

Financial Results for Q2 FY2022

oRo co.,ltd. Code : 3983

August 15, 2022



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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.



Q2 FY2022

Financial Results Highlights

Q2 FY2022 Financial Results

Q2 FY2022 consolidated financial results

Revenue	2,859 million JPY	YoY +6.0%
Operating profit	936 million JPY	YoY -6.2%

Revenue increased year-on-year and remained steady as planned.
Despite the year-on-year decrease, operating profit remained almost as planned.

Cloud Solutions (CS)

Revenue	1,684 million JPY	YoY +7.9%
Operating profit	754 million JPY	YoY +1.3%

Both revenue and operating profit increased year-on-year and remained steady as planned.

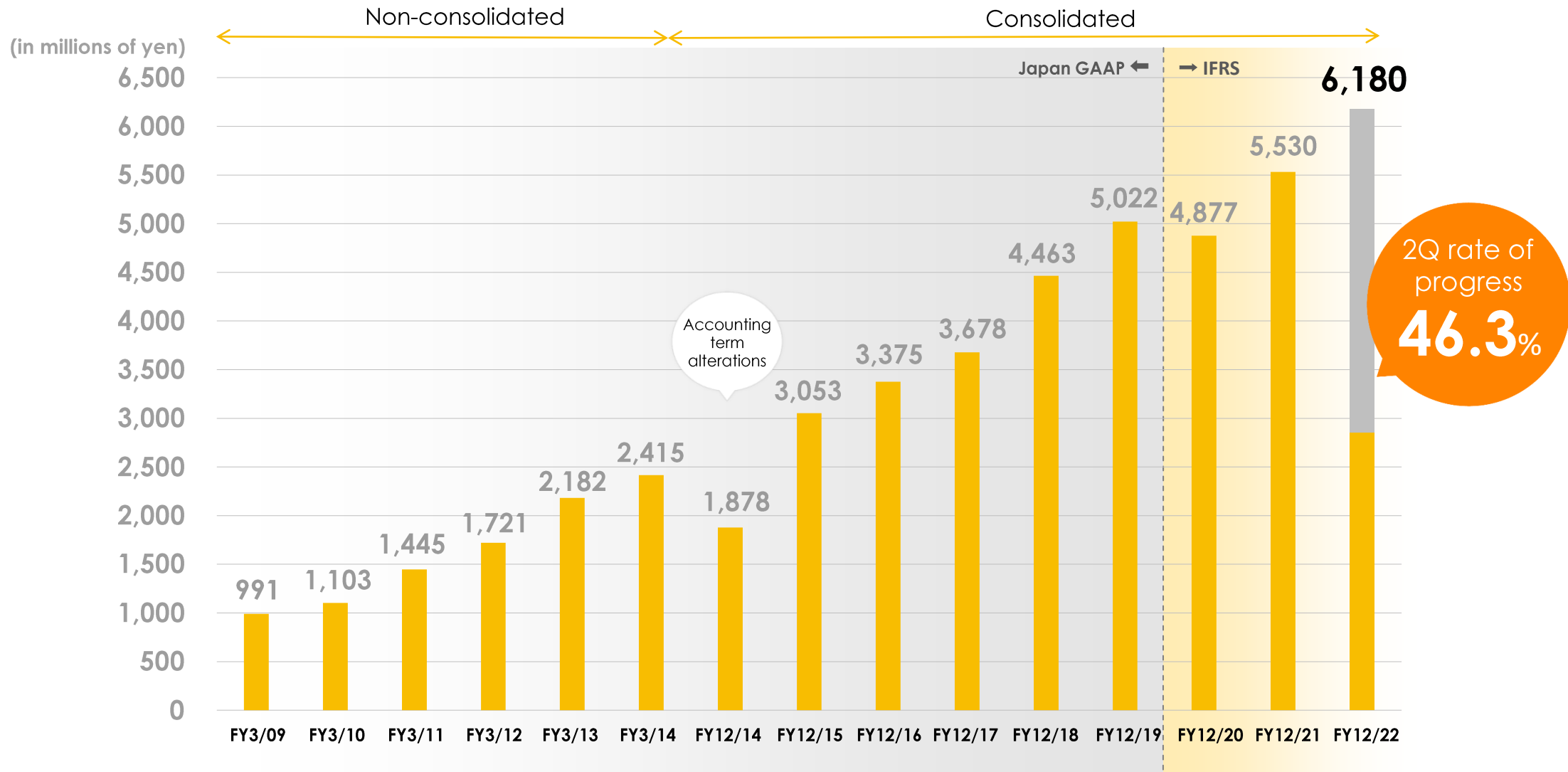
Digital Transformation (DX)

Revenue	1,174 million JPY	YoY +3.4%
Operating profit	169 million JPY	YoY -30.4%

Revenue increased year-on-year and remained steady as planned.
Despite the year-on-year decrease, operating profit remained almost as planned.

Trends in sales

Recorded 2,859 million yen, up 6.0% year-on-year



*Was not audited by KPMG AZSA LLC, prior to and in the fiscal year ended March 31, 2014

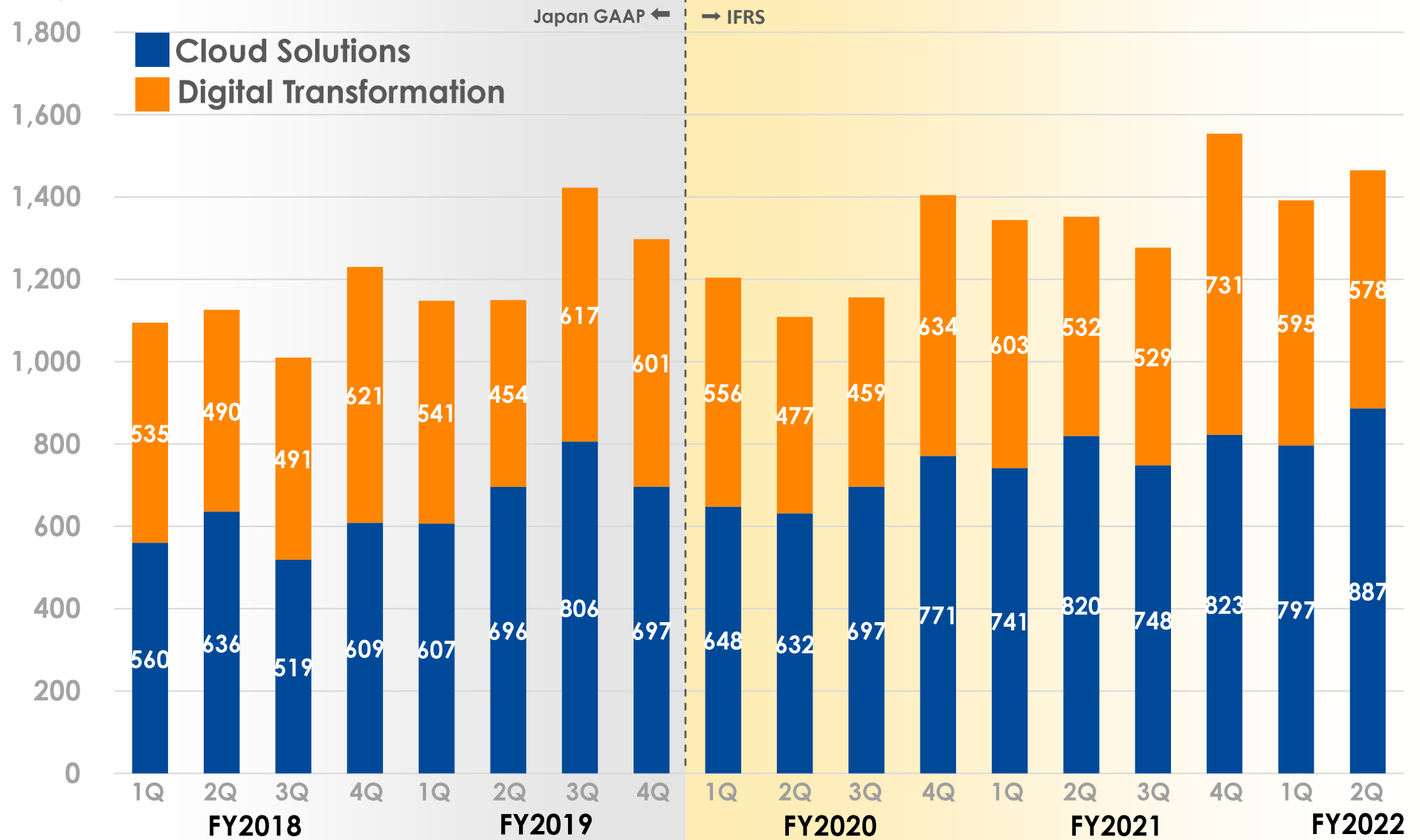
*Following the change in accounting policy in fiscal 2018, net sales for Digital Transformation Business (previously Communication Design Business) are shown on a net basis from the fiscal year ended December 31, 2017, instead of a gross basis used previously.

*Starting from the fiscal year ended December 31, 2021, the Company has adapted International Financial Reporting Standards (IFRS) instead of Japanese GAAP.

Accordingly, revenue for the fiscal year ended December 31, 2020 indicates the amount after retrospective application of the change.

Trends in quarterly sales

(in millions of yen)



*Starting from the fiscal year ended December 31, 2021, the Company has adapted International Financial Reporting Standards (IFRS) instead of Japanese GAAP. Accordingly, revenue for the fiscal year ended December 31, 2020 indicates the amount after retrospective application of the change.

