

Summary of Financial Statements for the Fiscal Year Ended December 31, 2017 [IFRS] (Consolidated)

February 14, 2018

Broadleaf Co., Ltd.

Stock Listing: Tokyo Stock Exchange 1st Section

Representative: Kenji Oyama, Representative Director, President & CEO

Contact: Kenichi Yamanaka, Director, Executive Vice President & COO

Tel. +81-3-5781-3100

Scheduled Date for Ordinary General Meeting of Shareholders: March 27, 2018

Scheduled Starting Date for Dividend Payment: March 28, 2018

Scheduled Submission Date for Securities Report: March 28, 2018

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 FY2017 (from January 1, 2017 to December 31, 2017)

(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	%
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
FY2016	16,760	-0.2	2,953	-3.6	2,921	-4.5	1,876	-5.5	1,876	-5.5	1,876	-4.8

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Return on assets	Operating margin
	Yen	Yen	%	%	%
FY2017	43.63	43.60	9.9	11.2	16.5
FY2016	39.47	39.45	9.6	11.4	17.6

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

FY2017: -19 million yen

FY2016: -6 million yen

(Note) The Company conducted a 2-for-1 common stock split effective December 17, 2016. The basic earnings per share and the diluted earnings per share for FY2016 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	%	Yen	Yen
End of FY2017	28,063	19,737	19,737	70.3	445.80
End of FY2016	25,322	19,159	19,159	75.7	425.67

(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
FY2017	2,558	-2,072	-2,251	5,970
FY2016	3,142	-684	-3,324	7,738

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	%	%
FY2016	—	17.50	—	12.50	30.00	1,011	53.8	5.1
FY2017	—	11.00	—	11.00	22.00	1,015	50.4	5.0
FY2018 (Forecast)	—	5.50	—	5.50	11.00		45.8	

(Note 1) The Company conducted a 2-for-1 common stock split effective December 17, 2016. The dividends for the period to the end of Q2 of FY2016 are actual dividends before the stock split.

(Note 2) Breakdown of dividends for the end of Q2 FY2016: Ordinary dividend 12.50 yen Commemorative dividend 5.00 yen

(Note 3) The Company will conduct a 2-for-1 stock split effective April 1, 2018. The dividends in FY2016 and FY2017 are based on shares before the stock split.

(Note 4) FY2018 (Forecast) takes into account the impact of the 2-for-1 stock split effective April 1, 2018.

3. Earnings Forecast for FY2018 (from January 1, 2018 to December 31, 2018)

(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 FY2018	9,400	18.6	950	3.4	930	2.7	600	7.3	6.85
FY2017	20,400	12.1	3,300	9.6	3,260	9.0	2,100	8.7	24.02

(Note) The basic earnings per share for FY2018 take into account the impact of the 2-for-1 stock split effective April 1, 2018.

* Notes

(1) Changes in significant subsidiaries during the fiscal year ended December 31, 2017 (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 14 of the attached material.

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

FY2017	48,948,400	FY2016	48,948,400
FY2017	4,674,068	FY2016	3,939,268
FY2017	44,285,469	FY2016	47,520,749

2. Number of shares of treasury stock

3. Average number of shares outstanding (during the period)

(Note) The Company conducted a 2-for-1 common stock split effective December 17, 2016. The number of shares outstanding (common stock) in FY2016 are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* Summaries of financial statements are not subject to audit.

* 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.
- The Company will conduct a 2-for-1 stock split effective April 1, 2018.

(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 Thursday, February 15, 2018.

The video of this results briefing will be posted on the Company’s website with the briefing materials used on the current day immediately after the results briefing.

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1. Overview of Results of Operations, Etc.

(1) Overview of financial results in the fiscal year ended December 31, 2017

(i) Results of operations in the fiscal year ended December 31, 2017

In the fiscal year under review (from January 1, 2017 to December 31, 2017), the Japanese economy remained on a moderate recovery trend partly backed by improved corporate earnings and employment and income situations. However, attention should be paid to the risk of overseas economies, including the effects of the political situation in the United States and Europe and trends in financial and capital markets, putting downward pressure on the Japanese economy.

