

Financial Results for Q1 FY2021

oRo co.,ltd. Code : 3983

May 13, 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.



Q1 FY2021 Financial Results Highlights

Q1 FY2021 Financial Results

Q1 FY2021 consolidated financial results

Net sales	1,399 million JPY	YoY +11.8%
Operating profit	555 million JPY	YoY +53.9%

Both net sales and operating profit were broadly in line with estimates.

Cloud Solutions (CS)

Net sales	779 million JPY	YoY +12.2%
Operating profit	376 million JPY	YoY +24.8%

Both net sales and operating profit were broadly in line with estimates.

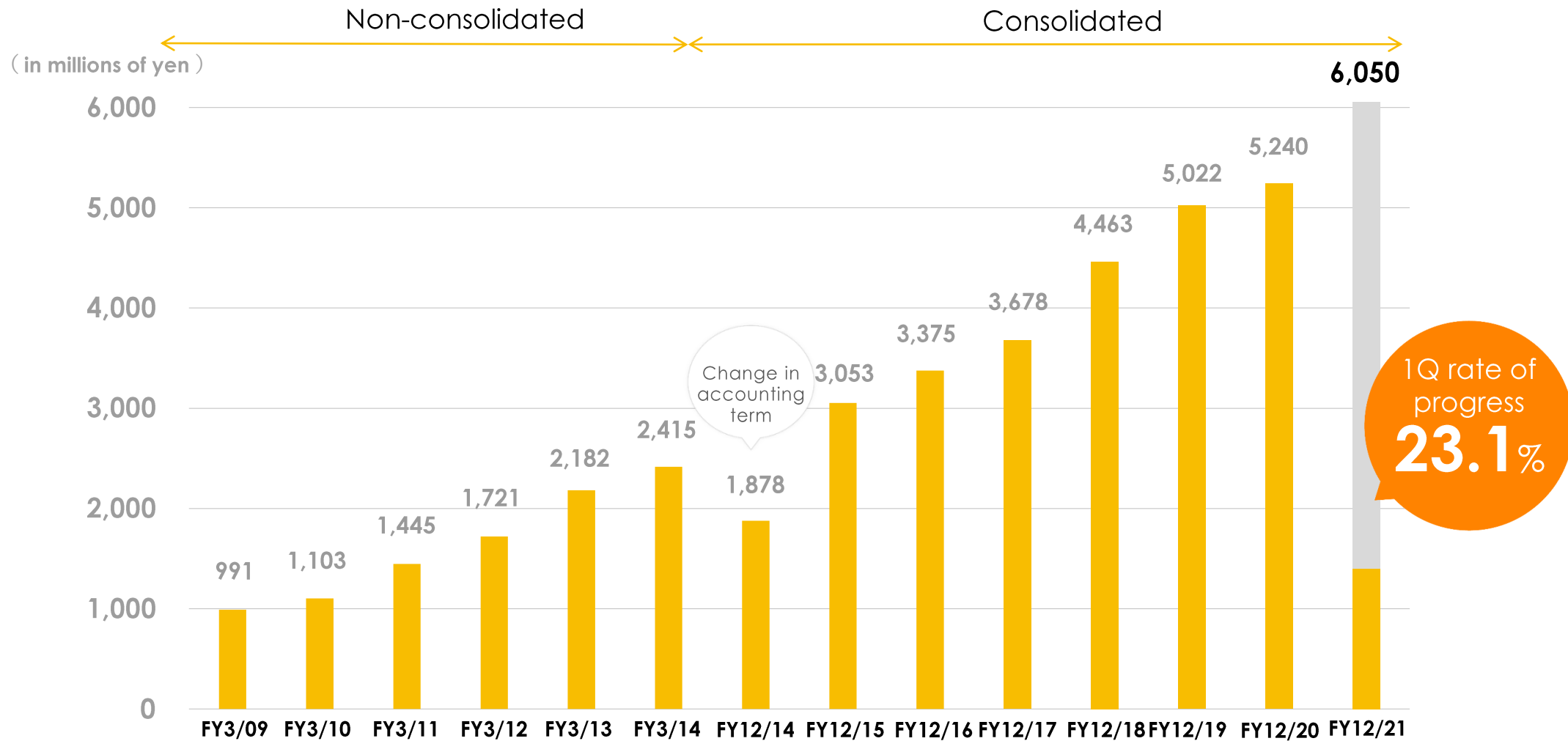
Digital Transformation (DX)

Net sales	619 million JPY	YoY +11.3%
Operating profit	179 million JPY	YoY +201.0%

Net sales came in largely as expected, whereas operating profit came in better than expected.

