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Summary of Financial Statements for the First Half of the Fiscal Year Ending December 31, 2018 [IFRS] (Consolidated)

August 3, 2018

Broadleaf Co., Ltd.

Stock Listing: Tokyo Stock Exchange 1st Section

Representative: Kenji Oyama, Representative Director, President & CEO

Scheduled Starting Date for Dividend Payment: –

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 FY2018 (from January 1, 2018 to June 30, 2018)

(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	%
H1 FY2018	10,090	27.3	1,542	67.9	1,548	70.9	998	78.5	998	78.5	942	69.5
H1 FY2017	7,926	-2.9	918	-36.3	906	-36.7	559	-39.7	559	-39.7	556	-33.3

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
H1 FY2018	11.39		11.31	
H1 FY2017	6.31		6.31	

(Note) The Company conducted a 2-for-1 common stock split effective April 1, 2018. The basic earnings per share and the diluted earnings per share for Q2 FY2017 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 FY2018	27,637	19,618	19,618	71.0
End of FY2017	28,063	19,737	19,737	70.3

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	–	11.00	–	11.00	22.00
FY2018	–	5.50	–	–	–
FY2018 (Forecast)	–	–	–	6.50	12.00

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

The Company conducted a 2-for-1 common stock split effective April 1, 2018. The dividends in FY2017 are based on shares before the stock split. The annual dividend per share for FY2018 (forecast) which does not take the stock split into account is estimated to be 24 yen.

3. Earnings Forecast for FY2018 (from January 1, 2018 to December 31, 2018)

(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
FY2018	21,200	16.5	3,900	29.5	3,880	29.8	2,500	29.4	28.58

(Note 1) Revisions to the latest forecast of earnings: Yes

(Note 2) The forecasts for FY2018 take into account the impact of the 2-for-1 stock split effective April 1, 2018.

* Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2018 (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: Yes

2. Other changes in accounting policies: No

3. Changes in accounting estimates: No

(Note) For details, see “2. Summary Consolidated Financial Statements and Major Notes, (6) Notes regarding the summary consolidated financial statements (Changes in accounting policies)” on page 12 of the attached material.

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

Q2 FY2018	97,896,800	FY2017	97,896,800
Q2 FY2018	10,592,336	FY2017	9,348,136
Q2 FY2018	87,661,382	Q2 FY2017	88,630,590

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 April 1, 2018. The number of shares outstanding, number of shares of treasury stock and average number of shares outstanding are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

* The quarterly earnings report is outside the scope of audit procedures by certified public accountants and audit firm.

* 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 6, 2018. 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, 2018

(1) Qualitative information on financial results

In the first six months of the fiscal year under review (January 1 through June 30, 2018), the Company posted revenue of 10,090 million yen (up 27.3% year on year). This was a result of growth in sales revenue, primarily due to the fact that the sales revenue of the Company's systems for auto maintenance factories and database provision service has increased from previous second quarter, and the contribution of sales from Tajima Incorporated ("Tajima"), which was consolidated in July 2017.

Cost and expenses included cost of sales of 2,568 million yen (up 22.0% year on year) and selling, general and administrative expenses of 5,989 million yen (up 22.1% year on year). This was chiefly attributable to an increase in the amount of goods purchased due to growing sales and an increase in personnel expenses and higher expenses required for shareholder incentives in addition to the impact of Tajima above.

As a result, operating profit stood at 1,542 million yen (up 67.9% year on year), profit before tax came to 1,548 million yen (up 70.9% year on year), and profit attributable to owners of parent amounted to 998 million yen (up 78.5% 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	1st Half, FY2017 (From Jan. 1 to Jun. 30, 2017)	1st Half, FY2018 (From Jan. 1 to Jun. 30, 2018)	Year-on-year rate of change
Business Application Software	4,889	6,596	34.9%
System Support	612	649	6.1%
Network Service	2,425	2,844	17.3%
Total	7,926	10,090	27.3%

(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 426 million yen from the end of the previous consolidated fiscal year, to 27,637 million yen. Current assets fell 1,114 million yen, to 10,286 million yen, and non-current assets increased 688 million yen, to 17,351 million yen. The decrease in current assets was mainly attributable to decreases in cash and cash equivalents of 1,080 million yen. A key factor contributing to the increase in non-current assets was 714 million yen in additional intangible assets.

