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Summary of Financial Statements for the Fiscal Year Ended December 31, 2019 [IFRS] (Consolidated)



February 14, 2020

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 24, 2020

Scheduled Starting Date for Dividend Payment: March 25, 2020

Scheduled Submission Date for Securities Report: March 25, 2020

Earnings Supplementary Explanatory Documents: Yes

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

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

1. Consolidated Financial Results for FY2019 (from January 1, 2019 to December 31, 2019)

(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	%
FY2019	22,586	6.1	4,525	10.0	4,486	9.3	3,093	16.5	3,093	16.5	3,057	12.7
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

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Return on assets	Operating margin
	Yen	Yen	%	%	%
FY2019	35.40	34.95	14.0	14.7	20.0
FY2018	30.36	30.15	13.0	14.3	19.3

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

FY2019: -16 million yen

FY2018: -9 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 for FY2018 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 FY2019	31,689	23,220	23,217	73.3	265.56
End of FY2018	29,413	21,033	21,033	71.5	240.91

(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
FY2019	3,762	-3,990	-2,366	3,034
FY2018	4,566	-2,496	-2,409	5,627

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	%	%
FY2018	—	5.50	—	6.50	12.00	1,092	39.5	5.2
FY2019	—	6.50	—	6.50	13.00	1,185	36.7	5.1
FY2020 (Forecast)	—	6.60	—	6.60	13.20		37.2	

3. Earnings Forecast for FY2020 (from January 1, 2020 to December 31, 2020)

(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 FY2020	11,200	1.2	2,000	-3.8	2,000	-3.6	1,300	-4.5	14.87
FY2020	22,700	0.5	4,600	1.7	4,600	2.6	3,100	0.2	35.46

* Notes

(1) Changes in significant subsidiaries during the fiscal year ended December 31, 2019 (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 regarding the consolidated financial statements (Changes in accounting policies)” on page 11 of the attached material.

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

FY2019	97,896,800	FY2018	97,896,800
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2. Number of shares of treasury stock

FY2019	10,469,263	FY2018	10,588,336
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3. Average number of shares outstanding (during the period)

FY2019	87,383,125	FY2018	87,482,212
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(Note) The Company conducted a 2-for-1 common stock split effective April 1, 2018. The average number of shares for FY2018 is calculated on the assumption that the said stock split was implemented at the beginning of the previous fiscal year.

(Reference) Summary of nonconsolidated financial results

Nonconsolidated results of operations for FY2019 (from January 1, 2019 to December 31, 2019)

(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	%
FY2019	19,860	4.5	3,416	-2.3	3,389	-3.3	2,322	14.8
FY2018	19,013	10.4	3,498	27.3	3,507	27.8	2,023	36.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2019	26.57		26.24	
FY2018	23.12		22.97	

(Note) The Company conducted a 2-for-1 common stock split effective April 1, 2018. The earnings per share and the diluted earnings per share for FY2018 are calculated on the assumption that the said stock split was implemented 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	
FY2019	24,850		19,205		77.3		219.67	
FY2018	24,731		18,213		73.6		208.60	

(Reference) Shareholders' equity FY2019: 19,205 million yen FY2018: 18,213 million yen

* 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 Monday, February 17, 2020.

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, 2019

(i) Results of operations in the fiscal year ended December 31, 2019

In the fiscal year under review (from January 1, 2019 to December 31, 2019), despite the uncertainty regarding the future that is mainly attributable to increasing geopolitical risks caused by the U.S.-China trade friction and concerns over the Middle East situation, the Japanese economy has seen a gradual recovery thanks to the improved corporate earnings and employment/income environments.

In the information service industry to which the Group belongs, corporate capital investment demand is rising, centered around digital transformation (DX) that transforms business models by using IT, which includes systems for increasing productivity for the purpose of facilitating and promoting work style reform as well as in strategic areas such as digital marketing and big data analytics.

Under these conditions, the Group has advocated the management policy of “acceleration from a package vendor to platformer” and enhanced development investment to improve the additional value of the Broadleaf Cloud Platform digital platform while promoting the expansion of the customer base.

