

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 and CEO

Notice of the 26th Annual General Meeting of Shareholders

We hereby notify that the 26th Annual General Meeting of Shareholders of ORO Co., Ltd. (the “Company”) will be held as indicated below.

In accordance with the provisions set forth in the Company’s Articles of Incorporation, this meeting will be held as a General Meeting of Shareholders without a designated location (“virtual-only shareholders’ meeting”). Please join the meeting via the Internet as there will be no physical venue to attend.

When convening this General Meeting of Shareholders, the Company has taken the electronic provision measure. Matters subject to the electronic provision measure is posted on the following website on the Internet as Notice of the 26th Annual General Meeting of Shareholders and related materials:

[The Company's website]

<https://www.oro.com/en/ir/library/>

[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 the code "3983" and search for ORO Co., Ltd.; press the “Basic Information” button
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 or otherwise prepare for possible communication failure or other incidents, 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 21, 2024 (JST).

1. Date and time: Friday, March 22, 2024 at 10:00 a.m. (JST)

(Approximate Access Time: 9:30 AM)

*Should there be an inability to conduct this General Meeting of Shareholders due to communication disruptions or similar impediments, it will be rescheduled to the contingency date of March 25, 2024 (Monday), commencing at 10:00 a.m. (JST). In such an event, a prompt notification will be disseminated via our official website (<https://www.oro.com/en/ir/>).

- 2. How the meeting will be held:** As a General Meetings of Shareholders without a designated location (i.e., virtual-only shareholders' meetings)
*There will be no physical venue available for shareholders.
Please attend the meeting online through our designated website. Details necessary to attend the meeting, such as the URL of the website, instructions on how to access, and other procedures can be found in pages 4 to 7, "Guidance for Virtual-Only Shareholders' meeting".

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 26th Fiscal Year (from January 1, 2023 to December 31, 2023)
2. Report on the Non-Consolidated Financial Statements for the 26th fiscal year (from January 1, 2023 to December 31, 2023)

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 Election of Three (3) Directors Who are Audit and Supervisory Committee Members

- ◎Internet-based communication will be used for transmitting and receiving information of proceedings of the Annual General Meeting of Shareholders.
- ◎If there is a major interruption to the proceedings of the meeting due to communication failure and such, the chairperson shall determine either to postpone or adjourn the meeting, which shall be resolved at the beginning of the meeting. If the chairperson decides to postpone or adjourn the meeting based on the resolution, the continuation meeting or the adjourned meeting will be held on Monday, March 25, 2024 at 10 a.m. (JST). In such case, the matter will be announced promptly through our website on the Internet. Please follow the guide in pages 4 to 7, "Guidance for Virtual-Only Shareholders' meeting" for necessary procedures to attend the Continuation or Adjourned Annual General Meeting of Shareholders.
- ◎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 exercised your voting rights either via the Internet or in writing and also attended the meeting, we will treat your voting rights exercised at the meeting as a valid exercise of your voting rights. If we are unable to confirm your exercise at the meeting, the one exercised either via the Internet or in writing will be treated as valid.
- ◎Subject to relevant laws and regulations and the provisions of the Company's Articles of Incorporation, shareholders who wish to attend by proxy shall appoint one (1) proxy who is a shareholder with voting rights. Please refer to pages 4 to 7, "Guidance for Virtual-Only Shareholders' Meeting" for details of procedures.
- ◎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.
- ©In lieu of sending paper materials, the results of the vote on the proposals presented at the meeting will be posted on the Company's website after the close of this meeting.

Guidance for Virtual-Only Shareholders' Meeting

This Annual General Meeting of Shareholders will be held online only, as a virtual-only shareholders' meeting. Since there will be no physical venue to attend, we ask our shareholders to refer to the guidelines below and attend the meeting online.

1. How to join the meeting

(1) Date and time of the meeting

Friday, March 22, 2024 at 10 a.m. (JST)

* Access is anticipated to be available from around 9:30 a.m. (JST).

* Should there be an inability to conduct this General Meeting of Shareholders due to communication disruptions or similar impediments, it will be rescheduled to the contingency date of March 25, 2024 (Monday), commencing at 10:00 a.m. (JST). In such an event, a prompt notification will be disseminated via our official website (<https://www.oro.com/en/ir/>).

(2) How to log in

Access to: <https://3983.ksoukai.jp>



(i) Please either input the above URL or scan the provided two-dimensional code to access the platform.

(ii) After you access the site, follow the instruction on the screen and enter your shareholder number and the postal code provided in your Voting Form to log in.

* Before mailing your Voting Form, make sure you keep your shareholder number and the postal code at your hand. Since the postal code for logging in is based on the shareholder register as of the end of December 2023, please note that it may differ from the postal code in your Voting Form for some shareholders.

(iii) System requirements are as follows:

System requirements for PC terminals

	Windows	Mac
OS *1	Windows 11 Windows 10	macOS (latest version)
Browser *2, *3	Microsoft Edge Mozilla Firefox Google Chrome	Safari

System requirements for mobile terminals

	Android	iOS
OS	Android 8 or above	iphone: iOS 12 or above iPad: iOS 13 or above
Browser *2	Google Chrome	Safari

*1 If you are using Windows 10, please run the site in desktop mode as the operation was tested under the desktop mode.

*2 Please enable JavaScript and cookies in your browser. All browsers are assumed to have been updated to their latest version.

*3 You cannot use Internet Explorer mode in Microsoft Edge.

(3) How to ask a question on the day of the meeting

- After you log in, follow the instructions given by the chairperson and enter and submit your question regarding proposals to this Annual General Meeting of Shareholders from the “Ask a question” button on the screen.
- The number of questions one shareholder can ask shall be limited to one, which should not exceed 200 characters.
- We ask for your understanding in advance that given the limited time for Q&A session, and depending on the details of questions, we may not be able to answer all of the questions we receive. If we find it difficult to address all questions, we intend to respond mainly to those that may be of interest to many shareholders. We plan to address additional inquiries on the Company's website following the conclusion of the meeting.
- Please be advised that, in adherence to the directives of the chairperson or the decisions made by the administrative office under the chairperson's guidance, questions that fall outside the scope of this Annual General Meeting of Shareholders, which serves as a crucial forum for dialogue between the company and its shareholders, may not be addressed. This includes but is not limited to submissions that are repetitive, contain an excessive amount of text, or include content unrelated to the meeting's agenda, infringe upon privacy or reputation, or other inappropriate content. Furthermore, in situations where submissions could disrupt the orderly progression of the meeting's agenda or the stable operation of a virtual-only shareholders' meeting, the chairperson or the administrative office, acting on the chairperson's instruction, reserves the right to forcibly terminate communication with the shareholder. Additionally, submissions sent via methods not specified by the chairperson, or those that cannot be clearly identified as questions, may not be considered. Your understanding and cooperation are greatly appreciated.

