

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.

Summary of Consolidated Financial Results for the Three Months Ended March 31, 2019 (Based on Japanese GAAP)

May 13, 2019

Company name: ORO Co., Ltd
 Stock exchange listing: TSE
 Stock code: 3983 URL <https://www.oro.com>
 Representative: Atsushi Kawata, Representative Director and President
 Inquiries: Yasuhisa Hino, Senior Managing Director and General Manager for Corporate Department TEL +81-3-5724-7001
 Scheduled date to file Quarterly Securities Report: May 14, 2019
 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 three months ended March 31, 2019 (from January 1, 2019 to March 31, 2019)

(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	%
Three months ended March 31, 2019	1,148	4.9	269	△27.5	267	△18.9	181	△19.9
Three months ended March 31, 2018	1,095	24.1	371	87.5	330	74.3	226	98.1

Note: Comprehensive income Three months ended March 31, 2019: 188 million yen (△14.1%)

Three months ended March 31, 2018: 220 million yen (104.2%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 31, 2019	21.85		—	
Three months ended March 31, 2018	27.27		—	

Note: Starting from the consolidated fourth quarter of the previous fiscal year under review, the company shifted to a (net amount display) method of deducting, from net sales, expenses paid to ad network operator companies and listing expenses, which were types of expenses that had previously been recorded under cost of sales for a certain portion of internet advertising sales (ad network operation sales and listing operation sales, among others). For this reason, pre-change figures were revised to show numbers that reflect the change retroactively.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2019	6,401	5,458	85.3
As of December 31, 2018	6,637	5,394	81.3

Reference: Equity capital As of March 31, 2019: 5,458 million yen As of December 31, 2018: 5,394 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2018	—	0.00	—	15.00	15.00
Year ending December 31, 2019	—	—	—	—	—
Year ending December 31, 2019 (Forecast)	—	0.00	—	7.50	7.50

Note: Revisions to most recently released dividend forecast : None

* As the Company is scheduled to conduct a 2-for-1 split of its common shares, effective June 1, 2019, the forecast for the year-end dividend for the fiscal year ending December 31, 2019 takes into account the scheduled share split. In pre-split terms, the forecast for the year-end dividend for the fiscal year ending December 31, 2019 would come to 15.00 yen.

3. Forecast of consolidated financial results for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

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	5,115	14.6	1,308	11.4	1,325	11.8	907	8.8	54.69

Note: Revisions to most recently released earnings forecast : None

* As the Company is scheduled to conduct a 2-for-1 split of its common shares, effective June 1, 2019, we computed per-share net income for the earnings forecast for the fiscal year ending December 31, 2019, based on an average intra-year number of shares reflecting the stock split.

4. Notes

(1) Changes in significant subsidiaries during the three months ended March 31, 2019
(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: Yes

Changes in accounting estimates: None

Restatement of prior period financial statements: None

Note: For details, please refer to "(Changes in accounting policy)" in the section "1. Quarterly consolidated financial statements and main notes" on page 8.

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2019	8,300,000 shares	As of December 31, 2018	8,300,000 shares
----------------------	------------------	-------------------------	------------------

Number of treasury shares at the end of the period

As of March 31, 2019	94 shares	As of December 31, 2018	66 shares
----------------------	-----------	-------------------------	-----------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2019	8,299,924 shares	Three months ended March 31, 2018	8,300,000 shares
-----------------------------------	------------------	-----------------------------------	------------------

* This report is exempt from the quarterly review by certified a public accountant or audit firm.

* 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.

(Change in presentation of dates)

From the Summary of Consolidated Financial Results for the Three Months Ended March 31, 2019, the presentation of dates was changed from that of the Japanese calendar to the Western calendar.

(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.

