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

December 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: December 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 three months ended October 31, 2019 (August 1, 2019 - October 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	%
Three months ended October 31, 2019	5,353	56.1	(43)	–	(57)	–	(57)	–
Three months ended October 31, 2018	3,429	–	34	–	31	–	0	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended October 31, 2019	(2.06)	–
Three months ended October 31, 2018	0.03	0.02

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of October 31, 2019	14,405	6,755	46.9
As of July 31, 2019	9,246	6,809	73.6

Reference: Shareholders' equity October 31, 2019: 6,754 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	–				
Year ending July 31, 2020 (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, 2020 (August 1, 2019 - July 31, 2020)

Note: Revisions of most recent financial results forecast: None

Note: During the fiscal year ending July 31, 2020, 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. 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, 2019	27,829,200 shares	As of July 31, 2019	27,805,200 shares
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2) Number of treasury stock at the end of period

As of October 31, 2019	32 shares	As of July 31, 2019	32 shares
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3) Average number of shares outstanding during the period

Three months ended October 31, 2019	27,809,277 shares	Three months ended October 31, 2018	27,585,996 shares
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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 October 31, 2019
Assets		
Current assets		
Cash and deposits	5,904,840	10,691,736
Notes receivable - trade	81,863	68,592
Electronically recorded monetary claims - operating	1,753	1,663
Accounts receivable - trade	1,826,588	2,082,912
Raw materials and supplies	4,945	20,015
Prepaid expenses	92,458	145,948
Other	69,505	110,775
Allowance for doubtful accounts	(114)	(372)
Total current assets	7,981,842	13,121,271
Non-current assets		
Property, plant and equipment		
Buildings	217,366	229,525
Accumulated depreciation	(45,031)	(49,973)
Buildings, net	172,335	179,552
Machinery and equipment	581,336	581,336
Accumulated depreciation	(221,217)	(235,751)
Machinery and equipment, net	360,118	345,584
Tools, furniture and fixtures	58,102	66,759
Accumulated depreciation	(30,032)	(33,433)
Tools, furniture and fixtures, net	28,069	33,326
Leased assets	170,000	170,000
Accumulated depreciation	(76,500)	(80,749)
Leased assets, net	93,500	89,250
Total property, plant and equipment	654,023	647,714
Intangible assets		
Software	105,446	165,652
Software in progress	67,425	46,516
Total intangible assets	172,872	212,169
Investments and other assets		
Investment securities	128,352	128,272
Long-term prepaid expenses	—	6,494
Guarantee deposits	235,071	213,080
Deferred tax assets	74,144	76,325
Total investments and other assets	437,568	424,173
Total non-current assets	1,264,463	1,284,057
Total assets	9,246,306	14,405,329

	As of July 31, 2019	As of October 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	1,458,493	1,618,121
Short-term borrowings	180,000	180,000
Current portion of long-term borrowings	91,430	58,330
Lease obligations	41,402	31,798
Accounts payable - other	332,068	496,442
Income taxes payable	49,974	13,731
Accrued consumption taxes	53,557	38,850
Advances received	41,476	66,943
Other	84,416	42,036
Total current liabilities	2,332,818	2,546,254
Non-current liabilities		
Long-term borrowings	—	5,000,000
Asset retirement obligations	103,716	103,910
Total non-current liabilities	103,716	5,103,910
Total liabilities	2,436,535	7,650,164
Net assets		
Shareholders' equity		
Share capital	1,958,453	1,962,209
Capital surplus		
Legal capital surplus	4,765,791	4,769,547
Total capital surpluses	4,765,791	4,769,547
Retained earnings		
Other retained earnings		
Retained earnings brought forward	85,057	27,648
Total retained earnings	85,057	27,648
Treasury shares	(101)	(101)
Total shareholders' equity	6,809,201	6,759,303
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(284)	(4,992)
Total valuation and translation adjustments	(284)	(4,992)
Share acquisition rights	854	854
Total net assets	6,809,770	6,755,164
Total liabilities and net assets	9,246,306	14,405,329

Statements of Income (cumulative)

(Thousands of yen)

	Three months ended October 31, 2018	Three months ended October 31, 2019
Net sales	3,429,875	5,353,789
Cost of sales	2,608,626	4,183,497
Gross profit	821,249	1,170,291
Selling, general and administrative expenses	786,320	1,213,608
Operating profit (loss)	34,928	(43,316)
Non-operating income		
Interest income	27	35
Miscellaneous income	17	1,759
Total non-operating income	44	1,795
Non-operating expenses		
Interest expenses	2,574	4,305
Listing expenses	—	9,111
Miscellaneous loss	764	2,641
Total non-operating expenses	3,338	16,058
Ordinary profit (loss)	31,634	(57,580)
Extraordinary losses		
Loss on retirement of non-current assets	3,412	—
Loss on valuation of shares of subsidiaries and associates	44,985	—
Total extraordinary losses	48,397	—
Loss before income taxes	(16,762)	(57,580)
Income taxes - current	1,397	1,839
Income taxes - deferred	(18,856)	(2,010)
Total income taxes	(17,458)	(170)
Profit (loss)	696	(57,409)