

FY2021

Supplementary information on the adoption of IFRS

oRo co.,ltd. Code : 3983

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FY2021

**Financial Results Highlights
[IFRS]**

FY2021 Financial Results [IFRS]

FY2021 consolidated financial results [IFRS]

Revenue	5,530 million JPY	YoY +13.4%
Operating profit	2,027 million JPY	YoY +28.3%

Cloud Solutions (CS)

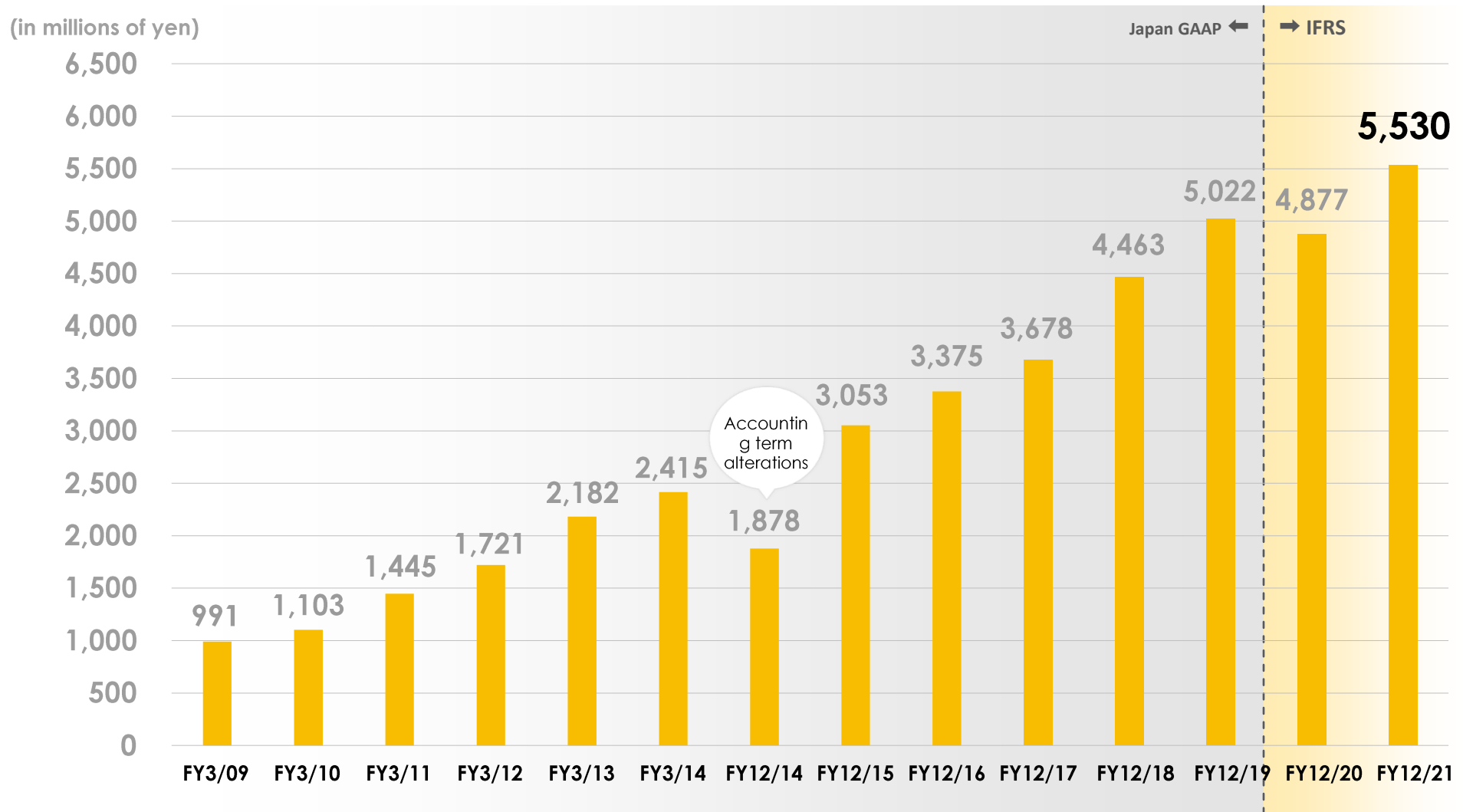
Revenue	3,133 million JPY	YoY +14.0%
Operating profit	1,485 million JPY	YoY +22.8%

Digital Transformation (DX)

Revenue	2,397 million JPY	YoY +12.7%
Operating profit	519 million JPY	YoY +55.0%

Trends in sales

Recorded 5.53 billion yen, an increase of 13.4% year-on-year.



