

English Translation

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

December 14, 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 filing annual securities report: December 14, 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 Three Months Ended October 31, 2023 (August 1, 2023 - October 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*	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
October 31, 2023	11,228	20.2	3,659	28.5	541	38.2	938	24.6
October 31, 2022	9,338	–	2,847	–	391	–	753	–

Note: Comprehensive income For the Three months October 31, 2023: 1,255 million yen (26.7%)
For the Three months October 31, 2022: 990 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	Yen	Yen
Three months ended								
October 31, 2023	429	68.1	1,240	24.3	21.27		20.21	
October 31, 2022	255	–	998	–	34.36		32.48	

	Return on shareholders' Equity		Ordinary profit to total assets		Operating profit to net sales	
		%		%		%
Three months ended						
October 31, 2023		9.4		1.4		4.8
October 31, 2022		11.2		0.9		4.2

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

For the Three months October 31, 2023: (94) million yen

For the Three months October 31, 2022: (120) million yen

Note: Percentage change for the 1Q of fiscal year ending July 31, 2023 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.

*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 are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended July 31, 2023.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net Assets per share	
	Millions of yen		Millions of yen		%	Yen	Yen	
As of								
October 31, 2023	34,494		15,193		40.1		236.92	
July 31, 2023	32,665		13,909		38.5		215.89	

Reference: Shareholders' equity October 31, 2023: 13,835 million yen July 31, 2023: 12,567 million yen

* The Company conducted a 2-for-1 stock split of shares of common stock on February 1, 2023, 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, 2023.

2. Dividends

	Annual Dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
Year ended July 31, 2023	Yen –	Yen 0.00	Yen –	Yen 0.00	Yen 0.00
Year ending July 31, 2024	–				
Year ending July 31, 2024 (forecast)		0.00	–	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, 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	49,400	20.4	15,700	27.7	2,080	17.8	4,050	28.8
	~50,400	~22.9	~16,200	~31.8	~2,280	~29.1	~4,150	~32.0

Fiscal year ending	Ordinary profit		Net profit attribute to owners of parent	
	Millions of yen	%	Millions of yen	%
July 31, 2024	1,550	19.8	1,700	27.9
	~1,650	~28.3	~1,800	~35.4

Note: Revisions of most recent financial results forecast: None

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: | None |
| 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 October 31, 2023 | 58,661,794 shares | As of July 31, 2023 | 58,476,092 shares |
| 2) Number of treasury stock at the end of period | | | |
| As of October 31, 2023 | 266,468 shares | As of July 31, 2023 | 264,312 shares |
| 3) Average number of shares outstanding during the period | | | |
| As of October 31, 2023 | 58,334,729 shares | As of October 31, 2022 | 58,104,224 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, 2023.

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
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of July 31, 2023	As of October 31, 2023
Assets		
Current assets		
Cash and deposits	14,644	10,223
Notes and accounts receivable - trade	4,718	4,896
Merchandise and finished goods	282	367
Raw materials and supplies	13	290
Prepaid expenses	549	710
Other	380	536
Allowance for doubtful accounts	(0)	(0)
Total current assets	20,589	17,024
Non-current assets		
Property, plant and equipment		
Buildings and structures	223	557
Accumulated depreciation	(113)	(213)
Buildings and structures, net	110	343
Machinery, equipment and vehicles	754	1,600
Accumulated depreciation	(599)	(993)
Machinery, equipment and vehicles, net	155	606
Land	-	113
Other	95	175
Accumulated depreciation	(66)	(125)
Other, net	29	49
Total property, plant and equipment	294	1,113
Intangible assets		
Goodwill	4,212	7,004
Software	320	518
Software in progress	83	71
Other	8	7
Total intangible assets	4,625	7,601
Investments and other assets		
Investment securities	5,025	7,019
Shares of subsidiaries and associates	1,452	778
Long-term prepaid expenses	56	27
Deferred tax assets	194	266
Other	427	663
Total investments and other assets	7,156	8,755
Total non-current assets	12,076	17,470
Total assets	32,665	34,494

As of July 31, 2023

As of October 31, 2023

Liabilities		
Current liabilities		
Accounts payable - trade	3,299	3,310
Accounts payable - other, and accrued expenses	1,035	1,630
Short-term borrowings	800	800
Current portion of long-term borrowings	1,647	1,604
Income taxes payable	754	240
Accrued consumption taxes	294	257
Contract liabilities	160	485
Provision for bonuses	200	92
Other	100	723
Total current liabilities	8,292	9,145
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	5,013	5,010
Long-term borrowings	4,451	4,078
Asset retirement obligations	105	114
Deferred tax liabilities	892	952
Total non-current liabilities	10,463	10,156
Total liabilities	18,756	19,301
Net assets		
Shareholders' equity		
Share capital	2,742	2,757
Capital surplus	5,549	5,564
Retained earnings	1,540	2,781
Treasury shares	(300)	(300)
Total shareholders' equity	9,531	10,803
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,036	3,031
Total accumulated other comprehensive income	3,036	3,031
Share acquisition rights	1,341	1,277
Non-controlling interests	–	80
Total net assets	13,909	15,193
Total liabilities and net assets	32,665	34,494

