

# Financial Results for Q2 FY2023

**oRo Co.,Ltd.** Code : 3983

August 14, 2023



# Message from the CEO

We are at the midpoint of the fiscal year ending December 31, 2023, and in the first half, both revenue and operating profit have trended solidly in line with our full-year forecasts. Both businesses are experiencing growth compared to the same period last year, and we have achieved robust results toward the fulfillment of our full-year plans. We will maintain our focus and continue to exert diligent efforts during the second half as well.

In the Cloud Solutions business, the current performance remains robust. We are crafting strategies and implementing measures for future growth, including preparations for our overseas expansion in 2026.

In the Digital Transformation business, although revenue was worse than planned, efforts aimed at recovery are progressing, and we anticipate regaining a growth trajectory.

Regarding new ventures, dxeco has begun receiving positive evaluations from customers, but we still perceive the market itself as immature. Consequently, we will persist in our investment in dxeco while concurrently working to generate additional new businesses.

In our "Medium-Term Business Outlook for 2022-2024 [Updated]," unveiled in February 2023, we underscored the recruitment and nurturing of talent as a primary theme. Recruitment of immediately effective talent in the Digital Transformation business is advancing smoothly, but we will persist in enhancing our efforts in both recruitment and talent development. Particularly, we wish to offer appealing growth opportunities, such as an environment that allows early challenges in specialized tasks and organizational management, to promising young talent who will bear the future of the Group.

Our long-standing policy of "creating an organization capable of achieving 20% revenue growth on a continuous basis" remains unchanged. We will pursue growth by accurately adapting to daily changes, aiming to deliver more happiness and joy to more people. We humbly request your continued support.

Atsushi Kawata

Representative Director, President and CEO

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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 FY2023 Financial Results Highlights**

## Q2 FY2023 Financial Results

### Q2 FY2023/12 consolidated financial results

<b>Revenue</b>	<b>3,281</b> million JPY	YoY <b>+14.8%</b>
<b>Operating profit</b>	<b>1,175</b> million JPY	YoY <b>+25.6%</b>

Revenue and operating profit remained steady compared to plan.

#### Cloud Solutions (CS)

<b>Revenue</b>	<b>2,025</b> million JPY	YoY <b>+20.2%</b>
<b>Operating profit</b>	<b>945</b> million JPY	YoY <b>+25.4%</b>

Revenue remained steady compared to plan, while operating profit progressed favorably.

#### Digital Transformation (DX)

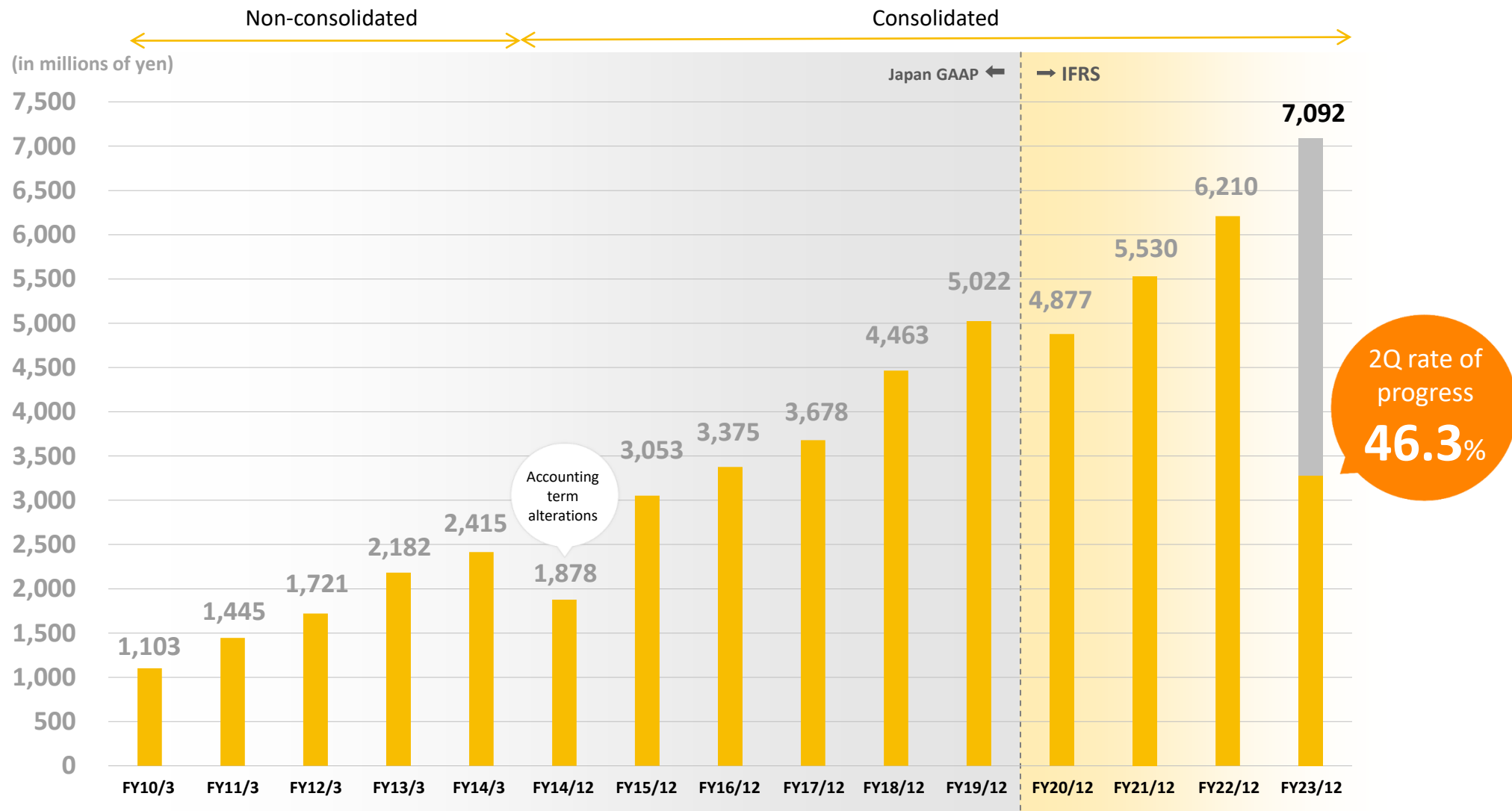
<b>Revenue</b>	<b>1,255</b> million JPY	YoY <b>+7.0%</b>
<b>Operating profit</b>	<b>268</b> million JPY	YoY <b>+57.9%</b>

Revenue was worse than planned, while operating profit progressed favorably.

\*Progress expression to plan: great > favorable > steady > worse > weak

# Trend in Sales

Recorded 3,281 million yen, up 14.8% year-on-year



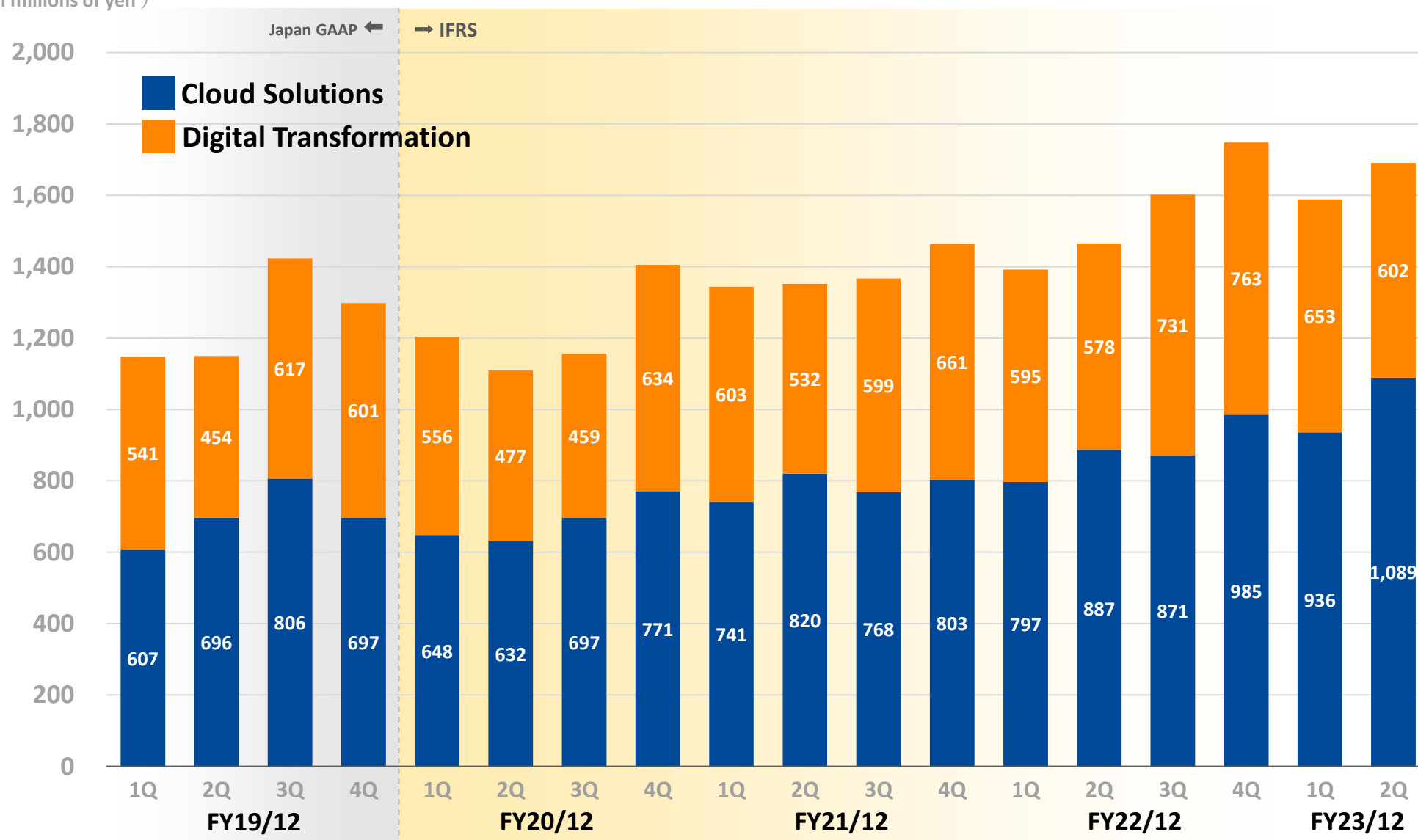
\*Was not audited by KPMG AZSA LLC, prior to and in the fiscal year ended March 31, 2014

\*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.

# Trend in Quarterly Sales

( in millions of yen )



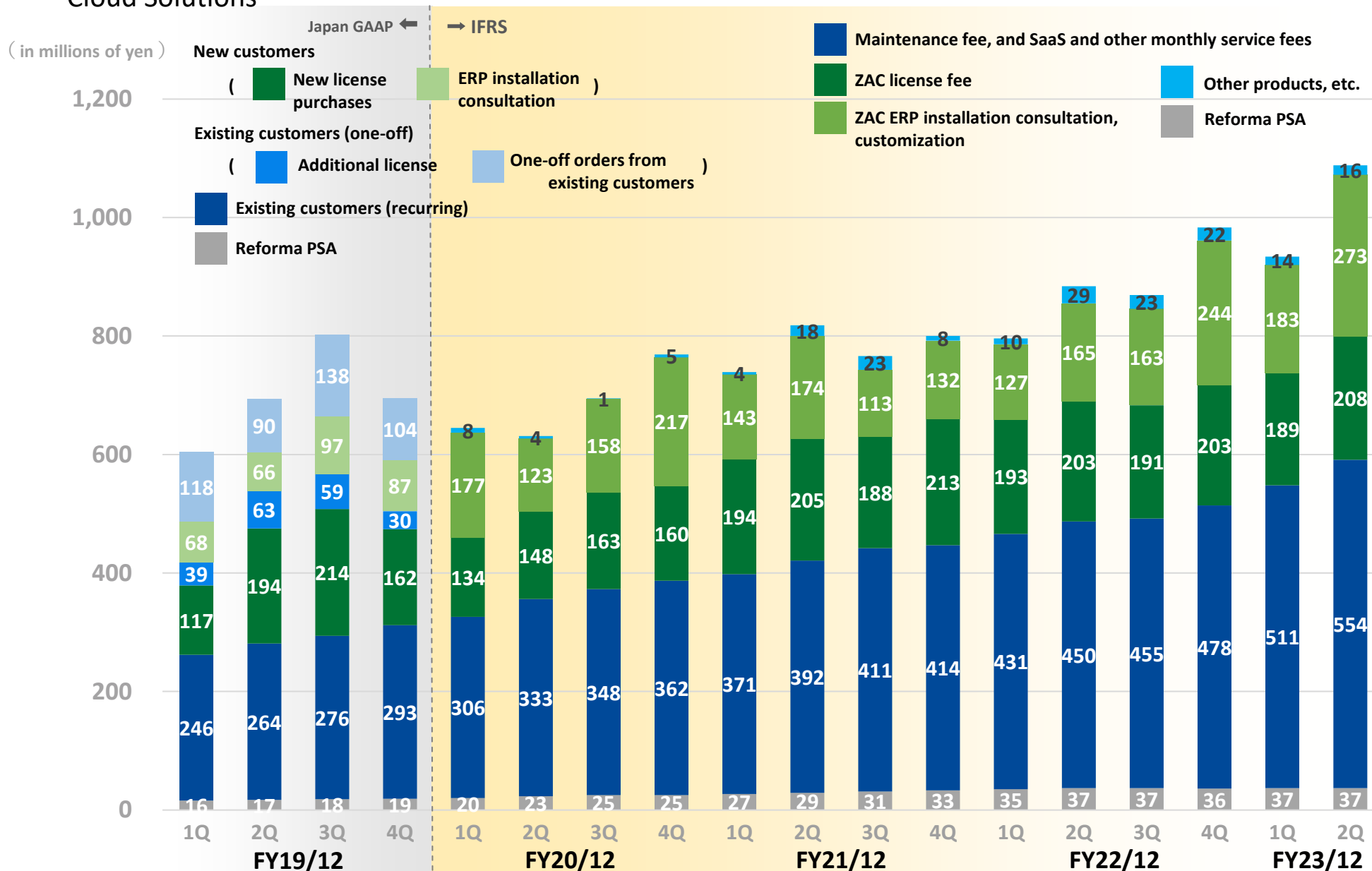
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# Breakdown of Sales by Customer Segment

## Cloud Solutions



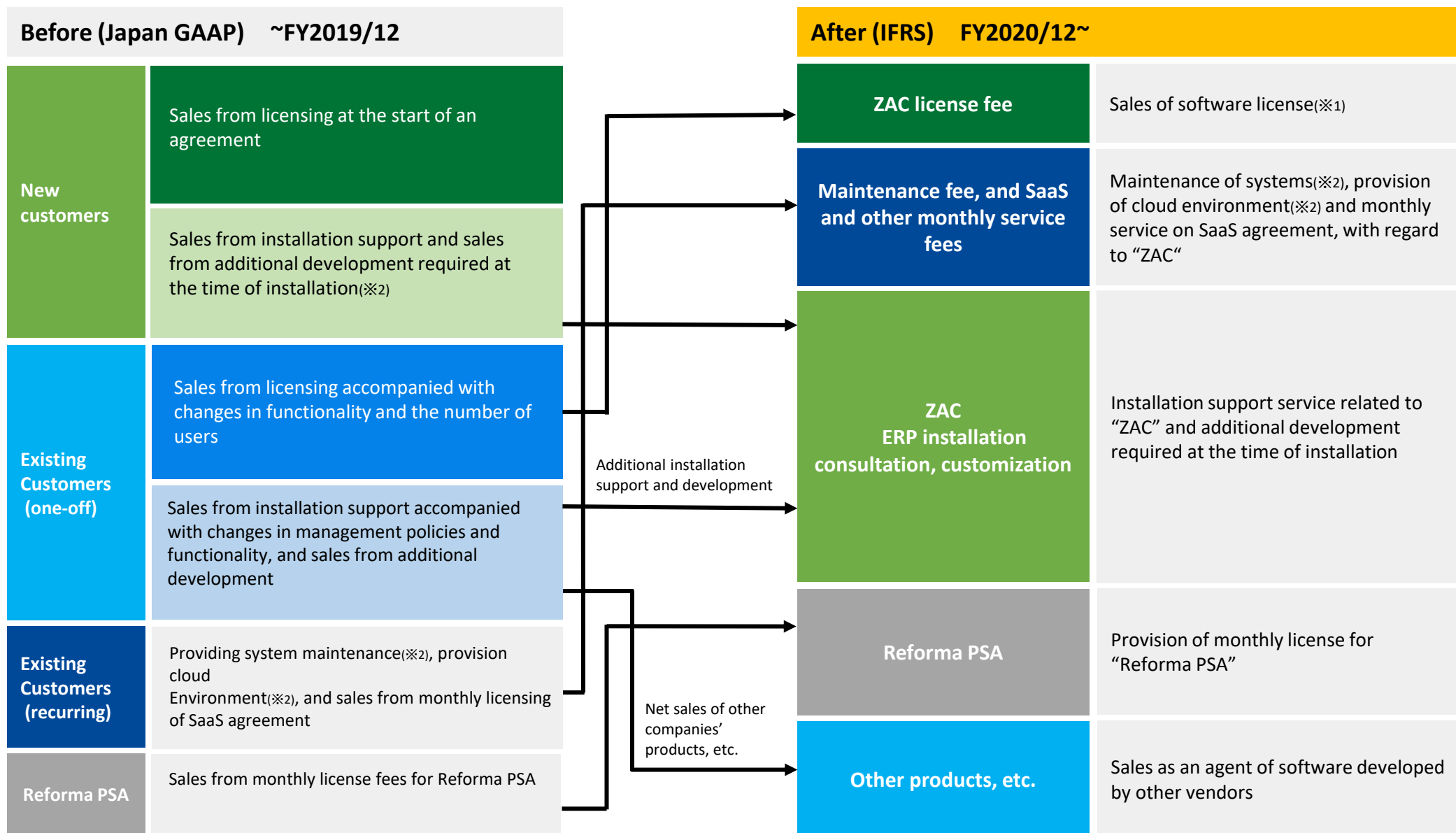
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# Breakdown of Sales by Business Segment

