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

November 2, 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 Nine Months of the FY2018 (from January 1, 2018 to September 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	%
Q3 FY2018	15,104	21.0	2,706	48.8	2,701	49.7	1,745	50.7	1,745	50.7	1,717	43.7
Q3 FY2017	12,487	4.7	1,819	5.1	1,804	5.8	1,159	5.2	1,159	5.2	1,195	14.6

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Q3 FY2018	19.94		19.80	
Q3 FY2017	13.08		13.07	

(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 Q3 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 Q3 FY2018	27,156		19,954		19,954		73.5	
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 1) Revisions to the latest forecast of dividends: No

(Note 2) 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: No

(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 nine months ended September 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)

Q3 FY2018	97,896,800	FY2017	97,896,800
Q3 FY2018	10,592,336	FY2017	9,348,136
Q3 FY2018	87,541,102	Q3 FY2017	88,586,115

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 Friday, November 2, 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 Nine Months Ended September 30, 2018

(1) Qualitative information on financial results

In the first nine months of the fiscal year under review (January 1 through September 30, 2018), the Company posted revenue of 15,104 million yen (up 21.0% 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 third quarter, and the contribution of sales from Tajima Incorporated ("Tajima"), which was consolidated in July 2017. Cost and expenses included cost of sales of 3,802 million yen (up 14.1% year on year) and selling, general and administrative expenses of 8,618 million yen (up 17.3% 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 2,706 million yen (up 48.8% year on year), profit before tax came to 2,701 million yen (up 49.7% year on year), and profit attributable to owners of parent amounted to 1,745 million yen (up 50.7% 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 Nine Months of FY2017 (From January 1 to September 30, 2017)	1st Nine Months of FY2018 (From January 1 to September 30, 2018)	Year-on-year rate of change
Business Application Software	7,783	9,824	26.2%
System Support	926	979	5.7%
Network Service	3,779	4,301	13.8%
Total	12,487	15,104	21.0%

(2) Qualitative information on financial position

(i) Analysis of financial position

(Assets)

Total assets at the end of the third quarter of the consolidated fiscal year under review decreased 907 million yen from the end of the previous consolidated fiscal year, to 27,156 million yen. Current assets fell 1,921 million yen, to 9,479 million yen, and non-current assets increased 1,015 million yen, to 17,678 million yen. The decrease in current assets was mainly attributable to a decrease in cash and cash equivalents of 1,597 million yen. The increase in non-current assets was caused chiefly by growth in intangible assets of 1,024 million yen.

(Liabilities)

Liabilities fell by 1,123 million yen from the end of the previous consolidated fiscal year, to 7,202 million yen. Current liabilities declined 708 million yen, to 6,770 million yen, and non-current liabilities decreased by 416 million yen, to 432 million yen. The main factor contributing to the decrease in current liabilities was a reduction in operating and other payables of 2,379 million yen, which more than offset growth in contract liabilities of 1,771 million yen. The decrease in non-current liabilities was mainly attributable to a decrease in long-term interest-bearing debt of 363 million yen.

(Equity)

Equity increased by 217 million yen from the end of the previous consolidated fiscal year, to 19,954 million yen. The increase was chiefly attributable to an increase in retained earnings of 840 million yen, despite a rise in treasury shares of 766 million yen.

(ii) Analysis of cash flows

Cash and cash equivalents (“cash”) at the end of the third quarter of the consolidated fiscal year under review declined 1,597 million yen from the end of the previous consolidated fiscal year, to 4,373 million yen.

The following is a description of the situation and major factors of each category of cash flows in the nine months ended September 30, 2018.

(Net cash from (used in) operating activities)

Cash flows provided by operating activities stood at 2,132 million yen, mainly reflecting a profit before tax of 2,701 million yen and depreciation and amortization expense of 573 million yen, which is partially offset by income taxes paid of 1,208 million yen.

(Net cash from (used in) investing activities)

Cash flows used in investing activities came to 1,490 million yen. The primary causes of this included an acquisition of intangible assets of 1,442 million yen.

(Net cash from (used in) financing activities)

Cash flows used in financing activities were 2,234 million yen, chiefly attributable to cash dividends paid of 967 million yen, the purchase of treasury shares of 1,006 million yen, and repayments of long-term loans payable of 497 million yen.

(3) Qualitative information on consolidated earnings forecast

There have been no changes made to the consolidated results forecast announced on August 3, 2018 for the fiscal year ending December 31, 2018.

