

# 2Q FY12/2014

## Business Results Briefing

Broadleaf Co., Ltd.  
(Securities Code: 3673 / TSE 1<sup>st</sup> Section)



August 8, 2014

1. Financial Highlights for 2Q FY12/2014
2. Progress of Core Initiatives
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# 1. Financial Highlights for 2Q FY12/2014

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# Summary of 2Q Results

## ■ 2Q FY12/2014 (April to June 2014)

- Projected results were met despite the rise in consumption tax and the end of support for Windows XP.
  - The six-year right to use the license for systems sales is posted as an asset for replacement.

## ■ Both net sales and income in the 1H results surpassed initial forecasts, achieving an increase in revenue, as well as a significant boost in income year on year.

(¥ million)

	FY12/2014 Actual			FY12/2014 Initial Forecasts	
	1Q (%, YoY Change)	2Q (%, YoY Change)	1H (%, YoY Change)	1H	Above: YoY Chg(Amount) Below: YoY Chg(Ratio)
Net sales	5,295 (41.4%)	<b>3,788</b> (-19.8%)	<b>9,083</b> (7.3%)	9,000	+83 0.9%
Operating income	1,554 (328.7%)	<b>296</b> (-74.8%)	<b>1,850</b> (20.2%)	1,550	+300 19.4%
Ordinary income	1,537 (392.3%)	<b>289</b> (-74.8%)	<b>1,827</b> (24.9%)	1,530	+297 19.4%
Net income	872 (691.9%)	<b>70</b> (-88.5%)	<b>943</b> (29.6%)	750	+193 25.8%

# Forecasts for FY12/2014

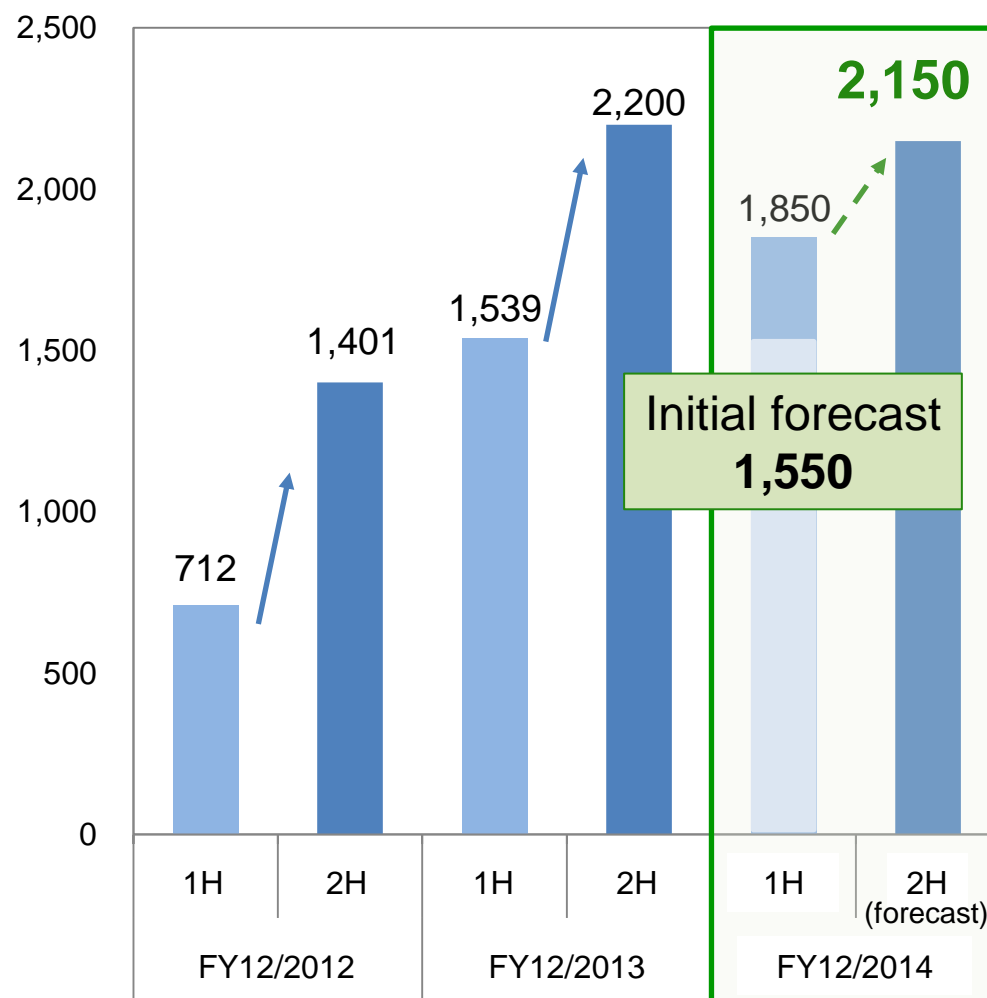
- In the 2H, we plan to make the following investments toward the achievement of the mid-term business plan.
- Costs for promoting “*Car-unselor in Your Town*”
  - Costs for advertisement and contracting out clerical work (training expenses, etc.) were posted in the 1H.
  - We plan to run regional commercials starting from autumn in the 2H.
- Development of the New-Generation BL Cloud
  - An investment was implemented to solidify a business collaboration with Groovenauts, Inc.
  - We plan to consider the cost-effectiveness of developing our New-Generation BL Cloud.

