Translation

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Summary of Financial Results for the Six Months Ended January 31, 2020 (Based on Japanese GAAP)

March 12, 2020

Company name: RAKSUL INC.
Listed stock exchange : Tokyo
Stock code: 4384 https://corp.raksul.com/
Representative: Representative Director, President and CEO Yasukane Matsumoto
Inquiries: Director, CFO Yo Nagami
Scheduled date to file Quarterly Securities Report: March 12, 2020
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 six months ended January 31, 2020 (August 1, 2019 - January 31, 2020)

(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	%
Six months ended January 31, 2020	11,146	48.7	(259)	–	(343)	–	(448)	–
Six months ended January 31, 2019	7,495	52.9	71	–	65	–	21	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended January 31, 2020	(16.07)	–
Six months ended January 31, 2019	0.77	0.73

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of January 31, 2020	19,180	6,700	34.9
As of July 31, 2019	9,246	6,809	73.6

Reference: Shareholders' equity January 31, 2020: 6,699 million yen July 31, 2019: 6,808 million yen

2. Dividends

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

Note: Amendments to dividend forecast compared with the most recent disclosure: None

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

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

	Net sales		Operating profit		non-GAAP Operating profit		Ordinary profit		Net profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	22,000 ～23,000	28.1 ～34.0	(560) ～(660)	―	(500) ～(600)	―	(660) ～(760)	―	(770) ～(870)	―	(27.44) ～(31.00)

Note: Revisions of most recent financial results forecast: Yes

Note: non-GAAP profits are calculated by deducting or adjusting non-recurring items and other specific adjustable items from GAAP profits (Japan GAAP) based on certain rules. We release non-GAAP figures because we believe that they are useful for understanding our fundamental business performance. Specifically, we have adjusted for certain one-off profits and losses that we deemed deductable (mainly stock-based compensation expenses).

Note: In the current fiscal year, we have been focusing on achieving at least 30% growth in gross profit, which is the source of our enterprise value, and revenue. We have been actively investing in our platforms because we believe that continuous reinvestments in raising our platform value is crucial for growing our enterprise value.

As for the firmwide revenue, although we achieved 48.7% of revenue growth in FY2020 1H the full-year revenue growth is expected to be 28.1%~34.0% YoY (The bottom range assumes that the impact of the Coronavirus disease (COVID-19) will continue until the end of the current fiscal year, additionally, the maximum range assumes that the impact of the Coronavirus disease (COVID-19) will lessen by the end of 3Q). In the printing business (which includes printing, offline advertising and TVCM services), the speed of acquiring new customers is higher than planned; on top of that, we are seeing a strong trend in repeated purchases among both newly acquired and existing users. In the logistics business, we are seeing a growing demand in the heavyweight freight segment as a result of our effort to expand the sales team (for shipper acquisition) and the supply capacity (i.e. carriers and drivers). Although the forecast above reflects the impact of the Coronavirus disease (COVID-19) as mentioned, if there had been no impact, the full-year revenue was expected to be around ¥24 billion.

Regarding profit, we expect the gross profit, which is the source of our enterprise value, to be between ¥4.8 billion and ¥5.1 billion. As for operating loss (non-GAAP), we expect it to be ¥500 million ~ ¥600 million, which is the result of our active reinvestment efforts in ad spend and the logistics business. The expected ordinary loss, including interest expenses and costs related to the issuance of convertible bonds, is ¥660 million ~ ¥760 million. The expected net loss is ¥770 million ~ ¥870 million. After a careful examination of the realizability of our deferred tax assets and the business performance of the current fiscal year, we have decided to reverse deferred tax assets of approximately ¥130 million and make necessary income tax adjustments this fiscal year.

4. Others

(1) Application of special accounting methods for preparing quarterly financial statements: 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: None

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 January 31, 2020 28,065,390 shares As of July 31, 2019 27,805,200 shares

2)Number of treasury stock at the end of period

As of January 31, 2020 32 shares As of July 31, 2019 32 shares

3)Average number of shares outstanding during the period

Six months ended January 31,2020 27,891,661 shares Six months ended January 31, 2019 27,623,383 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, 2019	As of January 31, 2020
Assets		
Current assets		
Cash and deposits	5,904,840	15,134,716
Notes receivable - trade	81,863	56,147
Electronically recorded monetary claims - operating	1,753	1,778
Accounts receivable - trade	1,826,588	2,183,049
Raw materials and supplies	4,945	14,963
Prepaid expenses	92,458	228,946
Other	69,505	187,692
Allowance for doubtful accounts	(114)	(422)
Total current assets	7,981,842	17,806,871
Non-current assets		
Property, plant and equipment		
Buildings	217,366	229,525
Accumulated depreciation	(45,031)	(54,926)
Buildings, net	172,335	174,599
Machinery and equipment	581,336	581,336
Accumulated depreciation	(221,217)	(250,284)
Machinery and equipment, net	360,118	331,051
Tools, furniture and fixtures	58,102	64,807
Accumulated depreciation	(30,032)	(33,925)
Tools, furniture and fixtures, net	28,069	30,881
Leased assets	170,000	170,000
Accumulated depreciation	(76,500)	(84,999)
Leased assets, net	93,500	85,000
Total property, plant and equipment	654,023	621,532
Intangible assets		
Software	105,446	173,490
Software in progress	67,425	70,291
Total intangible assets	172,872	243,782
Investments and other assets		
Investment securities	128,352	128,679
Long-term prepaid expenses	—	176,521
Guarantee deposits	235,071	202,715
Deferred tax assets	74,144	—
Total investments and other assets	437,568	507,916
Total non-current assets	1,264,463	1,373,230
Total assets	9,246,306	19,180,101

