Financial Results for the 3rd Quarter of Fiscal Year Ending July 31, 2019

RAKSUL INC.

(TSE Mothers：4384)

June 13, 2019

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AGENDA

1. Company Overview

2. Financial Highlights

3. Full Year Financial Forecast

4. Q&A

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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 on the redesigning of the structure and the value chain of conventional industries 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

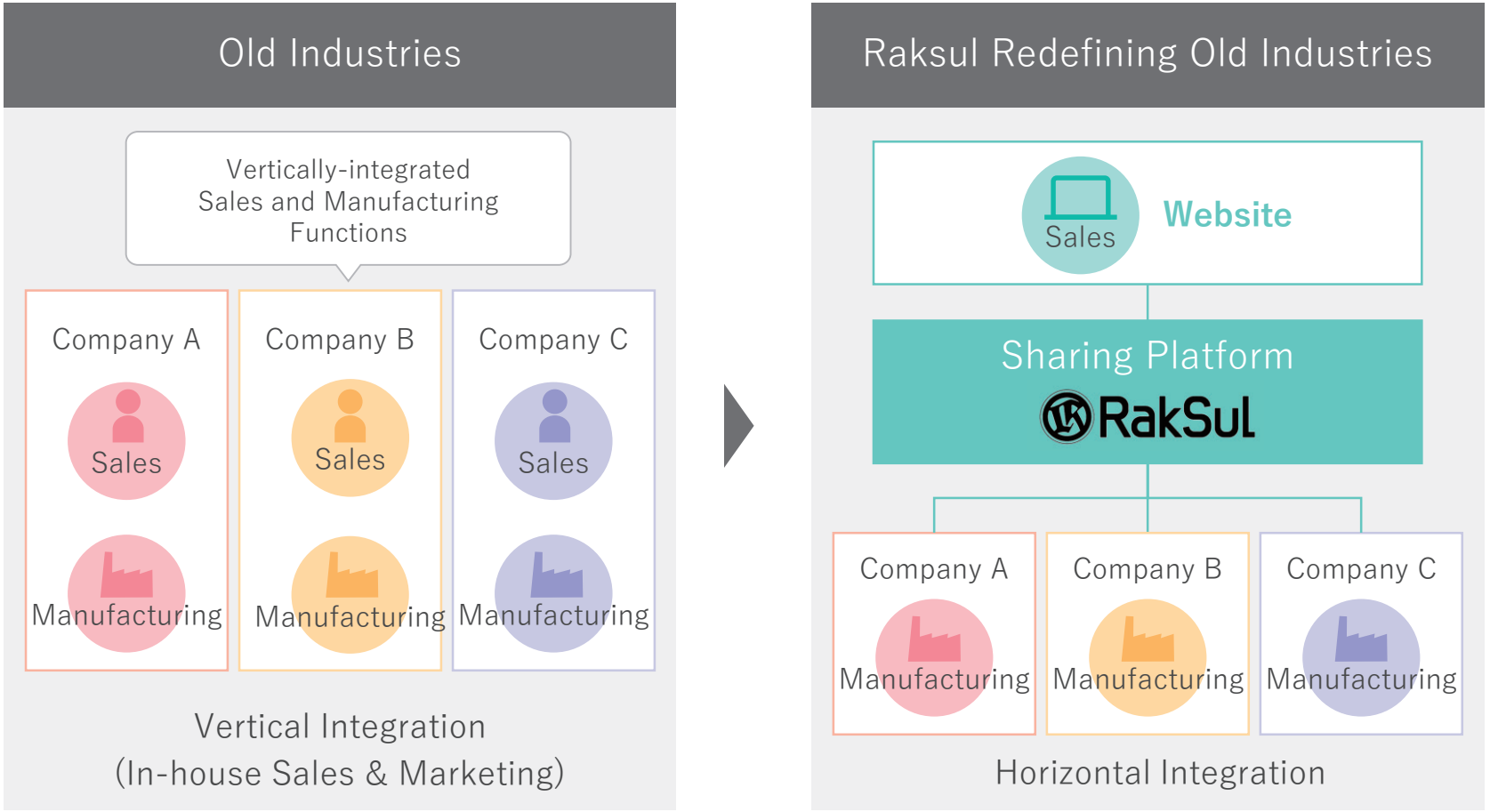
Launched in December 2015



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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 digitalization of large conventional BtoB industries

Domestic Business Stationery and Commercial Printing Market

¥3Tn

Domestic Offline Advertising Market

¥5Tn

Raksul

Domestic Trucking Market

¥14Tn

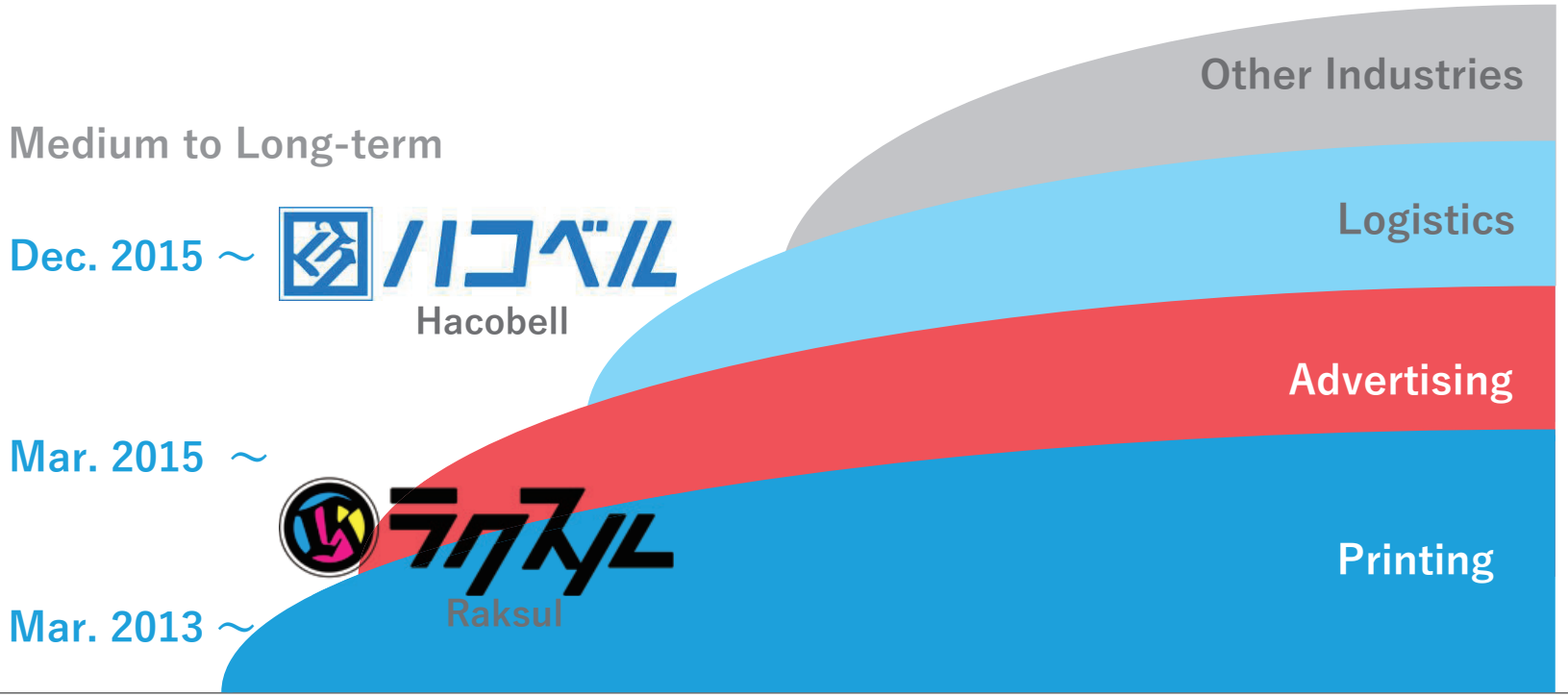
Hacobell

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

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Sustainable Growth Through BtoB Platforms That Disrupt Multiple Industries

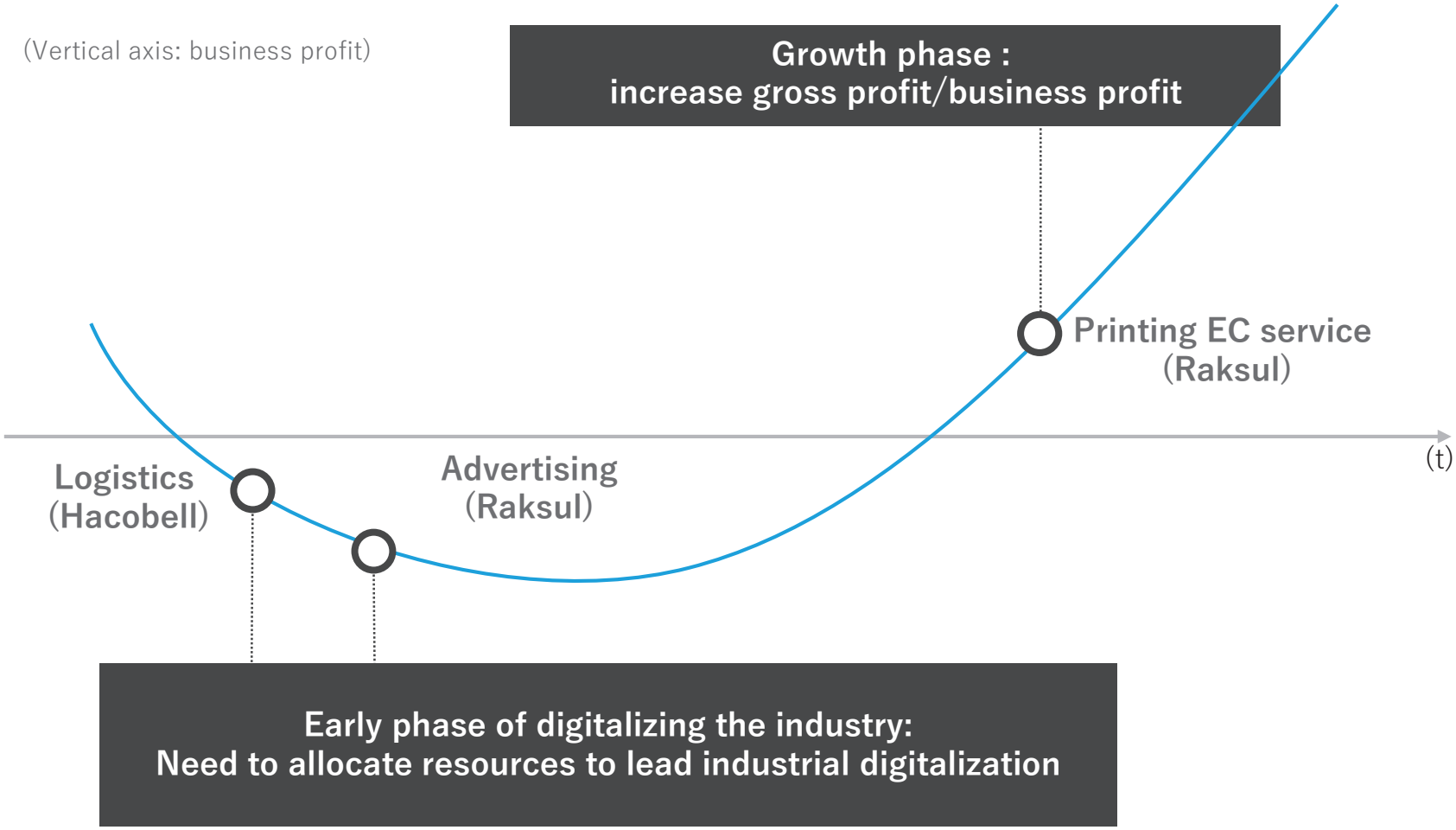
Expand platform services into other industries in the medium to long term