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*Starting from the fiscal year ended December 31, 2021, the Company has adapted International Financial Reporting Standards (IFRS) instead of Japanese GAAP.

Accordingly, revenue for the fiscal year ended December 31, 2020 indicates the amount after retrospective application of the change.

Breakdown of revenue by customer segment [IFRS]

(in millions of yen)

	Revenue		
	FY2020	FY2021	Difference
Cloud Solutions	2,750	3,133	383
ZAC license fee, maintenance fee, and SaaS and other monthly service fees	1,957	2,391	434
ZAC ERP installation consultation, customization	676	563	(113)
Reforma PSA	94	122	27
Other products, etc.	20	55	35
Digital Transformation	2,127	2,397	269
Marketing / promotion	783	883	100
System/website integration, etc.	604	774	170
Operation support, Operation office	739	738	(1)
Total	4,877	5,530	653

Breakdown of revenue by business segment

Cloud Solutions

ZAC license fee, maintenance fee, and SaaS and other monthly service fees	Sales of software license, maintenance of systems, provision of cloud environment and monthly service on SaaS agreement, with regard to "ZAC" (Previous segments: "New license purchases" "Additional license" "Existing customers (recurring)")
ZAC ERP installation consultation, customization	Installation support service related to "ZAC" and additional development required at the time of installation (Previous segments: A part of "ERP installation consultation" and "Other Existing customers (recurring)")
Reforma PSA	Provision of monthly license for "Reforma PSA"
Other products, etc.	Sales as an agent of software developed by other vendors (Previous segments: A part of "Other Existing customers (recurring)")

Breakdown of revenue by business segment

Digital Transformation

Marketing / promotion	Planning of customer's marketing and promotion, placement of advertisements, and research (including sales from advertisement management and those achieved as an agency)
System/website integration, etc.	Construction and renewal of websites, and contracted development and maintenance of systems as a system integrator, etc.
Operation support, Operation office	Operation, updating and other services on websites

*Upon the adoption of IFRS, sales from overseas business locations that were previously reported in a separate segment "Overseas" have been allocated to the above three segments based on the nature of their services.

(Reference) Amount and percentage of revenue by Japan/Overseas [IFRS]

FY2020: Domestic 1,909 million JPY (89.8%) Overseas 217 million JPY (10.2%) Total of DX 2,127 million JPY

FY2021: Domestic 2,141 million JPY (89.3%) Overseas 255 million JPY (10.7%) Total of DX 2,397 million JPY

Profit and loss statement (YoY) [IFRS]

(in millions of yen)

	FY2020 (composition ratios)	FY2021 (composition ratios)	Difference	Main factors
Revenue	4,877 [100.0%]	5,530 [100.0%]	653	
Cost of sales	1,971 [40.4%]	2,047 [37.0%]	75	increases in the number of technical professional employees and their salaries
Gross profit	2,905 [59.6%]	3,483 [63.0%]	577	
Selling, general and administrative expenses	1,311 [26.9%]	1,403 [25.4%]	92	Decreases in travel and transportation expenses, and training expenses; increase in advertising expenses; increases in the number of sales & administration employees and their salaries
Research and development	48 [1.0%]	74 [1.3%]	25	
Other income (loss)	35 [0.7%]	22 [0.4%]	(12)	
Operating profit	1,580 [32.4%]	2,027 [36.7%]	447	
Finance income (loss)	(31) [- %]	4 [0.1%]	35	
Profit before tax	1,549 [31.8%]	2,032 [36.7%]	483	
Profit	1,073 [22.0%]	1,423 [25.7%]	350	

Statement of Financial Position (YoY) [IFRS]

- ① Decrease in trade and other receivables
- ② Decrease in right-of-use assets
- ③ Increase in Income tax payables
- ④ Decrease in Lease liabilities
- ⑤ 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
Current assets	7,966	7,736	① (230)
Non-current assets	1,753	1,611	② (142)
Property, plant and equipment	1,121	913	(207)
Intangible assets	31	45	14
Other	601	652	50
Total assets	9,720	9,347	(372)