## 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.

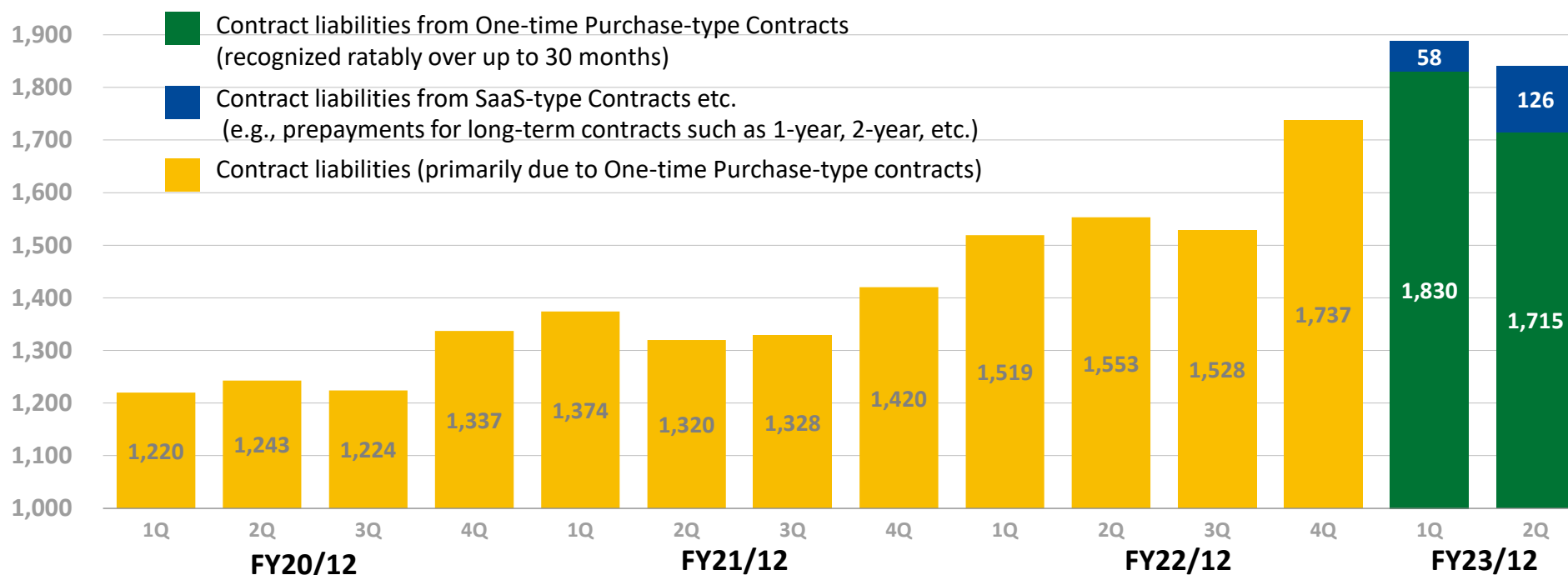
## ZAC Contract Liabilities (License)

### Cloud Solutions

**Contract liabilities increased by 18.6% YoY to 1,842 million yen, and decreased by 2.5% QoQ due to a reduction in one-time purchase-type licenses.**

Reason for QoQ decrease: Contract liabilities arising from one-time purchase-type contracts will not increase in the future, owing to the abolition of this purchasing option.

(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, and long-term SaaS-type contracts etc. are included in this balance.

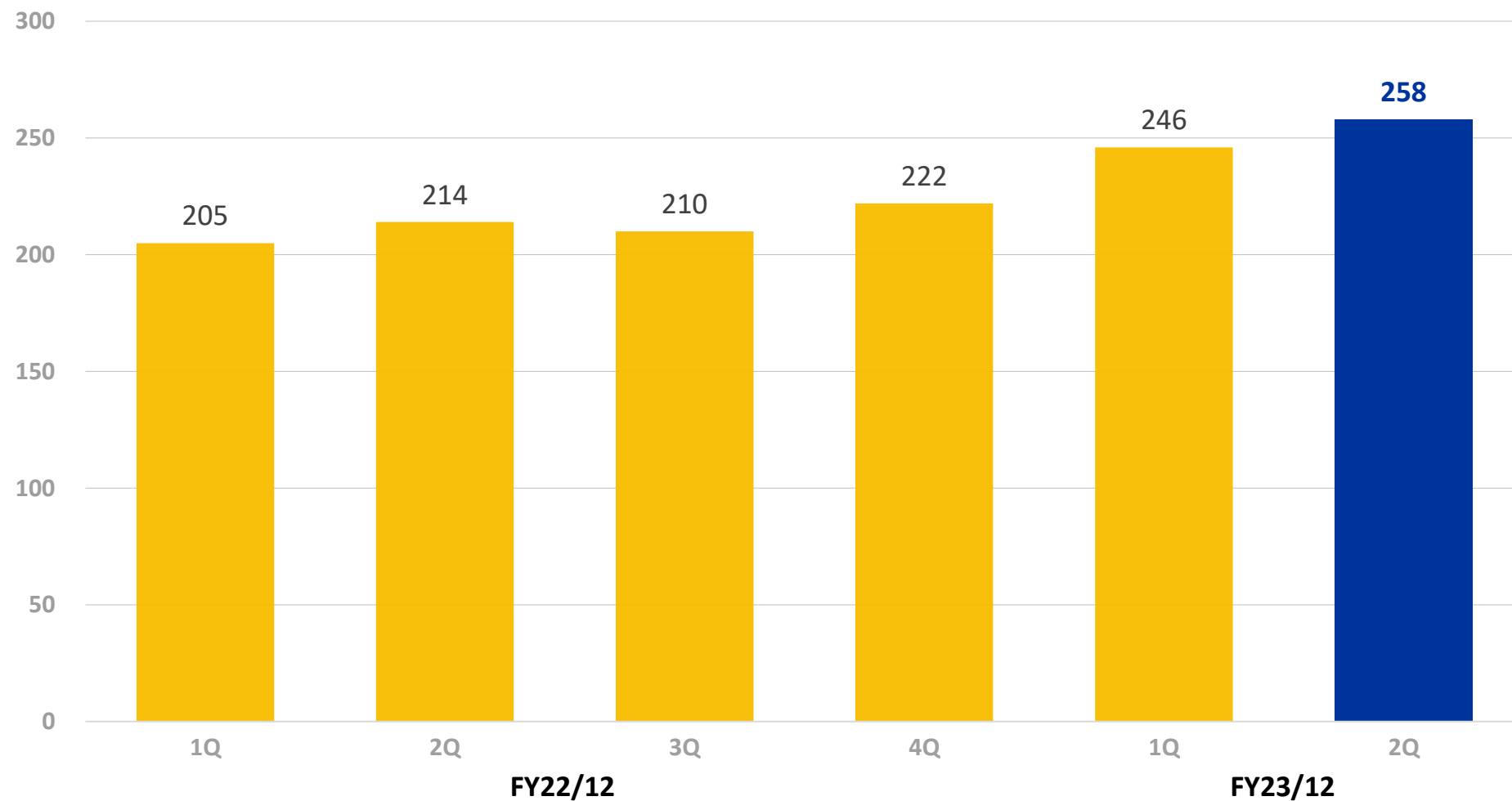
\*The values for each quarter of FY 2020/12 was not audited by KPMG AZSA LLC.

# MRR Trend of ZAC and ZAC Enterprise

## Cloud Solutions

Despite being influenced by the fluctuations in ZAC license fees, there has been a generally upward trend.

( in millions of yen )



\* MRR: Stands for Monthly Recurring Revenue, which is the regular monthly revenue. It is calculated as the total sum of "ZAC License Fees" and "Maintenance Fees, SaaS, and Other Monthly Service Fees" for the last month of the respective quarter.

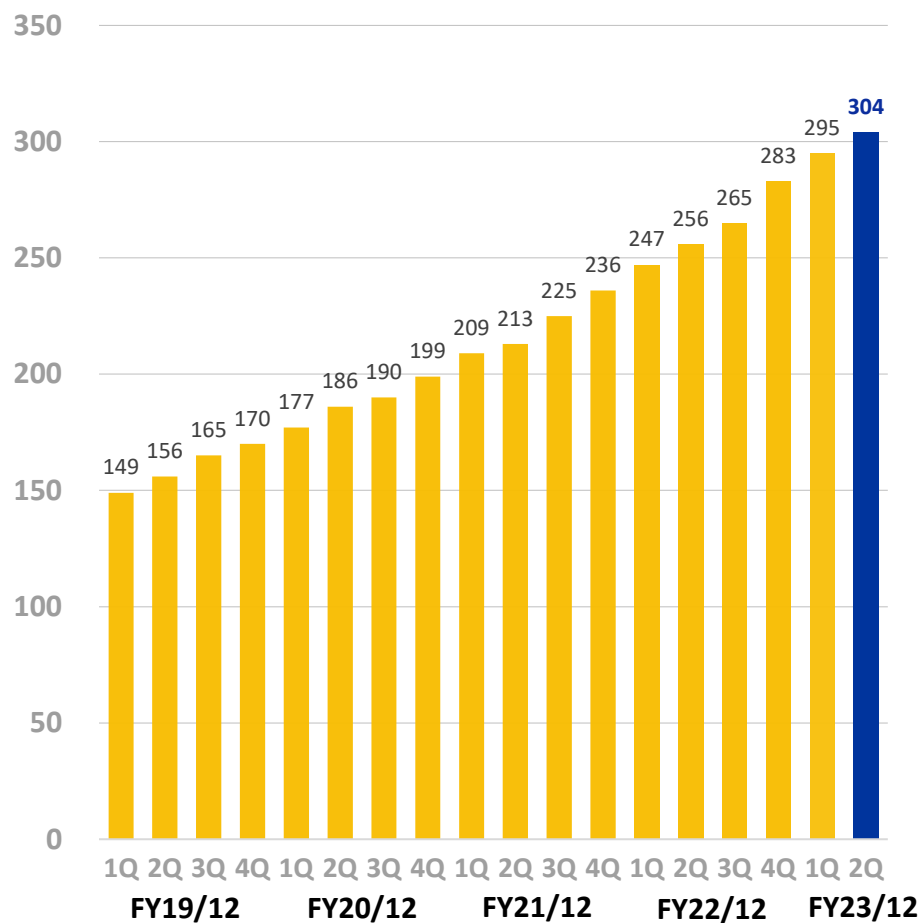
# Trend in the number of active “ZAC” and “ZAC Enterprise” licenses

## Cloud Solutions

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

Trend in the number of active ZAC and ZAC Enterprise licenses

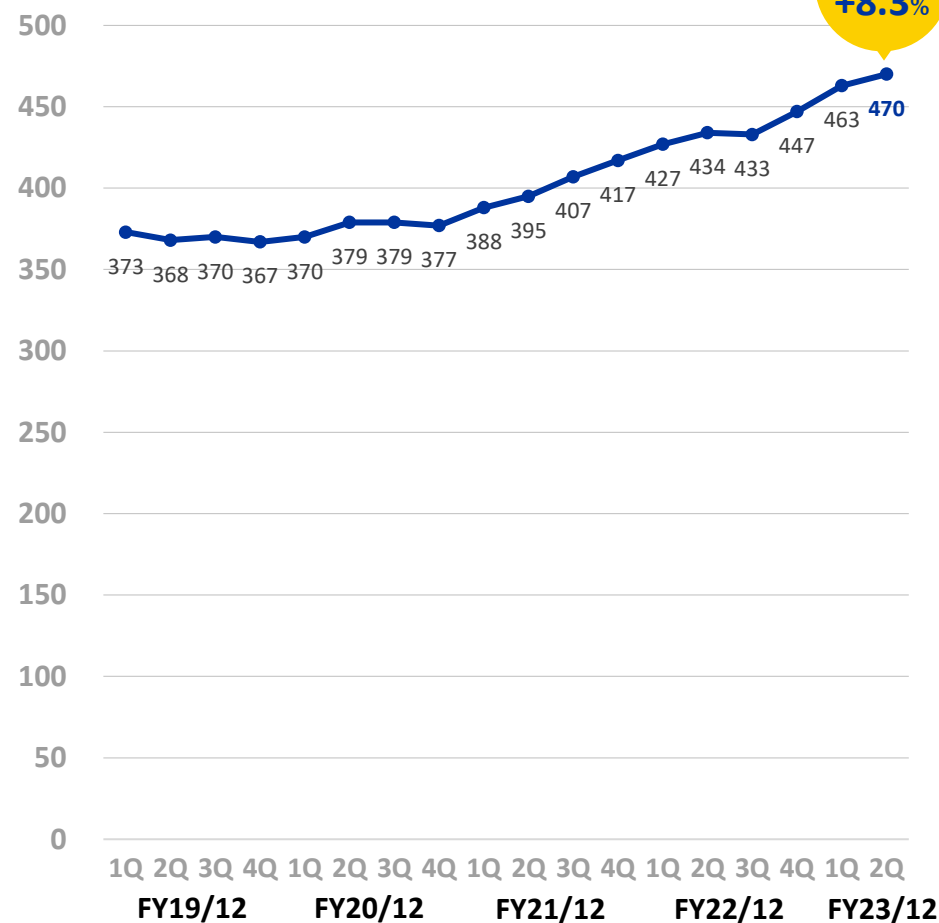
( in thousands of licenses )



\*Number of active licenses  
= Cumulative number of licenses sold - Cumulative number of licenses terminated

Trend in the number of active licenses per active client

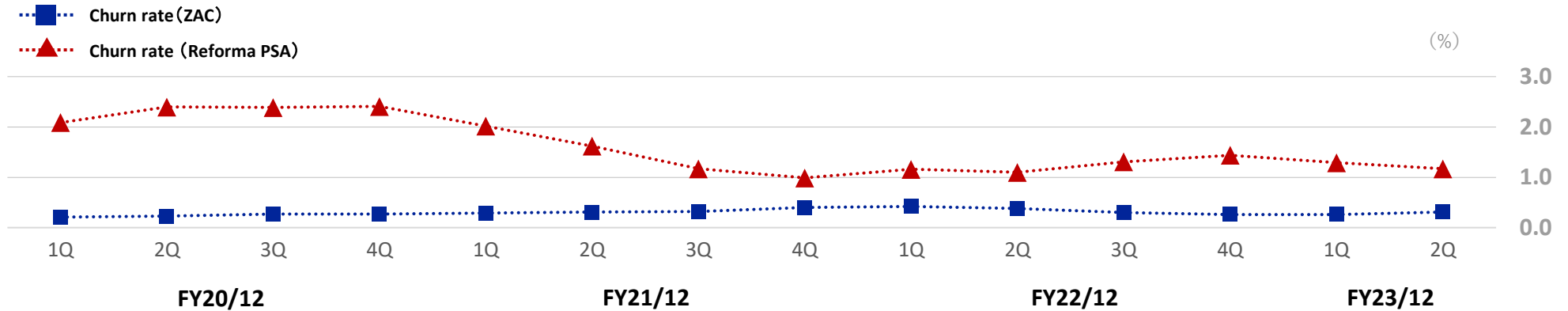
( in licenses )



\*Number of active licenses per active client  
= Number of active licenses / The number of active clients at the end of the quarter.

