



Summary of Financial Statements for FY2022 [IFRS] (Consolidated)

February 10, 2023

Broadleaf Co., Ltd

Stock listing:

Tokyo Stock Exchange Prime Market

Representative:

Representative Director, President and CEO Kenji Oyama

Scheduled date of Annual General Meeting of Shareholders

March 24, 2023

Scheduled date of commencement of dividend payout

March 27, 2023

Earnings Supplementary Explanatory Documents

Yes

Earnings Results Briefing:

Yes (For institutional investors and analysts)

(Figures are rounded to the nearest million yen)

1. Consolidated Results for FY2022 (January 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results

(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	%
FY 2022	13,833	-33.0	-2,897	-	-3,005	-	-2,432	-	-2,431	-	-2,320	-
FY2021	20,652	-2.4	3,395	-17.9	3,233	-15.4	2,174	-11.8	2,173	-11.9	2,201	-3.2

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
FY 2022	-27.54	-27.54	-9.8	-8.8	-20.9
FY2021	24.72	24.32	8.6	9.7	16.4

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

FY2022: -1 million yen

FY2021: -6 million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Percentage of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
FY 2022	33,535	23,662	23,632	70.5	267.36
FY2021	34,476	26,114	26,114	75.7	296.77

(3) Consolidated Cash Flows Status

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2022	1,606	-2,910	1,237	3,457
FY2021	3,783	-3,388	-108	3,522

2. Dividends Status

	Dividend per share					Total dividend	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the parent (consolidated)
	End of 1Q	Interim	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2021	-	4.00	-	4.70	8.70	795	35.2	3.0
FY2022	-	0.00	-	1.00	1.00	92	-	0.4
FY2023 (forecast)	-	-	-	-	-	-	-	-

(NOTE) Dividend forecasts for FY2023 are currently undetermined.

3. Consolidated Earnings Forecasts for FY2023 (January 1, 2023 to December 31, 2023)

(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 FY2023	6,700	2.8	-2,150	-	-2,200	-	-1,900	-	-21.45
FY2023	15,000	8.4	-2,700	-	-2,800	-	-2,400	-	-27.07

※ 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. Changes in accounting policies required by IFRS: None

2. Other changes in accounting policies: None

3. Changes in accounting estimates: None

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury shares)

FY2022	97,896,800 shares	FY2021	97,896,800 shares
FY2022	9,507,349 shares	FY2021	9,901,018 shares
FY2022	88,301,684 shares	FY2021	87,904,113 shares

2. Number of shares of treasury shares

3. Average number of shares during the period

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated financial results for FY2022 (January 1, 2022 to December 31, 2022)

(1) Non-Consolidated Operating Results (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	%
FY2022	12,313	-33.9	-2,224	-	-2,173	-	-2,816	-
FY2021	18,639	-3.8	2,672	-27.0	2,435	-29.2	731	-59.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2022	-31.89		-	
FY2021	8.32		8.19	

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2022	25,948	16,826	64.8	190.36
FY2021	27,049	19,875	73.5	225.87

Reference: Shareholders' equity FY2022: 16,826 million yen FY2021: 19,875 million yen

<Reasons for differences in non-consolidated results from the results of the previous fiscal year>

In the current fiscal year, the Group changed the sales method of its mainstay business software from a multi-year lease contract to a monthly subscription contract. As a result, differences in the amount of recognized sales compared with the previous fiscal year arose due to differences in contract methods.

※ The financial results are outside the scope of audits by a certified public accountant or an auditing 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 Group and certain assumptions which are regarded as legitimate. The Group 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 Group plans to hold a briefing for institutional investors and analysts in an online live format on February 10, 2023. The materials used at the meeting will be posted on its website.

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the current fiscal year

① Qualitative information on financial Current management results

During the current fiscal year under (January 1, 2022 to December 31, 2022), COVID-19 restrictions were gradually lifted, leading to normalization of social and economic activities. On the other hand, there were growing concerns about inflation in the world and reactionary changes in policy of each country's monetary authorities which may result in significant exchange rate fluctuations. Therefore, it was necessary to closely monitor the downside risks to the economy.

