



## FY12/2016 Business Results Briefing

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



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## Chapter 1

# Overview of FY12/2016 Business Results

## POINT

Net sales rose slightly, but income declined due to a temporary rise in costs.

(¥ million)

	FY12/2016			FY12/2015
	Full-year	YoY Change	YoY (Ratio)	Full-year
Net sales	16,851	27	0.2%	16,824
Operating income	2,227	-286	-11.4%	2,514
Operating income margin	13.2%	-1.7%	-	14.9%
Ordinary income	2,230	-262	-10.5%	2,493
Net income	1,142	-108	-8.7%	1,251
EPS	¥24.05	-¥1.19	-4.7%	¥25.24*

\* A 2-for-1 stock split effective from December 17, 2016 is reflected.

# Sales by Category

## POINT

Network Service, the key segment, maintained its sales growth.

(¥ million)

	FY12/2016			FY12/2015
	Full-year	YoY Change	YoY (Ratio)	Full-year
Business Application Software	10,988	-327	-2.9%	11,316
System Support	1,239	-26	-2.1%	1,266
Maintenance	570	-27	-4.6%	597
Provision of Consumables	669	1	0.2%	668
Network Service	4,623	380	9.0%	4,242
Stock	3,662	311	9.3%	3,350
Transaction	917	59	6.7%	858
PSF*1	657	-15	-2.6%	672
Order Placing and Acceptance*2	260	74	40.4%	185
Others	42	9	35.2%	32
Net sales	16,851	27	0.2%	16,824

\*1: Payment agency service for recycled parts

\*2: BL Parts Order System and CarpodTab

# Breakdown of Sales in Business Application Software

## POINT

Sales to new customers in the automotive sector increased as a result of efforts to expand trade-ins, despite a low number of user renewals.

(¥ million)

		FY12/2016			FY12/2015
		Full-year	YoY Change	YoY (Ratio)	Full-year
Automotive		7,922	-774	-8.9%	8,697
	Renewed	6,861	-975	-12.4%	7,836
	New customers	1,061	200	23.3%	860
Non-automotive		1,592	88	5.9%	1,503
	Renewed	1,090	159	17.2%	930
	New customers	501	-71	-12.4%	573
Total		9,515	-686	-6.7%	10,325
	Renewed	7,952	-815	-9.3%	8,767
	New customers	1,563	129	9.0%	1,433
Others		1,473	358	32.2%	1,114
Business Application Software Total sales		10,988	-327	-2.9%	11,316

# Key Indicators in Network Service Domain

## POINT

Continuous efforts for the industry standardization of the electronic order service

End of FY12/2016

End of FY12/2015

### ■ Stock

.NS ratio*	85.7%	80.5%
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### ■ Transaction

BL Parts Order System		
Number of connections with maintenance shops	2,041	1,666
Number of parts dealers participating in transactions	335	312
CarpodTab		
Number of contracts	3,054	2,322

\* Proportion of total number of contracts accounted for by current business application software, “.NS Series”

# Breakdown of Expenses

## POINT

The decrease in income was caused mainly by a temporary rise in costs, including equipment purchases.

(¥ million)

	FY12/2016		FY12/2015	Main factors behind the changes
	Full-year	YoY Change	Full-year	
Net Sales	16,851	27	16,824	-
Cost of Sales	5,192	338	4,854	Personnel shifts to the personnel expense side Increase in equipment purchases
SG&A Expenses	9,430	-24	9,455	-
Personnel Expenses	4,633	212	4,420	Personnel shifts from the cost side (cost of labor)
R&D Expenses	285	-166	451	Partial capitalization of next-generation systems
Other	4,512	-70	4,582	Advertising expenses, etc.
Operating Income	2,227	-286	2,514	-

Total Personnel Expenses*	5,313	-21	5,335	Reduced number of employees
Subcontract Cost	1,332	-362	1,695	Optimization of ratio of in-house and outsourced construction

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



# BS Summary

## POINT

Increased shareholder returns through an increase in dividends and the acquisition of treasury stock while maintaining financial soundness.

