Financial Results for the 1st Quarter of Fiscal Year Ending July 31, 2020

RAKSUL INC.

(TSE First Section：4384)

December 12, 2019

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AGENDA

1. Company Overview & Management Focus

2. Financial Highlights

3. Overview of the TVCM Service

4. Q&A

5. Reference Materials

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1. Company Overview & Management Focus

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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

ラクスル

Raksul

Launched in March 2013



Sharing Platform
Logistics

ハコベル

Hacobell

Launched in December 2015



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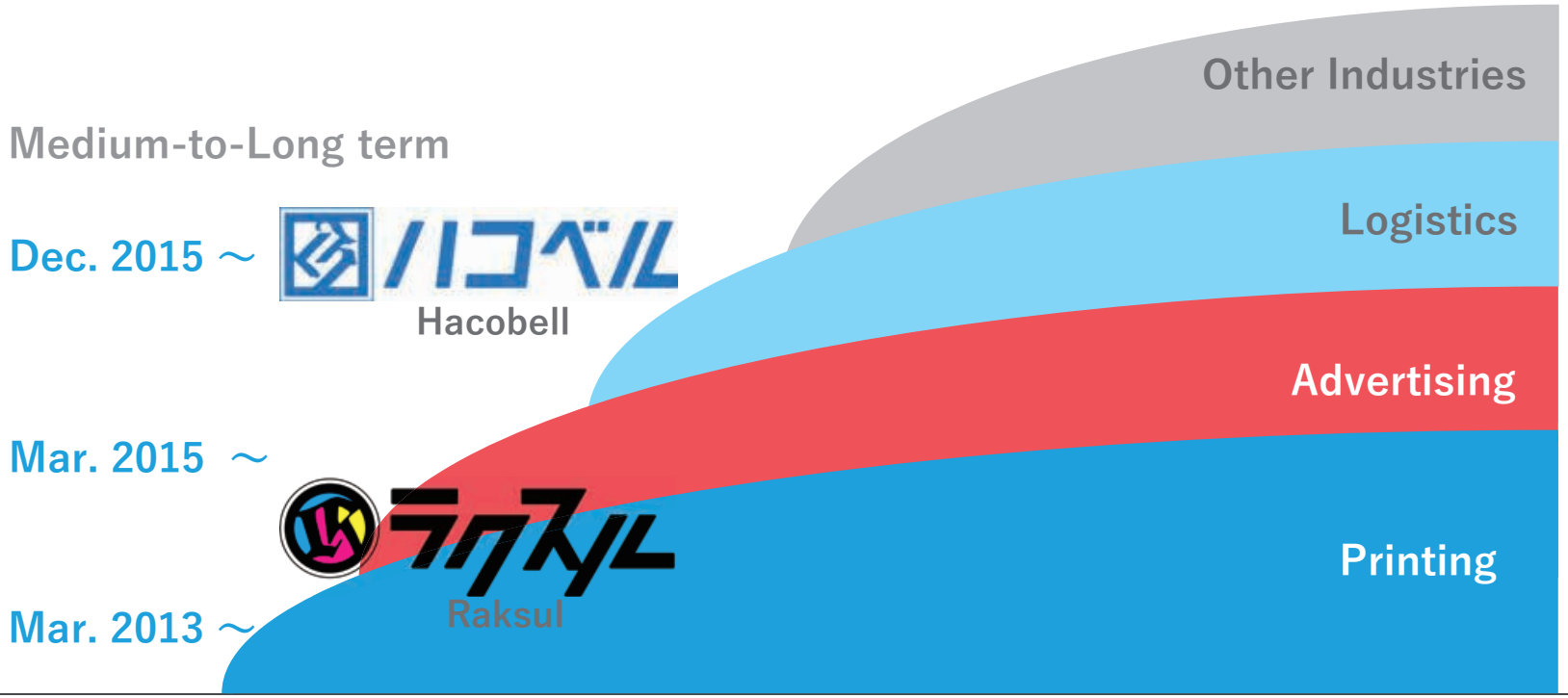
Sustainable Growth Through BtoB Platforms That Disrupt Multiple Industries

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



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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	Allowance for time to grow	Synergy	Strong hiring and financing power
Utilize know-how gained from building printing EC service	Absorb time needed for each business to penetrate its market	Share customer base and teams (technology and corporate teams)	Increase competitiveness as a portfolio company

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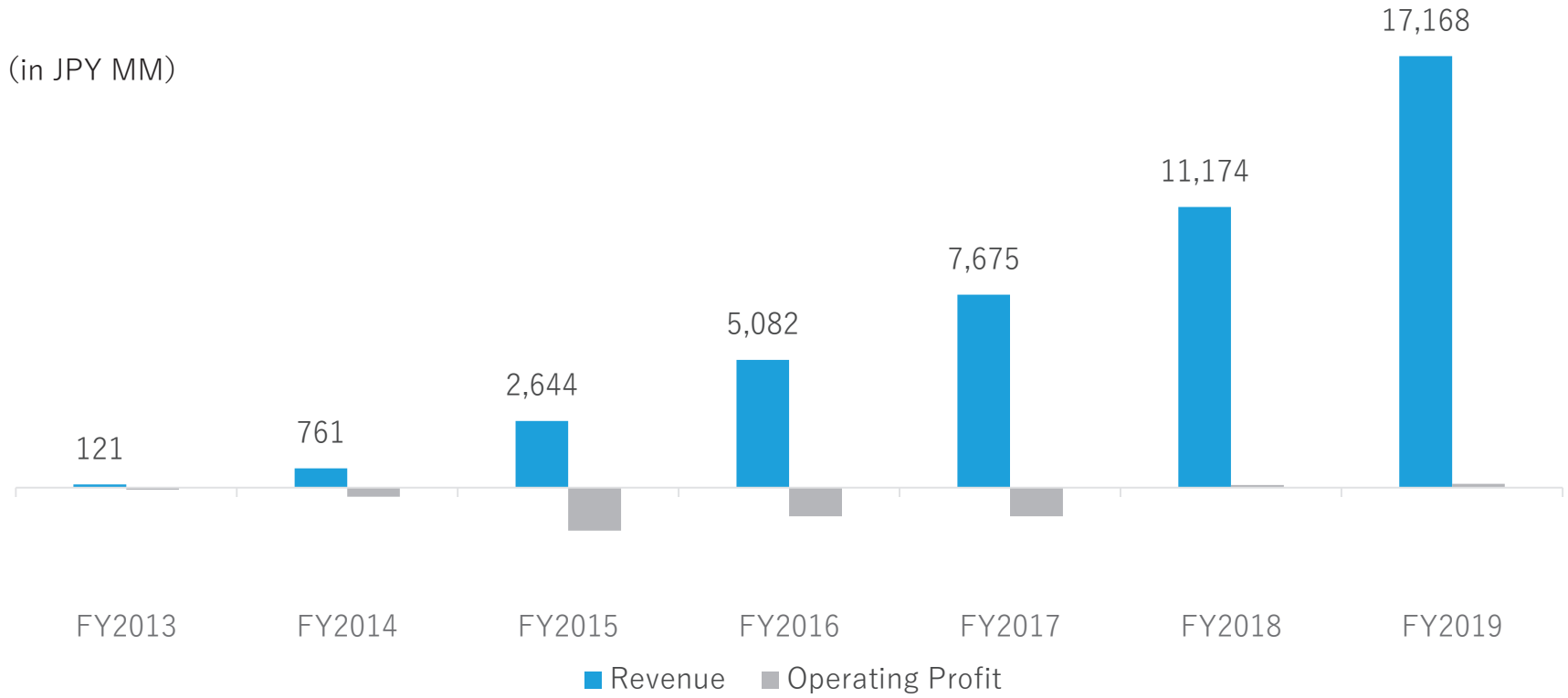
Growth Through Reinvestment

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

The two main reasons are:

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



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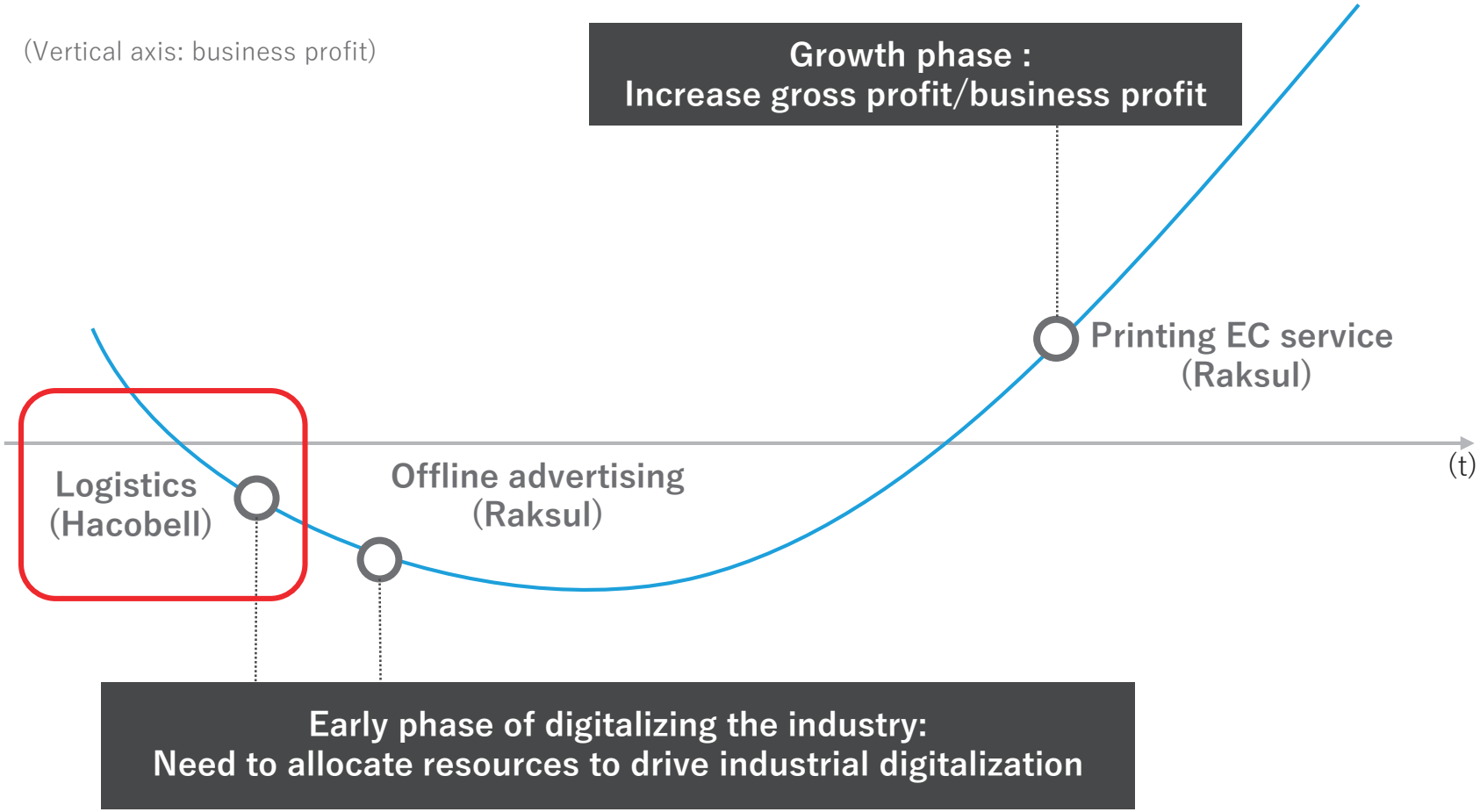
FY2020 Management Focus

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



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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, we will invest more into the growth drivers we identified in the previous year

With approximately ￥15 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 ￥5 billion raised through the issuance of convertible bonds (CB) on November 2019

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About the Issuance of Convertible Bonds

A total of ￥10 billion was raised through a round of debt financing in September 2019 and the issuance of convertible bonds (CB) in November 2019

