

Financial Results for Q3 FY2022

oRo co.,ltd. Code : 3983

November 14, 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.



Q3 FY2022

Financial Results Highlights

Q3 FY2022 Financial Results

Q3 FY2022 consolidated financial results

Revenue	4,461 million JPY	YoY +9.7%
Operating profit	1,529 million JPY	YoY +3.7%

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

Cloud Solutions (CS)

Revenue	2,556 million JPY	YoY +9.7%
Operating profit	1,098 million JPY	YoY -0.1%

Revenue increased year-on-year and remained steady as planned.

Despite only a slight year-on-year decrease, operating profit remained almost as planned.

Digital Transformation (DX)

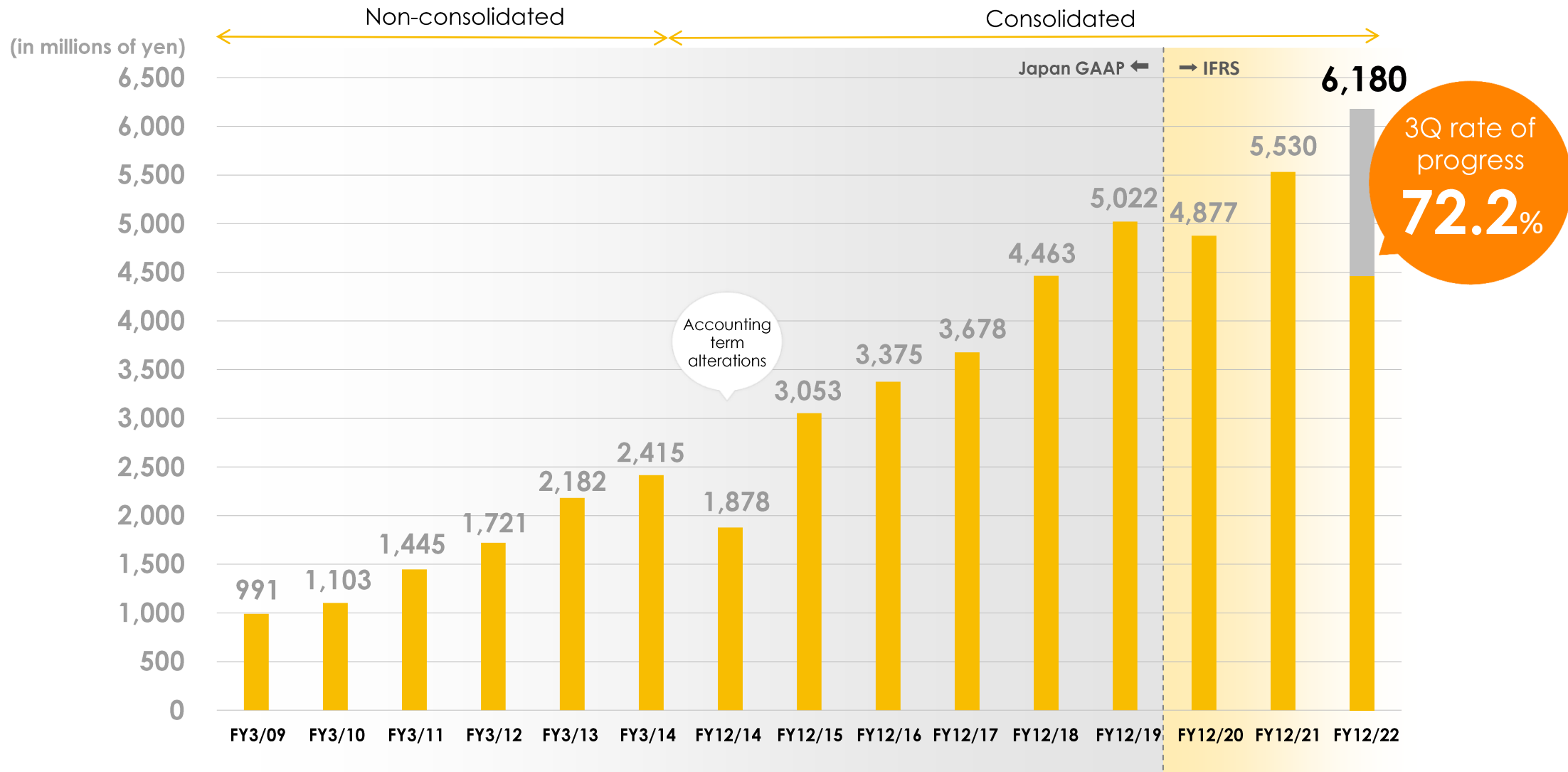
Revenue	1,905 million JPY	YoY +9.8%
Operating profit	417 million JPY	YoY +14.9%

Revenue increased year-on-year and remained steady as planned.

Operating profit increased year-on-year and is performing well against planned.

Trends in sales

Recorded 4,461 million yen, up 9.7% year-on-year



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

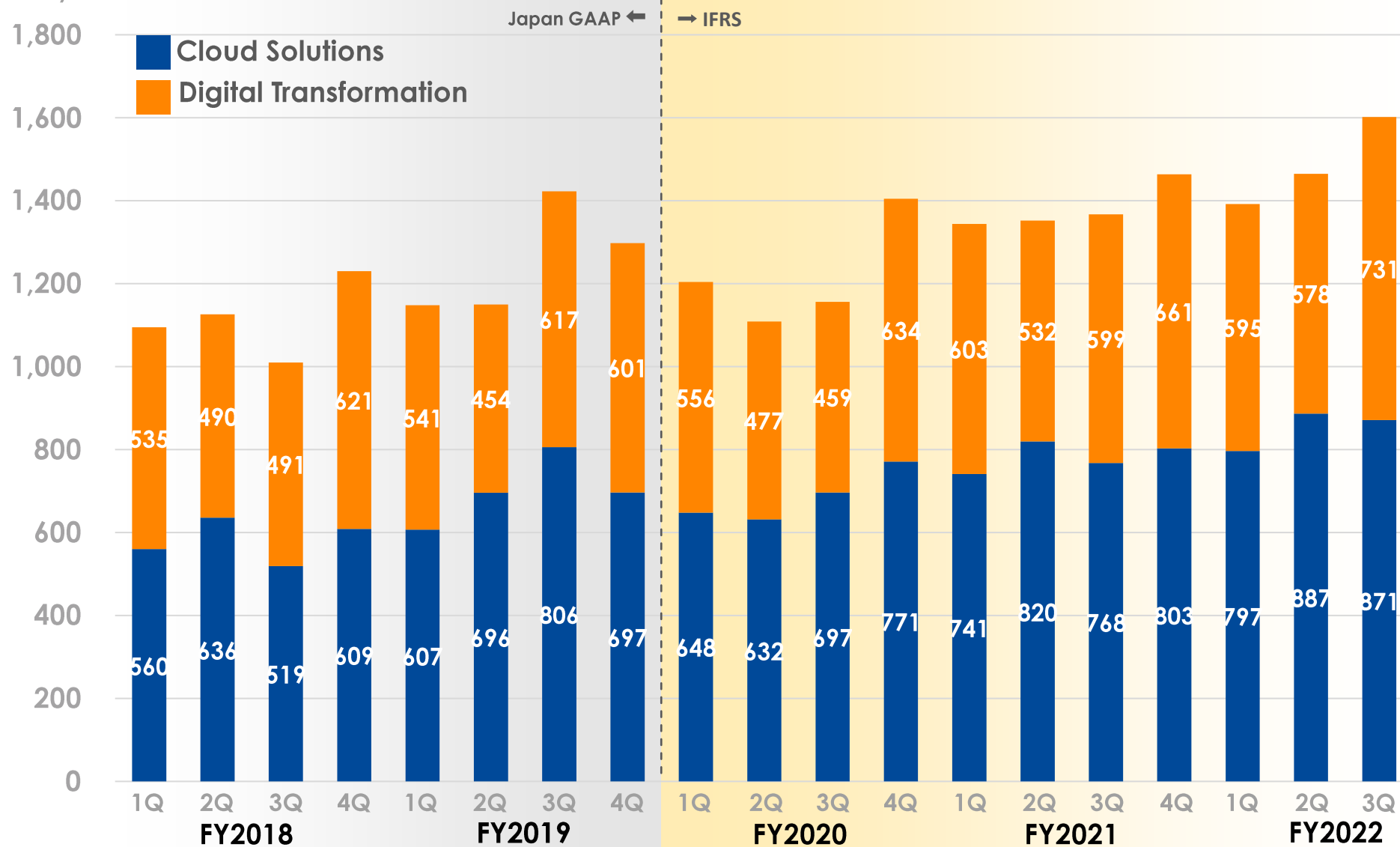
*Following the change in accounting policy in fiscal 2018, net sales for Digital Transformation Business (previously Communication Design Business) are shown on a net basis from the fiscal year ended December 31, 2017, instead of a gross basis used previously.

*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.

