

Translation

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Summary of Consolidated Financial Results
for the Nine Months Ended September 30, 2023
(Based on IFRS)

November 14, 2023

Company name: ORO Co., Ltd
 Stock exchange listing: TSE
 Stock code: 3983 URL: <https://www.oro.com>
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 Scheduled date to file Quarterly Securities Report: November 14, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2023	5,158	15.6	1,880	23.0	1,978	20.6	1,361	20.3
Nine months ended September 30, 2022	4,461	9.7	1,529	3.7	1,640	10.9	1,131	12.5
	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share		Diluted earnings per share	
	Millions of yen	%	Millions of yen	%	Yen		Yen	
Nine months ended September 30, 2023	1,366	21.5	1,391	17.6	84.74		—	
Nine months ended September 30, 2022	1,124	11.6	1,183	15.0	69.80		—	

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2023	11,634	8,419	8,417	72.4
As of December 31, 2022	11,045	7,337	7,331	66.4

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2022	—	0.00	—	20.00	20.00
Year ending December 31, 2023	—	0.00	—		
Year ending December 31, 2023 (Forecast)				30.00	30.00

Note: Revisions to most recently released dividend forecast : Yes

For details on the revised dividend forecast, please refer to the “Notice Regarding Revision of the Dividend Forecast (Dividend Increase),” announced on November 14, 2023.

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

Percentages indicate year-on-year changes

Full year	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	7,092	14.2	2,380	4.1	2,386	1.4	1,656	1.6	1,656	2.0	102.78

Note: Revisions to most recently released earnings forecast : None

4. Notes

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

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

(Note) For details, please refer to “1. Condensed quarterly consolidated financial statements and key notes (5) Notes on condensed quarterly consolidated financial statements (Changes in accounting principles)” on page 13 of the accompanying materials.

(3) Number of issued shares (common shares)

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

As of September 30, 2023	16,156,453 shares	As of December 31, 2022	16,156,453 shares
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Number of treasury shares at the end of the period

As of September 30, 2023	30,282 shares	As of December 31, 2022	39,299 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended September 30, 2023	16,122,537 shares	Nine months ended September 30, 2022	16,114,598 shares
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* These Consolidated basic Results are not included in the scope of audits by certified public accountants or audit corporations.

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

(Caution regarding forward-looking statements)

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

(Method of obtaining supplementary materials to quarterly financial results)

Supplementary materials to financial results are disclosed on TDnet and the Company's website on the same day.

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1. Condensed quarterly consolidated financial statement and key notes

(1) Condensed quarterly consolidated statement of financial position

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	6,831,944	8,065,602
Trade and other receivables	1,405,886	1,028,586
Contract assets	514,034	329,882
Other financial assets	583,023	668,029
Other current assets	73,258	92,557
Total current assets	9,408,149	10,184,657
Non-current assets		
Property, plant and equipment	828,245	678,793
Intangible assets	70,689	89,381
Other financial assets	102,564	104,637
Deferred tax assets	596,601	535,519
Other non-current assets	39,505	41,271
Total non-current assets	1,637,606	1,449,603
Total assets	11,045,755	11,634,261

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	403,582	294,967
Contract liabilities	1,801,890	1,823,993
Lease liabilities	190,993	188,392
Income tax payables	475,244	128,294
Provisions	5,165	3,710
Other current liabilities	411,178	485,360
Total current liabilities	3,288,054	2,924,719
Non-current liabilities		
Lease liabilities	288,162	175,194
Provisions	132,102	114,738
Total non-current liabilities	420,264	289,933
Total liabilities	3,708,319	3,214,653
Equity		
Capital stock	1,193,528	1,193,528
Capital surplus	1,095,202	1,095,202
Treasury shares	(141,788)	(120,682)
Retained earnings	5,117,976	6,153,894
Other components of equity	66,170	95,843
Equity attributable to owners of the parent	7,331,089	8,417,785
Non-controlling interests	6,347	1,822
Total equity	7,337,436	8,419,608
Total liabilities and equity	11,045,755	11,634,261

