



Financial Results for the 4th Quarter of Fiscal Year Ending July 31, 2019

RAKSUL INC.

(TSE First Section : 4384)

September 12, 2019

AGENDA

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2. FY2019 (FYE July 2019) Full Year Financial Highlights

3. FY2020 (FYE July 2020) Management Focus & Forecast

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1. Company Overview

Our Vision and What We Do

Vision

Better Systems, Better World

We strongly believe in redesigning the structure and the value chain of conventional industries with the help of the Internet

Sharing Platform Printing & Offline Advertising



Rakusul

Launched in March 2013



Sharing Platform Logistics



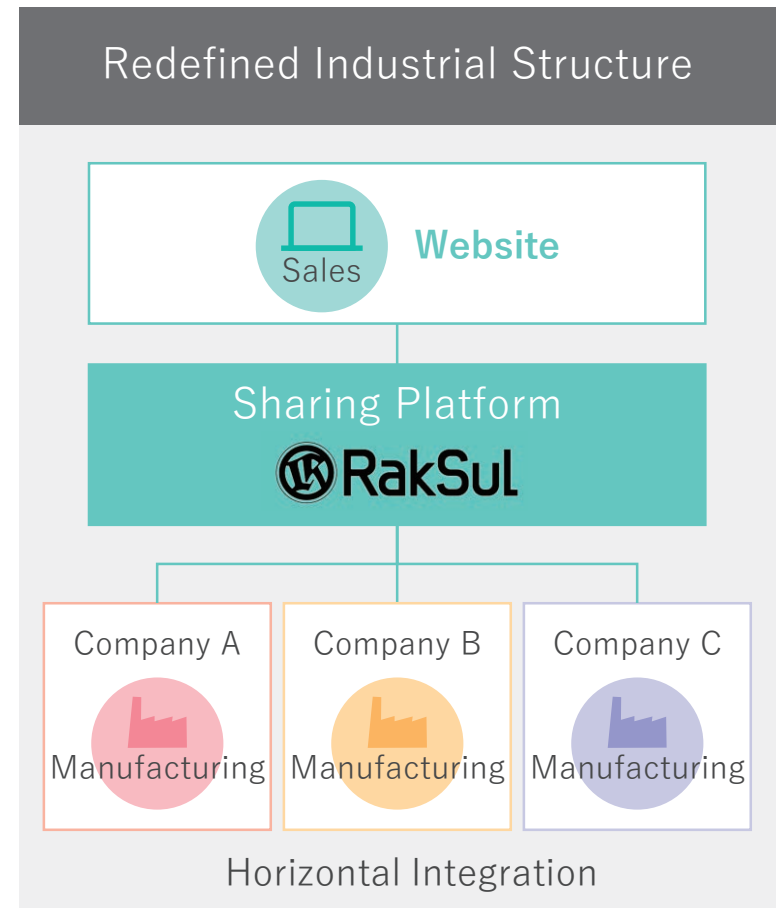
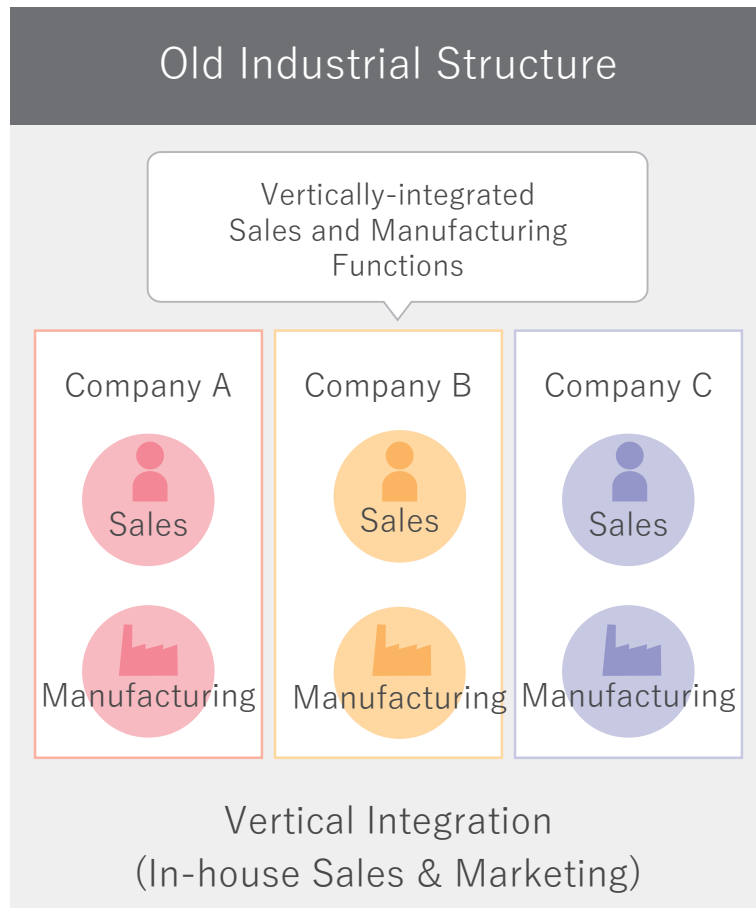
Hacobell

Launched in December 2015



Redefining Old Industries

Raksul is committed to upgrading the vertically integrated industrial structure led by large companies to a horizontally collaborative and platform-based industrial structure



Large Attractive Market Opportunity for BtoB Platform

We will continue driving digitalization of large conventional BtoB industries

Domestic
Business Stationery
and Commercial
Printing Market



Domestic Offline
Advertising Market

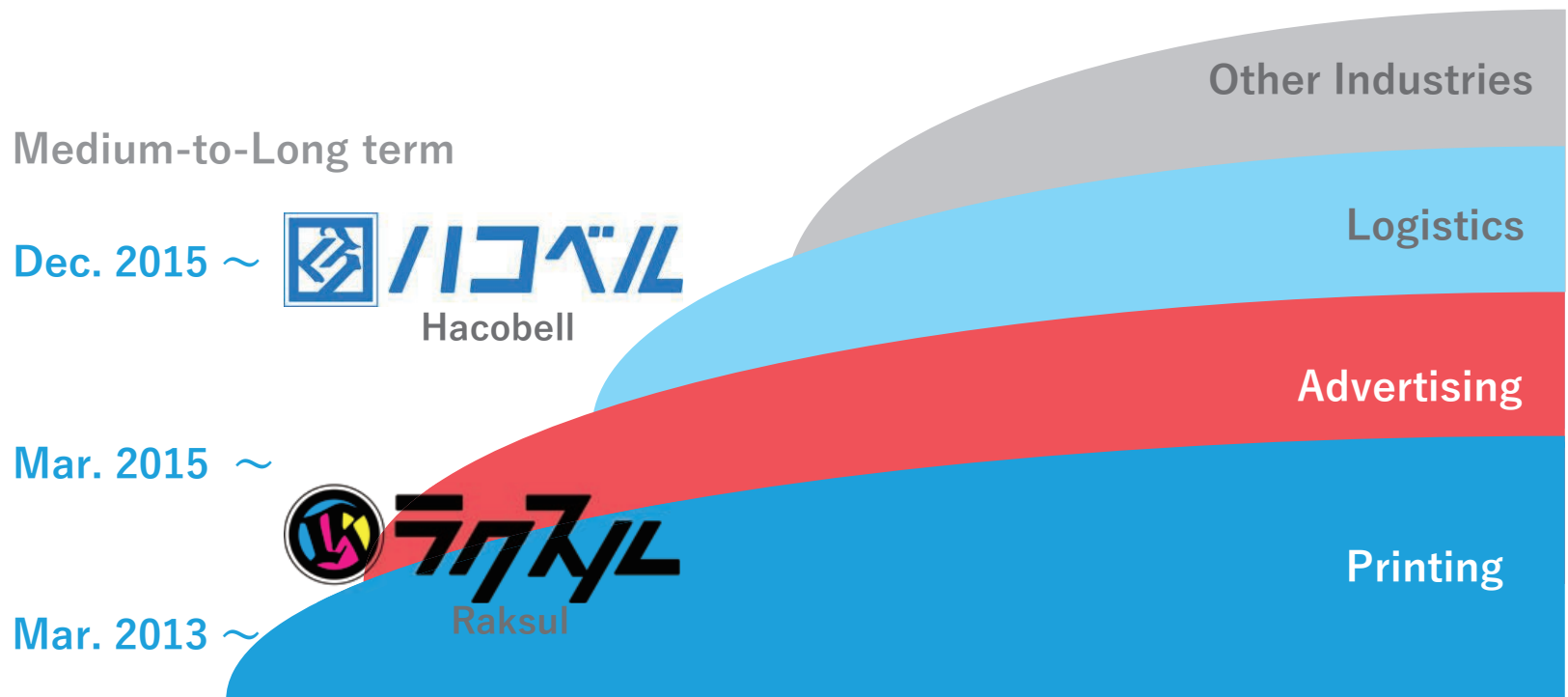


Domestic Trucking Market



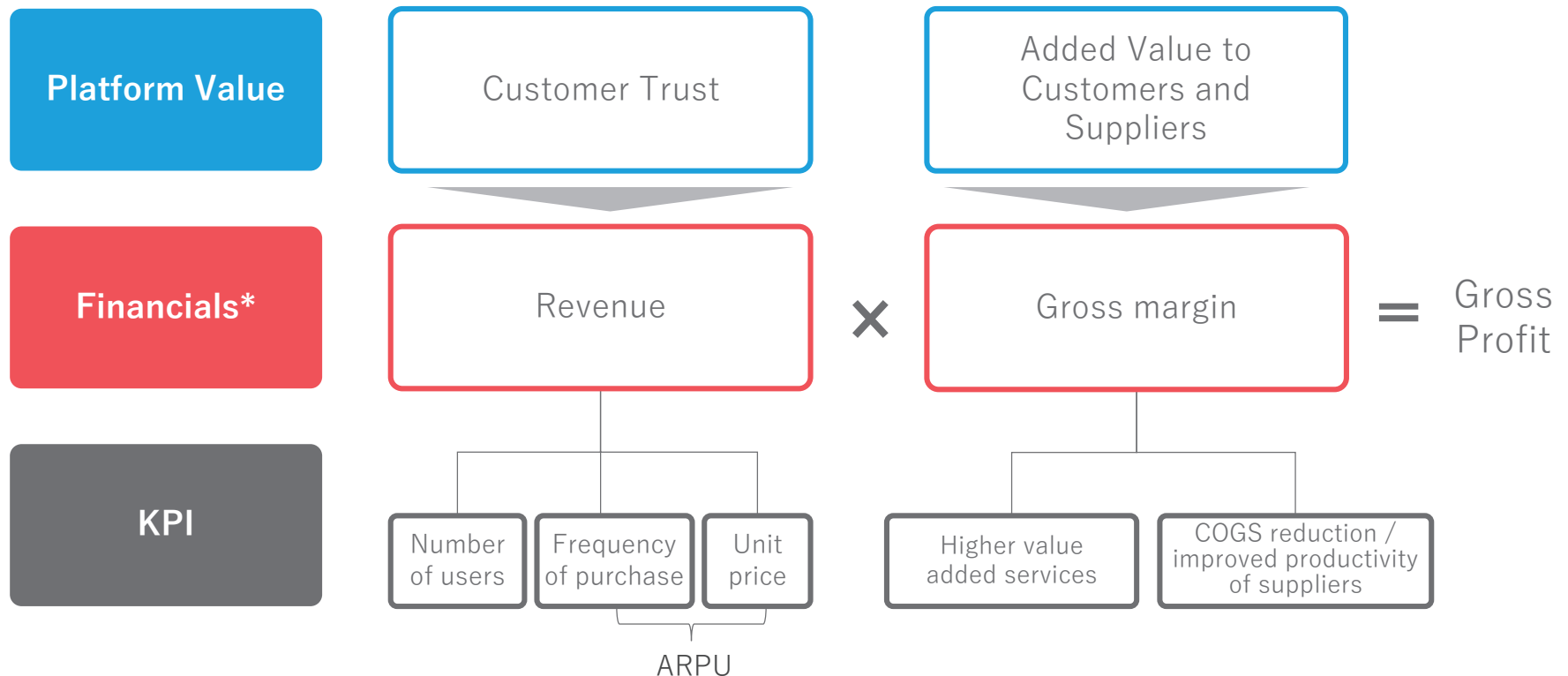
Sustainable Growth Through BtoB Platforms That Disrupt Multiple Industries

In the medium-to-long term, we aim to expand platform services into other industries



Our Value Creation Formula

We focus on growing revenue and gross profit through winning customer trust and maximizing added value to customers and suppliers



