

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 Nine Months Ended September 30, 2024 (Based on IFRS)

November 14, 2024

Company name: ORO Co., Ltd
 Stock exchange listing: TSE
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 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: None

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2024	5,799	12.4	1,990	5.8	1,998	1.0	1,376	1.1
Nine months ended September 30, 2023	5,158	15.6	1,880	23.0	1,978	20.6	1,361	20.3
	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share		Diluted earnings per share	
	Millions of yen	%	Millions of yen	%	Yen		Yen	
Nine months ended September 30, 2024	1,381	1.1	1,385	(0.4)	85.62		—	
Nine months ended September 30, 2023	1,366	21.5	1,391	17.6	84.74		—	

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2024	12,738	9,799	9,803	77.0
As of December 31, 2023	12,373	8,884	8,884	71.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2023	—	0.00	—	30.00	30.00
Year ending December 31, 2024	—	0.00	—		
Year ending December 31, 2024 (Forecast)				35.00	35.00

Note: Revisions to the most recently released dividend forecast : Yes

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

Percentages indicate year-on-year changes

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

Note: Revisions to the most recently released earnings forecast : None

Notes

- (1) Changes in significant subsidiaries during the Period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- Changes in accounting principles required by IFRS: None
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None

(3) Number of issued shares (common shares)

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

As of September 30, 2024	16,156,453 shares	As of December 31, 2023	16,156,453 shares
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Number of treasury shares at the end of the period

As of September 30, 2024	23,505 shares	As of December 31, 2023	30,282 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended September 30, 2024	16,130,254 shares	Nine months ended September 30, 2023	16,122,537 shares
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- * Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

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

(Caution regarding forward-looking statements)

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

(Method of obtaining supplementary materials to quarterly financial results)

Supplementary materials to financial results are disclosed on TDnet and the Company's website on the same day.

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1. Overview of Operating Results

(1) Overview of Consolidated Operating Results for the Nine months ended September 30, 2024

For the fiscal year spanning January 1, 2024, to September 30, 2024, the Japanese economy witnessed a gradual recovery as normalization of economic activities commenced following the downgrade of the novel coronavirus infection to "class 5" under the Infectious Disease Law. This period saw an increase in service demand and inbound tourism. However, the future remains clouded with uncertainties due to persistent geopolitical tensions driving inflation, supply chain constraints, and fluctuations in financial markets.

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

In the internet industry, while the DX trend continues to reshape existing business models and industry structures, primarily among major players, the advertising market is evolving to include not just a digital shift in media but also an integrated approach to customer engagement that incorporates traditional legacy media. Against this backdrop, our group has maintained its integrated manufacturing and sales system, offering cloud services and marketing solutions.

Our cloud solution business's flagship products, Cloud ERP "ZAC" and "Reforma PSA," have seen stable growth and contributed significantly to our performance, demanded broadly across sectors that require project management. In our marketing solutions business, we have provided a range of solutions to support clients in implementing their marketing strategies by translating these strategies into actionable tactics, including strategy formulation, management, and performance evaluation of web advertising based on data analytics, creation of websites and digital content, and planning and development of applications and SNS strategy. Efforts have also been made to enhance corporate value sustainably by acquiring new clients, deepening relationships with key accounts, investing in marketing initiatives, and bolstering recruitment.

Consequently, the consolidated results for this fiscal year were as follows: revenues reached 5,799,504 thousand yen (an increase of 12.4% year on year), operating profit was 1,990,358 thousand yen (up 5.8% year on year), profit before tax stood at 1,998,054 thousand yen (up 1.0 % year on year), and profit attributable to owners of parent was 1,381,024 thousand yen (a 1.1% increase from the previous).

Segment wise performance is detailed as follows:

(a) Cloud Solutions Business

The revenues reached 3,607,195 thousand yen (an increase of 8.8% year on year), operating profit was 1,546,583 thousand yen (up 0.2% year on year). Revenue was worse than planned, while operating profit remained steady.

(b) Marketing Solutions Business

The revenues reached 2,192,309 thousand yen (an increase of 18.9% year on year), operating profit was 442,461 thousand yen (up 17.9% year on year). Revenue and operating profit remained steady.

