



Financial Results for the 1st Quarter of Fiscal Year Ending July 31, 2023

RAKSUL INC. (TSE PRIME MARKET: 4384)

December 12, 2022

- 1. Company Overview**
- 2. Financial Highlights**
- 3. Q&A**
- 4. Reference Materials**





Quarterly Financial Summary

Company wide

Revenue +33.3% YoY, Gross Profit +48.2%, EBITDA_(non-GAAP)⁽¹⁾ JPY 753MM

-----YoY growth excluding the Hacobell business segment-----

Revenue +49.0% YoY Gross Profit +56.1% YoY

- Strong growth continued despite the deconsolidation of the Hacobell business segment (“Hacobell”) from the beginning of this fiscal year. Steady progress against the initial plan
- Gross Margin was 30.5%, the highest level ever. Quarterly EBITDA also reached a record high. Quality Growth with profit and cash generation continues while maintaining the medium- to-long term growth momentum



Raksul

Raksul Business Segment (“Raksul”): Revenue +56.4% YoY, Gross Profit +65.1% YoY

- Growth accelerated with the contribution from DANBALL ONE. Inc. (“DANBALL ONE”), consolidated since FY2022 3Q
- Gross profit in the organic business continued to grow by 30% YoY



Novasell

Novasell Business Segment (“Novasell”): Revenue -10.7% YoY, Gross Profit +17.6% YoY

- Both revenue and gross profit continued to grow QoQ after bottoming out in 3Q of FY2022; there is no impact on the medium-to-long term momentum

Corporate Actions

Share buyback

- Total amount of acquisition price JPY 300MM (maximum)
- 0.38% of total shares outstanding(excluding treasury stock) (maximum)
- Acquisition period is from December 19, 2022 to January 31, 2023

Stock split

- 2-for-1 stock split, effective February 1, 2023

Notes

(1) EBITDA (non-GAAP) = Operating Profit(J-GAAP) + Depreciation + Amortization of goodwill + Stock-based compensation expenses. Hereinafter referred to as "EBITDA"

1

Company Overview





Our Vision and What We Do

- We strongly believe in redesigning the structure and the value chain of conventional industries with the help of the Internet

Better Systems, Better World

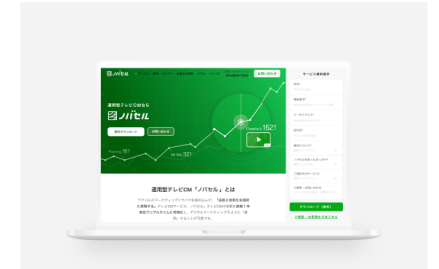
Accounting Segment



Printing & offline advertising Platform
Launched in March 2013



Cardboard and packaging materials ordering platform
Invested in December 2020
(Consolidated in February 2022)



TV commercial-related Platform
Launched in April 2020

Group Companies



Logistics Platform

Launched in December 2015
(% of shares held: 49.9%)



No-code Website Builder with Payment Functions (SaaS)

Invested in September 2020
(49.9%)



Integrated IT Device & SaaS Management Cloud

Launched in September 2021
(Consolidation possible in the future)

Net Square

Leading Digital Printing Company

Invested in September 2021
(38.2%)



Direction of Growth

- We will redesign the industrial structure of each indirect cost (indirect materials/services) market through our Integrated Vertical Platforms
- TAM of the peripheral markets is also large, and there is room for expansion (e.g., printing -> packaging, logistics -> warehousing)
- With a fragmented supply-side structure, our strength is in building businesses in markets with room for E-commerce growth

Company P&L

Revenue

—

Direct Cost

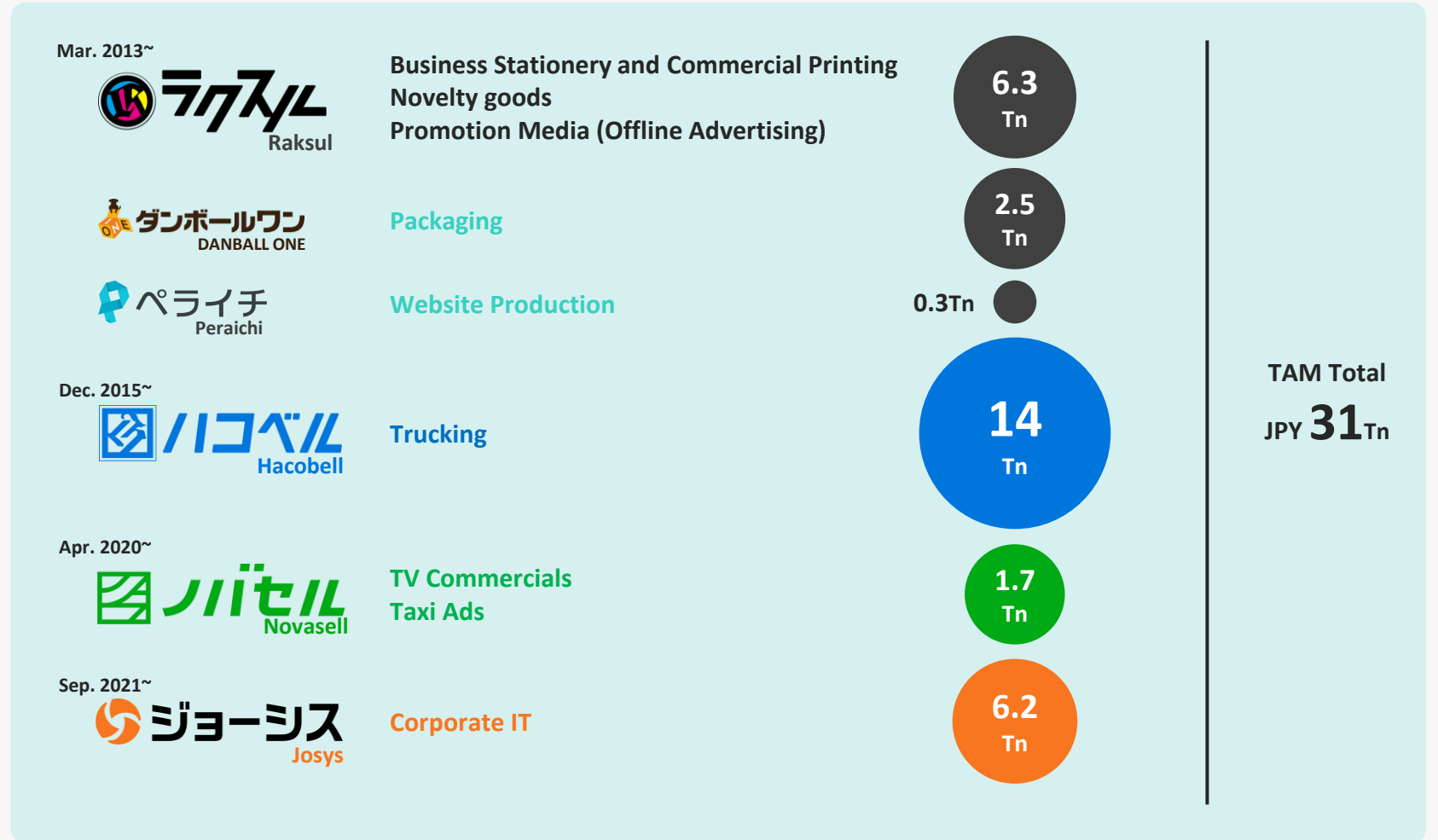
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Indirect Cost

=

Operating Profit

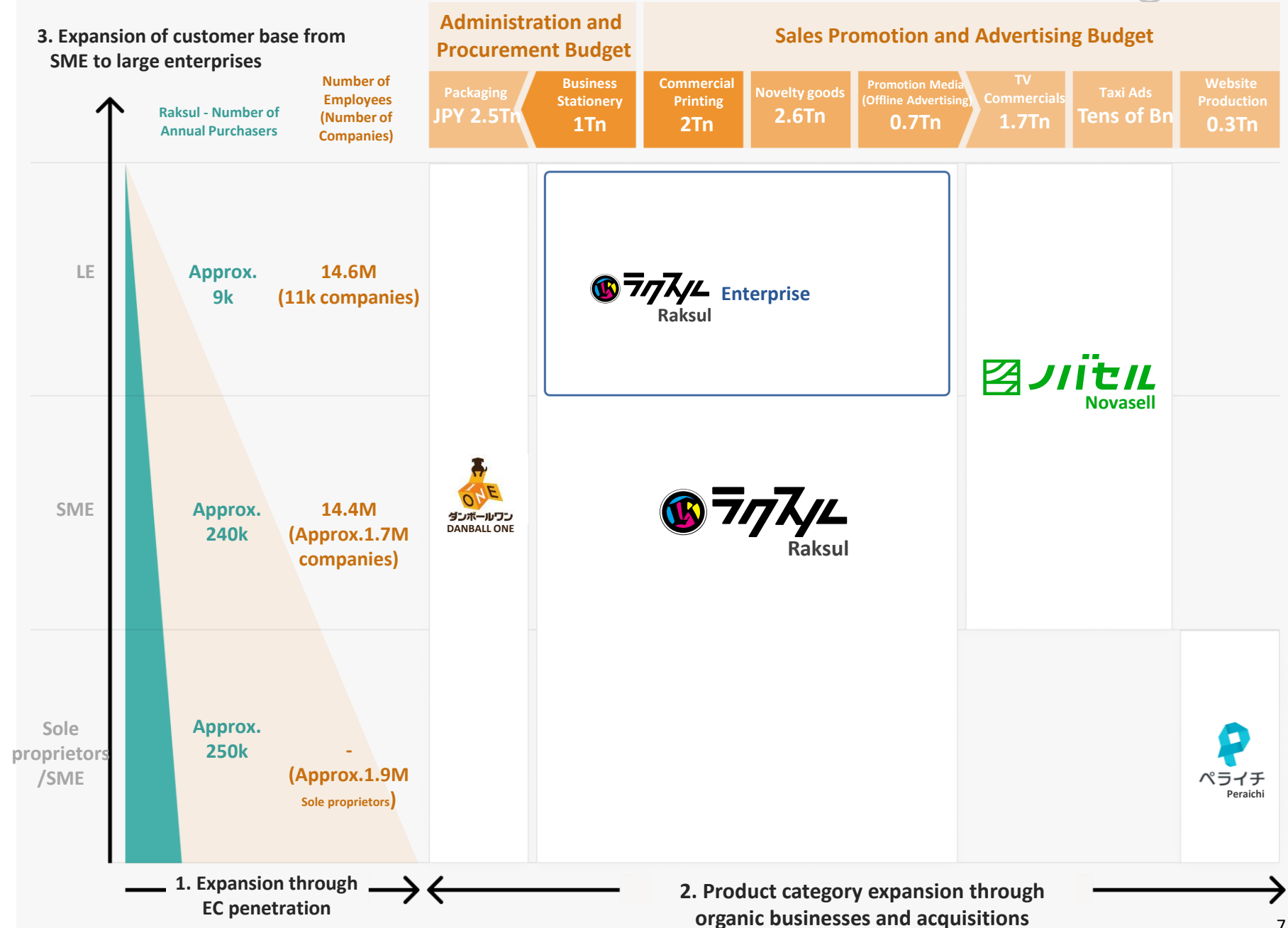
Domestic Indirect Cost Market JPY **140**Tn in Total



Expansion Leveraging Existing Customer & Business Base

Our growth drivers:

1. Expansion of the target markets through E-commerce penetration
2. Product category expansion through organic businesses and acquisitions
3. Expansion of customer base from sole proprietor/SME customers to large enterprise customers



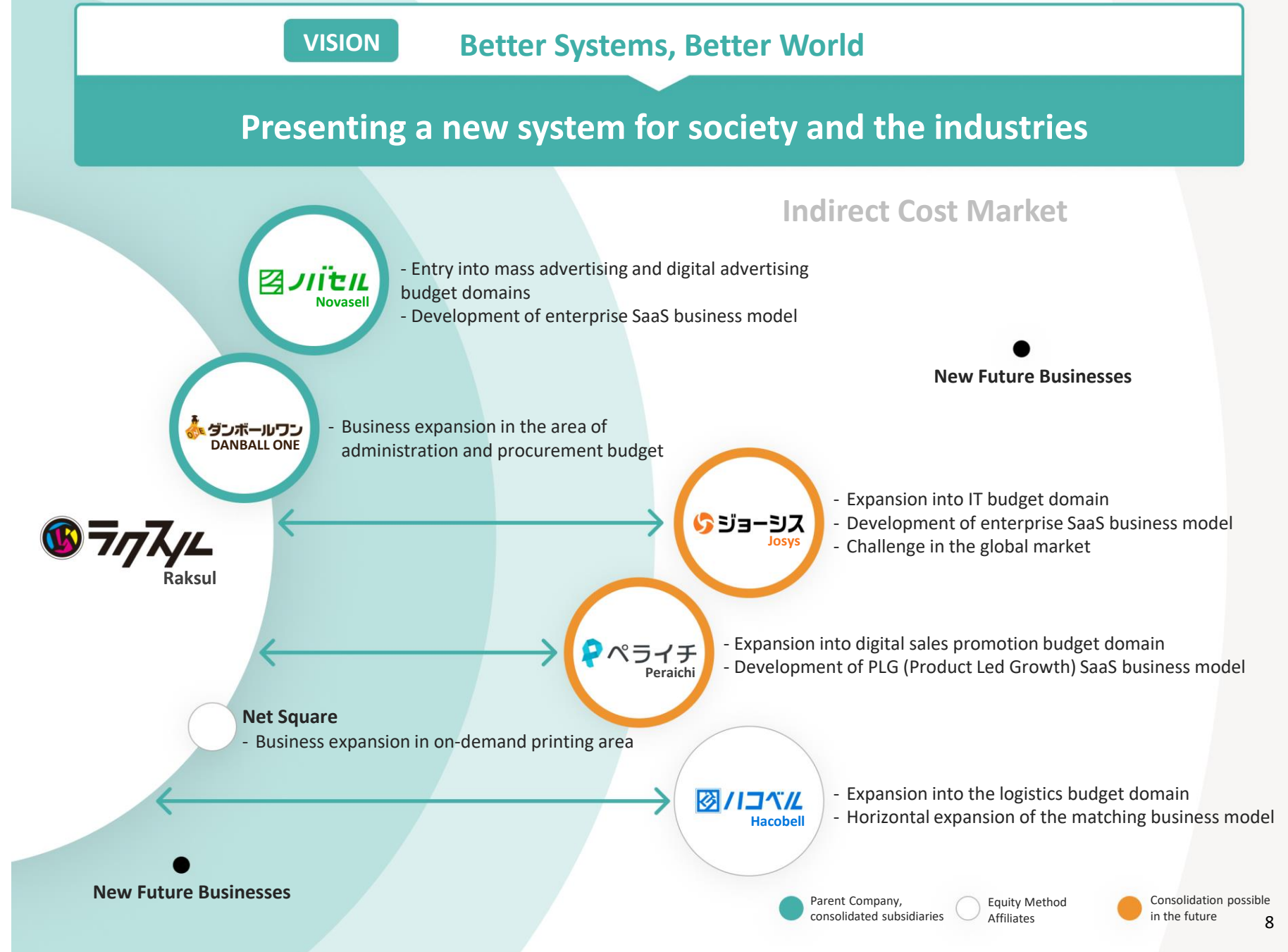
Source: Please see Reference Materials for details



Vision-based Long-term Management Approach

Integration of organizational management capabilities and entrepreneurship

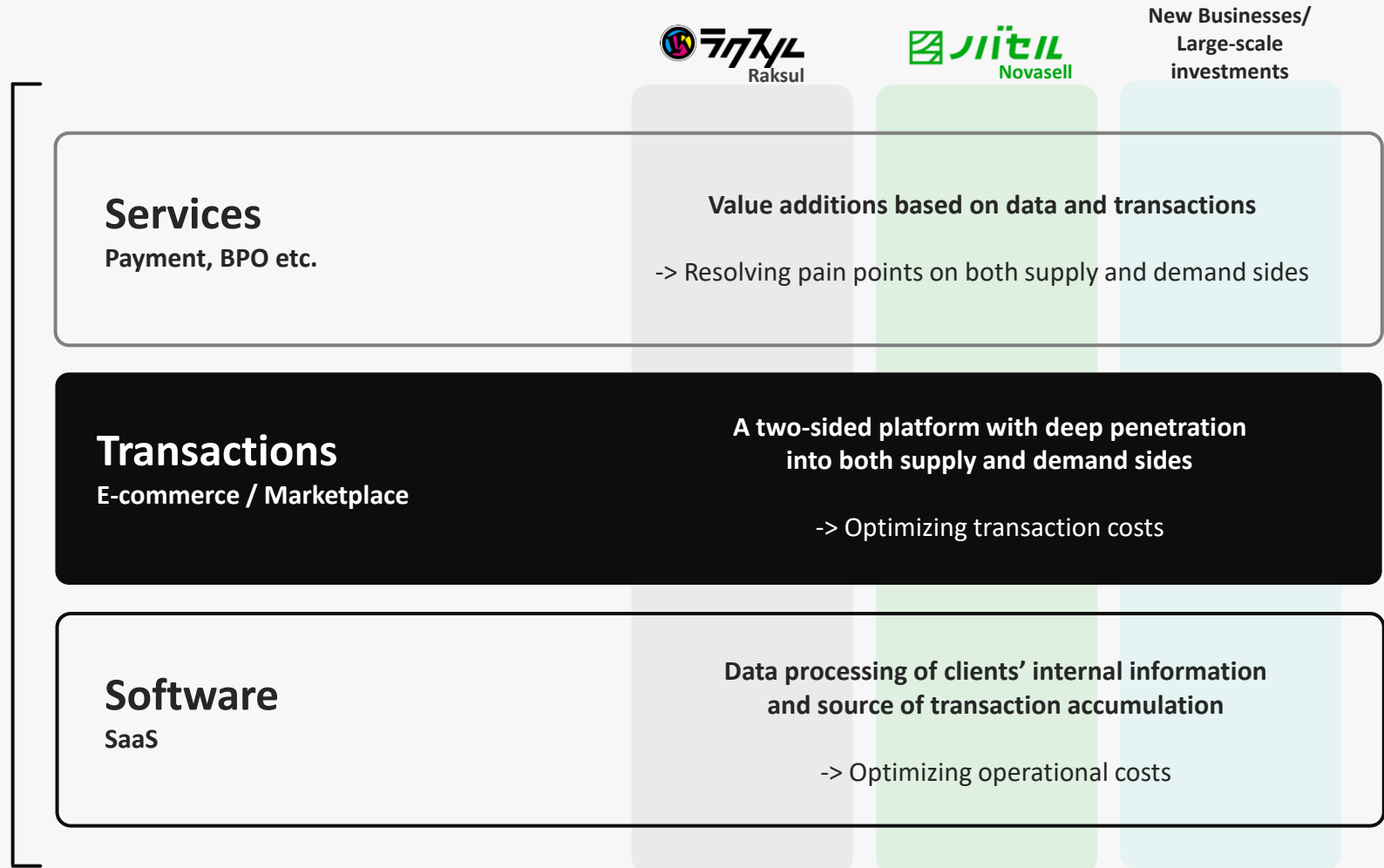
- Organizational management capabilities to continuously expand the existing business domains
- Entrepreneurship to create new dots (business domains) in new areas, even if they are initially somewhat outside of the existing business domains
- Management capabilities to connect and integrate the dots over the long term and utilize the management assets and capabilities acquired in new domains across the group