(Liabilities)

Liabilities fell by 306 million yen from the end of the previous consolidated fiscal year, to 8,019 million yen. Current liabilities rose 111 million yen, to 7,589 million yen, and non-current liabilities decreased by 417 million yen, to 431 million yen. The decrease in non-current liabilities was mainly attributable to a decrease in long-term interest-bearing debt of 387 million yen.

(Equity)

Equity declined 120 million yen from the end of the previous consolidated fiscal year, to 19,618 million yen. The decrease was chiefly attributable to an increase in treasury shares of 766 million yen, despite an increase in retained earnings of 573 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 1,080 million yen from the end of the previous consolidated fiscal year, to 4,890 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, 2018.

(Net cash from (used in) operating activities)

Cash flows provided by operating activities stood at 1,516 million yen. The main causes were profit before tax of 1,548 million yen and depreciation and amortization expenses of 375 million yen, which offset income taxes paid of 540 million yen.

(Net cash from (used in) investing activities)

Cash flows used in investing activities came to 1,008 million yen, mainly due to the acquisition of intangible assets of 986 million yen.

(Net cash from (used in) financing activities)

Cash flows used in financing activities were 1,583 million yen. The main causes were the purchase of treasury shares of 1,006 million yen, cash dividends paid of 487 million yen and repayments of long-term loans payable of 341 million yen, despite proceeds from sales of treasury shares of 297 million yen.

(3) Qualitative Information on consolidated earnings forecast

With respect to the consolidated earnings forecast for the fiscal year ending December 31, 2018, please refer to the “Notice regarding revision of the consolidated earnings forecast and dividend forecast (dividend increase)” announced today.

2. Summary Consolidated Financial Statements and Major Notes

(1) Summary consolidated statement of financial position

(Unit: Thousands of Yen)

	FY2017 (As of Dec. 31, 2017)	Q2 FY2018 (As of Jun. 30, 2018)
Assets		
Current assets		
Cash and cash equivalents	5,970,318	4,889,888
Operating and other receivables	4,984,981	5,008,274
Inventories	128,353	125,243
Other current financial assets	–	50
Other current assets	316,609	262,908
Total current assets	11,400,260	10,286,362
Non-current assets		
Property, plant and equipment	424,747	417,126
Goodwill	11,739,040	11,739,040
Intangible assets	2,982,588	3,696,330
Investments accounted for using equity method	57,079	39,304
Other non-current financial assets	1,238,994	1,159,647
Other non-current assets	13,340	104,807
Deferred tax assets	206,881	194,253
Total non-current assets	16,662,670	17,350,506
Total assets	28,062,930	27,636,868
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating and other payables	5,595,736	3,332,991
Contract liabilities	–	1,910,991
Short-term interest-bearing debt	645,323	677,282
Income taxes payable	568,415	555,488
Other current financial liabilities	83,140	138,480
Other current liabilities	584,924	973,376
Total current liabilities	7,477,539	7,588,606
Non-current liabilities		
Long-term interest-bearing debt	461,122	74,458
Net defined benefit liability	227,131	202,655
Non-current provisions	139,786	137,605
Deferred tax liabilities	19,927	15,863
Total non-current liabilities	847,967	430,581
Total liabilities	8,325,505	8,019,187
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,116,269	7,181,262
Treasury shares	-2,736,155	-3,501,927
Retained earnings	8,009,349	8,581,874
Other components of equity	200,056	208,567
Total equity attributable to owners of parent	19,737,424	19,617,681
Total equity	19,737,424	19,617,681
Total liabilities and equity	28,062,930	27,636,868

(2) Summary consolidated statement of income

(Unit: Thousands of Yen)

