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Summary of Financial Statements for FY2023 [IFRS] (Consolidated)



February 9, 2024

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 26, 2024

Scheduled date of commencement of dividend payout

March 27, 2024

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 FY2023 (January 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results

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

	Revenue		Operating profit		Profit before tax		Net income		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	%
FY2023	15,385	11.2	-1,902	—	-1,921	—	-1,525	—	-1,487	—	-1,380	—
FY2022	13,833	-33.0	-2,897	—	-3,005	—	-2,432	—	-2,431	—	-2,320	—

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
FY2023	-16.76	-16.76	-6.5	-5.5	-12.4
FY2022	-27.54	-27.54	-9.8	-8.8	-20.9

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

FY2023: -2 millions of yen

FY2022: -1 millions of 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
FY2023	36,750	22,487	22,473	61.2	253.08
FY2022	33,535	23,662	23,632	70.5	267.36

(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 the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2023	3,425	-3,669	705	3,920
FY2022	1,606	-2,910	1,237	3,457

2. Dividends Status

	Dividend per share					Total dividend per shares (Annual)	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	%	%
FY2023	—	0.00	—	1.00	1.00	92	—	0.4
FY2022	—	0.00	—	1.00	1.00	92	—	0.4
FY2024 (forecast)	—	—	—	—	—	—	—	—

(NOTE) Dividend forecasts for the fiscal year ending December 2024 have not yet been determined.

3. Consolidated Earnings Forecasts for FY2024 (January 1, 2024 to December 31, 2024)

(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 FY2024	8,000	8.3	-750	—	-750	—	-600	—	-6.74
FY2024	17,600	14.4	50	—	50	—	40	—	0.45

※ 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. Changes in accounting policies other than above No.1: None
3. Changes in accounting estimates: None

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury shares)	FY2023	97,896,800 shares	FY2022	97,896,800 shares
2. Number of shares of treasury shares	FY2023	9,095,224 shares	FY2022	9,507,349 shares
3. Average number of shares during the period	FY2023	88,701,919 shares	FY2022	88,301,684 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated financial results for FY2023 (January 1, 2023 to December 31, 2023)

(1) Non-Consolidated Operating Results (Percentage below represents increase (decrease) from the same period of previous year)

	Net sales		Operating profit		Ordinary income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2023	13,737	11.6	-1,518	—	-1,506	—	-1,874	—
FY2022	12,313	-33.9	-2,224	—	-2,173	—	-2,816	—

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
FY2023	-21.13	—	—	—
FY2022	-31.89	—	—	—

(2) Non-consolidated Financial Position

	Total assets		Net assets		Equity Ratio		Net assets per share	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	%	%	Yen	Yen
FY2023	27,662	15,019	15,019	15,019	54.3	54.3	169.13	169.13
FY2022	25,948	16,826	16,826	16,826	64.8	64.8	190.36	190.36

Reference: Shareholders' equity FY2023: 15,019 million yen FY2022: 16,826 million yen

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

In the previous fiscal year, Broadleaf Co., Ltd. converted the sales method of our mainstay business software from a multi-year lease contract to a monthly subscription contract. In the current fiscal year under review, revenues improved in line with the rise in recurring sales.

* 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 plan to hold an online live briefing for institutional investors and analysts on February 9 2024. The materials used at the meeting will be posted on our website.

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1. Overview of operating results, etc

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

(i) Current management results

During the current fiscal year (January 1, 2023 to December 31, 2023) under review, the Japanese economy has been recovering moderately, albeit at a standstill in some areas, due to the progress of normalization from COVID-19. On the other hand, the outlook remains uncertain due to price increases, conditions surrounding the Middle East region, and changes in financial and capital markets.

Under such social and economic conditions, Japanese companies continued to move vigorously toward DX (digital transformation), such as automating and streamlining business processes and responding to new digital infrastructures. In addition to these developments, the Mobility sector, where many of Broadleaf Co., Ltd. group (hereinafter “the Group”) customers belong, has also shown an aggressive stance toward investing in IT (Information and Technology) that enhances added value for consumers.

