Financial Results for the 4th Quarter of Fiscal Year Ending July 31, 2020

RAKSUL INC.

(TSE First Section：4384)

September 10, 2020

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Highlights

FY2020 (FYE July 2020) Quarterly and Full Year Financial Highlights

- Full-year revenue: +25.2% YoY; full-year gross profit: +24.9% YoY; full-year operating loss (non-GAAP): -¥159 million
  All results achieved in excess of the revised forecast disclosed on June 11, 2020
- Achieved the highest operating profit (non-GAAP) of ¥237 million in 4Q. By optimizing costs, we developed a structure that allows us to generate steady profit even during the COVID-19 pandemic
- All business segments recorded their lowest revenues in May but were able to recover quickly

FY2021 (FYE July 2021) Management Focus and Financial Forecast

- There is no change in our management stance which is focused on growth and realizing our vision while managing risk during COVID-19
- Full-year revenue forecast: +25~30% YoY; full-year gross profit forecast: +30~40% YoY
- Full-year operating profit forecast : ¥300 million~¥500 million

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AGENDA

1. Company Overview

2. FY2020(FYE July 2020) Full Year Financial Highlights

3. FY2021(FYE July 2021) Management Focus & Forecast

4. Q&A

5. Reference Materials

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1. Company Overview

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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

Platform
Printing & offline advertising

ラクスル

Raksul
Launched in March 2013



Platform
TV commercial-related services

ノバセル BY ラクスル

Novasell
Launched in April 2020



Platform
Logistics

ハコベル

Hacobell
Launched in December 2015



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Sustainable Growth Through BtoB Platforms That Disrupt Multiple Industries

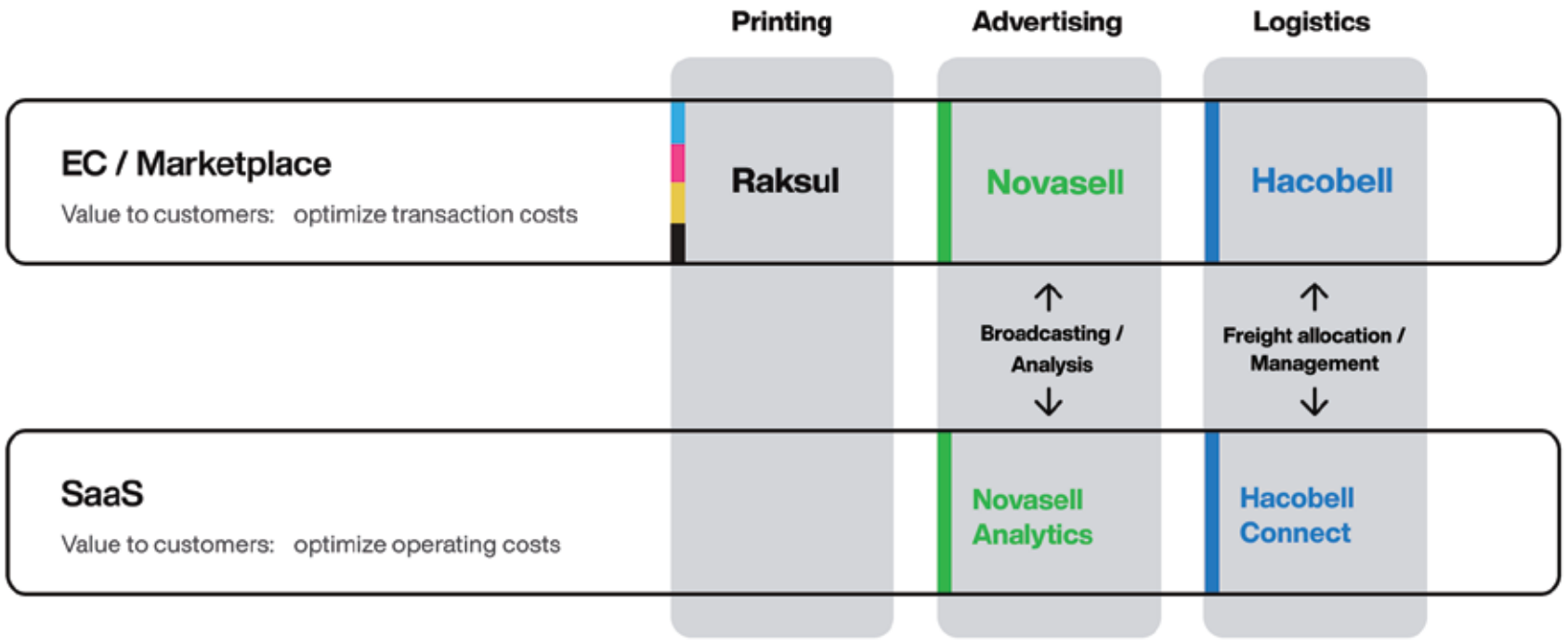
In the medium-to-long term, we aim to expand our platforms into other industries



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Future Focus of our Business Model

We will endeavor to transform legacy industries via a combination of EC/Marketplace and SaaS, which enables our customers to optimize both transaction costs and operating costs at the same time



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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

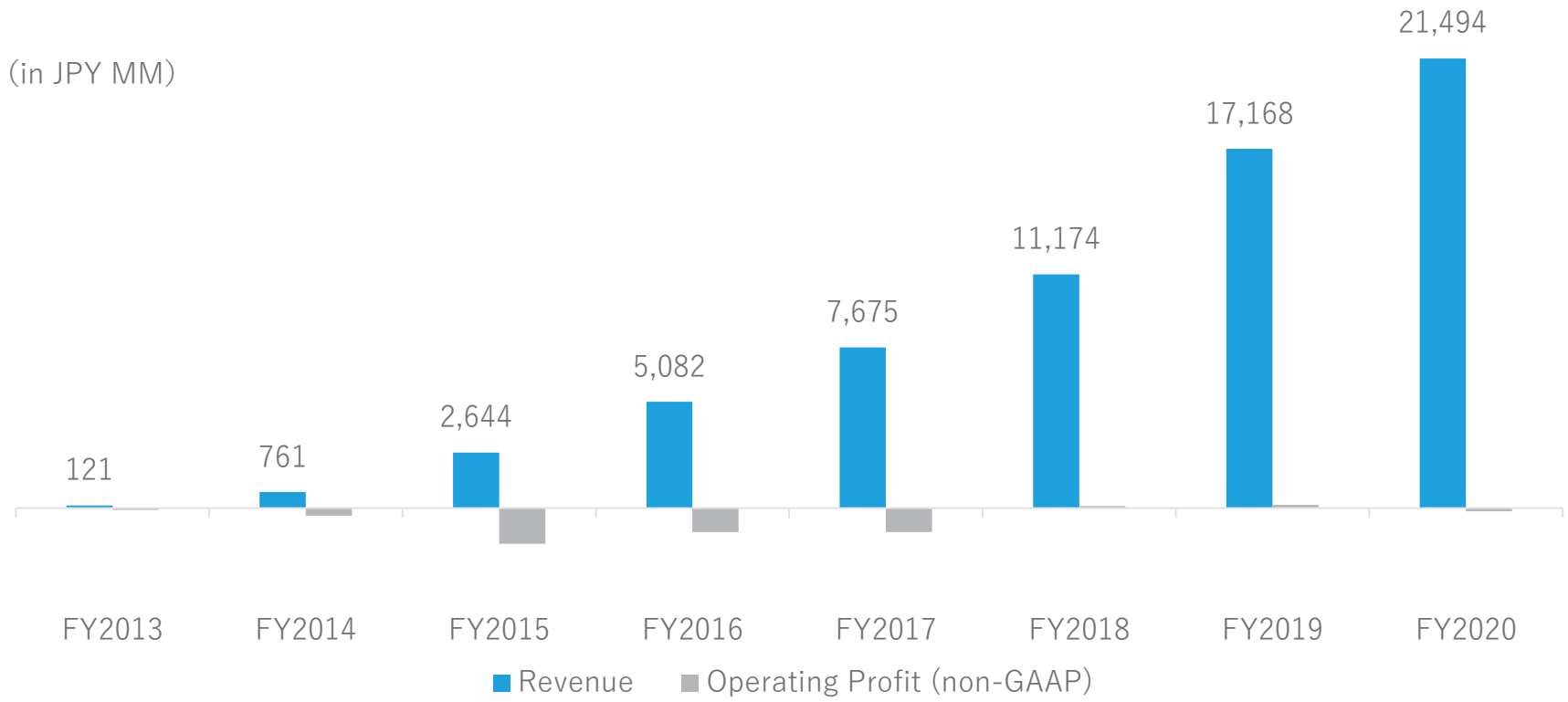
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Growth Through Reinvestment

We achieved revenue growth and improved profitability in FY2020

In the first half of the year, revenue grew strongly due to sustained growth in the printing business segment, as well as significant expansion of the TV commercial-related services business segment and the logistics business segment

The second half of the fiscal year is positioned as a period to review the pace of investment and cost structure to significantly improve profitability while all segments are affected by the spread of COVID-19



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2. FY2020(FYE July 2020) Full Year Financial Highlights

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Changes in Accounting Segments

Although our TV commercial related-service (now named “Novasell”) utilizes the same customer base as Printing EC, it has a unique value proposition and business model. Therefore it has been managed as an independent business since 4Q

We will disclose the printing and offline advertising service as the Raksul Business Segment, the TV commercial-related service as the Novasell Business Segment, and our logistics service as the Hacobell Business Segment

until FY2020 Q3

ラクスル

Printing Business Segment

- Printing EC
- Offline Advertising
- TV commercial-related ノバセル

ハコベル

Logistics Business Segment

FY2020 Q4 onward

ラクスル

Raksul Business Segment

- Printing EC
- Offline Advertising

ノバセル

Novasell Business Segment

- TV commercial-related

ハコベル

Hacobell Business Segment

- Logistics

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FY2020(FYE July 2020) Full Year Financial Highlights

Achieved full-year revenue +25.2% YoY and gross profit +24.9% YoY, despite the impact of COVID-19

All results achieved in excess of the revised forecast disclosed on June 11, 2020
In particular, operating profit improved significantly

(in JPY MM)	Raksul Printing EC/ Offline ad	Novasell TV commercial-related service	Hacobell Logistics	Firmwide Actual (1)	Firmwide Actual vs Forecast (2) (as disclosed on June 11, 2020)
Revenue YoY	**16,330** +12.9%	**2,853** +167.4%	**2,186** +41.7%	**21,494** +25.2%	**+3.3%**
Gross Profit YoY	**4,203** +16.4%	**485** +144.4%	**190** +79.5%	**4,928** +24.9%	**+6.0%**
Gross Margin	**25.7%**	**17.0%**	**8.7%**	**22.9%**	**-**
(non-GAAP) **Operating Profit**	**1,366**	**10**	**-366**	**-159**	**+201 million exceeded**

注
(1) The difference between the total of each segment and Firmwide is due to “other businesses” and head administration expenses
(2) Compared to the lower range of the revised earnings forecast announced on June 11, 2020

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Printing & offline ad

FY2020 Business Highlights

Penetration into the non-paper printing EC market

- Expanded the target market to include stickers, novelties, and packaging



Increase in revenue contribution from non-commercial and non-business stationary printing

Higher profitability for the supply platform

- Developed an algorithm for automatic optimal ordering
- Continued expansion of the partner network



Increase in gross margin

Development of automatic print-data checking function

- Developed a function to automatically check the data submitted for multi-page booklet printing (an industry first)



Increase in customer retention and internal productivity

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TV commercial-related

FY2020 Business Highlights

Enhanced coverage of ads beyond the local area

- Increased the number of broadcast projects in Kanto, Kansai, and Chukyo regions
- Expanded the customer base



Visualization of Effectiveness

- Launched the “Programmatic TV Commercial" service, a one-stop service for planning, production, broadcast, and analysis



Launch of Novasell Analytics(SaaS)

- There are more than thirty paid users



Revenue growth

Increase in customer satisfaction and repeat users

Increase in gross margin

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ハコベル Logistics FY2020 Business Highlights

Created cost optimization value for customers by providing solutions

- Increased number of orders from large enterprises



Revenue growth

Matching System Development (Smart Order)

- Optimized order/order pricing algorithms for partner logistics companies



Expansion of revenue and gross margin

Start of fee-based implementation of the transportation management system

- Expanded the business model beyond driver and shipper matching



ハコベル コネクト

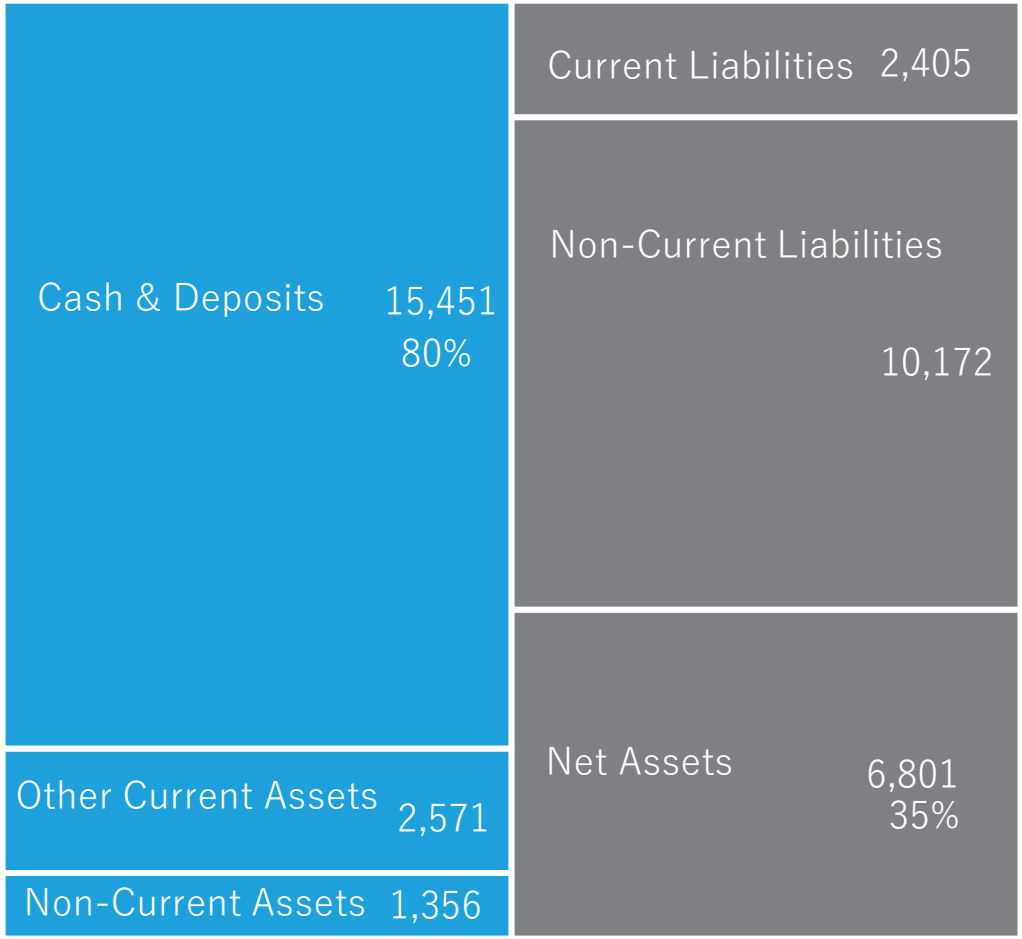
Increase in gross margin

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FY2020 Financial Highlights : BS

Our balance sheet is in the good shape; (1)¥15 billion in cash and deposits, (2)no goodwill, and (3)high level of net assets

(in JPY MM)



Bank Loan 5,000
Due in 2024~2026
CB 5,043
Due on Nov 2024

Capital Stock 2,152
Capital Surplus 4,959
Earned Surplus -409

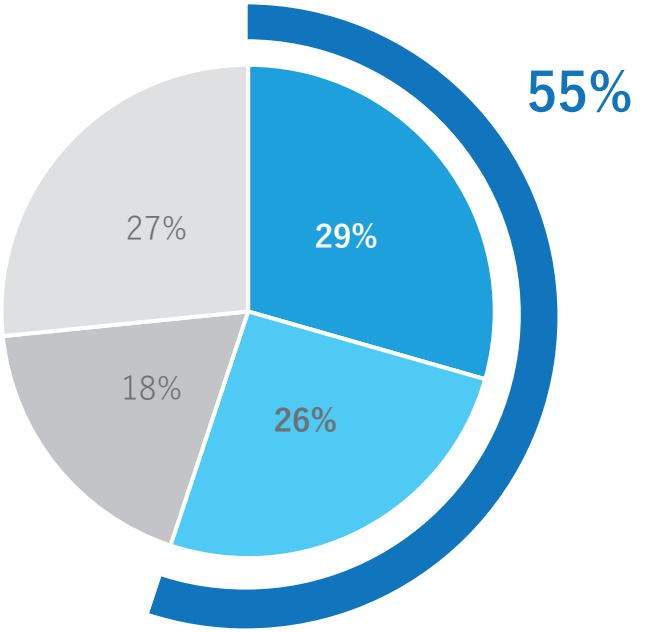
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FY2020 Financial Highlights

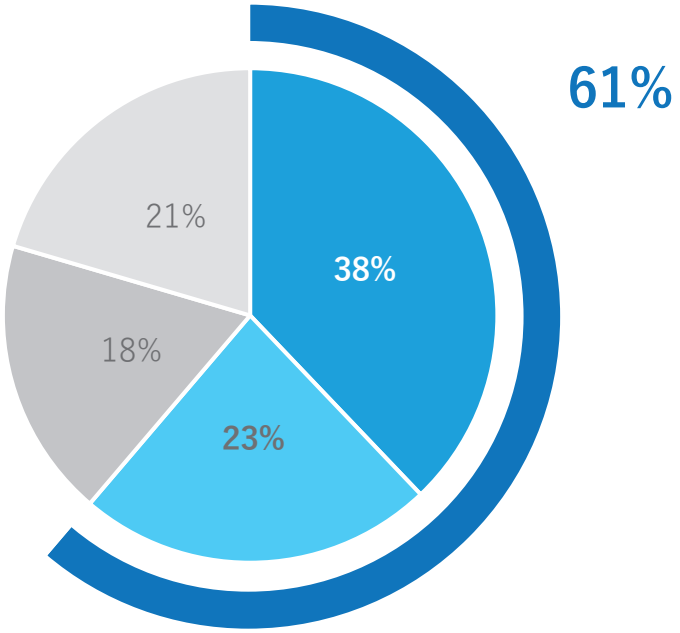
We moved to the First Section of the Tokyo Stock Exchange in August 2019, and shares owned by institutional investors (domestic and foreign) currently exceed 60%. We continue to prioritize dialogue with investors

Restricted Stock-based compensation (RS) plan introduced in FY2020. Details and equity incentive balance are disclosed in the reference material

