May 13,2021

Non - consolidated Financial Results for the Six Months Ended March 31, 2021 < Japanese GAAP>

Company name:	Retty Inc.
Listing:	Tokyo Stock Exchange
Stock code:	7356
URL:	https://corp.retty.me/
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Schedule date to file quarterly securities report:	May 14, 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 six months ended March 31, 2021 (from October 1, 2020 to March 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	989	—	(43)	—	(114)	—	(115)	—
March 31, 2020	—	—	—	—	—	—	—	—

	Basic quarterly earnings per share	Diluted quarterly earnings per share
Six months ended	Yen	Yen
March 31, 2021	(10.19)	—
March 31, 2020	—	—

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2021	2,517	1,324	52.6
As of September 30, 2020	1,533	429	28.0

Reference: Equity
As of March 31, 2021: ¥1,324 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	—	0.00			
Fiscal year ending September 30, 2021 (forecast)			—	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
	1,950	(12.0)	(303)	—	(376)	—	(379)	—	(33.09)
	～1,999	～(9.7)	～(254)	—	～(327)	—	～(330)	—	～(28.81)

Note: 1. Revision of previously announced earnings forecasts during this reporting period: Yes

2. The earnings forecasts for the fiscal year ending September 30, 2021, is disclosed in a range. See 1. Qualitative Information on Quarterly Results (3) Explanation about Forward-Looking Statements, Including Forecast of Non-consolidated Financial Results in p. 3 of the Accompanying Material for details.

*** 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 2Q of FY9/21	11,565,724	End of FY9/20	10,612,504
(b) Treasury shares	End of 2Q of FY9/21	92	End of FY9/20	－
(c) Average number of shares outstanding during the six months	1H of FY9/21	11,305,601	1H 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, and does not represent a guarantee from the Company that they will be achieved. 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

The Japanese economy is still being battered by the novel coronavirus (COVID-19) pandemic since its outbreak from around the end of 2019. While there are signs of certain economic recovery since the lifting of the state of emergency in May 2020, which was declared in April of the same year, the outlook remains unclear given factors such as the declaration of two more rounds of the state of emergency in January and April 2021.

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, while there was a certain level of impact of the state of emergency declared in January 2021 on the number of new paying member restaurants in the second quarter of the current fiscal year, the average number of paying member restaurants per month came to about 470 in the first half of the current fiscal year (from October 2020 to March 2021) thanks to the relatively strong figures for new member restaurants in the first quarter of the current fiscal year. Meanwhile, in October 2020 there were about 500 cases of irregular cancellations of the trial contract for large restaurant corporations, whose ARPU is lower than regular contracts, resulting in a member count of 9,399 restaurants as of the end of the second quarter of the current fiscal year. The Company waived a total of 24 million yen in monthly fees from some restaurants which were forced to remain closed during the state of emergency declared from January to March 2021.

The unit price of advertisement continued to decline since the declaration of the state of emergency in April 2020. While the number of users temporarily declined due to the impact of the state of emergency declared in January 2021, the user count is once again on a recovery trend in February and March 2021 after bottoming in January. In terms of expenses, measures to control various costs, including server expenses, were tightened further, facilitating optimized business efficiency. As a result, net sales totaled 989 million yen, cost of sales totaled 313 million yen, and the selling, general and administrative expenses were 719 million yen.

In addition, the Company posted non-operating expenses of 71 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 allowance for doubtful accounts for loans to ZINEYOU, Inc., regarding which the Company made a timely disclosure on April 2, 2021, as well as interest expenses.

As a result of the above, the Company in the six months ended March 31, 2021 reported an operating loss of 43 million yen, an ordinary loss of 114 million yen, and a net loss of 115 million yen. 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.

(2) Explanation about Financial Position

(i) Financial Position

(Assets)

Current assets at the end of the period under review increased by 1,027 million yen compared with the end of the previous fiscal year to 2,162 million yen. This was mainly due to an increase of 988 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 44 million yen compared with the end of the previous fiscal year to 354 million yen. This was mainly due to a decrease of 39 million yen in the long-term prepaid expenses due to decreased long-term prepayment of sales fees to the Company's sales agents.

As a result of the above, total assets at the end of the period under review increased by 983 million yen compared with the end of the previous fiscal year to 2,517 million yen.

(Liabilities)

Current liabilities at the end of the period under review increased by 122 million yen compared with the end

of the previous fiscal year to 878 million yen. This was mainly due to an increase of 226 million yen in short-term borrowings, an increase of 24 million yen in current portion of long-term borrowings, and an increase of 12 million yen in accrued expenses as well as a decline of 156 million yen in accounts payable from payment of promotion expenses of the "Go To Eat" 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 34 million yen compared with the end of the previous fiscal year to 314 million yen. This was due to a decline of 34 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 87 million yen compared with the end of the previous fiscal year to 1,192 million yen.

