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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2025 (Three Months Ended September 30, 2024)

[Japanese GAAP]

November 7, 2024

Company name: Japan PropTech Co., Ltd.

Stock code: 4054

Representative: Tsujimura Kunio, Representative Director, President

Contact: Senokuchi Naohiro, Director, Chief of Staff, Head of Administration

Tel: +81-986-25-2212

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

Listing: Tokyo Stock Exchange

URL: <https://www.n-create.co.jp/>

(All amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2025 (July 1, 2024 to September 30, 2024)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owner of parent | |
|----------------------------------|-----------------|------|------------------|-------|-----------------|--------|--|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three months ended Sep. 30, 2024 | 1,410 | 45.7 | 319 | 329.4 | 306 | 315.9 | 173 | 304.3 |
| Three months ended Sep. 30, 2023 | 968 | 13.4 | 74 | 66.0 | 73 | (23.2) | 42 | (25.8) |

Note: Comprehensive income (millions of yen)

Three months ended Sep. 30, 2024: 171 (297.1 %)

Three months ended Sep. 30, 2023: 43 ((25.6) %)

| | Net income per share | Diluted net income per share |
|----------------------------------|----------------------|------------------------------|
| | Yen Sen | Yen Sen |
| Three months ended Sep. 30, 2024 | 12.44 | 12.32 |
| Three months ended Sep. 30, 2023 | 3.05 | 3.02 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of Sep. 30, 2024 | 5,362 | 3,445 | 64.3 |
| As of Jun. 30, 2024 | 5,569 | 3,466 | 62.2 |

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2024: 3,445

As of Jun. 30, 2024: 3,466

2. Dividends

| | Dividend per share | | | | |
|---|--------------------|---------|---------|----------|---------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| | Yen Sen | Yen Sen | Yen Sen | Yen Sen | Yen Sen |
| Fiscal year ended Jun. 30, 2024 | - | 0.00 | - | 5.00 | 5.00 |
| Fiscal year ending Jun. 30, 2025 | - | - | - | - | - |
| Fiscal year ending Jun. 30, 2025 (forecast) | - | 0.00 | - | 5.00 | 5.00 |

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2025 (July 1, 2024 to June 30, 2025)

(Percentages represent year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owner of parent | | Net income per share |
|-----------|-----------------|------|------------------|------|-----------------|------|--|------|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen Sen |
| Full year | 5,000 | 12.7 | 1,000 | 40.9 | 1,002 | 35.4 | 624 | 45.5 | 44.27 |

Note: Revisions to the most recently announced earnings forecast: None

* Notes

(1) Changes in significant subsidiaries during the period: Yes

New - company (company name) -, Excluded 1 company (company name) Real Net Pro, Inc

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

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

As of Sep. 30, 2024: 14,354,440 shares As of June. 30, 2024: 14,354,440 shares

2) Number of treasury shares as of the end of the period

As of Sep. 30, 2024: 448,571 shares As of June. 30, 2024: 278,271 shares

3) Average number of outstanding shares during the period

Three months ended Sep. 30, 2024: 13,970,033 shares Three months ended Sep. 30, 2023: 14,090,869 shares

* This quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on estimates and assumptions judged to be valid and information available at the time these materials were prepared, but are not guarantees by Japan PropTech regarding future performance. Actual results may differ significantly from these forecasts for various reasons. Please refer to the section “1. Qualitative Information on Quarterly Consolidated Financial Performance” on page 2 of the attachments regarding preconditions or other related matters for the forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Forward-looking statements stated herein are based on the estimates and assumptions of Japan PropTech as of September 30, 2024.

In the Japanese economy during the first quarter of the consolidated cumulative period, a gradual recovery is expected to continue due to the effects of various policies. However, there are risks that a downturn in overseas economies, such as the sustained high-interest rates in the U.S. and Europe and the ongoing stagnation of the real estate market in China, could weigh on Japan's economic outlook. Additionally, careful attention must be paid to the impact of rising prices, the situation in the Middle East, and fluctuations in financial and capital markets.

In the real estate DX market, where our group provides SaaS-based cloud services, the chronic shortage of labor in the real estate industry continues. This has sustained a high level of demand for IT investments aimed at improving productivity among real estate businesses looking to start new operations or expand. The trend toward digitalization is further supported by factors such as the 'full digitalization of real estate transactions,' which was enabled by the amendment of the Real Estate Brokerage Act in May 2022, the implementation of the invoice system in October 2023, and the enactment of the Electronic Book Preservation Act in January 2024, all of which are raising momentum for DX promotion across the industry.

