



Summary of Financial Statements for the Fiscal Year Ended December 31, 2018 [IFRS] (Consolidated)

February 14, 2019

Broadleaf Co., Ltd.

Stock Listing: Tokyo Stock Exchange 1st Section

Representative: Kenji Oyama, Representative Director, President & CEO

Scheduled Date for Ordinary General Meeting of Shareholders: March 28, 2019

Scheduled Starting Date for Dividend Payment: March 29, 2019

Scheduled Submission Date for Securities Report: March 29, 2019

Earnings Supplementary Explanatory Documents: Yes

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

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

1. Consolidated Financial Results for FY2018 (from January 1, 2018 to December 31, 2018)

(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	%
FY2018	21,285	17.0	4,115	36.7	4,105	37.3	2,656	37.4	2,656	37.4	2,713	39.0
FY2017	18,195	8.6	3,011	2.0	2,989	2.3	1,932	3.0	1,932	3.0	1,952	4.0

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Return on assets	Operating margin
	Yen	Yen	%	%	%
FY2018	30.36	30.15	13.0	14.3	19.3
FY2017	21.81	21.80	9.9	11.2	16.5

(Reference) Share of (profit) loss of entities accounted for using equity Method

FY2018: -9 million yen

FY2017: -19 million yen

(Note) The Company conducted a 2-for-1 common stock split effective April 1, 2018. The basic earnings per share and the diluted earnings per share are calculated on the assumption that the said stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Percentage of equity attributable to owners of parent	Equity attributable to owners of parent per share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
End of FY2018	29,413	21,033	21,033	71.5	240.91
End of FY2017	28,063	19,737	19,737	70.3	222.90

(Note) The Company conducted a 2-for-1 common stock split effective April 1, 2018. The equity attributable to owners of parent per share is calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(3) Cash Flow Status

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY2018	4,566	-2,496	-2,409	5,627
FY2017	2,558	-2,072	-2,251	5,970

2. Dividends

	Dividends Per Share					Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2017	—	11.00	—	11.00	22.00	1,015	50.4	5.0
FY2018	—	5.50	—	6.50	12.00	1,092	39.5	5.2
FY2019 (Forecast)	—	6.50	—	6.50	13.00		40.5	

(Note) The Company conducted a 2-for-1 common stock split effective April 1, 2018. The dividends in FY2017 are based on shares before the stock split.

3. Earnings Forecast for FY2019 (from January 1, 2019 to December 31, 2019)

(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
1st Half of FY2019	10,600	5.1	1,700	10.2	1,700	9.8	1,000	0.2	11.45
FY2019	22,000	3.4	4,500	9.4	4,500	9.6	2,800	5.4	32.07

* Notes

(1) Changes in significant subsidiaries during the fiscal year ended December 31, 2018 (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: Yes

2. Other changes in accounting policies: No

3. Changes in accounting estimates: No

(Note) For details, see "3. Consolidated Financial Statements and Major Notes, (5) Notes to consolidated financial statements (Changes in accounting policies)" on page 13 of the attached material.

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

FY2018	97,896,800	FY2017	97,896,800
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2. Number of shares of treasury stock

FY2018	10,588,336	FY2017	9,348,136
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3. Average number of shares outstanding (during the period)

FY2018	87,482,212	FY2017	88,570,939
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(Note) The Company conducted a 2-for-1 common stock split effective April 1, 2018. The number of shares outstanding (common stock) is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(Reference) Summary of nonconsolidated financial results

Nonconsolidated results of operations for FY2018 (from January 1, 2018 to December 31, 2018)

(1) Nonconsolidated results of operations

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2018	19,013	10.4	3,498	27.3	3,507	27.8	2,023	36.8
FY2017	17,220	2.2	2,749	23.4	2,745	23.1	1,479	29.4

	Earnings per share		Diluted earnings per share	
	Millions of Yen		Millions of Yen	
FY2018	23.12		22.97	
FY2017	16.70		16.69	

(Note) The Company conducted a 2-for-1 common stock split effective April 1, 2018. Net income per share and net income per share (fully diluted) are calculated based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Nonconsolidated financial position

	Total assets		Net assets		Shareholders' equity ratio		Net assets per share	
	Millions of Yen		Millions of Yen		%		Yen	
FY2018	24,731		18,213		73.6		208.60	
FY2017	23,661		17,850		75.4		201.51	

(Reference) Shareholders' equity FY2018: 18,213 million yen FY2017: 17,843 million yen

(Note) The Company conducted a 2-for-1 common stock split effective April 1, 2018. Net assets per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

<Reason for differences from the nonconsolidated financial results of the previous fiscal year>

Net sales increased mainly because the Company focused its efforts on cultivating users' demand for renewals in the Business Application Software domain in the fiscal year under review. As a result, there are differences between the financial results for the previous fiscal year and those for the fiscal year under review

* Summaries of financial statements are 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 and information on earnings results briefings)

The Company will hold a results briefing for institutional investors and analysts on Friday, February 15, 2019.

