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Summary of Financial Statements for the Second Quarter of the Fiscal Year Ending December 31, 2022 [IFRS] (Consolidated)

August 9, 2022

Broadleaf Co., Ltd

Stock listing: Prime Market of Tokyo Stock Exchange

Representative: Kenji Oyama, Representative Director and President

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 FY2022 (January 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (Cumulative)

(Percentage below represents increase (decrease) from the same period of previous year)

	Revenue		Operating profit		Profit before tax		Profit		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 FY2022	6,520	-34.4	-1,398	-	-1,458	-	-1,109	-	-1,109	-	-1,083	-
2Q FY2021	9,937	-2.9	1,243	-23.6	1,239	-23.2	796	-25.2	795	-25.4	856	-11.5

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
2Q FY2022	-12.57		-12.57	
2Q FY2021	9.05		8.90	

(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 FY2022	33,079		24,751		24,751		74.8	
FY2021	34,476		26,114		26,114		75.7	

2. Dividend Status

	Dividend per share				
	End of 1Q	Interim	End of 3Q	Year-end	Total
	Yen				
FY2021	-	4.00	-	4.70	8.70
FY2022	-	0.00	-	-	-
FY2022 (forecast)	-	-	-	1.00	1.00

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

3. Consolidated Earnings Forecast for FY2022 (January 1, 2022 to December 31, 2022)

(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	
FY2022	12,700	-38.5	-4,000	-	-4,100	-	-3,200	-	-36.24	

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

※ 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 1. Changes in accounting policies required by IFRS: None
- ② ① Changes in accounting policies other than: None
- ③ Changes in accounting estimates: None

(3) Number of shares outstanding (common stock)

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

2Q FY2022	97,896,800 Shares	FY2021	97,896,800 Shares
2Q FY2022	9,507,349 Shares	FY2021	9,901,018 Shares
2Q FY2022	88,212,462 Shares	2Q FY2021	87,810,924 Shares

※ * Summary of financial statements is outside the scope of audit procedures by certified public accountants and audit 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 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.

(Method of obtaining supplementary briefing materials on financial results)

The Company plans to hold a briefing for institutional investors and analysts in an online live format on August 9, 2022. The materials used at the meeting will be posted on its website.

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1. Qualitative Information on Consolidated Financial Results for the First Six Months Ended June 30, 2022

(1) Explanation of Operating Results

During the first six months of the current fiscal year (January 1, 2022 to June 30, 2022), COVID-19 restrictions was gradually lifted and the normalization of economic and social activities in Japan has progressed. On the other hand, under uncertain situation in Russia and Ukraine, it is becoming necessary to closely monitor economic downside risks caused by the changes in the financial and capital markets, rising raw material prices, and supply chain constraints.

Under such social conditions and also against the backdrop of promotion of digitalization of administrative procedures, efforts for management reform using digital transformation (DX) by a company is accelerating. In the Japanese mobility industry, in which many of the Group's clients belong, efforts on DX are becoming more active not only in terms of operations, such as shift to digital business processes and remote working styles, but also in terms of business expansion and creation.

Based on the Group's corporate philosophy of "Gratitude and Happiness," it continues activities to contribute to the business continuity and business creation of its clients. In the first six months of the current fiscal year, the Group began offering a cloud service corresponding to the Revised Electric Book Storage Act. The Group also has been actively providing ".c Series," a cloud-based software, which has evolved into a total management system, to clients in order to support the DX of their entire business. Sales of the ".c Series" have progressed steadily as planned, and sales to new clients was especially strong. Sales of other software and ancillary services were also strong. Under these circumstances, the Group reduced costs by streamlining sales activities, etc.

As a result, in the first six months of the current fiscal year (January 1, 2022 to June 30, 2022), the Group posted revenue of 6,520 million yen (down 34.4% year on year), operating loss of 1,398 million yen (operating profit of 1,243 million yen in the same period of the previous fiscal year), loss before tax of 1,458 million yen (profit before tax of 1,239 million yen in the same period of the previous fiscal year), loss attributable to owners of the parent of 1,109 million yen (profit attributable to owners of the parent of 795 million yen in the same period of the previous fiscal year).

The group only has a single business segment of the IT services, but the breakdown of revenues by service category is as follows.

