



# Broadleaf Co., Ltd.

## (Securities Code: 3673 / TSE 1<sup>st</sup> section)

### Briefing on FY12/2013 Business Results and Mid-term Business Plan



February 18, 2014

1. FY12/2013 Business Results
2. Initial Forecasts for FY12/2014
3. Mid-Term Business Plan

# 1. FY12/2013 Business Results

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# Summary of FY12/2013 Results

## □ In comparison with FY12/2012 results:

A considerable growth in net sales and incomes was attained as sales in Business Application Software and Network Service grew.

## □ In comparison with FY12/2013 forecasts:

Although we met the forecast level in net sales, we fell short in incomes because of cost increases following changes in individual system specifications.

(¥ million)

	FY12/2013 Full-year results	YoY change	Compared to initial forecasts	FY12/2012 Full-year results	FY12/2013 Initial forecasts
Net sales	18,024	+2,383 15.2%	+173 1.0%	15,641	17,851
Operating income	3,740	+1,626 76.9%	-302 -7.5%	2,114	4,042
Ordinary income	3,653	+1,618 79.5%	-299 -7.6%	2,035	3,952
Net income	1,914	+1,099 134.8%	-175 -8.4%	815	2,089

# Sales Trends by Category

(¥ million)

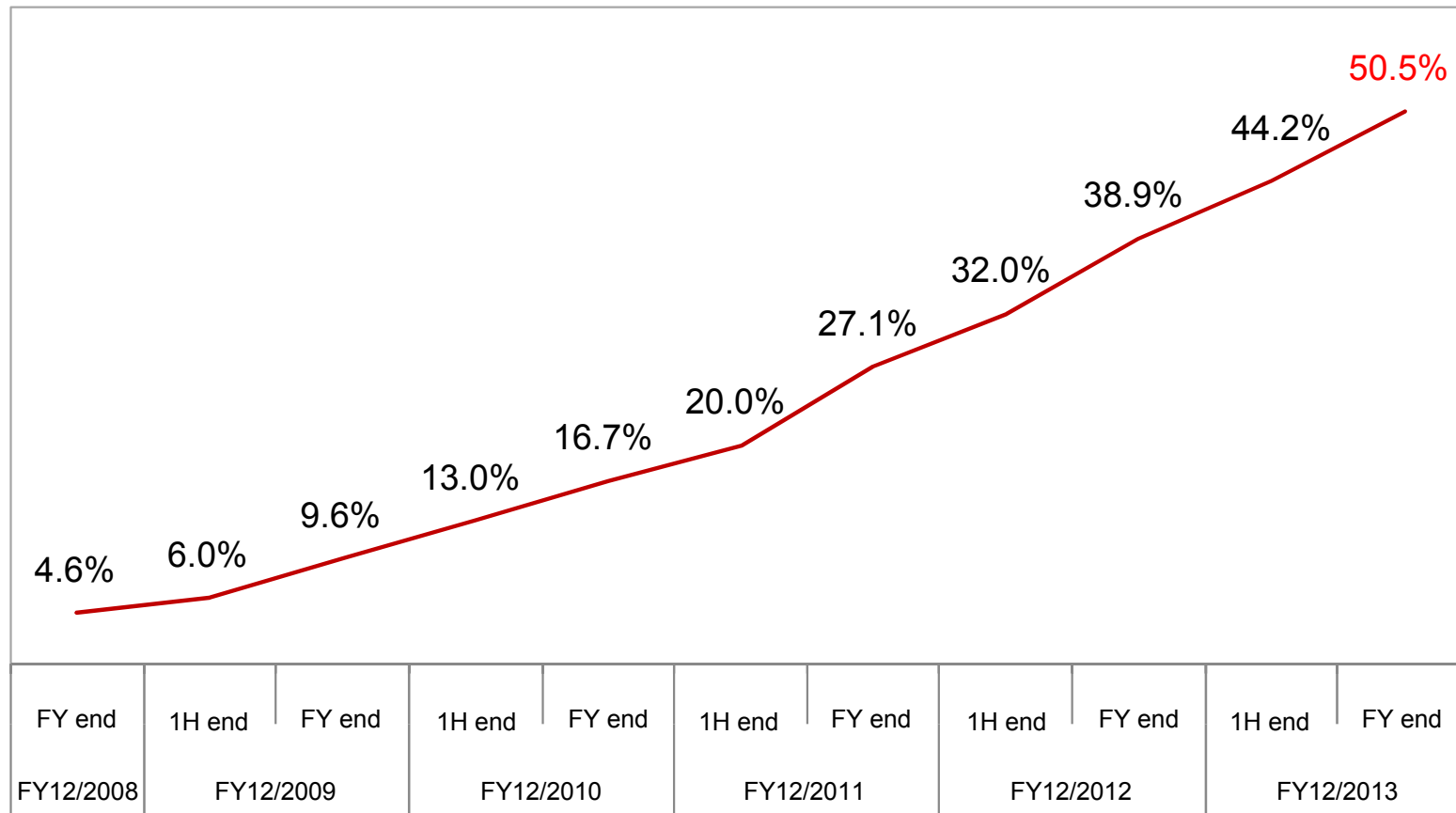
	FY12/2013	FY12/2012	YoY change
	Full-year	Full-year	Amount
Business Application Software	13,357	11,353	+2,004
System Support	1,284	1,279	+5
Maintenance	612	603	+9
Provision of consumables	672	676	-4
Network Service	3,382	3,008	+374

- Business Application Software: Net sales were up with greater demand for renewals of lease contracts (six years) than in FY12/2012.
- System Support: Both the maintenance and provision of consumables remained firm.
- Network Service: Stock-type services expanded with the rising proportion of network-type licenses.

