



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020 (IFRS)

August 8, 2019

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(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to June 30, 2019)

(1) Consolidated Financial Results (cumulative) (% of change from same quarter in previous year)

	Net sales		Operating income		Pre-tax income		Net income		Net income attributable to owners of parent		Comprehensive net income	
	Yen mn	%	Yen mn	%	Yen mn	%	Yen mn	%	Yen mn	%	Yen mn	%
First Quarter of the Fiscal Year Ending March 31, 2020	668	-15.8	-72	-	-47	-	-60	-	-70	-	-172	-
First Quarter of the Fiscal Year Ended March 31, 2019	793	4.4	44	-70.4	111	-19.2	89	41.0	89	41.0	-23	-

	Basic net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
First Quarter of the Fiscal Year Ending March 31, 2020	-4.31	-4.31	-4.31	-4.31
First Quarter of the Fiscal Year Ended March 31, 2019	5.38	5.24	5.38	5.24

(2) Consolidated Financial Position

	Total assets		Total equity		Total equity attributable to owners of parent		Ratio of equity attributable to owners of parent	
	Yen mn	Yen mn	Yen mn	Yen mn	Yen mn	Yen mn	%	%
First Quarter of the Fiscal Year Ending March 31, 2020	8,302	5,084	5,045	60.8				
Fiscal Year Ended March 31, 2019	7,117	5,389	5,382	75.6				

2. Cash Dividends

	Annual cash dividends				
	End-Q1	End-Q2	End-Q3	Year-end	Total
Fiscal Year Ended March 31, 2019	Yen -	Yen 0.00	Yen -	Yen 4.00	Yen 4.00
Fiscal Year Ending March 31, 2020	-	-	-	-	-
Fiscal Year Ending March 31, 2020 (Forecast)	-	0.00	-	-	-

(Note) Revisions to the forecast of cash dividends since the latest announcement: None

3. Forecast of Consolidated Results for Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% of change from previous year)

	Net sales		Operating income		Pre-tax income		Net income attributable to owners of parent		Basic net income per share
	Yen mn	%	Yen mn	%	Yen mn	%	Yen mn	%	Yen
Full-year	4,100	17.9	600	54.3	600	29.7	400	47.8	24.23

(Note) Revisions to the forecast of consolidated results since the latest announcement: None

※ Notes

(1) Changes in significant subsidiaries during the current fiscal year

(Changes in specified subsidiaries that caused a change in the scope of consolidation): None

Newly included: 1 company (name) -- Excluded: 1 company (name) --

(2) Changes in accounting policies, changes in accounting estimation

a) Changes in accounting policies due to IFRS requirements: Yes

b) Changes in accounting policies other than (2) a) above: None

c) Changes in accounting estimation: None

(3) Number of issued shares (Common Stock)

a) Total number of issued shares at the end of the period (including treasury stock)	Q1 Fiscal Year Ending March 31, 2020	17,491,265 shares	Fiscal Year Ended March 31, 2019	17,491,265 shares
b) Number of shares of treasury stock at the end of the period	Q1 Fiscal Year Ending March 31, 2020	735,756 shares	Fiscal Year Ended March 31, 2019	735,756 shares
c) Average number of shares during the period	Q1 Fiscal Year Ending March 31, 2020	16,367,459 shares	Q1 Fiscal Year Ended March 31, 2019	16,623,819 shares

※ These consolidated quarterly financial results are not subject to audit.

※ Cautionary statement on appropriate use of business results forecasts and other matters.

(Note on forward-looking statements)

This report contains forward-looking statements on future performance and other matters that are based on information currently available to the company and certain reasonable assumptions. These forward-looking statements are not guarantees of future performance. A variety of factors may cause actual performance to be materially different from that expressed or implied by these forward-looking statements. For notes on the assumptions used in business forecasts and use of these forecasts, please refer to "1. Qualitative information for quarterly results,

(3) Explanation of forward-looking statements for consolidated business results, etc.