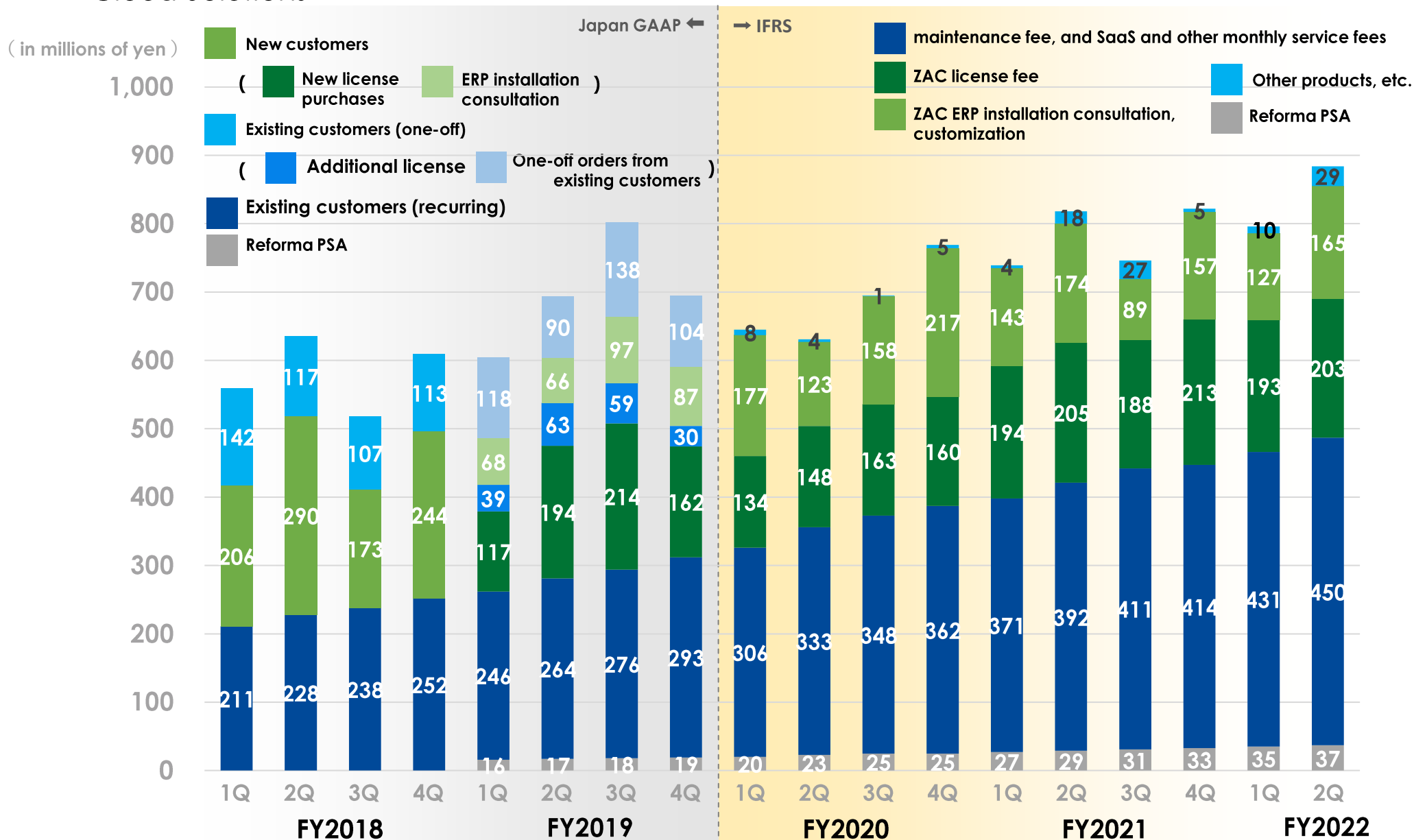
*There were changes in the values for 2Q of FY 2021 as a result of the audit conducted by KPMG AZSA LLC.

Accordingly, the values for 3Q of FY 2021 were also changed.

*The values for each quarter of FY 2020 and 3Q~4Q of FY 2021 was not audited by KPMG AZSA LLC.

Breakdown of sales by customer segment

Cloud Solutions



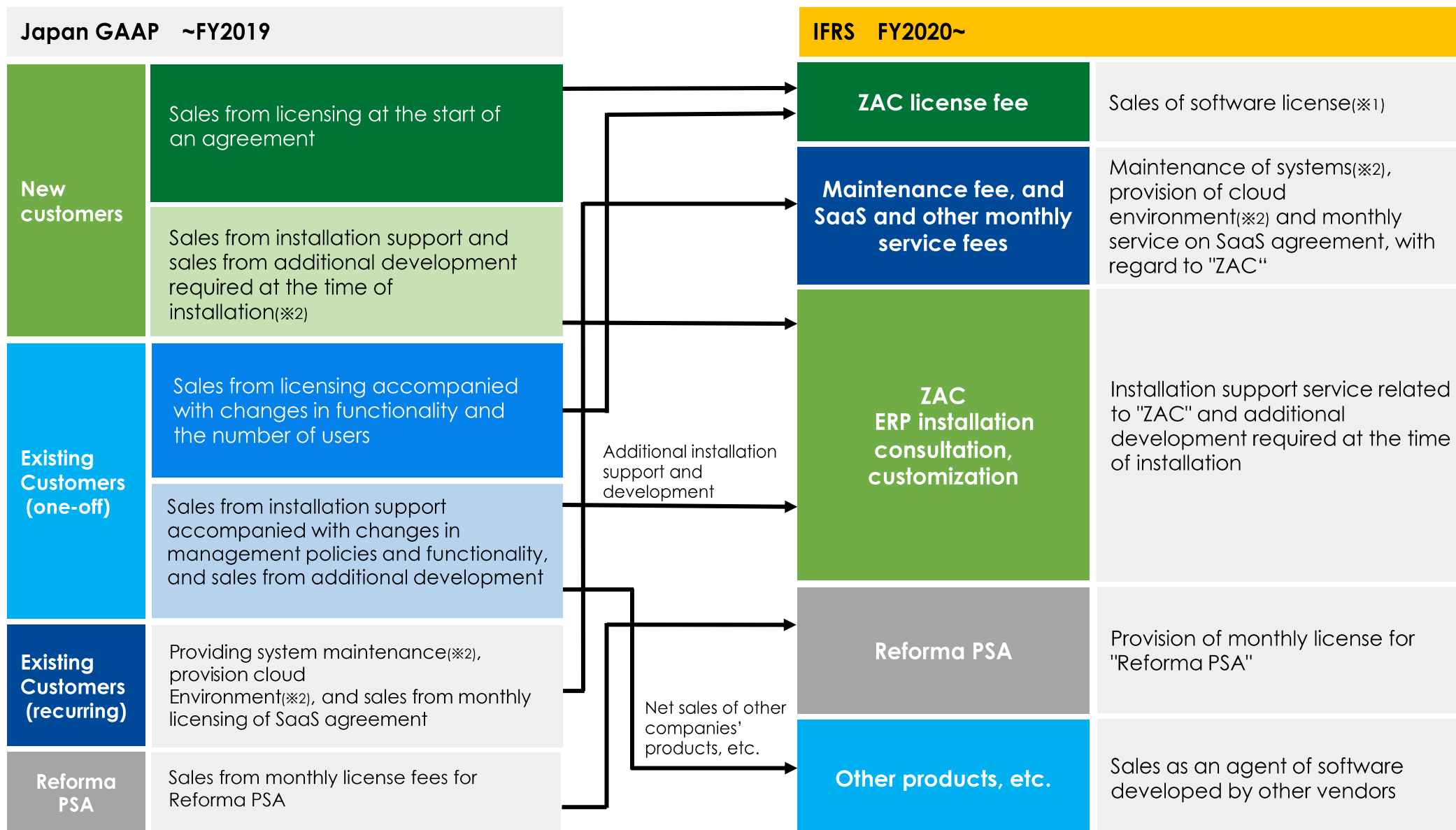
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Breakdown of sales by business segment

Cloud Solutions



※1 : Software license fees arising from one-time purchase contracts are allocated and recognized as revenue over 30 months.

※2 : Only in the case of no-returns purchase agreements.

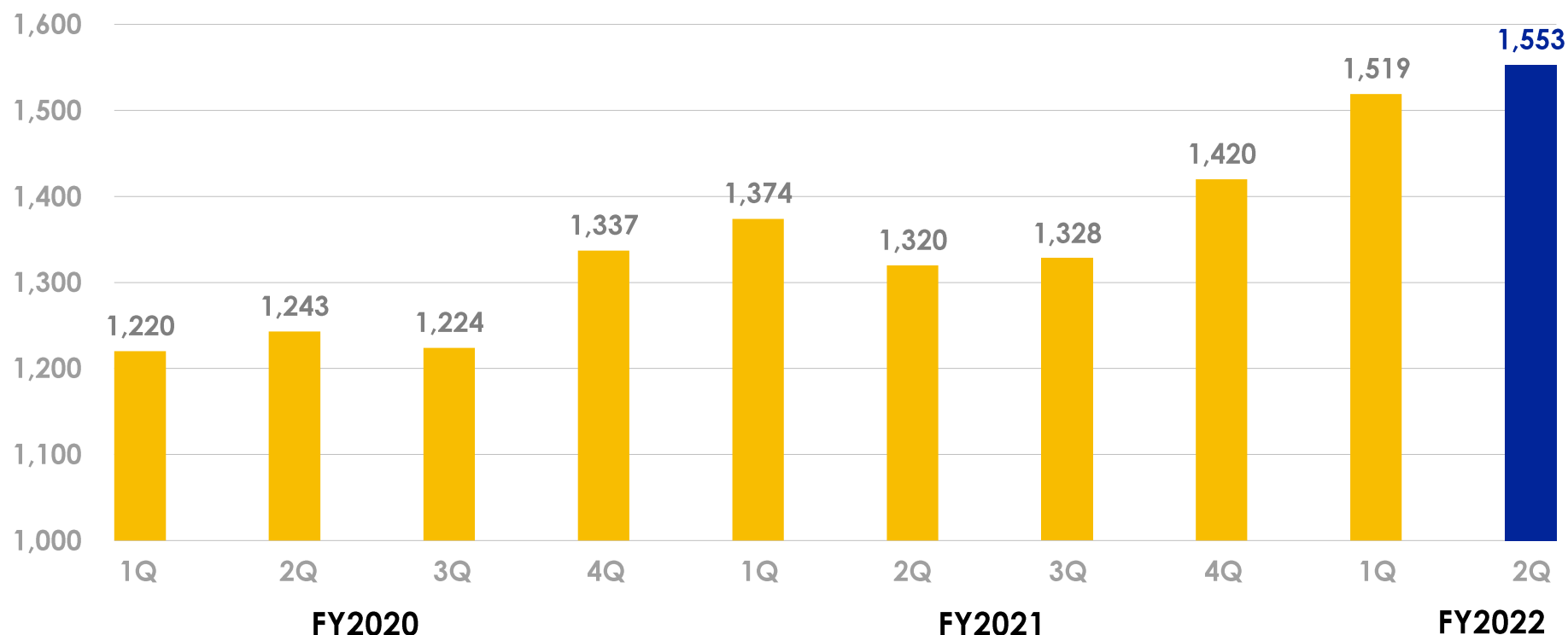
ZAC Contract liabilities (license)

Cloud Solutions

Contract liabilities increased steadily to 1,553 million yen, up 17.6% year-on-year.

Reason: new contracts are being awarded steadily, and furthermore, the contract unit price per company is on an upward trend.

(in millions of yen)



Contract liabilities are the balance of contracts for which consideration has already been received and for which will be recognized as revenue in the following quarter or later.

Contracts for new and additional licenses are included in this balance.