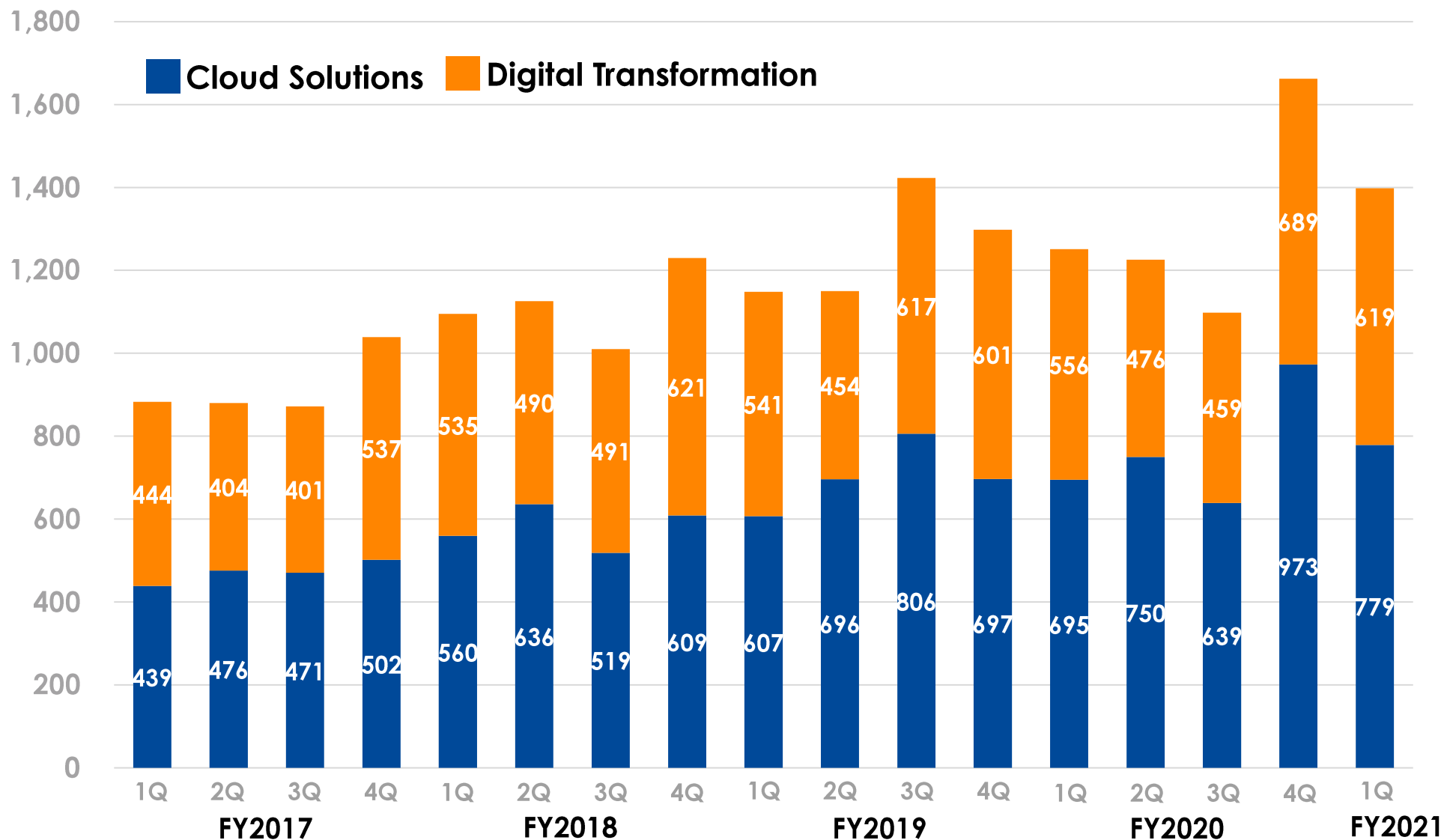
Trends in net sales

Recorded 1,399 million yen, up 11.8% year-on-year



Trends in quarterly net sales

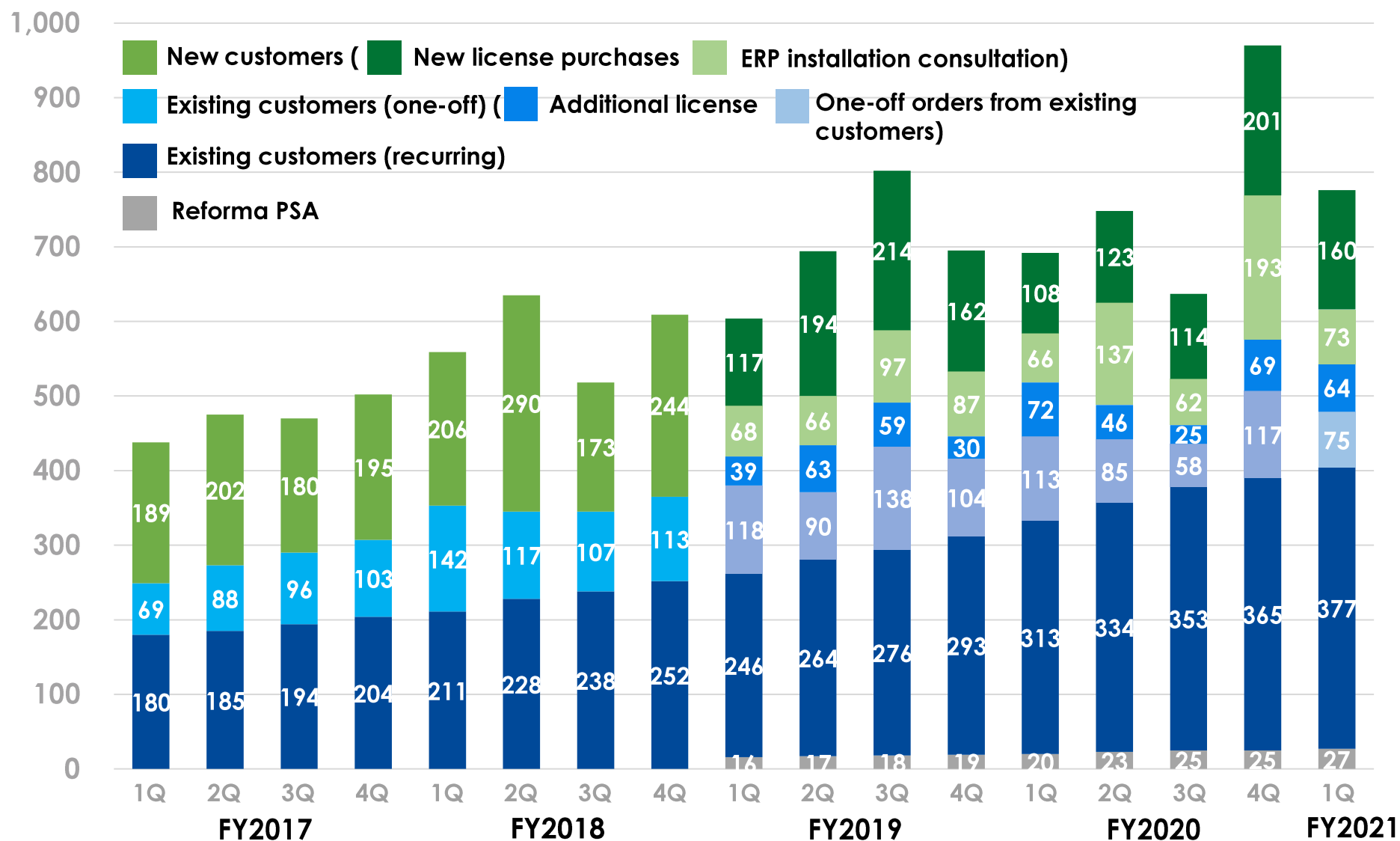
(in millions of yen)



Breakdown of net sales by customer 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 (one-off)	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 (recurring)	Providing system maintenance(※3), provision cloud environment(※3), and sales from monthly licensing of SaaS agreement
Reforma PSA	Sales from monthly license fees for Reforma PSA

※1: Monthly licensing fees from ZAC (SaaS) agreements are included in the "Existing customers (recurring)" section. Even sales from the licensing during the first month of the agreement do not fall under the "New customers" section.

※2: Additional development includes the expansion of parameters but not customization for individual companies.

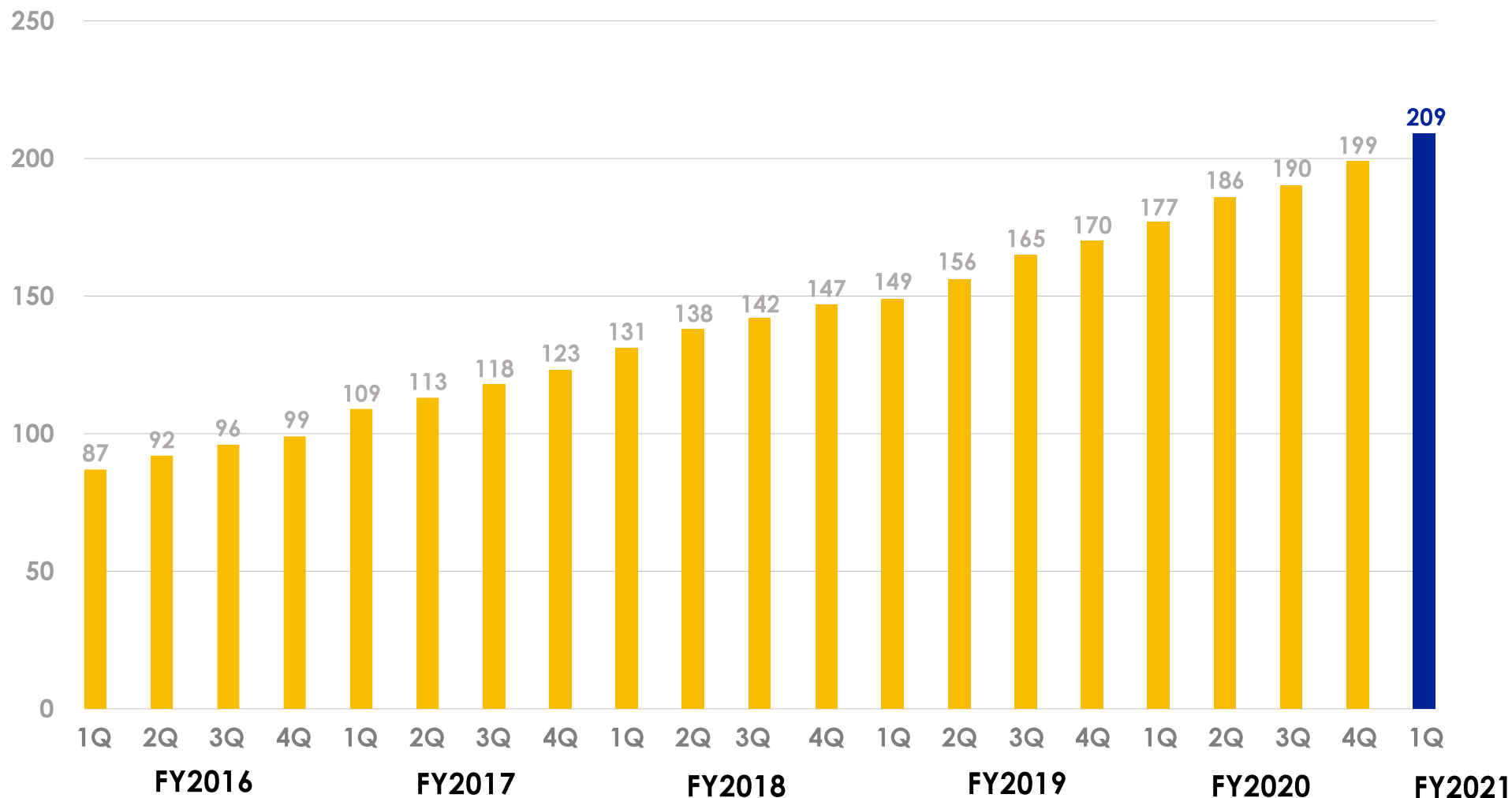
※3: Only in the case of no-returns purchase agreements.