(¥ million)

		End of FY12/2016		End of FY2015	Main factors for increase/decrease
		Results	Change (YoY)	Results	
	Current Assets	12,408	-624	13,033	Decrease in cash and deposits (-772)
	Non-current Assets	11,670	-861	12,532	Amortization of goodwill (-668)*
Total Assets		24,079	-1,486	25,565	-
	Current Liabilities	4,960	622	4,338	Increase in income taxes payable (577)
	Non-current Liabilities	1,205	-636	1,841	Decrease in long-term loans payable (-661)
Total Liabilities		6,165	-14	6,179	-
Total Net Assets		17,913	-1,472	19,385	Recognition of net income (1,142) Payment of dividends (-728) Acquisition of treasury stock (-1,945)
Total Liabilities and Net Assets		24,079	-1,486	25,565	-

\* Goodwill outstanding on December 31, 2016: ¥8,963 million

# CF Summary

## POINT

FCF recovered significantly mainly due to a reduction in income taxes paid.

(¥ million)

	FY12/2016		FY12/2015 Full-year	Main factors for increase/decrease
	Full-year	Change (YoY)		
CF from operating activities	3,201	2,545	655	Income taxes paid (1,836)
CF from investing activities	-656	431	-1,088	Purchase of intangible assets (292)
CF from financing activities	-3,317	-1,463	-1,854	Proceeds from long-term loans payable (-2,500) Purchase of treasury shares (728) Cash dividends paid (-153)
FCF	2,544	2,977	-432	-
Cash and cash equivalents	7,611	-772	8,384	-

# (Reference) PL Summary (Comparison with Forecasts)

(¥ million)

	FY12/2016			
	Full-year	Difference	Achievement	Full-year forecast
Net sales	16,851	-1,148	93.6%	18,000
Operating income	2,227	-772	74.3%	3,000
Operating income margin	13.2%	-3.5%	-	16.7%
Ordinary income	2,230	-739	75.1%	2,970
Net income	1,142	-477	70.6%	1,620

EPS	¥24.05	-¥9.42	71.9%	¥33.47*
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\* A 2-for-1 stock split effective from December 17, 2016 is reflected.

# (Reference) Summary of Sales by Category (Comparison with Forecasts)

(¥ million)

		FY12/2016			
		Full-year	Difference	Achievement	Full-year forecast
Business Application Software		10,988	-711	93.9%	11,700
System Support		1,239	-10	99.2%	1,250
	Maintenance	570	-29	95.0%	600
	Provision of Consumables	669	19	103.0%	650
Network Service		4,623	-426	91.5%	5,050
	Stock	3,662	112	103.2%	3,550
	Transaction	917	-282	76.5%	1,200
	PSF	657	-42	93.9%	700
	Order Placing and Acceptance, etc.	260	-239	52.1%	500
	Others	42	-257	14.2%	300
Net Sales		16,851	-1,148	93.6%	18,000

## Chapter 2

### Results Forecasts for FY12/2017

## POINT

IFRS is applied from the fiscal year ending December 31, 2017.

(¥ million)

	FY12/2017 (IFRS)				FY12/2016 (Japanese standards)	
	Full-year	YoY (Ratio)	1H	YoY (Ratio)	Full-year	1H
Net sales	17,000	-	8,100	-	16,851	8,196
Operating income	2,000	-	600	-	2,227	920
Operating income margin	11.8%	-	7.4%	-	13.2%	11.2%
Profit attributable to owners of parent	1,230	-	390	-	1,142	622
EPS	¥27.79	-	¥8.81	-	¥24.05	¥12.87*

\* A 2-for-1 stock split effective from December 17, 2016 is reflected.

# Sales Forecasts by Category

## POINT

Others of Network Service will be affected by the application of IFRS.

(¥ million)

	FY12/2017 (IFRS)				FY12/2016 (Japanese standards)	
	Full-year	YoY (Ratio)	1H	YoY (Ratio)	Full-year	1H
Business Application Software	10,700	-2.6%	5,000	-5.5%	10,988	5,293
System Support	1,250	0.8%	620	-2.1%	1,239	633
Maintenance	600	5.3%	300	3.5%	570	289
Provision of Consumables	650	-3.0%	320	-6.9%	669	343
Network Service	5,050	9.2%	2,480	9.2%	4,623	2,270
Stock	3,900	6.5%	1,950	8.1%	3,662	1,803
Transaction	950	3.5%	460	3.0%	917	446
PSF	650	-1.1%	320	0.6%	657	322
Order Placing and Acceptance, etc.	300	15.2%	140	12.5%	260	124
Others	200	370.2%	70	249.9%	42	20
Net Sales	17,000	0.9%	8,100	-1.2%	16,851	8,196

# Breakdown of Business Application Software Domain

## POINT

The renewals of user contracts factor in the shortening of contract periods.

