

Translation

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**Summary of Consolidated Financial Results
for the Fiscal Year Ended December 31, 2023
(Based on IFRS)**

February 14, 2024

Company name: ORO Co., Ltd
 Stock exchange listing: TSE
 Stock code: 3983 URL: <https://www.oro.com>
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Scheduled date to hold ordinary general meeting of shareholders: March 22, 2024
 Scheduled date to file Annual Securities Report: March 25, 2024
 Scheduled date to commence dividend payments: March 26, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the Fiscal Year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended December 31, 2023	7,033	13.2	2,547	11.4	2,602	10.6	1,829	12.2
Fiscal Year ended December 31, 2022	6,210	12.3	2,286	12.8	2,352	15.7	1,630	14.5
	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share		Diluted earnings per share	
	Millions of yen	%	Millions of yen	%	Yen		Yen	
Fiscal Year ended December 31, 2023	1,836	13.1	1,851	11.9	113.90		-	
Fiscal Year ended December 31, 2022	1,623	14.0	1,654	13.1	100.75		-	
	Ratio of net income to equity attributable to owners of the parent		Ratio of income before income taxes to total assets		Ratio of operating income to revenue			
	%		%		%			
Fiscal Year ended December 31, 2023	22.7		22.2		36.2			
Fiscal Year ended December 31, 2022	24.5		23.1		36.8			

Reference: Share of profit or loss of entities accounted for using equity method: Fiscal Year Ended December 31, 2023: -million yen
 Fiscal Year Ended December 31, 2022: -million yen

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	12,373	8,884	8,884	71.8	550.91
As of December 31, 2022	11,045	7,337	7,331	66.4	454.86

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year Ended December 31, 2023	2,515	(129)	(517)	8,707
Fiscal Year Ended December 31, 2022	1,603	(278)	(436)	6,831

2. Cash dividends

	Annual dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends / net assets (consolidated)
	1st quarter- end	2nd quarter- end	3rd quarter- end	Fiscal year- end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year Ended December 31, 2022	-	0.00	-	20.00	20.00	322	19.9	4.9
Fiscal Year Ended December 31, 2023	-	0.00	-	30.00	30.00	483	26.3	6.0
Fiscal Year Ending December 31, 2024 (Forecasts)	-	0.00	-	30.00	30.00		24.7	

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,229	17.0	2,782	9.2	2,824	8.5	1,963	7.3	1,963	6.9	121.55

Percentages indicate year-on-year changes

4. Notes

(1) Changes in significant subsidiaries during the Period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates
Changes in accounting principles required by IFRS: Yes
Changes in accounting policies due to other reasons: None
Changes in accounting estimates: None

(Note) For details, please refer to “3. Condensed consolidated financial statements and key notes (5) Notes on condensed consolidated financial statements (Changes in accounting principles)” on page 15 of the accompanying materials.

(3) Number of issued shares (common shares)

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

As of December 31, 2023	16,156,453 shares	As of December 31, 2022	16,156,453 Shares
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Number of treasury shares at the end of the period

As of December 31, 2023	30,282 shares	As of December 31, 2022	39,299 Shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Fiscal Year ended December 31, 2023	16,123,453 shares	Fiscal Year ended December 31, 2022	16,115,242 shares
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Reference: Non-Consolidated Results

Non-Consolidated Operating Results and Financial Position of the Fiscal 2023 (January 1, 2023 – December 31, 2023)

(1) Non-Consolidated Operating Results Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year Ended December 31, 2023	6,708	13.6	2,427	13.3	2,732	21.8	1,970	24.5
Fiscal Year Ended December 31, 2022	5,903	7.2	2,142	5.3	2,243	7.8	1,583	9.8
	Profit per share		Profit per share after full dilution					
	Yen		Yen					
Fiscal Year Ended December 31, 2023	122.20		-					
Fiscal Year Ended December 31, 2022	98.24		-					

(2) Non-Consolidated Financial position

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	11,479	8,517	74.2	528.20
As of December 31, 2022	9,967	6,851	68.7	425.10

Reference: Equity capital As of December 31, 2023: 8,517million yen As of December 31, 2022: 6,851million yen

* These Consolidated basic Results are not included in the scope of audits by certified public accountants or audit corporations.

* Explanation concerning appropriate use of the earnings forecast and other matters to note

(Caution regarding forward-looking statements)

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

(Method of obtaining supplementary materials to financial results)

The Company plans to hold a briefing for institutional investors and analysts online. The supplementary materials for the financial results to be used in this briefing will be disclosed on TDnet and the Company's website on the same day.