As a result, revenue in the fiscal year under review increased 6.1% year on year, to 22,586 million yen. Operating profit rose to 4,525 million yen (up 10.0% year on year), profit before tax stood at 4,486 million yen (up 9.3% year on year), and profit attributable to owners of parent recorded 3,093 million yen (up 16.5% year on year).

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

(Unit: Millions of Yen)

Classification	FY2018 (From Jan. 1 to Dec. 31, 2018)	FY2019 (From Jan. 1 to Dec. 31, 2019)	Year-on-year rate of change
Platforms	9,543	10,192	6.8%
Applications	11,742	12,394	5.6%
Total	21,285	22,586	6.1%

(Note) From the consolidated fiscal year under review, based on the Medium-term Management Strategies <2019-2021> described in the “FY12/2018 Business Results Briefing,” which was announced on February 14, 2019, the classification of the revenue by segment is changed in line with the progress of the Group’s growth strategies. The figures for the previous consolidated fiscal year are also indicated based on this new classification.

(ii) Outlook for the fiscal year ending December 31, 2020

With respect to consolidated results for the fiscal year ending December 31, 2020, the Company forecasts 22,700 million yen in revenue, 4,600 million yen in operating profit, 4,600 million yen in profit before tax and 3,100 million yen in profit attributable to owners of parent.

The Company will move forward steadily with its efforts to renew contracts with the users of existing systems and acquire new customers, while at the same time enhancing its initiatives for expanding the use of the electronic trading platform for car repair parts operated by the Company. On the other hand, in order to expand the business areas in the future, we will continue developing the services relating to the Broadleaf Cloud Platform.

(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 2,276 million yen from the end of the previous fiscal year, to 31,689 million yen (up 7.7% year on year). Current assets fell 2,632 million yen, to 7,987 million yen (down 24.8%), and non-current assets increased 4,907 million yen, to 23,702 million yen (up 26.1%). The decrease in current assets was mainly attributable to a decrease in cash and cash equivalents of 2,593 million yen. The increase in non-current assets was caused primarily by a rise in property, plant and equipment of 1,584 million yen and a rise in intangible assets of 2,264 million yen.

Liabilities rose by 89 million yen from the end of the previous fiscal year, to 8,469 million yen (up 1.1% year on year). Current liabilities decreased 813 million yen, to 7,100 million yen (down 10.3%). Non-current liabilities climbed 903 million yen, to 1,369 million yen (up 193.5%). The main factor contributing to the decrease in current liabilities was a decrease in contract liabilities of 565 million yen. The increase in non-current liabilities was mainly attributable to an increase in long-term interest-bearing debt of 849 million yen.

Total equity rose 2,186 million yen from the end of the previous fiscal year, to 23,220 million yen (up 10.4% year on year). The increase in total equity was chiefly attributable to an increase of 2,169 million yen in retained earnings.

As a result, the percentage of equity attributable to owners of parent rose 1.8 percentage points from 71.5% at the end of the previous fiscal year to 73.3%.

(ii) Cash flows

Cash and cash equivalents (“cash”) at the end of the fiscal year under review declined 2,593 million yen from the end of the previous fiscal year, to 3,034 million yen. Net cash provided by operating activities stood at 3,762 million yen. Net cash used in investing activities came to 3,990 million yen. Net cash used in financing activities was 2,366 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 3,762 million yen (down 17.6% year on year), reflecting profit before tax of 4,486 million yen and depreciation and amortization expense of 1,881 million yen, which were partially offset by income taxes paid of 1,951 million yen.

(Cash flows from (used in) investing activities)

Net cash used in investing activities came to 3,990 million yen (up 59.8% year on year), mainly due to the acquisition of intangible assets of 3,184 million yen.

(Cash flows from (used in) financing activities)

Net cash used in financing activities was 2,366 million yen (down 1.8% year on year), chiefly attributable to cash dividends paid of 1,136 million yen and repayments of leases payable of 877 million yen.

