

# Financial Results for Q1 FY2019

**oRo co.,ltd.**    Code : 3983

May 13, 2019



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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 FY2019 Financial Results Highlights**

## Change to business segment names

The company offers various digital solutions with the axes of technology and creativity. In order to appropriately express its business content in service development by appropriately taking in technological advancement and changes in customer needs, we decided to change these business segment names.

Previous segment names	Next segment names
<b>Business Solutions</b> (BS)	<b>Cloud Solutions</b> (CS)
<b>Communication Design</b> (CD)	<b>Digital Transformation</b> (DX)

## Q1 FY2019 Financial Results

### Q1 FY2019 consolidated financial results

Net sales	<b>1,148</b> million JPY	YoY <b>+4.9%</b>
Operating profit	<b>269</b> million JPY	YoY <b>-27.5%</b>

Net sales were solid with year-on-year increases in both business segments.

Meanwhile, operating profit decreased as Digital Transformation segment failed to grow.

#### Cloud Solutions (CS)

Net sales	<b>607</b> million JPY	YoY <b>+8.4%</b>
Operating profit	<b>242</b> million JPY	YoY <b>-2.7%</b>

Net sales were solid with acquisition of new customers and an increase of transactions with existing customers.

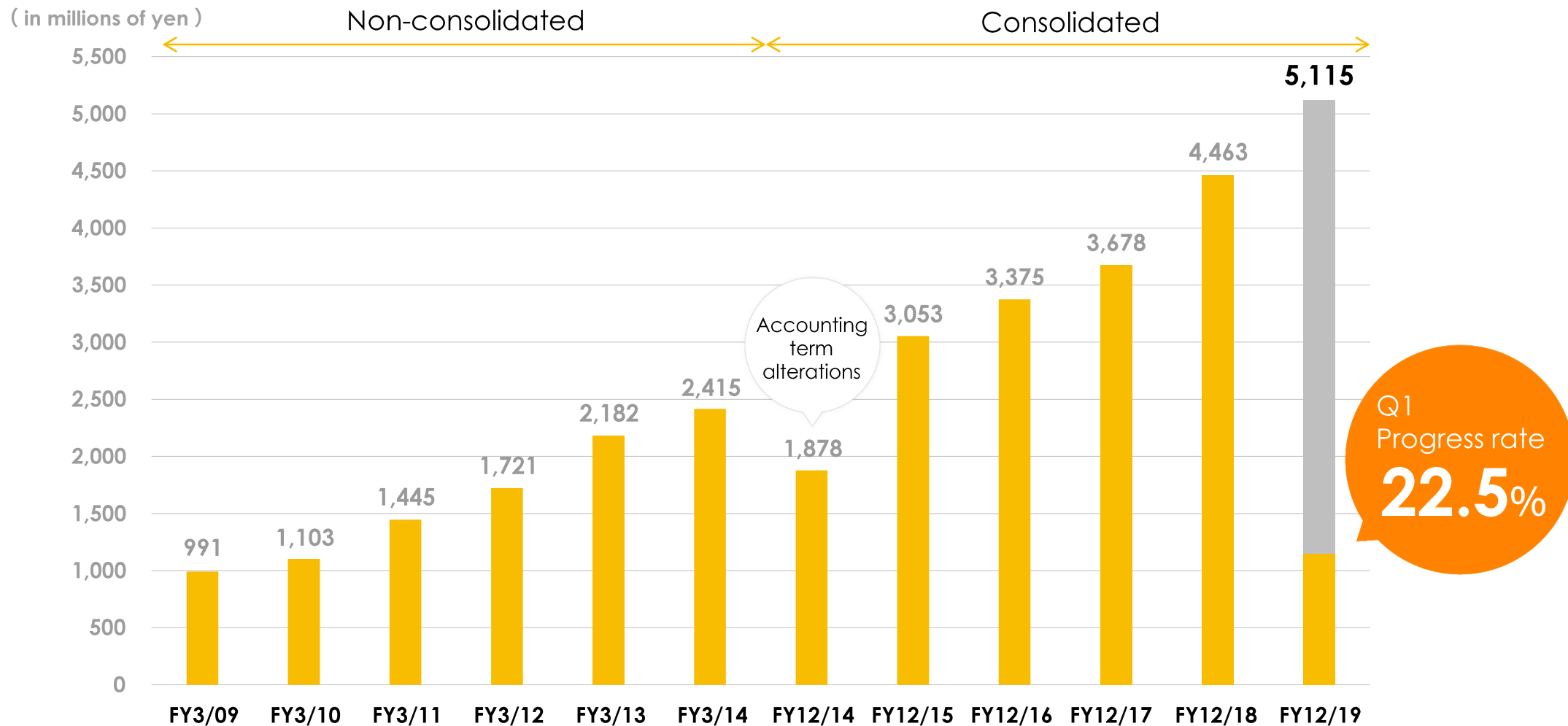
#### Digital Transformation (DX)

Net sales	<b>541</b> million JPY	YoY <b>+1.2%</b>
Operating profit	<b>27</b> million JPY	YoY <b>-77.8%</b>

Net sales were robust due to an increase of transactions with existing customers. Meanwhile, operating profit decreased due to an increase in personnel expenses following an increase in personnel and to a decrease in high-profit projects.

