

Explanatory materials for financial results for the second quarter of the fiscal year ending June 2021

LibWork

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Fukuoka Stock Exchange Q-Board/Tokyo Stock Exchange Mothers Board

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Explanatory materials for financial results for the second quarter of the fiscal year ending June 2021

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Financial results for the second quarter of the fiscal year ended June 2021 (October–December 2020)

- > Performance summary
 - > Highlights
-



Performance summary: 2Q cumulative

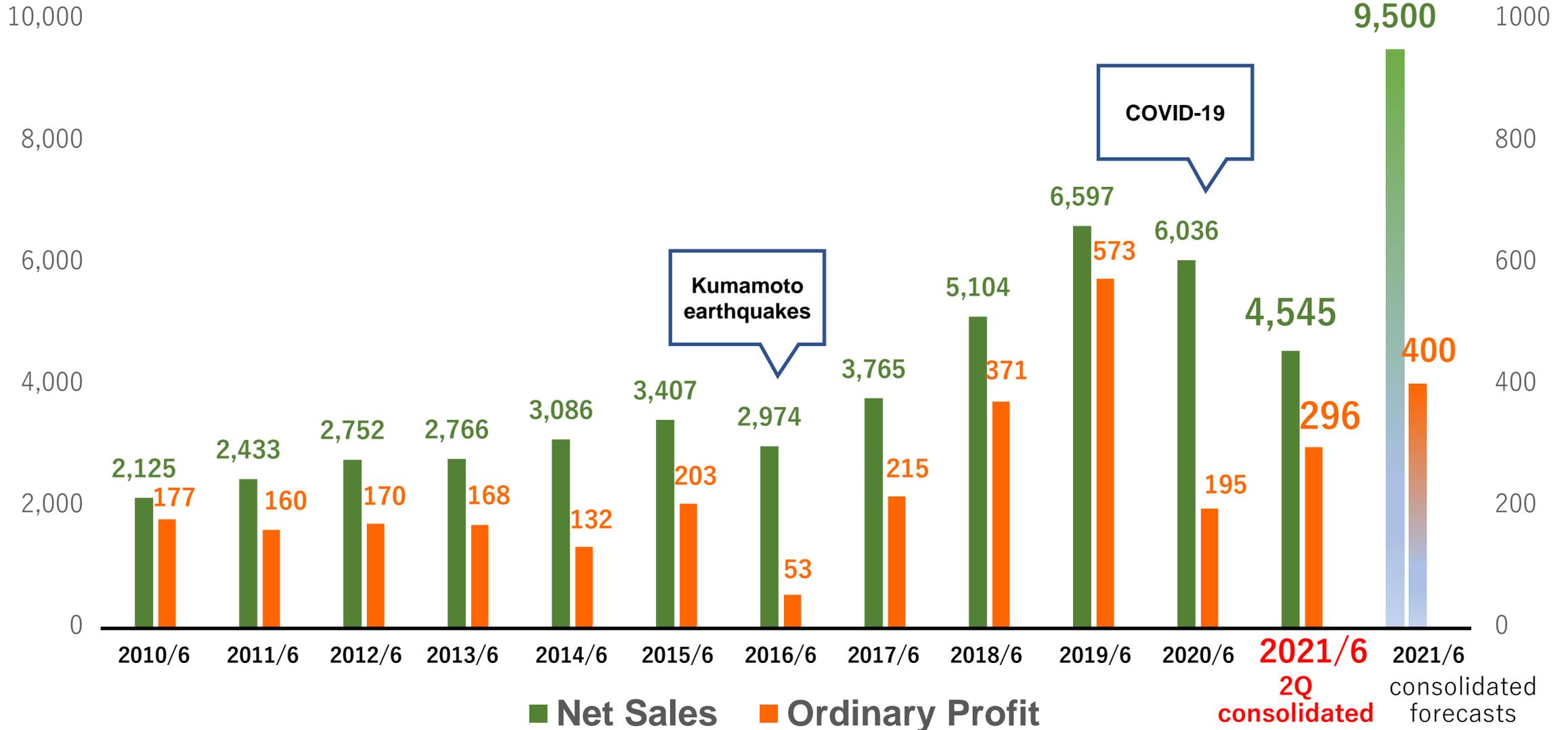
Cumulative business performance through the second quarter of the fiscal year ending June 2021

