



**FY2021** (Ending October 31, 2021)

**Fourth Quarter (Q4)**

**Material for Quarterly Financial Results Briefing**

**December 14, 2021**

**ASIRO Inc.**



# Contents

## Section **01** Corporate Overview

## Section **02** Financial Results Summary

## Section **03** Business Highlights

## Section **04** Forecast for FY2022

## Section **05** Appendix

# Section

# 01

## Corporate Overview

# Services

Our main business activity involves the operation of Legal Media sites. By utilizing digital technology and web marketing expertise, we help provide legal and lawyer-related information online.

## Business category

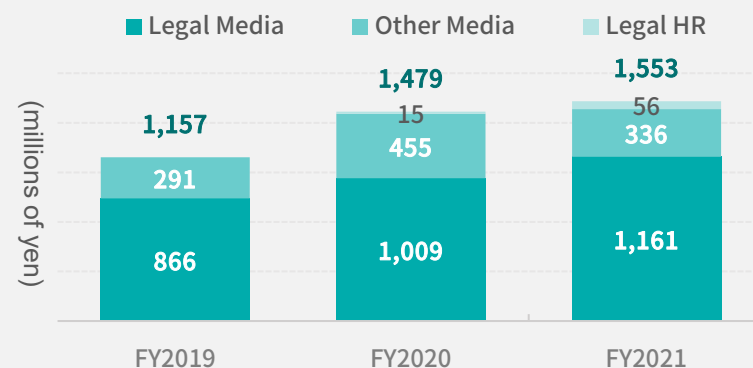
Legal Media & Other	Legal Media	
	Services	Operates 9 sites in the “Attorney Search” series, specialized in each case field, and a comprehensive type site.
	Main customers	Law firms
Legal Media & Other	Main sites	
	<div>離婚弁護士ナビ</div> <div>IT弁護士ナビ</div> <div>交通事故弁護士ナビ</div> <div>あなたの弁護士</div>	
	<div>相続弁護士ナビ</div> <div>労働問題弁護士ナビ</div> <div>債権回収弁護士ナビ</div> <div>刑事事件弁護士ナビ</div> <div>債務整理ナビ</div> <div>企業法務弁護士ナビ</div>	
Legal Media & Other	Other Media	
	Services	Operates “Carism,” the career change media, private detective media “Expert Search for Infidelity Investigation” and “Hotline for Missing Person Search,” etc.
	Main customers	Staffing companies, private detective offices
Legal Media & Other	Main sites	
	<div>キャリアズム</div> <div>浮気調査ナビ</div> <div>人探しの窓口</div>	

## Legal Human Resources(HR)

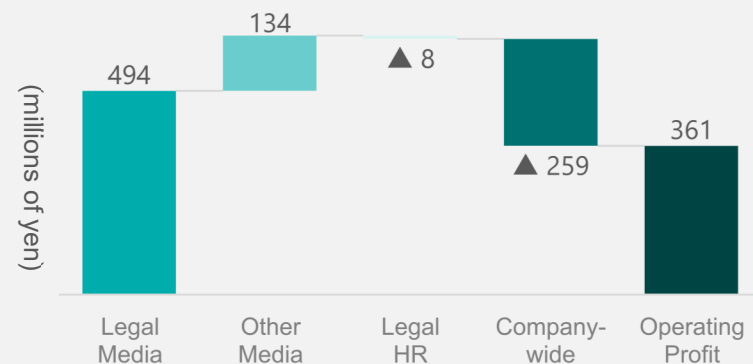
Services	HR recruitment business for qualified attorneys
Main customers	Law firms, general companies
Main sites	NO/LIMIT XEXE

## Business composition

### Revenue composition

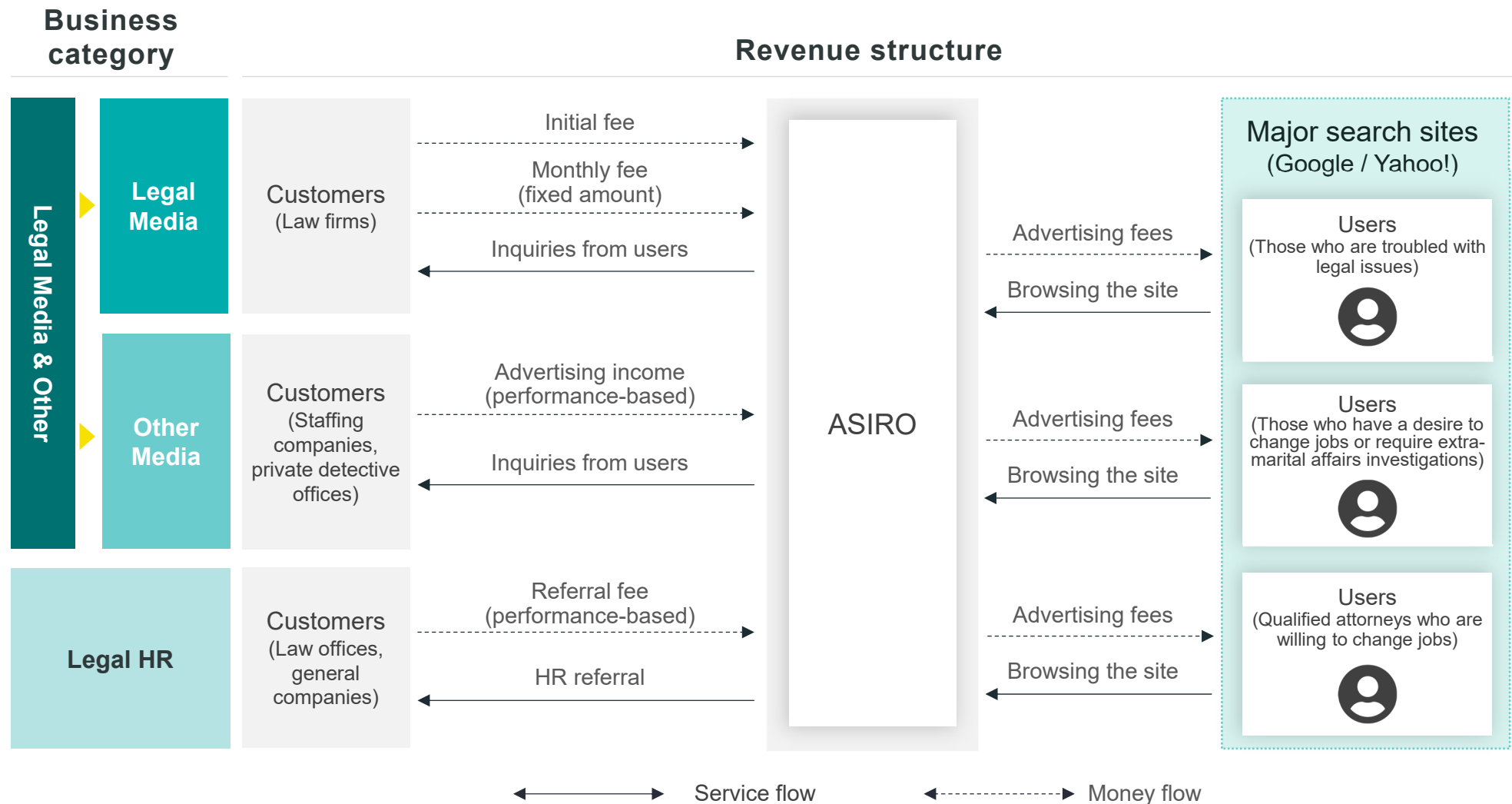


### Operating profit composition (FY2021)



# Business model

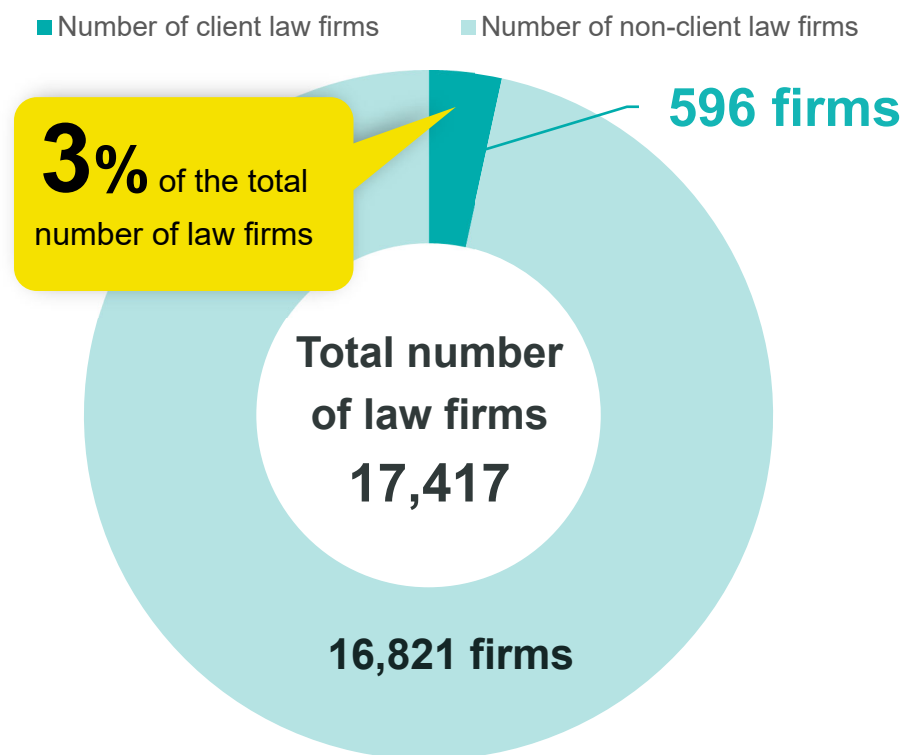
Legal Media revenue consists primarily of monthly fixed-rate fee income, and it adopts a business model in which revenue increases in the number of ad slots posted. Other Media and Legal HR business adopt a performance-based business model based on the number of inquiries and the number of new employees.



