Financial Results for the 1st Quarter of Fiscal Year Ending July 31, 2019

RAKSUL INC.

(TSE Mothers：4384)

December 13, 2018

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AGENDA

1. Company Overview

2. Financial Highlights

3. Reference Materials

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1. Company Overview

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Our Vision & What We Do

Vision

Better Systems, Better World

Our strong belief is redesigning the structure and value chain of conventional industries such as printing and logistics with the help of internet

Sharing Platform
Printing & Offline Advertising

ラクスル

Raksul

Launched in March 2013



"Uber of Logistics"

ハコベル
hacobell

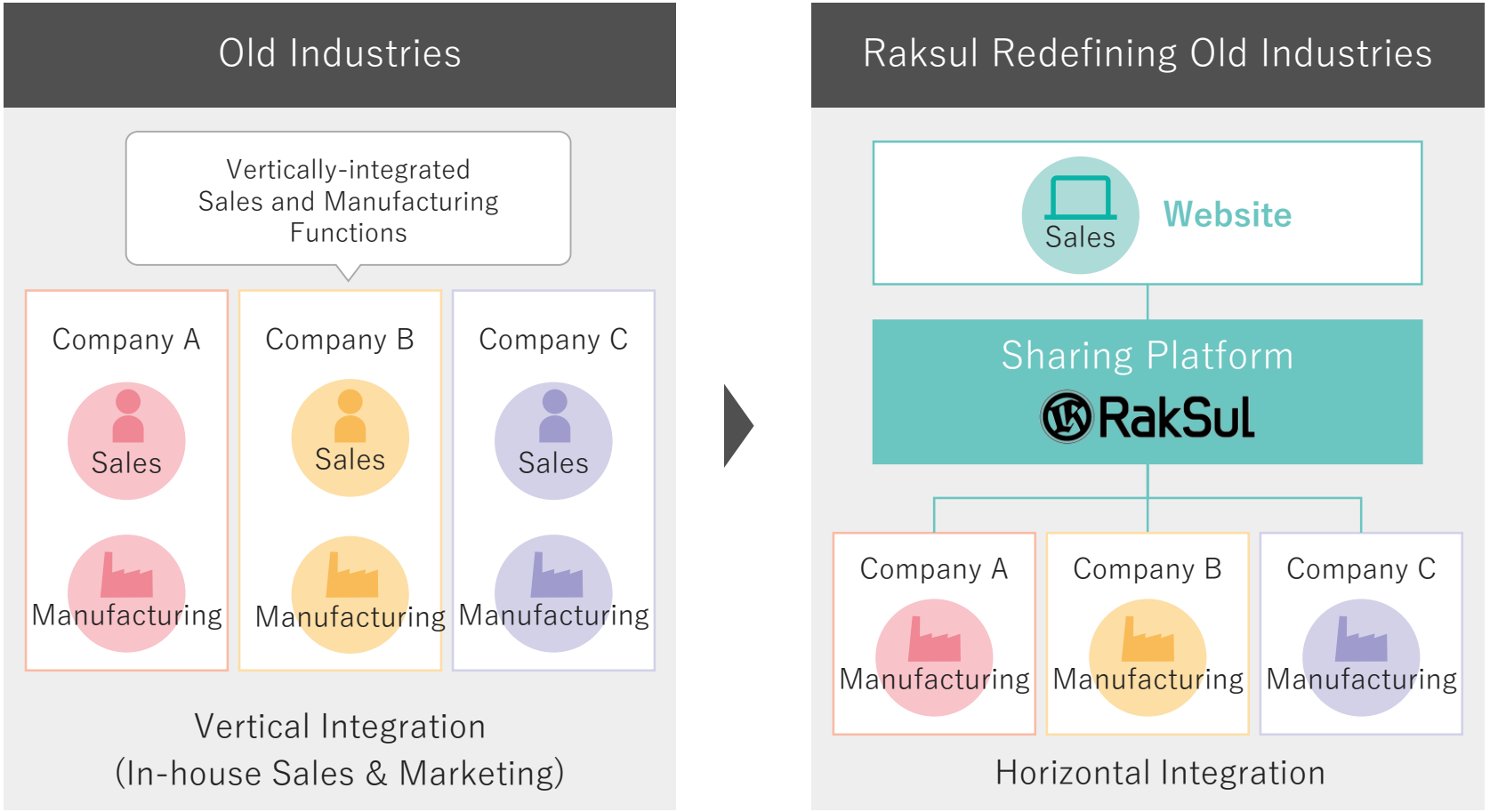
Launched in December 2015



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Raksul Redefining Old Industries

Upgrade the vertically integrated industrial structure led by large companies to the horizontally collaborative and platform-based industrial structure



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Large Attractive Market Opportunity for BtoB Platform

Drive digitization of large conventional BtoB industries

Domestic Business Stationery and Commercial Printing Market



Domestic Offline Advertising Market



Raksul

Domestic Trucking Market



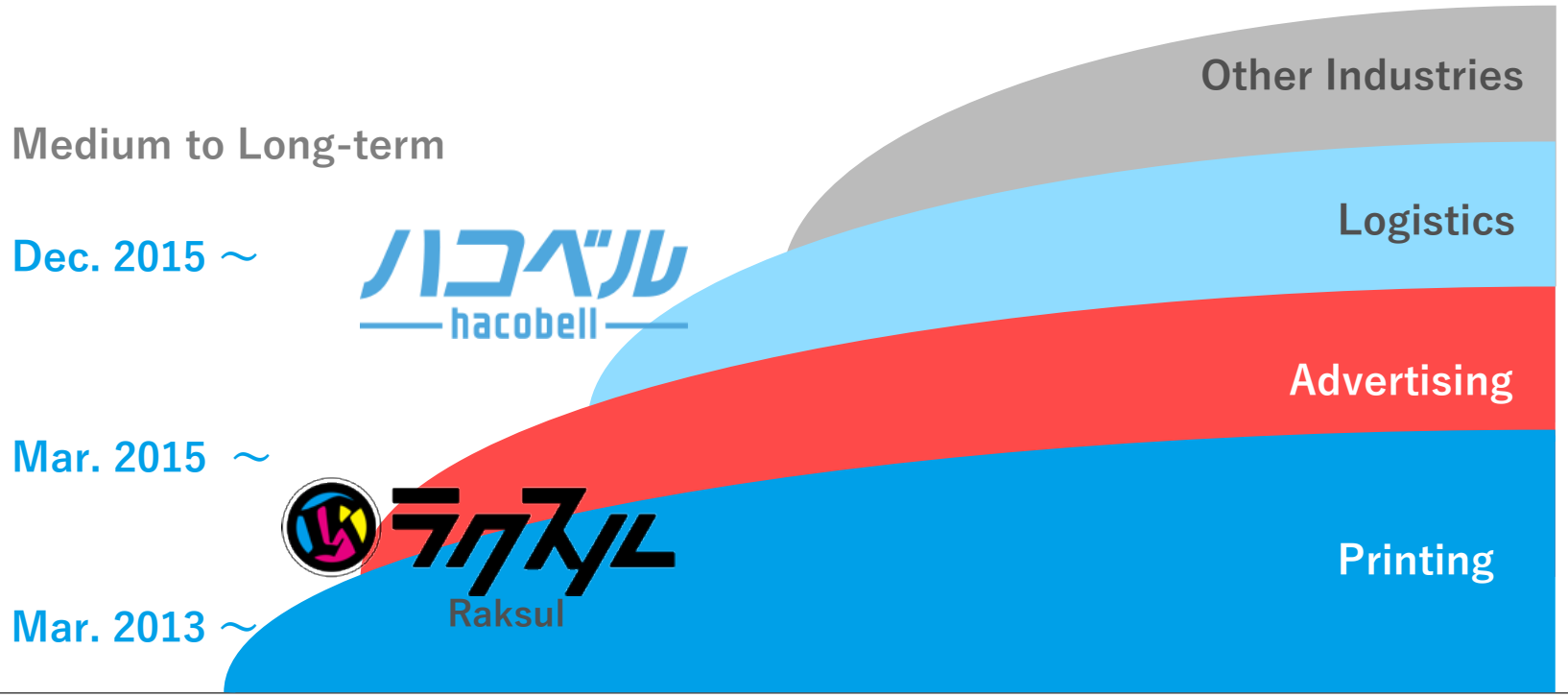
hacobell

Source METI, Dentsu, MLITT (Ministry of Land, Infrastructure, Transport and Tourism)

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Sustainable Growth Through BtoB Platform That Disrupts Multiple Industries