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

Condensed quarterly consolidated statement of income

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Revenue	4,461,496	5,158,794
Cost of sales	1,653,502	1,710,273
Gross profit	2,807,994	3,448,520
Selling, general and administrative expenses	1,256,129	1,497,856
Research and development	35,303	32,115
Other income	12,689	9,192
Other expenses	221	47,080
Operating profit	1,529,029	1,880,659
Finance income	116,496	103,705
Finance costs	4,560	5,447
Profit before tax	1,640,964	1,978,916
Income tax expenses	509,788	617,581
Profit	1,131,176	1,361,334
Profit attributable to:		
Owners of parent	1,124,846	1,366,245
Non-controlling interests	6,329	(4,911)
Profit	1,131,176	1,361,334
Earnings per share		
Basic earnings per share (Yen)	69.80	84.74
Diluted earnings per share (Yen)	-	-

Three months ended September 30, 2022 and 2023

(Thousands of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Revenue	1,602,415	1,876,937
Cost of sales	569,907	630,896
Gross profit	1,032,508	1,246,041
Selling, general and administrative expenses	430,008	528,496
Research and development	9,820	12,996
Other income	287	962
Other expenses	91	302
Operating profit	592,875	705,207
Finance income	42,481	32,880
Finance costs	1,551	1,855
Profit before tax	633,804	736,232
Income tax expenses	194,508	228,427
Profit	439,296	507,805
Profit attributable to:		
Owners of parent	439,857	509,023
Non-controlling interests	(561)	(1,218)
Profit	439,296	507,805
Earnings per share		
Basic earnings per share (Yen)	27.29	31.57
Diluted earnings per share (Yen)	-	-

Condensed quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	1,131,176	1,361,334
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	1,266	-
Total of items that will not be reclassified to profit or loss	1,266	-
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	51,133	30,059
Total of items that may be reclassified subsequently to profit or loss	51,133	30,059
Other comprehensive income, net of taxes	52,399	30,059
Comprehensive income	1,183,576	1,391,394
Attributable to:		
Owners of the parent	1,177,106	1,395,918
Non-controlling interests	6,469	(4,524)
Comprehensive income	1,183,576	1,391,394

Three months ended September 30, 2022 and 2023

(Thousands of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Profit	439,296	507,805
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	2,581	6,543
Total of items that may be reclassified subsequently to profit or loss	2,581	6,543
Other comprehensive income, net of taxes	2,581	6,543
Comprehensive income	441,878	514,348
Attributable to:		
Owners of the parent	442,623	515,519
Non-controlling interests	(745)	(1,170)
Comprehensive income	441,878	514,348

(3) Condensed quarterly consolidated statement of changes in equity

Nine months ended September 30, 2022

(Thousands of yen)

	Equity attributable to owners of parent			
	Capital stock	Capital surplus	Treasury shares	Retained earnings
Balance on January 1, 2022	1,193,528	1,095,407	(1,727,465)	5,300,180
Profit				1,124,846
Other comprehensive income				
Total comprehensive income	-	-	-	1,124,846
Restricted Stock-based payment transactions		(205)	15,111	(2,909)
Dividends				(241,663)
Cancellation of treasury shares			1,565,100	(1,565,100)
Transfer from other components of equity to retained earnings				5,508
Total transactions with owners	-	(205)	1,580,211	(1,804,164)
Balance on September 30, 2022	1,193,528	1,095,202	(147,254)	4,620,861

