

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2021
(Based on Japanese GAAP)**

February 10, 2022

Company name: rakumo Inc.
 Stock exchange listing: Tokyo
 Stock code: 4060 URL <https://corporate.rakumo.com/>
 Representative: President and CEO Daisuke Mitarai
 Inquiries: Director CFO Yuya Nishimura TEL 050(1746)9891
 Scheduled date of ordinary general meeting of shareholders: March 28, 2022
 Scheduled date to file Securities Report: March 29, 2022
 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, 2021 (from January 1, 2021 to December 31, 2021)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2021	963	17.2	227	69.7	221	96.0	188	50.7
Year ended December 31, 2020	822	23.7	134	446.3	113	460.0	125	–

	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, 2021	33.68	32.11	22.7	16.0	23.6
Year ended December 31, 2020	31.36	28.56	32.5	12.8	16.3

(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, 2021	1,517	947	62.5	166.44
As of December 31, 2020	1,251	717	57.3	129.91

(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, 2021	286	(53)	11	1,239
Year ended December 31, 2020	258	(52)	501	987

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, 2020	–	0.00	–	0.00	0.00	–	–	–
Year ended December 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ending December 31, 2022 (Forecast)	–	0.00	–	0.00	0.00	–	–	–

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,100	–	248	–	244	–	190	–	33.42

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2021

(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, 2021	5,695,500 shares	As of December 31, 2020	5,520,400 shares
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Number of treasury shares at the end of the period

As of December 31, 2021	67 shares	As of December 31, 2020	– shares
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Average number of shares during the period

Year ended December 31, 2021	5,604,632 shares	Year ended December 31, 2020	3,993,498 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	1,037,860	1,291,240
Accounts receivable - trade	33,530	40,899
Work in process	1,043	62
Supplies	167	155
Other	35,107	39,108
Total current assets	1,107,709	1,371,465
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	34,822	35,930
Accumulated depreciation	(14,109)	(16,979)
Facilities attached to buildings, net	20,712	18,951
Tools, furniture and fixtures	15,172	20,257
Accumulated depreciation	(12,795)	(17,136)
Tools, furniture and fixtures, net	2,376	3,120
Total property, plant and equipment	23,089	22,072
Intangible assets		
Software	66,518	46,175
Software in progress	8,486	8,214
Total intangible assets	75,004	54,390
Investments and other assets		
Deferred tax assets	18,558	44,540
Other	26,682	24,618
Total investments and other assets	45,240	69,159
Total non-current assets	143,334	145,621
Total assets	1,251,044	1,517,087

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	21,926	26,089
Current portion of long-term borrowings	20,004	14,982
Income taxes payable	15,326	30,195
Unearned revenue	329,117	365,781
Provision for bonuses	3,448	4,022
Other	67,935	59,029
Total current liabilities	457,757	500,100
Non-current liabilities		
Long-term borrowings	64,982	50,000
Asset retirement obligations	10,173	10,392
Other	975	8,643
Total non-current liabilities	76,130	69,035
Total liabilities	533,888	569,136
Net assets		
Shareholders' equity		
Share capital	369,121	385,260
Capital surplus	329,971	346,110
Retained earnings	21,507	210,255
Treasury shares	–	(112)
Total shareholders' equity	720,600	941,513
Accumulated other comprehensive income		
Foreign currency translation adjustment	(3,444)	6,437
Total accumulated other comprehensive income	(3,444)	6,437
Total net assets	717,155	947,950
Total liabilities and net assets	1,251,044	1,517,087

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

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net sales	822,422	963,779
Cost of sales	341,745	364,274
Gross profit	480,677	599,504
Selling, general and administrative expenses	346,359	371,595
Operating profit	134,317	227,909
Non-operating income		
Interest income	47	42
Other	3	38
Total non-operating income	51	81
Non-operating expenses		
Interest expenses	2,426	2,152
Share issuance costs	9,327	–
Listing expenses	9,345	–
Foreign exchange losses	172	4,217
Other	13	0
Total non-operating expenses	21,284	6,370
Ordinary profit	113,084	221,619
Extraordinary losses		
Impairment losses	–	29,398
Total extraordinary losses	–	29,398
Profit before income taxes	113,084	192,221
Income taxes - current	8,904	29,445
Income taxes - deferred	(21,042)	(25,972)
Total income taxes	(12,137)	3,472
Profit	125,222	188,748
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	125,222	188,748

