

Financial Results FY2020

oRo co.,ltd. Code : 3983

February 15, 2021



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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.



FY2020 Financial Results Highlights

FY2020 Financial Results

FY2020 consolidated financial results

Net sales	5,240 million JPY	YoY +4.3%
Operating profit	1,707 million JPY	YoY +28.0%

Cloud Solutions (CS)

Net sales	3,058 million JPY	YoY +9.0%
Operating profit	1,354 million JPY	YoY +8.9%

Digital Transformation (DX)

Net sales	2,182 million JPY	YoY (1.5%)
Operating profit	353 million JPY	YoY +293.0%

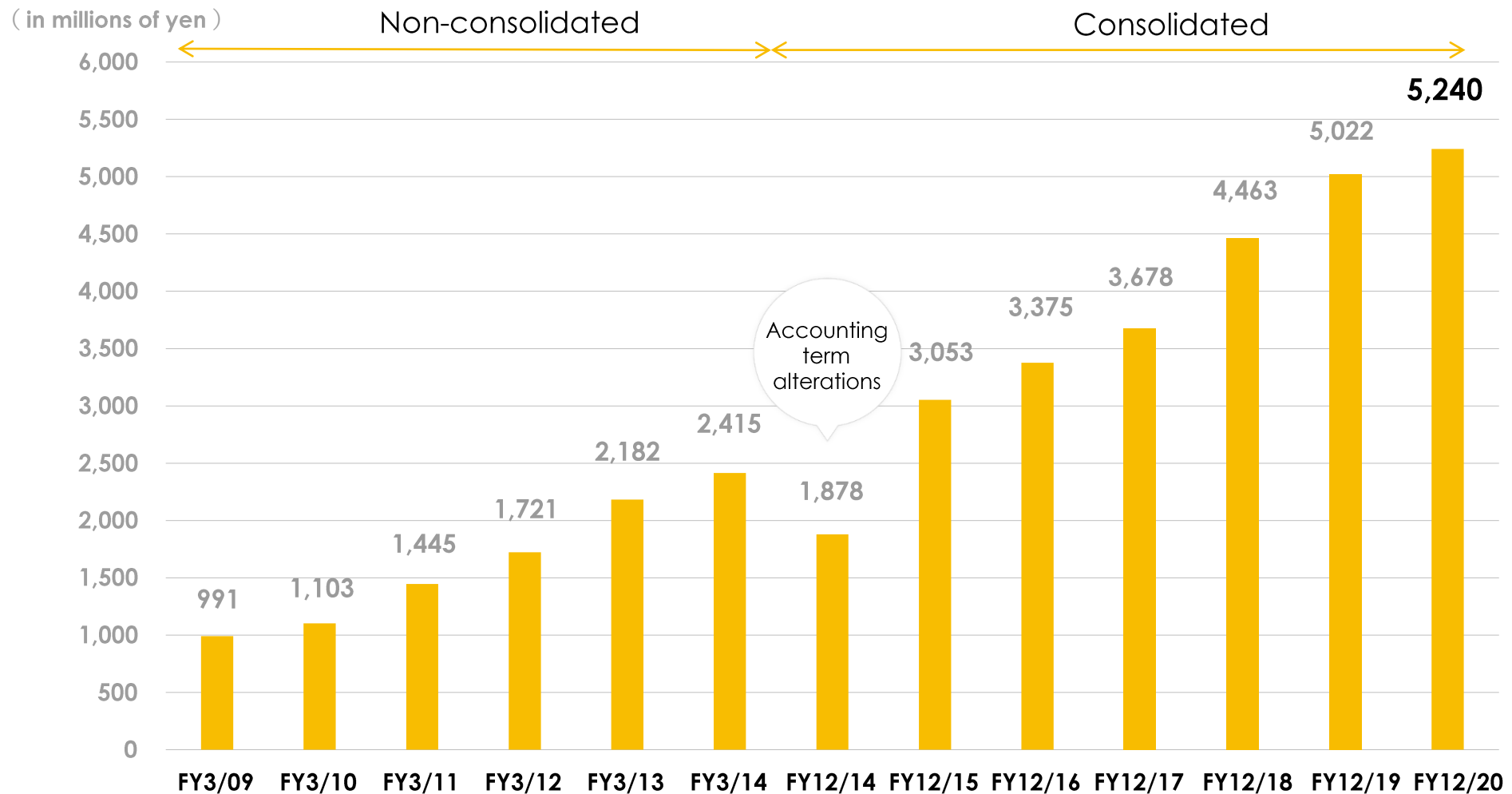
Difference between full-year earnings forecasts and earnings results

(in millions of yen)

	FY2020 Forecasts (composition ratios)	FY2020 actual results (composition ratios)	Difference	Main factors
Net sales	5,127 [100.0%]	5,240 [100.0%]	112	
Cloud Solutions	3,174 [61.9%]	3,058 [58.4%]	(115)	Although new orders build up in 4Q, number of initial inquiries were less than expected, so number of new customers were less than expected. Also, postponement of prospective effected the result.
Digital Transformation	1,953 [38.1%]	2,182 [41.6%]	228	The automobile industry's sales promotion recovered earlier than expected.
Operating profit	1,642 [32.0%]	1,707 [32.6%]	65	
Cloud Solutions	1,511 [29.5%]	1,354 [25.8%]	(156)	
Digital Transformation	131 [2.6%]	353 [6.7%]	222	
Ordinary profit	1,660 [32.4%]	1,713 [32.7%]	53	
Profit attributable to owners of the parent	1,115 [21.7%]	1,182 [22.6%]	66	

Trends in sales

Recorded 5.24 billion yen, an increase of 4.3% year-on-year.

