FY2023/12

Financial Results

oRo Co., Ltd.   Code: 3983

February 14, 2024

Index

FY2023/12
Financial Results Highlights

01

FY2023/12 Financial Results Highlights

FY2023/12 Consolidated Financial Results

		YoY
Revenue	7,033 million JPY	+13.2%
Operating Profit	2,547 million JPY	+11.4%

Cloud Solutions (CS)

	million JPY	YoY
Revenue	4,299	+21.4%
Operating Profit	1,981	+22.6%

- Secured large contracts led to accelerated growth in maintenance, SaaS, and monthly fees, especially from Q3.

- Proposals made to existing customers for the Qualified Invoice-Based Method (the Invoice System) have boosted ZAC installation support and customization revenue in Q2 and Q3.

Digital Transformation (DX)

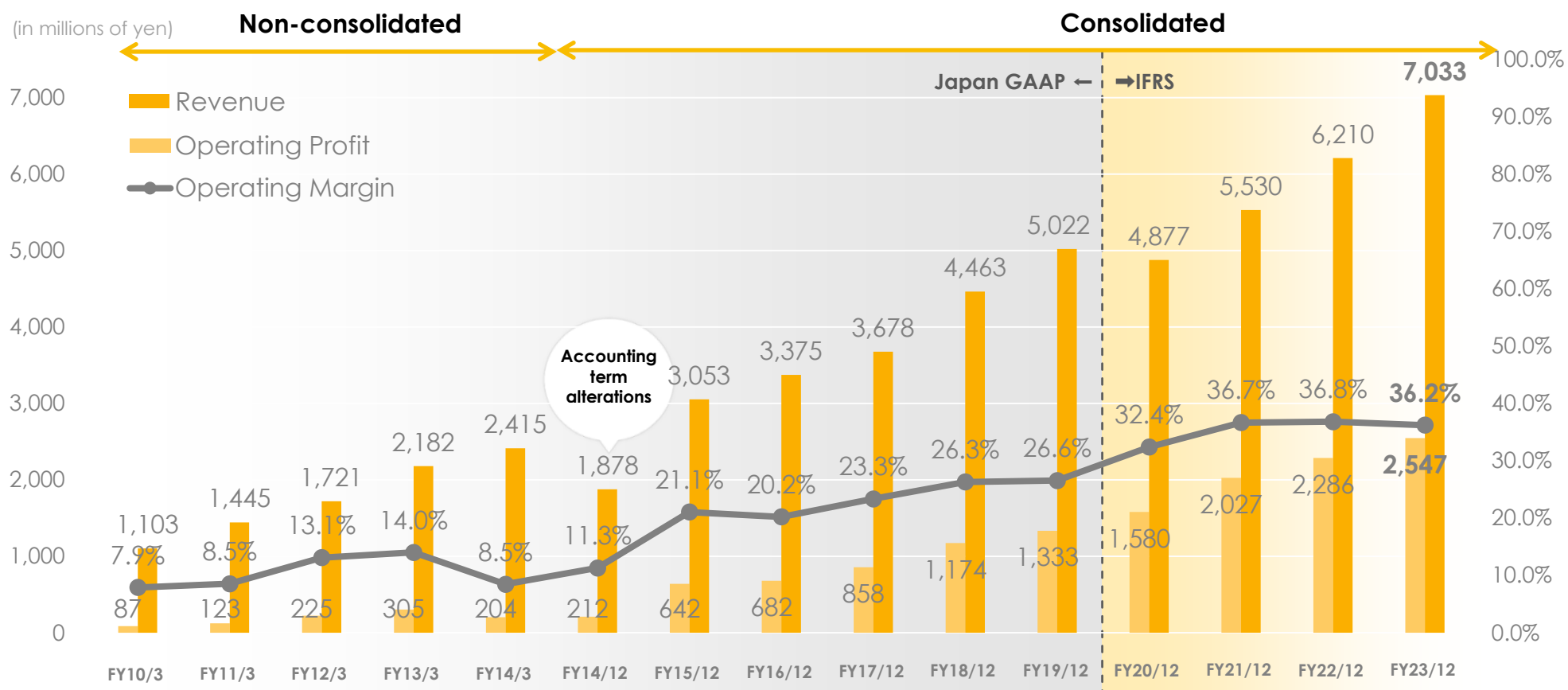|	million JPY	YoY
Revenue	2,733	+2.4%
Operating Profit	566	-11.7%

- Aggressive recruitment of experienced sales personnel led to upfront costs. Although revenues exceeded those of the previous year, operating profit was below the previous year's level.

- Recruitment at the top management level, especially of executive officers, was particularly successful. With progress made in restructuring strategies, a turnaround is planned for FY2024/12.

Dividends and Payout Ratio (Consolidated)

Dividend Policy

We emphasize the constant pursuit of increasing corporate value and returning profits to shareholders.

To ensure stable returns for our shareholders and sustainable growth of the company, our dividend policy involves periodic review to comprehensively assess our performance, financial condition, and future business development.

Additionally, with regards to acquiring treasury shares, we will conduct a comprehensive evaluation that considers the need for flexible capital policies in response to the management environment and the impact on our financial structure.

For this fiscal period, we anticipate **a dividend of 30 yen per share, an increase of 10 yen from the previous dividend.**

Planned dividends for FY2023/12

Record date	Dividend per share		
	Q2	Fiscal year-end	Total
Fully-year planned result （FY2023/12 revised）	0.00yen	30.00yen	30.00yen

Trend in Adjusted dividend per share and payout ratio (consolidated)
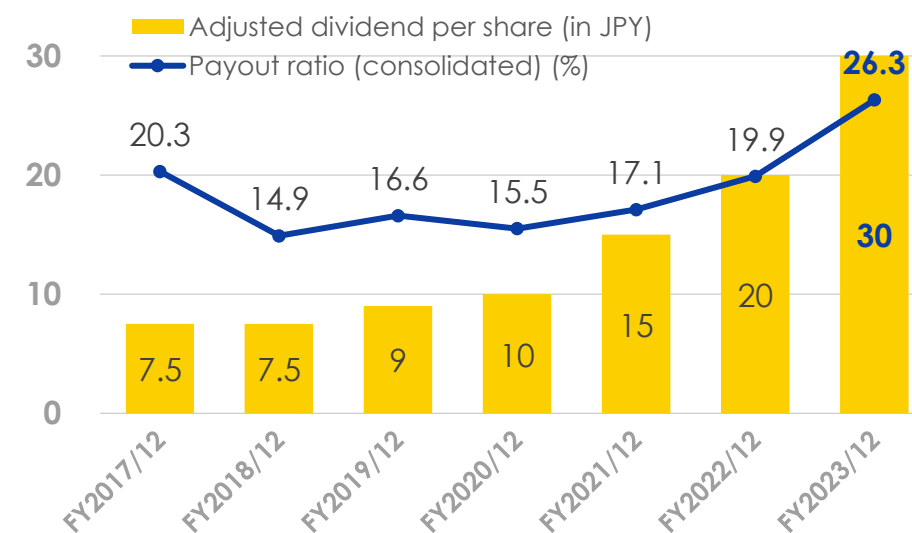
Breakdown of Revenue by Business Segment

Steady growth in SaaS-type contracts with large new customer acquisitions and monthly fees

QoQ -3.7% due to the impact of the completion of the invoice system support in Q3, but the business landed at +21.4% in YoY.

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

Cloud Solutions

Breakdown of Revenue by Business Segment

Before (Japan GAAP)　~FY2019/12	
New customers	Sales from licensing at the start of an agreement
	Sales from installation support and sales from additional development required at the time of installation(*2)
Existing customers (one-off)	Sales from licensing accompanied with changes in functionality and the number of users
	Sales from installation support accompanied with changes in management policies and functionality, and sales from additional development
Existing customers (recurring)	Providing system maintenance(*2), provision cloud environment(*2), and sales from monthly licensing of SaaS agreement
Reforma PSA	Sales from monthly license fees for Reforma PSA

Additional installation support and development

Net sales of Other companies' products, etc.

After (IFRS)　FY2020/12~	
ZAC license fee	Sales of software license(*1)
Maintenance fee, and SaaS and other monthly service fees	Maintenance of systems(*2), provision of cloud environment(*2) and monthly service on SaaS agreement, with regard to "ZAC"
ZAC ERP installation consultation, customization	Installation support service related to "ZAC" and additional development required at the time of installation
Reforma PSA	Provision of monthly license for "Reforma PSA"
Other products, etc.	Sales as an agent of software developed by other vendors

*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.

Trend in the Number of Active Licenses

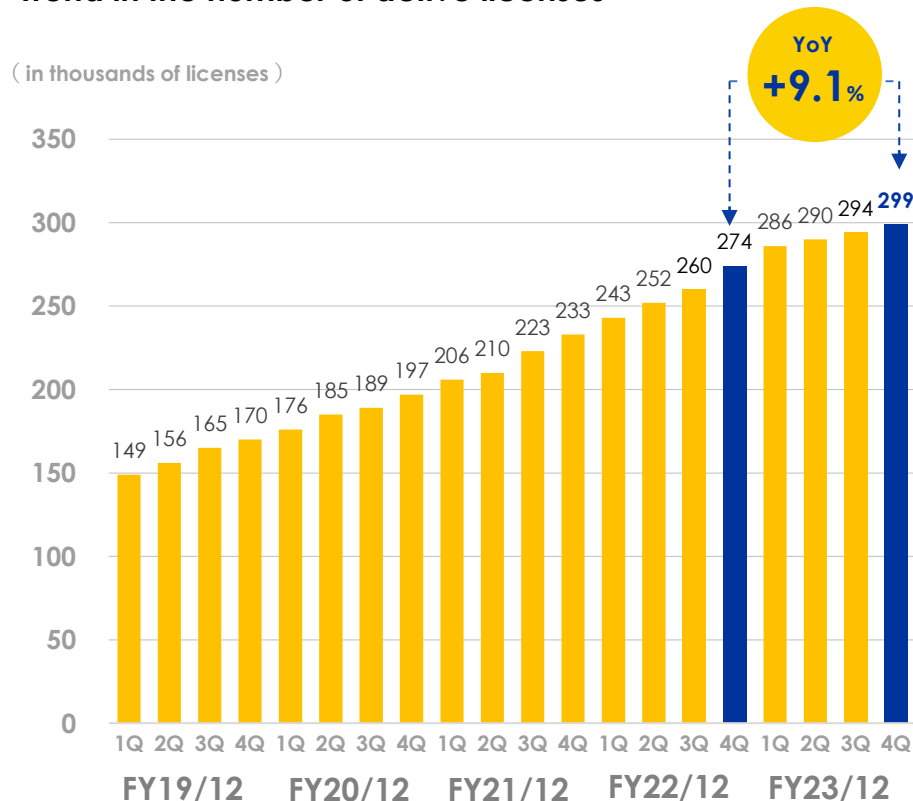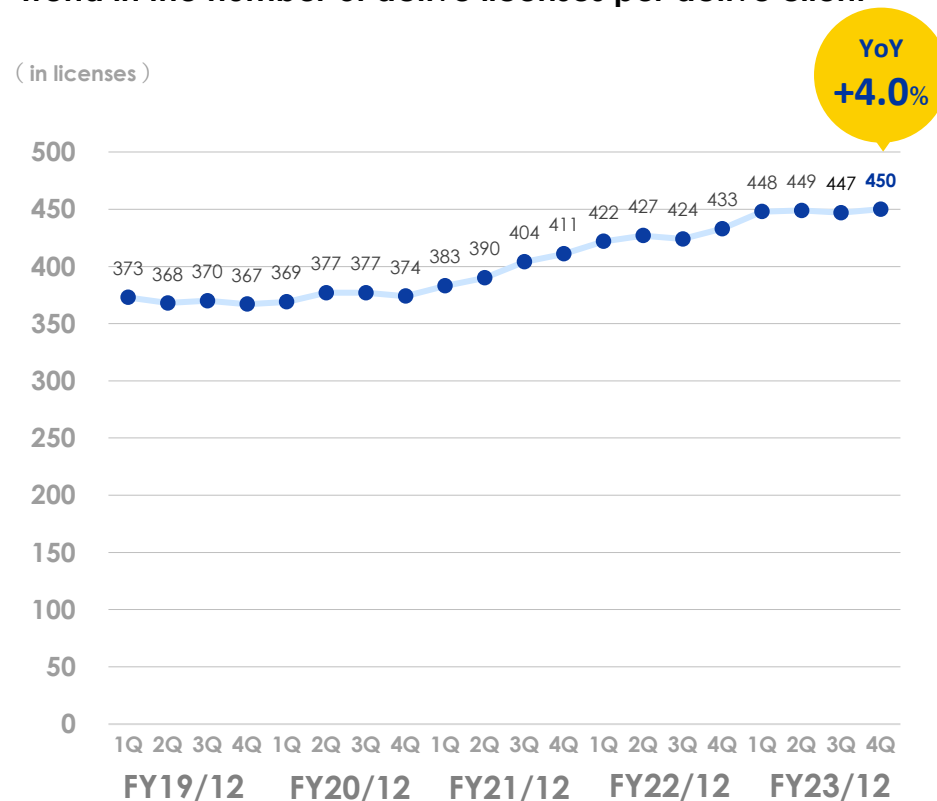**Continued growth in the number of contracted licenses through the acquisition of new customers and increased in business with new and existing customers**

Trend in the number of active licenses

（in thousands of licenses ）

YoY
+9.1%

350
300
250
200
150
100
50
0

149 156 165 170 176 185 189 197 206 210 223 233 243 252 260 **274** 286 290 294 **299**

1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
FY19/12				**FY20/12**				**FY21/12**				**FY22/12**				**FY23/12**			

Trend in the number of active licenses per active client

（in licenses ）

YoY
+4.0%

500
450
400
350
300
250
200
150
100
50
0

373 368 370 367 369 377 377 374 383 390 404 411 422 427 424 433 448 449 447 **450**

1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
FY19/12				**FY20/12**				**FY21/12**				**FY22/12**				**FY23/12**			

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

* For existing customers transitioning from ZAC Enterprise to ZAC, there was a double counting of contracted license numbers.
  Consequently, we have adjusted the data in both charts starting from the first quarter of FY2020/12 onwards to correct this.

