DRAFT

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending December 31, 2021 (Japanese GAAP)

November 11, 2021

Company name: DRAFT Inc.
Stock exchange listing: Tokyo Stock Exchange
Code number: 5070
URL: https://draft.co.jp/en/
Representative: Taiju Yamashita, President and Representative Director
Contact: Masahiko Aranami, Director
Telephone: +81-3-5412-1001

Scheduled date to file quarterly securities report: November 11, 2021
Scheduled date to commence dividend payments: —
Availability of supplementary briefing materials on quarterly financial results: Yes
Schedule of briefing session on quarterly financial results: No

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

1. Consolidated financial results for the nine months ended September 30, 2021 (January 1, 2021 to September 30, 2021)

(1) Consolidated operating results (Percentage figures indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2021	5,075	—	523	—	522	—	316	—
December 31, 2020	—	—	—	—	—	—	—	—

(Note) Comprehensive income: Nine months ended September 30, 2021: ¥317 million (—%)
Nine months ended December 31, 2020: ¥— million (—%)

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2021	34.18	34.02
December 31, 2020	—	—

(Note) The Company changed its fiscal year-end from March 31 to December 31, beginning in the previous fiscal year. Since no financial statement has been prepared for the nine-month period of the previous fiscal year (April 1 to December 31, 2020), consolidated operating results for the period as well as figures for year-on-year comparison with the period are not provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2021	4,515	2,233	49.4
December 31, 2020	3,690	1,947	52.8

(Reference) Shareholders' equity: As of September 30, 2021: ¥2,229 million
As of December 31, 2020: ¥1,947 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 December 31, 2020	—	0.00	—	4.00	4.00
Fiscal year ending December 31, 2021	—	0.00	—		
Fiscal year ending December 31, 2021 (forecast)				4.50	4.50

(Note) Changes in dividend forecast subsequent to most recent announcement: No

3. Consolidated financial results forecast for the fiscal year ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(Percentage figures indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,300	—	700	—	680	—	440	—	47.56

(Note) Changes in financial results forecast subsequent to most recent announcement: No

Notes

(1) Changes in major subsidiaries during the nine months ended September 30, 2021 (changes in specified subsidiaries accompanying changes in scope of consolidation): No

Newly added: — subsidiaries (Company name) —
Excluded: — subsidiaries (Company name) —

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to amendment of accounting standards, etc.: No
2) Changes in accounting policies other than 1): No
3) Changes in accounting estimates: No
4) Restatement: No

(4) Number of issued shares (common stock)

1) Number of issued shares at the end of the period (including treasury stock)
September 30, 2021: 9,259,900 shares
December 31, 2020: 9,251,000 shares

2) Number of treasury stock at the end of the period
September 30, 2021: — shares
December 31, 2020: — shares

3) Average number of shares outstanding for the period
Nine months ended September 30, 2021: 9,251,748 shares
Nine months ended December 31, 2020: — shares

(Notes) 1. On December 15, 2020, the Company conducted a 2-for-1 split of common stock. The number of issued shares at the end of the period and the average number of shares outstanding for the period are calculated assuming the stock split occurred at the beginning of the fiscal year ended December 31, 2020.

2. The Company changed its fiscal year-end from March 31 to December 31, beginning in the previous fiscal year. Since no financial statement has been prepared for the nine-month period of the previous fiscal year (April 1 to December 31, 2020), average number of shares outstanding for the period is not provided.

* The quarterly consolidated financial results are not subject to quarterly review by a certified public accountant or auditing firm.

* Explanation regarding proper use of financial results forecast, and other notes

Forward-looking statements in this document, including outlook on future performance, are based on currently available information and certain assumptions that the Company regards as reasonable, and the Company does not in any way guarantee their achievement. Actual results may differ substantially from the projections herein depending on various factors. For the preconditions of and precautions in using the financial results forecast, please refer to “1. Qualitative information concerning the quarterly results, (3) Explanation of consolidated financial results forecast and other forward-looking information” on page 1 of the Attachment.

1. Qualitative information concerning the quarterly results

(1) Explanation of business results

In the first nine months of the fiscal year ending December 31, 2021, the future outlook of the Japanese economy remained uncertain due to the substantial adverse impact of the prolonged COVID-19 pandemic.

Under such circumstances, the DRAFT Group ("the Group"), which has a track record of creating innovative space by leveraging its strengths in design and project proposal, managed to develop its operations by accurately grasping work and lifestyle changes in society. The Group perceives change as an act of demanding something new, something that has not existed before. Changes in lifestyles brought about by the pandemic have further heightened the need for the type of design the Group proposes—space design that accommodates the lifestyles and work styles of the next generation. As a result, net sales in the nine months ended September 30, 2021 totaled ¥5,075,011 thousand.

Since the previous fiscal year was a transitional nine-month period (April–December 2020), an accurate year-on-year comparison between the financial results of the previous fiscal year and the current period under review is not possible. For reference, the comparison of net sales in the nine months ended September 30, 2021 (January–September 2021) with those of the transitional nine-month period of April–December 2020 indicates a 17.6% increase, while a comparison with the nine-month period of January–September 2020 (simple sum) shows a 7.8% decline. The decline against the January–September 2020 period mainly reflects a pandemic-related shift in the seasonality of net sales. Historically, the Group's net sales tended to be high in the January–March period. In particular, quarterly net sales reached a record high in the January–March 2020 quarter, just before the full-scale outbreak of COVID-19. Since the expansion of the pandemic, monthly net sales trends have displayed different patterns from those a year ago, but nevertheless, net sales are progressing largely in line with the full-year plan.

On the profit front, gross profit grew, mainly due to the booking of large projects in the high-margin design-only operations. Meanwhile, SG&A expenses came in lower than plan, since operational expenditures fell due to the pandemic. As a result, operating profit was ¥523,216 thousand (+36.1% versus April–December 2020; -16.0% versus January–September 2020), ordinary profit was ¥522,076 thousand (+47.2%; -8.9%), and profit attributable to owners of parent was ¥316,237 thousand (+31.5%; -13.4%).

Segment information is omitted since the Group operates in the single segment of Design (see note below).

(Note) Prior to the third quarter of the fiscal year ending December 31, 2021, the Group's business segment was named Planning, Design, Design Development, and Design-Build. However, to better align with the Group's business strategy, the segment name was changed to Design Business in the third quarter of the fiscal year under review.

(2) Explanation of financial position

1. Status of assets, liabilities, and net assets

(Assets)

Total assets as of September 30, 2021 were up ¥824,825 thousand from December 31, 2020 to ¥4,515,407 thousand. This change was primarily due to an increase of ¥515,077 thousand in ordinary deposits and a ¥290,819 thousand rise in goodwill accompanying the absorption-type merger with SATISONE Co., Ltd.

(Liabilities)

Liabilities as of September 30, 2021 were up ¥538,481 thousand from December 31, 2020 to ¥2,281,979 thousand. This change was primarily due to increases of ¥392,298 thousand in advances received and ¥142,226 thousand in income taxes payable.

(Net assets)

Net assets as of September 30, 2021 were up ¥286,343 thousand from December 31, 2020 to ¥2,233,428 thousand. This change was primarily due to the recording of ¥316,237 thousand in profit attributable to owners of parent, partially offset by the dividend payment of ¥37,004 thousand.

(3) Explanation of consolidated financial results forecast and other forward-looking information

No changes have been made to the consolidated financial results forecast for the fiscal year ending December 31, 2021 disclosed in the "Consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2021" released on August 12, 2021.