Shareholder structure as of July 2019



Shareholder structure as of July 2020



Foreign Institutional Investor
Domestic Institutional Investor
Management Team
Others

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FY2020 Financial Highlights : PL

Quarterly revenue increased +1.6% YoY; quarterly gross profit, which is our primary focus, continued to grow +24.4% YoY

By optimizing cost structure, we achieved the highest operating profit in Q4 despite it being the most affected quarter by COVID-19

Loss on disposal of fixed assets of ¥19 million was recorded as an extraordinary loss due to the closure of the satellite office in Gotanda

	FY2020 4Q (2020/5 – 2020/7)					FY2020 full-year (2019/8 – 2020/7)				
	Actual	Same period last year (FY2019 4Q)		Previous quarter (FY2020 3Q)		Actual	FY2019 full-year (2018/8 – 2019/7)		Full-year forecast (2) (as disclosed on June 11,2020)	
(in JPY MM)		Actual	YoY	Actual	YoY		Actual	YoY	Forecast	Actual vs forecast
Revenue	**4,896**	4,819	+1.6%	5,451	-10.2%	**21,494**	17,168	+25.2%	20,800 ~21,200	+3.3%
Gross Profit	**1,296**	1,042	+24.4%	1,216	+6.6%	**4,928**	3,944	+24.9%	4,650 ~4,850	+6.0%
Gross Margin	**26.5%**	21.6%	+4.9pt	22.3%	+4.2pt	**22.9%**	23.0%	-0.0pt	-	-
Operating Profit (1) (non-GAAP)	**237**	-5	-	-152	-	**-159**	143	-	-360 ~-280	-
Incl.: Ad spend	**197**	311	-36.7%	489	-59.7%	**1,633**	1,275	+28.1%	-	-
Incl.: Logistics segment profit (non-GAAP) (1)	**-51**	-74	-	-83	-	**-366**	-161	-	-	-
Incl.: Stock-based compensation expense	**46**	-	-	22	+104.8%	**84**	-	-	-	-
Ordinary Profit (1) (non-GAAP)	**205**	**-8**	-	-157	-	**-280**	130	-	-490 ~-410	-
Net Profit (1) (non-GAAP)	**185**	**-6**	-	-158	-	**-406**	69	-	-620 ~-540	-

Note
(1) From FY2020, we will disclose non-GAAP profits after adding back stock-based compensation expense (the same applies hereinafter). Please see slides in appendix for more details
(2) Compared to the lower range of the revised earnings forecast announced on June 11, 2020

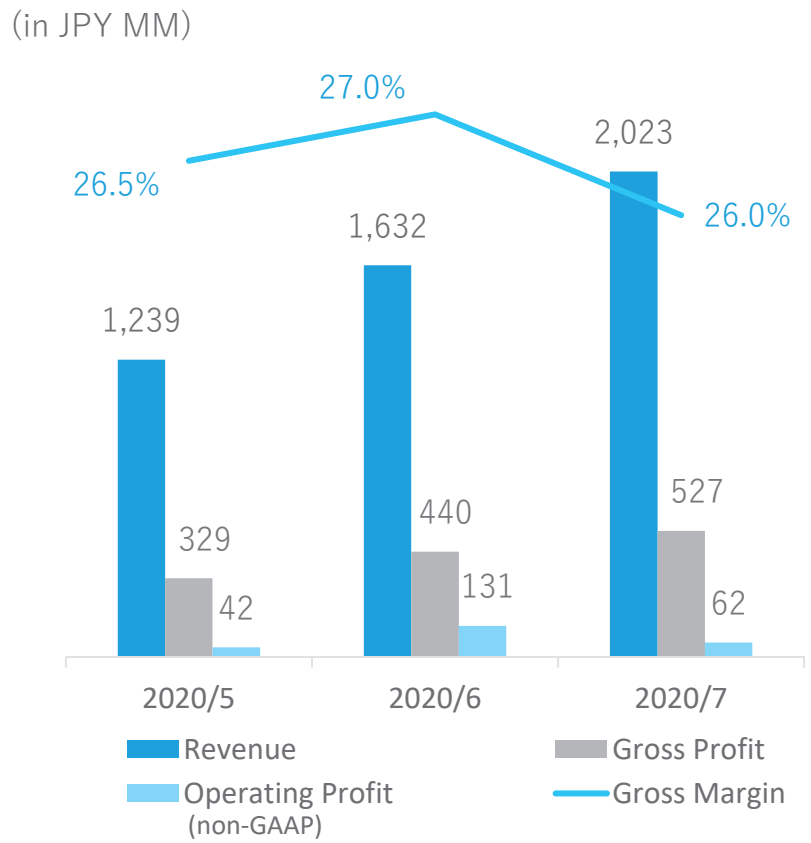
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(Reference)Monthly Financials in 4Q

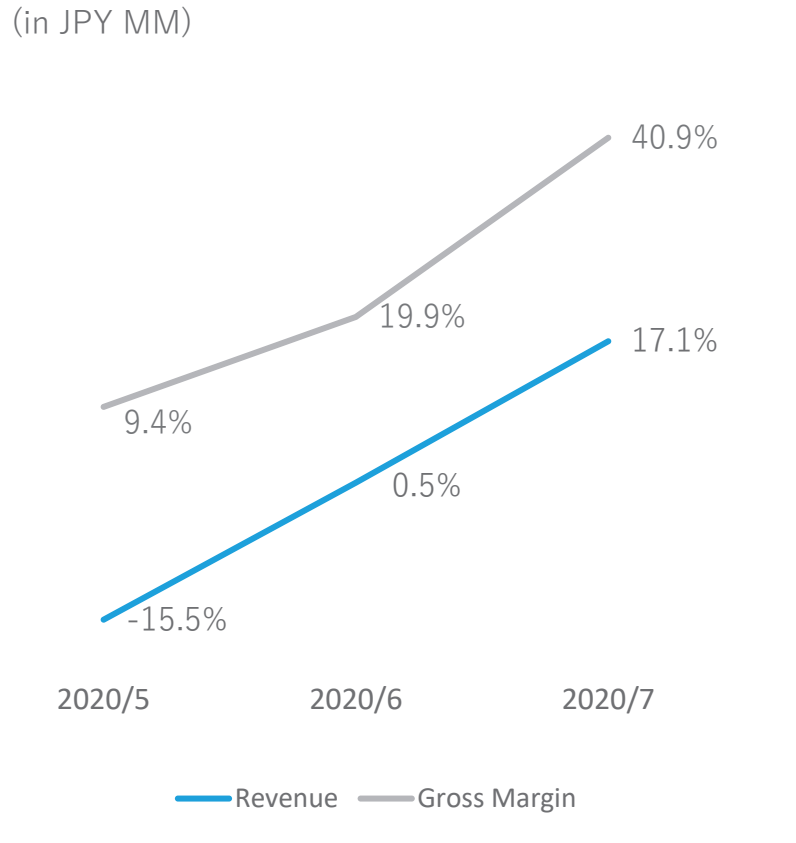
The impact of COVID-19 saw its peak in May. In July, revenue growth recovered to +17.1% YoY and gross profit grew +40.9% YoY

We resumed growth investment from mid-June, mainly in variable investment such as TV commercials, while maintaining the optimized cost structure

Results



YoY Growth

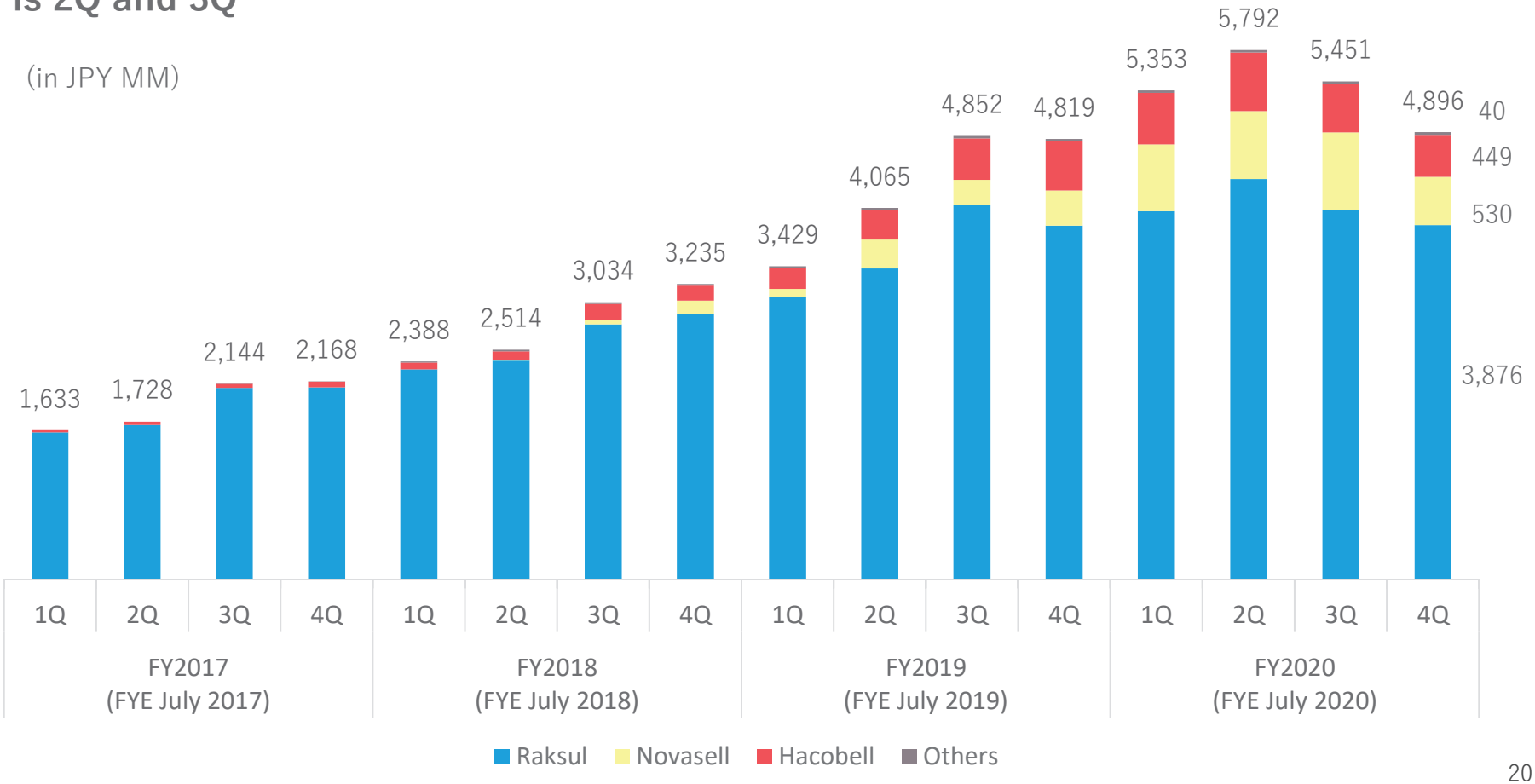


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Revenue by Business Segment

All business segments recorded their lowest revenues in 4Q but are expected to grow from FY2021 1Q onwards

Under normal circumstances, the peak season for the Raksul Business Segment and Novasell Business Segment is 3Q, and for the Hacobell Business Segment it is 2Q and 3Q



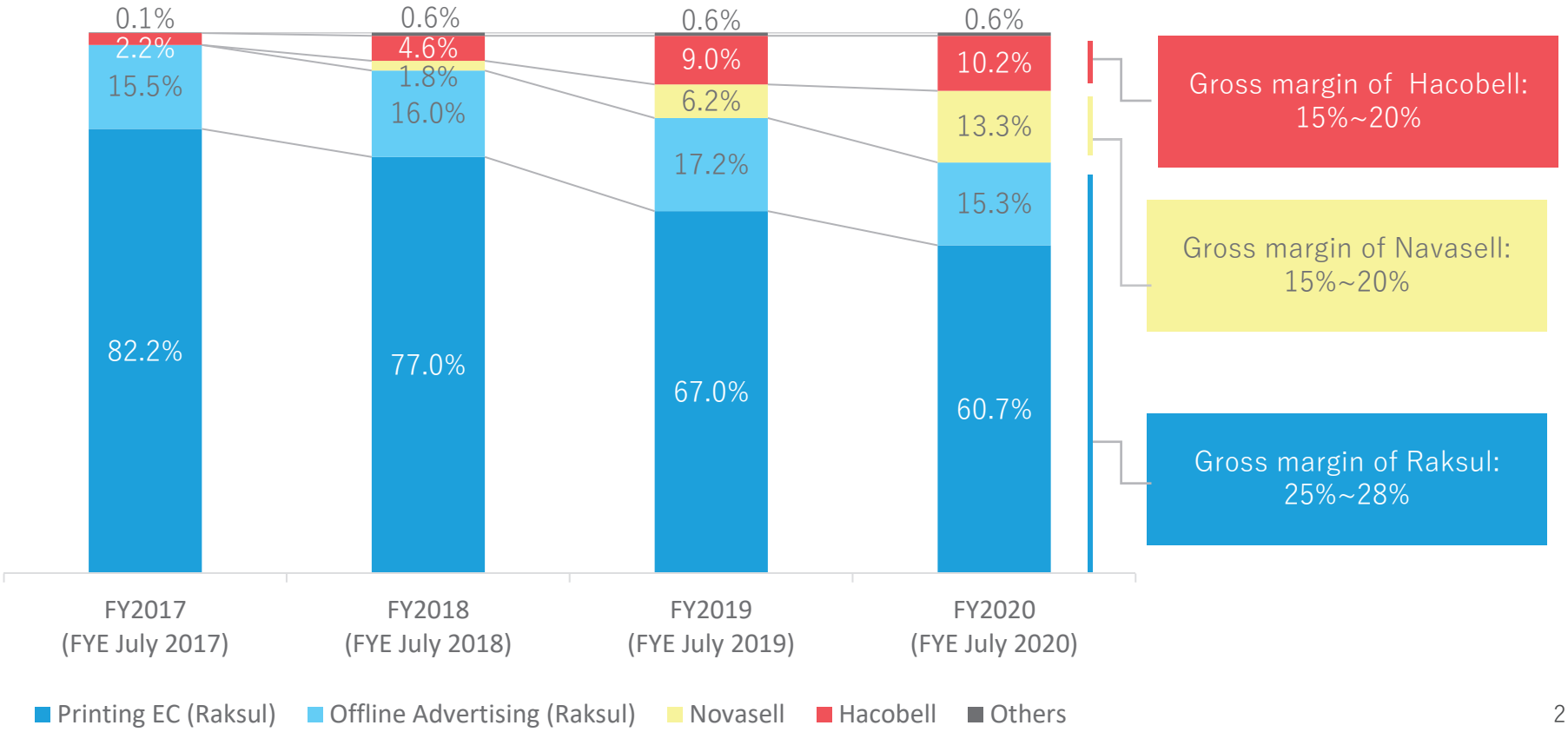
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Revenue Composition by Business Segment

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%

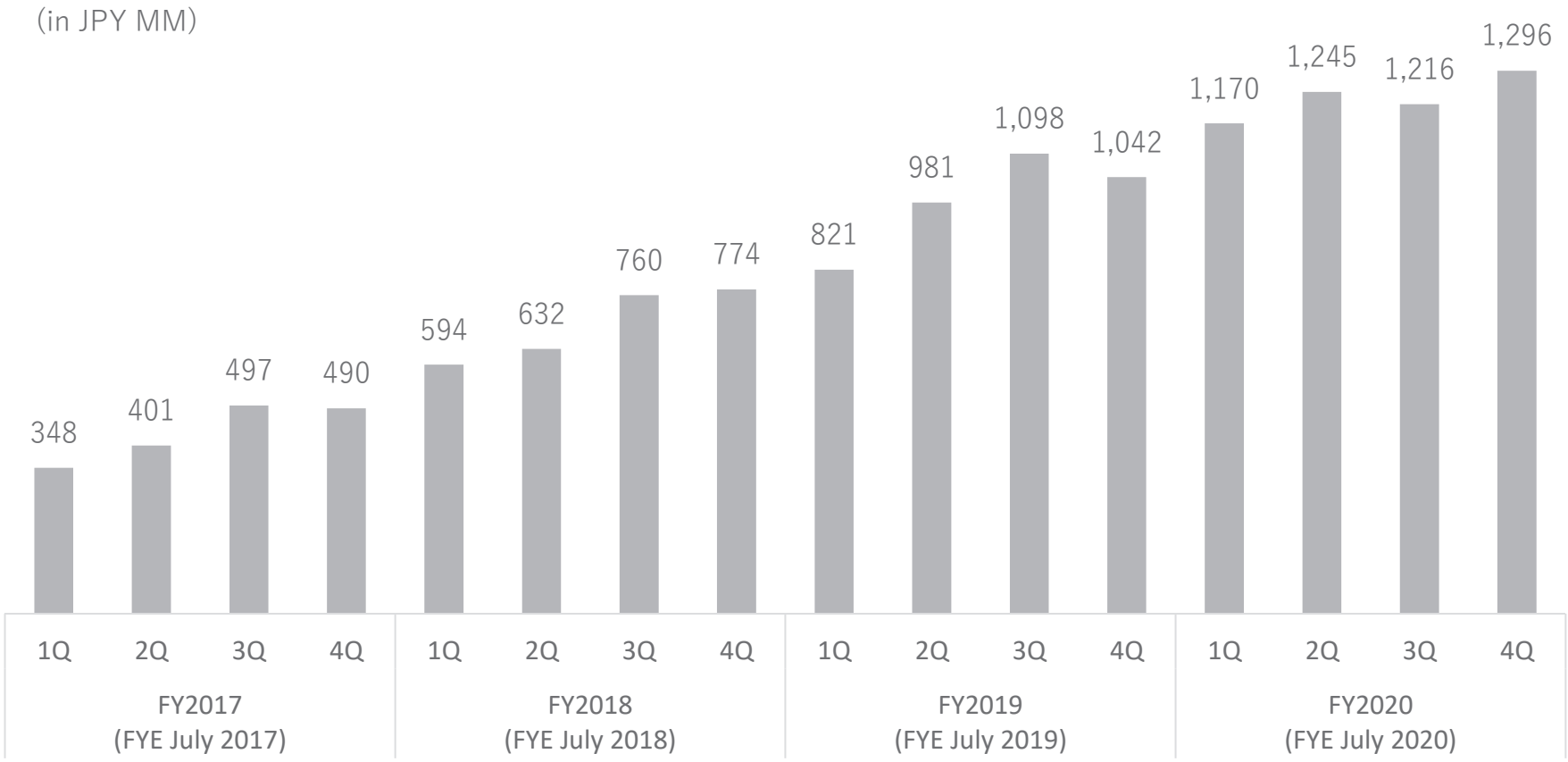
Gross margin range has been revised upward in both Raksul and Hacobell Business Segments based on the current results



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Gross Profit

Continued growth in gross profit due to a focus on improving profitability in each business