(Net assets)

Net assets at the end of the period under review increased by 895 million yen compared with the end of the previous fiscal year to 1,324 million yen. The main factors were a 505 million yen increase in share capital, and another 505 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 as well as a decline of 115 million yen in retained earnings from recording of net loss.

(ii) Cash Flows

Cash and cash equivalents (hereinafter "net cash") in the six months ended March 31, 2021, amounted to 1,447 million yen.

Status of each level of cash flows as well as major factors behind the changes are as follows:

(Cash flows from operating activities)

Net cash used in operating activities was 168 million yen in the period under review. This was due mainly to a decrease of 156 million yen in accounts payable – other and an increase of 56 million yen in prepaid expenses.

(Cash flows from investing activities)

Net cash used in investing activities came to 58 million yen in the period under review. This was due mainly to 55 million yen in loan advances to ZINEYOU Inc.

(Cash flows from financing activities)

Net cash provided by financial activities was 1,215 million yen in the period under review. This was due mainly to an increase of 999 million yen in proceeds from issuance of shares for the listing of its stock on the Mothers section of the Tokyo Stock Exchange in October 2020 and an increase in short-term borrowings of 226 million yen.

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

The COVID-19 pandemic continues to have an impact around the world, and confusion prevails in the environment surrounding the restaurant industry. In Japan, most recently, a third round of the state of emergency has been declared in Tokyo and some other regions, requiring restaurants to remain closed or operate for shorter hours, making it difficult for them to operate the business.

Meanwhile, some bright signs for the future have begun emerging with restaurants in certain areas experiencing sales recovery in other countries thanks to declines in the infection and spread of vaccination.

In such a business environment, the Company has been implementing online sales activities and review of marketing methods and taking various measures such as introduction of new products such as Mobile Order along with the progress in digital transformation (DX) of restaurants triggered by the COVID-19 pandemic.

The earnings forecast for the fiscal year ending September 2021 the Company announced in November 2020 was based on the assumption that the social and economic activities that had remained markedly sluggish due to the impact of COVID-19 would gradually recover. However, given the continued stagnation of economic activities surrounding the restaurant industry due to the second and third rounds of the state of emergency declared on January 8, 2021, and April 25, 2021, respectively, the Company is revising its earnings forecasts for the fiscal year ending September 2021 to reflect a decline in the number of new member restaurants and an increase in irregular cancellation of contracts especially among outlets operated by restaurant chain operators (about 3,300 restaurants compared with the previous earnings forecast) in the FRM business due to the third declaration of the state of emergency, an impact of the exemption of payment to restaurants, and about 100 million yen in investment for maintaining and strengthening the sales staff structure for the future recovery in the number of new member restaurants, while there has been no major difference from the previous forecast in the advertisement and contents business thanks to a large-scale order, etc.

The business environment continues to remain uncertain with no prospects in sight for the end of the pandemic, and therefore the revised earnings estimates for the fiscal year ending September 30, 2021 will be presented in a range of figures.

After the revision, the Company expects net sales of 1,950 million yen to 1,999 million yen (down 12.0% to 9.7% compared to the previous fiscal year), operating loss of 303 million yen to 254 million yen (operating loss of 283 million yen in the previous fiscal year), ordinary loss of 376 million yen to 327 million yen (ordinary loss of 274 million yen in the previous fiscal year), and net loss of 379 million yen to 330 million yen (net loss of 324 million yen in the previous fiscal year).

The upper limit of the net sales forecast assumes that the state of emergency or priority measures, such as for prevention of the spread of disease, will be lifted by the end of May and will not be put in place till the end of September. The lower limit of the net sales forecast assumes that the state of emergency or priority measures, such as for prevention of the spread of disease, will be once again declared for about two months between June and the end of September.

As the Company had expected to post a profit in the previous earnings forecast, it was expecting to record about 100 million yen in deferred tax assets that were considered to be recoverable from the next fiscal year onwards. However, the Company reviewed the recoverability of deferred tax assets given the latest forecast of loss and prolonged impact of COVID-19. As a result, the Company currently does not expect to record deferred tax assets at the end of September 2021 and reduced the amount of income taxes deferred by about 100 million yen.

The above earnings estimates were prepared based on information available to the Company as of the date of announcement, and the actual results may differ from the estimates due to impacts from various factors.

