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

November 4, 2020

Broadleaf Co., Ltd.

Stock Listing: Tokyo Stock Exchange 1st Section

Representative: Kenji Oyama, Representative Director, President & CEO

Scheduled Submission Date for Quarterly Report: November 12, 2020

Scheduled Starting Date for Dividend Payment: —

Business Results Supplementary Explanatory Documents: Yes

Business Results Briefing: Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for the First Nine Months of the FY2020 (from January 1, 2020 to September 30, 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	%
Q3 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
Q3 FY2019	16,840	11.5	3,558	31.5	3,523	30.4	2,319	32.9	2,320	32.9	2,224	29.5

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Q3 FY2020	21.33		20.98	
Q3 FY2019	26.55		26.21	

(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 Q3 FY2020	32,324		24,023		24,021		74.3	
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	—	6.60	—		
FY2020 (Forecast)				6.60	13.20

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

3. Results Forecasts for FY2020 (from January 1, 2020 to December 31, 2020)

(Percentages below represent increases (decreases) from 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
FY2020	21,300	-5.7	3,900	-13.8	3,900	-13.1	2,700	-12.7	30.87

(Note) Revisions to the latest results forecasts: No

* Notes

(1) Changes in significant subsidiaries during the first nine months ended September 30, 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)

Q3 FY2020	97,896,800	FY2019	97,896,800
Q3 FY2020	10,313,011	FY2019	10,469,263
Q3 FY2020	87,511,414	Q3 FY2019	87,369,228

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

* Comment regarding appropriate usage of results forecasts, and other special notes

(Note on forward-looking statements)

The forward-looking statements such as results 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 business results briefings)

The Company will hold a business results briefing for institutional investors and analysts on Wednesday, November 4, 2020. A document to be used in the briefing will be posted on the website.

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1. Qualitative Information on Operating Results, etc. for the First Nine Months Ended September 30, 2020

(1) Qualitative information on financial results

During the first nine months of the fiscal year under review (from January 1, 2020 to September 30, 2020), the Japanese economy faced a challenging environment imposed by the COVID-19 pandemic. However, signs of recovery began to emerge, reflecting a gradual increase in social and economic activities and improvements in overseas economies.

In these circumstances, the information service segment, in which the Company operates, saw rising demand for investments facilitating the transfer of operations to the internet, including teleworking, reflecting trends towards digital transformation (DX) to realize new workstyles. Meanwhile, companies remained cautious about new investments outside the DX area, reflecting the prevailing uncertainty.

Based on the spirit of “gratitude and happiness,” part of the Group’s corporate philosophy, we focus on activities that contribute to the ability of our customers to create business and that support their business continuity. As part of these activities, we stepped up the provision of tools that helped customers move their operations online, while providing support for digital transformation in the form of seminars. As a result, negotiations with customers were moving online and what had been prolonged negotiation periods were gradually returning to their pre-pandemic length. In anticipation of a new mobility society, we are offering more diverse platforms to mobility service providers in Japan and overseas.

Under these circumstances, monthly recurring sales increased, chiefly reflecting rising support service contract rates. Meanwhile, we were not able to completely reverse the trend of prolonged negotiation periods in the sale of business software, and lump-sum sales proportional to the number of contracts won decreased.

As a result, in the first nine months of the fiscal year under review (from January 1 to September 30, 2020), the Company posted revenue of 15,544 million yen (down 7.7% year on year), operating profit of 2,864 million yen (down 19.5% year on year), profit before tax of 2,815 million yen (down 20.1% year on year) and profit attributable to owners of parent of 1,867 million yen (down 19.5% year on year).

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

(Unit: Millions of Yen)

Domain	First Nine Months, FY2019 (From January 1 to September 30, 2019)	First Nine Months, FY2020 (From January 1 to September 30, 2020)	Year-on-year rate of change
Platforms	7,579	7,440	-1.8%
Applications	9,261	8,104	-12.5%
Total	16,840	15,544	-7.7%

(2) Qualitative information on financial position

(i) Analysis of financial position

(Assets)

Assets at the end of the third quarter of the consolidated fiscal year under review increased 635 million yen from the end of the previous consolidated fiscal year, to 32,324 million yen. Current assets increased 2 million yen, to 7,989 million yen, and non-current assets increased 634 million yen, to 24,335 million yen. The main factor contributing to the increase in non-current assets was 1,034 million yen in additional intangible assets, which more than offset a decrease in tangible non-current assets of 228 million yen and a decrease in other non-current financial assets of 139 million yen.

(Liabilities)

Liabilities at the end of the third quarter of the consolidated fiscal year under review declined 168 million yen from the end of the previous consolidated fiscal year, to 8,301 million yen. Current liabilities fell 28 million yen, to 7,072 million yen, and non-current liabilities fell 140 million yen, to 1,229 million yen. The main factors contributing to the decrease in current liabilities were reductions in income taxes payable of 489 million yen, operating and other payables of 355 million yen, contract liabilities of 340 million yen, and other current liabilities of 199 million yen, which more than offset increase in short-term interest-bearing debt of 1,357 million yen. The decrease in non-current liabilities was mainly due to decrease in long-term interest-bearing debt of 135 million yen.