## Trends in sales

Recorded 1.1 billion yen, an increase of 4.9% year-on-year,  
Net sales were solid compared to the full-year forecast

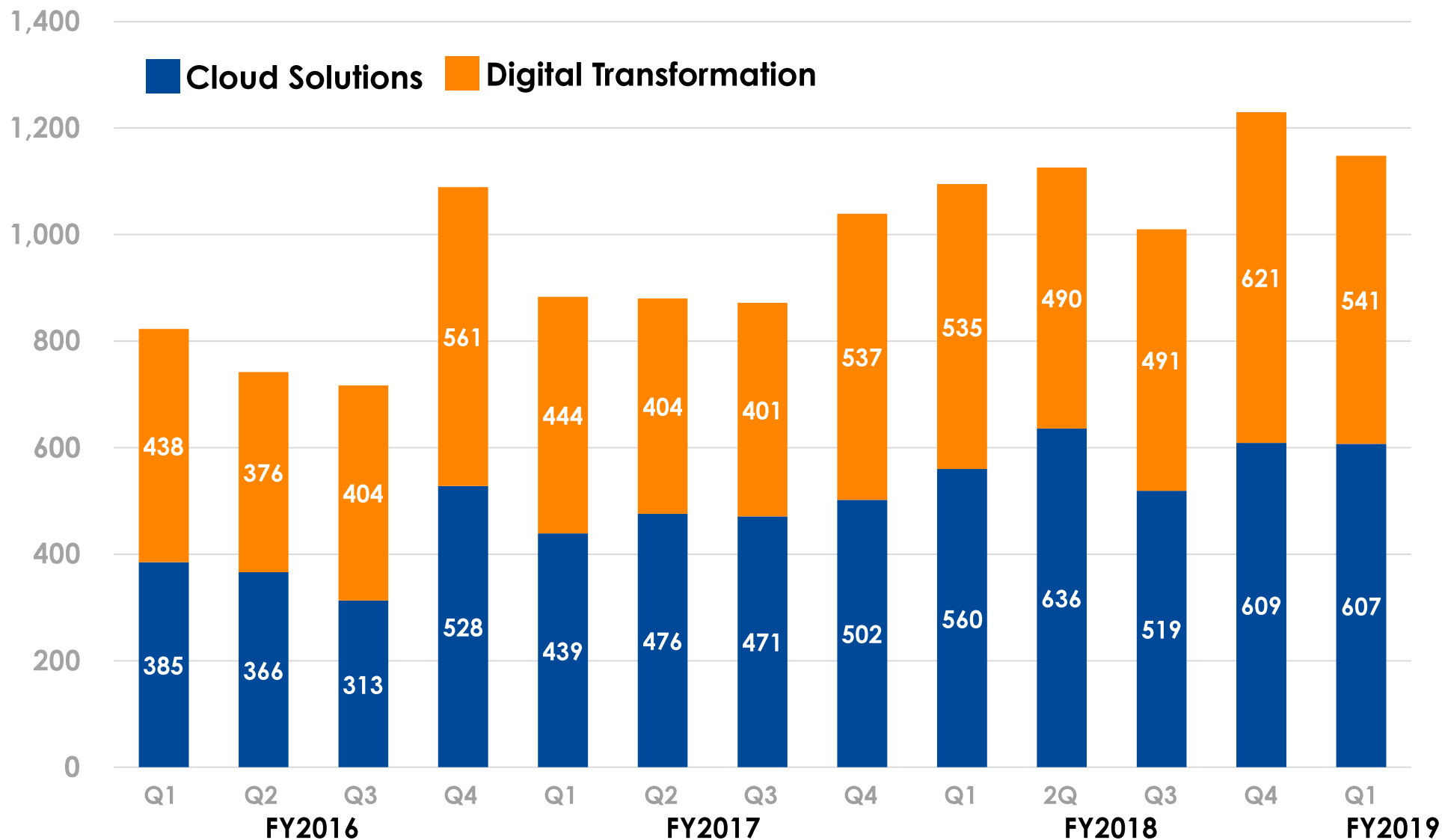


\*Was not audited by KPMG AZSA LLC, prior to and in the fiscal year ended March 31, 2014