The video of this results briefing will be posted on the Company's website.

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1. Overview of Results of Operations, Etc.

(1) Overview of financial results in the fiscal year ended December 31, 2018

(i) Results of operations in the fiscal year ended December 31, 2018

In the fiscal year under review (from January 1, 2018 to December 31, 2018), the Company posted revenue of 21,285 million yen (up 17.0% year on year). This was a result of growth in sales revenue, primarily due to the fact that the sales revenue of the Company's systems for auto maintenance factories and database provision service has increased from the previous fiscal year, and the contribution of sales from Tajima Incorporated ("Tajima"), which was consolidated in July 2017. Cost and expenses included cost of sales of 5,452 million yen (up 11.5% year on year) and selling, general and administrative expenses of 11,751 million yen (up 14.1% year on year). This was chiefly attributable to an increase in the amount of goods purchased due to growing sales and an increase in personnel expenses and higher expenses required for shareholder incentives in addition to the impact of Tajima above.

As a result, revenue in the fiscal year under review increased 17.0% year on year, to 21,285 million yen. In terms of profits and losses, operating profit stood at 4,115 million yen (up 36.7% year on year), profit before tax came to 4,105 million yen (up 37.3% year on year), and profit attributable to owners of parent amounted to 2,656 million yen (up 37.4% year on year).

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

(Unit: Millions of yen)

Domain	FY2017 (From Jan. 1 to Dec. 31, 2017)	FY2018 (From Jan. 1 to Dec. 31, 2018)	Year-on-year rate of change
Business Application Software	11,737	14,206	21.0%
System Support	1,264	1,314	4.0%
Network Service	5,194	5,765	11.0%
Total	18,195	21,285	17.0%

(ii) Outlook for the fiscal year ending December 31, 2019

With respect to consolidated results for the fiscal year ending December 31, 2019, the Company forecasts 22,000 million yen in revenue, 4,500 million yen in operating profit, 4,500 million yen in profit before tax and 2,800 million yen in profit attributable to owners of parent.

The Company will move forward steadily with its efforts of renewing contracts with the users of existing systems and acquiring new customers, while at the same time promoting overseas sales actively for OTRS®, its operation analysis software. It also expects growth in the data provision service. In addition, the development of platforms, the source of future growth, will be continued.

(2) Overview of financial position in the fiscal year under review

(i) Assets, liabilities, and net assets

Total assets at the end of the fiscal year under review increased 1,350 million yen from the end of the previous fiscal year, to 29,413 million yen (up 4.8% year on year). Current assets fell 782 million yen, to 10,619 million yen (down 6.9%), and non-current assets increased 2,131 million yen, to 18,794 million yen (up 12.8%). The decrease in current assets was mainly attributable to a decrease in operating and other receivables of 538 million yen. The increase in non-current assets was caused primarily by a rise in intangible assets of 1,651 million yen.

Liabilities rose by 54 million yen from the end of the previous fiscal year, to 8,379 million yen (up 0.6% year on year). Current liabilities increased 436 million yen, to 7,913 million yen (up 5.8%). Non-current liabilities declined 382 million yen, to 466 million yen (down 45.0%). The main factor contributing to the increase in current liabilities was an increase in income tax payable of 436 million yen. The reduction in non-current liabilities was mainly attributable to a decrease in long-term interest-bearing debt of 376 million yen.

Total equity rose 1,296 million yen from the end of the previous fiscal year, to 21,033 million yen (up 6.6% year on year). The increase in total equity was chiefly attributable to an increase of 1,750 million yen in retained earnings.

As a result, the percentage of equity attributable to owners of parent rose 1.0 percentage points from 70.3% at the end of the previous fiscal year to 71.5%.

