

**RAKSUL INC.**  
**Financial Statements**  
**Balance Sheet**  
**As of July 31, 2019**

ASSETS	Thousands of Yen	
	2019	2018
<b>CURRENT ASSETS:</b>		
Cash and deposits	¥ 5,904,840	¥ 6,366,217
Trade notes receivable	81,863	2,807
Electronically recorded monetary claims	1,753	—
Trade accounts receivable	1,826,588	1,136,914
Supplies	4,945	—
Prepaid expenses	92,458	61,556
Other current assets	69,505	30,862
Allowance for doubtful receivables	(114)	(13)
<b>Total current assets</b>	<b>7,981,842</b>	<b>7,598,345</b>
<b>NON-CURRENT ASSETS:</b>		
<b>PROPERTY AND EQUIPMENT:</b>		
Buildings	217,366	191,309
Accumulated depreciation	(45,031)	(28,149)
Buildings, net	172,335	163,159
Machinery and equipment	581,336	582,936
Accumulated depreciation	(221,217)	(163,670)
Machinery and equipment, net	360,118	419,265
Tools, furniture and fixtures	58,102	37,375
Accumulated depreciation	(30,032)	(17,250)
Tools, furniture and fixtures, net	28,069	20,124
Leased assets	170,000	170,000
Accumulated depreciation	(76,500)	(59,500)
Leased assets, net	93,500	110,500
<b>Total property and equipment</b>	<b>654,023</b>	<b>713,049</b>
<b>INTANGIBLE ASSETS:</b>		
Software	105,446	54,188
Software in progress	67,425	—
<b>Total intangible assets</b>	<b>172,872</b>	<b>54,188</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Investment securities	128,352	90,000
Investments in subsidiaries and associates	—	64,888
Long-term prepaid expenses	—	102
Lease and guarantee deposits	235,071	184,835
Deferred tax assets	74,144	52,933
<b>Total investments and other assets</b>	<b>437,568</b>	<b>392,759</b>
<b>Total non-current assets</b>	<b>1,264,463</b>	<b>1,159,997</b>
<b>TOTAL ASSETS</b>	<b>¥ 9,246,306</b>	<b>¥ 8,758,342</b>

(Continued)

**RAKSUL INC.**  
**Balance Sheet**  
**As of July 31, 2019**

LIABILITIES AND NET ASSETS	Thousands of Yen	
	<u>2019</u>	<u>2018</u>
<b>CURRENT LIABILITIES:</b>		
Trade accounts payable	¥ 1,458,493	¥ 907,003
Short-term loans payable	180,000	220,000
Current portion of long-term loans payable	91,430	194,868
Lease obligations	41,402	36,556
Other payables	332,068	241,996
Income taxes payable	49,974	50,349
Consumption taxes payable	53,557	121,277
Advances received	41,476	34,913
Other current liabilities	84,416	39,803
<b>Total current liabilities</b>	<u>2,332,818</u>	<u>1,846,768</u>
<b>LONG-TERM LIABILITIES:</b>		
Long-term loans payable	—	91,430
Lease obligations	—	41,402
Asset retirement obligations	103,716	102,943
<b>Total long-term liabilities</b>	<u>103,716</u>	<u>235,775</u>
<b>Total liabilities</b>	<u>2,436,535</u>	<u>2,082,544</u>
<b>NET ASSETS:</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock	1,958,453	1,926,045
Capital surplus—additional paid-in capital	4,765,791	4,733,383
Retained earnings	85,057	15,459
Treasury stock	(101)	—
<b>Total shareholders' equity</b>	<u>6,809,201</u>	<u>6,674,887</u>
<b>VALUATION AND TRANSLATION DIFFERENCES:</b>		
Unrealized gain (loss) on available-for-sale securities	(284)	—
<b>Total valuation and translation differences</b>	<u>(284)</u>	<u>—</u>
<b>STOCK ACQUISITION RIGHTS</b>	<u>854</u>	<u>910</u>
<b>Total net assets</b>	<u>6,809,770</u>	<u>6,675,797</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>¥ 9,246,306</u>	<u>¥ 8,758,342</u>

(Concluded)

See notes to financial statements.

**RAKSUL INC.****Statement of Income****For the Year Ended July 31, 2019**

	Thousands of Yen	
	<u>2019</u>	<u>2018</u>
NET SALES	¥17,168,658	¥ 11,174,249
COST OF SALES	<u>13,224,435</u>	<u>8,412,650</u>
Gross profit	3,944,222	2,761,599
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>3,800,366</u>	<u>2,668,560</u>
Operating income	<u>143,856</u>	<u>93,038</u>
NON-OPERATING INCOME:		
Interest income	73	50
Dividend income	780	780
Other	<u>2,647</u>	<u>2,586</u>
Total non-operating income	<u>3,500</u>	<u>3,417</u>
NON-OPERATING EXPENSES:		
Interest expenses	8,444	13,409
Loss on investments in investment partnerships	1,824	—
Stock issuance cost	—	39,152
Listing-related cost	4,000	—
Other	<u>2,844</u>	<u>650</u>
Total non-operating expenses	<u>17,113</u>	<u>53,212</u>
ORDINARY INCOME	<u>130,243</u>	<u>43,242</u>
SPECIAL GAIN:		
Gain on sales of non-current assets	<u>239</u>	<u>—</u>
Total special gain	<u>239</u>	<u>—</u>
SPECIAL LOSSES:		
Loss on disposal of non-current assets	7,131	—
Loss on write-down of investments in subsidiaries and associates	<u>45,712</u>	<u>62,778</u>
Total special losses	<u>52,843</u>	<u>62,778</u>
PROFIT (LOSS) BEFORE INCOME TAXES	<u>77,640</u>	<u>(19,535)</u>
INCOME TAXES:		
Current	29,423	17,939
Deferred	<u>(21,381)</u>	<u>(52,933)</u>
Total income taxes	<u>8,041</u>	<u>(34,994)</u>
NET PROFIT	<u>¥ 69,598</u>	<u>¥ 15,459</u>

See notes to financial statements.

**RAKSUL INC.**  
**Statement of Changes in Net Assets**  
**For the Year Ended July 31, 2019**

	Thousands of Yen									
	Shareholders' Equity							Valuation and Translation Differences Unrealized Gain (Loss) on Available-for-Sale Securities	Stock Acquisition Rights	Total Net Assets
	Capital Stock	Additional Paid-in Capital	Other Capital Surplus	Total	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total Shareholders' Equity			
BALANCE at AUGUST 1, 2017	¥ 100,000	¥ 3,922,672	¥ 160,076	¥ 4,082,749	¥ (1,175,411)	¥ —	¥ 3,007,338	¥ —	¥ 2,291	¥ 3,009,629
Issuance of new shares	1,825,354	1,825,354	—	1,825,354	—	—	3,650,708	—	—	3,650,708
Net profit	—	—	—	—	15,459	—	15,459	—	—	15,459
Deficit disposition	—	(1,015,334)	(160,076)	(1,175,411)	1,175,411	—	—	—	—	—
Exercise of stock acquisition rights	690	690	—	690	—	—	1,381	—	(1,381)	—
Other change during the year, net	—	—	—	—	—	—	—	—	—	—
BALANCE at JULY 31, 2018	¥ 1,926,045	¥ 4,733,383	¥ —	¥ 4,733,383	¥ 15,459	¥ —	¥ 6,674,887	¥ —	¥ 910	¥ 6,675,797
Issuance of new shares	32,380	32,380	—	32,380	—	—	64,760	—	—	64,760
Net profit	—	—	—	—	69,598	—	69,598	—	—	69,598
Purchase of treasury stock	—	—	—	—	—	(101)	(101)	—	—	(101)
Exercise of stock acquisition rights	28	28	—	28	—	—	56	—	(56)	—
Other change during the year, net	—	—	—	—	—	—	—	(284)	—	(284)
BALANCE at JULY 31, 2019	¥ 1,958,453	¥ 4,765,791	¥ —	¥ 4,765,791	¥ 85,057	¥ (101)	¥ 6,809,201	¥ (284)	¥ 854	¥ 6,809,770

See notes to financial statements.