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1. Overview of operating results

(1) Analysis of full-year results

Operating results for the consolidated fiscal year under review

For the fiscal year spanning January 1, 2023, to December 31, 2023, the Japanese economy witnessed a gradual recovery as normalization of economic activities commenced following the downgrade of the novel coronavirus infection to "class 5" under the Infectious Disease Law. This period saw an increase in service demand and inbound tourism. However, the future remains clouded with uncertainties due to persistent geopolitical tensions driving inflation, supply chain constraints, and fluctuations in financial markets.

Within the domestic information services sector, the pandemic served as a catalyst for a transition to new work paradigms, predominantly remote work, thereby continuously boosting demand for cloud services in corporate systems. Additionally, as enterprises pursue digital transformation (DX), there's a growing demand for information systems that offer superior cost efficiency and convenience for enhancing productivity and operational efficiency.

In the internet industry, while the DX trend continues to reshape existing business models and industry structures, primarily among major players, the advertising market is evolving to include not just a digital shift in media but also an integrated approach to customer engagement that incorporates traditional legacy media.

Against this backdrop, our group has maintained its integrated manufacturing and sales system, offering cloud services and digital solutions. Our cloud solution business's flagship products, Cloud ERP "ZAC" and "Reforma PSA," have seen stable growth and contributed significantly to our performance, demanded broadly across sectors that require project management. In our digital transformation business, we've offered comprehensive digital-centric solutions to bolster client businesses in all aspects, including strategy formulation, management, and performance evaluation of web advertising based on data analytics, creation of websites and digital content, and planning and development of applications and SNS strategy. Efforts have also been made to enhance corporate value sustainably by acquiring new clients, deepening relationships with key accounts, investing in marketing initiatives, and bolstering recruitment.

Consequently, the consolidated results for this fiscal year were as follows: revenues reached 7,033,155 thousand yen (an increase of 13.2% year-on-year), operating profit was 2,547,337 thousand yen (up 11.4% year-on-year), profit before tax stood at 2,602,772 thousand yen (up 10.6% year-on-year), and profit attributable to owners of parent was 1,836,415 thousand yen (a 13.1% increase from the previous year).

Segment-wise performance is detailed as follows:

(a) Cloud Solutions Business

The Cloud Solutions Business saw a revenue surge due to increased data center usage fees starting in Q2 2023 and the the customization of The Qualified Invoice-Based Method (the Invoice System) for existing customers of ZAC Enterprise, coupled with higher unit prices for new "ZAC" contracts from acquiring larger new clients and efficiency gains in advertising expenses, leading to a 21.4% increase in revenues to 4,299,876 thousand yen and a segment profit of 1,981,120 thousand yen (up 22.6% year-on-year).

(b) Digital Transformation Business

The Digital Transformation Business experienced a revival in advertising projects for the automotive sector, boosting revenues in the marketing/promotion segment. However, challenges in acquiring new clients led to revenues of 2,733,279 thousand yen (an increase of 2.4% year-on-year). Additionally, an uptick in personnel and recruitment costs from vigorous hiring activities resulted in a segment profit of 566,364 thousand yen (a decrease of 11.7% year-on-year).

(2) Overview of financial position for the fiscal year ended December 31, 2023

Assets

Total assets at the end of the fiscal year ended December 31, 2023 increased by 1,327,766 thousand yen from the end of the previous fiscal year to 12,373,522 thousand yen. This was mainly due to increases of 1,875,541 thousand yen in cash and cash equivalents, offset by reductions in trade and other receivables by 407,712 thousand yen, and a decrease in deferred tax assets by 107,804 thousand yen.

Liabilities

Total liabilities at the end of the fiscal year ended December 31, 2023 were reduced by 219,077 thousand yen compared to the end of the prior fiscal year, totaling 3,489,241 thousand yen. This decrease was chiefly due to an 51,800 thousand yen increase in trade and other payables coupled with declines of 245,674 thousand yen in income tax payables and 63,625 thousand yen in lease liabilities.

Equity

Total equity at the end of the fiscal year ended December 31, 2023 increased by 1,546,844 thousand yen from the end of the previous fiscal year to 8,884,280 thousand yen. This was mainly because of a 1,836,415 thousand yen increase of retained earnings due to the recording of profit attributable to owners of the parent, which was partially offset by a 322,343 thousand yen decrease of retained earnings due to the cash dividends paid.

