



Summary of Financial Statements for the Nine Months of the Fiscal Year Ending December 31, 2017 [IFRS] (Consolidated)

November 10, 2017

Broadleaf Co., Ltd.

Stock Listing: Tokyo Stock Exchange 1st Section

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Scheduled Submission Date for Quarterly Report: November 14, 2017

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 FY2017 (from January 1, 2017 to September 30, 2017)

(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 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
Q3 FY2016	11,926	-	1,731	-	1,705	-	1,101	-	1,101	-	1,043	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Q3 FY2017	26.16		26.14	
Q3 FY2016	22.94		22.93	

(Note) The Company conducted a 2-for-1 common stock split effective December 17, 2016. The basic earnings per share and the diluted earnings per share 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		%		Yen	
End of Q3 FY2017	26,509		18,806		18,806		70.9	
End of FY2016	25,322		19,159		19,159		75.7	

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen				
FY2016	-	17.50	-	12.50	30.00
FY2017	-	11.00	-	-	-
FY2017 (Forecast)	-	-	-	11.00	22.00

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

Breakdown of dividends for the end of Q2 FY2016: Ordinary dividend 12.50 yen Commemorative dividend 5.00 yen

The Company conducted a 2-for-1 common stock split effective December 17, 2016. The dividends for the period to the end of Q2 of FY2016 are actual dividends before the stock split.

3. Earnings Forecast for FY2017 (from January 1, 2017 to December 31, 2017)

(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	
FY2017	17,800	6.2	2,100	-28.9	2,050	-29.8	1,240	-33.9	28.00	

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

* Notes

(1) Changes in significant subsidiaries during the nine months ended September 30, 2017 (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: No
2. Other changes in accounting policies: No
3. Changes in accounting estimates: No

(3) Number of shares outstanding (common stock)

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

Q3 FY2017	48,948,400	FY2016	48,948,400
Q3 FY2017	4,691,968	FY2016	3,939,268
Q3 FY2017	44,293,058	Q3 FY2016	48,017,260

(Note) The Company conducted a 2-for-1 stock split effective December 17, 2016. The number of shares outstanding (common stock) is calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

* The quarterly earnings report is not subject to quarterly review.

* 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 10, 2017. A document to be used in the briefing will be posted on the website.

○Table of Contents of Attached Material

1. Qualitative Information on Operating Results, etc. for the Nine Months Ended September 30, 2017	4
(1) Qualitative information on financial results	4
(2) Qualitative information on financial position	4
(3) Qualitative information on consolidated earnings forecast	5
2. Summary Consolidated Financial Statements and Major Notes	6
(1) Summary consolidated statement of financial position	6
(2) Summary consolidated statement of income	7
(3) Summary consolidated statement of comprehensive income	8
(4) Summary consolidated statement of changes in equity	9
(5) Summary consolidated statement of cash flow	11
(6) Notes regarding the summary consolidated financial statements	12
(Notes on going concern assumption).....	12
(Segment information).....	12

1. Qualitative Information on Operating Results, etc. for the Nine Months Ended September 30, 2017

(1) Qualitative information on financial results

During the first nine months of the fiscal year ending December 31, 2017, the Japanese economy remained on a moderate recovery trend partly backed by improved corporate earnings and employment and income situations. However, attention should be paid to the risk of overseas economies, including the effects of the political situation in the United States and Europe and trends in financial and capital markets, putting downward pressure on the Japanese economy.

In the information service industry, to which the Group belongs, investments are expected to increase in strategic areas such as cloud services, big data analysis, cyber security measures and expansion into IoT, in addition to the existing types of IT spending for the purposes of improving productivity and efficiency. Meanwhile, there are signs of a recovery in capital investment among companies. On the other hand, the entire industry faces the issue of securing excellent engineers who can adapt to the latest technologies and early development and offering of high value-added services.

