March 31, 2025

Company name: RAKSUL INC.
Representative: Yo Nagami
Representative Director, President & Group CEO
(TSE Prime Market Code No. 4384)
Contact: Masaru Sugiyama
SVP & Group CFO

Notice Regarding Publication of Analyst Report by Capital Growth Strategies Co., Ltd.

RAKSUL INC. (the "Company") hereby announces that an analyst report on the Company by Capital Growth Strategies Co., Ltd. has been published.

This report has been prepared based on third-party research and analysis by Capital Growth Strategies Co., Ltd.. The Company has decided to make this report public as the Company believes it will contribute to shareholders' and investors' understanding of the Company's business operations and future growth potential.

Please note that the analyst forecasts regarding company performance contained in this report are figures independently calculated by Capital Growth Strategies Co., Ltd. based on the Company's public information and macro environment, and are not figures announced by the Company, nor has the Company influenced their content.

For further details, please refer to the attached analyst report.

RAKSUL (4384 JP)

Beyond Printing - Transformation to a Technology Platform and Acceleration of Quality Growth

Executive Summary

31 March 2025

Capital Growth Strategies Co., Ltd.
Team Research
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RAKSUL INC. (4384 JP)

Share Price (28 March 2025)	JPY 1,046
Market Cap	US$ 410 million

FY (July-end)	F25E	F26E	F27E	F28E
Cash EPS	68	74	106	143
Cash P/E	15x	14x	10x	7x
EV/EBITDA	11x	9x	6x	4x
P/B	3.6x	3.0x	2.5x	2.0x
Dividend Yield	0.3%	0.3%	0.5%	0.8%
Cash ROIC	18%	20%	24%	28%
ROE	16%	15%	21%	25%
Adj. FCF Conv.*	75%	63%	69%	74%
Incremental ROI**	27%	-12%	45%	50%

* Adj. FCF Conversion = FCF ÷ Net Profit (non-GAAP)
**Incremental ROI = Incremental Change in FCF ÷ Incremental Change in Invested Capital

Raksul is a B2B e-commerce platform company in Japan with a high competitiveness in traditional end-markets such as printing. We think the company has a significant potential for growth, and the introduction of the Quality Growth policy has notably improved profitability over the past three years. Including the continuous effects of M&A, it is expected that the company will continue on a stable high-growth trajectory. We also analyzed that the company's EV/EBITDA multiple is objectively undervalued, considering that Incremental ROI and Cash ROIC are entering a recovery cycle.

In this report, we will examine and explain the company's equity story from the following three points. Additionally, to help investors gain a deeper understanding of the equity story, we have included records of discussions with President Nagami and CFO Sugiyama

① Raksul's growth potential and M&A execution capabilities are attractive. Raksul's TAM (Total Addressable Market) is large at ¥7.8 trillion in the transaction area alone, and the penetration rate is still low. The company also has a high market share in major e-commerce markets, enabling stable organic growth. The M&A activities, which have become more aggressive since FY2024, are also showing good results. Going forward, we expect the integration of user IDs and the expansion of services for large enterprises to have a positive impact.

② We expect non-GAAP operating profit CAGR to be 33% over the next four years. This growth will be driven by organic sales growth in the high teens, the effects of M&A, economies of scale, and improved profitability through in-house printing.

③ There is room for an increase in Raksul's trading multiple per 1% profit growth . CGS analyzed the valuation per 1% profit growth, focusing on four drivers: capital efficiency, CF conversion, profit growth volatility, and the quality of capital allocation. We expects Incremental ROI to improve from around 15% to over 25%, and Cash ROIC, which has deteriorated over the past few years, to enter a recovery cycle and reach 25-28% in the medium term. Additionally, compared to the FCF generation capability of companies continuing to grow in the procurement platform industry, there is room for an increase in the multiple per 1% expected EBITDA growth for the company.

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Equity Story ① Raksul's growth potential and M&A execution capabilities are attractive. We expect the integration of user IDs and Raksul Enterprise drive an acceleration of organic growth.

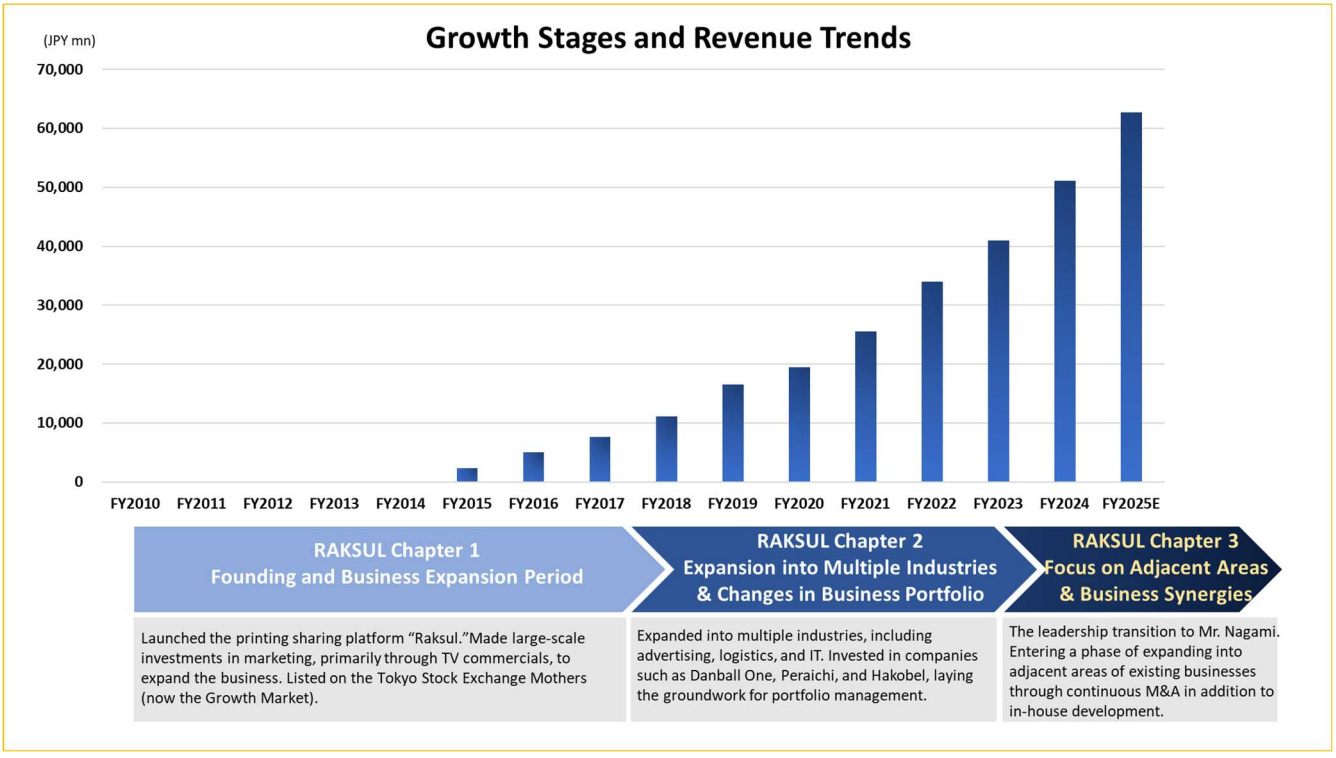
Summary: The key investment thesis of Raksul lies in the following four points:

1. **The penetration rate is still low, and the TAM is large, indicating significant potential for growth.**
2. **Stable profit growth is expected through the execution of the Quality Growth policy and in-house printing.**
3. **High capability in executing M&A, including PMI, suggests potential for inorganic growth.**
4. **The integration of user IDs and the expansion of Raksul Enterprise (services for large corporations) are expected to lead to a recovery in the organic sales growth rate.**

Entering the Third Growth Stage of Raksul with Quality Growth

○ Raksul was founded as an e-commerce platform for printing, utilizing the sharing economy by networking the idle time of printing machines at printing companies. Subsequently, it expanded its business areas to include advertising and logistics using a similar mechanism. Under the leadership of President Nagami, who took over from founder Yasukane Matsumoto (current Chairman of the Board) in August 2023, Raksul has entered a new growth stage called "Raksul Chapter 3" (see Figure 1). The main features of Raksul Chapter 3 are a) transition to Quality Growth (started in June 2022), b) achieving inorganic growth through continuous M&A, and c) redefining its direction as a "technology platform that solves management issues for SMEs end-to-end" and entering new areas such as finance and software.

Figure 1: Growth Stages of Raksul and Revenue Trends



Source: CGS – Based on Company Material

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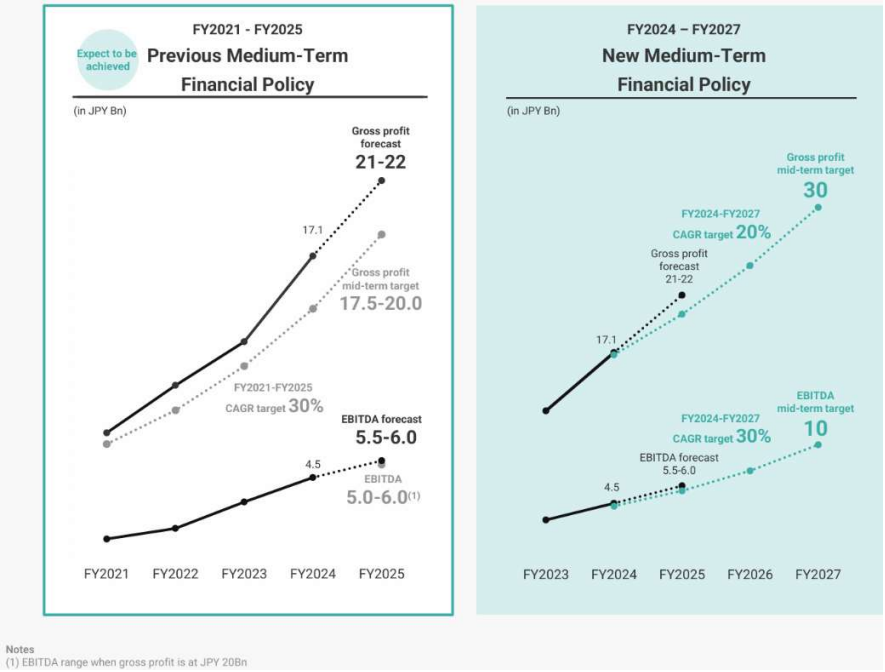
○ Quality Growth pursued by Raksul is a management strategy aimed at achieving sustainable and high-profit growth by balancing revenue growth (Growth) and profitability (Quality). This signifies a departure from the low-profit structure prioritizing revenue until FY2022, with a focus on CF and ROIC. The deconsolidation of Hacobell and Josys is part of this strategy. Specific numerical indicators include:

1. Aiming for ROE and ROIC of over 20% in the mid to long term.
2. Adhering to the Rule of 40 (a method used by SaaS companies, where a company is considered to be operating healthily if the sum of its growth rate and profit margin exceeds 40%), aiming for a combined growth rate and profit margin (EBITDA/gross profit) of over 40%.

