

oRo Co., Ltd.

3983

Tokyo Stock Exchange First Section

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■ Summary

An IT venture company that supports its customer companies' digitization both internally (enterprise systems) and externally (web marketing, etc.) Listing was rapidly upgraded to the TSE 1st Section.

oRo Co., Ltd., <3983> (hereafter, also “the Company”) is an IT venture company that conducts two businesses; the development and sales of cloud-based ERP*, and support for corporate marketing activities. ZAC Enterprise, which has become synonymous with the Company, is an ERP* package provided through a cloud service. It provides epochal products and services realized for ERP, which is spreading mainly among major companies, and for cloud-based for small- and medium-sized enterprises (SMEs). In its support for corporate marketing activities, it provides one-stop support systems that include all digital marketing services, from website design and operation, web system development to web advertising management, for major companies, including the AEON Co., Ltd. <8267> Group. In March 2017, it was listed on the Tokyo Stock Exchange (TSE) Mothers Section, and then in March 2018, its listing was rapidly upgraded to the TSE 1st Section, which is accelerating its growth. It has five development and sales bases within Japan and seven overseas and 337 employees (consolidated, end of December 2017), and it is a group of specialists that has global business deployment in its sights.

* ERP is the abbreviation of Enterprise Resource Planning (for integrated enterprise systems), and it is a tool intended for the integrated administration of a company's assets of people, things, money, and information, and for improved management efficiency.

1. Business overview

In the Business Solutions Division, the mainstay product is ZAC Enterprise, which is a cloud-based ERP package. It is an integrated enterprise system that supports the improved efficiency of a variety of business processes within a company, including sales, purchasing and employee attendance. Its strengths include that functions (parameters) are added to it on a daily basis that are compliant with the functions and business practices that are necessary in many industries, and also the sustainable growth of the system itself. The percentage of revenue from existing customers is high, at 59% (FY12/17) and its sales are trending stably upwards, while it is also highly profitable because there are few cases of it being customized at the time it is introduced. In the last three years, sales in this Division have steadily grown and the operating margin (FY12/17) has reached 36.2%.

The Communication Design Division mainly provides support to major companies for planning and implementing organizational and corporate communication strategies. The Company is able to provide a full one-stop service, from upstream design, including market research and analysis and the formulation of strategy and KPI, through to implementation such as the design and operation of websites, SNS, and web systems, and also access analysis and web advertising management. Its near-shore bases in Japan (Miyazaki and Sapporo), and off-shore base overseas (Dalian, China) are coordinating to strengthen cost management, and it is building a highly profitable in-house production system, which is also a point that earns it the trust of major companies. Operation and spot work for existing customers provide 82% of total net sales, which gives a sense of stability. Sales have trended stably in the Communication Design Division in the last three years, although the range of fluctuation of the operating margin is large.

Summary

2. Results trends

The FY12/17 full-year consolidated results were strong with higher sales and profits, with net sales increasing 15.8% year-on-year (YoY) to ¥3,910mn, operating profit rising 25.9% to ¥858mn, ordinary profit growing 19.1% to ¥840mn, and profit attributable to owners of parent climbing 24.6% to ¥574mn. Sales trended stably in both the Business Solutions Division and the Communication Design Division. In the Business Solutions Division, the effects of the new listing contributed, while new customer acquisition was also favorable. The number of active licenses continues to grow and now exceeds 120,000. In the Communication Design Division, the growth was greater than expected from the expansion of transactions with existing customers in 4Q. Cost of sales and SG&A expenses increased, but these increases were exceeded by the effects of the higher sales, so their respective ratios decreased. As a result, the Company achieved new record highs for each profit item.

The forecasts for the FY12/18 full-year consolidated results are for net sales to increase 16.7% YoY to ¥4,564mn, operating profit to rise 6.9% to ¥918mn, ordinary profit to grow 9.0% to ¥915mn, and profit attributable to owners of parent to increase 9.9% to ¥631mn, for the fourth consecutive fiscal period of higher sales and profits. The driving force behind the strong sales will be the steady improvement in the quality and quantity of inquiries from the effects of the listing. In the Business Solutions Division, the progress being made to reform ways of working is proving beneficial to the mainstay product of ZAC Enterprise that contributes to the reduction of indirect operations. In the Communication Design Division, the forecasts incorporate the continuation part of an order for a large project for an auto company in 4Q in the previous fiscal year. The forecasts for each profit item are for single-digit increases. The Company's policy is to continue to invest in its businesses for growth, and it expects costs to increase, mainly personnel costs. Overall, we judge the forecasts to be highly feasible.

