

Translation

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Summary of Consolidated Financial Results
for the Three Months Ended March 31, 2023
(Based on IFRS)

May 15, 2023

Company name: ORO Co., Ltd
 Stock exchange listing: TSE
 Stock code: 3983 URL: <https://www.oro.com>
 Representative: Atsushi Kawata, Representative Director, President and CEO
 Inquiries: Yasuhisa Hino, Director and Senior Managing Executive Officer, and General Manager for Corporate Department TEL: +81-3-5724-7001
 Scheduled date to file Quarterly Securities Report: May 15, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

(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	%
Three months ended March 31, 2023	1,589	14.1	590	21.5	590	17.1	405	14.7
Three months ended March 31, 2022	1,393	3.6	486	(8.7)	504	(6.9)	353	(2.2)
	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	
Three months ended March 31, 2023	406	16.6	417	10.5	25.21		—	
Three months ended March 31, 2022	348	(4.0)	377	(0.3)	21.63		—	

(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 March 31, 2023	10,813	7,436	7,430	68.7
As of December 31, 2022	11,045	7,337	7,331	66.4

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2022	—	0.00	—	20.00	20.00
Year ending December 31, 2023	—	—	—	—	—
Year ending December 31, 2023 (Forecast)	—	0.00	—	20.00	20.00

Note: Revisions to most recently released dividend forecast : None

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

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
Full year	7,092	14.2	2,380	4.1	2,386	1.4	1,656	1.6	1,656	2.0	102.78

Note: Revisions to most recently released earnings forecast : None

4. Notes

(1) Changes in significant subsidiaries during the Period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates
 Changes in accounting principles required by IFRS: Yes
 Changes in accounting policies due to other reasons: None
 Changes in accounting estimates: None

(Note) For details, please refer to “1. Condensed quarterly consolidated financial statements and key notes (5) Notes on condensed quarterly consolidated financial statements (Changes in accounting principles)” on page 11 of the accompanying materials.

(3) Number of issued shares (common shares)

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

As of March 31, 2023	16,156,453 shares	As of December 31, 2022	16,156,453 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	39,299 shares	As of December 31, 2022	39,299 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2023	16,117,154 shares	Three months ended March 31, 2022	16,110,868 shares
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* These Consolidated basic Results are not included in the scope of audits by certified public accountants or audit corporations.

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

(Caution regarding forward-looking statements)

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

(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.

○Accompanying Materials – Contents

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1. Condensed quarterly consolidated financial statement and key notes

(1) Condensed quarterly consolidated statement of financial position

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	6,831,944	6,812,371
Trade and other receivables	1,405,886	1,472,277
Contract assets	514,034	234,280
Other financial assets	583,023	587,921
Other current assets	73,258	76,008
Total current assets	9,408,149	9,182,858
Non-current assets		
Property, plant and equipment	828,245	770,409
Intangible assets	70,689	80,333
Other financial assets	102,564	103,156
Deferred tax assets	596,601	637,627
Other non-current assets	39,505	38,949
Total non-current assets	1,637,606	1,630,475
Total assets	11,045,755	10,813,334

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	403,582	233,993
Contract liabilities	1,801,890	1,909,690
Lease liabilities	190,993	190,292
Income tax payables	475,244	196,978
Provisions	5,165	3,799
Other current liabilities	411,178	458,635
Total current liabilities	3,288,054	2,993,389
Non-current liabilities		
Lease liabilities	288,162	251,323
Provisions	132,102	132,194
Total non-current liabilities	420,264	383,518
Total liabilities	3,708,319	3,376,907
Equity		
Capital stock	1,193,528	1,193,528
Capital surplus	1,095,202	1,095,202
Treasury shares	(141,788)	(136,322)
Retained earnings	5,117,976	5,200,388
Other components of equity	66,170	77,712
Equity attributable to owners of the parent	7,331,089	7,430,508
Non-controlling interests	6,347	5,918
Total equity	7,337,436	7,436,427
Total liabilities and equity	11,045,755	10,813,334

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

Condensed quarterly consolidated statement of income

(Thousands of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Revenue	1,393,346	1,589,882
Cost of sales	497,368	520,527
Gross profit	895,977	1,069,355
Selling, general and administrative expenses	409,875	470,843
Research and development	11,152	10,066
Other income	11,194	1,973
Other expenses	102	1
Operating profit	486,041	590,418
Finance income	19,951	5,800
Finance costs	1,523	5,506
Profit before tax	504,469	590,712
Income tax expenses	150,863	184,978
Profit	353,606	405,733
Profit attributable to:		
Owners of parent	348,518	406,346
Non-controlling interests	5,087	(612)
Profit	353,606	405,733
Earnings per share		
Basic earnings per share (Yen)	21.63	25.21
Diluted earnings per share (Yen)	-	-

Condensed quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit	353,606	405,733
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	1,266	-
Total of items that will not be reclassified to profit or loss	1,266	-
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	22,954	11,726
Total of items that may be reclassified subsequently to profit or loss	22,954	11,726
Other comprehensive income, net of taxes	24,221	11,726
Comprehensive income	377,828	417,460
Attributable to:		
Owners of the parent	372,540	417,889
Non-controlling interests	5,287	(429)
Comprehensive income	377,828	417,460

(3) Condensed quarterly consolidated statement of changes in equity

Three months ended March 31, 2022

(Thousands of yen)

