

Financial Results for Q3 FY2020

oRo co.,ltd. Code : 3983

November 12, 2020



01 Q3 FY2020 Financial Results Highlights

02 Business Segment Topics

03 Company profile

Translation

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Q3 FY2020 Financial Results Highlights

Q3 FY2020 Financial Results

Q3 FY2020 consolidated financial results

Net sales	3,578 million JPY	YoY (3.9) %
Operating profit	1,002 million JPY	YoY (0.6) %

Both divisions have revised the forecasts downward for FY2020 on August, 2020.
Net sales and operating profits were broadly in line with the revised plan.

Cloud Solutions (CS)

Net sales	2,085 million JPY	YoY (1.1) %
Operating profit	870 million JPY	YoY (10.5) %

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

Digital Transformation (DX)

Net sales	1,492 million JPY	YoY (7.5) %
Operating profit	132 million JPY	YoY +272.5 %

Net sales were broadly in line the revised plan. On the year-on-year basis, the operating profits have significantly increased. However, this is due to the considerable amount of Provision for loss on order received recorded in the first half of the previous year.

Impact of COVID-19 on financial results

(1) Cloud Solutions(CS)

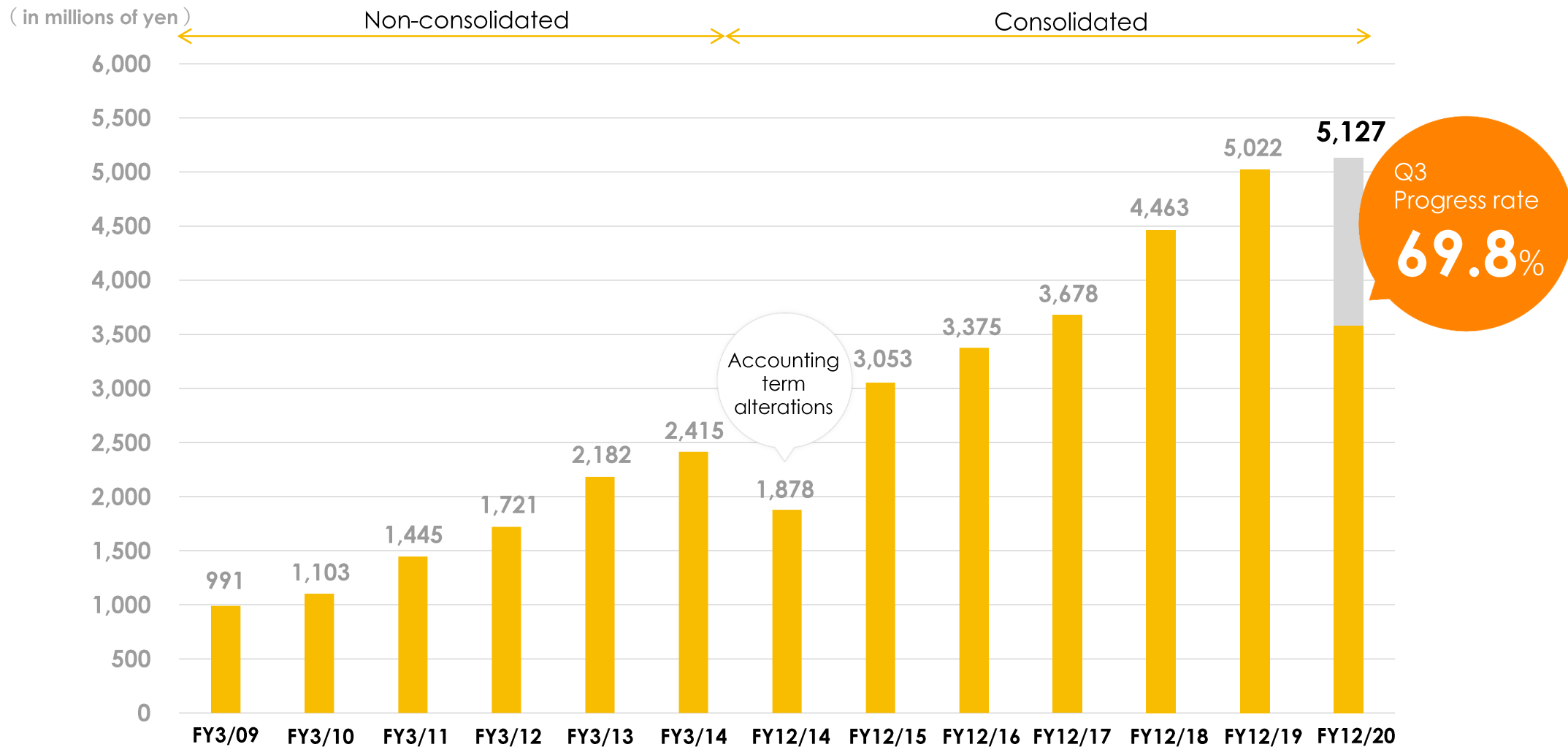
As for new customers, business has been impacted by the emergency measures against COVID-19 taken by each company. The number of new orders have reduced, and net sales for new customers have decreased. Net sales for additional licenses have also decreased due to our existing customers slowing hiring. Meanwhile, the number of initial inquiries have recovered since June. As for existing customers (maintenance/stock), there is currently negligible impact on business; therefore, we assume the prospect to be broadly in line.