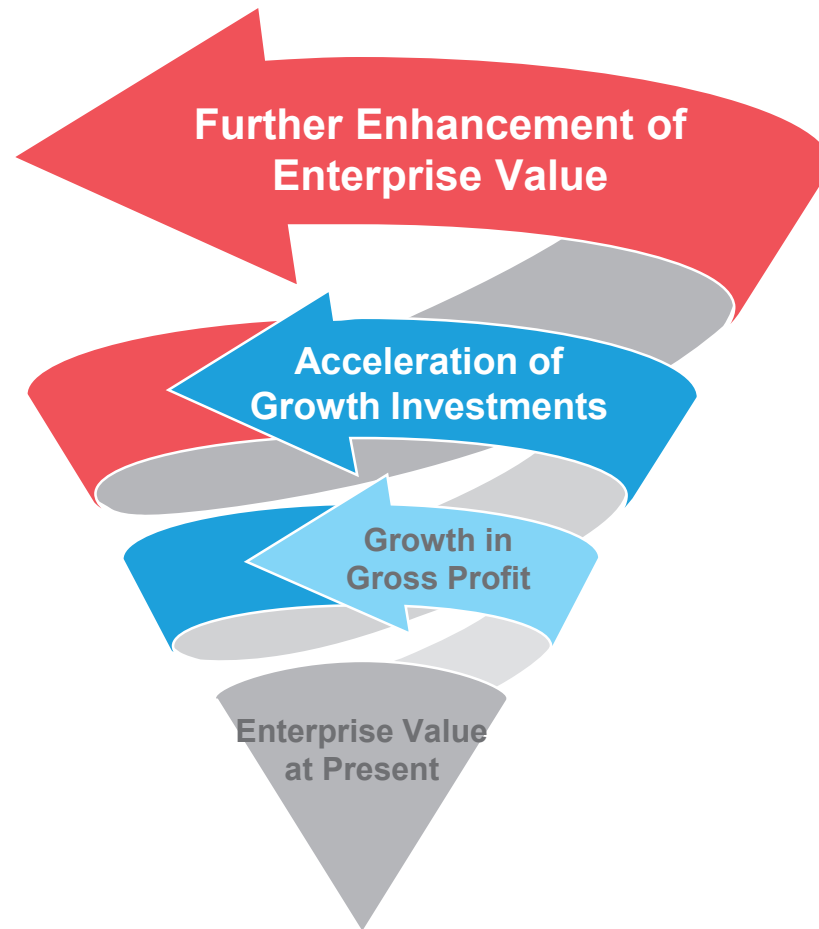
*** Accounting standards applied to our revenue and gross profit**

Revenue: revenues earned from users of both Raksul and Hacobell are booked as gross revenue

Gross profit: gross profit = gross revenue - cost of sales

Upward Spiral of Value Creation

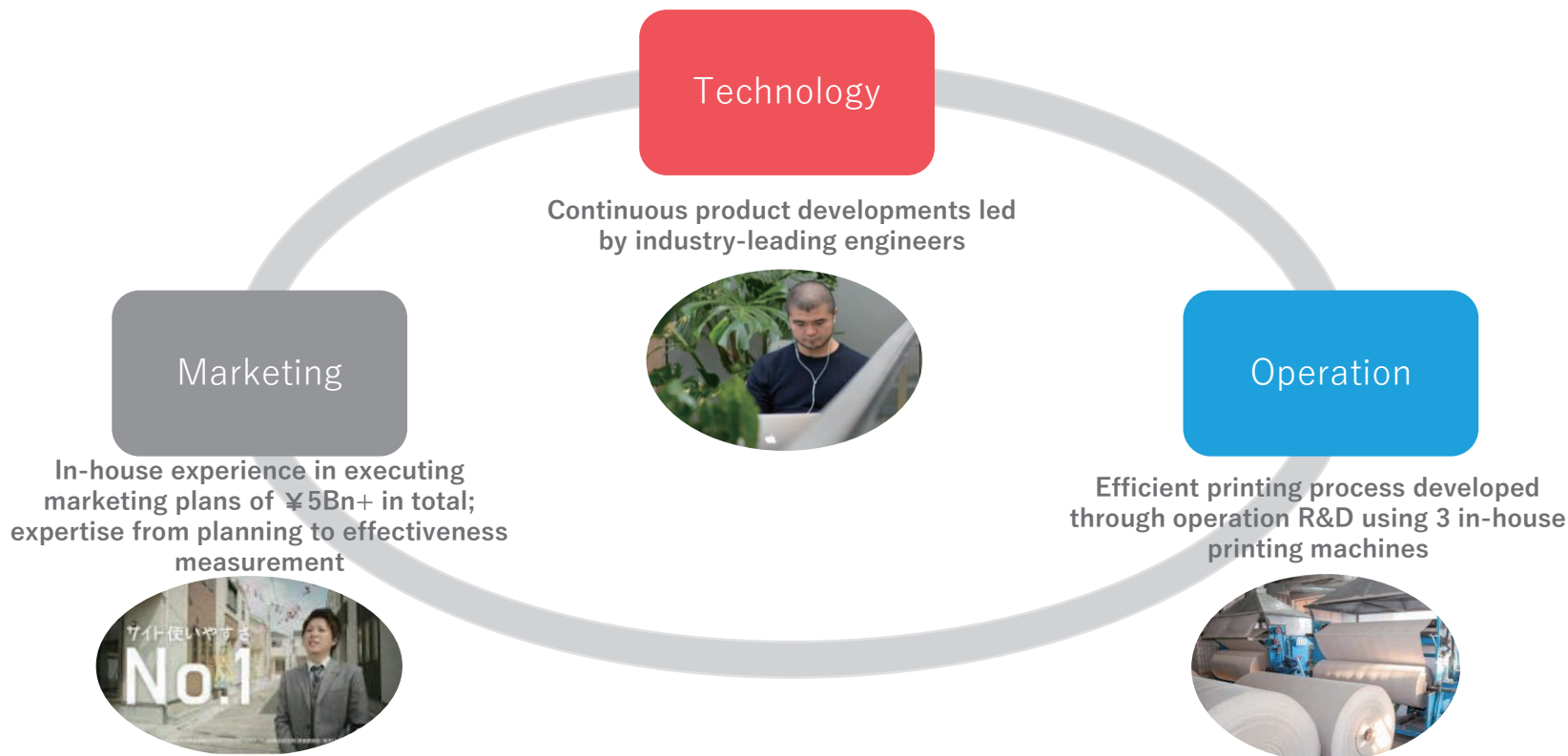
Maximizing gross profit accelerates both growth of operating profit and investments which allows us to generate greater platform value in a balanced way



Our Competitive Advantages

Raksul is a technology company with operational know-how and marketing expertise - this is how we clearly differentiate ourselves from other pure-Internet players and legacy industry incumbents

3 Key Competitive Advantages that differentiate us from pure-Internet players and legacy industry incumbents



2. FY2019 (FYE July 2019) Full-Year Financial Highlights

RakSul FY2019 (FYE July 2019) Full-Year Financial Highlights

- Full-year revenue: ¥ 17,168 million (+53.6% YoY)
5.9% higher than forecast⁽¹⁾
 - Full-year revenue of printing segment (printing & ad): ¥ 15,530 million (+46.6% YoY)
 - Full-year revenue of logistics segment: ¥ 1,542 million (+202.8% YoY)
- Full-year gross profit: ¥ 3,944 million (+42.8% YoY)
6.5% higher than forecast
- Full-year operating profit: ¥ 143 million (+54.6% YoY)
19.1% higher than forecast



Note

(1) Compared to the lower range of the revised earnings forecast announced on May 14, 2019

Expanded portfolio of customized products

Increased ARPU through cross-selling



Received HDI three-star rating for customer support – a first for the printing industry

Increased customer retention rate



Minimized impact of an increase in cost and a shortage in supply of paper

Controlled impact on gross margin



Achieved fastest fulfillment speed in the industry for newspaper inserts/flyer distribution/DM

Captured demand from large enterprises and improved repeat rate

Expanded the TVCM service (sale of TV commercial spots)

Implemented online spot sales of TV commercial airtime – a first for the advertising industry

最短4日で配布可能

注文	1day	2day	3day	4day	配布
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\ 特急料金 / お急ぎポスティングキャンペーン

最大 0円

東京都 神奈川県 配布可能

※東京都は23区、神奈川県は一部エリア対応

印刷 + 宛名印字 + 発送

DM・ダイレクトメール

最短翌日 発送完了

テレビCM オンラインストア

1回からCM枠を注文!!

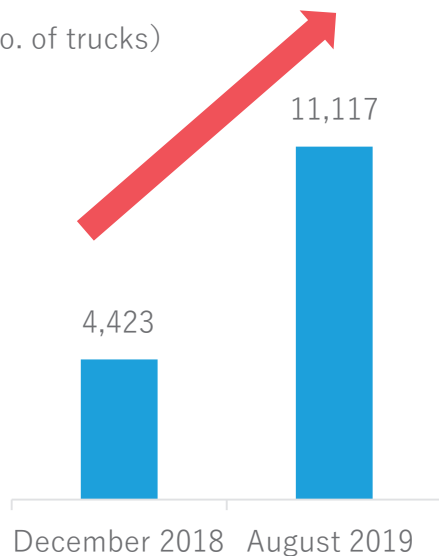
9日	10日	11日	12日	13日
チームワーク ¥100,000	コラボレーション ¥100,000	新登場品がない? ¥100,000	サタデー ¥100,000	ラクスル村の暮らし ¥100,000
世界はもっと良くなる ¥100,000	金曜だし ¥100,000	金曜です ¥100,000	日曜にゃん! ¥100,000	ラクスルスタイル ¥100,000
今更にはない ¥100,000	20:00-20:54 54分	世界はもっと良くなる	※番組名は予告です (2019年1月より)	
¥100,000	番組前 15秒CM	番組中 15秒CM	1回 ¥100,000	へ追加
¥100,000	番組ドラマ ¥100,000	●掲載期間: 2018/11/30 17時		



Expanded trucking network

More than doubled the number of registered trucks in the last 8 months

(No. of trucks)



Strengthened sales team for heavyweight freight

Discovered growth driver for the business



Launched transportation management system

Changed priority from external sales to internal-use – focusing on improving Hacobell's productivity



ハコベル コネクト
Hacobell Connect

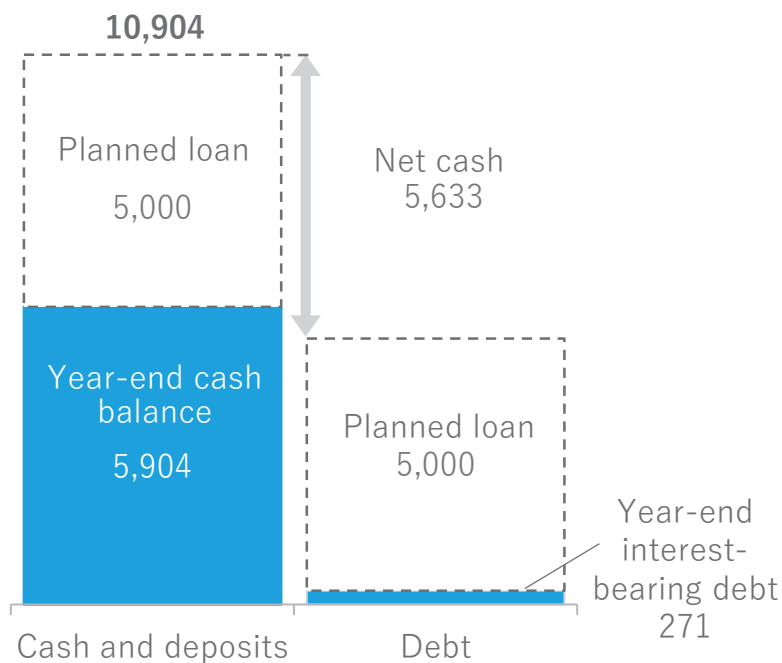
RakSul FY2019 Full-Year Financial Highlight

We became officially listed on the first section of the TSE in August 2019 and more than 50% of shares are owned by institutional investors (domestic and foreign)

Including the planned loan (¥5 billion) in September 2019, we have more than ¥10 billion in cash and deposits