	2Q of FY ended June 2020 (nonconsolidated)	Revised forecasts for 2Q of FY ending June 2021 (consolidated)	Results for 2Q of FY ending June 2021 (consolidated)	YoY		Full-year forecasts for FY ending June 2021 (consolidated)
				Change	Change (%)	
Net Sales	—	4,544 million yen	4,545 million yen	—	—	9,500 million yen
Ordinary Profit	—	299 million yen	296 million yen	—	—	400 million yen
Net income attributable to owners of the parent	—	168 million yen	163 million yen	—	—	246 million yen

Quarterly consolidated financial statements were prepared from the first quarter of the consolidated fiscal year ending June 2021. Thus, the figures above omit figures for the quarter ended June 2020 and year-on-year changes.

Performance summary: Trends in net sales and ordinary profit

(Unit: millions yen)



Performance summary: Quarterly trends

Trends in business results for each quarter of the past year

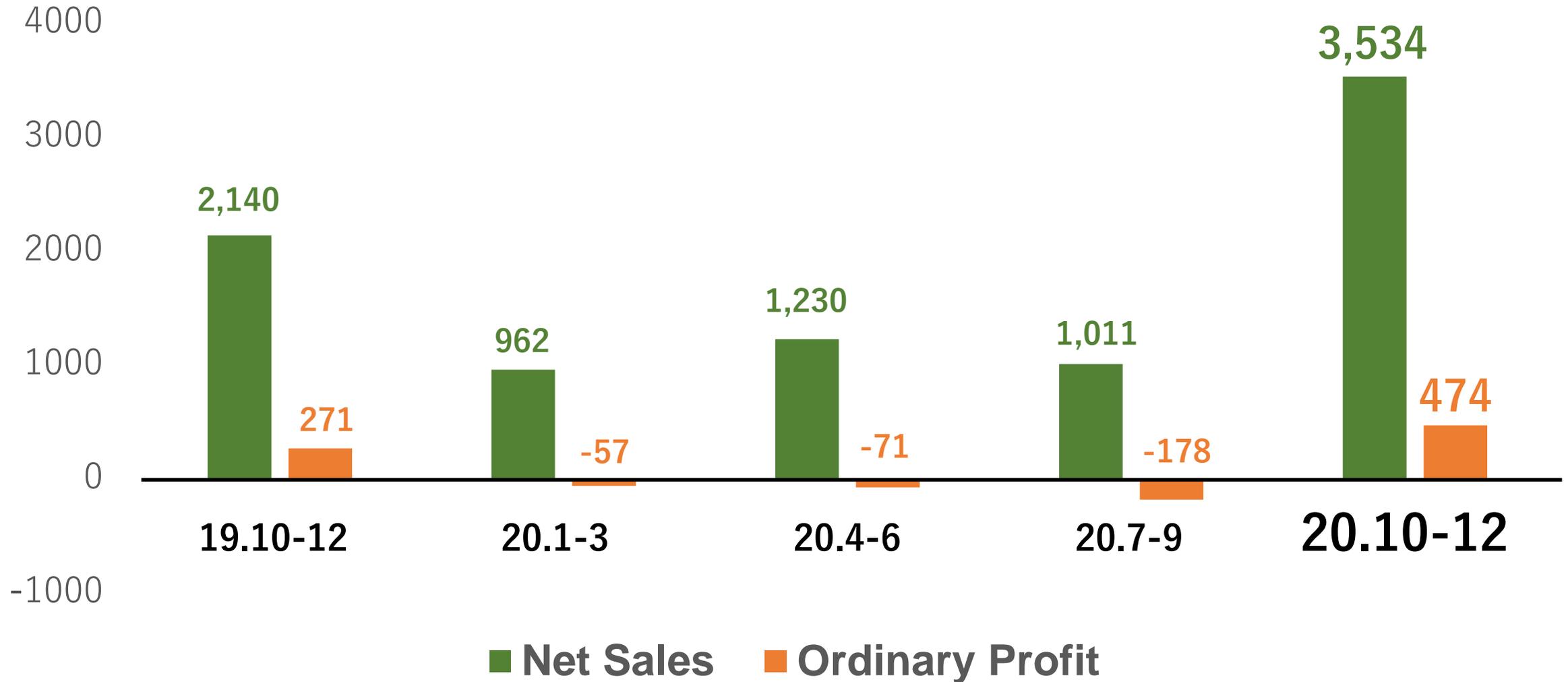
Period	Net Sales	Ordinary Profit	Final Profit
Nonconsolidated: October–December 2019	2,140 million yen	271 million yen	175 million yen
Nonconsolidated: January–March 2020	962 million yen	-57 million yen	-31 million yen
Nonconsolidated: April–June 2020	1,230 million yen	-71 million yen	-42 million yen
Consolidated: July–September 2020	1,011 million yen	-178 million yen	-139 million yen
Consolidated: October–December 2020	3,534 million yen	474 million yen	302 million yen
YoY change	+65.1%	+74.9%	+72.6%

