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Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 29, 2020 [Japanese GAAP]

January 14, 2020

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, 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 Third Quarter of the Fiscal Year Ending February 29, 2020

(March 1, 2019-November 30, 2019)

(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 FY2/20	2,933	42.5	405	125.9	403	124.8	236	83.3
Q3 FY2/19	2,058	38.5	179	—	179	—	129	—

(Note)

Comprehensive income Q3 FY2/20 234 Millions of yen (81.6%) Q3 FY2/19 129 Millions of yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Q3 FY2/20	22.95	22.28
Q3 FY2/19	12.79	12.24

(Note) The year-on-year changes in operating income and ordinary income for the third quarter of the fiscal year ended February 28, 2019 exceeded 1,000% and therefore are referred to as "-."

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Q3 FY2/20	3,330	1,432	43.0
FY2/19	2,642	1,194	45.1

(Reference)

Shareholders' equity Q3 FY2/20 1,432 Millions of yen FY2/19 1,191 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
FY2/19	—	0.00	—	0.00	0.00
FY2/20	—	0.00	—	—	—
FY2/20 (Forecast)	—	—	—	0.00	0.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending February 29, 2020 (March 1, 2019-February 29, 2020)

At present, the MT business has entered a period of rapid growth since the fourth quarter of the fiscal year ended February 28, 2018, and we are concentrating our management policy on maximizing medium-to long-term growth rather than short-term profits. For the time being, we will not disclose the forecast as a fixed value until sales growth of the MT business settles down (roughly 1.5 times the previous year), in order not to adjust expenses in accordance with earnings forecasts, and therefore we make decisive choices that best meet its long-term growth objectives on an occasional basis. For the consolidated business forecasts for the fiscal year ending February 29, 2020, we announced only the minimum figures, for example, by indicating record-high sales (2,908 million yen) or over and record-high profit (operating income of 338 million yen) or over.

*Notes

(1) Changes in significant subsidiaries during the period

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

Newly consolidated: -

Excluded: Inter media Inc. and Quicktranslate, Inc.

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements, (3) Notes on Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period)" on page 5 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 5 of the Appendix.

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies due to revision of accounting standards, etc.: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior period financial statements after error corrections: None

(4) Number of shares outstanding (common stock)

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

Q3 FY2/20	10,330,260 shares	FY2/19	10,296,260 shares
Q3 FY2/20	422 shares	FY2/19	286 shares
Q3 FY2/20	10,302,137 shares	Q3 FY2/19	10,088,413 shares

(ii) Treasury shares at the end of the period

(iii) Average number of shares outstanding 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 us and certain assumptions that we deem to be reasonable at the time this report was prepared. We do 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 2 of the Attachment 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, 2019 to November 30, 2019), sales of T-400 continued to be strong in the MT business. Accordingly, we continuously increased the staff of all sections, including the marketing and management sections, to fortify our organizational structure before expanding our business rapidly.

As a result, our group posted net sales of 2,933,317 thousand yen (up 42.5% year on year), operating income of 405,690 thousand yen (up 125.9% year on year), ordinary income of 403,504 thousand yen (up 124.8% year on year), and profit attributable to owners of parent of 236,463 thousand yen (up 83.3% year on year) for the cumulative 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 1,526,269 thousand yen (up 160.4% year on year) due to continuous strong sales of T-400. Segment income was 185,760 thousand yen (up 301.5% year on year) as a result of a significant increase in SG & A expenses from the sales division to the administration division in preparation for the rapid expansion of the MT business.

② HT business

As for the HT business, sales were 1,101,682 thousand yen (down 8.5% year on year). Segment income was 263,956 thousand yen (up 44.8% year on year), as a result of a decrease in cost of sales due to a reduction in manufacturing expenses and labor costs and a decrease in SG & A expenses due to a review of the ratio of SG & A expenses to the entire group.