(2) Overview of consolidated financial position as of September 30, 2024

Total assets as of September 30, 2024, increased by 364,987 thousand yen from the end of the prior fiscal year to 12,738,510 thousand yen. This was mainly due to increases of 763,410 thousand yen in cash and cash equivalents, offset by a reduction in contract assets by 216,754 thousand yen. Total liabilities were reduced by 550,220 thousand yen compared to the end of the prior fiscal year, totaling 2,939,021 thousand yen. This was mainly due to reductions of 142,183 thousand yen in contract liabilities, 139,418 thousand yen in trade and other payables, and 113,842 thousand yen in income tax payables. Total equity was 9,799,488 thousand yen increased by 915,208 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 1,381,024 thousand yen in the recording of profit attributable to owners of the parent, partially offset by a reduction of 483,785 thousand yen in the cash dividends paid.

(3) Forecast for consolidated financial results

No changes have been made to the financial results forecast for the full year ending December 31, 2024, which was announced on February 14, 2024. With regards to dividends for the fiscal year ending December 31, 2024, please refer to "Notice Regarding Changes to Dividend Policy and Revision of the Dividend Forecast (Dividend Increase)" announced on November 14, 2024.

2. Condensed consolidated financial statement and key notes

(1) Condensed consolidated statement of financial position

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	8,707,486	9,470,897
Trade and other receivables	998,173	1,133,769
Contract assets	447,407	230,652
Other financial assets	641,152	664,195
Other current assets	126,445	120,757
Total current assets	10,920,664	11,620,272
Non-current assets		
Property, plant and equipment	731,017	541,334
Intangible assets	83,338	96,761
Other financial assets	111,251	111,957
Deferred tax assets	488,796	327,413
Other non-current assets	38,452	40,770
Total non-current assets	1,452,857	1,118,237
Total assets	12,373,522	12,738,510

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	455,382	315,964
Contract liabilities	1,759,116	1,616,932
Lease liabilities	195,412	151,674
Income tax payables	229,569	115,727
Provisions	27,639	4,488
Other current liabilities	476,106	476,865
Total current liabilities	3,143,227	2,681,652
Non-current liabilities		
Lease liabilities	220,118	131,420
Provisions	125,895	125,948
Total non-current liabilities	346,014	257,368
Total liabilities	3,489,241	2,939,021
Equity		
Capital stock	1,193,528	1,193,528
Capital surplus	1,095,202	1,095,202
Treasury shares	(112,862)	(93,313)
Retained earnings	6,620,867	7,512,355
Other components of equity	87,318	96,098
Equity attributable to owners of the parent	8,884,053	9,803,871
Non-controlling interests	227	(4,382)
Total equity	8,884,280	9,799,488
Total liabilities and equity	12,373,522	12,738,510

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

Condensed consolidated statement of income

Nine months ended September 30, 2024

(Thousands of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Revenue	5,158,794	5,799,504
Cost of sales	1,710,273	1,925,223
Gross profit	3,448,520	3,874,281
Selling, general and administrative expenses	1,497,856	1,810,565
Research and development	32,115	74,671
Other income	9,192	1,556
Other expenses	47,080	243
Operating profit	1,880,659	1,990,358
Finance income	103,705	25,573
Finance costs	5,447	17,876
Profit before tax	1,978,916	1,998,054
Income tax expenses	617,581	621,476
Profit	1,361,334	1,376,577
Profit attributable to:		
Owners of parent	1,366,245	1,381,024
Non-controlling interests	(4,911)	(4,446)
Profit	1,361,334	1,376,577
Earnings per share		
Basic earnings per share (Yen)	84.74	85.62
Diluted earnings per share (Yen)	-	-

Three months ended September 30, 2024

(Thousands of yen)

	Three months ended September 30, 2023	Three months ended September 30, 2024
Revenue	1,876,937	1,983,845
Cost of sales	630,896	670,833
Gross profit	1,246,041	1,313,011
Selling, general and administrative expenses	528,496	602,865
Research and development	12,996	29,399
Other income	962	303
Other expenses	302	217
Operating profit	705,207	680,832
Finance income	32,880	6,470
Finance costs	1,855	133,777
Profit before tax	736,232	553,525
Income tax expenses	228,427	167,826
Profit	507,805	385,698
Profit attributable to:		
Owners of parent	509,023	385,352
Non-controlling interests	(1,218)	346
Profit	507,805	385,698
Earnings per share		
Basic earnings per share (Yen)	31.57	23.89
Diluted earnings per share (Yen)	—	—