(4) How to make motions

- After you log in, follow the instructions given by the chairperson and select the type of motion from the “Motion” button on the screen, enter the detail of your motion, and submit.
- Your text message should not exceed 300 characters per each proposal.
- At the discretion of the chairperson, or as directed by the secretariat acting on the chairperson's instructions, proposals may be excluded or not considered if they are repetitive, excessively verbose, clearly unlawful, irrelevant to the meeting agenda, invasive of privacy or dignity, or otherwise inappropriate. Please understand that even if such submissions are initially accepted, their content may be omitted or summarized. In addition, if a proposal is inconsistent with the purpose of the Annual General Meeting of Shareholders, which is an important platform for shareholder dialogue, or disrupts the orderly conduct of the Annual General Meeting of Shareholders or the stability of the virtual-only meeting system, the chairperson or the designated secretariat may forcibly terminate communication with the affected stockholder. In addition, proposals that are sent in a manner not specified by the chairperson, making them indistinguishable from formal proposals, may also be disregarded.

(5) How to exercise voting rights on the day of the meeting

- After you log in, follow the instructions given by the chairperson and select either approve or disapprove from the “Exercise voting rights” button on the screen and submit.
- If you exercised your voting rights either via the Internet or in writing prior to the meeting and also attended the meeting:
 - (i) The voting rights exercised in advance will become invalid at the point when the exercise on the day of the meeting is confirmed.
 - (ii) If the exercise of the voting rights on the day of the meeting cannot be confirmed, the one exercised in advance will be considered valid.

2. Acceptance of pre-meeting questions

Access to: <https://3983.ksoukai.jp>



(1) Question Submission Process

- Access the website by entering the provided URL or scanning the two-dimensional code displayed to the right.

- After logging in as per "1. (2) Access Method 2", submit your questions related to the meeting's agenda through the "Submit Pre-meeting Questions" button.
- Each shareholder may ask up to two questions, limited to 200 characters per question.
- Given the limited Q&A session time and depending on the nature of the questions, please understand that not all questions may receive a response. Priority will be given to answering questions that are likely of general interest to many shareholders. Responses to additional questions will be posted on our company's website after the meeting concludes.

(2) Acceptance Period

From Thursday, February 29, 2024 at 12:00 a.m. to Monday, March 11, 2024 at 11:59 p.m. (JST).

- * The number of questions one shareholder can ask shall be limited to two; each question should not exceed 200 characters.
- * Questions shall be limited to those that relate to proposals to this Annual General Meeting of Shareholders.
- * We ask for your understanding in advance that given the limited time for Q&A session, and depending on the details of questions, we may not be able to answer all of the questions we receive. If we find it difficult to address all questions, we intend to respond mainly to those that may be of interest to many shareholders. We will post our response to other questions on our website after the close of this meeting.

3. How to attend the meeting by proxy

Shareholders who wish to attend this Annual General Meeting of Shareholders by proxy may, subject to relevant laws and regulations and the provisions of the Company's Articles of Incorporation, appoint one (1) proxy who is a shareholder of the Company with voting rights. Such shareholders must submit a form representing his/her intention to appoint a proxy (a power of attorney) to the Company at the following address:

<Required Documents>

- A written proxy statement indicating the intent to delegate (power of attorney). Please include the email address of the delegating shareholder and apply a seal (a registered seal is acceptable).
- The original voting rights exercise form of the shareholder delegating authority.
- The original voting rights exercise form of the shareholder being delegated authority.

<Address for sending proxy documents>

Person in charge of Annual General Meeting of Shareholders
 Corporate Department, ORO Co., Ltd.
 3-9-1, Meguro Meguro-ku, Tokyo, 153-0063

<Deadline>

Must be received by Thursday, March 14, 2024 at 6:30 p.m. (JST)

4. Policies for measures against disruption in communication method used to transmit and receive information for the proceedings of the Annual General Meeting of Shareholders

This Annual General Meeting of Shareholders will be operated using a system that has countermeasures to deal with communication failures. To prepare for any significant hindrance to the proceedings due to communication failure, we will refer to the meeting in the beginning, matter regarding delegating chairman the power to decide whether to postpone or adjourn the meeting. We will also create response manuals prior to the meeting, which include how we will notify our shareholders the postponement or the adjournment.

5. Policies for ensuring the interest of shareholders who have difficulty with using the Internet as a method to transmit and receive information for the proceedings of the Annual General Meeting of Shareholders

Shareholders who wish to exercise his/her voting rights but have difficulty with using the Internet should exercise his/her voting rights by way of mailing the Voting Form in advance.

6. Inquiries

- (1) For how to attend the meeting, how to use the system, etc. on the day of the meeting

Please contact V-cube, Inc.

TEL: +81-3-6833-6896

(Open from 9 a.m. to the conclusion of this Annual General Meeting of Shareholders)

- (2) For login information

Please contact ORO Co., Ltd.

TEL: +81-3-5724-7001

(Open from 9:30 a.m. on Thursday, February 29, 2024, until the end of the Annual General Meeting of Shareholders on Friday, March 22, 2024, excluding Saturdays, Sundays, national holidays and company-designated holidays)

* Please mention that your inquiry is regarding IDs and passwords for the Annual General Meeting of Shareholders.

7. Other notes

- Shareholders will bear the cost of telecommunications charges when attending the General Meeting.
- Disruptions, delays, temporary interruptions, or pauses in the live broadcast of the General Meeting may occur due to the viewing shareholder's telecommunications environment.
- It is prohibited to share or disclose video or audio data to third parties, post to social media, display, reprint, copy, record, or disclose login methods or necessary login information to third parties.

