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**Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending June 30, 2024
(Six Months Ended December 31, 2023)**



[Japanese GAAP]

February 14, 2024

Company name: Japan PropTech Co., Ltd.

Listing: Tokyo Stock Exchange

Stock code: 4054

URL: <https://www.n-create.co.jp/>

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Scheduled date of filing of Quarterly Report:

February 14, 2024

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results:

Yes

Holding of quarterly financial results meeting:

Yes (For Institutional Investors and Analysts)

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

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2024
(July 1, 2023 to December 31, 2023)**

(1) Consolidated results of operations

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owner of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Dec. 31, 2023	2,029	14.3	260	104.6	262	49.0	165	54.2
Six months ended Dec. 31, 2022	1,776	-	127	-	176	-	107	-

Note: Comprehensive income (millions of yen)

Six months ended Dec. 31, 2023: 165 (54.2) %

Six months ended Dec. 31, 2022: 107 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2023	11.73	11.60
Six months ended Dec. 31, 2022	7.53	7.43

Note: Japan PropTech has prepared consolidated financial statements from the previous fiscal year. Consequently, year-on-year changes for the six months ended Dec. 31, 2022 are not presented.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2023	4,936	3,216	65.2
As of Jun. 30, 2023	5,109	3,121	61.1

Reference: Shareholders' equity (millions of yen)

As of Dec. 31, 2023: 3,216

As of Jun. 30, 2023: 3,121

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2023	-	0.00	-	5.00	5.00
Fiscal year ending Jun. 30, 2024	-	0.00	-	-	-
Fiscal year ending Jun. 30, 2024 (forecast)	-	-	-	5.00	5.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2024 (July 1, 2023 to June 30, 2024)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owner of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	4,400	16.7	700	112.3	700	86.2	380	105.1	26.77

Note: Revisions to the most recently announced earnings forecast: None

* Notes

(1) Changes in significant subsidiaries during the period: None

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

1) Number of outstanding shares as of the end of the period (including treasury shares)

As of Dec. 31, 2023: 14,340,440 shares As of Jun. 30, 2023: 14,339,440 shares

2) Number of treasury shares as of the end of the period

As of Dec. 31, 2023: 248,571 shares As of Jun. 30, 2023: 248,571 shares

3) Average number of outstanding shares during the period

Six months ended Dec. 31, 2023: 14,090,928 shares Six months ended Dec. 31, 2022: 14,228,020 shares

* This quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on estimates and assumptions judged to be valid and information available at the time these materials were prepared, but are not guarantees by Japan PropTech regarding future performance. Actual results may differ significantly from these forecasts for various reasons. Please refer to the section "1. Qualitative Information on Quarterly Consolidated Financial Performance" on page 2 of the attachments regarding preconditions or other related matters for the forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

While the Japanese economy is expected to continue its gradual recovery under the improving employment and income environment, there are risks of downturn in overseas economies such as the effects of global monetary tightening and concerns about the future of Chinese economy which could put downward pressure on the Japanese economy. In addition, the outlook remains uncertain with the need to pay close attention to the effects of rising prices fluctuation in financial, situation in the Middle East and capital markets and other factors.

In the market for real estate business support, where Japan PropTech Group provides SaaS-type cloud services, there is a chronic shortage of labor in the real estate industry, an increase in IT capital investment demand from newcomers to the market, the “full computerization of real estate transactions” which was lifted by the revised Building Lots and Buildings Transaction Business Act I, May 2022, the “invoice system” to be enforced in October 2023, and the Electronic Books Maintenance Act which goes into effect in January 2024 have increased momentum to promote DX throughout the industry. As a result, the business climate continues to be favorable for the Group’s operations.

In this business environment, Japan PropTech Group has been pursuing various growth strategies to build an optimal platform for the real estate domain and to realize its three-year plan, which outlines a medium- to long-term growth plan.

