

Summary of Financial Statements for the Fiscal Year Ended December 31, 2016 [Japanese GAAP] (Non-consolidated)



February 14, 2017

Broadleaf Co., Ltd.

Stock Listing: Tokyo Stock Exchange 1st Section

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Scheduled Date for Ordinary General Meeting of Shareholders: March 28, 2017

Scheduled Starting Date for Dividend Payment: March 29, 2017

Scheduled Submission Date for Securities Report: March 29, 2017

Earnings Supplementary Explanatory Documents: Yes

Earnings Results Briefing: Yes (For institutional investors and analysts)

(Amounts are rounded down to the nearest million yen.)

1. Financial Results for FY 2016 (from January 1, 2016 to December 31, 2016)

(1) Results of Operations (Percentages below represent increases (decreases) from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2016	16,851	0.2	2,227	-11.4	2,230	-10.5	1,142	-8.7
FY2015	16,824	-11.0	2,514	-39.6	2,493	-39.2	1,251	-42.9

	Earnings Per Share	Diluted Earnings Per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2016	24.05	24.04	6.1	9.0	13.2
FY2015	25.24	25.22	6.2	9.2	14.9

(Reference) Share of (Profit) Loss of Entities Accounted for Using Equity Method

FY2016: – million yen

FY2015: – million yen

(Note) The Company conducted a 2-for-1 common stock split effective December 17, 2016. The earnings per share and the diluted earnings per share are calculated on the assumption that the said stock split was implemented at the beginning of the previous fiscal year.

(2) Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
End of FY2016	24,079	17,913	74.4	397.83
End of FY2015	25,565	19,385	75.7	399.87

(Reference) Shareholders' Equity

End of FY2016: 17,906 million Yen

End of FY2015: 19,356 million Yen

(Note) The Company conducted a 2-for-1 common stock split effective December 17, 2016. The net assets per share are calculated on the assumption that the said stock split was implemented at the beginning of the previous fiscal year.

(3) Cash Flow Status

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY2016	3,201	-656	-3,317	7,611
FY2015	655	-1,088	-1,854	8,384

2. Dividends

	Dividends Per Share					Total Dividends (Annual)	Dividend Payout Ratio	Ratio of Dividends to Net Assets
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2015	–	12.50	–	12.50	25.00	616	49.5	3.1
FY2016	–	17.50	–	12.50	30.00	1,011	88.4	5.3
FY2017 (Forecast)	–	11.00	–	11.00	22.00		79.2	

(Notes) 1. The Company conducted a 2-for-1 common stock split effective December 17, 2016. The dividends for the period to the end of Q2 of FY2016 are actual dividends before the stock split.

2. Breakdown of dividends for the end of Q2 FY2016: Ordinary dividend 12.50 yen Commemorative dividend 5.00 yen

3. Earnings Forecast for FY2017 (from January 1, 2017 to December 31, 2017)

(Percentages below represent increases (decreases) from the previous fiscal year.)

	Net Sales		Operating Income		Profit Before Income Taxes		Profit Attributable to Owners of Parent Company		Basic Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
1 st Half of FY2017	8,100	–	600	–	600	–	390	–	8.81
FY2017	17,000	–	2,000	–	1,960	–	1,230	–	27.79

(Note) The Company voluntarily adopts the International Financial Reporting Standards (IFRS) for its securities reports from the fiscal year ending December 31, 2017, and the earnings forecast above is based on the IFRS. As a result, no percentage changes from the results in FY2016 are stated.

* Notes

(1) Changes in accounting policies, changes in accounting estimates and restatements of corrections

1. Changes in accounting policies in association with the revision of accounting standards: No
2. Other changes in accounting policies: No
3. Changes in accounting estimates: No
4. Restatements of corrections: No

(2) Number of shares outstanding (common stock)

1. Number of shares outstanding
(including treasury stock)

FY2016	48,948,400	FY2015	50,468,400
FY2016	3,939,268	FY2015	2,061,768
FY2016	47,520,749	FY2015	49,603,693

2. Number of shares of treasury stock

3. Average number of shares outstanding
(during the period)

(Note) The Company conducted a 2-for-1 stock split effective December 17, 2016. The number of shares outstanding (common stock) is calculated on the assumption that the said stock split was implemented at the beginning of the previous fiscal year.

* Indication of audit procedure implementation status

This earnings report is not subject to audit procedures based on the Financial Instruments and Exchange Act. Accordingly, at the time of the disclosure of the financial results, the audit procedures based on the Financial Instruments and Exchange Act have not been completed.

* Comment regarding appropriate usage of earnings forecast, and other special notes

(Note on forward-looking statements)

The forward-looking statements such as earnings forecasts contained in this document are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. The Company makes no warranty as to the achievability of what is described in the statements. Actual results may differ from these forecasts due to various factors.

(Availability of earnings supplementary explanatory documents and information on earnings results briefings)

The Company will hold a results briefing for analysts on Wednesday, February 15, 2017.

A video of the briefing and a document to be used in the briefing will be posted on the website as soon as possible after the briefing.

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1. Analysis of Results of Operations and Financial Position

(1) Qualitative information on financial results

(i) Results of operations in the fiscal year ended December 31, 2016

In the fiscal year under review (from January 1, 2016 to December 31, 2016), the outlook for the Japanese economy remained uncertain due to factors such as the turbulence of the situation in the Middle East, concerns regarding a slump in production and exports in China and other emerging economies in Asia, and the effects of Brexit and uncertainty over the policies of the new U.S. administration, although there is evidence of an improvement in corporate earnings and employment thanks to the economic and monetary policies of the government and the Bank of Japan.

In the information service industry, to which the Company belongs, IT investments by companies remained firm, particularly those in manufacturing in addition the financial and public service sectors, but a cautious view on the economy was observed in various industries because of the economic uncertainty. Overall, the business climate remained generally solid because IT investments were expected to increase mainly in strategic areas such as big data, IoT, cloud, and security.

In this business environment, the Company is enhancing its measures to increase the number of customers of its applications, such as the .NS Series and CarpodTab, a tablet-type business support tool, and working for the industry standardization of BL Parts Order System, an electronic order service for auto parts, with the aim of expanding the customer base and changing the revenue structure. The Company is also promoting efforts to provide higher value-added services for customers by successively renovating the industry-specific applications the Company offers to customers, strengthening and enhancing automobile-related database, introducing an EC site for auto repair parts into the market, and developing automobile-related data analytical services. As a result, in the fiscal year under review, net sales rose 0.2% year on year, to 16,851 million yen, operating income declined 11.4% year on year, to 2,227 million yen, and ordinary income fell 10.5% year on year, to 2,230 million yen. Net income stood at 1,142 million yen (down 8.7% year on year).

The Company has a single business segment, which consists of IT services. A breakdown of sales by business domain is shown in the table below.

(Unit: Millions of yen)

Domain	FY2015 (From Jan. 1 to Dec. 31, 2015)	FY2016 (From Jan. 1 to Dec. 31, 2016)	Year-on-year rate of change
Business Application Software	11,316	10,988	-2.9%
System Support	1,266	1,239	-2.1%
Network Service	4,242	4,623	9.0%
Total	16,824	16,851	0.2%

(ii) Outlook for the fiscal year ending December 31, 2017

In the automotive aftermarket industry, to which major customers of the Company belong, the business environment is changing dramatically, with the diversification of car owners' needs and the entry of entities from outside the industry. Consequently, the Company must work with its customers to promptly implement strategies that better reflect the views of car owners.

