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Summary of Financial Results for the Year Ended July 31, 2018 (Based on Japanese GAAP)

September 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 TEL +81-3-6632-9048
 Scheduled date to file Quarterly Securities Report: September 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 Year Ended July 31, 2018 (August 1, 2017 - July 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	%
Year ended July 31, 2018	11,174	45.6	93	–	43	–	15	–
Year ended July 31, 2017	7,675	–	(1,145)	–	(1,163)	–	(1,175)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended July 31, 2018	0.72	0.66
Year ended July 31, 2017	(79.55)	–

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of July 31, 2018	8,787	6,675	76.0
As of July 31, 2017	4,869	3,009	61.8

Reference: Shareholders' equity July 31, 2018: 6,674million yen July 31, 2017: 3,007 million yen

(3) cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	%	Millions of yen
Year ended July 31, 2018	137	(139)	3,342	6,366
Year ended July 31, 2017	(974)	(113)	2,268	3,025

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended July 31, 2017	–	0.00	–	0.00	0.00
Year ending July 31, 2018	–	0.00	–	0.00	0.00
Year ending July 31, 2019 (forecast)	–	0.00	–	0.00	0.00

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: 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) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:	None
Changes in accounting policies due to other reasons:	None
Changes in accounting estimates:	Yes
Restatement of prior period financial statements:	None

(2) Number of shares outstanding (common shares)

1) Number of shares outstanding at the end of period (including treasury stock)

July 31, 2018:	27,548,600 shares	July 31, 2017:	14,775,900 shares
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2) Number of treasury stock at the end of period

July 31, 2018:	— shares	July 31, 2017:	— shares
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3) Average number of shares outstanding during the period

Year ended July 31, 2018:	21,341,083 shares	Year ended July 31, 2017:	14,775,900 shares
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This report of financial results is out of scope 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

(In thousands of yen)

	As of July 31, 2017	As of July 31, 2018
Assets		
Current assets		
Cash and deposits	3,025,445	6,366,217
Notes receivable – trade	—	2,807
Accounts receivable - trade	728,219	1,136,914
Prepaid expenses	42,160	61,556
Income taxes receivable	7,636	—
Consumption taxes receivable	9,739	—
Deferred tax assets-CA	—	82,474
Other	19,490	30,862
Allowance for doubtful accounts	(191)	(13)
Total current assets	3,832,500	7,680,820
Non-current assets		
Property, plant and equipment		
Buildings	56,569	191,309
Accumulated depreciation	(13,093)	(28,149)
Buildings, net	43,475	163,159
Machinery and equipment	582,936	582,936
Accumulated depreciation	(105,377)	(163,670)
Machinery and equipment, net	477,558	419,265
Tools, furniture and fixtures	25,706	37,375
Accumulated depreciation	(10,169)	(17,250)
Tools, furniture and fixtures, net	15,536	20,124
Leased assets	170,000	170,000
Accumulated depreciation	(42,500)	(59,500)
Leased assets, net	127,500	110,500
Total property, plant and equipment	664,070	713,049
Intangible assets		
Software	66,601	54,188
Total intangible assets	66,601	54,188
Investments and other assets		
Investment securities	90,000	90,000
Shares of subsidiaries and associates	82,440	64,888
Long-term prepaid expenses	—	102
Guarantee deposits	134,149	184,835
Total investments and other assets	306,589	339,825
Total non-current assets	1,037,262	1,107,063
Total assets	4,869,763	8,787,883

(In thousands of yen)

	As of July 31, 2017	As of July 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	597,255	907,003
Short-term loans payable	260,000	220,000
Current portion of long-term loans payable	194,868	194,868
Lease obligations	33,767	36,556
Accounts payable - other	344,822	241,996
Income taxes payable	2,765	50,349
Accrued consumption taxes	—	121,277
Advances received	33,680	34,913
Provision for point card certificates	4,486	—
Other	24,231	39,803
Total current liabilities	1,495,876	1,846,768
Non-current liabilities		
Long-term loans payable	286,298	91,430
Lease obligations	77,958	41,402
Asset retirement obligations	—	102,943
	—	29,541
Total non-current liabilities	364,256	265,317
Total liabilities	1,860,133	2,112,085
Net assets		
Shareholders' equity		
Capital stock	100,000	1,926,045
Capital surplus		
Legal capital surplus	3,922,672	4,733,383
Other capital surplus	160,076	—
Total capital surpluses	4,082,749	4,733,383
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,175,411)	15,459
Total retained earnings	(1,175,411)	15,459
Total shareholders' equity	3,007,338	6,674,887
Subscription rights to shares	2,291	910
Total net assets	3,009,629	6,675,797
Total liabilities and net assets	4,869,763	8,787,883

Statements of Income (cumulative)

(In thousands of yen)

