Translation

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Summary of Financial Results for the Year Ended July 31, 2019 (Based on Japanese GAAP)

September 12, 2019

Company name: RAKSUL INC.
Listed stock exchange : Tokyo
Stock code: 4384 https://corp.raksul.com/
Representative: Representative Director, President and CEO Yasukane Matsumoto
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Scheduled date of ordinary general meeting of shareholders: October 17, 2019
Scheduled date to file Securities Report: October 18, 2019
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. Financial Results for the Year Ended July 31, 2019 (August 1, 2018 - July 31, 2019)

(1) Operating results (cumulative)

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

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended July 31, 2019	17,168	53.6	143	54.6	130	201.2	69	350.2
Year ended July 31, 2018	11,174	45.6	93	–	43	—	15	–

	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 July 31, 2019	2.51	2.38	1.0	1.4	0.8
Year ended July 31, 2018	0.72	0.66	0.2	0.5	0.8

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of July 31, 2019	9,246	6,809	73.6	244.88
As of July 31, 2018	8,758	6,675	76.2	242.29

Reference: Shareholders' equity July 31, 2019: 6,808million yen July 31, 2018: 6,674million yen

(3) 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 July 31, 2019	11	(266)	(206)	5,904
Year ended July 31, 2018	137	(139)	3,342	6,366

2. Cash dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended July 31, 2018	–	0.00	–	0.00	0.00
Year ended July 31, 2019	–	0.00	–	0.00	0.00
Year ending July 31, 2020 (forecast)	–	0.00	–	0.00	0.00

3. Forecast for the Fiscal Year Ending July 31, 2020 (August 1, 2019 - July 31, 2020)

During the fiscal year ending July 31, 2020, in order to enhance enterprise value of company, RAKSUL INC. (the “Company”) considers it most important to continue reinvesting on platform value enhancement. In line with this policy, the Company aims to achieve year-on-year growth of at least 30% for net sales and gross profit, which is a source of enterprise value enhancement. To maximize its platform value, the Company is specifically considering actively investing in its advertising business and logistics business (Hacobell), and further accelerating overall growth using profit generated from the printing business which entered into a profitable phase as well as funds raised from its IPO. The Company is not disclosing forecasts of detailed profits amounts so that it can make investment decisions flexibly.

4.Others

(1) 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:	None
Changes in accounting policies due to other reasons:	None
Changes in accounting estimates:	None
Restatement of prior period financial statements:	None

(2) Number of shares outstanding (common shares)

1)Number of shares outstanding at the end of period (including treasury stock)

July 31, 2019	27,805,200 shares	July 31, 2018	27,548,600 shares

2)Number of treasury stock at the end of period

July 31, 2019	32 shares	July 31, 2018	－ shares

3)Average number of shares outstanding during the period

Year ended July 31, 2019	27,678,086 shares	Year ended July 31, 2018	21,341,083 shares

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 Financial Statements
Balance Sheets

(Thousands of yen)

	As of July 31, 2018	As of July 31, 2019
Assets		
Current assets		
Cash and deposits	6,366,217	5,904,840
Notes receivable - trade	2,807	81,863
Electronically recorded monetary claims - operating	—	1,753
Accounts receivable - trade	1,136,914	1,826,588
Supplies	—	4,945
Prepaid expenses	61,556	92,458
Other	30,862	69,505
Allowance for doubtful accounts	(13)	(114)
Total current assets	7,598,345	7,981,842
Non-current assets		
Property, plant and equipment		
Buildings	191,309	217,366
Accumulated depreciation	(28,149)	(45,031)
Buildings, net	163,159	172,335
Machinery and equipment	582,936	581,336
Accumulated depreciation	(163,670)	(221,217)
Machinery and equipment, net	419,265	360,118
Tools, furniture and fixtures	37,375	58,102
Accumulated depreciation	(17,250)	(30,032)
Tools, furniture and fixtures, net	20,124	28,069
Leased assets	170,000	170,000
Accumulated depreciation	(59,500)	(76,500)
Leased assets, net	110,500	93,500
Total property, plant and equipment	713,049	654,023
Intangible assets		
Software	54,188	105,446
Software in progress	—	67,425
Total intangible assets	54,188	172,872
Investments and other assets		
Investment securities	90,000	128,352
Shares of subsidiaries and associates	64,888	—
Long-term prepaid expenses	102	—
Guarantee deposits	184,835	235,071
Deferred tax assets	52,933	74,144
Total investments and other assets	392,759	437,568
Total non-current assets	1,159,997	1,264,463
Total assets	8,758,342	9,246,306

