February 12,2021

Non - consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30,2021 <under Japanese GAAP>

Company name:	Retty Inc.
Listing:	Tokyo Stock Exchange
Stock code:	7356
URL:	https://corp.retty.me/
Representative	Kazuya Takeda, CEO
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Schedule date to file quarterly securities report:	February 15, 2021
Schedule date to commence dividend payments:	—
Preparation of supplementary materials for financial results:	Yes
Holding of financial results presentation meeting:	Yes (for institutional investors and securities analysts)

(All amounts are rounded down to the nearest million yen)

1. Performance for the first quarter of the fiscal year ending September 30, 2021 (from October 1, 2020 to December 31, 2020)

(1) Result of operations (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2020	521	—	(3)	—	(16)	—	(14)	—
December 31, 2019	—	—	—	—	—	—	—	—

	Basic quarterly earnings per share	Diluted quarterly earnings per share
Three months ended	Yen	Yen
December 31, 2020	(1.31)	—
December 31, 2019	—	—

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2020	2,646	1,418	53.6
As of September 30, 2020	1,533	429	28.0

Reference: Equity

As of December 31, 2020: ¥1,418 million

As of September 30, 2020: ¥429 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2020	—	—	—	0.00	0.00
Fiscal year ending September 30, 2021	—				
Fiscal year ending September 30, 2021 (forecast)	—	0.00	—	0.00	0.00

Note: Revision of previously announced dividend forecast during the period under review: None

3. Earnings forecasts for the fiscal year ending September 30, 2021 (from October 1, 2020 to September 30, 2021)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
Fiscal year ending September 30, 2021	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	2,270	2.5	50	—	40	—	140	—	12.26
	~2,380	~7.4	~200	—	~190	—	~340	—	~29.79

Note: 1. Revision of previously announced earnings forecasts during this reporting period: None
2. The earnings forecasts for the fiscal year ending September 30, 2021, is disclosed in a range.

*** Notes**

(1) Use of special accounting methods for preparation of quarterly consolidated financial statements: Yes

(2) Changes in accounting principles and estimates, and retrospective restatement
(a) Changes due to revision of accounting standards: None
(b) Changes other than in (a): None
(c) Changes in accounting estimates: None
(d) Retrospective restatement: None

(2) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)	End of 1Q of FY9/21	11,537,044	End of FY9/20	10,612,504
(b) Treasury shares	End of 1Q of FY9/21	92	End of FY9/20	—
(c) Average number of shares outstanding during the year	1Q of FY9/21	11,055,196	1Q of FY9/20	—

* This quarterly report is exempt from the audit procedure by certified public accountants or accounting firms

* Cautionary statement regarding forecasts of operating results and special notes

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for several reasons.

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1. Qualitative Information on Quarterly Results

(1) Explanation about Operating Results

As for the business environment surrounding the Company, while demand did decrease temporarily in the entire internet advertisement market immediately after the consumption tax hike, it has been recovering gradually, and the Company recorded a solid performance continuing from the previous fiscal year. However, the outbreak of the novel coronavirus (COVID-19) around the end of 2019 and the spread of the pandemic in April 2020 followed by the declaration of a state of emergency by the Japanese government for preventing the spread have seriously affected the Japanese economy. There are signs of certain economic recovery since the lifting of the state-of-emergency declaration in late-May 2020, but the outlook remains unclear.

During the state of emergency, the government urged people to stay at home, and restaurants, which are the Company's customers, experienced significant deterioration in their earnings, causing an impact also on the Company's business performance.

Despite these circumstances, the Company's Retty restaurant review service with reviewers using real names strengthened its online reservation function to enhance the ability of restaurants to attract customers and carried out various campaigns that contribute to the recovery of business performance of the restaurants so as to become a service of choice of as many restaurants and advertisers as possible.

Regarding the Fan Relationship Management (FRM) service, the average number of paying member restaurants per month acquired from May to June 2020 (a result of sales activities in April and May 2020) period in the previous fiscal year decreased to about 300 due to the impact of temporary closure of sales agents caused by COVID-19, but the number has recovered since July, reaching about 630 on average per month in the three months from October to December 2020, the first quarter of the current fiscal year. Meanwhile, there were about 500 cases of irregular cancellations[*1] of the trial contract[*2] for large restaurant corporations in October 2020, resulting in a member count of 9,586 restaurants as of the end of the first quarter of the current fiscal year. When trial contracts are excluded, the number of member restaurants has recovered to 8,397 as of the end of the first quarter of the current fiscal year compared with 7,964 as of the end of the previous fiscal year. The unit price of advertisement continued to decline since the declaration of the state of emergency in April 2020, while the number of users is showing a recovery trend in the period under review reflecting factors including the implementation of the Go To Eat program. In the Contents Solution business, the Company offers the Food Data Platform, a big data–linked platform for food-related data accumulated by Retty, but new client acquisition has been limited due to the impact of COVID-19. As a result of the above, net sales for the period under review came to 521 million yen.

In terms of expenses, measures to control various costs, including server expenses, were implemented at an even tighter level, facilitating optimized business efficiency. As a result, cost of sales for the period under review was 160 million yen, and the selling, general and administrative expenses were 365 million yen.

In addition, the Company posted non-operating expenses of 14 million yen due to the share issuance costs on issuing new shares for the listing of its stock on the Mothers section of the Tokyo Stock Exchange in October 2020, and due to interest expenses.

As a result of the above, the Company in the period under review reported an operating loss of 3 million yen, an ordinary loss of 16 million yen, and a net loss of 14 million yen. As for the results of December 2020, the Company posted single-month operating profit, as the number of members excluding trial contracts steadily increased throughout the first quarter of the current fiscal year as described above.