*The Three-Year Business Plan covers the three-year period ending in June 2024 and includes numerous measures for growth. Information about this plan is in the Results of Operations for the Fiscal Year Ended June 30, 2024 posted on our IR website.

Our basic strategy of the Three-Year Business Plan is a Freemium strategy (see note below), which is to propose the introduction of free of charge services such as “Fudosan BB”, a B-to-B property listing platform, and “ReaPro” to increase contact with real estate agents throughout Japan, and then to sell value-added paid solutions. The fee-based services provided to the free customer base include two types of services: brokerage solutions for brokerage businesses and management solutions for rental property managers. The brokerage solutions include products and services that support operations from customer attraction to contract signing, such as website creation, real estate portal site linkage, prospect customer management (CRM), reservation of previews, IT instruction manuals, and electronic contracting. In the area of management solutions, we provide products and services that centralize the management of complicated and diverse rental management operations in a database to improve operational efficiency.

(Note) The freemium strategy is a business model in which basic services and products are provided free of charge and fees are charged for the use of more advanced functions and services.

In the current fiscal year, the final year of the three-year plan, we are promoting our business by taking advantage of prior investments made up to the previous fiscal year such as increasing the number of sales personnel and expanding sales offices. To maximize the productivity of sales personnel we are working to increase the number of deals won and improve the closing rate through logistical support teams such as Inside Sales and Customer Success. We also continue to promote activities to maximize synergies with Real Net Pro, Inc. which merged with us in June 2022.

With regard to the creation of a platform, which is our medium-term vision, we are progressively forming alliances with various companies, focusing on data linkage with rent guarantee companies and insurance companies. While expanding the scope of our platform we will further contribute to DX in the industry together with our partners.

In addition, we are also enhancing our services using the generation AI "ChatGPT," and in December last year, we implemented an automatic property PR text generation function in "Rental Revolution 10. We will also continue to add value to existing products by utilizing new technologies.

Segment information is omitted because the Japan PropTech Group has only a single business segment.

The overview of each service is as follows:

Solutions for Brokers

In brokerage solutions, the Company aggressively proposed services that solve issues in the brokerage business, such as "WebManagerPro" to support attracting customers to the Company's website, "Property Data Linkage" to support attracting customers to real estate portal sites, and "Electronic Contract Service" to support the computerization of real estate contracts. In addition, based on our freemium strategy, there were many activities for the conversion of customers using Fudosan BB, a free B-to-B property listing platform to services for the secondary use of data which is fee-based services. In the area of

real estate big data, Japan PropTech Group has started providing "CRIX" data, which indexes rent trends and vacancy rates based on rental management data, and has begun offering a sales support DX service for rental management companies that can create sophisticated "full occupancy strategy reports" on the web, which differ for each rental house, by making full use of real estate big data and AI. In addition, monthly usage fees from customers who pay to use the inter-vendor property distribution services "ReaPro" provided by group company RealNetPro Inc. also accumulated steadily

The sales of this category was 789 million yen.

Solutions for Property Management

For Chintai Kakumei, this category's primary service, there were many sales activities to new customers, upgrades of services used by existing customers and additions of options. In addition, the churn rate continued to be stable at a low level, resulting in a steady accumulation of monthly usage fees.

The sales of this category was 1,218 million yen.

* In addition to above sales of 2,007 million yen from the Solutions for Brokers and the Solutions for Property Management, sales of 21 million yen were recorded from other activities.

(2) Explanation of Financial Position

1) Assets

Total assets at the end of the second quarter of the current fiscal year decreased by 173 million yen from the end of the previous fiscal year to 4,936 million yen. The balance of current assets decreased by 198 million yen from the end of the previous fiscal year to 1,628 million yen. The balance of non-current assets increased by 25 million yen from the end of the previous fiscal year to 3,307 million yen.

The decrease in current assets is primarily attributable to a decrease in accounts cash equivalent. The increase in fixed assets was due to an increase in software in progress included in intangible fixed assets.

