

Translation

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Summary of Consolidated Financial Results
for the Fiscal Year Ended December 31, 2022
(Based on IFRS)

February 14, 2023

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
 Scheduled date to hold ordinary general meeting of shareholders: March 24, 2023
 Scheduled date to file Annual Securities Report: March 27, 2023
 Scheduled date to commence dividend payments: March 27, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

I. Consolidated financial results for the Fiscal Year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	6,210	12.3	2,286	12.8	2,352	15.7	1,630	14.5
Fiscal Year ended December 31, 2021	5,530	13.4	2,027	28.3	2,032	31.2	1,423	32.6
	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, 2022	1,623	14.0	1,654	13.1	100.75		-	
Fiscal Year ended December 31, 2021	1,424	32.6	1,462	35.8	87.96		-	
	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, 2022	24.5		23.1		36.8			
Fiscal Year ended December 31, 2021	23.3		21.3		36.7			

Reference: Share of profit or loss of entities accounted for using equity method: Fiscal Year Ended December 31, 2022: -million yen
 Fiscal Year Ended December 31, 2021: -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, 2022	11,045	7,337	7,331	66.4	454.86
As of December 31, 2021	9,347	5,908	5,908	63.2	366.76

(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, 2022	1,603	(278)	(436)	6,831
Fiscal Year Ended December 31, 2021	2,087	(34)	(2,088)	5,914

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, 2021	-	0.00	-	15.00	15.00	241	17.1	4.0
Fiscal Year Ended December 31, 2022	-	0.00	-	20.00	20.00	322	19.9	4.9
Fiscal Year Ending December 31, 2023 (Forecasts)	-	0.00	-	20.00	20.00		19.5	

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	7,092	14.2	2,380	4.1	2,386	1.4	1,656	1.6	1,656	2.0	102.78

Percentages indicate year-on-year changes

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, 2022	16,156,453 shares	As of December 31, 2021	16,606,453 Shares
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Number of treasury shares at the end of the period

As of December 31, 2022	39,299 shares	As of December 31, 2021	495,585 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, 2022	16,115,242 shares	Fiscal Year ended December 31, 2021	16,190,253 shares
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Reference: Non-Consolidated Results

Non-Consolidated Operating Results and Financial Position of the Fiscal 2022 (January 1, 2022 – December 31, 2022)

(1) Non-Consolidated Operating Results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year Ended December 31, 2022	5,903	7.2	2,142	5.3	2,243	7.8	1,583	9.8
Fiscal Year Ended December 31, 2021	5,507	9.6	2,035	22.8	2,081	21.9	1,441	20.3
	Profit per share		Profit per share after full dilution					
	Yen		Yen					
Fiscal Year Ended December 31, 2022	98.24		-					
Fiscal Year Ended December 31, 2021	89.03		-					

(2) Non-Consolidated Financial position

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	9,967	6,851	68.7	425.10
As of December 31, 2021	7,789	6,432	82.6	399.25

Reference: Equity capital As of December 31, 2022: 6,851million yen As of December 31, 2021: 6,432million yen

* 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.

(Method of obtaining supplementary materials to quarterly financial results)

We plan to hold a financial results meeting for institutional investors and analysts via video streaming. Supplementary materials to financial results to be used in the financial results meeting are disclosed on TDnet and the Company's website on the same day.

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1. Overview of operating results

(1) Analysis of full-year results

Operating results for the consolidated fiscal year under review

During the current fiscal year (January 1, 2022 to December 31, 2022), the Japanese economy showed signs of recovery, as various policies against the spread of the new COVID-19 infections led to the normalization of economic activities and the announcement of a revision of restrictions on new entries of foreign nationals. On the other hand, the supply chain remains strained due to the global shortage of semiconductors, and the outlook still remains uncertain due to factors such as rising raw material prices, supply-side restrictions, and financial market volatility caused by the protracted situation in Russia and Ukraine.

In the domestic IT service industry, with workstyle reform being more widely accepted in society, there has been a continued growth in demand for IT systems that improve productivity and operational efficiency. In fact, an increasing number of companies have been adopting cloud-based services for their enterprise IT systems, seeking for more cost-effective and convenient IT systems and making a transition to a new way of working designed to support remote work triggered by the impact of COVID-19.

The Internet industry has seen an ongoing strong trend mainly among major corporations toward a new form of digitization called “Digital Transformation (DX),” which can drastically transform the existing business models and industry structures.

