

The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English translation is for your convenience only. If there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.



Summary of Financial Statements for the Second Quarter of the Fiscal Year Ending December 31, 2021 [IFRS] (Consolidated)

August 10, 2021

Broadleaf Co., Ltd

Stock listing: Tokyo Stock Exchange 1st Section

Representative: Kenji Oyama, Representative Director and President

Scheduled Commencement Date of Dividend Payout: September 17, 2021

Earnings Supplementary Explanatory Documents: Yes

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

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the First Six Months of FY2021 (From January 1, 2021 to June 30, 2021)

(1) Consolidated Operating Results (Cumulative)

(Percentage below represents increase (decrease) from the same period of previous year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of the parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q FY2021	9,937	-2.9	1,243	-23.6	1,239	-23.2	796	-25.2	795	-25.4	856	-11.5
2Q FY2020	10,232	-7.6	1,628	-21.7	1,614	-22.2	1,065	-21.8	1,066	-21.7	967	-26.8

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
2Q FY2021	9.05		8.90	
2Q FY2020	12.18		11.98	

(2) Consolidated Financial Position

	Total assets		Total equity		Equity attributable to owners of the parent		Percentage of equity attributable to owners of the parent	
	Millions of yen		Millions of yen		Millions of yen		%	
End of 2Q FY2021	33,216		24,979		24,979		75.2	
End of FY2020	32,274		24,602		24,600		76.2	

2.Dividend Status

	Dividend per share				
	End of 1Q	Interim	End of 3Q	Year-end	Total
	Yen				
FY2020	-	6.60	-	6.60	13.20
FY2021	-	4.00	-	-	-
FY2021 (forecast)	-	-	-	4.00	8.00

(NOTE)Revisions to the latest announced dividend forecasts: None

3. Consolidated Results Forecasts for FY2021 (January 1, 2021 to December 31, 2021)

(Percentage below represents increase (decrease) from the same period of previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2021	20,350	-3.8	2,600	-37.1	2,580	-32.5	1,640	-33.5	18.66

(NOTE)Revisions to the latest announced results forecasts: None

* Notes

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries with changes in the scope of consolidation): None

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

1. Changes in accounting policies required by IFRS: None
2. Other changes in accounting policies: None
3. Changes in accounting estimates: None

(3) Number of shares outstanding (common stock)

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

2Q FY2021	97,896,800 Shares	FY2020	97,896,800 Shares
2Q FY2021	9,901,018 Shares	FY2020	10,313,058 Shares
2Q FY2021	87,810,924 Shares	2Q FY2020	87,475,499 Shares

* Summary of financial statements is outside the scope of audit procedures by certified public accountants and audit firm.

* Comments regarding appropriate usage of results forecasts, and other special notes

(Notes on forward-looking statements)

The forward-looking statements such as results 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 plans to hold an earnings results briefing for institutional investors and analysts on August 11, 2021, in the form of an online livestream. The materials used at the meeting will be posted on our website.

○Table of Contents of the Attached Material

1. Qualitative Information on Operating Results, etc. for the First Six Months Ended June 30, 2021	2
(1) Qualitative information on financial results	2
(2) Qualitative information on financial position	3
(3) Qualitative information on consolidated results forecasts	3
2. Consolidated Financial Statements and Major Notes	4
(1) Consolidated statements of financial position	4
(2) Consolidated statements of income	5
(3) Consolidated statements of comprehensive income	6
(4) Consolidated statements of changes in equity	7
(5) Consolidated statements of cash flows	9
(6) Notes regarding consolidated financial statements	10
(Notes on going concern)	10
(Segment information)	10

1. Qualitative Information on Operating Results, etc. for the First Six Months Ended June 30, 2021

(1) Qualitative information on financial results

During the first six months of the current fiscal year (from January 2021 to June 2021), the Japanese economy continued to recover amid the harsh economic conditions caused by COVID-19. The recovery is expected to continue due to the positive effects of various policies and improvements in overseas economies, but the impact of future infection trends on domestic and overseas economies needs to be closely monitored since the outlook remains unpredictable.

