



August 13, 2021

**Non - consolidated Financial Results
for the Nine Months Ended June 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
 Contact: Yuzaburo Tsuchiya, CFO
 TEL: +81-3-6852-1002

Schedule date to file quarterly securities report: August 13, 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 nine months ended June 30, 2021 (from October 1, 2020 to June 30, 2021)

(1) Result of operations

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
June 30, 2021	1,460	(14.7)	(110)	—	(182)	—	(183)	—
June 30, 2020	1,711	—	22	—	20	—	(46)	—

	Basic quarterly earnings per share	Diluted quarterly earnings per share
Nine months ended	Yen	Yen
June 30, 2021	(16.11)	—
June 30, 2020	(4.86)	—

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March June 30, 2021	1,900	1,287	67.7
As of September 30, 2020	1,533	429	28.0

Reference: Equity

As of June 30, 2021: ¥1,287 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending September 30, 2021	1,950	(12.0)	(303)	—	(376)	—	(379)	—	(33.09)
	~1,999	~(9.7)	~(254)	—	~(327)	—	~(330)	—	~(28.81)

Note: Revision of previously announced earnings forecasts during this reporting period: No

* 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 3Q of FY9/21	11,611,604	End of FY9/20	10,612,504
End of 3Q of FY9/21	121	End of FY9/20	—
First 9 months of FY9/21	11,407,035	First 9 months of FY9/20	9,551,882

(b) Treasury shares

(c) Average number of shares outstanding during the six months

* 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 restaurant industry continues to be battered by the novel coronavirus (COVID-19) pandemic since its outbreak around the end of 2019. The outlook remains unclear given the current situation where the state of emergency and focused anti-infection measures are being declared intermittently.

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, there was a certain level of impact of the state of emergency and focused anti-infection measures, declared multiple times, on the number of new paying member restaurants in the second and third quarters of the current fiscal year. Meanwhile, the average number of paying member restaurants per month came to about 430 in the nine months of the current fiscal year (from October 2020 to June 2021) thanks to the relatively strong figures for new member restaurants in the first quarter of the current fiscal year. However, the number of the trial contracts for large corporations led by *izakaya* (Japanese-style dining bars) chain operators, declined 1,121 as of the end of the third quarter compared with the end of the previous fiscal year due to irregular cancellations resulting from restaurant closures, resulting in a member count of 8,639 restaurants as of the end of the third quarter of the current fiscal year. The Company waived a total of 38 million yen in monthly fees from some restaurants which were forced to remain closed during the period of the second and third state of emergency.

As for advertisement and contents, the unit price of advertisement continued to decline since the first declaration of the state of emergency in April 2020. The number of users is also showing a temporary declining trend due to the impact of the state of emergency and focused anti-infection measures. In terms of expenses, the Company continued with measures to control various costs, including server expenses, carried out in the previous fiscal year, facilitating optimized business efficiency. As a result, net sales totaled 1,460 million yen (down 14.7% compared with the same period of the previous fiscal year), cost of sales totaled 496 million yen (down 20.1%), and the selling, general and administrative expenses came to 1,073 million yen (up 0.6%).

In addition, the Company posted non-operating expenses of 73 million yen (up 3,419.1% compared with the same period of the previous fiscal year) 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 nine months ended June 30, 2021 reported an operating loss of 110 million yen (operating profit of 22 million yen in the same period of the previous fiscal year), an ordinary loss of 182 million yen (ordinary profit of 20 million yen), and a net loss of 183 million yen (a loss of 46 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 436 million yen compared with the end of the previous fiscal year to 1,571 million yen. This was mainly due to an increase of 383 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 69 million yen compared with the end of the previous fiscal year to 329 million yen. This was mainly due to a decrease of 61 million yen in 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 367 million yen compared with the end of the previous fiscal year to 1,900 million yen.

(Liabilities)

Current liabilities at the end of the period under review declined by 438 million yen compared with the end of the previous fiscal year to 316 million yen. This was mainly due to a decrease of 296 million yen in short-term borrowings and a decline of 160 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 51 million yen compared with the end of the previous fiscal year to 296 million yen. This was due to a decline of 51 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 declined by 490 million yen compared with the end of the previous fiscal year to 613 million yen.