Cloud Solutions

Trend in MRR

Continued acquisition of new large contracts remains strong, with MRR showing steady growth
Grow +29.3% YoY and +3.7% QoQ

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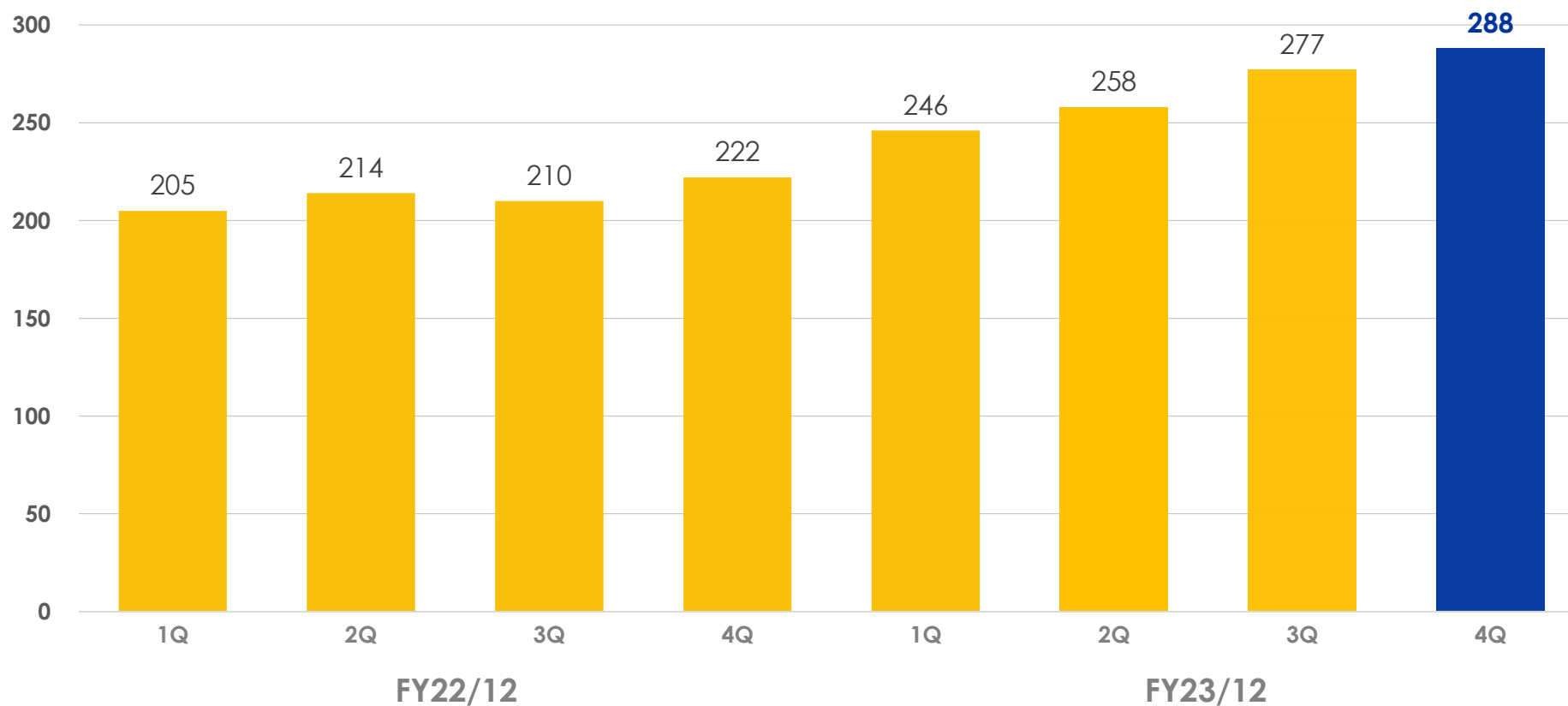
*MRR: Stands for Monthly Recurring Revenue, which is the regular monthly revenue. It is calculated as the total sum of "ZAC License Fees" and "Maintenance Fees, SaaS, and Other Monthly Service Fees" for the last month of the respective quarter.

Monthly Churn Rate, the Numbers of New Contracts and Churns

Trend in Monthly Customer Churn Rate

The trend remains steady, hovering around 0.3%; starting FY2024/12, enhanced support for client ZAC adoption.
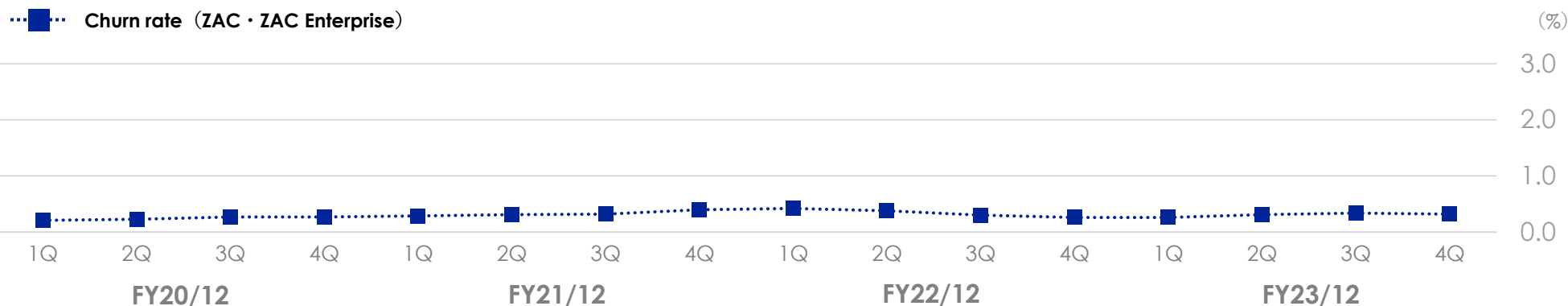
*Monthly churn rate: churn rate calculated by moving average of monthly churn customers / customers at beginning of the month for the last 12 months

Trend in the Number of New Contracts and Churns

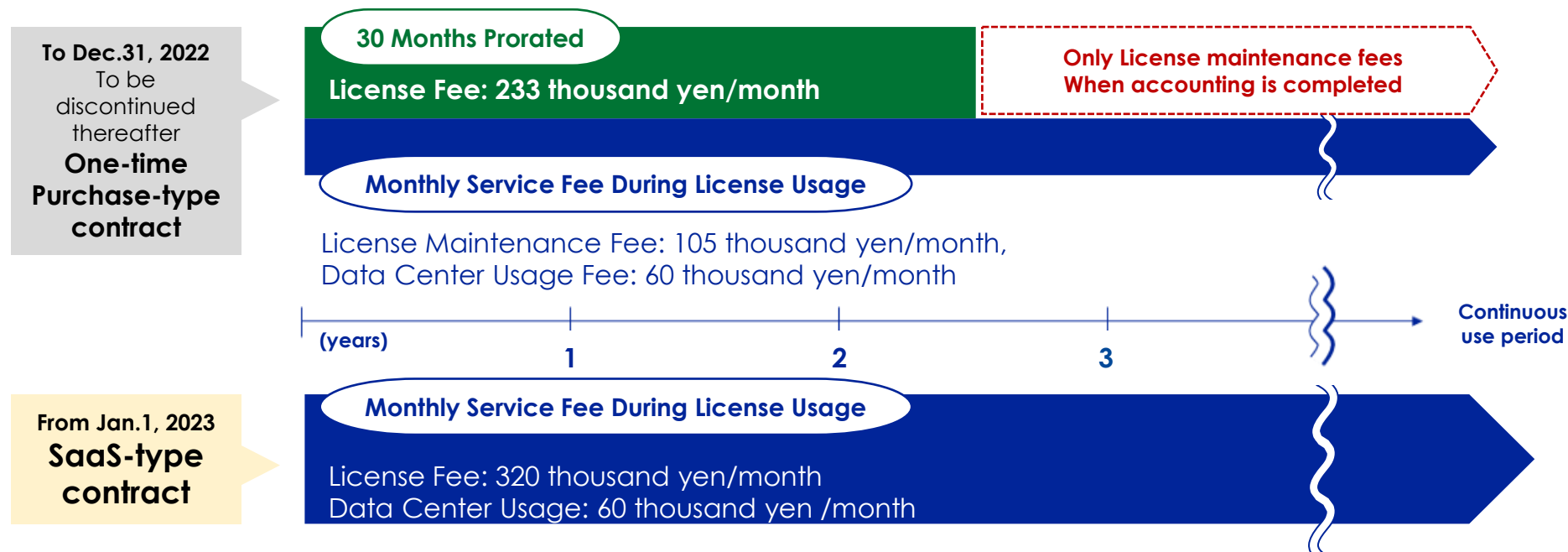|	20/12 1Q	20/12 2Q	20/12 3Q	20/12 4Q	21/12 1Q	21/12 2Q	21/12 3Q	21/12 4Q	22/12 1Q	22/12 2Q	22/12 3Q	22/12 4Q	23/12 1Q	23/12 2Q	23/12 3Q	23/12 4Q
Number of Contracts	22	19	14	34	17	6	21	19	21	15	23	28	13	16	16	9
Number of Churns	4	7	5	11	5	8	7	5	11	3	0	7	9	7	4	3

License Price Revisions and Revenue Recognition

As of January 1, 2023, the sales format of ZAC/ZAC Enterprise licenses, one-time Purchase-type contracts (lump-sum perpetual license type) has been discontinued, and only SaaS-type contracts (monthly subscription fee type) is now available.

**Revenue Recognition of License Sales
(Model case for 100-person client)**
*The green and blue areas represent the revenue amount.

Sales Management: 20 licenses
Purchase Management: 20 licenses
Time Management: 100 licenses
Expense Control: 100 licenses
Data center usage fee: 60 thousand yen/month

To Dec.31, 2022
To be discontinued thereafter
One-time Purchase-type contract

30 Months Prorated
License Fee: 233 thousand yen/month

Only License maintenance fees
When accounting is completed

Monthly Service Fee During License Usage

License Maintenance Fee: 105 thousand yen/month,
Data Center Usage Fee: 60 thousand yen/month

(years)   1   2   3   Continuous use period

From Jan.1, 2023
SaaS-type contract

Monthly Service Fee During License Usage

License Fee: 320 thousand yen/month
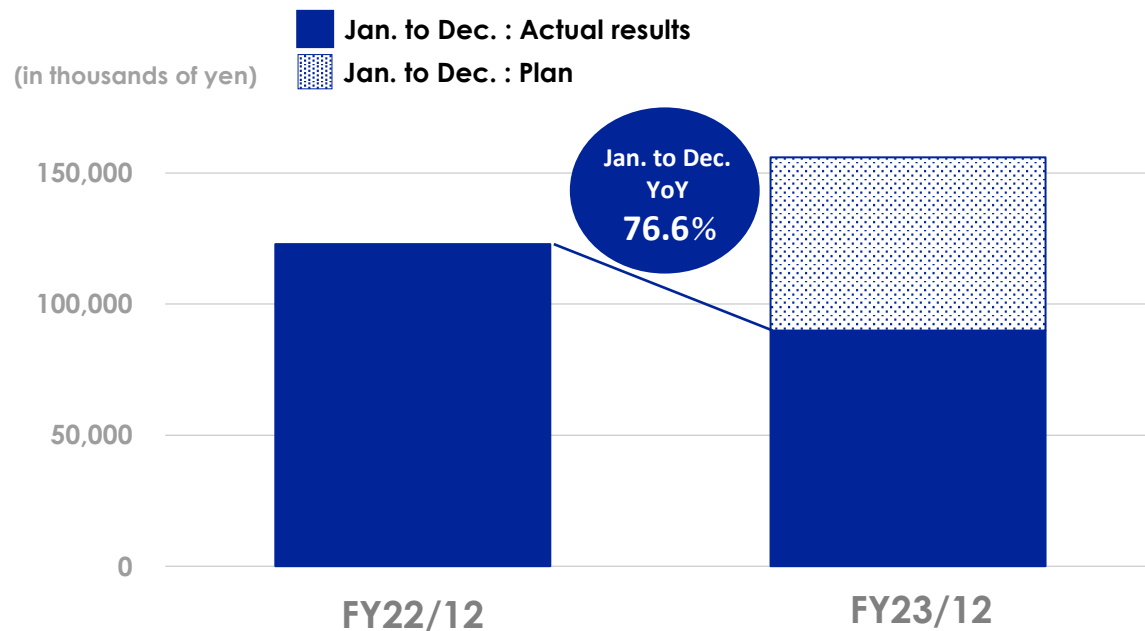Data Center Usage: 60 thousand yen /month

*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.

*After April 1, 2023, the data center usage fee has increased by 20% in stages.

Efforts for Customer Acquisition

Advertising Expenses (CS)

■ Jan. to Dec. : Actual results
▨ Jan. to Dec. : Plan

(in thousands of yen)

Jan. to Dec.
YoY
76.6%

150,000

100,000

50,000

0

FY22/12   **FY23/12**

Rate of progress against the plan:

60.3% (As of December 31, 2023)

The web advertising budget was initially high but was reduced from Q2 due to the cost effectiveness of the SQL* acquisition. Efforts have been redirected towards increasing SQL supply through outsourced telephone sales, trade fairs and agency alliances, resulting in lower advertising expenses than last year.

Forecast for FY2024/12

In the current period, we have prioritized SQL generation, but next period, we will also target leads from new prospects alongside with the SQL. In addition to increasing the web advertising budget over last year, we will maintain outsourced telephone sales and trade show participation, and strengthen alliances with sales agents.

* SQL(Sales Qualified Lead): Refers to leads that the sales group judges to have the potential to secure an order within one year after the initial meeting.

Breakdown of Expenses (Consolidated)

Efforts to enhance alliances with sales agents resulted in increased related expenses in Q4

In addition, costs for servers and other items increased in line with business growth.