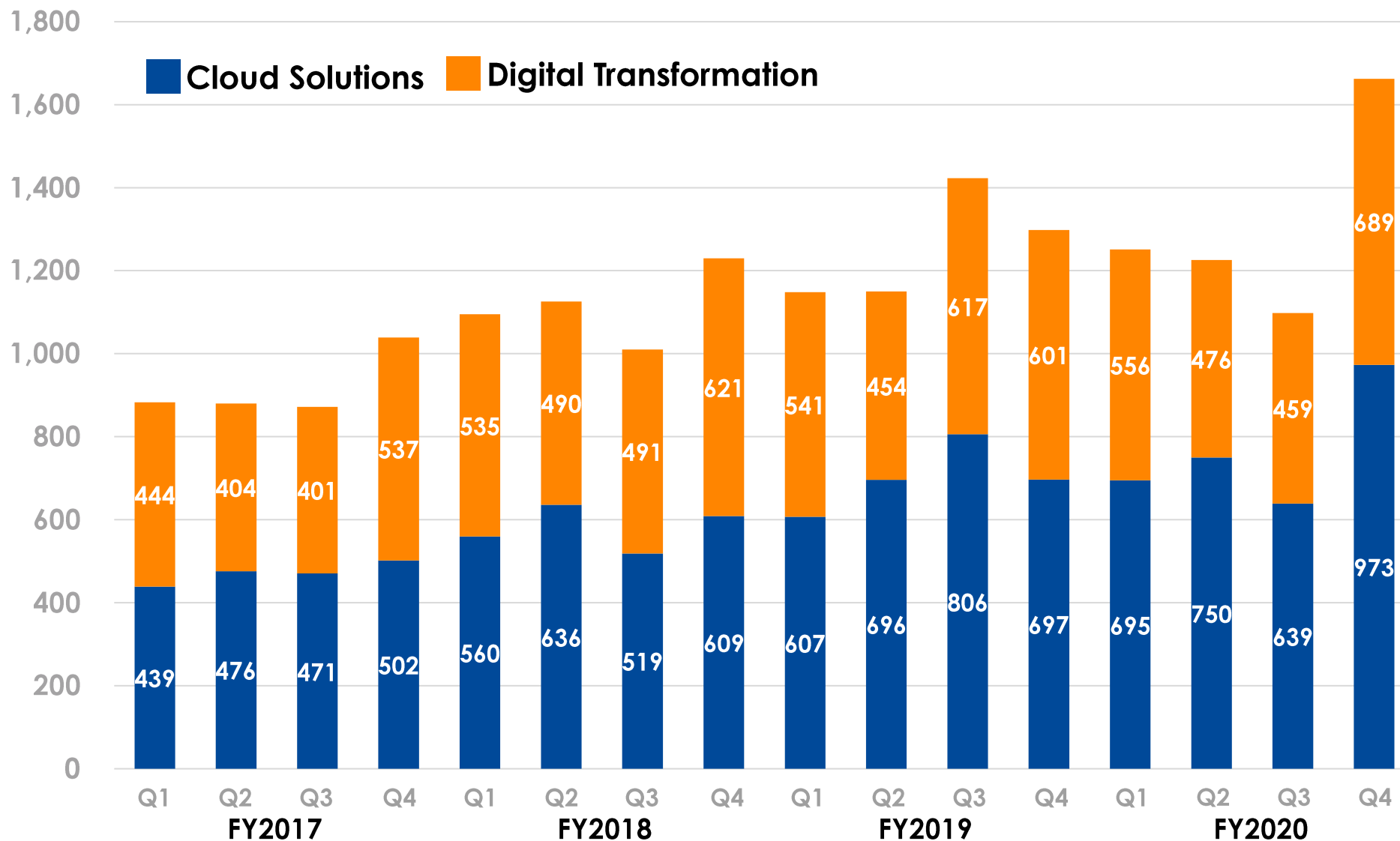


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*Following the change in accounting policy in fiscal 2018, net sales for Digital Transformation Business (previously Communication Design Business) are shown on a net basis from the fiscal year ended December 31, 2017, instead of a gross basis used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

Trends in quarterly net sales

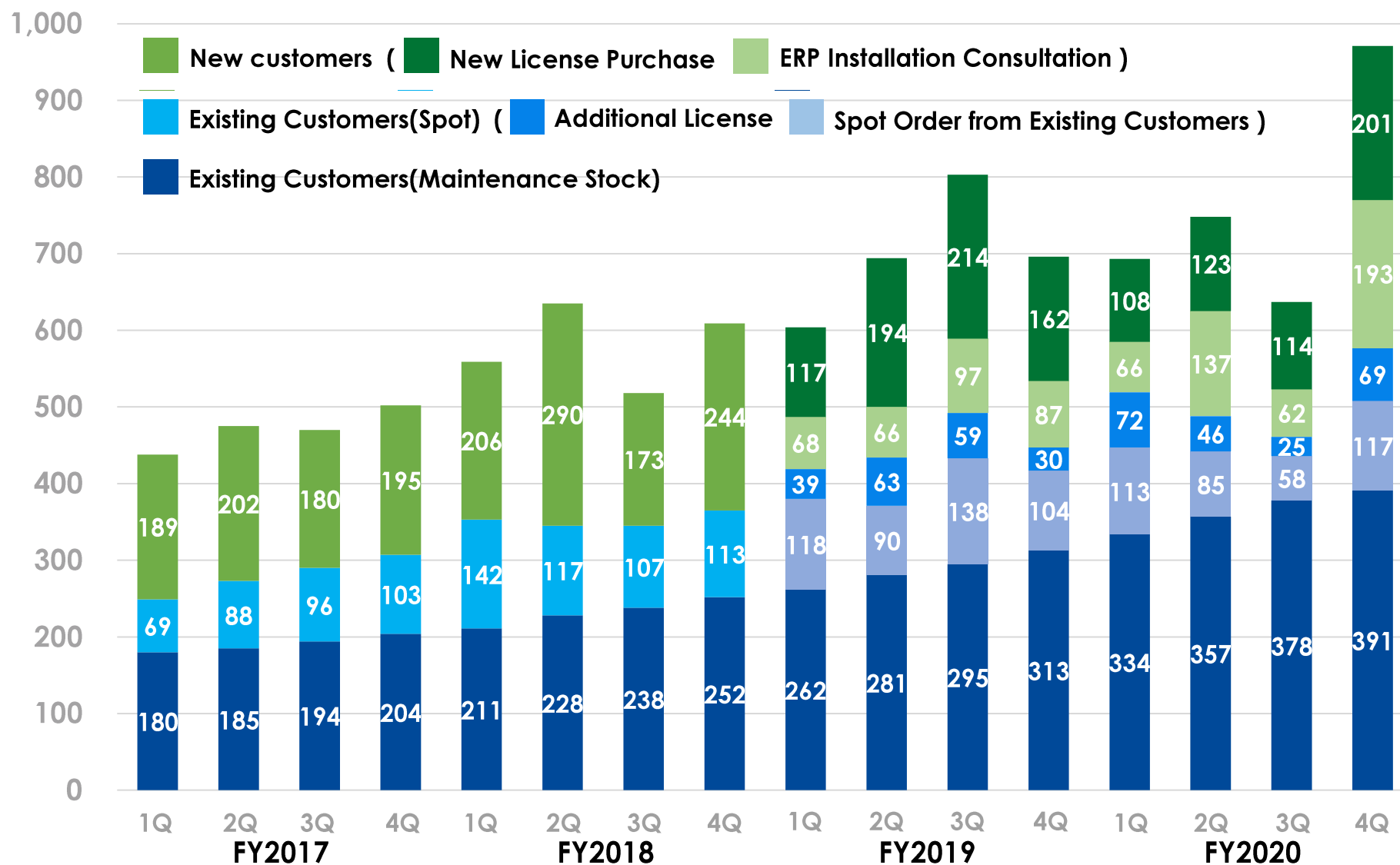
(in millions of yen)



