



Financial Results for the Fiscal Year Ending July 31, 2021

Part 1: Financial Highlights

RAKSUL INC. (TSE First Section: 4384)

September 10, 2021

1. FY2021(FYE July 2021) Full Year Financial Highlights

2. FY2022(FYE July 2022) Full Year Financial Forecast

3. Q&A

4. Reference Materials

Part 2 (Separate Document)

Business Development towards Realizing Our Vision and Our Accumulative Assets

1. Business Development towards Realizing Our Vision
2. Continuous Accumulation of Assets: Business
3. Continuous Accumulation of Assets: Organization
4. Continuous Accumulation of Assets: Finance
5. Governance Policy that Supports Realization of Our Vision
6. Reference Materials

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**FY2021(FYE July 2021) Full Year
Financial Highlights**

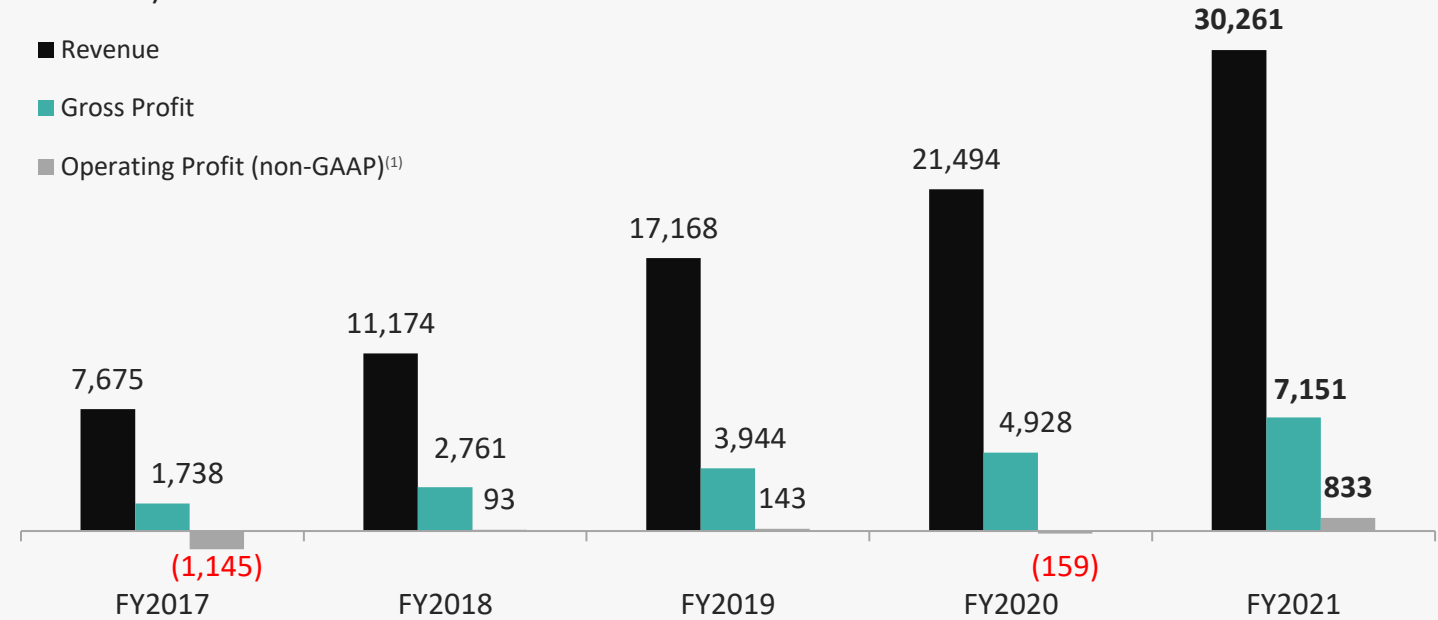


Full Year Financial Highlights

- Despite the impact of the state of emergency declarations, both revenue and gross profit grew significantly
- Operating profit also reached a record high, effectively balancing both growth and profitability
- RakSul: Responded to changes by expanding new products and services
- Novasell: Gaining recognition of programmatic TV commercials and securing large projects through alliance. Companywide growth driven by the Novasell business segment
- Hacobell: Shifted into a re-growth phase while maintaining the gross margin level

(in JPY MM)

■ Revenue
■ Gross Profit
■ Operating Profit (non-GAAP)⁽¹⁾



(in JPY MM)	RakSul	Novasell	Hacobell	Companywide ⁽²⁾
Revenue	20,311	6,719	2,939	30,261
YoY	+24.4%	+135.4%	+34.5%	+40.8%
Gross Profit	5,509	1,082	445	7,151
YoY	+31.1%	+123.0%	+134.5%	+45.1%
Gross Margin	27.1%	16.1%	15.2%	23.6%
YoY	+1.4pt	-0.9pt	+6.5pt	+0.7pt
Operating Profit/ Segment Profit ⁽¹⁾ (non-GAAP)	2,212	29	-95	833

Notes

- (1) From FY2020, we disclose non-GAAP profits after adding back stock-based compensation expense (the same applies hereinafter). Please see slides in reference for more details.
(2) The difference between the total of each segment and companywide is due to "other business" and corporate expenses.



Full Year and Quarterly Financial Highlights

- Quarterly revenue: +62.2% YoY, Quarterly gross profit: +40.2% YoY
- As the gross margin significantly improved in FY2020 4Q, YoY growth decreased; for the full fiscal year, it improved by 0.7pt
- Operating profit (non-GAAP) in 4Q was negative due to investment towards growth as disclosed in 3Q. Full year results exceeded the upper limit of the revised forecast
- We have recorded deferred tax assets and incorporate deferred tax assets as adjustments to income taxes

(in JPY MM)	FY2021 4Q (2021/5 - 2021/7)			FY2021 (2020/8 - 2021/7)			Annual Forecast ⁽¹⁾
	Actual	FY2020 4Q		Actual	FY2020		
		Actual	YoY		Actual	YoY	
Revenue	7,939	4,896	+62.2%	30,261	21,494	+40.8%	+102.1%
Gross Profit	1,818	1,296	+40.2%	7,151	4,928	+45.1%	+100.7%
Gross Margin	22.9%	26.5%	-3.6pt	23.6%	22.9%	+0.7pt	-
Operating Profit (non-GAAP)	-35	237	-	833	-159	-	+115.7%
Stock-based compensation expense	263	46	+467.6%	612	84	+625.1%	+100.4%
Ad spend	515	197	+161.2%	2,017	1,633	+23.5%	-
Ordinary Profit (non-GAAP)	-44	205	-	807	-280	-	+115.3%
Net Profit (non-GAAP)	120	185	-34.7%	837	-406	-	+116.3%

Notes

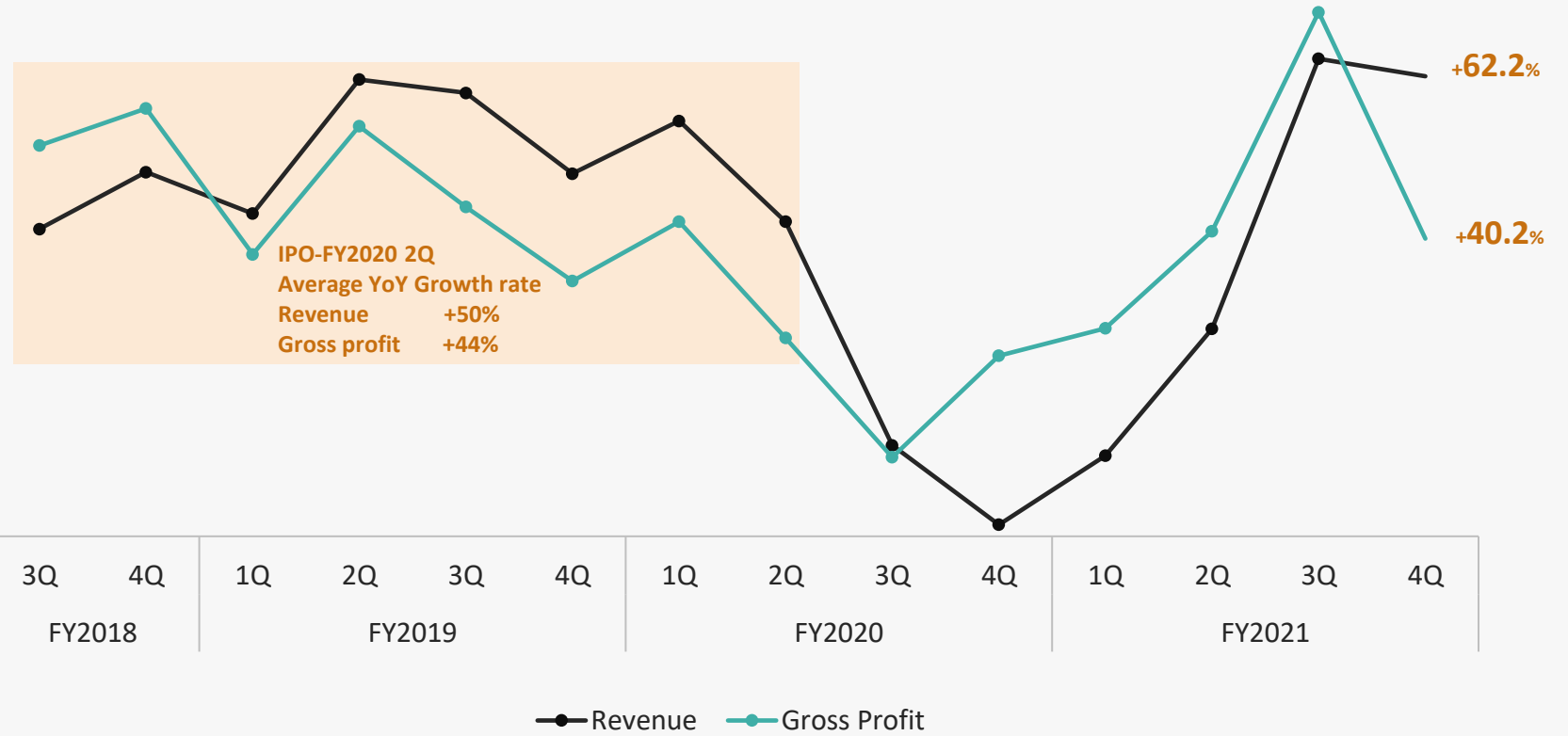
(1) Compared to the lower range of FY2021 revised annual forecast disclosed on June 10, 2021