New record highs for net sales and profits on a quarterly basis

YoY growth of 74.9% vs. ordinary profit of 270 million yen in the same period one year earlier (nonconsolidated)

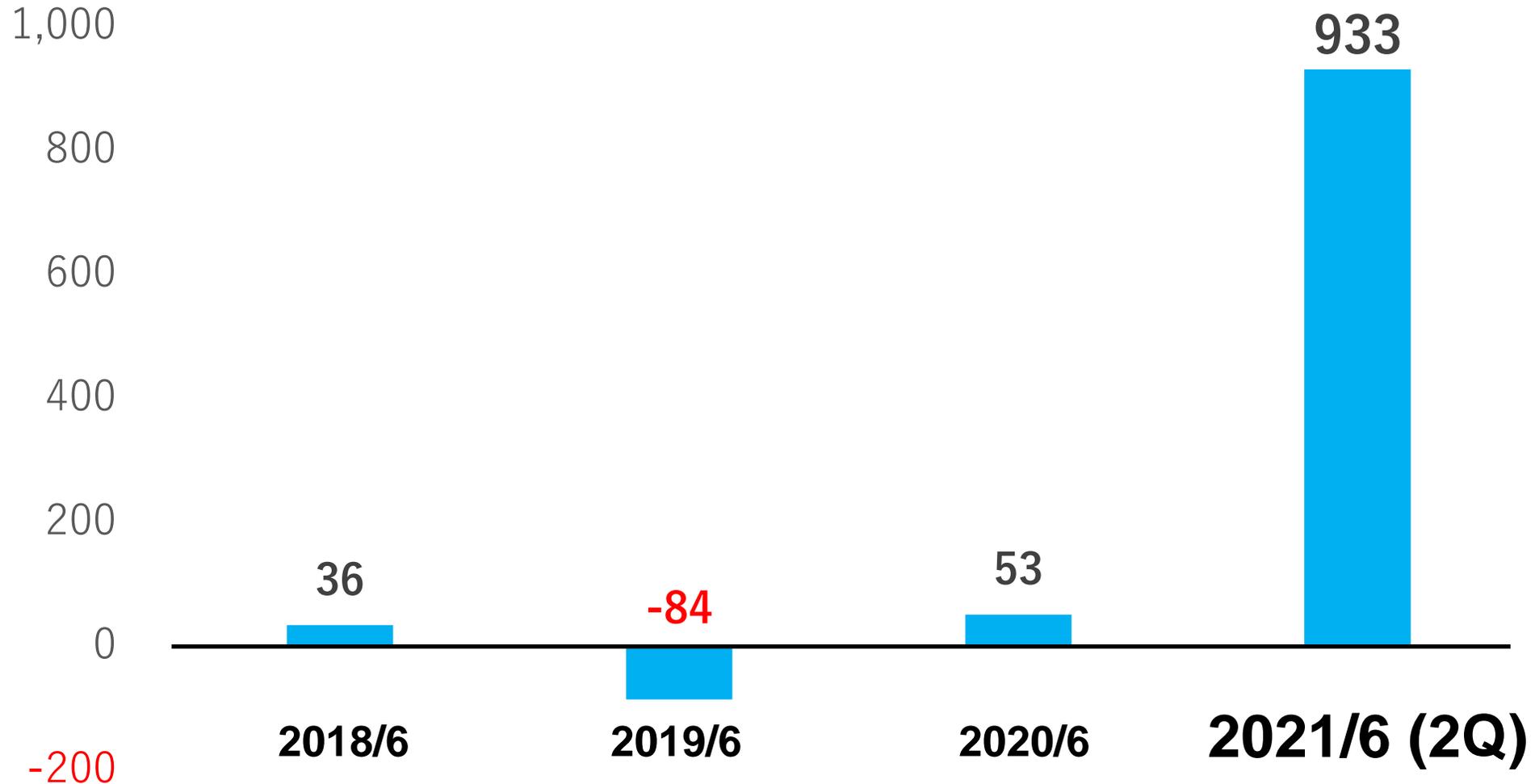
Performance summary: Trends in net sales and ordinary profit (by quarter)

