

## Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Japanese GAAP)

February 13, 2024

Company name: DRAFT Inc.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 5070  
 URL: <https://draft.co.jp/en/>  
 Representative: Taiju Yamashita, Representative Director  
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 Scheduled date to hold the ordinary general meeting of shareholders: March 28, 2024  
 Scheduled date to commence dividend payments: March 29, 2024  
 Scheduled date to file the annual securities report: March 29, 2024  
 Availability of supplementary briefing materials on financial results: Yes  
 Schedule of briefing session on financial results: Yes (For analysts and institutional investors)

(Amounts of less than one million yen are rounded down)

### 1. Consolidated financial results for the fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Consolidated operating results (Percentage figures indicate year-on-year changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	10,702	29.1	870	703.3	848	868.6	516	—
December 31, 2022	8,287	3.2	108	(88.7)	87	(90.8)	21	(96.3)

(Note) Comprehensive income: Fiscal year ended December 31, 2023: ¥527 million (—%)  
 Fiscal year ended December 31, 2022: ¥26 million (-95.4%)

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit margin
	Yen	Yen	%	%	%
December 31, 2023	51.41	51.23	16.0	12.9	8.1
December 31, 2022	2.10	2.10	0.7	1.5	1.3

(Reference) Equity in earnings of affiliates: Fiscal year ended December 31, 2023: ¥ — million  
 Fiscal year ended December 31, 2022: ¥ — million

### (2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	7,465	3,475	46.3	344.27
December 31, 2022	5,724	2,994	52.0	296.79

(Reference) Shareholders' equity: As of December 31, 2023: ¥3,457 million  
 As of December 31, 2022: ¥2,979 million

### (3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	234	(470)	489	1,749
December 31, 2022	(207)	(587)	152	1,495

## 2. Dividends

	Annual dividends					Total dividend paid	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
December 31, 2022	—	0.00	—	5.00	5.00	50	238.1	1.7
December 31, 2023	—	0.00	—	6.00	6.00	60	11.7	1.9
Fiscal year ending December 31, 2024 (forecast)	—	0.00	—	6.00	6.00		10.4	

## 3. Consolidated financial forecast for the fiscal year ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(Percentage figures indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	6,000	53.6	480	—	470	—	310	—	30.87
Full year	12,000	12.1	980	12.6	960	13.2	580	12.3	57.75

### Notes

(1) Changes in major subsidiaries during the fiscal year ended December 31, 2023 (changes in specified subsidiaries accompanying changes in scope of consolidation): No

Newly added: — subsidiaries (Company name) —

Excluded: — subsidiaries (Company name) —

(2) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to amendment of accounting standards, etc.: No

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatement: No

(3) Number of issued shares (common stock)

1) Number of issued shares at the end of the period (including treasury stock)

December 31, 2023: 10,043,300 shares

December 31, 2022: 10,040,000 shares

2) Number of treasury stock at the end of the period

December 31, 2023: — shares

December 31, 2022: — shares

3) Average number of shares outstanding for the period

Fiscal year ended December 31, 2023: 10,040,840 shares

Fiscal year ended December 31, 2022: 10,038,839 shares

**(Reference) Summary of non-consolidated financial results****1. Non-consolidated financial results for the fiscal year ended December 31, 2023 (April 1, 2023 to December 31, 2023)****(1) Non-consolidated operating results**

(Percentage figures indicate year-on-year changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	10,702	29.1	827	748.4	807	902.8	481	—
December 31, 2022	8,287	3.2	97	(89.6)	80	(91.4)	17	(96.8)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	47.98	47.81
December 31, 2022	1.78	1.78

**(2) Non-consolidated financial position**

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	7,492	3,343	44.4	331.09
December 31, 2022	5,750	2,908	50.3	288.16

(Reference) Shareholders' equity: As of December 31, 2023: ¥3,325 million  
As of December 31, 2022: ¥2,893 million

## &lt; Reasons for differences between non-consolidated financial results and previous fiscal year's results &gt;

There were projects that were completed in the current fiscal year but were originally scheduled for the previous fiscal year. Additionally, demand in the Group's Design segment expanded both in the short and long term, amid a recovery in overall demand. Further, under the new Accounting Standard for Revenue Recognition, early recognition of sales has accelerated due to the expansion of long-term projects, resulting in a significant increase in net sales and gross profit. Meanwhile, SG&A expenses increased year-on-year while remaining in line with the plan. Each profit line increased substantially as a result. These factors have led to major differences between the actual results for the previous fiscal year and those for the current fiscal year.