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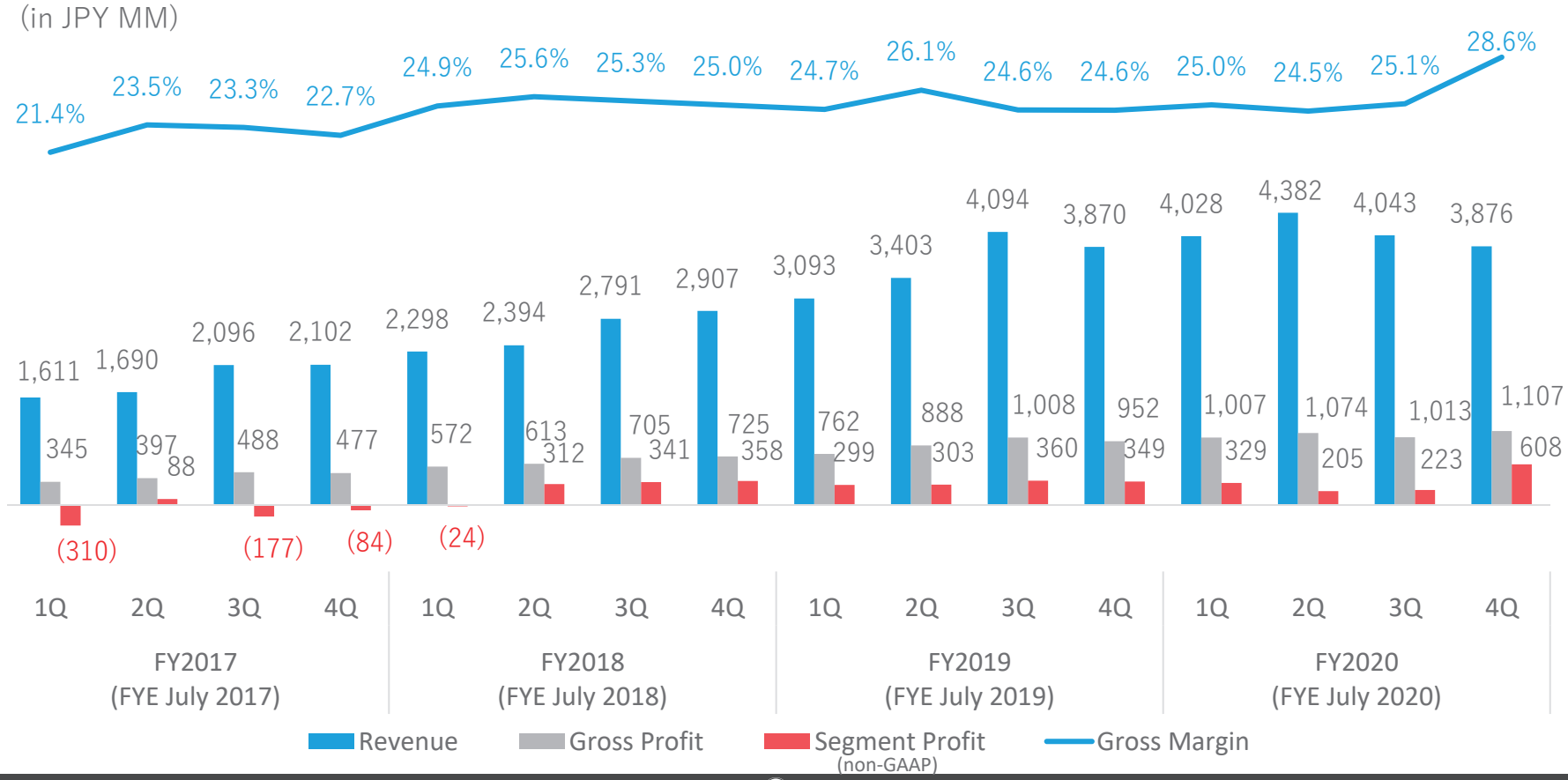
Printing & offline ad

Segment Business Performance

Our gross margin expanded to 28.6% due to the optimization of operations, and is expected to be around 27% in FY2021 1Q onwards

Segment profit reached a record high of ¥608 million due to improvement of gross margin and the optimization of SG&A expenses

Results for TV commercial-related services are disclosed separately starting this fiscal year



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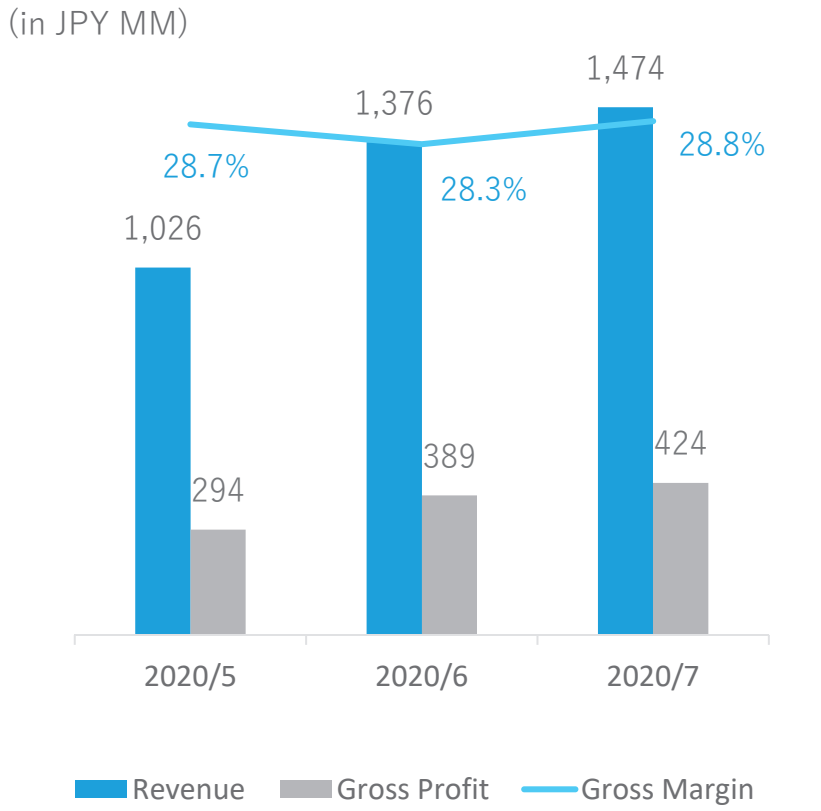
Printing & offline ad

(For Reference) Segment Monthly Financials in 4Q

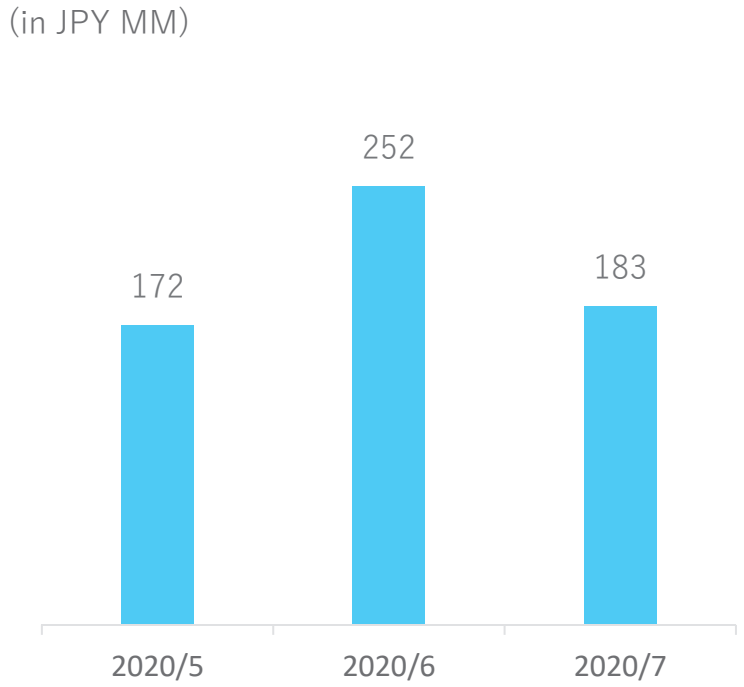
All business segments recorded their lowest revenues in May

Investment in advertising resumed in mid-June as demand recovered

Revenue / Gross Profit / Gross Margin



Segment Profit （non-GAAP）



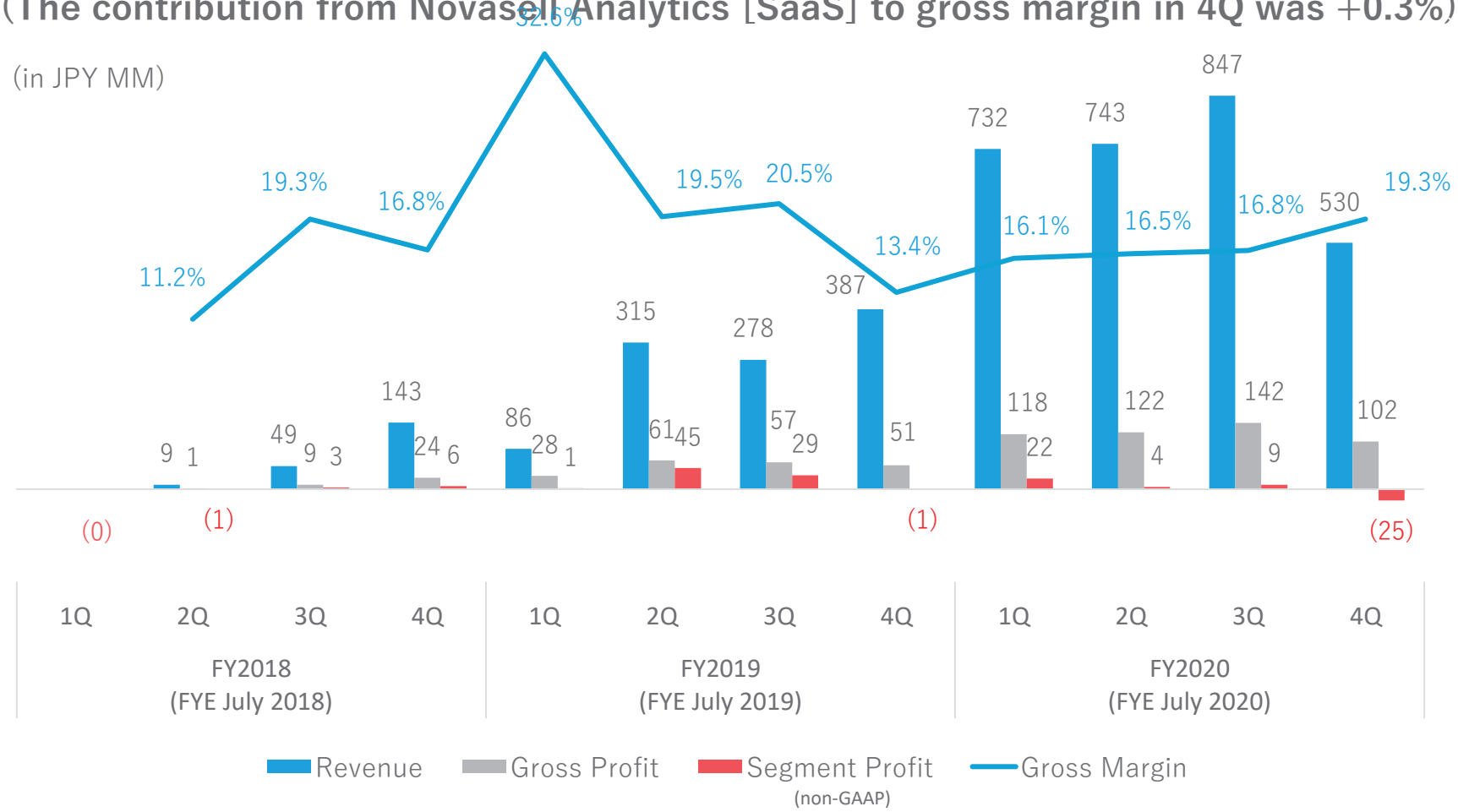
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TV commercial-related

Segment Business Performance

Revenue decreased in 4Q due to postponements of face-to-face video creation as well as a pause in advertising investment from the customer side due to the impact of COVID-19

High ratio of commercial production to revenue led to higher gross margin (The contribution from Novasell Analytics [SaaS] to gross margin in 4Q was +0.3%)



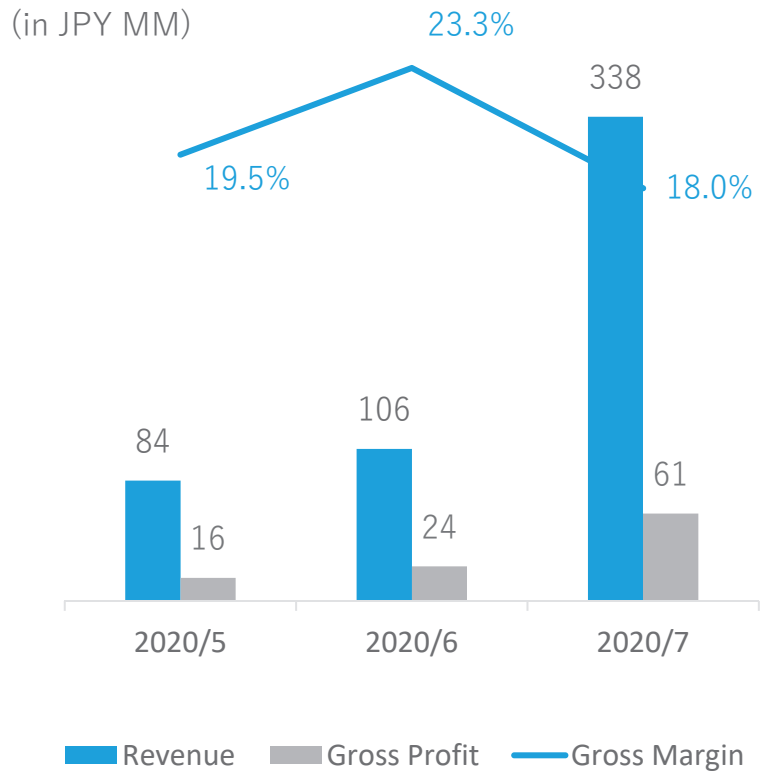
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(For Reference) Segment Monthly Financials in 4Q

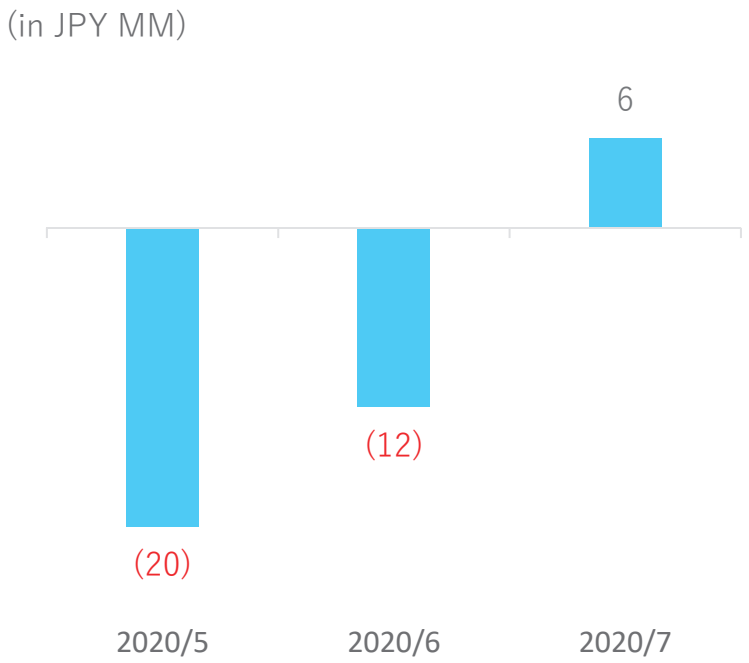
TV commercial-related

All business segments recorded their lowest revenues in May

Revenue / Gross Profit / Gross Margin



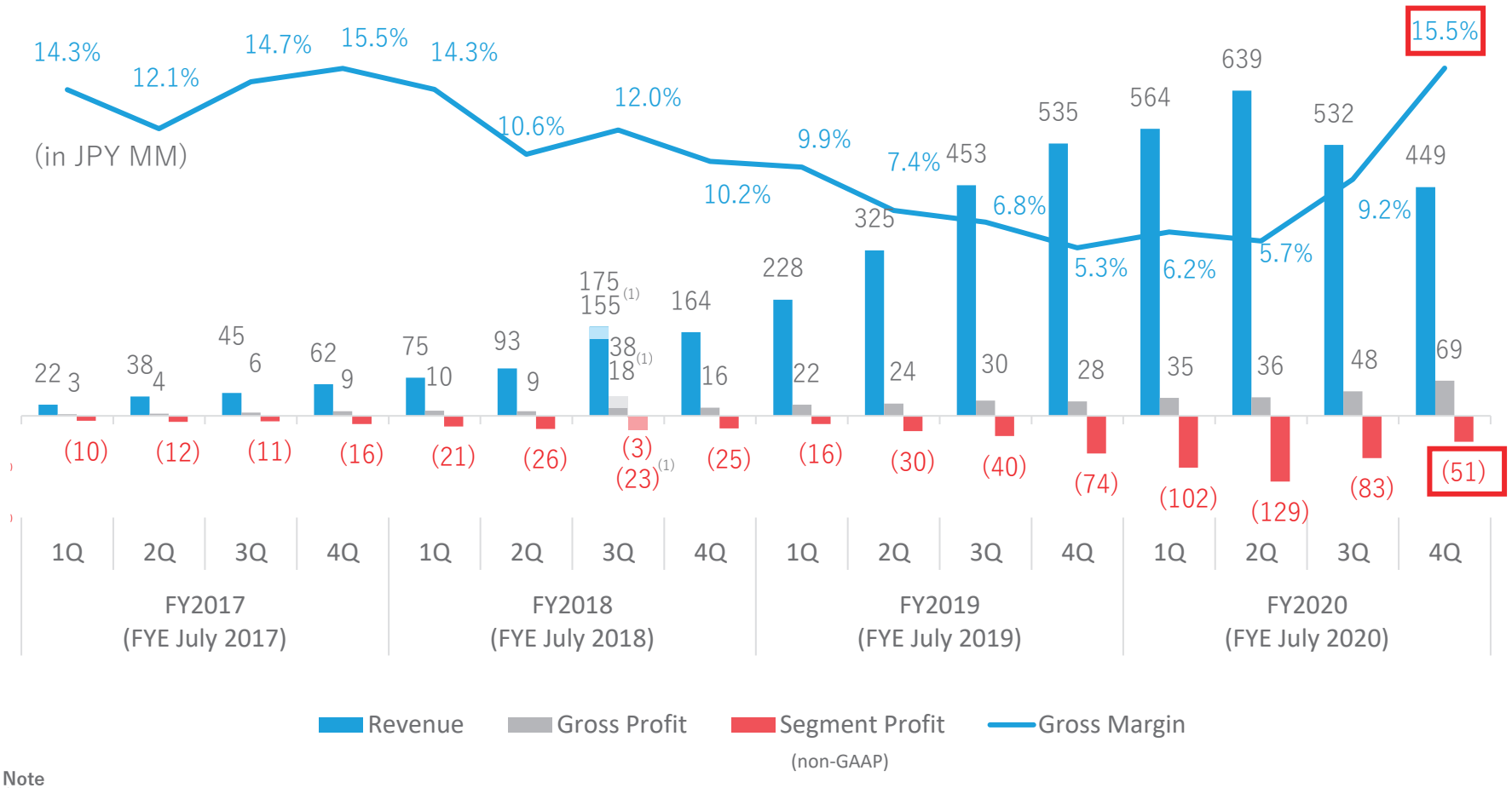
Segment Profit （non-GAAP）



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Logistics Segment Business Performance

