

English Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended July 31, 2024 (Based on Japanese GAAP)

September 12, 2024

Company name:	RAKSUL INC.		
Listing	Tokyo Stock Exchange		
Securities code:	4384	URL:	https://corp.raksul.com/
Representative:	Representative Director, President, and Group CEO Yo Nagami		
Inquiries:	Group CFO, SVP of Finance & Sustainability	Masaru Sugiyama	
Scheduled date of annual general meeting of shareholders:	October 24, 2024		
Scheduled date to commence dividend payments:	October 25, 2024		
Scheduled date to file annual securities report:	October 25, 2024		
Preparation of supplementary material on financial results:	Yes		
Holding of financial results briefing:	Yes	(for institutional investors and analysts)	

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal Year Ended July 31, 2024 (August 1, 2023 - July 31, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Gross profit		Operating profit		non-GAAP EBITDA※	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
July 31, 2024	51,121	24.6	17,192	39.8	2,523	42.9	4,547	44.6
July 31, 2023	41,018	20.7	12,295	25.4	1,765	281.3	3,145	92.5

Note: Comprehensive income Fiscal year ended July 31, 2024: 2,152 million yen (-50.4%)
Fiscal year ended July 31, 2023: 4,343 million yen (317.5%)

Fiscal year ended	Ordinary profit		Net profit attributable to owners of parent		Earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
July 31, 2024	2,041	74.7	2,118	59.4	36.33	34.52
July 31, 2023	1,168	-	1,329	30.1	22.86	21.56

Fiscal year ended	Return on shareholders' Equity	Ordinary profit to total assets	Operating profit to net sales
	%	%	%
July 31, 2024	15.8	5.3	4.9
July 31, 2023	12.7	3.8	4.3

Reference: Share of loss (profit) of entities accounted for using equity method:
Fiscal year ended July 31, 2024: (382) million yen
Fiscal year ended July 31, 2023: (513) million yen

*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 stock-based compensation, depreciation, and goodwill amortization expenses).

*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, 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) Consolidated Financial Position

Fiscal year ended	Total assets	Net assets	Equity ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
July 31, 2024	43,871	15,708	32.4	244.30
July 31, 2023	32,665	13,909	38.5	215.89

Reference: Shareholders' equity Fiscal year ended July 31, 2024: 14,209 million yen
Fiscal year ended July 31, 2023: 12,567 million yen

(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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
July 31, 2024	2,705	(6,930)	5,671	17,014
July 31, 2023	2,902	297	(2,238)	14,644

2. Dividends

	Annual dividends					Total cash dividends	Payout ratio (consolidated)	Ratio of dividends to net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
July 31, 2023	–	0.00	–	0.00	0.00	–	–	–
July 31, 2024	–	0.00	–	1.70	1.70	98	4.7	0.7
Fiscal year ending July 31, 2025 (forecast)	–	0.00	–	2.30	2.30		5.9 ~7.5	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending July 31, 2025 (August 1, 2024 - July 31, 2025)

(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	61,000	19.3	21,000	22.1	3,200	26.8	5,500	20.9
	~63,000	~23.2	~22,000	~28.0	~3,700	~46.6	~6,000	~31.9

Fiscal year ending	Ordinary profit		Net profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%
July 31, 2024	2,700	32.2	1,780	(16.0)
	~3,200	~56.7	~2,280	~7.6

Future Prospects:

In order to realize our vision, "BETTER SYSTEMS, BETTER WORLD," the Company has shifted to a "Quality Growth" phase with further focus on profit and cash flow generation from FY2022 when the Company started consolidated accounting. As a result, we expected to achieve the medium-term financial policy announced on March 11, 2021 and June 10, 2022 (gross profit of 17,500 million yen to 20,000 million yen, non-GAAP EBITDA of 5,000 million yen to 6,000 million yen for the fiscal year ending July 31, 2025).

Accordingly, on March 13, 2024, the Company announced the new medium-term financial policy till the fiscal year ending July 31, 2027, as follows:

Item	Target CAGR (compound annual growth rate) till the fiscal year ending July 31, 2027	Target figures for the fiscal year ending July 31, 2027
Gross profit	20%	30,000 million yen
non-GAAP EBITDA	30%	10,000 million yen

There are many attractive investment opportunities in our adjacent domains that will reinforce our growth and competitive advantage. The primary driver of our new medium-term financial policy is the organic growth in both Raksul business and Novasell business, as well as continuous M&A and the creation of synergies. Therefore, the Company will continue to maximize corporate value by progressing post merger integration (PMI) to maximize the utilization of tangible and intangible assets owned by RAKSUL Group, maintaining and improving profitability in terms of gross profit margin and SGA ratio, whilst continuously identifying investment opportunities and making efficient investments.