- \* The consolidated financial results statements are not subject to review by a certified public accountant or auditing firm.
- \* Explanation regarding proper use of financial forecast, and other notes  
Forward-looking statements in this document, including outlook on future performance, are based on currently available information and certain assumptions that the Company regards as reasonable, and the Company does not in any way guarantee their achievement. Actual results may differ substantially from the projections herein depending on various factors. For the preconditions of and precautions in using the financial results forecast, please refer to "1. Business results, (4) Business performance outlook" on page 2 of the Attachment.

## 1. Business results

### (1) Summary of business results

The Japanese economy continued to show a gradual recovery in the fiscal year ended December 31, 2023. While there have been disrupting factors such as wars in multiple regions of the world and significant depreciation of the yen, overall societal activity has returned to normal, leading to increased economic activity among various companies and creating a foundation for the normalization of the Japanese economy as a whole.

Since its establishment, the Group has aimed to solve social issues through design, such as by offering new and unconventional spatial design, under the slogan "ALL HAPPY BY DESIGN." As part of its strategy, it classifies projects into three categories: "regular projects (Note 1)," "proposal projects (Note 2)," and "leading projects (Note 3)."

"Regular projects" form the earnings base, while in "proposal projects" and "leading projects" the Group promotes new business formats and design values, centered on the "TJ Institute of Design & Architecture," which has been established as an independent organization.

The demand for design services provided by the Group, which is based on these activities, has been robust. In particular, the scale of projects has expanded in tandem with our growth as a design company, contributing to significant year-on-year growth in consolidated net sales for the fiscal year to ¥10,702,431 thousand (+29.1% year-on-year).

Meanwhile, SG&A expenses for the current fiscal year grew substantially year-on-year but remained in line with our revised earnings forecast. However, operating profit also increased sharply on significant growth in net sales and gross profit, reaching ¥870,608 thousand (+703.3% year-on-year). Additionally, non-operating expenses such as foreign exchange losses, combined with non-current asset retirement obligations related to the office relocation (¥28,408 thousand) and income tax obligations (¥303,757 thousand), resulted in an ordinary profit of ¥848,415 thousand (+868.6% year-on-year). As a result, profit attributable to owners of parent amounted to ¥516,249 thousand (an year-on-year increase of ¥495,133 thousand).

Segment information is omitted since the Group operates in the single segment of Design. Net sales of the Design segment by area (Note 4) are shown below.

#### Net sales by category (Reference)

Category	January–December 2022	Fiscal year ended December 31, 2023 (January–December 2023)	
	Results	Results	Year-on-year change
Display design, architectural design, and other	Thousands of yen 3,914,937	Thousands of yen 5,424,076	+38.5%
Office design, project management, and other	4,372,825	5,278,354	+20.7%
Total	8,287,762	10,702,431	+29.1%

(Notes) 1. "Regular projects" are order-based projects that begin with a request from the client side. They include office designs for which we receive high acclaim, and form the Group's earnings base.

2. "Proposal projects" are positioned between regular projects and leading projects. They include projects, which the Group plans, proposes, and at times invests in upfront. In these projects, we intend to realize an earnings model different from that of order-based projects.

3. "Leading projects" are challenging projects we take on through large-scale architectural and design competitions. They represent our initiative to cultivate new design domains and enhance the Group's design skills and brand value.

4. Previously, we classified sales into either the office category or the commercial space, urban development, environmental design, and other category. However, we have made changes to these categories starting from the current fiscal year to reflect the current business reality more accurately, changing the commercial space, urban development, environmental design, and other category to the display design, architectural design, and other category, and the office category to the office design, project management, and other category.

For the first change, we have changed "commercial space" to "display design" because this term is more generally recognizable as referring to the business focused on commercial facility design. We have also opted for the more specific term, "architectural design," over the more general "urban development." In

changing the office category, since the term "office" represents the target of design work, we have chosen to use a more descriptive label that better represents the business of designing spaces for general corporate clients that the Group actually undertakes.