(Unit: millions yen)



Performance summary: Trends in operating cash flow

(Unit: millions yen)



- Cumulative consolidated ordinary profit through 2Q was 296 million yen, accounting for 74% of the planned full-year figure of 400 million yen. Quarterly ordinary profit grew to 474 million yen (up 74.9% YoY from the same quarter of the previous nonconsolidated fiscal year).
- Operating cash flow rose dramatically to 930 million yen.
- The corporate website was overhauled with a focus on expanding the IR and HR pages and improving user experience through video.
- We began moving on efforts involving the joint development of the new Afternoon Tea HOUSE detached houses through a partnership with Sazaby League, Ltd. The first model of these houses will open in September 2021 in the city of Oita.
- The number of *LibWork Ch* YouTube channel subscribers passed 10,000.



Business report

- > Comprehensive overhaul of the corporate website
 - > SDG initiatives
 - > New product development through cross-industry partnerships
 - > YouTube channel surpasses 10,000 subscribers
-

Business report: Comprehensive overhaul of the corporate website

We overhauled our website to provide information on our detached-house products with the goal of achieving a digital transformation (DX). The changes focused on expanding the IR and HR pages and improving the user experience through extensive video content.



IR



Tour of completed houses



HR



Experiencing home performance



We initiated various initiatives to address the Sustainable Development Goals (SDGs).

On November 6, 2020, in partnership with Higo Bank, we held a presentation ceremony for a list of donations related to the issue of Higin SDG private placement bonds. A portion of the investment will be donated to the Health Promotion Department of the city of Yamaga. Simultaneously, we started our internal SDG programs. To further enhance our initiatives, we joined the Cabinet Office's Public-Private Partnership Platform for Realizing SDGs Through Community Cocreation.



Presentation ceremony for the list of donations

地方創生 SDGs 官民連携 プラットフォーム



Public-Private Partnership Platform for Realizing the SDGs

We support the Sustainable Development Goals (SDGs).

Realizing SDG Goal 17 (“Revitalize the global partnership for sustainable development”) by promoting the sharing and complementation of expertise and technology through collaboration among different fields and industry, academia, and government



Business report: New product development through cross-industry partnerships

Joint development of new Afternoon Tea HOUSE detached house products in partnership with the Sazaby League Afternoon Tea brand



We're targeting March 2021 for the completion of this new product. Plans call for the first Afternoon Tea HOUSE model house to open in September 2021 in the city of Oita. This project will also help stimulate local creativity and community vitalization in Kyushu by sourcing parts and materials from the region. Later plans call for opening model houses in Fukuoka, the Kanto area, and other regions. We plan to deploy this new brand nationwide.

Past track record

MUJI HOUSE network partner
“Mujirushiryohin no ie”
(Kumamoto, Fukuoka)



Partnership with talent Suzanne: “coquette”



Adastria “niko and . . .” collaboration: “ink”



Partnership with Uchida Yoko: “lenaka x Office”