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

## Cloud Solutions



- The monthly churn rate of ZAC has remained stably low. To maintain the current churn rate, we are currently executing operation proposals aimed at encouraging utilization, and conducting customer operation status hearings, mainly through the Health Score staff.
- The monthly churn rate of Reforma PSA is declining due to strengthened follow-up measures of the customer success team.

### [ZAC]

	FY20/12 1Q	FY20/12 2Q	FY20/12 3Q	FY20/12 4Q	FY21/12 1Q	FY21/12 2Q	FY21/12 3Q	FY21/12 4Q	FY22/12 1Q	FY22/12 2Q	FY22/12 3Q	FY22/12 4Q	FY23/12 1Q	FY23/12 2Q
<b>Number of Contracts</b>	22	19	14	34	17	6	21	19	21	15	23	28	13	16
<b>Number of Churns</b>	4	7	5	11	5	8	7	5	11	3	0	7	9	7

### [Reforma PSA]

	FY20/12 1Q	FY20/12 2Q	FY20/12 3Q	FY20/12 4Q	FY21/12 1Q	FY21/12 2Q	FY21/12 3Q	FY21/12 4Q	FY22/12 1Q	FY22/12 2Q	FY22/12 3Q	FY22/12 4Q	FY23/12 1Q	FY23/12 2Q
<b>Number of Contracts</b>	23	18	11	25	10	13	15	10	13	10	9	9	13	10
<b>Number of Churns</b>	10	10	10	4	6	6	2	7	9	6	8	8	6	4

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

# Setting KPIs in the Earnings Forecast for the Fiscal Year Ending December 31, 2024

## Cloud Solutions

As of the end of June, 2023	ARPA*	Customer Churn Rate**	NRR***
<b>ZAC ZAC Enterprise</b>	<b>471.1</b> K yen Plan for FY23/12 : 465.8 K yen Forecast for FY24/12 : 490.6 K yen	<b>0.30</b> % Plan for FY23/12 : 0.38% Forecast for FY24/12 : 0.38%	<b>109.9</b> % Plan for FY23/12 : 112.0% Forecast for FY24/12 : 109.0%
<b>Reforma PSA</b>	<b>61.5</b> K yen Plan for FY23/12 : 60.3 K yen Forecast for FY24/12 : 55.5 K yen	<b>1.15</b> % Plan for FY23/12 : 1.14% Forecast for FY24/12 : 1.06%	<b>86.9</b> % Plan for FY23/12 : 106.0% Forecast for FY24/12 : 106.0%

For ZAC and ZAC Enterprise, the Customer Churn Rate has been trending lower than planned, and the contract unit prices for both new and existing customers have been steadily improving. Consequently, ARPA (Average Revenue Per Account) and NRR (Net Retention Rate) are showing an improvement trend as compared to the end of December 2022.

In Reforma PSA, there has been a decrease in NRR due to multiple occurrences involving large clients with a contract unit price of 300,000 yen per month. These occurrences included churns, a reduction in the number of licenses, and transitions from Reforma PSA to ZAC, aligned with the growth of clients, resulting in a reduction in NRR compared to the actual results for the fiscal year ending December 2022 (94.0%).

\* Abbreviation for Average Revenue Per Account  
 ARPA for ZAC and ZAC Enterprise are calculated based on monthly sales revenue related to "ZAC license fees, maintenance fees, SaaS and other monthly service fees" and "ZAC installation support and customization" per customer. ARPA for Reforma PSA is calculated by monthly sales revenue related to "Reforma PSA" per customer.

\*\* Monthly customer churn rate calculated using the most recent 12-month moving average of "number of customers canceled in the current month ÷ number of customers at the beginning of the month."

\*\*\* Abbreviation for Net Retention Rate. ARR for period n ÷ ARR for period n-1 for customers with revenue in period n-1.  
 For ZAC and ZAC Enterprise, calculation is based only on "maintenance fees, SaaS and other monthly service fees."  
 For Reforma PSA, the calculation is based on the monthly usage fee of "Reforma PSA."

# License Price Revisions (Abolition of One-time Purchase-type Contract) and Revenue Recognition

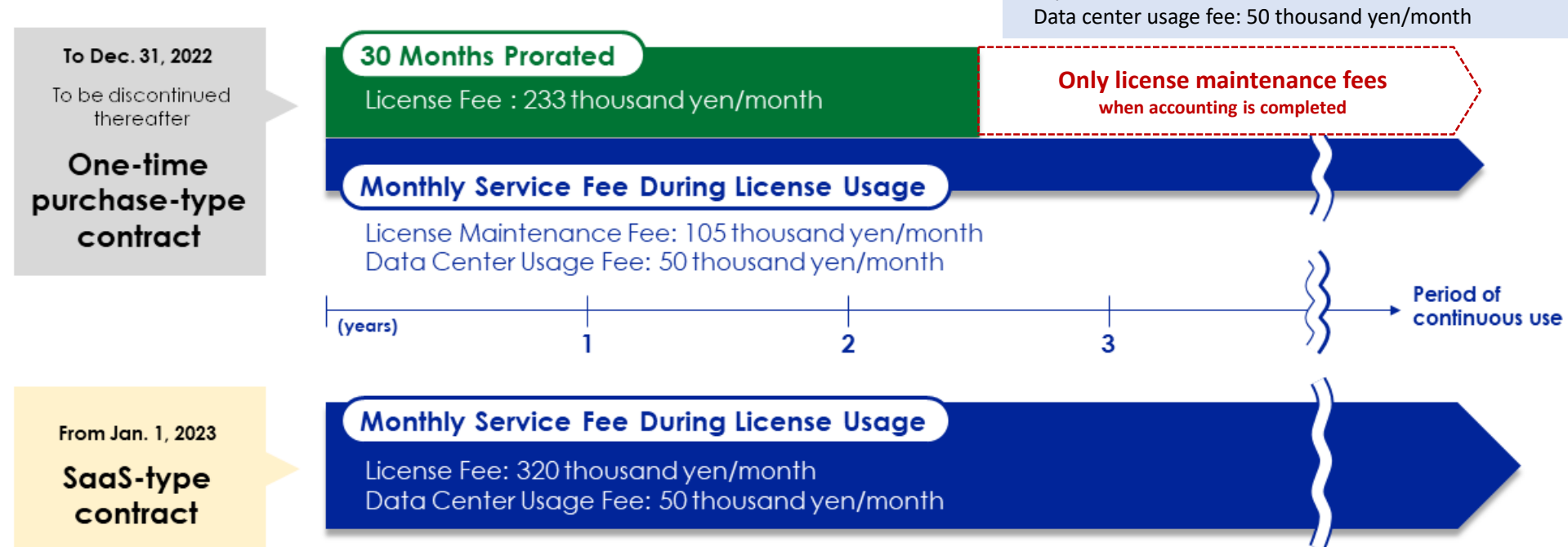
Cloud Solutions

As of January 1, 2023, the sales format of licenses for cloud-based ZAC and ZAC Enterprise has been updated. The one-time purchase-type contract (lump-sum perpetual license type) has been discontinued, and only the SaaS-type contract (monthly subscription fee type) is now available. Additionally, the license fees have been revised.

## Revenue Recognition of License Sales

( Model case for 100-person client )

\*The green and blue areas represent the revenue amount.



The above revisions do not apply to customers who have signed and used a one-time purchase 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 on November 14, 2022.

# Efforts for Customer Acquisition

## Cloud Solutions

### Challenges as of Q1 2023

The inside sales team has been successful in acquiring seeds through telephone sales.

**On the other hand, we are struggling with other initiatives to acquire inquiries/seeds and supply Sales Qualified Leads (SQLs)\*.**

\* SQL: Refers to leads that the sales group judges to have the potential to secure an order within one year after the initial meeting.



### Progress and Countermeasures at Q2

#### SQL Supply Situation

- We continue to generate seeds and SQLs successfully through telephone sales, and we are sufficiently creating inquiries for winning orders in the latter half of the fiscal year.

#### Telephone Sales Situation

- With the enhancement of our internal staff and collaboration with external partners, Q2 was another strong quarter.
- We will continue to intensify our efforts in Q3 and beyond, emphasizing the creation of new contacts with target companies.

#### Web Advertising Situation

- In consideration of recent results, we have tightened the budget for display advertising and allocated it to listing ads.
- However, as the results from listing ads tend to decrease with the increase in budget, a substantial budget allocation is not expected to be implemented.

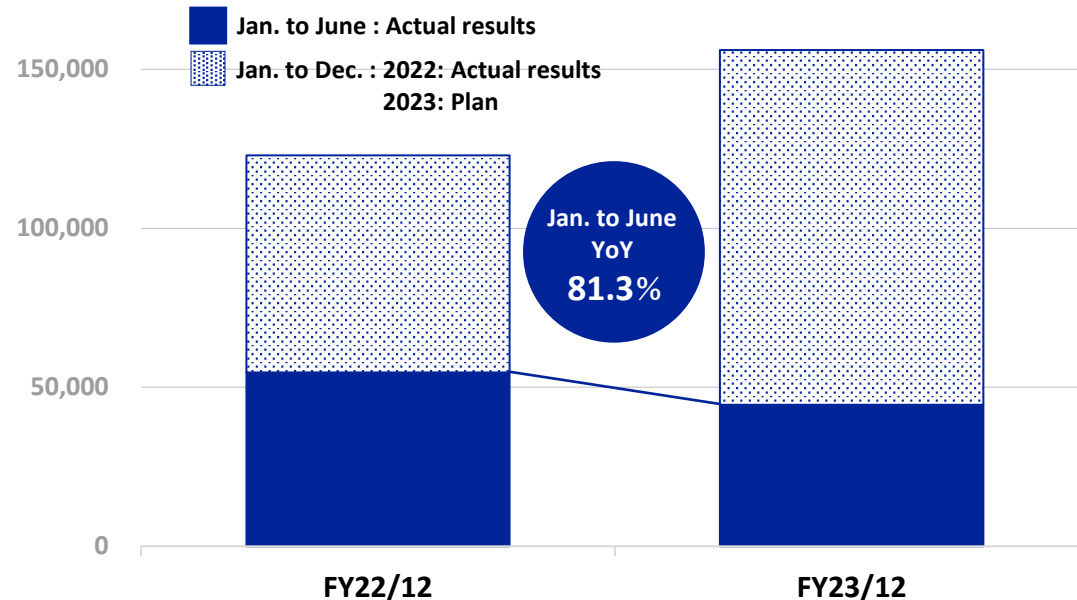


# Efforts for Customer Acquisition

## Cloud Solutions

### Advertising Expenses (CS)

(in thousands of yen)



### Rate of progress against the plan:

**28.5%** (As of June 30, 2023)

In web advertising, which constitutes a significant portion of our advertising expenses, we continued to reduce the budget in Q2, following Q1, primarily for display advertising. However, while we made investments towards achieving results, such as utilizing external partners in telephone sales, advertising expenses have decreased compared to the same period last year, since the costs were not as high as those for web advertising.

### Plans for the Latter Half of the Year

In the latter half of the year, we will continue to allocate budget to telephone sales and related activities, aiming for efficient supply of SQLs. To broaden the list of prospective customers, we will persist in considering participation in exhibitions, and as a current strategy, we will embark on the acquisition of untapped customers by leveraging seminars, direct mail, and telephone sales.

## Actions to Increase MRR

### Cloud Solutions

In addition to raising data center usage fees, we will drive initiatives for upselling and cross-selling to existing customers.

#### Increase in data center usage fees

Due to the rising costs associated with providing the cloud environment, including server expenses and electricity fees, we commenced increasing the data center usage fees for ZAC and ZAC Enterprise customers, starting in April 2023.

Please note that this matter has already been incorporated into our full-year plan, and there are no revisions to our performance outlook.

#### Proposals for Compliance with Electronic Books Maintenance Act

In preparation for compliance with the Electronic Books Maintenance Act, inquiries for the "Electronic Evidence Storage Option" have emerged from our ZAC and ZAC Enterprise clients.

As we anticipate an increase in Monthly Recurring Revenue (MRR) of 10,000 yen per order or more, along with additional revenue from installation support costs, we will intensify our proposal activities to secure orders.

#### Update for BI Option

In response to customer demands, we have added dashboard templates that enable the verification of various KPIs featured in *Knowledge Worker Management*. Additionally, we offer a mechanism that allows users to effortlessly retrieve and compile SaaS data without the need for programming.

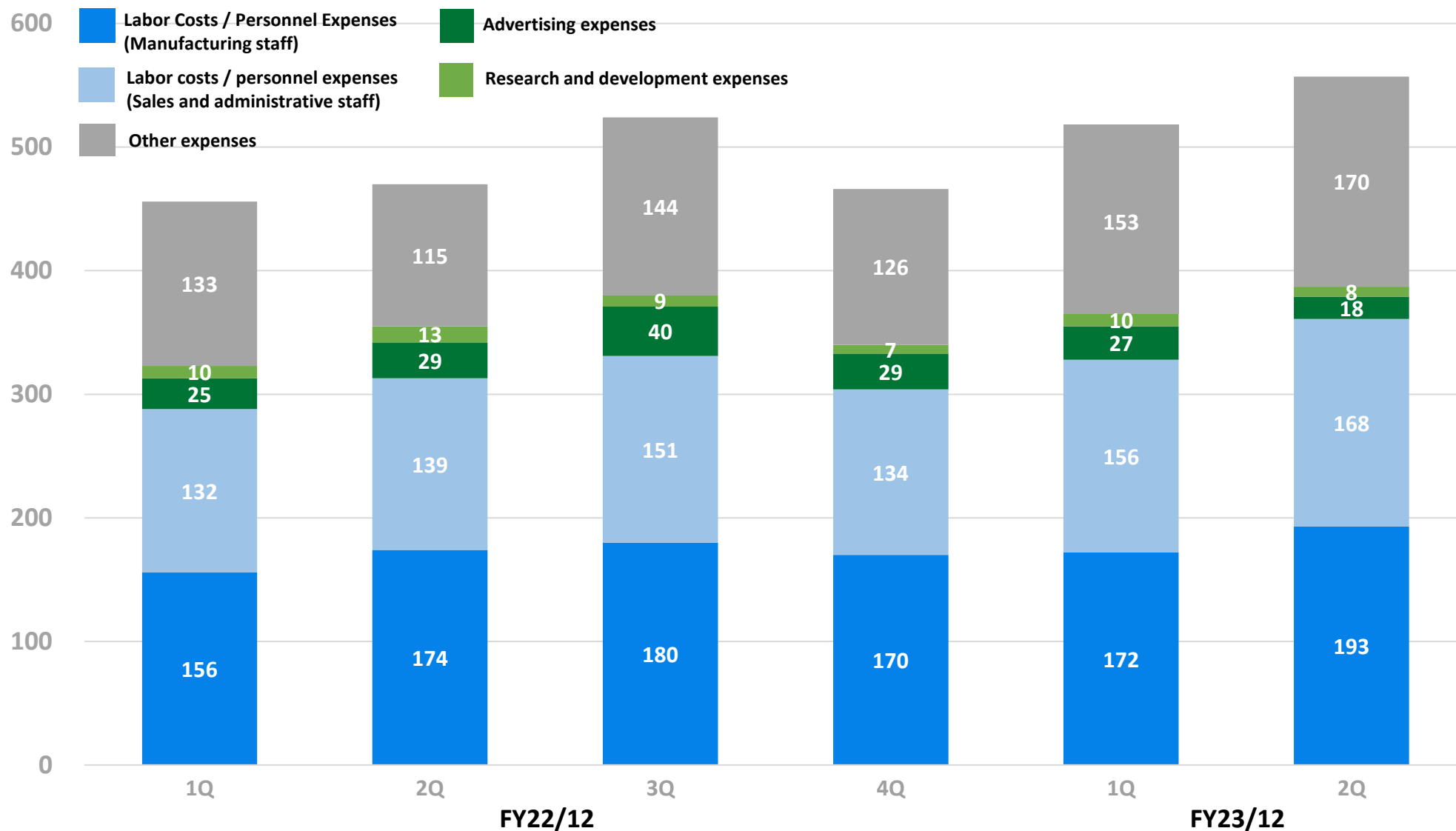
An MRR improvement of 50,000 to 70,000 yen per order and additional revenue from support fees are expected.