2) Liabilities

Total liabilities at the end of the second quarter decreased by 268 million yen from the end of the previous fiscal year to 1,719 million yen. The balance of current liabilities decreased by 261 million yen from the end of the previous fiscal year to 1,371 million yen.

This is mainly attributable to decrease in accounts payable-other and accrued expenses included in other current liabilities.

3) Net assets

Net assets at the end of the second quarter increased by 95 million yen from the end of the previous fiscal year to 3,216 million yen.

This is primarily attributable to an increase in retained earnings due to the booking of profit attributable to owners of parent and dividend paid.

4) Cash Flows from Operating Activities

Total cash and cash equivalents (hereinafter referred to as "funds") was 786 million yen. The status of each cash flow and their factors for the six months ended September 30, 2012 are as follows.

(Sales activities)

Net funds provided by sales activities increased by 131 million yen. This was mainly due to income before income taxes and minority interests of 262 million yen and an increase in depreciation cost of 103 million yen.

(Investment activities)

Net funds provided by investment activities decreased by 179 million yen. This was mainly due to a decrease of 23 million yen in purchase of tangible fixed assets and a decrease of 161 million yen in purchase of intangible assets.

(Financing activities)

Net funds provided by financing activities decreased by 119 million yen. This was mainly due to a decrease of 4 million yen in repayment of long-term loans payable and payment of 70 million yen in dividends.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

There are no revisions to the forecast for the fiscal year ending June 30, 2024 that was announced on August 10, 2023 with “Consolidated Financial Results for the Fiscal Year Ended June 30, 2023 [Japanese GAAP]”. An announcement will be made promptly if the forecast is revised.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY6/23 (As of Jun. 30, 2023)	Second quarter of FY6/24 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	1,157,291	989,667
Accounts receivable-trade	431,711	404,264
Merchandise	252	155
Work in process	33,306	27,611
Supplies	2,113	3,815
Other	203,958	204,561
Allowance for doubtful accounts	(1,069)	(1,230)
Total current assets	1,827,564	1,628,834
Non-current assets		
Property, plant and equipment	488,834	506,149
Intangible assets		
Software	409,591	371,120
Goodwill	724,052	683,826
Client assets	999,600	963,900
Other	203,822	315,192
Total intangible assets	2,337,066	2,334,039
Investments and other assets		
Other	487,345	499,238
Allowance for doubtful accounts	(30,929)	(31,526)
Total investments and other assets	456,415	457,711
Total non-current assets	3,282,316	3,307,900
Total assets	5,109,880	4,936,735
Liabilities		
Current liabilities		
Accounts payable-trade	13,487	15,975
Income taxes payable	100,232	72,393
Contract liabilities	915,064	892,624
Provision for bonuses	-	20,090
Provision for loss on orders received	6,377	3,755
Current portion of long-term borrowings	20,268	-
Other	578,323	367,152
Total current liabilities	1,633,752	1,371,990
Non-current liabilities		
Long-term borrowings	29,710	-
Asset retirement obligations	16,557	16,621
Deferred tax liability	302,452	327,460
Other	5,654	3,769
Total non-current liabilities	354,374	347,851
Total liabilities	1,988,127	1,719,842

(Thousands of yen)

	FY6/23 (As of Jun. 30, 2023)	Second quarter of FY6/24 (As of Dec. 31, 2023)
Net assets		
Shareholders' equity		
Share capital	728,448	728,528
Capital surplus	700,158	700,238
Retained earnings	1,900,817	1,995,667
Treasury shares	(207,831)	(207,831)
Total shareholders' equity	3,121,592	3,216,602
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	161	291
Total accumulated other comprehensive income	161	291
Total net assets	3,121,753	3,216,893
Total liabilities and net assets	5,109,880	4,936,735

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income (For the Six-month Period)

(Thousands of yen)