(Access to supplementary materials for results and content from the results briefing)

The company plans to hold an online results briefing from 11.00am to 12.00pm on Friday, August 9, 2019. The material used in the briefing will be posted on our official website, and the briefing video itself will also be available on our website at a later date.

○Index of attached materials

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1. Qualitative information for quarterly results

(1) Explanation of business results

Consolidated group results for the first quarter of the fiscal year ending March 31, 2020 (April 1 2019-June 30 2019, hereinafter Q1 FY2019) saw a YoY decrease in both sales and profits. Net sales increased in the Enterprise and Internet Services business units as a result of ongoing growth in mainstay products ASTERIA Warp and Handbook. However, net sales declined sharply in the Design business unit due to the impact of factors including management issues at two important US clients that resulted in significant delays to projects in which we are involved. As a consequence, overall net sales and operating income fell YoY, as we were unable to offset the sales negative in the Design unit with expansion in the Enterprise and Internet Services units. These circumstances also led to the booking of an operating loss.

Consolidated results for Q1 FY2019 (hereafter Q1) were as follows.

	Q1 FY2018	Q1 FY2019	YoY growth
Net sales	Yen 793.141mn	Yen 667.949mn	-15.8%
Operating income (Figures in negative represent loss)	Yen 43.691mn	Yen -71.707mn	—
Pre-tax income (Figures in negative represent loss)	Yen 110.731mn	Yen -46.657mn	—
Net income attributable to owners of parent (Figures in negative represent loss)	Yen 89.448mn	Yen -70.489mn	—

Sales by business unit were as follows.

Business unit	Net sales	Details
Enterprise	Yen 398.742mn (+13.5% YoY)	This business unit includes data integration middleware product ASTERIA Warp and AI-equipped IoT integration edgware Gravio. Sales for ASTERIA Warp are comprised of license sales, subscription sales, and support sales. Gravio sales are in the form of monthly service fees, booked under "Subscriptions" in sales.
Internet services	Yen 76.464mn (+6.5% YoY)	This business unit includes mobile content management system Handbook and mobile app creation platform Platío. Sales for Handbook are mostly comprised of monthly service fees booked under "Subscriptions" in sales, with a small volume of support sales related to past licensed versions. Platío sales are in the form of monthly service fees booked under "Subscriptions" in sales.
Design	Yen 191.177mn (-47.4% YoY)	This business unit provides clients with consulting services for branding strategy and consulting and development support services for web and mobile app design, and sales are booked under "Services" in sales.
Other	Yen 1.567mn (-74.8% YoY)	This category includes products such as SnapCal, lino, and services such as consulting on block chain technologies. Sales are classified depending on service content, but are small in each area. SnapCal and lino are both global market analysis tools as well as products, with more than 70% of users being overseas.

A breakdown of business performance by sales category is as follows.

