



Non-consolidated Financial Results for the Second Quarter of the Fiscal Year ending September 30, 2022 <Japanese GAAP>

May 13, 2022

Company name: Retty Inc. Listing: Tokyo
 Share code: 7356 URL <http://corp.retty.me/>
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 Scheduled date of filing quarterly report: May 13, 2022
 Scheduled date of commencing 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. Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2022 (from October 1, 2021 to March 31, 2022)

(Percentages indicate changes from the same period of the previous fiscal year)

(1) Result of operations (aggregated)

	Net sales		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Second quarter of the fiscal year ending September 30, 2022	842	(14.9)	(324)	-	(325)	-	(326)	-
Second quarter of the fiscal year ended September 30, 2021	989	-	(43)	-	(114)	-	(115)	-

	Basic earnings per share Profit	Diluted net profit per share Basic earnings per share Profit
	Yen	Yen
Second quarter of the fiscal year ending September 30, 2022	(27.86)	-
Second quarter of the fiscal year ended September 30, 2021	(10.19)	-

(2) Financial Conditions

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
Second quarter of the fiscal year ending September 30, 2022	2,138	814	38.1
Fiscal year ended September 30, 2021	1,727	1,114	64.5

Reference: Equity Second quarter of the fiscal year ending September 30, 2022 814 million yen As of September 30, 2021 1,113 million yen

2. 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, 2021	-	0.00	-	0.00	0.00
Fiscal year ending September 30, 2022	-	0.00			
Fiscal year ended September 30, 2022 (forecast)			-	0.00	0.00

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

3. Earnings Forecast for the Fiscal Year Ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share Profit
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Full year	1,810	(6.6)	(764)	-	(770)	-	(772)	-	(66.43)

(Note) Revision of previously announced earnings forecast during the period under review: None

*Notes

- (1) Use of special accounting methods for preparation of quarterly consolidated financial statements: Yes
- (2) Changes in accounting policies and estimates, and retrospective restatement
- ① 1) Changes in accounting policies due to revision of accounting standards: Yes
- ② 2) Changes in accounting policies other than those due to item 1) above :
None
- ③ 3) Changes in accounting estimates : None
- ④ 4) Restatement after modification : None

(3) Number of shares outstanding (common share)

① 1) Shares outstanding at the end of the period (including treasury shares)	Second quarter of the fiscal year ending September 30, 2022	11,762,604	sh ar es	Fiscal year ended September 30, 2021	11,627,804	sh ar es
② 2) Total number of treasury shares at the end of the period	Second quarter of the fiscal year ending September 30, 2022	161	sh ar es	Fiscal year ended September 30, 2021	121	sh ar es
③ 3) Average number of shares outstanding during the three months	Second quarter of the fiscal year ending September 30, 2022	11,723,876	sh ar es	Second quarter of the fiscal year ended March 31, 2021	11,305,601	sh ar es

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

*Cautionary statement regarding earnings forecast and special notes

(Notes on forward-looking statements)

Forward-looking statements including earnings forecast in these materials are based on information available to the management at the time this report was prepared and assumptions that management believes are reasonable, and do 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 Financial Results for the Period under Review

(1) Explanation about Operating Results

Our businesses are still affected by the novel coronavirus (“COVID-19”) infections and remain unpredictable. With respect to the Fan Relationship Management (“FRM”), one of our key businesses, the number of new member restaurants gradually increased from October to December 2021 after the declaration of the state of emergency had been lifted at the end of September 2021; however, the number of new member restaurants turned downward again after a quasi-state of emergency was declared in January 2022 and restaurants became less willing to promote sales. As a result, the average number of new member restaurants per month was 321 for the six-month period ended at the end of the second quarter under review (October 2021 to March 2022). Some trial contracts that had been designed for and concluded with large corporations such as pub chains were also unexpectedly cancelled due partly to the closure of their pubs and restaurants. Accordingly, the number of member restaurants decreased to 7548, down 802 from the end of the previous fiscal year to the end of the second quarter under review. On the other hand, the number of member restaurants from the end of November to the end of December 2021 showed a net increase of approximately 45, due to the steady increase in the number of new paying member restaurants in December. This is the first time since December 2020 that the number of new paying member restaurants has recorded a net increase on a monthly basis. The Company believes this indicates that, even under the impact of COVID-19, if a certain number of new member restaurants can be secured due to the lifting of the state-of-emergency declaration, etc., which improves the external environment and recovers customer traffic to restaurants, the total number of member restaurants will also tend to increase along with it.

As for advertisement and contents, the impact of the decline of the advertisement unit price has continued since the state of emergency declaration in April 2020. Although the number of users has been recovering to a certain extent due to the lifting of the state of emergency declaration at the end of September 2021, it has not yet fully recovered compared to the figures prior to the impact of COVID-19.

As a result of the above, net sales for the six-month period ended at the end of the second quarter under review amounted to 842 million yen (down 14.9% year on year).

In terms of expenses, as a result of the recruitment of development personnel and sales personnel to strengthen the development structure and restaurant sales channels disclosed in the presentation material on the full-year financial results for the fiscal year ended September 2021, cost of sales was 385 million yen (up 22.8% year on year), and selling, general and administrative expenses were 781 million yen (up 8.6% year on year).