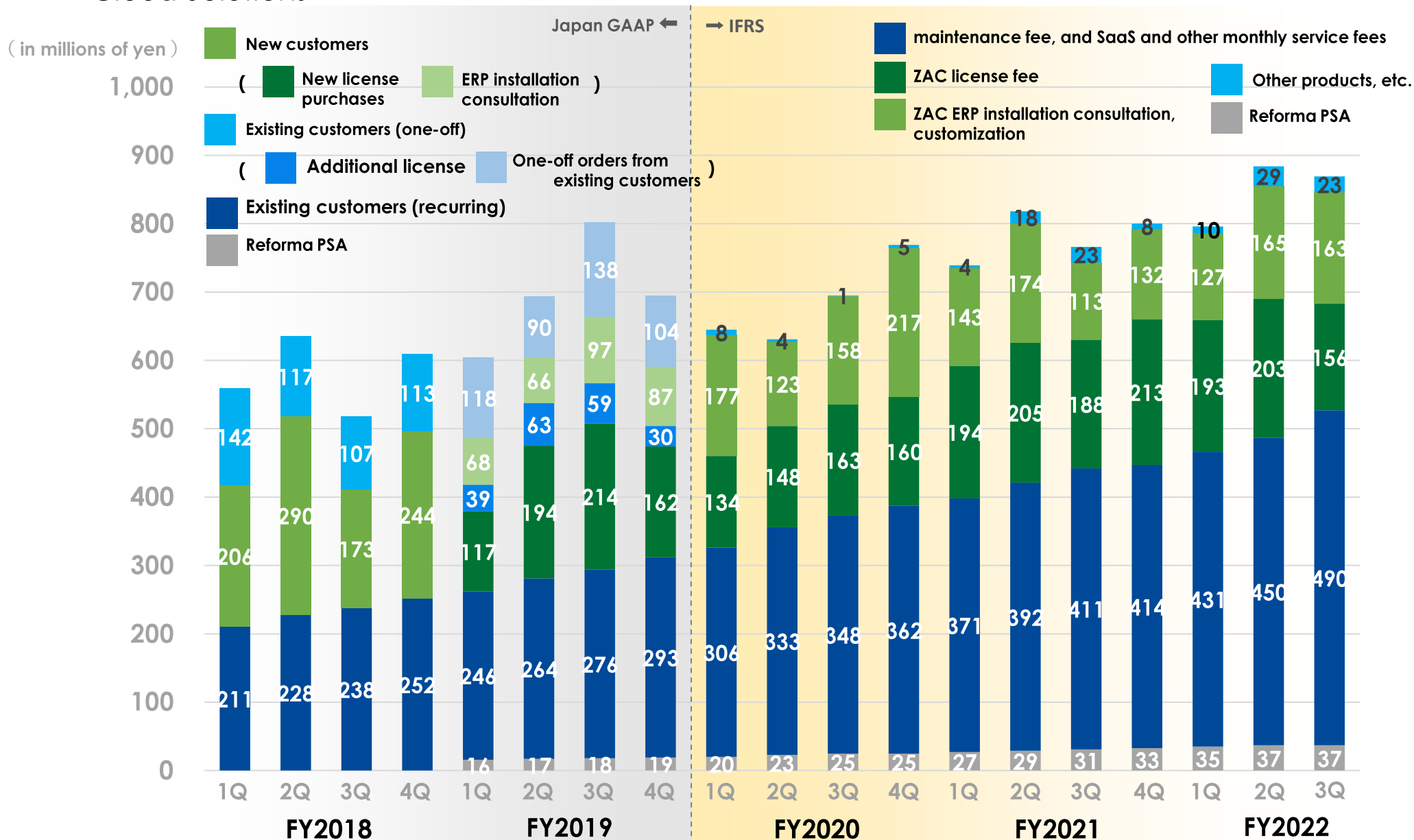
*There were changes in the values for 3Q of FY 2021 as a result of the audit conducted by KPMG AZSA LLC.

Accordingly, the values for 4Q of FY 2021 were also changed.

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Breakdown of sales by customer segment

Cloud Solutions



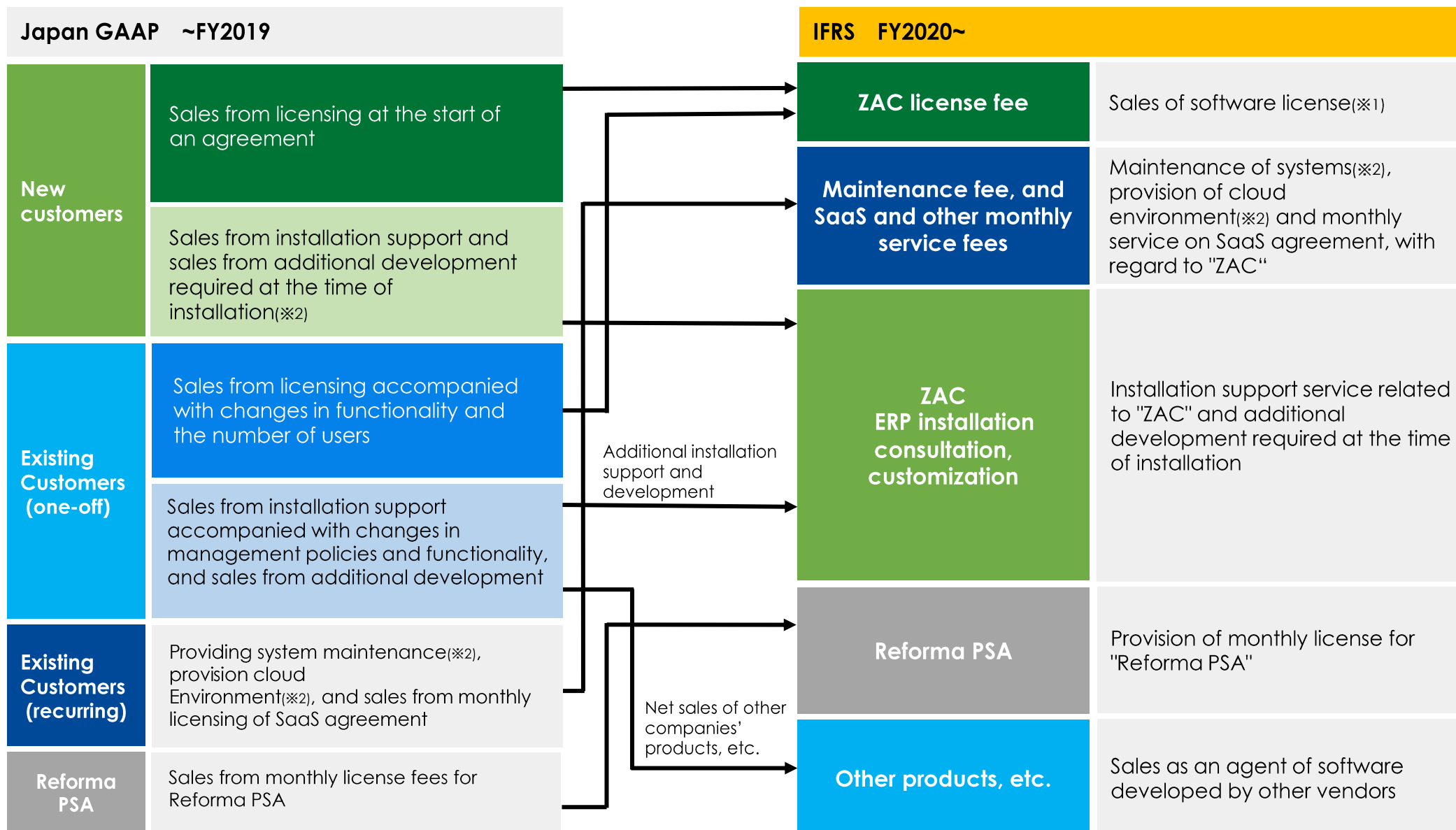
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Breakdown of sales by business segment

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.

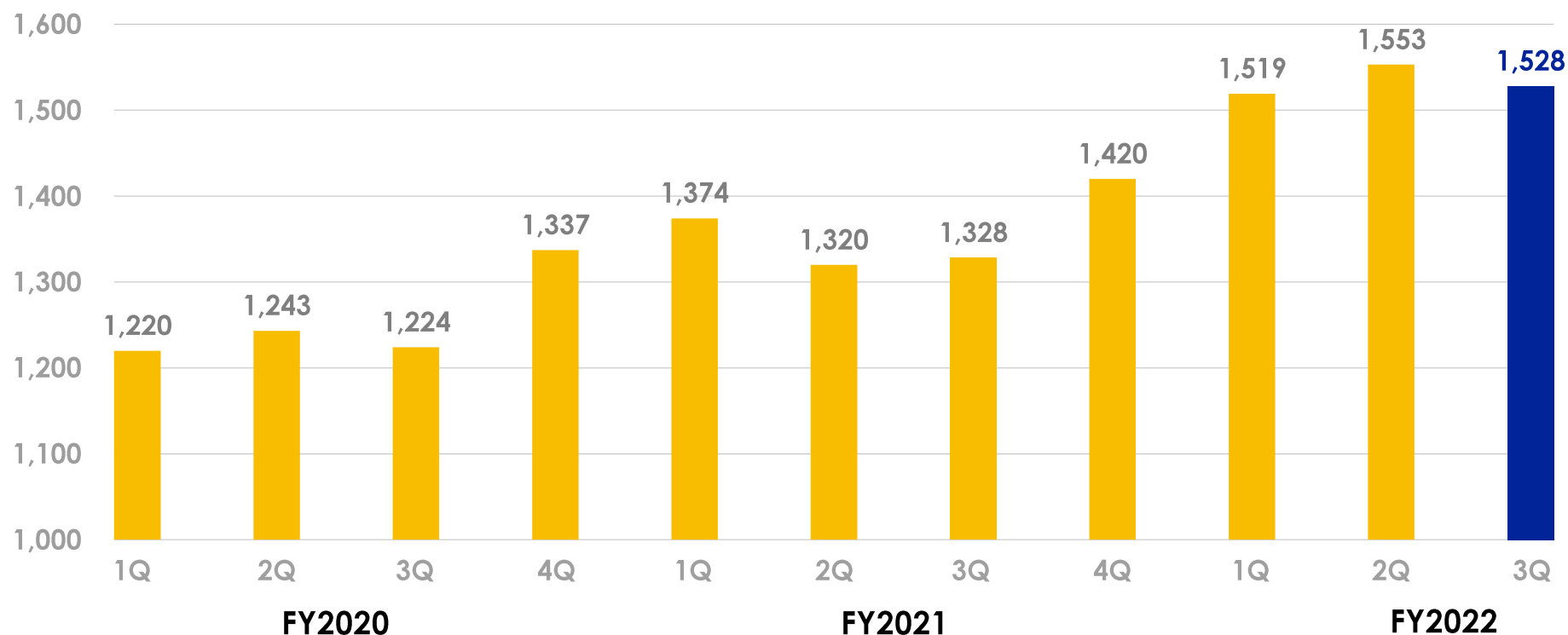
ZAC Contract liabilities (license)

Cloud Solutions

Contract liabilities increased 15.0% YoY to 1,528 million yen, but down slightly QoQ.

Reason: The upward trend in the contract unit price per company, continued in the first half, was slightly curbed in the 3Q and additional license orders declined QoQ.

(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.