(3) Overview of cash flows for the fiscal year ended December 31, 2023

The balance of cash and cash equivalents (“net cash”) at the end of the current fiscal year was 8,707,486 thousand yen, an increase of 1,875,541 thousand yen compared to the end of the previous fiscal year (increased by 27.5% year-on-year). The respective cash flows for the current fiscal year and their contributing factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was 2,515,291 thousand yen (1,603,240 thousand yen provided in the previous fiscal year). This was mainly due to profit before income taxes of 2,602,772 thousand yen, which was partially offset by a decrease of 910,754 thousand yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 129,762 thousand yen (278,493 thousand yen used in the previous fiscal year). This was mainly due to purchase of property, plant and equipment of 52,474 thousand yen and purchase of intangible assets of 40,399 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities was 517,736 thousand yen (436,094 thousand yen used in the previous fiscal year). This was mainly due to cash dividends paid of 322,050 thousand yen and repayments of lease liabilities of 195,686 thousand yen.

(Reference) Indicators related to cash flows

	Fiscal Year ended Dec. 31, 2020	Fiscal Year ended Dec. 31, 2021	Fiscal Year ended Dec. 31, 2022	Fiscal Year ended Dec. 31, 2023
Ratio of equity attributable to owners of the parent (%)	65.2	63.2	66.4	71.8
Ratio of equity attributable to owners of the parent based on market value (%)	749.1	516.8	277.0	337.4
Ratio of interest-bearing debt to cash flow (years)	0.6	0.3	0.3	0.2
Interest coverage ratio (times)	220.2	437.5	414.8	715.1

Ratio of equity attributable to owners of the parent: Equity attributable to owners of the parent/Total assets

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

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flows
Interest coverage ratio: Cash flows/Interest payments

Interest coverage ratio: Cash flows / Interest payments

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

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

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

(4) Future outlook

1) Revenue

a) Cloud Solutions

For the next fiscal year ending December 31, 2024, we are committed to enhancing our revenue growth rate over the medium to long term by persistently striving to secure large new clients, revitalizing order volumes from small and medium-sized enterprises (SMEs), and promoting more effective utilization of our products among existing customers. Our revenue forecast for the cloud solutions business is based on estimating monthly revenues by considering the order backlog at the end of the current fiscal year and past performances, then aggregating these estimates. We project the number of new ZAC contracts to increase by 13 companies to 67 companies, compared to this fiscal year. Additionally, we expect ARPA (Average Revenue Per Account) to rise by 49.2 thousand yen to 557.4 thousand yen. The Net Retention Rate (NRR) is anticipated to be 112.0%, a decrease of 1.5 points from this fiscal year's performance, and the monthly churn rate (12-month moving average) is projected to be 0.31%, an increase of 0.01 points from this fiscal year. Consequently, we anticipate the cloud solutions business's revenue to grow by 16.7% year-on-year to 5,019 million yen.

b) Digital Transformation

This fiscal period was marked by the successful recruitment of key management personnel, including executive officers, and sales staff, which has laid the foundation for a strategic review and enhancement of our business strategies and proposal systems. Looking ahead, we aim to build upon this foundation by deepening relationships with existing clients and advertising agencies, pursuing new customer acquisitions, and leveraging our consolidated subsidiaries to intensify sales efforts overseas and expand our transactions. Revenue forecasts for the digital transformation business are based on the order backlog at the current fiscal year's end and monthly revenue estimates, incorporating past performance. As a result, we forecast a 17.4% increase in revenue year-on-year to 3,209 million yen.

2) Cost of sales

The cost of revenue for the cloud solutions and digital transformation businesses primarily consists of labor costs associated with development and implementation support, alongside subcontracting expenses. Our anticipated increase in staffing, underpinned by aggressive recruitment strategies, is reflected in our labor cost projections across all departments. We calculate subcontracting expenses based on the cost-to-revenue ratio specific to each business unit. As a result, we project the cost of revenue in the cloud solutions business to escalate by 24.1% year-on-year, reaching 1,532 million yen, and in the digital transformation business, to also increase by 17.3% year-on-year, totaling 1,317 million yen.

3) Selling, general and administrative expenses

Selling, General, and Administrative (SG&A) expenses primarily consist of personnel costs for the sales and corporate departments, along with other miscellaneous expenses. These expenses are projected by aggregating individual costs. In the next fiscal year, we anticipate increases in recruitment and personnel expenses due to the expansion of our sales force. In the cloud solutions business, we plan to enhance our product offerings through increased R&D expenses and are preparing for market research and other activities to support overseas expansion by 2026. Therefore, SG&A expenses are expected to increase by 18.8% year-on-year to 2,597 million yen.

4) Other income (expenses)

Other income (expenses) are not projected.

5) Finance income (costs)

Interest received is expected to increase by 36.7% year on year to 41 million yen.