Amid these social conditions, in addition to the accelerating digitization of social infrastructures, corporate DX (digital transformation) needs were growing against the backdrop of strengthening investments to change products/services and business models. In Japanese mobility industry, where many of the Group's clients belong, there was a growing need for DX not only in terms of business process using digital technology and operational efficiency of the work styles, but also in terms of reforming existing businesses and creating new businesses.

Based on its corporate philosophy of "Gratitude and Happiness," the Group continued its activities to contribute to its clients' business continuity and business creation. At the same time, the Group focused on the two priority measures outlined in the Medium-Term Management Plan (2022-2028): "Penetration of the Cloud-based products" and "Expansion of Services." During the current fiscal year, the Group placed ".c Series," a cloud-based software service that has evolved into a total management system, as its main product, and also supported clients to further improve DX by providing "Dencho.DX," which is a cloud service for the revised Electronic Book Storage Act. In addition, the Group equipped ".c Series" with the loan functions provided by Toyota Finance Corporation, formed a capital-and-business alliance with SALES GO Corporation, and implemented joint development in AI field with Fujitsu Ltd.. Through these measures, the Group promoted the expansion of its services with "Broadleaf Cloud Platform" as the starting point.

As a result of these efforts, progress was made as planned in the current fiscal year, which is the first year of the Medium-Term Management Plan (2022-2028), and the base for the transition to a monthly subscription-type business model has been established.

The shift of mainstay products to ".c Series" will stabilize the Group's revenue, and the provision of new services such as "Dencho.DX" will lead to an increase in revenue over the medium to long term. Furthermore, the availability of ".c series" under a flexible pricing structure resulted in favorable new contract acquisition, and the total number of clients increased.

In terms of costs, while upfront expenses for future business growth increased, such as investment in the development of services and strengthening of the services provision infrastructure, the Group worked to improve the efficiency of sales promotion activities.

As a result, the Group's consolidated financial results for the current fiscal year were revenue of 13,833 million yen (down 33.0% year-on-year), operating loss of 2,897 million yen (operating income of 3,395 million yen in the previous fiscal year), loss before income taxes of 3,005 million yen (profit before income taxes of 3,233 million yen in the previous fiscal year), and loss attributable to owners of the parent of 2,431 million yen (profit attributable to owners of the parent of 2,173 million yen in the previous fiscal year).

The Group has a single segment of IT Services Business, but the breakdown of revenue by service category for the current fiscal year was as follows.

(Millions of yen)

Category	FY2021 (January 1, 2021 to December 31, 2021)	FY2022 (January 1, 2022 to December 31, 2022)	YoY ratio
Cloud service	1,791	2,628	46.7%
Packaged system	18,860	11,205	-40.6%
Total	20,652	13,833	-33.0%

Cloud service

The category consists of usage fees for ".c Series" and other monthly subscription-type software, as well as usage fees or commissions related to platforms for ordering auto repair parts.

From the current fiscal year, when the usage right (mostly 6 years) of packaged software ".NS Series" for auto maintenance shops and auto body shops expires, the Group switched to ".c Series" in general. The Group also launched "Dencho.DX," a new cloud service for the revised Electronic Book Storage Act. As a result, revenue from the Cloud service increased by 46.7% year on year.

Packaged system

The category consist of sales of “.NS Series” and other packaged software (lease contract or sell out), fees for ancillary services required for using packaged software, and sales of PC and other devices and supplies.

Starting from the current fiscal year, the Group switched to the provision of “.c Series” for auto maintenance shops and auto body shops, as described above. Accordingly, revenue from Cloud service increased, but revenue from Packaged system, which is recorded in a lump sum at the time of sales, decreased significantly, resulting in a year-on-year decline of 40.6%.

② Outlook for the Next Fiscal Year

Consolidated earnings forecasts for FY2023 (January 1, 2023-December 31, 2023) are revenue of 15,000 million yen, operating loss of 2,700 million yen, loss before tax of 2,800 million yen, and loss attributable to owners of the parent of 2,400 million yen.

The monthly subscription software contract acquired in FY2022 will be recorded as revenue for the full year in FY2023. In addition, the Group expects revenue growth for cloud services to accelerate through the second half of the fiscal year, as existing clients will gradually switch to “.c Series” throughout the year. On the other hand, packaged system sales are expected to decline due to the progress in the transition of mainstay products. However, because the increase in sales of Cloud service will offset the decrease, revenue for FY2023 is expected to increase by 1,167 million yen from the previous fiscal year. In addition, the Group will strengthen sales promotions mainly for mainstay products which will lead to sales growth, while working to improve the efficiency of SG&A expenses, etc. As a result, operating loss is expected to decrease by 197 million yen from the previous fiscal year.