3. Growth strategy and topics

The Company was listed on the TSE Mothers Section in March 2017, and it benefitted from this. At the same time, it declared its intention and made preparations for its listing to be changed to the TSE 1st Section as soon as possible, toward strengthening its management foundation, through further improving its social credibility and name awareness and securing human resources. As a result, the upgrading of its listing to the TSE 1st Section was approved on March 26, 2018, less than one year after it was listed on the Mothers Section. Going forward, this is likely to prove beneficial not only for sales, but will also provide the Company with other advantages, including to secure personnel and to acquire M&A information.

4. Shareholder return policy

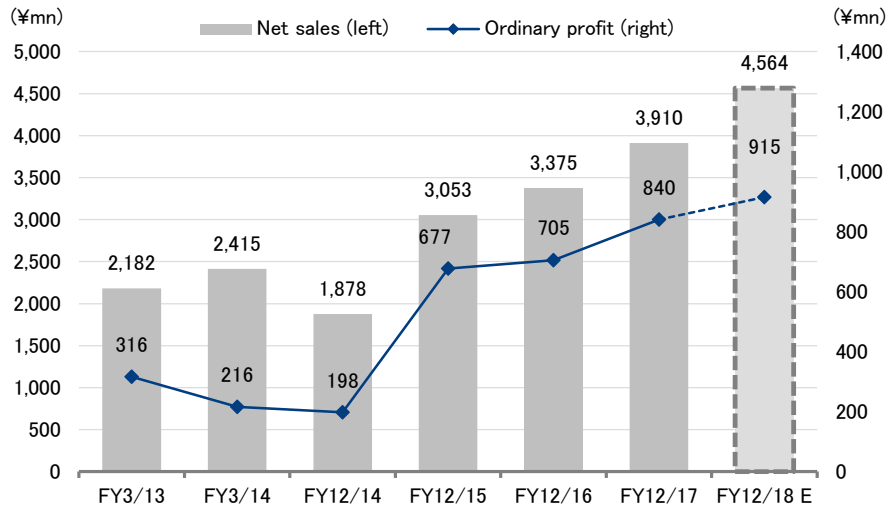
The Company considers continuously improving its enterprise value and returning profits to shareholders to be important management issues. Up to the present time, it has prioritized supplementing internal reserves and actively developing its businesses in order to return profits to shareholders over the long term. But against the backdrop of the strong results, from FY12/17 it changed its policy to paying dividends. In FY12/17, it paid an annual dividend of ¥15 for a dividend payout ratio of 20.3%. It is forecasting a dividend of ¥15 for FY12/18 also.

Key Points

- An IT venture company that supports its customer companies' digitization both internally (enterprise systems) and externally (web marketing, etc.)
- In FY12/17, results were strong in both the Business Solutions Division and Communication Design Division, and sales and profits were record highs
- Listing was rapidly upgraded to the TSE 1st Section, and going forward, it has in sight the overseas deployment of the Business Solutions Division

Summary

Results trends



Note: FY12/14 was a nine month irregular fiscal period. Results are stand-alone until FY3/14, consolidated from FY12/14.
 Source: Prepared by FISCO from the Company's financial results and the securities report

Company profile

An IT venture company that supports its customer companies' digitization both internally (enterprise systems) and externally (web marketing, etc.)

1. Company profile

oRo Co., Ltd. is an IT venture company that was established in 2000 (its predecessor, oRo Ltd., was established in 1999) by the current President and Representative Director, Mr. Atsushi Kawata, and the Senior Managing Director, Mr. Yasuhisa Hino. That time was the dawn of the Internet age, and since it was founded, it has aimed to be a global company from Japan that provides products and services that it can proudly present to the world. In the mainstay Business Solutions Division, ZAC Enterprise, which is a cloud-based ERP package, has become synonymous with the Company. It provides epochal products and services for ERP that is spreading mainly among major companies, and for cloud based for SMEs. The Communication Design Division, which is its other business pillar, provides a one-stop service for corporate marketing activities, from website design and operation and systems development through to advertising management, for major companies, including the AEON Group. The commonality of technologies in both divisions is high and in many cases its skilled human resources are involved in both divisions. It has off-shore bases in Dalian, China, and in Vietnam, and it has near-shore bases in Japan in Miyazaki and Sapporo, and it actively conducts cost management. It has five bases in Japan and seven bases overseas and 337 employees (consolidated, end of December 2017), and it is a group of specialists that has global business deployment in its sights.

Company profile

2. History

The Company was reorganized from its predecessor of a limited company and established in 2000. In this first half of the 2000s, it worked on the outsourced development of operations systems, such as for companies preparing for an IPO. It also acquired an excellent reputation for its proposal and technological capabilities in the development of websites for large customers and for its management and maintenance operations. In 2006, it developed and launched sales of ZAC Enterprise, a cloud-based ERP package, and subsequently it became the driving force behind the Company's growth. After that, it developed its business nationwide, starting with opening the Osaka branch in 2007, and then the Hokkaido branch (2008), the Miyazaki Support Center (2012), and the Chubu branch (2012). In 2010, it established an off-shore based in Dalian, China. It then established local corporations (currently, consolidated subsidiaries) in Malaysia (2012), Vietnam (2013), Singapore (2013, but currently a dormant company), Thailand (2014), and Taiwan (2016), and it thereby strengthened its development and sales foundation in China and Asia. It was listed on the TSE Mothers Section in March 2017 and was then upgraded to the TSE 1st Section in March 2018, which is accelerating its growth.