Based on the Group philosophy of “Gratitude and Happiness”, the Group promotes the two growth strategies, which are called “Cloud Penetration” and “Service Expansion”, outlined in our Medium-Term Management Plan (2022-2028) (hereinafter “the Plan”). In the fiscal year ending December 2028, the final year of the Plan, the Group is targeting consolidated revenue of 32.5 billion, operating profit of 13 billion (operating profit margin of 40%), and profit attributable to owners of the parent of 8 billion. In the previous fiscal year, the first year of the Plan, the Group began full-scale provision of “.c Series” of cloud software, which is the Group’s mainstay product, as an initiative to create a foundation for growing revenue. In addition, the Group switched to cloud software upon the expiration of the right to use previous packaged software. This switch is scheduled to continue until the final year of the Plan, ending in December 2028. In the current fiscal year under review, the second year of the Plan, the Group aggressively made proposals in line with customer DX needs. The Group continued to switch to “.c Series”, which is the mainstay product. Furthermore, as a result of strengthening the development of new customers, the total number of customers increased. Average monthly license sales also increased as the size and industry of customers eligible for cloud software sales. In addition, recurring sales increased as a result of strengthened sales of the “Dencho.DX”, a monthly subscription-type software that complies with the revised Electronic Books Maintenance Act. In addition, sales of packaged software and equipment for non-mobility sector were also steady. In terms of costs, the Group made upfront investments to strengthen our cloud infrastructure and back-office operations in preparation for future functional enhancements and service expansion. As a result of these activities, the Group entered a trend of increased revenue and improved our business performance compared to the previous fiscal year.

In addition to these initiatives, as announced in November 2023, Broadleaf Co., Ltd. has agreed to collaborate with Toyota Mobility Parts Co., Ltd.. This makes it possible to purchase products provided by Toyota Mobility Parts Co., Ltd. from the ordering platform on the “Broadleaf Cloud Platform” which is cloud infrastructure provided by the Group. In the future, the Group plans to promote collaboration with other companies that provide mobility parts, starting with collaboration with Toyota Mobility Parts Co., Ltd.. Through these activities, the Group aims to expand the target market and increase the number of users of the Group’s ordering platform. In addition, in the press during the period, some major used-car sales companies experienced incidents of distrust and doubt from consumers. The Group hopes to contribute to the dispelling of such distrust and doubt through the services provided by the Group and other means.

As a result of the above, in the current fiscal year under review, revenue was 15,385 million yen (up 11.2% year-on-year), operating loss was 1,902 million yen (loss of 2,897 million yen in the previous fiscal year), loss before income taxes was 1,921 million yen (loss of 3,005 million yen in the previous fiscal year), and loss attributable to owners of the parent was 1,487 million yen (loss of 2,431 million yen in the previous fiscal year). Continuing from the previous fiscal year, the current fiscal year’s financial results exceeded our initial forecasts.

The Group only has a single segment of IT Services Business, but the breakdown of revenues by service category is as follows:

(Millions of yen)

Classification	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)	YoY ratio
Cloud services	2,628	5,236	99.2%
Packaged system	11,205	10,149	-9.4%
Total	13,833	15,385	11.2%

Cloud services

Revenue from cloud services consists of usage fees for “.c Series” and other monthly subscription-based software, as well as usage fees or commissions related to platforms for ordering automotive aftermarket parts.

Customers using packaged software gradually switched to “.c Series” as their usage rights expire (mostly for 6 years). In addition, the convenience and flexibility of the menu structure of “.c Series” has increased the number of new customers. Moreover, the number of secondary products such as the “Dencho.DX”, which is compliant with the revised Electronic Books Maintenance Act, and other DX solutions offered increased. As a result, revenue from cloud services increased 99.2% year on year.