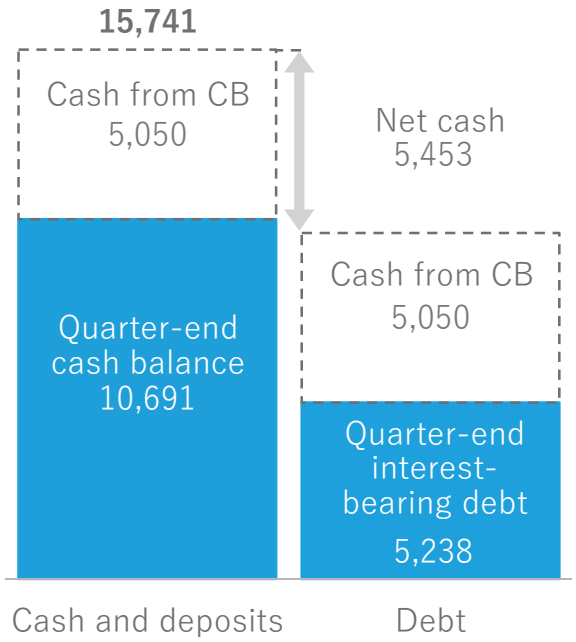
We were able to secure funds for growth investment while minimizing dilution

Purpose of issuing CB

- Further strengthen our financial structure and increase the amount of cash available for growth investment by acquiring equity-based funding through a financial scheme that promotes conversion
- Concurrently completed a sale by existing equity investors and a round of new fundraising, by accessing CB investors who are a separate investor group from the pure equity investors
- Minimized dilution
- Use acquired funds to invest into the logistics business as previously disclosed

Cash equivalent and debt

(Cash balance as of October 2019 + cash from CB, in JPY MM)



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2. Financial Highlights

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Quarterly Financial Highlights

Firmwide:

- Strong growth realized (revenue +56.1% YoY, gross profit +42.5% YoY)
- Total revenue contribution from non-printing services is close to 40%
- Maintained controlled growth investment into both ad spend and logistics business
- Accomplished fundraising for further growth (¥10 billion via bank borrowing and CB)

Each Business:

- Printing: realized steady growth as well as improvement of gross margin; registered userbase exceeded 1 million
- Advertising: TVCM service continuously expanding (started to disclose from this quarter)
- Logistics: upfront investment made for growth in 2Q and beyond ; driver network rapidly expanding

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RakSul Quarterly Financial Highlights

Revenue: +56.1% YoY; gross profit: +42.5%

The trend of strong business growth continues

1Q experienced a loss due to continued investments made into the logistics segment and ad spend for the printing segment; we expect to invest in the same areas for the remaining quarters of this year

		FY2020 1Q (2019/8 – 2019/10)			
	Actual	Same period last year (FY2019 1Q)		Previous quarter (FY2019 4Q)	
(in JPY MM)		Actual	YoY	Actual	QoQ
Revenue	**5,353**	3,429	+56.1%	4,819	+11.1%
Gross Profit	**1,170**	821	+42.5%	1,042	+12.3%
Gross Margin	**21.9%**	23.9%	-2.1pt	21.6%	+0.2pt
Operating Profit (non-GAAP) (1)	**-43**	34	-	-5	-
Incl.: Ad spend	**391**	261	+49.6%	311	+25.6%
Incl.: Logistics segment profit	**-102**	-16	-	-74	-
Incl.: Stock-based compensation expense	**-**	-	-	-	-
Ordinary Profit (non-GAAP) (1)	**-57**	31	-	-8	-
Net Profit (non-GAAP) (1)	**-57**	0	-	-6	-

Note
(1) From this quarter, we will disclose non-GAAP profits after adding back stock-based compensation expense (the same applies hereinafter). In addition, stock-based compensation expense did not occur in the first quarter. Please see slides in appendix for more details.

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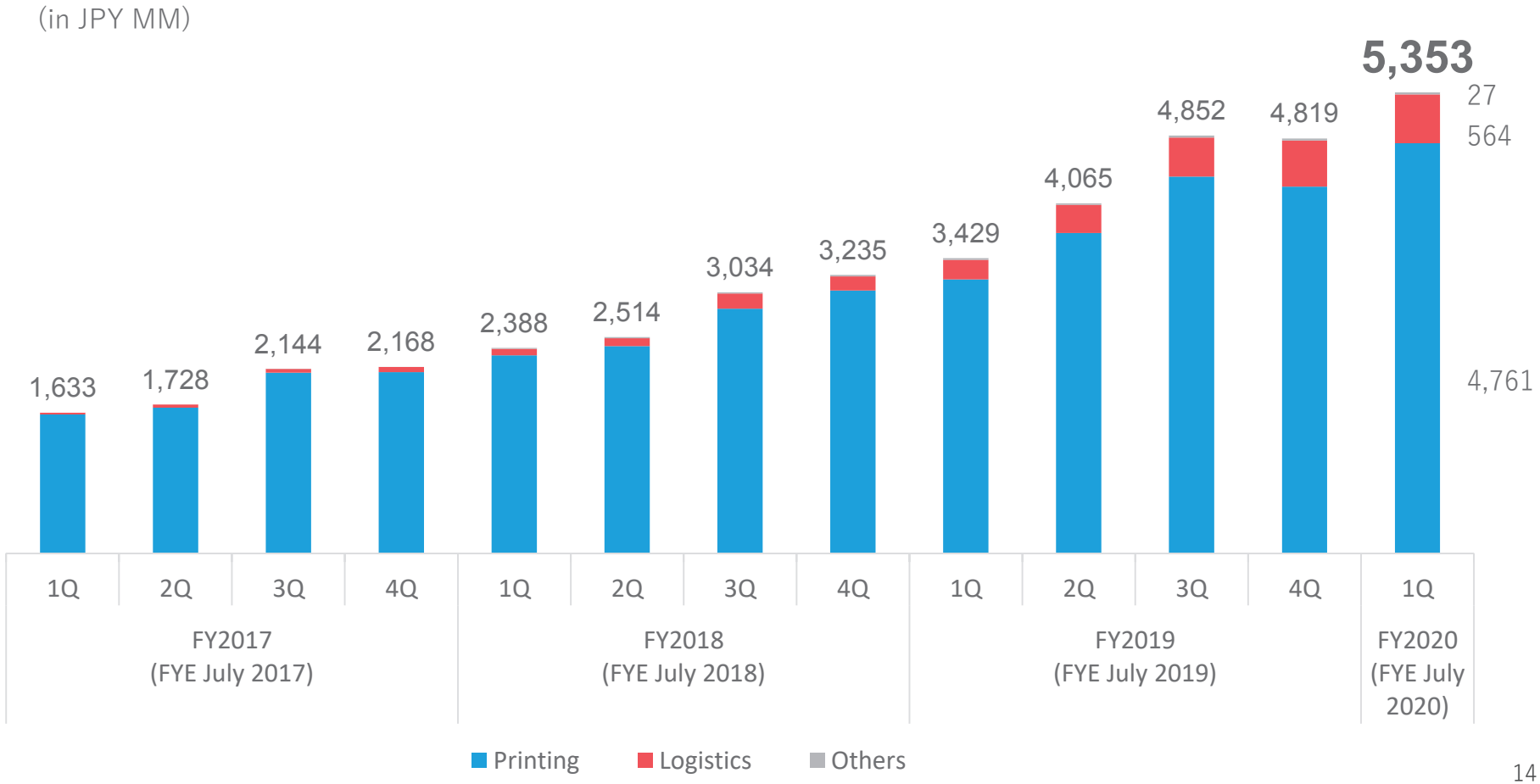
Revenue by Business Segment

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

The peak season for the printing segment is 3Q while for the logistics segment it is 2Q and 3Q



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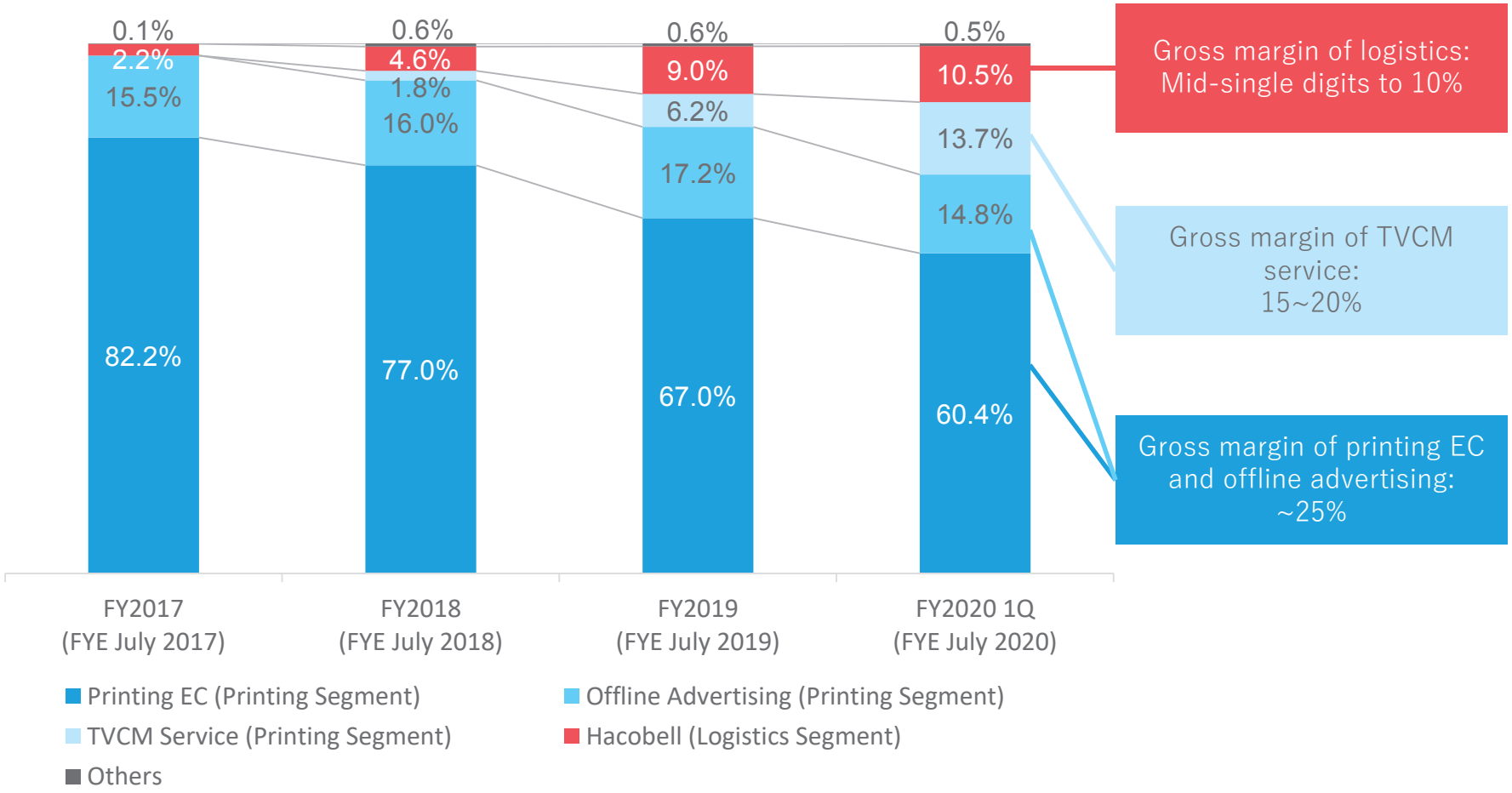
Revenue Composition by Business Segment