(2) Overview of financial position for the current fiscal year

① Financial position

Total assets at the end of the current fiscal year decreased by 940 million yen from the end of the previous fiscal year to 33,535 million yen (down 2.7% year-on-year). Current assets decreased by 1,849 million yen to 6,555 million yen (down 22.0% year-on-year), and non-current assets increased by 909 million yen to 26,980 million yen (up 3.5% year-on-year). Current assets decreased mainly due to a decrease of 1,691 million yen in trade and other receivables. The increase in non-current assets was mainly due to increases of 1,223 million yen in intangible assets, 409 million yen in deferred tax assets, and 123 million yen in other financial assets, despite decreases of 613 million yen in goodwill and 235 million yen in property, plant and equipment.

Total liabilities at the end of the current fiscal year increased by 1,511 million yen from the end of the previous fiscal year to 9,873 million yen (up 18.1% year-on-year). Current liabilities decreased by 930 million yen to 6,583 million yen (down 12.4% year-on-year), while non-current liabilities increased by 2,441 million yen to 3,291 million yen (up 287.3% year-on-year). Current liabilities decreased mainly due to decreases of 895 million yen in trade and other payables, 397 million yen in income taxes payable, and 210 million yen in short-term interest-bearing debt, despite an increase of 572 million yen in contract liabilities. The increase in non-current liabilities was mainly attributable to a 2,540 million yen increase in long-term interest-bearing debt.

Total equity at the end of the current fiscal year decreased by 2,452 million yen from the end of the previous fiscal year to 23,662 million yen (down 9.4% year-on-year). The main factors for the decrease in total equity were an increase of 157 million yen in other components of equity, a decrease of 118 million yen in treasury shares, and a decrease of 2,832 million yen in retained earnings.

As a result, percentage of equity attributable to owners of the parent decreased by 5.2% from 75.7% at the end of the previous fiscal year to 70.5%.

② Cash flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year decreased by 65 million yen from the end of the previous fiscal year to 3,457 million yen. Cash provided by operating activities was 1,606 million yen, cash used in investing activities was 2,910 million yen, and cash provided by financing activities was 1,237 million yen.

The situation of each cash flow in the current fiscal year and the factors behind them are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was 1,606 million yen, down 57.5% from the previous fiscal year. This mainly reflected depreciation and amortization expense of 2,696 million yen, a decrease in trade and other receivables of 1,778 million yen, an impairment loss of 615 million yen, and an increase in contract liabilities of 572 million yen, despite a decrease in cash due to loss before tax of 3,005 million yen and a decrease in trade and other payables of 901 million yen.

(Cash flow from investment activities)

Cash used in investing activities was 2,910 million yen, down 14.1% from the previous fiscal year. This was mainly due to the acquisition of intangible assets of 3,001 million yen, which outweighed the proceeds from collection of loans receivable of 67 million yen and proceeds from sales of property, plant and equipment of 45 million yen.

(Cash flow from financing activities)

Cash provided by financing activities was 1,237 million yen (compared with net cash used of 108 million yen in the previous fiscal year). This was mainly due to proceeds from long-term loans payable of 3,500 million yen, despite a net decrease in short-term loans payable of 1,002 million yen, repayments of lease liabilities of 864 million yen, and cash dividends paid of 414 million yen.

(3) Basic policy on profit distribution and dividends for the current and next fiscal years

The Group regards the return of profits to shareholders as an important management issue. Its basic policy is to distribute earnings in accordance with business results while retaining the surplus required for business development and maintenance of financial soundness to increase corporate value. The Group aims for a consolidated dividend payout ratio of 35% or more.

In addition, in order to enhance opportunities for returning profits to shareholders, the Group's basic policy is to pay dividends from retained earnings twice a year, consisting of an interim dividend and a year-end dividend. Interim dividends are determined by the Board of Directors, and year-end dividends are determined by the annual shareholders' meeting.

Based on the above policy, the Group will pay an annual dividend of 1 yen per share for the current fiscal year.