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FY2018 Management Focus

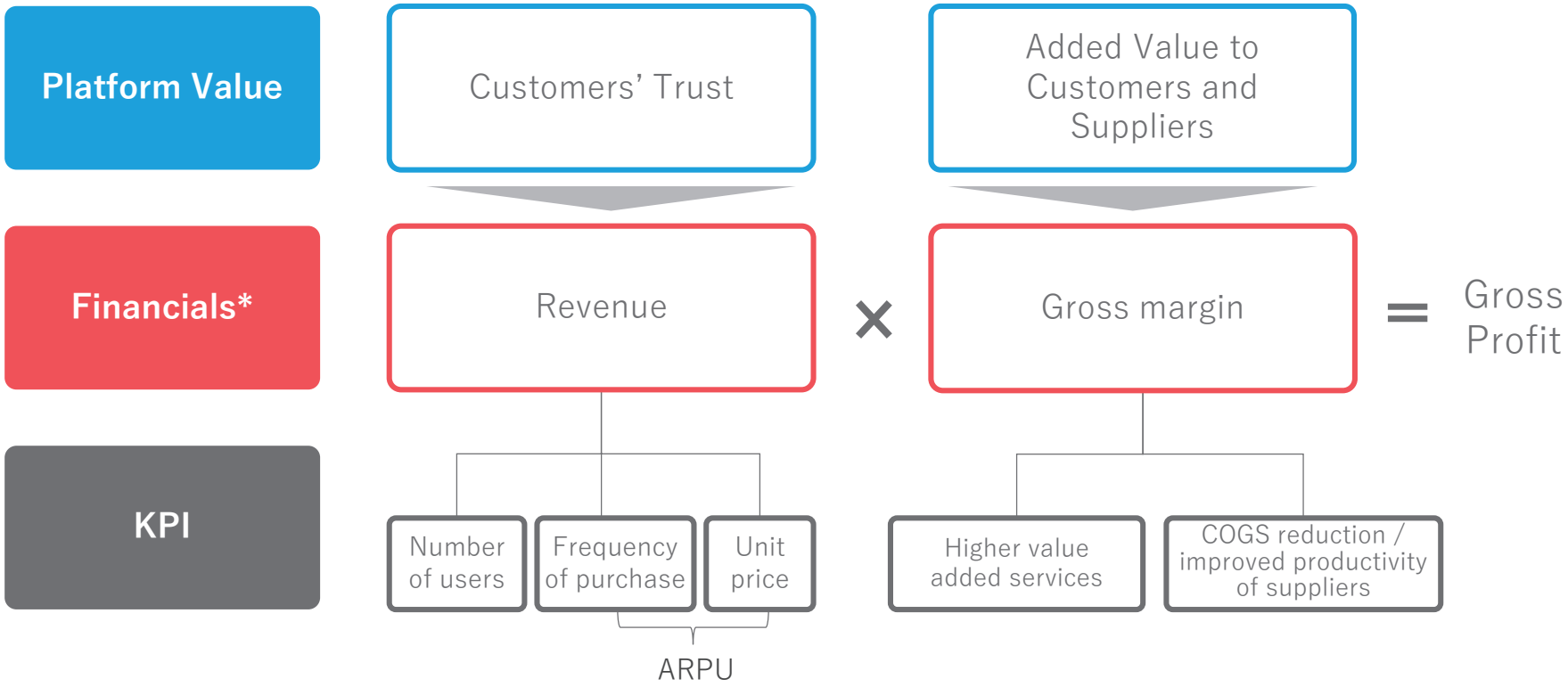
We will carefully vary the management approaches to our three businesses according to their respective phases on the J-curve



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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**

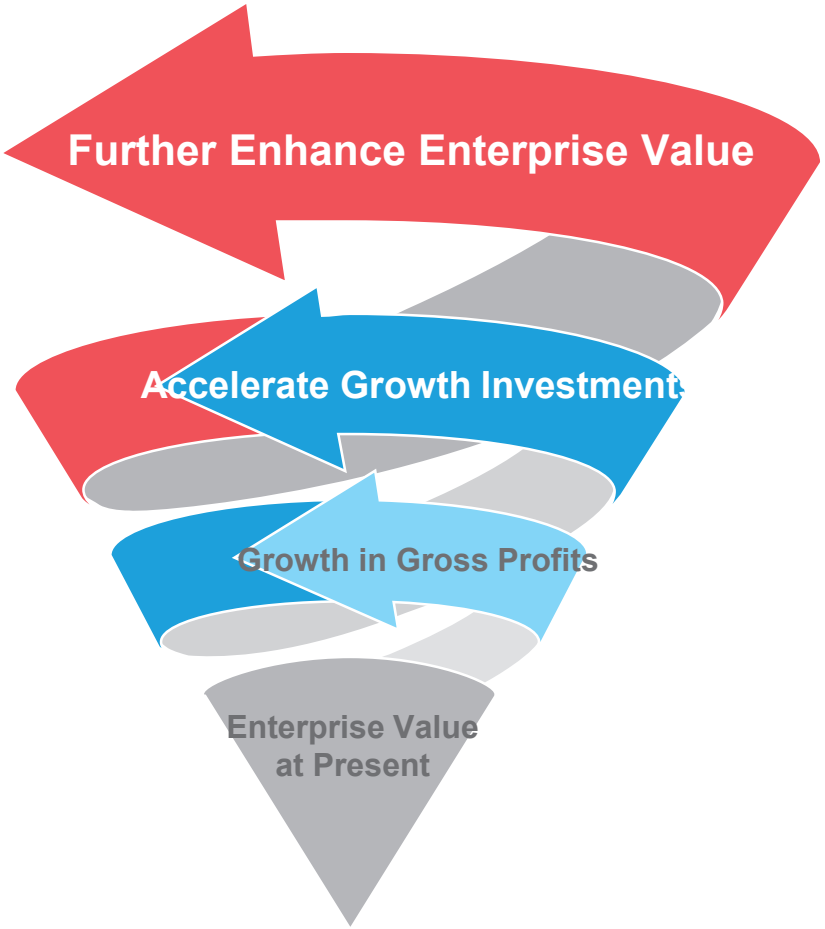
Revenue: revenues earned from users of both Raksul and Hacobell are booked as gross revenue

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 which allows us to generate greater platform value in a balanced way



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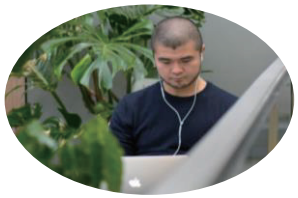
Our Competitive Advantages

Raksul is a technology company with operational know-how and marketing expertise - that is how we clearly differentiate 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

Technology

Continuous product developments led by industry-leading engineers



Marketing

In-house experience in executing marketing plans of JPY5Bn+ 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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FY2018 Quarterly Financial Highlight

Revenue: +59.9% YoY; gross profit: +44.5% YoY

Continue to invest in logistics segment and ad spend while maintaining a positive quarterly operating profit

(in JPY MM)	FY2018 3Q (2019/2 – 2019/4)					Year-to-date (2018/8 – 2019/4)				
	Actual	Same period last year (FY2017 3Q)		Previous quarter (FY2018 2Q)		Actual	Same period last year (2017/8 - 2018/4)		Full year forecast (as disclosed on May 14, 2019)	
		Actual	YoY	Actual	YoY		Actual	YoY	Full year	Progress
Revenue	**4,852**	3,034	+59.9%	4,065	+19.4%	**12,348**	7,938	+55.6%	16,200 ~17,000	72.6% ~76.2%
Gross Profit	**1,098**	760	+44.5%	981	+11.9%	**2,901**	1,986	+46.1%	3,700 ~3,950	73.5% ~78.4%
Gross Margin	**22.6%**	25.1%	-2.5pt	24.2%	-1.6pt	**23.5%**	25.0%	-1.5pt	21.8% ~24.4%	-
Operating Profit	**77**	64	+20.1%	36	+113.7%	**149**	-56	-	120 ~160	93.3% ~124.4%
Incl.: Ad spend	**367**	243	+50.9%	334	+10.0%	**963**	771	+24.9%	-	-
Incl.: Logistics segment profit	**-40**	-3	-	-30	-	**-87**	-51	-	-	-
Ordinary Profit	**72**	49	+46.8%	34	+110.3%	**138**	-80	-	96 ~136	101.7% ~144.0%
Net Profit	**54**	47	+14.3%	20	+167.8%	**75**	-84	-	20 ~60	126.6% ~379.9%

