



**FY2022** (Ending October 31, 2022)

**Third Quarter (Q3)**

**Material for**

**Quarterly Financial Results Briefing**

September 14, 2022

ASIRO Inc.



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# Corporate Overview

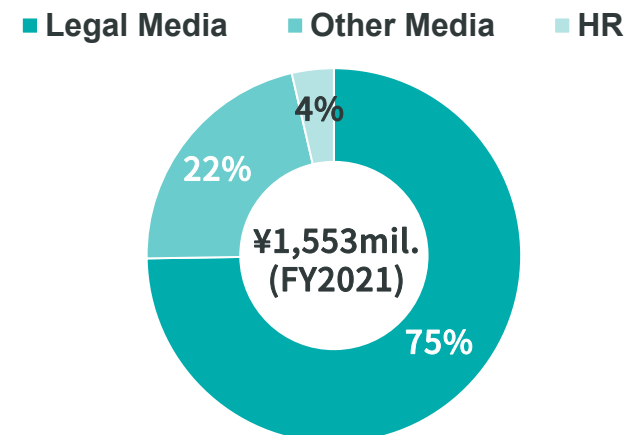
# Services

Our main business activity involves the operation of Legal Media sites. By utilizing digital technology and web marketing expertise, we help provide legal and lawyer-related information online.

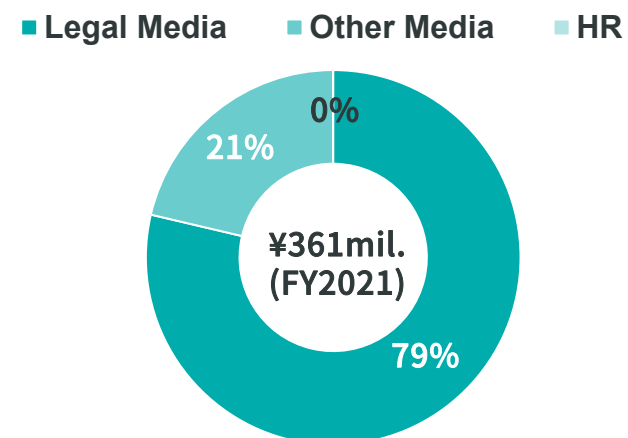
## Business category

|  |  |  |
|--|--|--|
| Legal Media & Other                                    | <b>Legal Media (Started in 2012)</b>   |  |
|  | Services   | Operation of specialized sites for legal case fields                                   |
|  | Main customers   | Law firms  |
|  | Main services  | 離婚弁護士ナビ 相続弁護士ナビ 刑事事件弁護士ナビ<br>IT弁護士ナビ 労働問題弁護士ナビ 債務整理ナビ<br>交通事故弁護士ナビ 債権回収弁護士ナビ 企業法務弁護士ナビ |
| <b>Other Media (Started in 2014)</b>                   |  |  |
| Services   | Operates “Carism,” the career change media, detective media “Expert Search for Infidelity Investigation” and “Hotline for Missing Person Search,” etc. |  |
| Main customers   | Staffing companies, private detective offices  |  |
| Main services  | キャリアスム 浮気調査ナビ 人探し窓   |  |
| <b>Human Resources (HR) (Started in 2020)</b>          |  |  |
| Services   | HR recruitment business (placement of attorneys, certified public accountants, administrative positions, etc.)   |  |
| Main customers   | Professional firms, general companies  |  |
| Main services  | NO/LIMIT XEXE  |  |
| <b>Other (Insurance<sup>1</sup>) (Started in 2022)</b> |  |  |
| Services   | Sale of small-amount short-term insurance  |  |
| Main customers   | Individuals  |  |
| Main services  | ベンナビ 弁護士保険   |  |

## Revenue Composition



## Operating Profit Composition<sup>2</sup>

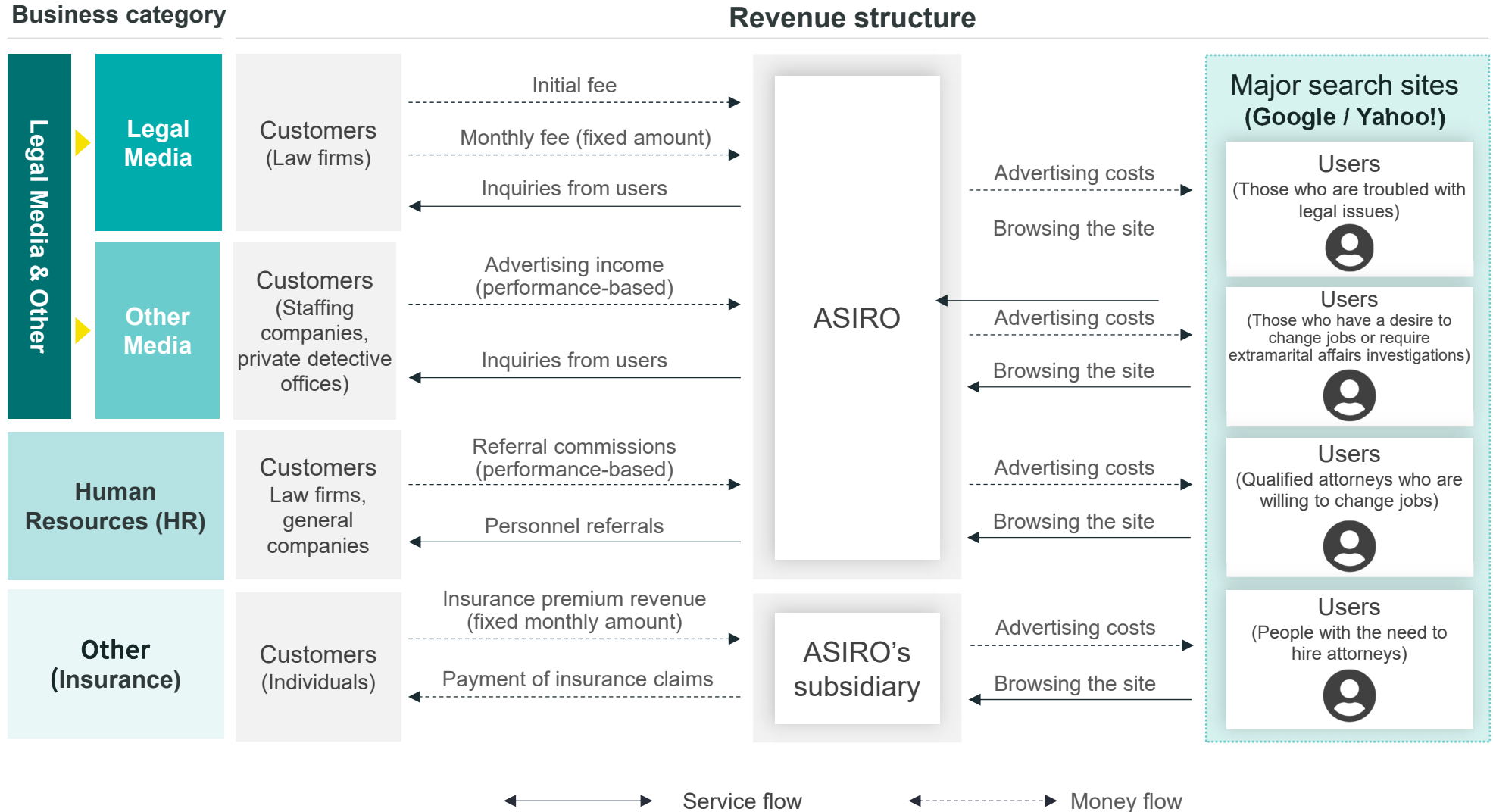


Note: 1 The Company acquired additional shares in ASIRO SSI Inc. (formerly Kailas Small Amount and Short Term Insurance) on April 28, 2022, making it a consolidated subsidiary. Inclusion in PL is mainly from Q3, and is recorded in the "Other" segment.

Note: 2 HR and Company-wide divisions with negative operating profit are assumed to be zero and their composition ratios are calculated.

# Business model

Revenue from Legal Media and Insurance is basically made up of fixed monthly income in a model with increasing recurring revenue. Other Media and Legal HR business adopt a performance-based business model based on the number of inquiries and the number of new employees.



Section

2022

# Financial Results Summary

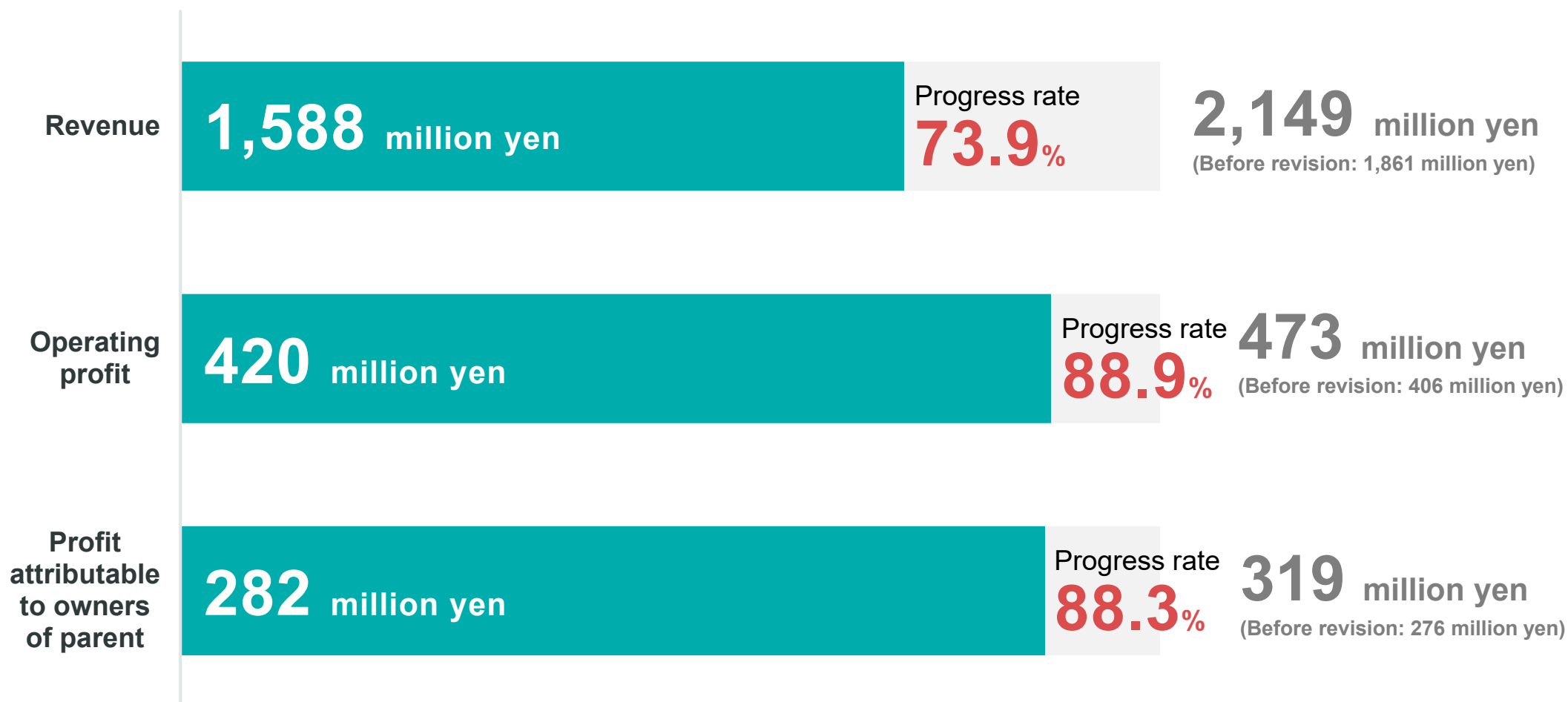
# Summary of Results for FY2022 Q3 cumulative (Nov. 2021-Jul. 2022)