In this environment, the Company will seek to develop new services utilizing large-scale automobile-related information, and will also step up initiatives to increase the added value of databases and strengthen alliances with other companies for the expansion of the next-generation automotive aftermarket business. The Company also plans to leverage its knowledge of the specialist business applications and databases it provides to business operators in the automotive aftermarket industry to develop new businesses and services. By contributing to more efficient, energetic parts distribution in the automotive aftermarket industry through such initiatives, the Company aims to further increase the earnings of the Network Service domain and gain new customers.

The Company will adopt the IFRS from the fiscal year ending December 31, 2017.

As a result of the above initiatives, in the fiscal year ending December 31, 2017, the Company forecasts consolidated net sales of 17,000 million yen, consolidated operating income of 2,000 million yen, a consolidated profit before income taxes of 1,960 million yen, and a consolidated profit attributable to owners of the parent company of 1,230 million yen.

(2) Qualitative information on financial position

(i) Assets, liabilities, and net assets

Total assets at the end of the fiscal year under review declined 1,486 million yen from the end of the previous fiscal year, to 24,079 million yen (down 5.8% year on year). Current assets fell 624 million yen, to 12,408 million yen (down 4.8%), and non-current assets decreased 861 million yen, to 11,670 million yen (down 6.9%). The decrease in current assets was mainly attributable to a decline in cash and deposits of 772 million yen. The main factor of the decline in non-current assets was a decline of 777 million yen in intangible assets, chiefly due to the amortization of goodwill, which was partially offset by an increase in investment securities of 118 million yen.

Liabilities fell by 14 million yen from the end of the previous fiscal year, to 6,165 million yen (down 0.2% year on year). Current liabilities rose 622 million yen, to 4,960 million yen (up 14.3%). Non-current liabilities were reduced by 636 million yen, to 1,205 million yen (down 34.5%). The main factor of the increase in current liabilities was an increase of 577 million yen in income taxes payable. The reduction in non-current liabilities was mainly attributable to a decrease in long-term loans payable of 661 million yen.

Net assets slipped 1,472 million yen from the end of the previous fiscal year, to 17,913 million yen (down 7.6% year on year). The decrease was chiefly attributable to an increase of 1,945 million yen in treasury stock as a result of the repurchase of shares on the open market under a resolution of the Board of Directors and the acquisition of treasury stock based on trust contracts for a board benefit trust (BBT) and an employee stock ownership plan (J-ESOP) and decreases in retained earnings and treasury stock of 961 million yen, each due to the cancellation of treasury stock.

As a result, the shareholders' equity ratio fell 1.3 percentage points, from 75.7% at the end of the previous fiscal year to 74.4%.

(ii) Cash flows

Cash and cash equivalents ("cash") at the end of the fiscal year under review declined 772 million yen from the end of the previous fiscal year, to 7,611 million yen. Net cash provided by operating activities stood at 3,201 million yen. Net cash used in investing activities came to 656 million yen. Net cash used in financing activities was 3,317 million yen.

The following is a description of the situation and major factors of each category of cash flows in the fiscal year under review.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities stood at 3,201 million yen (up 388.1% year on year), reflecting profit before income taxes of 2,258 million yen, amortization of goodwill of 668 million yen, and depreciation of 660 million, which were partially offset by income taxes paid of 589 million yen.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities came to 656 million yen (down 39.7% year on year), mainly due to the purchase of intangible assets of 473 million yen.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities was 3,317 million yen (up 78.9% year on year), chiefly attributable to the purchase of treasury shares of 1,946 million yen, cash dividends paid of 728 million yen, and repayments of long-term loans payable of 661 million yen.

(For reference) Trends in cash flow-related data

	FY2014	FY2015	FY2016
Shareholders' equity ratio (%)	75.0	75.7	74.4
Market value-based equity ratio (%)	156.3	113.0	118.1
Interest-bearing debt to cash flows (years)	0.2	3.6	0.5
Interest coverage ratio (times)	304.8	69.3	310.0

Equity ratio: Shareholders' equity/Total assets

Market value--based equity ratio: Market capitalization/Total assets

Interest-bearing debt to cash flows: Interest-bearing debt/Cash flows

Interest coverage ratio: Cash flows/Interest payments

(Note 1) Market capitalization is calculated based on the number of issued shares less the number of shares of treasury stock.

(Note 2) Cash flows are net cash provided (used in) operating activities.

(Note 3) Interest-bearing debt denotes all liabilities bearing interest of the liabilities posted on the balance sheet.

(3) Basic policy on profit distribution and dividends for FY2016 and FY2017

The Company positions returning profits to shareholders as an important management issue. Its basic policy is securing internal reserves for future business development and the reinforcement of the management structure and continuing to distribute stable dividends. We aim for a payout ratio of approximately 20%.

To secure opportunities for returning profits to shareholders, we distribute dividends twice a year: interim dividends and year-end dividends. Interim dividends are determined by the Board of Directors, and year-end dividends are determined by the annual shareholders' meeting. The Articles of Incorporation stipulate that by a resolution of the Board of Directors, the Company may pay interim dividends to the shareholders or registered pledgees of shares stated or recorded in the final shareholder registry on June 30 every year.

Although the Company conducted a 2-for-1 stock split effective December 17, 2016, there will be no adjustment of the year-end dividend per share associated with the stock split, and the year-end dividend per share will be 12.5 yen. Combined with the interim dividend of 17.5 yen (an ordinary dividend of 12.5 yen and a commemorative dividend of 5.0 yen), the annual dividend per share will be 30.0 yen.

The Company forecasts that the dividend per share for the next fiscal year will be 22.0 yen (an interim dividend of 11 yen and a year-end dividend of 11 yen).

(4) Business risks

The following is a description of major business risks that may affect the Group's operating results and financial position. The Company is aware of the possibility of the occurrence of risk events and strives to prevent the occurrence as far as possible. If risk events do occur, the Company will take steps to minimize their effects. The risks described below are identified by the Company as of the end of the fiscal year under review.

(i) Changes in the market environment and laws and regulations

The Company's main business is providing industry-specific applications in the automotive aftermarket industry. The Company's results may thus be affected by the competitive environment, trends in investment in systems, and laws and regulations. The Company is working to expand its business domains. However, the entry of new competitors in the automotive aftermarket industry and revisions to automobile-related laws and regulations, including the car inspection system, could adversely affect the Company's operating results and financial position.

(ii) Response to technological innovation

To provide competitive products and services in response to the needs of customers and the market, the Company works to gather information on new technologies and focuses on research and development under its medium-term policies on product development. The Company also endeavors to launch at the right timing new products that are expected to drive its growth. However, failure to develop new products at the right timing, leading to delayed launches of products onto the market, chiefly due to the faster-than-expected emergence of technological innovations, alternative technologies, and competing products and changes in technology standards and technology platforms on which product development depends, could adversely affect the Company's operating results and financial position.

(iii) Network failure

A large part of the Company's product development and operations depend on computer systems and their networks. The Company thus takes steps to ensure their safety and takes out computer liability insurance in case of unexpected problems. However, the failure of the Company's systems etc. to operate properly due to natural disasters, including earthquakes and fires, infection by computer viruses, system trouble caused by cyberterrorism, and failure of network infrastructure, including public lines, among other problems, could have direct adverse effects on the Company's operations, among other significant repercussions, including degradation in the services provided by the Company, and this in turn could adversely affect the Company's operating results and financial position.