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

The total revenue contribution from non-printing services is close to 40%



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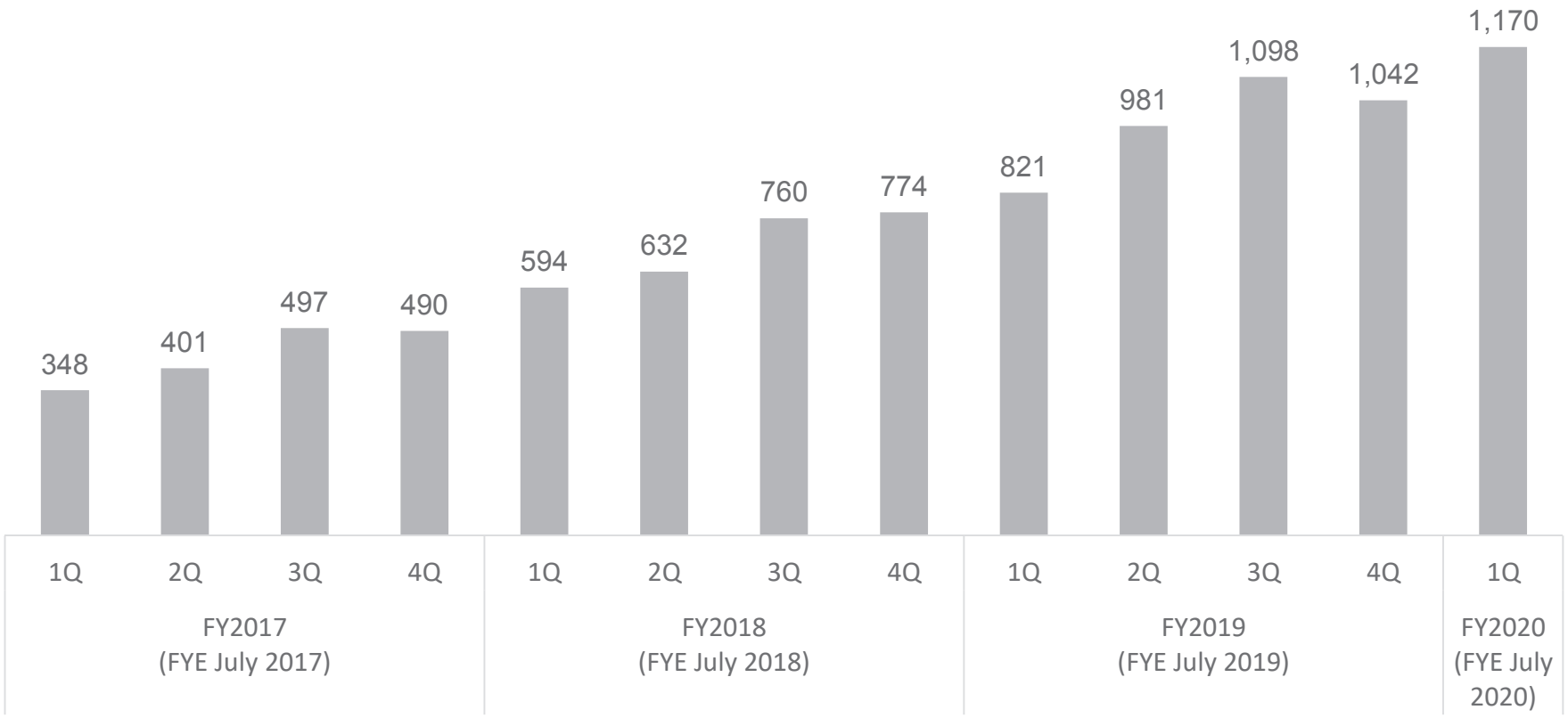
Gross Profit

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

(in JPY MM)



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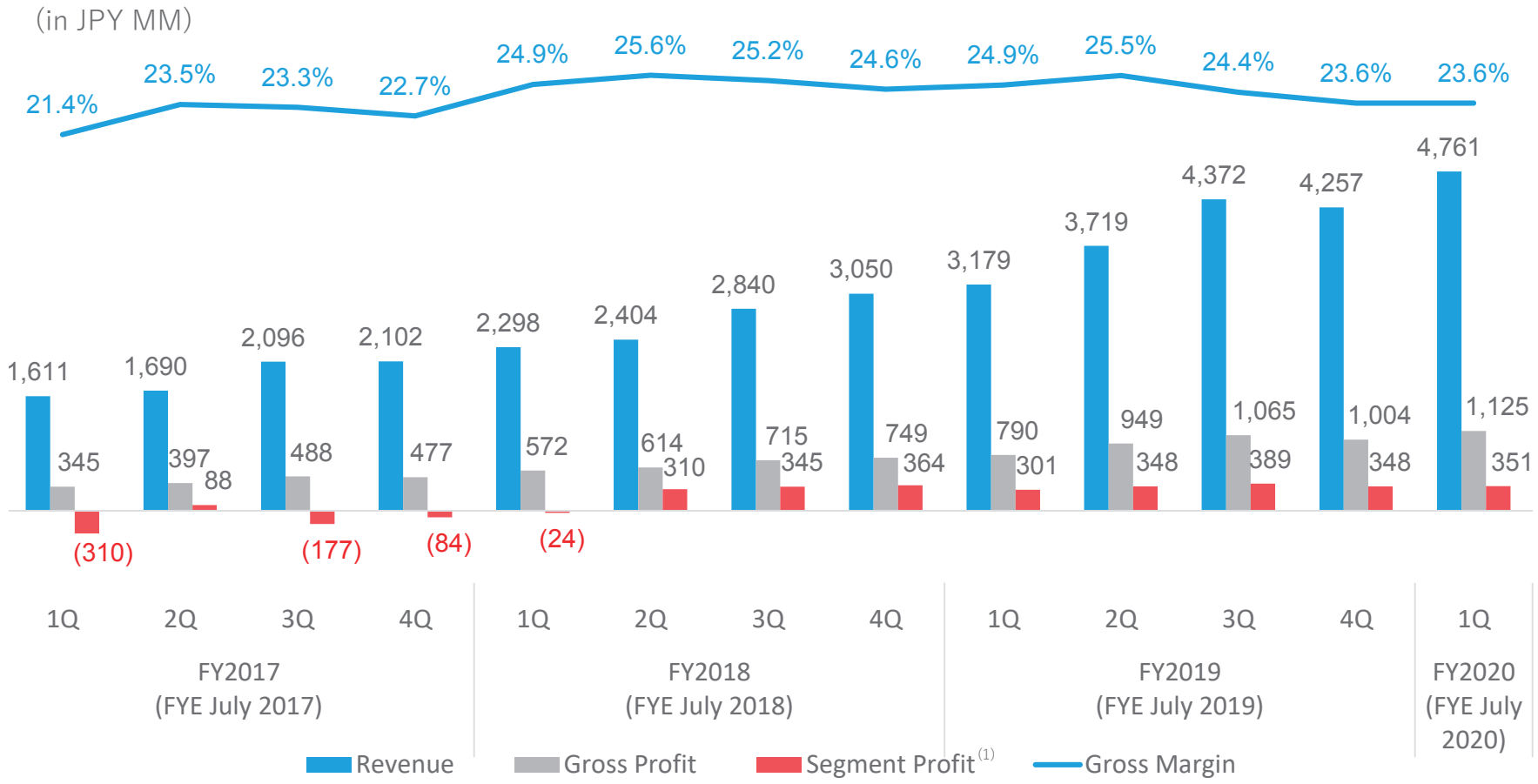
Printing Segment Business Performance

Printing & Ad

The revenue and gross profit of the printing EC service continue to grow

The gross margin, excluding the TVCM service, improved to 25.0%



Note
(1) Calculated from a management accounting perspective

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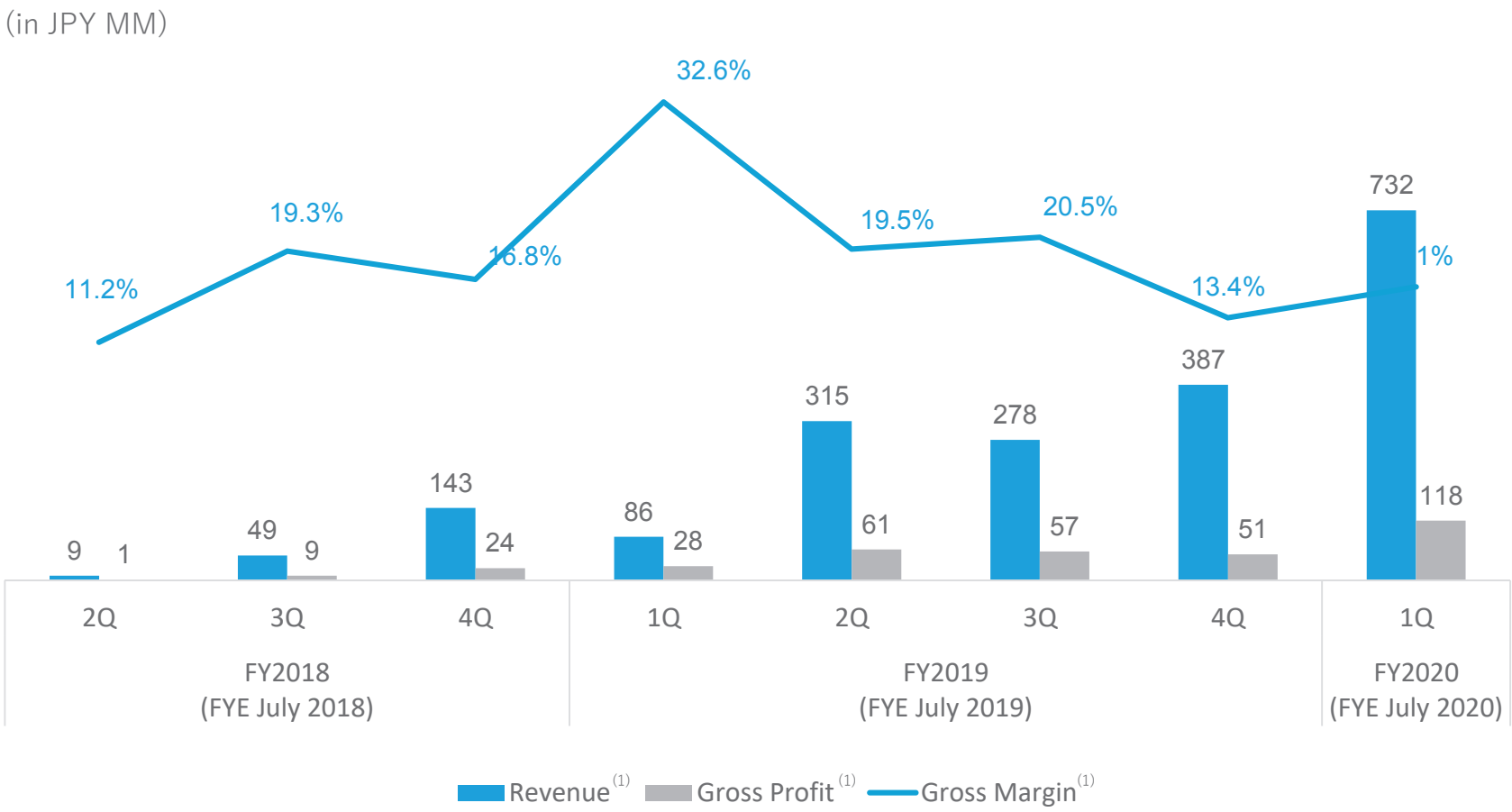
Printing & Ad