Business report: YouTube channel surpasses 10,000 subscribers

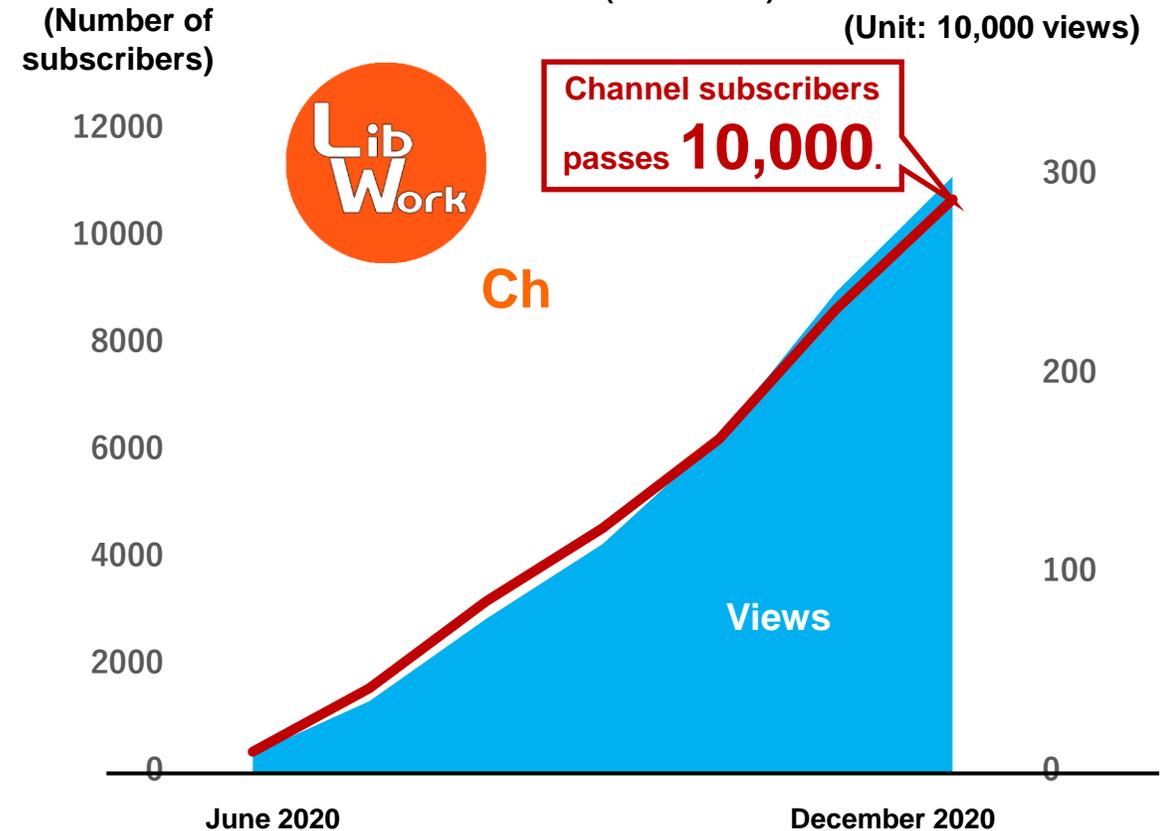
The number of subscribers to our YouTube channel *LibWork Ch* rose past the 10,000 mark in about six months. We've also begun streaming virtual tours of completed houses, popular programming that attracts more than 300,000 views per episode, for a cumulative total of three million views.

The *LibWork Ch* YouTube channel



* Screen shots of *LibWork Ch* pages as of February 22, 2021

Steady growth in views and subscribers (cumulative)



Dividend forecasts (after April 1, 2021 stock split)

A planned stock split will issue two shares per share of Company stock owned by shareholders listed or registered on the final shareholder registry as of the basis date of March 31, 2021.

	FY ended June 2016	FY ended June 2017	FY ended June 2018	FY ended June 2019	FY ended June 2020	FY ending June 2021 (forecast)
End of 1Q	—	—	—	5.5 yen	9 yen	4.50 yen
End of 2Q	—	—	15 yen	6 yen	9 yen	2.25 yen
End of 3Q	—	—	—	6 yen	4.5 yen	2.25 yen
Year-end	10 yen	20 yen	10 yen	7.5 yen	4.5 yen	1.125 yen
Total	10 yen	20 yen	—	25 yen	—	—
Payout ratio	63.1%	14.9%	17.4%	16.2%	69.6%	38.4%

The Company implemented a two-for-one stock split effective January 1, 2020. Dividends per share shown above for the end of 3Q and the year-end in the FY ended June 2020 reflect the effects of that stock split. Total dividends per year are not indicated for the FY ended June 2020. The Company implemented a two-for-one stock split effective October 1, 2020 again. The dividends per share shown above for the end of 2Q and 3Q in the FY ending June 2021 reflect the effects of that stock split; year-end dividends per share for the FY ending June 2021 reflect the effects of that stock split, in addition to the planned stock split. For this reason, total dividends per year are not indicated for the FY ending June 2020.



