

October 27, 2022

Company name: DRAFT Inc.
(Code number: 5070, Growth market of the Tokyo Stock Exchange)

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Notice regarding Revision of Earnings Forecast

In light of recent earnings performance, DRAFT Inc. (the Company) has revised the consolidated earnings forecast for the fiscal year ending December 31, 2022 (January 1–December 31, 2022) announced on February 14, 2022, as follows.

1. Revision of consolidated earnings forecast

Full-year earnings forecast for the fiscal year ending December, 2022 (January 1–December 31, 2022)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	10,000	960	950	600	59.78
Revised forecast (B)	8,340	123	113	26	2.58
Difference (B–A)	(1,660)	(837)	(837)	(574)	
Change (%)	(16.6)	(87.1)	(88.1)	(95.6)	
(Ref.) Results for the fiscal year ended December 31, 2021	8,032	955	947	574	61.97

2. Reasons for the revision

The DRAFT Group forecasts net sales based on the build-up of project stock, trends in amount of average weekly inquiries, and the state of acquisition rate (percentage of the amount of projects that actually result in an order out of the total number of inquiries).

Against the backdrop of continued strong demand for interior and architectural design particularly for offices, the amount of average weekly inquiries at the DRAFT Group has trended largely in line with plan. However, we now expect the acquisition rate to remain in the 60% range, falling short of our initial

projection of 70%. Furthermore, in addition to the fact that projects won in the third quarter onward are mostly for the next fiscal year and beyond, there have been some projects whose sales booking was postponed from the original schedule of this fiscal year to the next. Due to these factors, we have downwardly revised the net sales forecast as it became clear that the initial forecast will not be reached even with the addition of project sales slated for booking in the fourth quarter.

As of October 25, 2022, the project stock earmarked for sales booking in the fiscal year ending December 2023, including newly won projects and projects for which sales booking have been postponed, amounted to roughly ¥4,200 million. This represents an increase of 8% year on year. Please note that in light of the acquisition rate decline, we sought to calculate the project stock with even higher certainty, determining the probability of reaching actual orders with thorough scrutiny when adding projects to the project stock.

Inquiries have been favorable as mentioned above, and we do not anticipate any problems that hinder progress in securing project stock for the beginning of the next fiscal year.

In addition to the lower-than-expected forecast for net sales, we expect the gross profit margin to slightly fall overall. With regard to the plan for relocation and consolidation of our offices in Tokyo announced in the second quarter financial results summary and other reports, it has become more likely that the relocation and consolidation will be completed during the current fiscal year. The DRAFT Group's office is not merely a space for work. It also serves as a showroom where clients can experience new designs; it is a place to showcase our brand. For this reason, we plan to make a certain amount of investment into creating our office, and expect to record about ¥130 million in SG&A expenses and ¥70 million in extraordinary losses from expenses such as double rent, transportation costs, and disposal costs, which were previously not factored into the earnings forecast. As a result, operating profit and each of the other profit items below have also been revised downward.

We do not plan to revise our year-end dividends.

(Note) Earnings estimates provided above are based on information currently available to the Company and certain assumptions the Company deems reasonable. Hence, actual results may differ from these estimates due to changes in business conditions.