

English Translation

This document is an excerpt translation of the original Japanese document and is only for reference purposes.
In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.



Summary of Consolidated Financial Results for the Six Months Ended January 31, 2023 (Based on Japanese GAAP)

March 10, 2023

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 of filing annual securities report: March 10, 2023
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 Six Months Ended January 31, 2023 (August 1, 2022 - January 31, 2023)

(1) Consolidated Operating Results

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

	Net sales		Gross profit		Operating profit		non-GAAP EBITDA*1	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended January 31, 2023	19,510	–	5,880	–	951	–	1,636	–
January 31, 2022	–	–	–	–	–	–	–	–

Note: Comprehensive income For the Six months ended January 31, 2023: 1,317 million yen (-%)
For the Six months ended January 31, 2022: – million yen (-%)

	Ordinary profit		Net profit attribute to owners of parent		Earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended January 31, 2023	791	–	1,326	–	22.83	21.57
January 31, 2022	–	–	–	–	–	–

	Return on shareholders' Equity	Ordinary profit to total assets	Operating profit to net sales
	%	%	%
Six months ended January 31, 2023	14.8	2.8	4.9
January 31, 2022	–	–	–

Note: Figures for the Six Months Ended January 31, 2022 and percentage change from the previous fiscal year are not shown since the Company began preparing consolidated financial statements from the 3Q of fiscal year ending July 31, 2022.

Reference: Share of loss (profit) of entities accounted for using equity method:

For the Six months ended January 31, 2023: (111) million yen

For the Six months ended January 31, 2022: – million yen

*1 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 The Company conducted a 2-for-1 stock split of shares of common stock on February 1, 2023, and earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ending July 31, 2023.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
As of January 31, 2023	28,855	10,648	33.0	163.64
July 31, 2022	28,633	9,312	29.3	144.26

Reference: Shareholders' equity January 31, 2023: 9,511 million yen July 31, 2022: 8,382 million yen

2. Dividends

	Annual Dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended January 31, 2022	–	0.00	–	0.00	0.00
Year ending January 31, 2023	–	0.00			
Year ending January 31, 2023(forecast)			–	–	–

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending July 31, 2023 (August 1, 2022 - July 31, 2023)

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

Fiscal year ending	Net sales		Gross profit		Operating profit		non-GAAP EBITDA	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
July 31, 2023	39,000	14.8	11,800	20.4	1,400	202.4	2,700	65.2
excluding the impact of Hacobell's deconsolidation	~39,600	~16.5	~12,200	~24.4	~1,700	~267.2	~2,950	~80.5
		28.6		26.4				
		~30.6		~30.7				

Fiscal year ending	Ordinary profit		Net profit attribute to owners of parent	
	Millions of yen	%	Millions of yen	%
July 31, 2023	800	–	900	(11.9)
	~1,000		~1,100	~7.6

Note: Reasoning for the revision of financial forecast

For the revenue and gross profit of the current fiscal year, amid signs of recovery in the economic environment, we expect to see increase in both revenue and profit mainly from the Raksul business segment with expansion of enterprise services and continued growth of DANBALL ONE, Inc., raising the lower limit of the previously announced forecast.

We expect the operating profit to be 1,400 million yen - 1,700 million yen, EBITDA (non-GAAP) to be 2,700 million yen - 2,950 million yen, ordinary profit to be 800 million yen - 1,000 million yen, based on our continuous efforts on cost management with a stronger focus on return on investment for SG&A expenses. Aforementioned profits are expected to increase, and we show steady performance based on the Company's medium-term financial policy "Quality Growth," with further focus on profit and cashflow generation.

As per "Summary of Consolidated Financial Results for the Three Months Ended October 31, 2022 (Based on Japanese GAAP)" disclosed on December 12, 2022, the figure for net profit attribute to owners of parent includes 1,588 million yen of extraordinary income (gain on sales of shares in subsidiaries) resulting from transactions related to HACOPELL INC.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation) : None

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

(3) 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 |

(4) Number of shares outstanding (common shares)

- | | | | |
|---|-------------------|------------------------|-------------------|
| 1) Number of shares outstanding at the end of period (including treasury stock) | | | |
| As of January 31, 2023 | 58,377,720 shares | As of July 31, 2022 | 58,160,200 shares |
| 2) Number of treasury stock at the end of period | | | |
| As of January 31, 2023 | 252,652 shares | As of July 31, 2022 | 57,570 shares |
| 3) Average number of shares outstanding during the period | | | |
| As of January 31, 2023 | 58,119,752 shares | As of January 31, 2022 | 57,591,414 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

Consolidated Balance Sheets

(Millions of yen)

	As of July 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	13,682	14,598
Notes and accounts receivable - trade	4,903	4,093
Merchandise and finished goods	201	238
Raw materials and supplies	8	13
Prepaid expenses	583	479
Other	281	367
Allowance for doubtful accounts	(0)	(0)
Total current assets	19,660	19,791
Non-current assets		
Property, plant and equipment		
Buildings and structures	212	210
Accumulated depreciation	(97)	(104)
Buildings and structures, net	115	105
Machinery, equipment and vehicles	775	776
Accumulated depreciation	(534)	(573)
Machinery, equipment and vehicles, net	241	203
Other	83	83
Accumulated depreciation	(66)	(63)
Other, net	16	20
Total property, plant and equipment	373	328
Intangible assets		
Goodwill	4,708	4,460
Software	395	342
Software in progress	88	50
Other	15	11
Total intangible assets	5,208	4,864
Investments and other assets		
Investment securities	633	679
Shares of subsidiaries and associates	1,436	2,241
Long-term prepaid expenses	202	116
Deferred tax assets	968	664
Other	151	168
Total investments and other assets	3,391	3,870
Total non-current assets	8,973	9,063
Total assets	28,633	28,855

