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

November 8, 2021

Broadleaf Co., Ltd

Stock listing:

Tokyo Stock Exchange 1st Section

Representative:

Kenji Oyama, Representative Director and President

Scheduled Commencement Date of Dividend Payout:

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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 Nine Months of FY2021 (From January 1, 2021 to September 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	%
3Q FY2021	15,181	-2.3	2,342	-18.2	2,340	-16.9	1,501	-19.5	1,500	-19.6	1,566	-10.1
3Q FY2020	15,544	-7.7	2,864	-19.5	2,815	-20.1	1,866	-19.5	1,867	-19.5	1,741	-21.7

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
3Q FY2021	17.07		16.78	
3Q FY2020	21.33		20.98	

(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 3Q FY2021	33,888		25,405		25,405		75.0	
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 Earnings Forecasts for FY2021 (From 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 earnings 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)

3Q FY2021	97,896,800 Shares	FY2020	97,896,800 Shares
3Q FY2021	9,901,018 Shares	FY2020	10,313,058 Shares
3Q FY2021	87,873,220 Shares	3Q FY2020	87,511,414 Shares

2. Number of shares of treasury shares

3. Average number of shares outstanding (during the period)

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

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

(Notes 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 plans to hold an earnings results briefing for institutional investors and analysts on November 8, 2021, in the form of a telephone conference. The materials used at the meeting will be posted on its website.

○Table of Contents of Attached Material

1. Qualitative Information on Operating Results, etc. for the First Nine Months Ended September 30, 2021	2
(1) Qualitative information on financial results	2
(2) Qualitative information on financial position	3
(3) Qualitative information on consolidated earnings 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	11
(Notes on going concern)	11
(Segment information)	11

1. Qualitative Information on Results for the First Nine Months Ended September 30, 2021

(1) Qualitative information on financial results

During the first nine months of the current fiscal year (from January 1, 2021 to September 30, 2021), even though the situation remained severe due to the impact of COVID-19, the Japanese economy showed signs of recovery partly due to the improvements in overseas economies and influences of various policies including the thorough infection control and promotion of vaccination. However, the situation remains unpredictable due to the impact of future infectious trends on domestic and overseas economies and the need to closely monitor changes in financial and capital markets.

In the information technology services industry to which the Group belongs, corporate investment in DX (Digital Transformation) is expanding toward the realization of "new working styles" which include telework and contactless work, so the DX-related market continues to be favorable. On the other hand, against the backdrop of uncertain economic outlook, there is a cautious stance toward new investments in non-strategic areas, so IT investment demand varies according to the area. In addition, due to the tight supply-demand balance of semiconductors caused by COVID-19 and its impact on the supply chain, supply of some hardware including PCs has become unstable, so the situation needs to be closely monitored.

Under such environment, the Group continues its activities to contribute to the business continuity and business creation of its clients based on the spirit of "Gratitude and Happiness," which is its corporate philosophy. In the first nine months of the current fiscal year, in addition to sales of business software, the Group expanded DX solutions such as groupware to support its clients' DX. The Group also sought to encourage more clients to adopt its business software by transition of business software sales to monthly subscription contracts and improvement of convenience at the time of installation.

The transition to monthly subscription contracts will not only stabilize the Group's revenue but will also provide medium to long term growth. However, the first nine months of the current fiscal year were in the early stages of transition, so it led to a decline in revenue. On the other hand, since the Group strengthened its proposal capabilities to support its clients' DX, DX solution sales and other various monthly sales including network usage fees and support service fees, which are supplementary services for business software, increased. In terms of costs, the Group continued to invest in the development of next-generation business software, and actively conducted online promotions such as webinars.

As a result, in the first nine months of the current fiscal year (from January 1 to September 30, 2021), the Group posted revenue of 15,181 million yen (down 2.3% year-on-year), operating profit of 2,342 million (down 18.2% year-on-year), profit before tax of 2,340 million yen (down 16.9% year-on-year), profit attributable to owners of the parent of 1,500 million yen (down 19.6% year-on-year).