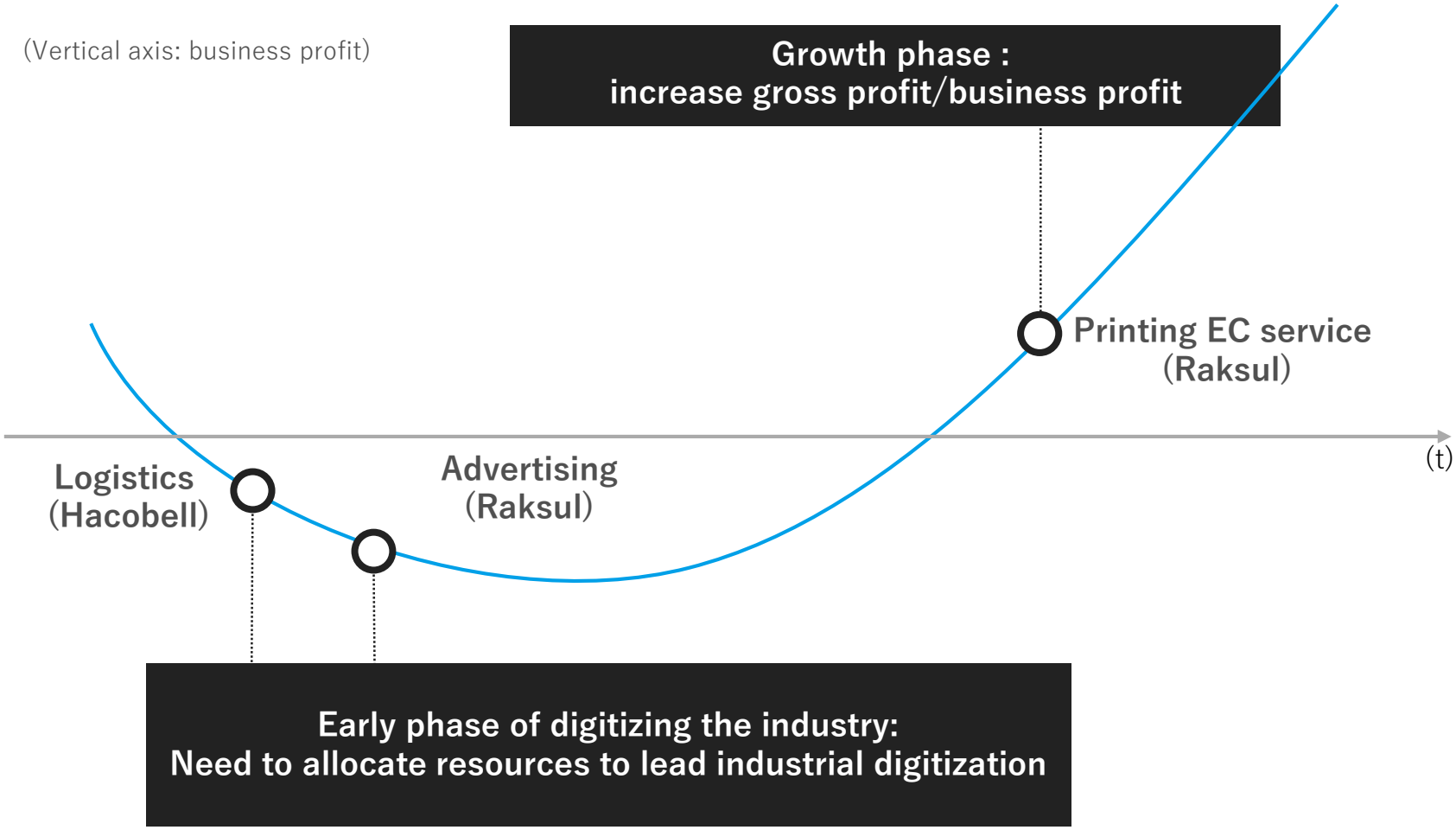
Expand platform services into other industries in the medium to long term



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FY2018 Management Focus

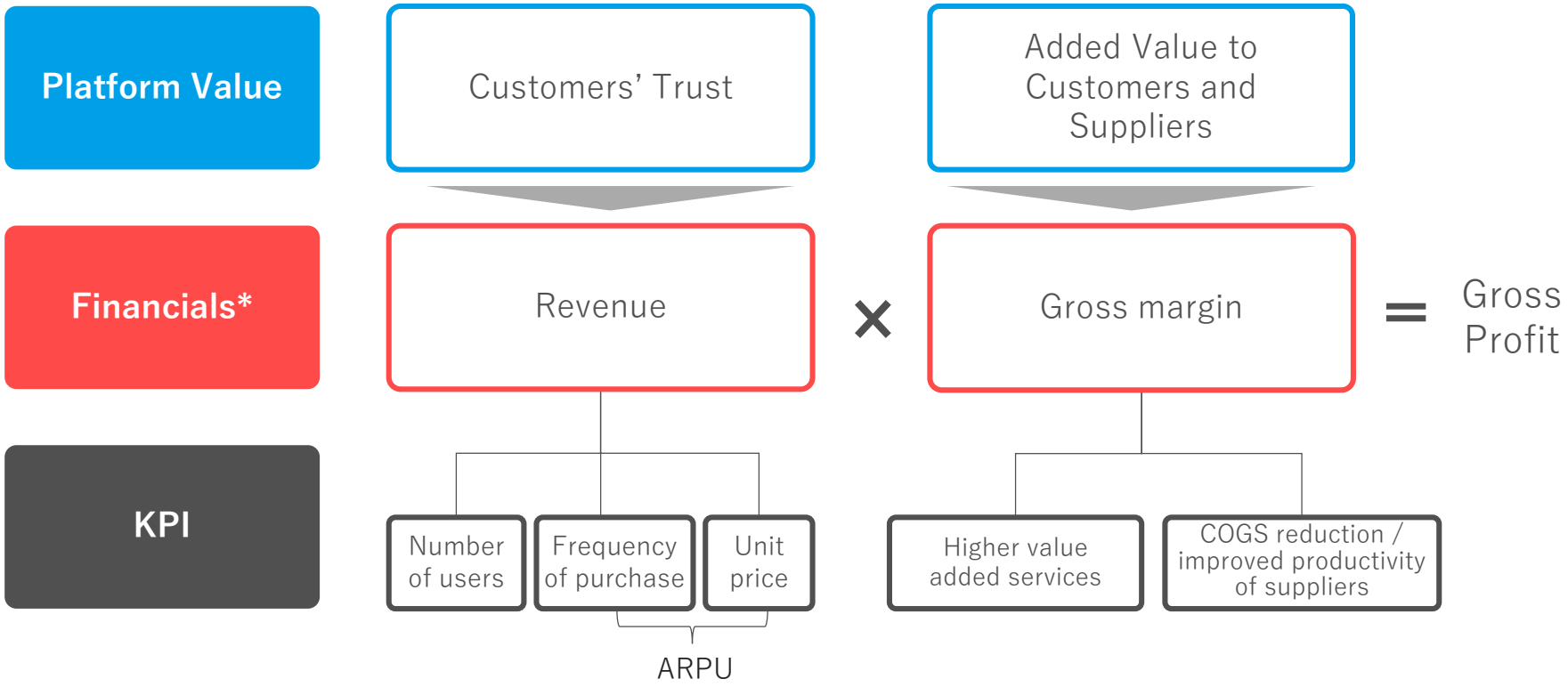
We will carefully vary the management approaches to our three businesses according to their respective phases on the J-curve



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Raksul Value Creation Formula

Achieve growth in revenue and gross profits through winning customers' trust and maximizing added value to customers and suppliers



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

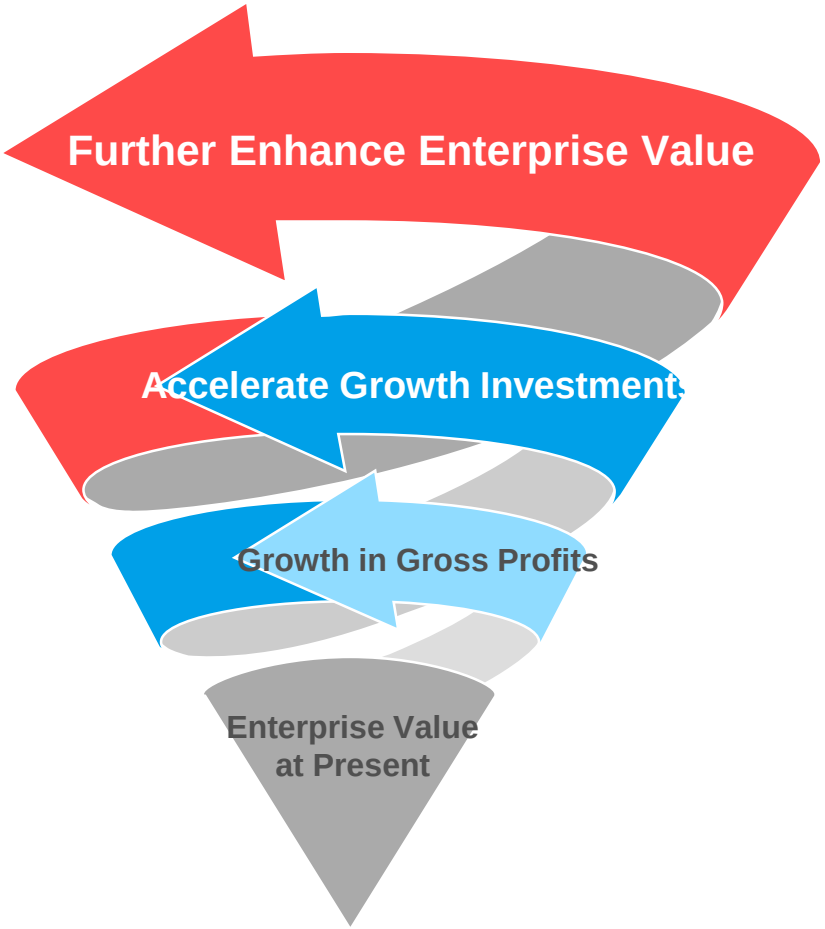
Revenue: revenues earned from Users by both Raksul and Hacobell are booked as gross revenue

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

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Our Upward Spiral of Value Creation

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



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Our Competitive Advantages

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

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

Technology

Continuous product developments led by industry-leading engineers



Marketing

In-house experience in executing marketing plans of JPY4Bn+ in total; expertise from planning to effectiveness measurement



Operation

Efficient printing process developed through operation R&D using 3 in-house printing machines



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2. Financial Highlights

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RakSul FY2018 Quarterly Financial Highlight

A good start to achieving the full year forecast
Target to keep revenue growth at more than 40% YoY in 2Q
Operating profit is JPY 34 million; ad spend increased as planned (no TVCM was aired in 4Q FY2017)
Net profit this quarter is JPY 0 million due to loss on valuation of affiliate's shares and income tax adjustments (profit)

(in JPY MM)	Actual	FY2018 1Q (2018/8-2018/10)			
		FY2017 1Q		FY2017 4Q	
		Actual	YonY	Actual	QonQ
Revenue	**3,429**	2,388	+43.6%	3,235	+6.0%
Gross Profit	**821**	594	+38.1%	774	+6.0%
Gross Margin	**23.9%**	24.9%	-0.9pt	23.9%	0pt
Operating Profit	**34**	-224	-	149	- 76.7%
Ordinary Profit	**31**	-228	-	123	- 74.4%
Net Profit	**0**	-229	-	99	- 99.3%