(iv) Failures in products

In the development and construction of systems in the Company's operations, failures (malfunctions and bugs) may be found in

systems after they are inspected by customers. The Company has taken steps to perfect its development processes and will endeavor to prevent failures by controlling product quality thoroughly from system development to delivery, while taking measures such as system testing. However, damage to customers resulting from the Company's fault and products' functions recognized as inadequate could lead to liability for damage and damage to the Company's reputation, which in turn could adversely affect the Company's operating results and financial position.

(v) Leakage of confidential information and personal information and information control

The Company handles classified information, know-how, customer information, and personal information in its product development and business operations. Thus the Company endeavors to prevent the leaking of confidential information through unauthorized access to confidential information by way of networks and the taking out of data chiefly by enhancing confidential information control and employment training and making full use of software for preventing information leaks. However, there is still some possibility of information leaks resulting from unauthorized access to the Company's computers from the outside, errors of officers and employees of the Company, and other unforeseen circumstances. Any information leakage could cause operating losses, losses from the suspension of business, and a significant adverse impact on the Company's social credibility, which in turn could have adverse effects on the Company's operating results and financial position, including expenses for dealing with the situation.

(vi) Protection of intellectual property and infringement of intellectual property rights

The Company develops systems and protects intellectual property, applying for trademark registration and patents, for facilitating business operations. However, the scope of intellectual property rights related to systems and software is not generally clear, and the intellectual property rights of the Company may not be protected adequately. An infringement of the Company's intellectual property rights could have adverse effects on the Company's business operations.

The Company has experts investigate any infringements of intellectual property rights of third parties by the Company to prevent the Company from violating any intellectual property rights. The Company has not been sued by any third parties for violating intellectual property rights or has not been notified of any lawsuits. Under the current patent system, however, there are limits to investigations, and it is difficult to maintain strict investigations. If any third parties that are not recognized by the Company have already obtained, or will obtain, intellectual property rights to technologies and know-how, etc. that the Company uses in its business operations, they could file for suspension of the use of technologies etc. or for damages or could demand royalties on the intellectual property rights, which in turn could adversely affect the Company's operating results and financial position.

(vii) Acquisition and cultivation of human resources

The Company believes that it needs to secure highly skilled engineers and sales staff that will provide consulting for customers in order to expand its business domains. The Company thus acquires excellent human resources through recruiting activities and actively provides education to help employees improve their skills.

However, failure to acquire and cultivate appropriate human resources as planned and an outflow of human resources from the Company to the outside against a backdrop of the high mobility of human resources and the high pace of technological innovation in the information and communications industry could adversely affect the Company's operating results and financial position.

(viii) Litigation risk

In the execution of business, the Company works to comply with applicable laws and regulations and to have its employees understand and pursue compliance. However, there is a possibility of lawsuits being filed against the Company in Japan and overseas, and lawsuits could have an adverse impact on the Company's operating results and financial position.

(ix) Overseas operations

The Group is running business in China and the Philippines. Failure to deal with problems and risks in those regions, including unexpected economic fluctuations, the status of development of information infrastructure, lack of protection of intellectual property, uncertain international affairs, and changes in laws and regulations and the tax system, could adversely affect the Company's operating results and financial position

2. Status of the Corporate Group

The Group consists of the Company, three non-consolidated subsidiaries, and an affiliate.

The Company provides industry-specific business applications through networks, maintenance service and supplies, and network services on the Industrial Platform mainly in the automotive aftermarket industry. This business is classified into three fields: Business Application Software, system support, and network service. The Company is a single-segment company having only an IT service business segment, the relevant information is categorized under the three fields above.

Field	Service
Business Application Software	<ul style="list-style-type: none"> - Development and sales of industry-specific business applications - Development and sales of work analysis and optimization software - Purchases and sales of PC bodies and printers, etc.
System support	<ul style="list-style-type: none"> - Providing maintenance service for customers that the Company's system was sold - Purchases and sales of ledger sheets, OA supplies, etc.
Network service	<ul style="list-style-type: none"> - Providing databases to customers that the Company's system was sold - Providing servers for customers that the Company's system was sold - Payment/settlement agency service for recycled auto parts - Providing an electric order placing/receiving function for auto parts - Providing tablet-type business support tools - e-commerce, data analytical services, etc.

(1) Business Application Software

The Company provides business applications that help with business creation for businesses in the automotive aftermarket industry, travel agencies, mobile phone distributors, and machinery tools businesses. The Company's industry-specific business applications have general-purpose functions, including estimating and billing management, in accordance with industry-specific flows of operations. When the Company sells personal computers having business applications to customers, it also sells hardware, including liquid-crystal displays, tablets, printers, and peripheral equipment. The Company also engages in commissioned system development in response to customer needs.

Under many Business Application Software contracts, the Company sells the right to use an application to a leasing company, which leases the applications to customers mostly for six years.

The Company also provides work analysis and optimization software that facilitates improvement activities at maintenance shops and at manufacturing plants. The Company's work analysis software employs IE (Industrial Engineering) and has a function of promoting improvements at production sites. Though the video and time analysis of the movements of people, goods, and machines at production sites, the software visualizes unreasonableness, waste, and irregularity and helps expedite operations, save labor, and reduce costs. In addition to work sites, work analysis is used in a wide range of fields, including the transmission of artistry in traditional arts, the education of nursing care staff, and the sharing of best practices in the service industry.

(2) System support

The Company has established a support system to deal with troubles of networks, hardware, and servers promptly and has dedicated staff members at its customer help desk that operates 365 days a year and 33 bases nationwide. The Company provides a business applications maintenance service and hardware maintenance service for customers to whom the Company's system were sold. The Company also sells supplies, including ledger sheets, used in business applications.

