

# Financial Results FY2019

oRo co.,ltd. Code : 3983

February 14, 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.



**FY2019**

**Financial Results Highlights**

## FY2019 Financial Results

### FY2019 consolidated financial results

Net sales	<b>5,022</b> million JPY	YoY <b>+12.5%</b>
Operating profit	<b>1,333</b> million JPY	YoY <b>+13.6%</b>

### Cloud Solutions (CS)

Net sales	<b>2,807</b> million JPY	YoY <b>+20.7%</b>
Operating profit	<b>1,243</b> million JPY	YoY <b>+38.3%</b>

### Digital Transformation (DX)

Net sales	<b>2,215</b> million JPY	YoY <b>+3.6%</b>
Operating profit	<b>89</b> million JPY	YoY <b>(67.3%)</b>

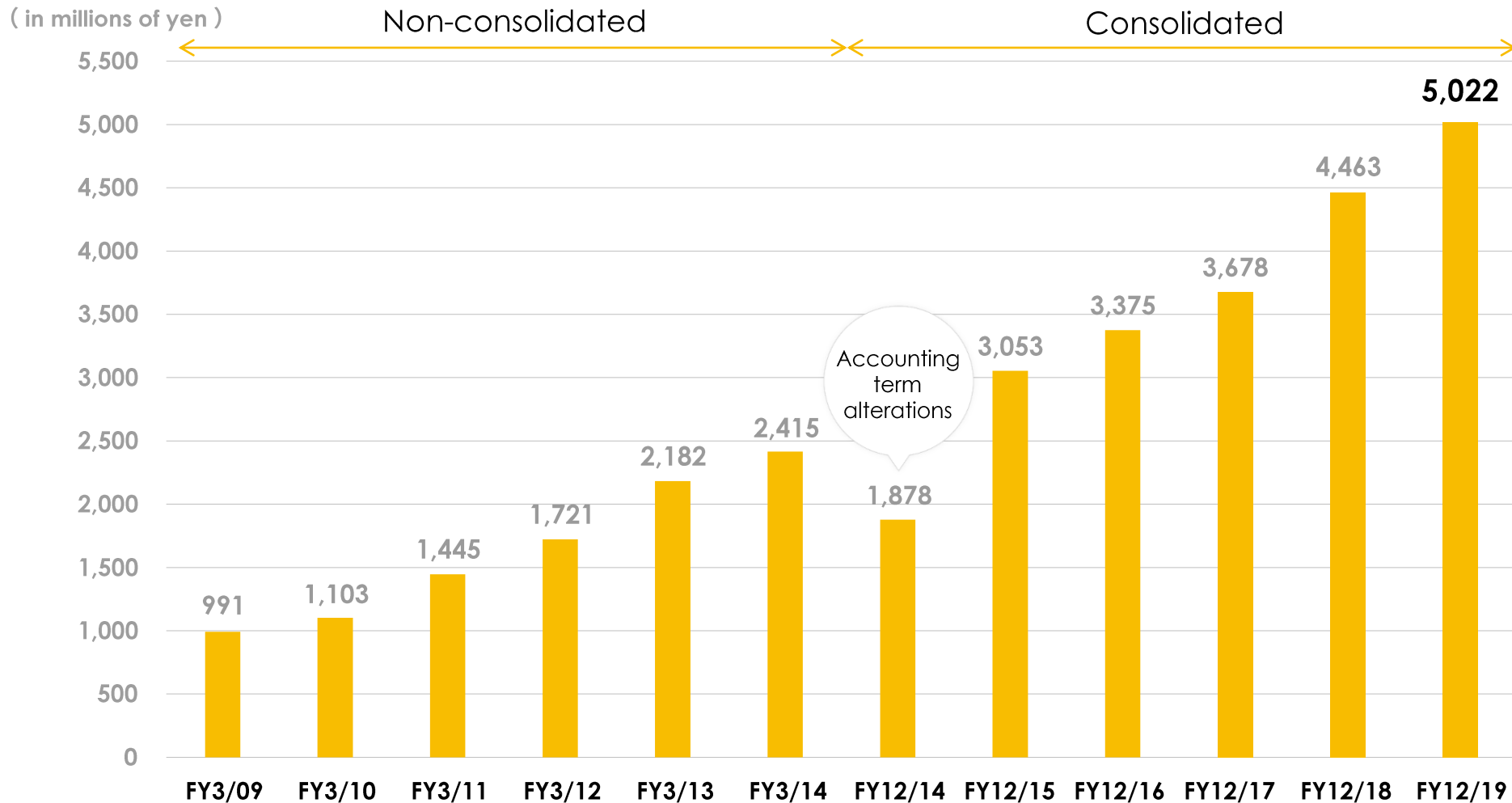
## Difference between full-year earnings forecasts and earnings results

( in millions of yen )

	FY2019 Forecasts (composition ratios)	FY2019 actual results (composition ratios)	Difference	Main factors
<b>Net sales</b>	<b>5,115</b> [100.0%]	<b>5,022</b> [100.0%]	<b>(92)</b>	
Cloud Solutions	<b>2,801</b> [54.8%]	<b>2,807</b> [55.9%]	<b>5</b>	The acquisition of new customers and an increase in transactions with existing customers
Digital Transformation	<b>2,313</b> [45.2%]	<b>2,215</b> [44.1%]	<b>(97)</b>	Not achieved initial plan during the first half of the year
<b>Operating profit</b>	<b>1,308</b> [25.6%]	<b>1,333</b> [26.6%]	<b>25</b>	
Cloud Solutions	<b>1,091</b> [21.3%]	<b>1,243</b> [24.8%]	<b>152</b>	Actual recruitment not meeting initial plan
Digital Transformation	<b>216</b> [4.2%]	<b>89</b> [1.8%]	<b>(127)</b>	Growing losses on particular unprofitable transactions Overseas business operating loss, etc.
<b>Ordinary profit</b>	<b>1,325</b> [25.9%]	<b>1,357</b> [27.0%]	<b>31</b>	
<b>Profit attributable to owners of the parent</b>	<b>907</b> [17.8%]	<b>900</b> [17.9%]	<b>(7)</b>	

# Trends in sales

Recorded 5.02 billion yen, an increase of 12.5% year-on-year.