Condensed consolidated statement of comprehensive income

Nine months ended September 30, 2024

(Thousands of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Profit	1,361,334	1,376,577
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	30,059	8,617
Total of items that may be reclassified subsequently to profit or loss	30,059	8,617
Other comprehensive income, net of taxes	30,059	8,617
Comprehensive income	1,391,394	1,385,195
Attributable to:		
Owners of the parent	1,395,918	1,389,805
Non-controlling interests	(4,524)	(4,609)
Comprehensive income	1,391,394	1,385,195

Three months ended September 30, 2024

(Thousands of yen)

	Three months ended September 30, 2023	Three months ended September 30, 2024
Profit	507,805	385,698
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	6,543	(16,589)
Total of items that may be reclassified subsequently to profit or loss	6,543	(16,589)
Other comprehensive income, net of taxes	6,543	(16,589)
Comprehensive income	514,348	369,109
Attributable to:		
Owners of the parent	515,519	368,767
Non-controlling interests	(1,170)	341
Comprehensive income	514,348	369,109

(3) Condensed consolidated statement of changes in equity

Nine months ended September 30, 2023

(Thousands of yen)

	Equity attributable to owners of parent			
	Capital stock	Capital surplus	Treasury shares	Retained earnings
Balance on January 1, 2023	1,193,528	1,095,202	(141,788)	5,117,976
Profit				1,366,245
Other comprehensive income				
Total comprehensive income	-	-	-	1,366,245
Restricted Stock-based payment transactions			21,105	(7,984)
Dividends				(322,343)
Total transactions with owners	-	-	21,105	(330,328)
Balance on September 30, 2023	1,193,528	1,095,202	(120,682)	6,153,894

	Equity attributable to owners of parent				
	Other components of equity		Total	Non-controlling interests	Equity
	Exchange differences on translation of foreign operations	Total			
Balance on January 1, 2023	66,170	66,170	7,331,089	6,347	7,337,436
Profit			1,366,245	(4,911)	1,361,334
Other comprehensive income	29,673	29,673	29,673	386	30,059
Total comprehensive income	29,673	29,673	1,395,918	(4,524)	1,391,394
Restricted Stock-based payment transactions			13,120		13,120
Dividends			(322,343)		(322,343)
Total transactions with owners	-	-	(309,222)	-	(309,222)
Balance on September 30, 2023	95,843	95,843	8,417,785	1,822	8,419,608

Nine months ended September 30, 2024

(Thousands of yen)

	Equity attributable to owners of parent			
	Capital stock	Capital surplus	Treasury shares	Retained earnings
Balance on January 1, 2024	1,193,528	1,095,202	(112,862)	6,620,867
Profit				1,381,024
Other comprehensive income				
Total comprehensive income	-	-	-	1,381,024
Restricted Stock-based payment transactions			19,621	(5,751)
Dividends				(483,785)
Purchase of treasury shares			(72)	
Total transactions with owners	-	-	19,549	(489,536)
Balance on September 30, 2024	1,193,528	1,095,202	(93,313)	7,512,355

	Equity attributable to owners of parent				
	Other components of equity			Non-controlling interests	Equity
	Exchange differences on translation of foreign operations	Total	Total		
Balance on January 1, 2024	87,318	87,318	8,884,053	227	8,884,280
Profit			1,381,024	(4,446)	1,376,577
Other comprehensive income	8,780	8,780	8,780	(162)	8,617
Total comprehensive income	8,780	8,780	1,389,805	(4,609)	1,385,195
Restricted Stock-based payment transactions			13,870		13,870
Dividends			(483,785)		(483,785)
Purchase of treasury shares			(72)		(72)
Total transactions with owners	-	-	(469,987)	-	(469,987)
Balance on September 30, 2024	96,098	96,098	9,803,871	(4,382)	9,799,488

