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

May 11, 2022

Broadleaf Co., Ltd

Stock listing:

Tokyo Stock Exchange Prime Market

Representative:

Representative Director and President 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 1Q FY2022 (January 1, 2022 to March 31, 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	%
1Q FY2022	3,254	-37.4	-737	-	-646	-	-570	-	-570	-	-586	-
1Q FY2021	5,195	-1.6	672	10.1	669	6.8	427	3.5	426	3.1	504	89.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
1Q of FY2022	-6.48	-6.48
1Q of FY2021	4.86	4.77

(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	%
1Q of FY2022	32,853	25,186	25,186	76.7
FY2021	34,476	26,114	26,114	75.7

2. Dividend Status

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	-	4.00	-	4.70	8.70
FY2022	-	-	-	-	-
FY2022 (forecast)	-	-	-	-	-

(NOTE) 1. Revisions to the most recently announced dividend forecasts: None
2. Dividend for FY2022 is not determined at the time.

3. Consolidated Results Forecasts 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
1H FY2022	6,000	-39.6	-2,100	-	-2,000	-	-2,100	-	-23.80
FY2022	12,300	-40.4	-4,800	-	-4,800	-	-5,000	-	-56.62

(NOTE) Revisions to the latest 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

(i) Changes in accounting policies required by IFRS: None

(ii) Other changes in accounting policies: None

(iii) Changes in accounting estimates: None

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding (including treasury shares)

1Q FY2022	97,896,800 Shares	FY2021	97,896,800 Shares
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(ii) Number of shares of treasury shares

1Q FY2022	9,649,139 Shares	FY2021	9,901,018 Shares
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(iii) Average number of shares outstanding (during the period)

1Q FY2022	88,093,743 Shares	1Q FY2021	87,682,693 Shares
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* 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 on May 11, 2022, in the form of a telephone conference. The materials used at the meeting will be posted on its website.

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1. Qualitative Information on Operating Results for the First Three Months Ended March 31, 2022

(1) Explanation of Operating Results

In the first three months of the current fiscal year (January 1, 2022 to March 31, 2022), Japanese economy is expected to gradually normalize its economic and social activities, as semi-emergency COVID-19 measures, which had been implemented for the outbreak of COVID-19, were completely lifted on March 21, 2022. On the other hand, under uncertain situation in Russia and Ukraine, it is becoming necessary to closely monitor economic downside risks caused by changes in the financial and capital markets, rising raw material prices, and supply chain constraints.

Under such social conditions, efforts for management reform using IT are accelerating, such as digital transformation (DX) of a company and development of new digital services. In the domestic 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 operational processes and remote working styles, but also in terms of business expansion and creation.

Based on our corporate philosophy of "Gratitude and Happiness," the Group continues its activities to contribute to the business continuity and business creation of its clients. In first three months of the current fiscal year, the Company started the full-scale provision of ".c Series," the cloud-based software service which has evolved into a total management system, and supported DX of clients' overall businesses. Sales activities of ".c Series" has progressed as planned, and sale to new clients was especially going well. Also, sale of products for non-automotive industries was going well, and the Group conducted cost reduction by streamlining the sales activities.

As a result, in the first three months of the current fiscal year (January 1, 2022 to March 31, 2022), revenue was 3,254 million yen (down 37.4% year-on-year), the operating loss was 737 million yen (operating profit of 672 million yen in the same period of the previous fiscal year), loss before tax was 646 million yen (profit before tax of 669 million yen in the same period of the previous fiscal year), and loss attributable to owners of the parent was 570 million yen (profit attributable to owners of the parent of 426 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 revenue by service categories is as follows.