(ii) Cash flows

Cash and cash equivalents (“cash”) at the end of the fiscal year under review declined 344 million yen from the end of the previous fiscal year, to 5,627 million yen. Net cash provided by operating activities stood at 4,566 million yen. Net cash used in investing activities came to 2,496 million yen. Net cash used in financing activities was 2,409 million yen.

The following is a description of the situation and major factors of each category of cash flows in the fiscal year under review.

(Cash flows from (used in) operating activities)

Net cash provided by operating activities stood at 4,566 million yen (up 78.5% year on year), reflecting profit before tax of 4,105 million yen and depreciation and amortization expense of 844 million yen, which were partially offset by income taxes paid of 1,216 million yen.

(Cash flows from (used in) investing activities)

Net cash used in investing activities came to 2,496 million yen (up 20.4% year on year), mainly due to the acquisition of intangible assets of 2,318 million yen.

(Cash flows from (used in) financing activities)

Net cash used in financing activities was 2,409 million yen (up 7.0% year on year), chiefly attributable to cash dividends paid of 967 million yen, repayments of long-term loans payable of 653 million yen, and the purchase of treasury shares of 1,006 million yen.

(For reference) Trends in cash flow-related data

	FY2016	FY2017	FY2018
Percentage of equity attributable to owners of parent (%)	75.7	70.3	71.5
Market value-based percentage of equity attributable to owners of parent (%)	112.3	165.3	158.2
Interest-bearing debt to cash flows (years)	0.5	0.4	0.1
Interest coverage ratio (times)	284.0	462.0	1,107.3

Percentage of equity attributable to owners of parent: $\text{Equity attributable to owners of parent} / \text{Total assets}$

Market value-based percentage of equity attributable to owners of parent: $\text{Market capitalization} / \text{Total assets}$

Interest-bearing debt to cash flows: $\text{Interest-bearing debt} / \text{Cash flows}$

Interest coverage ratio: $\text{Cash flows} / \text{Interest payments}$

(Note 1) Market capitalization is calculated based on the number of issued shares less the number of shares of treasury stock.

(Note 2) Cash flows are net cash provided (used in) operating activities.

(Note 3) Interest-bearing debt denotes all liabilities bearing interest of the liabilities posted on the consolidated statement of financial position.

(3) Basic policy on profit distribution and dividends for FY2018 and FY2019

The Company positions returning profits to shareholders as an important management issue. Its basic policy is securing internal reserves for future business development and the reinforcement of the management structure and continuing to distribute stable dividends. We aim for a payout ratio of approximately 20%.

To secure opportunities for returning profits to shareholders, we distribute dividends twice a year: interim dividends and year-end dividends. Interim dividends are determined by the Board of Directors, and year-end dividends are determined by the annual shareholders' meeting. The Articles of Incorporation stipulate that by a resolution of the Board of Directors, the Company may pay interim dividends to the shareholders or registered pledgees of shares stated or recorded in the final shareholder registry on June 30 every year.

With respect to dividends for the fiscal year under review, we will pay an annual dividend of 12.0 yen, including the interim dividend of 5.5 yen.

The Company forecasts that the dividend per share for the next fiscal year will be 13.0 yen (an interim dividend of 6.5 yen and a year-end dividend of 6.5 yen).

2. Basic Policy on the Selection of Accounting Standards

The Group has decided to voluntarily apply the International Financial Reporting Standards (IFRS), replacing the Japanese GAAP, from the consolidated financial statements in the annual securities report for the fiscal year ended December 31, 2016 to increase convenience for the stakeholders, including shareholders and investors in Japan and overseas, by improving the international comparability of financial information and expanding the scope of disclosure.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated statement of financial position

(Unit: Thousands of Yen)