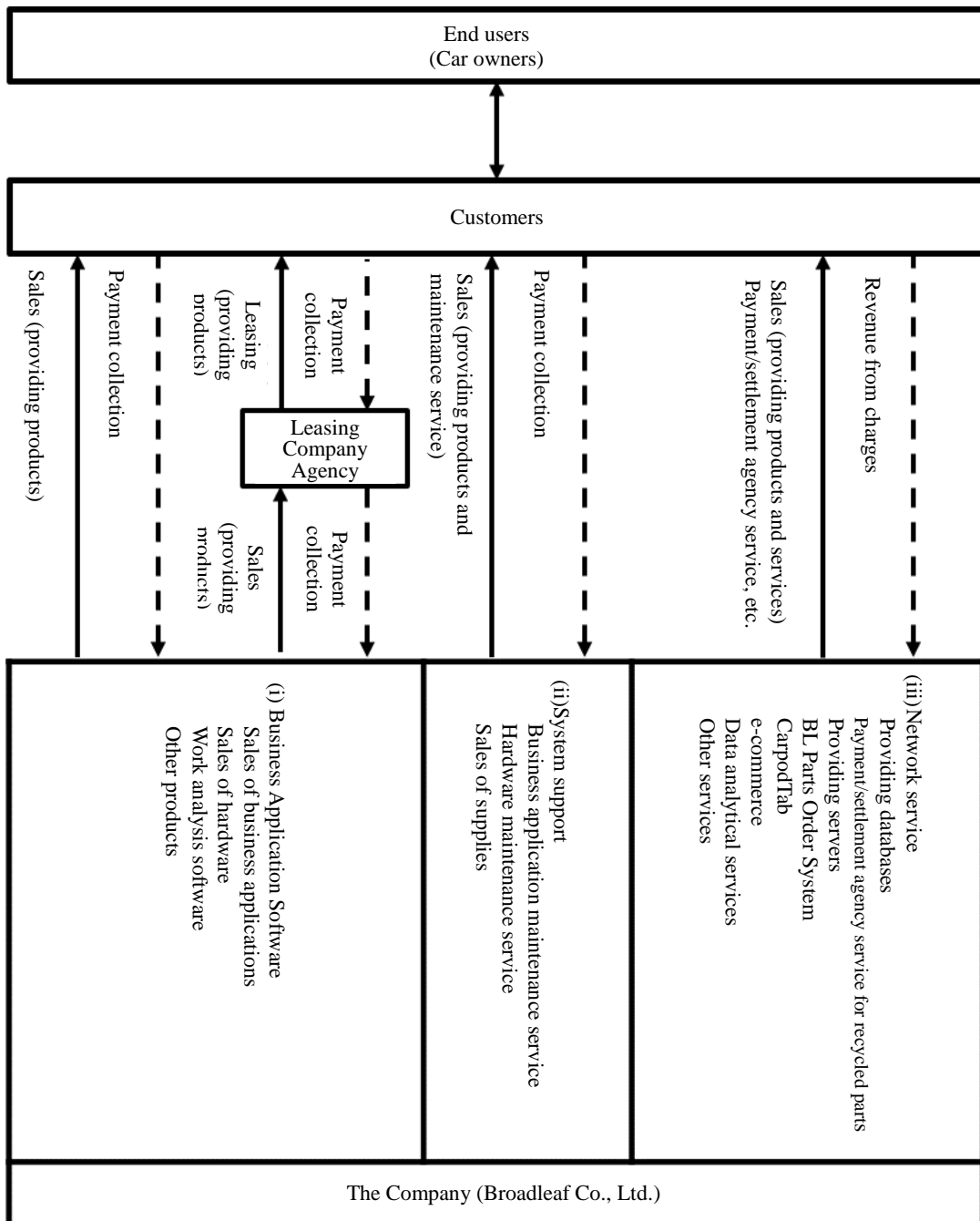
(3) Network service

The main services in the network service field are incidental services to customers that have bought network-type, industry-specific business applications. Those services include services indispensable for the use of business applications, including the provision of databases and servers, payment/settlement agency service in the distribution of recycled parts in the automotive aftermarket industry, and the provision of electric order placing/receiving function for auto parts between businesses.

The table below describes the main services. The considerations are mainly fixed monthly fees and volume charges.

Service	Main customer	Description of service
Providing databases	Maintenance shop, bodywork shop, parts dealer,	The Company regularly obtains and brings together information on vehicles to be launched and information on auto parts updated daily and provides most recent databases under agreements with customers that the Company's systems were sold. The consideration is fixed monthly fees.
Providing servers	recycling business, used car dealer, etc.	The network-type system is a system based on the use of the Company's server, and the Company receives fixed monthly fees as the consideration of server maintenance.
Payment/settlement agency service for recycled parts	recycling business, parts dealer, etc.	The Company operates Parts Station NET, a recycled parts distribution network where information on the inventory of recycled parts is shared over the Internet between sellers, including recycling businesses, and buyers, including parts dealers. The Company processes payments and settlements for transactions of recycled parts on behalf of customers and receives fixed-rate fees.
Providing a function of electric order placing/receiving for auto parts	Maintenance shop, bodywork shop, parts dealer, recycling business, etc.	The Company provides the BL Parts Order System, which connects the systems of buyers of parts, including maintenance shops and bodywork shops, and systems of sellers of parts, including parts dealers and recycling businesses, and enables users to inquire about new parts and recycled parts and place or receive orders directly and seamlessly. The Company receives fixed monthly fees or volume charges.
Providing tablet-type business support tools	Maintenance shop, bodywork shop, parts dealer	The Company provides CarpodTab, which has a business application that helps businesses make proposals to car owners using tablets. The application enables businesses to refer to maintenance history, propose the most appropriate automobile safety inspections, and give easy-to-understand explanations using images and videos. The Company receives fixed monthly fees.
e-commerce	Maintenance shop, car owners, etc.	The Company operates and manages an EC site for auto repair parts, using its parts database and vehicles database. The site enables users to search for auto repair parts from among repair parts that parts dealers nationwide place on the site and buy repair parts on the Internet. The Company receives fees in accordance with transactions of parts.
Database analytical services	Maintenance shop, bodywork shop, parts dealer	The Company provides services using the vast amount of automotive data that the Company has gathered from its strong customer base. The Company gathers, analyzes, processes, and provides data in response to requests from customers and receives fixed monthly fees, volume charges, or lump-sum payments at the time of contract.

[Relations between the Company's business and customers]
 The chart below shows relations between the Company's business and customers



3. Management Policy

(1) Basic policy on corporate management

Broadleaf will contribute to the development of industry and to society, cherishing people's hearts, which is indispensable for creating strong links between people and companies, while helping customers under its corporate philosophy "gratitude and joy." The Company's core vision is "Consider, Connect, Expand, Field for Our Future." The Company aims to achieve growth over the medium to long terms and enhance its corporate value, growing with customers, by engaging in business that will contribute to customers' business creation.

(2) Target indicators

The Company aims to enhance corporate value through the effective use of shareholders' equity. Among its management indicators, the Company emphasizes return on equity (ROE). The Company will work to enhance ROE by pursuing priority strategies.

(3) Medium- to long-term management strategies

The external environment surrounding the automotive aftermarket has seen significant changes in recent years, including the diversification of the needs and lifestyles of car owners, intensifying competition among the Company's customers, and the entry of major IT companies into the auto industry in association with the development of information technology. To respond to those changes quickly and flexibly, the Company believes that strategies from the perspective of car owners, the end users of its services, are required. The Company will consistently provide new services with its customers to car owners and will expand its industrial platform. Aiming to evolve into a company that will create innovative business leveraging advanced technologies, the Company will expand into business domains other than sales of systems for the domestic automotive aftermarket. The Company will continue to work to enhance corporate value in the medium to long term through the following priority strategies:

(a) Business Application Software

- Promoting sales of applications by business type
- Promoting work analysis software

(b) Network services

- Developing auto parts distribution business and e-commerce business
- Creating database analysis services
- Expanding into overseas markets in earnest, primarily in Asia

The details of the priority strategies above are described in (4) Challenges to be addressed below.

(4) Challenges to be addressed

The Company identifies the five priority strategies below as challenges to be addressed:

(i) Business Application Software

(a) Promoting sales of applications by business type

The Company provides industry-specific applications to improve customers' operations and has a large market share. It will increase the availability and scalability of applications and will develop cloud data infrastructure systems that enable real-time processing. The Company will also develop applications leveraging mass data accumulated through different initiatives.

(b) Promoting work analysis software

The Company provides work analysis and optimization software that helps with improvement activities at maintenance shops and manufacturing plants and will provide software not only for shop floors but also for business succession, traditional art crafts, and the service business in earnest. In Japan, the Company needs to respond to the retirement of skilled people in the baby boomer generation, increasing numbers of foreign workers, temporary employees becoming permanent employees, and the cultivation of multi-skilled workers. The Company will contribute to total optimization at different sites.

