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Summary of Financial Results for the Six Months Ended January 31, 2022 (Based on Japanese GAAP)

March 11, 2022

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: March 11, 2022
 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 six months ended January 31, 2022 (August 1, 2021 - January 31, 2022)

(1) Operating results (cumulative)

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

	Net sales		Gross profit		Operating profit		non-GAAP EBITDA※	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended January 31, 2022	15,041	25.1	4,196	30.1	(41)	–	391	(25.3)
Six months ended January 31, 2021	12,022	19.0	3,224	35.7	212	–	524	–

	Ordinary profit		Net profit		Earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended January 31, 2022	(96)	–	(76)	–	(2.65)	–
Six months ended January 31, 2021	195	–	124	–	4.40	3.97

※Non-GAAP EBITDA is calculated by deducting or adjusting non-recurring items and other specific adjustable items from GAAP profits (Japan GAAP) based on certain rules. We disclose non-GAAP figures as we believe they are useful in understanding our fundamental business performance. Specifically, we adjust certain one-off profits and losses that we deem deductible (mainly stock-based compensation, depreciation and goodwill amortization expenses).

(2) Financial position

	Total assets		Net assets		Equity ratio
	Millions of yen		Millions of yen		%
As of January 31, 2022	21,761		8,536		35.9
As of July 31, 2021	21,916		7,996		34.1

Reference: Shareholders' equity January 31, 2022: 7,809 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	–	0.00	–	0.00	0.00
Year ending July 31, 2022 (forecast)	–	–	–	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	—	—	—	—	—	—

Note: Revisions of most recent financial results forecast: No

Note: The Company will introduce a consolidated accounting system from the third quarter of the fiscal year ending July 31, 2022, hence the non-consolidated financial forecast will be withdrawn. The consolidated earnings forecast for the fiscal year ending July 31, 2022 has not changed from the "Announcement of Completion of Acquisition of DANBALL ONE, Inc. as a Wholly Owned Subsidiary, Recording of Extraordinary Gain and Notice concerning Consolidated Financial Forecast in connection with Commencement of Consolidated Accounting" disclosed on February 1, 2022.

Consolidated Financial Forecast for the Fiscal Year Ending July 31, 2022 (August 1st, 2021 - July 31st, 2022)

	Net sales	Gross profit	Operating profit	non-GAAP EBITDA	Ordinary profit (loss)	Profit attribute to owners of the parent	Earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Full year	35,600 ~36,600	10,200 ~10,600	330 ~380	1,440 ~1,540	(210) ~(160)	320 ~370	11.06 ~12.78

As the Company did not consolidate accounts for the fiscal year ending July 31, 2021, the percentage change from the previous fiscal year is not shown.

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 January 31, 2022	28,895,140 shares	As of July 31, 2021	28,729,220 shares
2) Number of treasury stock at the end of period			
As of January 31, 2022	22,372 shares	As of July 31, 2021	12,180 shares
3) Average number of shares outstanding during the period			
Six months ended January 31, 2022	28,795,707 shares	Six months ended January 31, 2021	28,362,592 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 January 31, 2022
Assets		
Current assets		
Cash and deposits	13,447,522	12,471,193
Notes receivable - trade	23,297	25,684
Electronically recorded monetary claims - operating	8,085	7,660
Accounts receivable - trade	2,922,841	3,127,719
Raw materials and supplies	5,396	4,846
Prepaid expenses	348,716	483,032
Other	160,856	195,463
Allowance for doubtful accounts	(358)	(7,121)
Total current assets	16,916,358	16,308,479
Non-current assets		
Property, plant and equipment		
Buildings	208,031	208,031
Accumulated depreciation	(79,530)	(87,988)
Buildings, net	128,500	120,042
Machinery and equipment	751,336	751,336
Accumulated depreciation	(447,985)	(485,551)
Machinery and equipment, net	303,350	265,784
Tools, furniture and fixtures	79,489	63,146
Accumulated depreciation	(54,436)	(42,068)
Tools, furniture and fixtures, net	25,052	21,077
Total property, plant and equipment	456,904	406,904
Intangible assets		
Software	329,547	321,492
Software in progress	40,996	59,001
Total intangible assets	370,543	380,494
Investments and other assets		
Investment securities	203,384	242,721
Shares of subsidiaries and associates	3,447,680	3,730,559
Long-term prepaid expenses	211,456	331,043
Guarantee deposits	140,139	140,065
Long-term deposits	12,000	8,000
Deferred tax assets	157,803	213,151
Total investments and other assets	4,172,464	4,665,541
Total non-current assets	4,999,912	5,452,939
Total assets	21,916,271	21,761,419

(Thousands of yen)

	As of July 31, 2021	As of January 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	2,347,182	2,161,504
Current portion of long-term borrowings	1,287,220	1,582,664
Accounts payable - other	771,949	1,000,963
Income taxes payable	164,905	72,015
Accrued consumption taxes	258,286	102,119
Contract liabilities	121,497	104,481
Provision for bonuses	—	98,169
Other	117,231	47,123
Total current liabilities	5,068,273	5,169,042
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	5,033,333	5,028,333
Long-term borrowings	3,712,780	2,921,448
Asset retirement obligations	105,280	105,675
Total non-current liabilities	8,851,393	8,055,456
Total liabilities	13,919,667	13,224,498
Net assets		
Shareholders' equity		
Share capital	2,452,848	2,658,493
Deposits for subscriptions of shares	—	11,987
Capital surplus		
Legal capital surplus	5,260,187	5,465,832
Total capital surplus	5,260,187	5,465,832
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(249,073)	(325,378)
Total retained earnings	(249,073)	(325,378)
Treasury shares	(485)	(858)
Total shareholders' equity	7,463,476	7,810,076
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,640	(737)
Total valuation and translation adjustments	3,640	(737)
Share acquisition rights	529,487	727,581
Total net assets	7,996,604	8,536,920
Total liabilities and net assets	21,916,271	21,761,419