\*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

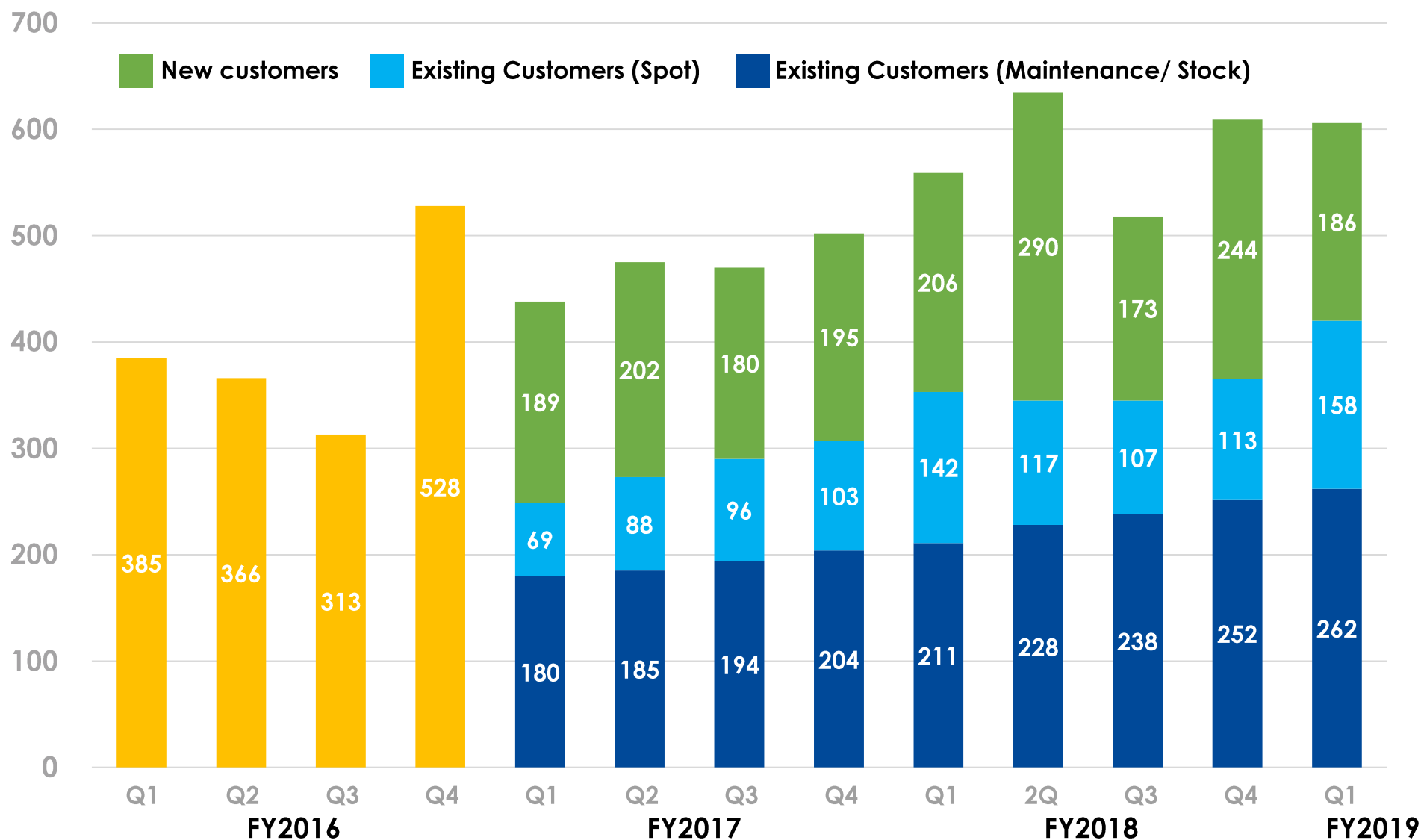
( in millions of yen )



# Percentages of net sales by business segment

## Cloud Solutions

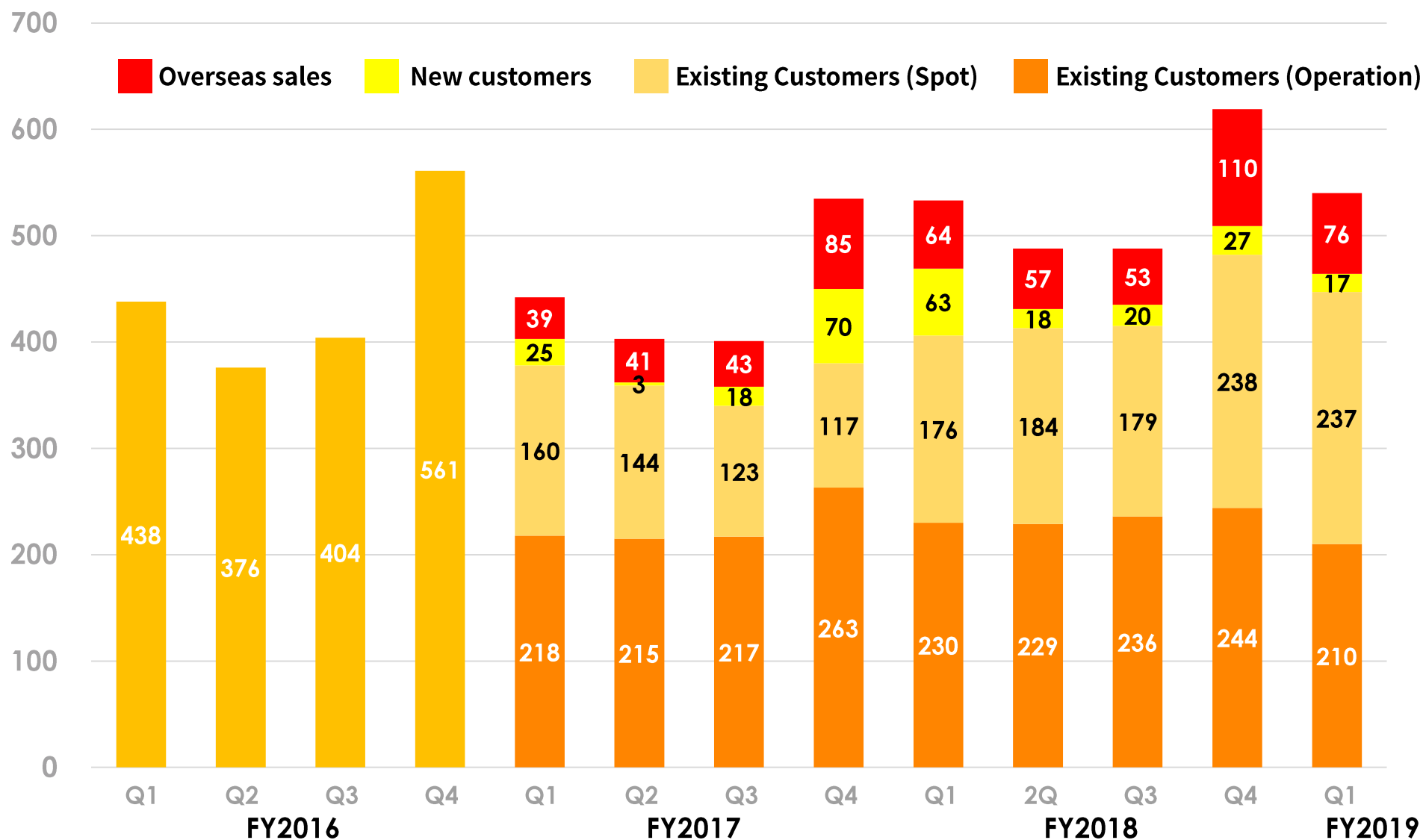
( in millions of yen )