In information technology services industry where the Group belongs, corporate investments in DX (Digital Transformation) for realizing "new working styles" including telework and contactless work were expanding, and the DX-related market continued to be favorable. On the other hand, against the backdrop of an uncertain outlook for the economy, a cautious stance towards new investments in non-strategic domains had been observed, so there were both strong and weak demands for IT investments.

Given such conditions, the Group continued activities that contribute to the business continuity and business creation of its clients, based on the spirit of its corporate philosophy of "Gratitude and Happiness." During the first six months of the current fiscal year, the Group expanded DX solutions to support promotion of its clients' DX in addition to sales of business software. Also, in order to stabilize and enhance its revenue over the medium-to-long term, the Group began transition of the business software sales to monthly subscription models.

Among these initiatives, the ratio of monthly subscription models in business software sales rose more than initially planned. This will stabilize and enhance its revenue over the medium-to-long term, but it also caused the short-term decline in revenue. A decline in sales of devices in reaction to the large orders of devices in the first quarter of the previous fiscal year was also a factor behind decline in revenue. On the other hand, since the Group continued to strengthen its sales capabilities including proposal capabilities for promoting its clients' DX, the acquisition of new clients for business software remained strong, which led to an increase in monthly sales of network usage fee and support service fees. In addition, the Group actively conducted advertising and other sales promotion activities which led to the acquisition of new clients, while reducing costs of sales activities by actively promoting online sales activities.

As a result, in the first six months of the current fiscal year (from January 1, 2021 to June 30, 2021), the Group posted revenue of 9,937 million yen (down 2.9% year on year), operating profit of 1,243 million yen (down 23.6% year-on-year), profit before tax of 1,239 million yen (down 23.2% year-on-year) , and profit attributable to owners of the parent of 795 million yen (down 25.4% year-on-year).

The Group has a single business segment which consists of IT services. A breakdown of revenue by category is shown in the table below.

(Millions of yen)

Category	First six months of FY2020 (from January 1, 2020 to June 30, 2020)	First six months of FY2021 (from January 1, 2021 to June 30, 2021)	YoY ratio
Platform	5,072	5,552	9.5%
Application	5,160	4,385	-15.0%
Total	10,232	9,937	-2.9%

(NOTE) From the first six months of the current fiscal year, the Group changed revenue categories in order to clarify the progress of their growth strategy in launching the new cloud-based model, ".c Series." Figures for the first six months of the previous fiscal year have also been recomposed.

(2) Qualitative information on financial position

(i) Analysis of financial condition

(Assets)

Assets at the end of the first six months of the current consolidated fiscal year increased by 942 million yen from the end of previous consolidated fiscal year to 33,216 million yen. Current assets decreased by 85 million yen to 7,667 million yen and non-current assets increased by 1,027 million yen to 25,548 million yen. Current assets decreased mainly due to decreases of 171 million yen in inventories, 50 million yen in other current financial assets, and 34 million yen in operating and other receivables, despite increases of 115 million yen in other current assets and 55 million yen in cash and cash equivalents. The increase in non-current assets was mainly due to an increase of 963 million yen in intangible assets.

(Liabilities)

Liabilities at the end of the first six months of the current fiscal year increased by 565 million yen from the end of previous consolidated fiscal year to 8,237 million yen. Current liabilities increased by 666 million yen to 7,099 million yen, and non-current liabilities decreased by 101 million yen to 1,138 million yen. Current liabilities increased mainly due to an increase of 1,669 million yen in short-term interest-bearing debts, despite decreases of 451 million yen in operating and other payables, 174 million yen in other current liabilities, 157 million yen in contract liabilities, and 117 million yen in accrued income taxes. The decrease in non-current liabilities was mainly due to a decrease of 181 million yen in long-term interest-bearing debts, despite an increase of 39 million yen in other non-current liabilities and 36 million yen in deferred tax liabilities.