	As of Dec 31, 2020	As of Dec 31, 2021	Difference
Total liabilities	3,386	3,439	52
Current liabilities	2,691	2,900	③ 209
Non-current liabilities	695	539	④ (156)
Total equity	6,333	5,908	(425)
Equity attributable to owners of the parent	6,333	5,908	⑤ (424)
Non-controlling interests	(0)	(0)	(0)
Total liabilities and equity	9,720	9,347	(372)

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**Impact from the adoption
of IFRS**

Impact from the adoption of IFRS(FY2021)

Consolidated statements of income [Japan GAAP→IFRS]

- ① See the next slide for revenue adjustments
- ② Reclassification from SG&A expenses, non-operating income/loss, etc. to R&D expenses, finance income/loss, etc.
- ③ Installation support, system production and other services changed from one-time recognition of revenue based on the completed-contract method to periodical recognition of revenue according to the progress; sales of other vendors' products changed from gross amount to net amount

(in millions of yen)

Presentation under Japanese GAAP	Japanese GAAP FY2021 A	IFRS Adjustment B		IFRS FY2021 C=A+B	Presentation under IFRS
		Reclassification	Differences in recognition and measurement		
Net sales	5,762	① (16)	(214)	5,530	Revenue
Cost of sales / Selling, general and administrative expenses	3,641	(74)	③ (115)	3,451	Cost of sales / Selling, general and administrative expenses
		74	—	74	R&D expenses
		② 22	—	22	Other income (expenses)
Operating profit	2,120	7	(99)	2,027	Operating profit
Non-operating income (expenses)	11	(11)	0		
		4	—	4	Finance income (loss)
profit before income taxes	2,132	0	(99)	2,032	Profit before tax
Income taxes –current Income taxes –deferred	641	—	(32)	608	Income tax expenses
Profit attributable to owners of parent	1,490	0	(66)	1,423	Profit

Impact from the adoption of IFRS(FY2021)

Breakdown of revenue by customer segment [Japan GAAP→IFRS]

- ① ZAC purchase license
Change from one-time recognition (on an acceptance basis) to periodical allocation (30 months)
- ② Installation support service, system production, etc.
One-time recognition (on a completed-contract basis) changed to periodical allocation (according to the progress)
- ③ Sales of other vendors' products
Gross amount recognition changed to net amount recognition
- ④ Allocation of "Overseas" under DX to other segments

(in millions of yen)

	Japan GAAP	IFRS	Difference	
Cloud Solutions	3,372	3,133	(238)	
ZAC license fee, maintenance fee, and SaaS and other monthly service fees	2,474	2,391	(82)	①
ZAC ERP installation consultation, customization	586	563	(22)	②
Reforma PSA	122	122	-	
Other products, etc.	189	55	(133)	③
Digital Transformation	2,389	2,397	7	
Marketing / promotion	758	883	124	④
System/website integration, etc.	675	774	99	② ④
Operation support, Operation office	697	738	41	④
Overseas	257		(257)	④
Total	5,762	5,530	(231)	

Impact from the adoption of IFRS(FY2021)

Consolidated balance sheets [Japan GAAP→IFRS]

1 Real estate rental transactions
Increase due to rental treatment changed to on-balance sheet items (recognition of right-of-use assets and lease liabilities)

2 Increase in deferred tax assets

3 ZAC purchase license
Increase due to the recognition of contract liabilities resulting from the change to periodical allocation (for 30 months) to periodical allocation

4 Decrease in retained earnings due mainly to periodical allocation of ZAC purchase license

(in millions of yen)

	FY2021 [Japan GAAP]	FY2021 [IFRS]	Difference
Current assets	7,707	7,736	28
Non-current assets	650	1,611	961
Property, plant and equipment	394	913	1 519
Intangible assets	45	45	-
Other	210	652	2 441
Total assets	8,357	9,347	990