Packaged system

Revenue from packaged system consists of sales fees (lease sales or bulk sales) for packaged software for manufacturing industries, mobile shops, travel businesses, bus operating businesses, machine tool trading companies, etc. And it consists of fees for various services required when using packaged software, and sales proceeds for equipment and supplies such as PCs.

Sales of packaged software and equipment were favorable. On the other hand, the Group has terminated the leasing of packaged software for Mobility sector by our sales agents. Consequently, packaged system revenue decreased 9.4% year on year.

(ii) Outlook for the Next Fiscal Year

For the next fiscal year (January 1, 2024 to December 31, 2024), the Group forecasts consolidated revenue of 17,600 million yen, operating income of 50 million yen, income before income taxes of 50 million yen, and net income attributable to owners of the parent of 40 million yen.

Cloud software and monthly subscription software contracts during the current fiscal year will be recorded as revenue for the full fiscal year in the next fiscal year. In addition, customers whose usage rights have expired will be gradually switched to cloud software. Additionally, the Group will be sequentially transitioning customers who have had to temporarily wait to use cloud software that will be released in the next fiscal year. In addition to this, the Group will also focus on proposal sales to solve the problems that our customers have. These activities will accelerate the pace of growth in cloud services and sales revenue. Revenue of packaged system will decrease due to the progress in switching to cloud software. However, as the increase in revenue from cloud services will exceed the decrease in revenue, revenue of next fiscal year is expected to increase by 2,215 million yen compared to the previous fiscal year. In addition, while the Group anticipate an increase in sales promotion expenses due to the strengthening of sales promotions, etc. and an increase in personnel expenses, etc. due to rising prices, the Group will review administrative expenses, etc. and improve efficiency. As a result, operating income is forecast to return to profitability due to an improvement in profitability of 1,952 million yen compared with the previous fiscal year.

The earnings forecasts and other forward-looking information contained in these materials are based on our management's assumptions and beliefs in light of information currently available. Accordingly, please do not rely entirely on these results.

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

(i) Financial position

Total assets at the end of the current fiscal year increased by 3,214 million yen from the end of the previous fiscal year to 36,750 million yen (up 9.6% year on year). Current assets increased by 498 million yen to 7,053 million yen (up 7.6% year on year), and non-current assets increased by 2,716 million yen to 29,696 million yen (up 10.1% year on year). The increase in current assets was mainly attributable to a 463 million yen increase in cash and cash equivalents. The increase in non-current assets was mainly due to an increase in intangible assets of 2,297 million yen.

Total liabilities at the end of the current fiscal year increased by 4,390 million yen from the end of the previous fiscal year to 14,263 million yen (up 44.5% year on year). Current liabilities increased by 4,496 million yen to 11,079 million yen (up 68.3% year on year), and non-current liabilities decreased by 107 million yen to 3,184 million yen (down 3.2% year on year). The increase in current liabilities was mainly attributable to increases of 2,244 million yen in contract liabilities and 2,206 million yen in short-term interest-bearing debt. The main reason for the decrease in non-current liabilities was a 105 million yen decrease in long-term interest-bearing debt.

Total equity at the end of the current fiscal year decreased by 1,176 million yen from the end of the previous fiscal year, to 22,487 million yen (down 5.0% year on year). The main factors for the decrease in total equity were an increase of 236 million yen in other components of equity, a decrease of 122 million yen in treasury stock, and a decrease of 1,599 million yen in retained earnings.

As a result, the ratio of equity attributable to owners of the parent to total assets decreased 9.3 points from 70.5% at the end of the previous fiscal year to 61.2%.

(ii) Cash flow

Cash and cash equivalents at the end of the current fiscal year under review (hereinafter "the Funds") increased by 463 million yen from the end of the previous fiscal year to 3,920 million yen. Net cash provided by operating activities was 3,425 million yen, net cash used in investing activities was 3,669 million yen, and net cash provided by financing activities was 705 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 3,425 million yen (up 113.2% year on year). This was mainly due to depreciation and amortization of 2,725 million yen and an increase in contract liabilities of 2,244 million yen, despite a decrease in funds resulting from a loss before tax of 1,921 million yen.

