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Consolidated Financial Results for the Fiscal Year Ended February 28, 2021 [Japanese GAAP]

April 14, 2021

Company name Rozetta Corp. Listing Market TSE

Stock Code 6182 URL https://www.rozetta.jp

Representative: Junichi Goishi, Representative Director and CEO

Contact: Taketo Arakawa, Executive Officer, General Manager of Group Administration Division TEL 03-5215-5678

Scheduled date of annual general shareholders meeting May 25, 2021

Scheduled date of commencement of dividend payment May 26, 2021

Scheduled date of filing of annual securities report May 26, 2021

Preparation of supplementary materials for financial results: Yes

Holding of financial results briefing: Yes

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

(1) Consolidated Results of Operation (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	%
FY2/21	4,075	4.2	393	(12.3)	368	(17.3)	212	(31.1)
FY2/20	3,910	34.5	448	32.8	445	32.2	308	20.5

(Note) Comprehensive income FY2/21 210 Millions of yen ((31.1)%) FY2/20 306 Millions of yen (20.0%)

	Net income per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net assets
	Yen	Yen	%	%	%
FY2/21	20.20	19.70	9.9	7.4	9.7
FY2/20	29.91	29.05	22.9	13.9	11.5

(Reference) Income on equity method investments FY2/21 (0) Millions of yen FY2/20 — Millions of yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
FY2/21	6,232	2,864	44.5	260.42
FY2/20	3,753	1,504	40.1	145.60

(Reference) Shareholders' equity FY2/21 2,775 Millions of yen FY2/20 1,503 Millions of yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalent at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2/21	1,444	(2,012)	1,866	2,288
FY2/20	963	(1,256)	430	989

2. Dividend payment

	Annual dividend per share					Total amount of dividends (Total)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%

FY2/20	–	0.00	–	0.00	0.00	–	–	–
FY2/21	–	0.00	–	6.00	6.00	63	29.7	3.0
FY2/22 (Forecast)	–	0.00	–	10.00	10.00		32.1	

3. Consolidated Business Forecasts for the Fiscal Year Ending February 28, 2022 (March 1, 2021 to February 28, 2022)

(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	%
Full year	4,910	20.5	810	105.8	650	76.2	370	74.1

(Note) In the consolidated business forecasts and the dividend forecast for the fiscal year ending February 28, 2022, there is a significant impact of the increase in procurement costs and the increase in the number of shares due to the exercise of the share subscription rights issued on July 14, 2020. For the purpose of calculating the forecast, we assume non-operating expenses of 160 million yen and an increase in the total number of shares outstanding by 1,218,800 due to the exercise of the share subscription rights. Please note that this calculation is based on assumptions at the time this report was prepared.

◆Consolidated Business Forecasts by Segment

(Percentages indicate year-on-year changes.)

	Net sales		Operating income	
Full year	Millions of yen	%	Millions of yen	%
MT business	3,480	23.1	720	110.0
HT business	1,430	14.5	260	36.6
GU business	―	―	(150)	―
Other corporate expenses	―	―	(20)	―

(Note) Effective from the fiscal year ending February 28, 2022, we will integrate the current HT business and the current crowdsourcing business to disclose as the HT business.

This business forecast is based on the assumption that the economic environment is on an extension of the current situation, as it is impossible to predict the full-fledged recovery period for the decline in business performance and the stagnation in purchasing activities of client companies that are closely related to overseas due to COVID-19 pandemic and its secondary phenomenon.

As described in "Financial Results for the Nine-month Period (17th Fiscal Period) of the Fiscal Year Ending February 28, 2021 _P.19 (Cash Cow of the MT Business)" on January 14, 2021, we have continued to reduce selling, general and administrative expenses to an appropriate level in light of the current order intake (20-40% increase in MT sales).

In addition, in the fiscal year ending February 28, 2022, office cancellation and decrease in depreciation of property, plant and equipment are expected, and the MT business is expected to earn around 720 million yen on an operating income basis.

For the GU business, we have assumed an operating loss of 150 million yen in the calculation of the consolidated business forecasts. This is the amount that is calculated by converting the operating loss of 75 million yen that occurred about six months after the commencement of the GU business in the previous fiscal year, to an amount through the entire year, and not set as a business forecast. This is because we make decisive choices that best meet its long-term growth objectives on an occasional basis, without adjusting expenses downward in accordance with earnings forecasts. On the upside, YouConnect can start growing early, and on the downside, we can strengthen investments further, resulting in increased cost. In the latter case, in other words, if we judge that the time of the victory has come and make further concentrated investment with a decrease in income related to its increased expenses, we will promptly provide concrete indicators suggesting the achievement of PMF in the business. In addition, we will appropriately disclose any significant changes in the business forecasts and the consolidated business forecasts by segment during the fiscal year ending February 28, 2022.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly consolidated: Event DX Corporation, Travel DX Corporation, and MATRIX Corporation Excluded: -

(Note) For details, please refer to "3. Consolidated Financial Statements and Major Notes, (5) Notes on Consolidated Financial Statements (Changes in Scope of Consolidation or Scope of Equity Method Application)" on page 12 of the Appendix.