Growth strategy

- > Toward nationwide business development
 - > Expanding digital-based customer approach strategies
 - > Toward establishing a vertically integrated model to increase profitability
 - > New business: Subscription services leveraging AI
-

Accelerating nationwide business development to grow the number of showrooms to 25 in three years, along with entering the Kanto area and growing market share in Fukuoka

Opening a model house in a general exhibition area in Chiba within the Kanto area and building a MUJI HOUSE model house as the second facility in Fukuoka

16 showrooms
As of March 17, 2021

Kumamoto: 11 (including head office)
Fukuoka: 1
Oita: 2
Saga: 1
Kyushu area total: 15 showrooms

Kanagawa: 1 (Takuei Home)
Kanto area total: 1 facility

FY ending June 2023 (planned)

25 showrooms

General exhibition areas: 8 showrooms
Independent exhibition areas: 5 showrooms
Portable exhibitions: 10 showrooms
Head office, affiliate companies: 2 showrooms

FY ending June 2022

Chiba showroom and MUJI HOUSE Fukuoka showroom planned to open

Growing the Sketch brand of showrooms in shopping centers



New visitors (July-December 2020)

5.3 times

New visitors to our showrooms in general exhibition areas (average)

New visitors to the Sketch showrooms

FY ending June 2023 (planned)

3 showrooms

Sales 20 billion yen



Sketch showroom in AEON Mall Fukuoka

Growing the MUJI HOUSE business

Opening the largest MUJI HOUSE model house center in Japan in Kita Ward, Kumamoto with three model houses (wood, window, and sunlight home designs)

May 2021 (planned)



Wood home

Window home

Sunlight home

Opening a MUJI HOUSE model house center in Nishi Ward, Fukuoka (wood and window home designs)

September 2021 (planned)



Wood home

Window home

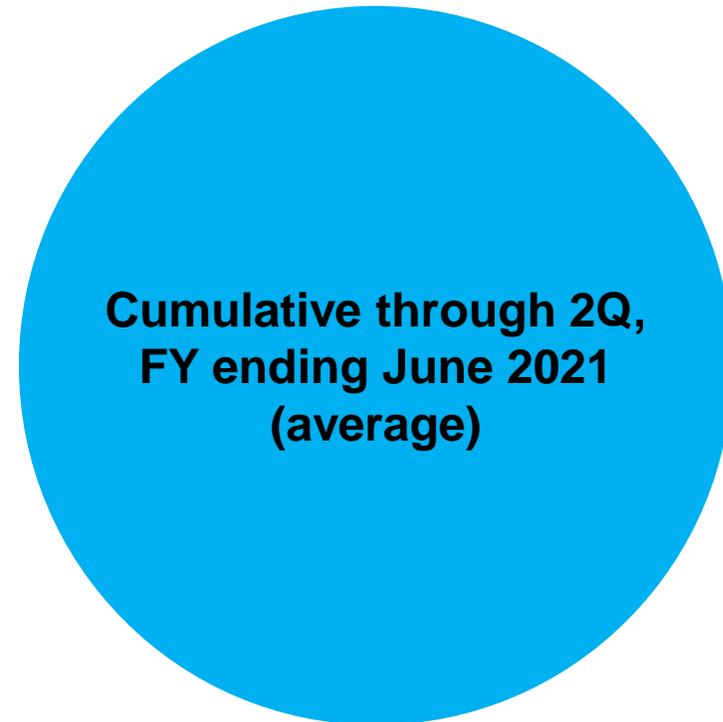
Growth in digital-based customer base (actual results)

