

Financial Results for Q1 FY2020

oRo co.,ltd. Code : 3983

May 13, 2020



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Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.



Q1 FY2020 Financial Results Highlights

Q1 FY2020 Financial Results

Q1 FY2020 consolidated financial results

Net sales	1,251 million JPY	YoY +9.0%
Operating profit	361 million JPY	YoY +34.1%

Net sales were weak compared to the initial plan, but operating profits were broadly in line with the initial plan.

Cloud Solutions (CS)

Net sales	695 million JPY	YoY +14.5%
Operating profit	301 million JPY	YoY +24.5%

Net sales and operating profits were broadly in line with the initial plan.

Digital Transformation (DX)

Net sales	556 million JPY	YoY +2.8%
Operating profit	59 million JPY	YoY +119.1%

Although net sales were slightly less than planned due to the postponement of projects that were scheduled to be delivered in the current quarter, operating profits were broadly in line with the initial plan

Impact of Coronavirus Disease 2019 (COVID-19) on financial results

■ Impact on each business

(1) Cloud Solutions(CS)

As for new customers, business has been impacted by the emergency measures against COVID-19 taken by each company. To be specific, the number of initial inquiries is decreasing and the time required to conclude an agreement is getting longer compared to normal times. Meanwhile, as for existing customers (maintenance/stock), there is no impact on business at the moment; therefore, the company assumes that sales will be as expected.

(2) Digital Transformation (DX)

With regard to our main customers, there are few impacts on business including the periodic renewal and management of corporate websites (managed for existing customers). Meanwhile, suspension and postponement have been reported in advertisement, promotion, and event-related business (to existing customers) whose aim is to gather audiences.

■ Company efforts

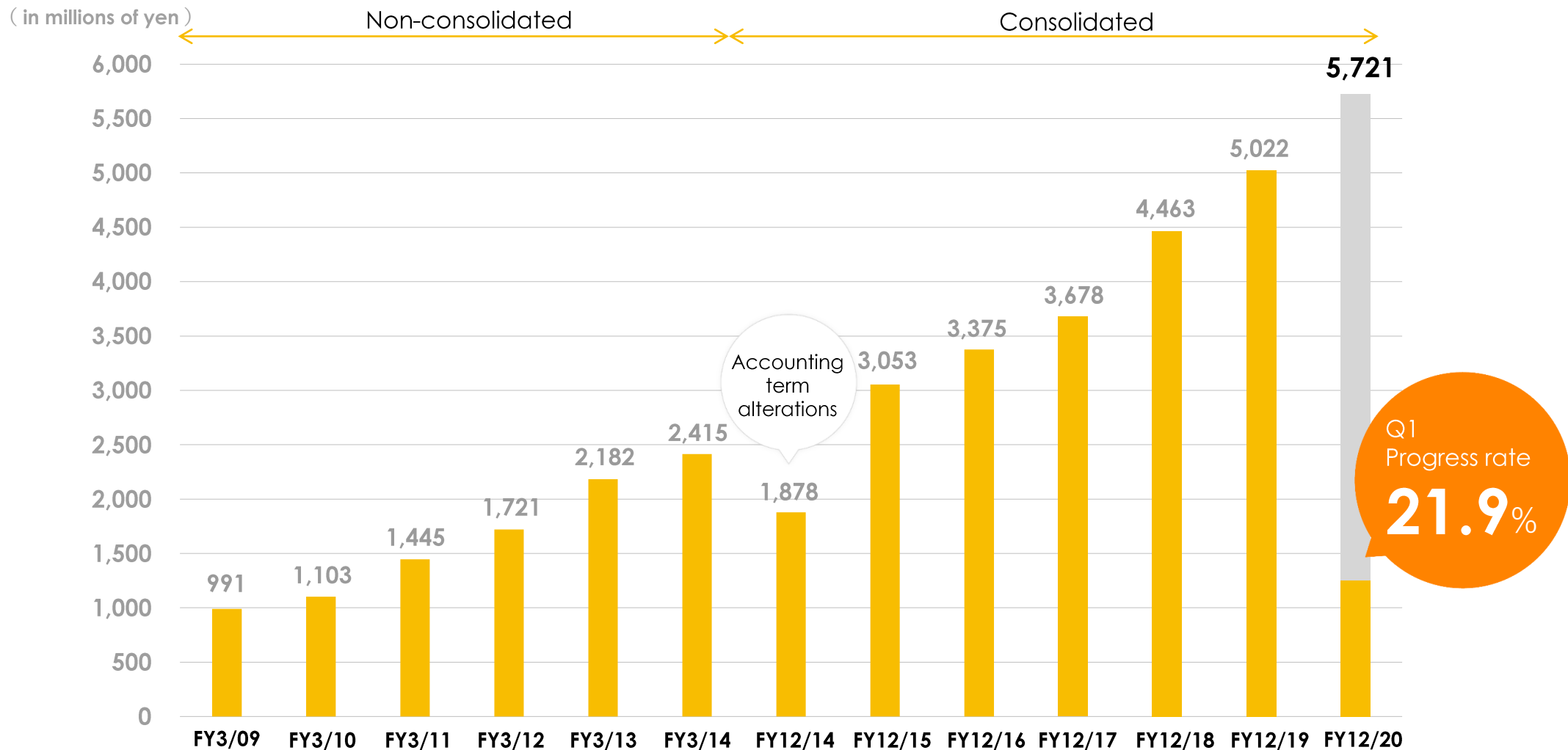
To prevent infections, the company has been promoting remote working, health monitoring, hand washing, good coughing etiquette, and ventilation. At the moment, more than 80% of the employees in our domestic offices, including Tokyo, Osaka, Sapporo, and Fukuoka, are doing remote working. The company is doing business as usual through measures including promoting online meetings, and making efforts to minimize the impact on the financial results of the transition to remote working.

■ Consolidated results forecast

At the moment, it is difficult to reasonably calculate the impact on the consolidated financial results forecast as many factors including the time when the virus is contained and the responses made by each nation's government are unclear. The company will disclose the facts immediately when the company judges in the future that there will be an impact on the consolidated financial results forecast.