In this environment, the Company launched the sale of the .NS2, a new model added to the .NS Series of its industry-specific applications, with the aim of expanding the customer base and changing the revenue structure. The Company also worked to increase the number of customers for the CarpodTab, a tablet-type business support tool, and continued to take action for the industry standardization of the BL Parts Order System, an electronic order service for auto parts. Along with these initiatives, the Company stepped up its efforts to provide higher value-added services for customers by successively revamping the industry-specific applications that the Company offers to customers, strengthening its automobile-related database, and developing automotive data analytical services. During the third quarter of the fiscal year under review, the Company acquired shares in Tajima Inc., which had been a competitor in systems and other products for auto maintenance businesses, and made it a consolidated subsidiary.

As a result, revenue in the first nine months of the fiscal year under review increased 4.7% year on year, to 12,487 million yen. In terms of profits and losses, operating profit increased by 5.1% year on year, to 1,819 million yen, profit before tax rose by 5.8% year on year, to 1,804 million yen, and profit attributable to owners of parent grew 5.2% year on year, to 1,159 million yen, thanks primarily to the higher revenue.

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 FY2016 (From January 1 to September 30, 2016)	1st Nine Months of FY2017 (From January 1 to September 30, 2017)	Year-on-year rate of change
Business Application Software	7,564	7,783	2.9%
System Support	924	926	0.2%
Network Service	3,438	3,779	9.9%
Total	11,926	12,487	4.7%

(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 increased 1,187 million yen from the end of the previous consolidated fiscal year, to 26,509 million yen. Current assets fell 2,229 million yen, to 10,075 million yen, and non-current assets increased 3,416 million yen, to 16,434 million yen. The decrease in current assets was mainly attributable to a decrease in cash and cash equivalents of 2,748 million yen. The increase in non-current assets was caused chiefly by growth in goodwill of 2,471 million yen.

(Liabilities)

Liabilities rose by 1,541 million yen from the end of the previous consolidated fiscal year, to 7,703 million yen. Current liabilities grew 1,776 million yen, to 6,756 million yen, and non-current liabilities decreased by 235 million yen, to 947 million yen. The main factor contributing to the increase in current liabilities was growth in operating and other payables of 2,135 million yen, which more than offset a reduction in income taxes payable of 490 million yen. The decrease in non-current liabilities was largely a result of a decrease in long-term interest-bearing debt of 481 million yen.

(Equity)

Equity was reduced by 354 million yen from the end of the previous consolidated fiscal year, to 18,806 million yen. The decrease was chiefly attributable to an increase in treasury shares of 496 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 2,748 million yen from the end of the previous consolidated fiscal year, to 4,990 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, 2017.

(Net cash from (used in) operating activities)

Cash flows provided by operating activities stood at 1,074 million yen, mainly reflecting a profit before tax of 1,804 million yen and depreciation and amortization expense of 478 million yen, which is partially offset by income taxes paid of 1,134 million yen.

(Net cash from (used in) investing activities)

Cash flows used in investing activities came to 1,723 million yen. The primary causes of this included an acquisition of intangible assets of 864 million yen and a payment of 865 million yen for a purchase of shares of subsidiaries resulting in a change in the scope of consolidation.

(Net cash from (used in) financing activities)

Cash flows used in financing activities were 2,095 million yen, chiefly attributable to cash dividends paid of 1,049 million yen, the purchase of treasury shares of 530 million yen, and repayments of long-term loans payable of 512 million yen.

(3) Qualitative information on consolidated earnings forecast

There have been no changes made to the consolidated results forecast announced on August 4, 2017 for the fiscal year ending December 31, 2017.