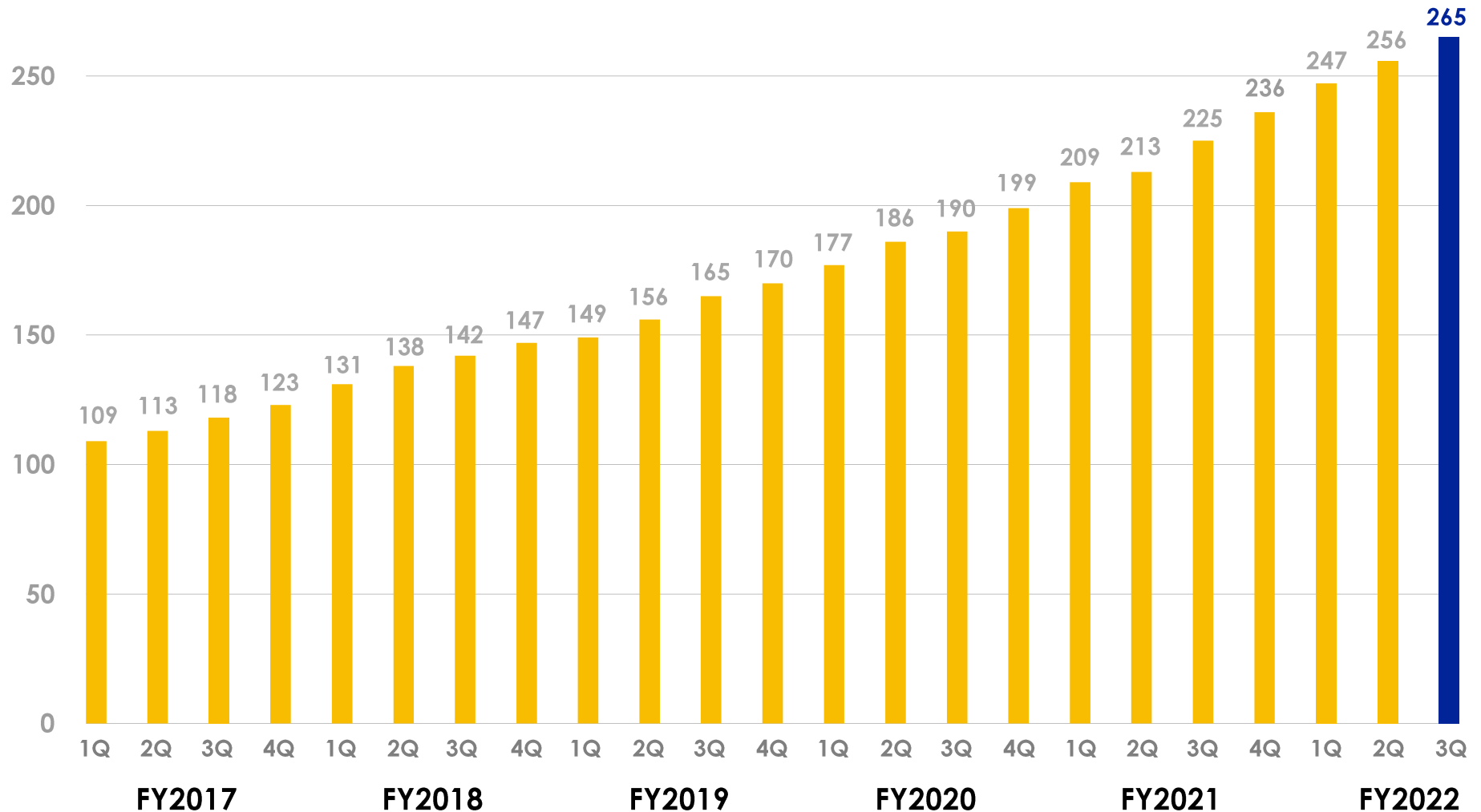
The increase in contract liabilities indicates a steady build-up in orders.

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

Cloud Solutions

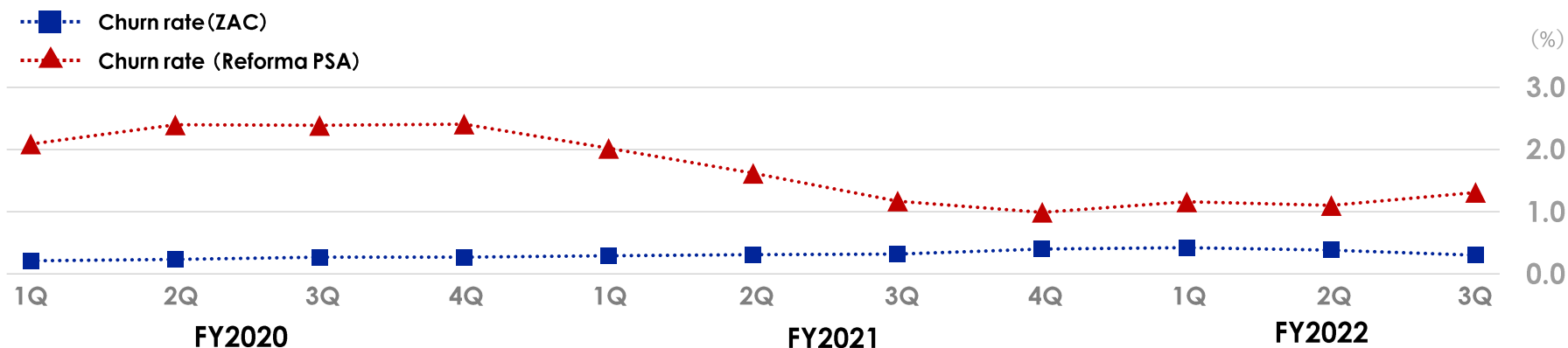
The number of active licenses have been increasing steadily backed by acquisition of new customers and expansion of transactions with existing customers.

(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 maintain the current churn rate are being planned and prepared for launch primarily by 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	Q3 FY2022
Number of Contracts	22	19	14	34	17	6	21	19	21	15	23
Number of Churns	4	7	5	11	5	8	7	5	11	3	0

[Reforma PSA]

	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022
Number of Contracts	23	18	11	25	10	13	15	10	13	10	9
Number of Churns	10	10	10	4	6	6	2	7	9	6	8

*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

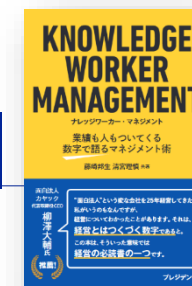
Although the number of inquiries and seed size are increasing compared to last year, there are issues with the results of web advertising measures relative to advertising expenditures, and we are currently working to improve them.

Improve branding and recognition

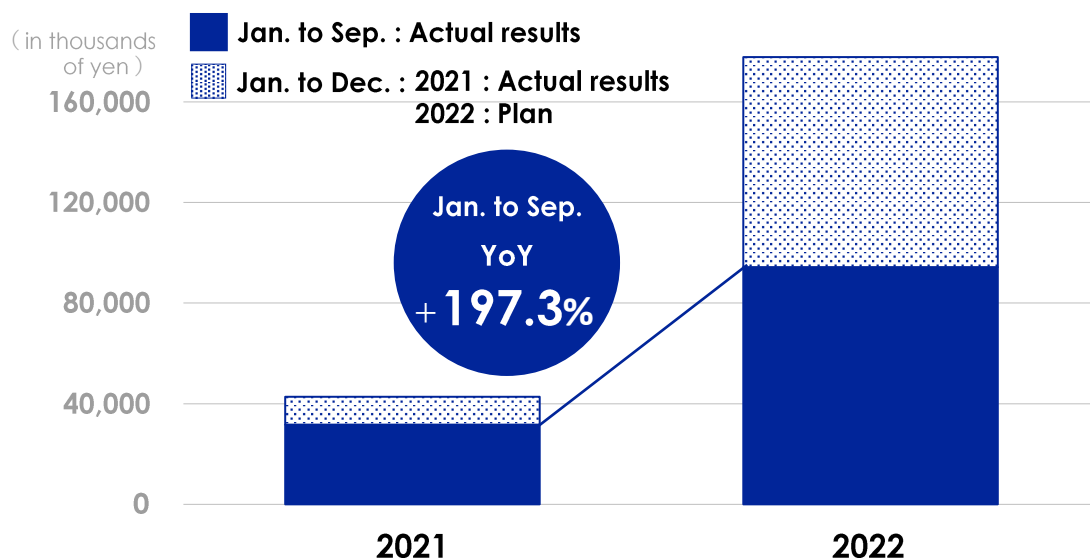
Published a book "KNOWLEDGE WORKER MANAGEMENT" (August 31, 2022)

Released a book with the aim of "improving the order rate" and "cultivating deeper relationships with existing customers".

This book discloses the systematic business management know-how of ORO, which has been developing and providing cloud ERP since its inception.



Advertising Expenses (CS)



Rate of progress against the plan : 53.0%
(As of September 30, 2022)

Acquire new customers

Progress is in line with plans. Going forward, we will focus on implementing and improving the efficiency of measures that are expected to be particularly effective.

Improve branding and recognition

The book was published in 3Q and book-related PR measures are being implemented. On the other hand, progress was slower than planned because it took time to consider other measures.

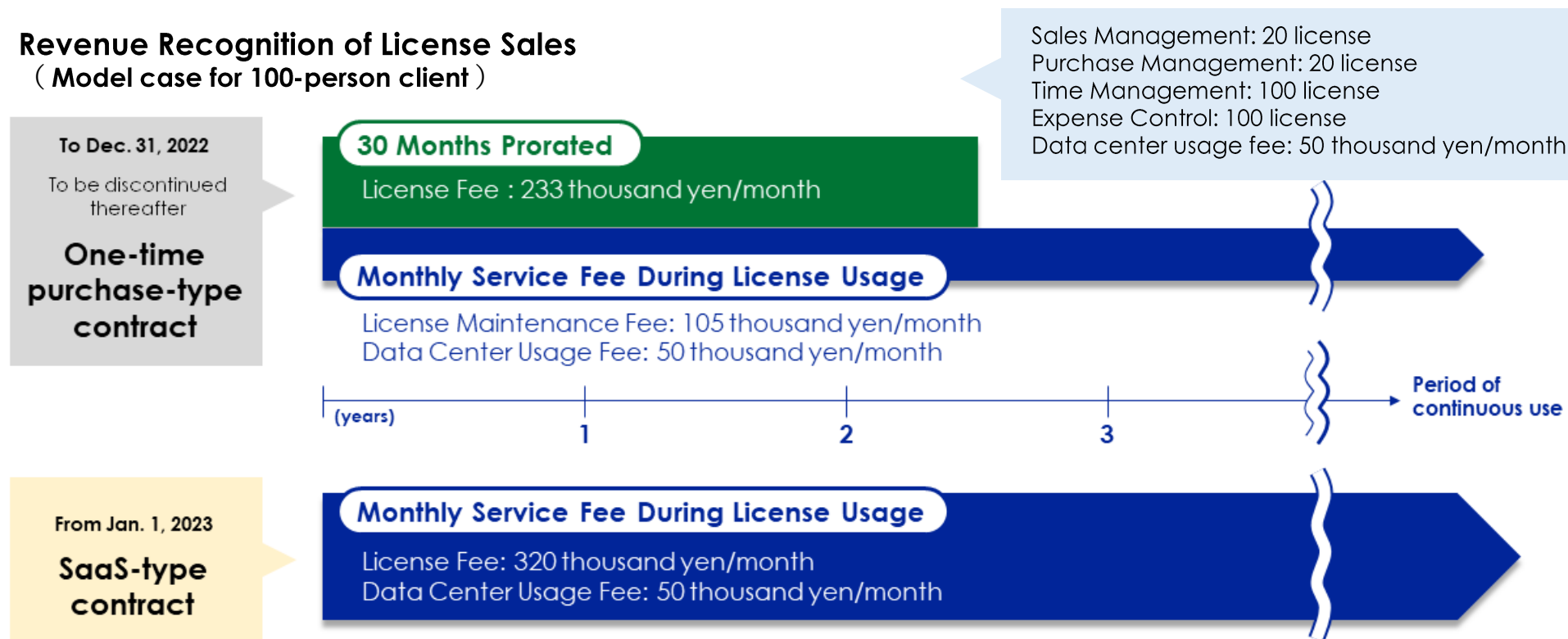
License Price Revisions and Revenue Recognition

Cloud Solutions

Effective January 1, 2023, the sales format of licenses for cloud-based ZAC and ZAC Enterprise will be changed. The one-time purchase-type contract (lump-sum perpetual license type) will be discontinued and only the SaaS-type contract (monthly subscription fee type) will be available. And the license fees will be revised.