Additionally, the new mid-term financial policy announced in September 2024 (for FY2024-2027) sets numerical targets of a 20% CAGR for gross profit and a 30% CAGR for EBITDA.

Figure 2: Raksul's New Mid-Term Financial Policy (Announced in September 2024)



Source: Company Material

○ Although Raksul's growth scenario with Quality Growth is generally recognized, it does not seem that the stock price fully reflects the continuation of high growth in the mid to long term and the improvement in capital efficiency. In this report, we will explain the mid to long-term revenue growth scenario in the Equity Story ①, provide quantitative forecasts including profitability in the Equity Story ②, and conduct a valuation analysis considering overall CF generation capability in the Equity Story ③.

○ CGS forecasts a sales CAGR of 22% over the next three years, incorporating continuous M&A. Here are the key drivers:

- 17% contribution from organic growth (with the procurement platform business, which generates most of the profit, growing organically by 16-18%)
- Approximately 5% contribution from M&A
- Minimal contribution from new businesses (finance, software)"

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○ Here we would like to explain the growth potential of Raksul in the following order:

I) Large TAM with significant long-term growth potential

II) Organic growth strategy

III) Effective M&A strategy

IV) Overview of new businesses

Figure 3: CGS Sales Growth Rate Forecast for the Next Three Years

(JPY mn)	FY7/2025E	FY7/2026E	FY7/2027E
Revenue	**62,730**	**75,978**	**92,845**
YoY Growth	23%	21%	22%
Growth Value	11,609	13,247	16,867
Organic Revenue Growth			
YoY Growth	17%	17%	17%
Growth Value	8,609	10,748	12,967
of which Procurement PF's Growth	16%	18%	18%
M&A Contribution	**3,000**	**2,400**	**3,600**
New Business	**0**	**100**	**300**

Source: CGS

I) Large TAM (Total Addressable Market) with significant long-term growth potential

○ TAM is an indicator representing the maximum market size that each company or business can achieve. Figure 4 shows the TAM estimated by the company. Excluding advertising and future new business areas (finance, software), the transaction market (procurement platform business TAM) is large at ¥7.8 trillion. This figure includes printing on office supplies and industrial materials in addition to paper, but even the paper printing market (commercial printing and office printing) alone is ¥2.6 trillion, and the cardboard market is ¥1.8 trillion. On the other hand, the EC ratio is only about 5-6% for printing and about 1% for cardboard, both of which are on an upward trend. The company's share in the EC market for printing, cardboard, and seal markets (acquired in FY2024) continues to rise. Furthermore, continuous acquisitions and new businesses are expected to expand TAM and increase the likelihood within the current TAM. Although custom products make it impossible to capture the entire TAM, the long-term market expansion potential remains significant.

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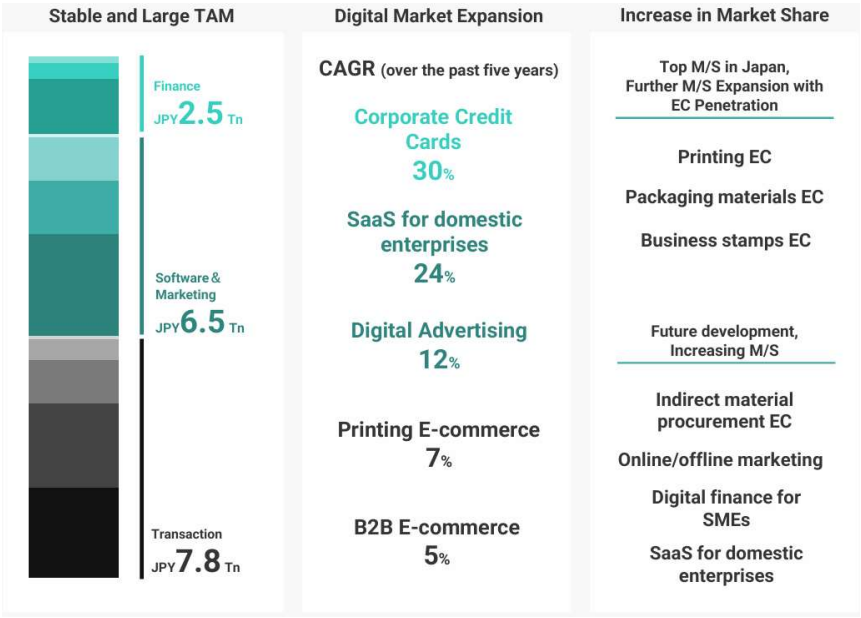
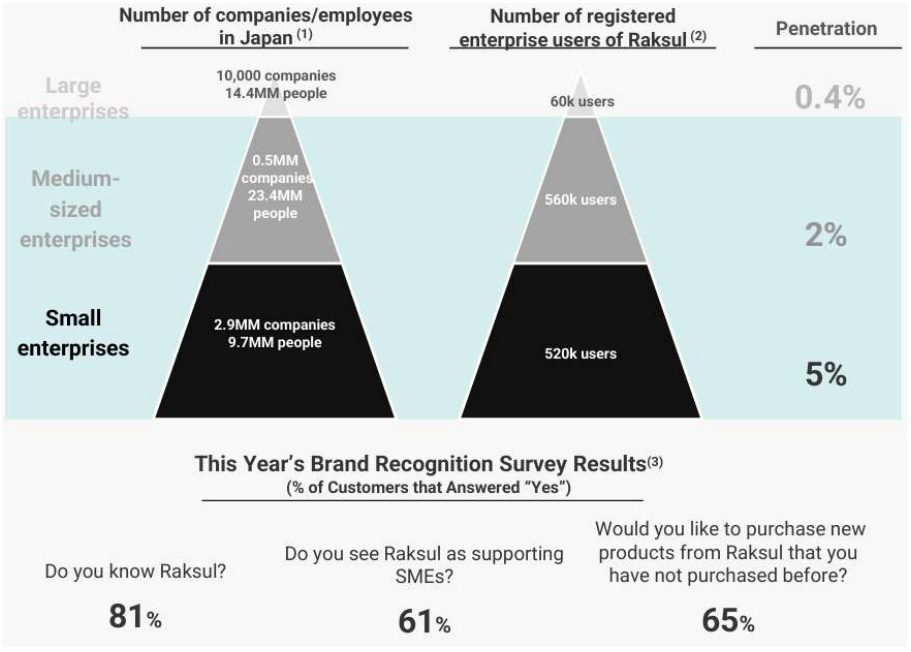
Figure 4: Raksul's TAM



Source: Company Material

○ The growth potential of Raksul is evident from the number of registered corporate users. Figure 5 compares the number of Raksul's registered corporate users with the number of employees, categorized into large, medium, and small enterprises. Even in the small enterprises, which Raksul excels at, the occupancy rate is only 5%. For medium enterprises, it is 2%, and for large enterprises, it remains at 0.4%. There is significant room for expansion.

Figure 5: Percentage of Raksul's Registered Corporate Users by Company Size



Source: Company Material

○ Next, we compare the number of registered users of MonotaRO and Askul, which are also growing B2B e-commerce platforms (see Figure 6). Including individual users, Raksul had 2.74 million registered users as of the end of July 2024 (for

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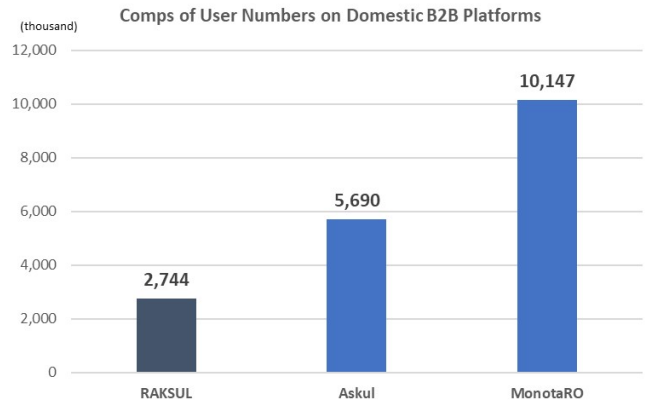
printing on raksul.com only). Askul had 5.6 million registered users as of the end of May 2024 (excluding B2C LOHACO), and MonotaRO had 10.15 million registered users as of the end of December 2024. Raksul's user count is only half that of Askul and less than 30% of MonotaRO's.

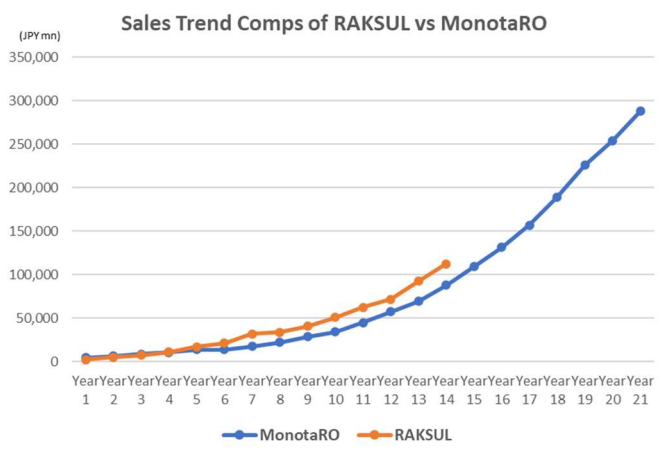
○ Additionally, Figure 7 compares the historical sales trends of MonotaRO and Raksul. So far, Raksul's sales trajectory has followed a similar path to MonotaRO's, albeit with a delay of about nine years. Although there are various differences between the two companies, such as TAM (MonotaRO's published TAM is ¥8-10 trillion), market, products, purchase frequency, and new inflows, this comparison can serve as a reference. Notably, MonotaRO achieved mid-20% annual growth rates through organic growth alone, even after surpassing ¥50 billion in sales. Given that Raksul primarily deals with custom products, achieving similar growth rates through organic growth alone is challenging, and continuous M&A for inorganic growth is deemed necessary.