Legend:
- **Labor Costs / Personnel Expenses (Manufacturing staff)** (blue)
- **Labor costs / personnel expenses (Sales and administrative staff)** (light blue)
- **Advertising expenses** (dark green)
- **Research and development expenses** (light green)
- **Other expenses (including server and other costs and outsourcing costs)** (gray)

(in millions of yen)

	FY22/12 1Q	FY22/12 2Q	FY22/12 3Q	FY22/12 4Q	FY23/12 1Q	FY23/12 2Q	FY23/12 3Q	FY23/12 4Q
Other expenses	133	115	144	126	153	170	185	224
Research and development	10	13	9	7	10	8	11	12
Advertising expenses	25	29	40	29	27	18	21	25
Labor (Sales and administrative staff)	132	139	151	134	156	168	180	175
Labor (Manufacturing staff)	156	174	180	170	172	193	200	201

Breakdown of Personnel (Parent Company and Two Domestic Subsidiaries)

The trend of new graduate recruitment continues. The personnel will increase in Q2 FY24/12, however, it is expected to stabilize

(number of employees)

Legend: ■ Manufacturing staff ■ Sales and administrative staff

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sales and administrative staff	51	55	58	60	61	63	63	65	70	75	73	72
Manufacturing staff	100	100	100	95	95	109	107	105	102	113	120	122

FY21/12 · FY22/12 · FY23/12
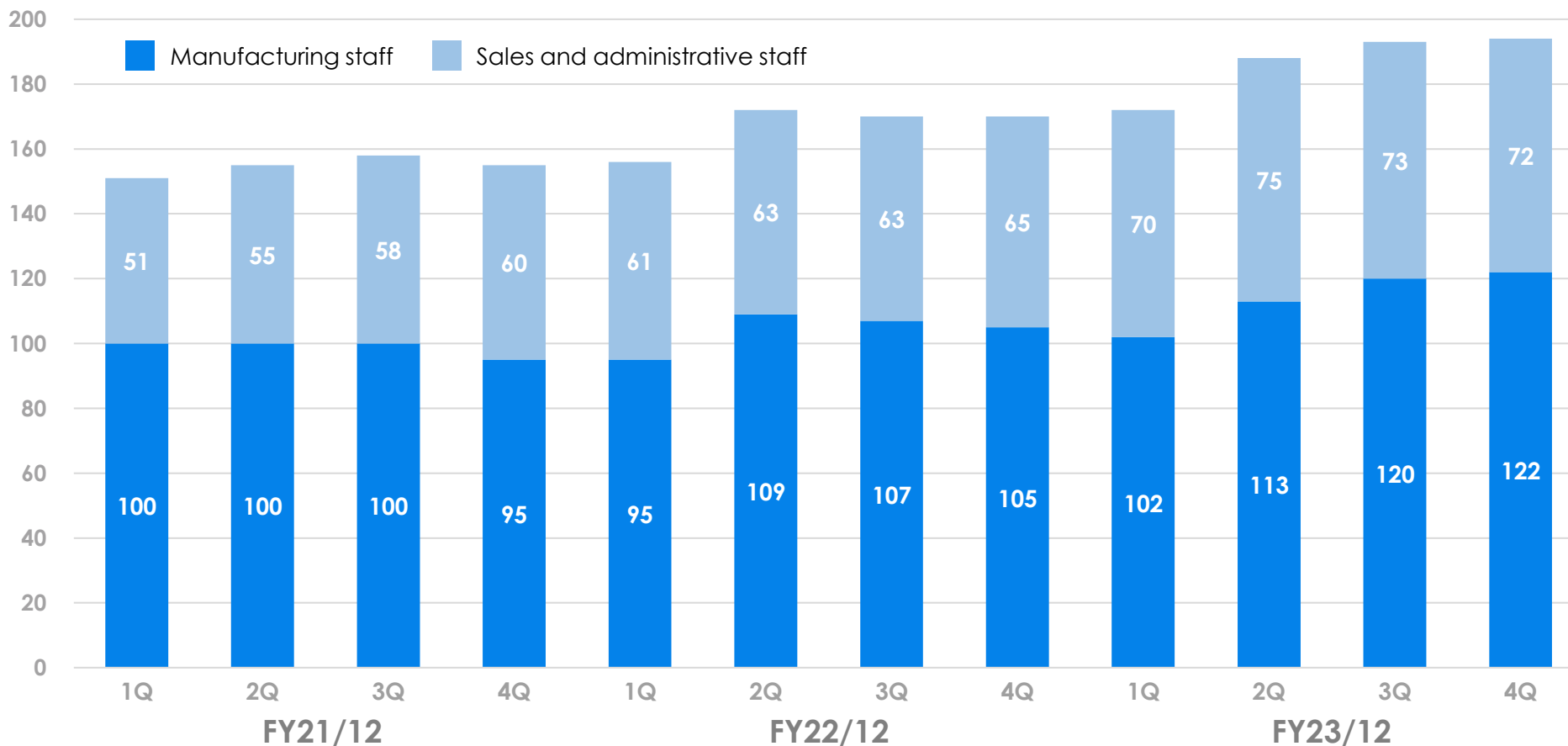
*Starting from Q2 FY23/12, we disclose the average number of employees during the quarter (rounded to one decimal place) instead of at the end of the quarter.
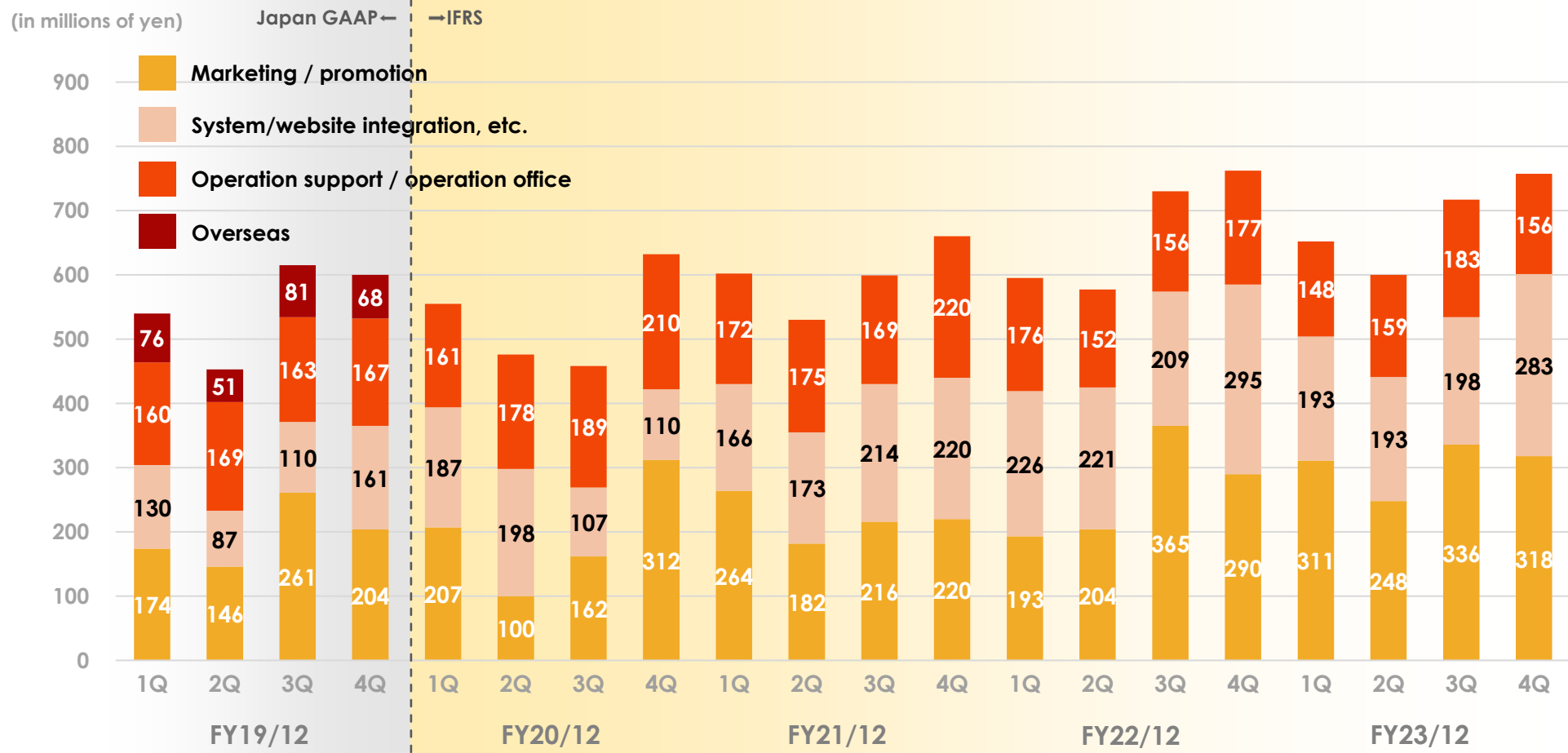*Employees of the Corporate Department and the Office of the President are not included in the graph.
*Two domestic subsidiaries: Refers to oRo Miyazaki Co., Ltd., and oRo code MOC Co., Ltd.

Breakdown of Revenue by Business Segment

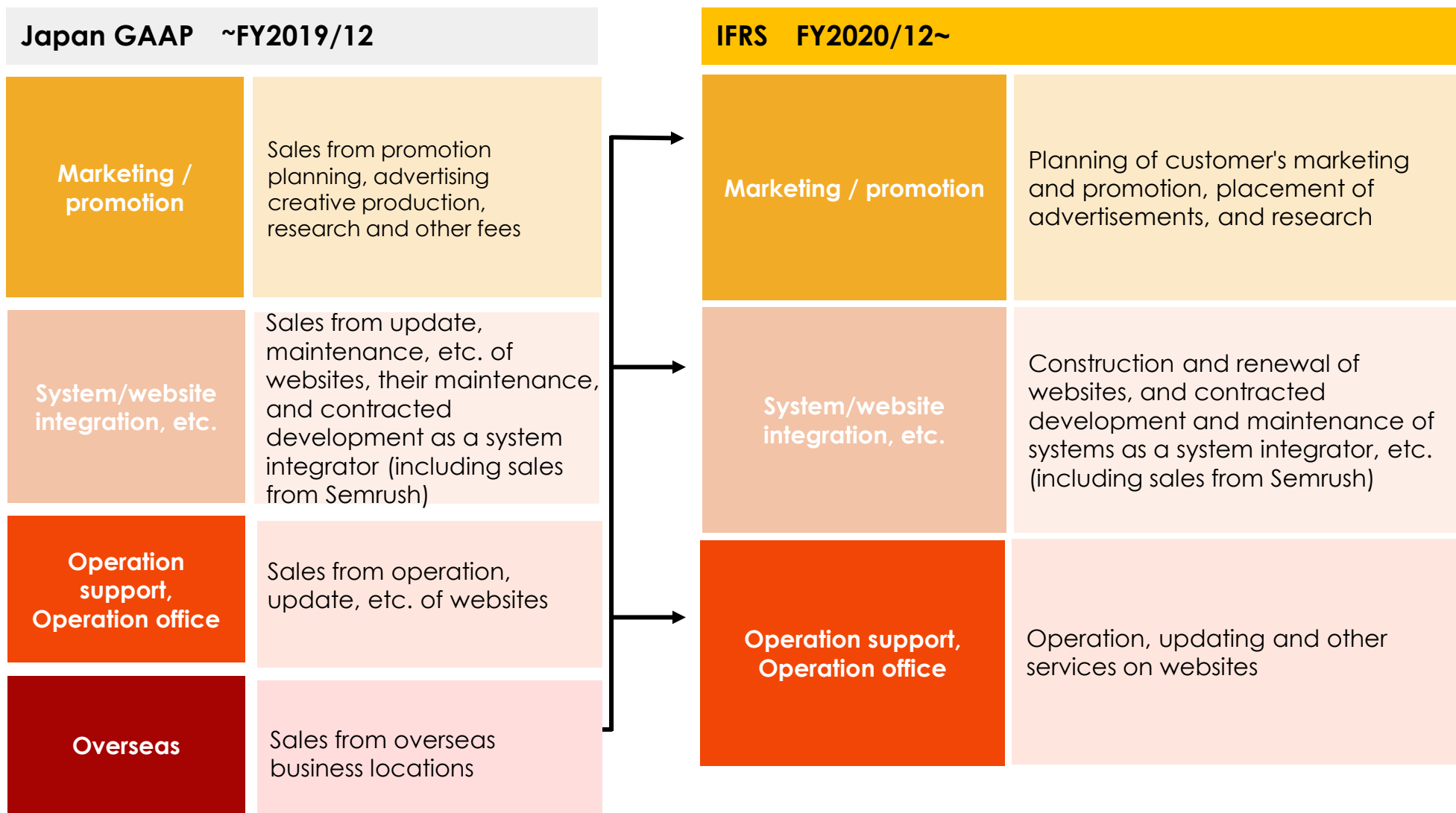## With the semiconductor shortages resolved, the Marketing and Promotion grew by 15.3% YoY

Lack of proposals leads to cancellations, resulting in underperformance in the other segments

(in millions of yen)

Japan GAAP← | →IFRS

Legend:
- Marketing / promotion
- System/website integration, etc.
- Operation support / operation office
- Overseas

	FY19/12				FY20/12				FY21/12				FY22/12				FY23/12			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Overseas	76	51	81	68																
Operation support	160	169	163	167	161	178	189	210	172	175	169	220	176	152	156	177	148	159	183	156
System/website	130	87	110	161	187	198	107	110	166	173	214	220	226	221	209	295	193	193	198	283
Marketing/promotion	174	146	261	204	207	100	162	312	264	182	216	220	193	204	365	290	311	248	336	318

*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.
*The values for each quarter of FY 2020/12 was not audited by KPMG AZSA LLC.
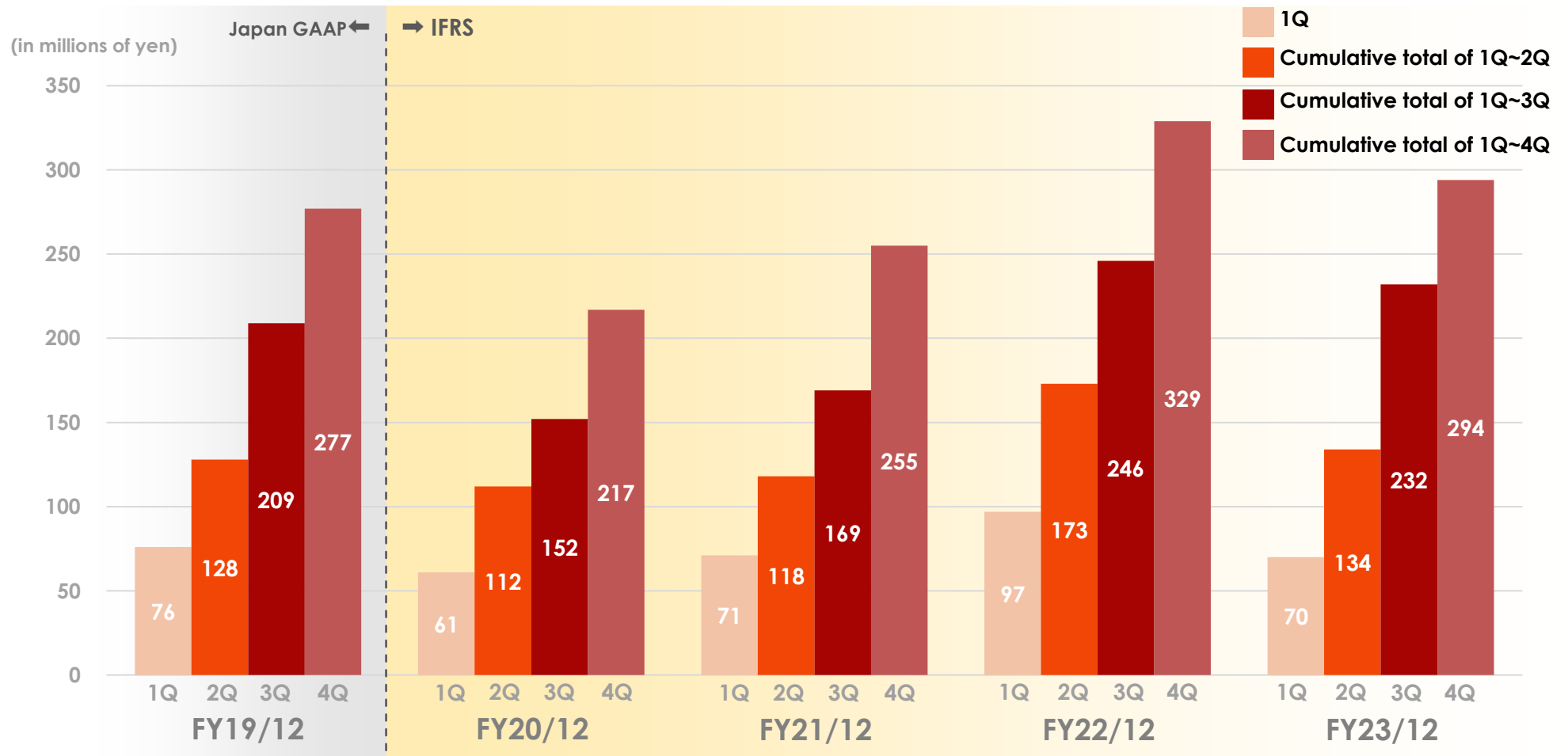
Breakdown of Revenue by Business Segment

Japan GAAP ~FY2019/12

Marketing / promotion	Sales from promotion planning, advertising creative production, research and other fees
System/website integration, etc.	Sales from update, maintenance, etc. of websites, their maintenance, and contracted development as a system integrator (including sales from Semrush)
Operation support, Operation office	Sales from operation, update, etc. of websites
Overseas	Sales from overseas business locations

IFRS FY2020/12~

Marketing / promotion	Planning of customer's marketing and promotion, placement of advertisements, and research
System/website integration, etc.	Construction and renewal of websites, and contracted development and maintenance of systems as a system integrator, etc. (including sales from Semrush)
Operation support, Operation office	Operation, updating and other services on websites

*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.