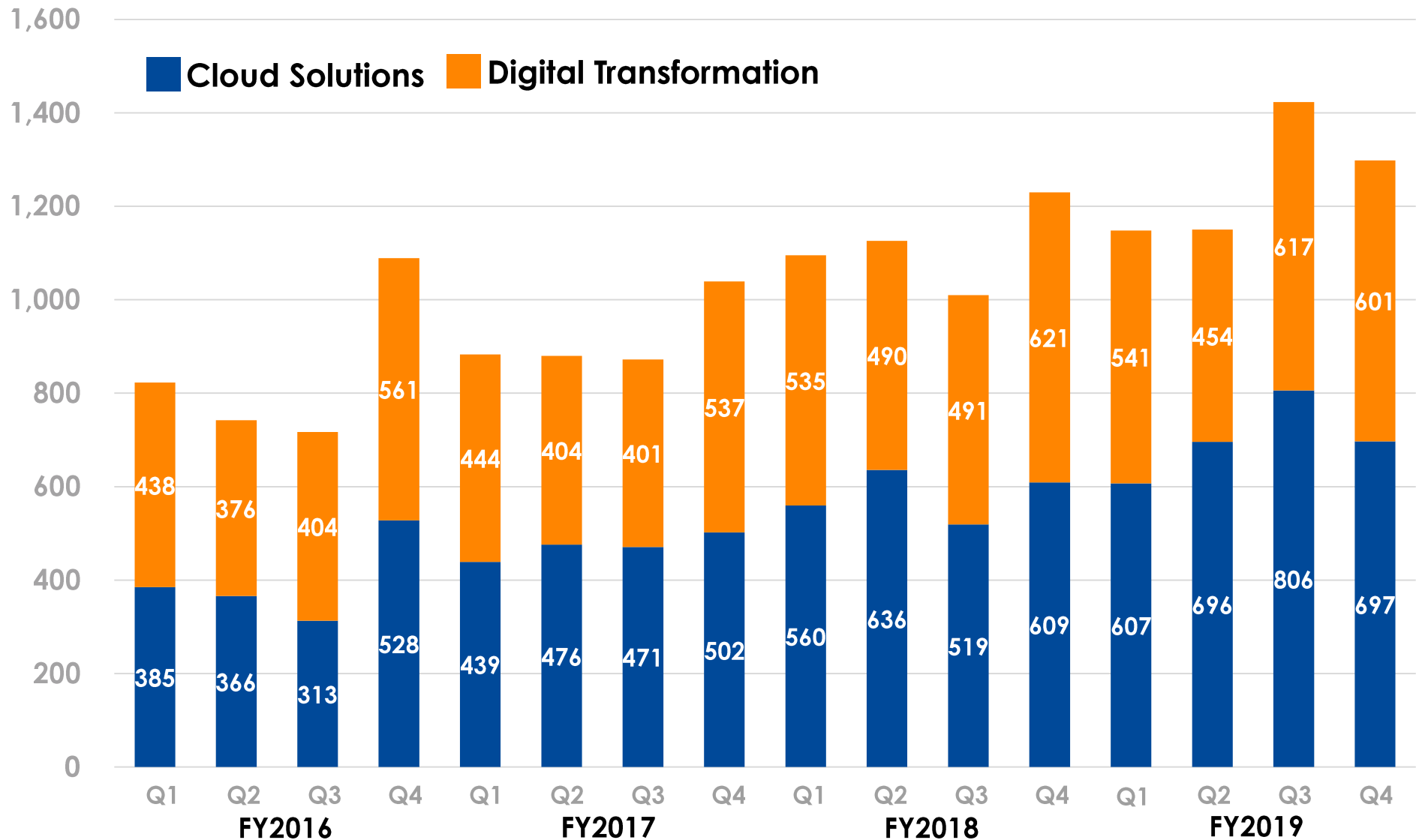


\*Was not audited by KPMG AZSA LLC, prior to and in the fiscal year ended March 31, 2014

\*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

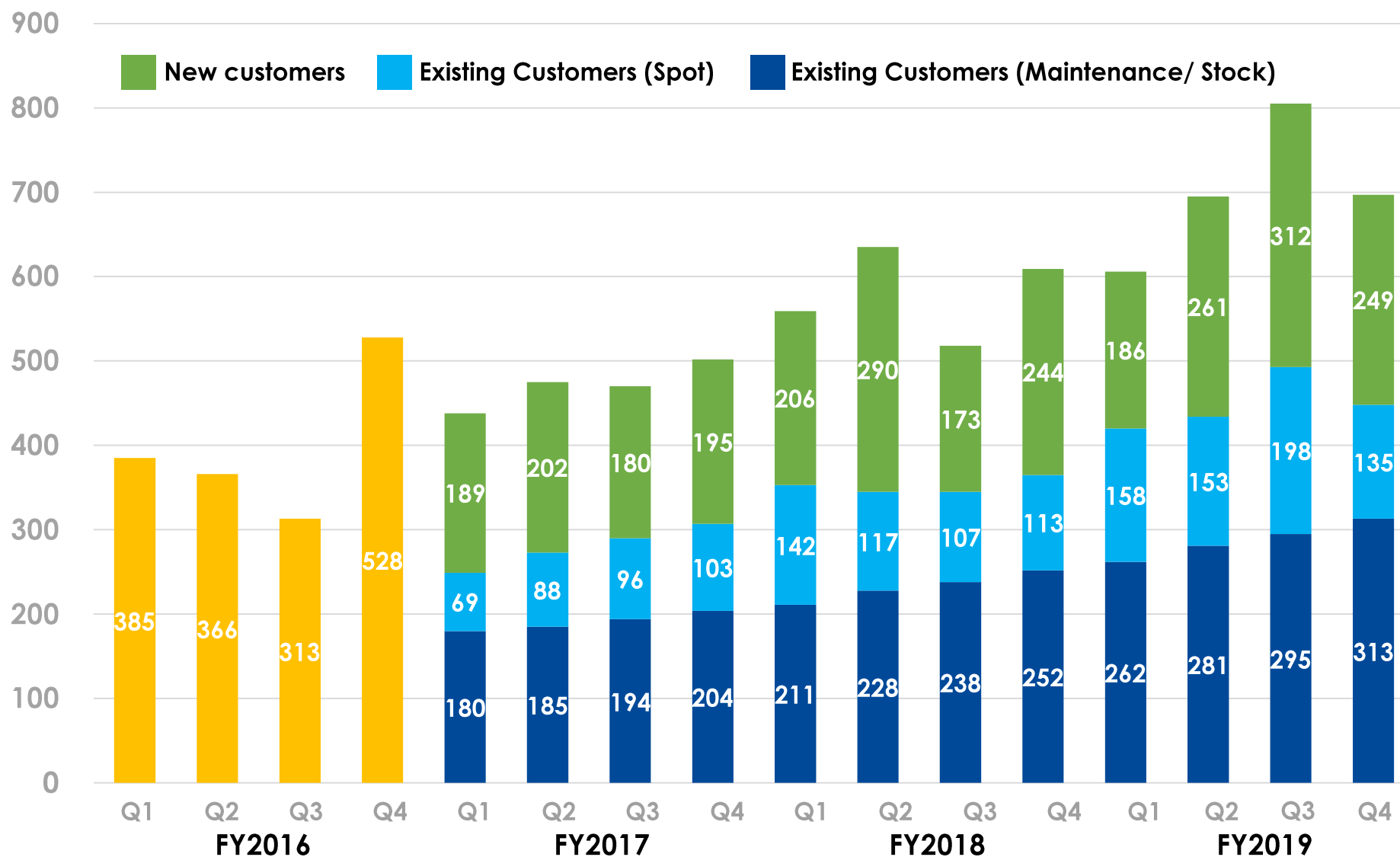
( in millions of yen )



# Percentages of net sales by business segment

## Cloud Solutions

( in millions of yen )

