

Financial Results for Q2 FY2019

oRo co.,ltd. Code : 3983

August 9, 2019



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Translation

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Q2 FY2019 Financial Results Highlights

Q2 FY2019 Financial Results

Q2 FY2019 consolidated financial results

Net sales	2,299 million JPY	YoY +3.5%
Operating profit	544 million JPY	YoY -19.2%

Net sales were solid with year-on-year increases.

Meanwhile, operating profit decreased as Digital Transformation segment failed to grow.

Cloud Solutions (CS)

Net sales	1,303 million JPY	YoY +8.9%
Operating profit	565 million JPY	YoY +15.5%

With acquisition of new customers and expansion of transaction with existing customers, net sales and operating profits were both solid.

Digital Transformation (DX)

Net sales	996 million JPY	YoY -2.8%
Operating loss	(21) million JPY	

Net sales declined, and due to increase in personnel expenses from investments made in human resources, the business reported a net operating loss.

Concerning factors contributing to net operating loss

Digital Transformation

The Digital Transformation (DX) segment amended its business name in the first quarter of fiscal 2019, and is moving forward with its initiative to expand its field of business from "Digital Marketing Support" to "Business Reengineering Through Digital Creativity." During the first half of the year, the Company proactively invested in its human resources in order to deliver new services and added value in an environment where the competition for talent in the IT sector is becoming increasingly fierce.

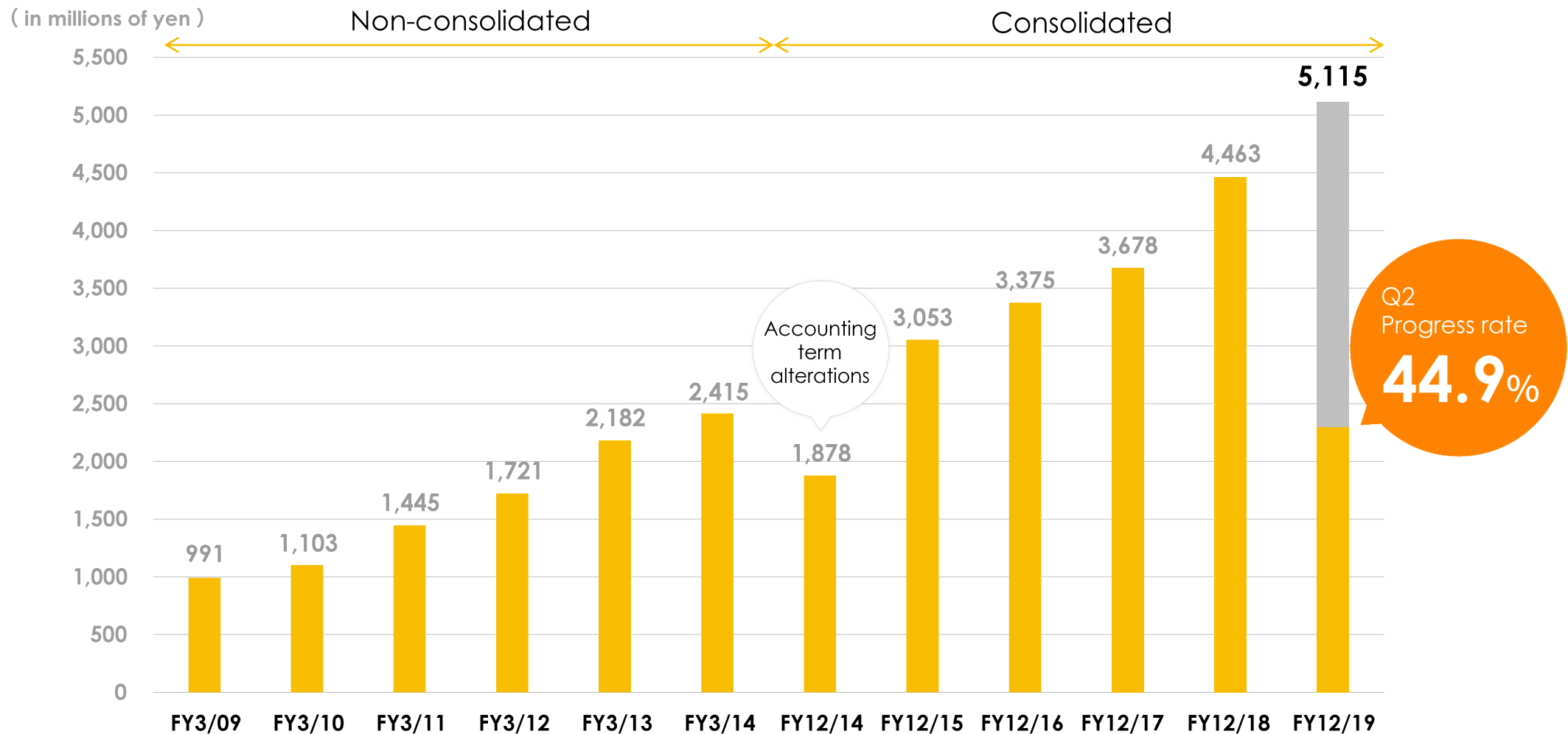
Factors leading to changes in operating profit year-on-year are as follows.

- Increase of 121 million yen in personnel expenses and hiring costs
(Recruitment of new employees, rising wages)
- Provision of 27 million yen for potential loss due to failure to secure contracts stemming from unprofitable projects
- Increase in other expenses, totaling 28 million yen

With regard to the fact that net sales did not increase as anticipated, the Company will review its relationship with existing clients during the second half of the year, and adjust its structure to achieve results that justify the investment level.