|  |  |
|--|--|
| <b>FY2022 Q3</b><br><b>cumulative totals</b> | <p>All businesses grew, with revenue growth reaching a level exceeding 40% year on year. Operating profit grew by almost 60% while covering the costs of the Other segment accounting for new business investment.</p> <p>Revenue: <b>1,588</b> million yen (41.6% increase YoY)</p> <p>Operating profit: <b>420</b> million yen (58.4% increase YoY)</p>  |
| <b>Legal</b><br><b>Media</b>                 | <p>Achieved steady growth in sales and profit in excess of 20% YoY through increases in the number of ad slots posted and recurring revenue.</p> <p>Revenue: <b>1,065</b> million yen (25.0% increase YoY)</p> <p>Operating profit: <b>468</b> million yen (22.1% increase YoY)</p>  |
| <b>Other</b><br><b>Media</b>                 | <p>Revenue and profit continued to increase significantly following on from Q2 due to the recovery of the job market.</p> <p>Revenue: <b>431</b> million yen (90.0% increase YoY)</p> <p>Operating profit: <b>207</b> million yen (177.4% increase YoY)</p>  |
| <b>HR</b>                                    | <p>Although the amount of denominator is still small because it is only the third year for this business area, revenue increased significantly and the business also contributed to profit. The segment name was changes to HR due to commencing personnel referrals for non-lawyers.</p> <p>Revenue: <b>78</b> million yen (82.3% increase YoY)</p> <p>Operating profit: <b>27</b> million yen (31 million yen improvement YoY)</p> |
| <b>Other</b>                                 | <p>Started including an insurance subsidiary in scope of P/L consolidation from Q3. In the red at present due to being in the investment phase.</p> <p>Revenue: <b>15</b> million yen (15 million yen increase YoY)</p> <p>Operating profit: <b>-62</b> million yen (62 million yen deterioration YoY)</p>   |
| <b>Company-wide</b>                          | <p>Primarily an increase in outsourcing expenses year on year (mainly affected by increase in expenses related to financial reporting/IR and the General Meeting of Shareholders due to being listed).</p> <p>Operating profit: <b>-220</b> million yen (30 million yen deterioration YoY)</p>   |

# FY2022 Q3 Cumulative Results vs Full-year Targets

The earnings forecast was revised upward on July 19 due to strong revenue and profit, and progress in relation to the budget has remained steady since the revision. The forecasted profit prior to the revision has been achieved as of Q3.

## Q3 Results and Full-year Target Progress Rates

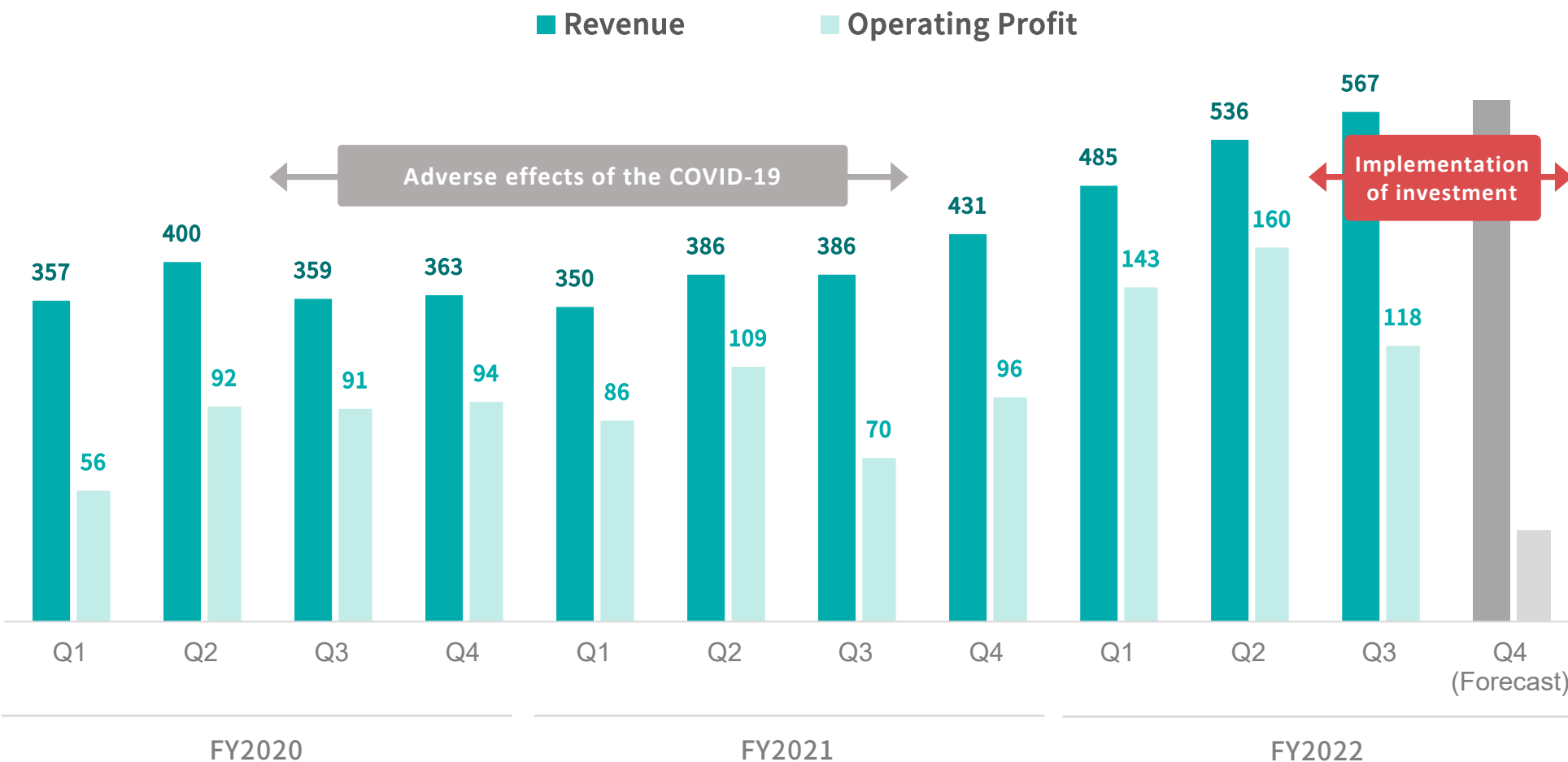




# Reference: FY2022 Q4 Forecast

Sales are expected to increase in 4Q, driven by growth in Legal Media. In terms of profit, we expect a temporary decline due to investments for growth from the next fiscal year onwards and is expected to be in line with the revised budget for the full year.

Revenue/Operating Profit (unit: million yen)



## Reference: Forecast of full-year results for FY2022

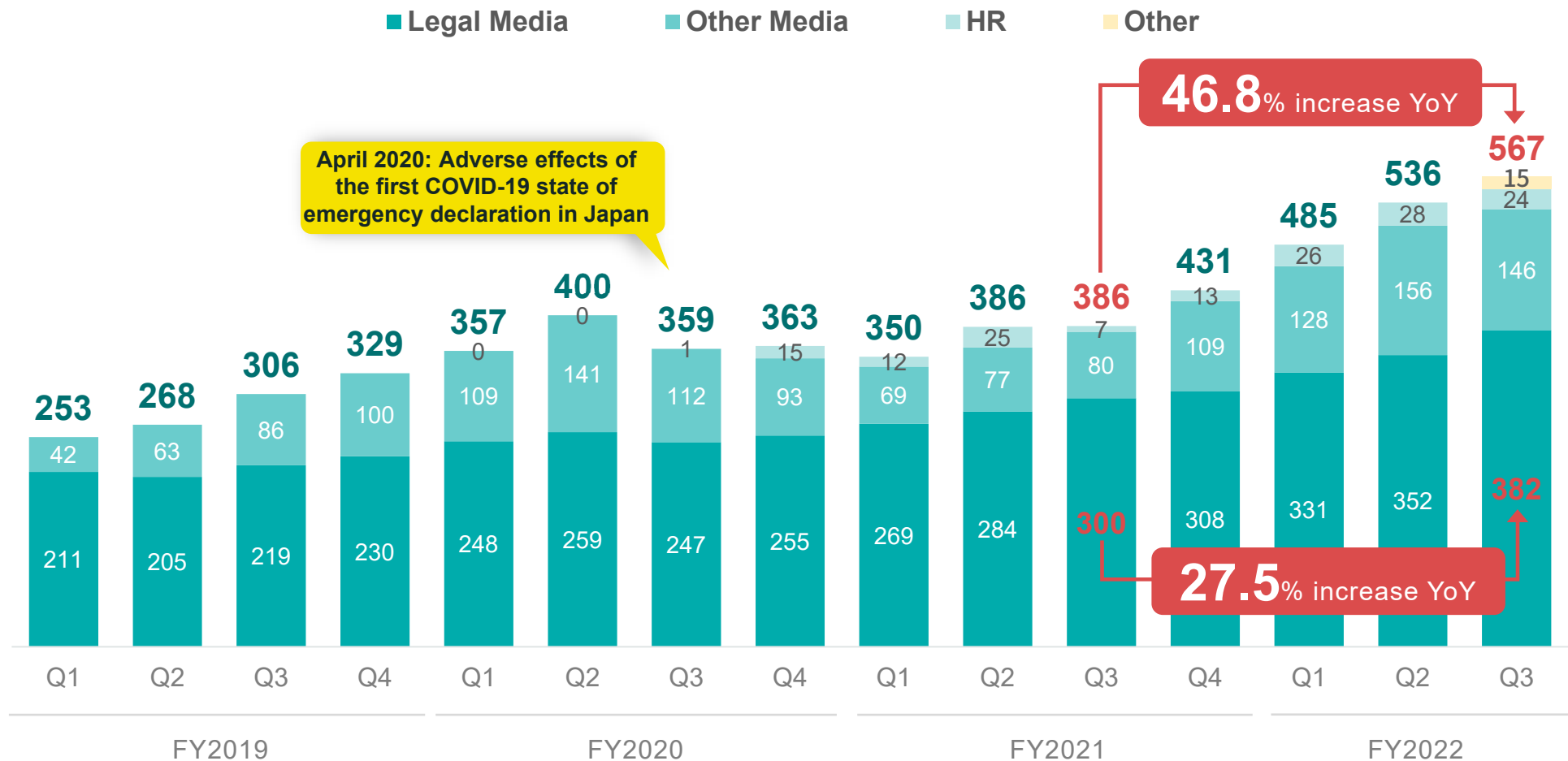
| (unit: million yen)                                     | FY2022 Forecast revised on Jul 19 <sup>th</sup> | FY2021 Result | YoY   |
|---|---|---------------|-------|
| Revenue   | 2,149   | 1,553         | 38.4% |
| Operating Profit  | 473   | 361           | 31.0% |
| Net profit attributable to owners of the parent company | 319   | 229           | 39.6% |

| (unit: yen) | FY2022 Forecast revised on Sep 14 <sup>th</sup> | FY2021 Result | YoY |
|-------------|---|---------------|-----|
| Dividend    | 12.45   | 0             | n/a |

# Revenue by Business Area (Quarterly Changes)

Although Other Media decreased slightly due to the impact of the change in the Google algorithm, sustained growth of Legal Media drove revenue, resulting in posting the highest quarterly revenue on record for the fourth consecutive quarter.