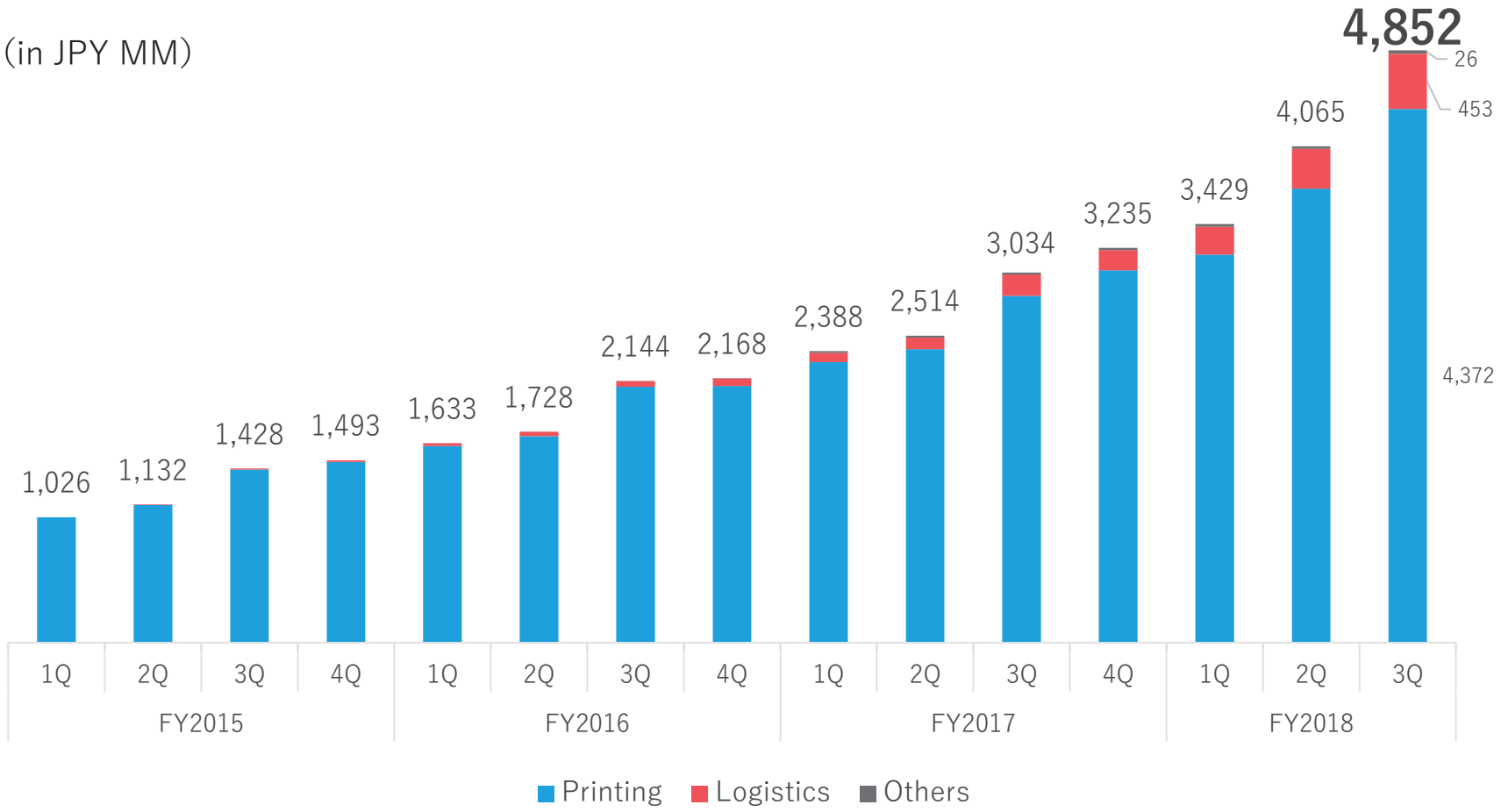
	FY2016 3Q	FY2017 3Q		FY2018 3Q	
Number of registered users on printing platform	405,383	611,137	+205,754 Compared to FY2016 3Q	864,029	+252,892 Compared to FY2017 3Q

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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 for logistics it is 2Q and 3Q

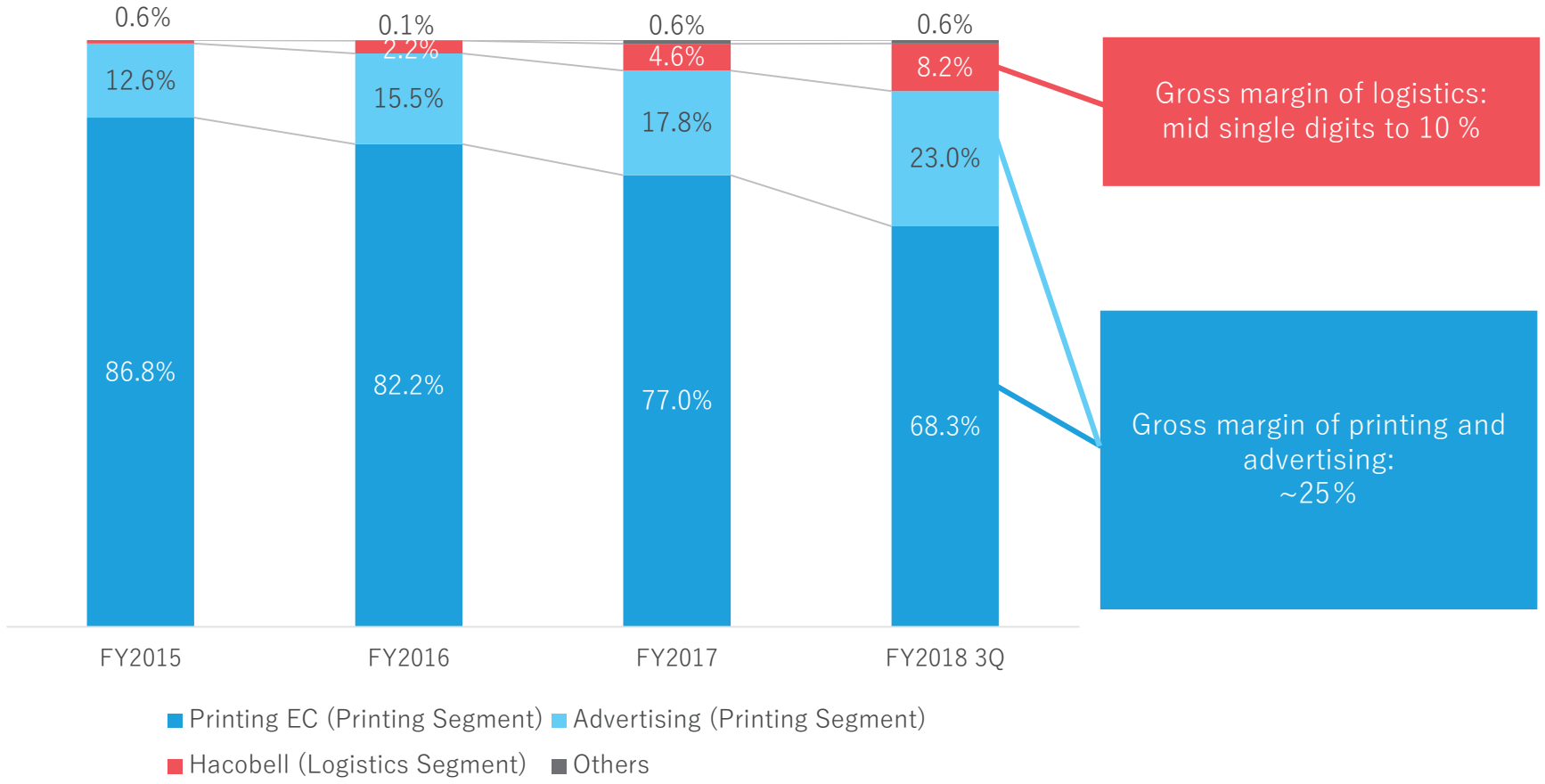


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Revenue Composition by Business Segment

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

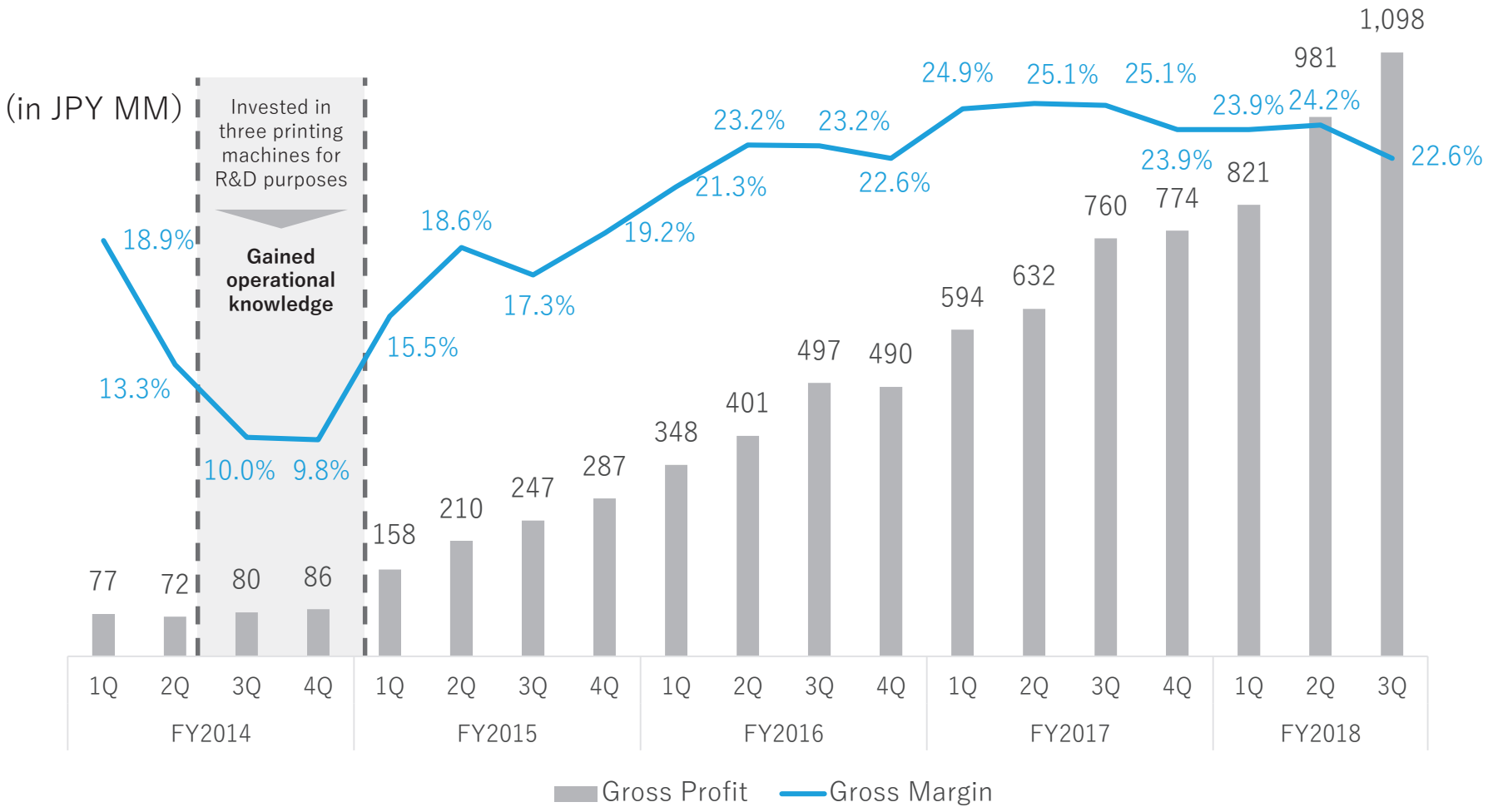
Revenue contribution from non-printing services exceeds 30%