(Millions of yen)

Category	First six months of FY2021 (January 1, 2021 to June 30, 2021)	First six months of FY2022 (January 1, 2022 to June 30, 2022)	YoY ratio
Cloud service	847	1,046	23.4 %
Packaged system	9,090	5,474	-39.8 %
Total	9,937	6,520	-34.4 %

(2) Explanation of Financial Position

(i) Analysis of financial condition

(Assets)

Assets at the end of the second quarter of the current fiscal year decreased by 1,397 million yen from the end of the previous fiscal year to 33,079 million yen. Current assets decreased by 2,095 million yen to 6,309 million yen, while non-current assets increased by 699 million yen to 26,770 million yen. Current assets decreased mainly due to decreases in trade and other receivables of 1,775 million yen and cash and cash equivalents of 311 million yen. The increase in non-current assets was mainly attributable to increases in intangible assets of 654 million yen and deferred tax assets of 227 million yen, which offset a decrease in property, plant and equipment of 121 million yen.

(Liabilities)

Liabilities at the end of the second quarter of the current fiscal year decreased by 34 million yen from the end of the previous fiscal year to 8,328 million yen. Current liabilities increased by 179 million yen to 7,691 million yen, while non-current liabilities decreased by 213 million yen to 637 million yen. Current liabilities increased mainly due to an increase in short-term interest-bearing debt of 1,509 million yen, despite decrease in trade and other payables of 845 million, decrease in income taxes payable of 398 million yen, and decrease in other current liabilities of 45 million yen. The decrease in non-current liabilities was mainly due to decrease in deferred tax liabilities of 116 million yen and decrease in long-term interest-bearing debt of 99 million yen.

(Equity)

Shareholders' equity at the end of the second quarter of the current fiscal year decreased by 1,363 million from the end of the previous fiscal year to 24,751 million yen. The decrease in shareholders' equity was mainly due to a decrease in retained earnings of 1,515 million yen.

(ii) Analysis of cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter of the current fiscal year decreased by 311 million yen from the end of the previous fiscal year to 3,212 million yen.

The situation of each cash flow and its factors in the second quarter of the current fiscal year are as follows.

(Cash flow from operating activities)

Cash provided by operating activities was 460 million yen (a-year-on-year decrease of 57.4%). This was mainly due to a loss before tax of 1,458 million yen, a decrease in trade and other payables of 844 million yen, and income taxes paid of 394 million yen, offset by a decrease in trade and other receivables of 1,785 million yen and depreciation and amortization expense of 1,309 million yen.

(Cash flow from investment activities)

Cash used in investing activities was 1,424 million yen (a-year-on-year decrease of 9.0%). This was mainly due to purchase of intangible assets of 1,505 million yen, despite proceeds from collection of loans receivable of 65 million yen.

(Cash flow from financing activities)

Net cash provided by financing activities was 649 million yen (a year-on-year increase of 20.9%). This was mainly due to a net increase in short-term loans payable of 1,501 million yen, which was partially offset by repayments of lease liabilities of 428 million yen and cash dividends payout of 414 million yen.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

As stated in the Medium-Term Management Plan (2022-2028) announced on February 9, 2022, the Group will promote business expansion through the provision of various cloud services and aim to become a "leading SaaS company" and "one-of-a-kind platform company."

The consolidated earnings forecast for the fiscal year ending December 31, 2022 has been revised upward from the forecast announced on February 9, 2022. Sale of cloud-based software services, which is a key measure of the medium-term management plan, remains unchanged, and the Company expects steady progress to continue from third quarter onward by continuing to focus on acquiring contracts from new clients. In addition, sale of packaged systems went ahead of schedule in the first six months of the current fiscal year, so the Company increased the planned number of sales for the full year. It will also continue to reduce operating expenses. As a result of these factors, the Groups revised revenue, operating loss, loss before tax, and loss attributable to owners of the parent for the consolidated earnings forecast for the full fiscal year (January 1, 2022 to December 31, 2022). 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 9, 2022.

2. Consolidated Financial Statements and Major Notes

(1) Consolidated Statements of Financial Position

(Thousands of yen)

