

Financial Results FY2021

oRo co.,ltd. Code : 3983

February 14, 2022



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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.



FY2021 Financial Results Highlights

***The Company plans to disclose the summary of consolidated financial results for the year ended December 31, 2021 under the International Financial Reporting Standards (IFRS) on the filing date of Annual Securities Report (*Yukashoken Hokokusho*).**

FY2021 consolidated financial results

Net sales	5,762 million JPY	YoY +9.9%
Operating profit	2,120 million JPY	YoY +24.2%

Cloud Solutions (CS)

Net sales	3,372 million JPY	YoY +10.3%
Operating profit	1,578 million JPY	YoY +16.6%

Digital Transformation (DX)

Net sales	2,389 million JPY	YoY +9.5%
Operating profit	541 million JPY	YoY +53.3%

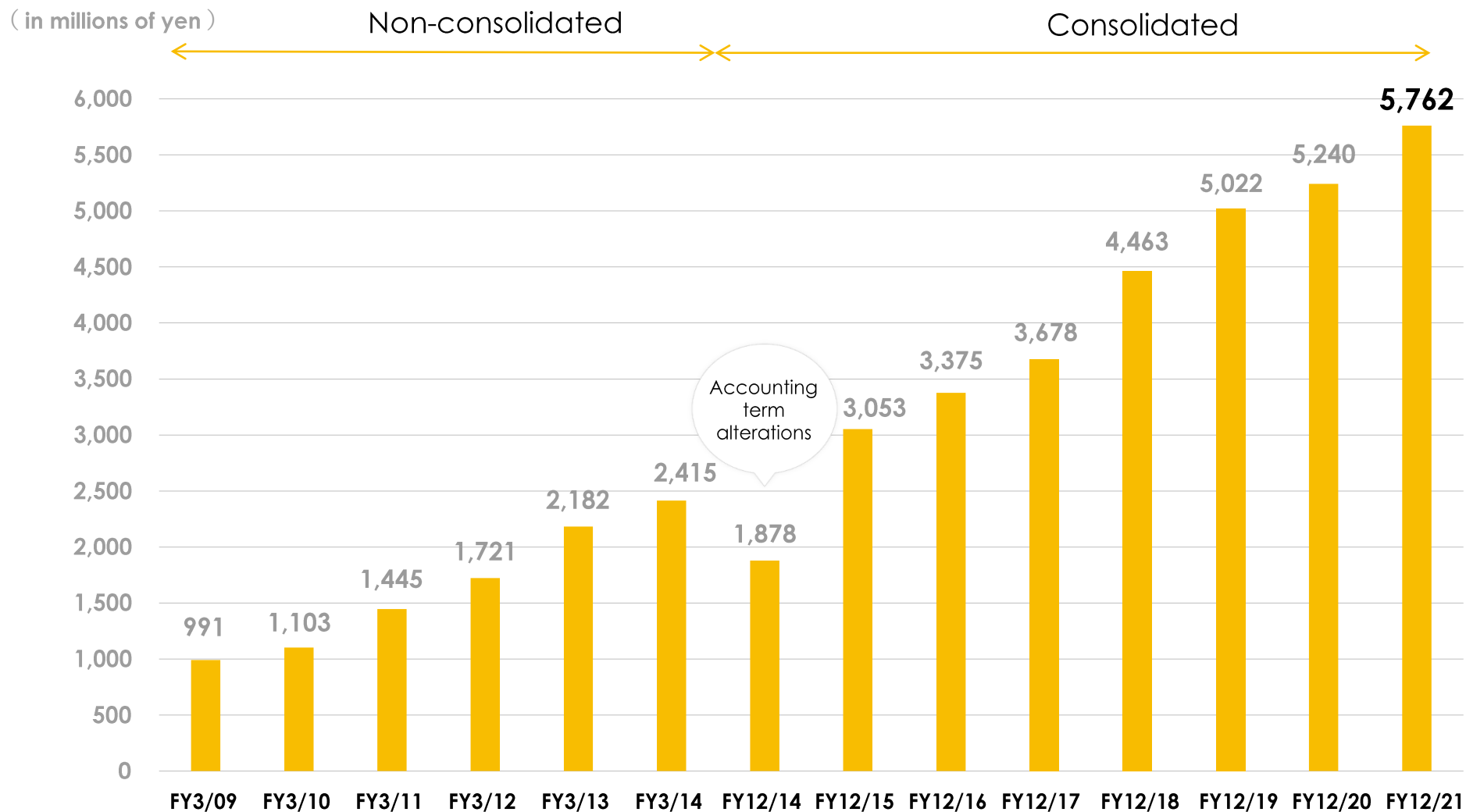
Difference between full-year earnings forecasts and earnings results

(in millions of yen)

	FY2021 Forecasts (composition ratios)	FY2021 actual results (composition ratios)	Difference	Main factors
Net sales	6,050 [100.0%]	5,762 [100.0%]	(288)	
Cloud Solutions	3,415 [56.5%]	3,372 [58.5%]	(43)	The number of new contracts signed during the first half of the current fiscal year remained rather stagnant due to a prolonged time required to close a new contract as the Company has changed its operating structure since January 2021. Since the second half of the current fiscal year, the number of new contracts signed has been on an upward trend, which could however not offset the decreased number of new contracts and the associated decline in sales from installation support in the first half.
Digital Transformation	2,634 [43.5%]	2,389 [41.5%]	(245)	Impacted by budget cuts from clients due to the global shortage of semiconductors, advertising for the automobile industry has decreased.
Operating profit	1,931 [31.9%]	2,120 [36.8%]	188	
Cloud Solutions	1,552 [25.7%]	1,578 [27.4%]	26	
Digital Transformation	379 [6.3%]	541 [9.4%]	162	
Ordinary profit	1,940 [32.1%]	2,132 [37.0%]	191	
Profit attributable to owners of the parent	1,338 [22.1%]	1,490 [25.9%]	151	

Trends in sales

Recorded 5.76 billion yen, an increase of 9.9% year-on-year.