(2) Digital Transformation (DX)

Advertisements to gather customers to stores have continued to recover since June. However, the impact on our business keeps continuing associated with the customers' rapid changes in the business environment, including the impact of COVID-19 infection.

Trends in sales

Recorded 3.57 billion yen, a decrease of 3.9% year-on-year.

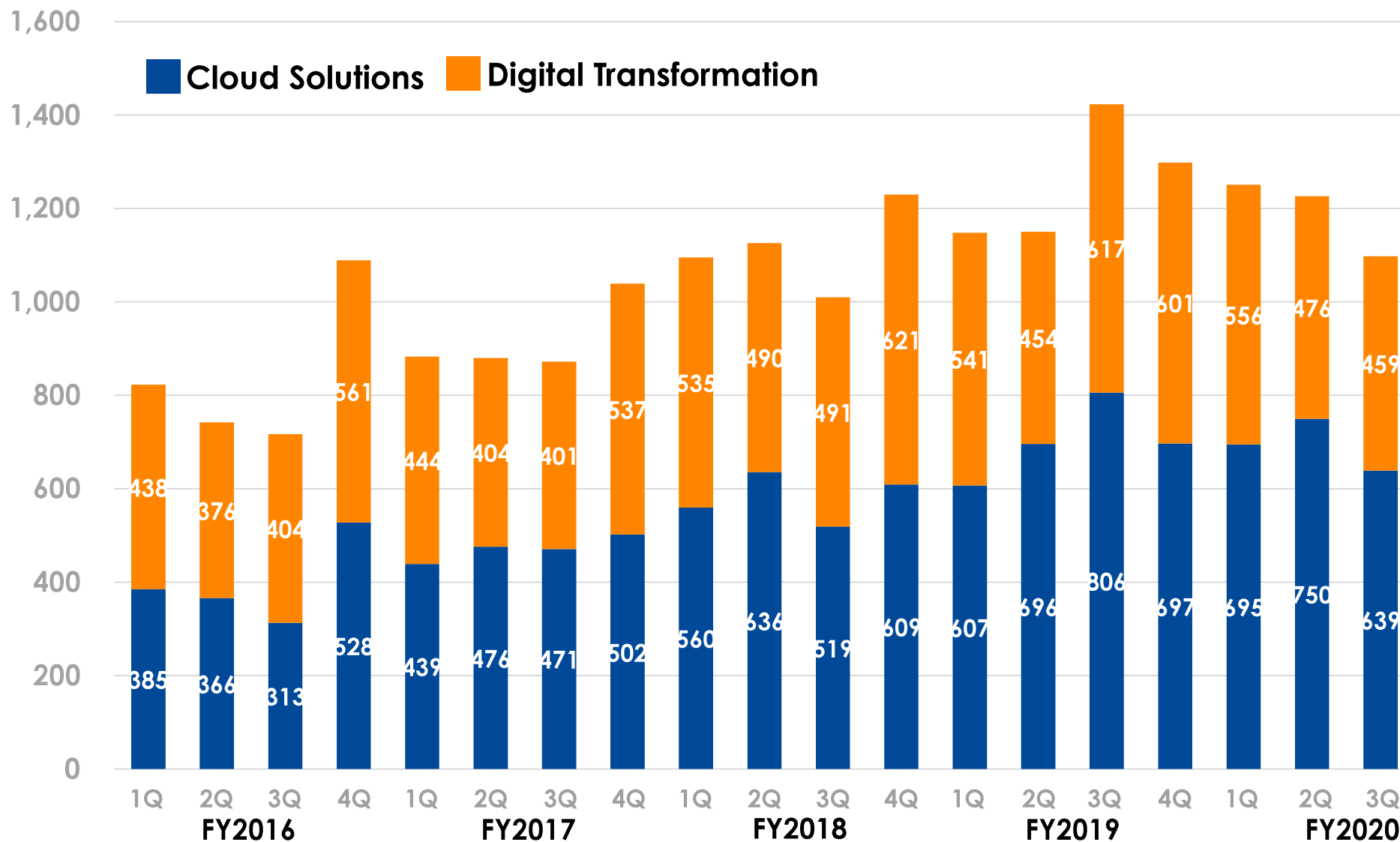


*Was not audited by KPMG AZSA LLC, prior to and in the fiscal year ended March 31, 2014