	1st Half, FY2017 (From Jan. 1, 2017 to Jun. 30, 2017)	1st Half, FY2018 (From Jan. 1, 2018 to Jun. 30, 2018)
Revenue	7,926,346	10,089,720
Cost of sales	-2,105,441	-2,567,953
Gross profit	5,820,904	7,521,767
Selling, general and administrative expenses	-4,906,680	-5,988,769
Other operating income	7,121	26,623
Other operating expense	-3,001	-17,633
Operating profit	918,344	1,541,988
Finance income	5,718	15,293
Finance cost	-11,000	-4,989
Equity in loss of affiliates	-7,247	-4,508
Profit before tax	905,815	1,547,784
Income tax	-346,462	-549,573
Profit	559,353	998,211
Profit attributable to owners of parent	559,353	998,211
Earnings per share		
Basic earnings per share (yen)	6.31	11.39
Diluted earnings per share (yen)	6.31	11.31

(3) Summary consolidated statement of comprehensive income

(Unit: Thousands of Yen)

	1st Half, FY2017 (From Jan. 1, 2017 to Jun. 30, 2017)	1st Half, FY2018 (From Jan. 1, 2018 to Jun. 30, 2018)
Profit (loss)	559,353	998,211
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	-275	-47,496
Remeasurements of defined benefit plans	—	8,603
Total components that will not be reclassified to profit or loss	-275	-38,893
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-9,055	-11,797
Share of other comprehensive income of associates accounted for using equity method	5,569	-5,671
Total components that may be reclassified to profit or loss	-3,486	-17,467
Total other comprehensive income, net of tax	-3,761	-56,360
Comprehensive income	555,593	941,851
Comprehensive income attributable to owners of parent	555,593	941,851

(4) Summary consolidated statement of changes in equity
1st Half, FY2017 (From Jan. 1, 2017 to Jun. 30, 2017)

(Unit: Thousands of Yen)

	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 (loss)	-	-	-	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)

	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 (loss)	-	-	-	-	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

1st Half, FY2018 (From Jan. 1, 2018 to Jun. 30, 2018)

(Unit: Thousands of Yen)

	Equity attributable to owners of parent			
	Capital stock	Share premium	Treasury shares	Retained earnings
Balance as of January 1, 2018	7,147,905	7,116,269	-2,736,155	8,009,349
Changes in accounting policies	-	-	-	52,729
Balance after restatement of prior period's financial results after error corrections	7,147,905	7,116,269	-2,736,155	8,062,078
Profit	-	-	-	998,211
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	998,211
Purchase of treasury shares	-	-	-1,005,603	-
Disposal of treasury shares	-	64,993	239,830	-
Dividends	-	-	-	-487,018
Share-based payment transactions	-	-	-	-
Reclassification from other components of equity to retained earnings	-	-	-	8,603
Total transactions with owners	-	64,993	-765,773	-478,414
Balance as of June 30, 2018	7,147,905	7,181,262	-3,501,927	8,581,874

(Unit: Thousands of Yen)

	Equity attributable to owners of parent					Total	Total equity
	Other components of equity						
	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	Remeasurements of defined benefit plans	Total		
Balance as of January 1, 2018	165,866	-36,065	70,255	-	200,056	19,737,424	19,737,424
Changes in accounting policies	-	-	-	-	-	52,729	52,729
Balance after restatement of prior period's financial results after error corrections	165,866	-36,065	70,255	-	200,056	19,790,153	19,790,153
Profit	-	-	-	-	-	998,211	998,211
Other comprehensive income	-	-17,467	-47,496	8,603	-56,360	-56,360	-56,360
Total comprehensive income	-	-17,467	-47,496	8,603	-56,360	941,851	941,851
Purchase of treasury shares	-	-	-	-	-	-1,005,603	-1,005,603
Disposal of treasury shares	-8,829	-	-	-	-8,829	295,994	295,994
Dividends	-	-	-	-	-	-487,018	-487,018
Share-based payment transactions	82,304	-	-	-	82,304	82,304	82,304
Reclassification from other components of equity to retained earnings	-	-	-	-8,603	-8,603	-	-
Total transactions with owners	73,475	-	-	-8,603	64,872	-1,114,323	-1,114,323
Balance as of June 30, 2018	239,341	-53,532	22,759	-	208,567	19,617,681	19,617,681

(5) Summary consolidated statement of cash flow

(Unit: Thousands of Yen)