Revenue by business area (unit: million yen)

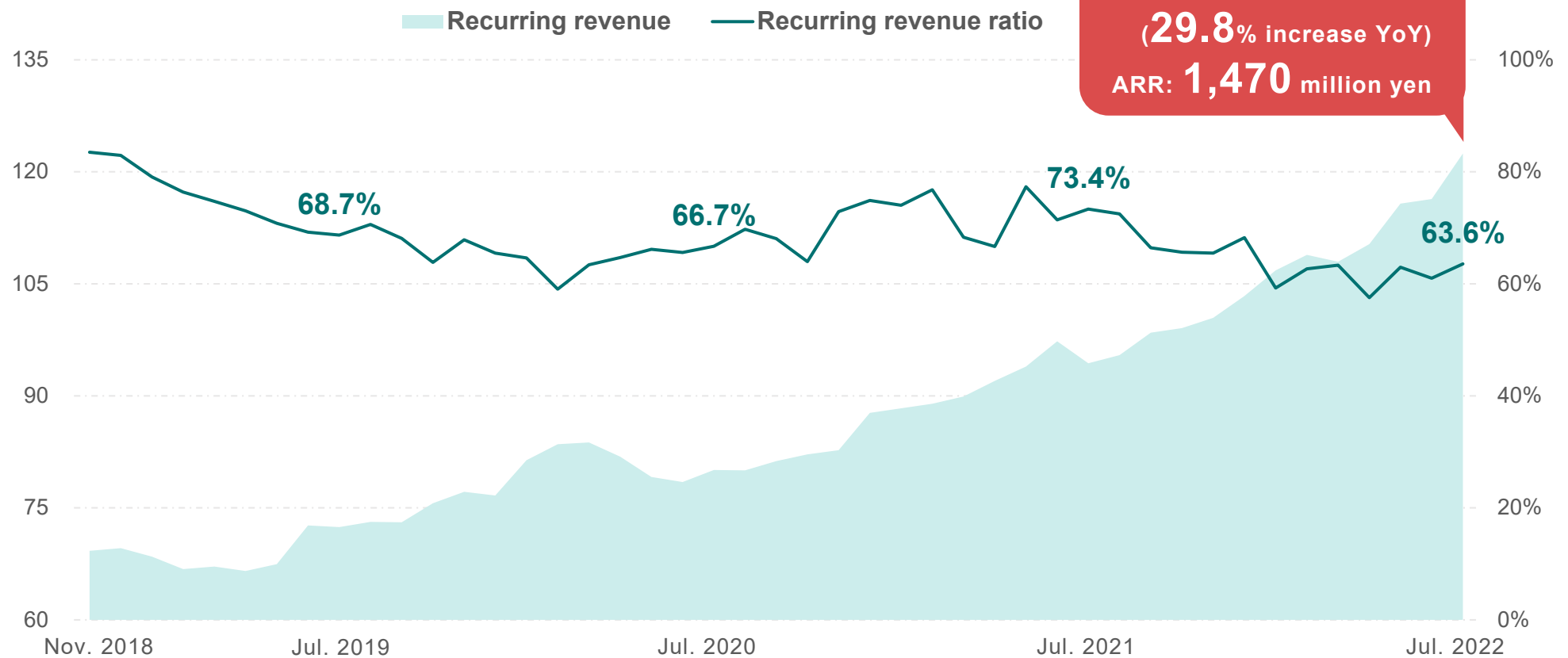


# Recurring revenue<sup>1</sup> and Recurring revenue ratio<sup>2</sup> (Monthly Changes)

MRR for the recurring revenue for July 2022 (monthly fee income for Legal Media and insurance premium revenue of Other segment) grew steadily with a 29.8% increase YoY. Recurring revenue accounted for about 60% of total revenue, creating a stable revenue structure.

## Recurring Revenue and Recurring Revenue Ratio

Left axis: Recurring revenue (unit: million yen) / Right axis: Recurring revenue ratio (unit: %)



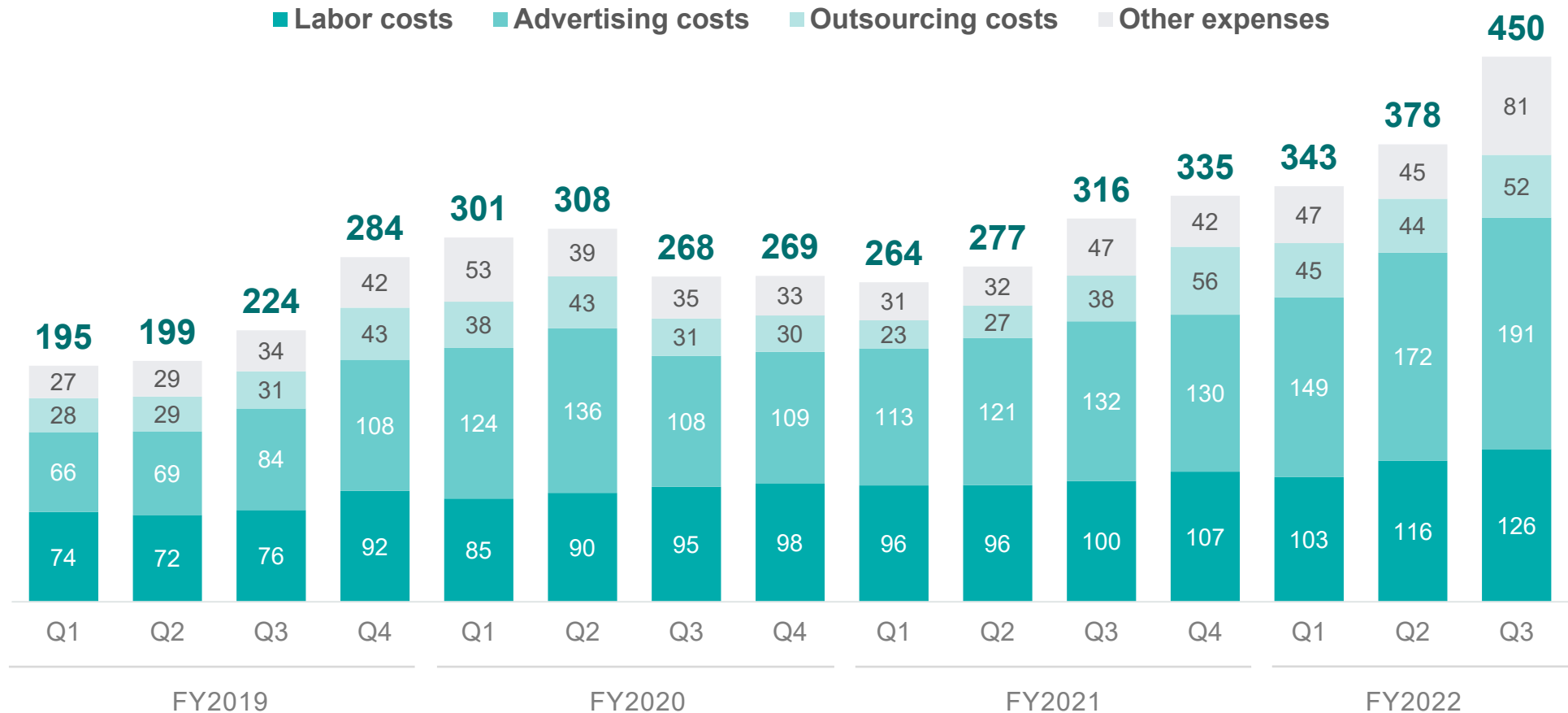
Note 1: Recurring revenue is defined as revenue generated on a fixed monthly basis up to the time of customer contract cancellation. Legal Media posting fee income and insurance premium income of Other segment are added together to calculate recurring revenue.

Note 2: Recurring revenue ratio refers to the ratio of recurring revenue to total revenue.

# Cost Structure (1) (Quarterly Changes by Account Item)

Total expenses increased due to investments in new businesses, mainly insurance. Excluding the cost increase due to the consolidation of an insurance subsidiary (+49 million yen), the total cost in 3Q was 401 million yen and in this case, the QoQ increase in expenses is 23 million yen (of which 19 million yen was an increase in advertising expenses).

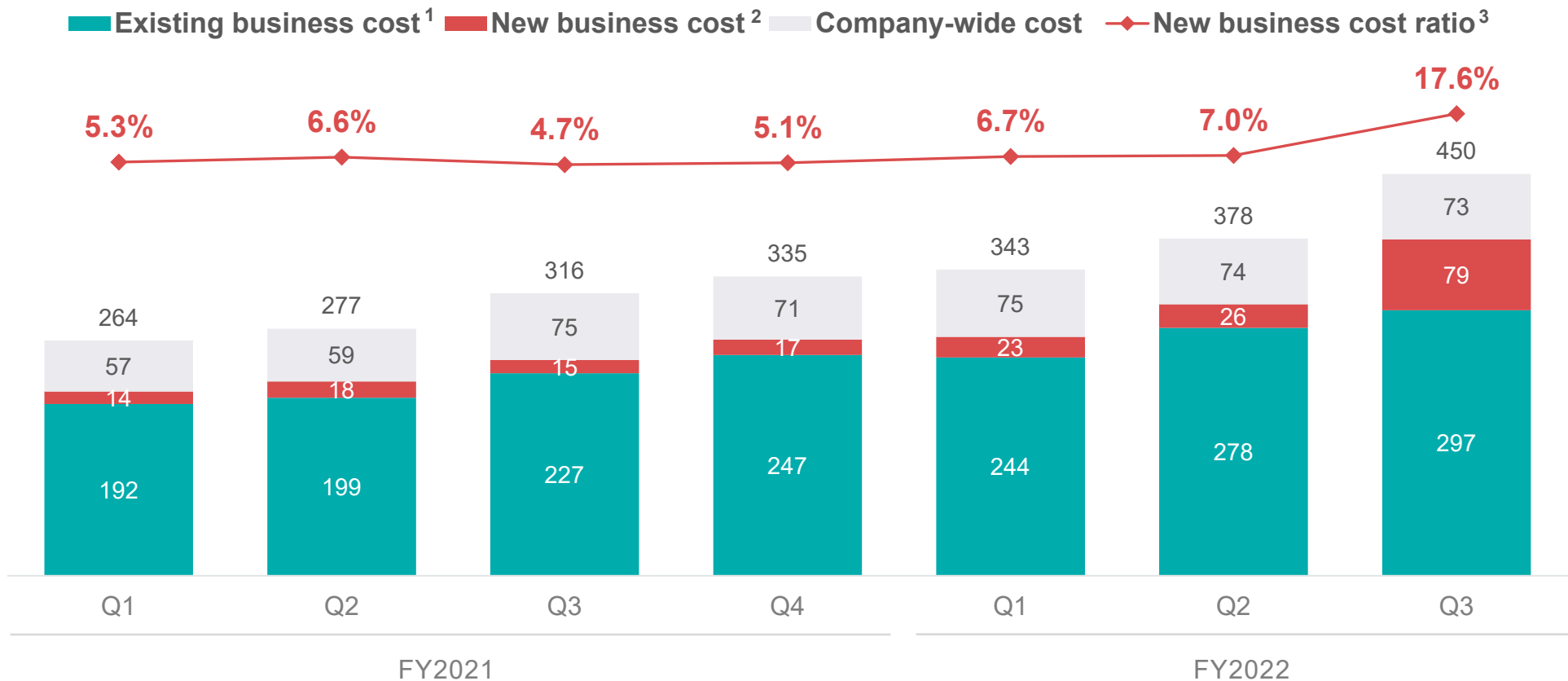
**Cost Structure** (unit: million yen)



# Cost Structure (2) (Quarterly Changes by Business Area)

The cost structure is as follows when classifying Legal Media and Other Media in existing business costs and HR and Insurance in new business costs. Although total costs increased in Q3, but the increase in existing business costs is moderate, and as noted on the previous page, we are making investments in new businesses, mainly insurance.