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Equity
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Total			
Balance on January 1, 2022	4,241	42,954	47,195	5,908,847	(434)	5,908,412
Profit				1,124,846	6,329	1,131,176
Other comprehensive income	1,266	50,993	52,259	52,259	140	52,399
Total comprehensive income	1,266	50,993	52,259	1,177,106	6,469	1,183,576
Restricted Stock-based payment transactions				11,995		11,995
Dividends				(241,663)		(241,663)
Cancellation of treasury shares				-		-
Transfer from other components of equity to retained earnings	(5,508)		(5,508)	-		-
Total transactions with owners	(5,508)	-	(5,508)	(229,667)	-	(229,667)
Balance on September 30, 2022	-	93,947	93,947	6,856,285	6,035	6,862,321

Nine months ended September 30, 2023

(Thousands of yen)

	Equity attributable to owners of parent			
	Capital stock	Capital surplus	Treasury shares	Retained earnings
Balance on January 1, 2023	1,193,528	1,095,202	(141,788)	5,117,976
Profit				1,366,245
Other comprehensive income				
Total comprehensive income	-	-	-	1,366,245
Restricted Stock-based payment transactions			21,105	(7,984)
Dividends				(322,343)
Total transactions with owners	-	-	21,105	(330,328)
Balance on September 30, 2023	1,193,528	1,095,202	(120,682)	6,153,894

	Equity attributable to owners of parent				
	Other components of equity		Total	Non-controlling interests	Equity
	Exchange differences on translation of foreign operations	Total			
Balance on January 1, 2023	66,170	66,170	7,331,089	6,347	7,337,436
Profit			1,366,245	(4,911)	1,361,334
Other comprehensive income	29,673	29,673	29,673	386	30,059
Total comprehensive income	29,673	29,673	1,395,918	(4,524)	1,391,394
Restricted Stock-based payment transactions			13,120		13,120
Dividends			(322,343)		(322,343)
Total transactions with owners	-	-	(309,222)	-	(309,222)
Balance on September 30, 2023	95,843	95,843	8,417,785	1,822	8,419,608

(4) Condensed quarterly consolidated statements of cash flows

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,640,964	1,978,916
Depreciation and amortization	229,143	250,882
Finance income	(117,175)	(103,886)
Finance costs	3,064	2,692
Settlement payment	-	45,000
Decrease (increase) in trade and other receivables	(87,687)	382,752
Decrease (increase) in contract assets	(143,773)	184,849
Increase (decrease) in trade and other payables	(47,343)	(111,119)
Increase (decrease) in contract liabilities	102,772	21,177
Increase (decrease) in provision	(2,384)	(13,798)
Other	(95,498)	77,424
Subtotal	1,482,081	2,714,891
Interest received	1,004	12,203
Dividends received	63	-
Interest paid	(3,064)	(2,692)
Settlement paid	-	(45,000)
Income taxes paid	(730,728)	(903,556)
Cash flows from operating activities	749,356	1,775,845
Cash flows from investing activities		
Payments into time deposits	(43,701)	(10,274)
Purchase of property, plant and equipment	(81,503)	(51,309)
Purchase of intangible assets	(16,852)	(37,666)
Purchase of securities	(49)	-
Proceeds from sales of securities	14,375	-
Payments for lease and guarantee deposits	(3,154)	(2,365)
Other	233	275
Cash flows from investing activities	(130,653)	(101,341)
Cash flows from financing activities		
Repayments of lease liabilities	(145,433)	(147,311)
Cash dividends paid	(241,550)	(322,050)
Cash flows from financing activities	(386,984)	(469,361)
Net increase (decrease) in cash and cash equivalents	231,718	1,205,143
Cash and cash equivalents at beginning of period	5,914,992	6,831,944
Effect of exchange rate change on cash and cash equivalents	48,173	28,514
Cash and cash equivalents at end of period	6,194,884	8,065,602

(5) Notes on condensed quarterly consolidated financial statements

(Note on the going-concern assumption)

Not applicable

(Changes in accounting principles)

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

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

The adoption of new standards had no significant impact on the condensed consolidated financial statements for Nine months ended September 30, 2023.

