Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

To Our Shareholders:

ORO Co., Ltd.
3-9-1, Meguro Meguro-ku, Tokyo
Atsushi Kawata
Representative Director & President

Notice of the 25th Annual General Meeting of Shareholders

We hereby notify that the 25th Annual General Meeting of Shareholders of ORO Co., Ltd. (the "Company") will be held as indicated below.

When convening this General Meeting of Shareholders, the Company has taken the electronic provision measure. This matter subject to the electronic provision measure is posted on the following website on the internet as Notice of the 25th Annual General Meeting of Shareholders:

The Company's website: https://www.oro.com/en/ir/library/

Besides the above, Notice of the 25th Annual General Meeting of Shareholders is also available via Tokyo Stock Exchange ("TSE")'s website:

TSE's website (Listed Company Search):
https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show

* To view the Notice on the TSE's website, please access the URL above and follow the steps below:
1. Enter "3983" in the Code field and press the search button. Press the "Basic Information" button for ORO Co., Ltd.
2. Press the "Documents for public inspection/PR information" tab.
3. Press the "Click here for access" button under "[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting]".

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the internet. Please review the Reference Documents for the General Meeting of Shareholders contained in the matters subject to the electronic provision measure and return the enclosed Voting Form or exercise your voting rights on the voting rights exercise website designated by the Company (https://www.web54.net), indicating whether you are for or against each of the proposals. Your vote shall be received by no later than 6:30 p.m. on Thursday, March 23, 2023 (JST).

1. Date and time: Friday, March 24, 2023 at 10:00 a.m. (Reception opens at 9:30 a.m.)

2. Venue: Conference Room F+G, Meeting Space AP
12F, KPP Yaesu Building
1-10-7, Kyobashi, Chuo-ku, Tokyo
(The venue has been changed from the previous one).

3. Agenda:

Matters to be reported:

1. Reports on Business Report, Consolidated Financial Statements, and the results of the audit thereof by the Accounting Auditor and the Audit and Supervisory Committee for the 25th fiscal year (from January 1, 2022 to December 31, 2022)
2. Report on the Non-Consolidated Financial Statements for the 25th fiscal year (from January 1, 2022 to December 31, 2022)

Matters to be resolved:

Proposal No. 1 Dividend of Surplus

Proposal No. 2 Partial Amendments to the Articles of Incorporation

Proposal No. 3 Election of Two (2) Directors (Excluding Directors Who are Audit and Supervisory Committee Members)

Proposal No. 4 Amendment to the Restricted Stock Renumeration System for Directors (Excluding Directors Who are Audit and Supervisory Committee Members and Outside Directors)

◎If you attend the meeting in person, please submit the enclosed Voting Form at the reception.

◎If neither approval nor disapproval of a proposal is indicated on the voting rights exercise form, it shall be deemed a vote of approval.

◎If you exercise your voting rights both via the Internet and in writing, we will treat the exercise of your voting rights via the Internet as a valid exercise of your voting rights. If you exercise your voting rights more than once in writing or via the Internet, we will treat the last exercise as a valid exercise of your voting rights.

◎If you plan to exercise your voting rights in a non-uniform way, please inform the Company of this intention with the reason at least three days prior to the meeting.

◎Any correction to the matter subject to the electronic provision measure will be posted on the Company's relevant websites along with the matters before and after the correction.

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Proposal No. 1: Dividend of Surplus

The Company places great emphasis on continuous improvement of enterprise value and stable return of profits to shareholders.

By taking into consideration, among other factors, financial results for the current fiscal year ended December 31, 2022 and future business development, the Company proposes to pay a year-end dividend for the current fiscal year as follows:

(1) Type of dividend property:
Cash

(2) Matters concerning the allotment of dividend property to shareholders and the total amount thereof:
20 yen per share of the Company's common stock
Total amount: 322,343,080 yen

(3) Effective date of the dividend of surplus:
Monday, March 27, 2023

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

(1) Upon the enactment of the Act for Partially Amending the Act on Strengthening Industrial Competitiveness and Other Related Laws and Regulations (Act No. 70 of 2021) (hereinafter referred to as the "Amended Industrial Competitiveness Act") and its enforcement on June 16, 2021, listed companies are now allowed to hold General Meetings of Shareholders without a designated location (so called virtual-only shareholders' meetings). This proposal is to amend Article 12, Paragraph 2 of the current Articles of Incorporation of the Company so that the Company can hold a virtual-only shareholders' meeting, which will make it easier for many shareholders to attend the meetings, thereby revitalizing, streamlining, and facilitating the operation of the General Meeting of Shareholders.

Note that, pursuant to the provisions of the Amended Industrial Competitiveness Act, the amendment concerning Article 12, Paragraph 2 of the Articles of Incorporation shall come into effect subject to the confirmation by the Minister of Economy, Trade and Industry and the Minister of Justice that the Company meet the requirements specified by the Order of the Ministry of Economy, Trade and Industry and the Order of Ministry of Justice as a case where the amendment will contribute to strengthening industrial competitiveness while taking the shareholders' interest into consideration, in addition to the resolution at this General Meeting of Shareholders.

(2) The Company will introduce an executive officer system to strengthen the decision-making and supervisory function and the business execution function of management by promoting the separation of those functions. In addition, by introducing an executive officer system, we intend to optimize the Board of Directors to further enhance the discussion of management strategy and other matters at the Board of Directors meetings. Accordingly, the Company will make necessary amendments to the current Articles of Incorporation, which are summarized as follows:

(i) The proposed amendments to Articles 14 and 23 shall change the convener and chairperson of the General Meetings of Shareholders and the Board of Directors meetings from President and Director to Representative Directors.

(ii) The proposed amendments to Article 22, Paragraph 2 shall delete the provision for Directors with special titles.

(iii) Articles 31 and 32 shall add provisions regarding Executive Officers and Executive Officers with special titles, etc.

(3) In addition to the above, changes in numbering of Articles and other necessary amendments in line with the above amendments shall be made.

2. Contents of the amendments

Details of the amendments are as follows.

The proposed amendments to the Articles of Incorporation in this proposal, other than those concerning Article 12, Paragraph 2 described in (1) of 1 (Reasons for the proposal) above, shall be effective upon conclusion of this General Meeting of Shareholders.

(Amended parts are underlined.)

Current Articles of Incorporation (As of March 24, 2023)	Proposed Amendment
CHAPTER I GENERAL PROVISIONS	CHAPTER I GENERAL PROVISIONS
ARTICLE 1–ARTICLE 5 (Provisions omitted)	ARTICLE 1– ARTICLE 5 (No change)
CHAPTER II SHARES	CHAPTER II SHARES
ARTICLE 6–ARTICLE 11 (Provisions omitted)	ARTICLE 6–ARTICLE 11 (No change)
CHAPTER III SHAREHOLDERS MEETING	CHAPTER III SHAREHOLDERS MEETING
(Convocation of General Meeting of Shareholders) ARTICLE 12 1. (Provisions omitted) (Newly established)	(Convocation of General Meeting of Shareholders) ARTICLE 12 1. (No change) 2. The Company may hold General Meetings of Shareholders without a designated location.
ARTICLE 13 (Provisions omitted)	ARTICLE 13 (No change)
(Convener and Chairperson) ARTICLE 14 1. The General Meeting of Shareholders shall be convened and chaired by President and Director. 2. Should President and Director be unable to so act, one of the other Directors shall convene the General Meeting of Shareholders and shall serve as chairperson in accordance with the order determined by the Board of Directors in advance.	(Convener and Chairperson) ARTICLE 14 1. The General Meeting of Shareholders shall be convened and chaired by Representative Director. When there are more than one Representative Director, the General Meeting of Shareholders shall be convened and chaired by Representative Director holding a higher rank of the order determined by the Board of Director in advance. 2. Should Representative Director be unable to so act, one of the other Directors shall convene the General Meeting of Shareholders and shall serve as chairperson in accordance with the order determined by the Board of Directors in advance.
ARTICLE 15–ARTICLE 18 (Provisions omitted)	ARTICLE 15–ARTICLE 18 (No change)
CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS	CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS
ARTICLE 19–ARTICLE 21 (Provisions omitted)	ARTICLE 19–ARTICLE 21 (No change)
(Representative Directors and Directors with Special Title) ARTICLE 22 1. (Provisions omitted) 2. The Board of Directors may, by its resolution, appoint one (1) President and Director, a few Senior Managing Directors, and a few Managing Directors among the Directors (excluding Directors who are Audit and Supervisory Committee Members).	(Representative Directors) ARTICLE 22 1. (No change) (Deleted)
(Convener and Chairperson of the Board of Directors meeting) ARTICLE 23 1. The Board of Directors meeting shall be convened and chaired by President and Director, unless otherwise provided for by laws and regulations.	(Convener and Chairperson of the Board of Directors meeting) ARTICLE 23 1. The Board of Directors meeting shall be convened and chaired by Representative Director, unless otherwise provided for by laws and regulations. When there are more than one Representative Director, the Board of Directors meeting shall be convened and chaired by Representative Director holding a higher rank of the order determined by the Board of Director in advance.

Current Articles of Incorporation	Proposed Amendment
2. Should President and Director be unable to so act, one of the other Directors shall convene the Board of Directors meeting and shall serve as chairperson in accordance with the order determined by the Board of Directors in advance.	2. Should Representative Director be unable to so act, one of the other Directors shall convene the Board of Directors meeting and shall serve as chairperson in accordance with the order determined by the Board of Directors in advance.
ARTICLE 24–ARTICLE 30 (Provisions omitted)	ARTICLE 24–ARTICLE 30 (No change)
(Newly established)	CHAPTER V EXECUTIVE OFFICERS
(Newly established)	(Executive Officers) ARTICLE 31 1. The Company may appoint Executive Officers by a resolution of the Board of Directors and have them execute the business of the Company. 2. The Board of Directors may, by its resolution, appoint one (1) President and Executive Officer, a few Senior Managing Executive Officers, and a few Managing Executive Officers from among the Executive Officers.
(Newly established)	(Executive Officer Regulations) ARTICLE 32 Matters concerning Executive Officers shall be governed by the Executive Officer Regulations established by the Board of Directors in addition for these Articles of Corporation.
CHAPTER V AUDIT AND SUPERVISORY COMMITTEE	CHAPTER VI AUDIT AND SUPERVISORY COMMITTEE
ARTICLE 31–ARTICLE 35 (Provisions omitted)	ARTICLE 33–ARTICLE 37 (No change)
CHAPTER VI ACCOUNTING AUDITOR	CHAPTER VII ACCOUNTING AUDITOR
ARTICLE 36–ARTICLE 37 (Provisions omitted)	ARTICLE 38–ARTICLE 39 (No change)
CHAPTER VII ACCOUNTS	CHAPTER VIII ACCOUNTS
ARTICLE 38–ARTICLE 41 (Provisions omitted)	ARTICLE 40–ARTICLE 43 (No change)
SUPPLEMENTARY PROVISION	SUPPLEMENTARY PROVISION
ARTICLE 1 (Provisions omitted)	ARTICLE 1 (No change)
(Newly established)	(Transitional Measures Concerning Convocation of General Meeting of Shareholders) ARTICLE 2 The newly established Article 12, Paragraph 2 shall come into effect subject to the confirmation by the Minister of Economy, Trade and Industry and the Minister of Justice that the General Meeting of Shareholders without a designated location to be held by the Company meets the requirements specified by the Order of the Ministry of Economy, Trade and Industry and the Order of Ministry of Justice. Article 2 of the supplementary provision shall be deleted on the effective date.

Proposal No. 3: Election of Two (2) Directors (Excluding Directors Who are Audit and Supervisory Committee Members)

All of the five Directors (excluding Directors who are Audit and Supervisory Committee Members) will expire their term of office at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes to elect two (2) Directors (excluding Directors who are Audit and Supervisory Committee Members), reducing the number of Directors after the introduction of an executive officer system. The Audit and Supervisory Committee has no particular opinion about this proposal.
The candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members) are as follows:

1. Atsushi Kawata (Date of Birth: September 8, 1973) Re-election
■Number of Company's shares held:
6,244,479 shares

■Career summary, positions, responsibilities and significant concurrent positions:

January	1999	Founder and President and CEO of the Company (current position)
January	2010	Chairman of oRo TECHNOLOGY (DALIAN) Co., Ltd.
December	2012	Chairman of oRo Vietnam Co., Ltd.
December	2013	Director of oRo Malaysia Sdn. Bhd.
July	2014	Director of oRo (Thailand) Co., Ltd.
January	2016	Director of oRo TAIWAN Co., Ltd.
May	2016	Chairman of DALIAN oRo ADVERTISING Co., Ltd.
February	2018	Director of oRo TECHNOLOGY (DALIAN) Co., Ltd. Director of DALIAN oRo ADVERTISING Co., Ltd. Director of oRo TAIWAN Co., Ltd.
April	2018	General Manager of International Business Division of the Company
June	2018	Outside Director of Netyear Group Corporation
July	2018	oRo Digital Asia Sdn. Bhd. Director
May	2020	Outside Director of NISSEN INC. (current position)

(Significant concurrent positions)
Outside Director of NISSEN INC.