**No change to the forecasts for  
FY12/2014**

**Net sales: ¥19,000 million**  
**Operating income: ¥4,000 million**

## Operating Income

(¥ million)



# Sales Trends by Category

- Business Application Software, System Support: Responding to the demand for package licenses.
- Network Service:
  - (Stock) We forecast that the sales of stock-type services will expand amid an increase in the proportion of network systems licenses.
  - (Transaction) We project that net sales will increase year on year, but fall short of the initial forecast by a narrow margin due to factors related to sales resources.

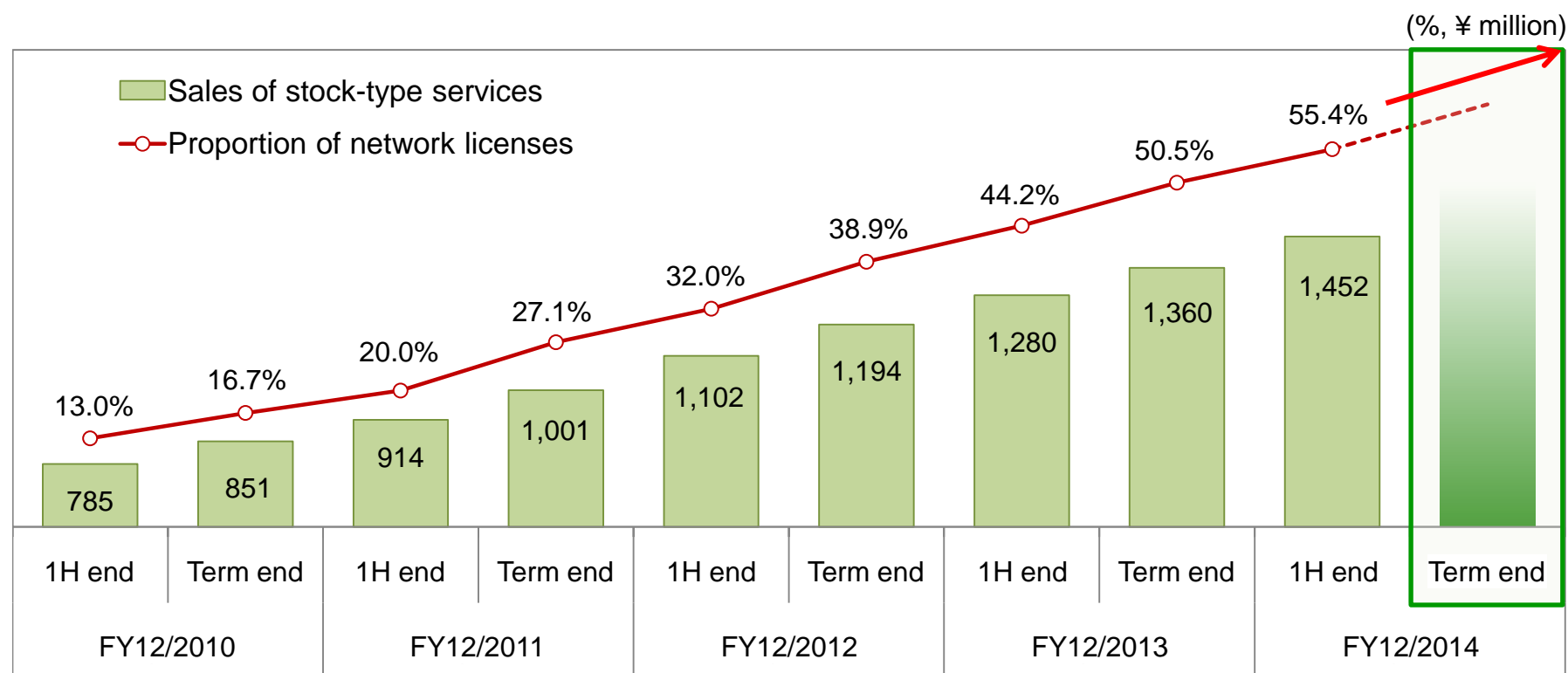
(¥ million)