(¥ million)

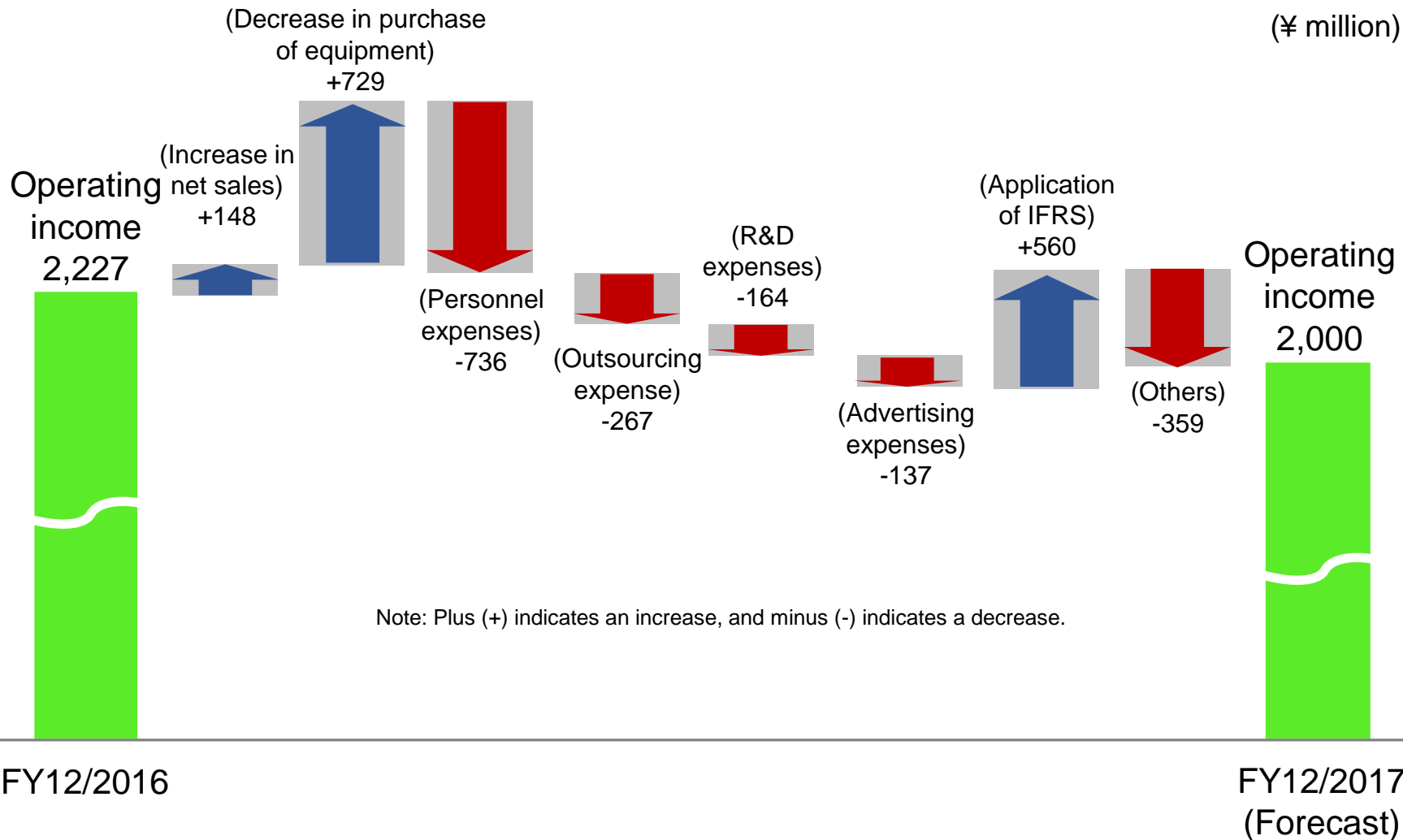
		FY12/2017 (IFRS)		FY12/2016 (Japanese standards)
		Full year	YoY (Ratio)	Full year
Automotive		7,800	-1.5%	7,922
	Renewed	6,500	-5.3%	6,861
	New customers	1,300	22.5%	1,061
Non-automotive		1,900	19.3%	1,592
	Renewed	1,300	19.2%	1,090
	New customers	600	19.6%	501
Total		9,700	1.9%	9,515
	Renewed	7,800	-1.9%	7,952
	New customers	1,900	21.6%	1,563
Other		1,000	-32.1%	1,473
Total sales of business application software		10,700	-2.6%	10,988