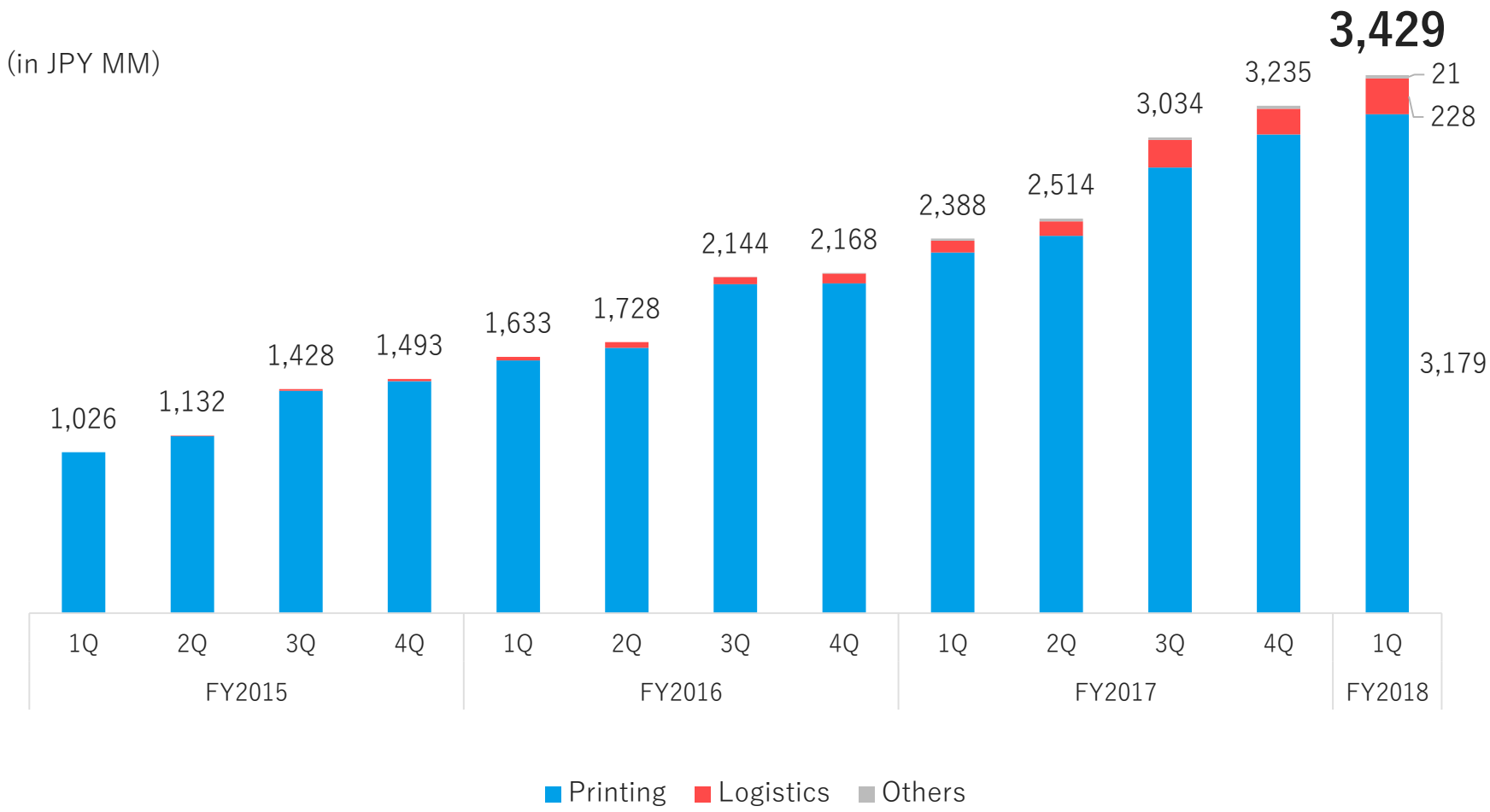
	FY2016 1Q	FY2017 1Q		FY2018 1Q	
Number of registered users on printing platform	329,545	507,872	+178,327 Compared to FY2016 1Q	720,031	+212,159 Compared to FY2017 1Q

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RakSul Revenue by Business Segment

Firm wide revenue continues to grow and revenue contribution of Hacobell (Logistics) continues to increase

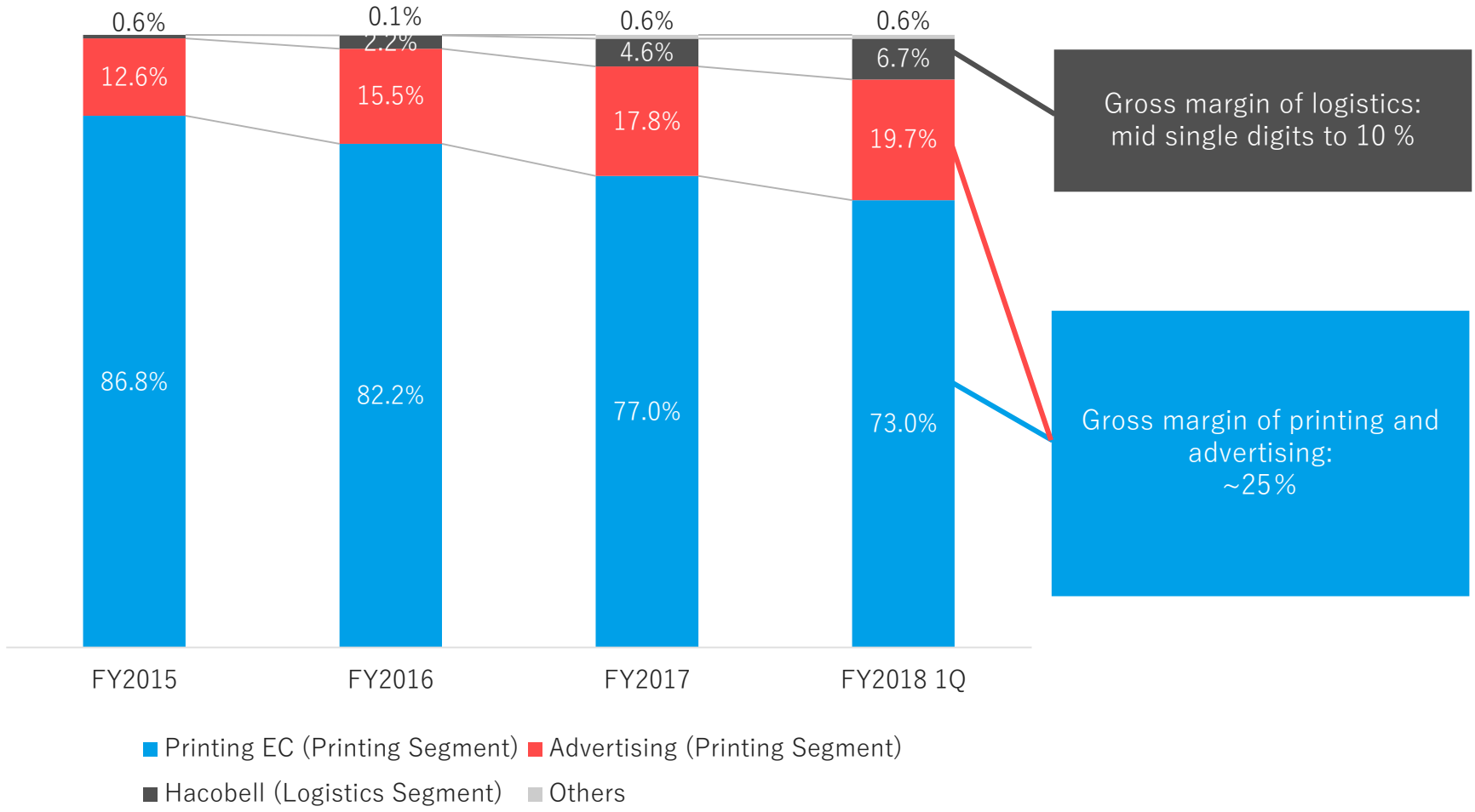
Peak season for Printing is 3Q, and that for Logistics is 2Q and 3Q



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Revenue Composition by Business Segment