# Percentages of net sales by business segment

## Digital Transformation

( in millions of yen )



## Progress against the full-year forecast

Both net sales and operating profit were solid compared to the full-year forecast

( in millions of yen )

	FY2019 forecasts	Q1 FY2019 actual results	Progress rates
Net Sales	5,115	1,148	22.5 %
Cloud Solutions	2,801	607	21.7 %
Digital Transformation	2,313	541	23.4 %
Operating profit	1,308	269	20.6 %
Ordinary profit	1,325	267	20.2 %
Profit attributable to owners of the parent	907	181	20.0 %

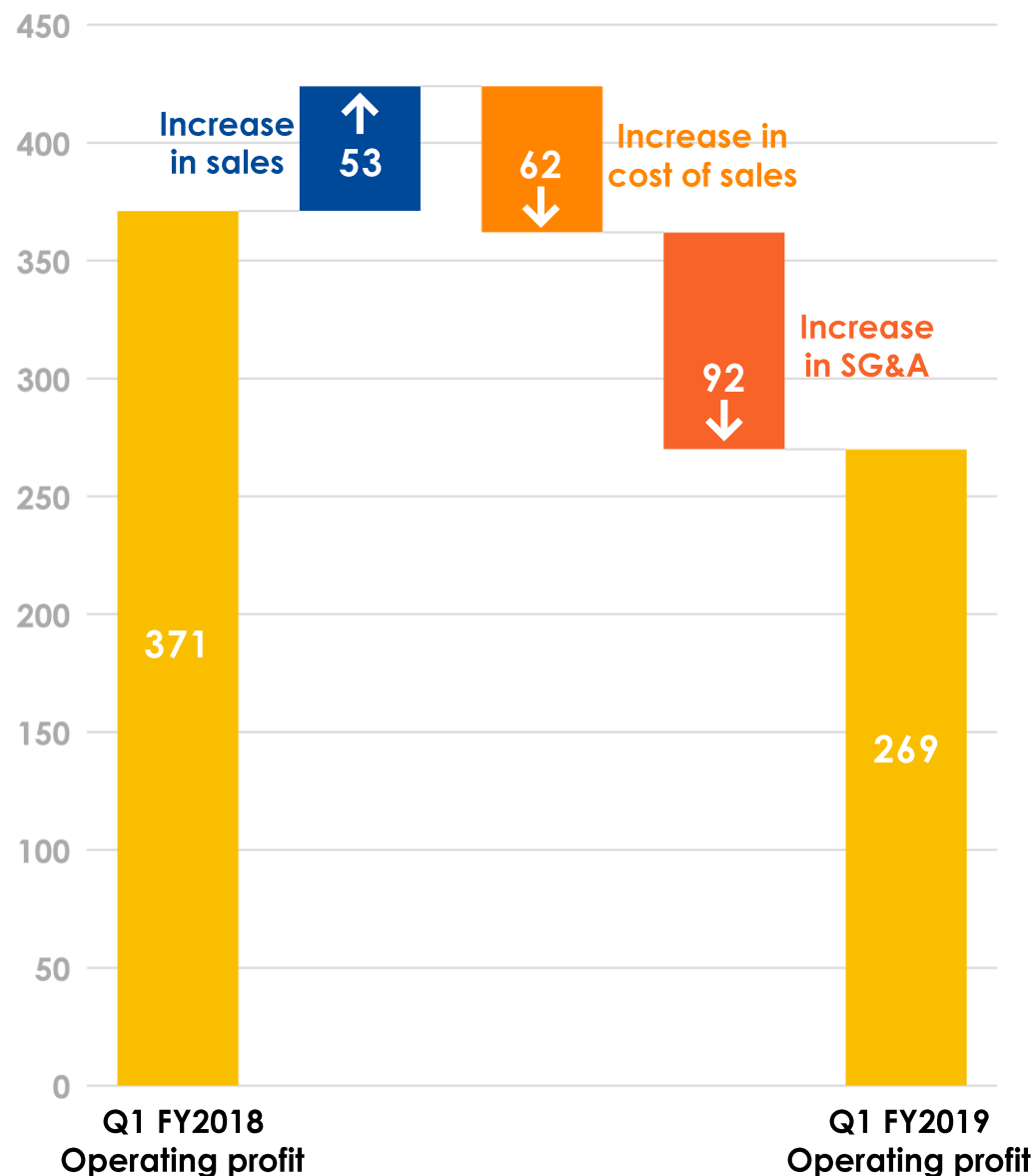
## Profit and loss statement (YoY)