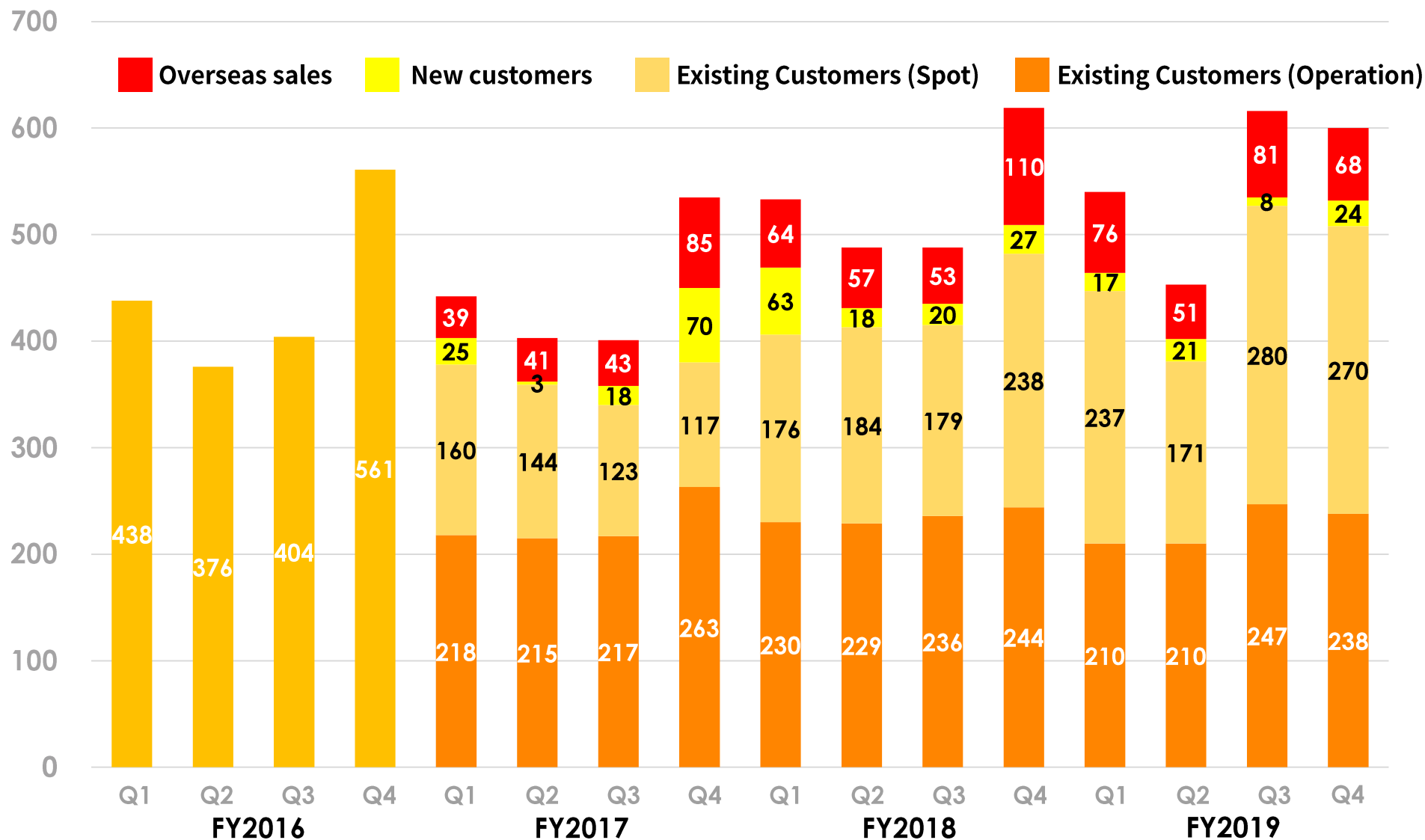




# Percentages of net sales by business segment

## Digital Transformation

( in millions of yen )



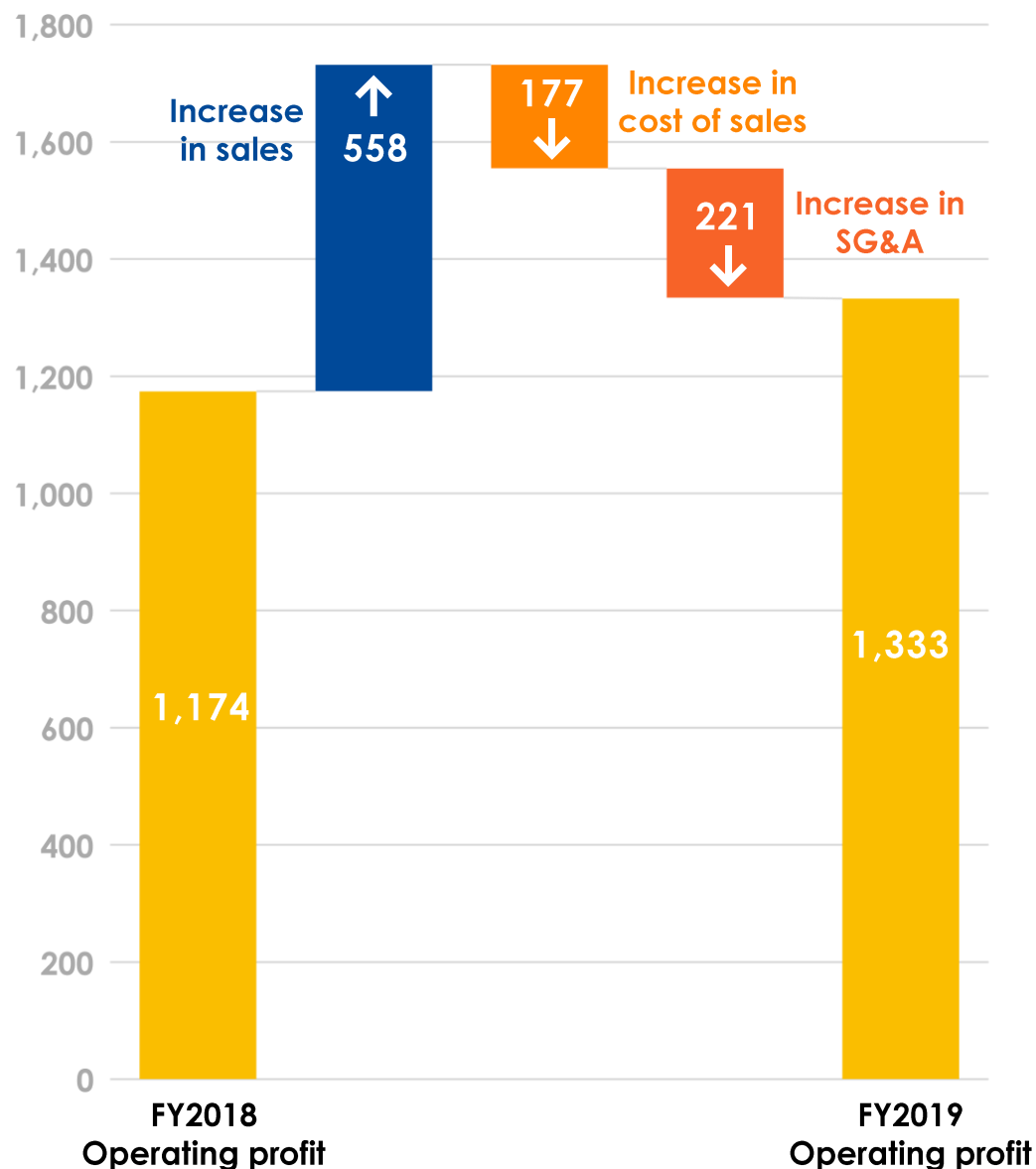
## Profit and loss statement (YoY)