(Equity)

Equity at the end of the first six months of the current fiscal year increased by 376 million yen from the end of previous consolidated fiscal year to 24,979 million yen. The increase in equity was mainly attributable to an increase of 225 million yen in retained earnings and a decrease of 118 million yen in treasury shares.

(ii) Analysis of cash flows

Cash and cash equivalents ("cash") at the end of the first six months of the current fiscal year increased by 55 million yen from the end of previous consolidated fiscal year period to 3,287 million yen.

The status of each cash flow and its factors in the first six months of the current fiscal year are as follows.

(Cash flow from (used in) operating activities)

Cash from operating activities was 1,080 million yen (down 1.9% year on year). This was mainly attributable to profit before tax of 1,239 million yen and depreciation and amortization expense of 1,120 million yen, despite income taxes paid of 552 million yen, a decrease of 478 million yen in operating and other payables, and a decrease of 212 million yen in consumption taxes payable.

(Cash flows from (used in) investing activities)

Cash used in investing activities was 1,564 million yen (up 21.8% year on year). This was mainly attributable to acquisition of intangible assets of 1,597 million yen.

(Cash flows from (used in) financing activities)

Cash from financing activities was 537 million yen (cash flow used in financing activities was 23 million yen in the same period of the previous fiscal year). This was mainly due to a net increase of 1,652 million yen in short-term loans payable, despite cash dividends paid of 578 million yen and repayments of lease obligations of 449 million yen.

(3) Qualitative information on consolidated results forecasts

There is no change in consolidated results forecasts from the results forecasts announced in "Notice of Revisions to Consolidated Earnings Forecasts and Dividend Forecast" on July 28, 2021.

2. Consolidated Financial Statements and Major Notes

(1) Consolidated statements of financial position

(Thousands of yen)

	FY2020 (As of December 31, 2020)	2Q FY2021 (As of June 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	3,232,409	3,287,168
Operating and other receivables	3,797,819	3,764,124
Inventories	355,682	184,665
Other current financial assets	55,000	5,000
Other current assets	311,078	426,179
Total current assets	7,751,988	7,667,135
Non-current assets		
Property, plant and equipment	1,822,803	1,661,529
Goodwill	11,802,504	11,802,504
Intangible assets	8,425,546	9,388,909
Investments accounted for using equity method	95,703	100,157
Other non-current financial assets	1,420,760	1,516,876
Other non-current assets	175,836	291,292
Deferred tax assets	778,783	787,174
Total non-current assets	24,521,935	25,548,442
Total assets	32,273,923	33,215,577
Liabilities and equity		
Liabilities		
Current liabilities		
Operating and other payables	3,538,577	3,087,893
Contract liabilities	612,413	455,475
Short-term interest-bearing debts	748,408	2,417,900
Accrued income taxes	554,956	438,436
Other financial liabilities	105,529	-
Other current liabilities	872,547	698,896
Total current liabilities	6,432,430	7,098,600
Non-current liabilities		
Long-term interest-bearing debts	787,905	607,193
Obligations for retirement pay	172,196	176,552
Provisional sum	139,102	139,523
Deferred tax liabilities	139,825	175,400
Other non-current liabilities	-	39,484
Total non-current liabilities	1,239,027	1,138,153
Total liabilities	7,671,457	8,236,753
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,215,824	7,291,792
Treasury shares	-3,403,618	-3,285,446
Retained earnings	13,265,826	13,490,631
Other components of equity	374,078	333,943
Total equity attributable to owners of parent	24,600,015	24,978,825
Non-controlling interests	2,451	-
Total equity	24,602,466	24,978,825
Total liabilities and equity	32,273,923	33,215,577

(2) Consolidated statements of income

(Thousands of yen)