Trend in the numbers of "ZAC" and "ZAC Enterprise" active licenses

Cloud Solutions

The number of active licenses have been increasing steadily backed by acquisition of new customers and expansion of transactions with existing customers.

(in thousand)



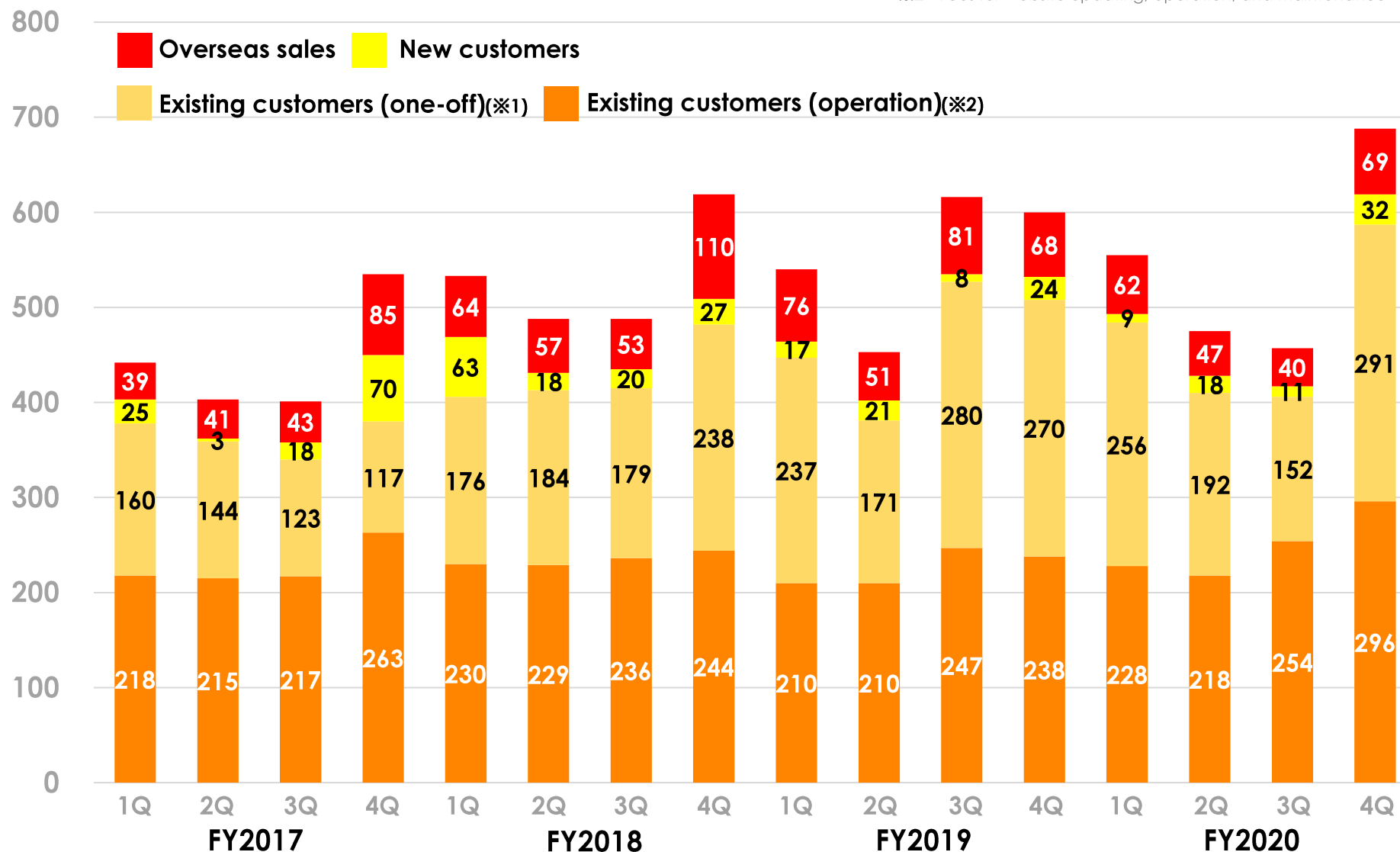
Breakdown of net sales based on former segmentation (up to FY2020)

Digital Transformation

(in millions of yen)

※1 : Seasonally installed special websites, etc.

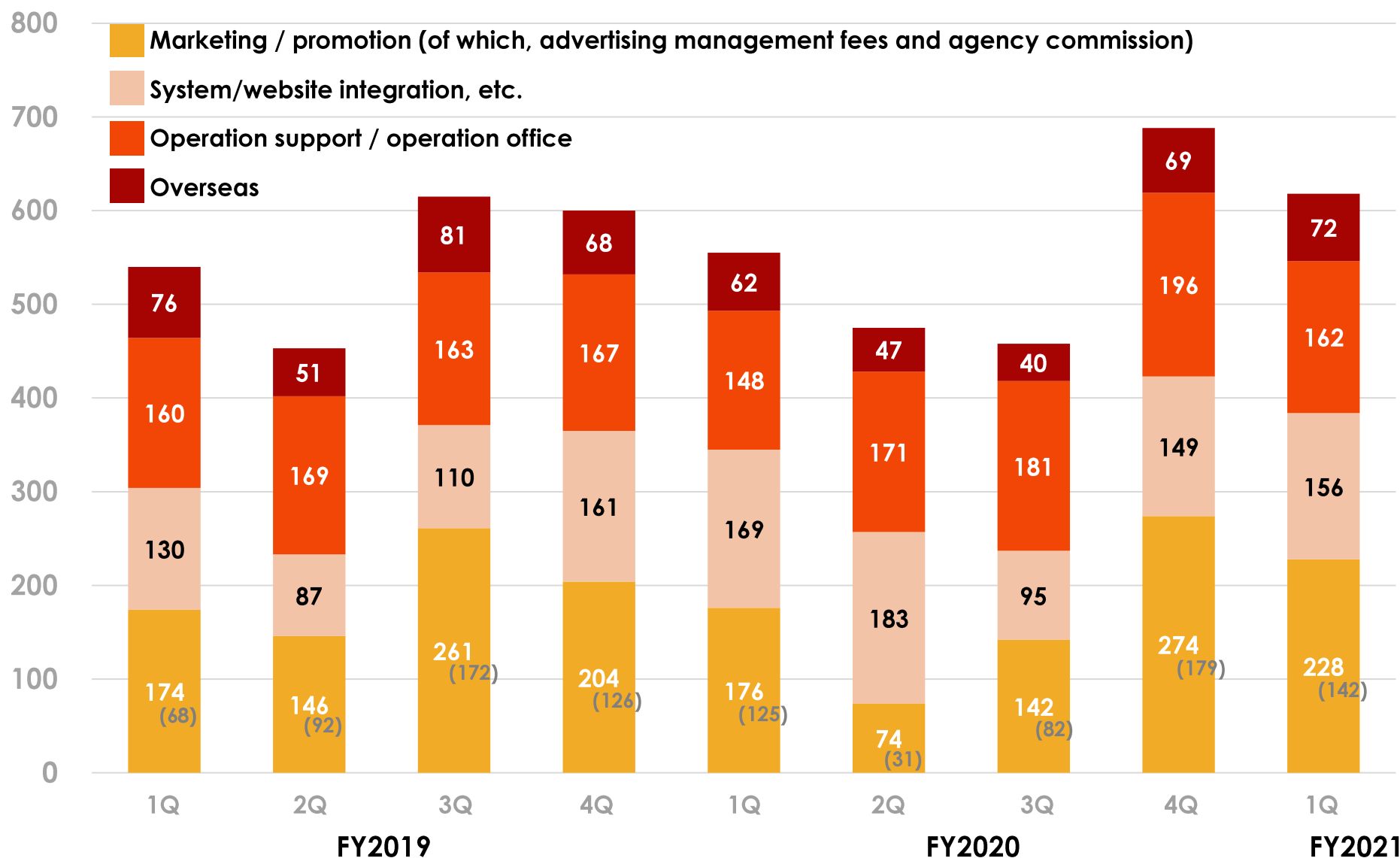
※2 : Fees for website updating, operation, and maintenance