In addition, non-operating income of 2 million yen (up 228.0% year-on-year) was recorded mainly consisting of interest subsidy related to the New Corona Virus Special Loans, etc., and non-operating expenses of 3 million yen (down 94.9% year-on-year) were recorded consisting of interest expenses.

As a result of the above, the Company, in the six-month period ended at the end of the second quarter under review, reported an operating loss of 324 million yen (an operating loss of 43 million yen a year ago), an ordinary loss of 325 million yen (an ordinary loss of 114 million yen a year ago), and a net loss of 326 million yen (a net loss of 115 million yen a year ago).

Segment information is omitted because the Company is engaged only in the operation of “Retty,” a restaurant review platform service with reviewers using real names.

(2) Explanation about Financial Position

1) Financial situation

(Assets)

Current assets at the end of the second quarter under review increased by 402 million yen compared with the end of the previous fiscal year to 1,825 million yen. This is mainly because cash and deposits increased by 590 million yen due to borrowing from banks and advances paid decreased by 108 million yen as the payment of the project expenses under the “Go To Eat” Campaign on behalf of the Ministry of Agriculture, Forestry and Fisheries were reimbursed. Non-current assets at the end of the second quarter under review increased by 8 million yen compared with the end of the previous fiscal year to 313 million yen. This was mainly due to an increase of 11 million yen in the long-term prepaid expenses due to the recording of the long-term prepayment of sales fees to the Company’s sales agents.

As a result, total assets at the end of the period under review increased by 410 million yen

compared with the end of the previous fiscal year to 2,138 million yen.

(Liabilities)

Current liabilities at the end of the second quarter under review increased by 444 million yen compared with the end of the previous fiscal year to 779 million yen. This was mainly due to an increase of 448 million yen in short-term borrowings due to the taking out of bank loans. In addition, the non-current liabilities at the end of the second quarter under review increased by 265 million yen compared with the end of the previous fiscal year to 544 million yen. This was due to an increase of 265 million yen in long-term borrowings due to the taking out of bank loans.

As a result, total liabilities at the end of the period under review increased by 710 million yen compared with the end of the previous fiscal year to 1,323 million yen.

(Net assets)

Net assets at the end of the second quarter under review decreased by 299 million yen compared with the end of the previous fiscal year to 814 million yen. This was mainly due to a decrease of 326 million yen in retained earnings resulting from the recording of a quarterly net loss in the six-month period ended at the end of the second quarter under review.

2) Cash Flows

Cash and cash equivalents (collectively “funds”) at the end of the second quarter under review increased by 590 million yen compared with the end of the previous fiscal year to 1,219 million yen. The status of respective cash flows and the underlying factors are explained below.

(Cash flows from operating activities)

Funds used in operating activities were 144 million yen (168 million yen in the same period of the previous fiscal year). This is mainly due to the loss of 325 million yen before income tax, a decrease of 108 million yen in advances paid, and a decrease of 41 million yen in trade receivables.

(Cash flows from investing activities)

Funds used in investing activities were 6 million yen (58 million yen in the same period of the previous fiscal year). This is mainly due to the payments of 6 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Funds acquired as a result of financing activities were 740 million yen (1,215 million yen in the same period of the previous fiscal year). This is mainly due to a net increase of 448 million yen in short-term borrowings and proceeds of 300 million yen from long-term borrowings.

(3) Explanation about Forward-looking Information, Including Earnings Forecast

There is no change in the full-year earnings forecast announced in the Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2021 [Japanese GAAP] on November 11, 2021. The full-year earnings forecast has incorporated the impact of COVID-19, and although COVID-19 also had an impact in the six-month period ended at the end of the second quarter under review, the Company believes that it is within the scope of the earnings forecast at this time. Many uncertain factors, however, might lead to the future revision of the Company’s earnings forecast, in which case it will make a prompt disclosure thereof. The said earnings forecast is based on the assumption that restaurants’ appetite for sales promotion will recover from around the spring of 2022 and that the number of new paying member restaurants will recover along with it.

2. Quarterly Non-consolidated Financial Statements and Primary Notes

(1) Quarterly Non-consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of September 30, 2021)	Second quarter under review (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	629,158	1,219,227
Accounts receivable	278,964	231,764
Advances paid	124,197	15,675
Prepaid expenses	358,688	301,348
Other	57,525	71,537
Allowance for doubtful accounts	(25,770)	(14,105)
Total current assets	1,422,763	1,825,448
Non-current assets		
Property, plant and equipment		
Buildings	114,520	116,120
Accumulated depreciation	(21,980)	(25,105)
Buildings, net	92,539	91,014
Tools, furniture and fixtures	40,160	44,579
Accumulated depreciation	(30,349)	(31,639)
Tools, furniture and fixtures, net	9,811	12,940
Total property, plant and equipment	102,350	103,955
Intangible assets		
Software	1,779	982
Total intangible assets	1,779	982
Investments and other assets		
Distressed receivables	57,298	7,382
Long-term prepaid expenses	32,902	44,125
Leasehold and guarantee deposits	167,924	163,402
Other	10	10
Allowance for doubtful accounts	(57,140)	(6,706)
Total investments and other assets	200,994	208,214
Total non-current assets	305,124	313,152
Total assets	1,727,887	2,138,600