In addition, as the Company is at a phase where it can generate continuous cash flow with its business expansion, the Company has decided to pay dividends from retained earnings with the end of the fiscal year ending July 31, 2024 as the dividend record date (first dividend). The Company's policy is to pay dividends in a stable and continuous manner and to also conduct share buybacks at times when we consider the stock price level to be low to its fundamental value, thereby promoting appropriate shareholder returns.

Based on the above, for the fiscal year ending July 31, 2025, the Company expects revenue of 61,000 million yen to 63,000 million yen (+19.3 - 23.2% YoY), gross profit of 21,000 million yen to 22,000 million yen (+22.1 - 28.0% YoY), operating profit of 3,200 million yen to 3,700 million yen (+26.8 - 46.6% YoY), ordinary profit of 2,700 million yen to 3,200 million yen (+32.2 - 56.7% YoY), and net profit attributable to owners of parent of 1,780 million yen to 2,280 million yen (-16.0 - +7.6% YoY), and non-GAAP EBITDA, after adding back the stock-based compensation expenses, to be at 5,500 million yen to 6,000 million yen (+20.9 - 31.9% YoY).

4. Others

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) 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: Yes
 4) Restatement of prior period financial statements: None

(3) Number of shares outstanding (common shares)

- 1) Number of shares outstanding at the end of period (including treasury stock)
 As of July 31, 2024 58,972,546 shares As of July 31, 2023 58,476,092 shares
 2) Number of treasury stock at the end of period
 As of July 31, 2024 810,350 shares As of July 31, 2023 264,312 shares
 3) Average number of shares outstanding during the period
 For the fiscal year ended July 31, 2024 58,311,314 shares For the fiscal year ended July 31, 2023 58,158,961 shares

(Reference) Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2024 (August 1, 2023 - July 31, 2024)

(1) Non-consolidated Operating Results

(Percentages show the change from the same period of previous fiscal year)

Fiscal year ended	Net sales		Gross profit		Operating profit		non-GAAP EBITDA※	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
July 31, 2024	45,127	44.6	13,148	46.8	2,847	56.2	4,247	60.4
July 31, 2023	31,208	4.0	8,954	5.5	1,823	167.1	2,647	67.5

Fiscal year ended	Ordinary profit		Net profit		Earnings per share		Diluted earnings per share	
	Millions of yen	%	Millions of yen	%	Yen	Yen	Yen	Yen
July 31, 2024	2,684	54.4	2,871	124.6	49.25		46.83	
July 31, 2023	1,738	194.8	1,278	33.1	21.98		20.74	

(2) Non-consolidated Financial Position

Fiscal year ended	Total assets		Net assets		Equity ratio		Net Assets per share	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	%	Yen	Yen	
July 31, 2024	42,456		16,910		36.6	265.01		
July 31, 2023	30,085		14,357		43.3	223.62		

Reference: Shareholders' equity Fiscal year ended July 31, 2024: 15,536 million yen
 Fiscal year ended July 31, 2023: 13,017 million yen

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.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of July 31, 2023	As of July 31, 2024
Assets		
Current assets		
Cash and deposits	14,644	17,014
Notes and accounts receivable - trade	4,718	5,770
Merchandise and finished goods	282	495
Raw materials and supplies	13	309
Prepaid expenses	549	424
Other	380	975
Allowance for doubtful accounts	(0)	(0)
Total current assets	20,589	24,990
Non-current assets		
Property, plant and equipment		
Buildings and structures	223	914
Accumulated depreciation	(113)	(310)
Buildings and structures, net	110	603
Machinery, equipment and vehicles	754	1,711
Accumulated depreciation	(599)	(1,304)
Machinery, equipment and vehicles, net	155	407
Land	—	135
Construction in progress	—	136
Other	95	159
Accumulated depreciation	(66)	(114)
Other, net	29	45
Total property, plant and equipment	294	1,328
Intangible assets		
Goodwill	4,212	7,730
Software	320	538
Software in progress	83	51
Other	8	3
Total intangible assets	4,625	8,324
Investments and other assets		
Investment securities	5,025	7,524
Shares of subsidiaries and associates	1,452	454
Long-term prepaid expenses	56	8
Deferred tax assets	194	217
Other	427	1,022
Total investments and other assets	7,156	9,228
Total non-current assets	12,076	18,881
Total assets	32,665	43,871