( in millions of yen )

	FY2019 (composition ratios)	FY2018 (composition ratios)	Difference	Main factors
Net sales	<b>5,022</b> [100.0%]	<b>4,463</b> [100.0%]	<b>558</b>	
Cost of sales	<b>2,180</b> [43.4%]	<b>2,002</b> [44.9%]	<b>177</b>	A rise in compensation and bonuses associated with an increase in the number of engineers, etc.
Gross profit	<b>2,842</b> [56.6%]	<b>2,461</b> [55.1%]	<b>381</b>	
Selling, general and administrative expenses	<b>1,508</b> [30.0%]	<b>1,286</b> [28.8%]	<b>221</b>	A rise in compensation and bonuses associated with an increase in the number of sales and administrative personnel, an increase in recruiting expenses, etc.
Operating profit	<b>1,333</b> [26.6%]	<b>1,174</b> [26.3%]	<b>159</b>	
Ordinary profit	<b>1,357</b> [27.0%]	<b>1,186</b> [26.6%]	<b>171</b>	
Profit attributable to owners of the parent	<b>900</b> [17.9%]	<b>834</b> [18.7%]	<b>66</b>	

# Fluctuation factor of operating profit (YoY)

( in millions of yen )



( in millions of yen )

## Main factors

<b>↑ Increase in sales</b>	<b>558</b>
Cloud Solutions	481
Digital Transformation	77
<b>↓ Increase in cost of sales</b>	<b>177</b>
A rise in compensation and bonuses associated with an increase in the number of engineers, etc.	130
Recording of Provision for loss on orders received	44
Increase in other cost of sales	3
<b>↓ Increase in SG&amp;A</b>	<b>221</b>
A rise in compensation and bonuses associated with an increase in the number of sales and administrative personnel, etc.	102
Increase in Advertising expenses	13
Increase in Recruiting expenses	9
Increase in other selling and general administrative expenses	97

## Balance sheet

- ① Increase in cash and deposits, increase in work in process
- ② Increase in assets attached to buildings associated with the renovation of Tokyo head office
- ③ Decrease due to impairment of goodwill

- ④ Increase in asset retirement obligations associated with changes in accounting estimates
- ⑤ Increase in profit attributable to owners of parent

	As of Dec 31, 2019	As of Dec 31, 2018	Difference
Current assets	① 6,981	6,222	759
Non-current assets	700	415	284
Property, plant and equipment	② 415	107	308
Intangible assets	③ 27	106	(78)
Investments and other assets	256	201	54
<b>Total assets</b>	<b>7,681</b>	<b>6,637</b>	<b>1,044</b>

( in millions of yen )

	As of Dec 31, 2019	As of Dec 31, 2018	Difference
Total liabilities	1,517	1,243	274
Current liabilities	1,313	1,243	69
Non-current liabilities	④ 204	—	204
Net assets	6,164	5,394	769
Shareholders' equity	⑤ 6,168	5,393	775
Other	(4)	0	(5)
<b>Total liabilities and net assets</b>	<b>7,681</b>	<b>6,637</b>	<b>1,044</b>

The Company began to apply the Partial Revision to Standard for Tax Effect Accounting (Accounting Standards Board of Japan [ASBJ] Statement No. 28 of February 16, 2018) from the start of the first quarter of the fiscal year under review, and presented deferred tax assets in the "investments and other assets" section. As a result, we also made a presentation change for the consolidated balance sheet for the previous fiscal year with deferred tax assets of 81 million yen shown in the current assets section for the year being presented in the "investments and other assets" section for the fiscal year under review.

## Dividend policy

The Company places great emphasis on continuous improvement of corporate value and stable return of profits to shareholders. In order to realize stable return of profits to shareholders and the Company's continued growth, the Company maintains a policy to set the basis for dividend as 15.00 yen per share, and review it, when necessary, by taking into consideration the financial results, financial position, future business development, etc. comprehensively.

Based on the above policy, the Company takes into consideration the financial results for the current period, financial position, future business development, etc. comprehensively, and it plans to pay a dividend of 9.00 yen per share for the current period.

For the following period, the Company also plans to pay a dividend of 9.00 yen per share.

	Dividend per Share		
Record Date	Second quarter-end	Fiscal year-end	Total
<b>Current results</b> (fiscal year ended December 31, 2019)	<b>0.00 yen</b>	<b>9.00 yen</b>	<b>9.00 yen</b>
<b>Next forecast</b> (fiscal year ended December 31, 2020)	<b>0.00 yen</b>	<b>9.00 yen</b>	<b>9.00 yen</b>

\* The Company conducted a common stock split according to a ratio of 1:2 effective on June 1, 2019.

In pre-split terms, the year-end dividend for the fiscal year ending December 31, 2019 would come to 18.00 yen.

**02**

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# **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

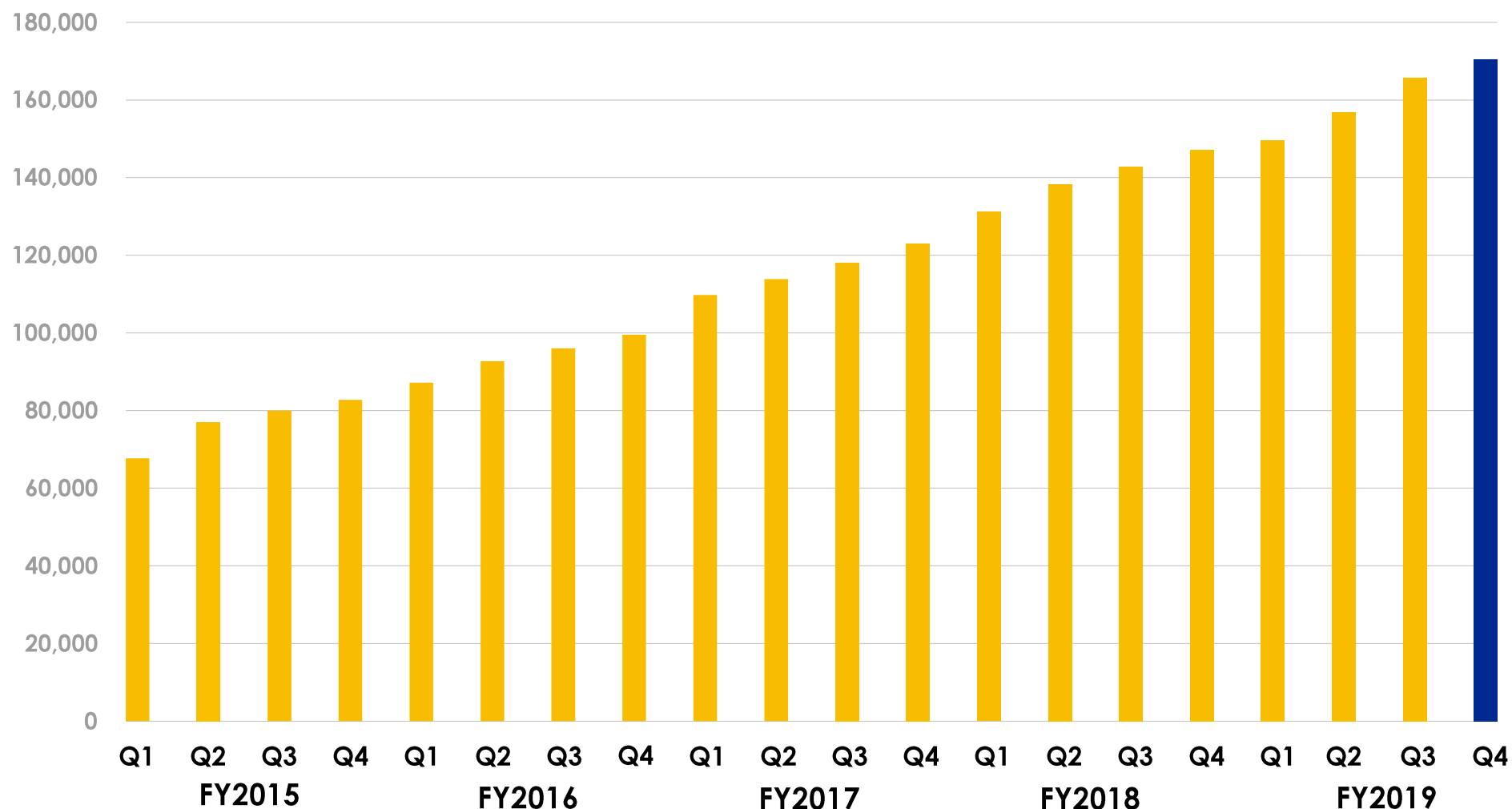
Corporate business activity support based on digital

