

Translation

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.

Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (Based on Japanese GAAP)

February 15, 2021

Company name: ORO Co., Ltd
 Stock exchange listing: TSE
 Stock code: 3983 URL <https://www.oro.com>
 Representative: Atsushi Kawata, Representative Director and President
 Inquiries: Yasuhisa Hino, Senior Managing Director and General Manager for Corporate Department TEL: +81-3-5724-7001
 Scheduled date to hold ordinary general meeting of shareholders: March 25, 2021
 Scheduled date to commence dividend payments: March 26, 2021
 Scheduled date to file Securities Report: March 26, 2021
 Supplementary documents for financial results: Yes
 Financial results presentation: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the Fiscal Year Ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year Ended December 31, 2020	5,240	4.3	1,707	28.0	1,713	26.2	1,182	31.3
Fiscal Year Ended December 31, 2019	5,022	12.5	1,333	13.6	1,357	14.5	900	7.9

Note: Comprehensive income Fiscal Year Ended December 31, 2020: 1,185million yen 32.4%

Fiscal Year Ended December 31, 2019: 894million yen 10.2%

	Earnings per share	Profit per share after full dilution	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal Year Ended December 31, 2020	71.19	—	17.7	21.0	32.6
Fiscal Year Ended December 31, 2019	54.24	—	15.6	19.0	26.6

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

Fiscal Year Ended December 31, 2019: —million yen

* The Company conducted a common stock split according to a ratio 1:2 effective on June 1, 2019. Earnings per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2020	8,608	7,216	83.8	434.59
As of December 31, 2019	7,681	6,164	80.2	371.32

Reference: Equity capital As of December 31, 2020: 7,222million yen As of December 31, 2019: 6,163million yen

*The Company conducted a common stock split according to a ratio 1:2 effective on June 1, 2019. Net assets per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year Ended December 31, 2020	1,170	(232)	(169)	5,904
Fiscal Year Ended December 31, 2019	853	(135)	(125)	5,135

2. Cash dividends

	Annual dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends / net assets (consolidated)
	1st quarter- end	2nd quarter- end	3rd quarter- end	Fiscal year- end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year Ended December 31, 2019	—	0.00	—	9.00	9.00	149	16.6	2.6
Fiscal Year Ended December 31, 2020	—	0.00	—	10.00	10.00	166	14.0	2.5
Fiscal Year Ended December 31, 2021 (Forecasts)	—	0.00	—	10.00	10.00		12.4	

3. Forecast of consolidated financial results for the year ending December 31, 2021 (from January 1, 2021 to December 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	6,050	15.5	1,931	13.1	1,940	13.2	1,338	13.3	80.63

4. Notes

- (1) Changes in significant subsidiaries during the Period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revision of accounting standards: None
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None
- Restatement of prior period financial statements: None

(3) Number of issued shares (common shares)

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

As of December 31, 2020	16,606,453 shares	As of December 31, 2019	16,600,000 shares
-------------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of December 31, 2020	331 shares	As of December 31, 2019	331 shares
-------------------------	------------	-------------------------	------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Fiscal Year Ended December 31, 2020	16,604,112 shares	Fiscal Year Ended December 31, 2019	16,599,739 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Note: The Company conducted a common stock split according to a ratio 1:2 effective on June 1, 2019. Number of issued shares (common shares) is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Reference: Non-Consolidated Results

Non-Consolidated Operating Results and Financial Position of the Fiscal 2020 (January 1, 2020 – December 31, 2020)

(1) Non-Consolidated Operating Results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year Ended December 31, 2020	5,022	5.9	1,657	24.9	1,707	26.3	1,198	40.6
Fiscal Year Ended December 31, 2019	4,744	13.3	1,327	15.1	1,351	18.8	852	5.3

	Profit per share	Profit per share after full dilution
	Yen	Yen
Fiscal Year Ended December 31, 2020	72.19	—
Fiscal Year Ended December 31, 2019	51.35	—

*The Company conducted a common stock split according to a ratio 1:2 effective on June 1, 2019. Profit per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Non-Consolidated Financial position

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2020	8,109	6,881	84.9	414.37
As of December 31, 2019	7,121	5,811	81.6	350.11

Reference: Equity capital As of December 31, 2020: 6,881million yen As of December 31, 2019: 5,811million yen

Note: The Company conducted a common stock split according to a ratio 1:2 effective on June 1, 2019. Net assets per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

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

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

(Caution regarding forward-looking statements)

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

(Methods of obtaining the supplementary materials and the content of the earnings briefings)

The Company is scheduled to hold a financial results briefing for institutional investors and analysts (planned to be recorded & shared online). Supplementary material on financial results used at the briefing will be disclosed on TDnet and the Company's website on the same day.

