

Financial Results for Q3 FY2021

oRo co.,ltd. Code : 3983

November 11, 2021



01 Q3 FY2021 Financial Results Highlights

02 Business Segment Topics

03 Company profile

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.



**Q3 FY2021
Financial Results Highlights**

Q3 FY2021 Financial Results

Q3 FY2021 consolidated financial results

Net sales	4,071 million JPY	YoY +13.8%
Operating profit	1,452 million JPY	YoY +44.8%

Net sales were moderately worse than expected in the plan, whereas operating profit remained steady.

Cloud Solutions (CS)

Net sales	2,405 million JPY	YoY +15.3%
Operating profit	1,093 million JPY	YoY +25.6%

Despite signs of recovery in the number of orders received, net sales were moderately worse than expected in the plan as we failed to fully make up for the delay in the first half of the fiscal 2021. Nevertheless, operating profit remained steady.

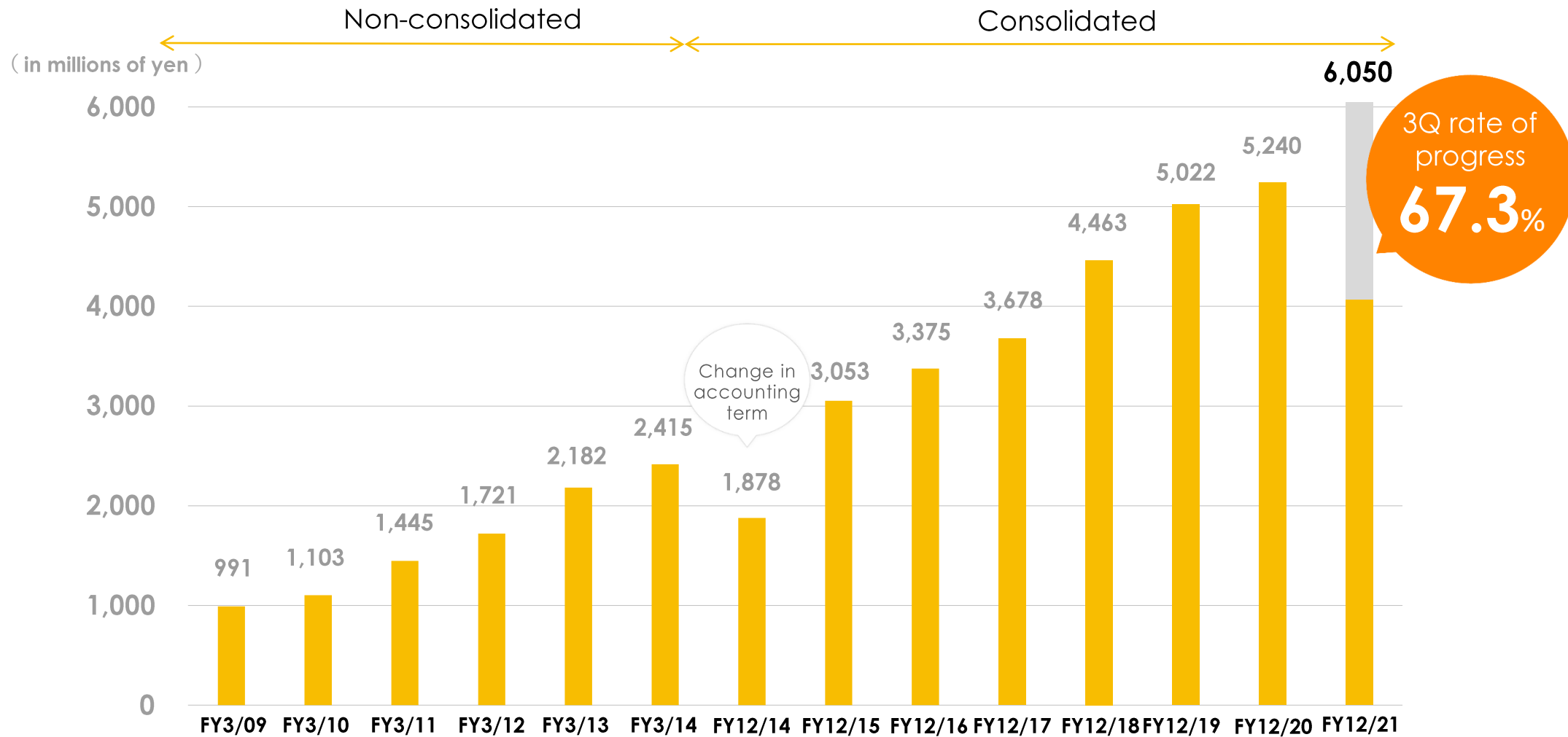
Digital Transformation (DX)

Net sales	1,665 million JPY	YoY +11.6%
Operating profit	358 million JPY	YoY +171.5%

Due to budget cuts by customers resulting from the worldwide semiconductor shortage, net sales were moderately worse than expected in the plan, whereas operating profit came in better than expected.