© oRo Co.,Ltd.

Overseas Revenue

Despite a decline in revenue YoY, we plan to reform strategies by Q1 of FY24 to increase the proportion of overseas revenue

(in millions of yen)

Japan GAAP ⟵ ⟶ IFRS

Legend:
- 1Q
- Cumulative total of 1Q~2Q
- Cumulative total of 1Q~3Q
- Cumulative total of 1Q~4Q

FY19/12
- 1Q: 76
- 2Q: 128
- 3Q: 209
- 4Q: 277

FY20/12
- 1Q: 61
- 2Q: 112
- 3Q: 152
- 4Q: 217

FY21/12
- 1Q: 71
- 2Q: 118
- 3Q: 169
- 4Q: 255

FY22/12
- 1Q: 97
- 2Q: 173
- 3Q: 246
- 4Q: 329

FY23/12
- 1Q: 70
- 2Q: 134
- 3Q: 232
- 4Q: 294

* Starting from December 31, FY2021/12, the Company has adapted International Financial Reporting Standards (IFRS) instead of Japanese GAAP.
  Accordingly, revenue for December 31, FY2020/12 indicates the amount after retrospective application of the change.
* The values for each quarter of FY2020/12 was not audited by KPMG AZSA LLC.

Efforts for Customer Acquisition

Situation as of Q3 FY23/12

In response to lower than expected new customer acquisition, we are actively working to improve this in the short and medium term.

Progress and Countermeasures at Q4

Strengthen Collaboration with TOPPAN Inc.

Since announcing our collaboration with TOPPAN Inc. in March 2022, we have made progress in acquiring leads from new customers through them. In June 2023, we set up a dedicated team for collaborative projects and intensified our revenue efforts to secure orders from new customers.

Revenue through this channel exceeded those of the previous year, but in FY2024/12 we will continue to prioritize the strengthening the cooperation, particularly in the acquisition of new customers.

In-house Customer Acquisition

Through conference participation we are conducting marketing activities to create contact and proposal opportunities for newly acquired leads and dormant clients, with the aim of securing medium to long-term projects. As transactions with new customers gradually increase from small amounts, we will continue to develop new business in FY2024/12, sowing the seeds for the future. In addition, we will focus on both customer acquisition and increasing revenue to existing customers to drive immediate revenue growth.

Breakdown of Expenses (Consolidated)

Increased labor costs, particularly for sales, due to proactive recruitment for sales positions

(in millions of yen)

Legend:
- Labor Costs / Personnel Expenses (Manufacturing staff)
- Labor costs / personnel expenses (Sales and administrative staff)
- Material costs / subcontract costs
- Other expenses

	FY22/12				FY23/12			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Other expenses	112	114	102	104	105	123	136	144
Material costs / subcontract costs	19	82	47	81	35	32	63	60
Labor costs (Sales and admin)	124	137	127	144	155	163	177	196
Labor Costs (Manufacturing)	203	209	205	208	183	188	194	204

Breakdown of Personnel (Parent Company and Two Domestic Subsidiaries)

Intensifying experienced sales recruitment through Q2 FY24/12 for growth

Strengthened recruitment agency partnerships have significantly boosted job acceptance rates since Q1 FY23/12.

(number of employees)
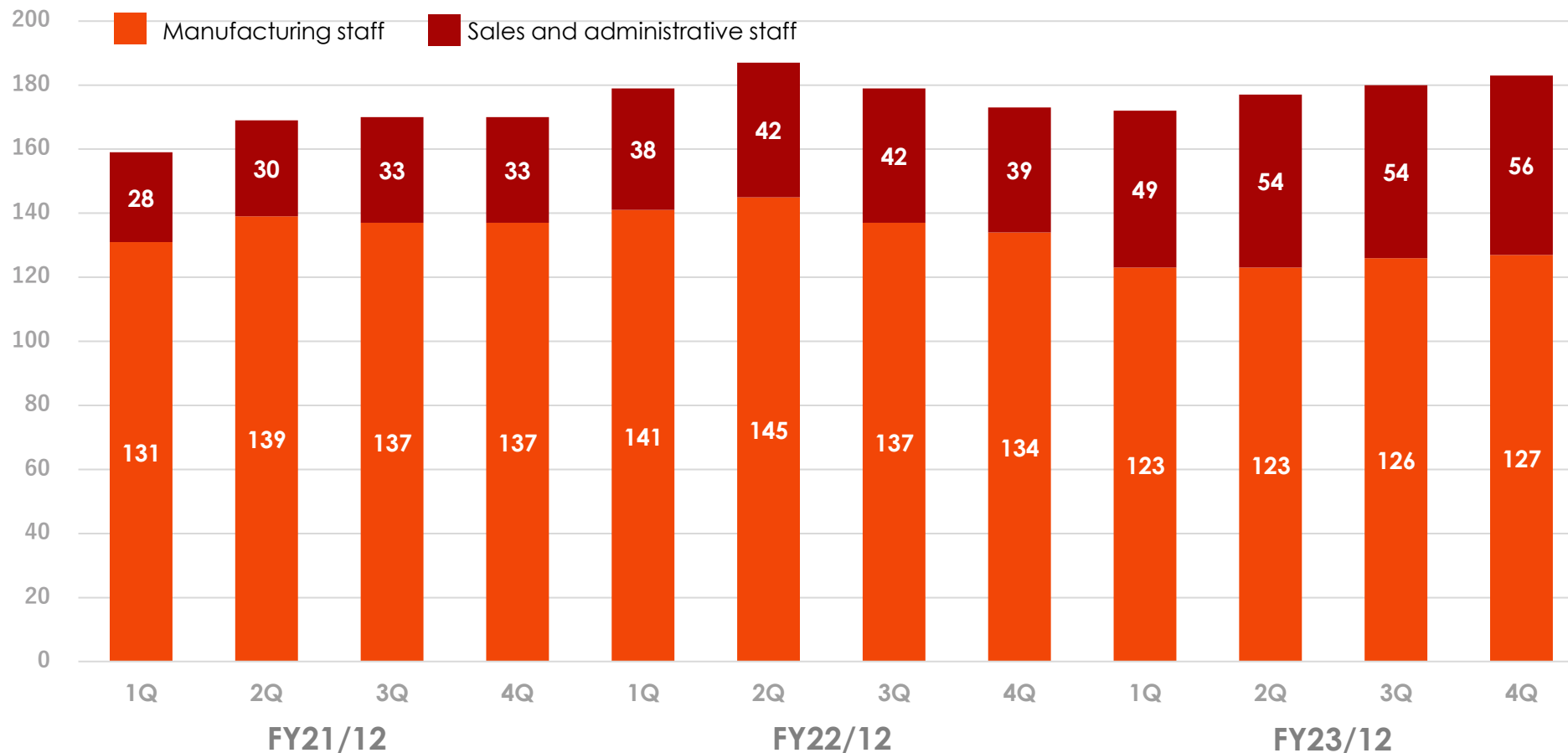
*Starting from Q2 FY2023/12, we disclose the average number of employees during the quarter (rounded to one decimal place) instead of at the end of the quarter.
*Employees of the Corporate Department and the Office of the President are not included in the graph.
*Two domestic subsidiaries: Refers to oRo Miyazaki Co., Ltd., and oRo code MOC Co., Ltd.

Progress Against Full-Year Forecasts

(in millions of yen)

	FY2023/12 Full-year forecasts [Composition ratio]	FY2023/12 Results [Composition ratio]	Difference	Main factors
Revenue	**7,092** [100.0%]	**7,033** [100.0%]	**(59)**	
Cloud Solutions	**4,132** [58.3%]	**4,299** [61.1%]	**166**	
Digital Transformation	**2,959** [41.7%]	**2,733** [38.9%]	**(225)**	Due to slower-than-expected acquisition of new customers.
Operating profit	**2,380** [33.6%]	**2,547** [36.2%]	**166**	
Cloud Solutions	**1,712** [24.2%]	**1,981** [28.2%]	**268**	
Digital Transformation	**667** [9.4%]	**566** [8.1%]	**(101)**	Due to revenue not growing as planned and our proactive hiring for sales positions.
Profit before tax	**2,386** [33.6%]	**2,602** [37.0%]	**216**	
Profit attributable to owners of the parent	**1,656** [23.4%]	**1,836** [26.1%]	**179**	

Profit and Loss Statement (YoY)

(in millions of yen)

	FY2022/12 [Composition ratio]	FY2023/12 [Composition ratio]	Difference	Main factors
Revenue	**6,210** [100.0%]	**7,033** [100.0%]	**822**	
Cost of sales	2,222 [35.8%]	2,358 [33.5%]	136	Increase in technical personnel, salary, material costs, and depreciation expenses.
Gross profit	3,988 [64.2%]	4,674 [66.5%]	686	
Selling, general and administrative expenses	1,688 [27.2%]	2,081 [29.6%]	392	Increase in sales and administrative employees and pay raise, recruiting expenses, travel, and transportation costs, etc.
Research and development	42 [0.7%]	45 [0.7%]	3	
Other profit (loss)	29 [0.4%]	(0) [0.0%]	(29)	Settlement payment (45 million yen)
Operating profit	**2,286** [36.8%]	**2,547** [36.2%]	**260**	
Finance profit (loss)	65 [1.1%]	55 [0.8%]	(10)	
Profit before tax	**2,352** [37.9%]	**2,602** [37.0%]	**250**	
Profit	**1,630** [26.2%]	**1,829** [26.0%]	**199**	
Profit attributable to owners of the parent	**1,623** [26.1%]	**1,836** [26.1%]	**212**	

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

(in millions of yen)

	FY2022/12	FY2023/12	Difference
Current assets	**9,408**	**10,920**	**1,512**
Cash and cash equivalents	6,831	8,707	1,875
Trade and other receivables	1,405	998	(407)
Other current assets	1,170	1,215	44
Non-Current Assets	**1,637**	**1,452**	**(184)**
Property, plant and equipment	828	731	(97)
Intangible assets	70	83	12
Other	738	638	(100)
Total assets	**11,045**	**12,373**	**1,327**

	FY2022/12	FY2023/12	Difference
Total liabilities	**3,708**	**3,489**	**(219)**
Current liabilities	3,288	3,143	(144)
Contract liabilities	1,801	1,759	(42)
Income tax payable	475	229	(245)
Trade and other payable	403	455	51
Other current liabilities	607	699	91
Non-current liabilities	420	346	(74)
Total equity	**7,337**	**8,884**	**1,546**
Equity attributable to owners of the Parent	7,331	8,884	1,552
Non-controlling interests	6	0	(6)
Total liabilities and equity	**11,045**	**12,373**	**1,327**

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.

- Implemented team management features, enabling permission settings for each organizational hierarchy.
- Utilized during ISMS audits, also received high praise as a point of excellence during internal reviews.
- Continuously adding new features in response to customer feedback.

dxeco

Case study

Pre-implementation Challenges	Post-implementation Impact
● Inability to comprehensively track internal SaaS account information	● Creation of a comprehensive management ledger without gaps through API and CSV integration
● Difficulty in understanding SaaS adopted and managed at the department level	● Capability to gain a comprehensive understanding of all SaaS in use across the company, including Shadow IT

*While monetization may take time, we prioritize enhancing features based on user organizations' feedback.

