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Summary of Financial Statements for the 3rd Quarter of the Fiscal Year Ending December 31, 2016

[Japanese GAAP]
(Non-consolidated)

October 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:	November 14, 2016
Scheduled Starting Date for Dividend Payment:	-
Earnings Supplementary Explanatory Documents:	Yes
Earnings Results Briefing:	Yes (for institutional investors and financial analysts)

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

1. Financial Results for the 3rd Quarter of the FY2016 (from January 1, 2016 to September 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	%
Q3 FY2016	11,983	-1.1	1,085	-14.5	1,084	-13.3	659	17.9
Q3 FY2015	12,116	-11.8	1,270	-56.7	1,249	-56.9	559	-63.5

	Earnings Per Share		Diluted Earnings Per Share	
	Yen		Yen	
Q3 FY2016	27.47		27.45	
Q3 FY2015	22.38		22.36	

(2) Financial Position

	Total Asset		Net Asset		Shareholders' Equity Ratio	
	Millions of Yen		Millions of Yen		%	
End of Q3 FY2016	23,767		18,376		77.2	
End of FY2015	25,565		19,385		75.7	

(Reference) Shareholders' Equity End of Q3 FY2016: 18,346 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	67.98

(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)	Q3 FY2016	24,474,200	FY2015	25,234,200
2. Number of shares of treasury stock	Q3 FY2016	1,176,184	FY2015	1,030,884
3. Average number of shares outstanding (during the period)	Q3 FY2016	24,008,630	Q3 FY2015	24,995,426

*** 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 Nine Months Ended September 30, 2016

(1) Qualitative information on financial results

In the first nine months of the fiscal year ending December 31, 2016, the outlook for the Japanese economy remained uncertain due to factors such as the turbulence of the situation in the Middle East, concerns regarding a slump in production and exports in China and other emerging economies in Asia and fear of the deceleration of the global economy due to Brexit, although there is evidence of an improvement in corporate earnings and employment thanks to the economic and monetary policies of the government and the Bank of Japan.

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 nine months of the fiscal year under review decreased 1.1% year on year, to 11,983 million yen. In terms of profits and losses, operating income was reduced by 14.5% year on year, to 1,085 million yen, and ordinary income fell by 13.3% year on year, to 1,084 million yen, due to the decline in net sales. Net income stood at 659 million yen (up 17.9% 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 Nine Months, FY2016 (From Jan. 1 to Sep. 30, 2016)	1 st Nine Months, FY2015 (From Jan. 1 to Sep. 30, 2015)	Year-on-year rate of change
Business Application Software	7,613	8,035	-5.3%
System Support	924	944	-2.1%
Network Service	3,444	3,135	9.9%
Total	11,983	12,116	-1.1%

(2) Qualitative information on financial position

Total assets at the end of the third quarter under review declined 1,798 million yen from the end of the previous fiscal year, to 23,767 million yen. This decline was largely attributable to a decrease in accounts receivable-trade of 882 million yen, a decrease in goodwill of 501 million yen and a decrease in cash and deposits of 472 million yen.

Liabilities fell by 789 million yen from the end of the previous fiscal year, to 5,390 million yen. This was achieved primarily by a reduction of 505 million yen in long-term loans payable and a decrease of 210 million yen in accounts payable-other.

Net assets fell by 1,009 million yen from the end of the previous fiscal year, to 18,376 million yen. This was chiefly attributable to an increase of 974 million yen in treasury stock as a result of the acquisition of treasury stock based on the trust contracts for a board benefit trust (BBT) and an employee stock ownership plan (J-ESOP) and decreases in retained earnings and treasury stock of 961 million yen, each due to the cancellation of treasury stock.

(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)	Q3 FY2016 (As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	8,384,656	7,911,679
Notes receivable - trade	68,981	51,749
Accounts receivable - trade	2,660,888	1,778,794
Merchandise	215,153	100,677
Work in process	4,509	4,960
Supplies	12,821	9,274
Prepaid expenses	166,386	212,980
Deferred tax assets	201,544	161,551
Accounts receivable - other	1,289,046	1,340,628
Other	34,054	41,791
Allowance for doubtful accounts	-4,758	-3,364
Total current assets	13,033,282	11,610,721
Non-current assets		
Property, plant and equipment	457,944	421,587
Intangible assets		
Goodwill	9,362,268	8,860,718
Software	1,246,711	1,270,124
Total intangible assets	10,608,979	10,130,843
Investments and other assets		
Investment securities	644,322	728,376
Shares of subsidiaries and associates	203,859	203,859
Investments in capital of subsidiaries and associates	163,625	223,525
Long-term loans receivable from subsidiaries and associates	60,000	60,000
Long-term loans receivable from employees	-	5,204
Claims provable in bankruptcy, claims provable in rehabilitation and other	13,712	9,942
Long-term prepaid expenses	23,090	21,612
Lease and guarantee deposits	365,272	352,018
Deferred tax assets	-	3,845
Other	5,560	5,560
Allowance for doubtful accounts	-13,712	-9,942
Total investments and other assets	1,465,730	1,604,003
Total non-current assets	12,532,655	12,156,434
Total assets	25,565,938	23,767,156