	Year ended July 31, 2017	Year ended July 31, 2018
Net sales	7,675,055	11,174,249
Cost of sales	5,936,198	8,412,650
Gross profit	1,738,856	2,761,599
Selling, general and administrative expenses	2,883,997	2,668,560
Operating loss	(1,145,140)	93,038
Non-operating income		
Interest income	47	50
Dividend income	780	780
Miscellaneous income	4,457	2,586
Total non-operating income	5,284	3,417
Non-operating expenses		
Interest expenses	15,777	13,409
Share issuance cost	7,235	39,152
Foreign exchange losses	60	—
Miscellaneous loss	173	650
Total non-operating expenses	23,246	53,212
Ordinary loss	(1,163,101)	43,242
Extraordinary losses		
Loss on retirement of non-current assets	509	—
Loss on valuation of securities	9,999	—
Loss on valuation of shares of subsidiaries and associates	—	62,778
Total Extraordinary losses	10,509	62,778
Loss before income taxes	(1,173,610)	(19,535)
Income taxes - current	1,800	17,939
Income taxes - deferred	—	(52,933)
Total income taxes	1,800	(34,994)
Profit (loss)	(1,175,411)	15,459

Statements of Changes in Equity
Fiscal year ended July 31,2017

(Thousands of yen)

	Shareholders' equity							Share acquisition rights	Total net assets
	Capital stock	Capital surplus			Retained earnings		Total shareholders' equity		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings			
Balance at beginning of current period	2,920,556	2,897,672	—	2,897,672	(3,685,479)	(3,685,479)	2,132,749	2,291	2,135,041
Changes of items during period									
Issuance of new shares	1,025,000	1,025,000		1,025,000			2,050,000		2,050,000
Profit					(1,175,411)	(1,175,411)	(1,175,411)		(1,175,411)
Deficit disposition	(3,845,556)		160,076	160,076	3,685,479	3,685,479			—
Net changes of items other than shareholders' equity									—
Total changes of items during period	(2,820,556)	1,025,000	160,076	1,185,076	2,510,067	2,510,067	874,588	—	874,588
Balance at end of current period	100,000	3,922,672	160,076	4,082,749	(1,175,411)	(1,175,411)	3,007,338	2,291	3,009,629

Fiscal year ended July 31,2018

(In thousands of yen)

	Shareholders' equity							Share acquisition rights	Total net assets
	Capital stock	Capital surplus			Retained earnings		Total shareholders' equity		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings			
Balance at beginning of current period	100,000	3,922,672	160,076	4,082,749	(1,175,411)	(1,175,411)	3,007,338	2,291	3,009,629
Changes of items during period									
Issuance of new shares	1,826,045	1,826,045		1,826,045			3,652,090		3,652,090
Profit					15,459	15,459	15,459		15,459
Deficit disposition		(1,015,334)	(160,076)	(1,175,411)	1,175,411	1,175,411			-
Net changes of items other than shareholders' equity								(1,381)	(1,381)
Total changes of items during period	1,826,045	810,710	(160,076)	650,633	1,190,870	1,190,870	3,667,549	(1,381)	3,666,167
Balance at end of current period	1,926,045	4,733,383	-	4,733,383	15,459	15,459	6,674,887	910	6,675,797

Statements of Cash Flows

(In thousands of yen)

	Fiscal year ended July 31, 2017	Fiscal year ended July 31, 2018
Cash flows from operating activities		
Loss before income taxes	(1,173,610)	(19,535)
Depreciation	105,255	116,228
Loss (gain) on valuation of securities	9,999	62,778
Increase (decrease) in allowance for doubtful accounts	191	(177)
Increase (decrease) in other provision	(19,026)	(4,486)
Interest and dividend income	(827)	(830)
Interest expenses	15,777	13,409
Loss on retirement of non-current assets	509	—
Decrease (increase) in notes and accounts receivable - trade	(243,701)	(411,501)
Increase (decrease) in notes and accounts payable - trade	134,761	309,748
Increase (decrease) in accounts payable - other	122,935	(69,472)
Other, net	91,253	156,747
Subtotal	(956,483)	152,907
Interest and dividend income received	827	830
Interest expenses paid	(16,298)	(13,159)
Income taxes paid	(2,835)	(2,765)
Net cash provided by (used in) operating activities	(974,789)	137,813
Cash flows from investing activities		
Purchase of investment securities	(24,480)	—
Purchase of property, plant and equipment	(18,644)	(42,273)
Purchase of intangible assets	(58,688)	—
Payments for guarantee deposits	(11,815)	(52,462)
Purchase of shares of Non-consolidated subsidiaries	—	(45,226)
Net cash provided by (used in) investing activities	(113,627)	(139,961)
Cash flows from financing activities		
Increase in short-term loans payable	260,000	—
Decrease in short-term loans payable	(400,000)	(40,000)
Proceeds from long-term loans payable	500,000	—
Repayments of long-term loans payable	(109,834)	(194,868)
Proceeds from issuance of common shares	2,050,000	3,428,215
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	183,340
Repayments of lease obligations	(31,211)	(33,767)
Net cash provided by (used in) financing activities	2,268,954	3,342,920
Net increase (decrease) in cash and cash equivalents	1,180,537	3,340,771
Cash and cash equivalents at beginning of period	1,844,908	3,025,445
Cash and cash equivalents at end of period	3,025,445	6,366,217