As of July 31, 2022

As of January 31, 2023

Liabilities		
Current liabilities		
Accounts payable - trade	3,234	2,914
Accounts payable - other, and accrued expenses	1,239	760
Short-term borrowings	800	800
Current portion of long-term borrowings	1,695	1,680
Income taxes payable	288	805
Accrued consumption taxes	213	203
Contract liabilities	91	135
Provision for bonuses	135	154
Other	75	51
Total current liabilities	7,774	7,506
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	5,023	5,018
Long-term borrowings	6,417	5,576
Asset retirement obligations	106	105
Total non-current liabilities	11,546	10,700
Total liabilities	19,320	18,206
Net assets		
Shareholders' equity		
Share capital	2,694	2,726
Capital surplus	5,501	5,534
Retained earnings	165	1,538
Treasury shares	(0)	(300)
Total shareholders' equity	8,360	9,498
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22	13
Total accumulated other comprehensive income	22	13
Share acquisition rights	930	1,136
Total net assets	9,312	10,648
Total liabilities and net assets	28,633	28,855

Consolidated Statements of Income (cumulative)

(Millions of yen)

	Six months ended January 31, 2023
Net sales	19,510
Cost of sales	13,630
Gross profit	5,880
Selling, general and administrative expenses	4,928
Operating profit	951
Non-operating income	
Interest income	5
Dividend income	1
Miscellaneous income	5
Total non-operating income	12
Non-operating expenses	
Interest expenses	28
Loss on extinguishment of stock-based compensation expenses	21
Share of loss of entities accounted for using equity method	111
Other	10
Total non-operating expenses	171
Ordinary profit	791
Extraordinary income	
Gain on sale of shares of subsidiaries	1,588
Gain on change in equity	69
Other	7
Total extraordinary income	1,665
Extraordinary losses	
Loss on valuation of investment securities	99
Loss on retirement of non-current assets	1
Other	3
Total extraordinary losses	104
Profit before income taxes	2,352
Income taxes - current	717
Income taxes - deferred	307
Total income taxes	1,025
Profit	1,326
Profit attributable to non-controlling interests	—
Profit attributable to owners of parent	1,326

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended January 31, 2023
Profit	1,326
Other comprehensive income	
Valuation difference on available-for-sale securities	(9)
Total other comprehensive income	(9)
Comprehensive income	1,317
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,317
Comprehensive income attributable to non-controlling interests	—

Statements of Cash Flows (cumulative)

(Millions of yen)

Six months ended
January 31, 2023

Cash flows from operating activities	
Profit before income taxes	2,352
Depreciation	114
Amortization of goodwill	247
Share-based payment expenses	322
Loss (gain) on valuation of securities	99
Share of loss (profit) of entities accounted for using equity method	111
Loss (gain) on change in equity	(69)
Loss (gain) on sale of shares of subsidiaries	(1,588)
Interest and dividend income	(7)
Interest expenses	28
Increase (decrease) in provision for bonuses	18
Decrease (increase) in trade receivables	206
Decrease (increase) in inventories	(42)
Increase (decrease) in trade payables	56
Increase (decrease) in accounts payable - other, and accrued expenses	(163)
Increase (decrease) in accrued consumption taxes	(10)
Other, net	117
Subtotal	1,796
Interest and dividends received	2
Interest paid	(29)
Income taxes paid	(227)
Net cash provided by (used in) operating activities	1,542
Cash flows from investing activities	
Purchase of property, plant and equipment	(1)
Purchase of intangible assets	(57)
Purchase of investment securities	(46)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	685
Payments of leasehold deposits	(15)
Short-term loan advances	(156)
Proceeds from collection of short-term loans receivable	59
Net cash provided by (used in) investing activities	468
Cash flows from financing activities	
Repayments of long-term borrowings	(854)
Proceeds from issuance of share acquisition rights	29
Proceeds from issuance of shares resulting from exercise of share acquisition rights	30
Purchase of treasury shares	(299)
Net cash provided by (used in) financing activities	(1,094)
Net increase (decrease) in cash and cash equivalents	916
Cash and cash equivalents at beginning of period	13,682
Cash and cash equivalents at end of period	14,598

Results by Segment

Six months ended January 31, 2023

(Millions of yen)

	Reportable segments			Other	Total	Reconciling items	Per Consolidated financial statements
	Raksul	Novasell	Reportable segments				
Sales							
Revenues from external customers	17,855	1,345	19,200	309	19,510	—	19,510
Transactions with other segments	2	1	3	16	19	(19)	—
Net sales	17,857	1,347	19,204	325	19,530	(19)	19,510
Operating profit	1,818	39	1,857	87	1,945	(993)	951