1. Overview of operating results	
(1) Analysis of full-year results	5
(2) Analysis of financial position	5
(3) Summary of cash flows for FY2019	6
(4) Future outlook	7
2. basic policy for selection of accounting standards	7
3. Consolidated financial statements and key notes	8
(1) Consolidated balance sheets	8
(2) Consolidated statements of income and consolidated statements of comprehensive income	10
(3) Consolidated statements of changes in net assets	12
(4) Consolidated statements of cash flows	14
(5) Notes on consolidated financial statements	15
(Note on the going-concern assumption)	15
(Segment information)	15
(Information per share)	17
(Significant subsequent events)	17

1. Overview of operating results

(1) Analysis of full-year results

Operating results for the consolidated fiscal year under review

The Japanese economy for the current consolidated fiscal year (January 1, 2020 to December 31, 2020) was hugely affected by COVID-19 expansion. The declaration of State of Emergency gave a major impact to the domestic economic activity, and the effect of COVID-19 still keeps on being a worldwide threat. Although there was a sign of moderate economical recovery, represented by policies of economical restart activities, the increase in number of patients in the winter again shows the uncertainty of when the expansion of COVID-19 settles. The future economical situation remains unclear. In the domestic information service industry, demand for information systems to increase productivity and improve operational efficiency continues to grow with the further expansion of the work style reform. Companies are looking for cost-effective and user-friendly information systems. In addition, due to the effect of COVID-19 and a change in working style where working from home is becoming a new standard, there is a growing demand in cloud enterprise systems. In the internet industry, the term "digital transformation (DX)" is of great interest for major companies; this new digitalization movement, which may significantly change existing business models and industry structures, is drawing attention.

In such a market environment, the Group provides cloud services and digital solutions while maintaining the integrated production and sales system. Cloud ERP "ZAC" and "Reforma PSA" are main products of Cloud Solutions. These products have been widely accepted by industries and businesses centering on companies that require project management, keeping steady growth and contributing to the business performance.

Digital Transformation has been providing a wide range of solutions that support customers' businesses from all directions with a focus on digital : planning and production of website, digital content and application, strategy planning and operation support for utilizing SNS, and strategy planning and management of web advertising.

In order to improve the corporate value, each business has been making efforts to develop new customers and to strengthen relationships with major customers. As a result, the financial results for the current consolidated fiscal year is as follows: net sales were 5,240,816 thousand yen (increased by 4.3% year-on-year), operating profit was 1,707,490 thousand yen (increased by 28.0% year-on-year), ordinary profit was 1,713,121 thousand yen (increased by 26.2% year-on-year) and profit attributable to owners of parent was 1,182,080 thousand yen (increased by 31.3% year-on-year).

Results by business segment are as follows:

a) Cloud Solution

Due to decrease in inquiry during State of Emergency in from April to May, there was an effect on the net sales for new customers.

Also, decrease in demand of additional licenses due to customers employing less under COVID-19. Net sales were 3,058,717 thousand yen (increased by 9.0% year-on-year). While the company worked on the improvement in business operations that is promotion online meeting, standardization in customer service and promotion of business automation, etc. Operating profit amounted to 1,354,242 thousand yen (increased by 8.9% year-on-year).

b) Digital Transformation

Due to close of shops during State of Emergency, advertisement to attract customers decreased. After that, the situation improved gradually, the automobile industry's advertisement to attract customers recovered in 4th quarter. Net sales were 2,182,099 thousand yen (decreased by 1.5% year-on-year). Operating profit increased to 353,248 thousand yen (increased by 293.0% year-on-year) due to an increase in provision for loss on orders received relating to particular transactions.

