

English Translation

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Summary of Consolidated Financial Results for the Six Months Ended January 31, 2024 (Based on Japanese GAAP)

March 13, 2024

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: March 13, 2024
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, 2024 (August 1, 2023 - January 31, 2024)

(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	%
Six months ended								
January 31, 2024	23,990	23.0	7,911	34.5	1,291	35.7	2,177	33.1
January 31, 2023	19,510	–	5,880	–	951	–	1,636	–

Note: Comprehensive income For the Six months January 31, 2024: 1,730 million yen (31.3%)
For the Six months January 31, 2023: 1,317 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, 2024	1,069	35.0	1,779	34.1	30.47	28.95
January 31, 2023	791	–	1,326	–	22.83	21.57

	Return on shareholders' Equity		Ordinary profit to total assets		Operating profit to net sales	
		%		%		%
Six months ended						
January 31, 2024		13.2		3.3		5.4
January 31, 2023		14.8		2.8		4.9

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

For the Six months January 31, 2024: (187) million yen

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

Note: Percentage change for the 2Q 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 share-based payment expenses, depreciation, and amortization of goodwill).

*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
As of						
January 31, 2024	36,702		15,800		39.2	246.13
July 31, 2023	32,665		13,909		38.5	215.89

Reference: Shareholders' equity January 31, 2024: 14,395 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
	Yen	Yen	Yen	Yen	Yen
Year ended July 31, 2023	–	0.00	–	0.00	0.00
Year ending July 31, 2024	–	0.00			
Year ending July 31, 2024 (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, 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	50,700	23.6	17,000	38.3	2,300	30.3	4,300	36.7

Fiscal year ending	Ordinary profit		Net profit attribute to owners of parent	
	Millions of yen	%	Millions of yen	%
July 31, 2024	1,900	62.5	2,100	58.0

Note: Revisions of most recent financial results forecast: Yes

Regarding revisions to the earnings forecast, please refer to the announcement of revision of consolidated financial forecast for the Fiscal Year Ending July 31st, 2024 dated March 13, 2024.

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 shares) | | | |
| As of January 31, 2024 | 58,756,910 shares | As of July 31, 2023 | 58,476,092 shares |
| 2) Number of treasury shares at the end of period | | | |
| As of January 31, 2024 | 269,011 shares | As of July 31, 2023 | 264,312 shares |
| 3) Average number of shares outstanding during the period | | | |
| As of January 31, 2024 | 58,396,610 shares | As of January 31, 2023 | 58,119,752 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 shares 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 January 31, 2024
Assets		
Current assets		
Cash and deposits	14,644	12,536
Notes and accounts receivable - trade	4,718	4,954
Merchandise and finished goods	282	360
Raw materials and supplies	13	321
Prepaid expenses	549	605
Other	380	806
Allowance for doubtful accounts	(0)	(0)
Total current assets	20,589	19,584
Non-current assets		
Property, plant and equipment		
Buildings and structures	223	557
Accumulated depreciation	(113)	(222)
Buildings and structures, net	110	335
Machinery, equipment and vehicles	754	1,604
Accumulated depreciation	(599)	(1,074)
Machinery, equipment and vehicles, net	155	529
Land	-	113
Other	95	173
Accumulated depreciation	(66)	(129)
Other, net	29	44
Total property, plant and equipment	294	1,022
Intangible assets		
Goodwill	4,212	6,799
Software	320	521
Software in progress	83	64
Other	8	5
Total intangible assets	4,625	7,391
Investments and other assets		
Investment securities	5,025	7,097
Shares of subsidiaries and associates	1,452	677
Long-term prepaid expenses	56	8
Deferred tax assets	194	256
Other	427	662
Total investments and other assets	7,156	8,703
Total non-current assets	12,076	17,117
Total assets	32,665	36,702