Recovery in Growth

- Growth rate recovered to pre-COVID levels

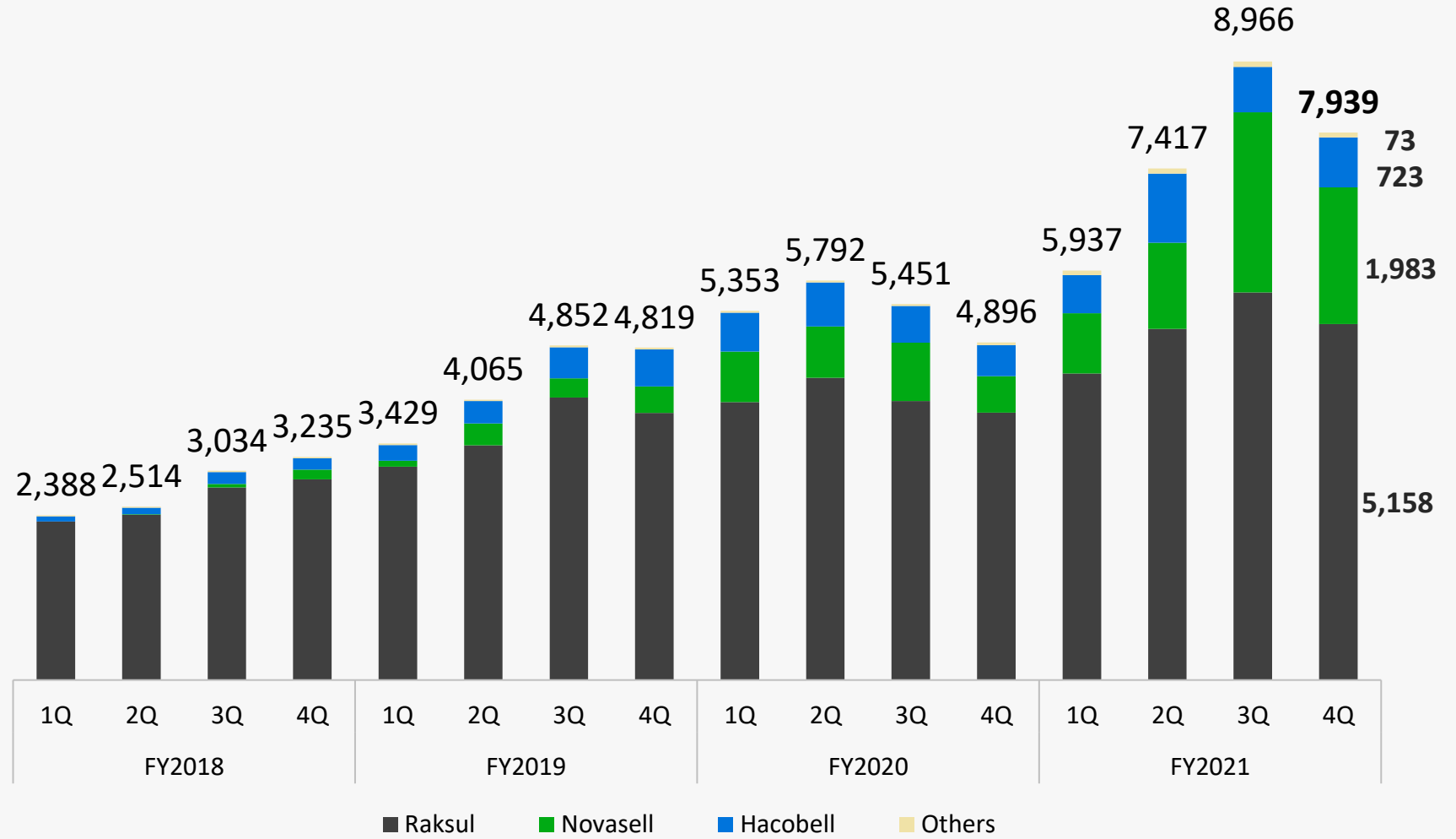
YoY Growth





Revenue

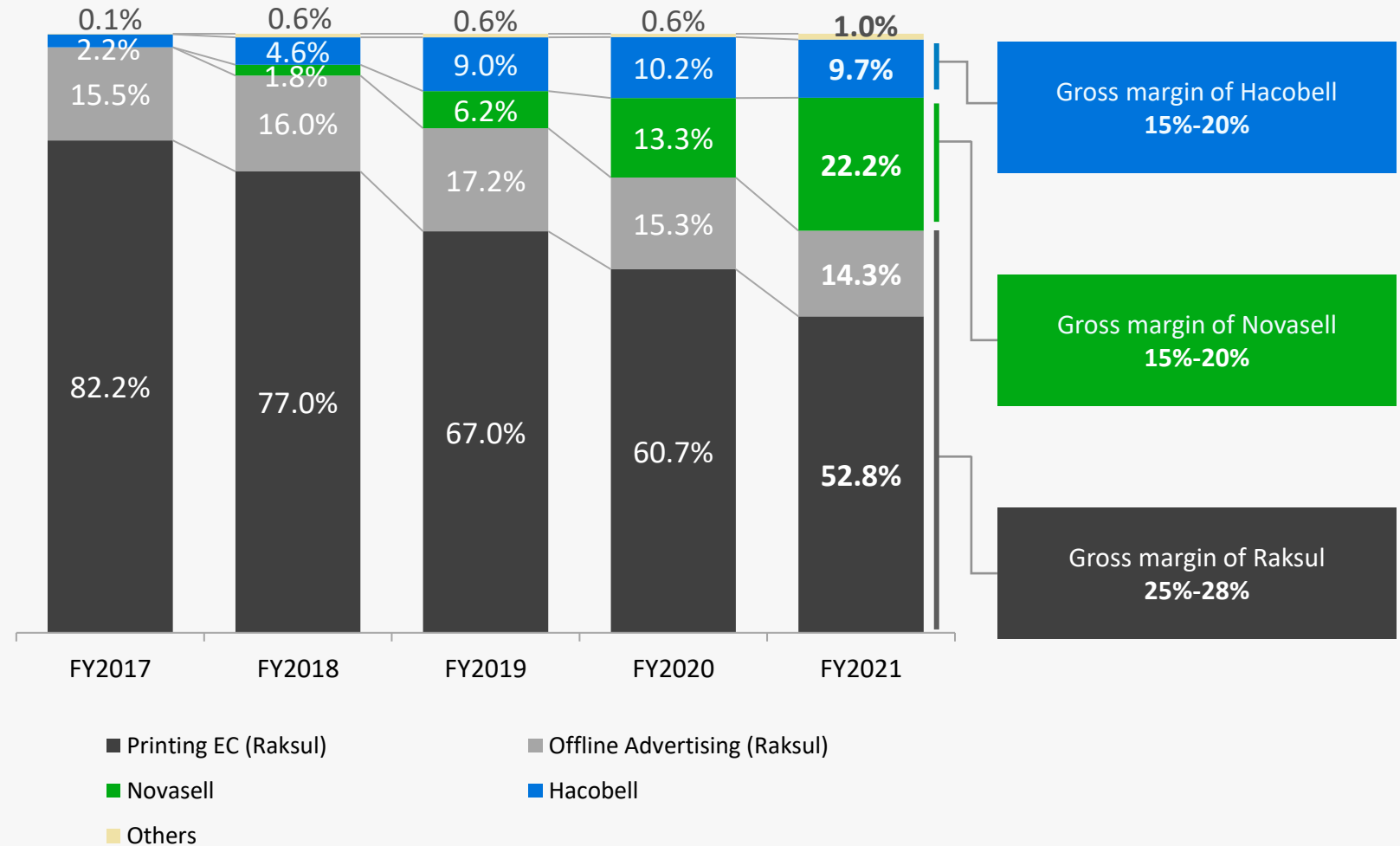
- 4Q is a quiet season for all business segments (the peak season for the RakSul Business Segment and the Novasell Business Segment is 3Q, and for the Hacobell Business Segment it is 2Q and 3Q)
- Growth trend continued despite there being a certain amount of negative impact due to the state of emergency and the Olympics





Revenue Composition by Business Segment

- Our newer platforms are rapidly expanding while the printing EC service continues its growth, creating multiple strong revenue streams
- The total revenue contribution from non-printing services is more than 45%
- Most recently, there has been a significant increase in the Novasell business segment

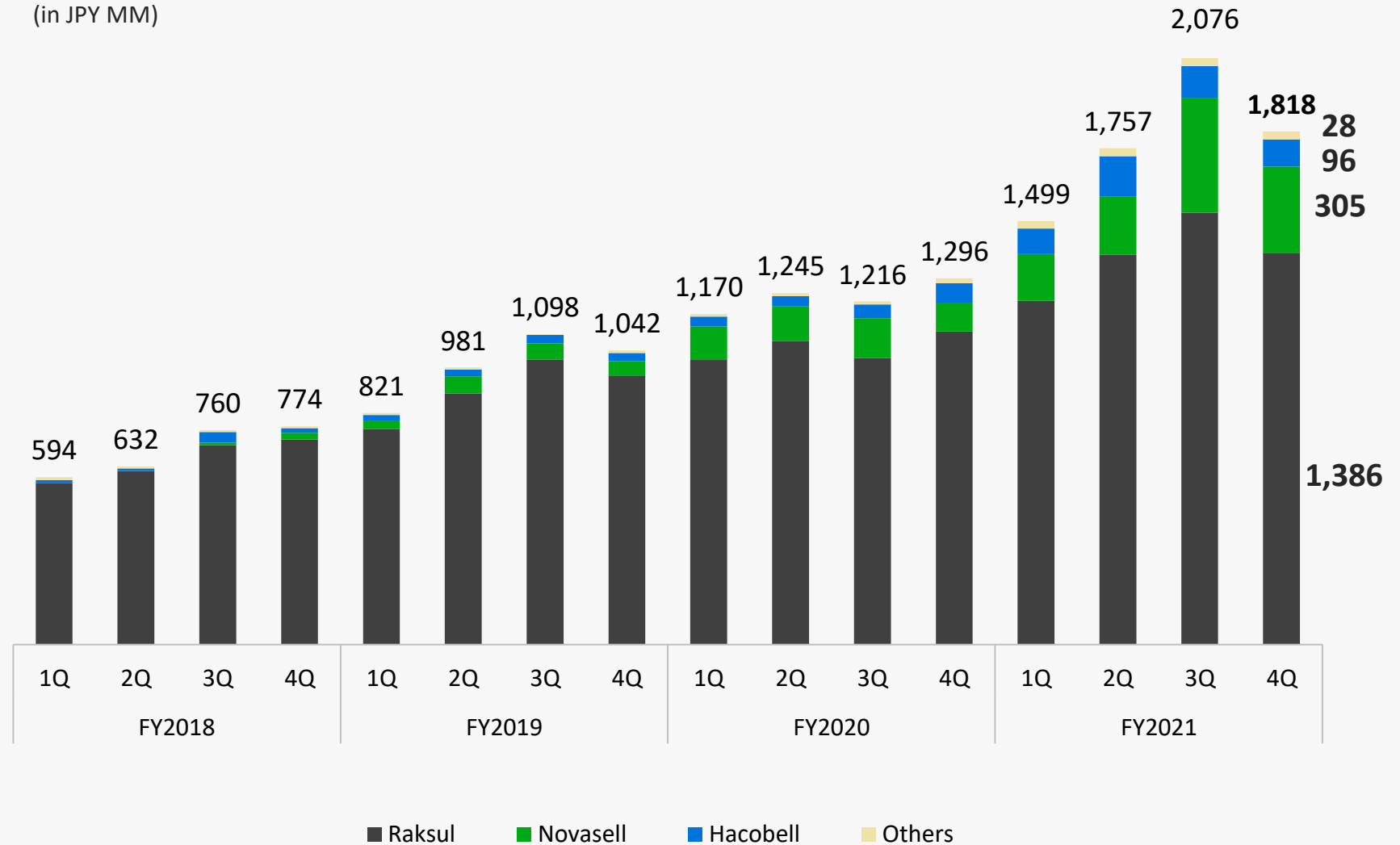




Gross Profit

- Gross profit continued to grow (Decrease from the previous quarter due to seasonality and the impact of the Olympics)

(in JPY MM)

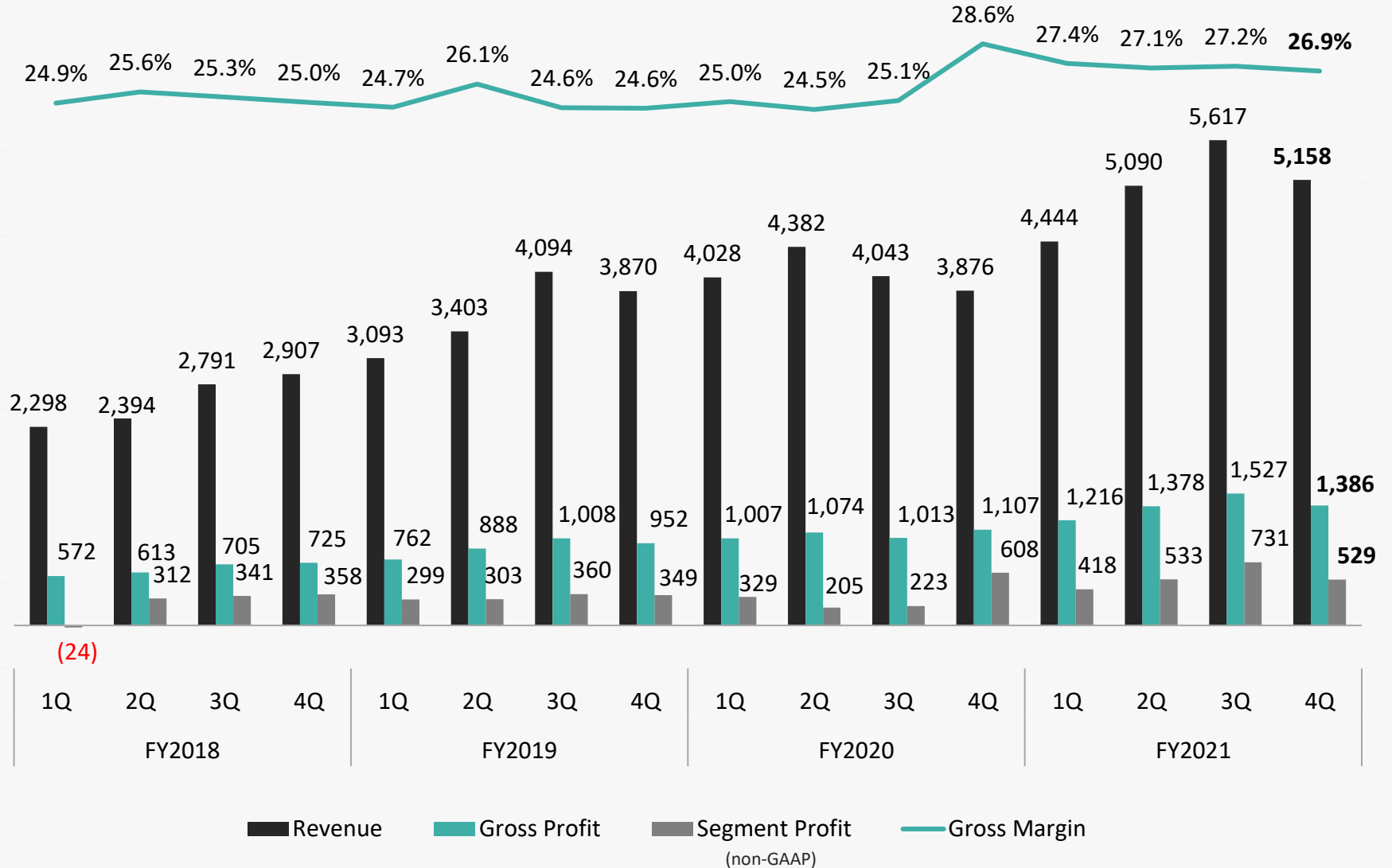




Business Segment Performance

- Despite 4Q being a quiet season, YoY growth was over 30%. We recognize that we are the fastest growing player in the printing EC market
- Gross margin maintained in the 27% range

