

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2023 (Based on Japanese GAAP)

February 9, 2024

Company name: rakumo Inc.
 Stock exchange listing: Tokyo
 Stock code: 4060 URL <https://corporate.rakumo.com/>
 Representative: President CEO and COO Daisuke Mitarai
 Inquiries: Director CFO Yuya Nishimura TEL 050(1746)9891
 Scheduled date of ordinary general meeting of shareholders: March 26, 2024
 Scheduled date to file Securities Report: March 27, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Adjusted EBITA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2023	1,295	18.1	334	41.5	303	30.9	296	31.6	196	6.4
Year ended December 31, 2022	1,096	13.8	236	3.7	232	1.9	225	1.8	184	(2.2)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2023	34.10	31.24	15.6	13.4	23.5
Year ended December 31, 2022	32.34	31.44	17.6	13.7	21.2

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	2,670	1,365	50.9	235.28
As of December 31, 2022	1,776	1,152	64.9	200.47

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2023	351	(357)	455	1,837
Year ended December 31, 2022	275	(92)	(47)	1,384

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ended December 31, 2023	–	0.00	–	0.00	0.00	–	–	–
Year ending December 31, 2024 (Forecast)	–	0.00	–	0.00	0.00	–	–	–

3. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2023
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	5,773,200 shares	As of December 31, 2022	5,748,900 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	111 shares	As of December 31, 2022	67 shares
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Average number of shares during the period

Year ended December 31, 2023	5,760,072 shares	Year ended December 31, 2022	5,707,335 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	1,435,554	1,888,966
Accounts receivable - trade	47,374	49,899
Work in process	380	329
Supplies	155	202
Other	44,602	46,419
Total current assets	1,528,067	1,985,819
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	36,905	33,863
Accumulated depreciation	(19,716)	(16,011)
Facilities attached to buildings, net	17,189	17,852
Tools, furniture and fixtures	24,479	31,950
Accumulated depreciation	(21,584)	(27,484)
Tools, furniture and fixtures, net	2,895	4,466
Total property, plant and equipment	20,084	22,319
Intangible assets		
Goodwill	84,794	290,049
Customer-related intangible assets	–	201,163
Software	52,652	71,722
Software in progress	13,905	10,331
Total intangible assets	151,351	573,266
Investments and other assets		
Investment securities	9,284	17,677
Deferred tax assets	43,897	31,379
Other	23,918	27,790
Total investments and other assets	77,100	76,847
Total non-current assets	248,536	672,433
Deferred assets		
Bond issuance costs	–	6,691
Issuance cost of subscription rights to shares	–	5,473
Total deferred assets	–	12,164
Total assets	1,776,603	2,670,417

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	33,885	43,902
Current portion of long-term borrowings	40,000	10,000
Income taxes payable	23,920	65,361
Contract liabilities	433,954	524,138
Provision for bonuses	5,916	4,143
Asset retirement obligations	1,847	–
Other	64,391	85,743
Total current liabilities	603,914	733,289
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	–	500,000
Long-term borrowings	10,000	–
Deferred tax liabilities	–	59,394
Asset retirement obligations	8,740	11,205
Other	1,459	1,336
Total non-current liabilities	20,199	571,937
Total liabilities	624,114	1,305,227
Net assets		
Shareholders' equity		
Share capital	390,235	392,469
Capital surplus	351,085	353,319
Retained earnings	394,808	591,243
Treasury shares	(112)	(169)
Total shareholders' equity	1,136,016	1,336,863
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	54
Foreign currency translation adjustment	16,473	21,352
Total accumulated other comprehensive income	16,473	21,407
Share acquisition rights	–	6,919
Total net assets	1,152,489	1,365,189
Total liabilities and net assets	1,776,603	2,670,417

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	1,096,831	1,295,450
Cost of sales	399,796	463,663
Gross profit	697,035	831,786
Selling, general and administrative expenses	464,737	527,807
Operating profit	232,297	303,978
Non-operating income		
Interest income	47	51
Other	1	174
Total non-operating income	48	226
Non-operating expenses		
Interest expenses	1,901	162
Foreign exchange losses	4,293	3,038
Amortization of bond issuance costs	–	1,029
Issuance cost of subscription rights to shares	–	1,563
Loss on investments in investment partnerships	650	1,553
Other	0	6
Total non-operating expenses	6,845	7,354
Ordinary profit	225,500	296,851
Extraordinary income		
Settlement income	–	989
Total extraordinary income	–	989
Extraordinary losses		
Settlement payments	3,670	–
Total extraordinary losses	3,670	–
Profit before income taxes	221,830	297,840
Income taxes - current	32,899	76,291
Income taxes - deferred	4,377	25,113
Total income taxes	37,277	101,405
Profit	184,552	196,434
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	184,552	196,434

