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Summary of Financial Statements for the First Half of the Fiscal Year Ending December 31, 2016

[Japanese GAAP]
(Non-consolidated)

July 28, 2016

Broadleaf Co., Ltd.

Stock Listing:	Tokyo Stock Exchange 1st Section
Stock Code:	3673 URL: http://www.broadleaf.co.jp/
Representative:	Kenji Oyama, Representative Director, President & CEO
Scheduled Submission Date for Quarterly Report:	August 12, 2016
Scheduled Starting Date for Dividend Payment:	September 12, 2015
Earnings Supplementary Explanatory Documents:	Yes
Earnings Results Briefing:	Yes (For institutional investors and analysts)

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

1. Financial Results for the 1st Half of the FY2016 (from January 1, 2016 to June 30, 2016)

(1) Results of Operations

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1 st Half, FY2016	8,196	-1.5	920	-8.7	928	-6.8	622	30.7
1 st Half, FY2015	8,325	-8.3	1,008	-45.5	996	-45.5	476	-49.5

	Earnings Per Share		Diluted Earnings Per Share	
	Yen		Yen	
1 st Half, FY2016	25.74		25.73	
1 st Half, FY2015	18.97		18.93	

(2) Financial Position

	Total Asset	Net Asset	Shareholders' Equity Ratio
	Millions of Yen	Millions of Yen	%
End of 1 st Half, FY2016	25,473	19,309	75.7
End of FY2015	25,565	19,385	75.7

(Reference) Shareholders' Equity End of 1st Half, FY2016: 19,279 Million Yen End of FY2015: 19,356 Million Yen

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	-	12.50	-	12.50	25.00
FY2016	-	17.50	-	-	-
FY2016 (Forecast)	-	-	-	12.50	30.00

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

Breakdown of Dividends Per Share at the End of Q2 FY2016 : Ordinary dividend 12.50 yen
Commemorative dividend 5.00 yen

3. Earnings Forecast for FY2016 (from January 1, 2016 to December 31, 2016)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
FY2016	18,000	7.0	3,000	19.3	2,970	19.1	1,620	29.4	67.44

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

*** Notes**

(1) Adoption of special accounting methods for preparation of quarterly financial statements: No

(2) Changes in accounting policies, changes in accounting estimates and restatement of corrections

1. Changes in accounting policies in association with revision in accounting standards: No

2. Other changes in accounting policies: No

3. Changes in accounting estimates: No

4. Restatement of corrections: No

(3) Number of shares outstanding (common stock)

(Shares)

1. Number of shares outstanding (including treasury stock)	Q2 FY2016	24,474,200	FY2015	25,234,200
2. Number of shares of treasury stock	Q2 FY2016	609,184	FY2015	1,030,884
3. Average number of shares outstanding (during the period)	Q2 FY2016	24,182,833	Q2 FY2015	25,111,152

*** Indication of quarterly review procedure implementation status**

This quarterly earnings report is not subject to quarterly review procedures based upon the Financial Instruments and Exchange Act. Thus, at the time of disclosure of the financial results, the quarterly financial statement review procedures based upon the Financial Instruments and Exchange Act have not been completed.

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

(Note on forward-looking statements)

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

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1. Qualitative Information on Operating Results, etc. for the Six Months Ended June 30, 2016

(1) Qualitative information on financial results

In the first six months of the fiscal year ending December 31, 2016, restrained consumer spending continued in the Japanese economy despite evidence of an improvement in corporate earnings and employment thanks to the economic and monetary policies of the government and the Bank of Japan. However, economic prospects remained unclear given factors such as the reduced growth of China and other emerging economies in Asia, concerns over an economic slowdown in resource-rich countries, and the impact of volatility in the financial market.

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

In this business environment, the Company is enhancing its measures to increase the number of customers of its applications, such as the .NS Series and CarpodTab, a tablet-type business support tool, and working for the industry standardization of BL Parts Order System, an electronic order service for auto parts, with the aim of expanding the customer base and changing the revenue structure. The Company is also promoting efforts to provide higher value-added services for customers by successively renovating the industry-specific applications the Company offers to customers, strengthening and enhancing automobile-related database, introducing an EC site for auto repair parts into the market, and developing automobile-related data analytical services.