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Gross Profit and Gross Margin

Gross profit, which is the source of our platform value, continues to grow



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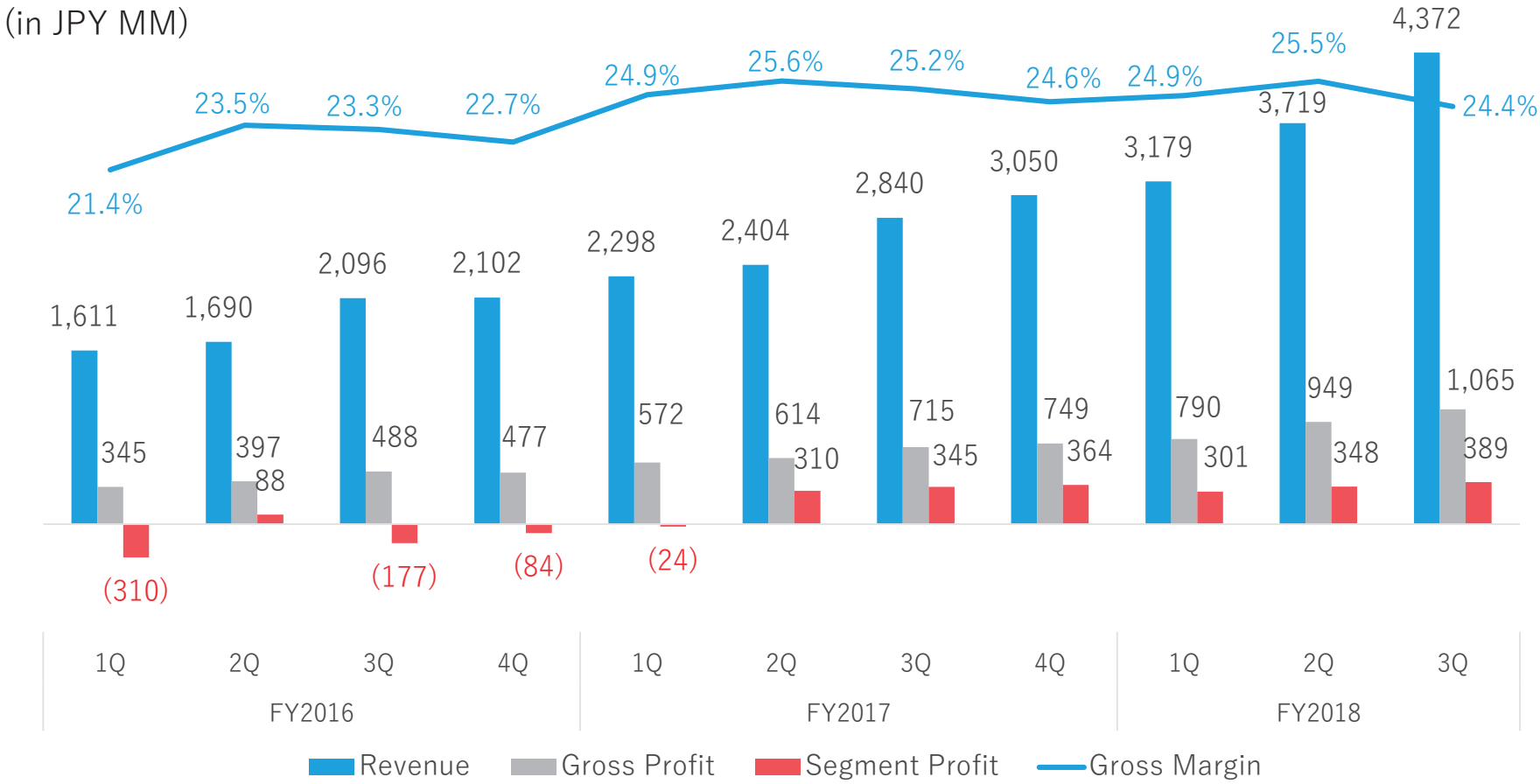
Printing Segment Business Performance

Printing & Ad

Revenue and gross profit of the printing segment (printing and advertising) continue to grow(1)

Limited increase in printing demand from the change of the Japanese era name

Lower gross margin due to an increase in paper cost (see next page for details)



Note
(1) Calculated from a management accounting perspective

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Printing & Ad

Paper Procurement: Business Impact and Forecast

Paper shortage and increased paper cost have impacted the business in 3Q to a certain degree, however no major impact is expected from 4Q onwards

Item	Impact in 3Q	Forecast from 4Q onwards
Revenue	Firm wide revenue grew by more than 40% YoY, despite the quantity restriction set on some products due to the paper shortage	Through diversifying the sources of paper procurement, we can build a stable supply structure and maintain business growth
Gross Margin	Impact from the increase in paper cost has been minimized through price adjustments	No further increase in paper cost is expected. We'll continue minimizing the impact on gross margin through price adjustments and other cost reduction efforts
Gross Profit	Despite a lower gross margin, gross profit continues to grow, driven by a higher than expected growth in revenue	Growth in gross profit is expected to continue, driven by the increase in revenue and a closely-controlled gross margin

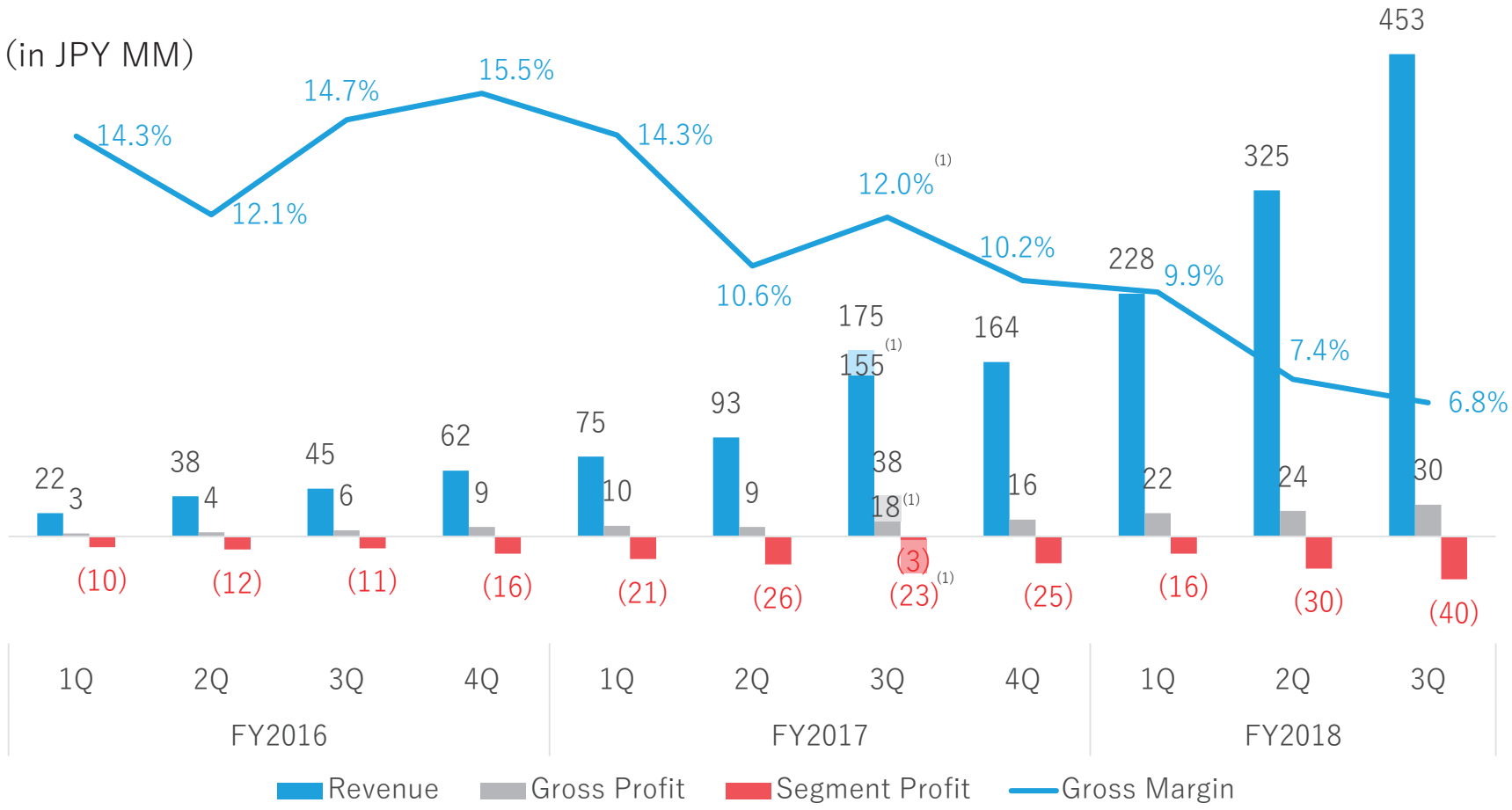
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Logistics Segment Business Performance