Trends in sales

Recorded 1.25 billion yen, an increase of 9.0% year-on-year,
Net sales were weak compared to the full-year forecast.

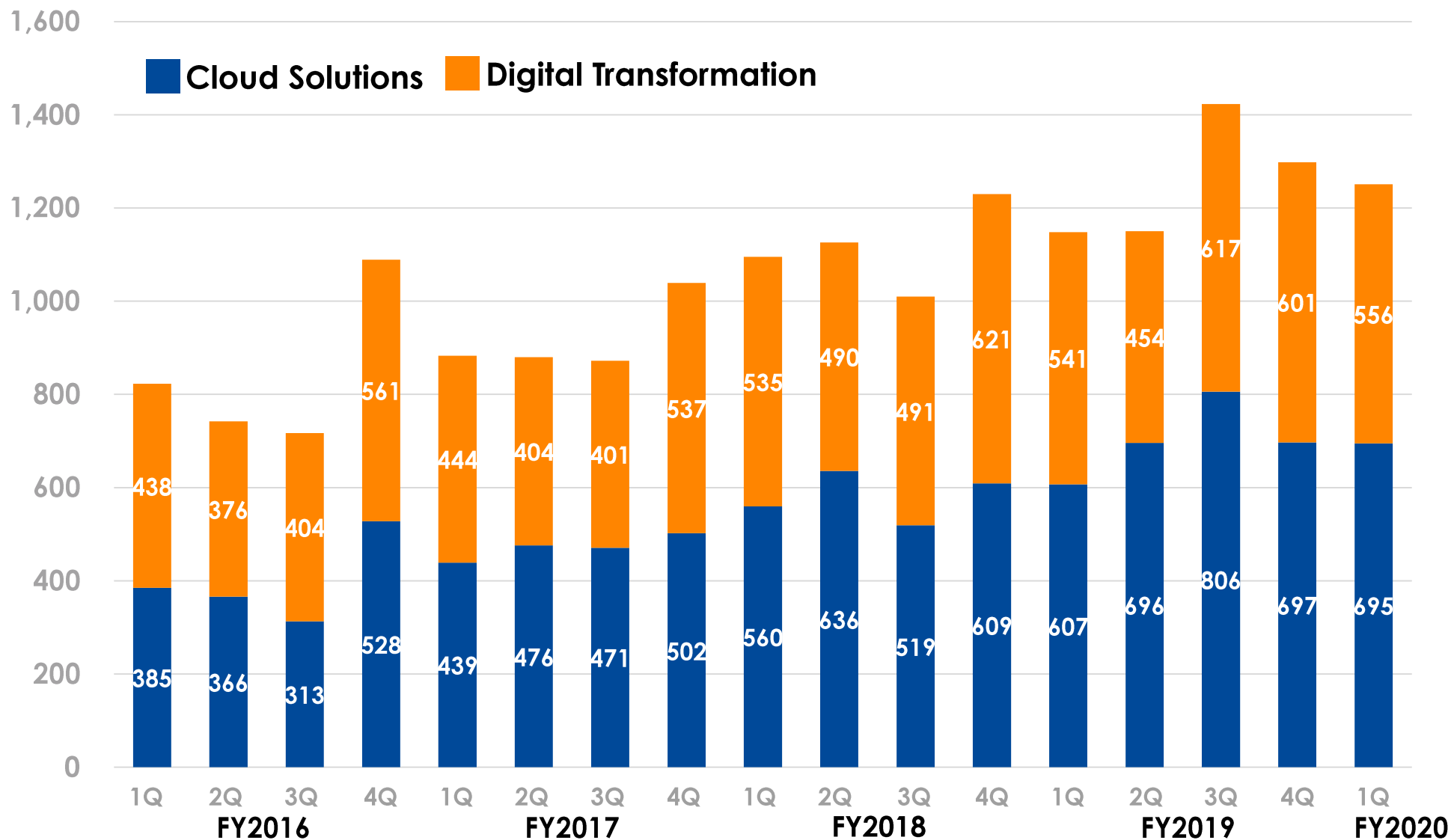


*Was not audited by KPMG AZSA LLC, prior to and in the fiscal year ended March 31, 2014