# Our customer base and market potential<sup>1</sup>

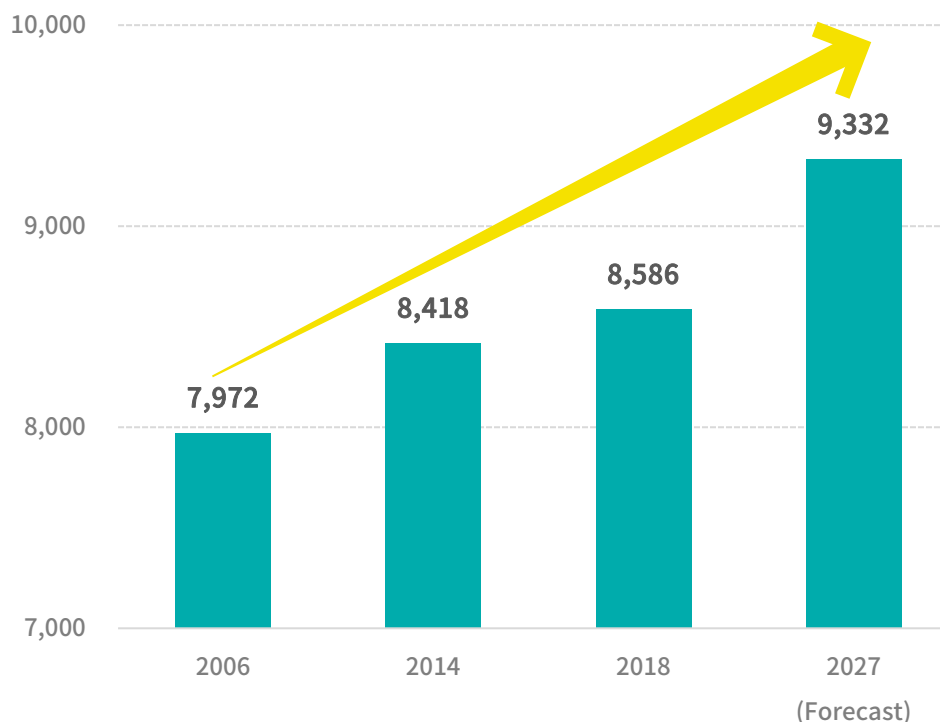
We have about 600 customers, but that is still about 3% of the total number of law firms in Japan, so there is a lot of room for growth. As the market size for attorneys' fees is also expanding making the environment more competitive, we anticipate an increase in advertising investment by law firms.

## Our customer base<sup>2</sup>



## Estimated market size for attorneys' fees<sup>3</sup>

Left axis: Legal fee market size (unit: 100 million yen)



Notes: <sup>1</sup> This calculation is not for the purpose of indicating the objective market size relating to the businesses operated as of December 2021. As shown in the note below, the information is based on external statistical data and published materials, but the actual market size may differ.

<sup>2</sup> The number of our customer law firms is the number of customers who had placed paid ads as of the end of October 2021. The total number of law firms is the number of law firms in the Japan Federation of Bar Associations *White Paper on Attorneys 2020*.

<sup>3</sup> The market size from 2006 to 2018 is calculated by multiplying the average income per lawyer for each year by the number of attorneys.

In addition, the market size and average income in 2027 are estimated by applying the forecast value of the number of attorneys in 2027 based on the average income decrease rate with respect to the increase rate in the number of attorneys from 2006 to 2018.

Source: ASIRO Inc., Japan Federation of Bar Associations *White Paper on Attorneys 2018*, *White Paper on Attorneys 2020*.

# Section

## Financial Results Summary

# Summary of Full-year Financial Results for FY2021

## FY2021

### Full-year Results

Growth for Legal Media covered a decline in Other Media revenue, resulting in increased revenue overall. Operating profit increased in all three business areas.

Revenue: **1,553** million yen (5.0% increase YoY)

Operating profit : **361** million yen (8.5% increase YoY)

## Legal Media

There was steady growth due to an increase in recurring revenue and the number of ad slots posted.

Revenue: **1,161** million yen (15.1% increase YoY)

Operating profit: **494** million yen (7.1% increase YoY)

## Other Media

Even though revenue declined due to the adverse effects of the COVID-19, operating profit in the 4Q reached a record high, and year-on-year profit increased for the full year.

Revenue: **336** million yen (26.1% decrease YoY)

Operating profit: **134** million yen (10.2% increase YoY)

## Legal HR

Although the amount of denominator is small because it is only the second year for this business area, revenue increased significantly and profit improved.

Revenue: **56** million yen (267.4% increase YoY)

Operating profit: **-8** million yen (5 million yen increase YoY)

## Company-wide

There was an increase in temporary expenses such as those related to stock market listing and due diligence concerning Kailash small-amount short-term insurance.

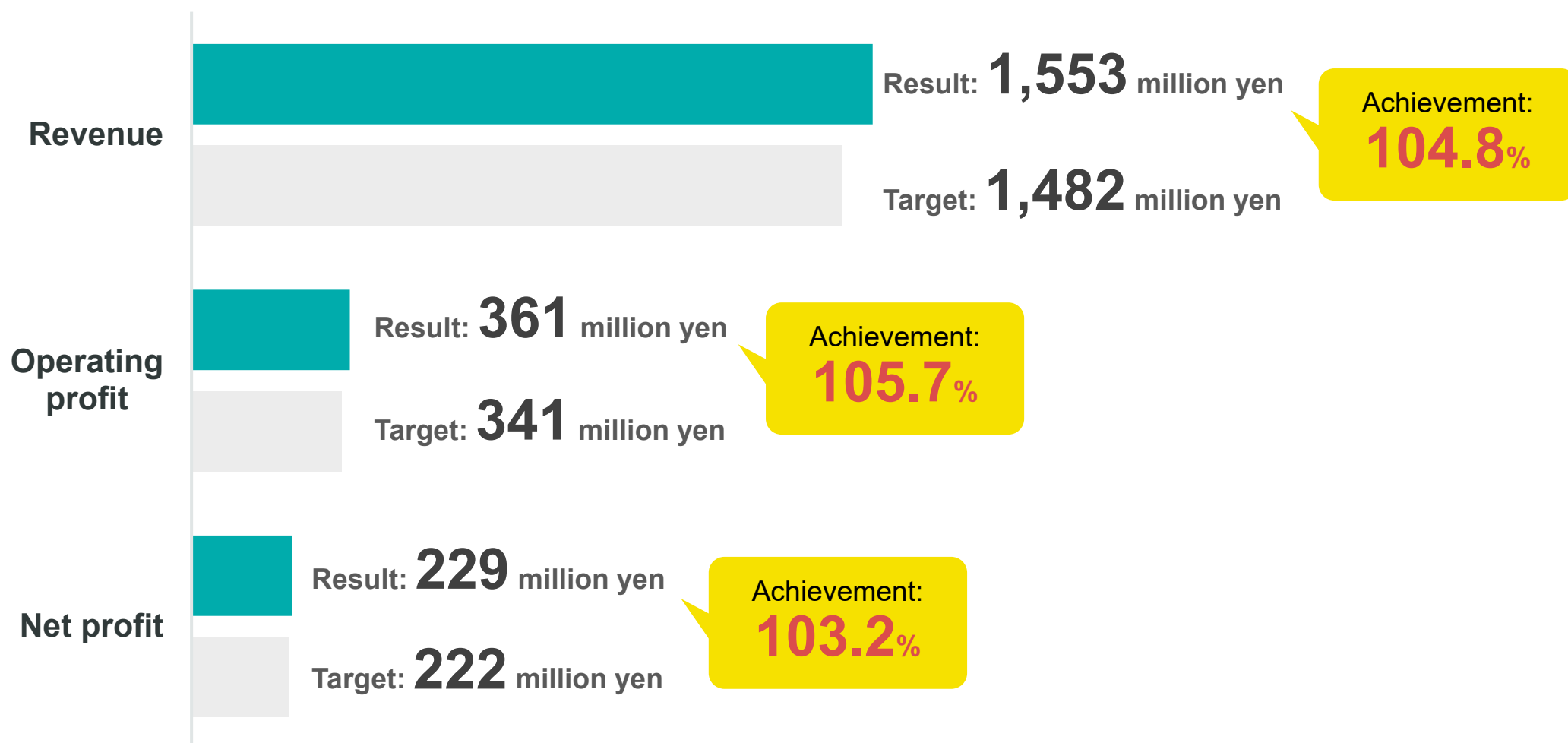
Operating profit: **-259** million yen (22 million yen decrease YoY)



# FY2021 Full-year Target vs Actual

In addition to steady growth for Legal Media, Other Media recovered from the adverse effects of the COVID-19 more quickly than expected. Targets were achieved for revenue, operating profit, and net profit.

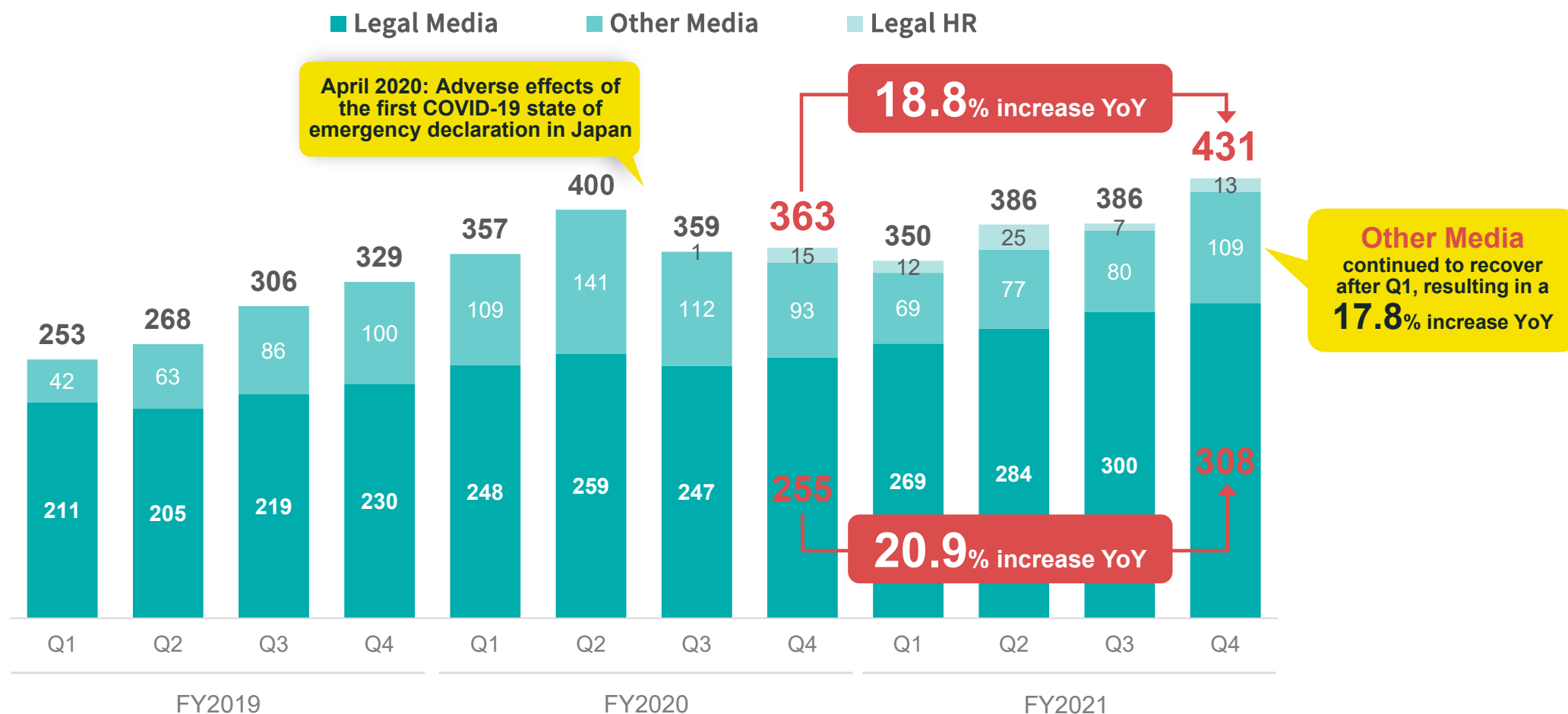
## Full-year Results and Target Achievement Rates



# Revenue by Business Area (Quarterly Changes)

In the Q4 of FY2021, we achieved record-high sales, and overall revenue increased by 18.8% YoY (20.9% YoY increase for Legal Media alone).