Revenue Recognition of License Sales

(Model case for 100-person client)



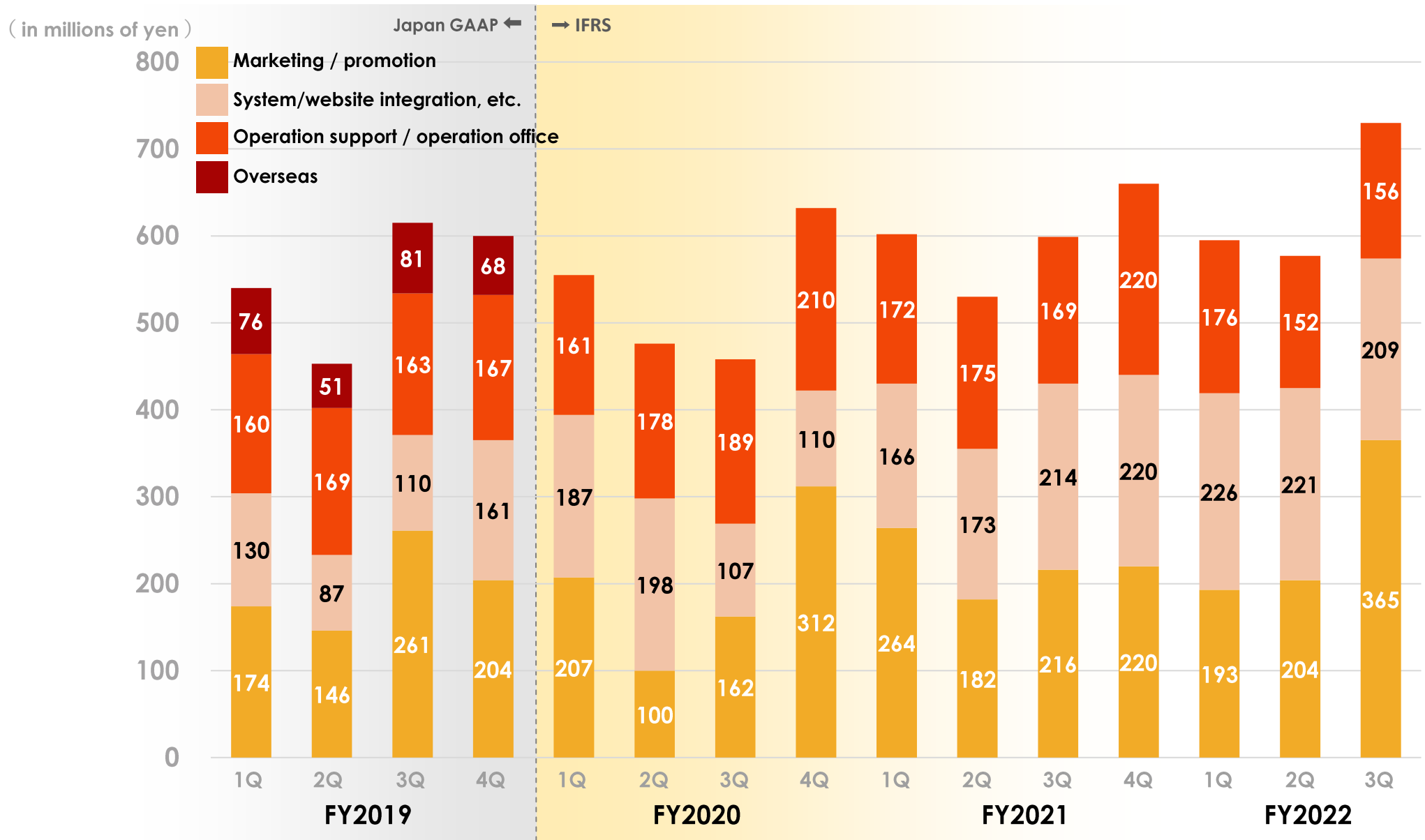
The above revisions do not apply to customers who have signed and used the service under a purchase-type contract by December 31, 2022.

For details, please refer to the "Notice of Revisions of License Fees for Cloud-based ERP ZAC and ZAC Enterprise" disclosed today.

Since the fee revisions will take effect from January 1, 2023, there is no impact at this point on our consolidated financial results for the fiscal year ending December 31, 2022. We are currently estimating the scope of impact on the previously released Medium-term Management Plan 2022–2024. We plan to explain the scope of impact in the forecast for the fiscal year ending December 31, 2023, which will be disclosed at the same time as the announcement of the financial results for the fiscal year ending December 31, 2022.

Breakdown of sales by type of operations

Digital Transformation



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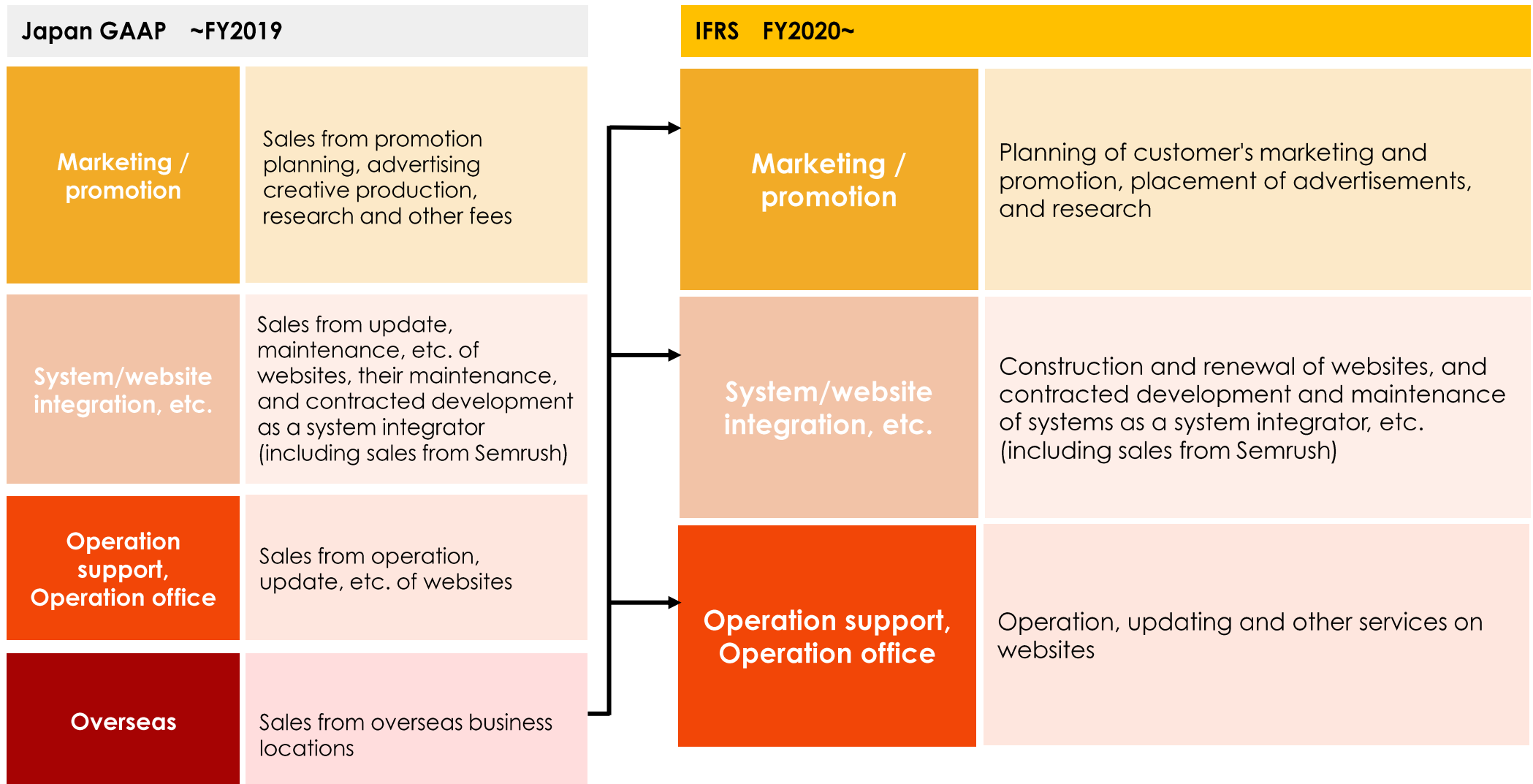
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Composition of sales by type of operations