(Millions of yen)

Category	1Q FY2021 (From January 1, 2021 to March 31, 2021)	1Q FY2022 (From January 1, 2022 to March 31, 2022)	YoY ratio
Cloud service	417	517	23.9%
Packaged system	4,778	2,737	-42.7%
Total	5,195	3,254	-37.4%

(2) Explanation of Financial Position

(i) Analysis of financial condition

(Assets)

Assets at the end of the first quarter of the current fiscal year decreased by 1,623 million yen from the end of the previous fiscal year to 32,853 million yen. Current assets decreased by 2,043 million yen to 6,362 million yen, while non-current assets increased by 419 million yen to 26,491 million yen. The decrease in current assets was mainly due to a decrease of 1,882 million yen in trade and other receivables. The increase in non-current assets was mainly attributable to increases in intangible assets of 409 million yen and other financial assets of 106 million yen, despite a decrease in property, plant and equipment of 65 million yen.

(Liabilities)

Liabilities at the end of the first quarter of the current fiscal year decreased by 695 million yen from the end of the previous fiscal year to 7,667 million yen. Current liabilities decreased by 568 million yen to 6,944 million yen, while non-current liabilities decreased by 127 million yen to 723 million yen. Current liabilities decreased mainly due to decreases in trade and other payables of 1,007 million yen, income taxes payable of 398 million yen, and other current liabilities of 318 million yen, despite an increase in short-term interest-bearing debt of 1,188 million yen. The decrease in non-current liabilities was mainly attributable to decreases in deferred tax liabilities of 86 million and long-term interest-bearing debt of 38 million yen.

(Equity)

Shareholders' equity at the end of the first quarter of the current fiscal year decreased by 928 million yen from the end of the previous fiscal year to 25,186 million yen. The decrease in shareholders' equity was mainly due to a decrease in retained earnings of 977 million yen.

(ii) Analysis of cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the first quarter of the current fiscal year decreased by 164 million yen from the end of the previous fiscal year to 3,358 million yen.

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

(Cash flow from operating activities)

Cash provided by operating activities was 28 million yen (compared with 96 million used in the same period of the previous fiscal year). This was mainly due to a decrease in trade and other payables of 1,002 million yen, loss before tax of 646 million yen, income taxes paid of 394 million yen, a decrease in accrued employee bonuses of 259 million yen, finance income and finance costs of 94 million yen, and a decrease in prepaid expenses of 79 million yen, despite a decrease in trade and other receivables of 1,872 million yen and depreciation and amortization expense of 641 million yen.

(Cash flow from investment activities)

Cash used in investing activities was 768 million yen (a-year-on-year increase of 3.8%). This was mainly due to purchase of intangible assets of 833 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 574 million yen (year-on-year increase of 26.8%). This was mainly due to a net increase of 1,201 million yen in short-term loans payable, despite 414 million yen in dividends payout and 210 million yen in repayments of lease liabilities.

(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 market expansion and service penetration centered on ".c Series," the cloud-based software service, with the aim of becoming the "Top SaaS company in Japan."

For the fiscal year ending December 31, 2022, the Group expects revenue to be 12.3 billion yen, operating loss to be 4.8 billion yen, loss before tax to be 4.8 billion yen, and loss attributable to owners of the parent to be 5.0 billion yen, as announced on February 9, 2022. The forecast for the first half of the fiscal year has been revised in consideration of business status and progress in the first quarter of the current fiscal year.

2. Consolidated Financial Statements and Major Notes

(1) Consolidated Statement of Financial Position

(Thousands of yen)

