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Summary of Financial Statements for the First Quarter of the Fiscal Year Ending December 31, 2020 [IFRS] (Consolidated)

May 13, 2020

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: No

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

1. Consolidated Financial Results for the 1st Quarter of the FY2020 (from January 1, 2020 to March 31, 2020)

(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	%
Q1 FY2020	5,279	7.2	610	45.3	627	48.0	413	50.8	413	50.9	267	16.8
Q1 FY2019	4,925	11.1	420	63.1	423	58.8	274	92.8	274	92.8	228	125.3

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Q1 FY2020	4.72		4.65	
Q1 FY2019	3.13		3.09	

(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 Q1 FY2020	31,722	22,990	22,988	72.5
End of FY2019	31,689	23,220	23,217	73.3

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	-	6.50	-	6.50	13.00
FY2020	-	-	-	-	-
FY2020 (Forecast)	-	6.60	-	6.60	13.20

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

3. Earnings Forecast for FY2020 (from January 1, 2020 to December 31, 2020)

(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
1 st Half of FY2020	11,200	1.2	2,000	-3.8	2,000	-3.6	1,300	-4.5	14.87
FY2020	22,700	0.5	4,600	1.7	4,600	2.6	3,100	0.2	35.46

(Note 1) Revisions to the latest forecast of earnings: No

* Notes

(1) Changes in significant subsidiaries during the three months ended March 31, 2020 (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)

Q1 FY2020	97,896,800	FY2019	97,896,800
Q1 FY2020	10,457,263	FY2019	10,469,263
Q1 FY2020	87,432,021	Q1 FY2019	87,308,464

* Summary of financial statements 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)

Earnings supplementary explanatory documents will be posted on the Company's website.

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1. Qualitative Information on Operating Results, etc. for the Three Months Ended March 31, 2020

(1) Qualitative information on financial results

In the first three months of the fiscal year under review (January 1, 2020 through March 31, 2020), the Japanese economy was on a moderate recovery trend driven by improvements in corporate earnings as well as the employment and income environment. However, economic activities were severely disrupted by the COVID-19 pandemic. As a result, business confidence has deteriorated significantly, and future is highly uncertain.

In the information service industry, where the Group operates, there was rising demand for capital investment for online communications, including investment in teleworking, reflecting the tough restrictions on outings. However, companies were cautious about making new investments, reflecting the future uncertainty. Nonetheless, a certain level of demand has remained for IT investment for maintaining social infrastructure, given its importance, except in non-essential areas.

Under these conditions, the Group has been providing core business systems that help customers to continue their businesses, catering to their needs related to continuous operations and responding to demand for the renewal of use-of-system contracts. The Group has also been improving the convenience of the systems it provides to customers and has continued to make investment in development in order to diversify the services it provides.

As a result, in the first three months of the fiscal year under review (January 1, 2020 through March 31, 2020), the Company posted revenue of 5,279 million yen (up 7.2% year on year), operating profit of 610 million yen (up 45.3% year on year), profit before tax of 627 million yen (up 48.0% year on year), and profit attributable to owners of parent of 413 million yen (up 50.9% year on year).

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

(Unit: Millions of yen)

Classification	Q1 FY2019 (From Jan. 1 to Mar. 31, 2019)	Q1 FY2020 (From Jan. 1 to Mar. 31, 2020)	Year-on-year rate of change
Platforms	2,303	2,409	4.6%
Applications	2,622	2,870	9.5%
Total	4,925	5,279	7.2%

(2) Qualitative information on financial position

(i) Analysis of financial position

(Assets)

Assets at the end of the first quarter of the consolidated fiscal year under review increased 34 million yen from the end of the previous consolidated fiscal year, to 31,722 million yen. Current assets fell 91 million yen, to 7,896 million yen, and non-current assets increased 125 million yen, to 23,827 million yen. The decrease in current assets was mainly attributable to decreases in operating and other receivables of 322 million yen, which offset the increases in cash and cash equivalents of 260 million yen. The main factor contributing to the increase in non-current assets was an increase in intangible assets of 372 million yen, offsetting the decrease in other non-current financial assets of 185 million yen.