1. Quarterly consolidated financial statements and main notes	4
(1) Consolidated balance sheets	4
(2) Consolidated statements of income and comprehensive income	6
(3) Notes on consolidated financial statements	8
(Note on the going-concern assumption)	8
(Note on significant changes in the amount of shareholders' equity)	8
(Changes in accounting policy)	8
(Segment information)	9
(Important Subsequent events)	10

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	4,953,642	4,814,988
Notes and accounts receivable - trade	973,889	828,849
Work in process	196,410	198,150
Raw materials and supplies	3,381	3,183
Other	95,011	106,419
Allowance for doubtful accounts	△87	△80
Total current assets	6,222,249	5,951,510
Non-current assets		
Property, plant and equipment	107,679	120,497
Intangible assets		
Goodwill	54,150	51,300
Other	52,137	46,655
Total intangible assets	106,288	97,956
Investments and other assets		
Investment securities	28,703	31,053
Deferred tax assets	101,316	112,396
Other	72,392	89,476
Allowance for doubtful accounts	△915	△915
Total investments and other assets	201,497	232,010
Total non-current assets	415,465	450,464
Total assets	6,637,714	6,401,974

(Thousands of yen)

	As of December 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	234,290	156,042
Income taxes payable	293,341	108,673
Provision for bonuses	50,751	121,363
Provision for loss on order received	122,168	115,418
Other	542,817	441,779
Total current liabilities	1,243,369	943,276
Total liabilities	1,243,369	943,276
Net assets		
Shareholders' equity		
Capital stock	1,185,030	1,185,030
Capital surplus	1,095,030	1,095,030
Retained earnings	3,113,675	3,170,555
Treasury shares	△355	△491
Total shareholders' equity	5,393,379	5,450,124
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,017	4,543
Foreign currency translation adjustment	△2,052	4,029
Total accumulated other comprehensive income	965	8,573
Total net assets	5,394,344	5,458,697
Total liabilities and net assets	6,637,714	6,401,974

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Net sales	1,095,667	1,148,971
Cost of sales	446,256	508,828
Gross profit	649,411	640,142
Selling, general and administrative expenses	277,986	370,755
Operating profit	371,424	269,386
Non-operating income		
Interest and dividend income	978	2,122
Subsidy income	650	—
Others	26	440
Total non-operating income	1,655	2,563
Non-operating expenses		
Listing expenses	22,106	—
Foreign exchange losses	20,940	3,925
Others	24	234
Total non-operating expenses	43,070	4,160
Ordinary profit	330,009	267,789
Profit before income taxes	330,009	267,789
Income taxes - current	122,710	98,128
Income taxes - deferred	△19,791	△11,718
Total income taxes	102,919	86,410
Profit	227,089	181,379
Profit attributable to non-controlling interests	752	—
Profit attributable to owners of parent	226,337	181,379

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Profit	227,089	181,379
Other comprehensive income		
Valuation difference on available-for-sale securities	278	1,526
Foreign currency translation adjustment	△7,280	6,081
Total other comprehensive income	△7,002	7,608
Comprehensive income	220,087	188,987
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	219,431	188,987
Comprehensive income attributable to non-controlling interests	656	—

(3) Notes on consolidated financial statements

(Note on the going-concern assumption)

Not applicable

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

Note applicable

(Changes in accounting policy)

(Change in depreciation method for property, plant and equipment)

The Company had employed the straight-line method for its overseas subsidiaries and mainly the declining-balance method for the Company and its domestic subsidiaries (except for buildings (excluding building fixtures) acquired on and after April 1, 1998 and building fixtures and structures acquired on and after April 1, 2016, to which the straight-line method had been applied) to depreciate property, plant and equipment. From the current fiscal year, the depreciation method for the Company and its domestic subsidiaries has been changed to the straight-line method.

Taking the opportunity of expansion of business bases in Japan and overseas, the Group discussed the depreciation method for property, plant and equipment from the perspective of integrating Group accounting policies and properly adjusting periodic income. As a result, the Group judged that the change to the straight-line method would appropriately reflect the Group's usage status, given that property, plant and equipment are expected to be used stably for a long term.