(in JPY MM)



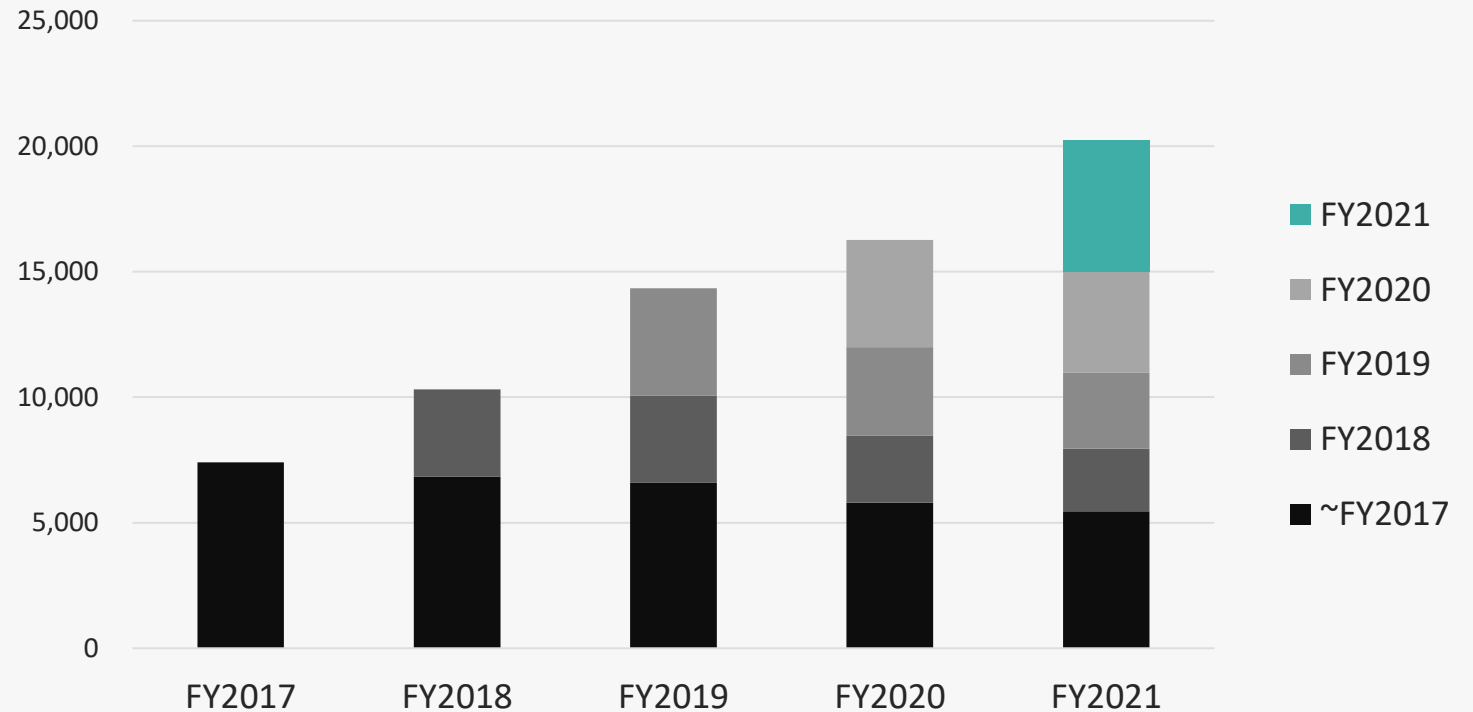


(Reference)

Recurring Revenue Trend by User Acquisition Year

- Creating recurring revenue through steady accumulation of repeat users

(in JPY MM)

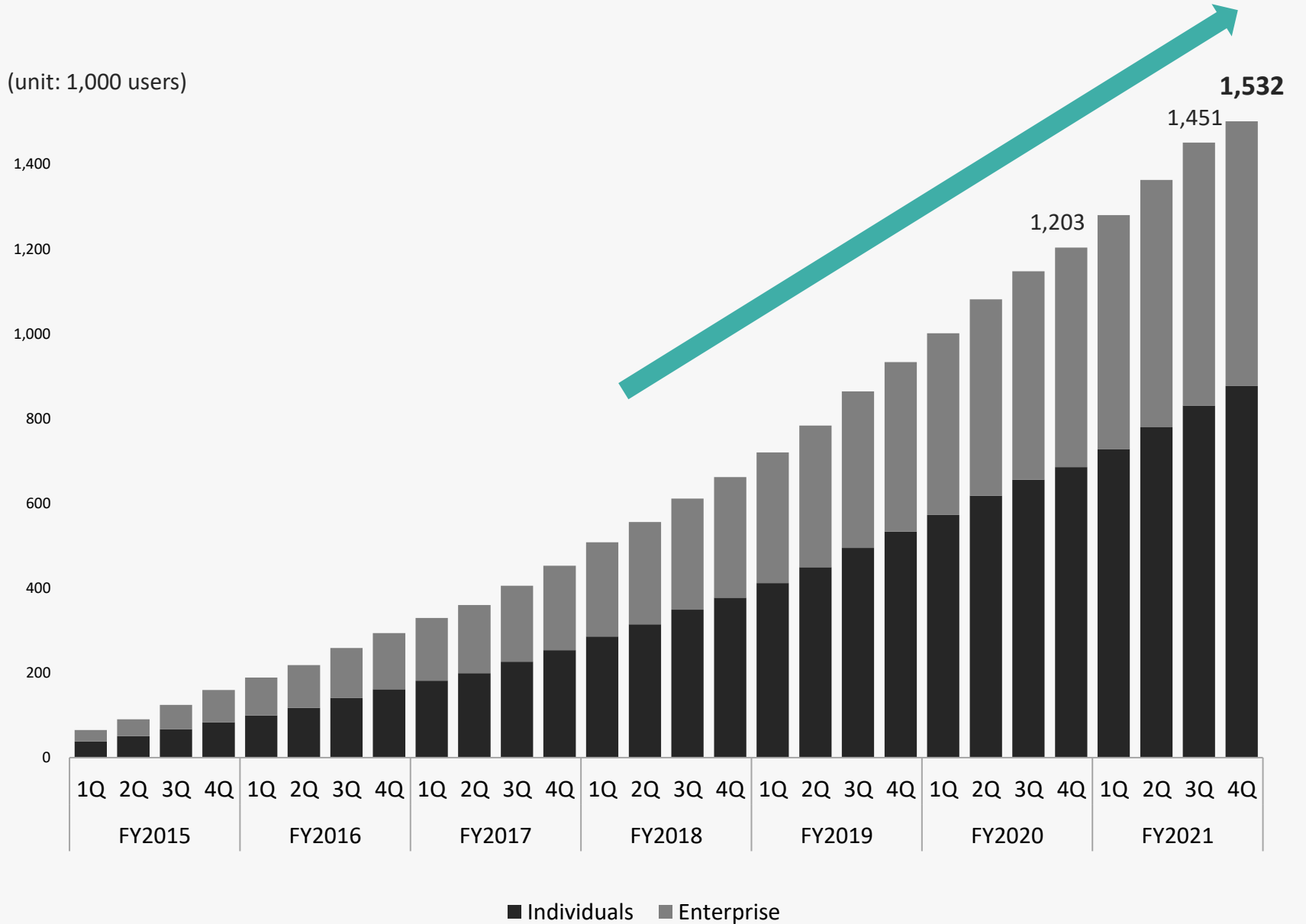


Notes
(1) Calculated based on management accounting

Number of Registered Users on Printing Platform ⁽¹⁾

- Our customer base saw continuous growth even during COVID-19
- The number of total users for 4Q was 1,532,172

(unit: 1,000 users)



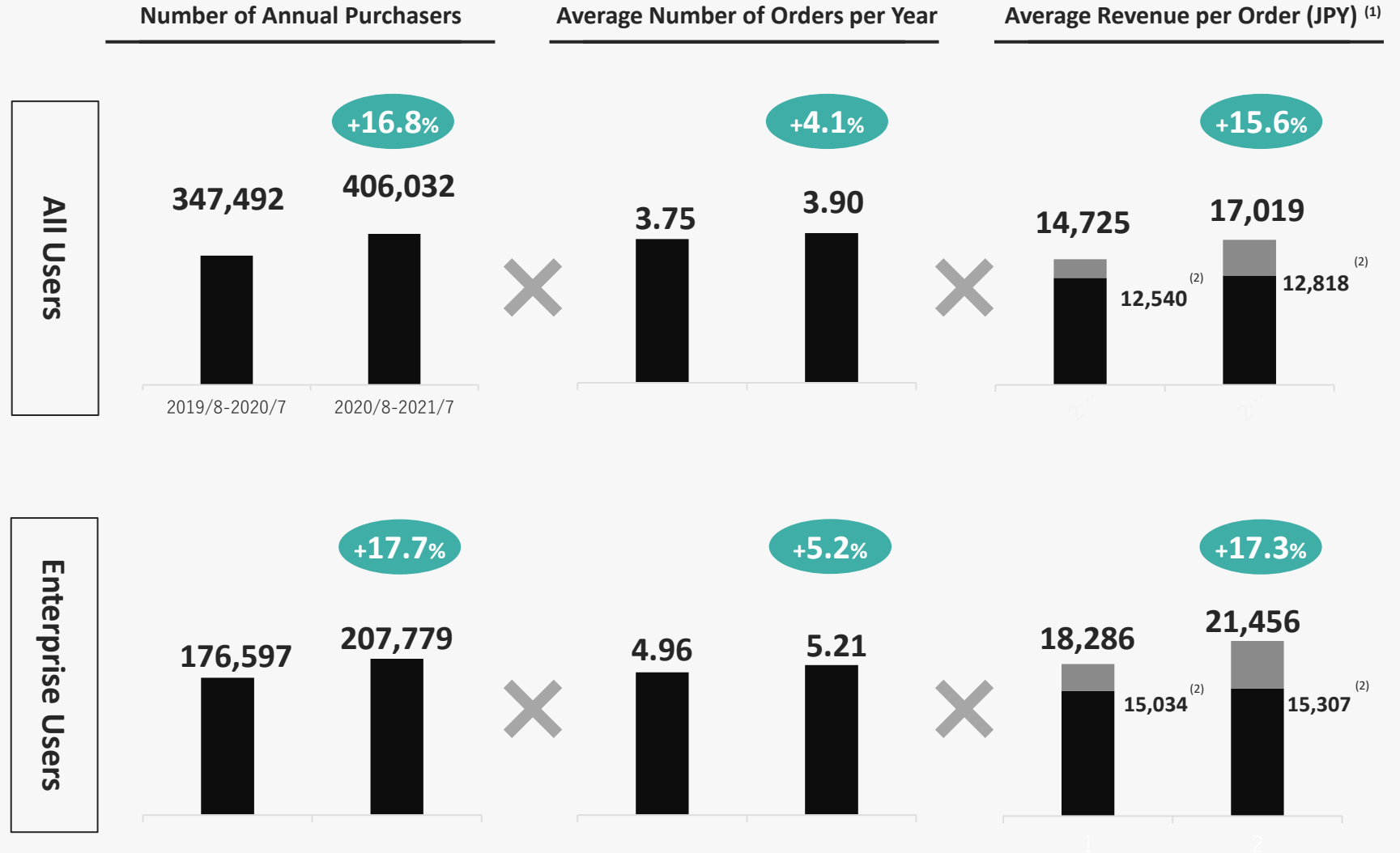
Notes

(1) Number of total registered users for RakSul only. It does not include users on Hacobell