The dividend forecast for the next fiscal year is undecided at this stage, and will be announced promptly when it becomes possible to disclose reasonable forecasts in light of the progress of the medium-term management plan announced on February 9, 2022 and the status of retained earnings.

2. Basic policy on selection of accounting standards

The Group decided to voluntarily adopt International Financial Reporting Standards (IFRS) instead of the previous Japanese GAAP from the consolidated financial statements in the financial report for the fiscal year ended December 31, 2016, with the aim of enhancing the convenience of various stakeholders, including domestic and overseas shareholders and investors, by improving the international comparability of financial information and expanding disclosures.

3. Consolidated financial statements and major notes

(1) Consolidated statements of financial position

(Thousands of yen)

	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	3,522,045	3,456,772
Operating and other receivables	4,293,360	2,602,057
Inventories	208,050	130,890
Other financial assets	85,000	-
Other current assets	296,069	365,715
Total current assets	8,404,523	6,555,434
Non-current assets		
Property, plant and equipment	1,273,532	1,038,983
Goodwill	11,802,504	11,189,504
Intangible assets	10,548,334	11,771,237
Investments accounted for using equity method	93,490	83,012
Other financial assets	1,241,649	1,364,416
Other non-current assets	238,413	250,391
Deferred tax assets	873,530	1,282,511
Total non-current assets	26,071,452	26,980,055
Total assets	34,475,975	33,535,490
Liabilities and equity		
Liabilities		
Current liabilities		
Operating and other payables	3,567,899	2,672,827
Contract liabilities	354,403	926,182
Short-term interest-bearing debts	2,480,024	2,270,443
Accrued income taxes	405,660	8,421
Other current liabilities	704,310	704,634
Total current liabilities	7,512,295	6,582,508
Non-current liabilities		
Long-term interest-bearing debts	337,721	2,877,710
Obligations for retirement pay	208,906	232,191
Provisional sum	143,903	142,292
Deferred tax liabilities	115,830	-
Other non-current liabilities	43,235	38,671
Total non-current liabilities	849,596	3,290,865
Total liabilities	8,361,891	9,873,373
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,291,792	7,366,245
Treasury shares	-3,285,446	-3,167,193
Retained earnings	14,488,974	11,656,730
Other components of equity	470,859	628,237
Total equity attributable to owners of the parent	26,114,084	23,631,923
Non-controlling interests	-	30,194
Total equity	26,114,084	23,662,116
Total liabilities and equity	34,475,975	33,535,490

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated statements of income

(Thousands of yen)

	FY2021 (January 1, 2021 to December 31, 2021)	FY2022 (January 1, 2022 to December 31, 2022)
Revenue	20,651,549	13,832,547
Cost of sales	-5,753,263	-5,345,873
Gross profit	14,898,285	8,486,674
Selling, general and administrative expenses	-11,520,747	-10,802,548
Other operating income	29,637	34,042
Other operating expenses	-12,058	-615,071
Operating profit (loss)	3,395,118	-2,896,904
Finance income	84,704	11,468
Finance costs	-241,024	-119,055
Equity in losses of affiliates	-6,085	-754
Profit (loss) before income taxes	3,232,712	-3,005,245
Income tax	-1,058,511	573,049
Profit (loss)	2,174,202	-2,432,196
Profit (loss) attributable to		
Owners of the parent	2,172,773	-2,431,390
Non-controlling interests	1,429	-806
Profit (loss)	2,174,202	-2,432,196
Profit (loss) per share		
Basic earnings (loss) per share (yen)	24.72	-27.54
Diluted earnings (loss) per share (yen)	24.32	-27.54

Consolidated statements of comprehensive income

(Thousands of yen)

	FY2021 (January 1, 2021 to December 31, 2021)	FY2022 (January 1, 2022 to December 31, 2022)
Profit (loss)	2,174,202	-2,432,196
Other comprehensive income		
Items 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	50,149	108,901
Remeasurements of defined benefit plans	-22,297	-4,124
Total items that will not be reclassified to profit or loss	27,853	104,777
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	-2,217	-94
Share of other comprehensive income of associates accounted for using the equity method	873	7,050
Total items that may be reclassified to profit or loss	-1,344	6,957
Total other comprehensive income, net of tax	26,509	111,733
Comprehensive income	2,200,710	-2,320,463
Comprehensive income attributable to:		
Owners of the parent	2,199,281	-2,319,656
Non-controlling interests	1,429	-806
Comprehensive income	2,200,710	-2,320,463