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(※2)
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.

Summary of 2020 Fiscal Year

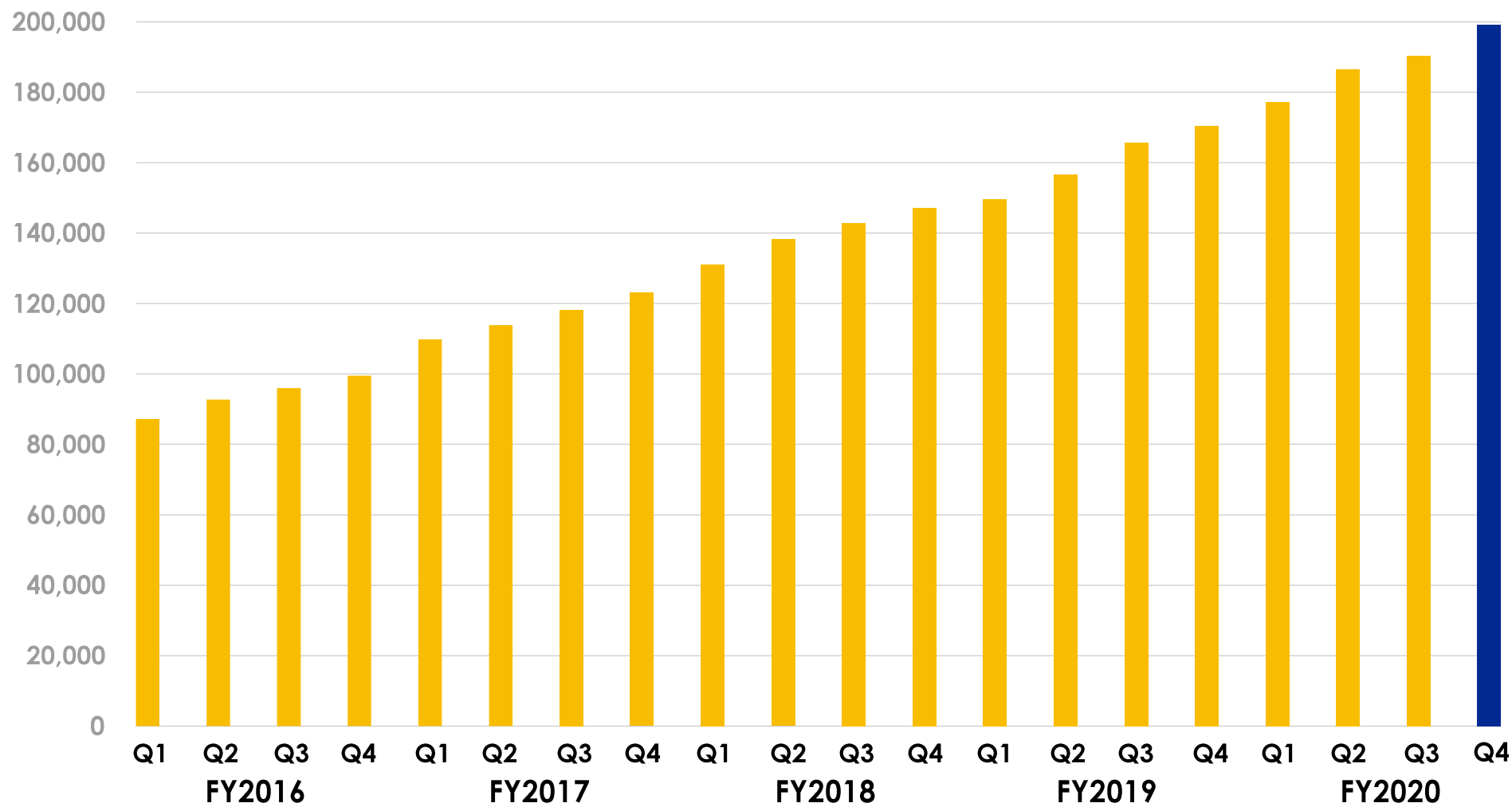
Cloud Solutions

	Effect	Cause
Sales	▪ Decrease in licensing at the time of new contract : 20.5% (YoY) ▪ Decrease in Spot Order from Existing Customers : 8.7% (YoY) ▪ Increase in Existing Customers Stock	▪ Due to decrease in inquiry during State of Emergency, there was an effect on 3Q net sales for new customers. ▪ Inquiry did not recover as expected, leading to decrease in number of new contracts. ▪ Decrease in demand of additional licenses due to customers employing less under COVID-19. ▪ Stable increase in maintenance sales due to Successive acquirement of new customers.
Cost	▪ Decrease in Transportation Expenses+ MH (man-hours) Per Customer	▪ Decrease in Transportation Expenses+ MH(man-hours) Per Customer due to increased online meetings. ▪ Standardization in Customer Service due to Manual Maintenance. ▪ Reduction of MH per customers due to Automation in everyday tasks.

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.



