

Translation

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**Summary of Consolidated Financial Results
for the Fiscal Year Ended December 31, 2021
(Based on IFRS)**

March 28, 2022

Company name: ORO Co., Ltd
 Stock exchange listing: TSE
 Stock code: 3983 URL: <https://www.oro.com>
 Representative: Atsushi Kawata, Representative Director and President
 Inquiries: Yasuhisa Hino, Senior Managing Director and General Manager for Corporate Department TEL: +81-3-5724-7001

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the Fiscal Year Ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year Ended December 31, 2021	5,530	13.4	2,027	28.3	2,032	31.2	1,423	32.6
Fiscal Year Ended December 31, 2020	4,877	-	1,580	-	1,549	-	1,073	-
	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share		Diluted earnings per share	
	Millions of yen	%	Millions of yen	%	Yen		Yen	
Fiscal Year Ended December 31, 2021	1,424	32.6	1,462	35.8	87.96		-	
Fiscal Year Ended December 31, 2020	1,074	-	1,077	-	64.69		-	
	Ratio of net income to equity attributable to owners of the parent		Ratio of income before income taxes to total assets		Ratio of operating income to revenue			
	%		%		%			
Fiscal Year Ended December 31, 2021	23.3		21.3		36.7			
Fiscal Year Ended December 31, 2020	18.3		16.8		32.4			

Reference: Share of profit or loss of entities accounted for using equity method: Fiscal Year Ended December 31, 2021: -million yen
 Fiscal Year Ended December 31, 2020: -million yen

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2021	9,347	5,908	5,908	63.2	366.76
As of December 31, 2020	9,720	6,333	6,333	65.2	381.41

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year Ended December 31, 2021	2,087	(34)	(2,088)	5,914
Fiscal Year Ended December 31, 2020	1,329	(232)	(328)	5,904

2. Cash dividends

	Annual dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends / net assets (consolidated)
	1st quarter- end	2nd quarter- end	3rd quarter- end	Fiscal year- end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year Ended December 31, 2020	-	0.00	-	10.00	10.00	166	15.5	2.8
Fiscal Year Ended December 31, 2021	-	0.00	-	15.00	15.00	241	17.1	4.0
Fiscal Year Ending December 31, 2022 (Forecasts)	-	0.00	-	15.00	15.00		16.8	

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

Percentages indicate year-on-year changes

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	6,180	11.8	2,050	1.1	2,050	0.9	1,435	0.8	1,435	0.8	89.07

In Consolidated Financial Results for the fiscal year ended December 31, 2021 [Japan GAAP], the Group announced its forecasts of consolidated business performance for the fiscal year ending December 31, 2022 based on Japanese GAAP. However, due to the voluntary adoption of the International Financial Reporting Standards (IFRS) from the consolidated financial statements in the securities report for the fiscal year ended December 31, 2021, the Group announces new forecasts of consolidated business performance for the fiscal year ending December 31, 2022 [IFRS]. In addition, the Company announces that it withdrawn the consolidated earnings forecast for the fiscal year ending December 31, 2022 announced in the "Consolidated Financial Results for the Year Ended December 31, 2021 [Japan GAAP].

4. Notes

- (1) Changes in significant subsidiaries during the Period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- Changes in accounting principles required by IFRS: None
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2021	16,606,453 shares	As of December 31, 2020	16,606,453 shares
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Number of treasury shares at the end of the period

As of December 31, 2021	495,585 shares	As of December 31, 2020	331 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Fiscal Year Ended December 31, 2021	16,190,253 shares	Fiscal Year Ended December 31, 2020	16,604,112 shares
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- * These Consolidated basic Results are not included in the scope of audits by certified public accountants or audit corporations.
- * Explanation concerning appropriate use of the earnings forecast and other matters to note

(Caution regarding forward-looking statements)

Earnings forecasts and other forward-looking statements contained in this document are based on information available at the time of this document's preparation and on certain assumptions that are deemed to be reasonable. These forward-looking statements do not guarantee future performance, and actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

(Adoption of International Financial Reporting Standards [IFRS])

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) starting with its consolidated financial statements in Annual Securities Report (*Yukashoken Hokokusho*) for the fiscal year ended December 31, 2021. This Summary of Consolidated Financial Results and its Accompanying Materials disclose key financial information under IFRS from the items to be presented in the Group's Annual Securities Report.

Note that the Group disclosed the summary of consolidated financial results for the fiscal year ended December 31, 2021 based on Japanese GAAP on February 14, 2022.