	As of July 31, 2023	As of July 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	3,299	3,825
Accounts payable - other, and accrued expenses	1,035	2,127
Short-term borrowings	800	2,300
Current portion of long-term borrowings	1,647	1,634
Current portion of bonds payable	—	450
Current portion of convertible-bond-type bonds with share acquisition rights	—	5,003
Income taxes payable	754	533
Accrued consumption taxes	294	391
Contract liabilities	160	591
Asset retirement obligations	—	122
Provision for bonuses	200	273
Other	100	738
Total current liabilities	8,292	17,992
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	5,013	—
Long-term borrowings	4,451	7,006
Bonds Payable	—	2,000
Asset retirement obligations	105	110
Deferred tax liabilities	892	1,055
Total non-current liabilities	10,463	10,171
Total liabilities	18,756	28,163
Net assets		
Shareholders' equity		
Share capital	2,742	2,798
Capital surplus	5,549	5,606
Retained earnings	1,540	3,659
Treasury shares	(300)	(1,001)
Total shareholders' equity	9,531	11,062
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,036	3,148
Foreign currency translation adjustment	—	(1)
Total accumulated other comprehensive income	3,036	3,146
Share award rights	—	123
Share acquisition rights	1,341	1,375
Non-controlling interests	—	—
Total net assets	13,909	15,708
Total liabilities and net assets	32,665	43,871

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Net sales	41,018	51,121
Cost of sales	28,722	33,929
Gross profit	12,295	17,192
Selling, general and administrative expenses	10,529	14,668
Operating profit	1,765	2,523
Non-operating income		
Interest income	10	12
Dividend income	1	1
Exchange gain	6	—
Cash-back income	8	18
Other	10	23
Total non-operating income	38	55
Non-operating expenses		
Interest expenses	54	65
Loss on extinguishment share-based compensation expenses	41	9
Share of loss of entities accounted for using equity method	513	382
Other	24	80
Total non-operating expenses	634	536
Ordinary profit	1,168	2,041
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	1,588	1,407
Gain on change in equity	103	—
Gain on reversal of share acquisition rights	1	132
Other	7	12
Total extraordinary income	1,701	1,553
Extraordinary losses		
Loss on retirement of non-current assets	11	—
Loss on valuation of securities	205	—
Loss on sales of shares subsidiaries and associates	147	—
Cancellation penalty, etc.	—	134
Settlement payments	—	30
Other	3	—
Total extraordinary losses	367	164
Profit before income taxes	2,502	3,430
Income taxes - current	836	939
Income taxes - deferred	336	449
Total income taxes	1,173	1,389
Profit	1,329	2,041
Profit (loss) attributable to non-controlling interests	—	(76)
Profit attributable to owners of parent	1,329	2,118

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Profit	1,329	2,041
Other comprehensive income		
Valuation difference on available-for-sale securities	3,014	112
Foreign currency translation adjustment	—	(1)
Total other comprehensive income	3,014	110
Comprehensive income	4,343	2,152
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,343	2,229
Comprehensive income attributable to non-controlling interests	—	(76)

Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (August 1, 2022 - July 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,694	5,501	165	(0)	8,360
Changes during period					
Issuance of new shares	48	48	—	—	96
Profit attributable to owners of parent	—	—	1,329	—	1,329
Change of scope of consolidation and equity method	—	—	45	—	45
Purchase of treasury shares	—	—	—	(299)	(299)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	48	48	1,375	(299)	1,171
Balance at end of period	2,742	5,549	1,540	(300)	9,531

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	22	22	930	—	9,312
Changes during period					
Issuance of new shares	—	—	—	—	96
Profit attributable to owners of parent	—	—	—	—	1,329
Change of scope of consolidation and equity method	—	—	—	—	45
Purchase of treasury shares	—	—	—	—	(299)
Net changes in items other than shareholders' equity	3,014	3,014	411	—	3,425
Total changes during period	3,014	3,014	411	—	4,596
Balance at end of period	3,036	3,036	1,341	—	13,909

Consolidated Statements of Changes in Equity

Current consolidated fiscal year (August 1, 2023 - July 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,742	5,549	1,540	(300)	9,531
Changes during period					
Issuance of new shares	54	54	—	—	109
Profit attributable to owners of parent	—	—	2,118	—	2,118
Purchase of treasury shares	—	—	—	(700)	(700)
Restricted stock compensation	2	2	—	—	4
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	56	56	2,118	(700)	1,531
Balance at end of period	2,798	5,606	3,659	(1,001)	11,062

	Accumulated other comprehensive income			Share award rights	Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income				
Balance at beginning of period	3,036	—	3,036	—	1,341	—	13,909
Changes during period							
Issuance of new shares	—	—	—	—	—	—	109
Profit attributable to owners of parent	—	—	—	—	—	—	2,118
Purchase of treasury shares	—	—	—	—	—	—	(700)
Restricted stock compensation	—	—	—	—	—	—	4
Net changes in items other than shareholders' equity	112	(1)	110	123	33	—	267
Total changes during period	112	(1)	110	123	33	—	1,798
Balance at end of period	3,148	(1)	3,146	123	1,375	—	15,708