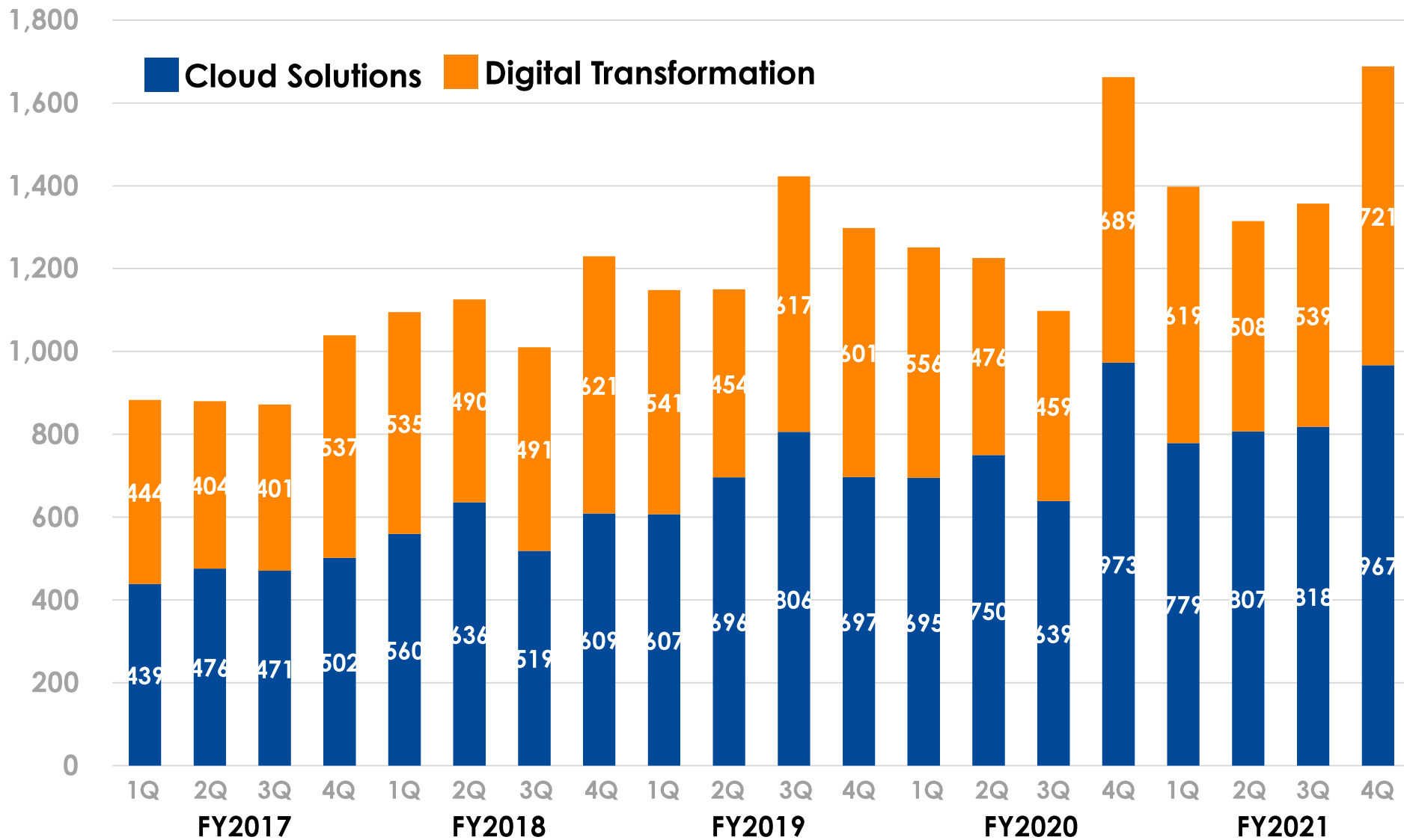


*Was not audited by KPMG AZSA LLC, prior to and in the fiscal year ended March 31, 2014

*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)

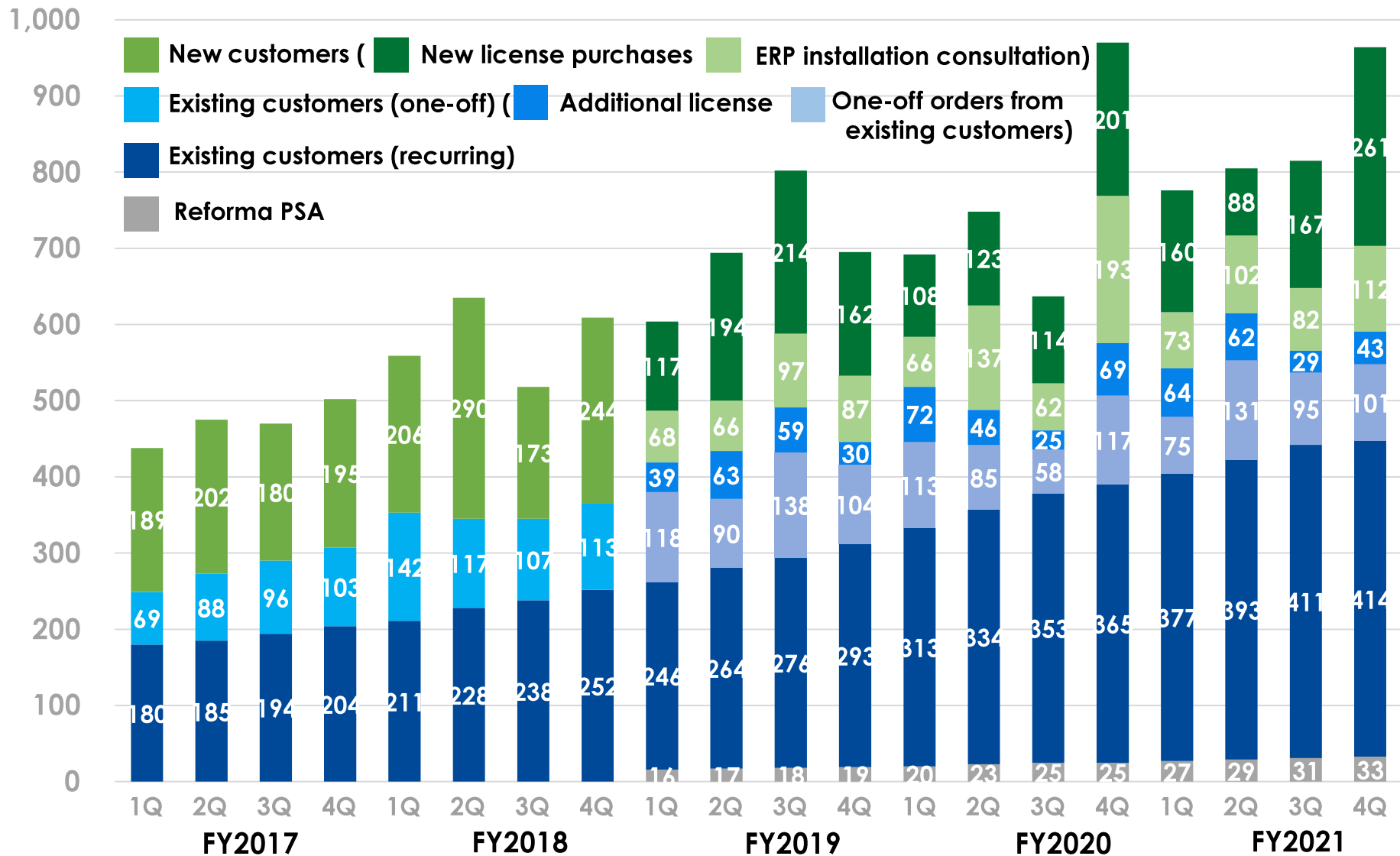


Breakdown of net sales by customer segment

Japan GAAP

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 (Spot)	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 (Maintenance/ Stock)	Providing system maintenance(※3), provision cloud environment(※3), and sales from monthly licensing of SaaS agreement

※1: As for “ZAC” monthly license (“SaaS”) agreements, sales from licensing are included in the column for existing customers (maintenance/stock). Even sales from licensing at the first month of the agreement are not included in the new customer section.

※2: For additional development, the parameters will be expanded but have not been customized for individual companies.