*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

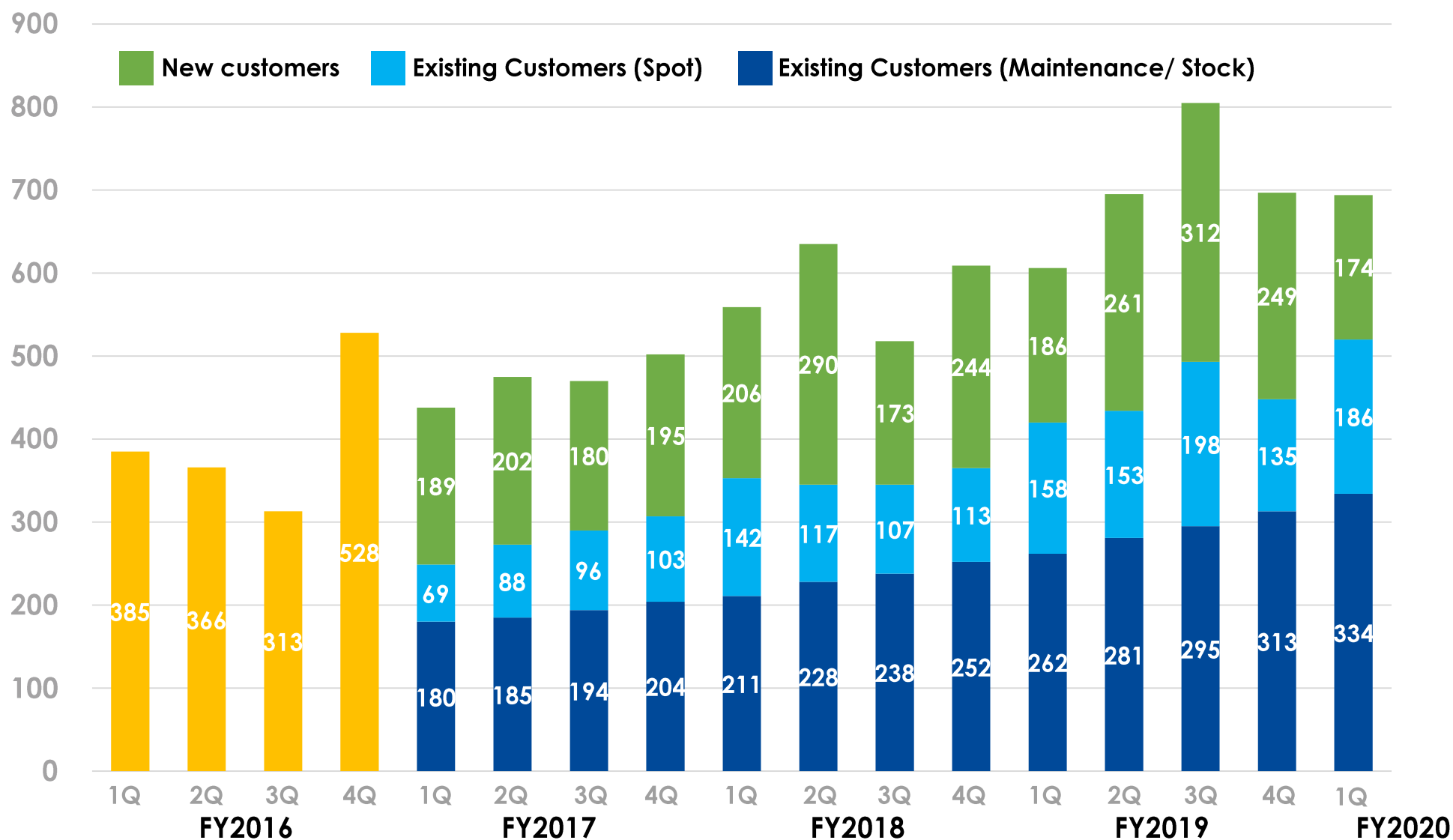
(in millions of yen)



Percentages of net sales by business segment

Cloud Solutions

(in millions of yen)



Breakdown of net sales by business segment

Cloud Solutions

New customers	Sales from licensing at the start of an agreement(※1)
	Sales from installation support and sales from additional development required at the time of installation(※2)
Existing Customers (Spot)	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 (Maintenance/ Stock)	Providing system maintenance(※3), providing cloud environment(※3), and sales from monthly licensing of SaaS agreement

※1: As for “ZAC” monthly license (“SaaS”) agreements, sales from licensing are included in the column for existing customers (maintenance/stock). Even sales from licensing at the first month of the agreement are not included in the new customer section.

※2: For additional development, the parameters will be expanded but have not been customized for individual companies.

※3: Only in the case of no-returns purchase agreements.

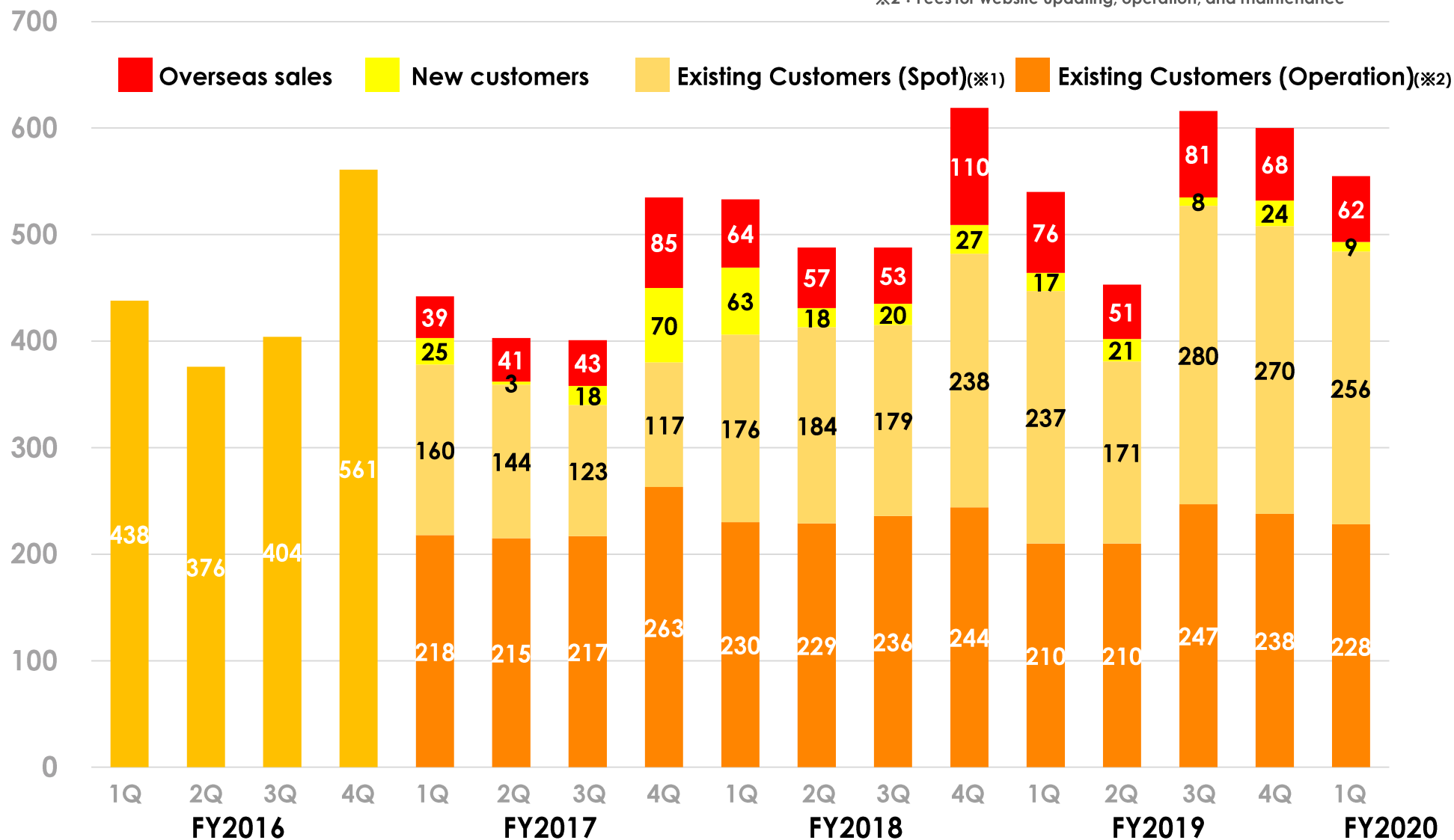
Percentages of net sales by business segment

Digital Transformation

(in millions of yen)

※1 : Seasonally installed special websites, etc.