③ Crowdsourcing business

As for the crowdsourcing business, sales were 305,365 thousand yen (up 13.4% year on year). Segment loss was 6,511 thousand yen (segment income of 44,511 thousand yen in the previous fiscal year) as a result of a decrease in intra-group transactions.

(2) Financial Position

(Assets)

Current assets increased by 133,803 thousand yen from the end of the previous fiscal year to 1,457,062 thousand yen at the end of the third quarter of the current fiscal year. This was mainly due to an increase of 17,779 thousand yen in cash and deposits and an increase of 22,466 thousand yen in notes and accounts receivable. Non-current assets increased by 553,457 thousand yen from the end of the previous fiscal year to 1,873,050 thousand yen. This was mainly due to an increase of 277,919 thousand yen in property, plant and equipment and an increase of 239,707 thousand yen in intangible assets.

(Liabilities)

Current liabilities increased by 347,630 thousand yen from the end of the previous fiscal year to 1,504,143 thousand yen at the end of the third quarter of the current fiscal year. This was mainly due to an increase of 210,937 thousand yen in advances received and an increase of 41,090 thousand yen in provision for bonuses. Non-current liabilities increased by 101,627 thousand yen from the end of the previous fiscal year to 393,798 thousand yen. This was due to long-term debt.

(Net assets)

Net assets increased by 238,004 thousand yen from the end of the previous fiscal year to 1,432,170 thousand yen at the end of the third quarter of the current fiscal year. This was mainly due to an increase in retained earnings of 236,463 thousand yen.

(3) Consolidated Business Forecasts

At present, the MT business has entered a period of rapid growth since the fourth quarter of the fiscal year ended February 28, 2018, and we are concentrating our management policy on maximizing medium-to long-term growth rather than short-term profits. For the time being, we will not disclose the forecast as a fixed value until sales growth of the MT business settles down (roughly 1.5 times the previous year), in order not to adjust expenses in accordance with earnings forecasts, and therefore we make decisive choices that best meet its long-term growth objectives on an occasional basis. For the consolidated business forecasts for the fiscal year ending February 29, 2020, we announced only the minimum figures, for example, by indicating record-high sales (2,908 million yen) or over and record-high profit (operating income of 338 million yen) or over.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (February 28, 2019)	Current third quarter (November 30, 2019)
Assets		
Current assets		
Cash and deposits	853,378	871,158
Notes and accounts receivable	360,515	382,980
Inventories	51,237	30,701
Other	66,716	179,416
Allowance for doubtful accounts	(8,589)	(7,194)
Total current assets	1,323,258	1,457,062
Fixed assets		
Property, plant and equipment	236,489	514,408
Intangible assets		
Goodwill	89,513	80,682
Software	432,361	754,558
Software in progress	423,287	349,646
Other	468	451
Total intangible assets	945,631	1,185,339
Investments and other assets	137,471	173,302
Total fixed assets	1,319,592	1,873,050
Total assets	2,642,850	3,330,112
Liabilities		
Current liabilities		
Notes and accounts payable	140,961	87,375
Current portion of long-term loans payable	231,601	230,222
Income taxes payable	111,002	22,145
Provision for bonuses	26,577	67,668
Advances received	440,309	651,246
Other	206,061	445,486
Total current liabilities	1,156,513	1,504,143
Long-term liabilities		
Long-term debt	292,171	393,798
Total long-term liabilities	292,171	393,798
Total liabilities	1,448,684	1,897,941
Net assets		
Shareholders' equity		
Capital stock	250,794	253,565
Capital surplus	1,230,983	1,232,754
Retained earnings	(289,839)	(53,376)
Treasury stock	(435)	(861)
Total shareholders' equity	1,191,502	1,432,081
Share subscription rights	458	89
Non-controlling interests	2,206	—
Total net assets	1,194,166	1,432,170
Total liabilities and net assets	2,642,850	3,330,112