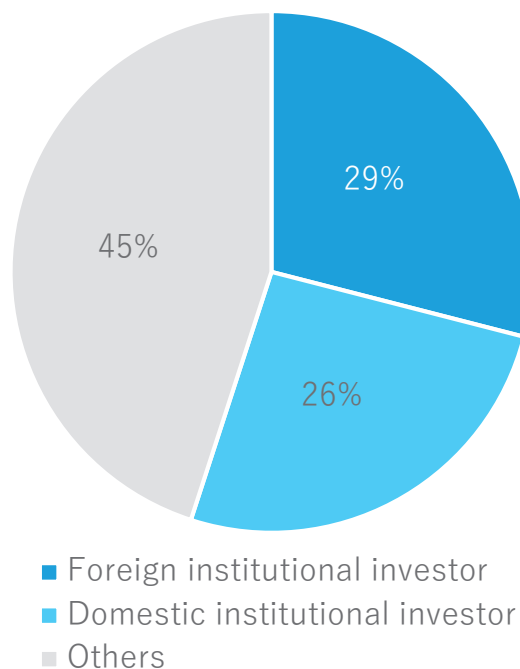
Cash equivalent and debt

(Cash balance as of July 2019+planned loan;
in JPY MM)



Shareholder structure

(As of July 2019)



RakSul Quarterly and Full-Year Financial Results

Full-year revenue: +53.6% YoY; full-year gross profit: +42.8% YoY

The full-year OP increased YoY even though 4Q experienced a loss due to planned investments made into the logistics segment and ad spend for the printing segment

(in JPY MM)	FY2019 4Q (2019/5 – 2019/7)					FY2019 full-year (2018/8 – 2019/7)				
	Actual	Same period last year (FY2018 4Q)		Previous quarter (FY2019 3Q)		Actual	FY2018 full-year (2017/8 – 2018/7)		Full-year forecast (1) (as disclosed on May 14, 2019)	
		Actual	YoY	Actual	YoY		Actual	YoY	Forecast	Actual vs forecast
Revenue	4,819	3,235	+49.0%	4,852	-0.7%	17,168	11,174	+53.6%	16,200 ~17,000	105.9%
Gross Profit	1,042	774	+34.5%	1,098	-5.1%	3,944	2,761	+42.8%	3,700 ~3,950	106.5%
Gross Margin	21.6%	23.9%	-2.3pt	22.6%	-1.0pt	23.0%	24.7%	-1.7pt	21.8% ~24.4%	-
Operating Profit	-5	149	-	77	-	143	93	+54.6%	120 ~160	119.1%
Incl.: Ad spend	311	93	+232.2%	367	-15.2%	1,275	865	+47.4%	-	-
Incl.: Logistics segment profit	-74	-25	-	-40	-	-161	-76	-	-	-
Ordinary Profit	-8	123	-	72	-	130	43	+201.2%	96 ~136	135.4%
Net Profit	-6	99	-	54	-	69	15	+350.2%	20 ~60	345.0%
		FY2017 4Q		FY2018 4Q		FY2019 4Q				
No. of registered users on printing platform		452,940		661,815		+ 208,875 Compared to FY2017 4Q	933,227		+ 271,412 Compared to FY2018 4Q	

Note
(1) Compared to the lower range of the revised earnings forecast announced on May 14, 2019

RakSul Revenue by Business Segment

Approximately ¥100~200 million of sales were lost due to the long national holidays in 4Q

Both firm wide revenue and the revenue contribution of Hacobell (logistics) continue to show an upward trend

The peak season for printing is 3Q, and for logistics it is 2Q and 3Q

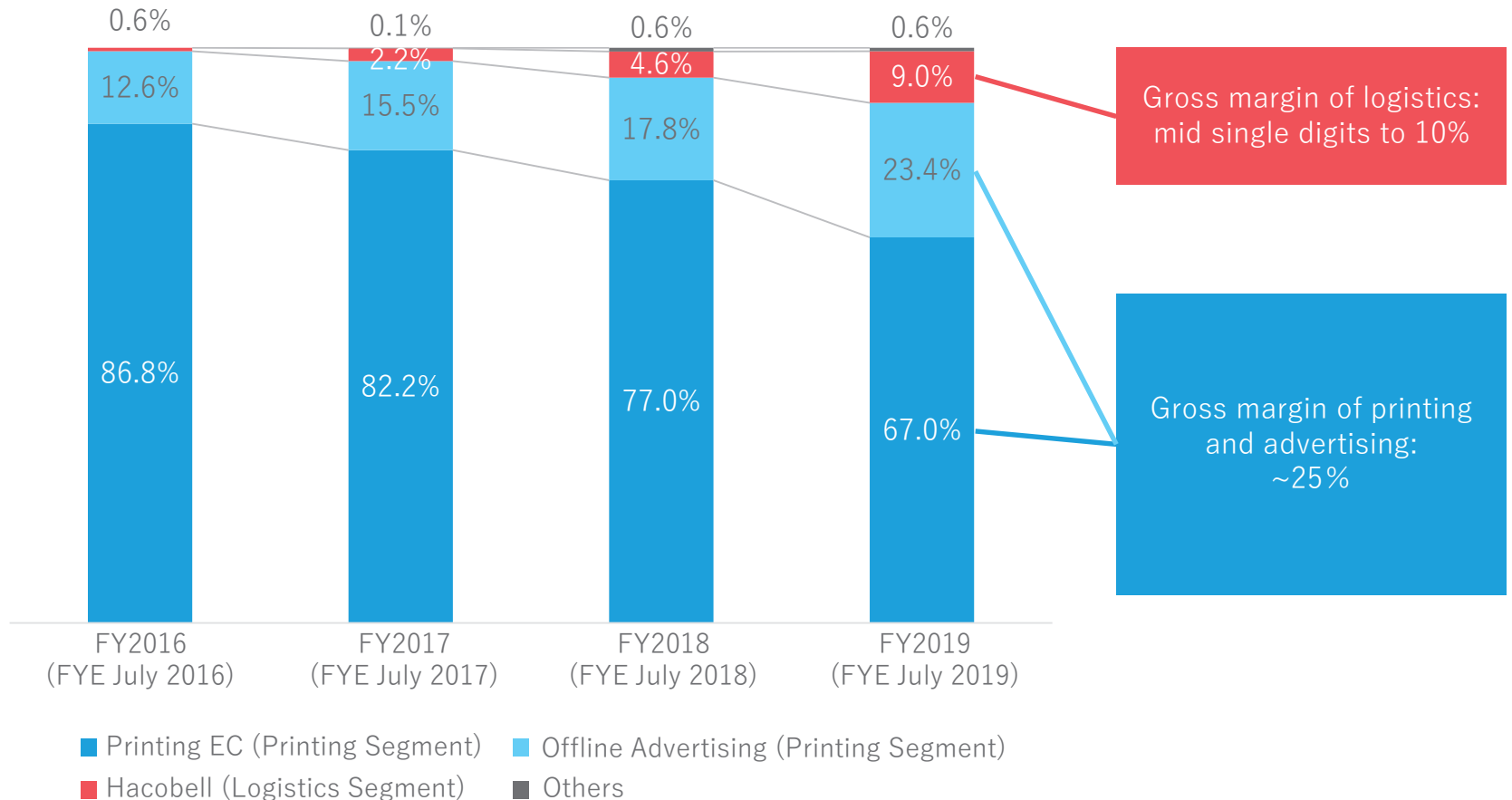
(in JPY MM)



RakSul Revenue Composition by Business Segment

Our newer platforms will rapidly expand while the printing EC service continues its growth, creating multiple strong revenue streams

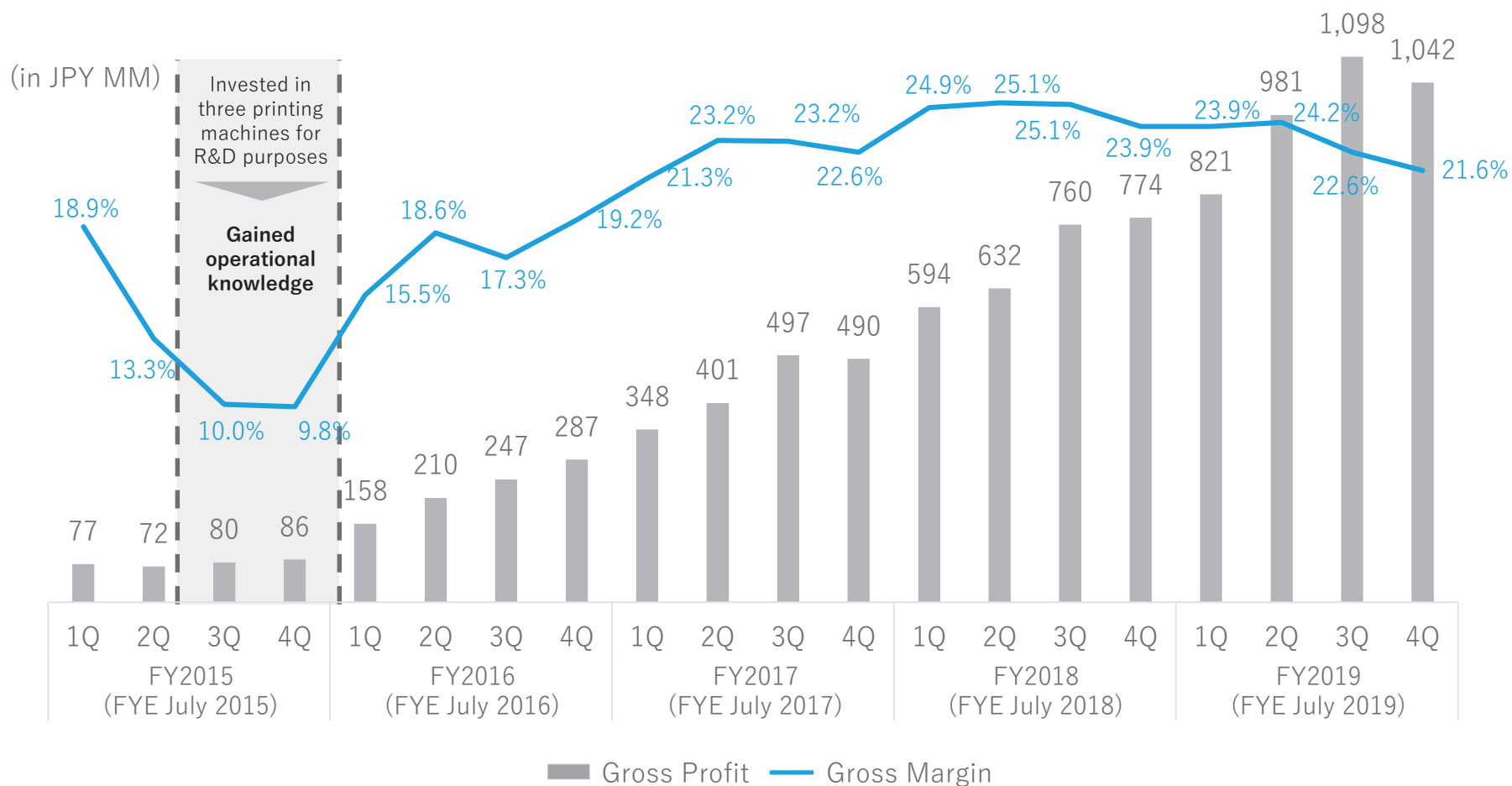
The total revenue contribution from non-printing services exceeds 30%



RakSul Gross Profit and Gross Margin

The gross profit in 4Q was lower than the previous quarter due to the performance of the printing segment (see next page for details)