Figure 6: Comps of User Numbers on Domestic B2B Platforms



Note: Raksul and MonotaRO account numbers include individual business owners.
Askul's numbers represent companies. MonotaRO may have multiple accounts within the same company.
The figures are as of the end of July 2024 for Raksul, May 2024 for Askul, and December 2024 for MonotaRO.
Source: CGS – Based on Company Material and Website

Figure 7: Comps of Sales Trends between MonotaRO and Raksul



Note: Raksul's Year 1 is FY2015, and MonotaRO's Year 1 is FY2006.
For Raksul's Year 11 onwards (sales from FY2025 onwards), CGS forecasts are used
Source: CGS

II）Organic Growth Strategy

○ CGS forecasts organic sales growth for the procurement platform business at 16% for FY2025 and 18% for FY2026 and beyond (see Figure 3). As shown in Figure 8, the cumulative number of registered users for the printing service raksul.com, which is the mainstay of the procurement platform business, is steadily increasing. In the second quarter of FY2025, it also increased by 18%. The acquisition of new users through natural growth (such as search traffic and referral programs) and marketing (TV ads, digital ads, transit ads, direct mail, etc.) is functioning effectively.

○ On the other hand, excluding the impact of the M&A conducted in FY2024, the organic growth rate of the procurement platform is lower than the rate of increase in the number of registered users. Looking at the average of the last four quarters, the organic growth rate is 16%, with the customer growth rate being slightly over 10%. Although the number of purchases and the average unit price have increased due to the effect of Raksul Enterprise, the ratio of active users (number of purchasing users/number of registered users) has decreased. This may also be influenced by the waning recovery demand post-COVID.

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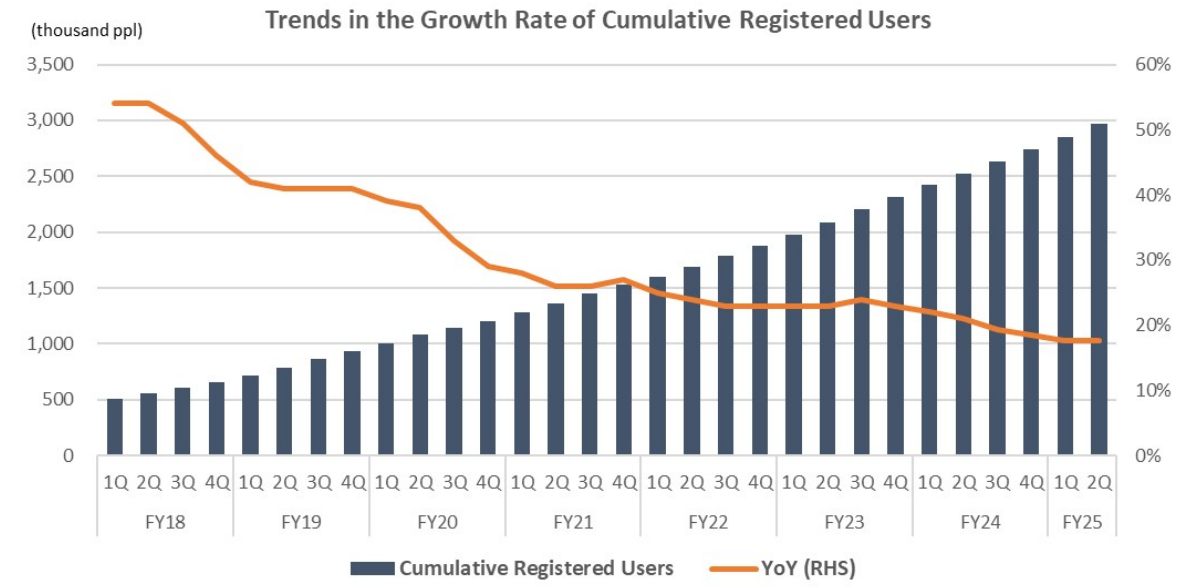
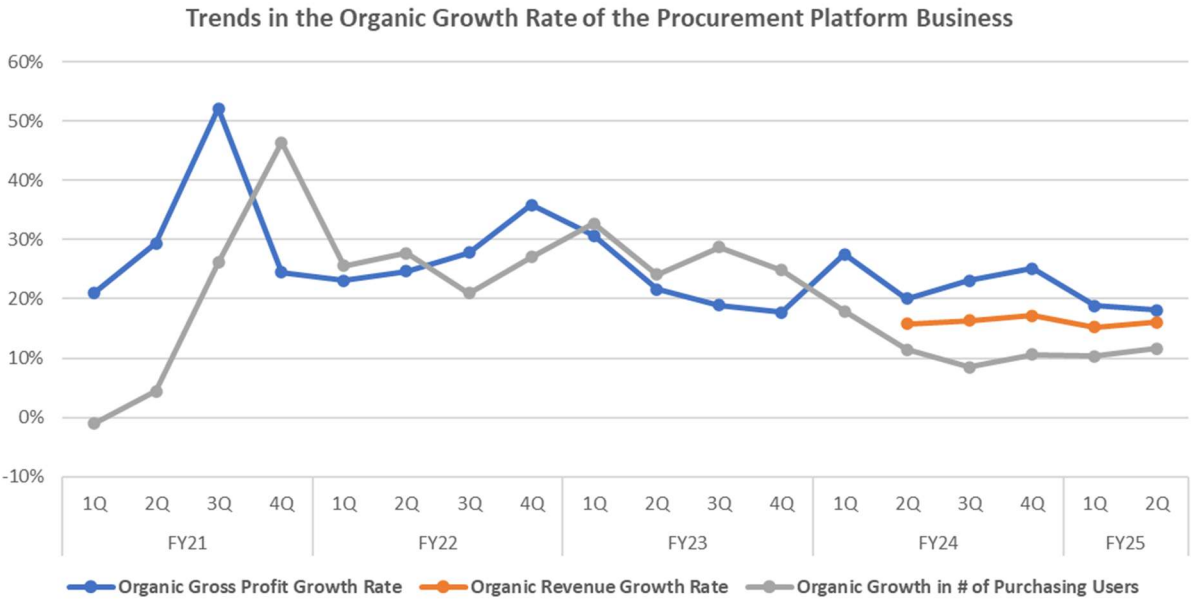
Figure 8: Trends in the Growth Rate of Cumulative Registered Users for raksul.com



Source: CGS – Based on Company Material

Figure 9: Trends in the Organic Growth Rate of the Procurement Platform Business



Note: The figures for 2Q FY2025 are adjusted values, accounting for transient individual factors.

Source: CGS – Based on Company Material

○ To recover the organic growth rate and improve the active user ratio, the following measures will be primarily implemented. CGS expects that the integration of IDs will particularly stimulate activity, leading to a recovery of the organic growth rate of the procurement platform business to 18% from FY2026 onwards:

1) Expansion of products and services
2) Strengthening of Raksul Enterprise (services for large enterprises)
3) Enhancement of cross-selling and services through ID integration

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1) Expansion of products and services

○ Raksul has traditionally focused on expanding their products and services, extending beyond printing to customized items, novelty goods, cardboard, apparel, uniforms, and stamps. Recently, they have started handling store supplies and packaging materials that do not require customization, and have launched services such as set sales for elections and discounts for bulk purchases. In areas requiring customization, they offer features such as free design services and enhanced customer support to improve customer satisfaction.

2) Strengthening of Raksul Enterprise (services for large enterprises)

○ Raksul Enterprise is a print and promotional materials order management platform specifically designed for corporations. It provides a one-stop solution for online ordering, delivery management, promotional support, and brand control, and is particularly utilized by companies with multiple locations or stores. The specific service details are shown in Figure 10.

Figure 10: Service Details of Raksul Enterprise

Category	Service Details
Account Management & Permission Settings	Centralized management of orders across multiple departments and locations with configurable order permissions.
Approval Workflow	Setting up an approval workflow before ordering to enable cost control and prevent errors.
Company-Specific Ordering Portal	Creating customizable order catalogs for each company, allowing for smooth reordering.
Invoice Payment & Accounting Efficiency	Supports invoice payments and streamlines accounting tasks with closing date settings and expense classification functions.
Centralized Management of Printed Materials & Promotional Items	Centralized online management and ordering of business cards, flyers, pamphlets, POP displays, and other printed materials.
Marketing Support for Multi-Location & Multi-Store Businesses	Optimizing promotional materials for each store or location and enabling smooth supply through recurring order functions.
Integrated Printing & Delivery Management	End-to-end management of printing and delivery to multiple locations to maximize promotional effectiveness.
Cost Reduction & Order Optimization	Utilizing idle capacity at multiple printing companies to reduce costs by leveraging economies of scale.
Brand Control Enhancement	Managing printed materials in compliance with brand guidelines using a design data management function.
Dedicated Support & Customization Features	Providing a customizable management dashboard for each company, including API integration and dedicated support.

Source: CGS – Based on Company Material and Website

○ Launched in October 2021, Raksul Enterprise has expanded its services to include newspaper inserts, posting, direct mail, and novelty goods. As of the second quarter of FY2025, the number of companies using the service has reached 3,659. With a dedicated sales team of about 20 members, top-level sales efforts, and seminar introductions, the acquisition of new customers is actively pursued, and the usage amount per company is increasing. Sales are growing at a doubling pace, and as of the second quarter of FY2025, the business accounts for over 6% of the procurement platform's sales and 16% of the printing and solutions segment. This business also has a low churn rate and relatively high profitability.

3) Enhancement of cross-selling and services through ID integration

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○ The Raksul ID is not yet unified with the user IDs of other services. Moving forward, the integration of user IDs will be promoted. By spring 2025, the user IDs of Danball One are scheduled to be integrated. Subsequently, the integration of user IDs for other services such as Hanko-ya.com and A-Link Services is also planned. As of the first quarter of FY2025, the number of purchasing users on raksul.com is 326,000, while the number of purchasing users for services other than raksul.com is 189,000.

○ The benefits of user ID integration are briefly summarized in Figure 11. The most significant effects are estimated to be cross-selling and cost reduction. While it is difficult to predict the extent of the impact of ID integration, it is expected to be substantial. Additionally, ID integration will facilitate smoother collaboration with the financial business planned for future development.

Figure 11: Benefits of User ID Integration

Category	Benefit	Details
User Benefits	Seamless Service Utilization	Multiple services can be used with a single account.
		Orders can be managed in a one-stop system, improving operational efficiency.
	Centralized Management of Purchase History & Data	Past order history is integrated, allowing easy reordering.
		Accounting and invoicing processes are simplified.
	Consistent Customer Support	Unified support enables smooth inquiries.
		Integration of points and membership benefits increases usage frequency.
Raksul Benefits	Cross-Selling (Promotion of Related Services)	Printing, seals, and cardboard packaging are suggested to customers in a complementary manner.
		Customer purchase data is leveraged for optimized advertising.
	Customer Retention	A comprehensive business platform is established.
		Increased usage frequency maximizes LTV (Customer Lifetime Value).
	Cost Reduction	Integration of ID management and customer databases reduces operational costs.
		Optimization of marketing and advertising lowers advertising expenses.