(Net assets)

Net assets at the end of the period under review increased by 857 million yen compared with the end of the previous fiscal year to 1,287 million yen. The main factors were a 520 million yen increase in share capital, and another 520 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 183 million yen in retained earnings from recording of net loss

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

There has been no change to the Company’s full-year earnings forecast revised in the “Non-consolidated Financial Results for the Six Months Ended March 31, 2021 <Japanese GAAP>” announced on May 13, 2021. There is no change in the assumption that the impact of COVID-19 will continue during the fiscal year ending September 30, 2021.

3. Quarterly Non-consolidated Financial Statements and Notes

(1) Quarterly Non-consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	459,205	842,732
Accounts receivable	244,938	266,878
Prepaid expenses	393,856	413,491
Other	74,238	81,669
Allowance for doubtful accounts	(37,417)	(33,378)
Total current assets	1,134,820	1,571,393
Non-current assets		
Property, plant and equipment		
Buildings	114,520	114,520
Accumulated depreciation	(15,804)	(20,436)
Buildings, net	98,715	94,083
Tools, furniture and fixtures	39,038	38,743
Accumulated depreciation	(28,189)	(28,629)
Tools, furniture and fixtures, net	10,849	10,113
Total property, plant and equipment	109,564	104,196
Intangible assets		
Software	3,496	2,208
Total intangible assets	3,496	2,208
Investments and other assets		
Distressed receivables	1,825	57,391
Long-term prepaid expenses	115,623	54,366
Leasehold and guarantee deposits	170,318	168,685
Other	10	10
Allowance for doubtful accounts	(1,825)	(57,252)
Total investments and other assets	285,951	223,201
Total non-current assets	399,011	329,606
Total assets	1,533,832	1,900,999

(Thousands of yen)

	As of September 30, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Short-term borrowings	346,000	50,000
Current portion of long-term borrowings	44,664	69,324
Accounts payable	201,791	41,201
Accrued expenses	20,531	38,536
Income taxes payable	530	18,461
Deposits received	16,652	34,284
Unearned revenue	42,151	7,727
Provision for bonuses	68,882	34,941
Other	14,431	22,503
Total current liabilities	755,634	316,981
Non-current liabilities		
Long-term borrowings	348,668	296,675
Total non-current liabilities	348,668	296,675
Total liabilities	1,104,302	613,656
Net assets		
Shareholders' equity		
Share capital	95,000	615,903
Capital surplus	658,279	1,179,183
Retained earnings	(324,030)	(507,797)
Treasury shares	—	(197)
Total shareholders' equity	429,249	1,287,091
Share acquisition rights	280	252
Total net assets	429,529	1,287,343
Total liabilities and net assets	1,533,832	1,900,999

(2) Quarterly Non-consolidated Statements of Income
(Six Months Ended March 31, 2021)

(Thousands of yen)

	Nine months ended June 30, 2020 (from October 1, 2019, to June 30, 2020)	Nine months ended June 30, 2021 (from October 1, 2020, to June 30, 2021)
Net sales	1,711,871	1,460,004
Cost of sales	621,258	496,627
Gross profit	1,090,613	963,376
Selling, general and administrative expenses	1,067,904	1,073,894
Operating profit (loss)	22,709	(110,517)
Non-operating income		
Interest income	17	17
Subsidy income	—	1,941
Recoveries of written off receivables	125	30
Other	—	35
Total non-operating income	142	2,024
Non-operating expenses		
Interest expenses	1,615	6,493
Provision of allowance for doubtful accounts	—	55,606
Share issuance costs	—	11,050
Foreign exchange losses	474	405
Total non-operating expenses	2,090	73,556
Ordinary profit (loss)	20,761	(182,049)
Profit (loss) before income taxes	20,761	(182,049)
Income taxes	67,140	1,717
Quarterly profit (loss)	(46,378)	(183,766)