We expect the gross profit to increase next quarter

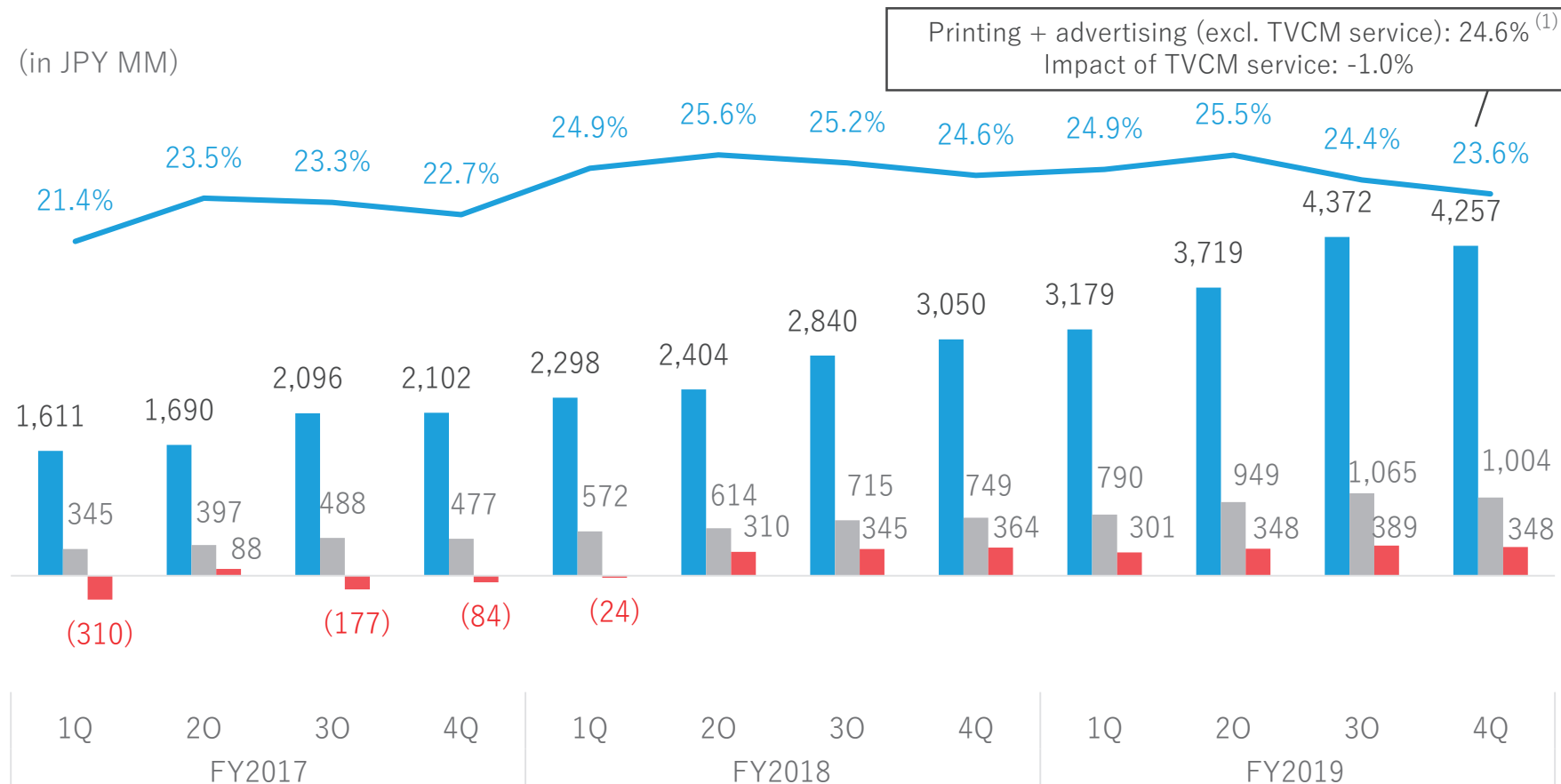


Printing Segment Business Performance Printing & Ad

The gross margin of printing EC service has improved, while the amount of its gross profit was lower than the previous quarter due to the loss of sales from the long national holidays

The new TVCM service (sale of TV commercial spots), which has a lower margin, had a negative impact of around 1% on the gross margin of the segment

(in JPY MM)



Note

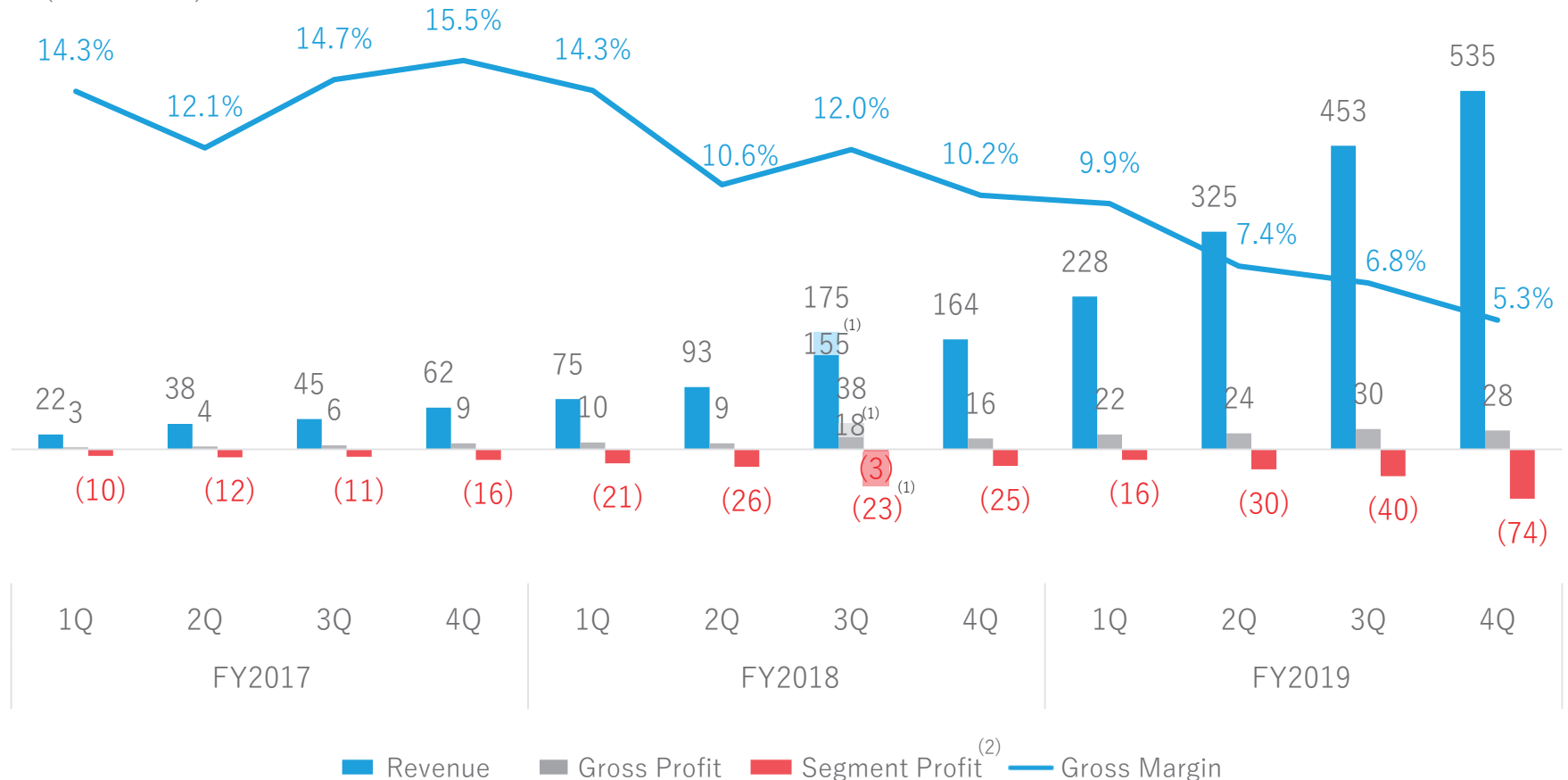
(1) Calculated from a management accounting perspective



Despite being the low season, the revenue in 4Q grew by 226% YoY

Our business focus continues to be on revenue growth instead of maximizing short-term gross margin

(in JPY MM)



Note

(1) Including revenue from system development for Yamato HD in FY2018 (FYE July 2018); this revenue is excluded from gross profit calculation

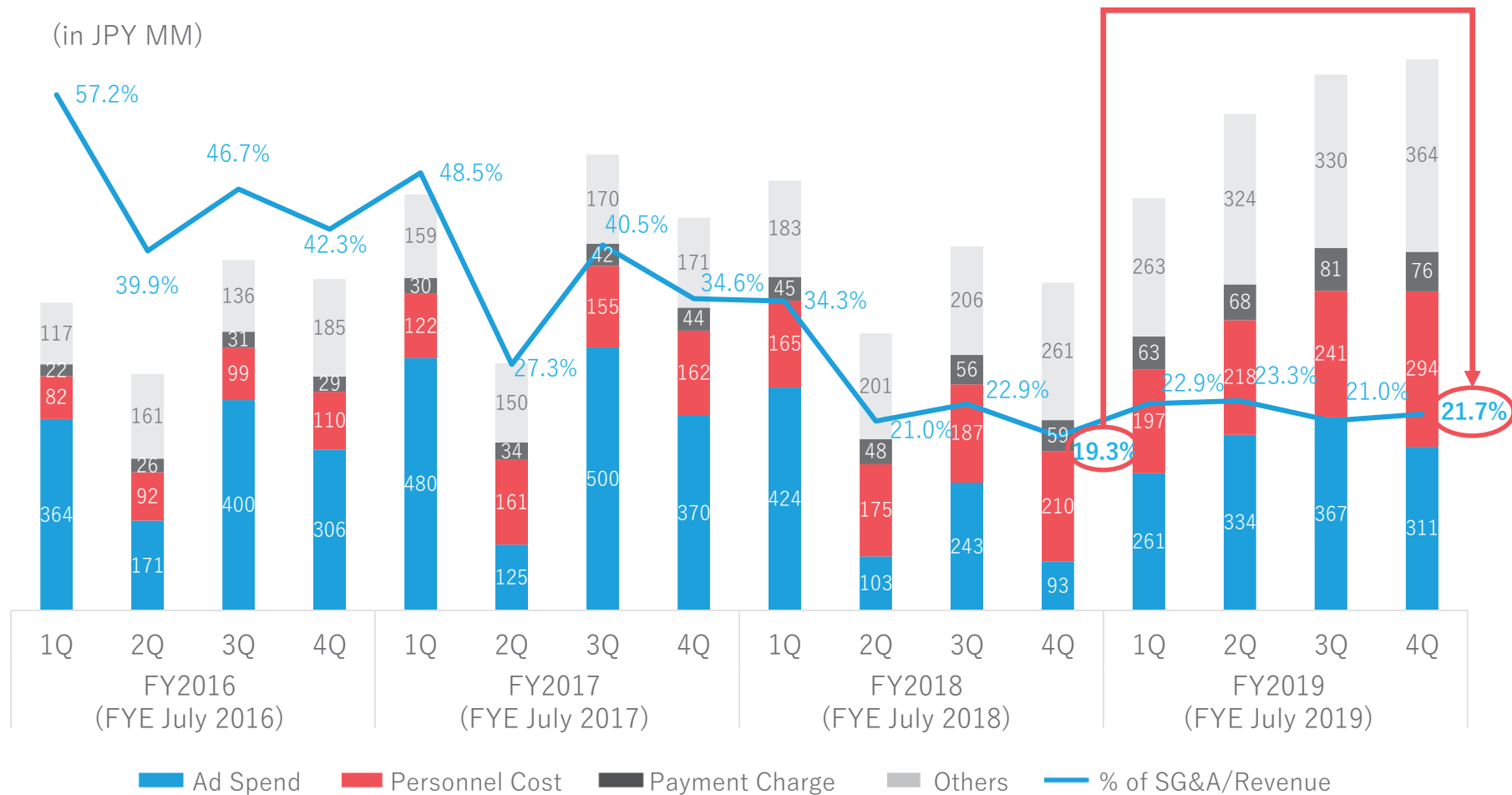
(2) Calculated from a management accounting perspective

RakSul Percentage of SG&A per Revenue

The investment in ad spend and personnel cost increased to accelerate business growth

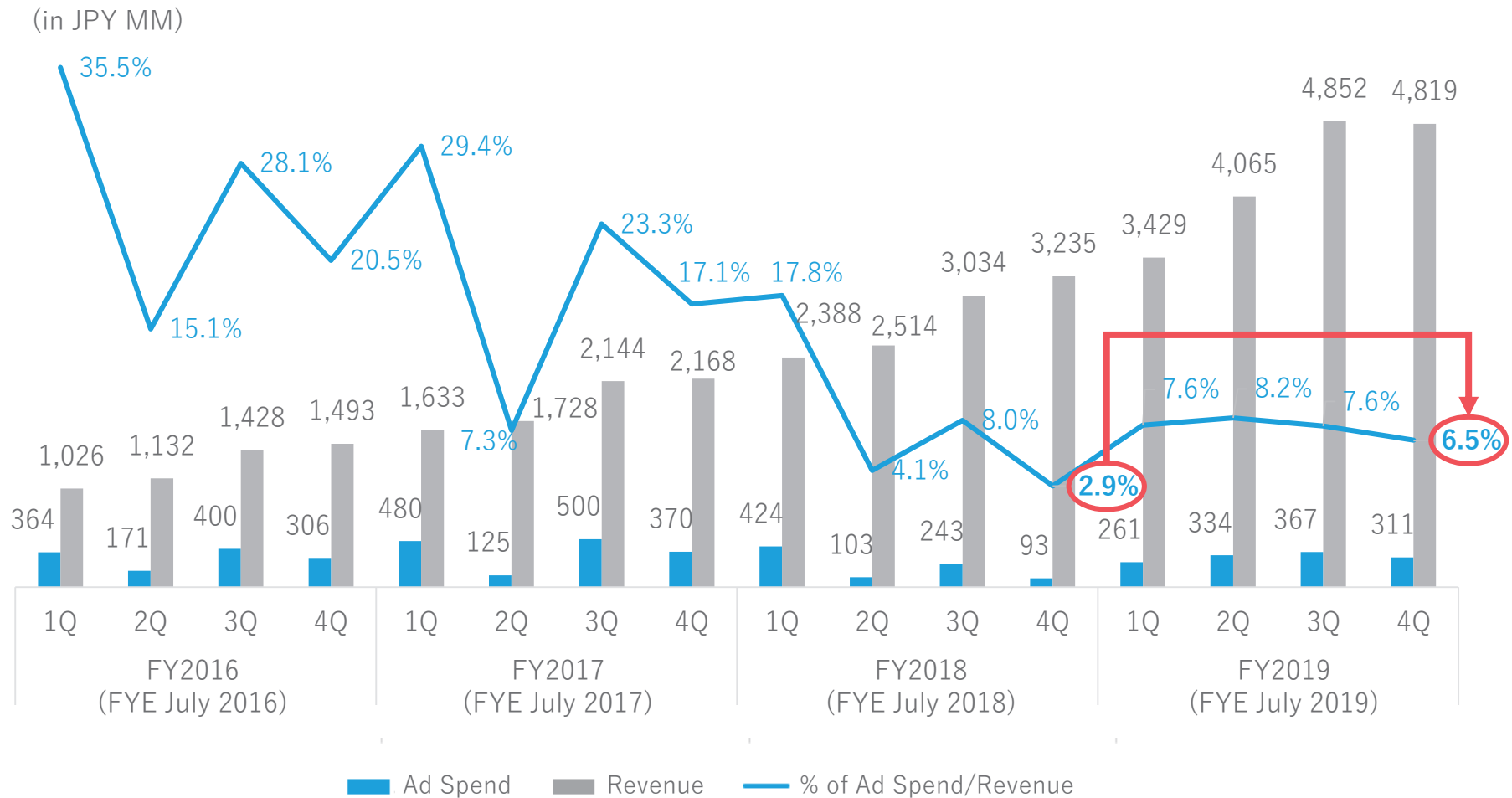
The personnel cost in 4Q included a special provision for a fiscal-year-end bonus of around ¥15 million