(3) Basic policy on profit distribution and dividends for FY2019 and FY2020

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 13.0 yen, including the interim dividend of 6.5 yen.

The Company forecasts that the dividend per share for the next fiscal year will be 13.2 yen (an interim dividend of 6.6 yen and a year-end dividend of 6.6 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)

	FY2018 (As of December 31, 2018)	FY2019 (As of December 31, 2019)
Assets		
Current assets		
Cash and cash equivalents	5,626,723	3,033,768
Operating and other receivables	4,447,390	4,300,009
Inventories	238,461	252,684
Other current financial assets	30	5,000
Other current assets	306,121	395,541
Total current assets	10,618,726	7,987,002
Non-current assets		
Property, plant and equipment	442,641	2,026,600
Goodwill	11,739,040	11,802,504
Intangible assets	4,633,235	6,897,109
Investments accounted for using equity method	37,152	94,655
Other non-current financial assets	1,405,853	1,953,076
Other non-current assets	115,372	234,224
Deferred tax assets	420,864	693,392
Total non-current assets	18,794,156	23,701,560
Total assets	29,412,881	31,688,562
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating and other payables	3,623,665	3,613,128
Contract liabilities	1,616,791	1,051,622
Short-term interest-bearing debt	378,551	754,091
Income taxes payable	1,004,527	655,300
Other current financial liabilities	72,820	76,986
Other current liabilities	1,216,718	948,841
Total current liabilities	7,913,072	7,099,967
Non-current liabilities		
Long-term interest-bearing debt	84,738	933,932
Net defined benefit liability	196,345	185,866
Non-current provisions	133,207	134,834
Deferred tax liabilities	52,097	114,337
Total non-current liabilities	466,386	1,368,970
Total liabilities	8,379,457	8,468,936
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,180,289	7,199,403
Treasury shares	-3,500,454	-3,456,820
Retained earnings	9,759,561	11,928,868
Other components of equity	446,124	397,573
Total equity attributable to owners of parent	21,033,424	23,216,929
Non-controlling interests	—	2,697
Total equity	21,033,424	23,219,626
Total liabilities and equity	29,412,881	31,688,562

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

Consolidated statement of income

(Unit: Thousands of Yen)

	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Revenue	21,285,103	22,585,813
Cost of sales	-5,451,763	-6,393,692
Gross profit	15,833,340	16,192,122
Selling, general and administrative expenses	-11,750,826	-11,730,000
Other operating income	57,054	80,237
Other operating expense	-25,057	-17,262
Operating profit	4,114,511	4,525,097
Finance income	12,252	2,729
Finance costs	-12,367	-26,651
Equity in loss of affiliates	-9,153	-15,573
Profit before tax	4,105,244	4,485,602
Income tax	-1,449,621	-1,392,860
Profit	2,655,622	3,092,741
Profit attributable to:		
Owners of parent	2,655,622	3,092,992
Non-controlling interests	—	-251
Profit	2,655,622	3,092,741
Earnings per share		
Basic earnings per share (yen)	30.36	35.40
Diluted earnings per share (yen)	30.15	34.95

Consolidated statement of comprehensive income

(Unit: Thousands of Yen)

	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Profit	2,655,622	3,092,741
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	61,128	-42,164
Remeasurements of defined benefit plans	9,053	1,982
Total components that will not be reclassified to profit or loss	70,181	-40,182
Components that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-8,270	4,239
Share of other comprehensive income of associates accounted for using equity method	-4,774	601
Total components that may be reclassified to profit or loss	-13,044	4,840
Total other comprehensive income, net of tax	57,136	-35,342
Comprehensive income	2,712,759	3,057,400
Comprehensive income attributable to:		
Owners of parent	2,712,759	3,057,651
Non-controlling interests	-	-251
Profit	2,712,759	3,057,400