These changes only affect the category labels and not the methods of aggregation.

## (2) Summary of financial position

### (Assets)

Total assets as of December 31, 2023 were up ¥1,740,339 thousand from December 31, 2022 to ¥7,465,272 thousand. This change was primarily due to an increase of ¥1,510,779 thousand in accounts receivable–trade and contract assets, an increase of ¥258,442 thousand in buildings and structures (net), and an decrease of ¥156,857 thousand in income taxes receivable.

### (Liabilities)

Liabilities as of December 31, 2023 were up ¥1,259,457 thousand from December 31, 2022 to ¥3,989,667 thousand. This change was chiefly due to an increase of ¥418,975 thousand in accounts payable–trade, an increase of ¥313,479 thousand in income taxes payable, an increase of ¥294,978 thousand in asset retirement obligations, and an increase of ¥232,012 thousand in long-term borrowings.

### (Net assets)

Net assets as of December 31, 2023 were up ¥480,881 thousand from December 31, 2022 to ¥3,475,604 thousand. This change was mainly due to the recording of ¥516,249 thousand in profit attributable to owners of parent and ¥50,200 thousand in dividends paid.

## (3) Cash flows

Cash and cash equivalents as of December 31, 2023 were ¥1,749,021 thousand, up ¥253,386 thousand from December 31, 2022.

### (Cash flows from operating activities)

Net cash provided in operating activities was ¥234,156 thousand (versus net cash of ¥207,655 thousand used in the previous year). This was mainly due to the recording of ¥820,007 thousand in pre-tax profit, an increase of ¥418,975 thousand in trade payables, ¥137,593 thousand in income taxes paid, and an increase of ¥1,501,118 thousand in trade receivables.

### (Cash flows from investing activities)

Net cash used in investing activities was ¥470,749 thousand (versus net cash of ¥587,476 thousand used in the previous fiscal year). The primary use of cash was for purchases of property, plant and equipment totaling ¥564,408 thousand and proceeds from refund of leasehold and guarantee deposits of ¥104,187 thousand.

### (Cash flows from financing activities)

Net cash provided by financing activities was ¥489,114 thousand (versus net cash of ¥152,220 thousand provided in the previous fiscal year). The primary contributing factor was ¥750,000 thousand in proceeds from long-term borrowings and ¥304,996 thousand in repayments of long-term borrowings.

## (4) Business performance outlook

The Group prepares the full-year forecast for net sales by comprehensively taking into account the status of the project stock (Note 1) and project forecast (Note 2).

The project stock as of the end of December 31, 2023 is ¥8,500 million. Based on the most recent average weekly inquiries of ¥170 million and a close rate of 70%, our net sales target is ¥12,000 million (112.1% of the amount for the fiscal year ended December 31, 2023).

We have set our assumption for SG&A expenses at a level that will allow us to continue to steadily carry out the investments necessary for medium- to long-term growth while achieving increased profits. Specifically, we have factored in an increase in personnel expenses aimed at strengthening value creation capabilities both qualitatively and quantitatively. We have also included expenses for stepping up global branding activities, including the new lifestyle brand "DAFT about DRAFT." In addition, we expect an extraordinary loss of ¥10 million due to the anticipated relocation of the office of overseas subsidiary D-RAWRITE (Cebu, Philippines). As a result, we forecast operating profit of ¥980 million, ordinary profit of ¥960 million, and profit attributable to owners of parent of ¥580 million.

(Notes) 1. Project stock: Sum of order backlogs (for which contacts and other documents to confirm the receipt of orders exist) expected to be recorded as sales in the fiscal year ending December 31, 2024 and expected orders.

2. Project forecast: Estimated amount of orders to be acquired during the fiscal year under review, calculated by multiplying the average number of inquiries per week by 39 weeks and the close rate.

## 2. Basic stance toward the selection of accounting standards

In consideration of the comparability of the Group's consolidated financial statements across different fiscal years and with those of other companies, the Company plans to prepare its consolidated financial statements based on Japanese GAAP for the foreseeable future. Our policy is to address the adoption of IFRS as necessary, taking into account various developments in Japan and abroad.