# Changes in Ratio of Network-Type Licenses

- The ratio of network systems, which serve as the infrastructure of our Network Service, has been increasing steadily.

## Ratio of network system licenses



# Balance Sheets at the End of FY12/2013

## □ Achieving stronger balance sheets

(¥ million)

	End of FY12/2013	End of FY12/2012	YoY change Amount
Current assets	14,037	8,761	+5,276
Cash and deposits	9,229	3,604	+5,625
Noncurrent assets	13,006	13,857	-851
Property, plant and equipment	481	520	-39
Intangible assets	11,791	12,475	-684
Goodwill	10,669	11,368	-699
Investments and other assets	733	860	-127
<b>Total assets</b>	<b>27,044</b>	<b>22,619</b>	<b>+4,425</b>
Current liabilities	6,133	5,169	+964
Loans payable	1,500	1,500	0
Noncurrent liabilities	948	2,431	-1,483
Long-term loans payable	750	2,250	-1,500
<b>Total liabilities</b>	<b>7,082</b>	<b>7,600</b>	<b>-518</b>
<b>Total net assets</b>	<b>19,961</b>	<b>15,018</b>	<b>+4,943</b>
<b>Total liabilities and net assets</b>	<b>27,044</b>	<b>22,619</b>	<b>+4,425</b>

### Cash and deposits

- Increased with the issuing of new shares at the time of listing
- Increased with the posting of incomes

### Goodwill

- Goodwill arising at the time of MBO amortized steadily (Amortized over 20 years since FY12/2010)

### Loans payable

- Repaid steadily

# Statements of Cash Flows for FY12/2013

## □ Ample cash flows

(¥ million)

	FY12/2013 Full-year	FY12/2012 Full-year	YoY change Amount
Net cash provided by (used in) operating activities	4,586	3,237	+1,349
Net cash provided by (used in) investing activities	-451	-760	+309
Net cash provided by (used in) financing activities	1,490	-1,796	+3,286
Net increase (decrease) in cash and cash equivalents	5,624	681	+4,943
Cash and cash equivalents at end of period	9,229	3,604	+5,625
Free cash flows (FCF)	4,135	2,477	+1,658

\* FCF = CF from operating activities + CF from investing activities



## 2. Initial Forecasts for FY12/2014

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# FY12/2014 Initial Forecasts

- Net Sales: Growth in Business Application Software and Network Service is expected.
- Incomes: Income growth will slow down temporarily as up-front costs for medium to long-term growth are posted.

(¥ million)

	FY12/2014 Initial Forecasts				FY12/2013 Results	
	1 <sup>st</sup> half	YoY change	Full-year	YoY change	1 <sup>st</sup> half	Full-year
Net sales	9,000	+532 6.3%	19,000	+976 5.4%	8,468	18,024
Operating income	1,550	+11 0.7%	4,000	+260 7.0%	1,539	3,740
Ordinary income	1,530	+67 4.6%	3,950	+297 8.1%	1,463	3,653
Net income	750	+23 3.2%	2,100	+186 9.7%	727	1,914

# Initial Forecasts in Sales by Category

(¥ million)

	FY12/2014 Initial forecasts				FY12/2013 Results	
	1 <sup>st</sup> half	YoY change	Full-year	YoY change	1 <sup>st</sup> half	Full-year
Business Application Software	6,500	+313	13,700	+343	6,187	13,357
System Support	650	+6	1,300	+16	644	1,284
Maintenance	310	+4	630	+18	306	612
Provision of consumables	340	+2	670	-2	338	672
Network Service	1,850	+214	4,000	+618	1,636	3,382

- Business Application Software: Net sales are set to rise on demand for the renewal of lease contracts (six years) and the acquisition of new customers.
- System Support: Both the maintenance and provision of consumables will stay nearly flat.
- Network Service: Net sales are forecast to increase both in stock-type services and in transaction (or billing) services.

### 3. Mid-term Business Plan

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**Car owners' needs and lifestyles are diversifying.**

**Competition is intensifying in the automotive aftermarket.**

**With advances in information technologies, large IT firms are entering the automobile-related industry. The telematics market is expanding.**

A large, light gray downward-pointing arrow that connects the three preceding text blocks to the final statement.

**Under rapidly changing circumstances, we will execute our strategies swiftly from the perspective of the end user, car owners.**

# **Evolving into a comprehensive service provider by supporting fulfilled car life**

## **Fulfilled car life for car owners**

Besides safety and reassurance,  
joy, convenience and other aspects in car life



**Continuously offering new B2B2C services**

# Evolving into a Comprehensive Service Provider

## Market

Service Flow



Auto Parts Manufacturers



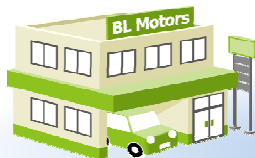
Leisure Businesses  
E-Commerce  
Operators, etc.



