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Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 28, 2021 [Japanese GAAP]

January 14, 2021

Company name  Rozetta Corp. Listing Market TSE

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

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Scheduled date of filing of quarterly report: January 14, 2021 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 Third Quarter of the Fiscal Year Ending February 28, 2021

(March 1, 2020 to November 30, 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 | % |
| Q3 FY2/21 | 3,019 | 2.9 | 294 | (27.3) | 263 | (34.7) | 161 | (31.5) |
| Q3 FY2/20 | 2,933 | 42.5 | 405 | 125.9 | 403 | 124.8 | 236 | 83.3 |

(Note)

Comprehensive income Q3 FY2/21 161 Millions of yen ((31.1)%) Q3 FY2/20 234 Millions of yen (81.6%)

| | Net income per share | Diluted net income per share |
|-----------|----------------------|------------------------------|
| | Yen | Yen |
| Q3 FY2/21 | 15.45 | 15.07 |
| Q3 FY2/20 | 22.95 | 22.28 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity ratio |
|-----------|-----------------|-----------------|----------------------------|
| | Millions of yen | Millions of yen | % |
| Q3 FY2/21 | 6,014 | 2,815 | 45.3 |
| FY2/20 | 3,753 | 1,504 | 40.1 |

(Reference)

Shareholders' equity Q3 FY2/21 2,724 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 | % | Millions of yen | % |
| Full year | 3,910 | 0.0 | 450 | 0.4 |

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

This business forecast is based on the assumption that the economic environment is on an extension of the current situation, as it is impossible to predict the full-fledged recovery period for the decline in business performance and the stagnation in purchasing activities of client companies that are closely related to overseas due to COVID-19 pandemic and its secondary phenomenon.

However, after the commencement of the Travel DX business, if the business reaches PMF (product market fit: the situation where the product/service provided is accepted by the market as the optimal means of solving the problems of the target users), and if it is determined that the time of the game is over, we will concentrate our upfront investment, and therefore we reserve the possibility that profits will be reduced only 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 during the third quarter and December, the number of orders from new customers had been recovering moderately, but the number of orders received per project was low due to their tight budgets and receiving large-scale orders continued to be difficult.

Accordingly, we have worked to further promote the use of our services to existing customers, who have already experienced the effectiveness of our services, and have implemented measures to expand orders from existing customers.

As a result, the MT business as a whole recovered to the level of orders received of 277 million yen and 296 million yen in November and December.

However, it is impossible to predict the impact on economic activities, including the slowdown of decision-making process at each company, due to the government's declaration of a state of emergency that was reinstated on January 7, 2021, and the impact on the fourth quarter, including January 2021 and February 2021, is uncertain.

The HT business, which undertakes manual tasks, has recovered since bottoming out in August due to the establishment of economic activities under COVID-19 pandemic and online language training. However, the recovery has leveled off since November, and a full-fledged recovery is expected to take time. The interpretation business conducted on a face-to-face and group basis is significantly affected by restrictions on entry and travel to overseas, and the timing of the recovery remains uncertain.

The forecasts here are based on actual results and conditions actually affected by COVID-19 pandemic as of January 14, 2021, and do not incorporate any predictions, such as when the medical, political, or economic problems caused by COVID-19 pandemic will subside.

*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, Travel DX Corporation, and MATRIX Corporation

Excluded: -

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements, (3) Notes on Quarterly Consolidated Financial Statements (Changes in Scope of Consolidation or Scope of Equity Method Application)" on page 6 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, (3) Notes on Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)" on page 6 of the Appendix.

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

1) Changes in accounting policies due to revision 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

| | | | |
|-----------|-------------------|-----------|-------------------|
| Q3 FY2/21 | 10,657,660 shares | FY2/20 | 10,330,260 shares |
| Q3 FY2/21 | 422 shares | FY2/20 | 422 shares |
| Q3 FY2/21 | 10,478,344 shares | Q3 FY2/20 | 10,302,137 shares |

during the period (cumulative)

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

*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 (3) 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

During the third quarter of the current fiscal year (March 1, 2020 to November 30, 2020), the MT business continued to perform strongly.

As a result, our group posted net sales of 3,019,351 thousand yen (up 2.9% year on year), operating income of 294,858 thousand yen (down 27.3% year on year), ordinary income of 263,443 thousand yen (down 34.7% year on year), and profit attributable to owners of parent of 161,893 thousand yen (down 31.5% year on year) for the cumulative third quarter of the current fiscal year.