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1. Basic policy for selection of accounting standards

For the purpose of enhancing the international comparability of its financial information in capital markets, the Company has adopted the International Financial Reporting Standards (IFRS) starting with its consolidated financial statements in Annual Securities Report (*Yukashoken Hokokusho*) for the fiscal year ended December 31, 2021.

2. Consolidated financial statements and key notes

(1) Consolidated Statement of Financial Position

(Thousands of yen)

	IFRS Transition Date (January 1, 2020)	As of December 31, 2020	As of December 31, 2021
Assets			
Current assets			
Cash and cash equivalents	5,135,866	5,904,772	5,914,992
Trade and other receivables	976,178	1,404,805	1,111,675
Contract assets	242,305	202,762	204,700
Other financial assets	404,557	389,713	435,525
Other current assets	64,840	64,655	69,311
Total current assets	6,823,748	7,966,709	7,736,205
Non-current assets			
Property, plant and equipment	1,257,326	1,121,083	913,619
Intangible assets	27,799	31,233	45,722
Other financial assets	109,190	113,144	111,253
Deferred tax assets	489,941	482,050	517,688
Other current assets	3,192	6,222	23,350
Total non-current assets	1,887,449	1,753,734	1,611,635
Total assets	8,711,198	9,720,443	9,347,841

(Thousands of yen)

	IFRS Transition Date (January 1, 2020)	As of December 31, 2020	As of December 31, 2021
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	369,246	408,789	375,096
Contract liabilities	1,216,230	1,383,613	1,474,343
Lease liabilities	182,791	176,073	184,826
Income tax payables	249,460	255,066	416,396
Provisions	41,845	11,945	4,934
Other current liabilities	368,735	455,560	444,772
Total current liabilities	2,428,310	2,691,049	2,900,370
Non-current liabilities			
Lease liabilities	759,725	567,796	411,925
Provisions	130,153	128,006	127,133
Total non-current liabilities	889,878	695,802	539,058
Total liabilities	3,318,188	3,386,852	3,439,428
Equity			
Capital stock	1,185,030	1,191,403	1,193,528
Capital surplus	1,086,703	1,093,077	1,095,407
Treasury shares	(942)	(942)	(1,727,465)
Retained earnings	3,117,416	4,042,203	5,300,180
Other components of equity	4,514	8,029	47,195
Equity attributable to owners of the parent	5,392,722	6,333,772	5,908,847
Non-controlling interests	286	(180)	(434)
Total equity	5,393,009	6,333,591	5,908,412
Total liabilities and equity	8,711,198	9,720,443	9,347,841

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

Consolidated statements of income

(Thousands of yen)

	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2021
Revenue	4,877,561	5,530,898
Cost of sales	1,971,689	2,047,480
Gross profit	2,905,871	3,483,417
Selling, general and administrative expenses	1,311,702	1,403,867
Research and development	48,807	74,113
Other income	42,781	22,578
Other expenses	7,581	52
Operating profit	1,580,561	2,027,962
Finance income	6,251	10,102
Finance costs	37,469	5,659
Profit before tax	1,549,343	2,032,404
Income tax expenses	475,609	608,621
Profit	1,073,733	1,423,783
Profit attributable to:		
Owners of parent	1,074,183	1,424,038
Non-controlling interests	(449)	(255)
Profit	1,073,733	1,423,783
Earnings per share		
Basic earnings per share (Yen)	64.69	87.96
Diluted earnings per share (Yen)	-	-

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2021
Profit	1,073,733	1,423,783
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	3,009	(3,282)
Total of items that will not be reclassified to profit or loss	3,009	(3,282)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	488	42,449
Total of items that may be reclassified subsequently to profit or loss	488	42,449
Other comprehensive income, net of taxes	3,497	39,167
Comprehensive income	1,077,231	1,462,950
Attributable to:		
Owners of the parent	1,077,698	1,463,204
Non-controlling interests	(467)	(253)
Comprehensive income	1,077,231	1,462,950