The Company has a single business segment, which operates Retty business, a restaurant review service with reviewers using real names, and therefore it omits description of business by segment.

Note 1. The number of cancellations before the expiration of contract period due to irregular factors such as closure of the restaurant.

2. A contract format targeting large restaurant corporations to accept a large number of group restaurants at low price in one contract.

(2) Explanation about Financial Position

(Assets)

Current assets at the end of the period under review increased by 1,118 million yen compared with the end of the previous fiscal year to 2,253 million yen. This was mainly due to an increase of 1,123 million yen in cash and deposits as a result of issuance of new shares due to the listing of its stock on the Mothers section of the

Tokyo Stock Exchange in October 2020, the issuance of new shares in a third-party allotment to Daiwa Securities Co., Ltd. related to share sale in over-allotment, and bank borrowings. Non-current assets at the end of the period decreased by 6 million yen compared with the end of the previous fiscal year to 392 million yen. This was mainly due to a decrease of 5 million yen in the long-term prepaid expenses due to decreased long-term prepayment of sales fees to our sales agents.

As a result of the above, total assets at the end of the period under review increased by 1,112 million yen compared with the end of the previous fiscal year to 2,646 million yen.

(Liabilities)

Current liabilities at the end of the period under review increased by 141 million yen compared with the end of the previous fiscal year to 896 million yen. This was mainly due to an increase of 250 million yen in deposits received reflecting an increase in the funds for payment of coupons in the "Go To Eat" program as well as a decline of 148 million yen in accounts payable from payment of promotion expenses of the program posted in the previous fiscal year and payment of costs for building the framework to sales agents. In addition, the non-current liabilities at the end of the period under review declined by 17 million yen compared with the end of the previous fiscal year to 331 million yen. This was due to a decline of 17 million yen in long-term borrowings as a result of some long-term borrowings being transferred to current portion of long-term borrowings.

As a result of the above, total liabilities increased by 123 million yen compared with the end of the previous fiscal year to 1,228 million yen.

(Net assets)

Net assets at the end of the period under review increased by 988 million yen compared with the end of the previous fiscal year to 1,418 million yen. The main factors were a 501 million yen increase in share capital, and another 501 million yen increase in capital surplus as a result of the new share issuance and a capital increase through a third-party allotment described above.

(3) Explanation about Forward-Looking Statements, Including Forecast of Non-consolidated Financial Results

The Company left its earnings forecast for the fiscal year ending September 30, 2021 unchanged from the figures announced in the Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2020 on November 13, 2020. It has incorporated the expected impact of the COVID-19 in the forecast, and, while there was an impact of COVID-19 in the first quarter of the current fiscal year, it is considered to be within the scope of the forecast. Nevertheless, there are many uncertainties and the Company intends to disclose when it becomes necessary to revise the forecast in the future.

3. Quarterly Non-consolidated Financial Statements and Notes

(1) Quarterly Non-consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	459,205	1,582,313
Accounts receivable	244,938	255,937
Prepaid expenses	393,856	438,611
Other	74,238	11,953
Allowance for doubtful accounts	(37,417)	(35,126)
Total current assets	1,134,820	2,253,689
Non-current assets		
Property, plant and equipment		
Buildings	114,520	114,520
Accumulated depreciation	(15,804)	(17,348)
Buildings, net	98,715	97,171
Tools, furniture and fixtures	39,038	37,017
Accumulated depreciation	(28,189)	(27,030)
Tools, furniture and fixtures, net	10,849	9,987
Total property, plant and equipment	109,564	107,158
Intangible assets		
Software	3,496	3,067
Total intangible assets	3,496	3,067
Investments and other assets		
Distressed receivables	1,825	1,805
Long-term prepaid expenses	115,623	109,629
Leasehold and guarantee deposits	170,318	169,929
Other	10	2,883
Allowance for doubtful accounts	(1,825)	(1,665)
Total investments and other assets	285,951	282,584
Total non-current assets	399,011	392,809
Total assets	1,533,832	2,646,499

(Thousands of yen)

	As of September 30, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Short-term borrowings	346,000	359,000
Current portion of long-term borrowings	44,664	58,661
Accounts payable	201,791	53,269
Accrued expenses	20,531	55,510
Income taxes payable	530	6,967
Deposits received	16,652	266,809
Unearned revenue	42,151	40,908
Provision for bonuses	68,882	33,010
Other	14,431	22,719
Total current liabilities	755,634	896,856
Non-current liabilities		
Long-term borrowings	348,668	331,337
Total non-current liabilities	348,668	331,337
Total liabilities	1,104,302	1,228,193
Net assets		
Shareholders' equity		
Share capital	95,000	596,724
Capital surplus	658,279	1,160,004
Retained earnings	(324,030)	(338,547)
Treasury shares	—	(155)
Total shareholders' equity	429,249	1,418,026
Share acquisition rights	280	280
Total net assets	429,529	1,418,306
Total liabilities and net assets	1,533,832	2,646,499

(2) Quarterly Non-consolidated Statements of Income

(Three Months Ended December 31, 2020)

(Thousands of yen)

	Three months ended December 31, 2020 (from October 1, 2020, to December 31, 2020)
Net sales	521,850
Cost of sales	160,132
Gross profit	361,718
Selling, general and administrative expenses	365,185
Operating profit (loss)	(3,467)
Non-operating income	
Interest income	3
Subsidy income	688
Recoveries of written off receivables	30
Other	5
Total non-operating income	727
Non-operating expenses	
Interest expenses	2,596
Share issuance costs	11,050
Foreign exchange losses	431
Total non-operating expenses	14,078
Ordinary profit (loss)	(16,818)
Profit (loss) before income taxes	(16,818)
Income taxes	(2,301)
Quarterly profit (loss)	(14,516)