(Thousands of yen)

	As of July 31, 2019	As of January 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	1,458,493	1,635,794
Short-term borrowings	180,000	80,000
Current portion of long-term borrowings	91,430	—
Lease obligations	41,402	22,000
Accounts payable - other	332,068	398,163
Income taxes payable	49,974	25,754
Accrued consumption taxes	53,557	18,977
Advances received	41,476	70,746
Other	84,416	49,966
Total current liabilities	2,332,818	2,301,402
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	—	5,048,333
Long-term borrowings	—	5,000,000
Asset retirement obligations	103,716	104,105
Deferred tax liabilities	—	25,919
Total non-current liabilities	103,716	10,178,358
Total liabilities	2,436,535	12,479,760
Net assets		
Shareholders' equity		
Share capital	1,958,453	2,124,738
Deposit for subscriptions to shares	—	10,114
Capital surplus		
Legal capital surplus	4,765,791	4,932,077
Total capital surpluses	4,765,791	4,932,077
Retained earnings		
Other retained earnings		
Retained earnings brought forward	85,057	(363,096)
Total retained earnings	85,057	(363,096)
Treasury shares	(101)	(101)
Total shareholders' equity	6,809,201	6,703,731
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(284)	(4,244)
Total valuation and translation adjustments	(284)	(4,244)
Share acquisition rights	854	854
Total net assets	6,809,770	6,700,341
Total liabilities and net assets	9,246,306	19,180,101

Statements of Income (cumulative)

(Thousands of yen)

	Six months ended January 31, 2019	Six months ended January 31, 2020
Net sales	7,495,836	11,146,643
Cost of sales	5,692,645	8,731,341
Gross profit	1,803,191	2,415,301
Selling, general and administrative expenses	1,731,813	2,674,841
Operating profit (loss)	71,377	(259,540)
Non-operating income		
Interest income	32	1,707
Dividend income	780	780
Miscellaneous income	91	2,351
Total non-operating income	903	4,839
Non-operating expenses		
Interest expenses	4,883	13,231
Bond issuance cost	—	59,719
Loss on investments in investment partnerships	—	341
Listing expenses	—	9,111
Miscellaneous loss	1,403	6,497
Total non-operating expenses	6,286	88,900
Ordinary profit (loss)	65,994	(343,601)
Extraordinary income		
Gain on sales of non-current assets	239	—
Total extraordinary income	239	—
Extraordinary losses		
Loss on retirement of non-current assets	4,566	906
Loss on valuation of shares of subsidiaries and associates	44,985	—
Total extraordinary losses	49,551	906
Profit (loss) before income taxes	16,683	(344,508)
Income taxes - current	11,764	3,409
Income taxes - deferred	(16,245)	100,235
Total income taxes	(4,480)	103,645
Profit (loss)	21,164	(448,154)

Statements of Cash Flows

(Thousands of yen)

	Six months ended January 31, 2019	Six months ended January 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	16,683	(344,508)
Depreciation	61,257	76,299
Loss (gain) on investments in investment partnerships	—	341
Loss on valuation of shares of subsidiaries and associates	44,985	—
Increase (decrease) in allowance for doubtful accounts	3	308
Interest and dividend income	(812)	(2,487)
Interest expenses	4,883	13,231
Bond issuance cost	—	59,719
Loss (gain) on sales of non-current assets	(239)	—
Loss on retirement of non-current assets	4,566	906
Decrease (increase) in trade receivables	(245,699)	(330,767)
Increase (decrease) in trade payables	101,753	177,300
Increase (decrease) in accounts payable - other	62,873	60,111
Other, net	(285,588)	(165,592)
Subtotal	(235,334)	(455,138)
Interest and dividends received	812	820
Interest paid	(4,734)	(12,792)
Income taxes paid	(18,084)	(20,319)
Net cash provided by (used in) operating activities	(257,341)	(487,430)
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,633)	(22,157)
Proceeds from sales of property, plant and equipment	1,200	—
Purchase of intangible assets	(57,653)	(87,327)
Purchase of investment securities	—	(4,800)
Payments of guarantee deposits	(57,414)	(801)
Proceeds from refund of guarantee deposits	—	11,815
Loan advances	—	(46,000)
Net cash provided by (used in) investing activities	(130,502)	(149,271)
Cash flows from financing activities		
Repayments of short-term borrowings	—	(100,000)
Proceeds from long-term borrowings	—	5,000,000
Repayments of long-term borrowings	(97,434)	(91,430)
Repayments of lease obligations	(17,914)	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	39,396	57,612
Proceeds from payment of deposit for subscriptions to shares	—	10,114
Proceeds from issuance of bonds with share acquisition rights	—	4,990,280
Net cash provided by (used in) financing activities	(75,951)	9,866,577
Net increase (decrease) in cash and cash equivalents	(463,795)	9,229,876
Cash and cash equivalents at beginning of period	6,366,217	5,904,840
Cash and cash equivalents at end of period	5,902,422	15,134,716