	FY12/2014	YoY Changes	Compared to Initial Forecasts	FY12/2014	
	1H Actual (Previous term)			1H	Full-term
Net sales	<b>9,083</b> (8,468)	+615 7.3%	+83 0.9%	9,000	19,000
Business Application Software	<b>6,572</b> (6,187)	+385 6.2%	+72 1.1%	6,500	13,700
System Support	<b>667</b> (644)	+22 3.5%	+17 2.6%	650	1,300
Maintenance	<b>311</b> (306)	5 1.7%	+1 0.4%	310	630
Provision of consumables	<b>355</b> (338)	+17 5.1%	+15 4.7%	340	670
Network Service	<b>1,843</b> (1,636)	+207 12.7%	-6 -0.3	1,850	4,000
Stock	<b>1,452</b> (1,280)	+172 13.4%	+2 0.2%	1,450	3,000
Transaction	<b>391</b> (355)	+35 10.0%	-8 -2.2%	400	1,000

# Increased Sales of Network Services (1 of 2)

- With an increased proportion of network systems that provide the base of network services, the sales of stock-type services are rising.
- With more customers participating in our “Industrial Platform,” going forward we expect the sales of transaction-type services to increase.

## Proportion of licenses of network systems in the sales of Business Application Software



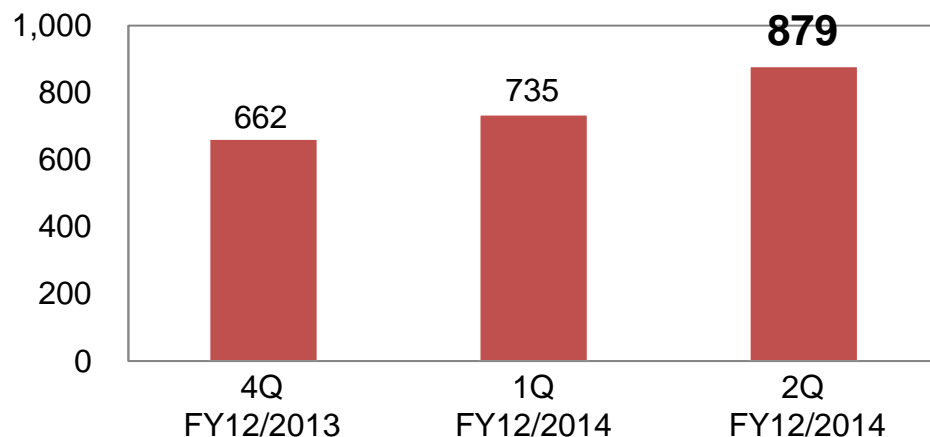
\* Sales of stock-type services (fees for database and server usage)

# Increased Sales of Network Services (2 of 2)

- ❑ The status of the Carpod Tab and the BL Parts Ordering System (“BLP”), new revenue bases of transaction-type services, are as follows:
- ❑ We were not able to promote the sales of Carpod Tab or BLP sufficiently amid a greater-than-expected surge in demand for systems sales in the 1Q (January to March).
- ❑ In the 2Q (April to June), we focused efforts on sales of the Carpod Tab and BLP with the involvement of major regional parts dealers. We project that such efforts will contribute to expansion in sales for transaction-type services in the 3Q and thereafter.
  - The number of Carpod Tab licenses increased steadily.
  - The number of parts dealers that provide BLP and their participation in the transaction-type services of recycled parts increased steadily.