(2) Changes in accounting policies, changes in accounting estimates and restatements

1) Changes in accounting policies due to revisions of accounting standards, etc.: None
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatements: None

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of the period (including treasury stock)	FY2/21	10,657,660 shares	FY2/20	10,330,260shares
2) Treasury shares at the end of the year	FY2/21	422 shares	FY2/20	422 shares
3) Average number of shares outstanding during the period	FY2/21	10,522,454 shares	FY2/20	10,309,025shares

(Reference) Summary of Non-consolidated Results of Operation

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2/21	2,772	25.1	142	(28.7)	285	(64.4)	247	(68.2)
FY2/20	2,217	66.9	200	932.5	800	―	780	―

(Note) Since the year-on-year increase (decrease) in ordinary income and net income for the fiscal year ended February 28, 2020 exceeds 1,000%, these figures are indicated as "-."

In the non-consolidated results of operations, the main reasons for the changes in ordinary income and net income are as follows.

- Non-operating income from dividends from 100% subsidiaries was 200 million yen in the fiscal year ended February 28, 2021, compared to 600 million yen in the fiscal year ended February 28, 2020.
- In the fiscal year ended February 28, 2021, non-operating expenses related to the issuance of shares and share subscription rights were 38 million yen.

	Net income per share	Diluted net income per share
	Yen	Yen
FY2/21	23.56	22.99
FY2/20	75.69	73.51

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
FY2/21	6,310	2,764	43.2	255.56
FY2/20	3,587	1,415	39.5	137.05

(Reference) Shareholders' equity	FY2/21	2,723	Millions of yen	FY2/20	1,415	Millions of yen

* This consolidated financial report is not subject to audit 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. Overview of Results of Operation, (2) Consolidated Business Forecasts" on page 3 of the Appendix 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.
We also plan to hold a briefing for institutional investors, analysts and long-term individual shareholders on Tuesday, April 20, 2021.
Information on this briefing session is provided on our websit

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1. Overview of Results of Operation and Financial Position

(1) Overview of Results of Operation and Financial Position

1) Overview of Results of Operation for the Fiscal Year under Review

During the fiscal year under review, sales and income in the HT business decreased significantly due to the impact of COVID-19 pandemic, but the MT business continued to perform strongly. As a result, net sales and operating income of the existing business (MT business, HT business, and crowdsourcing business) excluding the new GU business that was launched in the fiscal year under review hit record highs. For the fiscal year under review, our group posted net sales of 4,075,885 thousand yen (up 4.2% year on year), operating income of 393,639 thousand yen (down 12.3% year on year; up 4.5% year on year to 469,017 thousand yen excluding the GU business), ordinary income of 368,794 thousand yen (down 17.3% year on year), and profit attributable to owners of parent of 212,509 thousand yen (down 31.1% year on year).

The reportable segment "GU business" has been added in the current fiscal year. This is the business segment of Shin Corporate Mission (Global Ubiquitous) to "liberate humanity from its location, time, language, and physical constraints."

The performance of each business segment is as follows:

1) MT business

As for the MT business, sales were 2,826,988 thousand yen (up 32.5% year on year), and segment income was 342,780 thousand yen (up 45.1% year on year).

2) HT business

As for the HT business, sales were 911,857 thousand yen (down 35.5% year on year), and segment income was 167,379 thousand yen (down 49.0% year on year).

3) Crowdsourcing business

As for the Crowdsourcing business, sales were 336,989 thousand yen (down 7.4% year on year), and segment income was 22,905 thousand yen (segment loss of 45,034 thousand yen in the previous fiscal year).

4) GU business

As for the GU business, sales were 50 thousand yen and segment loss was 75,377 thousand yen.

2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets at the end of the fiscal year under review increased by 2,478,206 thousand yen from the end of the previous fiscal year to 6,232,112 thousand yen.

Current assets increased by 1,200,626 thousand yen from the end of the previous fiscal year to 2,845,577 thousand yen. This was mainly due to an increase of 1,285,338 thousand yen in cash and deposits.

Non-current assets increased by 1,277,579 thousand yen from the end of the previous fiscal year to 3,386,535 thousand yen. This was mainly due to an increase of 60,116 thousand yen in investment securities in the MT business, an increase of 604,216 thousand yen in investment securities in the GU business, an increase of 326,633 thousand yen in software, and an increase of 228,847 thousand yen in software in progress.

