Non-consolidated Financial Results for the Three Months Ended September 30, 2020 [Japanese GAAP]

November 13, 2020

Company name: Nihon Jyoho Create Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 4054
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Scheduled date of filing quarterly securities report: November 13, 2020
Scheduled date of commencing dividend payments: ―
Availability of supplementary briefing material on quarterly financial results: No
Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Financial Results for the Three Months Ended September 30, 2020 (July 1, 2020 to September 30, 2020)

(1) Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2020	648	―	163	―	150	―	104	―
September 30, 2019	―	―	―	―	―	―	―	―

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2020	16.17	15.41
September 30, 2019	―	―

(Notes) 1. As the Company did not prepare quarterly financial statements for the three months ended September 30, 2019, figures for the three months ended September 30, 2019, as well as changes from the previous corresponding period for the three months ended September 30, 2020, have been omitted.

2. As the Company's shares were listed on the Tokyo Stock Exchange Mothers market on July 31, 2020, the diluted earnings per share for the three months ended September 30, 2020 were calculated by deeming the average share price from the date of listing to the end of the first quarter of the fiscal year under review to be the average share price during the period.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	3,710	2,607	70.3
As of June 30, 2020	2,483	1,278	51.5

(Reference) Equity: As of September 30, 2020: ¥2,607 million
As of June 30, 2020: ¥1,278 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2020	-	0.00	-	0.00	0.00
Fiscal year ending June 30, 2021	-				
Fiscal year ending June 30, 2021 (Forecast)		-	-	-	-

(Notes) 1. Revision to the forecast for dividends announced most recently: No
2. As the Company will determine dividend amounts taking into account its financial position and operating results, the dividends for the fiscal year ending June 30, 2021 is still undetermined.

3. Financial Results Forecast for the Fiscal Year Ending June 30, 2021 (July 1, 2020 to June 30, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,566	8.0	552	5.4	626	10.8	411	12.1	59.64

(Note) Revision to the financial results forecast announced most recently: No

*** Notes:**

(1) Accounting policies adopted specially for the preparation of quarterly financial statements: Yes

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(3) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
September 30, 2020: 6,907,220 shares
June 30, 2020: 5,883,720 shares

2) Total number of treasury shares at the end of the period:
September 30, 2020: - shares
June 30, 2020: - shares

3) Average number of shares during the period:
Three months ended September 30, 2020: 6,491,553 shares
Three months ended September 30, 2019: - shares

(Notes) 1. The Company implemented a stock split at a ratio of 10 common shares for each common share on May 31, 2020. Accordingly, the total number of issued shares at the end of the period was calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.
2. As the Company did not prepare quarterly financial statements for the three months ended September 30, 2019, the average number of shares during the period is not stated.

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit firms

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information that is currently available to the Company and on certain assumptions that the Company deems to be reasonable, and the Company does not intend to guarantee their achievement. Actual business and other results may differ from these forecasts due to a wide range of factors.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review 2
(1) Explanation of Business Results 2
(2) Explanation of Financial Position 3
(3) Explanation of Financial Results Forecast and Other Forward-looking Information 3

2. Quarterly Financial Statements and Primary Notes 4
(1) Quarterly Balance Sheets 4
(2) Quarterly Statements of Income 6
(3) Notes to Quarterly Financial Statements 7
(Notes on going concern assumption) 7
(Notes when there is significant changes in amounts of shareholders' equity) 8
(Accounting policies adopted specially for the preparation of quarterly financial statements) 8

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Business Results

The forward-looking matters stated herein represent the judgments made by the Company as of the end of the first quarter of the fiscal year under review. As the Company did not prepare quarterly financial statements for the three months ended September 30, 2019, a comparative analysis with the corresponding period of the previous fiscal year was not conducted.

The Japanese economy during the three months ended September 30, 2020 remained unpredictable due to the impact of the global spread of the novel coronavirus (COVID-19). However, the economy is expected to recover, thanks in part to the effects of various government policies and improvements in overseas economies. In addition, in the market of real estate service support, which the Company provides through its IT solutions such as SaaS cloud services, the movement encouraging IT-related investments in the industry has been a boost for the Company. This movement includes the promotion of "work style reform" by the government, the promotion of "real estate tech," which combines real estate and technology, and the increasing number of companies that promote operational efficiency through digital transformation.