For further details, please refer to the following URL: <https://zac.go.oro.com/news/news-2091.html>

# Breakdown of Expenses (Consolidated)

## Cloud Solutions

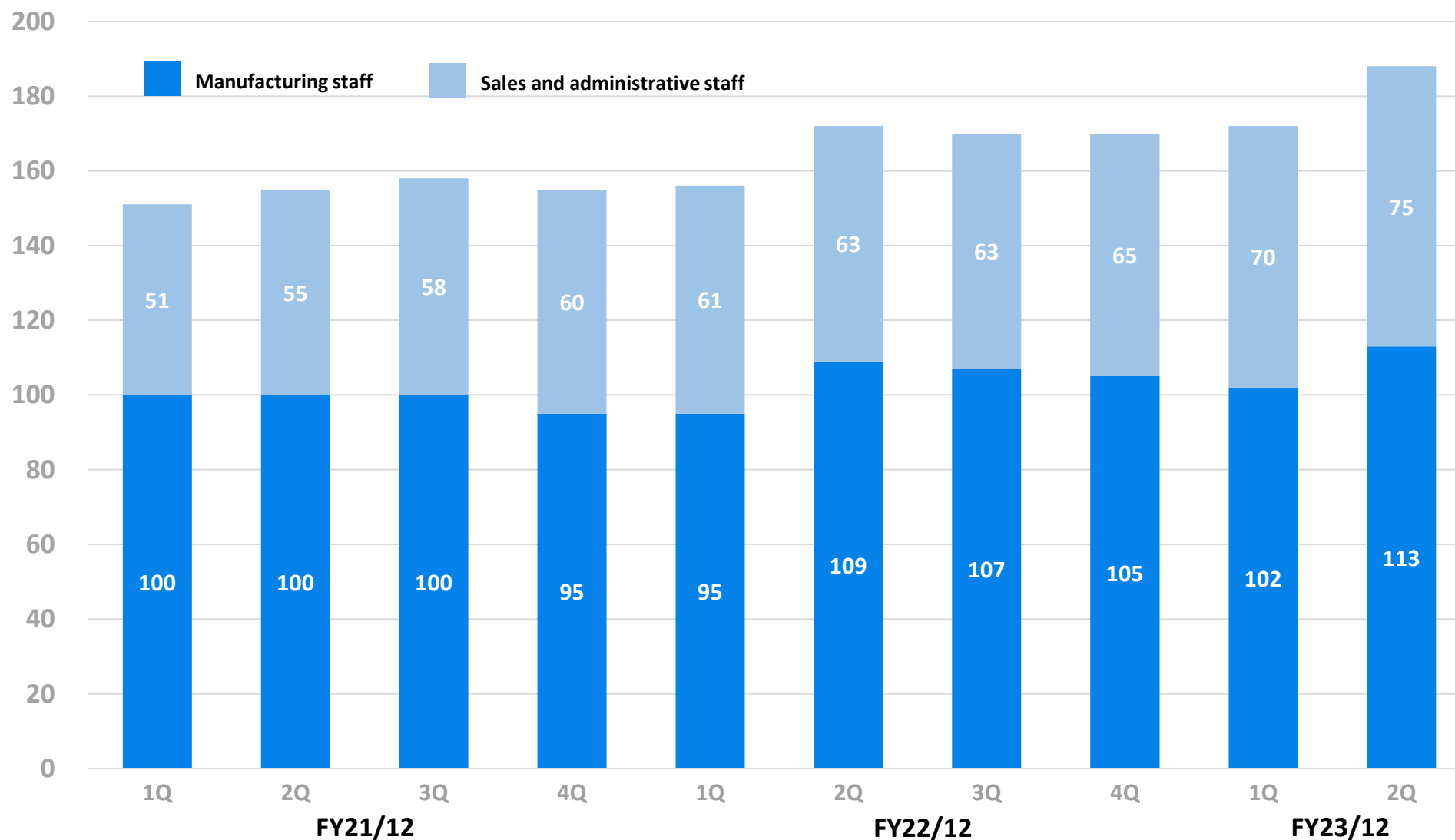
(in millions of yen)



# Breakdown of Personnel (Parent Company and Two Domestic Subsidiaries)

## Cloud Solutions

(number of employees)



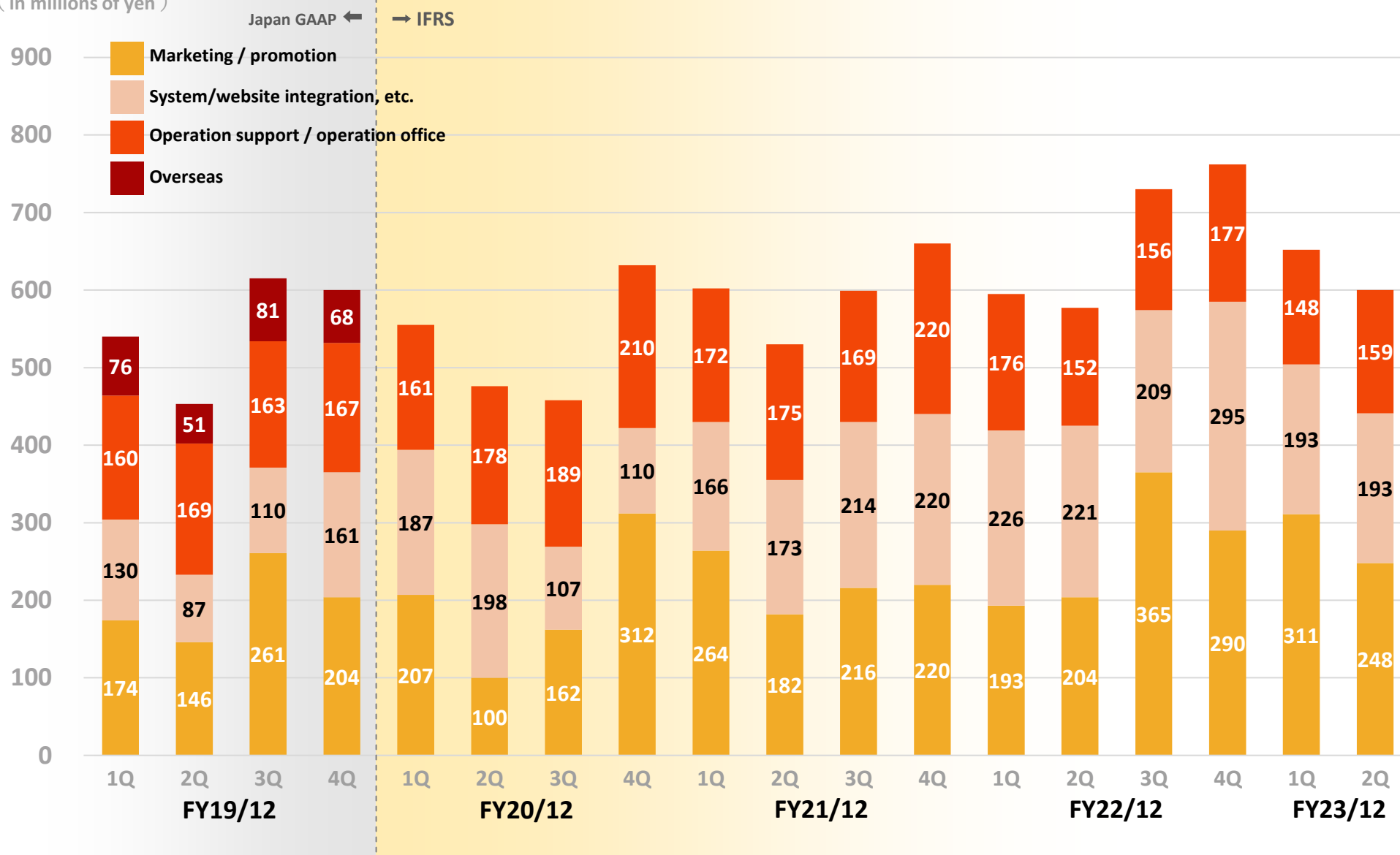
\*Starting from the second quarter of the fiscal year ending December 2023, we are disclosing the average number of employees during the quarter (rounded to one decimal place) instead of at the end of the quarter.

\* Employees of the Corporate Department and the Office of the President are not included in the graph. The two domestic subsidiaries refer to oRo Miyazaki Co., Ltd. and oRo code MOC Co., Ltd.

# Breakdown of Sales by Type of Operations

## Digital Transformation

( in millions of yen )

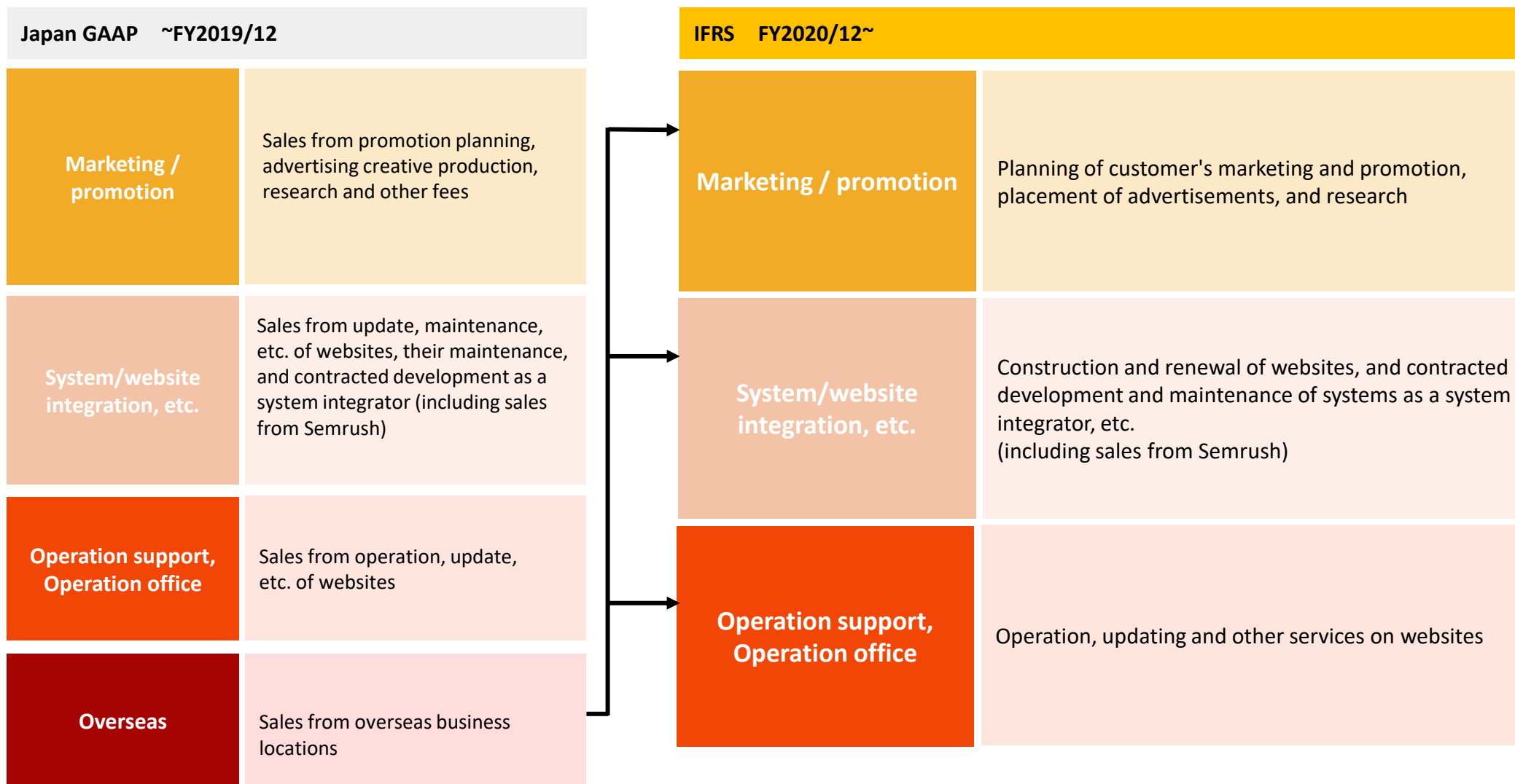


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# Composition of Sales by Type of Operations

## Digital Transformation

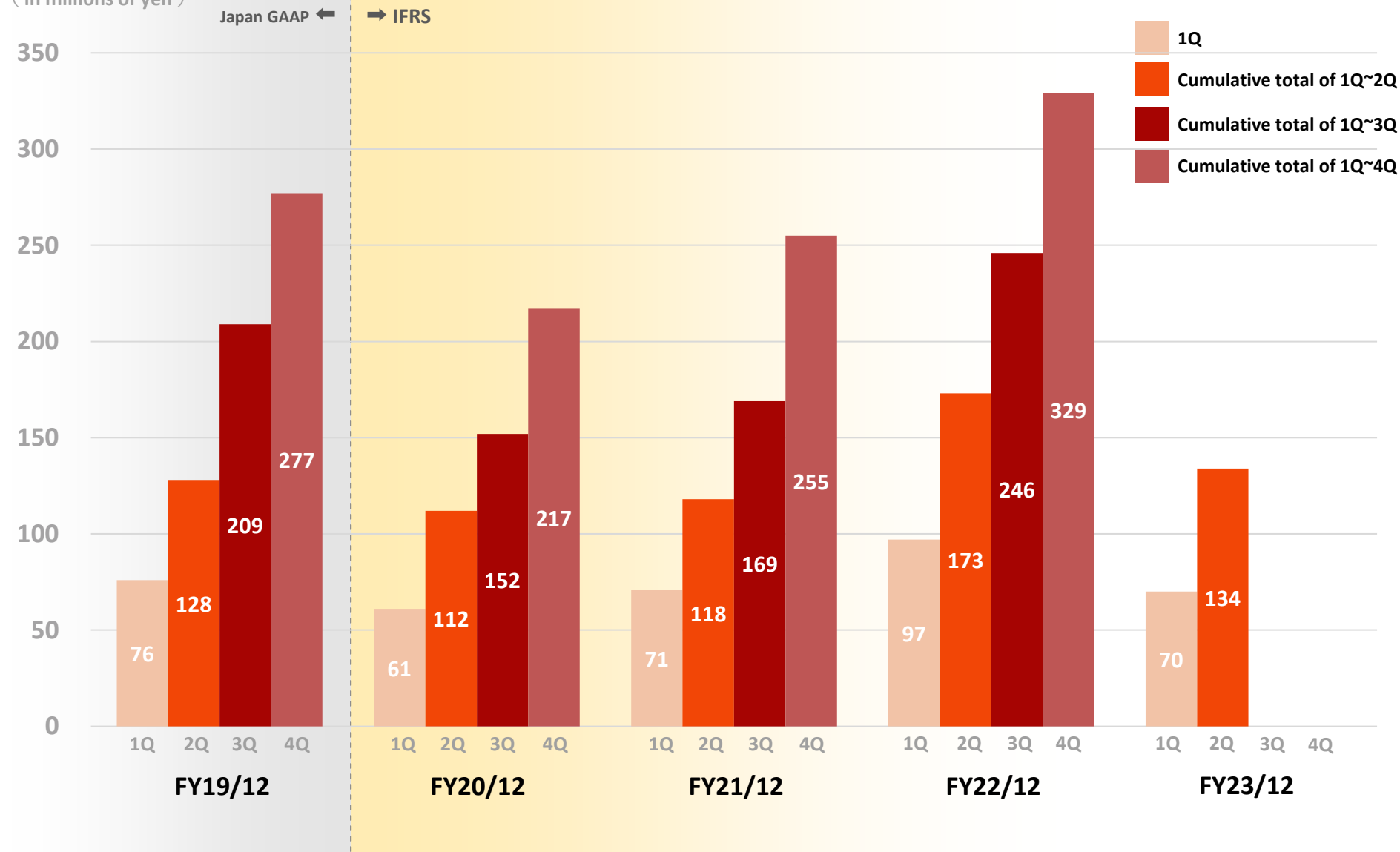


\*Upon the adoption of IFRS, sales from overseas business locations that were previously reported in a separate segment “Overseas” have been allocated to the above three segments based on the nature of their services.

# Overseas Sales

## Digital Transformation

( in millions of yen )



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## Efforts for Customer Acquisition

### Digital Transformation

Due to falling short of our new customer acquisition plan, we are advancing efforts to improve in the short and medium term.

#### Strengthen collaboration with Toppan Inc.

Since announcing our collaboration with Toppan Inc. in March 2022, we have been advancing in acquiring leads from new customers through the company.

In June, we established a dedicated team for projects with Toppan Inc. and have been enhancing our sales efforts to boost our ability to win orders from new clients.