(Cash flow from investment activities)

Net cash used in investing activities was 3,669 million yen (up 26.1% year on year). This was mainly due to payments for purchase of intangible assets of 4,066 million yen, despite an increase of 468 million yen in proceeds from sales and redemption of investments.

(Cash flow from financing activities)

Net cash provided by financing activities was 705 million yen (down 43.0% year on year). This was mainly due to repayments of lease liabilities of 872 million yen, repayments of long-term loans payable of 446 million yen, and cash dividends paid of 88 million yen, despite a net increase in short-term loans payable of 1,637 million yen and an increase in proceeds from long-term loans payable of 500 million yen.

(3) Basic profit-appropriation policy and dividends for the current and next fiscal years

The Group regards the return of profits to shareholders as an important management issue. The Group will secure internal reserves necessary for business development and maintenance of financial soundness to increase corporate value. At the same time, our basic policy is to distribute profits in accordance with business performance. The Group targeting a consolidated dividend payout ratio of thirty-five percents (35%) or more.

In addition, in order to enhance opportunities to return profits to shareholders, our basic policy is to pay dividends from surplus twice a year, consisting of an interim dividend and a year-end dividend. These dividend decision-making bodies are the Board of Directors for interim dividends and the Ordinary General Meeting of Shareholders for year-end dividends.

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

The dividend forecast for the next fiscal year has not been determined at this stage and will be announced as soon as it becomes possible to disclose reasonable forecasts in light of the progress of the Plan announced on February 9, 2022 and the status of internal reserves.

2. Basic concept regarding the selection of accounting standards

In order to enhance the convenience of our domestic and overseas shareholder and other stakeholders by enhancing the comparability and disclosure of financial information internationally, the Group has adopted the International Accounting Standards (IFRS) in place of the conventional Japanese standard, instead of the consolidated financial statements in the fiscal year ending December 2016.

3. Consolidated financial Statements and major notes

(1) Consolidated statements of financial position

(Thousands of yen)

	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	3,456,772	3,920,033
Operating and other receivables	2,602,057	2,710,922
Inventories	130,890	100,931
Other current assets	365,715	321,609
Total current assets	6,555,434	7,053,496
Non-current assets		
Property, plant and equipment	1,038,983	1,488,379
Goodwill	11,189,504	11,126,040
Intangible assets	11,771,237	14,067,950
Investments accounted for using equity method	83,012	81,175
Other financial assets	1,364,416	1,181,240
Other non-current assets	250,391	145,297
Deferred tax assets	1,282,511	1,606,193
Total non-current assets	26,980,055	29,696,276
Total assets	33,535,490	36,749,771
Liabilities and equity		
Liabilities		
Current liabilities		
Operating and other payables	2,672,827	2,827,827
Contract liabilities	926,182	3,169,790
Short-term interest-bearing debts	2,270,443	4,476,551
Accrued income taxes	8,421	3,925
Other current liabilities	704,634	600,877
Total current liabilities	6,582,508	11,078,970
Non-current liabilities		
Long-term interest-bearing debts	2,877,710	2,772,578
Obligations for retirement pay	232,191	235,776
Provisional sum	142,292	137,049
Other non-current liabilities	38,671	38,814
Total non-current liabilities	3,290,865	3,184,217
Total liabilities	9,873,373	14,263,186
Equity		
Capital stock	7,147,905	7,147,905
Share premium	7,366,245	7,449,297
Treasury shares	-3,167,193	-3,045,268
Retained earnings	11,656,730	10,057,477
Other components of equity	628,237	864,081
Total equity attributable to owners of the parent	23,631,923	22,473,492
Non-controlling interests	30,194	13,093
Total equity	23,662,116	22,486,585
Total liabilities and equity	33,535,490	36,749,771