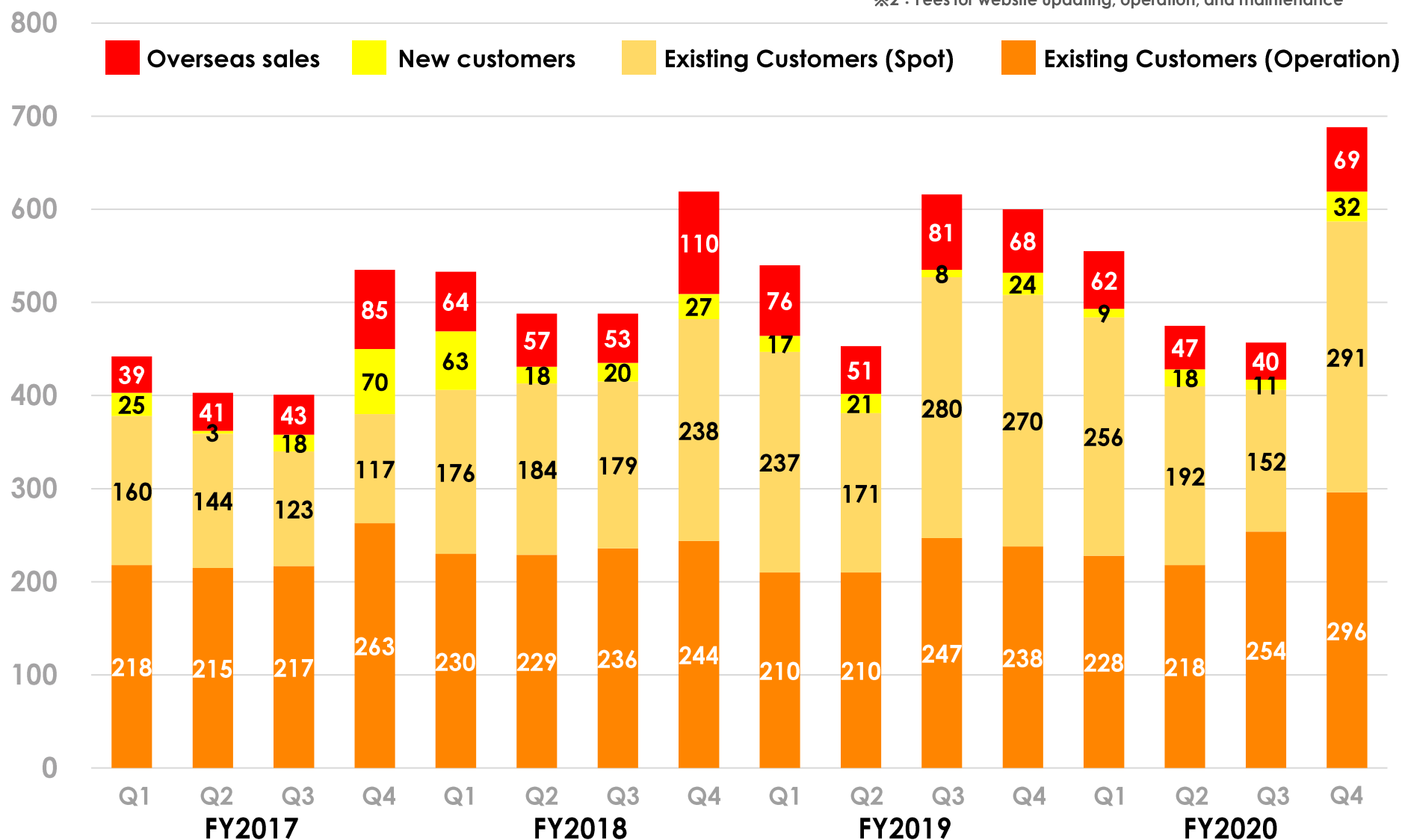
Percentages of net sales by business segment

Digital Transformation

(in millions of yen)

※1 : Seasonally installed special websites, etc.

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



Summary of 2020 Fiscal Year

Digital Transformation

	Effect	Cause
Sales	▪ Decrease in Spot Order from Existing Customers : 7% (YoY) ▪ Increase in Semrush Sales	▪ Due to close of shops during State of Emergency, advertisement to attract customers decreased, effecting net sales. ▪ The automobile industry's sales promotion recovered earlier than expected. ▪ Semrush Achieved Net positive in 2020
Cost	▪ Decrease in subcontract expenses	▪ Unprofitable project ends in Apr 2020

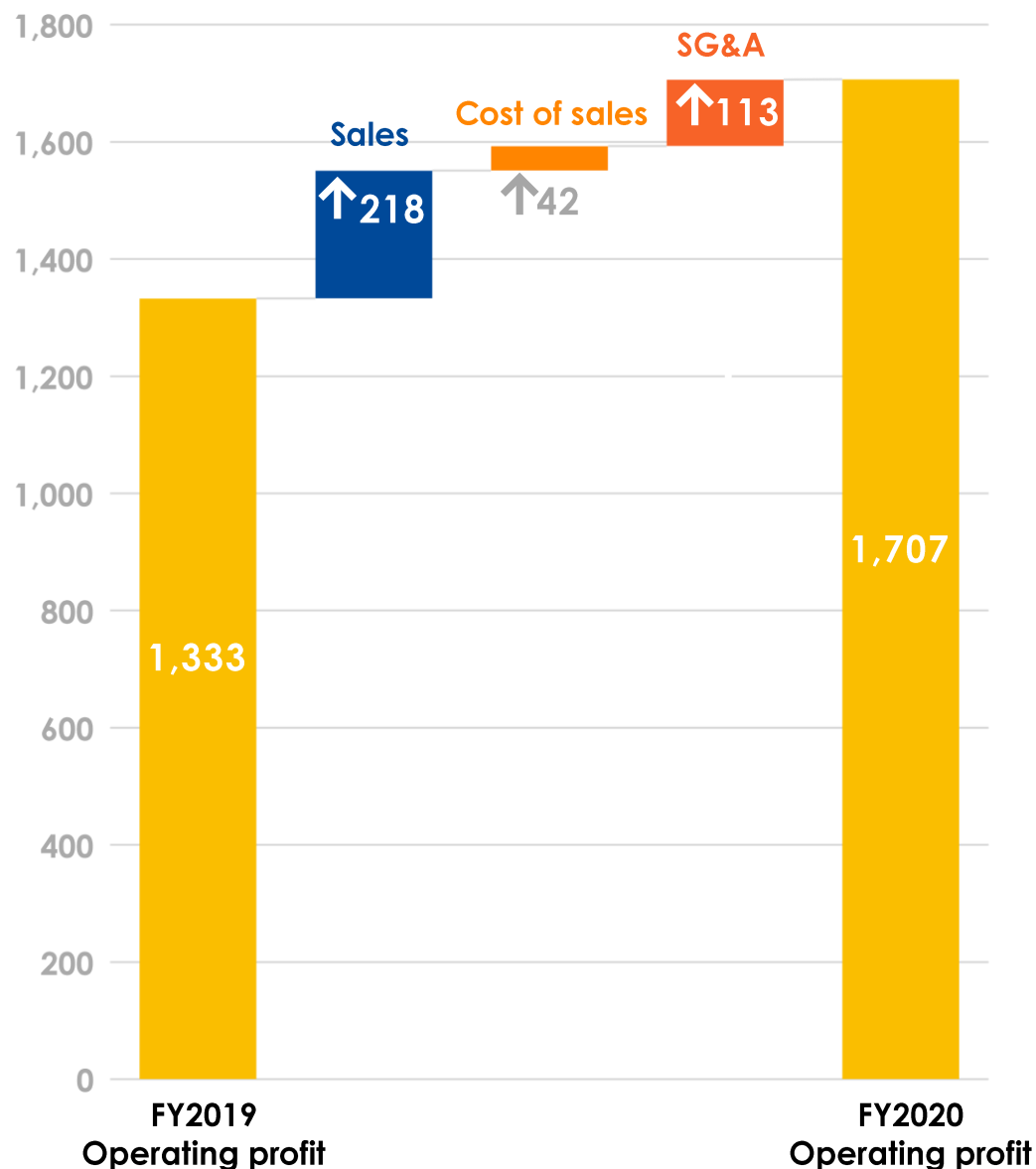
Profit and loss statement (YoY)