Trends in sales

Recorded 2.29 billion yen, an increase of 3.5% year-on-year,
Net sales were soft compared to the full-year forecast

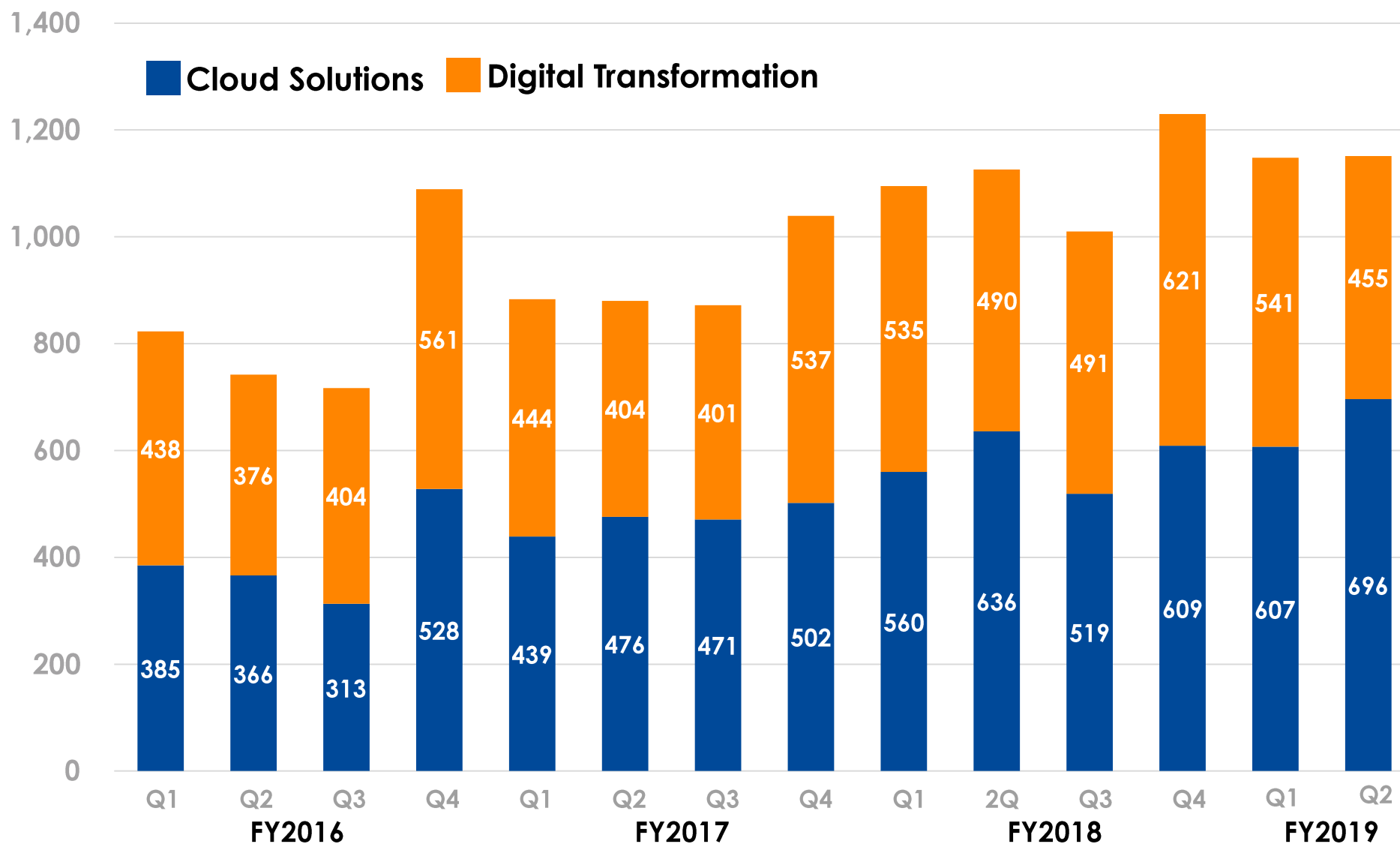


*Was not audited by KPMG AZSA LLC, prior to and in the fiscal year ended March 31, 2014

*Following the change in accounting policy in fiscal 2018, net sales for Digital Transformation Business (previously Communication Design Business) are shown on a net basis from the fiscal year ended December 31, 2017, instead of a gross basis used previously.

Trends in quarterly net sales

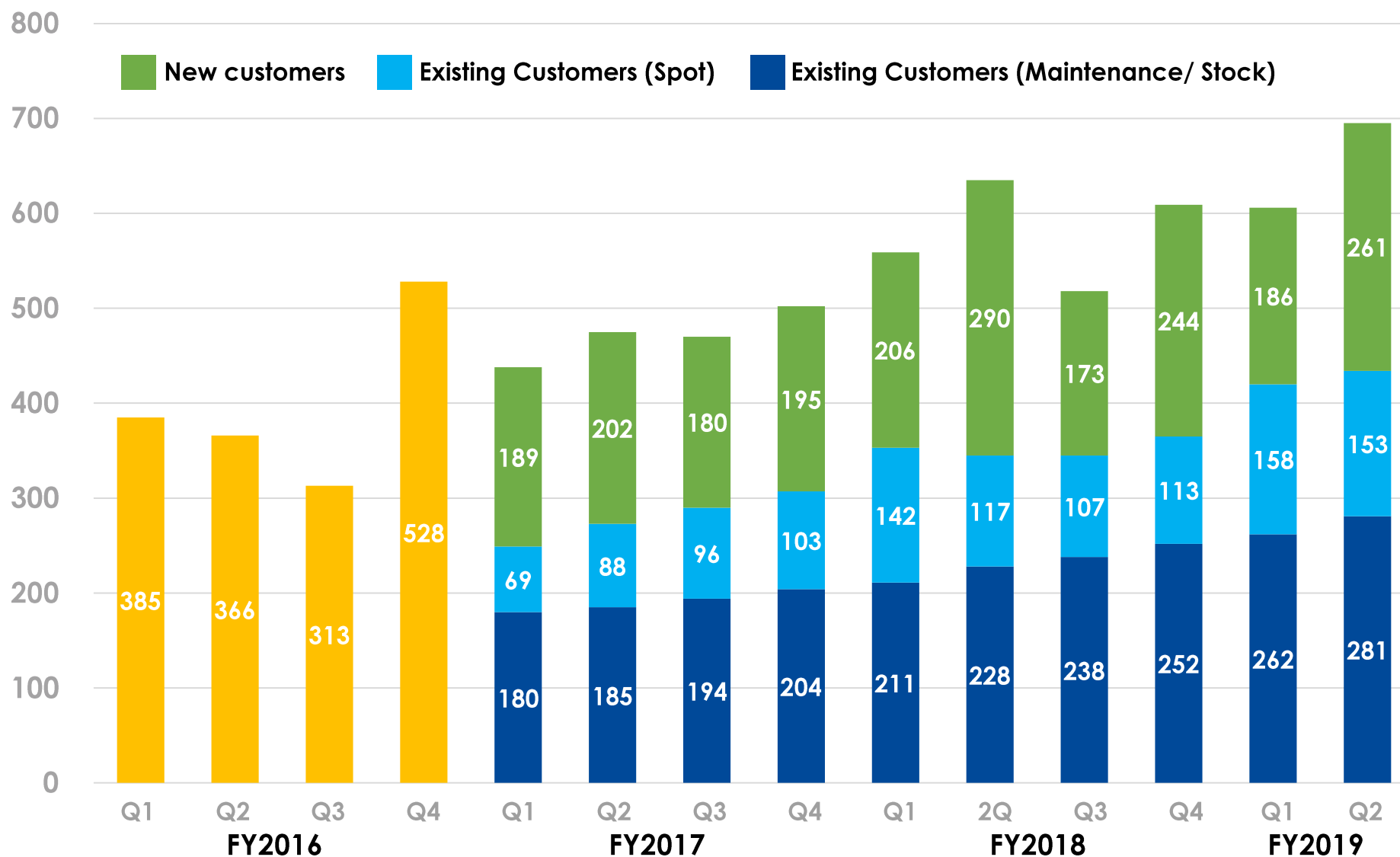
(in millions of yen)