In the information service industry, investment is expected to increase in strategic areas such as cloud services, big data analysis, cyber security measures and expansion into IoT, in addition to the existing types of IT spending for the purposes of improving productivity and efficiency. Meanwhile, there are signs of a recovery in capital investment among companies. On the other hand, the entire industry faces the issue of securing excellent engineers who can adapt to the latest technologies and early development and offering of high value-added services.

In this environment, the Company launched the sale of the .NS2, a new model added to the .NS Series of its industry-specific applications, with the aim of expanding its customer base and changing its revenue structure. The Company also took steps to increase the number of customers for the CarpodTab, a tablet-type business support tool, and continued to take action for the industry standardization of the BL Parts Order System, an electronic order service for auto parts. Accompanying these initiatives, the Company stepped up its efforts to provide higher value-added services for customers by successively revamping the industry-specific applications that the Company offers to customers, strengthening its automobile-related database, and developing automotive data analytical services. During the third quarter of the fiscal year under review, the Company acquired shares in Tajima Inc., which had been a competitor in systems and other products for auto maintenance businesses, and made it a consolidated subsidiary.

As a result, revenue in the fiscal year under review increased 8.6% year on year, to 18,195 million yen. In terms of profits and losses, operating profit increased by 2.0% year on year, to 3,011 million yen, profit before tax rose by 2.3% year on year, to 2,989 million yen, and profit attributable to owners of parent grew 3.0% year on year, to 1,932 million yen.

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	FY2016 (From Jan. 1 to Dec. 31, 2016)	FY2017 (From Jan. 1 to Dec. 31, 2017)	Year-on-year rate of change
Business Application Software	10,894	11,737	7.7%
System Support	1,243	1,264	1.6%
Network Service	4,623	5,194	12.3%
Total	16,760	18,195	8.6%

(ii) Outlook for the fiscal year ending December 31, 2018

In the automotive aftermarket industry, to which major customers of the Company belong, the business environment is changing dramatically, with the diversification of car owners' needs and the entry of entities from outside the industry. Consequently, the Company must work with its customers to promptly implement strategies that better reflect the views of car owners.

In this environment, the Group will seek to develop new services utilizing large-scale automobile-related information, and will also step up initiatives to increase the added value of databases and strengthen alliances with other companies for the expansion of the next-generation automotive aftermarket business. The Group also plans to leverage its expertise in the industry-specific applications and databases it provides to business operators in the automotive aftermarket industry to develop new businesses and services. By contributing to more efficient, energetic parts distribution in the automotive aftermarket industry through such initiatives, the Group aims to further increase the earnings of the Network Service domain and gain new customers.

As a result of the above initiatives, in the fiscal year ending December 31, 2018, the Company forecasts consolidated net sales of 20,400 million yen, consolidated operating profit of 3,300 million yen, consolidated profit before tax of 3,260 million yen, and consolidated profit attributable to owners of parent of 2,100 million yen.

(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 2,741 million yen from the end of the previous fiscal year, to

28,063 million yen (up 10.8% year on year). Current assets fell 904 million yen, to 11,400 million yen (down 7.3%), and non-current assets increased 3,645 million yen, to 16,663 million yen (up 28.0%). The decrease in current assets was mainly attributable to a decline in cash and cash equivalents of 1,768 million yen. The main factors of the increase in non-current assets were a rise of 1,708 million yen in goodwill and an increase of 1,840 million yen in intangible assets.

Liabilities rose by 2,163 million yen from the end of the previous fiscal year, to 8,326 million yen (up 35.1% year on year). Current liabilities increased 2,497 million yen, to 7,478 million yen (up 50.1%). Non-current liabilities declined 335 million yen, to 848 million yen (down 28.3%). The main factor for the increase in current liabilities was an increase in operating and other payables of 2,455 million yen. The reduction in non-current liabilities was mainly attributable to a decrease in long-term interest-bearing debt of 611 million yen.

Total equity rose 578 million yen from the end of the previous fiscal year, to 19,737 million yen (up 3.0% year on year). The increase in total equity was chiefly attributable to an increase of 873 million yen in retained earnings.

As a result, the percentage of equity attributable to owners of parent fell 5.4 percentage points from 75.7% at the end of the previous fiscal year to 70.3%.

