



Summary of Financial Statements for the First Half of Fiscal Year Ending December 31, 2017 [IFRS] (Consolidated)

August 4, 2018

Broadleaf Co., Ltd.

Stock Listing: Tokyo Stock Exchange 1st Section

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Scheduled Submission Date for Quarterly Report: August 10, 2017

Scheduled Starting Date for Dividend Payment: September 19, 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. Consolidated Financial Results for the 1st Half of the FY2017 (from January 1, 2017 to June 30, 2017)

(1) Consolidated Results of Operations (Percentage below represents increase (decrease) from the same period of previous year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Q2 FY2017	7,926	-2.9	918	-36.3	906	-36.7	559	-39.7	559	-39.7	556	-33.3
Q2 FY2016	8,164	-	1,442	-	1,432	-	927	-	927	-	833	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Q2 FY2017	12.62		12.62	
Q2 FY2016	19.17		19.16	

(Note) The Company conducted a 2-for-1 common stock split effective December 17, 2016. The basic 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) Consolidated Financial Position

	Total assets		Total equity		Equity attributable to owners of parent		Percentage of equity attributable to owners of parent	
	Millions of Yen		Millions of Yen		Millions of Yen		%	
End of Q2 FY2017	24,285		18,644		18,644		76.8	
End of FY2016	25,322		19,159		19,159		75.7	

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen				
FY2016	-	17.50	-	12.50	30.00
FY2017	-	11.00	-	-	-
FY2017 (Forecast)	-	-	-	11.00	22.00

(Note) Revisions to the latest forecast of dividends: No

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

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.

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

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

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen	
FY2017	17,800	6.2	2,100	-28.9	2,050	-29.8	1,240	-33.9	28.00	

(Note) Revisions to the latest forecast of earnings: Yes

* Notes

(1) Changes in significant subsidiaries during the three months ended March 31, 2017 (changes of specified subsidiaries with change of the scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates

1. Changes in accounting policies required by IFRS: No
2. Other changes in accounting policies: No
3. Changes in accounting estimates: No

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)
2. Number of shares of treasury stock
3. Average number of shares outstanding (during the period)

Q2 FY2017	48,948,400	FY2016	48,948,400
Q2 FY2017	4,703,468	FY2016	3,939,268
Q2 FY2017	44,315,295	Q2 FY2016	48,365,666

(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 stock split was implemented at the beginning of the previous fiscal year.

* The quarterly earnings report is not subject to quarterly review.

* 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 institutional investors and analysts on Monday, August 7, 2017. A document to be used in the briefing will be posted on the website.

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1. Qualitative Information on Operating Results, etc. for the Six Months Ended June 30, 2017

(1) Qualitative information on financial results

During the first six months of the fiscal year ending December 31, 2017, the Japanese economy remained on a moderate recovery trend partly backed by improved corporate earnings and employment and income situations. However, attention should be paid to the risk of overseas economies, including the effects of the political situation in the United States and Europe and trends in financial and capital markets, putting downward pressure on the Japanese economy.

In the information service industry, to which the Group belongs, investments are expected to increase in strategic areas such as cloud services, big data analysis, cyber security measures and expansion into IoT, in addition to the existing types of IT spending for the purposes of improving productivity and efficiency. Meanwhile, there are signs of a recovery in capital investment among companies. On the other hand, the entire industry faces the issue of securing excellent engineers who can adapt to the latest technologies and early development and offering of high value-added services.

In this environment, the Company is bolstering its measures to increase the number of customers of its industry-specific applications, such as the .NS Series and CarpodTab, a tablet-type business support tool, with the aim of expanding the customer base and changing the revenue structure. The Company is also taking action for the industry standardization of BL Parts Order System, an electronic order service for auto parts, and for strengthening the operation of Buhin MAX, the e-commerce site for auto repair parts. Along with these initiatives, the Company is stepping up efforts to provide higher value-added services for customers by successively revamping the industry-specific applications the Company offers to customers, strengthening its automobile-related database and developing automotive data analytical services.

As a result, in the first six months of the fiscal year under review, the Company posted revenue of 7,926 million yen (down 2.9% year on year). In terms of profits and losses, the Company recorded an operating profit of 918 million yen (down 36.3% year on year), a profit before tax of 906 million yen (down 36.7% year on year) and a profit attributable to owners of parent of 559 million yen (down 39.7% year on year), mainly due to a decrease in revenue, an increase in selling, general and administrative expenses, and a decrease in other operating income.