	FY2021 (As of December 31, 2021)	End of 1Q FY2022 (As of March 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	3,522,045	3,357,766
Operating and other receivables	4,293,360	2,411,623
Inventories	208,050	195,022
Other financial assets	85,000	20,000
Other current assets	296,069	377,327
Total current assets	8,404,523	6,361,738
Non-current assets		
Property, plant and equipment	1,273,532	1,208,549
Goodwill	11,802,504	11,802,504
Intangible assets	10,548,334	10,957,644
Investments accounted for using equity method	93,490	91,958
Other financial assets	1,241,649	1,347,321
Other non-current assets	238,413	210,983
Deferred tax assets	873,530	871,906
Total non-current assets	26,071,452	26,490,865
Total assets	34,475,975	32,852,603
Liabilities and equity		
Liabilities		
Current liabilities		
Operating and other payables	3,567,899	2,560,463
Contract liabilities	354,403	321,329
Short-term interest-bearing debts	2,480,024	3,668,186
Accrued income taxes	405,660	7,213
Other current liabilities	704,310	386,791
Total current liabilities	7,512,295	6,943,982
Non-current liabilities		
Long-term interest-bearing debts	337,721	300,194
Obligations for retirement pay	208,906	213,849
Provisional sum	143,903	144,071
Deferred tax liabilities	115,830	29,348
Other non-current liabilities	43,235	35,219
Total non-current liabilities	849,596	722,682
Total liabilities	8,361,891	7,666,663
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,291,792	7,377,754
Treasury shares	-3,285,446	-3,219,015
Retained earnings	14,488,974	13,511,947
Other components of equity	470,859	367,348
Total equity attributable to owners of the parent	26,114,084	25,185,940
Total equity	26,114,084	25,185,940
Total liabilities and equity	34,475,975	32,852,603

(2) Consolidated Statements of Income

(Thousands of yen)

	1Q FY2021 (From January 1, 2021 to March 31, 2021)	1Q FY2022 (From January 1, 2022 to March 31, 2022)
Revenue	5,194,880	3,254,368
Cost of sales	-1,529,947	-1,194,847
Gross profit	3,664,934	2,059,521
Selling, general and administrative expenses	-3,006,433	-2,806,391
Other operating income	13,851	9,751
Other operating expenses	-661	-29
Operating profit (loss)	671,691	-737,148
Finance income	18,927	110,111
Finance costs	-9,960	-16,001
Equity in losses of affiliates	-11,458	-3,242
Profit (loss) before tax	669,200	-646,280
Income tax	-241,923	75,803
Profit (loss)	427,277	-570,477
Profit (loss) attributable to		
Owners of the parent	425,848	-570,477
Non-controlling interests	1,429	-
Profit (loss)	427,277	-570,477
Profit (loss) per share		
Basic earnings (losses) per share (yen)	4.86	-6.48
Diluted earnings (losses) per share (yen)	4.77	-6.48

(3) Consolidated Statements of Comprehensive Income

(Thousands of yen)

	1Q FY2021 (From January 1, 2021 to March 31, 2021)	1Q FY2022 (From January 1, 2022 to March 31, 2022)
Profit	427,277	-570,477
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	73,876	-14,966
Total items that will not be reclassified to profit or loss	<u>73,876</u>	<u>-14,966</u>
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	1,432	-1,791
Share of other comprehensive income of associates accounted for using the equity method	1,273	823
Total items that may be reclassified to profit or loss	<u>2,705</u>	<u>-968</u>
Total other comprehensive income, net of tax	<u>76,581</u>	<u>-15,934</u>
Comprehensive income	<u><u>503,858</u></u>	<u><u>-586,411</u></u>
Comprehensive income attributable to		
Owners of the parent	502,429	-586,411
Non-controlling interests	<u>1,429</u>	<u>-</u>
Comprehensive income	<u><u>503,858</u></u>	<u><u>-586,411</u></u>

(4) Consolidated Statements of Changes in Equity
 1Q FY2021 (From January 1, 2021 to March 31, 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	-	-	-	425,848	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	425,848	-	-
Disposal of treasury shares	-	66,716	67,111	-	-133,826	-
Dividends	-	-	-	-578,052	-	-
Share-based payment transactions	-	-	-	7,794	45,165	14,000
Total transactions with owners	-	66,716	67,111	-570,258	-88,660	14,000
Balance as of March 31, 2021	7,147,905	7,282,540	-3,336,507	13,121,415	635,581	-

(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	-	-	-	425,848	1,429	427,277
Other comprehensive income	2,705	73,876	76,581	76,581	-	76,581
Total comprehensive income	2,705	73,876	76,581	502,429	1,429	503,858
Disposal of treasury shares	-	-	-133,826	2	-	2
Dividends	-	-	-	-578,052	-	-578,052
Share-based payment transactions	-	-	59,165	66,959	-	66,959
Total transactions with owners	-	-	-74,660	-511,091	-	-511,091
Balance as of March 31, 2021	-44,321	-215,260	375,999	24,591,353	3,880	24,595,233