Revenue declined through 4Q due to focusing on profitability as well as the impact of COVID-19
Gross margin exceeded 15% and segment loss was reduced to less than half of the loss in 2Q (The contribution from the transportation management system [SaaS] to gross margin in 4Q was +0.2%)



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

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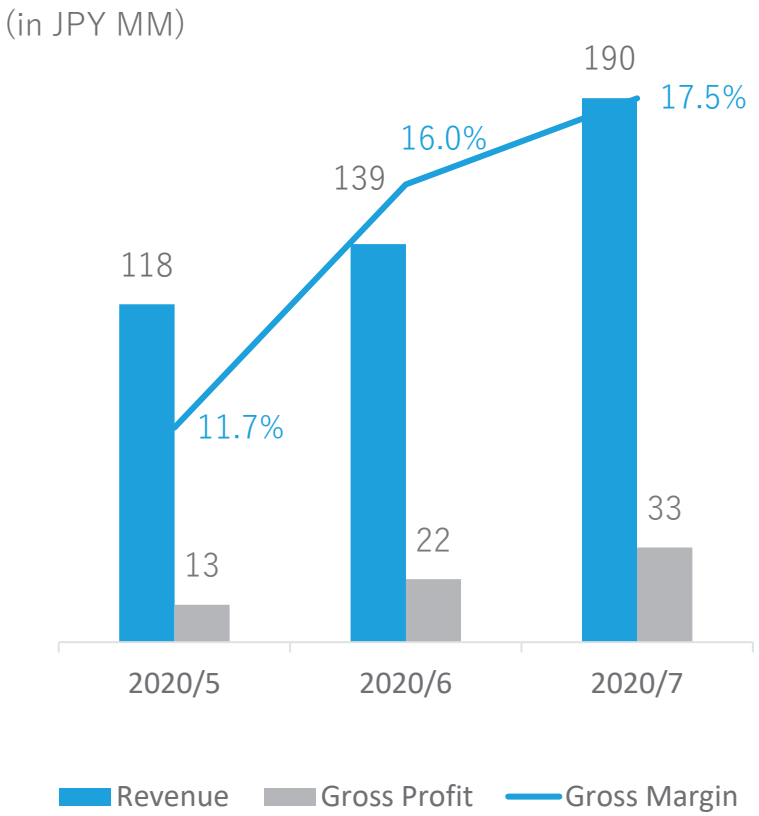
(For Reference) Segment Monthly Financials in 4Q

Logistics

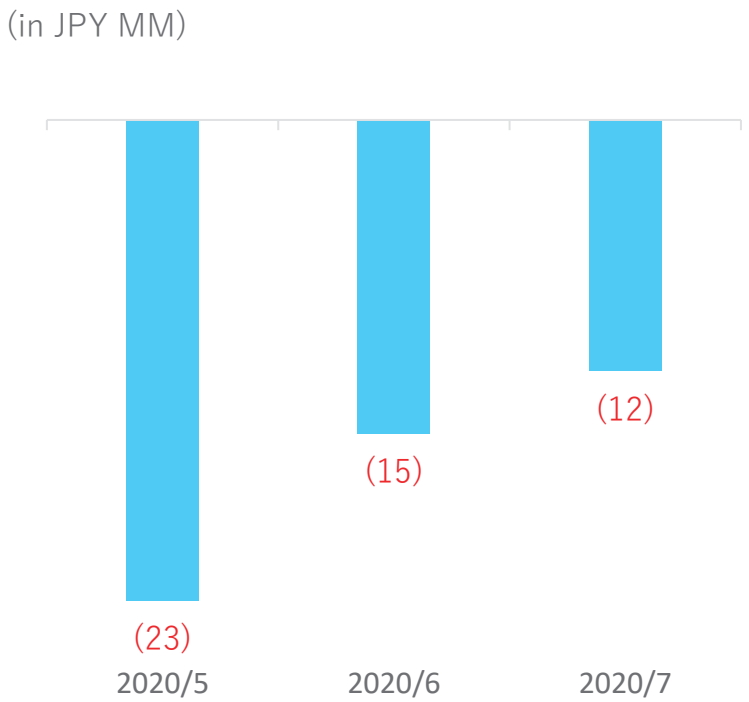
The impact of COVID-19 and the decrease in orders saw their peak in May

Segment loss was reduced due to significant improvement in gross margin

Revenue/ Gross Profit/ Gross Margin



Segment Profit （non-GAAP）



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Investment Strategies for Hacobell Business Segment

Logistics

All priorities of the Hacobell Business Segment disclosed in FY2020 2Q were achieved

Going forward, we will focus on growth while controlling the loss to be limited and strengthening investment governance

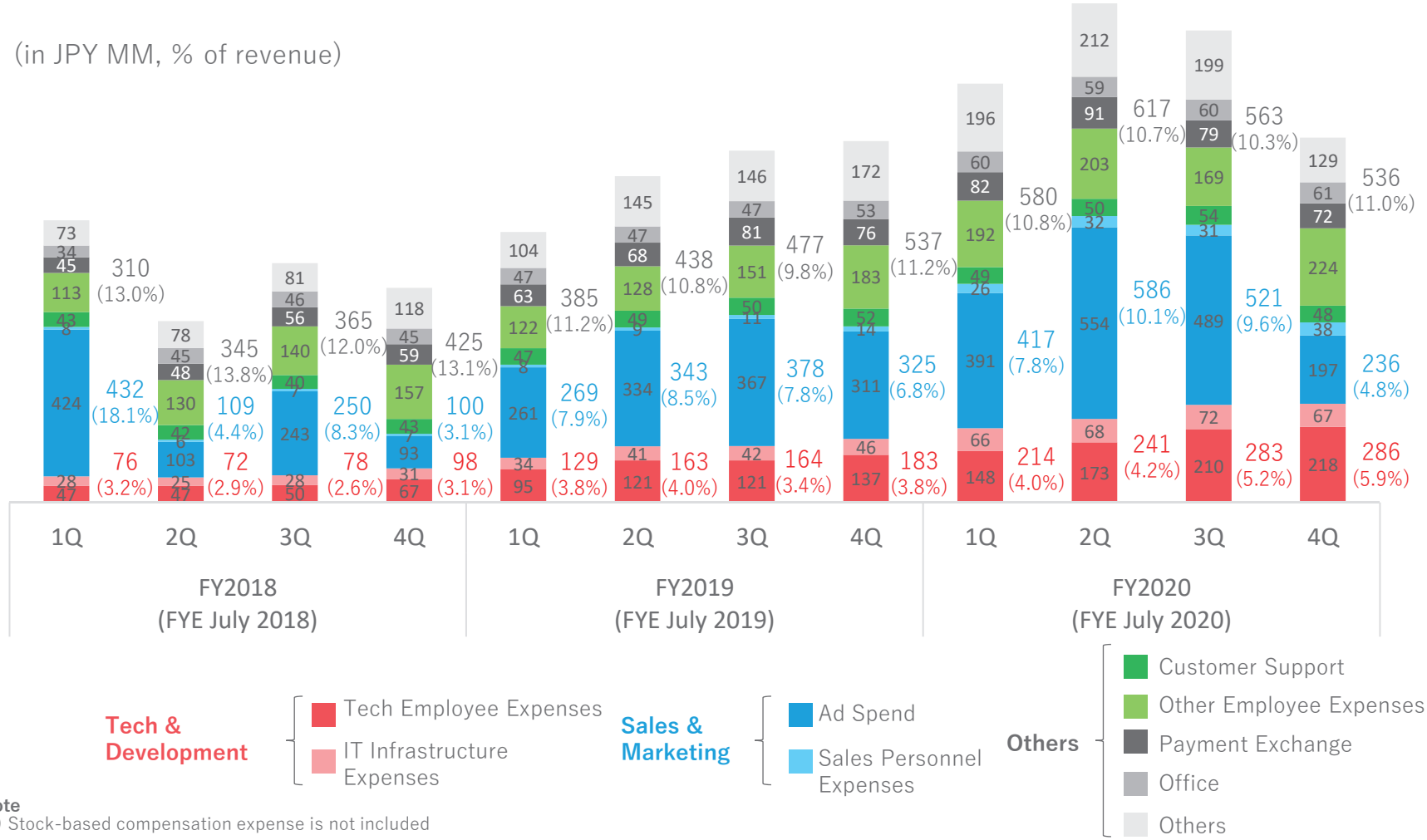
Business Priorities Disclosed in FY2020 2Q	Achievement
1. Accelerate paid installation of Hacobell Connect	1. We launched the paid service “Hacobell Connect” which is a transportation management system. Six companies are already using it
2. Improve gross margin up to 10% by FY2021 1Q The gross margin level is expected to bottom out in 2Q and improve to around 10% in the near future	2. We recorded our lowest gross profit in 2Q but improved to over 15% in 4Q. We aim to maintain 15-20% level of gross margin going forward
3. Reduce segment losses to around half of the current level by FY2021 1Q	3. Segment loss was reduced to ¥51 million in 4Q compared to ¥129 million in 2Q

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SG&A Spend

SG&A spend were reduced by controlling advertising investment

Due to the closure of the satellite office in Gotanda, rent has been reduced by approximately ¥4 million per month from the beginning of FY2021

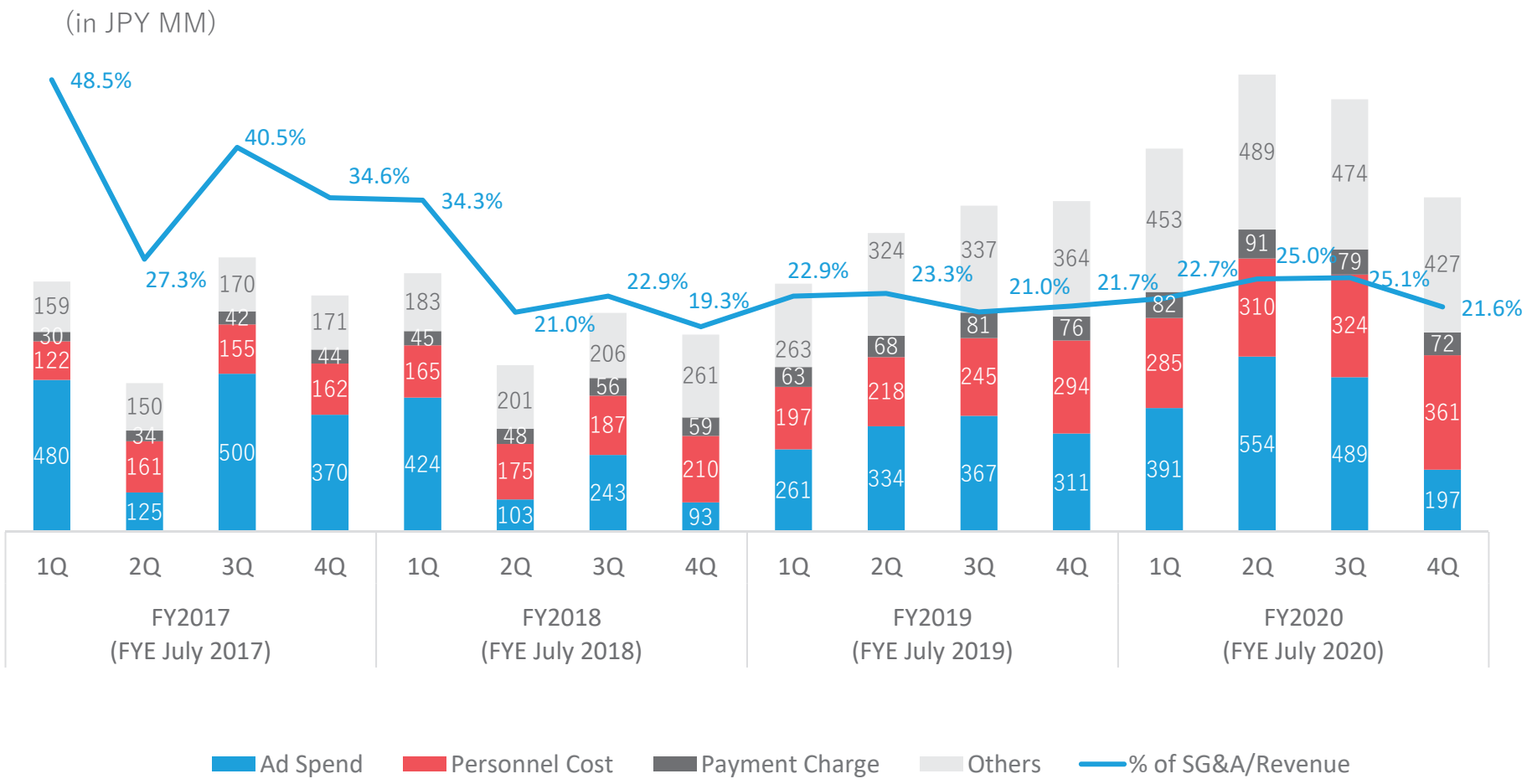


Note
(1) Stock-based compensation expense is not included

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(For Reference) SG&A Spend

For reference, please find below the existing format of SG&A spend (1)



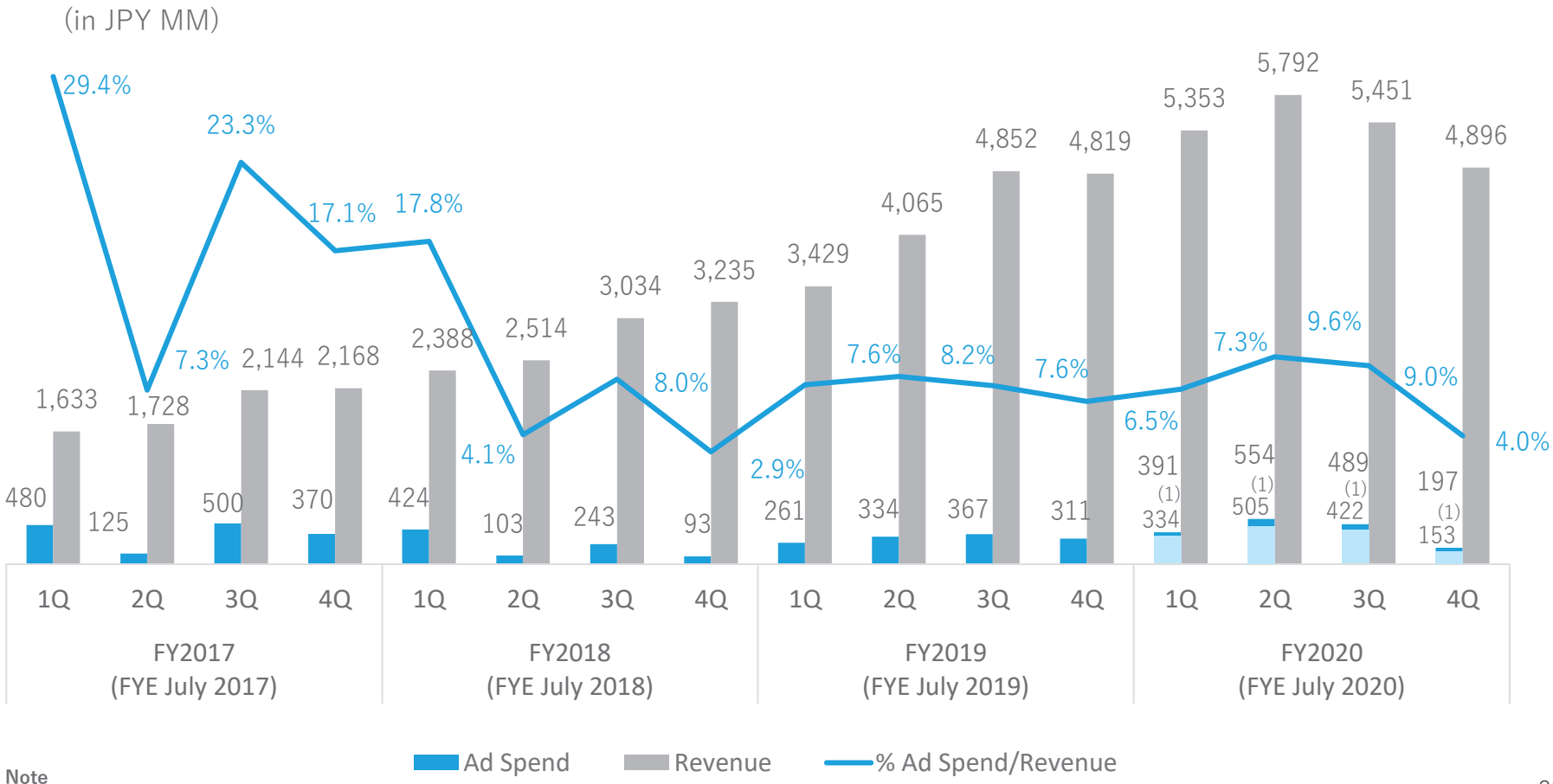
Note
(1) Stock-based compensation expense is not included

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Ad Spend and Percentage of Ad Spend per Revenue

Considering the efficiency of advertising in the COVID-19 environment, we drastically restricted advertising investment from April but resumed in mid-June with the aim of restoring revenue during the demand recovery period

In FY2021, investment will continue to be made while judging advertising efficiency strictly. Around 7-8% of revenue is expected to be spent on advertising per year