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	1 st Half, FY2016 (From Jan. 1 to June 30, 2016)	1 st Half, FY2017 (From Jan. 1 to June 30, 2017)	Year-on-year rate of change
Business Application Software	5,266	4,889	-7.1%
System Support	633	612	-3.3%
Network Service	2,265	2,425	7.1%
Total	8,164	7,926	-2.9%

(2) Qualitative information on financial position

(i) Analysis of financial position

(Assets)

Assets at the end of the second quarter of the consolidated fiscal year under review declined 1,037 million yen from the end of the previous consolidated fiscal year, to 24,285 million yen. Current assets fell 1,174 million yen, to 11,130 million yen, and non-current assets increased 137 million yen, to 13,155 million yen. The decrease in current assets was mainly attributable to a decrease in cash and cash equivalents of 1,331 million yen, despite an increase in operating and other receivables of 145 million yen.

(Liabilities)

Liabilities fell by 522 million yen from the end of the previous consolidated fiscal year, to 5,641 million yen. Current liabilities fell 194 million yen, to 4,786 million yen, and non-current liabilities decreased by 328 million yen, to 855 million yen. The main factors for the fall in current liabilities were decreases in operating and other payables of 89 million yen and income taxes payable of 253 million yen. The decrease in non-current liabilities was mainly attributable to a decrease in long-term interest-bearing debt of 342 million yen.

(Equity)

Equity declined 515 million yen from the end of the previous consolidated fiscal year, to 18,644 million yen. The decrease was chiefly attributable to an increase in treasury shares of 505 million yen.

(ii) Analysis of cash flows

Cash and cash equivalents (“cash”) at the end of the second quarter of the consolidated fiscal year under review declined 1,331 million yen from the end of the previous consolidated fiscal year, to 6,407 million yen.

The following is a description of the situation and major factors of each category of cash flows in the six months ended June 30, 2017.

(Net cash from (used in) operating activities)

Cash flows provided by operating activities stood at 562 million yen, mainly reflecting a profit before tax of 906 million yen and depreciation and amortization expense of 327 million yen, which is partially offset by income taxes paid of 600 million yen.

(Net cash from (used in) investing activities)

Cash flows used in investing activities came to 464 million yen, mainly due to the acquisition of intangible assets of 435 million yen.

(Net cash from (used in) financing activities)

Cash flows used in financing activities were 1,424 million yen, chiefly attributable to cash dividends paid of 563 million yen, the purchase of treasury shares of 530 million yen, and repayments of long-term loans payable of 333 million yen.

(3) Qualitative Information on consolidated earnings forecast

Please refer to the Notice of Revisions to (Full-Year) Consolidated Results Forecasts announced on August 4, 2017.

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2. Summary Consolidated Financial Statements and Major Notes

(1) Summary consolidated statement of financial position

(Unit: Thousands of Yen)

	FY2016 (As of Dec. 31, 2016)	Q2 FY2017 (As of June 30, 2017)
Assets		
Current assets		
Cash and cash equivalents	7,738,206	6,407,379
Operating and other receivables	4,199,180	4,343,970
Inventories	109,866	110,021
Other current financial assets	417	21
Other current assets	256,566	268,407
Total current assets	12,304,234	11,129,798
Non-current assets		
Property, plant and equipment	426,750	384,879
Goodwill	10,031,002	10,031,002
Intangible assets	1,142,446	1,301,070
Investments accounted for using equity method	70,896	64,343
Other non-current financial assets	1,148,794	1,186,542
Other non-current assets	26,024	16,538
Deferred tax assets	171,824	170,827
Total non-current assets	13,017,736	13,155,202
Total assets	25,321,970	24,285,000
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating and other payables	3,140,345	3,051,414
Short-term interest-bearing debt	655,086	649,344
Income taxes payable	601,139	347,979
Other current financial liabilities	85,072	88,792
Other current liabilities	498,475	648,435
Total current liabilities	4,980,118	4,785,964
Non-current liabilities		
Long-term interest-bearing debt	1,072,366	730,725
Non-current provisions	110,300	124,360
Total non-current liabilities	1,182,666	855,085
Total liabilities	6,162,784	5,641,048
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,114,654	7,112,431
Treasury shares	-2,252,885	-2,758,126
Retained earnings	7,136,345	7,130,138
Other components of equity	13,167	11,603
Total equity attributable to owners of parent	19,159,187	18,643,951
Non-controlling interests	-	-
Total equity	19,159,187	18,643,951
Total liabilities and equity	25,321,970	24,285,000

(2) Summary consolidated statement of income

(Unit: Thousands of Yen)

	1 st Half, FY2016 (From Jan. 1, 2016 to June 30, 2016)	1 st Half, FY2017 (From Jan. 1, 2017 to June 30, 2017)
Revenue	8,163,952	7,926,346
Cost of sales	-2,471,797	-2,105,441
Gross profit	5,692,156	5,820,904
Selling, general and administrative expenses	-4,494,624	-4,906,680
Other operating income	258,103	7,121
Other operating expense	-13,404	-3,001
Operating profit	1,442,230	918,344
Finance income	4,873	5,718
Finance cost	-13,827	-11,000
Equity in loss of affiliates	-1,597	-7,247
Profit before tax	1,431,679	905,815
Income tax	-504,501	-346,462
Profit	927,178	559,353
Profit attributable to owners of parent	927,178	559,353
Earnings per share		
Basic earnings per share (yen)	19.17	12.62
Diluted earnings per share (yen)	19.16	12.62