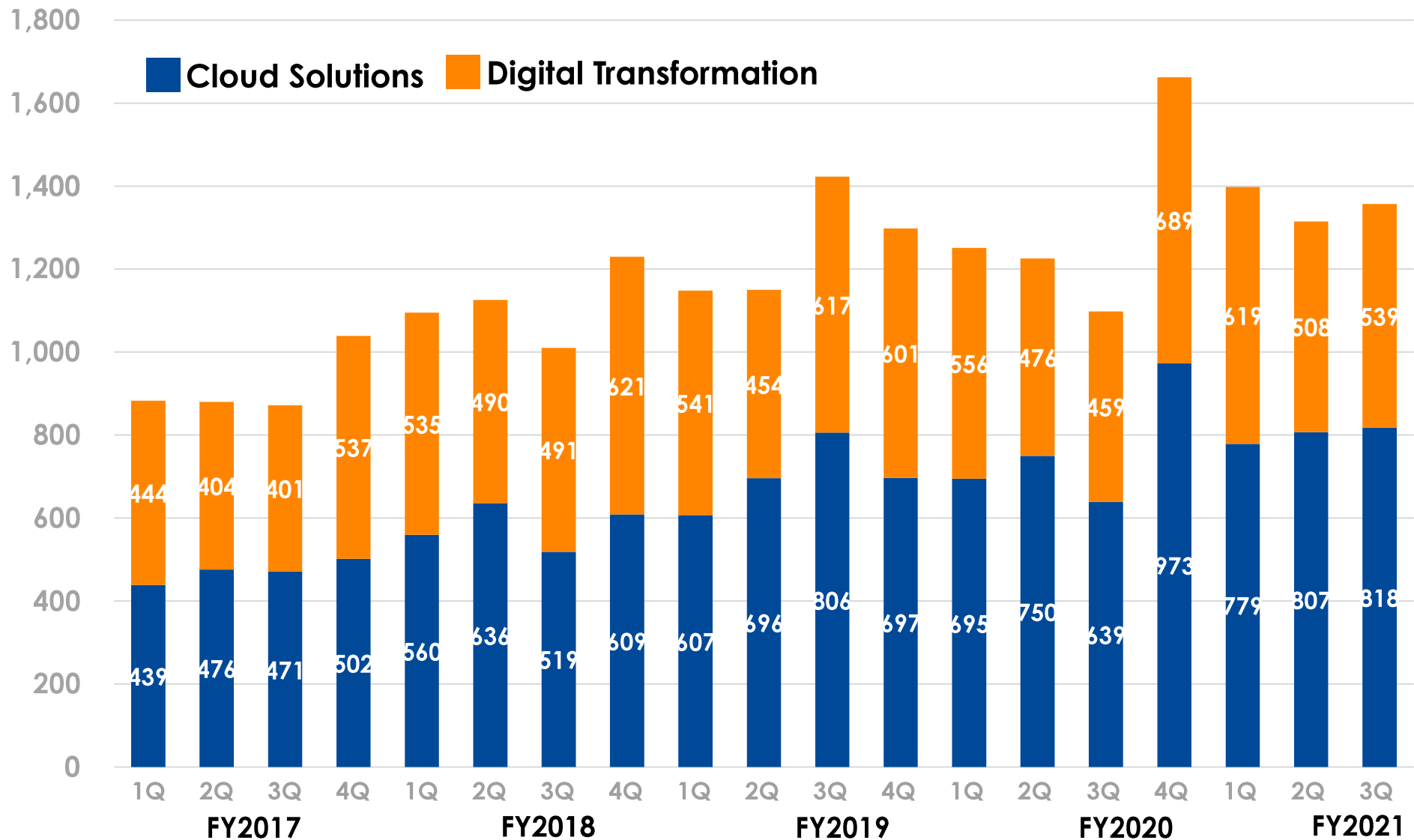
Trends in net sales

Recorded 4,071 million yen, up 13.8% year-on-year



Trends in quarterly net sales

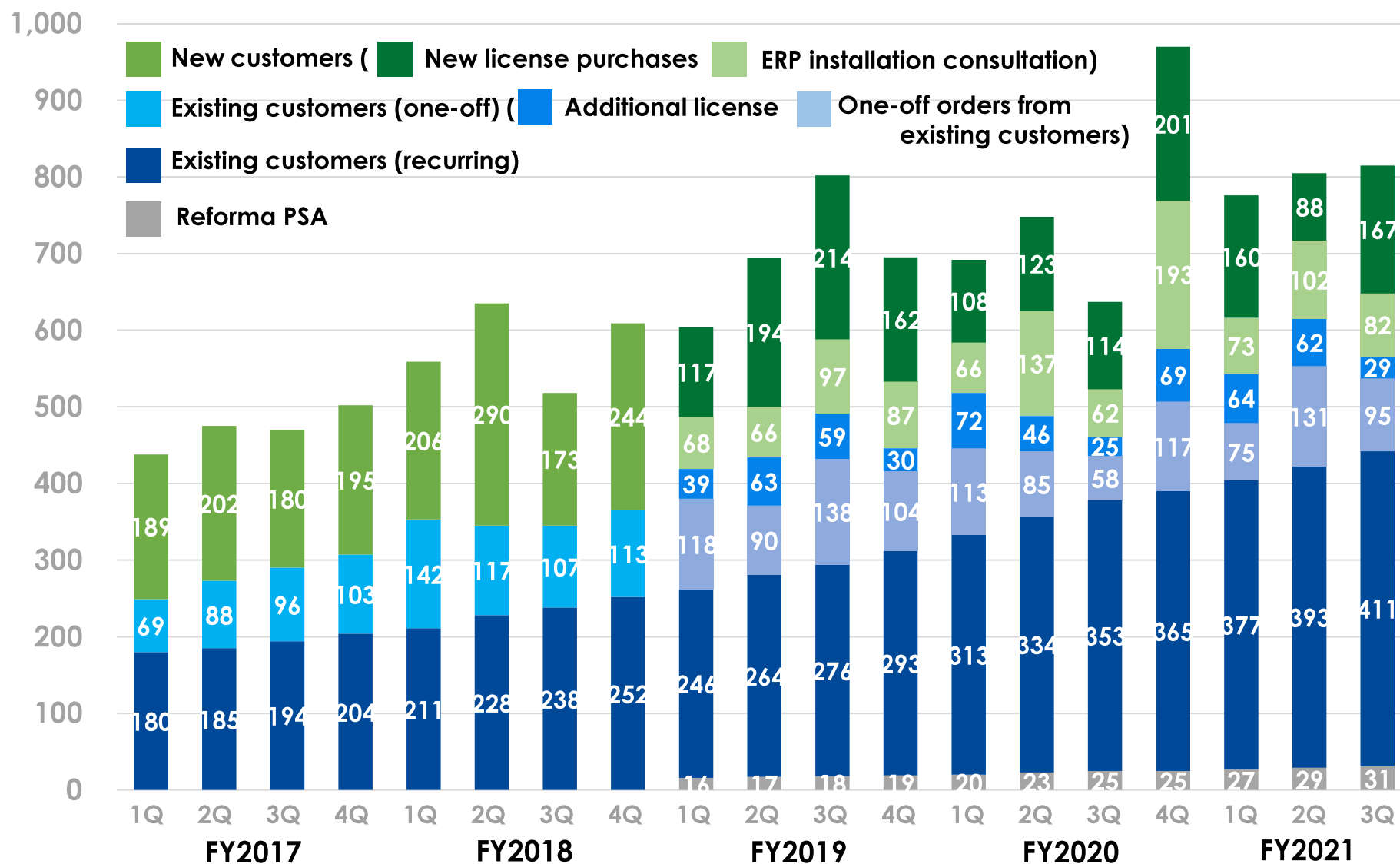
(in millions of yen)



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.

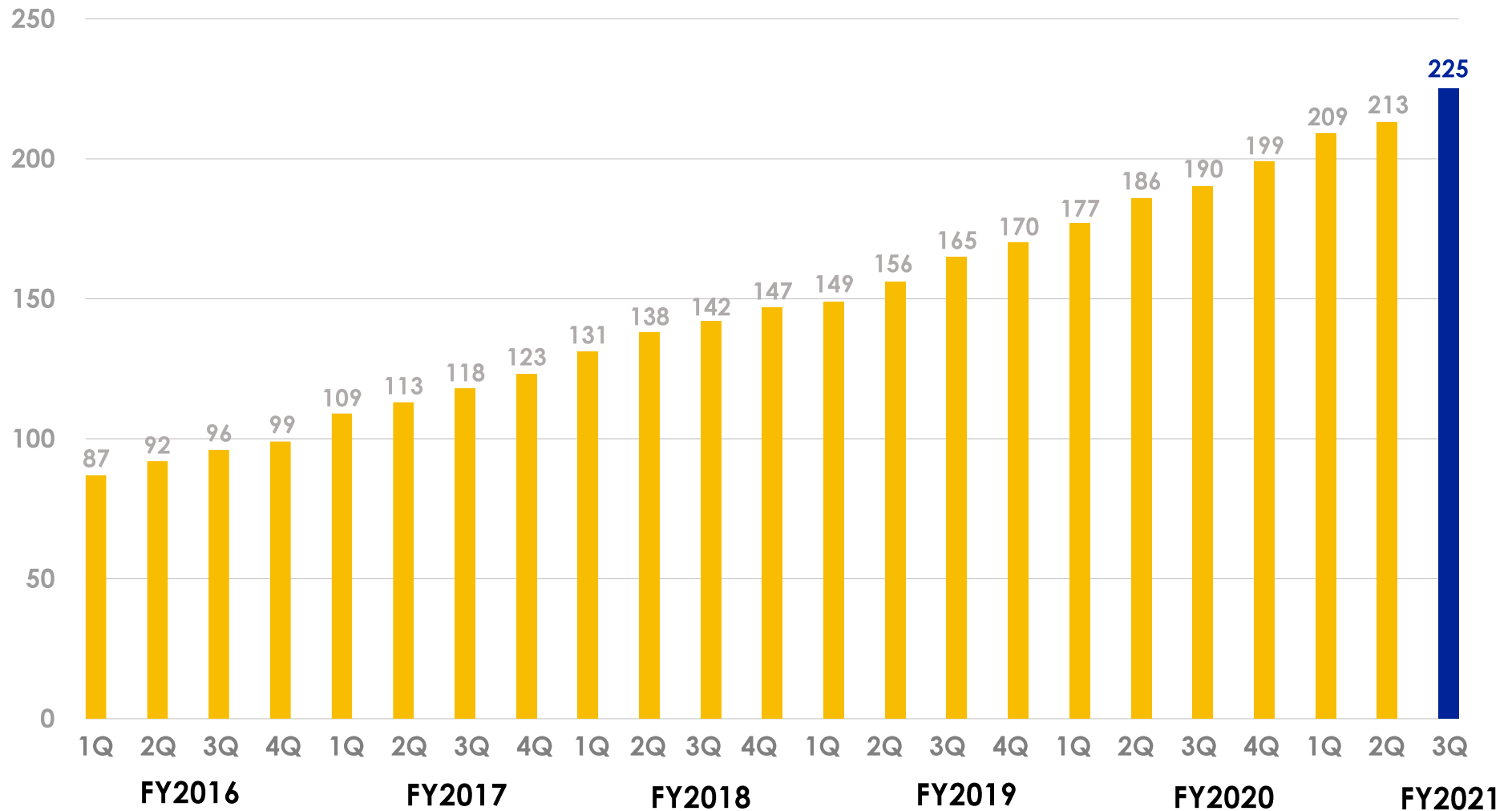
※3: Only in the case of no-returns purchase agreements.