(ii) Cash flows

Cash and cash equivalents (“cash”) at the end of the fiscal year under review declined 1,768 million yen from the end of the previous fiscal year, to 5,970 million yen. Net cash provided by operating activities stood at 2,558 million yen. Net cash used in investing activities came to 2,072 million yen. Net cash used in financing activities was 2,251 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 2,558 million yen (down 18.6% year on year), reflecting profit before tax of 2,989 million yen and depreciation and amortization expense of 679 million yen, which were partially offset by income taxes paid of 1,167 million yen.

(Cash flows from (used in) investing activities)

Net cash used in investing activities came to 2,072 million yen (up 202.9% year on year), mainly due to the acquisition of intangible assets of 1,227 million yen and the purchase of shares of subsidiaries resulting in change in scope of consolidation of 865 million yen.

(Cash flows from (used in) financing activities)

Net cash used in financing activities was 2,251 million yen (down 32.3% year on year), chiefly attributable to cash dividends paid of 1,049 million yen, repayments of long-term loans payable of 668 million yen, and the purchase of treasury shares of 530 million yen.

(For reference) Trends in cash flow-related data

	FY2015	FY2016	FY2017
Percentage of equity attributable to owners of parent (%)	76.2	75.7	70.3
Market value-based percentage of equity attributable to owners of parent (%)	110.6	112.3	165.3
Interest-bearing debt to cash flows (years)	4.0	0.5	0.4
Interest coverage ratio (times)	56.9	284.0	462.0

Percentage of equity attributable to owners of parent: Equity attributable to owners of parent/Total assets

Market value-based percentage of equity attributable to owners of parent: Market capitalization/Total assets

Interest-bearing debt to cash flows: Interest-bearing debt/Cash flows

Interest coverage ratio: Cash flows/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 FY2017 and FY2018

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 22.0 yen, including the interim dividend of 11.0 yen.

The Company forecasts that the dividend per share for the next fiscal year will be 11.0 yen (an interim dividend of 5.5 yen and a year-end dividend of 5.5 yen). This is an amount that takes into account the 2-for-1 common stock split effective April 1, 2018.

If the stock split is not taken into account, the dividend per share for the next fiscal year will be 22.0 yen, the same as in the fiscal year under review.

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)

	FY2016 (As of December 31, 2016)	FY2017 (As of December 31, 2017)
Assets		
Current assets		
Cash and cash equivalents	7,738,206	5,970,318
Operating and other receivables	4,199,180	4,984,981
Inventories	109,866	128,353
Other current financial assets	417	-
Other current assets	256,566	316,609
Total current assets	12,304,234	11,400,260
Non-current assets		
Property, plant and equipment	426,750	424,747
Goodwill	10,031,002	11,739,040
Intangible assets	1,142,446	2,982,588
Investments accounted for using equity method	70,896	57,079
Other non-current financial assets	1,148,794	1,238,994
Other non-current assets	26,024	13,340
Deferred tax assets	171,824	206,881
Total non-current assets	13,017,736	16,662,670
Total assets	25,321,970	28,062,930
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating and other payables	3,140,345	5,595,736
Short-term interest-bearing debt	655,086	645,323
Income taxes payable	601,139	568,415
Other current financial liabilities	85,072	83,140
Other current liabilities	498,475	584,924
Total current liabilities	4,980,118	7,477,539
Non-current liabilities		
Long-term interest-bearing debt	1,072,366	461,122
Net defined benefit liability	-	227,131
Non-current provisions	110,300	139,786
Deferred tax liabilities	-	19,927
Total non-current liabilities	1,182,666	847,967
Total liabilities	6,162,784	8,325,505
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,114,654	7,116,269
Treasury shares	-2,252,885	-2,736,155
Retained earnings	7,136,345	8,009,349
Other components of equity	13,167	200,056
Total equity attributable to owners of parent	19,159,187	19,737,424
Total equity	19,159,187	19,737,424
Total liabilities and equity	25,321,970	28,062,930