( in millions of yen )

	Q1 FY2019 (composition ratios)	Q1 FY2018 (composition ratios)	Difference	Main factors
Net sales	<b>1,148</b> (100.0%)	<b>1,095</b> (100.0%)	<b>53</b>	
Cost of sales	<b>508</b> (44.3%)	<b>446</b> (40.7%)	<b>62</b>	Increase in the number of engineers and a rise in average compensation and bonuses, increase in outsourcing expenses , etc.
Gross profit	<b>640</b> (55.7%)	<b>649</b> (59.3%)	<b>▲9</b>	
Selling, general and administrative expenses	<b>370</b> (32.3%)	<b>277</b> (25.4%)	<b>92</b>	Increase in the number of Sales and management personnel and a rise in average compensation and bonuses, Increase in R&D expenses, Increase in Recruiting expenses, etc.
Operating profit	<b>269</b> (23.4%)	<b>371</b> (33.9%)	<b>▲102</b>	
Ordinary profit	<b>267</b> (23.3%)	<b>330</b> (30.1%)	<b>▲62</b>	
Profit attributable to owners of the parent	<b>181</b> (15.8%)	<b>226</b> (20.7%)	<b>▲44</b>	

# Fluctuation factor of operating profit (YoY)

( in millions of yen )



© oRo co.,ltd.

( in millions of yen )

## Main factors

<b>↑ Increase in sales</b>	<b>53</b>
Cloud Solutions	46
Digital Transformation	6
<b>↓ Increase in cost of sales</b>	<b>62</b>
Increase in outsourcing expenses	37
Increase in the number of engineers and a rise in average compensation and bonuses	31
Increase in other cost of sales	▲4
<b>↓ Increase in SG&amp;A</b>	<b>92</b>
Increase in the number of Sales and management personnel and a rise in average compensation and bonuses	44
Increase in Recruiting expenses	10
Increase in R&D expenses,	7
Increase in other selling and general administrative expenses	30

## Balance sheet

- ① Decrease in cash and deposits mainly due to payment of income taxes, decrease in notes and accounts receivable-trade
- ② Increase in security deposits due to an increase of Tokyo office floor space
- ③ Decrease in income taxes payable due to payment of income taxes, decrease in notes and accounts payable-trade
- ④ Increase in profit attributable to owners of parent

( in millions of yen )

	As of Mar 31, 2019	As of Dec 31, 2018	Difference
Current assets	① 5,951	6,222	▲270
Non-current assets	450	415	34
Property, plant and equipment	120	107	12
Intangible assets	97	106	▲8
Investments and other assets	② 232	201	30
<b>Total assets</b>	<b>6,401</b>	<b>6,637</b>	<b>▲235</b>

	As of Mar 31, 2019	As of Dec 31, 2018	Difference
Current Liabilities	③ 943	1,243	▲300
Long-term liabilities	-	-	-
<b>Total liabilities</b>	<b>943</b>	<b>1,243</b>	<b>▲300</b>
<b>Net assets</b>	<b>5,458</b>	<b>5,394</b>	<b>64</b>
Shareholders' equity	④ 5,450	5,393	56
Other	8	0	7
<b>Total liabilities and net assets</b>	<b>6,401</b>	<b>6,637</b>	<b>▲235</b>