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, 2023 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:
30 yen per share of the Company’s common stock
Total amount: 483,785,130 yen
- (3) Effective date of the dividend of surplus:
Tuesday, March 26, 2024

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

1. Reasons for the proposal

To support the separation of management's decision-making and supervisory roles from operational execution roles, and to enhance each function as well as enrich discussions on management strategies and other topics within the meetings of its Board of Directors, the Company is aiming to optimize the Board of Directors through the introduction of an Executive Officer System. This involves adding provisions for the delegation of the authority to appoint or dismiss executive officers, in whole or in part, by the Board of Directors' resolution in accordance with Article 399-13 (6) of the Companies Act. Furthermore, adjustments to the numbering of paragraphs will be made to reflect these changes.

2. Contents of the amendments

Details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendment
<p style="text-align: center;">CHAPTER V EXECUTIVE OFFICERS</p> <p>(Executive Officers) ARTICLE 31 (Provisions omitted)</p> <p style="text-align: center;">(Newly established)</p> <p><u>2.</u> (Provisions omitted)</p>	<p style="text-align: center;">CHAPTER V EXECUTIVE OFFICERS</p> <p>(Executive Officers) ARTICLE 31 (No change)</p> <p><u>2. In accordance with Article 399-13 (6) of the Companies Act, the Company is authorized to delegate, by the Board of Directors' resolution, the entire or a portion of the authority to appoint or remove an executive officer to a director.</u></p> <p><u>3.</u> (No change)</p>

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

All of the two 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). 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:

6,228,623 shares

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

January	1999	Founder and President and CEO of the Company
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)
March	2023	Representative Director, President and CEO of the Company (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:

2,909,977 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
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)
March	2023	Director of oRo (Thailand) Co., Ltd. (current position) Director of oRo Malaysia Sdn. Bhd. (current position) Director and Senior Managing Executive Officer of the Company (current position)

(Significant concurrent positions)

Director of oRo Miyazaki Co., Ltd.

Director of oRo code MOC Co., Ltd.

Director of oRo (Thailand) Co., Ltd.

Director of oRo Malaysia Sdn. Bhd.

■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.

Proposal No. 4: Election of Three (3) Directors who are Audit and Supervisory Committee Members

All of the four 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 three (3) Directors who are Audit and Supervisory Committee Members. The Company has obtained consent of the Audit and Supervisory Committee to this proposal.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows:

- 1. Yoichi Maeda** (Date of Birth: October 18, 1956) Candidate for Independent Officer
Candidate for Outside Director
Re-election

■Number of Company's shares held:
0 shares

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

April	1980	Joined MITSUI & CO., LTD.
March	1991	General Manager of Information and Machinery Division of Brussels Headquarters, MITSUI & CO. BENELUX S. A./N. V.
April	2001	Departmental General Manager of Semiconductor Division, Electronics Business Unit, MITSUI & CO., LTD.
December	2005	Departmental General Manager of Strategic Planning Division, Information Industry Business Unit, MITSUI & CO., LTD.
April	2007	General Manager of Information Industry Planning and Administrative Division (Information Industry Business Unit), MITSUI & CO., LTD.
July	2007	General Manager of Electronics Business Division Information Industry Business Unit, MITSUI & CO., LTD.
March	2011	Inspector, Internal Auditing Division, MITSUI & CO., LTD.
June	2017	Standing Corporate Auditor, MN Inter-Fashion Ltd. (formerly Mitsui Bussan I-Fashion Ltd.)
July	2021	Specially Appointed Inspector, Internal Auditing Division, MITSUI & CO., LTD.
March	2022	Outside Director (Full-Time Audit and Supervisory Committee Member) of the Company (current position) Corporate Auditor of oRo TECHNOLOGY (DALIAN) Co., Ltd. (current position) Controller of oRo Vietnam Co., Ltd. (current position) Corporate Auditor of oRo TAIWAN Co., Ltd. (current position) Corporate Auditor of DALIAN oRo ADVERTISING Co., Ltd. (current position) Corporate Auditor of oRo Miyazaki Co., Ltd. (current position) Corporate Auditor of oRo code MOC Co., Ltd. (current position)

(Significant concurrent positions)

Corporate Auditor of oRo Miyazaki Co., Ltd.

Corporate Auditor of oRo code MOC Co., Ltd.

Corporate Auditor of oRo TECHNOLOGY (DALIAN) Co., Ltd.

Controller of oRo Vietnam Co., Ltd.

Corporate Auditor of oRo TAIWAN Co., Ltd.

Corporate Auditor of DALIAN oRo ADVERTISING Co., Ltd.

■Reasons for nomination as a candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of expected roles:

Mr. Yoichi Maeda has many years of extensive experience and a wide range of knowledge gained at business companies. The Company requests his election as Outside Director who is an Audit and Supervisory Committee Member as we expect that he will appropriately audit the Company's business management from an objective standpoint independent from executive officers based on his experience and knowledge gained through his career.

2. Yuki Imamura (Date of Birth: January 18, 1976)

Candidate for Independent Officer
Candidate for Outside Director
Re-election

■Number of Company's shares held:
0 shares

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

April	1998	Joined McCann Erickson Japan Inc.
December	2008	Registered as Attorney at Law
January	2009	Joined TMI Associates
January	2021	Counsel at TMI Associates (current position)
March	2022	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)
August	2022	Corporate Auditor of e-solutions, inc. (current position)

(Significant concurrent positions)

Counsel at TMI Associates

■Reasons for nomination as a candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of expected roles:

Although Ms. Yuki Imamura has never been directly involved in corporate management, she is an attorney at law with practical and legal expertise and experience in advertisement. The Company requests her election as Outside Director who is an Audit and Supervisory Committee Member as we expect that she will reflect her expertise in audits of the Company from an objective standpoint independent from executive officers.

3. Saori Tanoue (Date of Birth: June 24, 1983)

Candidate for Independent Officer
Candidate for Outside Director
New appointment

■ Number of Company's shares held:
0 shares

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

December	2007	Joined Ernst & Young ShinNihon (currently Ernst & Young ShinNihon LLC)
January	2013	Joined Fukushima Accounting Office (currently FLAIR Accounting Firm)
April	2013	Certified Public Accountant registration
October	2021	Corporate Auditor of KURADASHI.Co.,Ltd.
October	2022	Full-Time Corporate Auditor of KURADASHI.Co.,Ltd. (current position)

(Significant concurrent positions)

Full-Time Corporate Auditor of KURADASHI.Co.,Ltd.

