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## Consolidated Financial Results for the Six-month Period of the Fiscal Year Ending February 28, 2021 [Japanese GAAP]

October 15, 2020



Company name Rozetta Corp.

Listing Market TSE

Stock Code 6182 URL <https://www.rozetta.jp>

Representative: Junichi Goishi, Representative Director and CEO

Contact: Masayuki Mori, Executive Officer, General Manager of Group Administration Division TEL 03-5215-5678

Scheduled date of filing of quarterly report: October 15, 2020  
Scheduled date of commencement of dividend payment —

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results briefing: Yes

(Figures are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Six Months Ended August 31, 2020

(March 1, 2020 to August 31, 2020)

#### (1) Consolidated Results of Operation (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q2 FY2/21	1,997	3.2	222	(28.1)	176	(43.2)	123	(27.1)
Q2 FY2/20	1,935	49.8	309	274.9	310	269.8	168	176.1

(Note)

Comprehensive income Q2 FY2/21 123 Millions of yen ((30.3)% Q2 FY2/20 176 Millions of yen (188.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Q2 FY2/21	11.84	11.54
Q2 FY2/20	16.38	15.89

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Q2 FY2/21	5,084	2,728	52.8
FY2/20	3,753	1,504	40.1

(Reference) Shareholders' equity Q2 FY2/21 2,686 Millions of yen FY2/20 1,503 Millions of yen

### 2. Dividend payment

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/20	—	0.00	—	0.00	0.00
FY2/21	—	0.00	—	—	—
FY2/21 (Forecast)	—	—	—	0.00	0.00

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

3. Consolidated Business Forecasts for the Fiscal Year Ending February 28, 2021 (March 1, 2020 to February 28, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income	
	Millions of yen	%	百万円	%
Full year	3,910	0.0	450	0.4

(Note) Revisions to the most recently announced financial forecast: Yes

In the past, we have decided not to disclose the forecast as a fixed value until sales growth of the MT business settles down (roughly 1.5 times that of the previous year). As of October 15, 2020, the MT business increased by 1.46 times compared to the previous year, falling below 1.5 times. As a result, we disclose the business forecast at a level slightly above the record high for both net sales and operating income. This business forecast is based on the assumption that the economic environment is on the basis of an extension of the current situation, as it is impossible to predict a full-fledged recovery period related to the COVID-19 pandemic and the downturn in purchasing activities of client companies, which are deeply related to the overseas economies, which are incidental to the COVID-19 pandemic. In addition, we will shift our management focus from the MT business to the GU (Global Ubiquitous) business.

After the launch of the Travel DX business, if the business reaches PMF (Product Market Fit: a state in which the products/services provided are accepted by the market as the best means of resolving the problems of target users), and if it is determined that there is a time for competition, we will concentrate investment in upfront investments, and therefore we reserve the possibility that profits will be reduced by the amount of increased expenses. In such cases, we will promptly provide concrete indicators that suggest the achievement of PMF in the business.

The impact of COVID-19 pandemic on our business results is as follows.

As for the MT business, orders from existing customers were generally firm, but as disclosed in the "Notice Regarding the Orders Received in the Machine Translation Business in July" on August 21, 2020, orders from new customers were below the expectations during the second quarter of the current fiscal year due to economic factors such as the slowdown of corporate activities due to the COVID-19 pandemic. Although there are signs of a resumption of economic activities recently, it is impossible to expect a full-fledged recovery in corporate purchasing activities. However, the increase in the number of business negotiations due to the resumption of exhibitions from September onward and the effects of the expansion of the customer base due to the newly released services such as T-3MT and RozettaMetamsource are expected to gradually emerge from November onward, and orders received from the fourth quarter onward are expected to recover moderately.

In the HT business, which undertakes manual tasks, sales and profits continued to decrease year on year, although there is a conspicuous trend of recovery from the bottom of August due to the resumption of economic activities and the penetration of web-based training in the mainstay translation business and language training. A full-fledged recovery is expected to take time. The interpretation business, which conducts on a face-to-face and group basis, is greatly affected by restrictions on entry into Japan, restrictions on travel overseas, and requests for voluntary restraint on overseas travel. As a result, the timing of the recovery is uncertain.

