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Consolidated Financial Results for the Second Quarter (Interim) of the Fiscal Year Ending December 31, 2024 [IFRS] (Consolidated)

August 8, 2024

Broadleaf Co., Ltd
Stock listing: Tokyo Stock Exchange Prime Market
Representative: Representative Director, President and CEO Kenji Oyama
Scheduled date of commencement of dividend payout
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 2Q (Interim) of the Fiscal Year Ending December 31.2024 (January 1, 2024-June 30, 2024)

(1) Consolidated Operating Results (Cumulative) (Percentage below represents increase (decrease) from the same period of previous interim term)

	Revenue		Operating profit		Profit before tax		Interim profit		Interim 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	%
2Q FY2024	8,421	14.0	-44	-	16	-	-18	-	-14	-	84	-
2Q FY2023	7,390	13.3	-1,111	-	-1,102	-	-844	-	-826	-	-635	-

(NOTE) During the 2Q of the fiscal year ending December 2024, the Company recorded an operating profit of 66 million yen, returning to the BLACK.

	Basic interim earnings per share	Diluted earnings per share
	Yen	Yen
2Q FY2024	-0.15	-0.15
2Q FY2023	-9.33	-9.33

(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	%
2Q FY2024	38,851	22,649	22,641	58.3
FY2023	36,750	22,487	22,473	61.2

2. Dividends

	Dividend per share				
	End of 1Q	Interim	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	-	0.00	-	1.00	1.00
FY2024	-	0.00			
FY2024 (forecast)			-	2.00	2.00

(NOTE) Revisions to the latest announced dividend forecasts: None

Forecast of Consolidated Financial Results for the Fiscal Year Ending December 3.2024 (January 1, 2024-December 31, 2024)

(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
FY2024	17,600	14.4	50	-	100	-	90	-	1.01

(NOTE) Revisions to the most recently announced earnings forecasts: Yes

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※ 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. Changes in accounting policies other than the above 1: None
3. Changes in accounting estimates: None

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury shares)	2Q FY2024	97,896,800 Shares	FY 2023	97,896,800 Shares
2. Number of shares of treasury shares	2Q FY2024	8,684,028 Shares	FY 2023	9,095,224 Shares
3. Average number of shares outstanding (during the period)	2Q FY2024	89,024,147 Shares	2Q FY2023	88,600,610 Shares

* The financial results for the 2Q (interim term) are not subject to review by a certified public accountant or an auditing 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 Broadleaf Co., Ltd. Group (hereinafter “the Group”) and certain assumptions which are regarded as legitimate. The Group 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 Group plans to hold an online live presentation for institutional investors and analysts on Thursday, August 8, 2024. The materials used at the meeting will be posted on its website.

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1.Qualitative Information on the Current Interim Financial Results

(1) Explanation of Results of Operations

During the current interim consolidated accounting period (January 1, 2024 to June 30, 2024), the Japanese economy continued its moderate recovery trend. As for capital investment, there were marked signs of a pick-up against the backdrop of firm corporate profits. On the other hand, the situation remains highly uncertain, partly due to risk factors that could exert downward pressure on the economy in the future, such as the impact of rising prices against the backdrop of the yen's depreciation and other factors, and the high interest rates in the U.S. and Europe.

In terms of trends in IT investing, there was engagement in digital transformation (DX), including not only operational reforms but also the creation of new digital services using generating AI and other resources. The mobility sector, to which many of our customers belong, has also been actively investing in IT across a wide range of areas, including not only work style reforms and tackling labor shortages, but also reviewing supply chains to improve productivity and addressing digital administration.

Under such a business environment, our group is promoting the growth strategies of “Cloud Penetration” and “Service Expansion”, as outlined in the Medium-Term Management Plan (2022-2028) (hereinafter “the Plan"). The Group is gradually transitioning customers belonging to in the Mobility sector that use packaged systems to cloud services. And the Group is also working to acquire new customers. In addition, the Group is working to increasing added value for our customers by expanding our service menu and improving processing performance in order to expand the industries and customer sizes to which cloud services are targeted by our cloud services.