- 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

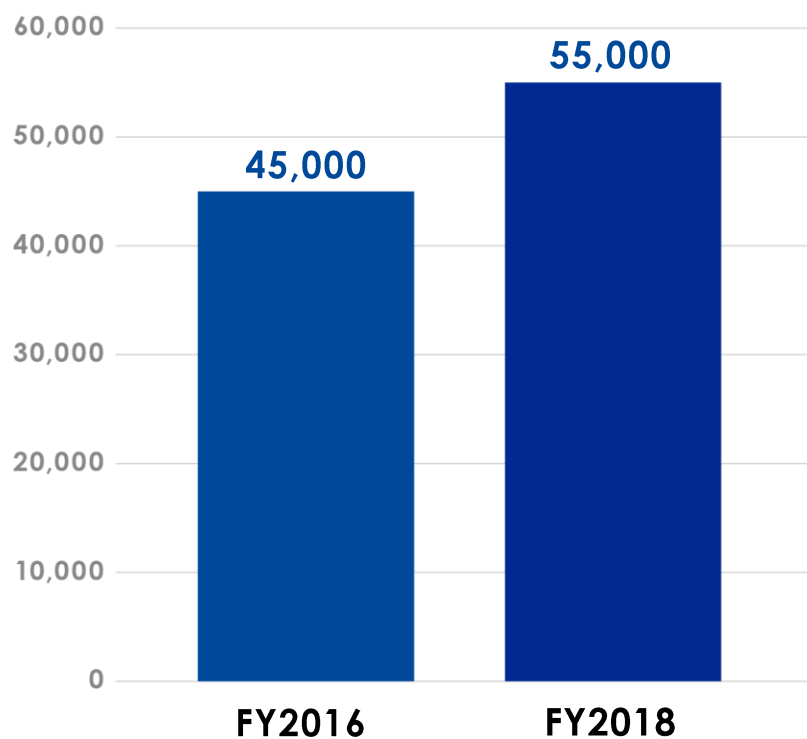
**Multilingual,  
Multi currency**

# “ZAC Enterprise” Target companies in Japan and our medium-term goals

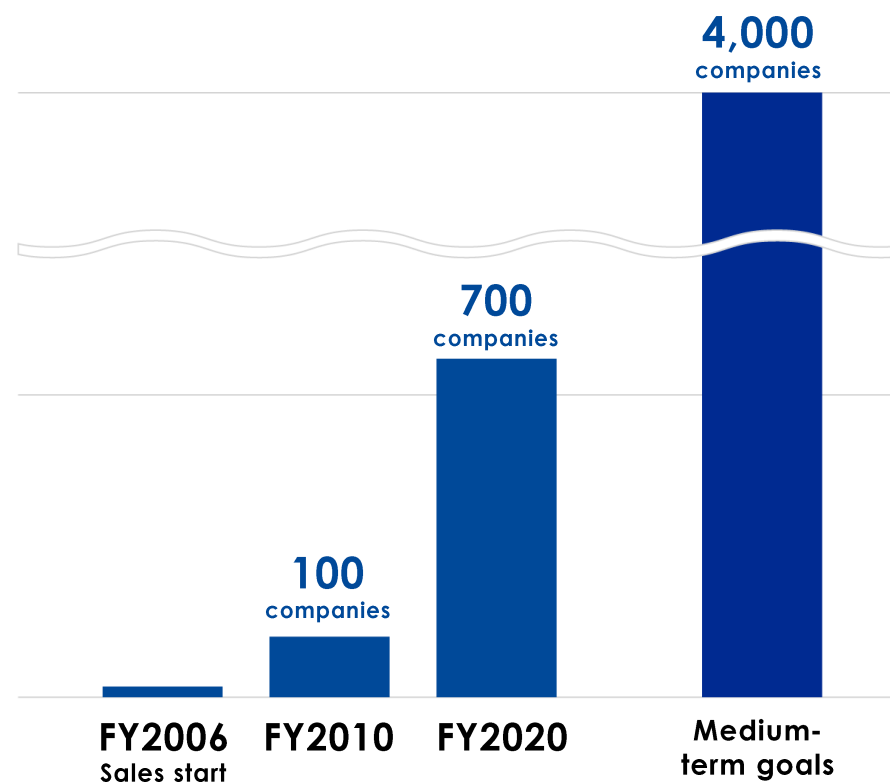
## Cloud Solutions

Target companies in Japan have been growing in number due to the expanding market for white collar industries as well as enhanced product appeal. Aim to securely attain a higher market share for business with target companies in Japan.