	First six-months of FY2020 (From January 1, 2020 to June 30, 2020)	First six-months of FY2021 (From January 1, 2021 to June 30, 2021)
Revenue	10,231,942	9,937,265
Cost of sales	-3,006,341	-2,866,930
Gross profit	7,225,601	7,070,335
Selling, general and administrative expenses	-5,603,115	-5,844,755
Other operating revenue	10,996	24,525
Other operating expenses	-5,670	-7,222
Operating profit	1,627,812	1,242,882
Finance income	41,577	22,173
Financing costs	-37,916	-24,460
Equity in losses of affiliates	-17,043	-1,313
Profit before tax	1,614,430	1,239,283
Corporate income tax	-549,774	-442,790
Profit	1,064,656	796,492
Profit attributable to:		
Owners of the parent	1,065,596	795,063
Non-controlling interests	-940	1,429
Profit	1,064,656	796,492
Earnings per share		
Basic earnings per share (yen)	12.18	9.05
Diluted earnings per share (yen)	11.98	8.90

(3) Consolidated statements of comprehensive income

(Thousands of yen)

	First six months of FY2020 (From January 1, 2020 to June 30, 2020)	First six months of FY2021 (From January 1, 2021 to June 30, 2021)
Profit	1,064,656	796,492
Other comprehensive income		
Items 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	-96,909	61,437
Total items that will not be reclassified to profit or loss	<u>-96,909</u>	<u>61,437</u>
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	-572	-3,153
Share of other comprehensive income of associates accounted for using the equity method	-286	1,268
Total items that may be reclassified to profit or loss	<u>-858</u>	<u>-1,885</u>
Total other comprehensive income, net of tax	<u>-97,767</u>	<u>59,552</u>
Comprehensive income	<u><u>966,889</u></u>	<u><u>856,044</u></u>
Comprehensive income attributable to		
Owners of the parent	967,829	854,615
Non-controlling interests	<u>-940</u>	<u>1,429</u>
Profit	<u><u>966,889</u></u>	<u><u>856,044</u></u>

(4) Consolidated statements of changes in equity

First six months of FY2020 (From January 1, 2020 to June 30, 2020)

(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, 2020	7,147,905	7,199,403	-3,456,820	11,928,868	537,744	-14,000
Profit	-	-	-	1,065,596	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	1,065,596	-	-
Disposal of treasury shares	-	1,969	10,744	-	-15,372	-
Dividends	-	-	-	-568,279	-	-
Share-based payment transactions	-	14,142	41,857	-	113,439	-28,000
Total transactions with owners	-	16,112	52,601	-568,279	98,068	-28,000
Balance as of June 30, 2020	7,147,905	7,215,515	-3,404,219	12,426,185	635,812	-42,000

(Thousands of yen)

	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Exchange differences on translating foreign operations	Net change in fair value of financial assets of equity nature measured at fair value through other comprehensive income	Total			
Balance as January 1, 2020	-44,269	-81,903	397,573	23,216,929	2,697	23,219,626
Profit	-	-	-	1,065,596	-940	1,064,656
Other comprehensive income	-858	-96,909	-97,767	-97,767	-	-97,767
Total comprehensive income	-858	-96,909	-97,767	967,829	-940	966,889
Disposal of treasury shares	-	-	-15,372	-2,659	-	-2,659
Dividends	-	-	-	-568,279	-	-568,279
Share-based payment transactions	-	-	85,439	141,439	-	141,439
Total transactions with owners	-	-	70,068	-429,499	-	-429,499
Balance as of June 30, 2020	-45,127	-178,812	369,873	23,755,258	1,757	23,757,015

First six months of FY2021 (From January 1, 2021 to June 30, 2021)

