

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2021 (Japanese GAAP)

August 12, 2021

Company name: DRAFT Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 5070
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Scheduled date to file quarterly securities report: August 12, 2021

Scheduled date to commence dividend payments: —

Availability of supplementary briefing materials on quarterly financial results: Yes

Schedule of briefing session on quarterly financial results: Yes

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

1. Consolidated financial results for the six months ended June 30, 2021 (January 1, 2021 to June 30, 2021)

(1) Consolidated operating results

(Percentage figures indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2021	3,551	—	458	—	460	—	282	—
September 30, 2020	2,702	—	207	—	184	—	121	—

(Note) Comprehensive Income: Six months ended June 30, 2021: ¥285 million (—%)

Six months ended September 30, 2020: ¥121 million (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2021	30.59	30.46
September 30, 2020	13.51	13.06

(Notes) 1. The Company changed its fiscal year-end from March 31 to December 31, beginning in the previous fiscal year.

As the first six months of the fiscal year under review (January 1, 2021 to June 30, 2021) and the first six months of the previous fiscal year (April 1, 2020 to September 30, 2020) represent different periods, figures for year-on-year changes are not provided herein.

2. On December 15, 2020, the Company conducted a 2-for-1 split of common stock. The basic earnings per share and diluted earnings per share are calculated assuming the stock split occurred at the beginning of the fiscal year ended December 31, 2020.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	4,666	2,196	47.0
December 31, 2020	3,690	1,947	52.8

(Reference) Shareholders' equity: As of June 30, 2021: ¥2,195 million

As of December 31, 2020: ¥1,947 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2020	—	0.00	—	4.00	4.00
Fiscal year ending December 31, 2021	—	0.00			
Fiscal year ending December 31, 2021 (forecast)			—	4.50	4.50

(Note) Changes in dividend forecast subsequent to most recent announcement: Yes

3. Consolidated financial results forecast for the fiscal year ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(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
Full year	8,300	—	700	—	680	—	440	—	47.56

(Notes) 1. Changes in financial results forecast subsequent to most recent announcement: No

2. Since the fiscal year ended December 31, 2020 was a transitional nine-month period, figures for year-on-year changes are not provided herein.

Notes

(1) Changes in major subsidiaries during the six months ended June 30, 2021 (changes in specified subsidiaries accompanying changes in scope of consolidation): No

Newly added: — subsidiaries (Company name) —

Excluded: — subsidiaries (Company name) —

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No

(3) 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

(4) Number of issued shares (common stock)

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

June 30, 2021: 9,251,800 shares

December 31, 2020: 9,251,000 shares

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

June 30, 2021: — shares

December 31, 2020: — shares

3) Average number of shares outstanding for the period

Six months ended June 30, 2021: 9,251,137 shares

Six months ended September 30, 2020: 8,958,262 shares

(Note) On December 15, 2020, the Company conducted a 2-for-1 split of common stock. The number of issued shares at the end of the period and the average number of shares outstanding for the period are calculated assuming the stock split occurred at the beginning of the fiscal year ended December 31, 2020.

* The quarterly consolidated financial results are not subject to quarterly review by a certified public accountant or auditing firm.

* Explanation regarding proper use of financial results 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. Qualitative information concerning the quarterly results, (3) Explanation of consolidated financial results forecast and other forward-looking information" on page 2 of the Attachment.

1. Qualitative information concerning the quarterly results

(1) Explanation of business results

In the first six months of the fiscal year ending December 31, 2021, the future outlook of the Japanese economy remained uncertain, as the gradual recovery from the impact of the COVID-19 pandemic seen during the period was also hampered by the two reinstatements of the state of emergency, among other factors.

Under such circumstances, the DRAFT Group ("the Group"), which has a track record of creating innovative space by leveraging its strengths in design and project proposal, managed to advance its operations by accurately grasping the changing needs of society. Changes in lifestyles brought about by the pandemic have further heightened the need for the type of design the Group proposes—space design that matches the lifestyles and work styles of the next generation. As a result, net sales in the six months ended June 30, 2021 totaled ¥3,551,117 thousand.