※2 : Fees for website updating, operation, and maintenance



Progress against the full-year forecast

Net sales were weak compared to the full-year forecast, with operating profits were broadly in line with the full-year forecast.

(in millions of yen)

	FY2020 forecasts	Q1 FY2020 actual results	Progress rates
Net Sales	5,721	1,251	21.9 %
Cloud Solutions	3,288	695	21.1 %
Digital Transformation	2,433	556	22.9 %
Operating profit	1,791	361	20.2 %
Ordinary profit	1,801	377	20.9 %
Profit attributable to owners of the parent	1,237	257	20.8 %

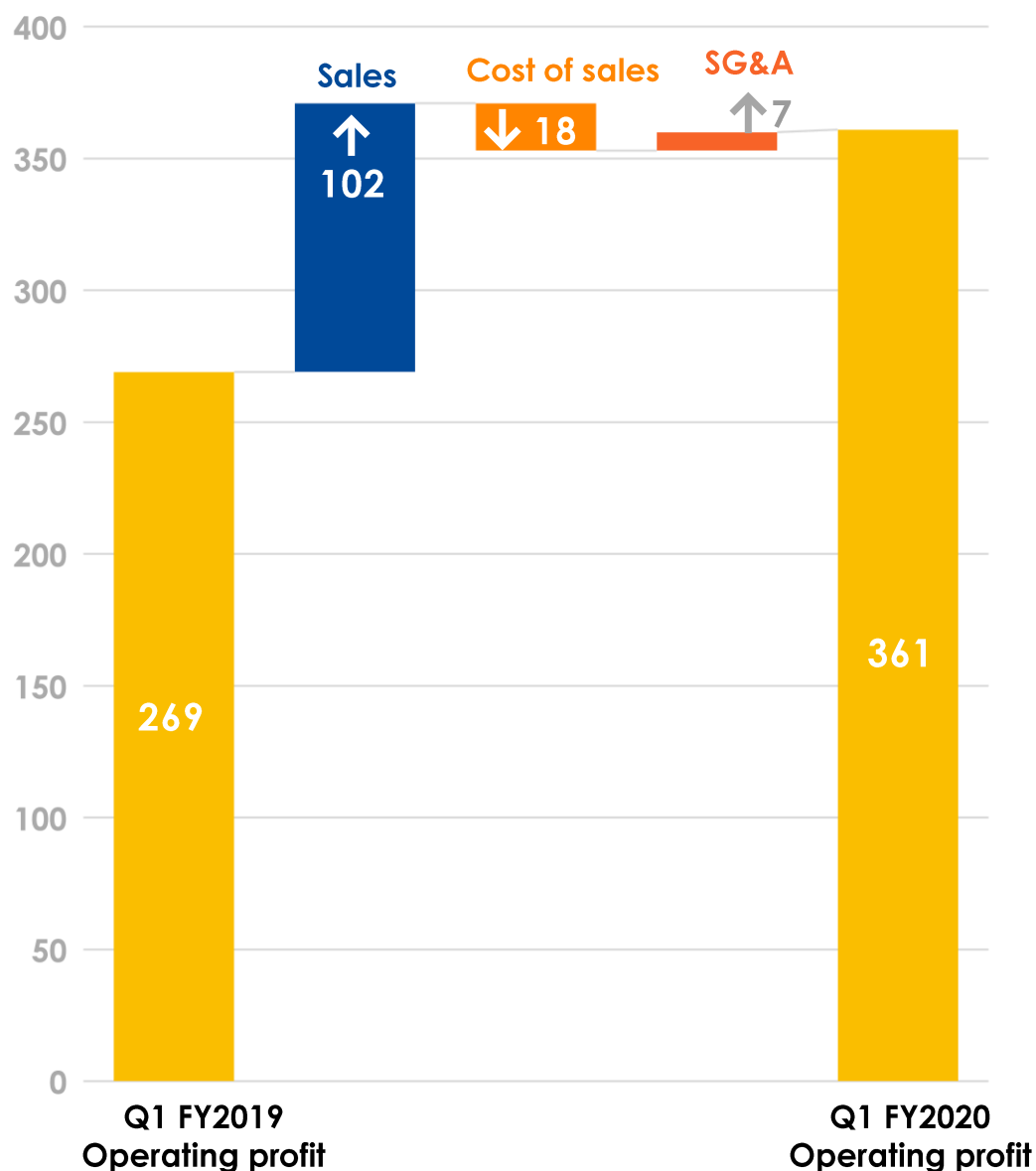
Profit and loss statement (YoY)

(in millions of yen)

	Q1 FY2020 (composition ratios)	Q1 FY2019 (composition ratios)	Difference	Main factors
Net sales	1,251 [100.0%]	1,148 [100.0%]	102	
Cost of sales	527 [42.1%]	508 [44.3%]	18	Increase in the number of engineers and a rise in average compensation and bonuses, etc.
Gross profit	724 [57.9%]	640 [55.7%]	84	
Selling, general and administrative expenses	363 [29.1%]	370 [32.3%]	(7)	Increase in the number of Sales and management personnel and a rise in average compensation and bonuses, Increase in Advertising expenses, Decrease in Recruiting expenses, etc.
Operating profit	361 [28.8%]	269 [23.4%]	91	
Ordinary profit	377 [30.1%]	267 [23.3%]	109	
Profit attributable to owners of the parent	257 [20.6%]	181 [15.8%]	76	

Fluctuation factor of operating profit (YoY)

(in millions of yen)



© oRo co.,ltd.