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

Summary of 2021 Fiscal Year

Cloud Solutions

Japan GAAP

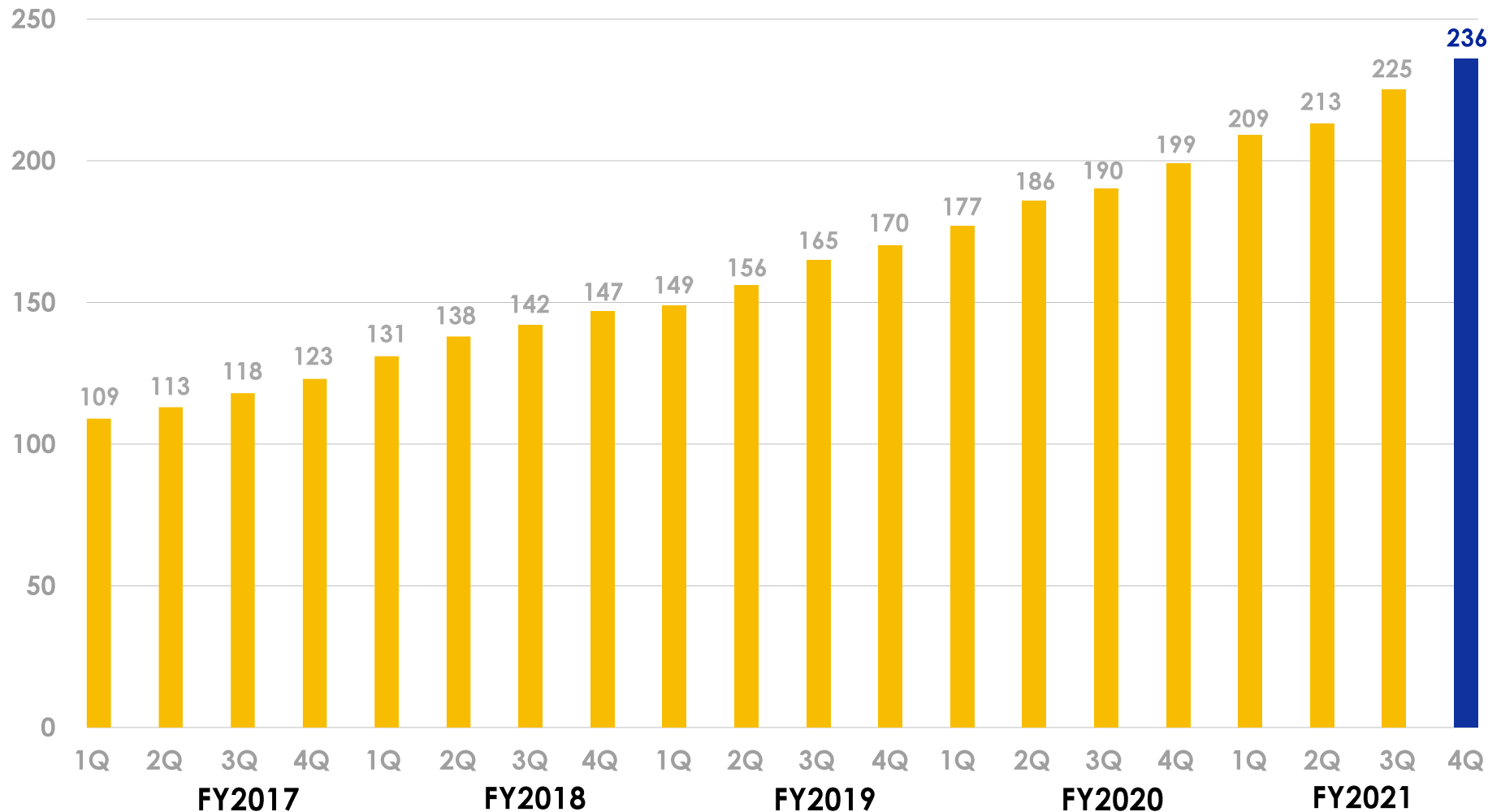
	Effect	Cause
Sales	<p>[ZAC]</p> <ul style="list-style-type: none"> • Sales from initial license purchases: up 23.4% year on year • Sales from initial installation support: down 19.1% year on year • Sales from existing subscribers (stock-type sales): Steady increase <p>[Reforma PSA]</p> <ul style="list-style-type: none"> • Sales: up 23.4% year on year 	<ul style="list-style-type: none"> • New contracts signed during the 1st half of FY2021 remained rather stagnant due to a prolonged time required for contract conclusion as the Company has changed its operating structure since Jan 2021. New installations decreased due to the decrease in new contracts. On the other hand, the number of new contracts signed has been on an upward trend during the 2nd half. In addition, a year-round increase in sales per corporate client boosted sales from new license purchases. Termination rate has been stably low. • Bolstered marketing & customer success functions resulted in an increase in new contracts and a lower termination rate.
Cost	<ul style="list-style-type: none"> • Increase in selling, general and administrative expenses 	<ul style="list-style-type: none"> • Advertising and publicity expenses increased due to the reinforcement of marketing activities. R&D expenditure increased to improve product appeal.

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)

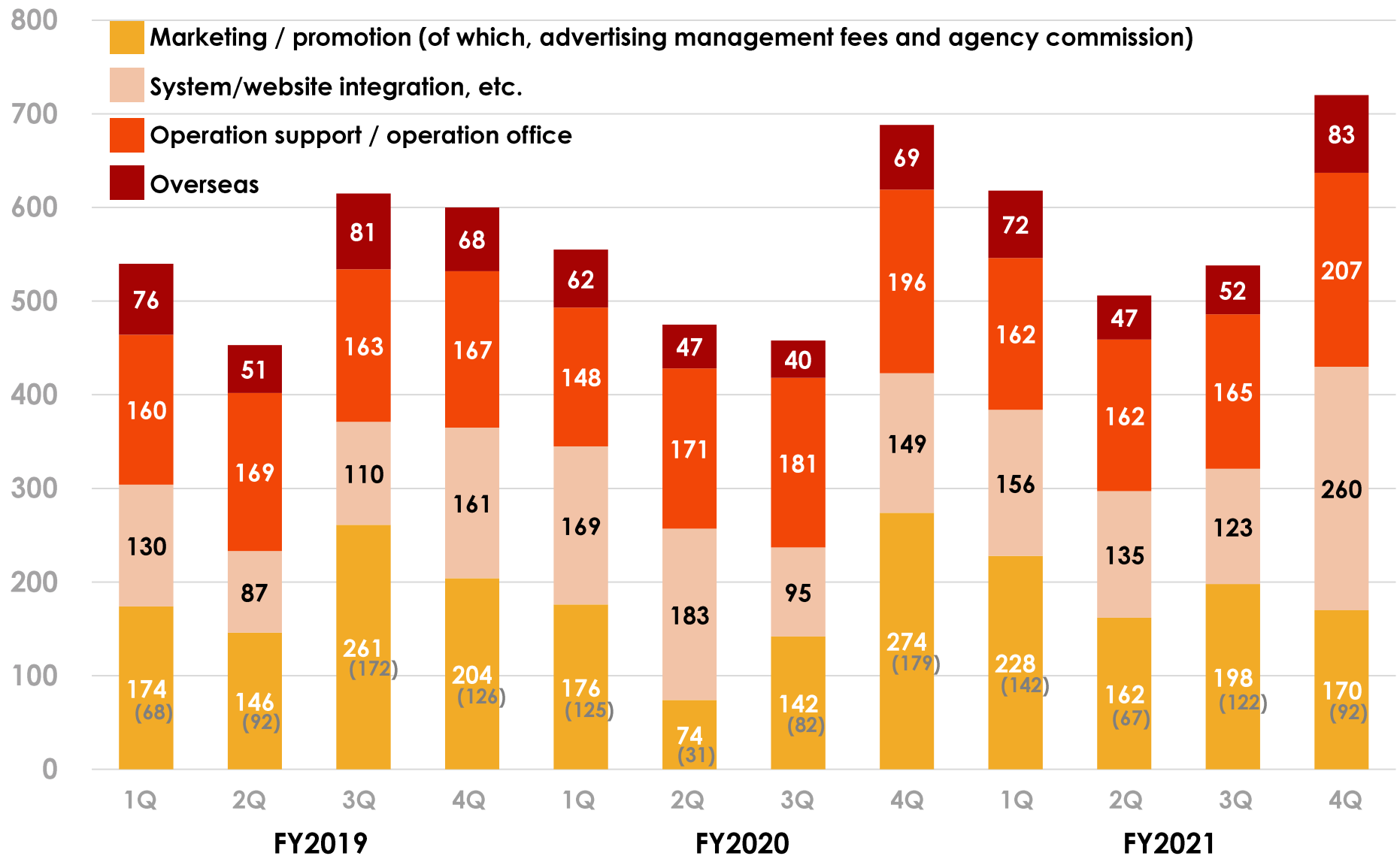


Breakdown of net sales by type of operations

Digital Transformation

Japan GAAP

(in millions of yen)



Composition of net sales by type of operations

Digital Transformation

Japan GAAP

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

Summary of 2021 Fiscal Year

Digital Transformation

Japan GAAP

	Effect	Cause
Sales	<ul style="list-style-type: none">•Sales from advertisement: lower than planned•Sales from Overseas: up 16.8% year on year	<ul style="list-style-type: none">•Impacted by budget cuts from clients due to the global shortage of semiconductors, advertising for the automobile industry has decreased.•While FY2020 saw a significant decline in sales including those from overseas due to the global spread of COVID-19 infections, the situation has improved since FY2021, resulting in a year-on-year increase in sales. The year-on-year increase in sales improved profitability of business, resulting in the recording of profit in the 2nd half of FY2021.