Source: CGS

III）The M&A strategy is effective

○ Before Mr. Nagami took his current CEO role, their only acquisition was Danball One (the other two were investments). Danball One was initially acquired with a 49.9% stake in October 2020 and became a wholly-owned subsidiary in February 2022 (merged with Raksul in August 2023). In FY2024, when CEO Nagami took his office, six companies were acquired in quick succession. By FY2025, two more acquisitions had already been made, demonstrating the ability to execute continuous M&A.

○ Raksul formed its M&A team in FY2024. The team consists of CAO Mr. Nishida and three other dedicated members (comprising individuals from M&A brokerage firms and corporate planning backgrounds). Sourcing has also been strengthened, and they already have a candidate list of over 200 companies.

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○ The company's M&A strategy has the following three characteristics:

- Acquisitions are made through direct negotiations with target companies (meaning they avoid bidding wars with funds or competitors), allowing for relatively low valuations.
- The acquisitions are of businesses that either join the platform or have synergies with the platform. While this approach carries more risk compared to roll-up M&As, significant effects can be expected if PMI (Post Merger Integration) is executed well.
- The results of PMI (Post Merger Integration) are steadily manifesting.

Figure 12: Recent M&A Deals by Raksul



Source: Company Material

Figure 13: Raksul's M&A Model



Source: Company Material

○ Figure 14 lists the acquisition amounts and EV/EBITDA of the acquisition deals. The investment criteria of EV/EBITDA below 5x have been met. The EV/EBITDA for AmidAHD (now Hanko-ya.com) and A-Link Services, based on net price (acquisition price on CF minus net cash held by the acquired company), is in the 4x range. The EV/EBITDA for Danball One is unknown, but as mentioned later, Danball One's sales have significantly increased after Raksul's investment, and it is estimated that the criteria of EV/EBITDA below 5x have been met.

Figure 14: Acquisition Amounts and Related Indicators of M&A Deals

Company Name	Sales before M&A	Net Acq. Price*	Net Price/Sales	Acq. Value	Price/Sales	EBITDA	EV/EBITDA	Goodwill	Goodwill Ratio
	(a)	(b)	(a)/(b)	(c)	(a)/(c)			(d)	(d)/(b)
DANBALL ONE	4,340	3,789	**0.9x**	4,001	**0.9x**			4,955	**131%**
AmidAHD	3,000	2,230	**0.7x**	4,001	**1.3x**	480	**4.6x**	1,720	**77%**
A-LINK SERVICES	1,510	1,025	**0.7x**	1,370	**0.9x**	256	**4.0x**	709	**69%**
RAKSUL FACTORY		900		1,200				531	**59%**

* Cash based acquisition price minus net cash held by the acquired company. (JPY mn)

Source: CGS – Based on Company Material

○ Regarding the successful outcomes of PMI, we look at the cases of Danball One and the multiple acquisitions in FY2024.

(Success Case 1) Danball One

In October 2020, Raksul invested in Danball One, which holds a 50% top share in the cardboard e-commerce market. The

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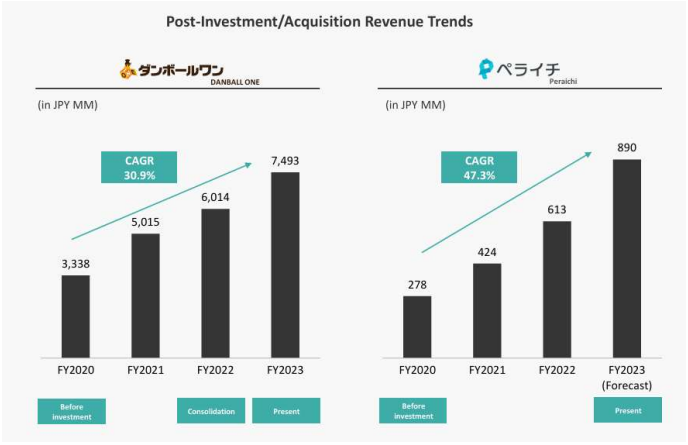
company dispatched 15 personnel to identify issues and implement solutions, achieving cost reduction, productivity improvement, and marketing and engineering support. The sales revenue, which was ¥3.3 billion before the acquisition, doubled to ¥7.5 billion in FY2023. In FY2024, it further increased by 16% year-on-year to ¥8.4 billion.

In the case of PMI for Japanese companies, it is common to leave the management of the acquired company to its own devices, prioritize their own business, and limit the dispatch of personnel to group companies (often sending personnel only after problems arise, resulting in a reactive approach). However, their proactive support immediately after the acquisition is commendable. Additionally, Raksul significantly increased the sales of Peraichi, a company providing a no-code website creation and management SaaS, in which they acquired a 49% stake in October 2020 and made a subsidiary in August 2023.

(Success Case 2) Companies Acquired in FY2024

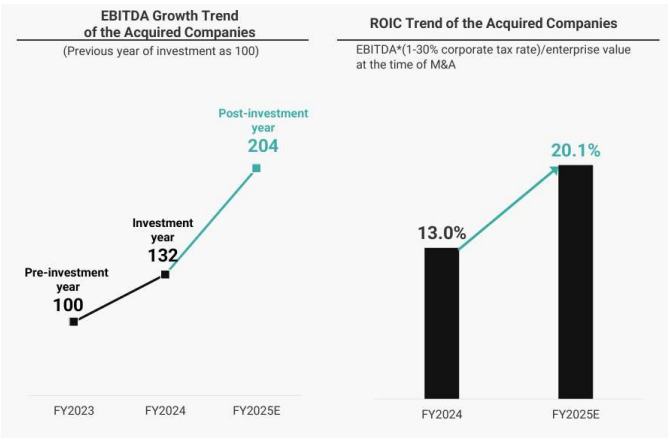
According to the company's disclosed figures, the EBITDA of the six acquired companies for FY2025 is expected to be approximately double that of the pre-acquisition period. The ROIC is planned to be 20%, which translates to 29% before tax. The EV/EBITDA ratio can be calculated as 3.5x.

Figure 15: Sales Growth Trends of Danball One and Peraichi



Source: Company Material

Figure 16: FY2025 Company Plan for EBITDA and ROIC of Six Companies Acquired in FY2024



Source: Company Material

IV）New Business

○ Raksul has announced a new direction to become an "end-to-end technology platform that solves management issues for small and medium-sized enterprises." This includes entering new areas such as finance and software for SMEs. This initiative is positioned as a long-term business expansion strategy. However, since the details of the business have not been disclosed and the impact on the stock price is considered to be small, we will provide only a brief introduction here.

○ Raksul's financial business is a collaboration with Sumishin SBI Net Bank. It utilizes NEOBANK, Sumishin SBI Net Bank's BaaS (Banking as a Service), which allows other companies to use banking functions via the cloud. NEOBANK

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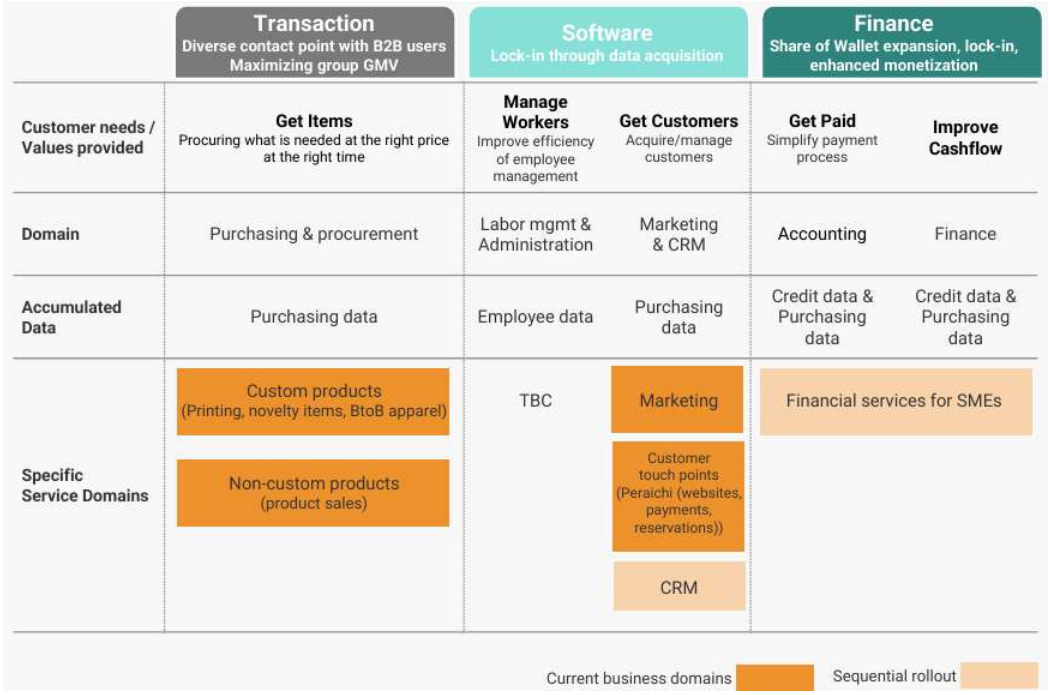
already provides BaaS to 20 companies, including JAL. Since Raksul's balance sheet will not be used, it is expected that the main focus will be on payment functions and loan brokerage services for users and suppliers.

○ Raksul is considering software solutions in two main areas: labor and general affairs, utilizing employee information obtained from business card printing, and marketing and CRM, leveraging customer information and operational know-how from the Novasell business, flyer, DM, and novelty printing. They plan to start with CRM, as it is relatively easier to commercialize. However, it is not yet clear what Raksul's unique selling points will be, given the many companies already engaged in CRM.

Figure 17: Raksul's Long-Term Service Portfolio



Source: Company Material

Figure 18: Expected Services in the Financial Business

Category	Expected Services
Financial Services for SMEs and Sole Proprietors	Sumishin SBI Net Bank provides loans and credit services.
	Raksul integrates and manages financial services under "Raksul Bank."
	Payment support for cash flow improvement (post-payment, installment payments, provided by the bank).
Integration with Raksul's EC Platform	Embedding banking financial services into Raksul's EC platform enables differentiation from competitors.
	Partner companies can utilize bank loans and payment services via "Raksul Bank."
	Raksul does not directly provide financial services but monetizes through a fee-based model.
Financial Services for Suppliers	Loans and cash flow support for suppliers are provided by the bank.
	Raksul acts as a "platform provider" and integrates payment and financial functions.
	Financial support helps suppliers improve cash flow efficiency.

Source: CGS

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Equity Story ② CGS expects non-GAAP operating profit CAGR to be 33% over the next four years.