During the current interim consolidated accounting period, cloud service revenues increased 63.4% year on year due to an increase in subscription contracts, including “.c Series” cloud software. In addition, sales of packaged software for the non-mobility sector remained flat year on year. On the other hand, customers in the mobility sector successively switched to “.c Series” of cloud software following the expiration of usage deadlines, resulting in a 6.2% decline in packaged system sales.

The switch to “.c Series” cloud software by customers using packaged software contributes to the decline in packaged system revenues. On the other hand, this is a factor behind the increase in both cloud service sales and overall sales. This factor is expected to continue until FY2028, when the switch for all customers is completed.

In terms of cost, the Group is continuing to develop cloud software to expand functions and improve performance. On the other hand, cost of sales and SG&A expenses remained at the same level as the same period of the previous fiscal year due to a reduction in expenditures related to sales activities and management operations by promoting the efficiency of business processes.

As a result of the above, the Group recorded revenue of 8,421 million yen (up 14.0% year on year), operating loss of 44 million yen (loss of 1,111 million yen in the same period of the previous fiscal year), profit before income taxes of 16 million yen (loss of 1,102 million yen in the same period of the previous fiscal year), and interim loss attributable to owners of the parent of 14 million yen (loss of 826 million yen in the same period of the previous fiscal year). During the second quarter of the fiscal year under review (April 1, 2024 to June 30, 2024), operating income was 66 million yen, and the Group moved into the black figure from an operating loss of 109 million yen in the first quarter of the fiscal year under review (January 1, 2024 to March 31, 2024).

The Group is a single segment of IT Services Business, but the breakdown of revenues by service category is as follows.

(Millions of yen)

Classification	Previous interim fiscal year (From January 1, 2023 to June 30, 2023)	End of interim fiscal year (From January 1, 2024 to June 30, 2024)	YoY ratio
Cloud services	2,141	3,498	63.4%
Packaged system	5,248	4,923	-6.2%
Total	7,390	8,421	14.0%

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(2) Description of Financial Position

(i) Analysis of financial condition

(Assets)

Assets at the end of the current interim consolidated accounting period increased by 2,101 million yen from the end of the previous consolidated accounting year to 38,851 million yen. Current assets increased 737 million yen to 7,791 million yen, and non-current assets increased 1,363 million yen to 31,060 million yen. Current assets increased mainly due to increases of 438 million yen in trade and other receivables, 135 million yen in other current assets, and 116 million yen in cash and cash equivalents. The increase in non-current assets was mainly due to an increase in intangible assets of 1,261 million yen.

(Liabilities)

Liabilities at the end of the current interim consolidated accounting period were 16,201 million yen, an increase of 1,938 million yen from the end of the previous consolidated accounting year. Current liabilities increased 487 million yen to 11,566 million yen, while non-current liabilities increased 1,451 million yen to 4,635 million yen. The increase in current liabilities was mainly due to increases of 1,147 million yen in contract liabilities, 172 million yen in income taxes payable, and 144 million yen in other current liabilities, despite a decrease of 964 million yen in short-term interest-bearing debt. The increase in non-current liabilities was mainly attributable to an increase of 1,456 million yen in long-term interest-bearing debt.

(Equity)

Equity at the end of the current interim consolidated accounting period was 22,649 million yen, an increase of 163 million yen from the end of the previous consolidated accounting year. The increase in equity was mainly due to a decrease of 47 million yen in other components of equity, a decrease of 10 million yen in retained earnings, a decrease of 118 million yen in treasury stock, and an increase of 107 million yen in capital surplus.

(ii) Analysis of cash flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the current interim consolidated accounting period increased by 116 million yen from the end of the previous consolidated accounting year to 4,036 million yen.

The situation of each cash flow during the current interim consolidated accounting period and its factors are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was 2,089 million yen (up 85.5% year on year). This was mainly due to increases in depreciation and amortization of 1,405 million yen and contract liabilities of 1,147 million yen, despite a decrease in funds resulting from an increase in trade and other receivables of 437 million yen.

