Translation

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Summary of Financial Results for the Nine Months Ended April 30, 2021 (Based on Japanese GAAP)

June 10, 2021

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 10, 2021
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, 2021 (August 1, 2020 – April 30, 2021)

(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, 2021	22,321	34.5	519	–	475	–	340	–
Nine months ended April 30, 2020	16,598	34.4	(434)	–	(527)	–	(632)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended April 30, 2021	11.97	10.94
Nine months ended April 30, 2020	(22.63)	—

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of April 30, 2021	21,759	7,930	35.0
As of July 31, 2020	19,379	6,801	34.5

Reference: Shareholders' equity April 30, 2021: 7,605 million yen July 31, 2020: 6,692 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, 2020	–	0.00	–	0.00	0.00
Year ending July 31, 2021	–	0.00	–		
Year ending July 31, 2021 (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, 2021 (August 1, 2020 - July 31, 2021)

(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	29,650 ～30,150	37.9 ～40.3	110 ～190	—	720 ～800	—	40 ～120	—	60 ～140	—	2.11 ～4.91

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 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 expenses).

Note: Reasoning for the revision of financial forecast

In the current fiscal year, although the market situation worsened from initial assumptions due to multiple states of emergency being declared amid the COVID-19 pandemic, the companywide revenue is expected to grow by 37.9% - 40.3% YoY, which is higher than our previously announced forecast. In the Raksul business segment, sales exceeded forecasts by adapting to changes in the business environment, especially showing strong growth in products that capture stay-at-home demand such as envelopes and DMs, and new products such as novelties. In the Novasell business segment, growth accelerated due to an increase in the number of new customers and large-scale projects. For the Hacobell business segment, we are seeing continuous growth due to increasing demand from customers in the beverage and retail industries in the intra-city and last mile deliveries. Regarding profit, as we have been focused on improving gross margins in each business segment, we expect the gross profit, which is the source of our corporate value, to be ¥7.1 billion - ¥7.2 billion. As for operating profit (non-GAAP), we revised it upward to ¥720 million - ¥800 million, which is the result of continuous efforts to improve the efficiency of productivity and gross margins, as well as to actively reinvest towards increasing our platform value. As it is certain the full year operating profit (non-GAAP) will highly exceed the previously announced forecast, we will strengthen investment in Q4 towards growth for the next fiscal year onwards. The expected net profit is ¥60 million - ¥140 million which is in line with the increase in operating profit as well as the recording of deferred tax assets.

Note: The above-mentioned forecasts are based on the information available at the time of preparation of this announcement, and actual performance may differ due to various factors such as impact from spread and/or convergence of COVID-19 and other external conditions such as the holding of the Olympics.

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, 2021	28,615,620 shares	As of July 31, 2020	28,270,090 shares
2)Number of treasury stock at the end of period			
As of April 30, 2021	8,167 shares	As of July 31, 2020	1,171 shares
3)Average number of shares outstanding during the period			
Nine months ended April 30,2021	28,433,598 shares	Nine months ended April 30, 2020	27,958,613 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, 2020	As of April 30, 2021
Assets		
Current assets		
Cash and deposits	15,451,377	12,904,761
Notes receivable - trade	22,915	23,526
Electronically recorded monetary claims - operating	12,452	8,356
Accounts receivable - trade	2,157,262	3,373,272
Raw materials and supplies	36,983	3,367
Prepaid expenses	188,673	347,675
Other	154,246	177,970
Allowance for doubtful accounts	(637)	(692)
Total current assets	18,023,273	16,838,237
Non-current assets		
Property, plant and equipment		
Buildings	207,716	208,031
Accumulated depreciation	(62,411)	(75,248)
Buildings, net	145,305	132,782
Machinery and equipment	751,336	751,336
Accumulated depreciation	(372,851)	(429,201)
Machinery and equipment, net	378,484	322,134
Tools, furniture and fixtures	72,003	79,026
Accumulated depreciation	(41,802)	(51,010)
Tools, furniture and fixtures, net	30,200	28,016
Total property, plant and equipment	553,990	482,933
Intangible assets		
Software	297,625	312,406
Software in progress	47,659	51,004
Total intangible assets	345,285	363,410
Investments and other assets		
Investment securities	124,256	159,218
Shares of subsidiaries and associates	31,683	3,464,421
Long-term prepaid expenses	126,665	299,326
Guarantee deposits	174,662	140,176
Long-term deposits	—	12,000
Total investments and other assets	457,267	4,075,143
Total non-current assets	1,356,543	4,921,487
Total assets	19,379,817	21,759,724