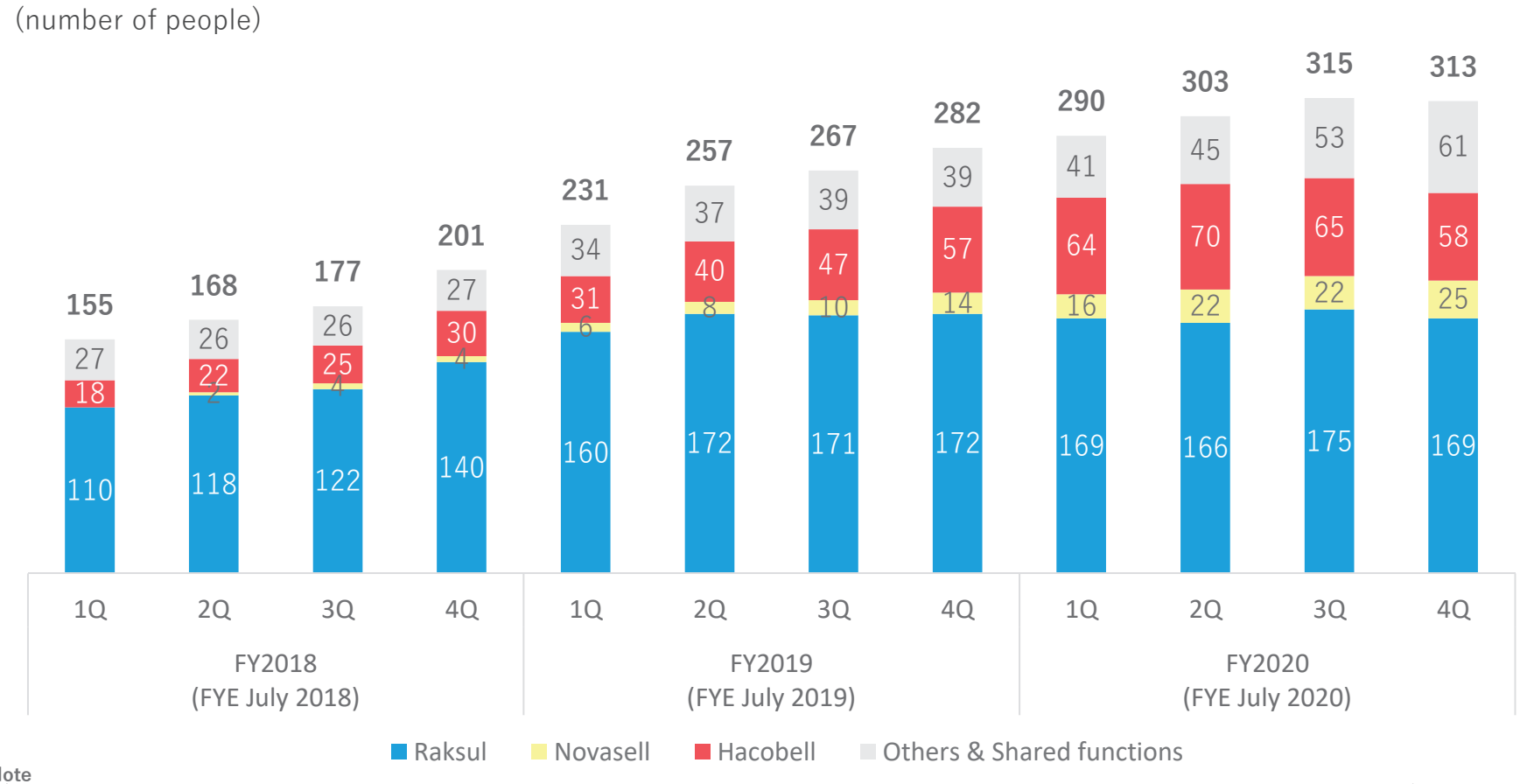


Note
(1) Only for printing EC and offline advertising services

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Number of Employees (1)

We have been continually strengthening our organization by filling key positions selectively



Note

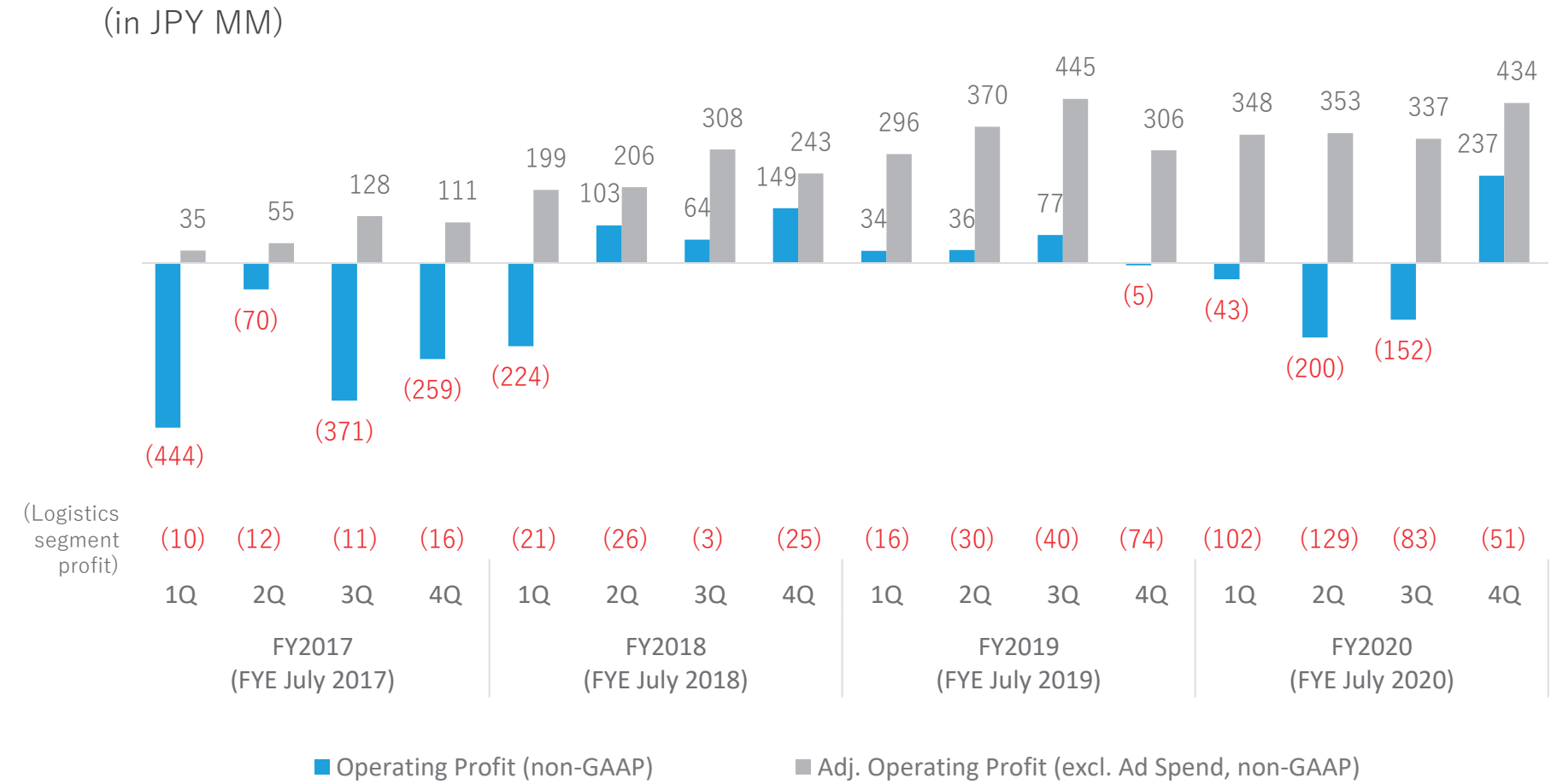
(1) There might be a discrepancy with the headcount numbers disclosed in Company Profile and other materials, which are calculated based on conversion of FTE (full-time equivalent) values

(2) Novasell has been operating as an independent business division since FY2020; prior to FY2019 it was operating within the same business division as Raksul
The figures for Novasell in FY2018 and FY2019 are the number of employees who were engaged in the TV commercial-related services, including employees concurrently working in the printing EC service and offline advertising service

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

We significantly improved profitability, resulting in the highest quarterly operating profit on record

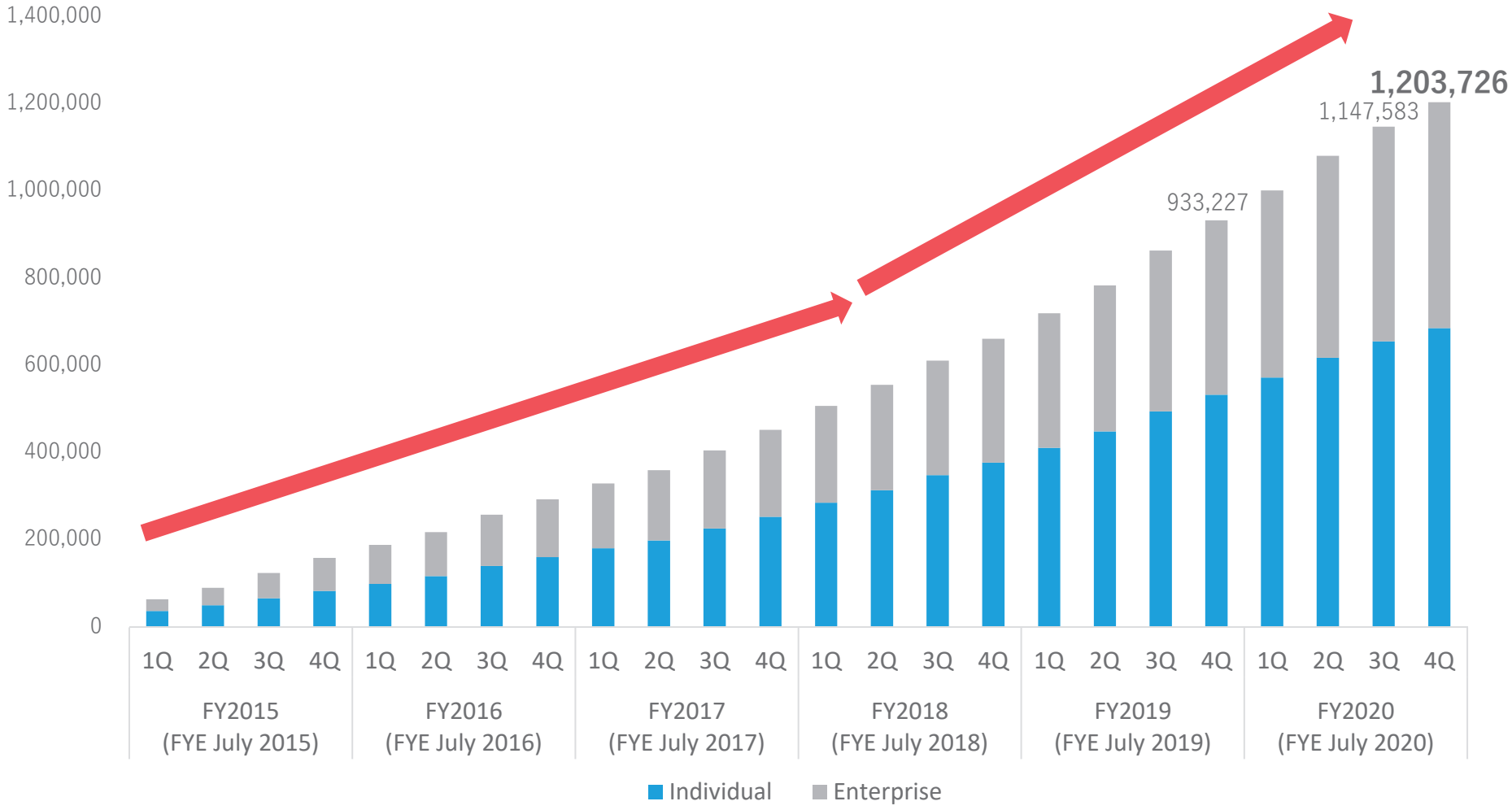


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Printing & offline ad

Number of Registered Users on Printing Platform

Our number of users continues to grow even in the COVID-19 environment (1)



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

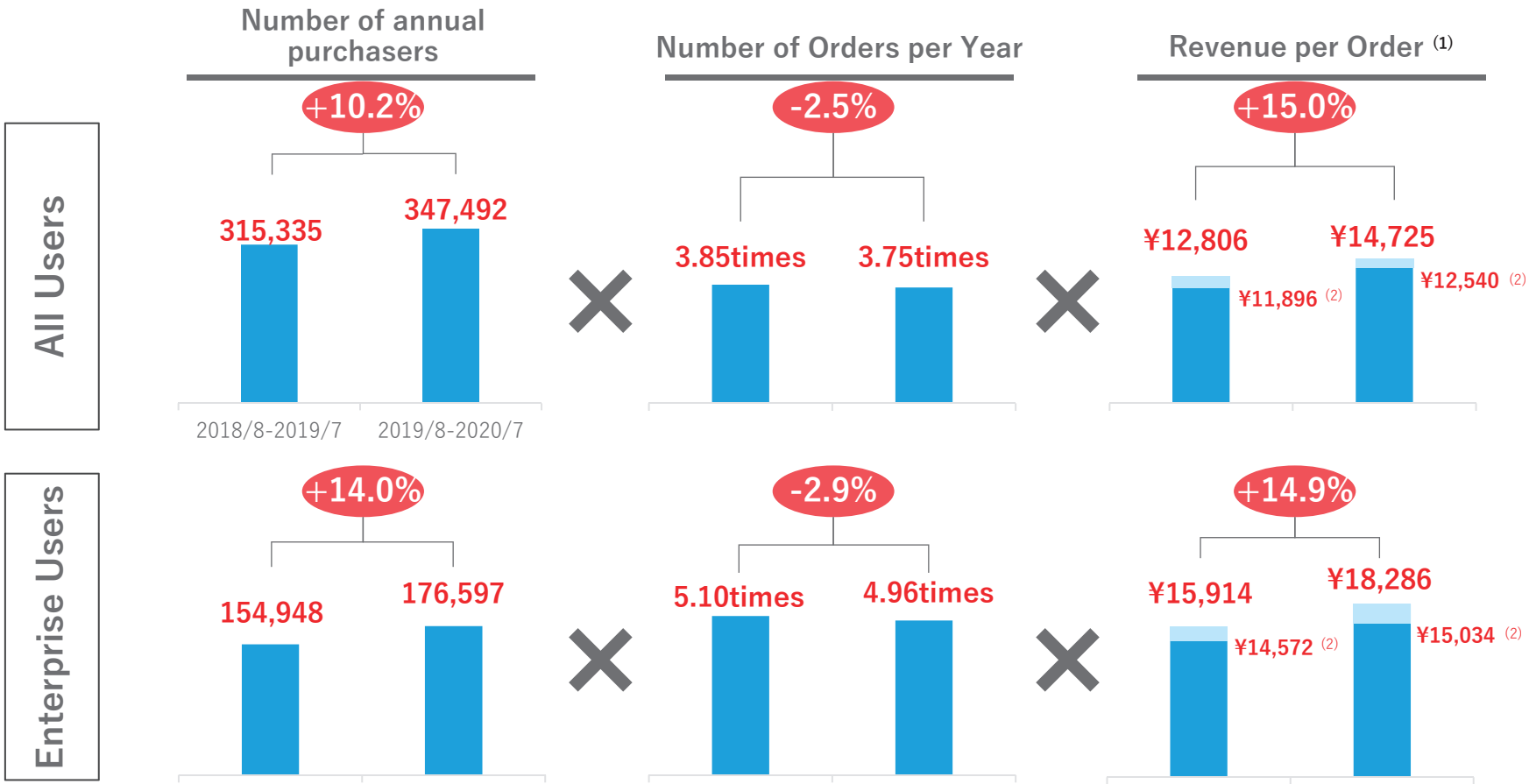
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Printing & offline ad

Sticky User Base

The number of annual purchasers, including enterprise users, continues to grow even during the COVID-19 environment

The increase in revenue per order in the Raksul Business Segment for all users is +5.4%, and for enterprise users, it is +3.2%



Note
(1) Calculated from a management accounting perspective and excluded Novasell analytics(SaaS)
(2) Revenue per order excluding the TVCM service

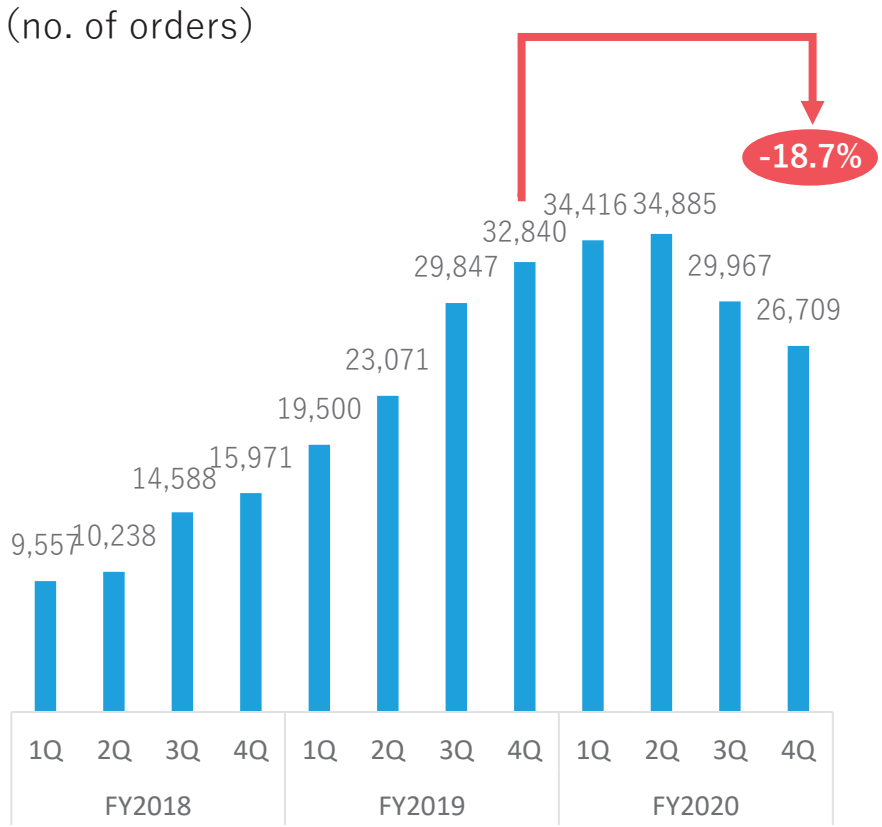
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Logistics Number of Orders and Revenue per Order