1Q FY2022 (From January 1, 2022 to March 31, 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	-	-	-	-570,477	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-570,477	-	-
Acquisition of treasury shares	-	-	-14	-	-	-
Disposal of treasury shares	-	85,962	66,445	-	-152,407	-
Dividends	-	-	-	-413,579	-	-
Share-based payment transactions	-	-	-	7,030	50,831	14,000
Total transactions with owners	-	85,962	66,431	-406,550	-101,576	14,000
Balance as of March 31, 2022	7,147,905	7,377,754	-3,219,015	13,511,947	670,639	-

(Thousands of yen)

	Equity attributable to owners of the parent					Total equity
	Other components of equity			Total	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	-	-	-	-570,477	-570,477	
Other comprehensive income	-968	-14,966	-15,934	-15,934	-15,934	
Total comprehensive income	-968	-14,966	-15,934	-586,411	-586,411	
Purchase of treasury stock	-	-	-	-14	-14	
Disposal of treasury shares	-	-	-152,407	-	-	
Dividends	-	-	-	-413,579	-413,579	
Share-based payment transactions	-	-	64,831	71,860	71,860	
Total transactions with owners	-	-	-87,576	-341,733	-341,733	
Balance as of March 31, 2022	-49,338	-253,953	367,348	25,185,940	25,185,940	

(5) Consolidated Statements of Cash Flows

(Thousands of yen)

	1Q FY2021 (From January 1, 2021 to March 31, 2021)	1Q FY2022 (From January 1, 2022 to March 31, 2022)
Cash flow from operating activities		
Profit (loss) before tax	669,200	-646,280
Depreciation and amortization expense	566,708	640,713
Share-based payment expense	59,165	75,700
Finance costs (income)	-8,967	-94,110
Equity in loss (earnings) of affiliates	11,458	3,242
Decrease (increase) in trade and other receivables	16,605	1,872,235
Decrease (increase) in inventories	197,166	13,031
Increase (decrease) in trade and other payables	-619,864	-1,002,348
Decrease (increase) in prepaid expenses	-25,441	-79,139
Decrease (increase) in long-term prepaid expenses	19,816	17,405
Increase (decrease) in employees' bonuses payable	-281,453	-258,571
Increase (decrease) in contract liabilities	-61,787	-33,073
Increase (decrease) in consumption taxes payable	-56,311	-31,157
Others	-28,378	-53,437
Subtotal	457,917	424,211
Interest received	651	11
Interest expenses paid	-2,088	-2,901
Income taxes paid	-552,633	-393,813
Cash flow from operating activities	-96,152	27,507
Cash flow from investing activities		
Acquisition of property, plant and equipment	-12,537	-1,586
Acquisition of intangible assets	-738,941	-832,516
Loan advances	-300	-
Collection of loans receivable	316	65,251
Payments for lease and guarantee deposits	-619	-256
Proceeds from collection of lease and guarantee deposits	4,056	1,398
Others	8,256	-
Cash flow from investing activities	-739,770	-767,708
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	1,302,000	1,201,000
Repayments of lease obligations	-222,024	-210,421
Cash dividends paid	-578,052	-413,579
Expenses related to commitment lines	-49,528	-3,205
Cash flow from financing activities	452,395	573,795
Impact of exchange fluctuations for cash and cash equivalents	1,359	2,127
Net increase (decrease) in cash and cash equivalents	-382,167	-164,279
Cash and cash equivalents at beginning of period	3,232,409	3,522,045
Balance of cash and cash equivalents at end of period	2,850,241	3,357,766

(6) Notes to Consolidated Financial Statements

(Notes on Going Concern)

Not applicable.

(Segment Information)

This information is omitted because the Group only has a single business segment of the IT services.