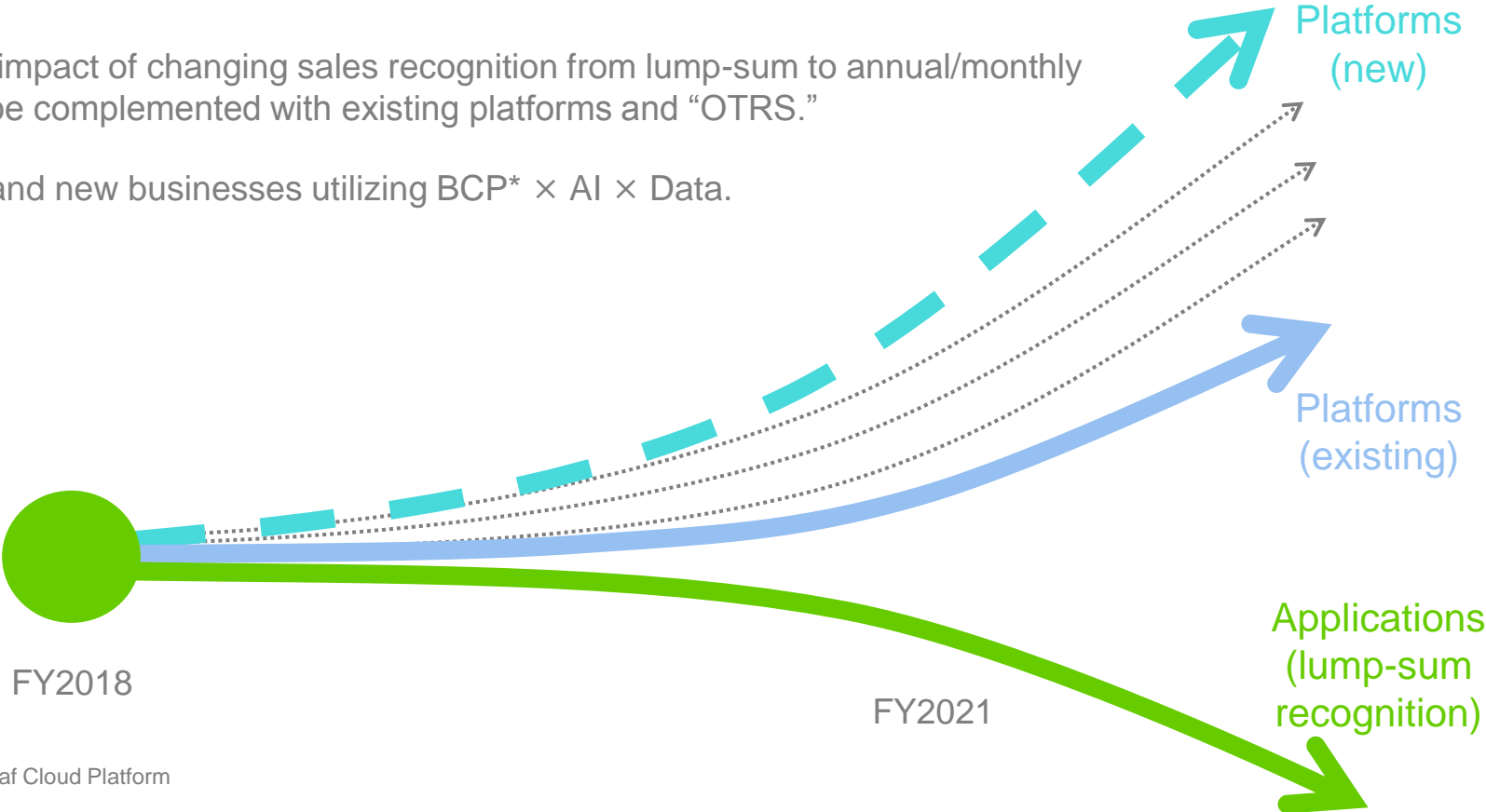
Key strategies

- Full-fledged development of the cloud
- Full-fledged global development of “OTRS”
- Active promotion of M&A/investment/alliance
- Expansion of the Broadleaf economic zone

# Growth Visualization

The impact of changing sales recognition from lump-sum to annual/monthly will be complemented with existing platforms and “OTRS.”