(in millions of yen)

Main factors

↑ Sales

102

Cloud Solutions

87

Digital Transformation

15

↓ Cost of sales

18

A rise in compensation and bonuses associated with an increase in the number of engineers, etc.

29

Recording of Provision for loss on orders received

22

Increase/decrease in other cost of sales

(33)

↑ SG&A

(7)

A rise in compensation and bonuses associated with an increase in the number of sales and administrative personnel, etc.

6

Increase in Advertising expenses

8

Decrease in Recruiting expenses

(7)

Increase/decrease in other selling and general administrative expenses

(15)

Balance sheet

- ① Decrease in cash and deposits due to payment of corporate and consumption taxes
- 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, 2020	As of Dec 31, 2019	Difference
Current assets	① 6,850	6,981	(130)
Non-current assets	744	700	44
Property, plant and equipment	433	415	17
Intangible assets	28	27	1
Investments and other assets	282	256	25
Total assets	7,595	7,681	(86)

	As of Mar 31 2020	As of Dec 31, 2019	Difference
Total liabilities	1,331	1,517	(186)
Current liabilities	② 1,137	1,313	(175)
Non-current liabilities	193	204	(10)
Net assets	6,264	6,164	100
Shareholders' equity	③ 6,276	6,168	108
Other	(13)	(4)	(9)
Total liabilities and net assets	7,595	7,681	(86)

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

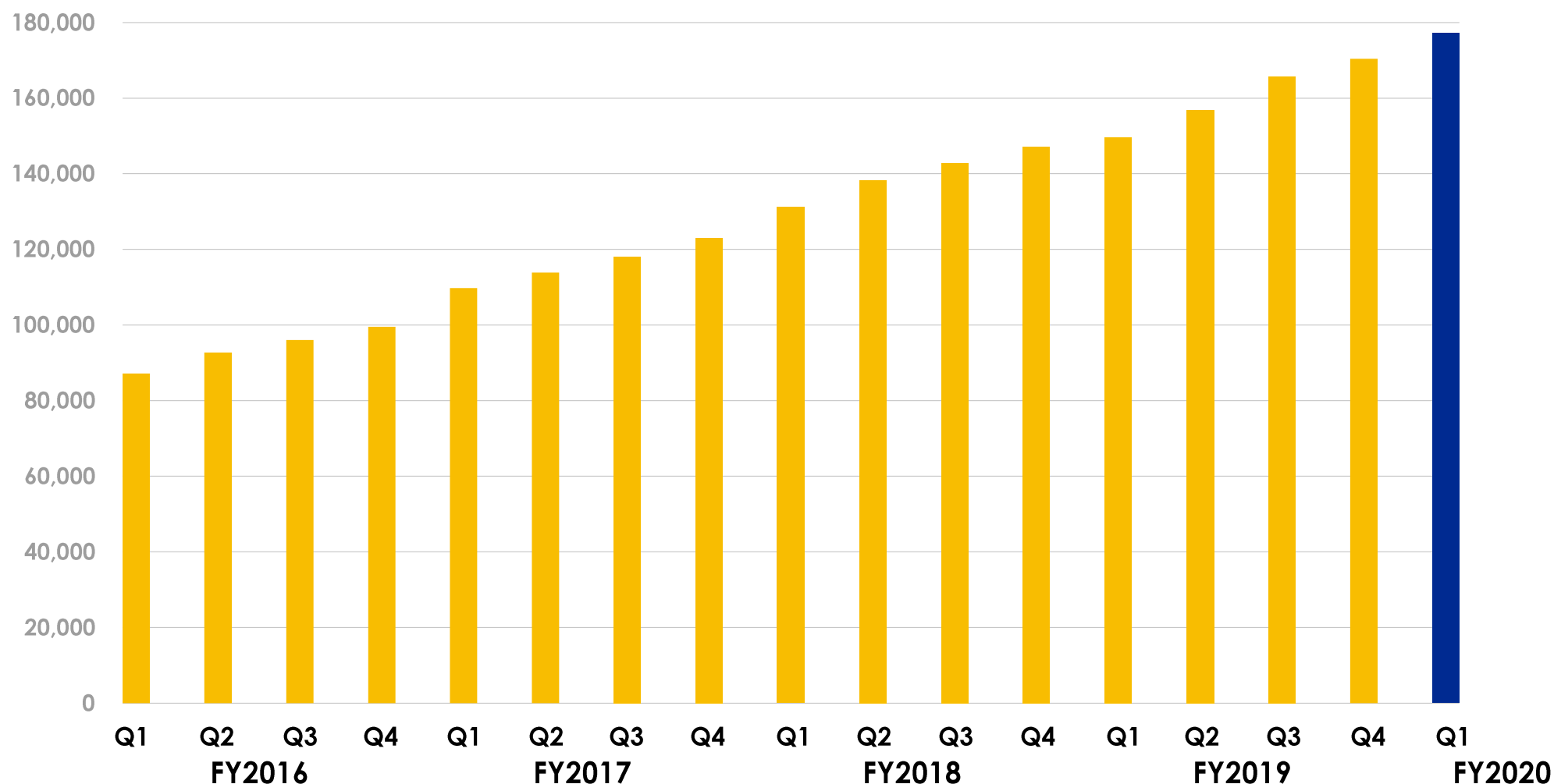
Corporate business activity support based on digital

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

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.



Bolster product appeal

Cloud Solutions

Make research & development investments continuously, bolster product appeal, thus expanding order intake.



