

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 Fiscal Year Ended July 31, 2023 (Based on Japanese GAAP)

September 12, 2023

Company name: RAKSUL INC.
Listed stock exchange : Tokyo
Stock code: 4384 <https://corp.raksul.com/>
Representative: Representative Director, President, and CEO Yo Nagami
Inquiries: CAO, SVP of Corporate Shinnosuke Nishida
Scheduled date of annual general meeting of shareholders October 26, 2023
Scheduled date of filing annual securities report: October 27, 2023
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 Fiscal Year Ended July 31, 2023 (August 1, 2022 - July 31, 2023)

(1) Consolidated Operating Results

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

Fiscal year ended	Net sales		Gross profit		Operating profit		non-GAAP EBITDA※	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
July 31, 2023	41,018	20.7	12,295	25.4	1,765	281.3	3,145	92.5
July 31, 2022	33,980	–	9,803	–	462	–	1,634	–

Note: Comprehensive income Fiscal year ended July 31, 2023: 4,343 million yen (317.5%)
Fiscal year ended July 31, 2022: 1,040 million yen (–%)

Fiscal year ended	Ordinary profit		Net profit attributable to owners of parent		Earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
July 31, 2023	1,168	–	1,329	30.1	22.86	21.56
July 31, 2022	(167)	–	1,021	–	17.69	16.47

Fiscal year ended	Return on shareholders' Equity	Ordinary profit to total assets	Operating profit to net sales
	%	%	%
July 31, 2023	12.7	3.8	4.3
July 31, 2022	12.2	(0.6)	1.4

Reference: Share of loss (profit) of entities accounted for using equity method:
Fiscal year ended July 31, 2023: (513) million yen
Fiscal year ended July 31, 2022: (532) million yen

(2) Consolidated Financial Position

Fiscal year ended	Total assets	Net assets	Equity ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
July 31, 2023	32,665	13,909	38.5	215.89
July 31, 2022	28,633	9,312	29.3	144.26

Reference: Shareholders' equity Fiscal year ended July 31, 2023: 12,567 million yen
Fiscal year ended July 31, 2022: 8,382 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, diluted earnings per share, and net assets per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended July 31, 2022.

*3 Since this is the first year of consolidation, return on shareholders' equity and ordinary profit to total assets for the fiscal year ended July 31, 2022, are calculated based on shareholders' equity and total assets at the end of the fiscal year, respectively.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
July 31, 2023	2,902	297	(2,238)	14,644
July 31, 2022	837	(2,808)	2,206	13,682

2. Dividends

	Annual Dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen			
July 31, 2022	–	0.00	–	0.00	0.00	–	–	–
July 31, 2023	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending July 31, 2024 (forecast)	–	0.00	–	0.00	0.00		–	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending July 31, 2024 (August 1, 2023 - July 31, 2024)

(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, 2024	47,000	14.6	14,500	17.9	2,000	13.3	3,780	20.2
	~48,000	~17.0	~15,000	~22.0	~2,200	~24.6	~3,880	~23.4

Fiscal year ending	Ordinary profit		Net profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%
July 31, 2024	1,400	19.8	900	(32.3)
	~1,500	~28.3	~1,000	~(24.8)

Future Prospects:

In order to realize our vision, "BETTER SYSTEMS, BETTER WORLD," the Company has shifted to a "Quality Growth" phase with further focus on profit and cash flow generation from FY2022 when the Company started consolidated financial statements. Based on the medium-term financial policy announced on March 11, 2021 and June 10, 2022, the Company is targeting a compound annual growth rate (CAGR) of 30% in gross profit for the period from FY2021 to FY2025, and a medium-to-long term ROE/ROIC target of 20% or more.

In the Raksul business segment, the Company sets gross profit as a key indicator and has a policy of maximizing non-GAAP EBITDA by continuing to improve gross margin and the efficiency of SG&A expenses as drivers of profitability improvement.

In the Novasell business segment, while continuing to reinvest in the business, the Company will maintain profitability throughout the year and focus on expanding revenue and gross profit.