(Segment information)

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

Nine months ended September 30, 2022

	Reportable Segment			Adjustments (Note 1)	(Thousands of yen) Consolidated
	Cloud Solutions	Digital Transformation	Total		
Revenue					
Revenue from external customers	2,556,161	1,905,335	4,461,496	—	4,461,496
Intersegment revenue	—	—	—	—	—
Total	<u>2,556,161</u>	<u>1,905,335</u>	<u>4,461,496</u>	<u>—</u>	<u>4,461,496</u>
Segment income	<u>1,098,722</u>	<u>417,838</u>	<u>1,516,561</u>	<u>12,467</u>	<u>1,529,029</u>
Finance income					116,496
Finance costs					4,560
Profit before tax					<u>1,640,964</u>
Other					
Depreciation and amortization	142,803	86,339	229,143	—	229,143

(Note)

1. The adjustment of 12,467 thousand yen to segment income mainly consists of “Other income” and “Other expense” that are not attributable to any reportable segment.
2. Segment income corresponds to operating profit in the condensed quarterly consolidated statement of income.
3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

Nine months ended September 30, 2023

	Reportable Segment			Adjustments (Note 1)	(Thousands of yen)
	Cloud Solutions	Digital Transformation	Total		Consolidated
Revenue					
Revenue from external customers	3,184,561	1,974,232	5,158,794	—	5,158,794
Intersegment revenue	—	—	—	—	—
Total	3,184,561	1,974,232	5,158,794	—	5,158,794
Segment income	1,505,388	413,159	1,918,547	(37,888)	1,880,659
Finance income					103,705
Finance costs					5,447
Profit before tax					1,978,916
Other					
Depreciation and amortization	160,462	90,420	250,882	—	250,882

(Note)

1. The adjustment of (37,888) thousand yen to segment income mainly consists of “Other income” and “Other expense” that are not attributable to any reportable segment.
2. Segment income corresponds to operating profit in the condensed quarterly consolidated statement of income.
3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

Three months ended September 30, 2022

	Reportable Segment			Adjustments (Note 1)	(Thousands of yen)
	Cloud Solutions	Digital Transformation	Total		Consolidated
Revenue					
Revenue from external customers	871,240	731,175	1,602,415	—	1,602,415
Intersegment revenue	—	—	—	—	—
Total	871,240	731,175	1,602,415	—	1,602,415
Segment income	344,607	248,071	592,678	196	592,875
Finance income					42,481
Finance costs					1,551
Profit before tax					633,804
Other					
Depreciation and amortization	51,435	28,464	79,900	—	79,900

(Note)

1. The adjustment of 196 thousand yen to segment income mainly consists of “Other income” and “Other expense” that are not attributable to any reportable segment.
2. Segment income corresponds to operating profit in the condensed quarterly consolidated statement of income.
3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.

Three months ended September 30, 2023

(Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Consolidated
	Cloud Solutions	Digital Transformation	Total		
Revenue					
Revenue from external customers	1,158,670	718,267	1,876,937	—	1,876,937
Intersegment revenue	—	—	—	—	—
Total	<u>1,158,670</u>	<u>718,267</u>	<u>1,876,937</u>	<u>—</u>	<u>1,876,937</u>
Segment income	<u>559,408</u>	<u>145,139</u>	<u>704,548</u>	<u>659</u>	<u>705,207</u>
Finance income					32,880
Finance costs					<u>1,855</u>
Profit before tax					<u>736,232</u>
Other					
Depreciation and amortization	56,587	31,380	87,968	—	87,968

(Note)

1. The adjustment of 659 thousand yen to segment income mainly consists of “Other income” and “Other expense” that are not attributable to any reportable segment.
2. Segment income corresponds to operating profit in the condensed quarterly consolidated statement of income.
3. Segment assets, segment liabilities, and capital expenditures are not presented since they are not subject to a review to determine the allocation of management resources and evaluate financial results.