2. Summary Consolidated Financial Statements and Major Notes

(1) Summary consolidated statement of financial position

(Unit: Thousands of Yen)

	FY2016 (As of Dec. 31, 2016)	Q3 FY2017 (As of September 30, 2017)
Assets		
Current assets		
Cash and cash equivalents	7,738,206	4,989,891
Operating and other receivables	4,199,180	4,493,498
Inventories	109,866	219,043
Other current financial assets	417	–
Other current assets	256,566	372,855
Total current assets	12,304,234	10,075,288
Non-current assets		
Property, plant and equipment	426,750	442,908
Goodwill	10,031,002	12,502,286
Intangible assets	1,142,446	1,656,783
Investments accounted for using equity method	70,896	59,816
Other non-current financial assets	1,148,794	1,285,290
Other non-current assets	26,024	17,575
Deferred tax assets	171,824	468,976
Total non-current assets	13,017,736	16,433,632
Total assets	25,321,970	26,508,920
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating and other payables	3,140,345	5,275,462
Short-term interest-bearing debt	655,086	676,594
Income taxes payable	601,139	110,841
Other current financial liabilities	85,072	158,684
Other current liabilities	498,475	534,303
Total current liabilities	4,980,118	6,755,884
Non-current liabilities		
Long-term interest-bearing debt	1,072,366	591,244
Non-current provisions	110,300	129,325
Other non-current liabilities	–	226,900
Total non-current liabilities	1,182,666	947,469
Total liabilities	6,162,784	7,703,353
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,114,654	7,112,741
Treasury shares	-2,252,885	-2,749,316
Retained earnings	7,136,345	7,242,851
Other components of equity	13,167	51,386
Total equity attributable to owners of parent	19,159,187	18,805,567
Total equity	19,159,187	18,805,567
Total liabilities and equity	25,321,970	26,508,920

(2) Summary consolidated statement of income

(Unit: Thousands of Yen)

	1st Nine Months of FY2016 (From January 1, 2016 to September 30, 2016)	1st Nine Months of FY2017 (From January 1, 2017 to September 30, 2017)
Revenue	11,925,523	12,487,242
Cost of sales	-3,710,156	-3,332,099
Gross profit	8,215,368	9,155,143
Selling, general and administrative expenses	-6,729,315	-7,344,798
Other operating income	259,059	11,986
Other operating expense	-13,875	-3,544
Operating profit	1,731,236	1,818,787
Finance income	5,062	13,133
Finance cost	-28,225	-16,793
Equity in loss of affiliates	-2,734	-11,077
Profit before tax	1,705,340	1,804,049
Income tax	-603,931	-645,524
Profit	1,101,409	1,158,526
Profit attributable to owners of parent	1,101,409	1,158,526
Earnings per share		
Basic earnings per share (yen)	22.94	26.16
Diluted earnings per share (yen)	22.93	26.14

(3) Summary consolidated statement of comprehensive income

(Unit: Thousands of Yen)

	1st Nine Months of FY2016 (From January 1, 2016 to September 30, 2016)	1st Nine Months of FY2017 (From January 1, 2017 to September 30, 2017)
Profit	1,101,409	1,158,526
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	-3,405	41,386
Total components that will not be reclassified to profit or loss	-3,405	41,386
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-36,053	-10,377
Share of other comprehensive income of associates accounted for using equity method	-19,335	5,247
Total components that may be reclassified to profit or loss	-55,388	-5,130
Total other comprehensive income, net of tax	-58,793	36,257
Comprehensive income	1,042,616	1,194,783
Comprehensive income attributable to owners of parent	1,042,616	1,194,783

(4) Summary consolidated statement of changes in equity

1st Nine Months of FY2016 (From January 1, 2016 to September 30, 2016)

(Unit: Thousands of Yen)

	Note	Equity attributable to owners of parent			
		Capital stock	Share premium	Treasury shares	Retained earnings
Balance as of January 1, 2016		7,147,905	7,128,960	-1,330,018	6,941,080
Profit		-	-	-	1,101,409
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	-	1,101,409
Purchase of treasury shares		-	-	-974,168	-
Disposal of treasury shares		-	-11,100	40,908	-
Cancellation of treasury shares		-	-967,177	967,177	-
Dividend		-	-	-	-720,179
Reclassification from share premium to retained earnings		-	967,177	-	-967,177
Total transactions with owners		-	-11,100	33,917	-1,687,356
Balance as of September 30, 2016		7,147,905	7,117,860	-1,296,102	6,355,133

