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## Summary of Financial Statements for the First Half of the Fiscal Year Ending December 31, 2019 [IFRS] (Consolidated)

August 2, 2019

Broadleaf Co., Ltd.

Stock Listing: Tokyo Stock Exchange 1st Section

Representative: Kenji Oyama, Representative Director, President & CEO

Scheduled Starting Date for Dividend Payment: September 19, 2019

Earnings Supplementary Explanatory Documents: Yes

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

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

### 1. Consolidated Financial Results for the 1st Half of the FY2019 (from January 1, 2019 to June 30, 2019)

#### (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 FY2019	11,072	9.7	2,080	34.9	2,075	34.1	1,361	36.4	1,361	36.4	1,320	40.2
H1 FY2018	10,090	27.3	1,542	67.9	1,548	70.9	998	78.5	998	78.5	942	69.5

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
H1 FY2019	15.59		15.39	
H1 FY2018	11.39		11.31	

(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 H1 FY2018 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 FY2019	29,937	21,930	21,927	73.2
End of FY2018	29,413	21,033	21,033	71.5

### 2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	—	5.50	—	6.50	12.00
FY2019	—	6.50	—	—	—
FY2019 (Forecast)	—	—	—	6.50	13.00

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

### 3. Earnings Forecast for FY2019 (from January 1, 2019 to December 31, 2019)

(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
FY2019	22,000	3.4	4,500	9.4	4,500	9.6	2,800	5.4	32.07

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

\* Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2019 (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 FY2019	97,896,800	FY2018	97,896,800
Q2 FY2019	10,473,263	FY2018	10,588,336
Q2 FY2019	87,341,624	Q2 FY2018	87,661,382

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 average number of shares for the first half of the fiscal year ending December 2018 is calculated on the assumption that the stock split was conducted at the beginning of the previous period.

\* 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 5, 2019. 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, 2019

### (1) Qualitative information on financial results

In the first six months of the fiscal year under review (January 1, 2019 through June 30, 2019), the Japanese economy was on a moderate recovery trend due to steady consumer spending and capital expenditure as the employment and income environment continued to improve. However, the economic conditions in Japan and abroad remain uncertain due to the escalation of the trade frictions between the US and China and the UK's withdrawal from the EU.

In the information service segment, to which the Company belongs, investments of companies continue to be steady on the back of diversified investments in strategic areas, such as digital marketing and big data analysis, and in IT systems in order to improve productivity due to the promotion of workstyle reform. In this situation, the Group set "Acceleration to a package vendor to platformer" in its medium-/long-term management policy. In the first six months of the fiscal year under review, the Group moved forward with the development of the .c (dot c) series, which is a successor of the industry-specific application .NS (dot n s) series to enhance services that run on a digital business platform Broadleaf Cloud Platform. In January 2019, it initiated the provision of the welfare representative service Broadleaf Club VIP Service. To accelerate the increase in sales of the work analysis/optimization software OTRS, the Company is also currently strengthening sales activities in Japan for a wide range of industries, such as manufacturing, logistics, healthcare/nursing care, agriculture and education. In addition, to strengthen its sales channel overseas, the Company concluded a strategic partnership with Kaizen Global Enterprises (head office: United Arab Emirates), which provides consulting services in more than 60 countries worldwide, in February 2019, enhancing its strategic efforts over the medium-/long term.

As a result, in the first six months of the fiscal year under review (January 1, 2019 through June 30, 2019), the Company posted revenue of 11,072 million yen (up 9.7% year on year), operating profit of 2,080 million yen (up 34.9% year on year), profit before tax of 2,075 million yen (up 34.1% year on year), and profit attributable to owners of parent of 1,361 million yen (up 36.4% 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, FY2018 (From Jan. 1 to Jun. 30, 2018)	1st Half, FY2019 (From Jan. 1 to Jun. 30, 2019)	Year-on-year rate of change
Platforms	4,552	4,948	8.7%
Applications	5,538	6,123	10.6%
Total	10,090	11,072	9.7%

(Note) From the first half of the consolidated fiscal year under review, based on the Medium-term Management Strategies <2019-2021> described in the "FY12/2018 Business Results Briefing," which was announced on February 14, 2019, the classification of the revenue by segment is changed in line with the progress of the Group's growth strategies. The figures for the first three months of the previous fiscal year are also indicated based on this new classification.