FY ended June 2020

2Q, FY ending June 2021



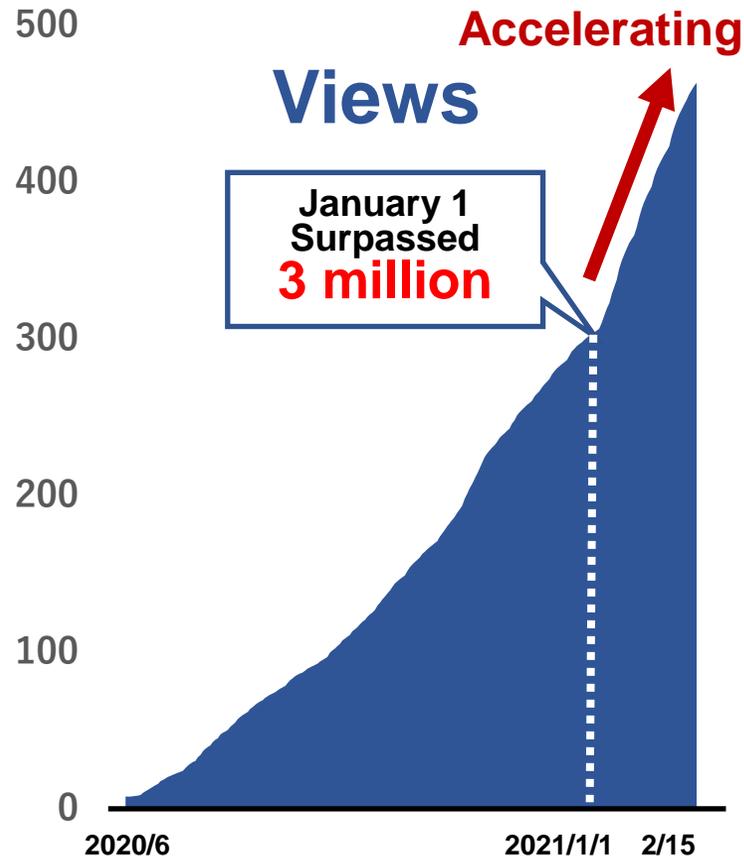
1.8 times



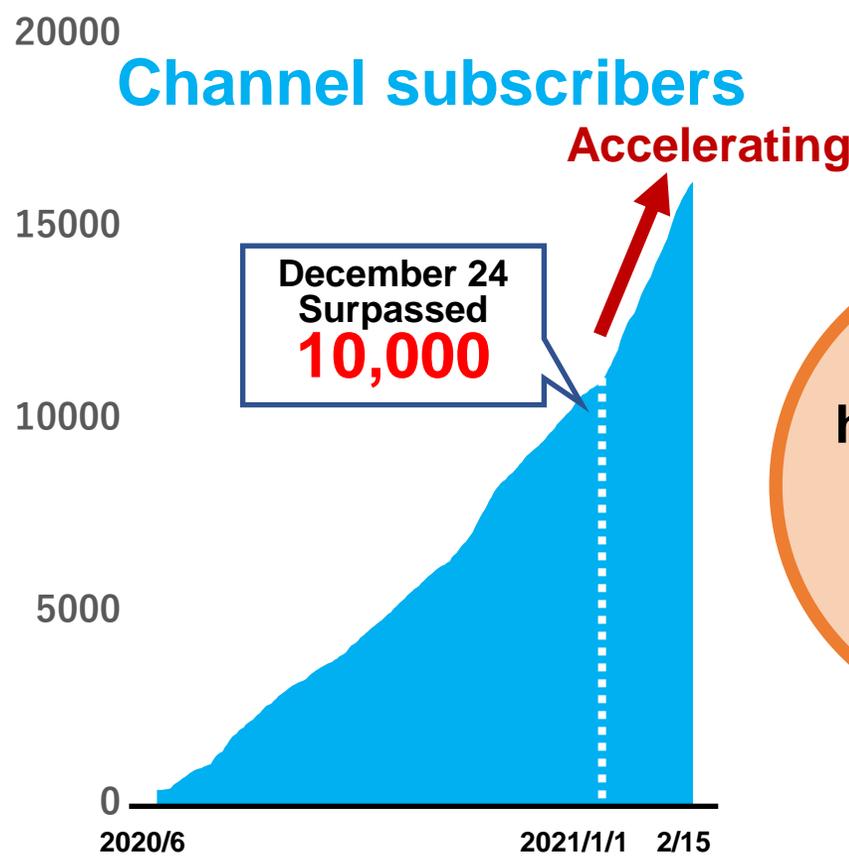
Growth strategy: Expanding digital-based customer approach strategies

Continuing to accelerate growth of the *LibWork Ch* YouTube channel since January 2021
As of February 15, 2021: 4.64 million views, 16,192 subscribers