Statements of Income (cumulative)

(Thousands of yen)

	Six months ended January 31, 2021	Six months ended January 31, 2022
Net sales	12,022,084	15,041,111
Cost of sales	8,797,382	10,844,816
Gross profit	3,224,701	4,196,295
Selling, general and administrative expenses	3,012,072	4,237,788
Operating profit (loss)	212,629	(41,493)
Non-operating income		
Interest income	5,081	5,059
Dividend income	—	1,180
Miscellaneous income	6,005	3,987
Total non-operating income	11,087	10,226
Non-operating expenses		
Interest expenses	16,523	16,123
Loss on investments in investment partnerships	690	331
Loss on extinguishment of stock-based compensation expenses	4,641	45,890
Miscellaneous losses	6,262	2,636
Total non-operating expenses	28,118	64,980
Ordinary profit (loss)	195,597	(96,247)
Extraordinary income		
Gain on reversal of share acquisition rights	—	786
Total extraordinary income	—	786
Extraordinary losses		
Loss on retirement of non-current assets	6,372	1,333
Total extraordinary losses	6,372	1,333
Profit (loss) before income taxes	189,225	(96,794)
Income taxes - current	65,648	34,903
Income taxes - deferred	(1,205)	(55,393)
Total income taxes	64,442	(20,489)
Profit (loss)	124,782	(76,305)

Statements of Cash Flows (cumulative)

(Thousands of yen)

	Six months ended January 31, 2021	Six months ended January 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	189,225	(96,794)
Depreciation	96,884	103,600
Share-based payment expenses	215,074	329,676
Loss (gain) on investments in investment partnerships	690	331
Increase (decrease) in allowance for doubtful accounts	(29)	6,763
Increase (decrease) in provision for bonuses	—	98,169
Interest and dividend income	(5,081)	(6,239)
Interest expenses	16,523	16,123
Loss on retirement of non-current assets	6,372	1,333
Decrease (increase) in trade receivables	(427,058)	(206,839)
Increase (decrease) in trade payables	382,245	(185,677)
Increase (decrease) in accounts payable - other	69,872	224,983
Increase (decrease) in accrued consumption taxes	77,314	(156,167)
Other, net	23,717	(95,682)
Subtotal	645,750	33,579
Interest and dividends received	81	1,239
Interest paid	(15,892)	(11,494)
Income taxes paid	(3,627)	(111,723)
Income taxes refund	9,655	497
Net cash provided by (used in) operating activities	635,967	(87,901)
Cash flows from investing activities		
Purchase of shares of subsidiaries and associates	(3,432,738)	(282,879)
Purchase of property, plant and equipment	(9,476)	(3,179)
Purchase of intangible assets	(61,345)	(61,849)
Purchase of investment securities	(23,383)	(39,954)
Proceeds from refund of leasehold deposits	31,731	—
Proceeds from refund of guarantee deposits	1,503	—
Short-term loan advances	(2,500)	(50,972)
Proceeds from collection of short-term loans receivable	2,500	—
Payments into long-term deposits	(16,000)	—
Net cash provided by (used in) investing activities	(3,509,709)	(438,835)
Cash flows from financing activities		
Repayments of long-term borrowings	—	(495,888)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	55,703	34,680
Proceeds from payment of deposit for subscriptions to shares	—	11,987
Purchase of treasury shares	—	(372)
Net cash provided by (used in) financing activities	55,703	(449,591)
Net increase (decrease) in cash and cash equivalents	(2,818,039)	(976,329)
Cash and cash equivalents at beginning of period	15,451,377	13,447,522
Cash and cash equivalents at end of period	12,633,338	12,471,193

Results by Segment

Six months ended January 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	9,503,592	820,905	1,557,652	11,882,150	139,934	12,022,084	—	12,022,084
Transactions with other segments	—	—	—	—	—	—	—	—
Net sales	9,503,592	820,905	1,557,652	11,882,150	139,934	12,022,084	—	12,022,084
Operating profit (loss)	923,812	26,795	(15,825)	934,782	51,004	985,787	(773,158)	212,629

Six months ended January 31,2022

(Thousands of yen)

	Reportable segments				Other	Total	Reconciling items	Per quarterly financial statements
	Raksul	Novasell	Hacobell	Reportable segments				
Sales								
Revenues from external customers	11,553,536	1,728,295	1,577,087	14,858,919	182,192	15,041,111	—	15,041,111
Transactions with other segments	—	—	—	—	—	—	—	—
Net sales	11,553,536	1,728,295	1,577,087	14,858,919	182,192	15,041,111	—	15,041,111
Operating profit (loss)	1,175,585	37,738	(139,295)	1,074,028	65,862	1,139,890	(1,181,384)	(41,493)