*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

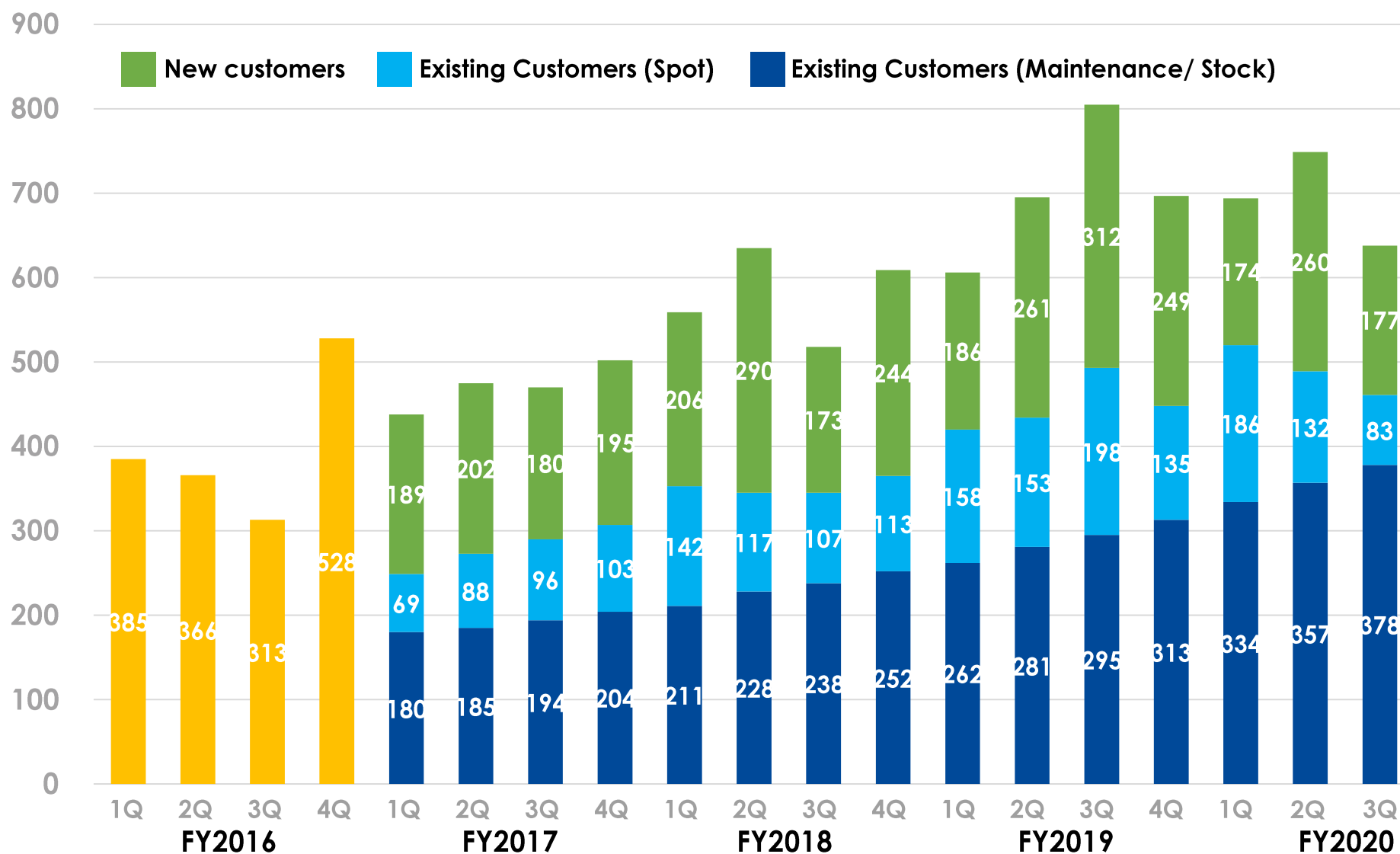
(in millions of yen)



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), provision 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.

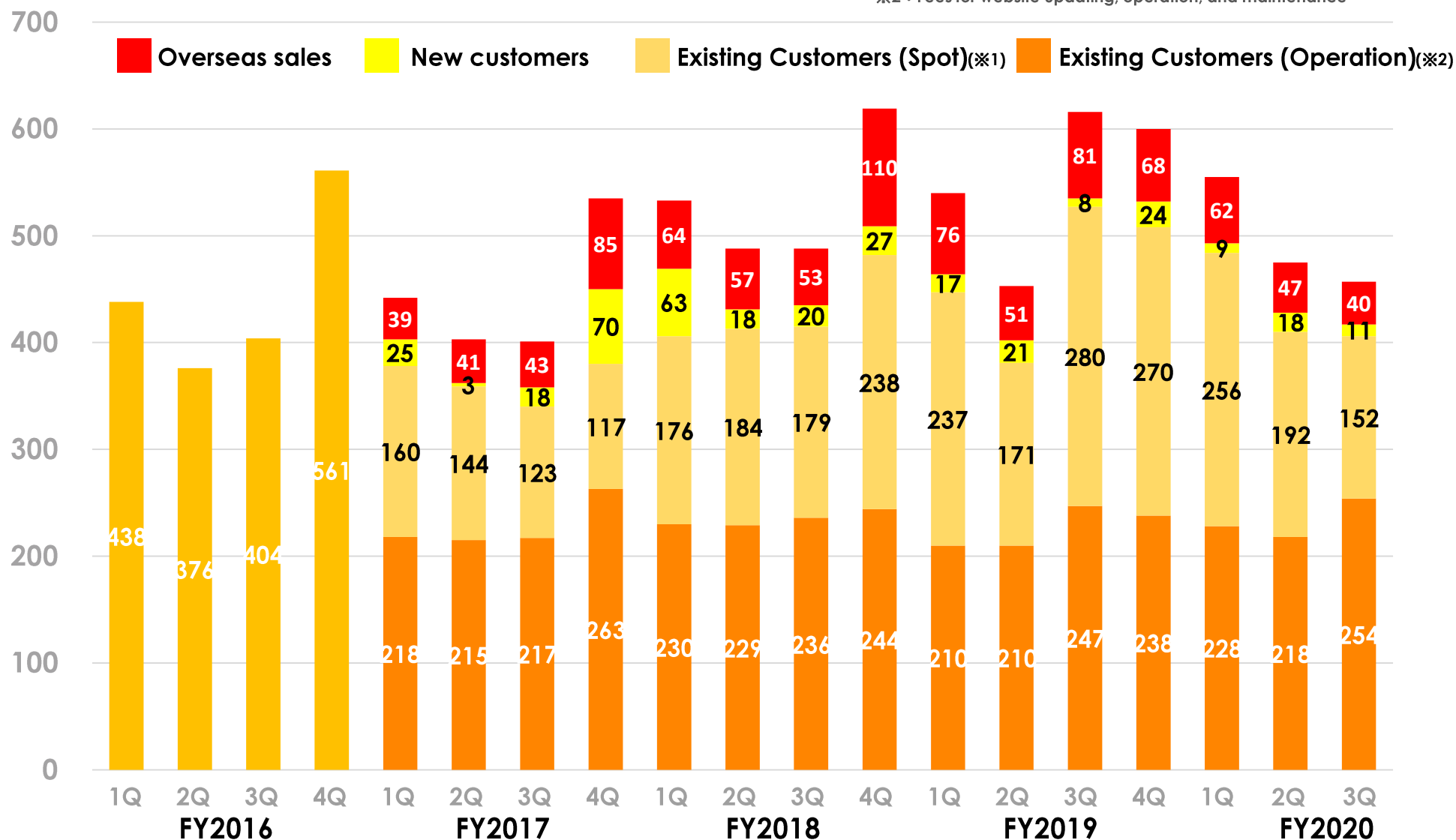
Percentages of net sales by business segment