	FY2017 (As of December 31, 2017)	FY2018 (As of December 31, 2018)
Assets		
Current assets		
Cash and cash equivalents	5,970,318	5,626,723
Operating and other receivables	4,984,981	4,447,390
Inventories	128,353	238,461
Other current financial assets	-	30
Other current assets	316,609	306,121
Total current assets	11,400,260	10,618,726
Non-current assets		
Property, plant and equipment	424,747	442,641
Goodwill	11,739,040	11,739,040
Intangible assets	2,982,588	4,633,235
Investments accounted for using equity method	57,079	37,152
Other non-current financial assets	1,238,994	1,405,853
Other non-current assets	13,340	115,372
Deferred tax assets	206,881	420,864
Total non-current assets	16,662,670	18,794,156
Total assets	28,062,930	29,412,881
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating and other payables	5,595,736	3,623,665
Contract liabilities	-	1,616,791
Short-term interest-bearing debt	645,323	378,551
Income taxes payable	568,415	1,004,527
Other current financial liabilities	83,140	72,820
Other current liabilities	584,924	1,216,718
Total current liabilities	7,477,539	7,913,072
Non-current liabilities		
Long-term interest-bearing debt	461,122	84,738
Net defined benefit liability	227,131	196,345
Non-current provisions	139,786	133,207
Deferred tax liabilities	19,927	52,097
Total non-current liabilities	847,967	466,386
Total liabilities	8,325,505	8,379,457
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,116,269	7,180,289
Treasury shares	-2,736,155	-3,500,454
Retained earnings	8,009,349	9,759,561
Other components of equity	200,056	446,124
Total equity attributable to owners of parent	19,737,424	21,033,424
Total equity	19,737,424	21,033,424
Total liabilities and equity	28,062,930	29,412,881

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Unit: Thousands of Yen)

	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)
Revenue	18,194,991	21,285,103
Cost of sales	-4,889,201	-5,451,763
Gross profit	13,305,790	15,833,340
Selling, general and administrative expenses	-10,300,878	-11,750,826
Other operating income	23,160	57,054
Other operating expense	-17,171	-25,057
Operating profit	3,010,901	4,114,511
Finance income	15,517	12,252
Finance cost	-18,041	-12,367
Equity in loss of affiliates	-18,923	-9,153
Profit before tax	2,989,455	4,105,244
Income tax	-1,057,351	-1,449,621
Profit	1,932,104	2,655,622
Profit attributable to owners of parent	1,932,104	2,655,622
Earnings per share		
Basic earnings per share (yen)	21.81	30.36
Diluted earnings per share (yen)	21.80	30.15

Consolidated statement of comprehensive income

(Unit: Thousands of Yen)

	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)
Profit	1,932,104	2,655,622
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	15,861	61,128
Remeasurements of defined benefit plans	2,056	9,053
Total components that will not be reclassified to profit or loss	17,917	70,181
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-6,210	-8,270
Share of other comprehensive income of associates accounted for using equity method	7,732	-4,774
Total components that may be reclassified to profit or loss	1,521	-13,044
Total other comprehensive income, net of tax	19,438	57,136
Comprehensive income	1,951,542	2,712,759
Comprehensive income attributable to owners of parent	1,951,542	2,712,759

(3) Consolidated statement of changes in equity
FY2017 (From January 1, 2017 to December 31, 2017)

(Unit: Thousands of Yen)

	Equity attributable to owners of parent			
	Capital stock	Share premium	Treasury shares	Retained earnings
Balance as of January 1, 2017	7,147,905	7,114,654	-2,252,885	7,136,345
Profit	-	-	-	1,932,104
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	1,932,104
Purchase of treasury shares	-	-	-530,475	-
Disposal of treasury shares	-	557	47,205	-
Dividend	-	-	-	-1,049,308
Reclassification from share premium to retained earnings	-	1,058	-	-1,058
Share-based payment transactions	-	-	-	-
Reclassification from other components of equity to retained earnings	-	-	-	-8,968
Other changes	-	-	-	234
Total transactions with owners	-	1,615	-483,270	-1,059,100
Balance as of December 31, 2017	7,147,905	7,116,269	-2,736,155	8,009,349

(Unit: Thousands of Yen)

	Equity attributable to owners of parent						Total equity
	Other components of equity					Total	
	Warrants	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	Remeasurements of defined benefit plans	Total		
Balance as of January 1, 2017	7,383	-37,586	43,370	-	13,167	19,159,187	19,159,187
Profit	-	-	-	-	-	1,932,104	1,932,104
Other comprehensive income	-	1,521	15,861	2,056	19,438	19,438	19,438
Total comprehensive income	-	1,521	15,861	2,056	19,438	1,951,542	1,951,542
Purchase of treasury shares	-	-	-	-	-	-530,475	-530,475
Disposal of treasury shares	-80	-	-	-	-80	47,682	47,682
Dividend	-	-	-	-	-	-1,049,308	-1,049,308
Reclassification from share premium to retained earnings	-	-	-	-	-	-	-
Share-based payment transactions	158,797	-	-	-	158,797	158,797	158,797
Reclassification from other components of equity to retained earnings	-	-	11,024	-2,056	8,968	-	-
Other changes	-234	-	-	-	-234	-	-
Total transactions with owners	158,483	-	11,024	-2,056	167,451	-1,373,304	-1,373,304
Balance as of December 31, 2017	165,866	-36,065	70,255	-	200,056	19,737,424	19,737,424