Breakdown of net sales by type of operations

Digital Transformation

(in millions of yen)



Composition of net sales by type of operations

Digital Transformation

Marketing / promotion	Sales from promotion planning, advertising creative production, research and other fees (including sales from advertisement management and agency commission)
System/website integration, etc.	Sales from update, maintenance, etc. of websites, their maintenance, and contracted development as a system integrator (including sales from Semrush)
Operation support, Operation office	Sales from operation, update, etc. of websites
Overseas	Sales from overseas business locations

Progress against full-year forecasts

(in millions of yen)

	FY2021 full-year forecasts	Q1 FY2021 results	Rates of progress
Net sales	6,050	1,399	23.1 %
Cloud Solutions	3,415	779	22.8 %
Digital Transformation	2,634	619	23.5 %
Operating profit	1,931	555	28.8 %
Ordinary profit	1,940	567	29.3 %
Profit attributable to owners of parent	1,338	384	28.7 %

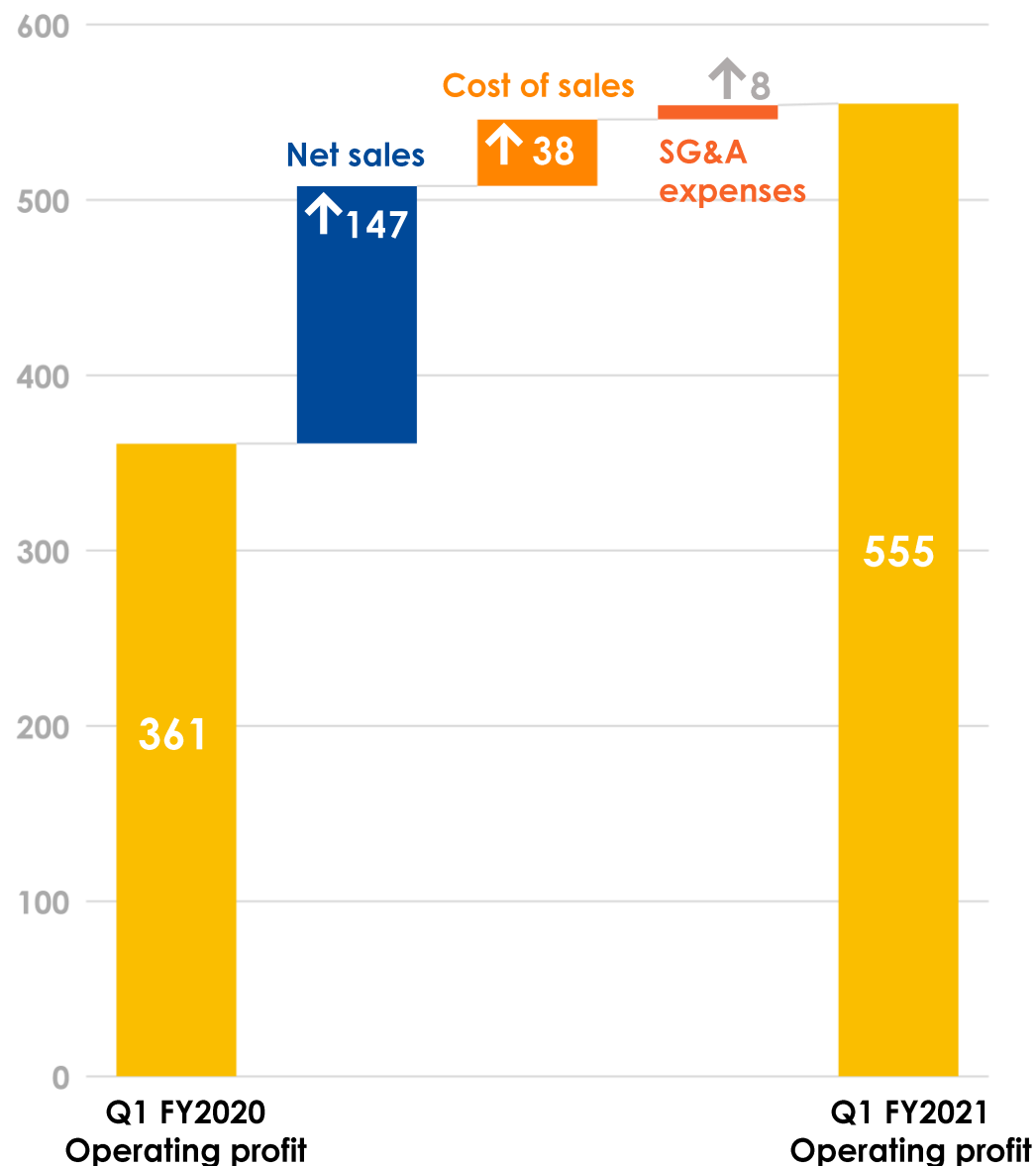
Profit and loss statement (YoY)

(in millions of yen)

	Q1 FY2021 (Composition ratio)	Q1 FY2020 (Composition ratio)	Difference	Main factors
Net sales	1,399 [100.0%]	1,251 [100.0%]	147	
Cost of sales	488 [34.9%]	527 [42.1%]	(38)	Decrease in provision for loss on order received, decrease in outsourcing expenses, changes in work in process, etc.
Gross profit	911 [65.1%]	724 [57.9%]	186	
Selling, general and administrative expenses	355 [25.4%]	363 [29.1%]	(8)	Decreases in recruiting expenses, travel and transportation expenses, and training expenses, coupled with increase in research and development expenses, etc.
Operating profit	555 [39.7%]	361 [28.8%]	194	
Ordinary profit	567 [40.6%]	377 [30.1%]	190	
Profit attributable to owners of the parent	384 [27.5%]	257 [20.6%]	126	

Fluctuation factor of operating profit (YoY)

(in millions of yen)



© oRo co.,ltd.

(in millions of yen)

Main factors

↑ Increase in net sales	147
Cloud Solutions	84
Digital Transformation	62
↑ Decrease in cost of sales	(38)
Decrease in provision for loss on order received	(16)
Decrease in outsourcing expenses	(23)
Change in work in process	29
Increase/decrease in other cost of sales	(29)
↑ Decrease in SG&A	(8)
Decreases in travel and transportation, entertainment, and training expenses	(12)
Decrease in recruiting expenses	(7)
Increase in research and development expenses	20
Increase/decrease in other SG&A	(8)

Balance sheet (vs. end of previous fiscal year)

- ① Decrease in cash and deposits
- ② Decreases in notes payable – trade, accounts payable – trade, and income taxes payable
- ③ Increase in profit attributable to owners of parent, and decrease due to acquisition of treasury shares

(in millions of yen)

	As of Mar 31, 2021	As of Dec 31, 2020	Difference
Current assets	① 6,156	7,920	(1,763)
Non-current assets	682	688	(6)
Property, plant and equipment	433	454	(21)
Intangible assets	31	31	0
Investments and other assets	217	202	14
Total assets	6,838	8,608	(1,769)

	As of Mar 31, 2021	As of Dec 31, 2020	Difference
Total liabilities	1,123	1,391	(268)
Current liabilities	② 951	1,218	(266)
Non-current liabilities	171	173	(1)
Net assets	5,715	7,216	(1,501)
Shareholders' equity	③ 5,699	7,218	(1,518)
Accumulated other comprehensive income	15	(1)	17
Total liabilities and net assets	6,838	8,608	(1,769)

02

Business Segment Topics

Business overview

Cloud Solutions (CS)

Development and delivery of



Support for operation and management with cloud-based ERP

- Improving operational efficiency
- Improving project management level
- Supporting appropriate management decision-making based on managerial accounting

Digital Transformation (DX)

Planning of digital strategies, digitalization support, creative

Digital-based corporate business activities support

- Planning digital strategies for business activities
- Promoting digitalization of marketing activities
- Accelerating global business expansion

Cloud Solutions

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

Cloud Solutions

Cloud-based integrated mission critical systems centered on management of income and expenditure for each transaction/project, supporting business processing and information sharing within a corporate group.