Percentages of net sales by business segment

Cloud Solutions

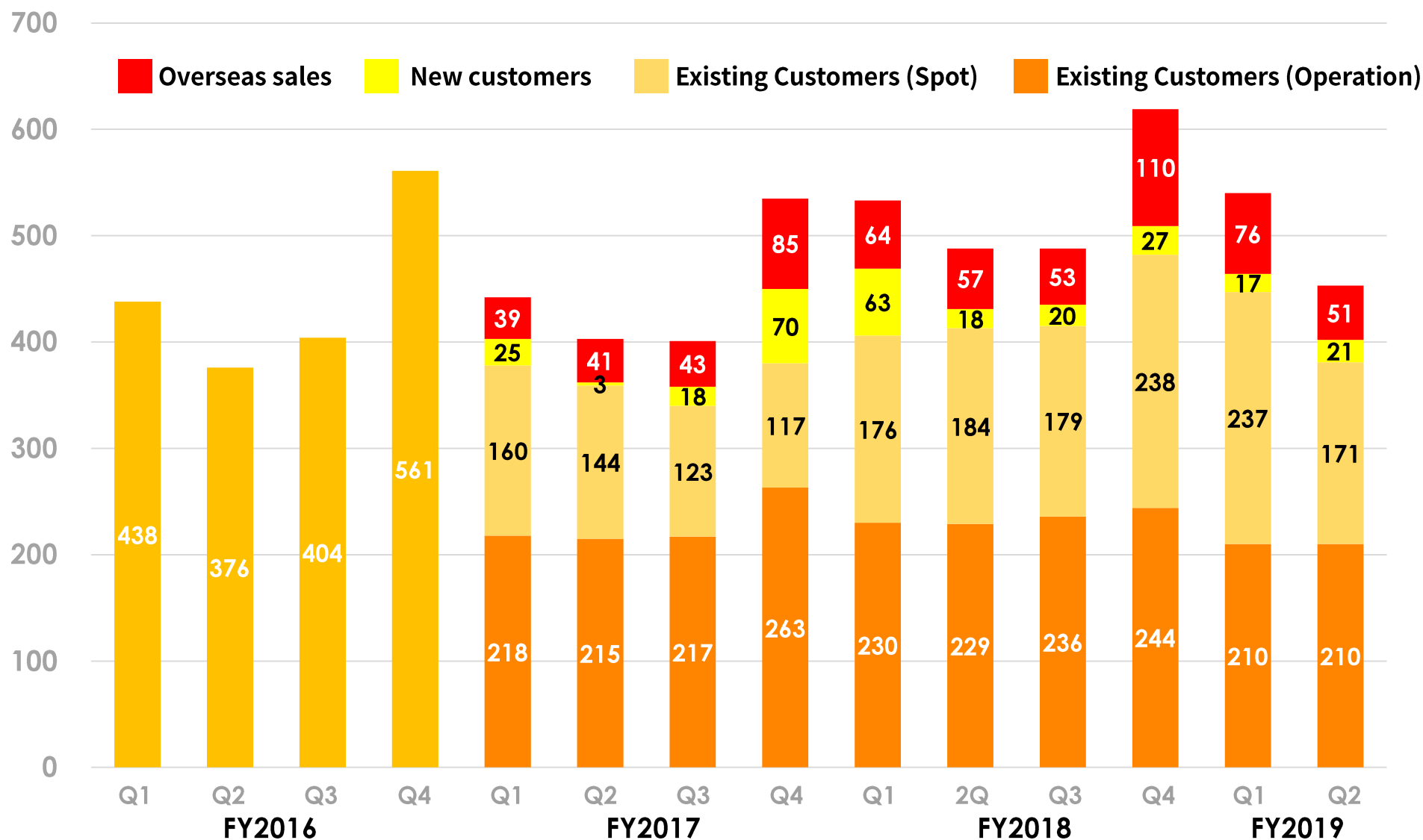
(in millions of yen)



Percentages of net sales by business segment

Digital Transformation

(in millions of yen)



Progress against the full-year forecast

Net sales were soft compared to the full-year forecast, with operating profits delivering solid results.