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.

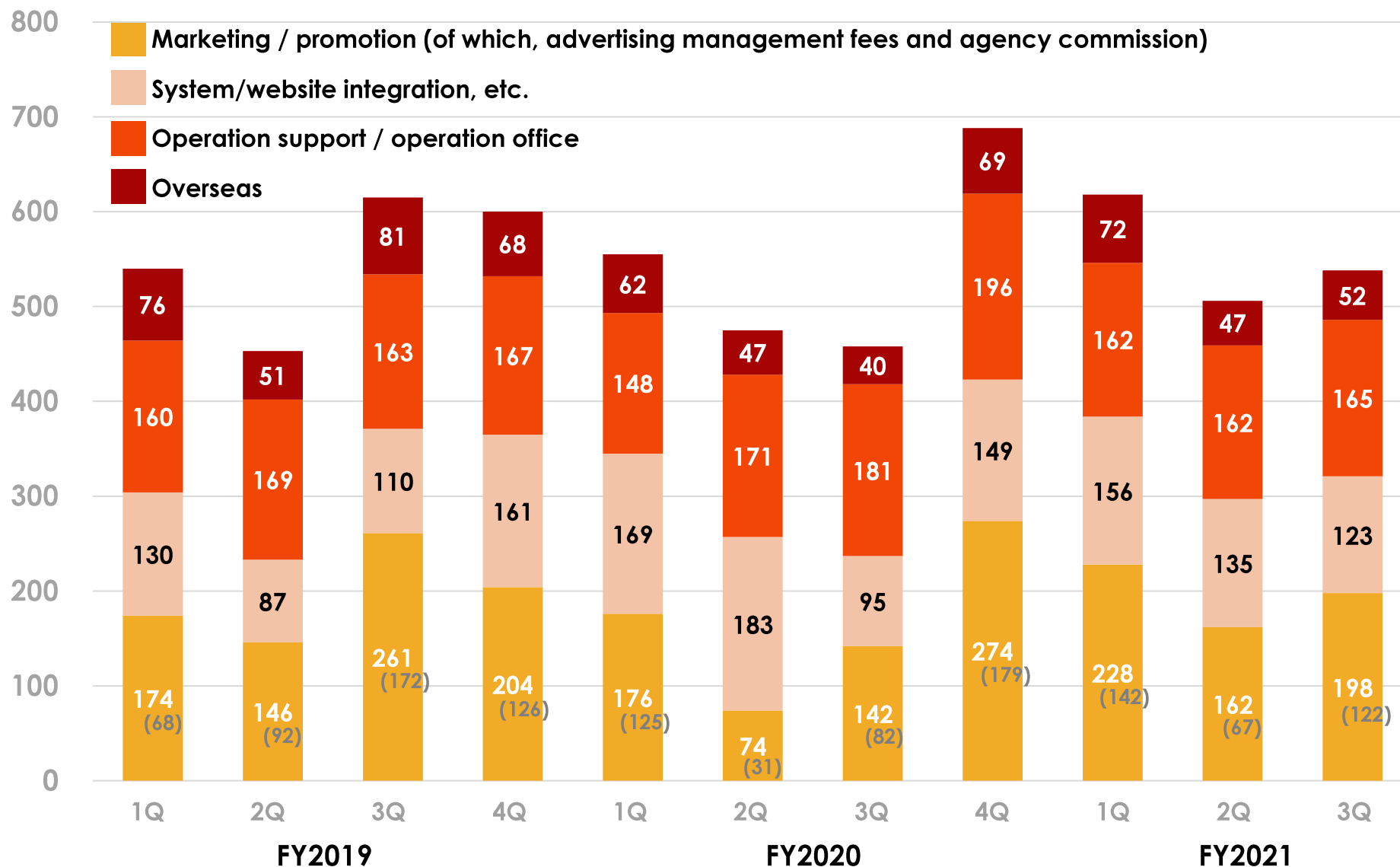
(in thousand)



Breakdown of net sales 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	Q3 FY2021 Results	Rates of progress
Net sales	6,050	4,071	67.3 %
Cloud Solutions	3,415	2,405	70.4 %
Digital Transformation	2,634	1,665	63.2 %
Operating profit	1,931	1,452	75.2 %
Ordinary profit	1,940	1,453	74.9 %
Profit attributable to owners of parent	1,338	991	74.0 %

Profit and loss statement (YoY)