### (2) Qualitative information on financial position

#### (i) Analysis of financial position

##### (Assets)

Assets at the end of the first half of the consolidated fiscal year under review increased 525 million yen from the end of the previous consolidated fiscal year, to 29,937 million yen. Current assets fell 1,786 million yen, to 8,833 million yen, and non-current assets increased 2,311 million yen, to 21,105 million yen. The decrease in current assets was mainly attributable to decreases in cash and cash equivalents of 2,474 million yen. The main factor contributing to the increase in non-current assets was 734 million yen in additional property, plant and equipment, and 1,227 million yen additional intangible assets.

##### (Liabilities)

Liabilities at the end of the first half of the consolidated fiscal year under review declined 372 million yen from the end of the previous consolidated fiscal year, to 8,008 million yen. Current liabilities fell 491 million yen, to 7,423 million yen, and non-current liabilities increased by 119 million yen, to 585 million yen. The main factor for the fall in current liabilities was a decrease in contract liabilities of 272 million yen, income taxes payable of 201 million yen and a decrease in other current liabilities of 371 million yen, despite an increase in short-term interest-bearing debt of 233 million yen.

(Equity)

Equity at the end of the first half of the consolidated fiscal year under review increased 897 million yen from the end of the previous consolidated fiscal year, to 21,930 million yen. The increase was chiefly attributable to an increase in retained earnings of 1,003 million yen.

(ii) Analysis of cash flows

Cash and cash equivalents (“cash”) at the end of the first half of the consolidated fiscal year under review declined 2,474 million yen from the end of the previous consolidated fiscal year, to 3,153 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, 2019.

(Net cash from (used in) operating activities)

Net cash provided by operating activities stood at 898 million yen, mainly reflecting increases in income taxes paid of 990 million yen, operating and other payables of 740 million yen, which partially offset the posting of profit before tax of 2,075 million yen, and depreciation and amortization expenses of 908 million yen.

(Net cash from (used in) investing activities)

Net cash used in investing activities came to 2,039 million yen, mainly due to the acquisition of intangible assets of 1,652 million yen and the acquisition of investments of 1,048 million yen.

(Net cash from (used in) financing activities)

Net cash used in financing activities came to 1,324 million yen, chiefly attributable to cash dividends paid of 568 million yen, repayments of lease obligations of 441 million yen, and the repayment of long-term loans payable of 316 million yen.

(3) Qualitative Information on consolidated earnings forecast

There have been no changes in the consolidated results forecasts for the fiscal year ending December 31, 2019 announced in the “Summary of Financial Statements for the Fiscal Year Ended December 31, 2018” on February 14, 2019.

## 2. Summary Consolidated Financial Statements and Major Notes

### (1) Summary consolidated statement of financial position

(Unit: Thousands of Yen)

	FY2018 (As of Dec. 31, 2018)	Q2 FY2019 (As of Jun. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	5,626,723	3,152,742
Operating and other receivables	4,447,390	5,186,109
Inventories	238,461	158,405
Other current financial assets	30	1,000
Other current assets	306,121	334,559
<b>Total current assets</b>	<b>10,618,726</b>	<b>8,832,814</b>
Non-current assets		
Property, plant and equipment	442,641	1,177,034
Goodwill	11,739,040	11,802,502
Intangible assets	4,633,235	5,860,109
Investments accounted for using equity method	37,152	31,653
Other non-current financial assets	1,405,853	1,646,466
Other non-current assets	115,372	110,437
Deferred tax assets	420,864	476,455
<b>Total non-current assets</b>	<b>18,794,156</b>	<b>21,104,656</b>
<b>Total assets</b>	<b>29,412,881</b>	<b>29,937,470</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Current liabilities		
Operating and other payables	3,623,665	3,718,649
Contract liabilities	1,616,791	1,345,058
Short-term interest-bearing debt	378,551	611,994
Income taxes payable	1,004,527	803,978
Other current financial liabilities	72,820	97,249
Other current liabilities	1,216,718	845,623
<b>Total current liabilities</b>	<b>7,913,072</b>	<b>7,422,553</b>
Non-current liabilities		
Long-term interest-bearing debt	84,738	223,283
Net defined benefit liability	196,345	194,225
Non-current provisions	133,207	134,870
Deferred tax liabilities	52,097	32,615
<b>Total non-current liabilities</b>	<b>466,386</b>	<b>584,993</b>
<b>Total liabilities</b>	<b>8,379,457</b>	<b>8,007,546</b>
<b>Equity</b>		
Capital stock	7,147,905	7,147,905
Share premium	7,180,289	7,200,988
Treasury shares	-3,500,454	-3,458,288
Retained earnings	9,759,561	10,762,920
Other components of equity	446,124	273,567
<b>Total equity attributable to owners of parent</b>	<b>21,033,424</b>	<b>21,927,092</b>
Non-controlling interests	-	2,832
<b>Total equity</b>	<b>21,033,424</b>	<b>21,929,925</b>
<b>Total liabilities and equity</b>	<b>29,412,881</b>	<b>29,937,470</b>