■ Reasons for nomination as a candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of expected roles:

Although Ms. Saori Tanoue has never been directly involved in corporate management, she is a certified public accountant with expertise and experience in finance and accounting. The Company requests her election as Outside Director who is an Audit and Supervisory Committee Member as we expect that she will appropriately audit the Company's business management from an objective standpoint independent from executive officers based on her experience and knowledge gained through her career.

(Notes to Proposal No. 4)

- Notes:
1. There is no conflict of interest between each candidate and the Company.
 2. Mr. Yoichi Maeda, Ms. Yuki Imamura and Ms. Saori Tanoue are candidates for Outside Directors.
 3. Mr. Yoichi Maeda and Ms. Yuki Imamura currently serve as Outside Directors who are Audit and Supervisory Committee Members of the Company, and they will have served in the position for two (2) years respectively at the conclusion of this General Meeting of Shareholders.
 4. The Company has registered Mr. Yoichi Maeda and Ms. Yuki Imamura as Independent Officers in accordance with the provisions of the Tokyo Stock Exchange. The Company intends to continue to register them as Independent Officers if their election is approved. The Company also intends to newly designate Ms. Saori Tanoue as an Independent Officer and register her with the said stock exchange if her election is approved.
 5. The Company has entered into an agreement with Mr. Yoichi Maeda and Ms. Yuki Imamura to limit their liabilities as Directors who are Audit and Supervisory Committee Members under Article 423, paragraph 1 of the Companies Act, and the limit of liability for damages under the agreement shall be the minimum liability amount stipulated in Article 425, paragraph 1 of the said Act. The Company intends to continue the aforementioned agreement if their election is approved. The Company also intends to enter into a limited liability agreement with the same content as the aforementioned agreement with Ms. Saori Tanoue if her election is approved.
 6. 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 who is an Audit and Supervisory Committee Member, they will be insured under the insurance policy. Also, the insurance policy will be renewed during their term of office.

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

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

As our management philosophy, the Company aims to create things that we can proudly present to the world and become a company that provides more “happiness and pleasures” to many people as possible. With an aim to realize the management philosophy in anticipation of long-term and sustainable growth of the Group, the Board of Directors shall secure the balance among knowledge, experience and skills as well as diversity with consideration given to the scale required to demonstrate the effectiveness of the Board of Directors. The composition of the Board of Directors is defined as follows by matching the required skills with the management issues and management strategies.

<Definition of each skill>

Corporate management	Experience as a corporate manager (director, etc.) at a company
Business strategy/marketing	Expertise on IT industry and DX, experience as a responsible person in the Business Division
Technology	Experience as a responsible person in technological research and development departments related to IT industry and DX/ considerable knowledge in IT industry and DX
Global business	Experience as a responsible person in Overseas Business Division/ experience as a representative of overseas affiliated firm/ considerable knowledge in overseas business operations
ESG/sustainability	Considerable knowledge in environment, social contribution, human resource development and governance
Finance/accounting/investment	Experience as a responsible person about finance, accounting and investment management/ considerable knowledge in finance and accounting such as a certified public accountant and certified tax accountant, etc.
Legal affairs/risk management	Experience as a responsible person about legal affairs and internal audit/ considerable knowledge in laws such as an attorney at law

If all the candidates listed in this notice of convocation are elected as originally proposed, the skills 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	○			○	○	○	○
Yoichi Maeda	○	○		○			○
Yuki Imamura					○		○
Saori Tanoue					○	○	○

Business Report (Fiscal Year Ended December 31, 2023)

1. Matters regarding the current state of the Group

(1) Progress and results of operations

During the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023) (the “current fiscal year”), the Japanese economy showed signs of moderate recovery, with economic activities having normalized steadily since around when COVID-19 was downgraded to Category 5. These signs include growing demand for services and from tourists visiting Japan. However, the outlook for the future has remained uncertain for a number of reasons, such as rising prices as a result of protracted geopolitical risks, supply-side bottlenecks, 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, the demand for cloud-based services for enterprise IT systems has continued to grow. Also, in conjunction with the digital transformation (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 continued to see a strong trend mainly among major corporations toward DX, which has drastically transformed the existing business models and industry structures. Meanwhile, the advertising market has seen not only a growing shift to digitalization but a hybrid customer approach incorporating conventional legacy media.

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. Revenue was 7,033,155 thousand yen (up 13.2% year-on-year), operating profit was 2,547,337 thousand yen (up 11.4% year-on-year), profit before tax was 2,602,772 thousand yen (up 10.6% year-on-year), and profit attributable to owners of parent was 1,836,415 thousand yen (up 13.1% year-on-year).

Revenue by business segment

Business segment	Revenue
Cloud Solutions	4,299,876 thousand yen
Digital Transformation	2,733,279 thousand yen

(2) Capital expenditure

Total capital expenditure amounted to 128,369 thousand yen for the current fiscal year, mainly comprising the following:

Business servers and other devices in the Cloud Solutions business	42,422 thousand yen
Cost of development of ZAC’s new functions in the Cloud Solutions business	33,712 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 25th	FY2023 (As of December 31, 2023) 26th
Revenue	5,530,898	6,210,714	7,033,155
Operating profit	2,027,962	2,286,563	2,547,337
Profit before tax	2,032,404	2,352,477	2,602,772
Profit attributable to owners of parent	1,424,038	1,623,552	1,836,415
Basic earnings per share	yen 87.96	yen 100.75	yen 113.90
Total assets	9,347,841	11,045,755	12,373,522
Equity attributable to owners of parent	5,908,847	7,331,089	8,884,053
Equity attributable to owners of parent per share	yen 366.76	yen 454.86	yen 550.91

(Japanese GAAP)

(Thousands of yen, unless otherwise stated)

Account	FY2020 23rd	FY2021 24th
Net sales revenue	5,240,816	5,762,070
Ordinary profit	1,713,121	2,132,046
Profit attributable to owners of parent	1,182,080	1,490,724
Earnings per share	yen 71.19	yen 92.08
Total assets	8,608,368	8,357,570
Net assets	7,216,818	6,859,908
Net assets per share	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 FY2021 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.