2. Summary Consolidated Financial Statements and Major Notes

(1) Summary consolidated statement of financial position

(Unit: Thousands of Yen)

	FY2017 (As of December 31, 2017)	Q3 FY2018 (As of September 30, 2018)
Assets		
Current assets		
Cash and cash equivalents	5,970,318	4,372,825
Operating and other receivables	4,984,981	4,644,311
Inventories	128,353	185,556
Other current financial assets	–	50
Other current assets	316,609	276,153
Total current assets	11,400,260	9,478,894
Non-current assets		
Property, plant and equipment	424,747	435,781
Goodwill	11,739,040	11,739,040
Intangible assets	2,982,588	4,007,083
Investments accounted for using equity method	57,079	39,108
Other non-current financial assets	1,238,994	1,182,483
Other non-current assets	13,340	105,404
Deferred tax assets	206,881	168,603
Total non-current assets	16,662,670	17,677,503
Total assets	28,062,930	27,156,397
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating and other payables	5,595,736	3,216,296
Contract liabilities	–	1,770,842
Short-term interest-bearing debt	645,323	521,282
Income taxes payable	568,415	281,553
Other current financial liabilities	83,140	193,250
Other current liabilities	584,924	786,787
Total current liabilities	7,477,539	6,770,010
Non-current liabilities		
Long-term interest-bearing debt	461,122	98,452
Net defined benefit liability	227,131	199,623
Non-current provisions	139,786	134,196
Deferred tax liabilities	19,927	–
Total non-current liabilities	847,967	432,272
Total liabilities	8,325,505	7,202,282
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	8,848,915
Other components of equity	200,056	277,961
Total equity attributable to owners of parent	19,737,424	19,954,115
Total equity	19,737,424	19,954,115
Total liabilities and equity	28,062,930	27,156,397

(2) Summary consolidated statement of income

(Unit: Thousands of Yen)

	1st Nine Months of FY2017 (From January 1, 2017 to September 30, 2017)	1st Nine Months of FY2018 (From January 1, 2018 to September 30, 2018)
Revenue	12,487,242	15,103,511
Cost of sales	-3,332,099	-3,801,838
Gross profit	9,155,143	11,301,673
Selling, general and administrative expenses	-7,344,798	-8,617,718
Other operating income	11,986	39,537
Other operating expense	-3,544	-17,787
Operating profit	1,818,787	2,705,705
Finance income	13,133	9,957
Finance cost	-16,793	-7,784
Equity in loss of affiliates	-11,077	-6,581
Profit before tax	1,804,049	2,701,297
Income tax	-645,524	-955,871
Profit	1,158,526	1,745,426
Profit attributable to owners of parent	1,158,526	1,745,426
Earnings per share		
Basic earnings per share (yen)	13.08	19.94
Diluted earnings per share (yen)	13.07	19.80

(3) Summary consolidated statement of comprehensive income

(Unit: Thousands of Yen)

	1st Nine Months of FY2017 (From January 1, 2017 to September 30, 2017)	1st Nine Months of FY2018 (From January 1, 2018 to September 30, 2018)
Profit	1,158,526	1,745,426
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	41,386	-22,058
Remeasurements of defined benefit plans	—	8,603
Total components that will not be reclassified to profit or loss	41,386	-13,455
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-10,377	-11,573
Share of other comprehensive income of associates accounted for using equity method	5,247	-3,089
Total components that may be reclassified to profit or loss	-5,130	-14,662
Total other comprehensive income, net of tax	36,257	-28,117
Comprehensive income	1,194,783	1,717,309
Comprehensive income attributable to owners of parent	1,194,783	1,717,309

(4) Summary consolidated statement of changes in equity

1st Nine Months of FY2017 (From January 1, 2017 to September 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	-	-	-	1,158,526
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	1,158,526
Purchase of treasury shares	-	-	-530,475	-
Disposal of treasury shares	-	-2,663	34,044	-
Dividend	-	-	-	-1,049,308
Reclassification from share premium to retained earnings	-	750	-	-750
Reclassification from other components of equity to retained earnings	-	-	-	-2,196
Other increases (decreases)	-	-	-	234
Total transactions with owners	-	-1,913	-496,431	-1,052,021
Balance as of September 30, 2017	7,147,905	7,112,741	-2,749,316	7,242,851