Evolution of UI / UX

**Intuitive UI,
Multi-device
compatible**



Automation ·
Visualization

**Assist raising
productivity through
an automation and
visualization of
operations**



Cater for growth
industries

**Cater for growth
industries**

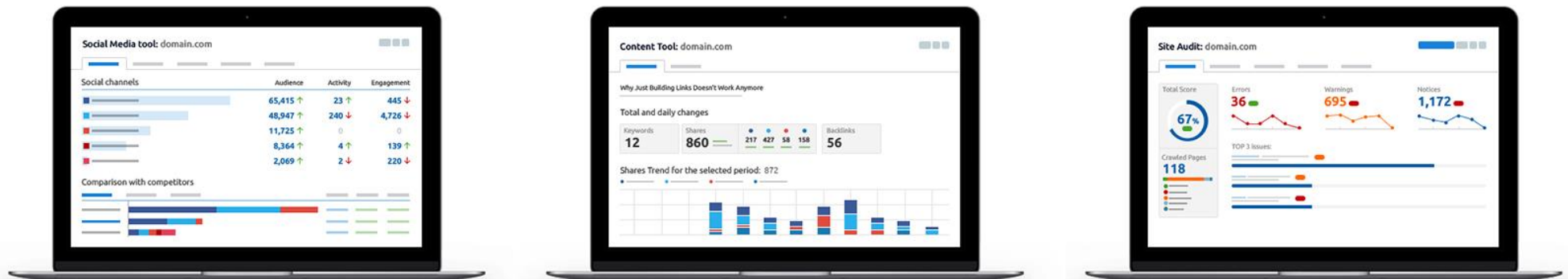


Global support

**Multilingual,
Multi currency**

SEMrush

Digital Transformation



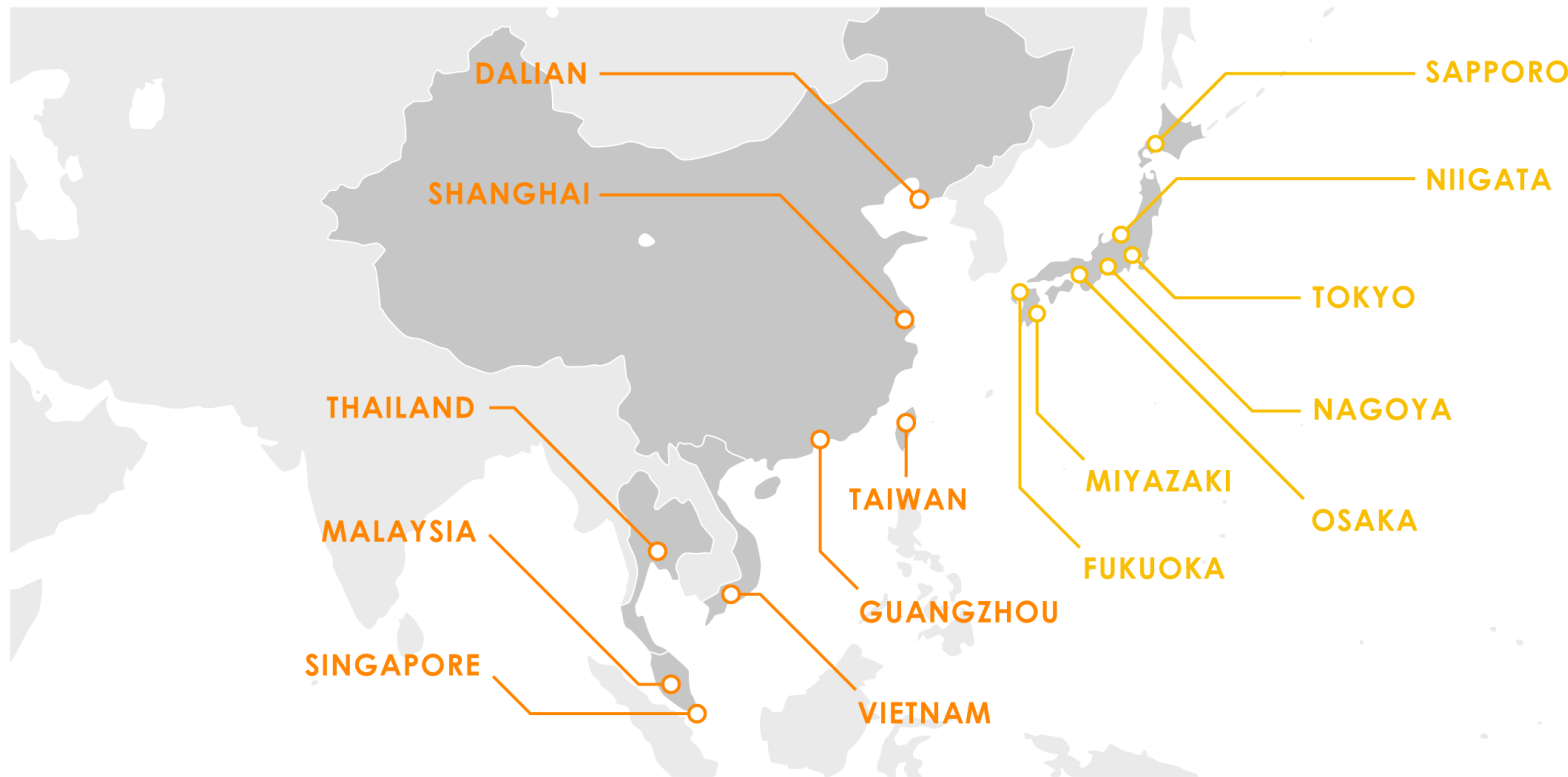
SEMrush is one of the largest-scale digital marketing tools in the world with 5 million subscribers worldwide.

- * An all-in-one tool covering everything: competitive analysis, search engine optimization strategies and improvement of advertisement effect
- * oRo began exclusive distribution of the package in Japan in December 2018.

Strengthen overseas bases

Digital Transformation

Provides services to local companies in an enhanced manner in addition to engaging in activities as a highly-profitable In-house production office and catering to extensive demand related to inbound tourism.