(in JPY MM)



RakSul Ad Spend and Percentage of Ad Spend per Revenue

The investment in ad spend will continue and the percentage of ad spend per revenue will be controlled



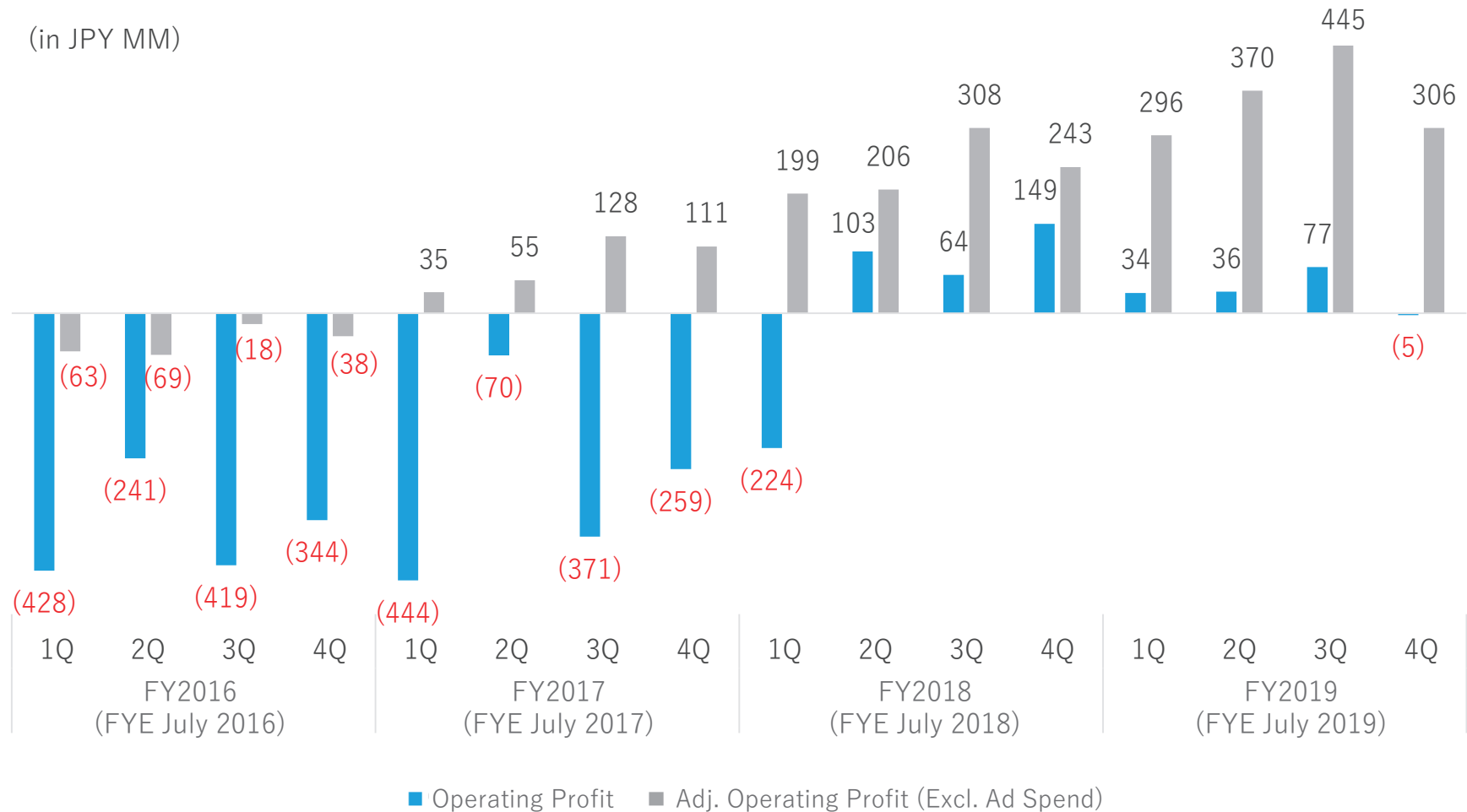


RakSul (excl. Ad Spend)

Operating Profit and Adjusted Operating Profit

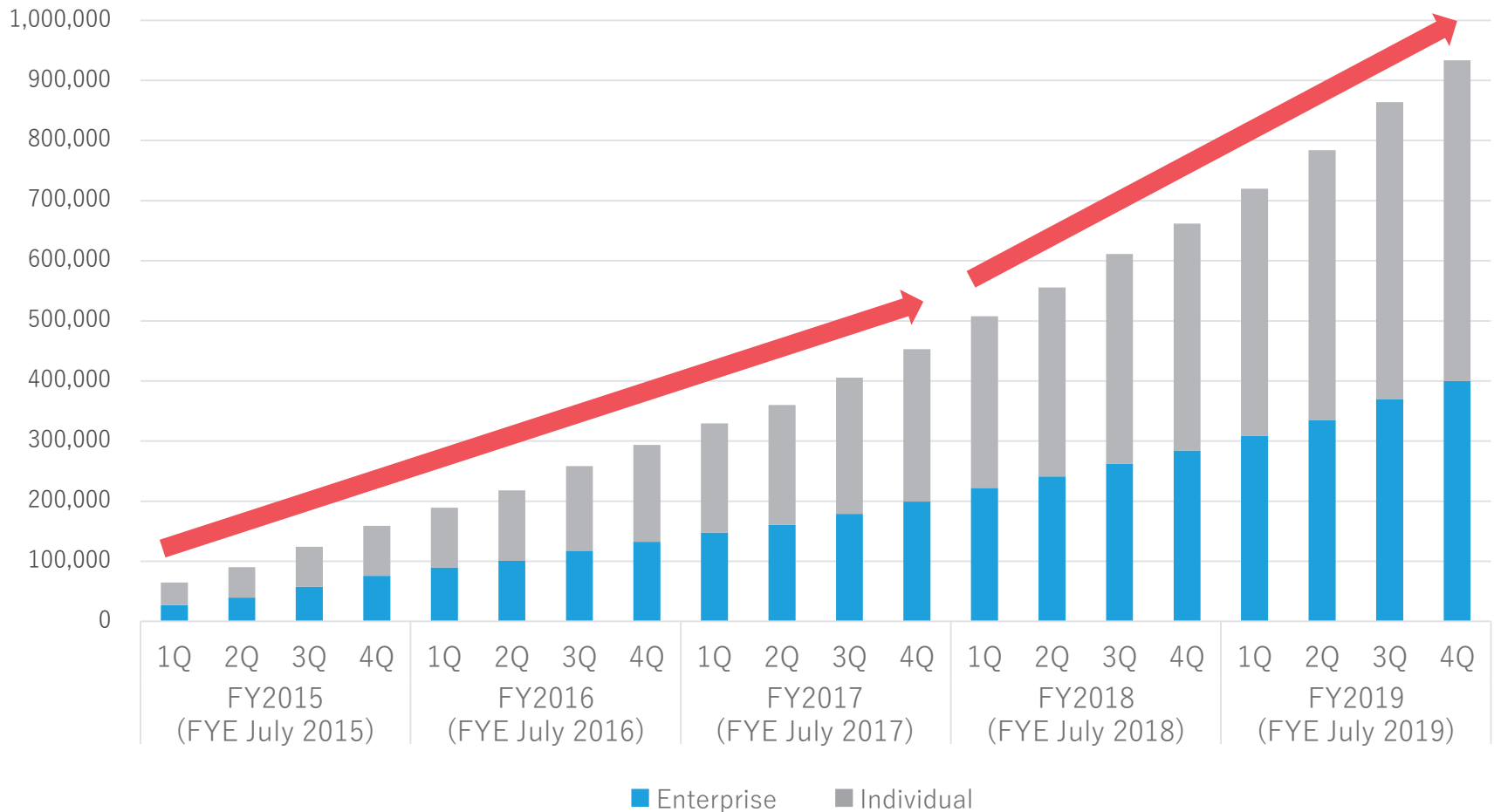
The operating profit in 4Q decreased due to the revenue loss from the long national holidays, active investments in the logistics segment, and ad spend for the printing segment

(in JPY MM)



Our user base continues to grow ⁽¹⁾

We aim to reach 1 million registered users in the short-term

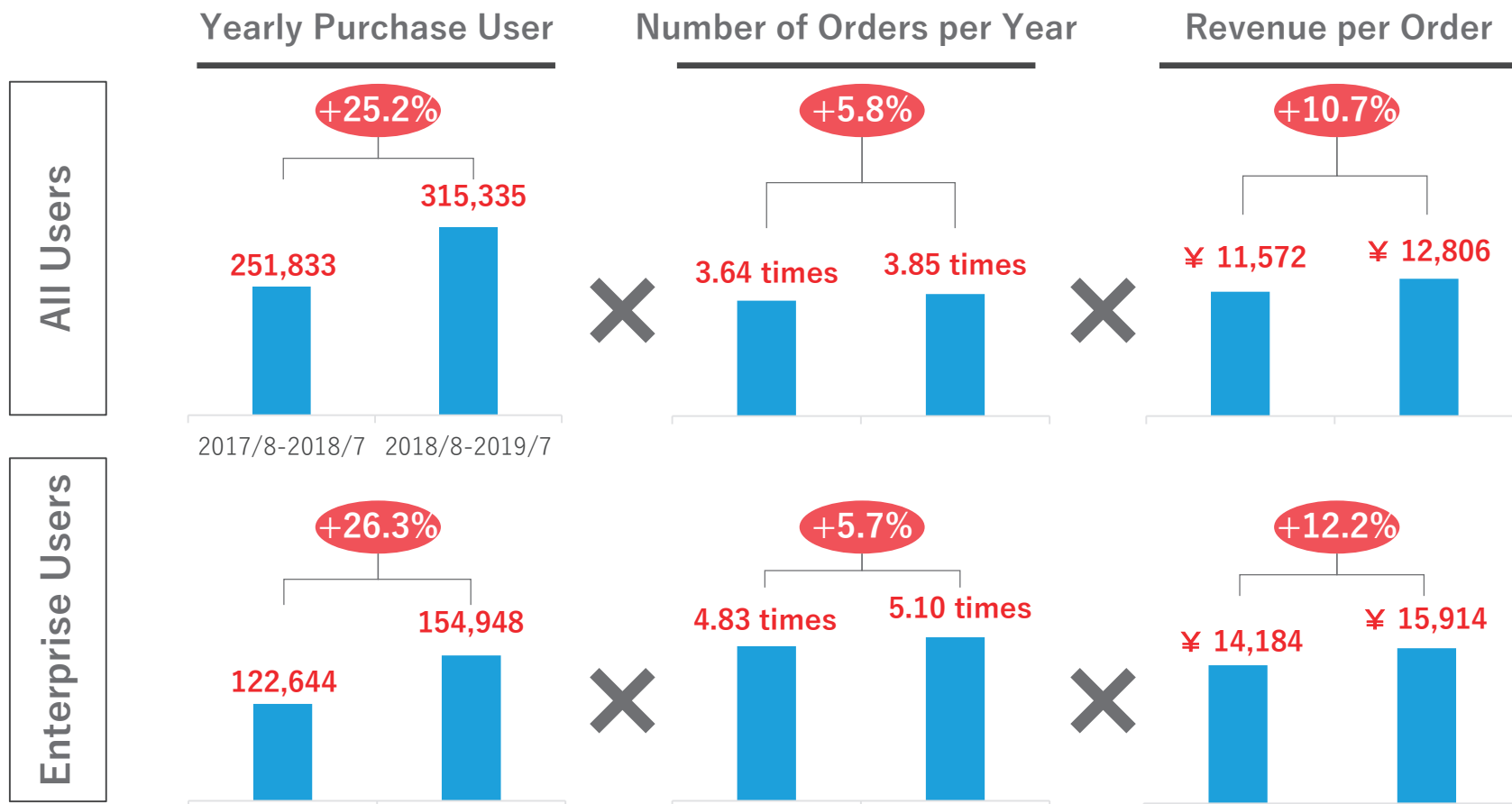


Note

(1) This refers to users of the printing platform only; users of "Hacobell" service is not included