Recycling Companies



Auto Parts Dealers



Maintenance  
Shops



Bodywork Shops



New-  
Generation  
BroadLeaf  
Cloud

- Offering marketing  
information

- Sales of business  
applications specific  
to business types  
- Offering network  
services  
- Operation, customer  
attraction and  
management  
support services

- Offering diverse  
information

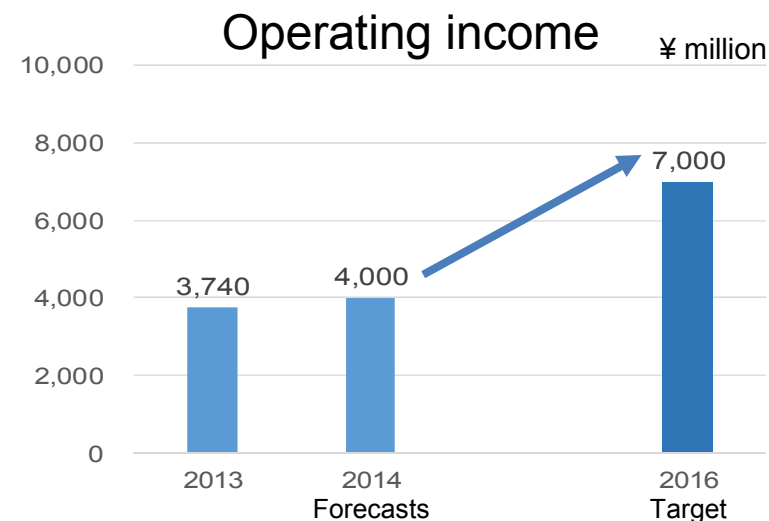
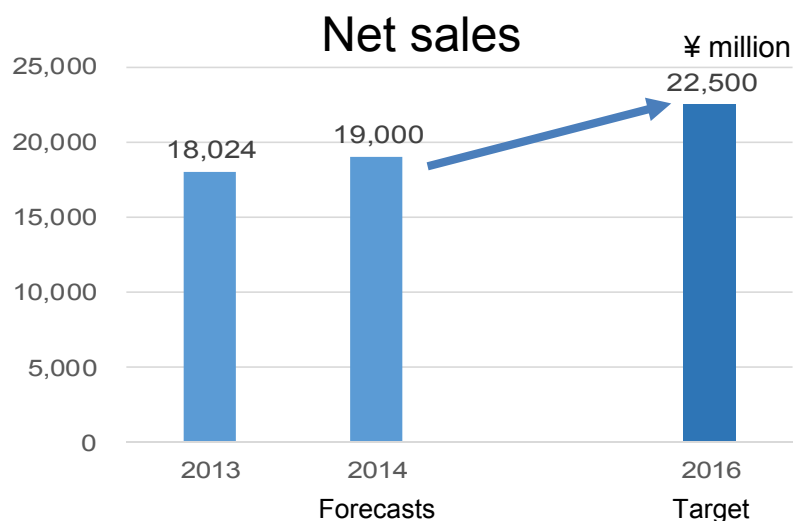


# Mid-term Business Plan (2014-2016): Numerical Targets



(¥ million)

	FY12/2013 Results	FY12/2014 Forecasts	FY12/2016 Target
Net sales	18,024	19,000	22,500
Business Application Software	13,357	13,700	14,500
System Support	1,284	1,300	1,500
Network Service / New Services	3,382	4,000	6,500
Operating income	3,740	4,000	7,000
Operating income margin	20.8%	21.1%	31.1%