Licenses	Net sales	Year-earlier	YoY growth
	Yen 142.290mn	Yen 126.912mn	+12.1%
	Qualitative information		
	<p>License sales are payments for the semi-permanent right to use of our software. As a consequence, they tend to be impacted by seasonality and changes in corporate IT investment appetite, and are notable for being less stable than sales in other categories. In Q1, we released the latest version of ASTERIA Warp, ASTERIA Warp 1906, which features improved ease-of-use for RPA due to increased output capabilities to Excel and PDF files, formats widely used in offices. We also released a dedicated adapter for use with PCA Cloud, a core administrative cloud service supplied by PCA Corporation. Due to steady increase in the number of licensees, the cumulative user base was 7,977 companies as of end-June 2019.</p> <p>As a result of these activities, existing users upgraded to the latest version, and this increase in applicability led to additional projects and large-scale overseas work, leading to net sales of licenses growing by 12.1% YoY.</p>		
Subscriptions	Net sales	Year-earlier	YoY growth
	Yen 103.695mn	Yen 85.688mn	+21.0%
	Qualitative information		
	<p>Subscription sales are sales for services related to software products provided on a monthly fee basis, and this currently includes four products: Handbook, ASTERIA Warp, Gravio, and Platio.</p> <p>1) Handbook is an information distribution and sharing service for smart devices, and is mostly used by companies and educational institutions.</p> <p>Net sales of Handbook increased by a solid 6.5% YoY in Q1 on the back of steady subscription to high-end plans by companies in the financial sector. The cumulative number of contracts rose steadily to 1,527 by end-June 2019. While making further advances into the area of Sales Tech (an area attracting attention for the prospect of increases in marketing capabilities and efficiency through technology use), we are working to expand usage applications, including demonstrating real-world applications at our annual meeting of shareholders.</p> <p>2) Subscription sales for ASTERIA Warp include sales for ASTERIA Warp Core, which provides basically the same functionality as ASTERIA Warp through a stripped-down menu.</p> <p>In Q1, we stepped up collaborative efforts in marketing and technology skill transfers and investigating marketing plans in order to expand business with our subscription partners. This led to steady growth in net sales of 70.6% YoY. We see prospects for a contribution to future sales from the new "Export to Excel file" functionality, which is a standard feature of newly-released ASTERIA Warp 1906, as this was a function requested by many prospective users of ASTERIA Warp Core.</p> <p>3) For the latest version of Gravio, we have adopted innovative sales promotional strategies such as free sensor lending, and the number of applications has already surpassed 400. Most recently, we have strengthened product and sales areas by, for example, cooperating with Taiwanese AI major Gorilla Technology and beginning work with domestic PC sales major Edge Computing.</p> <p>4) The new version of Platio not only includes 100 different instantly-applicable templates, but other major improvements such as the addition of AI and unique statistical functions that can identify changes to improve operations based on information registered on-site. As a result, there was an expansion in real-world usages, including publicly acknowledged uptake by Asahi Sosetsu and Semboku City (Akita Prefecture). We are working to secure new contracts by focusing on approaching potential clients in similar industries to these real-world examples and by cross-selling to existing contracted users of Handbook.</p> <p>As a result of these efforts, net sales of subscriptions increased 21.0% YoY.</p>		

Support	Net sales	Year-earlier	YoY growth
	Yen 226.589mn	Yen 214.291mn	+5.7%
	Qualitative information		
	Support sales are payments for product support (including technological assistance and product upgrades), mainly for ASTERIA Warp. This is a relatively stable category, and sales have grown at a consistent rate since the company's listing. In order to steadily expand support sales, we hold socializing events for the AUG (ASTERIA User Group) community, and also strive to boost satisfaction levels among contracted clients through ongoing initiatives like the ASTERIA Points system, which can be used for our education and other services.		
Services	Net sales	Year-earlier	YoY growth
	Yen 195.374mn	Yen 366.250mn	-46.7%
	Qualitative information		
	<p>Sales from services break down into design services and education services.</p> <p>We began offering design services following the acquisition of This Place, and provide clients with consulting services for branding strategy and consulting and development support services for web and mobile app design.</p> <p>Sales declined sharply in Q1, and this was the result of further delays to the approval of a merger at a major US mobile phone carrier and of management problems at a major US aerospace equipment manufacturer, both of which heavily delayed projects we are involved in.</p> <p>The US Department of Justice finally approved the merger of the major US mobile phone carrier on July 26, 2019, and we believe the delays to the project can be reversed during the rest of this fiscal year.</p> <p>Our education services offer training for use of our products.</p> <p>As a result of these activities, net sales for services decreased 46.7% YoY.</p>		
Total	Net sales	Year-earlier	YoY growth
	Yen 667.949mn	Yen 793.141mn	-15.8%

(2) Explanation of financial situation

① Assets, liabilities, and capital

(Assets)

Total assets as of the end of the Q1 FY2019 consolidated account period were Yen 8,302.353mn, up Yen 1,185.643mn from end-FY2018. Current assets declined Yen 188.342mn to Yen 3,921.507mn, and noncurrent assets increased Yen 1,373.986mn to Yen 4,380.847mn. This owed mainly to an increase of Yen 110.136mn in cash and cash equivalents against a decline of Yen 295.934mn in operating receivables and other claims within current assets, and increases of Yen 207.824mn in investments treated as equity method investment and Yen 1,215.286mn in tangible fixed assets (mainly right-of-use assets) within noncurrent assets.