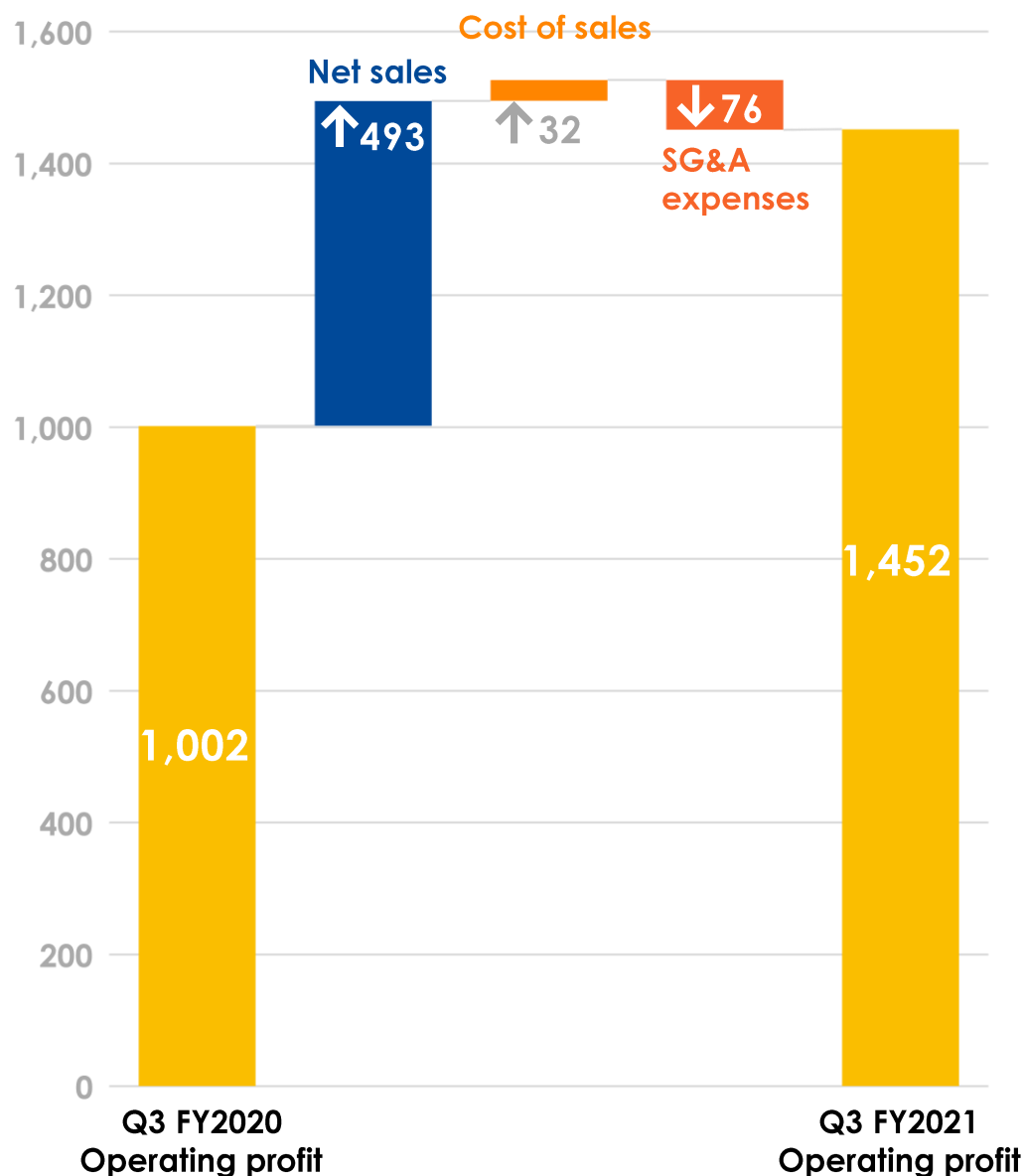
(in millions of yen)

	Q3 FY2020 (Composition ratio)	Q3 FY2021 (Composition ratio)	Difference	Main factors
Net sales	3,578 [100.0%]	4,071 [100.0%]	493	
Cost of sales	1,541 [43.1%]	1,508 [37.1%]	(32)	Effect of withdrawal from the unprofitable business and subsequent recognition of loss during the same period of the previous fiscal year; changes in work in process excluding related to the unprofitable business above; increases in the number of technical professional employees and their salaries
Gross profit	2,037 [56.9%]	2,562 [62.9%]	525	
Selling, general and administrative expenses	1,034 [28.9%]	1,110 [27.3%]	76	Decreases in travel and transportation expenses, and training expenses; increase in research and development expenses; increase in advertising expenses; increases in the number of sales & administration employees and their salaries
Operating profit	1,002 [28.0%]	1,452 [35.7%]	449	
Ordinary profit	1,007 [28.2%]	1,453 [35.7%]	445	
Profit attributable to owners of the parent	681 [19.0%]	991 [24.3%]	309	

Fluctuation factor of operating profit (YoY)

(in millions of yen)

(in millions of yen)



© oRo co.,Ltd.

Main factors

↑ Increase in net sales	493
Cloud Solutions	320
Digital Transformation	172
↑ Decrease in cost of sales	(32)
Effect of withdrawal from the unprofitable business and subsequent recognition of loss during the same period of the previous fiscal year	(51)
Change in work in process excluding related to the unprofitable business above	(65)
Increases in the number of technical professional employees and their salaries	16
Increase/decrease in other cost of sales	68
↓ Decrease in SG&A	76
Decreases in travel and transportation, entertainment, and training expenses	(11)
Increases in the number of sales & administration employees and their salaries	68
Increase in research and development expenses	27
Increase in advertising expenses	23
Increase/decrease in other SG&A	(32)

Balance sheet (vs. end of previous fiscal year)

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

(in millions of yen)

	As of Dec 31, 2020	As of Sep 30, 2021	Difference		As of Dec 31, 2020	As of Sep 30, 2021	Difference
Current assets	① 7,920	6,868	(1,052)	Total liabilities	1,391	1,159	(232)
Non-current assets	688	635	(52)	Current liabilities	② 1,218	996	(221)
Property, plant and equipment	454	385	(68)	Non-current liabilities	173	162	(10)
Intangible assets	31	38	7	Net assets	7,216	6,344	(872)
Investments and other assets	202	211	8	Shareholders' equity	③ 7,218	6,322	(895)
Total assets	8,608	7,503	(1,104)	Accumulated other comprehensive income	(1)	21	23
				Total liabilities and net assets	8,608	7,503	(1,104)

News Release

Cloud Solutions / Digital Transformation

Aug 27: Upgraded the version of ZAC's data link function

Sep 2: Revamped the design of ZAC's key functions

Sep 2: Launched an e-commerce seller support service "EC Consulting"

We will provide one-stop support from strategy development, including purchaser and competitor analyses, to advertisement improvement.

Sep 13: Commenced offering "Self Plan" for ZAC

—Provide free-of-charge implementation support under certain conditions—

Implementation support, which usually costs millions of yen, will be available for free of charge if certain conditions are met. The plan will help SMEs reduce costs for system implementation.

Sep 29: Commenced offering a service menu for digital audio advertising

We will provide comprehensive services ranging from suggesting a plan that suits specific products, market characteristics and competitive trends through to effectiveness analysis.

Oct 11: Upgraded the version of Reforma's attendance management function

Oct 20: Developed an original digital advertising indicator "PGI"

We have introduced "Project Goal Indicator (PGI)" to support measuring measure effectiveness so as to maximize advertising effectiveness.