Based on the policies above, for the fiscal year ending July 31, 2024, the Company expects revenue of 47,000 million yen to 48,000 million yen (+14.6 - 17.0% YoY), gross profit of 14,500 million yen to 15,000 million yen (+17.9 - 22.0% YoY), operating profit of 2,000 million yen to 2,200 million yen (+13.3 - 24.6% YoY), ordinary profit of 1,400 million yen to 1,500 million yen (+19.8 - 28.3% YoY), and net profit attributable to owners of parent of 900 million yen to 1,000 million yen (-32.3 - -24.8% YoY), and non-GAAP EBITDA, after adding back the stock-based compensation expenses, is expected to be 3,780 million yen to 3,880 million yen (+20.2 - 23.4% YoY).

Furthermore, the company announced "Tender Offer for AMIDA HOLDINGS CO., LTD ("AMIDA")" on August 10, 2023, and when AMIDA becomes a consolidated subsidiary after the tender offer, the Company's forecast will be as follows.

Specifically, for the fiscal year ending July 31, 2024, the Company expects revenue of 49,400 million yen to 50,400 million yen (+20.4 - 22.9% YoY), gross profit of 15,700 million yen to 16,200 million yen (+27.7 - 31.8% YoY), operating profit of 2,080 million yen to 2,280 million yen (+17.8 - 29.1% YoY), ordinary profit of 1,480 million yen to 1,580 million yen (+26.6 - 35.2% YoY), and net profit attributable to owners of parent of 900 million yen to 1,000 million yen (-32.3 - -24.8% YoY), and non-GAAP EBITDA, after adding back the stock-based compensation expenses, is expected to be 4,050 million yen to 4,150 million yen (+28.8 - 32.0% YoY).

4. Others

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries resulting in changes in scope of consolidation): 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 July 31, 2023 58,476,092 shares As of July 31, 2022 58,160,200 shares
 2) Number of treasury stock at the end of period
 As of July 31, 2023 264,312 shares As of July 31, 2022 57,570 shares
 3) Average number of shares outstanding during the period
 For the fiscal year ended July 31, 2023 58,158,961 shares For the fiscal year ended July 31, 2022 57,753,900 shares

*The Company conducted a 2-for-1 stock split of shares of common stock on February 1, 2023, and number of shares outstanding at the end of period, number of treasury stock at the end of period, and average number of shares outstanding during the period are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended July 31, 2022.

(Reference) Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2023 (August 1, 2022 - July 31, 2023)

(1) Non-consolidated Operating Results

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

Fiscal year ended	Net sales		Gross profit		Operating profit		non-GAAP EBITDA※	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
July 31, 2023	31,208	4.0	8,954	5.5	1,823	167.1	2,647	67.5
July 31, 2022	30,008	17.6	8,484	19.6	682	209.5	1,580	53.4

Fiscal year ended	Ordinary profit		Net profit		Earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
July 31, 2023	1,738	194.8	1,278	33.1	21.98	20.74
July 31, 2022	589	353.5	960	500.5	16.64	15.48

(2) Non-consolidated Financial Position

Fiscal year ended	Total assets	Net assets	Equity ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
July 31, 2023	30,085	14,357	43.3	223.62
July 31, 2022	25,821	9,852	34.6	153.55

Reference: Shareholders' equity Fiscal year ended July 31, 2023: 13,017 million yen
 Fiscal year ended July 31, 2022: 8,921 million yen

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.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of July 31, 2022	As of July 31, 2023
Assets		
Current assets		
Cash and deposits	13,682	14,644
Notes and accounts receivable - trade	4,903	4,718
Merchandise and finished goods	201	282
Raw materials and supplies	8	13
Prepaid expenses	583	549
Other	281	380
Allowance for doubtful accounts	(0)	(0)
Total current assets	19,660	20,589
Non-current assets		
Property, plant and equipment		
Buildings and structures	212	223
Accumulated depreciation	(97)	(113)
Buildings and structures, net	115	110
Machinery, equipment and vehicles	775	754
Accumulated depreciation	(534)	(599)
Machinery, equipment and vehicles, net	241	155
Other	83	95
Accumulated depreciation	(66)	(66)
Other, net	16	29
Total property, plant and equipment	373	294
Intangible assets		
Goodwill	4,708	4,212
Software	395	320
Software in progress	88	83
Other	15	8
Total intangible assets	5,208	4,625
Investments and other assets		
Investment securities	633	5,025
Shares of subsidiaries and associates	1,436	1,452
Long-term prepaid expenses	202	56
Deferred tax assets	968	194
Other	151	427
Total investments and other assets	3,391	7,156
Total non-current assets	8,973	12,076
Total assets	28,633	32,665