Sticky User Base

- Growth rates of both KPIs (number of annual purchasers and average number of orders per year) improved, though it had been affected by the COVID situation
- RakSul business segment only: average order growth rate for all users increased by 2.2% and 1.8% for enterprise users



Notes

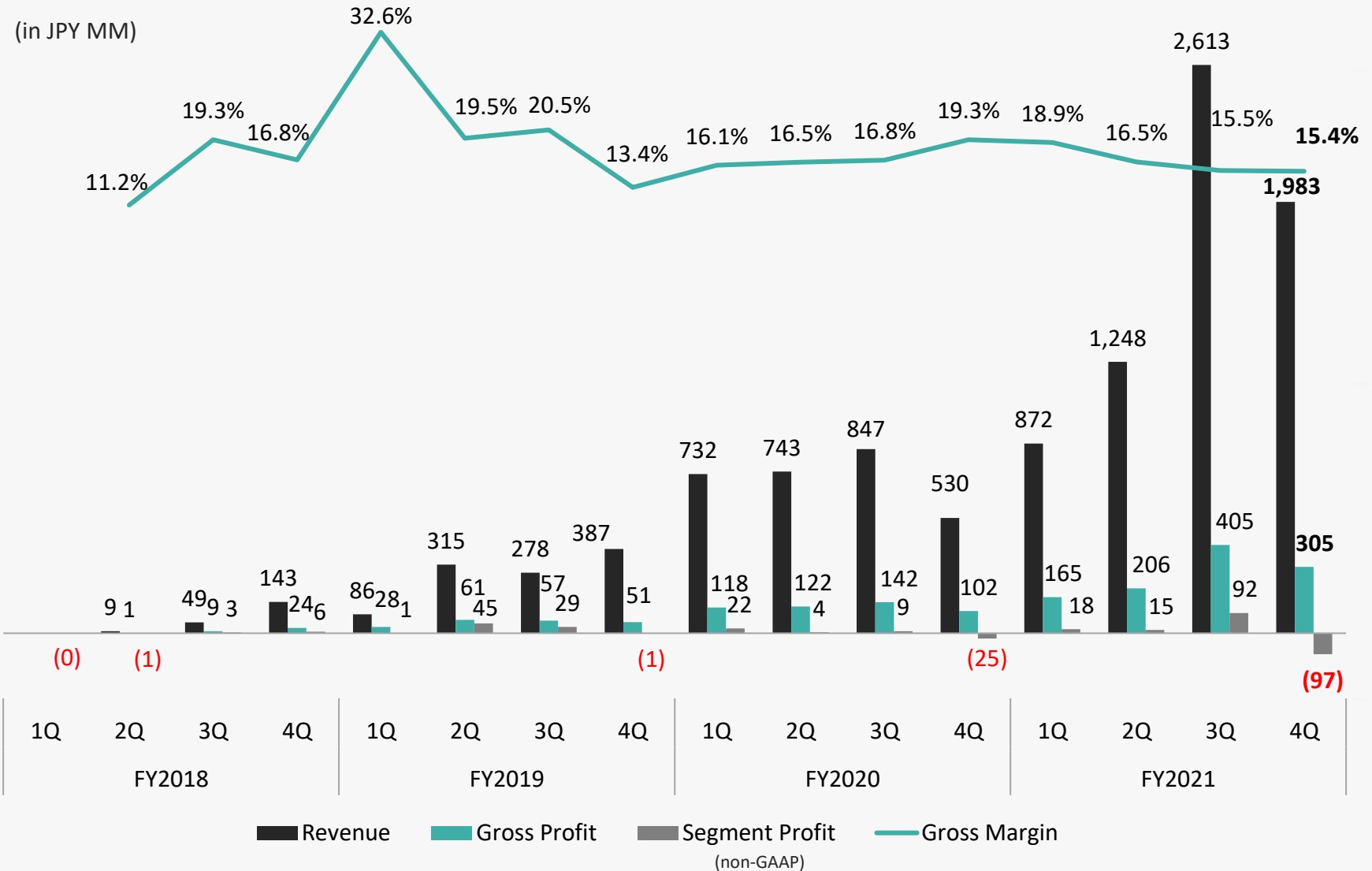
(1) Calculated based on management accounting, excluding Novasell Analytics (SaaS)

(2) Average revenue per order excluding Novasell



Business Segment Performance

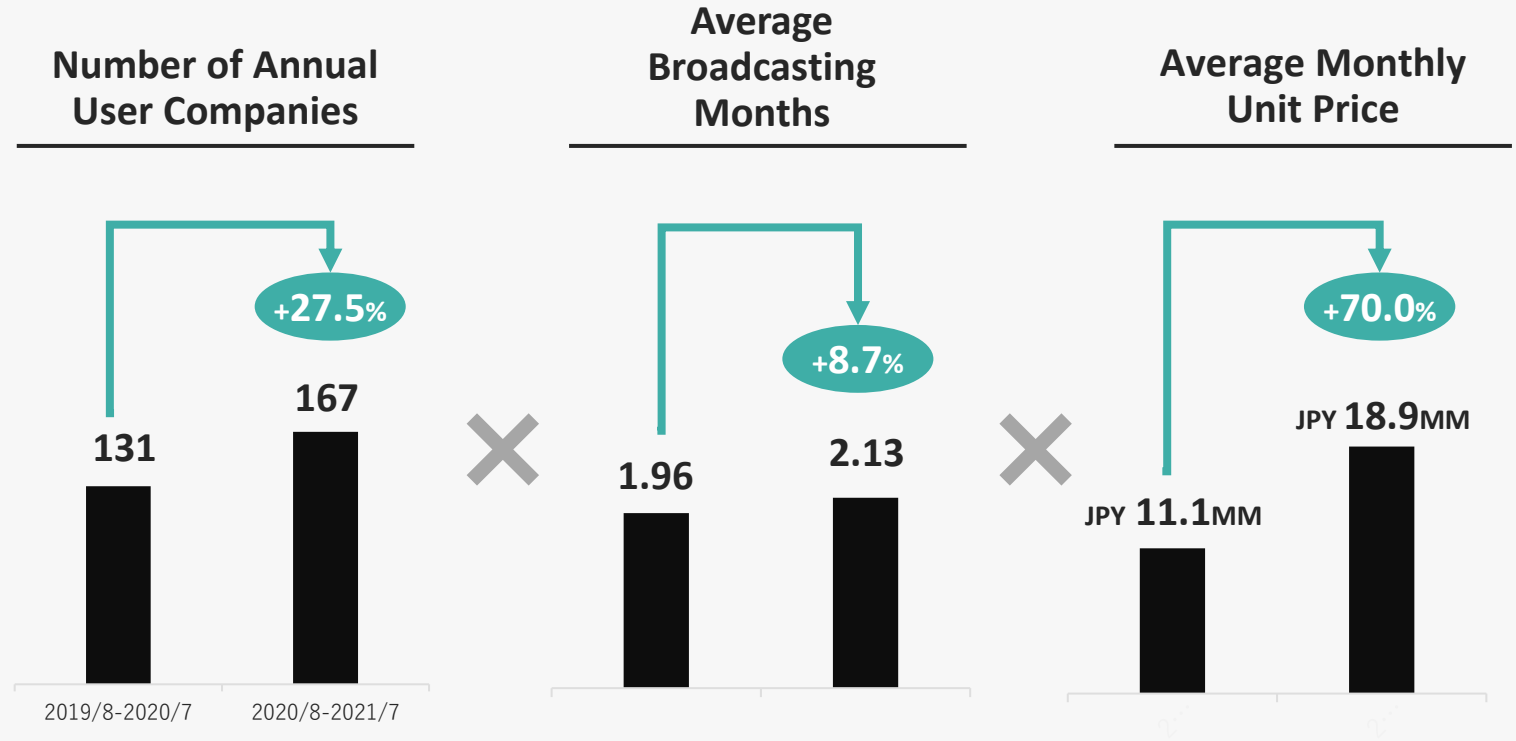
- Strong YoY growth trend continued. Although there were restrictions on TV commercial slots due to the Olympics, the results exceeded the forecast of “JPY1.7-1.75Bn yen” disclosed in 3Q
- Gross margin was 15.4% due to a larger-than-expected proportion of broadcasting
- Contribution to gross margin by Novasell Analytics (SaaS) increased by +1.2% during 4Q alone. The cumulative number of companies that have implemented the software is 119 (including free use)





KPI Trend

- KPI disclosure based on characteristics of programmatic TV commercials
- Increase in the number of new users as well as the broadcasting months and average monthly unit price are key for the Novasell Business Segment





Case Study

- We started the business with main customers being users of RakSul Business Segment as well as startups/ new businesses
- As the service matched the customer needs of visualizing advertising effectiveness, we have been acquiring larger customers

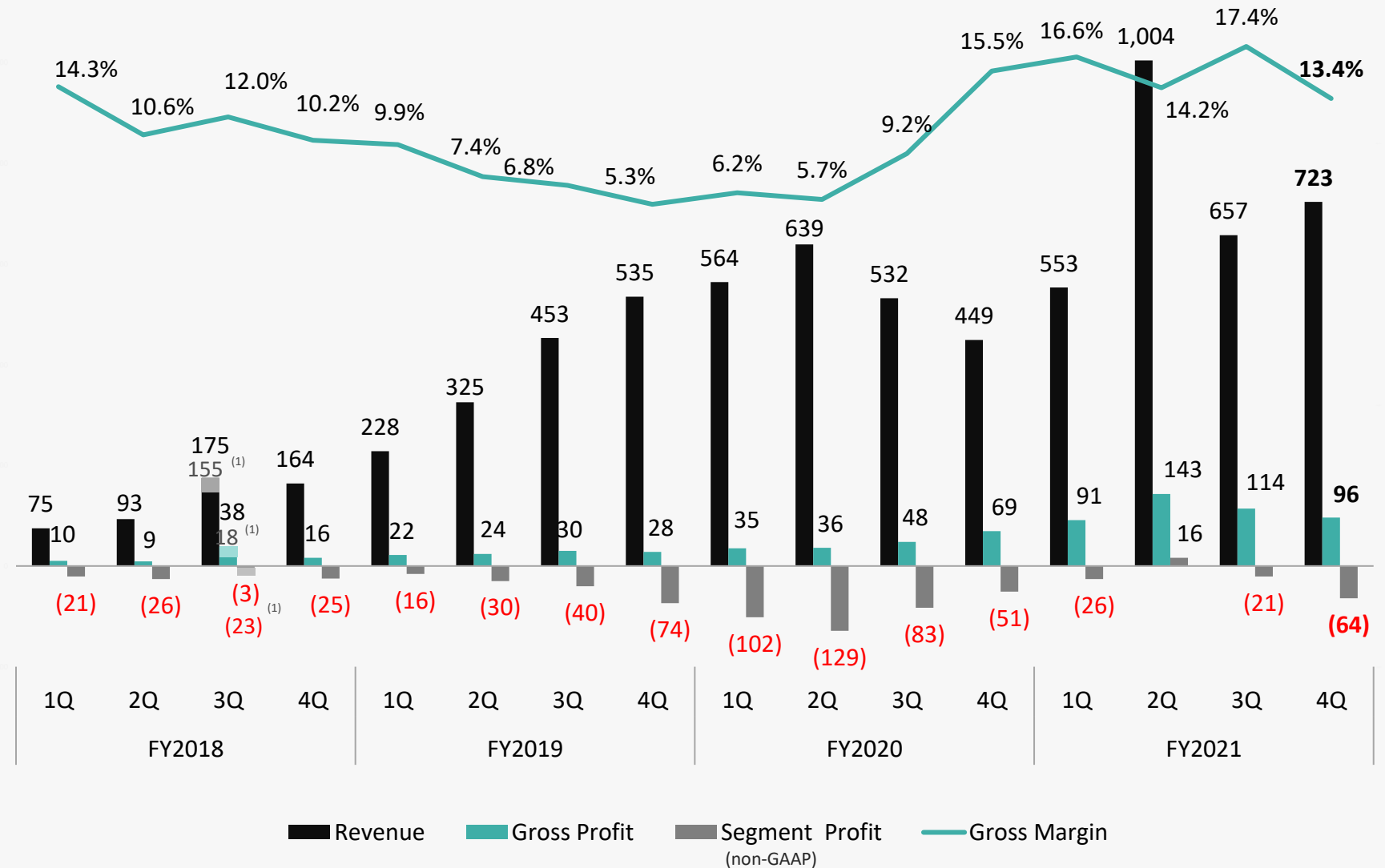




Business Segment Performance

- We have shifted into a re-growth phase for revenue while maintaining the gross margin level
- Although revenue continues to grow, the pace of growth and gross margin were partially affected due to the state of emergency
- 18 companies have implemented Hacobell Connect (SaaS), and the average monthly charge per client is roughly JPY180k