(ii) Network services

(a) Developing auto parts distribution business and e-commerce business

To expand its existing network services, the Company will launch new services to promote the parts distribution business. Specifically, the Company will provide services combining an auto repair parts order placing/receiving platform and logistics platform services for the auto aftermarket businesses, leveraging its customer base and database in the auto aftermarket, where it has strength. The Company will mitigate inefficiency in the transactions and distribution of auto parts, a challenge in the industry, and will contribute to revitalizing the industry and improving efficiency in distribution.

(b) Creating database analysis services

The Company will launch operations for new services, including the research and development of services using big data related to the automotive sector for car owners. The Company will pursue joint research and alliances with other companies to increase the added value of databases and creating a next-generation automotive aftermarket business. In this way, the Company aims to create, for example, a telematics service that will gather vehicle information, including travel distance, from in-vehicle information terminals and will distribute the information and other charged information services through the promotion of the database business in cooperation with entities in the travel and other industries as well as universities and other academic institutions.

(c) Expanding into overseas markets in earnest, primarily in Asia

The automotive aftermarket is expected to develop and expand in Asia, reflecting increasing numbers of automobiles sold and owned. In this environment, the Company is developing operations, harnessing the expertise that it has developed in Japan and strengthening ties with partners in China and the Philippines. The Company will conduct a study in individual countries in Southeast Asia and will seek to build parts distribution platforms.

(5) Other significant management items
No other significant management items

4. Basic Policy in the Selection of Accounting Standards

The Company is voluntarily applying the International Financial Reporting Standards (IFRS), replacing the Japanese GAAP, from the consolidated financial statements in the securities report for the fiscal year ended December 31, 2016 to increase convenience for the stakeholders, including shareholders and investors in Japan and overseas, by improving the international comparability of financial information and expanding the scope of disclosure.

5. Financial Statements

(1) Balance sheet

(Unit: Thousands of Yen)

	FY2015 (As of Dec. 31, 2015)	FY2016 (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	8,384,656	7,611,959
Notes receivable – trade	68,981	51,389
Accounts receivable – trade	2,660,888	2,929,683
Merchandise	215,153	94,222
Work in process	4,509	5,367
Supplies	12,821	10,274
Prepaid expenses	166,386	218,208
Deferred tax assets	201,544	206,165
Accounts receivable – other	1,289,046	1,221,099
Other	34,054	64,797
Allowance for doubtful accounts	-4,758	-4,791
Total current assets	13,033,282	12,408,377
Non-current assets		
Property, plant and equipment		
Buildings	409,082	357,758
Accumulated depreciation	-237,048	-247,411
Buildings, net	172,034	110,347
Structures	3,932	4,168
Accumulated depreciation	-3,202	-3,307
Structures, net	730	860
Vehicles	22,063	22,063
Accumulated depreciation	-2,763	-6,448
Vehicles, net	19,300	15,615
Tools, furniture and fixtures	663,747	674,919
Accumulated depreciation	-574,241	-596,346
Tools, furniture and fixtures, net	89,506	78,572
Leased assets	168,272	204,632
Accumulated depreciation	-84,877	-118,740
Leased assets, net	83,395	85,892
Land	92,978	90,918
Total property, plant and equipment	457,944	382,206
Intangible assets		
Goodwill	9,362,268	8,693,535
Software	1,246,711	1,137,651
Total intangible assets	10,608,979	9,831,187
Investments and other assets		
Investment securities	644,322	762,386
Shares of subsidiaries and associates	203,859	203,859
Investments in capital of subsidiaries and associates	163,625	63,625
Long-term loans receivable from subsidiaries and associates	60,000	60,000
Long-term loans receivable from employees	–	4,544
Long-term accounts receivable – other	–	61,689
Claims provable in bankruptcy, claims provable in rehabilitation and other	13,712	7,160
Long-term prepaid expenses	23,090	19,118
Lease and guarantee deposits	365,272	351,853
Other	5,560	5,560
Allowance for doubtful accounts	-13,712	-82,296
Total investments and other assets	1,465,730	1,457,502
Total non-current assets	12,532,655	11,670,895
Total assets	25,565,938	24,079,272

(Unit: Thousands of Yen)

	FY2015 (As of Dec. 31, 2015)	FY2016 (As of Dec. 31, 2016)
Liabilities		
Current liabilities		
Accounts payable – trade	480,270	609,484
Current portion of long-term loans payable	624,000	624,000
Lease obligations	32,641	31,086
Accounts payable – other	2,396,358	2,434,938
Accrued expenses	169,794	152,141
Income taxes payable	118,444	696,221
Accrued consumption taxes	67,388	113,650
Advances received	30,244	59,457
Deposits received	74,681	85,347
Provision for bonuses	278,406	129,878
Provision for compensation for damage	34,612	23,860
Other	31,201	–
Total current liabilities	4,338,044	4,960,066
Non-current liabilities		
Long-term loans payable	1,675,160	1,013,200
Lease obligations	51,126	59,165
Asset retirement obligations	112,041	110,300
Deferred tax liabilities	3,603	23,025
Total non-current liabilities	1,841,931	1,205,691
Total liabilities	6,179,976	6,165,758
Net assets		
Shareholders' equity		
Capital stock	7,147,905	7,147,905
Capital surplus		
Legal capital surplus	7,147,905	7,147,905
Total capital surplus	7,147,905	7,147,905
Retained earnings		
Other retained earnings		
Retained earnings brought forward	6,362,772	5,816,210
Total retained earnings	6,362,772	5,816,210
Treasury shares	-1,322,701	-2,249,888
Total shareholders' equity	19,335,880	17,862,132
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	20,489	43,999
Total valuation and translation adjustments	20,489	43,999
Subscription rights to shares	29,592	7,383
Total net assets	19,385,961	17,913,514
Total liabilities and assets	25,565,938	24,079,272

(2) Statement of income

(Unit: Thousands of Yen)

	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)	FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)
Net sales		
Net sales of products	10,818,821	10,551,645
Net sales of goods	668,671	669,778
Service revenue	5,336,788	5,630,103
Total net sales	16,824,282	16,851,527
Cost of sales		
Cost of products sold	3,473,158	3,950,519
Cost of goods sold	331,783	335,473
Cost of sales from services	1,049,656	906,891
Total cost of sales	4,854,597	5,192,884
Gross profit	11,969,684	11,658,643
Selling, general and administrative expenses	*1,*2 9,455,476	*1,*2 9,430,865
Operating income	2,514,208	2,227,778
Non-operating income		
Interest income	1,812	1,589
Dividend income	3,787	5,319
Compensation income	13,417	4,978
Cash rewards received	3,136	5,538
Gain on sales of goods	654	8,270
Other	11,210	6,620
Total non-operating income	34,018	32,316
Non-operating expenses		
Interest expenses	10,120	10,321
Commitment fee	2,500	2,500
Provision for loss compensation	21,221	9,332
Commission fee	17,000	2,000
Commission for purchase of treasury shares	3,659	1,456
Other	475	4,018
Total non-operating expenses	54,975	29,629
Ordinary income	2,493,250	2,230,465
Extraordinary income		
Gain on sales of non-current assets	*3 6,430	–
Damages received	–	250,925
Gain on reversal of litigation liabilities	–	54,146
Gain on reversal of subscription rights to shares	–	22,209
Total extraordinary income	6,430	327,281
Extraordinary losses		
Loss on retirement of non-current assets	*4 228	*4 2,059
Loss on valuation of investment securities	119,194	7,781
Loss on valuation of investments in capital of subsidiaries and associates	–	159,899
Provision of allowance for doubtful accounts for subsidiaries and associates	–	13,446
Impairment loss	–	54,549
Loss due to irregularities	–	61,689
Total extraordinary losses	119,422	299,426
Profit before income taxes	2,380,258	2,258,319
Income taxes – current	958,481	1,109,842
Income taxes – deferred	170,021	5,490
Total income taxes	1,128,502	1,115,332
Profit	1,251,755	1,142,986