# Factors of the Increase and Decrease in Operating Income

## POINT

Increase the allocation to human capital to ensure growth in the medium to long term

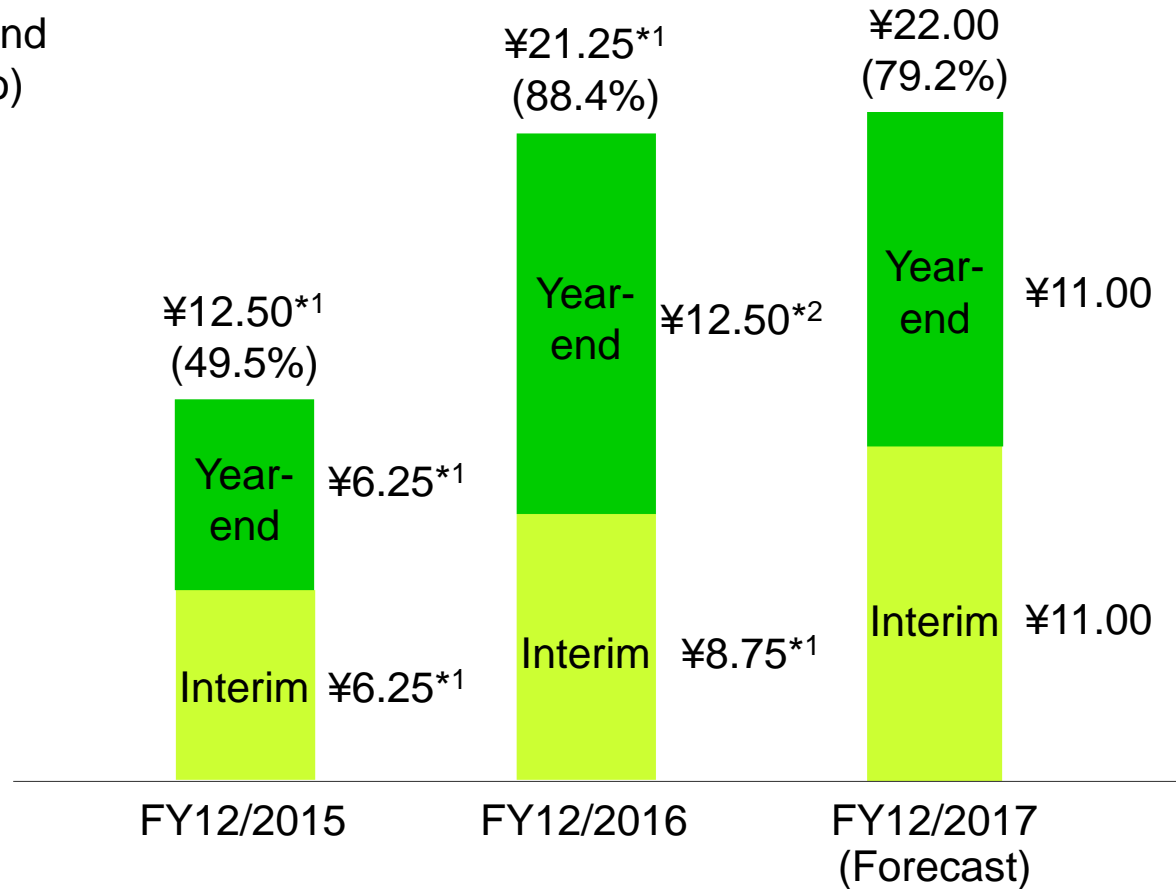


# Dividends

## POINT

The annual dividend per share for the fiscal year ending December 31, 2017 is planned to increase.

Annual dividend  
(Payout ratio)



\*1 The amounts reflect a 2-for-1 stock split on December 16, 2016.

\*2 The year-end dividend for the fiscal year ended December 31, 2016 will be determined at the 8<sup>th</sup> Ordinary General Meeting of Shareholders.

## Chapter 3

### Future Business Development

## ■ Direction of business expansion and review

Concept: Expand business areas by rolling out data-based services

### Basic policy

We plan to overhaul the Business Application Software tariff structure from FY2018. In anticipation of this, we are setting targets for our performance and sale structure in FY2017.