#### In-house customer acquisition

Besides acquiring new client leads through sponsorships of events and similar engagements, we are also conducting marketing activities aimed at dormant clients. These efforts are geared toward creating opportunities for contact and proposals, with the objective of securing projects in the medium to long term.

#### Synergy with Semrush

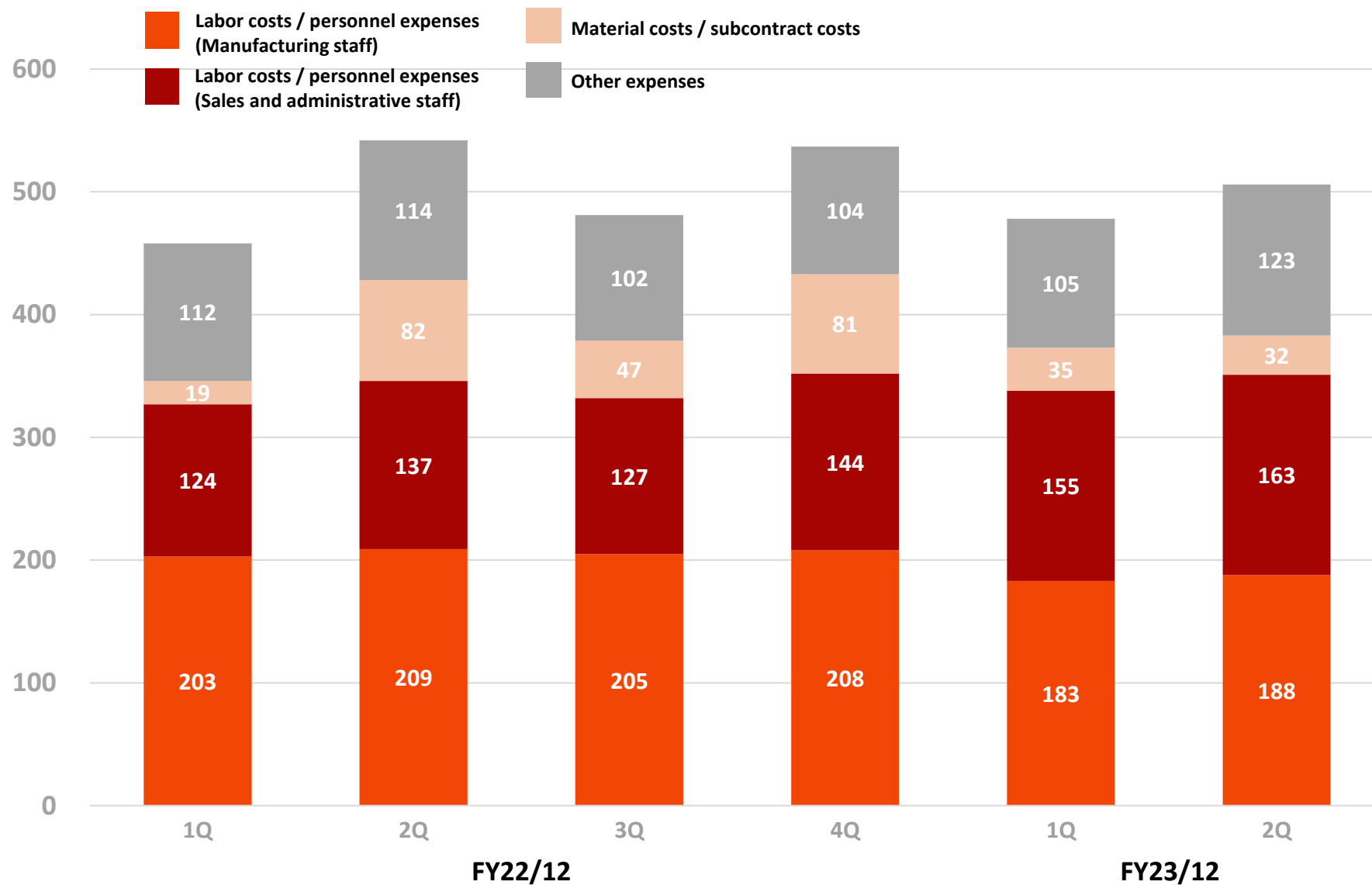
For prospects reached through Semrush's sales and marketing activities, we are preparing initiatives to propose digital marketing strategies, in addition to providing tools.



# Breakdown of Expenses (Consolidated)

## Digital Transformation

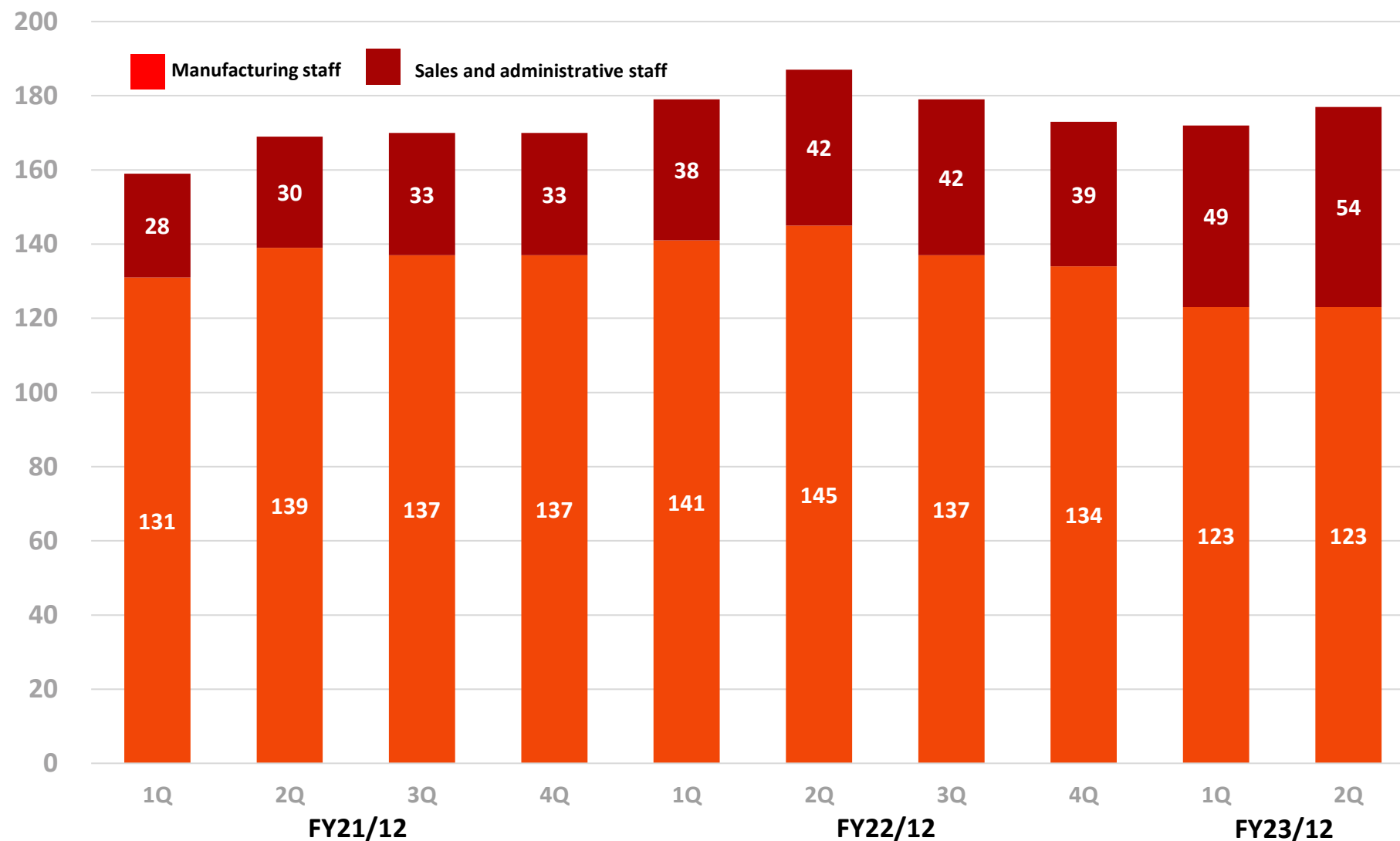
(in millions of yen)



# Breakdown of Personnel (Parent Company and Two Domestic Subsidiaries)

## Digital Transformation

(number of employees)



\*Starting from the second quarter of the fiscal year ending December 2023, we are disclosing the average number of employees during the quarter (rounded to one decimal place) instead of at the end of the quarter.

\* Employees of the Corporate Department and the Office of the President are not included in the graph. The two domestic subsidiaries refer to oRo Miyazaki Co., Ltd. and oRo code MOC Co., Ltd.

## Progress Against Full-Year Forecasts

(in millions of yen)

	FY2023/12 full-year forecasts	Q2 FY2023/12 Results	Rates of progress
Revenue	7,092	3,281	46.3 %
Cloud Solutions	4,132	2,025	49.0 %
Digital Transformation	2,959	1,255	42.4 %
Operating profit	2,380	1,175 <sup>*</sup>	49.4 %
Cloud Solutions	1,712	945	55.2 %
Digital Transformation	667	268	40.1 %
Profit before tax	2,386	1,242	52.1 %
Profit	1,656	857	51.7 %

\*Includes (38 million yen) of other profit (loss) not attributable to reportable segments.

## Profit and Loss Statement (YoY)

(in millions of yen)

	Q2 FY2022/12 (Composition ratio)	Q2 FY2023/12 (Composition ratio)	Difference	Main factors
<b>Revenue</b>	<b>2,859</b> [100.0%]	<b>3,281</b> [100.0%]	<b>422</b>	
Cost of sales	<b>1,083</b> [37.9%]	<b>1,079</b> [32.9%]	<b>(4)</b>	
<b>Gross profit</b>	<b>1,775</b> [62.1%]	<b>2,202</b> [67.1%]	<b>426</b>	
Selling, general and administrative expenses	<b>826</b> [28.9%]	<b>969</b> [29.5%]	<b>143</b>	increase in sales and administrative employees and pay raise, recruiting expenses, travel, and transportation costs, etc.
Research and development	<b>25</b> [0.9%]	<b>19</b> [0.6%]	<b>(6)</b>	
Other profit (loss)	<b>12</b> [0.4%]	<b>(38)</b> [(1.2)%]	<b>(50)</b>	settlement payment (45 million yen)
<b>Operating profit</b>	<b>936</b> [32.7%]	<b>1,175</b> [35.8%]	<b>239</b>	
Finance profit (loss)	<b>71</b> [2.5%]	<b>67</b> [2.0%]	<b>(3)</b>	
<b>Profit before tax</b>	<b>1,007</b> [35.2%]	<b>1,242</b> [37.9%]	<b>235</b>	
<b>Profit</b>	<b>691</b> [24.2%]	<b>853</b> [26.0%]	<b>161</b>	
<b>Profit attributable to owners of the parent</b>	<b>684</b> [24.0%]	<b>857</b> [26.1%]	<b>172</b>	

## Statement of Financial Position (vs. End of Previous Fiscal Year)

(in millions of yen)

	As of Dec 31, 2022	As of June 30, 2023	Difference		As of Dec 31, 2022	As of June 30, 2023	Difference
Current assets	9,408	9,852	443	Total liabilities	3,708	3,536	(171)
Non-Current Assets	1,637	1,585	(52)	Current liabilities	3,288	3,212	(75)
Property, plant and equipment	828	738	(89)	Non-current liabilities	420	324	(95)
Intangible assets	70	89	18	Total equity	7,337	7,900	563
Other	738	757	18	Equity attributable to owners of the parent	7,331	7,897	566
Total assets	11,045	11,437	391	Non-controlling interests	6	2	(3)
				Total liabilities and equity	11,045	11,437	391

### 【 Major components of current liabilities 】

	As of Dec 31, 2022	As of June 30, 2023	Difference
Contract liabilities	1,801	1,842	40
Income tax payable	475	369	(105)
Trade and other payable	403	365	(38)

## News Release

**Apr 25 SaaS management tool “dxeco” adds custom field function**

Custom management fields can be added to SaaS contracts, centralizing information

**May 17 “dxeco” recognized as tool eligible for subsidies for the introduction of IT 2023**

**May 23 ZAC & Reforma PSA Certified for 2023 Subsidies for Introduction of IT**

**June 13 ZAC Wins “Good Service” in ERP Category at BOXIL SaaS AWARD Summer 2023**

**June 14 “dxeco” linked to GMO Trust Login**

**July 4 “dxeco” introduces custom notification feature**

Over 100 types of Slack and email notifications, such as contract renewals and team changes, are now user-configurable

**July 14 Case Study: Kyushu's Leading ICT Firm “City Ascom” Enhances Management through ZAC Implementation**

**July 25 ZAC Substantially Updates QuickSight Linkage Option**

60+ dashboard templates reflecting *Knowledge Worker Management* expertise are available

\* Amazon QuickSight is a trademark of Amazon.com, Inc. or its affiliates in the United States and/or other countries.

# New Business

## SaaS management tool “dxeco”

“dxeco” visualizes contract information, usage status, account information, and Shadow IT for SaaS applications used within companies. It enables cost optimization of SaaS usage, management and understanding of security risks, and streamlining of account inventory tasks.



- With the Google Chrome extension, information about tools used by employees is automatically collected.
- New features are being continuously added.
- The API has been released, and numerous integrations with other companies' products have been published (as of August, 2023).

\* Although the monetization of the business is expected to take some time, we are focusing on enhancing the features, such as reflecting user companies' feedback into the product.

## Case study

### Pre-implementation Challenges

- Inability to comprehensively track internal SaaS account information
- Difficulty in understanding SaaS adopted and managed at the department level

### Post-implementation Impact

- Creation of a comprehensive management ledger without gaps through API and CSV integration
- Capability to gain a comprehensive understanding of all SaaS in use across the company, including Shadow IT

**02**

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# **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