### Number of target companies in Japan

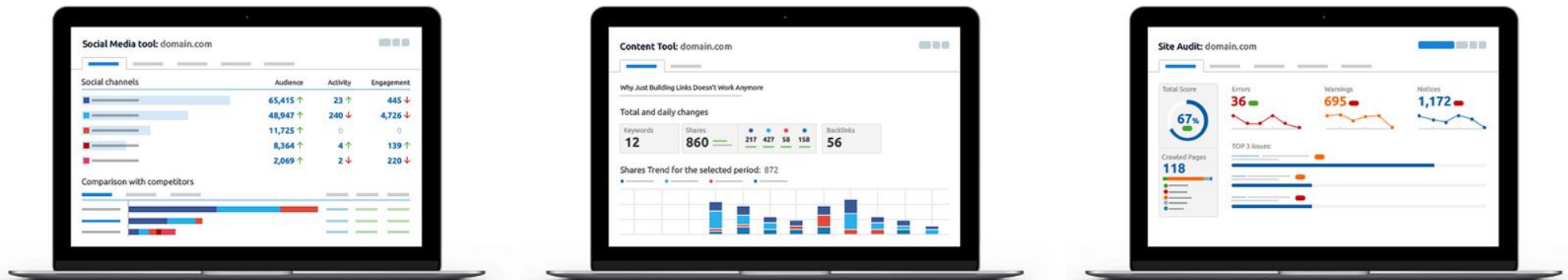


### Our medium-term goals



# SEMrush

Digital Transformation

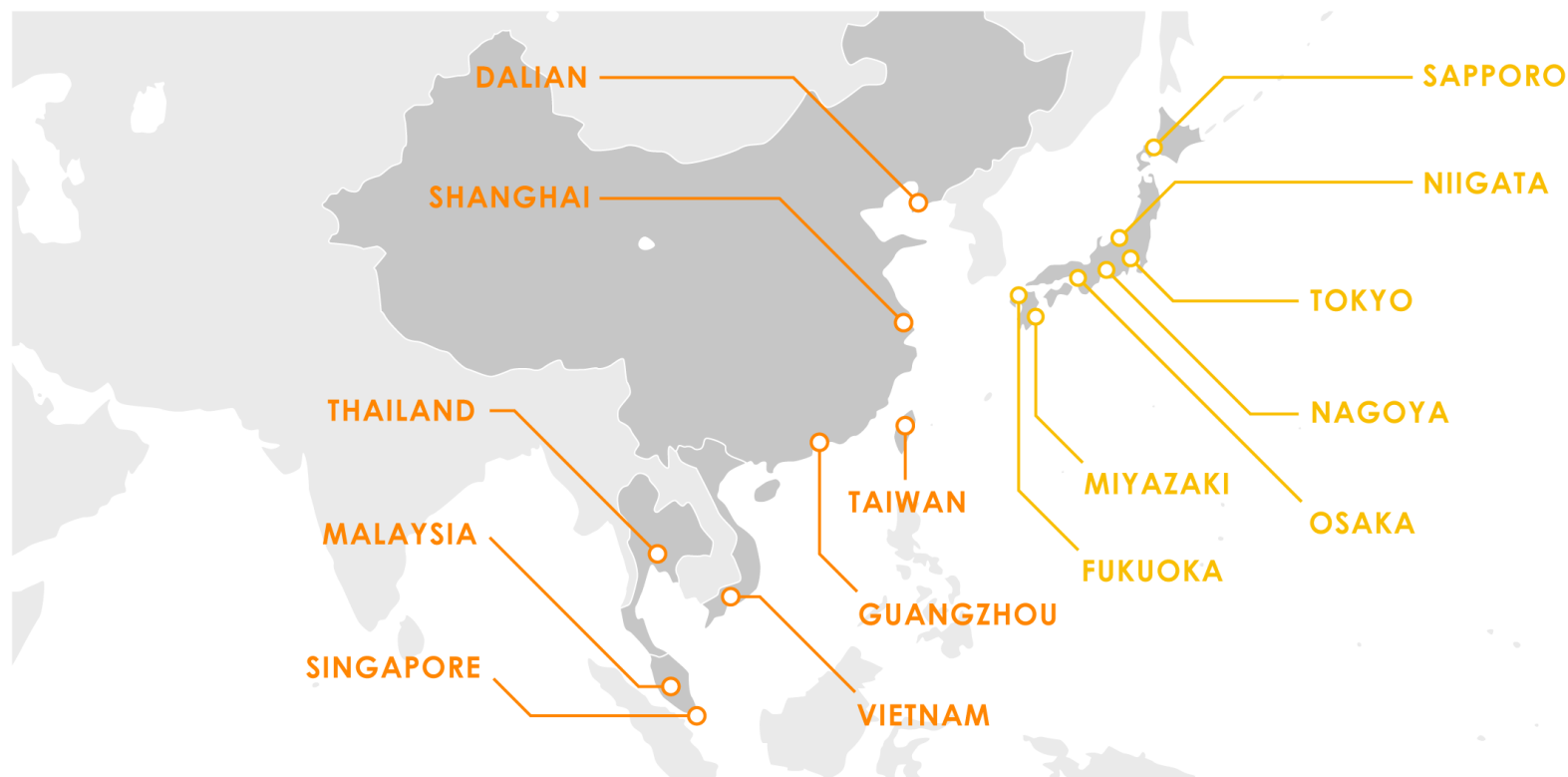


- SEMrush is one of the largest-scale digital marketing tools in the world with 4 million subscribers worldwide.
- An all-in-one tool covering everything: competitive analysis, search engine optimization strategies and improvement of advertisement effect
- oRo began exclusive distribution of the package 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.