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

Consolidated statements of income

(Thousands of yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Revenue	13,832,547	15,384,879
Cost of sales	-5,345,873	-6,045,269
Gross profit	8,486,674	9,339,610
Selling, general and administrative expenses	-10,802,548	-11,221,441
Other operating income	34,042	56,453
Other operating expenses	-615,071	-76,524
Operating loss (- shown is loss)	-2,896,904	-1,901,902
Finance income	11,468	53,381
Finance costs	-119,055	-70,534
Equity in losses of affiliates	-754	-1,837
Loss before tax (- shown is loss)	-3,005,245	-1,920,892
Income tax	573,049	396,237
Loss for the year (- shown is loss)	-2,432,196	-1,524,655
Net loss attributable to (- shown is loss)		
Owners of the parent	-2,431,390	-1,487,036
Non-controlling interests	-806	-37,619
Loss for the year (- shown is loss)	-2,432,196	-1,524,655
Net loss per share (- shown is loss)		
Basic loss per share (yen) (- shown is loss)	-27.54	-16.76
Diluted loss per share (yen) (- shown is loss)	-27.54	-16.76

Consolidated statements of comprehensive income

(Thousands of yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
(Loss) for the year	-2,432,196	-1,524,655
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	108,901	140,612
Remeasurements of defined benefit plans	-4,124	4,677
Total items that will not be reclassified to profit or loss	104,777	145,289
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	-94	-546
Share of other comprehensive income of associates accounted for using the equity method	7,050	—
Total items that may be reclassified to profit or loss	6,957	-546
Total other comprehensive income, net of tax	111,733	144,743
Current term comprehensive income	-2,320,463	-1,379,912
Comprehensive income attributable to:		
Owners of the parent	-2,319,656	-1,342,293
Non-controlling interests	-806	-37,619
Current term comprehensive income	-2,320,463	-1,379,912

(3) Consolidated statements of changes in equity

FY2022 (From 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 for the year (- shown is 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 for the year (- shown is 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

FY2023 (From January 1, 2023 to December 31, 2023)

(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, 2023	7,147,905	7,366,245	-3,167,193	11,656,730	812,624	-12,888	-41,414
Loss for the year (- shown is loss)	—	—	—	-1,487,036	—	—	—
Other comprehensive income	—	—	—	—	—	—	-546
Total comprehensive income	—	—	—	-1,487,036	—	—	-546
Disposal of treasury shares	—	103,570	121,926	—	-173,762	-56,000	—
Dividends	—	—	—	-88,389	—	—	—
Share-based payment transactions	—	—	—	4,021	238,127	54,888	—
Changes in ownership interest in subsidiaries	—	-20,518	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	-27,849	—	—	—
Total transactions with owners	—	83,052	121,926	-112,217	64,364	-1,112	—
Balance at December 31, 2023	7,147,905	7,449,297	-3,045,268	10,057,477	876,989	-14,000	-41,960

(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, 2023	-130,086	—	628,237	23,631,923	30,194	23,662,116
Loss for the year (- shown is loss)	—	—	—	-1,487,036	-37,619	-1,524,655
Other comprehensive income	140,612	4,677	144,743	144,743	—	144,743
Total comprehensive income	140,612	4,677	144,743	-1,342,293	-37,619	-1,379,912
Disposal of treasury shares	—	—	-229,762	-4,266	—	-4,266
Dividends	—	—	—	-88,389	—	-88,389
Share-based payment transactions	—	—	293,015	297,036	—	297,036
Changes in ownership interest in subsidiaries	—	—	—	-20,518	20,518	—
Transfer from other components of equity to retained earnings	32,526	-4,677	27,849	—	—	—
Total transactions with owners	32,526	-4,677	91,101	183,862	20,518	204,380
Balance at December 31, 2023	43,051	—	864,081	22,473,492	13,093	22,486,585