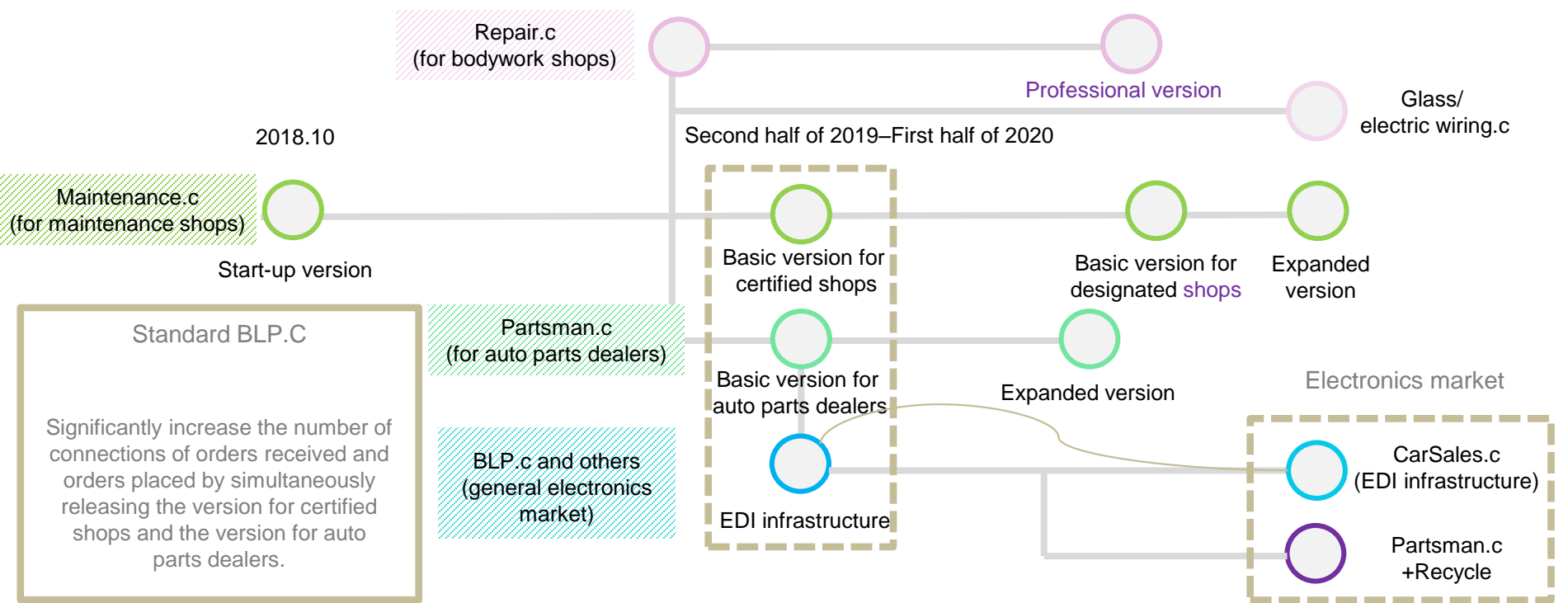
Expand new businesses utilizing BCP\* × AI × Data.



\* Broadleaf Cloud Platform

# Major Services to be Released

The impact of changing sales recognition from sump-sum to annual/monthly will emerge after the release of the cloud-version in 2020.