## Cost Structure (unit: million yen)



Note 1: Existing business costs are the total cost for Legal Media and Other Media.

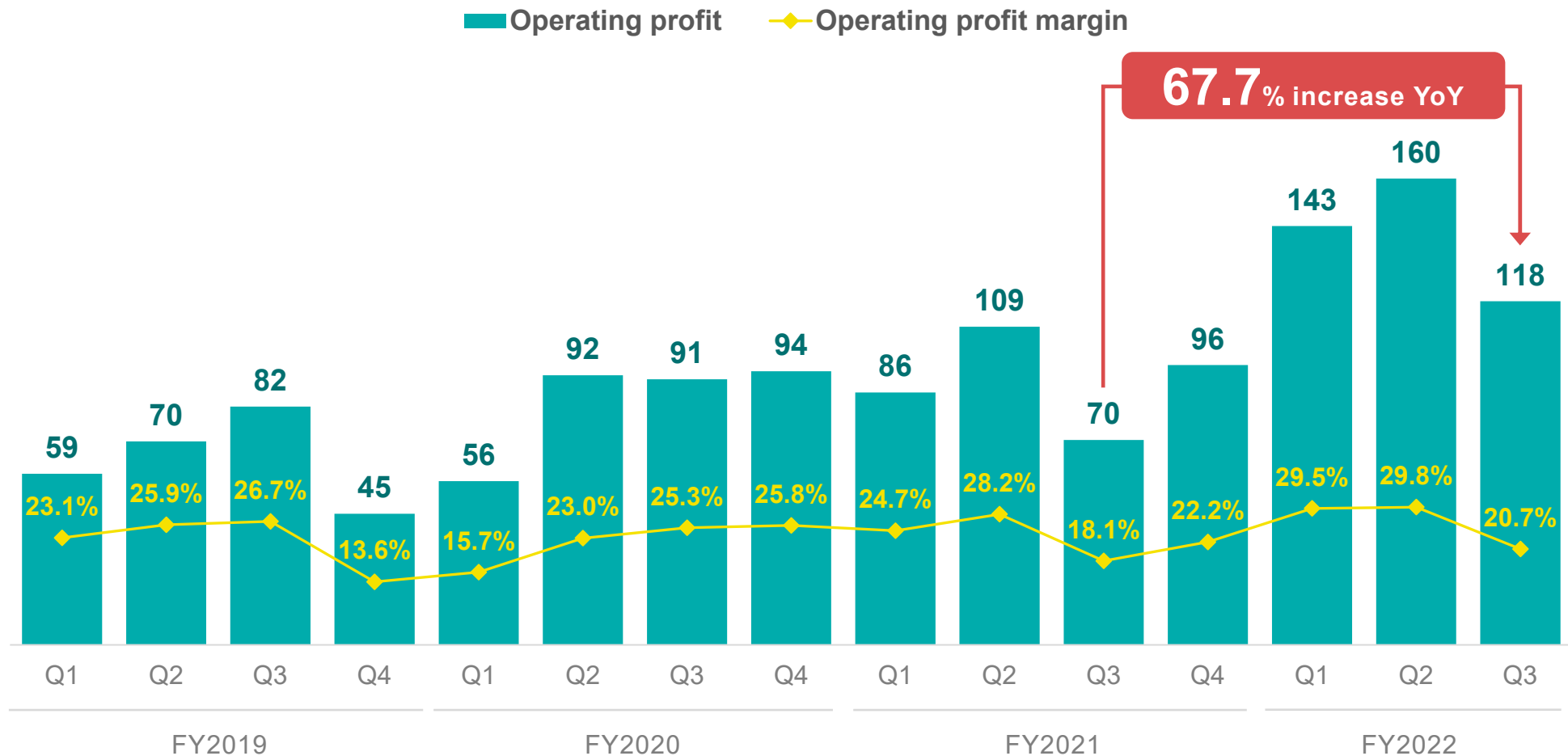
Note 2: New business costs are the total cost for HR and Other (Insurance).

Note 3: The new business cost ratio indicates the ratio of new business costs against overall costs.

# Operating Profit (Quarterly Changes)

Overall operating profit income increased significantly by 67.7% YoY. Excluding the impact of the Other segment, which includes the insurance business, overall operating profit was 160 million yen, the same level as in the Q1 and Q2 of this fiscal year.

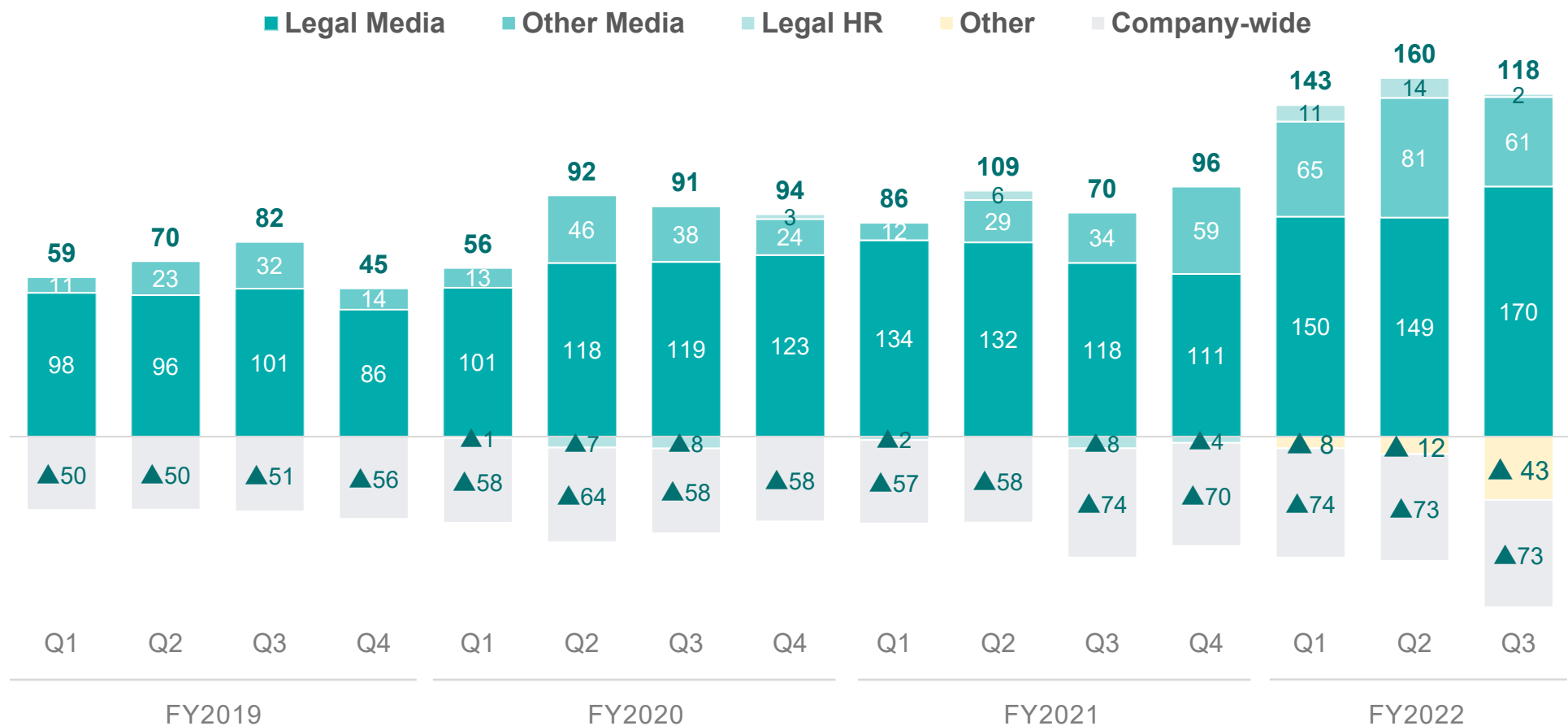
Operating Profit (unit: million yen)



# Operating Profit by Business Area (Quarterly Changes)

Operating profit grew steadily in Legal Media, generating record operating profit. Other Media slowed down slightly due to the change in the Google algorithm, but the impact was only minor. In the Other segment, we started consolidating the PL of an insurance subsidiary in the Q3, and are currently making investments, which is a factor in the decrease in profits.

Operating Profit by Business Area (unit: million yen)





Section

# Business Highlights

# FY2022 Q3 Business Highlights

## Legal Media

- Due to steady progress in new acquisitions, the number of ad slots posted increased by 28.9% YoY, and the number of customers grew by 30.3%, recording higher growth rate.
- The transition to the new brand name “BenNavi” is scheduled for next fiscal year from the perspective of an internal resource.

## Other Media

- Although there was a slight slowdown in Q3 due to the impact of the Google algorithm update, the impact was limited (The same level of performance as Q3 is expected in Q4).
- Began studying and preparing for the launch of new media.

## HR

- The number of new registrants increased significantly due to the launch of recruitment services for accountants, tax accountants, patent attorneys, etc. in addition to attorneys.
- Working to strengthen the personnel system to link the increase in the number of new registrants to sales.
- Preparations are being made to launch a new business in the HR area in this fiscal year.