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Profit	125,222	188,748
Other comprehensive income		
Foreign currency translation adjustment	(2,940)	9,881
Total other comprehensive income	(2,940)	9,881
Comprehensive income	122,282	198,630
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	122,282	198,630
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended December 31, 2020

(Thousands of yen)

	Shareholders' equity				Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	99,000	59,850	(103,715)	55,134	(504)	(504)	54,630
Changes during period							
Issuance of new shares	270,121	270,121		540,243			540,243
Profit attributable to owners of parent			125,222	125,222			125,222
Net changes in items other than shareholders' equity					(2,940)	(2,940)	(2,940)
Total changes during period	270,121	270,121	125,222	665,465	(2,940)	(2,940)	662,525
Balance at end of period	369,121	329,971	21,507	720,600	(3,444)	(3,444)	717,155

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	369,121	329,971	21,507	–	720,600	(3,444)	(3,444)	717,155
Changes during period								
Issuance of new shares	16,138	16,138			32,277			32,277
Profit attributable to owners of parent			188,748		188,748			188,748
Purchase of treasury shares				(112)	(112)			(112)
Net changes in items other than shareholders' equity						9,881	9,881	9,881
Total changes during period	16,138	16,138	188,748	(112)	220,913	9,881	9,881	230,794
Balance at end of period	385,260	346,110	210,255	(112)	941,513	6,437	6,437	947,950

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	113,084	192,221
Depreciation	41,592	45,897
Impairment losses	–	29,398
Interest and dividend income	(47)	(42)
Interest expenses	2,426	2,152
Decrease (increase) in trade receivables	1,246	(6,240)
Decrease (increase) in inventories	(1,070)	1,072
Increase (decrease) in trade payables	4,254	4,162
Increase (decrease) in provision for bonuses	600	574
Share issuance costs	9,327	–
Listing expenses	9,345	–
Increase (decrease) in unearned revenue	59,103	44,333
Decrease (increase) in advance payments to suppliers	158	(479)
Decrease (increase) in prepaid expenses	(1,356)	441
Decrease (increase) in consumption taxes refund receivable	(802)	(1,607)
Decrease (increase) in accounts receivable - other	(85)	29
Increase (decrease) in accounts payable - other	4,629	(1,508)
Increase (decrease) in accrued expenses	642	(572)
Increase (decrease) in accrued consumption taxes	12,450	(7,697)
Increase (decrease) in income taxes payable - factor based tax	7,439	(1,721)
Increase (decrease) in deposits received	547	426
Other loss (gain)	(143)	25
Subtotal	263,342	300,866
Interest and dividends received	47	42
Interest paid	(2,411)	(2,142)
Income taxes paid	(2,080)	(12,698)
Net cash provided by (used in) operating activities	258,897	286,067
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,043)	(3,489)
Purchase of intangible assets	(50,452)	(49,932)
Net cash provided by (used in) investing activities	(52,496)	(53,422)
Cash flows from financing activities		
Proceeds from issuance of shares	521,570	32,277
Repayments of long-term borrowings	(20,449)	(20,004)
Purchase of treasury shares	–	(112)
Decrease (increase) in deposits for purchase of treasury shares	–	(942)
Net cash provided by (used in) financing activities	501,121	11,217
Effect of exchange rate change on cash and cash equivalents	(2,432)	8,516
Net increase (decrease) in cash and cash equivalents	705,089	252,379
Cash and cash equivalents at beginning of period	282,324	987,414
Cash and cash equivalents at end of period	987,414	1,239,793