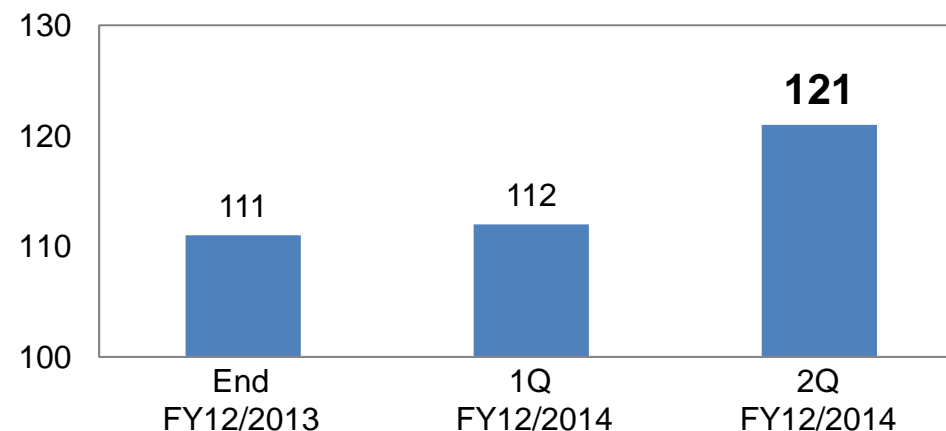
## Trend of Carpod Tab licenses

Number of the licenses



## Number of companies (\*parts dealers) participating in transaction-type services

Number of companies



\* Number of customers, or parts dealers, that provide the BL Parts Ordering System



# Balance Sheet at the End of 2Q FY12/2014

## □ Achieving stronger balance sheet

	(¥ million)		
	2Q End	End	YoY
	FY12/2014	FY12/2013	Changes
			Amount
Current assets	13,789	14,037	-248
Cash and deposits	10,160	9,229	930
Non-current assets	12,704	13,006	-302
Property, plant and equipment	463	481	-17
Intangible assets	11,412	11,791	-378
Goodwill	10,365	10,699	-334
Investments and other assets	827	733	94
<b>Total assets</b>	<b>26,493</b>	<b>27,044</b>	<b>-551</b>
Current liabilities	5,879	6,133	- 254
Loans payable	1,500	1,500	0
Non-current liabilities	340	948	-608
Long-term loans payable	167	750	-582
<b>Total liabilities</b>	<b>6,219</b>	<b>7,082</b>	<b>-863</b>
<b>Total net assets</b>	<b>20,273</b>	<b>19,961</b>	<b>312</b>
<b>Total liabilities and net assets</b>	<b>26,493</b>	<b>27,044</b>	<b>-551</b>

### Goodwill

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

### Investment securities

- Capital investment made in Groovenauts, Inc. in order to build a strong business relationship with the company.

### Loans payable

- Repaid steadily
- Increased with the trust-type employee shareholding incentive plan

## 2. Progress of Core Initiatives

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**Management Policy:**  
**Evolving into a comprehensive service  
provider by supporting fulfilled car life**