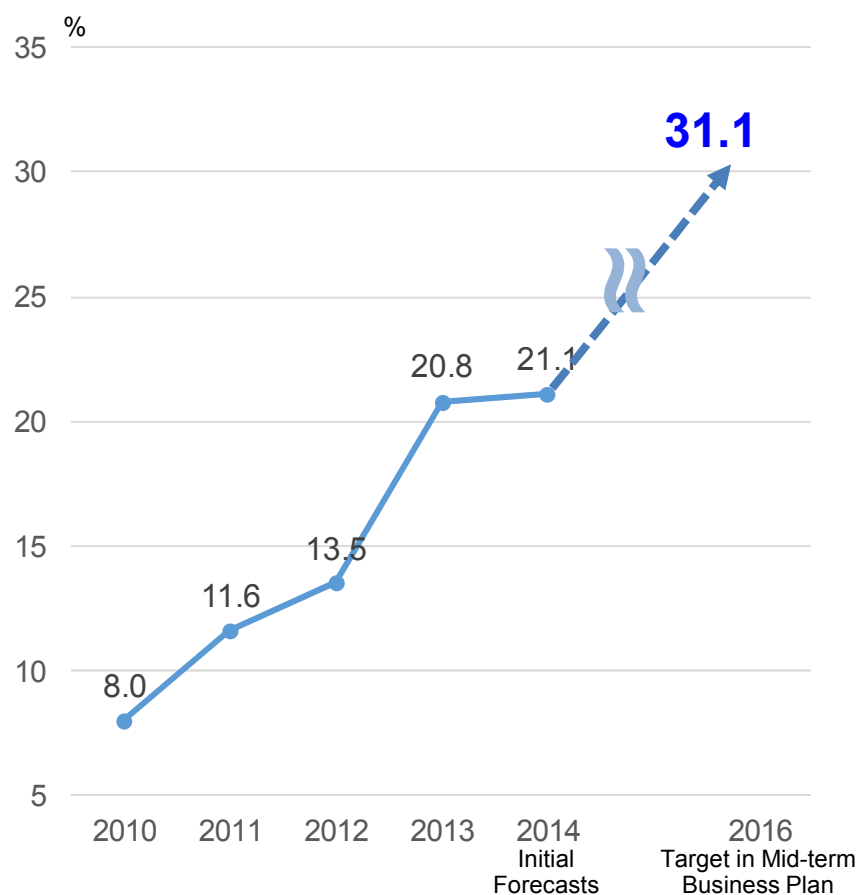


**Up-front costs spent for FY12/2014 will start producing outcomes mainly in Network Service from FY12/2016.**

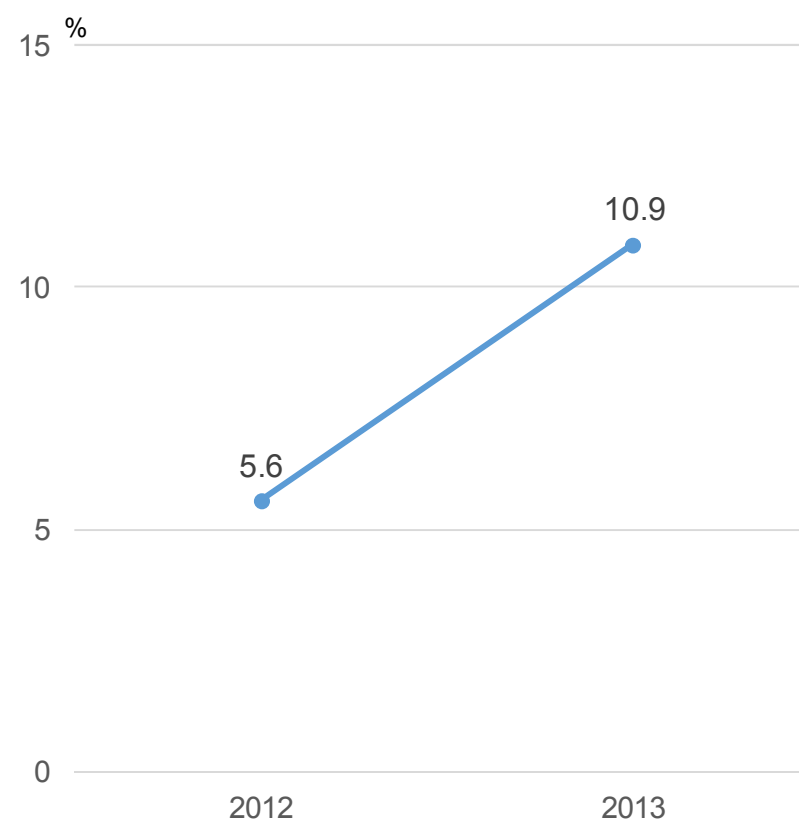


- We will focus on boosting profitability in the medium run to continuously increase the operating income margin.
- We will emphasize capital efficiency to further improve ROE.

## Trend in Operating Income Margin



## Trend in ROE



## Core Strategies

1

**Expand network services to boost profitability**

2

**Create new services for medium to long-term growth**

3

**Step up business expansion in Asia**

4

**Solidify the management foundation**



## Core Initiatives

### **Marketing Measures**

**Promote a new service brand of *Car-uncelcor in Your Town***

### **New Technology Development**

**Develop a new-generation BroadLeaf Cloud**

# 1. Expand network services to boost profitability

## Promote *Car-unselor in Your Town*

*Car-unselor in Your Town* is a service brand we launched in the fall of 2013 for the purpose of helping attract customers to maintenance shops.



Advancing from package development and sales  
to provision of comprehensive services