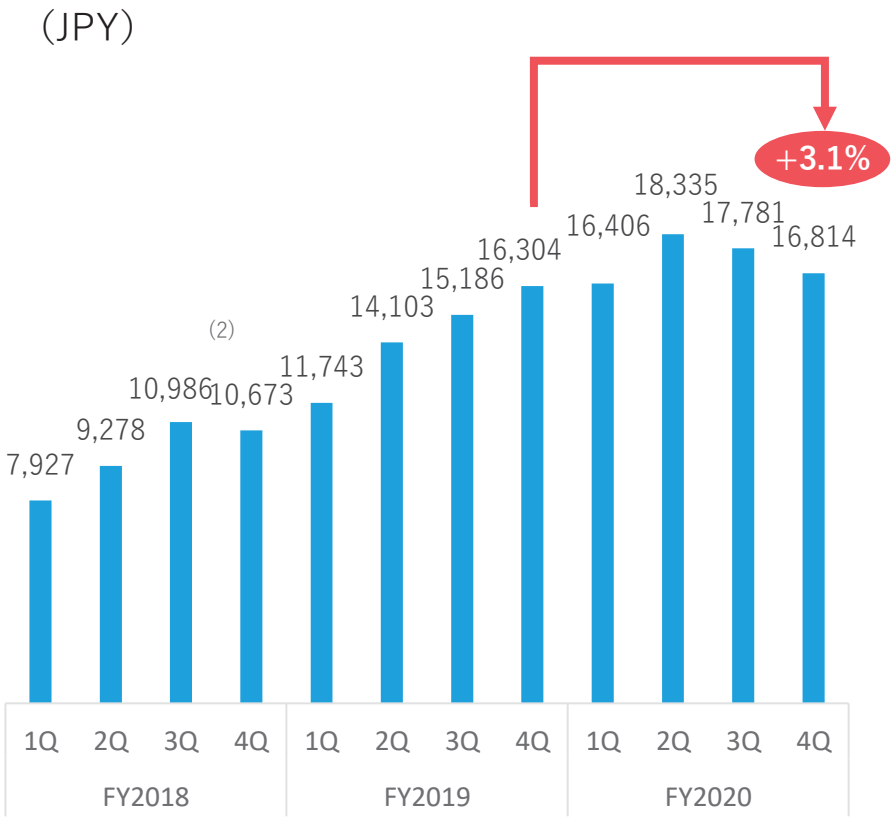
The number of orders decreased due to the narrowing down of orders and the spread of COVID-19

(Though narrowing down the orders had a larger impact, it was temporary and completed in 4Q)

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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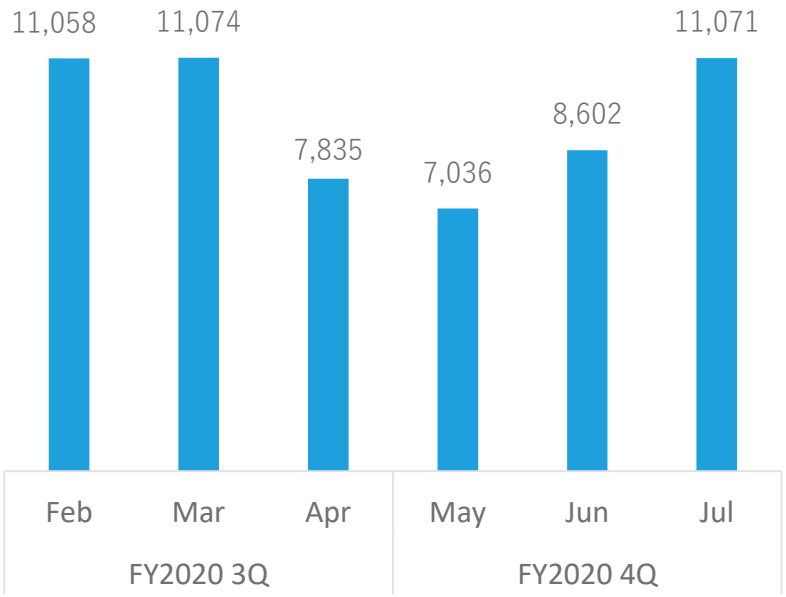
(For Reference)
Monthly Number of Orders and Revenue per Order

Demand recovered as economic activity began to recover after June

Revenue per order was low in June due to vehicle supply and demand

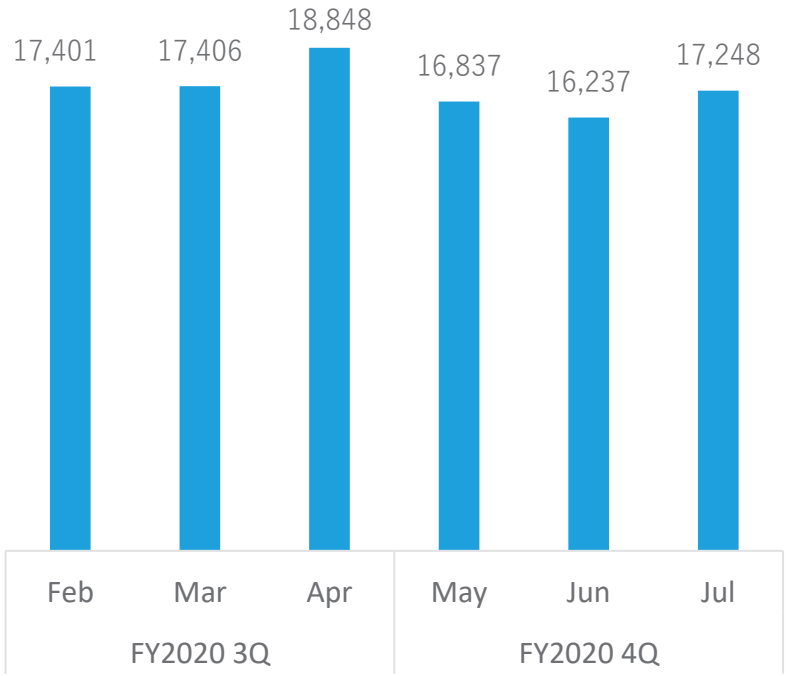
Number of Orders

(no. of orders)



Revenue per Order (1)

(JPY)



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

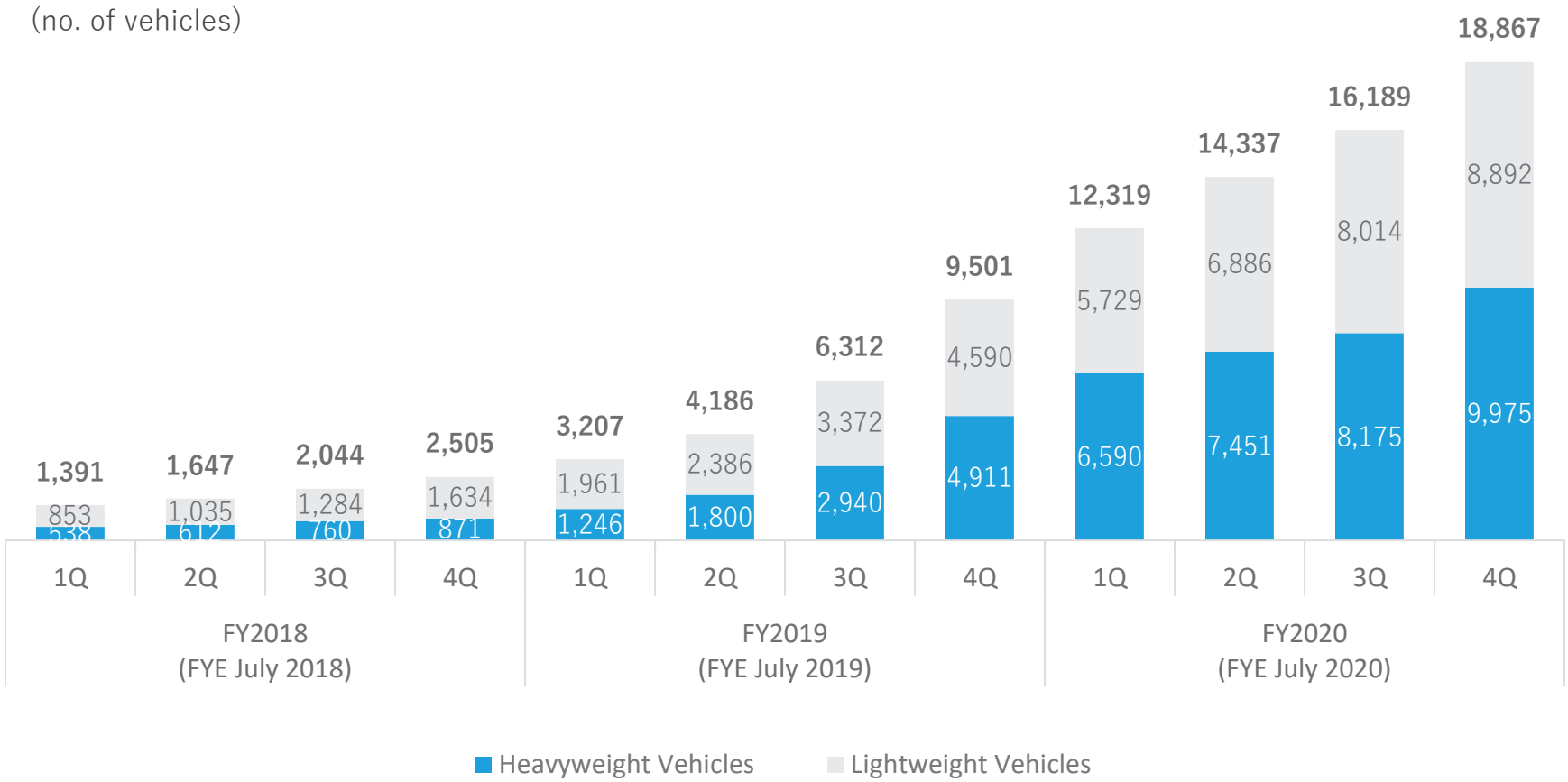
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Number of Registered Vehicles

Logistics

The number of registered vehicles has increased steadily and secured transportation capacity to support business growth

Corrections were made due to an error in the past disclosure of the number of registered vehicles



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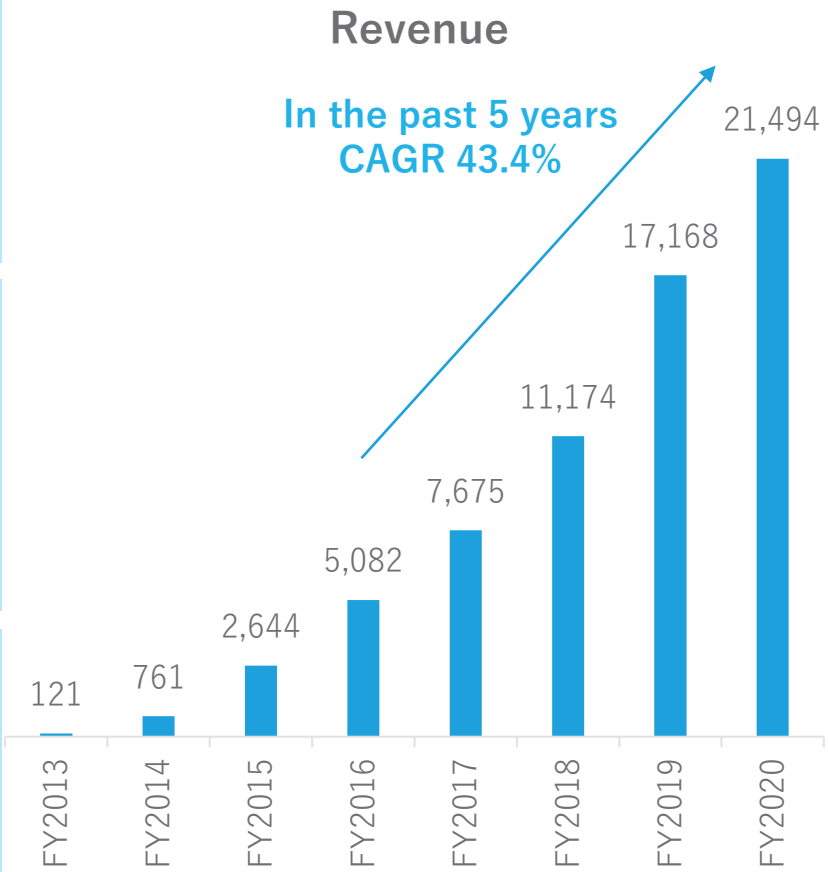
3. FY2021(FYE July 2021) Management Focus & Forecast

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Our Advantages

Access to large market areas, continued expansion of our customer and supplier base, and the layers of our business model and improved profitability that have come with scale are our overall advantages

Business Environment	- Each business has access to a large market - Possibility of promoting EC conversion going forward - The competitiveness of our core business, printing EC, has been improving year after year (we are one of the fastest growing companies in the market)
Business Model	- The unique business model of EC & SaaS - Diverse and broad customer base - Potential for expansion into peripheral business domains - Strong relationships with suppliers
Profit Structure	- Highly recurring transactions - Gross margins improving year after year - Economies of scalability (mainly investment in advertising)



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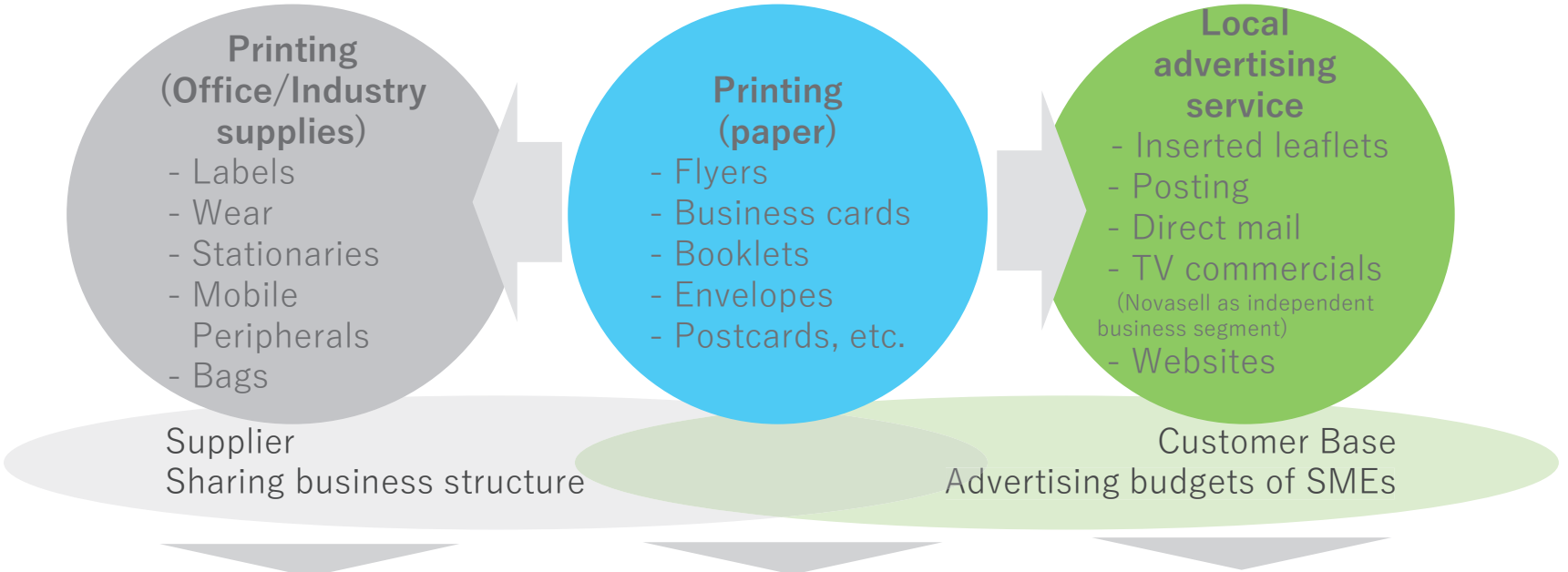
Printing & offline ad

Market and Growth Strategy

By utilizing the customer and supply base that we have acquired through our flyer printing business, we aim to expand TAM and increase revenue per customer through the following expansions:

1) Increase ARPU of existing customers by expanding offline advertising services

2) Expand the customer base by launching additional unique product lines



Penetration into small-lot printing for office/industrial items by utilizing sharing know-how

Market scale: ¥3-5 trillion
EC penetration ratio: 1%

Small lot printing on paper such as flyers
We have achieved the highest growth in this market
Market scale: ¥3 trillion
EC penetration ratio: 3-4%

Improve customer ARPU by cross-selling to existing customers
Market scale: ¥1-2 trillion (excl. TV commercials)
EC penetration ratio: less than 1% (excl. websites)

Source Yano Research Institute, Dentsu "Advertising Expenditures in Japan" (2019), Financial Information for Domestic Online Printing Companies

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Acquisition of Shares in Peraichi Inc.

Plan to acquire shares in Peraichi Inc. as part of business development in the area of sales promotion by leveraging the customer base of the Raksul business (to be completed in early October)

- Company name: Peraichi Inc.
- Business overview: Management of website creation SaaS " Peraichi "
- CEO: Hashida Kazuhide
- Financial status:
  Monthly revenue of about ¥30 million. Growth accelerates in COVID-19 environment
- Transaction overview: Acquisition of 49% of shares via purchasing from existing shareholders and capital increase



Features of the service

- They have a SaaS service that makes it easy for anyone to create a website
- They offer a payment function for online shops
- SMEs in various industries throughout Japan use this service for sales promotion and marketing purposes, and it has a high affinity with printing EC (commercial printing)

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FY2021(FYE July 2021) Management Focus

Firmwide, there is no change in our management stance which is focused on growth and realizing our vision

We will continue to invest for growth, mainly in variable cost, while maintaining the optimized cost structure

The policies for each business segment are as follows:

Segments	Financial Focus	Policies
Raksul (Printing EC and Offline Ad)	Gross Profit Segment Profit	Continue to reinvest in the business within the scope of profit while continuing to expand gross profit and segment profit
Novasell (TV commercial-related services)	Revenue Gross Margin	Focus on revenue and gross profit growth Losses are limited as the investment will be mainly made with the profits generated by the business
Hacobell (Logistics)	Revenue Gross Margin	Focus on high revenue growth while controlling the losses to be limited and strengthening investment governance Gross margin will be improved gradually

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FY2021(FYE July 2021) Full-Year Forecast

Forecast

(in JPY MM)	FY2021 Forecast	FY2020 Actual	YoY
Revenue	**27,000 ~28,000**	21,494	+25.6% ~+30.3%
Gross Profit	**6,450 ~6,900**	4,928	+30.9% ~+40.0%
Operating Profit (non-GAAP)	**300 ~500**	-159	-

Assumptions/Considerations

Revenue

- **The state of emergency will not be declared again during this period due to a second wave**
- **Recovery is expected to be larger in the second half of the fiscal year than in the first half**

Gross Profit

- **We continue to give top priority to generating gross profit. We expect to achieve a growth rate above revenue by continuously improving the gross margin**

Operating Profit(non-GAAP)

- **Given the FY2020 Q4 results, we expect to generate about ¥1 billion in steady-state profitability, if growth investments are excluded, however, as mentioned above, we will continue to focus on growth and reinvest to a limited extent**

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Strengthen Governance System

We will focus on strengthening both offensive and defensive governance systems in the post-listing portfolio management period

- **Mr. Kenji Kobayashi is planed to be appointed as a new outside director**
- **A voluntary Nomination and Remuneration Committee is planned to be established and operated**