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

(in millions of yen)

	FY2020 forecasts	Q3 FY2020 actual results	Progress rates
Net Sales	5,127	3,578	69.8 %
Cloud Solutions	3,174	2,085	65.7 %
Digital Transformation	1,953	1,492	76.4 %
Operating profit	1,642	1,002	61.1 %
Ordinary profit	1,660	1,007	60.7 %
Profit attributable to owners of the parent	1,115	681	61.1 %

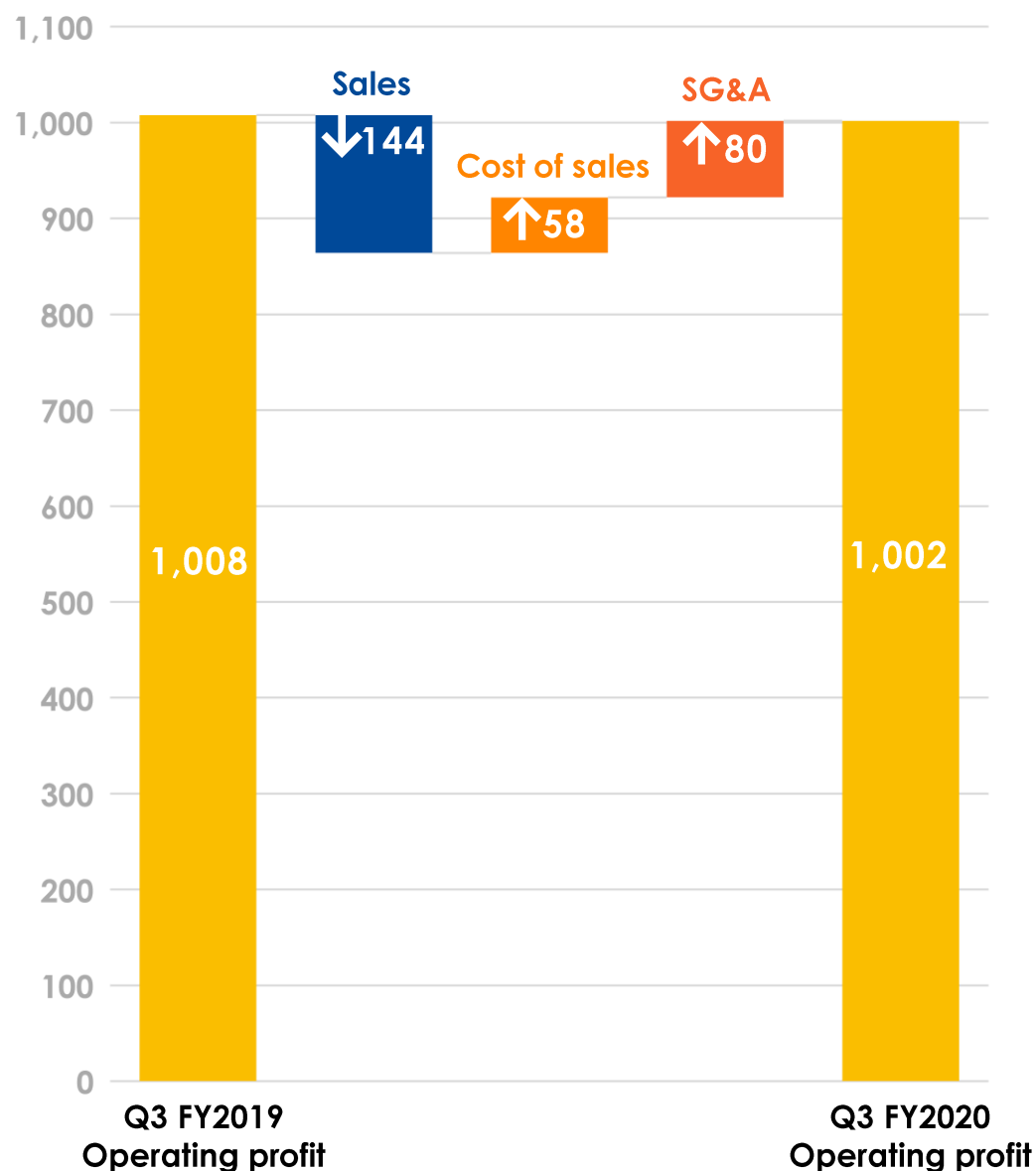
Profit and loss statement (YoY)