The business forecasts are based on the results and circumstances that were actually affected by the COVID-19 pandemic up to October 15, 2020. We do not make any predictions about the future medical, political, or economic outlook for the COVID-19 pandemic.

\*Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly consolidated: Event DX Corporation

Excluded: -

(Note) For details, please refer to "2.Quarterly Consolidated Financial Statements, (4) Notes on Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period)" on page 7 of the Appendix.

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements: Yes

(Note) For details, please refer to "2.Quarterly Consolidated Financial Statements, (4) Notes on Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)" on page 7 of the Appendix.

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

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares outstanding (common stock)

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

2) Treasury shares at the end of the year

3) Average number of shares outstanding

Q2 FY2/21	10,657,660	shares	FY2/20	10,330,260	shares
Q2 FY2/21	422	shares	FY2/20	422	shares
Q2 FY2/21	10,389,869	shares	Q2 FY2/20	10,296,789	shares

during the period (cumulative)

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\*This quarterly financial report is not subject to the quarterly review by a certified public accountant or an auditing firm.

\*Explanations and other special notes concerning the appropriate use of business forecasts

(Cautionary Statement with Respect to Forward-Looking Statements)

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors. Please refer to "1. Qualitative Information on Consolidated Financial Results (4) Consolidated Business Forecasts" on page 3 of the Appendix for the assumptions underlying the forecasts and cautions concerning the use thereof.

(Method of Obtaining Financial Results Briefing Materials)

Supplementary materials for financial results were disclosed on the TDnet on the same date.

○ Table of Contents of the Appendix

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Results of Operations .....	2
(2) Consolidated Financial Position .....	2
(3) Cash flows .....	3
(4) Consolidated Business Forecasts .....	3
2. Quarterly Consolidated Financial Statements and Major Notes .....	4
(1) Quarterly Consolidated Balance Sheets .....	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income .....	5
Quarterly Consolidated Statements of Income	
For the Six-month Period .....	5
Quarterly Consolidated Statements of Comprehensive Income	
For the Six-month Period .....	5
(3) Quarterly Consolidated Statements of Cash Flows .....	6
(4) Notes on Quarterly Consolidated Financial Statements .....	7
(Notes on Going Concern Assumptions) .....	7
(Notes on Significant Changes in Shareholders' Equity) .....	7
(Changes in Significant Subsidiaries during the Period) .....	7
(Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements) .....	7
(Segment Information) .....	8
(Per share Information) .....	9
(Significant Subsequent Events) .....	10

## 1. Qualitative Information on Quarterly Financial Results

### (1) Results of Operations

During the second quarter of the current fiscal year (March 1, 2020 to August 31, 2020), the MT business continued to perform strongly.

As a result, our group posted net sales of 1,997,838 thousand yen (up 3.2% year on year), operating income of 222,789 thousand yen (down 28.1% year on year), ordinary income of 176,735 thousand yen (down 43.2% year on year), and profit attributable to owners of parent of 123,011 thousand yen (down 27.1% year on year) for the cumulative second quarter of the current fiscal year.

The performance of each business segment is as follows:

#### 1) MT business

As for the MT business, sales were 1,416,799 thousand yen (up 46.1% year on year), and segment income was 190,956 thousand yen (up 42.4% year on year).

#### 2) HT business

As for the HT business, sales were 448,524 thousand yen (down 39.4% year on year), and segment income was 81,069 thousand yen (down 55.8% year on year).

#### 3) Crowdsourcing business

As for the Crowdsourcing business, sales were 132,515 thousand yen (down 41.3% year on year), and segment loss was 5,998 thousand yen (segment income of 22,514 thousand yen in the previous fiscal year).

### (2) Financial Position

#### (Assets)

Current assets increased by 1,106,132 thousand yen from the end of the previous fiscal year to 2,751,083 thousand yen at the end of the second quarter of the current fiscal year. This was mainly due to an increase of 1,311,917 thousand yen in cash and deposits and a decrease of 115,584 thousand yen in notes and accounts receivable-trade. Non-current assets increased by 224,188 thousand yen from the end of the previous fiscal year to 2,333,143 thousand yen. This was mainly due to a decrease of 62,577 thousand yen in property, plant and equipment and an increase of 297,007 thousand yen in intangible assets.