The KPIs of all users, including the core user group (enterprise users), continue to improve⁽¹⁾

The TVCM service (sale of TV commercial spots) has led to an increase in the average revenue per order of enterprise users



Note

(1) Calculated from a management accounting perspective



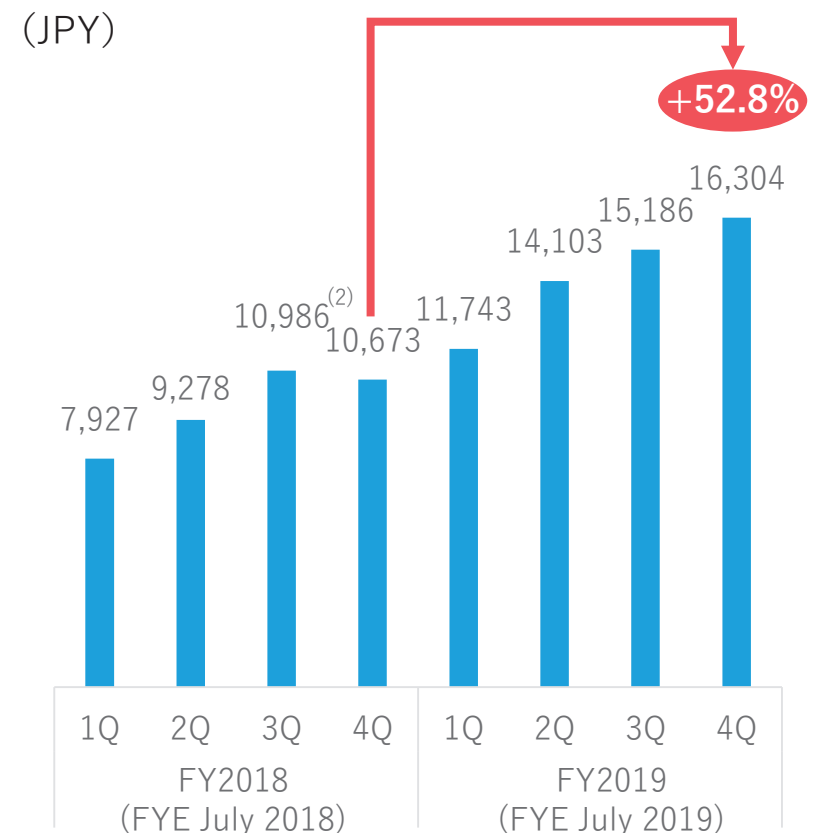
Number of Orders and Revenue per Order

The number of orders as well as the revenue per order increased, driven by a growing sales team and an increasing focus on the heavyweight freight segment

Number of Orders



Revenue per Order ⁽¹⁾



Note

(1) Value based on financial accounting standard and includes internal transactions

(2) FY2018 3Q figures do not include revenue from system development for Yamato HD

3. FY2020 (FYE July 2020) Management Focus & Forecast

Our Thoughts on the Business Mix

To realize our vision of “Better Systems, Better World”, we want to create digital platforms in conventional industries with large TAM (total addressable market)

Reasons for building a business portfolio



**Duplicable
business
model**

Utilize know-how
gained from
building printing EC
service



**Allowance
for time to
grow**

Absorb time needed
for each business to
penetrate its market



Synergy

Share customer base
and teams
(technology and
corporate teams)



**Strong
hiring and
financing
power**

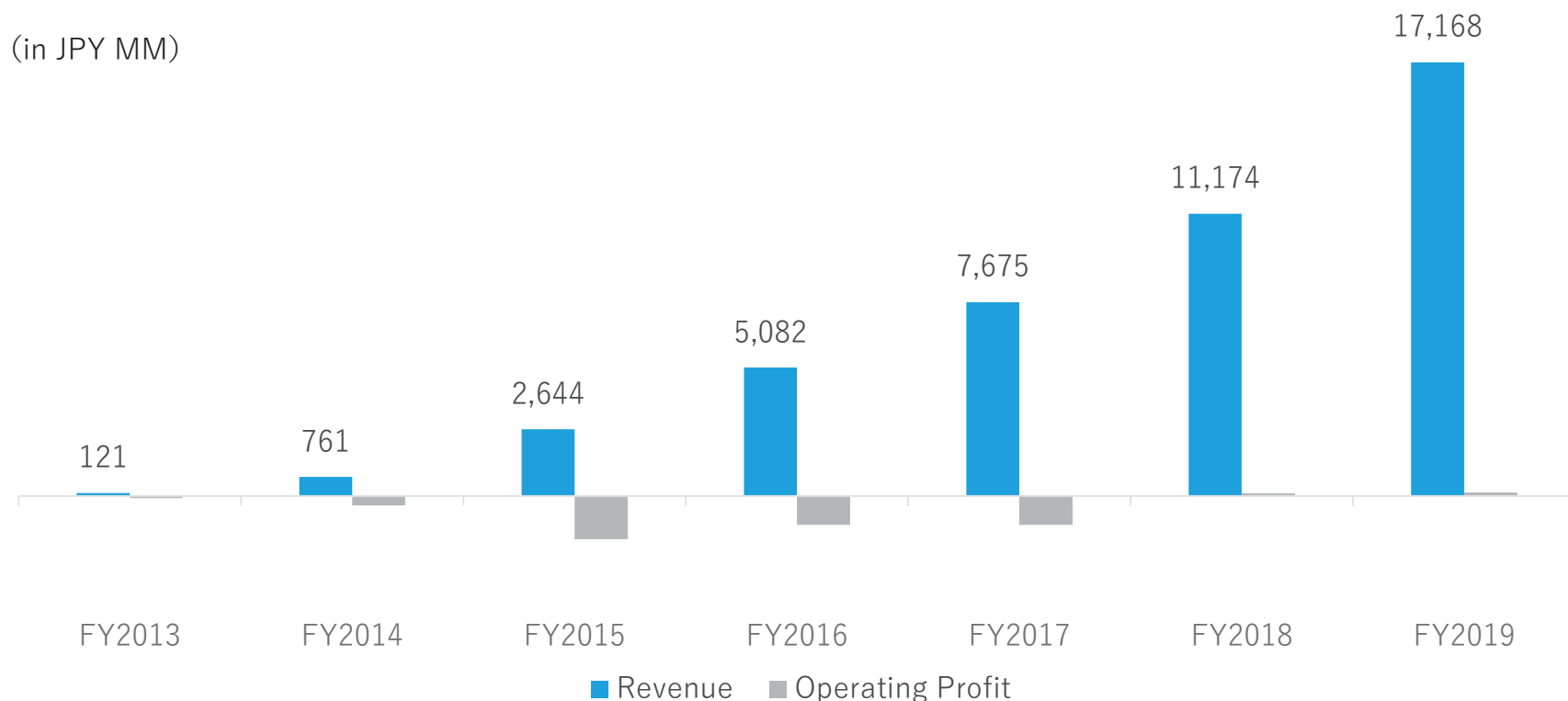
Increase
competitiveness as a
portfolio company

Growth Through Reinvestment

The revenue in FY2019 (FYE July 2019) grew significantly YoY

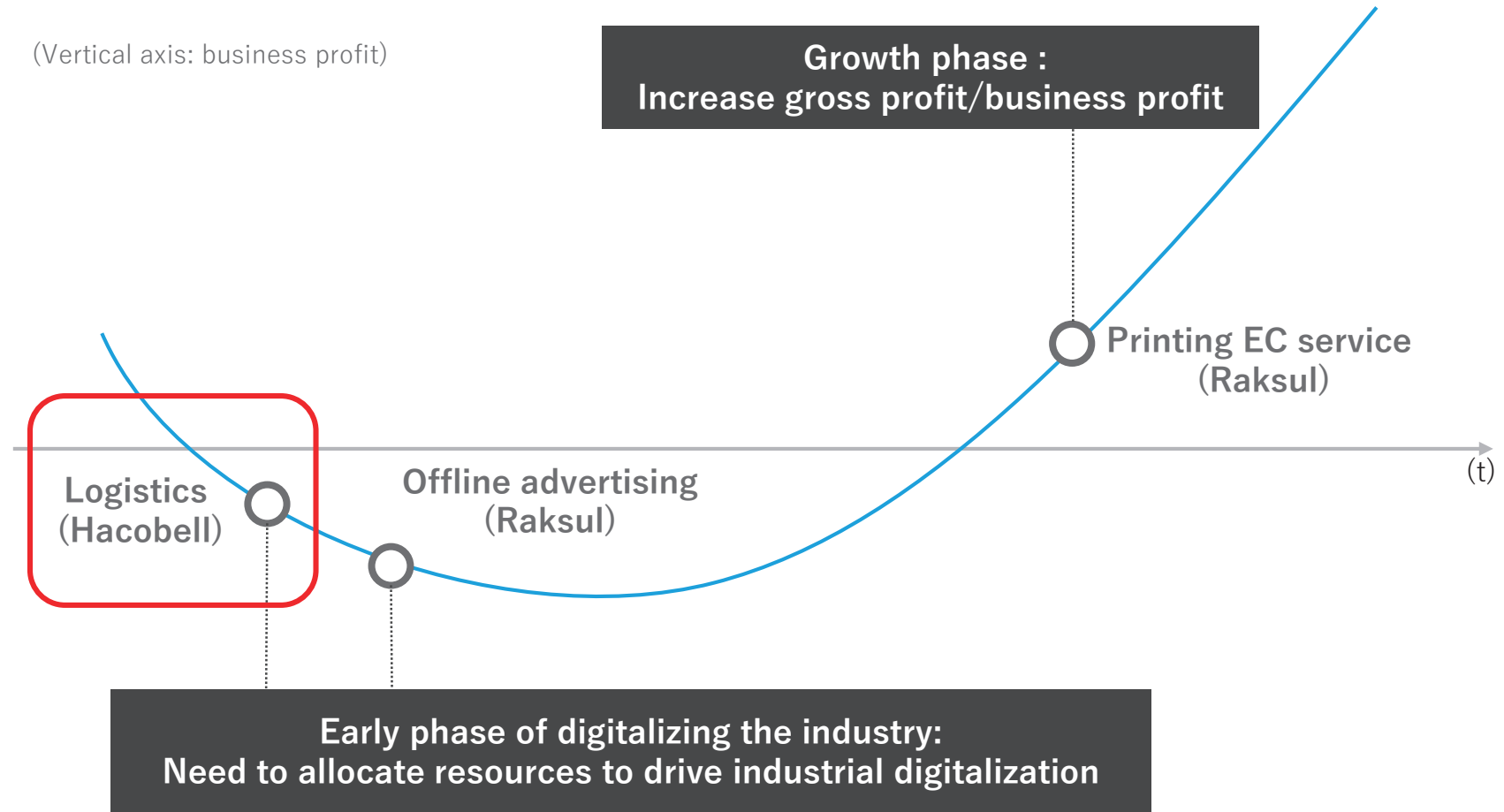
The two main reasons are:

- Speed of revenue growth of printing EC service accelerated by an increase in customer acquisition efficiency and a higher repeat purchase rate driven by an expanded product line and continuous improvement in service quality
- Speed of revenue growth of offline advertising service and logistics service accelerated by an increase in growth investment



FY2020 (FYE July 2020) Management Focus

The focus for FY2020 will be on strengthening investment in the logistics business



Increase Investment in Logistics Segment

We will strengthen our efforts to become the leading platform in the logistics industry

To accelerate the growth speed in FY2020 (FYE July 2020), we will invest more into the growth drivers we identified in the previous year