■Reasons for nomination as a candidate for Director:
Since the inception of the Company in 1999, Mr. Atsushi Kawata has led the management of the entire Group over the course of many years and driven the development of the Group. We believe that his experience and knowledge in the Group's overall management will continue to contribute to enhancing the Group's enterprise value. The Company thus requests his reelection him as Director.

2. Yasuhisa Hino (Date of Birth: May 14, 1973) Re-election

■Number of Company's shares held:
2,907,540 shares

■Career summary, positions, responsibilities and significant concurrent positions:

January	1999	Co-founder and Director of the Company
April	2009	General Manager for Administration Department of the Company
June	2009	Senior Managing Director of the Company (current position)
January	2010	Director of oRo TECHNOLOGY (DALIAN) Co., Ltd.
January	2013	General Director of oRo Vietnam Co., Ltd.
December	2013	Director of oRo Malaysia Sdn. Bhd.
January	2015	General Manager for Corporate Department（current position）
March	2021	Director of oRo Miyazaki Co., Ltd. (current position)
		Director of oRo code MOC Co., Ltd. (current position)

(Significant concurrent positions)
Director of oRo Miyazaki Co., Ltd.
Director of oRo code MOC Co., Ltd.

■Reasons for nomination as a candidate for Director:
Since the inception of the Company in 1999, Mr. Yasuhisa Hino has overseen the Group's management, especially its administrative operations, over the course of many years and driven the development of the Group. We believe that his experience and knowledge in the Group's management and administrative operations will continue to contribute to enhancing the Group's enterprise value. The Company thus requests his reelection as Director.

(Notes to Proposal No. 3)
Notes:
1. There is no conflict of interest between each candidate and the Company.
2. The Company has entered into a directors and officers liability insurance policy with an insurance company. The policy indemnifies the insured against damage compensation, legal costs and other expenses arising from claims for damages caused by an action (including nonfeasance) of the insured taken as an officer of the company. However, there are certain exemptions, such as in case of actions taken with knowledge of their illegality. The insurance premiums are fully borne by the Company. If each candidate assumes office as Director, they will be insured under the insurance policy. Also, the insurance policy will be renewed during their term of office.

Reference: Skill Matrix of the Board of Directors after the General Meeting of Shareholders

If all the candidates listed in this notice of convocation are elected as originally proposed, the expertise and experience of each Director will be as follows:

	Corporate management	Business strategy/ marketing	Technology	Global business	ESG/ sustainability	Finance/accounting/ investment	Legal affairs/ risk management
Atsushi Kawata	○	○	○		○		
Yasuhisa Hino	○			○	○	○	○
Seiichi Suzuki				○	○		○
Minoru Hirooka						○	○
Yoichi Maeda	○	○		○			○
Yuki Imamura					○		○

Proposal No. 4: Amendment to the Restricted Stock Renumeration System for Directors (Excluding Directors Who are Audit and Supervisory Committee Members and Outside Directors)

The Company obtained the approval at the 24th Annual General Meeting of Shareholders held on March 25, 2022 for the introduction of the restricted stock compensation plan (hereinafter referred to as the "Plan") and the payment of remuneration for granting shares with restriction on transfer (hereinafter referred to as the "Restricted Stock") to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors; hereinafter referred to as "Eligible Directors") in order for them to further share the benefits and risks of stock price fluctuations with shareholders and enhance their motivation toward further contribution to the rise in stock price and the increase in enterprise value. At the 22nd Annual General Meeting of Shareholders held on March 26, 2020, the Company also obtained the approval for the payment described above to Directors excluding Outside Directors.

In line with the introduction of the executive officer system, the Company hereby proposes to amend the treatment on retirement from the office as Eligible Director and the lifting of the Transfer Restrictions for Eligible Directors in order for them to continuously hold the Restricted Stock while they are Executive Officer in title after retiring from the office as Eligible Director to enhance their motivation toward further contribution to the continuous improvement in the Company's enterprise value and to achieve the sharing of value with shareholders for as long period as possible. The Company is now seeking approval for this proposal.

Specifically, for the treatment on retirement from the office as Eligible Director, it was approved that, "if an Eligible Director retires from the office as Director or any other equivalent position of the Company before the expiration of the Transfer Restriction Period, the Company shall naturally acquire the Restricted Stock without contribution, unless there are justifiable reasons for such resignation, such as the expiration of his/her term of office or death." For the lifting of the Transfer Restrictions, it was approved that "the Company shall lift the Transfer Restrictions of all the Restricted Stock upon the expiration of the Transfer Restriction Period, on condition that the Eligible Director has remained in the office as Director or any other equivalent position of the Company throughout the Transfer Restriction Period. However, if the Eligible Director resigns from the position specified above before the expiration of the transfer restriction period due to the expiration of his/her term of office, death, or other justifiable reasons, the number of the Restricted Stock to be released from the transfer restriction and the timing of the release of the transfer restriction shall be reasonably adjusted as necessary."

Then, the Company proposes to change the treatment on retirement from the office to "if an Eligible Director retires from the office as Director, Executive Officer in title, or any other equivalent position of the Company before the expiration of the Restriction Period, the Company shall naturally acquire the Restricted Stock without contribution, unless there are justifiable reasons for such resignation, such as the expiration of his/her term of office or death" and to change the lifting of the Transfer Restrictions to "the Company shall lift the Transfer Restrictions of all the Restricted Stock upon the expiration of the Transfer Restriction Period, on condition that the Eligible Director has remained in the office as Director, Executive Officer in title, or any other equivalent position of the Company throughout the Transfer Restriction Period. However, if the Eligible Director resigns from the position specified above before the expiration of the transfer restriction period due to the expiration of his/her term of office, death, or other justifiable reasons, the number of the Restricted Stock to be released from the transfer restriction and the timing of the release of the transfer restriction shall be reasonably adjusted as necessary."

Accordingly, the Company proposes to change in the same manner the treatment on retirement from the office as Eligible Director and the lifting of the Transfer Restrictions for the granted stock as well, provided that these changes are agreed upon by the Eligible Directors who hold the Restricted Stock already granted before the amendment.

Currently, the number of Eligible Directors is four (4). If proposal No. 3 "Election of Two (2) Directors (Excluding Directors Who are Audit and Supervisory Committee Members)" is approved as originally proposed, the number of Eligible Directors shall be two (2). In addition, the number of Eligible Directors who hold the Restricted Stock granted before the amendment under this proposal shall be four (4).

In light of the aforementioned purpose of the amendment, we believe that the intention of this proposal is appropriate.

The Audit and Supervisory Committee has no particular opinion about this proposal.
Except for the treatment of Eligible Directors upon their retirement and the cancellation of the Transfer Restrictions, there is no change in the content of this plan from that approved at the above General Meeting of Shareholders, an outline of which is as follows (parts that will be amended if this proposal is approved are underlined).

1. The maximum number of shares with Transfer Restrictions to be granted to Eligible Directors, etc.

Under the Company's restricted stock compensation plan, the compensation to be paid to Eligible Directors for the grant of Restricted Stock is a monetary compensation claim, the total amount of which shall not exceed 50 million yen per year. The total amount of monetary compensation is limited to 50 million yen per year. The Eligible Director shall pay all of the monetary compensation credits to be paid by the resolution of the Board of Directors as assets contributed in kind and shall be issued or disposed of shares of common stock of the Company, and the total number of shares of common stock of the Company to be issued or disposed of as compensation to directors is limited to 15,000 shares per year. The amount to be paid per share shall be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of each Board of Directors meeting, to the extent that such amount is not particularly favorable to the Eligible Director who subscribes to such common stock.

2. Matters concerning the Restricted Shares to be granted to the Eligible Directors

In issuing or disposing of shares of common stock of the Company in this manner, the Company and the Eligible Director shall enter into a restricted stock allotment agreement (hereinafter referred to as the "Allotment Agreement") that includes the following terms and conditions.

(1) Transfer restriction period

Eligible Director shall not transfer, create a security interest on, or otherwise dispose of the Company’s common stock allotted under this Allotment Agreement (hereinafter referred to as the “Allotted Stock”) during a period predetermined by the Board of Directors of the Company between 3 and 50 years from the date of allotment under the agreement (hereinafter referred to as the “Transfer Restriction Period”) (hereinafter referred to as the “Transfer Restrictions”).

(2) Treatment on retirement from the office

If an Eligible Director retires from the office as Director, <u>Executive Officer in title</u>, or any other equivalent position of the Company before the expiration of the Transfer Restriction Period, the Company shall automatically acquire the Allotted Stock without contribution, unless the reason for his/her retirement from office is the expiration of the term of his/her office, death or any other justifiable reason.

(3) Lifting of the Transfer Restrictions

Notwithstanding the provisions of (1) above, the Company shall lift the Transfer Restrictions of all of the Allotted Stock upon the expiration of the Transfer Restriction Period, on condition that the Eligible Director has remained in the office as Director, <u>Executive Officer in title</u>, or any other equivalent position of the Company throughout the Transfer Restriction Period. However, if the Eligible Director retires from the office defined in (2) above before the expiration of the Restriction Period due to the expiration of the term of his/her office, death or any other justifiable reason defined in (2) above, the Company shall rationally adjust the number of the Allotted Stock on which the Transfer Restrictions are to be lifted and the timing of lifting as needed. Furthermore, the Company shall automatically acquire without contribution the Allotted Stock on which the Transfer Restrictions have not been lifted as of the time of immediately after the Transfer Restrictions were lifted, in accordance with the provisions above.

(4) Treatment during reorganization, etc.

Notwithstanding the provisions of (1) above, if, during the Transfer Restriction Period, matters relating to a merger agreement under which the Company is the disappearing company, a stock exchange agreement or stock transfer plan in which the Company becomes a wholly-owned subsidiary of another company, or any other reorganization, etc. are approved at the Company's general meeting of shareholders (or at a meeting of the Board of Directors of the Company in case where approval at the Company's general meeting of shareholders is not required in relation to the reorganization, etc.), the Company shall lift the Transfer Restrictions on the Allotted Stock with the number of shares that is reasonably determined considering the period from the start date of the Transfer Restriction Period to the approval date of the reorganization, etc. prior to the date on which the reorganization, etc. becomes effective, by a resolution of the Board of Directors of the Company. Furthermore, the Company shall automatically acquire without contribution the Allotted Stock on which the Transfer Restrictions have not been lifted as of the time immediately after the Transfer Restrictions were lifted, in accordance with the provisions above.

(5) Other matters

Other matters concerning the Allotment Agreement shall be determined by the Board of Directors of the Company.

Business Report (**Fiscal Year Ended December 31, 2022**)

1. Matters regarding the current state of the Group

(1) Progress and results of operations

During the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022) (the "current fiscal year"), the Japanese economy showed signs of recovery with economic activity normalizing as a result of various policies designed to tackle the spread of COVID-19 infections and the announcement of changes to the restrictions on the entry of new foreign visitors. However, the outlook for the future was highly uncertain as supply chains remained snarled due to the global semiconductor shortage and raw materials prices rose because of the Russia's protracted invasion of Ukraine. There were also constraints on the supply side and turbulence in financial markets.

In the domestic IT service industry, with the transition to new workstyles premised on remote working gaining traction as a consequence of the spread of COVID-19, demand for cloud-based services for enterprise IT systems continues to grow. And in conjunction with the DX trend being embraced by companies, there is a need for more cost-effective and convenient IT systems that improve productivity and operational efficiency.

The Internet industry has seen an ongoing strong trend mainly among major corporations toward a new form of digitization (DX), which can drastically transform the existing business models and industry structures. And in the advertising market, in particular, one form of media after another has been undergoing a shift to digital.

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 data-analysis-driven strategy formulation/execution and effectiveness verification for web advertising; website/digital-content production and planning/design of applications; and strategic planning and operational support for social media marketing. In addition, to achieve continuous improvement in our enterprise value, we have strived to acquire new clients while deepening relationships with existing high-priority clients in each of our businesses. We have also endeavored to invest in marketing and strengthen recruitment.

As a result of the above, the consolidated financial results for the current fiscal year were as follows. Net sales revenue was 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), pretax profit 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).

Net sales by business segment

Business segment	Net sales	
Cloud Solution	3,541,984	thousand yen
Digital Transformation	2,668,729	thousand yen

(2) Capital expenditure

Total capital expenditure amounted to 173,088 thousand yen for the current fiscal year, mainly comprising the following:

Business servers and other devices in the Cloud Solutions business 105,602 thousand yen
Cost of development of a ZAC's new functions in the Cloud Solutions business 29,392 thousand yen

(3) Financing

There are no material facts to report.

(4) Acquisition or disposal of shares, other equity interests or share acquisition rights of other companies

Not applicable.