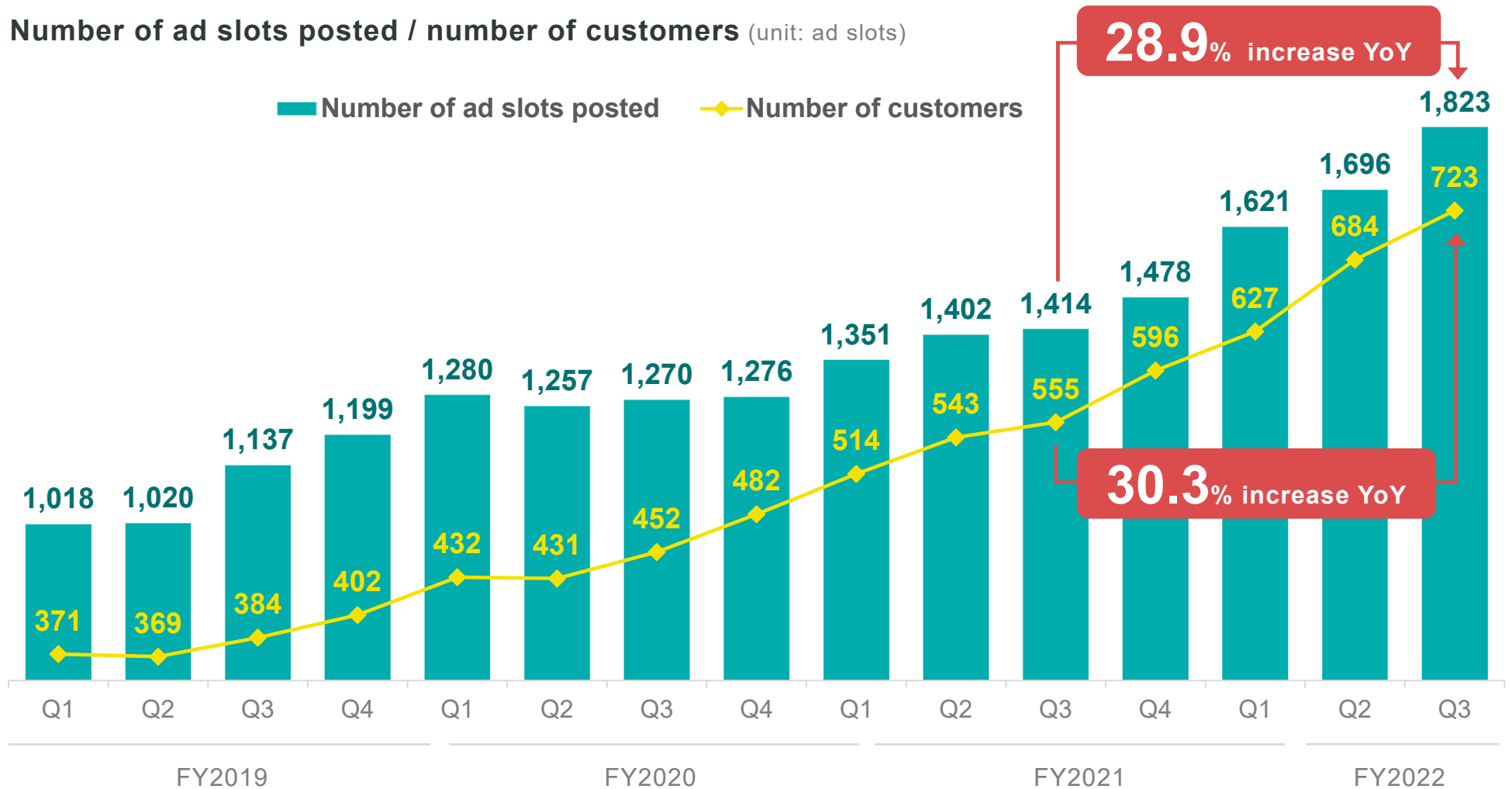
## Other

- In the insurance business, we are working to strengthen marketing capability to attract customers by transferring ASIRO’s web marketing know-how.
- New business that was being test-marketed was decided to withdrawal from an economic perspective.

# Legal Media: Number of Ad Slots Posted/Number of Customers<sup>1</sup>

The number of ad slots posted as of July 31, 2022 was 1,823, and the number of customers was 723, each growing by around 30% YoY.

Number of ad slots posted / number of customers (unit: ad slots)

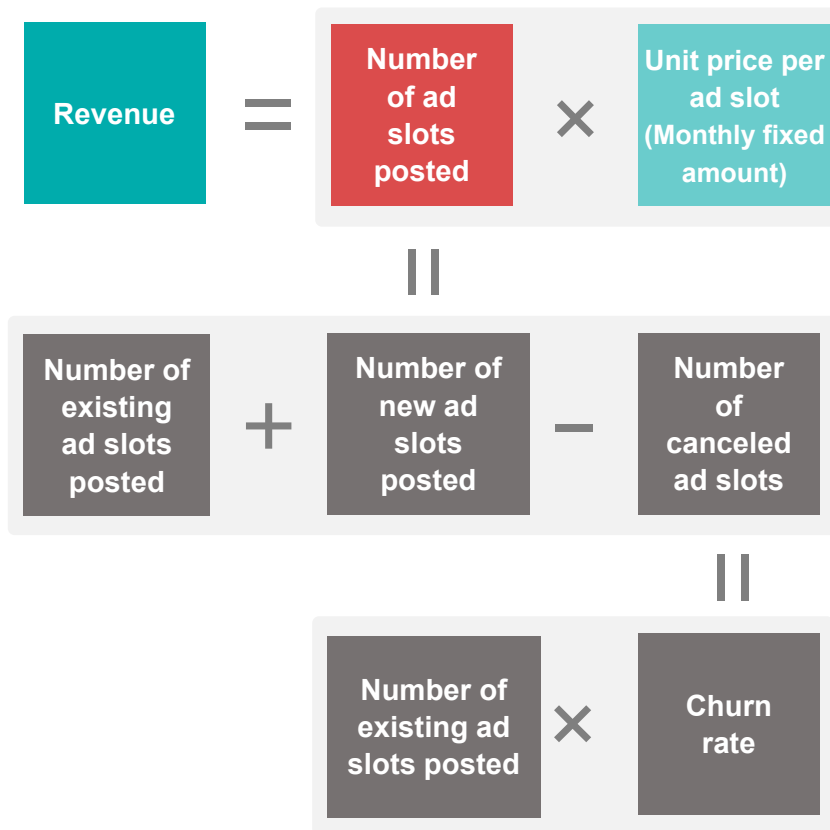


Note 1: The number of ad slots posted at the end of each quarter is shown.

# Reference: Revenue Model for Legal Media

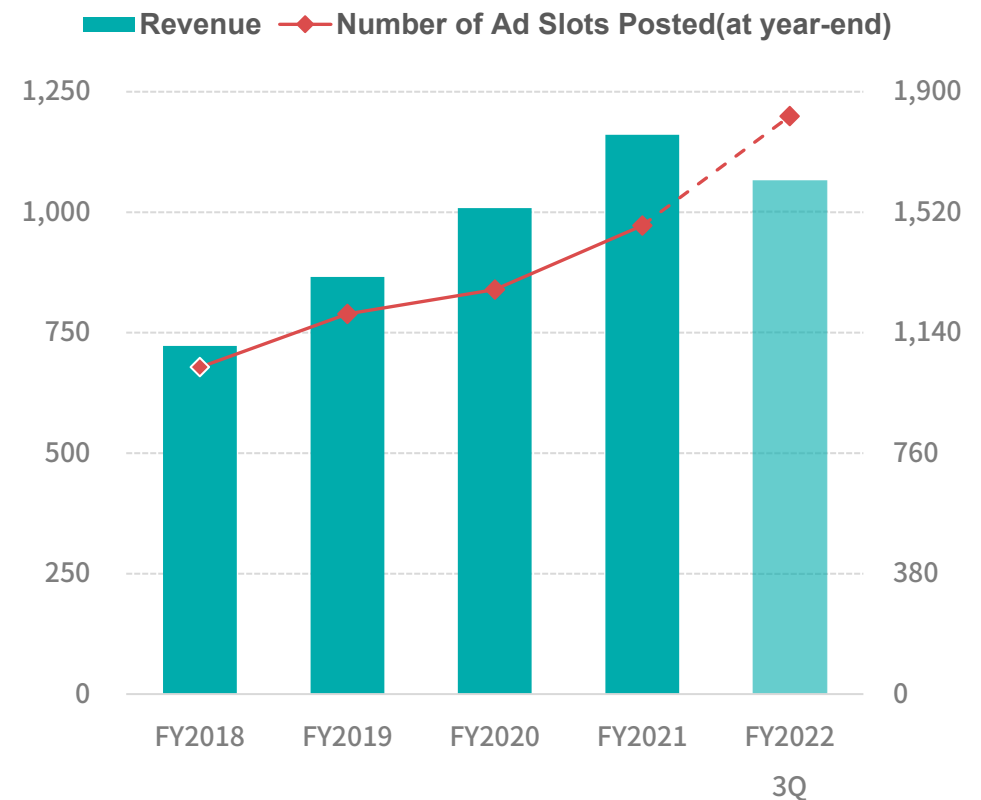
Since the unit price per legal media ad slot is a fixed monthly amount, revenue will increase in proportion to the increase in the number of ad slots posted. The number of ad slots posted has steadily increased even during the COVID-19 pandemic and we expect stable growth going forward.

## Revenue Model (Legal Media)



## Revenue/Number of Ad Slots Posted<sup>1</sup> (Legal Media)

Left axis: Revenue (million yen) / Right axis: Number of ad slots posted (slots)



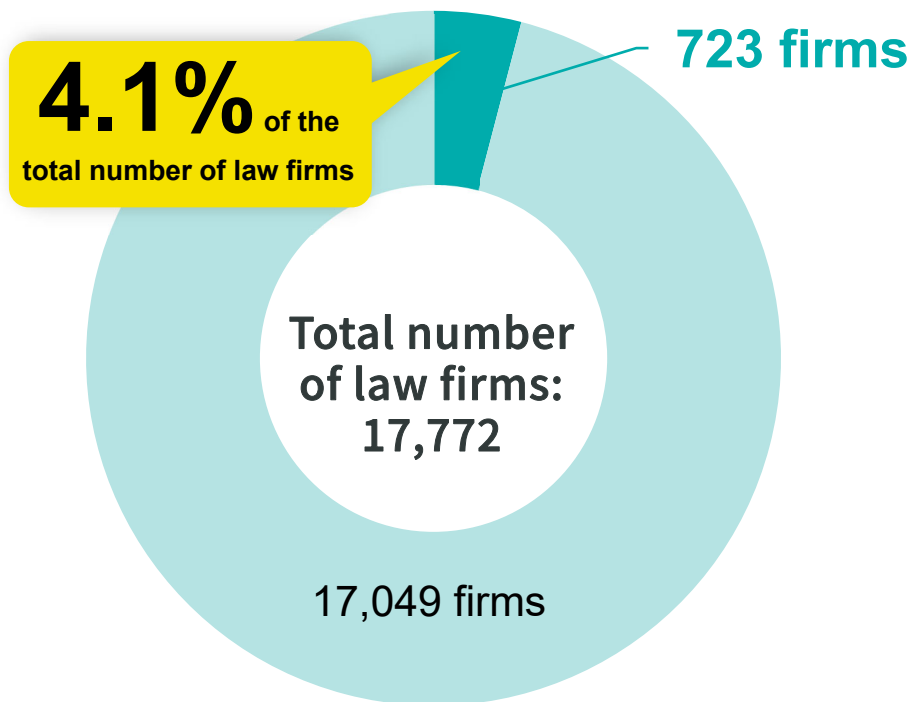
Note: 1 The number of ad slots posted is the total aggregated number of posted paid advertisements, and if the same customer places to multiple paid advertisement slots, those are counted as multiple slots.  
Although Legal Media does accept free posts, the number of ad slots posted does not include the number of slots for free posts.

# Our customer base and market potential<sup>1</sup>

We have about 720 customers, but that is only about 4.1% of the total number of law firms in Japan, so there is a lot of room for growth. As the market size for attorneys' fees is also expanding making the environment more competitive, we anticipate an increase in advertising investment by law firms.