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

(Millions of yen)

Category	First nine months of FY2020 (From January 1, 2020 to September 30, 2020)	First nine months of FY2021 (From January 1, 2021 to September 30, 2021)	YoY ratio
Platform	7,747	8,493	9.6%
Application	7,797	6,687	-14.2%
Total	15,544	15,181	-2.3%

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

(2) Qualitative information on consolidated financial position

(i) Analysis of financial condition

(Assets)

Assets at the end of the third quarter of the current fiscal year increased by 1,614 million yen from the end of previous consolidated fiscal year to 33,888 million yen. Current assets increased by 312 million yen to 8,064 million yen, and non-current assets increased by 1,302 million yen to 25,824 million yen. The increase in current assets was mainly due to an increase of operating and other receivables 676 million yen, despite decreases of 203 million yen in cash and cash equivalents and 197 million yen in inventories. The increase in non-current assets was mainly due to an increase of 1,519 million yen in intangible assets.

(Liabilities)

Liabilities at the end of the third quarter of the current fiscal year increased by 811 million yen from the end of previous consolidated fiscal year to 8,483 million yen. Current liabilities increased by 1,045 million yen to 7,478 million yen, while non-current liabilities decreased by 234 million yen to 1,005 million yen. Current liabilities increased mainly due to an increase of 2,394 million yen in short-term interest-bearing debts, despite decreases of 508 million yen in income taxes payable, 425 million yen in other current liabilities, and 224 million yen in contract liabilities. The decrease in non-current liabilities was mainly due to a decrease of 312 million in long-term interest-bearing debts, despite an increase of 42 million in other non-current liabilities and 25 million in deferred tax liabilities.

(Equity)

At the end of the third quarter of the current fiscal year, equity increased by 803 million yen from the end of previous consolidated fiscal year to 25,405 million yen. The increase in equity was mainly due to an increase of 578 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 third quarter of the current fiscal year decreased by 203 million yen from the end of previous consolidated fiscal year period to 3,029 million yen.

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

(Cash flow from operating activities)

Cash from operating activities was 1,413 million yen (down 33.2% year-on-year). This was mainly due to profit before tax of 2,340 million and depreciation and amortization expense of 1,695 million, despite income taxes paid of 1,339 million and an increase of 685 million in operating and other receivables.

(Cash flow from investment activities)

Cash used in investing activities was 2,329 million yen (up 20.1% year-on-year). This was mainly due to acquisition of intangible assets of 2,462 million yen.

(Cash flow from financing activities)

Cash from financing activities was 711 million yen (cash flow used in financing activities was 441 million yen in the same period of the previous fiscal year). This was mainly due to a net increase of 2,401 million yen in short-term loans payable, despite cash dividends paid of 930 million yen and repayments of lease obligations of 670 million yen.

(3) Qualitative information on consolidated earnings forecasts

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

2. Consolidated Financial Statements and Major Notes

(1) Consolidated statements of financial position

(Thousands of yen)

	End of FY2020 (As of December 31, 2020)	End of 3Q FY2021 (As of September 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	3,232,409	3,029,310
Operating and other receivables	3,797,819	4,474,308
Inventories	355,682	158,482
Other current financial assets	55,000	5,000
Other current assets	311,078	396,890
Total current assets	7,751,988	8,063,990
Non-current assets		
Property, plant and equipment	1,822,803	1,496,508
Goodwill	11,802,504	11,802,504
Intangible assets	8,425,546	9,944,536
Investments accounted for using equity method	95,703	91,422
Other non-current financial assets	1,420,760	1,446,239
Other non-current assets	175,836	267,514
Deferred tax assets	778,783	775,323
Total non-current assets	24,521,935	25,824,047
Total assets	32,273,923	33,888,037
Liabilities and equity		
Liabilities		
Current liabilities		
Operating and other payables	3,538,577	3,453,169
Contract liabilities	612,413	387,957
Short-term interest-bearing debts	748,408	3,142,144
Accrued income taxes	554,956	46,466
Other financial liabilities	105,529	-
Other current liabilities	872,547	447,978
Total current liabilities	6,432,430	7,477,714
Non-current liabilities		
Long-term interest-bearing debts	787,905	475,959
Obligations for retirement pay	172,196	178,836
Provisional sum	139,102	143,568
Deferred tax liabilities	139,825	165,164
Other non-current liabilities	-	41,555
Total non-current liabilities	1,239,027	1,005,083
Total liabilities	7,671,457	8,482,797
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	13,843,439
Other components of equity	374,078	407,550
Total equity attributable to owners of the parent	24,600,015	25,405,240
Non-controlling interests	2,451	-
Total equity	24,602,466	25,405,240
Liabilities and Total equity	32,273,923	33,888,037