In this business environment, as a real estate DX promoter specializing in the industry, our company has been supporting real estate businesses with a comprehensive, end-to-end service lineup that addresses individual management challenges, data integration between operators, and overall efficiency improvement across the real estate industry. Additionally, to realize our new medium-term management plan, the 'Three-Year Plan (FY2025-FY2027),' which outlines a three-year growth strategy, we are actively pursuing various growth strategies. We are focusing on increasing our key metric, MRR (Monthly Recurring Revenue), and maintaining our strength of a low churn rate.

*The Three-Year Plan (FY2025-FY2027) outlines our performance targets and key metrics for the three-year period from the fiscal year ending June 2025 to the fiscal year ending June 2027. For more details, please refer to the 'Earnings Presentation Materials for the First Quarter of the Fiscal Year Ending June 2025,' available on our IR website.

In the 'Three-Year Plan (FY2025-FY2027),' we aim to build a stable revenue base by increasing the proportion of recurring revenue generated from monthly subscriptions. While maintaining a growth foundation centered on our management solution, 'Chintai Kakumei,' we are focusing on driving growth by boosting the MRR (Monthly Recurring Revenue) of our brokerage solutions.

In our property management solutions, centered on 'Chintai Kakumei,' we work to streamline clients' rental management operations and support communication with tenants and owners through the 'Tenant App' and 'Owner App.' Initial revenue, recorded as license fees at the time of implementation, also represents a significant portion, and monthly subscription fees are further accumulated through monthly usage fees and optional service fees. In addition to new sales, revenue from version upgrades driven by legal revisions and the pursuit of further efficiency remains steady, forming a solid foundation for growth.

Our brokerage solutions offer a lineup of services that support real estate transactions from attracting clients to closing deals. These services include attracting clients through websites and major portal sites, customer relationship management (CRM), and online real estate transactions (such as electronic tenant applications and electronic contracts), all aimed at increasing client acquisition and conversion rates. We also work to streamline processes up to contract completion by utilizing vacancy information digitized through the inter-agency property distribution service 'ReaPro' or similar services like 'Fudosan BB'.

The release of the integrated version of the inter-agency property distribution services 'ReaPro' and 'Fudosan BB' was initially scheduled for this fall; however, to enhance service quality, functionality, and performance, the release has been postponed to spring or summer 2025. Although the release has been delayed, there is no change in our core strategy. We will continue to offer 'ReaPro' as a paid inter-agency property distribution service and expand the brokerage solutions in areas where it has gained traction. Additionally, there is no change in the current fiscal year's performance forecast.

Segment information is omitted because the Japan PropTech Group has only a single business segment.

The overview of each service is as follows:

(Solutions for Brokers)

In brokerage solutions, we have supported the digitization of property information and built communication networks among real estate businesses through our paid inter-agency property distribution service 'ReaPro.' This service facilitates the secondary utilization of digitized vacancy information, promoting operational efficiency from customer acquisition to real estate transactions. Specific services supporting customer acquisition and real estate transactions include 'Web Manager Pro,' which aids client acquisition through company websites; 'Property Data Integration,' which supports client acquisition via real estate portal sites; and the 'Electronic Contract Service,' which assists in the digitalization of real estate contracts. We have actively proposed these services to address the challenges in brokerage operations. Additionally, we are encouraging customers already using the free inter-agency property distribution service 'Fudosan BB' to upgrade to the paid 'ReaPro' service. Across our brokerage solutions, monthly usage fees from customers using paid services have steadily increased. The sales of this category was 647.638 million yen.

(Solutions for Property Management)

In property management solutions, we have actively promoted the main revenue driver, 'Chintai Kakumei,' through sales to new customers, version upgrades for existing customers, and additional options. Additionally, with the cancellation rate remaining consistently low and stable, monthly subscription fees have steadily accumulated. The sales of this category was 749.521 million yen.

* In addition to above sales of 1,397.159 million yen from the Solutions for Brokers and the Solutions for Property Management, sales of 13.134 million yen were recorded from other activities.

(2) Explanation of Financial Position

1) Assets

Total assets at the end of the first quarter of the current fiscal year decreased by 207.830 million yen from the end of the previous fiscal year to 5,362.082 million yen. The balance of current assets decreased by 230.833 million yen from the end of the previous fiscal year to 1,869.049 million yen. The balance of non-current assets increased by 23.002 million yen from the end of the previous fiscal year to 3,493.033 million yen.