As a result, net sales in the first six months of the fiscal year under review decreased 1.5% year on year, to 8,196 million yen. In terms of profits and losses, operating income was reduced by 8.7% year on year, to 920 million yen, and ordinary income fell by 6.8% year on year, to 928 million yen, due to the decline in net sales. Net income stood at 622 million yen (up 30.7% year on year) as a result of posting compensation for damage received as extraordinary 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 Jun. 30, 2016)	1 st Half, FY2015 (From Jan. 1 to Jun. 30, 2015)	Year-on-year rate of change
Business Application Software	5,293	5,644	-6.2%
System Support	633	634	-0.2%
Network Service	2,270	2,046	10.9%
Total	8,196	8,325	-1.5%

(2) Qualitative information on financial position

a. Assets, liabilities, and net assets

Total assets at the end of the second quarter under review declined 92 million yen from the end of the previous fiscal year, to 25,473 million yen.

This decline was largely attributable to a decrease in goodwill of 334 million yen and accounts receivable-trade of 278 million yen, despite an increase of 497 million yen in cash and deposits.

Liabilities fell by 16 million yen from the end of the previous fiscal year, to 6,163 million yen. This was achieved primarily by reducing 329 million yen in long-term loans payable and 156 million yen in accounts payable-trade, despite an increase of 505 million yen in income taxes payable, etc.

Net assets fell by 76 million yen from the end of the previous fiscal year, to 19,309 million yen. This was chiefly attributable to a decline of ¥55 million in valuation difference on available-for-sale securities.

b. Cash flow

In the first six months of the fiscal year under review, cash and cash equivalents ("Cash") increased 497 million yen from the end of the previous fiscal year, to 8,882 million yen. The situations for each type of cash flow and the contributing factors are as follows:

(Cash flow from operating activities)

Net cash provided by operating activities was 1,928 million yen. Key factors behind this increase included income before income taxes of 1,179 million yen, amortization of goodwill of 334 million yen, and depreciation of 296 million yen. Major factors contributing to the decrease included a drop in accounts payable-trade of 156 million yen and income taxes paid of 108 million yen.

(Cash flow from investing activities)

Net cash used in investing activities was 440 million yen. The main factors behind the decrease included purchase of intangible fixed assets of 326 million yen and purchase of investment securities of 99 million yen.

(Cash flow from financing activities)

Net cash used in financing activities was 990 million yen. The primary factors for this decrease included purchase of treasury stock of 364 million yen, repayment of long-term loans payable of 329 million yen, and cash dividends paid of 303 million yen.

(3) Qualitative information on earnings forecast

The results forecasts for the fiscal year ending December 31, 2016 announced on February 10, 2016 have not been changed.

2. Matters Related to Summary Information (Notes)

- (1) Application of specific accounting treatment to the preparation of quarterly financial statements
Not applicable

- (2) Changes in accounting principles and changes or restatements of accounting estimates
Not applicable

1. Financial Statements

(1) Balance sheet

(Unit: Thousands of Yen)

	FY2015 (As of Dec. 31, 2015)	Q2 FY2016 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	8,384,656	8,882,625
Notes receivable - trade	68,981	56,666
Accounts receivable - trade	2,660,888	2,382,828
Merchandise	215,153	83,404
Work in process	4,509	-
Supplies	12,821	11,362
Prepaid expenses	166,386	239,178
Deferred tax assets	201,544	227,790
Accounts receivable - other	1,289,046	1,299,484
Other	34,054	27,940
Allowance for doubtful accounts	-4,758	-3,551
Total current assets	13,033,282	13,207,728
Non-current assets		
Property, plant and equipment	457,944	431,350
Intangible assets		
Goodwill	9,362,268	9,027,902
Software	1,246,711	1,311,696
Total intangible assets	10,608,979	10,339,598
Investments and other assets		
Investment securities	644,322	680,947
Shares of subsidiaries and associates	203,859	203,859
Investments in capital of subsidiaries and associates	163,625	163,625
Long-term loans receivable from subsidiaries and associates	60,000	60,000
Long-term loans receivable from employees	-	4,451
Claims provable in bankruptcy, claims provable in rehabilitation and other	13,712	13,903
Long-term prepaid expenses	23,090	10,661
Lease and guarantee deposits	365,272	361,135
Deferred tax assets	-	5,043
Other	5,560	5,560
Allowance for doubtful accounts	-13,712	-14,781
Total investments and other assets	1,465,730	1,494,407
Total non-current assets	12,532,655	12,265,355
Total assets	25,565,938	25,473,084