(3) Consolidated Statement of Changes in Equity

	(Thousands of yen)						
	Equity attributable to owners of parent						
	Capital stock	Capital surplus	Treasury shares	Retained earnings			
Balance on January 1, 2020	1,185,030	1,086,703	(942)	3,117,416			
Profit				1,074,183			
Other comprehensive income							
Total comprehensive income	-	-	-	1,074,183			
Restricted Stock-based payment transactions	6,373	6,373					
Dividends				(149,397)			
Total transactions with owners	6,373	6,373	-	(149,397)			
Balance on December 31, 2020	1,191,403	1,093,077	(942)	4,042,203			
Profit				1,424,038			
Other comprehensive income							
Total comprehensive income	-	-	-	1,424,038			
Restricted Stock-based payment transactions	2,124	2,330	12,539				
Dividends				(166,061)			
Purchase of treasury shares			(1,739,062)				
Total transactions with owners	2,124	2,330	(1,726,523)	(166,061)			
Balance on December 31, 2021	1,193,528	1,095,407	(1,727,465)	5,300,180			

	Equity attributable to owners of parent						
	Other components of equity						
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Total	Total	Non-controlling interests	Equity	
Balance on January 1, 2020	4,514	-	4,514	5,392,722	286	5,393,009	
Profit				1,074,183	(449)	1,073,733	
Other comprehensive income	3,009	505	3,515	3,515	(17)	3,497	
Total comprehensive income	3,009	505	3,515	1,077,698	(467)	1,077,231	
Restricted Stock-based payment transactions				12,747		12,747	
Dividends				(149,397)		(149,397)	
Total transactions with owners	-	-	-	(136,649)	-	(136,649)	
Balance on December 31, 2020	7,523	505	8,029	6,333,772	(180)	6,333,591	
Profit				1,424,038	(255)	1,423,783	
Other comprehensive income	(3,282)	42,448	39,166	39,166	1	39,167	
Total comprehensive income	(3,282)	42,448	39,166	1,463,204	(253)	1,462,950	
Restricted Stock-based payment transactions				16,993		16,993	
Dividends				(166,061)		(166,061)	
Purchase of treasury shares				(1,739,062)		(1,739,062)	
Total transactions with owners	-	-	-	(1,888,129)	-	(1,888,129)	
Balance on December 31, 2021	4,241	42,954	47,195	5,908,847	(434)	5,908,412	

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,549,343	2,032,404
Depreciation and amortization	283,030	288,555
Impairment losses	5,196	-
Finance income	(6,194)	(1,952)
Finance costs	6,035	4,770
Decrease (increase) in trade and other receivables	(430,955)	299,223
Decrease (increase) in contract assets	39,542	(1,937)
Increase (decrease) in trade and other payables	85,887	(70,580)
Increase (decrease) in contract liabilities	168,029	89,618
Increase (decrease) in provision	(31,964)	(8,032)
Other	121,928	(58,846)
Subtotal	1,789,880	2,573,223
Interest received	8,855	3,239
Dividends received	93	106
Interest paid	(6,035)	(4,770)
Income taxes paid	(463,438)	(484,610)
Cash flows from operating activities	1,329,354	2,087,187
Cash flows from investing activities		
Payments into time deposits	(7,316)	(2,583)
Purchase of property, plant and equipment	(205,211)	(1,797)
Purchase of intangible assets	(19,636)	(28,028)
Purchase of securities	(677)	(689)
Payments for lease and guarantee deposits	(370)	(3,728)
Other	875	1,934
Cash flows from investing activities	(232,336)	(34,892)
Cash flows from financing activities		
Repayments of lease liabilities	(179,439)	(182,701)
Cash dividends paid	(149,377)	(166,028)
Purchase of treasury shares	-	(1,739,413)
Cash flows from financing activities	(328,817)	(2,088,143)
Net increase (decrease) in cash and cash equivalents	768,201	(35,848)
Cash and cash equivalents at beginning of period	5,135,866	5,904,772
Effect of exchange rate change on cash and cash equivalents	705	46,068
Cash and cash equivalents at end of period	5,904,772	5,914,992

(5) Notes on consolidated financial statements

(Note on the going-concern assumption)

Not applicable

(Segment information)

(1) Summary of reportable segments

The Group's reportable segments are the Company's structural units of which segregated financial information is available and that are subject to a periodical review by the Board of Directors so that allocation of management resources can be determined and financial results can be evaluated.

The Group establishes Cloud Solutions and Digital Transformation as two separate reportable segments, and each of which plans and determines a strategy for the Group.