The reportable segment "GU business" has been added to the third 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 2,122,991 thousand yen (up 39.1% year on year), and segment income was 260,025 thousand yen (up 40.0% year on year).

2) HT business

As for the HT business, sales were 678,621 thousand yen (down 38.4% year on year), and segment income was 121,682 thousand yen (down 53.9% year on year).

3) Crowdsourcing business

As for the Crowdsourcing business, sales were 217,737 thousand yen (down 28.7% year on year), and segment income was 1,524 thousand yen (segment loss of 6,511 thousand yen in the previous fiscal year).

4) GU business

As for the GU business, segment loss was 28,124 thousand yen.

(2) Financial Position

(Assets)

Current assets increased by 1,255,112 thousand yen from the end of the previous fiscal year to 2,900,062 thousand yen at the end of the third quarter of the current fiscal year. This was mainly due to an increase of 1,184,788 thousand yen in cash and deposits and an increase of 43,471 thousand yen in notes and accounts receivable-trade. Non-current assets increased by 1,005,029 thousand yen from the end of the previous fiscal year to 3,113,984 thousand yen. This was mainly due to an increase of 598,639 thousand yen in property, plant and equipment, an increase of 469,049 thousand yen in intangible assets, and an increase of 598,639 thousand yen in investments and other assets.

(Liabilities)

Current liabilities increased by 231,794 thousand yen from the end of the previous fiscal year to 2,049,544 thousand yen at the end of the third quarter of the current fiscal year. This was mainly due to an increase of 191,992 thousand yen in current portion of long-term loans payable and an increase of 121,983 thousand yen in advances received. Non-current liabilities increased by 717,011 thousand yen from the end of the previous fiscal year to 1,149,094 thousand yen. This was mainly due to an increase in long-term debt.

(Net assets)

Net assets increased by 1,311,336 thousand yen from the end of the previous fiscal year to 2,815,408 thousand yen at the end of the third quarter of the current fiscal year. This was mainly due to an increase of 529,945 thousand yen in common stock and capital surplus due to the issuance of new shares through a third-party allotment, the issuance of share subscription rights, etc., while there was a decrease of 1,000 thousand yen in capital surplus due to the acquisition of additional shares of subsidiaries, and an increase of 161,893 thousand yen in retained earnings.

(3) Consolidated Business Forecasts

The business forecasts are as follows.

This business forecast is based on the assumption that the economic environment is on an extension of the current situation, as it is impossible to predict the full-fledged recovery period for the decline in business performance and the stagnation in purchasing activities of client companies that are closely related to overseas due to COVID-19 pandemic and its secondary phenomenon.

■ 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

However, after the commencement of the Travel DX business, if the business reaches PMF (product market fit: the situation where the product/service provided is accepted by the market as the optimal means of solving the problems of the target users), and if it is determined that the time of the game is over, we will concentrate our upfront investment, and therefore we reserve the possibility that profits will be reduced only 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 during the third quarter and December, the number of orders from new customers had been recovering moderately, but the number of orders received per project was low due to their tight budgets and receiving large-scale orders continued to be difficult. Accordingly, we have worked to further promote the use of our services to existing customers, who have already experienced the effectiveness of our services, and have implemented measures to expand orders from existing customers. As a result, the MT business as a whole recovered to the level of orders received of 277 million yen and 296 million yen in November and December.

However, it is impossible to predict the impact on economic activities, including the slowdown of decision-making process at each company, due to the government's declaration of a state of emergency that was reinstated on January 7, 2021, and the impact on the fourth quarter, including January 2021 and February 2021, is uncertain.

The HT business, which undertakes manual tasks, has recovered since bottoming out in August due to the establishment of economic activities under COVID-19 pandemic and online language training. However, the recovery has leveled off since November, and a full-fledged recovery is expected to take time. The interpretation business conducted on a face-to-face and group basis is significantly affected by restrictions on entry and travel to overseas, and the timing of the recovery remains uncertain.