Cloud ERP “ZAC”

- Targeting small- to middle sized companies with 50 to 300 employees
- Addressing needs/issues unique to each customer using more than 15,000 parameters
- Providing end-to-end supports by consultants, from installation to operation

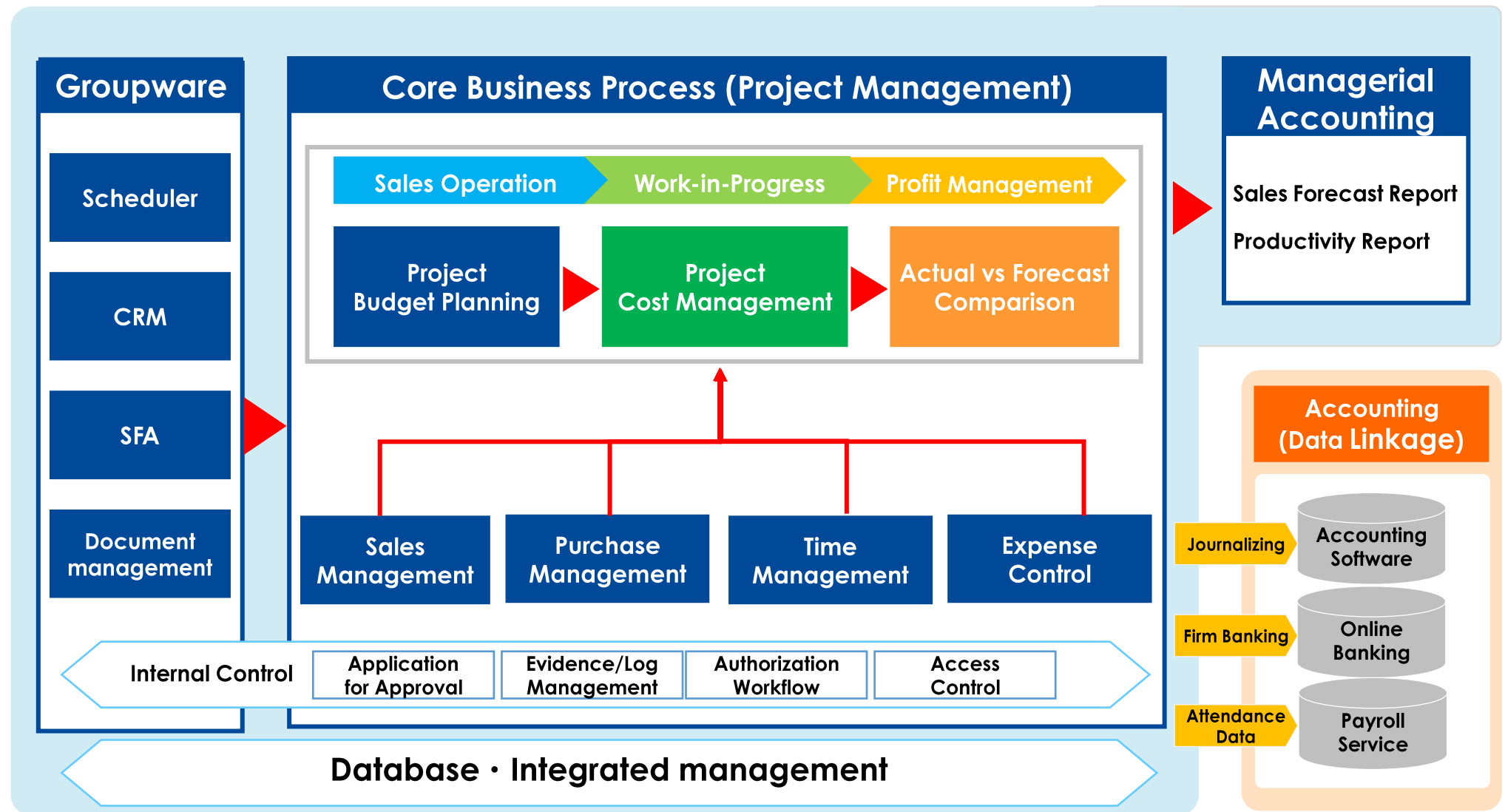


Cloud PSA “Reforma PSA”

- Targeting start-ups/venture firms with up to 50 employees
- Providing only a selected set of essential functions of ZAC
- Allowing customers to use the service at low cost given no upfront fees (only monthly subscription fees)

Overview of cloud ERP "ZAC" – flowchart

Cloud Solutions

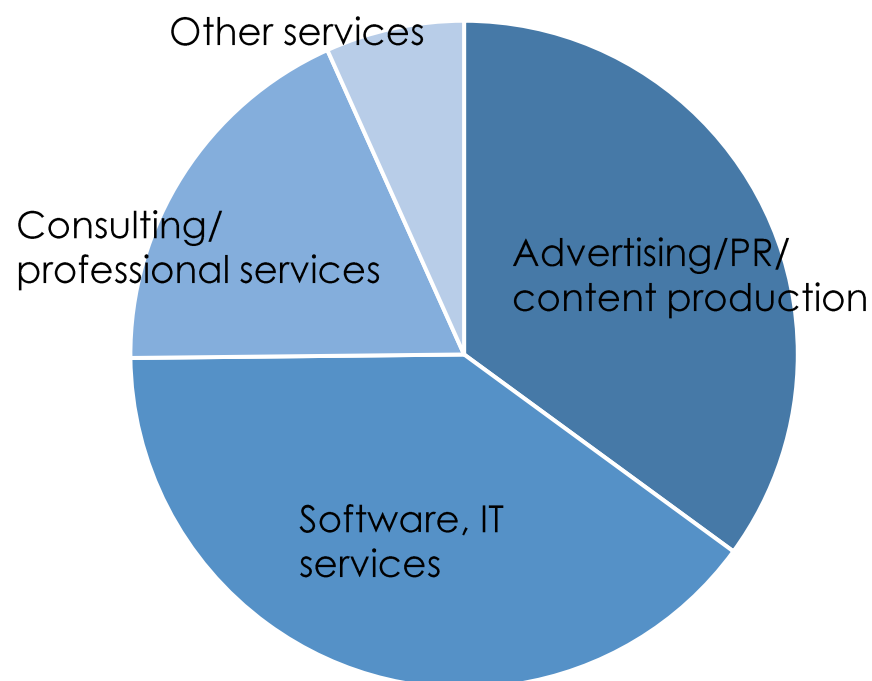


Industry-specific ERP

Cloud Solutions

ZAC's customer base consists primarily of IT services and advertising businesses.

(As of March 31, 2021)