(Liabilities)

Liabilities at the end of the first quarter of the consolidated fiscal year under review increased 263 million yen from the end of the previous consolidated fiscal year, to 8,732 million yen. Current liabilities increased 282 million yen, to 7,382 million yen, and non-current liabilities declined by 19 million yen, to 1,350 million yen. The main factor for the increase in current liabilities was an increase in short-term interest-bearing debt of 1,659 million yen, which offset declines in operating and other payables of 533 million yen, income taxes payable of 433 million yen, and other current liabilities of 304 million yen. The decrease in non-current liabilities was mainly attributable to a decrease in long-term interest-bearing debt of 27 million yen.

(Equity)

Equity at the end of the first quarter of the consolidated fiscal year under review declined 229 million yen from the end of the previous consolidated fiscal year, to 22,990 million yen. The decrease was chiefly attributable to decreases in retained earnings of 155 million yen and other components of equity of 75 million yen.

(ii) Analysis of cash flows

Cash and cash equivalents (“cash”) at the end of the first quarter of the consolidated fiscal year under review increased 260 million yen from the end of the previous consolidated fiscal year, to 3,293 million yen.

The following is a description of the situation and major factors of each category of cash flows in the three months ended March 31, 2020.

(Net cash from (used in) operating activities)

Net cash used in operating activities stood at 44 million yen (down 91.8% year on year), mainly reflecting profit before tax of 627 million yen, depreciation and amortization expenses of 512 million yen, and a decrease in operating and other receivables of 318 million yen, which partially offset decreases in operating and other payables of 543 million yen, and in employees' bonuses payable of 347 million yen, and income taxes paid of 647 million yen.

(Net cash from (used in) investing activities)

Net cash used in investing activities came to 610 million yen (down 67.7% year on year), mainly due to the acquisition of intangible assets of 616 million yen.

(Net cash from (used in) financing activities)

Net cash from financing activities came to 914 million yen (while 942 million yen was used in the same period of the previous year), chiefly attributable to the net increase in short-term loans payable of 1,701 million yen, which offset repayments of lease obligations of 219 million yen and cash dividends paid of 568 million yen.

(3) Qualitative Information on consolidated earnings forecast

The spread of COVID-19 infection may affect the Company’s business performance for the six months ending June 30, 2020 and for the fiscal year ending December 31, 2020. However, the consolidated earnings forecasts announced on February 14, 2020 remain unchanged because a reasonable forecast is difficult at present. The Company will immediately disclose revisions to the consolidated earnings forecasts if such revisions become necessary reflecting the progress of the problem, business trends, and other factors.

2. Summary Consolidated Financial Statements and Major Notes

(1) Summary consolidated statement of financial position

(Unit: Thousands of Yen)

	FY2019 (As of December 31, 2019)	Q1 FY2020 (As of March 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	3,033,768	3,293,400
Operating and other receivables	4,300,009	3,978,461
Inventories	252,684	187,453
Other current financial assets	5,000	5,000
Other current assets	395,541	431,371
Total current assets	<u>7,987,002</u>	<u>7,895,685</u>
Non-current assets		
Property, plant and equipment	2,026,600	1,927,425
Goodwill	11,802,504	11,802,504
Intangible assets	6,897,109	7,269,146
Investments accounted for using equity method	94,655	85,224
Other non-current financial assets	1,953,076	1,767,710
Other non-current assets	234,224	216,002
Deferred tax assets	693,392	758,600
Total non-current assets	<u>23,701,560</u>	<u>23,826,610</u>
Total assets	<u>31,688,562</u>	<u>31,722,295</u>
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating and other payables	3,613,128	3,080,214
Contract liabilities	1,051,622	938,264
Short-term interest-bearing debt	754,091	2,412,633
Income taxes payable	655,300	222,176
Other current financial liabilities	76,986	83,608
Other current liabilities	948,841	644,948
Total current liabilities	<u>7,099,967</u>	<u>7,381,844</u>
Non-current liabilities		
Long-term interest-bearing debt	933,932	907,065
Net defined benefit liability	185,866	190,610
Non-current provisions	134,834	136,107
Deferred tax liabilities	114,337	116,326
Total non-current liabilities	<u>1,368,970</u>	<u>1,350,107</u>
Total liabilities	<u>8,468,936</u>	<u>8,731,951</u>
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,199,403	7,196,499
Treasury shares	-3,456,820	-3,452,416
Retained earnings	11,928,868	11,773,548
Other components of equity	397,573	322,232
Total equity attributable to owners of parent	<u>23,216,929</u>	<u>22,987,767</u>
Non-controlling interests	2,697	2,577
Total equity	<u>23,219,626</u>	<u>22,990,344</u>
Total liabilities and equity	<u>31,688,562</u>	<u>31,722,295</u>