History

Year	Event
2000	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 PrivacyMark
2007	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)
2010	Acquired the Environmental Management Systems (EMS) certification
2012	Opened the Miyazaki Support Center
2012	Opened the Chubu branch office
2012	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)
2013	Established the Singapore local corporation ORO Technology Singapore Pte. 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)
2016	Established the Chinese local corporation DALIAN oRo ADVERTISING CO., LTD. (currently, a consolidated subsidiary)
2016	Established oRo Miyazaki Co., Ltd. (currently, a consolidated subsidiary)
2017	Listed on the TSE Mothers Section
2018	Listing upgraded to the TSE 1st Section

Source: Prepared by FISCO from the securities report

Company profile

3. Business structure

The Business Solutions Division provides solutions and services to increase corporate and organizational efficiency and to solve business issues, such as to improve productivity, mainly targeting SMEs. It primarily conducts the development and sales of the cloud-based ERP package ZAC Enterprise and Reforma PSA. It contributes 48.3% of Company-wide net sales (FY12/17 full-year) and 79.8% of Company-wide segment income (same), so it is the Company's leading earner.

The Communication Design Division supports the planning and implementation of organizational and corporate communication strategies, mainly for major companies. Its operations are classified into web marketing, web technology to support corporate marketing, and web integration, which involves the planning, design, and operation of websites and web systems. It contributes 51.7% of Company-wide net sales (same), and 20.2% of Company-wide segment income (same).

Globally, the concept of corporate digital transformation (abbreviated to DX, signifying the digitization of existing businesses and operations) is being advocated and is starting to spread. We can understand the two businesses the Company conducts to be the digitization of enterprise operations (internal DX) by the Business Solutions Division, and the digitization of interfaces with external parties (external DX) by the Communication Design Division.

Both businesses are conducted by human resources with the same technical skills and the synergies between them are high.

Business content and structure (consolidated, FY12/17 full-year)

Business segments	Main business content	% of net sales in FY12/17	% of segment income in FY12/17
The Business Solutions Division	It provides solutions and services to increase corporate and organizational efficiency and to solve business issues, such as to improve productivity. It primarily conducts the development and sales of the cloud-based ERP package ZAC Enterprise and Reforma PSA.	48.3%	79.8%
The Communication Design Division	It supports the planning and implementation of organizational and corporate communication strategies. Its operations are classified into web marketing, which utilizes the web to support organizational and corporate marketing in general, and web integration, which involves the planning, construction, and management of websites and web systems.	51.7%	20.2%

Source: Prepared by FISCO from the Company's financial results and the securities report

4. A group of specialists

The Company's strengths include its technological and creative capabilities, and the human resources and organization that support these capabilities. One of its features is that around 75% of its employees are specialists in some field, and that these specialists come together into teams or separate as needed on a project-by-project basis to rapidly advance the relevant operations. If speaking of creative positions, these specialists include front-end engineers, programmers, systems engineers, infrastructure engineers, and designers. In terms of general positions, they include sales managers, consultants, planners, producers, and directors. The Company also utilizes an internal currency system and other methods to convey feelings of gratitude to its employees during day-to-day operations, which helps to foster a vibrant corporate culture and to enhance employee motivation.

■ Business overview

The percentage of revenue from existing customers is high and is realizing a business model for stable growth

1. The Business Solutions Division

(1) Conditions in the ERP and cloud markets

The ERP package license market in Japan has a market scale of ¥118.5bn (FY2017 forecast), and it is growing stably YoY, by 4.8% (same), against the backdrop of the rebuilding of enterprise systems by major companies and the need for improved operational efficiency in SMEs. The tendency is for foreign companies, such as SAP Japan Co., Ltd., and Oracle Corporation Japan <4716>, to be strong for major companies, and for Japanese companies, including OBIC Co., Ltd. <4684> and Obic Business Consultants Co., Ltd. <4733>, to be strong for SMEs. Previously, ERP was typically conducted on-premises (owned and managed in-house), but currently, the shift to cloud is rapidly progressing. In this background to this are the facts that the concerns regarding the stability and security of the cloud have decreased, and that it offers advantages, including a reduction in total costs and early introduction. The solution that the Company provides is from cloud-based systems for SMEs, which is positioned as a growth field even within the ERP market.