In such a business environment, companies are faced with new challenges, such as the need for diversifying work styles to prevent the spread of the infection through remote work and other means, as well as enhancing productivity. Similar challenges have emerged in the Company's business domain of the real estate service support business. To address these challenges, the Company has been engaged in activities that contribute to customers' business activities under the COVID-19 pandemic. The activities include the promotion of 1) the "cloud-version of Rental Reforms," in which rental properties can be managed in the cloud, 2) "non-face-to-face brokerage services" (released in May 2020), which are capable of completing every step of the real estate transaction process online, from the preview of the property to explanations of important matters, and 3) an electronic rental application function, which enables web applications for rental properties. All of these services provided by the Company have features that align with the "new lifestyle" advocated by the government, and have received inquiries from numerous customers.

The Company's business activities under the COVID-19 pandemic have characteristically seen projects for SaaS cloud services, which are capable of supporting telework, continue to increase from the previous fiscal year. In addition, amid an increasing need for digitalization in the market, the Company has been making proposals that can contribute to achieving greater efficiency for real estate services under various restrictions. In sales activities, the Company was also able to avoid any major adverse impact on its business results through the continued use of the web conference system, which we had adopted earlier.

As a result, for the three months ended September 30, 2020 (from July 1, 2020 to September 30, 2020), net sales were ¥648,448 thousand, operating profit was ¥163,419 thousand, ordinary profit was ¥150,943 thousand, and profit was ¥104,975 thousand.

The overview of each service is as follows.

Brokerage Solutions

In Brokerage Solutions, the Company has been proactively making proposals in the brokerage business to real estate agents that use the Company's products, in response to their needs and challenges in attracting customers to their websites, running web advertisements, and attracting customers to real estate portal sites. In addition, as a freemium strategy (Note), the Company is currently offering the electronic rental application function for the rental property distribution services between real estate agents, free of charge. The Company has also been engaged in activities to enhance the value of this function as a product, by cooperating on services with multiple rental guarantee companies. Thanks to these efforts, upselling was also carried out

proactively, and net sales for Brokerage Solutions stood at ¥205,138 thousand.

(Note) A freemium strategy refers to a business model in which basic services or products are provided free of charge, and a fee is charged when more advanced functions or services are used.

Management Solutions

In Management Solutions, sales to new customers and re-sale activities to existing customers remained robust. Monthly usage fees also increased steadily, due to factors such as expanded sales owing to IT introduction subsidies and increased transition demand for the cloud-version of Rental Reforms. As a result, net sales for Management Solutions stood at ¥437,165 thousand.

* In addition to total net sales of ¥642,304 thousand for Brokerage Solutions and Management Solutions, net sales from others amounted to ¥6,144 thousand.

(2) Explanation of Financial Position

1) Assets

Total assets at the end of the first quarter of the fiscal year under review increased by ¥1,226,748 thousand from the end of the previous fiscal year to ¥3,710,613 thousand. The balance of current assets increased by ¥1,207,731 thousand from the end of the previous fiscal year to ¥3,019,921 thousand.

This is primarily attributable to an increase in cash and deposits by ¥1,199, 600 thousand, mainly due to the issuance of new shares.

2) Liabilities

Total liabilities at the end of the first quarter of the fiscal year under review decreased by ¥102,372 thousand from the end of the previous fiscal year to ¥1,103,338 thousand. The balance of current liabilities decreased by ¥102,470 thousand from the end of the previous fiscal year to ¥1,095,835 thousand.

This is primarily attributable to a decrease in other (accrued expenses) by ¥132,276 thousand.

3) Net assets

The balance of net assets at the end of the first quarter of the fiscal year under review increased by ¥1,329,120 thousand from the end of the previous fiscal year to ¥2,607,274 thousand.

This is primarily attributable to an increase in share capital and capital surplus by ¥1,224,106 thousand, in conjunction with the issuance of new shares.

(3) Explanation of Financial Results Forecast and Other Forward-looking Information

With regard to the financial results forecast for the fiscal year ending June 30, 2021, there is no impact due to COVID-19 at this time. Accordingly, no changes have been made to the financial results forecast for the fiscal year ending June 30, 2021, as announced on August 12, 2020 in “Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2020.”