Business Model

- An Integrated Vertical Platform with “Transactions” as the primary focus as well as “Software” and “Services” for each indirect cost market
- We achieve continuous monetization through transactions (current main source of revenue) by penetrating deeply into both supply and demand, rather than simply matching them
- As a result, our business transforms traditional industries into highly productive and profitable industries by improving the cost efficiencies of transactions and operations

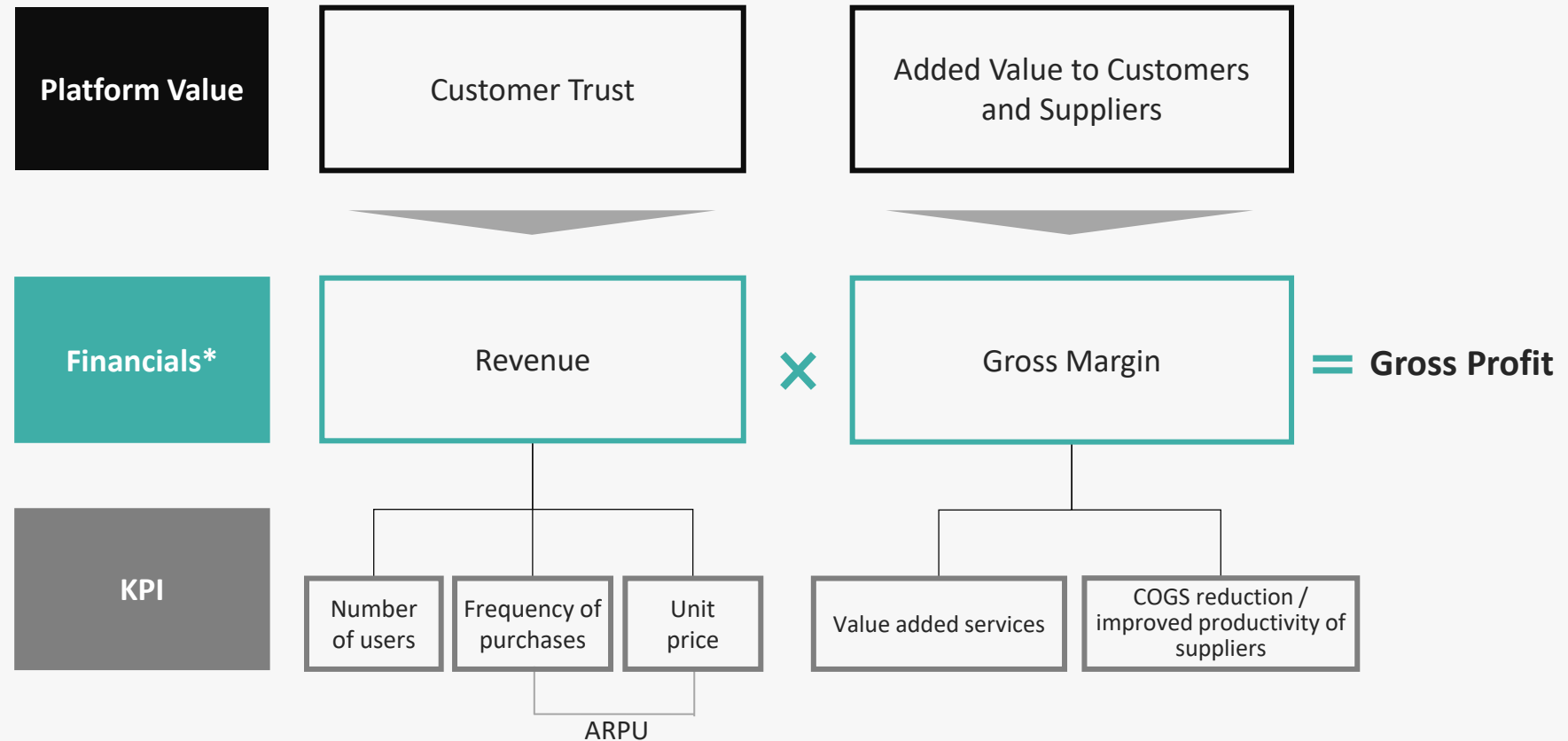
Integrated Vertical Platform



Our Value Creation

Formula

- We focus on growing revenue and gross profit by winning the customer trust and maximizing the added value to customers and suppliers
- In addition to our existing E-commerce business (transaction based), our SaaS business is expected to expand. Although the revenue size of SaaS is small, its gross margin is high; we consider gross profit to be the indicator that directly links to our corporate value



***Accounting standards applied to our revenue and gross profit** (excluding the broadcasting services of Novasell)

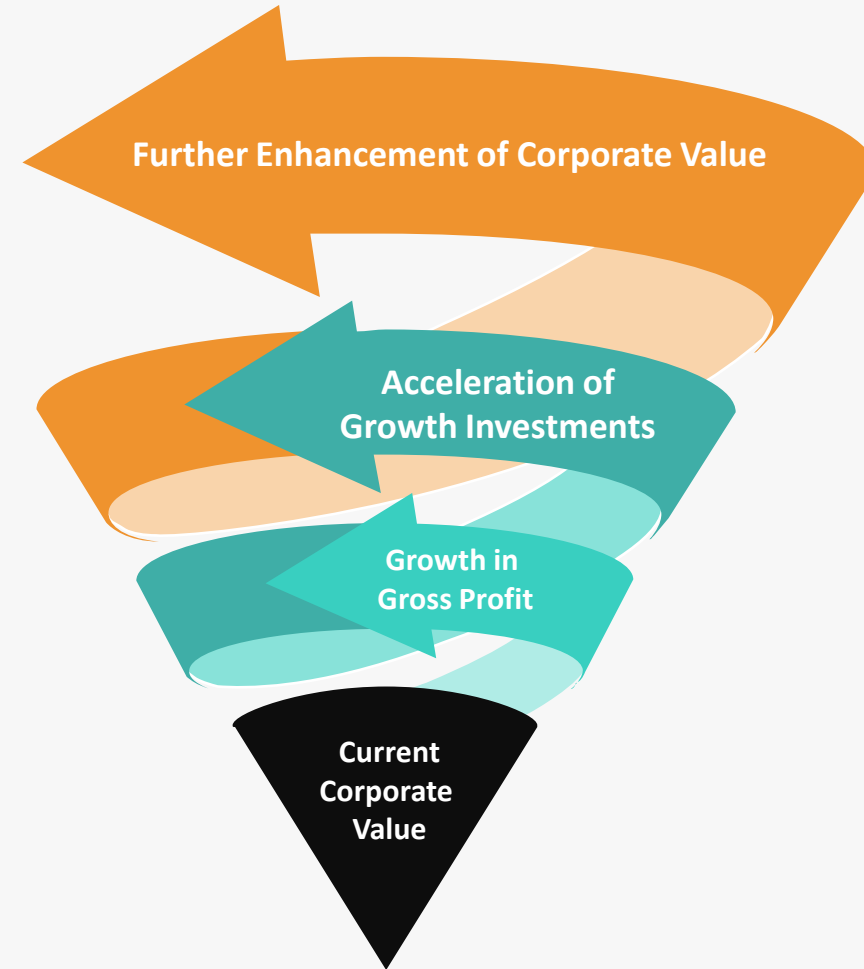
Revenue = gross of payments from customers

Gross profit = gross revenue minus the cost of sales (payments to suppliers)



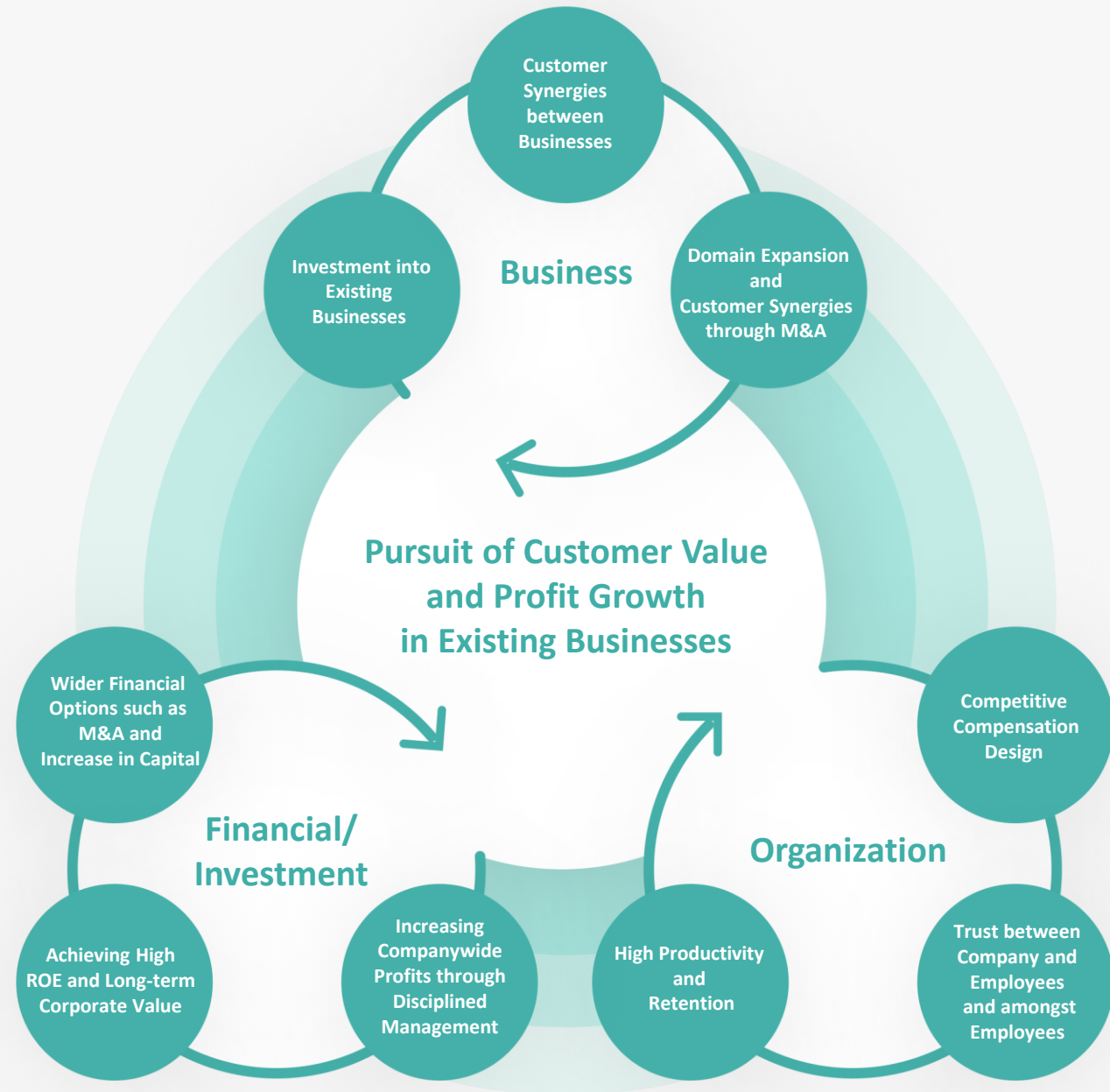
Upward Spiral of Value Creation through Reinvestment

- By maximizing gross profit, we can continuously generate profit while reinvesting towards greater platform value



Focus of FY2023: Quality Growth

- FY2023 is the year to focus on “Quality Growth,” with further focus on profit and cashflow generation while maintaining the medium-term growth momentum
- By placing the highest priority on creating a virtuous cycle in terms of business, finance/investment, and organization, we are dedicated to pursuing customer value and improving the competitiveness of our existing businesses (Raksul and Novasell), and thereby increasing profits





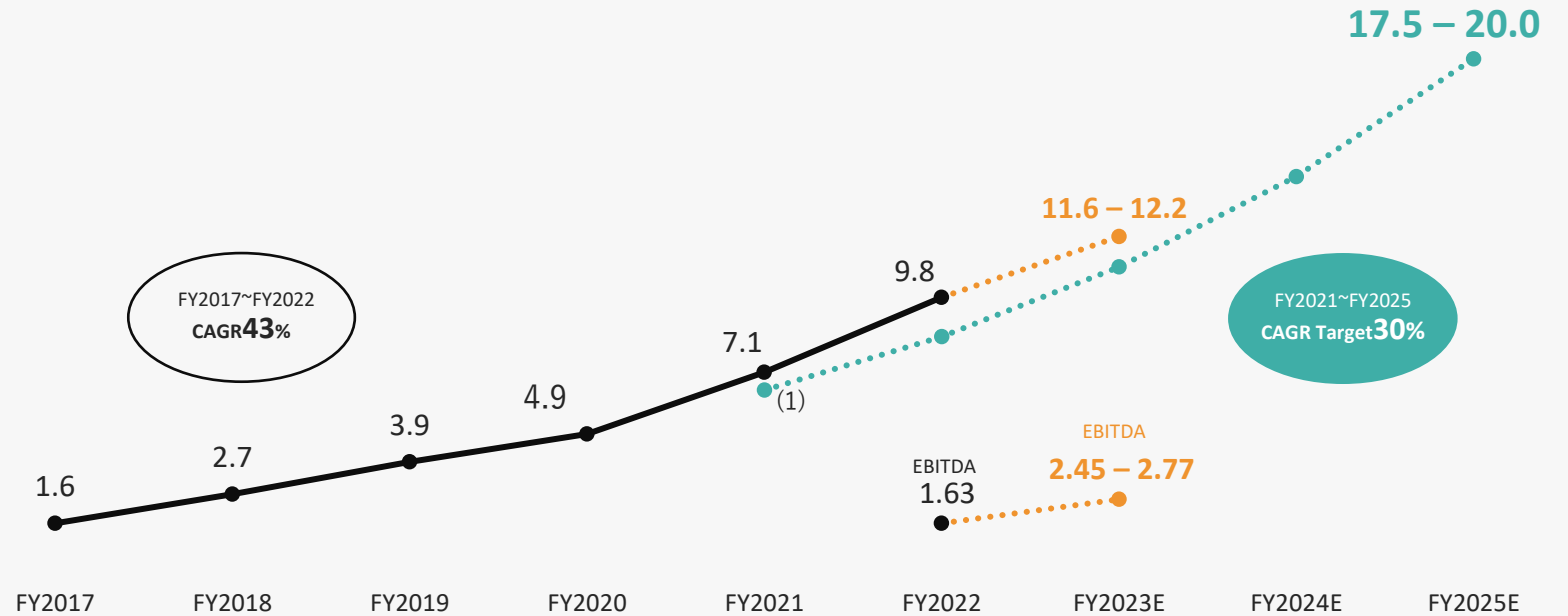
Medium- Term Financial Policy

- The EBITDA amount will increase when gross profit increases. Drivers of profitability improvement are gross margin improvement and efficiency in SG&A expenses
- We have raised our medium-term ROE/ROIC target from 10% to over 20%
- There is no change in the gross profit target of JPY 17.5-20.0Bn for FY2025

Correlation between Gross Profit and EBITDA (in JPY Bn)

Gross Profit	15.0	20.0	30.0	ROE/ROIC Over 20%
EBITDA	3.0-4.0	5.0-6.0	7.5-10.0	

Gross Profit: Medium-Term Target (in JPY Bn)



Notes

(1) Lower range of full-year forecast disclosed on September 10, 2020 (JPY 6.45Bn)



Stock Incentive Design based on Quality Growth

- Performance target-linked stock options (collectively called Quality Growth Stock Option 2022) issued in December 2022
- Gross profit, the condition for exercising the Stock Acquisition Rights No.12 issued in July 2020, was substantially achieved. EBITDA has been now set as the condition for the exercise, with the aim of generating profit while continuing the growth
- Potential dilution from these stock options is 1.24%

Purpose

With the intention of improving our business performance and corporate value over the medium-to-long term, we aim to further enhance the motivation and morale of our directors and employees and further strengthen company cohesiveness

Condition of Exercise



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**FY2023 (FYE July 2023)
1st Quarter Financial Highlights**






RAKSUL

Changes in Accounting for Each Segment

- From FY2023, DANBALL ONE is consolidated for the full-year, and Hacobell has become an equity-method affiliate (therefore non-consolidated from 1Q)

-----> Introduction of Consolidated Accounting

	FY2022				FY2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
 Raksul			DANBALL ONE as a Wholly-Owned Subsidiary (Consolidated)					
 Novasell			Net-basis Revenue Recognition for Broadcasting Services, based on the New Accounting Standards					
 Hacobell					Equity-Method Affiliate (Non-consolidated)			

Quarterly Financial Highlights

- 1Q revenue +49.0% YoY; Gross Profit +56.1% YoY excluding Hacobell. High gross profit growth was driven by DANBALL ONE's contribution, organic growth, and improved gross margin
- EBITDA reached a record high with significant improvement while maintaining sustained growth