Oct 27: Revamped the design of Reforma's key functions

Oct 29: Semrush's user accounts in Japan exceeded 7,000

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
- Numerous general-purpose parameters to match client needs/resolve client problems
- Providing end-to-end supports by consultants, from installation to operation

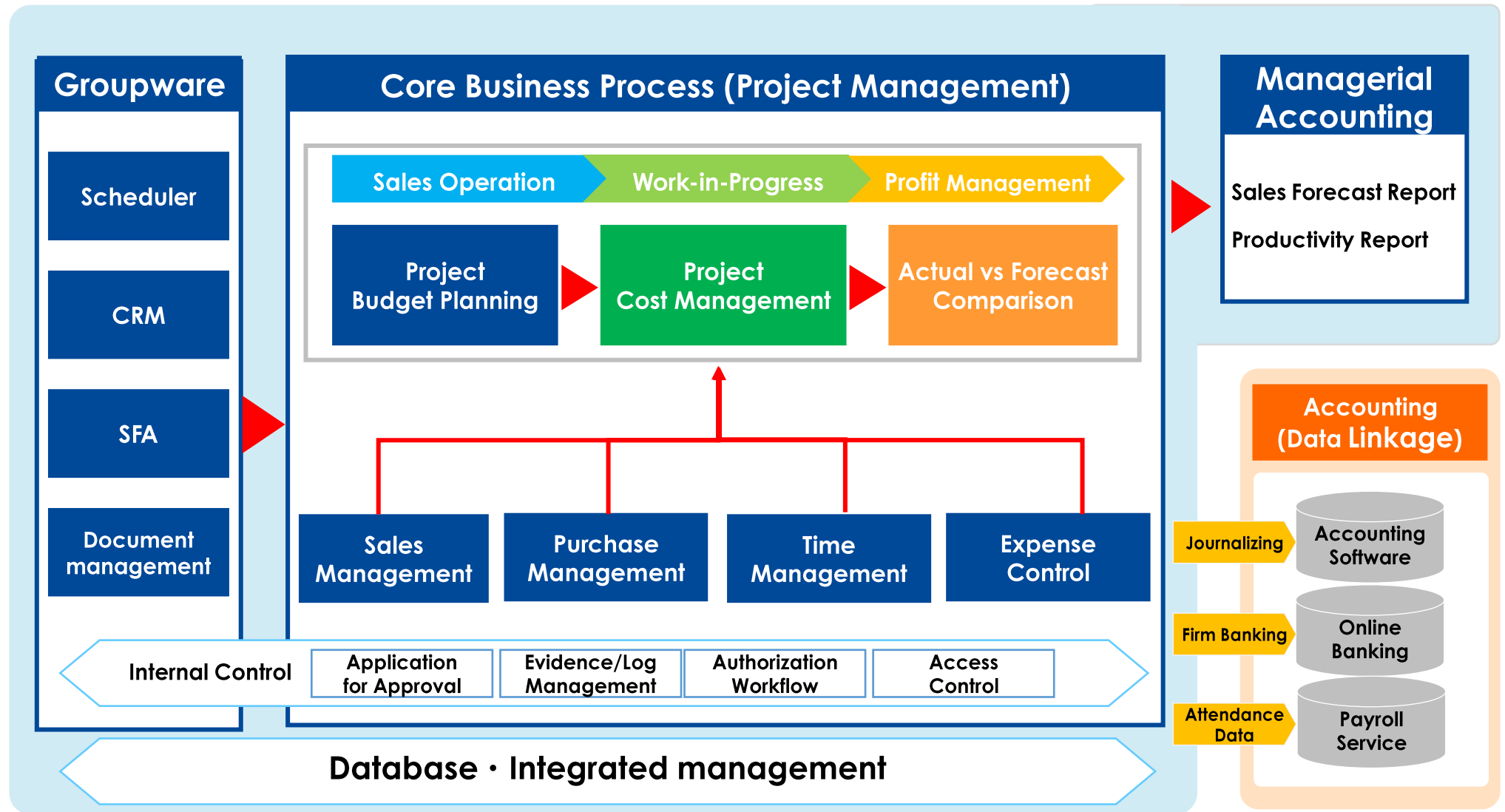


Cloud PSA “Reforma PSA”

- 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

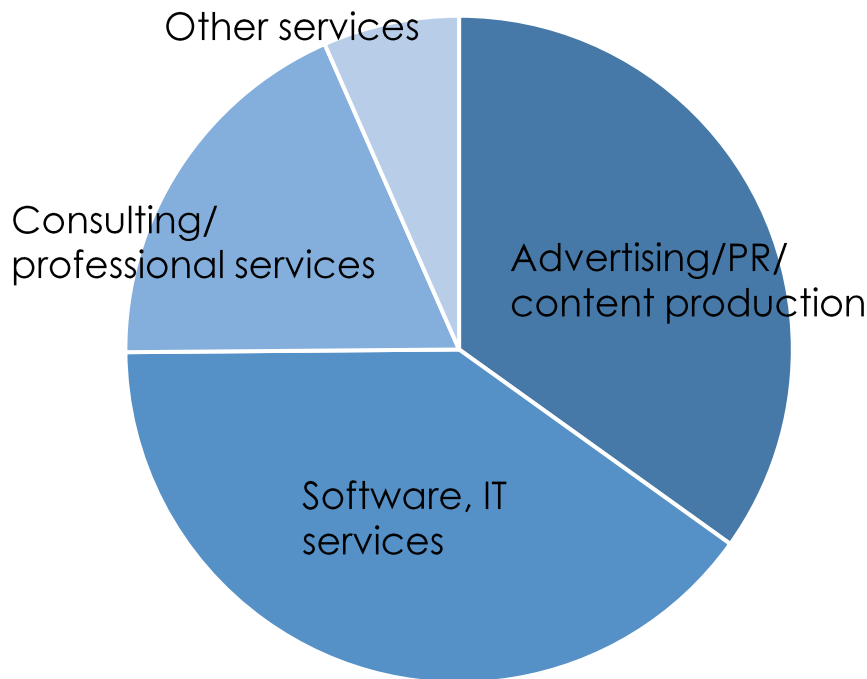


Industry-specific ERP

Cloud Solutions

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

(As of September 30, 2021)