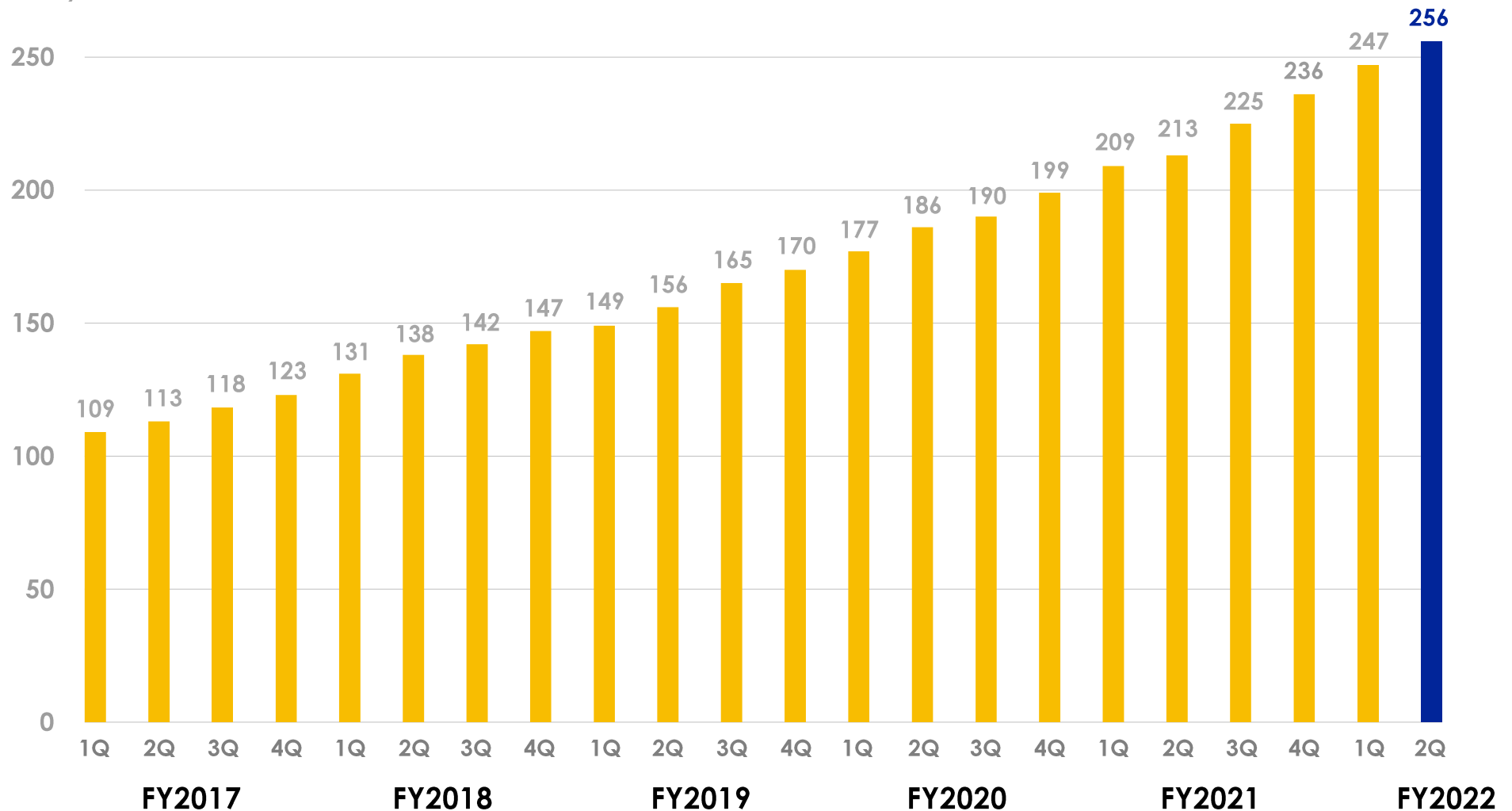
The increase in contract liabilities indicates a steady build-up in orders.

Trend in the numbers of "ZAC" and "ZAC Enterprise" active licenses

Cloud Solutions

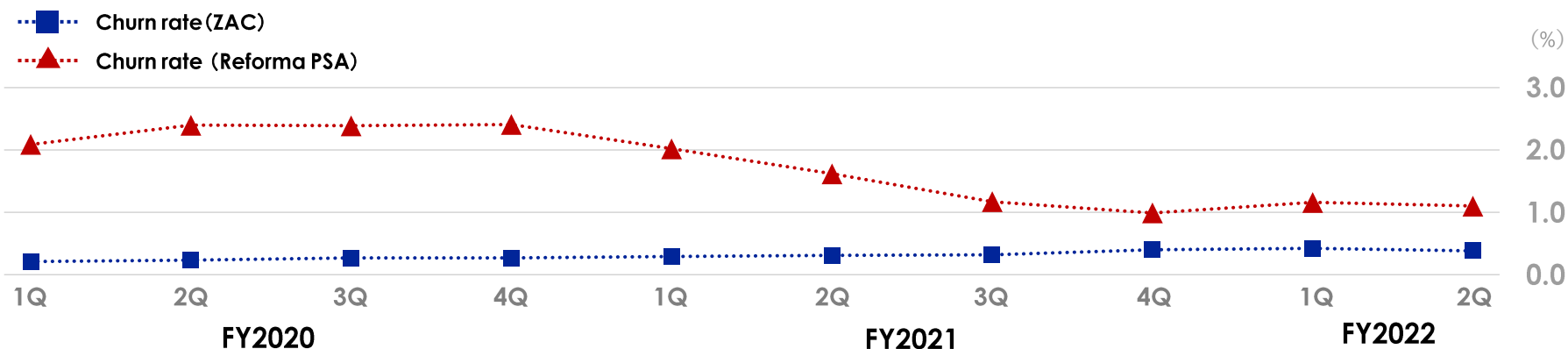
The number of active licenses have been increasing steadily backed by acquisition of new customers and expansion of transactions with existing customers.

(in thousand)



Monthly Churn Rate, Changes in the Number of Contracts and Churns

Cloud Solutions



- The monthly churn rate of ZAC has remained stably low. New services to further reduce the churn rate are underway, centered on the service planning staff and health score staff.
- The monthly churn rate of Reforma PSA is declining due to strengthened follow-up measures of the customer success team.

[ZAC]

	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022	Q2 FY2022
Number of Contracts	22	19	14	34	17	6	21	19	21	15
Number of Churns	4	7	5	11	5	8	7	5	11	3

[Reforma PSA]

	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022	Q2 FY2022
Number of Contracts	23	18	11	25	10	13	15	10	13	10
Number of Churns	10	10	10	4	6	6	2	7	9	6

*Monthly churn rate: churn rate calculated by moving average of monthly churn customers / customers at beginning of the month for the last 12 months

Progress in advertising expenses

Cloud Solutions

Acquire new customers

2Q

Focus on online advertising and direct marketing, etc. Aim to achieve year-on-year increases in the number of inquiries and the seed size by 26% and 30%, respectively.

After 3Q

Planned to aggressively invest in strengthening our marketing infrastructure.

improve branding and recognition

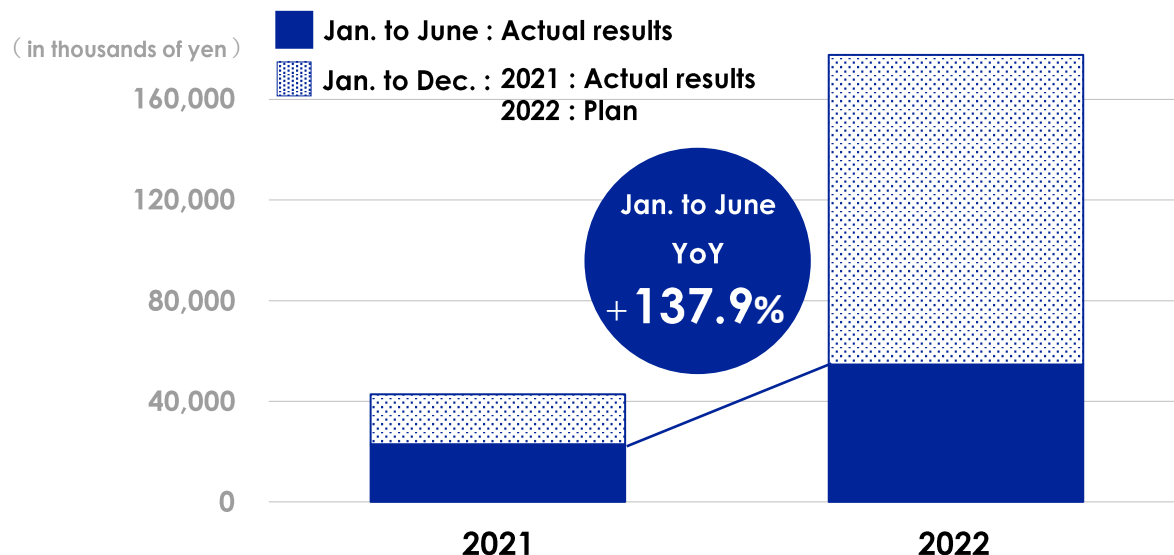
2Q

Focus primarily on product creation for future advertising campaigns.

After 3Q

Marketing policies are currently under consideration in light of cost. Scheduled to publish a book in August and planned to focus on the PR for it in 3Q.

Advertising Expenses (CS)



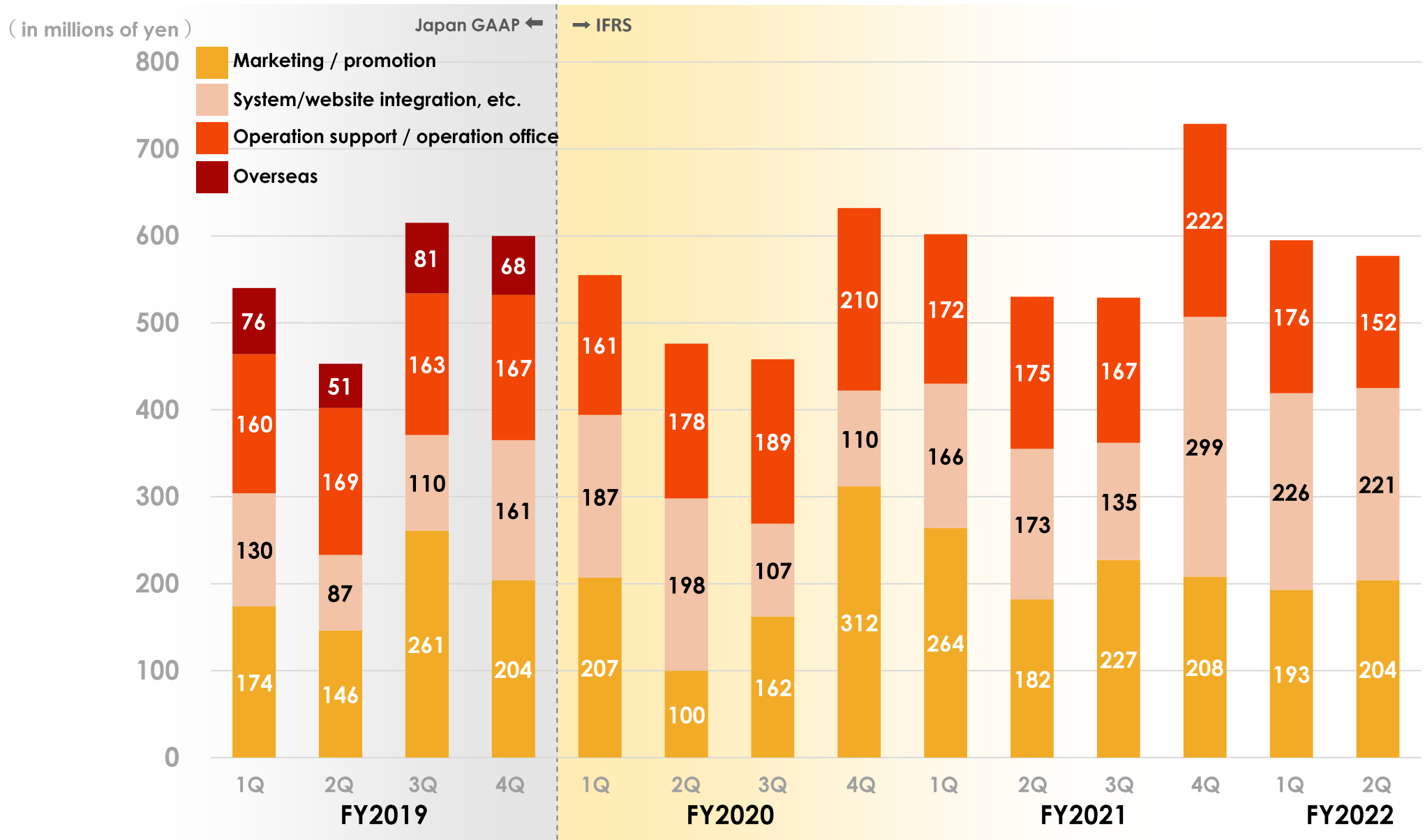
Rate of progress against the plan : 30.8%

(As of June 30, 2022)

The progress of implementation of measures that aim to enhance the brand equity and recognition was behind the plan since such measures have been under careful review in terms of their necessity and other factors.