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

Consolidated statement of income

(Unit: Thousands of Yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Revenue	16,760,167	18,194,991
Cost of sales	-5,190,434	-4,889,201
Gross profit	11,569,733	13,305,790
Selling, general and administrative expenses	-8,806,416	-10,300,878
Other operating income	318,759	23,160
Other operating expense	-129,246	-17,171
Operating profit	2,952,830	3,010,901
Finance income	7,266	15,517
Finance cost	-32,389	-18,041
Equity in loss of affiliates	-6,381	-18,923
Profit before tax	2,921,326	2,989,455
Income tax	-1,045,790	-1,057,351
Profit	1,875,536	1,932,104
Profit attributable to owners of parent	1,875,536	1,932,104
Earnings per share		
Basic earnings per share (yen)	39.47	43.63
Diluted earnings per share (yen)	39.45	43.60

Consolidated statement of comprehensive income

(Unit: Thousands of Yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Profit	1,875,536	1,932,104
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	27,263	15,861
Remeasurements of defined benefit plans	-	2,056
Total components that will not be reclassified to profit or loss	27,263	17,917
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-15,192	-6,210
Share of other comprehensive income of associates accounted for using equity method	-11,223	7,732
Total components that may be reclassified to profit or loss	-26,415	1,521
Total other comprehensive income, net of tax	847	19,438
Comprehensive income	1,876,383	1,951,542
Comprehensive income attributable to owners of parent	1,876,383	1,951,542

(3) Consolidated statement of changes in equity
FY2016 (From January 1, 2016 to December 31, 2016)

(Unit: Thousands of Yen)

	Equity attributable to owners of parent			
	Capital stock	Share premium	Treasury shares	Retained earnings
Balance as of January 1, 2016	7,147,905	7,128,960	-1,330,018	6,941,080
Profit	-	-	-	1,875,536
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	1,875,536
Purchase of treasury shares	-	-	-1,946,885	-
Disposal of treasury shares	-	-14,305	56,842	-
Cancellation of treasury shares	-	-967,177	967,177	-
Dividend	-	-	-	-720,179
Reclassification from share premium to retained earnings	-	967,177	-	-967,177
Reclassification from other components of equity to retained earnings	-	-	-	-7,781
Other changes	-	-	-	14,867
Total transactions with owners	-	-14,305	-922,867	-1,680,271
Balance as of December 31, 2016	7,147,905	7,114,654	-2,252,885	7,136,345

(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	Total		
Balance as of January 1, 2016	29,592	-11,171	8,326	26,748	19,914,674	19,914,674
Profit	-	-	-	-	1,875,536	1,875,536
Other comprehensive income	-	-26,415	27,263	847	847	847
Total comprehensive income	-	-26,415	27,263	847	1,876,383	1,876,383
Purchase of treasury shares	-	-	-	-	-1,946,885	-1,946,885
Disposal of treasury shares	-	-	-	-	42,536	42,536
Cancellation of treasury shares	-	-	-	-	-	-
Dividend	-	-	-	-	-720,179	-720,179
Reclassification from share premium to retained earnings	-	-	-	-	-	-
Reclassification from other components of equity to retained earnings	-	-	7,781	7,781	-	-
Other changes	-22,209	-	-	-22,209	-7,342	-7,342
Total transactions with owners	-22,209	-	7,781	-14,428	-2,631,871	-2,631,871
Balance as of December 31, 2016	7,383	-37,586	43,370	13,167	19,159,187	19,159,187