(2) Analysis of financial position

Asset, liabilities and net assets

Total assets at the end of the current consolidated fiscal year increased by 926,628 thousand yen from the end of the previous consolidated fiscal year to 8,608,368 thousand yen. The increase was due mainly to increases in cash and deposits of 753,688 thousand yen, notes and accounts receivable - trade of 421,568 thousand yen and tools, furniture and fixtures of 148,591 thousand yen, and a decrease in work in process of 243,700 thousand yen.

Liabilities at the end of the current consolidated fiscal year decreased by 126,168 thousand yen from the end of the previous consolidated fiscal

year to 1,391,550 thousand yen. The decrease was due mainly to increases in notes and accounts payable - trade of 99,358 thousand yen and decrease in provision for loss on orders received of 220,151 thousand yen.

Net assets at the end of the current consolidated fiscal year increased by 1,052,796 thousand yen from the end of the previous consolidated fiscal year to 7,216,818 thousand yen. The increase was due mainly to an increase in profit attributable to owners of parent of 1,182,080 thousand yen and a decrease in dividend payments of 149,397 thousand yen.

(3) Summary of cash flows for FY2020

The balance of cash and cash equivalents (hereinafter referred to as "net cash") at the end of the current consolidated fiscal year was 5,904,772 thousand yen, an increase of 768,906 thousand yen compared to the end of the previous consolidated fiscal year (increased by 15.0% year-on-year). Respective cash flows for the current consolidated fiscal year and their contributing factors are as follows:

(Cash flows due to operating activities)

Net cash provided by operating activities was 1,170,252 thousand yen (853,113 thousand yen was provided in the previous consolidated fiscal year). This was due mainly to profit before income taxes of 1,707,924 thousand yen, while there was payment of income taxes of 466,088 thousand yen.

(Cash flows due to investing activities)

Net cash used in investing activities was 232,336 thousand yen (135,676 thousand yen was used in the previous consolidated fiscal year). This was due mainly to payment for purchases of property, plant and equipment of 205,211 thousand yen.

(Cash flows due to financing activities)

Net cash used in financing activities was 169,715 thousand yen (125,027 thousand yen was used in the previous consolidated fiscal year). This was due mainly to dividend payments of 149,377 thousand yen.

(Reference) Indicators related to cash flows

	FY2016	FY2017	FY2018	FY2019	FY2020
Equity ratio (%)	75.5	87.5	81.3	80.2	83.8
Equity ratio based on market value (%)	—	333.9	512.7	826.6	845.9
The ratio of interest-bearing debt to operating cash flow (years)	—	—	—	—	0.1
Interest coverage ratio (times)	—	—	—	—	395.7

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

The ratio of interest-bearing debt to operating cash flow: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

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

2. In or before the consolidated fiscal year ended December 31, 2016, the Company's shares were not listed; therefore, an equity ratio on a market price basis was not presented.

3. Operating cash flow equals to the total net cash flows from operating activities as stated in the Consolidated Statements of Cash Flows. Interest payments are equal to interest paid as stated in the Consolidated Statements of Cash Flows.

4. Before the consolidated fiscal year ended December 31, 2019, since the Company does not have interest-bearing liabilities and there are no interest payments, it presents neither the ratio of cash flows to interest-bearing liabilities nor the interest coverage ratio.

(4) Future outlook

Uncertain situations continue until today, such as the redeclaration of state of Emergency on January 7th, 2021. Under this condition, Cloud Solution branch expects that there will be a continuous effect on numbers of inquiries and additional licenses through 2021, even if not to the extent of 2020. The company will continue strengthening marketing, while promoting online meetings for the marketing/ installation process, improving productivity. In the Digital Transformation branch, the clients keep holding down the advertising expense, although not to the extent of the State of Emergency previous year.

Regarding this situation, the business outlook of the next fiscal year (ending December 31, 2021) is as follows.

1) Net sales

a) Cloud Solution

In the next fiscal year (ending December 31, 2021), the Company will continuously increase the marketing budget and continue to promote sales of "ZAC" and "Reforma PSA." At the same time, in order to increase customer satisfaction, the Company will continue to improve the user interface (UI) and take measures to provide high value consulting services.

