

Translation

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Summary of Consolidated Financial Results for the Three Months Ended March 31, 2020 (Based on Japanese GAAP)

May 13, 2020

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: May 14, 2020
 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 three months ended March 31, 2020 (from January 1, 2020 to March 31, 2020)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2020	1,251	9.0	361	34.1	377	40.8	257	42.1
Three months ended March 31, 2019	1,148	4.9	269	(27.5)	267	(18.9)	181	(19.9)

Note: Comprehensive income Three months ended March 31, 2020: 249 million yen [32.2%]

Three months ended March 31, 2019: 188 million yen [(14.1)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2020	15.53	—
Three months ended March 31, 2019	10.93	—

Note: The Company conducted a 2-for-1 split of its common shares, effective on June 1, 2019. Earnings per share is computed on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2020	7,595	6,264	82.5
As of December 31, 2019	7,681	6,164	80.2

Reference: Equity capital As of March 31, 2020: 6,263 million yen As of December 31, 2019: 6,163 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2019	—	0.00	—	9.00	9.00
Year ending December 31, 2020	—	—	—	—	—
Year ending December 31, 2020 (Forecast)	—	0.00	—	9.00	9.00

Note: Revisions to most recently released dividend forecast : None

3. Forecast of consolidated financial results for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,721	13.9	1,791	34.3	1,801	32.7	1,237	37.4	74.55

Note: Revisions to most recently released earnings forecast : None

* The spread of COVID-19 is expected to affect the performance of the Group, but at the moment, there are many uncertain factors and it is difficult to estimate how great the effect will be. For this reason, the prospects for the consolidated financial results for the term to December 2020, which were published on February 14, 2020, have not been revised because the Company decided to leave them unchanged.

4. Notes

(1) Changes in significant subsidiaries during the three months ended March 31, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatement of prior period financial statements: None

(4) Number of issued shares (common shares)

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

As of March 31, 2020	16,600,000 shares	As of December 31, 2019	16,600,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	331 shares	As of December 31, 2019	331 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2020	16,599,669 shares	Three months ended March 31, 2019	16,599,848 shares
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Note: The Company conducted a 2-for-1 split of its common shares, effective June 1, 2019, we computed number of issued shares (common shares), based on an average intra-year number of shares reflecting the stock split.

* This report is exempt from the quarterly review by certified a public accountant or audit firm.

* 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 are not guarantees of 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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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	5,540,151	5,428,507
Notes and accounts receivable - trade	949,045	906,956
Work in process	397,076	416,346
Raw materials and supplies	3,147	3,045
Other	93,118	96,864
Allowance for doubtful accounts	(1,012)	(910)
Total current assets	6,981,527	6,850,810
Non-current assets		
Property, plant and equipment	415,939	433,790
Intangible assets	27,799	28,820
Investments and other assets		
Investment securities	11,526	12,606
Deferred tax assets	147,130	172,175
Other	98,797	98,390
Allowance for doubtful accounts	(981)	(981)
Total investments and other assets	256,473	282,191
Total non-current assets	700,212	744,801
Total assets	7,681,739	7,595,612

(Thousands of yen)

	As of December 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	189,384	164,653
Income taxes payable	277,570	140,576
Provision for bonuses	51,420	129,412
Provision for loss on order received	250,284	266,405
Other	544,504	436,475
Total current liabilities	1,313,163	1,137,523
Non-current liabilities		
Asset retirement obligations	116,495	116,358
Other	88,058	77,352
Total non-current liabilities	204,554	193,711
Total liabilities	1,517,718	1,331,234
Net assets		
Shareholders' equity		
Capital stock	1,185,030	1,185,030
Capital surplus	1,095,030	1,095,030
Retained earnings	3,889,482	3,997,880
Treasury shares	(942)	(942)
Total shareholders' equity	6,168,600	6,276,998
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,514	5,159
Foreign currency translation adjustment	(9,379)	(19,036)
Total accumulated other comprehensive income	(4,865)	(13,877)
Non-controlling interests	286	1,256
Total net assets	6,164,021	6,264,378
Total liabilities and net assets	7,681,739	7,595,612

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Net sales	1,148,971	1,251,919
Cost of sales	508,828	527,080
Gross profit	640,142	724,839
Selling, general and administrative expenses	370,755	363,690
Operating profit	269,386	361,148
Non-operating income		
Interest and dividend income	2,122	2,074
Subsidy income	—	10,800
Others	440	6,715
Total non-operating income	2,563	19,590
Non-operating expenses		
Interest expenses	—	732
Foreign exchange losses	3,925	—
Compensation for damage	—	2,876
Others	234	95
Total non-operating expenses	4,160	3,703
Ordinary profit	267,789	377,035
Profit before income taxes	267,789	377,035
Income taxes - current	98,128	143,532
Income taxes - deferred	(11,718)	(25,328)
Total income taxes	86,410	118,203
Profit	181,379	258,832
Profit attributable to non-controlling interests	—	1,037
Profit attributable to owners of parent	181,379	257,795

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Profit	181,379	258,832
Other comprehensive income		
Valuation difference on available-for-sale securities	1,526	644
Foreign currency translation adjustment	6,081	(9,724)
Total other comprehensive income	7,608	(9,079)
Comprehensive income	188,987	249,753
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	188,987	248,783
Comprehensive income attributable to non-controlling interests	—	970

(3) Notes on consolidated financial statements

(Note on the going-concern assumption)

Not applicable

(Note on significant changes in the amount of shareholders' equity)

Note applicable

(Segment Information)

Three months ended March 31, 2019 (from January 1, 2019 to March 31, 2019)

1. Sales and Income (Loss) by Reportable Segment

(Thousands of yen)

	Reportable Segment			Adjustments	Consolidated Statements of Income
	Cloud Solution	Digital Transformation	Total		
Net sales					
Sales to external customers	607,353	541,618	1,148,971	—	1,148,971
Inter-segment sales or transfers	—	—	—	—	—
Total	607,353	541,618	1,148,971	—	1,148,971
Segment income (loss)	242,221	27,165	269,386	—	269,386

Note: Segment profit is consistent with operating profit shown on the quarterly consolidated statements of income.

Three months ended March 31, 2020 (from January 1, 2020 to March 31, 2020)

1. Sales and Income (Loss) by Reportable Segment

(Thousands of yen)

	Reportable Segment			Adjustments	Consolidated Statements of Income
	Cloud Solution	Digital Transformation	Total		
Net sales					
Sales to external customers	695,210	556,709	1,251,919	—	1,251,919
Inter-segment sales or transfers	—	—	—	—	—
Total	695,210	556,709	1,251,919	—	1,251,919
Segment income (loss)	301,640	59,508	361,148	—	361,148

Note: Segment profit is consistent with operating profit shown on the quarterly consolidated statements of income.