(ii) Assets and profit or loss of the Company

(Thousands of yen, unless otherwise stated)

Account	FY2020 23rd	FY2021 24th	FY2022 25th	FY2023 (As of December 31, 2023) 26th
Net sales	5,022,955	5,507,254	5,903,146	6,708,823
Ordinary profit	1,707,124	2,081,456	2,243,992	2,732,954
Profit	1,198,616	1,441,383	1,583,086	1,970,363
Earnings per share	yen 72.19	yen 89.03	yen 98.24	yen 122.20
Total assets	8,109,081	7,789,659	9,967,821	11,479,520
Net assets	6,881,003	6,432,304	6,851,391	8,517,906
Net assets per share	yen 414.37	yen 399.25	yen 425.10	yen 528.20

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. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) has been applied since the beginning of the 25th fiscal year, and thus, figures for the 25th fiscal year and beyond reflect the application of this standard.

(6) Issues to be addressed

The Group's Cloud Solutions business and Digital Transformation business both belong to the information service sector. This sector has continued to see technological evolution, changes in customer needs, and persistent competition for human resources.

Under these circumstances, continuous efforts to recruit and retain competent human resources are quite important for the development of the Group.

In the Cloud Solutions business, we believe that, for the Group to expand its market shares in the domestic growth industries, we need to enhance our products and services and strengthen our sales force. Also, in the ERP market, where major players operate business globally, for the Group to further grow over the medium to long term, it needs to operate business on a global scale.

In the Digital Transformation business, for the Group to seize business opportunities, it needs to further differentiate its technologies and services. To pursue significant growth opportunities by expanding into overseas markets, it is important that the Group caters to the needs of clients that are developing business overseas and strengthen its global sales structure.

Based on this recognition, the Group will execute the following management strategies to realize its Corporate Philosophy and achieve sustainable growth over the medium to long term:

Human resources, which are the source of our continued growth, are the most important management resources for the Group, and that securing and developing them is a material issue that we should address in order to achieve sustainable growth. To strengthen our human resources base, we will move forward with various measures, such as promoting diversity, establishing an environment supportive of diverse career paths and workstyles, enhancing our recruitment, education, and development of talents, and improving our working environment.

In the Cloud Solutions business, we will push forward with research activities in technical fields more than ever to leverage the strengths of the SaaS model, which is a feature of the cloud ERP "ZAC," our mainstay product. On the sales side, to expand market shares in growth industries, we aim to increase the number of contracts with new companies by expanding the range of our sales and marketing activities, while simultaneously strengthening collaborations with partner companies. In addition, we will strive to raise the utilization of our products by existing customers and work to expand the scope of applications of our products by enhancing support to our

existing customers.

To achieve growth over the medium to long term, we will strengthen our research and development structure and implement measures such as supporting multiple languages and currencies as part of our efforts to ultimately expand into overseas markets in 2026. Moreover, we will work to revamp system configurations and add new functions to enable large companies comprising 10,000 workers to use our systems.

In the Digital Transformation business, aiming to gain recognition as an *Execution Company* in the industry, which incorporates clients' marketing strategies into its specific measures and builds a scheme and structure that ensures an execution of these measures, we will enhance our sales and marketing strategies to increase the number of project orders we can receive. Also, we will continue to strengthen cooperation with major advertising agencies and partnering companies so as to receive more project orders.

To reinforce our technological advantage, we will keep up with the latest trends of technologies, and laws and regulations and effectively reflect the trends in our businesses.

In addition, to seize opportunities in overseas markets, we will proactively expand business overseas, while mitigating risks, through efforts such as strengthening sales forces and governance of consolidated subsidiaries overseas and developing global partners.

(7) Main businesses (as of December 31, 2023)

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, 2023)

(i) The Company

Company name	Location
Head Office	Meguro-ku Tokyo
Nishinohon 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, 2023)

(i) Group's employees

Number of employees	YoY change
507	42 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 delegated executive officers, contract employees, temporary employees, or part-timers.

(ii) The Company

Number of employees	YoY change	Average age	Average years of service (year)
288	24 increase	33.7	5.7

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 delegated executive officers, 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, 2023)

Not applicable

2. Matters regarding shares of the Company (as of December 31, 2023)

- (1) Total number of shares authorized to be issued 48,000,000 shares
- (2) Total number of issued shares 16,156,453 shares (including 30,282 treasury shares)
- (3) Number of shareholders 7,194

(4) Principal shareholders

Name	No. of shares held	Shareholding ratio (%)
Atsushi Kawata	6,228,623 Shares	38.62 %
Yasuhisa Hino	2,909,977	18.05
NORTHERN TRUST CO.(AVFC) RE THE HIGHCLERE INTERNATIONAL INVESTORS SMALLER COMPANIES FUND	615,400	3.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	550,300	3.41
BBH (LUX) FOR FIDELITY FUNDS-PACIFIC POOL	479,400	2.97
GOLDMAN SACHS INTERNATIONAL	333,357	2.07
THE BANK OF NEW YORK 133652	296,000	1.84
GOLDMAN, SACHS & CO. REG	265,300	1.65
CACEIS BANK/QUINTET LUXEMBOURG SUB AC / UCITS CUSTOMERS ACCOUNT	210,800	1.31
The Employee Shareholding Association of ORO Co., Ltd.	190,900	1.18

Note: The shareholding ratio is calculated excluding treasury stock.

(5) Shares granted to Directors and Audit and Supervisory Committee Members 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)	6,581 shares	2
Outside Directors (excluding Audit and Supervisory Committee Members)	–	–
Directors (Audit and Supervisory Committee Members)	–	–

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

(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 Audit and Supervisory Committee Members of the Company

(1) Names of Directors (as of December 31, 2023)

Name	Position and responsibilities	Significant concurrent positions
Atsushi Kawata	Representative Director, President and CEO	Outside Director of NISSEN INC.
Yasuhisa Hino	Director, Senior Managing Executive Officer General Manager for Corporate Department	Director of oRo Miyazaki Co., Ltd. Director of oRo code MOC Co., Ltd. Director of oRo Malaysia Sdn. Bhd. Director of oRo (Thailand) Co., Ltd.
Yoichi Maeda	Director (Outside Director, Full-Time Audit and Supervisory Committee Member)	Corporate Auditor of oRo Miyazaki Co., Ltd. Corporate Auditor of oRo code MOC Co., Ltd. Corporate Auditor of oRo TECHNOLOGY (DALIAN) Co., Ltd. Controller of oRo Vietnam Co., Ltd. Corporate Auditor of oRo TAIWAN Co., Ltd. Corporate Auditor of DALIAN oRo ADVERTISING 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. Veritas In Silico Inc. Auditor
Yuki Imamura	Director (Outside Director, Audit and Supervisory Committee Member)	Counsel at TMI Associates