(3) Consolidated statement of changes in equity
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	Other components of equity	
					Warrants	Exchange differences on translation of foreign operations
Balance as of January 1, 2018	7,147,905	7,116,269	-2,736,155	8,009,349	165,866	-36,065
Changes in accounting policies	—	—	—	52,729	—	—
Balance after restatement of prior period's financial results after error corrections	7,147,905	7,116,269	-2,736,155	8,062,078	165,866	-36,065
Profit	—	—	—	2,655,622	—	—
Other comprehensive income	—	—	—	—	—	-13,044
Total comprehensive income	—	—	—	2,655,622	—	-13,044
Purchase of treasury shares	—	—	-1,005,603	—	—	—
Disposal of treasury shares	—	64,020	241,303	—	-8,829	—
Dividends	—	—	—	-967,192	—	—
Share-based payment transactions	—	—	—	—	211,682	—
Reclassification from other components of equity to retained earnings	—	—	—	9,053	—	—
Other changes	—	—	—	—	-4,868	—
Total transactions with owners	—	64,020	-764,300	-958,139	197,985	—
Balance as of December 31, 2018	7,147,905	7,180,289	-3,500,454	9,759,561	363,850	-49,109

(Unit: Thousands of Yen)

	Equity attributable to owners of parent				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, 2018	70,255	—	200,056	19,737,424	19,737,424
Changes in accounting policies	—	—	—	52,729	52,729
Balance after restatement of prior period's financial results after error corrections	70,255	—	200,056	19,790,153	19,790,153
Profit	—	—	—	2,655,622	2,655,622
Other comprehensive income	61,128	9,053	57,136	57,136	57,136
Total comprehensive income	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	296,494	296,494
Dividends	—	—	—	-967,192	-967,192
Share-based payment transactions	—	—	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
Total transactions with owners	—	-9,053	188,932	-1,469,488	-1,469,488
Balance as of December 31, 2018	131,383	—	446,124	21,033,424	21,033,424

FY2019 (From January 1, 2019 to December 31, 2019)

(Unit: Thousands of Yen)

	Equity attributable to owners of parent						
	Capital stock	Share premium	Treasury shares	Retained earnings	Other components of equity		
					Warrants	Shares with restriction on transfer	Exchange differences on translation of foreign operations
Balance as of January 1, 2019	7,147,905	7,180,289	-3,500,454	9,759,561	363,850	—	-49,109
Changes in accounting policies	—	—	—	38,969	—	—	—
Balance after restatement of prior period's financial results after error corrections	7,147,905	7,180,289	-3,500,454	9,798,530	363,850	—	-49,109
Profit	—	—	—	3,092,992	—	—	—
Other comprehensive income	—	—	—	—	—	—	4,840
Total comprehensive income	—	—	—	3,092,992	—	—	4,840
Acquisition of subsidiaries	—	—	—	—	—	—	—
Disposal of treasury shares	—	-2,904	7,642	—	-5,610	—	—
Dividends	—	—	—	-1,135,758	—	—	—
Share-based payment transactions	—	22,018	35,993	—	179,504	-14,000	—
Reclassification from other components of equity to retained earnings	—	—	—	173,103	—	—	—
Total transactions with owners	—	19,114	43,635	-962,655	173,894	-14,000	—
Balance as of December 31, 2019	7,147,905	7,199,403	-3,456,820	11,928,868	537,744	-14,000	-44,269

(Unit: Thousands of Yen)

	Equity attributable to owners of 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, 2019	131,383	—	446,124	21,033,424	—	21,033,424
Changes in accounting policies	—	—	—	38,969	—	38,969
Balance after restatement of prior period's financial results after error corrections	131,383	—	446,124	21,072,393	—	21,072,393
Profit	—	—	—	3,092,992	-251	3,092,741
Other comprehensive income	-42,164	1,982	-35,342	-35,342	—	-35,342
Total comprehensive income	-42,164	1,982	-35,342	3,057,651	-251	3,057,400
Acquisition of subsidiaries	—	—	—	—	2,948	2,948
Disposal of treasury shares	—	—	-5,610	-872	—	-872
Dividends	—	—	—	-1,135,758	—	-1,135,758
Share-based payment transactions	—	—	165,504	223,515	—	223,515
Reclassification from other components of equity to retained earnings	-171,121	-1,982	-173,103	—	—	—
Total transactions with owners	-171,121	-1,982	-13,209	-913,115	2,948	-910,167
Balance as of December 31, 2019	-81,903	—	397,573	23,216,929	2,697	23,219,626