**RAKSUL INC.****Statement of Cash Flows****For the Year Ended July 31, 2019**

	Thousands of Yen	
	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES:		
Profit (loss) before income taxes	¥ 77,640	¥ (19,535)
Depreciation and amortization	130,860	116,228
Loss on write-down of investments in subsidiaries and associates	45,712	62,778
Loss (gain) on investments in investment partnerships	1,824	—
Increase (decrease) in allowance for doubtful receivables	100	(177)
Increase (decrease) in other provisions	—	(4,486)
Interest and dividend income	(853)	(830)
Interest expenses	8,444	13,409
Loss (gain) on sales of non-current assets	(239)	—
Loss on disposal of non-current assets	7,131	—
Decrease (increase) in trade notes and accounts receivable	(770,485)	(411,501)
Increase (decrease) in trade accounts payable	551,489	309,748
Increase (decrease) in other payables	81,568	(69,472)
Other—net	<u>(87,381)</u>	<u>156,747</u>
Subtotal	45,811	152,907
Interest and dividends received	853	830
Interest paid	(7,540)	(13,159)
Income taxes paid	<u>(27,314)</u>	<u>(2,765)</u>
Net cash provided by (used in) operating activities	<u>11,810</u>	<u>137,813</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(52,263)	(42,273)
Proceeds from sales of property and equipment	1,200	—
Purchases of intangible assets	(136,828)	—
Payments for lease and guarantee deposits	(57,747)	(52,462)
Proceeds from collection of lease and guarantee deposits	329	—
Purchases of investment securities	(40,289)	—
Payments for additional investments in subsidiaries	—	(45,226)
Proceeds from liquidation of a subsidiary	<u>19,176</u>	<u>—</u>
Net cash provided by (used in) investing activities	¥ (266,422)	¥ (139,961)

(Continued)

**RAKSUL INC.****Statement of Cash Flows****For the Year Ended July 31, 2019**

	Thousands of Yen	
	<u>2019</u>	<u>2018</u>
FINANCING ACTIVITIES:		
Net decrease in short-term loans payable	¥ (40,000)	¥ (40,000)
Repayments of long-term loans payable	(194,868)	(194,868)
Proceeds from issuance of new shares	—	3,428,215
Purchase of treasury stock	(101)	—
Proceeds from issuance of shares upon exercise of stock acquisition rights	64,760	183,340
Repayments of lease obligations	<u>(36,556)</u>	<u>(33,767)</u>
Net cash provided by (used in) financing activities	<u>(206,765)</u>	<u>3,342,920</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(461,377)	3,340,771
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>6,366,217</u>	<u>3,025,445</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u>¥ 5,904,840</u>	<u>¥ 6,366,217</u>
		(Concluded)

See notes to financial statements.

## **RAKSUL INC.**

### **Notes to Financial Statements For the Year Ended July 31, 2019**

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#### **1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

The accompanying financial statements of RAKSUL INC. ("the Company") are prepared on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS"), and are compiled from the financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Under Japanese GAAP, in principle, subsidiaries are required to be consolidated. However, any insignificant subsidiaries which are not material in terms of their effect on total assets, net sales, net profit, and retained earnings in both qualitative and quantitative respects on a consolidated basis may be excluded from the scope of consolidation. Because the Company did not have any significant subsidiaries as of July 31, 2019 and 2018, the Company does not prepare consolidated financial statements.

Amounts less than one thousand yen have been rounded down to the nearest thousand yen in the presentation of the accompanying financial statements. As a result, the totals in yen do not necessarily agree with the sum of the individual amounts.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Investment securities**

(1) Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost determined by the moving-average method.

(2) Available-for-sale securities:

(a) Available-for-sale securities whose fair values are readily determinable are stated at fair value based on the quoted market price as of the balance sheet date with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly as a separate component of net assets, and cost of securities sold is determined by the moving-average method.

(b) Available-for-sale securities whose fair values are not readily determinable are stated at cost determined by the moving-average method.

##### **2. Inventories**

Inventories are stated at the lower of cost or net realizable value, cost being determined by the gross average method.

##### **3. Depreciation and amortization**

(1) Property and equipment (other than leased assets)

Depreciation of property and equipment is calculated by the declining-balance method based on the estimated useful lives and the residual value determined by the Company, except for buildings acquired on or after April 1, 2016, which are depreciated by the straight-line method. The estimated useful lives of the assets are as follows:

Buildings	6 to 18 years
Tools, furniture and fixtures	2 to 15 years
Machinery and equipment	10 years

(2) Intangible assets (other than leased assets)

Intangible assets are amortized by the straight-line method. The estimated useful life of the assets is as follows:

Software for internal use      5 years

(3) Leased assets

Leased assets under finance lease transactions that transfer ownership are depreciated or amortized under the same method that is applied to non-current assets owned by the Company.

#### 4. Provisions and allowances

Allowance for doubtful receivables—The allowance for doubtful receivables is provided for possible losses on customer defaults and is stated at the amount considered to be appropriate based on the Company's credit loss experience and an evaluation of potential losses for specific receivables outstanding.

#### 5. Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows consist of cash on hand, bank deposits that can be withdrawn on demand, and short-term investments with a maturity of three months or less when purchased that can easily be converted to cash and are subject to little risk of change in value.

#### 6. Other significant items

Consumption taxes—Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

### 3. ACCOUNTING STANDARD ISSUED BUT NOT YET APPLIED

***"Accounting Standard for Revenue Recognition" (Statement No. 29, issued by the Accounting Standards Board of Japan ("ASBJ") on March 30, 2018) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued on March 30, 2018)***

(1) Outline of the standard

The International Accounting Standards Board (the "IASB") and the Financial Accounting Standards Board (the "FASB") jointly developed a comprehensive accounting standard for revenue recognition, and issued "Revenue from Contracts with Customers" (IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. Considering that the application of IFRS 15 is effective from fiscal years beginning on or after January 1, 2018 and the application of Topic 606 is effective from fiscal years beginning after December 15, 2017, a comprehensive accounting standard for revenue recognition was developed by the ASBJ and issued together with its implementation guidance.