Under such market conditions, we have maintained our integrated system of production and sales, on which the cloud services and digital solutions are provided. Cloud-based ERP “ZAC” and “Reforma PSA,” flagship products of our Cloud Solutions business, have contributed to business results by showing a steady growth thanks to extensive demand from industries and business fields comprised mainly of companies seeking for project management solutions. In our Digital Transformation (DX) business, we have provided a variety of digital-based solutions that support the full scope of clients’ business activities. Among them are area marketing for corporate clients who operate local stores in each trade area across the nation; planning and development of websites, digital content, and applications; strategic planning and operational support for SNS marketing; strategy building for and management of Web advertisements. In addition, to achieve continuous improvement in our corporate value, we have strived to acquire new clients while deepening relationships with existing high-priority clients in each of our businesses.

As a result of the above, the consolidated financial results for the current fiscal year were as follows. Net sales were 6,210,714 thousand yen (up 12.3% year-on-year), operating profit was 2,286,563 thousand yen (up 12.8% year-on-year), profit before tax was 2,352,477 thousand yen (up 15.7% year-on-year), and profit attributable to owners of parent was 1,623,552 thousand yen (up 14.0% year-on-year).

Results by business segment are as follows:

a) Cloud Solutions

Though the number of new ZAC users grew sluggishly in the second quarter of FY2022, it was offset by an improvement in the contract value per user. Additionally, we had originally planned to spend 177 million yen as advertising expenses to acquire new customers as well as to improve branding and recognition. We revised, however, our expense plan during the period in light of the effects obtained, leaving 54 million yen out of 177 million yen budgeted as advertising expenses unused. As a result, revenue amounted to 3,541,984 thousand yen (up 13.0% year-on-year) and segment income amounted to 1,615,464 thousand yen (up 8.7% year-on-year).

b) Digital Transformation

Due to budget cuts on the part of customers caused by the global shortage of semiconductors, advertising projects for the automotive industry had been reduced until the first half of FY2022. In the second half of the year, however, advertising projects for the automotive industry recovered, contributing to increased revenues in the marketing/promotion segment, which has relatively high profitability. As a result, revenue amounted to 2,668,729 thousand yen (up 11.3% year-on-year) and segment income amounted to 641,475 thousand yen (up 23.5% year-on-year).

(2) Overview of financial position for the fiscal year ended December 31, 2022

Assets

Total assets at the end of the fiscal year ended December 31, 2022 increased by 1,697,914 thousand yen from the end of the previous fiscal year to 11,045,755 thousand yen. This was mainly due to increases of 916,952 thousand yen in cash and cash equivalents, 309,334 thousand yen in contract assets, and 294,210 thousand yen in trade and other receivables.

Liabilities

Total liabilities at the end of the fiscal year ended December 31, 2022 decreased by 268,890 thousand yen from the end of the previous fiscal year to 3,708,319 thousand yen. This was mainly due to increases of 327,547 thousand yen in contract liabilities and 58,847 thousand yen in income tax payables, which were partially offset by a decrease of 117,595 thousand yen in lease liabilities.

Equity

Total equity at the end of the fiscal year ended December 31, 2022 increased by 1,429,023 thousand yen from the end of the previous fiscal year to 7,337,436 thousand yen. This was mainly because of a 1,623,552 thousand yen increase of retained earnings due to the recording of profit attributable to owners of the parent, which was partially offset by a 241,663 thousand yen decrease of retained earnings due to the cash dividends paid.

(3) Overview of cash flows for the fiscal year ended December 31, 2022

The balance of cash and cash equivalents (“net cash”) at the end of the current fiscal year was 6,831,944 thousand yen, an increase of 916,952 thousand yen compared to the end of the previous fiscal year (increased by 15.5% year-on-year). The respective cash flows for the current fiscal year and their contributing factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was 1,603,240 thousand yen (2,087,187 thousand yen provided in the previous fiscal year). This was mainly due to profit before income taxes of 2,352,477 thousand yen, which was partially offset by a decrease of 742,834 thousand yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 278,493 thousand yen (34,892 thousand yen used in the previous fiscal year). This was mainly due to purchase of property, plant and equipment of 157,294 thousand yen and purchase of intangible assets of 43,310 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities was 436,094 thousand yen (2,088,143 thousand yen used in the previous fiscal year). This was mainly due to repayments of lease liabilities of 194,502 thousand yen and cash dividends paid of 241,591 thousand yen.