(Liabilities)

Total liabilities as of the end of the Q1 FY2019 consolidated account period were Yen 3,218.511mn, up Yen 1,491.254mn from end-FY2018. Current liabilities increased Yen 306.605mn to Yen 1,400.006mn, and noncurrent liabilities increased Yen 1,184.650mn to Yen 1,818.505mn. This owed mainly to increases of Yen 45.597mn in operating payables and other payables and Yen 209.286mn in other current liabilities within current liabilities, and to an increase of Yen 1,160.444mn in other financial liabilities (mainly lease liabilities) within noncurrent liabilities.

(Capital)

Capital as of the end of the Q1 FY2019 consolidated account period was Yen 5,083.842mn, down Yen 305.611mn from end-FY2018. This owed mainly to a rise of Yen 15.357mn in capital surplus against declines of Yen 239.811mn in retained earnings and Yen 111.761mn in other capital components.

2. Cash flow

The balance of cash and cash equivalents (hereafter "cash") as of the end of the Q1 FY2019 consolidated account period was Yen 3,387.484mn, up Yen 110.136mn from end-FY2018.

Cumulative change in each cash flow item through Q1 and the reasons for the changes were as follows.

(Cash flow from operating activities)

As a result of operating activities, cash of Yen 506.701mn was created (compared to cash used of Yen 67.245mn in Q1 FY18). This owed mainly to decline of Yen 268.953mn in operating receivables and other claims.

(Cash flow from investment activities)

As a result of investment activities, cash of Yen 232.823mn was used (compared to cash used of Yen 15.928mn in Q1 FY18). This owed mainly to Yen 214.929mn used for purchase of stock in affiliates.

(Cash flow from financial activities)

As a result of financial activities, cash of Yen 81.611mn was used (compared to cash created of Yen 44.929mn in Q1 FY18). The main factors were income of Yen 20.000mn from non-controlling interests against use of Yen 65.223mn for dividends paid.

(3) Explanation of forward-looking statements for consolidated business results, etc.

There are no changes to the full-year consolidated business results forecasts issued on May 10, 2019.

We will make timely notification of any material changes.

2. Outline quarterly consolidated financial statements and main notes

(1) Outline quarterly consolidated financial statement

(Thousands of yen)

	End-FY2018 (March 31, 2019)	End-Q1 FY2019 (June 30, 2019)
Assets		
Current assets		
Cash and cash equivalents	3,277,348	3,387,484
Operating receivables and other claims	709,205	413,271
Inventory assets	33,690	37,313
Other current assets	89,606	83,438
Total current assets	<u>4,109,849</u>	<u>3,921,507</u>
Noncurrent assets		
Tangible fixed assets	191,030	1,406,316
Goodwill	1,347,026	1,232,382
Intangible assets	143,892	120,633
Investments treated as equity method investment	114,092	321,916
Other financial assets	1,084,045	1,176,172
Other noncurrent assets	126,776	123,428
Total noncurrent assets	<u>3,006,861</u>	<u>4,380,847</u>
Total assets	<u><u>7,116,710</u></u>	<u><u>8,302,353</u></u>

(Thousands of yen)