Net sales in Cloud Solutions are projected by aggregating order backlogs at the end of the current period and the total of monthly estimated net sales considering the past record, etc. As a result, net sales in Cloud Solutions are planned to be 3,415 million yen, an increase by 11.7% year-on-year.

b) Digital Transformation

The Company's policy is to expand the business by continuously strengthening relationships with existing customers and advertising agencies as well as promoting overseas sales by utilizing overseas consolidated subsidiaries. Consequently, net sales in Digital Transformation are planned to be 2,634 million yen, an increase by 20.7% year-on-year.

2) Cost of sales

Cost of sales in Cloud Solutions and Digital Transformation is mainly comprised of labor costs and subcontract expenses concerning development and introduction support. Labor costs are projected by aggregating estimated labor costs based on each department's workforce planning. Subcontract expenses are calculated taking cost rate by business into consideration. Cost of sales is calculated by adding the balance of work in process to the total manufacturing costs calculated above. As a result, cost of sales in Cloud Solutions is planned to be 1,117 million yen, an increase by 9.0% year-on-year, and cost of sales in Digital Transformation is planned to be 1,378 million yen, an increase by 23.9% year-on-year.

3) Selling, general and administrative expenses

Selling, general and administrative expenses are mainly comprised of personnel expenses for sales and administrative divisions, and other expenses. The expenses are projected by aggregating respective expenses. As a result, selling, general and administrative expenses are planned to be 1,622 million yen, an increase by 16.2% year-on-year.

4) Non-operating income (expenses)

Non-operating income (expenses) may include interest income, foreign exchange gains (losses), etc. Estimating conservatively, non-operating income is planned to be 8 million yen.

5) Extraordinary gains (losses)

Extraordinary gains (losses) are not projected.

Accordingly, at this point, the Group's consolidated financial results for the next period ending December 31, 2021 are estimated as follows:

Net sales	6,050 Millions of yen (increased by 15.5% year-on-year)
Operating profit	1,931 Millions of yen (increased by 13.1% year-on-year)
Ordinary profit	1,940 Millions of yen (increased by 13.2% year-on-year)
Profit attributable to owners of parent	1,338 Millions of yen (increased by 13.3% year-on-year)

2. Basic policy for selection of accounting standards

It is our Group's policy that consolidated financial statements are prepared in accordance with Japanese GAAP, taking into consideration the period-to-period comparability of consolidated financial statements and the comparability among companies. It is the Company's policy to properly respond to application of the International Financial Reporting Standards (IFRS) taking various domestic and international situations into consideration.

3. Consolidated financial statements and key notes

(1) Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	5,540,151	6,293,840
Notes and accounts receivable - trade	949,045	1,370,614
Work in process	397,076	153,376
Raw materials and supplies	3,147	3,073
Other	93,118	100,355
Allowance for doubtful accounts	(1,012)	(1,120)
Total current assets	6,981,527	7,920,138
Non-current assets		
Property, plant and equipment		
Buildings	255,034	253,750
Tools, furniture and fixtures	261,649	410,240
Other	97,333	75,112
Accumulated depreciation	(198,076)	(284,648)
Total property, plant and equipment	415,939	454,454
Intangible assets	27,799	31,233
Investments and other assets		
Investment securities	11,526	16,541
Deferred tax assets	147,130	88,624
Other	98,797	98,290
Allowance for doubtful accounts	(981)	(915)
Total investments and other assets	256,473	202,540
Total non-current assets	700,212	688,229
Total assets	7,681,739	8,608,368

(Thousands of yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	189,384	288,743
Income taxes payable	277,570	280,526
Provision for bonuses	51,420	53,222
Provision for loss on order received	250,284	30,132
Other	544,504	565,653
Total current liabilities	1,313,163	1,218,278
Non-current liabilities		
Asset retirement obligations	116,495	114,799
Other	88,058	58,471
Total non-current liabilities	204,554	173,271
Total liabilities	1,517,718	1,391,550
Net assets		
Shareholders' equity		
Capital stock	1,185,030	1,193,528
Capital surplus	1,095,030	1,103,528
Retained earnings	3,889,482	4,922,166
Treasury shares	(942)	(942)
Total shareholders' equity	6,186,600	7,218,281
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,514	7,523
Foreign currency translation adjustment	(9,379)	(8,987)
Total accumulated other comprehensive income	(4,865)	(1,463)
Non-controlling interests	286	—
Total net assets	6,164,021	7,216,818
Total liabilities and net assets	7,681,739	8,608,368