(in millions of yen)

	FY2020 (composition ratios)	FY2019 (composition ratios)	Difference	Main factors
Net sales	5,240 [100.0%]	5,022 [100.0%]	218	
Cost of sales	2,138 [40.8%]	2,180 [43.4%]	(42)	Decrease in Provision for loss on order received and Decrease in subcontract expenses and Changes in work in process, etc.
Gross profit	3,102 [59.2%]	2,842 [56.6%]	260	
Selling, general and administrative expenses	1,395 [26.6%]	1,508 [30.0%]	(113)	Decrease in Recruiting expenses and Decrease in travel, entertainment and training expenses, etc.
Operating profit	1,707 [32.6%]	1,333 [26.6%]	373	
Ordinary profit	1,713 [32.7%]	1,357 [27.0%]	355	
Profit attributable to owners of the parent	1,182 [22.6%]	900 [17.9%]	281	

Fluctuation factor of operating profit (YoY)

(in millions of yen)



(in millions of yen)

Main factors

↑ Increase in Sales	218
Cloud Solutions	251
Digital Transformation	(33)
↑ Decrease in Cost of sales	(42)
Decrease in Provision for loss on order received	(348)
Decrease in subcontract expenses	(205)
Changes in work in process	452
Increase/decrease in other cost of sales	58
↑ Decrease in SG&A	(113)
Decrease in travel, entertainment and training expenses	(41)
Decrease in Recruiting expenses	(34)
Increase/decrease in other selling and general administrative expenses	(37)

Balance sheet

- ① Increase in cash and deposits,
increase in notes accounts
receivable-trade
- ② Decrease in provision for loss on
order received

	As of Dec 31, 2020	As of Dec 31, 2019	Difference
Current assets	① 7,920	6,981	938
Non-current assets	688	700	(11)
Property, plant and equipment	454	415	38
Intangible assets	31	27	3
Investments and other assets	202	256	(53)
Total assets	8,608	7,681	926

- ③ Increase in profit attributable to
owners of parent

(in millions of yen)

	As of Dec 31, 2020	As of Dec 31, 2019	Difference
Total liabilities	1,391	1,517	(126)
Current liabilities	② 1,218	1,313	(94)
Non-current liabilities	173	204	(31)
Net assets	7,216	6,164	1,052
Shareholders' equity	③ 7,218	6,168	1,049
Accumulated other comprehensive income	(1)	(4)	3
Total liabilities and net assets	8,608	7,681	926

Dividend policy

The Company places great emphasis on continuous improvement of corporate value and stable return of profits to shareholders. In order to achieve stable shareholders return and sustainable company growth, the company will review the dividend when necessary, taking financial results, financial position, future business development, etc. into consideration.

The acquisition of treasury stock is determined from a comprehensive standpoint, based on the need for a flexible capital policy and the impact on the financial position.

※This decision was made in the Board of directors meeting held on February 15, 2021. Please refer to “Notice of Change in Dividend Policy and Dividend of Surplus”, disclosed on the same day, for more details.

In accordance with the above policy, the Company has decided to pay a year-end dividend of 10.00 yen per share for the current fiscal year ended December 31, 2020.

	Dividend per Share		
Record Date	Second quarter-end	Fiscal year-end	Total
Current results (fiscal year ended December 31, 2020)	0.00 yen	10.00 yen	10.00 yen
Next forecast (fiscal year ended December 31, 2021)	0.00 yen	10.00 yen	10.00 yen

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

Cloud Solutions

Cloud ERP “ZAC”, Cloud PSA “Reforma PSA”

Cloud Solutions

Project Accounting Cloud-based ERP Software to promote communication/ work



Cloud ERP “ZAC”

- Targeting small ~ middle sized companies with 50 ~ 300 employees
- Up to 15,000 parameters to match client needs/ resolve client problems
- Installation consultant support until operation