Japan ranks 20th among OECD countries for labor productivity (2016), and in particular, the productivity of its white-collar labor force is a problem. It is said that this year is the first year to reform ways of working, and improving productivity is attracting a lot of attention. To improve labor productivity, it is necessary to enhance operational efficiency and to make management visible, and IT systems like ERP offer promising solutions for these issues.

(2) The Features of ZAC Enterprise

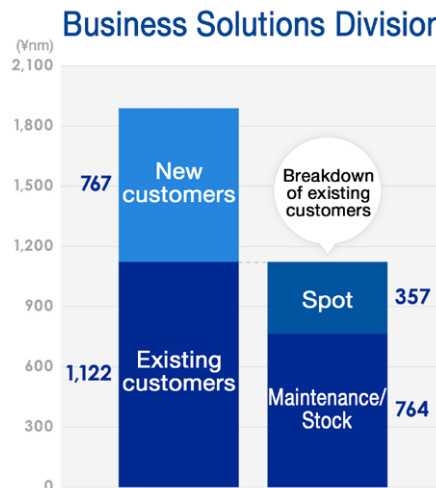
ZAC Enterprise is an integrated enterprise system that supports the improved efficiency of a variety of business processes, including sales, purchasing and employee attendance. The advantages of introducing it include increased operational efficiency, an improved balance-control level, internal controls, and support for management decision making based on management accounting. This system adopts a product-design policy that is realized through adding function items known as “parameters” that are compliant with the functions and business practices that are required in many industries. The user companies can create a system that is tailored to their own operations through selecting and adjusting the parameters so that they match their own functional requirements. There are an abundance of parameters from the requests by user companies, and newly added parameters are shared among these companies. In this way, this system’s greatest strength is that it can realize its own sustainable growth through the parameters design. Research and development is ongoing and various improvements are being progressed, including changing to an intuitive UI (user interface), multi-device compliance, the automation and visualization of work, compliance with multiple languages, the introduction of AI technologies and RPA. With regards to AI technologies, the Company is progressing “support for improved input efficiency through machine learning,” and as the next step, it is taking on the challenging of “using AI to supporting human decision making.”

Business overview

(3) The business model

The price of one license for ZAC Enterprise is determined per module, and for the price, either the purchase price or the SaaS price (monthly usage fee) can be selected. The four enterprise operations-related modules are implemented by many of the customer companies, and they consist of sales management, purchasing management, employee attendance management, and costs management. Other than these, it has inventory management and file management functions, an information-sharing module, and optional functions. From new customers, the Company receives license purchase revenue and introduction support fees, which constitute 41% of the net sales of the Business Solutions Division (FY12/17). From existing customers, it receives the monthly usage fees and software maintenance fees, and also spot income such as for additional licenses, as well as data center usage fees, and these account for 59% of this Division's net sales. Overall, the percentage of recurring income is high and sales tend to stably accumulate, while ZAC Enterprise has also become highly profitable alongside the increase in the number of companies introducing it, because it is a cloud system so there are few cases of it being customized at the time it is introduced.

Percentages of net sales by business segment (FY12/17 full-year, Business Solutions Division)



Source: Prepared by FISCO from the Company's results briefing materials

(4) Features and examples of introducing companies

The companies that implement it are in a wide variety of industries, but the main customer base is formed from industries including software and IT, consulting, advertising, and web and video contents. Features of these industries include that they have many project-based operations and that professionals (highly specialized white-collar workers) are required to cooperate to conduct the work efficiently. Also, many of the introducing companies are growth companies prior to being listed. The reasons for this include that through introducing this system, they can establish in their organization a structure of internal controls, including a *ringi* internal approval system, which will help them to clear the listing standards. Some examples of implementing companies include JAL Information Technology Co., Ltd. (IT), IMJ Corporation (digital marketing), NISSEN INC. <6543> (advertising, listed in February 2017), Mirai Consulting, Inc. (consulting), KAYAC Inc. <3904> (social game and app development), and Vector Inc. <2656> (game and software sales).