(in millions of yen)

	FY2019 forecasts	Q2 FY2019 actual results	Progress rates
Net Sales	5,115	2,299	45.0 %
Cloud Solutions	2,801	1,303	46.5 %
Digital Transformation	2,313	996	43.1 %
Operating profit	1,308	544	41.6 %
Ordinary profit	1,325	543	41.0 %
Profit attributable to owners of the parent	907	359	39.6 %

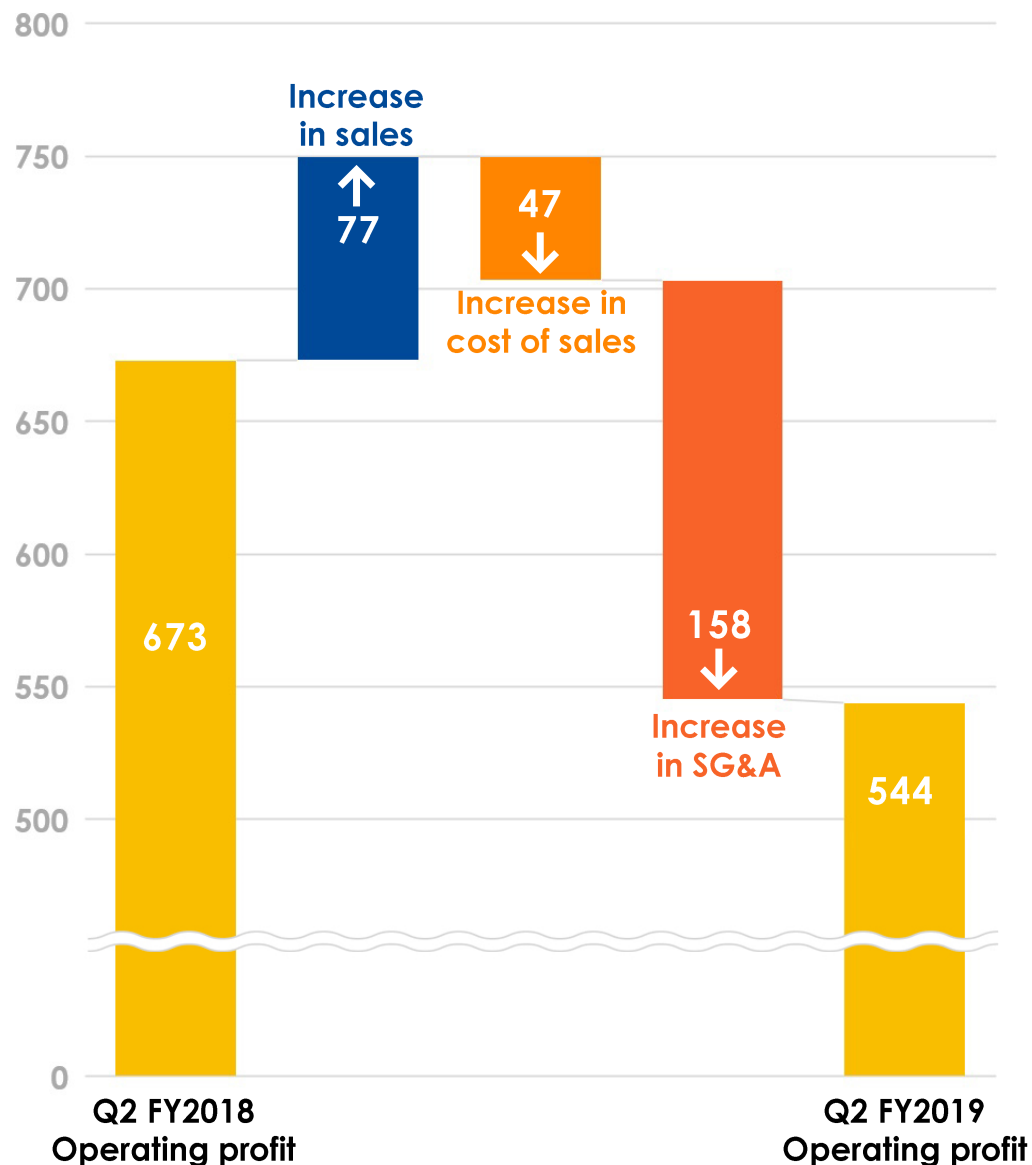
Profit and loss statement (YoY)

(in millions of yen)

	Q2 FY2019 (composition ratios)	Q2 FY2018 (composition ratios)	Difference	Main factors
Net sales	2,299 (100.0%)	2,222 (100.0%)	77	
Cost of sales	1,006 (43.8%)	958 (43.1%)	47	Increase in the number of engineers and a rise in average compensation and bonuses, etc.
Gross profit	1,293 (56.2%)	1,263 (56.9%)	29	
Selling, general and administrative expenses	748 (32.5%)	589 (26.5%)	158	Increase in the number of Sales and management personnel and a rise in average compensation and bonuses, Increase in R&D expenses, Increase in Recruiting expenses, etc.
Operating profit	544 (23.7%)	673 (30.3%)	(129)	
Ordinary profit	543 (23.6%)	657 (29.6%)	(113)	
Profit attributable to owners of the parent	359 (15.6%)	446 (20.1%)	(87)	

Fluctuation factor of operating profit (YoY)

(in millions of yen)



(in millions of yen)

Main factors

↑ Increase in sales	77
Cloud Solutions	106
Digital Transformation	(29)
↓ Increase in cost of sales	47
Increase in the number of engineers and a rise in average compensation and bonuses	61
Increase in other cost of sales	(14)
↓ Decrease in SG&A	158
Increase in the number of Sales and management personnel and a rise in average compensation and bonuses	87
Increase in Recruiting expenses	18
Increase in other selling and general administrative expenses	53

Balance sheet

- ① Decrease in cash and deposits
- ② Decrease in income taxes payable due to payment of income taxes
- ③ Increase in profit attributable to owners of parent

				(in millions of yen)			
	As of Mar 31, 2019	As of Dec 31, 2018	Difference		As of Mar 31, 2019	As of Dec 31, 2018	Difference
Current assets	① 6,343	6,222	121	Current liabilities	② 1,150	1,243	(92)
Non-current assets	426	415	11	Total liabilities	1,150	1,243	(92)
Property, plant and equipment	104	107	(3)	Net assets	5,619	5,394	225
Intangible assets	89	106	(17)	Shareholders' equity	③ 5,628	5,393	234
Investments and other assets	232	201	31	Other	(8)	0	(9)
Total assets	6,770	6,637	132	Total liabilities and net assets	6,770	6,637	132

02

Business Segment Topics

Business overview

Cloud Solutions (CS)

The development and sales of cloud-base ERP



Support for management with cloud-based ERP

- Improving operational efficiency
- Improvement of project management level
- support for management decision making based on management accounting

Digital Transformation (DX)

Digital strategy planning, Digitization support, Creative

Corporate business activity support based on digital

- Digital strategy planning of corporate activities
- Promotion of marketing digitization
- Acceleration of global business

New version of “ZAC” released

Cloud Solutions

The Company released a new version of "ZAC" in August 2019. "ZAC" allows for automated updates, enabling the user to access the most up-to-date environment at any given time.