(Unit: Thousands of Yen)

	Note	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, 2016		29,592	-11,171	8,326	26,748	19,914,674	19,914,674
Profit		-	-	-	-	1,101,409	1,101,409
Other comprehensive income		-	-55,388	-3,405	-58,793	-58,793	-58,793
Total comprehensive income		-	-55,388	-3,405	-58,793	1,042,616	1,042,616
Purchase of treasury shares		-	-	-	-	-974,168	-974,168
Disposal of treasury shares		-	-	-	-	29,808	29,808
Cancellation of treasury shares		-	-	-	-	-	-
Dividend		-	-	-	-	-720,179	-720,179
Reclassification from share premium to retained earnings		-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-1,664,539	-1,664,539
Balance as of September 30, 2016		29,592	-66,559	4,921	-32,045	19,292,751	19,292,751

1st Nine Months of FY2017 (From January 1, 2017 to September 30, 2017)

(Unit: Thousands of Yen)

	Note	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	-
Dividends		-	-	-	-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)

	Note	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
Dividends		-	-	-	-	-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

(5) Summary consolidated statement of cash flow

(Unit: Thousands of Yen)

	1st Nine Months of FY2016 (From January 1, 2016 to September 30, 2016)	1st Nine Months of FY2017 (From January 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Profit before tax	1,705,340	1,804,049
Depreciation and amortization expense	461,135	477,806
Compensation for damage received	-250,925	–
Finance income and costs	23,163	3,660
Equity in loss (earnings) of affiliates	2,734	11,077
Loss (gain) on sales of property, plant and equipment and intangible assets	–	1,467
Decrease (increase) in operating and other receivables	842,610	127,841
Decrease (increase) in inventories	116,114	-28,443
Increase (decrease) in operating and other payables	-375,586	-319,738
Increase (decrease) in employees' bonuses payable	-7,303	111,535
Increase (decrease) in consumption taxes payable	7	-40,612
Other, net	42,221	63,560
Subtotal	2,559,510	2,212,203
Interest received	1,243	1,156
Dividends received	3,819	1,549
Interest expenses paid	-8,795	-6,173
Compensation for damage received	250,925	–
Income taxes paid	-537,148	-1,134,407
Cash flows from (used in) operating activities	2,269,554	1,074,329
Cash flows from investing activities		
Acquisition of property, plant and equipment	-31,354	-41,553
Proceeds from sales of property, plant and equipment	–	50,407
Acquisition of intangible assets	-416,521	-863,949
Acquisition of investments	-99,856	-15,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	-865,414
Payments for lease and guarantee deposits	-5,838	-11,670
Proceeds from collection of lease and guarantee deposits	18,650	34,323
Acquisition of investments accounted for using equity method	-87,500	–
Other, net	-8,486	-10,010
Cash flows from (used in) investing activities	-630,904	-1,722,866
Cash flows from financing activities		
Repayments of long-term loans payable	-505,960	-511,850
Repayments of lease obligations	-24,465	-31,338
Cash dividends paid	-720,179	-1,049,308
Purchase of treasury shares	-974,168	-530,475
Proceeds from sales of treasury shares	29,808	31,381
Other, net	-3,253	-3,247
Cash flows from (used in) financing activities	-2,198,217	-2,094,837
Impact of exchange fluctuations for cash and cash equivalents	-33,063	-4,940
Net increase (decrease) in cash and cash equivalents	-592,630	-2,748,314
Cash and cash equivalents at beginning of period	8,628,510	7,738,206
Balance of cash and cash equivalents at the end of the quarter	8,035,880	4,989,891

(6) Notes regarding the summary consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Segment information)

Since the Group has only a single business segment (IT services), the statement is omitted.