Summary: At CGS, we set assumptions for M&A and other activities to model Raksul's financial forecasts. We predict an average annual growth rate of 33% for EBITDA (non-GAAP) and operating profit (non-GAAP) over the next four years. In addition to revenue growth, improvements in gross profit margin due to scale advantages and increased internalization are expected to contribute. Compared to our base case assumptions, an upside potential should derive from better organic growth rates due to the effects of user ID integration, and higher M&A investment value.

○ The assumptions for M&A in CGS forecasts are as follows:

- **M&A Investment Amount (cash outflow basis after netting off cash held by the acquired entity):** ¥1 billion in FY2025, and ¥3 billion annually from FY2026 onwards (totaling ¥10 billion for FY2025-2028). Since the investment can be made within the scope of cash flow, equity financing is not assumed.
- **Valuation at Acquisition:** EV/EBITDA of 5 times.
- **Return and Assets from ¥3 billion M&A Investment:** Revenue of ¥3.6 billion, EBITDA of ¥600 million, and goodwill of ¥2.1 billion (amortized over 10 years). However, only half of the first year's amount will be accounted for (6 months).
- **PMI Effect:** Post-acquisition EBITDA is expected to increase by 20% annually.

○ The main assumptions outside of M&A are as follows:

- **Organic Revenue Growth Rate:** 17% annually (from FY2026 onwards, 18% for the procurement platform and 5% for the advertising platform).
- **Gross Profit Margin:** 33.6% in FY2024, improving to 34.7% in FY2025, and reaching 37.0% by FY2028. The internalization of printing is expected to increase from current 10% to 25% by FY2028.
- EBITDA/Gross Profit: 26.4% in FY2024, rising to 34.2% by FY2028. Approximately 40% of the increase in gross profit will contribute to the increase in EBITDA.

○ The results of the CGS performance model created based on the above assumptions are shown in Figure 19. For FY2028, the revenue is projected to be ¥112.8 billion (CAGR of 22% from FY2024), EBITDA (non-GAAP) ¥14.3 billion (CAGR of 33%), operating profit (non-GAAP) ¥12.5 billion (CAGR of 33%), and EPS (non-GAAP) ¥143 (CAGR of 25%). The reason for the lower growth rate of EPS compared to operating profit is due to the recording of a special profit of ¥1.4 billion in FY2024.

○ Raksul's non-GAAP metrics, which are used instead of J-GAAP (Japanese GAAP) to reflect actual business performance, exclude goodwill amortization and stock-based compensation expenses. Both are non-cash expenses, making the EPS closer to Cash EPS. At CGS, we believe that for Raksul, which employs a continuous M&A strategy, non-GAAP metrics provide a closer representation of the company's cash flow generation capabilities. Additionally, stock-based compensation expenses are expected to be ¥400 million annually from FY2025 onwards.

○ As shown in Figure 2 on page 4, Raksul has set mid-term financial policy targets of ¥30 billion in gross profit and ¥10

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billion in EBITDA (J-GAAP) for FY2027. CGS's forecast for FY2027 anticipates a gross profit of ¥33.8 billion and an EBITDA (J-GAAP) of ¥10.2 billion, assuming the company will achieve its targets.

○ The increase in gross profit margin is primarily due to the following factors:

1. **Advancement in In-house Printing:** Progress in in-house printing driven by the enhancement of Raksul Factory.
2. **Cost Reduction:** Achieved through scale advantages, PMI, and SCM improvements.

The impact of in-house printing is estimated to be significant. The partial in-house printing resulting from the acquisition of Raksul Factory has shown substantial effects in cost reduction and shorter delivery times, especially for small-lot printing. Currently, the in-house printing ratio is approximately 10%, but efforts are underway to increase the number of high-speed printing machines, aiming for a 30% in-house printing ratio in the mid to long term. CGS forecasts a 25% in-house printing ratio by FY2028.

Figure 19: CGS Long-Term Performance Forecast

(JPY mn, Yen)	FY7/2024	FY7/2025E	FY7/2026E	FY7/2027E	FY7/2028E	CAGR*
Revenue	51,121	62,730	75,978	92,845	112,814	22%
Revenue Growth Rate	24.6%	22.7%	21.1%	22.2%	21.5%	
Gross Profit	17,192	21,750	26,983	33,756	41,741	25%
Gross Margin	33.6%	34.7%	35.5%	36.4%	37.0%	
SG&A/Sales Ratio	28.7%	28.9%	29.0%	28.2%	27.5%	
EBITDA (non-GAAP)	**4,547**	**6,033**	**7,651**	**10,660**	**14,273**	**33%**
EBITDA/Gross Profit	**26.4%**	**27.7%**	**28.4%**	**31.6%**	**34.2%**	
EBITDA (J-GAAP)	**4,072**	**5,633**	**7,251**	**10,260**	**13,873**	**36%**
Operating Profit (non-GAAP)	**3,927**	**5,133**	**6,554**	**9,210**	**12,456**	**33%**
Operating Profit (J-GAAP)	**2,523**	**3,591**	**4,937**	**7,532**	**10,757**	**44%**
Operating Margin	4.9%	5.7%	6.5%	8.1%	9.5%	
Net Profit (non-GAAP)	3,533	4,152	4,520	6,506	8,812	26%
Net Profit (J-GAAP)	2,118	2,610	2,903	4,828	7,114	35%
EPS (non-GAAP)	**58**	**68**	**74**	**106**	**143**	**25%**
EPS (J-GAAP)	**35**	**43**	**47**	**79**	**115**	**35%**
BPS	256	293	343	423	517	19%
ROE	14%	16%	15%	21%	25%	
Net Cash	-1,379	-152	-518	664	2,489	

**CAGR from FY7/24 through FY7/28*

Source: CGS

○ The projected increase in EBITDA (non-GAAP) is calculated at approximately 40% of the increase in gross profit (average for FY2025-2028). Over the past four years, the ratio of EBITDA increase to gross profit increase has fluctuated significantly due to the impact of M&A and the spin-off of Hacobell (see Figure 20). However, on average, it is 40%. While it is possible that around 50% of the increase in gross profit could contribute, there are many uncertainties such as M&A, new business investments, and marketing investments. Additionally, there is a risk that the gross profit margin may not rise as much as CGS anticipates, so the average of this index was conservatively set at 40%. The forecast for this index in FY2025 is relatively low at 33% due to new business investments of ¥400 million and increased costs of ¥200 million associated with the relocation of the headquarters. Similarly, in FY2026, new business investments, headquarters costs, and marketing investments are

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expected to increase. From FY2027 onwards, these impacts are expected to subside.

Figure 20: Actual and Forecasted EBITDA Increase as a Percentage of Gross Profit Increase

(JPY mn)	FY2021	FY2022	FY2023	FY2024	FY2025E	FY2026E	FY2027E	FY2028E
Increase in Gross Profit (a)	2,224	2,652	2,492	4,896	4,558	5,233	6,773	7,985
Increase in EBITDA（non-GAAP）(b)	1,029	604	1,511	1,402	1,486	1,617	3,010	3,612
(a)/(b)	46%	23%	61%	29%	33%	31%	44%	45%

Source: CGS

○ Also, Figure 21 shows the growth factors and our assumptions for EBITDA (non-GAAP) until FY2028, along with the upside potential. Raksul has disclosed its cumulative capital allocation plan for FY2024-2028. Within this period, the investment for growth is revealed to be between ¥17.5 billion and ¥40 billion, with 30% allocated to capital expenditures and R&D investments, and 70% to M&A. CGS's forecasted investment for the same period is approximately ¥20 billion (¥5 billion for capital expenditures and ¥15 billion for M&A), which is close to the lower end of the range. If the upper limit of ¥40 billion is invested, the M&A investment would increase by ¥20 billion compared to CGS's forecast. This change in assumption can be calculated to impact EBITDA by ¥3.8 billion. Additionally, if the organic revenue CAGR of the procurement platform increases by 1% from CGS's assumed 18% growth, it would result in an EBITDA upside of ¥1.1 billion after four years. Conversely, if the growth rate decreases by 1%, it would similarly result in a downside of ¥1.1 billion.

Figure 21: Projected EBITDA Growth Drivers and Upside Potential Over the Next Four Years

(JPY mn)	
FY7/2024 EBITDA (non-GAAP)	**4,547**
Growth in EBITDA (non-GAAP) from FY24～28:	**9,726**
Increase in Gross Profit through Organic Revenue Growth	17,579
Gross Profit Margin Expansion	3,836
Change in SG&A Costs (excl. M&A impact)	-14,189
M&A Impact	2,500
FY7/2028E EBITDA (non-GAAP, CGS est.)	**14,273**
Assumptions:	
Organic Revenue CAGR of Procurement PF Business	18%
Revenue CAGR of Marketing PF Business	5%
Cumulative M&A Value through FY7/2028	10,000
Cumulative gross margin expansion through FY7/2028	3.4%
Cumulative SG&A/Sales ratio improvement through FY7/2028	1.2%
Additional EBITDA Contribution in Case of Assumption Changes:	
If the organic revenue CAGR of Procurement PF increases by 1%	1,117
If the amount of M&A executed over four years is 30 billion yen	3,768
If the gross margin improves by 0.1 percentage points annually	451

Source: CGS

【About Hacobell and Josys】

○ We also provide a brief explanation regarding Hacobell, which is accounted for using the equity method, and Josys, which is included in investment securities. Neither is a consolidated entity, and their impact on performance and stock prices is limited, but they could have a significant impact depending on future developments.

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○ Hacobell is a company that provides logistics and delivery management platforms for businesses. It supports matching between shippers and drivers through on-demand delivery, transportation matching, and logistics DX. Initially launched as a new business by Raksul in 2015, it transitioned to a joint venture with Seino Holdings in August 2022 and has since expanded its investors. Currently, its sales exceed ¥6 billion, growing steadily from ¥3.5 billion before the JV, but it remains unprofitable this fiscal year. In the future, options include further reducing its equity ratio, aiming for an IPO, or receiving additional funding to become a consolidated entity, but these plans are currently undecided.

Figure 22: Overview of Hacobell and its Progress to Date

Item	Details
Raksul Shareholding Ratio	24.4% (Equity-method affiliate)
Valuation at Fundraising	10 billion yen (Aiming for future public listing)
Revenue	Revenue exceeds 6 billion yen (Most recent quarterly revenue: 1.64 billion yen), with a net loss of 870 million yen for the fiscal year ending March 2024.
Progress to Date	**2015:** Launched as a new business by Raksul. **2022:** Established a joint venture with Seino Holdings (Raksul shareholding ratio: 49.9%). **2023:** Investments from Sankyu, Fukuyama Transporting, and Nippon Logistech. **2024:** Investment from Japan Post Capital (Raksul shareholding ratio: 34.9%). **2025:** Investments from Environmental Energy Investment, SOMPO Growth Partners, and JA Mitsui Leasing (Raksul shareholding ratio: 24.4%).