(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	-	-	-	-	1,158,526	1,158,526
Other comprehensive income	-	-5,130	41,386	36,257	36,257	36,257
Total comprehensive income	-	-5,130	41,386	36,257	1,194,783	1,194,783
Purchase of treasury shares	-	-	-	-	-530,475	-530,475
Disposal of treasury shares	-	-	-	-	31,381	31,381
Dividend	-	-	-	-	-1,049,308	-1,049,308
Reclassification from share premium to retained earnings	-	-	-	-	-	-
Reclassification from other components of equity to retained earnings	-	-	2,196	2,196	-	-
Other increases (decreases)	-234	-	-	-234	-	-
Total transactions with owners	-234	-	2,196	1,962	-1,548,402	-1,548,402
Balance as of September 30, 2017	7,149	-42,716	86,953	51,386	18,805,567	18,805,567

1st Nine Months of FY2018 (From January 1, 2018 to September 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	-	-	-	1,745,426
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	1,745,426
Purchase of treasury shares	-	-	-1,005,603	-
Disposal of treasury shares	-	64,993	239,830	-
Dividends	-	-	-	-967,192
Share-based payment transaction	-	-	-	-
Reclassification from other components of equity to retained earnings	-	-	-	8,603
Total transactions with owners	-	64,993	-765,773	-958,589
Balance as of September 30, 2018	7,147,905	7,181,262	-3,501,927	8,848,915

(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	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	-	-	-	-	-	1,745,426	1,745,426
Other comprehensive income	-	-14,662	-22,058	8,603	-28,117	-28,117	-28,117
Total comprehensive income	-	-14,662	-22,058	8,603	-28,117	1,717,309	1,717,309
Purchase of treasury shares	-	-	-	-	-	-1,005,603	-1,005,603
Disposal of treasury shares	-8,829	-	-	-	-8,829	295,994	295,994
Dividends	-	-	-	-	-	-967,192	-967,192
Share-based payment transaction	123,454	-	-	-	123,454	123,454	123,454
Reclassification from other components of equity to retained earnings	-	-	-	-8,603	-8,603	-	-
Total transactions with owners	114,625	-	-	-8,603	106,022	-1,553,347	-1,553,347
Balance as of September 30, 2018	280,491	-50,727	48,197	-	277,961	19,954,115	19,954,115

(5) Summary consolidated statement of cash flow

(Unit: Thousands of Yen)

	1st Nine Months of FY2017 (From January 1, 2017 to September 30, 2017)	1st Nine Months of FY2018 (From January 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Profit before tax	1,804,049	2,701,297
Depreciation and amortization expense	477,806	573,480
Share-based compensation expenses	–	123,454
Finance income and costs	3,660	-2,173
Equity in loss (earnings) of affiliates	11,077	6,581
Loss (gain) on sales of property, plant and equipment and intangible assets	1,467	–
Decrease (increase) in operating and other receivables	127,841	335,416
Decrease (increase) in inventories	-28,443	-57,241
Increase (decrease) in operating and other payables	-319,738	-261,869
Increase (decrease) in employees' bonuses payable	111,535	-23,385
Increase (decrease) in consumption taxes payable	-40,612	-552
Other, net	63,560	-53,982
Subtotal	2,212,203	3,341,026
Interest received	1,156	387
Dividends received	1,549	1,597
Interest expenses paid	-6,173	-3,421
Income taxes paid	-1,134,407	-1,207,824
Cash flows from (used in) operating activities	1,074,329	2,131,765
Cash flows from investing activities		
Acquisition of property, plant and equipment	-41,553	-68,199
Proceeds from sales of property, plant and equipment	50,407	–
Acquisition of intangible assets	-863,949	-1,442,367
Acquisition of investments	-15,000	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-865,414	–
Payments for lease and guarantee deposits	-11,670	-30,102
Proceeds from collection of lease and guarantee deposits	34,323	25,224
Other, net	-10,010	24,958
Cash flows from (used in) investing activities	-1,722,866	-1,490,486
Cash flows from financing activities		
Repayments of long-term loans payable	-511,850	-497,350
Repayments of lease obligations	-31,338	-43,590
Cash dividends paid	-1,049,308	-967,192
Purchase of treasury shares	-530,475	-1,005,603
Proceeds from sales of treasury shares	31,381	297,157
Other, net	-3,247	-17,403
Cash flows from (used in) financing activities	-2,094,837	-2,233,981
Impact of exchange fluctuations for cash and cash equivalents	-4,940	-4,791
Net increase (decrease) in cash and cash equivalents	-2,748,314	-1,597,493
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	4,989,891	4,372,825

(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 nine 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 1,770,842,000 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 nine 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.