As of July 31, 2023

As of January 31, 2024

Liabilities		
Current liabilities		
Accounts payable - trade	3,299	3,377
Accounts payable - other, and accrued expenses	1,035	1,208
Short-term borrowings	800	800
Current portion of long-term borrowings	1,647	1,787
Income taxes payable	754	469
Accrued consumption taxes	294	282
Contract liabilities	160	363
Provision for bonuses	200	184
Other	100	630
Total current liabilities	8,292	9,103
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	5,013	5,008
Long-term borrowings	4,451	5,564
Asset retirement obligations	105	114
Deferred tax liabilities	892	1,109
Total non-current liabilities	10,463	11,797
Total liabilities	18,756	20,901
Net assets		
Shareholders' equity		
Share capital	2,742	2,768
Deposits for subscriptions of shares	–	0
Capital surplus	5,549	5,576
Retained earnings	1,540	3,319
Treasury shares	(300)	(300)
Total shareholders' equity	9,531	11,363
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 award rights	–	61
Share acquisition rights	1,341	1,310
Non-controlling interests	–	32
Total net assets	13,909	15,800
Total liabilities and net assets	32,665	36,702

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(For the Six-month Period)

(Millions of yen)

	Six months ended January 31, 2023	Six months ended January 31, 2024
Net sales	19,510	23,990
Cost of sales	13,630	16,079
Gross profit	5,880	7,911
Selling, general and administrative expenses	4,928	6,620
Operating profit	951	1,291
Non-operating income		
Interest income	5	6
Dividend income	1	1
Other	5	18
Total non-operating income	12	26
Non-operating expenses		
Interest expenses	28	23
Loss on extinguishment of share-based payment expenses	21	7
Share of loss of entities accounted for using equity method	111	187
Other	10	29
Total non-operating expenses	171	248
Ordinary profit	791	1,069
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	1,588	1,407
Gain on reversal of share acquisition rights	–	132
Gain on change in equity	69	–
Other	7	2
Total extraordinary income	1,665	1,542
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	2,612
Income taxes - current	717	439
Income taxes - deferred	307	437
Total income taxes	1,025	876
Profit	1,326	1,735
Loss attributable to non-controlling interests	–	(43)
Profit attributable to owners of parent	1,326	1,779

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

(Millions of yen)

	Six months ended January 31, 2023	Six months ended January 31, 2024
Profit	1,326	1,735
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	(4)
Total other comprehensive income	(9)	(4)
Comprehensive income	1,317	1,730
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,317	1,774
Comprehensive income attributable to non-controlling interests	–	(43)

Quarterly Consolidated Statements of Cash flows
(For the Six-month Period)

(Millions of yen)

	Six months ended January 31, 2023	Six months ended January 31, 2024
Cash flows from operating activities		
Profit before income taxes	2,352	2,612
Depreciation	114	255
Amortization of goodwill	247	365
Share-based payment expenses	322	265
Gain on reversal of share acquisition rights	–	(132)
Loss (gain) on valuation of securities	99	–
Loss (gain) on sale of shares of subsidiaries and associates	(1,588)	(1,407)
Loss (gain) on change in equity	(69)	–
Share of loss (profit) of entities accounted for using equity method	111	187
Interest and dividend income	(7)	(13)
Interest expenses	28	23
Increase (decrease) in provision for bonuses	18	(21)
Decrease (increase) in trade receivables	206	262
Decrease (increase) in inventories	(42)	(24)
Increase (decrease) in trade payables	56	(343)
Increase (decrease) in accounts payable – other, and accrued expenses	(163)	(268)
Increase (decrease) in accrued consumption taxes	(10)	(35)
Other, net	117	(232)
Subtotal	1,796	1,492
Interest and dividends received	2	8
Interest paid	(29)	(23)
Income taxes paid	(227)	(710)
Net cash provided by (used in) operating activities	1,542	766
Cash flows from investing activities		
Purchase of property, plant and equipment	(1)	(278)
Proceeds from sale of property, plant and equipment	–	2
Purchase of intangible assets	(57)	(75)
Short-term loan advances	(156)	(117)
Proceeds from collection of short-term loans receivable	59	113
Payments of leasehold deposits	(15)	(153)
Proceeds from refund of leasehold deposits	–	5
Purchase of investment securities	(46)	(2,077)
Purchase of shares of subsidiaries and associates	–	(33)
Proceeds from sale of shares of subsidiaries and associates	–	1,000
Proceeds from liquidation of subsidiaries	–	20
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(3,416)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	685	–
Net cash provides by (used in) investing activities	468	(5,009)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	2,000
Repayments of long-term borrowings	(854)	(829)
Proceeds from issuance of share acquisition rights	29	0
Proceeds from issuance of shares resulting from exercise of share acquisition rights	30	40
Purchase of treasury shares	(299)	(0)
Dividends paid to non-controlling interests	–	(1)
Net cash provided by (used in) financing activities	(1,094)	1,210
Net increase (decrease) in cash and cash equivalents	916	(3,033)
Cash and cash equivalents at beginning of period	13,682	14,644
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	925
Cash and cash equivalents at end of period	14,598	12,536