#### (Liabilities)

Current liabilities increased by 196,608 thousand yen from the end of the previous fiscal year to 2,014,358 thousand yen at the end of the second quarter of the current fiscal year. This was mainly due to an increase of 171,280 thousand yen in advances received and an increase of 120,000 thousand yen in short-term borrowings. Non-current liabilities decreased by 90,337 thousand yen from the end of the previous fiscal year to 341,745 thousand yen. This was mainly due to the repayment of long-term debt.

#### (Net assets)

Net assets increased by 1,224,049 thousand yen from the end of the previous fiscal year to 2,728,122 thousand yen at the end of the second quarter of the current fiscal year. This was mainly due to an increase of 529,945 thousand yen in common stock and capital surplus, and an increase of 123,011 thousand yen in retained earnings, respectively, resulting from the issuance of new shares through a third-party allotment, the issuance of share subscription rights, etc.

### (3) Cash flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year increased by 1,324,958 thousand yen from the end of the previous fiscal year to 2,314,086 thousand yen. The status of each type of cash flow during the second quarter of the current fiscal year and the factors thereof are as follows.

#### (Cash Flows from Operating Activities)

Net cash provided by operating activities was 792,455 thousand yen (compared to 517,158 thousand yen provided in the previous fiscal year). This was mainly attributable to income before income taxes of 176,734 thousand yen, depreciation and amortization of 277,498 thousand yen, an increase in advances received of 171,280 thousand yen, and a decrease in notes and accounts receivable-trade of 115,584 thousand yen.

#### (Cash Flows from Investing Activities)

Net cash used in investing activities was 516,285 thousand yen (compared to 366,551 thousand yen used in the previous fiscal year). This was mainly attributable to purchase of intangible assets of 502,719 thousand yen.

#### (Cash Flows from Financing Activities)

Net cash provided by financing activities was 1,048,501 thousand yen (compared to 113,482 thousand yen used in the previous fiscal year). This was mainly due to proceeds from issuance of shares of 1,021,383 thousand yen.

### (4) Consolidated Business Forecasts

The business forecasts are as follows.

In the past, we have decided not to disclose the forecast as a fixed value until sales growth of the MT business settles down (roughly 1.5 times that of the previous year). As of October 15, 2020, the MT business increased by 1.46 times compared to the previous year, falling below 1.5 times. As a result, we disclose the business forecast at a level slightly above the record high for both net sales and operating income. This business forecast is based on the assumption that the economic environment is on the basis of an extension of the current situation, as it is impossible to predict a full-fledged recovery period related to the COVID-19 pandemic and the downturn in purchasing activities of client companies, which are deeply related to the overseas economies, which are incidental to the COVID-19 pandemic. In addition, we will shift the focus of our management from the MT business to the GU (Global Ubiquitous) business.

#### **■ Consolidated Business Forecasts for the Fiscal Year Ending February 28, 2021: Net sales of 3,910 million yen and operating income of 450 million yen**

After the launch of the Travel DX business, if the business reaches PMF (Product Market Fit: a state in which the products/services provided are accepted by the market as the best means of resolving the problems of target users), and if it is determined that there is a time for competition, we will concentrate investment in upfront investments, and therefore we reserve the possibility that profits will be reduced by the amount of increased expenses. In such cases, we will promptly provide concrete indicators that suggest the achievement of PMF in the business.