(in JPY MM)	FY2023 1Q (2022/8-2022/10)				FY2023 Full-year Forecast
	Actual	FY2022 1Q Actual ⁽¹⁾	YoY		
				Excl. Hacobell	
Revenue	9,338	7,007	+33.3%	+49.0%	38,200 - 39,600
Raksul	8,540	5,461	+56.4%	-	-
Novasell	643	720	-10.7%	-	-
Hacobell	-	741	-	-	-
Gross Profit	2,847	1,921	+48.2%	+56.1%	11,600 - 12,200
Raksul	2,440	1,478	+65.1%	-	-
Novasell	368	313	+17.6%	-	-
Hacobell	-	97	-	-	-
Gross Margin	30.5%	27.4%	+3.1pt	+1.4pt	-
Incl.: Stock-based compensation expenses	180	154	+17.1%	-	-
Incl.: Ad spend	714	585	+21.9%	-	-
EBITDA	753	99	+657.0%	+348.4%	2,450 - 2,770
Operating Profit (J-GAAP)	391	-105	-	-	1,020 - 1,330

Notes

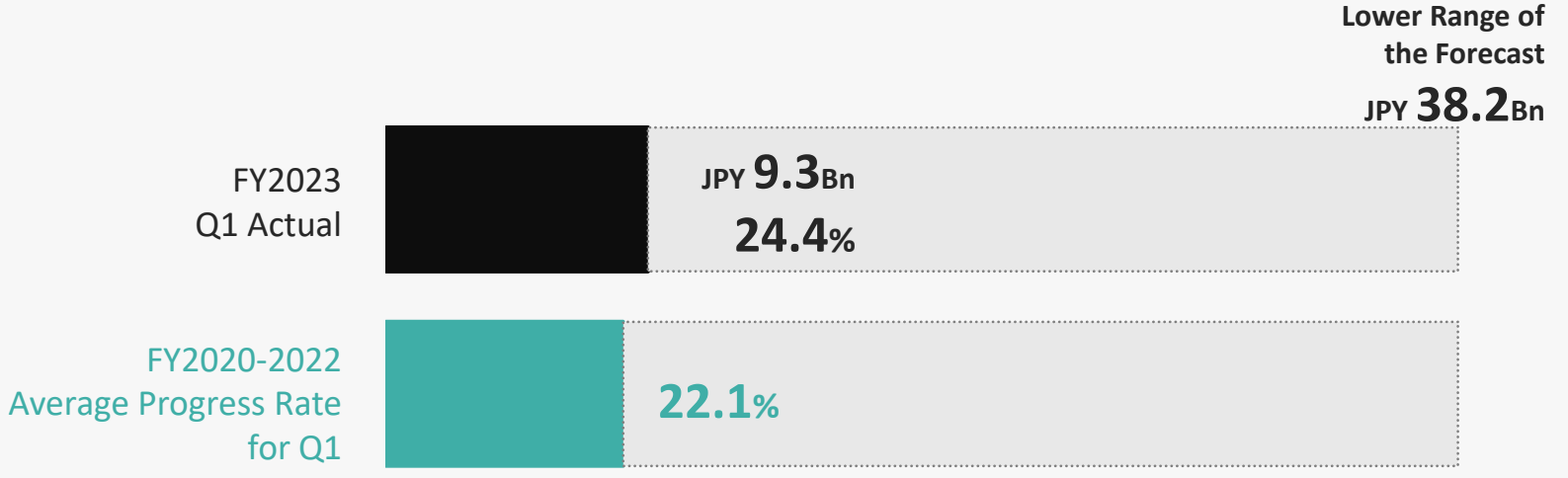
(1) As consolidated accounting was not conducted for FY2022 1Q, non-consolidated accounting results and growth rates are provided for reference. The same applies hereinafters



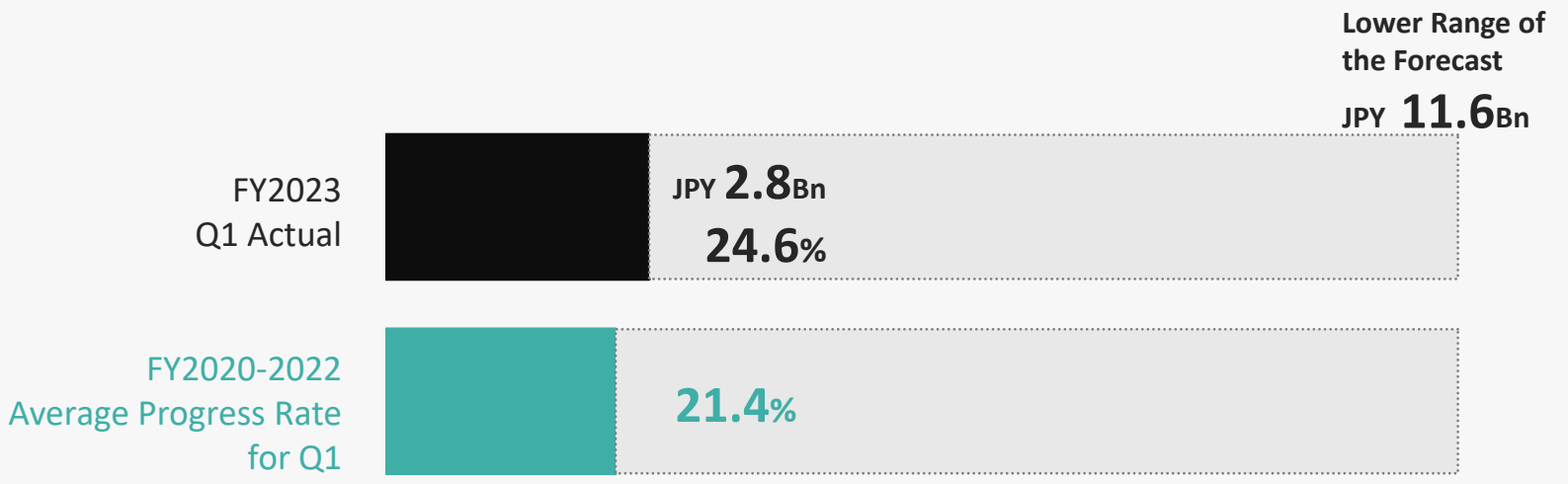
Progress Rate against Full-Year Forecast

- Our progress rate⁽¹⁾ against the full-year forecast is higher compared to the past 3 years, for both revenue and gross profit

Revenue



Gross Profit



Notes
(1)Progress rate against the lower range of full-year forecast disclosed on September 14, 2022



Realization of Quality Growth

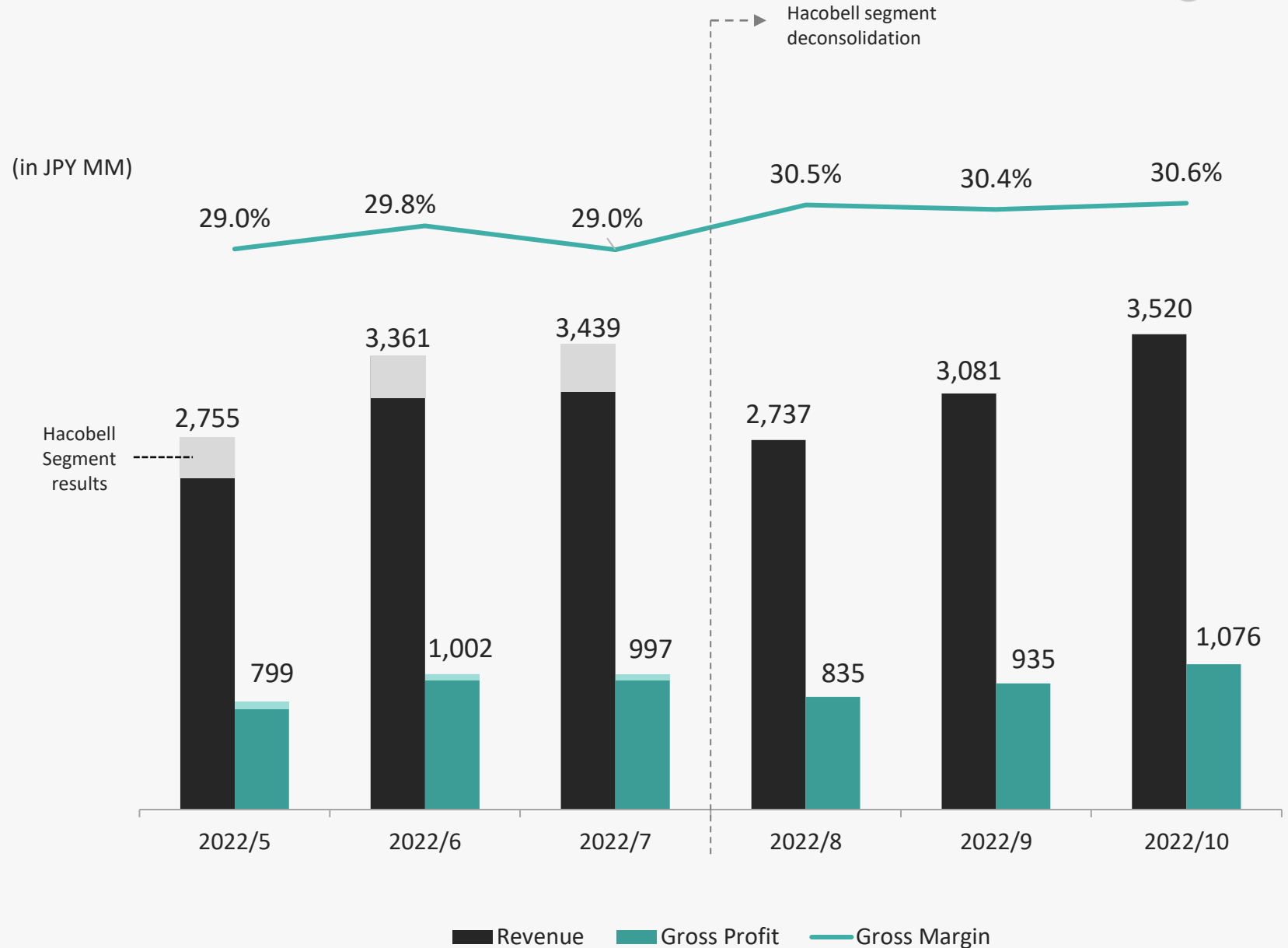
- Our gross profit is similar in nature to Net Revenue in general software companies
- Track record of EBITDA margin improvement while continuing the gross profit growth

	FY2020	FY2021	FY2022	FY2023 1Q
Gross Profit Growth (Excl. Hacobell)	+24.6%	+42.1%	+40.5%	+56.1%
EBITDA Margin % of Gross Profit	0.0%	14.5%	16.7%	26.5%

(Reference)

Monthly Financials

- August is a quiet month for all businesses
- Monthly Revenue for November landed at around JPY 3.55Bn
- 2Q Revenue is expected to be around +20-25% YoY, and gross profit around +25-30% YoY. (excluding Hacobell, Revenue is expected to be around +35-40% YoY, and gross profit around +30-35% YoY)
EBITDA is expected to land at around JPY 600-650MM

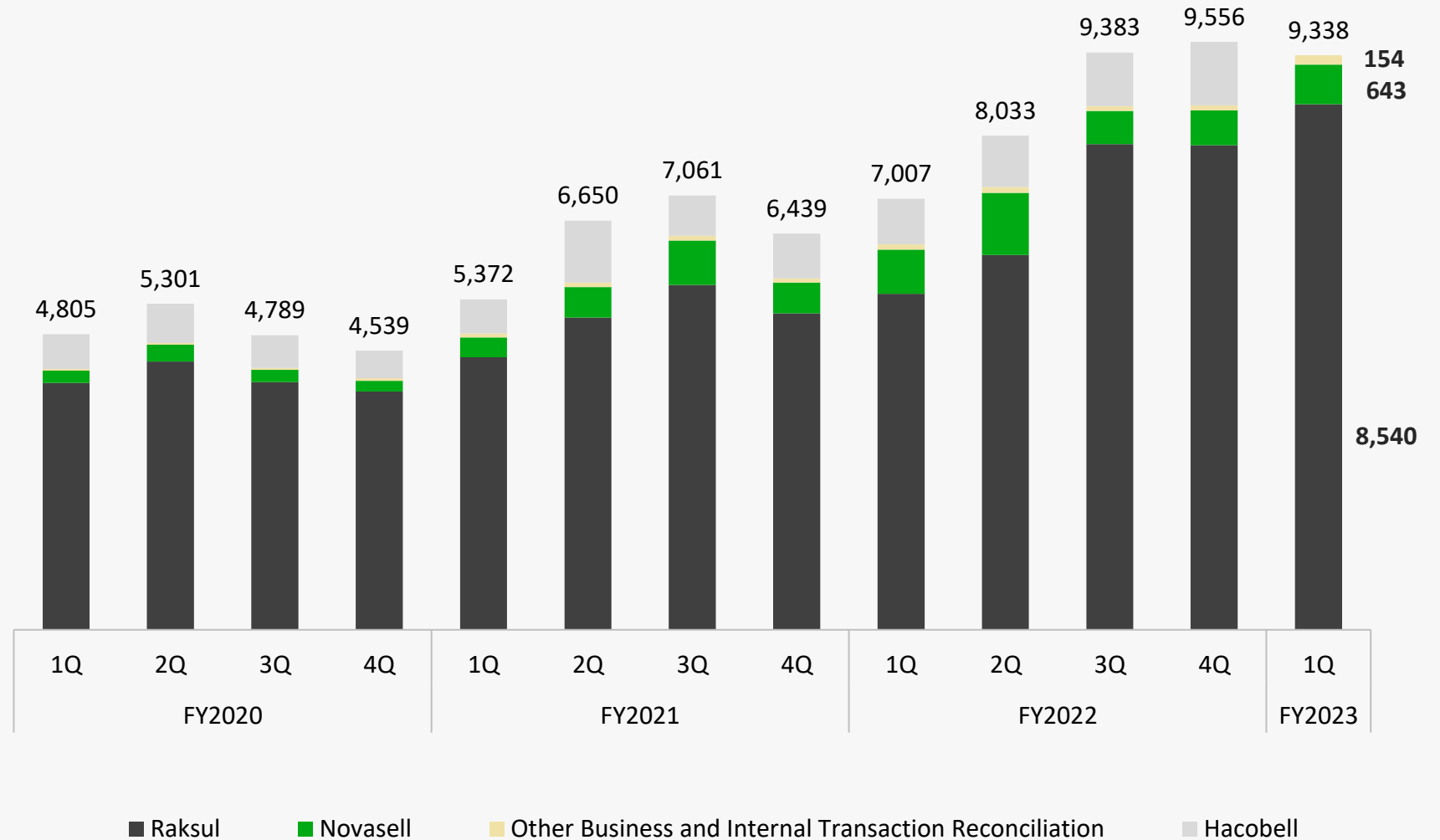


Revenue by Business

Segment

- Companywide revenue continues to grow
- Under normal circumstances, the peak season is 3Q for Raksul and Novasell

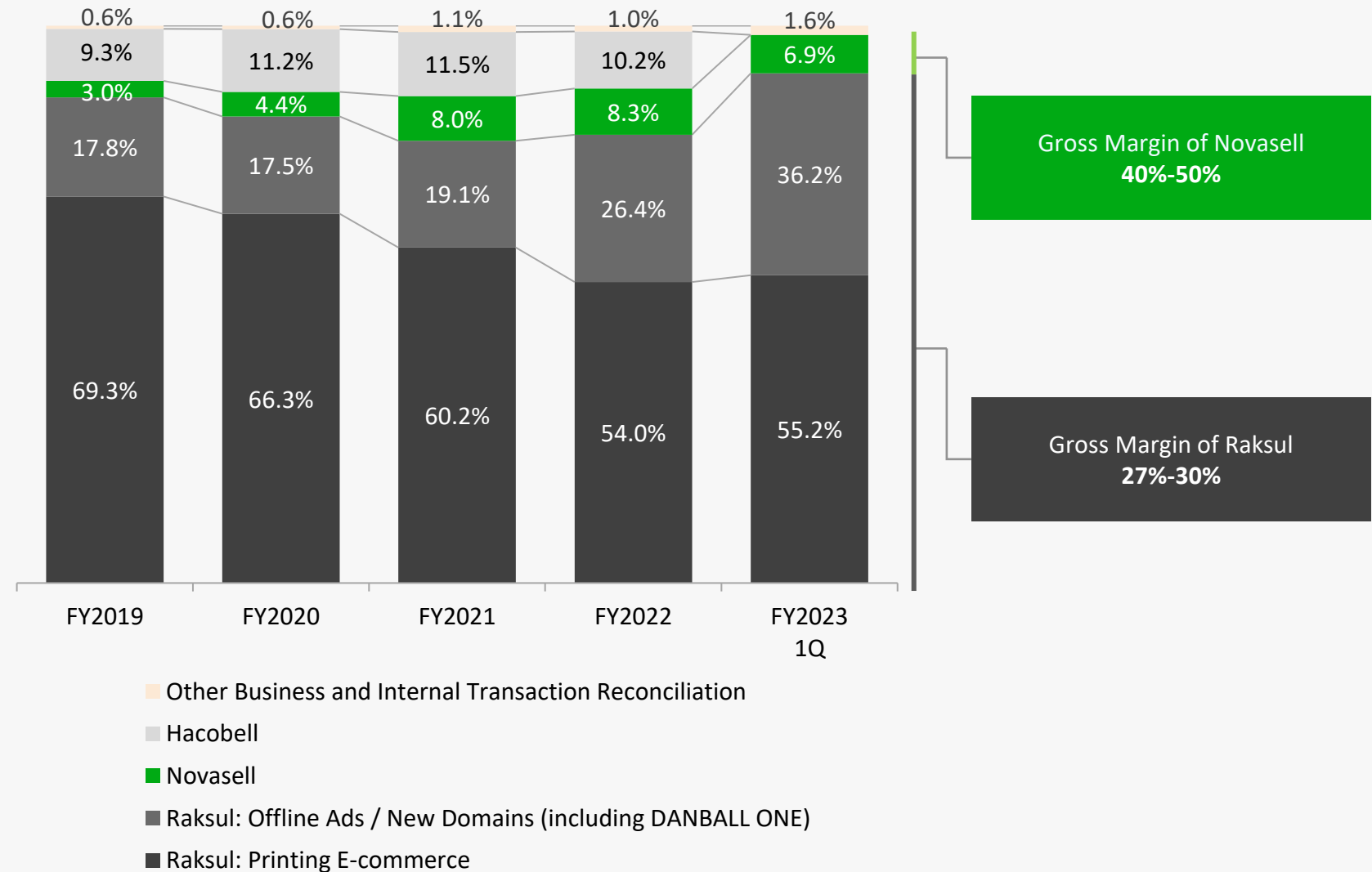
(in JPY MM)