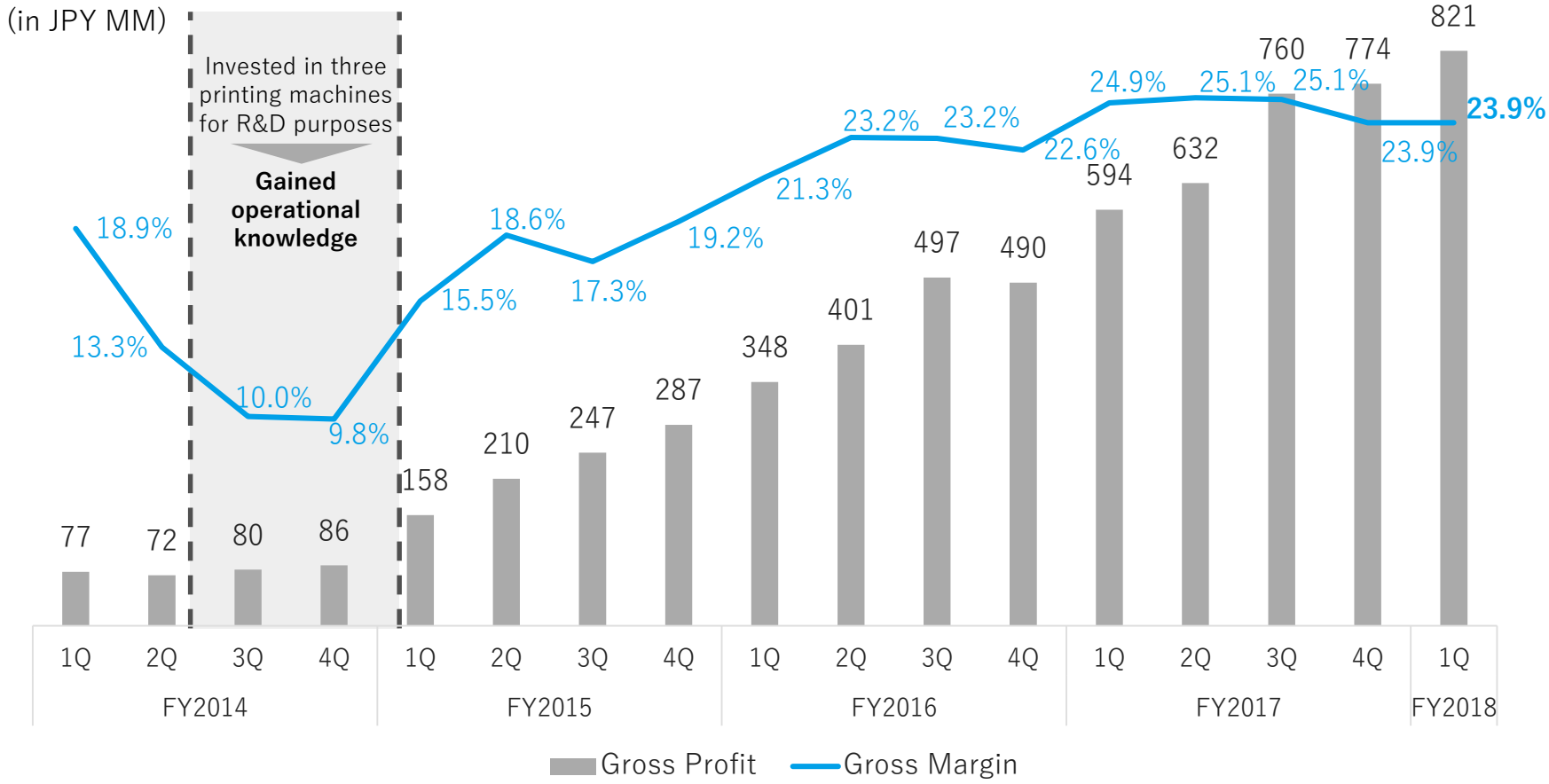
Our newer platforms will rapidly expand while the printing EC service continues its growth, creating multiple strong revenue streams



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RakSul Gross Profit and Gross Margin

Gross profit which is the source of our platform value continues to grow
Firm wide gross margin stays flat mainly due to the increasing impact of Hacobell's profitability structure
Mid term profitability will continue to improve

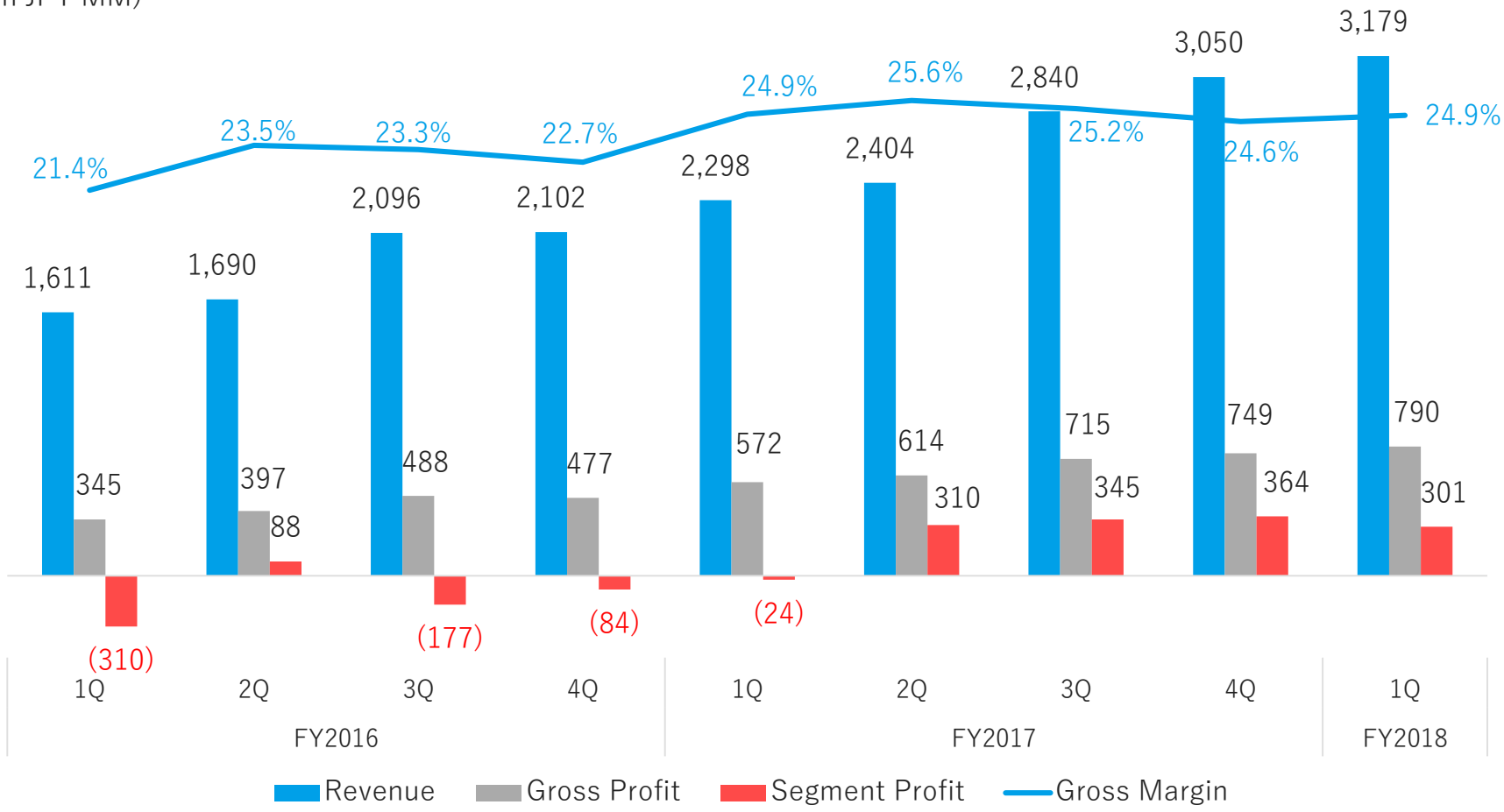


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Printing Segment Business Performance

Printing business segment (printing and advertising) continues growing in a profitable phase(1)

(in JPY MM)

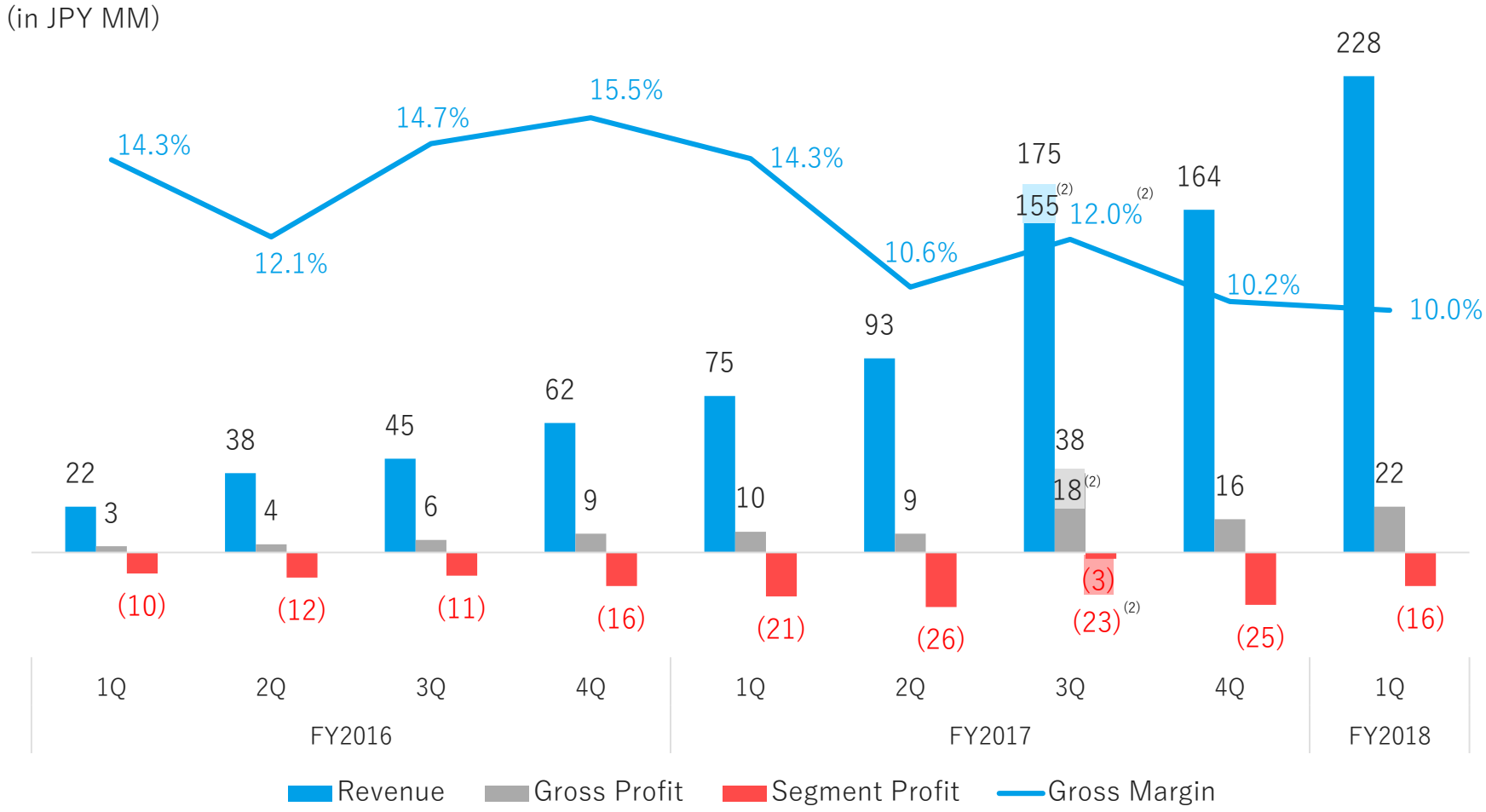


Note
(1) Calculated from a management accounting perspective

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Logistics Segment Business Performance