(Liabilities)

Liabilities at the end of the fiscal year under review increased by 1,117,439 thousand yen from the end of the previous fiscal year to 3,367,272 thousand yen. This was mainly due to an increase of 606,897 thousand yen in long-term loans payable, an increase of 176,000 thousand yen in bonds, and an increase of 175,154 thousand yen in current portion of long-term loans payable.

(Net assets)

Net assets at the end of the fiscal year under review increased by 1,360,767 thousand yen from the end of the previous fiscal year to 2,864,840 thousand yen. This was mainly due to a decrease of 1,000 thousand yen in capital surplus due to the acquisition of additional shares of subsidiaries, and an increase of 212,509 thousand yen in retained earnings due to the recording of 212,509 thousand yen in profit attributable to owners of parent, despite an increase of 529,945 thousand yen in capital stock and capital surplus due to the issuance of shares through a third-party allotment, and the issuance of share subscription rights, etc.

3) Overview of Cash Flows for the Fiscal Year under Review

Net cash provided by operating activities was 1,444,963 thousand yen, net cash used in investing activities was 2,012,776 thousand yen, and net cash provided by financing activities was 1,866,436 thousand yen. As a result, cash and cash equivalents

(hereinafter "cash") at the end of the fiscal year under review increased by 1,298,886 thousand yen from the end of the previous fiscal year to 2,288,014 thousand yen.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,444,963 thousand yen. Cash inflow was mainly attributable to income before income taxes of 327,697 thousand yen, depreciation and amortization of 591,764 thousand yen, and an increase in advances received of 120,695 thousand yen. Cash outflow was mainly attributable to income taxes paid of 52,457 thousand yen, an increase in notes and accounts receivable-trade of 25,243 thousand yen, and interest paid of 6,446 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities was 2,012,776 thousand yen. Cash outflow included purchase of intangible assets of 1,043,168 thousand yen, purchase of investment securities of 664,383 thousand yen, and purchase of investments in subsidiaries and associates of 201,100 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 1,866,436 thousand yen. Cash inflow was mainly attributable to proceeds from long-term debt of 1,080,000 thousand yen and proceeds from issuance of shares of 1,021,383 thousand yen. Cash outflow was mainly attributable to repayments of long-term debt of 297,949 thousand yen.

(2) Consolidated Business Forecasts

Our two management themes for the future are:

1) Service-in/UX Brush-up of the GU Business

Spur the development and service-in of the GU business, including YouConnect, Travel DX, and project OASIS. For Travel DX and YouConnect, which have already been developed as planned, we will start service-in and perform agile brush-up of UX.

2) Expansion of cash cow in the MT business

We will expand the cash cow of the MT business, such as the T-4OO and T-3MT, by selecting and concentrating management resources.

We will allocate resources (streamline selling, general and administrative expenses, and optimize marketing activities) in response to the continuous growth of 20-40% in orders received, and in the fiscal year ending February 28, 2022, we will establish a cash cow business with an operating income of about 700 million yen per year.

The impact of COVID-19 pandemic on our business results is as follows.

In the fourth quarter in the MT business, some exhibitions were cancelled due to the reinstatement of the state of emergency declaration in January. However, there was no significant decline as a whole, and the MT business continued to recover moderately.

The impact of COVID-19 pandemic, which we forecast for the fiscal year ending March 31, 2020, has declined significantly, particularly in the number of new leads acquired compared to the previous fiscal year. This was mainly due to the high ratio of enterprises that relied on exhibitions to create leads.

Currently, more than 1,000 companies newly introduced our service per year, and the total number of companies that have introduced our service has exceeded 5,000.

Even among existing customers, the amount of contracts per company has increased because they have experienced value and the number of translated words has continued to mark record highs.

In the fiscal year ended February 28, 2021, the HT business, which undertakes manual tasks, was significantly affected by COVID-19 pandemic. However, sales of the HT business as a whole have been on a gradual recovery trend after bottoming out in August of the previous fiscal year, and although sales in the first quarter of the fiscal year ending February 28, 2022 are expected to remain unchanged from the same period of the previous fiscal year, sales after that period are expected to exceed those in the same period of the previous fiscal year. In the HT business, the translation field is expected to recover strongly, while uncertainty remains in the field of training and interpretation.

The forecasts here are based on actual results and conditions actually affected by COVID-19 pandemic as of April 14, 2021, and do not incorporate any predictions, such as when the medical, political, or economic problems caused by COVID-19 pandemic will subside.

2. Basic Approach to Selection of Accounting Standards

In light of the comparability of consolidated financial statements between periods and between companies, our group intends to continue to prepare consolidated financial statements under Japanese GAAP.

