This document is an English translation of a statement initially written in Japanese.
This translation is to be used solely as a reference and the consolidated financial statements in this release are unaudited.

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 29, 2020 [Japanese GAAP]

July 12, 2019

Company name	Rozetta Corp.			Listing Market TSE
Stock Code	6182	URL https://www.rozetta.jp		
Representative	(Title)	Representative Director and CEO	(Name) Junichi Goishi	
Contact	(Title)	Executive Officer, General Manager of Group Administration Division	(Name) Yoko Jacobson	TEL +81-3-6685-9570
Scheduled date of filing of quarterly report:		July 12, 2019	Scheduled date of commencement of dividend payment:	-

Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results briefing: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 29, 2020 (March 1, 2019-May 31, 2019)

(1) Consolidated Results of Operation (Cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1 FY2/20	975	49.8	170	279.2	170	268.6	110	208.4
Q1 FY2/19	651	22.1	44	20.3	46	23.0	35	103.7

(Note) Comprehensive income: Q1 FY2/20 110 Millions of yen (206.6%) Q1 FY2/19 35 Millions of yen (103.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Q1 FY2/20	10.75	10.41
Q1 FY2/19	3.57	3.41

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Q1 FY2/20	2,861	1,304	45.5
FY2/19	2,642	1,194	45.1

(Reference) Shareholders' equity: Q1 FY2/20 1,302 Millions of yen FY2/19 1,191 Millions of yen

2. Dividend payment

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/19	-	0.00	-	0.00	0.00
FY2/20	-				
FY2/20 (Forecast)		0.00	-	0.00	0.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending February 29, 2020 (March 1, 2019 - February 29, 2020)

At present, the MT business has entered a period of rapid growth since the fourth quarter of the fiscal year ended February 28, 2018, and we are concentrating our management policy on maximizing medium-to long-term growth rather than short-term profits. For the time being, we will not disclose the forecast as a fixed value until the sales growth rate of the MT business settles down (roughly 150% compared to the previous year), in order not to adjust expenses in accordance with earnings forecasts, and therefore we make decisive choices that best meet its long-term growth objectives on an occasional basis.
For the consolidated business forecasts for the fiscal year ending February 29, 2020, we announced only the minimum figures, for example, by indicating record-high sales (2,908 million yen) or over and record-high profit (operating income of 338 million yen) or over.

*Notes

(1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes
New consolidated: -
Excluded: Inter media Inc. and Quicktranslate, Inc.
(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements, (3) Notes on Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period)" on page 5 of the Appendix.

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements: Yes
(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements, (3) Notes on Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)" on page 5 of the Appendix.

(3) Changes in accounting policies and changes or restatement of accounting estimates

1. Changes in accounting policies due to revision of accounting standards, etc.: None
2. Changes in accounting policies due to other reasons: None
3. Changes in accounting estimates: None
4. Restatement of prior period financial statements after error corrections: None

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding at the end of the period (including treasury stock)	Q1 FY2/20	10,296,260	Shares	FY2/19	10,296,260	Shares
2. Treasury shares at the end of the year	Q1 FY2/20	330	Shares	FY2/19	286	Shares
3. Average number of shares outstanding during the period (cumulative)	Q1 FY2/20	10,295,933	Shares	Q1 FY2/19	10,042,084	Shares

*This quarterly financial report is not subject to the quarterly review by a certified public accountant or an auditing firm.

*Explanations and other special notes concerning the appropriate use of business forecasts
(Cautionary Statement with Respect to Forward-Looking Statements)
Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors. Please refer to "1. Qualitative Information on Consolidated Financial Results (3) Consolidated Business Forecasts " on page 2 of the Attachment for the assumptions underlying the forecasts and cautions concerning the use thereof.

(Method of Obtaining Financial Results Briefing Materials)
Supplementary materials for financial results were disclosed on the TDnet on the same date.

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

During the first quarter of the current fiscal year (March 1, 2019 to May 31, 2019), sales of T-4OO continued to be strong in the MT business. Accordingly, we continuously increased the staff of all sections, including the marketing and management sections, to fortify our organizational structure before expanding our business rapidly.

As a result, our group posted net sales of 975,364 thousand yen (up 49.8% year on year), operating income of 170,525 thousand yen (up 279.2% year on year), ordinary income of 170,443 thousand yen (up 268.6% year on year), and profit attributable to owners of parent of 110,673 thousand yen (up 208.4% year on year) for the cumulative first quarter of the current fiscal year.

The performance of each business segment is as follows:

① MT business

As for the MT business, sales were 469,598 thousand yen (up 235.9% year on year) due to continuous strong sales of T-4OO. Segment income was 52,337 thousand yen (up 382.5% year on year) as a result of a significant increase in SG & A expenses from the sales division to the administration division in preparation for the rapid expansion of the MT business.

② HT business

As for the HT business, sales were 387,590 thousand yen (down 8.0% year on year). Segment income was 111,301 thousand yen (up 82.9% year on year), mainly due to the rationalization of SG & A expenses, such as a significant reduction of administrative headquarters functions.

