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Summary of Financial Results for the Three Months Ended October 31, 2021 (Based on Japanese GAAP)

December 9, 2021

Company name: RAKSUL INC.
 Listed stock exchange : Tokyo
 Stock code: 4384 <https://corp.raksul.com/>
 Representative: Representative Director, President and CEO Yasukane Matsumoto
 Inquiries: Director, CFO Yo Nagami
 Scheduled date to file Quarterly Securities Report: December 9, 2021
 Scheduled date of dividend payments: –
 Supplementary materials: Yes
 Meeting for institutional investors and analysts: Yes

(Figures are rounded down to the nearest million yen)

1. Financial Results for the three months ended October 31, 2021 (August 1, 2021 - October 31, 2021)

(1) Operating results (cumulative)

(Percentages show the change from the same period of previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended October 31, 2021	7,007	30.4	(105)	–	(132)	–	(141)	–
Three months ended October 31, 2020	5,372	11.8	66	–	59	–	42	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended October 31, 2021	(4.93)	–
Three months ended October 31, 2020	1.50	1.33

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of October 31, 2021	21,710	7,972	33.8
As of July 31, 2021	21,916	7,996	34.1

Reference: Shareholders' equity October 31, 2021: 7,346 million yen July 31, 2021: 7,467 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended July 31, 2021	–	0.00	–	0.00	0.00
Year ending July 31, 2022	–				
Year ending July 31, 2022 (forecast)		0.00	–	0.00	0.00

Note: Amendments to dividend forecast compared with the most recent disclosure: None

3. Forecast for the Fiscal Year Ending July 31, 2022 (August 1, 2021 - July 31, 2022)

(Percentages show the change from the same period of previous fiscal year)

	Net sales		Operating profit		non-GAAP Operating profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	33,200	30.1	250	13.4	1,000	20.0

Note: Revisions of most recent financial results forecast: Yes

Note: Percentages are calculated based on the figures from the same period of previous fiscal year after retroactive application of the changes in accounting policies due to revisions to accounting standards

In the fiscal year ending July 2022, there is no change in the management stance of placing the highest priority on growth in order to realize our vision "Better Systems, Better World", and based on our medium-to-long term financial policy, our target growth for RAKSUL INC. (the "Company") is 30% or more in gross profit.

The policies for each business segment are as follows: In the Raksul business segment, the Company sets gross profit and segment profit as the financial focus, and the policy is to continue to increase these profits. In Novasell business segment and Hacobell business segment, while strengthening investment governance and controlling of losses, we will allow for limited losses towards growth and focus on expanding revenue and gross profit.

Based on the policies above, the Company expects revenue of ¥33,200 million or more (up 30.0% or higher from the previous fiscal year) and gross profit of ¥9,300 million or more (up 30.0% or higher from the previous fiscal year). Operating profit is expected to be ¥250 million or more, and non-GAAP operating profit (stock-based compensation expenses added back) is expected to be ¥1,000 million or more; the basic policy for operating profit is to increase profit every year while continuing to focus on growth and reinvest a certain amount towards such growth. This financial forecast is based on the revenue recognition accounting standards and does not include the results of the acquisition of additional outstanding shares of DANBALL ONE, Inc. as disclosed on December 9, 2021. The effect on the business results due to this change is currently under evaluation. Should it become necessary to revise the financial forecast or should matters arise that need be announced in the future, such information will be promptly disclosed.

4. Others

(1) Application of special accounting methods for preparing quarterly financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1)Changes in accounting policies due to revisions to accounting standards and other regulations:	Yes
2)Changes in accounting policies due to other reasons:	None
3)Changes in accounting estimates:	None
4)Restatement of prior period financial statements:	None

(3) Number of shares outstanding (common shares)

1)Number of shares outstanding at the end of period (including treasury stock)			
As of October 31, 2021	28,804,020 shares	As of July 31, 2021	28,729,220 shares
2)Number of treasury stock at the end of period			
As of October 31, 2021	19,072 shares	As of July 31, 2021	12,180 shares
3)Average number of shares outstanding during the period			
Three months ended October 31,2021	28,742,399 shares	Three months ended October 31, 2020	28,287,508 shares

This quarterly report of financial results is out of scope from quarterly review procedures conducted by independent auditors.

*** Cautionary statement with respect to forward-looking statements**

The forecasts above are based on the judgments made in accordance with information currently available. Forecasts therefore include risks and uncertainties. Actual figures may differ from these forecasts due to subsequent changes in the circumstances.