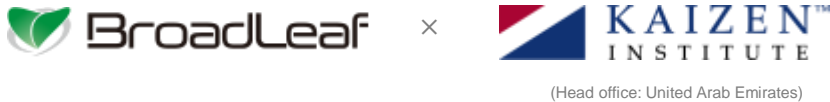
# Global Development of OTRS

Aim for steady growth by expanding channels, developing and launching the next-generation version.

Strengthening of overseas sales channels

Basic agreement with Kaizen Global Enterprises on building a strategic partnership

(January 2019)



Development of new OTRS (cloud)

Preparation for the motion bank vision

Develop data services such as robot teaching by analyzing the motion of people, operation and biological information.



Development and strengthening of channels in China, North America, ASEAN, the EU and each area of Africa

# Active Promotion of M&A/Investment/Alliance

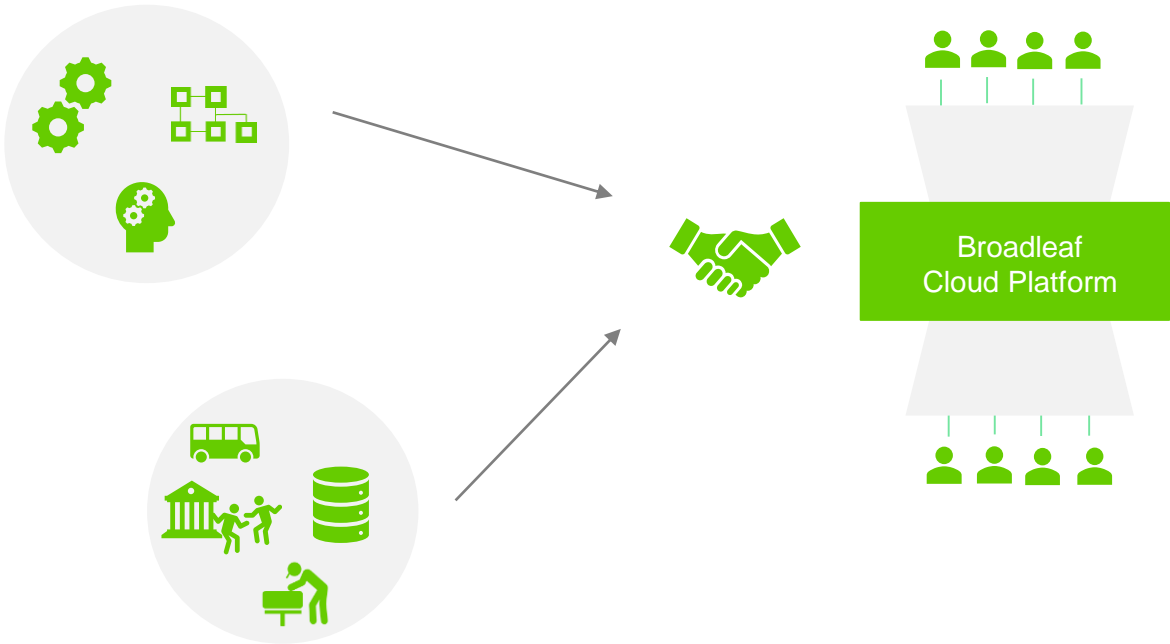
Acquire elements to enhance the value of the Company’s platforms, such as AI, blockchain and companies’ holding data.

Technology companies

- (1) AI companies
- (2) Blockchain
- (3) Others (VR/AR, etc.)

Companies holding data

- (4) Mobility
- (5) Leisure/tourism
- (6) IoH



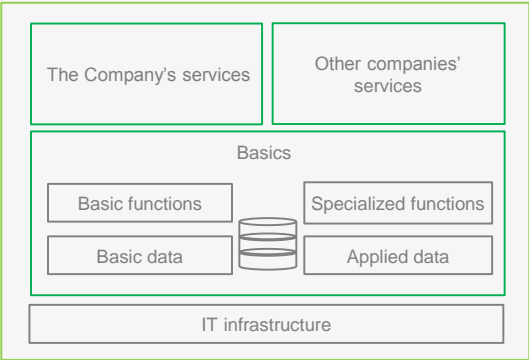


# Expansion of Economic Zone for Broadleaf Cloud Platform

Expand business domains centered on services that have high affinity with existing domains.