Revenue Composition by Business Segment

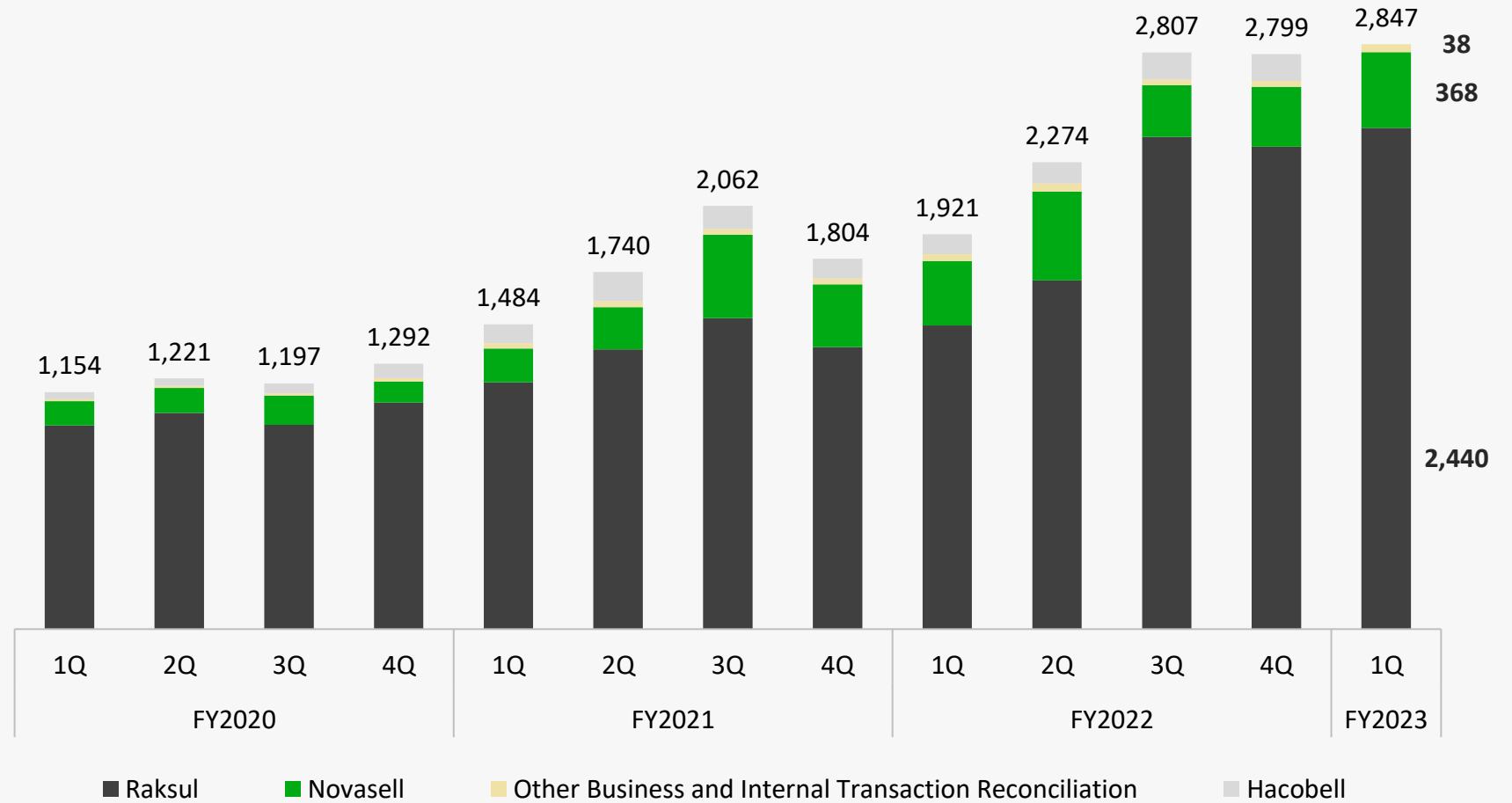
- Offline advertising services, new domains, and DANBALL ONE within Raksul have been steadily expanding while the printing e-commerce continues its growth, creating multiple strong revenue streams



Gross Profit

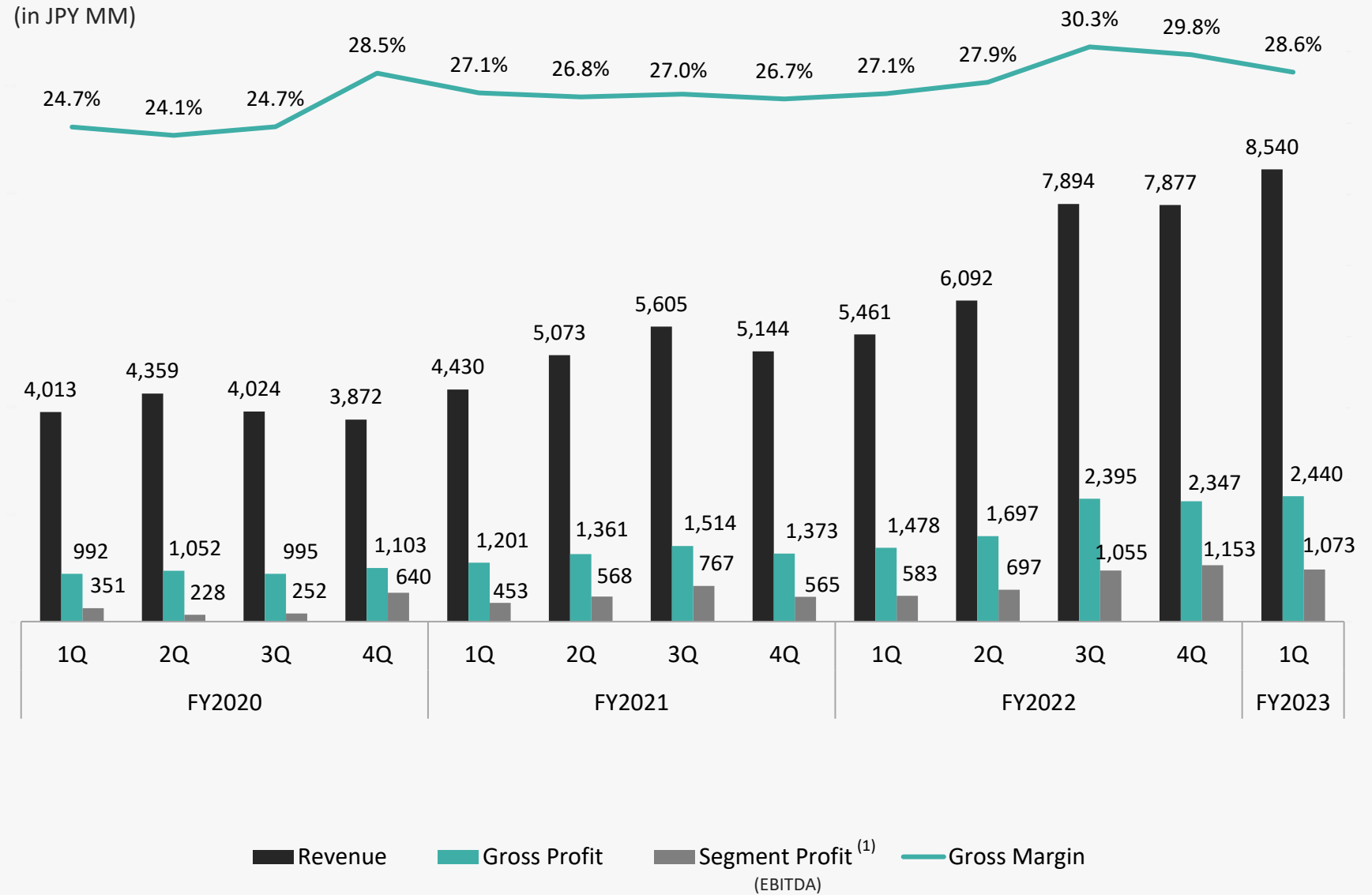
- Gross profit continues its growth trend driven by revenue growth and higher gross margin

(in JPY MM)



Business Segment Performance

- Continued growth in YoY and QoQ under solid economic conditions
- Pricing was adjusted in FY2022 3Q. We continue to operate the business while managing the growth rate and gross margin
- Growth continued in organic businesses, excluding DANBALL ONE performance. Revenue growth was +24.8% YoY, and gross margin growth was +30.7% YoY
- For DANBALL ONE, 1Q revenue was JPY 1.72Bn, gross profit was JPY 508MM (gross margin of 29.5%), EBITDA was JPY 162MM. YoY growth in both Revenue and Gross Margin are more than +20%



Notes

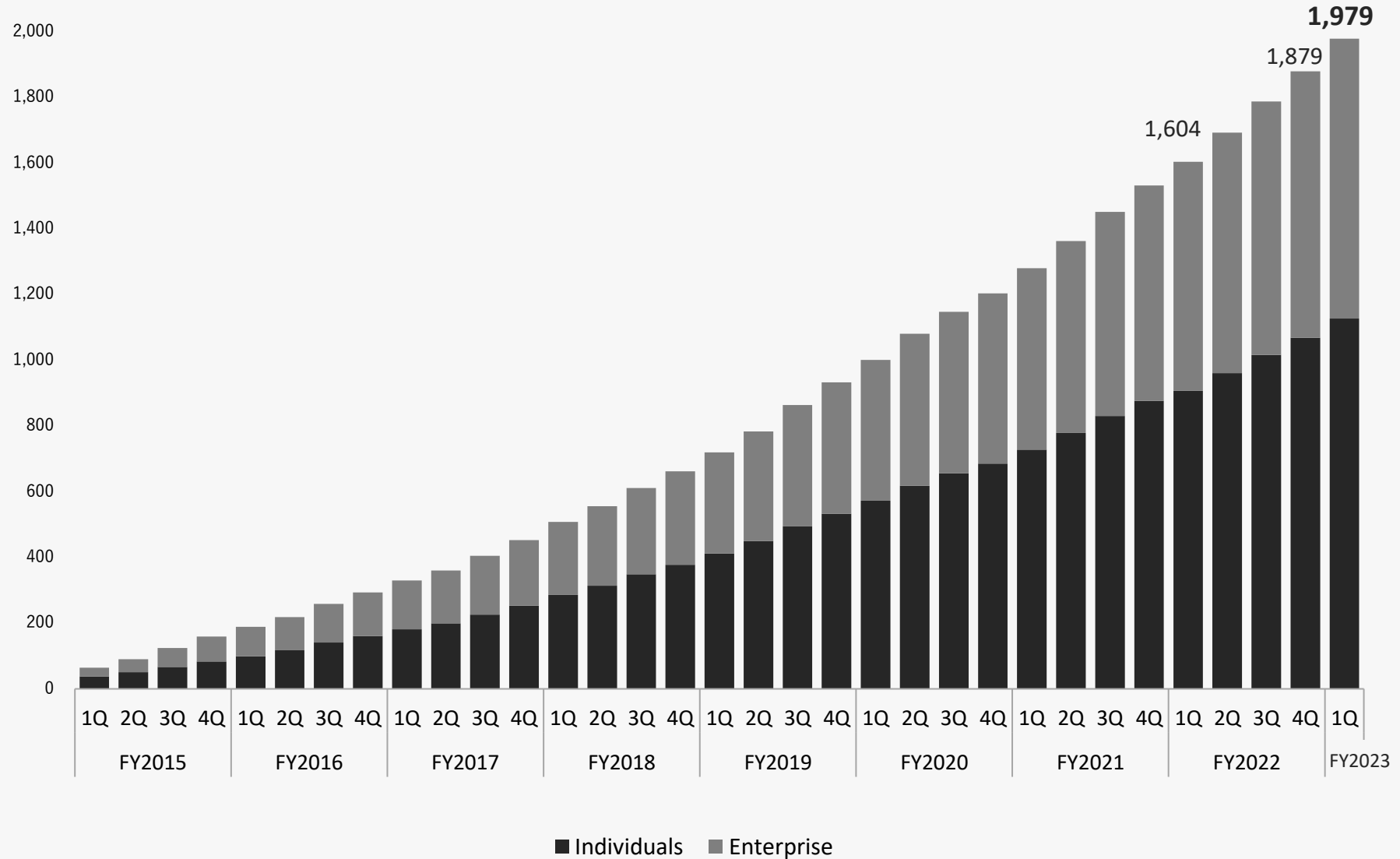
(1) SG&A expenses include internal transactions



Number of Registered Users on Printing Platform (1)

- Our customer base continues to grow
- The number of total users for 1Q was 1,979,281. The total number of registered users reached over 2 million at the end of November

(unit: 1,000 users)

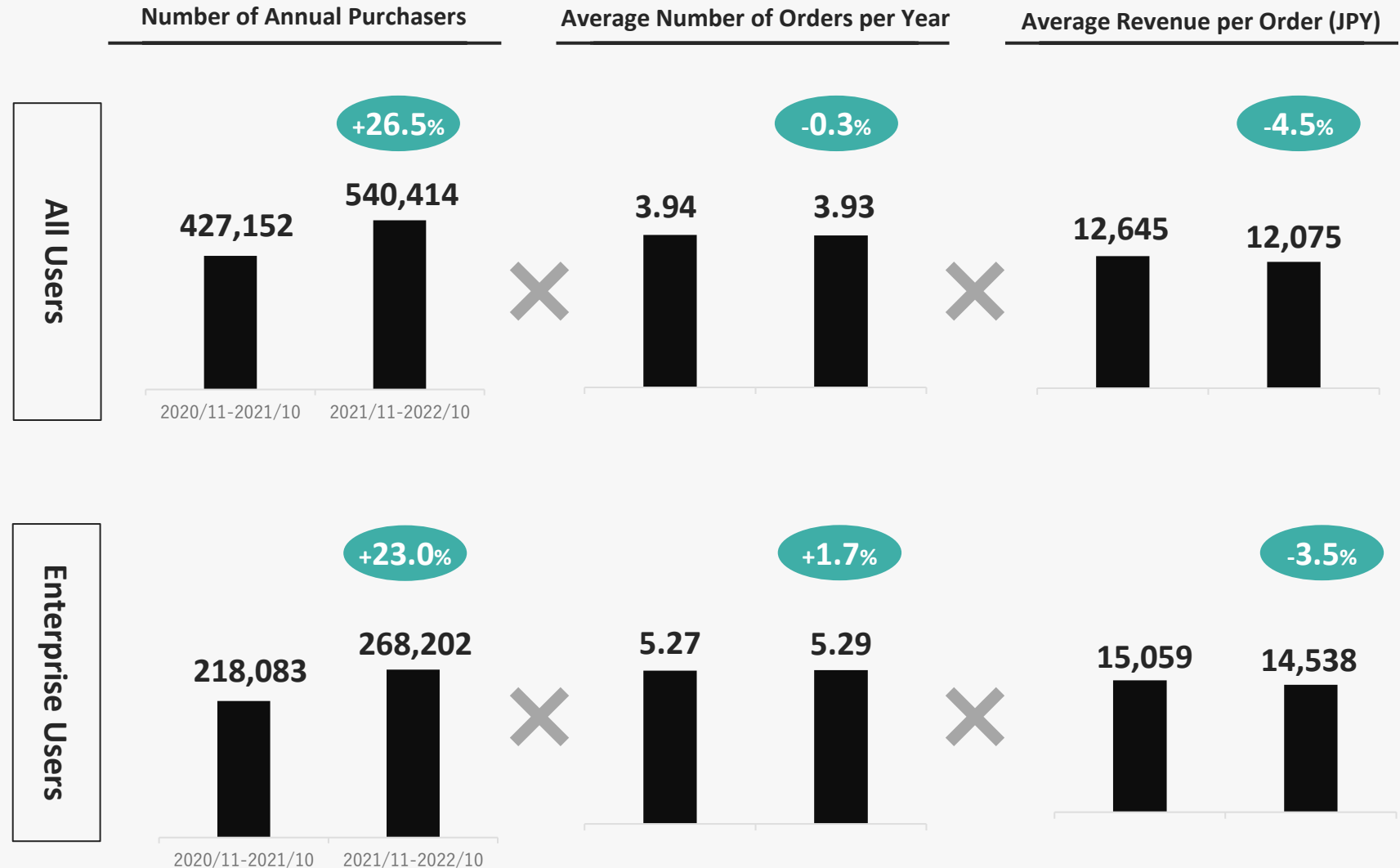


Note

(1) Number of total registered users for raksul.com

KPI Trend (1)

- Annual number of purchasers continues to grow
- The average revenue per order decreased due to an increase in low-price products such as business cards. Excluding business cards, the average order unit price is around JPY 15,500 (YoY -2.6%). The downward trend is expected to continue as the product lineup expands
- For DANBALL ONE (2021/11-2022/10)⁽²⁾, the number of annual purchasers is JPY 169k users and ARPU (Average Number of Orders per Year x Average Revenue per Order) is around JPY 35k



Note

(1) Excluding DANBALL ONE, calculated based on management accounting, and differs from the figures disclosed in last fiscal year due to the new revenue recognition standards

(2) Only transactions through the company's own e-commerce website

Segment Performance (1)

- Shift in customer base led to a recovery trend after bottoming out in 3Q
- Gross margin is on an upward trend due to an increase in the number of large enterprise users with large broadcasting budgets and the expansion of the SaaS business. It is expected to stay around 40-50% in the medium-to-long term
- By applying the new revenue recognition standards, revenue is netted for broadcasting services, and gross revenue is recognized for production and SaaS services