Logistics business segment continues growing its revenue in an early and unprofitable phase(1)



Note
(1) Calculated from a management accounting perspective
(2) Including revenue from system development for Yamato HD in FY2017; this revenue is excluded from gross profit calculation

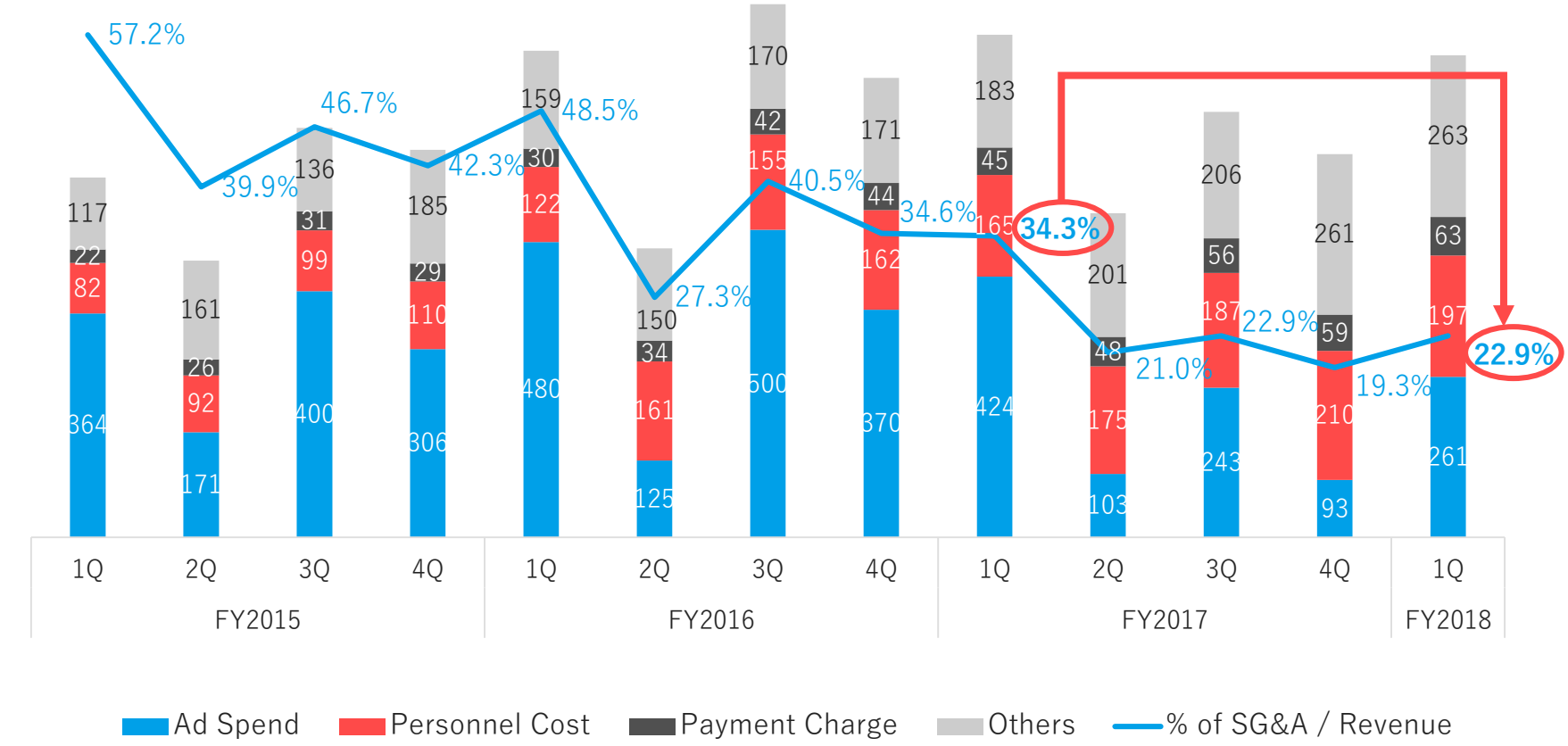
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% of SG&A/Revenue

% of SG&A expense per revenue continues to decrease due to revenue growth

HR cost is lower in 1Q due to a one-time additional bonus provision in 4Q FY2017

(in JPY MM)



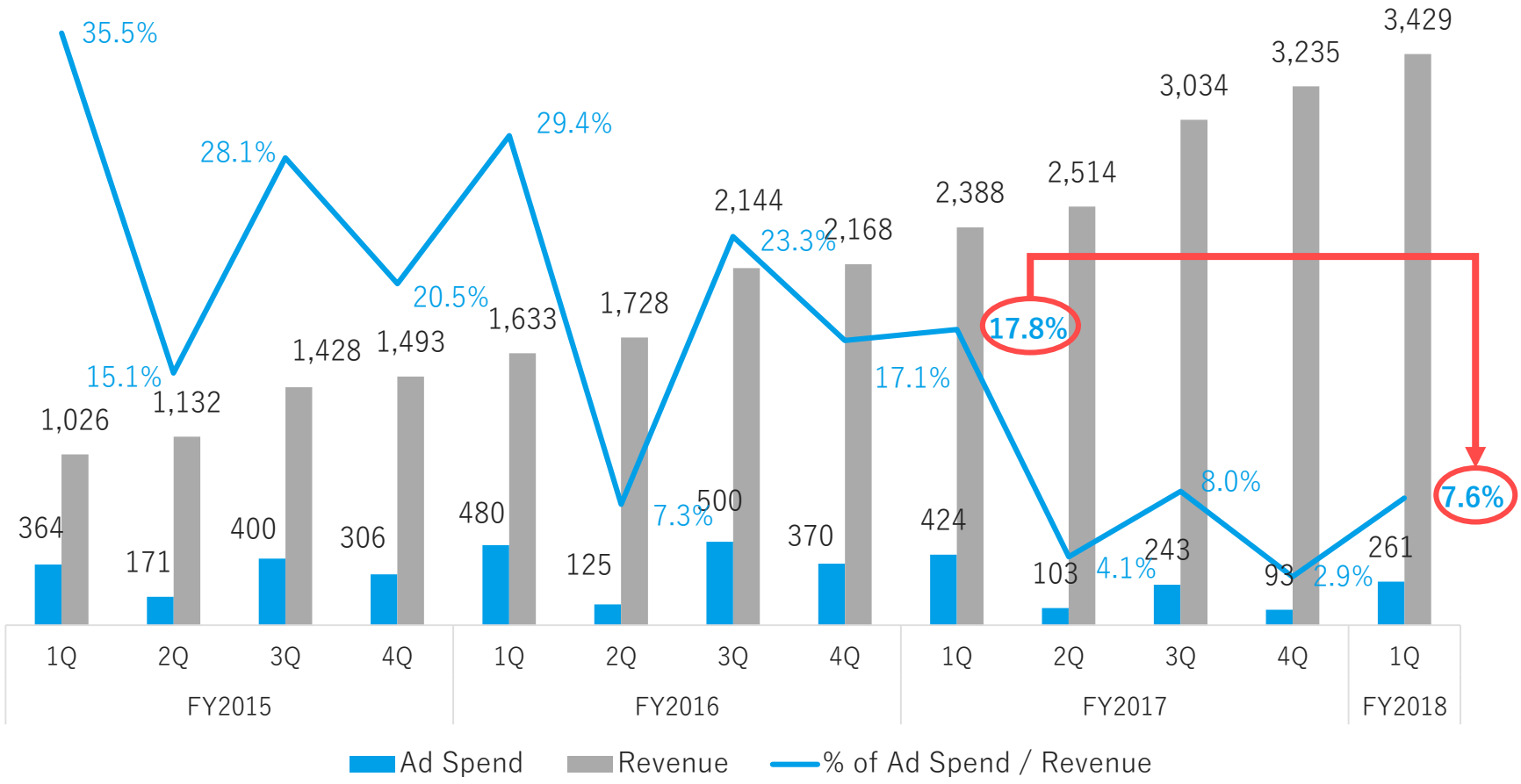
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Ad Spend and % of Ad Spend per Revenue