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

(4) Consolidated statement of cash flows

(Unit: Thousands of Yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Cash flows from operating activities		
Profit before tax	2,921,326	2,989,455
Depreciation and amortization expense	677,156	678,591
Impairment loss	54,550	9,900
Share-based payment expenses	-	158,797
Compensation for damage received	-250,925	-
Finance income and costs	25,123	2,523
Equity in loss (earnings) of affiliates	6,381	18,923
Decrease (increase) in operating and other receivables	-183,232	-362,055
Decrease (increase) in inventories	122,618	62,248
Increase (decrease) in operating and other payables	235,676	-333
Increase (decrease) in employees' bonuses payable	-148,529	119,646
Increase (decrease) in consumption taxes payable	45,916	48,848
Other, net	-73,006	-1,164
Subtotal	3,433,054	3,725,380
Interest received	1,333	1,992
Dividends received	5,320	3,098
Interest expenses paid	-11,064	-5,536
Compensation for damage received	250,925	-
Income taxes (paid) refund	-537,592	-1,167,155
Cash flows from (used in) operating activities	3,141,976	2,557,778
Cash flows from investing activities		
Acquisition of property, plant and equipment	-32,351	-43,673
Proceeds from sales of property, plant and equipment	-	50,407
Acquisition of intangible assets	-473,330	-1,226,809
Acquisition of investments	-99,856	-15,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-865,414
Payments for lease and guarantee deposits	-6,044	-12,917
Proceeds from collection of lease and guarantee deposits	19,023	34,540
Acquisition of investments accounted for using equity method	-86,656	-
Other, net	-4,829	6,603
Cash flows from (used in) investing activities	-684,043	-2,072,263
Cash flows from financing activities		
Repayments of long-term loans payable	-661,960	-667,850
Repayments of lease obligations	-32,861	-46,130
Cash dividends paid	-720,179	-1,049,308
Purchase of treasury shares	-1,946,885	-530,475
Proceeds from sales of treasury shares	42,536	47,682
Other, net	-4,507	-4,500
Cash flows from (used in) financing activities	-3,323,856	-2,250,582
Impact of exchange fluctuations for cash and cash equivalents	-24,381	-2,821
Net increase (decrease) in cash and cash equivalents	-890,304	-1,767,888
Cash and cash equivalents at beginning of period	8,628,510	7,738,206
Balance of cash and cash equivalents at end of period	7,738,206	5,970,318

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

The Group applies the following standard from the consolidated fiscal year under review.

Standard	Name of Standard	Overview of new requirements / revisions
IAS 7	Statement of Cash Flows	Revisions to the disclosure of changes in liabilities arising from financing activities

The application of the above standard does not have a significant impact on the consolidated financial statements of the Group.

(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.

(3) Revenue from major products and services

Revenue from major products and services is as follows.

Revenue by major product and service

(Unit: Thousands of yen)

	FY2016 (From Jan. 1 to Dec. 31, 2016)	FY2017 (From Jan. 1 to Dec. 31, 2017)
Business Application Software	10,893,660	11,737,167
System Support	1,243,245	1,263,728
Network Service	4,623,262	5,194,096
Total	16,760,167	18,194,991

(4) Information on regions

The breakdown of revenue from external customers and non-current assets by region is as follows.

(i) Revenue from external customers

Since revenue from external customers in Japan makes up a substantial portion of revenue in the consolidated statement of income, the statement is omitted.

(ii) Non-current assets

Since the amount of non-current assets located in Japan makes up a substantial portion of non-current assets in the consolidated statement of financial position, the statement is omitted.

(5) Information on major customers

Of revenue from external customers, those who account for 10% or more of revenue in the consolidated statement of income are as follow.

(Unit: Thousands of yen)

Name of customer	FY2016 (From Jan. 1 to Dec. 31, 2016)	FY2017 (From Jan. 1 to Dec. 31, 2017)
Ricoh Leasing Co., Ltd.	3,370,378	3,317,356
Sharp Finance Corporation	1,151,419	2,071,410

(Profit per share)

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

	FY2016 (From Jan. 1 to Dec. 31, 2016)	FY2017 (From Jan. 1 to Dec. 31, 2017)
Profit attributable to owners of parent (thousand yen)	1,875,536	1,932,104
Adjustment to profit (thousand yen)	–	–
Diluted profit attributable to owners of parent (thousand yen)	1,875,536	1,932,104
Average number of common shares during the period (shares)	47,520,749	44,285,469
Impact of dilutive common shares with dilutive effects		
Warrants (shares)	20,351	24,257
Diluted average number of common shares during the period (shares)	47,541,100	44,309,726
Basic earnings per share (yen)	39.47	43.63
Diluted earnings per share (yen)	39.45	43.60

(Notes) 1. In the previous fiscal year and the fiscal year under review, warrants of stock options granted in 2014 (1,843 warrants in the previous fiscal year and 1,772 warrants in the fiscal year under review) 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 December 17, 2016. 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)

Stock split and the partial amendment of the Articles of Incorporation associated with the stock split

At the meeting of the Board of Directors held on February 14, 2018, the Company resolved to conduct a stock split and partially amend the Articles of Incorporation associated with the stock split. Details are as follow.