	1st Half, FY2017 (From Jan. 1, 2017 to Jun. 30, 2017)	1st Half, FY2018 (From Jan. 1, 2018 to Jun. 30, 2018)
Cash flows from operating activities		
Profit before tax	905,815	1,547,784
Depreciation and amortization expense	326,743	374,875
Share-based payment expenses	–	82,304
Finance income and costs	5,282	-10,304
Equity in loss (earnings) of affiliates	7,247	4,508
Loss (gain) on sales of property, plant and equipment and intangible assets	1,467	–
Decrease (increase) in operating and other receivables	-147,276	-26,545
Decrease (increase) in inventories	-156	3,110
Increase (decrease) in operating and other payables	-88,914	-149,699
Increase (decrease) in employees' bonuses payable	204,678	222,073
Increase (decrease) in consumption taxes payable	-25,732	-9,101
Other, net	-25,489	17,114
Subtotal	1,163,665	2,056,118
Interest received	994	334
Dividends received	1,549	1,597
Interest expenses paid	-4,275	-2,514
Income taxes paid	-599,622	-540,022
Cash flows from (used in) operating activities	562,311	1,515,514
Cash flows from investing activities		
Acquisition of property, plant and equipment	-38,334	-39,193
Proceeds from sales of property, plant and equipment	50,407	–
Acquisition of intangible assets	-434,752	-985,601
Acquisition of investments	-15,000	–
Payments for lease and guarantee deposits	-10,874	-29,619
Proceeds from collection of lease and guarantee deposits	3,637	21,979
Other, net	-19,237	24,590
Cash flows from (used in) investing activities	-464,153	-1,007,843
Cash flows from financing activities		
Repayments of long-term loans payable	-333,280	-341,350
Repayments of lease obligations	-18,657	-28,686
Cash dividends paid	-562,614	-487,018
Purchase of treasury shares	-530,475	-1,005,603
Proceeds from sales of treasury shares	22,261	297,157
Other, net	-1,247	-17,400
Cash flows from (used in) financing activities	-1,424,012	-1,582,899
Impact of exchange fluctuations for cash and cash equivalents	-4,973	-5,201
Net increase (decrease) in cash and cash equivalents	-1,330,827	-1,080,430
Cash and cash equivalents at beginning of period	7,738,206	5,970,318
Balance of cash and cash equivalents at the end of the quarter	6,407,379	4,889,888

(6) Notes regarding the summary consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

Beginning in the first three months of the fiscal year, the Group has adopted IFRS 15 “Revenue from Contracts with Customers” (released in May 2014) and “Clarification to IFRS 15” (released in April 2016) (collectively referred to as “IFRS 15” below).

The Group retroactively applies IFRS 15 according to transitional measures and recognizes the cumulative effect of the start of application as the correction of the balance of retained earnings at the beginning of the first three months of the fiscal year.

Due to the application of IFRS 15, the Group recognizes revenue by applying the following five steps, excluding interest, dividend income, etc. based on IFRS 9 “Financial Instruments.”

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Pursuant to the above, the Group recognizes revenue as it satisfies performance obligations in the contracts with customers at a certain point or for a certain period.

The Group recognizes the portion of an increase in the costs for obtaining contracts with customers that is expected to be recoverable as assets (referred to as “assets recognized from the costs for obtaining a contract with a customer” below). An increase in costs for obtaining a contract with a customer is a cost incurred for the acquisition of a contract with a customer, which would have not arisen without the acquisition of such a contract. Assets recognized from the costs for obtaining a contract with a customer are written down in equal amounts over five years according to the estimated term of a contract with a customer.

As a result, other non-current assets and retained earnings increased by 76,000,000 yen and 52,729,000 yen, respectively, and deferred tax assets decreased by 23,271,000 yen in the condensed quarterly consolidated statement of financial position at the beginning of the first three months of the fiscal year in comparison to the case to which the previous accounting standards are applied. The impact of the application of IFRS 15 on the profit and loss in the summary consolidated statement of income for the first six months of the fiscal year under review is negligible in comparison to the case to which the previous accounting standards are applied.

Beginning the first three months of the fiscal year, advances received from customers, which were previously included in trade and other payables, are presented as contract liabilities due to the application of IFRS 15.

As a result, contract liabilities increased by 1,910,991,000 yen and trade and other payables decreased by the same amount in the summary consolidated statement of financial position at the end of the first six months of the fiscal year under review in comparison to the case to which the previous accounting standards are applied.

(Segment information)

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