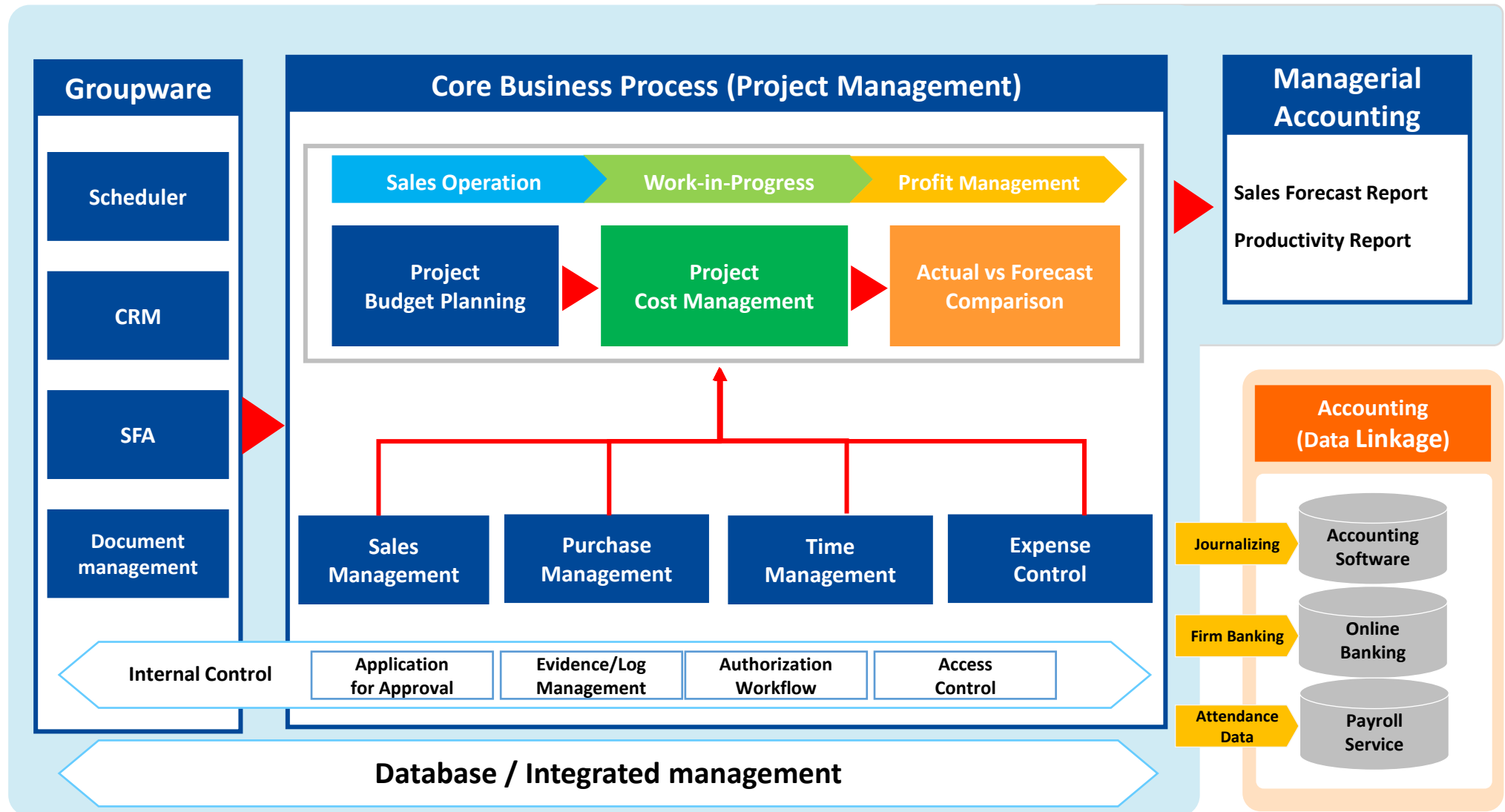


### Cloud PSA “Reforma PSA”

- 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



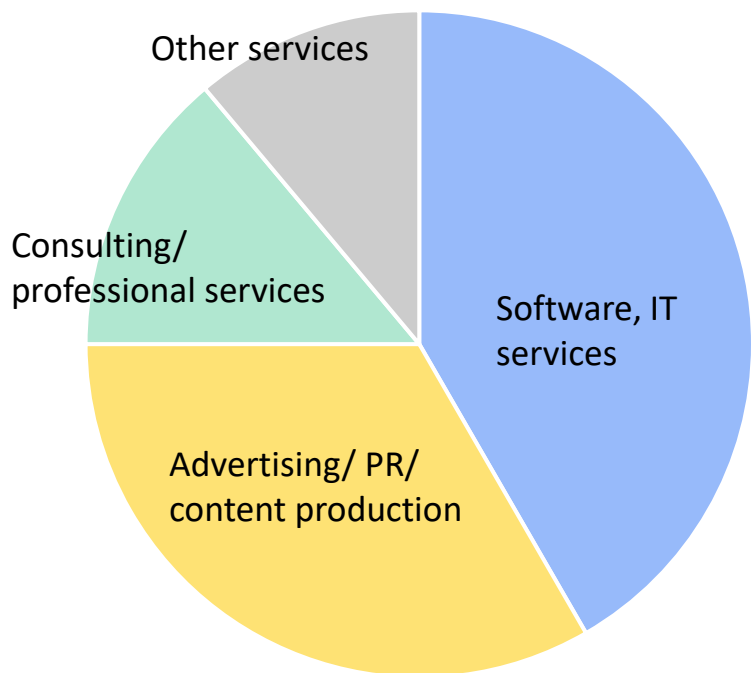
\* Reforma PSA provides some of ZAC's key features.

# Industry-Specific ERP

## Cloud Solutions

ZAC has been implemented in a cumulative total of over 900 companies, primarily in the software, IT services, and advertising industries.

(As of June 30, 2023)



Recently, orders from the software and IT services industries have increased. Approximately 40% of the total number of orders received come from the IT service industry, and 30% come from the advertising industry.

### Software/system development, and IT services



### Advertising/PR/content production



### Consulting/professional services



### Other services





# Industry-Specific Integrated ERP

## Cloud Solutions

ERP systems can be broadly categorized into single-function general-purpose systems that can be used across multiple industries, and **multi-function integrated systems** that combine a variety of industry-specific functions.

ZAC / Reforma PSA is a **multi-function integrated system** specifically designed for the IT services, advertising, and consulting industries, addressing the unique needs and challenges of each of these sectors.

### Positioning Map by Industry/Business Domain

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

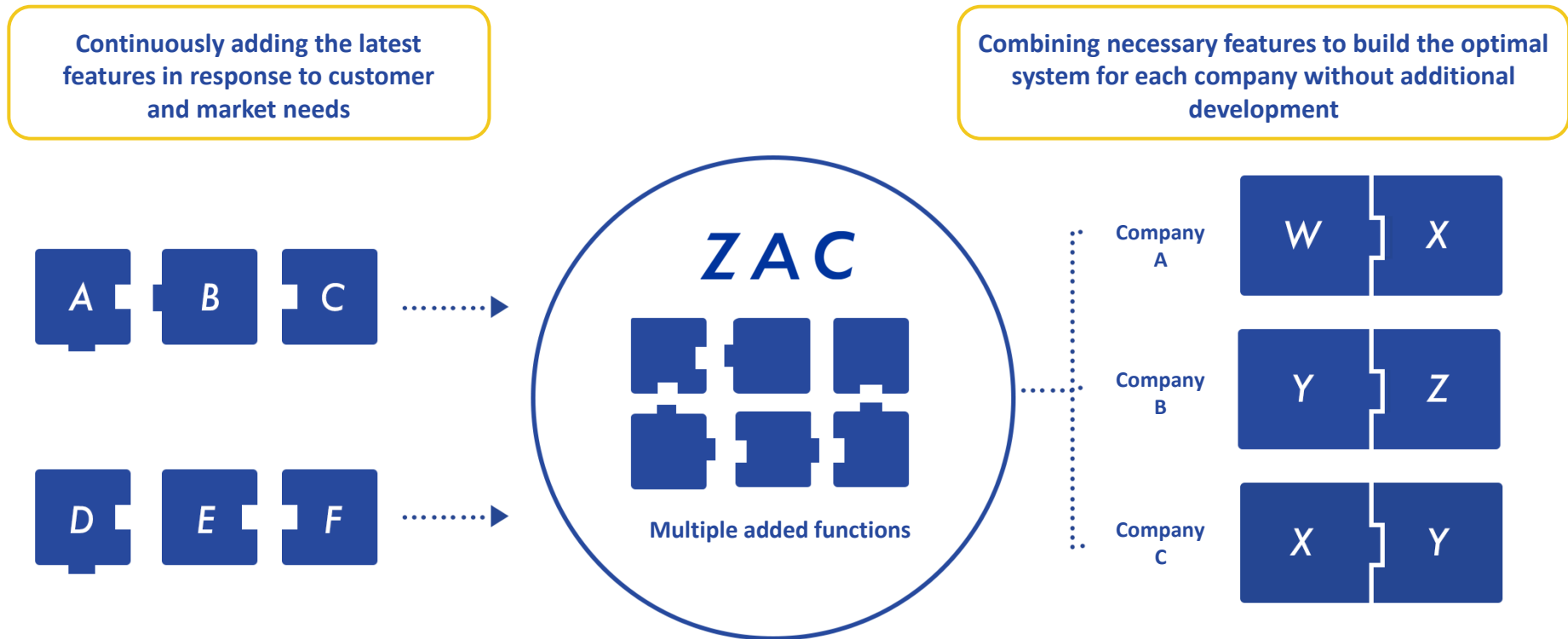
Vertically integrated system capable of outputting a management report combining the pieces of data spanning across multiple operational domains

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

Since 2006, we have accumulated approximately 2,000\* parameters (functional components) to meet unique customer demands.



### Advantages of industry-specific parameter design

**POINT1** (From the customer's perspective) Access to a customized system at a low cost and with a short delivery time, making specification changes, such as adding new features, easier

**POINT2** (From our perspective) Ability to horizontally deploy new features or functionality developed for individual customers, resulting in efficient sales proposals and feature delivery

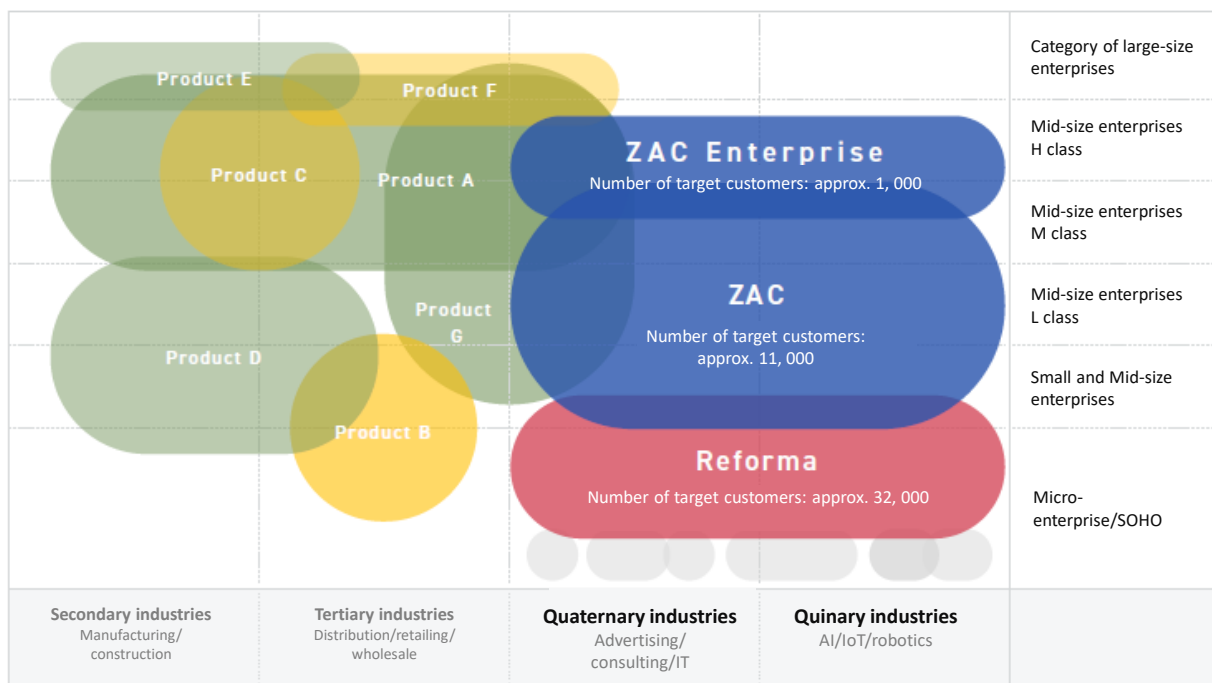
\* We provide about 2,000 functional parameters in ZAC and about 13,000 functional parameters in ZAC Enterprise.

# Size of Target Market in Japan and Medium-Term Goal for ZAC/Reforma PSA Cloud Solutions

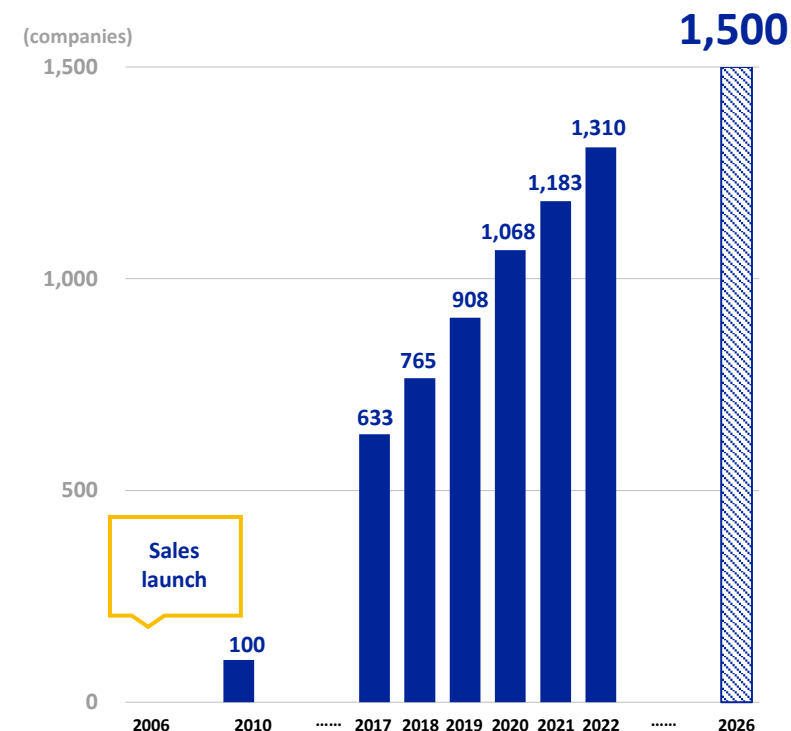
Aiming to expand the market share of ZAC / Reforma PSA on a cumulative basis to 3,000 companies out of approx.

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



Target: 1,500 companies by 2026, 3,000 companies by 2030

\* 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 FY2021/12, we have worked out numbers using data extracted from the database of FORCAS (Uzabase), not the database of Teikoku Databank used until FY2020/12, to raise the accuracy of numbers as to target industries.  
\* The numbers above represent the cumulative numbers of companies that introduced ZAC and/or Reforma PSA solutions,

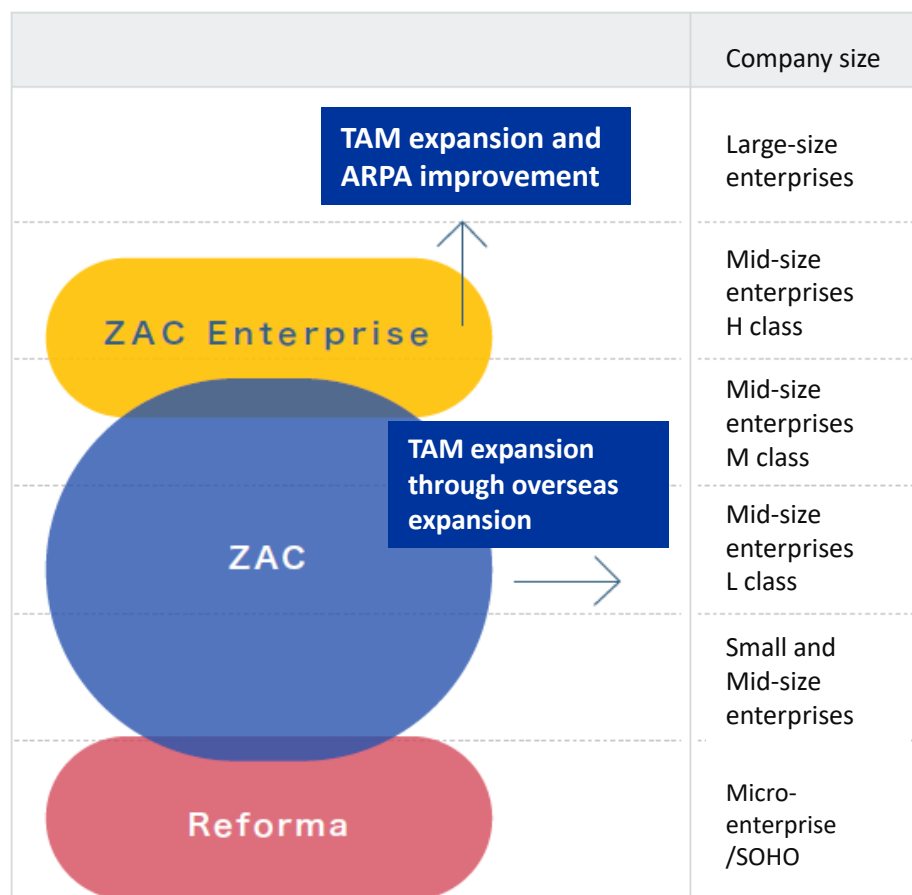


# Strengthen Development for Further Market Expansion

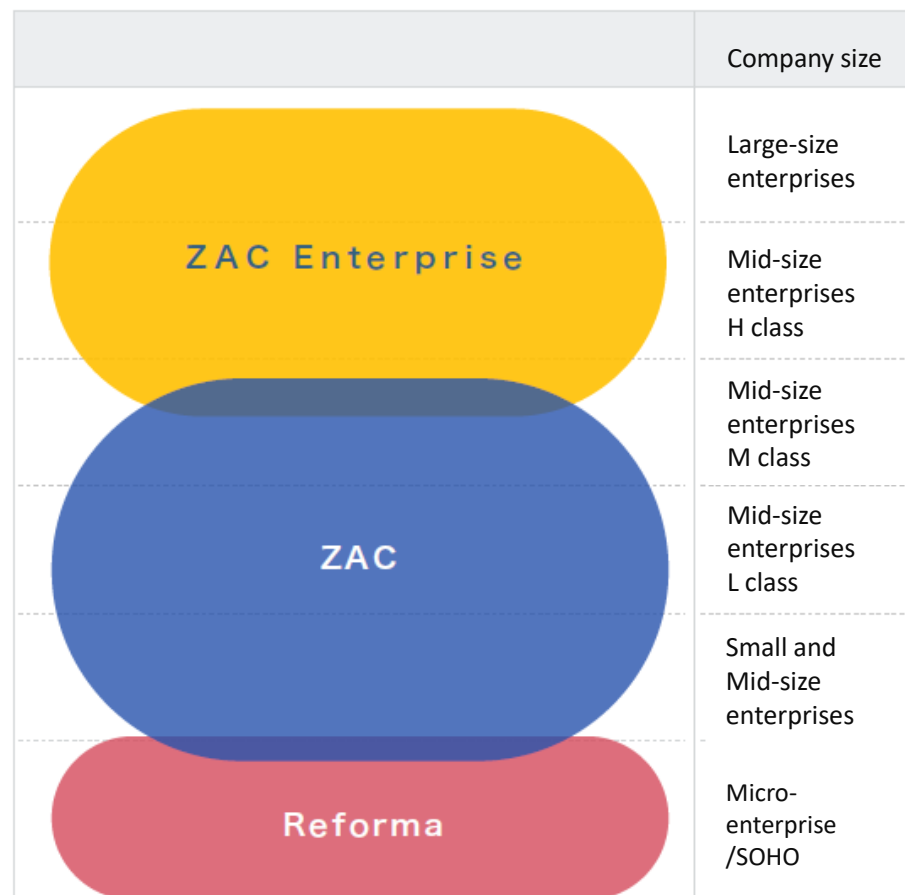
## Cloud Solutions

We will review our system configuration and enhance our internationalization functions to propose solutions to large enterprises with 10,000 employees and small- to medium-sized enterprises located overseas by 2026.