Accordingly, at this point, the Group's consolidated financial results for the next period ending December 31, 2024 are estimated as follows:

Revenue	8,229 Millions of yen (increased by 17.0% year-on-year)
Operating profit	2,782 Millions of yen (increased by 9.2% year-on-year)
Profit before tax	2,824 Millions of yen (increased by 8.5% year-on-year)
Profit attributable to owners of parent	1,963 Millions of yen (increased by 6.9% year-on-year)

2. Basic policy for selection of accounting standards

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

3. Consolidated financial statement and key notes

(1) Consolidated statement of financial position

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	6,831,994	8,707,486
Trade and other receivables	1,405,886	998,173
Contract assets	514,034	447,407
Other financial assets	583,023	641,152
Other current assets	73,258	126,445
Total current assets	9,408,149	10,920,664
Non-current assets		
Property, plant and equipment	828,245	731,017
Intangible assets	70,689	83,338
Other financial assets	102,564	111,251
Deferred tax assets	596,601	488,796
Other non-current assets	39,505	38,452
Total non-current assets	1,637,606	1,452,857
Total assets	11,045,755	12,373,522

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	403,582	455,382
Contract liabilities	1,801,890	1,759,116
Lease liabilities	190,993	195,412
Income tax payables	475,244	229,569
Provisions	5,165	27,639
Other current liabilities	411,178	476,106
Total current liabilities	3,288,054	3,143,227
Non-current liabilities		
Lease liabilities	288,162	220,118
Provisions	132,102	125,895
Total non-current liabilities	420,264	346,014
Total liabilities	3,708,319	3,489,241
Equity		
Capital stock	1,193,528	1,193,528
Capital surplus	1,095,202	1,095,202
Treasury shares	(141,788)	(112,862)
Retained earnings	5,117,976	6,620,867
Other components of equity	66,170	87,318
Equity attributable to owners of the parent	7,331,089	8,884,053
Non-controlling interests	6,347	227
Total equity	7,337,436	8,884,280
Total liabilities and equity	11,045,755	12,373,522

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

Consolidated statement of income

Fiscal Year ended December 31, 2022 and 2023

(Thousands of yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Revenue	6,210,714	7,033,155
Cost of sales	2,222,269	2,358,468
Gross profit	3,988,444	4,674,687
Selling, general and administrative expenses	1,688,925	2,081,276
Research and development	42,579	45,925
Other income	30,918	49,614
Other expenses	1,294	49,762
Operating profit	2,286,563	2,547,337
Finance income	73,163	62,627
Finance costs	7,249	7,193
Profit before tax	2,352,477	2,602,772
Income tax expenses	722,185	772,882
Profit	1,630,291	1,829,889
Profit attributable to:		
Owners of parent	1,623,552	1,836,415
Non-controlling interests	6,738	(6,525)
Profit	1,630,291	1,829,889
Earnings per share		
Basic earnings per share (Yen)	100.75	113.90
Diluted earnings per share (Yen)	-	-

Consolidated statement of comprehensive income
Fiscal Year ended December 31, 2022 and 2023

(Thousands of yen)

	Fiscal Year ended December 31, 2022	Fiscal Year ended December 31, 2023
Profit	1,630,291	1,829,889
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	1,266	-
Total of items that will not be reclassified to profit or loss	1,266	-
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	23,259	21,553
Total of items that may be reclassified subsequently to profit or loss	23,259	21,553
Other comprehensive income, net of taxes	24,525	21,553
Comprehensive income	1,654,817	1,851,443
Attributable to:		
Owners of the parent	1,648,035	1,857,563
Non-controlling interests	6,781	(6,120)
Comprehensive income	1,654,817	1,851,443

(3) Consolidated statement of changes in equity

(Thousands of yen)

	Equity attributable to owners of parent			
	Capital stock	Capital surplus	Treasury shares	Retained earnings
Balance on January 1, 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 on December 31, 2022	1,193,528	1,095,202	(141,788)	5,117,976
Profit				1,836,415
Other comprehensive income				
Total comprehensive income	-	-	-	1,836,415
Restricted Stock-based payment transactions			28,925	(11,181)
Dividends				(322,343)
Total transactions with owners	-	-	28,925	(333,524)
Balance on December 31, 2023	1,193,528	1,095,202	(112,862)	6,620,867