	As of July 31, 2022	As of July 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	3,234	3,299
Accounts payable - other, and accrued expenses	1,239	1,035
Short-term borrowings	800	800
Current portion of long-term borrowings	1,695	1,647
Income taxes payable	288	754
Accrued consumption taxes	213	294
Contract liabilities	91	160
Provision for bonuses	135	200
Other	75	100
Total current liabilities	7,774	8,292
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	5,023	5,013
Long-term borrowings	6,417	4,451
Asset retirement obligations	106	105
Deferred tax liabilities	—	892
Total non-current liabilities	11,546	10,463
Total liabilities	19,320	18,756
Net assets		
Shareholders' equity		
Share capital	2,694	2,742
Capital surplus	5,501	5,549
Retained earnings	165	1,540
Treasury shares	(0)	(300)
Total shareholders' equity	8,360	9,531
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22	3,036
Total accumulated other comprehensive income	22	3,036
Share acquisition rights	930	1,341
Total net assets	9,312	13,909
Total liabilities and net assets	28,633	32,665

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Net sales	33,980	41,018
Cost of sales	24,176	28,722
Gross profit	9,803	12,295
Selling, general and administrative expenses	9,340	10,529
Operating profit	462	1,765
Non-operating income		
Interest income	10	10
Dividend income	1	1
Exchange gain	3	6
Cash-back income	6	8
Other	6	10
Total non-operating income	28	38
Non-operating expenses		
Interest expenses	34	54
Loss on extinguishment share-based compensation expenses	72	41
Share of loss of entities accounted for using equity method	532	513
Other	19	24
Total non-operating expenses	658	634
Ordinary profit (loss)	(167)	1,168
Extraordinary income		
Gain on sale of shares of subsidiaries	—	1,588
Gain on change in equity	—	103
Gain on step acquisitions	744	—
Gain on reversal of share acquisition rights	0	1
Other	—	7
Total extraordinary income	745	1,701
Extraordinary losses		
Loss on retirement of non-current assets	2	11
Loss on valuation of securities	4	205
Loss on valuation of shares of subsidiaries	14	—
Loss on sales of shares subsidiaries and associates	—	147
Loss on change in equity	18	—
Settlement payments	39	—
Other	—	3
Total extraordinary losses	80	367
Profit before income taxes	497	2,502
Income taxes - current	293	836
Income taxes - deferred	(818)	336
Total income taxes	(524)	1,173
Profit	1,021	1,329
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,021	1,329

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Profit	1,021	1,329
Other comprehensive income		
Valuation difference on available-for-sale securities	18	3,014
Total other comprehensive income	18	3,014
Comprehensive income	1,040	4,343
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,040	4,343
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (August 1, 2021 - July 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,452	5,260	(249)	(0)	7,463
Changes during period					
Issuance of new shares	241	241	—	—	482
Profit attributable to owners of parent	—	—	1,021	—	1,021
Change of scope of consolidation and equity method	—	—	(607)	—	(607)
Purchase of treasury shares	—	—	—	(0)	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	241	241	414	(0)	896
Balance at end of period	2,694	5,501	165	(0)	8,360

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	3	3	529	—	7,996
Changes during period					
Issuance of new shares	—	—	—	—	482
Profit attributable to owners of parent	—	—	—	—	1,021
Change of scope of consolidation and equity method	—	—	—	—	(607)
Purchase of treasury shares	—	—	—	—	(0)
Net changes in items other than shareholders' equity	18	18	401	—	419
Total changes during period	18	18	401	—	1,316
Balance at end of period	22	22	930	—	9,312

Consolidated Statements of Changes in Equity

Current consolidated fiscal year (August 1, 2022 - July 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,694	5,501	165	(0)	8,360
Changes during period					
Issuance of new shares	48	48	—	—	96
Profit attributable to owners of parent	—	—	1,329	—	1,329
Change of scope of consolidation and equity method	—	—	45	—	45
Purchase of treasury shares	—	—	—	(299)	(299)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	48	48	1,375	(299)	1,171
Balance at end of period	2,742	5,549	1,540	(300)	9,531