③ Crowdsourcing Business

As for the Crowdsourcing business, sales were 118,175 thousand yen (up 31.1% year on year). Segment income was 15,543 thousand yen (up 535.8% year on year), mainly due to the rationalization of SG & A expenses, such as a significant reduction of administrative headquarters functions.

(2) Financial Position

Assets

Current assets increased by 138,525 thousand yen from the end of the previous fiscal year to 1,461,783 thousand yen at the end of the first quarter of the current fiscal year. This was mainly due to an increase of 120,121 thousand yen in cash and deposits and an increase of 8,748 thousand yen in inventories. Non-current assets increased by 80,581 thousand yen from the end of the previous fiscal year to 1,400,174 thousand yen. This was mainly due to an increase of 27,268 thousand yen in property, plant and equipment and an increase of 55,126 thousand yen in intangible assets.

Liabilities

Current liabilities increased by 140,050 thousand yen from the end of the previous fiscal year to 1,296,563 thousand yen at the end of the first quarter of the current fiscal year. This was mainly due to an increase of 198,377 thousand yen in advances received and an increase of 43,916 thousand yen in provision for bonuses. Non-current liabilities decreased by 30,882 thousand yen from the end of the previous fiscal year to 261,289 thousand yen. This was due to the repayment of long-term debt.

Net assets

Net assets increased by 109,939 thousand yen from the end of the previous fiscal year to 1,304,105 thousand yen at the end of the first quarter of the current fiscal year. This was mainly due to an increase of 110,673 thousand yen in retained earnings.

(3) Consolidated Business Forecasts

At present, the MT business has entered a period of rapid growth since the fourth quarter of the fiscal year ended February 2018. We are concentrating our management policy on maximizing medium-to long-term growth rather than short-term profits. For the time being, we will not disclose the forecast as a fixed value until the sales growth rate of the MT business settles down (roughly 150% compared to the previous year), in order not to adjust expenses in accordance with earnings forecasts, and therefore we make decisive choices that best meet its long-term growth objectives on an occasional basis.

For the consolidated business forecasts for the fiscal year ending February 29, 2020, we announced only the minimum figures, for example, by indicating record-high sales (2,908 million yen) or over and record-high profit (operating income of 338 million yen) or over.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (February 28, 2019)	Current first quarter (May 31, 2019)
Assets		
Current assets		
Cash and deposits	853,378	973,500
Notes and accounts receivable	360,515	355,942
Inventories	51,237	59,985
Other	66,716	80,206
Allowance for doubtful accounts	(8,589)	(7,851)
Total current assets	1,323,258	1,461,783
Fixed assets		
Property, plant and equipment	236,489	263,758
Intangible assets		
Goodwill	89,513	84,198
Software	432,361	785,930
Software in progress	423,287	130,166
Other	468	463
Total intangible assets	945,631	1,000,758
Investments and other assets	137,471	135,658
Total noncurrent assets	1,319,592	1,400,174
Total assets	2,642,850	2,861,958
Liabilities		
Current liabilities		
Notes and accounts payable-trade	140,961	116,313
Current portion of long-term loans payable	231,601	198,201
Income taxes payable	111,002	62,480
Provision for bonuses	26,577	70,493
Advances received	440,309	638,686
Other	206,061	210,387
Total current liabilities	1,156,513	1,296,563
Long-term liabilities		
Long-term debt	292,171	261,289
Total long-term liabilities	292,171	261,289
Total liabilities	1,448,684	1,557,852
Net assets		
Shareholders' equity		
Capital stock	250,794	250,794
Capital surplus	1,230,983	1,230,983
Retained earnings	(289,839)	(179,166)
Treasury stock	(435)	(532)
Total shareholders' equity	1,191,502	1,302,079
Share subscription rights	458	458
Non-controlling shareholders' equity	2,206	1,567
Total net assets	1,194,166	1,304,105
Total liabilities and net assets	2,642,850	2,861,958

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(For the Three-month Period)

(Thousands of yen)

	Previous first quarter From March 1, 2018 To May 31, 2018	Current first quarter From March 1, 2019 To May 31, 2019
Net sales	651,196	975,364
Cost of sales	273,192	329,971
Gross profit	378,003	645,393
Selling, general and administrative expenses		
Salaries, allowances and bonuses	102,357	135,765
Provision for bonuses	20,457	35,054
Other	210,219	304,047
Total selling, general and administrative expenses	333,033	474,867
Operating income	44,969	170,525
Non-operating income		
Interest income	15	10
Foreign exchange gain	138	1
Other	2,053	386
Total non-operating income	2,207	398
Non-operating expenses		
Interest expenses	920	480
Other	15	-
Total non-operating expenses	936	480
Ordinary income	46,241	170,443
Special income		
Surrender value of insurance	11,513	-
Total special income	11,513	-
Special loss		
Loss on retirement of noncurrent assets	1,672	0
Total special loss	1,672	0
Income before income taxes	56,082	170,443
Income taxes	20,198	60,408
Net income	35,883	110,035
Income (loss) attributable to non-controlling interests	-	(638)
Net income attributable to owners of parent	35,883	110,673