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The business forecasts are based on the results and circumstances that were actually affected by the COVID-19 pandemic up to October 15, 2020. We do not make any predictions about the future medical, political, or economic outlook for the COVID-19 pandemic.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (February 29, 2020)	Current second quarter (August 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	991,056	2,302,974
Notes and accounts receivable	427,847	312,263
Inventories	29,045	31,988
Other	210,151	111,512
Allowance for doubtful accounts	(13,151)	(7,656)
Total current assets	1,644,950	2,751,083
Non-current assets		
Property, plant and equipment		
Tools, furniture and fixtures, net	514,666	434,674
Other, net	40,939	58,353
Total property, plant and equipment	555,605	493,028
Intangible assets		
Goodwill	74,992	63,612
Software	738,697	1,120,636
Software in progress	574,926	487,871
Other	446	13,949
Total intangible assets	1,389,062	1,686,069
Investments and other assets	164,287	154,045
Total non-current assets	2,108,955	2,333,143
Total assets	3,753,905	5,084,226
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	88,469	51,511
Short-term borrowings	280,000	400,000
Current portion of long-term loans payable	237,655	234,428
Income taxes payable	34,457	58,802
Provision for bonuses	50,652	54,944
Advances received	696,169	867,449
Other	430,347	347,222
Total current liabilities	1,817,750	2,014,358
Non-current liabilities		
Long-term debt	432,083	303,652
Other	—	38,093
Total non-current liabilities	432,083	341,745
Total liabilities	2,249,833	2,356,104
<b>Net assets</b>		
Shareholders' equity		
Common stock	253,565	783,511
Capital surplus	1,232,754	1,762,699
Retained earnings	18,525	141,537
Treasury stock	(861)	(861)
Total shareholders' equity	1,503,983	2,686,886
Share subscription rights	89	41,235
Total net assets	1,504,072	2,728,122
Total liabilities and net assets	3,753,905	5,084,226

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

	(Thousands of yen)	
	Previous second quarter (From March 1, 2019 To August 31, 2019)	Current second quarter (From March 1, 2020 to August 31, 2020)
Net sales	1,935,744	1,997,838
Cost of sales	665,348	648,482
Gross profit	1,270,395	1,349,356
Selling, general and administrative expenses		
Salaries, allowances and bonuses	314,439	408,453
Provision for bonuses	14,288	2,418
Other	631,889	715,694
Total selling, general and administrative expenses	960,617	1,126,566
Operating income	309,778	222,789
Non-operating income		
Interest income	150	19
Dividends income	10	8
Subsidy income	1,425	2,907
Difference in consumption tax	—	1,429
Other	552	1,502
Total non-operating income	2,138	5,867
Non-operating expenses		
Interest expenses	863	1,820
Stock issuance expenses	—	38,116
Foreign exchange loss	133	156
Other	—	11,828
Total non-operating expenses	997	51,922
Ordinary income	310,918	176,735
Special income		
Gain on reversal of share subscription rights	369	—
Total special income	369	—
Special loss		
Loss on retirement of non-current assets	38,079	0
Total special loss	38,079	0
Income before income taxes	273,208	176,734
Income taxes	96,752	53,723
Net income	176,456	123,011
Net income attributable to non-controlling interests	7,746	—
Net income attributable to owners of parent	168,710	123,011

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

	(Thousands of yen)	
	Previous second quarter (From March 1, 2019 To August 31, 2019)	Current second quarter (From March 1, 2020 to August 31, 2020)
Net income	176,456	123,011
Comprehensive income	176,456	123,011
Comprehensive income (loss) attributable to:		
Owners of parent	168,710	123,011
Non-controlling interests	7,746	—