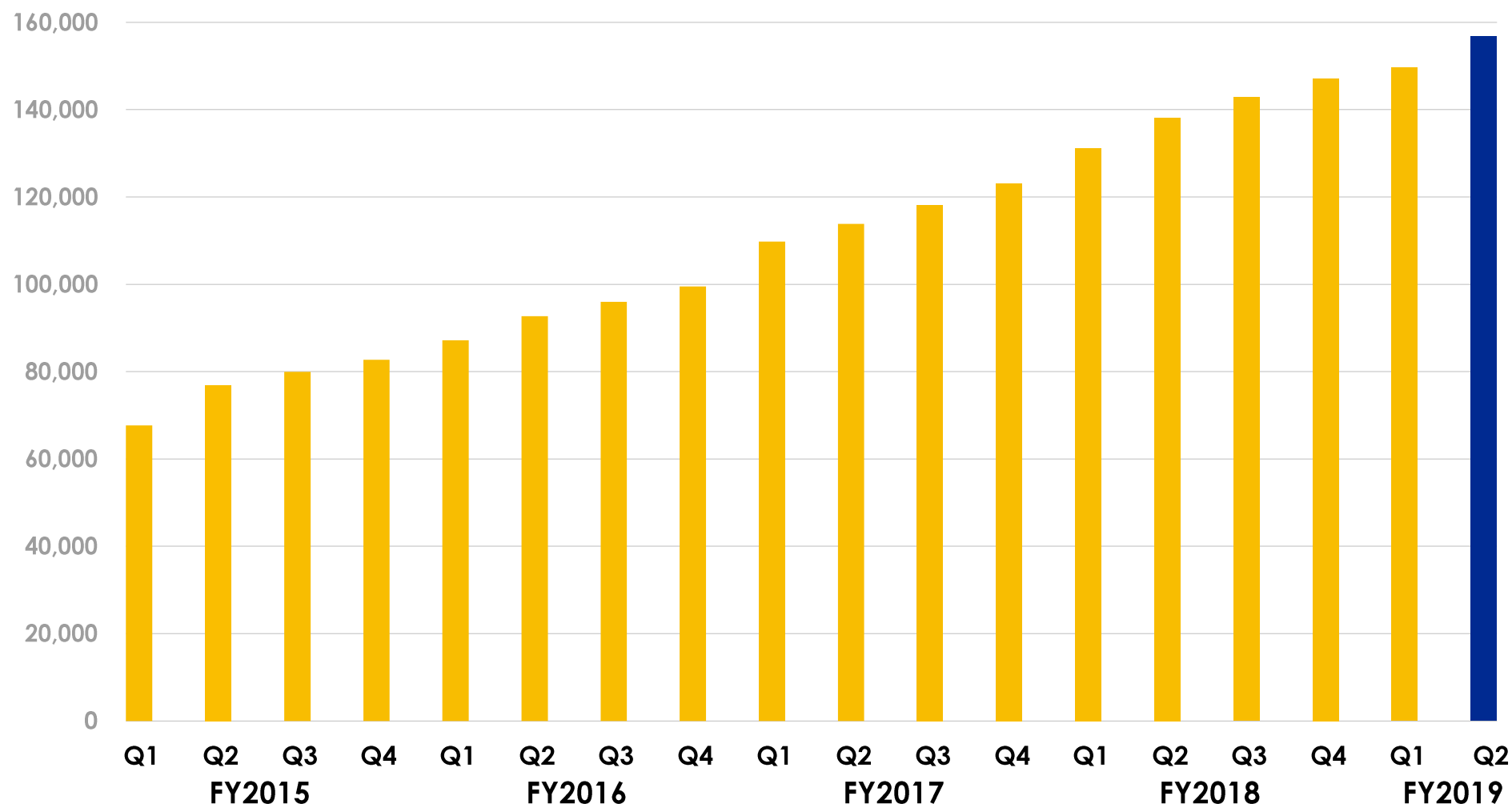
* For clients who require unrestricted setting of unique user parameters, the Company will continue to offer "ZAC Enterprise" as before.



Trend in the number of ZAC and ZAC Enterprise active licenses

Cloud Solutions

With the acquisition of new customers and expansion of transactions with existing customers, the number of licenses steadily increased.