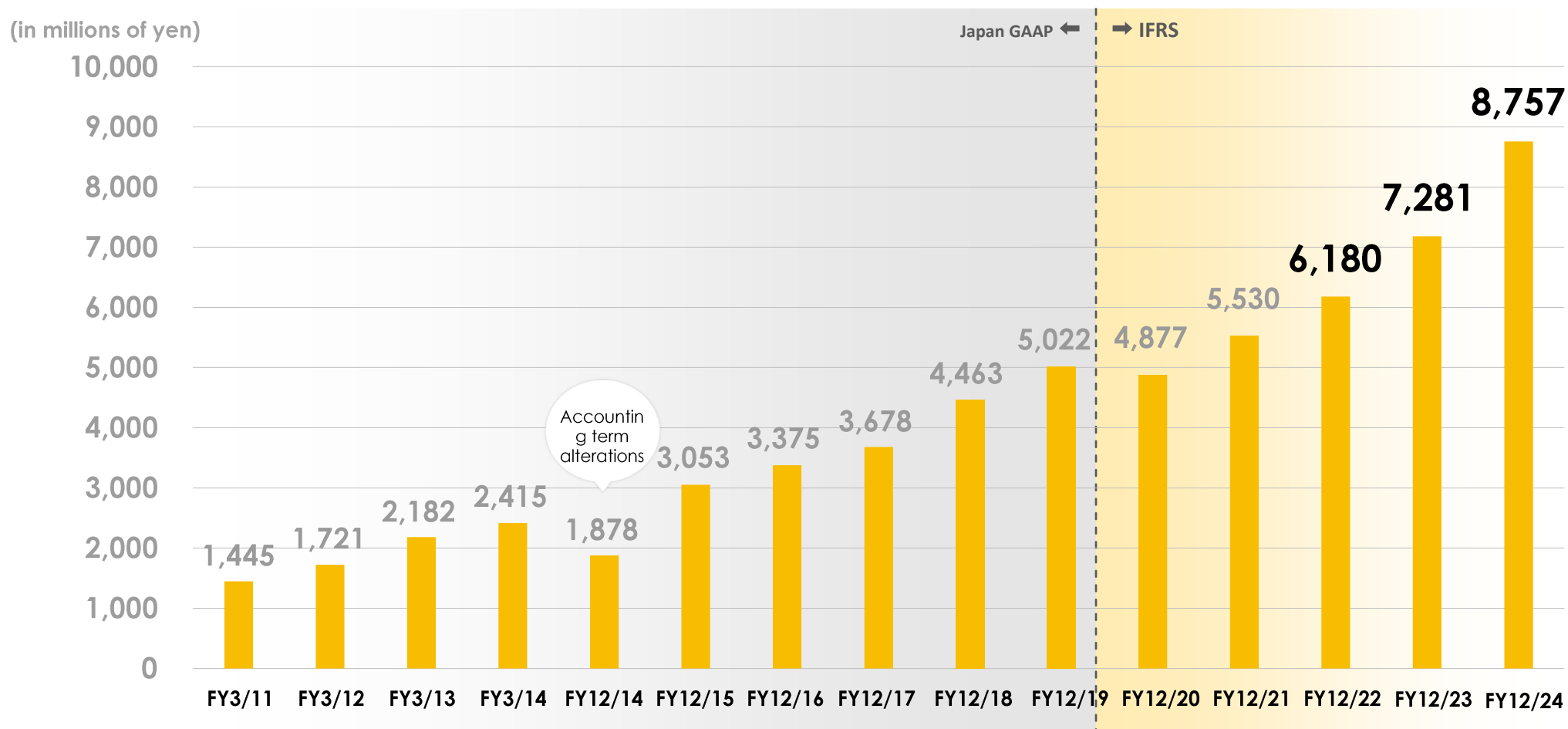
	FY2021 [Japan GAAP]	FY2021 [IFRS]	Difference
Total liabilities	1,497	3,439	1,941
Current liabilities	1,337	2,900	3 1,562
Non-current liabilities	160	539	1 378
Total equity	6,859	5,908	(951)
Equity attributable to owners of the parent	6,859	5,908	4 (951)
Non-controlling interests	—	(0)	(0)
Total liabilities and equity	8,357	9,347	990

03

**FY2022
Forecast [IFRS]**

FY2022 Forecast [IFRS]

Both businesses focuses on further expansion of their client base and estimate an 11.8% year-on-year increase in revenue to 6.18 billion yen.



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FY2022 Forecast [IFRS]

In the Cloud Solutions business, we will enhance sales by expanding the marketing budget. Accordingly, revenue are expected to grow by 11.8% year-on-year.

(in millions of yen)

	FY2022 forecasts	FY2021 actual results	Difference	% change
Revenue	6,180	5,530	650	11.8 %
Cloud Solutions	3,530	3,133	397	12.7 %
Digital Transformation	2,650	2,397	253	10.6 %
Operating profit	2,050	2,027*	22	1.1 %
Cloud Solutions	1,550	1,485	65	4.3 %
Digital Transformation	500	519	(19)	(3.6) %
Profit	1,435	1,423	12	0.8 %

Attention on handling this material

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