(For Reference) TVCM Service Business Performance

The revenue growth continues, driven by repeat orders from existing users

More than two-thirds of revenue in 1Q is contributed by repeat orders



Note
(1) Calculated from a management accounting perspective

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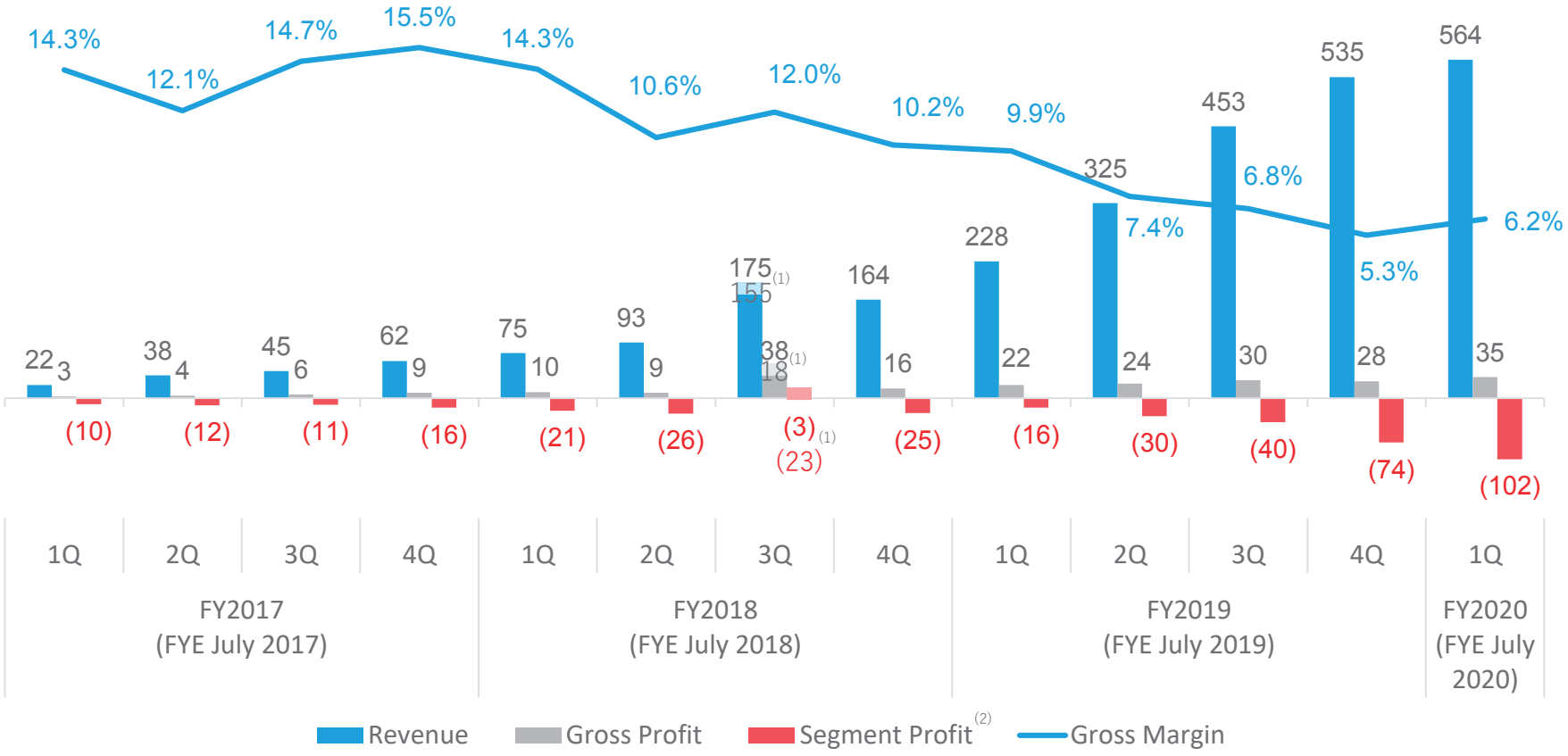
Logistics Segment Business Performance

Despite being the low season, the revenue in 1Q grew

The cost increased due to more investment being made into expanding the sales team; we expect to see the impact of this investment after 2Q

(in JPY MM)



Note
(1) Including revenue from system development for Yamato HD in FY2018; this revenue is excluded from gross profit calculation
(2) Calculated from a management accounting perspective

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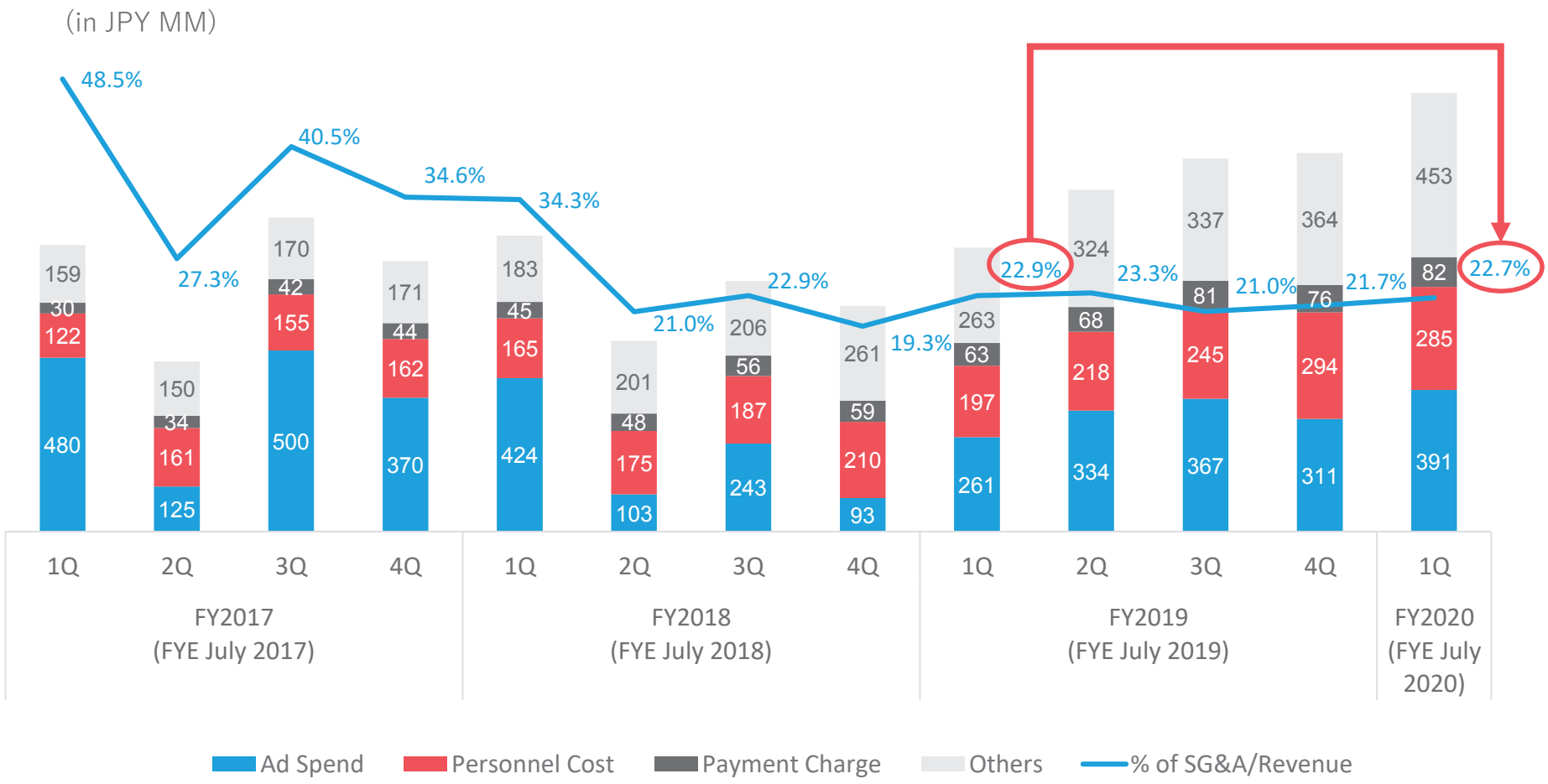
Percentage of SG&A per Revenue

Reason for an increase in the amount of others:

More investment in recruitment related activities as we continue strengthening the organization



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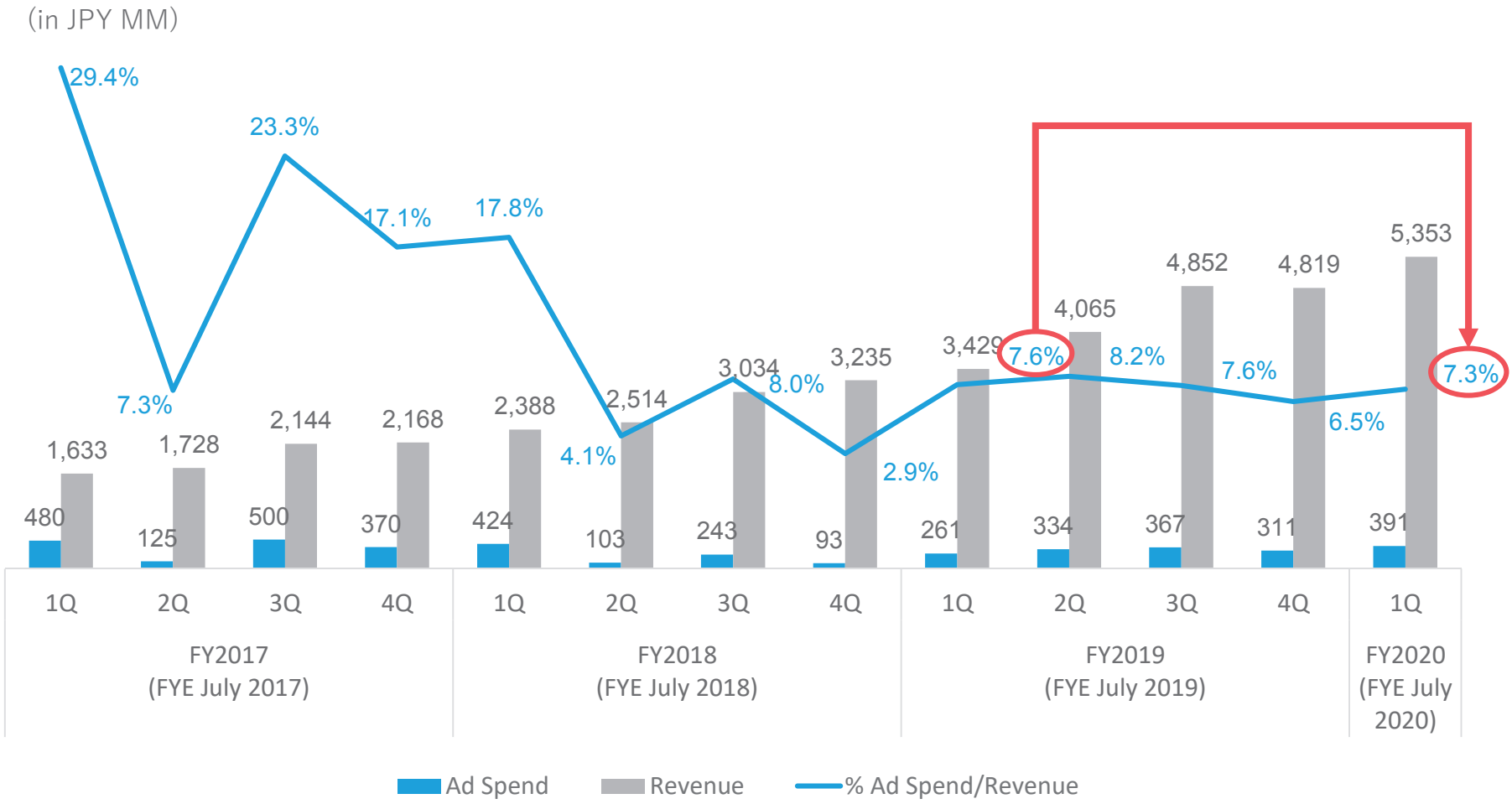
Ad Spend and Percentage of Ad Spend per Revenue