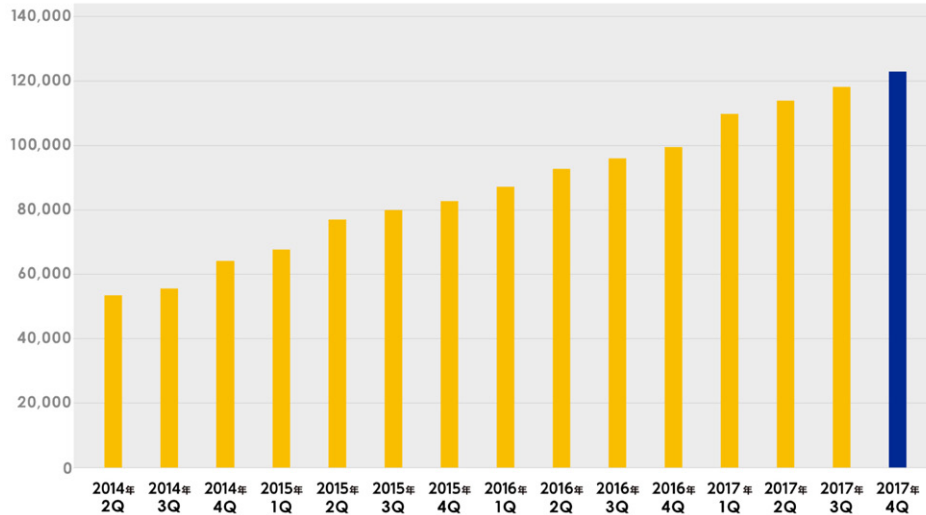
(5) Trend in the number of active licenses

The number of ZAC Enterprise active licenses had exceeded 120,000 at the end of FY12/17 and is continuing to increase. The pace of this increase is that the number had approximately doubled in the three years from the end of FY12/14.

We encourage readers to review our complete legal statement on "Disclaimer" page.

Business overview

Trend in the number of ZAC Enterprise active licenses

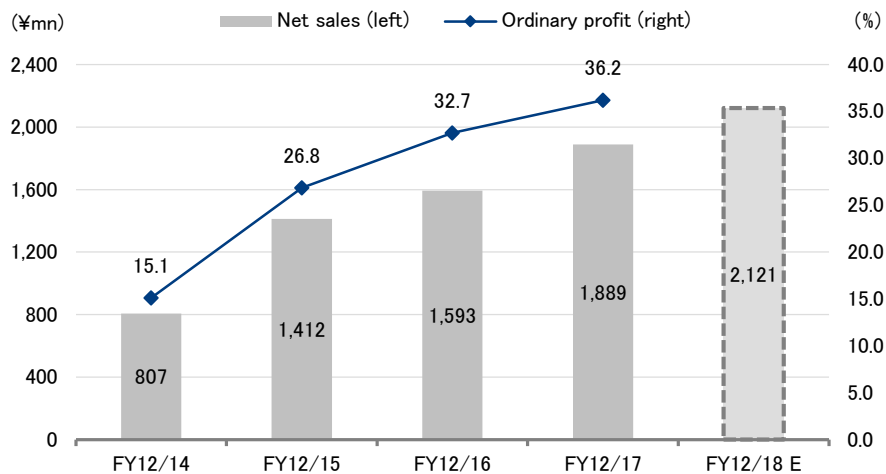


* Number of active licenses = total number of licenses sold – total number of licenses cancelled
Source: Prepared by FISCO from the Company's results briefing materials

(6) Trends in net sales and operating profit

In the last three years, sales in the Business Solutions Division have steadily grown and the operating margin in the FY12/17 full year reached 36.2%.

Results trend in the Business Solutions Division



Note: FY12/14 was nine months due to the change of the fiscal period
Source: Prepared by FISCO from the Company information

2. The Communication Design Division

(1) Meeting major companies' digital marketing needs through a one-stop service

The Communication Design Division supports the planning and implementation of organizational and corporate communication strategies, mainly for major companies. A feature of the Company is that it can provide a full service, from upstream design through to implementation and operation support. In the upstream design phase, it provides services including market research and analysis, and the formulation of strategy and KPI. In the implementation phase, it designs websites and SNS, while it also specializes in designing web system development and it is able to demonstrate its development capabilities that integrate enterprise systems. In the operation phase, alongside the management of websites and SNS, it conducts access analysis and web advertising management, and moreover, the scope of its operations also covers from CI development and other branding to the production of paper media and event implementation. Its near-shore bases in Japan (Miyazaki and Sapporo) coordinate with its overseas off-shore base (Dalian) to strengthen cost management and it is building a highly profitable in-house production system, which is also a point that earns it the trust of major companies.

On arranging the strengths of the Company's Communication Design Division, we can cite the following four points.

- a) One-stop full service
- b) Highly reliable systems development capabilities
- c) Cost management through near-shore and off-shore operations
- d) Ability to respond to inbound demand and an overseas strategy