	Previous consolidated fiscal year (As of December 31, 2021)	End of 2nd quarter of the current fiscal year (As of June 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	3,522,045	3,211,517
Operating and other receivables	4,293,360	2,518,714
Inventories	208,050	165,020
Other financial assets	85,000	-
Other current assets	296,069	414,101
Total current assets	8,404,523	6,309,352
Non-current assets		
Property, plant and equipment	1,273,532	1,152,059
Goodwill	11,802,504	11,802,504
Intangible assets	10,548,334	11,202,065
Investments accounted for using equity method	93,490	67,207
Other financial assets	1,241,649	1,267,920
Other non-current assets	238,413	177,249
Deferred tax assets	873,530	1,100,983
Total non-current assets	26,071,452	26,769,987
Total assets	34,475,975	33,079,340
Liabilities and equity		
Liabilities		
Current liabilities		
Operating and other payables	3,567,899	2,722,813
Contract liabilities	354,403	312,559
Short-term interest-bearing debts	2,480,024	3,988,972
Accrued income taxes	405,660	7,494
Other current liabilities	704,310	659,269
Total current liabilities	7,512,295	7,691,106
Non-current liabilities		
Long-term interest-bearing debts	337,721	238,854
Obligations for retirement pay	208,906	217,872
Provisional sum	143,903	144,229
Deferred tax liabilities	115,830	-
Other non-current liabilities	43,235	35,897
Total non-current liabilities	849,596	636,852
Total liabilities	8,361,891	8,327,959
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,291,792	7,366,133
Treasury shares	-3,285,446	-3,167,193
Retained earnings	14,488,974	12,973,767
Other components of equity	470,859	430,770
Total equity attributable to owners of the parent	26,114,084	24,751,381
Total equity	26,114,084	24,751,381
Total liabilities and equity	34,475,975	33,079,340

(2) Consolidated Statements of Income

(Thousands of yen)

	First six months of FY2021 (January 1, 2021 to June 30, 2021)	First six months of FY2022 (January 1, 2022 to June 30, 2022)
Revenue	9,937,265	6,520,351
Cost of sales	-2,866,930	-2,458,970
Gross profit	7,070,335	4,061,382
Selling, general and administrative expenses	-5,844,755	-5,478,214
Other operating income	24,525	19,152
Other operating expenses	-7,222	-620
Operating profit (loss)	1,242,882	-1,398,300
Finance income	22,173	18,735
Finance costs	-24,460	-61,613
Equity in losses of affiliates	-1,313	-16,559
Profit (loss) before tax	1,239,283	-1,457,738
Income tax	-442,790	349,079
Profit (loss)	796,492	-1,108,659
Profit (loss) attributable to		
Owners of the parent	795,063	-1,108,659
Non-controlling interests	1,429	-
Profit (loss)	796,492	-1,108,659
Profit (loss) per share		
Basic earnings (losses) per share (yen)	9.05	-12.57
Diluted earnings (losses) per share (yen)	8.90	-12.57

(3) Consolidated Statements of Comprehensive Income

(Thousands of yen)

	First six-month period of previous fiscal year (January 1, 2021 To June 30, 2021)	First six-month period of fiscal year under review (On January 1, 2022 From June 30, 2022)
Profit (-)	796,492	-1,108,659
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity financial assets measured at fair value through other comprehensive income	61,437	20,665
Total items that will not be reclassified to profit or loss	61,437	20,665
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	-3,153	-2,527
Share of other comprehensive income of associates accounted for using the equity method	1,268	2,565
Reclassification adjustments of share of other comprehensive income of associates accounted for using the equity method	-	4,486
Total items that may be reclassified to profit or loss	-1,885	4,523
Total other comprehensive income, net of tax	59,552	25,188
Comprehensive income	856,044	-1,083,471
Comprehensive income attributable to		
Owners of the parent	854,615	-1,083,471
Non-controlling interests	1,429	-
Comprehensive income	856,044	-1,083,471

(4) Consolidated Statements of Changes in Equity

First six months of FY2021 (January 1, 2021 to June 30, 2021)

(Thousands of yen)

	Equity attributable to owners of the parent					
	Capital stock	Share premium	Treasury shares	Retained earnings	Other components of equity	
					Warrants	Shares with restriction on transfer
Balance as of January 1, 2021	7,147,905	7,215,824	-3,403,618	13,265,826	724,241	-14,000
Profit	-	-	-	795,063	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	795,063	-	-
Disposal of treasury shares	-	105,560	118,172	-	-171,167	-56,000
Dividends	-	-	-	-578,052	-	-
Share-based payment transactions	-	-	-	7,794	99,480	28,000
Changes in ownership interest in subsidiaries	-	-29,592	-	-	-	-
Total transactions with owners	-	75,968	118,172	-570,258	-71,687	-28,000
Balance as of June 30, 2021	7,147,905	7,291,792	-3,285,446	13,490,631	652,554	-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, 2021	-47,026	-289,136	374,078	24,600,015	2,451	24,602,466
Profit	-	-	-	795,063	1,429	796,492
Other comprehensive income	-1,885	61,437	59,552	59,552	-	59,552
Total comprehensive income	-1,885	61,437	59,552	854,615	1,429	856,044
Disposal of treasury shares	-	-	-227,167	-3,434	-	-3,434
Dividends	-	-	-	-578,052	-	-578,052
Share-based payment transactions	-	-	127,480	135,274	-	135,274
Changes in ownership interest in subsidiaries	-	-	-	-29,592	-3,880	-33,472
Total transactions with owners	-	-	-99,687	-475,805	-3,880	-479,685
Balance as of June 30, 2021	-48,912	-227,699	333,943	24,978,825	-	24,978,825