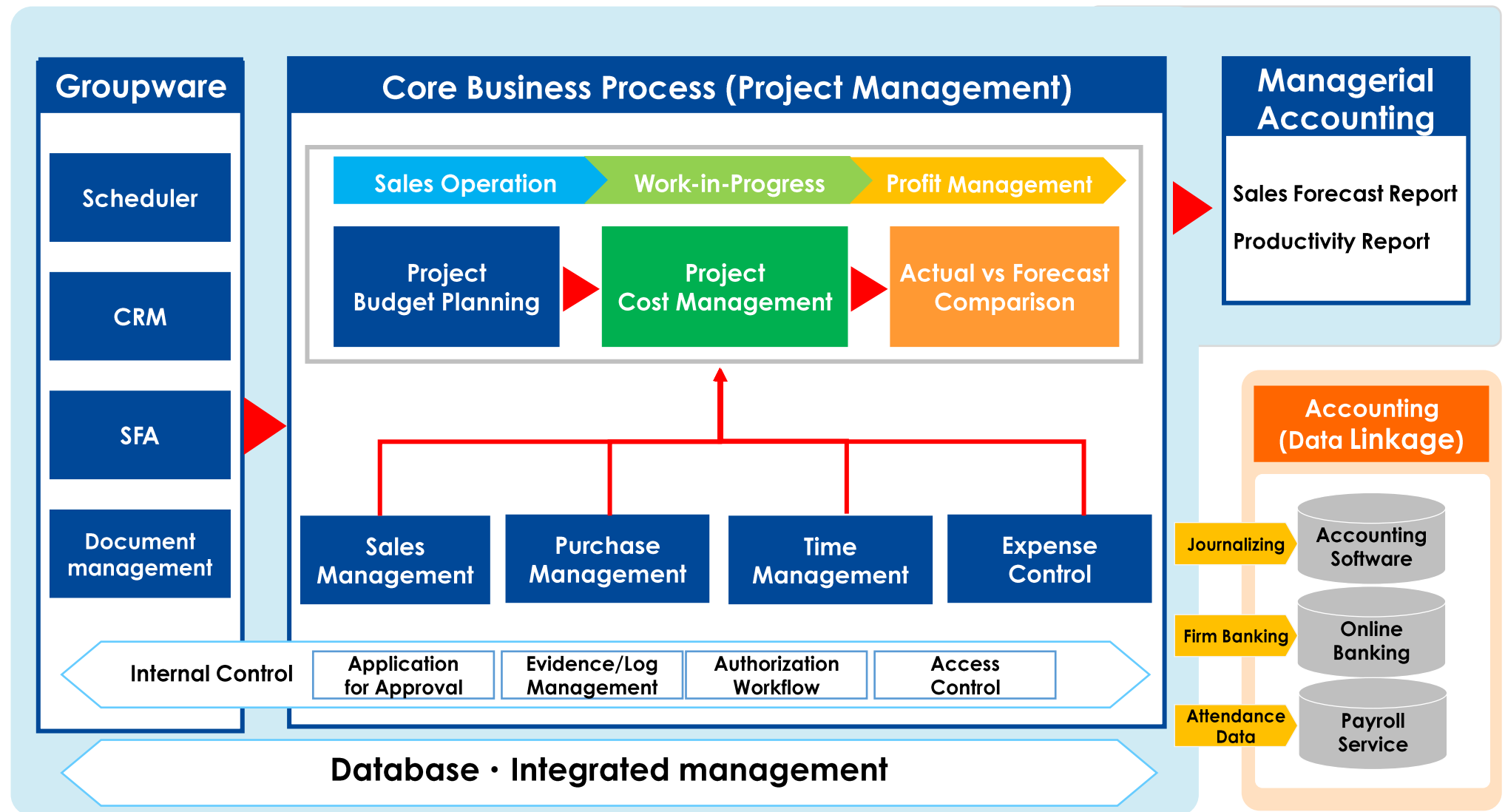


Cloud PSA “Reforma PSA”

- Targeting Start up/ venture companies with up to 50 employees
- Concentrating on offering essential functions of ZAC
- No initial fee (only monthly subscription fee)

“ZAC” system over view - general flowchart

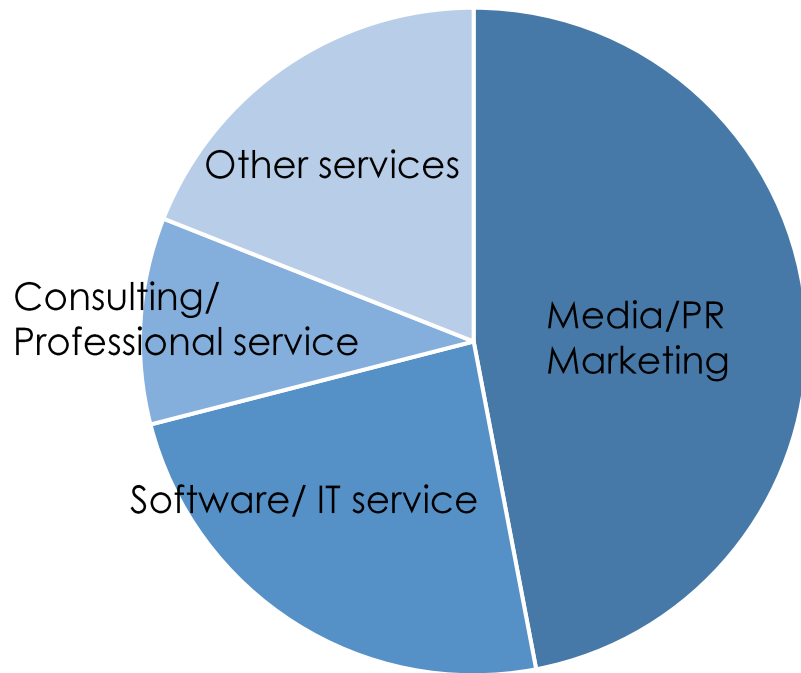
Cloud Solutions



Industry-specific ERP

Cloud Solutions

Mainly in the advertising and IT service sectors, have decided to introduce this solution.



Media/PR/Marketing



Software/System development/IT service



Consulting/Professional service



Other services



Approach to 2021 FY

Cloud Solutions

Strengthening Investment for Further System Development

- User-friendly UI/ UX
- Multilingual • Multi-Currency Development
- New Feature Development

The company will increase investment to advance/ upgrade product, expanding market share.

Approach to Cost Reduction

- Standardization/ Automation in everyday tasks to increase productivity

(Example)
Inquiry substituted by AI Chatbot
Optimization by RPA implementation

DX

◆ Develop of user-friendly UI/UX

Enhancing the experience of DX division, We hope to further develop user-friendly UI/UX .