**Core Strategies**

**Solidify the  
management  
foundation**

**Expand network  
services to boost  
profitability**

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

**Step up business  
expansion in Asia**



**Core Initiatives**

**Marketing Measures**

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

**New Technology Development**

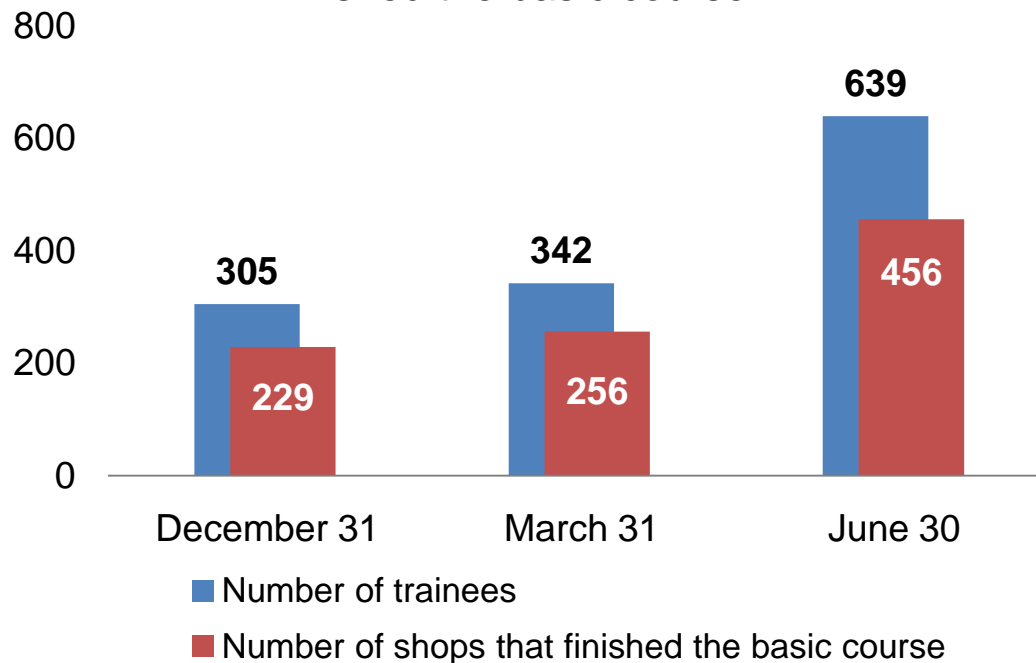
**Develop a New-Generation  
BL Cloud**

# Core Initiative: Promote a new service brand of "Car-uncelor in Your Town"

## Progress in training activities



Trend in the number of trainees and shops that finished the basic course



# 24 shops

(as of the end of July, 2014)



Role-playing workshop



# Core Initiative: Promote a new service brand of “*Car-unselor in Your Town*”

## Strengthen support systems for authorized shops



### □ Initiative to promote the services of “*Car-unselor in Your Town*”

- Promote the “*Car-unselor in Your Town*” in collaboration with major regional parts dealers
  - ✓ Enhance the activities of “*Car-unselor shops*” in specified areas.
- Deploy staff dedicated to supporting the authorized shops of “*Car-unselor in Your Town*” in each area across the country
  - ✓ Support authorized shops in such activities as the administration of operations, maintenance and improvement of service quality and management.