(Equity)

Equity at the end of the third quarter of the consolidated fiscal year under review increased 803 million yen from the end of the previous consolidated fiscal year, to 24,023 million yen. The increase was chiefly attributable to an increase in retained earnings of 720 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 265 million yen from the end of the previous consolidated fiscal year, to 2,769 million yen.

The following is a description of the situation and major factors of each category of cash flows in the first nine months ended September 30, 2020.

(Net cash from operating activities)

Net cash provided by operating activities stood at 2,114 million yen (up 53.7% year on year). The main factors contributing to the increase is chiefly attributable to the posting of profit before tax of 2,815 million yen and depreciation and amortization expenses of 1,586 million yen, which more than offset increase in income taxes paid of 1,438 million yen, decrease in operating and other payables of 838 million yen, and increase in operating and other receivables of 358 million yen.

(Net cash from investing activities)

Net cash used in investing activities came to 1,938 million yen (down 34.5% year on year), mainly due to the acquisition of intangible assets of 1,834 million yen.

(Net cash from financing activities)

Net cash used in financing activities came to 441 million yen (down 79.1% year on year), chiefly attributable to cash dividends paid of 1,146 million yen, and repayments of lease obligations of 691 million yen, which more than offset an increase in short-term loans payable of 1,400 million yen.

(3) Qualitative information on consolidated results forecasts

There is no change in the consolidated results forecasts announced in “Notice Concerning Revision of Consolidated Earnings Forecasts” on August 7, 2020.

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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)	Q3 FY2020 (As of September 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	3,033,768	2,769,192
Operating and other receivables	4,300,009	4,641,427
Inventories	252,684	183,506
Other current financial assets	5,000	55,000
Other current assets	395,541	339,484
Total current assets	7,987,002	7,988,609
Non-current assets		
Property, plant and equipment	2,026,600	1,798,750
Goodwill	11,802,504	11,802,504
Intangible assets	6,897,109	7,930,963
Investments accounted for using equity method	94,655	71,055
Other non-current financial assets	1,953,076	1,814,422
Other non-current assets	234,224	189,514
Deferred tax assets	693,392	727,864
Total non-current assets	23,701,560	24,335,072
Total assets	31,688,562	32,323,681
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating and other payables	3,613,128	3,257,816
Contract liabilities	1,051,622	711,799
Short-term interest-bearing debt	754,091	2,111,146
Income taxes payable	655,300	165,953
Other current financial liabilities	76,986	74,935
Other current liabilities	948,841	750,102
Total current liabilities	7,099,967	7,071,752
Non-current liabilities		
Long-term interest-bearing debt	933,932	799,272
Net defined benefit liability	185,866	195,940
Non-current provisions	134,834	137,244
Deferred tax liabilities	114,337	96,442
Total non-current liabilities	1,368,970	1,228,898
Total liabilities	8,468,936	8,300,650
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,199,403	7,215,824
Treasury shares	-3,456,820	-3,402,046
Retained earnings	11,928,868	12,649,199
Other components of equity	397,573	410,111
Total equity attributable to owners of parent	23,216,929	24,020,993
Non-controlling interests	2,697	2,038
Total equity	23,219,626	24,023,031
Total liabilities and equity	31,688,562	32,323,681

(2) Summary consolidated statement of income

(Unit: Thousands of Yen)

	First Nine Months, FY2019 (From January 1, 2019 to September 30, 2019)	First Nine Months, FY2020 (From January 1, 2020 to September 30, 2020)
Revenue	16,840,304	15,543,548
Cost of sales	-4,657,858	-4,549,844
Gross profit	12,182,446	10,993,704
Selling, general and administrative expenses	-8,671,108	-8,173,495
Other operating income	53,497	51,254
Other operating expense	-7,153	-7,145
Operating profit	3,557,681	2,864,318
Finance income	8,012	35,025
Finance costs	-33,428	-59,997
Equity in loss of affiliates	-8,991	-24,704
Profit before tax	3,523,275	2,814,642
Income tax	-1,203,880	-948,676
Profit	2,319,394	1,865,966
Profit attributable to:		
Owners of parent	2,319,540	1,866,625
Non-controlling interests	-145	-659
Profit	2,319,394	1,865,966
Earnings per share		
Basic earnings per share (yen)	26.55	21.33
Diluted earnings per share (yen)	26.21	20.98

(3) Summary consolidated statement of comprehensive income

(Unit: Thousands of Yen)

	First Nine Months, FY2019 (From January 1, 2019 to September 30, 2019)	First Nine Months, FY2020 (From January 1, 2020 to September 30, 2020)
Profit	2,319,394	1,865,966
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	-97,286	-123,993
Total components that will not be reclassified to profit or loss	-97,286	-123,993
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,459	-517
Share of other comprehensive income of associates accounted for using equity method	389	-21
Total components that may be reclassified to profit or loss	1,848	-538
Total other comprehensive income, net of tax	-95,438	-124,531
Comprehensive income	2,223,956	1,741,435
Comprehensive income attributable to:		
Owners of parent	2,224,102	1,742,094
Non-controlling interests	-145	-659
Profit	2,223,956	1,741,435