(Thousands of yen)

	Previous fiscal year (As of September 30, 2021)	Second quarter under review (As of March 31, 2022)
Liabilities		
Current liabilities		
Short-term borrowings	30,000	478,140
Current portion of long-term borrowings	69,324	69,324
Accounts payable	55,963	66,465
Accrued expenses	38,647	29,994
Income taxes payable	21,307	1,739
Deposits received	16,652	15,591
Unearned revenue	10,811	4,155
Provision for bonuses	66,317	70,957
Other	25,381	37,354
Total current liabilities	334,407	779,258
Non-current liabilities		
Long-term borrowings	279,344	544,682
Total non-current liabilities	279,344	544,682
Total liabilities	613,751	1,323,940
Net assets		
Shareholders' equity		
Share capital	616,711	630,352
Capital surplus	1,179,991	1,193,632
Retained earnings	(682,620)	(1,009,327)
Treasury shares	(197)	(248)
Total shareholders' equity	1,113,884	814,408
Share acquisition rights	252	252
Total net assets	1,114,136	814,660
Total liabilities and net assets	1,727,887	2,138,600

(2) Quarterly Non-consolidated Statements of Income
(Six-Month Period Ended at the End of the Second Quarter)

(Thousands of yen)

	Six-month period ended at the end of the second quarter of the previous fiscal year (From October 1, 2020 to March 31, 2021)	Six-month period ended at the end of the second quarter under review (From October 1, 2021 to March 31, 2022)
Net sales	989,876	842,497
Cost of sales	313,644	385,191
Gross profit	676,232	457,306
Selling, general and administrative expenses	719,975	781,626
Operating profit (loss)	(43,742)	(324,320)
Non-operating income		
Interest income	8	4
Foreign exchange gains	-	84
Subsidy income	688	1,408
Reversal of allowance for doubtful accounts	-	654
Recoveries of written off receivables	30	235
Other	5	13
Total non-operating income	732	2,401
Non-operating expenses		
Interest expenses	4,371	1,739
Provision of allowance for doubtful accounts	55,606	-
Share issuance costs	11,050	-
Foreign exchange losses	34	-
Total non-operating expenses	71,063	1,739
Ordinary profit (loss)	(114,073)	(325,563)
Profit (loss) before income taxes	(114,073)	(325,563)
Income taxes	1,739	1,739
Quarterly profit (loss)	(115,219)	(326,707)

(3) Non-consolidated Cash Flow Statements

(Thousands of yen)

	Six-month period ended at the end of the second quarter of the previous fiscal year (From October 1, 2020 to March 31, 2021)	Six-month period ended at the end of the second quarter under review (From October 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(114,073)	(325,563)
Depreciation	6,684	1,739
Increase (decrease) in allowance for doubtful accounts	50,361	(7,148)
Increase (decrease) in provision for bonuses	9,052	4,639
Interest and dividend income	(8)	(4)
Subsidy income	(688)	(1,408)
Interest expenses	4,371	1,739
Foreign exchange losses (gains)	(78)	160
Share issuance costs	11,050	-
Decrease (increase) in trade receivables	(7,921)	41,508
Decrease (increase) in advances paid	40,802	108,521
Decrease (increase) in prepaid expenses	(56,138)	57,702
Decrease (increase) in long-term prepaid expenses	39,076	(11,222)
Increase (decrease) in accounts payable	(156,999)	9,402
Increase (decrease) in accrued expenses	12,587	(8,653)
Increase (decrease) in deposits received	(1,417)	(1,061)
Increase (decrease) in unearned revenue	(6,283)	(6,655)
Decrease (increase) in other assets	(10,681)	(11,011)
Increase (decrease) in other liabilities	13,816	(915)
Other	1,508	1,508
Subtotal	(164,980)	(139,439)
Interest and dividends received	8	4
Proceeds from subsidy income	688	1,408
Interest paid	(4,067)	(4,007)
Income taxes (paid) refunded	(530)	(2,288)
Cash flows from operating activities	(168,881)	(144,321)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,330)	(6,826)
Payments of loans receivable	(55,606)	-
Payments of leasehold and guarantee deposits	(365)	-
Proceeds from refund of leasehold and guarantee deposits	84	13
Proceeds from refund of loans receivable	-	654
Cash flows from investing activities	(58,218)	(6,157)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	226,000	448,140
Proceeds from long-term borrowings	-	300,000
Repayments of long-term borrowings	(10,002)	(34,662)
Purchase of treasury shares	(155)	(50)
Proceeds from issuance of shares	999,708	27,281
Cash flows from financing activities	1,215,550	740,709
Effect of exchange rate change on cash and cash equivalents	78	(160)
Net increase (decrease) in cash and cash equivalents	988,528	590,069
Cash and cash equivalents at beginning of period	459,205	629,158
Cash and cash equivalents at end of period	1,447,733	1,219,227