The decrease in current assets is primarily attributable to a decrease in accounts receivable-trade. The increase in fixed assets was due to an increase in software in progress included in intangible fixed assets.

2) Liabilities

Total liabilities at the end of the first quarter decreased by 186.632 million yen from the end of the previous fiscal year to 1,916.824 million yen. The balance of current liabilities decreased by 105.391 million yen from the end of the previous fiscal year to 1,661.715 million yen.

This is mainly attributable to a decrease in income taxes payable as income taxes for the previous fiscal year were paid.

3) Net assets

Net assets at the end of the first quarter decreased by 21.197 million yen from the end of the previous fiscal year to 3,445.257 million yen.

This is primarily attributable to an increase in retained earnings due to the booking of profit attributable to owners of parent and dividend paid.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

There are no revisions to the forecast for the fiscal year ending June 30, 2025 that was announced on August 6, 2024 with “Consolidated Financial Results for the Fiscal Year Ended June 30, 2024 [Japanese GAAP]”. An announcement will be made promptly if the forecast is revised.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

| | (Thousands of yen) | |
|---|---------------------------------|------------------------------------|
| | FY6/24 (As of Jun. 30, 2024) | 1Q FY6/25 (As of Sep. 30, 2024) |
| Assets | | |
| Current assets | | |
| Cash and bank deposits | 961,024 | 1,058,686 |
| Accounts receivable | 708,606 | 485,285 |
| Merchandise | 6,473 | 924 |
| Work in progress | 36,270 | 43,800 |
| Stores | 1,447 | 3,883 |
| Other | 386,458 | 276,718 |
| Allowance for doubtful accounts | (398) | (249) |
| Total current assets | 2,099,882 | 1,869,049 |
| Fixed assets | | |
| Property, plant and equipment | 507,783 | 515,830 |
| Intangible fixed assets | | |
| Software | 223,083 | 189,198 |
| Software temporary account | 588,450 | 816,847 |
| Goodwill | 643,601 | 603,376 |
| Customer-related assets | 928,200 | 892,500 |
| Other intangible assets | 13,422 | 13,422 |
| Total intangible assets | 2,396,757 | 2,515,345 |
| Investments and other assets | | |
| Other | 597,636 | 494,703 |
| Allowance for doubtful accounts | (32,146) | (32,846) |
| Total investments and other assets | 565,489 | 461,857 |
| Total fixed assets | 3,470,030 | 3,493,033 |
| Total assets | 5,569,912 | 5,362,082 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 26,441 | 20,751 |
| Accrued income tax | 220,123 | 97,691 |
| Contract liabilities | 893,953 | 1,070,006 |
| Allowance for Bonuses | — | 61,989 |
| Allowance for losses on orders received | 16,620 | 13,409 |
| Other | 609,968 | 397,869 |
| Total current liabilities | 1,767,107 | 1,661,715 |
| Non-current liabilities | | |
| Asset retirement obligations | 17,775 | 17,812 |
| Deferred tax liabilities | 316,689 | 233,558 |
| Other | 1,884 | 3,738 |
| Total non-current liabilities | 336,350 | 255,109 |
| Total liabilities | 2,103,457 | 1,916,824 |

| | (Thousands of yen) | |
|---|-----------------------|-----------------------|
| | FY6/24 | 1Q FY6/25 |
| | (As of Jun. 30, 2024) | (As of Sep. 30, 2024) |
| Net assets | | |
| Shareholders' equity Share | | |
| Capital | 729,648 | 729,648 |
| Capital surplus | 701,358 | 701,358 |
| Retained earnings | 2,259,350 | 2,362,787 |
| Treasury shares | (225,631) | (347,580) |
| Total shareholders' equity | 3,464,725 | 3,446,213 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 493 | 341 |
| Deferred hedge gains and losses | 1,236 | (1,297) |
| Total accumulated other comprehensive income | 1,729 | (956) |
| Total net assets | 3,466,455 | 3,445,257 |
| Total liabilities and net assets | 5,569,912 | 5,362,082 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Three-month Period)**