Advertising/PR/content production



Software/system development, and IT services



Consulting/professional services



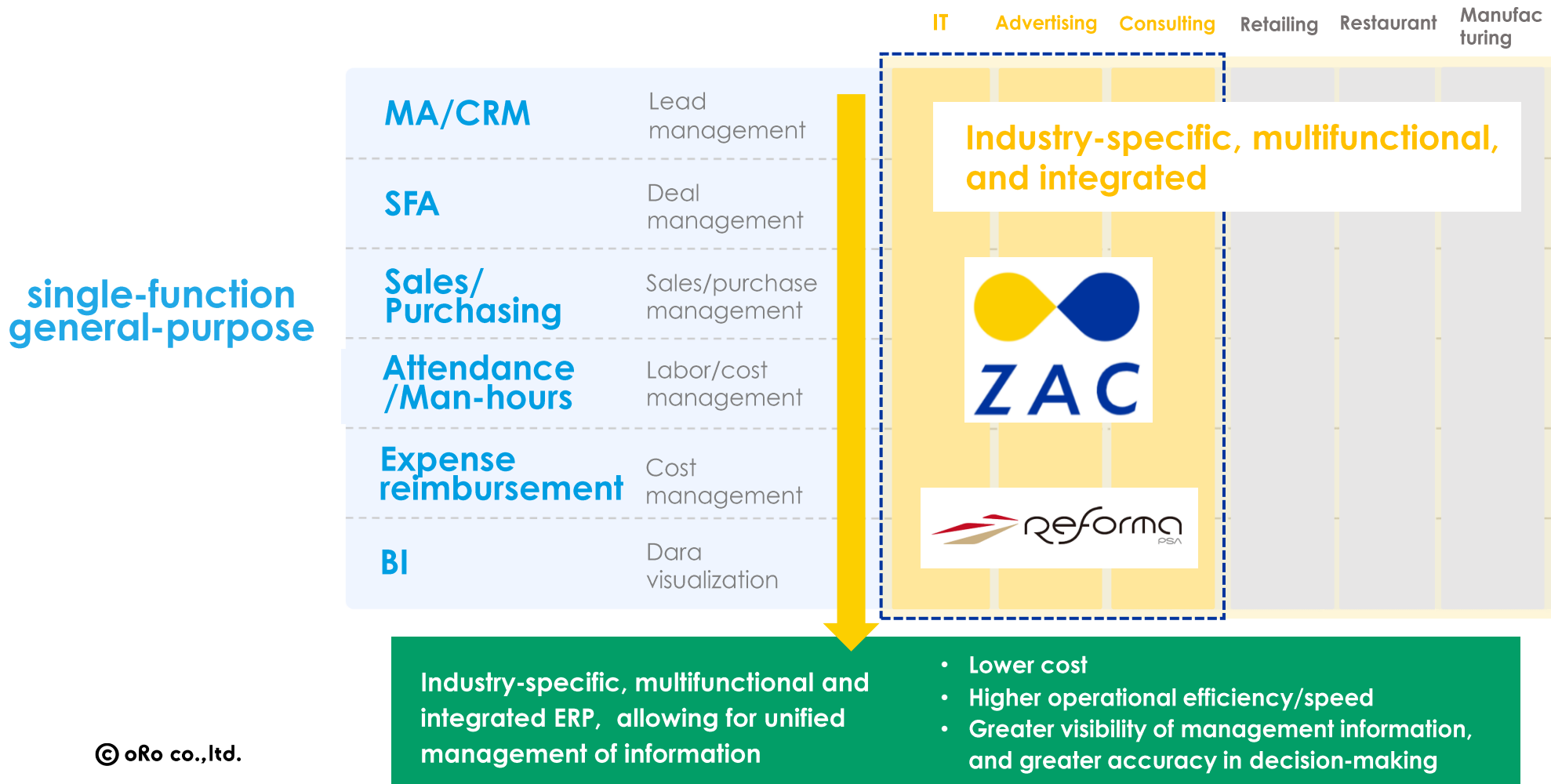
Other services



Industry-specific integrated ERP

Cloud Solutions

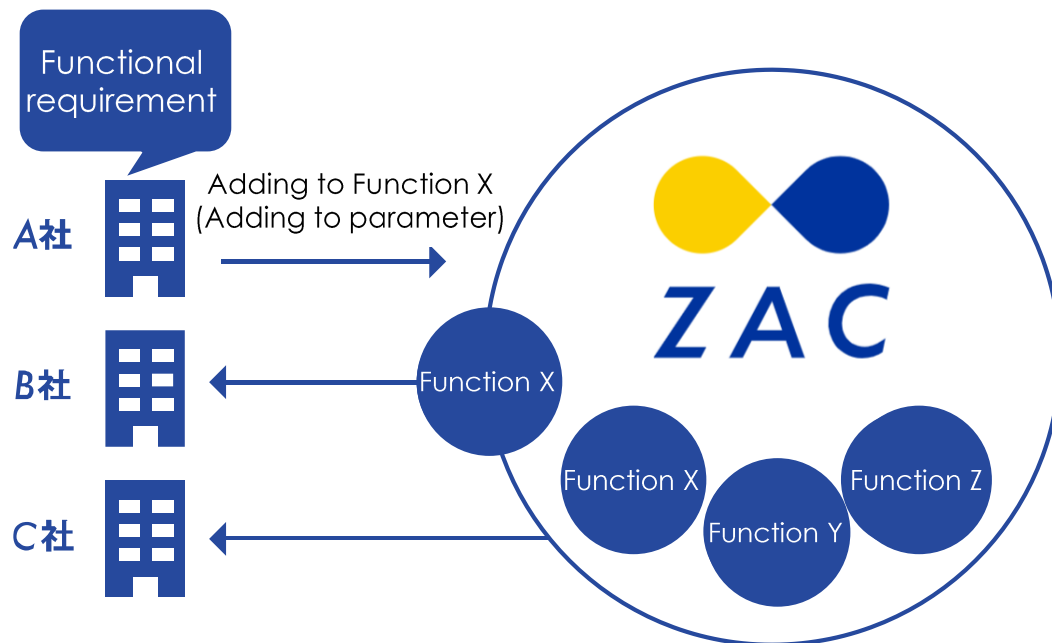
ERP systems can be classified broadly into **single-function general-purpose** systems, which may be used irrespective of which industries customers belong to; and **multi-function integrated** systems, which have combined a variety of industry-specific functions especially for IT service, advertising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

Has developed numerous industry-specific parameters since the launch of ZAC in 2006, whereby matching client needs and resolving client problems without developing additional parameters.

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.

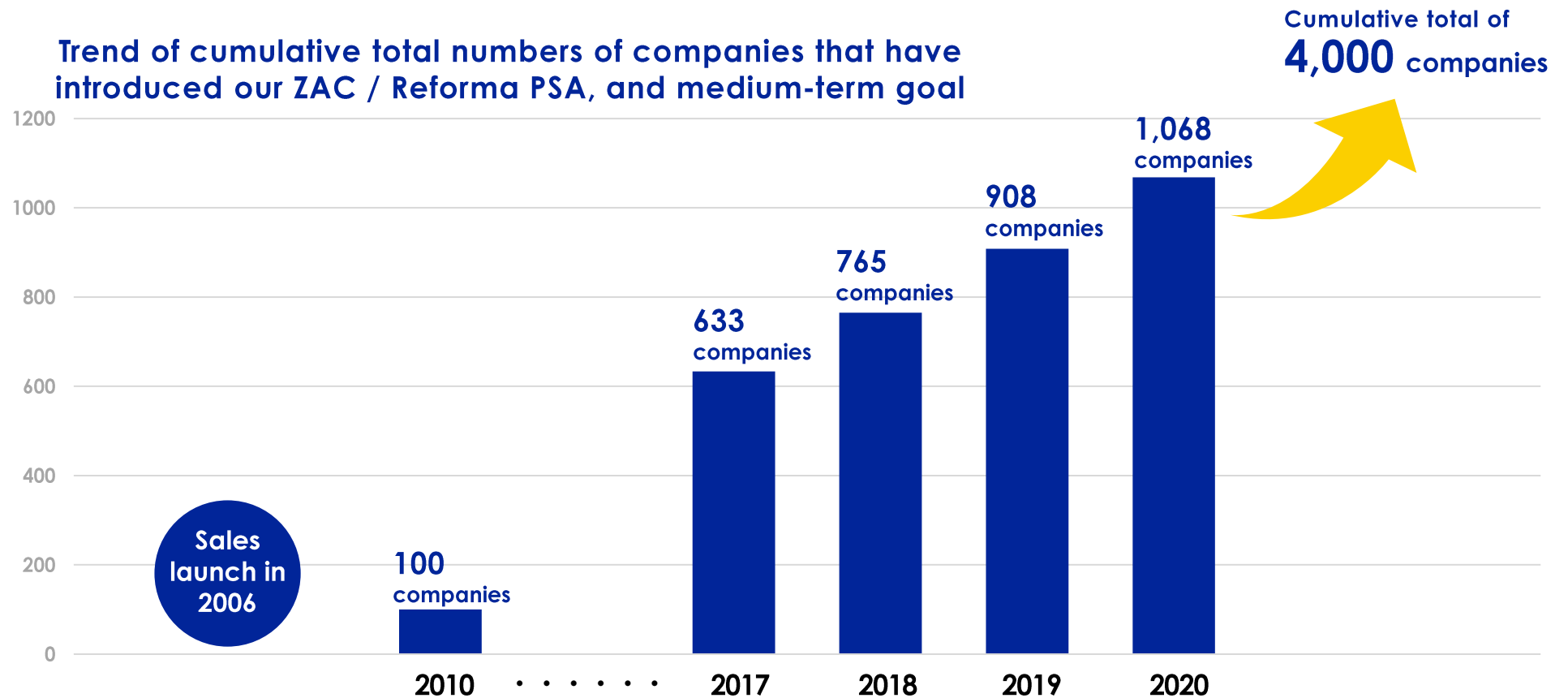
Example of functional enhancement ②

Function to provisionally record purchase before receiving an invoice to cater for the client needs in the advertising/event/creative business sectors.