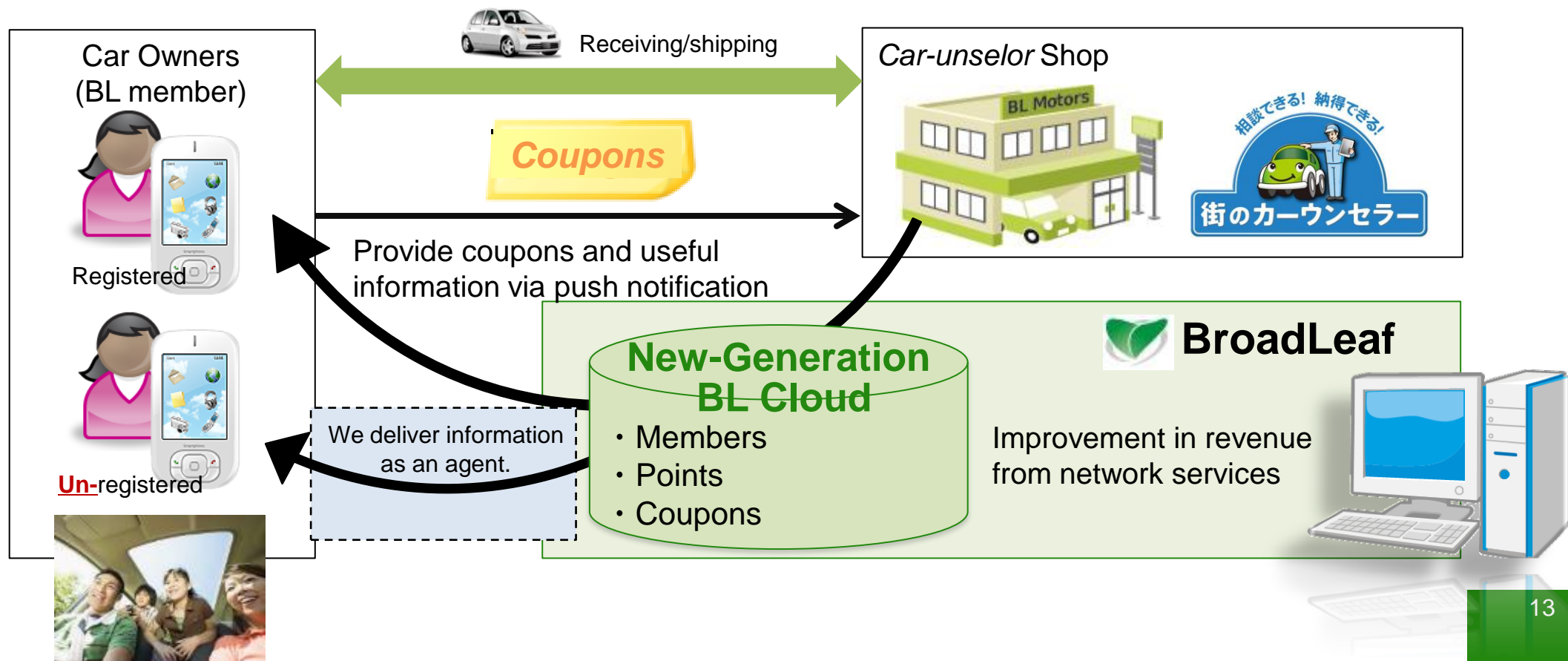


- We will run regional TV Commercials in, or after, October to attract customers.
- We aim to **increase the amount of parts in pipelines** through “*Car-unselor in Your Town*” shops.

**Increased sales of network services**

# Core Initiative: Develop a New-Generation BL Cloud

- ❑ Encourage car owners to become BL members and deliver useful information and coupons to their smartphones based on information (big data) concerning their characteristics, cars they own, and their purchase histories.
- ❑ Help invigorate “*Car-unselor in Your Town*” shops and produce revenues from new network services.





# Step Up Business Expansion in Asia

## Updates on exhibitions held in China

### On display in forums and exhibitions

- **2014 International Forum on Collection, Reuse and Re-fabrication of Motor Vehicles**

Date: May 15, 2014

Organized by:

Society of Automotive Engineers in China, Federation of Industrial Technology Innovation Strategy for Collection and Use of Motor Vehicle Products, Shanghai Jiao Tong University, and others

With the participation of:

Nearly 200 personnel from Chinese domestic automotive manufacturers and rebuilders, domestic recycling plants, automotive research institutes and others



- **Annual Forum and Exhibition of China Natural Resources Recycling Association**

Date: May 19-21, 2014

Organized by:

China Natural Resources Recycling Association

With participation of:

200 domestic recycling plants affiliated with the Association, government officials from the Ministry of Commerce and others, and specialists in the recycling industry