(5) Assets and profit or loss

(i) Assets and profit or loss of the Group

(IFRS)

(Thousands of yen, unless otherwise stated)

Account	FY2021 24th	FY2022 (As of December 31, 2022) 25th
Net sales revenue	5,530,898	6,210,714
Operating profit	2,027,962	2,286,563
Pretax profit	2,032,404	2,352,477
Profit attributable to owners of parent	1,424,038	1,623,552
Basic earnings per share	yen 87.96	yen 100.75
Total assets	9,347,841	11,045,755
Equity attributable to owners of parent	5,908,847	7,331,089
Equity attributable to owners of parent per share	yen 366.76	yen 454.86

(Japanese GAAP)

(Thousands of yen, unless otherwise stated)

Account	FY2019 22nd	FY2020 23rd	FY2021 24th
Net sales revenue	5,022,672	5,240,816	5,762,070
Ordinary profit	1,357,727	1,713,121	2,132,046
Profit attributable to owners of parent	900,306	1,182,080	1,490,724
Earnings per share	yen 54.24	yen 71.19	yen 92.08
Total assets	7,681,739	8,608,368	8,357,570
Net assets	6,164,021	7,216,818	6,859,908
Net assets per share	yen 371.32	yen 434.59	yen 425.79

Notes: 1. From FY2022, consolidated financial documents have been prepared based on IFRS, which is in accordance with Article 120, paragraph 1 of the Regulations on Corporate Accounting. In addition, figures for the previous fiscal year have also been presented based on IFRS.

2. Earnings per share and basic earnings per share were calculated based on the average number of shares during the period excluding treasury shares, while net assets per share and equity attributable to owners of parent per share were calculated based on the number of shares at the end of the period excluding treasury shares.

3. As the Company conducted a 2-for-1 common stock split effective on June 1, 2019, both earnings per share and net assets per share were calculated based on the assumption that the stock split had been conducted at the beginning of the 22nd fiscal year.

(ii) Assets and profit or loss of the Company

(Thousands of yen, unless otherwise stated)

Account	FY2019 22nd	FY2020 23rd	FY2021 24th	FY2022 (As of December 31, 2022) 25th
Net sales	4,744,201	5,022,955	5,507,254	5,903,146
Ordinary profit	1,351,619	1,707,124	2,081,456	2,243,992
Profit	852,422	1,198,616	1,441,383	1,583,086

Earnings per share	yen 51.35	yen 72.19	yen 89.03	yen 98.24
Total assets	7,121,655	8,109,081	7,789,659	9,967,821
Net assets	5,811,778	6,881,003	6,432,304	6,851,391
Net assets per share	yen 350.11	yen 414.37	yen 399.25	yen 425.10

Notes: 1. Earnings per share was calculated based on the average number of shares during the period excluding treasury shares, while net assets per share was calculated based on the number of shares at the end of the period excluding treasury shares.
2. As the Company conducted a 2-for-1 common stock split effective on June 1, 2019, both earnings per share and net assets per share were calculated based on the assumption that the stock split had been conducted at the beginning of the 22nd fiscal year.
3. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) has been applied from the start of the term, and figures for the 25th fiscal year reflect the application of this standard.

(6) Issues to be addressed

The Group's Cloud Solutions business and Digital Transformation business both cover business domains where technological evolution, changes in customer needs, and competition with competitors are intense. Under such business circumstances, and with the aim of realizing our corporate philosophy, issues to be addressed by the Group in order to project sustainable growth over the long term and ensure the execution of management strategies are stated as below.

(i) Securing and developing excellent human resources and ensuring diversity

We recognize that human resources, which are the source of continuous growth, are the most important management resources for the Group, and that securing and developing them is critical for achieving sustainable growth. In the information service industry to which the Group belongs, competition for human resources is intensifying, and in such a situation, consistently hiring and retaining excellent human resources are crucial to the development of the Group. To strengthen our human resource base, we will move forward with various measures such as promoting the participation of women, establishing an environment in which diverse career paths and workstyles are accepted, enhancing our education and talent development, training and personnel evaluation systems, and improving our working environment.

(ii) Strengthening of sales force

In our Digital Transformation business, we will strengthen our marketing strategy and acquire more leads, aiming to enhance our visibility in the industry. Also, we will continue to strengthen cooperation with major advertising agencies so as to receive more project orders.

In our Cloud Solutions business, we will expand the range of sales and marketing activities to increase our market shares in growing industries. We will also strengthen cooperation with major system integrators so as to receive more project orders.

(iii) Improvement of technical and product capabilities

In our Digital Transformation business where competition is increasingly intensifying, further differentiation in technology and services is required to ensure the effective exploitation of business opportunities to drive business growth. We will improve our technological edge by catching up with the latest technological developments and effectively reflecting them in our business.

In our Cloud Solutions business, we will push forward with our research activities in technical domains more than ever to leverage the strength of a SaaS model, which is a feature of our mainstay product, cloud ERP "ZAC." We will improve the user interface (UI) for ZAC's basic functions, support multiple languages and currencies to facilitate overseas expansion, and revamp system configurations to enable systems to cope with use by large companies with 10,000 people. And to complete these priority tasks, we will also strive to strengthen our R&D system.

(iv) Global business development

In our Digital Transformation business, there is an increasing trend in clients moving forward with their global business development. We believe that it is necessary requirement for the Group to put in place a system that enables us to provide global client support. At the same time, we expect that exploring overseas markets will offer great growth opportunities.

In the ERP market, major companies have already expanded their business globally. Therefore, in order to achieve further growth of the Cloud Solutions business, it is inevitable for the Group to expand its business operations globally

In order to seize such opportunities, the Group will actively promote global business development, while reducing risks by strengthening systems of overseas consolidated subsidiaries as well as by exploring new global business partners.

(v) Improvement of visibility and establishment of brand presence

In order for the Group to further increase its market penetration, it becomes necessary to further improve its visibility and build a sense of trust. We will strive to establish a presence of the Group’s brand and increase its dissemination through tireless efforts to raise the levels of our products and services, improvement of our existing client satisfaction, and enhancement of our publicity so that our clients can trust us as a “market leader.”

(7) Main businesses (as of December 31, 2022)

The Group offers IT-driven solutions to solve challenges in corporate management. The details of our respective business segments are as follows:

(i) Cloud Solutions

Cloud Solutions provides services with a focus on development and sale of the enterprise resource planning (ERP) “ZAC” and “Reforma PSA.”

(ii) Digital Transformation

Digital Transformation provides digital-based one-stop support for marketing activities of companies and local governments, such as creation, construction, operation and analysis of web and internet advertisements.

(8) Principal business offices (as of December 31, 2022)

(i) The Company

Company name	Location
Head Office	Meguro-ku Tokyo
Nishinihon Branch Office	Osaka-shi Osaka
Hokkaido Branch Office	Sapporo-shi Hokkaido
Fukuoka Branch Office	Fukuoka-shi Fukuoka

(ii) Subsidiaries

Domestic

Company name	Location
oRo Miyazaki Co., Ltd.	Miyazaki-shi Miyazaki
oRo code MOC Co., Ltd.	Niigata-shi Niigata

Overseas

Company name	Location
oRo TECHNOLOGY (DALIAN) Co., Ltd.	China
oRo Vietnam Co., Ltd.	Vietnam
oRo Malaysia Sdn. Bhd.	Malaysia
oRo（Thailand）Co., Ltd.	Thailand
oRo TAIWAN Co., Ltd.	Taiwan
DALIAN oRo ADVERTISING Co., Ltd.	China

(9) Employees (as of December 31, 2022)

(i) Group's employees

Number of employees	YoY change
465	24 increase

Note: The number of employees (excluding those seconded from the Group to outside the Group, but including those seconded to the Group from outside the Group) does not include contract employees, temporary employees, or part-timers.

(ii) The Company

Number of employees	YoY change	Average age	Average years of service (year)
264	11 increase	33.3	5.8

Note: The number of employees (excluding those seconded from the Company to outside the Company, but including those seconded to the Company from outside the Company) does not include contract employees, temporary employees, or part-timers.

(10) Material parent company and subsidiaries

(i) Parent Company

Not applicable

(ii) Material subsidiaries

Company name	Capital	Equity stake of the Company	Main Business
oRo TECHNOLOGY (DALIAN) Co., Ltd.	70,000 USD	100.0%	Cloud Solutions Digital Transformation
oRo Vietnam Co., Ltd.	100,000 USD	100.0%	Digital Transformation
oRo Malaysia Sdn. Bhd.	1,000,000 MYR	100.0%	Digital Transformation
oRo（Thailand）Co., Ltd.	4,000,000 THB	49.0% ［41.0］	Digital Transformation
oRo TAIWAN Co., Ltd.	5,000,000 TWD	100.0%	Digital Transformation
DALIAN oRo ADVERTISING Co., Ltd.	1,000,000 CNY	100.0%	Digital Transformation
oRo Miyazaki Co., Ltd.	10,000,000 JPY	100.0%	Cloud Solutions Digital Transformation
oRo code MOC Co., Ltd.	10,000,000 JPY	100.0%	Cloud Solutions Digital Transformation

Notes: 1. The figures in [ ] in “Equity stake of the Company” are the ratio of stake held by persons who have agreed and not included in the total.
2. DALLIAN oRo ADVERTISING Co., Ltd. is indirectly owned through oRo TECHNOLOGY (DALLIAN) Co., Ltd.
3. In addition to the above, there is one subsidiary, but it is not listed due to its immateriality.
4. There is no subsidiary that falls under the category of specified wholly-owned subsidiary.

(11) Principal lenders (as of December 31, 2022)

Not applicable

2. Matters regarding shares of the Company (as of December 31, 2022)

(1) Total number of shares authorized to be issued: 48,000,000 shares

(2) Total number of issued shares: 16,156,453 shares (including 39,299 treasury shares)

(3) Number of shareholders: 2,267

(4) Principal shareholders

Name	No. of shares held	Shareholding ratio (%)
Atsushi Kawata	6,244,479 Shares	38.74 %
Yasuhisa Hino	2,907,540	18.04
Custody Bank of Japan, Ltd. (Trust Account)	937,600	5.82
NORTHERN TRUST CO.(AVFC) RE THE HIGHCLERE INTERNATIONAL INVESTORS SMALLER COMPANIES FUND	808,900	5.02
The Master Trust Bank of Japan, Ltd. (Trust Account)	729,400	4.53
BBH (LUX) FOR FIDELITY FUND-PACIFIC POOL	265,400	1.65
GOLDMAN SACHS INTERNATIONAL	258,100	1.60
THE BANK OF NEW YORK 133652	251,400	1.56
KIA FUND F149	247,800	1.54
Kunio Fujisaki	184,656	1.15

Note: The shareholding ratio is calculated excluding treasury stock.

(5) Shares granted to Directors and Corporate Auditors of the Company as compensation for execution of duties during the current fiscal year

	Number of shares	Number of recipients
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	6,286 shares	4
Outside Directors (excluding Audit and Supervisory Committee Members)	–	–
Directors (Audit and Supervisory Committee Members)	–	–
Corporate Auditor	–	–

Note: The details of the Company's stock remuneration are presented in "4. Matters regarding Directors and Corporate Auditors of the Company (4) Total remuneration for Directors and Corporate Auditors."

(6) Other important matters regarding shares

Not applicable

3. Matters regarding share acquisition rights, etc. of the Company

Not applicable

4. Matters regarding Directors and Corporate Auditors of the Company

(1) Names of Directors (as of December 31, 2022)

Name	Position and responsibilities	Significant concurrent positions
Atsushi Kawata	CEO	Outside Director of NISSEN INC.
Yasuhisa Hino	Senior Managing Director General Manager for Corporate Department	Director of oRo Miyazaki Co., Ltd. Director of oRo code MOC Co., Ltd.
Hiroshi Ikumoto	Director General Manager of the Marketing Communication Division	Director of oRo Miyazaki Co., Ltd. Director of oRo TECHNOLOGY (DALIAN) Co., Ltd. Director of DALIAN oRo ADVERTISING Co., Ltd. Director of oRo code MOC Co., Ltd. Director of oRo TAIWAN Co., Ltd. Director of oRo (Thailand) Co., Ltd. Chairman of oRo Vietnam Co., Ltd. Director of oRo Malaysia Sdn. Bhd.
Masanori Seimiya	Director General Manager of the Cloud Solutions Division	Director of oRo TECHNOLOGY (DALIAN) Co., Ltd. Director of oRo Miyazaki Co., Ltd. Director of oRo code MOC Co., Ltd.
Kei Sakaguchi	Director（Outside Director）	Professor, Tokyo Institute of Technology
Yoichi Maeda	Director (Outside Director, Full-Time Audit and Supervisory Committee Member	Corporate Auditor of oRo TECHNOLOGY (DALIAN) Co., Ltd. Corporate Auditor of DALIAN oRo ADVERTISING Co., Ltd. Corporate Auditor of oRo TAIWAN Co., Ltd. Controller of oRo Vietnam Co., Ltd. Corporate Auditor of oRo Miyazaki Co., Ltd. Corporate Auditor of oRo code MOC Co., Ltd.
Seiichi Suzuki	Director (Outside Director, Audit and Supervisory Committee Member)	
Minoru Hirooka	Director (Outside Director, Audit and Supervisory Committee Member)	President of Hirooka Certified Public Accountant Office Outside Director (Audit and supervisory committee member) of SE Holdings and Incubations Co., Ltd.