(Cash flow from investment activities)

Net cash used in investing activities was 2,038 million yen (up 6.3% year on year). This was mainly due to payments for purchase of intangible assets of 2,270 million yen, despite proceeds from sales and redemption of investments of 331 million yen.

(Cash flow from financing activities)

Net cash provided by financing activities was 63 million yen, down 91.3% year on year. This was mainly due to proceeds from long-term loans payable of 4,700 million yen despite a net decrease in short-term loans payable of 2,900 million yen, repayments of long-term loans payable of 1,188 million yen, repayments of lease liabilities of 423 million yen, cash dividends paid of 89 million yen, and expenses related to the commitment line of 37 million yen.

(3) Qualitative information on consolidated earnings forecasts

Consolidated earnings forecasts for the current consolidated fiscal year (January 1, 2024 to December 31, 2024) have been revised from the forecasts in the "Summary of Financial Statements for FY2023 [IFRS] (Consolidated)" announced on February 9, 2024, to 100 million yen (up 100.0% from the previous forecast) and 90 million yen (up 125.0% from the previous forecast) for profit attributable to owners of the parent, taking into account the results in the current interim consolidated fiscal year and business trends from the 3Q onward. For details, please refer to the "Notice Regarding Differences between Consolidated Earnings Forecast and Actual Results for the First Six Months and Revisions to Consolidated Earnings Forecast for the Full Year" dated August 8, 2024.

With regard to dividends, there is no change from the description in the "Notice of Revision of Dividend Forecast for the Fiscal Year Ending December 31, 2024" announced on June 18, 2024, and the year-end dividend is expected to be 2 yen per share.

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2. Condensed Interim Consolidated Financial Statements and Major Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Thousands of yen)

	Previous consolidated fiscal year (As of December 31, 2023)	End of Interim fiscal year (As of June 30, 2024)
Assets		
Current assets		
Cash and cash equivalents	3,920,033	4,036,336
Operating and other receivables	2,710,922	3,149,165
Inventories	100,931	148,115
Other financial assets	-	230
Other current assets	321,609	457,092
Total current assets	7,053,496	7,790,938
Non-current assets		
Property, plant and equipment	1,488,379	1,359,712
Goodwill	11,126,040	11,126,040
Intangible assets	14,067,950	15,329,165
Investments accounted for using equity method	81,175	226,027
Other financial assets	1,181,240	1,051,117
Other non-current assets	145,297	266,437
Deferred tax assets	1,606,193	1,701,130
Total non-current assets	29,696,276	31,059,628
Total assets	36,749,771	38,850,565
Liabilities and equity		
Liabilities		
Current liabilities		
Operating and other payables	2,827,827	2,815,597
Contract liabilities	3,169,790	4,317,141
Short-term interest-bearing debts	4,476,551	3,512,282
Accrued income taxes	3,925	175,734
Other current liabilities	600,877	745,340
Total current liabilities	11,078,970	11,566,094
Non-current liabilities		
Long-term interest-bearing debts	2,772,578	4,229,002
Obligations for retirement pay	235,776	239,145
Provisional sum	137,049	137,173
Other non-current liabilities	38,814	29,677
Total non-current liabilities	3,184,217	4,634,997
Total liabilities	14,263,186	16,201,090
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,449,297	7,556,187
Treasury shares	-3,045,268	-2,927,139
Retained earnings	10,057,477	10,046,978
Other components of equity	864,081	817,095
Total equity attributable to owners of the parent	22,473,492	22,641,026
Non-controlling interests	13,093	8,449
Total equity	22,486,585	22,649,475
Total liabilities and equity	36,749,771	38,850,565

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(2) Condensed Interim Consolidated Statements of Income and Condensed Interim Consolidated Statements of Comprehensive Income

(Condensed Interim Consolidated Statements of Income)

(Thousands of yen)