The businesses included in each of the reportable segments are as follows:

Cloud Solutions: development and sale, etc. of cloud-based enterprise systems

Digital Transformation: provision of a variety of digitally-driven solutions that transform customer experience, such as planning of digital transformation strategies and digital marketing services including management of digital advertisements

(2) Information on Reportable Segments

Revenues and results for each reportable segment of the Group are as follows:

Fiscal Year Ended December 31, 2020

	Reportable Segment			Adjustments (Note 1)	Consolidated
	Cloud Solution	Digital Transformation	Total		
(Thousands of yen)					
Revenue					
Revenue from external customers	2,750,134	2,127,427	4,877,561	-	4,877,561
Intersegment revenue	-	-	-	-	-
Total	2,750,134	2,127,427	4,877,561	-	4,877,561
Segment income	1,210,345	335,016	1,545,361	35,200	1,580,561
Finance income					6,251
Finance costs					37,469
Profit before tax					1,549,343
Other					
Depreciation and amortization	152,910	130,119	283,030	-	283,030
Impairment losses	-	5,196	5,196	-	5,196

(note)

1. The adjustment of 35,200 thousand yen to segment income mainly consists of "Other revenue" and "Other expense" that are not attributable to any reportable segment.

2. Segment income corresponds to operating profit in the consolidated statements of income.

3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

Fiscal Year Ended December 31, 2021

(Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Consolidated
	Cloud Solution	Digital Transformation	Total		
Revenue					
Revenue from external customers	3,133,803	2,397,094	5,530,898	-	5,530,898
Intersegment revenue	-	-	-	-	-
Total	3,133,803	2,397,094	5,530,898	-	5,530,898
Segment income	1,485,999	519,436	2,005,435	22,526	2,027,962
Finance income					10,102
Finance costs					5,659
Profit before tax					2,032,404
Other					
Depreciation and amortization	161,996	126,559	288,555	-	288,555
Impairment losses	-	-	-	-	-

(note)

1. The adjustment of 22,526 thousand yen to segment income mainly consists of “Other revenue” and “Other expense” that are not attributable to any reportable segment.
2. Segment income corresponds to operating profit in the consolidated statements of income.
3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

(Information per share)

Basic earnings per share and the basis for its calculation are as follows. Note that there are no potentially dilutive common shares.

	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2021
Profit attributable to owners of parent (thousands of yen)	1,074,183	1,424,038
Average number of shares during the fiscal year (shares)	16,604,112	16,190,253
Basic earnings per share (Yen)	64.69	87.96

(Significant subsequent events)

Not applicable

(First-time adoption)

The Group has disclosed its consolidated financial statements in accordance with the International Financial Reporting Standards (hereinafter “IFRS”) since the current fiscal year. The most recent consolidated financial statements prepared in accordance with Japanese GAAP covered the fiscal year ended December 31, 2020, and the date of transition to IFRS from Japanese GAAP was January 1, 2020.

Exemptions under IFRS 1

IFRS requires that, in principle, an entity adopting IFRS for the first time (hereinafter, “First-time Adopter”) apply the standards under IFRS retrospectively. However, IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter “IFRS 1”) provides some voluntary and mandatory exemptions from full retrospective applications. The effects of the application of such exemptions are adjusted to retained earnings or other components of equity on the date of transition to IFRS. The Group adopted the following exemptions upon its transition from Japanese GAAP to IFRS.

· Business combinations

A First-time Adopter may elect not to apply IFRS 3 “Business Combinations” (hereinafter “IFRS 3”) retrospectively to business combinations that occurred before the date of transition to IFRS. By applying this exemption, the Group has elected not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS.

· Exchange differences on translation of foreign operations

IFRS 1 allows a First-time Adopter to elect to deem the cumulative translation differences for foreign operations to be zero at the date of transition to IFRS. The Group has elected to deem the cumulative translation differences for foreign operations to be zero at the date of transition to IFRS.

· Leases

IFRS 1 allows a First-time Adopter to determine whether an existing contract at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at the said date. In addition, IFRS 1 allows a First-time Adopter to measure a lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of transition to IFRS, as well as measure a right-of-use asset at an amount equal to the lease liability.

The Group recognizes and measures leases using these exemptions.

· Designation of financial instruments recognized before the date of transition to IFRS

IFRS 1 allows a First-time Adopter to determine the classification of financial instruments under IFRS 9 “Financial Instruments” (hereinafter “IFRS 9”) on the basis of facts and circumstances existing at the date of transition to IFRS, rather than facts and circumstances existing at the time of initial recognition of such financial instruments. In addition, IFRS 1 allows a First-time Adopter to designate equity instruments as financial assets measured at fair value through other comprehensive income on the basis of facts and circumstances existing at the date of transition to IFRS.