The forecasts here are based on actual results and conditions actually affected by COVID-19 pandemic as of January 14, 2021, and do not incorporate any predictions, such as when the medical, political, or economic problems caused by COVID-19 pandemic will subside.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

| | Previous fiscal year (February 29, 2020) | Current third quarter (November 30, 2020) |
|--|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 991,056 | 2,175,845 |
| Notes and accounts receivable | 427,847 | 471,319 |
| Inventories | 29,045 | 30,802 |
| Other | 210,151 | 232,398 |
| Allowance for doubtful accounts | (13,151) | (10,303) |
| Total current assets | 1,644,950 | 2,900,062 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Tools, furniture and fixtures, net | 514,666 | 387,286 |
| Other, net | 40,939 | 105,659 |
| Total property, plant and equipment | 555,605 | 492,946 |
| Intangible assets | | |
| Goodwill | 74,992 | 57,922 |
| Software | 738,697 | 1,139,196 |
| Software in progress | 574,926 | 629,034 |
| Other | 446 | 31,959 |
| Total intangible assets | 1,389,062 | 1,858,112 |
| Investments and other assets | 164,287 | 762,926 |
| Total non-current assets | 2,108,955 | 3,113,984 |
| Total assets | 3,753,905 | 6,014,047 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 88,469 | 82,076 |
| Short-term borrowings | 280,000 | 100,000 |
| Current portion of long-term loans payable | 237,655 | 429,647 |
| Income taxes payable | 34,457 | 65,411 |
| Provision for bonuses | 50,652 | 95,550 |
| Advances received | 696,169 | 818,153 |
| Other | 430,347 | 458,705 |
| Total current liabilities | 1,817,750 | 2,049,544 |
| Non-current liabilities | | |
| Long-term debt | 432,083 | 1,049,151 |
| Other | - | 99,943 |
| Total non-current liabilities | 432,083 | 1,149,094 |
| Total liabilities | 2,249,833 | 3,198,638 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 253,565 | 783,511 |
| Capital surplus | 1,232,754 | 1,761,699 |
| Retained earnings | 18,525 | 180,418 |
| Treasury stock | (861) | (861) |
| Total shareholders' equity | 1,503,983 | 2,724,767 |
| Share subscription rights | 89 | 41,235 |
| Non-controlling interests | - | 49,405 |
| Total net assets | 1,504,072 | 2,815,408 |
| Total liabilities and net assets | 3,753,905 | 6,014,047 |

Rozetta Corp. Consolidated Financial Results
For the Third Quarter of the Fiscal Year Ending February 28, 2021

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

(Thousands of yen)

| | Previous third quarter (From March 1, 2019 to November 30, 2019) | Current third quarter (From March 1, 2020 to November 30, 2020) |
|---|--|---|
| Net sales | 2,933,317 | 3,019,351 |
| Cost of sales | 1,016,722 | 991,556 |
| Gross profit | 1,916,595 | 2,027,794 |
| Selling, general and administrative expenses | | |
| Salaries, allowances and bonuses | 464,518 | 594,673 |
| Provision for bonuses | 35,499 | 31,293 |
| Other | 1,010,885 | 1,106,969 |
| Total selling, general and administrative expenses | 1,510,904 | 1,732,936 |
| Operating income | 405,690 | 294,858 |
| Non-operating income | | |
| Interest income | 170 | 27 |
| Dividends income | 10 | 8 |
| Subsidy income | 1,425 | 22,690 |
| Difference in consumption tax | — | 1,496 |
| Other | 971 | 3,815 |
| Total non-operating income | 2,578 | 28,039 |
| Non-operating expenses | | |
| Interest expenses | 1,327 | 3,175 |
| Stock issuance expenses | — | 38,116 |
| Settlement | 2,400 | — |
| Foreign exchange loss | 97 | 435 |
| Other | 939 | 17,726 |
| Total non-operating expenses | 4,764 | 59,453 |
| Ordinary income | 403,504 | 263,443 |
| Special income | | |
| Gain on reversal of share subscription rights | 369 | — |
| Total special income | 369 | — |
| Special loss | | |
| Loss on retirement of non-current assets | 38,487 | 0 |
| Impairment loss | — | 28,963 |
| Total special loss | 38,487 | 28,963 |
| Income before income taxes | 365,386 | 234,480 |
| Income taxes | 131,129 | 73,182 |
| Net income | 234,257 | 161,298 |
| Income (loss) attributable to non-controlling interests | (2,206) | (594) |
| Net income attributable to owners of parent | 236,463 | 161,893 |

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

(Thousands of yen)

| | Previous third quarter (From March 1, 2019 to November 30, 2019) | Current third quarter (From March 1, 2020 to November 30, 2020) |
|--|--|---|
| Net income | 234,257 | 161,298 |
| Comprehensive income | 234,257 | 161,298 |
| Comprehensive income (loss) attributable to: | | |
| Owners of parent | 236,463 | 161,893 |
| Non-controlling interests | (2,206) | (594) |

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

We received the payment for a third-party allotment from CVI Investments, Inc. on July 30, 2020. As a result, common stock and capital reserve each increased by 529,750 thousand yen in the third quarter of the current fiscal year. On the other hand, capital surplus decreased by 1,000 thousand yen due to the acquisition of additional shares of subsidiaries in the third quarter of the current fiscal year. As a result, common stock and capital surplus were 783,511 thousand yen and 1,761,699 thousand yen at the end of the third quarter of the current fiscal year.