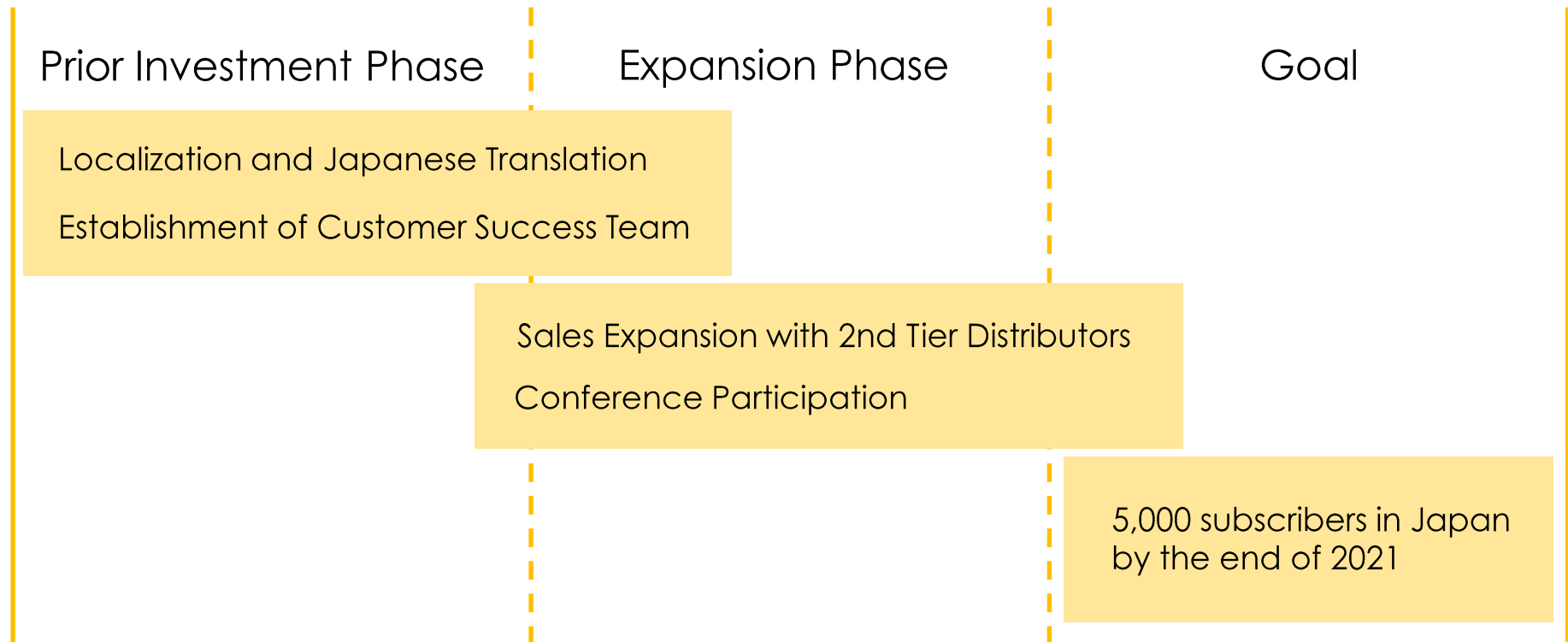


Deployment of SEMrush business

Digital Transformation

SEMrush is one of the largest-scale digital marketing tools in the world with 4 million subscribers worldwide.

oRo began exclusive distribution of the package in Japan in December 2018. The Company will shift from the current phase of prior investments to exceeding 5,000 users.



03

Company profile

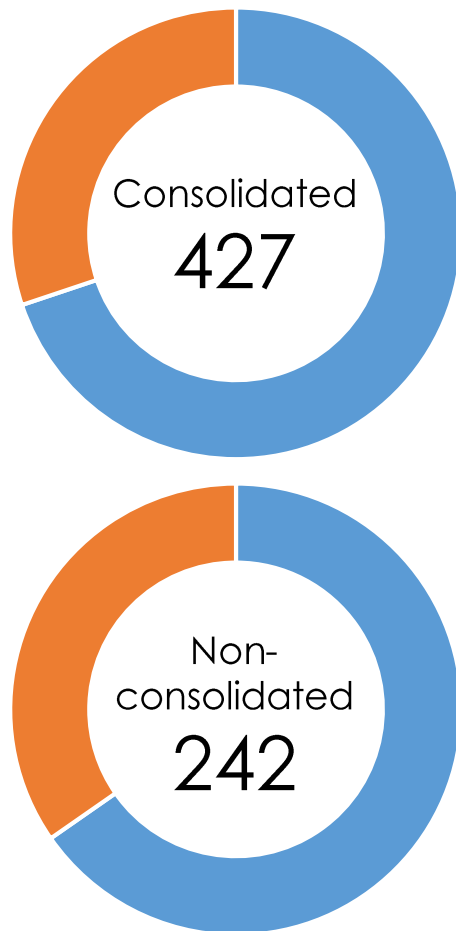
Company profile

Company name	oRo co., Ltd.
Listed Exchange	Tokyo Stock Exchange First Section (Code : 3983)
Representative	CEO Atsushi Kawata
Foundation	January 20, 1999
Head Office	Meguro Suda Building, 3-9-1 Meguro, Meguro-ku, Tokyo 153-0063
Capital	1,185 million yen
Business Portfolio	Cloud Solutions (CS) • Development and sales of cloud-based ERP 'ZAC Enterprise' Digital Transformation (DX) • Support for corporate marketing activities
Employees	Non-consolidated 242 / Consolidated 427 (As of end of Jun, 2019)
Branch	Nishinohon Branch, Chu-bu Branch, Hokkaido Branch, Fukuoka Branch
Group Company	oRo Miyazaki Co., Ltd. oRo code MOC Co., Ltd. oRo TECHNOLOGY (DALIAN) Co., Ltd. oRo TECHNOLOGY (DALIAN) Co., Ltd. SHANGHAI BRANCH, GUANGZHOU BRANCH DALIAN oRo ADVERTISING Co., Ltd. oRo TAIWAN Co., Ltd. oRo Malaysia Sdn. Bhd. oRo Vietnam Co., Ltd. oRo (Thailand) Co., Ltd. oRo Digital Asia Pte. Ltd. oRo Digital Asia Sdn. Bhd.