With approximately ¥10 billion in cash and deposits ⁽¹⁾, we plan to invest up to ¥5 billion into the logistics segment over the next 5 years

Planned use of funds

Product Development	Expand tech team
User (shipper) acquisition	Expand sales team
	Increase user incentive
Driver network expansion	Increase carrier incentive

Note

(1) Including the planned loan of ¥5 billion

Revenue & Gross Profit: at least 30% YoY growth

- We are committed to growing revenue and gross profit, which is the source of our enterprise value
- The forecasts for other profits are not disclosed because they are dependent on the amount of investment into the logistics and advertising businesses, which could change based on the business environment during the fiscal year

Upside and downside scenarios which are not incorporated into our financial forecast
(because probabilities of occurrence are currently low)

Upside

Each business grows much more than anticipated
(Through improvement of customer acquisition efficiency and profitability)

Downside

Recruitment is delayed longer than expected
(Engineers in particular)

Economic downturn

(Upside: more customers shifting online due to competitive pricing)
(Downside: significant decline in business demand both offline and online)

Strengthen Governance System

We plan to transition into a company with an audit and supervisory committee⁽¹⁾

- By giving voting rights to the auditors, we will improve the quality of board meetings and strengthen our governance structure
- Preparation for potential needs of moving to a company-with-committees system

We plan to appoint a new outside director – Mr. Yoshihiko Miyauchi⁽¹⁾



Profile:

1958 Mar Graduated from Kwansei Gakuin University (BA)
1960 Aug Graduated from University of Washington (MBA)
1964 Apr Joined Orient Leasing Co., Ltd. (currently ORIX Corporation)
1980 Dec Appointed Representative Executive Officer, President and CEO
2000 Apr Appointed Representative Executive Officer, Chairman and CEO
2003 Jun Appointed Director, Representative Executive Officer, Chairman and CEO
2014 Jun Appointed Senior Chairman (present)

Concurrent posts:

Outside Director, ACCESS Co., Ltd.

Outside Director, Mitsubishi UFJ Securities Holdings Co., Ltd.

Outside Director, Calbee, Inc.

Note

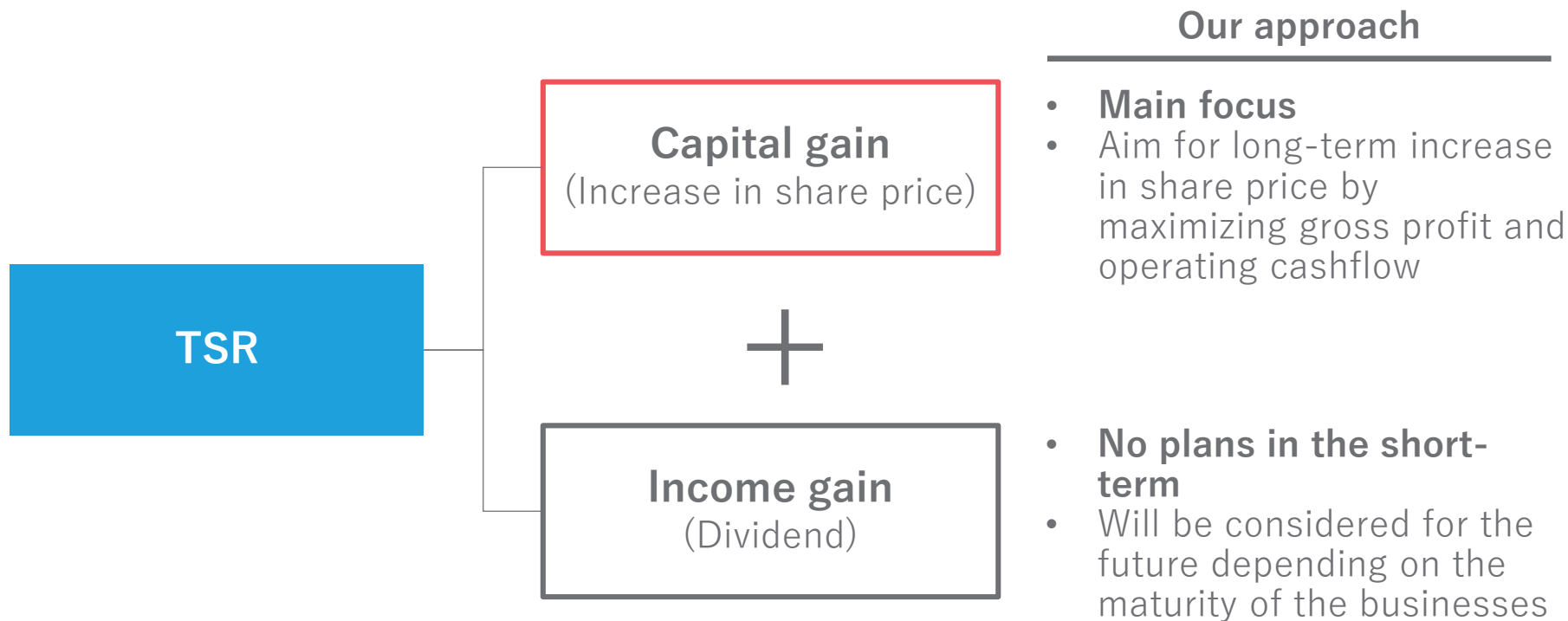
(1) After approval at the annual shareholders meeting in October 2019

Approach to Shareholder Return

A long-term increase in share price is important to growing total shareholder return (TSR)

Our priority is on maximizing gross profit per share and operating cashflow per share

We are not planning for dividend payout in the short-term



Strengthen Equity Incentive System

We plan to grant restricted stock to officers and employees ⁽¹⁾

Below is our approach to equity incentives

Purpose	<ul style="list-style-type: none">• To align the incentive and commitment of officers and employees with the maximization of long-term shareholder value• To ensure the competitiveness of our compensation level in order to attract and retain talents who are the foundation of our competitive advantage
Structure	<ul style="list-style-type: none">• Structure: restricted stock (RS) and stock options• Simple design that is expected by both investors and recipients
Dilution	<ul style="list-style-type: none">• Expected dilution of up to 10% over the next 10 years (around 1% per year)• Designed with flexibility for variation in each year• Our percentage of dilutive shares was 7.3% at IPO and 5.5% as of the end of July 2019 – lower than other growing companies (see next page for equity incentive balance)
Impact on P&L/CF	<ul style="list-style-type: none">• Expected impact on this fiscal year's P&L is 0.1~0.2% of market capitalization; the normalized stock-based compensation expense is expected to be 0.5~1.0% of market capitalization• All RS will be granted as capital increase, no cash outflow will occur• Non-GAAP profit excluding the impact of RS will be disclosed going forward

Note

(1) After approval at the annual shareholders meeting in October 2019

RakSul Equity Incentive Balance

(number of shares)		FY2018 (FYE July 2018)	FY2019 (FYE July 2019)
Stock options	Beginning balance	2,654,800	1,801,200
	Granted	96,000	0
	Vested	-876,600	-256,600
	Forfeited/canceled	-73,000	-12,000
	Ending balance	1,801,200	1,532,600
Restricted stock	Beginning balance	0	0
	Granted	0	0
	(as % of shares outstanding at year-end)	(-)	(-)
	Released	0	0
	Forfeited/canceled	0	0
	Ending balance	0	0
Total	Beginning balance	2,654,800	1,801,200
	Granted	96,000	0
	(as % of shares outstanding at year-end)	(0.35%)	(-)
	Vested/released	-876,600	-256,600
	Forfeited/canceled	-73,000	-12,000
	Ending balance	1,801,200	1,532,600
Equity incentive ratio (as a % of shares outstanding at year-end)		6.54%	5.51%
Shares outstanding at year-end		27,548,600	27,805,200

4. Q&A

Q&A

Category	Question	Answer
Firm wide	What is the expected profit level for FY20?	<p>The forecast for firm wide profit is not disclosed</p> <p>By segment: Printing – increased profit level Logistics – decreased profit level</p>
Printing	What is the expected gross margin?	We aim to return the gross margin to 25% in the near future
Printing	What is your supplier policy (with printing companies)?	We prioritize sustainability and building long-term trust, and strive to secure capacity while optimizing cost
Advertising	How is the performance of the TVCM service (sale of TV commercial spots)?	<p>We are expanding the business by tapping into the SME customer base of the printing segment</p> <p>The initial users are showing a high satisfaction level and a high repeat rate</p>
Logistics	What is the latest status of Hacobell Connect (transportation management system)?	We are now prioritizing internal-use over external sales - focusing on using the system in-house to improve our own productivity

5. Reference Materials

Company Overview

Name:	RAKSUL INC.
HQ:	Shinagawa-ku, Tokyo, Japan
Foundation:	September 2009
Management	Yasukane Matsumoto, Founder and CEO
Team:	Yo Nagami, CFO Masaki Tabe, CMO Kozo Fukushima, COO Yusuke Izumi, CTO Yusuke Asakura, Outside Director Genichi Tamatsuka, Outside Director Naomi Mori, Corporate Auditor Hiroyuki Yamada, Corporate Auditor Masahiro Kotosaka, Corporate Auditor Junko Utsunomiya, Corporate Auditor
# of Employees:	277 (As of July 2019)

Management Team



Yasukane Matsumoto – Founder and CEO

- Founded Raksul in September 2009
- Introduced the “Sharing Economy” model to the printing industry, in which idle assets are used more effectively
- Joined istyle Inc. as an outside director in September 2018
- Ex-consultant from A.T. Kearney
- Graduated from Keio University



Masaki Tabe – CMO

- Joined Raksul in August 2014
- Committed to expanding the scope of our services from marketing perspectives
- Previously worked at Marui Group and TAKE AND GIVE. NEEDS
- Graduated from Chuo University



Yusuke Izumi – CTO

- Joined Raksul in December 2015
- Leads the company’s overall technology vision including system engineering, creative and IT security
- Previously worked at Morgan Stanley MUFG Securities and DeNA
- Graduated from New England Conservatory



Genichi Tamatsuka – Outside Director

- Joined Raksul as an outside director in October 2017
- CEO of Digital Hearts since June 2017
- Previously served as the CEO at Lawson (2016-2017) and the COO of Fast Retailing (2002-2005)
- Founder of Revamp (2005)
- Early career at IBM
- Graduated from Keio University



Yo Nagami – CFO

- Joined Raksul in April 2014
- Well-versed in financial strategies with a wide range of knowledge obtained through experience in the financial and investment sectors
- Joined Link and Motivation Inc. as an outside director in March 2019
- Previously worked at Mizuho Securities, Carlyle Japan LLC, and DeNA
- Graduated from Keio University; MBA from The Wharton School of The University of Pennsylvania



Kozo Fukushima – COO

- Joined Raksul in July 2015
- Expert in business planning, corporate development, and production control
- Previously worked at Future Architect and ex-Principal of Boston Consulting Group
- Graduated from Keio University



Yusuke Asakura – Outside Director

- Joined Raksul as an outside director in May 2015
- Visiting scholar of Stanford University since 2014
- Previously served as the President and CEO of mixi, the President and CEO of Naked Technology, ex-consultant of McKinsey & Company
- Graduated from The University of Tokyo

RakSul Balance Sheet

(in JPY MM)	FY2018 ⁽¹⁾ (FYE July 2018)	FY2019 (FYE July 2019)
Current Assets	7,598	7,981
Cash & Deposits	6,366	5,904
Non-Current Assets	1,159	1,264
Total Assets	8,758	9,246
Current Liabilities (of which, interest-bearing liabilities)	1,846 (414)	2,332 (271)
Non-Current Liabilities (of which, interest-bearing liabilities)	235 (91)	103 (—)
Net Assets	6,675	6,809
Capital Stock	1,926	1,958
Capital Surplus	4,733	4,765
Total Liabilities & Net Assets	8,758	9,246

Note

(1) Due to changes in accounting standards, we offset the balance of assets and liabilities, and therefore the figures do not match numbers disclosed last fiscal year