	End-FY2018 (March 31, 2019)	End-Q1 FY2019 (June 30, 2019)
Liabilities and capital		
Liabilities		
Current liabilities		
Borrowings	100,000	100,000
Operating payables and other payables	92,241	137,838
Corporate income tax payable	152,096	68,250
Other financial liabilities	—	135,569
Other current liabilities	749,064	958,350
Total current liabilities	1,093,401	1,400,006
Noncurrent liabilities		
Provisions	19,365	19,371
Deferred income taxes	74,411	97,992
Other financial liabilities	538,275	1,698,719
Other noncurrent liabilities	1,805	2,422
Total noncurrent liabilities	633,855	1,818,505
Total liabilities	1,727,257	3,218,511
Capital		
Shareholders' equity	2,275,343	2,275,343
Capital surplus	2,577,710	2,593,067
Treasury stock	-578,558	-578,558
Other equity components	423	-111,338
Retained earnings	1,106,763	866,952
Total equity attributable to owners of parent	5,381,681	5,045,466
Non-controlling interests	7,772	38,376
Total capital	5,389,453	5,083,842
Total liabilities and capital	7,116,710	8,302,353

(2) Outline quarterly consolidated income statement

(Thousands of yen)

	Q1 FY2018 (April 1 2018-June 30, 2018)	Q1 FY2019 (April 1 2019-June 30, 2019)
Net sales	793,141	667,949
Cost of goods sales	325,266	259,756
Gross income	467,875	408,193
Selling, general and administrative expenses	426,125	476,569
Other income	2,268	1,844
Other expenses	327	5,175
Operating income (Figures in negative represent loss)	43,691	-71,707
Financial income	67,866	31,314
Financial expenses	168	4,685
Equity in earnings of affiliates	-658	-1,579
Pre-tax net income (Figures in negative represent loss)	110,731	-46,657
Provision for corporate income taxes	21,283	13,228
Net income (Figures in negative represent loss)	89,448	-59,885
Attributable net income		
Attributable to owners of parent	89,448	-70,489
Attributable to non-controlling interests	—	10,604
Net income (Figures in negative represent loss)	89,448	-59,885
Net income per share		
Basic net income per share (Figures in negative represent loss) (Yen)	5.38	-4.31
Diluted net income per share (Figures in negative represent loss) (Yen)	5.24	-4.31

(3) Outline quarterly consolidated comprehensive income statement

(Thousands of yen)

	Q1 FY2018 (April 1 2018-June 30, 2018)	Q1 FY2019 (April 1 2019-June 30, 2019)
Net income (Figures in negative represent loss)	89,448	-59,885
Other comprehensive income		
Items not transferrable to net income		
Financial assets assessed by fair value from other comprehensive income	-59,138	60,683
Total items not transferrable to net income	-59,138	60,683
Items transferrable to net income		
Translation difference for overseas business units	-53,611	-172,444
Total items transferrable to net income	-53,611	-172,444
Total other comprehensive income	-112,749	-111,761
Net comprehensive income	-23,301	-171,646
Attributable comprehensive net income		
Attributable to owners of parent	-23,301	-182,250
Attributable to non-controlling interests	—	10,604
Net comprehensive income	-23,301	-171,646

(4) Outline quarterly consolidated statement of changes in equity

Attributable to owners of the parent

	Attributable to owners of the parent					Total
	Capital stock	Capital surplus	Treasury stock	Other equity components		
				Translation difference for overseas business units	Financial assets assessed by fair value from other comprehensive income	
Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	
As of April 1, 2018	2,268,414	2,492,725	-247,084	159,456	22,266	181,722
Net income (Figures in negative represent loss)	—	—	—	—	—	—
Other comprehensive income	—	—	—	-53,611	-59,138	-112,749
Total net comprehensive income	—	—	—	-53,611	-59,138	-112,749
Issue of new shares (exercise of share options)	6,930	6,930	—	—	—	—
Treasury stock purchased	—	—	-308	—	—	—
Treasury stock sold	—	—	44,167	—	—	—
Change from treasury stock transactions	—	81,067	—	—	—	—
Dividends paid	—	—	—	—	—	—
Share-based payment transactions	—	26,296	—	—	—	—
Change from transactions with owners	6,930	114,293	43,859	—	—	—
As of June 30, 2018	<u>2,275,343</u>	<u>2,607,018</u>	<u>-203,225</u>	<u>105,845</u>	<u>-36,872</u>	<u>68,973</u>