Logistics

Revenue of the logistics segment (Hacobell) grew by 191% YoY(1)

Business focus continues to be on revenue growth instead of maximizing short-term gross margin(2)



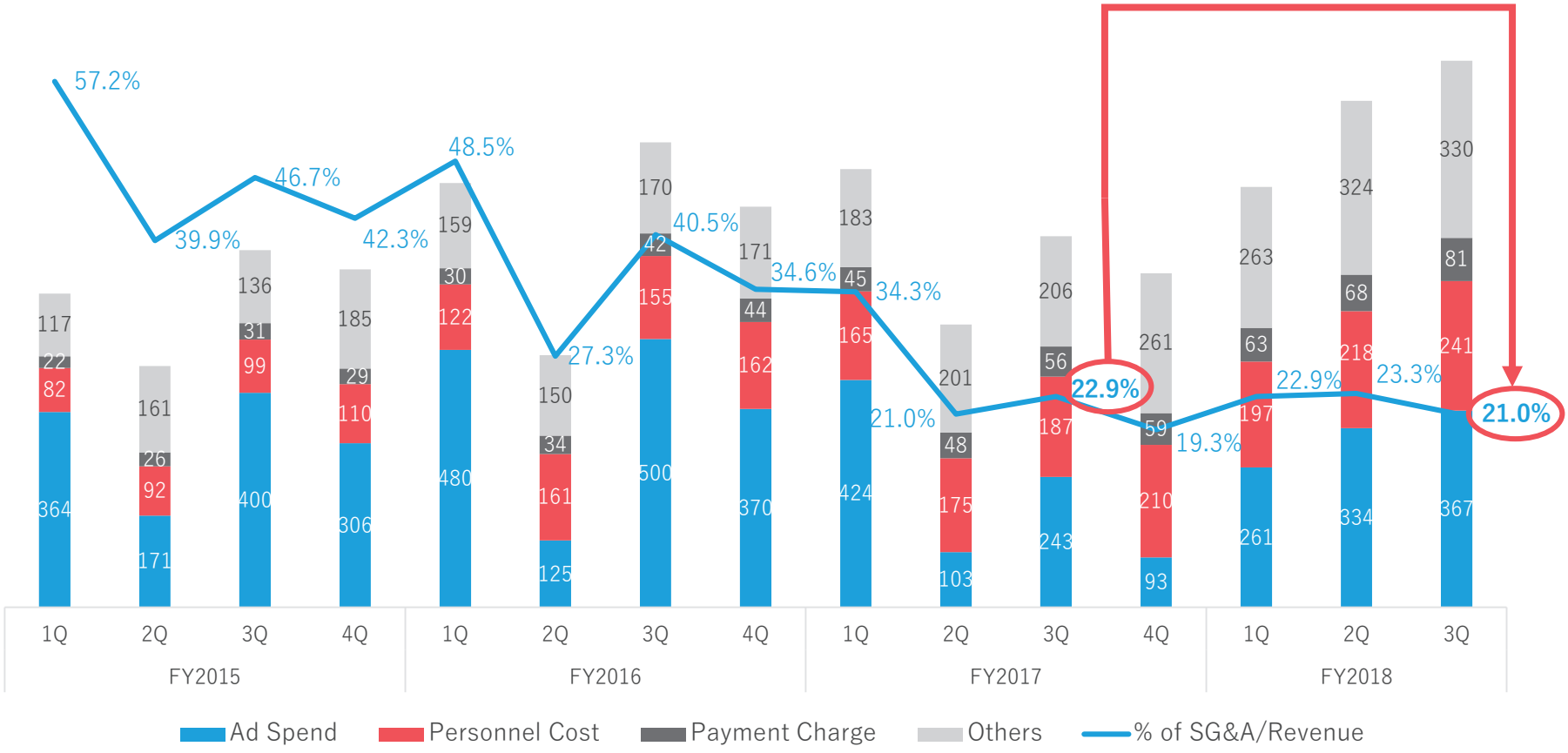
Note
(1) Including revenue from system development for Yamato HD in FY2017; this revenue is excluded from gross profit calculation
(2) Calculated from a management accounting perspective

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% of SG&A/Revenue

Percentage of SG&A per revenue continues to decrease due to revenue growth

(in JPY MM)



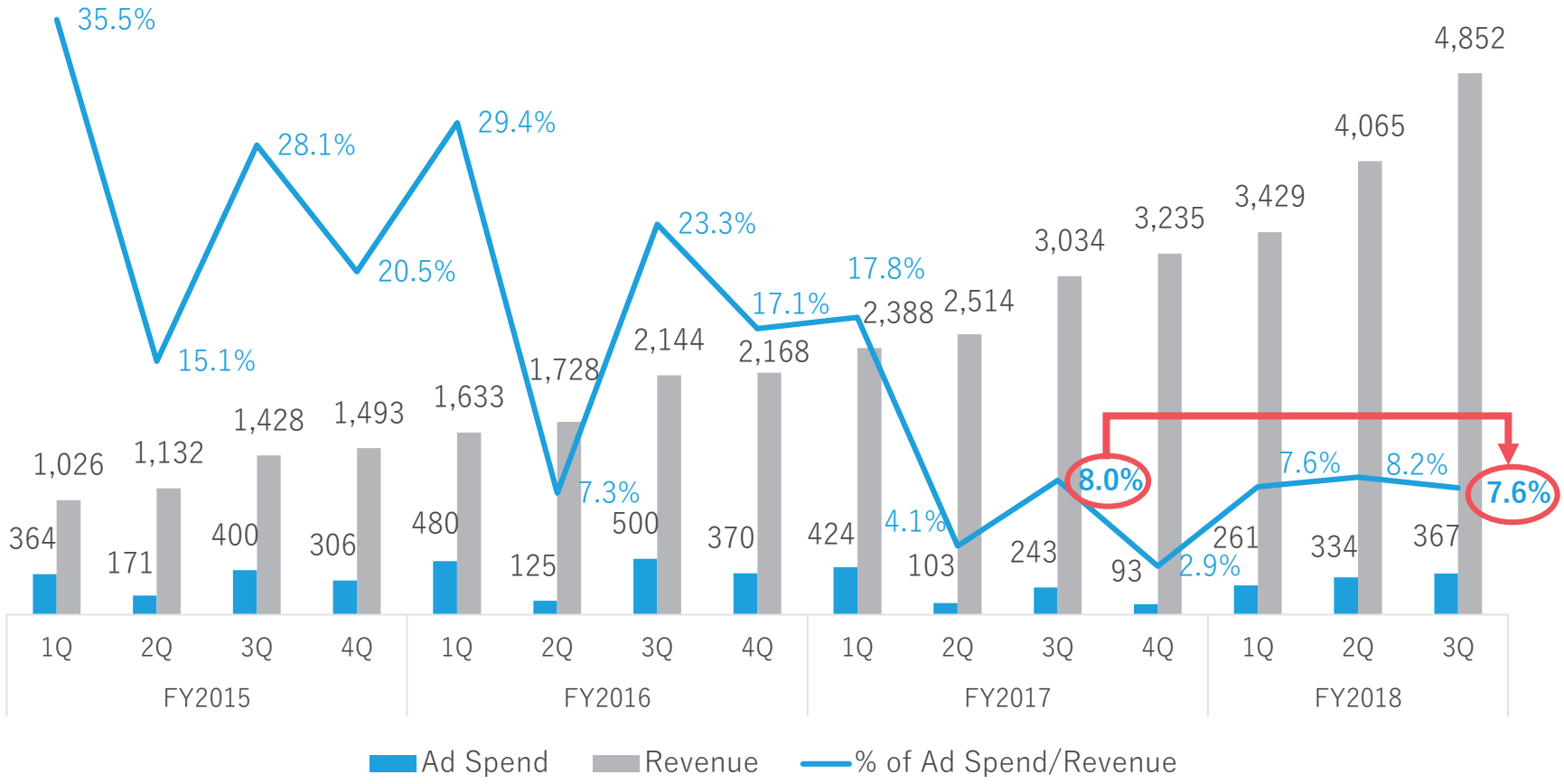
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Ad Spend and % of Ad Spend per Revenue

Efficiency of ad spend continues to improve

Plan to evenly spread ad spend across the year

(in JPY MM)

