

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

August 10, 2023

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 to file Quarterly Securities Report: August 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

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	%
Six months ended June 30, 2023	597	15.9	151	50.4	147	46.4	143	50.3	97	49.5
Six months ended June 30, 2022	515	11.9	100	8.5	100	8.5	95	7.2	65	(18.9)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	17.02		16.39	
Six months ended June 30, 2022	11.49		11.16	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	2,510	1,270	50.3
As of December 31, 2022	1,776	1,152	64.9

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2022	–	0.00	–	0.00	0.00
Year ending December 31, 2023	–	0.00			
Year ending December 31, 2023 (Forecast)			–	0.00	0.00

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

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	1,246	13.7	291	25.6	285	26.4	197	6.9	34.27

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of June 30, 2023	5,761,000 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 June 30, 2023	67 shares	As of December 31, 2022	67 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2023	5,753,624 shares	Six months ended June 30, 2022	5,697,825 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	1,435,554	2,158,057
Accounts receivable - trade	47,374	37,947
Work in process	380	283
Supplies	155	160
Other	44,602	52,000
Total current assets	1,528,067	2,248,448
Non-current assets		
Property, plant and equipment	20,084	20,668
Intangible assets		
Goodwill	84,794	80,756
Software	52,652	62,157
Software in progress	13,905	11,690
Total intangible assets	151,351	154,604
Investments and other assets	77,100	72,825
Total non-current assets	248,536	248,098
Deferred assets	–	14,078
Total assets	1,776,603	2,510,625
Liabilities		
Current liabilities		
Accounts payable - trade	33,885	38,819
Current portion of long-term borrowings	40,000	–
Income taxes payable	23,920	42,541
Contract liabilities	433,954	574,472
Provision for bonuses	5,916	7,156
Asset retirement obligations	1,847	–
Other	64,391	56,981
Total current liabilities	603,914	719,971
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	–	500,000
Long-term borrowings	10,000	10,000
Asset retirement obligations	8,740	9,439
Other	1,459	948
Total non-current liabilities	20,199	520,388
Total liabilities	624,114	1,240,360

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	390,235	391,331
Capital surplus	351,085	352,181
Retained earnings	394,808	492,748
Treasury shares	(112)	(112)
Total shareholders' equity	1,136,016	1,236,147
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	(126)
Foreign currency translation adjustment	16,473	27,325
Total accumulated other comprehensive income	16,473	27,198
Share acquisition rights	–	6,919
Total net assets	1,152,489	1,270,265
Total liabilities and net assets	1,776,603	2,510,625

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	515,769	597,646
Cost of sales	189,623	213,073
Gross profit	326,145	384,573
Selling, general and administrative expenses	225,418	237,153
Operating profit	100,727	147,419
Non-operating income		
Interest income	21	23
Other	0	31
Total non-operating income	21	55
Non-operating expenses		
Interest expenses	967	104
Foreign exchange losses	4,169	2,351
Other	0	1,291
Total non-operating expenses	5,137	3,747
Ordinary profit	95,611	143,727
Profit before income taxes	95,611	143,727
Income taxes - current	15,066	37,350
Income taxes - deferred	15,051	8,438
Total income taxes	30,117	45,788
Profit	65,493	97,939
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	65,493	97,939

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	65,493	97,939
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(126)
Foreign currency translation adjustment	15,757	10,852
Total other comprehensive income	15,757	10,725
Comprehensive income	81,250	108,664
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	81,250	108,664
Comprehensive income attributable to non-controlling interests	–	–

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	95,611	143,727
Depreciation	17,944	20,662
Amortization of goodwill	–	4,037
Interest and dividend income	(21)	(23)
Interest expenses	967	104
Decrease (increase) in trade receivables	2,646	9,829
Decrease (increase) in inventories	13	108
Increase (decrease) in trade payables	3,808	4,906
Amortization of deferred assets	–	643
Increase (decrease) in provision for bonuses	4,852	1,047
Loss (gain) on investments in investment partnerships	–	647
Increase (decrease) in contract liabilities	129,946	140,008
Decrease (increase) in advance payments to suppliers	532	4
Decrease (increase) in prepaid expenses	(14,011)	(8,312)
Decrease (increase) in consumption taxes refund receivable	(888)	(1,077)
Decrease (increase) in accounts receivable - other	2,116	1,879
Increase (decrease) in accounts payable - other	11,056	(2,754)
Increase (decrease) in accrued expenses	(4,769)	(4,353)
Increase (decrease) in accrued consumption taxes	(11,851)	(4,513)
Increase (decrease) in income taxes payable - factor based tax	(856)	(23)
Increase (decrease) in deposits received	(2,981)	(3,730)
Decrease (increase) in guarantee deposits	490	909
Other loss (gain)	12	55
Subtotal	234,618	303,783
Interest and dividends received	21	23
Interest paid	(970)	(202)
Income taxes paid	(24,647)	(18,705)
Net cash provided by (used in) operating activities	209,022	284,899
Cash flows from investing activities		
Purchase of property, plant and equipment	(763)	(2,032)
Purchase of investment securities	(5,000)	(5,000)
Purchase of intangible assets	(21,635)	(25,669)
Payments for asset retirement obligations	–	(1,946)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(34,041)	–
Net cash provided by (used in) investing activities	(61,439)	(34,648)
Cash flows from financing activities		
Repayments of long-term borrowings	(10,835)	(40,000)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	–	495,052
Proceeds from issuance of shares	618	2,192
Proceeds from issuance of share acquisition rights	–	5,090
Net cash provided by (used in) financing activities	(10,217)	462,335
Effect of exchange rate change on cash and cash equivalents	13,598	9,859
Net increase (decrease) in cash and cash equivalents	150,964	722,445
Cash and cash equivalents at beginning of period	1,239,793	1,384,056
Cash and cash equivalents at end of period	1,390,758	2,106,502