(Thousands of yen)

	As of July 31, 2018	As of July 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	907,003	1,458,493
Short-term loans payable	220,000	180,000
Current portion of long-term loans payable	194,868	91,430
Lease obligations	36,556	41,402
Accounts payable - other	241,996	332,068
Income taxes payable	50,349	49,974
Accrued consumption taxes	121,277	53,557
Advances received	34,913	41,476
Other	39,803	84,416
Total current liabilities	1,846,768	2,332,818
Non-current liabilities		
Long-term loans payable	91,430	－
Lease obligations	41,402	－
Asset retirement obligations	102,943	103,716
Total non-current liabilities	235,775	103,716
Total liabilities	2,082,544	2,436,535
Net assets		
Shareholders' equity		
Capital stock	1,926,045	1,958,453
Capital surplus		
Legal capital surplus	4,733,383	4,765,791
Total capital surpluses	4,733,383	4,765,791
Retained earnings		
Other retained earnings		
Retained earnings brought forward	15,459	85,057
Total retained earnings	15,459	85,057
Treasury shares	－	(101)
Total shareholders' equity	6,674,887	6,809,201
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	－	(284)
Total valuation and translation adjustments	－	(284)
Share acquisition rights	910	854
Total net assets	6,675,797	6,809,770
Total liabilities and net assets	8,758,342	9,246,306

Statements of Income (cumulative)

(Thousands of yen)

	Fiscal year ended July 31, 2018	Fiscal year ended July 31, 2019
Net sales	11,174,249	17,168,658
Cost of sales	8,412,650	13,224,435
Gross profit	2,761,599	3,944,222
Selling, general and administrative expenses	2,668,560	3,800,366
Operating profit	93,038	143,856
Non-operating income		
Interest income	50	73
Dividend income	780	780
Miscellaneous income	2,586	2,647
Total non-operating income	3,417	3,500
Non-operating expenses		
Interest expenses	13,409	8,444
Loss on investment in partnership	―	1,824
Share issuance cost	39,152	―
Listing related expenses	―	4,000
Miscellaneous loss	650	2,844
Total non-operating expenses	53,212	17,113
Ordinary profit	43,242	130,243
Extraordinary income		
Gain on sales of non-current assets	―	239
Total extraordinary income	―	239
Extraordinary losses		
Loss on retirement of non-current assets	―	7,131
Loss on valuation of shares of subsidiaries and associates	62,778	45,712
Total extraordinary losses	62,778	52,843
Profit (loss) before income taxes	(19,535)	77,640
Income taxes - current	17,939	29,423
Income taxes - deferred	(52,933)	(21,381)
Total income taxes	(34,994)	8,041
Profit	15,459	69,598

Statements of Changes in Equity

Fiscal year ended July 31,2018

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	100,000	3,922,672	160,076	4,082,749	(1,175,411)	(1,175,411)	―	3,007,338
Changes of items during period								
Issuance of new shares	1,825,354	1,825,354		1,825,354				3,650,708
Profit					15,459	15,459		15,459
Purchase of treasury shares								―
Deficit disposition		(1,015,334)	(160,076)	(1,175,411)	1,175,411	1,175,411		―
Net changes of items other than shareholders' equity	690	690		690				1,381
Total changes of items during period	1,826,045	810,710	(160,076)	650,633	1,190,870	1,190,870		3,667,549
Balance at end of current period	1,926,045	4,733,383	―	4,733,383	15,459	15,459	―	6,674,887