**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

## Establishment of a new site

Cloud Solutions, Digital Transformation

Established oRo code MOC Co., Ltd. on April 19, 2019

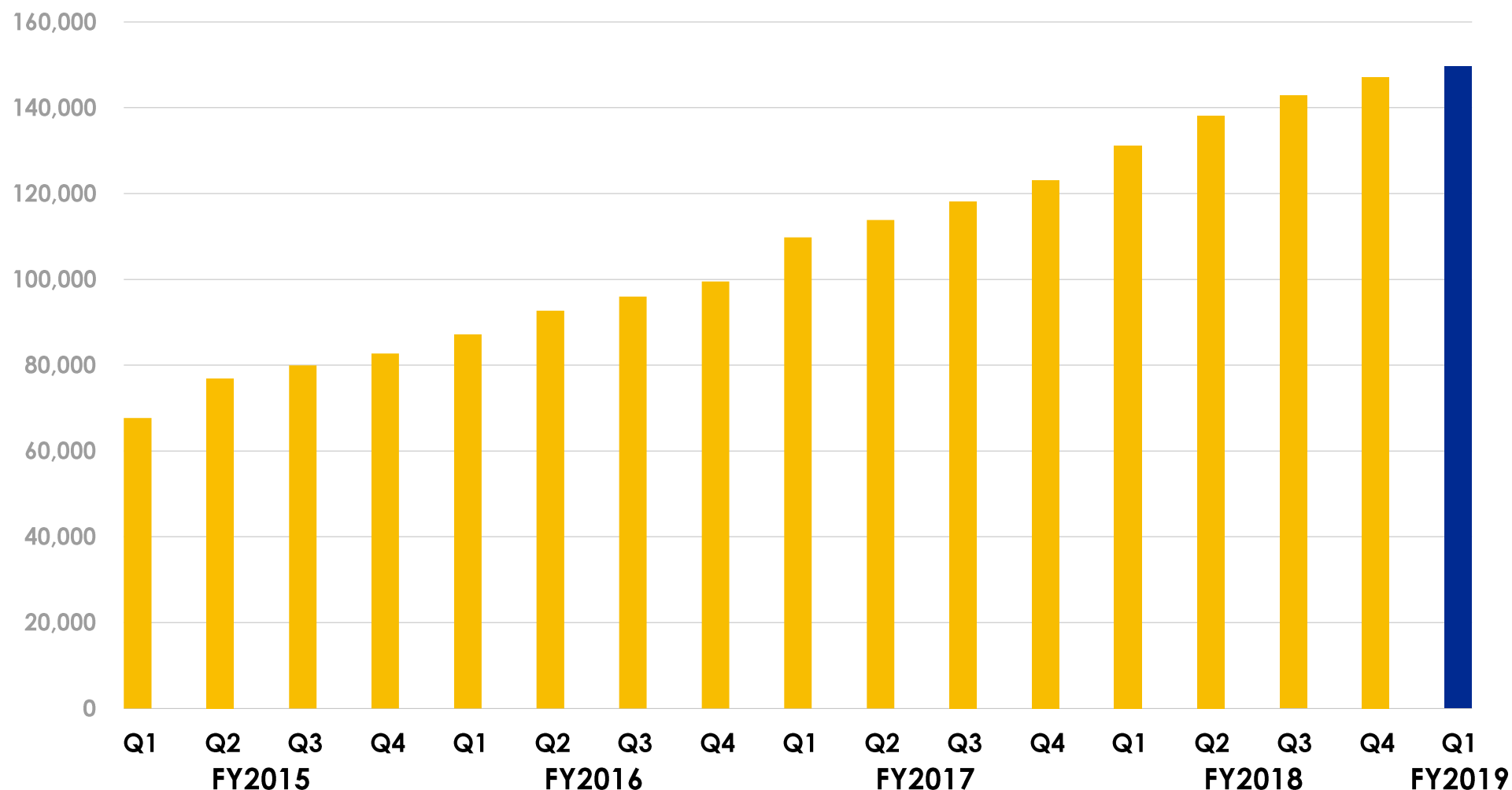
The second Business support subsidiary in Japan after oRo Miyazaki Co., Ltd.



## Trend in the number of 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.



**03**

## **Company profile**

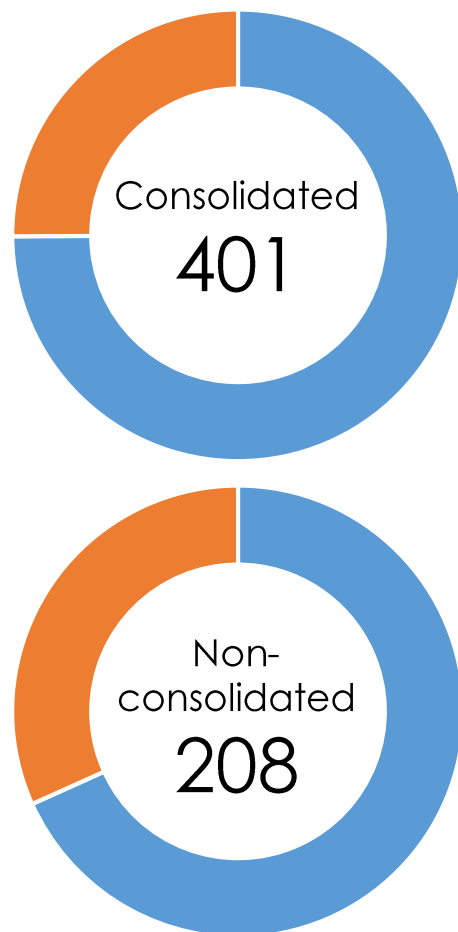
# Company profile

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	1,185 million yen
Business Portfolio	Cloud Solutions (CS) <ul style="list-style-type: none"><li>• Development and sales of cloud-based ERP 'ZAC Enterprise'</li></ul> Digital Transformation (DX) <ul style="list-style-type: none"><li>• Support for corporate marketing activities</li></ul>
Employees	Non-consolidated 208 / Consolidated 401 (As of end of Dec, 2018)
Branch	Nishinohon Branch, Chu-bu Branch, Hokkaido Branch, Fukuoka Branch
Group Company	oRo Miyazaki Co., Ltd. oRo code MOC Co., Ltd. ExpeQua 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