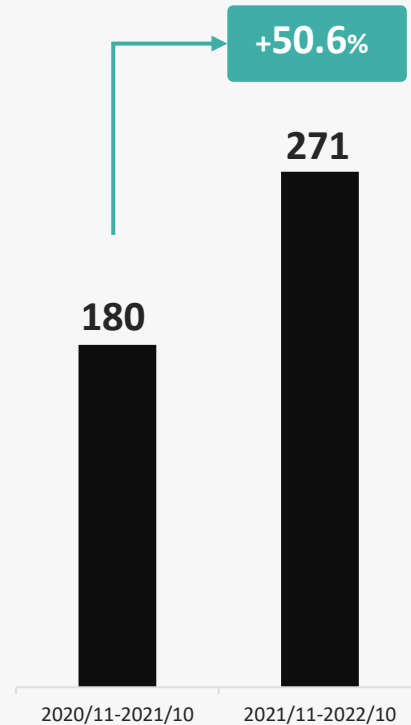
Notes

(1) Including internal transactions in revenue, gross profit, and SG&A

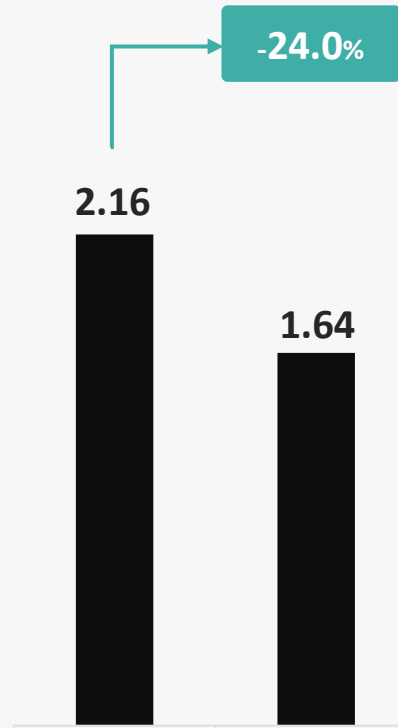
KPI Trend

- KPIs are disclosed considering the characteristics of programmatic TV commercials
- With the new incoming clients, the proportion of SaaS-only users is currently increasing. As a result, the average number of broadcasting months has been pushed down in the calculation, however, the repeat usage from broadcasting users has been strong
- Cumulative total of 259 companies (including free use) having implemented SaaS

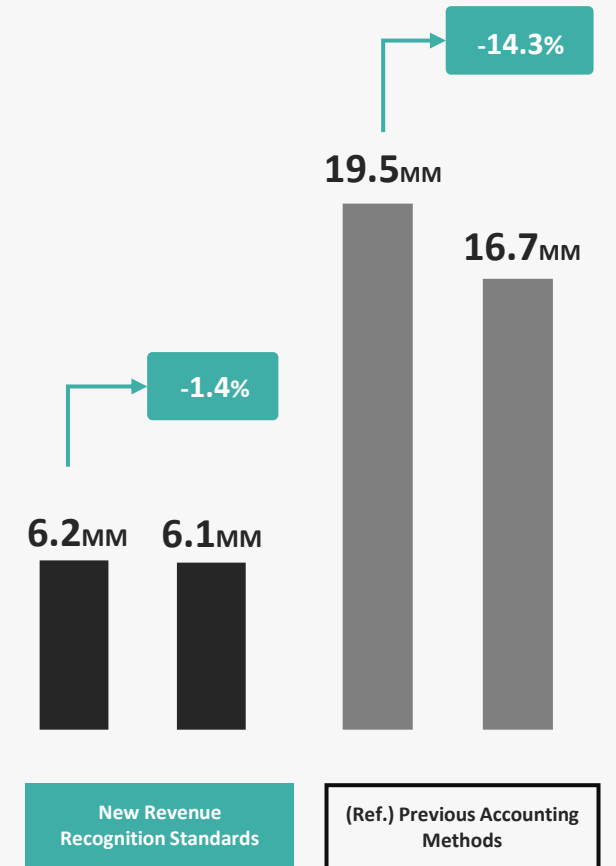
Number of Annual Users (companies)



Average Broadcasting Months





Average Monthly Unit Price (JPY)





(Reference)
 Key Drivers and
 Investment Points for
 KPI Improvement

	Number of Annual Purchasers	ARPU	Gross Margin
 Raksul	<ul style="list-style-type: none"> • Continuous improvement of marketing measures • Expansion of business domains and product line-up 	<p>Average # of Orders</p> <ul style="list-style-type: none"> • Improvement of customer experience • Continuous CRM and cross-sell expansion <p>Average Unit Price</p> <ul style="list-style-type: none"> • Services to promote usage by large enterprises 	<ul style="list-style-type: none"> • Price optimization • Support for suppliers in productivity and cost optimization • Cost improvement through joint procurement of materials
 Novasell	<ul style="list-style-type: none"> • Expansion of marketing channels • Partnerships 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 • Increase in the number of large enterprise users with large broadcasting budgets

Group Companies

Organic Businesses



Equity method affiliate

- JV with Seino Holdings Co., Ltd. (“SEINO HD”) was completed in August 2022. Our share became 49.9%
- Quarterly revenue reached a record high of approximately 1.2 billion yen as the business started to receive customers from Seino HD



Consolidation possible in the future

- Business is up and running smoothly, and procured Series A funding of JPY 4.4 billion
- Preparations are underway to launch the service globally in addition to the Japanese market



Equity method affiliate

- Monthly revenue has grown to about JPY 65 million with service price revisions

Investments

Net Square

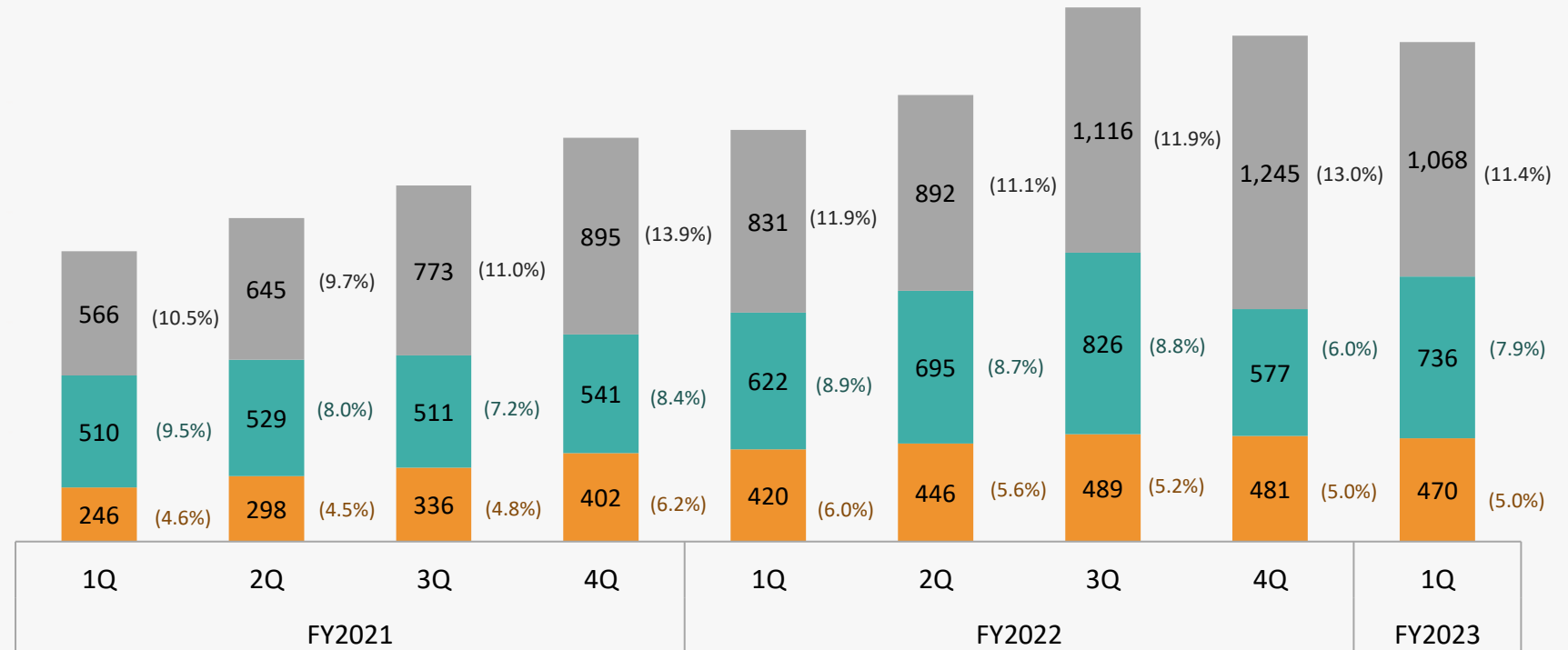
Equity method affiliate

- Promoting efficiency and automation in the digital printing domain through collaboration. Expected to contribute round JPY 100MM to the gross profit improvement of the Raksul in the current fiscal year

SG&A Spend (1)

- We continue to invest in growth mainly in advertising and technology development

(in JPY MM, % of revenue)



Tech & Development

- Engineering Personnel Expenses
- IT Infrastructure Expenses

Sales & Marketing

- Sales Personnel Expenses
- Ad Spend

Others

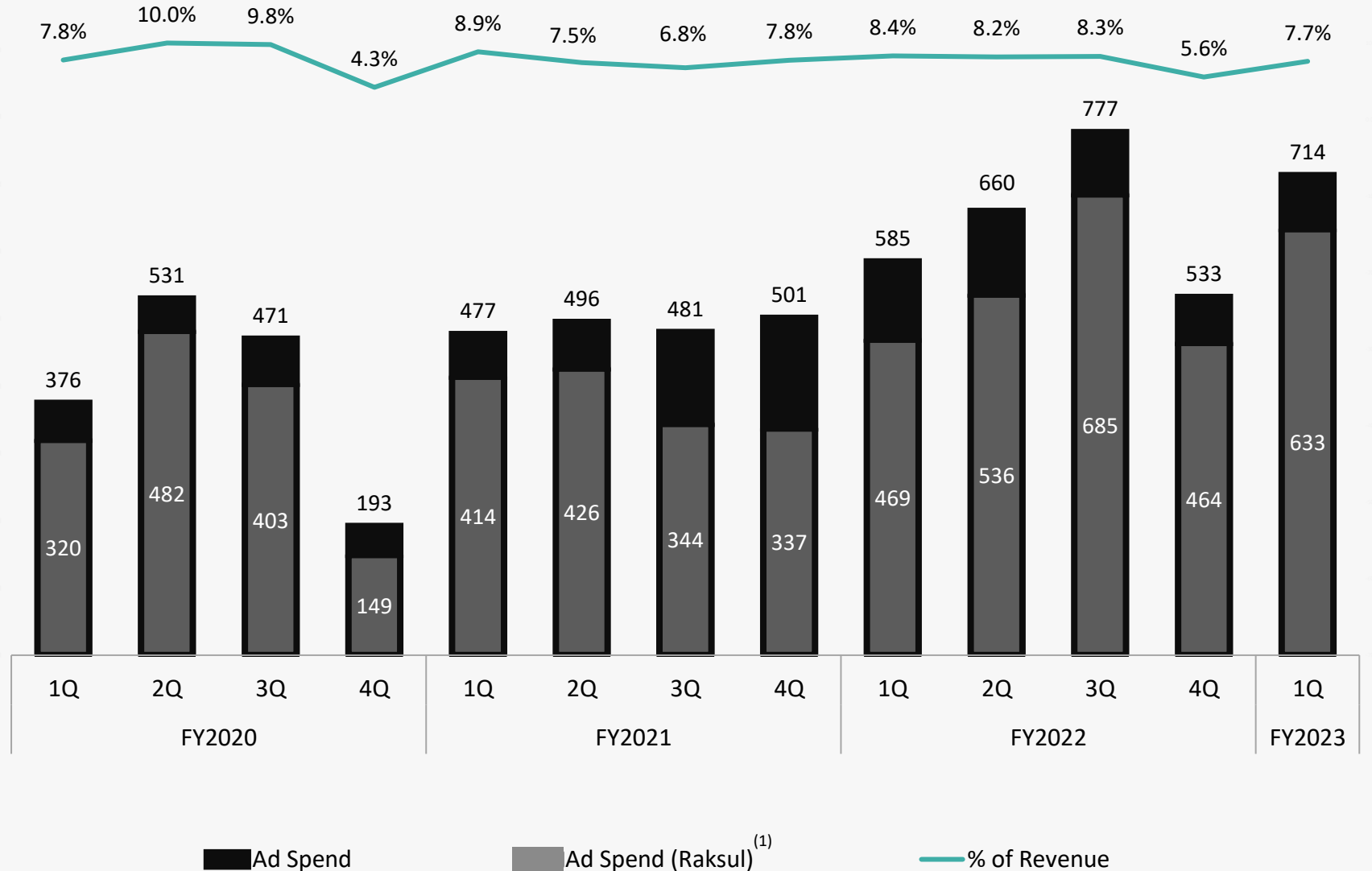
Note
(1) Stock-based compensation expenses not included



Ad Spend and Percentage of Ad Spend per Revenue

- We continue to invest in advertising, mainly in TV commercials for Raksul
- The estimated ad spend per revenue throughout FY2023 is in the low 7% range

(in JPY MM)



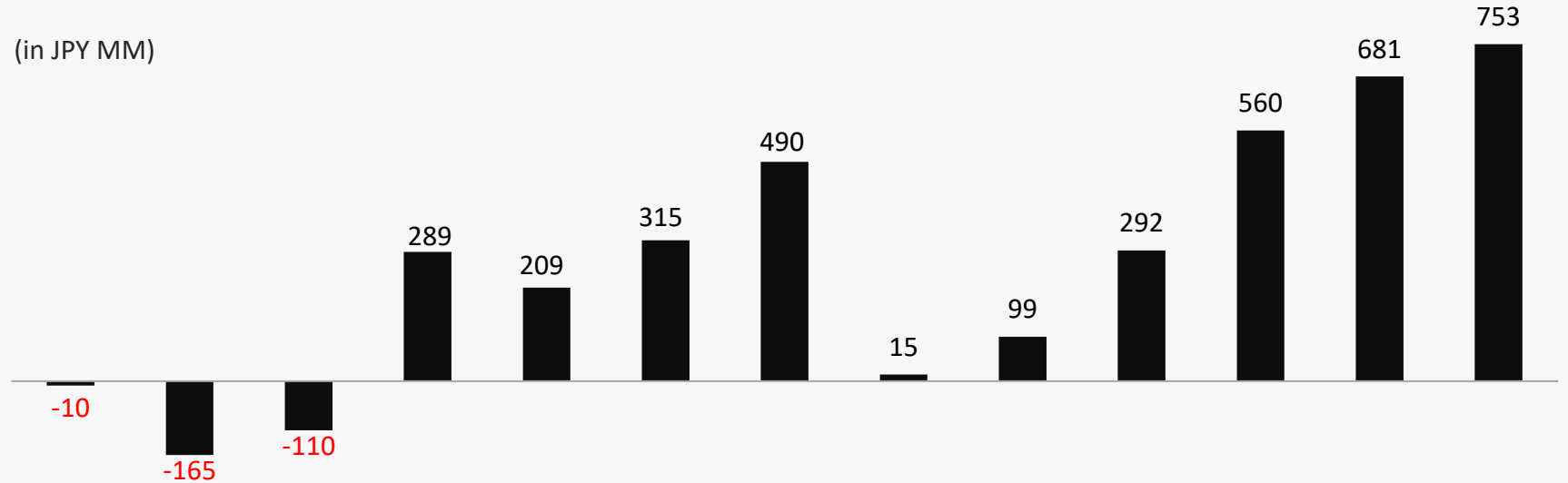
Notes

(1) Ad spend for Raksul business segment only is added for reference purposes

EBITDA

- EBITDA reached record high.
Expansion of growth and profitability achieved simultaneously
- The only GAAP adjustment item is stock-based compensation expenses; therefore J-GAAP EBITDA equals non-GAAP EBITDA minus stock-based compensation expenses. J-GAAP operating profit is the J-GAAP EBITDA minus depreciation and amortization of goodwill

(in JPY MM)



