

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2020 (Based on Japanese GAAP)

August 12, 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: August 13, 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 six months ended June 30, 2020 (from January 1, 2020 to June 30, 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	%
Six months ended June 30, 2020	2,479	7.8	686	26.2	702	29.3	476	32.5
Six months ended June 30, 2019	2,299	3.5	544	(19.2)	267	(17.3)	359	(19.5)

Note: Comprehensive income Six months ended June 30, 2020: 465 million yen [33.1%]
 Six months ended June 30, 2019: 349 million yen [(20.7)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2020	28.70		—	
Six months ended June 30, 2019	21.66		—	

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	%
As of June 30, 2020	7,600	6,497	85.5
As of December 31, 2019	7,681	6,164	80.2

Reference: Equity capital As of June 30, 2020: 6,497 million yen As of December 31, 2019: 6,163 million yen

2. Cash dividends

	Annual dividends per share				
	Three Months Ended March 31	Six Months Ended June 30	Nine Months Ended September 30	Year Ended December 31	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2019	—	0.00	—	9.00	9.00
Year ending December 31, 2020	—	0.00	—	9.00	9.00
Year ending December 31, 2020 (Forecast)	—	—	—	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	5,127	2.1	1,642	23.1	1,660	22.3	1,115	23.9	67.16

Note: Revisions to most recently released earnings forecast : Yes

* For details, please refer to the “Notification Revision of FY2020 Consolidated Financial Forecasts” dated August 12, 2020.

4. Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 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 June 30, 2020	16,606,453 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 June 30, 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)

Six months ended June 30, 2020	16,602,080 shares	Six months ended June 30, 2019	16,599,794 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 public accountants or auditing firms.

* 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 June 30, 2020
Assets		
Current assets		
Cash and deposits	5,540,151	6,098,826
Notes and accounts receivable - trade	949,045	593,875
Work in process	397,076	158,402
Raw materials and supplies	3,147	3,088
Other	93,118	106,720
Allowance for doubtful accounts	(1,012)	(1,972)
Total current assets	6,981,527	6,958,941
Non-current assets		
Property, plant and equipment	415,939	419,665
Intangible assets	27,799	28,883
Investments and other assets		
Investment securities	11,526	12,128
Deferred tax assets	147,130	82,810
Other	98,797	98,678
Allowance for doubtful accounts	(981)	(981)
Total investments and other assets	256,473	192,635
Total non-current assets	700,212	641,184
Total assets	7,681,739	7,600,125

(Thousands of yen)

	As of December 31, 2019	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	189,384	80,211
Income taxes payable	277,570	164,683
Provision for bonuses	51,420	67,483
Provision for loss on order received	250,284	40,170
Other	544,504	560,203
Total current liabilities	1,313,163	912,752
Non-current liabilities		
Asset retirement obligations	116,495	116,366
Other	88,058	73,623
Total non-current liabilities	204,554	189,990
Total liabilities	1,517,718	1,102,742
Net assets		
Shareholders' equity		
Capital stock	1,185,030	1,193,528
Capital surplus	1,095,030	1,103,528
Retained earnings	3,889,482	4,216,599
Treasury shares	(942)	(942)
Total shareholders' equity	6,168,600	6,512,714
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,514	4,695
Foreign currency translation adjustment	(9,379)	(20,381)
Total accumulated other comprehensive income	(4,865)	(15,686)
Non-controlling interests	286	354
Total net assets	6,164,021	6,497,383
Total liabilities and net assets	7,681,739	7,600,125