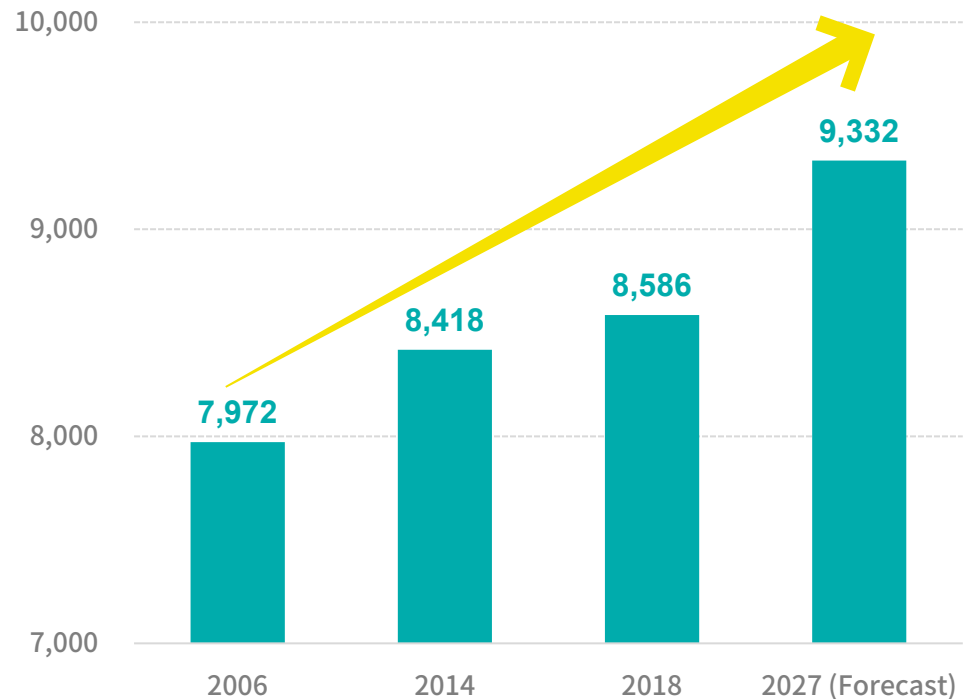
## Our customer base<sup>2</sup>

■ Number of client law firms ■ Number of non-client law firms



## Estimated market size for attorneys' fees<sup>3</sup>

Left axis: Legal fee market size (unit: 100 million yen)



Notes: 1 This calculation is not for the purpose of indicating the objective market size relating to the businesses operated as of September 2022. As shown in the note below, the information is based on external statistical data and published materials, but the actual market size may differ.

2 The number of our customer law firms is the number of customers who had placed paid ads as of the end of July 2022. The total number of law firms is the number of law firms in the Japan Federation of Bar Associations White Paper on Attorneys 2021.

3 The market size from 2006 to 2018 is calculated by multiplying the average income per lawyer for each year by the number of attorneys.

In addition, the market size and average income in 2027 are estimated by applying the forecast value of the number of attorneys in 2027 based on the average income decrease rate with respect to the increase rate in the number of attorneys from 2006 to 2018.

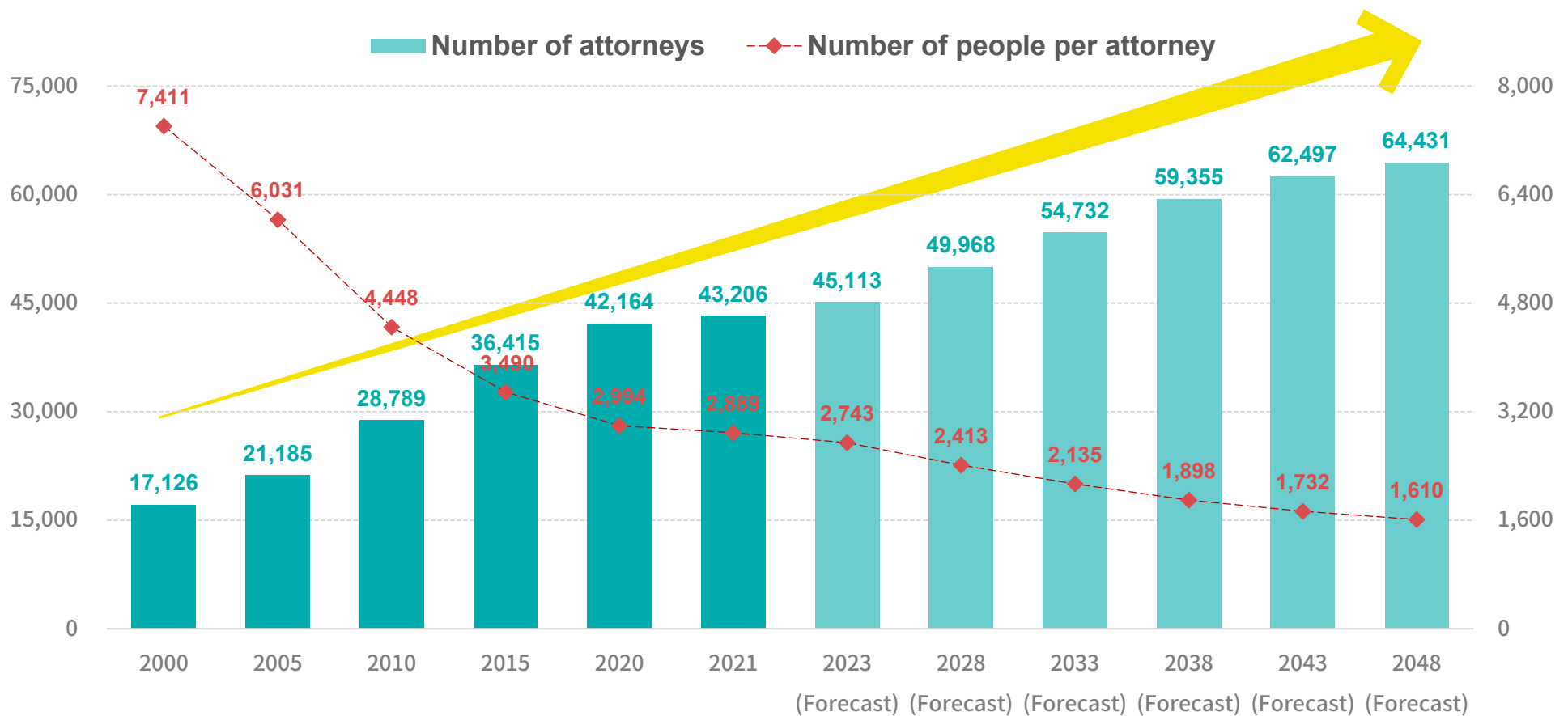
Source: ASIRO Inc., Japan Federation of Bar Associations *White Paper on Attorneys 2018*, *White Paper on Attorneys 2021*.

# Expansion of Market: Increase in the Number of Attorneys

The number of attorneys is expected to continue to increase, and due to the number of people per attorney decreasing as a result, the competitive environment between attorneys will intensify, leading to an increase in demand for advertising.

## Forecast of the number of attorneys

Left axis: Number of attorneys / Right axis number of people per attorney



Source: Japan Federation of Bar Associations "White Paper on Attorneys 2021," Bureau of Statistics of the Ministry of Internal Affairs and Communications "Population Estimates"

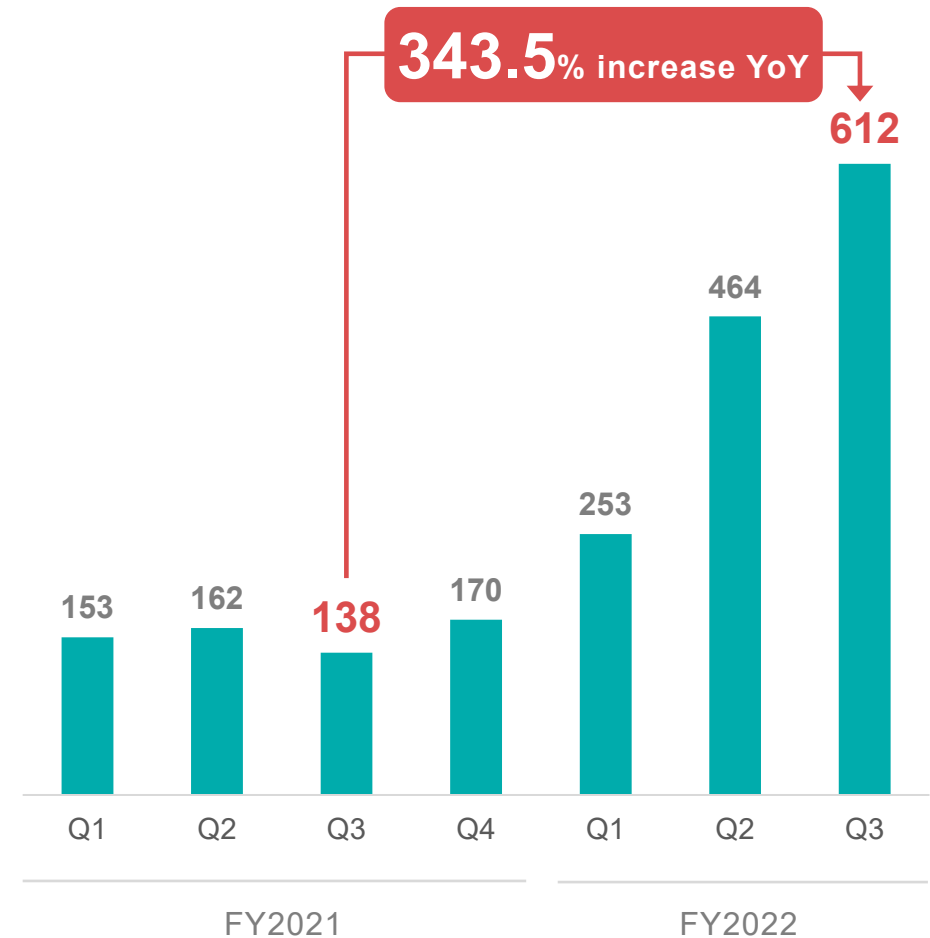
# Other Media & HR: Numbers of Inquiries and New Registrants

The number of inquiries, which serves as a KPI for Other Media, increased by 59.6% YoY. Furthermore, as a result of beginning to expand the scope of HR service to include occupations such as accountants and tax accountants in addition to attorneys, the number of new registrants increased significantly by 343.5% YoY.