(in millions of yen)

	Q3 FY2020 (composition ratios)	Q3 FY2019 (composition ratios)	Difference	Main factors
Net sales	3,578 [100.0%]	3,723 [100.0%]	(144)	Impact of COVID-19 infection.
Cost of sales	1,541 [43.1%]	1,599 [43.0%]	(58)	Decrease in Provision for loss on order received and Decrease in subcontract expenses and Changes in work in process, etc.
Gross profit	2,037 [56.9%]	2,123 [57.0%]	(86)	
Selling, general and administrative expenses	1,034 [28.9%]	1,114 [29.9%]	(80)	Decrease in Recruiting expenses and Decrease in travel, entertainment and training expenses, etc.
Operating profit	1,002 [28.0%]	1,008 [27.1%]	(5)	
Ordinary profit	1,007 [28.2%]	1,030 [27.7%]	(23)	
Profit attributable to owners of the parent	681 [19.0%]	694 [18.6%]	(12)	

Fluctuation factor of operating profit (YoY)

(in millions of yen)



(in millions of yen)

Main factors

↓ Sales

Cloud Solutions

Digital Transformation

↑ Cost of sales

Decrease in Provision for loss on order received

Decrease in subcontract expenses

Changes in work in process

Increase/decrease in other cost of sales

↑ SG&A

Decrease in travel, entertainment and training expenses

Decrease in Recruiting expenses

Increase/decrease in other selling and general administrative expenses

(144)

(23)

(120)

(58)

(304)

(168)

349

64

(80)

(35)

(25)

(19)

Balance sheet

- ① Decrease in income taxes payable due to payment of income taxes, decrease in provision for loss on order received
- ② Increase in profit attributable to owners of parent

(in millions of yen)

	As of Sep 30, 2020	As of Dec 31, 2019	Difference
Current assets	7,053	6,981	71
Non-current assets	744	700	43
Property, plant and equipment	500	415	84
Intangible assets	26	27	(1)
Investments and other assets	216	256	(39)
Total assets	7,797	7,681	115

	As of Sep 30, 2020	As of Dec 31, 2019	Difference
Total liabilities	1,087	1,517	(429)
Current liabilities	① 903	1,313	(410)
Non-current liabilities	184	204	(19)
Net assets	6,709	6,164	545
Shareholders' equity	② 6,717	6,168	549
Accumulated other comprehensive income	(9)	(4)	(4)
Total liabilities and net assets	7,797	7,681	115

02

Business Segment Topics

Business overview

Cloud Solutions (CS)

The development and sales of cloud-base ERP



Support for management with cloud-based ERP

- Improvement of 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

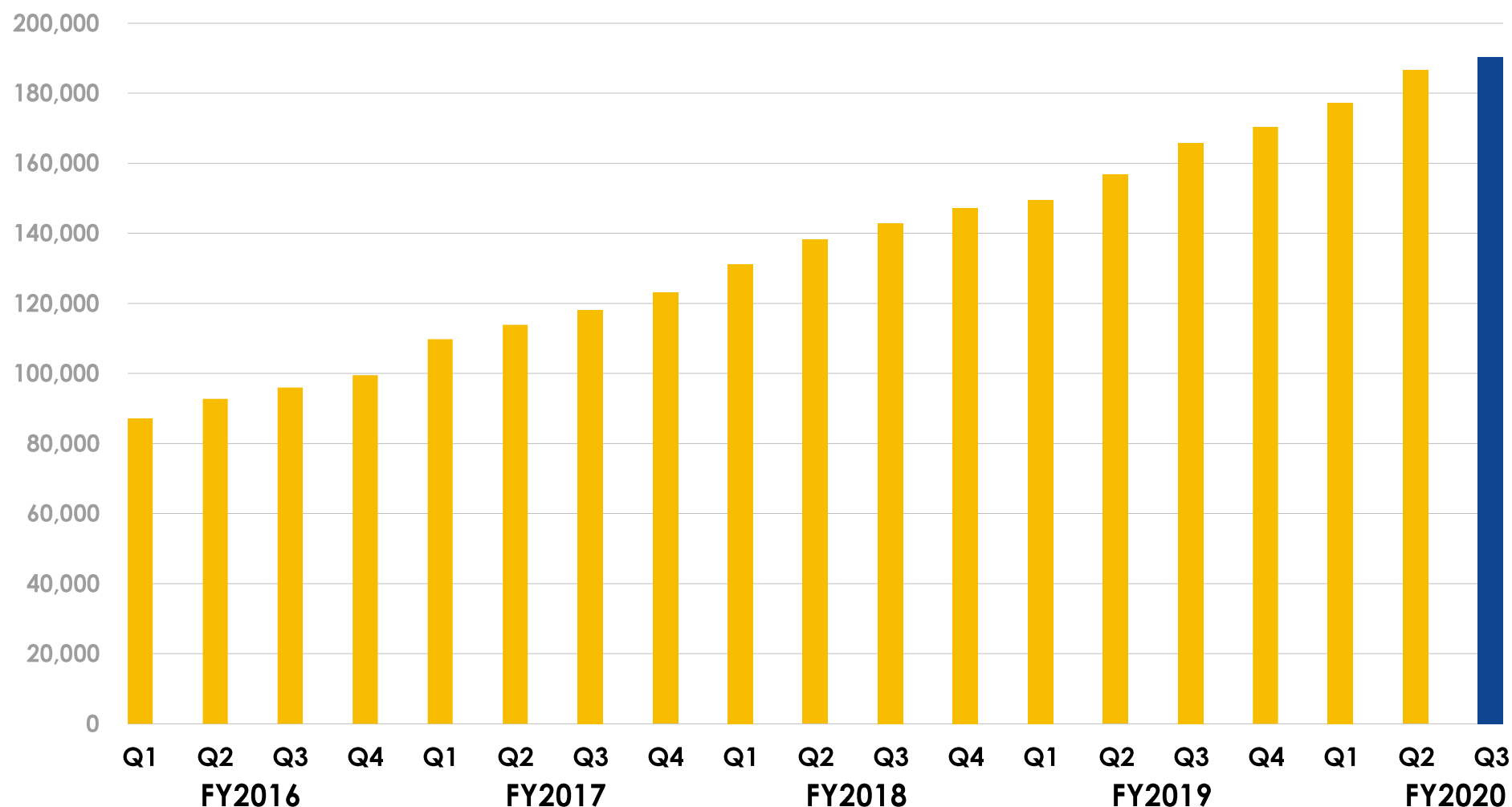
Corporate business activity support based on digital