However, our policy is to appropriately consider the application of the International Financial Reporting Standards (IFRS) as necessary in light of various circumstances and business description in Japan and overseas.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (February 29, 2020)	Current fiscal year (February 28, 2021)
Assets		
Current assets		
Cash and deposits	991,056	2,276,395
Notes and accounts receivable	427,847	453,091
Inventories	29,045	33,679
Other	210,151	93,144
Allowance for doubtful accounts	(13,151)	(10,732)
Total current assets	1,644,950	2,845,577
Non-current assets		
Property, plant and equipment		
Building and structure	80,646	80,646
Tools, furniture and fixtures	808,768	833,783
Leased assets	—	86,968
Accumulated depreciation	(333,809)	(569,993)
Total property, plant and equipment	555,605	431,406
Intangible assets		
Goodwill	74,992	52,231
Software	738,697	1,065,330
Software in progress	574,926	803,773
Leased assets	—	29,846
Other	446	423
Total intangible assets	1,389,062	1,951,605
Investments and other assets		
Investment securities	540	664,923
Shares of subsidiaries and associates	—	200,335
Long-term loan	359	62
Deferred tax asset	66,001	56,340
Other	105,778	88,060
Allowance for doubtful accounts	(8,391)	(6,198)
Total investments and other assets	164,287	1,003,523
Total non-current assets	2,108,955	3,386,535
Total assets	3,753,905	6,232,112
Liabilities		
Current liabilities		
Notes and accounts payable-trade	88,469	94,144
Short-term borrowings	280,000	100,000
Current portion of long-term loans payable	237,655	412,809
Current portion of corporate bonds	—	44,000
Accounts payable-other	205,792	142,370
Lease obligations	—	27,917
Income taxes payable	34,457	102,227
Provision for bonuses	50,652	58,223
Advances received	696,169	816,865
Other	224,555	260,284
Total current liabilities	1,817,750	2,058,843
Non-current liabilities		
Corporate bonds	—	176,000
Long-term debt	432,083	1,038,980
Lease obligations	—	93,448
Total non-current liabilities	432,083	1,308,428
Total liabilities	2,249,833	3,367,272

(Thousands of yen)

	Previous fiscal year (February 29, 2020)	Current fiscal year (February 28, 2021)
Net assets		
Shareholders' equity		
Common stock	253,565	783,511
Capital surplus	1,232,754	1,761,699
Retained earnings	18,525	231,034
Treasury stock	(861)	(861)
Total shareholders' equity	1,503,983	2,775,384
Share subscription rights	89	41,146
Non-controlling interests	—	48,309
Total net assets	1,504,072	2,864,840
Total liabilities and net assets	3,753,905	6,232,112

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

(Consolidated Statements of Income)

(Thousands of yen)

	Previous fiscal year (From March 1, 2019 to February 29, 2020)	Current fiscal year (From March 1, 2020 to February 28, 2021)
Net sales	3,910,479	4,075,885
Cost of sales	1,362,244	1,387,704
Gross profit	2,548,234	2,688,181
Selling, general and administrative expenses		
Remuneration for directors	155,021	159,800
Salaries, allowances and bonuses	672,062	836,516
Advertising expenses	221,115	224,277
Provision for doubtful receivables	6,129	(4,339)
Provision for bonuses	24,951	8,121
Retirement benefit expenses	10,077	12,433
Other	1,010,016	1,057,729
Total selling, general and administrative expenses	2,099,374	2,294,541
Operating income	448,860	393,639
Non-operating income		
Interest income	166	46
Dividends income	19	17
Subsidy income	1,425	36,896
Other	1,194	6,363
Total non-operating income	2,805	43,324
Non-operating expenses		
Interest expenses	2,084	6,446
Commissions paid	—	8,393
Stock issuance expenses	—	38,116
Settlement	2,400	—
Foreign exchange loss	72	281
Share of loss of investments accounted for using equity method	—	764
Other	1,204	14,166
Total non-operating expenses	5,761	68,170
Ordinary income	445,904	368,794
Special income		
Income on sales of non-current assets	—	25
Gain on reversal of share subscription rights	369	89
Reversal of allowance for doubtful accounts	—	28
Total special income	369	143
Special loss		
Loss on retirement of non-current assets	39,057	130
Impairment loss	—	41,109
Total special loss	39,057	41,240
Income before income taxes	407,215	327,697
Income taxes – current	110,260	107,268
Income taxes - deferred	(9,204)	9,609
Total income taxes	101,056	116,878
Net income	306,159	210,818
Loss attributable to non-controlling interests	(2,206)	(1,690)
Net income attributable to owners of parent	308,365	212,509