(Thousands of yen)

	As of July 31, 2020	As of April 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	1,654,786	2,582,657
Short-term borrowings	40,000	—
Current portion of long-term borrowings	—	975,054
Accounts payable - other	500,595	591,072
Income taxes payable	30,902	151,131
Accrued consumption taxes	63,715	221,125
Advances received	70,473	66,336
Other	45,273	53,197
Total current liabilities	2,405,745	4,640,575
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	5,043,333	5,035,833
Long-term borrowings	5,000,000	4,024,946
Asset retirement obligations	104,495	105,083
Deferred tax liabilities	24,714	22,954
Total non-current liabilities	10,172,543	9,188,818
Total liabilities	12,578,288	13,829,393
Net assets		
Shareholders' equity		
Share capital	2,152,347	2,434,927
Capital surplus		
Legal capital surplus	4,959,686	5,242,265
Total capital surpluses	4,959,686	5,242,265
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(409,078)	(68,868)
Total retained earnings	(409,078)	(68,868)
Treasury shares	(249)	(249)
Total shareholders' equity	6,702,705	7,608,075
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(10,542)	(2,322)
Total valuation and translation adjustments	(10,542)	(2,322)
Share acquisition rights	109,364	324,577
Total net assets	6,801,528	7,930,330
Total liabilities and net assets	19,379,817	21,759,724

Statements of Income (cumulative)

(Thousands of yen)

	Nine months ended April 30, 2020	Nine months ended April 30, 2021
Net sales	16,598,202	22,321,438
Cost of sales	12,966,777	16,987,666
Gross profit	3,631,424	5,333,771
Selling, general and administrative expenses	4,066,326	4,814,088
Operating profit (loss)	(434,902)	519,682
Non-operating income		
Interest income	4,384	7,655
Dividend income	780	—
Miscellaneous income	3,882	8,940
Total non-operating income	9,046	16,596
Non-operating expenses		
Interest expenses	21,141	24,635
Bond issuance costs	59,414	—
Loss on investments in investment partnerships	341	690
Listing expenses	9,111	—
Loss on extinguishment of stock-based compensation expenses	—	27,333
Miscellaneous loss	11,216	7,872
Total non-operating expenses	101,224	60,533
Ordinary profit (loss)	(527,080)	475,745
Extraordinary losses		
Loss on retirement of non-current assets	906	6,372
Total extraordinary losses	906	6,372
Profit (loss) before income taxes	(527,987)	469,373
Income taxes - current	5,036	130,971
Income taxes - deferred	99,632	(1,808)
Total income taxes	104,669	129,163
Profit (loss)	(632,656)	340,210

Results by Segment

Nine months ended April 30,2020

(Thousands of yen)

	Reportable segments				Other	Total	Reconciling items	Per quarterly financial statements
	Raksul	Novasell	Hacobell	Reportable segments				
Sales								
Revenues from external customers	12,453,603	2,323,636	1,736,987	16,514,228	83,974	16,598,202	—	16,598,202
Transactions with other segments	—	—	—	—	—	—	—	—
Net sales	12,453,603	2,323,636	1,736,987	16,514,228	83,974	16,598,202	—	16,598,202
Operating profit (loss)	742,300	32,820	(317,646)	457,473	28,833	486,307	(921,209)	(434,902)

Nine months ended April 30,2021

(Thousands of yen)

	Reportable segments				Other	Total	Reconciling items	Per quarterly financial statements
	Raksul	Novasell	Hacobell	Reportable segments				
Sales								
Revenues from external customers	15,153,500	4,735,092	2,215,489	22,104,082	217,355	22,321,438	—	22,321,438
Transactions with other segments	—	—	—	—	—	—	—	—
Net sales	15,153,500	4,735,092	2,215,489	22,104,082	217,355	22,321,438	—	22,321,438
Operating profit (loss)	1,635,412	112,427	(43,831)	1,704,007	78,596	1,782,604	(1,262,921)	519,682