- 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.



Enhance product appeal of ZAC

Cloud Solutions

To expand orders for ZAC, we work to enhance its product appeal by consistently investing in R&D.



Evolution of UI / UX

**Intuitive UI and
multi-device
compatibility**



Automation and
Visualization

**Support for
productivity increase
through automation
and visualization of
operations**



Growth sectors

**Primary focus on IoT,
Robotics and AI
companies**

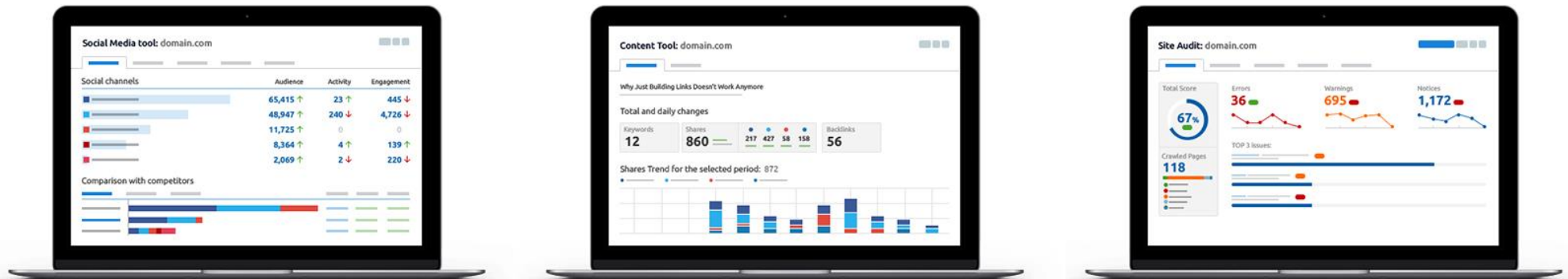


Global support

**Multilingual and
multi-currency
function**

SEMrush

Digital Transformation



SEMrush is one of the largest-scale digital marketing tools in the world with 6 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

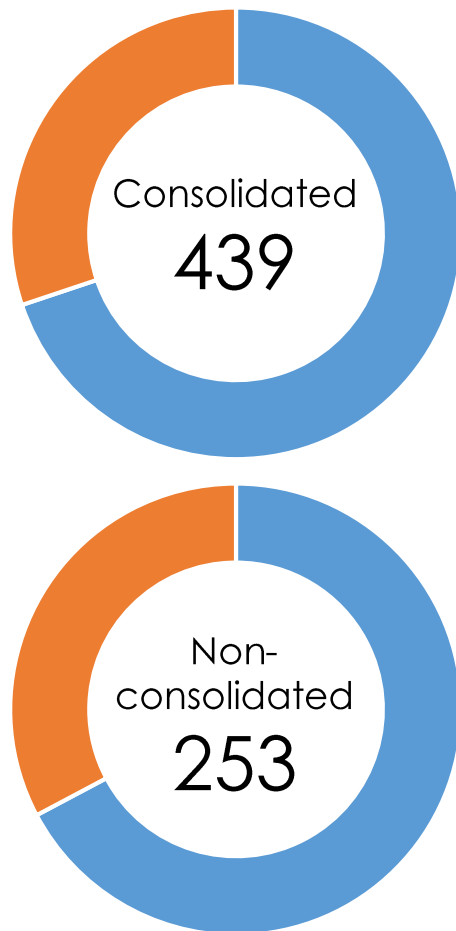
Company profile

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	1,193 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 253 / Consolidated 439(As of end of June 2020)
Branch	Nishinohon Branch, Hokkaido Branch, Fukuoka Branch
Group Company	oRo Miyazaki Co., Ltd. oRo code MOC Co., Ltd. oRo TECHNOLOGY Co., Ltd. (DALIAN, SHANGHAI) DALIAN oRo ADVERTISING Co., Ltd. oRo TAIWAN Co., Ltd. oRo Malaysia Sdn. Bhd. oRo Vietnam Co., Ltd. oRo (Thailand) Co., Ltd.