(in JPY MM)



Notes

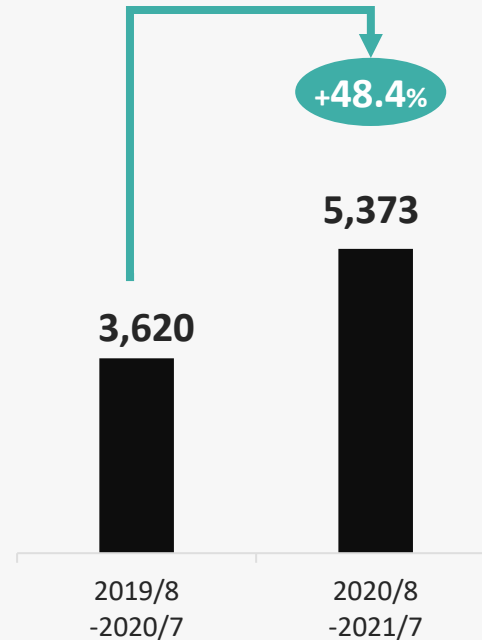
(1) Including revenue from system development for Yamato HD in FY2018; this revenue is excluded from gross margin calculation



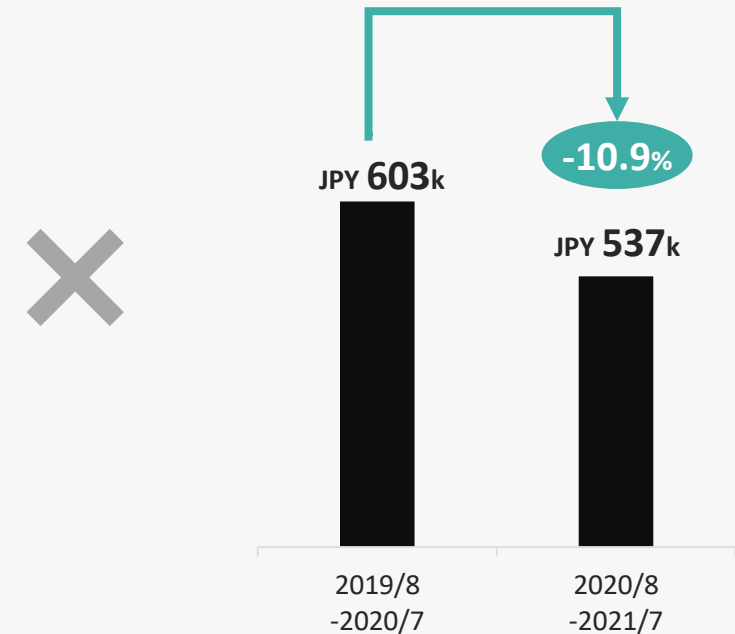
Number of Clients and Average Revenue per Client (ARPU) ⁽¹⁾

- We saw an increase in the number of smaller enterprises, leading to an increase in the number of clients but a decrease in ARPU
- We strive to continuously improve the number of clients and the ARPU through sales and marketing, and by deeply penetrating into the clients' delivery operations

Number of Clients



ARPU



Notes
 (1) Excluding Hacobell connect (SaaS)

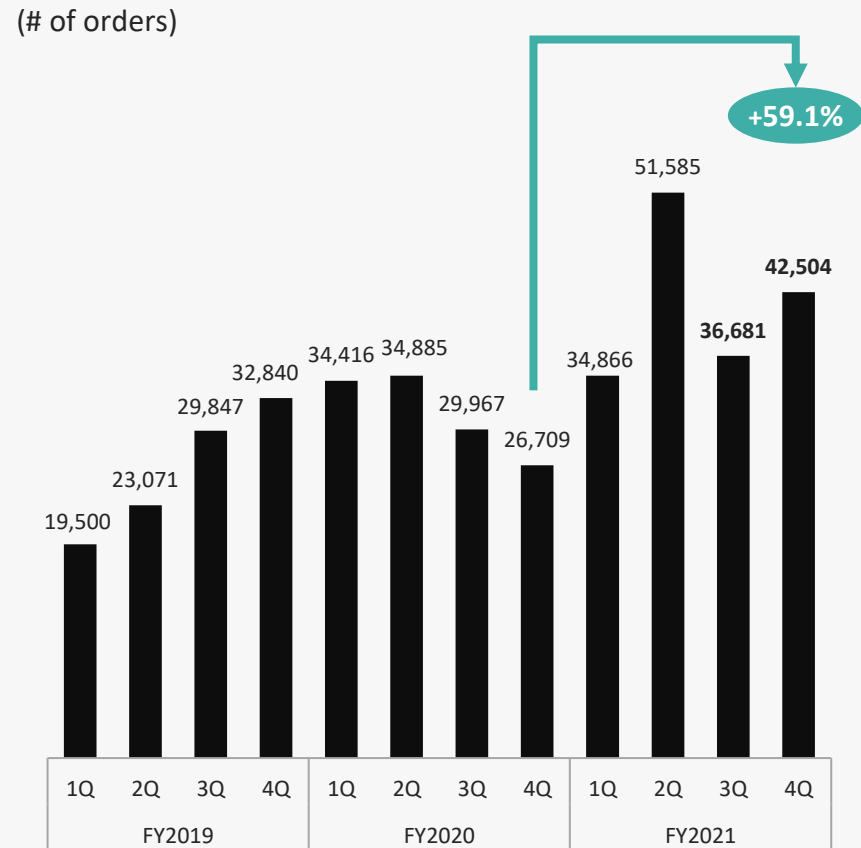


(Reference)

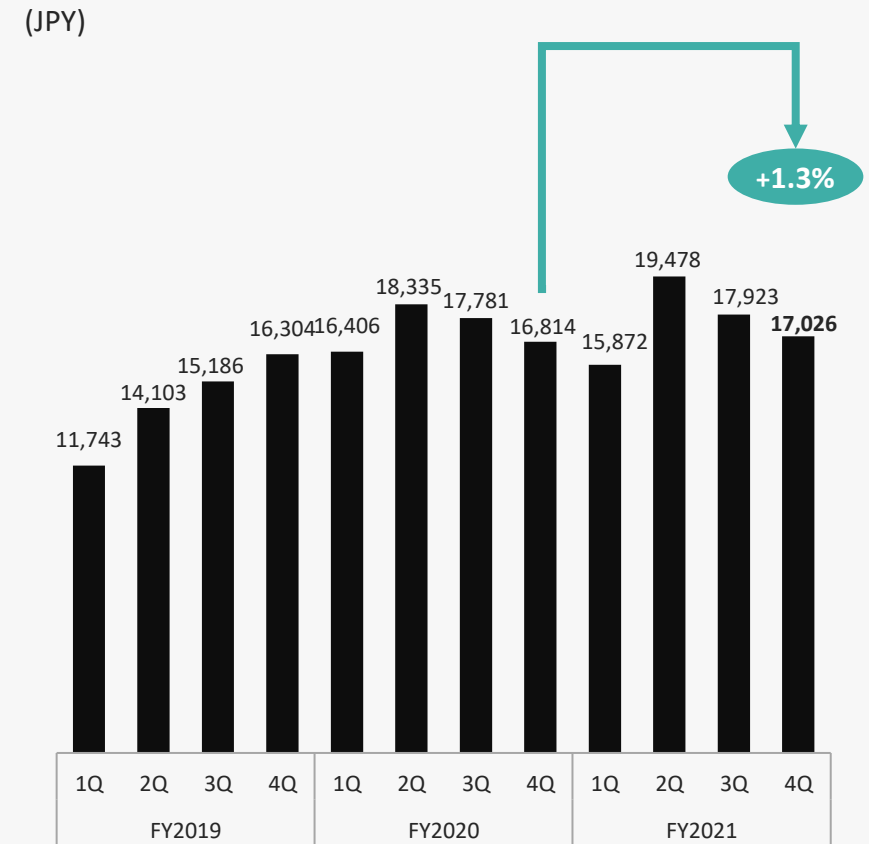
Number of Orders and Revenue per Order

- KPIs on this page will not be disclosed in the following quarters as they will be integrated into the KPIs on the previous page

Number of Orders



Revenue per Order (1)



Notes

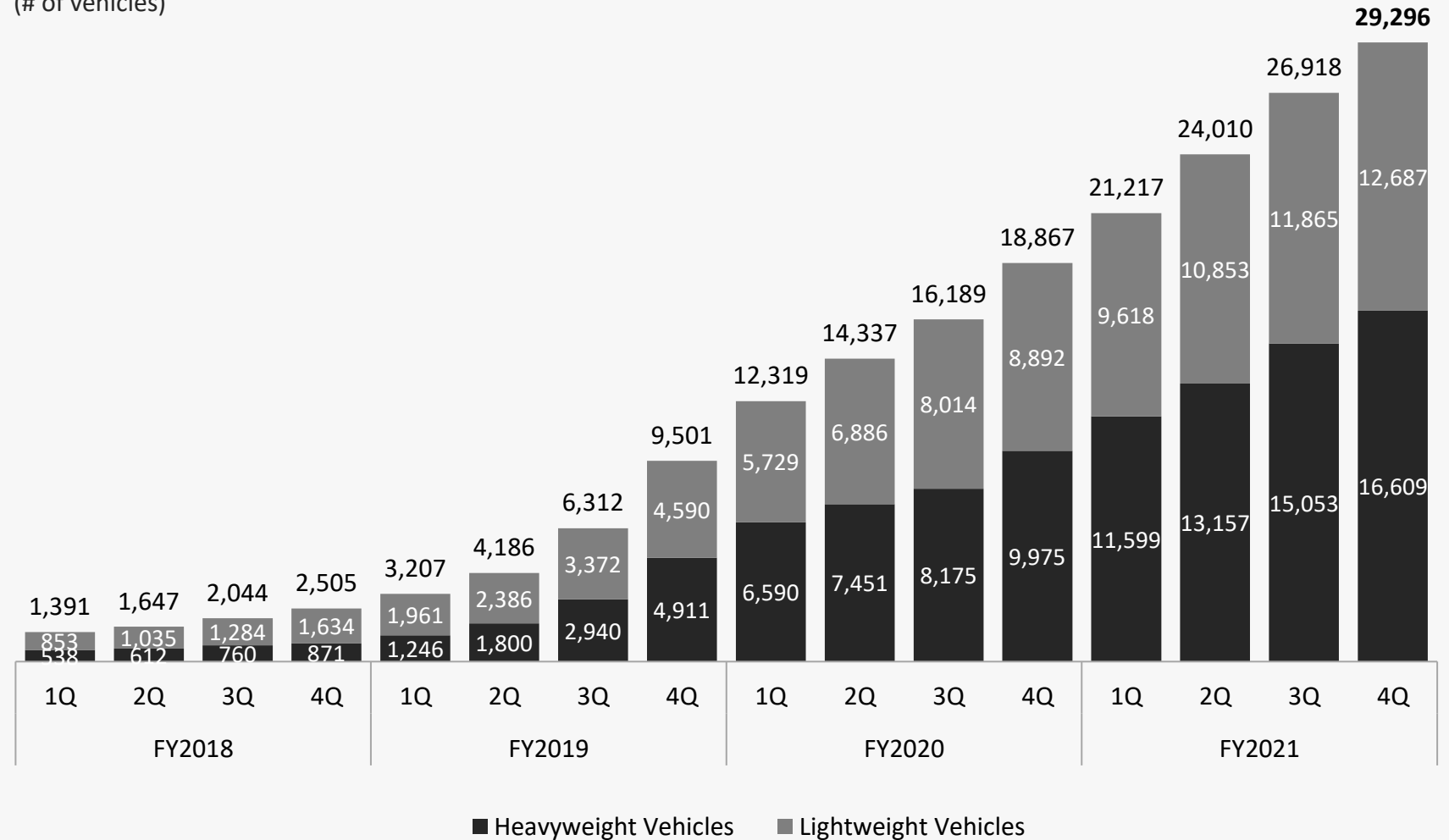
(1) Value based on financial accounting standards and includes internal transactions



Number of Registered Vehicles

- The number of registered vehicles has increased steadily, which leads to securing our transportation capacity to support business growth
- We have established recognition within the industry particularly for lightweight vehicles, and natural inflow will continue at a certain level

(# of vehicles)





(Reference)