Yuki Imamura	Director (Outside Director, Audit and Supervisory Committee Member)	Counsel at TMI Associates

Notes: 1. Directors Mr. Kei Sakaguchi, Mr. Yoichi Maeda, Mr. Seiichi Suzuki, Mr. Minoru Hirooka, and Ms. Yuki Imamura are Outside Directors.

2. The Company ensures that the execution of duties by Executive Directors is monitored at all times by having the full-time Audit and Supervisory Committee Member attend important meetings and gather information. The full-time Audit and Supervisory Committee Member liaises closely with the accounting auditor and Internal Audit Office, and is appointed for the purpose of making the audit function highly effective through the provision of reports to the Audit and Supervisory Committee, which allows information to be shared and cooperation to be achieved with the Audit and Supervisory Committee Members who are Outside Directors.

3. The Company has designated Directors Mr. Kei Sakaguchi, Mr. Seiichi Suzuki, Mr. Minoru Horooka, and Ms. Yuki Imamura as Independent Officers in accordance with the provisions of the Tokyo Stock Exchange and registered them with the said stock exchange.

4. Audit and Supervisory Committee Member Mr. Minoru Hirooka is qualified as a certified public accountant and has considerable knowledge of finance and accounting.

5. Yuki Imamura's name in the family register is Yuki Yamauchi.

(2) Outline of the details of limited liability agreement

Under the provisions of Article 427, paragraph 1 of the Companies Act, the Company has entered into an agreement with each Outside Director to limit their liabilities under Article 423, paragraph 1 of the said Act. The limit of liability for damages under the agreement shall be the minimum liability amount stipulated in Article 425, paragraph 1 of the Act.

(3) Outline of the details of directors and officers liability insurance policy

The Company has entered into a directors and officers liability insurance policy with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act. The insured parties of the insurance policy are all Directors, Corporate Auditors, Executive Officers, etc. of the Company and its subsidiaries as defined in the Companies Act, and the Company fully bears the insurance premiums for all the insured parties. The policy indemnifies the insured against damage compensation, legal costs and other expenses arising from claims for damages caused by an action (including nonfeasance) of the insured taken as an officer of the company. However, there are certain exemptions, such as in case of actions taken with knowledge of their illegality.

(4) Amount of remuneration for Directors and Corporate Auditors for the current fiscal year

(i) Total amount of remuneration for Directors and Corporate Auditors

Title	Number of recipients	Total amount of remunerations by type (Thousands of yen)		Total (Thousands of yen)	Remarks
		Basic remuneration	Non-monetary remuneration		
Director (excluding Audit and Supervisory Committee Members) （Outside Director）	7 (2)	120,696 (6,750)	15,869 (－)	136,565 (6,750)	
Director (Audit and Supervisory Committee Members) (Outside Director)	4 (4)	22,140 (22,140)	–	22,140 (22,140)	
Corporate Auditor (Outside Director)	3 (3)	4,800 (4,800)	–	4,800 (4,800)	
Total	14	147,636	15,869	163,505	

(ii) Policy for determining content of individual remuneration for Directors and Corporate Auditors

The Company's Board of Directors has established a policy for determining the content of individual remuneration for officers. This policy can be summarized as follows:

The basic policy is to set remuneration at a level that is sufficient to secure the human resources required to improve the Company's business results and enterprise value and to deliver sustainable growth, and that is commensurate with the officer's duties and contribution to business results as well as the financial condition of the Company. Levels at other companies in the same industry are also taken into account.

Remuneration for Directors consists of “basic remuneration,” which is fixed remuneration, and “stock remuneration,” which is non-monetary remuneration. These are determined by resolution of the Board of Directors and are calculated using a method prescribed for each position based on the basic policy. “Non-monetary remuneration” is paid by allotting as shares with restriction on transfer. It is aimed at stimulating the desire of Directors (excluding Directors who are Audit and Supervisory Committee Members; below, “Eligible Directors”) to contribute to increasing the Company’s stock price and its value as an enterprise by having them share with shareholders the benefits and risks of stock price fluctuations. Eligible Directors are granted monetary remuneration receivables up to the total amount of monetary remuneration receivables determined by the Board of Directors and approved at a shareholders meeting. These monetary remuneration receivables are granted as a means of conferring shares with restrictions on transfer. By paying in all these monetary remuneration receivables in the form of equity investment in kind, Eligible Directors receive common stock in the Company through either new issuance or treasury-share disposal.

The content of individual remuneration for Directors for the current fiscal year was determined based on the above-described policy, and we thus believe such content was in accordance with the policy. Meanwhile, remuneration for Outside Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members consists solely of fixed remuneration in view of the fact that they are in a position independent from Executive Directors.

The amount of individual remuneration for Directors who are Audit and Supervisory Committee Members was determined by discussion of Directors who are Audit and Supervisory Committee Members.

Note that on March 25, 2022 the Company established a Nomination and Remuneration Committee as voluntary advisory body to the Board of Directors. Over half the members are independent Outside Directors, and in the future, remuneration for Directors will be determined after a report has been received from this committee.

(iii) Matters regarding resolutions for remuneration for officers etc. approved at the General Meeting of Shareholders

The 24th Annual General Meeting of Shareholders held on March 25, 2022 resolved that the maximum amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) shall not exceed 200 million yen per year (of which the annual amount for Outside Directors shall not exceed 15 million yen per year, while that for Directors who are Audit and Supervisory Committee Members shall not exceed 35 million yen per year. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members at the conclusion of the said Annual General Meeting of Shareholders was five (5) (including one (1) outside director) and four (4), respectively.

The 24th Annual General Meeting of Shareholders held on March 25, 2022 resolved that the amount of monetary remuneration receivables paid as restricted stock remuneration to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) separately from the maximum amount of remuneration for Directors shall not exceed 50 million yen per year (the number of restricted shares to be allotted shall not exceed 15,000 shares per year). The number of Directors at the conclusion of the said Annual General Meeting of Shareholders was four (4).

The 24th Annual General Meeting of Shareholders held on March 25, 2022 resolved to provide rental housing to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) stationed overseas and treat additional education costs for their children incurred due to the overseas assignment as non-monetary remuneration. The meeting also resolved that the maximum monthly amount of non-monetary remuneration to be borne by the Company in such a case shall not exceed 500 thousand yen per month per Director. The number of Directors at the conclusion of the said Annual General Meeting of Shareholders was four (4).

(5) Matters regarding Outside Directors and Outside Corporate Auditors

(i) Significant concurrent positions at other organizations and relationships between the Company and such organizations

Director Mr. Kei Sakaguchi is Professor of Tokyo Institute of Technology. The Company has no conflict of interest with the organization.

Director (Audit and Supervisory Committee Member) Mr. Minoru Hirooka is President of Hirooka Certified Public Accountant Office and Outside Director (Audit and Supervisory Committee Member) of SE Holdings and Incubations Co., Ltd. The Company has no conflict of interest either of the organizations.

Director (Audit and Supervisory Committee Member) Ms. Yuki Imamura is Counsel at TMI Associates. The Company has no conflict of interest with the organizations.

(ii) Main activities in the current fiscal year

(a) Attendance at meetings of the Board of Directors and Audit and Supervisory Committee

	Meetings of the Board of Directors (held 15 times)		Meetings of the Board of Corporate Auditors (held 14 times)		Meetings of the Audit and Supervisory Committee (held 10 times)	
	No. of meetings attended	Attendance rate	No. of meetings attended	Attendance rate	No. of meetings attended	Attendance rate
Kei Sakaguchi Director	15	100%	—	—	—	—
Yoichi Maeda Director (Audit and Supervisory Committee Member	11	100%	—	—	10	100%
Seiichi Suzuki Director (Audit and Supervisory Committee Member)	15	100%	4	100%	10	100%
Minoru Hirooka Director(Audit and Supervisory Committee Member)	15	100%	4	100%	10	100%
Yuki Imamura Director (Audit and Supervisory Committee Member	11	100%	—	—	10	100%

Notes: 1. Mr. Yoichi Maeda and Ms. Yuki Imamura were newly elected as Directors (Audit and Supervisory Committee Members) at the 24th Annual General Meeting of Shareholders held on March 25, 2022 and then took up their posts. Therefore, their attendance at meetings of the Board of Directors held after March 25, 2022 is presented.

2. Mr. Seiichi Suzuki and Mr. Minoru Hirooka were newly elected as Directors (Audit and Supervisory Committee Members) at the 24th Annual General Meeting of Shareholders held on March 25, 2022 and then took up their posts. Therefore, their attendance at meetings of the Board of Directors during the current term was 4 times as Corporate Auditors and 11 times as Audit and Supervisory Committee Members.

(b) Statements made at meetings of the Board of Directors and Audit and Supervisory Committee and duties performed in relation to the expected roles as Outside Director

- Director Mr. Kei Sakaguchi drew on his in-depth expertise and experience cultivated as a scholar of information and communication engineering to ask questions, give advice, and make suggestions at meetings of the Board of Directors as appropriate from an objective standpoint. He therefore performed a suitable role for ensuring the reasonableness and appropriateness of decision-making by the Board of Directors.
- Director (Audit and Supervisory Committee Member) Mr. Yoichi Maeda drew on the wealth of experience and broad knowledge he accumulated over many years at a non-financial company to ask questions, give advice, and make suggestions at meetings of the Board of Directors as appropriate and from an objective standpoint. He therefore performed a suitable role for ensuring the reasonableness and appropriateness of decision-making by the Board of Directors. Furthermore, at meetings of the Audit and Supervisory Committee, he reported on the status of audits as the full-time Audit and Supervisory Committee Member, and exchanged opinions on the results of audits and engaged in discussions on important audit-related matters. And besides the above, he participated as Chairman in meetings of the Nomination and

Remuneration Committee, and fulfilled the role expected of him.

- Director (Audit and Supervisory Committee Member) Mr. Seiichi Suzuki drew on the wealth of experience and broad knowledge he accumulated over many years at a non-financial company to ask questions, give advice, and make suggestions at meetings of the Board of Directors as appropriate and from an objective standpoint. He therefore performed a suitable role for ensuring the reasonableness and appropriateness of decision-making by the Board of Directors. Furthermore, at meetings of the Board of Corporate Auditors and the Audit and Supervisory Committee, he exchanged opinions on the results of audits and engaged in discussions on important audit-related matters. And besides the above, he participated in meetings of the Nomination and Remuneration Committee, and fulfilled the role expected of him.
- Director (Audit and Supervisory Committee) Member Mr. Minoru Hirooka drew on his expertise as a CPA to ask questions, give advice, and make suggestions at meetings of the Board of Directors as appropriate and from an objective standpoint. He therefore performed a suitable role for ensuring the reasonableness and appropriateness of decision-making by the Board of Directors. Furthermore, at meetings of the Board of Corporate Auditors and the Audit and Supervisory Committee, he exchanged opinions on the results of audits and engaged in discussions on important audit-related matters.
- Director (Audit and Supervisory Committee) Member Ms. Yuki Imamura drew on her expertise as an attorney to ask questions, give advice, and make suggestions at meetings of the Board of Directors as appropriate and from an objective standpoint. She therefore performed a suitable role for ensuring the reasonableness and appropriateness of decision-making by the Board of Directors. Furthermore, at meetings of the Audit and Supervisory Committee, she exchanged opinions on the results of audits and engaged in discussions on important audit-related matters.

5. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of remuneration for the Accounting Auditor for the current fiscal year

(i)	Amount of remuneration to be paid to the Accounting Auditor for the current fiscal year	54,000 thousand yen
(ii)	Total amount of money and other property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	54,000 thousand yen

Notes: 1. The Audit and Supervisory Committee of the Company provided consent to the amount of remuneration for the Accounting Auditor under Article 399, paragraph 1 of the Companies Act, following the examination of the relevant factors including the number of days spent for audit work, staffing, etc., as part of the audit plan for the current fiscal year presented by the Accounting Auditor, as well as the verification and assessment of the audit work performed in the previous fiscal year, adequacy of progress in audit work by the Accenting Auditor, and the basis of calculation for the cost estimation presented as prerequisite to the amount of remuneration.

2. The audit agreement entered into between the Company and the Accounting Auditor does not clearly distinguish—as this cannot be distinguished practically—the amount of remuneration for audits under the Companies Act and that under the Financial Instruments and Exchange Act. Therefore, the "Amount of remuneration to be paid to the Accounting Auditor for the current fiscal year" is the sum of the amount of such remuneration.

3. Some of the Company's consolidated subsidiaries are audited by audit firms other than the Company's Accounting Auditor.

(3) Policy for decisions on dismissal or non-reappointment of Accounting Auditor

In the event that the Accounting Auditor is deemed to fall under any of the items set forth in Article 340, paragraph 1 of the Companies Act, the Audit and Supervisory Committee of the Company shall dismiss the Accounting Auditor with the consent of all members of the committee. In this case, a Corporate Auditor selected by the Company's Audit and Supervisory Committee shall report the fact and the reason for the dismissal at the first general meeting of shareholders to be held after the dismissal.