(2) An abundant track record

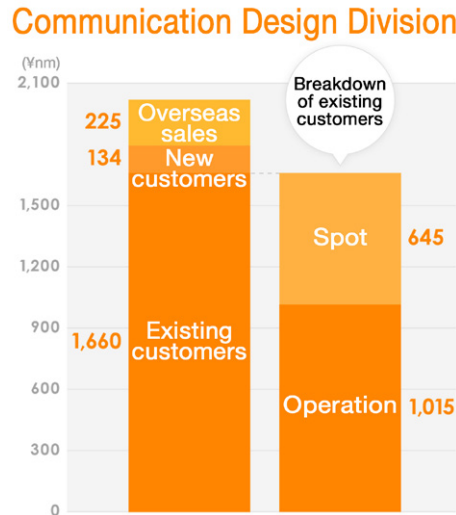
We cannot talk about the growth of the Communication Design Division without mentioning the ongoing business relationship with the AOEN Group that it has continued since 2004. It undertakes a variety of outsourcing projects for the AEON Group, such for AEON Mall Co., Ltd. <8905> and AEON Shop (AEON Retail, Co., Ltd), which has a presence in every region across the country. It also undertakes various other projects, including the design and operation of AEON Group-related websites, such as for Aeonpet Co., Ltd., through to SNS design and operation, support for events at stores, and moreover digital marketing support that it provides locally alongside the AEON Group's strengthening of its business in ASEAN. Around 30% of the Communication Design Division's total sales are from the AEON Group. On the other hand, the number of customers companies is gradually increasing and now include KOBAYASHI PHARMACEUTICAL CO., LTD <4967>, MUFJ Bank, Ltd., Taiko Pharmaceutical Co., Ltd. <4574>, Descente LTD. <8114>, ITOKI CORPORATION <7972>, Peach Airlines (Peach Aviation Ltd.), and NISSAN MOTOR CO.,LTD. <7201>, and the percentage of sales provided by the AEON Group is trending downward year by year.

(3) The business model

As management operations from existing customers (major companies) constitute 50% of the total sales of this Division (FY12/17), there is a sense of stability. Further, it also receives orders for spot operations from existing customers, which constitute 32% of total sales (same). In this Division as well, the Company's strengths include its highly reliable systems development capabilities, and therefore securing the human resources to increase sales from new customers will be an issue. The percentage of total sales from new customers is comparatively small, at 7% (same), and there is still plenty of room for growth from its work for existing customers.

Business overview

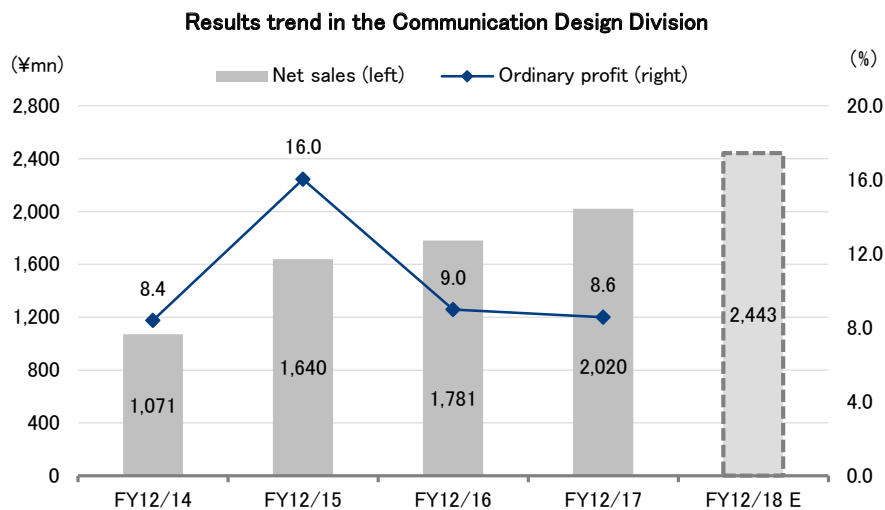
Percentages of sales by segment (FY12/17 full-year, Communication Design Division)



Source: Prepared by FISCO from the Company's results briefing materials

(4) Trends in net sales and operating profit

In the last three years, sales have trended stably in the Communication Design Division, but the range of fluctuation of the operating margin is large. In FY12/16, profitability declined due to the recording of costs to develop new services, while in FY12/17, the fact that there were unprofitable projects in the 1H affected the profit margin.



Note: FY12/14 was nine months due to the change of the fiscal period
 Source: Prepared by FISCO from the Company materials

Results trends

In FY12/17, results were strong in both the Business Solutions Division and Communication Design Division, and sales and profits were record highs

(1) Summary of the FY12/17 results

The FY12/17 full-year consolidated results were strong with higher sales and profits, with net sales increasing 15.8% YoY to ¥3,910mn, operating profit rising 25.9% to ¥858mn, ordinary profit growing 19.1% to ¥840mn, and profit attributable to owners of parent climbing 24.6% to ¥574mn.

Sales trended stably in both the Business Solutions Division and the Communication Design Division, with YoY increases of 18.6% and 13.4% respectively. In the Business Solutions Division, the effects of the new listing contributed, while new customer acquisition was also favorable. The number of active licenses continues to grow and now exceeds 120,000. In the Communication Design Division, the growth was greater than expected from the expansion of transactions with existing customers in 4Q.