Source: CGS – Based on Company Material

○ Josys is a company that provides a SaaS service for managing PCs, smartphones, and software (SaaS) lent to employees by companies. It automates processes such as setup, updates, security measures, and disposal. While many companies offer similar SaaS services, like SHIFT's 'Wasurenai' (free), Josys differentiates itself by managing over 500 types of SaaS services and operating in more than 40 countries, making it convenient for global companies.

○ Started as a new business in 2021. In 2022, it was spun off and conducted a third-party allotment of shares, becoming unconsolidated. In September 2023, it raised ¥13.5 billion (with ¥2 billion invested by Raksul), and the current shareholding ratio of Raksul is undisclosed. Raksul's founder, Chairman Matsumoto, is managing the company as CEO. Raksul holds stock acquisition rights that can increase its shareholding ratio to a level that would make it a consolidated subsidiary (over 50%, or over 40% with control). If this business succeeds, it may become a consolidated subsidiary.

Figure 23: Overview of Josys and its Progress to Date

Item	Details		
Raksul Shareholding Ratio	Not disclosed (Not accounted for under the equity method, but can be increased to a consolidable shareholding ratio through the exercise of stock options).		
Revenue	Net loss of 1.07 billion yen for the fiscal year ending July 2023.		
Management	Led by CEO Yasuhiro Matsumoto, who is also the chairman of Raksul.		
Process of Spin-off	September 2021: Launched as a new business within Rak AC34:AC35 February 2022: Became an independent entity. March 2022: Conducted a third-party allotment of shares, reducing Raksul's shareholding ratio to 35.6%.		
Fundraising History	**Date**	**Amount Raised**	**Investment Fund(s)**
	March 2022 (Third-Party Allotment)	50 million yen	Not disclosed
	September 2022 (Series A)	4.42 billion yen	Global Brain, ANRI, Yamauchi-No.10, Digital Holdings, WiL, etc.
	September 2023 (Series B)	13.5 billion yen	Global Brain, Globis Capital Partners, and a total of 18 investment firms.

Source: CGS – Based on Company Material

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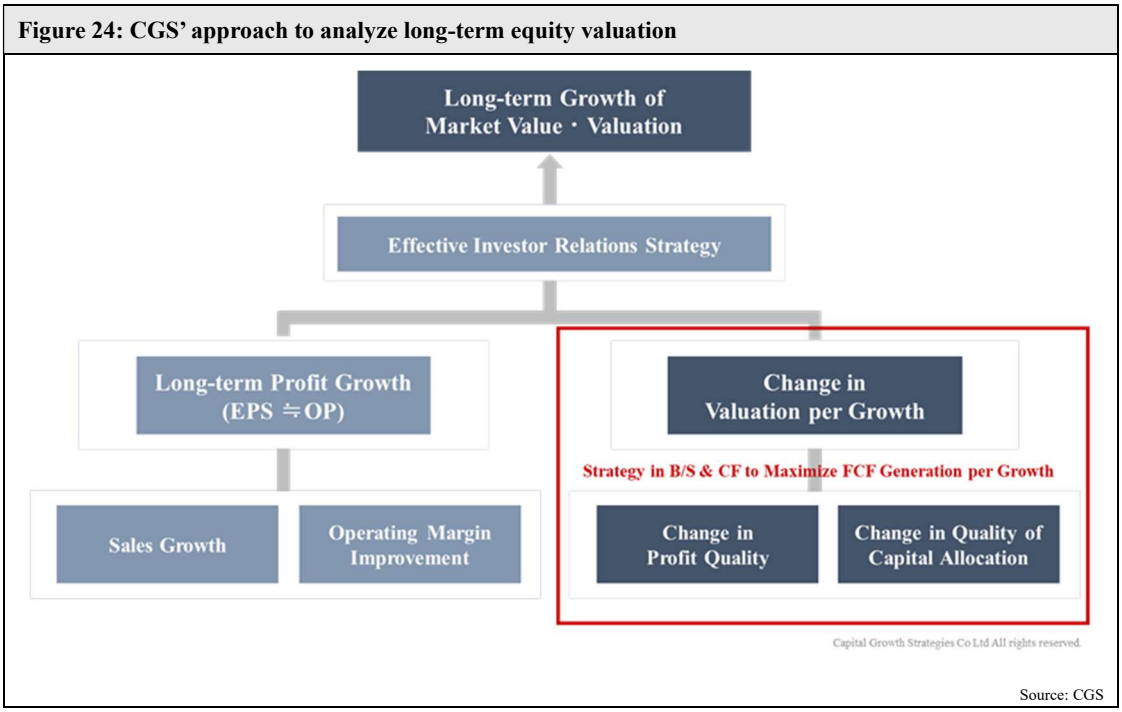
Equity Story ③ There is room for an increase in Raksul's trading multiple per 1% profit growth driven by recovery in Cash ROIC.

Summary: We analyzed the valuation per 1% profit growth, focusing on four drivers: capital efficiency, CF conversion, profit growth volatility, and the quality of capital allocation. At CGS, we think disciplined capital allocation in the future will improve Raksul's incremental ROI from about 15% to over 25%. At the same time, the company's Cash ROIC, which has deteriorated over the past few years, is expected to enter a recovery cycle from this fiscal year onwards, reaching a level of 25-28% in the medium term. The volatility of profit growth is also low, and the ability to generate stable FCF is expected to improve in the medium to long term. CGS believes that when comparing the FCF generation capacity of global companies in the procurement platform industry, which continue to grow like Raksul, the multiple per 1% expected EBITDA growth of the company is significantly discounted, leaving room for an increase

○ From here, we will consider what multiple the stock market may be willing to assign to Raksul's expected growth rate in the future. In evaluating this, one key metric emphasized by CGS's management, based on their extensive experience as investment professionals over many years, is the multiple the stock market is willing to pay per 1% of the company's profit growth rate.

Figure 24: CGS' approach to analyze long-term equity valuation



Source: CGS

○ Even among companies with an expected annual profit growth rate of 10% over the medium to long term, one company may be valued at 15x EV/EBITDA, while another may only receive a valuation of 7x EV/EBITDA. This discrepancy arises because the multiple the stock market assigns per 1% of profit growth varies between companies and can fluctuate over time. If investment decisions are made solely based on expected operating profit growth rates, it becomes difficult to understand the logic behind stock valuation compared to historical levels or peers. This is primarily due to differences in the valuation assigned per 1% profit growth rate. Thus, we believe this metric is a critical analytical factor particularly for long-term investors.

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○ CGS defines the drivers of valuation per 1% profit growth rate as follows. These drivers can also be viewed as the factors influencing the free cash flow (FCF) generation capacity per 1% profit growth. Even for companies with the same annual profit growth rate of 10%, those with higher and more stable FCF generation capacity are granted higher multiples by the stock market. CGS uses this approach to analyze the fair multiples that the stock market may be willing to pay for each target company's long-term growth within the current interest rate environment. It should be noted that this analysis is based solely on CGS' independent perspective as long-term investors, without input or influence from the management of the companies analyzed on any of the valuation drivers or financial models.

Figure 25: Key criteria that CGS focuses on to analyze equity valuation per 1% of profit growth

Profit Quality:

① Capital Efficiency

② Cash Flow Conversion

③ Volatility of Profit Growth

Quality of Capital Allocation:

④ Change in Cash Usage & Change in Incremental ROI (Cash Flow Base)

Source: CGS

○ Let us now analyze the valuation drivers for Raksul's profit growth per 1% over the next five years.

① Capital Efficiency

First, we examine capital efficiency, specifically ROIC and ROE. Among these, ROIC is particularly important as it evaluates how much of the projected operating cash flow (CF) needs to be reinvested into capital to generate expected profits—i.e. how much future free cash flow (FCF) can be retained. From the perspective of FCF generation per unit of profit growth, CGS places a great importance on ROIC.

Typically, ROIC is calculated using NOPAT (Net Operating Profit After Tax) as the numerator. However, for companies like Raksul, where stock compensation expenses and goodwill amortization under Japanese accounting standards significantly impact operating profit, adjustments are necessary. This is because stock compensation expenses and goodwill amortization are accounting expenses that do not involve actual cash outflows, thus creating noise when analyzing the company's intrinsic cash flow generation capacity. CGS defines Cash NOPAT as the net operating profit after tax adjusted for non-cash expense items such as stock compensation expenses and goodwill amortization, and analyzed Raksul's Cash ROIC (ROIC adjusted for stock compensation expenses and goodwill amortization).

Raksul's Cash ROIC recorded a very high with about 40% in FY2021, allowing for a high equity multiple per 1% profit growth. However, by FY2024, the increase in fixed assets such as goodwill and investment securities due to M&A expanded the invested capital by about 3.9 times, causing the company's Cash ROIC to decline to about 15%. This decline in CF generation led to a decrease in the equity multiple per 1% profit growth, offsetting the increase in market

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capitalization due to profit growth during the same period

On the other hand, what is important for long-term investors is not the evaluation of the past, but the changes from here on. According to CGS's forecast, the company's Cash NOPAT is expected to grow at an annual rate of about 36% from approximately ¥2.3 billion in the previous fiscal year to about ¥8.1 billion in FY2028. This is due to their organic growth, progress of in-house production with the enhancement of Raksul Factory, and creation of PMI synergy from past M&As. Meanwhile, the denominator, invested capital, is expected to increase from ¥18.3 billion in the previous fiscal year to about ¥31 billion in FY2028, growing at about 14% CAGR, mainly due to goodwill and fixed assets from M&As and the increase in net working capital accompanying revenue growth. Therefore, CGS predicts that from this fiscal year, the growth rate of the company's Cash NOPAT will once again exceed the pace of increase in invested capital, entering a favorable cycle, and improving Cash ROIC to about 28% in FY2028.

"Regarding the company's Cash ROIC level of 28%, this is comparable to the capital efficiency of global peer companies introduced later and can be considered a realistic improvement expectation. More importantly, in terms of the company's valuation, the Cash ROIC spread to its WACC is expected to improve in the medium to long term. CGS estimates the Raksul's buy-side WACC, based on the current global interest rate environment (different from the theoretical WACC calculated based on Japanese interest rates, but rather the WACC that global investors require for Japanese companies based on global interest rates), to be around 10-12%. The ROIC-WACC spread, which serves as an economic value-added indicator for a listed company, is expected to turn positive from the previous fiscal year's bottom, expanding while achieving high profit growth. This will contribute to the expansion of FCF generation capacity per 1% profit growth (i.e., the expansion of the equity multiple).