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	184,552	196,434
Other comprehensive income		
Valuation difference on available-for-sale securities	–	54
Foreign currency translation adjustment	10,035	4,879
Total other comprehensive income	10,035	4,933
Comprehensive income	194,588	201,368
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	194,588	201,368
Comprehensive income attributable to non-controlling interests	–	–

Consolidated statements of changes in equity

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	385,260	346,110	210,255	(112)	941,513
Changes during period					
Issuance of new shares	4,975	4,975			9,950
Profit attributable to owners of parent			184,552		184,552
Net changes in items other than shareholders' equity					
Total changes during period	4,975	4,975	184,552	–	194,502
Balance at end of period	390,235	351,085	394,808	(112)	1,136,016

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	6,437	6,437	947,950
Changes during period			
Issuance of new shares			9,950
Profit attributable to owners of parent			184,552
Net changes in items other than shareholders' equity	10,035	10,035	10,035
Total changes during period	10,035	10,035	204,538
Balance at end of period	16,473	16,473	1,152,489

Fiscal year ended December 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	390,235	351,085	394,808	(112)	1,136,016
Changes during period					
Issuance of new shares	2,234	2,234			4,469
Profit attributable to owners of parent			196,434		196,434
Purchase of treasury shares				(56)	(56)
Net changes in items other than shareholders' equity					
Total changes during period	2,234	2,234	196,434	(56)	200,847
Balance at end of period	392,469	353,319	591,243	(169)	1,336,863

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	–	16,473	16,473	–	1,152,489
Changes during period					
Issuance of new shares					4,469
Profit attributable to owners of parent					196,434
Purchase of treasury shares					(56)
Net changes in items other than shareholders' equity	54	4,879	4,933	6,919	11,853
Total changes during period	54	4,879	4,933	6,919	212,700
Balance at end of period	54	21,352	21,407	6,919	1,365,189

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	221,830	297,840
Depreciation	38,743	52,015
Amortization of goodwill	4,037	22,297
Interest and dividend income	(47)	(51)
Interest expenses	1,901	162
Amortization of deferred assets	–	2,593
Decrease (increase) in trade receivables	490	(1,629)
Decrease (increase) in inventories	(316)	22
Increase (decrease) in trade payables	6,908	9,993
Increase (decrease) in provision for bonuses	1,893	(1,772)
Loss (gain) on investments in investment partnerships	650	1,553
Settlement payments	3,670	(989)
Increase (decrease) in contract liabilities	41,458	29,267
Decrease (increase) in advance payments to suppliers	557	4
Decrease (increase) in prepaid expenses	(3,004)	(2,737)
Decrease (increase) in consumption taxes refund receivable	(1,773)	1,159
Decrease (increase) in accounts receivable - other	1,850	1,172
Increase (decrease) in accounts payable - other	5,488	(37,659)
Increase (decrease) in accrued expenses	(622)	5,334
Increase (decrease) in accrued consumption taxes	(4,496)	4,485
Increase (decrease) in income taxes payable - factor based tax	(502)	447
Increase (decrease) in deposits received	395	(9,079)
Decrease (increase) in guarantee deposits	481	934
Other loss (gain)	25	84
Subtotal	319,618	375,450
Interest and dividends received	47	51
Interest paid	(1,905)	(260)
Income taxes paid	(39,065)	(24,498)
Settlement paid	(3,670)	–
Settlement received	–	989
Net cash provided by (used in) operating activities	275,026	351,732
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,007)	(5,219)
Purchase of investment securities	(10,000)	(10,000)
Purchase of intangible assets	(46,227)	(53,119)
Payments for asset retirement obligations	–	(2,000)
Proceeds from divestments	10	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(34,041)	(287,533)
Net cash provided by (used in) investing activities	(92,266)	(357,872)

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from financing activities		
Proceeds from issuance of shares	9,950	4,469
Repayments of long-term borrowings	(57,240)	(40,000)
Purchase of treasury shares	–	(56)
Decrease (increase) in deposits for purchase of treasury shares	–	499
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	–	491,512
Payments for issuance of subscription rights to shares	–	(813)
Net cash provided by (used in) financing activities	(47,290)	455,610
Effect of exchange rate change on cash and cash equivalents	8,793	4,414
Net increase (decrease) in cash and cash equivalents	144,263	453,885
Cash and cash equivalents at beginning of period	1,239,793	1,384,056
Cash and cash equivalents at end of period	1,384,056	1,837,942