(3) Statement of changes in equity
 FY2015 (from Jan. 1, 2015 to Dec. 31, 2015)

(Unit: Thousands of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at beginning of current period	7,147,905	7,147,905	–	7,147,905	7,120,710	7,120,710	-141,734	21,274,786
Changes of items during period								
Dividends of surplus					-575,111	-575,111		-575,111
Profit (loss)					1,251,755	1,251,755		1,251,755
Purchase of treasury shares							-2,655,299	-2,655,299
Disposal of treasury shares			-3,694	-3,694			43,444	39,749
Retirement of treasury shares			-1,430,887	-1,430,887			1,430,887	–
Transfer of loss on disposal of treasury shares			1,434,582	1,434,582	-1,434,582	-1,434,582		–
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	-757,938	-757,938	-1,180,967	-1,938,905
Balance at end of current period	7,147,905	7,147,905	–	7,147,905	6,362,772	6,362,772	-1,322,701	19,335,880

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	-10,075	-10,075	29,612	21,294,322
Changes of items during period				
Dividends of surplus				-575,111
Profit (loss)				1,251,755
Purchase of treasury shares				-2,655,299
Disposal of treasury shares				39,749
Retirement of treasury shares				–
Transfer of loss on disposal of treasury shares				–
Net changes of items other than shareholders' equity	30,565	30,565	-20	30,545
Total changes of items during period	30,565	30,565	-20	-1,908,360
Balance at end of current period	20,489	20,489	29,592	19,385,961

FY2016 (from Jan. 1, 2016 to Dec. 31, 2016)

(Unit: Thousands of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	7,147,905	7,147,905	–	7,147,905	6,362,772	6,362,772	-1,322,701	19,335,880
Changes of items during period								
Dividends of surplus					-728,148	-728,148		-728,148
Profit (loss)					1,142,986	1,142,986		1,142,986
Purchase of treasury shares							-1,945,428	-1,945,428
Disposal of treasury shares							56,841	56,841
Retirement of treasury shares			-961,400	-961,400			961,400	–
Transfer of loss on disposal of treasury shares			961,400	961,400	-961,400	-961,400		–
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	-546,561	-546,561	-927,186	-1,473,748
Balance at end of current period	7,147,905	7,147,905	–	7,147,905	5,816,210	5,816,210	-2,249,888	17,862,132

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	20,489	20,489	29,592	19,385,961
Changes of items during period				
Dividends of surplus				-728,148
Profit (loss)				1,142,986
Purchase of treasury shares				-1,945,428
Disposal of treasury shares				56,841
Retirement of treasury shares				–
Transfer of loss on disposal of treasury shares				–
Net changes of items other than shareholders' equity	23,510	23,510	-22,209	1,300
Total changes of items during period	23,510	23,510	-22,209	-1,472,447
Balance at end of current period	43,999	43,999	7,383	17,913,514

(4) Statement of cash flow

(Unit: Thousands of Yen)

	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)	FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)
Cash flows from operating activities		
Profit (loss) before income taxes	2,380,258	2,258,319
Depreciation	639,255	660,714
Impairment loss	-	54,549
Amortization of goodwill	668,733	668,733
Increase (decrease) in allowance for doubtful accounts	262	68,616
Increase (decrease) in provision for bonuses	-205,340	-148,528
Increase (decrease) in provision for loss on damages	-2,862	-10,751
Interest and dividend income	-5,600	-6,909
Interest expenses	10,120	10,321
Commitment fee	2,500	2,500
Commission fee	17,000	2,000
Commission for purchase of treasury shares	3,659	1,456
Compensation for damage received	-	-250,925
Loss (gain) on sales of property, plant and equipment	-6,430	-
Loss (gain) on valuation of investment securities	119,194	7,781
Loss on valuation of investments in capital of subsidiaries and associates	-	159,899
Decrease (increase) in notes and accounts receivable – trade	146,557	-251,203
Decrease (increase) in inventories	-37,778	122,618
Decrease (increase) in accounts receivable – other	-36,088	68,560
Increase (decrease) in notes and accounts payable – trade	7,695	129,213
Increase (decrease) in accounts payable – other	-138,158	49,316
Increase (decrease) in accrued expenses	-182,466	-17,637
Other	-294,528	-34,075
Subtotal	3,085,982	3,544,570
Interest and dividend income received	5,600	6,295
Interest expenses paid	-9,461	-10,330
Compensation for damage received	-	250,925
Income taxes paid	-2,426,128	-589,646
Cash flows from operating activities	655,993	3,201,815
Cash flows from investing activities		
Purchase of property, plant and equipment	-80,299	-32,298
Proceeds from sales of property, plant and equipment	6,430	-
Purchase of intangible assets	-766,087	-473,329
Purchase of investment securities	-	-99,855
Purchase of shares of subsidiaries and associates	-203,859	-
Payments for investments in capital of subsidiaries and associates	-23,625	-59,900
Payments of loans receivable from subsidiaries and associates	-60,000	-
Payments for lease and guarantee deposits	-3,895	-5,028
Proceeds from collection of lease and guarantee deposits	40,674	18,250
Other, net	1,692	-4,829
Cash flows from investing activities	-1,088,971	-656,991

(Unit: Thousands of Yen)

	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)	FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)
Cash flows from financing activities		
Proceeds from long-term loans payable	2,500,000	–
Repayments of long-term loans payable	-1,098,730	-661,960
Proceeds from sales of treasury shares	39,729	56,841
Purchase of treasury shares	-2,674,958	-1,946,885
Cash dividends paid	-575,111	-728,148
Commitment fee paid	-2,500	-2,506
Payment of commission fee	-17,000	-2,000
Repayments of lease obligations	-25,489	-32,861
Cash flows from financing activities	-1,854,060	-3,317,520
Net increase (decrease) in cash and cash equivalents	-2,287,038	-772,696
Cash and cash equivalents at beginning of period	10,671,694	8,384,656
Cash and cash equivalents at end of period	*8,384,656	*7,611,959

(5) Notes to financial statements
(Notes on going concern assumption)
No notes on going concern assumption.

(Significant accounting policy)

1. Standards and methods for the valuation of securities

(1) Shares in subsidiaries and affiliates

The cost method determined by the moving average method is applied.

(2) Other securities

(Securities having fair values)

The fair value method based on the market value on the closing date is applied. (The valuation difference is recorded as a component of net assets. The cost of products sold is calculated by the moving average method.)

(Securities not having fair values)

The cost method determined by the moving average method is applied.

2. Standards and methods for the valuation of inventories

(1) Merchandise

The cost method determined by the moving average method (the carrying value—balance sheet value—is reduced based on a decline in profitability) is applied.

(2) Work in process

The cost method based on the specific cost method (the carrying value—balance sheet value—is reduced based on a decline in profitability) is applied.

(3) Supplies

The cost method determined by the moving average method (the carrying value—balance sheet value—is reduced based on a decline in profitability) is applied.