Broadleaf Co., Ltd. (3673)
Summary of Financial Statements for the 1st Half of the FY2016 (Non-consolidated)

(Unit: Thousands of Yen)

	FY2015 (As of Dec. 31, 2015)	Q2 FY2016 (As of Jun. 30, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	480,270	324,069
Current portion of long-term loans payable	624,000	624,000
Lease obligations	32,641	31,563
Accounts payable - other	2,396,358	2,301,560
Accrued expenses	169,794	145,676
Income taxes payable	118,444	624,014
Accrued consumption taxes	67,388	100,905
Advances received	30,244	60,648
Deposits received	74,681	38,938
Provision for bonuses	278,406	360,524
Provision for compensation for damage	34,612	26,375
Other	31,201	31,201
Total current liabilities	4,338,044	4,669,477
Non-current liabilities		
Long-term loans payable	1,675,160	1,345,970
Lease obligations	51,126	35,905
Asset retirement obligations	112,041	112,322
Deferred tax liabilities	3,603	-
Total non-current liabilities	1,841,931	1,494,197
Total liabilities	6,179,976	6,163,675
Net assets		
Shareholders' equity		
Capital stock	7,147,905	7,147,905
Capital surplus	7,147,905	7,147,905
Retained earnings	6,362,772	5,720,539
Treasury stock	-1,322,701	-701,467
Total shareholders' equity	19,335,880	19,314,881
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	20,489	-35,065
Total valuation and translation adjustments	20,489	-35,065
Subscription rights to shares	29,592	29,592
Total net assets	19,385,961	19,309,408
Total liabilities and net assets	25,565,938	25,473,084

Broadleaf Co., Ltd. (3673)
Summary of Financial Statements for the 1st Half of the FY2016 (Non-consolidated)

(2) Statement of income

(Unit: Thousands of Yen)

	1 st Half, FY2015 (From Jan. 1, 2015 to Jun. 30, 2015)	1 st Half, FY2016 (From Jan. 1, 2016 to Jun. 30, 2016)
Net sales	8,325,420	8,196,815
Cost of sales	2,391,895	2,475,438
Gross profit	5,933,524	5,721,376
Selling, general and administrative expenses	4,925,475	4,800,916
Operating income	1,008,049	920,460
Non-operating income		
Interest income	1,048	878
Dividend income	287	3,819
Compensation income	10,852	2,505
Gain on investments in partnership	3,976	-
Other	7,469	10,819
Total non-operating income	23,632	18,022
Non-operating expenses		
Interest expenses	1,620	5,541
Provision for loss compensation	15,907	2,242
Commission fee	15,000	-
Other	2,607	1,851
Total non-operating expenses	35,135	9,635
Ordinary income	996,547	928,847
Extraordinary income		
Gain on sales of non-current assets	6,430	-
Damages received	-	250,925
Total extraordinary income	6,430	250,925
Extraordinary losses		
Loss on retirement of non-current assets	228	600
Total extraordinary loss	228	600
Income before income taxes	1,002,749	1,179,172
Income taxes - current	409,804	585,414
Income taxes - deferred	116,646	-28,805
Total income taxes	526,451	556,609
Net income	476,298	622,562

(3) Statement of cash flow

(Unit: Thousands of Yen)