In addition to the above, if it is deemed difficult for the Accounting Auditor to properly perform its duties due to the occurrence of events that impair its qualification or independence, the Audit and Supervisory Committee of the Company shall decide a proposal on dismissal or non-reappointment of the Accounting Auditor to be submitted to a general meeting of shareholders.

(4) Outline of the details of limited liability agreement

Not applicable.

6. Systems and policies of the Company

(1) Systems to ensure the proper business process

The Board of Directors of the Company resolved at its meeting the Basic Policy on Internal Control System to put in place a system to ensure that the performance of duties by directors should comply with laws and the Articles of Incorporation as well as other systems to ensure the proper corporate business process.

The Basic Policy on Internal Control System was revised when the Company established the Audit and Supervisory Committee on March 25, 2022. Below is a summary of the revised version, which was adopted by resolution:

(i) Corporate Philosophy

- "With the commitment of all employees in creating what they can proudly present to the world (namely our organization with its products, and services), oRo's goal is to continue to deliver more happiness and joy to more people (coworkers, families, business partners, shareholders and society), and lead all our employees to self-fulfillment through our efforts to achieve this goal."

(ii) Internal system to ensure the performance of duties by directors and employees should comply with laws and the Articles of Incorporation

- According to the Business Ethics, we shall cultivate the spirit among all the officers and employees to comply with the relevant laws, the Articles of Incorporation, rules and social ethics, and make them understand the compliance with these laws and rules is precondition to our corporate activities.
- In addition to our Management Philosophy, we shall establish our Action Guideline not only for our

directors and employees to comply with the relevant laws and the Articles of Incorporation, but also to build up a corporate culture to operate business with a sense of ethics

- We shall establish "Internal Reporting Rules" in order to take proper actions for reports of failures to comply with the relevant laws or other regulations, and manage the internal reporting system for the purpose of detecting early on and correct failure or possible failure to comply with the relevant laws and the Article of Incorporation and other internal rules, based on the Internal Reporting Rules. Furthermore, the desk for receiving internal reports shall report promptly on the status of internal reports to the Audit and Supervisory Committee.
- We shall propose the election of outside directors to improve and maintain the level of supervision of the Board of Directors.
- The Audit and Supervisory Committee shall audit the situation of performance of duties by each of the directors (excluding directors who are Audit and Supervisory Committee Members), from its independent standpoint, including the status of organizing and operating the internal control system, in accordance with the "Audit Standard for Audit and Supervisory Committee Members" and the "Audit Plan."
- The Internal Audit Office shall audit whether we appropriately perform the business processes in accordance with the relevant laws, the Articles of Incorporation and other rules.
- As initiative to ensure and strengthen sense of compliance, we shall provide workshops to study the basics of compliance and information management required for performance of duties for directors and employees of our company for the purpose of continuous education and its diffusion.

(iii) System to save and administer information regarding the performance of duties by directors

- As for information regarding the performance of duties by directors, we shall produce, save and administer such information in written form (including electronic form) in accordance with the relevant laws and the "Document Management Regulations." We shall verify the operation of this system or review the rules if necessary.
- It shall be a system to save and administer the documents mentioned above so that anyone can immediately review the documents if it is necessary for directors to do so for the purpose of performing their duties.

(iv) Rules and other systems for management of risks of loss

- In accordance with the "Risk Management Regulations" providing for the basic rules for risk management, we shall establish a Risk Management Committee for comprehensive and systematic management of each risk.
- Head of each department shall provide the risk-related information to the Board of Directors.
- In case of unexpected incident or situation, we shall set up a task force under supervision of the CEO and take immediate and precise actions, jointly with the external specialized institutions, such as the office of corporate lawyer, if necessary, in order to minimize possible damages.

(v) System to ensure the efficient performance of duties by directors

- We shall comply with the "Board of Directors Regulations" and hold once a month a meeting of the Board of Directors consisting of directors including outside directors, and further hold an extraordinary meeting of the Board of Directors on a timely basis if necessary.
- We shall prepare sufficient information materials in advance regarding items to be decided set force in the "Board of Directors Regulations" and make sure the items should be decided by the Board of Directors.
- We shall identify targets of each department and its responsibility based on a business plan, and make efforts to achieve the initial business targets through the analysis of difference between the budget and the actual figures.
- In order to accelerate the decision-making process, we shall establish and organize internal rules such as "Internal Regulations," "Segregated Duties Regulations" and "Official Authority Regulations" to identify the role, authority and responsibilities of each director.

- As for the items out of duties and authority, we shall establish and operate a system of executing business to decide things based on the agreement among the CEO and officer(s) in charge after the expert opinions from the responsible department have been reflected.

(vi) System to ensure the proper business process among the corporate group consisting of our company and its subsidiaries

- We shall establish the "oRo Group Policy," a system of philosophy such as the policy on human resources or the compliance policy in the oRo Group (corporate group) to share with and infiltrate the Management Philosophy into the corporate group and ensure its proper business process.
- Our subsidiaries shall report anything set forth in the "Affiliated Companies Management Regulations" requiring approval by and reporting to our company, and report the progress of the performance of duties on a regular basis in order to ensure the proper business process while we share information both on management administration and risk management.
- Chief responsible person(s) specified in the "Affiliated Companies Management Regulations" shall immediately inform the Board of Directors of our company of the nature of risk, the extent of the possible damage and the impact on our business if the director found out that there is a risk of damage to be suffered by any subsidiary.
- Our subsidiaries shall be subject to a regular internal audit to be conducted by the Internal Audit Office of our company and report the result of the audit to the CEO, Board of Directors, and Audit and Supervisory Committee of our company.
- Audit and Supervisory Committee Member(s) selected by the Audit and Supervisory Committee shall visit subsidiaries and audit the status of their business execution as necessary.
- We shall, as necessary, dispatch director(s) or employee(s) of our company to subsidiaries as directors of the subsidiaries, and said director(s) or employee(s) shall supervise the performance of duties by director(s) of subsidiaries.
- We shall establish an Internal Reporting System that can be directly used by directors, corporate auditors, and employees of subsidiaries in order to promptly discover and rectify actual or potential violations of laws, ordinances, articles of incorporation, or other internal rules.

(vii) Items regarding employee to support the performance of the duties of the Audit and Supervisory Committee, items regarding the independence of this employee from director(s), and items to ensure the effectiveness of instructions

- We shall hire an employee for the Audit and Supervisory Committee to support the performance of its duties if the Audit and Supervisory Committee needs to do so, and discuss its selection and appointment at a meeting of the Audit and Supervisory Committee.
- In order to ensure the independence of such an employee working for the Audit and Supervisory Committee from directors (excluding directors who are Audit and Supervisory Committee Members), advance consultation with and the agreement of the Audit and Supervisory Committee shall be required for appointment, transfer, evaluation, and dismissal of the employee.
- An employee to support the performance of duties by the Audit and Supervisory Committee shall comply with instructions and orders given by the Audit and Supervisory Committee whenever he/she supports the Audit and Supervisory Committee, and shall not be subject to any instruction or order given by directors (excluding directors who are Audit and Supervisory Committee Members).

(viii) System for director(s) (excluding directors who are Audit and Supervisory Committee Member(s)) and employee(s) to report to the Audit and Supervisory Committee

- System for our Company's director(s) (excluding directors who are Audit and Supervisory Committee (Member(s)) and employee(s) to report to the Audit and Supervisory Committee
  a. An Audit and Supervisory Committee Member has a right to attend meetings of the Board of Directors and all other internal meetings and to demand reports if necessary.

b. Director(s) (excluding directors who are Audit and Supervisory Committee Members and employee(s) shall periodically report the status of internal controls to the Audit and Supervisory Committee, and the Internal Audit Office shall periodically report the plans for and the results of its internal audits.
c. Director(s) and employee(s) shall immediately inform the Audit and Supervisory Committee of the fact that there is a material breach of the relevant laws and the Articles of Incorporation and wrongful acts, or the fact that there is an incident that is likely to significantly damage the business of our company whenever they came to know them.

- System for director(s), corporate auditor(s), and employee(s) of our subsidiaries or those who received a report from them to report to the Audit and Supervisory Committee of our company

  Upon request from the Audit and Supervisory Committee of our company, they shall report the status of the performance of their duties, and immediately inform the Audit and Supervisory Committee of our company of the fact that there is a material breach of the relevant laws and the Articles of Incorporation and wrongful acts, or the fact that there is an incident that is likely to significantly damage the business of our company and subsidiaries whenever they came to know them.

(ix) System to ensure that a person who reported the fact as described in the preceding item would not be unfavorably treated just because that person reported it

- We shall prohibit to unfavorably treat director(s) and employee(s) who reported to the Audit and Supervisory Committee because they reported to the Audit and Supervisory Committee.

(x) Items regarding the policy on the settlement of expenses or debts arising out of the performance of duties by an Audit and Supervisory Committee Member

- We shall set forth a billing and settlement system for expenses arising out of the performance of duties by an Audit and Supervisory Committee Member, and when the Audit and Supervisory Committee Member asks for advance payment or redemption for such expenses, we shall settle the payment or redeem them following the designated procedures unless we clearly decide these expenses are not necessary for the Audit and Supervisory Committee Member to perform his/her duties.

(xi) Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively

- We shall call on persons who have plenty of experience of or expertise in corporate management, or qualified persons such as certified public accountants as Audit and Supervisory Committee Members and keep their independence from those who execute operations, such as the CEO or directors (excluding directors who are Audit and Supervisory Committee Members) of our company.
- The Audit and Supervisory Committee shall meet the CEO of our company on a regular basis to exchange opinions and information.
- The Audit and Supervisory Committee Member and the Internal Audit Office shall closely cooperate and produce audit plans. Furthermore, the Audit and Supervisory Committee may instruct the office to conduct an investigation if necessary. The Internal Audit Office, when performing duties under instruction from the Audit and Supervisory Committee, shall comply with instructions and orders given by the Audit and Supervisory Committee, and shall not be subject to any instruction or orders given by the CEO.
- Advance consultation with and the agreement of the Audit and Supervisory Committee shall be required for appointment, transfer, evaluation and dismissal of Internal Audit Office personnel.

(xii) System to ensure the reliability of financial reporting

- We shall establish and organize accounting rules and set forth the “Basic Policy on the Improvement of the Internal Control System related to Financial Reports” in order to manage possible risks of fraud or error in financial reporting, organize, operate and evaluate the prevention and check-and-balance functions, and correct them if there is any defect or fault.

(xiii) System for elimination of antisocial forces

- We shall take actions against antisocial forces posing a threat to the public order or healthy activities by companies in a resolute attitude across the company including cooperation with related entities, and never get involved in anything related to or associated with antisocial forces or ban a relationship with them.

We shall continue to organize and maintain the system to eliminate antisocial forces while we cooperate with police and related entities as well as expert institutions such as lawyers

(2) Overview of the operational status of systems to ensure the proper business process

An overview of the operational status of systems to ensure proper business process at the Company during the current fiscal year is provided below.

Note that on March 25, 2022 the Company replaced its Board of Corporate Auditors with the Audit and Supervisory Committee, and the following overview concerns operational status after this change. That being said, similar systems had been established and were in operation for Corporate Auditors and the Board of Corporate Auditors prior to the change.

- In addition to regular meetings held once a month, the Board of Directors holds an extraordinary meeting as necessary. It discusses, adopts resolutions, and makes reports concerning legally-mandated matters, management, and business execution. In addition, the Company’s Board of Directors supervises business execution by the Directors themselves, taking into account the viewpoints of Outside Directors, who make up the majority of the Board.
- The Business Strategy Committee is composed of a total of five persons (the CEO, Executive Directors, and the Director who is the full-time Audit and Supervisory Committee Member), and holds a meeting once a month to deliberate and make decisions on management issues such as matters related to basic management policies and important initiatives, and matters related to proposals to be submitted to the Board of Directors.
- The Weekly Report Committee is composed of a total of nine persons (the CEO, Executive Directors, Directors who are Audit and Supervisory Committee Members, and four officers above a certain rank from Group companies), and holds a meeting once a week to share information by making reports, for example on the progress of business results and other operating matters, in addition to making decisions based on their authority.
- The Risk Management Committee is composed of six persons (Executive Directors, the full-time Audit and Supervisory Committee Member, and one employee from the legal affairs department), and holds a meeting regularly to share information by making reports, for example on the progress of the Company’s risk analysis and risk management measures as well as on the maintenance and status of the internal reporting system.
- In addition to regular meetings, held once a month, the Audit and Supervisory Committee holds an extraordinary meeting as necessary. At meetings of the Audit and Supervisory Committee, reports are made, necessary deliberations are conducted, and resolutions are adopted in accordance with the audit policy, audit plan, and division of duties determined by the committee. In addition, the Audit and Supervisory Committee conducts audits by attending important internal meetings and having selected members investigate operations and the status of assets. Furthermore, by receiving reports from departments that perform monitoring functions, such as the Internal Audit Office, it utilizes the internal control system to conduct organizational audits.