(2) Consolidated statements of income

(Thousands of yen)

	First nine months of FY2020 (From January 1, 2020 to September 30, 2020)	First nine months of FY2021 (From January 1, 2021 to September 30, 2021)
Revenue	15,543,548	15,180,678
Cost of sales	-4,549,844	-4,309,411
Gross profit	10,993,704	10,871,267
Selling, general and administrative expenses	-8,173,495	-8,555,879
Other operating revenue	51,254	34,424
Other operating expenses	-7,145	-7,403
Operating profit	2,864,318	2,342,409
Finance income	35,025	41,971
Financing cost	-59,997	-38,061
Share of profit (loss) of investments accounted for using equity method	-24,704	-6,302
Profit before tax	2,814,642	2,340,018
Income tax	-948,676	-838,735
Profit	1,865,966	1,501,283
Profit attributable to		
Owners of the parent	1,866,625	1,499,854
Non-controlling interests	-659	1,429
Profit	1,865,966	1,501,283
Earnings per share		
Basic earnings per share (yen)	21.33	17.07
Diluted earnings per share (yen)	20.98	16.78

(3) Consolidated statements of comprehensive income

(Thousands of yen)

	First nine months of FY2020 (From January 1, 2020 to September 30, 2020)	First nine months of FY2021 (From January 1, 2021 to September 30, 2021)
Profit	1,865,966	1,501,283
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	-123,993	66,225
Total items that will not be reclassified to profit or loss	<u>-123,993</u>	<u>66,225</u>
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	-517	-1,902
Share of other comprehensive income of associates accounted for using the equity method	-21	521
Total items that may be reclassified to profit or loss	<u>-538</u>	<u>-1,381</u>
Total other comprehensive income, net of tax	<u>-124,531</u>	<u>64,844</u>
Comprehensive income	<u><u>1,741,435</u></u>	<u><u>1,566,128</u></u>
Comprehensive income attributable to		
Owners of the parent	1,742,094	1,564,698
Non-controlling interests	<u>-659</u>	<u>1,429</u>
Profit	<u><u>1,741,435</u></u>	<u><u>1,566,128</u></u>

(4) Consolidated statements of changes in equity

First nine months of FY2020 (From January 1, 2020 to September 30, 2020)

(Thousands of yen)

	Equity attributable to owners of the 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	-	-	-	1,866,625	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	1,866,625	-	-
Disposal of treasury shares	-	2,279	12,917	-	-18,899	-
Dividends	-	-	-	-1,146,294	-	-
Share-based payment transactions	-	14,142	41,857	-	169,968	-14,000
Total transactions with owners	-	16,421	54,774	-1,146,294	151,069	-14,000
Balance as of September 30, 2020	7,147,905	7,215,824	-3,402,046	12,649,199	688,813	-28,000

(Thousands of yen)

	Equity attributable to owners of the 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, 2020	-44,269	-81,903	397,573	23,216,929	2,697	23,219,626
Profit	-	-	-	1,866,625	-659	1,865,966
Other comprehensive income	-538	-123,993	-124,531	-124,531	-	-124,531
Total comprehensive income	-538	-123,993	-124,531	1,742,094	-659	1,741,435
Disposal of treasury shares	-	-	-18,899	-3,704	-	-3,704
Dividends	-	-	-	-1,146,294	-	-1,146,294
Share-based payment transactions	-	-	155,968	211,968	-	211,968
Total transactions with owners	-	-	137,069	-938,030	-	-938,030
Balance as of September 30, 2020	-44,807	-205,896	410,111	24,020,993	2,038	24,023,031

First nine months of FY2021 (From January 1, 2021 to September 30, 2021)

(Thousands of yen)