News Release

CS	**Nov 2**	**Reforma PSA Launched a new feature "document email delivery"**
dxeco	**Nov 14**	**"dxeco" Linked to the system, "HERP Hire"**
dxeco	**Nov 21**	**"dxeco" Linked to the system, "HRMOS Time and Attendance"**
oRo	**Nov 22**	**Presented various work and leisure initiatives, including the "Selective Four-Day Week", at the Ministry of Health and Welfare's symposium on work and leisure reform**
dxeco	**Nov 28**	**"dxeco" Linked to the system, "PHONE APPLI PEOPLE"**
DX	**Nov 30**	**Launched website build and operational plan using HubSpot Customer acquisition through conversion acquisition optimization x data-driven marketing automation**
CS	**Dec 15**	**ZAC Wins "Good Service" in ERP Category at BOXIL SaaS AWARD Winter 2023**
CS	**Dec 27**	**ZAC Updated the function of "Electronic Evidence Storage Option"**

FY2024/12-FY2026/12
Mid-term Business Outlook

02

FY2024/12 Forecasts

Forecasts: 17.0% Revenue, 9.2% Operating Profit Growth

(in millions of yen)

	FY2023/12 Results	FY2024/12 Forecasts	Difference	Rate of change
Revenue	7,033	8,229	1,196	17.0 %
Cloud Solutions	4,299	5,019	720	16.7 %
Digital Transformation	2,729	3,209	476	17.4 %
Operating profit	2,547	2,782	235	9.2 %
Cloud Solutions	1,981	2,186	204	10.3 %
Digital Transformation	566	596	30	5.3 %
Profit before tax	2,602	2,824	221	8.5%
Profit attributable to owners of the parent	1,836	1,963	127	6.9%

Consolidated Earnings Outlooks

(in millions of yen)

Fiscal Period	FY2023/12 (Results)	FY2024/12 (Forecasts)	FY2025/12 (Outlooks)	FY2026/12 (Outlooks)
Revenue	7,033	8,229	9,480	10,807
Operating profit	2,547	2,782	3,329	3,883
OP Margin	36.2%	33.8%	35.1%	35.9%
ROE	22.7%	20% or more		

Earnings Outlooks

(in millions of yen)

Fiscal Period	FY2023/12 (Results)	FY2024/12 (Forecasts)	FY2025/12 (Outlooks)	FY2026/12 (Outlooks)
Revenue	4,299	5,019	5,837	6,625
Operating profit	1,981	2,186	2,600	2,999
Ratio of operating profit	46.1%	43.5%	44.6%	45.3%

Mid- to Long-Term Strategy

Maximizing New MRR

01

**Enhancing Existing Clients
Product Utilization (Maximizing MRR Growth)**

02

**Strengthening Development for
Further Market Expansion**

03

1. Maximizing New MRR

Aim to improve proposal skills and work closely with sales agents to grow our customer base

In 2023, due to further enlargement of new clients, the acquisition of new MRR progressed at a strong pace.
This compensates for the previous year's shortfall in new contract numbers.
In light of the above, the following initiatives will be undertaken to maximize new MRR:

Enhancing proposal structure for major clients

From February 2024, we've enhanced our major account sales team with experienced implementation consultants.

Tackling the complexity of large customer proposals, which often require tailored responses and broader scopes,

our new approach aims to expedite sales cycles and boost conversion rates by quickly pinpointing customer challenges.

Reviewing proposals for SMEs

We recognize that the number of new contracts has decreased following the move to SaaS contracts, mainly due to fewer

orders from SMEs. We'll revamp contract forms for easier SME adoption, aiming to increase the number of new contracts.

Strengthening collaboration with sales agents

We are currently reinforcing alliances with sales agents to acquire SQLs. Since the prospective clients referred to tend to be

large in scale, we will continue to strengthen the collaboration to maximize new MRR.

2. Enhancing Existing Clients Product Utilization (Maximizing MRR Growth)

Strengthen the system for existing customers to utilize ZAC

We aim to enhance customer utilization and extend ZAC usage by showcasing the productivity and management improvements it offers. In January 2024, we established **an Adoption Team** and implemented a support system to help customers make effective use of ZAC at an early stage.

Customer support structure from January 2024 onwards (role of the Adoption Team)

Implementation Support	Adoption	Consulting
Supporting business transfer until startup ZAC	**Supporting the operational stabilization of ZAC**	**Supporting productivity and management enhancement**
Rebuilding customer workflows in ZAC Accompanying the process for about 6 months	Resolving issues that arose immediately after operation Accompanying the stabilization process for about a year	Proposing data utilization and further operational improvements Accompanying throughout the contract period

Background of Strengthening Customer Support System

In order to effectively use the data collected in ZAC for decision making and management, it is important to establish and refine ZAC operations. The Adoption Team is responsible for encouraging existing customers to use ZAC. This not only ensures low churn rates, but also sets the stage for proposing additional product usage, such as additional licenses, features and options. This is achieved by allowing customers to experience the value of ZAC first hand.

3. Strengthen Development for Further Market Expansion

44,000 domestic target companies, we are targeting larger companies and overseas markets
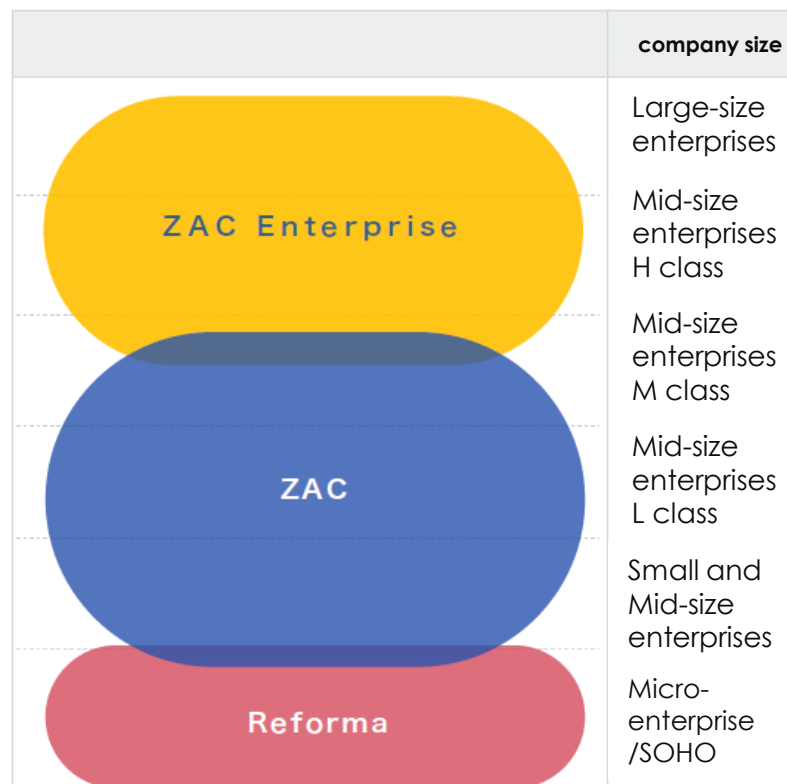
We will review our system configuration and enhance our internationalization functions to propose solutions to large enterprises with 10,000 employees and small- to medium-sized enterprises located overseas by 2026.

Market Expansion Image (TAM)
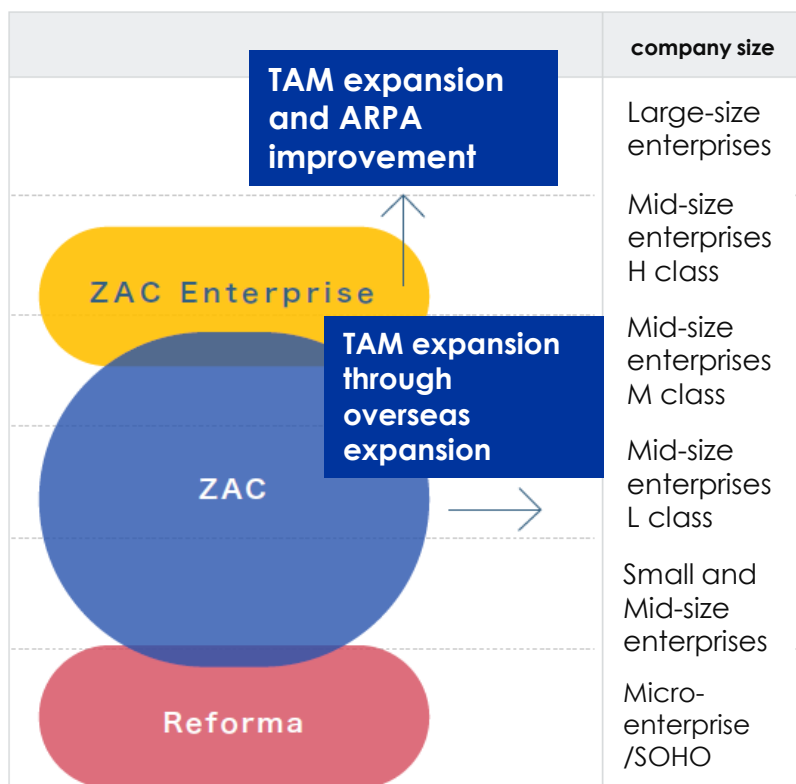
*Domestic target companies are ZAC, ZAC Enterprise and Reforma's target industries, such as IT, advertising and consulting, with approximately 1 to 2,000 employees.

Other Initiatives: Increase in Software Maintenance Fees

Proposing a 20% increase in software maintenance fees for clients with contracts over 5 years

Due to rising costs of goods, labor, and increased development expenses, we have decided to implement a gradual 20% increase in software maintenance fees starting from April 1, 2024, for clients who have been using ZAC services or have had ZAC Enterprise contracts for over 5 years.

As of April 1, 2024, clients with service subscriptions or contracts of less than 5 years will undergo the aforementioned price increase starting from the month following the completion of the 5-year period.

> * The software maintenance fee is a monthly charge for "license usage under purchase contracts,"
> so clients exclusively using licenses under SaaS contracts will not be affected by the above.

Segment Revenue and Operating Margin

FY2024/12 sees a temporary dip in margins due to preparation for 2026 global expansion

We are assessing market research for destination selection and participation in overseas exhibitions, incorporating associated expenses into our financial planning.

(in millions of yen)
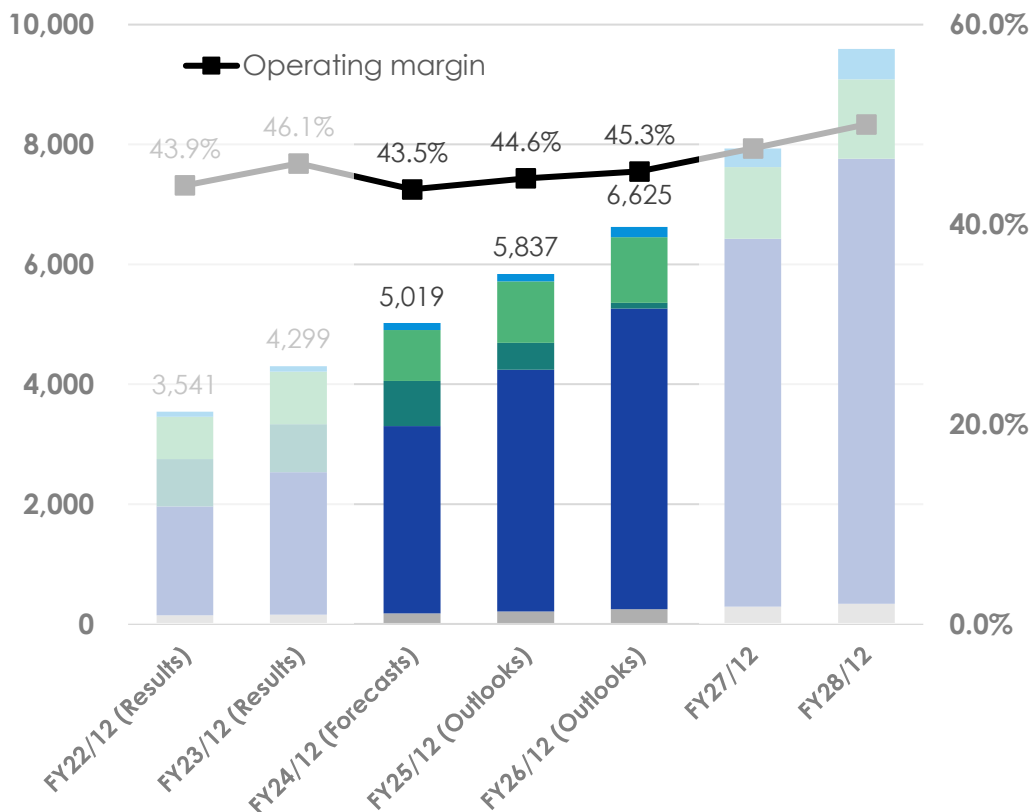
■ Other products, etc.
Revenue as an agent of software developed by other vendors

■ ZAC ERP installation consultation and customization
Installation support service related to "ZAC" and additional development required at the time of installation

■ ZAC license fee (one-timepurchase-typecontract)
Revenue of software license
The discontinuation of one-time purchase-type contract is expected to cause a decrease, with revenue from this format expected to disappear entirely by 2027

■ Maintenance fee, and SaaS and other monthly service fees
ZAC system maintenance, cloud provisioning, and license monthly fees
Post-2023 ZAC license fees booked in this segment after ending one-time purchase-type contracts

■ Reforma PSA
Provision of monthly license for "Reforma PSA"

Setting KPIs in the Earnings Outlooks for FY2026/12

	ARPA*	Customer Churn Rate**	NRR***
ZAC ZAC Enterprise	**624.0** K yen Results for FY23/12: **508.2 K yen** Forecasts for FY24/12: **557.4 K yen**	**0.30** % Results for FY23/12: **0.30%** Forecasts for FY24/12: **0.31%**	**110.0** % Results for FY23/12: **113.5%** Forecasts for FY24/12: **112.0%**
Reforma PSA	**65.0** K yen Results for FY23/12: **60.7 K yen** Forecasts for FY24/12: **60.6 K yen**	**0.83** % Results for FY23/12: **0.91%** Forecasts for FY24/12: **0.83%**	**95.0** % Results for FY23/12: **83.9%** Forecasts for FY24/12: **95.0%**

ZAC・ZAC Enterprise

ARPA is expected to improve over the medium to long term as SaaS license revenue accumulates.

The Customer Churn Rate is projected to remain stable at current levels in the medium term.

NRR is expected to temporarily increase due to a 20% rise in data center usage fees for FY23/12 and a 20% increase in software maintenance fees for FY24/12 period.

Reforma PSA

As several customers, who have expanded their usage, transition to ZAC annually, NRR is expected to decrease, but segment revenue is anticipated to grow by over 15% annually.

*Abbreviation for Average Revenue Per Account
ARPA for ZAC and ZAC Enterprise are calculated based on monthly 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 revenue related to "ReformaPSA" 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 "ReformaPSA."

Earnings Outlooks

(in millions of yen)

Fiscal Period	FY2023/12 (Results)	FY2024/12 (Forecasts)	FY2025/12 (Outlooks)	FY2026/12 (Outlooks)
Revenue	2,733	3,209	3,642	4,181
Operating profit	566	596	728	884
Ratio of operating profit	20.7%	18.6%	20.0%	21.2%

Mid- to Long-Term Strategy

Building Support Model as "Execution-Oriented Company"

01

Advancing Human Capital Investment

02

Boost Overseas Tool Variety and Revenue

03

1. Building Support Model as "Execution-Oriented Company"

Provide a mechanism to translate the client's marketing strategy into concrete actions

As the digital marketing market expands, we serve DX businesses as "an execution company". This is to ensure clients' strategies to make sure that their strategies do not just remain theoretical.

We provide a support model that generates ongoing results through communication design (effective tactical planning) and marketing execution support (implementing and scaling tactics).