Key Drivers and Investment Points for KPI Improvement

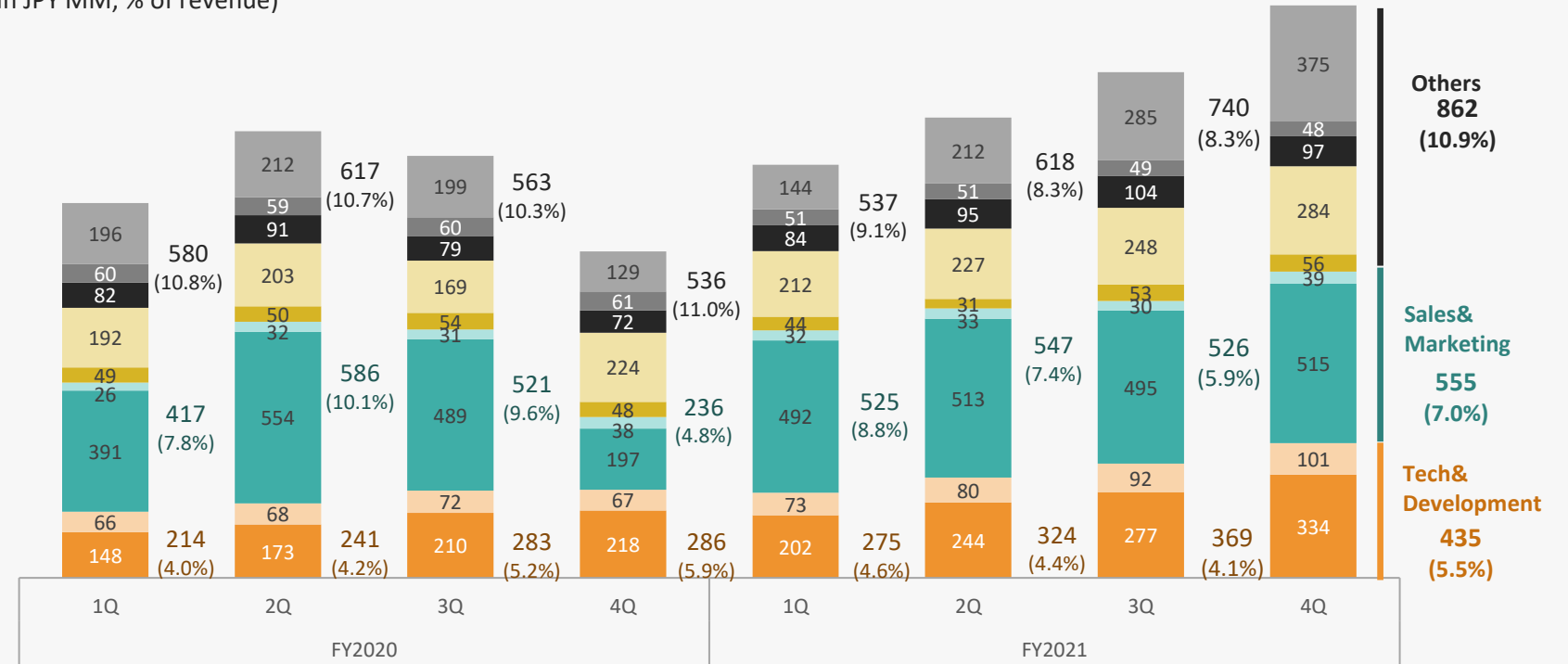
	Number of Annual Users	ARPU		Gross Margin
		Average # of Orders	Average Unit Price	
Raksul	<ul style="list-style-type: none"> • Continuous improvement of marketing measures • Expansion of business areas and product line-up 	<ul style="list-style-type: none"> • Improvement of customer experience • Continuous CRM and cross-sell expansion 	<ul style="list-style-type: none"> • Provide services to promote usage by large enterprises 	<ul style="list-style-type: none"> • Price optimization • Support towards suppliers in productivity and cost improvement • Cost improvement through joint procurement of materials
Novasell	<ul style="list-style-type: none"> • Expansion of marketing channels • Collaboration with external advertising agencies 	<ul style="list-style-type: none"> • Formulate/implement marketing strategies working closely together with the clients • Improvement in analysis contents for Novasell Analytics • Expansion and enhancement of media 		<ul style="list-style-type: none"> • Expansion of SaaS business (with high profit margin)
Hacobell	<ul style="list-style-type: none"> • Hiring of sales force • Acquisition of flagship clients and marketing based on these clients 	<ul style="list-style-type: none"> • Matching: Strengthen penetration into client operations and tailored proposals • Matching: Improve matching rate • SaaS: Strengthen integration with client systems and additional functions based on customer requests 		<ul style="list-style-type: none"> • Improvement of ordering algorithm • Expansion of SaaS business (with high profit margin)



SG&A Spend

- We continued to invest in growth mainly in advertising and technology development
- Personnel expenses increased in 4Q due to bonus payments and strengthening of organization
- Increase in other expenses mainly due to advance investment towards improvement of Novasell business services

(in JPY MM, % of revenue)



Tech & Development

- IT Infrastructure Expenses
- Tech Personnel Expenses

Sales & Marketing

- Sales Personnel Expenses
- Ad Spend

Others

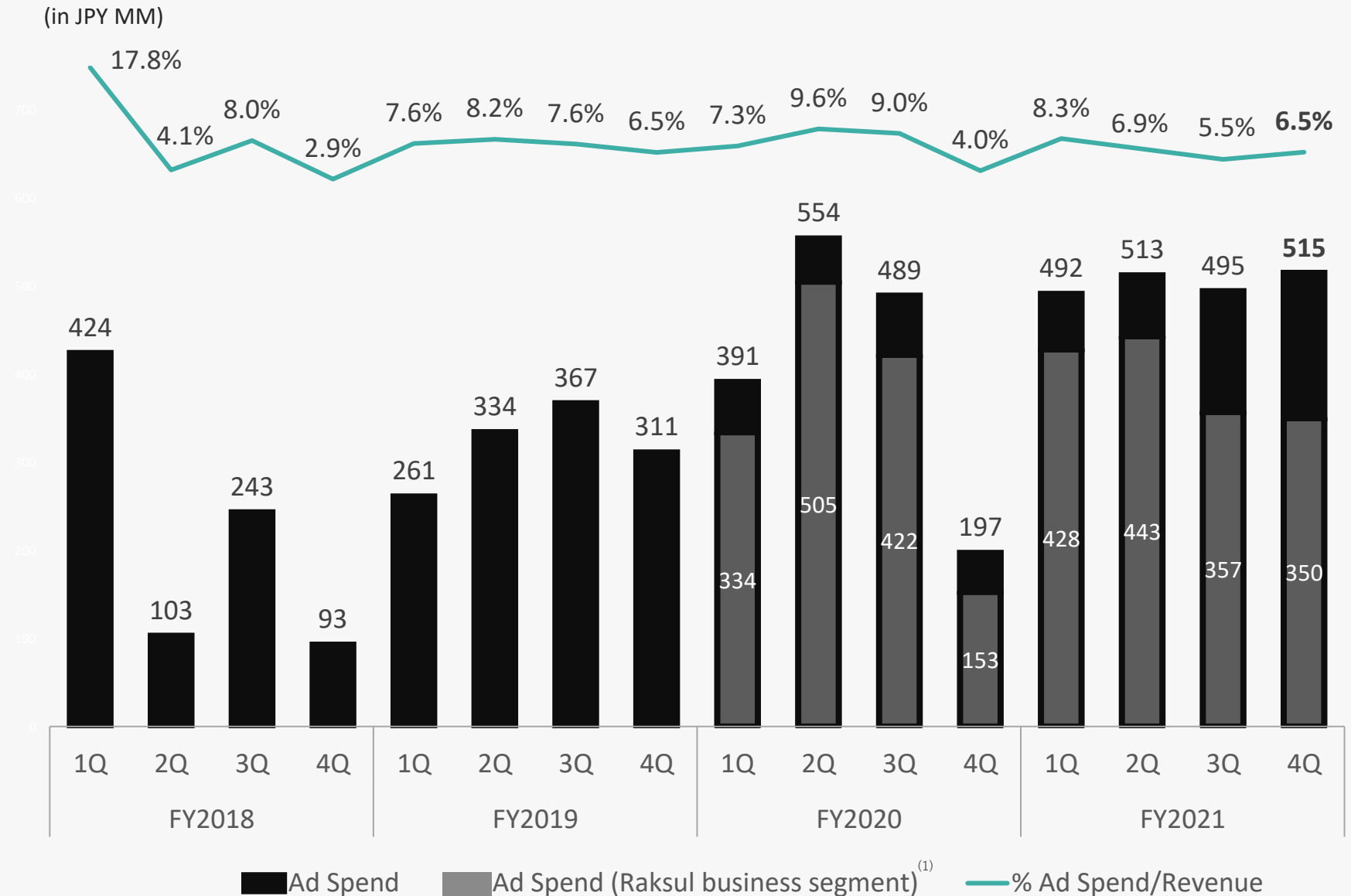
- Office
- Payment Charge
- Other Personnel Expenses
- Customer Support Expenses

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



Ad Spend and Percentage of Ad Spend per Revenue

- We continue to invest in advertising, mainly in TV commercials for the RakSul Business Segment
- Investment was made while assessing the efficiency of advertising during the state of emergency, and investment was less than 7% of total revenue for the full year
- The estimated ad spend per revenue for FY2022 overall is around 7%



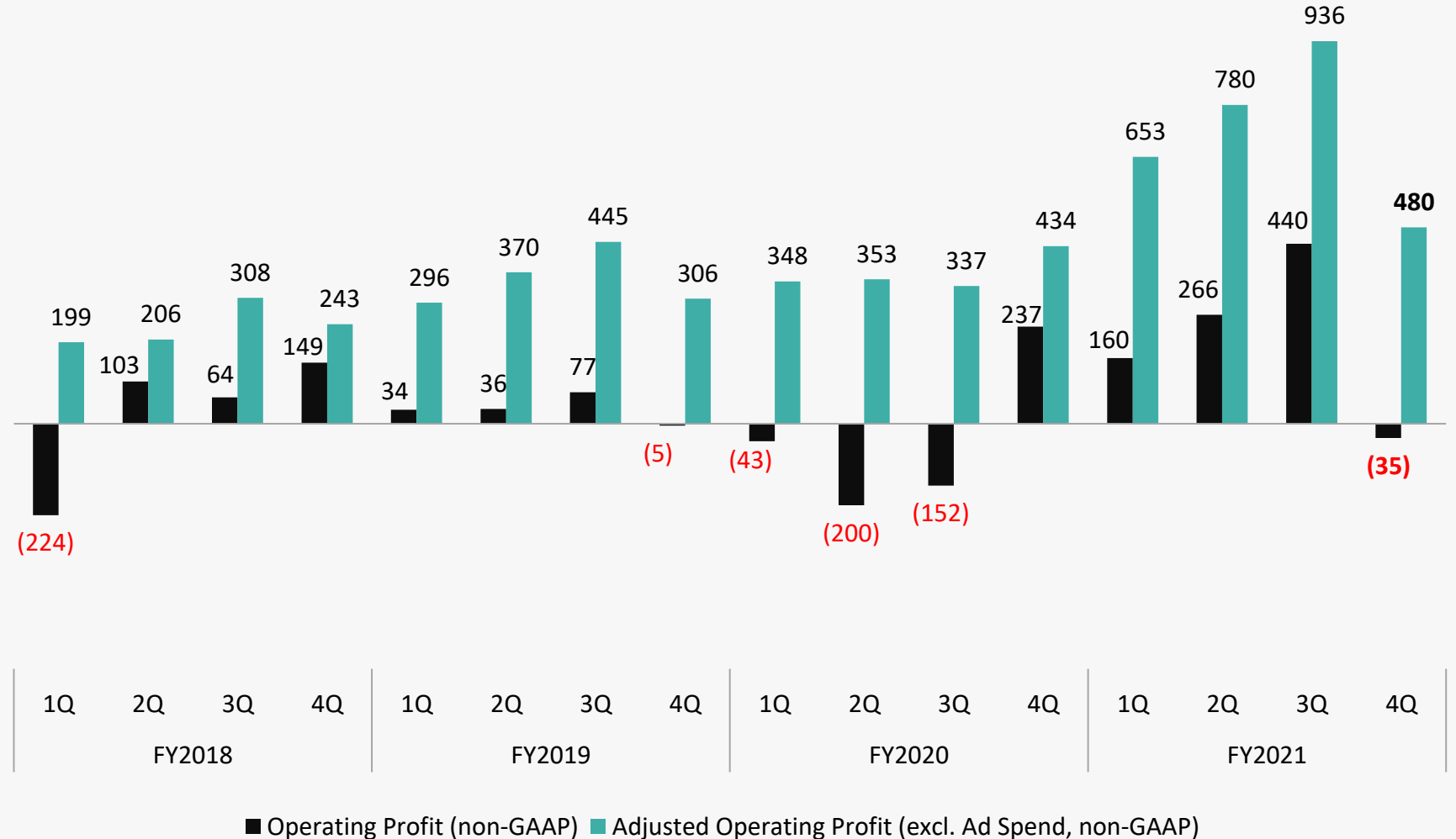
Notes
 (1) Ad spend for RakSul business segment only added as reference