Revenue by business area (unit: million yen)

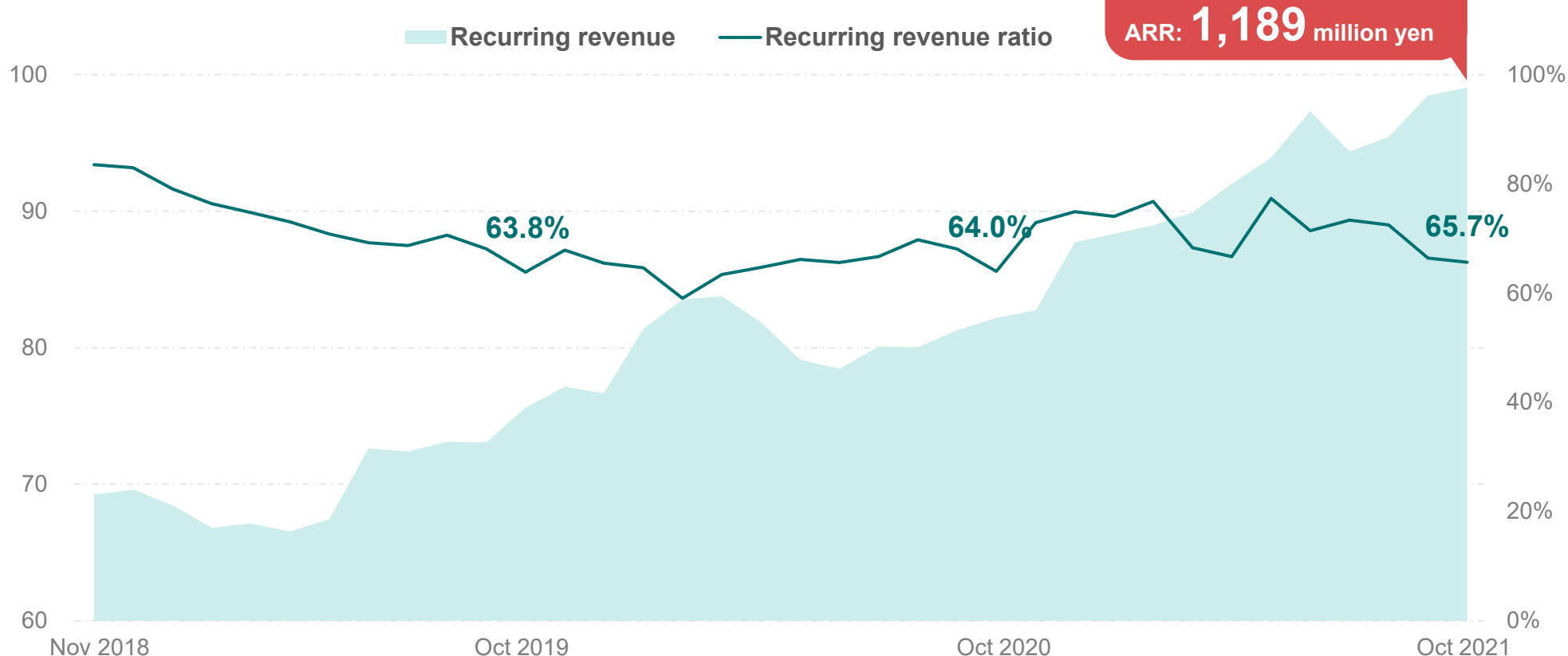


# Recurring revenue<sup>1</sup> and Recurring revenue ratio<sup>2</sup> (Monthly Changes)

The recurring revenue for October 2021 (fixed monthly fee income for Legal Media) grew steadily with a 20.5% increase YoY. Moreover, recurring revenue accounted for about two-thirds of total revenue, creating a stable revenue structure.

## Recurring Revenue and Recurring Revenue Ratio

Left axis: Recurring revenue (unit: million yen) / Right axis: Recurring revenue ratio (unit: %)



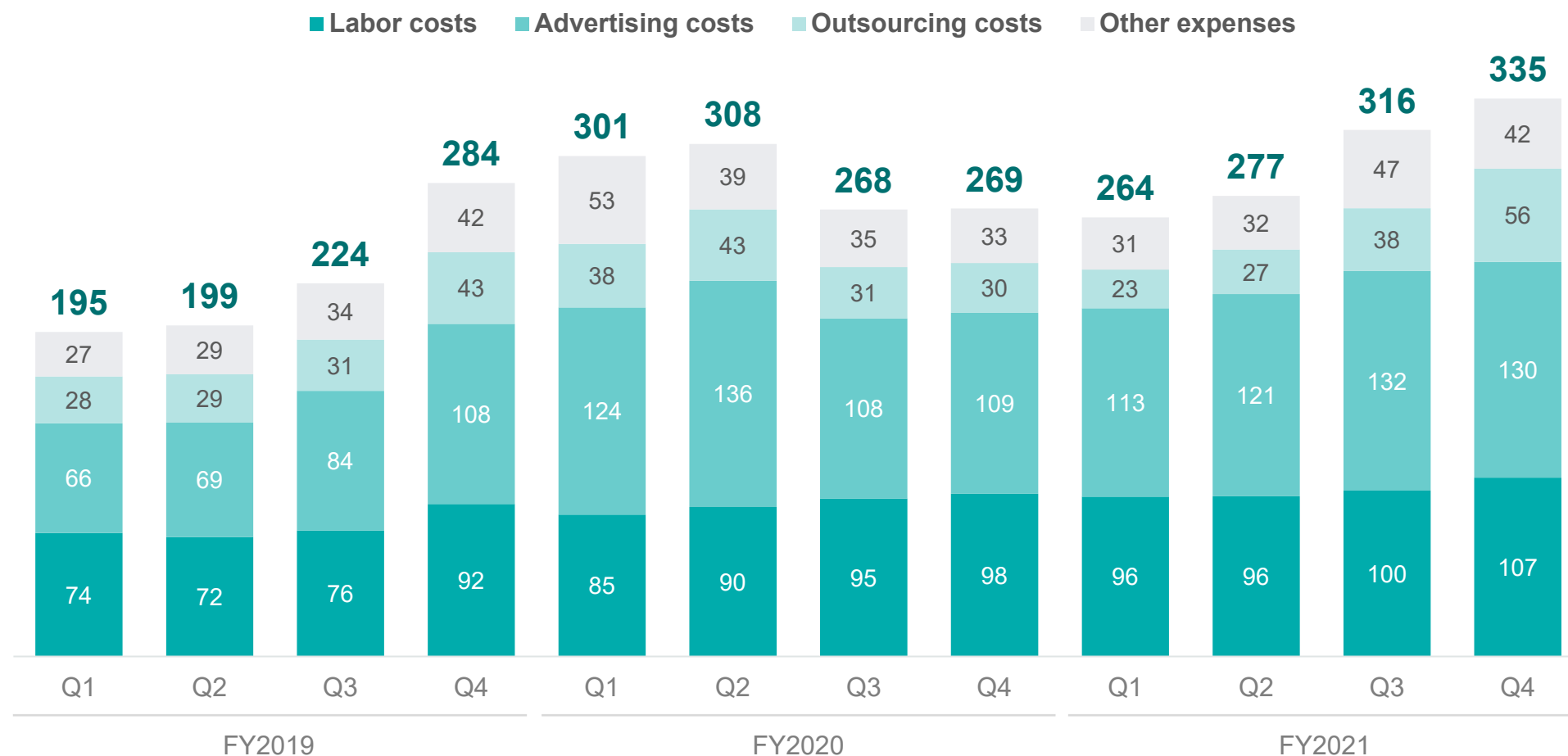
Note 1: Recurring revenue is defined as revenue generated on a fixed monthly basis up to the time of customer contract cancellation. Legal Media posting fee income is added together to calculate recurring revenue.

Note 2: Recurring revenue ratio refers to the ratio of recurring revenue to total revenue.

# Cost Structure (Quarterly Changes)

In FY2021 we carried out proactive outsourcing investment to strengthen our competitiveness and incurred due diligence costs for investment decisions in Kailash small-amount short-term insurance. As a result, mainly temporary outsourcing costs increased in Q4, and total costs also increased compared to Q3.

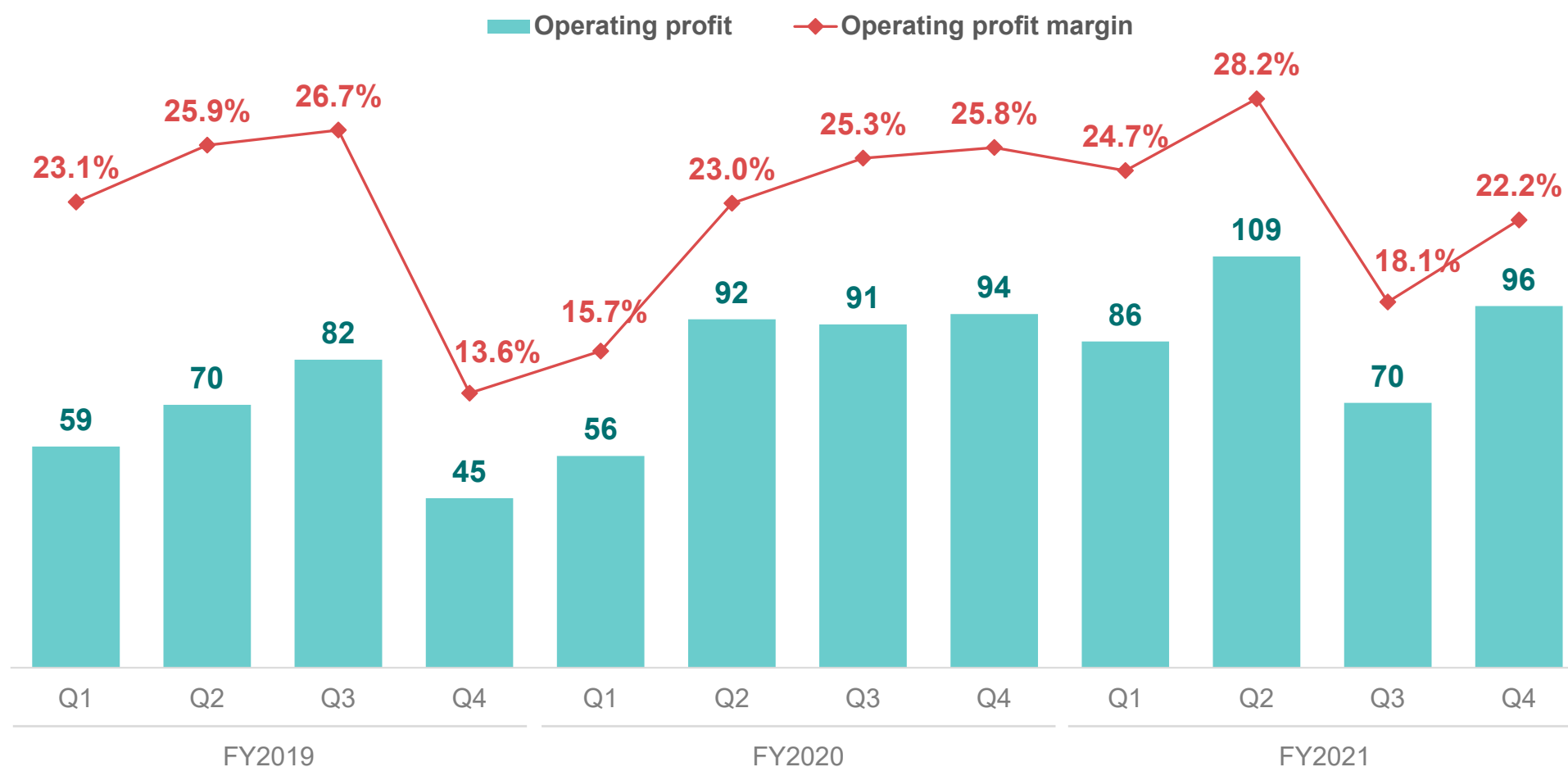
**Cost Structure** (unit: million yen)



# Operating Profit (Quarterly Changes)

As mentioned, while the total costs increased due to proactive outsourcing investment and due diligence costs, operating profit and operating profit margin still increased compared to Q3. This was due to record sales in Q4.