(Changes in scope of consolidation or application of the equity method)

Effective from the second quarter of the fiscal year, Event DX Corporation has been included in the scope of consolidation due to the establishment of Event DX Corporation. In addition, from the third quarter of the fiscal year under review, Travel DX Corporation, MATRIX Corporation, and Signans Inc. have been included in the scope of consolidation due to the establishment of these companies. On the other hand, anydooR USA Inc. has been excluded from the scope of consolidation from the third quarter of the current fiscal year due to the liquidation. In addition, from the third quarter of the fiscal year under review, p2p Co., Ltd., which has been a new investment, has been included in the scope of application of the equity method. Since the deemed acquisition date is November 30, 2020, no share of profit (loss) of investments accounted for using equity method has been recognized.

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

Income taxes are calculated by multiplying the income before income taxes by the forecasted effective tax rate, which is computed by matching the forecasted yearly income taxes with the forecasted yearly income before taxes.

(Segment Information)

[Segment Information]

I. Previous third quarter (From March 1, 2019 to November 30, 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 | 1,526,269 | 1,101,682 | 305,365 | 2,933,317 | — | 2,933,317 |
| Intersegment sales or transfer | 61,940 | 4,962 | 89,826 | 156,729 | (156,729) | — |
| Total | 1,588,210 | 1,106,644 | 395,192 | 3,090,047 | (156,729) | 2,933,317 |
| Segment income (loss) | 185,760 | 263,956 | (6,511) | 443,205 | (37,514) | 405,690 |

(Note)

1. Adjustments to segment income (loss) of (37,514) thousand yen include elimination of intersegment transactions and amortization of goodwill not attributable to reportable segments, 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.

II Current third quarter (From March 1, 2020 to November 30, 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 | GU business | Total | | |
| Net sales | | | | | | | |
| Net sales to unaffiliated customers | 2,122,991 | 678,621 | 217,737 | — | 3,019,351 | — | 3,019,351 |
| Intersegment sales or transfer | 24,513 | 2,106 | 29,179 | — | 55,799 | (55,799) | — |
| Total | 2,147,504 | 680,728 | 246,917 | — | 3,075,150 | (55,799) | 3,019,351 |
| Segment income (loss) | 260,025 | 121,682 | 1,524 | (28,124) | 355,107 | (60,249) | 294,858 |

(Note)

1. Adjustments to segment income (loss) of (60,249) 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.

2. Changes in reportable segments

(Changes in Reportable Segments)

During the third quarter of the fiscal year, Travel DX Corporation and MATRIX Corporation were established and included in the scope of consolidation. As a result, the "GU business" has been added as a new reportable segment. In conjunction with this change, Event DX Corporation, which had been included in the "MT business," has been changed to the "GU business."

(Per share Information)

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

| | Previous third quarter (From March 1, 2019 to November 30, 2019) | Current third quarter (From March 1, 2020 to November 30, 2020) |
|--|--|--|
| (1) Net income per share | 22.95 yen | 15.45 yen |
| (Basis of calculation) | | |
| Net income attributable to owners of parent (thousands of yen) | 236,463 | 161,893 |
| Amount not attributable to common shareholders (thousands of yen) | — | — |
| Net income attributable to owners of parent related to common stock (thousands of yen) | 236,463 | 161,893 |
| Average number of shares of common stock outstanding during the period (shares) | 10,302,137 | 10,478,344 |
| (2) Diluted net income per share | 22.28 yen | 15.07 yen |
| (Basis of calculation) | | |
| Adjustment to net income attributable to owners of parent (thousands of yen) | — | — |
| Increase in number of common shares (shares) | 313,258 | 263,997 |
| 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 | — | The 14th share subscription rights by resolution of the Board of Directors at the meeting held on July 14, 2020 Number of share subscription rights: 12,188 rights (1,218,800 shares of common stock) |

(Significant Subsequent Events)

(Capital and Business Alliance)

At the meeting of the Board of Directors held on November 27, 2020, we resolved to enter into a capital and business alliance with alt Inc. and concluded the capital and business alliance agreement on December 28, 2020.