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (From March 1, 2019 to February 29, 2020)	Current fiscal year (From March 1, 2020 to February 28, 2021)
Net income	306,159	210,818
Comprehensive income	306,159	210,818
Comprehensive income (loss) attributable to:		
Owners of the parent company	308,365	212,509
Non-controlling interests	(2,206)	(1,690)

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (From March 1, 2019 to February 29, 2020)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	250,794	1,230,983	(289,839)	(435)	1,191,502
Change during the year					
Issuance of new shares	2,771	2,771			5,542
Net income attributable to owners of parent			308,365		308,365
Purchase of treasury stock				(426)	(426)
Purchase of investments in consolidated subsidiaries		(1,000)			(1,000)
Net change in items other than shareholders' equity					
Total changes of items during the year	2,771	1,771	308,365	(426)	312,481
Ending balance	253,565	1,232,754	18,525	(861)	1,503,983

	Share subscription rights	Non-controlling interests	Total net assets
Opening balance	458	2,206	1,194,166
Change during the year			
Issuance of new shares			5,542
Net income attributable to owners of parent			308,365
Purchase of treasury stock			(426)
Purchase of investments in consolidated subsidiaries			(1,000)
Net change in items other than shareholders' equity	(369)	(2,206)	(2,575)
Total changes of items during the year	(369)	(2,206)	309,906
Ending balance	89	—	1,504,072

Current fiscal year (From March 1, 2020 to February 28, 2021)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	253,565	1,232,754	18,525	(861)	1,503,983
Change during the year					
Issuance of new shares	529,945	529,945			1,059,891
Net income attributable to owners of parent			212,509		212,509
Purchase of investments in consolidated subsidiaries		(1,000)			(1,000)
Net change in items other than shareholders' equity					
Total changes of items during the year	529,945	528,945	212,509	—	1,271,400
Ending balance	783,511	1,761,699	231,034	(861)	2,775,384

	Share subscription rights	Non-controlling interests	Total net assets
Opening balance	89	—	1,504,072
Change during the year			
Issuance of new shares			1,059,891
Net income attributable to owners of parent			212,509
Purchase of investments in consolidated subsidiaries			(1,000)
Net change in items other than shareholders' equity	41,057	48,309	89,366
Total changes of items during the year	41,057	48,309	1,360,767
Ending balance	41,146	48,309	2,864,840

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (From March 1, 2019 to February 29, 2020)	Current fiscal year (From March 1, 2020 to February 28, 2021)
Cash flows from operating activities		
Income before income taxes	407,215	327,697
Depreciation	412,621	591,764
Amortization of goodwill	22,011	22,760
Impairment loss	—	41,109
Increase (decrease) in allowance for doubtful accounts	5,979	(4,582)
Increase (decrease) in accrued bonuses	24,074	7,571
Interest and dividend income	(186)	(64)
Loss (gain) on equity method investments	—	764
Loss (gain) on sales of non-current assets	—	(25)
Loss on retirement of non-current assets	39,057	130
Subsidy income	—	(36,896)
Gain on reversal of share subscription rights	(369)	(89)
Reversal of allowance for doubtful accounts	—	(28)
Interest expenses	2,084	6,446
Stock issuance expenses	—	38,116
Settlement	2,400	—
Increase (decrease) in advances received	255,859	120,695
(Increase) decrease in notes and accounts receivable-trade	(61,910)	(25,243)
(Increase) decrease in inventories	22,191	(4,300)
Increase (decrease) in trade payables	(52,492)	5,675
Other	78,534	277,283
Sub-total	1,157,070	1,368,785
Interest and dividends received	186	64
Subsidy income	—	36,896
Interest paid	(2,084)	(6,446)
Settlement paid	(2,400)	—
Income taxes paid	(189,210)	(52,457)
Income taxes refund	20	98,121
Cash flows from operating activities	963,581	1,444,963
Cash flows from investing activities		
Payments for property, plant and equipment	(501,647)	(120,529)
Payments for intangible assets	(742,432)	(1,043,168)
Purchase of investment securities	—	(664,383)
Purchase of investments in subsidiaries and associates	—	(201,100)
Payments for investments in capital of subsidiaries and associates resulting in change in scope of consolidation	(8,436)	—
Payment for loans receivable	(3,570)	(1,570)
Proceeds from loans receivable	1,635	1,195
Payments into time deposits	(1,001)	—
Proceeds from withdrawal of time deposits	—	12,910
Payments for lease and guarantee deposits	(2,586)	(585)
Collection of lease and guarantee deposits	1,474	4,453
Cash flows from investing activities	(1,256,563)	(2,012,776)

(Thousands of yen)