(Reference) Indicators related to cash flows

	Fiscal Year ended Dec. 31, 2020	Fiscal Year ended Dec. 31, 2021	Fiscal Year ended Dec. 31, 2022
Ratio of equity attributable to owners of the parent (%)	65.2	63.2	66.4
Ratio of equity attributable to owners of the parent based on market value (%)	749.1	516.8	277.0
Ratio of interest-bearing debt to cash flow (years)	0.6	0.3	0.3
Interest coverage ratio (times)	220.2	437.5	414.8

Ratio of equity attributable to owners of the parent: $\text{Equity attributable to owners of the parent} / \text{Total assets}$

Ratio of equity attributable to owners of the parent based on market value (%): $\text{Market capitalization} / \text{Total assets}$

Ratio of interest-bearing debt to cash flow: $\text{Interest-bearing debt} / \text{Cash flows}$ Interest coverage ratio: $\text{Cash flows} / \text{Interest payments}$

Interest coverage ratio: $\text{Cash flows} / \text{Interest payments}$

Note: 1. All of the above indicators are calculated based on consolidated financial figures.

Since IFRS is applied from the fiscal year ended December 31, 2021 with a transition date of January 1, 2020, no information is presented for the fiscal year ended December 31, 2019 and earlier.

2. Cash flows from operating activities in the consolidated statements of cash flows are used for cash flows. The amount of interest paid in the consolidated statements of cash flows is used for interest payments.

(4) Future outlook

1) Revenue

a) Cloud Solutions

In the next fiscal year ending December 31, 2023, we plan to improve the sales growth rate over the medium to long term by strengthening organizational capabilities, including hiring and training sales and development personnel. The revenue forecast for the cloud solutions business is calculated by adding up monthly revenue estimates after considering the past results and other factors, on top of the order backlog as of the end of the fiscal year ended December 31, 2022. The assumptions for the forecast are as follows. The number of new ZAC subscribers for the next fiscal year is expected to increase by 11 companies from the current fiscal year to 98, whereas ARPA (Average Revenue Per Account; revenue per customer per month related to “ZAC license fee, maintenance fee, SaaS and other monthly service fees” and “ZAC ERP installation consultation and customization”) is expected to increase by 24.0 thousand yen from the current fiscal year to 465.8 thousand yen. NRR (Net Revenue Retention; growth rate of annual recurring revenue for the current fiscal year for existing customers who had generated revenue in the previous fiscal year) is expected to increase by 1.9 percentage points from the current fiscal year to 112.0%, and the monthly churn rate (12-month moving average) is expected to increase by 0.05 percentage points from the current fiscal year to 0.38%. As a result, we expect revenue for the cloud solutions business to increase 16.7% year-on-year to 4,132 million yen.

b) Digital Transformation

The global shortage of semiconductors due to the impact of COVID-19 is beginning to ease. In the next fiscal year, we expect a recovery in inquiries from the automotive industry, our main customer base, in the marketing and promotion segment. In the segment of operation support and operation office, we expect to be affected by budget reductions and contract terminations of projects. Based on these assumptions, in the next fiscal year, we will work to increase transactions with existing customers and advertising agencies as well as to develop new customers. We also aim to expand transactions by enhancing overseas sales through our overseas consolidated subsidiaries. The revenue forecast for the digital transformation business is calculated by adding up monthly revenue estimates after considering the past results and other factors, on top of the order backlog as of the end of the fiscal year ended December 31, 2022. As a result, we expect revenue for the digital transformation business to increase 10.9% year-on-year to 2,959 million yen.

2) Cost of sales

Cost of sales for the Cloud Solutions business and the Digital Transformation (DX) business is comprised primarily of labor costs and subcontracting costs incurred for product development and installation support. The labor costs are estimated by accumulating assumed labor cost per employee based on the planned number of employees in each department. The subcontracting costs are estimated in consideration of the cost of sales ratio of each business. Accordingly, cost of sales is forecast to increase by 27.1% year-on-year to 1,268 million yen for the Cloud Solutions business and by 2.9% year-on-year to 1,259 million yen for the Digital Transformation (DX) business.