Profit and loss statement (YoY)

(in millions of yen)

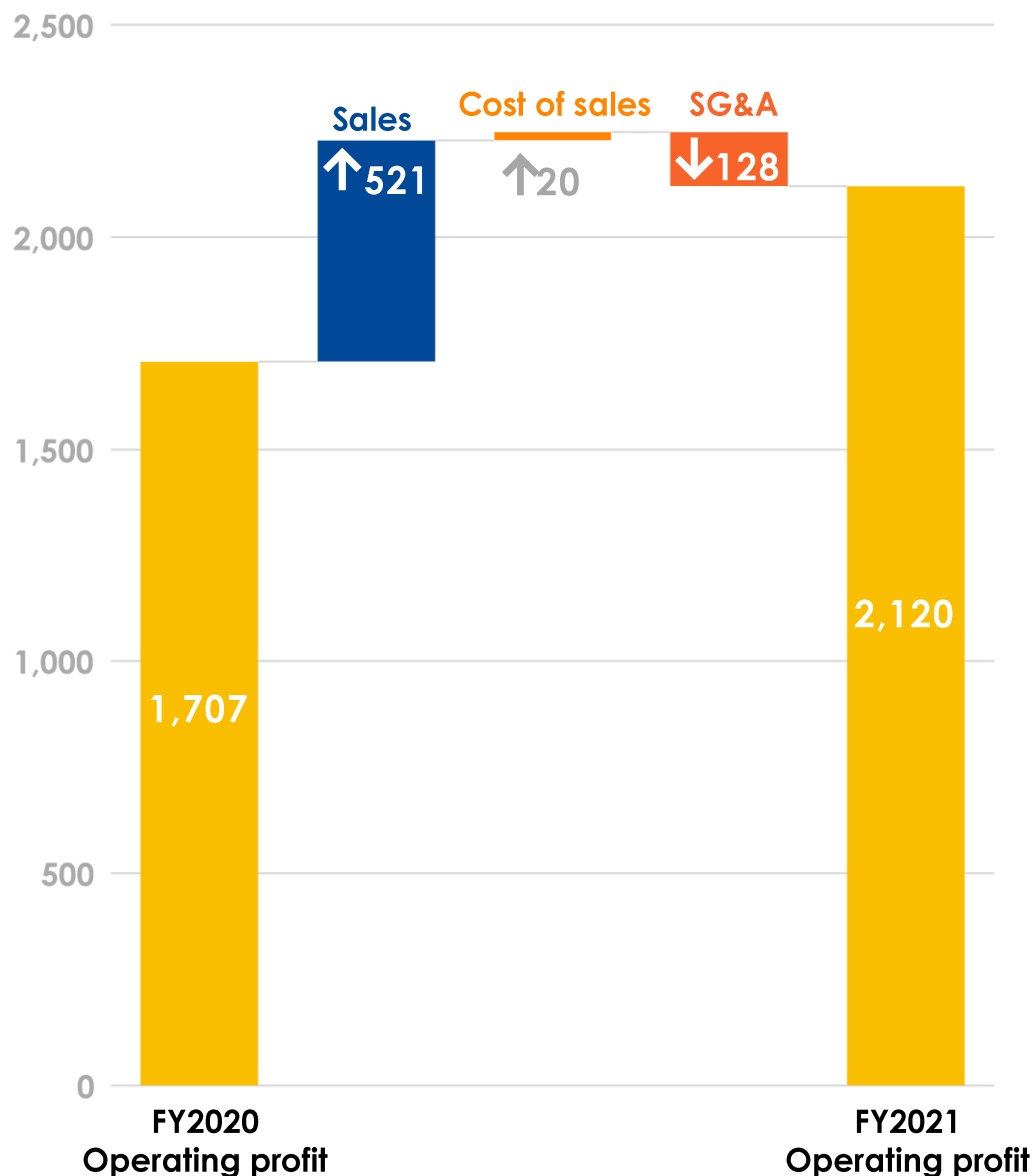
	FY2020 (composition ratios)	FY2021 (composition ratios)	Difference	Main factors
Net sales	5,240 [100.0%]	5,762 [100.0%]	521	
Cost of sales	2,138 [40.8%]	2,118 [36.7%]	(20)	Effect of withdrawal from the unprofitable business and subsequent recognition of loss during the same period of the previous fiscal 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	3,102 [59.2%]	3,643 [63.2%]	541	
Selling, general and administrative expenses	1,395 [26.6%]	1,523 [26.4%]	128	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	1,707 [32.6%]	2,120 [36.7%]	412	
Ordinary profit	1,713 [32.7%]	2,132 [37.0%]	418	
Profit attributable to owners of the parent	1,182 [22.6%]	1,490 [25.8%]	308	

Fluctuation factor of operating profit (YoY)

Japan GAAP

(in millions of yen)

(in millions of yen)



Main factors

↑ Increase in net sales	521
Cloud Solutions	314
Digital Transformation	207
↑ Decrease in cost of sales	(20)
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	(5)
Increases in the number of technical professional employees and their salaries	32
Increase/decrease in other cost of sales	4
↓ Decrease in SG&A	128
Decreases in travel and transportation, entertainment, and training expenses	(11)
Increases in the number of sales & administration employees and their salaries	104
Increase in research and development expenses	25
Increase In advertising expenses	39
Increase/decrease in other SG&A	(30)

Balance sheet

- ① An increase in cash and deposits and a decrease in notes and accounts receivable – trade
- ② A decrease in notes and accounts payable – trade and an increase in income taxes payable
- ③ An increase in profit attributable to owners of parent, a decrease due to purchase of treasury shares, and a decrease due to dividend payments

(in millions of yen)

	As of Dec 31, 2020	As of Dec 31, 2021	Difference		As of Dec 31, 2020	As of Dec 31, 2021	Difference
Current assets	① 7,920	7,707	(212)	Total liabilities	1,391	1,497	(106)
Non-current assets	688	650	(37)	Current liabilities	② 1,218	1,337	119
Property, plant and equipment	454	394	(60)	Non-current liabilities	173	160	(13)
Intangible assets	31	45	14	Net assets	7,216	6,859	(356)
Investments and other assets	202	210	7	Shareholders' equity	③ 7,218	6,822	(396)
Total assets	8,608	8,357	(250)	Accumulated other comprehensive income	(1)	37	39
				Total liabilities and net assets	8,608	8,357	(250)

Dividend policy

The Company places great emphasis on continuous improvement of corporate value and stable return of profits to shareholders. In order to achieve stable shareholders return and sustainable company growth, the company will review the dividend when necessary, taking financial results, financial position, future business development, etc. into consideration.

The acquisition of treasury stock is determined from a comprehensive standpoint, based on the need for a flexible capital policy and the impact on the financial position.

In accordance with the above policy, the Company has decided to pay a year-end dividend of 15.00 yen per share for the current fiscal year ended December 31, 2021.

	Dividend per Share		
Record Date	Second quarter-end	Fiscal year-end	Total
Current results (fiscal year ended December 31, 2021)	0.00 yen	15.00 yen	15.00 yen
Next forecast (fiscal year ended December 31, 2022)	0.00 yen	15.00 yen	15.00 yen

News Release

Cloud Solutions / Digital Transformation

Nov 10: Launched its own PR x AdTech service “Release Boost AD”

With AdTech-driven PR strategies, we provide informative content for consumers.

Nov 19: Introduced AI chatbot to ZAC with an aim to strengthen customer service

Nov 26: Launched a service to create commercials specialized in in-stream ads

Dec 1: Launched KOL or Influencer marketing services

We boost the effectiveness of marketing with an integrated approach by combining promotional campaigns with the most appropriate KOL (key opinion leader) or influencer selected based on our own data analysis.

Dec 6: Cumulative number of corporate users of ZAC and ZAC Enterprise exceeded 800

Dec 20: Expanded the output function of Reforma PSA — Cumulative number of its corporate users exceeded 350

Dec 15: Launched services to maximize customer LTV by enhancing data-driven CRM

We have started services to support active implementation of data-driven CRM (customer relationship management) practices that utilize activity logs and attribute information of customers stored in corporations.