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	22	22	930	—	9,312
Changes during period					
Issuance of new shares	—	—	—	—	96
Profit attributable to owners of parent	—	—	—	—	1,329
Change of scope of consolidation and equity method	—	—	—	—	45
Purchase of treasury shares	—	—	—	—	(299)
Net changes in items other than shareholders' equity	3,014	3,014	411	—	3,425
Total changes during period	3,014	3,014	411	—	4,596
Balance at end of period	3,036	3,036	1,341	—	13,909

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Cash flows from operating activities		
Profit before income taxes	497	2,502
Depreciation	227	231
Amortization of goodwill	247	495
Share-based payment expenses	695	652
Loss (gain) on valuation of securities	4	205
Loss (gain) on change in equity	18	(103)
Loss on valuation of shares of subsidiaries	14	—
Loss (gain) on sales of shares of subsidiaries	—	(1,588)
Loss (gain) on sales of shares of subsidiaries and associates	—	147
Loss (gain) on step acquisitions	(744)	—
Share of loss (profit) of entities accounted for using equity method	532	513
Loss on retirement of non-current assets	2	11
Interest and dividend income	(11)	(12)
Interest expenses	34	54
Increase (decrease) in allowance for doubtful accounts	(4)	—
Increase (decrease) in provision for bonuses	123	64
Decrease (increase) in trade receivables	(1,294)	(418)
Decrease (increase) in inventories	(30)	(85)
Increase (decrease) in trade payables	567	442
Increase (decrease) in accounts payable - other, and accrued expenses	270	84
Increase (decrease) in accrued consumption taxes	54	83
Other, net	(152)	73
Subtotal	1,053	3,354
Interest and dividends received	1	2
Interest paid	(33)	(55)
Income taxes paid	(184)	(399)
Net cash provided by (used in) operating activities	837	2,902
Cash flows from investing activities		
Purchase of property, plant and equipment	(3)	(8)
Purchase of intangible assets	(146)	(144)
Purchase of investment securities	(418)	(155)
Purchase of shares of subsidiaries and associates	(387)	—
Proceeds from sales of subsidiaries and associates	—	274
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,789)	—
Proceeds from sales of subsidiaries resulting in change in scope of consolidation	—	685
Payments of leasehold deposits	—	(275)
Short-term loan advances	(68)	(156)
Proceeds from collection of short-term loans receivable	4	76
Net cash provided by (used in) investing activities	(2,808)	297
Cash flows from financing activities		
Proceeds from short-term borrowings	800	—
Repayments of short-term borrowings	(600)	—
Proceeds from long-term borrowings	3,600	—
Repayments of long-term borrowings	(1,684)	(2,013)
Proceeds from issuance of share acquisition rights	—	30
Proceeds from issuance of shares resulting from exercise of share acquisition rights	91	44
Purchase of treasury shares	(0)	(299)
Net cash provided by (used in) financing activities	2,206	(2,238)
Net increase (decrease) in cash and cash equivalents	235	962
Cash and cash equivalents at beginning of period	13,447	13,682
Cash and cash equivalents at end of period	13,682	14,644

Results by Segment

Previous consolidated fiscal year (August 1, 2021 - July 31, 2022)

(Millions of yen)

	Reportable segments				Other	Total	Reconciling items	Per Consolidated financial statements
	Raksul	Novasell	Hacobell	Reportable segments				
Sales								
Revenues from external customers	27,325	2,824	3,478	33,628	351	33,980	—	33,980
Transactions with other segments	—	4	—	4	168	172	(172)	—
Net sales	27,325	2,828	3,478	33,633	520	34,153	(172)	33,980
Operating profit (loss)	3,001	(131)	(181)	2,689	283	2,972	(2,509)	462
Other Items								
Depreciation	168	7	24	200	—	200	26	227
Increase in property, plant and equipment and intangible assets	99	20	22	141	1	143	—	143

Current consolidated fiscal year (August 1, 2022 - July 31, 2023)

(Millions of yen)

	Reportable segments			Other	Total	Reconciling items	Per Consolidated financial statements
	Raksul	Novasell	Reportable segments				
Sales							
Revenues from external customers	37,751	2,652	40,403	614	41,018	—	41,018
Transactions with other segments	5	3	9	32	42	(42)	—
Net sales	37,756	2,656	40,413	647	41,060	(42)	41,018
Operating profit (loss)	3,701	(15)	3,686	176	3,862	(2,097)	1,765
Other Items							
Depreciation	197	11	208	5	214	17	231
Increase in property, plant and equipment and intangible assets	69	62	132	1	133	31	165