(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous second quarter (From March 1, 2019 To August 31, 2019)	Current second quarter (From March 1, 2020 to August 31, 2020)
<b>Cash flows from operating activities</b>		
Income before income taxes	273,208	176,734
Depreciation	180,206	277,498
Amortization of goodwill	10,631	11,380
Increase (decrease) in allowance for doubtful accounts	(799)	(6,378)
Increase (decrease) in accrued bonuses	6,018	4,292
Interest and dividend income	(160)	(28)
Loss on retirement of non-current assets	38,079	0
Gain on reversal of share subscription rights	(369)	—
Interest expenses	863	1,820
Stock issuance expenses	—	38,116
Increase (decrease) in advances received	248,200	171,280
(Increase) decrease in notes and accounts receivable-trade	(52,683)	115,584
(Increase) decrease in inventories	18,561	(2,943)
Increase (decrease) in trade payables	(42,714)	(36,957)
Other	(50,201)	(18,439)
<b>Sub-total</b>	<b>628,841</b>	<b>731,959</b>
Interest and dividends received	160	28
Interest paid	(863)	(1,820)
Income taxes paid	(110,995)	(34,427)
Income taxes refund	16	96,714
<b>Cash flows from operating activities</b>	<b>517,158</b>	<b>792,455</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(125,223)	(25,972)
Payments for intangible assets	(239,739)	(502,719)
Payment for loans receivable	(3,300)	(650)
Proceeds from loans receivable	1,193	731
Payments into time deposits	(600)	—
Proceeds from withdrawal of time deposits	—	12,910
Payments for lease and guarantee deposits	—	(585)
Collection of lease and guarantee deposits	1,118	—
<b>Cash flows from investing activities</b>	<b>(366,551)</b>	<b>(516,285)</b>
<b>Cash flows from financing activities</b>		
(Decrease) increase in short-term borrowings	—	120,000
Repayment of long-term debt	(115,470)	(131,666)
Proceeds from issuance of common stock	—	1,021,383
Proceeds from issuance of common stock upon exercise of share subscription rights	2,151	391
Proceeds from issuance of share subscription rights	—	39,156
Repayment of lease obligations	—	(764)
Purchase of treasury stock	(164)	—
<b>Cash flows from financing activities</b>	<b>(113,482)</b>	<b>1,048,501</b>
Effect of exchange rate change on cash and cash equivalents	372	286
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>37,496</b>	<b>1,324,958</b>
Cash and cash equivalents at beginning of the year	851,811	989,128
<b>Cash and cash equivalents at end of the quarter</b>	<b>889,308</b>	<b>2,314,086</b>

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

We received the payment in a third-party allotment from CVI Investments, Inc. on July 30, 2020. As a result, common stock and capital surplus increased by 529,750 thousand yen respectively during the second quarter of the current fiscal year to 783,511 thousand yen and 1,762,699 thousand yen at the end of the second quarter of the current fiscal year.

(Changes in Significant Subsidiaries during the Period)

Event DX Corporation has been included in the scope of consolidation due to its establishment from the second quarter of the current fiscal year.

(Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements)

Tax expenses are calculated by multiplying income before income taxes by a reasonable estimate of the effective tax rate after the application of tax effect accounting to income before income taxes for the fiscal year including the second quarter of the current fiscal year.

(Segment Information)

[Segment Information]

I. Previous second quarter (From March 1, 2019 To August 31, 2019)

1. Information on net sales and income (loss) by reportable segment

(Thousands of yen)

	Reportable Segments				Adjustment (Note 1)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	Crowdsourcing business	Total		
Net sales						
Net sales to unaffiliated customers	969,790	740,358	225,595	1,935,744	—	1,935,744
Intersegment sales or transfer	40,530	4,181	84,126	128,838	(128,838)	—
Total	1,010,321	744,539	309,721	2,064,583	(128,838)	1,935,744
Segment income	134,102	183,247	22,514	339,864	(30,086)	309,778

(Note)

1. Adjustments to segment income (30,086) thousand yen include elimination of intersegment transactions and corporate expenses. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company that are not attributable to reportable segments.

2. Segment income is adjusted with operating income in the quarterly consolidated statements of income.

II. Current second quarter (From March 1, 2020 to August 31, 2020)

1. Information on net sales and income (loss) by reportable segment

(Thousands of yen)

	Reportable Segments				Adjustment (Note 1)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	Crowdsourcing business	MT business		
Net sales						
Net sales to unaffiliated customers	1,416,799	448,524	132,515	1,997,838	—	1,997,838
Intersegment sales or transfer	18,227	2,106	20,968	41,302	(41,302)	—
Total	1,435,026	450,631	153,483	2,039,141	(41,302)	1,997,838
Segment income (loss)	190,956	81,069	(5,998)	266,027	(43,238)	222,789

(Note)

1. Adjustments to segment income (loss) of (43,238) thousand yen include elimination of intersegment transactions and corporate expenses. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company that are not attributable to reportable segments.