Quarterly Consolidated Statements of Comprehensive Income

(For the Three-month Period)

(Thousands of yen)

	Previous first quarter From March 1, 2018 To May 31, 2018	Current first quarter From March 1, 2019 To May 31, 2019
Net income	35,883	110,035
Comprehensive income	35,883	110,035
Total comprehensive income attributable to:		
Owners of parent	35,883	110,673
Non-controlling interests	-	(638)

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Significant Subsidiaries during the Period)

During the first quarter of the fiscal year, the Company conducted an absorption-type merger of Inter media, Inc. by GLOVA Corp., our consolidated subsidiary, and an absorption-type merger of Quicktranslate, Inc. by anydooR, Inc. As a result, Inter media, Inc. and Quicktranslate, Inc. have ceased to exist, and therefore, they have been excluded from the scope of consolidation from the first quarter of the current fiscal year.

(Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements)

Income taxes are calculated by multiplying the net income before income taxes by the forecasted effective tax rate, which is computed by matching the forecasted yearly income taxes with the forecasted yearly income before taxes.

(Additional Information)

(Application of Partial Revision of "Accounting Standard for Tax Effect Accounting")

The Company has applied the "Partial Revision to the Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other accounting standards from the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets are presented as investments and other assets, and deferred tax liabilities are presented as non-current liabilities.

(Segment Information)

I. Previous first quarter (From March 1, 2018 to May 31, 2018)

1. Information on net sales and income (loss) by reportable segment

(Thousands of yen)

	Reportable Segments				Adjustment (Note 1)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	Crowdsourcing business	Total		
Net sales						
Net sales to unaffiliated customers	139,808	421,260	90,127	651,196	-	651,196
Intersegment sales or transfer	600	35,986	47,056	83,643	(83,643)	-
Total	140,408	457,246	137,184	734,839	(83,643)	651,196
Segment income	10,846	60,842	2,444	74,133	(29,164)	44,969

(Note) 1. Adjustments to segment income of (29,164) thousand yen include eliminations of intersegment transactions and amortization of goodwill not attributable to reportable segments, and corporate expenses. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company that are not attributable to reportable segments.

2. Segment income is adjusted with operating income in the quarterly consolidated statements of income.

II Current first quarter (From March 1, 2,019 to May 31, 2019)

1. Information on net sales and income (loss) by reportable segment

(Thousands of yen)

	Reportable Segments				Adjustment (Note 1)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	Crowdsourcing business	Total		
Net sales						
Net sales to unaffiliated customers	469,598	387,590	118,175	975,364	-	975,364
Intersegment sales or transfer	28,518	643	51,491	80,653	(80,653)	-
Total	498,116	388,234	169,666	1,056,017	(80,653)	975,364
Segment income	52,337	111,301	15,543	179,182	(8,656)	170,525

(Note) 1. Adjustments to segment income of (8,656) thousand yen include elimination of inter-segment transactions and amortization of goodwill not attributable to reportable segments, and corporate expenses. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company that are not attributable to reportable segments.

2. Segment income is adjusted with operating income in the quarterly consolidated statements of income.

2. Changes in reportable segments

In conjunction with the transfer of the GLOZE business to GLOVA Corp., our group has integrated the "GLOZE business," "Translation and Interpretation business," and "Corporate Training business" into the "HT business." As a result, our reportable segments consist of the "MT business," "HT business" and "Crowdsourcing business" since the previous fiscal year.

GLOZE business has provided consigned translation services to standardize quality, reduce costs, and shorten lead times by combining MT (machine translation) technology and HT (human translation).

However, as the precision of our MT increased significantly in the previous fiscal year, our current management task has shifted to the stage of "the last mile to the full automation (the complete replacement of HT by MT)", and we decided to reorganize the segment to streamline the organizational structure as there is no longer a fundamental difference between the GLOZE business and GLOVA's translation business.

Segment information for the first quarter of the previous fiscal year has been prepared using the new segmentation method and is included in “I. Previous first quarter (From March 1, 2018 to May 31, 2018) 1. Information on net sales and income by reportable segment.”

(Per share Information)

The basis for calculating net income per share and diluted net income per share is as follows.

	Previous first quarter From March 1, 2018 To May 31, 2018	Current first quarter From March 1, 2019 To May 31, 2019
(1) Net income per share	3.57 yen	10.75 yen
(Basis of calculation)		
Net income attributable to owners of parent (thousands of yen)	35,883	110,673
Amount not attributable to common shareholders (thousands of yen)	-	-
Net income attributable to owners of parent related to common stock (thousands of yen)	35,883	110,673
Average number of shares of common stock during the period (shares)	10,042,084	10,295,933
(2) Diluted net income per share	3.41 yen	10.41 yen
(Basis of calculation)		
Adjustment to net income attributable to owners of parent (thousands of yen)	-	-
Increase in number of common shares (shares)	471,960	334,254
Outline of potential shares that had not been included in the calculation of diluted net income per share because they had no dilutive effect, and that had changed significantly since the end of the previous fiscal year	-	-