	Previous interim fiscal year (From January 1, 2023 to June 30, 2023)	End of Interim fiscal year (From January 1, 2024 to June 30, 2024)
Revenue	7,389,797	8,421,010
Cost of sales	-2,984,930	-2,961,018
Gross profit	4,404,867	5,459,992
Selling, general and administrative expenses	-5,528,472	-5,550,286
Other operating income	42,409	51,057
Other operating expenses	-29,846	-4,377
Operating loss (- shows loss)	-1,111,043	-43,615
Finance income	53,757	64,089
Finance costs	-35,085	-48,298
Share of profit (loss) of entities accounted for using equity method (- shows loss)	-9,404	44,202
Interim profit or loss before tax (- shows loss)	-1,101,775	16,378
Income tax	257,383	-34,606
Interim loss (- shows loss)	-844,392	-18,228
Attribution of interim loss (- shows loss)		
Owners of the parent	-826,386	-13,585
Non-controlling interests	-18,006	-4,643
Interim loss (- shows loss)	-844,392	-18,228
Interim loss per share (- shows loss)		
Basic interim loss per share (- shows loss) (yen)	-9.33	-0.15
Diluted interim loss per share (- shows loss) (yen)	-9.33	-0.15

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(Condensed Interim Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Previous interim fiscal year (From January 1, 2023 to June 30, 2023)	End of Interim fiscal year (From January 1, 2024 to June 30, 2024)
Interim loss (- shows loss)	-844,392	-18,228
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	209,831	107,301
Total items that will not be reclassified to profit or loss	209,831	107,301
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	-68	-5,359
Total items that may be reclassified to profit or loss	-68	-5,359
Total other comprehensive income, net of tax	209,763	101,942
Interim comprehensive income	-634,629	83,714
Comprehensive income attributable to		
Owners of the parent	-616,623	88,357
Non-controlling interests	-18,006	-4,643
Interim comprehensive income	-634,629	83,714

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(3) Condensed Interim Consolidated Statement of Changes in Equity

Previous interim consolidated accounting period (From January 1, 2023 to June 30, 2023)

(Thousands of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Capital stock	Share premium	Treasury shares	Retained earnings	Warrants	Shares with restriction on transfer Stock
Balance as of January 1, 2023	7,147,905	7,366,245	-3,167,193	11,656,730	812,624	-12,888
Interim loss (- shows loss)	-	-	-	-826,386	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-826,386	-	-
Disposal of treasury shares	-	104,026	121,926	-	-173,330	-56,000
Dividends	-	-	-	-88,389	-	-
Share-based payment transactions	-	-	-	4,577	122,378	26,888
Transfer from other components of equity to retained earnings	-	-	-	-7,500	-	-
Total transactions with owners	-	104,026	121,926	-91,312	-50,952	-29,112
Balance as of June 30, 2023	7,147,905	7,470,271	-3,045,268	10,739,032	761,673	-42,000

(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, 2023	-41,414	-130,086	628,237	23,631,923	30,194	23,662,116
Interim loss (- shows loss)	-	-	-	-826,386	-18,006	-844,392
Other comprehensive income	-68	209,831	209,763	209,763	-	209,763
Total comprehensive income	-68	209,831	209,763	-616,623	-18,006	-634,629
Disposal of treasury shares	-	-	-229,330	-3,377	-	-3,377
Dividends	-	-	-	-88,389	-	-88,389
Share-based payment transactions	-	-	149,266	153,843	-	153,843
Transfer from other components of equity to retained earnings	-	7,500	7,500	-	-	-
Total transactions with owners	-	7,500	-72,564	62,076	-	62,076
Balance as of June 30, 2023	-41,482	87,245	765,435	23,077,375	12,188	23,089,563

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Current interim consolidated accounting period (From January 1, 2024 to June 30, 2024)

(Thousands of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Capital stock	Share premium	Treasury shares	Retained earnings	Warrants	Shares with restriction on transfer Stock
Balance as of January 1, 2024	7,147,905	7,449,297	-3,045,268	10,057,477	876,989	-14,000
Interim loss (- shows loss)	-	-	-	-13,585	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-13,585	-	-
Disposal of treasury shares	-	106,890	118,129	-	-173,420	-55,996
Dividends	-	-	-	-88,802	-	-
Share-based payment transactions	-	-	-	1,327	143,049	27,999
Transfer from other components of equity to retained earnings	-	-	-	90,560	-	-
Total transactions with owners	-	106,890	118,129	3,086	-30,370	-27,997
Balance as of June 30, 2024	7,147,905	7,556,187	-2,927,139	10,046,978	846,619	-41,997