# 1. Expand network services to boost profitability

## Promote *Car-unselor in Your Town*

### Purposes and Effects

**Increase sales per customer**  
→ **Boosting network sales**

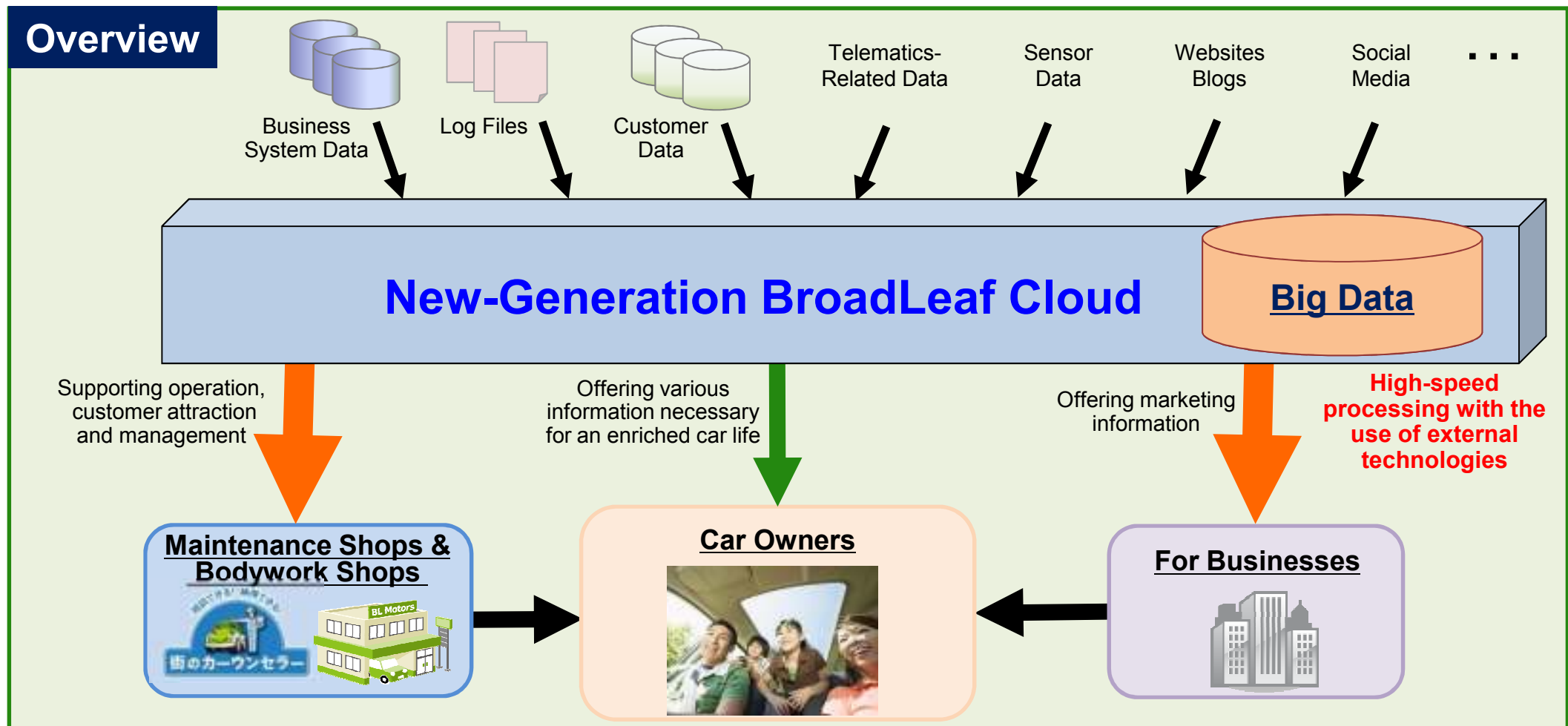
**Acquire new customers**  
→ **Boosting sales of Business Application Software**

**Accumulate big data**  
→ **Creating new services**

## 2. Create new services for medium to long-term growth

### Create a new-generation BroadLeaf Cloud

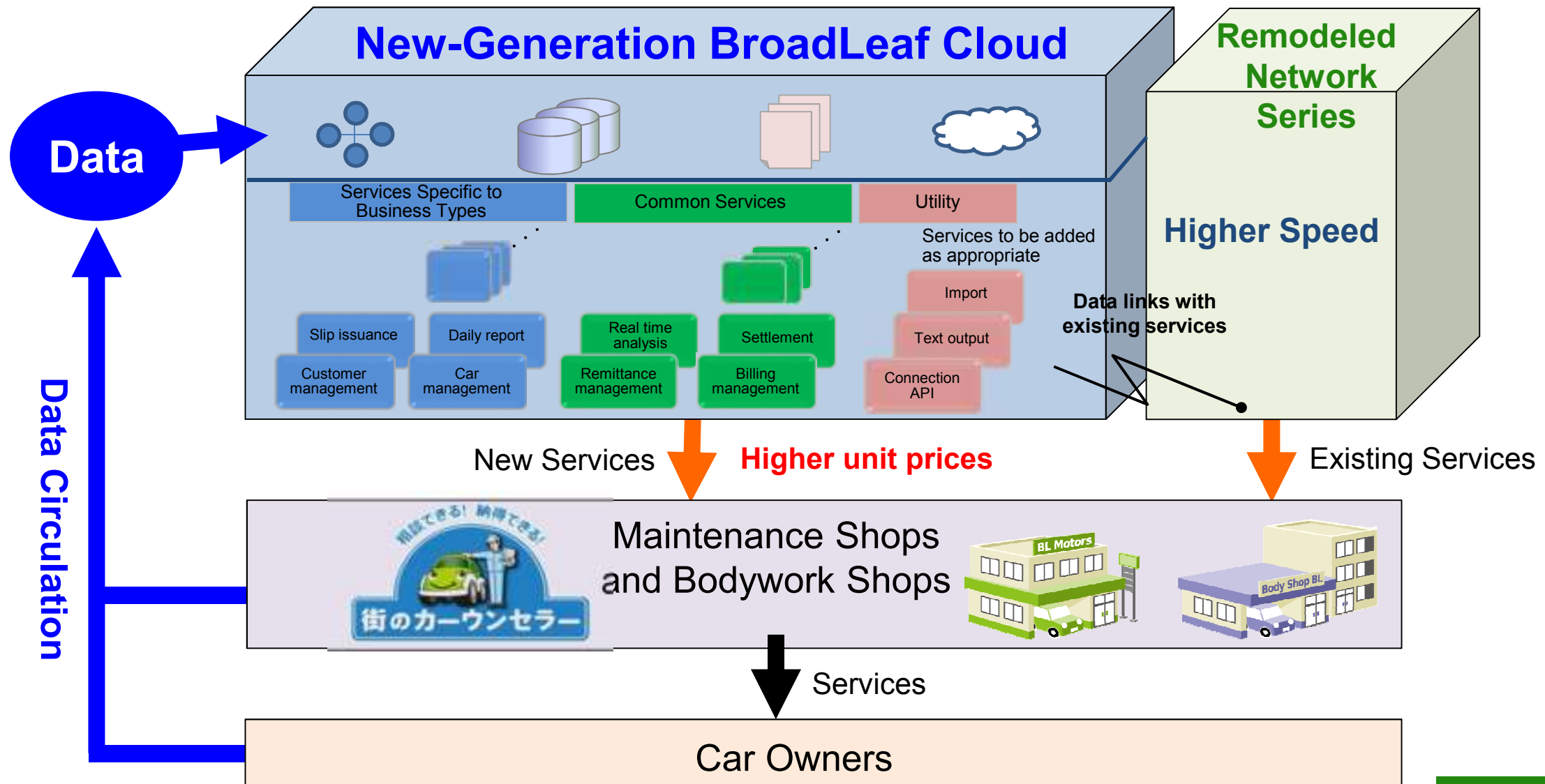
We will construct a system foundation for the cloud data infrastructure with enhanced availability and scalability, and with real-time processing capabilities in order to support the expansion of our business domains.