Organizational structure

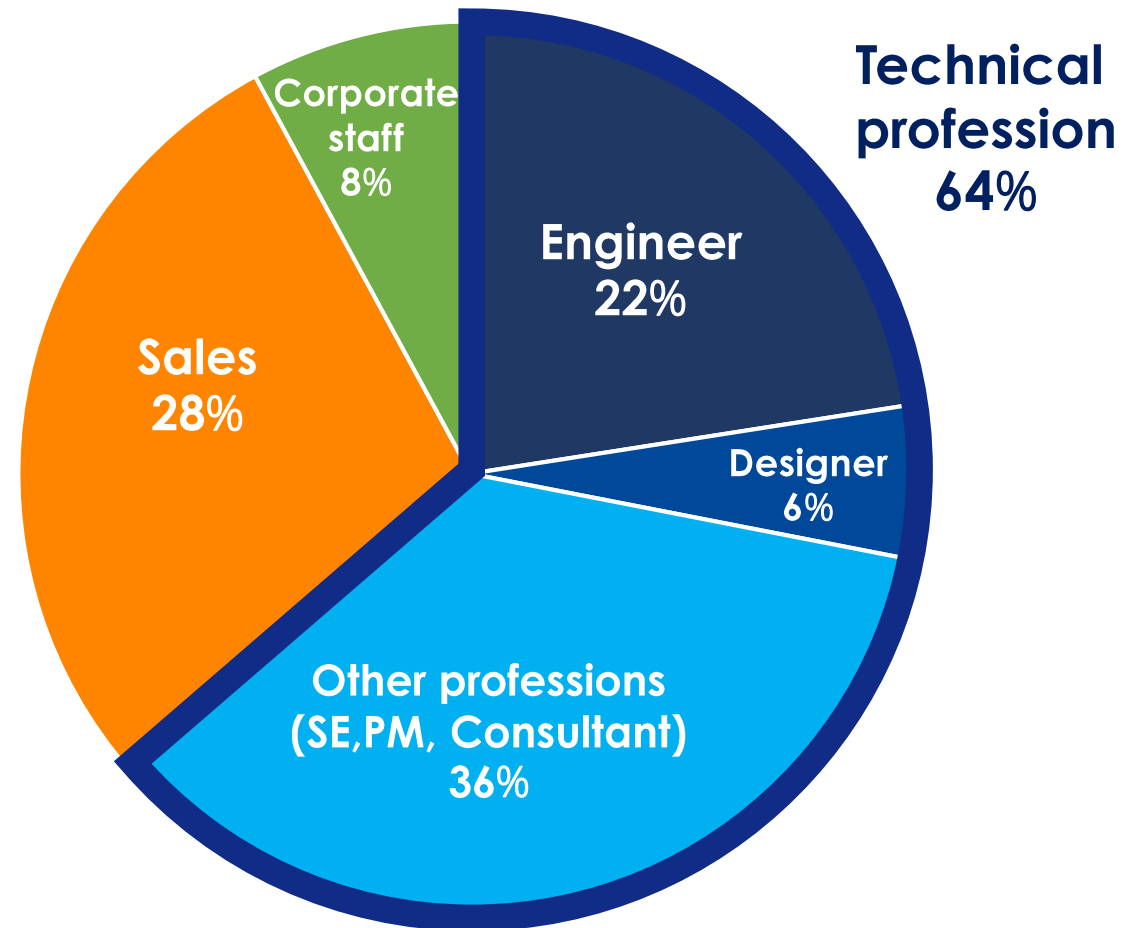
Create various solutions with “Technology × Creative”

Production and sales ratio



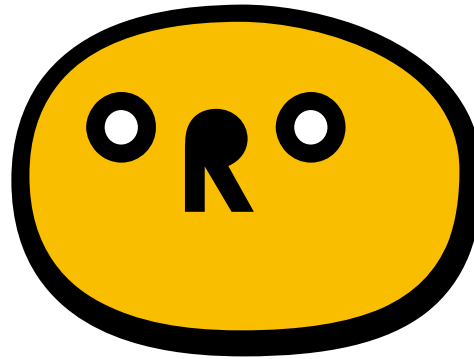
(As of end of June 2020)

Job type ratio (Non-consolidated)



(As of end of June 2020)