1. Purpose of the stock split

The purpose of the stock split is to increase the liquidity of the Company's shares and expand the investor base by reducing the amount per investment unit.

2. Overview of the stock split

(1) Method of split

The Company will split its shares at a rate of two shares for every one share of common stock owned by shareholders who are stated or recorded in the shareholder registry with March 31, 2018 as the record date (substantively March 30 (Friday)).

(2) Number of shares to increase as a result of the stock split

(i) Total number of shares outstanding before the stock split	48,948,400 shares
(ii) Number of shares to increase as a result of the stock split	48,948,400 shares
(iii) Total number of shares outstanding after the stock split	97,896,800 shares
(iv) Total number of authorized shares after the stock split	320,000,000 shares

* (i) through (iii) above are based on the total number of shares outstanding as of Wednesday, January 31, 2018 and could change as a result of the exercise of warrants.

(3) Change of the amount of capital

The amount of capital will not change due to the stock split on this occasion.

3. Schedule of the stock split (planned)

(1) Public notice of the record date	March 15, 2018
(2) Record date	March 31, 2018
(3) Effective date	April 1, 2018

4. Adjustment to the exercise price of warrants

Associated with the stock split on this occasion, the Company will make an adjustment to the exercise price per share of warrants on or after April 1, 2018 as follows.

Name of warrants	Exercise price before adjustment	Exercise price after adjustment
First series of warrants (resolved on March 24, 2010)	250 yen	125 yen
Third series of warrants (resolved on April 30, 2014)	806 yen	403 yen

5. Partial amendment of the Articles of Incorporation associated with the stock split

(1) Partial amendment of the Articles of Incorporation associated with the stock split

Associated with the stock split on this occasion, the Company will change the total number of authorized shares in Article 6 of the Articles of Incorporation effective April 1, 2018 with the resolution of the Board of Directors pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act.

(2) Details of the amendment of the Articles of Incorporation

(The amendment is underlined)

Current Articles of Incorporation	After amendment
(Total Number of Authorized Shares) Article 6: The total number of authorized shares of the Company shall be <u>160,000,000</u> shares.	(Total Number of Authorized Shares) Article 6: The total number of authorized shares of the Company shall be <u>32,000,000</u> shares.
(New)	Supplementary provision The amendment of Article 6 shall come into effect on April 1, 2018. This supplementary provision shall be deleted on the effective date.

6. Dividend forecast for the fiscal year ending December 31, 2018

The dividend forecast for the fiscal year ending December 31, 2018 is as stated in “3. Earnings Forecast for FY2018 (from January 1, 2018 to December 31, 2018)” and the attached material “1. Overview of Results of Operations, Etc., (3) Basic policy on profit distribution and dividends for FY2017 and FY2018.”

7. Impact on profit per share, etc.

Profit per share, etc. on the assumption that the stock split was conducted at the beginning of the previous fiscal year is as follow.

	FY2016 (From Jan. 1 to Dec. 31, 2016)	FY2017 (From Jan. 1 to Dec. 31, 2017)
Equity attributable to owners of parent per share (yen)	212.84	222.90
Basic earnings per share (yen)	19.73	21.81
Diluted earnings per share (yen)	19.73	21.80

Purchase of treasury shares

At the meeting of the Board of Directors held on February 14, 2018, the Company resolved to purchase treasury shares and on its specific purchase method pursuant to the provisions of Article 156 of the Companies Act as applied by the reading of terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

1. Reason for purchasing treasury shares

The Company will purchase treasury shares for the purpose of executing a flexible capital policy and shareholder returns according to changes in the business environment by improving the capital efficiency.

2. Details of resolution of the Board of Directors on the purchase of treasury shares

(1) Class of shares to purchase

Common stock of the Company

(2) Total number of shares to purchase

1,000,000 shares (maximum) (ratio to the total number of shares outstanding (excluding treasury shares): 2.26%)

(3) Total purchase price

1,005,000,000 yen (maximum)

(4) Purchase method

Consignment of purchase via the Tokyo Stock Exchange Trading Network System for Off-floor Purchase of a Company's Treasury Shares (ToSTNeT-3)

3. Date of purchase

February 15, 2018