FY2018 (From January 1, 2018 to December 31, 2018)

(Unit: Thousands of Yen)

	Equity attributable to owners of parent			
	Capital stock	Share premium	Treasury shares	Retained earnings
Balance as of January 1, 2018	7,147,905	7,116,269	-2,736,155	8,009,349
Accounting policy changes	-	-	-	52,729
Balances after restatement of modifications	7,147,905	7,116,269	-2,736,155	8,062,078
Profit	-	-	-	2,655,622
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	2,655,622
Purchase of treasury shares	-	-	-1,005,603	-
Disposal of treasury shares	-	64,020	241,303	-
Dividend	-	-	-	-967,192
Share-based payment transactions	-	-	-	-
Reclassification from other components of equity to retained earnings	-	-	-	9,053
Other changes	-	-	-	-
Total transactions with owners	-	64,020	-764,300	-958,139
Balance as of December 31, 2018	7,147,905	7,180,289	-3,500,454	9,759,561

(Unit: Thousands of Yen)

	Equity attributable to owners of parent						Total equity
	Other components of equity					Total	
	Warrants	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	Remeasurements of defined benefit plans	Total		
Balance as of January 1, 2018	165,866	-36,065	70,255	-	200,056	19,737,424	19,737,424
Accounting policy changes	-	-	-	-	-	52,729	52,729
Balances after restatement of modifications	165,866	-36,065	70,255	-	200,056	19,790,153	19,790,153
Profit	-	-	-	-	-	2,655,622	2,655,622
Other comprehensive income	-	-13,044	61,128	9,053	57,136	57,136	57,136
Total comprehensive income	-	-13,044	61,128	9,053	57,136	2,712,759	2,712,759
Purchase of treasury shares	-	-	-	-	-	-1,005,603	-1,005,603
Disposal of treasury shares	-8,829	-	-	-	-8,829	296,494	296,494
Dividend	-	-	-	-	-	-967,192	-967,192
Share-based payment transactions	211,682	-	-	-	211,682	211,682	211,682
Reclassification from other components of equity to retained earnings	-	-	-	-9,053	-9,053	-	-
Other changes	-4,868	-	-	-	-4,868	-4,868	-4,868
Total transactions with owners	197,985	-	-	-9,053	188,932	-1,469,488	-1,469,488
Balance as of December 31, 2018	363,850	-49,109	131,383	-	446,124	21,033,424	21,033,424

(4) Consolidated statement of cash flows

(Unit: Thousands of Yen)

	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)
Cash flows from operating activities		
Profit before tax	2,989,455	4,105,244
Depreciation and amortization expense	678,591	844,193
Impairment loss	9,900	-
Share-based compensation expenses	158,797	206,814
Finance income and costs	2,523	114
Equity in loss (earnings) of affiliates	18,923	9,153
Decrease (increase) in operating and other receivables	-362,055	532,973
Decrease (increase) in inventories	62,248	-110,324
Increase (decrease) in operating and other payables	-333	138,805
Increase (decrease) in accrued expenses	-63,051	185,164
Increase (decrease) in employees' bonuses payable	119,646	396,397
Increase (decrease) in contract liabilities	-	-513,761
Increase (decrease) in consumption taxes payable	48,848	23,699
Other, net	61,887	-36,651
Subtotal	3,725,380	5,781,820
Interest received	1,992	1,698
Dividends received	3,098	3,194
Interest expenses paid	-5,536	-4,124
Income taxes (paid) refund	-1,167,155	-1,216,297
Cash flows from (used in) operating activities	2,557,778	4,566,291
Cash flows from investing activities		
Acquisition of property, plant and equipment	-43,673	-88,996
Proceeds from sales of property, plant and equipment	50,407	-
Acquisition of intangible assets	-1,226,809	-2,317,835
Acquisition of investments	-15,000	-113,550
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-865,414	-
Payments for lease and guarantee deposits	-12,917	-30,408
Proceeds from collection of lease and guarantee deposits	34,540	29,656
Other, net	6,603	25,120
Cash flows from (used in) investing activities	-2,072,263	-2,496,013
Cash flows from financing activities		
Repayments of long-term loans payable	-667,850	-653,350
Repayments of lease obligations	-46,130	-59,559
Cash dividends paid	-1,049,308	-967,192
Purchase of treasury shares	-530,475	-1,005,603
Proceeds from sales of treasury shares	47,682	296,494
Other, net	-4,500	-19,500
Cash flows from (used in) financing activities	-2,250,582	-2,408,710
Impact of exchange fluctuations for cash and cash equivalents	-2,821	-5,163
Net increase (decrease) in cash and cash equivalents	-1,767,888	-343,594
Cash and cash equivalents at beginning of period	7,738,206	5,970,318
Balance of cash and cash equivalents at end of period	5,970,318	5,626,723