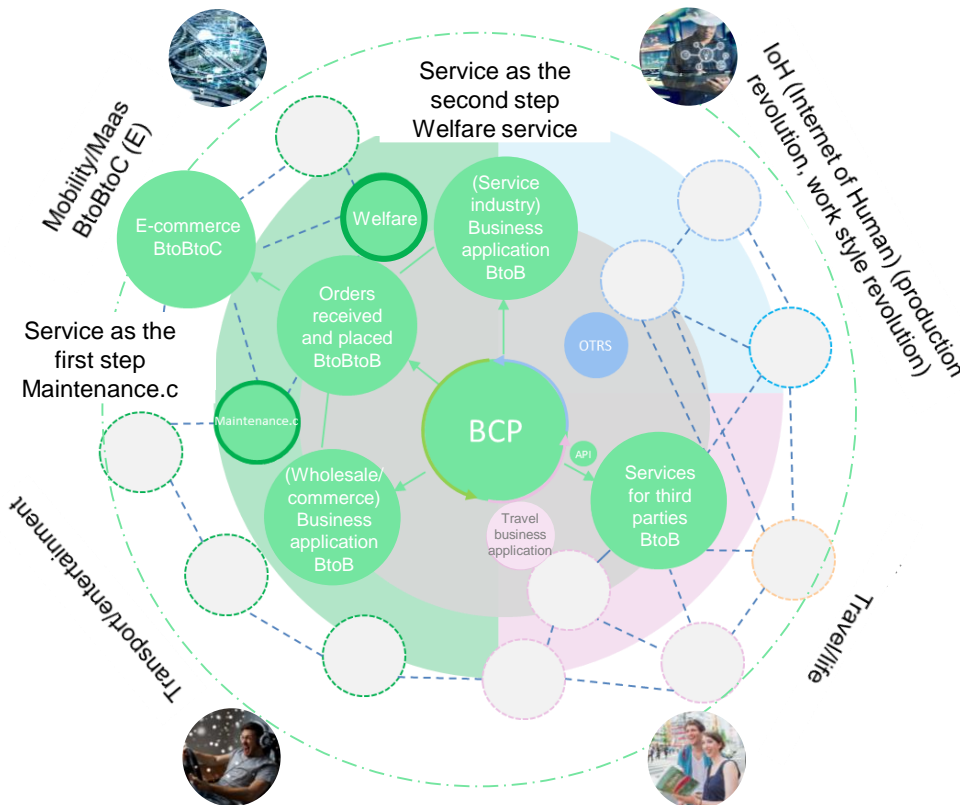
New services utilizing data collected from the Company's services.  
Seeking new services and the development of the IoH business in cooperation with mobility and MaaS companies and data from other industries (travel, life).

## Broadleaf Cloud Platform (BCP)



- ← Provide not only the Company's services, but also those in cooperation with other companies and on an OEM basis.
- ← Make third parties and partners the customers for platforms (provide programs for third parties).

- Enhance functions necessary for AI, blockchain/smart contracts and businesses such as electronic settlement. Expand domains (to BtoBtoC) by acquiring data of other servicers and enhancing cooperation with them.
- Create new services from the integration of data acquired in each domain and prediction and forecast.



**Broadleaf Cloud Platform Service as the Second Step  
Commencement of Welfare Agency Service, BroadLeaf Club VIP Service  
— Support Work-style Reform in the Automotive Aftermarket —**

## Features

- Offer a variety of courtesy services at a lower price than general welfare services.

Members and their families living together (spouse and within the second degree of kinship) can use special plans for accommodation facilities, sports clubs, facilities for entertainment, leisure and life support (for self development, childcare and nursing care) at more than 200,000 facilities in Japan.