RakSul Cash Flow Statement

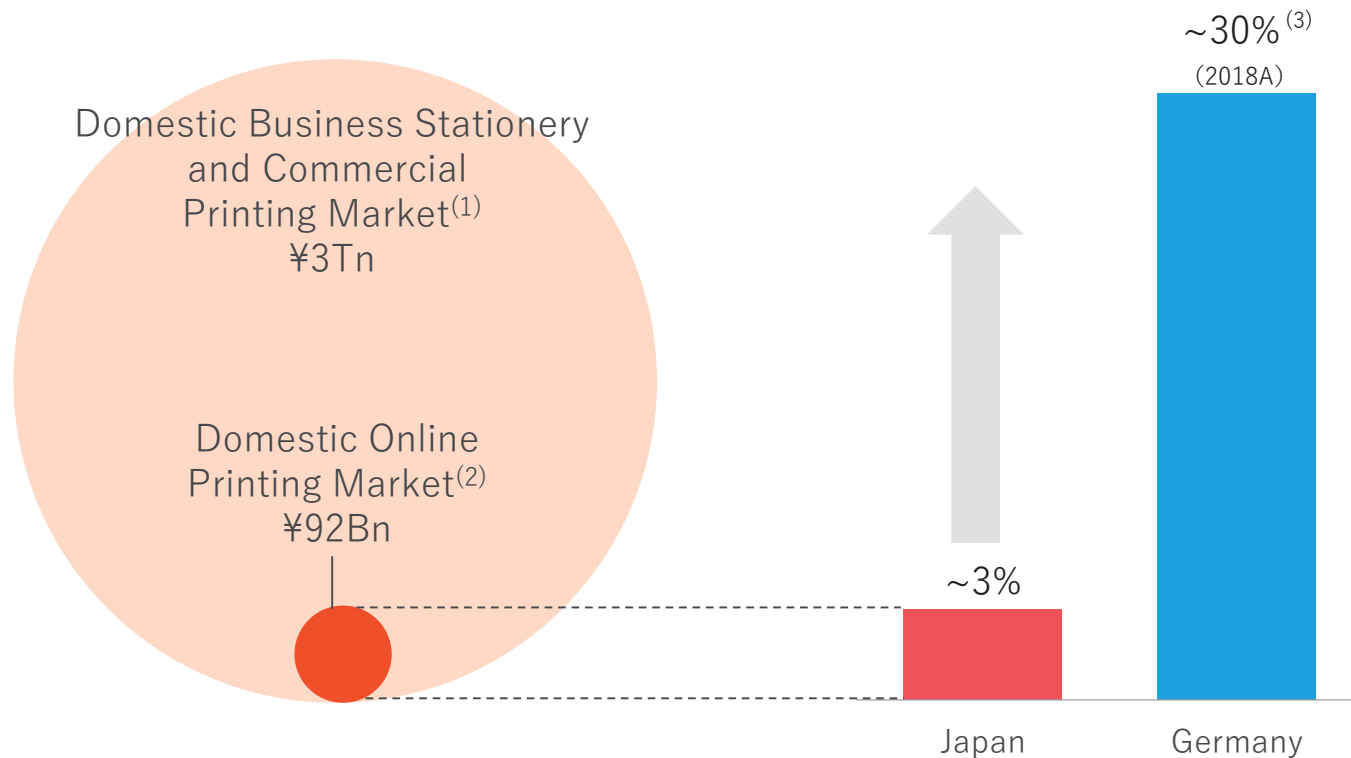
(in JPY MM)	FY2018 (FYE July 2018)	FY2019 (FYE July 2019)
Cash flow from operating activities	137	11
Cash flow from investing activities	-139	-266
Cash flow from financing activities	3,342	-206
Net change in cash and cash equivalents	3,340	-461
Cash and cash equivalents at the end of period	6,366	5,904

RakSul Financial Highlights by Business Segment

(in JPY MM)		FY2017 (FYE July 2017)				FY2018 (FYE July 2018)				FY2019 (FYE July 2019)			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Revenue	Printing	1,611	1,690	2,096	2,102	2,298	2,404	2,840	3,050	3,179	3,719	4,372	4,257
	Logistics	22	38	45	62	75	93	175	164	228	325	453	535
	Others	0	0	2	3	14	17	17	20	21	21	26	26
Gross Profit	Printing	345	397	488	477	572	614	715	749	790	949	1,065	1,004
	Logistics	3	4	6	9	10	9	38	16	22	24	30	28
	Others	0	0	2	3	10	7	6	7	7	7	2	9
Segment Profit	Printing	-310	88	-177	-84	-24	310	345	364	301	348	389	348
	Logistics	-10	-12	-11	-16	-21	-26	-3	-25	-16	-30	-40	-74
	Others	-123	-146	-182	-158	-179	-180	-277	-189	-249	-281	-271	-279
Operating Profit	Firm wide	-444	-70	-371	-259	-224	103	64	149	34	36	77	-5

TAM Expansion Driven by Further EC Penetration

There is still huge potential for e-commerce penetration in the printing industry



Source Funai Research Institute, METI

Note

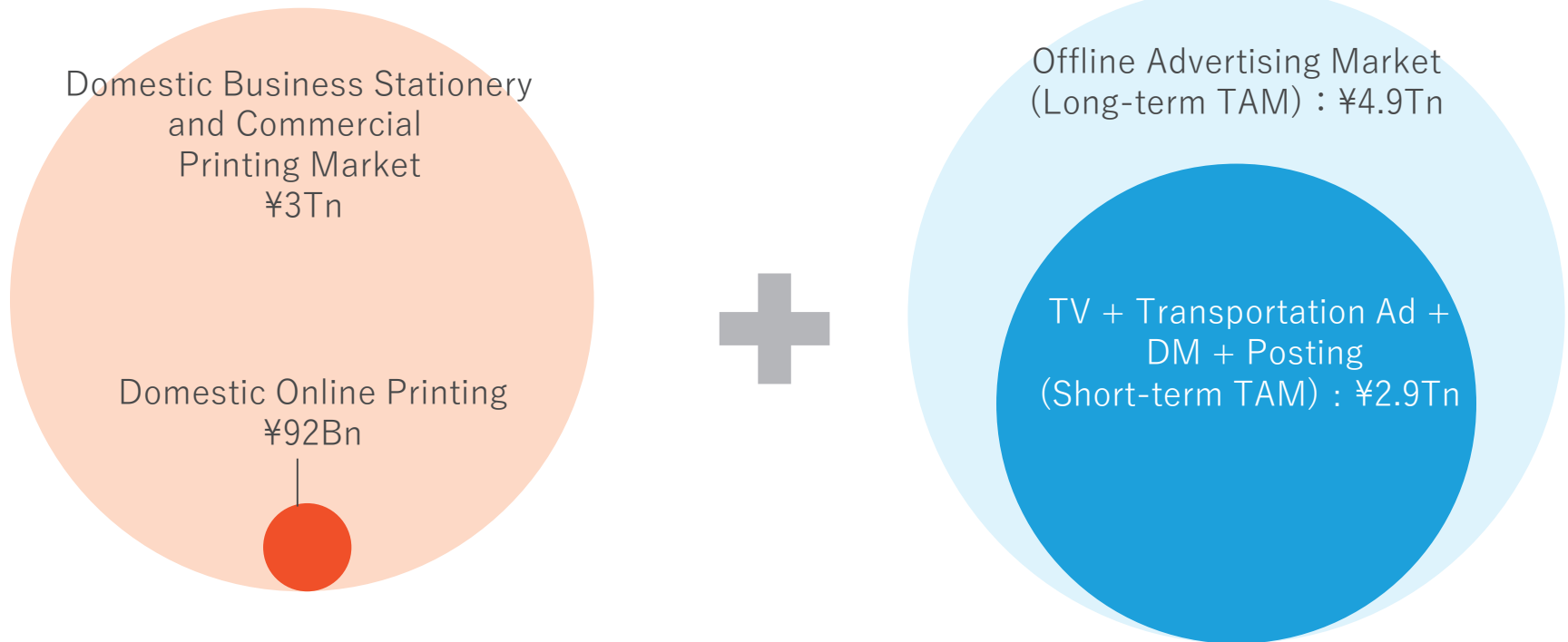
- (1) Source: Yano Research Institute, METI
- (2) Source: Funai Research
- (3) Source: zipcon consulting (2019)

One-Stop Service (Advertising Business) Further Extends Our Opportunities

Besides printing, we are promoting the EC model in the offline advertising market

Printing

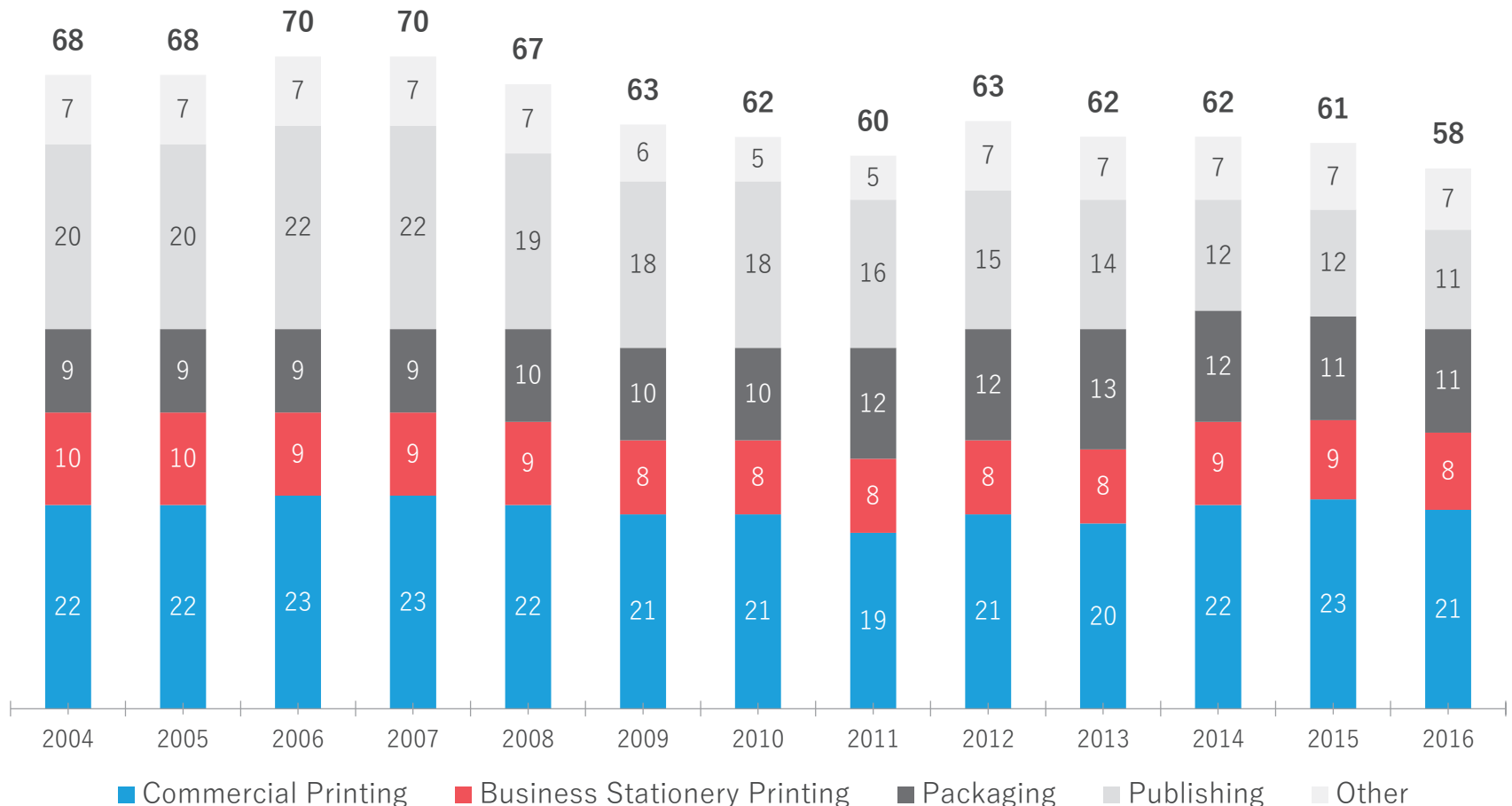
Advertising



Historical Trends of Japanese Printing Market

Overall printing market size decreased due to the shrinking publishing segment, while the segment size of business stationery printing and commercial printing (i.e. Rakul's target segments) remained flat

(in JPY 100 billion)



Source Overall market: on a basis of production volume, based on METI "Current Production Statistics Paper, Printing, Plastic Products and Rubber Products Statistics"

We started with last-mile services, then expanded into intra-city and inter-city services

	Last mile	Intra-city	Inter-city
Vehicle type	Light van	Small and Medium truck (2-4 ton)	Large truck (10t)
Unit price	¥5,000 - ¥10,000	¥20,000 - ¥40,000	¥50,000 - ¥100,000
Market size	¥ 4Tn ⁽¹⁾	¥ 10Tn ⁽¹⁾	
			
Suppliers / Partners	Enterprises and individuals	Enterprises only	

Source: Japan Trucking Association

Note

(1) Estimated based on "Japan trucking industry 2018 – current status and issues" published by Japan Trucking Association



Better Systems, Better World

Disclaimer

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The factors which may affect actual results include but are not limited to: Japanese and global economic conditions, and conditions of markets in which Raksul operates.

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