- The Internal Audit Office, which reports directly to the CEO and operates in accordance with approvals granted and orders issued by the CEO, conducts assessments of the status of establishment and operation of internal controls from the viewpoints of operational effectiveness/efficiency, reliability of financial reports, legal compliance, and preservation of the Company's assets, and provides advice and recommendations for improving risk management, control methods, and the appropriateness and effectiveness of governance.
- The Company has established the Nomination and Remuneration Committee as a voluntary advisory body to the Board of Directors. Half the members of this committee are independent Outside Directors, and the committee deliberates on the nomination of Director candidates, succession planning, and the fairness and appropriateness of remuneration for Directors.

Note: Amounts and numbers of shares stated in this Business Report are rounded down to the nearest unit.

Consolidated Financial Statements

Consolidated Statement of Financial Position

（As of December 31, 2022）

(Thousands of yen)

Account	Amount	Account	Amount
(Assets)		**(Liabilities)**	
Current assets	**9,408,149**	**Current liabilities**	**3,288,054**
Cash and cash equivalents	6,831,944	Trade and other payables	403,582
Trade and other receivables	1,405,886	Contract liabilities	1,801,890
Contract assets	514,034	Lease liabilities	190,993
Other financial assets	583,023	Income tax payables	475,244
Other current assets	73,258	Provisions	5,165
		Other current liabilities	411,178
Non-current assets	**1,637,606**	**Non-current liabilities**	**420,264**
Property, plant and equipment	828,245	Lease liabilities	288,162
Intangible assets	70,689	Provisions	132,102
Other financial assets	102,564	**Total liabilities**	**3,708,319**
Deferred tax assets	596,601	**(Equity)**	
Other non-current assets	39,505	**Equity attributable to owners of parent**	**7,331,089**
		Capital stock	1,193,528
		Capital surplus	1,095,202
		Treasury shares	(141,788)
		Retained earnings	5,117,976
		Other components of equity	66,170
		Non-controlling interests	**6,347**
		Total equity	**7,337,436**
Total assets	**11,045,755**	**Total liabilities and equity**	**11,045,755**

Consolidated Statement of Income
（Fiscal Year Ended December 31, 2022）

(Thousands of yen)

Account	Amount
Revenue	**6,210,714**
Cost of sales	**2,222,269**
Gross profit	**3,988,444**
Selling, general and administrative expenses	1,688,925
Research and development	42,579
Other income	30,918
Other expenses	1,294
Operating profit	**2,286,563**
Finance income	73,163
Finance costs	7,249
Profit before tax	**2,352,477**
Income tax expenses	722,185
Profit	**1,630,291**
Profit attributable to:	
Owners of parent	1,623,552
Non-controlling interests	6,738
Profit	**1,630,291**

Consolidated Statement of Changes in Equity
(Fiscal Year Ended December 31, 2022)

(Thousands of yen)

	Equity attributable to owners of parent			
	Capital stock	Capital surplus	Treasury shares	Retained earnings
Balance as of January 1, 2022	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)	1,585,676	(1,805,756)
Balance as of December 31, 2022	1,193,528	1,095,202	(141,788)	5,117,976

	Equity attributable to owners of parent				Non-controlling interests	Equity
	Other components of equity			Total		
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Total			
Balance as of January 1, 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				–		–
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 as of December 31, 2022	–	66,170	66,170	7,331,089	6,347	7,337,436

Notes to the Consolidated Financial Statements

(Notes to Significant Matters Forming the Basis for Preparing Consolidated Financial Statements)

1. Standards for preparing consolidated financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), pursuant to Article 120, Paragraph 1 of the Regulations on Corporate Accounting. Certain disclosure items required by IFRS are omitted pursuant to the latter part of the same paragraph.

2. Scope of consolidation

Number of consolidated subsidiaries:	9 companies
Names of subsidiaries:	oRo TECHNOLOGY (DALIAN) Co., Ltd.
	oRo Vietnam Co., Ltd.
	oRo Malaysia Sdn. Bhd.
	oRo (Thailand) Co., Ltd.
	oRo TAIWAN Co., Ltd.
	DALIAN oRo ADVERTISING Co., Ltd.
	oRo Miyazaki Co., Ltd.
	oRo Digital Asia Pte. Ltd.
	oRo code MOC Co., Ltd.

oRo Digital Asia Sdn. Bhd. has been excluded from the scope of consolidation because it was liquidated.

3. Application of equity method

DO HOUSE Thailand Co., Ltd., an affiliated company not accounted for by the equity method in previous fiscal years, has been excluded from the scope of equity method application because it was liquidated.

4. Fiscal year, etc. of the consolidated subsidiaries

The balance sheet date of all subsidiaries is December 31, which is the same as the consolidated balance sheet date.

5. Accounting policies

(1) Valuation standards and methods for significant assets

1) Financial assets

(i) Initial recognition and measurement

Financial assets are initially recognized at the transaction date when the Group becomes a party to the contract and are classified as financial assets measured either at amortized cost or at fair value.

Except for trade receivables that do not contain a significant financing component, all financial assets are measured at fair value plus transaction costs.

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade receivables that do not contain a significant financing component are measured at the transaction price.

(b) Financial assets measured at fair value

Equity instruments such as shares held mainly for the purpose of maintaining or strengthening business relationships with investees are designated at initial recognition as financial assets measured at fair value through other comprehensive income, and such designation is applied on an ongoing basis.

(ii) Subsequent measurement

After initial recognition, financial assets are measured as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are recognized at the gross carrying amount using the effective interest method less accumulated impairment losses.

(b) Financial assets measured at fair value through other comprehensive income

Subsequent changes in the fair value of equity instruments such as shares are recognized in other comprehensive income. When the instrument is disposed of, the cumulative gain or loss recognized through other comprehensive income is transferred from other components of equity to retained earnings.

Dividends from such financial assets are recognized as profit or loss to be included in “finance income.”

(iii) Impairment of financial assets and other assets

A loss allowance is recognized for expected credit losses on financial assets and contract assets measured at amortized cost and contract assets.

A loss allowance for a financial asset is measured at each fiscal year-end based on an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition. If it is determined that the credit risk of the financial asset has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the expected credit losses over the expected remaining lifetime of the financial asset. If it is determined that the credit risk of the financial asset has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the expected credit losses that will be incurred within 12 months after the fiscal year-end. However, for trade receivables and contract assets, the loss allowance is always measured at an amount equal to the lifetime expected credit losses.

Expected credit losses are measured at the present value of the difference between the total contractual cash flows payable to the Group and the future cash flows estimated to be received by the Group, which are recognized in profit or loss. In subsequent periods, if an event occurs that reduces the loss allowance, a reversal of the loss allowance is recognized in profit or loss.

If the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, such an amount is directly deducted from the carrying amount of the financial asset.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers the contractual rights to receive the cash flows of the financial asset, thereby transferring substantially all the risks and rewards of ownership of the financial asset.

(2) Depreciation and amortization methods for significant depreciable assets

1) Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses, using the cost model.

The cost of property, plant and equipment includes costs directly attributable to the acquisition of the asset and the costs of dismantlement, removal and restoration.

After initial recognition, property, plant and equipment are depreciated on a straight-line basis over their respective estimated useful lives. The estimated useful lives of major items of property, plant and equipment are as follows:

- Buildings 3-18 years
- Tools, furniture and fixtures 3-10 years
- Right-of-use assets 1-7 years

The estimated useful lives, residual values and depreciation methods are reviewed at each fiscal year-end, and any changes are applied prospectively as changes in accounting estimates.

2) Intangible assets

Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, using the cost model.

Intangible assets acquired separately are initially measured at cost.

After initial recognition, intangible assets are amortized on a straight-line basis over their respective estimated useful lives. The estimated useful lives of major intangible assets are as follows:

- Software 3-5 years
- Trademark right 10 years

The estimated useful lives, residual values and amortization methods are reviewed at each fiscal year-end, and any changes are applied prospectively as changes in accounting estimates.
Expenditures for research activities are recognized in profit or loss as incurred. Expenditures for development activities meeting all the requirements for asset recognition are measured and carried in the consolidated statement of financial position at the total amount of expenditures incurred from the date the requirements for asset recognition are met to the date the development is completed.

3) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is determined to be, or contain, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When it is determined that a contract is a lease, or contains, a lease, a right-of-use asset and a lease liability are recognized at the commencement date of the lease. The lease liability is measured at the present value of the total accrued lease payments, and the right-of-use asset is measured at cost, which is the amount of the initial measurement of the lease liability adjusted for any initial direct costs incurred by the lessee. In measuring right-of-use assets and lease liabilities, as a practical expedient, the Group elects to recognize each lease component and any associated non-lease components not separately but as a single lease component.

After initial recognition, right-of-use assets are depreciated on a straight-line basis over the lease term. The lease term of the right-of-use asset is estimated by taking into account the non-cancelable term of the lease and options to extend and terminate the lease.

Lease payments are allocated to finance costs and repayment of lease liabilities based on the interest method, with the finance costs recognized in the consolidated statement of income.

Right-of-use assets are included in “property, plant and equipment” in the consolidated statement of financial position.

The Group elects not to recognize right-of-use assets or lease liabilities for short-term leases with a lease term of 12 months or less and leases of low-value assets, including leases of IT equipment. Instead, the Group recognizes lease payments for these leases as expenses on a straight-line basis over the lease term.

(3) Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets, other than deferred tax assets, are assessed at each fiscal year-end to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. The value in use is determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Assets not tested individually for impairment are integrated into the smallest cash-generating unit that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets.

An impairment loss is recognized in profit or loss when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

The Group assesses whether there is any indication that an impairment loss recognized in prior fiscal years for an asset or cash-generating unit may have decreased or may no longer exist. If any such indication exists, the recoverable amount of that asset or cash-generating unit is estimated. If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed to the extent that the carrying amount of the asset or cash-generating unit is not increased above the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset or cash-generating unit in prior fiscal years.

(4) Standards for recording significant provisions

A provision is recognized when:

• the Group has a present obligation (legal or constructive) as a result of a past event;

• it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

• a reliable estimate can be made of the amount of the obligation.

A provision is determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount due to the passage of time is recognized as "finance costs."

The Group recognizes provisions mainly for loss on orders received, product warranties and asset retirement obligations.

1) Provision for loss on orders received

To prepare for future losses on orders received, a provision is recognized for the estimated amount of losses to be incurred after the end of the reporting period, when it is probable that future losses will be incurred and the amount of such losses can be estimated reliably as of the end of the reporting period.

2) Provision for product warranties

To provide for costs of product warranties for a certain period of time related to software, a provision is recognized for the estimated amount of costs to be incurred after the end of the reporting period, when it is probable that future costs will be incurred and the amount of such costs can be estimated reliably as of the end of the reporting period.

3) Asset retirement obligations

When the Group has a legal obligation required by law or contract for the removal of property, plant and equipment used in an ordinary way, such as a restoration obligation associated with a lease agreement for a building used by the Group, an asset retirement obligation is recognized based on the estimated amount of future expenditures determined mainly based on past experience.

(5) Standards for recording revenues and expenses

1) Revenue recognition

The Group recognizes revenue from contracts with customers based on the following five-step approach:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

Performance obligations and revenue recognition by type of service are described in (Notes to Revenue) 1.

Disaggregation of revenue.

2) Revenue presentation

The Group determines whether it is a principal or an agent in a revenue transaction by the criteria: whether the nature of its promise in the transaction is a performance obligation to provide the specified goods or services itself that are controlled by the Group before transferred to the customer (i.e., a principal) or to arrange for those goods or services to be provided by the other party (i.e., an agent).

The Group assesses whether it acts as a principal or as an agent in a transaction, considering the following indicators:

• Is the Group primarily responsible for providing goods or services or fulfilling orders to the customer?

• Does the Group assume inventory risk before or after placement of an order by the customer, during transportation, or upon return of goods?

• Does the Group have the right to determine prices directly or indirectly?

When the Group is determined to be a principal in a transaction, revenue is presented on a gross basis, and when the Group is determined to be an agent, revenue is presented on a net basis.

(6) Standards for translating assets and liabilities denominated in foreign currencies into Japanese yen

Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, with amounts rounded down to the nearest thousand yen.

1) Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of each company in the Group at the exchange rate on the transaction date.

Monetary assets and liabilities denominated in foreign currencies date are translated into the functional currency at the exchange rate prevailing at the fiscal year-end.

Translation differences arising from translation or settlement are recognized in profit or loss.

2) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated using the exchange rate at the fiscal year-end. Revenues and expenses of foreign operations are translated using the average exchange rate for the period unless there were significant exchange rate fluctuations. Translation differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income, with the cumulative amount recognized in other components of equity, except for the portion allocated to non-controlling interests. Translation differences of foreign operations are recognized in profit or loss in the period in which the foreign operations are disposed of.

When the Group loses control, significant influence or joint control over a foreign operation upon disposal of part or all of that foreign operation, the cumulative amount of the translation differences related to the foreign operation is reclassified from equity to profit or loss.