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

- We strengthened investment towards growth in 4Q, focusing on variable costs
- All advertising expenses are variable costs, and cashflow (which is controllable) is steadily increasing

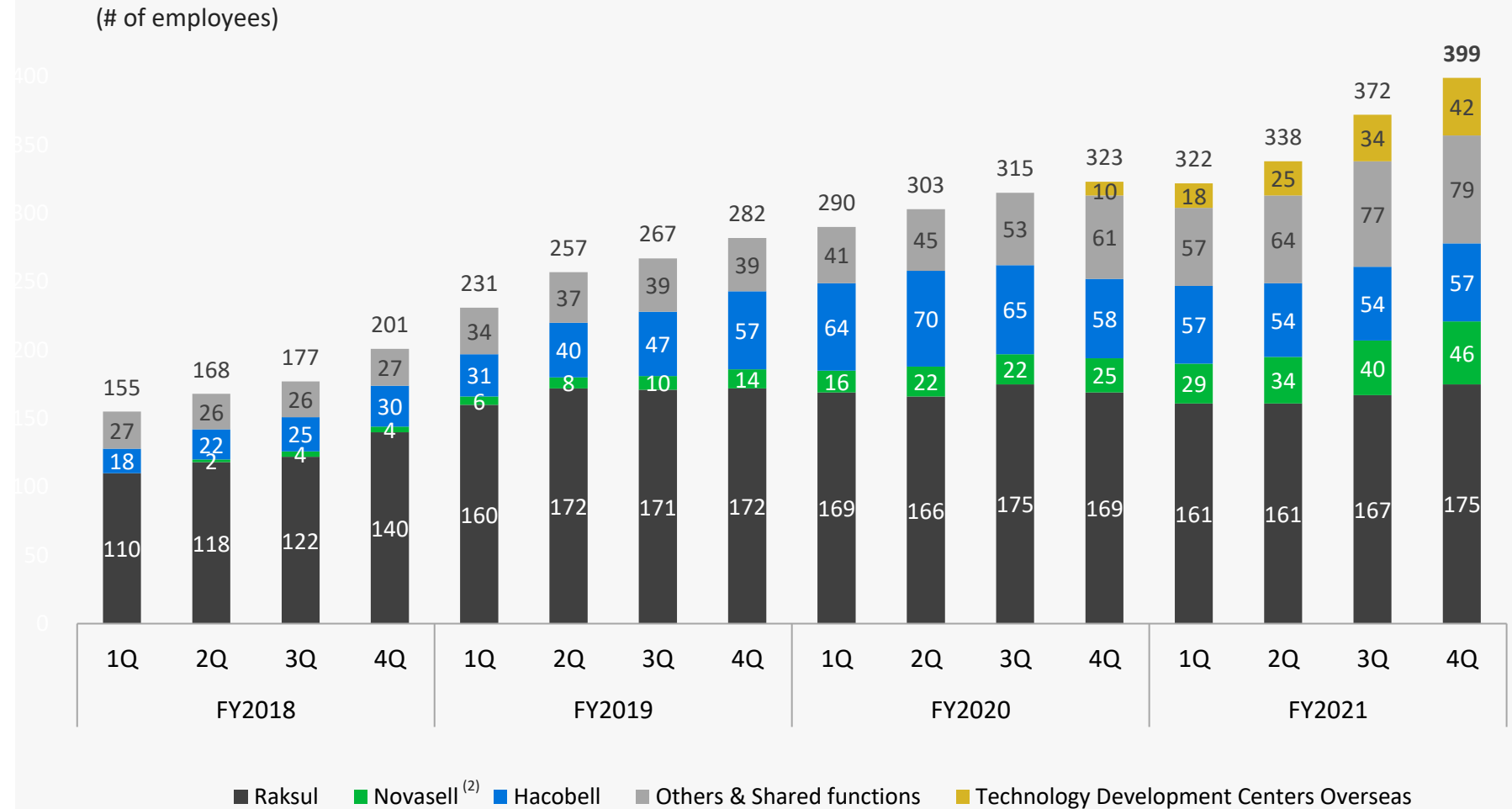
(in JPY MM)





Number of Employees ⁽¹⁾

- We have been continuously strengthening our organization by filling key positions selectively
- We have strengthened hiring which we had been restrained under the COVID environment



Notes

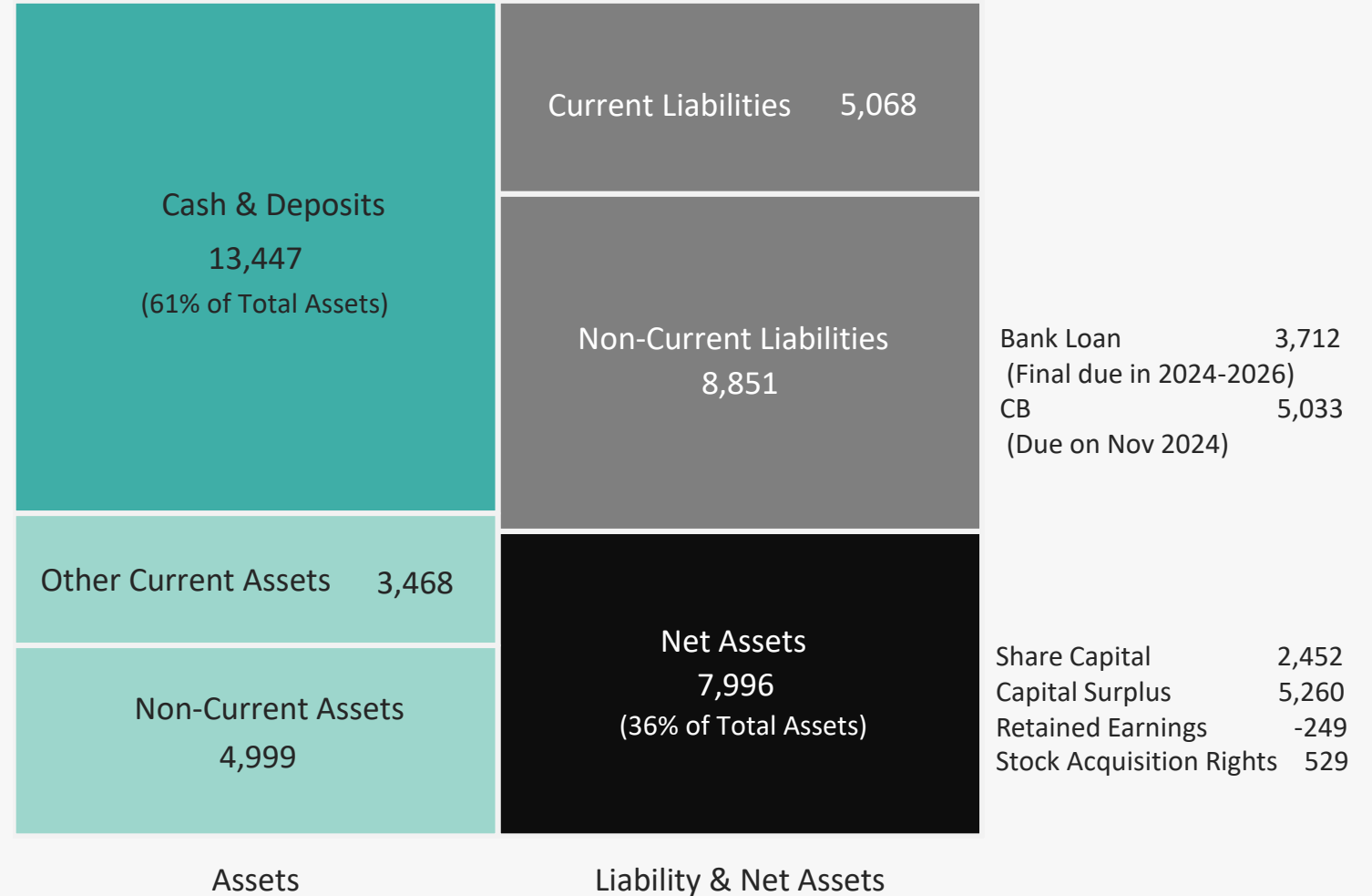
- (1) There may be discrepancy with the headcount numbers disclosed in the Company Profile and other materials, which are calculated based on the conversion of FTE (full-time equivalent) values
- (2) Novasell has been operating as an independent business division since FY2020; prior to FY2019 it was 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 TV commercial-related services, including employees concurrently working in the printing EC service and in the offline advertising service)



Quarterly Financial Highlights: BS

- Total of JPY 3.4Bn investment made in Peraichi Inc. and Danball One Inc. (we own approximately 49% of both companies)
- Our financial health continues to be strong with JPY 13.4Bn in cash and strong net asset position

(in JPY MM)



2

**FY2022(FYE July 2022) Full Year
Financial Forecast**





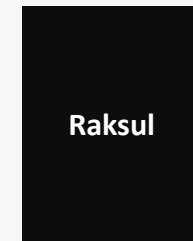
FY2022 Full-Year Forecast and Management Focus

- CAGR 30% growth for revenue and growth profit based on our medium-to-long term target
- Though we can regularly generate operating profit (non-GAAP) of around JPY1.5-2Bn yen excluding investment for growth, we will continue to focus on growth and continue to reinvest a certain amount. We will maintain a profit growth trend
- Our policies for each business segment are as described to the right

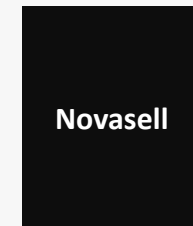
FY2022 Full-Year Forecast

(in JPY MM)	Forecast	YoY
Revenue	Over 39,400	Over 30%
Gross Profit	Over 9,300	Over 30%
Operating Profit (non-GAAP)	Over 1,000	Increase

Focus and Policies

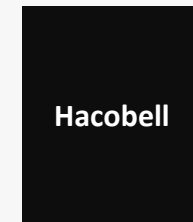


Focus on expanding gross profit and segment profit



Focus on expanding revenue and gross profit

Allow for limited losses towards growth, while strengthening investment governance and controlling of losses



Focus on expanding revenue and gross profit

Allow for limited losses towards growth, while strengthening investment governance and controlling of losses

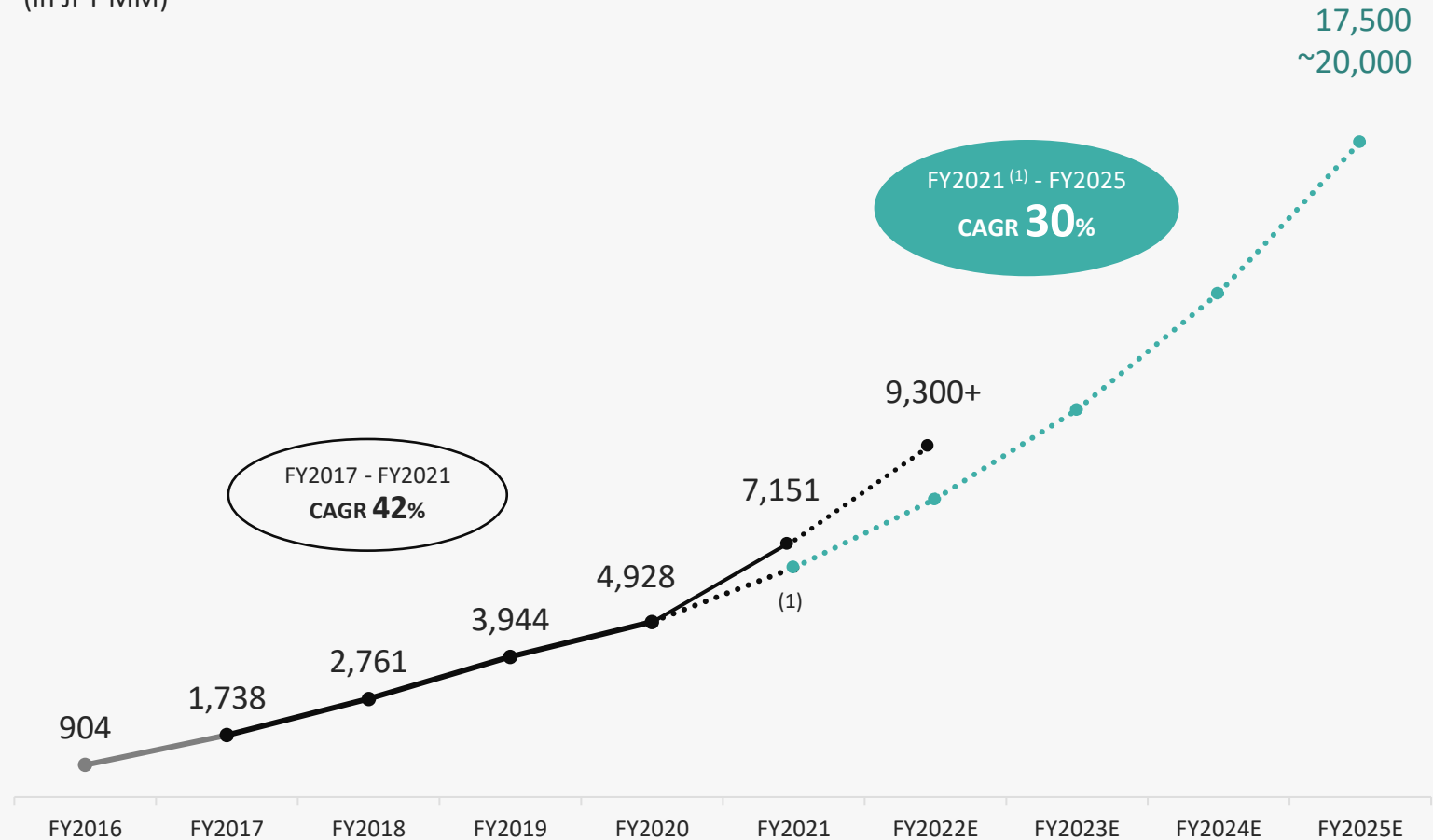


Medium-to-Long Term Financial Targets and Policies

- With the growth rate being more than 30%, we are growing at an excessive pace towards achieving gross profit of JPY 17.5-20.0Bn in FY2025