The basic policy in developing the accounting standard for revenue recognition by the ASBJ was to incorporate the basic principles of IFRS 15 as a starting point, from the viewpoint of comparability between financial statements, one of the benefits of consistency with IFRS 15. In addition, alternative accounting treatments are provided for common business practices in Japan to the extent that they do not impair comparability.

(2) Scheduled date of application

The Company expects to apply the accounting standard and implementation guidance from the beginning of the fiscal year ending July 31, 2022.

(3) Impact of the application of the accounting standard and implementation guidance

The Company is currently evaluating the effect of the application of this accounting standard and implementation guidance on the Company's financial statements.



#### 4. CHANGES IN PRESENTATION

##### *Changes due to Application of Partial Amendments to Accounting Standard for Tax Effect Accounting*

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) (the "Partial Amendments") from the beginning of the fiscal year ended July 31, 2019. As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively, and related income tax disclosures have been expanded.

As a result, ¥82 million of deferred tax assets previously presented in current assets in the balance sheet as of July 31, 2018 have been reclassified and included within ¥52 million of deferred tax assets in investments and other assets after offsetting against long-term deferred tax liabilities of ¥29 million. In relation to this change, total assets decreased by ¥29 million.

Also, Note 12 "Tax effect accounting" in the Notes to the financial statements has been expanded in accordance with Note 8 and Note 9 of "Interpretive Notes to Accounting for Tax Effect Accounting". However, comparative information for the year ended July 31, 2018 has not been disclosed in Note 12 "Tax Effect Accounting" in accordance with the transitional provisions set forth in Article 7 of the Partial Amendments.

#### 5. NOTES TO STATEMENT OF INCOME

The details of cost of sales for the years ended July 31, 2019 and 2018 are as follows:

	2019		2018	
	Thousands of Yen	Composition Ratio (%)	Thousands of Yen	Composition Ratio (%)
PURCHASES	¥11,444,283	86.5	¥ 7,687,525	91.4
LABOR COSTS	194,207	1.5	145,974	1.7
UTILITIES AND OTHER COSTS (Note)	<u>1,585,945</u>	12.0	<u>579,149</u>	6.9
COST OF SALES	<u>¥13,224,435</u>	100.0	<u>¥ 8,412,650</u>	100.0

Cost is determined by the specific cost method based on the actual costs incurred.

Note: The major components of utilities and other costs are as follows:

	Thousands of Yen	
	2019	2018
Freight	¥ 1,436,626	¥ 445,243
Outsourcing	49,136	38,475
Depreciation and amortization	75,186	75,293

Of selling, general and administrative expenses for the years ended July 31, 2019 and 2018, 41% were attributable to selling expenses and the remaining 59% were attributable to general and administrative expenses, respectively. The major components of selling, general and administrative expenses are as follows:

	Thousands of Yen	
	2019	2018
Salaries and wages	¥ 1,106,412	¥ 828,185
Advertising	1,190,408	797,400
Provision (reversal) of allowance for doubtful receivables	131	(177)
Depreciation and amortization	54,900	40,934

The details of gain on sales of non-current assets for the years ended July 31, 2019 and 2018 are as follows:

	Thousands of Yen	
	2019	2018
Machinery and equipment	¥ 239	¥ —

The details of loss on disposal of non-current assets for the years ended July 31, 2019 and 2018 are as follows:

	Thousands of Yen	
	2019	2018
Buildings	¥ 4,566	¥ —
Software	2,565	—
Total	¥ 7,131	¥ —

## 6. NOTES TO STATEMENT OF CHANGES IN NET ASSETS

*For the year ended July 31, 2019*

### 1. Type and number of issued shares and treasury stock

	Shares			
	August 1, 2018	Increase	Decrease	July 31, 2019
Issued shares				
Common stock (Note 1)	27,548,600	256,600	—	27,805,200
Total	27,548,600	256,600	—	27,805,200
Treasury stock				
Common stock (Note 2)	—	32	—	32
Total	—	32	—	32

Notes: 1. The increase of 256,600 shares represents the issuance of new shares due to exercise of stock acquisition rights.

2. The increase of 32 shares of treasury stock represents the purchases of less than one trading unit.

## 2. Stock acquisition rights as stock options of the Company

	Number of Shares to be Issued upon Exercise of Stock Options (shares)			Thousands of Yen
	August 1, 2018	Increase	Decrease	July 31, 2019
Stock Acquisition Rights Stock options of the Company	—	—	—	¥ 854
Total	—	—	—	¥ 854

## 3. Dividends

Not applicable.

*For the year ended July 31, 2018*

### 1. Type and number of issued shares

	Shares			
	August 1, 2017	Increase	Decrease	July 31, 2018
Issued shares				
Common stock (Note 1)	147,759	27,400,841	—	27,548,600
Class A preferred stock (Note 2)	68,961	—	68,961	—
Class B preferred stock (Note 2)	25,000	—	25,000	—
Total	241,720	27,400,841	93,961	27,548,600

Notes: 1. The breakdown of the increase is as follows:

	Shares
Conversion of preferred stock into common stock	93,961
Exercise of stock acquisition rights	8,450
100-for-1 stock split	24,766,830
Issuance of new shares through public offering	2,500,000
Exercise of stock acquisition rights (after the stock split)	31,600
Total	27,400,841

2. The decreases were due to conversion of Class A preferred stock and Class B preferred stock into common stock.

### 2. Treasury stock

Not applicable.

### 3. Stock acquisition rights as stock options of the Company

	Number of Shares to be Issued upon Exercise of Stock Options (shares)			Thousands of Yen
	August 1, 2017	Increase	Decrease	July 31, 2018
Stock Acquisition Rights Stock options of the Company	—	—	—	¥ 910
Total	—	—	—	¥ 910

### 4. Dividends

Not applicable.

### 7. NOTES TO STATEMENT OF CASH FLOWS

A reconciliation between cash and cash equivalents in the statement of cash flows and cash and deposits disclosed in the balance sheet is as follows:

	Thousands of Yen	
	2019	2018
Cash and deposits	¥ 5,904,840	¥ 6,366,217
Adjustments	—	—
Cash and cash equivalents	¥ 5,904,840	¥ 6,366,217

### 8. LEASES

The Company leases certain printing equipment (machinery and equipment) under finance lease transactions that transfer ownership to the lessee. Depreciation of leased assets is discussed in Note 2-3 "Depreciation and amortization."

## 9. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 1. Nature and status of financial instruments

#### (1) *Policy for Financial Instruments*

The Company raises funds in accordance with its internal capital investment plan. The Company's use of its surplus funds is limited to short-term deposits and other low-risk investments. The Company does not enter into any derivative contracts.

#### (2) *Nature and Extent of Risks Arising from Financial Instruments*

Trade notes receivable, electronically recorded monetary claims, and trade accounts receivable are exposed to customer credit risks or counterparty credit risks.

Investment securities principally comprise investments in shares related to operating alliances with business partners and investments in an investment partnership, and are subject to market risks and issuers' credit risks.

Lease and guarantee deposits are mainly related to the lease agreement involving the headquarter office and exposed to the counterparty's credit risk. In order to control this risk, the Company evaluates the counterparty's credit status upon entering into the agreement.

Trade accounts payable and other payables are due within a year. Loans payable and lease obligations under finance lease transactions are utilized for capital investments and are exposed to liquidity risks.