	Previous fiscal year (From March 1, 2019 to February 29, 2020)	Current fiscal year (From March 1, 2020 to February 28, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	280,000	(180,000)
Proceeds from issuance of bonds	—	215,801
Proceeds from long-term debt	400,000	1,080,000
Repayment of long-term debt	(254,034)	(297,949)
Repayment of lease obligations	—	(11,347)
Proceeds from issuance of common stock	—	1,021,383
Proceeds from issuance of common stock upon exercise of share subscription rights	5,542	391
Proceeds from issuance of share subscription rights	—	39,156
Purchase of investments in subsidiaries that does not result in change in scope of consolidation	(1,000)	(1,000)
Purchase of treasury stock	(426)	—
Cash flows from financing activities	430,081	1,866,436
Effect of exchange rate change on cash and cash equivalents	216	262
Net increase (decrease) in cash and cash equivalents	137,316	1,298,886
Cash and cash equivalents at beginning of the year	851,811	989,128
Cash and cash equivalents at end of the year	989,128	2,288,014

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in Scope of Consolidation or Scope of Equity Method Application)

During the fiscal year under review, Event DX Corporation, Travel DX Corporation, MATRIX Corporation, and Signans Inc. have been included in the scope of consolidation due to the establishment of these companies.

On the other hand, anydooR USA Inc. has been excluded from the scope of consolidation during the fiscal year under review due to its liquidation.

In addition, p2p.inc, which was a newly contributed entity, has been included in the scope of application of the equity method during the fiscal year under review.

(Change of Presentation Methods)

(Consolidated Balance Sheets)

Investments in securities, which had been included in "Other" under "Investments and other assets" until the previous fiscal year, is presented separately from the current fiscal year due to its materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 106,318 thousand yen that had been presented under "Other" under "Investments and other assets" in the previous fiscal year's consolidated balance sheet has been reclassified as 540 thousand yen in "Investment securities" and 105,778 thousand yen in "Other."

(Consolidated Statements of Income)

Retirement benefit expenses, which had been included in "Other" under "Selling, general and administrative expenses" until the previous fiscal year, are posted separately from the fiscal year under review in order to improve clarity of presentation. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 1,020,094 thousand yen that had been presented under "Other" under "Selling, general and administrative expenses" in the previous fiscal year's consolidated statement of income has been reclassified as 10,077 thousand yen of "Retirement benefit expenses" and 1,010,016 thousand yen of "Other."

(Segment Information)

1. Overview of Reportable Segments

The target segments of the Company are components of the Company for which separate financial information is available and which are regularly reviewed by the Board of Directors in order to determine the allocation of management resources and evaluate business performance. Our business includes the machine translation business and the global ubiquitous business as core business, and the translation outsourcing business and the crowdsourcing business as peripheral business.

(1) MT business

The Machine Translation business provides machine-translation services using artificial intelligence (AI) based on its corporate mission of "liberate Japan from linguistic impairment."

In addition, we have set the mission of "releasing humanity from the shackles of manual labor" as the second chapter. We provide robotic process automation (RPA) that utilizes the knowledge gained from translation.

(2) HT business

The Human Translation business provides outsourced services, such as traditional human translation, interpretation, and language training.

(3) Crowdsourcing business

The crowdsourcing business provides a crowdsourcing website on which global jobs such as multilingual translation and field surveys can be requested.

(4) GU business

The GU business provides various services to realize "Global Ubiquitous" that refers to integration of cutting-edge technologies such as AI, AR (Augmented Reality), VR (Virtual Reality), 5G/6G/G7 (High-speed, Multiple Connections), 4K/8K/12K (Super-Resolution), video distribution solutions, robotics, and HA (Human Augmentation) to enable people around the world to interact, work, and enjoy their lives "with anyone anytime, anywhere without linguistic barriers."

2. Method of calculating net sales, income (loss), assets and other items by reportable segment

The accounting methods used for the reportable segments are based on the accounting policies adopted for the preparation of the consolidated financial statements.

Segment income is based on operating income. Intersegment sales and transfers are based on prevailing market prices.

3. Changes in reportable segments

During the fiscal year under review, Event DX Corporation, Travel DX Corporation, and MATRIX Corporation have been established and included in the scope of consolidation. As a result, the "GU business" has been added as a new reportable segment.

This change in reportable segments has no impact on segment information for the previous fiscal year.