Mr. Kenji Kobayashi
Biography

March 2005	Completed Master of Literature, Graduate School of Humanities and Sociology, The University of Tokyo
April 2005	Joined Corporate Direction, Inc.
April 2009	Joined DeNA Co., Ltd appointed as an executive officer
June 2011	Appointed as a director of DeNA Co., Ltd.
May 2017	Resigned from DeNA Co., Ltd.
July 2017	Establishment of Signifiant Inc. (Co-Founder) *Current position

Note
(1) After approval at the annual shareholders meeting in October 2020

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4. Q&A

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Q&A

Category	Question	Answer
Firm wide	Will it be possible for the revenue in FY2021 to return to the previous growth rate?	We believe this growth rate which are based on the current recovery of each business forecast is achievable Recovery is expected to be larger in the second half of the fiscal year than in the first half
Raksul (Printing EC/ Offline ad)	Do you think that the overall industry demand is weakening in the COVID-19 environment? How does this impact you?	Although there is a certain amount of weak demand for commercial printing products, the printing e-commerce market has already improved to 100% of the level of the previous year
Raksul (Printing EC/ Offline ad)	What is the status of demand by product?	Products with accelerated growth: non-paper products such as labels and novelties, work from home demand for envelopes, direct mail, etc., and local marketing products such as postings and banners Products that recovered after a temporary decline in demand: flyers, booklets, pamphlets, and business cards Products in continuous decline in demand: Exhibition-related products such as panels and posters
Novasell (TV commercial-related)	What is the current competitive environment?	There are certain services that are similar. We have developed a unique position where many of our customers are implementing TV commercials for the first time by providing operational TV commercials based on the visualization of effectiveness
Hacobell (Logistics)	What is the customer value of the transportation management system (SaaS) and how will it impact your segment in the future?	Its main value is in helping shippers reduce their logistics costs and the cost of managing logistics operations We aim to maximize GMV managed on the system The contribution to segment gross margin in July 2021 monthly is expected to be +1%~2%

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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:	320 (as of July 2020)

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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



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



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



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 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

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Management Team (Outside Directors)



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



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



Naomi Mori - Outside Director Audit and Supervisory Committee member

- Joined Raksul as Outside Corporate Auditor in October 2014
- Joined Makoto Sato Accounting Office (2013)
- Joined Asahi & Co. (currently KPMG AZSA LLC)(1998)
- Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) (1997)
- Graduated from Saitama University



Masahiro Kotosaka - Outside Director Audit and Supervisory Committee member

- Joined Raksul as Outside Corporate Auditor in June 2017
- Associate Professor at Faculty of Policy Management, Keio University (2016 to present)
- Associate Fellow at the Fondation France-Japon de L'École des Hautes Études en Sciences Sociales (2015)
- Associate Professor of College of Business Administration, Ritsumeikan University (2013)
- Joined McKinsey & Company, Inc. (2004)
- Graduated from Keio University; MSc. in Management Research with Distinction; D.Phil. in Manegement Studies from **University of Oxford**



Junko Utsunomiya - Outside Director Audit and Supervisory Committee member

- Joined Raksul as Outside Corporate Auditor in October 2018
- Established a law firm, Utsunomiya Shimizu & Haruki, and assumed office as Partner (2018 to present)
- Established Utsunomiya Law Office (2011)
- Temporarily transferred to Tokyo Stock Exchange, Inc. (2007)
- Registered as attorney at law and joined a law firm, Nagashima Ohno & Tsunematsu (2000)
- Graduated from Tokyo University; LL.M. from Columbia University

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RakSul Balance Sheet

(in JPY MM)	FY2019 4Q	FY2020 4Q
Current Assets	7,981	**18,023**
Cash & Deposits	5,904	**15,451**
Non-Current Assets	1,264	**1,356**
Total Assets	9,246	**19,379**
Current Liabilities (of which, interest-bearing liabilities)	2,332 (271)	**2,405** **(40)**
Non-Current Liabilities (of which, interest-bearing liabilities)	103 (－)	**10,172** **(10,043)**
Net Assets	6,809	**6,801**
Capital Stock	1,958	**2,152**
Capital Surplus	4,765	**4,959**
Total Liabilities & Net Assets	9,246	**19,379**

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Cash Flow Statement

(in JPY MM)	FY2019 (full-year)	FY2020 (full-year)
Cash flow from operating activities	11	**-126**
Cash flow from investing activities	-266	**-283**
Cash flow from financing activities	-206	**9,956**
Net change in cash and cash equivalents	-461	**9,546**
Cash and cash equivalents at the end of period	5,904	**15,451**

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RakSul Financial Highlights by Business Segment

	(in JPY MM)	FY2018 (FYE July 2018) 1Q	2Q	3Q	4Q	FY2019 (FYE July 2019) 1Q	2Q	3Q	4Q	FY2020 (FYE July 2020) 1Q	2Q	3Q	4Q
Revenue	Printing	2,298	2,394	2,791	2,907	3,093	3,403	4,094	3,870	4,028	4,382	4,043	**3,876**
	TV Commercial	0	9	49	143	86	315	278	387	732	743	847	**530**
	Logistics	75	93	175	164	228	325	453	535	564	639	532	**449**
	Others	14	17	17	20	21	21	26	26	27	27	28	**40**
Gross Profit	Printing	572	613	705	725	762	888	1,008	952	1,007	1,074	1,013	**1,107**
	TV Commercial	0	1	9	24	28	61	57	51	118	122	142	**102**
	Logistics	10	9	38	16	22	24	30	28	35	36	48	**69**
	Others	10	7	6	7	7	7	2	9	9	11	11	**17**
Segment Profit (non-GAAP)	Printing	-	-	-	-	-	-	-	-	329	205	223	**608**
	TV Commercial	-	-	-	-	-	-	-	-	22	4	9	**-25**
	Logistics	-	-	-	-	-	-	-	-	-102	-129	-83	**-51**
	Others	-	-	-	-	-	-	-	-	-292	-280	-302	**-294**
Segment Profit (financial accounting)	Printing	-24	312	341	358	299	303	360	350	329	205	207	**598**
	TV Commercial	0	-1	3	6	1	45	29	-1	22	4	5	**-27**
	Logistics	-21	-26	-3	-25	-16	-30	-40	-74	-102	-129	-85	**-52**
	Others	-179	-180	-277	-189	-249	-281	-271	-279	-292	-296	-303	**-327**
Operating Profit (non-GAAP)	Firmwide	-224	103	64	149	34	36	77	-5	-43	-200	-152	**237**

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Difference between non-GAAP profit and accounting profit

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

(in JPY MM)	FY2020 4Q (2020/5-2020/7)			FY2020 Full-Year (2019/8-2020/7)		
	Actual (non-GAAP)	Difference (stock-based compensation expense)	Actual (financial accounting)	**Forecast (non-GAAP)**	Difference (stock-based compensation expense)	Actual (financial accounting)
Revenue	4,896	-	4,896	21,494	-	21,494
Gross Profit	1,296	-	1,296	4,928	-	4,928
Gross Margin	26.5%	-	26.5%	22.9%	-	22.9%
Operating Profit	237	46	190	-159	84	-244
Ordinary Profit	205	46	158	-280	88	-368
Net Profit	185	46	138	-406	88	-494

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Strengthen Equity Incentive System

The Company's basic approach to equity incentives continues with the following disclosed in its financial results for the fiscal year which ended July 31, 2019

Purpose	• 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 talent which is the foundation of our competitive advantage
Structure	• Structure: restricted stock (RS) and stock options • Simple design that is expected by both investors and recipients
Dilution	• 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 6.7% as of the end of July 2020 – lower than other growing companies (see next page for equity incentive balance)
Impact on P&L/CF	• Stock-based compensation expense for FY2020 was ¥84 million per year • Stock-based compensation expense for FY2021 will be around ¥450 million per year (1) • Non-GAAP profits excluding the impact of RS are disclosed

Note
(1) Estimated as of August 2020. The amount will be affected by stock price

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RakSul Stock Incentive Balance

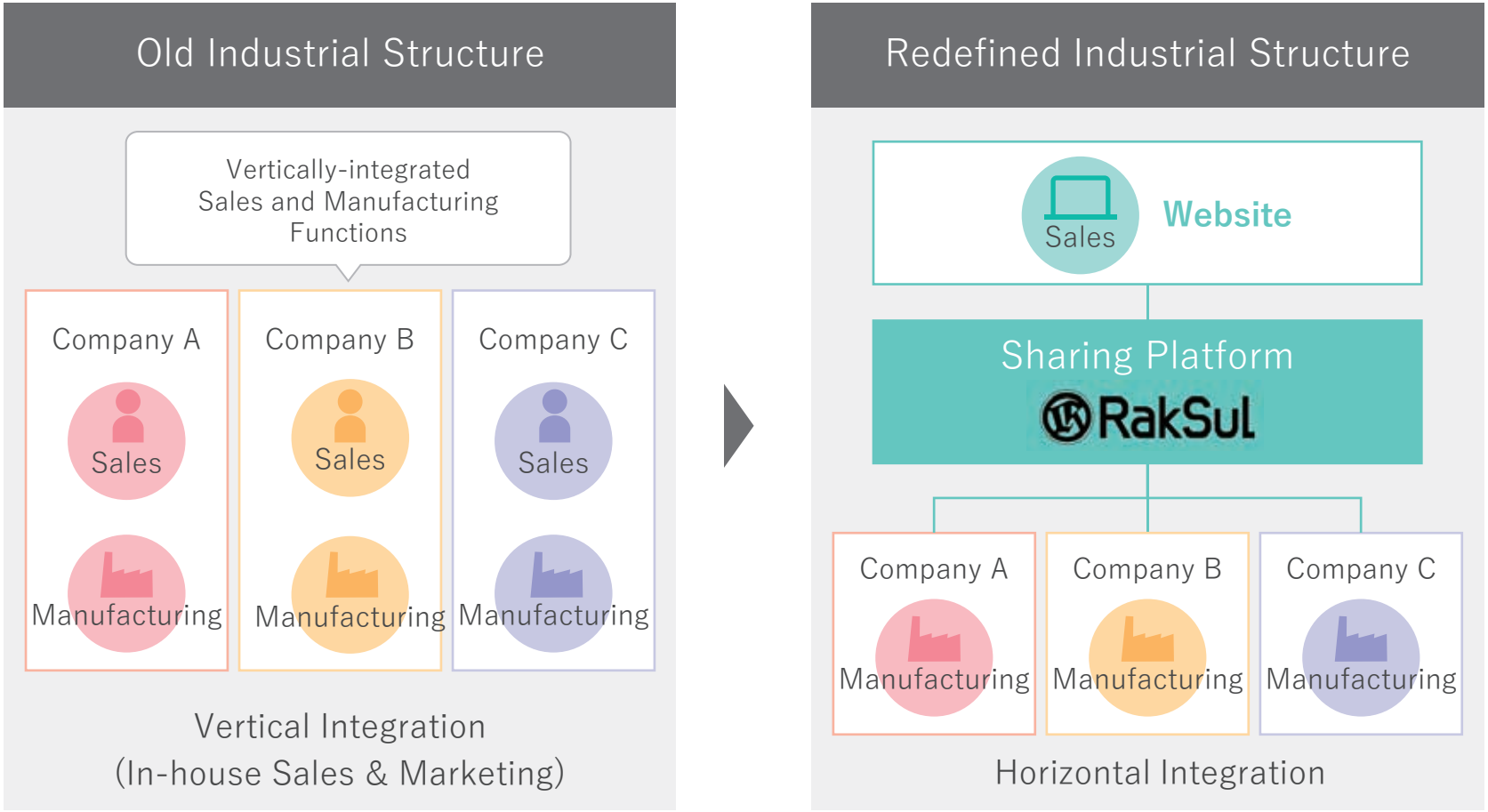
(number of shares)		FY2018 (FYE July 2018)	FY2019 (FYE July 2019)	FY2020 (FYE July 2020)
Stock options	Beginning balance	2,654,800	1,801,200	1,532,600
	Granted	96,000	0	700,000
	Vested	-876,600	-256,600	-388,300
	Forfeited/canceled	-73,000	-12,000	-19,600
	Ending balance	1,801,200	1,532,600	1,824,700
Restricted stock	Beginning balance	0	0	0
	Granted	0	0	76,590
	(as % of shares outstanding at year-end)	(-)	(-)	0.27%
	Released	0	0	-8,673
	Forfeited/canceled	0	0	-1,100
	Ending balance	0	0	66,817
Total	Beginning balance	2,654,800	1,801,200	1,532,600
	Granted	96,000	0	776,590
	(as % of shares outstanding at year-end)	(0.35%)	(-)	2.75%
	Vested/released	-876,600	-256,600	-396,973
	Forfeited/canceled	-73,000	-12,000	-20,700
	Ending balance	**1,801,200**	**1,532,600**	**1,891,517**

Equity incentive ratio (as a % of shares outstanding at year-end)	**6.54%**	**5.51%**	**6.69%**
Shares outstanding at year-end	27,548,600	27,805,200	28,270,090

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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



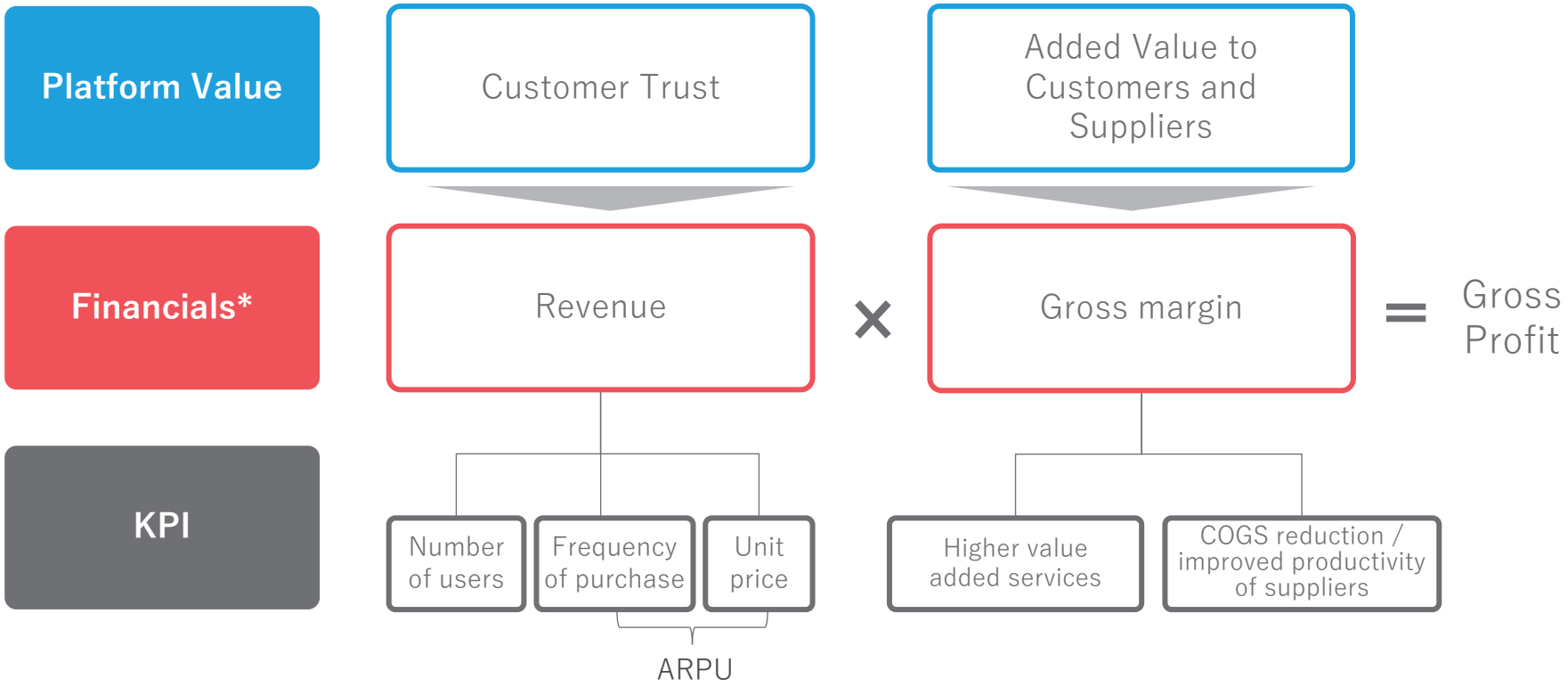
Hacobell

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**

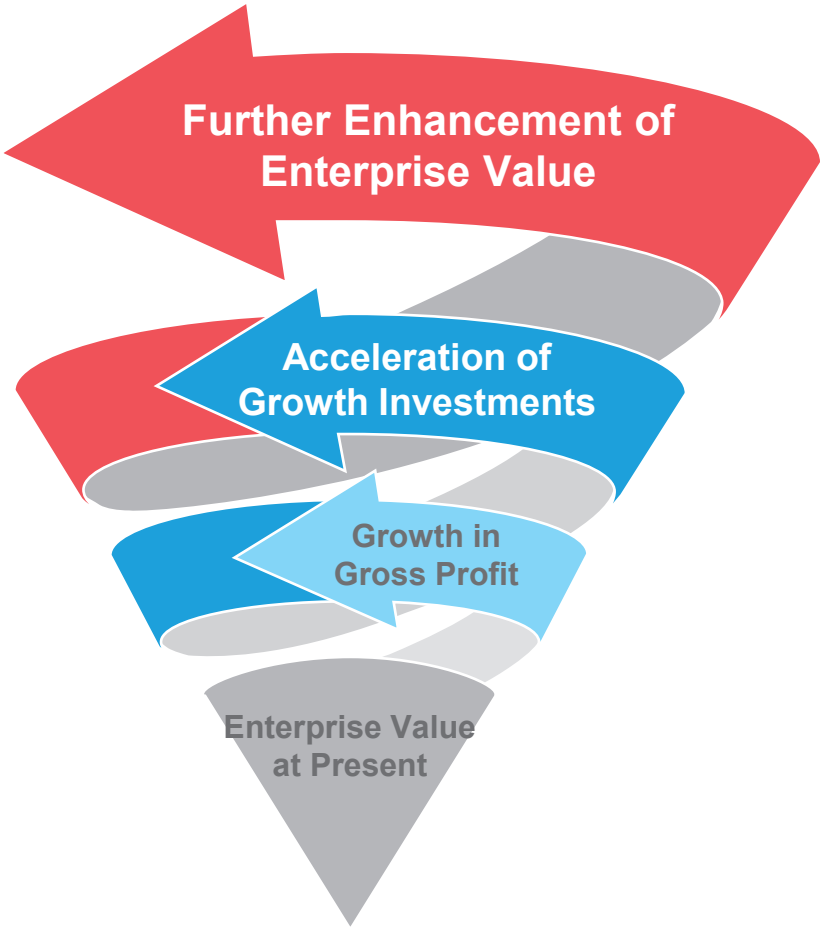
Revenue: revenues earned from users of both Raksul and Hacobell are booked as gross revenue