(3) Consolidated statements of changes in equity

FY2021 (January 1, 2021, to December 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	Exchange differences on translating foreign operations
Balance as of January 1, 2021	7,147,905	7,215,824	-3,403,618	13,265,826	724,241	-14,000	-47,026
Profit	-	-	-	2,172,773	-	-	-
Other comprehensive income	-	-	-	-	-	-	-1,344
Total comprehensive income	-	-	-	2,172,773	-	-	-1,344
Disposal of treasury shares	-	105,560	118,172	-	-171,167	-	-
Dividends	-	-	-	-930,035	-	-	-
Share-based payment transactions	-	-	-	2,708	219,142	0	-
Changes in ownership interest in subsidiaries	-	-29,592	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-22,297	-	-	-
Total transactions with owners	-	75,968	118,172	-949,625	47,975	0	-
Balance at December 31, 2021	7,147,905	7,291,792	-3,285,446	14,488,974	772,216	-14,000	-48,370

(Thousands of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in fair value of financial assets of equity nature measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance as of January 1, 2021	-289,136	-	374,078	24,600,015	2,451	24,602,466
Profit	-	-	-	2,172,773	1,429	2,174,202
Other comprehensive income	50,149	-22,297	26,509	26,509	-	26,509
Total comprehensive income	50,149	-22,297	26,509	2,199,281	1,429	2,200,710
Disposal of treasury shares	-	-	-171,167	52,565	-	52,565
Dividends	-	-	-	-930,035	-	-930,035
Share-based payment transactions	-	-	219,142	221,850	-	221,850
Changes in ownership interest in subsidiaries	-	-	-	-29,592	-3,880	-33,472
Transfer from other components of equity to retained earnings	-	22,297	22,297	-	-	-
Total transactions with owners	-	22,297	70,272	-685,213	-3,880	-689,093
Balance at December 31, 2021	-238,987	-	470,859	26,114,084	-	26,114,084

FY2022 (January 1, 2022 to December 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	Exchange differences on translating foreign operations
Balance at January 1, 2022	7,147,905	7,291,792	-3,285,446	14,488,974	772,216	-14,000	-48,370
Loss	-	-	-	-2,431,390	-	-	-
Other comprehensive income	-	-	-	-	-	-	6,957
Total comprehensive income	-	-	-	-2,431,390	-	-	6,957
Changes due to acquisition of control over subsidiaries	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-14	-	-	-	-
Disposal of treasury shares	-	74,452	118,267	-	-141,166	-51,552	-
Dividends	-	-	-	-413,579	-	-	-
Share-based payment transactions	-	-	-	16,849	181,575	52,664	-
Transfer from other components of equity to retained earnings	-	-	-	-4,124	-	-	-
Total transactions with owners	-	74,452	118,253	-400,854	40,409	1,112	-
Balance at December 31, 2022	7,147,905	7,366,245	-3,167,193	11,656,730	812,624	-12,888	-41,414

(Thousands of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in fair value of financial assets of equity nature measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance at January 1, 2022	-238,987	-	470,859	26,114,084	-	26,114,084
Loss	-	-	-	-2,431,390	-806	-2,432,196
Other comprehensive income	108,901	-4,124	111,733	111,733	-	111,733
Total comprehensive income	108,901	-4,124	111,733	-2,319,656	-806	-2,320,463
Changes due to acquisition of control over subsidiaries	-	-	-	-	31,000	31,000
Purchase of treasury stock	-	-	-	-14	-	-14
Disposal of treasury shares	-	-	-192,718	2	-	2
Dividends	-	-	-	-413,579	-	-413,579
Share-based payment transactions	-	-	234,238	251,087	-	251,087
Transfer from other components of equity to retained earnings	-	4,124	4,124	-	-	-
Total transactions with owners	-	4,124	45,645	-162,505	31,000	-131,505
Balance at December 31, 2022	-130,086	-	628,237	23,631,923	30,194	23,662,116

(4) Consolidated statements of cash flows

(Thousands of yen)