(4) Summary consolidated statement of changes in equity

First Nine Months, FY2019 (From January 1, 2019 to September 30, 2019)

(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, 2019	7,147,905	7,180,289	-3,500,454	9,759,561	363,850	–
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	–
Profit	–	–	–	2,319,540	–	–
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–	2,319,540	–	–
Acquisition of subsidiaries	–	–	–	–	–	–
Disposal of treasury shares	–	-1,936	6,174	–	-5,610	–
Dividends	–	–	–	-1,135,758	–	–
Share-based payment transactions	–	22,018	35,993	–	130,252	-28,000
Reclassification from other components of equity to retained earnings	–	–	–	171,121	–	–
Total transactions with owners	–	20,082	42,167	-964,637	124,642	-28,000
Balance as of September 30, 2019	7,147,905	7,200,371	-3,458,288	11,153,433	488,492	-28,000

(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, 2019	-49,109	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	-49,109	131,383	446,124	21,072,393	–	21,072,393
Profit	–	–	–	2,319,540	-145	2,319,394
Other comprehensive income	1,848	-97,286	-95,438	-95,438	–	-95,438
Total comprehensive income	1,848	-97,286	-95,438	2,224,102	-145	2,223,956
Acquisition of subsidiaries	–	–	–	–	2,949	2,949
Disposal of treasury shares	–	–	-5,610	-1,372	–	-1,372
Dividends	–	–	–	-1,135,758	–	-1,135,758
Share-based payment transactions	–	–	102,252	160,263	–	160,263
Reclassification from other components of equity to retained earnings	–	-171,121	-171,121	–	–	–
Total transactions with owners	–	-171,121	-74,479	-976,868	2,949	-973,919
Balance as of September 30, 2019	-47,261	-137,024	276,207	22,319,627	2,804	22,322,431

First Nine Months, FY2020 (From January 1, 2020 to September 30, 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	—	—	—	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

(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	—	—	—	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

(5) Summary consolidated statement of cash flow

(Unit: Thousands of Yen)

	First Nine Months, FY2019 (From January 1, 2019 to September 30, 2019)	First Nine Months, FY2020 (From January 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before tax	3,523,275	2,814,642
Depreciation and amortization expense	1,388,112	1,586,105
Share-based payment expenses	158,252	208,440
Finance costs (income)	25,416	24,972
Equity in loss (earnings) of affiliates	8,991	24,704
Decrease (increase) in operating and other receivables	-419,177	-357,609
Decrease (increase) in inventories	54,744	69,069
Increase (decrease) in operating and other payables	-296,923	-382,560
Increase (decrease) in prepaid expenses	2,928	32,816
Increase (decrease) in long-term prepaid expenses	6,200	30,004
Increase (decrease) in accrued expenses	-206,018	6,443
Increase (decrease) in employees' bonuses payable	-411,501	-344,870
Increase (decrease) in contract liabilities	-420,076	-339,823
Increase (decrease) in consumption taxes payable	-66,706	140,578
Other, net	-21,665	42,246
Subtotal	3,325,851	3,555,156
Interest received	77	3,261
Dividends received	1,646	1,839
Interest expenses paid	-6,912	-7,773
Income taxes refunded (paid)	-1,945,125	-1,438,022
Cash flows provided by (used in) operating activities	1,375,536	2,114,461

(Unit: Thousands of Yen)

	First Nine Months, FY2019 (From January 1, 2019 to September 30, 2019)	First Nine Months, FY2020 (From January 1, 2020 to September 30, 2020)
Cash flows from investing activities		
Acquisition of property, plant, and equipment	-41,548	-13,112
Acquisition of intangible assets	-2,255,345	-1,834,343
Acquisition of investments	-1,048,346	-63,636
Proceeds from sales and redemption of investments	745,500	490
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-64,215	—
Loan advances	-301,300	-51,100
Collection of loans receivable	1,939	6,296
Payments for lease and guarantee deposits	-15,754	-7,423
Proceeds from collection of lease and guarantee deposits	7,197	2,519
Other, net	10,715	21,886
Cash flows provided by (used in) investing activities	-2,961,157	-1,938,424
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	—	1,400,000
Repayments of long-term loans payable	-316,000	—
Repayments of lease obligations (during the first nine months of the previous consolidated fiscal year)	-661,607	-691,055
Cash dividends paid	-1,135,758	-1,146,294
Proceeds from sales of treasury shares	4,238	1,500
Commitment line related expenses	-3,247	-4,898
Cash flows provided by (used in) financing activities	-2,112,374	-440,746
Impact of exchange fluctuations for cash and cash equivalents	-702	133
Net increase (decrease) in cash and cash equivalents	-3,698,697	-264,576
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	1,928,027	2,769,192

(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.