Other Media: Number of Inquiries (unit: inquiries)



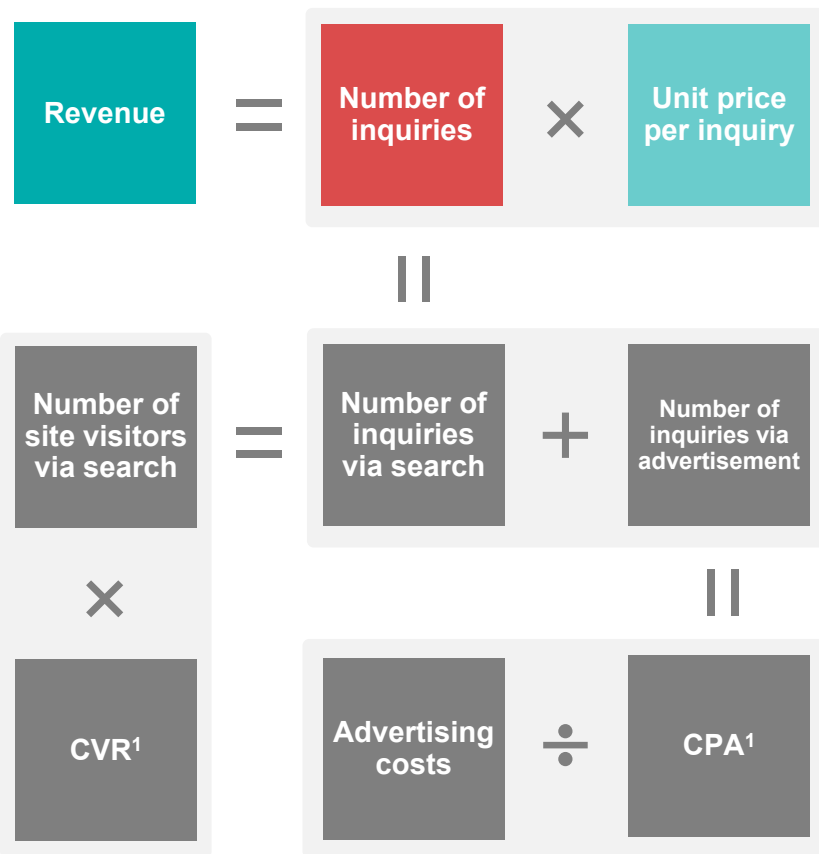
HR: Number of New Registrants (unit: people)



# Reference: Revenue Model for Other Media

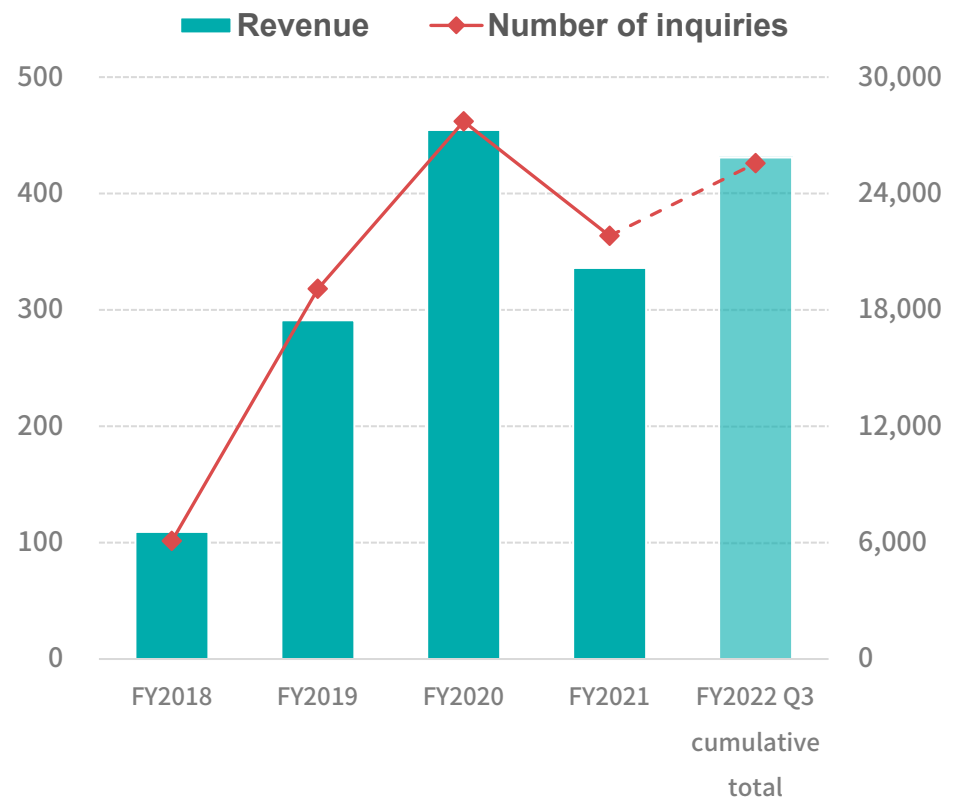
Other Media is a performance-based business based on the number of inquiries. Compared to Legal Media, Other Media is more susceptible to external factors and has been adversely affected by the pandemic. It has been recovering and growing, however, as the economy normalizes.

## Revenue Model (Other Media)



## Revenue/Number of inquiries<sup>2</sup> (Other Media)

Left axis: Revenue (million yen) / Right axis: Number of inquiries (cases)



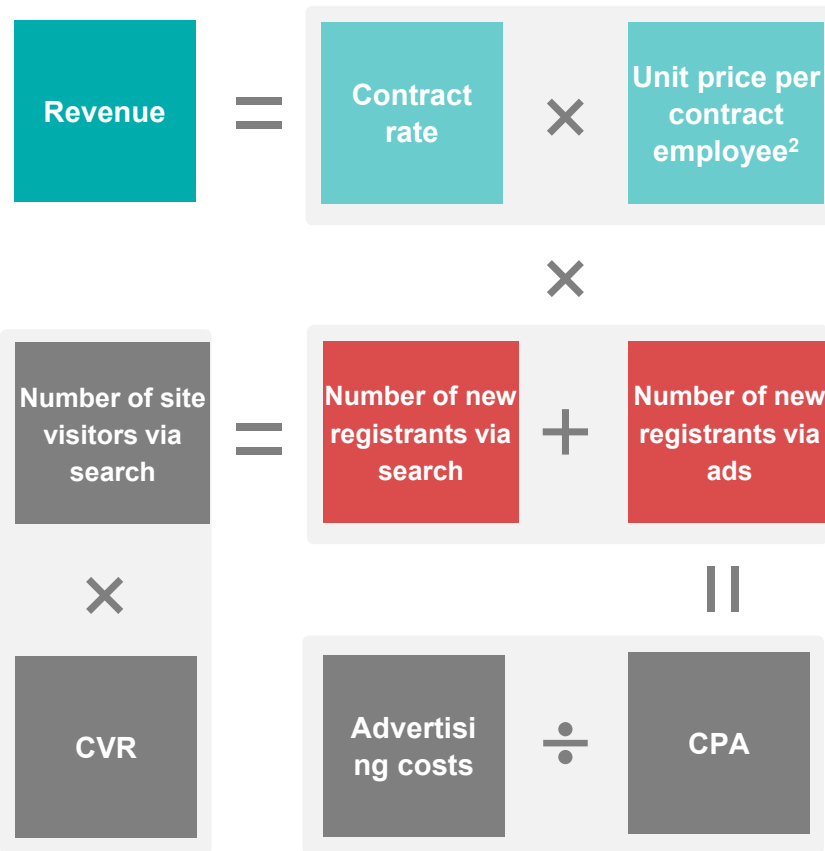
Notes: 1 CVR stands for "conversion rate," which is the number of inquiries divided by the number of site visitors. CPA is an abbreviation for Cost Per Acquisition, which is the inquiries acquisition cost by dividing advertising costs by the number of inquiries.  
 2 The total number of inquiries for main sites of Other Media (Carism, Expert Search for Infidelity Investigation, Hotline for Missing Person Search)



# Reference: Revenue Model for HR

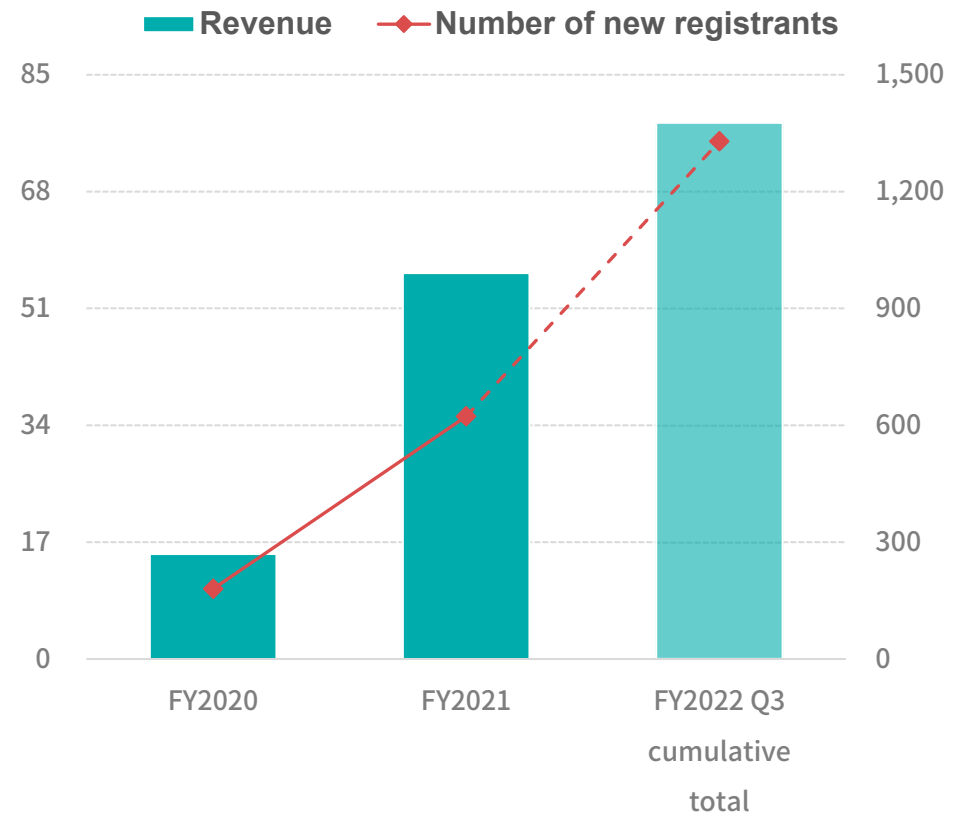
The HR business is a performance-based business based on the number of new hires (number of new registrants<sup>1</sup> x contract rate). In addition to the referral of attorneys to law firms that utilize our customer base, we also refer attorneys to general companies and also as outside officers.

## Revenue Model (HR)



## Revenue/Number of new registrants (HR)

Left axis: Revenue (million yen) / Right axis: Number of new registrants (people)



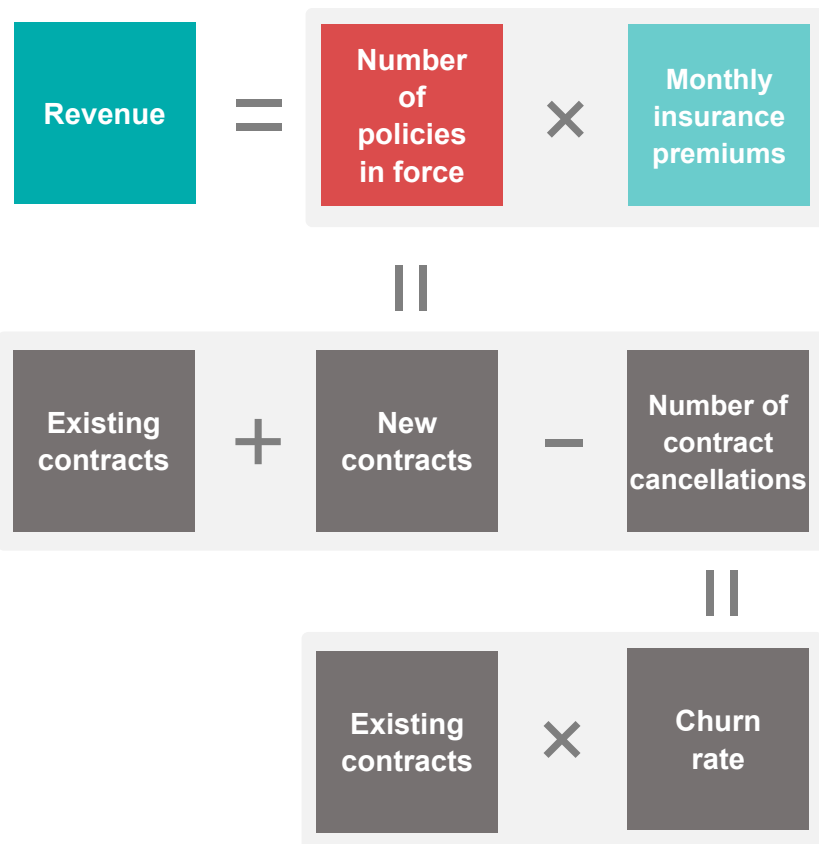
Notes: 1 Refers to the number of new registrations for the recruitment service from job seekers.