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

As of March 31, 2021

Aiming to expand our market share to approx. 10%, representing **4,000 companies** out of **approx. 44,000 target companies in Japan**



- * 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.

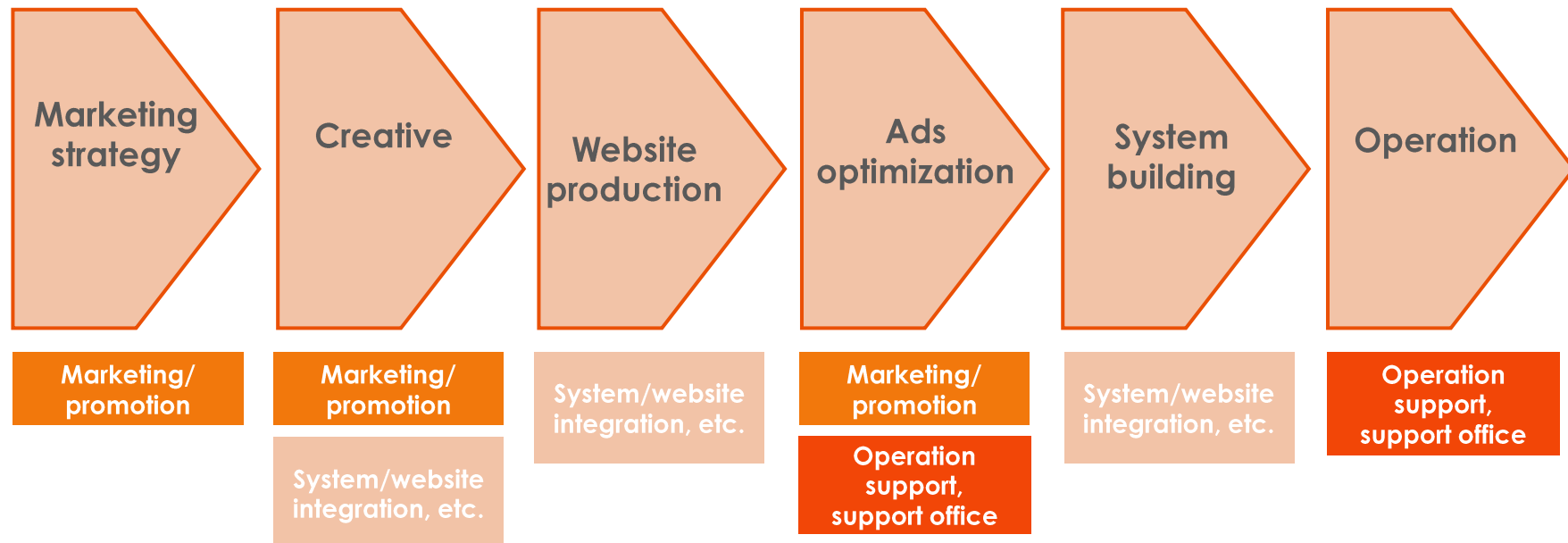
◆ **Leveraging expertise in digital marketing**

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	△	×	×	×	×	◎	×

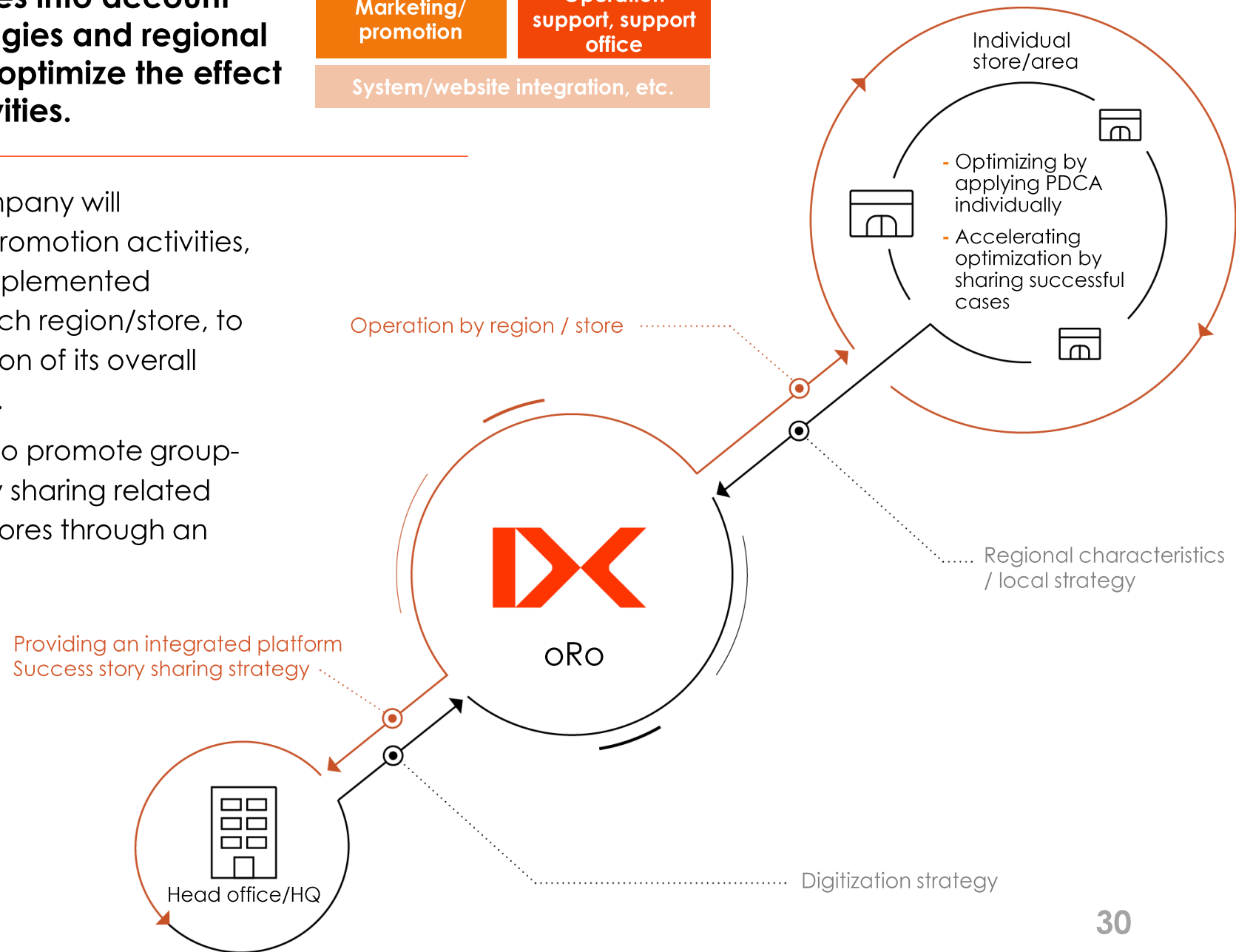
Area marketing

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 October 2021

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

New initiatives

New business/overseas business

New business

SaaS management platform "dxeco"

- A platform that detects SaaS in an enterprise and provides the visibility of cost performance to facilitate cost reduction/optimization
- α -version currently available for free trial (As of September 2021)

Overseas business

Support to cross-border e-commerce operators opening stores in Lazada

- The Company has launched a service to support cross-border e-commerce businesses using the EC platform "Lazada" for Japanese companies aiming to expand sales channels into Southeast Asia.
- Through the service, the Company provides end-to-end support in all phases of cross-border EC business, from market research, store opening in Lazada to implementation phases such as customer service and online marketing.

