Translation

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Summary of Financial Results for the Nine Months Ended April 30, 2020 (Based on Japanese GAAP)

June 11, 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: June 11, 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 nine months ended April 30, 2020 (August 1, 2019 - April 30, 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	%
Nine months ended April 30, 2020	16,598	34.4	(434)	–	(527)	–	(632)	–
Nine months ended April 30, 2019	12,348	55.6	149	–	138	–	75	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended April 30, 2020	(22.63)	–
Nine months ended April 30, 2019	2.75	2.60

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of April 30, 2020	18,337	6,511	35.5
As of July 31, 2019	9,246	6,809	73.6

Reference: Shareholders' equity April 30, 2020: 6,510 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	20,800 ～21,200	21.2 ～23.5	(340) ～(420)	—	(280) ～(360)	—	(470) ～(550)	—	(600) ～(680)	—	(21.43) ～(24.29)

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: As for the firmwide revenue, although we had achieved 48.7% of revenue growth in FY2020 1H, at the time of our previous forecast (March 12, 2020) , the ongoing revenue growth in our printing segment had been in the range of 0% ~ -10% YoY amid uncertainty surrounding the impact of COVID-19. However, we revised it to be lower than the previous forecast since our mainstay printing division revenue experienced a fall of up to 25% YoY after the state of emergency had been declared. On the other hand, after the state of emergency was lifted in the Tokyo metropolitan areas and Kansai, the revenue from the printing segment recovered to almost the same level as in the previous year. Therefore, unless the state of emergency is declared again, we expect the improvement trend to continue until the end of this fiscal year.

Regarding profit, as we have been focused on improving gross margins in each business, we expect the gross profit, which is the source of our enterprise value, to be between ¥4.65 billion and ¥4.85 billion. As for operating loss (non-GAAP), we revised it upward to ¥280 million ~ ¥360 million, which is the result of efforts to improve productivity, a temporary reduction in ad spend, and improvement in gross margin.

The expected net loss is ¥600 million ~ ¥680 million in line with the decrease in operating loss. Furthermore, as the office environment has been reviewed with a view to shift to a new work style, we decided to close the Gotanda office in the 4Q FY2020 and will record ¥22 million of non-operating expenses and ¥20 million of extraordinary loss.

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 April 30, 2020 28,097,790 shares As of July 31, 2019 27,805,200 shares

2)Number of treasury stock at the end of period

As of April 30, 2020 1,171 shares As of July 31, 2019 32 shares

3)Average number of shares outstanding during the period

Nine months ended April 30,2020 27,958,613 shares Nine months ended April 30, 2019 27,648,895 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 April 30, 2020
Assets		
Current assets		
Cash and deposits	5,904,840	14,917,167
Notes receivable - trade	81,863	47,233
Electronically recorded monetary claims - operating	1,753	11,392
Accounts receivable - trade	1,826,588	1,571,853
Raw materials and supplies	4,945	39,329
Prepaid expenses	92,458	238,507
Other	69,505	153,710
Allowance for doubtful accounts	(114)	(297)
Total current assets	7,981,842	16,978,896
Non-current assets		
Property, plant and equipment		
Buildings	217,366	229,525
Accumulated depreciation	(45,031)	(59,880)
Buildings, net	172,335	169,645
Machinery and equipment	581,336	751,336
Accumulated depreciation	(221,217)	(354,067)
Machinery and equipment, net	360,118	397,268
Tools, furniture and fixtures	58,102	67,502
Accumulated depreciation	(30,032)	(37,764)
Tools, furniture and fixtures, net	28,069	29,737
Leased assets	170,000	—
Accumulated depreciation	(76,500)	—
Leased assets, net	93,500	—
Total property, plant and equipment	654,023	596,651
Intangible assets		
Software	105,446	247,396
Software in progress	67,425	53,966
Total intangible assets	172,872	301,363
Investments and other assets		
Investment securities	128,352	129,549
Long-term prepaid expenses	—	149,073
Guarantee deposits	235,071	181,666
Deferred tax assets	74,144	—
Total investments and other assets	437,568	460,289
Total non-current assets	1,264,463	1,358,304
Total assets	9,246,306	18,337,201

(Thousands of yen)

	As of July 31, 2019	As of April 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	1,458,493	1,223,354
Short-term borrowings	180,000	40,000
Current portion of long-term borrowings	91,430	—
Lease obligations	41,402	—
Accounts payable - other	332,068	285,842
Income taxes payable	49,974	14,156
Accrued consumption taxes	53,557	18,328
Advances received	41,476	31,224
Other	84,416	37,112
Total current liabilities	2,332,818	1,650,018
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	—	5,045,833
Long-term borrowings	—	5,000,000
Asset retirement obligations	103,716	104,300
Deferred tax liabilities	—	25,316
Total non-current liabilities	103,716	10,175,450
Total liabilities	2,436,535	11,825,469
Net assets		
Shareholders' equity		
Share capital	1,958,453	2,129,874
Capital surplus		
Legal capital surplus	4,765,791	4,937,212
Total capital surpluses	4,765,791	4,937,212
Retained earnings		
Other retained earnings		
Retained earnings brought forward	85,057	(547,599)
Total retained earnings	85,057	(547,599)
Treasury shares	(101)	(249)
Total shareholders' equity	6,809,201	6,519,237
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(284)	(8,359)
Total valuation and translation adjustments	(284)	(8,359)
Share acquisition rights	854	854
Total net assets	6,809,770	6,511,732
Total liabilities and net assets	9,246,306	18,337,201

Statements of Income (cumulative)

(Thousands of yen)

	Nine months ended April 30, 2019	Nine months ended April 30, 2020
Net sales	12,348,748	16,598,202
Cost of sales	9,446,759	12,966,777
Gross profit	2,901,989	3,631,424
Selling, general and administrative expenses	2,752,731	4,066,326
Operating profit (loss)	149,257	(434,902)
Non-operating income		
Interest income	68	4,384
Dividend income	780	780
Miscellaneous income	1,513	3,882
Total non-operating income	2,361	9,046
Non-operating expenses		
Interest expenses	6,803	21,141
Bond issuance cost	—	59,414
Loss on investments in investment partnerships	—	341
Listing expenses	—	9,111
Miscellaneous loss	6,557	11,216
Total non-operating expenses	13,361	101,224
Ordinary profit (loss)	138,257	(527,080)
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	88,946	(527,987)
Income taxes - current	27,067	5,036
Income taxes - deferred	(14,100)	99,632
Total income taxes	12,967	104,669
Profit (loss)	75,978	(632,656)