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

Starting from the fiscal year under review, the Group adopted IFRS 15 “Revenue from Contracts with Customers” (announced in May 2014) and “Clarifications to IFRS 15” (announced in April 2016) (collectively, “IFRS 15”).

According to transitional provisions, the Group adopts IFRS 15 retroactively and recognizes cumulative effects of the adoption since the commencement thereof as corrections to the balance of retained earnings at the beginning of the consolidated fiscal year under review.

Due to the application of IFRS 15, the Group recognizes revenue by applying the following five steps, excluding interest, dividend income, etc. based on IFRS 9 “Financial Instruments.”

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Pursuant to the above, the Group recognizes revenue as it satisfies performance obligations in the contracts with customers at a certain point or for a certain period.

The Group recognizes the portion of an increase in the costs for obtaining contracts with customers that is expected to be recoverable as assets (referred to as “assets recognized from the costs for obtaining a contract with a customer” below). An increase in costs for obtaining a contract with a customer is a cost incurred for the acquisition of a contract with a customer, which would have not arisen without the acquisition of such a contract. Assets recognized from the costs for obtaining a contract with a customer are written down in equal amounts over five years according to the estimated term of a contract with a customer.

As a result, other non-current assets and retained earnings increased 76,000 thousand yen and 52,729 thousand yen, respectively, while deferred tax assets decreased 23,271 thousand yen, compared to those calculated based on the previous accounting standards, in the consolidated statement of financial position at the beginning of the fiscal year under review. The impacts of such changes on profitability is immaterial in the consolidated statement of income for the fiscal year under review compared to those calculated based on the previous accounting standards.

Also, due to the adoption of IFRS 15, advance payments from customers that had previously been included in operating and other payables were stated as contract liabilities in the fiscal year under review.

As a result, contract liabilities increased 1,616,791 thousand yen, while operating and other payables decreased by the same amount compared to those calculated based on the previous accounting standards, in the consolidated statement of financial position at the end of the fiscal year under review. In the statement of cash flows, increases and decreases in operating and other payables rose 513,761 thousand yen, while increases and decreases in contract liabilities declined by the same amount.

(Segment information)

(1) Overview of the reportable segments

The Group provides its customers with industry-specific business applications through networks, maintenance service and supplies, and various network services on the Industrial Platform mainly in the automotive aftermarket industry. The Group develops business in a single-segment of an IT service business to the business fields of business application software, system support, and network service.

(2) Segment income and results

Since the Group has only a single business segment, the statement is omitted.

(Profit per share)

Basic earnings per share and diluted earnings per share and the basis of their calculation are as follows.

	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)
Profit attributable to owners of parent (thousand yen)	1,932,104	2,655,622
Adjustment to profit (thousand yen)	–	–
Diluted profit attributable to owners of parent (thousand yen)	1,932,104	2,655,622
Average number of common shares during the period (shares)	88,570,939	87,482,212
Impact of dilutive common shares with dilutive effects		
Warrants (shares)	48,513	53,424
Stock benefit trust (shares)	–	537,182
Diluted average number of common shares during the period (shares)	88,619,452	88,072,818
Basic earnings per share (yen)	21.81	30.36
Diluted earnings per share (yen)	21.80	30.15

(Notes) 1. In the previous fiscal year, warrants of stock options granted in 2014 (1,772 warrants) are not included in the calculation of diluted earnings per share because these warrants do not have dilutive effects.

2. The Company conducted a 2-for-1 common stock split effective April 1, 2018. Basic earnings per share and diluted earnings per share are calculated on the assumption that the common stock split was conducted at the beginning of the previous fiscal year.

(Significant subsequent events)

Not applicable.