### Basic strategies

1. Expansion of customer base
2. Turnaround of profit structure

### Priority measures

1. Establish and standardize computerized ordering within the industry.
2. Develop and launch new services and new products.
3. Develop and launch of next-generation systems.
4. Strengthen the management base.

### Progress of initiatives up to FY2016

- Gaining new customers △
- Raising the ratio of Transaction sales ×
- Standardizing computerized ordering service in the industry ×
- Releasing Buhin MAX and new OTRS ○
- Developing next-generation systems △
- Strengthening the executive system ○

## POINT

There are no major competitors in the market. Significant changes taking place in the industrial structure right now give the Company **attractive business opportunities** and an excellent chance to construct entry barriers.

### Environment recognition

Maturing automotive aftermarket

From systems ownership to use of systems

Practical application of new technologies

Entries from different industries

### Medium- to long-term opportunities and challenges

Creating new markets in response to subtle changes

Changing the profit structure

### Priority measures (2017-2018)

Changing the profit structure and gaining new customers

Active investment to create new markets

# FY2018 Performance Targets

## POINT

Continue to invest actively to expand business domains and create new markets as renewals of user contracts increase

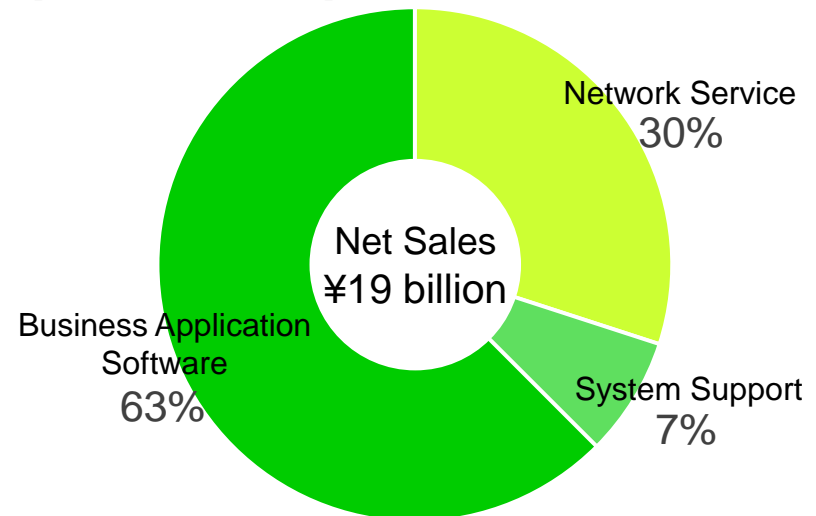
## FY2018 Targets

### [Performance]

Net Sales  
¥19 billion

Operating Income  
¥3.2 billion  
(Operating Income Margin 16.8%)