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



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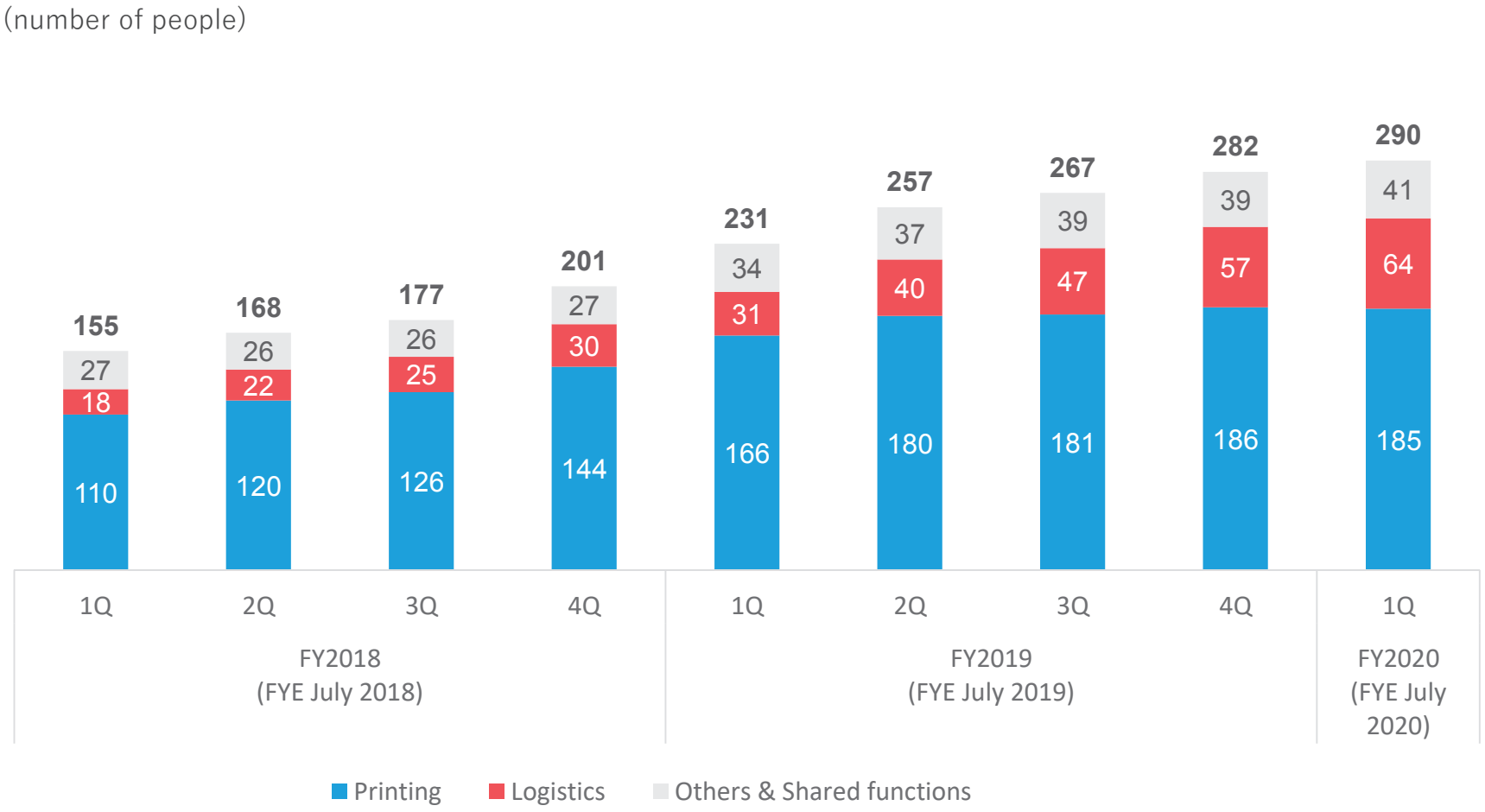
Number of Employees (1)

We are strengthening the organization, especially in the logistics business



Note
(1) There might be a discrepancy with the headcount numbers disclosed in Company Profile and other materials, which are calculated based on conversion of FTE (full-time equivalent) values

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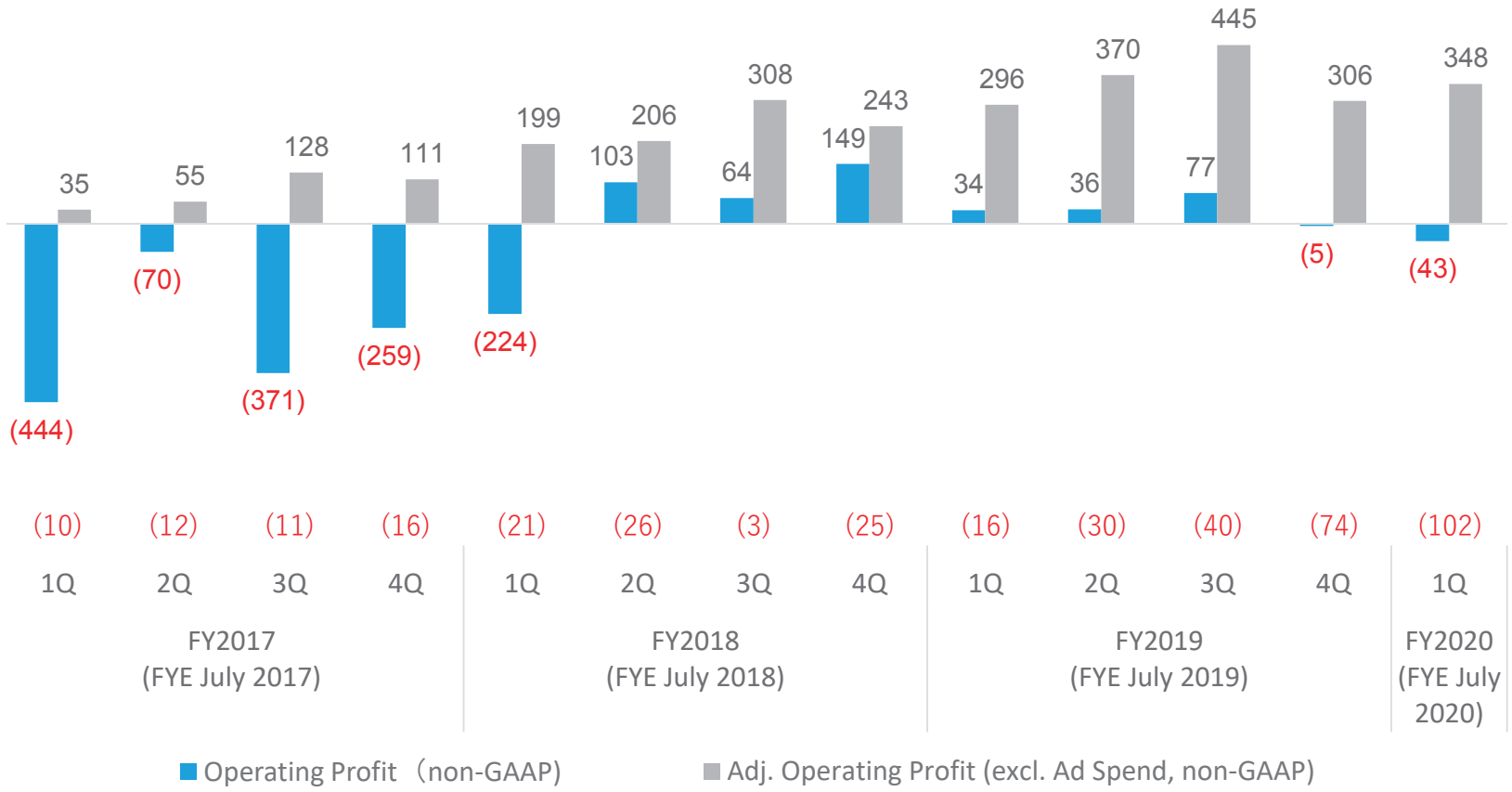
Operating Profit and Adjusted Operating Profit (excl. Ad Spend)

While the investments in the logistics segment continue to increase, the profit and cashflow generated by the printing segment also continue to improve, curbing the amount of overall losses

(in JPY MM)



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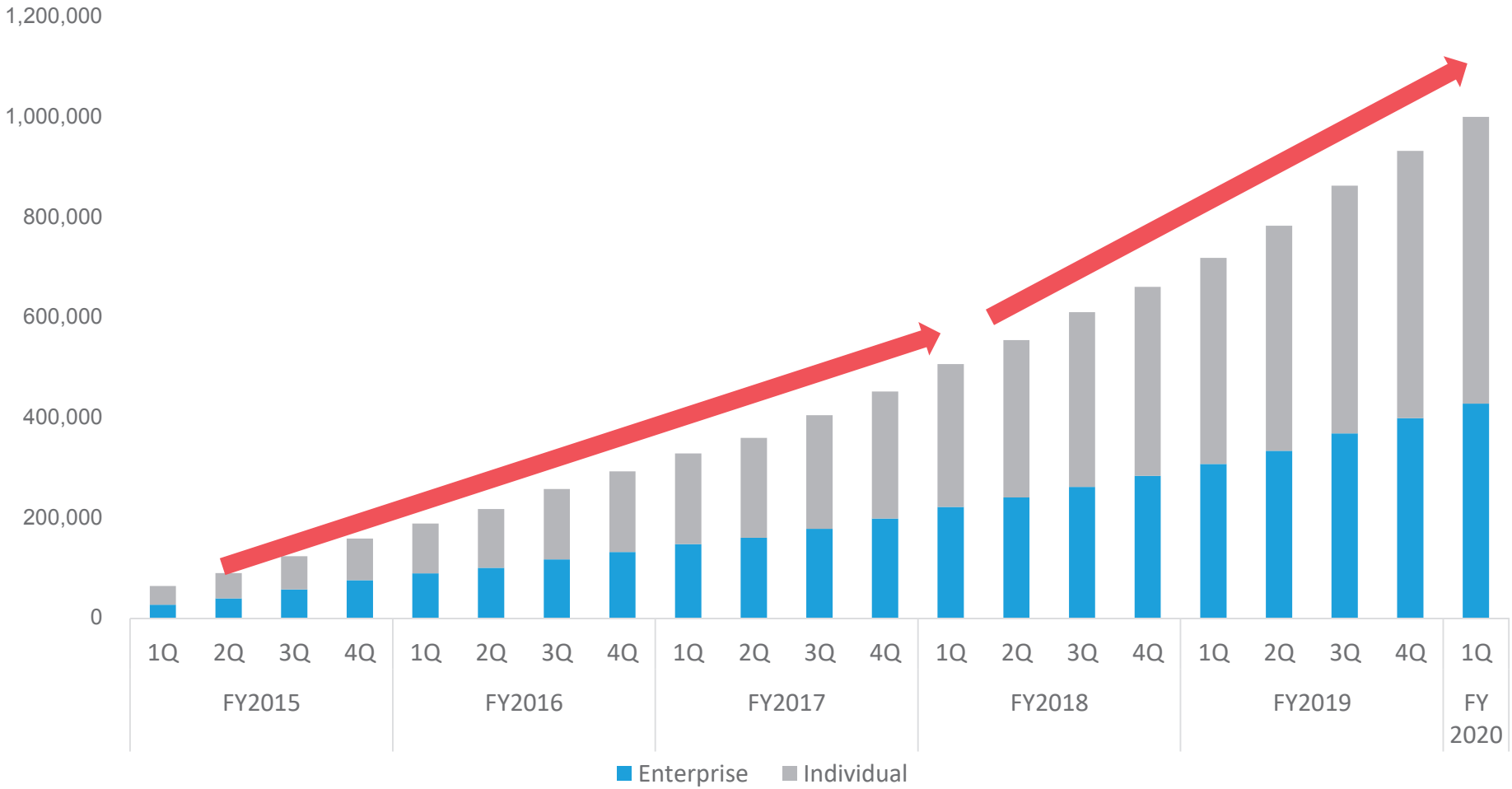
Number of Registered Users on Printing Platform

Our user base has reached 1 million and continues to grow (1)



Note
(1) This refers to users of the printing platform only; users of the “Hacobell” service are not included