- Notes:
1. Directors 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. Yoichi Maeda, Mr. Seiichi Suzuki, Mr. Minoru Hirooka, 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, Audit and Supervisory Committee Members (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 Audit and Supervisory Committee Members for the current fiscal year

(i) Total amount of remuneration for Directors and Audit and Supervisory Committee Members

Title	Number of recipients	Total amount of remunerations by type (Thousands of yen)			Total (Thousands of yen)	Remarks
		Fixed compensation	Performance-linked compensation	Stock compensation		
Director (excluding Audit and Supervisory Committee Members) (Outside Director)	5 (1)	54,338 (1,350)	29,325 (-)	13,996 (-)	97,660 (1,350)	
Director (Audit and Supervisory Committee Members) (Outside Director)	4 (4)	32,580 (32,580)	-	-	32,580 (32,580)	
Total	9	86,918	29,325	13,996	130,240	

(Note) The number of directors mentioned above (excluding the Audit and Supervisory Committee members) includes three directors who resigned upon the closure of the 25th regular general meeting of shareholders held on March 24, 2023.

(ii) Policy for determining content of individual remuneration for Directors and Audit and Supervisory Committee Members

The Company's Board of Directors has established a policy for determining the content of compensation for individual directors and officers, which is summarized below. For a resolution by the Board of Directors, the Company consults with and receives a report from the Nomination and Remuneration Committee.

The Company's basic policy is to set compensation at a level that promotes the improvement of its business performance and corporate value over the medium to long term; enables the attraction of human resources essential for its sustainable growth; is commensurate with their contributions to the Company's duties, business performance, and management conditions based on its key management indicators; and is well balanced with those of other companies in the same industry.

Specifically, the compensation for directors (excluding those on the Audit & Supervisory Committee) is composed of "fixed compensation," "performance-linked compensation," and "stock compensation" to reflect performance outcomes and share value with shareholders.

Fixed compensation is paid in cash, with amounts predetermined for each position. Performance-linked remuneration is paid in money as short-term incentive, of which amount is calculated by multiplying the amount of consolidated operating profit for the previous fiscal year by a rate predetermined for each position.

Stock remuneration, intended as a medium- to long-term incentive, involves the allocation of shares with transfer restrictions. Directors who are eligible for stock compensation ('Eligible Directors') receive grants of monetary compensation rights. These grants are limited to the total amount of such rights as determined by the Board of Directors' resolution and ratified during a General Meeting of Shareholders, with specific rates predefined for each position. This method ensures that stock compensation aligns with the Company's goals for sustained growth and executive performance, facilitating equity in alignment with shareholder interests. By paying 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.

Total remuneration for Representative Director, President, and CEO consists of approximately 50% in fixed remuneration, 30% in performance-linked remuneration, and 20% in stock remuneration. The higher the position, the greater the proportion of performance-linked remuneration.

The amount of compensation for individual directors (excluding those on the Audit & Supervisory Committee) is determined by the Board of Directors based on a recommendation from the Nomination and Compensation Committee.

The details of remuneration, etc. for individual Directors (excluding those on the Audit & Supervisory

Committee) for the current fiscal year are determined to be in line with the above policy, as the Nomination and Remuneration Committee made a report after reviewing the above policy, including its consistency, and the Board of Directors made its decision in accordance with such report.

The performance indicators for performance-linked compensation are the consolidated operating profit, which is a key performance indicator valued by the Company. The consolidated operating profit for the fiscal year ended December 31, 2022, which was used to calculate the performance-linked compensation for the fiscal year ended December 31, 2023, amounted to 2,286 million yen.

Compensation for directors (Audit & Supervisory Committee members) consists solely of "fixed compensation," considering their objective position to audit the performance of duties by directors (excluding Audit & Supervisory Committee members).

The amount of individual remuneration for Directors who are Audit and Supervisory Committee Members was determined through discussions with Directors who are Audit and Supervisory Committee Members.

(iii) Matters regarding resolutions on remuneration for Directors and Audit and Supervisory Committee Members approved at 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). At the 25th Annual General Meeting of Shareholders held on March 24, 2023, it was resolved to revise the handling of directors upon their resignation (excluding those serving on the Audit Committee and external directors) and the lifting of restrictions on transfer. The number of directors affected by this resolution at the conclusion of this shareholders' meeting was two (2).

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 Audit and Supervisory Committee Members

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

Director (Audit and Supervisory Committee Member) Mr. Minoru Hirooka is President of Hirooka Certified Public Accountant Office, Outside Director (Audit and Supervisory Committee Member) of SE Holdings and Incubations Co., Ltd. and Auditor of Veritas In Silico Inc. 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 Audit and Supervisory Committee (held 14 times)	
	No. of meetings attended	Attendance rate	No. of meetings attended	Attendance rate
Yoichi Maeda Director (Audit and Supervisory Committee Member)	15	100%	14	100%
Seiichi Suzuki Director (Audit and Supervisory Committee Member)	15	100%	14	100%
Minoru Hirooka Director (Audit and Supervisory Committee Member)	15	100%	14	100%
Yuki Imamura Director (Audit and Supervisory Committee Member)	15	100%	14	100%

(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 (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 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 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 | 46,350 thousand yen |
| (ii) Total amount of money and other property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor | 46,350 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 Accounting 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.
4. The Company has not entrusted the accounting auditor with any tasks other than those related to audit certification as defined under Article 2, Paragraph 1 of the Certified Public Accountants Act.

(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, an Audit and Supervisory Committee Member 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 a 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 as the Company introduced an executive officer system as of March 24, 2023. 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 Corporate 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 the 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 Representative Director, President and 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.
 - The Company shall adopt an executive officer system to promote a clear separation of supervisory and business execution functions among Directors, clarify the division of responsibilities, and strengthen respective functions. The Board of Directors will appoint Executive Officers, who will be responsible for executing their assigned duties. Representative Director, President and CEO will oversee and supervise the duties of the Executive Officers.
 - 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 differences 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.
- (vi) System to ensure proper business process among the corporate group consisting of the 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 Corporate 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 the Company, and report the progress of the performance of duties on a regular basis in order to ensure a 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 the 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 the Company and report the result of the audit to Representative Director, President and CEO, the Board of Directors, and the Audit and Supervisory Committee of the 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 the employee(s) of the 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, and 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 the 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 the 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 the 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 the Company
 - Upon request from the Audit and Supervisory Committee of the Company, they shall report the status of the performance of their duties, and immediately inform the Audit and Supervisory Committee of the 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 the 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 Representative Director, President and CEO, or Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company.
 - The Audit and Supervisory Committee shall meet Representative Director, President and CEO of the 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 Representative Director, President and 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 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.