4. Information on net sales, income (loss), assets and other items by reportable segment

Previous fiscal year (From March 1, 2019 to February 29, 2020)

(Thousands of yen)

	Reportable Segments				Adjustment (Note 1, 3)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	Crowdsourcing business	Total		
Net sales						
Net sales to unaffiliated customers	2,133,879	1,412,858	363,741	3,910,479	－	3,910,479
Intersegment sales or transfer	81,013	8,337	98,755	188,107	(188,107)	－
Total	2,214,893	1,421,196	462,496	4,098,586	(188,107)	3,910,479
Segment income (loss)	236,291	328,040	(45,034)	519,296	(70,436)	448,860
Segment assets	2,247,360	750,529	271,685	3,269,575	484,330	3,753,905
Other						
Depreciation	381,433	10,594	20,592	412,621	－	412,621
Amortization of goodwill	749	7,786	13,475	22,011	－	22,011
Increase in property, plant and equipment, and intangible assets	1,188,861	1,208	54,008	1,244,079	－	1,244,079

(Note) 1. Adjustments to segment income (loss) (70,436) thousand yen include 14,879 thousand yen in eliminations of intersegment transactions and 85,316 thousand yen in corporate expenses not attributable to reportable segments. 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 (loss) is adjusted with operating income in the consolidated statements of income.

3. Adjustments to segment assets of 484,330 thousand yen are corporate assets not attributable to reportable segments. They mainly consist of surplus operating funds (cash and deposits), deferred tax assets, and assets related to the administrative division.

Current fiscal year (From March 1, 2020 to February 28, 2021)

(Thousands of yen)

	Reportable Segments					Adjustment (Note 1, 3)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	Crowdsourcing business	GU business	Total		
Net sales							
Net sales to unaffiliated customers	2,826,988	911,857	336,989	50	4,075,885	—	4,075,885
Intersegment sales or transfer	34,715	2,106	40,750	—	77,572	(77,572)	—
Total	2,861,703	913,964	377,740	50	4,153,458	(77,572)	4,075,885
Segment income (loss)	342,780	167,379	22,905	(75,377)	457,689	(64,049)	393,639
Segment assets	2,594,032	574,208	333,684	1,272,412	4,774,338	1,457,774	6,232,112
Other							
Depreciation	557,165	8,299	25,418	881	591,764	—	591,764
Amortization of goodwill	1,498	7,786	13,475	—	22,760	—	22,760
Impairment loss	41,109	—	—	—	41,109	—	41,109
Increase in property, plant and equipment, and intangible assets	1,020,083	13,408	31,256	98,949	1,163,697	—	1,163,697

(Note) 1. Adjustments to segment income (loss) of (64,049) thousand yen include an elimination of intersegment transactions of 30,111 thousand yen and corporate expenses not attributable to reportable segments of (94,161) thousand yen. 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 (loss) is adjusted with operating income in the consolidated statements of income.

3. Adjustments to segment assets of 1,457,774 thousand yen are corporate assets not attributable to reportable segments. They mainly consist of surplus operating funds (cash and deposits), deferred tax assets, and assets related to the administrative division.

(Per share Information)

	Previous fiscal year (From March 1, 2019 to February 29, 2020)	Current fiscal year (From March 1, 2020 to February 28, 2021)
Net assets per share	145.60 yen	260.42 yen
Net income per share	29.91 yen	20.20 yen
Diluted net income per share	29.05 yen	19.70 yen

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

	Previous fiscal year (From March 1, 2019 to February 29, 2020)	Current fiscal year (From March 1, 2020 to February 28, 2021)
Net income per share		
Net income attributable to owners of parent (thousands of yen)	308,365	212,509
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to owners of parent related to common stock (thousands of yen)	308,365	212,509
Average number of shares of common stock outstanding during the period (shares)	10,309,025	10,522,454
Diluted net income per share		
Adjustment to net income attributable to owners of parent (thousands of yen)	—	—
Increase in number of common shares (shares)	305,188	263,020
(Share subscription rights (shares))	(305,188)	(263,020)
Outline of potential shares that had not been included in the calculation of diluted net income per share because they had no dilutive effect	—	14th share subscription rights by resolution of the Board of Directors at the meeting held on July 14, 2020 Number of share subscription rights: 12,188 rights (1,218,800 shares of common stock)

(Significant Subsequent Events)

(Transition to a holding company structure through a company split)

At the meeting of the Board of Directors held on January 14, 2021, in order to transition to a holding company structure, we resolved to establish a split preparation company and transit to a holding company structure through a company split, and established a split preparation company (Rozetta MT Corporation) on March 1, 2021.

At the meeting of the Board of Directors held on April 14, 2021, in order to transition to a holding company structure on September 1, 2021 (planned), we resolved to conclude an absorption-type split agreement with Rozetta MT Corp. and Signans Inc., which are our wholly owned subsidiaries, with Rozetta Corp. as the split company, Rozetta MT Corp., and Signans Inc. as the successor company, and concluded the agreement on the same date.

With regard to the transition to a holding company structure, we plan to implement the relevant proposals on the condition that they are approved at our annual general shareholders meeting to be held on May 25, 2021.