Gross Profit: Medium-to-Long Term Target

(in JPY MM)



Notes

(1) Lower range of full-year forecast disclosed on September 10, 2020

3

Q&A



	Question	Answer
Companywide	What are the upside and downside scenarios that have not been factored into the forecast?	<p>Upside scenario:</p> <ul style="list-style-type: none"> Each business grows faster than expected as the economy resumes <p>Downside scenario:</p> <ul style="list-style-type: none"> State of emergency declarations continue throughout the year in major metropolitan areas (Positive impact for our large scale invested companies, Peraichi and Danball One)
Companywide	Why the guidance of more than 30% growth in revenue and gross profit?	<ul style="list-style-type: none"> We believe it is important not just to maintain a high growth rate for a single year but over multiple years. We have set a sustainable growth rate level based on the assumption that we will continue to invest efficiently in growth and manage profits at a certain level Based on the guidance of 30% or more, we will promptly disclose information during the fiscal year when a specific growth rate range becomes clearer Our top priority is to achieve over 30% growth in gross profit (rather than revenue)
Each business segment	What is the gross margin forecast for the next fiscal year?	<p>Raksul: Based on the 27% range, aim for improvement during the fiscal year</p> <p>Novasell: Based on the 16-17% range, aim for improvement during the fiscal year</p> <p>Hacobell: Aim for early recovery towards the 15% range</p>

4

Reference Materials

- Impact of the State of Emergency
- Financial Highlights

Company overview is included in the separate document "Part 2"

Impact of the State of Emergency



Impact of the State of Emergency (SoE)

- Raksul business segment was negatively impacted to a certain extent in May, but recovered in June
- Novasell business segment was barely impacted; some parts are on a rising trend
- Hacobell business segment experienced negative impact in last mile deliveries
- All businesses are expected to enjoy the benefits of the economic recovery going forward

	Impact on the Industry (our understanding)	Impact on Our Business
Raksul	<ul style="list-style-type: none"> • Demand recovered compared to the previous year, and the negative impact is 5% compared to pre-COVID (FY2019) • Impact was limited compared to the first SoE in April - May 2020 	<ul style="list-style-type: none"> • Although there was a certain amount of negative impact in May, the impact was limited compared to the first SoE in April - May 2020
Novasell	<ul style="list-style-type: none"> • While the overall market has been affected to some extent, the volume of ad placements has been returning due to rising ratings • With the rising demand from the customers on effective advertising investment, the programmatic TV commercial market has started to rise 	<ul style="list-style-type: none"> • Since we are leading the expanding programmatic TV commercial market, we are in a position that is relatively unlikely to be negatively affected
Hacobell	<ul style="list-style-type: none"> • The demand overall in the logistics industry has decreased by 10-20% YoY 	<ul style="list-style-type: none"> • In terms of last mile deliveries, demand decreased as delivery was done in house (store staff began to deliver food themselves) • The impact on intra-city deliveries was light since we have high delivery shares of food and beverages which are relatively unlikely to be impacted



Demand Situation

- Our ability to adapt to changes has steadily improved, for example, by strengthening products that are in demand even in the COVID-19 environment

	Accelerated growth	Recovered after decline	Continuously weak
Products	<ul style="list-style-type: none"> - Novelties - Envelopes, DM (work from home demand) - Posting, etc. (local marketing) 	<ul style="list-style-type: none"> • All major products 	<ul style="list-style-type: none"> - Panels, banners, etc. (for exhibitions and events)
Industry		<ul style="list-style-type: none"> - Wide range of industries (except those listed on the right and left) 	<ul style="list-style-type: none"> - Advertising & Production - Recruitment services - Schools (self-restraint on events, online events etc.)

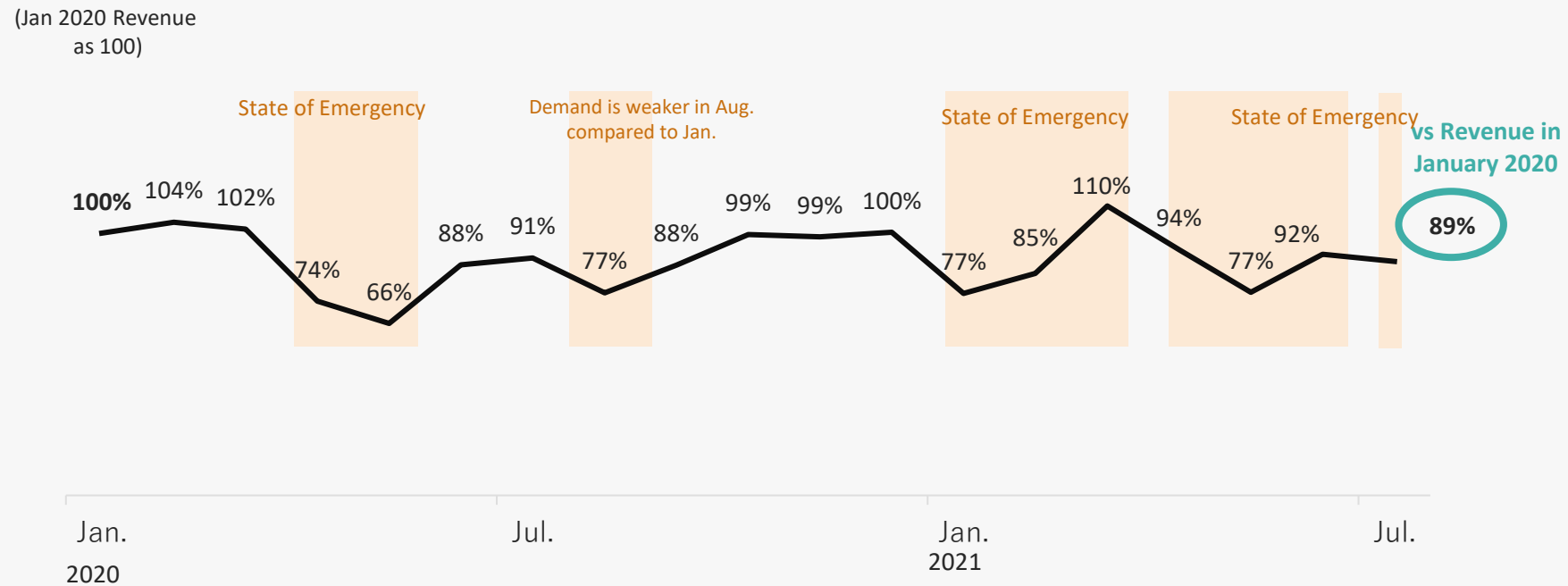
Notes
 (1) Calculated based on management accounting



Revenue from Repeat Customer Base

- Although there was limited impact from the State of Emergency, the recurring revenue from our users acquired up to 2019 has been steadily growing
- With the added revenue from the users acquired in 2020-2021, the growth rate reaccelerated compared to last year

**Recurring Revenue Trend from Users acquired up to 2019 ⁽¹⁾
(the number does not include new customers acquired in 2020 to 2021)**



Notes
(1) Calculated based on management accounting

Financial Highlights



Financial Highlights by Business Segment

		FY2019				FY2020				FY2021			
(in JPY MM)		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Revenue	Raksul	3,093	3,403	4,094	3,870	4,028	4,382	4,043	3,876	4,444	5,090	5,617	5,158
	Novasell	86	315	278	387	732	743	847	530	872	1,248	2,613	1,983
	Hacobell	228	325	453	535	564	639	532	449	553	1,004	657	723
	Others	21	21	26	26	27	27	28	40	66	73	77	73
Gross Profit	Raksul	762	888	1,008	952	1,007	1,074	1,013	1,107	1,216	1,378	1,527	1,386
	Novasell	28	61	57	51	118	122	142	102	165	206	405	305
	Hacobell	22	24	30	28	35	36	48	69	91	143	114	96
	Others	7	7	2	9	9	11	11	17	26	29	29	28
Segment Profit (non-GAAP)	Raksul	-	-	-	-	329	205	223	608	418	533	731	529
	Novasell	-	-	-	-	22	4	9	-25	18	15	92	-97
	Hacobell	-	-	-	-	-102	-129	-83	-51	-26	16	-21	-64
	Others and corporate expenses	-	-	-	-	-292	-280	-302	-294	-249	-298	-361	-402
Segment Profit (financial accounting)	Raksul	299	303	360	350	329	205	207	598	408	515	711	505
	Novasell	1	45	29	-1	22	4	5	-27	16	10	85	-103
	Hacobell	-16	-30	-40	-74	-102	-129	-85	-52	-27	11	-28	-70
	Others and corporate expenses	-249	-281	-271	-279	-292	-296	-303	-327	-330	-391	-462	-631
Operating Profit (non-GAAP)	Company wide	34	36	77	-5	-43	-200	-152	237	160	266	440	-35



Difference between non-GAAP profit and accounting profit

- From FY2020, we have been disclosing non-GAAP profits after adding back stock-based compensation expense
- The amount in “Difference (stock-based compensation expense)” varies between operating profit and ordinary profit as RS held by resignees are expensed off as non-operating expenses

(JPY MM)	FY2021 4Q (2021/5-2021/7)			FY2021 (2020/8-2021/7)		
	Actual (non-GAAP)	Difference (stock-based compensation expense)	Actual (financial accounting)	Actual (non-GAAP)	Difference (stock-based compensation expense)	Actual (financial accounting)
Revenue	7,939	-	7,939	30,261	-	30,261
Gross Profit	1,818	-	1,818	7,151	-	7,151
Operating Profit	-35	263	-299	833	612	220
Ordinary Profit	-44	301	-345	807	677	130
Net Profit	120	301	-180	837	677	160

Balance Sheet

(in JPY MM)	FY2020 4Q	FY2021 4Q
Current Assets	18,023	16,916
Cash & Deposits	15,451	13,447
Non-Current Assets	1,356	4,999
Total Assets	19,379	21,916
Current Liabilities (interest-bearing liabilities)	2,405 (40)	5,068 (-)
Non-Current Liabilities (interest-bearing liabilities)	10,172 (10,043)	8,851 (8,746)
Net Assets	6,801	7,996
Share Capital	2,152	2,452
Capital Surplus	4,959	5,260
Total Liabilities & Net Assets	19,379	21,916



Cash Flow Statement

(in JPY MM)	FY2020	FY2021
Cash flow from operating activities	-126	1,539
Cash flow from investing activities	-283	-3,618
Cash flow from financing activities	9,956	75
Net change in cash and cash equivalents	9,546	-2,003
Cash and cash equivalents at end of period	15,451	13,447



Disclaimer

Handling of this material

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 content of the forward-looking statements within this material, even in cases such as where new information becomes available or future events take place.

Information contained within this material on other topics besides Raksul is quoted from published information and other sources. As such, the accuracy, appropriateness, etc. of such information has not been verified, nor do we guarantee them thereof.

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