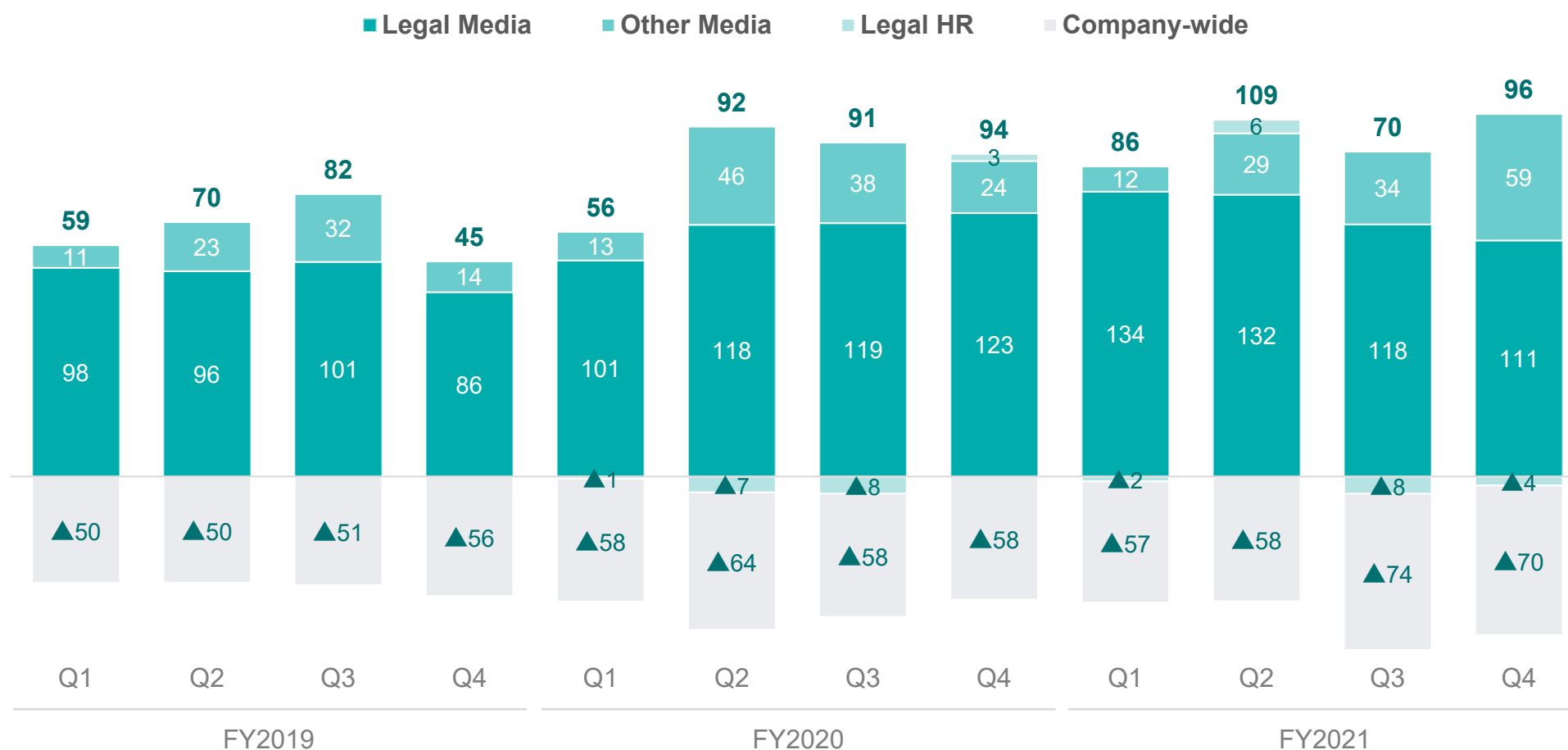
Operating Profit (unit: million yen)



# Operating Profit by Business Area (Quarterly Changes)

Due to proactive investment, profits for Legal Media declined slightly in Q4 compared to Q3. Meanwhile, operating profit for Other Media remained on a recovery trend after being hit by the adverse effects of the pandemic in Q1, and we recorded the highest operating profit ever in Q4.

Operating Profit by Business Area (unit: million yen)



# Section

## Business Highlights

# FY2021 Q4 Business Highlights

## Legal Media

- Both the number of customers and the number of slots ad posted grew steadily.
- The churn rate returned to a normal level of the 1% range.
- We continued to study brand promotion to raise our service awareness.

## Other Media

- Due to the adverse effects of the pandemic, there was negative growth for the numbers of inquiries and revenue until Q3. In Q4, however, the trend turned to positive due largely to a recovery in the HR market.
- As a result of improving quarterly results after bottoming out in Q1, we saw record operating profit in Q4.

## Legal HR

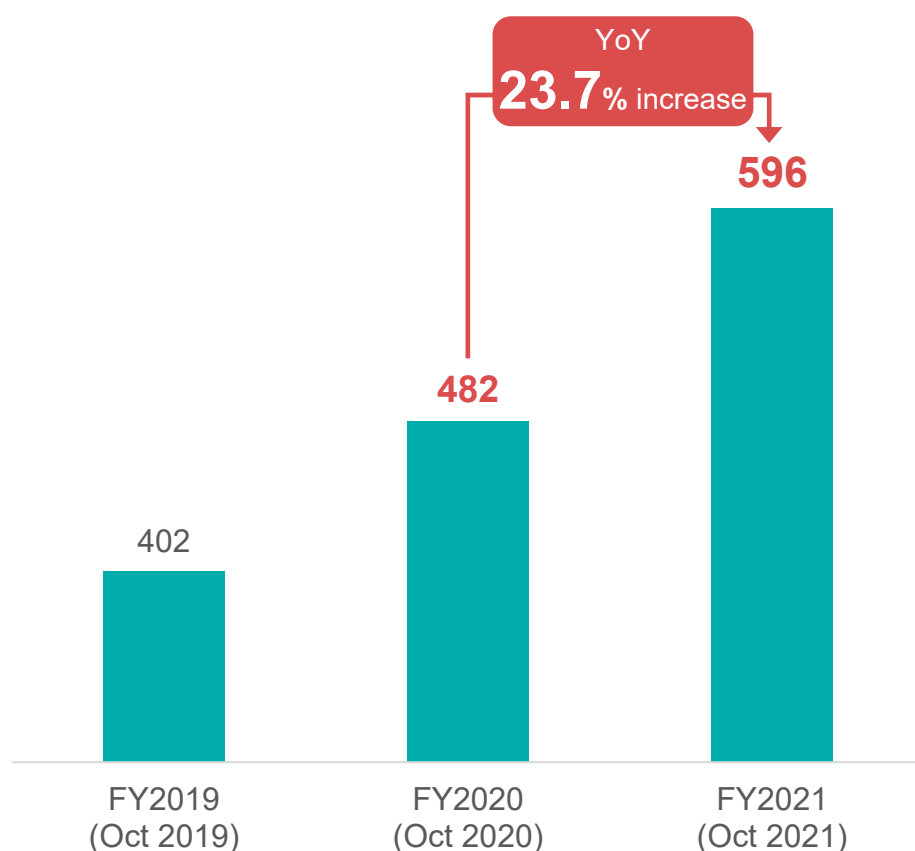
- The number of new registrants for the HR recruitment service increased by about 1.8 times YoY.
- Although this business area has previously been operated as a subsidiary, it was absorbed and merged into ASIRO Inc. on December 1, 2021. This resulted in a structure that enhances synergies between Legal HR and Legal Media.



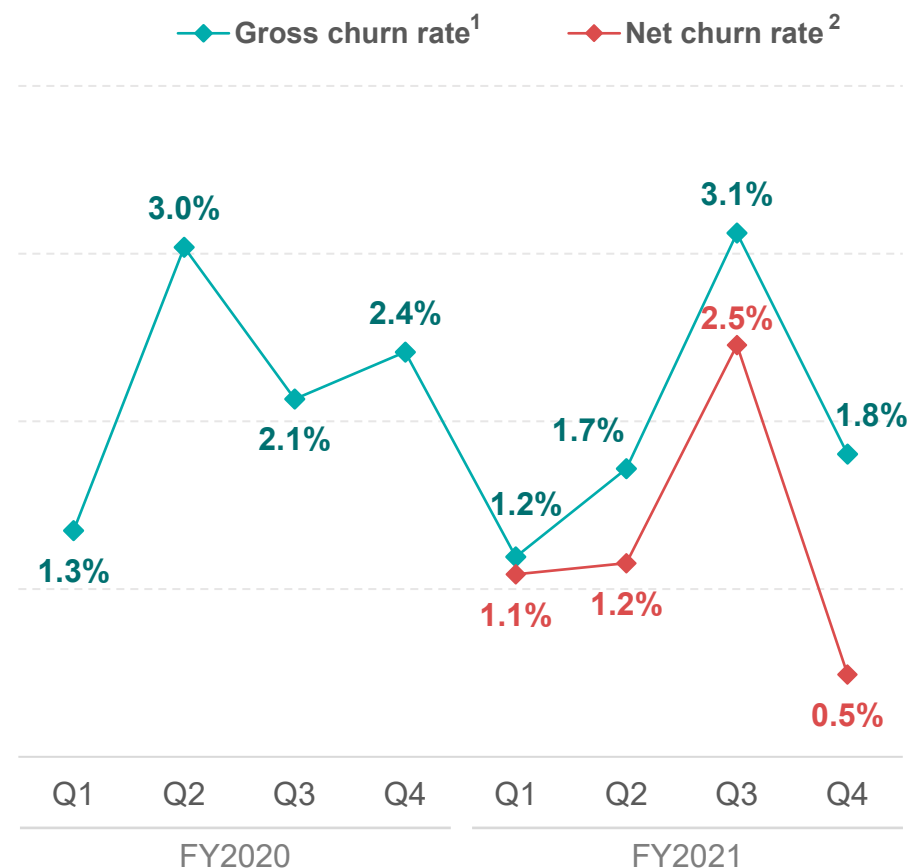
# Legal Media: Number of Customers and Churn Rate

The number of customers increased by 23.7% year on year. The churn rate in Q4 returned to a pre-pandemic level, and is now in the 1% range again. Moreover, many ad slots that had been cancelled were resumed with new contracts, and the net churn rate in Q4 decreased to less than 1%.