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

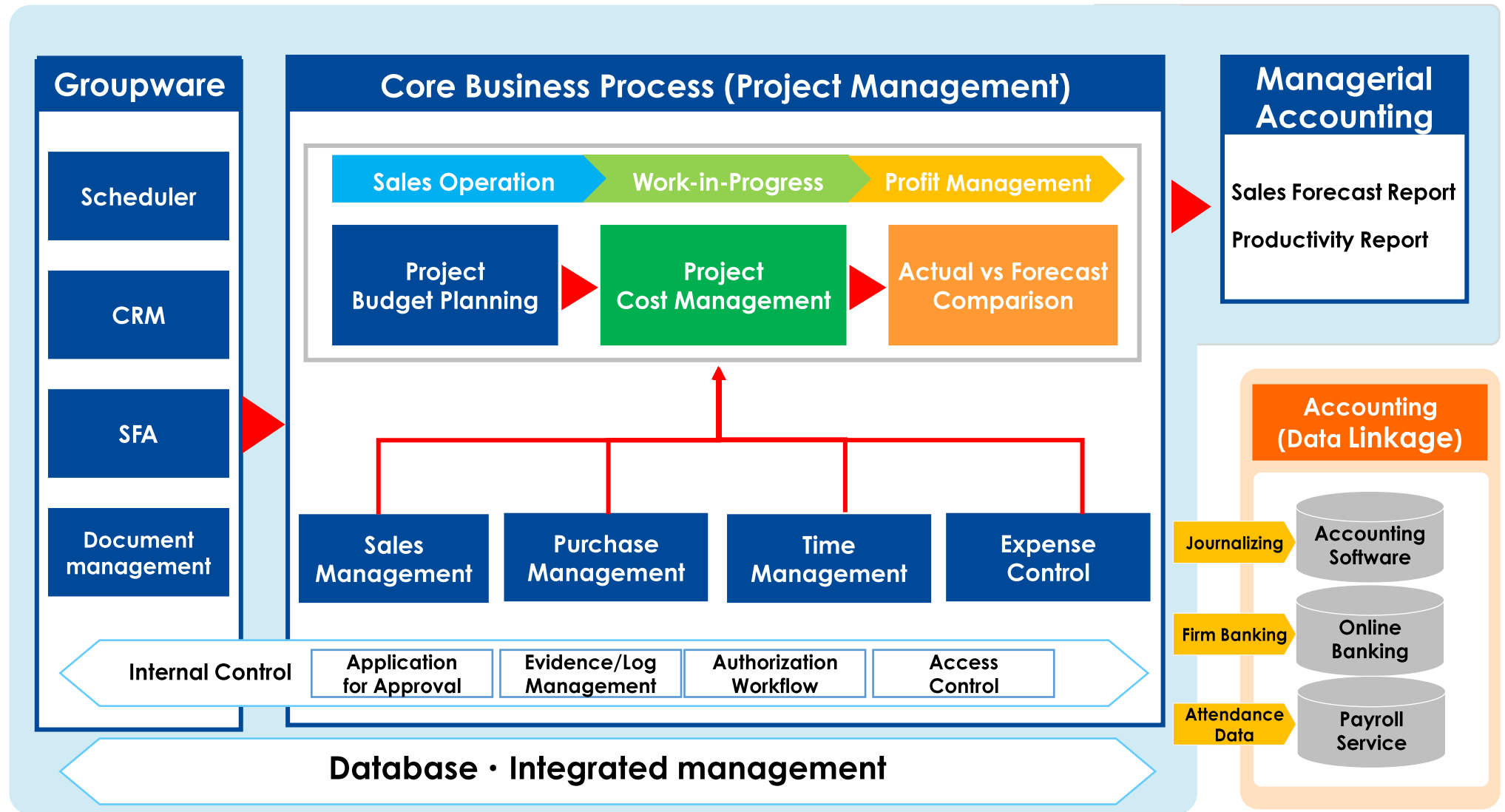


Cloud PSA “Reforma PSA”

- 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

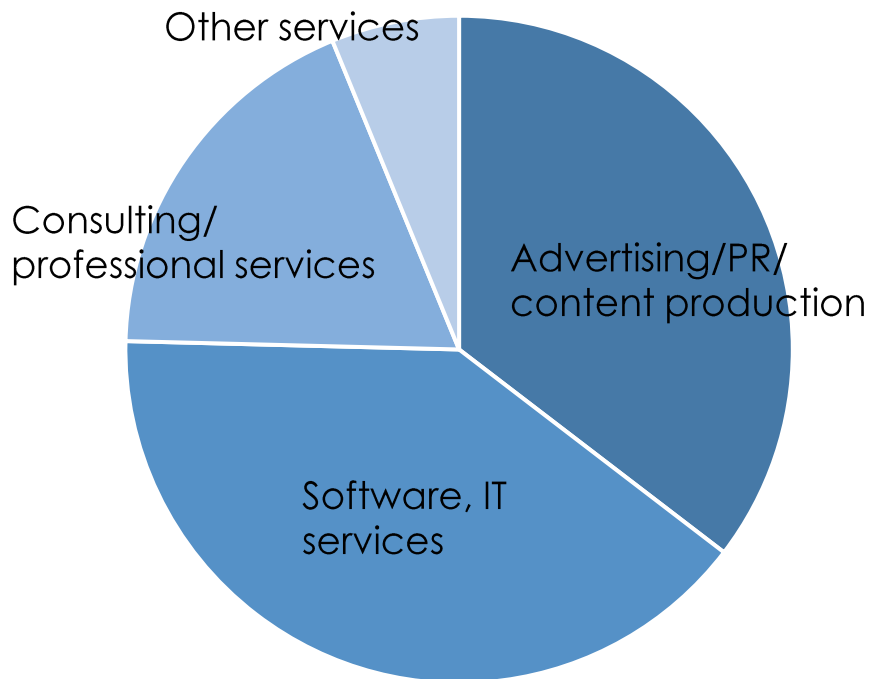


Industry-specific ERP

Cloud Solutions

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

(As of December 31, 2021)