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(For the Three-month Period)

(Millions of yen)

	Three months ended October 31, 2022	Three months ended October 31, 2023
Net sales	9,338	11,228
Cost of sales	6,490	7,569
Gross profit	2,847	3,659
Selling, general and administrative expenses	2,456	3,117
Operating profit	391	541
Non-operating income		
Interest income	2	3
Foreign exchange gains	2	1
Other	2	9
Total non-operating income	7	15
Non-operating expenses		
Interest expenses	14	12
Loss on extinguishment of stock-based compensation expenses	2	1
Share of loss of entities accounted for using equity method	120	94
Other	6	18
Total non-operating expenses	143	127
Ordinary profit	255	429
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	–	1,183
Gain on sale of shares of subsidiaries	1,588	–
Gain on reversal of share acquisition rights	–	130
Gain on change in equity	69	–
Other	7	–
Total extraordinary income	1,665	1,313
Extraordinary losses		
Loss on valuation of investment securities	99	–
Loss on retirement of non-current assets	0	–
Other	3	–
Total extraordinary losses	104	–
Profit before income taxes	1,816	1,742
Income taxes - current	606	229
Income taxes - deferred	212	269
Total income taxes	818	498
Profit	998	1,244
Profit attributable to non-controlling interests	–	3
Profit attributable to owners of parent	998	1,240

Quarterly Consolidated Statements of Comprehensive Income
(For the Three-month Period)

(Millions of yen)

	Three months ended October 31, 2022	Three months ended October 31, 2023
Profit	998	1,244
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	(4)
Total other comprehensive income	(7)	(4)
Comprehensive income	990	1,239
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	990	1,236
Comprehensive income attributable to non-controlling interests	–	3

Results by Segment

I. Previous three months ended October 31, 2022 (August 1, 2022 – October 31, 2022)

1. Information on sales and profit or loss by reportable segment and disaggregation of revenue

(Millions of yen)

	Reportable segments			Other Business*1	Total	Reconciliation*2	Per Consolidated financial statements*3
	Raksul	Novasell	Total				
Sales							
Sales to external customers	8,540	642	9,182	155	9,338	—	9,338
Intersegment sales and transfers	0	0	1	84	86	(86)	—
Total	8,540	643	9,184	240	9,424	(86)	9,338
Segment profit (loss)	875	17	893	121	1,014	(622)	391

(Note) 1. "Other Business" consists of the following businesses which are not included in the reportable segments, which includes the System construction support business, and other businesses.

2. Reconciliation of segment profit of -622 million yen includes the amount of elimination of inter-segment transactions of -76 million yen and corporate expenses of -546 million yen that are not allocated to each reportable segment. Corporate expenses are mainly general and administrative expenses not attributable to the reportable segments.
3. Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statement of income.

2. Information on impairment losses on non-current assets or goodwill by reportable segment

Not applicable.

II. Current three months ended October 31, 2023 (August 1, 2023 – October 31, 2023)

1. Information on sales and profit or loss by reportable segment and disaggregation of revenue

(Millions of yen)

	Reportable segments			Other Business*1	Total	Reconciliation*2	Per Consolidated financial statements*3
	Raksul	Novasell	Total				
Sales							
Sales to external customers	10,450	359	10,809	418	11,228	—	11,228
Intersegment sales and transfers	1	0	1	3	5	(5)	—
Total	10,451	360	10,811	421	11,233	(5)	11,228
Segment profit (loss)	1,172	(139)	1,033	14	1,047	(506)	541

(Note) 1. "Other Business" consists of the following businesses which are not included in the reportable segments, which includes the System construction support business, and other businesses.

2. Reconciliation of segment profit of -506 million yen includes the amount of corporate expenses of -506 million yen that are not allocated to each reportable segment. Corporate expenses are mainly general and administrative expenses not attributable to the reportable segments.
3. Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statement of income.
4. There is no revenue other than revenue arising from contracts with customers.

2. Information on impairment losses on non-current assets or goodwill by reportable segment

(Significant changes in the amount of goodwill)

In Raksul segment, the amount of increase in goodwill due to the inclusion of AmidA Holdings Co., Ltd. and RAKSUL FACTORY INC. in the scope of consolidation is 2,256 million yen for the current quarter.

In Other Business segment, the amount of increase in goodwill due to the inclusion of Peraichi Inc. in the scope of consolidation is 659 million yen for the current quarter.

The amount of goodwill for which the allocation of acquisition costs has not yet been completed is provisionally calculated.