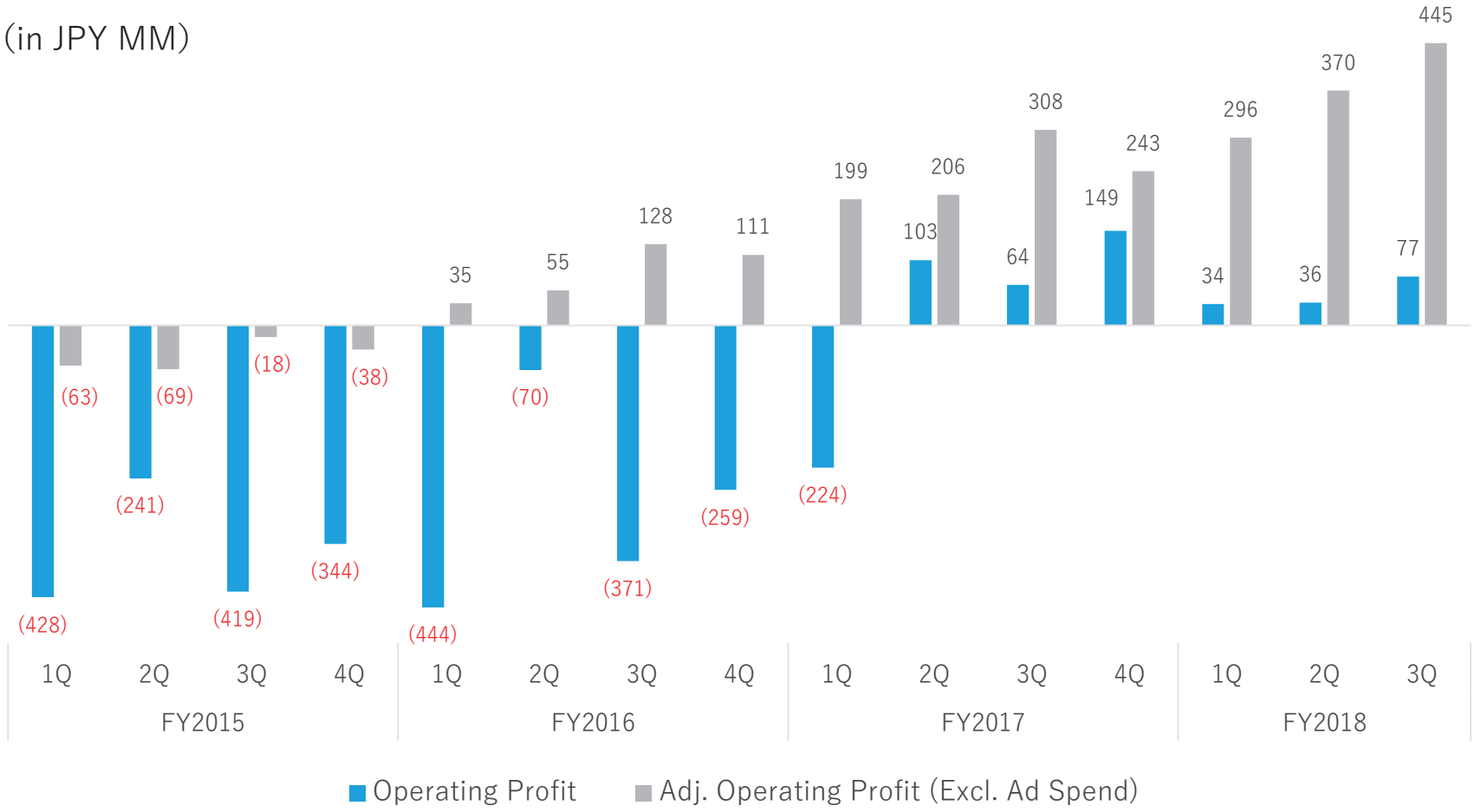


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Operating Profit and Adjusted Operating Profit (excl. Ad Spend)

Positive operating profit for 6 consecutive quarters

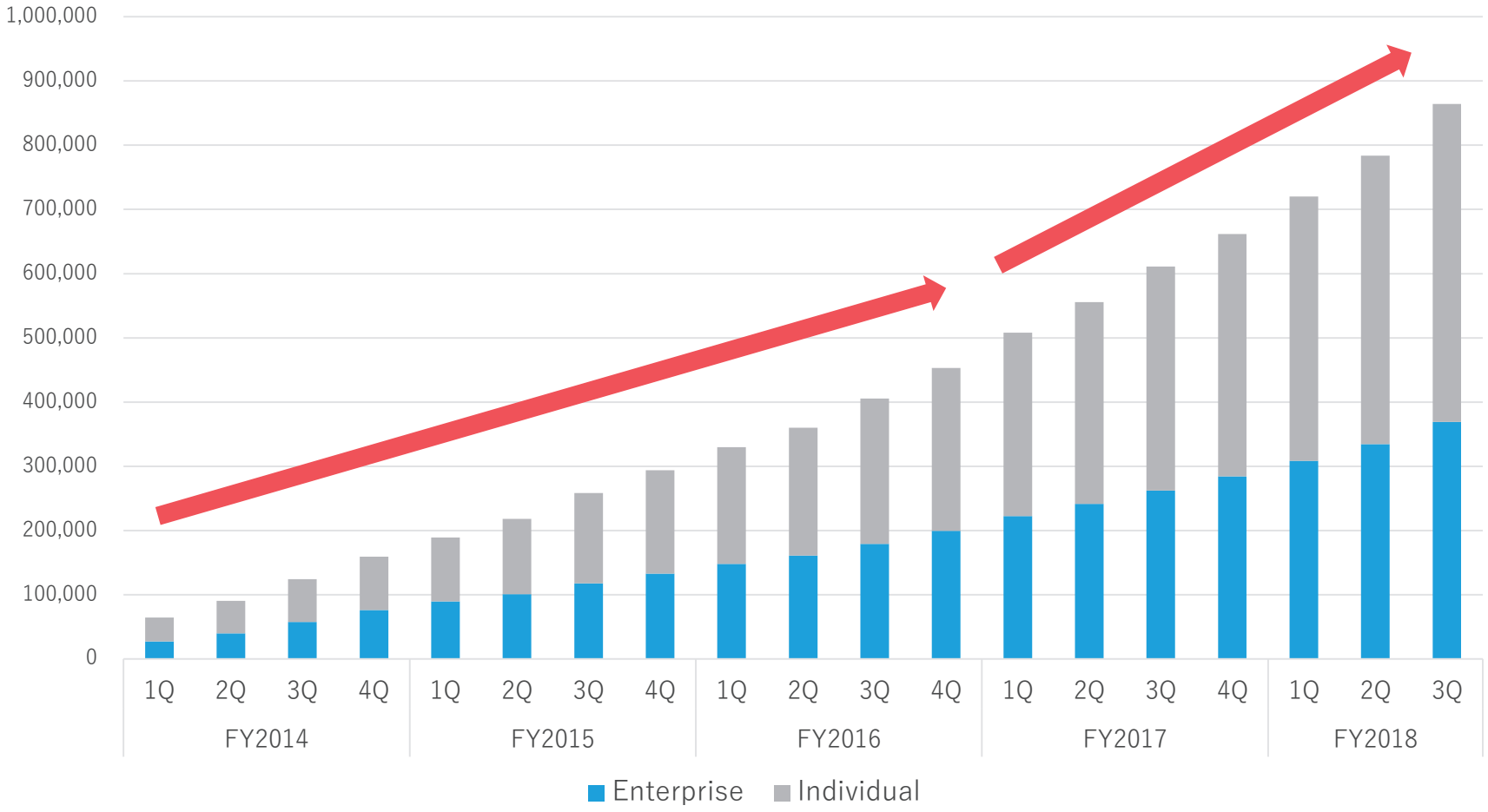
Operating profit excluding ad spend continues to grow



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Number of Registered Users on Printing Platform

User base continues to grow (1)



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

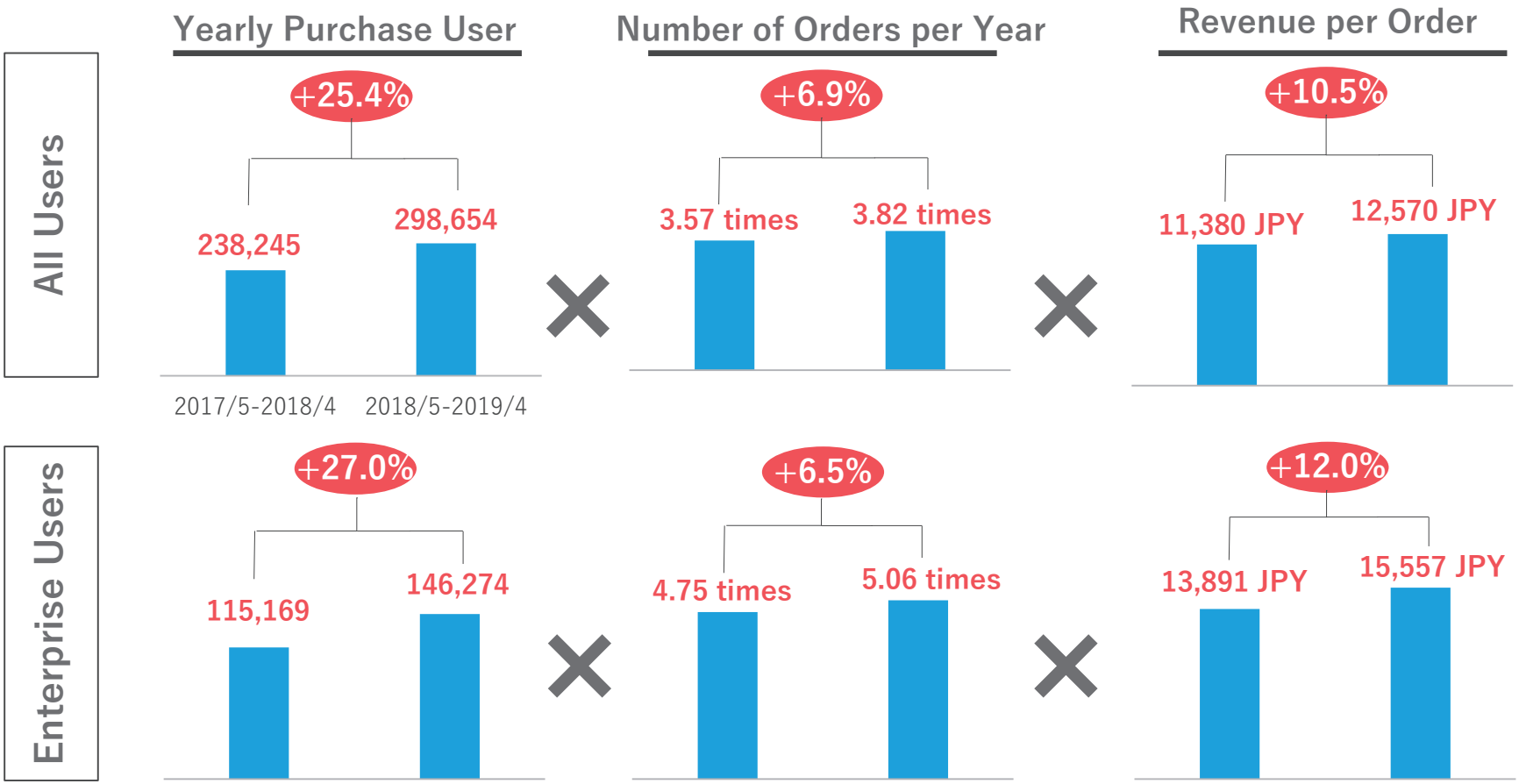
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Sticky User Base

