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Summary of Consolidated Financial Results for the Nine Months Ended April 30, 2022 (Based on Japanese GAAP)

June 10, 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: June 10, 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. Consolidated Financial Results for the Nine Months Ended April 30, 2022 (August 1, 2021 - April 30, 2022)

(1) Consolidated 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	%
Nine months ended April 30, 2022	24,424	–	7,003	–	149	–	952	–
Nine months ended April 30, 2021	–	–	–	–	–	–	–	–

	Ordinary profit		Net profit attribute to owners of parent		Earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Nine months ended April 30, 2022	(333)	–	337	–	11.72	10.78
Nine months ended April 30, 2021	–	–	–	–	–	–

Note: Comprehensive income Nine months ended April 30, 2022: 337 million yen
Nine months ended April 30, 2021: – million yen

※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 April 30, 2022	23,964	8,472	31.9
As of July 31, 2021	–	–	–

Reference: Shareholders' equity April 30, 2022: 7,643 million yen July 31, 2021: – 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	–		
Year ending July 31, 2022 (forecast)			–	0.00	0.00

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

3. Consolidated Financial Results 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		Gross profit		Operating profit		non-GAAP EBITDA※	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending July 31,2022	33,400	—	9,600	—	330	—	1,440	—
	~33,800		~9,800		~380		~1,540	

	Ordinary profit		Net profit attribute to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending July 31,2022	(250)	—	880	—	30.00
	~(200)		~930		~32.00

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.

Note: Reasoning for the revision of financial forecast

For the revenue of the current fiscal year, we expected to see a decrease from the previously announced figures. The Raksul segment has been affected by the external environment as semi-state of emergency COVID-19 measures were continuously extended, while the revenue from Novasell segment decreased as demand from startup companies, our main customers of this segment, weakened resulting from changes in the financing environment.

Regarding profits, as we have been focused on improving gross margins in each business, we expect the gross profit, which is the source of enterprise value, to be 9.6 billion yen - 9.8 billion yen. This is mainly due to growth of SaaS profits and profit contribution from DANBALL ONE. Inc. ("DANBALL ONE"), which became our wholly owned subsidiary in February 2022.

Based on our continuous efforts on cost management with a stronger focus on return on investment for SG&A expenses, we expect the EBITDA (non-GAAP) to be 1.44 billion yen - 1.54 billion yen and the operating profit to be 330 million yen - 380 million yen, the same level as the previously announced forecast.

The figures for ordinary profit and below include the equity method investment gains and losses of ¥422 million as we prepared consolidated financial statements retrospectively from the beginning of the fiscal year due to the commencement of consolidated accounting in the middle of the fiscal year, as well as ¥744 million of the valuation gain (gain on step acquisition) of DANBALL ONE due to the additional acquisition as per previous announcement, and incorporate deferred tax assets of ¥745 million as adjustments to income taxes (gain).

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 April 30, 2022 | 28,968,840 shares | As of July 31, 2021 | 28,729,220 shares |
| 2)Number of treasury stock at the end of period | | | |
| As of April 30, 2022 | 26,538 shares | As of July 31, 2021 | 12,180 shares |
| 3)Average number of shares outstanding during the period | | | |
| Nine months ended April 30,2022 | 28,836,121 shares | Nine months ended April 30, 2021 | 28,433,598 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 Consolidated Financial Statements

Consolidated Balance Sheets

(Thousands of yen)