3. Depreciation method for non-current assets

(1) Property, plant and equipment (except leased assets)

The straight-line method is applied.

Major useful lives are as follows:

Buildings 11 to 43 years

Tools, furniture and fixtures 4 to 6 years

(2) Intangible assets (except leased assets)

The straight-line method is applied.

For software for internal use, the straight-line method based on its estimated useful life (five years) at the Company is applied. For software to be sold on the market, the amortization based on its estimated sales revenue or the equally distributed amount based on the remaining valid period (within three years), whichever is larger, is posted.

(3) Leased assets

Leased assets relating to finance lease transactions without the transfer of ownership

The straight-line method is applied. The useful life is the leasing period, and the residual value is zero.

(4) Goodwill

Goodwill is amortized by the straight-line method for 20 years.

4. Basis for calculating allowances

(1) Allowance for doubtful accounts

In preparation for potential loan losses, the Company posts estimated uncollectible amounts, which are estimated from loan loss ratios for general reserves and from collectability for each of specific receivables including those with low collectability.

(2) Provision for bonuses

In preparation for the payment of bonuses, the Company posts an amount payable in the fiscal year under review of an estimated amount payable in the future.

(3) Provision for compensation for damage

In preparation for losses caused by the payment of compensation for damages, the Company posts estimated losses due to the implementation of compensation.

5. Basis for posting revenues and expenses

Basis for posting revenues and expenses related to the development of software produced on order

(1) Contracts whose outcome at the end of the fiscal year under review is deemed certain

Percentage-of-completion method (construction-cost-percentage method for estimating the progress of construction)

(2) Other construction contracts

Completed-contract method

6. Scope of cash and cash equivalents in the statement of cash flow

Cash and cash equivalents consist of cash in hand, bank deposits that can be withdrawn at any time, and short-term investments with an original maturity of three months or less that can be readily converted into cash and that are subject to only an insignificant risk of change in value.

7. Other important matters that constitute the basis for preparation of financial statements

Accounting treatment of consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(Change in presentation)

(Statement of income)

Cash rewards received and gain on sales of goods, which were included in other in non-operating income in the previous fiscal year, are presented as separate items in the fiscal year under review because their significance in monetary terms has increased. To reflect this change in presentation, the financial statements for the previous fiscal year have been replaced.

Other of 15,000,000 yen in non-operating income in the statement of income for the previous fiscal year has been replaced by cash rewards received of 3,136,000 yen, gain on sales of goods of 654,000 yen, and other of 11,210,000 yen.

(Notes to balance sheet)

1. Guarantee obligation

The Company guarantees part of future lease payments by customers that have leased systems of the Company.

	FY2015 (December 31, 2015)		FY2016 (December 31, 2016)	
		thousand yen		thousand yen
12,248 general customers	304,778		12,287 general customers	293,546

(Note) The guarantee obligations above are amounts after the deduction of provision for losses on compensation for damages.

2. To raise working capital efficiently, the Company has concluded monetary loan agreements with banks and has set commitment lines. Outstanding borrowings under the agreements at the ends of fiscal years are shown below.

	FY2015 (December 31, 2015)		FY2016 (December 31, 2016)	
		thousand yen		thousand yen
Commitment line	2,000,000		2,000,000	
Outstanding borrowings	—		—	
Difference	2,000,000		2,000,000	

(Notes to statement of income)

*1 Selling expenses accounted for approximately 54.6% in FY2015 and 53.0% in FY2016. General and administrative expenses accounted for approximately 45.4% in FY2015 and 47.0% in FY2016.

The main expense items of the selling, general and administrative expenses and their amounts are stated below.

	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)		FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)	
		thousand yen		thousand yen
Salaries and allowances	3,222,542		3,474,052	
Legal welfare expenses	505,298		528,550	
Provision for bonuses	239,156		116,818	
Traveling and transportation expenses	762,925		688,503	
Research and development expenses	451,528		285,142	
Depreciation	144,570		170,447	
Amortization of goodwill	668,733		668,733	
Rent expenses	938,060		911,126	

*2 The amount of research and development expenses included in general and administrative expenses

	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)		FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)	
		thousand yen		thousand yen
	451,528		285,142	

*3 Breakdown of gain on sales of non-current assets

	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)		FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)	
		thousand yen		thousand yen
Vehicles	6,430	Vehicles	—	

*4 Breakdown of loss on retirement of non-current assets

	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)		FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)	
		thousand yen		thousand yen
Buildings	70	Buildings	2,000	
Tools, furniture and fixtures	63	Tools, furniture and fixtures	58	
Leased assets	93	Leased assets	—	
Total	228	Total	2,059	

(Notes to statement of changes in equity)

FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)

1. Class and number of issued shares and class and number of treasury shares

	Number of shares at beginning of FY2015	Number of shares added during FY2015	Number of shares reduced during FY2015	Number of shares at end of FY2015
Issued shares				
Common shares (Note 1)	26,221,700	—	987,500	25,234,200
Total	26,221,700	—	987,500	25,234,200
Treasury shares				
Common shares (Notes 2, 3, and 4)	92,484	1,954,500	1,016,100	1,030,884
Total	92,484	1,954,500	1,016,100	1,030,884

(Notes) 1. The reduction of 987,500 in the number of issued common shares was because of the retirement of 987,500 treasury shares by resolution of the Board of Directors.

2. The addition of 1,954,500 shares to the common treasury stock resulted from an addition of 1,194,500 shares purchased in a tender offer by resolution of the Board of Directors and an addition of 760,000 shares purchased on the market by resolution of the Board of Directors.

3. The reduction of 1,016,100 shares from the common treasury stock resulted from a reduction of 987,500 shares due to the retirement of treasury stock by a resolution of the Board of Directors, a reduction of 24,100 shares due to the sale of treasury shares by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan to the Employee Stock Ownership Plan, a reduction of 4,000 shares due to the exercise of stock options, and a reduction of 500 shares due to the exercise of subscription rights to shares.

4. The number of shares of common treasury stock includes the number of Company shares held by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan (92,400 shares at the beginning of FY2015 and 68,300 shares at the end of FY2015).

2. Subscription rights to shares

Classification	Breakdown of subscription rights to shares	Class of shares underlying subscription rights to shares	Number of shares underlying subscription rights to shares				Amount at end of FY2015 (thousand yen)
			At beginning of FY2015	Added during FY2015	Reduction during FY2015	At end of FY2015	
Reporting Company	2014 subscription rights to shares (Note)	Common shares	739,200	—	500	738,700	29,592
Total		—	739,200	—	500	738,700	29,592

(Note) The reduction in the number of the 2014 subscription rights to shares in FY2015 was because of the exercise of subscription rights to shares.

3. Dividends

(1) Dividend payment

Resolution	Class of stock	Total amount of dividends (thousand yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 26, 2015 (Note 1)	Common shares	262,216	Retained earnings	10	December 31, 2014	March 27, 2015
Meeting of Board of Directors held on July 31, 2015 (Note 2)	Common shares	312,895	Retained earnings	12.5	June 30, 2015	September 24, 2015

(Note) 1. The total amount of dividends includes dividends of 924,000 yen for Company shares held by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan.

2. The total amount of dividends includes dividends of 1,040,000 yen for Company shares held by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan.

(2) Of dividends with a record date falling in FY2015, those with an effective date falling in FY2016

Resolution	Class of stock	Total amount of dividends (thousand yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 30, 2016 (Note)	Common shares	303,395	Retained earnings	12.5	December 31, 2015	March 31, 2016

(Note) The total amount of dividends includes dividends of 853,000 yen for Company shares held by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan.

FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)

1. Class and number of issued shares and class and number of treasury shares

	Number of shares at beginning of FY2016	Number of shares added during FY2016	Number of shares reduced during FY2016	Number of shares at end of FY2016
Issued shares				
Common shares (Note 1 and 2)	25,234,200	25,234,200	1,520,000	48,948,400
Total	25,234,200	25,234,200	1,520,000	48,948,400
Treasury shares				
Common shares (Notes 3, 4, and 5)	1,030,884	4,502,584	1,594,200	3,939,268
Total	1,030,884	4,502,584	1,594,200	3,939,268

- (Note)
1. The addition of 25,234,200 in the number of issued common shares was because of an increase of 25,234,200 shares due to a 2-for-1 common stock split with an effective of December 17, 2016 by a resolution of the Board of Directors.
 2. The reduction of 1,520,000 in the number of issued common shares was because of the retirement of 1,520,000 treasury shares by resolution by the Board of Directors.
 3. The addition of 4,502,584 shares to the common treasury stock resulted from an addition of 1,030,884 shares due to a stock split by resolution of the Board of Directors, an increase of 1,607,700 shares purchased on the market by resolution of the Board of Directors, and an increase of 1,864,000 shares acquired by the Board Benefit Trust (BBT) and the Employee Stock Ownership Plan (J-ESOP).
 4. The reduction of 1,594,200 shares from the common treasury stock resulted from a decrease of 1,520,000 shares due to the retirement of treasury stock by resolution of the Board of Directors and a decrease of 74,200 shares due to the sale of treasury shares by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan to the Employee Stock Ownership Plan.
 5. The number of shares of common treasury stock includes the number of Company shares held by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan, Board Benefit Trust (BBT), and Employee Stock Ownership Plan (J-ESOP) at the end of FY2016 (1,926,400 shares).

2. Subscription rights to shares

Classification	Breakdown of subscription rights to shares	Class of shares underlying subscription rights to shares	Number of shares underlying subscription rights to shares				Amount at end of FY2016 (thousand yen)
			At beginning of FY2016	Added during FY2016	Reduction during FY2016	At end of FY2016	
Reporting Company	2014 subscription rights to shares (Note 1 and 2)	Common shares	738,700	738,700	1,108,800	368,600	7,383
	Total	—	738,700	738,700	1,108,800	368,600	7,383

- (Note)
1. The addition in the number of the 2014 subscription rights to shares in FY2016 was because of a 2-for-1 common stock split with an effective date of December 17, 2016 by resolution of the Board of Directors.
 2. The reduction in the number of the 2014 subscription rights to shares in FY2016 was because of the annulment of subscription rights.

3. Dividends

(1) Dividend payment

Resolution	Class of stock	Total amount of dividends (thousand yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 30, 2016 (Note 1)	Common shares	303,395	Retained earnings	12.5	December 31, 2015	March 31, 2016
Meeting of Board of Directors held on July 28, 2016 (Note 2 and 3)	Common shares	424,753	Retained earnings	17.5	June 30, 2016	September 12, 2016

- (Note)
1. The total amount of dividends includes dividends of 853,000 yen for Company shares held by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan.
 2. The dividend per share includes a commemorative dividend of 5.0 yen in commemoration of the 10th anniversary.
 3. The total amount of dividends includes dividends of 7,115,000 yen for Company shares held by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan and the Board Benefit Trust (BBT).

(2) Of dividends with a record date falling in FY2016, those with an effective date falling in FY2017

Resolution	Class of stock	Total amount of dividends (thousand yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on March 28, 2017 (Note 1 and 2)	Common shares	586,694	Retained earnings	12.5	December 31, 2016	March 29, 2017

(Note) 1. The Company conducted a 2-for-1 common stock split with an effective date of December 17, 2016. The dividend per share is an amount after the stock split.
 2. The total amount of dividends includes dividends of 24,080,000 yen for Company shares held by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan, the Board Benefit Trust (BBT), and the Employee Stock Ownership Plan (J-ESOP).

(Notes to statement of cash flow)

* Relationship between cash and cash equivalents at the end of the fiscal year and the accounts on the balance sheet

	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)	FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)
	thousand yen	thousand yen
Cash and deposits	8,384,656	7,611,959
Cash and cash equivalents	8,384,656	7,611,959

(Share of profit or loss of entities accounted for using equity method)

FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)

The statement is omitted because the Company's equity-method affiliates are not important in terms of earnings and retained earnings criteria.

FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)

The statement is omitted because the Company's equity-method affiliates are not important in terms of earnings and retained earnings criteria.

(Segment information etc.)

(Segment information)

Since the Company has only a single business segment (IT services), the statement is omitted.

(Per-share information)

	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)	FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)
Net assets per share	¥399.87	¥397.83
Net income per share	¥25.24	¥24.05
Diluted net income per share	¥25.22	¥24.04

(Notes) 1. The Company conducted a 2-for-1 common stock split with an effective date of December 17, 2016. The net assets per share, net income per share, and diluted net income per share are calculated on the assumption that the stock split was implemented at the beginning of FY2015.

2. The basis for the calculation of net income per share and diluted net income per share is shown in the table below.

	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)	FY2016 (From Jan. 1, 2016 to Dec. 31, 2016)
Net income per share		
Net income (thousand yen)	1,251,755	1,142,986
Amount not attributable to the holders of common shares (thousand yen)	–	–
Net income associated with common shares (thousand yen)	1,251,755	1,142,986
Average number of shares during the fiscal year	49,603,693	47,520,749
Diluted net income per share		
Adjustment to net income (thousand yen)	–	–
Increase in the number of common shares	27,382	20,351
(Of the increase above, an increase in common shares associated with subscription rights to shares)	(27,382)	(20,351)
Description of dilutive securities that are not included in the calculation of diluted net income per share because they do not have any dilution effects	A type of subscription rights to shares (1,843 subscription rights)	A type of subscription rights to shares (1,843 subscription rights)

3. In the calculation of net assets per share, the Company shares held by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan are included in the treasury shares to be deducted from the issued shares at the end of the fiscal year (136,600 shares in FY2015 and 62,400 shares in FY2016).

In the calculation of net income per share and diluted net income per share, the Company shares held by the trust account exclusively for the Broadleaf Employee Stock Ownership Plan are included in the treasury shares to be deducted in the calculation of the average number of shares during the fiscal year (164,179 shares in FY2015 and 105,319 shares in FY2016).

4. In the calculation of net assets per share, the Company shares held by the Board Benefit Trust (BBT) are included in the treasury shares to be deducted from the issued shares at the end of the fiscal year (708,600 shares in FY2016).

In the calculation of net income per share and diluted net income per share, the Company shares held by the BBT are included in the treasury shares to be deducted in the calculation of the average number of shares during the fiscal year (382,872 shares in FY2016).

5. In the calculation of net assets per share, the Company shares held by the Employee Stock Ownership Plan (J-ESOP) are included in the treasury shares to be deducted from the issued shares at the end of the fiscal year (1,155,400 shares in FY2016).

In the calculation of net income per share and diluted net income per share, the Company shares held by the J-ESOP are included in the treasury shares to be deducted in the calculation of the average number of shares during the fiscal year (393,066 shares in FY2016).

(Significant post-balance sheet events)

Not applicable.