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

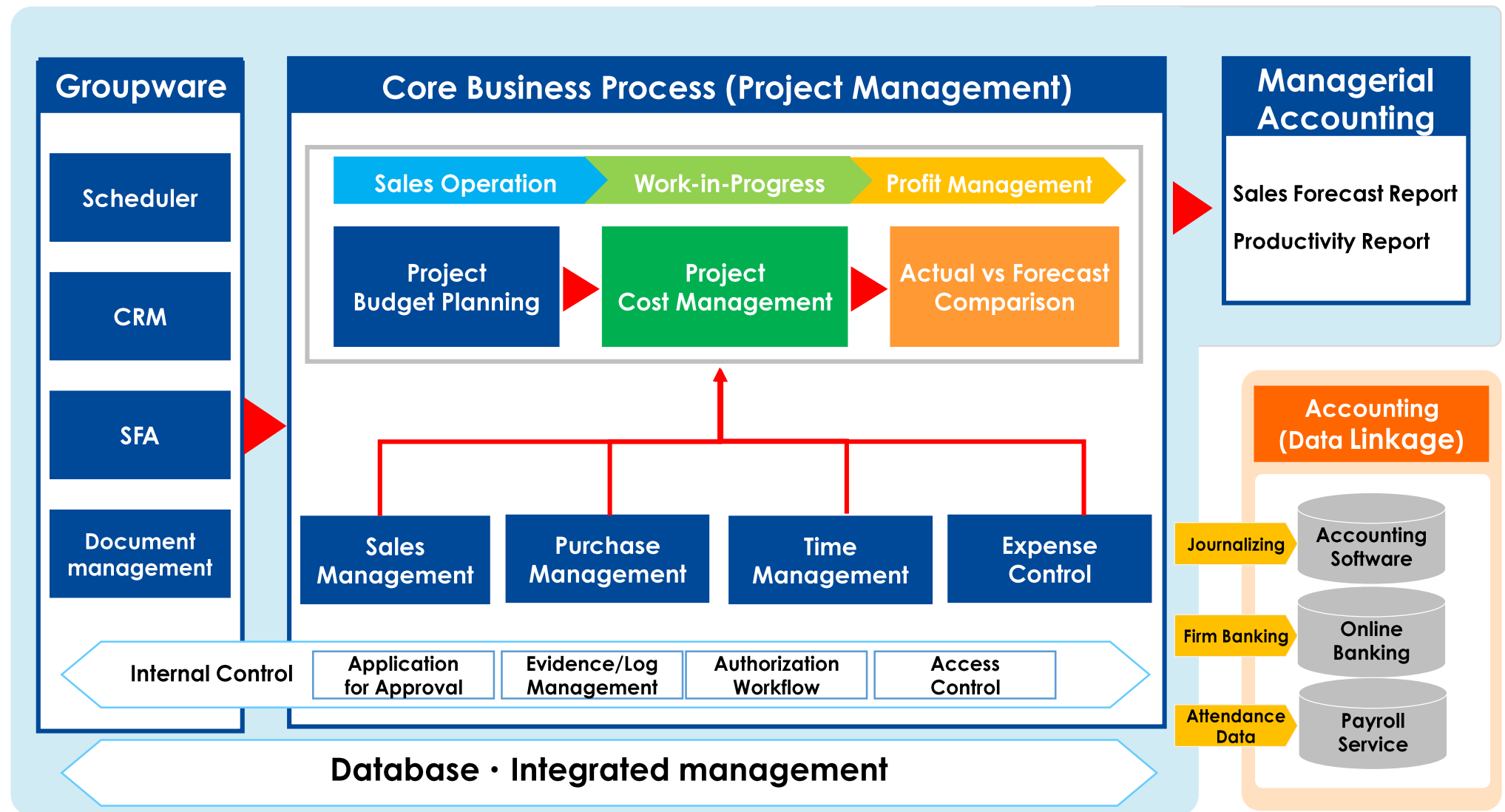
Overall
optimum
system

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**

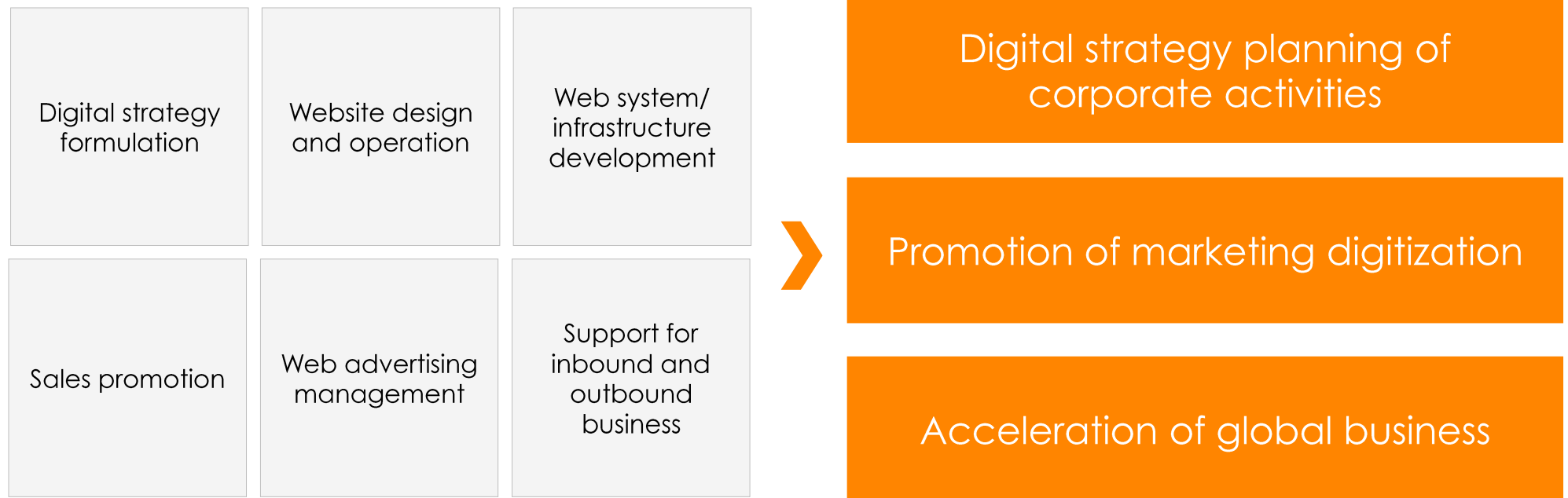


Transition from "Reforma PSA" to "ZAC" is available as a company grows.

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

6 bases in Japan and 6 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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