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

Consolidated statements of income

(Thousands of yen)

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Net sales	5,022,672	5,240,816
Cost of sales	2,180,360	2,138,163
Gross profit	2,842,311	3,102,648
Selling, general and administrative expenses	1,508,452	1,395,157
Operating profit	1,333,859	1,707,490
Non-operating income		
Interest and dividend income	9,176	6,194
Subsidy income	—	24,427
Compensation income for damage	17,493	2,812
Gain on forgiveness of debts	—	4,895
Others	2,188	7,664
Total non-operating income	28,858	45,994
Non-operating expenses		
Interest expenses	—	2,957
Foreign exchange losses	1,249	29,825
Loss on retirement of noncurrent assets	2,777	1,232
Compensation for damage	—	5,909
Consumption tax difference	939	—
Others	22	439
Total non-operating expenses	4,990	40,364
Ordinary profit	1,357,727	1,713,121
Extraordinary losses		
Loss on liquidation of subsidiaries	11,931	—
Impairment loss	42,750	5,196
Others	5,295	—
Total extraordinary losses	59,976	5,196
Profit before income taxes	1,297,750	1,707,924
Income taxes - current	443,502	469,047
Income taxes - deferred	(46,439)	57,178
Total income taxes	397,062	526,225
Profit	900,688	1,181,698
Profit attributable to non-controlling interests	381	(381)
Profit attributable to owners of parent	900,306	1,182,080

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Profit	900,688	1,181,698
Other comprehensive income		
Valuation difference on available-for-sale securities	1,496	3,009
Foreign currency translation adjustment	(7,327)	488
Total other comprehensive income	(5,830)	3,497
Comprehensive income	894,857	1,185,196
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	894,570	1,185,483
Comprehensive income attributable to non-controlling interests	286	(286)

(3) Consolidated Statements of Changes in Net Assets

Fiscal Year Ended December 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of year	1,185,030	1,095,030	3,113,675	(355)	5,393,379
Changes of items during period					
Dividends of surplus			(124,499)		(124,499)
Profit attributable to owners of parent			900,306		900,306
Purchase of treasury shares				(586)	(586)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	775,807	(586)	775,221
Balance at the end of year	1,185,030	1,095,030	3,889,482	(942)	6,168,600

	Accumulated other comprehensive income			Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of year	3,017	(2,052)	965	—	5,394,344
Changes of items during period					
Dividends of surplus					(124,499)
Profit attributable to owners of parent					900,306
Purchase of treasury shares					(586)
Net changes of items other than shareholders' equity	1,496	(7,327)	(5,830)	286	(5,544)
Total changes of items during period	1,496	(7,327)	(5,830)	286	769,677
Balance at the end of year	4,514	(9,379)	(4,865)	286	6,164,021

Fiscal Year Ended December 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of year	1,185,030	1,095,030	3,889,482	(942)	6,168,600
Changes of items during period					
Issuance of new shares	8,498	8,498			16,997
Dividends of surplus			(149,397)		(149,397)
Profit attributable to owners of parent			1,182,080		1,182,080
Net changes of items other than shareholders' equity					
Total changes of items during period	8,498	8,498	1,032,683	—	1,049,680
Balance at the end of year	1,193,528	1,103,528	4,922,166	(942)	7,218,281

	Accumulated other comprehensive income			Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of year	4,514	(9,379)	(4,865)	286	6,164,021
Changes of items during period					
Issuance of new shares					16,997
Dividends of surplus					(149,397)
Profit attributable to owners of parent					1,182,080
Net changes of items other than shareholders' equity	3,009	392	3,402	(286)	3,115
Total changes of items during period	3,009	392	3,402	(286)	1,052,796
Balance at the end of year	7,523	(8,987)	(1,463)	—	7,216,818

(4) Consolidated statements of cash flows

(Thousands of yen)