(4) Consolidated statements of cash flows

(Thousands of yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Cash flow from operating activities		
Loss before tax (- shown is loss)	-3,005,245	-1,920,892
Depreciation and amortization expense	2,695,945	2,724,635
Impairment loss	615,000	63,464
Share-based payment expense	258,511	243,923
Finance costs income (- shown is income)	107,587	9,657
Equity in loss earnings of affiliates (- shown is earnings)	754	1,837
Decrease increase in trade and other receivables increased (- shown is increase)	1,778,014	-133,310
Decrease increase in inventories (- shown is increase)	77,215	29,958
Increase decrease in trade and other payables (- show is decreased)	-900,556	125,365
Decrease increase in prepaid expenses (- shown is increase)	-68,619	69,139
Decrease increase in long-term prepaid expenses (- shown is increase)	-60,101	80,342
Increase decrease in employees' bonuses payable (- shown is decrease)	109	-15,513
Increase decrease in contract liabilities (- shown is decrease)	571,779	2,243,608
Increase decrease in consumption taxes payable (- shown is decrease)	3,702	-80,255
Others	-57,021	7,441
Subtotal	2,017,075	3,449,399
Interest received	1,238	4,571
Dividend received	4,066	9,231
Interest expenses paid	-13,781	-28,565
Income taxes refunded paid (- shown is paid)	-402,262	-9,640
Cash flow from operating activities	1,606,335	3,424,997
Cash flow from investing activities		
Acquisition of property, plant and equipment	-16,403	-56,995
Proceeds from sales of property, plant and equipment	45,320	600
Acquisition of intangible assets	-3,000,908	-4,066,212
Proceeds from sales and redemption of investments	—	467,522
Acquisition of newly consolidated subsidiaries	-5,000	—
Loan advances	-16,900	-48,832
Collection of loans receivable	67,383	27,199
Payments for lease and guarantee deposits	-615	-3,452
Proceeds from collection of lease and guarantee deposits	4,470	12,537
Proceeds from sales investments accounted for using equity method	14,954	—
Others	-2,228	-1,214
Cash flow from investing activities	-2,909,928	-3,668,848

(Thousands of yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Cash flow from financing activities		
Net increase decrease in short-term loans payable (- shown is decrease)	-1,001,500	1,637,498
Proceeds from long-term debt	3,500,000	500,000
Repayments of long-term debt	—	-445,834
Repayments of lease obligations	-864,358	-872,090
Cash dividends paid	-413,579	-88,389
Proceeds from share issuance to non-controlling interests	31,000	—
Purchase of treasury stock	-14	—
Expenses related to commitment lines	-14,983	-26,432
Cash flow from financing activities	1,236,566	704,752
Impact of exchange fluctuations for cash and cash equivalents	1,754	2,359
Net increase decrease in cash and cash equivalents (- shown is decrease)	-65,272	463,260
Cash and cash equivalents at beginning of period	3,522,045	3,456,772
Cash and cash equivalents at year-end	3,456,772	3,920,033

(5) Financial statements

(Notes on the going concern)

Not applicable.

(Segment information)

(1) The outline of any Reporting Segment

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 loss per share and the basis for calculating such loss are as follows:

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Loss attributable to owners of the parent (thousand yen) (- shown is loss)	-2,431,390	-1,487,036
Adjustments to net income (thousand yen)	—	—
Diluted loss attributable to owners of the parent (thousands of yen) (- shown is loss)	-2,431,390	-1,487,036
Average number of common shares outstanding during the period (shares)	88,301,684	88,701,919
Effect of dilutive potential common shares		
Stock Benefit Trust (shares)	—	—
Diluted average number of common shares outstanding during the period (shares)	88,301,684	88,701,919
Basic loss per share (yen) (- shown is loss)	-27.54	-16.76
Diluted loss per share (yen) (- shown is loss)	-27.54	-16.76

(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.