Certain loans payable have variable interest rates and are exposed to interest rate risk.

Receivables and payables that are denominated in foreign currencies are subject to foreign exchange risks.

#### (3) *Risk Management for Financial Instruments*

##### *Credit risk management (default risk of counterparties)*

As to trade receivables, in accordance with internal rules of accounting and credit control, the Corporate Administrative Division of the Company controls due dates and balances of individual customers and shares the information of their payment status with the sales divisions to identify and reduce the default risk of the counterparties at an early stage.

##### *Market risk management (foreign exchange and interest rate risk)*

The Company manages the risks associated with loans payable with variable interest rates by periodically monitoring the fluctuation in interest rates. As to foreign exchange risks related to receivables and payables that are denominated in foreign currencies, the Company periodically monitors the foreign exchange rates by currency.

##### *Liquidity risk management (risk that the Company cannot meet its obligations to make payments on due dates)*

In accordance with its internal profit plan, the Corporate Administrative Division of the Company prepares and updates its cash management plan in a timely manner. The Company also manages liquidity risks by maintaining a certain level of liquidity on hand.

#### (4) *Supplemental Information Regarding Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Such valuation techniques include certain assumptions. Results may differ if different assumptions are used in the valuation.

## 2. Fair value of financial instruments

Financial instruments whose fair values are readily determinable as of July 31, 2019 and 2018 are as follows:

	Thousands of Yen		
	2019		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
<b>Assets:</b>			
(1) Cash and deposits	¥ 5,904,840	¥ 5,904,840	¥ —
(2) Trade notes receivable	81,863	81,863	—
(3) Electronically recorded monetary claims	1,753	1,753	—
(4) Trade accounts receivable	1,826,588	1,826,588	—
(5) Lease and guarantee deposits	235,071	235,476	404
(6) Investment securities	25,040	25,040	—
<b>Total</b>	<b>¥ 8,075,158</b>	<b>¥ 8,075,563</b>	<b>¥ 404</b>
<b>Liabilities:</b>			
(1) Trade accounts payable	¥ 1,458,493	¥ 1,458,493	¥ —
(2) Other payables	332,068	332,068	—
(3) Short-term loans payable	180,000	180,000	—
(4) Current portion of long-term loans payable	91,430	91,330	(99)
(5) Lease obligations, including current portion	41,402	41,409	7
<b>Total</b>	<b>¥ 2,103,394</b>	<b>¥ 2,103,301</b>	<b>¥ (92)</b>
<b>Thousands of Yen</b>			
<b>2018</b>			
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
<b>Assets:</b>			
(1) Cash and deposits	¥ 6,366,217	¥ 6,366,217	¥ —
(2) Trade notes receivable	2,807	2,807	—
(3) Electronically recorded monetary claims	—	—	—
(4) Trade accounts receivable	1,136,914	1,136,914	—
(5) Lease and guarantee deposits	184,835	180,720	(4,114)
(6) Investment securities	—	—	—
<b>Total</b>	<b>¥ 7,690,773</b>	<b>¥ 7,686,659</b>	<b>¥ (4,114)</b>
<b>Liabilities:</b>			
(1) Trade accounts payable	¥ 907,003	¥ 907,003	¥ —
(2) Other payables	241,996	241,996	—
(3) Short-term loans payable	220,000	220,000	—
(4) Long-term loans payable, including current portion	286,298	285,974	(323)
(5) Lease obligations, including current portion	77,958	77,805	(153)
<b>Total</b>	<b>¥ 1,733,256</b>	<b>¥ 1,732,779</b>	<b>¥ (477)</b>

Notes: *Assets:*

(1) Cash and deposits, (2) trade notes receivable, (3) electronically recorded monetary claims, and (4) trade accounts receivable—As these items are settled in a short period of time and have fair values approximately equal to their carrying amounts, they are stated at their carrying amounts.

(5) Lease and guarantee deposits—Fair values of lease and guarantee deposits are measured at the present value of future cash flows discounted by an appropriate index such as the yield of Japanese government bonds with corresponding maturities grouped based on specific time periods.

(6) Investment securities—Fair values of investment securities are stated at the quoted market price.

*Liabilities:*

(1) Trade accounts payable, (2) other payables, and (3) short-term loans payable—As these items are settled in a short period of time and have fair values approximately equal to their carrying amounts, they are stated at their carrying amounts.

(4) Long-term loans payable, including current portion and (5) lease obligations—Fair values of long-term loans payable and lease obligations are stated at present value of the total amount of principal and interest discounted by an assumed rate that would be applicable to loan agreements and lease transactions that are newly entered into under the same conditions.

Financial instruments which do not have quoted market prices and whose fair values are not readily determinable are not included in the table above. The carrying amounts of such financial instruments as of July 31, 2019 and 2018 are as follows:

	Thousands of Yen	
	2019	2018
Unlisted equity securities	¥ 65,520	¥ 90,000
Investments in a subsidiary	—	64,888
Investments in an investment partnership	37,792	—

### 3. Redemption schedule of receivables

A redemption schedule of receivables as of July 31, 2019 and 2018 is as follows:

	Thousands of Yen			
	2019			
	Due within 1 Year	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and deposits	¥ 5,904,840	¥ —	¥ —	¥ —
Trade notes receivable	81,863	—	—	—
Electronically recorded monetary claims	1,753	—	—	—
Trade accounts receivable	1,826,588	—	—	—
Lease and guarantee deposits	61,251	—	57,624	116,284
Total	¥ 7,876,569	¥ —	¥ 57,624	¥ 116,284

Thousands of Yen				
2018				
	Due within 1 Year	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and deposits	¥ 6,365,434	¥ —	¥ —	¥ —
Trade notes receivable	2,807	—	—	—
Trade accounts receivable	1,136,914	—	—	—
Lease and guarantee deposits	6,643	61,815	—	116,375
Total	¥ 7,511,799	¥ 61,815	¥ —	¥ 116,375

#### 4. Repayment schedule of long-term loans payable and lease obligations

A repayment schedule of long-term loans payable and lease obligations as of July 31, 2019 and 2018 is as follows:

Thousands of Yen				
2019				
	Due within 1 Year	Due after 1 Year through 2 Years	Due after 2 Years	
Current portion of long-term loans payable	¥ 91,430	¥ —	¥ —	
Lease obligations	41,402	—	—	
Total	¥ 132,832	¥ —	¥ —	

Thousands of Yen				
2018				
	Due within 1 Year	Due after 1 Year through 2 Years	Due after 2 Years	
Long-term loans payable	¥ 194,868	¥ 91,430	¥ —	
Lease obligations	36,556	41,402	—	
Total	¥ 231,424	¥ 132,832	¥ —	



## 10. INVESTMENT SECURITIES

### 1. Investments in subsidiaries and associates

As of July 31, 2019

Not applicable.

As of July 31, 2018

Because investments in a subsidiary of the Company (¥64,888 thousand) did not have a quoted market price and their fair values were not readily determinable, information regarding fair values is not presented.