Our Support Model as an "Execution-Oriented Company" (conceptual diagram)

Outcome

Output

Execution

Tactics

Strategy

Support model to link strategy to implementation and deliver results

Tactics

Communication design

=Creating tactics

Pursuit of essential results/advertising effectiveness
Integrated mass x digital planning
Comprehensive CRM consulting
Experience strategy development
Governance development

Breakthrough

Execution

Marketing execution support

=Create and implement mechanism

Website construction, maintenance and operation
System construction, maintenance and operation
SNS operation, email marketing operation
Campaign/advertising office

Scale up

Data Driven Marketing

Data platform implementation support, MA implementation and utilization support, GA4 solutions, BI implementation support and construction, 1st Party data utilization

2. Advancing Human Capital Investment

Strengthening recruitment and development for implementing sales strategy

In FY23/12, there was a focus on recruiting skilled personnel, primarily among top management, and a review of strategies was conducted (see previous section).

Starting from FY24/12, **recruitment efforts will continue, mainly targeting sales professionals** to facilitate concrete execution and enhance organizational capabilities.

Additionally, rotations based on talent development plans and conducting internal and external training sessions will accelerate the development pace of junior to mid-level staff members.

Recruitment

■ **Active use of recruitment partners**

■ **Strengthening the recruitment of ready-to-work sales personnel**

Training

■ **Provide opportunities to acquire skills that are rarely learned on the job**

■ **Establish a job rotation system to experience different areas of work**

■ **Improve and homogenize the quality of proposals through knowledge management**

3. Boost Overseas Tool Variety and Revenue

We continue to make progress in localizing overseas tools and handling domestic sales representation, with preparations for further expansion of overseas tools following Semrush.

SEMRUSH

10 million Registered Account in the world**

All-in-one competitive analysis tool for

SEO・Ad Analysis・SNS Competitive Analysis

Number of Active Users*

(active users)

2022
Over 1000
active users

2021
In March, Semrush Holdings, Inc. went public on the NY NASDAQ exchange

2020
Became Profitable
Semrush moved into the black on a monthly basis

2018.12
As a general agency in Japan, we started offering Semrush

1,500
1,250
1,000
750
500
250
0

2018　2019　2020　2021　2022　2023
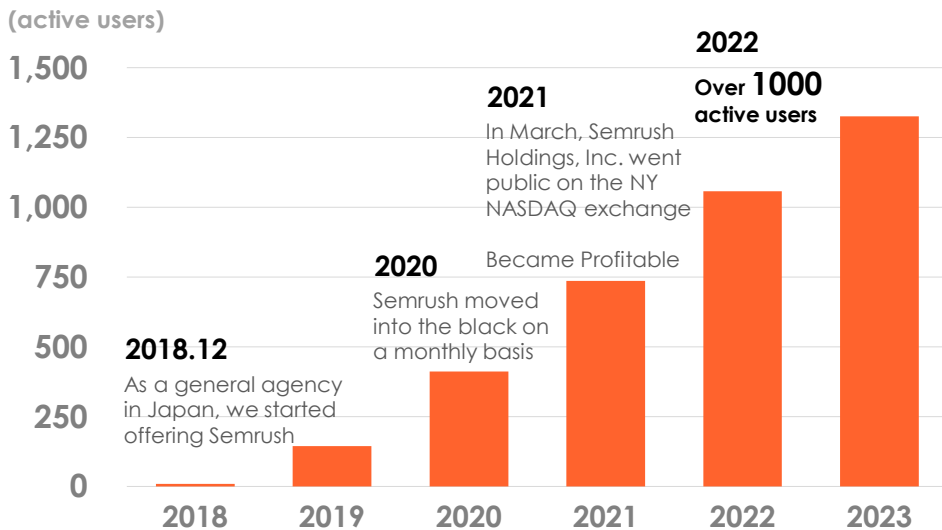
**Active users exclude free trial users and canceled users

Target in 2024

Number of active users in Japan has grown steadily since launch

Although the churn rate remains low, we aim to **increase the number of users and the revenue growth rate** with **improving the figures** in 2024.

Initiatives		
Personnel enhancement	Expanding awareness, branding, web advertising **Investment in advertising**	By expanding domestic data **Functional enhancement**

Next　Plan to expand a range of foreign-made tools next to Semrush

** Total number of users including trial users

Segment Revenue and Operating Margin

Revising strategies in both domestic and international markets to recover revenue growth.

We aim to secure an operating margin of around 20%, focusing on growth across all three segments.

(in millions of yen)
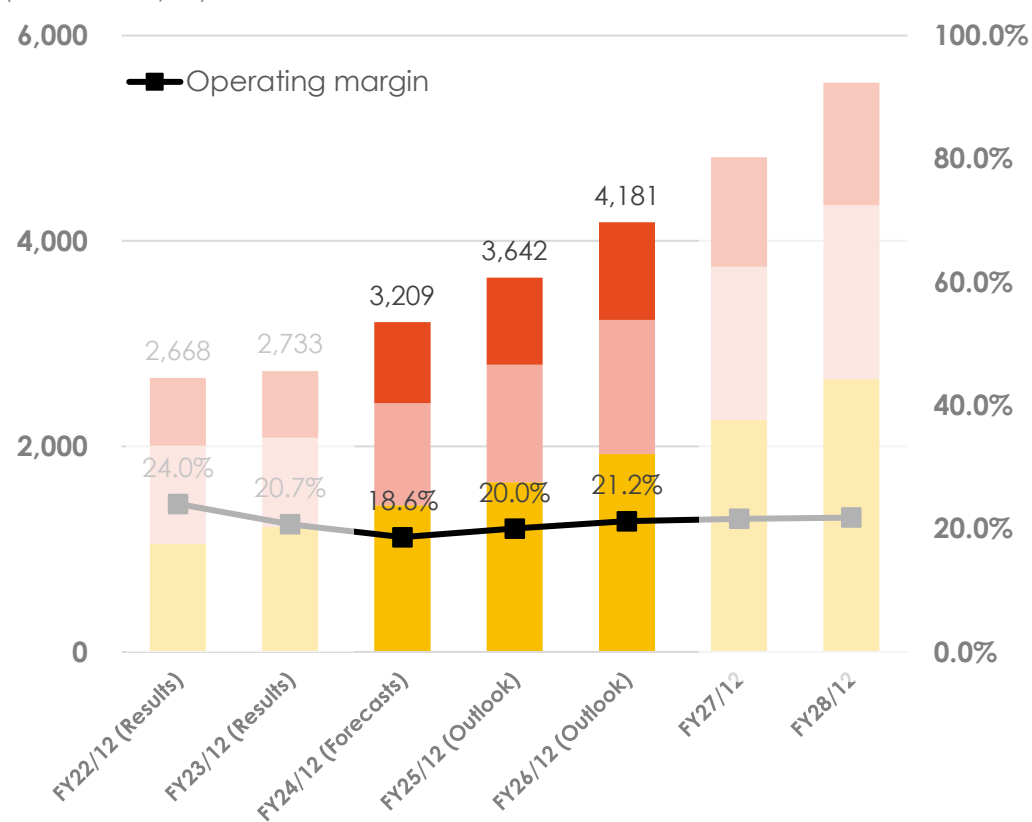
■ Operation support, Operation office
Operation, updating and other services on websites.

■ System / website integration, etc.
Construction and renewal of websites, and contracted development and maintenance of systems as a system integrator, etc. (including revenue from Semrush)

■ Marketing / promotion
Planning of customer's marketing and promotion, placement of advertisements, and research.

While focusing on growing this segment, we also plan to simultaneously roll out proposals for the other two segments, complementing our marketing and promotion-related proposals to support our clients' marketing strategy execution.

Business Segment Topics

03

Business Overview

Cloud Solutions (CS)

Development and Supply of

ZAC   Reforma PSA

Support for operation and management with cloud-based ERP

- Improving operational efficiency

- Improving project management level

- Supporting business decision-making based on managerial accounting

Digital Transformation (DX)

Planning of Digital Strategies,
Digital Support,
and Proposing Creativeness

Digital-based support for corporate business activities

- Planning digital strategies for business activities

- Promoting digitalization of marketing activities

- Accelerating global business expansion

CLOUD SOLUTIONS

Cloud Solutions

Cloud ERP "ZAC", Cloud PSA "Reforma PSA"

We provide three types of cloud-based integrated systems tailored to the size of the enterprise. The systems streamline business processes and facilitate company-wide information sharing.

Small to Medium Enterprises

Small Enterprises/Start-up

Large-scale Enterprises/ Customization

Cloud PSA
Reforma PSA

Cloud ERP
ZAC

Cloud ERP
ZAC Enterprise

- 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, 30,000 yen)

- Main product offered to small to middle sized companies with 50 to 300 employees

- Equipped with approximately 2,000 parameters, it fits customer operations without the need for customization (add-on development)

- Through automatic version updates, the product continuously evolves

- Catering to large corporations with over 1,000 employees

- Equipped with approximately 13,000 parameters

- Able to meet unique corporate needs and business requirements through customization (add-on development)

Industry-Specific ERP

ZAC has been implemented in a cumulative total of over 950 companies, primarily in the software, IT services, and advertising industries.

(As of December 31, 2023)

Other services

Consulting/ professional services

Software, IT services

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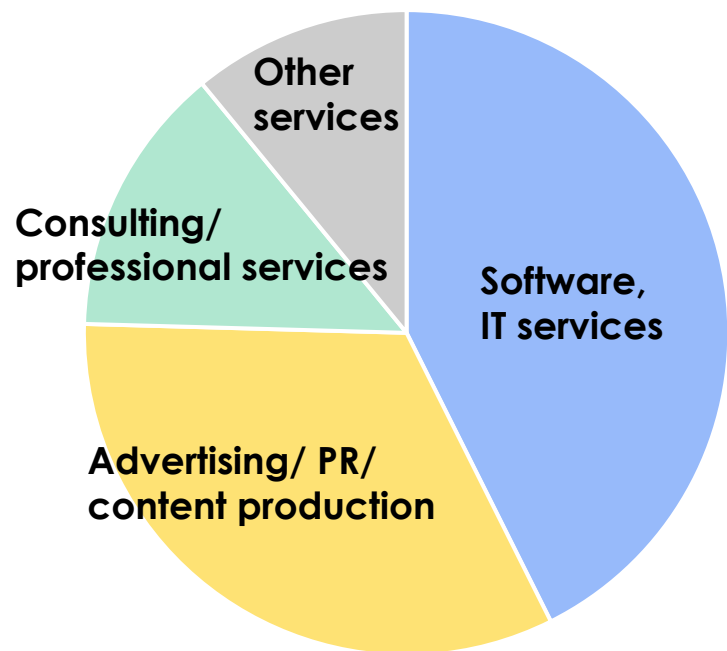
Recently, orders from the software and IT services industries have increased.
Approximately 40% of the total number of orders received come from the IT service industry, and 30% come from the advertising industry.

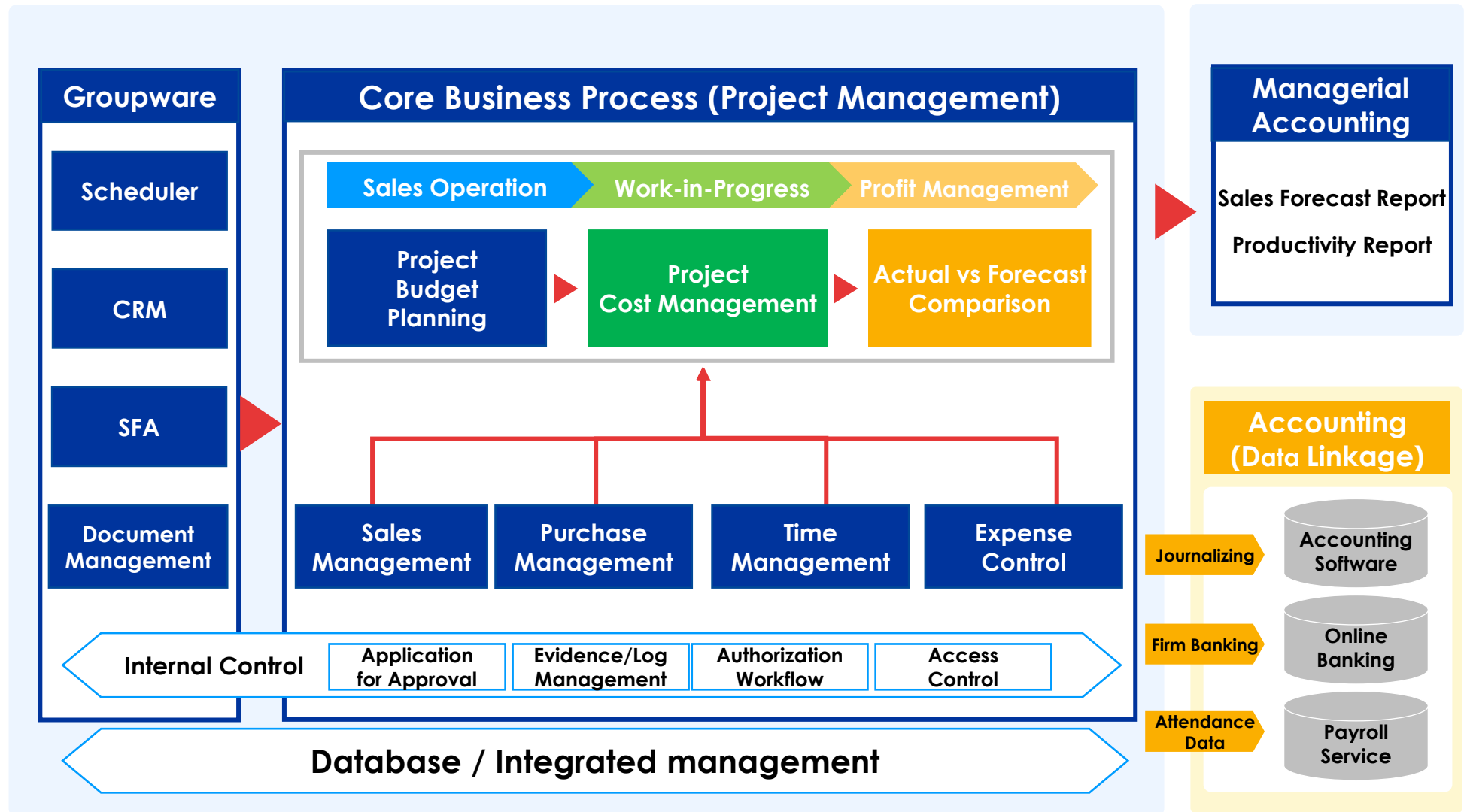## Software/system development, and IT services

JAL INFOTEC · JAL · 住友林業情報システム · UEL Corporation · 株式会社 KSK · 面白法人カヤック · SynergyMarketing

Advertising/PR/content production

KEIKYU AD ENTERPRISE · KEIO AGENCY · 1→10 · TOKYO AD AGENCY · NISSEN · 株式会社 静鉄アド・パートナーズ S.A.P. SHIZUTETSU AD. PARTNERS · 東京テアトル株式会社

Consulting/professional services

ASK TOTAL ADVISORS & SUPPORTING KNOWLEDGE · KRI · UEYES design

Other services

JMC · WASEDA Academic Solutions · INA 株式会社 INA 新建築研究所 Institute of New Architecture

Overview of Cloud ERP ZAC - Functions

Groupware

- **Scheduler**
- **CRM**
- **SFA**
- **Document Management**

Core Business Process (Project Management)

Sales Operation → Work-in-Progress → Profit Management

| Project Budget Planning | Project Cost Management | Actual vs Forecast Comparison |

Sales Management | **Purchase Management** | **Time Management** | **Expense Control**

Internal Control

| Application for Approval | Evidence/Log Management | Authorization Workflow | Access Control |

Database / Integrated management

Managerial Accounting

Sales Forecast Report

Productivity Report

Accounting (Data Linkage)

- **Journalizing** → Accounting Software
- **Firm Banking** → Online Banking
- **Attendance Data** → Payroll Service

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

Industry-Specific Integrated ERP

ERP systems can be divided into single-function general-purpose systems applicable across industries, and **multi-function integrated systems** merging industry-specific functions.
ZAC / Reforma PSA is a **multi-function integrated system** designed to meet the specific needs and challenges of customers in the IT services, advertising, and consulting industries.