Improvement in name recognition

**A target of introducing it to 50 major  
Chinese recycling operators  
by the end of FY12/2014**

### 3. Reference Materials

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## Corporate Philosophy

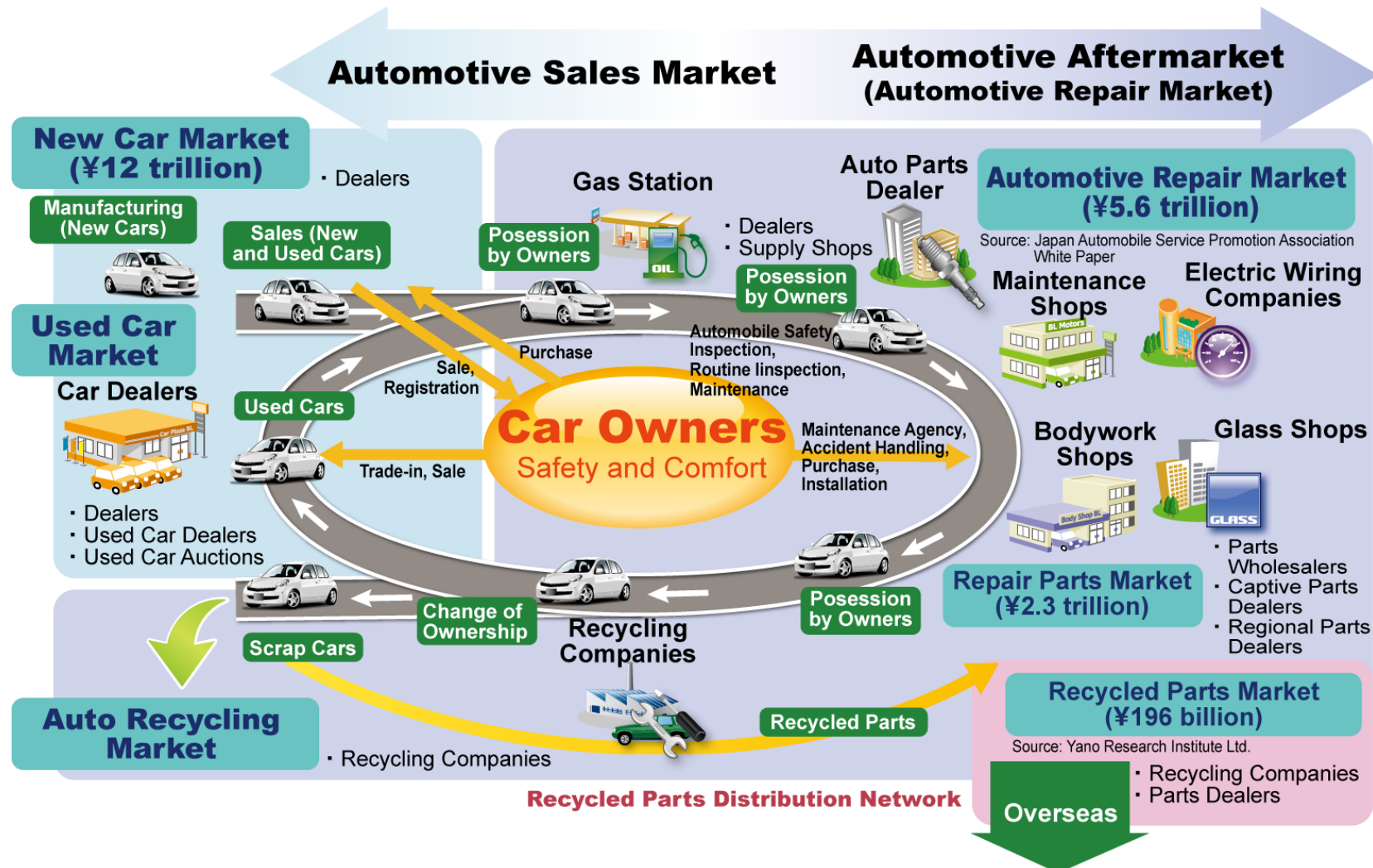
**Gratitude and Satisfaction: These are the underlying principles that drive our creation of new corporate value as we develop enterprise solutions for our partner-clients.**

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:	¥7,141 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:	810

(as of June 30, 2014)