Depreciation and amortization of goodwill

32	34	41	52	48	48	49	51	51	52	185	185	181
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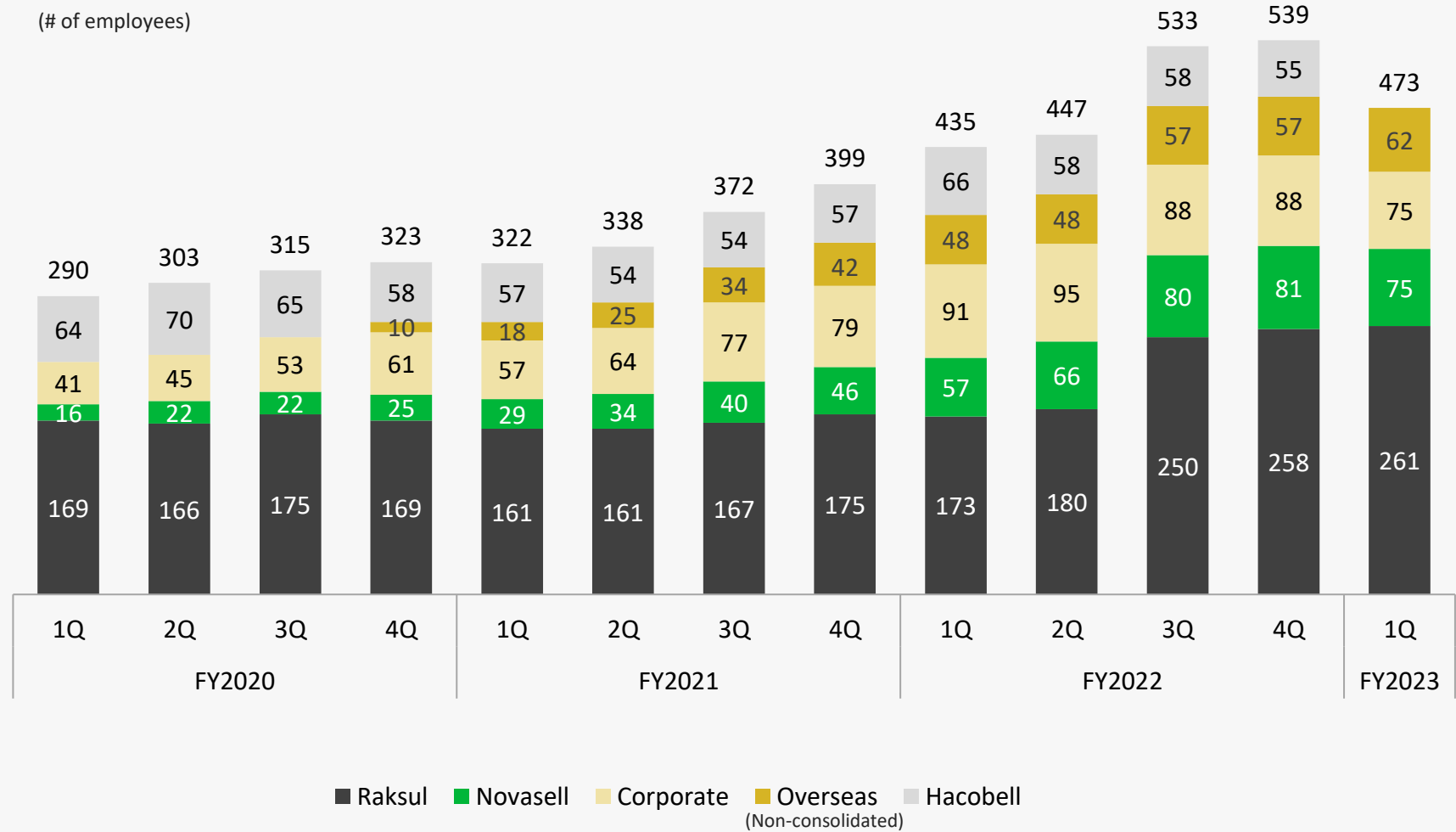
Stock compensation expense

-	15	22	46	94	120	133	263	154	175	183	182	180
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FY2020				FY2021				FY2022				FY2023
1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
-10	-165	-110	289	209	315	490	15	99	292	560	681	753

Number of Employees ⁽¹⁾

- From FY2023 onward, we plan on a gradual increase considering the balance with profitability. In addition, the number of employees of Hacobell is excluded from this disclosure due to deconsolidation
- Productivity (gross profit per employee) of the organization is improving



Notes
 (1) Headcount based

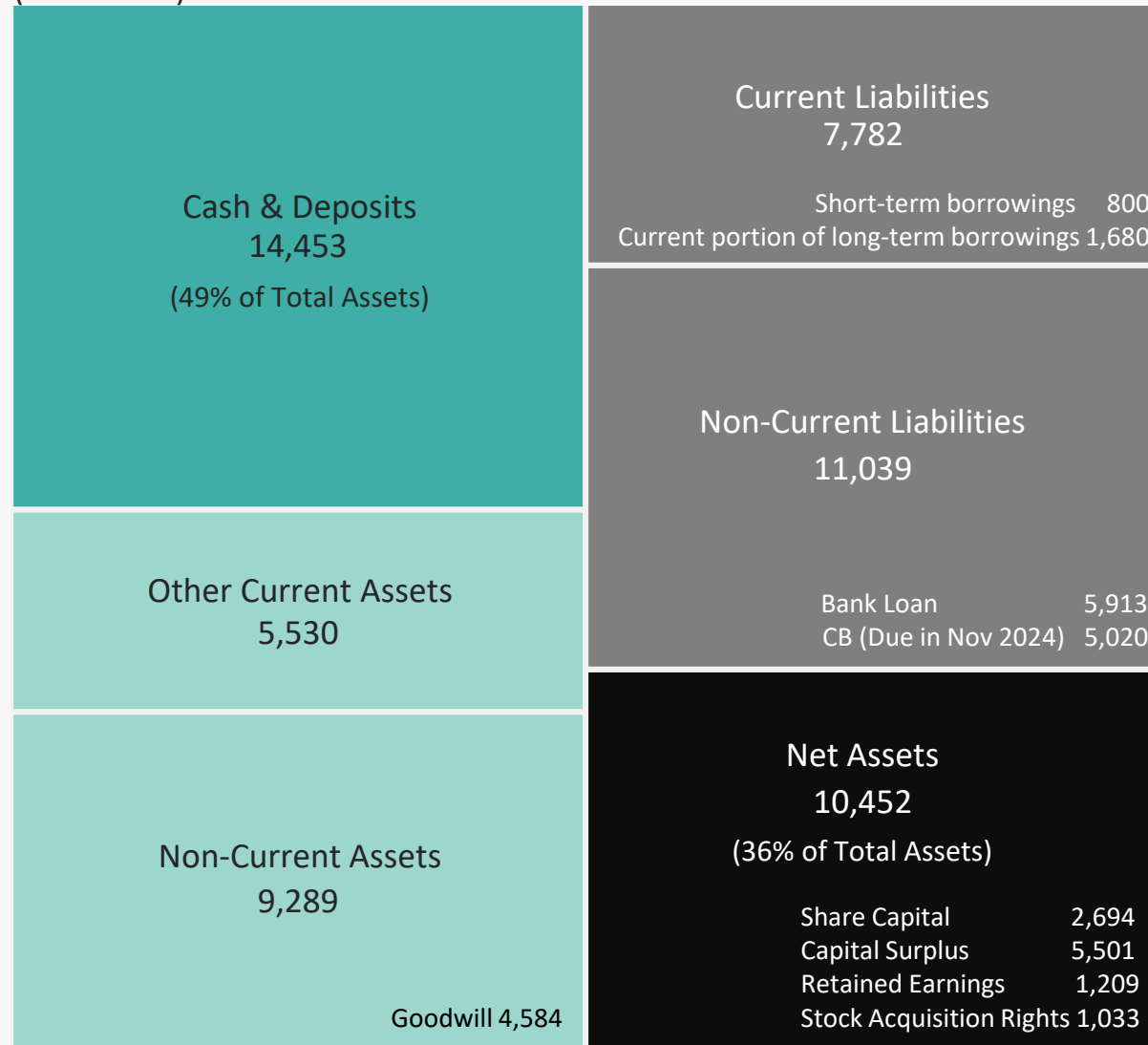


Quarterly Financial

Highlights: BS

- Conducted bank borrowing of JPY 3.6Bn in July 2022 (5-7 years term); cash and deposits of over JPY 14.4Bn
- In addition, we expect to accumulate both the operating cash flow and accounting profits in the coming future

(in JPY MM)



Assets

Liabilities & Net Assets



External Ratings / Strengthening Information Disclosure

- We were awarded an “A” rating by MSCI ESG Research ⁽¹⁾ in October 2022. The rating was upgraded from last year's "BBB" rating, especially for addressing key issues in governance
- We expressed our support for TCFD ⁽²⁾ recommendations and joined the TCFD consortium in April 2021. In addition, we conducted and disclosed a scenario analysis using the disclosure framework recommended by the TCFD



As of 2022, RAKSUL INC. received an MSCI ESG Rating of A.



<https://corp.raksul.com/en/esg/environment/tcfd/>

Notes

- (1) MSCI is a financial services provider headquartered in New York, U.S.A. The company is listed in the New York Stock Exchange and provides a range of tools that support the investment decision making of institutional investors around the world, including large public pension funds, asset management firms, and hedge funds. MSCI website: <https://www.msci.com/>
- (2) TCFD: Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board (FSB), an international body consisting of national financial authorities and international standard-setting bodies. This international initiative aims to support companies with climate related disclosure and to stabilize the financial market through a smooth transition to a low-carbon society.

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Q&A



Q&A

	Questions	Answers
Companywide	What is the impact of the external environment, such as inflation, return of inbound tourism, etc.?	<ul style="list-style-type: none"> • Strong demand from customers, especially in the Raksul business segment, with the reopening from the COVID-19 environment • Material prices are expected to rise in the short term. Although there are no signs at this point, there is a possibility of a price decline depending on the global economic situation and foreign exchange rates • No major changes in the external environment surrounding the Novasell business segment • No clear positive impact from the return of inbound tourism which restarted in October
Companywide	Why are you implementing a stock buyback and stock split at this timing?	<ul style="list-style-type: none"> • With a situation where the accumulated losses (negative retained earnings) have been eliminated in both the non-consolidated and consolidated balance sheets, The decision was made at this time, as we are shifting to the capital efficiency-conscious management style based on the Quality Growth policy. It is also due to the fact that the company's ability to generate cash flow while continuing the growth under this policy has been increasing • At the same time, we implemented a stock split in order to further improve liquidity
Companywide	What is the cause of the gap between ordinary profit (J-GAAP) to net profit (J-GAAP)?	<ul style="list-style-type: none"> • The gap was caused by the extraordinary income and (negative) income tax adjustment resulting from the deconsolidation of Hacobell
Raksul (Printing)	What is the status of Raksul Enterprise?	<ul style="list-style-type: none"> • With the purpose of expanding the TAM into the large enterprise domain, we began offering a print ordering system for medium to large enterprises in the second half of last year • Steady increase in the number of companies using the system, bringing the cumulative total to 865 companies and 7,875 users as of the end of October

4

Reference Materials





Company Overview

Name:	RAKSUL INC.
HQ:	Shinagawa-ku, Tokyo, Japan
Foundation:	September 2009
Management Team:	Yasukane Matsumoto, Founder and CEO Yo Nagami, CFO / SVP of Corporate Masaki Tabe, CMO/ SVP of Novasell Kozo Fukushima, COO / SVP of Raksul Yusuke Izumi, CTO / SVP of Technology Yoshihiko Miyauchi, Outside Director Kenji Kobayashi, Outside Director Yumiko Murakami, Outside Director Naomi Mori, Outside Director, Audit & Supervisory Committee Member Masahiro Kotosaka, Outside Director, Audit & Supervisory Committee Member Junko Utsunomiya, Outside Director, Audit & Supervisory Committee Member

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 / SVP of Corporate

- 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 / SVP of Novasell

- 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 / SVP of Raksul

- 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 / SVP of Technology

- 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



Management Team (Outside Directors)



Yoshihiko Miyauchi

Outside Director

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



Kenji Kobayashi

Outside Director

- Joined RAKSUL as an outside director in October 2020
- Co-Founder of Signifiant Inc., since July 2017 to present
- Joined DeNA Co., Ltd., where he served as a director and executive officer (2009-2017)
- Joined Corporate Direction, Inc.(2005-2009)
- Graduated from The University of Tokyo; Master of Literature, Graduate School of Humanities and Sociology



Yumiko Murakami

Outside Director

- Joined RAKSUL as an outside director in October 2021
- Founded MPower Partners Fund L.P. General Partner (2021 to present)
- Managing Director at Credit Suisse Securities (Japan) Limited (2009)
- Managing Director at Goldman Sachs Japan Co., Ltd.(2008)
- Managing Director at Goldman Sachs and Co. (1997)
- Vice President at Goldman Sachs International(1994)
- United Nations Transitional Authority in Cambodia (Phnom Penh)(1998)
- United Nations Secretariat (New York)(1991)
- United Nations Development Program (Barbados)(1991)
- Graduated from Sophia University
- M.S., Stanford University
- M.A., Harvard University



Naomi Mori

Outside Director,

Audit & Supervisory Committee member

- Joined RAKSUL as an 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 & Supervisory Committee member

- Joined RAKSUL as an Outside Corporate Auditor in June 2017
- Associate Professor at Faculty of Policy Management, Keio University (2016 to present)
- Associate Fellow at the Foundation 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 Management Studies from University of Oxford



Junko Utsunomiya

Outside Director,

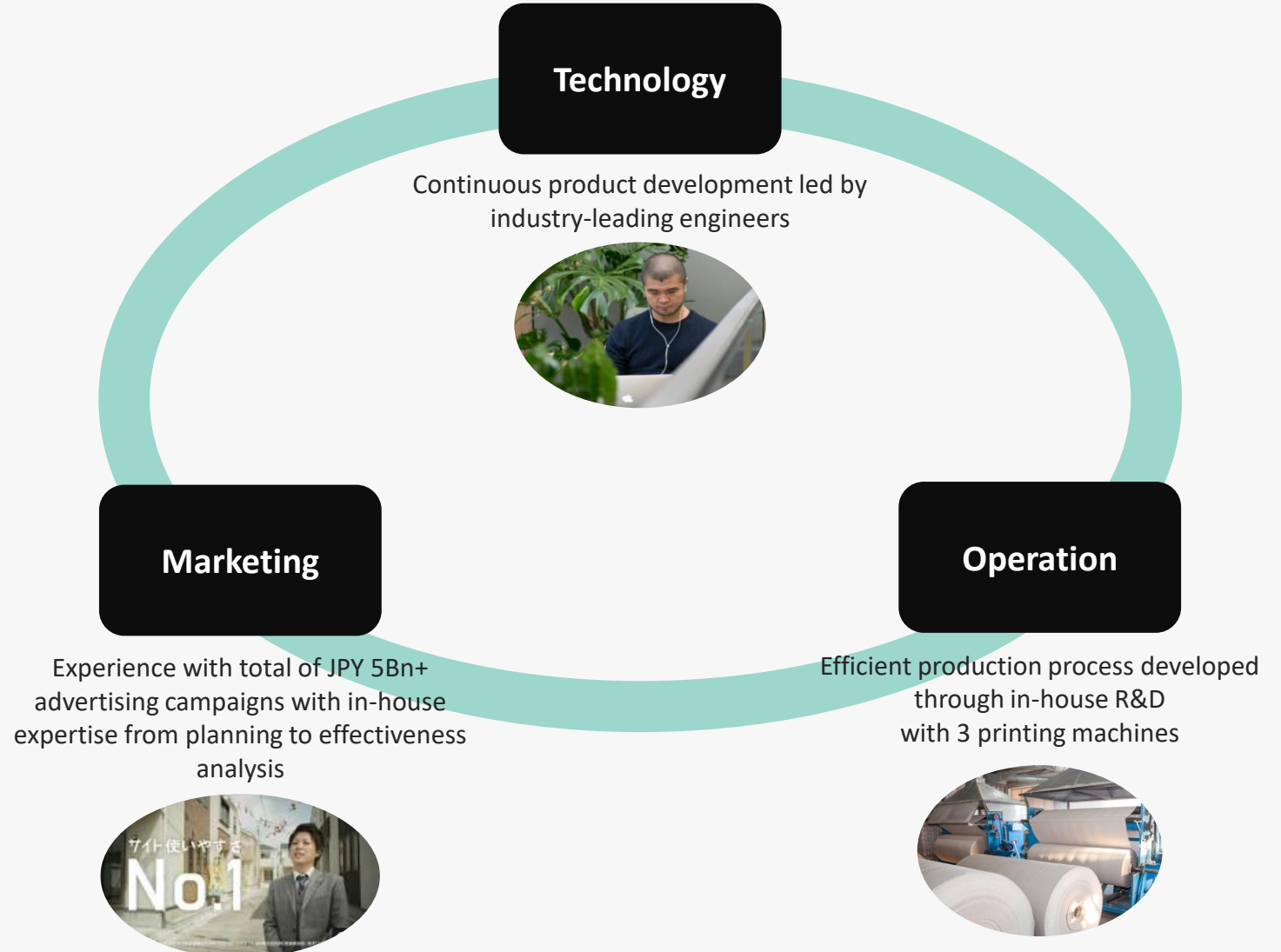
Audit & Supervisory Committee member

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



Organizational Structure that Enables Deep Penetration into the Industries

- 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



Our Technology Development Centers

- In order to strengthen our technology development, we established two new technology development centers in Vietnam and India in 2020

Vietnam

- Since 2018, we have been conducting operations/service development for Raksul business segment together with local companies responsible for offshore development
- By establishing a center, we will strengthen our ability to recruit local development members and refine products and services mainly for the Raksul business segment

<Overview>

RAKSUL VIETNAM COMPANY LIMITED

Location : Ho Chi Minh, Socialist Republic of Vietnam

Establishment date : June 2020

India

- We have established a development center in Bengaluru, India, the third largest country in the world in terms of the number of IT engineers ⁽¹⁾, to strengthen our development capabilities