The effects of this change on the income situation for the current consolidated first quarter of the fiscal year are negligible.

(Change to the accounting treatment for net sales)

Starting from the consolidated fourth quarter of the previous fiscal year under review, the company shifted to a (net amount display) method of deducting, from net sales, expenses paid to ad network operator companies and listing expenses, which were types of expenses that had previously been recorded under cost of sales for a certain portion of internet advertising sales (ad network operation sales and listing operation sales, among others), and post-change accounting policy was applied retroactively.

For this reason, there is a discrepancy between the accounting policy applied to the comparison information included in the quarterly financial statements for the first quarter of the fiscal year under review and the accounting policy applied to the quarterly financial statements for the first quarter of the previous fiscal year.

(Segment Information)

Three months ended March 31, 2018 (from January 1, 2018 to March 31, 2018)

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	560,513	535,154	1,095,667	—	1,095,667
Inter-segment sales or transfers	—	—	—	—	—
Total	560,513	535,154	1,095,667	—	1,095,667
Segment income (loss)	248,863	122,561	371,424	—	371,424

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

Three months ended March 31, 2019 (from January 1, 2019 to March 31, 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	607,353	541,618	1,148,971	—	1,148,971
Inter-segment sales or transfers	—	—	—	—	—
Total	607,353	541,618	1,148,971	—	1,148,971
Segment income (loss)	242,221	27,165	269,386	—	269,386

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

2. Changes to reportable segments

The Company offers various digital solutions with the axes of technology and creativity. In order to appropriately express the Company's business content in service development by appropriately taking in technological advancement and changes in customer needs, the Company changed the name of "Business Solution" to "Cloud Solution" and the name of "Communication Design" to "Digital Transformation." These changes affect only the names of the segments and do not affect the segment information.

Segment information for the three months ended March 31, 2018 is prepared and presented according to the new names.

As stated "(Changes in accounting policy)", starting from the consolidated fourth quarter of the previous fiscal year under review, the company shifted to a (net amount display) method of deducting, from net sales, expenses paid to ad network operator companies and listing expenses, which were types of expenses that had previously been recorded under cost of sales for a certain portion of internet advertising sales (ad network operation sales and listing operation sales, among others), and post-change accounting policy was applied retroactively.

For this reason, there is a discrepancy between the accounting policy applied to the comparison information included in the quarterly financial statements for the first quarter of the fiscal year under review and the accounting policy applied to the quarterly financial statements for the first quarter of the previous fiscal year.

(Important subsequent events)

(Share split and partial amendment to the articles of incorporation)

The Company will conduct a share split and made partial amendment to the articles of incorporation, effective June 1, 2019, based on the resolution at the Board of Directors' Meeting held on April 12, 2019.

1. Purpose of the share split

The aim of the share split is to create a favorable environment for investors to invest in the Company as well as to increase the liquidity of the Company's shares by increasing the number of shares and to expand the investor base by reducing the price of share-trading units.

2. Outline of the share split

(1) Method of the split

With a record date of May 31, 2019, the number of common shares possessed by each shareholder as listed or recorded on the list of shareholders as of the record date shall be split at a ratio of 2 to 1.

(2) Number of shares increased by the split

Number of issued shares before the share split: 8,300,000 shares

Number of shares increased by the share split: 8,300,000 shares

Number of issued shares after the share split: 16,600,000 shares

Number of authorized shares after the share split: 48,000,000 shares

3. Schedule for the share split

Announcement of record date: May 14, 2019

Record date: May 31, 2019

Effective date: June 1, 2019

4. The following represents figures (per share information) calculated by hypothetically assuming that the share split had been executed at the beginning of the previous fiscal year.

	Three months ended March 31, 2018	Three months ended March 31, 2019
Profit per share	Yen 13.63	Yen 10.93