| | (Thousands of yen) | |
|--|---|--|
| | 1Q FY 6/24 (Jul.1, 2023 – Sep. 30, 2023) | 1Q FY 6/25 (Jul. 1, 2024 – Sep. 30, 2024) |
| Net sales | 968,246 | 1,410,294 |
| Cost of sales | 341,915 | 395,035 |
| Gross profit | 626,331 | 1,015,258 |
| Selling, general and administrative expenses | 552,035 | 696,202 |
| Operating profit | 74,296 | 319,055 |
| Non-operating income | | |
| Interest income | 343 | — |
| Real Estate Rental Fees | — | 2,702 |
| Other | 34 | 226 |
| Total non-operating income | 377 | 2,929 |
| Non-operating expenses | | |
| Foreign exchange losses | 759 | 14,139 |
| Miscellaneous Losses | 80 | 897 |
| Other | 206 | 765 |
| Total non-operating expenses | 1,046 | 15,802 |
| Ordinary profit | 73,627 | 306,182 |
| Extraordinary profit | | |
| Gain on sales of fixed asset | 205 | 81 |
| Total extraordinary profit | 205 | 81 |
| Extraordinary losses | | |
| Loss on removal of fixed assets | — | 61 |
| Total extraordinary losses | — | 61 |
| Profit before income taxes | 73,833 | 306,202 |
| Income taxes | 30,837 | 132,384 |
| Profit | 42,995 | 173,818 |
| Profit attributable to non-controlling interests | — | — |
| Profit attributable to owners of parent | 42,995 | 173,818 |

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

| | (Thousands of yen) | |
|--|--------------------------------|--------------------------------|
| | 1Q FY 6/24 | 1Q FY 6/25 |
| | (Jul. 1, 2023 – Sep. 30, 2023) | (Jul. 1, 2024 – Sep. 30, 2024) |
| Profit | 42,995 | 173,818 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 99 | (151) |
| Deferred hedge gains and losses | — | (2,534) |
| Total other comprehensive income | 99 | (2,685) |
| Comprehensive income | 43,095 | 171,132 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 43,095 | 171,132 |
| Comprehensive income attributable to non-controlling interests | — | — |

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements

Calculation of tax expense

Tax expense was calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes for the fiscal year, and then multiplying such rate by the quarterly profit before income taxes.

Significant Changes in the Scope of Consolidation During the Current Consolidated Cumulative Period

During the first quarter of the consolidated fiscal period, RealNet Pro, Inc. a wholly owned subsidiary of our company, was dissolved through an absorption-type merger with our company as the surviving entity, and was therefore excluded from the scope of consolidation. As a result, for the preparation of the consolidated financial statements, we consolidated Real Net Pro's results for the three-month period from April 1, 2024, to June 30, 2024, and made adjustments through the consolidated income statement. For further details, please refer to the financial results briefing materials.

Business Combinations, etc.

Merger with a Consolidated Subsidiary

At the Board of Directors meeting held on May 24, 2024, our company resolved to conduct an absorption-type merger with RealNet Pro, Inc. our wholly owned subsidiary, with the effective date of the merger set for July 1, 2024.

1. Overview of the Transaction

(i) Name of Companies Involved and Description of Business

Name of Merged Company: RealNet Pro, Inc.

Business Description: Development, sales, and maintenance services for real estate business support software

(ii) Merger Date

July 1, 2024

(iii) Legal Form of Business Combination

An absorption-type merger, with our company as the surviving entity and RealNet Pro, Inc. as the dissolved entity

(iv) Name of Company After the Merger

Japan PropTech Co., Ltd.

(v) Other Details Related to the Transaction

By integrating operations from manufacturing to sales within the same organization, we aim to enhance operational efficiency and promote new business expansion, leading to the decision for this merger.

2. Overview of Accounting Treatment

In accordance with the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Guidance No. 10, January 16, 2019), this transaction is treated as a transaction under common control.

Notes on Segment Information, etc.

As the Group operates in a single segment, the real estate business support segment, detailed segment information is Omitted

Notes on the Statement of Cash Flows

A quarterly consolidated statement of cash flows has not been prepared for the first quarter consolidated cumulative period. Depreciation expenses (including amortization of intangible fixed assets excluding goodwill and customer-related assets) and amortization of goodwill and customer-related assets for the first quarter consolidated cumulative period are as follows.

| | 1Q FY 6/24 (Jul.1, 2023 – Sep. 30, 2023) | | 1Q FY 6/25 (Jul. 1, 2024 – Sep. 30, 2024) | |
|---|---|--------------|--|--------------|
| Depreciation Expenses | 49,478 | thousand yen | 41,042 | thousand yen |
| Amortization of Customer-Related Assets | 17,850 | thousand yen | 35,700 | thousand yen |
| Amortization of Goodwill | 20,112 | thousand yen | 40,225 | thousand yen |

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments) that has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.