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Cash flows from operating activities		
Profit before income taxes	2,502	3,430
Depreciation	231	641
Amortization of goodwill	495	931
Share-based payment expenses	652	473
Gain on reversal of share acquisition rights	—	(132)
Loss (gain) on valuation of securities	205	—
Loss (gain) on change in equity	(103)	—
Loss (gain) on sale of shares of subsidiaries and associates	(1,441)	(1,407)
Share of loss (profit) of entities accounted for using equity method	513	382
Cancellation penalty, etc.	—	133
Settlement payments	—	30
Loss on retirement of non-current assets	11	—
Interest and dividend income	(12)	(13)
Interest expenses	54	65
Increase (decrease) in provision for bonuses	64	54
Decrease (increase) in trade receivables	(418)	(436)
Decrease (increase) in inventories	(85)	5
Increase (decrease) in trade payables	442	57
Increase (decrease) in accounts payable - other, and accrued expenses	84	(120)
Increase (decrease) in accrued consumption taxes	83	48
Other, net	73	(169)
Subtotal	3,354	3,975
Interest and dividends received	2	2
Interest paid	(55)	(59)
Income taxes paid	(399)	(1,213)
Net cash provided by (used in) operating activities	2,902	2,705
Cash flows from investing activities		
Purchase of property, plant and equipment	(8)	(387)
Purchase of intangible assets	(144)	(176)
Purchase of investment securities	(155)	(2,392)
Proceeds from sales of subsidiaries and associates	274	1,266
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(4,733)
Proceeds from sales of subsidiaries resulting in change in scope of consolidation	685	—
Payments of leasehold deposits	(275)	(524)
Short-term loan advances	(156)	(134)
Proceeds from collection of short-term loans receivable	76	114
Other	—	38
Net cash provided by (used in) investing activities	297	(6,930)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	1,500
Repayments of short-term borrowings	—	(50)
Proceeds from long-term borrowings	—	4,250
Repayments of long-term borrowings	(2,013)	(1,824)
Proceeds from issuance of share acquisition rights	30	0
Proceeds from issuance of shares resulting from exercise of share acquisition rights	44	71
Proceeds from issuance of bonds	—	2,426
Purchase of treasury shares	(299)	(700)
Dividends paid to non-controlling interests	—	(1)
Net cash provided by (used in) financing activities	(2,238)	5,671
Effect of exchange rate change on cash and cash equivalents	—	(1)
Net increase (decrease) in cash and cash equivalents	962	1,446
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	14,644	17,014

Results by Segment

I. Previous consolidated fiscal year (August 1, 2022 – July 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	17,743	—	17,743	—	17,743	—	17,743
Business supply and peripherals	12,514	—	12,514	—	12,514	—	12,514
Packaging materials	7,493	—	7,493	—	7,493	—	7,493
Others	—	2,652	2,652	614	3,267	—	3,267
Revenue from contracts with customers	37,751	2,652	40,403	614	41,018	—	41,018
Other revenue	—	—	—	—	—	—	—
Sales							
Sales to external customers	37,751	2,652	40,403	614	41,018	—	41,018
Intersegment sales and transfers	5	3	9	32	42	(42)	—
Total	37,756	2,656	40,413	647	41,060	(42)	41,018
Segment profit (loss)	3,701	(15)	3,686	176	3,862	(2,097)	1,765
Other items							
Depreciation	197	11	208	5	214	17	231
Increase in property, plant and equipment and intangible assets	69	62	132	1	133	31	165

(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 (loss) of -2,097 million yen includes corporate expenses of -2,097 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. The reconciliation for the increase in property, plant and equipment and intangible assets represents capital investments in headquarters buildings and structures.
4. Segment profit (loss) is adjusted with operating profit consolidated statement of income.

II. Current consolidated fiscal year (August 1, 2023 – July 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	20,239	—	20,239	—	20,239	—	20,239
Business supply and peripherals	18,446	—	18,446	—	18,446	—	18,446
Packaging materials	8,411	—	8,411	—	8,411	—	8,411
Others	—	2,476	2,476	1,547	4,023	—	4,023
Revenue from contracts with customers	47,097	2,476	49,573	1,547	51,121	—	51,121
Other revenue	—	—	—	—	—	—	—
Sales							
Sales to external customers	47,097	2,476	49,573	1,547	51,121	—	51,121
Intersegment sales and transfers	11	26	38	12	50	(50)	—
Total	47,109	2,502	49,611	1,559	51,171	(50)	51,121
Segment profit (loss)	5,139	(61)	5,078	(193)	4,884	(2,360)	2,523
Other items							
Depreciation	498	25	523	10	533	84	618
Increase in property, plant and equipment and intangible assets	1,000	66	1,066	28	1,095	—	1,095

(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 (loss) of -2,360 million yen includes the amount of corporate expenses of -2,360 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.