(1) Purpose of the capital and business alliance

In order to realize the mission of "liberate Japan from linguistic impairment" in Chapter 1 of Rozetta's first mission since its founding, it is not only necessary to translate documents, but also tools that automatically interpret speech and prepare minutes in different languages are necessary. Recently, we have decided to develop and sell a higher-precision AI interpretation and minutes preparation tool that combines the AI minutes tool of alt Inc. and Rozetta's speech translation technology, in addition to "Onyaku," a real-time speech translation tool that Rozetta has developed. In addition to the AI minutes tool, alt Inc. develops AI clones and GPU grid computing. There is a possibility that various synergies will be generated in order to achieve "Global Ubiquitous," which is Rozetta's Shin mission.

(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 and sell tools that automatically and precisely interpret speeches at remote meetings and prepare minutes using AI.

2) Details of the capital alliance

We have decided to acquire class C preferred stock to be issued under a third-party allotment on January 5, 2021 for 250,000 thousand yen. The amount per share will not be disclosed in light of the intention of the counterparty. The amount 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 a major shareholder.

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

1) Company name: alt Inc.

2) Location: 7-15-7, Roppongi, Minato-ku, Tokyo, Japan

3) Representative: Kazutaka Yonekura, President & Chief Executive Officer

4) Business description: Development and provision of P.A.I. (Personal Artificial Intelligence) "Alt", and research and development of artificial intelligence and artificial intelligence-related technologies, and consulting, planning, development, and management of services related to it

5) Common stock: 380,239 thousand yen

6) Date of establishment: November 26, 2014

(Transition to a Holding Company Structure)

At the meeting of the Board of Directors held on January 14, 2021, we resolved to, in order to transition to a holding company structure, establish a split preparation company and transit to a holding company structure through a company split. With regard to the transition to a holding company structure, we plan to implement the relevant agenda items on the condition that they are approved at our annual general shareholders meeting to be held on May 25, 2021.

(1) Purpose of Transition to a Holding Company Structure

Since our founding, we have developed AI automatic translation under our corporate mission of "liberate Japan from linguistic impairment." At present, we have integrated cutting-edge technologies such as AI, AR (Augmented Reality), VR (Virtual Reality), 5G/6G/7G (high-speed, large-capacity, multi-simultaneous connection communication), 4K/8K/12K (super-resolution video), video distribution solutions, robotics, and HA (Human Augmentation). We aim to realize "Global Ubiquitous," which enables people around the world to interact, work, and enjoy their lives "with anyone anytime, anywhere without language barriers."

In order for our group to further improve its corporate value and realize sustainable growth, we believe it is necessary to reconstruct our group structure so that we can further improve management efficiency and respond flexibly to changes in the market environment. By shifting to a holding company structure, we strengthened the planning and planning functions of Group management strategies, and constructed a flexible organizational structure to respond flexibly to the market environment and expand our business through M&A. As a result, we believe that we can improve our corporate value and achieve sustainable growth, and therefore we have decided to transit to a holding company structure.

(2) Outline of the split preparation company to be established

- 1) Company name: Rozetta MT Corporation
- 2) Location: 3-7-1, Kanda Jinbocho, Chiyoda-ku, Tokyo
- 3) Representative: Maro Watanabe, CEO
- 4) Business description: Development and management of super-high-precision AI automatic translation
- 5) Common stock: 50,000 thousand yen
- 6) Date of establishment: March 1, 2021 (planned)
- 7) Shareholding ratio: Rozetta Corp. 100%

(Note) Company name is planned to be changed to Rozetta Corp. on September 1, 2021.

(3) Method of shifting to a holding company structure

As for the method of shifting to a holding company structure, we will establish a split preparation company, which is our wholly owned subsidiary, and adopt an absorption-type split in which we take over the MT business as the absorption-type split preparatory company and the absorption-type split successor company. We plan to continue to list our shares as a holding company that assumes the governance function of the group. We plan to change the corporate name from "Rozetta Corp." to "Global Ubiquitous, Inc. (provisional name)" on September 1, 2021.

(4) Future plans

Meeting of the Board of Directors to approve an establishment of the split preparation company: January 14, 2021

Establishment of the split preparation company: March 1, 2021 (planned)

Meeting of the Board of Directors to conclude the absorption-type split agreement: April 14, 2021 (planned)

Conclusion of the absorption-type split agreement: April 14, 2021 (planned)

Meeting of shareholders to approve the absorption-type split agreement: May 25, 2021 (planned)

Transition to a holding company structure: September 1, 2021 (planned)