	FY2021 (January 1, 2021 to December 31, 2021)	FY2022 (January 1, 2022 to December 31, 2022)
Cash flow from operating activities		
Profit (loss) before income taxes	3,232,712	-3,005,245
Depreciation and amortization expense	2,335,383	2,695,945
Impairment loss	-	615,000
Share-based payment expense	279,313	258,511
Finance costs (income)	163,181	107,587
Equity in loss (earnings) of affiliates	6,085	754
Decrease (increase) in trade and other receivables	-503,473	1,778,014
Decrease (increase) in inventories	147,991	77,215
Increase (decrease) in trade and other payables	-41,533	-900,556
Decrease (increase) in prepaid expenses	6,860	-68,619
Decrease (increase) in long-term prepaid expenses	-28,025	-60,101
Increase (decrease) in employees' bonuses payable	-22,380	109
Increase (decrease) in contract liabilities	-258,010	571,779
Increase (decrease) in consumption taxes payable	-232,067	3,702
Others	29,930	-57,021
Subtotal	5,115,966	2,017,075
Interest received	5,434	1,238
Dividend received	3,775	4,066
Interest expenses paid	-11,349	-13,781
Income taxes refunded (paid)	-1,331,269	-402,262
Cash flow from operating activities	3,782,557	1,606,335
Cash flow from investing activities		
Acquisition of property, plant and equipment	-45,362	-16,403
Proceeds from sales of property, plant and equipment	-	45,320
Acquisition of intangible assets	-3,452,483	-3,000,908
Acquisition of newly consolidated subsidiaries	-	-5,000
Loan advances	-65,600	-16,900
Collection of loans receivable	156,343	67,383
Payments for lease and guarantee deposits	-13,031	-615
Proceeds from collection of lease and guarantee deposits	19,093	4,470
Purchase of investments accounted for using equity method	-442	-
Proceeds from sale of investments accounted for using equity method	-	14,954
Others	13,957	-2,228
Cash flow from investing activities	-3,387,525	-2,909,928

(Thousands of yen)

	FY2021 (January 1, 2021 To December 31, 2021)	FY2022 (January 1, 2022 To December 31, 2022)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	1,801,500	-1,001,500
Proceeds from long-term debt	-	3,500,000
Repayments of lease obligations	-884,294	-864,358
Cash dividends paid	-930,035	-413,579
Capital contribution from non-controlling interests	-	31,000
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-33,472	-
Purchase of treasury shares	-	-14
Expenses related to commitment lines	-62,044	-14,983
Cash flow from financing activities	-108,345	1,236,566
Impact of exchange fluctuations for cash and cash equivalents	2,950	1,754
Net increase (decrease) in cash and cash equivalents	289,636	-65,272
Cash and cash equivalents at beginning of period	3,232,409	3,522,045
Cash and cash equivalents at end of period	3,522,045	3,456,772

(5) Notes regarding consolidated financial statements

(Notes on the going concern)

Not applicable.

(Segment information)

(1) The outline of reportable segments

The Group only has a single segment of IT Services Business, but as relevant information, it discloses sales from the above products and services in two categories: Cloud service and Packaged system.

Cloud service consist of usage fees for “.c Series” and other monthly subscription-type software, as well as usage fees or commissions related to platforms for ordering auto repair parts.

Packaged system consists of sales of “.NS Series” and other packaged software (lease contract or sell out), fees for ancillary services required for using packaged software, and sales of PC and other devices and supplies.

(2) Segment revenues and results

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

(Profits per share)

Basic and diluted earnings (loss) per share and the calculation basis are as follows:

	FY2021 (January 1, 2021 to December 31, 2021)	FY2022 (January 1, 2022 to December 31, 2022)
Profit (loss) attributable to owners of the parent (thousand yen)	2,172,773	-2,431,390
Adjustments to profit (thousand yen)	-	-
Diluted profit (loss) attributable to owners of the parent (thousand yen)	2,172,773	-2,431,390
Average number of common shares outstanding during the period (shares)	87,904,113	88,301,684
Effect of dilutive potential common shares		
Board benefit trust (shares)	1,439,447	-
Diluted average number of common shares outstanding during the period (shares)	89,343,560	88,301,684
Basic earnings (loss) per share (yen)	24.72	-27.54
Diluted earnings (loss) per share (yen)	24.32	-27.54

(NOTE) For the current fiscal year, the board benefit trust is antidilutive and therefore excluded from the calculation of diluted loss per share.

(Significant subsequent events)

Not applicable.