Breakdown of sales by type of operations

Digital Transformation



*Starting from the fiscal year ended December 31, 2021, the Company has adapted International Financial Reporting Standards (IFRS) instead of Japanese GAAP. Accordingly, revenue for the fiscal year ended December 31, 2020 indicates the amount after retrospective application of the change.

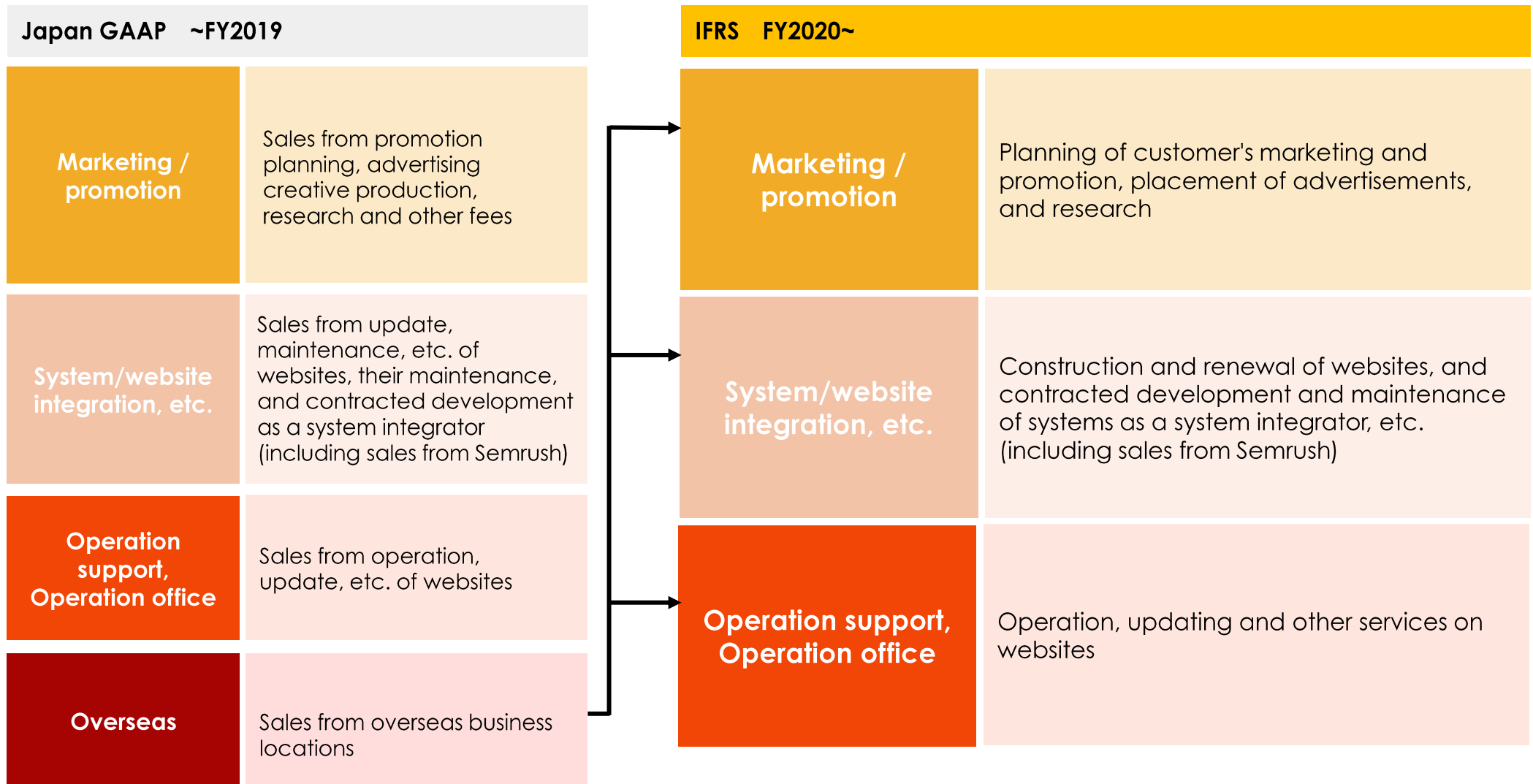
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Composition of sales by type of operations

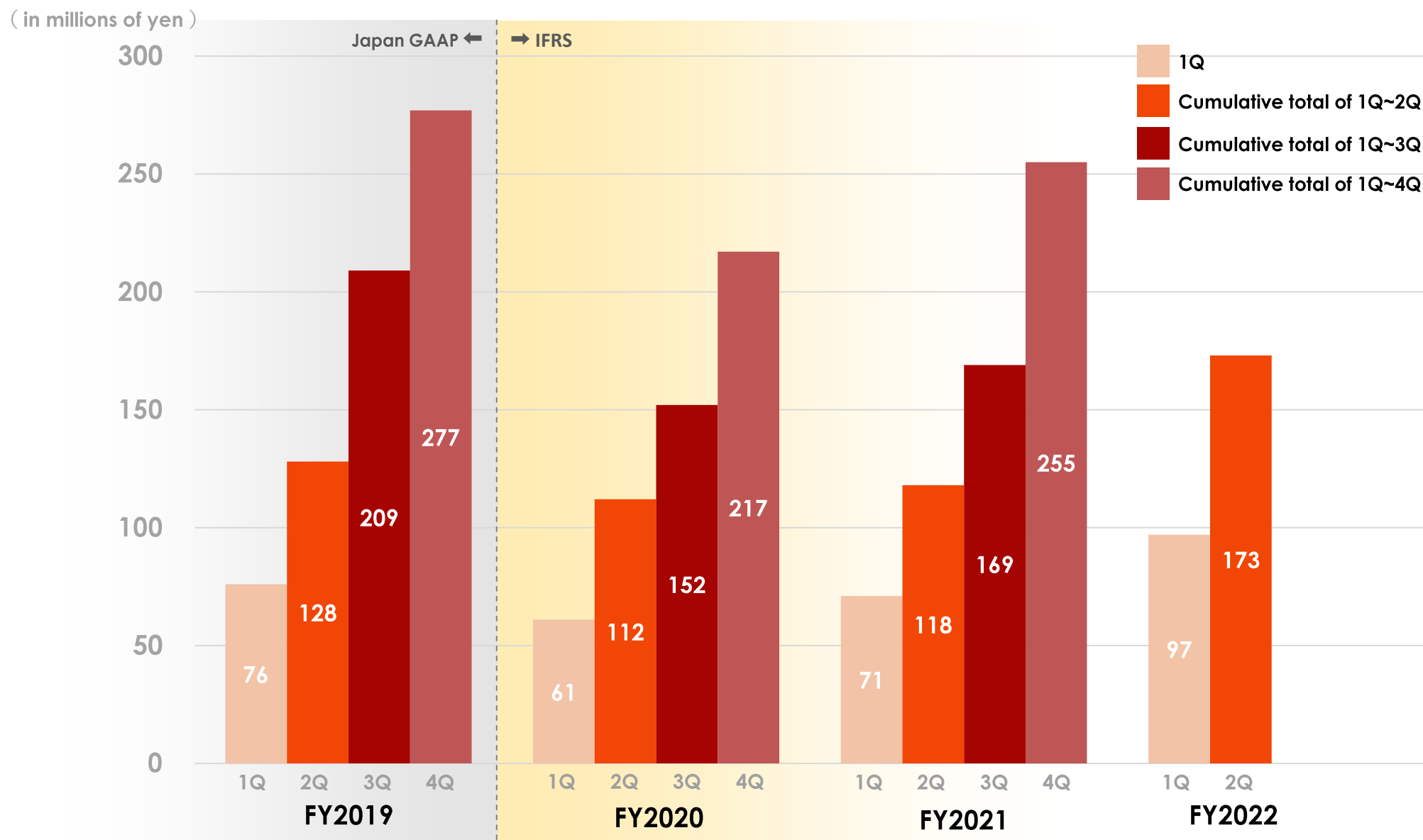
Digital Transformation



*Upon the adoption of IFRS, sales from overseas business locations that were previously reported in a separate segment "Overseas" have been allocated to the above three segments based on the nature of their services.

Overseas Sales

Digital Transformation



Progress against full-year forecasts

(in millions of yen)

	FY2022 full-year forecasts	Q2 FY2022 Results	Rates of progress
Revenue	6,180	2,859	46.3 %
Cloud Solutions	3,530	1,684	47.7 %
Digital Transformation	2,650	1,174	44.3 %
Operating profit	2,050	936 [*]	45.7 %
Cloud Solutions	1,550	754	48.6 %
Digital Transformation	500	169	33.9 %
Profit before tax	2,050	1,007	49.1 %
Profit	1,435	684	47.7 %

*Includes 12 million of other income (loss) not attributable to reportable segments.