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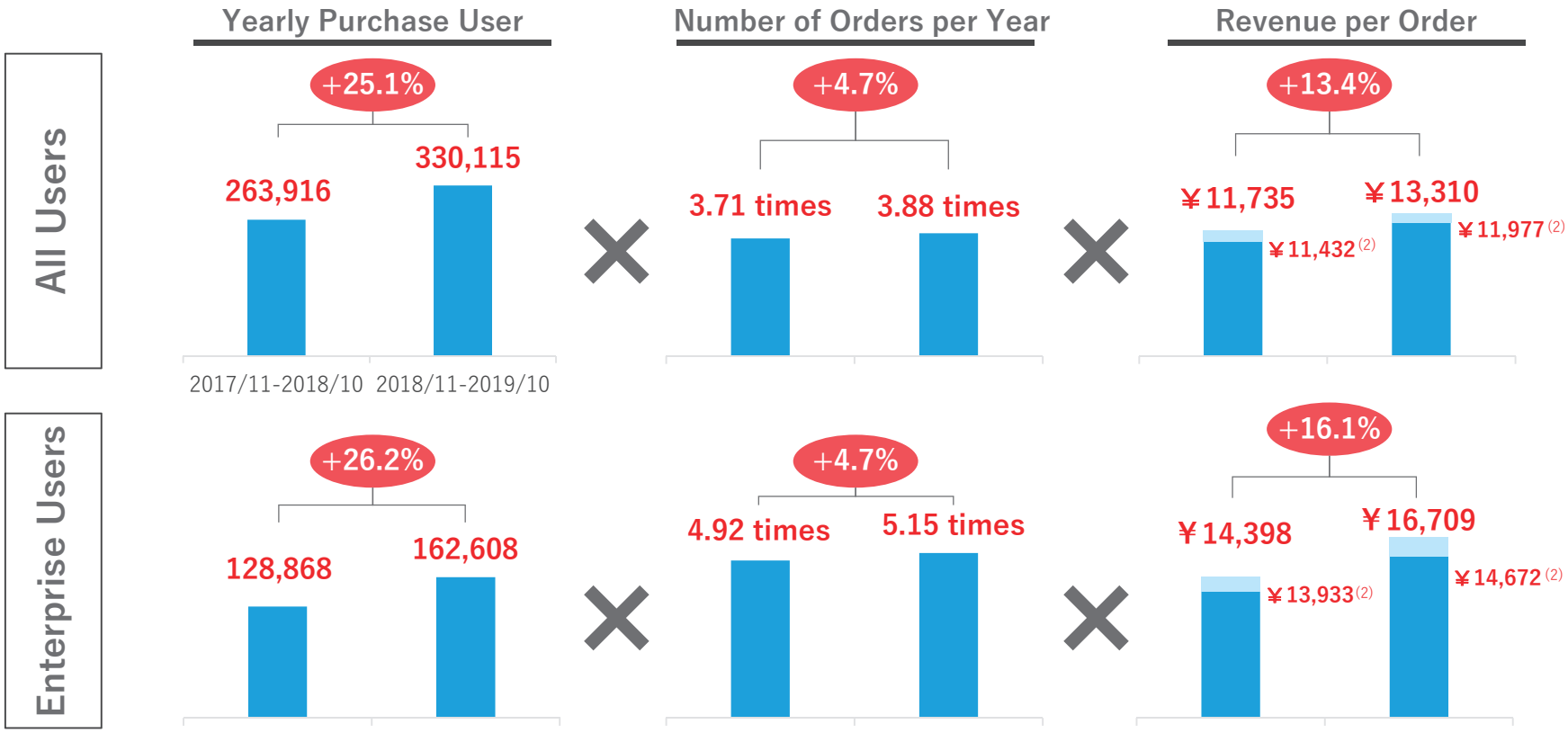
Sticky User Base

Printing & Ad

The KPIs of all users, including enterprise users, continue to improve(1)

The TVCM service has contributed to an increase in the revenue per order of enterprise users

(Excluding TVCM service, the increase in revenue per order for all users is +4.8%, and for enterprise users, it is +5.3%)



Note
(1) Calculated from a management accounting perspective
(2) Revenue per order excluding the TVCM service

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Number of Orders and Revenue per Order

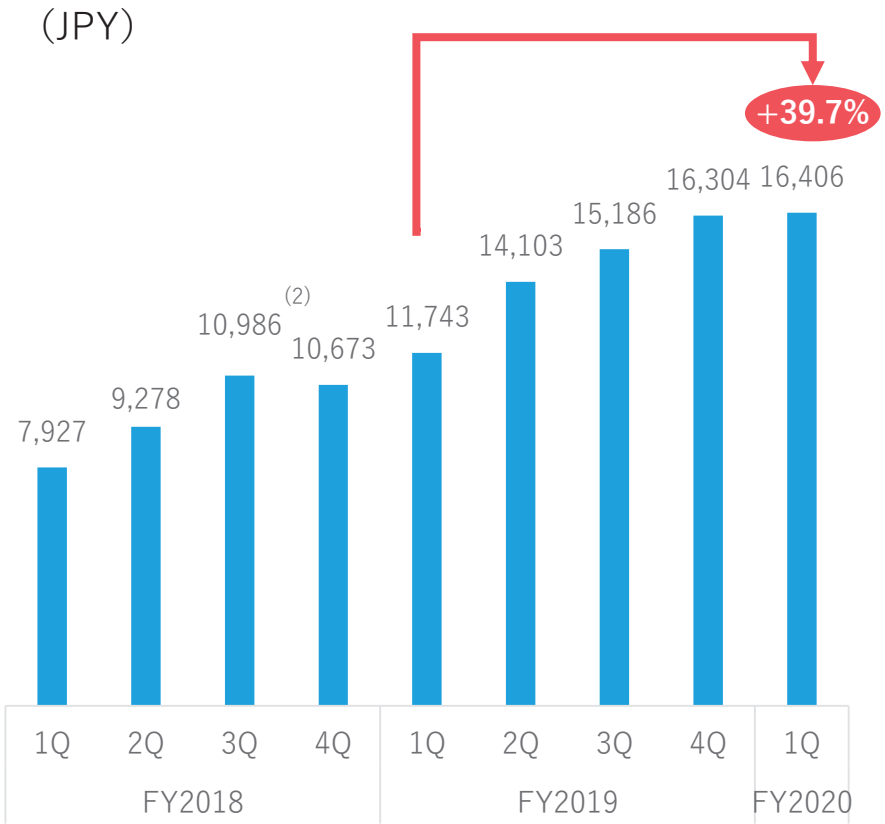
Logistics

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 standards and includes internal transactions
(2) FY2018 3Q figures do not include revenue from system development for Yamato HD

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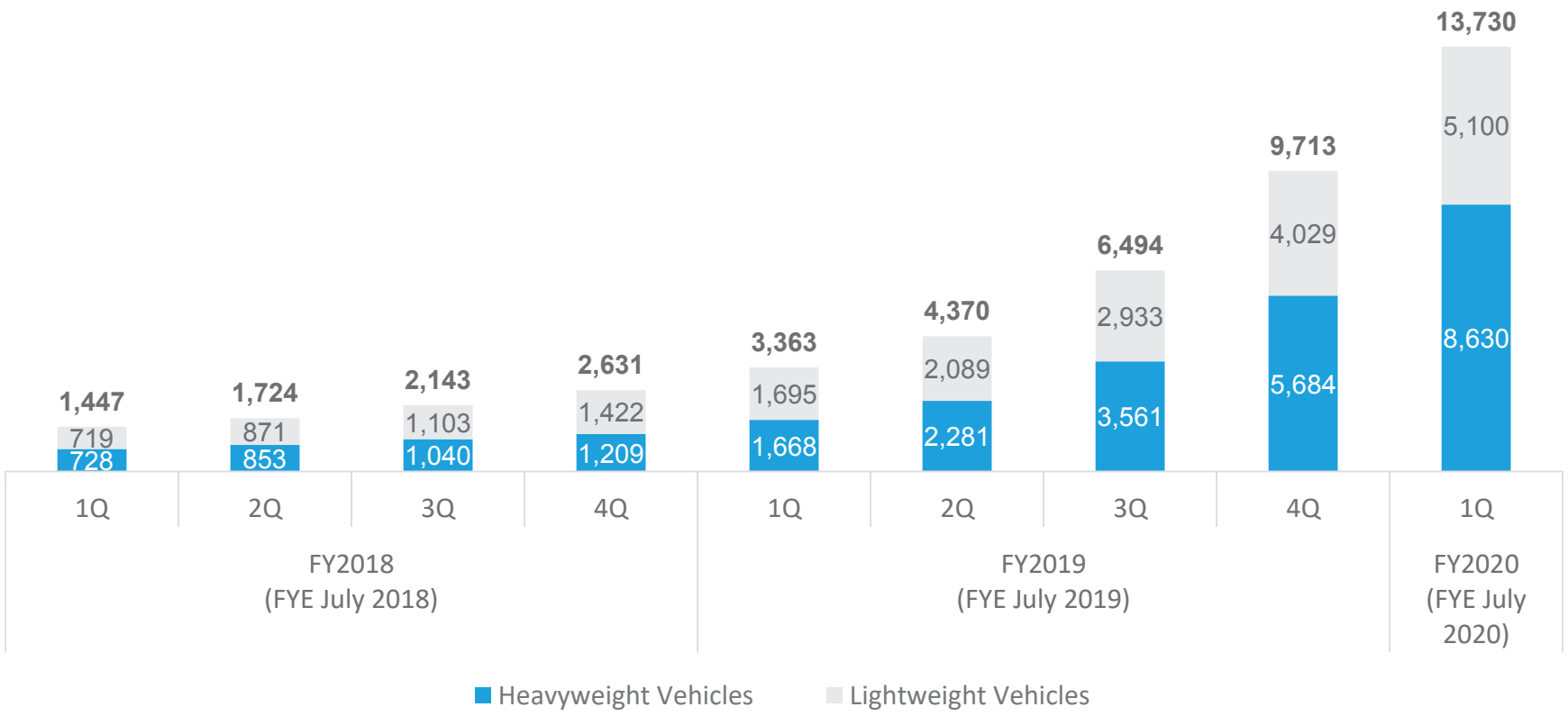
Number of Registered Vehicles

Logistics

The number of registered vehicles is increasing steadily, providing the necessary capacity to support the growth of the logistics business



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3. Overview of the TVCM Service

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Vision for Our TVCM Service

We want to improve the accessibility of TV advertising by providing commercial production and broadcasting services at a low cost to everyone (achieved by a lower price and reduced communication cost), especially the existing users of our printing EC service



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Business Model

We enable users to purchase TV commercial broadcasting slots and video contents in small quantities

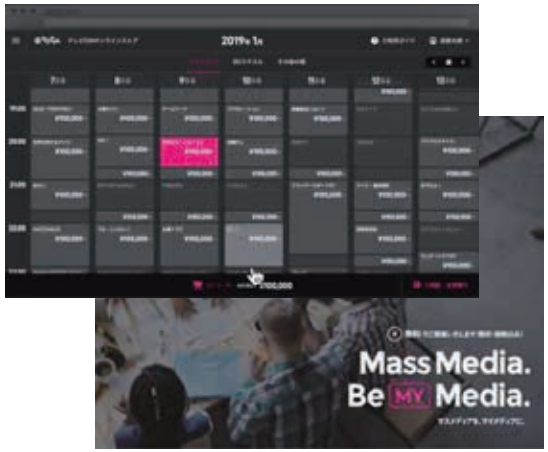
RakSul

User



1 Order

1 Payment



2 Order

2 Payment

Production company / Media company



3 Delivery of content for airing

Various media

3' Broadcasting and distribution of content via various media

Service

Money

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Value Proposition to Users

Servicing the existing SME user base of the printing EC service by making a small-lot and low-cost TVCM service possible

Small lot

- Partner with local TV stations to allow broadcasting in the unit of one prefecture or one area
- Allow users to specify the TV programs during which they would like their commercials to be broadcasted

Easy to use

- Allow for order submission online
- Provide planning and analytics services – users do no need to have TVCM expertise

Low cost

- Provide production and broadcasting packages starting at ￥500,000



Able to acquire new SME users – high synergy with the printing EC service

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Case Study

Main user group: local SMEs and startups/new businesses

Local SMEs

Acquire new customers that could not be reached by flyers alone





Startups / new business

Use as a complement to web marketing Accelerate business growth early





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4. Q&A

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Q&A

Category	Question	Answer
Firmwide	What is the expected profit level for FY2020?	The forecast for firm wide profit is not disclosed By segment: Printing – increased profit level Logistics – decreased profit level
Firmwide	How do you plan to use the ￥10 billion of new funds? (￥5 billion from debt financing, ￥5 billion from CB)	Funds received from CB will be used to grow the logistics business, while the funds received from debt financing will be used when other investment opportunities arise
Advertising	What is the expected business performance of the offline advertising service?	Similar trend to the printing EC service – we expect both the revenue and gross profit to increase
Advertising	What is the expected gross margin of the TVCM service?	Currently, the gross margin varies depending on the nature of each order; however, in the mid-term, we expect the gross margin to gradually improve to the range of 15~20%
Logistics	Which is currently the main growth focus, the number of shippers (demand side) or the number of carriers (supply side)?	The growth of the number of shippers is the current focus, while the strengthening of our sales team is the most urgent topic Note: the speed of carrier acquisition is accelerating as per page 26