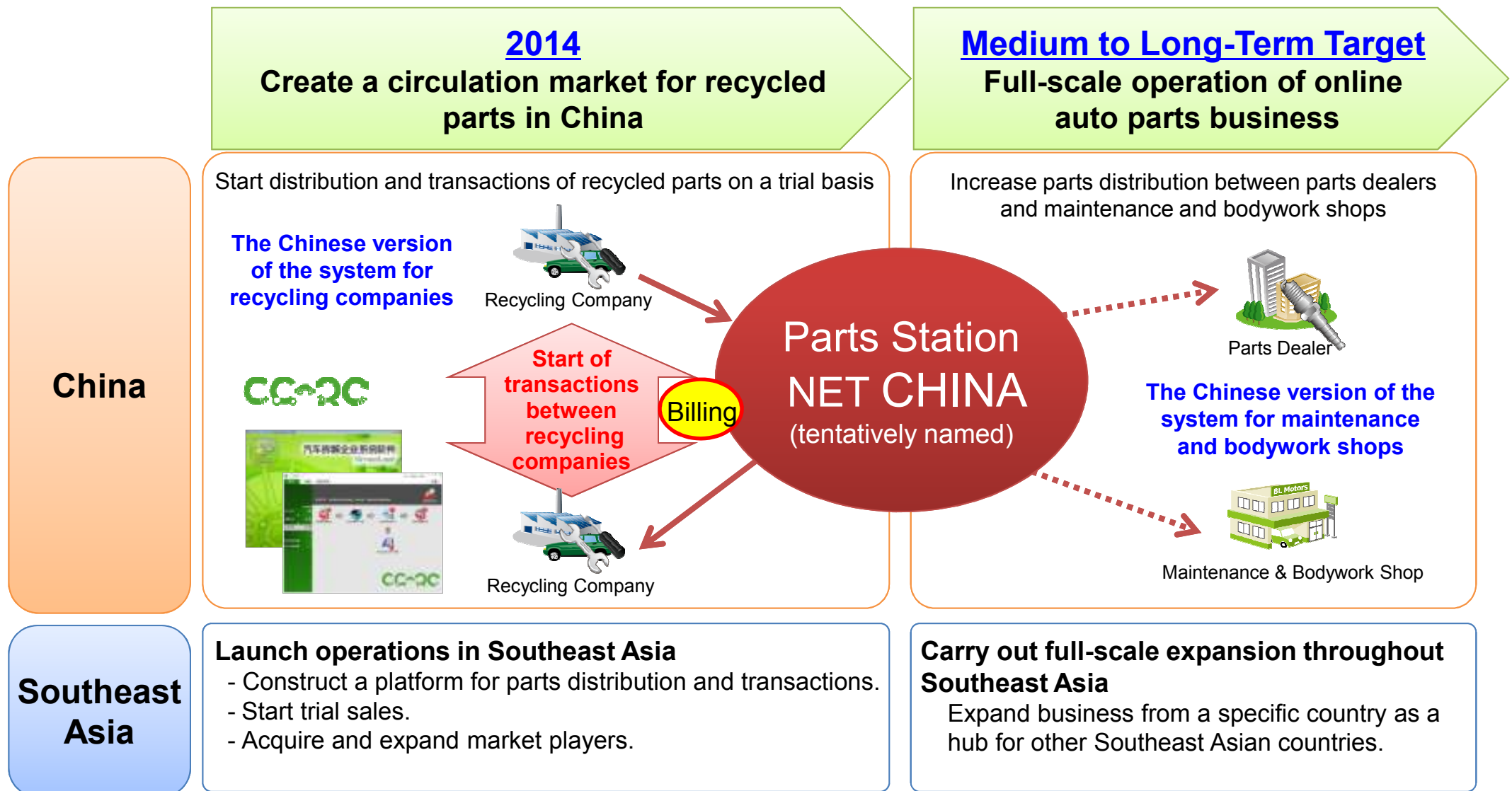
**Creating new services from the perspective of car owners to expand business**

## 2. Create new services for medium to long-term growth

Continuously create new services on the basis of data flows



### 3. Step up business expansion in Asia.



**Expanding business in Chinese and Southeast Asia markets  
by utilizing expertise developed in Japan**

## 4. Solidify the management foundation

We will endeavor to solidify our management foundation in a bid to carry out core business strategies swiftly and surely.