	Attributable to owners of the parent		Total capital
	Retained earnings	Total	
	Thousands of yen	Thousands of yen	
As of April 1, 2018	937,838	5,633,615	5,633,615
Net income (Figures in negative represent loss)	89,448	89,448	89,448
Other comprehensive income	—	-112,749	-112,749
Total net comprehensive income	89,448	-23,301	-23,301
Issue of new shares (exercise of share options)	—	13,859	13,859
Treasury stock purchased	—	-308	-308
Treasury stock sold	—	44,167	44,167
Change from treasury stock transactions	—	81,067	81,067
Dividends paid	-101,670	-101,670	-101,670
Share-based payment transactions	—	26,296	26,296
Change from transactions with owners	-101,670	63,411	63,411
As of June 30, 2018	<u>925,615</u>	<u>5,673,725</u>	<u>5,673,725</u>

Attributable to owners of the parent

	Other equity components					
	Capital stock	Capital surplus	Treasury stock	Translation difference for overseas business units	Financial assets assessed by fair value from other comprehensive income	Total
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen
As of April 1, 2019	2,275,343	2,577,710	-578,558	124,081	-123,658	423
Cumulative effect of changes in accounting policies	—	—	—	—	—	—
Balances at the beginning of period restated for changes in accounting policies	2,275,343	2,577,710	-578,558	124,081	-123,658	423
Net income (Figures in negative represent loss)	—	—	—	—	—	—
Other comprehensive income	—	—	—	-172,444	60,683	-111,761
Total net comprehensive income	—	—	—	-172,444	60,683	-111,761
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	15,358	—	—	—	—
Incorporation of a new subsidiary	—	—	—	—	—	—
Change from transactions with owners	—	15,358	—	—	—	—
As of June 30, 2019	2,275,343	2,593,067	-578,558	-48,363	-62,975	-111,338

	Attributable to owners of the parent		Non-controlling interests	Total capital
	Retained earnings	Total		
	Thousands of yen	Thousands of yen		
As of April 1, 2019	1,106,763	5,381,681	7,772	5,389,453
Cumulative effect of changes in accounting policies	-102,221	-102,221	—	-102,221
Balances at the beginning of period restated for changes in accounting policies	1,004,542	5,279,461	7,772	5,287,233
Net income (Figures in negative represent loss)	-70,489	-70,489	10,604	-59,885
Other comprehensive income	—	-111,761	—	-111,761
Total net comprehensive income	-70,489	-182,250	10,604	-171,646
Dividends	-67,102	-67,102	—	-67,102
Share-based payment transactions	—	15,358	—	15,358
Incorporation of a new subsidiary	—	—	20,000	20,000
Change from transactions with owners	-67,102	-51,744	20,000	-31,744
As of June 30, 2019	866,952	5,045,466	38,376	5,083,842

(5) Outline quarterly consolidated cash flow statement

(Thousands of yen)

	Q1 FY2018 (April 1 2018-June 30, 2018)	Q1 FY2019 (April 1 2019-June 30, 2019)
Cash flow from operating activities		
Pre-tax net income (Figures in negative represent loss)	110,731	-46,657
Depreciation and amortization	55,420	68,065
Financial income	-22,706	15,464
Financial expenses	168	4,688
Earnings from equity in affiliates (Figures in negative represent profit)	658	1,579
Change in operating receivables and other claims (Figures in negative represent increase)	-182,320	268,953
Change in operating payables and other payables (Figures in negative represent decrease)	-65,202	60,307
Other	138,953	212,080
Subtotal	35,703	584,480
Interest and dividends received	19,901	12,332
Interest paid	-170	-1,315
Corporate taxes paid	-122,679	-88,795
Cash flow for operating activities	-67,245	506,701
Cash flow from investment activities		
Payments for tangible fixed asset purchases	-39,280	-7,068
Income from tangible fixed asset sales	241	—
Income from intangible fixed asset sales	824	—
Payments for purchase of stock in affiliates	—	-214,929
Payments for purchases of investment assets	—	-7,385
Income from investment asset sales	25,645	—
Others	-3,358	-3,441
Cash flow from investment activities	-15,928	-232,823
Cash flow from financial activities		
Income from issue of new shares (exercise of share options)	138,359	—
Income from non-controlling interests	—	20,000
Income from issue of other financial liabilities	6,410	—
Repayment of other financial liabilities	-1,884	—
Repayment of lease liabilities	—	-36,388
Dividends paid	-97,809	-65,223
Others	-147	—
Cash flow from financial activities	44,929	-81,611
Net change in cash and cash equivalents (Figures in negative represent a decrease)	-38,244	192,268
Cash and cash equivalents at beginning of period	4,219,277	3,277,348
Effect of exchange rate changes on cash and cash equivalents	26,555	-82,132
Cash and cash equivalents at end of period	4,207,588	3,387,484