2 The contract unit price is the amount obtained by multiplying the estimated annual income of the new hires by the referral fee rate.

# Reference: Revenue Model of the Insurance Business

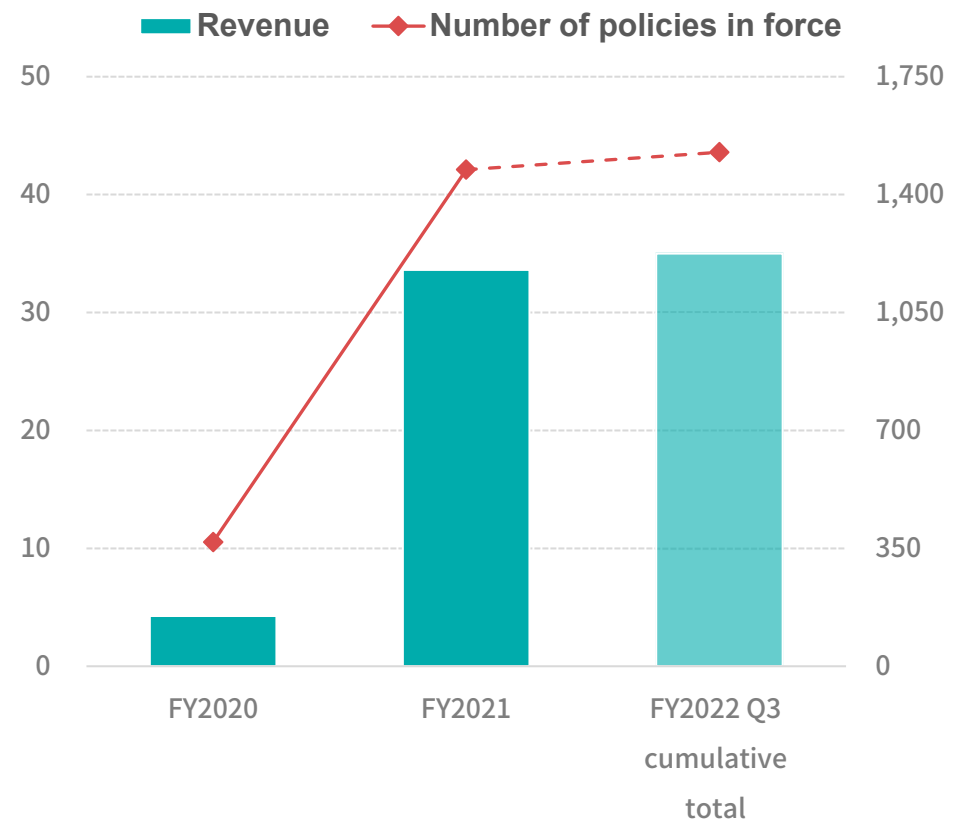
The insurance business is a recurring revenue business models in which revenue grows in proportion to the number of policies in force. The insurance product was revised in March 2022, and growth of the number of policies in force slowed due to intentionally weakened marketing for approximately six months around this time. However, the number of policies in force will be increased by transferring our web marketing know-how.

## Revenue Model (Insurance Business)



## Revenue / Number of policies in force (Insurance business)

Left axis: Revenue (million yen) / Right axis: Number of policies in force (policies)



# Section

## 04 Topics

# Introduction of New Shareholder Return Policy

Considering ASIRO's strong earnings structure (P/L) and high equity ratio (B/S), we have introduced a new shareholder return policy on centering on stable and continuous dividends, while placing the highest priority on growth through strategic investment including M&A. The year-end dividend for this fiscal year is planned to be 12.45 yen per share.

## New Shareholder Return Policy

We believe that achieving sustainable profit growth and increasing enterprise value by prioritizing strategic investments, including M&A, will lead to the biggest return to our shareholders.

On the other hand, in order to meet the expectations of diverse shareholders, we recognize the importance of providing an appropriate level of shareholder returns.

Based on the above recognition, we will strive to enhance shareholder returns by paying stable and continuous dividends based on a payout ratio of about 30%, while securing the necessary internal reserves for strategic investment.

Regarding internal reserves, assuming appropriate level of capital adequacy ratio is about 40% to 70%, control excessive internal reserves, and aim for ROE (return on equity) of 10% or more. In addition, we will flexibly consider share buy-back from the perspective of shareholder returns and consideration for M&A, taking into account investment opportunities, the market environment, and the level of internal reserves.

Section

05

# Appendix

# Quarterly Financial Results (P&L)

|   | Q3 FY2022               | Q3 FY2021               |         | Q2 FY2022               |        | Q3 FY2022<br>cumulative total | Q3 FY2021<br>cumulative total |        |
|---|-------------------------|-------------------------|---------|-------------------------|--------|-------------------------------|-------------------------------|--------|
| (unit: million yen)                                       | (May 2022-<br>Jul 2022) | (May 2021-<br>Jul 2021) | YoY     | (Feb 2022-<br>Apr 2022) | QoQ    | (Nov 2021-<br>Jul 2022)       | (Nov 2020-<br>Jul 2021)       | YoY    |
| Revenue   | 567                     | 386                     | +46.8%  | 536                     | +5.8%  | 1,588                         | 1,122                         | +41.6% |
| Cost of sales   | 301                     | 198                     | +52.4%  | 252                     | +19.7% | 772                           | 549                           | +40.6% |
| Gross profit  | 266                     | 189                     | +40.9%  | 284                     | -6.5%  | 816                           | 573                           | +42.5% |
| <i>Gross profit margin</i>                                | 46.9%                   | 48.9%                   | -2.0pt  | 53.0%                   | -6.2pt | 51.4%                         | 51.0%                         | +0.3pt |
| Sales, general, and<br>administrative expenses            | 149                     | 119                     | +24.9%  | 126                     | +18.0% | 398                           | 309                           | +29.0% |
| Other revenues /<br>expenses                              | 0                       | 0                       | -14.1%  | 1                       | -66.7% | 3                             | 2                             | +71.1% |
| Operating profit  | 118                     | 70                      | +67.6%  | 160                     | -26.3% | 420                           | 265                           | +58.4% |
| <i>Operating profit margin</i>                            | 20.7%                   | 18.1%                   | +2.6pt  | 29.8%                   | -9.0pt | 26.5%                         | 23.6%                         | +2.8pt |
| Financial revenue /<br>expenses                           | -2                      | -1                      | n/a     | -1                      | n/a    | -4                            | -6                            | n/a    |
| Profit before taxes                                       | 116                     | 69                      | +68.0%  | 158                     | -26.9% | 416                           | 260                           | +60.2% |
| Tax expenses  | 46                      | 21                      | +120.9% | 50                      | -7.3%  | 141                           | 90                            | +57.5% |
| Profit  | 69                      | 48                      | +44.8%  | 108                     | -35.9% | 275                           | 170                           | +61.7% |
| <i>Profit margin</i>                                      | 12.2%                   | 12.4%                   | -0.2pt  | 20.2%                   | -8.0pt | 17.3%                         | 15.2%                         | +2.2pt |
| Profit attributable to<br>owners of parent                | 76                      | 48                      | +59.6%  | 108                     | -29.4% | 282                           | 170                           | +65.8% |
| <i>Profit margin attributable<br/>to owners of parent</i> | 13.5%                   | 12.4%                   | +1.1pt  | 20.2%                   | -6.7pt | 17.8%                         | 15.2%                         | +2.6pt |

# Quarterly Financial Results (BS/CF)

|                                     | Q3 FY2022  | Q2 FY2022  |        |
|-------------------------------------|------------|------------|--------|
| (unit: million yen)                 | (Jul 2022) | (Apr 2022) | Change |
| <b>Current assets</b>               | 2,003      | 1,854      | +149   |
| Cash and cash equivalents           | 1,714      | 1,556      | +157   |
| Accounts receivable                 | 274        | 283        | -10    |
| Other                               | 16         | 14         | 1      |
| <b>Non-current assets</b>           | 1,475      | 1,480      | -4     |
| Property, plant and equipment       | 18         | 17         | +2     |
| Right-of-use assets                 | 12         | 19         | -7     |
| Goodwill                            | 1,302      | 1,302      | +0     |
| Other                               | 143        | 142        | +1     |
| <b>Total assets</b>                 | 3,478      | 3,333      | +145   |
| <b>Liabilities</b>                  | 1,005      | 981        | +24    |
| Interest-bearing debt               | 565        | 575        | -11    |
| Lease liabilities                   | 8          | 15         | -8     |
| Other                               | 433        | 390        | +43    |
| <b>Total equity</b>                 | 2,473      | 2,353      | +121   |
| <b>Total liabilities and equity</b> | 3,478      | 3,333      | +145   |

|   | Q3 FY2022           | Q2 FY2022           |        |
|---|---------------------|---------------------|--------|
| (unit: million yen)                                 | (May 2022-Jul 2022) | (Feb 2022-Apr 2022) | Change |
| <b>Cash flow from operating activities</b>          | 135                 | 213                 | -79    |
| Profit before tax                                   | 116                 | 158                 | -42    |
| Depreciation and amortization                       | 16                  | 15                  | +1     |
| Income tax paid                                     | -61                 | 0                   | -61    |
| Other   | 64                  | 40                  | +24    |
| <b>Cash flow from investment activities</b>         | -7                  | -183                | +176   |
| Purchase of property, plant and equipment           | -5                  | -1                  | -4     |
| Payments for acquisition of subsidiaries            | 0                   | -114                | +114   |
| Other   | -2                  | -68                 | +66    |
| <b>Cash flow from financing activities</b>          | 30                  | 322                 | -292   |
| Capital contribution from non-controlling interests | 46                  | 0                   | +46    |
| Proceeds from issuance of bonds                     | 0                   | 344                 | -344   |
| Other   | -16                 | -22                 | +6     |
| <b>Change in cash and cash equivalents</b>          | 157                 | 352                 | -195   |
| Cash and cash equivalents at period end             | 1,714               | 1,556               | +157   |
| <b>FCF</b>  | 127                 | 30                  | +97    |



## Cautions about this material

These materials are provided for informational purposes only and are not intended to solicit the sale or purchase of securities in Japan, the United States or other regions.

This document contains forward-looking statements. These forward-looking statements are based on information as of the date of these materials. These statements do not guarantee future results or performance.

Such forward-looking statements include known and unknown risks and uncertainties, and as a result, future actual performance and financial position may differ materially from forecasts of future performance and results shown explicitly or implicitly by such forward-looking statements.

Factors causing actual results differing materially from the results described in these statements include, but are not limited to, changes in domestic and international economic conditions and trends in the industries in which we operate business.

In addition, information on matters and organizations other than our company is based on information that is open to the public.