The Group determines the classification of financial instruments under IFRS 9 on the basis of facts and circumstances existing at the date of transition to IFRS, and designates equity instruments as financial assets measured at fair value through other comprehensive income.

· Fair value measurement of financial instruments at initial recognition

The Group has elected to prospectively apply the requirements of IFRS 9 on fair value measurement of financial assets and financial liabilities at initial recognition as well as the recognition of gain or loss on them.

· Application of transitional measures under IFRS 15 “Revenue from Contracts with Customers” (hereinafter “IFRS 15”)

IFRS 1 allows a First-time Adopter not to restate contracts that are completed contracts at the beginning of the earliest period presented and those that were modified before the beginning of the earliest period presented. The Group has applied the practical expedient not to restate contracts that were completed as of on January 1, 2020, which is the beginning of the earliest period presented, and those that were modified before the said date.

(1) Mandatory exemptions under IFRS 1

IFRS 1 prohibits retrospective application of IFRS standards in relation to “Estimates,” “Derecognition of financial assets and financial liabilities,” “Non-controlling interests,” and “Classification and measurement of financial assets,” etc. The Group has prospectively applied the relevant IFRS standards on these transactions from the date of transition to IFRS.

(2) Reconciliations

The reconciliations required to be disclosed at the first-time adoption of IFRS are as follows. Note that in the reconciliation table below, “Reclassification” includes items that do not affect retained earnings and comprehensive income, and “Differences in recognition and measurement” includes items that affect retained earnings and comprehensive income.

Reconciliation of equity as of January 1, 2020 (the date of transition to IFRS)

(Thousands of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassific ation	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	5,540,151	(404,285)	-	5,135,866	ii	Cash and cash equivalents
Notes and accounts receivable -trade	949,045	27,132	-	976,178	i	Trade and other receivables
	-	-	242,305	242,305	xii	Contract assets
	-	404,557	-	404,557	ii	Other financial assets
Work in process	397,076	-	(397,076)	-	xii	
Raw materials and supplies	3,147	(36)	(3,111)	-	iii, xiv	
Other	93,118	(28,381)	103	64,840	i,ii,iii	Other current assets
Allowance for doubtful accounts	(1,012)	1,012	-	-	i	
Total current assets	6,981,527	-	(157,778)	6,823,748		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	-	415,939	841,386	1,257,326	xv, xvi	Property, plant and equipment
Buildings	255,034	(255,034)	-	-		
Tools, furniture and fixtures	261,649	(261,649)	-	-		
Other	97,333	(97,333)	-	-		
Accumulated depreciation	(198,076)	198,076	-	-		
Intangible assets	27,799	-	-	27,799		Intangible assets
Investment securities	11,526	97,663	-	109,190	iv	Other financial assets
Deferred tax assets	147,130	-	342,810	489,941	xvii	Deferred tax assets
Other	98,797	(98,645)	3,039	3,192	iv	Other current assets
Allowance for doubtful accounts	(981)	981	-	-	iv	
Total investments and other assets	700,212	-	1,187,236	1,887,449		Total non-current assets
Total assets	7,681,739	-	1,029,458	8,711,198		Total assets

(Thousands of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	189,384	179,861	-	369,246	v	Trade and other payables
	-	49,682	1,166,547	1,216,230	vi,xii	Contract liabilities
	-	22,932	159,859	182,791	vii,xvi	Lease liabilities
Income taxes payable	277,570	(28,110)	-	249,460		Income tax payables
Provision for bonuses	51,420	(51,420)	-	-	ix	
Provision for loss on order received	250,284	2,822	(211,261)	41,845	viii,xii	Provisions
Other	544,504	(175,768)	-	368,735	v,vi,vii,viii,ix	Other current liabilities
Total current liabilities	1,313,163	-	1,115,146	2,428,310		Total current liabilities
Non-current liabilities						Non-current liabilities
	-	74,401	685,324	759,725	vii,xvi	Lease liabilities
Asset retirement obligations	116,495	13,657	-	130,153	x	Provisions
Other	88,058	(88,058)	-	-	vii,x	Other Total non-current liabilities
Total non-current liabilities	204,554	-	685,324	889,878		Total non-current liabilities
Total liabilities	1,517,718	-	1,800,470	3,318,188		Total liabilities
Net assets						Equity
Capital stock	1,185,030	-	-	1,185,030		Capital stock
Capital surplus	1,095,030	-	(8,326)	1,086,703	xviii	Capital surplus
Treasury shares	(942)	-	-	(942)		Treasury shares
Retained earnings	3,889,482	-	(772,065)	3,117,416	xxi	Retained earnings
Accumulated other comprehensive income	(4,865)	-	9,379	4,514	xx	Other components of equity
	6,163,734	-	(771,012)	5,392,722		Equity attributable to owners of the parent
Non-controlling interests	286	-	-	286	xix	Non-controlling interests
Total net assets	6,164,021	-	(771,012)	5,393,009		Total equity
Total liabilities and net assets	7,681,739	-	1,029,458	8,711,198		Total liabilities and equity