On the other hand, we believe that the risk to the company's Cash ROIC lies more in the pace of expansion of the denominator rather than the numerator. Specific risk factors include the execution of large and expensive M&As, a decline in acquisition ROI due to poor PMI performance of the acquired companies, and a consolidation of capital-intensive companies. If these risks materialize and the company's ROIC-WACC spread narrows again, profit growth may not easily lead to an increase in market capitalization, as seen in the past three years up to FY2024. The company's management is addressing these risk factors by setting an ROIC hurdle rate of over 20% (including synergies) for business investments, including M&As, while pursuing profit growth with a focus on capital efficiency. Additionally, the creation of synergies post-acquisition has been progressing smoothly, as mentioned earlier, and we look forward to the management's execution in the future. CGS expects the company's management to steer towards high EBITDA growth while expanding the ROIC-WACC spread, thereby growing the company's cash flow generation capacity in the medium to long term.

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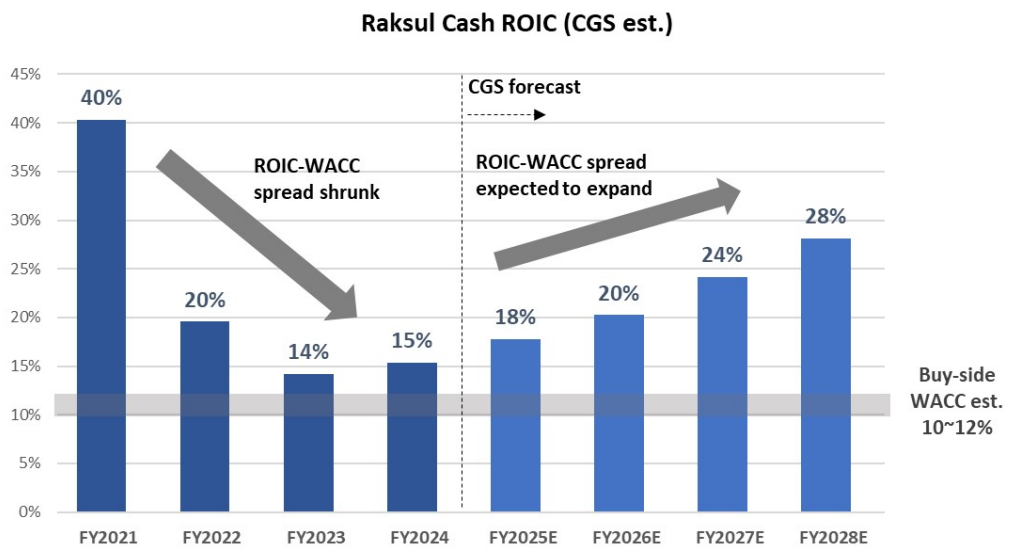
Figure 26: Raksul's Cash ROIC Forecast Based on CGS's Predictive Model



Source: CGS

② Cash Flow Conversion

The profit in the income statement includes some non-cash items such as depreciation, goodwill amortization, and stock compensation expenses, and does not equal cash flow. The CF conversion rate is an indicator that evaluates how much of this accounting profit in the income statement can be converted into actual cash flow, which is particularly important for overseas medium- to long-term investors when measuring FCF generation capacity per profit growth. Specifically, they evaluate the conversion rate from EBITDA to operating CF (operating CF/EBITDA conversion rate) and the conversion rate from net income to FCF (FCF conversion rate), with the main driver being the cash conversion cycle (CCC). FCF is defined and analyzed as operating CF minus capital expenditures. In the case of Raksul, a certain level of organic capital investment is necessary, but since the business model is primarily based on a sharing platform with suppliers, it is not a business model where large capital investments result in negative FCF, making it possible to evaluate based on the FCF conversion rate.

Raksul's FCF conversion rate has been nominally stable at a high level, averaging 160% over the past five years and 125% over the past three years during which M&A activity accelerated. However, this is significantly influenced by non-cash expenses on P/L included in the denominator, such as stock compensation expenses and goodwill amortization. Therefore, we also analyzed the FCF conversion rate based on adjusted net income, excluding these non-cash items. The adjusted FCF conversion rate averaged 78% over the past five years and 70% over the past three years. Although there is volatility in single-year figures, the trend shows a slight decline. We think this is due to the increase in net working capital accompanying revenue growth, including M&A, and the gradual increase in the proportion of capital expenditures (including system investments) relative to operating CF, albeit on a small scale. On the other hand, the main driver of the CF conversion rate, the CCC, is about five days, indicating a very fast cash conversion speed, which is a strength of the company's business model.

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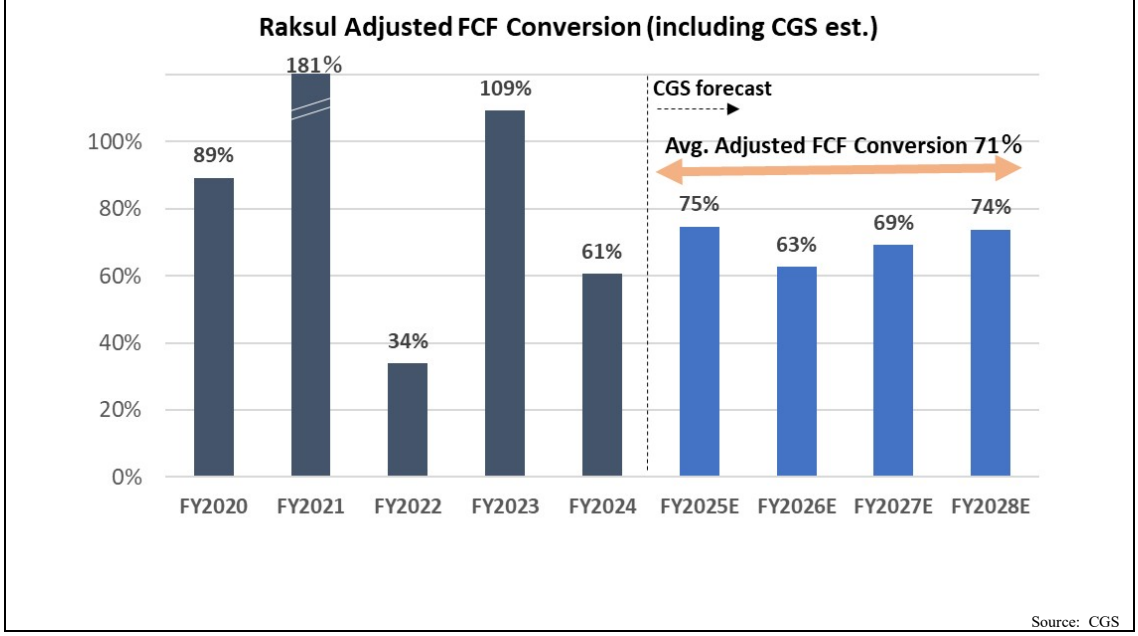
CGS forecasts an average adjusted FCF conversion rate of 71% through FY2028, which is roughly in line with the average trend of the past three years during which M&A activity accelerated. The nominal FCF conversion rate before adjustments is expected to be around 100%. These forecasts incorporate the increase in net working capital due to revenue growth, including M&A, and the continued gradual increase in the ratio of capital expenditures to operating CF. Regarding capital expenditures, which will be detailed in Section ④, the company's capital allocation discipline allows for capital expenditures up to about 30% of operating CF. In contrast, CGS's forecast assumes a realistic level of about 20% on average. Additionally, Raksul manages capital expenditures with the same 20% business ROIC hurdle as M&A, and the track record of actual payback periods is very good. Therefore, we think there is no need for excessive concern about the gradual increase in capital expenditures.

On the other hand, the risk that investors should pay attention to when considering the company's future CF conversion rate is whether future M&As will consolidate businesses that significantly change the company's capital expenditure (including software investments) needs or the cash conversion speed of the CCC beyond our expectations. Based on discussions with the company's management so far, the M&A targets are mainly in adjacent areas of the procurement platform business and the software & marketing fields. At this point, the likelihood of acquisitions that would drastically worsen capital expenditures or the CCC is low. Therefore, CGS predicts that the company's CF conversion rate can essentially be maintained at the current level unless these risks materialize, and the impact on the valuation per 1% profit growth rate is expected to be almost neutral.

Figure 27: Raksul's FCF Conversion Rate Based on CGS's Predictive Model



Source: CGS

③ Profit Growth Volatility

Next, we look at volatility of profit growth. Even if a company's operating profit doubles in five years, the amount of FCF generated during that period will differ depending on whether the profit increases linearly to achieve the doubling or fluctuates with increases and decreases, achieving the doubling only in the fifth year (as a result, differences in

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performance volatility affect capital costs). This is mainly why the valuation of cyclical industries tends to be discounted compared to non-cyclical industries, even with the same expected growth rate, and it is an important factor for the FCF generation capacity (valuation) per 1% profit growth rate. In this regard, CGS evaluates the volatility of sales and marginal profit margins

First, when looking at the volatility of Raksul's sales growth rate, it is necessary to adjust for the impact of the new revenue recognition standards under J-GAAP accounting and the deconsolidation of Hacobell. In conclusion, the volatility of the sales growth rate on a real basis is not high. Excluding the impact of the accounting standard changes and Hacobell, the sales growth rate on a real basis maintained a growth rate of 31-35% for the three years following COVID-19 until FY2023. Although it has slowed in the past two years, it has maintained a sales growth rate in the low to mid-20% range. The company's business model also has low cyclicality, and currently, the possibility of significant fluctuations in sales due to economic cycles is low. The same view applies to the marginal profit margin. The marginal profit margin relative to EBITDA has been in the range of about 15-20% for the past three years following COVID-19, steadily accumulating profits. Therefore, it is highly unlikely that the stock market perceives the company's performance volatility as a risk, and it is not considered a risk factor for the valuation per 1% profit growth rate.

Looking ahead, CGS forecasts a non-cyclical sales CAGR in the low 20% range, including M&A, and linear profit accumulation through stable marginal profit margin control. The marginal profit margin relative to EBITDA is also expected to be close to the range of the past three years, at 12-18%, leading to a steady improvement in the EBITDA margin. Therefore, CGS continues to view the volatility of profit growth as not being a risk, and the impact on the valuation per 1% profit growth rate is considered to be almost neutral.

④ Changes in Cash Usage & Change in Incremental ROI

Finally, we will look at changes in the quality of future capital allocation. CGS focuses on how the company's use of cash will change through future capital allocation and, as a result, how much CF can be increased relative to the additional invested capital (Incremental ROI).