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	―	―	2,291	3,009,629
Changes of items during period				
Issuance of new shares				3,650,708
Profit				15,459
Purchase of treasury shares				―
Deficit disposition				―
Net changes of items other than shareholders' equity			(1,381)	―
Total changes of items during period			(1,381)	3,666,167
Balance at end of current period	―	―	910	6,675,797

Fiscal year ended July 31,2019

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	1,926,045	4,733,383	―	4,733,383	15,459	15,459	―	6,674,887
Changes of items during period								
Issuance of new shares	32,380	32,380		32,380				64,760
Profit					69,598	69,598		69,598
Purchase of treasury shares							(101)	(101)
Deficit disposition								―
Net changes of items other than shareholders' equity	28	28		28				56
Total changes of items during period	32,408	32,408		32,408	69,598	69,598	(101)	134,313
Balance at end of current period	1,958,453	4,765,791	―	4,765,791	85,057	85,057	(101)	6,809,201

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	―	―	910	6,675,797
Changes of items during period				
Issuance of new shares				64,760
Profit				69,598
Purchase of treasury shares				(101)
Deficit disposition				―
Net changes of items other than shareholders' equity	(284)	(284)	(56)	(284)
Total changes of items during period	(284)	(284)	(56)	133,973
Balance at end of current period	(284)	(284)	854	6,809,770

Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended July 31, 2018	Fiscal year ended July 31, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	(19,535)	77,640
Depreciation	116,228	130,860
Loss on valuation of shares of subsidiaries and associates	62,778	45,712
Loss (gain) on investments in partnership	—	1,824
Increase (decrease) in allowance for doubtful accounts	(177)	100
Increase (decrease) in other provision	(4,486)	—
Interest and dividend income	(830)	(853)
Interest expenses	13,409	8,444
Loss (gain) on sales of property, plant and equipment	—	(239)
Loss on retirement of non-current assets	—	7,131
Decrease (increase) in notes and accounts receivable - trade	(411,501)	(770,485)
Increase (decrease) in notes and accounts payable - trade	309,748	551,489
Increase (decrease) in accounts payable - other	(69,472)	81,568
Other, net	156,747	(87,381)
Subtotal	152,907	45,811
Interest and dividend income received	830	853
Interest expenses paid	(13,159)	(7,540)
Income taxes paid	(2,765)	(27,314)
Net cash provided by (used in) operating activities	137,813	11,810
Cash flows from investing activities		
Purchase of property, plant and equipment	(42,273)	(52,263)
Proceeds from sales of property, plant and equipment	—	1,200
Purchase of intangible assets	—	(136,828)
Payments for guarantee deposits	(52,462)	(57,747)
Proceeds from collection of guarantee deposits	—	329
Purchase of investment securities	—	(40,289)
Purchase of shares of subsidiaries	(45,226)	—
Proceeds from liquidation of subsidiaries	—	19,176
Net cash provided by (used in) investing activities	(139,961)	(266,422)
Cash flows from financing activities		
Decrease in short-term loans payable	(40,000)	(40,000)
Repayments of long-term loans payable	(194,868)	(194,868)
Proceeds from issuance of common shares	3,428,215	—
Purchase of treasury shares	—	(101)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	183,340	64,760
Repayments of lease obligations	(33,767)	(36,556)
Net cash provided by (used in) financing activities	3,342,920	(206,765)
Net increase (decrease) in cash and cash equivalents	3,340,771	(461,377)
Cash and cash equivalents at beginning of period	3,025,445	6,366,217
Cash and cash equivalents at end of period	6,366,217	5,904,840