Investment into TVCM resumed as planned in 1Q

% of ad spend per revenue continues its down-warding trend

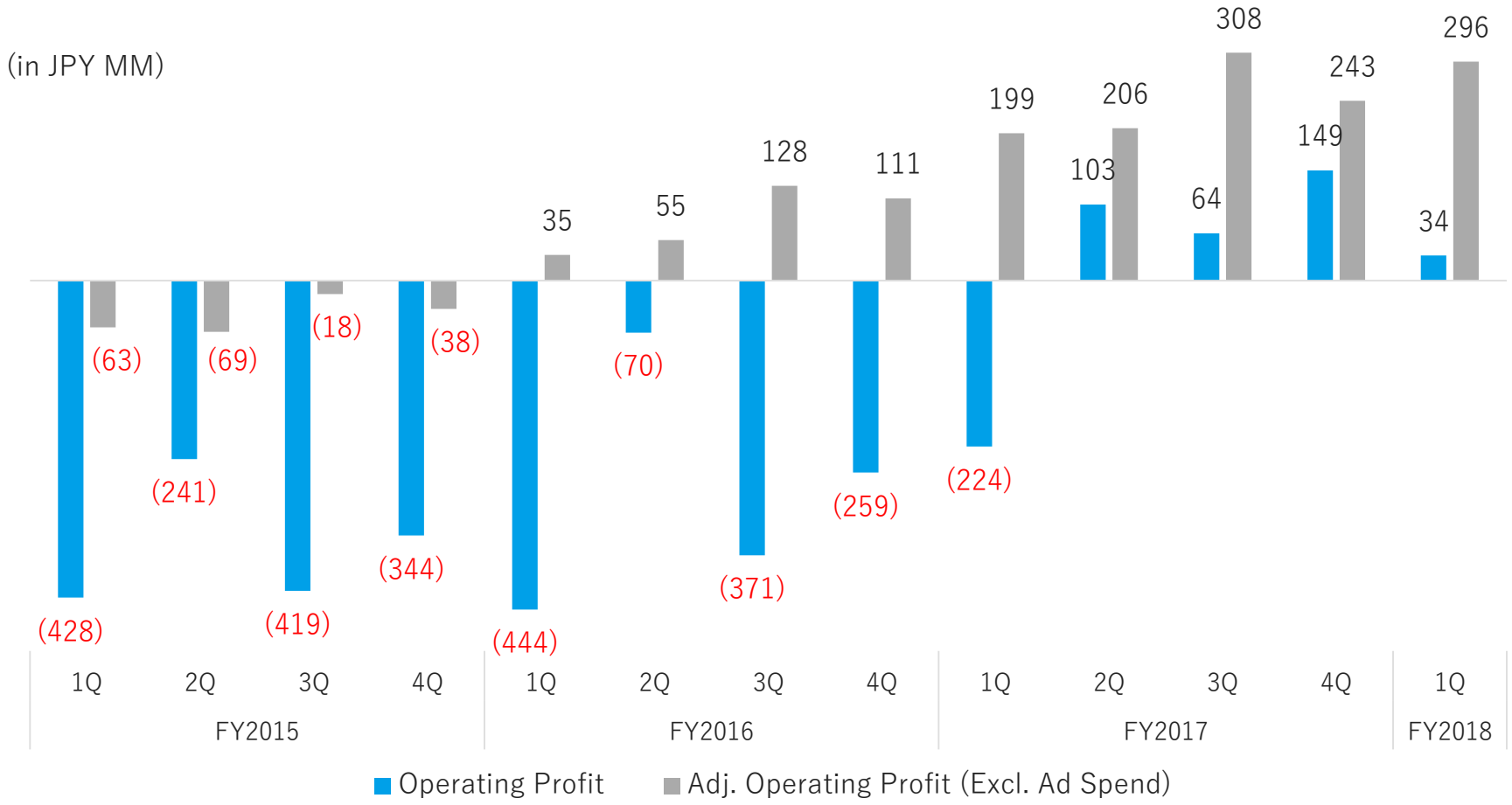
(in JPY MM)



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Operating Profit and Adjusted Operating Profit (excl. Ad Spend)

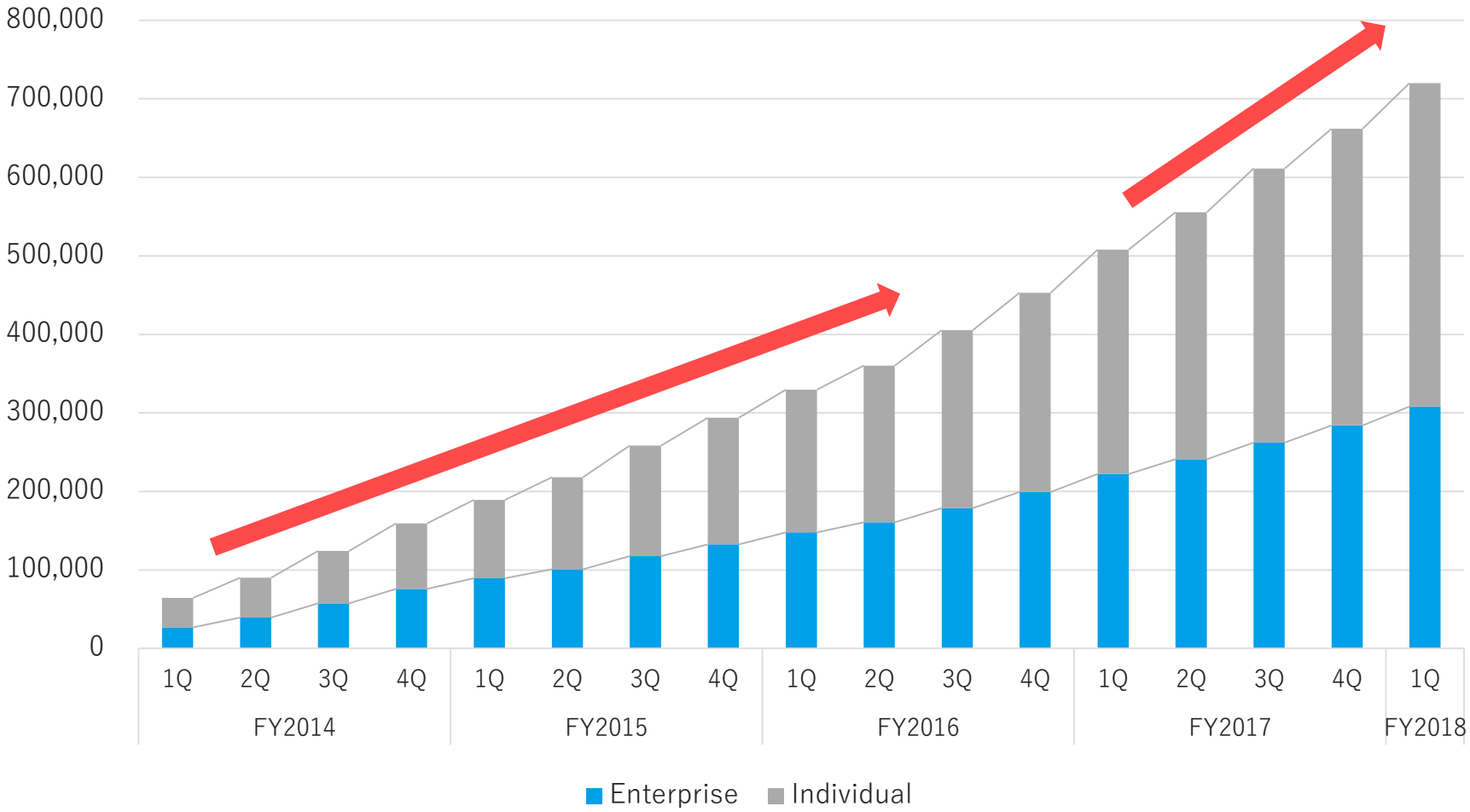
The largest SG&A item is ad spend, which can be adjusted based on the economic and business environment



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Number of Registered Users on Our Printing Platform

Speed of user acquisition accelerated by improvement in efficiency of advertising spend(1)

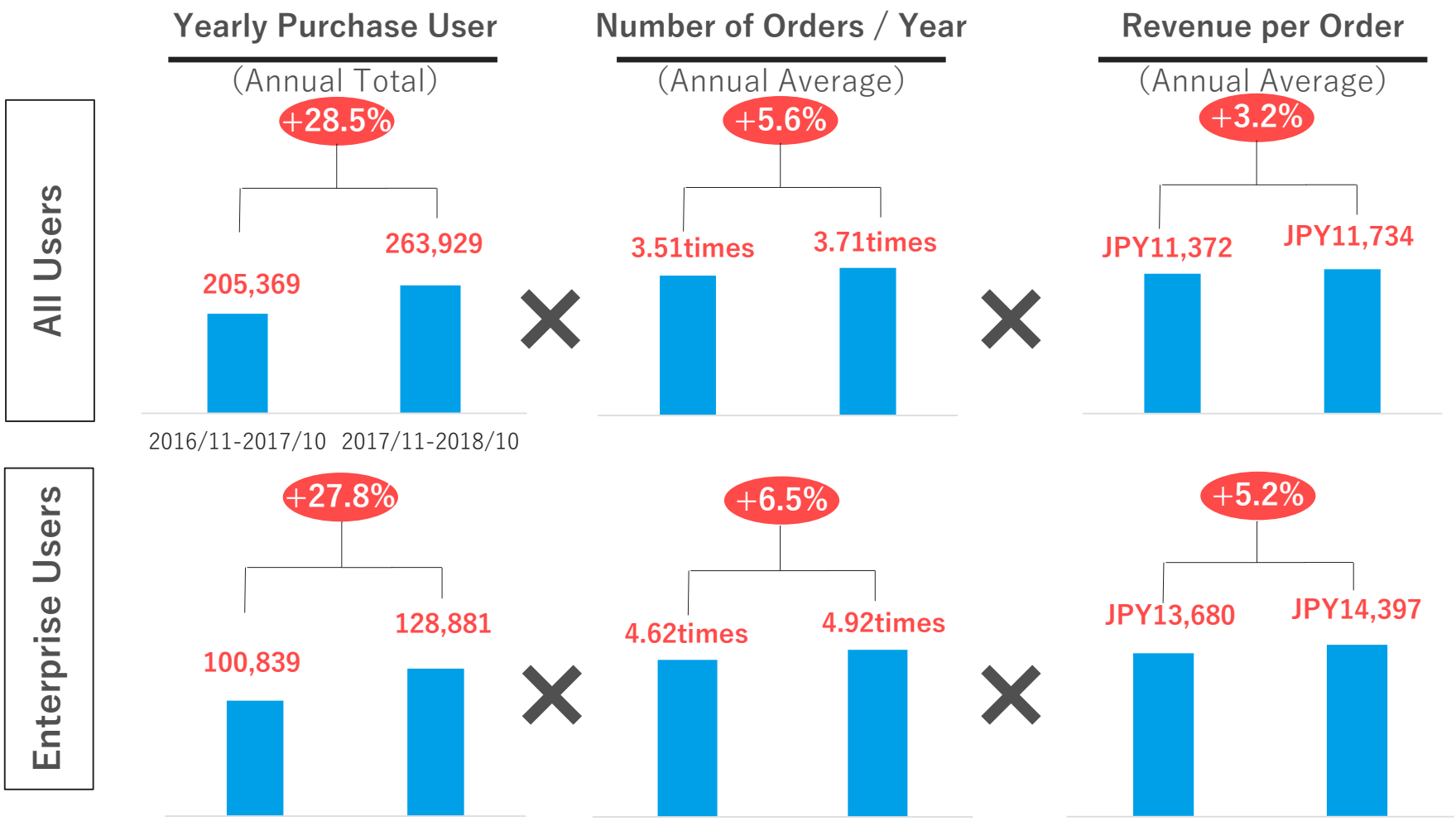


Note
(1) This refers to users of the printing platform only; users of "Hacobell" service is not included