(1) Purpose of transition to a holding company structure

Since our founding, we have developed AI automatic translation under our corporate mission of "liberate Japan from linguistic impairment." At present, we have expanded our concept and aim to realize "Global Ubiquitous" that refers to integration of cutting-edge technologies such as AI, AR (Augmented Reality), VR (Virtual Reality), 5G/6G/G7 (High-speed, Multiple Connections), 4K/8K/12K (Super-Resolution), video distribution solutions, robotics, and HA (Human Augmentation) to enable people around the world to interact, work, and enjoy their lives "with anyone anytime, anywhere without linguistic barriers."

In order for our group to further improve corporate value and achieve sustainable growth in the future, we believe that it is necessary to reconstruct our group structure so that we can further improve management efficiency and respond flexibly to changes in the market environment. By transition to a holding company structure, we will strengthen the planning and drafting functions of Group management strategies. At the same time, we will establish a flexible organizational structure to respond flexibly to the market environment and expand our business through M&A. As a result, we believe that we can improve corporate value and achieve sustainable growth, and therefore we have decided to transition to a holding company structure.

(2) Overview of the Succeeding Company

<Successor company 1>

1) Company name: Rozetta MT Corporation
2) Location: 3-7-1, Jinda Jinbocho, Chioda-ku, Tokyo
3) Representative: Maro Watanabe, CEO
4) Business description: Development/management of super-high-precision AI automatic translation
5) Common stock: 50,000 thousand yen
6) Date of establishment: March 1, 2021
7) Shareholding ratio: 100%

(Note) Company name is planned to be changed to Rozetta Corp. on September 1, 2021.

<Successor company 2>

1) Company name: Signans Inc.
2) Location: 6-8-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo
3) Representative: Takashi Okuyama, CEO
4) Business description: Development/provision of xR system
5) Common stock: 10,000 thousand yen
6) Date of establishment: November 13, 2020
7) Shareholding ratio: 100%

(3) Method of transition to a holding company structure

As for the method of shifting to a holding company structure, we will establish Rozetta MT Corp. as a split preparation company, which is our wholly owned subsidiary, and adopt an absorption-type split, with Rozetta Corp. as the absorption split company and Rozetta MT Corp. and Signans Inc., which is our wholly owned subsidiary, as the absorption-split successor companies which take over the MT business.

We plan to continue to list on the stock exchange as a holding company that carries out the Group's governance functions.

We plan to change the corporate name from Rozetta Corp. to Global Ubiquitous, Inc. (provisional name) on September 1, 2021.

(4) Transition Schedule

Meeting of the Board of Directors to approve an establishment of the split preparation company: January 14, 2021
Establishment of the split preparation company: March 1, 2021
Meeting of the Board of Directors to conclude the absorption-type split agreement: April 14, 2021
Conclusion of the absorption-type split agreement: April 14, 2021
Meeting of shareholders to approve the absorption-type split agreement: May 25, 2021 (planned)
Transition to a holding company structure: September 1, 2021 (planned)

(Changes in Segments)

Previously, our group had four reportable segments: the MT business, the HT business, the Crowdsourcing business, and the GU business. However, from the following fiscal year, we have decided to change the reportable segments to the MT business, the HT business, and the GU business. This is because there is no longer a clear difference between crowdsourcing and HT at present, and in light of size and growth potential, there is no longer a point to separate.

The information on net sales, income (loss), assets, liabilities and other items by reportable segment for the fiscal year under review if the new segmentation is applied is as follows.

(Thousands of yen)

	Reportable Segments				Adjustment (Note 1, 3)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	GU business	Total		
Net sales						
Net sales to unaffiliated customers	2,826,988	1,248,846	50	4,075,885	—	4,075,885
Intersegment sales or transfer	34,715	42,857	—	77,572	(77,572)	—
Total	2,861,703	1,291,704	50	4,153,458	(77,572)	4,075,885
Segment income (loss)	342,780	190,285	(75,377)	457,689	(64,049)	393,639
Segment assets	2,594,032	907,892	1,272,412	4,774,338	1,457,774	6,232,112
Other						
Depreciation	557,165	33,718	881	591,764	—	591,764
Amortization of goodwill	1,498	21,262	—	22,760	—	22,760
Impairment loss	41,109	—	—	41,109	—	41,109
Increase in property, plant and equipment, and intangible assets	1,020,083	44,664	98,949	1,163,697	—	1,163,697

(Note) 1. Adjustments to segment income (loss) of (64,049) thousand yen include an elimination of intersegment transactions of 30,111 thousand yen and corporate expenses not attributable to reportable segments of (94,161) thousand yen. 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 (loss) is adjusted with operating income in the consolidated statements of income.

3. Adjustments to segment assets of 1,457,774 thousand yen are corporate assets not attributable to reportable segments. They mainly consist of surplus operating funds (cash and deposits), deferred tax assets, and assets related to the administrative division.