	Equity attributable to owners of the 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	-	-	-	1,499,854	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	1,499,854	-	-
Disposal of treasury shares	-	105,560	118,172	-	-171,167	-
Dividends	-	-	-	-930,035	-	-
Share-based payment transactions	-	-	-	7,794	153,794	-14,000
Changes in ownership interest in subsidiaries	-	-29,592	-	-	-	-
Total transactions with owners	-	75,968	118,172	-922,242	-17,373	-14,000
Balance as of September 30, 2021	7,147,905	7,291,792	-3,285,446	13,843,439	706,868	-28,000

(Thousands of yen)

	Equity attributable to owners of the 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	-	-	-	1,499,854	1,429	1,501,283
Other comprehensive income	-1,381	66,225	64,844	64,844	-	64,844
Total comprehensive income	-1,381	66,225	64,844	1,564,698	1,429	1,566,128
Disposal of treasury shares	-	-	-171,167	52,565	-	52,565
Dividends	-	-	-	-930,035	-	-930,035
Share-based payment transactions	-	-	139,795	147,588	-	147,588
Changes in ownership interest in subsidiaries	-	-	-	-29,592	-3,880	-33,472
Total transactions with owners	-	-	-31,373	-759,474	-3,880	-763,354
Balance as of September 30, 2021	-48,408	-222,911	407,550	25,405,240	-	25,405,240

(5) Consolidated statements of cash flows

(Thousands of yen)

	First nine months of FY2020 (From January 1, 2020 to September 30, 2020)	First nine months of FY2021 (From January 1, 2021 to September 30, 2021)
Cash flow from operating activities		
Profit before tax	2,814,642	2,340,018
Depreciation and amortization expense	1,586,105	1,694,753
Share-based payment expense	208,440	192,358
Finance costs (income)	24,972	405
Equity in loss (earnings) of affiliates	24,704	6,302
Decrease (increase) in operating and other receivables	-357,609	-684,639
Decrease (increase) in inventories	69,069	197,477
Increase (decrease) in operating and other payables	-376,117	-144,805
Decrease (increase) in prepaid expenses	32,816	-85,114
Decrease (increase) in long-term prepaid expenses	30,004	-50,924
Increase (decrease) in employees' bonuses payable	-344,870	-280,518
Increase (decrease) in contract liabilities	-339,823	-224,456
Increase (decrease) in consumption taxes payable	140,578	-211,958
Other, net	42,246	6,199
Subtotal	3,555,156	2,755,098
Interest received	3,261	4,281
Dividend received	1,839	2,033
Interest expenses paid	-7,773	-8,641
Income taxes refunded (paid)	-1,438,022	-1,339,431
Cash flow from operating activities	2,114,461	1,413,340

(Thousands of yen)

	First nine months of FY2020 (From January 1, 2020 to September 30, 2020)	First nine months of FY2021 (From January 1, 2021 to September 30, 2021)
Cash flow from investing activities		
Acquisition of property, plant and equipment	-13,112	-30,746
Acquisition of intangible assets	-1,834,343	-2,461,573
Acquisition of investments	-63,636	-
Proceeds from sales and redemption of investments	490	-
Loan advances	-51,100	-600
Collection of loans receivable	6,296	156,026
Payments for lease and guarantee deposits	-7,423	-12,995
Proceeds from collection of lease and guarantee deposits	2,519	9,548
Other, net	21,886	11,338
Cash flow from investing activities	-1,938,424	-2,329,002
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	1,400,000	2,401,000
Repayment of lease obligations	-691,055	-670,358
Cash dividends paid	-1,146,294	-930,035
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	-4,898	-56,263
Cash flow from financing activities	-440,746	710,871
Impact of exchange fluctuations for cash and cash equivalents	133	1,693
Net increase (decrease) in cash and cash equivalents	-264,576	-203,098
Cash and cash equivalents at beginning of term	3,033,768	3,232,409
Balance of cash and cash equivalents at the end of the period	2,769,192	3,029,310

(6) Notes regarding consolidated financial statements

(Notes on the going concern)

Not applicable.

(Segment Information)

This information is omitted because the Group only has a single business segment of the IT services.