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Sticky User Base

The KPIs of all users, as well as our core user group (enterprise users), are improving (1)



Note
(1) Calculated from a management accounting perspective

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Service Offerings and Focus

Started with last-mile services, expanded into intra-city services

Hacobell Service Offerings

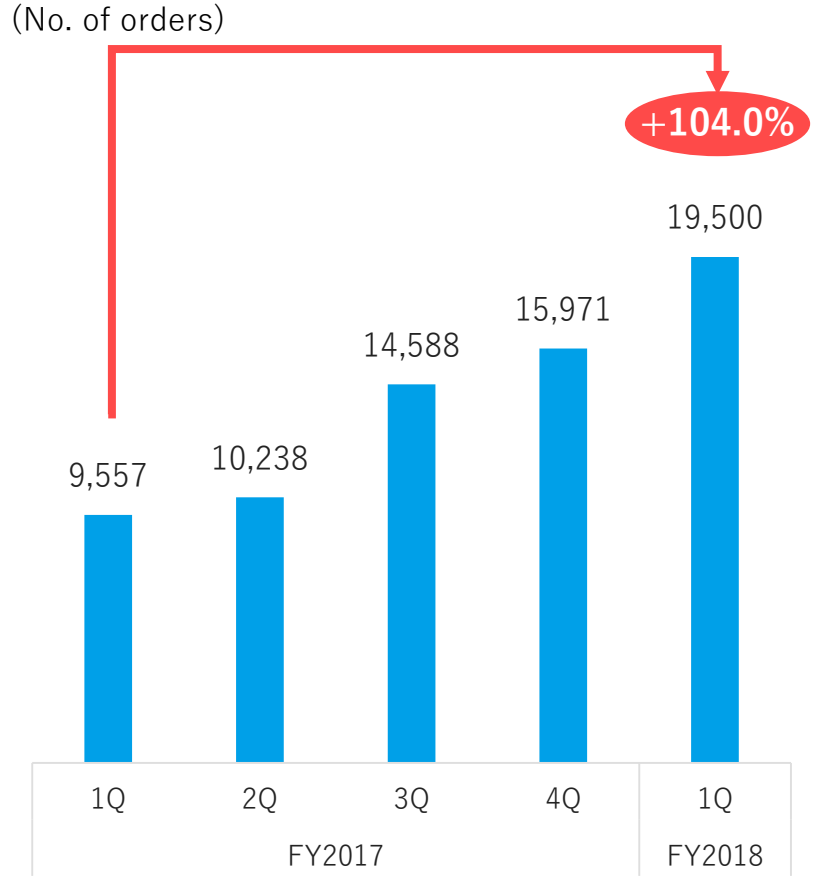
	Inter-city	Intra-city	Last mile
Vehicle type	Large truck (10 ton)	Small and Medium truck (2-4 ton)	Light van
Unit price	**¥50,000 - ¥100,000**	**¥20,000 - ¥40,000**	**¥5,000 - ¥10,000**
			
Suppliers / Partners	Enterprises only		Enterprises and individuals

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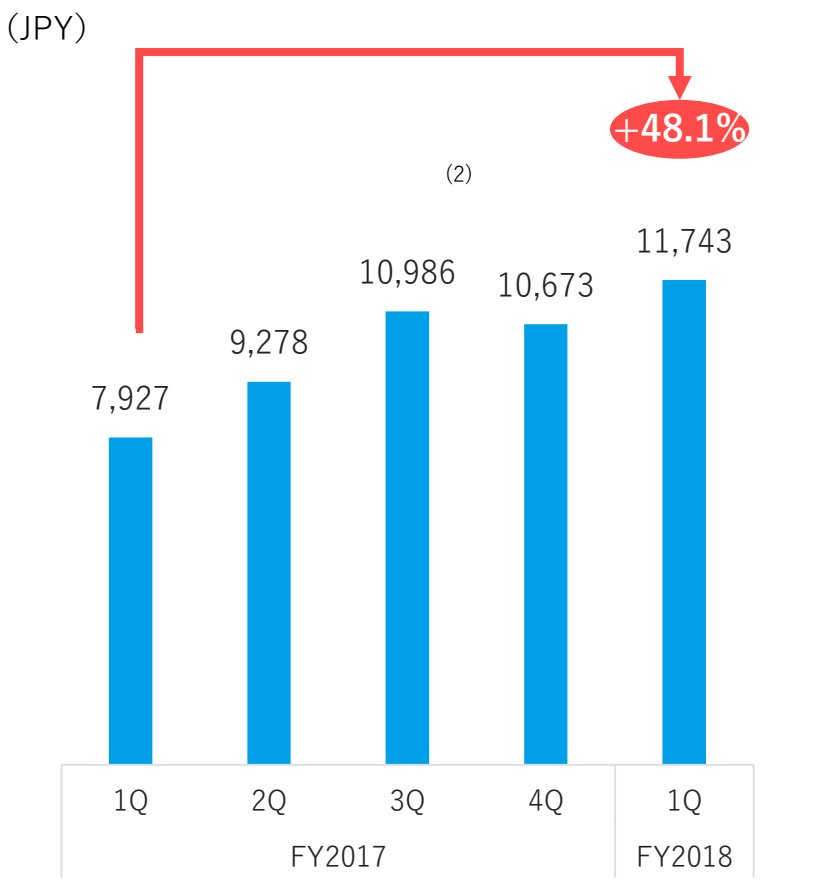
Number of Orders and Value per Order

Number of orders as well as value per order increased driven by a growing sales team

Number of Orders



Revenue per Order (1)



Note
(1) Value based on financial accounting standard and includes internal transactions
(2) FY2017 3Q figures do not include revenue from system development for Yamato HD

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3. Reference Materials

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Company Overview

Name:	RAKSUL INC.
HQ:	Shinagawa-ku, Tokyo, Japan
Foundation:	September 2009
Management Team:	Yasukane Matsumoto, Founder and CEO Yo Nagami, CFO Masaki Tabe, CMO / Head of Advertising Business Kozo Fukushima, COO / Head of Printing Business Yusuke Izumi, CTO / Head of Logistics Business 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:	217 (As of October 2018)

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Management Team



Yasukane Matsumoto – Founder and CEO

- Founded Raksul in September 2009
- Introduced “Sharing Economy” model in the printing industry, in which idle assets is used effectively
- Ex-consultant from A.T. Kearney
- Graduated from Keio University



Masaki Tabe – CMO / Head of Advertising Business

- Joined Raksul in August 2014
- Committed to expand 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 / Head of Logistics Business

- Joined Raksul in December 2015
- Leads the company’s overall technology 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 outside director in October 2017
- CEO of Digital Hearts since June 2017
- Previously served as CEO at Lawson (2016-2017) and 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
- 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 / Head of Printing Business

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



Yusuke Asakura – Outside Director

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

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Balance Sheet

(in JPY MM)	1Q FY2018	4Q FY2017 (1)
Current Assets	**7,789**	7,598
Cash & Deposits	**6,050**	6,366
Non-Current Assets	**1,170**	1,159
Total Assets	**8,959**	8,758
Current Liabilities (of which, interest-bearing liabilities)	**2,038** **(453)**	1,846 (451)
Non-Current Liabilities (of which, interest-bearing liabilities)	**193** **(90)**	235 (132)
Net Assets	**6,728**	6,675
Capital Stock	**1,934**	1,926
Capital Surplus	**4,742**	4,733
Total Liabilities & Net Assets	**8,959**	8,758

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

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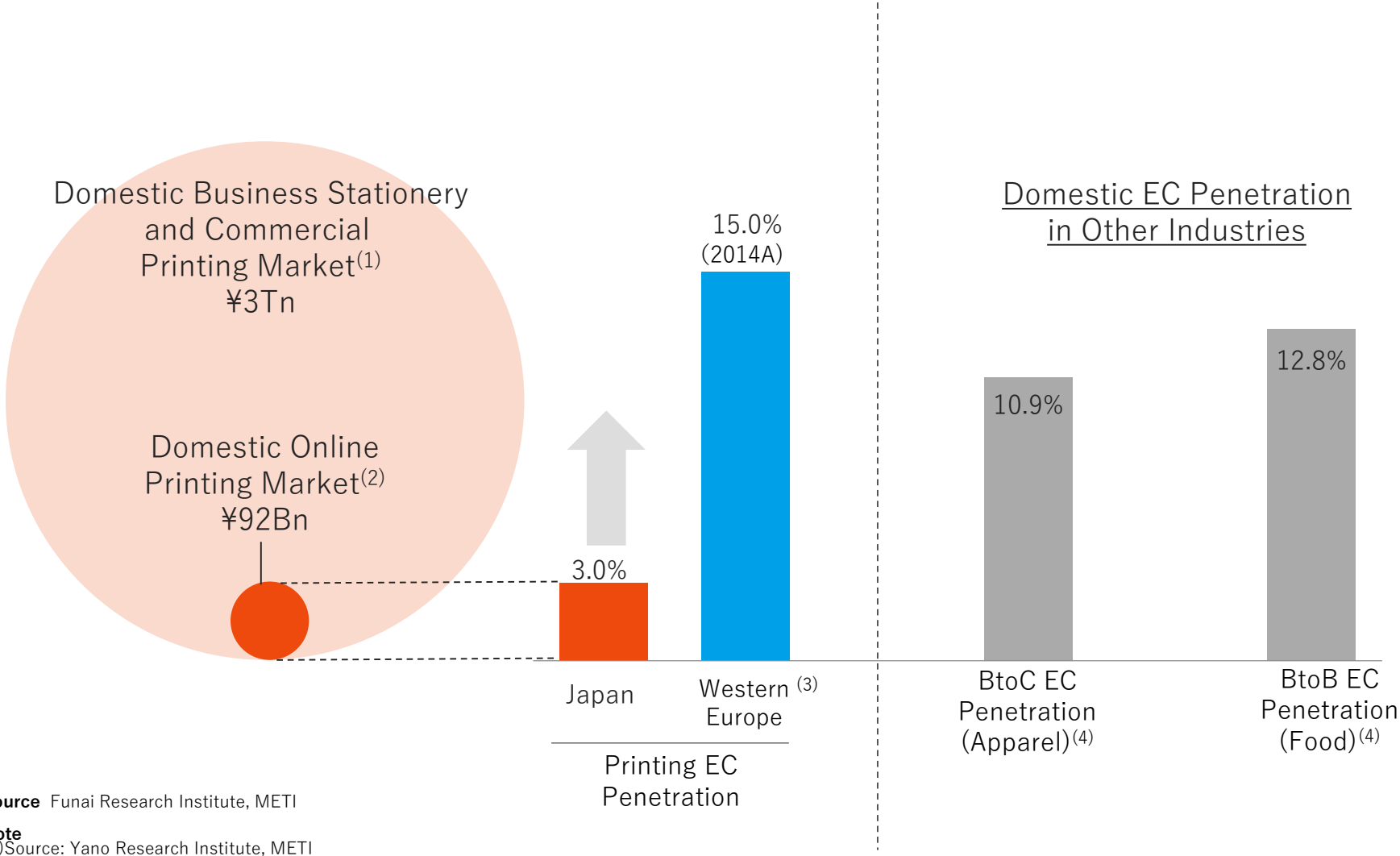
RakSul Financial Highlights by Business Segment