**Number of customers:** (unit: customers)



**Churn rate:** (unit: %)



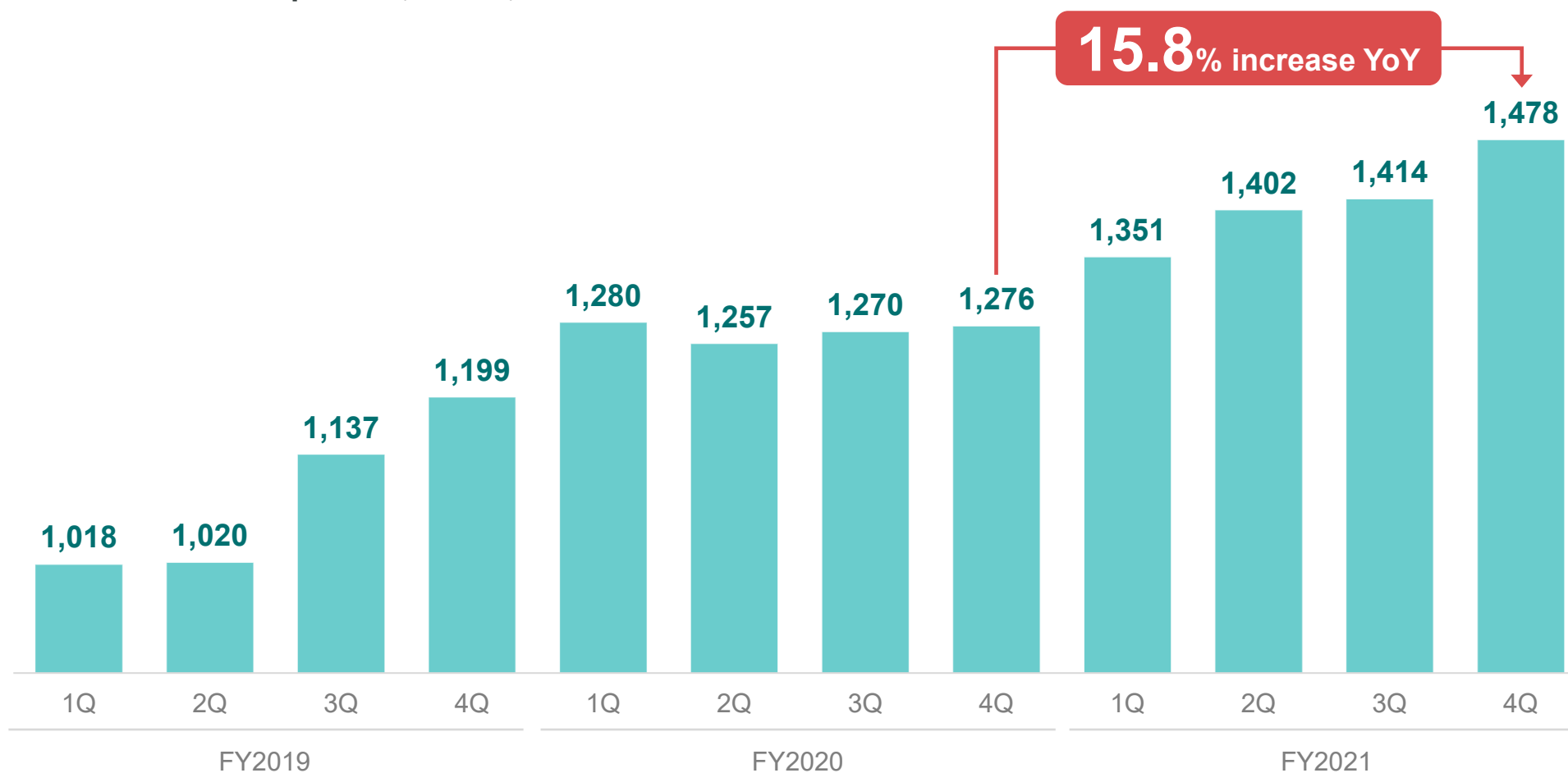
Notes 1: The gross churn rate is the quarterly average of the monthly churn rates. It is calculated by dividing the number of cancellations in a given month by the number of ad slots posted at the end of the previous month.

2: The net churn rate is shown as there are many ad slots in our business that are resumed with new contracts after being cancelled. It is the quarterly average of monthly churn rates, which are calculated by subtracting the number of previously cancelled ad slots that were resumed in a given month from the number of ad slots cancelled in the same month, then dividing the difference by the number of ad slots posted at the end of the previous month.

# Legal Media: Number of Ad Slots Posted<sup>1</sup> (as of the end of the quarter)

The number of ad slots posted at the end of October 2021 was 1,478, an increase of 15.8% year on year.

Number of ad slots posted (unit: slots)

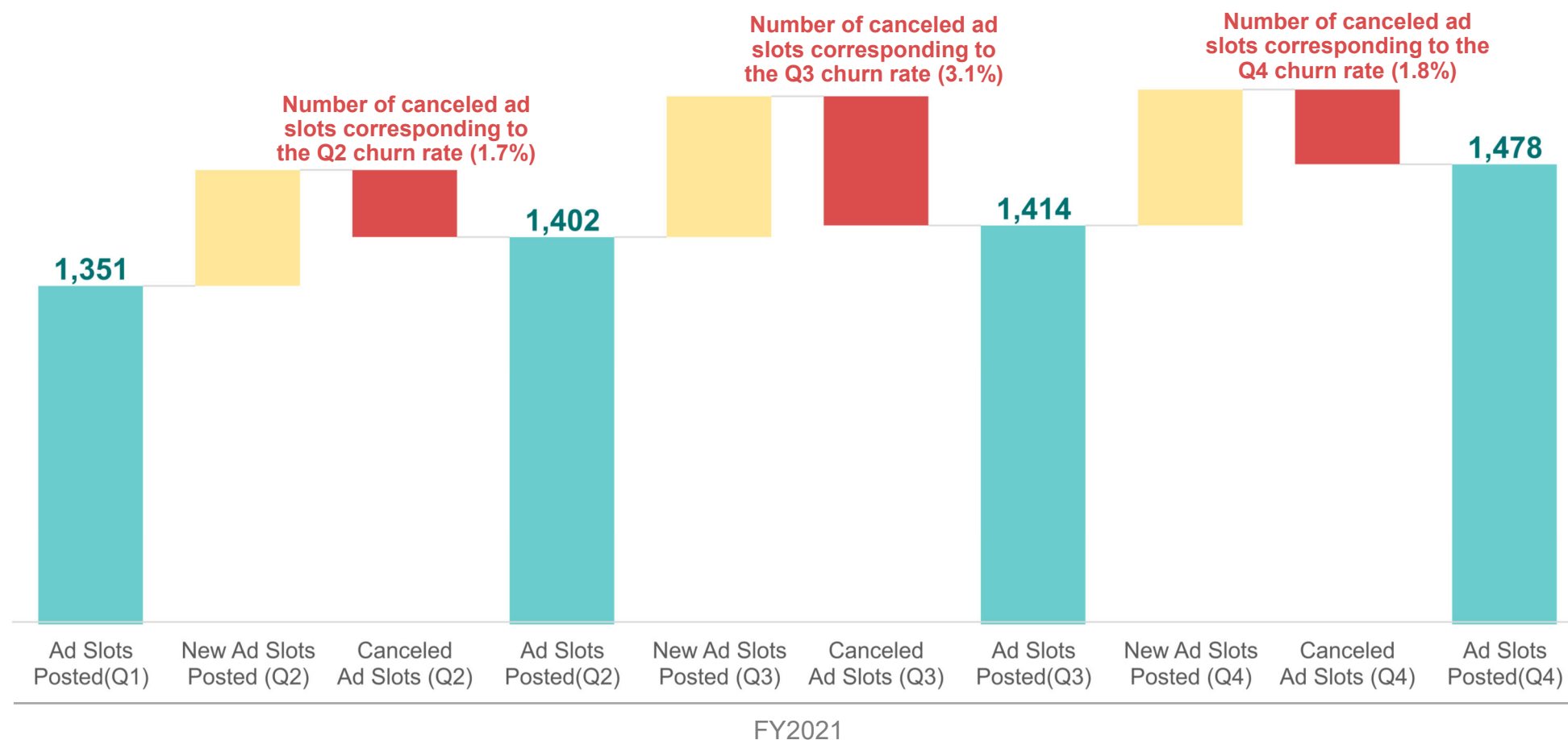


Note 1: The number of ad slots posted at the end of each quarter is shown.

# Reference: Number of Ad Slots Posted<sup>1</sup> and Churn Rates for Legal Media

There was a net increase in the number of ad slots posted at the end of each quarter. This was calculated using the difference between the number of new ad slots posted in a given quarter and the number of canceled ad slots corresponding to the churn rate in the same quarter. We expect stable growth as in the past.

**Number of Ad Slots Posted and Churn Rates** (unit: slots)

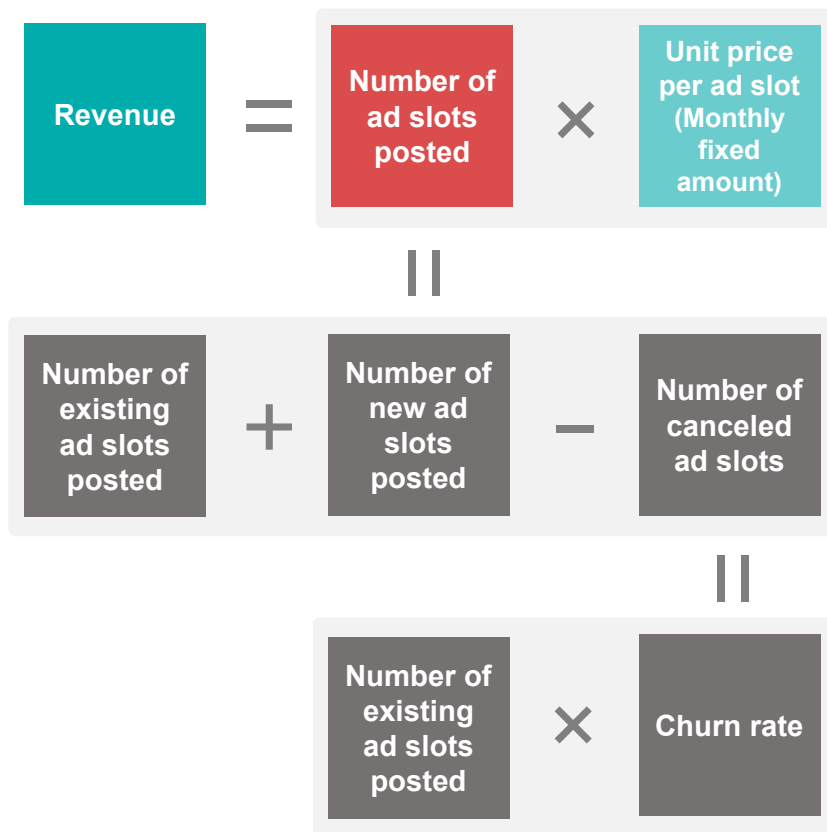


Note 1: The number of ad slots posted at the end of each quarter is shown.