	1 st Half, FY2015 (From Jan. 1, 2015 to Jun. 30, 2015)	1 st Half, FY2016 (From Jan. 1, 2016 to Jun. 30, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	1,002,749	1,179,172
Depreciation	313,070	296,887
Amortization of goodwill.	334,366	334,366
Increase (decrease) in provision for bonuses	-83,258	82,117
Interest and dividends income	-1,335	-4,697
interest expense	1,620	5,541
Commission fee	15,000	-
Loss (gain) on sales of property, plant and equipment	-6,430	-
Compensation for damage received	-	-250,925
Decrease (increase) in notes and accounts receivable - trade	-207,737	290,375
Decrease (increase) in inventories	23,406	137,717
Decrease (increase) in accounts receivable - other	-66,305	-10,438
Increase (decrease) in notes and accounts payable - trade	31,993	-156,201
Increase (decrease) in accounts payable - other	67,300	-90,241
Increase (decrease) in accrued expenses	-189,322	-24,081
Other, net	-377,928	-2,848
Subtotal	857,190	1,786,744
Interest and dividends income received	1,335	4,697
Interest expenses paid	-3,149	-5,571
Compensation for damage received	-	250,925
Income taxes paid	-1,533,271	-108,067
Net cash provided by (used in) operating activities	-677,893	1,928,727
Net cash provided by (used in) investment activities		
Payments of loans receivable from subsidiaries and associates	-60,000	-
Purchase of investment securities	-	-99,855
Proceeds from sales of property, plant and equipment	6,430	-
Purchase of property, plant and equipment	-69,191	-14,086
Purchase of Intangible assets	-352,221	-326,790
Proceeds from collection of lease and guarantee deposits	27,441	7,536
Other, net	-3,995	-7,258
Net cash provided by (used in) investment activities	-451,536	-440,454
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	2,500,000	-
Repayment of long-term loans payable	-769,000	-329,190
Proceeds from sales of treasury shares	16,900	24,513
Purchase of treasury shares	-1,748,103	-364,680
Cash dividends paid	-262,216	-303,395
Purchase of Commission fee	-15,000	-
Repayments of lease obligations	-14,025	-16,298
Other, net	-1,650	-1,253
Net cash provided by (used in) financing activities	-293,094	-990,303
Net Increase (Decrease) in Cash and Cash Equivalents	-1,422,524	497,969
Cash and Cash Equivalents at Beginning of Period	10,671,694	8,384,656
Cash and Cash Equivalents at End of Period	9,249,170	8,882,625

(4) Notes on financial statements

(Notes on going concern assumptions)

Not applicable

(Notes on substantial changes in the stockholders' equity)

(Cancellation of treasury stock)

The Company resolved at the meeting of the Board of Directors held on February 10, 2016 to cancel treasury stock, and canceled 760,000 shares of common stock as of March 2, 2016. As a result, treasury stock and retained earnings decreased 961,400 thousand yen during the first six months of the fiscal year under review.

2. Supplementary Information

Current Fiscal Year (From January 1, 2016 to December 31, 2016)

(Unit: Millions of Yen)

	Fiscal Year Ending December 31, 2016				
	1 st Half Result	Ratio to Net Sales	YoY rate of change	Progress rate	Full-year forecast
Net Sales	8,196	100.0%	-1.5%	45.5%	18,000
Business Application Software	5,293	64.6%	-6.2%	45.2%	11,700
System Support	633	7.7%	-0.2%	50.7%	1,250
Network Service	2,270	27.7%	10.9%	45.0%	5,050
Operating Income	920	11.2%	-8.7%	30.7%	3,000
Net Income	622	7.6%	30.7%	38.4%	1,620

Previous Fiscal Year (From January 1, 2015 to December 31, 2015)

(Unit: Millions of Yen)

	Fiscal Year Ended December 31, 2015				
	1 st Half Result	Ratio to Net Sales	YoY rate of change	Progress rate	Full-year result
Net Sales	8,325	100.0%	-8.3%	49.5%	16,824
Business Application Software	5,644	67.8%	-14.1%	49.9%	11,316
System Support	634	7.6%	-4.8%	50.1%	1,266
Network Service	2,046	24.6%	11.0%	48.2%	4,242
Operating Income	1,008	12.1%	-45.5%	40.1%	2,514
Net Income	476	5.7%	-49.5%	38.1%	1,251