	Equity attributable to owners of parent			
	Capital stock	Capital surplus	Treasury shares	Retained earnings
Balance on January 1, 2022	1,193,528	1,095,407	(1,727,465)	5,300,180
Profit				348,518
Other comprehensive income				
Total comprehensive income	-	-	-	348,518
Restricted Stock-based payment transactions		68	4,179	
Dividends				(241,663)
Transfer from other components of equity to retained earnings				5,508
Total transactions with owners	-	68	4,179	(236,154)
Balance on March 31, 2022	1,193,528	1,095,476	(1,723,285)	5,412,544

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Equity
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Total			
Balance on January 1, 2022	4,241	42,954	47,195	5,908,847	(434)	5,908,412
Profit				348,518	5,087	353,606
Other comprehensive income	1,266	22,755	24,021	24,021	199	24,221
Total comprehensive income	1,266	22,755	24,021	372,540	5,287	377,828
Restricted Stock-based payment transactions				4,248		4,248
Dividends				(241,663)		(241,663)
Transfer from other components of equity to retained earnings	(5,508)		(5,508)	-		-
Total transactions with owners	(5,508)	-	(5,508)	(237,414)	-	(237,414)
Balance on March 31, 2022	-	65,709	65,709	6,043,973	4,852	6,048,825

Three months ended March 31, 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				406,346
Other comprehensive income				
Total comprehensive income	-	-	-	406,346
Restricted Stock-based payment transactions			5,465	(1,591)
Dividends				(322,343)
Total transactions with owners	-	-	5,465	(323,935)
Balance on March 31, 2023	1,193,528	1,095,202	(136,322)	5,200,388

	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			406,346	(612)	405,733
Other comprehensive income	11,542	11,542	11,542	183	11,726
Total comprehensive income	11,542	11,542	417,889	(429)	417,460
Restricted Stock-based payment transactions			3,873		3,873
Dividends			(322,343)		(322,343)
Total transactions with owners	-	-	(318,469)	-	(318,469)
Balance on March 31, 2023	77,712	77,712	7,430,508	5,918	7,436,427

(4) Condensed quarterly consolidated statements of cash flows

(Thousands of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	504,469	590,712
Depreciation and amortization	73,564	79,533
Finance income	(477)	(3,276)
Finance costs	1,046	886
Decrease (increase) in trade and other receivables	(23,671)	(65,393)
Decrease (increase) in contract assets	18,810	279,869
Increase (decrease) in trade and other payables	(109,122)	(172,107)
Increase (decrease) in contract liabilities	105,500	107,642
Increase (decrease) in provision	(1,229)	(1,494)
Other	(67,135)	53,781
Subtotal	501,755	870,153
Interest received	361	1,414
Interest paid	(1,046)	(886)
Income taxes paid	(418,285)	(504,271)
Cash flows from operating activities	82,784	366,410
Cash flows from investing activities		
Payments into time deposits	(278)	(1,166)
Purchase of property, plant and equipment	(46,287)	(3,828)
Purchase of intangible assets	(11,529)	(15,290)
Purchase of securities	(49)	-
Proceeds from sales of securities	14,375	-
Payments for lease and guarantee deposits	(3,055)	(359)
Other	131	(73)
Cash flows from investing activities	(46,694)	(20,718)
Cash flows from financing activities		
Repayments of lease liabilities	(46,738)	(48,904)
Cash dividends paid	(240,891)	(320,543)
Cash flows from financing activities	(287,630)	(369,448)
Net increase (decrease) in cash and cash equivalents	(251,539)	(23,756)
Cash and cash equivalents at beginning of period	5,914,992	6,831,944
Effect of exchange rate change on cash and cash equivalents	23,659	4,182
Cash and cash equivalents at end of period	5,687,111	6,812,371

(5) Notes on condensed quarterly consolidated financial statements

(Note on the going-concern assumption)

Not applicable

(Changes in accounting principles)

The standards that the Group has adopted as of the first quarter of the fiscal year ending December 31, 2023 are as follows:

Standards	Interpretations	Outline
IAS 12	Income Taxes	Clarification of the accounting treatment of deferred taxes on leases and decommissioning provisions

The adoption of new standards had no significant impact on the condensed consolidated financial statements for three months ended March 31, 2023.

(Segment information)

Revenues and results for each reportable segment of the Group are as follows:

Three months ended March 31, 2022

	Reportable Segment			Adjustments (Note 1)	(Thousands of yen) Consolidated
	Cloud Solution	Digital Transformation	Total		
Revenue					
Revenue from external customers	797,719	595,627	1,393,346	—	1,393,346
Intersegment revenue	—	—	—	—	—
Total	<u>797,719</u>	<u>595,627</u>	<u>1,393,346</u>	<u>—</u>	<u>1,393,346</u>
Segment income	<u>338,756</u>	<u>136,192</u>	<u>474,949</u>	<u>11,091</u>	<u>486,041</u>
Finance income					19,951
Finance costs					1,523
Profit before tax					<u>504,469</u>
Other					
Depreciation and amortization	43,324	30,239	73,564	—	73,564

(Note)

1. The adjustment of 11,091 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 March 31, 2023

(Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Consolidated
	Cloud Solution	Digital Transformation	Total		
Revenue					
Revenue from external customers	936,107	653,775	1,589,882	—	1,589,882
Intersegment revenue	—	—	—	—	—
Total	936,107	653,775	1,589,882	—	1,589,882
Segment income	415,188	173,257	588,445	1,972	590,418
Finance income					5,800
Finance costs					5,506
Profit before tax					590,712
Other					
Depreciation and amortization	50,175	29,357	79,533	—	79,533

(Note)

1. The adjustment of 1,972 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.