Profit and loss statement (YoY)

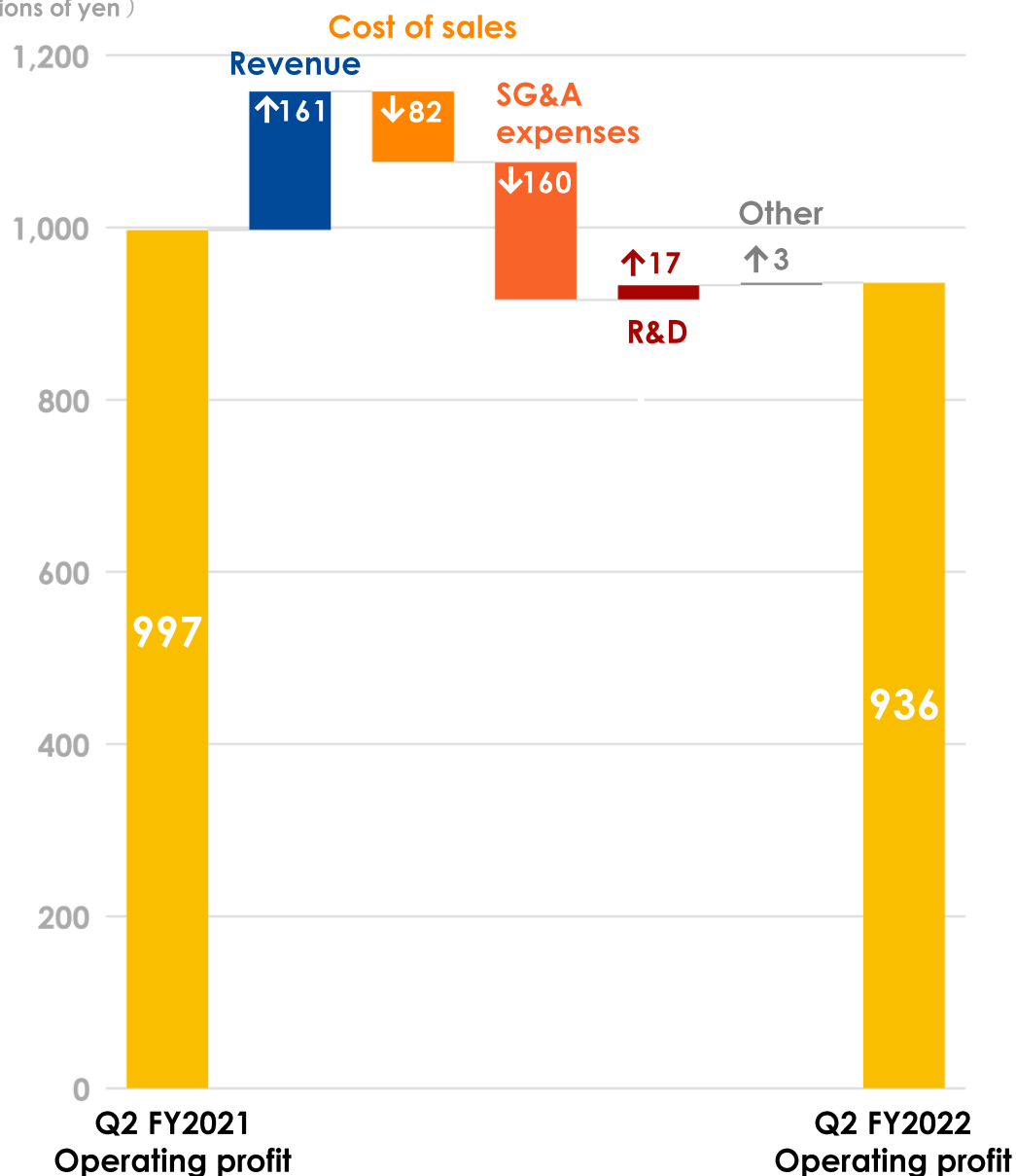
(in millions of yen)

	Q2 FY2021 (Composition ratio)	Q2 FY2022 (Composition ratio)	Difference	Main factors
Revenue	2,697 [100.0%]	2,859 [100.0%]	161	
Cost of sales	1,001 [37.1%]	1,083 [37.9%]	82	Increases in salaries etc. due to the number of technical professional employees
Gross profit	1,696 [62.9%]	1,775 [62.1%]	78	
Selling, general and administrative expenses	665 [24.7%]	826 [28.9%]	160	Increases in salaries etc. due to the number of sales employees; increase in advertising expenses; Increase in recruiting expenses
Operating profit	997 [37.0%]	936 [32.7%]	(61)	
Profit before tax	1,000 [37.1%]	1,007 [35.2%]	6	
Profit	683 [25.3%]	684 [24.0%]	1	

Fluctuation factor of operating profit (YoY)

(in millions of yen)

(in millions of yen)



Main factors

↑ Increase in revenue	161
Cloud Solutions	123
Digital Transformation	38
↓ Increase in cost of sales	82
Increases in salaries etc. due to the number of technical professional employees	43
Increase/decrease in other cost of sales	39
↓ Increase in SG&A	160
Increases in salaries etc. due to the number of sales employees	75
Increase in advertising expenses	29
Increase in recruiting expenses due to strengthened recruiting	13
Increase/decrease in other SG&A	41
↑ Decrease in R&D	(17)
↑ Other	3

Statement of financial position(vs. end of previous fiscal year)

(in millions of yen)

	As of Dec 31, 2021	As of June 30, 2022	Difference		As of Dec 31, 2021	As of June 30, 2022	Difference
Current assets	7,736	8,136	400	Total liabilities	3,439	3,128	(311)
Non-Current Assets	1,611	1,408	(203)	Current liabilities	2,900	2,646	(254)
Property, plant and equipment	913	838	(74)	Non-current liabilities	539	482	(56)
Intangible assets	45	52	6	Total equity	5,908	6,416	508
Other	652	516	(135)	Equity attributable to owners of the parent	5,908	6,409	500
Total assets	9,347	9,544	197	Non-controlling interests	(0)	6	7
				Total liabilities and equity	9,347	9,544	197

【 Major components of current liabilities 】

	As of Dec 31, 2021	As of June 30, 2022	Difference
Contract liabilities	1,474	1,591	116
Income tax payable	416	182	(233)
Trade and other payable	375	289	(85)

The increase in contract liabilities is primarily due to the acquisition of ZAC contracts.

News Release

Cloud Solutions / Digital Transformation

May 10: Started providing new advertising solutions that target the business elite

We offer a one-stop solution that capitalizes on a marketing platform, ANA Digital Connect. This solution covers a wide range of marketing needs, from creative content production for display advertising and video advertising played on ANA SKY CHANNEL, integrated media planning that includes the use of support media to reach audience, designing of audience data leverage in a way that best suits each good and situation, to reporting on the effectiveness of advertising, as well as implementation of PDCA cycle to improve performance.

May 27: Launched a data service to drive engagement of app users

In this service, we collect and analyze marketing data from our customers' apps to identify key factors to conversion. Based on this analysis, we propose and implement strategies to increase active users of their services or products, as well as reaching potential users who will be highly engaged in the future.

June 1: Upgraded the version of Reforma PSA. Reduced the effort spent on administrative tasks processed within and outside the system.

June 2: Updated ZAC to accommodate the invoice system

June 9: Oro's services were certified eligible to receive 2022 subsidies for introduction of IT

July 29: Updated dxeco's functions to detect shadow IT

Aug.1: Updated Reforma PSA to accommodate the invoice system

02

Business Segment Topics

Business overview

Cloud Solutions (CS)

Development and delivery of



Support for operation and management with cloud-based ERP

- Improving operational efficiency
- Improving project management level
- Supporting appropriate management decision-making based on managerial accounting

Digital Transformation (DX)

Planning of digital strategies, digitalization support, creative

Digital-based corporate business activities support

- Planning digital strategies for business activities
- Promoting digitalization of marketing activities
- Accelerating global business expansion

Cloud Solutions

Cloud ERP “ZAC”, Cloud PSA “Reforma PSA”

Cloud Solutions

Cloud-based integrated mission critical systems centered on management of income and expenditure for each transaction/project, supporting business processing and information sharing within a corporate group.



Cloud ERP “ZAC”

- Targeting small- to middle sized companies with 50 to 300 employees
- Numerous general-purpose parameters to match client needs/resolve client problems
- Providing end-to-end supports by consultants, from installation to operation

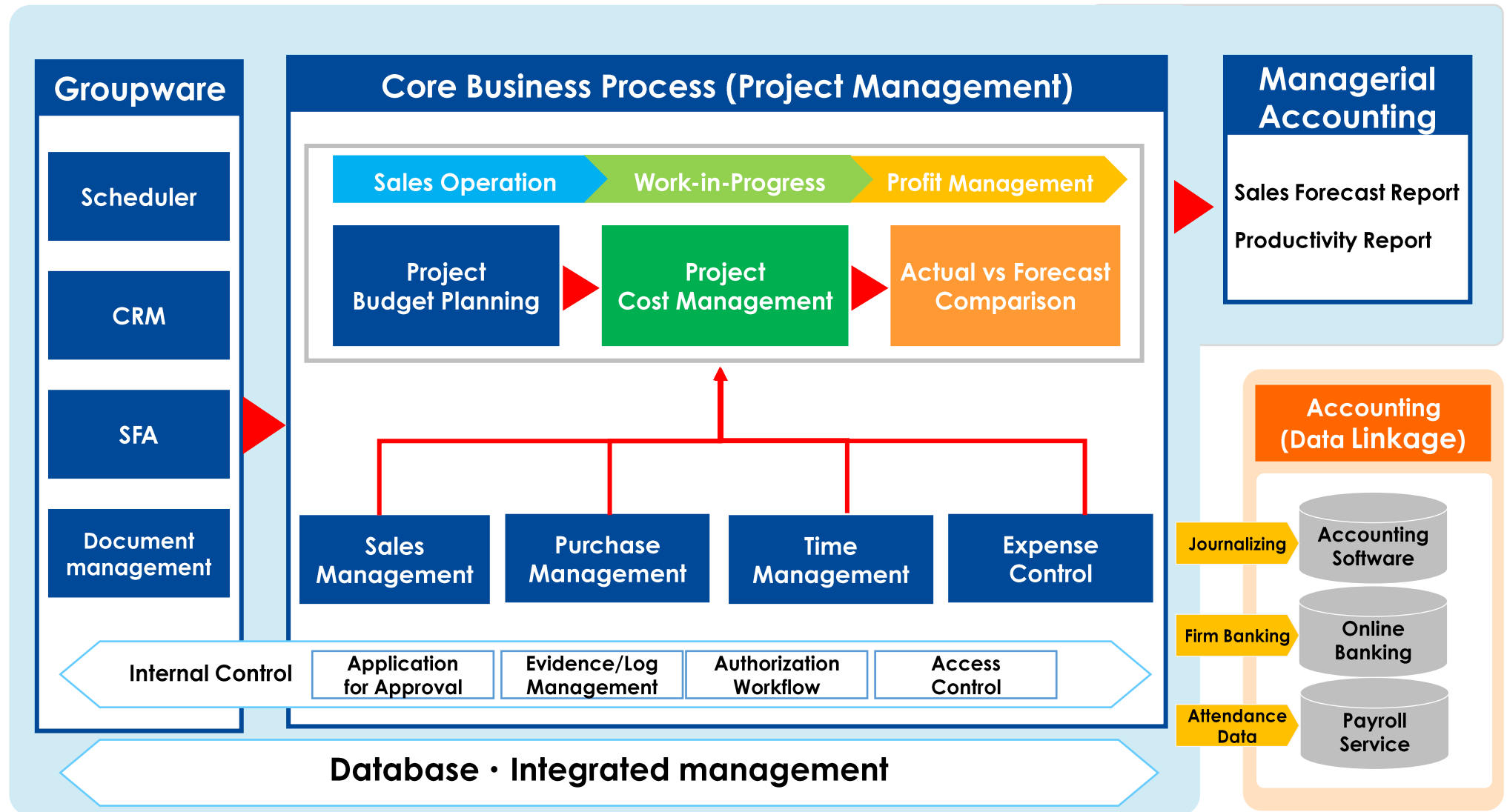


Cloud PSA “Reforma PSA”

- Targeting start-ups/venture firms with up to 50 employees
- Providing only a selected set of essential functions of ZAC
- Allowing customers to use the service at low cost given no upfront fees (only monthly subscription fees)