- 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 eight persons (President and CEO, Senior Managing Executive Officer, Managing Executive Officer, Executive Officer, and Director who is 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 12 persons (President and CEO, Senior Managing Executive Officer, Managing Executive Officer, Executive Officer, Director who is full-time Audit and Supervisory Committee Member, 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 (President and CEO, Senior Managing Executive Officer, Managing Executive Officer, full-time Audit and Supervisory Committee Member, and one employee from the legal affairs department), and meets regularly to share information by making reports on the progress of the Company's risk analysis, risk management measures, and other risk management matters.
- 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 is comprised of one full-time member and verifies, evaluates, and advises on whether the Group's organization, systems, and operations are in compliance with management policies, laws, regulations, and rules; and whether they are operated efficiently. Through this process, the Internal Audit Office strives to prevent legal violations, fraud and errors, to provide accurate information, to preserve assets, and to improve business activities.
- The Company has established the Nomination and Remuneration Committee as a voluntary advisory body to the Board of Directors. This committee is comprised of three members who are independent Outside Director and Director, and 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, 2023)

(Thousands of yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	10,920,664	Current liabilities	3,143,227
Cash and cash equivalents	8,707,486	Trade and other payables	455,382
Trade and other receivables	998,173	Contract liabilities	1,759,116
Contract assets	444,407	Lease liabilities	195,412
Other financial assets	641,152	Income tax payables	229,569
Other current assets	126,445	Provisions	27,639
		Other current liabilities	476,106
Non-current assets	1,452,857	Non-current liabilities	346,014
Property, plant and equipment	731,017	Lease liabilities	220,118
Intangible assets	83,338	Provisions	125,895
Other financial assets	111,251		
Deferred tax assets	488,796	Total liabilities	3,489,241
Other non-current assets	38,452		
		(Equity)	
Total assets	12,373,522	Equity attributable to owners of parent	8,884,053
		Capital stock	1,193,528
		Capital surplus	1,095,202
		Treasury shares	(112,862)
		Retained earnings	6,620,867
		Other components of equity	87,318
		Non-controlling interests	227
		Total equity	8,884,280
		Total liabilities and equity	12,373,522

Consolidated Statement of Income
(Fiscal Year Ended December 31, 2023)

(Thousands of yen)

Account	Amount
Revenue	7,033,155
Cost of sales	2,358,468
Gross profit	4,674,687
Selling, general and administrative expenses	2,081,276
Research and development	45,925
Other income	49,614
Other expenses	49,762
Operating profit	2,547,337
Finance income	62,627
Finance costs	7,193
Profit before tax	2,602,772
Income tax expenses	772,882
Profit	1,829,889
Profit attributable to:	
Owners of parent	1,836,415
Non-controlling interests	(6,525)
Profit	1,829,889

Consolidated Statement of Changes in Equity
(Fiscal Year Ended December 31, 2023)

(Thousands of yen)

	Equity attributable to owners of parent			
	Capital stock	Capital surplus	Treasury shares	Retained earnings
Balance as of January 1, 2023	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 as of December 31, 2023	1,193,528	1,095,202	(112,862)	6,620,867

	Equity attributable to owners of parent			Non-controlling interest	Equity
	Other components of equity		Total		
	Exchange difference	Total			
Balance as of January 1, 2023	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 as of December 31, 2023	87,318	87,318	8,884,053	227	8,884,280

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.

3. 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.

4. 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
- Patent right 8 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, asset retirement obligations and provision for shareholder benefit program.

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.

4) Provision for shareholder benefit program

To provide for expenses associated with the shareholder benefit program, a provision is recorded for the amount to be borne in the current fiscal year out of the amount expected in the future based on the shareholder benefit program.

(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.

(Changes in accounting principles)

The standards that the Group has adopted from the current fiscal year 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.

(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	801,146 thousand yen
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- (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.

Since the Group discontinued the one-time purchase contract for ZAC software licenses during the current fiscal year, the materiality of this estimate is expected to decrease in the following fiscal years.

(Estimates of total cost of satisfying performance obligations and recognizing revenue over a specified period of time)

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

Amount of revenue recognized based on progress	764,405 thousand yen
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- (2) Information on significant accounting estimates for the items identified

For ZAC ERP installation consultation, customization; 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.

The recognition of these revenues is dependent on estimates of total costs, which are estimated in a timely and appropriate manner based on the progress of the work, past work performance, and other factors. However, the number of man-hours and subcontract prices used in the calculation of estimated total costs are subject to uncertainty. If a revision is necessary due to changes in the nature of the work or the occurrence of additional work, 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	135 thousand yen
Other non-current assets	915 thousand yen

(2) Accumulated depreciation and accumulated impairment losses on property, plant and equipment 1,142,928 thousand yen

(3) Contingent liabilities

(Litigation, etc.)

On July 18, 2023, the Company agreed to settle a pending lawsuit filed by a former employee in June 2022 with the Chiba District Court regarding compensation for damages based on a breach of the safety and health obligation under the employment contract at the time of employment (before 2012). The settlement amount of 45,000 thousand yen was recorded as other expenses in the consolidated statement of income for the current fiscal year.

(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 30,282 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 24, 2023	Common stock	Retained earnings	322,343	20.00	December 31, 2022	March 27, 2023

(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 22, 2024	Common stock	Retained earnings	483,785	30.00	December 31, 2023	March 26, 2024

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.