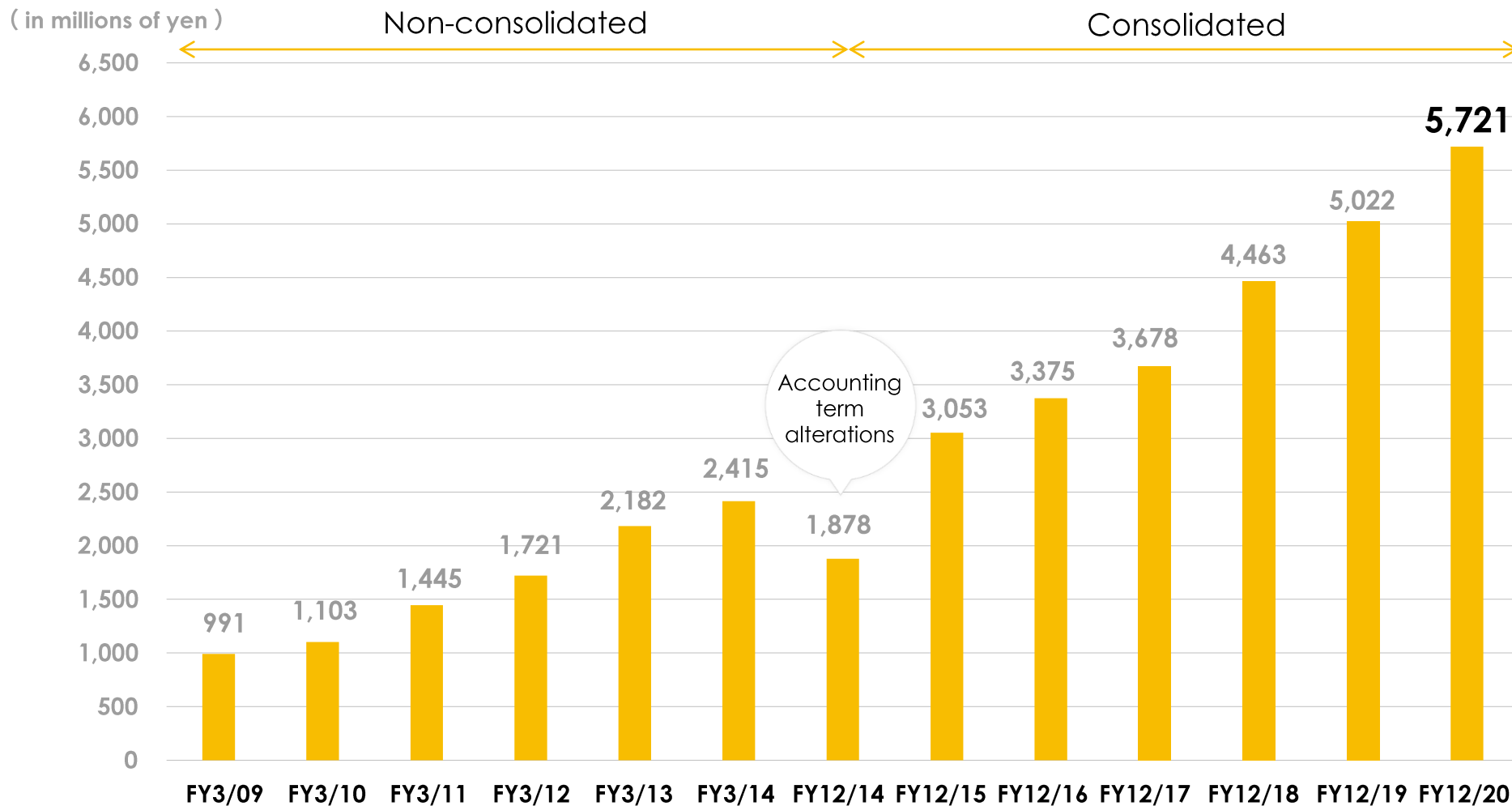
**03**

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**FY2020 Forecast**

## FY2020 forecasts

Net sales are estimated to be 5.72 billion yen, an increase by 13.9% year-on-year.



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## FY2020 forecasts

Operating profit is estimated to be 1.79 billion yen, an increase by 34.3% year-on-year.

( in millions of yen )

	FY2020 forecasts	FY2019 actual results	Difference	% change
Net Sales	5,721	5,022	699	13.9 %
Cloud Solutions	3,288	2,807	481	17.1 %
Digital Transformation	2,433	2,215	218	9.8 %
Operating profit	1,791	1,333	457	34.3 %
Ordinary profit	1,801	1,357	443	32.7 %
Profit attributable to owners of the parent	1,237	900	337	37.4 %

**04**

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**Company profile**



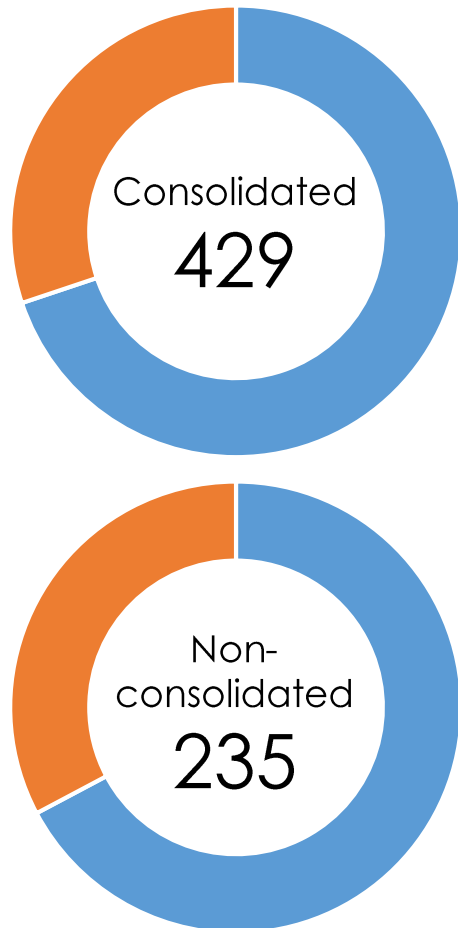
## Company profile

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) <ul style="list-style-type: none"><li>• Development and sales of cloud-based ERP 'ZAC'</li></ul> Digital Transformation (DX) <ul style="list-style-type: none"><li>• Support for corporate marketing activities</li></ul>
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

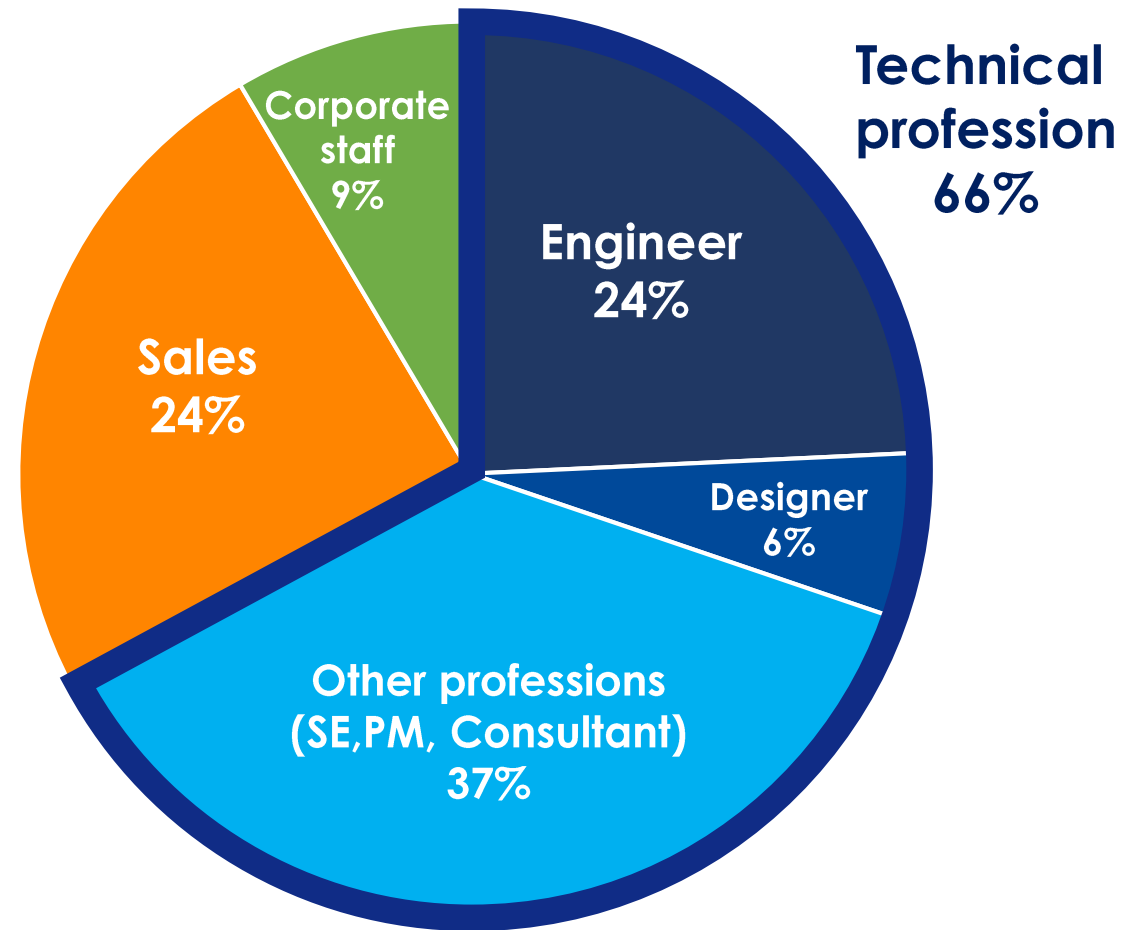
Create various solutions with “Technology × Creative”