(4) Consolidated statement of cash flow

(Unit: Thousands of Yen)

	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Cash flows from operating activities		
Profit before tax	4,105,244	4,485,602
Depreciation and amortization expense	844,193	1,880,815
Share-based payment expenses	206,814	221,504
Finance costs (income)	114	23,922
Equity in loss (earnings) of affiliates	9,153	15,573
Decrease (increase) in operating and other receivables	532,973	140,178
Decrease (increase) in inventories	-110,324	-12,487
Increase (decrease) in operating and other payables	138,805	-32,282
Decrease (increase) in prepaid expenses	-27,553	-73,224
Decrease (increase) in long-term prepaid expenses	-6,495	-87,607
Increase (decrease) in accrued expenses	185,164	-164,900
Increase (decrease) in employees' bonuses payable	396,397	-61,556
Increase (decrease) in contract liabilities	-513,761	-565,169
Increase (decrease) in consumption taxes payable	23,699	-33,279
Increase (decrease) in other current liabilities	22,339	-27,287
Other, net	-24,942	6,454
Subtotal	5,781,820	5,716,257
Interest received	1,698	741
Dividends received	3,194	3,291
Interest expenses paid	-4,124	-6,982
Income taxes paid	-1,216,297	-1,951,150
Cash flows provided by (used in) operating activities	4,566,291	3,762,157
Cash flows from investing activities		
Acquisition of property, plant and equipment	-88,996	-41,793
Acquisition of intangible assets	-2,317,835	-3,183,773
Acquisition of investments	-113,550	-1,107,346
Proceeds from sales and redemption of investments	—	745,500
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	-64,215
Loan advances	-1,637	-302,430
Collection of loans receivable	2,180	2,276
Payments for lease and guarantee deposits	-30,408	-18,171
Proceeds from collection of lease and guarantee deposits	29,656	7,735
Acquisition of investments accounted for using equity method	—	-70,975
Other, net	24,577	43,483
Cash flows provided by (used in) investing activities	-2,496,013	-3,989,710
Cash flows from financing activities		
Repayments of long-term loans payable	-653,350	-316,000
Repayments of lease obligations (during the previous consolidated fiscal year)	-59,559	-877,186
Cash dividends paid	-967,192	-1,135,758
Purchase of treasury shares	-1,005,603	—
Proceeds from sales of treasury shares	296,494	4,738
Commitment line related expenses	-19,500	-41,500
Cash flows provided by (used in) financing activities	-2,408,710	-2,365,706
Impact of exchange fluctuations for cash and cash equivalents	-5,163	303
Net increase (decrease) in cash and cash equivalents	-343,594	-2,592,956
Cash and cash equivalents at beginning of period	5,970,318	5,626,723
Balance of cash and cash equivalents at end of period	5,626,723	3,033,768

(5) Notes regarding the consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

Starting from the fiscal year under review, the Group has applied IFRS 16 Leases (released in January 2016, hereinafter, “IFRS 16”). For the application of IFRS 16, the transitional provision under C5 (b) is taken, and the cumulative effects of the start of application is recognized as retained earnings on the date of application (January 1, 2019).

During the period of comparison, the Company, as a borrower, classifies the type of lease with which risk and economic value for owning it is transferred effectively as a finance lease, and posts assets/liabilities related to lease transactions. Other types of lease contracts are classified as operating leases, and the lease payment based on the operating lease is recognized as expenses on a straight-line basis during the lease period.

In the transition to IFRS 16, shortcuts on a practical level under IFRS 16 C3 are chosen regarding whether a lease is included in a contract, and the judgment under IAS 17 Leases (hereinafter, “IAS 17”) and IFRIC 4 “Judgment on whether a lease is included in a contract” is continued.