2. Segment income (loss) is adjusted with operating income in the quarterly consolidated statements of income.

(Per share Information)

The basis for calculating net income per share and diluted net income per share is as follows.

	Previous second quarter (From March 1, 2019 To August 31, 2019)	Current second quarter (From March 1, 2020 to August 31, 2020)
(1) Net income per share	16.38 yen	11.84 yen
(Basis of calculation)		
Net income attributable to owners of parent (thousands of yen)	168,710	123,011
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to owners of parent related to common stock (thousands of yen)	168,710	123,011
Average number of shares of common stock outstanding during the period (shares)	10,296,789	10,389,869
(2) Diluted net income per share	15.89 yen	11.54 yen
(Basis of calculation)		
Adjustment to net income attributable to owners of parent (thousands of yen)	—	—
Increase in number of common shares (shares)	321,991	269,907
Outline of potential shares that had not been included in the calculation of diluted net income per share because they had no dilutive effect, and that had changed significantly since the end of the previous fiscal year	—	14th share subscription rights by resolution of the Board of Directors held on July 14, 2020 Number of share subscription rights: 12,188 rights (1,218,800 shares of common stock)

(Significant Subsequent Events)

(Establishment of Subsidiary)

In accordance with the resolution of the Board of Directors meeting held on September 2, 2020, we established a subsidiary to develop and sell virtual overseas travel (patent pending) using cutting-edge technology on September 16, 2020 as follows.

(1) Reason for Establishment of Subsidiary

We have set "Global Ubiquitous" as our corporate mission. We will establish a subsidiary separate from our conventional organization to effectively utilize "AI, AR, VR, video distribution solutions, and wearable devices" to realize the same experience as real overseas travel.

Global Ubiquitous refers to the integration of cutting-edge technologies such as AI, AR (Augmented Reality), VR (Virtual Reality), 5G/6G/G7 (High-speed, Multiple Connexions), 4K/8K/12K (Super-Resolution), video distribution solutions, robotics, and HA (Human Augmentation) to enable people around the world to interact, work, and enjoy their lives "with anyone anytime, anywhere without linguistic barriers."

(2) Overview of Subsidiaries

- 1) Company name: Travel DX Corporation
- 2) Head Office Location: 6-8-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo
- 3) Representative: Junichi Goishi, Representative Director and CEO
- 4) Description of business: Development and sales of virtual overseas travel (patent pending)
- 5) Common stock: 200,000 thousand yen
- 6) Date of establishment: September 16, 2020
- 7) Fiscal year-end: End of February
- 8) Shareholding ratio: Rozetta Corp. 100%

(Capital and Business Alliance)

At the meeting of the Board of Directors held on August 25, 2020, we resolved to enter into a capital and business alliance with donut robotics Co., Ltd., and concluded a capital and business alliance agreement on September 23, 2020.

(1) Purpose of the capital and business alliance

We have decided to enter into a capital and business alliance to share the dreams of solving global social problems and change the world between Rozetta, which aims to realize "Global Ubiquitous," which enables people around the world to interact freely with anyone anytime, anywhere without language barriers, and donut robotics, which has the goal of changing the world by developing "a robot with digital intelligence and a realistic body."

(2) Details of the capital and business alliance

1) Details of the business alliance

Scope of the alliance is not limited to a specific product or service, and we will cooperate over the broad range of our future activities.

2) Details of the capital alliance

We acquired common stock to be issued through a third-party allocation on September 25, 2020 for 300,000 thousand yen. The amount per share and the shareholding ratio after the acquisition will not be disclosed in light of the intention of the counterparty. The amount per share has been determined after discussion taking into consideration the business plan, etc. The shareholding ratio after the acquisition is about the extent that it does not fall under the category of an associate.

(3) Overview of the counterparty to the capital and business alliance

- 1) Company name: donut robotics Co., Ltd.
- 2) Location: 2-6-7, Minami-Aoyama, Minato-ku, Tokyo
- 3) Representative: Taisuke Ono, CEO
- 4) Business description: Development and sales of robots and smart masks
- 5) Common stock: 85,100 thousand yen
- 6) Date of establishment: January 4, 2016

In addition, at the meeting of the Board of Directors held on September 3, 2020, we resolved to enter into a capital and business alliance with p2p Co., Ltd., and concluded a capital and business alliance agreement on October 9, 2020.