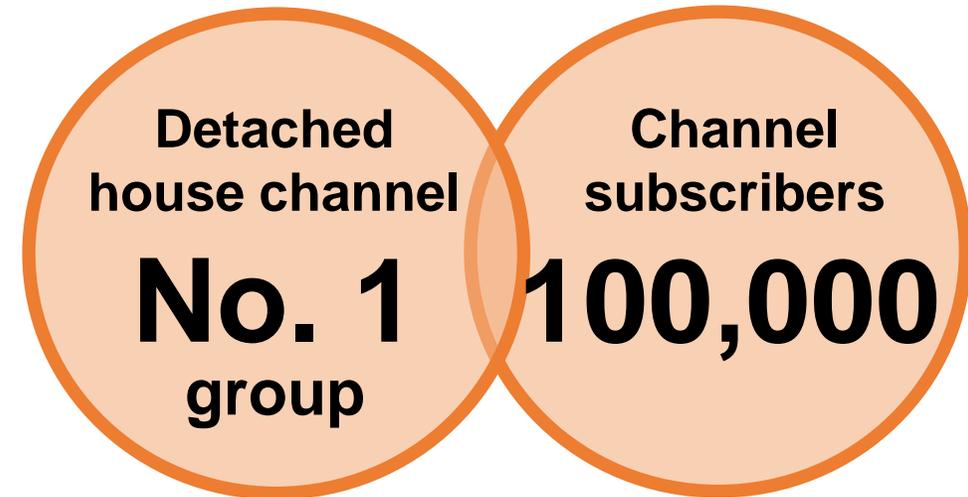
(Unit: 10,000 views)



(Unit: subscribers)



**FY ending June 2023
(planned)**



Expanding and enhancing portal sites for the detached house category

Searching for land for sale (e-toti.net)



Releasing versions for other areas in line with plans to open showrooms

Chiba

Kumamoto Fukuoka Saga Oita Kanagawa

Matching consumers with registered architects and builders (www.e-kenchikushi.net)



Releasing versions for other areas in line with plans to open showrooms

Fukuoka



Releasing sites in new categories:

2-3 sites/year

A succession of new sites planned for release, including:

- B2C detached house portal site
- Owned media

Growth strategy: Toward the establishment of a vertically integrated model to increase profitability

Increasing gross profit margins on detached houses to 35% by insourcing major construction work



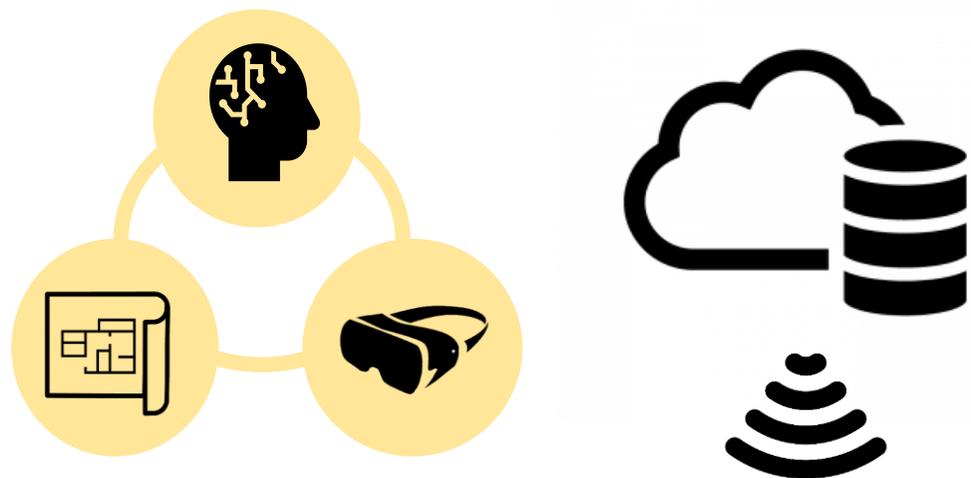
Progress so far:

Foundation work and water supply and drainage facilities successfully insourced (launched December 2020)

From this point, we will proceed to insource carpentry work, exterior wall work, and other tasks in succession.

Applying AI to support construction companies and builders nationwide

We're making steady progress on the joint development of a subscription service with Anshin Project Japan, a CAD developer.



April 2021: beta testing

June 2021: commercial release planned

FY ending June 2023 (planned)

Operating Profit
100
million yen

Forward-Looking Statement

This document contains “forward-looking statements” regarding the intent, belief or current expectations of us and our management with respect to our future financial condition and results of operations. In many cases, but not all, these statements contain words such as “forecast,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. Given the risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements.

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