Production and sales ratio



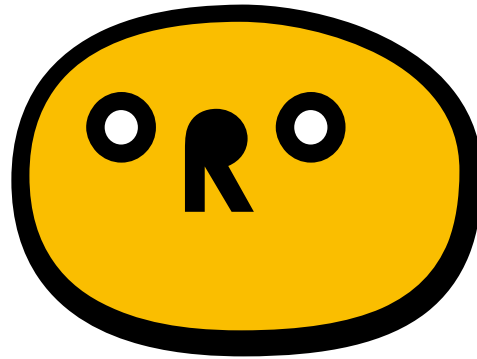
(As of end of Dec 2019)

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

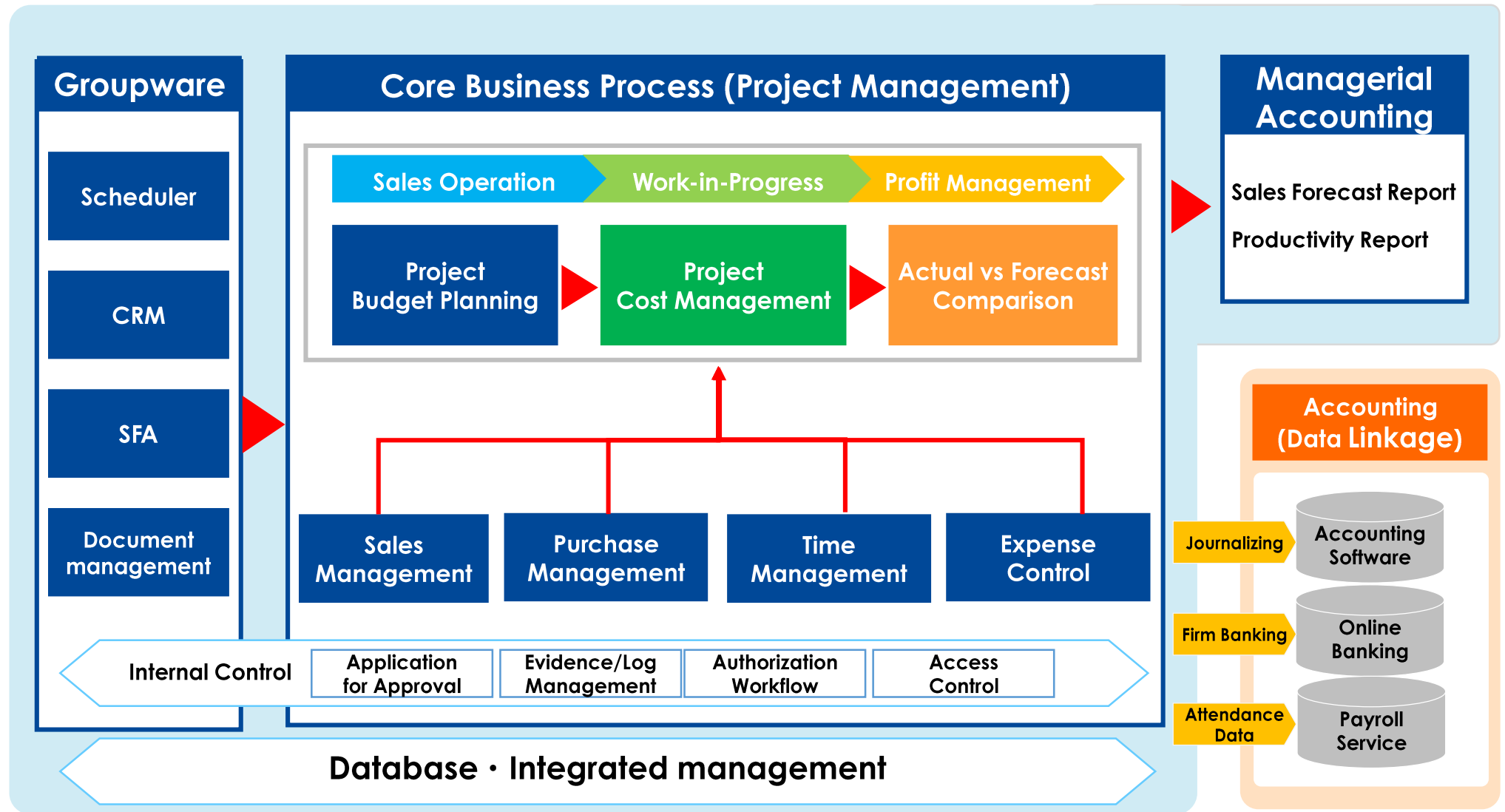
Overall optimum system

Practice of management accounting



# “ZAC” system over view - general flowchart

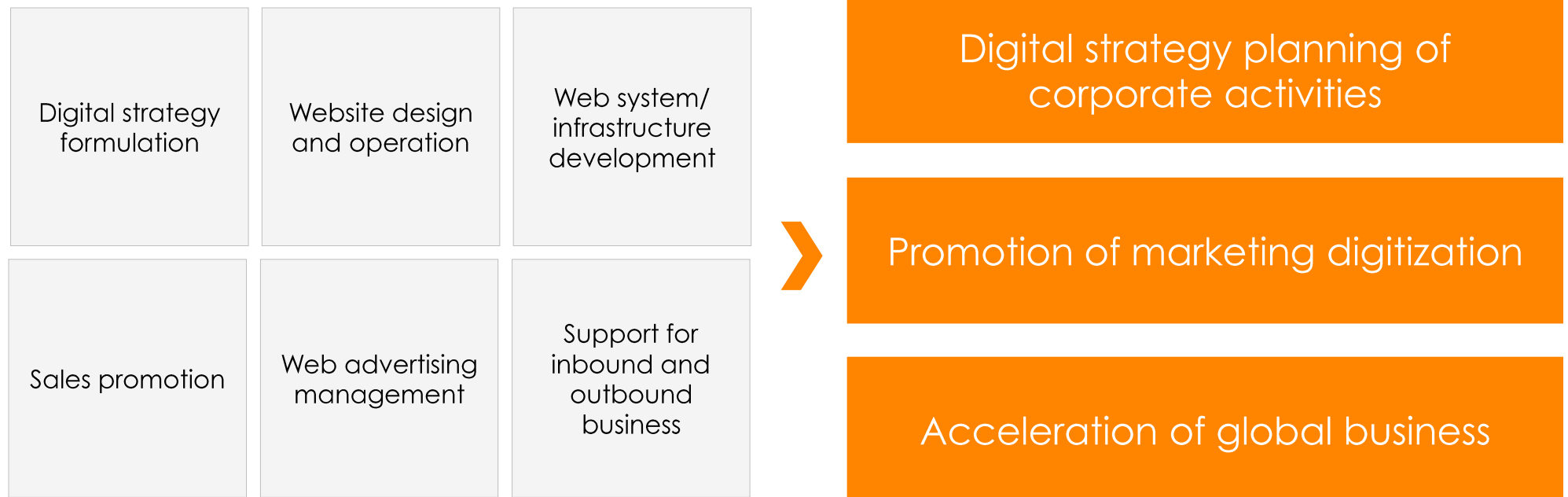
Cloud Solutions



# 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.

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

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Information on firms other than the Company is generally based on publicly-known information.

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