(Notes to Accounting Estimates)

(Estimates of recognition period for revenue from license fees arising from one-time purchase contracts of the cloud ERP system)

(1) The amount recorded in the consolidated financial statements for the current fiscal year

Revenue from software license fees arising from one-time purchase contracts of the cloud ERP system	791,936 thousand yen

(2) Information on significant accounting estimates for the items identified

The cloud ERP system "ZAC" is treated as a single performance obligation because it is provided in a combination of software licensing, maintenance, and related system integration services through which customers can enjoy the benefits of using such an ERP system. Of software license fees, those arising from one-time purchase contracts are received by the Group in a lump sum at the time of the conclusion of a contract with the customer, which will be recognized as revenue for accounting over the period during which such fees are estimated to provide material rights to the customer. Specifically, as the one-time purchase fee is approximately equivalent to the 30-month fee of a SaaS contract, the amount of such a one-time purchase fee is allocated to the material right and recognized as revenue over the 30 months.

The period during which such a one-time purchase fee is estimated to provide material rights to the customer is an accounting estimate that requires management judgment since such a period can be shorter than a period of use by the Group's typical customers as the contract period is not specified in the contracts concluded with customers. If such a period needs to be revised due to changes in customer needs and pricing structures, etc., it could cause a significant impact on the consolidated financial statements for the following fiscal year.

(Notes to Consolidated Statement of Financial Position)

(1) Loss allowance deducted directly from assets

Trade and other receivables	133 thousand yen
Other non-current assets	1,203 thousand yen

(2) Accumulated depreciation and accumulated impairment losses on property, plant and equipment	1,021,101 thousand yen

(3) Contingent liabilities

(Litigation, etc.)

In June 2022, a former employee of the Company filed a lawsuit (claiming 77,142 thousand yen) with the Chiba District Court against the Company for damages based on a breach of the safety and health obligation under the employment contract at the time of employment (before 2012), and the case is currently pending. Although there is a possibility that the Company's results of operations may be affected depending on future developments, it is difficult to reasonably estimate the amount of the impact at this time.

(Notes to Consolidated Statements of Changes in Equity)

1. Class and total number of shares issued at the end of the current fiscal year

Common stock 16,156,453 shares

2. Class and number of treasury shares at the end of the current fiscal year

Common stock 39,299 shares

3. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Dividend resource	Total amount of dividends (thousand yen)	Dividend per Share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 25, 2022	Common stock	Retained earnings	241,663	15.00	December 31, 2021	March 28, 2022

(2) Dividends with a record date in the current fiscal year but with an effective date in the following fiscal year

The following resolution is scheduled.

Resolution (planned)	Class of shares	Dividend resource	Total amount of dividends (thousand yen)	Dividend per Share (yen)	Record date	Effective date

Annual General Meeting of Shareholders held on March 24, 2023	Common stock	Retained earnings	322,343	20.00	December 31, 2022	March 27, 2023

4. The class and number of shares to be issued upon the exercise of stock acquisition rights at the end of the current fiscal year (except for those shares whose first date of exercise period has not passed).

   Not applicable

(Notes to Financial Instruments)

1. Status of financial instruments

(1) Policies for financial instruments

The Group manages its funds by investing in very low-risk deposits and other instruments.

(2) Description of financial instruments and associated risks

Foreign currency deposits are exposed to foreign exchange rate fluctuation risk.

Notes and accounts receivable - trade, which are trade receivables, are exposed to customer credit risk. Investment securities, which are mainly composed of equity securities issued by those who have business relationships with the Group, are exposed to market price fluctuation risk.

Notes and accounts payable – trade, which are trade payables, are mainly due within one year.

(3) Risk management for financial instruments

Financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, and market price fluctuation risk) in the course of its business activities. To mitigate such financial risks, the Group takes steps under its risk management policies.

Credit risk management

Credit risk is the risk that a counterparty to a financial asset held by the Group will default on its contractual obligations, resulting in the Group incurring a financial loss.

To mitigate credit risk on trade receivables, the Group manages due dates and outstanding balances for each counterparty, thereby identifying at an early stage concerns about collection, such as due to deterioration in financial conditions.

The carrying amount after impairment of financial assets presented in the consolidated financial statements represents the maximum exposure of the Group's financial assets to credit risk, without taking into account the value of collateral.

Note that the Group has no properties held as collateral or other credit enhancements against exposure to credit risk.

The Group measures expected future credit losses and recognizes a loss allowance for trade receivables and other financial assets and contract assets, taking into consideration whether there has been a significant increase in credit risk. The Group assesses whether there has been a significant increase in credit risk by considering the counterparty's operating results, past due information, forward-looking statements, and other available information. Credit losses on credit-impaired financial assets and financial assets with significantly increased credit risk are measured individually. Credit losses on other financial assets are measured collectively by grouping the financial assets based on the nature of the transaction, past delinquencies, and other characteristics. The Group determines that a financial asset is credit-impaired upon the following events:

- significant financial difficulties of the borrower;
- granting of concessions related to the borrower's financial difficulties; or

• bankruptcy etc., of the borrower.

The loss allowance for trade receivables and contract assets is always measured at an amount equal to the lifetime expected credit losses. The loss allowance for financial assets other than trade receivables is measured at an amount equal to the 12-month expected credit losses; however, if there is a significant increase in credit risk, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

If the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, such an amount is considered to be in default and thus directly deducted from the carrying amount of the financial asset.

2. Fair value and carrying amount of financial instruments

The fair value and carrying amount of financial assets as of December 31, 2022 of the current fiscal year are as follows. Note that financial instruments measured at fair value and financial instruments whose carrying amount closely approximates their fair value are not included in the table below.

(Thousands of yen)

	Carrying amount	Fair value
Financial assets		
Financial assets measured at amortized cost		
Other financial assets		
Lease and guarantee deposits	102,512	102,834
Total	102,512	102,834

3. Fair value information by level within the fair value hierarchy

The fair value hierarchy for financial instruments is categorized into the following three levels:

Level 1: Fair value measured at quoted prices in active markets for identical assets or liabilities

Level 2: Fair value measured using observable inputs other than Level 1, either directly or indirectly

Level 3: Fair value measured using valuation techniques with unobservable inputs

Fair value measurements are classified into Level 1 through Level 3 based on the observability and significance of the inputs used for the measurement. Transfers between levels of the fair value hierarchy are recognized as if they occurred at the end of each reporting period.

(1) Financial instruments measured at amortized cost

Financial assets measured at amortized cost are classified by level of the fair value hierarchy as follows. Note that financial instruments whose carrying amount closely approximates their fair value are not included in the table below.

(Thousands of yen)

	Level 1	Level 2	Level 3	Total
Financial instruments				
Financial assets measured at amortized cost				
Lease and guarantee deposits	–	102,834	–	102,834
Total	–	102,834	–	102,834

(Notes to Revenue)

1. Disaggregation of revenue

The Group establishes Cloud Solutions and Digital Transformation as two separate reportable segments. The breakdown of revenue from contracts with customers in each business segment is as follows:

(Thousands of yen)

	Cloud Solutions	Digital Transformation	Total
ZAC license fee, maintenance fee, and SaaS and other monthly service fees	2,608,026	−	2,608,026
ZAC ERP installation consultation, customization	701,558	−	701,558
Reforma PSA	146,119	−	146,119
Other products, etc.	86,280	−	86,280
Marketing / promotion	−	1,053,932	1,053,932
System/website integration, etc.	−	951,920	951,920
Operation support, Operation office	−	662,877	662,877
Total	3,541,984	2,668,729	6,210,714

Cloud Solutions

1) The business segment "ZAC license fee, maintenance fee, and SaaS and other monthly service fees" includes sales of software license, maintenance of systems, provision of cloud environment and monthly service on SaaS contract, with regard to "ZAC.". The Company provides a combination of software licensing, system maintenance, cloud environment provision, and other services that are necessary for customers to use the systems to allow the customers to enjoy the benefits of using the systems, and thus these are considered a single performance obligation.

   There are two types of software licensing contracts: one-time purchase contract and SaaS contract.

   Under a one-time purchase contract, software license fees are received in a lump sum at the time of the conclusion of a contract, and maintenance and other fees are received monthly. Software licensing and maintenance and other services are recognized together as a single performance obligation to be satisfied over time during the period such fees are expected to provide the customer with material rights. The period the fees are expected to provide the customer with material rights is determined by taking into account the characteristics of the software licensing and related services (history of continued use by the customer, quality, etc.) since the contract period is not specified in the contracts concluded with customers. Specifically, as the one-time purchase fee is approximately equivalent to the 30-month fee of a SaaS contract, the amount of such a one-time purchase fee is allocated to the material right and recognized as revenue over the 30 months.

   Under a SaaS contract, software license fees are received on a monthly basis, the same as system maintenance fees, cloud environment provision service fees and other monthly service fees under a one-time purchase contract. These performance obligations are primarily satisfied over time, and thus the monthly fees are recognized as revenue on a monthly basis over the period the services are rendered.

2) The business segment "ZAC ERP installation consultation, customization" includes installation support service related to "ZAC" and additional development required at the time of installation. If the contract amount or the total cost to completion can be estimated reliably, revenue is recognized as the performance obligation is satisfied based on the progress towards satisfaction of the performance obligation measured as of the end of the reporting period. The progress towards satisfaction of the performance obligation is measured using the input method (the cost-to-cost method) at the costs incurred relative to the estimated total cost to completion. If the contract amount or the total cost to completion cannot be estimated reliably, revenue is recognized in an amount equal to the portion of the costs incurred that is considered highly recoverable (the cost recovery method).

3) The business segment "Reforma PSA" includes provision of monthly license for Reforma PSA. Its performance obligation is to provide an environment for the use of software. This performance obligation is primarily satisfied over time, and thus revenue is recognized over the period the service is rendered.

4) The business segment “Other products, etc.” includes sales as an agent of software developed by other vendors. The performance obligation for these sales is considered to be satisfied when the contractual delivery conditions are met, such as when the product is transferred to, or accepted, by the customer, and thus revenue is recognized at that point in time. As the Group is considered to be an agent in the nature of the business, given its primary responsibility for fulfilling promises, its exposure to inventory risk, and its discretion in establishing prices, revenue is recognized in the net amount of consideration received as a fee from the customer for the services rendered, less related costs, or in the amount of consideration as a certain fee in the form of a commission.

Digital Transformation

5) The business segment “Marketing / promotion” includes planning of customer’s marketing and promotion, placement of advertisements, and research (including sales from advertisement management and those achieved as an agency). Revenue is recognized depending on the nature of the rights granted to the customer. When the rights are transferred to the customer at a certain point in time, revenue is recognized at that point in time, and when the rights are available for use by the customer over a certain period of time, revenue is recognized over that period of time. For sales from advertisement management and those achieved as an agency, the Group is considered to be an agent in the nature of the business, given its primary responsibility for fulfilling promises, its exposure to inventory risk, and its discretion in establishing prices, revenue is recognized in the net amount of consideration received as a fee from the customer for the services rendered, less related costs, or in the amount of consideration as a certain fee in the form of a commission.

6) The business segment “System/website integration, etc.” includes construction and renewal of websites, and contracted development and maintenance of systems as a system integrator, etc. For construction and renewal of websites and contracted development, if the contract amount or the total cost to completion can be estimated reliably, revenue is recognized as the performance obligation is satisfied based on the progress towards satisfaction of the performance obligation measured as of the end of the reporting period. The progress towards satisfaction of the performance obligation is measured using the input method (the cost-to-cost method) at the costs incurred relative to the estimated total cost to completion. If the contract amount or the total cost to completion cannot be estimated reliably, revenue is recognized in an amount equal to the portion of the costs incurred that is considered highly recoverable (the cost recovery method). For maintenance of systems, etc., revenue is recognized when the services are completed and billable.

7) The business segment “Operation support, Operation office” includes operation, updating and other services on websites. The performance obligation is considered to be satisfied when the service rendered is accepted by the customer, and thus revenue is recognized at that point in time.

2. Contract balances

The components of contract balances are as follows:

	(Thousands of yen)
Receivables arising from contracts with customers	
Trade and other receivables	1,405,886
Contract assets	514,034
Contract liabilities	
Advances received	1,801,890

A contract asset is recognized for the right to the consideration recorded by recognizing revenue according to the progress achieved. The contract asset is reclassified to a receivable when the right to the consideration becomes unconditional.

A contract liability is recognized for advance consideration received from the customer in advance of the fulfillment of a contract. The contract liability is reversed as revenue is recognized for the contract related to the advance consideration. The amount of revenue recognized for the current fiscal year that was included in the beginning balance of contract liabilities was 736,982 thousand yen.

3. Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations and the time frame the Group expects to recognize the amount as revenue are as follows. Note that transactions with expected individual contract terms of one year or less are not disclosed, which is permitted as a practical expedient. There is no significant consideration from contracts with customers that is not included in the transaction price.