Organizational structure

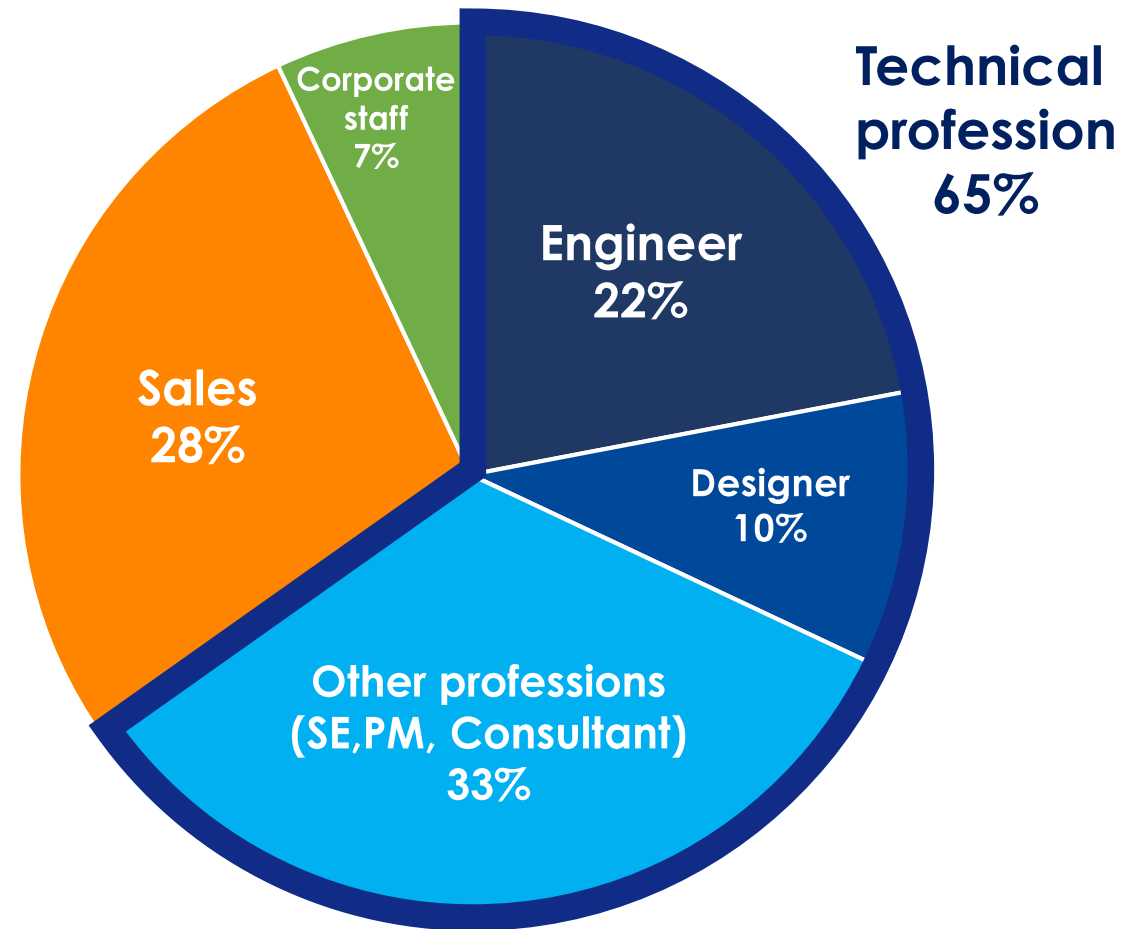
Create various solutions with “Technology × Creative”

Production and sales ratio



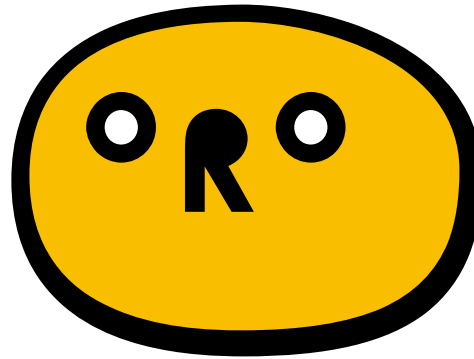
(As of end of Jun, 2019)

Job type ratio (Non-consolidated)



(As of end of Jun, 2019)

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.*

History

- 1999 Establishment of oRo Co., Ltd
- 2004 Launched website management and maintenance operations
- 2005 Acquired the Information Security Management Systems (ISMS) certification
- 2006 Developed and launch sales of ZAC Enterprise, an SaaS-compliant ERP package
- 2007 Acquired certification to use the Privacy Mark
Opened the Osaka branch (currently, the Nishinohon branch office)
- 2008 Opened the Hokkaido branch office
- 2010 Established the Chinese local corporation oRo TECHNOLOGY (DALIAN) CO., LTD. (currently, a consolidated subsidiary)
Acquired the Environmental Management Systems (EMS) certification
- 2012 Opened the Miyazaki Support Center
Opened the Chubu branch office
Established the Malaysian local corporation ORO Malaysia Sdn. Bhd. (currently, a consolidated subsidiary)
- 2013 Established the Vietnamese local corporation ORO Vietnam Co., Ltd. (currently, a consolidated subsidiary)
- 2014 Established the Thai local corporation ORO (Thailand) Co., Ltd. (currently, a consolidated subsidiary)
- 2016 Established the Taiwanese local corporation ORO TAIWAN CO., LTD. (currently, a consolidated subsidiary)
Established the Chinese local corporation DALIAN oRo ADVERTISING CO., LTD. (currently, a consolidated subsidiary)
Established oRo Miyazaki Co., Ltd. (currently, a consolidated subsidiary)
- 2017 Listed on the TSE Mothers Section
- 2018 Listing upgraded to the TSE 1st Section
oRo Digital Asia Pte. Ltd. (formerly Crossfinity Digital Asia Pte. Ltd.) becomes a subsidiary
oRo Digital Asia Sdn. Bhd. (formerly Crossfinity Digital Asia Sdn. Bhd.) becomes a subsidiary
Opening of the Fukuoka branch
- 2019 Established oRo code MOC Co., Ltd. (currently, a consolidated subsidiary)

Cloud ERP “ZAC”

Cloud Solutions

“ZAC” is

A cloud ERP package with which to manage profits for the entire organization based on a project bottom line through a web browser.

Assists streamlining operations and making business decisions appropriately, and contributes to companies raising productivity.