**Date of start for sales acceptance:** Tuesday, January 15, 2019

**Date of start for offering service:** Friday, February 1, 2019

**Price:**

Admission fee: ¥30,000 per company (first year only)

Monthly fee: ¥700 per person (excluding tax)



Press release on January 9, 2019



## Corporate Profile

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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 7,148 million (consolidated)
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	29 offices in Japan
Development Centers	3 centers in Japan (Sapporo, Tokyo and Fukuoka)

# Explanation of Sales Fields

Platforms	
■ Basic	<ul style="list-style-type: none"><li>• Provision of database of car-related vehicle information and parts-related information that is updated daily</li><li>• Consideration for server maintenance required for the use of network-type systems</li><li>• Provision of basic functions of BCP (“NS2”/“NS3Ai”/“.c “ (“Maintenance.c,” etc.))</li></ul>
■ Support	<ul style="list-style-type: none"><li>• Business application maintenance service to the Company’s Business Application Software customers and provision of hardware maintenance services</li><li>• Purchase and sale of exclusive forms and OA supply goods to be used for the business applications</li></ul>
■ Parts transaction	<ul style="list-style-type: none"><li>• Operation of recycled parts distribution network “Parts Station NET” that shares inventory information on recycled parts</li><li>• Collection of fees as transaction amount settlement agency for parts dealing</li><li>• Provision of computerized ordering system “BL Parts Order System” for automotive parts</li><li>• Provision of tablet-type operation terminals “CarpodTab” to maintenance business operators, etc.</li></ul>
■ Data analysis, etc.	<ul style="list-style-type: none"><li>• Analysis of accumulated anonymization data and provision thereof to third parties</li></ul>
Applications	
■ By industry	<ul style="list-style-type: none"><li>• Development and sale of industry-specific business applications (Industries: car maintenance, bodywork, car dealers, auto parts dealers, parts manufacturers, mobile dealers, travel, etc.)</li><li>• Purchase and sale of PC bodies, printers, etc.</li></ul>
■ OTRS	<ul style="list-style-type: none"><li>• Development and sale of operation analysis/optimization software</li></ul>

# AI-based Network-type Business Support System

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## New Product “SF.NS3Ai” Launched in Network-type Business Support System “.NS” Series — Operational Efficiency when Preparing Maintenance Slips Improves Dramatically with AI Function —

(Excerpts from the press release)

“SF.NS3Ai” is equipped with AI function and new BL codes, and the use of these functions will improve service quality to car owners and the provision of new value, in addition to an improvement in the efficiency of daily business.

**Features**

- AI function  
Learns estimates prepared at a business or in the same group and automatically indicates works and parts with both high frequency of use and relevancy.  
Prevents omissions and leakages arising from differences in experience of persons in charge.
- New BL codes  
Increase the number of digits of parts codes from the existing four to 11 to expand data that enables the identification of types of relevant parts. This will improve the convenience of electronic trading, because automatic transactions will increase in terms of inquiries to regional parts dealers about delivery time and price.
- Automatic parts inquiries  
Implement a one-click function to make inquiries about and place orders for parts while preparing an estimate. This has achieved the quick proposal of estimates for car owners and parts arrangements for them.

**Start date of provision**      Friday, September 7, 2018

**Price**      Basic price ¥900,000 (monthly contract or lease contract for 5 years)  
\* Initial installation fee is separately required.  
\* In addition, a network usage contract is required.  
\* An additional contract to expand functions is also possible.



# Next-generation Cloud System “Maintenance.c”

## First Cloud Service on the Broadleaf Cloud Platform Provision Started for Super Frontman Series “Maintenance.c”

### (Excerpts from the press release)

New cloud service Super Frontman series “Maintenance.c,” which operates on the Broadleaf Cloud Platform, will carefully select essential functions for the auto maintenance business and provide them as a service for start-up companies.