Advertising/PR/content production



Software/system development, and IT services



Consulting/professional services



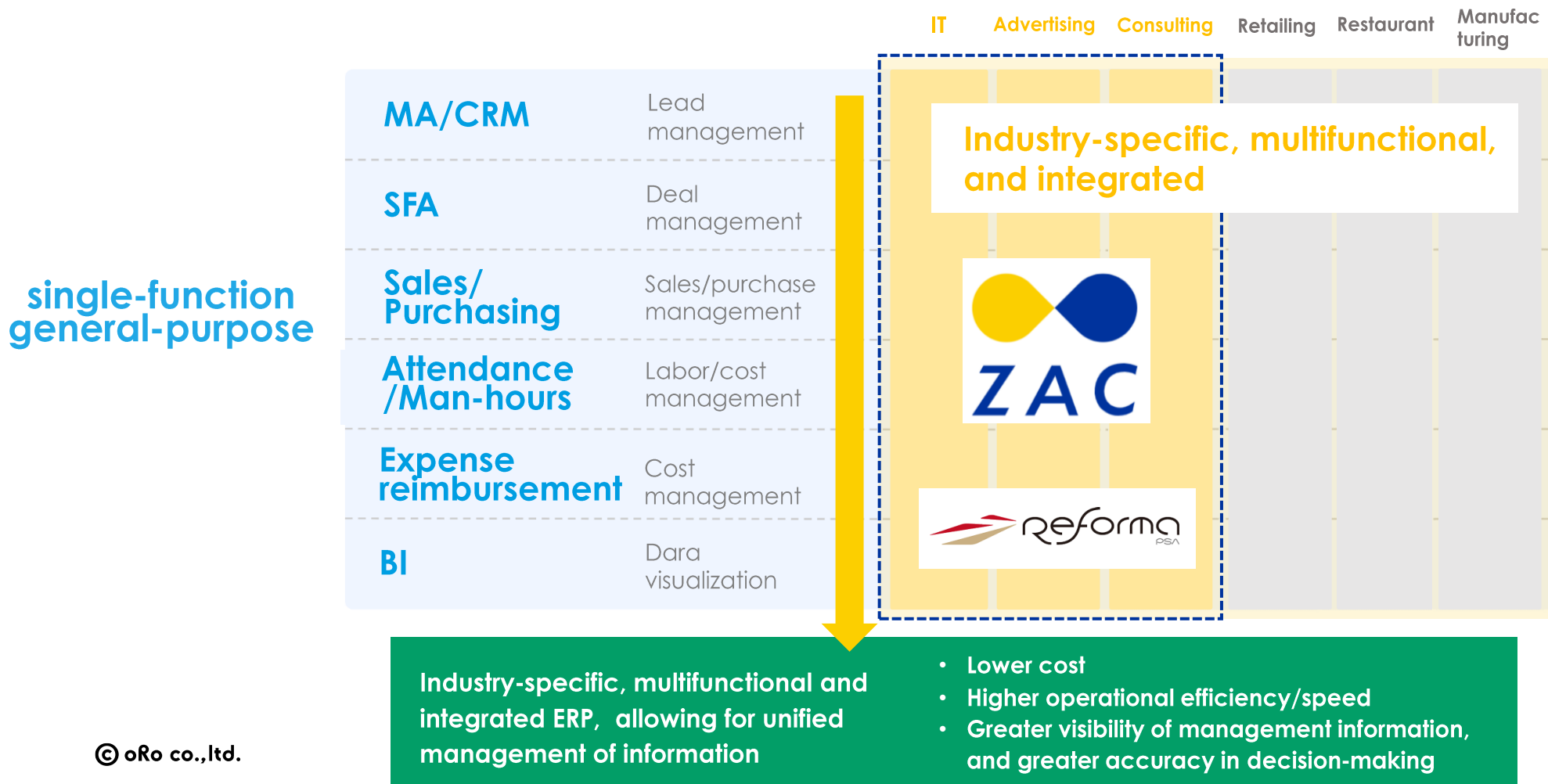
Other services



Industry-specific integrated ERP

Cloud Solutions

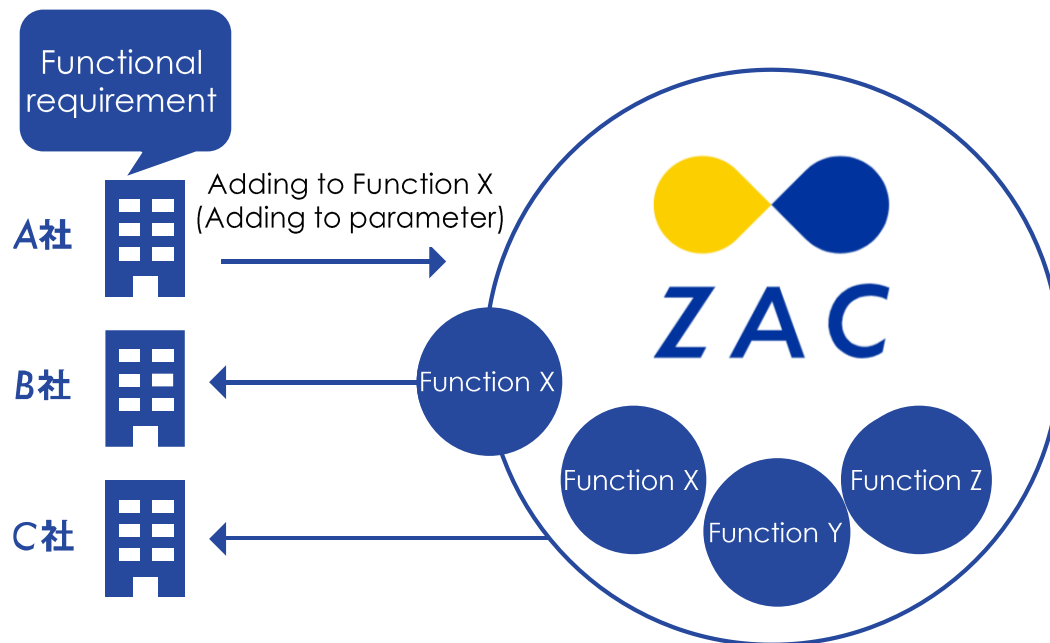
ERP systems can be classified broadly into **single-function general-purpose** systems, which may be used irrespective of which industries customers belong to; and **multi-function integrated** systems, which have combined a variety of industry-specific functions especially for IT service, advertising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

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

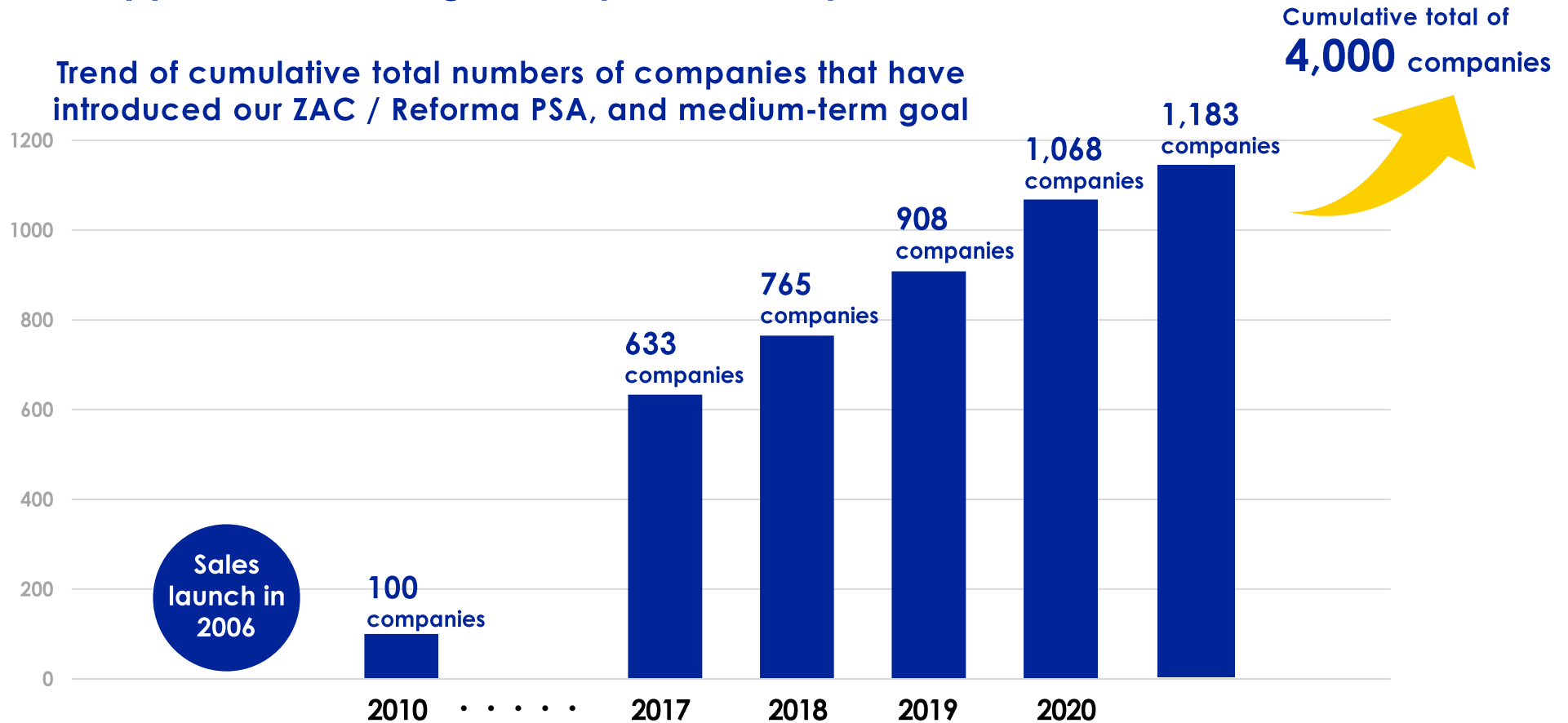
Function to provisionally record purchase before receiving an invoice to cater for the client needs in the advertising/event/creative business sectors.

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

As of June 31, 2021

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

Trend of cumulative total numbers of companies that have introduced our ZAC / Reforma PSA, and medium-term goal