3) Selling, general and administrative expenses

Selling, general and administrative expenses, which are comprised mainly of personnel expenses for sales executives and corporate staff and other overhead expenses, are estimated by accumulating each item of expenses. Labor cost forecast is calculated by adding up assumed labor costs according to the staffing plan for each division, with the expectation of an increase in the number of employees through aggressive hiring. In the next fiscal year, we expect an increase in recruiting and personnel expenses resulting from expansion of sales force. Among other overhead expenses, we will focus on increasing R&D expenses to improve product appeal for the Cloud Solutions business. Accordingly, selling, general and administrative expenses are forecast to increase by 26.1% year-on-year to 2,183 million yen.

4) Other income (expenses)

Other income (expenses) are not projected.

5) Finance income (costs)

Finance income (costs) are not projected.

Accordingly, at this point, the Group's consolidated financial results for the next period ending December 31, 2023 are estimated as follows:

Revenue	7,092 Millions of yen (increased by 14.2% year-on-year)
Operating profit	2,380 Millions of yen (increased by 4.1% year-on-year)
Profit before tax	2,386 Millions of yen (increased by 1.4% year-on-year)
Profit attributable to owners of parent	1,656 Millions of yen (increased by 2.0% year-on-year)

2. 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.

3. Consolidated financial statement and key notes

(1) Consolidated statement of financial position

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	5,914,992	6,831,994
Trade and other receivables	1,111,675	1,405,886
Contract assets	204,700	514,034
Other financial assets	435,525	583,023
Other current assets	69,311	73,258
Total current assets	7,736,205	9,408,149
Non-current assets		
Property, plant and equipment	913,619	828,245
Intangible assets	45,722	70,689
Other financial assets	111,253	102,564
Deferred tax assets	517,688	596,601
Other non-current assets	23,350	39,505
Total non-current assets	1,611,635	1,637,606
Total assets	9,347,841	11,045,755

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	375,096	403,582
Contract liabilities	1,474,343	1,801,890
Lease liabilities	184,826	190,993
Income tax payables	416,396	475,244
Provisions	4,934	5,165
Other current liabilities	444,772	411,178
Total current liabilities	2,900,370	3,288,054
Non-current liabilities		
Lease liabilities	411,925	288,162
Provisions	127,133	132,102
Total non-current liabilities	539,058	420,264
Total liabilities	3,439,428	3,708,319
Equity		
Capital stock	1,193,528	1,193,528
Capital surplus	1,095,407	1,095,202
Treasury shares	(1,727,465)	(141,788)
Retained earnings	5,300,180	5,117,976
Other components of equity	47,195	66,170
Equity attributable to owners of the parent	5,908,847	7,331,089
Non-controlling interests	(434)	6,347
Total equity	5,908,412	7,337,436
Total liabilities and equity	9,347,841	11,045,755

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

Consolidated statement of income

Fiscal Year ended December 31, 2021 and 2022

(Thousands of yen)

	Fiscal Year ended December 31, 2021	Fiscal Year ended December 31, 2022
Revenue	5,530,898	6,210,714
Cost of sales	2,047,480	2,222,269
Gross profit	3,483,417	3,988,444
Selling, general and administrative expenses	1,403,867	1,688,925
Research and development	74,113	42,579
Other income	22,578	30,918
Other expenses	52	1,294
Operating profit	2,027,962	2,286,563
Finance income	10,102	73,163
Finance costs	5,659	7,249
Profit before tax	2,032,404	2,352,477
Income tax expenses	608,621	722,185
Profit	1,423,783	1,630,291
Profit attributable to:		
Owners of parent	1,424,038	1,623,552
Non-controlling interests	(255)	6,738
Profit	1,423,783	1,630,291
Earnings per share		
Basic earnings per share (Yen)	87.96	100.75
Diluted earnings per share (Yen)	-	-

Consolidated statement of comprehensive income

Fiscal Year ended December 31, 2021 and 2022

(Thousands of yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2021
Profit	1,423,783	1,630,291
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	(3,282)	1,266
Total of items that will not be reclassified to profit or loss	(3,282)	1,266
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	42,449	23,259
Total of items that may be reclassified subsequently to profit or loss	42,449	23,259
Other comprehensive income, net of taxes	39,167	24,525
Comprehensive income	1,462,950	1,654,817
Attributable to:		
Owners of the parent	1,463,204	1,648,035
Non-controlling interests	(253)	6,781
Comprehensive income	1,462,950	1,654,817