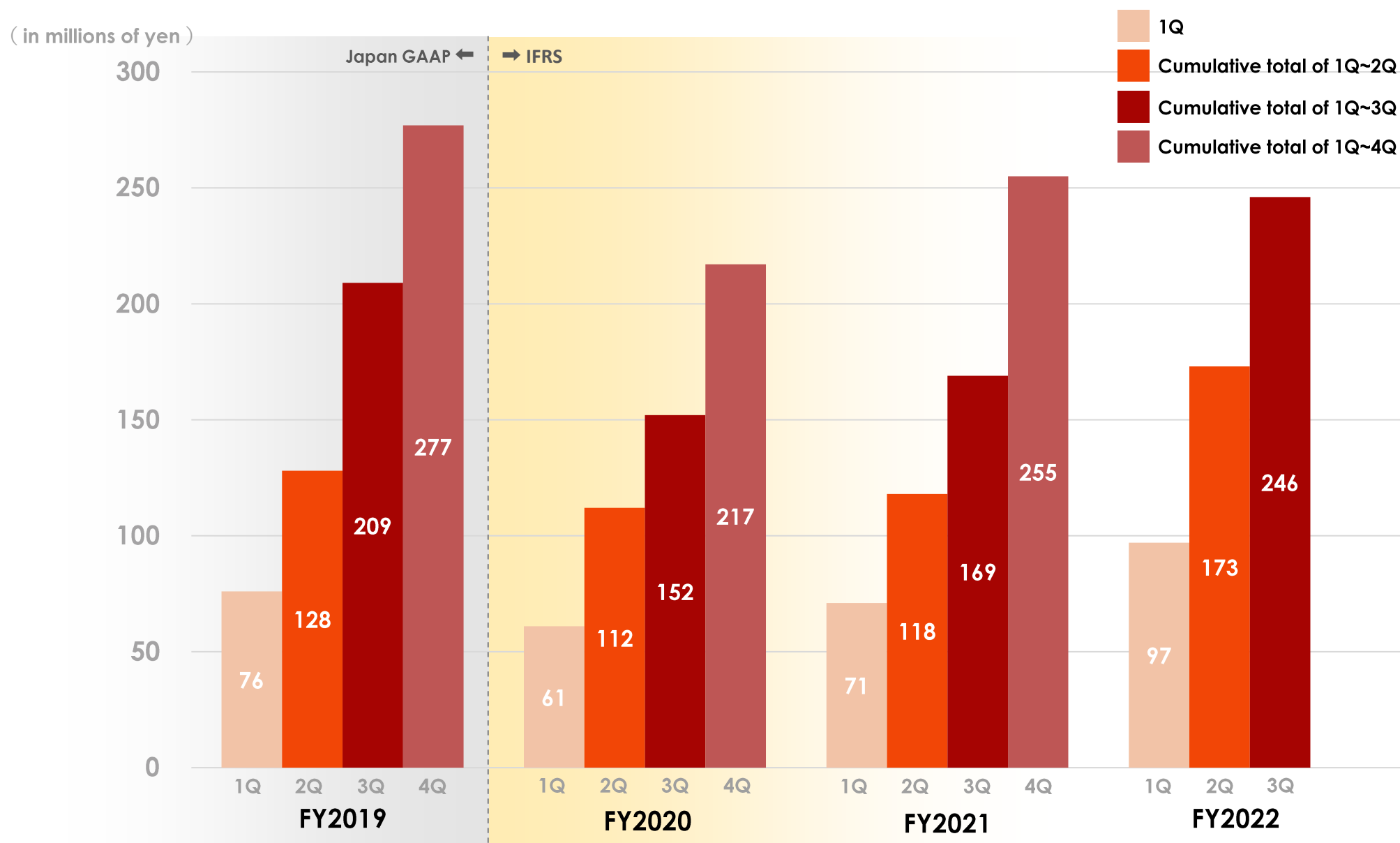
Digital Transformation



*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	Q3 FY2022 Results	Rates of progress
Revenue	6,180	4,461	72.2 %
Cloud Solutions	3,530	2,556	72.4 %
Digital Transformation	2,650	1,905	71.9 %
Operating profit	2,050	1,529 [*]	74.6 %
Cloud Solutions	1,550	1,098	70.9 %
Digital Transformation	500	417	83.5 %
Profit before tax	2,050	1,640	80.0 %
Profit	1,435	1,124	78.4 %

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

Profit and loss statement (YoY)

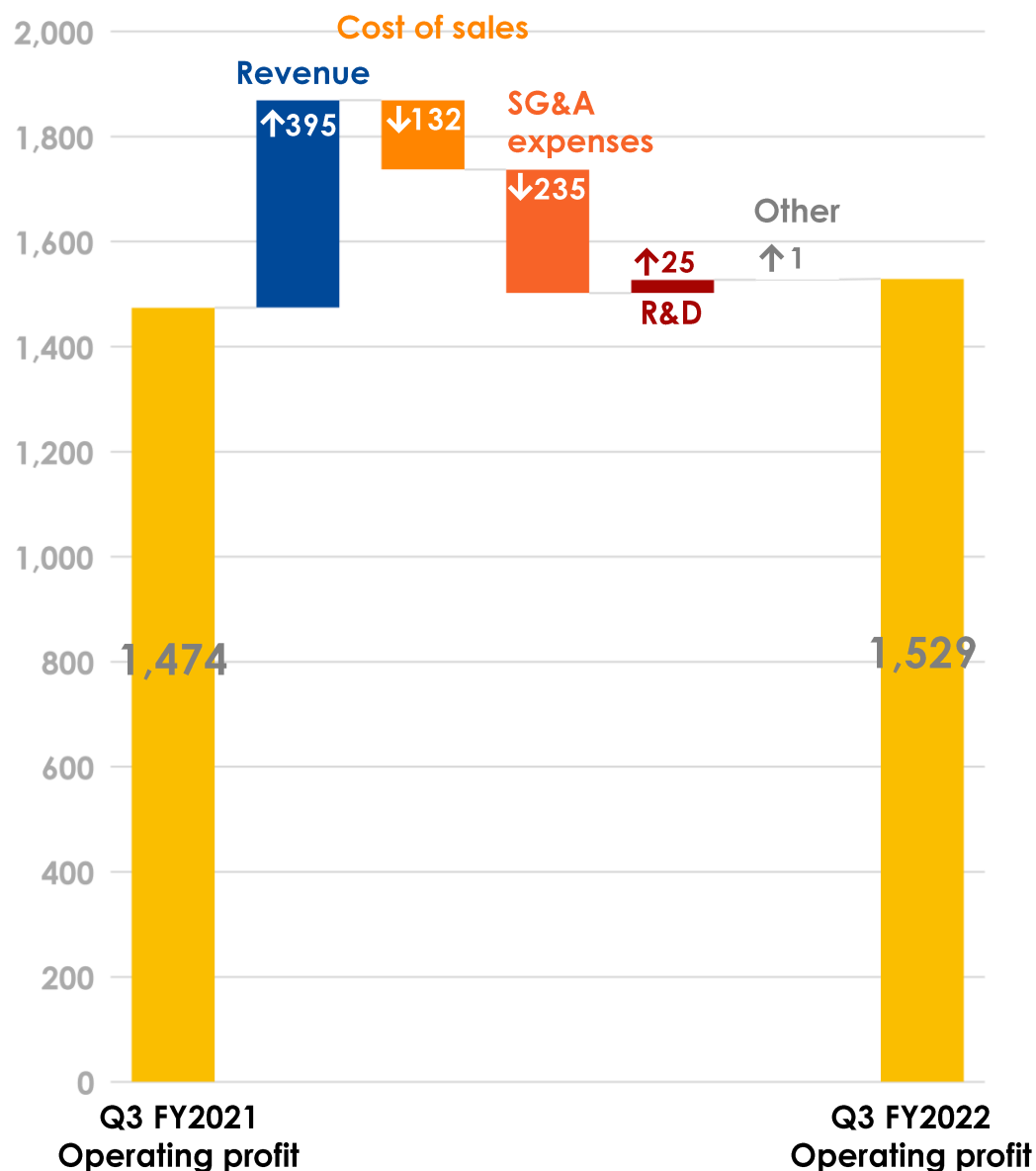
(in millions of yen)

	Q3 FY2021 (Composition ratio)	Q3 FY2022 (Composition ratio)	Difference	Main factors
Revenue	4,066 [100.0%]	4,461 [100.0%]	395	
Cost of sales	1,521 [37.4%]	1,653 [37.1%]	132	Increase in salaries due to an increase in the number of technical professional employees and pay raise
Gross profit	2,545 [62.6%]	2,807 [62.9%]	262	
Selling, general and administrative expenses	1,020 [25.1%]	1,256 [28.2%]	235	Increase in salaries due to an increase in the number of sales employees and pay raise; increase in advertising expenses; increase in recruiting expenses
Operating profit	1,474 [36.3%]	1,529 [34.3%]	54	
Profit before tax	1,479 [36.4%]	1,640 [36.8%]	161	
Profit	1,007 [24.8%]	1,124 [25.2%]	117	

Fluctuation factor of operating profit (YoY)

(in millions of yen)

(in millions of yen)



Main factors

↑ Increase in revenue	395
Cloud Solutions	225
Digital Transformation	169
↓ Increase in cost of sales	132
Increase in salaries due to an increase in the number of technical professional employees and pay raise	71
Increase/decrease in other cost of sales	60
↓ Increase in SG&A	235
Increase in salaries due to an increase in the number of sales employees and pay raise	109
Increase In advertising expenses	53
Increase in recruiting expenses due to strengthened recruiting	16
Increase/decrease in other SG&A	55
↑ Decrease in R&D	(25)
↑ Other	1

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

(in millions of yen)

	As of Dec 31, 2021	As of Sep 30, 2022	Difference		As of Dec 31, 2021	As of Sep 30, 2022	Difference
Current assets	7,736	8,447	711	Total liabilities	3,439	2,895	(543)
Non-Current Assets	1,611	1,310	(301)	Current liabilities	2,900	2,450	(449)
Property, plant and equipment	913	806	(107)	Non-current liabilities	539	444	(94)
Intangible assets	45	50	4	Total equity	5,908	6,862	953
Other	652	453	(198)	Equity attributable to owners of the parent	5,908	6,856	947
Total assets	9,347	9,757	410	Non-controlling interests	(0)	6	6
				Total liabilities and equity	9,347	9,757	410

【 Major components of current liabilities 】

	As of Dec 31, 2021	As of Sep 30, 2022	Difference
Contract liabilities	1,474	1,579	104
Income tax payable	416	21	(395)
Trade and other payable	375	299	(75)

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

News Release

Cloud Solutions / Digital Transformation /Others

Aug.31 : Published a book "KNOWLEDGE WORKER MANAGEMENT"

Sep. 1 : Started providing "Preco," a documentation support tool for corporate recruiters

Sep. 20 : Launched a menu of services to improve conversion rates

We offer a menu of services to maximize the cost-effectiveness of web advertising by comprehensively improving not only the measures used to attract customers but also LPs and inquiry/application forms. The menu of services, consisting of those from current situation analysis and CRO design to optimization of banners, LPs and entry forms, supports long-term revenue enhancement.

Oct. 7 : Released API for "dxeco," a SaaS management tool

Oct. 20 : Upgraded the version of Reforma PSA by, for example, adding a function to provisionally record purchase before receiving an invoice

Oct. 20 : Launched a website production plan for quick and low-cost website development

We have released a plan that packages the requirements to launch a website, including the number of web pages to be produced and the number of meetings to be held. We expect that, using the website created under this plan as a starting point, our service will expand to include web marketing and web advertising operations.