# Reference: Revenue Model for Legal Media

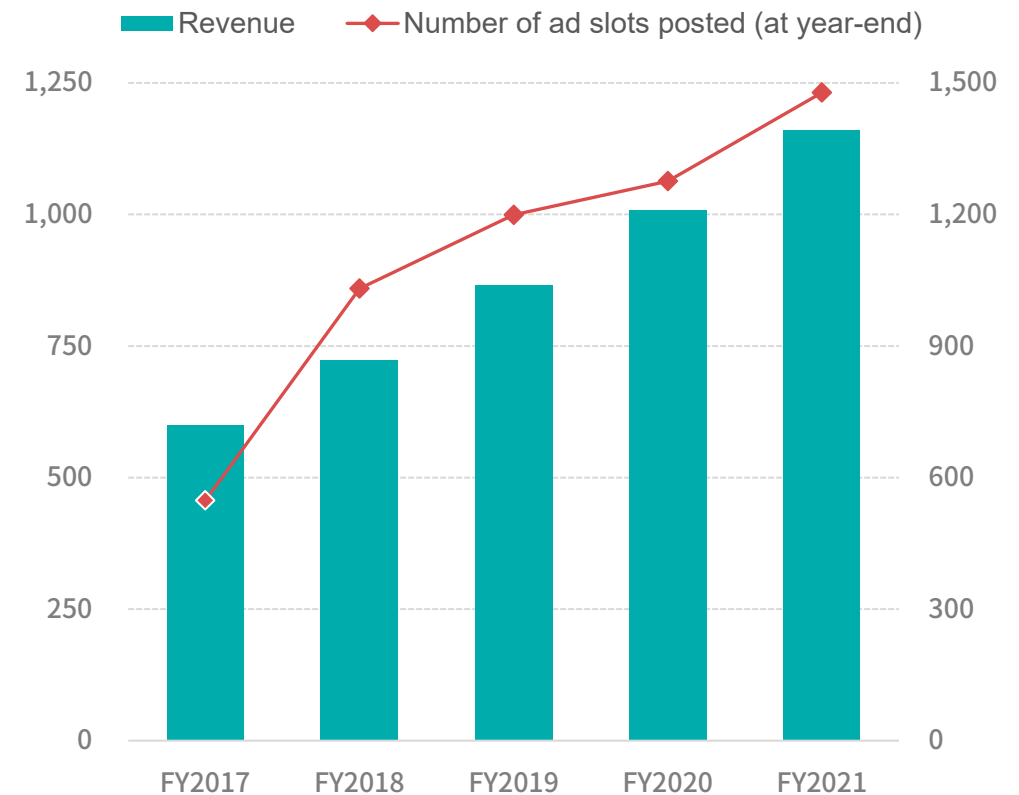
Since the unit price per legal media ad slot is a fixed monthly amount, revenue will increase in proportion to the increase in the number of ad slots posted. The number of ad slots posted has steadily increased even during the COVID-19 pandemic and we expect stable growth going forward.

## Revenue Model (Legal Media)



## Revenue/Number of ad slots posted<sup>1</sup> (Legal Media)

Left axis: Revenue (million yen) / Right axis: Number of ad slots posted (slots)

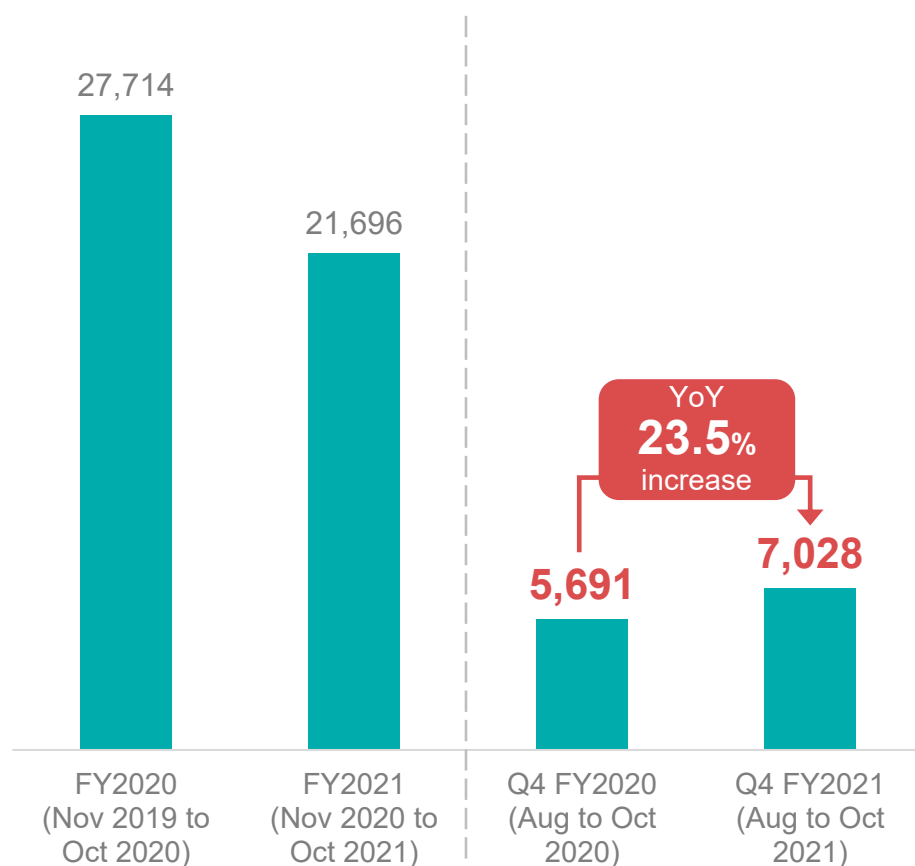


Note: 1 The number of ad slots posted is the total aggregated number of posted paid advertisements, and if the same customer places to multiple paid advertisement slots, those are counted as multiple slots.  
Although Legal Media does accept free posts, the number of ad slots posted does not include the number of slots for free posts.

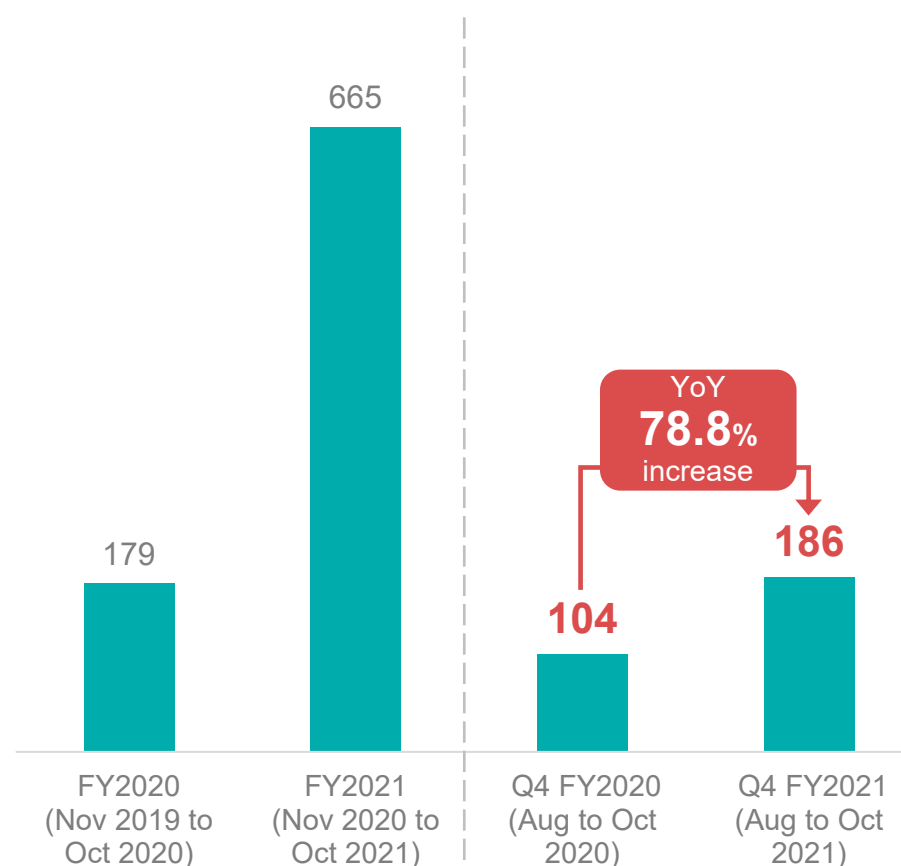
# Other Media & Legal HR: Numbers of Inquiries and New Registrants

For Other Media, the number of inquiries had been on a downward trend due to the adverse effects of the pandemic. In the Q4, however, it increased by 23.5% year on year. For Legal HR, the number of new registrants on the recruitment service grew significantly at a rate of about 1.8 times year on year.