First six months of FY2022 (January 1, 2022 to June 30, 2022)

(Thousands of yen)

	Equity attributable to owners of the parent					
	Capital stock	Share premium	Treasury shares	Retained earnings	Other components of equity	
					Warrants	Shares with restriction on transfer
Balance as of January 1, 2022	7,147,905	7,291,792	-3,285,446	14,488,974	772,216	-14,000
Loss	-	-	-	-1,108,659	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-1,108,659	-	-
Purchase of treasury shares	-	-	-14	-	-	-
Disposal of treasury shares	-	74,341	118,267	-	-141,056	-51,552
Dividends	-	-	-	-413,579	-	-
Share-based payment transactions	-	-	-	7,031	100,443	26,888
Total transactions with owners	-	74,341	118,253	-406,548	-40,613	-24,664
Balance as of June 30, 2022	7,147,905	7,366,133	-3,167,193	12,973,767	731,603	-38,664

(Thousands of yen)

	Equity attributable to owners of the parent				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, 2022	-48,370	-238,987	470,859	26,114,084	26,114,084
Loss	-	-	-	-1,108,659	-1,108,659
Other comprehensive income	4,523	20,665	25,188	25,188	25,188
Total comprehensive income	4,523	20,665	25,188	-1,083,471	-1,083,471
Purchase of treasury shares	-	-	-	-14	-14
Disposal of treasury shares	-	-	-192,608	-	-
Dividends	-	-	-	-413,579	-413,579
Share-based payment transactions	-	-	127,331	134,362	134,362
Total transactions with owners	-	-	-65,277	-279,232	-279,232
Balance as of June 30, 2022	-43,847	-218,322	430,770	24,751,381	24,751,381

(5) Consolidated Statements of Cash Flows

(Thousands of yen)

	First six months of FY2021 (January 1, 2021 to June 30, 2021)	First six months of FY2022 (January 1, 2022 to June 30, 2022)
Cash flow from operating activities		
Profit (loss) before tax	1,239,283	-1,457,738
Depreciation and amortization expense	1,120,233	1,309,241
Share-based payment expense	124,044	127,331
Finance costs (income)	2,286	42,878
Equity in loss (earnings) of affiliates	1,313	16,559
Decrease (increase) in trade and other receivables	30,469	1,785,131
Decrease (increase) in inventories	171,272	43,067
Increase (decrease) in trade and other payables	-478,315	-844,128
Decrease (increase) in prepaid expenses	-118,708	-111,872
Decrease (increase) in long-term prepaid expenses	-71,413	38,872
Increase (decrease) in employees' bonuses payable	-19,500	48
Increase (decrease) in contract liabilities	-156,938	-41,843
Increase (decrease) in consumption taxes payable	-211,547	-10,326
Others	683	-37,936
Subtotal	1,633,161	859,284
Interest received	1,423	188
Dividend received	2,033	2,130
Interest expenses paid	-5,395	-6,843
Income taxes paid (refunded)	-551,517	-394,407
Cash flow from operating activities	1,079,705	460,352
Cash flow from investing activities		
Acquisition of property, plant and equipment	-24,781	-6,528
Proceeds from sales of property, plant and equipment	-	6,995
Acquisition of intangible assets	-1,596,597	-1,504,670
Loan advances	-300	-300
Collection of loans receivable	50,658	65,430
Payments for lease and guarantee deposits	-7,488	-297
Proceeds from collection of lease and guarantee deposits	7,587	856
Proceeds from sale of investments accounted for using equity method	-	14,626
Others	6,655	-
Cash flow from investing activities	-1,564,267	-1,423,888

(Thousands of yen)

	First six months of FY2021 (January 1, 2021 to June 30, 2021)	First six months FY2022 (January 1, 2022 to June 30, 2022)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	1,652,000	1,501,000
Repayments of lease obligations	-448,722	-428,327
Cash dividends paid	-578,052	-413,579
Purchase of treasury shares	-	-14
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-33,472	-
Expenses related to commitment lines	-54,501	-9,777
Cash flow from financing activities	537,252	649,303
Impact of exchange fluctuations for cash and cash equivalents	2,069	3,706
Net increase (decrease) in cash and cash equivalents	54,759	-310,528
Cash and cash equivalents at beginning of period	3,232,409	3,522,045
Balance of cash and cash equivalents at end of period	3,287,168	3,211,517

(6) Notes regarding 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.