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, 2023 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	110,976	110,611
Total	110,976	110,611

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	–	110,611	–	110,611
Total	–	110,611	–	110,611

(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	3,182,123	–	3,182,123
ZAC ERP installation consultation, customization	873,725	–	873,725
Reforma PSA	154,570	–	154,570
Other products, etc.	89,457	–	89,457
Marketing / promotion	–	1,215,233	1,215,233
System/website integration, etc.	–	869,322	869,322
Operation support, Operation office	–	648,723	648,723
Total	4,299,876	2,733,279	7,033,155

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	998,173
Contract assets	447,407
Contract liabilities	
Advances received	1,759,116

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 795,906 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	1,018,404
Over one year	<u>740,711</u>
Total transaction price allocated to the unsatisfied performance obligations	<u>1,759,116</u>

(Notes to Information Per Share)

Equity attributable to owners of parent	550.91 yen
Basic earnings per share	113.90 yen

(Notes to Significant Subsequent Events)

Not applicable

Non-Consolidated Financial Statements

Balance Sheet (As of December 31, 2023)

(Thousands of yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	10,335,915	Current liabilities	2,855,937
Cash and deposits	8,778,972	Accounts payable - trade	344,315
Accounts receivable - trade	731,718	Accounts payable - other	136,715
Contract assets	452,841	Accrued expenses	196,284
Supplies	5,982	Income taxes payable	254,400
Advance payments to suppliers	1,100	Contract liabilities	1,758,947
Prepaid expenses	45,215	Deposits received	32,942
Short-term loans receivable from subsidiaries and associates	42,000	Provision for loss on orders received	248
Other	278,220	Provision for product warranties	3,074
Allowance for doubtful accounts	(135)	Provision for shareholder benefit program	24,415
		Other	104,593
Non-current assets	1,143,605	Non-current liabilities	105,676
Property, plant and equipment	326,392	Asset retirement obligations	105,676
Buildings	219,107		
Tools, furniture and fixtures	474,558		
Accumulated depreciation	(367,273)		
Intangible assets	91,328	Total liabilities	2,961,614
Patent right	451		
Trademark right	190	(Net assets)	
Software	89,002	Shareholders' equity	8,517,906
Software in progress	1,673	Capital stock	1,193,528
Other	9	Capital surplus	1,103,528
Investments and other assets	725,884	Legal capital surplus	1,103,528
Shares of subsidiaries and associates	54,788	Retained earnings	6,325,927
Investments in capital of subsidiaries and associates	15,747	Other retained earnings	6,325,927
Distressed receivables	915	Retained earnings brought forward	6,325,927
Long-term prepaid expenses	33,427	Treasury shares	(105,079)
Deferred tax assets	532,062		
Other	89,858		
Allowance for doubtful accounts	(915)		
Total assets	11,479,520	Total net assets	8,517,906
		Total liabilities and net assets	11,479,520

Statement of Income
(Fiscal Year Ended December 31, 2023)

(Thousands of yen)

Account	Amount	
Net sales		6,708,823
Cost of sales		2,434,761
Gross profit		4,274,062
Selling, general and administrative expenses		1,846,377
Operating profit		2,427,685
Non-operating income		
Interest and dividend income	267,874	
Foreign exchange gains	48,688	
Other	37,538	354,102
Non-operating expenses		
Settlement package	45,000	
Other	3,832	48,832
Ordinary profit		2,732,954
Profit before income taxes		2,732,954
Income taxes – current	638,507	
Income taxes - deferred	124,083	762,591
Profit		1,970,363

Non-consolidated Statement of Changes in Net Assets
(Fiscal Year Ended December 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings brought forward	
Balance as of January 1, 2023	1,193,528	1,103,528	1,103,528	4,690,711	4,690,711
Changes of items during the fiscal year					
Dividends of surplus	–	–	–	(322,343)	(322,343)
Profit	–	–	–	1,970,363	1,970,363
Disposal of treasury shares	–	–	–	(12,804)	(12,804)
Total change of items during the fiscal year	–	–	–	1,635,216	1,635,216
Balance as of December 31, 2023	1,193,528	1,103,528	1,103,528	6,325,927	6,325,927

	Shareholders' equity		Total net assets
	Treasury shares	Total shareholders' equity	
Balance as of January 1, 2023	(136,377)	6,851,391	6,851,391
Changes of items during the fiscal year			
Dividends of surplus	–	(322,343)	(322,343)
Profit	–	1,970,363	1,970,363
Disposal of treasury shares	31,298	18,493	18,493
Total change of items during the fiscal year	31,298	1,666,514	1,666,514
Balance as of December 31, 2023	(105,079)	8,517,906	8,517,906

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

Shares of Shares of subsidiaries are carried at cost by the moving-average method.
subsidiaries

2. Depreciation and amortization methods for non-current assets

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

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) Patent right Amortized using the straight-line method over 8 years.

(iii) Software for Amortized by the larger of either the amount based on the estimated sales
sale volume for the effective sales period (3 years) or the amount equally
allocated over the remaining effective sales period.

(iv) Software for Amortized using the straight-line method over its useful life (5 years).
internal use

3. Standards for recording allowances and provisions

(1) Allowance for To provide for potential losses on doubtful accounts, allowance for
doubtful accounts 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 To provide for future losses on orders received, provision for loss on
on orders orders received is provided at the estimated amount of losses on orders
received received at the end of the current fiscal year.

(3) Provision for To provide for costs of product warranties for a certain period of time
product related to software, a provision is recognized for the estimated amount
warranties 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.

(4) Provision for To provide for expenses associated with the shareholder benefit
shareholder program, provision for shareholder benefit program is provided at the
benefit program amount to be borne in the current fiscal year out of the amount expected
in the future, based on the shareholder benefit program.

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 (i.e., "agent").

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 Company assumes inventory risk before and after orders are placed by customers, in transit, or upon return.
- The Company has the right to set prices directly or indirectly.

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

(Notes to Changes in Presentation)

"Miscellaneous losses" and "Loss on retirement of non-current assets," which were separately presented in the previous fiscal year, have been included in "Other" under "Non-operating expenses" from the current fiscal year due to their decreased financial materiality.

Furthermore, the "Provision for Product Warranties," previously categorized under "Other" within "Current Liabilities," has been itemized separately from this fiscal year onwards to enhance the clarity of disclosure.

(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

801,146 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.

Estimation of Total Costs in the Method of Recognizing Revenue over a Period of Time by Fulfilling Performance Obligations:

(1) Amounts recognized in the financial statements for the current fiscal year

Revenue recognized based on progress: 764,405 thousand yen.

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

Identical to the matters described in the notes to consolidated financial statements (Notes on accounting estimates).

(Notes to Balance Sheet)

Receivables from and payables to subsidiaries and associates

Short-term receivables 16,625 thousand yen

Short-term payables 84,955 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 800 thousand yen

Purchases 791,435 thousand yen

Other non-operating transactions 237,646 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 30,282 shares

(Notes to Tax Effect Accounting)

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

(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 528.20 yen

Earnings per share 122.20 yen

(Notes to Significant Subsequent Events)

Not applicable