2021



2026

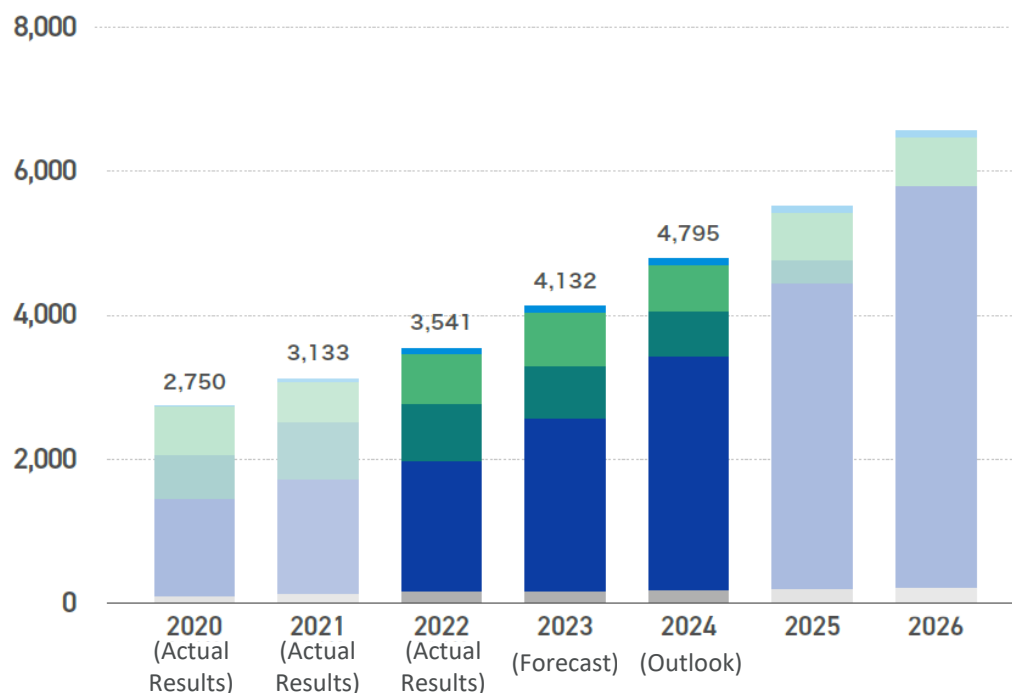


# Changes in Revenue and Revenue Targets in the Following Segments

## Cloud Solutions

Since one-time purchase-type contracts have been abolished from January 1, 2023, “ZAC license fees (one-time purchase-type contracts)” are not expected to accrue after 2026. On the other hand, the growth rate of “maintenance fees, SaaS and other monthly service fees” will accelerate after 2023.

(in millions of yen)



- **Other products, etc.**  
 Sales as an agent of software developed by other vendors
- **ZAC ERP installation consultation,**  
 Installation support service related to “ZAC” and additional development required at the time of installation
- **ZAC license fee (one-time purchase-type contract)**  
 Sales of software license  
 The discontinuation of one-time purchase-type contract is expected to cause a decrease in 2025, with revenue from this format expected to disappear entirely by 2026
- **Maintenance fee, and SaaS and other monthly service fees**  
 Maintenance of systems, provision of cloud environment and monthly service on SaaS agreement, with regard to “ZAC”  
 Due to the discontinuation of One-time Purchase-type contracts, revenue from licenses sold after FY2023/12 will be recognized in this segment (as licenses are sold under SaaS-type contracts).
- **Reforma PSA**  
 Provision of monthly license for “Reforma PSA”

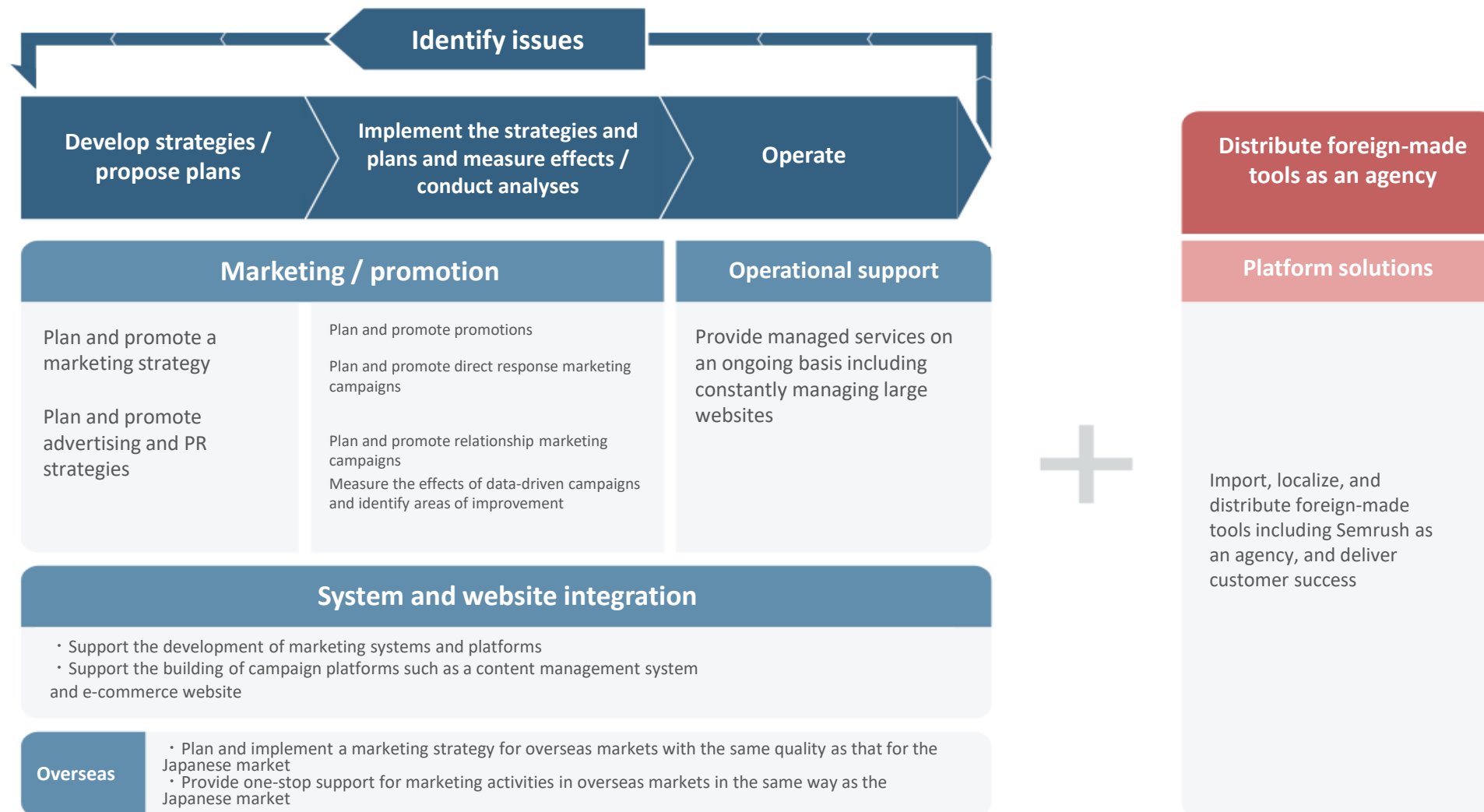
# Digital Transformation

# 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.

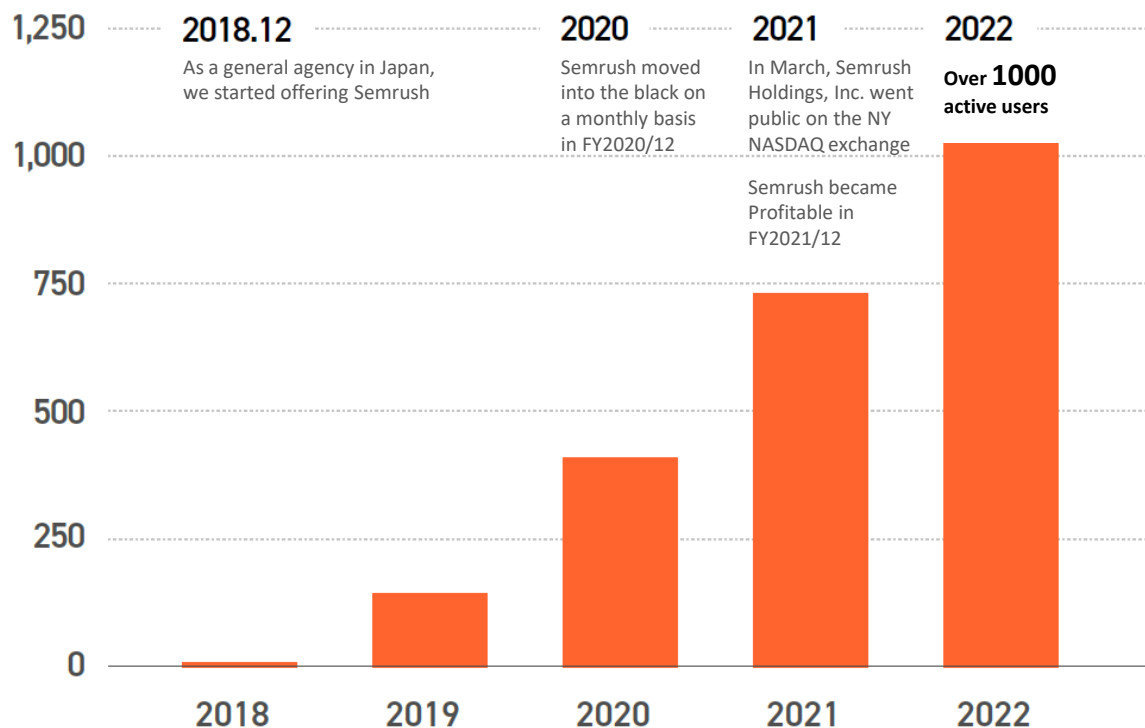




All-in-one competitive analysis tool that enables competitive research and analysis in SEO, ads, and social media

**Number of Active Users\***

(active users)



\* Active users exclude free trial users and canceled users.

**Semrush**

**The World's Largest Digital Marketing Tool**

(10 million Registered Account in the world)

※As of June 2022

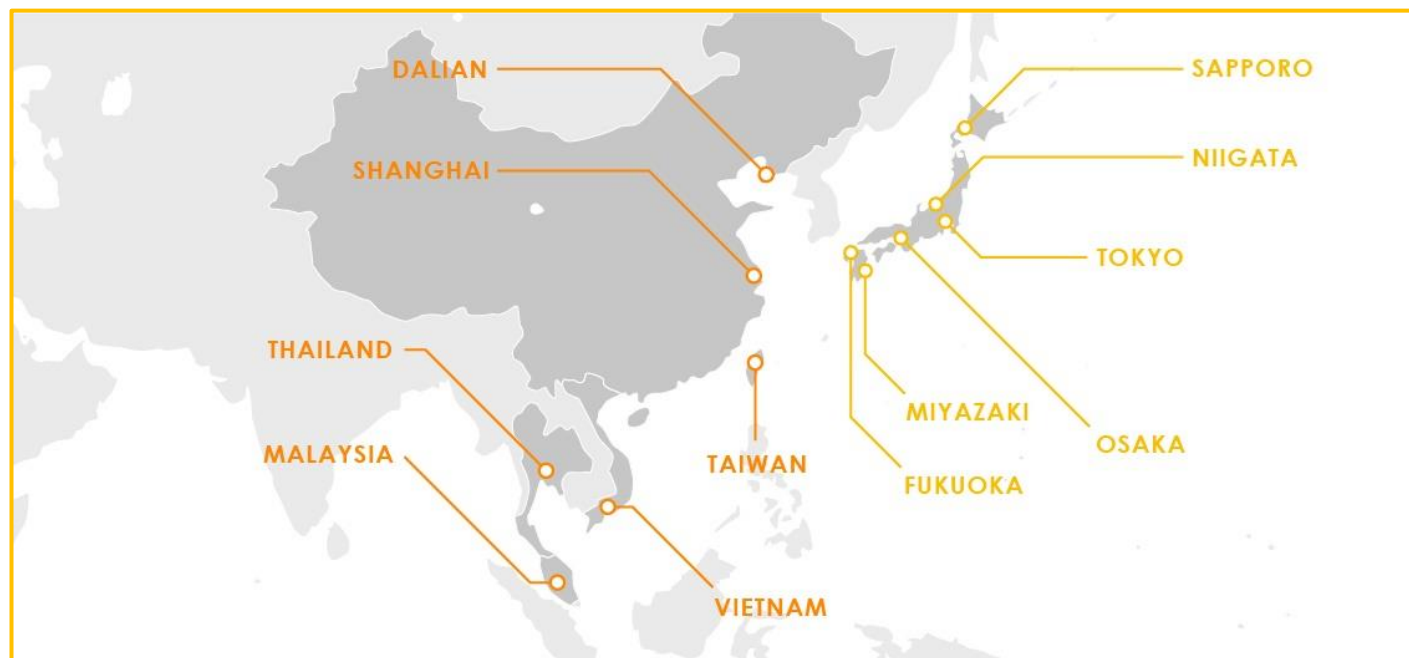
**Monthly Subscription Business Model**

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

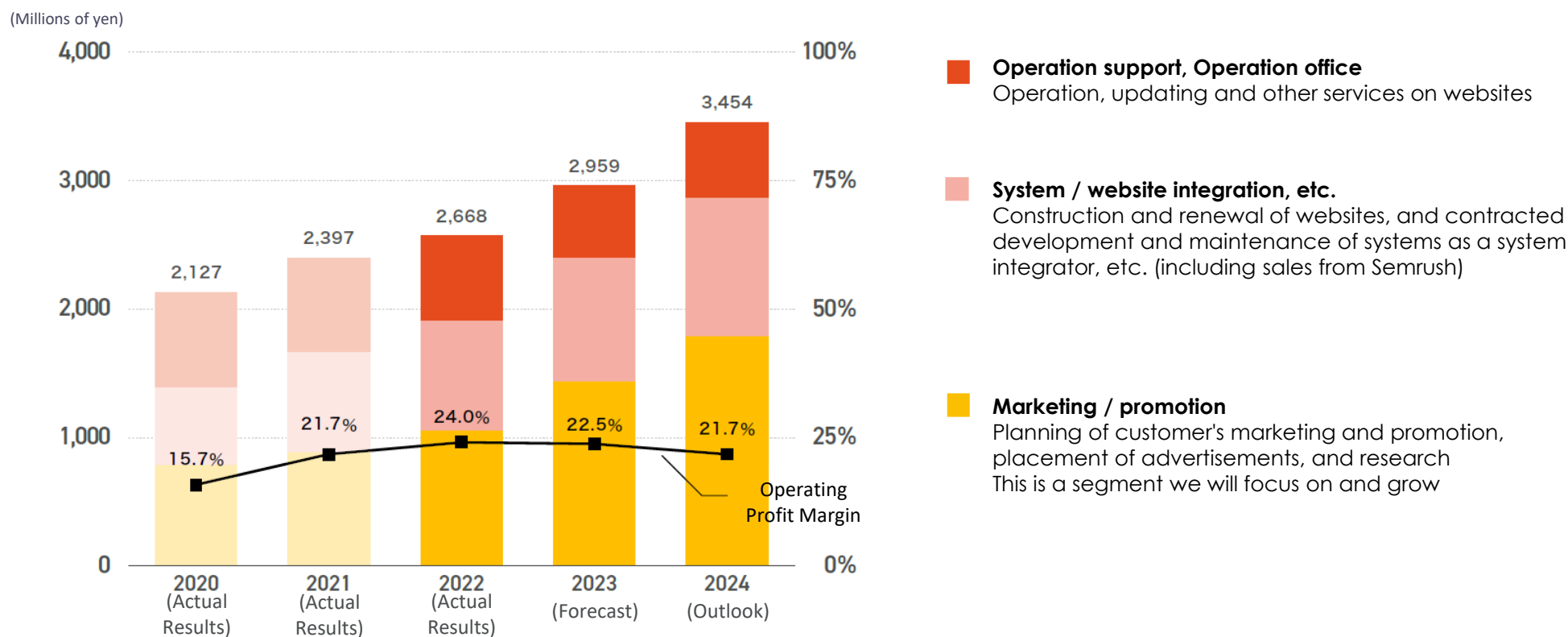
## Inbound demand to be back on track as COVID-19 infections begin to settle down

Preparing for a full recovery of inbound demand from 2025

# Changes in Revenue, and Revenue and Operating Profit Targets in the Following Segments

## Digital Transformation

While targeting an operating margin of around 20%, we are focusing on growing the marketing and promotion segment in particular.