Advertising/PR/content production



Software/system development, and IT services



Consulting/professional services



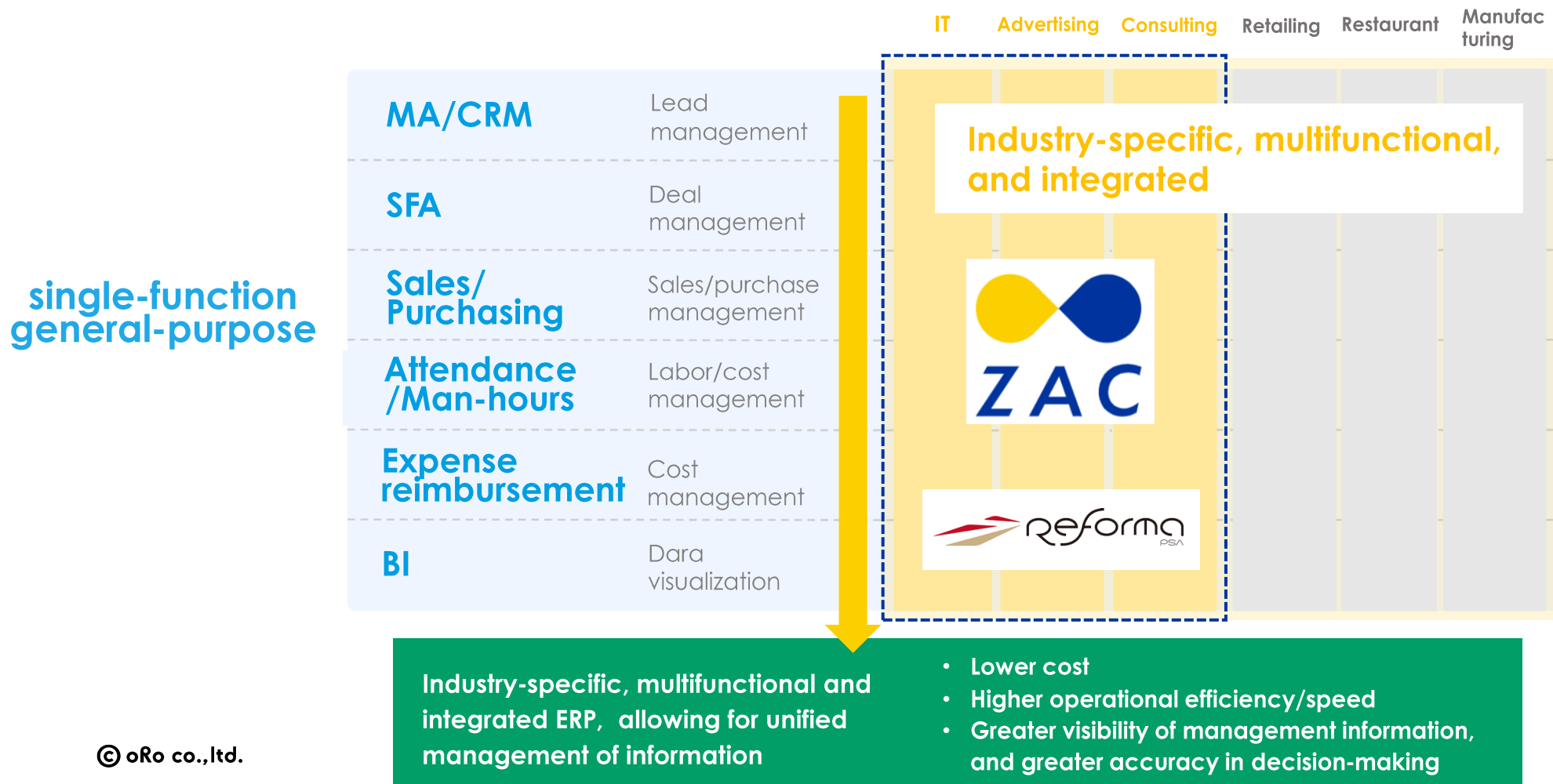
Other services



Industry-specific integrated ERP

Cloud Solutions

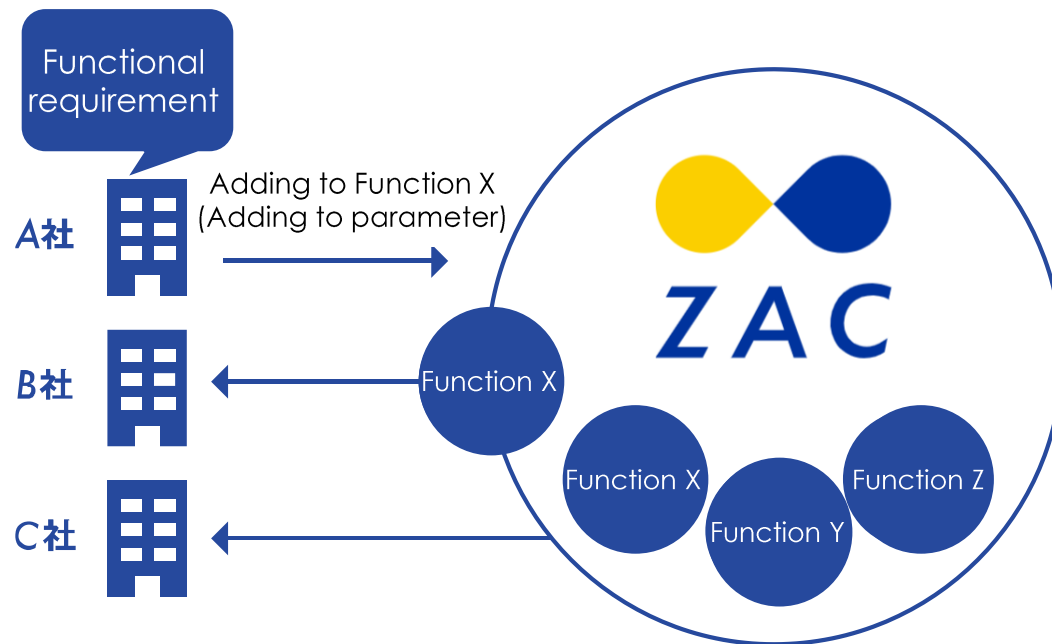
ERP systems can be classified broadly into **single-function general-purpose** systems, which may be used irrespective of which industries customers belong to; and **multi-function integrated** systems, which have combined a variety of industry-specific functions especially for IT service, advertising and consulting industries, addressing every need and issue unique to each of these industries.



Advantages of cloud-based systems in functional scalability

Cloud Solutions

Parameter design allowing for sustainable growth of systems



Advantages of industry-specific parameter design

POINT1

Able to deliver almost all functions without the need for additional development as the company has possessed more than 15,000 parameters since the launch of the service in 2006.

POINT2

Able to shorten lead time to implementation, and reduce development costs.

Example of functional enhancement ①

Function to manage man hours corresponding to orders placed in-house for each of contract production/development project

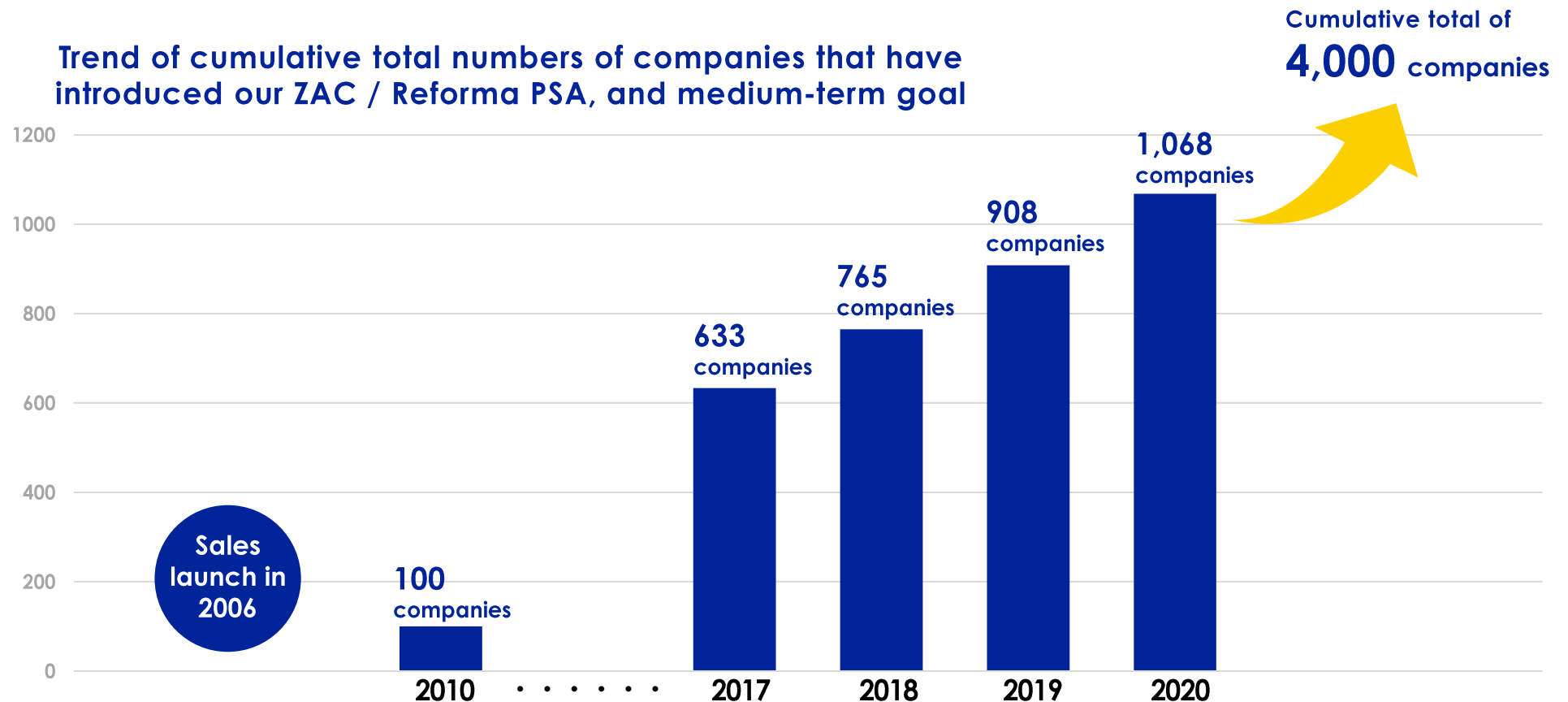
Example of functional enhancement ②

Function to reimburse and record the amount of travel and transportation expenses that are billed to clients in exchange for consulting services