### 2. Available-for-sale securities

As of July 31, 2019

(1) Investment securities whose carrying amounts exceed their acquisition costs:

	Thousands of Yen		
	2019		
	Carrying Amount	Acquisition Cost	Unrealized Gain (Loss)
Equity securities—Stocks	¥ 25,040	¥ 24,480	¥ 560
Debt securities			
Government and local bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other securities	—	—	—
Total	¥ 25,040	¥ 24,480	¥ 560

(2) Investment securities whose carrying amounts do not exceed their acquisition costs:

Not applicable.

Because unlisted equity securities and investments in an investment partnership of the Company (¥103,312 thousand) did not have quoted market prices and their fair values were not readily determinable, information regarding fair values is not presented.

As of July 31, 2018

Because unlisted equity securities of the Company (¥90,000 thousand) did not have quoted market prices and their fair values were not readily determinable, information regarding fair values is not presented.

### 3. Write-down of investment securities

Loss on write-down of investments in subsidiaries and associates for the years ended July 31, 2019 and 2018 was ¥45,712 thousand and ¥62,778 thousand, respectively.

For investment securities whose fair values are not readily determinable, if the substantial value of such investments significantly declines, the Company recognizes a loss on write-down on investment securities after considering future recoverability.

## 11. STOCK OPTIONS

### 1. Expenses related to stock options

Not applicable.

### 2. Details of stock options

(1) Stock options that existed during the year ended July 31, 2019 are as follows:

<u>Stock Options</u>	<u>Grantees</u>	<u>Number of Options Granted</u>	<u>Grant Date</u>	<u>Exercise Period</u>
Stock Option #1	4 employees	170,400 shares	January 21, 2012	From January 21, 2014 to January 20, 2022
Stock Option #3	6 employees	127,800 shares	May 20, 2013	From May 21, 2015 to May 20, 2023
Stock Option #4	1 director 18 employees	583,400 shares	November 21, 2014	From November 22, 2016 to November 21, 2024
Stock Option #4-2	3 employees	15,000 shares	January 13, 2015	From January 14, 2017 to January 13, 2025
Stock Option #6	1 outside director 8 employees	79,000 shares	May 25, 2015	From May 23, 2017 to May 22, 2025
Stock Option #7	1 director 3 outside auditors	480,000 shares	May 25, 2015	From May 26, 2015 to May 25, 2025
Stock Option #6-2	4 employees	56,000 shares	August 11, 2015	From August 12, 2017 to August 11, 2025
Stock Option #6-3	15 employees	212,000 shares	October 27, 2015	From October 14, 2017 to October 13, 2025
Stock Option #8	1 business partner	12,000 shares	October 27, 2015	From October 28, 2017 to October 27, 2025
Stock Option #6-4	5 employees	11,000 shares	March 9, 2016	From March 9, 2018 to March 8, 2026
Stock Option #9	1 director 22 employees	273,000 shares	October 27, 2016	From October 28, 2018 to October 27, 2026
Stock Option #9-2	5 employees	76,000 shares	December 14, 2016	From December 15, 2018 to December 14, 2026
Stock Option #9-3	5 employees	13,000 shares	February 8, 2017	From February 9, 2019 to February 8, 2027
Stock Option #9-4	4 employees	7,000 shares	April 12, 2017	From April 13, 2019 to April 12, 2027
Stock Option #9-5	1 director	152,000 shares	May 17, 2017	From May 18, 2019 to May 17, 2027

<u>Stock Options</u>	<u>Grantees</u>	<u>Number of Options Granted</u>	<u>Grant Date</u>	<u>Exercise Period</u>
Stock Option #10	5 employees	60,000 shares	June 30, 2017	From July 1, 2019 to June 30, 2027
Stock Option #11	3 directors 5 employees	96,000 shares	October 27, 2017	From October 28, 2019 to October 27, 2027

Notes: 1. Number of options granted is presented after conversion to number of shares to be issued upon exercise.

2. Number of shares have been restated to reflect a 100-for-1 stock split that was effective February 1, 2018.

3. At the time of exercise, the holder of the stock options shall occupy the position of a director, employee or consultant of the Company or the Company's wholly-owned subsidiary.

4. Stock options of the Company do not have any service-period requirements for vesting.

(2) Stock option activity during the year ended July 31, 2019 is as follows:

	<u>Stock Option #1</u>	<u>Stock Option #3</u> (Number of Shares)	<u>Stock Option #4</u>
<u>Non-vested</u>			
August 1, 2018—Outstanding	—	64,000	381,280
Granted	—	—	—
Forfeited	—	—	—
Vested	—	24,000	142,980
July 31, 2019—Outstanding	—	40,000	238,300
<u>Vested</u>			
August 1, 2018—Outstanding	35,200	—	95,320
Vested	—	24,000	142,980
Exercised	35,200	24,000	93,500
Canceled	—	—	—
July 31, 2019—Outstanding	—	—	144,800
	<u>Stock Option #4-2</u>	<u>Stock Option #6</u> (Number of Shares)	<u>Stock Option #7</u>
<u>Non-vested</u>			
August 1, 2018—Outstanding	8,000	46,400	—
Granted	—	—	—
Forfeited	—	800	—
Vested	3,000	17,400	—
July 31, 2019—Outstanding	5,000	28,200	—
<u>Vested</u>			
August 1, 2018—Outstanding	1,000	10,600	325,000
Vested	3,000	17,400	—
Exercised	1,500	3,000	20,000
Canceled	—	—	—
July 31, 2019—Outstanding	2,500	25,000	305,000

	<u>Stock Option #6-2</u>	<u>Stock Option #6-3</u> (Number of Shares)	<u>Stock Option #8</u>
<u>Non-vested</u>			
August 1, 2018—Outstanding	40,000	120,000	12,000
Granted	—	—	—
Forfeited	—	1,600	—
Vested	10,000	30,000	12,000
July 31, 2019—Outstanding	30,000	88,400	—

<u>Vested</u>			
August 1, 2018—Outstanding	10,000	27,400	—
Vested	10,000	30,000	12,000
Exercised	10,000	23,000	12,000
Canceled	—	—	—
July 31, 2019—Outstanding	10,000	34,400	—

	<u>Stock Option #6-4</u>	<u>Stock Option #9</u> (Number of Shares)	<u>Stock Option #9-2</u>
<u>Non-vested</u>			
August 1, 2018—Outstanding	8,800	260,000	33,000
Granted	—	—	—
Forfeited	4,000	4,400	—
Vested	2,200	104,000	13,200
July 31, 2019—Outstanding	2,600	151,600	19,800

<u>Vested</u>			
August 1, 2018—Outstanding	1,200	—	—
Vested	2,200	104,000	13,200
Exercised	2,000	14,400	13,200
Canceled	—	200	—
July 31, 2019—Outstanding	1,400	89,400	—

	<u>Stock Option #9-3</u>	<u>Stock Option #9-4</u> (Number of Shares)	<u>Stock Option #9-5</u>
<u>Non-vested</u>			
August 1, 2018—Outstanding	12,000	7,000	152,000
Granted	—	—	—
Forfeited	—	800	—
Vested	4,800	2,800	60,800
July 31, 2019—Outstanding	7,200	3,400	91,200

Vested

August 1, 2018—Outstanding	—	—	—
Vested	4,800	2,800	60,800
Exercised	4,400	400	—
Canceled	—	200	—
July 31, 2019—Outstanding	400	2,200	60,800

<u>Stock Option #10</u>	<u>Stock Option #11</u>
(Number of Shares)	

Non-vested

August 1, 2018—Outstanding	55,000	96,000
Granted	—	—
Forfeited	—	—
Vested	22,000	—
July 31, 2019—Outstanding	33,000	96,000

Vested

August 1, 2018—Outstanding	—	—
Vested	22,000	—
Exercised	—	—
Canceled	—	—
July 31, 2019—Outstanding	22,000	—

Notes: 1. Number of options granted is presented after conversion to number of shares to be issued upon exercise.