Overview of cloud ERP "ZAC" – functions

Cloud Solutions

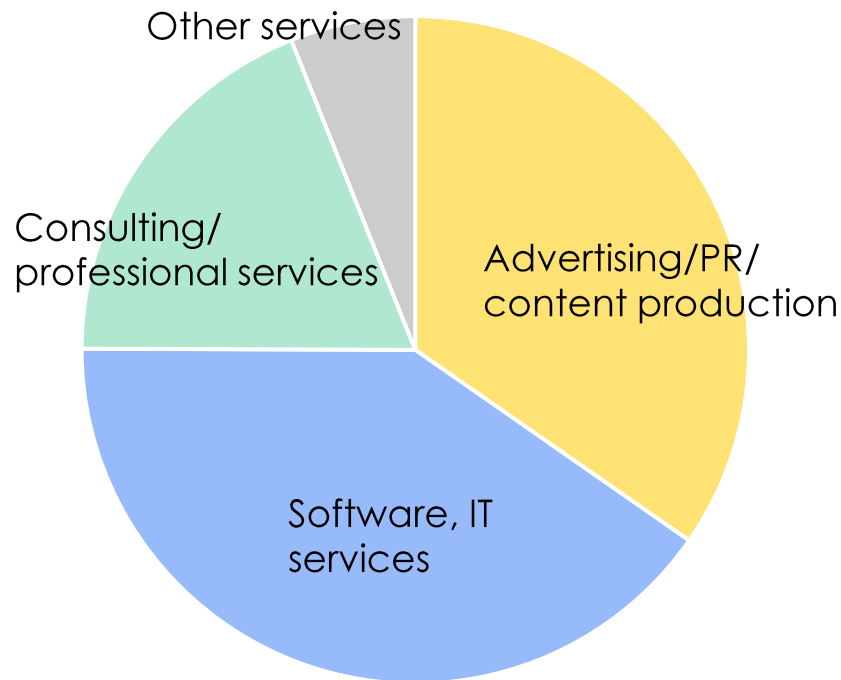


Industry-specific ERP

Cloud Solutions

ZAC's customer base consists primarily of IT services and advertising businesses.

(As of June 30, 2022)



Advertising/PR/content production



Software/system development, and IT services



Consulting/professional services



Other services

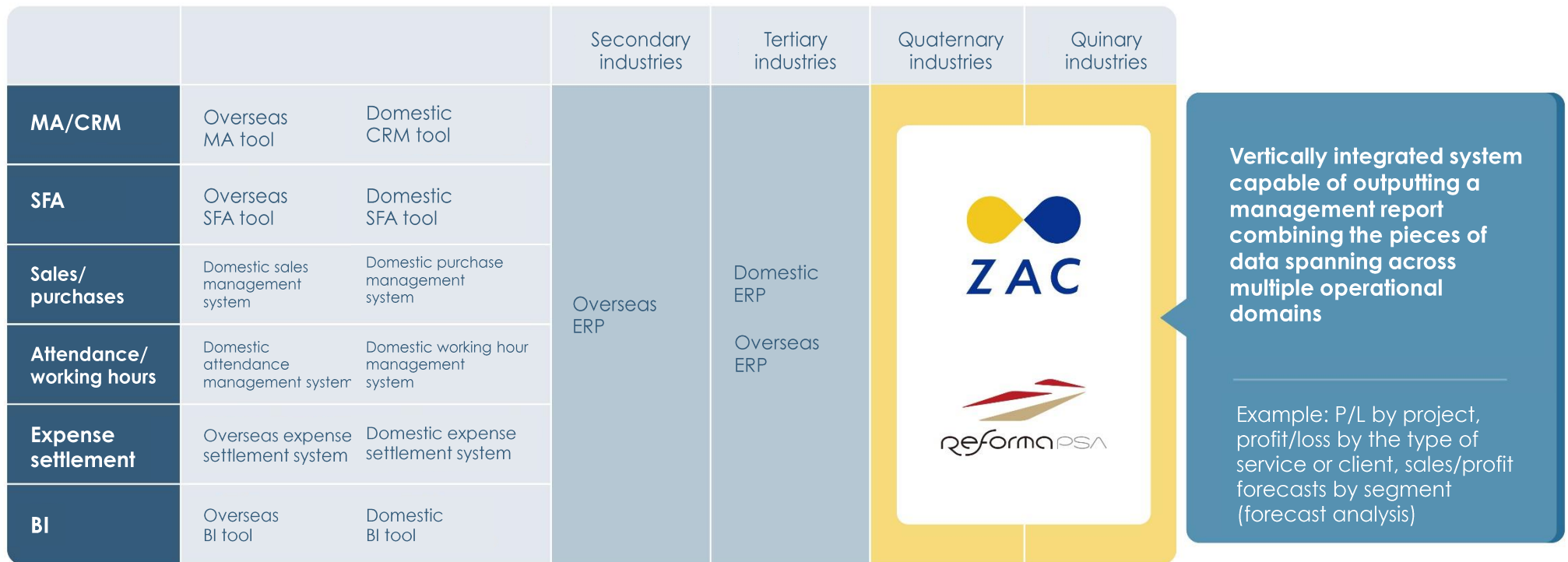


Industry-specific integrated ERP

Cloud Solutions

ERP systems can be classified broadly into **single-function general-purpose** systems, which may be used irrespective of which industries customers belong to; and **multi-function integrated** systems, which have combined a variety of industry-specific functions especially for IT service, advertising and consulting industries, addressing every need and issue unique to each of these industries.

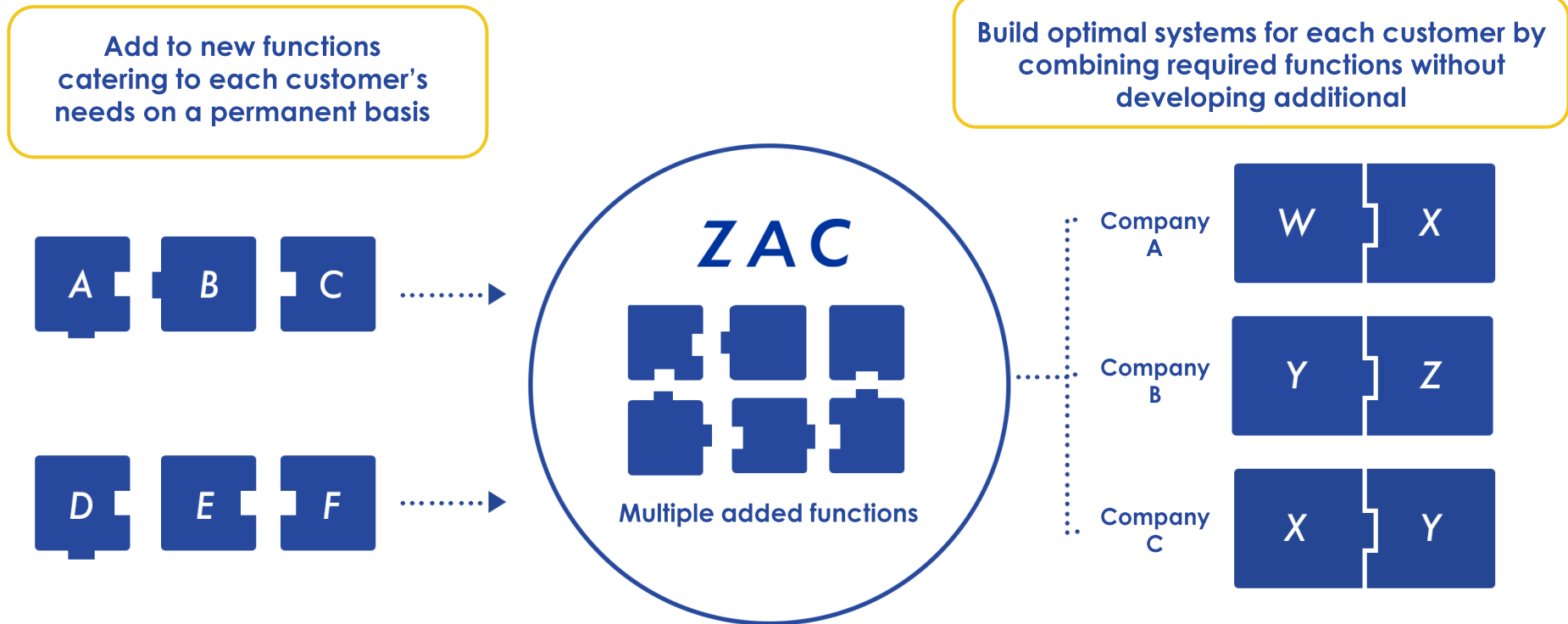
Positioning Map by Industry/Business Domain



Advantages of cloud-based systems in functional scalability

Cloud Solutions

Parameter design allowing for sustainable growth of systems



Advantages of industry-specific parameter design

POINT1 Has developed numerous industry-specific parameters since the launch of ZAC in 2006, whereby matching client needs and resolving client problems without developing additional parameters.

POINT2 Able to shorten lead time to implementation, and reduce development costs.

Example of functional enhancement ①

Function to manage man hours corresponding to orders placed in-house for each of contract production/development project.

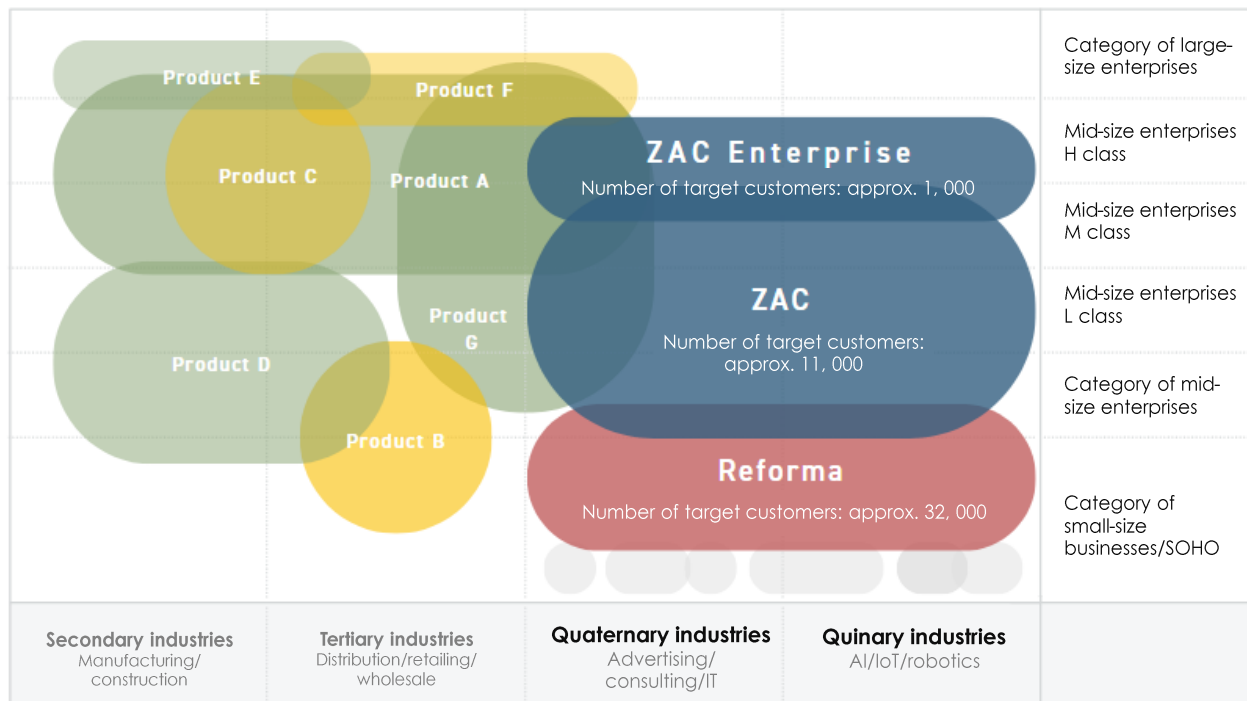
Example of functional enhancement ②

Function to provisionally record purchase before receiving an invoice to cater for the client needs in the advertising/event/creative business sectors.