As of April 30, 2022

Assets	
Current assets	
Cash and deposits	10,027,847
Notes and accounts receivable - trade, and contract assets, net	4,443,058
Merchandise and finished goods	236,659
Raw materials and supplies	5,521
Prepaid expenses	473,932
Other	238,740
Allowance for doubtful accounts	(11,718)
Total current assets	15,414,042
Non-current assets	
Property, plant and equipment	
Buildings and structures	212,787
Accumulated depreciation	(92,944)
Buildings and structures, net	119,843
Machinery, equipment and vehicles	775,630
Accumulated depreciation	(514,942)
Machinery, equipment and vehicles, net	260,688
Other	87,148
Accumulated depreciation	(68,238)
Other, net	18,910
Total property, plant and equipment	399,441
Intangible assets	
Goodwill	4,832,015
Other	505,428
Total intangible assets	5,337,444
Investments and other assets	
Investment securities	346,283
Shares of subsidiaries and associates	1,551,693
Investments in other securities of subsidiaries and associates	278,600
Long-term prepaid expenses	267,012
Deferred tax assets	214,648
Other	155,159
Total investments and other assets	2,813,398
Total non-current assets	8,550,283
Total assets	23,964,325

As of April 30, 2022

Liabilities	
Current liabilities	
Accounts payable - trade	2,836,273
Short-term borrowings	800,000
Current portion of long-term borrowings	1,773,114
Accounts payable - other	841,490
Accrued expenses	235,385
Income taxes payable	69,910
Accrued consumption taxes	139,507
Contract liabilities	124,934
Provision for bonuses	59,389
Other	63,139
Total current liabilities	6,943,144
Non-current liabilities	
Convertible-bond-type bonds with share acquisition rights	5,025,833
Long-term borrowings	3,417,124
Asset retirement obligations	105,873
Total non-current liabilities	8,548,830
Total liabilities	15,491,975
Net assets	
Shareholders' equity	
Share capital	2,670,082
Deposits for subscriptions of shares	11,987
Capital surplus	5,477,421
Retained earnings	(518,484)
Treasury shares	(858)
Total shareholders' equity	7,640,149
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	3,102
Total accumulated other comprehensive income	3,102
Share acquisition rights	829,098
Total net assets	8,472,350
Total liabilities and net assets	23,964,325

Quarterly Consolidated Statements of Income (cumulative)

(Thousands of yen)

	Nine months ended April 30, 2022
Net sales	24,424,223
Cost of sales	17,420,290
Gross profit	7,003,933
Selling, general and administrative expenses	6,853,978
Operating profit	149,954
Non-operating income	
Interest income	7,642
Dividend income	1,180
Other	11,160
Total non-operating income	19,983
Non-operating expenses	
Interest expenses	25,168
Loss on extinguishment of stock-based compensation expenses	48,533
Share of loss of entities accounted for using equity method	422,584
Other	7,336
Total non-operating expenses	503,622
Ordinary loss	(333,684)
Extraordinary income	
Gain on reversal of share acquisition rights	786
Gain on step acquisitions	744,331
Total extraordinary income	745,118
Extraordinary losses	
Loss on retirement of non-current assets	1,333
Loss on change in equity	18,339
Total extraordinary losses	19,673
Profit before income taxes	391,760
Income taxes - current	110,732
Income taxes - deferred	(56,890)
Total income taxes	53,842
Profit	337,917
Profit attributable to non-controlling interests	—
Profit attributable to owners of parent	337,917

Quarterly Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Nine months ended April 30, 2022
Profit	337,917
Other comprehensive income	
Valuation difference on available-for-sale securities	(537)
Total other comprehensive income	(537)
Comprehensive income	337,380
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	337,380
Comprehensive income attributable to non-controlling interests	—

Results by Segment

Nine months ended April 30,2022

(Thousands of yen)

	Reportable segments				Other	Total	Reconciling items	Per quarterly Consolidated financial statements
	Raksul	Novasell	Hacobell	Reportable segments				
Sales								
Revenues from external customers	19,448,112	2,262,271	2,446,588	24,156,972	267,251	24,424,223	—	24,424,223
Transactions with other segments	—	4,327	—	4,327	85,302	89,629	(89,629)	—
Net sales	19,448,112	2,266,598	2,446,588	24,161,300	352,553	24,513,853	(89,629)	24,424,223
Operating profit (loss)	2,039,388	(91,597)	(164,493)	1,783,297	175,571	1,958,869	(1,808,914)	149,954