2. Number of shares have been restated to reflect a 100-for-1 stock split that was effective February 1, 2018.

(3) Price information is as follows:

	Yen		
	<u>Stock Option #1</u>	<u>Stock Option #3</u>	<u>Stock Option #4</u>
Exercise price	¥ 32	¥ 77	¥ 313
Average stock price at exercise	4,335	4,335	3,705
Fair value at grant date	—	—	—

	Yen		
	<u>Stock Option #4-2</u>	<u>Stock Option #6</u>	<u>Stock Option #7</u>
Exercise price	¥ 313	¥ 313	¥ 313
Average stock price at exercise	4,335	3,833	3,330
Fair value at grant date	—	—	—

	Yen		
	<u>Stock Option #6-2</u>	<u>Stock Option #6-3</u>	<u>Stock Option #8</u>
Exercise price	¥ 313	¥ 313	¥ 313
Average stock price at exercise	2,900	3,187	3,330
Fair value at grant date	—	—	—

	Yen		
	<u>Stock Option #6-4</u>	<u>Stock Option #9</u>	<u>Stock Option #9-2</u>
Exercise price	¥ 313	¥ 313	¥ 313
Average stock price at exercise	4,335	3,976	4,335
Fair value at grant date	—	—	—

	Yen		
	<u>Stock Option #9-3</u>	<u>Stock Option #9-4</u>	<u>Stock Option #9-5</u>
Exercise price	¥ 313	¥ 313	¥ 313
Average stock price at exercise	4,335	4,335	—
Fair value at grant date	—	—	—

	Yen	
	<u>Stock Option #10</u>	<u>Stock Option #11</u>
Exercise price	¥ 313	¥ 340
Average stock price at exercise	—	—
Fair value at grant date	—	—

### 3. Assumptions used to measure fair value of stock options

Because the Company was an unlisted company at the grant date of the above-mentioned stock options, the stock options are measured based on their intrinsic values instead of their market values. The intrinsic value of each stock option is estimated based on the stock price determined under the discounted cash flow method less the amounts to be paid upon exercise of the stock option.

### 4. Estimation of the number of vested stock options

Because it is difficult to reasonably estimate the number of stock options that will expire in the future, the actual number of forfeited stock options is used.

### 5. Total intrinsic value of stock options

The total intrinsic value of the stock options as of July 31, 2019 amounted to ¥5,281,424 thousand.

The total intrinsic value of the stock options exercised during the year ended July 31, 2019, as of the date of exercise, was ¥847,666 thousand.

## 12. TAX EFFECT ACCOUNTING

Significant components of deferred tax assets and liabilities as of July 31, 2019 and 2018 are as follows:

	Thousands of Yen	
	2019	2018
Deferred tax assets:		
Bad debt losses	¥ 81	¥ 81
Accrued bonuses	14,516	7,026
Liabilities not yet determined to be deductible	435	5,713
Lump-sum depreciation	2,094	1,445
Loss on write-down of investment securities	3,062	3,062
Loss on write-down of investments in a subsidiary	33,217	20,264
Asset retirement obligations	31,763	31,526
Enterprise tax payable	12,584	9,327
Tax loss carryforwards	1,417,846	1,442,231
Other	5,273	4,154
Subtotal	1,520,873	1,524,832
Valuation allowance for tax loss carryforwards (Note)	(1,379,255)	—
Valuation allowance for total deductible temporary differences (Note)	(40,172)	—
Total valuation allowances	(1,419,428)	(1,442,357)
Deferred tax assets	¥ 101,445	¥ 82,474
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	¥ (171)	¥ —
Asset retirement costs	(27,129)	(29,541)
Deferred tax liabilities	¥ (27,301)	¥ (29,541)
Deferred tax assets, net	¥ 74,144	¥ 52,933



Note: As discussed in Note 4 "Changes in presentation," disclosures related to tax effect accounting were revised effective the year ended July 31, 2019. Under the new disclosure requirements, a breakdown of the valuation allowance is required.

Tax loss carryforwards as of July 31, 2019 expire as follows:

	Thousands of Yen		
	2019		
	Tax Loss Carryforwards (Note 1)	Valuation Allowance	Deferred Tax Assets
Due within 1 year (Note 2)	¥ 38,590	¥ —	¥ 38,590
Due after 1 year through 2 years	—	—	—
Due after 2 years through 3 years	—	—	—
Due after 3 years through 4 years	—	—	—
Due after 4 years through 5 years	—	—	—
Due after 5 years	<u>1,379,255</u>	<u>(1,379,255)</u>	<u>—</u>
Total	<u>¥ 1,417,846</u>	<u>¥ (1,379,255)</u>	<u>¥ 38,590</u>

Notes: 1. The amounts above are determined by multiplying the corresponding tax loss carryforwards by the effective statutory tax rate.

2. Deferred tax assets corresponding to a portion of tax loss carryforwards were recognized because future taxable income is expected.

The reconciliation between the effective statutory tax rate and the effective tax rate reflected in the accompanying statement of income for the year ended July 31, 2019 is as follows:

	<u>2019</u>
Effective statutory tax rate	30.6 %
Entertainment and other expenses not deductible for income tax purposes	7.0
Per capita levy of inhabitant tax	6.5
Dividend and other income not taxable for income tax purposes	(0.2)
Change in valuation allowance	(34.0)
Other—net	<u>0.5</u>
Effective tax rate	<u>10.4 %</u>

The reconciliation for the year ended July 31, 2018 is not presented because the Company recorded a loss before income taxes.

### 13. EARNINGS OR LOSSES ACCOUNTED FOR BY THE EQUITY METHOD

Because the Company's associates are not significant in light of net profit or loss and retained earnings, the equity method-related disclosure is not presented.

## 14. ASSET RETIREMENT OBLIGATIONS

### Asset retirement obligations on the balance sheet

#### (1) Nature of asset retirement obligations

Asset retirement obligations of the Company mainly represent the restoration obligation of the headquarter office under the real estate rental agreement.

#### (2) Assumptions used in computation of asset retirement obligations

- (a) Estimated useful life: 13 years from acquisition
- (b) Discount rate: 0.8%

#### (3) The changes in asset retirement obligations for the years ended July 31, 2019 and 2018 are as follows:

	Thousands of Yen	
	2019	2018
Balance at beginning of year	¥ 102,943	¥ —
Effect of change from the simplified method to the standard method	—	106,809
Decrease due to revision in estimates	—	(4,442)
Adjustment due to passage of time	773	576
Balance at end of year	<u>¥ 103,716</u>	<u>¥ 102,943</u>

#### (4) Change from the simplified method to the standard method

During the year ended July 31, 2018, the Company expanded its headquarter office and revised the estimated useful life of the headquarter office, which has been used as an assumption in calculating the asset retirement obligations associated with the restoration obligation under the real estate rental agreement.