Printing & Ad

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

The latest offline advertising 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

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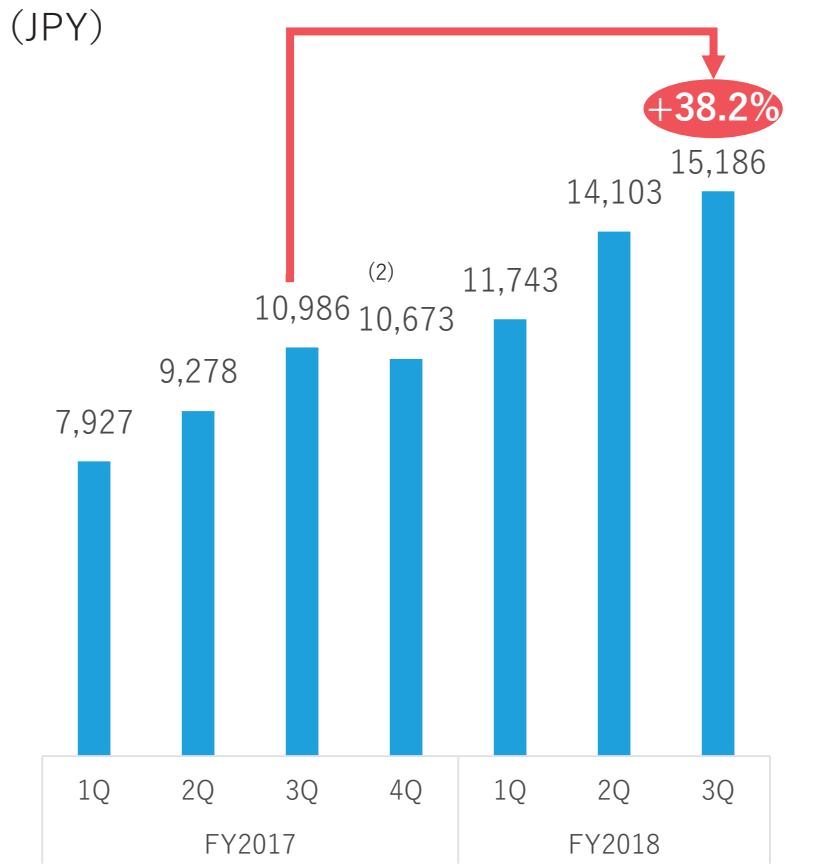
Logistics Number of Orders and Value per Order

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) FY2017 3Q figures do not include revenue from system development for Yamato HD

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3. Full Year Financial Forecast

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Full Year Financial Forecast

Below is the revised annual forecast which was announced on May 14, 2019

Revenue is expected to grow by 45~52% YoY

Gross profit is expected to grow by 34~43% YoY

(in JPY MM)	FY2018 (FYE 2019/7) Full year forecast	FY2017 (FYE 2018/7) Actual	FY2017 (FYE 2018/7) YoY
Revenue	**16,200 ~17,000**	11,174	+45.0% ~+52.1%
Gross Profit	**3,700 ~3,950**	2,761	+34.0% ~+43.0%
Operating Profit	**120 ~160**	93	+29.0% ~+72.0%
Ordinary Profit	**96 ~136**	43	+122.0% ~+214.5%
Net Profit	**20 ~60**	15	+29.4% ~+288.1%

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4. Q&A

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Q&A

Category	Question	Answer
Firm wide	What is the forecast for 4Q？	Revenue: at least 40% growth YoY Gross profit: at least 30% growth YoY All profit items from operating profit onwards: maintaining a positive profit while continue reinvesting for growth（mainly in ad spend）
Printing	Can the stability of paper procurement be maintained?	Supply can be stabilized through diversification of sources of procurement
Printing	What is the impact of a higher paper cost on the profit structure of the printing business?	Impact on gross margin can be minimized through price adjustments and other cost reduction efforts
Advertising	How is the performance of the sale of TV commercial spots?	Initial efforts have confirmed the existence of demand in the market; we are focusing on improving the product rather than growing revenue in the short-term
Logistics	What impact does Hacobell Connect（TMS） have on the 3Q financial results?	Now we are focusing on improving the product based on user feedback; no significant financial impact is expected in the short-term

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5. 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:	264 (As of April 2019)

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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
- Ex-consultant from A.T. Kearney
- Graduated from Keio University



Masaki Tabe – CMO / Head of Advertising Business

- 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 / Head of Logistics Business

- 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
- 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 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

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RakSul Balance Sheet

(in JPY MM)	FY2017 4Q [1]	FY2018 3Q
Current Assets	7,598	**8,067**
Cash & Deposits	6,366	**6,032**
Non-Current Assets	1,159	**1,223**
Total Assets	8,758	**9,291**
Current Liabilities (of which, interest-bearing liabilities)	1,846 (451)	**2,394** **(429)**
Non-Current Liabilities (of which, interest-bearing liabilities)	235 (132)	**103** **(–)**
Net Assets	6,675	**6,793**
Capital Stock	1,926	**1,945**
Capital Surplus	4,733	**4,753**
Total Liabilities & Net Assets	8,758	**9,291**

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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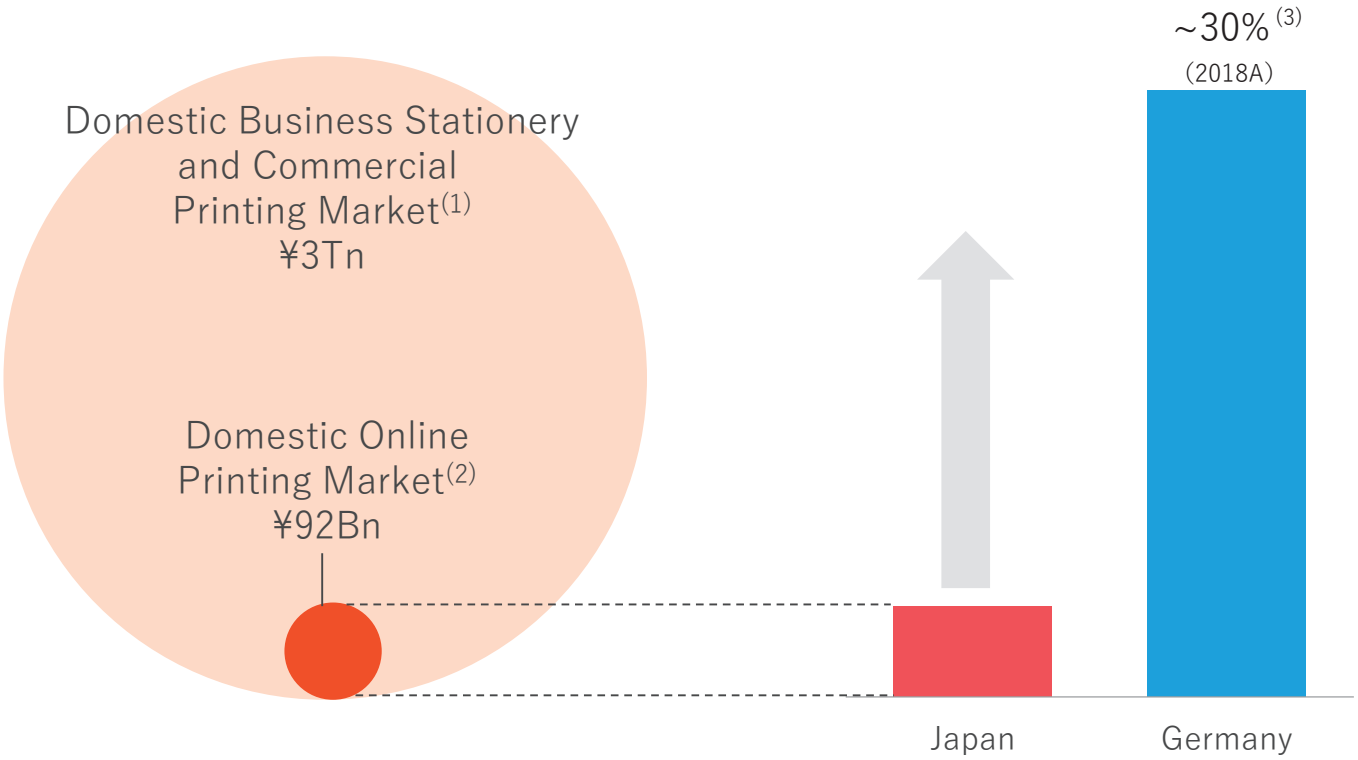
RakSul Financial Highlights by Business Segment

		FY2016 (FYE 2017/7)				FY2017 (FYE 2018/7)				FY2018 (FYE 2019/7)		
(in JPY MM)		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	**3Q**
Revenue	Printing	1,611	1,690	2,096	2,102	2,298	2,404	2,840	3,050	3,179	3,719	**4,372**
	Logistics	22	38	45	62	75	93	175	164	228	325	**453**
	Others	0	0	2	3	14	17	17	20	21	21	**26**
Gross Profit	Printing	345	397	488	477	572	614	715	749	790	949	**1,065**
	Logistics	3	4	6	9	10	9	38	16	22	24	**30**
	Others	0	0	2	3	10	7	6	7	7	7	**2**
Segment Profit	Printing	-310	88	-177	-84	-24	310	345	364	301	348	**389**
	Logistics	-10	-12	-11	-16	-21	-26	-3	-25	-16	-30	**-40**
	Others	-123	-146	-182	-158	-179	-180	-277	-189	-249	-281	**-271**
Operating Profit	Firm wide	-444	-70	-371	-259	-224	103	64	149	34	36	**77**

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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 (2019)