Centralized
management of
information

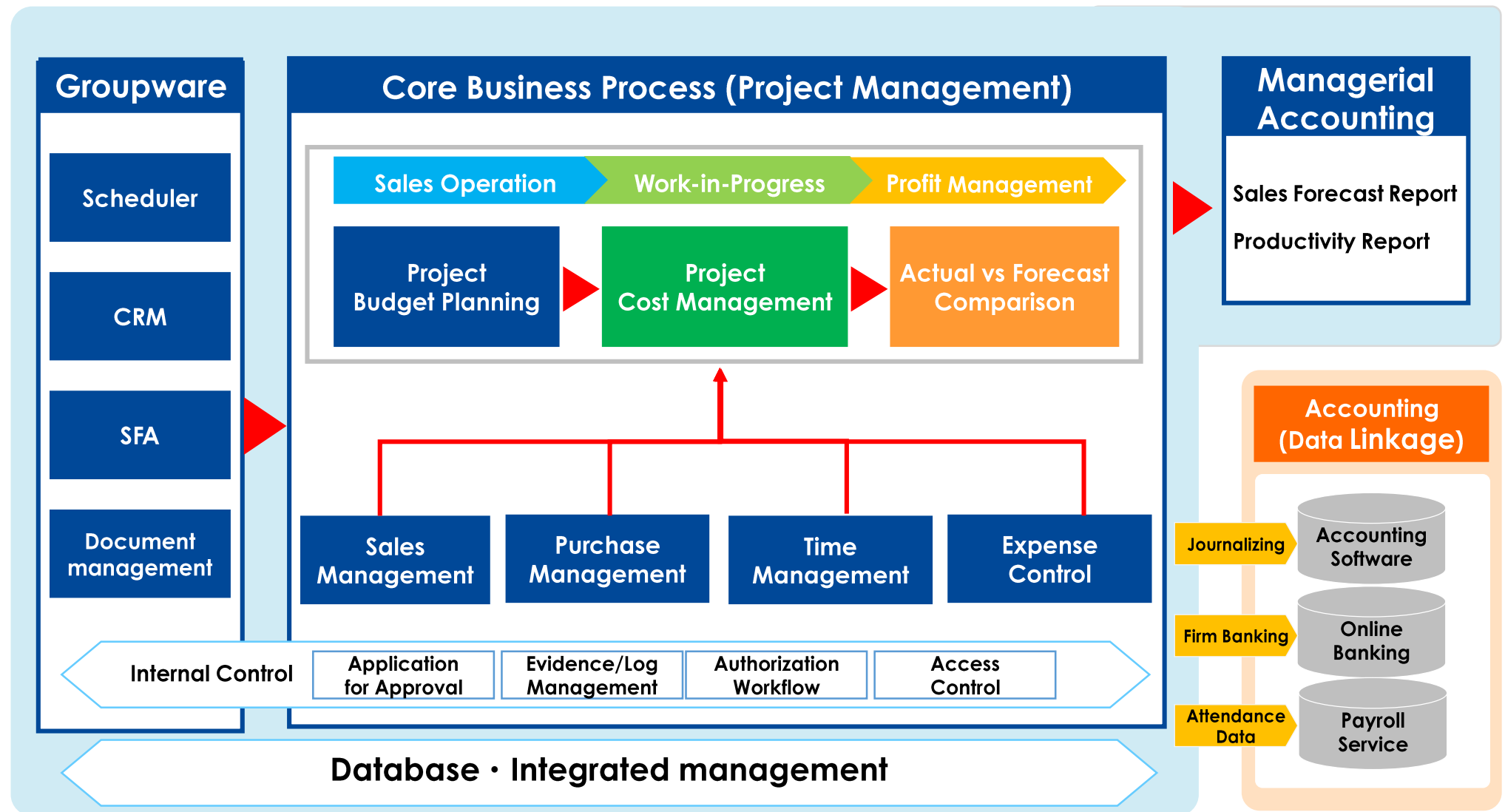
Overall
optimum
system

Practice of
management
accounting



“ZAC” system over view - general flowchart

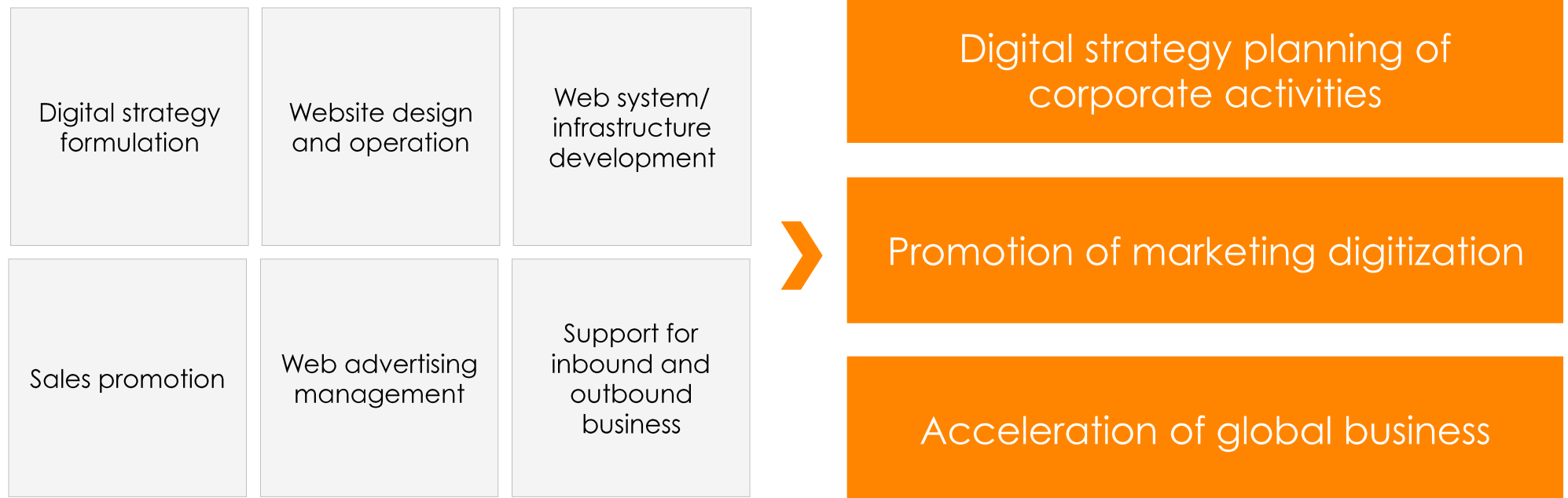
Cloud Solutions



Corporate business activity support based on digital

Digital Transformation

Providing a full service as companies' business partner



Business strength

Digital Transformation

- One-stop full service

Building a system that can be deeply involved in corporate growth over a long period of time

- Highly reliable systems development capabilities

Development capabilities that integrate original cloud-based enterprise systems

- Strategic cost management

Building a highly profitable in-house production system

- Ability to respond to inbound demand and an overseas strategy

7 bases in Japan and 9 bases overseas in China, Taiwan and ASEAN

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.

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