(2) Summary consolidated statement of income

(Unit: Thousands of Yen)

	First Three Months, FY2019 (From January 1, 2019 to March 31, 2019)	First Three Months, FY2020 (From January 1, 2020 to March 31, 2020)
Revenue	4,925,091	5,279,027
Cost of sales	-1,363,706	-1,641,304
Gross profit	3,561,385	3,637,722
Selling, general and administrative expenses	-3,163,982	-3,024,470
Other operating income	24,704	2,521
Other operating expense	-2,042	-5,593
Operating profit	420,065	610,181
Finance income	10,083	39,033
Finance costs	-3,524	-14,055
Equity in loss of affiliates	-3,234	-8,525
Profit before tax	423,391	626,634
Income tax	-149,709	-213,795
Profit	273,682	412,839
Profit attributable to:		
Owners of parent	273,682	412,959
Non-controlling interests	—	-120
Profit	273,682	412,839
Earnings per share		
Basic earnings per share (yen)	3.13	4.72
Diluted earnings per share (yen)	3.09	4.65

(3) Summary consolidated statement of comprehensive income

(Unit: Thousands of Yen)

	First Three Months, FY2019 (From January 1, 2019 to March 31, 2019)	First Three Months, FY2020 (From January 1, 2020 to March 31, 2020)
Profit	273,682	412,839
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	-43,830	-143,973
Total components that will not be reclassified to profit or loss	-43,830	-143,973
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-1,304	-1,745
Share of other comprehensive income of associates accounted for using equity method	-218	-531
Total components that may be reclassified to profit or loss	-1,522	-2,277
Total other comprehensive income, net of tax	-45,352	-146,250
Comprehensive income	228,330	266,589
Comprehensive income attributable to:		
Owners of parent	228,330	266,709
Non-controlling interests	—	-120
Profit	228,330	266,589

(4) Summary consolidated statement of changes in equity

First Three Months, FY2019 (From January 1, 2019 to March 31, 2019)

(Unit: Thousands of Yen)

	Equity attributable to owners of parent					
	Capital stock	Share premium	Treasury shares	Retained earnings	Other components of equity	
					Warrants	Exchange differences on translation of foreign operations
Balance as of January 1, 2019	7,147,905	7,180,289	-3,500,454	9,759,561	363,850	-49,109
Changes in accounting policies	—	—	—	38,969	—	—
Balance after restatement of prior period's financial results after error corrections	7,147,905	7,180,289	-3,500,454	9,798,530	363,850	-49,109
Profit	—	—	—	273,682	—	—
Other comprehensive income	—	—	—	—	—	-1,522
Total comprehensive income	—	—	—	273,682	—	-1,522
Dividends	—	—	—	-567,505	—	—
Share-based payment transactions	—	—	—	—	59,782	—
Total transactions with owners	—	—	—	-567,505	59,782	—
Balance as of March 31, 2019	7,147,905	7,180,289	-3,500,454	9,504,707	423,632	-50,631

(Unit: Thousands of Yen)

	Equity attributable to owners of parent			Total equity
	Other components of equity		Total	
	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, 2019	131,383	446,124	21,033,424	21,033,424
Changes in accounting policies	—	—	38,969	38,969
Balance after restatement of prior period's financial results after error corrections	131,383	446,124	21,072,393	21,072,393
Profit	—	—	273,682	273,682
Other comprehensive income	-43,830	-45,352	-45,352	-45,352
Total comprehensive income	-43,830	-45,352	228,330	228,330
Dividends	—	—	-567,505	-567,505
Share-based payment transactions	—	59,782	59,782	59,782
Total transactions with owners	—	59,782	-507,723	-507,723
Balance as of March 31, 2019	87,553	460,553	20,793,000	20,793,000