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Equity
Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Total				
Balance on January 1, 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 on December 31, 2022	-	66,170	66,170	7,331,089	6,347	7,337,436
Profit				1,836,415	(6,525)	1,829,889
Other comprehensive income	-	21,147	21,147	21,147	405	21,553
Total comprehensive income	-	21,147	21,147	1,857,563	(6,120)	1,851,443
Restricted Stock-based payment transactions				17,744		17,744
Dividends				(322,343)		(322,343)
Total transactions with owners	-	-	-	(304,598)	-	(304,598)
Balance on December 31, 2023	-	87,318	87,318	8,884,053	227	8,884,280

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal Years ended December 31, 2022	Fiscal Year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,352,477	2,602,772
Depreciation and amortization	310,903	342,729
Finance income	(72,075)	(59,759)
Finance costs	3,865	3,527
Settlement payment	-	45,000
Decrease (increase) in trade and other receivables	(285,434)	410,542
Decrease (increase) in contract assets	(308,830)	66,937
Increase (decrease) in trade and other payables	58,240	26,242
Increase (decrease) in contract liabilities	325,780	(43,266)
Increase (decrease) in provision	(286)	10,131
Other	(36,350)	47,924
Subtotal	2,348,290	3,452,782
Interest received	1,586	21,790
Dividends received	63	-
Interest paid	(3,865)	(3,527)
Settlement paid	-	(45,000)
Income taxes paid	(742,834)	(910,754)
Cash flows from operating activities	1,603,240	2,515,291
Cash flows from investing activities		
Payments into time deposits	(88,804)	(18,361)
Purchase of property, plant and equipment	(157,294)	(52,474)
Purchase of intangible assets	(43,310)	(40,399)
Purchase of securities	(49)	-
Proceeds from sales of securities	14,375	-
Payments for lease and guarantee deposits	(3,586)	(21,095)
Other	176	2,569
Cash flows from investing activities	(278,493)	(129,762)
Cash flows from financing activities		
Repayments of lease liabilities	(194,502)	(195,686)
Cash dividends paid	(241,591)	(322,050)
Cash flows from financing activities	(436,094)	(517,736)
Net increase (decrease) in cash and cash equivalents	888,653	1,867,792
Cash and cash equivalents at beginning of period	5,914,992	6,831,944
Effect of exchange rate change on cash and cash equivalents	28,299	7,748
Cash and cash equivalents at end of period	6,831,944	8,707,486

(5) Notes on consolidated financial statements

(Note on the going-concern assumption)

Not applicable

(Changes in accounting principles)

The standards that the Group has adopted as of the first quarter of the fiscal year ending December 31, 2023 are as follows:

Standards	Interpretations	Outline
IAS 12	Income Taxes	Clarification of the accounting treatment of deferred taxes on leases and decommissioning provisions

The adoption of new standards had no significant impact on the consolidated financial statements.

(Segment information)

(1) Summary of reportable segments

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

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

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

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

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

(2) Information on Reportable Segments

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

	Reportable Segment			Adjustments (Note 1)	(Thousands of yen) Consolidated
	Cloud Solutions	Digital Transformation	Total		
Revenue					
Revenue from external customers	3,541,984	2,668,729	6,210,714	—	6,210,714
Intersegment revenue	—	—	—	—	—
Total	3,541,984	2,668,729	6,210,714	—	6,210,714
Segment income	1,615,464	641,475	2,256,939	29,623	2,286,563
Finance income					73,163
Finance costs					7,249
Profit before tax					2,352,477
Other					
Depreciation and amortization	191,790	119,113	310,903	—	310,903

(Note)

1. The adjustment of 29,623 thousand yen to segment income mainly consists of "Other income" and "Other expense" that are not attributable to any reportable segment.
2. Segment income corresponds to operating profit in the consolidated statements of income.
3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

Fiscal Year ended December 31, 2023

(Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Consolidated
	Cloud Solutions	Digital Transformation	Total		
Revenue					
Revenue from external customers	4,299,876	2,733,279	7,033,155	—	7,033,155
Intersegment revenue	—	—	—	—	—
Total	4,299,876	2,733,279	7,033,155	—	7,033,155
Segment income	1,981,120	566,364	2,547,485	(147)	2,547,337
Finance income					62,627
Finance costs					7,193
Profit before tax					2,602,772
Other					
Depreciation and amortization	220,394	122,335	342,729	—	342,729

(Note)

1. The adjustment of (147) thousand yen to segment income mainly consists of “Other income” and “Other expense” that are not attributable to any reportable segment.
2. Segment income corresponds to operating profit in the consolidated statements of income.
3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

(Information per share)

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

	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2023
Profit attributable to owners of parent (thousands of yen)	1,623,552	1,836,415
Average number of shares during the fiscal year (shares)	16,115,242	16,123,453
Basic earnings per share (Yen)	100.75	113.90

(Significant subsequent events)

Not applicable