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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 Kozo Fukushima, COO Yusuke Izumi, CTO Genichi Tamatsuka, Outside Director Yoshihiko Miyauchi, Outside Director Naomi Mori, Outside Director, Audit and Supervisory Committee Member Masahiro Kotosaka, Outside Director, Audit and Supervisory Committee Member Junko Utsunomiya, Outside Director, Audit and Supervisory Committee Member
# of Employees:	284 (as of October 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
- 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



Yoshihiko Miyauchi – Outside Director

- Joined Raksul as an outside director in October 2019
- Senior Chairman of ORIX Corporation since June 2014
- Long standing career in ORIX Corporation since 1964, previous positions include the Representative Executive Officer, Chairman and CEO
- Graduated from Kwansei Gakuin University; MBA from the University of Washington

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RakSul Balance Sheet

(in JPY MM)	FY2019 4Q	FY2020 1Q
Current Assets	7,981	**13,121**
Cash & Deposits	5,904	**10,691**
Non-Current Assets	1,264	**1,284**
Total Assets	9,246	**14,405**
Current Liabilities (of which, interest-bearing liabilities)	2,332 (271)	**2,546** **(238)**
Non-Current Liabilities (of which, interest-bearing liabilities)	103 (－)	**5,103** **(5,000)**
Net Assets	6,809	**6,755**
Capital Stock	1,958	**1,962**
Capital Surplus	4,765	**4,749**
Total Liabilities & Net Assets	9,246	**14,405**

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Financial Highlights by Business Segment

		FY2018 (FYE July 2018)				FY2019 (FYE July 2019)				FY2020 (FYE July 2020)
(in JPY MM)		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Revenue	Printing	2,298	2,404	2,840	3,050	3,179	3,719	4,372	4,257	**4,761**
	Logistics	75	93	175	164	228	325	453	535	**564**
	Others	14	17	17	20	21	21	26	26	**27**
Gross Profit	Printing	572	614	715	749	790	949	1,065	1,004	**1,125**
	Logistics	10	9	38	16	22	24	30	28	**35**
	Others	10	7	6	7	7	7	2	9	**9**
Segment Profit	Printing	-24	310	345	364	301	348	389	348	**351**
	Logistics	-21	-26	-3	-25	-16	-30	-40	-74	**-102**
	Others	-179	-180	-277	-189	-249	-281	-271	-279	**-292**
Operating Profit (non-GAAP)	Firmwide	-224	103	64	149	34	36	77	-5	**-43**

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Difference between non-GAAP profit and accounting profit

From this quarter, we will disclose non-GAAP profits after adding back stock-based compensation expense

No stock-based compensation expense has occurred in 1Q

	FY2020 1Q (2019/8 – 2019/10)		
(in JPY MM)	**Actual (non-GAAP)**	Difference (stock-based compensation expense)	Actual (financial accounting)
Revenue	**5,353**	-	5,353
Gross Profit	**1,170**	-	1,170
Gross Margin	**21.9%**	-	21.9%
Operating Profit	**-43**	-	-43
Ordinary Profit	**-57**	-	-57
Net Profit	**-57**	-	-57

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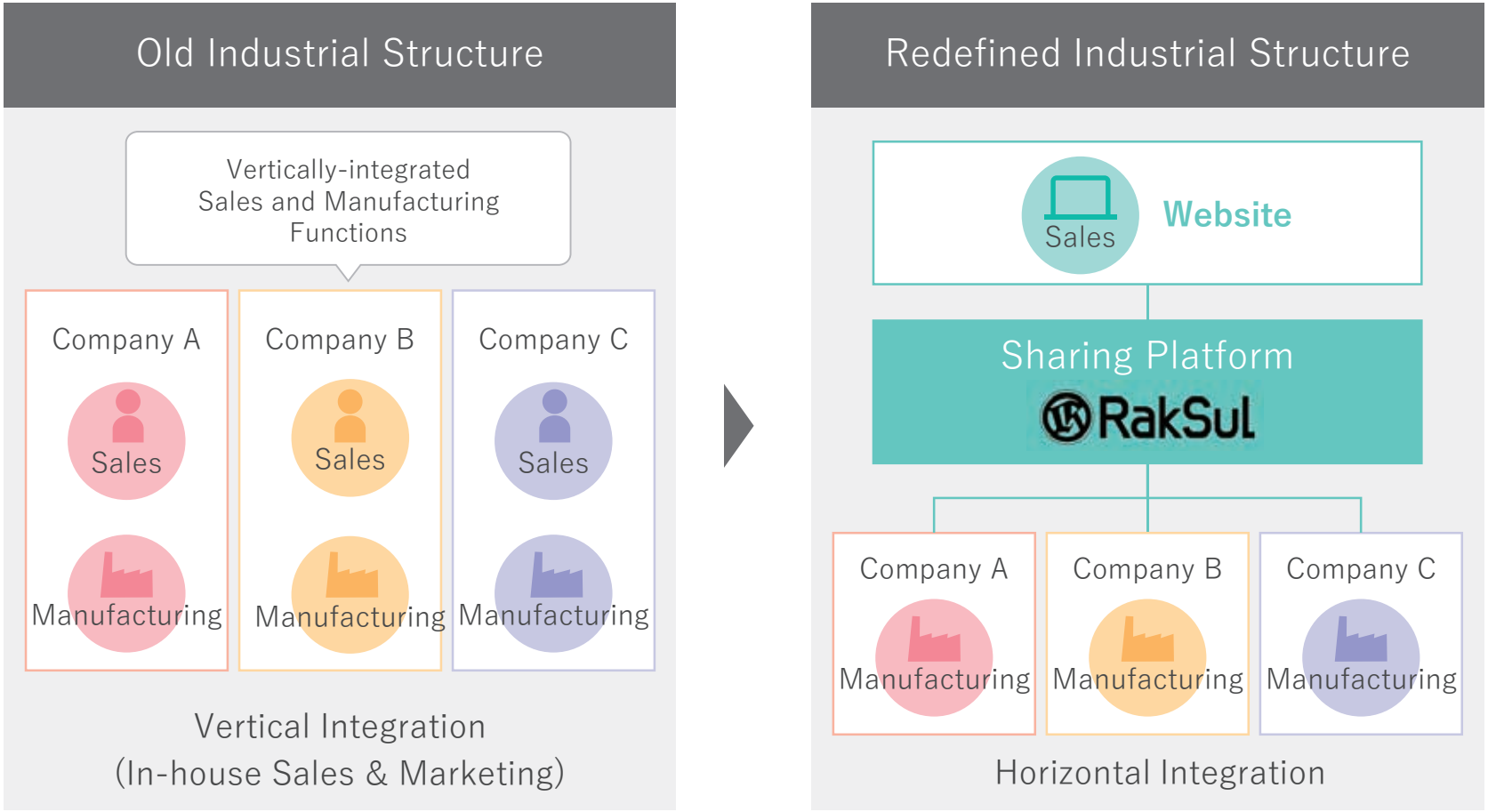
Redefining Old Industries

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



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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



Raksul

Domestic Trucking Market



Hacobell

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

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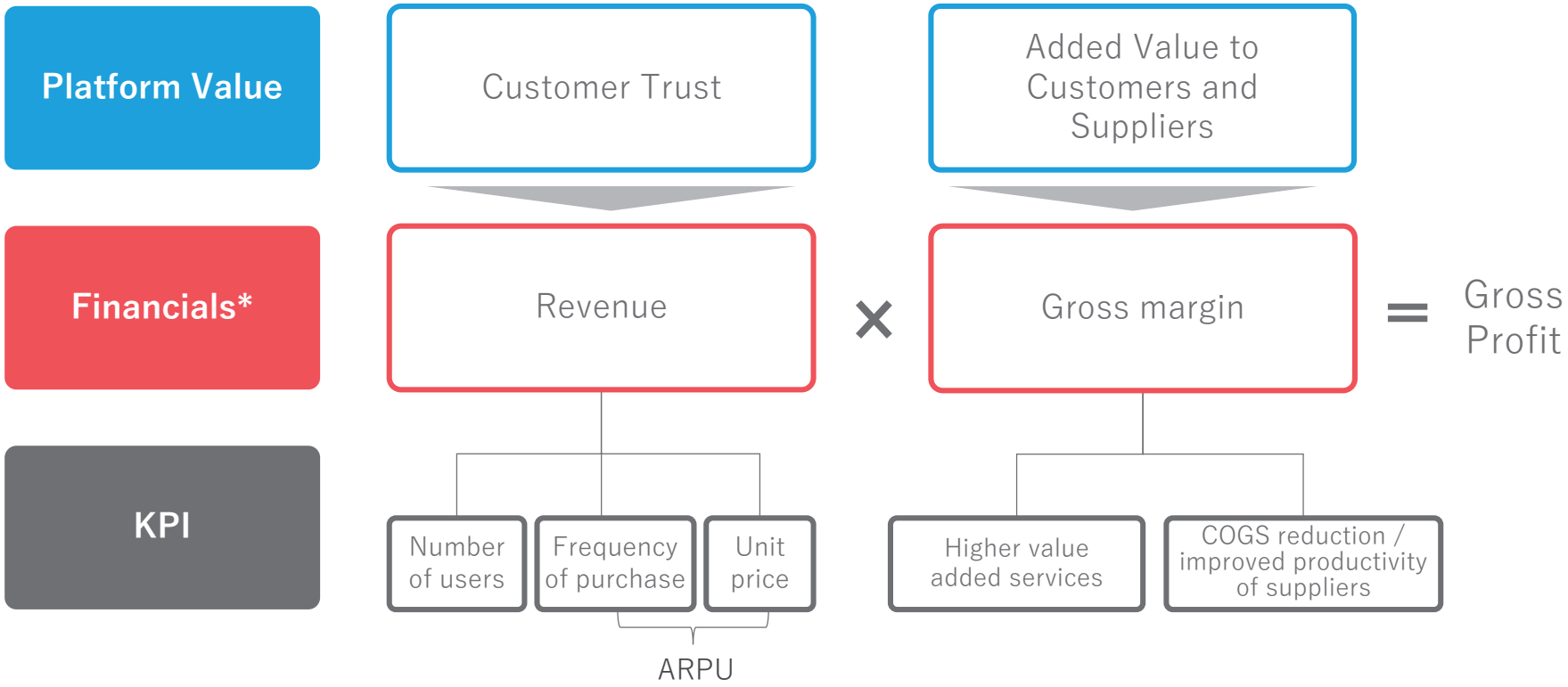
Our Value Creation Formula

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

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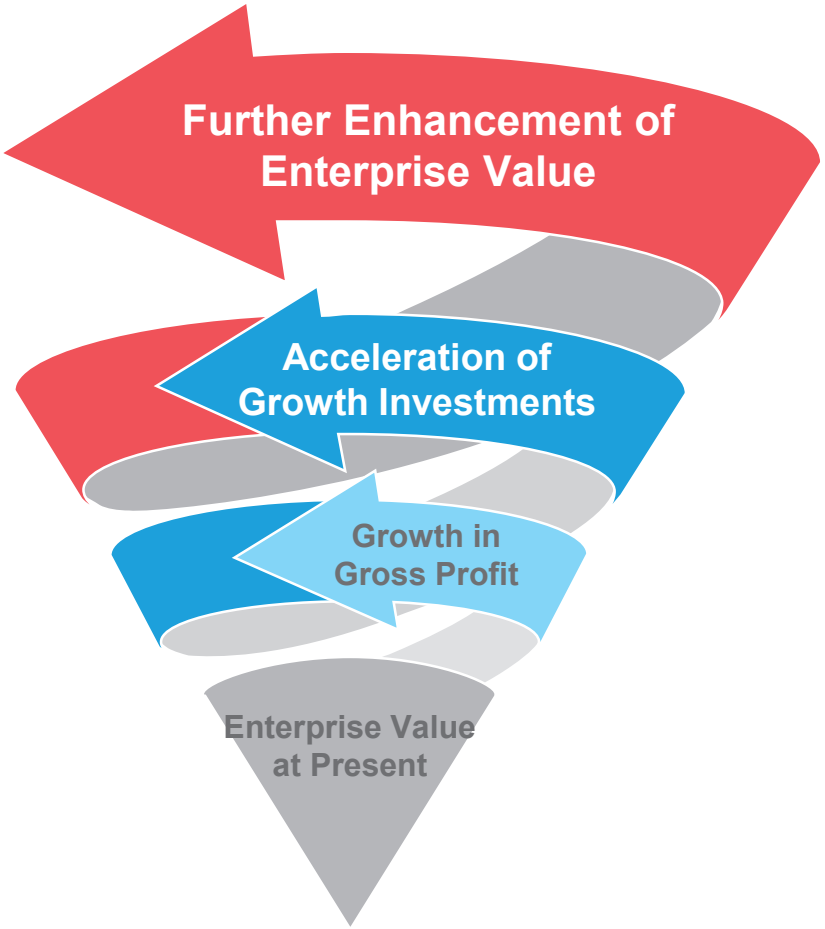
Upward Spiral of Value Creation