Prior to the year ended July 31, 2018, the Company reasonably estimated the unrecoverable amount of the lease and guarantee deposits that the Company paid under the real estate rental agreement and recognized expenses at an amount attributable to the year instead of recognizing a corresponding liability.

Effective the year ended July 31, 2018, the Company has recognized the restoration obligations as asset retirement obligations in the liability section of the balance sheet. This was because the simplified method that the Company formerly applied could no longer be applied as the total amount of the restoration obligations exceeded the total amount of the lease and guarantee deposits as a consequence of the expansion of the headquarter office.

As a result, the Company recorded ¥102,943 thousand of asset retirement obligations as of July 31, 2018 in accordance with the standard method. The impact of the revision in estimates was not significant.

## **15. SEGMENT INFORMATION**

### **1. Description of reportable segments**

The reportable segments are components of the Company for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine the allocation of operating resources and evaluate their performance.

The Company has two reportable segments, namely, printing business and logistics business. The printing business operates RakSul, a sharing platform service for printing and customer-acquisition support (advertising). The logistics business operates Hacobell, a sharing platform service for logistics.

### **2. Computation of net sales, profit or loss, assets and liabilities, and other items of reportable segments**

The reportable segment information is prepared under the same accounting policies as discussed in Note 2. Segment profit is determined based on operating income. The Company does not allocate its assets to the reportable segments.

### **3. Change in reportable segments**

#### *Change in computation method of segment profit or loss*

Effective the year ended July 31, 2019, the Company has allocated a portion of corporate expenses, which were not previously allocated to the reportable segments, to the reportable segments based on a rational method in order to better understand the operating results of each reportable segment. The effect of this change was to decrease segment profit of the printing business for the year ended July 31, 2019 by ¥1,418,573 thousand. Segment information for the year ended July 31, 2018 has been restated to reflect this change.

#### 4. Net sales, profit or loss, assets and liabilities, and other items of reportable segments

*For the year ended July 31, 2019*

	Thousands of Yen						
	Reportable segments			Other Business (Note 1)	Total	Reconciliation (Notes 2 and 4)	Amount on the Financial Statements (Note 3)
	Printing Business	Logistics Business	Total				
Net sales							
Sales to external customers	¥ 15,530,272	¥ 1,542,471	¥ 17,072,744	¥ 95,914	¥ 17,168,658	¥ —	¥ 17,168,658
Intersegment sales and transfers	—	152	152	—	152	(152)	—
<b>Total</b>	<b>¥ 15,530,272</b>	<b>¥ 1,542,624</b>	<b>¥ 17,072,897</b>	<b>¥ 95,914</b>	<b>¥ 17,168,811</b>	<b>¥ (152)</b>	<b>¥ 17,168,658</b>
Segment profit (loss)	¥ 1,387,591	¥ (161,433)	¥ 1,226,158	¥ 27,434	¥ 1,253,592	¥ (1,109,736)	¥ 143,856
Other items:							
Depreciation and amortization	¥ 96,304	¥ 3,934	¥ 100,238	¥ —	¥ 100,238	¥ 30,621	¥ 130,860
Capital expenditures	58,822	44,904	103,727	—	103,727	26,442	130,169

Notes: 1. "Other Business" represents business segments other than reportable segments, which includes the system-development support business.

2. Reconciliation of segment profit of ¥(1,109,736) thousand includes corporate expenses that are primarily comprised of general and administrative expenses that are not allocable to the reportable segments.

3. Segment profit (loss) corresponds to operating income on the statement of income.

4. Reconciliation of other items is related to corporate assets that are not allocable to the reportable segments.

*For the year ended July 31, 2018*

	Thousands of Yen						
	Reportable segments			Other Business (Note 1)	Total	Reconciliation (Notes 2 and 4)	Amount on the Financial Statements (Note 3)
	Printing Business	Logistics Business	Total				
Net sales							
Sales to external customers	¥ 10,594,813	¥ 509,354	¥ 11,104,167	¥ 70,081	¥ 11,174,249	¥ —	¥ 11,174,249
Intersegment sales and transfers	—	12,115	12,115	—	12,115	(12,115)	—
<b>Total</b>	<b>¥ 10,594,813</b>	<b>¥ 521,470</b>	<b>¥ 11,116,283</b>	<b>¥ 70,081</b>	<b>¥ 11,186,365</b>	<b>¥ (12,115)</b>	<b>¥ 11,174,249</b>
Segment profit (loss)	¥ 996,734	¥ (76,815)	¥ 919,918	¥ 32,924	¥ 952,843	¥ (859,805)	¥ 93,038
Other items:							
Depreciation and amortization	¥ 90,484	¥ 1,041	¥ 91,526	¥ —	¥ 91,526	¥ 24,701	¥ 116,228
Capital expenditures	4,030	—	4,030	—	4,030	44,042	48,072

Notes: 1. "Other Business" represents business segments other than reportable segments, which includes the system-development support business.

2. Reconciliation of segment profit of ¥(859,805) thousand includes corporate expenses that are primarily comprised of general and administrative expenses that are not allocable to the reportable segments.

3. Segment profit (loss) corresponds to operating income on the statement of income.

4. Reconciliation of other items is related to corporate assets that are not allocable to the reportable segments.

## ***Related Information***

*For the years ended July 31, 2019 and 2018*

### **1. Information by product or service**

Information by product or service is not presented because the same information is disclosed in the preceding tables.

### **2. Information by geographical area**

(1) Sales

Information by geographical area is not presented because sales to customers in Japan exceeded 90% of net sales.

(2) Property and equipment

Information by geographical area is not presented because property and equipment located in Japan exceeded 90% of total property and equipment on the balance sheet.

### **3. Information on major customers**

Information on major customers is not presented because there was no single customer accounting for 10% or more of net sales on the statement of income.

## ***Information on impairment losses***

*For the years ended July 31, 2019 and 2018*

Not applicable.

## ***Information on amortization and remaining balance of goodwill***

*As of and for the years ended July 31, 2019 and 2018*

Not applicable.

## ***Information on gain on negative goodwill***

*For the years ended July 31, 2019 and 2018*

Not applicable.

## 16. RELATED PARTY TRANSACTIONS

### 1. Transactions of the Company with its parent company and major shareholding companies

For the years ended July 31, 2019 and 2018

Not applicable.

### 2. Transactions of the Company with individuals (directors and major shareholders)

Transactions of the Company with individuals (directors and major shareholders) involved the exercise of stock options only. Details are as follows:

For the year ended July 31, 2019

Name	Position	Share Ownership Ratio (%)	Amount of Transactions Thousands of Yen
(Director of the Company) Yo Nagami	Director	0.4 (Direct)	¥ 11,894

Notes: 1. The above table shows the exercise of stock option #4 during the year ended July 31, 2019. Stock option #4 was granted following the resolutions made at the ordinary general shareholders meeting held on October 24, 2014 and at the Board of Directors meeting held on November 21, 2014, involving considerations from the grantee.