Broadleaf Co., Ltd. (3673)

Summary of Financial Statements for the 3rd Quarter of the FY2016 (Non-consolidated)

(Unit: Thousands of Yen)

	FY2015 (As of Dec. 31, 2015)	Q3 FY2016 (As of Sep. 30, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	480,270	298,261
Current portion of long-term loans payable	624,000	624,000
Lease obligations	32,641	28,110
Accounts payable - other	2,396,358	2,185,792
Accrued expenses	169,794	162,488
Income taxes payable	118,444	183,746
Accrued consumption taxes	67,388	67,745
Advances received	30,244	61,226
Deposits received	74,681	140,896
Provision for bonuses	278,406	271,104
Provision for compensation for damage	34,612	25,591
Other	31,201	31,201
Total current liabilities	4,338,044	4,080,164
Non-current liabilities		
Long-term loans payable	1,675,160	1,169,200
Lease obligations	51,126	31,192
Asset retirement obligations	112,041	110,081
Deferred tax liabilities	3,603	-
Total non-current liabilities	1,841,931	1,310,473
Total liabilities	6,179,976	5,390,638
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	5,332,647
Treasury stock	-1,322,701	-1,294,561
Total shareholders' equity	19,335,880	18,333,895
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	20,489	13,030
Total valuation and translation adjustments	20,489	13,030
Subscription rights to shares	29,592	29,592
Total net assets	19,385,961	18,376,517
Total liabilities and net assets	25,565,938	23,767,156

(2) Statement of income

	(Unit: Thousands of Yen)	
	3 rd Quarter of FY2015 (From Jan. 1, 2015 to Sep. 30, 2015)	3 rd Quarter of FY2016 (From Jan. 1, 2016 to Sep. 30, 2016)
Net sales	12,116,488	11,983,220
Cost of sales	3,570,431	3,714,793
Gross profit	8,546,056	8,268,426
Selling, general and administrative expenses	7,275,899	7,183,044
Operating income	1,270,157	1,085,381
Non-operating income		
Interest income	1,809	953
Dividend income	3,787	3,819
Compensation income	12,766	3,748
Gain on investments in partnership	2,064	-
Other	9,999	13,456
Total non-operating income	30,428	21,978
Non-operating expenses		
Interest expenses	6,995	8,030
Provision for loss compensation	22,354	8,179
Commission fee	17,000	2,000
Other	4,481	5,040
Total non-operating expenses	50,831	23,249
Ordinary income	1,249,753	1,084,110
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	2,033
Loss on valuation of investment securities	16,390	-
Total extraordinary loss	16,618	2,033
Income before income taxes	1,239,564	1,333,002
Income taxes - current	453,235	636,723
Income taxes - deferred	226,998	36,855
Total income taxes	680,234	673,578
Net income	559,330	659,423

(3) Notes on financial statements

(Notes on going concern assumptions)

Not applicable.

(Notes on substantial changes in stockholders' equity)

During the first nine months of the fiscal year ending December 31, 2016, treasury stock increased 974,167 thousand yen as a result of treasury stock acquisitions of 354,300 shares based on a trust contract for a board benefit trust (BBT) and 577,700 shares based on a trust contract for an employee stock ownership plan (J-ESOP). In addition, 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 each during the first nine months of the fiscal year under review.

The amount of treasury stock at the end of the first nine months of the fiscal year ending December 31, 2016 was 1,294,561 thousand yen as a result of the said acquisition, cancellation, etc. of treasury stock.

(Significant post-balance sheet events)

(Acquisition of treasury stock)

The Company resolved at the meeting of the Board of Directors held on October 28, 2016 to repurchase treasury stock pursuant to the provisions of Article 459, paragraph 1 of the Companies Act and Article 41 of its articles of incorporation.

1. Reasons for repurchase of treasury stock: To return profits to shareholders and improve capital efficiency
2. Type of shares to be acquired: Shares of common stock
3. Number of shares to be acquired: Up to 1,350,000 shares
4. Total amount of acquisition: Up to 1.5 billion yen
5. Period of acquisition: From November 1, 2016 to January 31, 2017
6. Method of acquisition: Discretionary investment management agreement provided by securities firms

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 nine months	Ratio to Net Sales	YoY rate of change	Progress rate	Full-year forecast
Net Sales	11,983	100.0%	-1.1%	66.6%	18,000
Business Application Software	7,613	63.5%	-5.3%	65.1%	11,700
System Support	924	7.7%	-2.1%	74.0%	1,250
Network Service	3,444	28.7%	9.9%	68.2%	5,050
Operating Income	1,085	9.1%	-14.5%	36.2%	3,000
Net Income	659	5.5%	17.9%	40.7%	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 nine months	Ratio to Net Sales	YoY rate of change	Progress rate	Full-year result
Net Sales	12,116	100.0%	-11.8%	72.0%	16,824
Business Application Software	8,035	66.3%	-19.3%	71.0%	11,316
System Support	944	7.8%	-2.5%	74.6%	1,266
Network Service	3,135	25.9%	11.7%	73.9%	4,242
Operating Income	1,270	10.5%	-56.7%	50.5%	2,514
Net Income	559	4.6%	-63.5%	44.7%	1,251