(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, 2024	-41,960	43,051	864,081	22,473,492	13,093	22,486,585
Interim loss (- shows loss)	-	-	-	-13,585	-4,643	-18,228
Other comprehensive income	-5,359	107,301	101,942	101,942	-	101,942
Total comprehensive income	-5,359	107,301	101,942	88,357	-4,643	83,714
Disposal of treasury shares	-	-	-229,416	-4,398	-	-4,398
Dividends	-	-	-	-88,802	-	-88,802
Share-based payment transactions	-	-	171,048	172,376	-	172,376
Transfer from other components of equity to retained earnings	-	-90,560	-90,560	-	-	-
Total transactions with owners	-	-90,560	-148,928	79,176	-	79,176
Balance as of June 30, 2024	-47,318	59,792	817,095	22,641,026	8,449	22,649,475

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(4) Condensed Interim Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous interim fiscal year (From January 1, 2023 to June 30, 2023)	End of Interim fiscal year (From January 1, 2024 to June 30, 2024)
Cash flow from operating activities		
Interim profit or loss before tax (- shows loss)	-1,101,775	16,378
Depreciation and amortization expense	1,339,862	1,404,679
Impairment loss	-	39,128
Share-based payment expense	128,975	144,963
Finance costs (- shows income)	-18,109	-15,791
Equity in loss (- shows earnings) of affiliates	9,404	-44,202
Decrease (- shows increase) in trade and other receivables	-109,691	-436,969
Decrease (- shows increase) in inventories	5,096	-47,184
Increase (- shows decrease) in trade and other payables	60,542	-11,078
Decrease (- shows increase) in prepaid expenses	-100,847	-152,081
Decrease (- shows increase) in long-term prepaid expenses	45,256	-112,407
Increase (- shows decrease) in employees' bonuses payable	22,288	42,206
Increase (- shows decrease) in contract liabilities	910,819	1,147,351
Increase (- shows decrease) in consumption taxes payable	-43,824	113,193
Others	-6,873	15,261
Subtotal	1,141,123	2,103,447
Interest received	77	6,048
Dividend received	7,005	2,614
Interest expenses paid	-16,054	-19,969
Income taxes paid or refunded (- shows payment)	-6,189	-3,312
Cash flow from operating activities	1,125,961	2,088,828
Cash flow from investing activities		
Acquisition of property, plant and equipment	-22,322	-3,103
Proceeds from sales of property, plant and equipment	-	1,639
Acquisition of intangible assets	-1,900,130	-2,270,217
Acquisition of investments	-	-10,608
Proceeds from sales and redemption of investments	7,500	331,441
Loan advances	-5,332	-230
Collection of loans receivable	2,185	2,766
Payments for lease and guarantee deposits	-878	-2,814
Proceeds from collection of lease and guarantee deposits	1,463	6,629
Expenses for acquisition of investments accounted for using the equity method	-	-100,650
Others	522	7,200
Cash flow from investing activities	-1,916,991	-2,037,947

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(Thousands of yen)

	Previous interim fiscal year (From January 1, 2023 to June 30, 2023)	End of Interim fiscal year (From January 1, 2024 to June 30, 2024)
Cash flow from financing activities		
Net increase (- shows decrease) in short-term loans payable	1,680,000	-2,900,000
Proceeds from long-term debt	-	4,700,000
Repayments of long-term debt	-437,500	-1,188,406
Repayments of lease obligations	-427,229	-423,368
Cash dividends paid	-88,389	-88,802
Expenses related to commitment lines	-9,962	-36,779
Cash flow from financing activities	716,919	62,645
Impact of exchange fluctuations for cash and cash equivalents	2,910	2,776
Net increase (- shows decrease) in cash and cash equivalents	-71,201	116,303
Cash and cash equivalents at beginning of period	3,456,772	3,920,033
Interim terms ending balance of cash and cash equivalents	3,385,572	4,036,336

The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English translation is for your convenience only. If there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.

(5) Notes to Condensed Interim 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.