**03**

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## **Company profile**



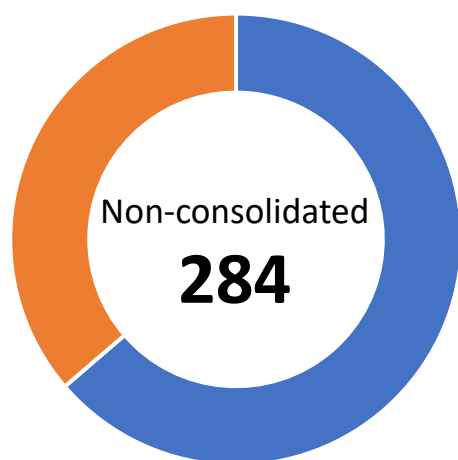
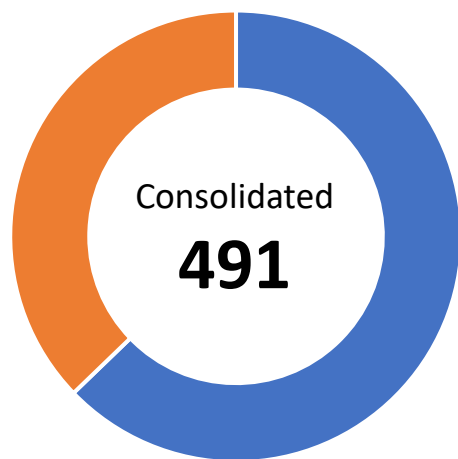
## Company Profile

Company name	oRo Co., Ltd.
Listed Exchange	Tokyo Stock Exchange Prime Market (Code: 3983)
Representative	Representative Director, President and 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"><li>• Development and sales of cloud-based ERP “ZAC”</li></ul> Digital Transformation (DX) <ul style="list-style-type: none"><li>• Support for corporate marketing activities</li></ul>
Employees	Non-consolidated 284 / Consolidated 491 (as of June 30, 2023)
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

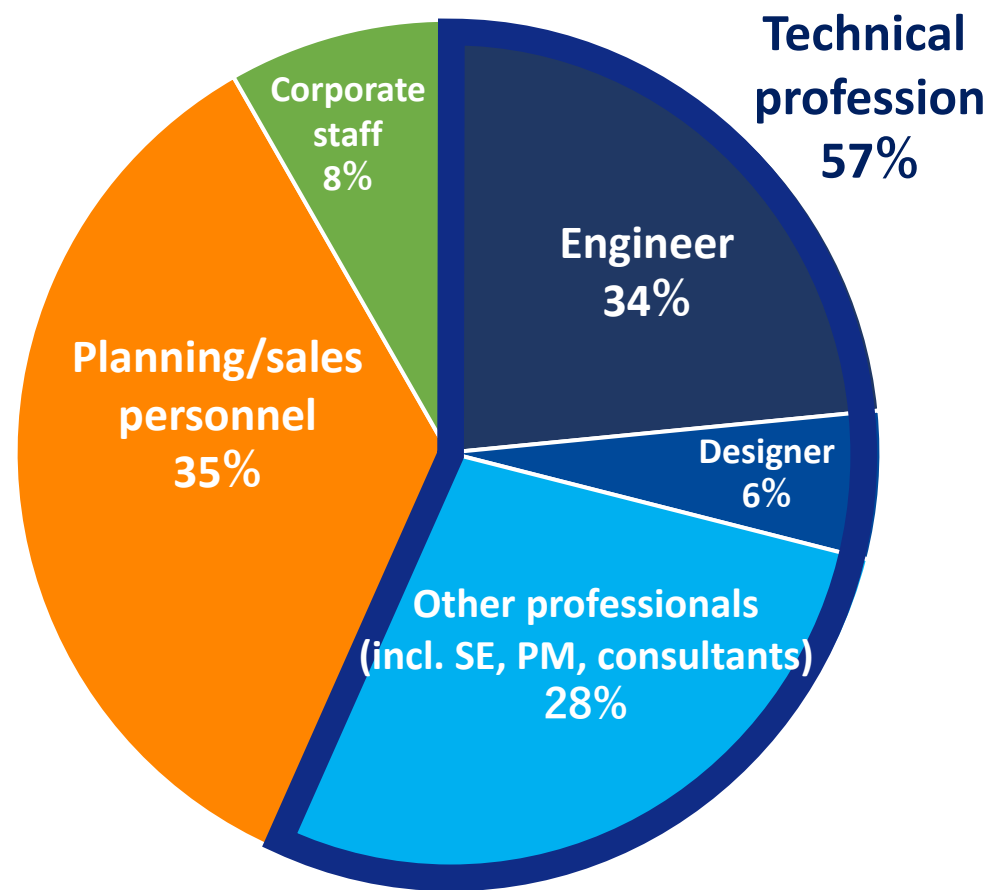
Organizational structure designed to drive creation of solutions through “Technology x Creative”

Split between manufacturing and sales personnel



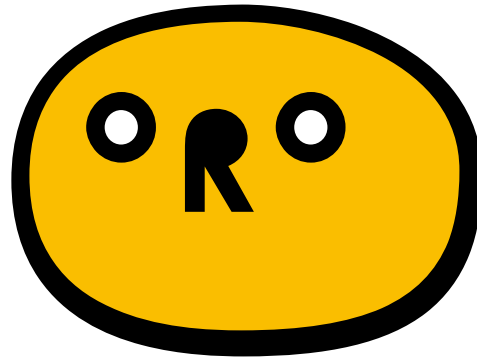
(As of June 30, 2023)

Breakdown by job type (non-consolidated)



(As of June 30, 2023)

## 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.*

# Material Issues

## Sustainability initiatives

To realize our corporate philosophy, we have identified the three categories of material issues that we must address in order to achieve sustainable growth: business, human resources, and environment .



Realizing our corporate philosophy requires our own sustainable growth in the first place. Our growth cannot be achieved without delivering more happiness and joy to co-workers, families, business partners, shareholders, and society at large.

For this reason, ORO will engage in corporate activities to realize its corporate philosophy by aligning its initiatives for the three materiality categories of **Business**, **Human Resources**, and **Environment** from the perspective of sustainability, while monitoring the progress of these initiatives.

## Human Resources Initiatives (1/2)

### Sustainability initiatives

We are taking steps to ensure diversity in accordance with the oRo GROUP HUMAN RESOURCES POLICY. To ensure diversity in our core human resources, we aim to achieve a ratio of female managers of “15% by 2027.”

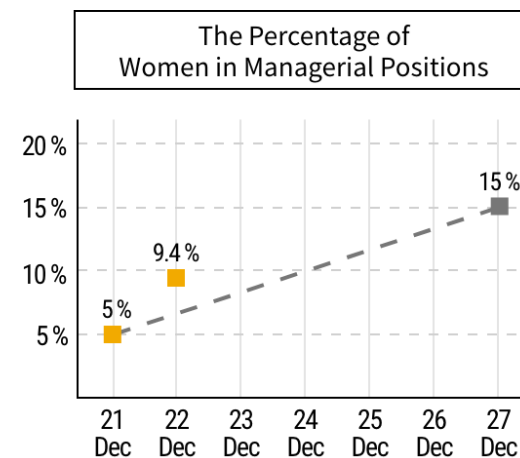
#### oRo GROUP HUMAN RESOURCES POLICY

oRo's goal is to continuously develop creative and autonomous human resources and therefore to deliver more happiness and joy to more people through creation of organization, products, and services.

1. We do not discriminate on the basis of race, creed, gender, social status, nationality, disability, employment type, age, religion, etc.
2. We evaluate our employees/ business partners fairly and treat them appropriately.
3. We respect diversity. We will create a culture where everybody can think on their own, demonstrate their abilities and creativity, and achieve self-fulfillment.
4. We pursue the physical and mental well-being of our employees and their family, and support career development, health, and personal fulfillment.

#### Raising the percentage of women in managerial positions

In March 2022, we announced a target of having women make up “10% of managerial positions by 2027.” By the end of 2022, we reached 9.4% through internal promotions and hiring of senior managers. In light of the progress made, we revised the target upward to “15% by 2027” in February 2023.



## Human Resources Initiatives (2/2)

### Sustainability initiatives

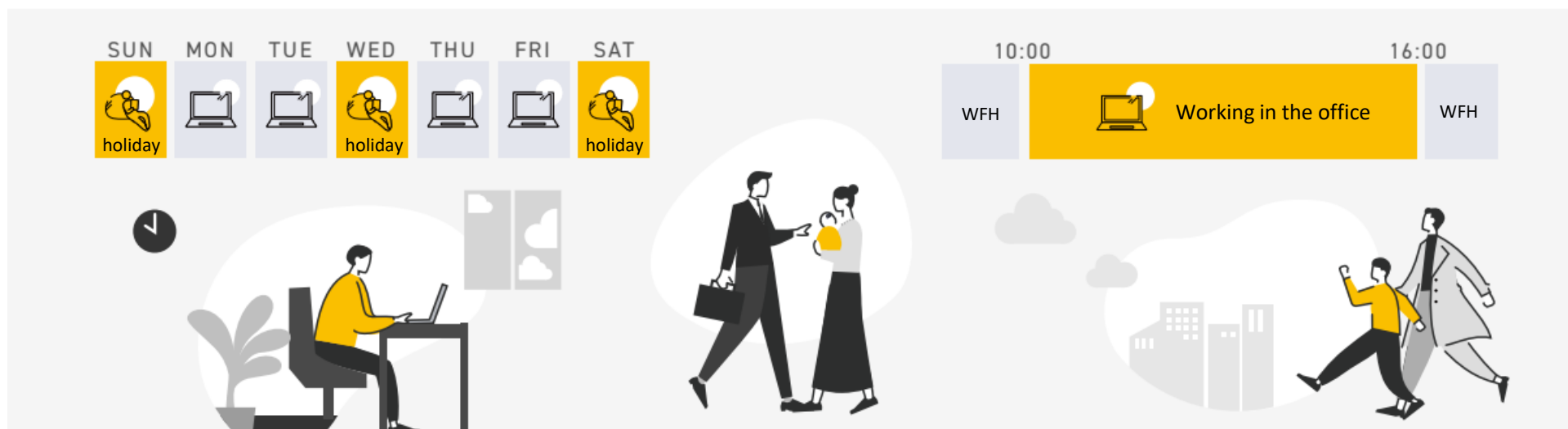
We promote “Health & Productivity Management” so that our employees can play an active and vigorous role in the company. As part of this effort, we have made it possible for employees to choose diverse and flexible work styles so that they can achieve self-fulfillment.

#### Selective four-day work week “Sun Life”

This system allows applicants to choose between an 8-hour or 10-hour work day and adopt a four-day work week. Eligible employees can choose Tuesday, Wednesday, or Thursday as their additional day off.

#### Childcare support system “Core Life”

Our childcare support system allows employees to work flexible hours at the office from 10:00 to 16:00, and to choose whether to work at the office or home for the remaining hours of the day. By supporting work-life balance, we aim to help employees manage family and childcare responsibilities.



\* Our company has certified as a Health & Productivity Management Outstanding Organization 2023 (Large Enterprise Category) for the second consecutive year, and oRo Miyazaki and oRo code MOC were also certified in the Small and Medium-Sized Enterprise Category. And also we have received the “Kurumin” certification, which is awarded by the Japanese Ministry of Health, Labour and Welfare to companies that actively support employees in balancing work and family life.

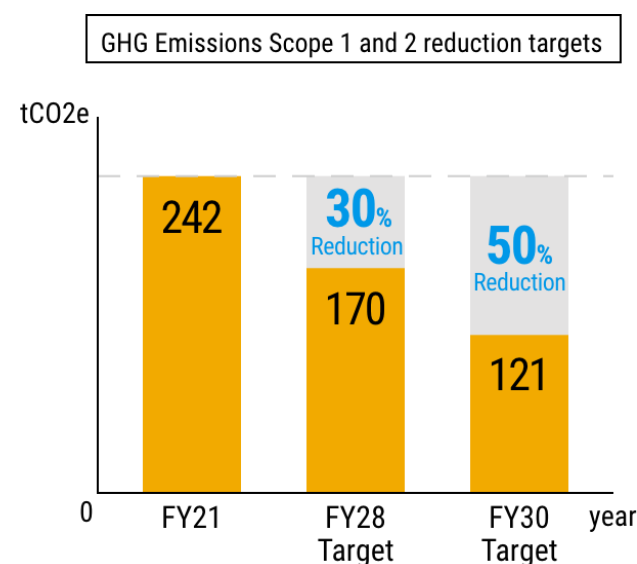
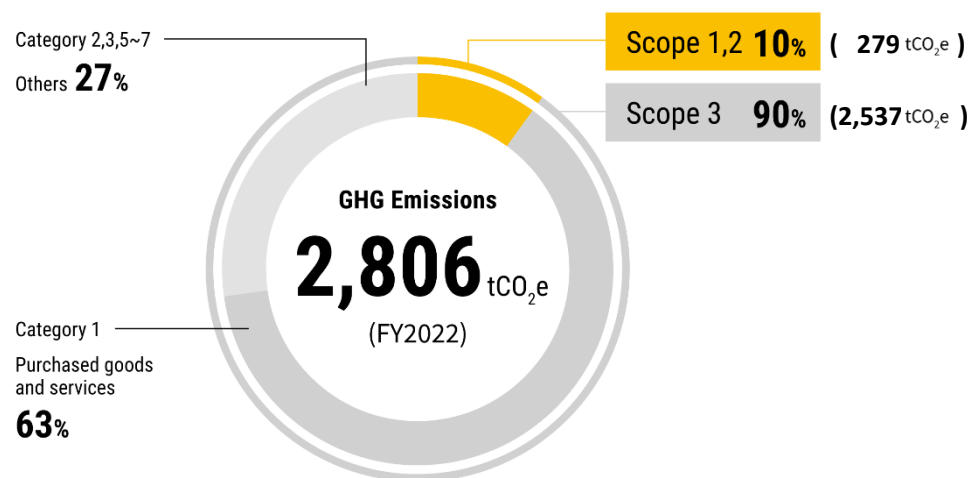
# Environment Initiatives

## Sustainability initiatives

We believe that climate change will affect the growth of our business in the medium to long term. As we advance our business, we will also work to reduce greenhouse gas emissions and environmental impacts.

### Greenhouse gas emissions and reduction targets

Our GHG emissions in FY2022/12 were 2,806 tCO<sub>2</sub>e. We believe we can reduce Scope 1 and 2 emissions, which include our direct emissions and electricity use, through our own efforts. We will continue to implement specific measures, such as energy conservation, with the goal of achieving a 50% reduction\* by 2030.



\* The targets are set with 2021 as the base year and Scope 1 and 2 as the targets.

### Status of other initiatives

We have conducted a climate change scenario analysis based on TCFD recommendations and published the results on our website.

<https://www.oro.com/en/ir/sustainability/environment/>

# 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.
- Financial data stated in this presentation material are shown according to Japanese generally accepted accounting principles unless specified otherwise.
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