(6) Main notes to outline quarterly consolidated financial statements

(Going concern assumption)

No matters to report.

(Change in accounting policies)

Aside from the item detailed below, the accounting policies applied in the Q1 FY2019 consolidated financial statements were the same as those applied in the previous consolidated accounting period.

Corporate taxes for Q1 FY2019 were calculated based on the estimated annual effective tax rate.

(Change in accounting policy)

The Group applied the following standard from the Q1 FY2019 consolidated accounting period.

	IFRS	Summary of addition or change
IFRS 16	Leases	Revision to accounting policy for leases

The Group implemented IFRS “Leases” (issued in January 2016, hereafter IFRS 16) beginning in the Q1 FY2019 consolidated accounting period.

The Group retroactively applied IFRS 16 in accordance with transitional measures, recognizing the cumulative impact from the start of application by adjusting the balance of retained earnings at the beginning of the Q1 consolidated accounting period. In line with application of IFRS 16, we elected to use the practical expedient in IFRS 16. C3, which does not require reassessment of whether a contract contains a lease or not, and continue to base assessment on IAS 17 “Leases” (hereafter IAS 17) and IFRIC 4 “Determining Whether an Arrangement Contains a Lease.”

The Group recognizes leases previously classified as operating leases under IAS 17 as right-of-use assets or as lease liabilities from the day of application of IFRS 16. Lease liabilities are assessed at discounted current value, applying an additional borrowing interest rate for the borrower on the day of application for the residual lease fees.

The moving average balance for the additional borrowing interest rate for the current borrower applied to leasing liabilities recognized in the consolidated financial statements from the day of application is 1.37%.

The Group recognizes leases previously classified as finance leases under IAS 17 as right-of-use assets from the day of application or as leasing liabilities, and calculates their book value at the book value of the lease assets and lease liabilities under IAS 17 on the preceding business day.

The Group lists right-of-use assets under “Tangible fixed assets” and lease liabilities under “Other financial liabilities” in its outline quarterly consolidated financial statement.

The Group applies the recognition exemptions for short-term leases of less than 12 months and for leases for which the underlying asset is of low value, and has elected not to recognize them as either right-of-use assets or lease liabilities. The Group recognizes the lease fees related to these leases as expenses on a straight-line basis over the life of the lease.

Compared to under the previous accounting standards, application of IFRS 16 increased the value of right-of-use assets by Yen 1,283.973mn and lease liabilities by Yen 1,388.536mn as of the beginning of the Q1 consolidated accounting period. It also reduced retained earnings by Yen 102.221mn.

The Group utilizes the following practical expedients with regard to application of IFRS 16:

Application of a single discount rate to a portfolio of leases with reasonably similar characteristics

Reliance on its own assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review

Application of the accounting for short-term leases in IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application

Exclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial application

Use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(Changes in accounting estimation)

None

(Segment Information)

Segment information is abbreviated as the Group’s software product planning, development, sales, support, education and related subsidiary operations are unified segments.