2. "Amount of transactions" was determined by multiplying cash paid upon the exercise of the stock options by the number of shares granted through the exercise of stock options during the year ended July 31, 2019.

There was no remaining balance outstanding as of July 31, 2019.

For the year ended July 31, 2018

Name	Position	Share Ownership Ratio (%)	Amount of Transactions Thousands of Yen
(Director and major shareholder of the Company) Yasukane Matsumoto	CEO and Representative Director	17.9 (Direct)	¥ 130,502
(Director of the Company) Yo Nagami	Director	0.3 (Direct)	¥ 48,471

Notes: 1. The above table shows the exercise of stock options #2, #5, and #7 during the year ended July 31, 2018.

(1) Stock option #2 was granted following the resolutions made at the extraordinary general shareholders meeting held on November 13, 2012 and at the Board of Directors meeting held on November 5, 2012, involving considerations from the grantees.

(2) Stock option #5 was granted following the resolutions made at the ordinary general shareholders meeting held on October 24, 2014 and at the Board of Directors meeting held on November 21, 2014, involving considerations from the grantees.

(3) Stock option #7 was granted following the resolutions made at the extraordinary general shareholders meeting held on May 22, 2015 and at the Board of Directors meeting held on May 12, 2015, involving considerations from the grantees.

2. "Amount of transactions" was determined by multiplying cash paid upon the exercise of the stock options by the number of shares granted through the exercise of stock options during the year ended July 31, 2018.

There was no remaining balance outstanding as of July 31, 2018.

## 17. PER SHARE INFORMATION

Per share information as of and for the years ended July 31, 2019 and 2018 was as follows:

	Yen	
	2019	2018
Net assets per share	¥ 244.88	¥ 242.29
Basic earnings per share	2.51	0.72
Diluted earnings per share	2.38	0.66

Notes: 1. Effective February 1, 2018, the Company conducted a 100-for-1 stock split. Per share figures above are computed assuming the stock split was conducted at the beginning of the year ended July 31, 2018.

2. Because the Company's stock was newly listed on the Tokyo Stock Exchange Mothers market on May 31, 2018 (the "listing date"), diluted earnings per share for the year ended July 31, 2018 were computed by using the average stock price for the period from the listing date to the end of the fiscal year.

3. Basis for computing basic and diluted earnings per share is as follows:

	2019	2018
Basic earnings per share		
Net profit (thousands of yen)	¥ 69,598	¥ 15,459
Net profit not attributable to common shareholders (thousands of yen)	—	—
Net profit attributable to common shareholders (thousands of yen)	69,598	15,459
Average number of shares of common stock outstanding during the year (shares)	27,678,086	21,341,083
Diluted earnings per share		
Adjustments to net profit attributable to common shareholders (thousands of yen)	¥ —	¥ —
Increase in the number of shares of common stock (shares)	1,519,828	1,998,486

The Company did not have any potentially dilutive shares that were not included in the computation of diluted earnings per share due to their anti-dilutive effect as of July 31, 2019 and 2018.

## 18. SUBSEQUENT EVENT

### ***Borrowing of Funds***

In accordance with a resolution of the Board of Directors' meeting held on September 12, 2019, the Company executed a borrowing of funds. The outline is as follows.

#### **1. Purpose**

Working capital

#### **2. Lenders**

(1) Mizuho Bank, Ltd., (2) MUFG Bank, Ltd., (3) Sumitomo Mitsui Banking Corporation, (4) Resona Bank, Limited, (5) The Shoko Chukin Bank, Ltd., and (6) Nippon Life Insurance Company

#### **3. Total amount of borrowings**

¥5,000,000 thousand

#### **4. Interest rate**

0.6%—0.7% per annum

#### **5. Repayment method**

To be repaid serially after a certain specified period

#### **6. Borrowing execution date**

From September 20 to September 30, 2019

#### **7. Borrowing period**

From five to seven years from the borrowing execution date

#### **8. Status of security and guarantee**

Unsecured and unguaranteed



19. SUPPLEMENTAL SCHEDULES

*Non-current assets*

	Thousands of Yen						
	August 1, 2018	Increase	Decrease	July 31, 2019	Accumulated Depreciation/ Amortization	Depreciation/ Amortization for the Year	July 31, 2019, Net of Depreciation/ Amortization
Property and equipment							
Buildings	¥ 191,309	¥ 31,108	¥ 5,050	¥ 217,366	¥ 45,031	¥ 17,366	¥ 172,335
Machinery and equipment	582,936	—	1,600	581,336	221,217	58,186	360,118
Tools, furniture and fixtures	37,375	20,727	—	58,102	30,032	12,781	28,069
Leased assets	170,000	—	—	170,000	76,500	17,000	93,500
Total	¥ 981,620	¥ 51,835	¥ 6,650	¥ 1,026,805	¥ 372,781	¥ 105,335	¥ 654,023
Intangible assets							
Software	¥ 99,502	¥ 78,334	¥ 10,436	¥ 167,400	¥ 61,953	¥ 24,510	¥ 105,446
Software in progress	—	141,663	74,238	67,425	—	—	67,425
Total	¥ 99,502	¥ 219,997	¥ 84,674	¥ 234,825	¥ 61,953	¥ 24,510	¥ 172,872
Long-term prepaid expenses	¥ 102	—	¥ 102	—	—	—	—

Notes: 1. Major components of increase in the table above are as follows:

		Thousands of Yen
Buildings:	Interior construction of the new office in Gotanda	¥ 24,061
Tools, furniture and fixtures:	Purchase of computers corresponding to increase in the number of employees	16,827
Software	Software development for expansion of services in the printing business and the logistics business	74,238
Software in progress	Software development for expansion of services in the printing business and the logistics business	141,663

2. Major component of decrease in the table above is as follows:

Software in progress	Transfers to software due to completion of development	¥ 74,238
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## Borrowings

	Thousands of Yen		Weighted Average Interest Rate (%)	Due Date
	August 1, 2018	July 31, 2019		
Short-term loans payable	¥ 220,000	¥ 180,000	0.5	—
Current portion of long-term loans payable	194,868	91,430	1.0	—
Current portion of lease obligations	36,556	41,402	—	—
Long-term loans payable, less current portion	91,430	—	—	—
Long-term lease obligations, less current portion	41,402	—	—	—
Other interest-bearing liabilities	—	—	—	—
<b>Total</b>	<b>¥ 584,256</b>	<b>¥ 312,832</b>	—	—

Notes: 1. The weighted average interest rate represents the average interest rate on the balances outstanding as of July 31, 2019.

2. Average interest rates for lease obligations are not presented because lease obligations on the balance sheet are presented at an amount before deducting the assumed interest included in the total lease payment.

## Provisions

	Thousands of Yen				
	August 1, 2018	Increase	Decrease (Used)	Decrease (Other)	July 31, 2019
Allowance for doubtful receivables	¥ 13	¥ 114	¥ —	¥ 13	¥ 114

## Asset retirement obligations

Supplemental schedules of asset retirement obligations are not presented because applicable information is disclosed in Note 14 "Asset retirement obligations."

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