(1) Purpose of the capital and business alliance

As mentioned earlier, we have set the goal of achieving "Global Ubiquitous" as our corporate mission. Among these, we decided to enter into a capital and business alliance with p2p Co., Ltd., which specializes in speech and video distribution solutions (WebRTC, SIP, PBX, etc.), for the purpose of system development.

(2) Details of the capital and business alliance

1) Details of the business alliance

We will enter into a capital and business alliance to develop systems for achieving Global Ubiquitous.

2) Details of the capital alliance

We acquired common stock to be issued through a third-party allocation on October 12, 2020 for 200,000 thousand yen. The amount per share will not be disclosed in light of the intention of the counterparty. The amount per share has been determined after discussion taking into consideration the business plan, etc. In addition, the shareholding ratio after the acquisition of the shares is 20.0%, which makes p2p Co., Ltd. an entity accounted for using equity method.

(3) Overview of the counterparty to the capital and business alliance

1) Company name: p2p Co., Ltd.

2) Location: 3-6-8, Higashi, Shibuya-ku, Tokyo

3) Representative: Akinori Nakajima, CEO

4) Business description: Development of online systems such as speech and video distribution solutions

5) Common stock: 9,900 thousand yen

6) Date of establishment: July 11, 2019

In addition, we resolved to enter into a capital and business alliance with Synamon Inc. at the meeting of the Board of Directors held on October 9, 2020, and concluded a capital and business alliance agreement on the same date.

(1) Purpose of the capital and business alliance

Rozetta started to transfer its headquarters functions to the VR in October 2020. At the same time, we established MATRIX Corporation, a joint venture with p2p Co., Ltd. to independently develop a VR office that is free of borders, languages, and documents.

On the other hand, Synamon Inc. provides the virtual business platform "NEUTRANS BIZ," which is a pioneer in Japan's VR space with multi-person connectivity and rich standard functions. We have decided to enter into a capital and business alliance to develop a global ubiquitous office that is free of borders, languages, and documents based on its VR technology.

(2) Details of the capital and business alliance

1) Details of the business alliance

We will enter into a capital and business alliance to develop "VR offices" that are free of borders, languages, and documents, and to apply VR technology.

2) Details of the capital alliance

The acquisition price will not be disclosed based on the intention of the counterparty. The acquisition price has been determined after discussion taking into consideration the business plan, etc.

The shareholding ratio after the acquisition is planned to be about the extent that it does not fall under the category of a major shareholder.

(3) Overview of the counterparty to the capital and business alliance

1) Company name: Synamon Inc.

2) Location: 7-22-17, Nishi-Gotanda, Shinagawa-ku, Tokyo

3) Representative: Wataru Takehi, CEO

4) Business description: Planning and development of VR, AR, and MR products, and research and development of XR technology

5) Common stock: 140,500 thousand yen

6) Date of establishment: August 8, 2016

(Establishment of Joint Venture Company)

At the meeting of the Board of Directors held on September 28, 2020, we resolved to enter into a contract with p2p Co., Ltd. concerning the establishment of a joint venture to develop and provide VR-related products and solutions, and established the joint venture on September 30, 2020.

(1) Reason for Establishment of Joint Venture Company

We have set "Global Ubiquitous" as our corporate mission. To conduct the "VR (virtual space) office that is free of borders, languages, and documents" business, we will establish a joint venture separate from our conventional organization.

(2) Overview of the JV

1) Company name: MATRIX Corporation

2) Head Office Location: 6-8-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo

3) Representative: Junichi Goishi, Representative Director and CEO

4) Business description: Development and provision of VR-related products and solutions

5) Common stock: 100,000 thousand yen

6) Date of establishment: September 30, 2020

7) Fiscal year-end: End of February

8) Shareholding ratio: Rozetta Corp. 50%  
p2p Co., Ltd. 50%