(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, 2021	7,147,905	7,215,824	-3,403,618	13,265,826	724,241	-14,000
Profit	-	-	-	795,063	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	795,063	-	-
Disposal of treasury shares	-	105,560	118,172	-	-171,167	-
Dividends	-	-	-	-578,052	-	-
Share-based payment transactions	-	-	-	7,794	99,480	-28,000
Changes in ownership interest in subsidiaries	-	-29,592	-	-	-	-
Total transactions with owners	-	75,968	118,172	-570,258	-71,687	-28,000
Balance as of June 30, 2021	7,147,905	7,291,792	-3,285,446	13,490,631	652,554	-42,000

(Thousands of yen)

	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Exchange differences on translating 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, 2021	-47,026	-289,136	374,078	24,600,015	2,451	24,602,466
Profit	-	-	-	795,063	1,429	796,492
Other comprehensive income	-1,885	61,437	59,552	59,552	-	59,552
Total comprehensive income	-1,885	61,437	59,552	854,615	1,429	856,044
Disposal of treasury shares	-	-	-171,167	52,565	-	52,565
Dividends	-	-	-	-578,052	-	-578,052
Share-based payment transactions	-	-	71,480	79,274	-	79,274
Changes in ownership interest in subsidiaries	-	-	-	-29,592	-3,880	-33,472
Total transactions with owners	-	-	-99,687	-475,805	-3,880	-479,685
Balance as of June 30, 2021	-48,912	-227,699	333,943	24,978,825	-	24,978,825

(5) Consolidated statements of cash flows

(Thousands of yen)

	First six months of FY2020 (From January 1, 2020 to June 30, 2020)	First six months of FY2021 (From January 1, 2021 to June 30, 2021)
Cash flow from operating activities		
Profit before tax	1,614,430	1,239,283
Depreciation and amortization	1,029,260	1,120,233
Share-based payment expense	141,439	124,044
Finance costs (income)	-3,661	2,286
Equity in loss (earnings) of affiliates	17,043	1,313
Decrease (increase) in operating and other receivables	-171,524	30,469
Decrease (increase) in inventories	42,201	171,272
Increase (decrease) in operating and other payables	-604,843	-478,315
Decrease (increase) in prepaid expenses	10,440	-118,708
Decrease (increase) in long-term prepaid expenses	26,529	-71,413
Increase (decrease) in employees' bonuses payable	-199,628	-19,500
Increase (decrease) in contract liabilities	-218,720	-156,938
Increase (decrease) in consumption taxes payable	65,538	-211,547
Other, net	-3,457	683
Subtotal	1,745,048	1,633,161
Interest received	3,891	1,423
Dividend received	1,839	2,033
Interest expenses paid	-5,068	-5,395
Income taxes refunded (paid)	-645,503	-551,517
Cash flow from operating activities	1,100,207	1,079,705
Cash flow from investing activities		
Acquisition of property, plant and equipment	-12,579	-24,781
Acquisition of intangible assets	-1,233,383	-1,596,597
Loan advances	-51,100	-300
Collection of loans receivable	771	50,658
Payments for lease and guarantee deposits	-1,097	-7,488
Proceeds from collection of lease and guarantee deposits	1,706	7,587
Other, net	11,406	6,655
Cash flow from investing activities	-1,284,277	-1,564,267
Cash flow from financing activities		
Increase (decrease) in short-term loans payable (-)	1,001,000	1,652,000
Repayments of lease obligations	-454,185	-448,722
Cash dividends paid	-568,279	-578,052
Proceeds from sales of treasury shares	1,500	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	-33,472
Expenses related to commitment lines	-3,231	-54,501
Cash flow from financing activities	-23,195	537,252
Impact of exchange fluctuations for cash and cash equivalents	-294	2,069
Net increase (decrease) in cash and cash equivalents	-207,560	54,759
Cash and cash equivalents at beginning of period	3,033,768	3,232,409
Balance of cash and cash equivalents at the end of the period	2,826,208	3,287,168

(6) Notes regarding consolidated financial statements

(Notes on the going concern)

Not applicable.

(Segment Information)

This information is omitted because the Group is a single segment (IT services business).