Size of target market in Japan and medium-term goal for ZAC/Reforma PSA Cloud Solutions

As of March 31, 2021

Aiming for delivery to **approx. 44,000 companies** to expand market share



- * Clients in Japan (44,000 companies) consist mostly of the companies with roughly 1 to 2,000 employees in the target industries for ZAC / Reforma PSA, including IT, advertising and consulting industries. Since FY2021, we have worked out numbers using data extracted from the database of FORCAS (Uzabase), not the database of Teikoku Databank used until FY2020, to raise the accuracy of numbers as to target industries.
- * The numbers above represent the cumulative numbers of companies that have introduced ZAC/Reforma PSA solutions, which are the sum of the cumulative total numbers of licenses sold and the cumulative total number of licenses terminated.
- * Also, the numbers in the graph above represent the cumulative total numbers of companies that introduced ZAC and/or Reforma PSA solutions.

Initiatives for FY2021

Cloud Solutions

Additional investment in enhancing development capability

- **User-friendly UI/UX**
- **Multilingual/multicurrency solutions**
- **New functions**

The company will make additional investment to upgrade products and drive growth in orders.

Cost reduction

- **Improving productivity through automation/standardization of operations**

(Examples)

- Automating the handling of inquiries with AI Chatbot
- Improving operational efficiency with RPA

DX

◆ **Developing user-friendly UI/UX**

The CS Division has worked on development of user-friendly systems based on its long years of experience developing UI/UX through production of corporate websites, etc. of major companies.

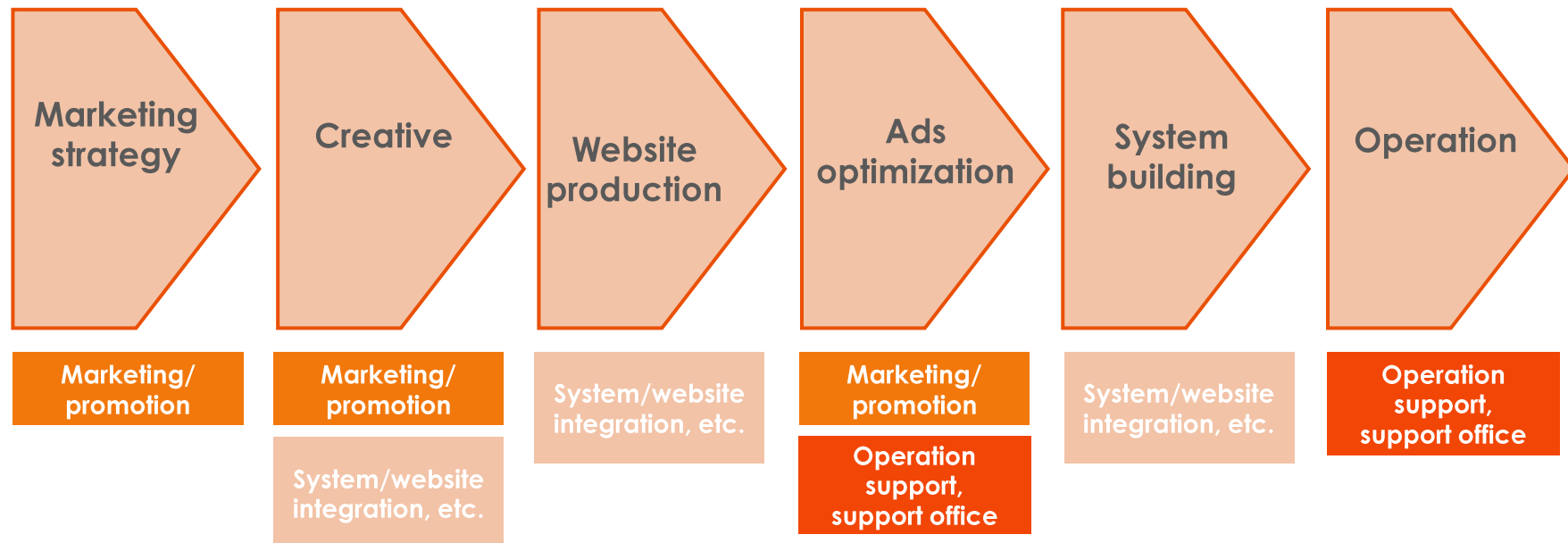
◆ **Leveraging expertise in digital marketing**

The CS Division is marketing ZAC/Reforma PSA, leveraging the know-how on SEO, etc. the DX division has long accumulated.

Digital Transformation

Digital Transformation (1/2)

WE TRANSFORM THE USER EXPERIENCE



Digital Transformation (2/2)

Achieve excellence in integrity, speed, and cost performance by providing **end-to-end services**, from designing of strategies to operation.

	Business strategy	Marketing strategy	Creative	Website production	Ads optimization	System building	Operation
oRo	×	◎	○	○	◎	○	◎
General advertising agencies	△	◎	◎	△	○	×	×
Website production companies	×	×	△	◎	×	△	△
Consulting firms	◎	△	×	×	×	△	×
Sler	△	×	×	×	×	◎	×

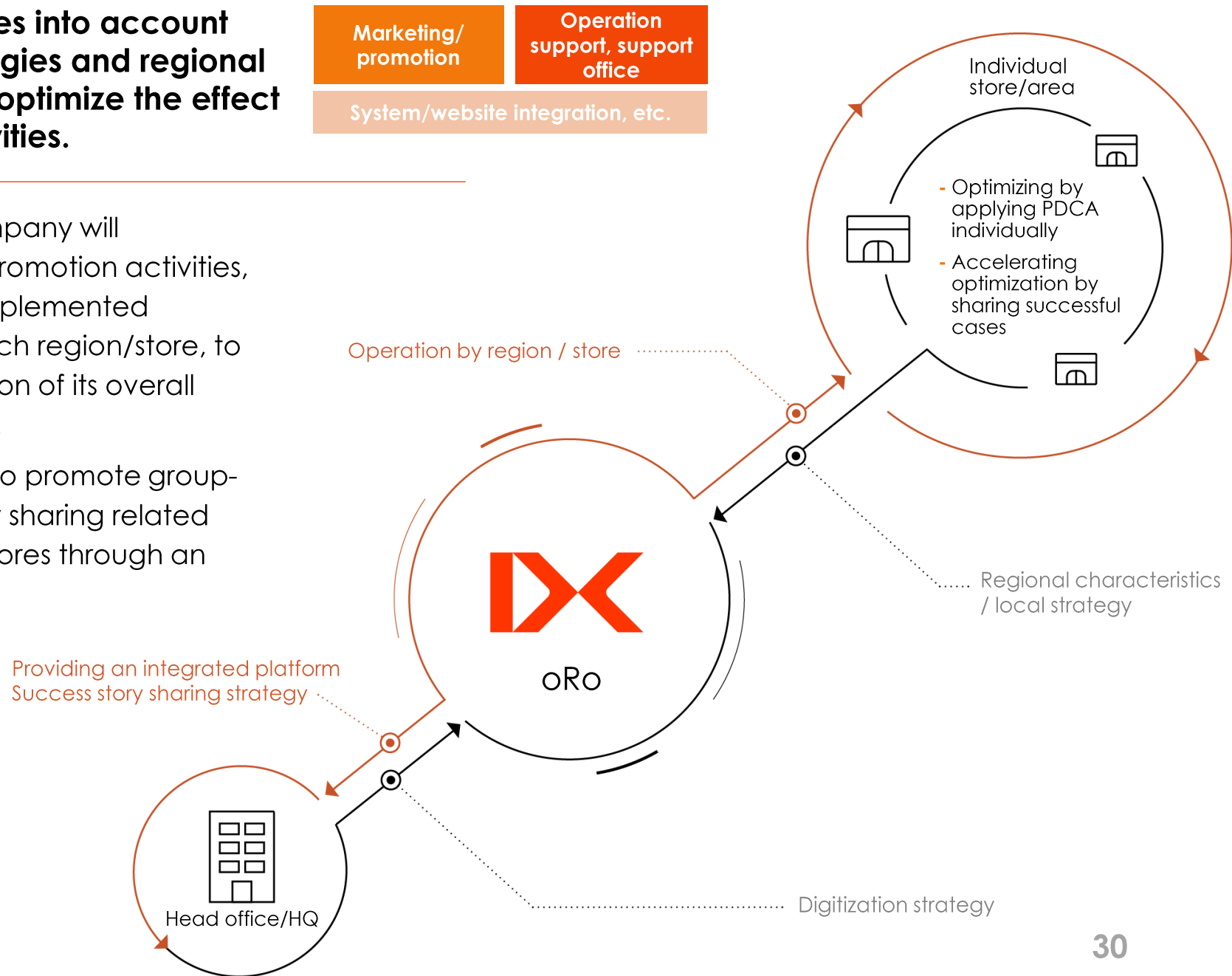
Area marketing

Digital Transformation

The company takes into account both overall strategies and regional characteristics to optimize the effect of marketing activities.