Lease liabilities in a lease transaction are initially measured as the present value discounted using a calculated interest rate of the unsettled portion of the total lease payment on the start date of the lease. If calculation of the interest rate of the lease is difficult, the Group’s additional borrowing interest rate is used, and the Group generally uses the additional borrowing interest rate as the discount rate.

With regard to the right of use asset, the initial measurement is conducted on the initial measured amount of lease liabilities adjusted by prepaid lease payments, etc. Depreciation is conducted for the right of use asset on a regular basis during the lease period.

The Group includes the right of use assets in property, plant and equipment and lease liabilities in interest-bearing debt in the consolidated statement of financial position.

The Group judges based on the substance of a contract whether the contract is a lease or not, or whether a lease is included in the contract, even if the contract is not a type of lease from the standpoint of the law.

With regard to a lease for which the lease period is terminated within 12 months and a lease with a small amount of underlying assets, the lease fee related to the lease is recognized as expenses during the lease period.

The Group recognizes lease liabilities for leases, to which IAS 17 was applied in the past for classification as operating leases, on the start date of the application of IFRS 16. The lease liabilities are measured with the present value of the remaining lease fee discounted using the borrower’s additional borrowing interest rate on the start date of the application. The weighted average of the borrower’s additional borrowing interest rate applied to lease liabilities, which is recognized in the consolidated statement of financial position on the start date of the application, is 0.54%.

For the measurement of the right of use assets, a method is adopted in which the measured amount of lease liabilities is adjusted by prepaid lease fee and unsettled lease fee.

In addition, the Group uses the following shortcut methods on a practical level for the application of IFRS 16.

- A single discount rate is applied to a portfolio of leases with rationally similar characteristics
- With regard to a contract with an extension or cancellation option, ex-post judgment is made for the calculation of the lease period.
- A replacement for impairment loss review is based on the evaluation of the disadvantages of applying IAS 37 “Non-current provisions, contingent liabilities, and contingent assets” to a lease immediately before the start date of the application.
- Initial direct cost is excluded from the right of use assets on the start date of the application.

As a result, in the (beginning-of-year) consolidated statement of financial position of the consolidated fiscal year under review, property, plant and equipment, and interest-bearing debt increased by 942,455 thousand yen and 886,287 thousand yen, respectively.

The impact on the consolidated statement of income is limited.

In addition, in the consolidated statement of cash flow, cash flows from financing activities declined by 810,561 thousand yen, while cash flows from operating activities increased by the same amount during the consolidated fiscal year under review.

The list of adjustment below indicates the non-cancelable operating lease contract to which IAS 17 was applied, which was disclosed at the end of the previous consolidated fiscal year, and lease liabilities on the start date of the application recognized in the consolidated statement of financial position.

(Unit: Thousands of Yen)

	Amount
Non-cancellable operating lease contract disclosed on December 31, 2018	452,272
Non-cancellable operating lease contract disclosed on December 31, 2018 (after discounting by additional borrowing rate)	429,418
Finance lease obligations (as of December 31, 2018)	147,288
Cancellable lease operating lease contract	418,276
Other	38,592
Lease obligations as of January 1, 2019	1,033,574

(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 service categories of platforms and applications.

(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.

	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Profit attributable to owners of parent (thousand yen)	2,655,622	3,092,992
Adjustment to profit (thousand yen)	–	–
Diluted profit attributable to owners of parent (thousand yen)	2,655,622	3,092,992
Average number of common shares during the period (shares)	87,482,212	87,383,125
Impact of dilutive common shares with dilutive effects		
Warrants (shares)	53,424	17,898
Stock benefit trust (shares)	537,182	1,093,342
Diluted average number of common shares during the period (shares)	88,072,818	88,494,365
Basic earnings per share (yen)	30.36	35.40
Diluted earnings per share (yen)	30.15	34.95

(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 for FY2018 are calculated on the assumption that the said stock split was implemented at the beginning of FY 2018.

(Significant subsequent events)

Not applicable.