	(Thousands of yen)
Within one year	819,375
Over one year	982,515
Total transaction price allocated to the unsatisfied performance obligations	1,801,890

(Notes to Information Per Share)

Equity attributable to owners of parent	454.86 yen
Basic earnings per share	100.75 yen

(Notes to Significant Subsequent Events)

Not applicable

Non-Consolidated Financial Statements

Balance Sheet
(As of December 31, 2022)

(Thousands of yen)

Account	Amount	Account	Amount
(Assets)		**(Liabilities)**	
Current assets	**8,700,162**	**Current liabilities**	**3,004,670**
Cash and deposits	6,721,876	Accounts payable - trade	363,947
Notes receivable - trade	50,412	Accounts payable - other	82,001
Accounts receivable - trade	1,151,467	Accrued expenses	162,686
Contract assets	521,876	Income taxes payable	482,000
Supplies	6,476	Contract liabilities	1,793,613
Advance payments to suppliers	825	Deposits received	27,370
Prepaid expenses	43,682	Provision for loss on orders received	850
Short-term loans receivable from subsidiaries and associates	42,000	Other	92,201
Other	161,680		
Allowance for doubtful accounts	(133)	**Non-current liabilities**	**111,759**
		Asset retirement obligations	99,453
Non-current assets	**1,267,658**	Other	12,306
Property, plant and equipment	**349,814**	**Total liabilities**	**3,116,429**
Buildings	203,864	**(Net assets)**	
Tools, furniture and fixtures	502,312	**Shareholders' equity**	**6,851,391**
Accumulated depreciation	(356,362)	**Capital stock**	**1,193,528**
Intangible assets	**76,128**	**Capital surplus**	**1,103,528**
Trademark right	216	Legal capital surplus	1,103,528
Software	57,676	**Retained earnings**	**4,690,711**
Software in progress	18,225	Other retained earnings	4,690,711
Other	9	Retained earnings brought forward	4,690,711
Investments and other assets	**841,715**	**Treasury shares**	**(136,377)**
Shares of subsidiaries and associates	54,788		
Investments in capital of subsidiaries and associates	15,747		
Distressed receivables	1,203		
Long-term prepaid expenses	26,460		
Deferred tax assets	656,146		
Other	88,573		
Allowance for doubtful accounts	(1,203)	**Total net assets**	**6,851,391**
Total assets	**9,967,821**	**Total liabilities and net assets**	**9,967,821**

Statement of Income
(Fiscal Year Ended December 31, 2022)

(Thousands of yen)

Account	Amount	
Net sales		**5,903,146**
Cost of sales		**2,287,995**
Gross profit		**3,615,150**
Selling, general and administrative expenses		**1,472,978**
Operating profit		**2,142,171**
Non-operating income		
Interest and dividend income	9,446	
Foreign exchange gains	83,039	
Other	10,401	102,888
Non-operating expenses		
Loss on retirement of non-current assets	133	
Miscellaneous losses	933	1,067
Ordinary profit		**2,243,992**
Profit before income taxes		**2,243,992**
Income taxes – current	758,355	
Income taxes - deferred	(97,450)	660,905
Profit		**1,583,086**

Non-consolidated Statement of Changes in Net Assets
(Fiscal Year Ended December 31, 2022)

(Thousands of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance as of January 1, 2022	1,193,528	1,103,528	288	1,103,817	5,852,687	5,852,687
Cumulative effect of accounting change	–	–	–	–	(933,589)	(933,589)
Restated balance	1,193,528	1,103,528	288	1,103,817	4,919,098	4,919,098
Changes of items during the fiscal year						
Dividends of surplus	–	–	–	–	(241,663)	(241,663)
Profit	–	–	–	–	1,583,086	1,583,086
Disposal of treasury shares	–	–	(288)	(288)	(6,060)	(6,060)
Cancellation of treasury shares	–	–	–	–	(1,563,750)	(1,563,750)
Net changes of items other than shareholders' equity	–	–	–	–	–	–
Total change of items during the fiscal year	–	–	(288)	(288)	(228,386)	(228,386)
Balance as of December 31, 2022	1,193,528	1,103,528	–	1,103,528	4,690,711	4,690,711

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of January 1, 2022	(1,721,970)	6,428,062	4,241	4,241	6,432,304
Cumulative effect of accounting change	–	(933,589)	–	–	(933,589)
Restated balance	(1,721,970)	5,494,472	4,241	4,241	5,498,714
Changes of items during the fiscal year					
Dividends of surplus	–	(241,663)	–	–	(241,663)
Profit	–	1,583,086	–	–	1,583,086
Disposal of treasury shares	21,843	15,494	–	–	15,494
Cancellation of treasury shares	1,563,750	–	–	–	–
Net changes of items other than shareholders' equity	–	–	(4,241)	(4,241)	(4,241)
Total change of items during the fiscal year	1,585,593	1,356,918	(4,241)	(4,241)	1,352,677
Balance as of December 31, 2022	(136,377)	6,851,391	–	–	6,851,391

Notes to the Non-Consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and methods for significant assets

(1) Valuation standards and methods for securities

(i) Shares of subsidiaries	....	Shares of subsidiaries are carried at cost by the moving-average method.
(ii) Other securities		
Items other than shares, etc. that do not have a market price	....	Stated at fair value at the end of the fiscal year. (Unrealized gains or losses are included directly in net assets; costs of securities sold are determined using the moving-average method.)
Shares, etc. that do not have a market price	....	Stated at cost using the moving-average method.

2. Depreciation and amortization methods for non-current assets

(1) Property, plant and equipment	....	Depreciated using the straight-line method.

The useful lives of assets are principally as follows:

Buildings	8-18 years
Tools, furniture and fixtures	3-10 years

(2) Intangible assets

(i) Trademark right	....	Amortized using the straight-line method over 10 years.
(ii) Software for sale	....	Amortized by the larger of either the amount based on the estimated sales volume for the effective sales period (three years) or the amount equally allocated over the remaining effective sales period.
(iii) Software for internal use	....	Amortized using the straight-line method over its useful life (five years).

3. Standards for recording allowances and provisions

(1) Allowance for doubtful accounts	....	To provide for potential losses on doubtful accounts, allowance for doubtful accounts is provided at the amount computed using the historical bad debt ratio for ordinary receivables, and the estimated uncollectible amount for specific receivables including doubtful accounts receivables after reviewing their collectability on an individual basis.
(2) Provision for loss on orders received	....	To provide for future losses on orders received, provision for loss on orders received is provided at the estimated amount of losses on orders received at the end of the current fiscal year.

4. Standards for recording revenues and expenses

(1) Revenue recognition method

The Company recognizes revenue by applying the following steps to contracts with customers.

Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Calculate the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

The performance obligations and revenue recognition methods for each type of service are described in (Notes to Revenue).

(2) Presentation of revenue

In determining the principal-agent classification of revenue, the nature of the performance obligation in the transaction is considered to determine whether the performance obligation is a performance obligation to control and personally provide the identified goods or services before they are transferred to the customer (i.e., "principal") or a performance obligation to arrange for those goods or services to be provided by the other party to the transaction (the criteria are based on whether the Company is acting as the principal in the transaction or as the agent in arranging for those goods or services to be provided by the other party).

The following indicators are considered in determining whether the Company is acting as a principal or as an agent:

- The Company has primary responsibility for providing the goods or services to the customer or for fulfilling the order.
- The entity has primary responsibility for providing goods or services to the customer or for fulfilling the customer's order.
- The entity have the right, directly or indirectly, to set prices.

If the Company is determined to be a party to the transaction, revenue is presented gross; if the Company is determined to be an agent, revenue is presented net.

(Notes to Changes in Accounting Policies)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021). Under this standard and guidance, revenue is recognized when control of a promised good or service is transferred to the customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for that good or service.

Accordingly, 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. Previously, revenue was recognized on an acceptance basis for software license sales under one-time purchase 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.

The Company applies the Revenue Recognition Standard, etc. in accordance with the proviso to Paragraph 84 of the Revenue Recognition Standard. Specifically, the new accounting policies are applied from the beginning balance of the current fiscal year with retained earnings at the beginning of the current fiscal year adjusted for the cumulative effects of retrospectively applying the new accounting policies to prior fiscal years. As a result, the balance of retained earnings at the beginning of the current fiscal year decreased by 933,589 thousand yen.

For the current fiscal year, net sales decreased by 351,140 thousand yen and cost of sales decreased by 109,060 thousand yen. In addition, as a result of this change, "Accounts receivable - trade," which was presented under "Current assets" in the balance sheet of the previous fiscal year, has been classified to "Accounts receivable - trade" and "Contract assets" from the current fiscal year, and "Advances received," which was presented under "Current liabilities," has been included in "Contract liabilities." from the current fiscal year.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the non-consolidated financial statements.

(Notes to Changes in Presentation)

"Compensation income for damage," which was separately presented in the previous fiscal year, has been included in "Other" under "Non-operating income" from the current fiscal year due to its decreased financial materiality.

"Miscellaneous losses," which was included in "Other" under "Non-operating expenses" in the previous fiscal year, has been separately presented from the current fiscal year due to its increased financial materiality.

(Notes to Accounting Estimates)

Estimated period for allocation of sales revenue related to license fees for cloud ERP purchase-type contracts

(1) Amount recorded in the financial statements for the current fiscal year

791,936 thousand yen of net sales related to software license fees for purchase-type contracts of cloud ERP

(2) Information on significant accounting estimates related to identified items

Same as described in "Notes to Accounting Estimates" in the notes to the consolidated financial statements.

(Notes to Balance Sheet)

Receivables from and payables to subsidiaries and associates

Short-term receivables	13,732	thousand yen
Short-term payables	78,150	thousand yen

The receivables and payables that were separately presented are excluded from the above list.

(Notes to Statement of Income)

Transactions with affiliated companies

Operating transactions

Sales	6,200	thousand yen
Purchases	698,033	thousand yen
Other non-operating transactions	1,999	thousand yen

(Notes to Statement of Changes in Net Assets)

Class and number of treasury shares at the end of the current fiscal year

Common stock	39,299	shares

(Notes to Tax Effect Accounting)

The deferred tax assets were primarily the result of additions to contract liabilities, denial of valuation loss on shares of subsidiaries and associates, etc.

(Notes to Related Party Transactions)

1. Directors and major shareholders, etc.

(Thousands of yen)

Type	Name of company, etc. or individual	Address	Capital or investment	Business or occupation	Ratio of voting rights, etc. (held) (%)	Relationship with related party	Type of transaction	Transaction amount (Note 1)	Accounting title	Ending balance
Company, etc. whose majority of voting rights are held by directors and their close relatives	DECOBOCO BASE Co., Ltd.	Minato-ku Tokyo	9,501	Disability support business Nursing and education business	–	System construction Server operation Concurrent positions of officers	System integration Server management (Note 1)	17,349	–	–

Transaction conditions and policies for determining such conditions, etc.

Note 1: Prices and other transaction conditions are determined through price negotiations based on an asking price offered by the Company in light of prevailing market prices.

Note 2: Mr. Takeshi Ue, an officer of DECOBOCO BASE Co., Ltd., resigned as a director of the Company on March 25, 2022, and the above information pertains to his term of office during the current fiscal year.

2. Subsidiaries, etc.

(Thousands of yen)

Type	Name of company, etc. or individual	Ratio of voting rights, etc. (%)	Relationship with related party	Type of transaction (Note 1)	Transaction amount	Accounting title	Ending balance
Subsidiaries	oRo Miyazaki Co., Ltd.	Direct 100.0	Entity entrusted with the Company's customer support services, etc. Concurrent positions of officers	Entrustment of customer support services, etc.	380,509	Accounts payable - trade Accounts payable - other	31,439 2,775

Transaction conditions and policies for determining such conditions, etc.

Note 1: Prices and other transaction conditions are determined through mutual consultation after the Company receives an offer made by its subsidiary based on certain calculations.

(Notes to Revenues)

The information that forms the basis for understanding contract revenue is identical to that presented in "Notes to the Consolidated Financial Statements (Notes to Revenues), " 1. The analysis of revenues and therefore the notes have been omitted.

(Notes to Information Per Share)

Net assets per share	425.10 yen
Earnings per share	98.24 yen

(Notes to Significant Subsequent Events)

Not applicable

株主総会会場ご案内図

▌会場

東京都中央区京橋一丁目10番７号　ＫＰＰ八重洲ビル　12階

ＡＰ東京八重洲　Ｆ＋Ｇルーム

▌会場までの交通

JR **「東京駅」八重洲中央口** 徒歩約７分

東京メトロ銀座線 **「京橋駅」６番出口** 徒歩約５分

東京メトロ銀座線・東西線 **「日本橋駅」B1出口** 徒歩約６分

都営浅草線 **「宝町駅」Ａ７出口** 徒歩約５分

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Venue of General Meeting of Shareholders

■ Venue

10-7, Kyobashi 14-chome, Chuo-ku, Tokyo
KPP Yaesu Building, 12th Floor
AP Tokyo Yaesu (Meeting Space AP), Conference Room F & G

■ Access

7-minute walk from Tokyo Station (Yaesu Central Gate)/JR
5-minute walk from Kyobashi Station (Exit 6)/Tokyo Metro Ginza Line
6-minute walk from Nihonbashi Station (Exit B1)/Tokyo Metro Ginza and Tozai Line

5-minute walk from Takaracho Station (Exit A7)/Toei Asakusa Line
*Use public transportation since no parking is available.

■ **For Participants:**

To prevent the spread of Covid-19 infection, we kindly request that you refrain from coming to the venue.