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



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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

Technology

Continuous product developments led by industry-leading engineers



Marketing

In-house experience in executing marketing plans of ￥5Bn+ 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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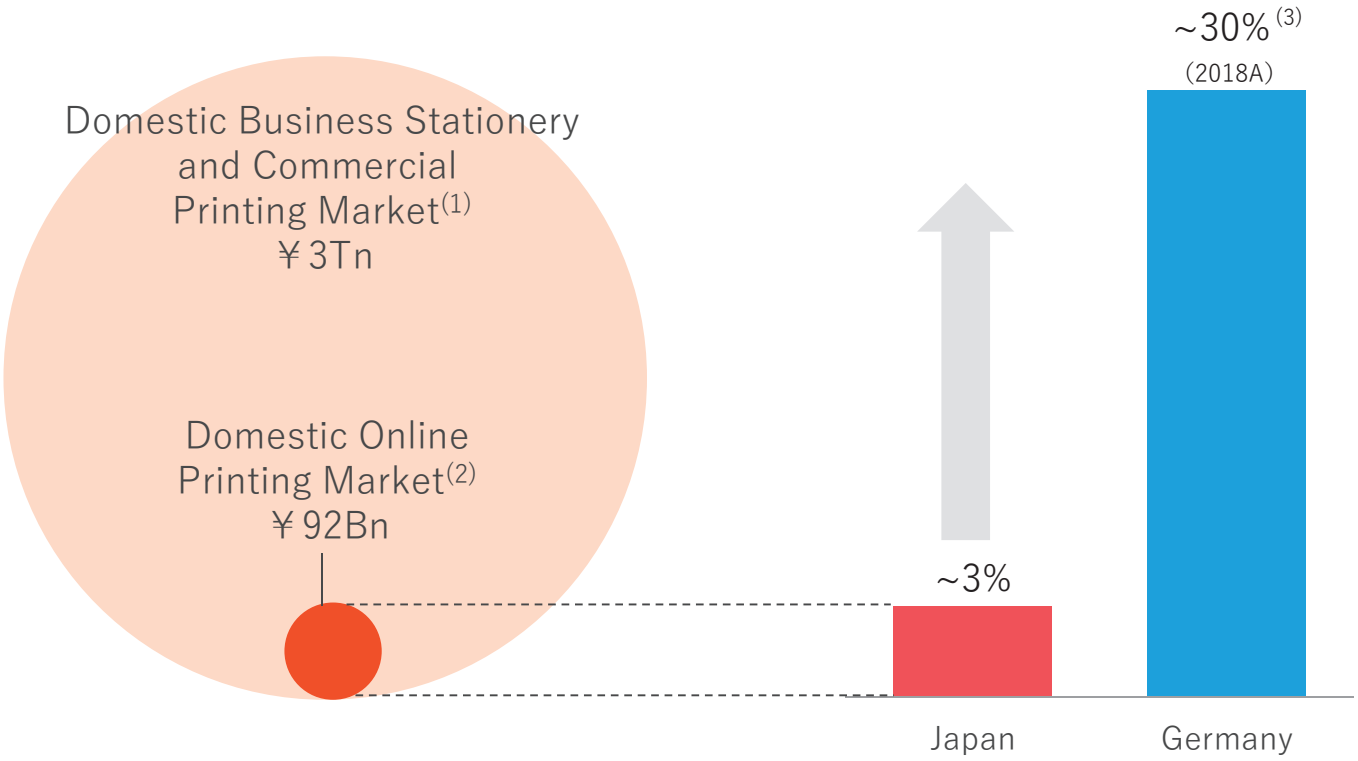
TAM Expansion Driven by Further EC Penetration

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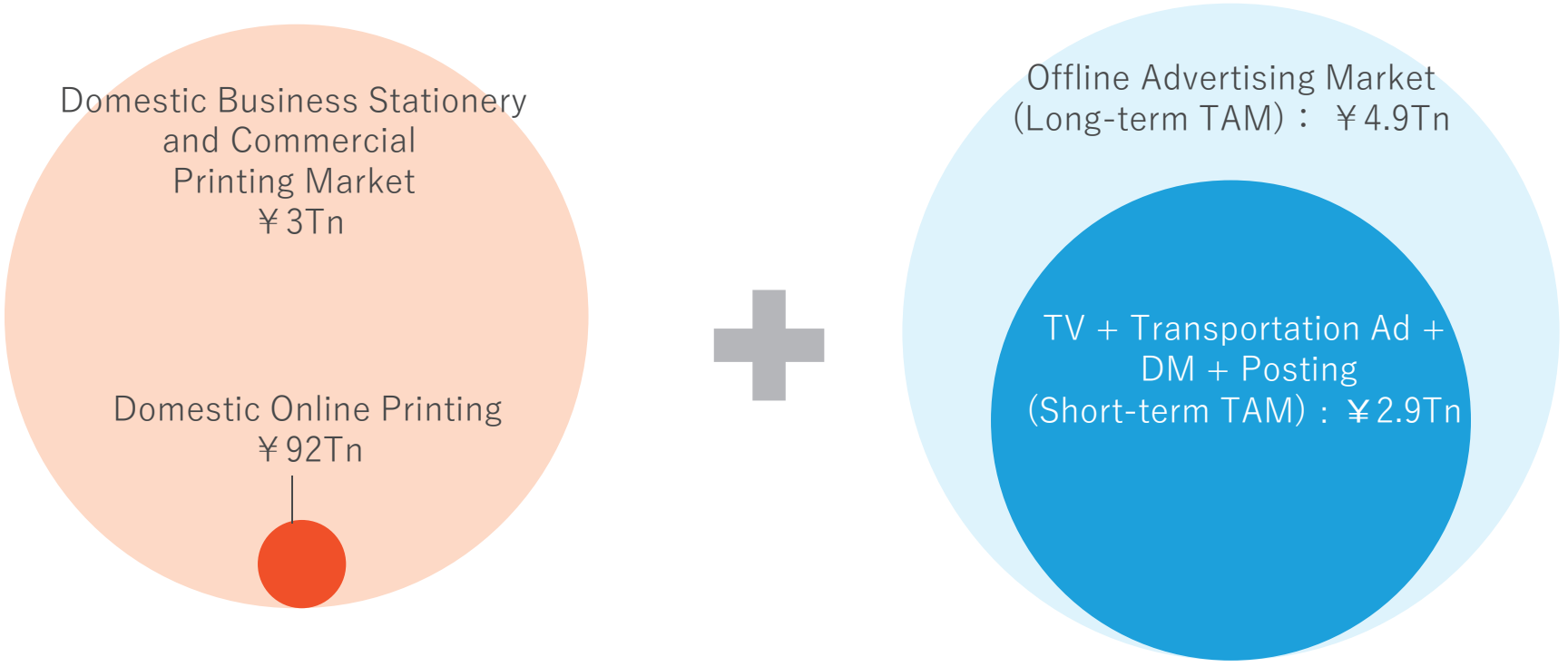
One-Stop Service (Advertising Business) Further Extends Our Opportunities

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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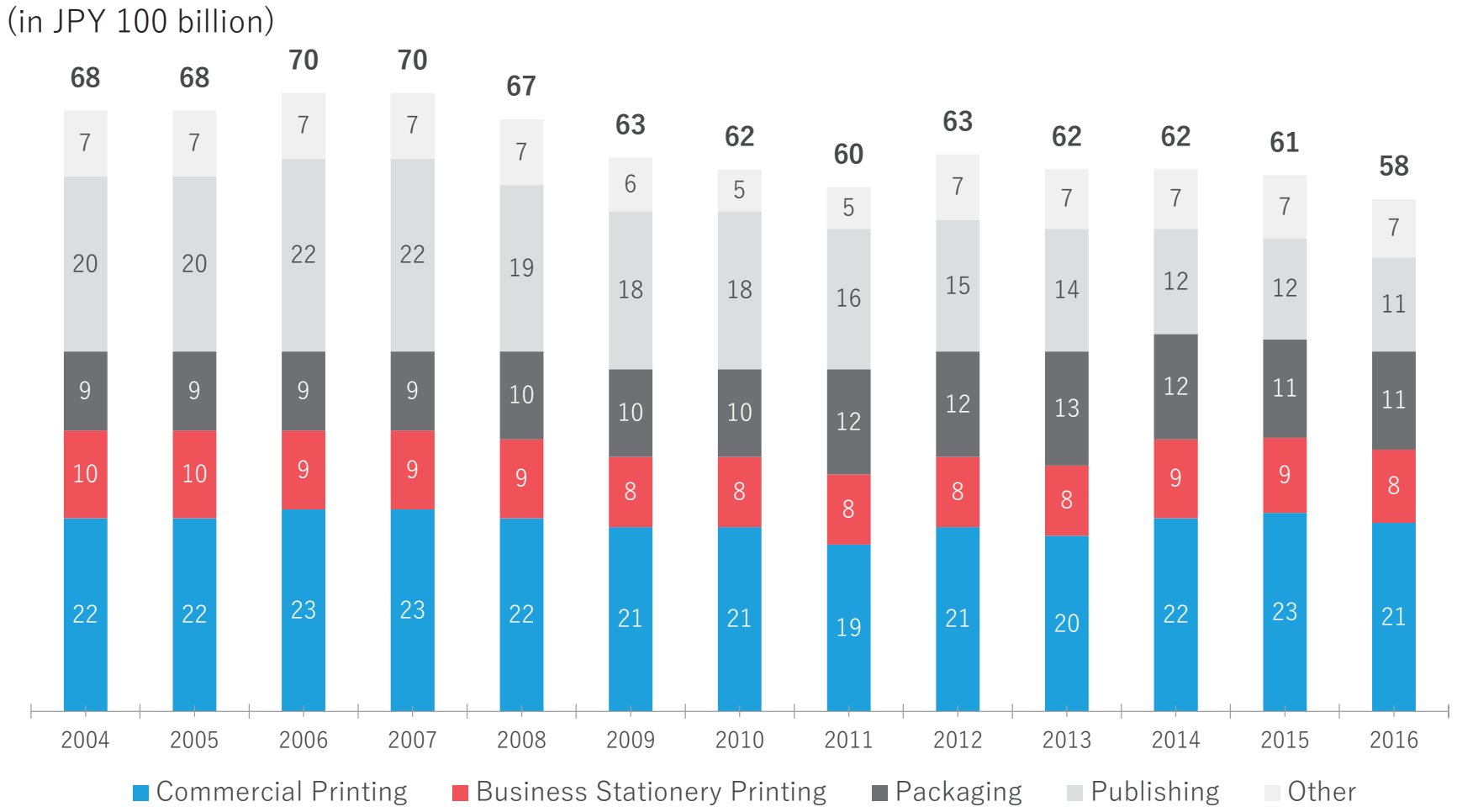
Historical Trends of Japanese Printing Market

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

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	￥34Tn (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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Better Systems, Better World

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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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