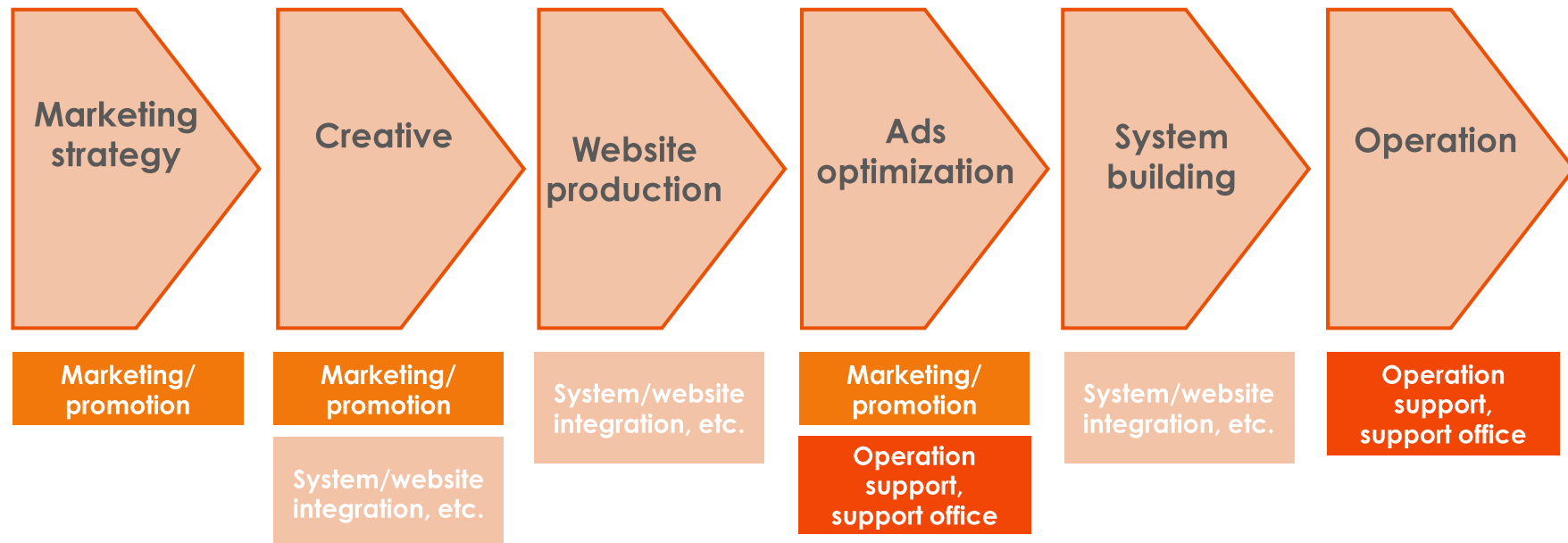


- * Clients in Japan (44,000 companies) consist mostly of the companies with roughly 1 to 2,000 employees in the target industries for ZAC / Reforma PSA, including IT, advertising and consulting industries. Since FY2021, we have worked out numbers using data extracted from the database of FORCAS (Uzabase), 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.

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	△	×	×	×	×	◎	×

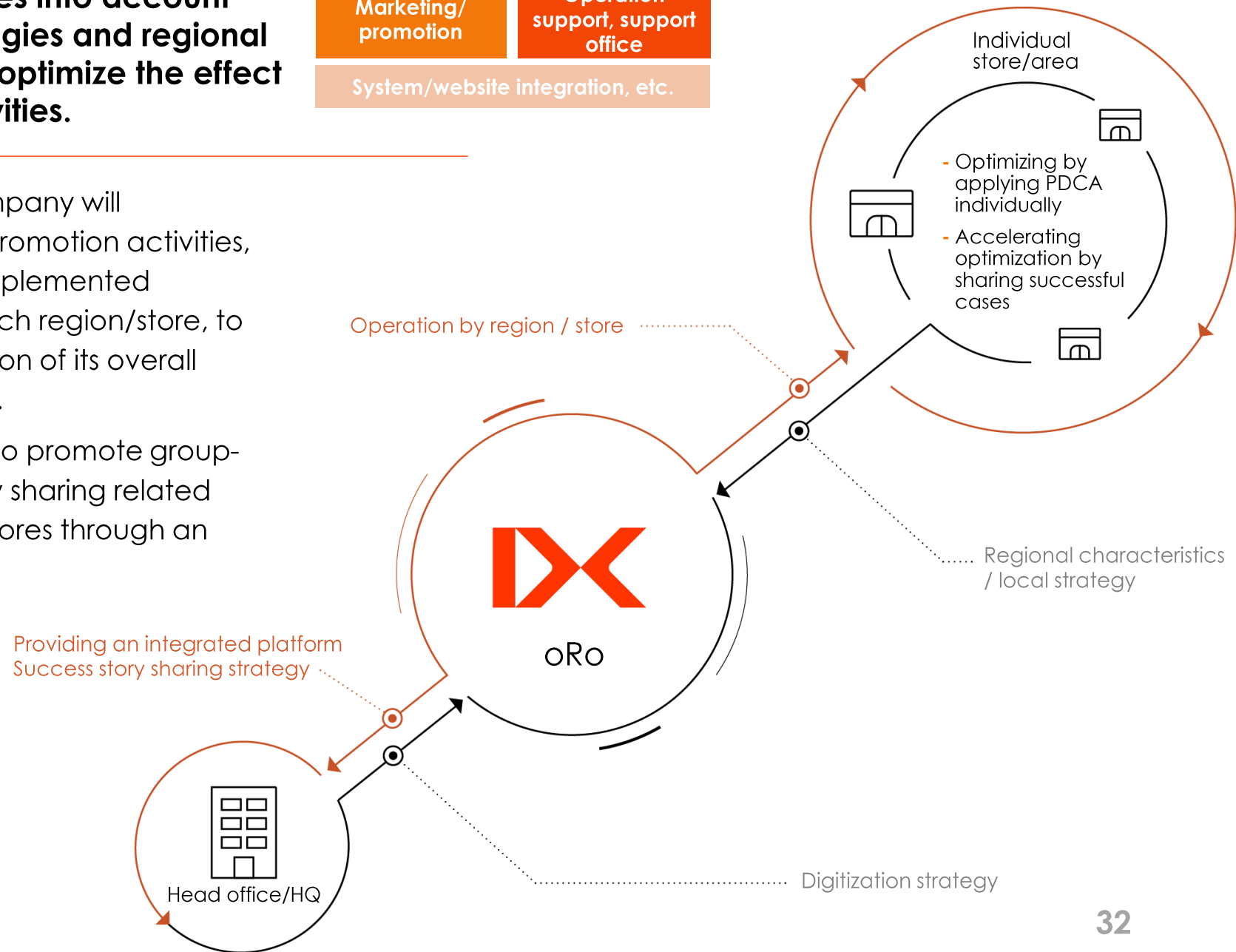
Area marketing

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
Achieved monetization

- ▶ 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



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

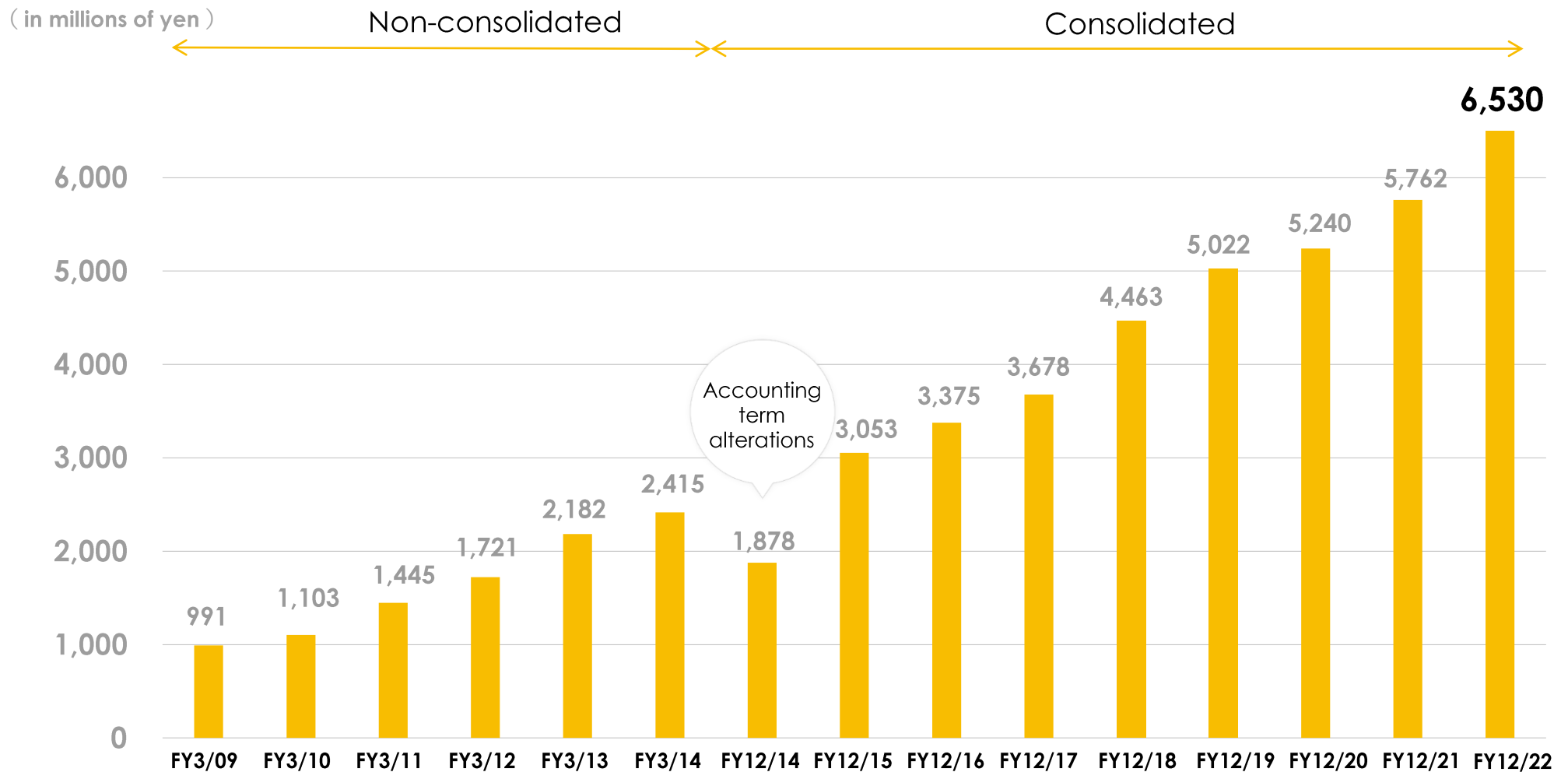
- The Company has launched a service to support cross-border e-commerce businesses using the EC platform "Lazada" for Japanese companies aiming to expand sales channels into Southeast Asia.
- Through the service, the Company provides end-to-end support in all phases of cross-border EC business, from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