Fiscal Year Ended December 31, 2019 Fiscal Year Ended December 31, 2020

Cash flows from operating activities		
Profit before income taxes	1,297,750	1,707,924
Depreciation	81,767	112,621
Impairment loss	42,750	5,196
Amortization of goodwill	11,400	—
Increase (decrease) in allowance for doubtful accounts	987	59
Increase (decrease) in provision for bonuses	723	1,880
Increase (decrease) in provision for loss on order received	128,116	(220,151)
Interest and dividend income	(9,176)	(6,194)
Interest expenses	—	2,957
Settlement package	5,295	—
Compensation for damage	—	2,703
Loss (gain) on liquidation of subsidiaries	11,931	—
Decrease (increase) in notes and accounts receivable - trade	27,475	(419,323)
Decrease (increase) in inventories	(200,449)	243,723
Increase (decrease) in notes and accounts payable - trade	(43,743)	101,163
Other, net	(45,242)	100,491
Subtotal	1,309,586	1,633,053
Interest and dividend income received	8,066	8,949
Interest paid	—	(2,957)
Settlement package paid	(5,295)	—
Compensation for damage paid	—	(2,703)
Income taxes paid	(459,244)	(466,088)
Net cash provided by (used in) operating activities	853,113	1,170,252
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	3,544	—
Payments into time deposits	—	(7,316)
Purchase of property, plant and equipment	(120,378)	(205,211)
Purchase of intangible assets	(317)	(19,636)
Purchase of investment securities	(665)	(677)
Proceeds from liquidation of unconsolidated subsidiaries	8,068	—
Payments for lease and guarantee deposits	(26,028)	(370)
Other	100	875
Net cash provided by (used in) investing activities	(135,676)	(232,336)
Cash flows from financing activities		
Purchase of treasury shares	(586)	—
Cash dividends paid	(124,411)	(149,377)
Other	—	(20,337)
Net cash provided by (used in) financing activities	(125,027)	(169,715)
Effect of exchange rate change on cash and cash equivalents	(7,462)	705
Net increase (decrease) in cash and cash equivalents	584,947	768,906
Cash and cash equivalents at beginning of period	4,550,918	5,135,866
Cash and cash equivalents at end of period	5,135,866	5,904,772

(5) Notes on consolidated financial statements

(Note on the going-concern assumption)

Not applicable

(Segment information)

1. Summary of Reportable Segments

(1) Classification of business reportable segments

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

The Group establishes business divisions by product and by service within the Company. Each business division plans a comprehensive strategy for domestic and overseas businesses regarding products and services handled and conducts business activities.

Consequently, the Group is comprised of segments by product and by service based on the business divisions: Cloud Solutions and Digital Transformation are established as two reportable segments.

(2) Product and service line

Cloud Solutions provides services with a focus on development and sale of the enterprise resource planning (ERP) "ZAC" and "Reforma PSA." Digital Transformation provides one-stop services from digital strategy planning of corporate activities to development, management and analysis of the strategy.

2. Calculation method of the amount of each reportable segment's net sales, income (loss), assets, liabilities, and other items

Accounting treatment for reported business segments is almost the same as accounting treatment adopted for the preparation of consolidated financial statements. Profits of reportable segments are on an operating profit basis.

3. Information on Net Sales, Profit/Loss, Assets/Liabilities and Others of Each Reportable Segment

Fiscal Year Ended December 31, 2019

(Thousands of yen)

	Reportable Segment			Adjustments (Note 2)	Consolidated Statements of Income
	Cloud Solution	Digital Transformation	Total		
Net sales					
Sales to external customers	2,807,009	2,215,662	5,022,672	—	5,022,672
Inter-segment sales or transfers	—	—	—	—	—
Total	2,807,009	2,215,662	5,022,672	—	5,022,672
Segment income (note) 1, 3	1,243,983	89,876	1,333,859	—	1,333,859
Identifiable assets	768,908	1,325,650	2,094,558	5,587,181	7,681,739
Other items					
Depreciation	53,960	27,806	81,767	—	81,767
Increase in tangible and intangible fixed assets	172,942	196,681	369,623	—	369,623

(note)

1. The Company's common expenses are allocated to each segment by a constant fraction.

2. Adjustments of segment assets are the Company-wide assets that are not being allocated to each reportable segment, and they are mainly cash and deposits.