Positioning Map by Industry/Business Domain
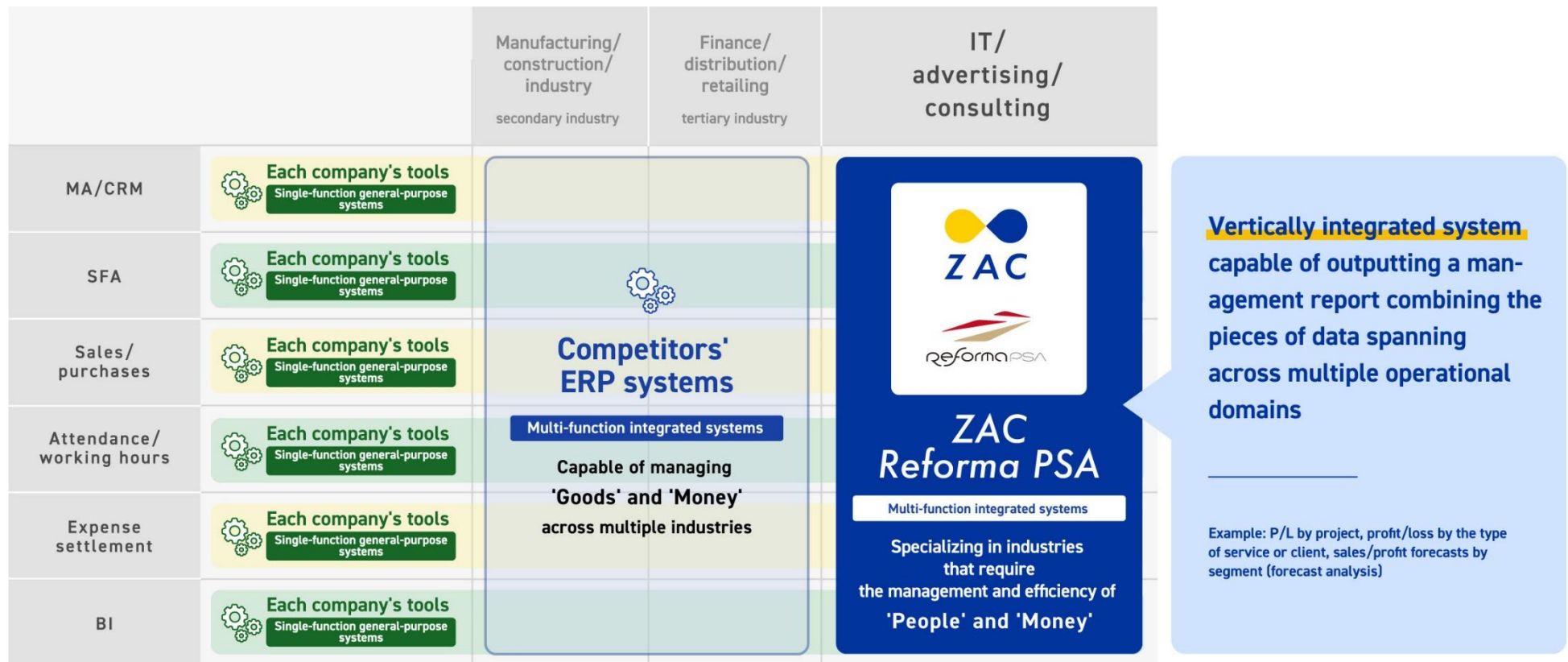
Advantages of Cloud-Based Systems in Functional Scalability

Since 2006, we have accumulated approximately 13,000* parameters (functional components) to meet unique customer demands.

Continuously adding the latest features in response to customer and market needs

Combining necessary features to build the optimal system for each company without additional development

A B C

D E F

ZAC

Multiple added functions

Company A — W X

Company B — Y Z

Company C — X Y
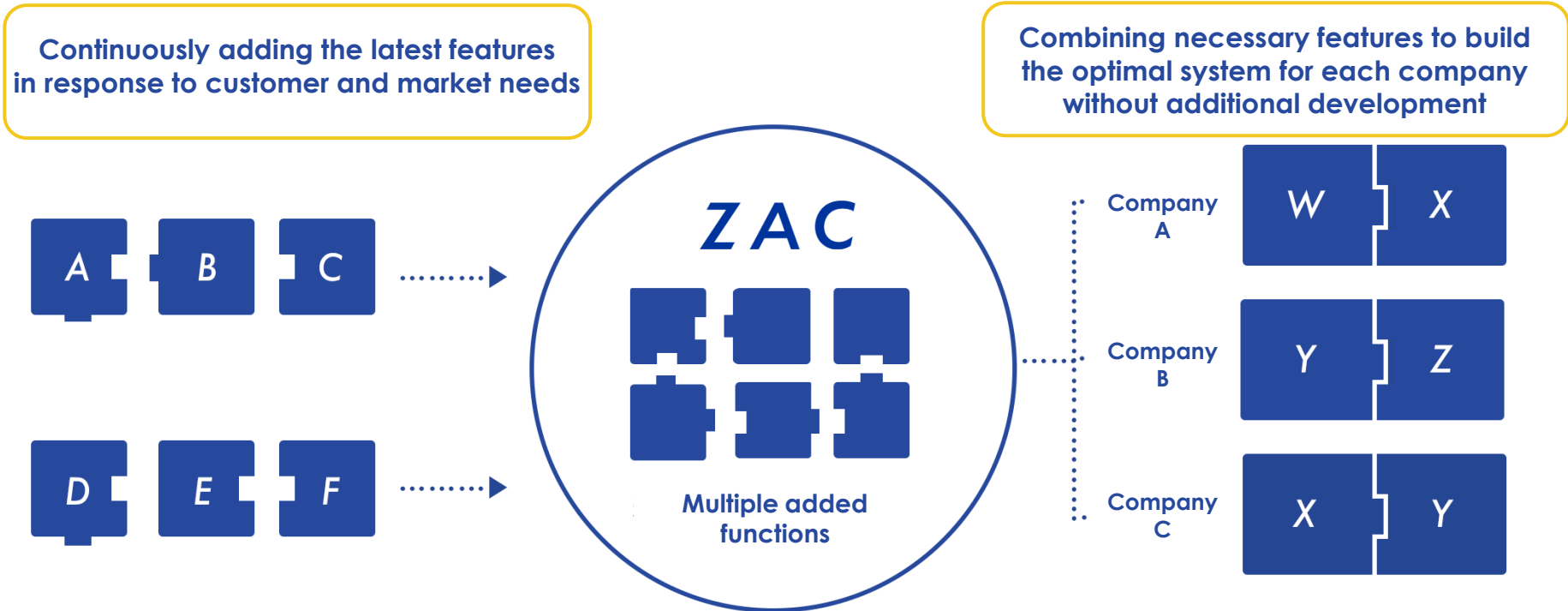
Advantages of industry-specific parameter design

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.

Provide Regular Version Updates

Despite being a large-scale system with approximately 2,000 functional parameters, ZAC undergoes regular version upgrades, continuously offering enhancements in functionality and design, as well as new features.
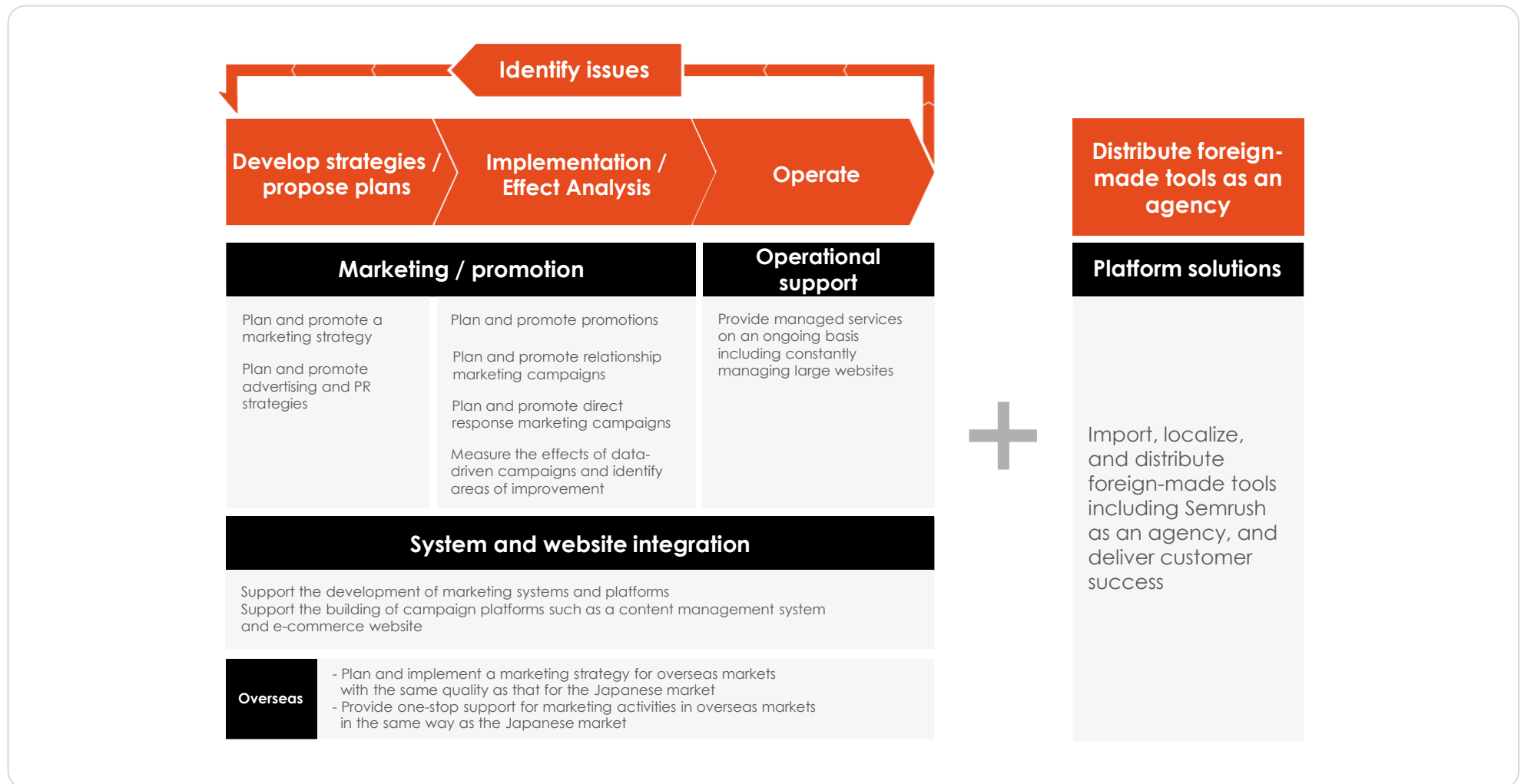
Regular version upgrades
to improve customer satisfaction,
reduce **Customer Churn Rate**
and increase **ARPA** and **NRR**.

Health Score and Market Customer Needs Analysis

Product Development

New Feature Offering

Customer Satisfaction

Regular Version Updates
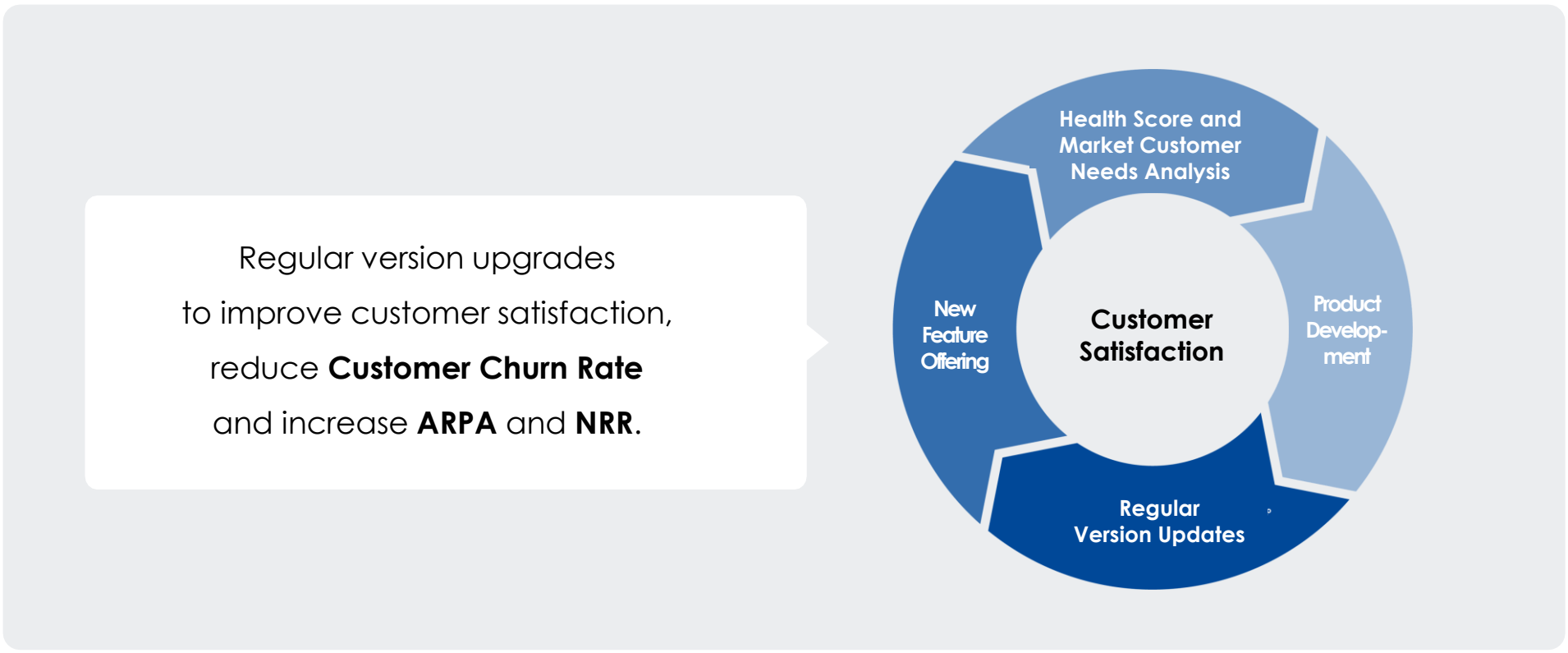
*Approximately 2,000 functional parameters are available for ZAC and 13,000 for ZAC Enterprise.