(3) Summary consolidated statement of comprehensive income

(Unit: Thousands of Yen)

	1 st Half, FY2016 (From Jan. 1, 2016 to June 30, 2016)	1 st Half, FY2017 (From Jan. 1, 2017 to June 30, 2017)
Profit	927,178	559,353
Other comprehensive income		
Components that will not be reclassified to profit or loss		
Net change in fair value of financial assets of equity nature measured at fair value through other comprehensive income	-54,628	-275
Total components that will not be reclassified to profit or loss	-54,628	-275
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-26,590	-9,055
Share of other comprehensive income of associates accounted for using equity method	-13,133	5,569
Total components that may be reclassified to profit or loss	-39,723	-3,486
Total other comprehensive income, net of tax	-94,351	-3,761
Comprehensive income	832,827	555,593
Comprehensive income attributable to owners of parent	832,827	555,593

(4) Summary consolidated statement of changes in equity
1st Half, FY2016 (From Jan. 1, 2016 to June 30, 2016)

(Unit: Thousands of Yen)

	Note	Equity attributable to owners of parent			
		Capital stock	Share premium	Treasury shares	Retained earnings
Balance as of January 1, 2016		7,147,905	7,128,960	-1,330,018	6,941,080
Profit		-	-	-	927,178
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	-	927,178
Purchase of treasury shares		-	-	-364,680	-
Disposal of treasury shares		-	-6,095	24,514	-
Cancellation of treasury shares		-	-967,177	967,177	-
Dividend		-	-	-	-302,541
Reclassification from share premium to retained earnings		-	967,177	-	-967,177
Total transactions with owners		-	-6,095	627,011	-1,269,718
Balance as of June 30, 2016		7,147,905	7,122,865	-703,008	6,598,540

(Unit: Thousands of Yen)

	Note	Equity attributable to owners of parent					Total equity
		Other components of equity				Total	
		Warrants	Exchange differences on translation of foreign operations	Net change in fair value of financial assets of equity nature measured at fair value through other comprehensive income	Total		
Balance as of January 1, 2016		29,592	-11,171	8,326	26,748	19,914,674	19,914,674
Profit		-	-	-	-	927,178	927,178
Other comprehensive income		-	-39,723	-54,628	-94,351	-94,351	-94,351
Total comprehensive income		-	-39,723	-54,628	-94,351	832,827	832,827
Purchase of treasury shares		-	-	-	-	-364,680	-364,680
Disposal of treasury shares		-	-	-	-	18,419	18,419
Cancellation of treasury shares		-	-	-	-	-	-
Dividend		-	-	-	-	-302,541	-302,541
Reclassification from share premium to retained earnings		-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-648,802	-648,802
Balance as of June 30, 2016		29,592	-50,894	-46,301	-67,603	20,098,699	20,098,699

1st Half, FY2017 (From Jan. 1, 2017 to June 30, 2017)

(Unit: Thousands of Yen)

	Note	Equity attributable to owners of parent			
		Capital stock	Share premium	Treasury shares	Retained earnings
Balance as of January 1, 2017		7,147,905	7,114,654	-2,252,885	7,136,345
Profit		-	-	-	559,353
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	-	559,353
Purchase of treasury shares		-	-	-530,475	-
Disposal of treasury shares		-	-2,973	25,234	-
Dividends		-	-	-	-562,614
Reclassification from share premium to retained earnings		-	750	-	-750
Reclassification from other components of equity to retained earnings		-	-	-	-2,196
Total transactions with owners		-	-2,223	-505,241	-565,561
Balance as of June 30, 2017		7,147,905	7,112,431	-2,758,126	7,130,138

(Unit: Thousands of Yen)

	Note	Equity attributable to owners of parent					Total equity
		Other components of equity				Total	
		Warrants	Exchange differences on translation of foreign operations	Net change in fair value of financial assets of equity nature measured at fair value through other comprehensive income	Total		
Balance as of January 1, 2017		7,383	-37,586	43,370	13,167	19,159,187	19,159,187
Profit		-	-	-	-	559,353	559,353
Other comprehensive income		-	-3,486	-275	-3,761	-3,761	-3,761
Total comprehensive income		-	-3,486	-275	-3,761	555,593	555,593
Purchase of treasury shares		-	-	-	-	-530,475	-530,475
Disposal of treasury shares		-	-	-	-	22,261	22,261
Dividends		-	-	-	-	-562,614	-562,614
Reclassification from share premium to retained earnings		-	-	-	-	-	-
Reclassification from other components of equity to retained earnings		-	-	2,196	2,196	-	-
Total transactions with owners		-	-	2,196	2,196	-1,070,828	-1,070,828
Balance as of June 30, 2017		7,383	-41,072	45,292	11,603	18,643,951	18,643,951