### Overview

Super Frontman series “Maintenance.c” is a cloud service for auto maintenance companies that will enable them to manage customers and vehicles, issue slips and prepare application documents on an Internet browser\*<sup>1</sup>.  
It is possible to mount essential functions for the maintenance business and add functions desired by users\*<sup>2</sup>.  
In addition, sophisticated information processing, data prediction and recommendations based on multiple AI engines will further improve operational efficiency.

<sup>1</sup> A system that can be easily introduced and used without specific knowledge and a dedicated environment as long as it is connected to the Internet. <sup>2</sup> Functions will be expanded in the series.

### (Features)

- .. Intuitive and easy-to-understand layout and operational feeling
- .. AI automatically learns the contents of slips that are prepared in the workplace or the same group.
- .. Input assistance helps prevent omissions and leakages in the slip preparation work.
- .. Management screen that will realize fast and courteous customer service
- .. Application for use on the Internet and online settlement are possible.

**Start date of provision**            Monday, October 1, 2018

### Price

One license: ¥5,000 per month (excluding tax)  
(Platform usage fee ¥3,000 + Maintenance and application usage fee ¥2,000)

\* In addition, slip issuance fee (approx. ¥500) will be charged.  
\* Additional fees for options are required separately.

### What is the Broadleaf Cloud Platform?

The Broadleaf Cloud Platform is a cloud-based digital business platform to achieve IT innovation. It is characterized by the collection and high-speed search and analysis of massive amounts of data, the implementation of services in a short span of time through the combination of business API services and high scalability according to the scale of use. As the first service operating on this platform, we will begin to provide a next-generation system developed by Broadleaf. In the future, we will provide new businesses and iconic services utilizing auto-related big data and infrastructure in cooperation with a variety of partners across industries.

\* We are preparing a partner program for companies that will be able to provide systems and services on the platform.

# Conclusion of a Basic Agreement with Kaizen Global Enterprises

## Concluded a Basic Agreement with Kaizen Global Enterprises (“KGE”) on Building a Strategic Partnership

### (Excerpts from the press release)

KGE is a holding company of KAIZEN Institute (“KI”), which holds the registered trademark of “KAIZEN” in many countries and provides consulting activities to all industries in more than 60 countries around the world. Based on the concept of KAIZEN, always creating an organizational culture and framework that enable the members to act and operate better with the entire organization working as one, KI provides comprehensive services ranging from management consulting based on the self-developed Kaizen Business System (KBS) to kaizen at a field level.

For the purpose of accelerating the global development of the IoH (Internet of Human) business with OTRS as the starting point by applying KI's knowledge to Broadleaf's IT solutions, both companies will proceed with consultations to build a strategic partnership.

### Details of the basic agreement

Broadleaf and KGE will proceed with consultations on the following items by the end of March 2019.

- Setting a common mission and vision for the partnership
- Sharing of knowledge between the companies
- Confirmation of compatibility between OTRS and KBS
- Consideration of the building of a platform to promote the creation of an organizational culture
- Examination of a contract model

### Operation analysis/optimization software “OTRS”

Software able to reduce working hours and costs, and save labor at production and manufacturing sites with functions such as motion analysis using images and time analysis. OTRS, which was created based on the IE (industrial engineering) method, can efficiently and quickly achieve kaizen activities, and its application is spreading to not only the manufacturing industry but also to a variety of work sites as a tool for educational training and technical tradition.

Representative	Managing Director   Risa Cox
Address	Swiss Tower, Floor 10, Suite 1003-02, Cluster Y, JLT, Dubai, UAE
Business	Leads the KAIZEN Institute Group to comprehensively provide practical consulting and education centered on KAIZEN and services to improve the growth potential and modification functions of companies and organizations, in addition to the QCD (Quality, Cost, Delivery) areas.
URL	<a href="https://www.kaizen.com">https://www.kaizen.com</a>

# 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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