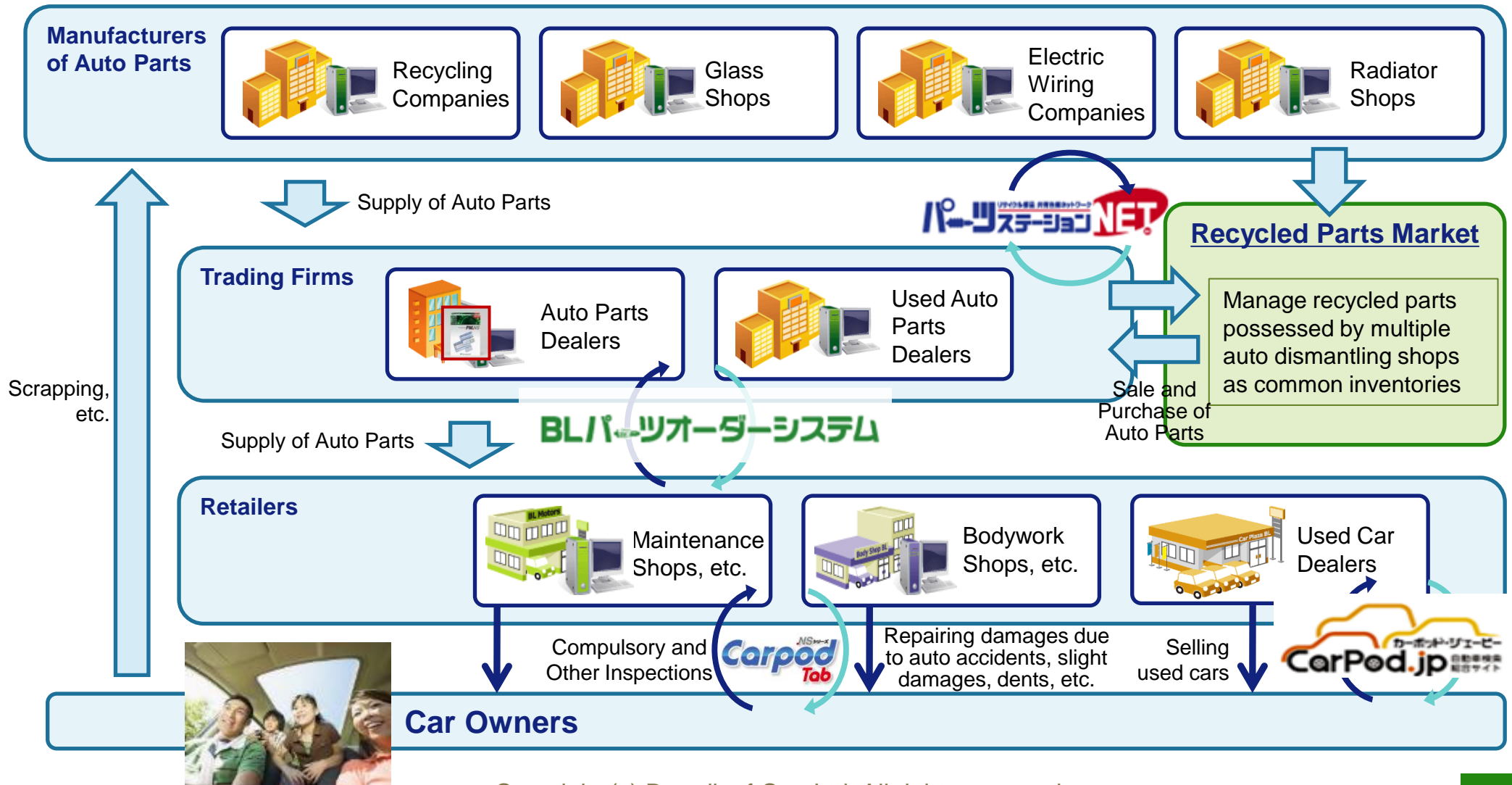
# Automotive Aftermarket of JAPAN

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.



# Distribution Structure of Auto Parts and Relations to BroadLeaf

- Introduce a seamless system of order taking and the placing of auto parts by vertically and horizontally linking fragmented stages of the huge used automotive market, achieving high market shares in all stages from upstream to downstream



# Domain of Our Sales

- We have a single business segment of IT services, but sales are classified according to the type of services that we provide to customers.

Large Classification	Middle Classification	Small Classification	Type of Business
Business Application Software			Provisioning of business application software for specific businesses. We sell the rights to use systems mainly to leasing companies, and they lease such rights to customers, usually for 6 years.
System Support	Maintenance		We provide maintenance services for business application software and hardware.
	Provision of Consumables		We sell consumables such as special ledger sheets used in business application software.
Network Service	Stock	Database Provisioning Service	We provide databases for automobile-related information as well as parts-related information updated daily, and bill monthly fixed charges.
		Server Provisioning Service	We bill monthly fixed charges to network systems customers for the cost of server maintenance.
	Transaction	Payment Agency Service for Recycled Parts	We operate "Parts Station NET," a distribution network for recycled parts that shares information on the inventories of recycled parts, providing payment agency service when selling and purchasing recycled parts and collecting commissions at a fixed rate.
		BL Parts Ordering System Carpod Tab, etc	Service that provides for seamless placing and receiving of orders for auto parts. Through this service we collect payment for monthly fixed charges or charges on measured rates. We also provide tablet-based services to maintenance shops.

# CSR Activities

## 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. We have planted 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.



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For inquiries, please contact  
Planning Department (Investor Relations)  
Broadleaf Co., Ltd.  
E-mail: [broadleaf-ir@broadleaf.co.jp](mailto:broadleaf-ir@broadleaf.co.jp)  
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