Reconciliation of equity as of December 31, 2020 (the preparation date of the most recent consolidated financial statements under Japanese GAAP)

(Thousands of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
						Assets
						Current assets
Cash and deposits	6,293,840	(389,068)	-	5,904,772	ii	Cash and cash equivalents
Notes and accounts receivable -trade	1,370,614	34,191	-	1,404,805	i	Trade and other receivables
	-	-	202,762	202,762	xii	Contract assets
	-	389,713	-	389,713	ii	Other financial assets
Work in process	153,376	-	(153,376)	-	xii	
Raw materials and supplies	3,073	(39)	(3,033)	-	iii,xiv	
Other	100,355	(35,916)	216	64,655	i,ii,iii	Other current assets
Allowance for doubtful accounts	(1,120)	1,120	-	-	i	
Total current assets	7,920,138	-	46,570	7,966,709		Total current assets
						Non-current assets
Property, plant and equipment	-	454,454	666,628	1,121,083	xv,xvi	Property, plant and equipment
Buildings	253,750	(253,750)	-	-		
Tools, furniture and fixtures	410,240	(410,240)	-	-		
Other	75,112	(75,112)	-	-		
Accumulated depreciation	(284,648)	284,648	-	-		
Intangible assets	31,233	-	-	31,233		Intangible assets
Investment securities	16,541	96,603	-	113,144	iv	Other financial assets
Deferred tax assets	88,624	-	393,425	482,050	xvii	Deferred tax assets
Other	98,290	(97,518)	5,450	6,222	iv	Other current assets
Allowance for doubtful accounts	(915)	915	-	-	iv	
Total investments and other assets	688,229	-	1,065,505	1,753,734		Total non-current assets
Total assets	8,608,368	-	1,112,075	9,720,443		Total assets

(Thousands of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	288,743	120,045	-	408,789	v	Trade and other payables
	-	46,435	1,337,178	1,383,613	vi,xii	Contract liabilities
	-	16,876	159,197	176,073	vii,xvi	Lease liabilities
Income taxes payable	280,526	(25,459)	-	255,066		Income tax payables
Provision for bonuses	53,222	(53,222)	-	-	ix	
Provision for loss on order received	30,132	9,667	(27,854)	11,945	viii,xii	Provisions
Other	565,653	(114,342)	4,249	455,560	v,vi,vii,viii,ix	Other current liabilities
Total current liabilities	1,218,278	-	1,472,771	2,691,049		Total current liabilities
Non-current liabilities						Non-current liabilities
	-	45,264	522,531	567,796	vii,xvi	Lease liabilities
Asset retirement obligations	114,799	13,207	-	128,006	x	Provisions
Other	58,471	(58,471)	-	-	vii,x	Other Total non-current liabilities
Total non-current liabilities	173,271	-	522,531	695,802		Total non-current liabilities
Total liabilities	1,391,550	-	1,995,302	3,386,852		Total liabilities
Net assets						Equity
Capital stock	1,193,528	-	(2,124)	1,191,403		Capital stock
Capital surplus	1,103,528	-	(10,451)	1,093,077	xviii	Capital surplus
Treasury shares	(942)	-	-	(942)		Treasury shares
Retained earnings	4,922,166	-	(879,963)	4,042,203	xxi	Retained earnings
Accumulated other comprehensive income	(1,463)	-	9,492	8,029	xx	Other components of equity
	7,216,818	-	(883,046)	6,333,772		Equity attributable to owners of the parent
Non-controlling interests	-	-	(180)	(180)	xix	Non-controlling interests
Total net assets	7,216,818	-	(883,227)	6,333,591		Total equity
Total liabilities and net assets	8,608,368	-	1,112,075	9,720,443		Total liabilities and equity