◆Expertise of Digital Marketing

We hope to utilize our expertise in SEO etc. over many years of DX division Digital Marketing in CS division ZAC/ Reforma PSA marketing.

Digital Transformation

Area marketing

Digital Transformation

Based on the clients' digital strategy, oRo is responsible of area marketing (ex. attraction of customers to clients' stores) through digital planning, promotion, and support. oRo also provides a platform where the client headquarter centrally controls and measures each store's operational status.



Approach to 2021 FY

Digital Transformation

Increase in Scale of Area Marketing

Development of relationship with new, large clients

We are going to enhance our marketing flow to increase in scale/number of new clients.

Reinforcement of system development flow

Prevention of recurring unprofitable projects by Reinforcing the system development flow

CS

Enhancing the experience of the Cloud Solutions (CS) department, We hope to reinforce a secure system development flow



※ As of December 2020

Dec, 2018
Began exclusive distribution of the package



2020
Achieved Net positive (single month)



2021
Expected to contribute in profit

- ▶ Semrush is one of the largest-scale digital marketing tools in the world with 6 million subscribers worldwide (As of December 2020).
- ▶ An all-in-one tool covering everything: competitive analysis, search engine optimization strategies and improvement of advertisement effect.
- ▶ A monthly subscription business model.

Strengthen overseas bases

Digital Transformation

Act as a highly profitable in-house production base, Mainly strengthening local/on-spot etc. digital marketing.



O3

FY2021 Forecast

The effect of COVID-19 Infection on 2021 Earning Forecast

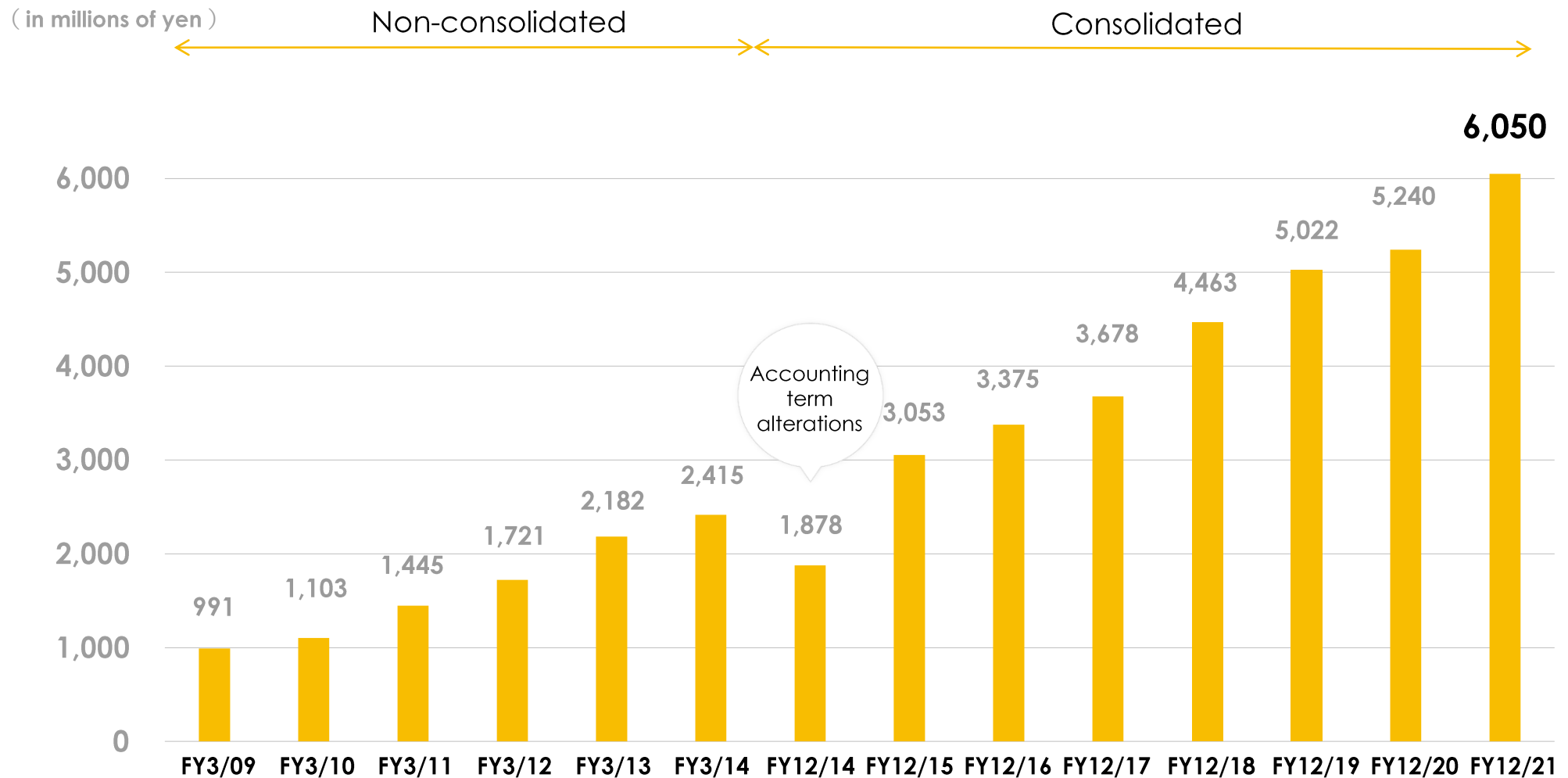
Uncertain situations continue until today, such as the redeclaration of state of Emergency on January 7th, 2021.

Under this condition, Cloud Solution branch expects that there will be a continuous effect on numbers of inquiries and additional licenses through 2021, even if not to the extent of 2020. The company will continue strengthening marketing, while promoting online meetings for the marketing/ installation process, improving productivity.

In the Digital Transformation branch, the clients keep holding down the advertising expense, although not to the extent of the State of Emergency previous year. Regarding this situation, the business outlook of the next fiscal year (ending December 31, 2021) is as follows.

FY2021 forecasts

Net sales are estimated to be 6.05 billion yen,
an increase by 15.5% year-on-year.



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FY2021 forecasts

Operating profit is estimated to be 1.93 billion yen, an increase by 13.1% year-on-year.