**Other Media: Number of Inquiries** (unit: inquiries)



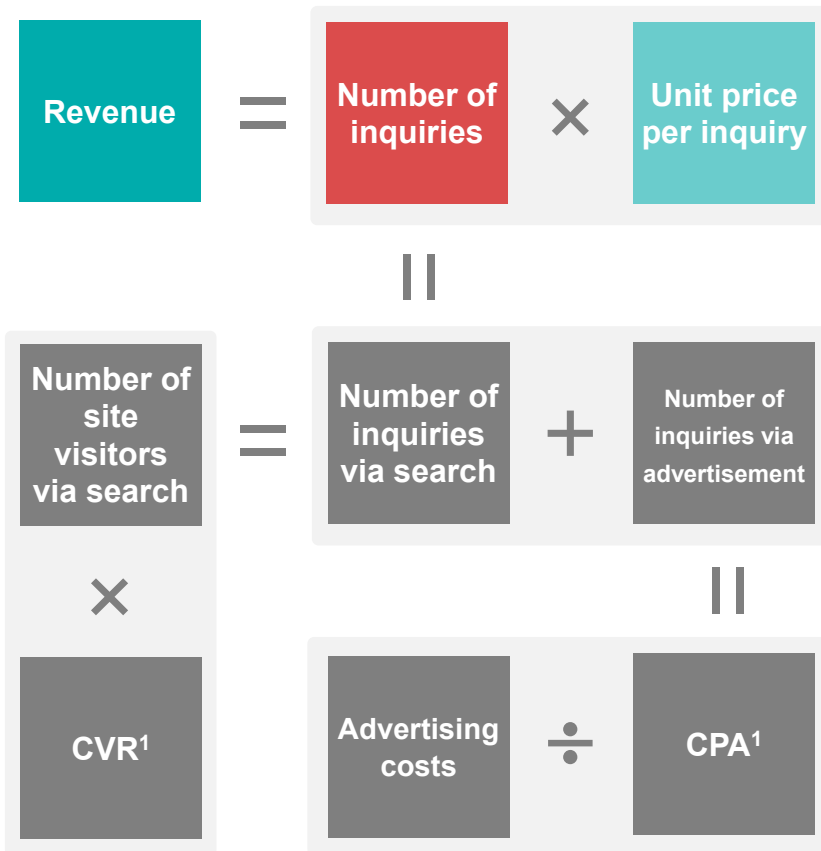
**Legal HR: Number of New Registrants** (unit: people)



# Reference: Revenue Model for Other Media

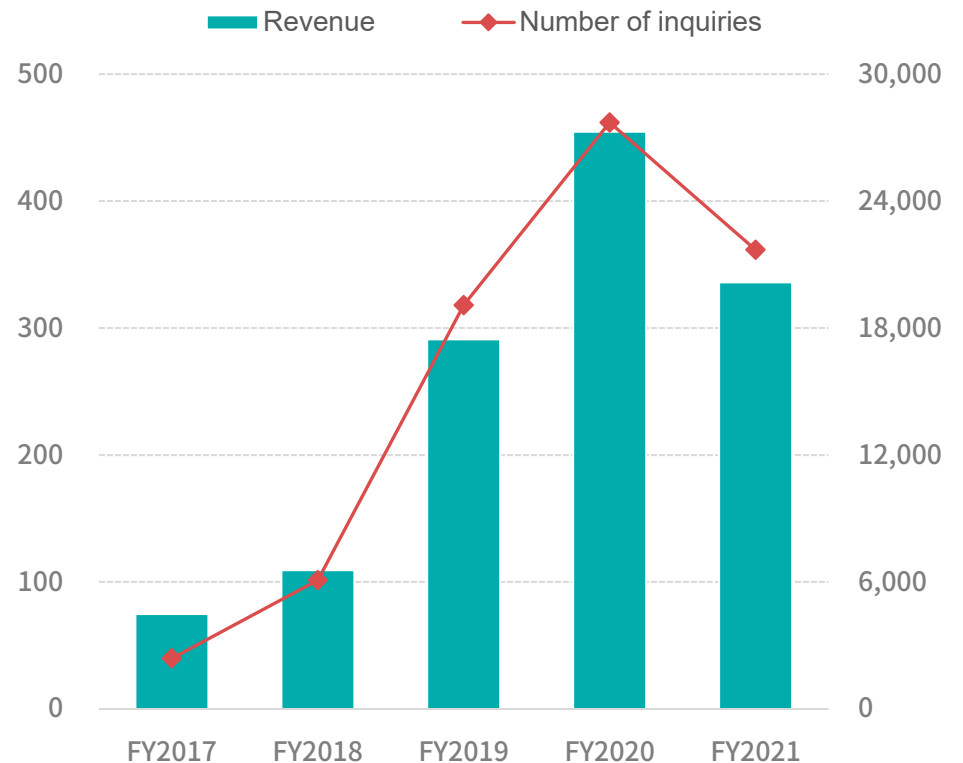
Other Media is a performance-based business based on the number of inquiries. Compared to Legal Media, Other Media is more susceptible to external factors and has been adversely affected by the pandemic. It has been recovering, however, as the economy normalizes.

## Revenue Model (Other Media)



## Revenue/Number of inquiries<sup>2</sup> (Other Media)

Left axis: Revenue (million yen) / Right axis: Number of inquiries (cases)



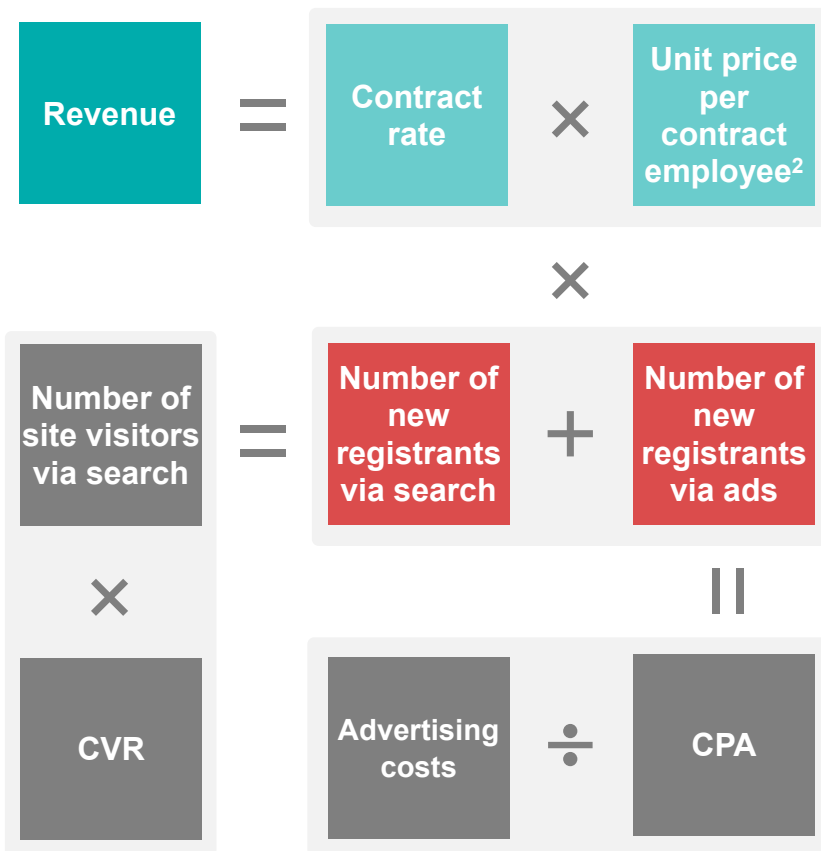
Notes: 1 CVR stands for "conversion rate," which is the number of inquiries divided by the number of site visitors. CPA is an abbreviation for Cost Per Acquisition, which is the inquiries acquisition cost by dividing advertising costs by the number of inquiries.

2 The total number of inquiries for main sites of Other Media (Carism, Expert Search for Infidelity Investigation, Hotline for Missing Person Search)

# Reference: Revenue Model for Legal HR

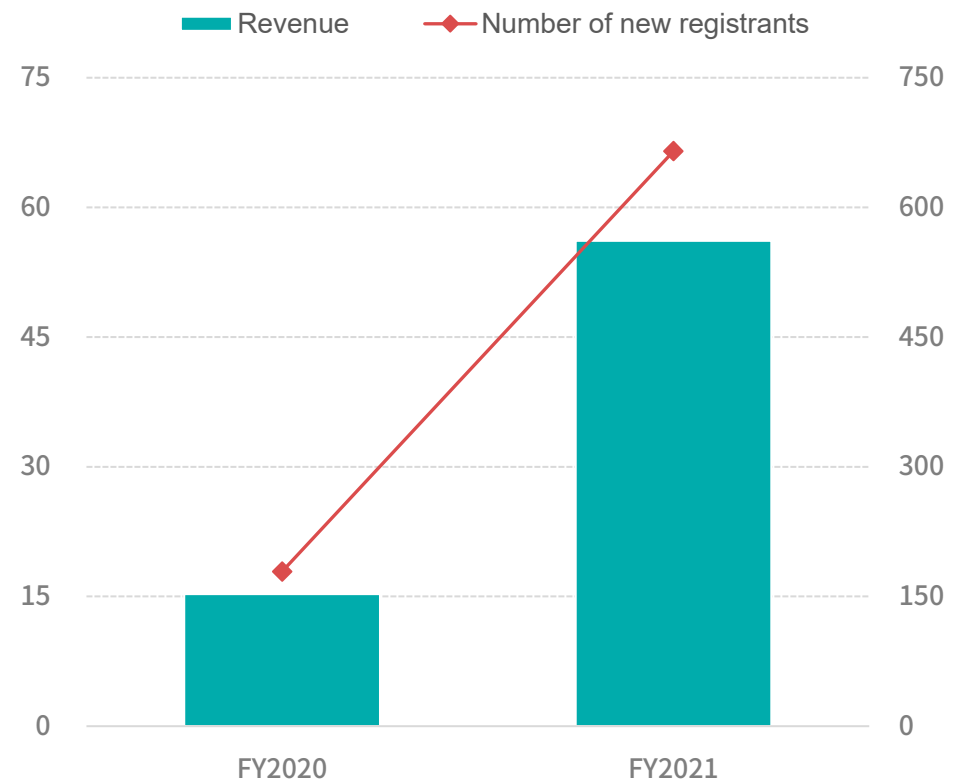
The Legal HR business is a performance-based business based on the number of new hires (number of new registrants<sup>1</sup> x contract rate). In addition to the referral of attorneys to law firms that utilize our customer base, we also refer attorneys to general companies and also as outside officers.

## Revenue Model (Legal HR)



## Revenue/Number of new registrants (Legal HR)

Left axis: Revenue (million yen) / Right axis: Number of new registrants (persons)



Notes: 1 Refers to the number of new registrations for the recruitment service from job seekers.

2 The contract unit price is the amount obtained by multiplying the estimated annual income of the new hires by the referral fee rate.