The cost of sales total rose ¥251mn due to factors including increases in outsourcing costs in the Communication Design Division, and in the number of engineers and the average salary. However, this rise was exceeded by the effects of the higher sales, so the cost-of-sales ratio fell by 0.5 of a percentage point. The SG&A expenses total also grew due to the increases in the number of management-related personnel, in business taxes, and in R&D costs. But the SG&A expenses ratio also declined 1.3 percentage points (due to the effects of the higher sales). As a result, the Company achieved new record highs for each profit item.

FY12/17 full-year consolidated results

	FY12/16 full year		FY12/17 full year		
	Result	% of sales	Result	% of sales	YoY (%)
Net sales	3,375	100.0%	3,910	100.0%	15.8%
Cost of sales	1,715	50.8%	1,967	50.3%	14.7%
Gross profit	1,660	49.2%	1,943	49.7%	17.0%
SG&A expenses	978	29.0%	1,084	27.7%	10.9%
Operating profit	682	20.2%	858	22.0%	25.9%
Ordinary profit	705	20.9%	840	21.5%	19.1%
Profit attributable to owners of parent	461	13.7%	574	14.7%	24.6%

Source: Prepared by FISCO from the Company's financial results

Results trends

Has an abundance of cash and deposits due to the listing, and has sufficient capacity to invest in M&A and overseas business expansion

(2) Financial condition and management indicators

At the end of December 2017, total assets were up ¥2,816mn on the end of the previous fiscal year to ¥5,376mn. This was mainly due to increases in current assets of ¥2,805mn and cash and deposits of ¥3,001mn. The listing of its shares contributed greatly to this.

Total liabilities were up slightly, by ¥43mn, on the end of the previous fiscal year to ¥669mn. Breaking it down, it was mainly due to an increase of ¥25mn in accrued income taxes in current liabilities. The Company does not have any interest-bearing debt and continues to conduct debt-free management.

Net assets were up ¥2,773mn on the end of the previous fiscal year to ¥4,707mn. They increased greatly from the raising of funds from the listing.

Looking at the management indicators, the equity ratio, which shows medium- to long-term financial soundness, is at the high level of 87.5%. The current ratio, which shows short-term stability, is 764.4%, which greatly exceeds the 200% that is generally said to indicate soundness. So the Company's financial stability is outstanding.

The consolidated balance sheet and management indicators

	(¥mn)		
	End of December 2016	End of December 2017	Change amount
Current assets	2,312	5,117	2,805
(Cash and deposits)	1,270	4,272	3,001
(Notes and accounts receivable)	773	569	-204
Non-current assets	248	259	11
Total assets	2,560	5,376	2,816
Current liabilities	626	669	43
Non-current liabilities	-	-	-
Total liabilities	626	669	43
Total net assets	1,934	4,707	2,773
Total liabilities and net assets	2,560	5,376	2,816
<Stability>			
Current ratio (current assets ÷ current liabilities)	369.3%	764.4%	-
Equity ratio (capital ÷ total assets)	75.5%	87.5%	-

Source: Prepared by FISCO from the Company's financial results

Future Outlook

The outlook for the FY12/18 full-year is for the fourth consecutive period of higher sales and profits

The forecasts for the FY12/18 full-year consolidated results are for net sales to increase 16.7% YoY to ¥4,564mn, operating profit to rise 6.9% to ¥918mn, ordinary profit to grow 9.0% to ¥915mn, and profit attributable to owners of parent to increase 9.9% to ¥631mn, for the fourth consecutive fiscal period of higher sales and profits.

The driving force behind the strong sales will be the steady improvement in the quality and quantity of inquiries from the effects of the listing. It is expected that the upgrading of the listing to the TSE 1st Section will further improve the Company's name recognition and credibility. The forecast for the Business Solutions Division is for net sales of ¥2,121mn (up 12.2%). The progress being made to reform ways of working is proving beneficial to the mainstay product of ZAC Enterprise that contributes to the reduction of indirect operations. The forecast for the Communication Design Division is for net sales of ¥2,443mn (up 20.9%). Although this forecast is for high growth, it incorporates the continuation part of an order for a large project for an auto company in 4Q in the previous fiscal year, and so it is considered to be highly accurate.

The forecasts for each profit item are for single-digit increases. The Company's policy is to continue to invest in its businesses for growth, and it expects costs to increase, mainly personnel costs. Also, in the Communication Design Division, Internet advertisement business is expected to grow, so the purchase of Internet advertisements (Google <GOOG>, Yahoo Japan Corporation <4689>, etc.) will increase. The ordinary margin in the previous fiscal year was 21.5% and it is forecast to be 20.0% in the current fiscal period, and overall we judge the profit forecasts to be highly feasible.