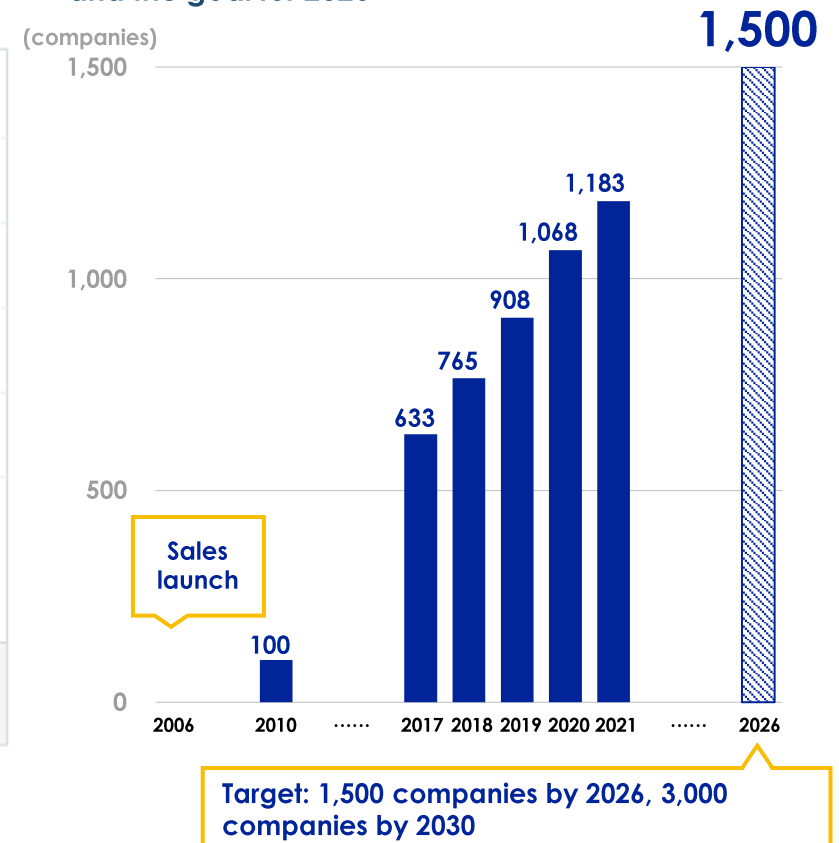
Size of target market in Japan and medium-term goal for ZAC/Reforma PSA Cloud Solutions

Aiming to expand the market share of ZAC / Reforma PSA on a cumulative basis to 3,000 companies out of approx. 44,000 target companies in Japan by 2030

ERP Positioning Map by Industry/Target Customers Size



Cumulative total numbers of companies that have introduced our ZAC / Reforma PSA, and the goal for 2026



* Clients in Japan (44,000 companies) consist mostly of the companies with roughly 1 to 2,000 employees in the target industries for ZAC / Reforma PSA, including IT, advertising and consulting industries. Since FY2021, we have worked out numbers using data extracted from the database of FORCAS (Uzabase), not the database of Teikoku Databank used until FY2020, to raise the accuracy of numbers as to target industries.

* The numbers above represent the cumulative numbers of companies that have introduced ZAC/Reforma PSA solutions, which are the sum of the cumulative total numbers of licenses sold and the cumulative total number of licenses terminated.

* Also, the numbers in the graph above represent the cumulative total numbers of companies that introduced ZAC and/or Reforma PSA solutions.

Initiatives for FY2022

Cloud Solutions

Additional investment in advertising and publicity

- Promoting seminars and online advertising, etc. to acquire new leads
- New investment in branding initiatives, such as placing advertorials and implementing video advertising

We have embarked on a full-scale investment in advertising and publicity since fiscal 2022 with the aim to enhance the brand recognition and equity.

Continuous investment in enhancing development capability

- User-friendly UI/UX
- Multilingual/multicurrency solutions
- New functions

We will continue to invest in development with the goal to expand overseas by 2026.

Digital Transformation

Support large companies with digital marketing

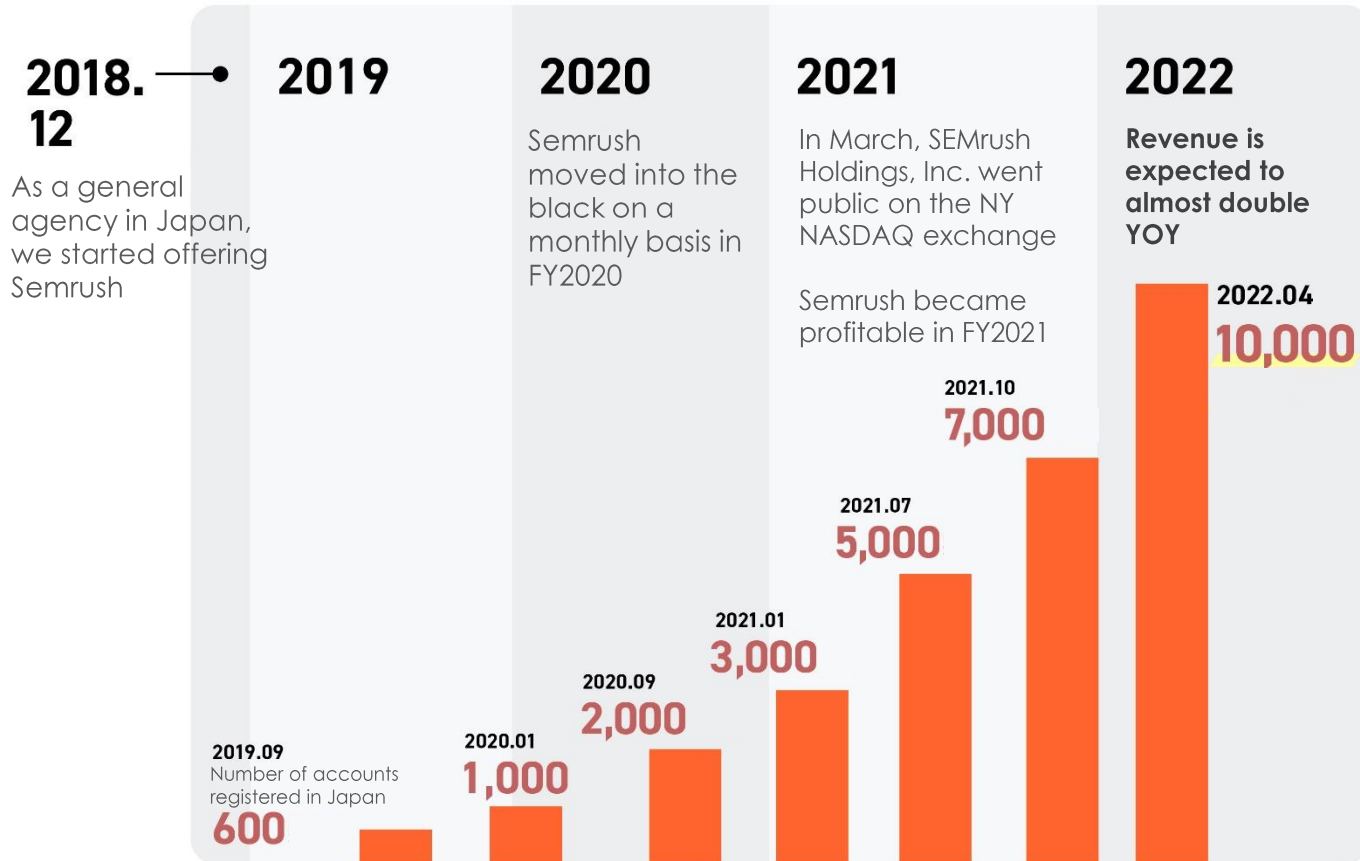
Digital Transformation

Achieve excellence in integrity, speed, and cost performance by providing end-to-end services, from designing of strategies to operation.
 Enhance services that support the shift to digitalization based on data analysis, in which Oro boasts strengths.





All-in-one competitive analysis tool that enables competitive research and analysis in SEO, ads, and social media



Semrush

The World's Largest Digital Marketing Tool
(10 million Registered Account in the world)
※As of June 2022

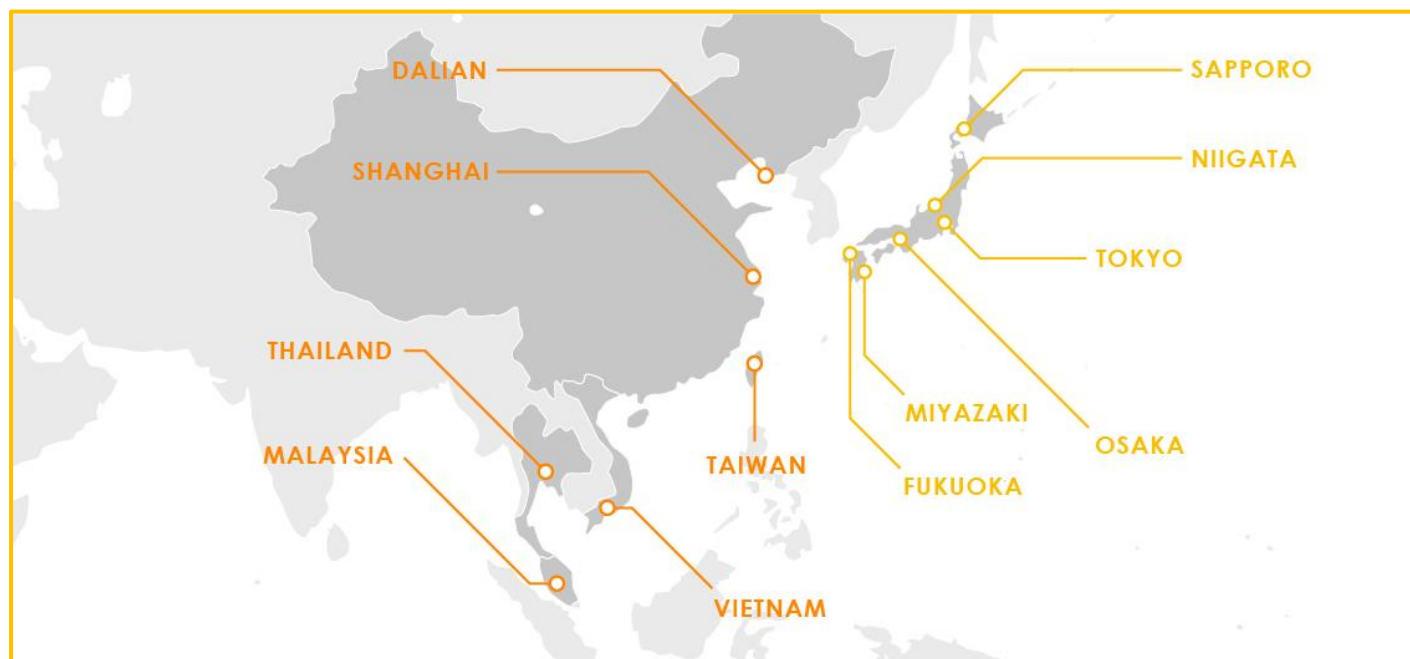
Monthly Subscription Business Model

Get ourselves ready for expanding a range of foreign-made tools next to Semrush

Strengthen sales forces at overseas business locations

Digital Transformation

Reinforcement of operating structure to prepare for the recovery of economic activity to pre-COVID-19 crisis levels



Advertising and promotion in ASEAN and Greater China

Investing resources in foreign operations to move into full-fledged sales of our excellent and quality products and services to Japanese companies operating abroad and local companies by utilizing our track record and insights gained through providing advertising and promotion services in Japan

Inbound demand to be back on track as COVID-19 infections begin to settle down

Preparing for a full recovery of inbound demand from 2025

Initiatives for FY2022

Digital Transformation

Developing giant customers

- **Developing third and fourth new clients, besides two major clients that are currently the main pillars of revenue for the company**

We will aim to develop giant customers by strengthening relationships with major advertising agencies, cooperating with other companies, and increasing sales from our existing customers.