Create an organizational structure for developing new products and services

Recruit and develop human resources playing key roles in growth strategies



## Investment Policy

**We will invest actively with a view towards medium to long-term growth. As a means for investment, we will consider mergers and acquisitions mainly in the following areas.**

- (1) Companies offering services related to business support for clients**
- (2) Companies possessing advanced development technologies and planning expertise**
- (3) Companies conducting overseas automobile-related business centered around Asia**

## Dividend Policy

While securing the retained earnings necessary to expand our future business and strengthen our management structure, we will continue to pay stable dividends. We will maintain our current basic policy announced on April 30, 2013, setting the payout ratio target at around 20% and will begin paying interim dividends from FY12/2014.

### Actual Dividends for FY12/2013

**20 yen per share (up 2.5 yen from the initial forecast)**  
**(Payout Ratio: 26.0%)**

### Dividend Forecast for FY12/2014

**20 yen per share (10 yen as interim dividend and  
10 yen as year-end dividend)**  
**(Payout Ratio: 24.9%)**

# Reference

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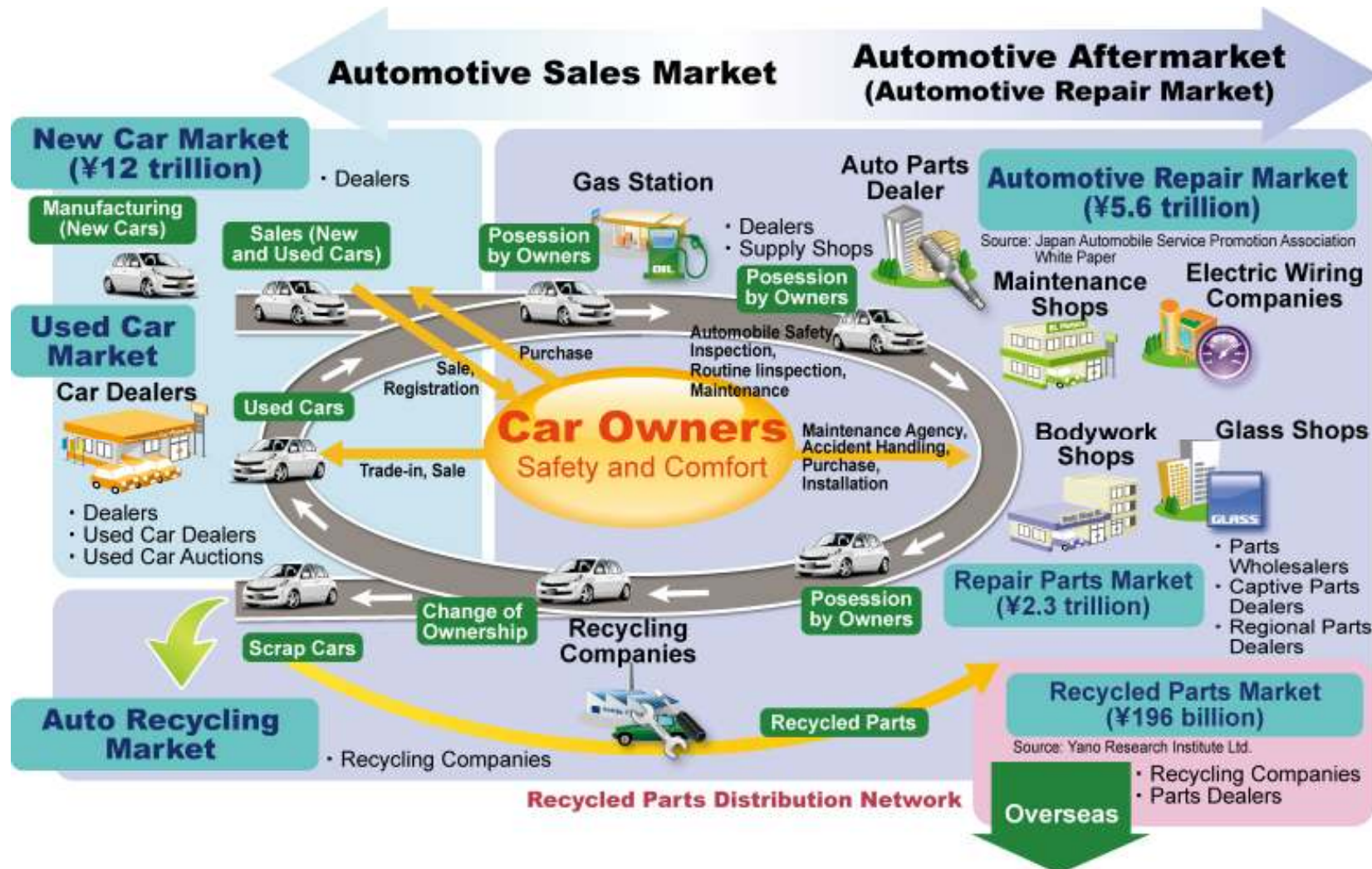
## Corporate Philosophy

**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:	¥7,127 million
Business Outline:	Provision of services on an IT platform that supports the business of players in the automotive aftermarket (e.g. development of business applications and automotive content, platform for collaboration between different business sectors, marketplace for recycled auto parts)
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:	821

(as of December 31, 2013)

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.