(4) Condensed consolidated statements of cash flows

(Thousands of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,978,916	1,998,054
Depreciation and amortization	250,882	267,932
Finance income	(103,886)	(14,000)
Finance costs	2,692	2,329
Settlement payment	45,000	-
Decrease (increase) in trade and other receivables	382,752	(141,787)
Decrease (increase) in contract assets	184,849	217,093
Increase (decrease) in trade and other payables	(111,119)	(119,512)
Increase (decrease) in contract liabilities	21,177	(142,373)
Increase (decrease) in provision	(13,798)	(23,153)
Other	77,424	16,181
Subtotal	2,714,891	2,060,763
Interest received	12,203	23,847
Interest paid	(2,692)	(2,329)
Settlement payment	(45,000)	-
Income taxes paid	(903,556)	(574,002)
Cash flows from operating activities	1,775,845	1,508,279
Cash flows from investing activities		
Payments into time deposits	(10,274)	(20,001)
Purchase of property, plant and equipment	(51,309)	(56,900)
Purchase of intangible assets	(37,666)	(41,562)
Payments for lease and guarantee deposits	(2,365)	(242)
Proceeds from refund of leasehold and guarantee deposits	-	10,296
Other	275	(997)
Cash flows from investing activities	(101,341)	(109,408)
Cash flows from financing activities		
Repayments of lease liabilities	(147,311)	(149,288)
Cash dividends paid	(322,050)	(483,534)
Purchase of treasury shares	-	(72)
Cash flows from financing activities	(469,361)	(632,895)
Net increase (decrease) in cash and cash equivalents	1,205,143	765,976
Cash and cash equivalents at beginning of period	6,831,944	8,707,486
Effect of exchange rate change on cash and cash equivalents	28,514	(2,565)
Cash and cash equivalents at end of the period	8,065,602	9,470,897

(5) Notes on condensed consolidated financial statements

(Note on the going-concern assumption)

Not applicable

(Applicable financial reporting framework)

The Company's condensed quarterly consolidated financial statements (condensed quarterly consolidated statements of financial position, condensed quarterly consolidated statements of profit or loss, condensed quarterly consolidated statements of comprehensive income or loss, condensed quarterly consolidated statements of changes in equity, condensed quarterly consolidated statements of cash flows, and notes) have been prepared in accordance with Article 5, Paragraph 2 of the Standards for the Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. (however, omission of description specified in Article 5, Paragraph 5 of the said standards is applied), and some of disclosure items and notes required by IAS 34 "Interim Financial Reporting" are omitted.

(Segment information)

1. Revenues and results for each reportable segment

Nine months ended September 30, 2023

	Reportable Segment			Adjustments (Note 1)	(Thousands of yen) Consolidated
	Cloud Solutions	Marketing Solutions	Total		
Revenue					
Revenue from external customers	3,315,142	1,843,651	5,158,794	—	5,158,794
Intersegment revenue	—	—	—	—	—
Total	3,315,142	1,843,651	5,158,794	—	5,158,794
Segment income	1,543,142	375,405	1,918,547	(37,888)	1,880,659
Finance income					103,705
Finance costs					5,447
Profit before tax					1,978,916
Other					
Depreciation and amortization	164,041	86,840	250,882	—	250,882

(Note)

1. The adjustment of (37,888) thousand yen to segment income mainly consists of "Other income" and "Other expense" that are not attributable to any reportable segment.

2. Segment income corresponds to operating profit in the consolidated statements of income.

3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

Nine months ended September 30, 2024

	Reportable Segment			Adjustments (Note 1)	(Thousands of yen) Consolidated
	Cloud Solutions	Marketing Solutions	Total		
Revenue					
Revenue from external customers	3,607,195	2,192,309	5,799,504	—	5,799,504
Intersegment revenue	—	—	—	—	—
Total	3,607,195	2,192,309	5,799,504	—	5,799,504
Segment income	1,546,583	442,461	1,989,044	1,313	1,990,358
Finance income					25,573
Finance costs					17,876
Profit before tax					1,998,054
Other					
Depreciation and amortization	178,974	88,958	267,932	—	267,932

(Note)

1. The adjustment of 1,313 thousand yen to segment income mainly consists of "Other income" and "Other expense" that are not attributable to any reportable segment.

2. Segment income corresponds to operating profit in the consolidated statements of income.

3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

Three months ended September 30, 2023

	Reportable Segment			Adjustments (Note 1)	(Thousands of yen)
	Cloud Solutions	Marketing Solutions	Total		Consolidated
Revenue					
Revenue from external customers	1,202,694	674,243	1,876,937	—	1,876,937
Intersegment revenue	—	—	—	—	—
Total	1,202,694	674,243	1,876,937	—	1,876,937
Segment income	568,248	136,299	704,548	659	705,207
Finance income					32,880
Finance costs					1,855
Profit before tax					736,232
Other					
Depreciation and amortization	57,864	30,103	87,968	—	87,968

(Note)

1. The adjustment of 659 thousand yen to segment income mainly consists of “Other income” and “Other expense” that are not attributable to any reportable segment.