Reconciliation of profit or loss and comprehensive income for the fiscal year ended December 31, 2020 (the most recent fiscal year for which the consolidated financial statements were prepared under Japanese GAAP)

(Thousands of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Net sales	5,240,816	(2,980)	(360,274)	4,877,561	xii,xiii	Revenue
Cost of sales	2,138,168	3,949	(170,428)	1,971,689	xi,xii,xiii,xv,xvi	Cost of sales
Gross profit	3,102,648	(6,930)	(189,846)	2,905,871		Gross profit
Selling, general and administrative expenses	1,395,157	(49,114)	(34,340)	1,311,702	xi,xiv,xv,xvi	Selling, general and administrative expenses
	-	48,807	-	48,807	xi	Research and development
	-	42,781	-	42,781	xi	Other income
	-	7,581	-	7,581	xi	Other expenses
Operating profit	1,707,490	28,576	(155,505)	1,580,561		Operating profit
Non-operating income	45,994	(45,994)	-	-	xi	
Non-operating expenses	40,364	(40,364)	-	-	xi	
	-	6,248	3	6,251	xi	Finance income
	-	34,391	3,078	37,469	xi,xvi	Finance costs
Extraordinary losses	5,196	(5,196)	-	-	xi	
Profit before income taxes	1,707,924	-	(158,580)	1,549,343		Profit before tax
Income taxes -current	469,047	57,178	(50,615)	475,609	xi,xvii	Income tax expenses
Income taxes -deferred	57,178	(57,178)	-	-	xi	
Profit	1,181,698	-	(107,965)	1,073,733		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss:
Valuation difference on available-for-sale securities	3,009	-	-	3,009		Financial assets measured at fair value through other comprehensive income
	3,009	-	-	3,009		Total of items that will not be reclassified to profit or loss
						Items that may be reclassified subsequently to profit or loss:
Foreign currency translation adjustment	488	-	-	488		Exchange differences on translation of foreign operations
	488	-	-	488		Total of items that may be reclassified subsequently to profit or loss
Total other comprehensive income	3,497	-	-	3,497		Other comprehensive income, net of taxes
Comprehensive income	1,185,196	-	(107,965)	1,077,231		Comprehensive income

Reconciliation of cash flow for the fiscal year ended December 31, 2020 (the most recent fiscal year for which the consolidated financial statements were prepared under Japanese GAAP)

Under Japanese GAAP, rent payments for real estate leases were classified as cash flows from operating activities. However, under IFRS, expenditures from repayment of lease liabilities are classified as cash flows from financing activities since a lessee is required, in principle, to recognize lease liabilities for all leases that fall within the scope of IFRS 16 “Leases.”

Accordingly, cash flows from financing activities decreased by 159,102 thousand yen, and cash flows from operating activities increased by the same amount.

(3) Notes to reconciliation

(Reclassification)

(i) Trade and other receivables

Accounts receivable – other included in “Other” in current assets under Japanese GAAP, is reclassified as “Trade and other receivables” under IFRS.

“Allowance for doubtful accounts (current),” which was separately presented under Japanese GAAP, is presented on a net basis by directly deducting the item from “Trade and other receivables” under IFRS.

(ii) Other financial assets (current)

Time deposits with maturities of more than three months included in “Cash and deposits” and short-term loans receivable, etc. included in “Other” in current assets under Japanese GAAP, are reclassified as “Other financial assets (current)” under IFRS.

(iii) Inventories

“Raw materials and supplies,” which was separately presented under Japanese GAAP, is reclassified as “Other current assets” under IFRS.

(iv) Other financial assets (non-current)

“Investment securities” and “Other” (Long-term loans receivable, Lease and guarantee deposits, etc.), which were separately presented under Japanese GAAP, are reclassified as “Other financial assets (non-current)” under IFRS.

“Allowance for doubtful accounts (non-current)” which was separately presented under Japanese GAAP, is presented on a net basis by directly deducting the item from “Other financial assets (non-current)” under IFRS.

(v) Trade and other payables

Accounts payable – other included in “Other” in current liabilities under Japanese GAAP, is reclassified as “Trade and other payables” under IFRS.

(vi) Contract liabilities

Advances received included in “Other” in current liabilities under Japanese GAAP is reclassified as “Contract liabilities” under IFRS.

(vii) Lease liabilities

Lease obligations included in “Other” in current liabilities and non-current liabilities under Japanese GAAP are reclassified as “Lease liabilities (current)” and “Lease liabilities (non-current)” respectively under IFRS.