FY12/18 consolidated results forecasts

	FY12/17		FY12/18		YoY
	Result	Composition ratio	Forecast	Composition ratio	
Net sales	3,910	100.0%	4,564	100.0%	16.7%
Operating profit	858	22.0%	918	20.1%	6.9%
Ordinary profit	840	21.5%	915	20.0%	9.0%
Profit attributable to owners of parent	574	14.7%	631	13.8%	9.9%

Source: Prepared by FISCO from the Company's financial results

■ Medium- to long-term growth strategy and topics

Listing was rapidly upgraded to the TSE 1st Section, and going forward, it has in sight the overseas deployment of the Business Solutions Division

1. Listing rapidly upgraded to the TSE 1st Section

The Company was listed on the TSE Mothers Section in March 2017, and it benefitted from this. At the same time, it declared its intention and made preparations for its listing to be changed to the TSE 1st Section as soon as possible, toward further strengthening its management foundation, including by further improving its social credibility and name awareness and securing human resources. As a result, the upgrading of its listing to the TSE 1st Section was approved on March 26, 2018, less than one year after it was listed on the Mothers Section. Going forward, this is likely to prove beneficial not only for sales, but will also provide the Company with other advantages, including to secure personnel and to acquire M&A information.

2. Accelerating overseas business deployments

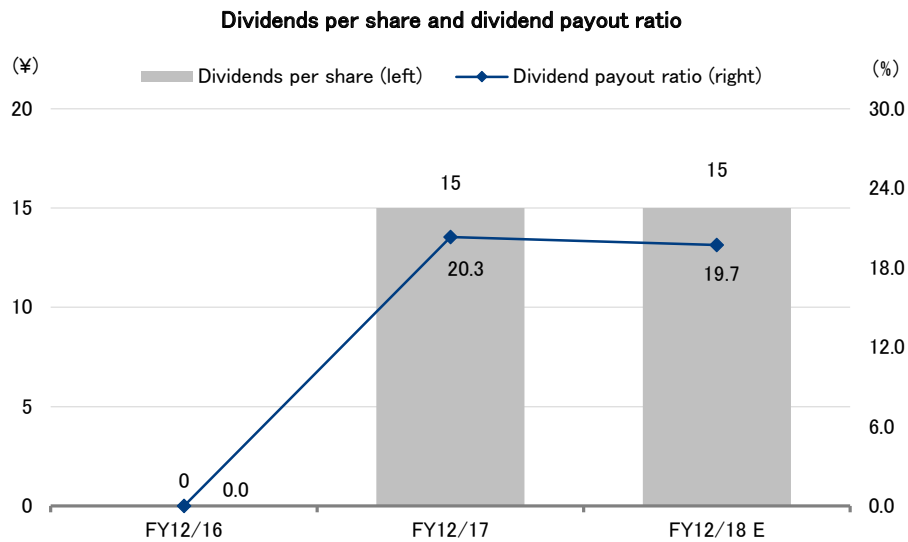
The Company has global business deployment in its sights based on the corporate philosophy it has held since its foundation, of “With the commitment of all employees in creating what they can proudly present to the world (namely our organization with its products, and services), oRo's goal is to continue 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.” The starting point of the overseas business deployment was the establishment of an off-shore development base in Dalian, China. After that, alongside the AEON Group's opening of stores in Asia, the Company also established overseas sales bases and prepared local support systems. Currently, its transactions with other Japanese companies and local companies are growing, and its sales bases have become able to function independently in Malaysia, Thailand, and Taiwan. Overseas sales are still not that large, but they are growing rapidly. Particularly strong is the business for inbound demand. It is actively developing sales-promotion support, including the holding of local PR events for retailers and local governments aimed at overseas tourists to Japan, and for communication, including via the web and SNS.

The Company also intends to start the overseas deployment of the Business Solutions Division once the preparations are completed. It is currently continuing with research and development for ZAC Enterprise, its mainstay product, and this work is progressing steadily, including to evolve it to intuitive UI/UX and to be compliant with multiple languages and currencies. The Business Solutions Division is expected to take on the challenge of advancing into the overseas market starting in FY12/19 at the earliest or FY12/20 at the latest.

Shareholder return policy

**In FY12/17, paid an annual dividend for the first time, of ¥15.
 Forecast is for an annual dividend of ¥15 in FY12/18 also.**

The Company considers continuously improving its enterprise value and returning profits to shareholders to be important management issues. Up to the present time, it has prioritized supplementing internal reserves and actively developing its businesses in order to return profits to shareholders over the long term. But against the backdrop of the strong results, from FY12/17 it changed its policy to paying dividends. In FY12/17, it paid an annual dividend of ¥15 for a dividend payout ratio of 20.3%. It is forecasting a dividend of ¥15 for FY12/18 also.



Source: Prepared by FISCO from the Company's financial results



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