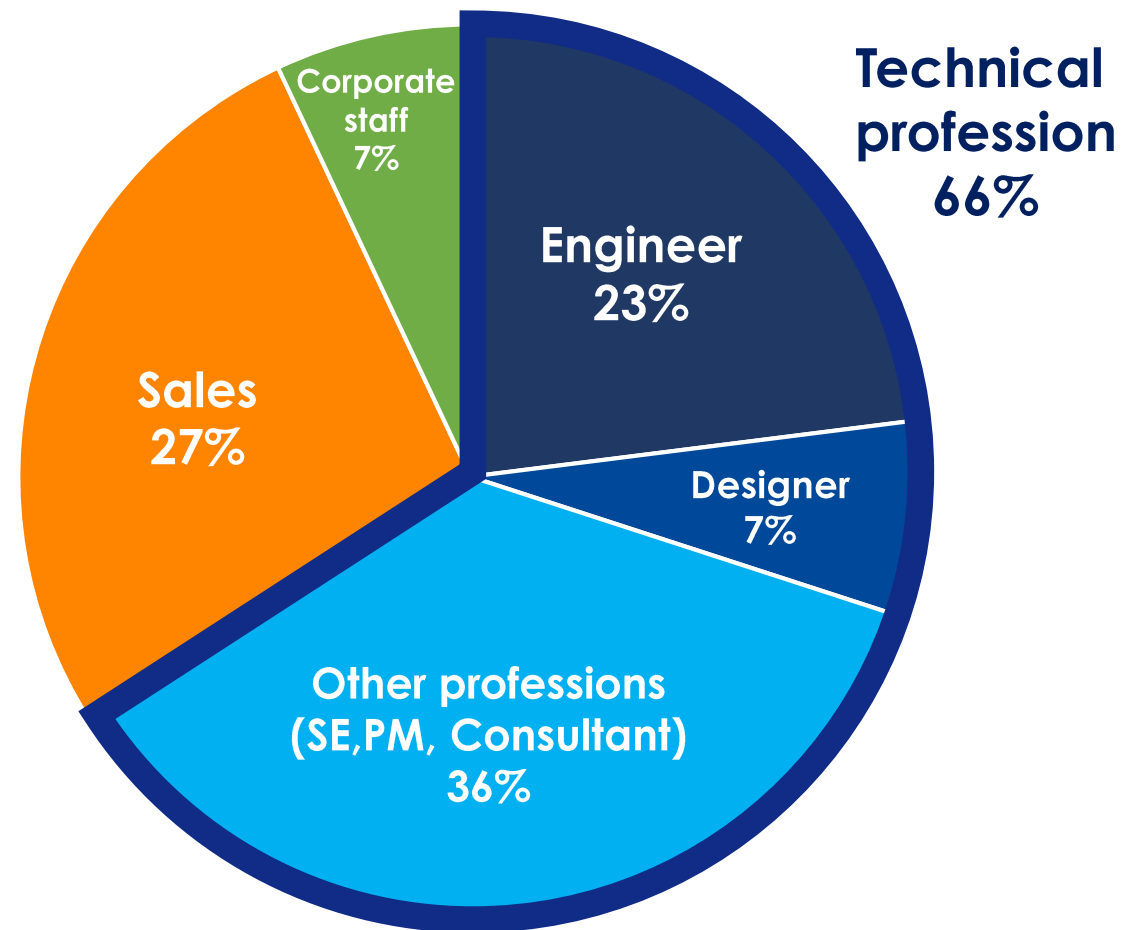
Create various solutions with “Technology × Creative”

Production and sales ratio



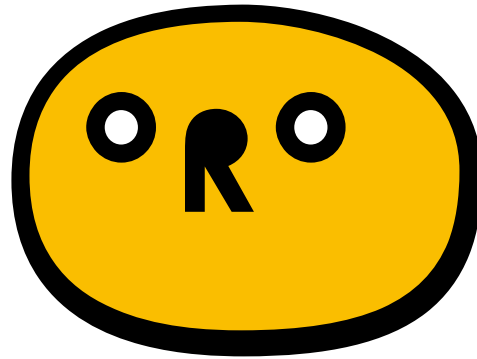
(As of end of Dec, 2018)

Job type ratio (Non-consolidated)



(As of end of Dec, 2018)

