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Summary of Financial Results for the Three Months Ended October 31, 2018 (Based on Japanese GAAP)

December 13, 2018

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: December 13, 2018
 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 three months ended October 31, 2018 (August 1, 2018 - October 31, 2018)

(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	%
Three months ended October 31, 2018	3,429	–	34	–	31	–	0	–
Three months ended October 31, 2017	–	–	–	–	–	–	–	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended October 31, 2018	0.03	0.02
Three months ended October 31, 2017	–	–

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of October 31, 2018	8,959	6,728	75.1
As of July 31, 2018	8,758	6,675	76.2

Reference: Shareholders' equity October 31, 2018: 6,727 million yen July 31, 2018: 6,674 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, 2018	–	0.00	–	0.00	0.00
Year ending July 31, 2019	–				
Year ending July 31, 2019 (forecast)		0.00	–	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, 2019 (August 1, 2018 - July 31, 2019)

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

	Net sales		Operating profit		Ordinary profit		Net profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	14,550	30.2	—	—	—	—	—	—	—

Note: Revisions of most recent financial results forecast: None

Note: During the fiscal year ending July 31, 2019, in order to enhance intrinsic 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 30% at least for net sales and gross profit, which is a source of corporate value enhancement derived from net sales. 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 earnings generated from the printing business which entered into a profitable phase driven by the J-curve effect (prior investment) amounting to approximately JPY 5 billion in total, as well as funds raised from its IPO. The Company is also expected to generate operating profit, ordinary profit, and net profit, and is not disclosing forecasts of detailed profits amounts so that it can make decisions flexibly.

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 October 31, 2018: 27,605,000 shares As of July 31, 2017: 27,548,600 shares

2) Number of treasury stock at the end of period

As of October 31, 2018: — shares As of July 31, 2017: — shares

3) Average number of shares outstanding during the period

Three months ended October 31, 2018: 27,585,996 shares Three months ended October 31, 2017: — 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 October 31, 2018
Assets		
Current assets		
Cash and deposits	6,366,217	6,050,154
Notes receivable - trade	2,807	34,897
Accounts receivable - trade	1,136,914	1,332,311
Prepaid expenses	61,556	90,334
Other	30,862	282,017
Allowance for doubtful accounts	(13)	(16)
Total current assets	7,598,345	7,789,698
Non-current assets		
Property, plant and equipment		
Buildings	191,309	187,765
Accumulated depreciation	(28,149)	(32,012)
Buildings, net	163,159	155,753
Machinery and equipment	582,936	582,936
Accumulated depreciation	(163,670)	(178,244)
Machinery and equipment, net	419,265	404,691
Tools, furniture and fixtures	37,375	42,238
Accumulated depreciation	(17,250)	(19,399)
Tools, furniture and fixtures, net	20,124	22,839
Leased assets	170,000	170,000
Accumulated depreciation	(59,500)	(63,749)
Leased assets, net	110,500	106,250
Total property, plant and equipment	713,049	689,534
Intangible assets		
Software	54,188	60,070
Software in progress	—	19,840
Total intangible assets	54,188	79,910
Investments and other assets		
Investment securities	90,000	139,120
Shares of subsidiaries and associates	64,888	19,903
Long-term prepaid expenses	102	—
Guarantee deposits	184,835	184,835
Deferred tax assets	52,933	56,749
Total investments and other assets	392,759	400,608
Total non-current assets	1,159,997	1,170,053
Total assets	8,758,342	8,959,752

	As of July 31, 2018	As of October 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	907,003	1,080,302
Short-term loans payable	220,000	220,000
Current portion of long-term loans payable	194,868	195,918
Lease obligations	36,556	37,292
Accounts payable - other	241,996	291,062
Income taxes payable	50,349	13,915
Accrued consumption taxes	121,277	21,460
Advances received	34,913	127,382
Other	39,803	50,926
Total current liabilities	1,846,768	2,038,261
Non-current liabilities		
Long-term loans payable	91,430	58,330
Lease obligations	41,402	31,798
Asset retirement obligations	102,943	103,135
Total non-current liabilities	235,775	193,264
Total liabilities	2,082,544	2,231,525
Net assets		
Shareholders' equity		
Capital stock	1,926,045	1,934,871
Capital surplus		
Legal capital surplus	4,733,383	4,742,210
Total capital surpluses	4,733,383	4,742,210
Retained earnings		
Other retained earnings		
Retained earnings brought forward	15,459	16,155
Total retained earnings	15,459	16,155
Total shareholders' equity	6,674,887	6,693,236
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	—	34,079
Total valuation and translation adjustments	—	34,079
Share acquisition rights	910	910
Total net assets	6,675,797	6,728,226
Total liabilities and net assets	8,758,342	8,959,752

Statements of Income (cumulative)

(In thousands of yen)

	Three months ended October 31, 2018
Net sales	3,429,875
Cost of sales	2,608,626
Gross profit	821,249
Selling, general and administrative expenses	786,320
Operating profit	34,928
Non-operating income	
Interest income	27
Miscellaneous income	17
Total non-operating income	44
Non-operating expenses	
Interest expenses	2,574
Miscellaneous loss	764
Total non-operating expenses	3,338
Ordinary profit	31,634
Extraordinary losses	
Loss on retirement of non-current assets	3,412
Loss on valuation of shares of subsidiaries and associates	44,985
Loss before income taxes	(16,762)
Income taxes - current	1,397
Income taxes - deferred	(18,856)
Total income taxes	(17,458)
Profit	696