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Summary of Financial Results for the Six Months Ended January 31, 2019 (Based on Japanese GAAP)

March 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
 Inquiries: Director, CFO Yo Nagami
 Scheduled date to file Quarterly Securities Report: March 12, 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 six months ended January 31, 2019 (August 1, 2018 - January 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	%
Six months ended January 31, 2019	7,495	52.9	71	–	65	–	21	–
Six months ended January 31, 2018	4,903	–	(121)	–	(129)	–	(132)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended January 31, 2019	0.77	0.73
Six months ended January 31, 2018	(7.83)	–

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of January 31, 2019	8,806	6,743	76.6
As of July 31, 2018	8,758	6,675	76.2

Reference: Shareholders' equity January 31, 2019: 6,742 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	–	0.00			
Year ending July 31, 2019 (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, 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 January 31, 2019: 27,701,400 shares As of July 31, 2018: 27,548,600 shares

2) Number of treasury stock at the end of period

As of January 31, 2019: — shares As of July 31, 2018: — shares

3) Average number of shares outstanding during the period

Six months ended January 31, 2019: 27,623,383 shares Six months ended January 31, 2018: 16,874,189 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 January 31, 2019
Assets		
Current assets		
Cash and deposits	6,366,217	5,902,422
Notes receivable - trade	2,807	67,028
Electronically recorded monetary claims - trade	—	1,542
Accounts receivable - trade	1,136,914	1,316,849
Supplies	—	7,756
Prepaid expenses	61,556	97,679
Other	30,862	196,153
Allowance for doubtful accounts	(13)	(17)
Total current assets	7,598,345	7,589,414
Non-current assets		
Property, plant and equipment		
Buildings	191,309	193,305
Accumulated depreciation	(28,149)	(36,122)
Buildings, net	163,159	157,183
Machinery and equipment	582,936	581,336
Accumulated depreciation	(163,670)	(192,150)
Machinery and equipment, net	419,265	389,185
Tools, furniture and fixtures	37,375	49,908
Accumulated depreciation	(17,250)	(22,305)
Tools, furniture and fixtures, net	20,124	27,603
Leased assets	170,000	170,000
Accumulated depreciation	(59,500)	(67,999)
Leased assets, net	110,500	102,000
Total property, plant and equipment	713,049	675,971
Intangible assets		
Software	54,188	67,019
Software in progress	—	45,689
Total intangible assets	54,188	112,709
Investments and other assets		
Investment securities	90,000	100,080
Shares of subsidiaries and associates	64,888	19,903
Long-term prepaid expenses	102	—
Guarantee deposits	184,835	242,219
Deferred tax assets	52,933	66,092
Total investments and other assets	392,759	428,295
Total non-current assets	1,159,997	1,216,976
Total assets	8,758,342	8,806,390

	As of July 31, 2018	As of January 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	907,003	1,008,756
Short-term loans payable	220,000	220,000
Current portion of long-term loans payable	194,868	188,864
Lease obligations	36,556	60,044
Accounts payable - other	241,996	318,393
Income taxes payable	50,349	36,945
Accrued consumption taxes	121,277	23,771
Advances received	34,913	44,794
Other	39,803	58,138
Total current liabilities	1,846,768	1,959,709
Non-current liabilities		
Long-term loans payable	91,430	—
Lease obligations	41,402	—
Asset retirement obligations	102,943	103,329
Total non-current liabilities	235,775	103,329
Total liabilities	2,082,544	2,063,038
Net assets		
Shareholders' equity		
Capital stock	1,926,045	1,945,771
Capital surplus		
Legal capital surplus	4,733,383	4,753,109
Total capital surpluses	4,733,383	4,753,109
Retained earnings		
Other retained earnings		
Retained earnings brought forward	15,459	36,623
Total retained earnings	15,459	36,623
Total shareholders' equity	6,674,887	6,735,504
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	—	6,993
Total valuation and translation adjustments	—	6,993
Share acquisition rights	910	854
Total net assets	6,675,797	6,743,351
Total liabilities and net assets	8,758,342	8,806,390

Statements of Income (cumulative)

(Thousands of yen)

	Six months ended January 31, 2018	Six months ended January 31, 2019
Net sales	4,903,776	7,495,836
Cost of sales	3,677,147	5,692,645
Gross profit	1,226,628	1,803,191
Selling, general and administrative expenses	1,348,166	1,731,813
Operating profit (loss)	(121,537)	71,377
Non-operating income		
Interest income	26	32
Dividend income	780	780
Miscellaneous income	550	91
Total non-operating income	1,357	903
Non-operating expenses		
Interest expenses	7,326	4,883
Share issuance cost	2,000	—
Miscellaneous loss	122	1,403
Total non-operating expenses	9,449	6,286
Ordinary profit (loss)	(129,630)	65,994
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
Loss on valuation of shares of subsidiaries and associates	—	44,985
Total extraordinary losses	—	49,551
Profit (loss) before income taxes	(129,630)	16,683
Income taxes - current	2,505	11,764
Income taxes - deferred	—	(16,245)
Total income taxes	2,505	(4,480)
Profit (loss)	(132,135)	21,164

Statements of Cash Flows

(Thousands of yen)

	Six months ended January 31, 2018	Six months ended January 31, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	(129,630)	16,683
Depreciation	56,976	61,257
Loss on valuation of shares of subsidiaries and associates	—	44,985
Increase (decrease) in allowance for doubtful accounts	3	3
Increase (decrease) in other provision	4,720	—
Interest and dividend income	(806)	(812)
Interest expenses	7,326	4,883
Loss (gain) on sales of non-current assets	—	(239)
Loss on retirement of non-current assets	—	4,566
Decrease (increase) in notes and accounts receivable - trade	(22,900)	(245,699)
Increase (decrease) in notes and accounts payable - trade	10,649	101,753
Increase (decrease) in accounts payable - other	(191,346)	62,873
Other, net	63,062	(285,588)
Subtotal	(201,944)	(235,334)
Interest and dividend income received	806	812
Interest expenses paid	(7,172)	(4,734)
Income taxes paid	(2,765)	(18,084)
Net cash provided by (used in) operating activities	(211,074)	(257,341)
Cash flows from investing activities		
Purchase of property, plant and equipment	(38,750)	(16,633)
Proceeds from sales of property, plant and equipment	—	1,200
Purchase of intangible assets	—	(57,653)
Payments for guarantee deposits	(47,535)	(57,414)
Purchase of shares of Non-consolidated subsidiaries	(45,226)	—
Net cash provided by (used in) investing activities	(131,511)	(130,502)
Cash flows from financing activities		
Repayments of long-term loans payable	(97,434)	(97,434)
Repayments of lease obligations	(16,550)	(17,914)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	175,844	39,396
Net cash provided by (used in) financing activities	61,859	(75,951)
Net increase (decrease) in cash and cash equivalents	(280,726)	(463,795)
Cash and cash equivalents at beginning of period	3,025,445	6,366,217
Cash and cash equivalents at end of period	2,744,719	5,902,422