Oct. 21 : Started providing a BI service named "QuickSight Linkage Option" as a new function of ZAC

Nov. 2 : Released IT asset management functionality for "dxeco," a SaaS management tool

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

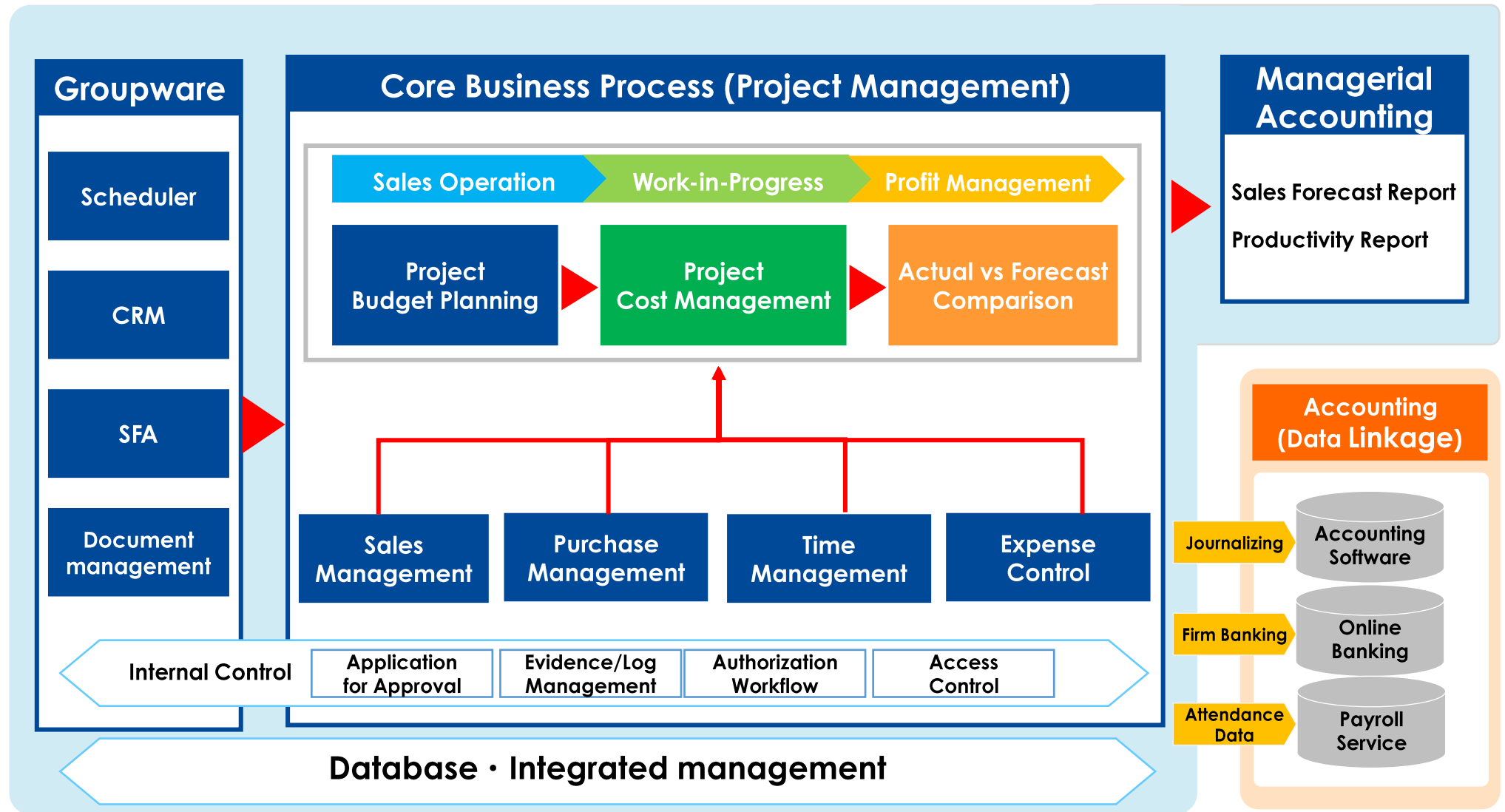


Cloud PSA “Reforma PSA”

- 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

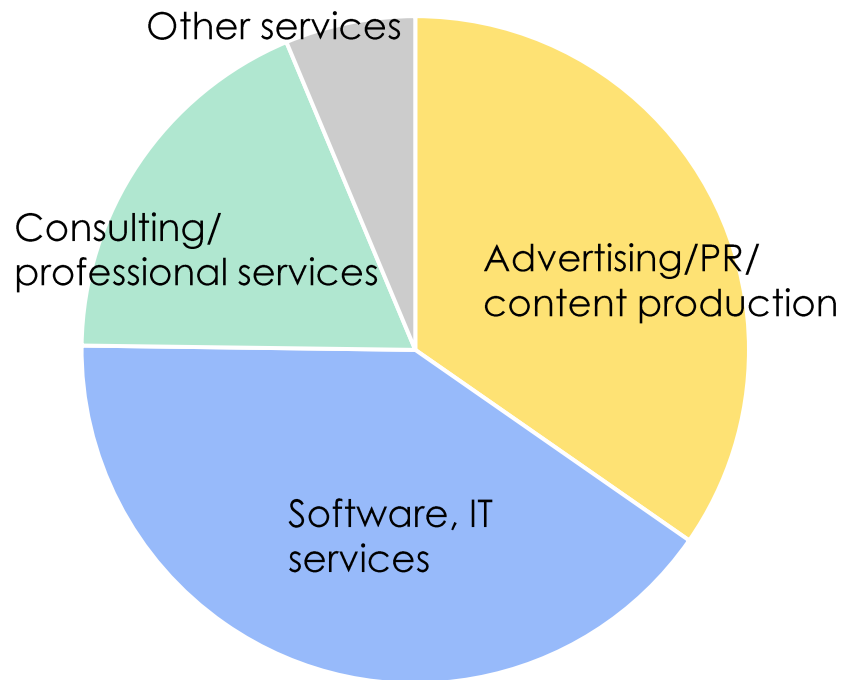


Industry-specific ERP

Cloud Solutions

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

(As of September 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

			Secondary industries	Tertiary industries	Quaternary industries	Quinary industries
MA/CRM	Overseas MA tool	Domestic CRM tool	Overseas ERP	Domestic ERP Overseas ERP		
SFA	Overseas SFA tool	Domestic SFA tool				
Sales/purchases	Domestic sales management system	Domestic purchase management system				
Attendance/working hours	Domestic attendance management system	Domestic working hour management system				
Expense settlement	Overseas expense settlement system	Domestic expense settlement system				
BI	Overseas BI tool	Domestic BI tool				

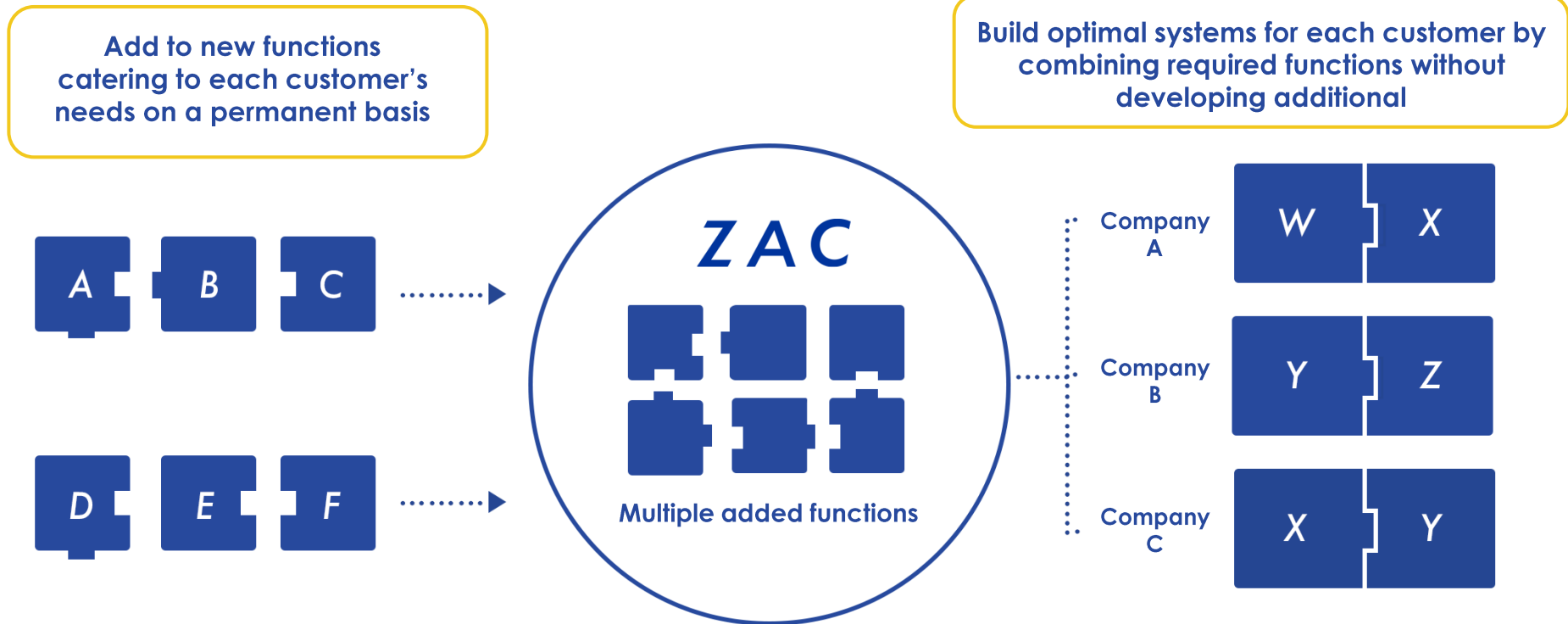
Vertically integrated system capable of outputting a management report combining the pieces of data spanning across multiple operational domains

Example: P/L by project, profit/loss by the type of service or client, sales/profit forecasts by segment (forecast analysis)

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.