03

Company profile

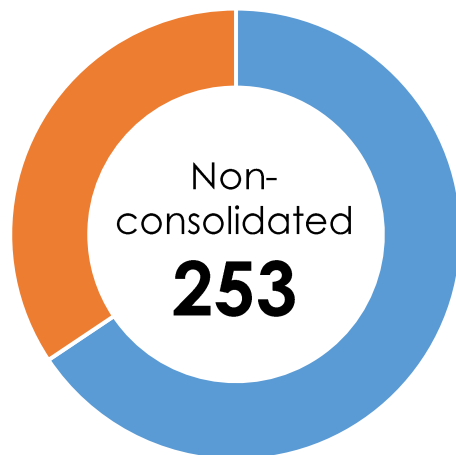
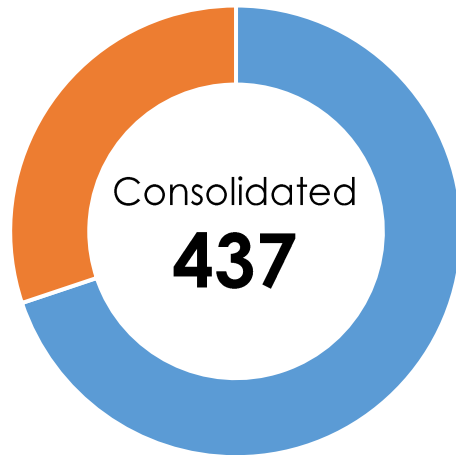
Company profile

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) <ul style="list-style-type: none">• Development and sales of cloud-based ERP 'ZAC' Digital Transformation (DX) <ul style="list-style-type: none">• Support for corporate marketing activities
Employees	Non-consolidated 253 / Consolidated 437 (as of end of June 30, 2021)
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

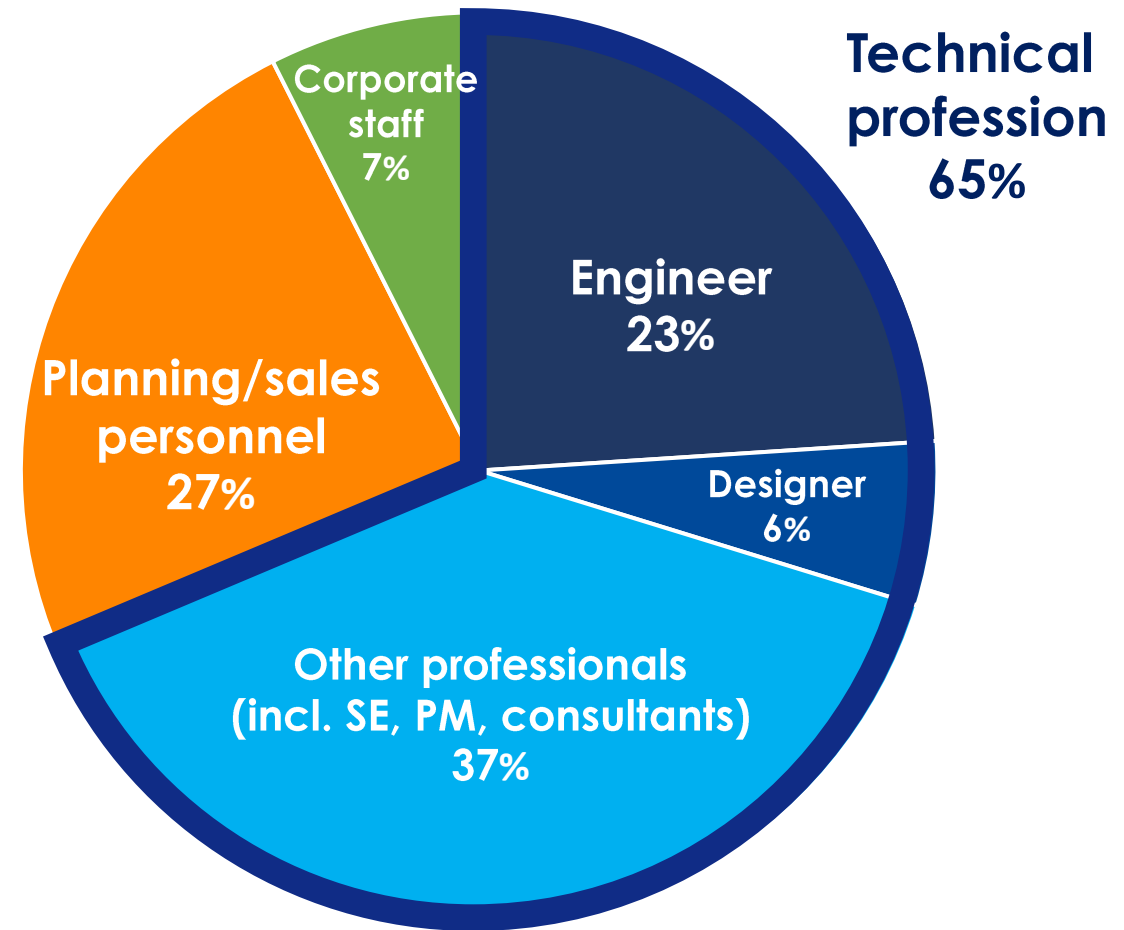
Organizational structure designed to drive creation of solutions through "Technology x Creative"

Split between manufacturing and sales personnel



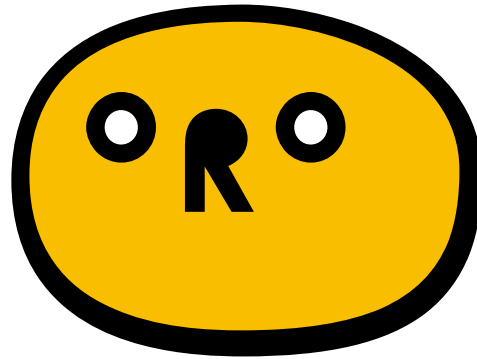
(As of end of Jun 2021)

Breakdown by job type (non-consolidated)



(As of end of Jun 2021)

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.
- The Company will not necessarily revise previously-issued releases on its future outlook regardless of the occurrence of future events unless it is required to do so by disclosure rules.
- Information on firms other than the Company is generally based on publicly-known information.
- The Company holds any and all rights to any part of this presentation material. Reproducing or transferring any part of the document, either electronically or mechanically, without permission regardless of the purpose is prohibited.