## 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 Enterprise”

Cloud Solutions

“ZAC Enterprise” 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

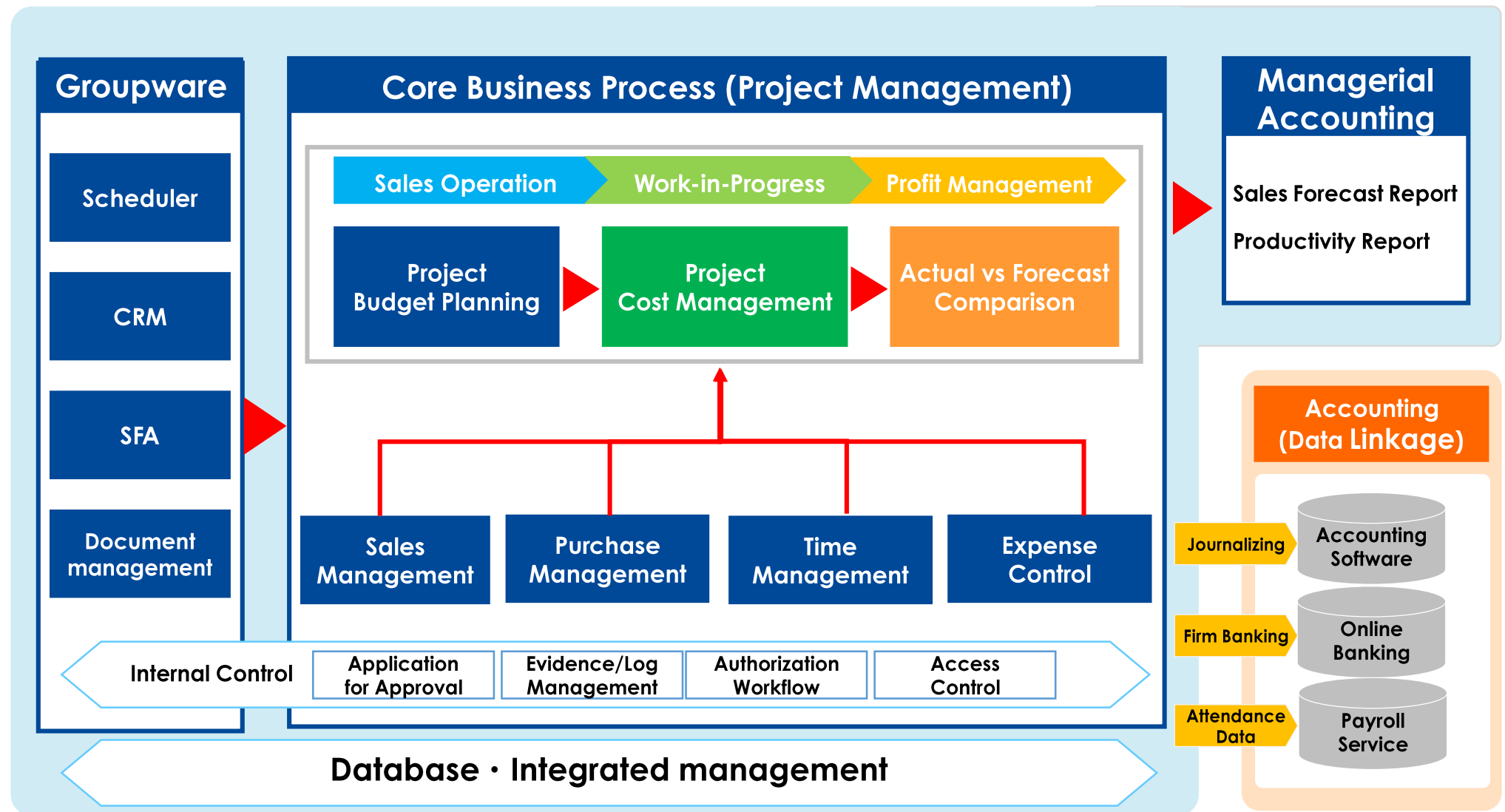
Overall  
optimum  
system

Practice of  
management  
accounting



# “ZAC Enterprise” system over view - general flowchart

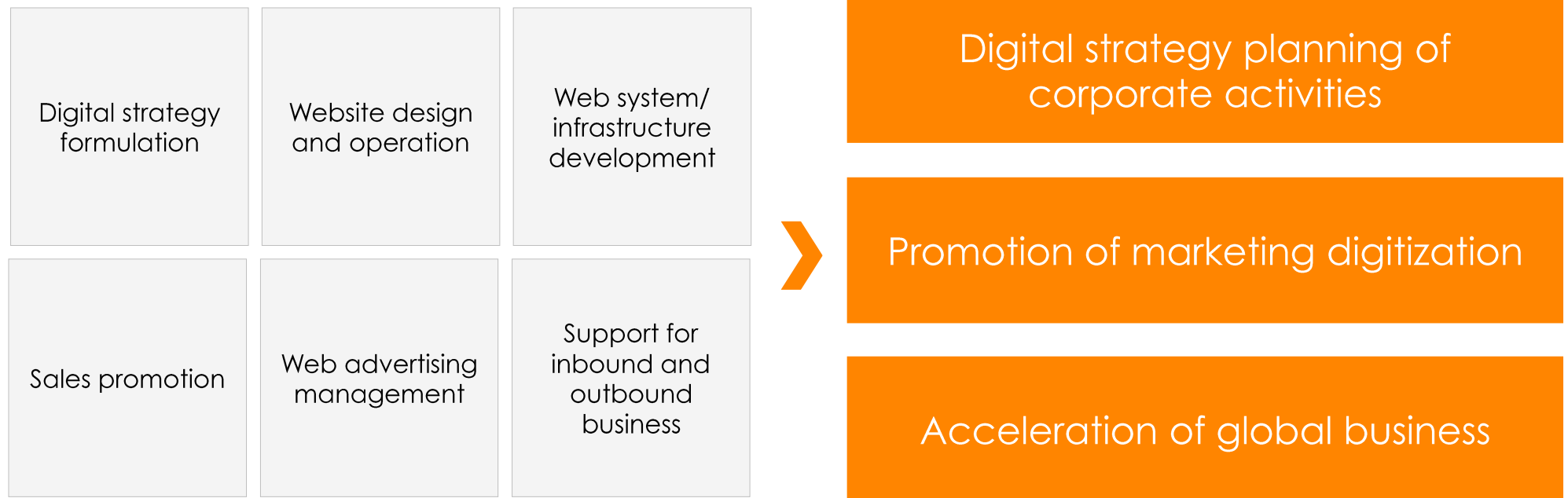
Cloud Solutions



# 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

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