## (2) Summary consolidated statement of income

(Unit: Thousands of Yen)

	1st Half, FY2018 (From Jan. 1, 2018 to Jun. 30, 2018)	1st Half, FY2019 (From Jan. 1, 2019 to Jun. 30, 2019)
Revenue	10,089,720	11,071,558
Cost of sales	-2,567,953	-3,065,442
Gross profit	7,521,767	8,006,116
Selling, general and administrative expenses	-5,988,769	-5,948,089
Other operating income	26,623	37,233
Other operating expense	-17,633	-15,471
Operating profit	1,541,988	2,079,789
Finance income	15,293	11,795
Finance cost	-4,989	-8,890
Equity in loss of affiliates	-4,508	-7,231
Profit before tax	1,547,784	2,075,463
Income tax	-549,573	-714,188
Profit	998,211	1,361,274
Profit attributable to:		
Owners of parent	998,211	1,361,391
Non-controlling interests	-	-117
Profit	998,211	1,361,274
Earnings per share		
Basic earnings per share (yen)	11.39	15.59
Diluted earnings per share (yen)	11.31	15.39

## (3) Summary consolidated statement of comprehensive income

(Unit: Thousands of Yen)

	1st Half, FY2018 (From Jan. 1, 2018 to Jun. 30, 2018)	1st Half, FY2019 (From Jan. 1, 2019 to Jun. 30, 2019)
Profit	998,211	1,361,274
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	-47,496	-43,714
Remeasurements of defined benefit plans	8,603	—
Total components that will not be reclassified to profit or loss	-38,893	-43,714
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-11,797	825
Share of other comprehensive income of associates accounted for using equity method	-5,671	2,108
Total components that may be reclassified to profit or loss	-17,467	2,933
Total other comprehensive income, net of tax	-56,360	-40,781
Comprehensive income	941,851	1,320,493
Comprehensive income attributable to:		
Owners of parent	941,851	1,320,610
Non-controlling interests	—	-117
Profit	941,851	1,320,493



(4) Summary consolidated statement of changes in equity  
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	Other components of equity	
					Warrants	Exchange differences on translation of foreign operations
Balance as of January 1, 2018	7,147,905	7,116,269	-2,736,155	8,009,349	165,866	-36,065
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	165,866	-36,065
Profit	-	-	-	998,211	-	-
Other comprehensive income	-	-	-	-	-	-17,467
Total comprehensive income	-	-	-	998,211	-	-17,467
Purchase of treasury shares	-	-	-1,005,603	-	-	-
Disposal of treasury shares	-	64,993	239,830	-	-8,829	-
Dividends	-	-	-	-487,018	-	-
Share-based payment transactions	-	-	-	-	82,304	-
Reclassification from other components of equity to retained earnings	-	-	-	8,603	-	-
Total transactions with owners	-	64,993	-765,773	-478,414	73,475	-
Balance as of June 30, 2018	7,147,905	7,181,262	-3,501,927	8,581,874	239,341	-53,532

(Unit: Thousands of Yen)

	Equity attributable to owners of parent					Total equity
	Other components of equity				Total	
	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	Total		
Balance as of January 1, 2018	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	70,255	-	200,056	19,790,153	19,790,153	
Profit	-	-	-	998,211	998,211	
Other comprehensive income	-47,496	8,603	-56,360	-56,360	-56,360	
Total comprehensive income	-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	295,994	295,994	
Dividends	-	-	-	-487,018	-487,018	
Share-based payment transactions	-	-	82,304	82,304	82,304	
Reclassification from other components of equity to retained earnings	-	-8,603	-8,603	-	-	
Total transactions with owners	-	-8,603	64,872	-1,114,323	-1,114,323	
Balance as of June 30, 2018	22,759	-	208,567	19,617,681	19,617,681	

1st Half, FY2019 (From Jan. 1, 2019 to Jun. 30, 2019)

(Unit: Thousands of Yen)