DIGITAL TRANSFORMATION

Digital Transformation

One-stop Digital Marketing Support for Large Organizations

Achieve excellence in integrity, speed and cost performance by providing end-to-end support services, from strategy development to operations.

Identify issues

Develop strategies / propose plans	Implementation / Effect Analysis	Operate

Distribute foreign-made tools as an agency

Marketing / promotion

Plan and promote a marketing strategy

Plan and promote advertising and PR strategies

Plan and promote promotions

Plan and promote relationship marketing campaigns

Plan and promote direct response marketing campaigns

Measure the effects of data-driven campaigns and identify areas of improvement

Operational support

Provide managed services on an ongoing basis including constantly managing large websites

Platform solutions

+

Import, localize, and distribute foreign-made tools including Semrush as an agency, and deliver customer success

System and website integration

Support the development of marketing systems and platforms
Support the building of campaign platforms such as a content management system and e-commerce website

Overseas
- Plan and implement a marketing strategy for overseas markets with the same quality as that for the Japanese market
- Provide one-stop support for marketing activities in overseas markets in the same way as the Japanese market

Digital Marketing Consultation for National Brands

Aeon Co., Ltd. And Nissan Motor Co., Ltd. are the main customers.

Examples of ORO's Support for Implementing Marketing Strategies

Strong in supporting organizations to execute strategy and to deliver results

- **Tactical Planning**: Tailored digital marketing consulting and execution per regional characteristics.
- **Systematization**: Developing and offering dashboards that enable the visualization of marketing ROI across all areas.
- **Execution Support**: Designing and implementing customer acquisition strategies for nationwide stores.

Enhance Sales Forces at Overseas Business Locations

Reinforcement of the system in line with the recovery of economic activity after COVID-19.

Advertising and promotion in ASEAN and Greater China

Investing in overseas operations to fully sell our quality products/services to Japanese companies overseas, using the expertise we have gained from advertising and promotional services in Japan.

Inbound demand returns to normal as COVID-19 infections begin to subside

We implement marketing initiatives to capture the full recovery of inbound demand.

Company Profile

04

Corporate Philosophy
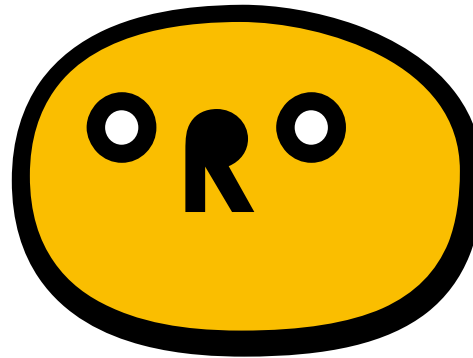
With the commitment of all employees
in creating what they can proudly present to the world
(namely our organization with its products, and services),
oRo's goal is to continue to deliver
more happiness and joy to more people
(coworkers, families, business partners, shareholders and society),
and lead all our employees to self-fulfillment
through our efforts to achieve this goal.

Consolidated

History

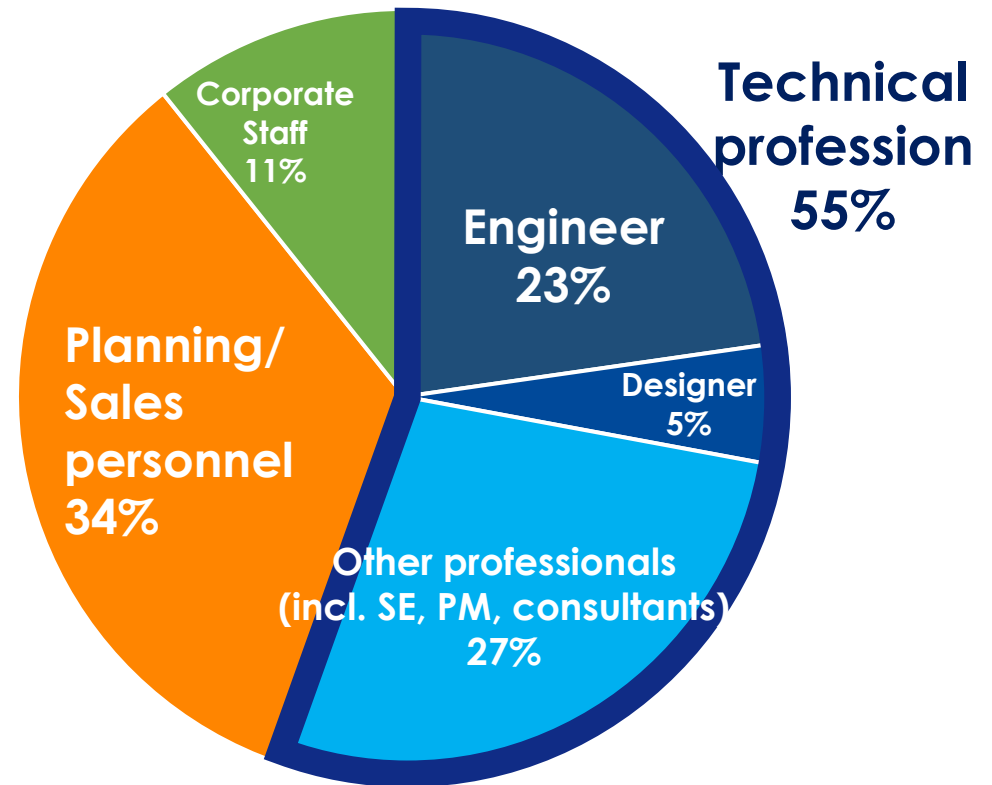|	
1999	Establishment of oRo Co., Ltd
2004	Launched website management and maintenance operations
2005	Acquired the Information Security Management Systems (ISMS) certification
2006	Developed and launch sales of ZAC Enterprise, an SaaS-compliant ERP package
2007	Acquired certification to use the Privacy Mark
	Opened the Osaka branch (currently, the Nishinihon 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

Organizational Structure

Organizational structure promotes "technology x creativity" solutions

Split between manufacturing and sales personnel

Consolidated
507

Non-consolidated
288
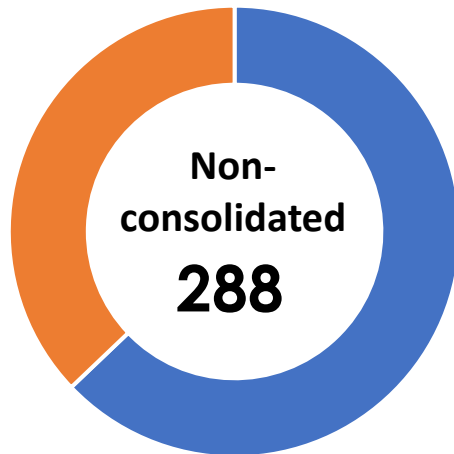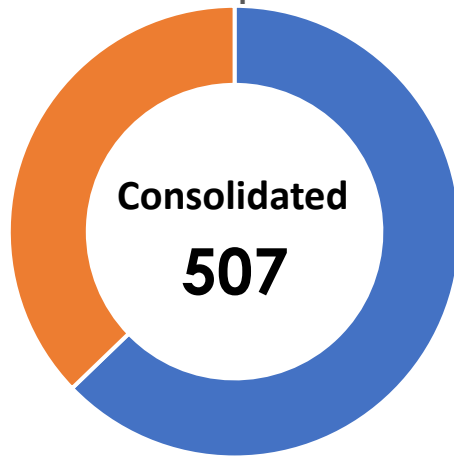
(As of December 31, 2023)

Breakdown by job type
(non-consolidated)

Technical profession
55%

Corporate Staff 11%

Engineer 23%

Designer 5%

Planning/Sales personnel 34%

Other professionals (incl. SE, PM, consultants) 27%

(As of December 31, 2023)

Material Issues

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.

Sustainability Policy

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)

In line with our 'oRo GROUP HUMAN RESOURCES POLICY', we are advancing diversity initiatives, targeting a 15% ratio of women in managerial positions by 2027 to diversify our core personnel.

## 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

Since February 2023, we have established a goal of achieving a 15% ratio of women in managerial positions by 2027. As of December 31, 2023, we have reached a performance level of 7.9%, which aligns closely with our plan.

Moving forward, we will concentrate on improving our workplace by accommodating diverse career paths and work styles, as well as striving to create a more attractive work environment. Through these enhancements, we aim to increase the proportion of female managers.

The Percentage of Women in Managerial Positions
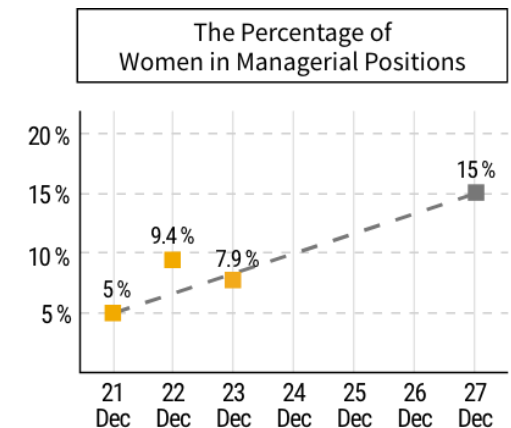
Human Resources Initiatives (2/2)

We promote "Health & Productivity Management" to empower employees to play an active role in the company. Offering diverse and flexible work styles enhances 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 enables flexible office hours from 10:00 to 16:00, and the option to work from home for the rest, promoting work-life balance and aiding in managing family and childcare duties.
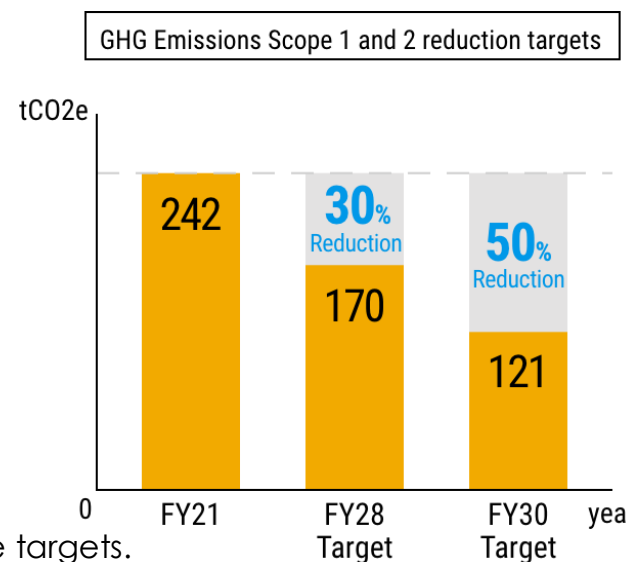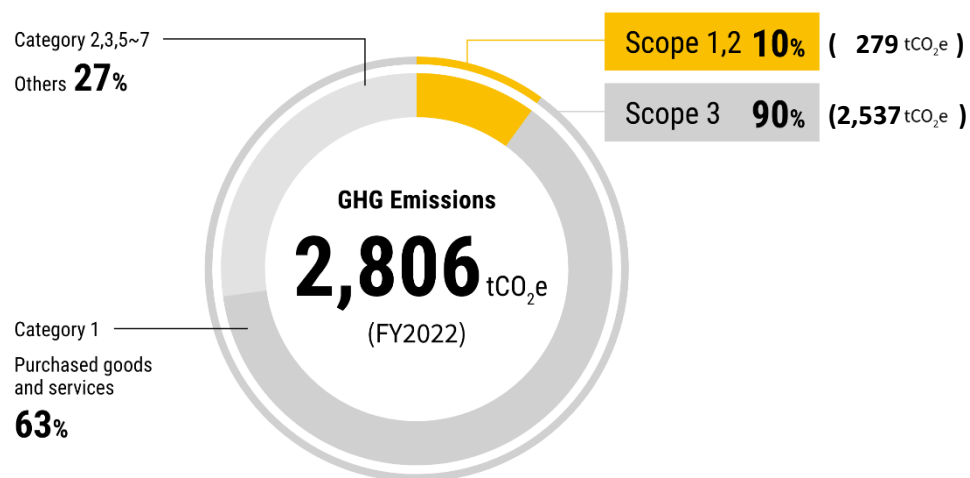

*Our company has certified as a Health & Productivity Management Outstanding Organization 2023 (Large Enterprise Category) for the second consecutive year, and oRo Miyazaki and oRo code MOC were also certified in the Small and Medium-Sized Enterprise Category.
And also we and oRo Miyazaki have received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

Environment 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 emission and reduction targets

Our GHG emissions in FY2022/12 were 2,806 tCO2e. 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.

Category 2,3,5~7
Others **27%**

Scope 1,2 **10%** (**279** tCO₂e)

Scope 3 **90%** (**2,537** tCO₂e)

GHG Emissions
2,806 tCO₂e
(FY2022)

Category 1
Purchased goods
and services
63%

GHG Emissions Scope 1 and 2 reduction targets

tCO2e

242

30% Reduction

170

50% Reduction

121

0   FY21   FY28 Target   FY30 Target   year

*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/ja/ir/sustainability/environment/

Consolidated

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)** ・Development and sales of cloud-based ERP "ZAC" **Digital Transformation (DX)** ・Support for corporate marketing activities
Employees	**Non-consolidated 288 / Consolidated 507 (as of December 31, 2023)**
Branch	**Nishinihon 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.**

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.

- The Company will not necessarily revise previously-issued releases on its future outlook regardless of the occurrence of future events unless it is required to do so by disclosure rules.

- Information on firms other than the Company is generally based on publicly-known information.

- The Company holds any and all rights to any part of this presentation material. Reproducing or transferring any part of the document, either electronically or mechanically, without permission regardless of the purpose is prohibited.