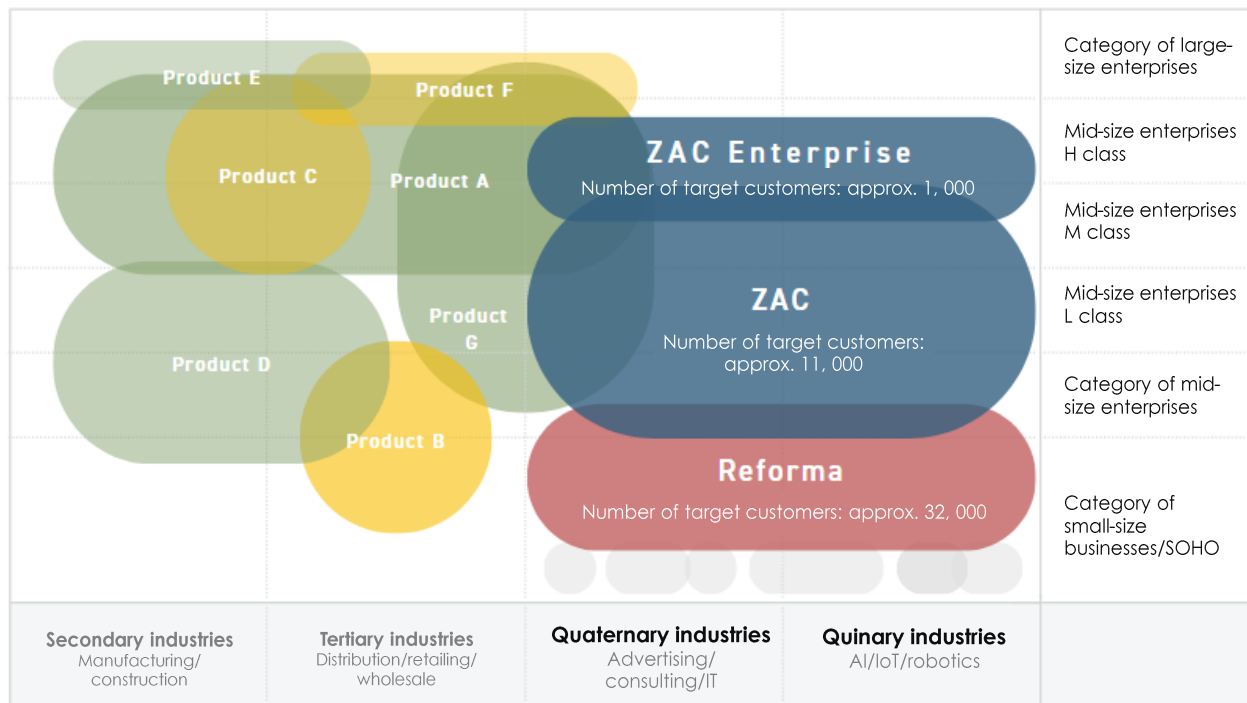
Example of functional enhancement ②

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

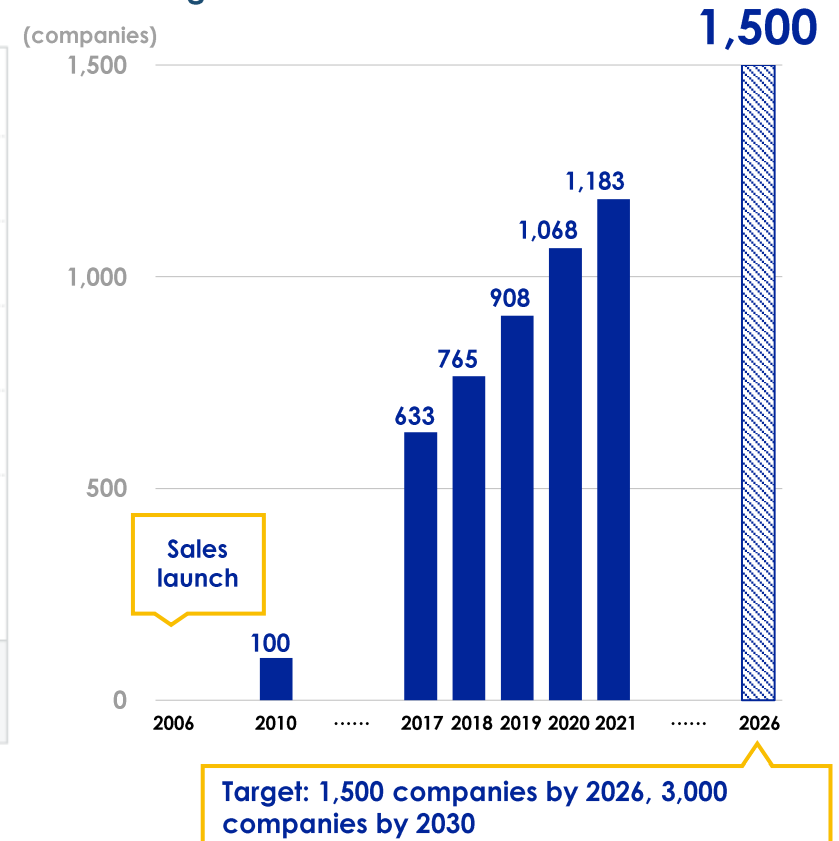
Size of target market in Japan and medium-term goal for ZAC/Reforma PSA Cloud Solutions

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

Increased budget for advertising and publicity

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

We have been fully strengthening our advertising efforts since FY2022 to expand recognition and enhance our brand equity.

Continued enhancement of development capability

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

We will continue to enhance our development capability with the goal to expand overseas by 2026.

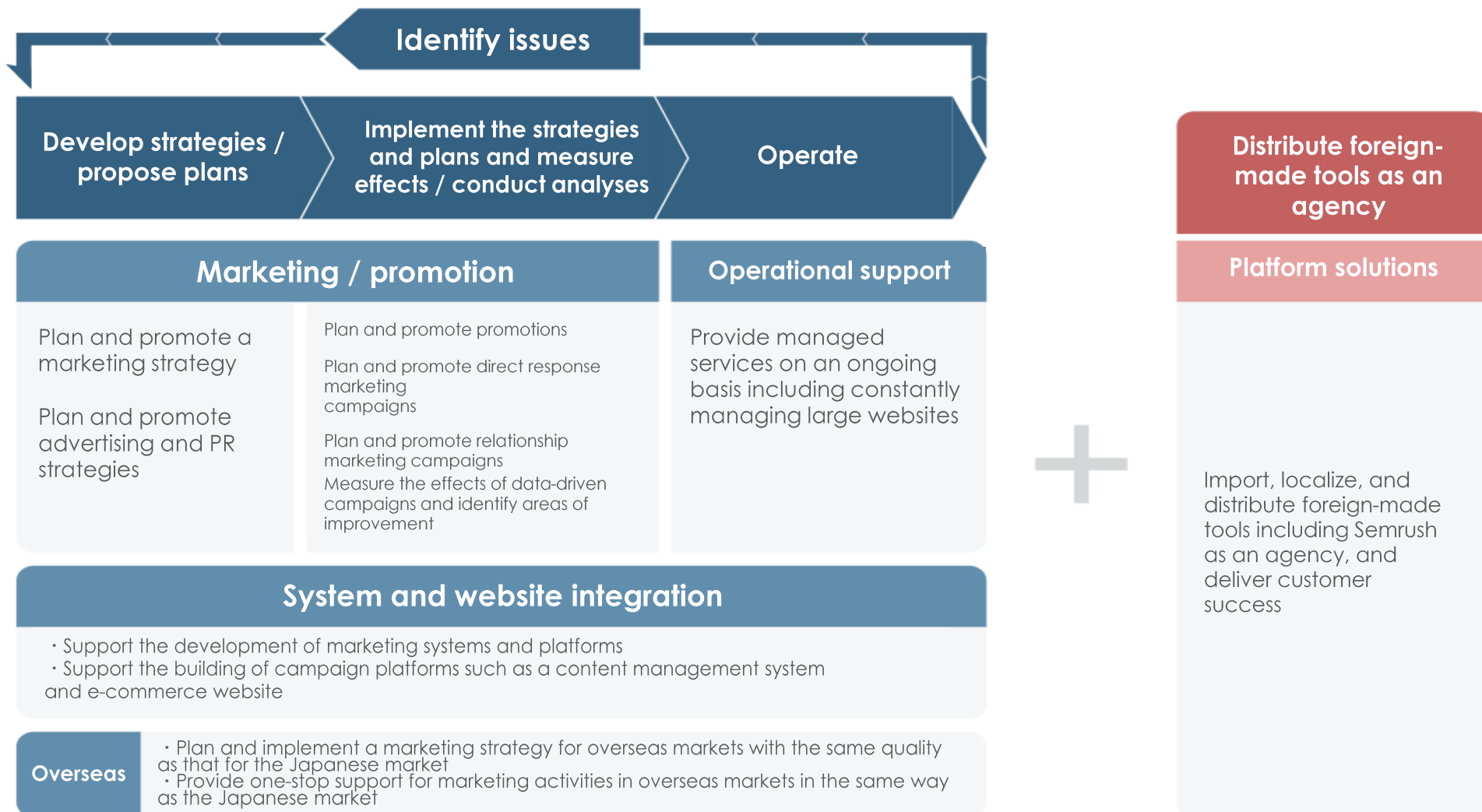
Digital Transformation

Support large companies with digital marketing

Digital Transformation

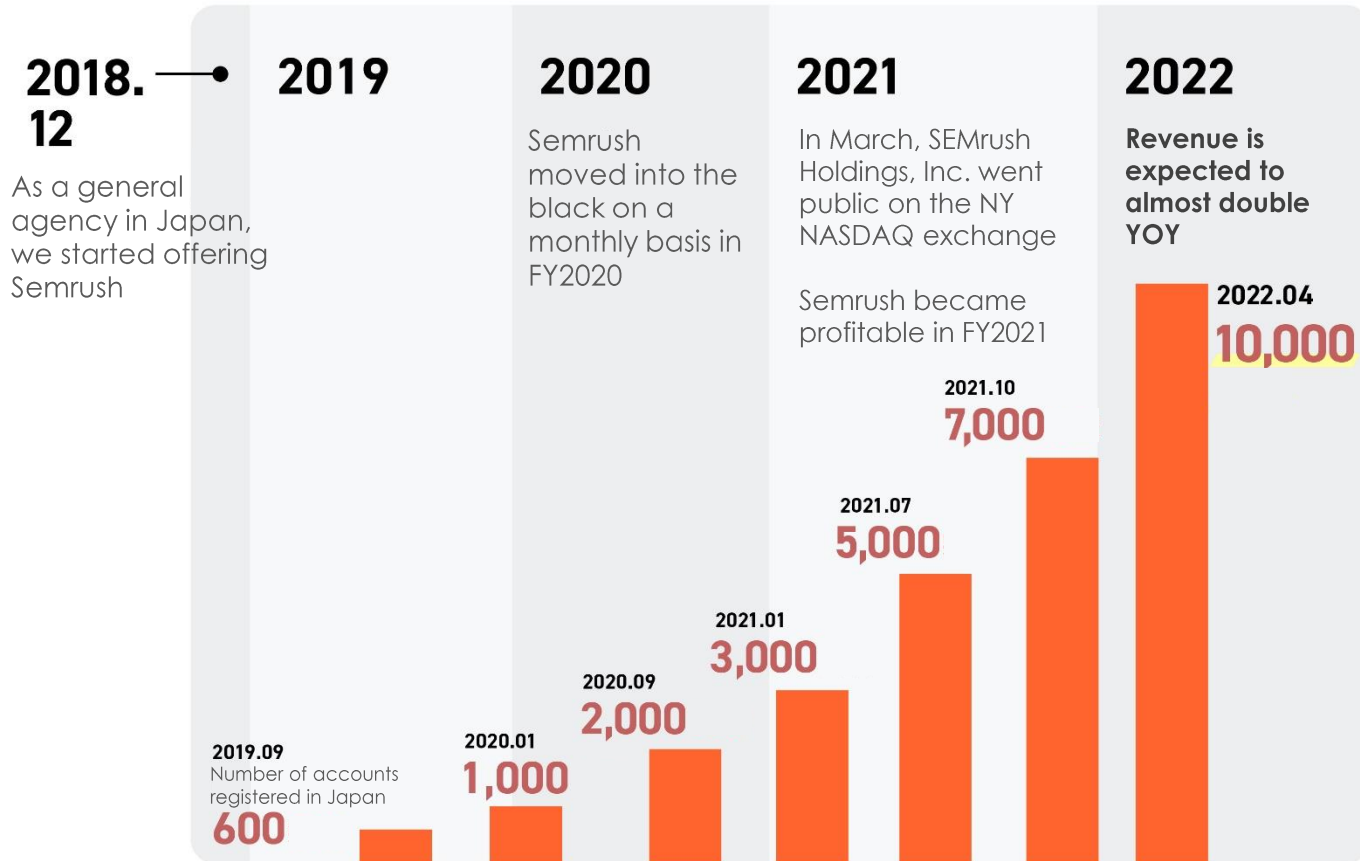
Achieve excellence in integrity, speed, and cost performance by providing end-to-end services, from designing of strategies to operation.