	Equity attributable to owners of parent					
	Capital stock	Share premium	Treasury shares	Retained earnings	Other components of equity	
					Warrants	Shares with restriction on transfer
Balance as of January 1, 2019	7,147,905	7,180,906	-3,500,454	9,758,944	363,850	-
Changes in accounting policies	-	-	-	38,969	-	-
Balance after restatement of prior period's financial results after error corrections	7,147,905	7,180,906	-3,500,454	9,797,913	363,850	-
Profit	-	-	-	1,361,391	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	1,361,391	-	-
Acquisition of subsidiaries	-	-	-	-	-	-
Disposal of treasury shares	-	-1,936	6,174	-	-5,610	-
Dividends	-	-	-	-567,505	-	-
Share-based payment transactions	-	22,018	35,993	-	86,955	-42,000
Reclassification from other components of equity to retained earnings	-	-	-	171,121	-	-
Total transactions with owners	-	20,082	42,167	-396,384	81,345	-42,000
Balance as of June 30, 2019	7,147,905	7,200,988	-3,458,288	10,762,920	445,196	-42,000

(Unit: Thousands of Yen)

	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	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, 2019	-49,109	131,383	446,124	21,033,424	-	21,033,424
Changes in accounting policies	-	-	-	38,969	-	38,969
Balance after restatement of prior period's financial results after error corrections	-49,109	131,383	446,124	21,072,393	-	21,072,393
Profit	-	-	-	1,361,391	-117	1,361,274
Other comprehensive income	2,933	-43,714	-40,781	-40,781	-	-40,781
Total comprehensive income	2,933	-43,714	-40,781	1,320,610	-117	1,320,493
Acquisition of subsidiaries	-	-	-	-	2,949	2,949
Disposal of treasury shares	-	-	-5,610	-1,372	-	-1,372
Dividends	-	-	-	-567,505	-	-567,505
Share-based payment transactions	-	-	44,956	102,967	-	102,967
Reclassification from other components of equity to retained earnings	-	-171,121	-171,121	-	-	-
Total transactions with owners	-	-171,121	-131,775	-465,911	2,949	-462,962
Balance as of June 30, 2019	-46,176	-83,452	273,567	21,927,092	2,832	21,929,925

## (5) Summary consolidated statement of cash flow

(Unit: Thousands of Yen)

	Notes	1st Half, FY2018 (From Jan. 1, 2018 to Jun. 30, 2018)	1st Half, FY2019 (From Jan. 1, 2019 to Jun. 30, 2019)
Cash flows from operating activities			
Profit before tax		1,547,784	2,075,463
Depreciation and amortization expense		374,875	908,498
Share-based payment expenses		82,304	95,345
Finance income and costs		-10,304	-2,905
Equity in loss (earnings) of affiliates		4,508	7,231
Decrease (increase) in operating and other receivables		-26,545	-740,341
Decrease (increase) in inventories		3,110	81,804
Increase (decrease) in operating and other payables		-149,699	91,773
Increase (decrease) in accrued expenses		187,044	-168,023
Increase (decrease) in employees' bonuses payable		222,073	-133,747
Increase (decrease) in contract liabilities		-219,561	-271,733
Increase (decrease) in consumption taxes payable		-9,101	-73,775
Other, net		49,631	20,561
Subtotal		2,056,118	1,890,150
Interest received		334	70
Dividends received		1,597	1,646
Interest expenses paid		-2,514	-3,163
Income taxes paid		-540,022	-990,259
Cash flows from (used in) operating activities		1,515,514	898,443
Cash flows from investing activities			
Acquisition of property, plant and equipment		-39,193	-28,807
Acquisition of intangible assets		-985,601	-1,652,392
Acquisition of investments		—	-1,048,346
Proceeds from sale of investments		—	745,500
Purchase of investments in subsidiaries resulting in change in scope of consolidation		—	-64,215
Payments for lease and guarantee deposits		-29,619	-15,717
Proceeds from collection of lease and guarantee deposits		21,979	4,754
Other, net		24,590	20,444
Cash flows from (used in) investing activities		-1,007,843	-2,038,779
Cash flows from financing activities			
Repayments of long-term loans payable		-341,350	-316,000
Repayments of lease obligations (during the first six months of the previous consolidated fiscal year)		-28,686	-441,140
Cash dividends paid		-487,018	-567,505
Purchase of treasury shares		-1,005,603	—
Proceeds from sales of treasury shares		297,157	4,238
Other, net		-17,400	-3,247
Cash flows from (used in) financing activities		-1,582,899	-1,323,653
Impact of exchange fluctuations for cash and cash equivalents		-5,201	-9,992
Net increase (decrease) in cash and cash equivalents		-1,080,430	-2,473,981
Cash and cash equivalents at beginning of period		5,970,318	5,626,723
Balance of cash and cash equivalents at the end of the quarter		4,889,888	3,152,742

(6) Notes regarding the summary consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

The important accounting policy applied to the Summary Quarterly Financial Statements was also applied to the consolidated financial statements for the previous consolidated fiscal year, excluding the following.