	Previous First six months of FY 6/23 (Jul.1,2022 – Dec. 31, 2022)	Current First six months of of FY6/24 (Jul. 1, 2023 – Dec. 31, 2023)
Net sales	1,776,066	2,029,387
Cost of sales	587,025	692,549
Gross profit	1,189,041	1,336,838
Selling, general and administrative expenses	1,061,512	1,075,941
Operating profit	127,528	260,897
Non-operating income		
Fee income	-	2,757
Insurance return	5,514	-
Other	3,766	219
Total non-operating income	58,907	2,977
Non-operating expenses		
Interest expenses	1,120	624
Foreign exchange losses	5,173	295
Other	3,831	283
Total non-operating expenses	10,125	1,202
Ordinary profit	176,311	262,671
Extraordinary profit		
Gain on sales of fixed asset	182	251
Total extraordinary profit	182	251
Extraordinary losses		
Loss on sale of non-current assets	155	-
Loss on removal of fixed assets	0	214
Total extraordinary losses	155	214
Profit before income taxes	176,338	262,707
Income taxes	69,131	97,403
Profit	107,206	165,304
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	107,206	165,304

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

(Thousands of yen)

	Previous First six months of FY6/23 (Jul. 1, 2022 – Dec. 31, 2022)	Current First six months of FY 6/24 (Jul. 1, 2023 – Dec. 31, 2023)
Profit	107,206	165,304
Other comprehensive income		
Valuation difference on available-for-sale securities	108	130
Total other comprehensive income	108	130
Comprehensive income	107,315	165,434
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	107,315	165,434
Comprehensive income attributable to non-controlling interests		-

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(3) Consolidated Quarterly Statements of Cash Flows

	Previous First six months of FY6/22 (Jul. 1, 2022 – Dec. 31, 2022)	Current First six months of FY6/23 (Jul. 1, 2023 – Dec. 31, 2023)
Cash flows from operating activities		
Profit before income taxes and minority interests	176,338	262,707
Depreciation	76,223	103,025
Amortization of goodwill	40,225	40,225
Amortization of customer relationship	35,700	35,700
Increase (decrease) in allowance for doubtful accounts	(3,950)	758
Increase (decrease) in provision for bonuses	23,098	20,090
Interest and dividend income	(79)	(16)
Interest expenses	1,120	624
Gain on maturity of insurance contract	(55,141)	-
Decrease (increase) in trade receivables	79,343	27,446
Increase (decrease) in contract liabilities	1,882	(22,440)
Loss (gain) on sale of non-current assets	(27)	(251)
Increase (decrease) in accrued liabilities	36,319	(114,970)
Increase (decrease) in accrued expenses	(119,359)	(120,160)
Other, net	(21,341)	(17,424)
Subtotal	270,352	215,314
Interest and dividends received	79	16
Interest paid	(1,120)	(624)
Income taxes paid	(166,641)	(83,616)
Net cash provided by (used in) operating activities	102,667	131,089
Cash flows from investing activities		
Proceeds from sale of investment securities	3,074	-
Purchase of property, plant and equipment	(6,567)	(23,502)
Purchase of intangible assets	(124,093)	(161,066)
Proceeds from sale of investment property	232,722	-
Purchase of insurance funds	(6,167)	-
Proceeds from maturity of insurance funds	55,141	-
Other, net	(20,994)	4,824
Net cash provided by (used in) investing activities	133,123	(179,744)
Cash flows from financing activities		
Repayments of long-term borrowings	(185,796)	(49,978)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	5,120	160
Dividends paid	(70,881)	(70,152)
Other, net	(771)	-

Net cash provided by (used in) financing activities	(252,328)	(119,970)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(16,537)	(168,625)
Cash and cash equivalents at beginning of period	1,189,695	954,716
Cash and cash equivalents at end of period	1,173,158	786,091ss

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements

Calculation of tax expense

Tax expense was calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes for the fiscal year, and then multiplying such rate by the quarterly profit before income taxes.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments) that has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.