(in millions of yen)

	FY2021 forecasts	FY2020 actual results	Difference	% change
Net Sales	6,050	5,240	809	+15.5 %
Cloud Solutions	3,415	3,058	357	+11.7 %
Digital Transformation	2,634	2,182	452	+20.7 %
Operating profit	1,931	1,707	224	+13.1 %
Ordinary profit	1,940	1,713	226	+13.2 %
Profit attributable to owners of the parent	1,338	1,182	156	+13.3 %

04

Company profile

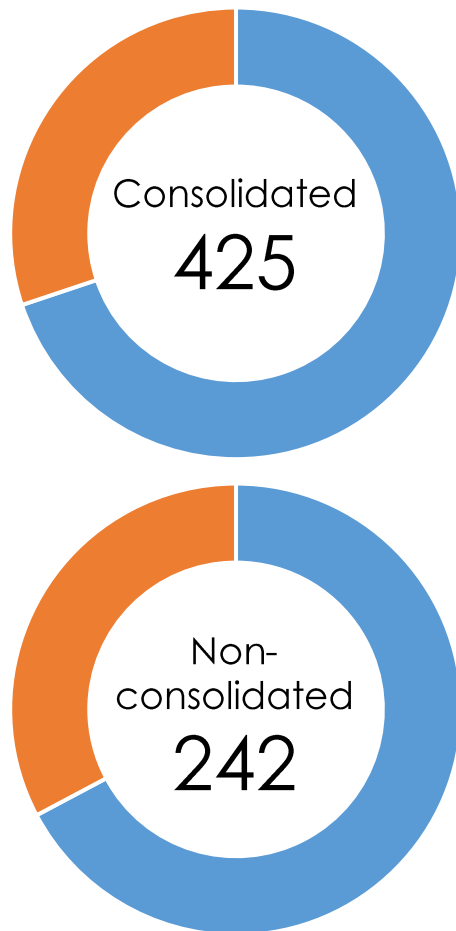
Company profile

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 242 / Consolidated 425(As of end of Dec 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

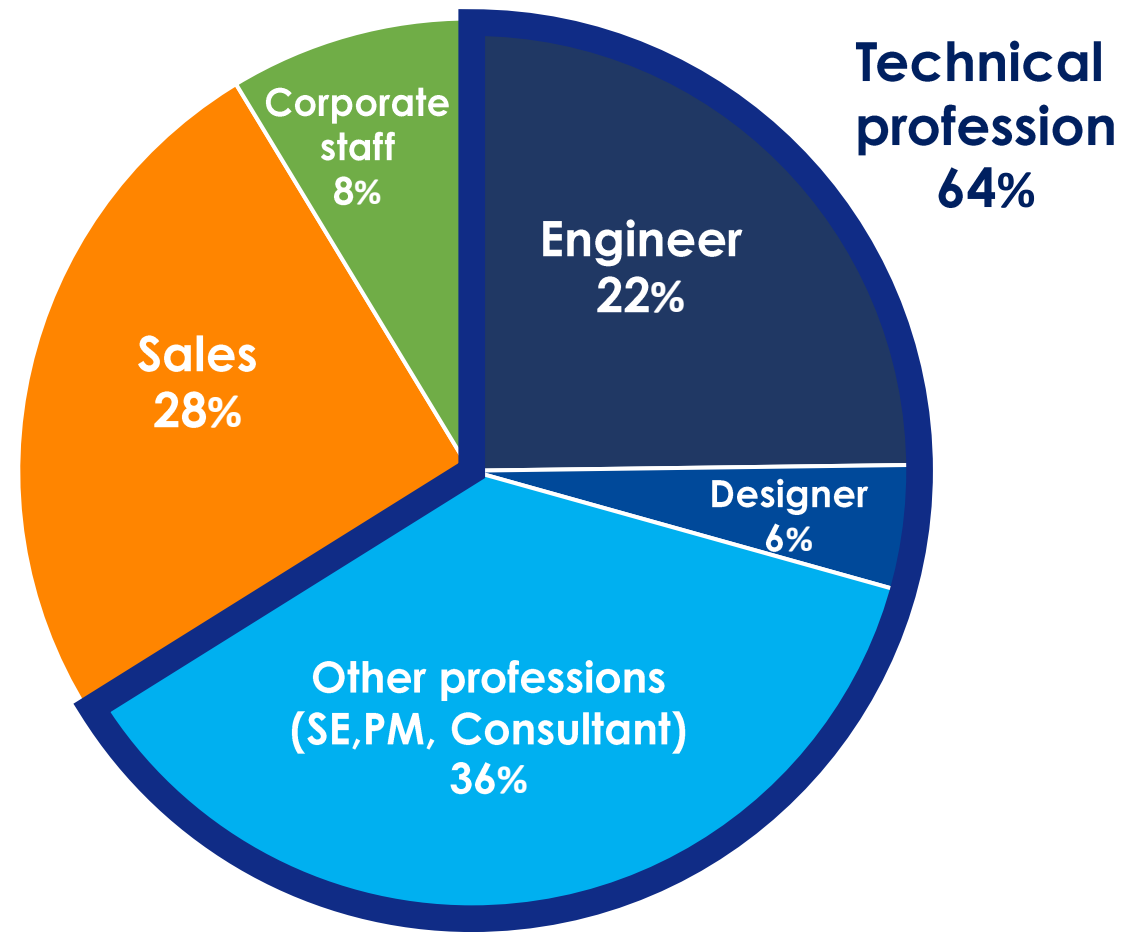
Create various solutions with “Technology × Creative”

Production and sales ratio



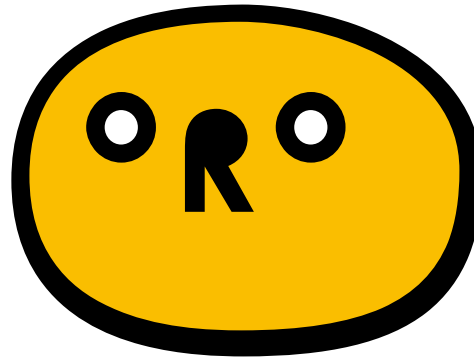
(As of end of Dec 2020)

Job type ratio (Non-consolidated)



(As of end of Dec 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)

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.

Financial data stated in this presentation material are shown according to Japanese generally accepted accounting principles unless specified otherwise.

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