The income tax expense during the first six months of the consolidated fiscal year under review is calculated based on the effective tax rate for the fiscal year of estimate.

Lease

The Group has applied IFRS 16 Leases (released in January 2016, hereinafter, "IFRS 16") since the first quarter of the consolidated fiscal year. For the application of IFRS 16, the transitional provision under C5 (b) is taken, and the cumulative effects of the start of application is recognized as retained earnings on the date of application (January 1, 2019).

During the period of comparison, the Company, as a borrower, classifies the type of lease with which risk and economic value for owning it is transferred effectively as a finance lease, and posts assets/liabilities related to lease transactions. Other types of lease contracts are classified as operating leases, and the lease payment based on the operating lease is recognized as expenses on a straight-line basis during the lease period.

In the transition to IFRS 16, shortcuts on a practical level under IFRS 16 C3 are chosen regarding whether a lease is included in a contract, and the judgment under IAS 17 Leases (hereinafter, "IAS 17") and IFRIC 4 "Judgment on whether a lease is included in a contract" is continued.

Lease liabilities in a lease transaction are initially measured as the present value discounted using a calculated interest rate of the unsettled portion of the total lease payment on the start date of the lease. If calculation of the interest rate of the lease is difficult, the Group's additional borrowing interest rate is used, and the Group generally uses the additional borrowing interest rate as the discount rate.

With regard to the right of use asset, the initial measurement is conducted on the initial measured amount of lease liabilities adjusted by prepaid lease payments, etc. Depreciation is conducted for the right of use asset on a regular basis during the lease period.

The Group includes the right of use assets in property, plant and equipment and lease liabilities in interest-bearing debt in the summary consolidated statement of financial position.

The Group judges based on the substance of a contract whether the contract is a lease or not, or whether a lease is included in the contract, even if the contract is not a type of lease from the standpoint of the law.

With regard to a lease for which the lease period is terminated within 12 months and a lease with a small amount of underlying assets, the lease fee related to the lease is recognized as expenses during the lease period.

The Group recognizes lease liabilities for leases, to which IAS 17 was applied in the past for classification as operating leases, on the start date of the application of IFRS 16. The lease liabilities are measured with the present value of the remaining lease fee discounted using the borrower's additional borrowing interest rate on the start date of the application. The weighted average of the borrower's additional borrowing interest rate applied to lease liabilities, which is recognized in the Summary Quarterly Financial Statements on the start date of the application, is 0.54%.

For the measurement of the right of use assets, a method is adopted in which the measured amount of lease liabilities is adjusted by prepaid lease fee and unsettled lease fee.

In addition, the Group uses the following shortcut methods on a practical level for the application of IFRS 16.

- A single discount rate is applied to a portfolio of leases with rationally similar characteristics
- With regard to a contract with an extension or cancellation option, ex-post judgment is made for the calculation of the lease period.
- A replacement for impairment loss review is based on the evaluation of the disadvantages of applying IAS 37 "Non-current provisions, contingent liabilities, and contingent assets" to a lease immediately before the start date of the application.
- Initial direct cost is excluded from the right of use assets on the start date of the application.

As a result, in the (beginning-of-year) Summary Quarterly Financial Statements of the first half of the consolidated fiscal year under review, property, plant and equipment, and interest-bearing debt increased by 942,455 thousand yen and 886,287 thousand yen, respectively.

The impact on the summary consolidated statement of income is limited.

In addition, in the summary consolidated statement of cash flow, cash flows from financing activities declined by 406,774

thousand yen, while cash flows from operating activities increased by the same amount during the first six months of the consolidated fiscal year under review.

The list of adjustment below indicates the non-cancelable operating lease contract to which IAS 17 was applied, which was disclosed at the end of the previous consolidated fiscal year, and lease liabilities on the start date of the application recognized in the summary consolidated statement of financial position.

(Unit: Thousands of Yen)	
	Amount
Non-cancelable operating lease contract disclosed on December 31, 2018	452,272
Non-cancelable operating lease contract disclosed on December 31, 2018 (after discounting by additional borrowing rate)	429,418
Finance lease obligations (as of December 31, 2018)	147,288
Cancellable lease operating lease contract	418,276
Other	38,592
Lease obligations as of January 1, 2019	1,033,574

(Segment information)

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