First Three Months, FY2020 (From January 1, 2020 to March 31, 2020)

(Unit: Thousands of Yen)

	Equity attributable to owners of 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	—	—	—	412,959	—	—
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	412,959	—	—
Disposal of treasury shares	—	-2,904	4,404	—	—	—
Dividends	—	—	—	-568,279	—	—
Share-based payment transactions	—	—	—	—	56,909	14,000
Total transactions with owners	—	-2,904	4,404	-568,279	56,909	14,000
Balance as of March 31, 2020	7,147,905	7,196,499	-3,452,416	11,773,548	594,653	—

(Unit: Thousands of Yen)

	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	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, 2020	-44,269	-81,903	397,573	23,216,929	2,697	23,219,626
Profit	—	—	—	412,959	-120	412,839
Other comprehensive income	-2,277	-143,973	-146,250	-146,250	—	-146,250
Total comprehensive income	-2,277	-143,973	-146,250	266,709	-120	266,589
Disposal of treasury shares	—	—	—	1,500	—	1,500
Dividends	—	—	—	-568,279	—	-568,279
Share-based payment transactions	—	—	70,909	70,909	—	70,909
Total transactions with owners	—	—	70,909	-495,870	—	-495,870
Balance as of March 31, 2020	-46,546	-225,876	322,232	22,987,767	2,577	22,990,344

(5) Summary consolidated statement of cash flow

(Unit: Thousands of Yen)

	First Three Months, FY2019 (From January 1, 2019 to March 31, 2019)	First Three Months, FY2020 (From January 1, 2020 to March 31, 2020)
Cash flows from operating activities		
Profit before tax	423,391	626,634
Depreciation and amortization expense	440,129	512,447
Share-based payment expenses	59,782	70,909
Finance costs (income)	-6,559	-24,978
Equity in loss (earnings) of affiliates	3,234	8,525
Decrease (increase) in operating and other receivables	435,661	317,588
Decrease (increase) in inventories	97,696	65,110
Increase (decrease) in operating and other payables	-435,605	-542,878
Decrease (increase) in prepaid expenses	-6,394	-37,408
Decrease (increase) in long-term prepaid expenses	2,094	12,886
Increase (decrease) in accrued expenses	-69,506	-65,011
Increase (decrease) in employees' bonuses payable	-409,771	-347,095
Increase (decrease) in contract liabilities	-146,497	-113,358
Increase (decrease) in consumption taxes payable	-17,093	106,291
Increase (decrease) in other current liabilities	110,102	1,882
Other, net	-25,321	12,189
Subtotal	455,341	603,731
Interest received	4	164
Interest expenses paid	-1,666	-1,320
Income taxes refunded (paid)	-991,574	-646,919
Cash flows provided by (used in) operating activities	-537,895	-44,344
Cash flows from investing activities		
Acquisition of property, plant, and equipment	-10,435	-5,973
Acquisition of intangible assets	-829,926	-615,701
Acquisition of investments	-1,048,346	-
Payments for lease and guarantee deposits	-8,358	-1,019
Proceeds from collection of lease and guarantee deposits	1,984	846
Other, net	7,158	11,723
Cash flows provided by (used in) investing activities	-1,887,922	-610,124
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	-	1,701,000
Repayments of long-term loans payable	-156,000	-
Repayments of lease obligations	-217,814	-218,572
Cash dividends paid	-567,505	-568,279
Proceeds from sales of treasury shares	-	1,500
Commitment line related expenses	-616	-1,194
Cash flows provided by (used in) financing activities	-941,935	914,456
Impact of exchange fluctuations for cash and cash equivalents	-512	-355
Net increase (decrease) in cash and cash equivalents	-3,368,264	259,632
Cash and cash equivalents at beginning of period	5,626,723	3,033,768
Balance of cash and cash equivalents at the end of the quarter	2,258,460	3,293,400

(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.