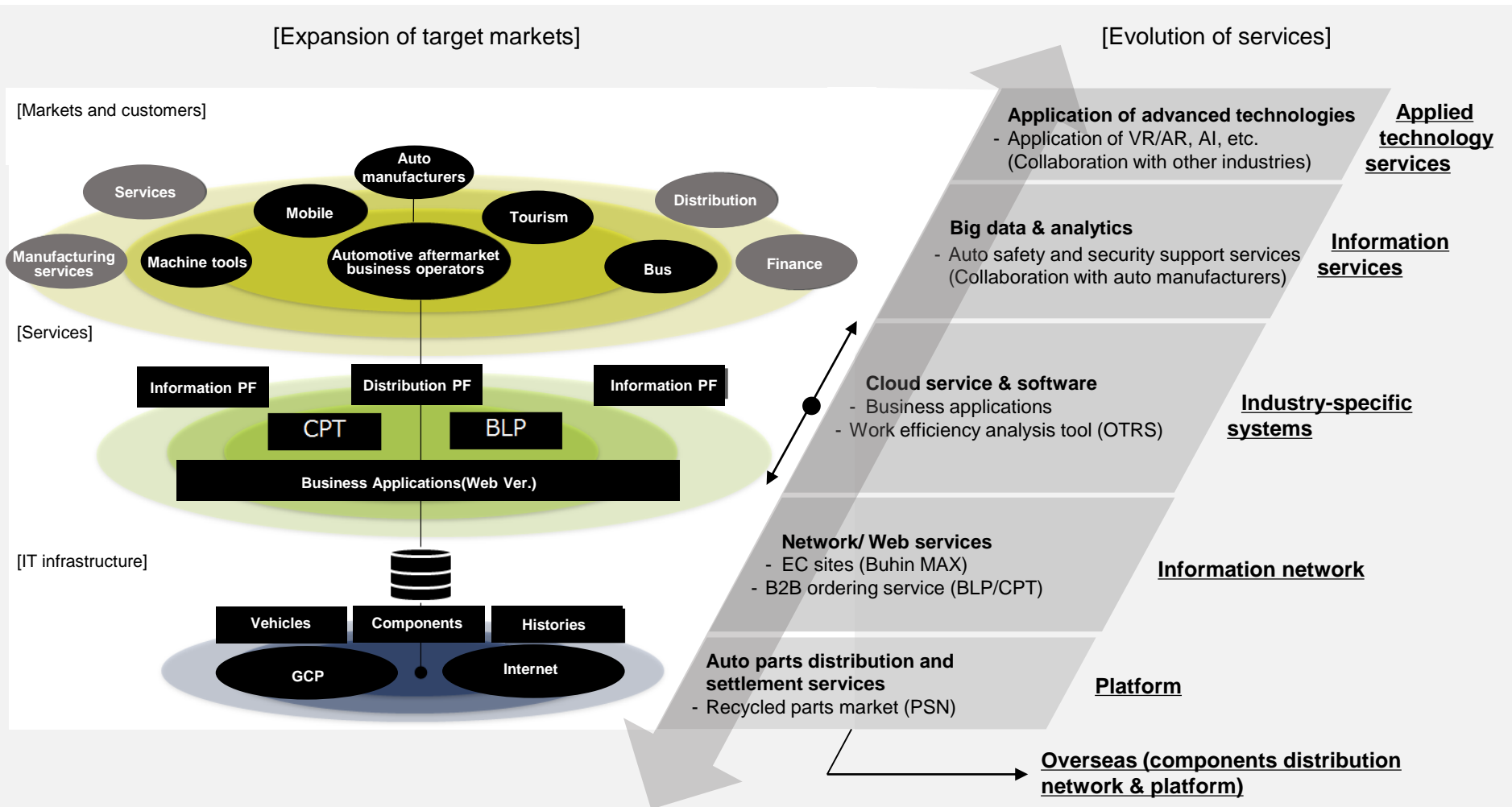
### [Sales Structure]



# Expansion of Target Markets and Evolution of Services

## POINT

Create new services and new markets by generating value using big data based on an overwhelming customer base and cloud computing





Consider, Connect, Communicate

Field for Our Future  
Broadleaf Co., Ltd.



## Appendix [Reference Material]

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:	¥7,147 million
Business Outline:	Provision of services on an IT network system that supports the business of the players in the automotive aftermarket (E.g. development of business applications, platform for collaboration between different business sectors, marketplace for recycled auto parts, and automotive content)
Head Office Location:	Floor 8, Glass Cube Shinagawa, 4-13-14, Higashi-Shinagawa, Shinagawa-ku, Tokyo
Business Offices:	33 offices in Japan
Development Centers:	3 centers in Japan (Sapporo, Tokyo and Fukuoka)
Number of Employees:	764

(as of December 31, 2016)

We have a single business segment, which consists of IT services, but sales are classified into the areas below.

Category			Type of Business
Large Classification	Middle Classification	Small Classification	
Business Application Software			<ul style="list-style-type: none"> <li>- Development and sales of business application software for specific businesses.</li> <li>- Development and sales of work analysis and optimization software</li> <li>- Purchase and sales of PCs and printers, etc., and others</li> </ul>
System Support	Maintenance		- Provision of maintenance services for business application software and hardware to customers to which we sold business application software.
	Provision of Consumables		- Purchase and sales of special ledger sheets and OA supplies used in business application software.
Network Service	Stock	Database Provisioning Service	- Provision of automobile-related information and a database of parts-related information updated daily.
		Server Provisioning Service	- Receipt of consideration for server maintenance necessary for the use of network systems.
	Transaction	Payment Agency Service for Recycled Parts	- Operation of "Parts Station NET," a distribution network for recycled parts that shares information on the inventories of recycled parts. Providing payment agency services when selling and purchasing recycled parts and collecting commissions.
		Electronic parts order placing and acceptance system, tablet-based business support tools and others	<ul style="list-style-type: none"> <li>- Provision of an electronic order placing and acceptance system for auto parts.</li> <li>- Provision of tablet-based business terminals to maintenance shops, etc., and others</li> </ul>
	Other		- Products and services other than the above

## Disclaimer

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.

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