(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, 2021	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
Profit				1,623,552
Other comprehensive income				
Total comprehensive income	-	-	-	1,623,552
Restricted Stock-based payment transactions		(205)	20,576	(4,501)
Dividends				(241,663)
Cancellation of treasury shares			1,565,100	(1,565,100)
Transfer from other components of equity to retained earnings				5,508
Total transactions with owners	-	(205)	1,575,676	(1,805,756)
Balance on December 31, 2022	1,193,528	1,095,202	(141,788)	5,117,976

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Equity
Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Total				
Balance on January 1, 2021	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, 2022	4,241	42,954	47,195	5,908,847	(434)	5,908,412
Profit				1,623,552	6,738	1,630,291
Other comprehensive income	1,266	23,216	24,482	24,482	42	24,525
Total comprehensive income	1,266	23,216	24,482	1,648,035	6,781	1,654,817
Restricted Stock-based payment transactions				15,869		15,869
Dividends				(241,663)		(241,663)
Cancellation of treasury shares				-		-

	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
Transfer from other components of equity to retained earnings	(5,508)		(5,508)	-		-
Total transactions with owners	(5,508)	-	(5,508)	(225,793)	-	(225,793)
Balance on December 31, 2022	-	66,170	66,170	7,331,089	6,347	7,337,436

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal Years ended December 31, 2021	Fiscal Year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	2,032,404	2,352,477
Depreciation and amortization	288,555	310,903
Finance income	(1,952)	(72,075)
Finance costs	4,770	3,865
Decrease (increase) in trade and other receivables	299,223	(285,434)
Decrease (increase) in contract assets	(1,937)	(308,830)
Increase (decrease) in trade and other payables	(70,580)	58,240
Increase (decrease) in contract liabilities	89,618	325,780
Increase (decrease) in provision	(8,032)	(286)
Other	(58,846)	(36,350)
Subtotal	2,573,223	2,348,290
Interest received	3,239	1,586
Dividends received	106	63
Interest paid	(4,770)	(3,865)
Income taxes paid	(484,610)	(742,834)
Cash flows from operating activities	2,087,187	1,603,240
Cash flows from investing activities		
Payments into time deposits	(2,583)	(88,804)
Purchase of property, plant and equipment	(1,797)	(157,294)
Purchase of intangible assets	(28,028)	(43,310)
Purchase of securities	(689)	(49)
Proceeds from sales of securities	-	14,375
Payments for lease and guarantee deposits	(3,728)	(3,586)
Other	1,934	176
Cash flows from investing activities	(34,892)	(278,493)
Cash flows from financing activities		
Repayments of lease liabilities	(182,701)	(194,502)
Cash dividends paid	(166,028)	(241,591)
Purchase of treasury shares	(1,739,413)	-
Cash flows from financing activities	(2,088,143)	(436,094)
Net increase (decrease) in cash and cash equivalents	(35,848)	888,653
Cash and cash equivalents at beginning of period	5,904,772	5,914,992
Effect of exchange rate change on cash and cash equivalents	46,068	28,299
Cash and cash equivalents at end of period	5,914,992	6,831,944

(5) Notes on condensed quarterly 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, 2021

	Reportable Segment			Adjustments (Note 1)	Consolidated
	Cloud Solutions	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

(Note)

1. The adjustment of 22,526 thousand yen to segment income mainly consists of "Other income" 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, 2022

	Reportable Segment			Adjustments (Note 1)	Consolidated
	Cloud Solutions	Digital Transformation	Total		
Revenue					
Revenue from external customers	3,541,984	2,668,729	6,210,714	—	6,210,714
Intersegment revenue	—	—	—	—	—
Total	3,541,984	2,668,729	6,210,714	—	6,210,714
Segment income	1,615,464	641,475	2,256,939	29,623	2,286,563
Finance income					73,163
Finance costs					7,249

Profit before tax					<u>2,352,477</u>
Other					
Depreciation and amortization	191,790	119,113	310,903	—	310,903

(Note)

1. The adjustment of 29,623 thousand yen to segment income mainly consists of “Other income” 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, 2021	Fiscal Year Ended December 31, 2022
Profit attributable to owners of parent (thousands of yen)	1,424,038	1,623,552
Average number of shares during the fiscal year (shares)	16,190,253	16,115,242
Basic earnings per share (Yen)	87.96	100.75

(Significant subsequent events)

Not applicable