(5) Summary consolidated statement of cash flow

(Unit: Thousands of Yen)

	1 st Half, FY2016 (From Jan. 1, 2016 to June 30, 2016)	1 st Half, FY2017 (From Jan. 1, 2017 to June 30, 2017)
Cash flows from operating activities		
Profit before tax	1,431,679	905,815
Depreciation and amortization expense	305,150	326,743
Compensation for damage received	-250,925	-
Finance income and costs	8,954	5,282
Equity in loss (earnings) of affiliates	1,597	7,247
Loss (gain) on sales of property, plant and equipment and intangible assets	-	1,467
Decrease (increase) in operating and other receivables	274,850	-147,276
Decrease (increase) in inventories	135,500	-156
Increase (decrease) in operating and other payables	-217,125	-88,914
Increase (decrease) in employees' bonuses payable	82,117	204,678
Increase (decrease) in consumption taxes payable	33,152	-25,732
Other, net	-85,313	-25,489
Subtotal	1,719,637	1,163,665
Interest received	1,054	994
Dividends received	3,819	1,549
Interest expenses paid	-5,994	-4,275
Compensation for damage received	250,925	-
Income taxes paid	-82,689	-599,622
Cash flows from (used in) operating activities	1,886,753	562,311
Cash flows from investing activities		
Acquisition of property, plant and equipment	-14,141	-38,334
Proceeds from sales of property, plant and equipment	-	50,407
Acquisition of intangible assets	-326,790	-434,752
Acquisition of investments	-99,856	-15,000
Payments for lease and guarantee deposits	-4,686	-10,874
Proceeds from collection of lease and guarantee deposits	8,374	3,637
Acquisition of investments accounted for using equity method	-90,063	-
Other, net	-3,662	-19,237
Cash flows from (used in) investing activities	-530,824	-464,153
Cash flows from financing activities		
Repayments of long-term loans payable	-329,190	-333,280
Repayments of lease obligations	-16,299	-18,657
Cash dividends paid	-302,541	-562,614
Purchase of treasury shares	-364,680	-530,475
Proceeds from sales of treasury shares	18,419	22,261
Other, net	-1,253	-1,247
Cash flows from (used in) financing activities	-995,545	-1,424,012
Impact of exchange fluctuations for cash and cash equivalents	-26,088	-4,973
Net increase (decrease) in cash and cash equivalents	334,296	-1,330,827
Cash and cash equivalents at beginning of period	8,628,510	7,738,206
Balance of cash and cash equivalents at the end of the quarter	8,962,806	6,407,379

(6) Notes regarding the summary consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Segment information)

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

(Significant post-balance sheet events)

Acquisition of the shares of TAJIMA INCORPORATED (which was made a subsidiary of the Company)

On May 12, 2017, the Company resolved to execute the agreement for transfer of shares to make TAJIMA INCORPORATED (hereinafter referred to as “Tajima”) a subsidiary by acquiring all shares of Tajima. On that day, the Company executed the agreement for the transfer of shares. On July 25, 2017, the Company acquired the shares and made Tajima a subsidiary.

(1) Reasons for acquisition of the shares

Under the medium-term management policy “to evolve into a comprehensive service provider that support a rich car life,” the Company has realized sustainable growth through proposal and provision of services attractive to car owners and the users of the automotive aftermarket industry. Meanwhile, Tajima provides high-quality services in the same industry as that of the Company under the slogan of “honest support for the future of cars.” Although both companies operate in the same industry, their main customer groups differ. By incorporating Tajima into the group and promoting a system for cooperation between the two companies, we believe that we can provide services that satisfy wider range of users than before.

Based on this belief, the Company judged that the corporate value will be enhanced and decided to acquire shares in Tajima and make it a subsidiary.

(2) Outline of business combination

Name of the company to be acquired:	TAJIMA INCORPORATED
Description of the business of the company to be acquired:	Research, development and sales of software
Date of business combination:	July 25, 2017

(3) Acquisition cost for the company to be acquired: 1,670,000 thousand yen

(4) Major acquisition-related costs

Compensation, fees, etc. for advisory service 108,666 thousand yen

The amount for part of the service is to be determined, and the amount above is a provisional figure.

(5) Amount of goodwill, and reasons for goodwill

This has yet to be determined.

(6) Breakdown of assets accepted and liabilities assumed on the date of business combination

This has yet to be determined.