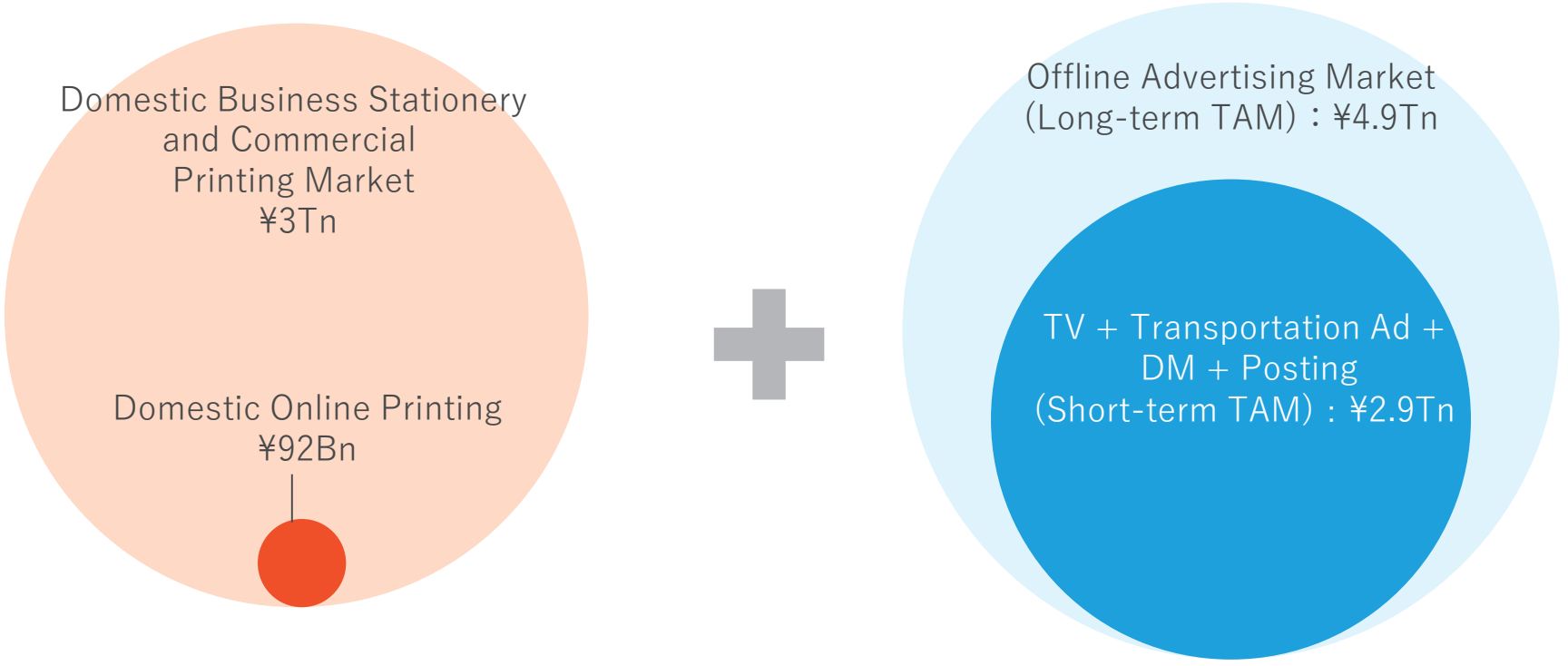
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One-Stop Service (Advertising Business) Further Extends Our Opportunities

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

Printing

Advertising

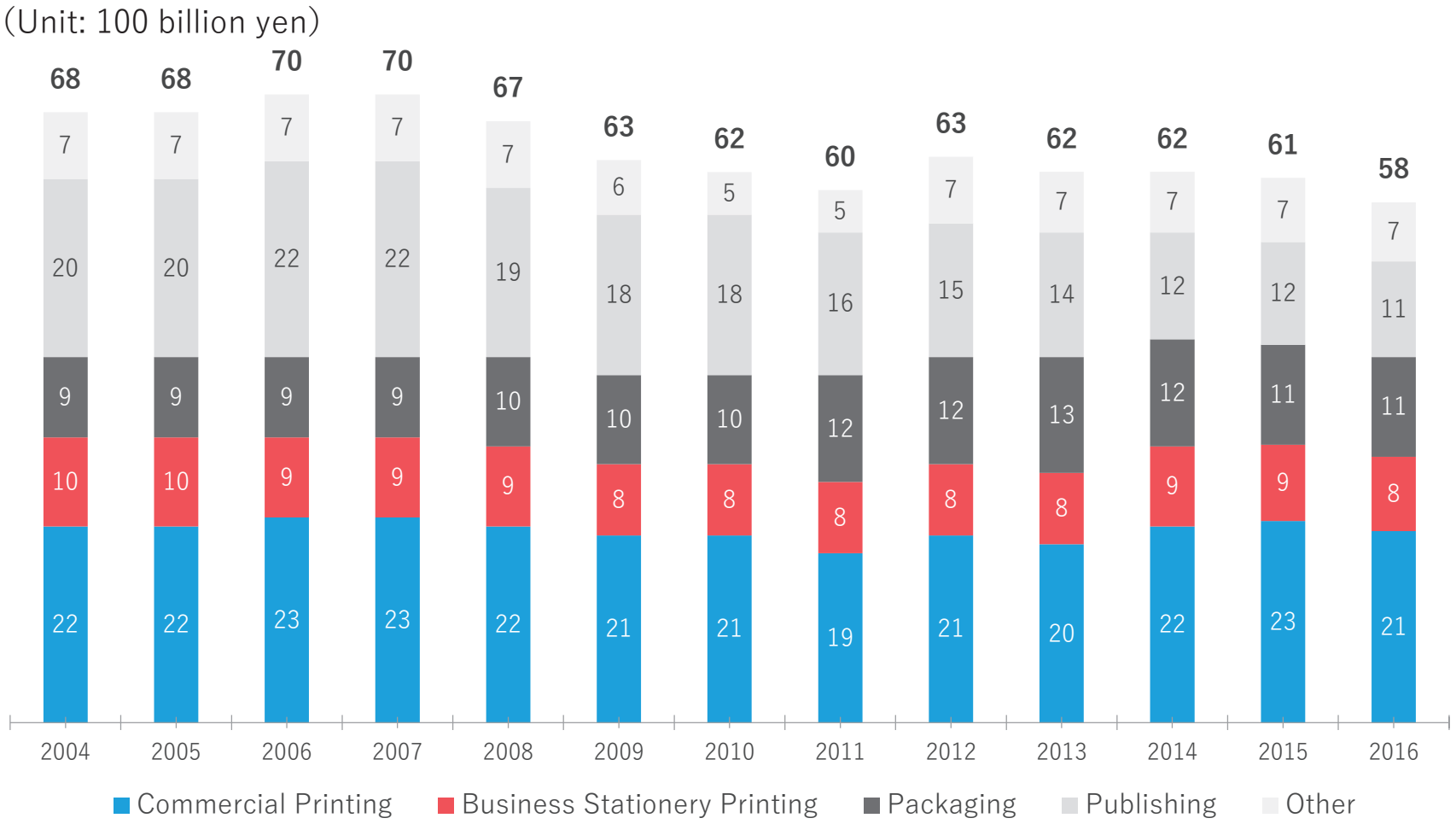


Source Yano Research Institute, Dentsu “Advertising Expenditures in Japan” (2018), METI

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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



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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ハコベル Logistics Service Offerings

Started with last-mile services, 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

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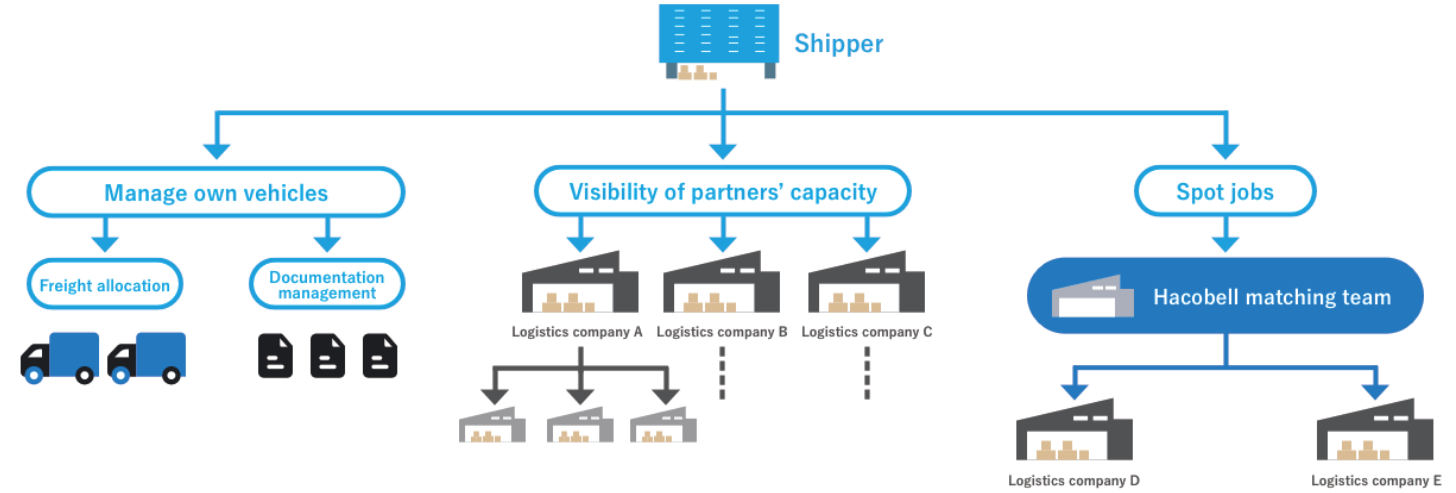
Overview of Hacobell Connect
(Heavyweight Freight/Intra-City and Intra-City)

Logistics



Marketplace connecting shippers and heavyweight freight operators

Provide additional transportation management system to improve productivity of all parties



Standard TMS functions

Additional functions provided by Hacobell Connect

	TMS function	Matching function
Shippers	Manage capacity of own fleet and capacity of partners	Secure reliable and flexible supply for peak and off-peak seasons
Freight operators	Significantly reduce administrative cost by centralizing order management	Acquire new customers through the system network

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Better Systems, Better World

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This material includes forward-looking statements. These forward-looking statements were created based on the information available at the time they were created. They do not guarantee our future results and involve certain risks and uncertainties. Please note that actual results may differ materially from those discussed in the forward-looking statements due to changes in environments surrounding Raksul or any other factors.

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.

Raksul is not obligated to update or revise any contents of the forward-looking statements within this material, even in cases such as where new information becomes available or future events take place.

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IR Information: https://corp.raksul.com/en/

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