Quarterly Financial Statements
Balance Sheets

(Thousands of yen)

	As of July 31, 2021	As of October 31, 2021
Assets		
Current assets		
Cash and deposits	13,447,522	12,318,850
Notes receivable - trade	23,297	27,328
Electronically recorded monetary claims - operating	8,085	7,590
Accounts receivable - trade	2,922,841	3,495,190
Raw materials and supplies	5,396	3,050
Prepaid expenses	348,716	418,198
Other	160,856	215,535
Allowance for doubtful accounts	(358)	(7,135)
Total current assets	16,916,358	16,478,608
Non-current assets		
Property, plant and equipment		
Buildings	208,031	208,031
Accumulated depreciation	(79,530)	(83,759)
Buildings, net	128,500	124,271
Machinery and equipment	751,336	751,336
Accumulated depreciation	(447,985)	(466,768)
Machinery and equipment, net	303,350	284,567
Tools, furniture and fixtures	79,489	79,429
Accumulated depreciation	(54,436)	(55,995)
Tools, furniture and fixtures, net	25,052	23,434
Total property, plant and equipment	456,904	432,273
Intangible assets		
Software	329,547	311,852
Software in progress	40,996	68,200
Total intangible assets	370,543	380,052
Investments and other assets		
Investment securities	203,384	244,104
Shares of subsidiaries and associates	3,447,680	3,730,559
Long-term prepaid expenses	211,456	146,806
Guarantee deposits	140,139	140,102
Long-term deposits	12,000	8,000
Deferred tax assets	157,803	150,297
Total investments and other assets	4,172,464	4,419,870
Total non-current assets	4,999,912	5,232,196
Total assets	21,916,271	21,710,804

As of July 31, 2021 As of October 31, 2021

Liabilities		
Current liabilities		
Accounts payable - trade	2,347,182	2,678,784
Current portion of long-term borrowings	1,287,220	1,582,664
Accounts payable - other	771,949	778,437
Income taxes payable	164,905	17,669
Accrued consumption taxes	258,286	96,198
Contract liabilities	121,497	101,005
Provision for bonuses	—	43,679
Other	117,231	70,191
Total current liabilities	5,068,273	5,368,629
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	5,033,333	5,030,833
Long-term borrowings	3,712,780	3,233,614
Asset retirement obligations	105,280	105,476
Total non-current liabilities	8,851,393	8,369,924
Total liabilities	13,919,667	13,738,554
Net assets		
Shareholders' equity		
Share capital	2,452,848	2,464,625
Capital surplus		
Legal capital surplus	5,260,187	5,271,963
Total capital surplus	5,260,187	5,271,963
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(249,073)	(390,852)
Total retained earnings	(249,073)	(390,852)
Treasury shares	(485)	(858)
Total shareholders' equity	7,463,476	7,344,877
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,640	1,364
Total valuation and translation adjustments	3,640	1,364
Share acquisition rights	529,487	626,008
Total net assets	7,996,604	7,972,250
Total liabilities and net assets	21,916,271	21,710,804

Statements of Income (cumulative)

(Thousands of yen)

	Three months ended October 31, 2020	Three months ended October 31, 2021
Net sales	5,372,023	7,007,406
Cost of sales	3,887,803	5,085,494
Gross profit	1,484,220	1,921,911
Selling, general and administrative expenses	1,417,613	2,027,773
Operating profit (loss)	66,607	(105,862)
Non-operating income		
Interest income	2,580	2,558
Miscellaneous income	4,103	1,685
Total non-operating income	6,683	4,243
Non-operating expenses		
Interest expenses	8,163	8,278
Loss on extinguishment of stock-based compensation expenses	3,500	22,301
Miscellaneous losses	2,571	737
Total non-operating expenses	14,234	31,317
Ordinary profit (loss)	59,055	(132,937)
Extraordinary income		
Gain on reversal of share acquisition rights	—	786
Total extraordinary income	—	786
Extraordinary losses		
Loss on retirement of non-current assets	—	154
Total extraordinary losses	—	154
Profit (loss) before income taxes	59,055	(132,304)
Income taxes - current	17,118	963
Income taxes - deferred	(602)	8,510
Total income taxes	16,516	9,474
Profit (loss)	42,539	(141,779)

Results by Segment

Three months ended October 31,2020

(Thousands of yen)

	Reportable segments				Other	Total	Reconciling items	Per quarterly financial statements
	Raksul	Novasell	Hacobell	Reportable segments				
Sales								
Revenues from external customers	4,430,065	322,795	553,033	5,305,894	66,128	5,372,023	—	5,372,023
Transactions with other segments	—	—	—	—	—	—	—	—
Net sales	4,430,065	322,795	553,033	5,305,894	66,128	5,372,023	—	5,372,023
Operating profit (loss)	408,135	16,433	(27,624)	396,944	23,843	420,787	(354,180)	66,607

Three months ended October 31,2021

(Thousands of yen)

	Reportable segments				Other	Total	Reconciling items	Per quarterly financial statements
	Raksul	Novasell	Hacobell	Reportable segments				
Sales								
Revenues from external customers	5,461,139	720,528	741,373	6,923,040	84,366	7,007,406	—	7,007,406
Transactions with other segments	—	—	—	—	—	—	—	—
Net sales	5,461,139	720,528	741,373	6,923,040	84,366	7,007,406	—	7,007,406
Operating profit (loss)	534,461	(25,823)	(79,692)	428,946	29,829	458,775	(564,637)	(105,862)