3. The total segment income corresponds to operating profit in the consolidated statements of income.

Fiscal Year Ended December 31, 2020

(Thousands of yen)

	Reportable Segment			Adjustments (Note 2)	Consolidated Statements of Income
	Cloud Solution	Digital Transformation	Total		
Net sales					
Sales to external customers	3,058,717	2,182,099	5,240,816	—	5,240,816
Inter-segment sales or transfers	—	—	—	—	—
Total	3,058,717	2,182,099	5,240,816	—	5,240,816
Segment income (note) 1, 3	1,354,242	353,248	1,707,490	—	1,707,490
Identifiable assets (note) 4	1,038,889	1,195,390	2,234,279	6,374,088	8,608,368
Other items					
Depreciation	69,634	42,987	112,621	—	112,621
Increase in tangible and intangible fixed assets	171,928	8,669	180,598	—	180,598

(note)

1. The Company's common expenses are allocated to each segment by a constant fraction.

2. Adjustments of segment assets are the Company-wide assets that are not being allocated to each reportable segment, and they are mainly cash and deposits.

3. The total segment income corresponds to operating profit in the consolidated statements of income.

【Information on impairment losses on fixed assets by reporting segment】

Fiscal Year Ended December 31, 2019

(Thousands of yen)

	Reportable Segment			Adjustments	Total
	Cloud Solution	Digital Transformation	Total		
Impairment loss	—	42,750	42,750	—	42,750

(note) The amount of the “Digital Transformation Business” relates to goodwill.

Fiscal Year Ended December 31, 2020

(Thousands of yen)

	Reportable Segment			Adjustments	Total
	Cloud Solution	Digital Transformation	Total		
Impairment loss	—	5,196	5,196	—	5,196

(note) The amount of the “Digital Transformation Business” relates to office and business assets.

【Information on goodwill amortization and unamortized balance for each reporting segment】

Fiscal Year Ended December 31, 2019

(Thousands of yen)

	Reportable Segment			Adjustments	Consolidated Statements of Income
	Cloud Solution	Digital Transformation	Total		
Amortization of goodwill	—	54,150	54,150	—	54,150
Balance at the end of year	—	—	—	—	—

Fiscal Year Ended December 31, 2020

Not applicable

(Information per share)

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Net assets per share	371.32 yen	434.59 yen
Earnings per share	54.24 yen	71.19 yen

Note: 1. Diluted earnings per share are not presented because dilutive shares do not exist.

2. The Company conducted a common stock split according to a ratio 1:2 effective on June 1, 2019. Net assets per share and Earnings per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

3. The basis for calculating earnings per share is as follows:

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Earnings per share		
Profit attributable to owners of parent (thousands of yen)	900,306	1,182,080
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent in relation to common shares (thousands of yen)	900,306	1,182,080
Average number of shares during the fiscal year (shares)	16,599,739	16,604,112

(Significant subsequent events)

(Share Repurchase)

The Company has decided on a specific method to repurchase shares at the meeting of the Board of Directors held on February 15, 2021, pursuant to Article 156 of the Corporate Law of Japan after applying the regulations of Article 165, Paragraph 3 of said law.

1. Reason for Share Repurchase

The Company has decided to repurchase shares to strengthen shareholder returns and to improve capital efficiency etc.

Also, the Company introduces a restricted stock compensation plan for the Directors of the Board, and restricted stock compensation delivered in the future plans to appropriate this share.

2. Details of Share repurchase

(1) Class of shares to be repurchased: Common stock

(2) Total maximum number of shares to be repurchased: Up to 500,000 shares (3.01% of the total issued shares (excluding treasury stock))

(3) Total maximum repurchase price of shares: Up to 2,000 million yen

(4) Period of acquisition: From February 16, 2021 to March 15, 2021

(5) Method of repurchase: Purchase through ToSTNeT Market at the Tokyo Stock Exchange (Scheduled)

Number of shares of treasury stock (as of December 31, 2020)

(1) Total number of issued share excluding treasury stock: 16,606,122 shares

(2) Number of shares of treasury stock: 331 shares