<Overview>

RAKSUL INDIA PRIVATE LIMITED

Location : Bengaluru, Republic of India

Establishment date : July 2020



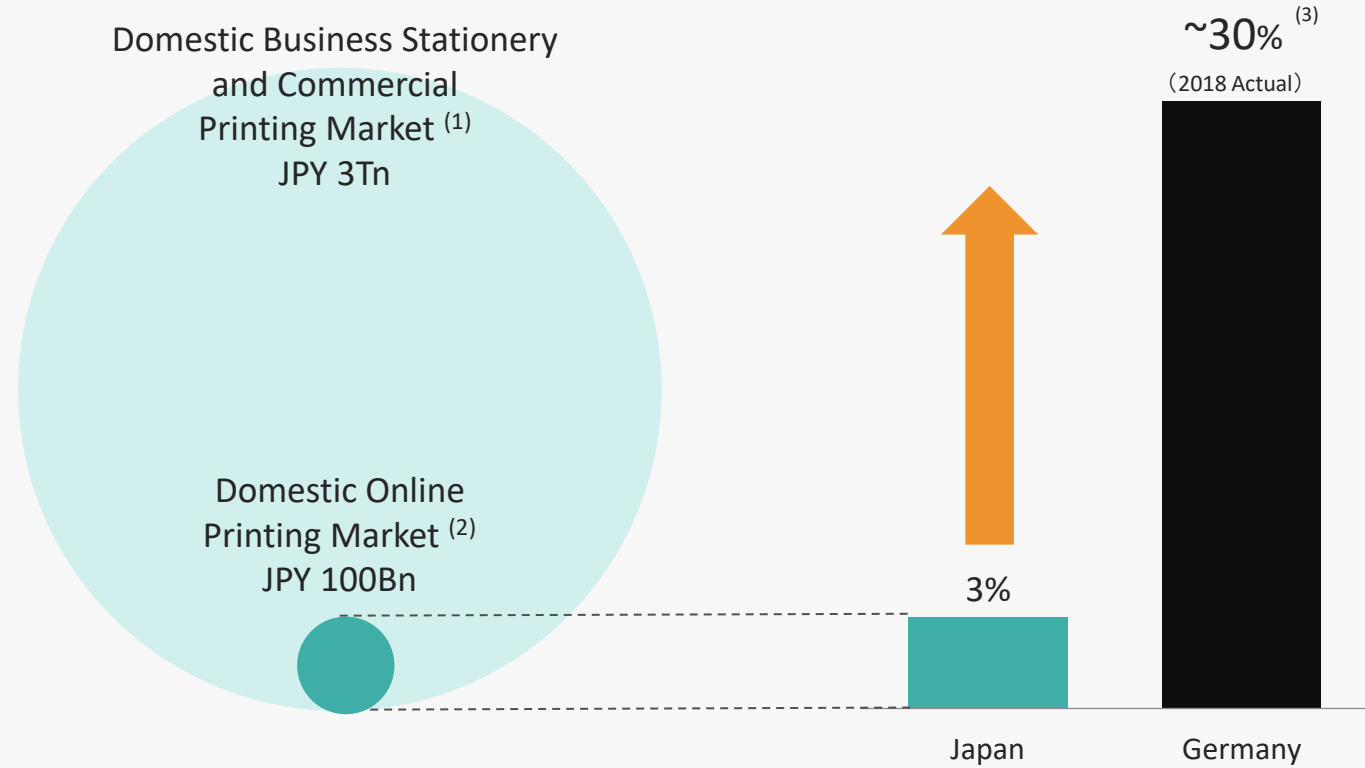
Vietnam Office

Source

(1) Human Resocia "IT Engineer Report"

TAM Expansion Driven by Further EC Penetration

- There is still huge potential for E-commerce penetration in the printing industry



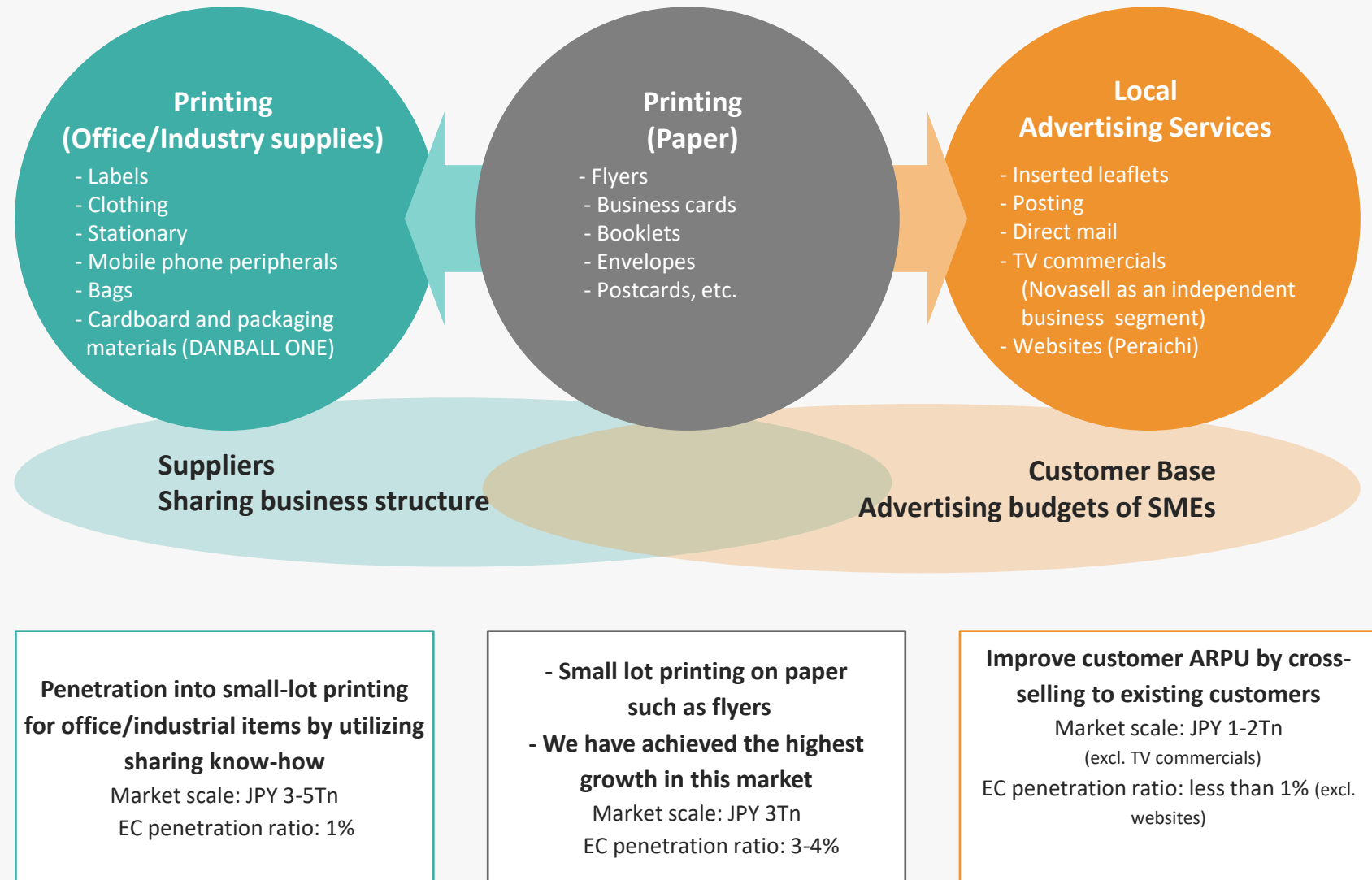
Source: Yano Research Institute, METI

Notes

- (1) Calculated based on "Current Production Statistics: Paper, Printing, and Plastic" (METI)
- (2) Calculated based on the financial information of domestic online printing companies (2019)
- (3) Source: zipcon consulting (2019)

Market and Growth Strategy

- By utilizing the customer and supplier base 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
- Making DANBALL ONE a consolidated subsidiary is an important step in expanding into the industrial supplies field related to printing





Vision/Overview of DANBALL ONE. Inc.

- DANBALL ONE operates a platform for packaging materials under the same vision as RAKSUL, “Better Systems, Better World”
- No.1 domestic sales share for 4 consecutive years as an E-commerce website specializing in cardboard boxes and packaging materials

VISION

Better Systems, Better World

No.1 domestic sales share for 4 consecutive years as an EC site specializing in cardboards and packaging materials



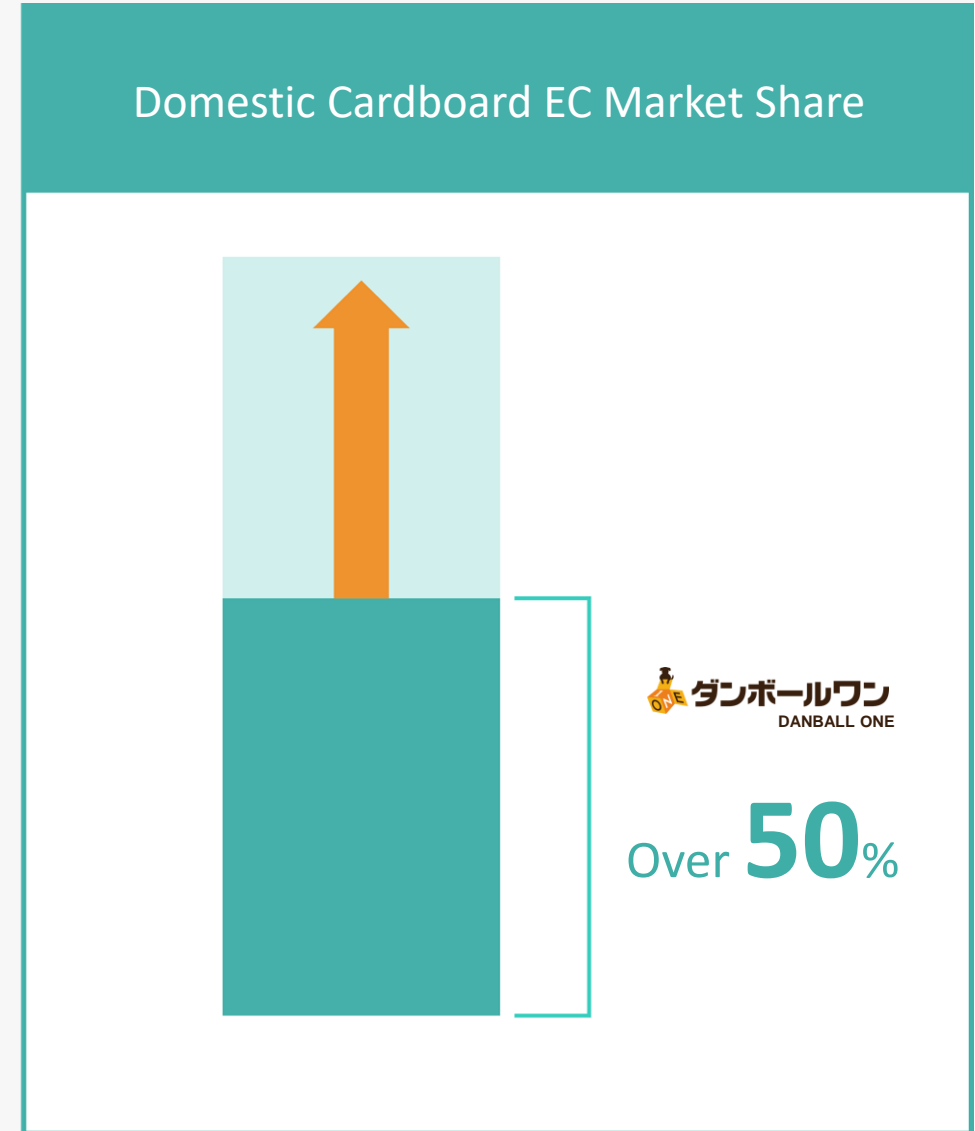
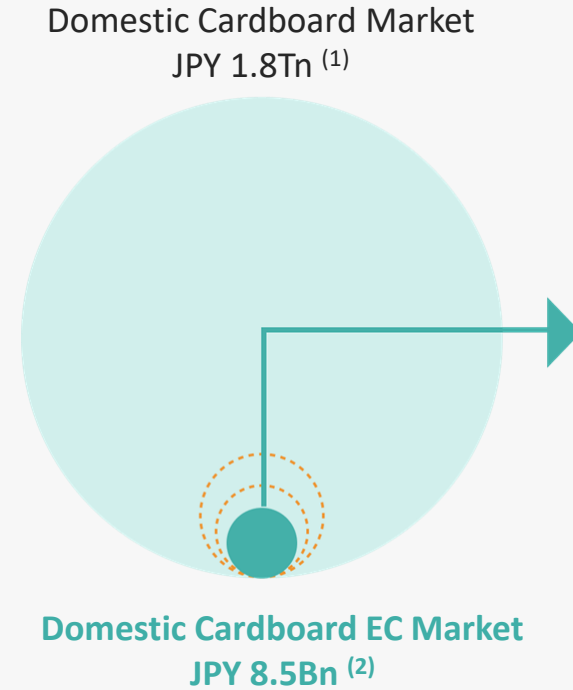
*EC site specializing in cardboard and packaging materials, Survey by TOKYO SHOKO RESEARCH (as of September 2021)
 *Revenue, number of orders, number of users, number of reviews, revenue growth rate

Overview	
Company name	: DANBALL ONE. Inc.
Business	: Operation of “DANBALL ONE,” an online order platform for cardboard and packaging materials
CEO	: Tatsuru Watanabe
HQ	: Kanazawa, Ishikawa, Japan



Domestic Cardboard EC Market

- The market benefits from the growing demand of EC in Japan
- The domestic cardboard EC market is growing at a CAGR of 30%
- DANBALL ONE accounts for around over 50% of the domestic cardboard EC market



Source

(1) Shipment volume of Japan packaging industry 2020, Japan Packaging Institute, cardboard products

(2) Estimated based on financial information of domestic cardboard EC companies (2021)



Overview of Peraichi Inc.

- We have acquired shares in Peraichi Inc. as part of business development in sales promotion area by leveraging the customer base of existing Raksul business
- Accounting as equity-method affiliate from FY2022 3Q onward



Company name : Peraichi Inc.

Business : Operation of Website creation SaaS “Peraichi”

CEO : Kunihiro Yasui

Financial standing : Monthly revenue around JPY 65MM; growth accelerating under the COVID environment

Deal Overview : Share purchase from existing shareholders and subscription of newly issued shares, resulting in shareholding ratio of approximately 49%



Service Overview

- A SaaS service which enables anyone to easily create a website
- Offer payment function for online shops
- Highly compatible with printing EC (commercial printing) as the service is utilized by SMEs in various industries nationwide for sales promotion and marketing purposes

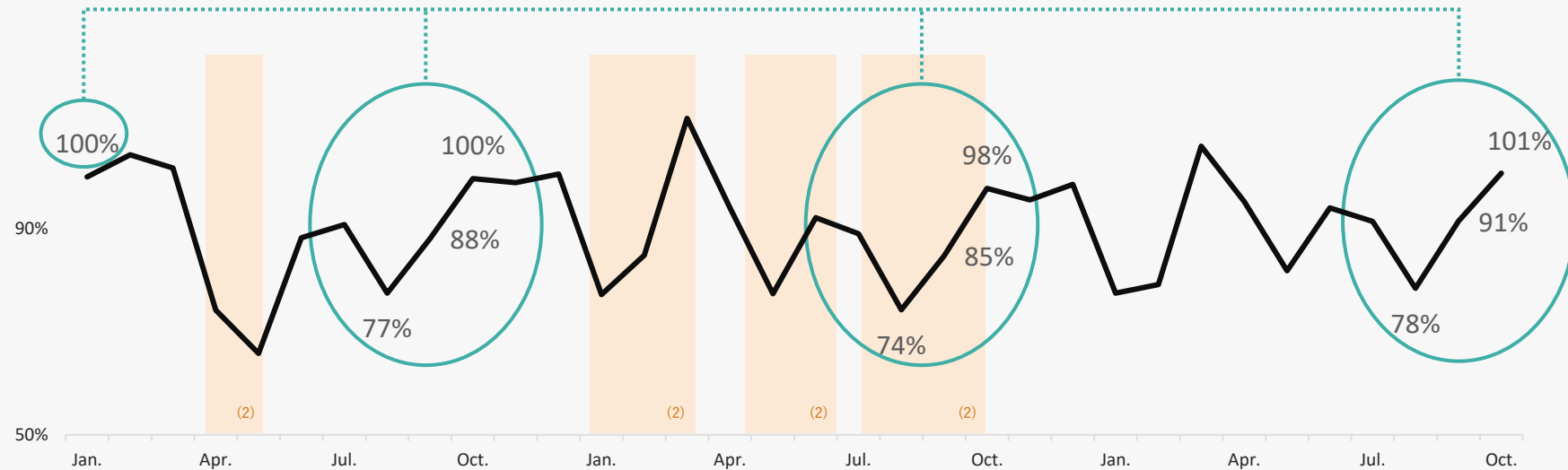


Comparison with the Pre-COVID situation

- Recurring revenue from our users acquired up to FY2019 has remained despite the limited impact of the State of Emergency under the COVID-19 environment
- With the added revenue from the users acquired after FY2020, revenue size has expanded

Recurring Revenue Trend from Users acquired up to July 2019 ⁽¹⁾

vs Jan 2020 Revenue (Pre-COVID)



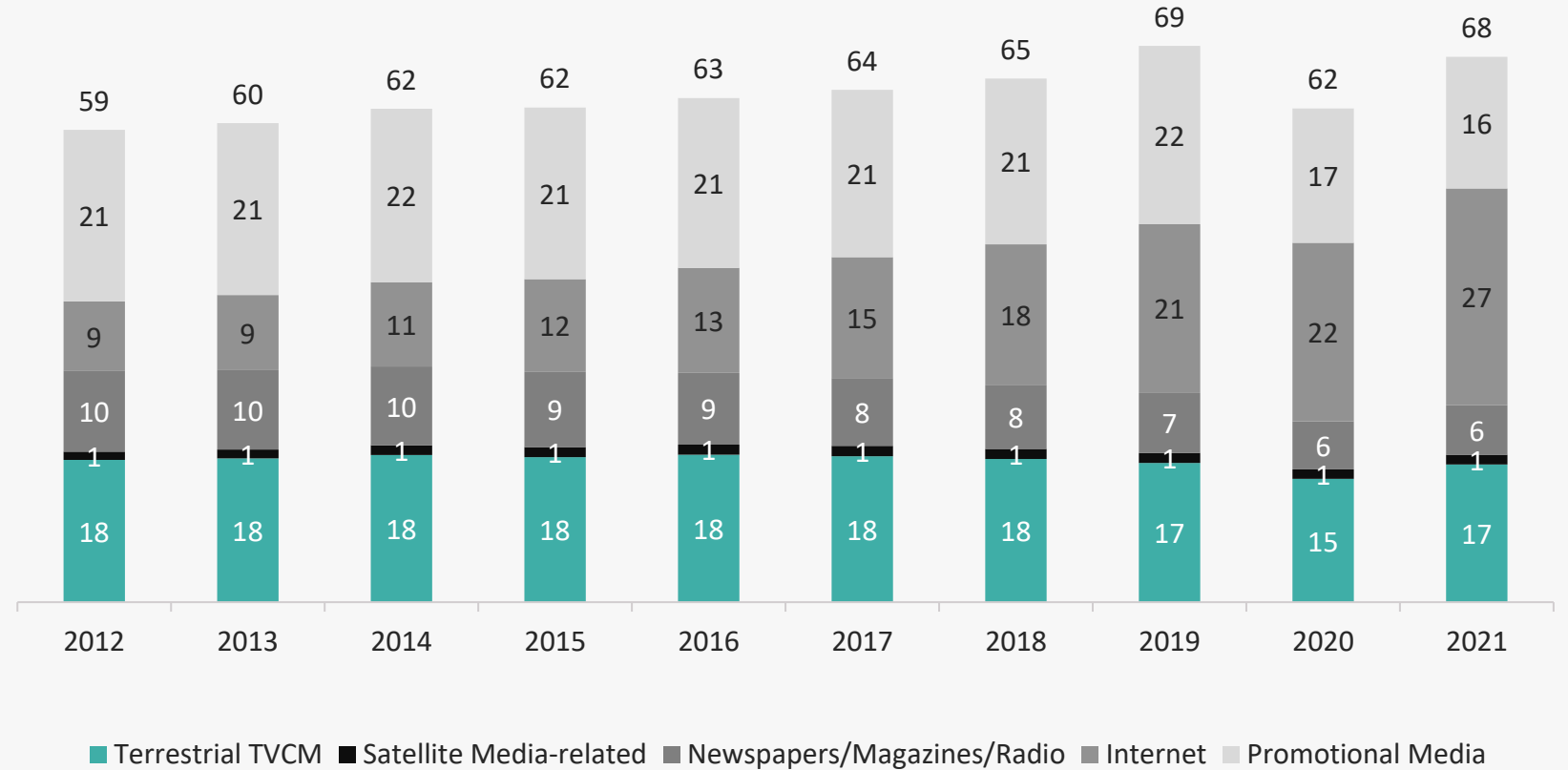
Notes

(1) Excluding DANBALL ONE, calculated based on management accounting, and differs from the figures disclosed in last fiscal year due to the new revenue recognition standards
 (2) State of Emergency declared in Tokyo