(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, 2018 to November 30, 2018)	Current third quarter (From March 1, 2019 to November 30, 2019)
Net sales	2,058,739	2,933,317
Cost of sales	822,736	1,016,722
Gross profit	1,236,003	1,916,595
Selling, general and administrative expenses		
Salaries, allowances and bonuses	343,491	464,518
Provision for bonuses	44,910	35,499
Other	668,016	1,010,885
Total selling, general and administrative expenses	1,056,417	1,510,904
Operating income	179,585	405,690
Non-operating income		
Interest income	35	170
Dividends income	10	10
Subsidy income	—	1,425
Foreign exchange gain	371	—
Other	1,869	971
Total non-operating income	2,286	2,578
Non-operating expenses		
Interest expenses	2,090	1,327
Settlement	—	2,400
Foreign exchange loss	—	97
Other	304	939
Total non-operating expenses	2,394	4,764
Ordinary income	179,477	403,504
Special income		
Income on sales of fixed assets	801	—
Surrender value of insurance	11,513	—
Gain on reversal of share subscription rights	—	369
Total special income	12,315	369
Special loss		
Loss on retirement of noncurrent assets	3,149	38,487
Total special loss	3,149	38,487
Income before income taxes	188,643	365,386
Income taxes	59,617	131,129
Net income	129,025	234,257
Income (loss) attributable to non-controlling interests	—	(2,206)
Net income attributable to owners of parent	129,025	236,463

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

(Thousands of yen)

	Previous third quarter (From March 1, 2018 to November 30, 2018)	Current third quarter (From March 1, 2019 to November 30, 2019)
Net income	129,025	234,257
Comprehensive income	129,025	234,257
Comprehensive income (loss) attributable to:		
Owners of parent	129,025	236,463
Non-controlling interests	—	(2,206)

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Significant Subsidiaries during the Period)

During the first quarter of the fiscal year, the Company conducted an absorption-type merger of Inter media Inc. by GLOVA Corp., our consolidated subsidiary, and an absorption-type merger of Quicktranslate, Inc. by anydooR, Inc. As a result, Inter media, Inc. and Quicktranslate, Inc. have ceased to exist, and therefore, they have been excluded from the scope of consolidation from the first quarter of the current fiscal year.

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

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

(Additional Information)

(Application of Partial Revision of "Accounting Standard for Tax Effect Accounting")

The Company has applied the "Partial Revision to the Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other accounting standards from the beginning of the first quarter of the current fiscal year.

Accordingly, deferred tax assets are presented as investments and other assets, and deferred tax liabilities are presented as non-current liabilities.

(Segment Information)

[Segment Information]

I. Previous third quarter (From March 1, 2018 to November 30, 2018)

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	586,066	1,203,406	269,266	2,058,739	—	2,058,739
Intersegment sales or transfer	1,800	164,042	193,680	359,523	(359,523)	—
Total	587,866	1,367,449	462,947	2,418,263	(359,523)	2,058,739
Segment income	46,262	182,333	44,511	273,106	(93,521)	179,585

(Note)

- Adjustments to segment income of (93,521) thousand yen include eliminations 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.
- Segment income is adjusted with operating income in the quarterly consolidated statements of income.

II. Current 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)

- Adjustments to segment income (loss) of (37,514) thousand yen include eliminations 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.
- Segment income (loss) is adjusted with operating income in the quarterly consolidated statements of income.

(Per share Information)

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

	Previous third quarter (From March 1, 2018 to November 30, 2018)	Current third quarter (From March 1, 2019 to November 30, 2019)
(1) Net income per share	12.79 yen	22.95 yen
(Basis of calculation)		
Net income attributable to owners of parent (thousands of yen)	129,025	236,463
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to owners of parent related to common stock (thousands of yen)	129,025	236,463
Average number of shares of common stock outstanding during the period (shares)	10,088,413	10,302,137
(2) Diluted net income per share	12.24 yen	22.28 yen
(Basis of calculation)		
Adjustment to net income attributable to owners of parent (thousands of yen)	—	—
Increase in number of common shares (shares)	455,950	313,258
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	—	—