2. Quarterly Non-consolidated Financial Statements and Notes

(1) Quarterly Non-consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	459,205	1,447,733
Accounts receivable	244,938	252,879
Prepaid expenses	393,856	449,887
Other	74,238	44,117
Allowance for doubtful accounts	(37,417)	(32,332)
Total current assets	1,134,820	2,162,286
Non-current assets		
Property, plant and equipment		
Buildings	114,520	114,520
Accumulated depreciation	(15,804)	(18,892)
Buildings, net	98,715	95,627
Tools, furniture and fixtures	39,038	39,088
Accumulated depreciation	(28,189)	(28,373)
Tools, furniture and fixtures, net	10,849	10,715
Total property, plant and equipment	109,564	106,342
Intangible assets		
Software	3,496	2,637
Total intangible assets	3,496	2,637
Investments and other assets		
Distressed receivables	1,825	57,412
Long-term prepaid expenses	115,623	76,546
Leasehold and guarantee deposits	170,318	169,090
Other	10	10
Allowance for doubtful accounts	(1,825)	(57,271)
Total investments and other assets	285,951	245,787
Total non-current assets	399,011	354,768
Total assets	1,533,832	2,517,054

(Thousands of yen)

	As of September 30, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Short-term borrowings	346,000	572,000
Current portion of long-term borrowings	44,664	69,324
Accounts payable	201,791	45,262
Accrued expenses	20,531	33,118
Income taxes payable	530	9,827
Deposits received	16,652	15,235
Unearned revenue	42,151	35,867
Provision for bonuses	68,882	77,934
Other	14,431	19,565
Total current liabilities	755,634	878,135
Non-current liabilities		
Long-term borrowings	348,668	314,006
Total non-current liabilities	348,668	314,006
Total liabilities	1,104,302	1,192,141
Net assets		
Shareholders' equity		
Share capital	95,000	600,379
Capital surplus	658,279	1,163,659
Retained earnings	(324,030)	(439,249)
Treasury shares	—	(155)
Total shareholders' equity	429,249	1,324,633
Share acquisition rights	280	280
Total net assets	429,529	1,324,913
Total liabilities and net assets	1,533,832	2,517,054

(2) Quarterly Non-consolidated Statements of Income

(Six Months Ended March 31, 2021)

(Thousands of yen)

	Six months ended March 31, 2021 (from October 1, 2020, to March 31, 2021)
Net sales	989,876
Cost of sales	313,644
Gross profit	676,232
Selling, general and administrative expenses	719,975
Operating profit (loss)	(43,742)
Non-operating income	
Interest income	8
Subsidy income	688
Recoveries of written off receivables	30
Other	5
Total non-operating income	732
Non-operating expenses	
Interest expenses	4,371
Provision of allowance for doubtful accounts	55,606
Share issuance costs	11,050
Foreign exchange losses	34
Total non-operating expenses	71,063
Ordinary profit (loss)	(114,073)
Profit (loss) before income taxes	(114,073)
Income taxes	1,145
Quarterly profit (loss)	(115,219)

(3) Quarterly Non-consolidated Cash Flow Statement

(Thousands of yen)

	Six months ended March 31, 2021 (from October 1, 2020, to March 31, 2021)
Cash flows from operating activities	
Profit (loss) before income taxes	(114,073)
Depreciation	6,684
Increase (decrease) in allowance for doubtful accounts	50,361
Increase (decrease) in provision for bonuses	9,052
Interest income	(8)
Subsidy income	(688)
Interest expenses	4,371
Foreign exchange losses (gains)	(78)
Share issuance costs	11,050
Decrease (increase) in trade receivables	(7,921)
Decrease (increase) in prepaid expenses	(56,138)
Decrease (increase) in long-term prepaid expenses	39,076
Increase (decrease) in accounts payable - other	(156,999)
Increase (decrease) in accrued expenses	12,587
Increase (decrease) in deposits received	(1,417)
Increase (decrease) in unearned revenue	(6,283)
Decrease (increase) in other assets	30,120
Increase (decrease) in other liabilities	13,816
Other, net	1,508
Subtotal	(164,980)
Interest and dividends received	8
Subsidies received	688
Interest paid	(4,067)
Income taxes refund (paid)	(530)
Net cash provided by (used in) operating activities	(168,881)
Cash flows from investing activities	
Purchase of property, plant and equipment	(2,330)
Loan advances	(55,606)
Payments of leasehold and guarantee deposits	(365)
Proceeds from refund of leasehold and guarantee deposits	84
Net cash provided by (used in) investing activities	(58,218)
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	226,000
Repayments of long-term borrowings	(10,002)
Purchase of treasury shares	(155)
Proceeds from issuance of shares	999,708
Net cash provided by (used in) financing activities	1,215,550
Net cash provided by (used in) financing activities	78
Effect of exchange rate change on cash and cash equivalents	988,528
Cash and cash equivalents at beginning of period	459,205
Cash and cash equivalents at end of period	1,447,733