Specifically, the company will consolidate digital promotion activities, which have been implemented independently in each region/store, to optimize the allocation of its overall marketing resources.

The company will also promote group-wide optimization by sharing related information across stores through an integrated platform.



Semrush

Digital Transformation

System/website integration, etc.

*A marketing tool developed and provided by US-based Semrush Inc.



As of December 2020

December 2018
Launched exclusive
distribution in Japan



2020
Recorded net profit on
a monthly basis



2021
Expects the tool to
contribute to earnings

- ▶ Semrush is one of the world's largest digital marketing tools with 7 million subscribers worldwide (as of April 2021)
- ▶ An all-in-one tool covering everything, from competitive analysis, Search Engine Optimization to improvement in advertising effect
- ▶ Monthly subscription fee-based business model

Expanding business overseas

Digital Transformation

Overseas

Building profitable in-house manufacturing bases, and strengthening digital marketing targeted primarily at Japanese companies operating abroad



Initiatives for FY2021

Digital Transformation

Upsizing area marketing

- **Developing third and fourth new clients, besides two major clients that are currently the main pillars of revenue for the company**

Marketing/
promotion

Operation
support, support
office

System/website integration, etc.

The company will strengthen its in-house marketing structure and tap into new opportunities towards increasing clients.

Reinforcing system development structure

- **Reinforcing the system development structure to prevent future projects from winding up in the red**

System/website integration, etc.

CS

Strengthening the ability of the DX Division to win secure system building projects by leveraging the expertise in building systems the CS Division has nurtured through development of enterprise systems

03

Company profile

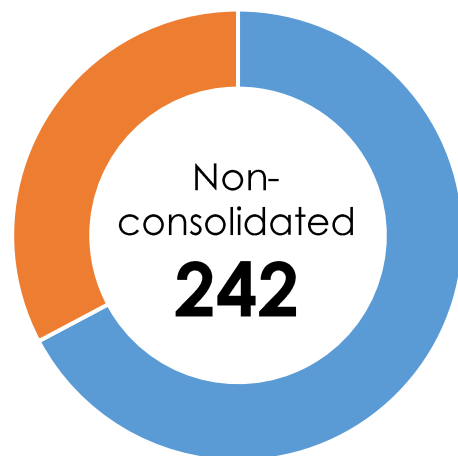
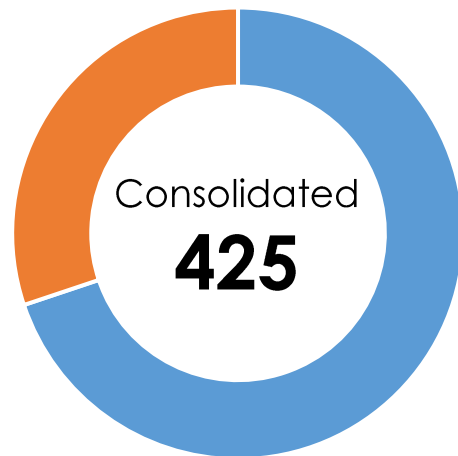
Company profile

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 242 / Consolidated 425 (as of end of December 31, 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

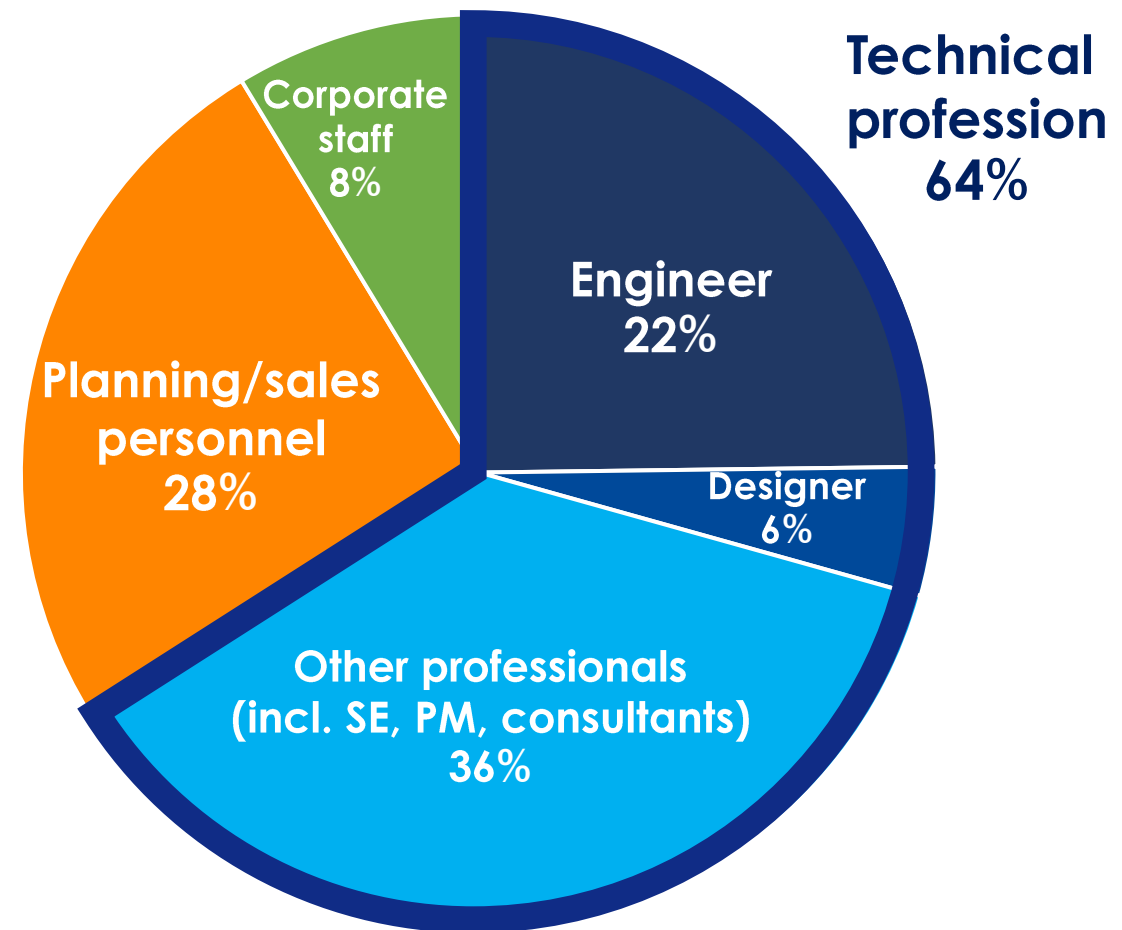
Organizational structure designed to drive creation of solutions through "Technology x Creative"

Split between manufacturing and sales personnel



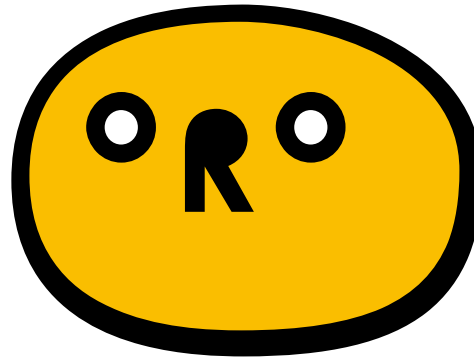
(As of end of Dec 2020)

Breakdown by job type (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.
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