Should any revisions to the financial results forecast be required going forward, they shall be disclosed immediately.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheets

(Thousand yen)

	As of June 30, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	1,408,164	2,607,764
Accounts receivable - trade	280,999	285,047
Merchandise	1,226	1,441
Work in process	4,992	8,178
Supplies	2,025	1,803
Other	123,626	124,656
Allowance for doubtful accounts	(8,845)	(8,970)
Total current assets	1,812,190	3,019,921
Non-current assets		
Property, plant and equipment		
Land	220,745	220,745
Other, net	192,172	193,353
Total property, plant and equipment	412,918	414,098
Intangible assets	66,783	78,382
Investments and other assets		
Other	233,128	238,906
Allowance for doubtful accounts	(41,155)	(40,695)
Total investments and other assets	191,972	198,210
Total non-current assets	671,673	690,691
Total assets	2,483,864	3,710,613

(Thousand yen)

	As of June 30, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	5,550	6,226
Income taxes payable	147,045	46,076
Advances received	693,841	764,638
Provision for bonuses	—	44,184
Provision for loss on order received	—	270
Other	351,867	234,439
Total current liabilities	1,198,305	1,095,835
Non-current liabilities		
Asset retirement obligations	4,321	4,804
Other	3,084	2,698
Total non-current liabilities	7,405	7,503
Total liabilities	1,205,711	1,103,338
Net assets		
Shareholders' equity		
Share capital	74,395	686,448
Capital surplus	44,395	656,448
Retained earnings	1,159,371	1,264,346
Total shareholders' equity	1,278,161	2,607,242
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(8)	31
Total valuation and translation adjustments	(8)	31
Total net assets	1,278,153	2,607,274
Total liabilities and net assets	2,483,864	3,710,613

(2) Quarterly Statements of Income

Three Months Ended September 30

(Thousand yen)

	For the three months ended September 30, 2020
Net sales	648,448
Cost of sales	174,699
Gross profit	473,749
Selling, general and administrative expenses	310,330
Operating profit	163,419
Non-operating income	
Interest income	7
Commission income	1,664
Other	673
Total non-operating income	2,346
Non-operating expenses	
Going public expenses	14,519
Foreign exchange losses	303
Other	0
Total non-operating expenses	14,822
Ordinary profit	150,943
Extraordinary losses	
Loss on retirement of non-current assets	11
Total extraordinary losses	11
Profit before income taxes	150,931
Income taxes	45,956
Profit	104,975

(3) Notes to Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes when there is significant changes in amounts of shareholders' equity)

Issuance of new shares through public offering and third-party allotment

The Company was listed on the Tokyo Stock Exchange Mothers market on July 31, 2020.

In conjunction with this listing, it was resolved at the Board of Directors meetings held on June 26, 2020 and July 10, 2020 to issue new shares through public offering and third-party allotment as follows, and payment was completed.

As a result, share capital stands at ¥686,448 thousand, capital surplus stands at ¥656,448 thousand, and the number of issued shares amounts to 6,907,220 shares.

(1) Issuance of new shares through public offering

Class and number of shares offered	800,000 shares of common shares
Issuance price	¥1,300 per share
Subscription price	¥1,196 per share
Total issuance price	¥1,040,000 thousand
Total subscription price	¥956,800 thousand
Amount of increase in share capital and legal capital surplus	Amount of increase in share capital: ¥478,400 thousand Amount of increase in legal capital surplus: ¥478,400 thousand
Due date of payment	July 30, 2020
Use of funds	1) Software development expenses related to additional optional services for existing products 2) Research and development expenses related to new services 3) Recruitment expenses to secure personnel with a high level of expertise in conjunction with the expansion of business 4) Marketing expenses to increase sales by enhancing the Company's presence in the market and promoting sales

(2) Issuance of new shares through third-party allotment (Third-party allotment in conjunction with a secondary offering by over-allotment)

Class and number of shares issued	223,500 shares of common shares
Allotment price	¥1,196 per share
Total allotment price	¥267,306 thousand
Allottee and number of shares allotted	Nomura Securities Co., Ltd., 223,500 shares
Amount of increase in share capital and legal capital surplus	Amount of increase in share capital: ¥133,653 thousand Amount of increase in legal capital surplus: ¥133,653 thousand
Due date of payment	August 31, 2020
Use of funds	1) Software development expenses related to additional optional services for existing products 2) Research and development expenses related to new services 3) Recruitment expenses to secure personnel with a high level of expertise in conjunction with the expansion of business 4) Marketing expenses to increase sales by enhancing the Company's presence in the market and promoting sales

(Accounting policies adopted specially for the preparation of quarterly financial statements)

(Calculation of tax expenses)

Tax expenses were calculated by reasonably estimating the effective tax rate on profit before income taxes for the fiscal year including the first quarter of the fiscal year under review, subsequent to the application of tax effect accounting, and multiplying profit before income taxes by such estimated effective tax rate.