Results by Segment

I. Previous six months ended January 31, 2023 (August 1, 2022 – January 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				
Printing and solutions	8,598	—	8,598	—	8,598	—	8,598
Business supply and peripherals	5,705	—	5,705	—	5,705	—	5,705
Packaging materials	3,551	—	3,551	—	3,551	—	3,551
Others	—	1,345	1,345	309	1,654	—	1,654
Revenue from contracts with customers	17,855	1,345	19,200	309	19,510	—	19,510
Other revenue	—	—	—	—	—	—	—
Sales							
Sales to external customers	17,855	1,345	19,200	309	19,510	—	19,510
Intersegment sales and transfers	2	1	3	16	19	(19)	—
Total	17,857	1,347	19,204	325	19,530	(19)	19,510
Segment profit (loss)	1,818	39	1,857	87	1,945	(993)	951

(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 -993 million yen includes corporate expenses of -993 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 six months ended January 31,2024 (August 1, 2023 – January 31,2024)

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				
Printing and solutions	9,759	—	9,759	—	9,759	—	9,759
Business supply and peripherals	8,202	—	8,202	—	8,202	—	8,202
Packaging materials	4,155	—	4,155	—	4,155	—	4,155
Others	—	1,071	1,071	802	1,873	—	1,873
Revenue from contracts with customers	22,117	1,071	23,188	802	23,990	—	23,990
Other revenue	—	—	—	—	—	—	—
Sales							
Sales to external customers	22,117	1,071	23,188	802	23,990	—	23,990
Intersegment sales and transfers	1	1	2	6	9	(9)	—
Total	22,118	1,073	23,191	808	23,999	(9)	23,990
Segment profit (loss)	2,477	(73)	2,404	(42)	2,361	(1,070)	1,291

(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 -1,070 million yen includes the amount of corporate expenses of -1,070 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. As a result of making AmidA Holdings Co., Ltd. a consolidated subsidiary, the Company has determined that it is appropriate to disclose information by breaking down revenue by business domain in order to understand the status of revenue in Raksul segment, which is our group's main business. Therefore, starting from the current six months ended January 31, 2024, we have divided revenue of Raksul segment into the following domains.

- The figures for the previous six months ended January 31,2023, restated to reflect the amended in classification.
- Domain of printing and solutions: Printing on paper for business activities, printing solutions for large enterprises
 - Domain of business supply and peripherals: Printed for the goods used in offices and shops
 - Domain of packaging materials: Cardboard and paper bags
 - Domain of others: Novasell segment of an integrated vertical platform for TV commercials and video advertising, and other business (refer to note 1.)

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 2,199 million yen for the current six months ended January 31, 2024.

In Other Business segment, the amount of increase in goodwill due to the inclusion of Peraichi Inc. in the scope of consolidation is 635 million yen for the current six months ended January 31, 2024.

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