03 FY2022 Forecast

* The Company plans to disclose the summary of forecast for the year ended December 31, 2022 under the International Financial Reporting Standards (IFRS) on the filing date of Annual Securities Report (*Yukashoken Hokokusho*).

FY2022 forecasts

Net sales are estimated to be 6.53 billion yen, an increase by 13.3% 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.

FY2022 forecasts

In the Cloud Solutions business, we will enhance sales by expanding the marketing budget. Accordingly, net sales are expected to grow by 13.3% year-on-year.

(in millions of yen)

	FY2022 forecasts	FY2021 actual results	Difference	% change
Net Sales	6,530	5,762	768	13.3 %
Cloud Solutions	3,880	3,372	507	15.1 %
Digital Transformation	2,650	2,389	260	10.9 %
Operating profit	2,245	2,120	125	5.9 %
Ordinary profit	2,245	2,132	113	5.3 %
Profit attributable to owners of the parent	1,555	1,490	64	4.3 %

04

Company profile

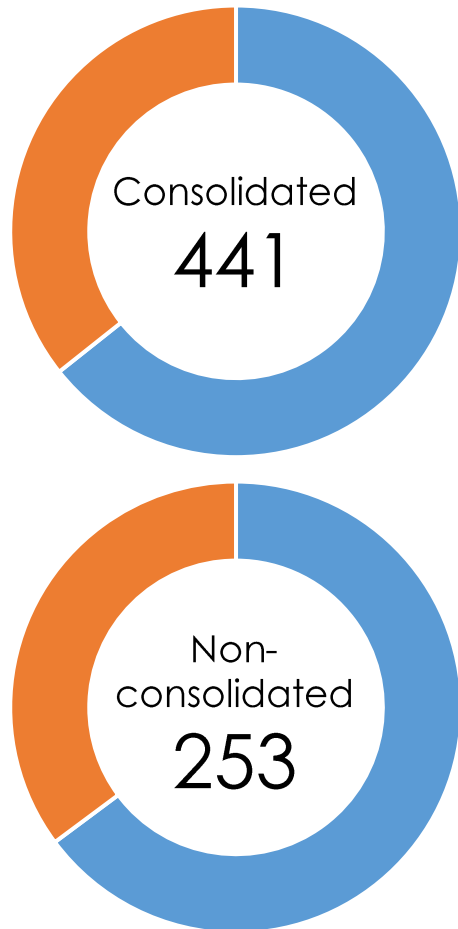
Company profile

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 441 (As of end of Dec 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

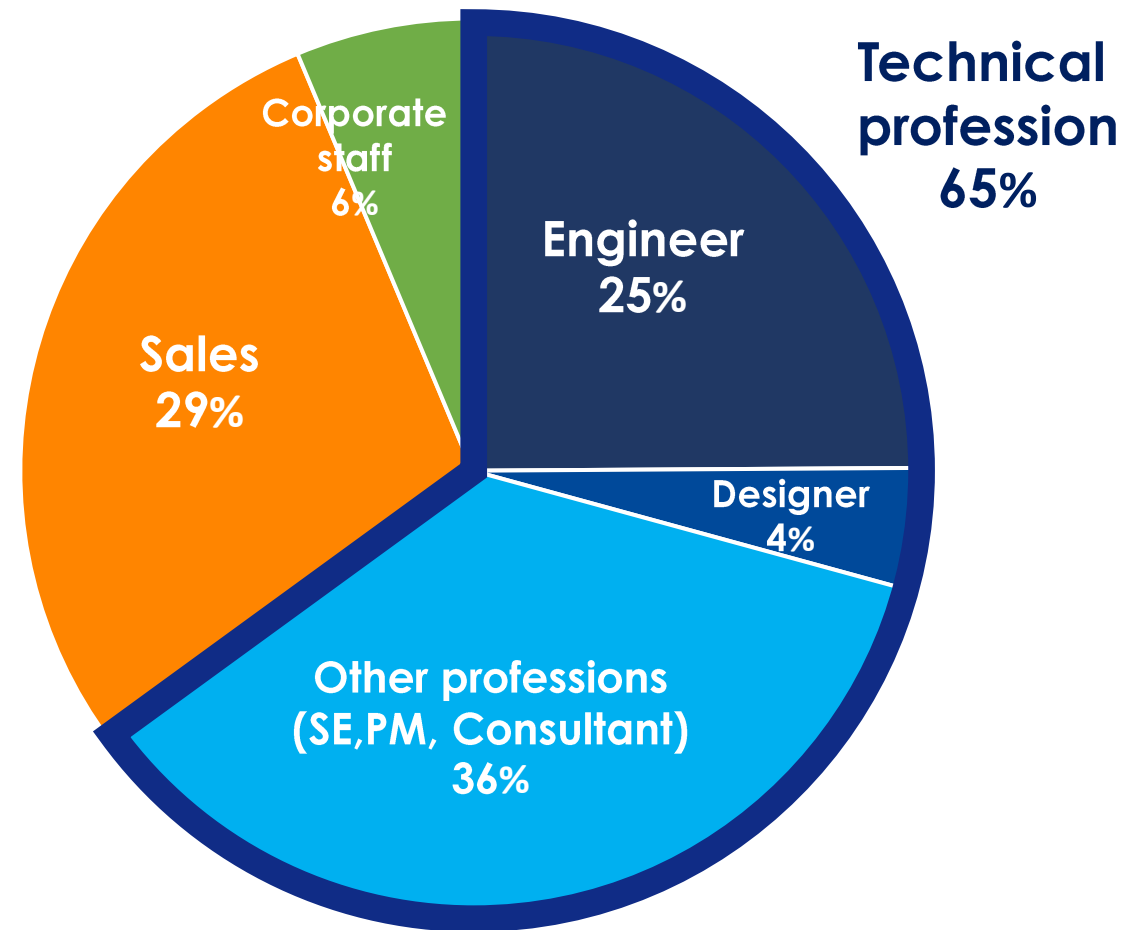
Create various solutions with “Technology × Creative”

Production and sales ratio



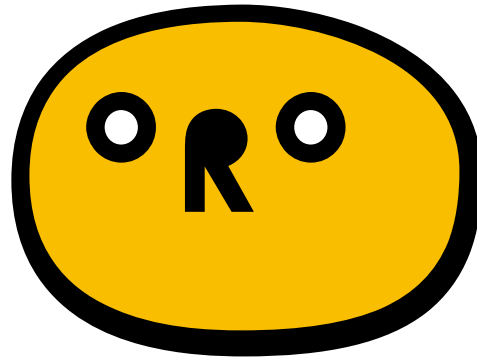
(As of end of Dec 2021)

Job type ratio (Non-consolidated)



(As of end of Dec 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.

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