03

Company profile

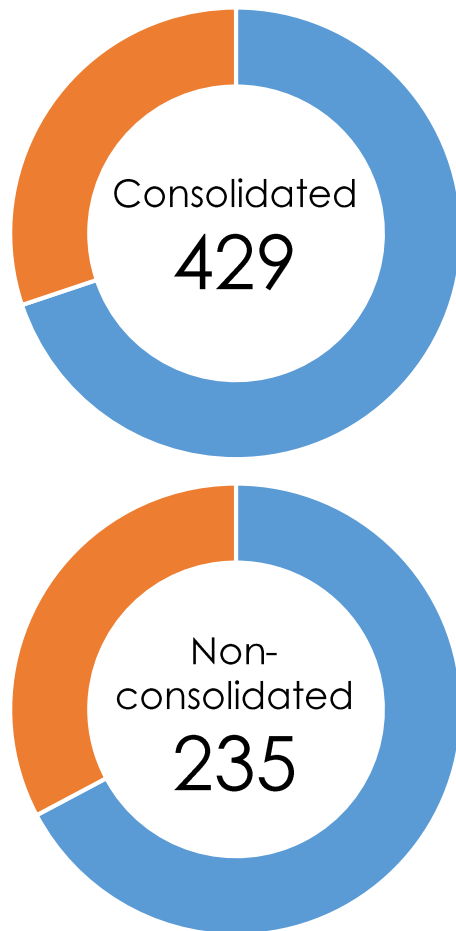
Company profile

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' Digital Transformation (DX) • Support for corporate marketing activities
Employees	Non-consolidated 235 / Consolidated 429 (As of end of Dec, 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

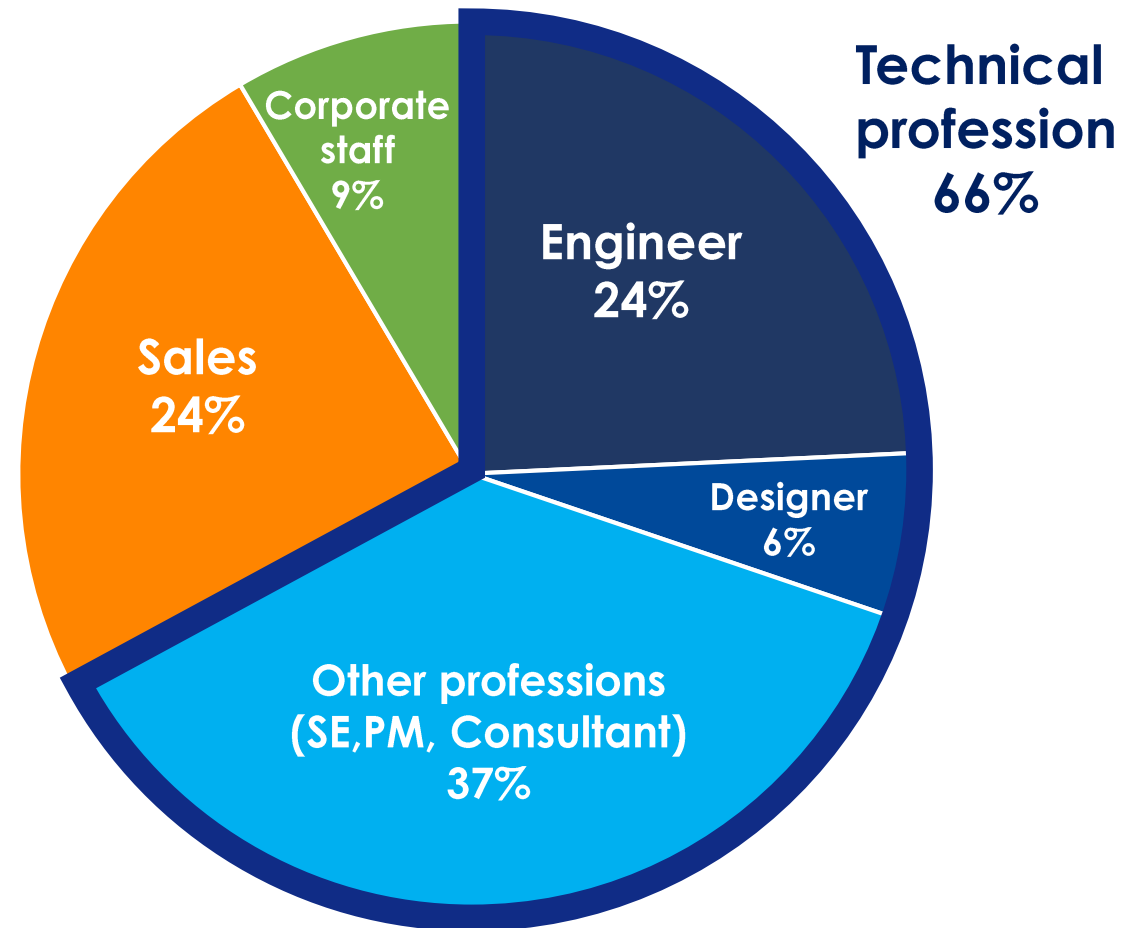
Create various solutions with “Technology × Creative”

Production and sales ratio



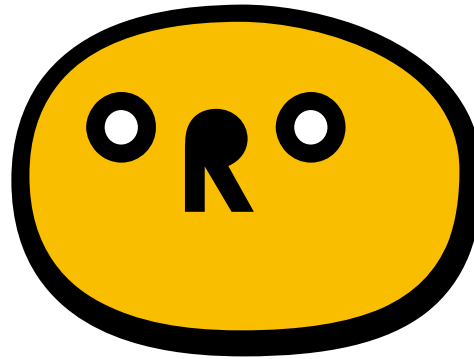
(As of end of Dec, 2019)

Job type ratio (Non-consolidated)