2. Segment income corresponds to operating profit in the consolidated statements of income.

3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

Three months ended September 30, 2024

	Reportable Segment			Adjustments (Note 1)	(Thousands of yen)
	Cloud Solutions	Marketing Solutions	Total		Consolidated
Revenue					
Revenue from external customers	1,271,578	712,267	1,983,845	—	1,983,845
Intersegment revenue	—	—	—	—	—
Total	1,271,578	712,267	1,983,845	—	1,983,845
Segment income	575,570	105,177	680,747	85	680,832
Finance income					6,470
Finance costs					133,777
Profit before tax					553,525
Other					
Depreciation and amortization	59,767	30,075	89,843	—	89,843

(Note)

1. The adjustment of 85 thousand yen to segment income mainly consists of “Other income” and “Other expense” that are not attributable to any reportable segment.

2. Segment income corresponds to operating profit in the consolidated statements of income.

3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

2. Matters Concerning Changes in Reportable Segments, etc.

From the first quarter of the current consolidated cumulative period, the Company has revised its reportable segments to better align with the actual business conditions. The main changes are as follows:

1. The domestic sales agency business of the SEO tool “Semrush,” previously reported under the Digital Transformation business, is now classified as part of the Cloud Solutions business.
2. The Digital Transformation business has been discontinued, and a new Marketing Solutions business has been established. Marketing support operations (excluding “Semrush”), previously reported under the Digital Transformation business, will now be reported under the Marketing Solutions business.
3. The SaaS management tool “dxeco” was previously considered a new business in the pre-commercialization stage, with its costs distributed

between two segments. However, since its commercialization is expected in the current fiscal year, all its sales and expenses will now be reported entirely under the Cloud Solutions business.

Due to these changes, the Cloud Solutions business will now focus on developing and providing proprietary cloud services, along with services from other companies. The Marketing Solutions business will primarily offer marketing support services to clients.

Segment information for Nine months ended September 30, 2023, and Three months ended September 30, 2023, is presented according to the new reporting segment classifications.

(Notes to revenue)

The breakdown of revenue from contracts with customers

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

	Nine months ended September 30, 2023			Nine months ended September 30, 2024		
	Cloud Solutions	Marketing Solutions	Total	Cloud Solutions	Marketing Solutions	Total
ZAC license fee, maintenance fee, and SaaS and other monthly service fees	2,288,840	—	2,288,840	2,816,365	—	2,816,365
ZAC ERP installation consultation, customization	717,057	—	717,057	419,158	—	419,158
Reforma PSA	113,848	—	113,848	133,558	—	133,558
dxeco, Semrush, and other products, etc.	195,395	—	195,395	238,112	—	238,112
Marketing / promotion	—	896,271	896,271	—	1,022,041	1,022,041
System / website integration, etc.	—	455,221	455,221	—	668,802	668,802
Operation support / operation office	—	492,158	492,158	—	501,464	501,464
Total	3,315,142	1,843,651	5,158,794	3,607,195	2,192,309	5,799,504

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 “dxeco, Semrush, and other products, etc.” includes monthly service fee for SaaS contracts of dxeco and sales of an agent of software developed by other vendors.

For SaaS contracts related to the SaaS management tool “dxeco,” software license fees are collected on a monthly basis. The performance

obligation is primarily fulfilled over time, so the monthly fee is recognized as revenue on a monthly basis throughout the service period. Regarding the sale of third-party software as an agent, 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.

Marketing Solutions

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.

(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 November 14, 2024, pursuant to Article 156 of the Corporate Law of Japan after applying the regulations of Article 165, Paragraph 3 of said law.

1. Reasons for share repurchase

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

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 230,000 shares (representing 1.43% of the total issued shares, excluding treasury stock)
(3) Total maximum repurchase price of shares:	Up to 500 million yen
(4) Repurchase period:	From November 15, 2024 to February 13, 2025
(5) Method of repurchase:	Market purchases on the Tokyo Stock Exchange

The Company is planning to cancel all the treasury shares purchased in this acquisition.

(Reference) Number of shares of treasury stock (as of September 30, 2024)

(1) Total number of issued shares excluding treasury stock:	16,132,948 shares
(2) Number of shares of treasury stock:	23,505 shares