Since the previous fiscal year was a transitional nine-month period (April–December 2020), an accurate year-on-year comparison between the financial results of the previous fiscal year and the current period under review is not possible. For reference, the comparison of net sales in the six months ended June 31, 2021 with those of the January–June 2020 period indicates a 1.8% drop, while a simple comparison with the first six months of the fiscal year ended December 31, 2020 (April–September 2020) shows a 31.4% increase. Net sales were on par with the upwardly revised forecast for the current period under review of ¥3,550,000 thousand disclosed on May 12. The marginal decline against the January–June 2020 period mainly reflects a pandemic-related shift in the seasonality of net sales. Historically, the Group's net sales tended to be high in the July–September and January–March periods. In particular, quarterly net sales reached a record high in the January–March 2020 quarter, just before the full-scale outbreak of COVID-19. We attribute this result to the customary cycle of the Japanese fiscal calendar, which begins in April; business demand was high, largely due to companies opting to kick off their new fiscal year with an improved office environment. However, the spread of telework and other factors drove changes in lifestyles including the functions expected of office spaces, and since the expansion of the pandemic, the seasonal fluctuations in net sales have shown signs of flattening.

Looking at average monthly net sales as an indicator accounting for changes in the seasonality, average monthly net sales during the six months ended June 30, 2021 were ¥591,852 thousand, up 23.5% from the average of ¥479,329 thousand during the fiscal year ended December 31, 2020 (April–December 2020).

On the profit front, gross profit exceeded the Company's plan, mainly due to the booking of lucrative large projects in the high-margin planning and design operations. Meanwhile, SG&A expenses came in lower than plan, since branding initiatives (advertising expenses) were pushed back to the third quarter or later and operational expenditure including travel and transportation expenses fell due to the pandemic. As a result, operating profit was ¥458,648 thousand (+31.9% versus the January–June 2020 period), ordinary profit was ¥460,317 thousand (+53.5%), and profit attributable to owners of parent was ¥282,986 thousand (+58.0%).

Segment information is omitted since the Group operates in the single segment of Planning, Design, Design Development, and Design Build.

(2) Explanation of financial position

1. Status of assets, liabilities, and net assets

(Assets)

Total assets as of June 30, 2021 were up ¥976,321 thousand from December 31, 2020 to ¥4,666,904 thousand.

This change was primarily due to an increase of ¥635,544 thousand in accounts receivable–trade and a ¥306,976 thousand rise in goodwill accompanying the absorption-type merger with SATISONE Co., Ltd.

(Liabilities)

Liabilities as of June 30, 2021 were up ¥726,621 thousand from December 31, 2020 to ¥2,470,119 thousand. This change was primarily due to increases of ¥147,177 thousand in accounts payable–trade, ¥168,499 thousand in income taxes payable, and ¥450,000 thousand in short-term borrowings.

(Net assets)

Net assets as of June 30, 2021 were up ¥249,699 thousand from December 31, 2020 to ¥2,196,784 thousand. This change was primarily due to the recording of ¥282,986 thousand in profit attributable to owners of parent and the dividend payment of ¥37,004 thousand.

2. Status of cash flows

Cash and cash equivalents as of June 30, 2021 were ¥1,198,206 thousand, up ¥4,775 thousand from December 31, 2020.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥202,687 thousand. The primary sources of cash were ¥460,538 thousand in profit before income taxes, a ¥145,069 thousand increase in trade payables, and a ¥86,783 thousand increase in advances received, which were partially offset by a ¥629,958 thousand increase in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities was ¥438,636 thousand. Primary contributing factors were the outlays of ¥391,510 thousand from the absorption-type merger with SATISONE Co., Ltd. and ¥26,532 thousand from the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥240,509 thousand. The main source of cash was ¥450,000 thousand in proceeds from short-term borrowings, which was partially offset by ¥172,512 thousand in repayments of long-term borrowings.

(3) Explanation of consolidated financial results forecast and other forward-looking information

No changes have been made to the consolidated financial results forecast for the fiscal year ending December 31, 2021 since the "Notice concerning Revisions to the Financial Results Forecast (Upward Revision)" was released on May 12, 2021.