

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Year Ended December 31, 2022
(Based on Japanese GAAP)**

February 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 of ordinary general meeting of shareholders: March 27, 2023
 Scheduled date to file Securities Report: March 28, 2023
 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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	1,096	13.8	232	1.9	225	1.8	184	(2.2)
Year ended December 31, 2021	963	17.2	227	69.7	221	96.0	188	50.7

	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, 2022	32.34	31.44	17.6	13.7	21.2
Year ended December 31, 2021	33.68	32.11	22.7	16.0	23.6

(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, 2022	1,776	1,152	64.9	200.47
As of December 31, 2021	1,517	947	62.5	166.44

(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, 2022	275	(92)	(47)	1,384
Year ended December 31, 2021	286	(53)	11	1,239

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, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ended December 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ending December 31, 2023 (Forecast)	–	0.00	–	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	34.32

4. Notes

- (1) Changes in significant subsidiaries during the year ended December 31, 2022
(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: Yes
- 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, 2022	5,748,900 shares	As of December 31, 2021	5,695,500 shares
-------------------------	------------------	-------------------------	------------------

Number of treasury shares at the end of the period

As of December 31, 2022	67 shares	As of December 31, 2021	67 shares
-------------------------	-----------	-------------------------	-----------

Average number of shares during the period

Year ended December 31, 2022	5,707,335 shares	Year ended December 31, 2021	5,604,632 shares
------------------------------	------------------	------------------------------	------------------

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	1,291,240	1,435,554
Accounts receivable - trade	40,899	47,374
Work in process	62	380
Supplies	155	155
Other	39,108	44,602
Total current assets	1,371,465	1,528,067
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	35,930	36,905
Accumulated depreciation	(16,979)	(19,716)
Facilities attached to buildings, net	18,951	17,189
Tools, furniture and fixtures	20,257	24,479
Accumulated depreciation	(17,136)	(21,584)
Tools, furniture and fixtures, net	3,120	2,895
Total property, plant and equipment	22,072	20,084
Intangible assets		
Goodwill	-	84,794
Software	46,175	52,652
Software in progress	8,214	13,905
Total intangible assets	54,390	151,351
Investments and other assets		
Investment securities	-	9,284
Deferred tax assets	44,540	43,897
Other	24,618	23,918
Total investments and other assets	69,159	77,100
Total non-current assets	145,621	248,536
Total assets	1,517,087	1,776,603

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	26,089	33,885
Current portion of long-term borrowings	14,982	40,000
Income taxes payable	30,195	23,920
Contract liabilities	365,781	433,954
Provision for bonuses	4,022	5,916
Asset retirement obligations	–	1,847
Other	59,029	64,391
Total current liabilities	500,100	603,914
Non-current liabilities		
Long-term borrowings	50,000	10,000
Asset retirement obligations	10,392	8,740
Other	8,643	1,459
Total non-current liabilities	69,035	20,199
Total liabilities	569,136	624,114
Net assets		
Shareholders' equity		
Share capital	385,260	390,235
Capital surplus	346,110	351,085
Retained earnings	210,255	394,808
Treasury shares	(112)	(112)
Total shareholders' equity	941,513	1,136,016
Accumulated other comprehensive income		
Foreign currency translation adjustment	6,437	16,473
Total accumulated other comprehensive income	6,437	16,473
Total net assets	947,950	1,152,489
Total liabilities and net assets	1,517,087	1,776,603

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

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	963,779	1,096,831
Cost of sales	364,274	399,796
Gross profit	599,504	697,035
Selling, general and administrative expenses	371,595	464,737
Operating profit	227,909	232,297
Non-operating income		
Interest income	42	47
Other	38	1
Total non-operating income	81	48
Non-operating expenses		
Interest expenses	2,152	1,901
Foreign exchange losses	4,217	4,293
Loss on investments in investment partnerships	–	650
Other	0	0
Total non-operating expenses	6,370	6,845
Ordinary profit	221,619	225,500
Extraordinary losses		
Impairment losses	29,398	–
Settlement payments	–	3,670
Total extraordinary losses	29,398	3,670
Profit before income taxes	192,221	221,830
Income taxes - current	29,445	32,899
Income taxes - deferred	(25,972)	4,377
Total income taxes	3,472	37,277
Profit	188,748	184,552
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	188,748	184,552

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	188,748	184,552
Other comprehensive income		
Foreign currency translation adjustment	9,881	10,035
Total other comprehensive income	9,881	10,035
Comprehensive income	198,630	194,588
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	198,630	194,588
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

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

Fiscal year ended December 31, 2022

(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	385,260	346,110	210,255	(112)	941,513	6,437	6,437	947,950
Changes during period								
Issuance of new shares	4,975	4,975			9,950			9,950
Profit attributable to owners of parent			184,552		184,552			184,552
Net changes in items other than shareholders' equity						10,035	10,035	10,035
Total changes during period	4,975	4,975	184,552	–	194,502	10,035	10,035	204,538
Balance at end of period	390,235	351,085	394,808	(112)	1,136,016	16,473	16,473	1,152,489

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	192,221	221,830
Depreciation	45,897	38,743
Impairment losses	29,398	–
Amortization of goodwill	–	4,037
Interest and dividend income	(42)	(47)
Interest expenses	2,152	1,901
Decrease (increase) in trade receivables	(6,240)	490
Decrease (increase) in inventories	1,072	(316)
Increase (decrease) in trade payables	4,162	6,908
Increase (decrease) in provision for bonuses	574	1,893
Loss (gain) on investments in investment partnerships	–	650
Settlement payments	–	3,670
Increase (decrease) in contract liabilities	44,333	41,458
Decrease (increase) in advance payments to suppliers	(479)	557
Decrease (increase) in prepaid expenses	441	(3,004)
Decrease (increase) in consumption taxes refund receivable	(1,607)	(1,773)
Decrease (increase) in accounts receivable - other	29	1,850
Increase (decrease) in accounts payable - other	(1,508)	5,488
Increase (decrease) in accrued expenses	(572)	(622)
Increase (decrease) in accrued consumption taxes	(7,697)	(4,496)
Increase (decrease) in income taxes payable - factor based tax	(1,721)	(502)
Increase (decrease) in deposits received	426	395
Decrease (increase) in guarantee deposits	–	481
Other loss (gain)	25	25
Subtotal	300,866	319,618
Interest and dividends received	42	47
Interest paid	(2,142)	(1,905)
Income taxes paid	(12,698)	(39,065)
Settlement paid	–	(3,670)
Net cash provided by (used in) operating activities	286,067	275,026
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,489)	(2,007)
Purchase of investment securities	–	(10,000)
Purchase of intangible assets	(49,932)	(46,227)
Proceeds from divestments	–	10
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(34,041)
Net cash provided by (used in) investing activities	(53,422)	(92,266)
Cash flows from financing activities		
Proceeds from issuance of shares	32,277	9,950
Repayments of long-term borrowings	(20,004)	(57,240)
Purchase of treasury shares	(112)	–
Decrease (increase) in deposits for purchase of treasury shares	(942)	–
Net cash provided by (used in) financing activities	11,217	(47,290)
Effect of exchange rate change on cash and cash equivalents	8,516	8,793
Net increase (decrease) in cash and cash equivalents	252,379	144,263
Cash and cash equivalents at beginning of period	987,414	1,239,793
Cash and cash equivalents at end of period	1,239,793	1,384,056