(As of end of Dec, 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

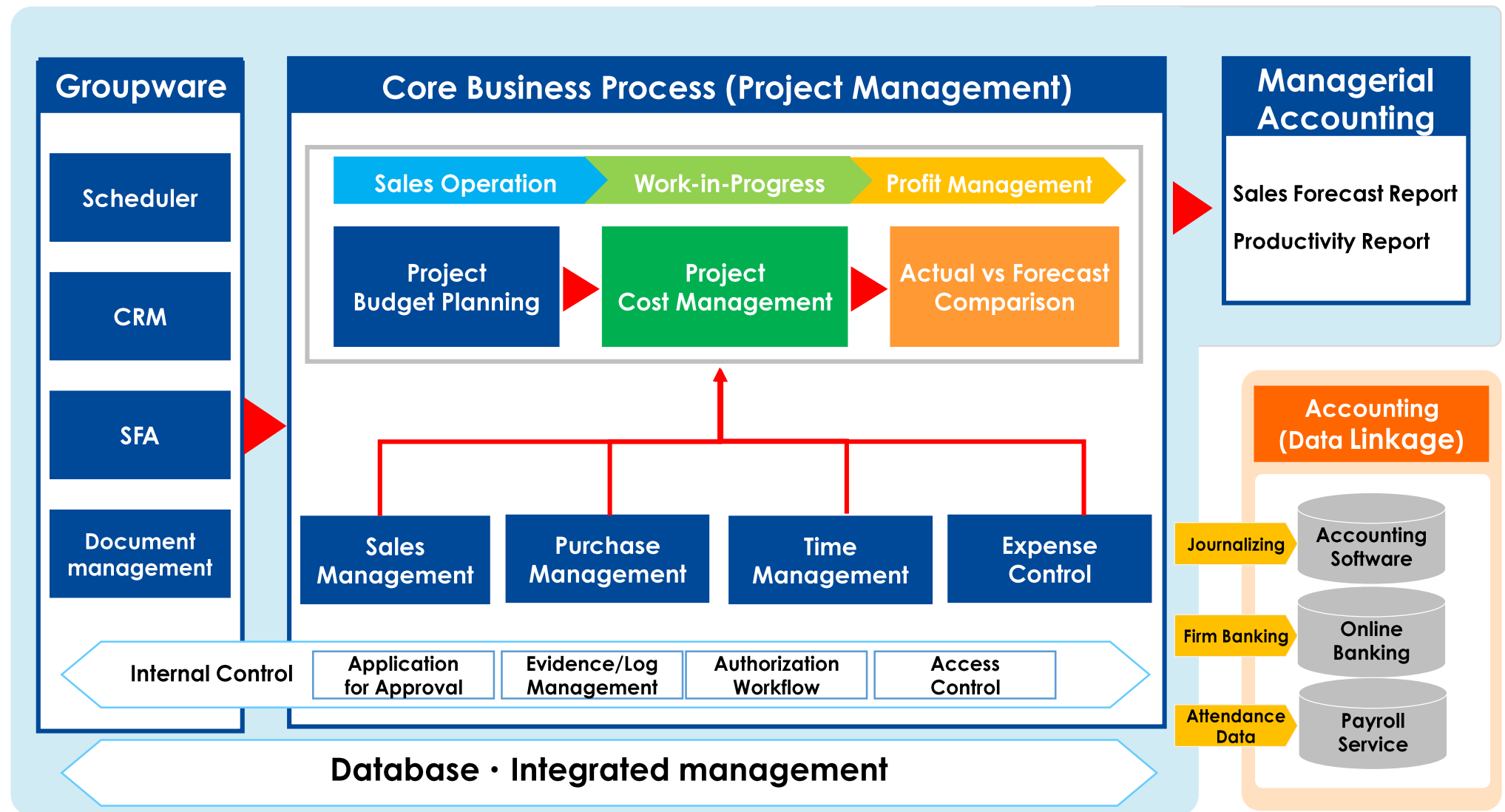
Overall
optimum
system

Practice of
management
accounting



“ZAC” system over view - general flowchart

Cloud Solutions



“Reforma PSA” is

A system for start-up and venture companies (up to 50 employees) that limits functionality to that most often used in ZAC.

**Initial fees
are not required**

**only monthly fees
are required**

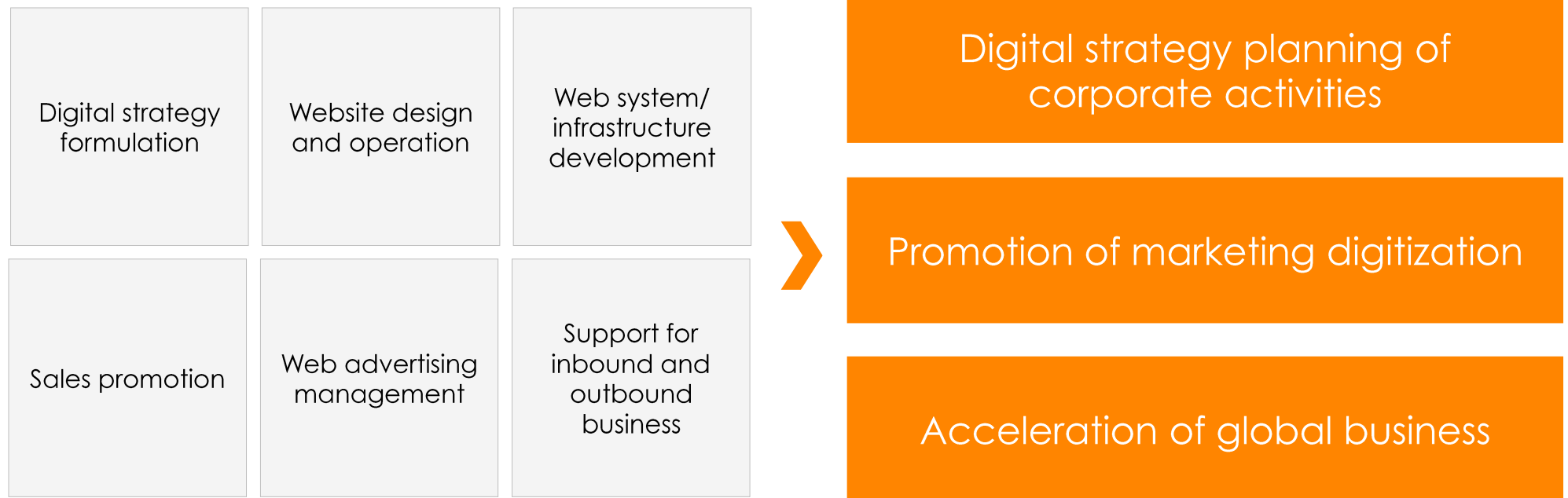


Transition from "Reforma PSA" to "ZAC" is available as a company grows.

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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