(in JPY MM)		FY2016 1Q	FY2016 2Q	FY2016 3Q	FY2016 4Q	FY2017 1Q	FY2017 2Q	FY2017 3Q	FY2017 4Q	FY2018 1Q
Revenue	Printing	1,611	1,690	2,096	2,102	2,298	2,404	2,840	3,050	**3,179**
	Logistics	22	38	45	62	75	93	175	164	**228**
	Others	0	0	2	3	14	17	17	20	**21**
Gross Profit	Printing	345	397	488	477	572	614	715	749	**790**
	Logistics	3	4	6	9	10	9	38	16	**22**
	Others	0	0	2	3	10	7	6	7	**7**
Segment Profit	Printing	-310	88	-177	-84	-24	310	345	364	**301**
	Logistics	-10	-12	-11	-16	-21	-26	-3	-25	**-16**
	Others	-123	-146	-182	-158	-179	-180	-277	-189	**-249**
Operating Profit	Firm wide	-444	-70	-371	-259	-224	103	64	149	**34**

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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 (2017)
(4)Source: Ministry of Economy, Trade and Industry (2016)

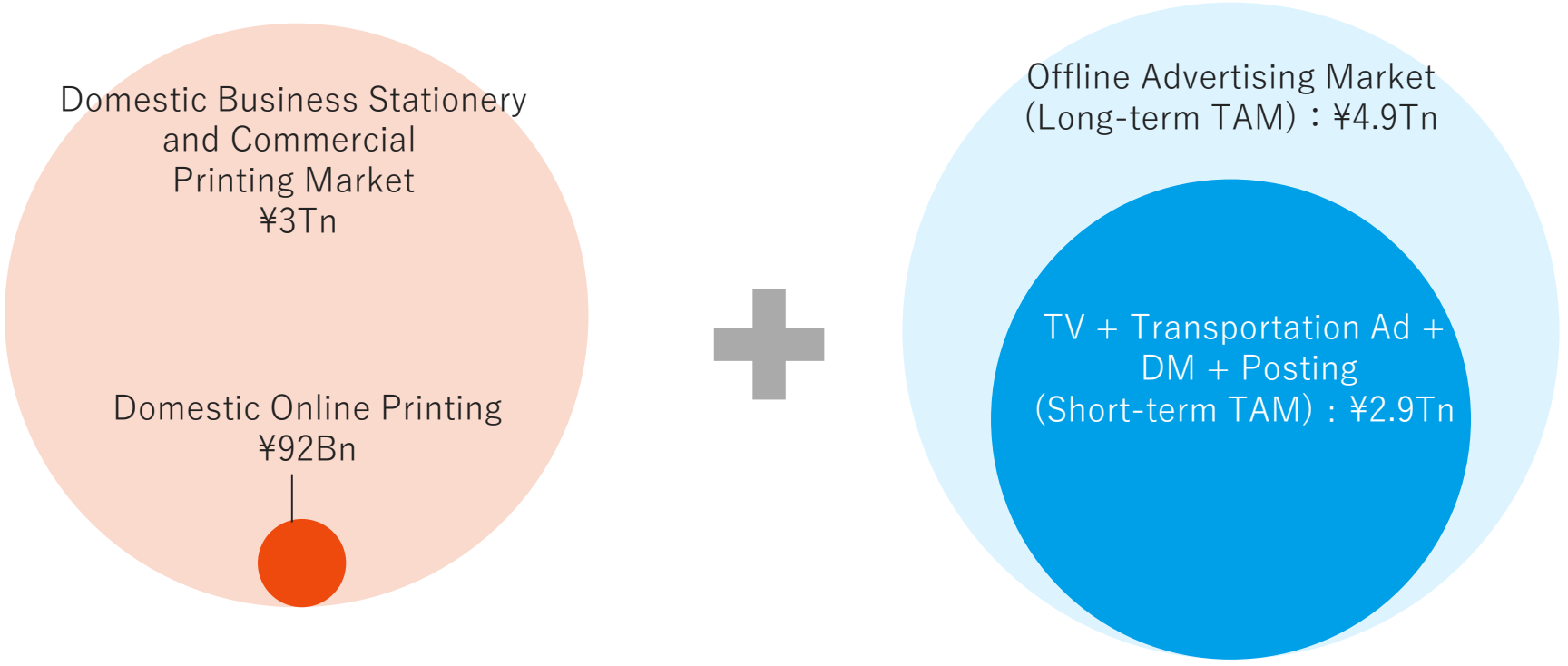
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One-Stop Service (Advertising Business) Further Extends Our Opportunities

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

Printing

Advertising

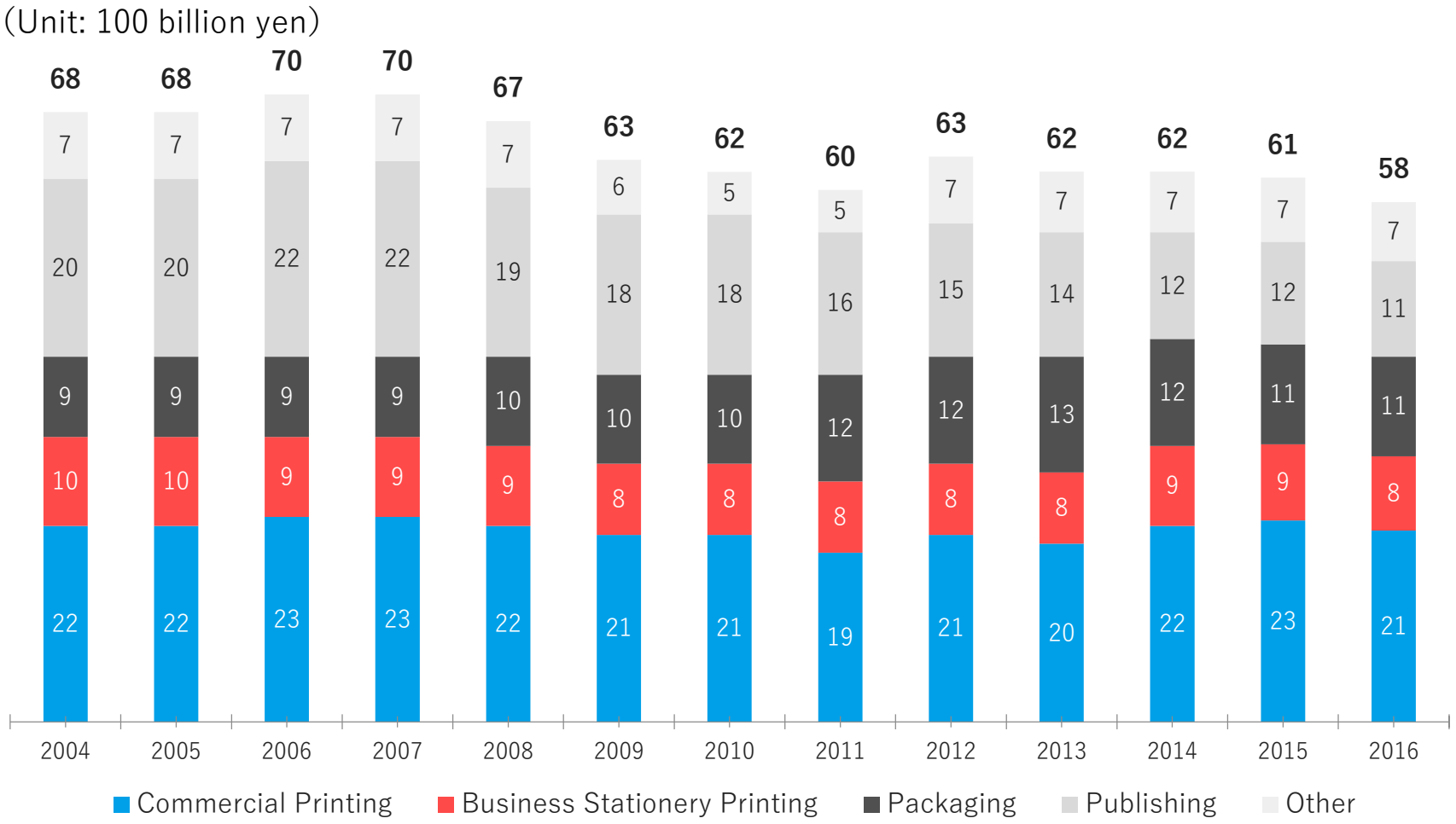


Source Yano Research Institute, Dentsu “Advertising Expenditures in Japan” (2017), METI

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Historical Trend 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) remain flat



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

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Better Systems, Better World

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

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IR Group
E-mail: ir@raksul.com
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