# Section

# 04

## Forecast for FY2022

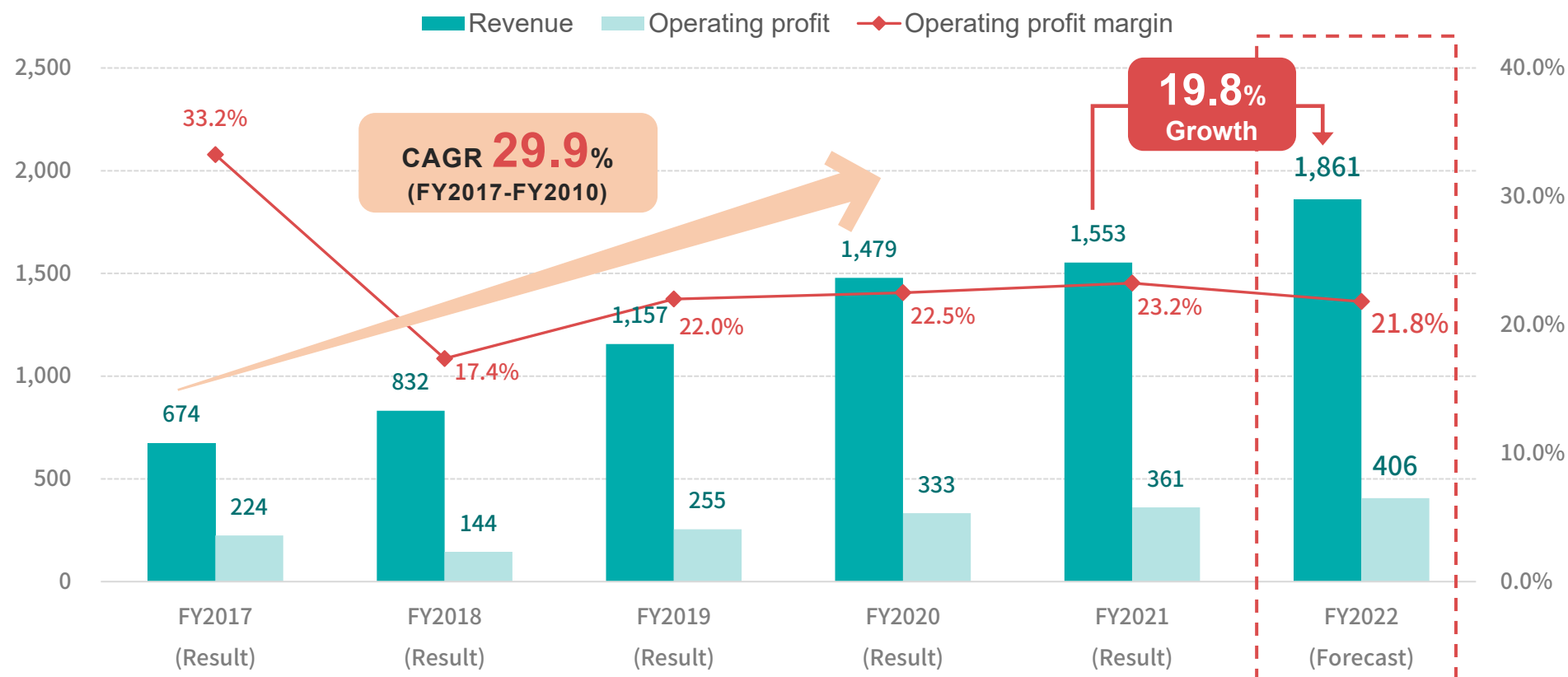


# Forecast for FY2022 (Part 1)

In FY2022, we expect to achieve revenue of 1.86 billion yen and operating profit of over 400 million yen. Except for FY2021 which was strongly affected by the COVID-19, CAGR is approximately 30%, and we aim to return to a similar growth rate. Kailash small-amount short-term insurance is not included in the forecast.

## Forecast and Past Years' Performance<sup>1</sup>

Left axis: Revenue, operating profit (million yen) / Right axis: Operating profit margin (%)

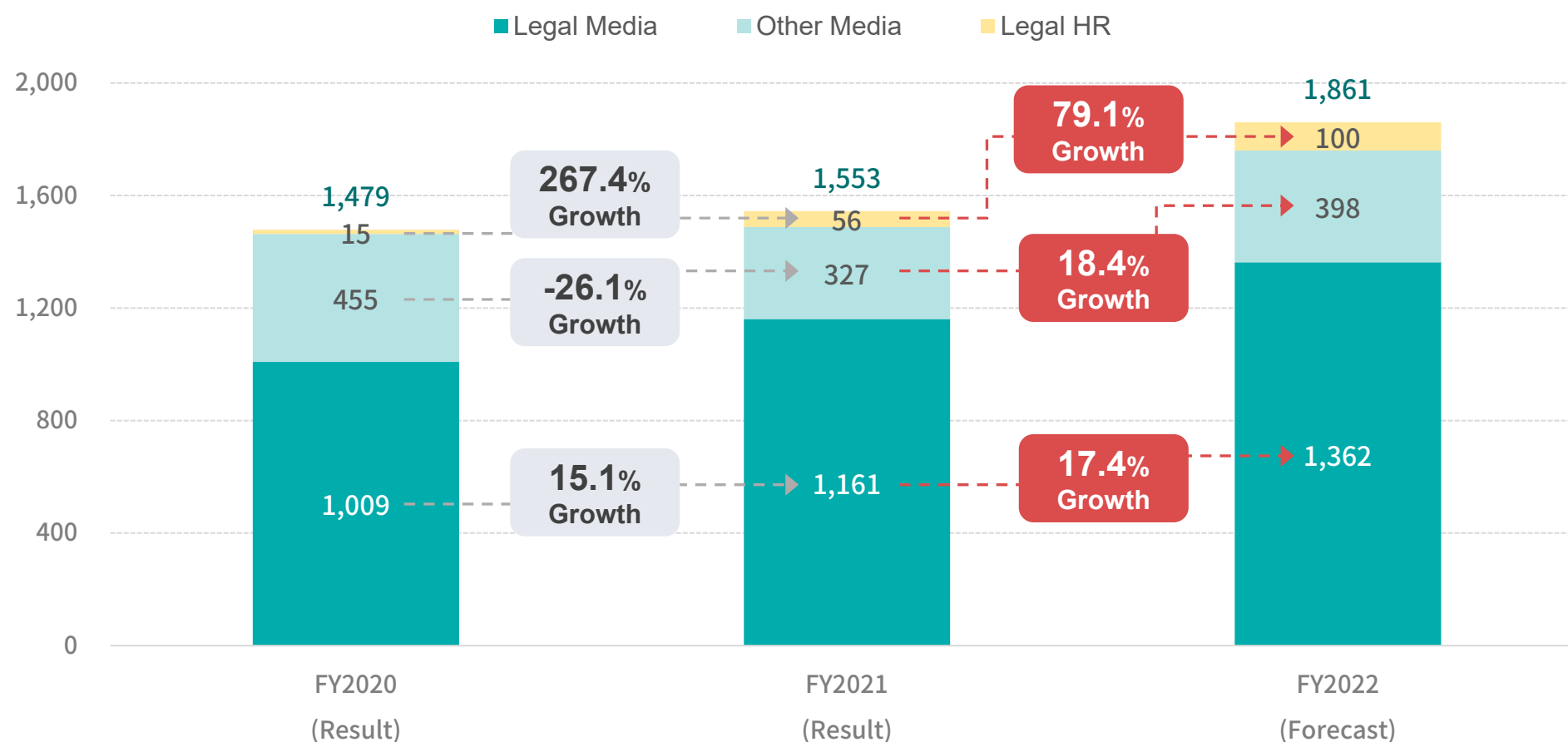


Note: 1 For the FY2018 and earlier, business results in compliance with Japanese GAAP (however, in order to adjust the impact of goodwill amortization due to the absorption-type merger with the former ASIRO, Inc., for the FY 2018 and earlier, operating profit was adjusted with 142 million yen in goodwill amortization expenses added back and adjusted operating profit margin based on that are used) are displayed, and business results in compliance with IFRS are displayed from the FY2019 (there are no adjustment items for the FY2019 and later, and the results are consistent with the consolidated income statement). The financial statements for the FY 2019 and thereafter have been audited by Ernst & Young ShinNihon LLC under the provisions of Article 193-2(1) of the Financial Instruments and Exchange Act; however, the financial statements for the FY2018 and earlier did not undergo the relevant audit by Ernst & Young ShinNihon LLC.

## Forecast for FY2022 (Part 2)

Sales for Legal Media are expected to continue growing at an annual rate of nearly 20%. Other Media sales are expected to recover from the adverse effects of the pandemic and begin increasing. Moreover, the growth rate for Legal HR is expected to nearly double.

**Sales Growth Rate Forecast by Business** (unit: million yen)



# Section

# 05

## Appendix

# Quarterly Financial Results (P&L)

	Q4 FY2021	Q4 FY2020		Q3 FY2021		Q4 FY2021 cumulative total	Q4 FY2020 cumulative total	
(unit: million yen)	(Aug 2021- Oct 2021)	(Aug 2020- Oct 2020)	YoY	(May 2021- Jul 2021)	QoQ	(Nov 2020- Oct 2021)	(Nov 2019- Oct 2020)	YoY
Revenue	431	363	+18.8%	386	+11.5%	1,553	1,479	+5.0%
Cost of sales	219	176	+24.7%	198	+10.8%	768	770	-0.2%
Gross profit	212	187	+13.3%	189	+12.2%	784	709	+10.6%
Gross profit margin	49.2%	51.6%	-2.4pt	48.9%	+0.3pt	50.5%	47.9%	+2.6pt
Sales, general, and administrative expenses	117	95	+22.8%	119	-2.1%	426	376	+13.2%
Other revenues / expenses	1	2	-65.0%	0	+16.8%	2	0	-726.2%
Operating profit	96	94	+2.2%	70	+36.5%	361	333	+8.5%
Operating profit margin	22.2%	25.8%	-3.6pt	18.1%	+4.1pt	23.2%	22.5%	+0.7pt
Financial revenue / expenses	-1	-2	-51.7%	-1	-11.3%	-7	-9	-28.2%
Profit before taxes	95	91	+3.6%	69	+37.3%	354	323	+9.5%
Tax expenses	36	24	+48.1%	21	+71.6%	126	115	+8.7%
Net profit	59	67	-12.6%	48	+22.4%	229	208	+10.0%
Net profit rate	13.6%	18.5%	-4.9pt	12.4%	+1.2pt	14.7%	14.1%	+0.7pt

# Quarterly Financial Results (BS/CF)

	Q4 FY2021	Q3 FY2021	
(unit: million yen)	(Oct 2021)	(Jul 2021)	Change
Current assets	1,520	1,398	+122
Cash and cash equivalents	1,304	1,204	+100
Accounts receivable	206	185	+21
Other	11	9	+2
Non-current assets	1,282	1,289	-7
Property, plant and equipment	25	20	+5
Right-of-use assets	36	44	-8
Goodwill	1,139	1,139	+0
Other	83	86	-3
Total assets	2,802	2,687	+116
Liabilities	580	522	+58
Interest-bearing debt	269	290	-21
Lease liabilities	30	38	-8
Other	280	194	+87
Total equity	2,222	2,164	+58
Total liabilities and equity	2,802	2,687	+116

	Q4 FY2021	Q3 FY2021	
(unit: million yen)	(Aug-Oct 2021)	(May-Jul 2021)	Change
Cash flow from operating activities	130	24	+106
Quarterly profit before tax	95	69	+26
Depreciation and amortization	14	13	+0
Income tax paid	0	-58	+58
Other	22	0	+22
Cash flow from investing activities	-1	-1	+0
Purchase of property, plan and equipment	-1	-1	+0
Other	0	0	+0
Cash flow from financing activities	-29	851	-880
Loan repayment	-22	-18	-3
Lease liability repayment	-8	-8	-0
Funds procurement through stock issue	0	877	-877
Other	0	0	0
Change in cash and cash equivalents	100	874	-774
Cash and cash equivalents at period end	1,304	1,204	+100
FCF	128	23	+106



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Such forward-looking statements include known and unknown risks and uncertainties, and as a result, future actual performance and financial position may differ materially from forecasts of future performance and results shown explicitly or implicitly by such forward-looking statements.

Factors causing actual results differing materially from the results described in these statements include, but are not limited to, changes in domestic and international economic conditions and trends in the industries in which we operate business.

In addition, information on matters and organizations other than our company is based on information that is open to the public.