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

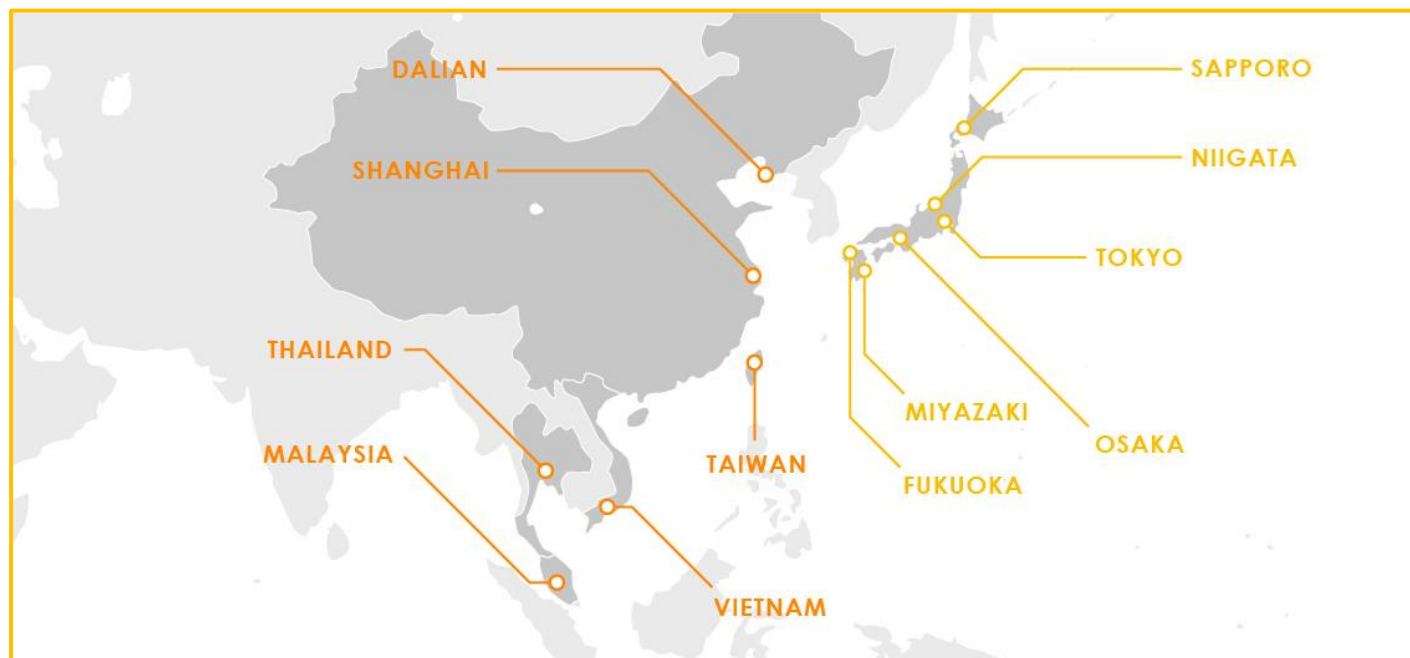
Monthly Subscription Business Model

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
- New functions added one after another, API release completed (As of November 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. Inquiries continuously increasing due in part to the weak yen.
- Continuing to provide support services for opening stores on "Shoppee," the Southeast Asian EC mall

03

Company profile

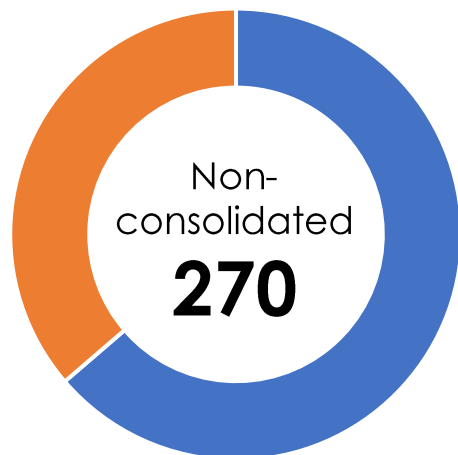
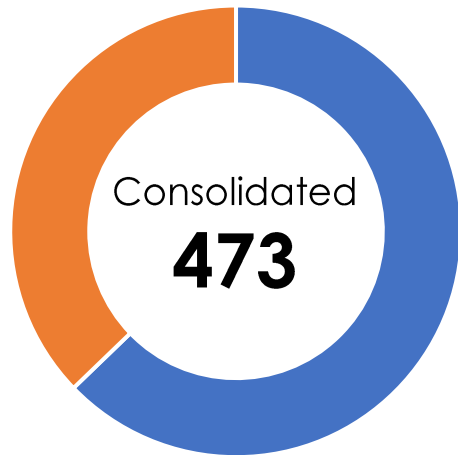
Company profile

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

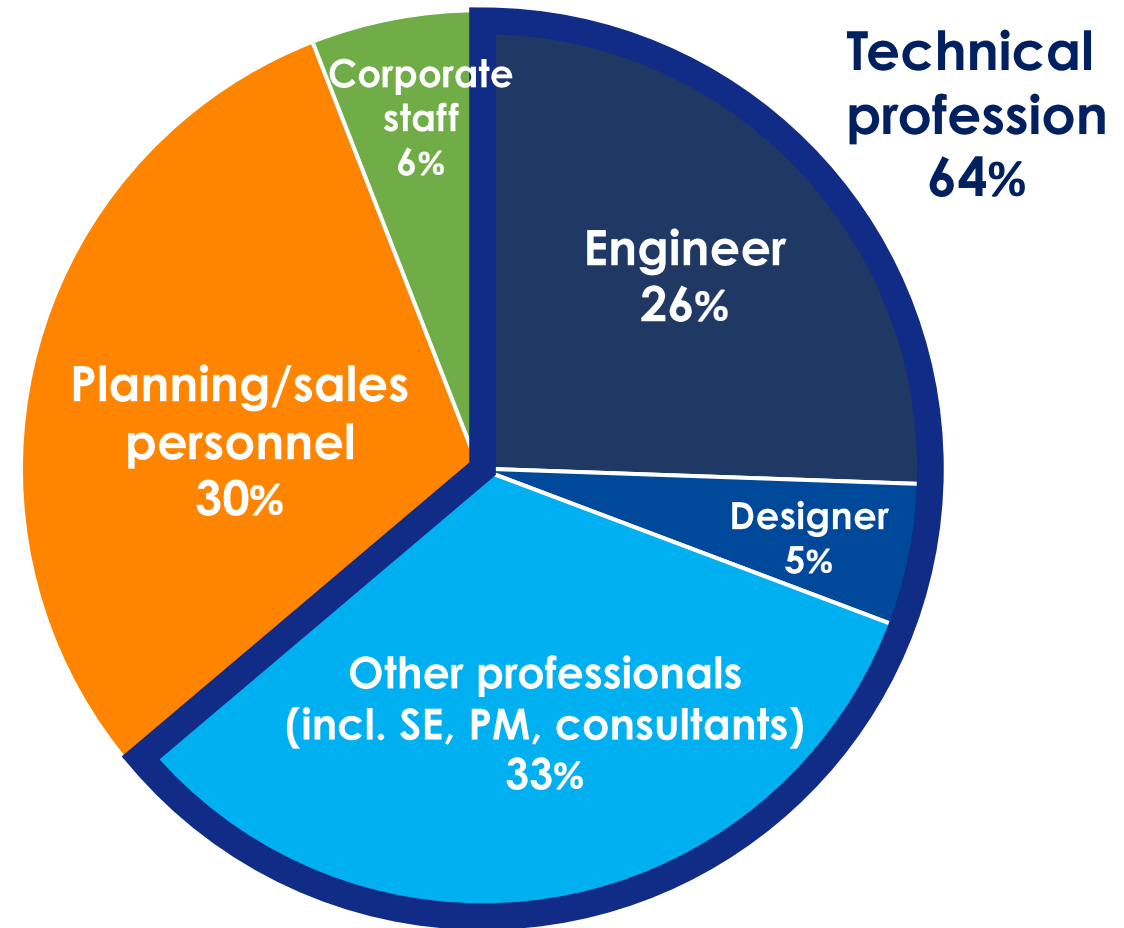
Organizational structure designed to drive creation of solutions through "Technology x Creative"

Split between manufacturing and sales personnel



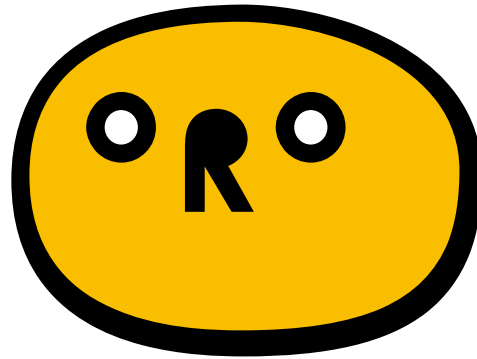
(As of end of June 2022)

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

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