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

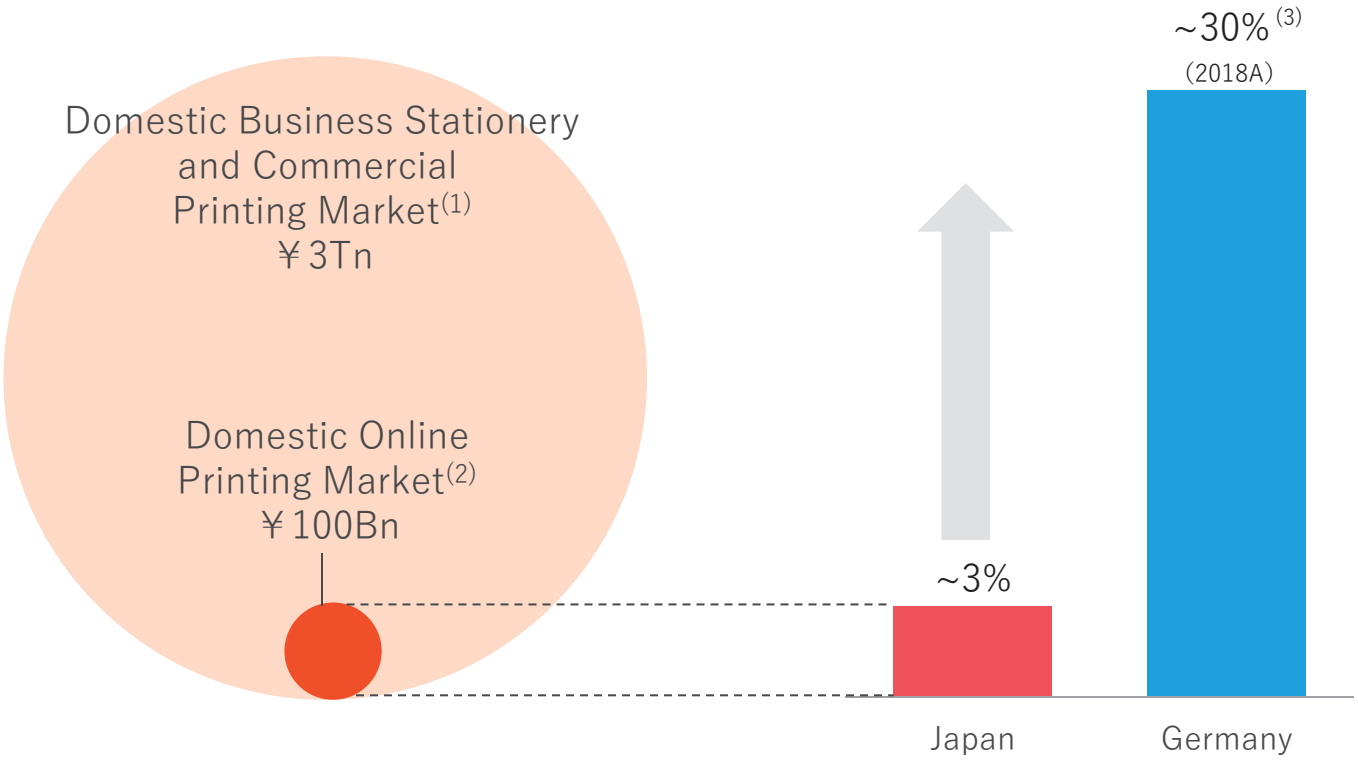
Efficient printing process developed through operation R&D using 3 in-house printing machines



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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: METI
(2) Source: Calculated based on the financial information of domestic online printing companies(2019)
(3) Source: zipcon consulting (2019)

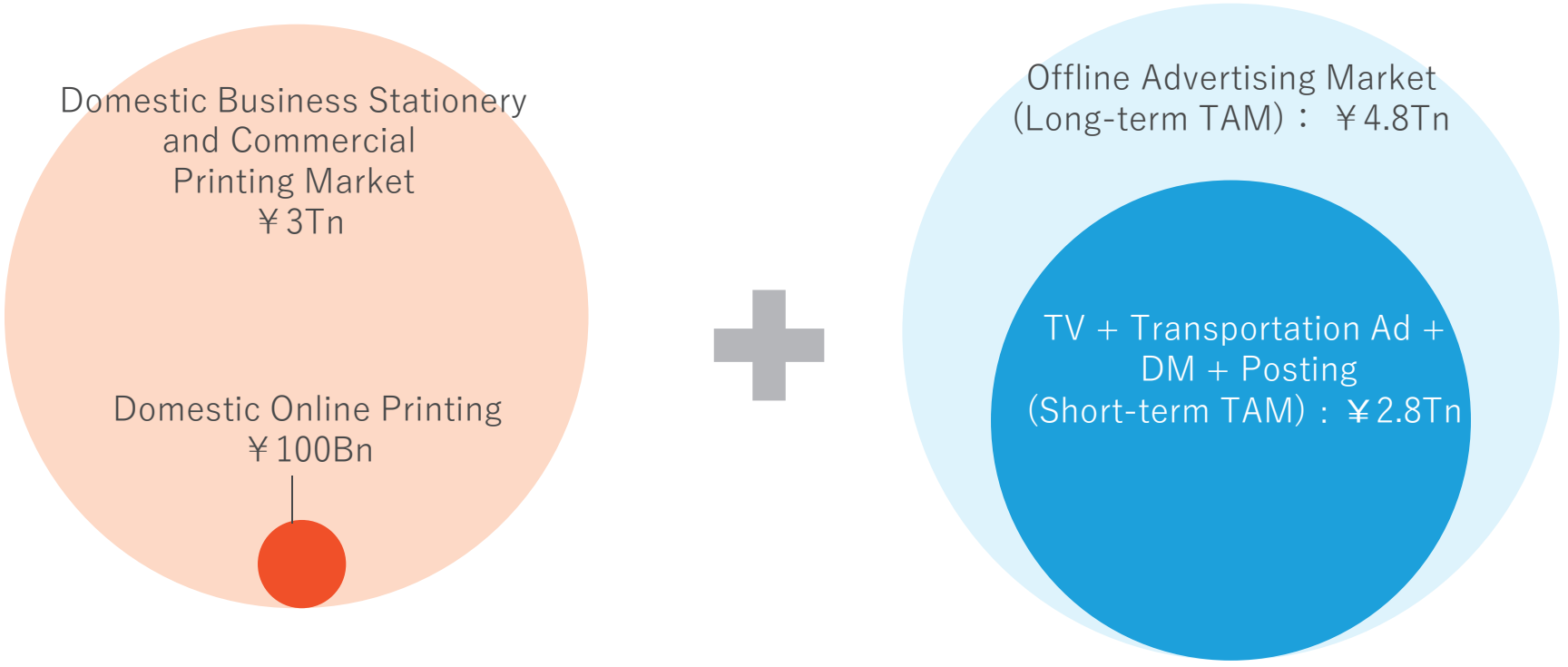
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One-Stop Service (Advertising Business) Further Extends Our Opportunities

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

Printing

Advertising

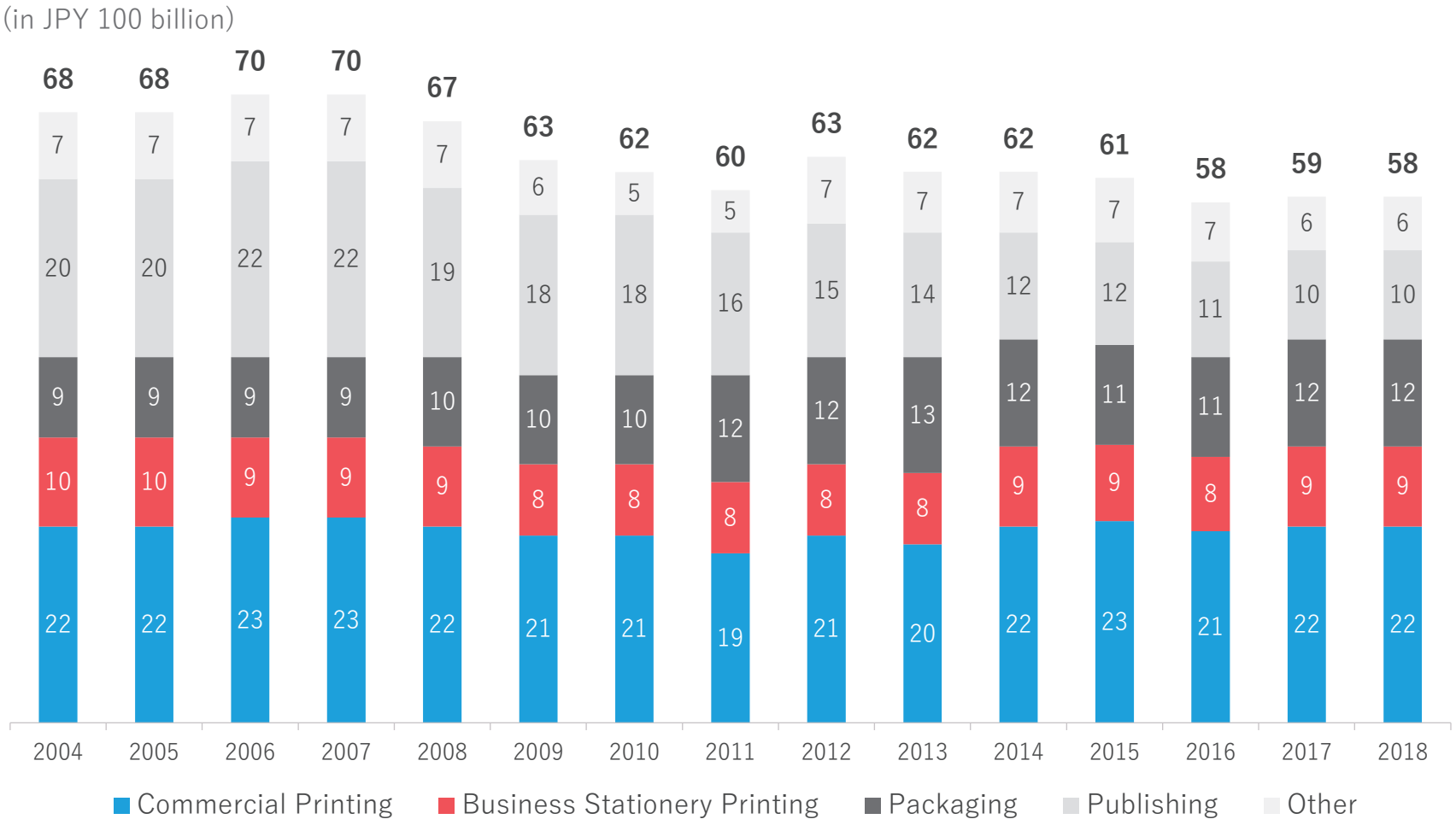


Source Yano Research Institute, Dentsu “Advertising Expenditures in Japan” (2019), METI

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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

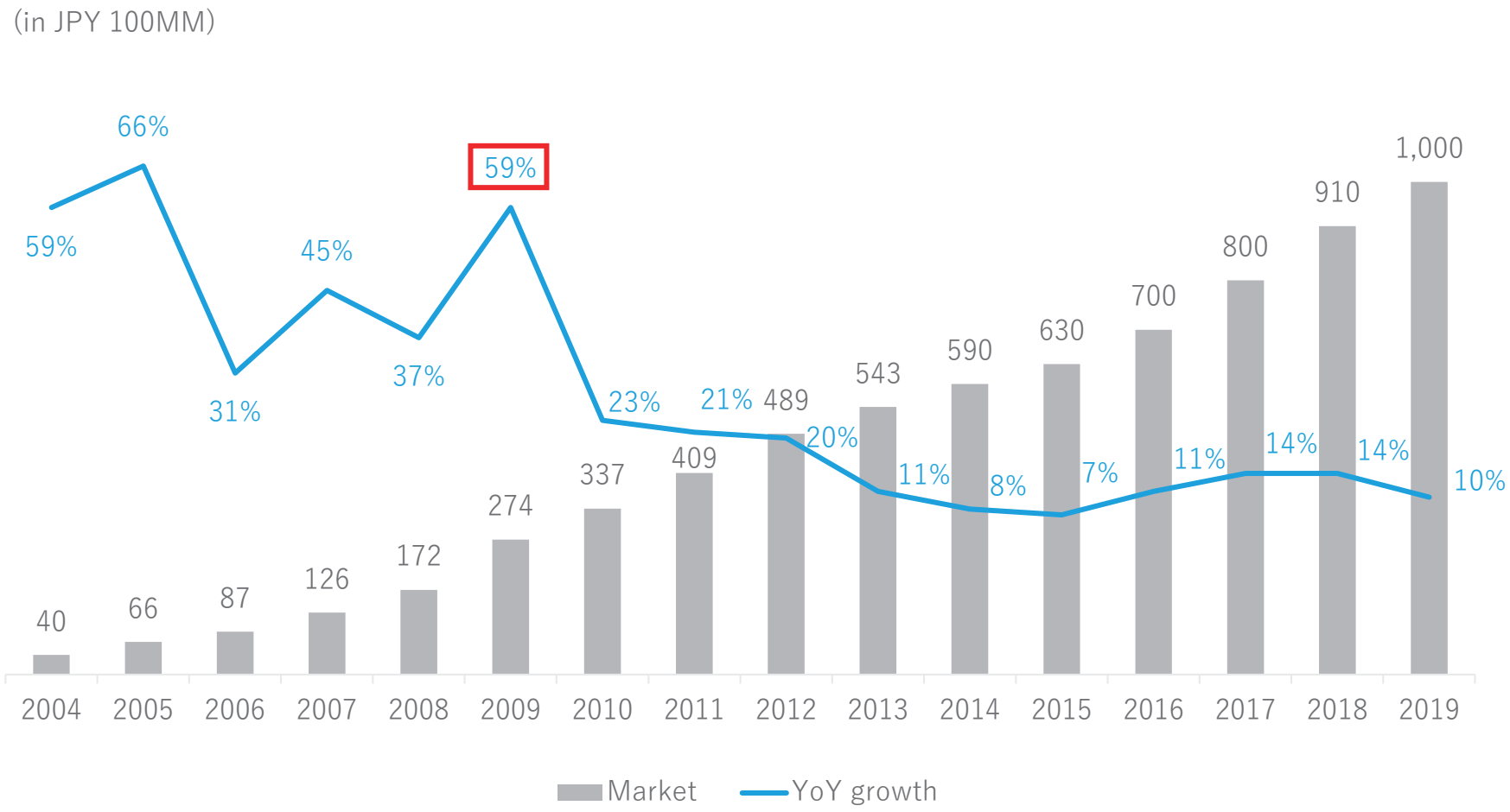


Source Overall market: on a basis of production volume, based on METI "Current Production Statistics Paper, Printing, Plastic Products and Rubber Products Statistics"

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Estimated Market Size and YoY Growth of the Domestic Printing EC Market

There was significant growth in the printing EC market during the post-financial crisis recession



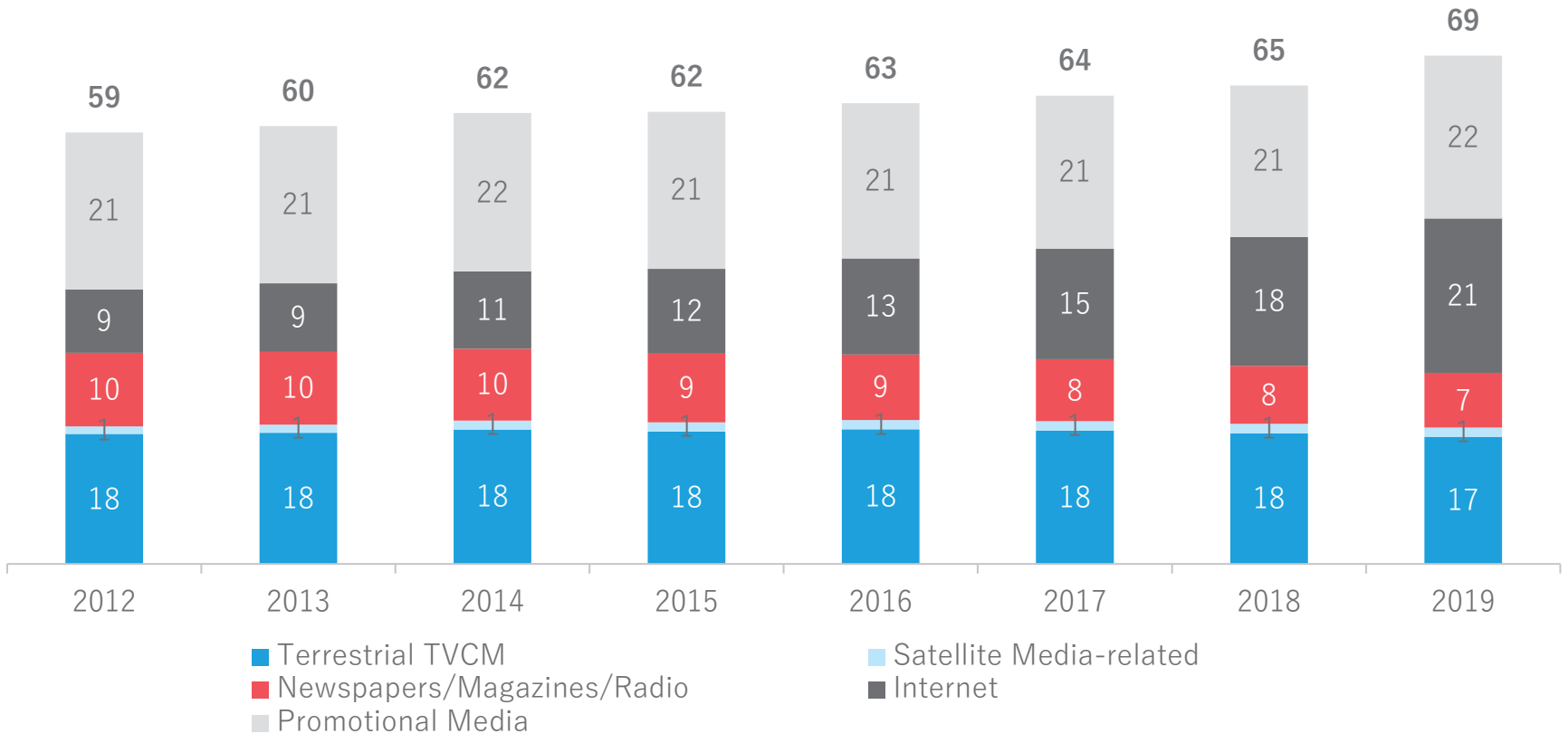
Source Yano Research Institute(2004～2014), Calculated based on the financial information of domestic online printing companies(2015~2019)

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Domestic Advertising Market

While the market is growing in terms of Internet advertising, the terrestrial TV commercial market has remained flat

(in JPY 100 billion)



Source Dentsu “Advertising Expenditures in Japan” (2019)

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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	￥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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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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