# Overseas: Approach to Growth Markets

1

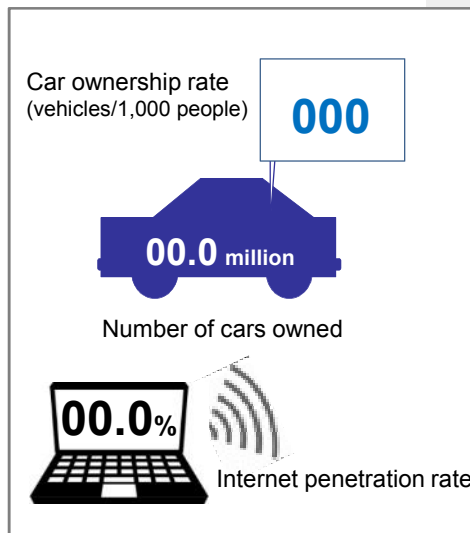
The automotive aftermarket has expanded due to the increase in car ownership. The market size is particularly large in China.

2

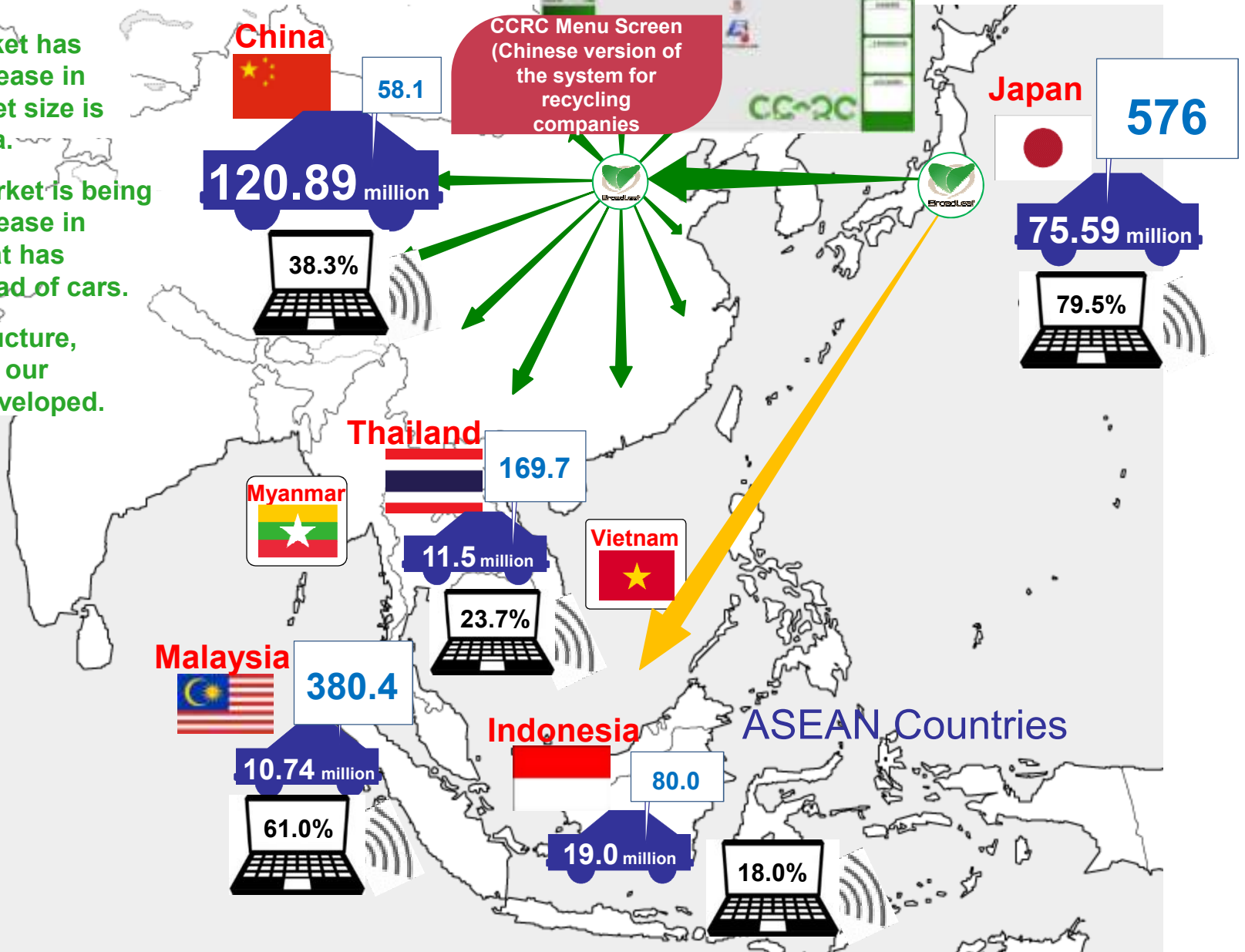
The recycled parts market is being formed due to the increase in demand for repairs that has resulted from the spread of cars.

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)







## **Basic Policy on CSR**

We will contribute to the revitalization of the automotive aftermarket and grow together with customers in accordance with our corporate philosophy focusing on *Gratitude and Satisfaction*. As a company associated with the automobile industry, we will seek to contribute to the sustainable development of society through environmental conservation and other activities.

## **Environmental Conservation Activities**

### **Grow Leaf Project**

#### **Tree Planting Activities (since 2008)**

Under the theme of *contributing to the global environment*, we engage in the Grow Leaf Project activities. Our goal is to plant 30,000 trees on land in need of reforestation.



#### **Sponsorship of Musical:**

#### ***The Fall of Freddie the Leaf: A Story of Life for All Ages* (since 2008)**

We have been co-sponsoring and promoting this musical for children. Through the musical, we are conveying the importance of life and the environment to future generations.



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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