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net sales	2,299,704	2,479,758
Cost of sales	1,006,563	1,090,001
Gross profit	1,293,140	1,389,757
Selling, general and administrative expenses	748,624	702,836
Operating profit	544,516	686,920
Non-operating income		
Interest and dividend income	4,391	3,862
Subsidy income	—	12,179
Others	638	5,310
Total non-operating income	5,030	21,352
Non-operating expenses		
Interest expenses	—	1,580
Foreign exchange losses	5,636	819
Compensation for damage	—	2,703
Others	148	221
Total non-operating expenses	5,785	5,325
Ordinary profit	543,761	702,948
Extraordinary losses		
Settlement package	5,295	—
Loss on valuation of shares of subsidiaries and associates	5,335	—
Total extraordinary losses	10,630	—
Profit before income taxes	533,130	702,948
Income taxes - current	183,388	162,116
Income taxes - deferred	(9,878)	64,240
Total income taxes	173,509	226,356
Profit	359,621	476,591
Profit attributable to non-controlling interests	—	77
Profit attributable to owners of parent	359,621	476,514

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit	359,621	476,591
Other comprehensive income		
Valuation difference on available-for-sale securities	170	181
Foreign currency translation adjustment	(9,800)	(11,011)
Total other comprehensive income	(9,629)	(10,830)
Comprehensive income	349,991	465,761
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	349,991	465,693
Comprehensive income attributable to non-controlling interests	—	68

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	533,130	702,948
Depreciation	52,241	55,345
Amortization of goodwill	5,700	—
Increase (decrease) in allowance for doubtful accounts	403	985
Increase (decrease) in provision for bonuses	17,531	16,176
Increase (decrease) in provision for loss on order received	17,610	(210,113)
Interest and dividend income	(4,391)	(3,862)
Interest expense	—	1,580
Settlement package	5,295	—
Compensation for damage	—	2,703
Loss on valuation of shares of subsidiaries and associates	5,335	—
Decrease (increase) in notes and accounts receivable - trade	70,317	352,739
Decrease (increase) in inventories	(65,897)	238,695
Increase (decrease) in notes and accounts payable - trade	(58,971)	(107,428)
Other, net	50,881	70,741
Subtotal	629,116	1,120,510
Interest and dividend income received	3,116	4,916
Interest expenses paid	—	(1,580)
Settlement package paid	(5,295)	—
Compensation for damage paid	—	(2,703)
Income taxes paid	(274,938)	(274,994)
Net cash provided by (used in) operating activities	351,999	846,148
Cash flows from investing activities		
Payments into time deposits	(2,585)	(4,041)
Purchase of property, plant and equipment	(38,389)	(98,166)
Purchase of intangible assets	(132)	(10,108)
Purchase of investment securities	(332)	(340)
Payments for lease and guarantee deposits	(26,293)	(88)
Other	(52)	(185)
Net cash provided by (used in) investing activities	(67,786)	(112,931)
Cash flows from financing activities		
Purchase of treasury shares	(463)	—
Cash dividends paid	(124,333)	(149,350)
Other, net	—	(11,701)
Net cash provided by (used in) financing activities	(124,797)	(161,052)
Effect of exchange rate change on cash and cash equivalents	(10,339)	(10,848)
Net increase (decrease) in cash and cash equivalents	149,074	561,316
Cash and cash equivalents at beginning of period	4,550,918	5,135,866
Cash and cash equivalents at end of period	4,699,993	5,697,182

(4) Notes on consolidated financial statements

(Note on the going-concern assumption)

Not applicable

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

Not applicable

(Segment Information)

Six months ended June 30, 2019 (from January 1, 2019 to June 30, 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	1,303,379	996,325	2,299,704	—	2,299,704
Inter-segment sales or transfers	—	—	—	—	—
Total	1,303,379	996,325	2,299,704	—	2,299,704
Segment income (loss)	585,851	(21,335)	544,516	—	544,516

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

Six months ended June 30, 2020 (from January 1, 2020 to June 30, 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	1,446,076	1,033,682	2,479,758	—	2,479,758
Inter-segment sales or transfers	—	—	—	—	—
Total	1,446,076	1,033,682	2,479,758	—	2,479,758
Segment income	618,306	68,614	686,920	—	686,920

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