Domestic Advertising Market

- The Terrestrial TV Commercial market recovered in the second half of 2021 and growth of Internet ad spending accelerated

(in JPY 100Bn)





Changes in Accounting Methods due to New Revenue Recognition Standards

- Changed from the previous accounting methods as the new revenue recognition standards become compulsory from this fiscal year
- Changed the accounting method for Novasell’s broadcasting services from gross to net revenue
- The amount of discount from coupons in Raksul and Hacobell business segments has been changed from “SG&A expenses” to “sales allowance”

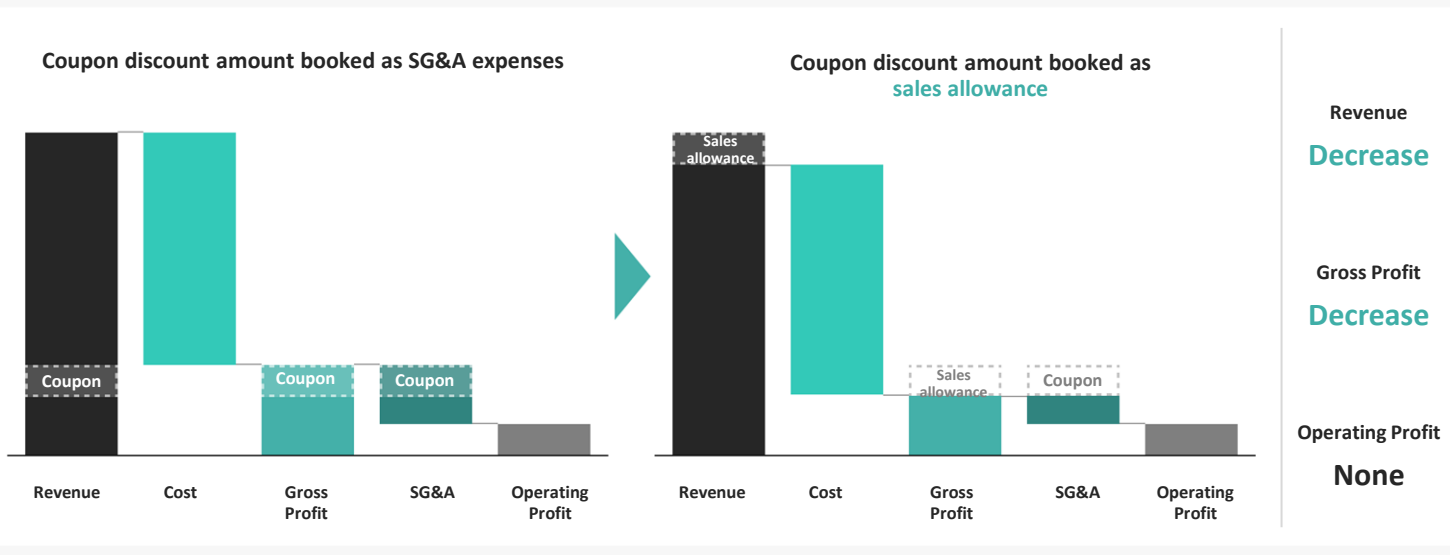
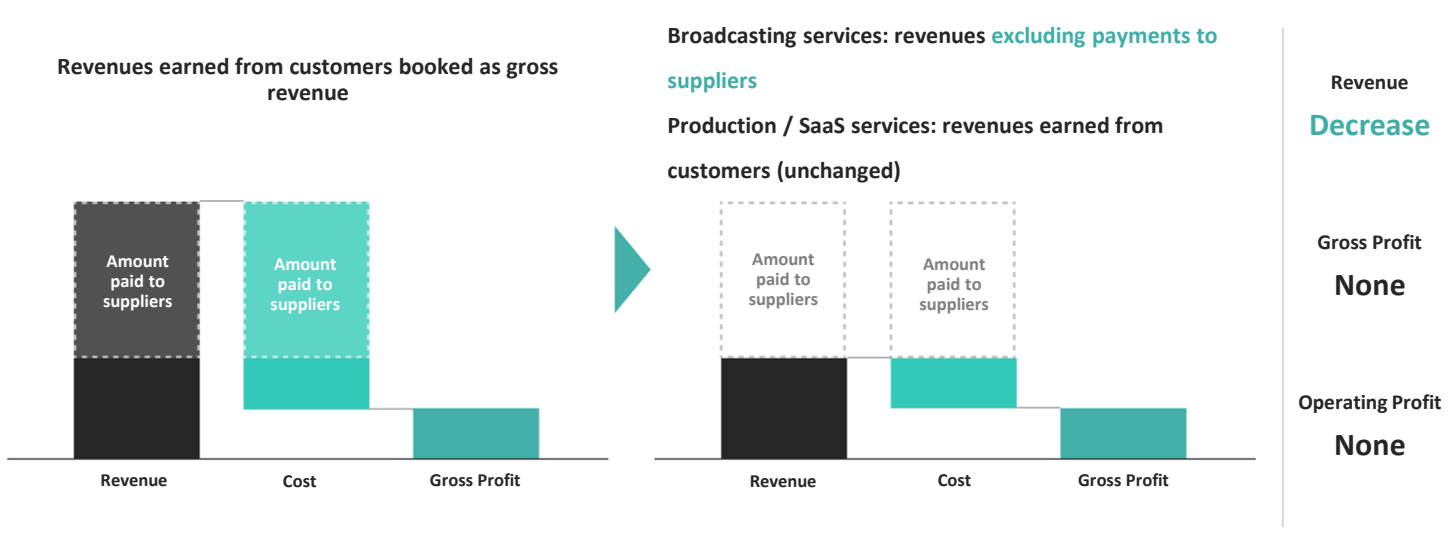
Novasell

**Raksul
Hacobell**

Previous Accounting Methods

New Revenue Recognition Standards

Impact



Financial Highlights by Business Segment (New Revenue Recognition Standards)

		FY2021				FY2022				FY2023
(in JPY MM)		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Revenue	Raksul	4,430	5,073	5,605	5,144	5,461	6,092	7,894	7,877	8,540
	Novasell	322	498	722	498	720	1,007	538	562	643
	Hacobell	553	1,004	655	723	741	835	869	1,031	-
	Others	66	73	77	73	84	97	80	84	154
Gross Profit	Raksul	1,201	1,361	1,514	1,373	1,478	1,697	2,395	2,347	2,440
	Novasell	165	206	405	305	313	433	253	292	368
	Hacobell	91	142	112	96	97	104	131	130	-
	Others	26	29	29	28	33	38	27	29	38
Segment Profit (non-GAAP)	Raksul	453	568	767	565	583	697	1,055	1,153	1,073
	Novasell	19	17	94	-95	-18	69	-122	-32	24
	Hacobell	-21	21	-17	-59	-68	-46	-11	-2	-
	Others and corporate expenses	-242	-291	-354	-394	-396	-429	-361	-436	-345
Segment Profit (financial accounting)	Raksul	408	515	711	505	534	641	863	962	875
	Novasell	16	10	85	-103	-25	63	-129	-39	17
	Hacobell	-27	11	-28	-70	-79	-59	-25	-16	-
	Others and corporate expenses	-330	-391	-462	-631	-534	-580	-517	-592	-501
Operating Profit (non-GAAP)	Company wide	209	315	490	15	99	292	560	681	753



Difference between non-GAAP profit and accounting profit

- From FY2020, we have been disclosing non-GAAP profits after adding back the 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)	FY2023 1Q(2022/8-2022/10)		
	Actual (non-GAAP)	Difference (stock-based compensation expense)	Actual (financial accounting)
Revenue	9,338	-	9,338
Gross Profit	2,847	-	2,847
Operating Profit	572	180	391
EBITDA	753	180	572
Ordinary Profit	438	182	255
Net Profit	1,181	182	998

Balance Sheet

(in JPY MM)	FY2022 4Q	FY2023 1Q
Current Assets	19,660	19,984
Cash & Deposits	13,682	14,453
Non-Current Assets	8,973	9,289
Total Assets	28,633	29,273
Current Liabilities (interest-bearing liabilities)	7,774 (2,495)	7,782 (2,480)
Non-Current Liabilities (interest-bearing liabilities)	11,546 (11,440)	11,039 (10,933)
Net Assets	9,312	10,452
Share Capital	2,694	2,694
Capital Surplus	5,501	5,501
Retained Earnings	165	1,209
Total Liabilities & Net Assets	28,633	29,273



Competitive Compensation: Strengthening Equity Incentives

- Our basic purpose and approach to equity incentives have remained the same since the disclosure of our RS system implementation in FY2019 4Q

<p>Purpose</p>	<ul style="list-style-type: none"> • To align the incentives and commitment of directors 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
<p>Structure</p>	<ul style="list-style-type: none"> • Structure: restricted stock (RS) and stock options • Simple design that both investors and recipients can expect
<p>Dilution</p>	<ul style="list-style-type: none"> • Expected dilution of max. 10% over 10 years from FY2019 (around 1% per year) • Designed with flexibility for variation in each year • Our percentage of dilutive shares was 7.3% at IPO and 4.4% as of the end of the fiscal year ending July 2022 - lower than other growing companies (see next page for stock incentive balance)
<p>Impact on P&L/CF</p>	<ul style="list-style-type: none"> • Stock-based compensation expense for FY2022 was JPY 695MM per year • Stock-based compensation expense for FY2023 will be around JPY 650-700MM per year ⁽¹⁾ • As the impact is neutral in terms of cash flow, we disclose non-GAAP profits, excluding the impact of RS

Notes

(1) Estimated as of September 2022. The amount will be affected by stock price



Issuance of Stock-Based Compensation and Performance Target Linked Stock Options

- Issued a total of 4 stock options linked to stock-based compensation and performance target linked stock options in December 2022
- 1. and 2. are stock-based compensation as an incentive issued annually (1-yen SO instead of RS has been implemented for employees from the current fiscal year)
- 3. and 4. (collectively called Quality Growth Stock Option 2022) are stock-based compensation linked to performance targets and serve as medium-term incentives. Trust SO was introduced in anticipation of granting it not only to current executives and employees but also

Name	Format	Number of Shares (Dilution % ⁽¹⁾)	Allotees	Conditions of Exercise, etc.
1. Restricted Stock-Based Compensation (RS)	Stock-Based Compensation	11,260 shares (0.04%)	Directors	Restriction on transfers lifted in a lump sum after 3 years
2. Stock Acquisition Rights No.13 (1-yen SO)⁽³⁾	Stock-Based Compensation	42,370 shares (0.15%)	Employees	Exercisable in one sixth increments every 6 months
3. Stock Acquisition Rights No.14 (Paid-in SO)	Performance Target Linked (Quality Growth Stock Option 2022)	192,500 shares (0.66%)	Directors Employees	When EBITDA ⁽³⁾ a) Exceeds JPY 2.8Bn in FY2023 or FY2024: 50% exercisable b) Exceeds JPY 4.0Bn in FY2024 or FY2025: 50% exercisable
4. Stock Acquisition Rights No.15 (Trust SO)⁽³⁾	Performance Target Linked (Quality Growth Stock Option 2022)	167,500 shares (0.58%)	Directors Employees New hires	Same as above
Total		413,630 shares (1.42%)		

Notes

(1) Based on 29,080,100 shares (29,801 voting rights) of the total number of outstanding shares of the Company as of July 31, 2022

(2) Stock Acquisition Rights described in the "Announcement of Issuance of Stock-based Compensation Stock Options (Stock Acquisition Rights No.13)" disclosed on November 17, 2022

(3) Stock Acquisition Rights described in the "Announcement of Issuance of Stock Acquisition Rights No.15 Using a Third-party Allotment Collectively Called "Quality Growth Stock Option 2022", and Introduction of a Market Value Issued Stock Acquisition Rights Trust" disclosed on November 17, 2022

P6, P7

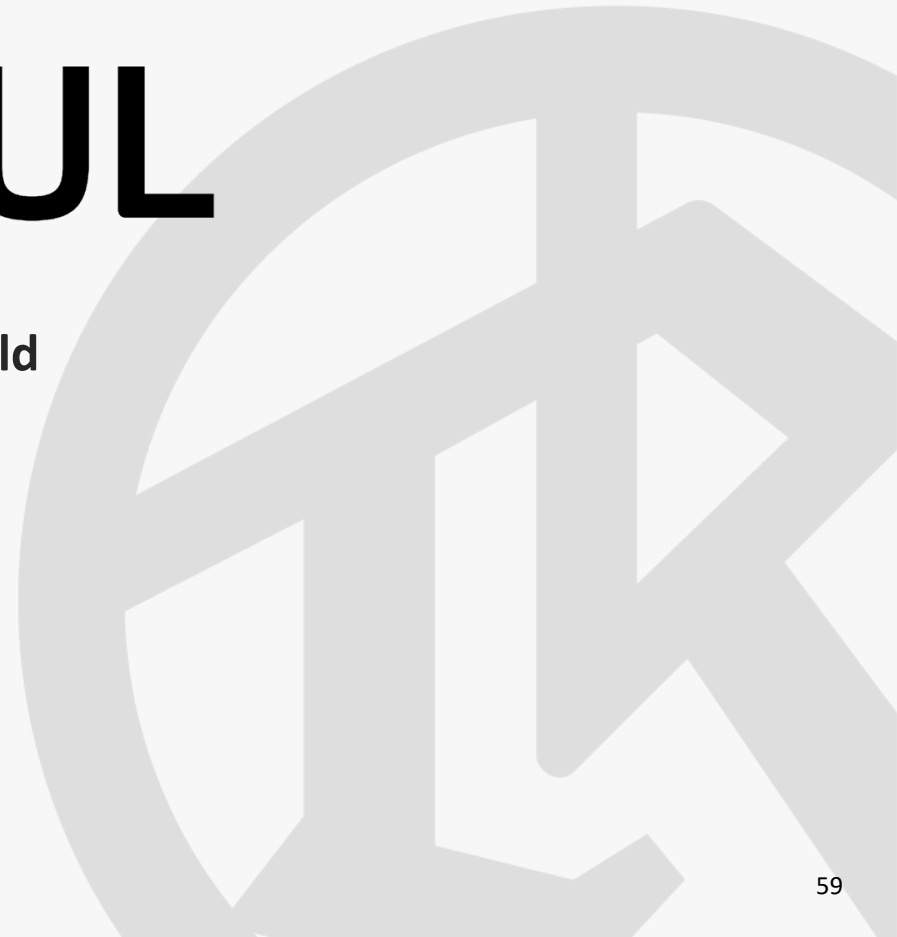
Indirect cost market	Total selling, general and administrative expenses of all stocks listed on the Tokyo Stock Exchange (excluding ETFs, REITs and securities investments)	
	Business stationery and commercial printing	Calculated based on "Current Production Statistics: Paper, Printing, and Plastic" (METI), production volume basis
Raksul	Novelties	Estimate based on "Corporate Gift Market" (Yano Research Institute Report, 2020)
	Promotional media = Offline advertising	Total of inserts, DM, and free papers from "Advertising Expenditures in Japan" (Dentsu, 2020)
Hacobell	Trucking	Estimated based on "Japan Trucking Industry 2018 - Current Status and Issues" (Japan Trucking Association)
Novasell	TV commercials	"Advertising Expenditures in Japan" (Dentsu, 2021)
	Taxi advertising	Not added as value since it is part of the transportation digital signage market
Josys	Total device value in the domestic IT market shipment forecast	"Domestic IT Market Forecast by Industry Sector / Employee Size / Annual Sales Size, 2021-2025: Considering the Impact of COVID-19 as of the End of March 2021" (IDC Japan, May 2021)
	Industry general-purpose SaaS	"2021 Current Status and Future Prospects of Cloud Computing <Market>" (Fuji Chimera Research Institute, March 2021)
DANBALL ONE	Packaging materials	Shipment volume of Japan packaging industry 2020, Japan Packaging Institute, paper and cardboard products
Peraichi	Website production	Estimated based on "Web Integration & Internet Advertising Platform Market Status and Outlook 2017 Edition" (Mick Economic Research Institute) + CMS providers' revenue

P7

Number of Employees	Calculation by RAKSUL INC. based on the 2019 White Paper on Small Enterprises and the 2016 Statistical data on SMEs (number of companies per major city and prefectures, number of full-time employees, number of employees (private, non-primary industries))	
Number of Companies	2019 White Paper on Small Enterprises, 2020 White Paper on Small Enterprises	



Better Systems, Better World



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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