(viii) Provisions (current)

“Provision for loss on order received,” etc., which were separately presented under Japanese GAAP, are reclassified as “Provisions (current)” under IFRS.

(ix) Other current liabilities

“Provision for bonuses,” etc., which were separately presented under Japanese GAAP, are reclassified as “Other current liabilities” under IFRS.

(x) Provisions (non-current)

“Asset retirement obligations,” etc., which were separately presented under Japanese GAAP, are reclassified as “Provisions (non-current)” under IFRS.

(xi) Items representing profits or losses

R&D expenses included in “Selling, general and administrative expenses” under Japanese GAAP, is reclassified as “Research and development expenses” under IFRS.

For items presented as “Non-operating income,” “Non-operating expenses,” and “Extraordinary losses” under Japanese GAAP, impairment loss is reclassified as “Cost of sales” and “Selling, general and administrative expenses,” and finance-related profits or losses are reclassified as “Finance income” and “Finance costs,” and the rest of them are reclassified as “Other income” and “Other expenses” under IFRS.

“Income taxes – current” and “Income taxes – deferred,” which were separately presented under Japanese GAAP, are combined and presented as “Income tax expense” under IFRS.

(Differences in Recognition and Measurement)

(xii) Adjustments to trade receivables and inventories due to the change of timing of revenue recognition

Under Japanese GAAP, revenue was recognized on an acceptance basis for software license sales under purchase-type contracts; the completed-contract method was applied to contracts for installation support, customization, and system production where the contract outcome was not reliably estimated in terms of progress. Under IFRS, revenue is recognized over time for transactions in which control of a good or service is transferred to the customer over time, regardless of the type of contract.

Accordingly, “Contract assets,” “Inventories,” “Contract liabilities,” “Provisions,” “Revenue,” and “Cost of sales” are adjusted.

(xiii) Adjustments to presentation of revenue

Of the transactions presented on a gross basis under Japanese GAAP, those in which the Group is judged to have been engaged as an agent are presented on a net basis under IFRS.

(xiv) Adjustments to goods for sales promotion and advertising

Goods for sales promotion and advertising included in “Raw materials and supplies” under Japanese GAAP are expensed since they do not meet the definition of assets under IFRS.

(xv) Changes in the estimated useful lives of property, plant and equipment

Upon the adoption of IFRS, the useful lives of certain property, plant and equipment (of which lease components cannot be segregated) have been reviewed and changed accordingly.

(xvi) Recognition of the right-of-use assets and lease liabilities

Under Japanese GAAP, real estate leases were expensed as rent expense. Under IFRS, the Group recognizes the right-of-use assets and lease liabilities for such leases.

(xvii) Review of recoverability of deferred tax assets

Upon the adoption of IFRS, recoverability of all the deferred tax assets has been reviewed.

(xviii) Deduction of stock issuance cost

Under Japanese GAAP, transaction costs related to the issuance of equity instruments of the Company were recognized in profit or loss. Under IFRS, such costs are deducted directly from “Capital surplus.”

(xix) Attribution of total comprehensive income to non-controlling interests

Under Japanese GAAP, if non-controlling interests have a deficit balance, such deficit was attributed to parent’s ownership interests, which under IFRS is attributed to owners of parent and non-controlling interests.

(xx) Transfer of cumulative translation differences of overseas subsidiaries

Upon the first-time adoption of IFRS, the Company applied the exemption as set forth in IFRS 1 and transferred the total amount of cumulative translation differences on the date of transition to IFRS to retained earnings.

(xxi) Adjustments to retained earnings

	IFRS Transition Date (January 1, 2020)	(Thousands of yen) As of December 31, 2020
Over time recognition of revenue from sales of software licenses under one-time purchase contracts	(1,166,547)	(1,337,178)
Over time revenue recognition for installation support and customization services, etc. of ZAC according to the progress toward completion measured using the input method based on costs incurred	56,490	77,241
Transfer of stock issuance costs expensed in prior periods to capital surplus	12,001	12,001
Exemptions for the first-time adoption of IFRS (adjustments to exchange differences)	(9,379)	(9,379)
Transfer to non-controlling interests	-	68
Other	(3,765)	(12,466)
Subtotal	(1,111,201)	(1,269,714)
Adjustment for tax effects	339,135	389,751
Total	(772,065)	(879,963)