Strengthening PR and hiring

- **Strengthening PR for branding**
- **Increasing sales representatives and advertising planners**

To expand sales, we will implement PR to leverage the brand recognition, and strengthen human resources.

New business/overseas business

New business

SaaS management platform "dxeco"

- A platform that detects SaaS in an enterprise and provides the visibility of cost performance to facilitate cost reduction/optimization
- currently available for free trial (As of June 2022)

Overseas business

Cross-border EC support for companies opening stores on overseas EC platforms

- Started cross-border EC support service using the EC platform "Lazada" in 2021 for Japanese companies aiming to expand sales channels to Southeast Asia. Numbers of inquiries and branch stores are increasing
- Started an EC support service to the Southeast Asian EC mall "Shopee"

03

Company profile

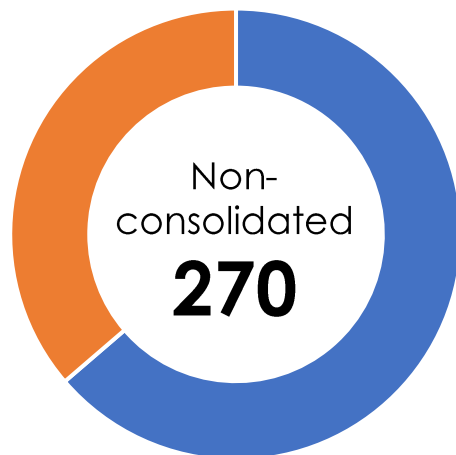
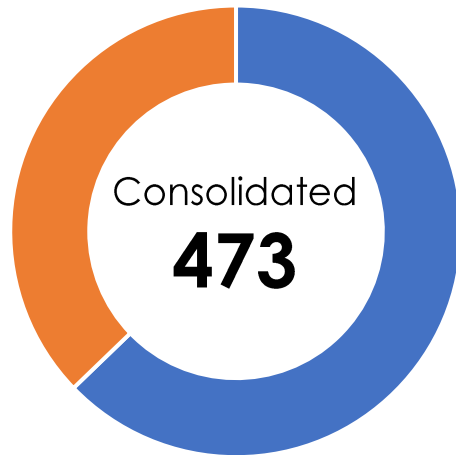
Company profile

Company name	oRo co., Ltd.
Listed Exchange	Tokyo Stock Exchange Prime Market (Code : 3983)
Representative	CEO Atsushi Kawata
Foundation	January 20, 1999
Head Office	Meguro Suda Building, 3-9-1 Meguro, Meguro-ku, Tokyo 153-0063
Capital	1,193 million yen
Business Portfolio	Cloud Solutions (CS) <ul style="list-style-type: none">• Development and sales of cloud-based ERP 'ZAC' Digital Transformation (DX) <ul style="list-style-type: none">• Support for corporate marketing activities
Employees	Non-consolidated 270 / Consolidated 473 (as of end of June 30, 2022)
Branch	Nishinohon Branch, Hokkaido Branch, Fukuoka Branch
Group Company	oRo Miyazaki Co., Ltd. oRo code MOC Co., Ltd. oRo TECHNOLOGY Co., Ltd. (DALIAN, SHANGHAI) DALIAN oRo ADVERTISING Co., Ltd. oRo TAIWAN Co., Ltd. oRo Malaysia Sdn. Bhd. oRo Vietnam Co., Ltd. oRo (Thailand) Co., Ltd.

Organizational structure

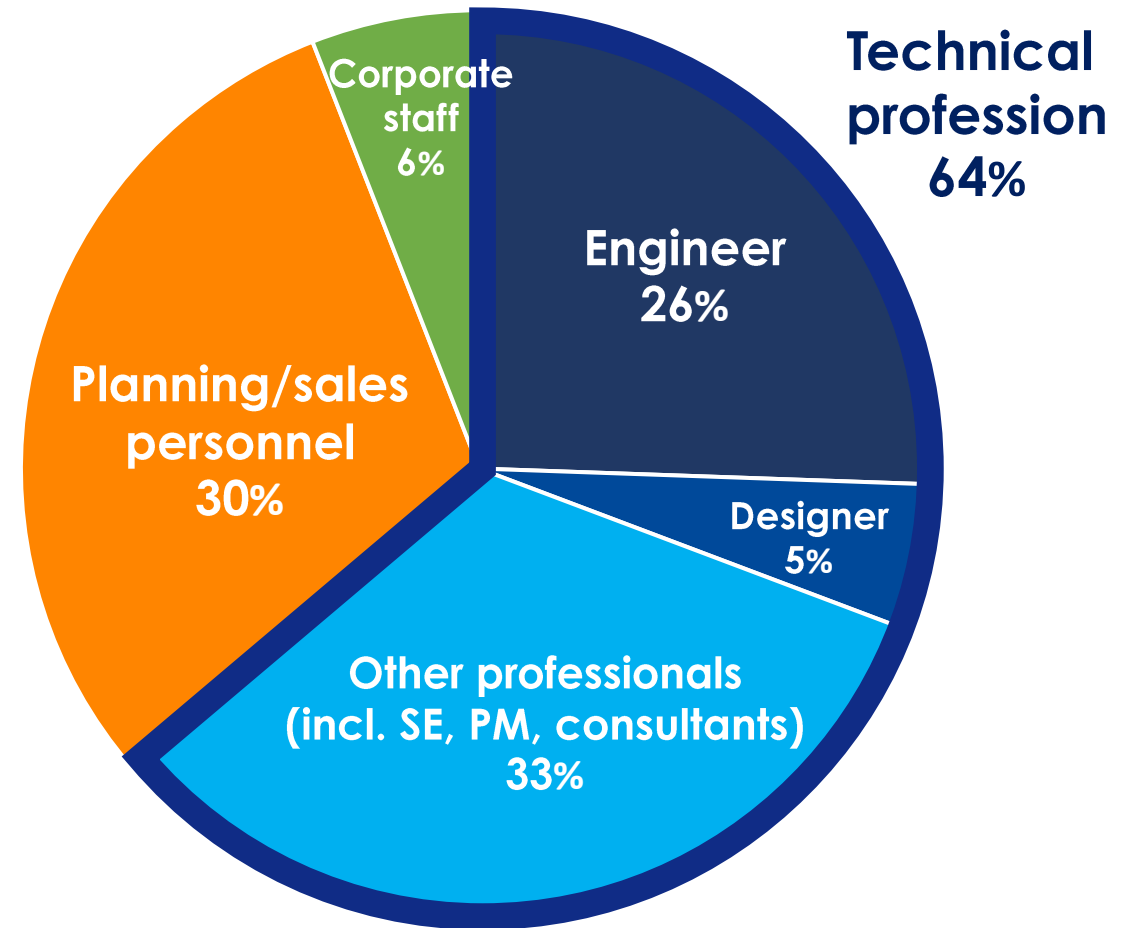
Organizational structure designed to drive creation of solutions through "Technology x Creative"

Split between manufacturing and sales personnel



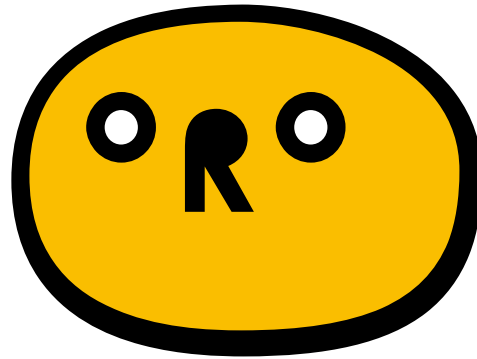
(As of end of June 2022)

Breakdown by job type (non-consolidated)



(As of end of June 2022)

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.*

History

- 1999 Establishment of oRo Co., Ltd
- 2004 Launched website management and maintenance operations
- 2005 Acquired the Information Security Management Systems (ISMS) certification
- 2006 Developed and launch sales of ZAC Enterprise, an SaaS-compliant ERP package
- 2007 Acquired certification to use the Privacy Mark
Opened the Osaka branch (currently, the Nishinohon branch office)
- 2008 Opened the Hokkaido branch office
- 2010 Established the Chinese local corporation oRo TECHNOLOGY (DALIAN) CO., LTD. (currently, a consolidated subsidiary)
Acquired the Environmental Management Systems (EMS) certification
- 2012 Opened the Miyazaki Support Center
Opened the Chubu branch office
Established the Malaysian local corporation ORO Malaysia Sdn. Bhd. (currently, a consolidated subsidiary)
- 2013 Established the Vietnamese local corporation ORO Vietnam Co., Ltd. (currently, a consolidated subsidiary)
- 2014 Established the Thai local corporation ORO (Thailand) Co., Ltd. (currently, a consolidated subsidiary)
- 2016 Established the Taiwanese local corporation ORO TAIWAN CO., LTD. (currently, a consolidated subsidiary)
Established the Chinese local corporation DALIAN oRo ADVERTISING CO., LTD. (currently, a consolidated subsidiary)
Established oRo Miyazaki Co., Ltd. (currently, a consolidated subsidiary)
- 2017 Listed on the TSE Mothers Section
- 2018 Listing upgraded to the TSE 1st Section
oRo Digital Asia Pte. Ltd. (formerly Crossfinity Digital Asia Pte. Ltd.) becomes a subsidiary
oRo Digital Asia Sdn. Bhd. (formerly Crossfinity Digital Asia Sdn. Bhd.) becomes a subsidiary
Opening of the Fukuoka branch
- 2019 Established oRo code MOC Co., Ltd. (currently, a consolidated subsidiary)
- 2022 Transition to TSE Prime Market

Attention on handling this material

- This presentation material contains the projections for the Company as well as its forward-looking plans and business goals. These statements are based on current assumptions regarding potential future events and developments, and we provide no guarantee that these assumptions are correct. Actual financial results could potentially differ significantly from what is shown in this presentation material due to various factors.
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