First, let's look at the changes in the use of cash. For Raksul, the main uses of operating CF are capital expenditures, M&A, share buybacks, dividends, and repayment of debt. In the case of the company, although the balance sheet is net debt, the level is below 0.5x EBITDA, and the repayment of interest-bearing debt does not at all pressure the use of operating CF. Therefore, the practical options are capital expenditures, M&A, share buybacks, and dividends.

Looking at the past three years up to the previous fiscal year, the company has invested about 70% of its operating CF (approximately ¥2-3 billion annually) in M&A, actively promoting inorganic growth. Meanwhile, the operating CF investment rate for capital expenditures during the same period was about 13%. Share buybacks have been conducted annually since FY2023, aiming to improve capital efficiency against the backdrop of enhanced CF generation capacity, with about 23% of operating CF invested in the previous fiscal year. Dividends were also announced for the first time in September last year, giving the impression that capital allocation aimed at maximizing TSR (total shareholder return) has

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been more actively pursued in recent years.

Looking ahead, the company has clearly disclosed its capital allocation discipline. According to this, the breakdown of growth investments includes up to 30% for capital expenditures and R&D expenses, with the remainder allocated to M&A. CGS also forecasts that capital allocation will continue to focus primarily on M&A, with an annual scale of ¥3 billion through FY2028. Currently, the company's M&A team consists of four professionals with extensive M&A experience, and they adhere to financial discipline, as mentioned earlier, with an EV/EBITDA discipline and a 20% ROIC hurdle, including synergies, for acquisitions. Depending on the deal pipeline, there may be years when the scale of M&A is slightly larger compared to the past, but CGS's forecast assumes acquisitions at an annual scale of ¥3 billion at an EV/EBITDA multiple of 5x. On the other hand, capital expenditures may vary depending on the scale of future acquisitions and the capital intensity of the acquired companies, but the company maintains the same discipline for the ROIC hurdle as for M&A. Based on this, CGS forecasts a realistic level of about 20% of operating CF for capital expenditures, including system investments. CGS expects high-quality M&A to be executed while maintaining or expanding the company's ROIC-WACC spread level and CF conversion rate, including FCF generation capacity. Additionally, significant improvements in dividend payout ratio or further share buybacks are not assumed as the base case for the next fiscal year onwards, so if realized, it would be an upside for TSR.

Now, with understanding the changes in capital allocation, what investors should focus on is how much additional return these investments could bring. To measure this, we will analyze how the CF-based Incremental ROI for the increase in invested capital may change from the past to the future.

First, let's look at the past trends of Incremental ROI. Over the past five years, the company has increased its invested capital by approximately ¥17 billion. In contrast, the increase in FCF was about ¥2.3 billion, resulting in an average Incremental ROI of 14% during this period. On the other hand, looking at the most recent three years, the increase in invested capital was about ¥13.6 billion, while the increase in FCF was ¥700 million, resulting in an Incremental ROI of 5%, showing variability in recent performance. The increase in invested capital in the past was mainly in fixed assets, and the deterioration in fixed asset turnover over the past three years is a background factor. Regarding capital expenditures, it has been confirmed that the actual payback period is about three years, indicating a high Incremental ROI. Therefore, the deterioration in fixed asset turnover is mainly due to the invested capital from past M&A, including assets such as investment securities for new businesses that have not yet contributed to CF generation in the short term. CGS expects that these assets should eventually yield returns as the numerator of Incremental ROI in the medium term (or if the returns are below expectations, we assume they will not remain as unnecessary invested capital).

Finally, let's look at the forecast for Incremental ROI. CGS expects its invested capital to increase by approximately ¥12 billion from this term to FY2028, focusing on M&A and capital investments. On the other hand, the additional FCF generated over these three years is expected to increase by more than ¥3 billion due to improvements in organic profitability, the creation of acquisition synergies, and disciplined business investment execution. This means an average Incremental ROI of over 25%, indicating the quality of capital allocation that can sustainably drive overall ROIC improvement. The main risk factor that could prevent the company's Incremental ROI from reaching CGS's forecast

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figures is the quality of M&A. Particularly in the IT industry, which is a growth sector, large and expensive acquisition valuations could pose the greatest risk to the company's Incremental ROI. Long-term investors should continue to pay attention to the company's capital allocation execution, including this point.

○ Based on the above analysis, we summarized our forecast for Raksul's future FCF generation per profit growth (i.e., valuation driver per 1% profit growth) in Figure 28. The Bull Case assumes profitability improvement beyond the Base Case, including synergy creation from M&A, and the incremental ROI of capital allocation approaching the past peak level (~40%) again. On the other hand, the Bear Case reflects the deterioration of incremental ROI and CCC due to delays in organic profitability improvement and synergy creation from M&A, as well as the realization of expensive M&A risk.

Figure 28: Forecast of Raksul's Valuation Driver (FCF Generation) per 1% Profit Growth

	RAKSUL (Current)		Base Case	Bull Case	Bear Case
Cash ROIC	FY24: 15% (FY25E*: 18%)		25~28%	30~32%	15~18%
Adjusted FCF Conversion	Avg. 70%	3-4 Year Forecast	Avg. 71%	Avg. 80%	Avg. 60%
Profit Growth Volatility	Low		Low	Low	Low
Incremental ROI (FCF Base)	~15%		~25%	35~40%	~5%
			Improving or Strong	No Change or Neutral	Deteriorating or Weak

*CGS est.

Source: CGS

○ Finally, we will analyze what equity multiple the stock market would be willing to assign for the company's FCF generation capacity per profit growth in the current interest rate environment. Typically, it is desirable to extract companies in the same industry with many commonalities in their equity stories, similar growth rates, and FCF generation capacity per profit growth. From these, we can consider the acceptable range of multiples assigned by the stock market. In this case, we first extracted companies with many commonalities to Raksul's growth model, which is driven by both organic growth and M&A centered on the procurement platform business. We then compared their growth rates and FCF generation profile along with their multiples.

○ As a key comps for Raksul, WW Grainger (GWW US), a leading industrial supply procurement platform in US, is indispensable. While WW Grainger has focused on organic growth over the past five years, it previously pursued an aggressive M&A strategy, primarily acquiring overseas industrial supply distributors. WW Grainger has also invested in the establishment of MonotaRO (3064 JP), a Japanese company included in our local comps, and currently holds a 49.9% stake in MonotaRO as a major shareholder. Additionally, we think Fastenal (FAST US), an American platform company for

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industrial fasteners and related supplies that has consistently focused on organic growth but also exhibits high growth rates and FCF generation power in a similar industry, makes it a suitable comparison. From Japan, we included MonotaRO (3064 JP) and Askul (2678 JP), both of which, like Fastenal, follow an organic growth model within the procurement platform industry. Below, we summarize the current valuation driver (FCF generation profile) per 1% profit growth of the comps companies and compare them with Raksul's CGS forecast.

Figure 29: Comps Analysis of Raksul's FCF Generation and Valuation per 1% Profit Growth

	RAKSUL (Base Case)	WW Grainger	Fastenal	MonotaRO	Askul
Market Cap ($bn)	$410mn (as of Mar 2025)	$48bn	$45bn	$10bn	$1bn
EV/EBITDA (NTM)	**10x** (as of Mar 2025)	**17x**	**24x**	**27x**	**5x**
EBITDA CAGR (3~5Y fwd)	~35% (CGS est.)	~8%	~10%	~15%	~5%
EV/EBITDA Multiple per 1% of EBITDA Growth	**~0.3x** (as of Mar 2025)	**~2.1x**	**~2.4x**	**~1.8x**	**~1.0x**
Cash ROIC	25~28% (CGS est. 3~4Y fwd)	~35%	~30%	~30%	~20%
Adjusted FCF Conversion	Avg.71% (CGS est. 3~4Y fwd)	~85%	~85%	~60%	~80%
Profit Growth Volatility	Low	Mid	Low	Low	Mid
Incremental ROI (FCF Base)	~25% (CGS est. 3~4Y fwd)	~30%	~30%	~40%	~15%

Note: Peer's Forecast is based on Bloomberg Consensus as of Mar 2025.

Stronger than RAKSUL | Comparable with RAKSUL | Weaker than RAKSUL

Source: CGS

○ The four companies compared to Raksul have a wide range of expected long-term growth rates, approximately 5-15% annually. The EV/EBITDA multiples assigned by the stock market also vary significantly, from 5x for Askul to 27x for MonotaRO. When we look at EV/EBITDA multiple per 1% expected growth rate, the stock market allows the highest multiple for Fastenal. This is due to Fastenal's superior profile in CF drivers including Cash ROIC, FCF conversion rate, profit growth volatility, and Incremental ROI, which contribute to its strong FCF generation per profit growth compared to other companies. Following Fastenal in terms of high multiples per expected growth rate are WW Grainger and MonotaRO, both of which deliver strong FCF generation with multiples around 2x per 1% expected growth rate.

○ On the other hand, based on CGS estimates, Raksul's expected EBITDA growth rate is approximately 35% annually, with an EV/EBITDA multiple of about 10x. This means that the multiple per 1% profit growth is significantly discounted compared to other companies. As previously mentioned, the driver of this is the company's FCF generation capacity, which is expected to improve in the medium to long term for Raksul as it enters a cycle of expanding Cash ROIC and Incremental ROI. Based on CGS forecasts, Raksul's FCF generation profile is expected to surpass Askul's current figures and approach those of

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MonotaRO and WW Grainger in 3-4 years. When considering these factors on multiples per profit growth for Raksul, however, it is necessary to also take a liquidity discount into account due to the significant difference in stock liquidity compared to MonotaRO and WW Grainger. Even considering this, we think the current multiple per 1% EBITDA growth assigned by the stock market for Raksul (0.3x) is objectively undervalued given the company's medium to long-term FCF generation recovery. Therefore, CGS believes that there is significant upside potential in the current EV/EBITDA multiple, considering the expected growth rate.

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Company Overview and Business Model

○ In 2009, Yasukane Matsumoto, the current Chairman of the Board, founded Tectonics with the aim of transforming the printing industry, which was suffering from a multi-layered subcontracting structure and low utilization rates. In 2010, the company changed its name to Raksul Inc. and launched the price comparison service site for online printing, "Raksul" (initially named "Insatsu Kakaku.com"). In 2013, the company transitioned to a printing platform that matches printing companies with users, achieving significant growth partly due to the effects of TV commercials. Since it operates on a sharing economy model without owning its own printing factories (with partial in-house production starting from FY2024), it can focus its investments on marketing and engineering, enabling faster growth compared to competitors.

○ With the vision of "Better Systems, Better World," Raksul has been working to transform traditional industries like printing, which have not yet fully embraced digitalization, by introducing technology (the internet) and the sharing economy. The company's greatest strength lies in its corporate culture, which emphasizes transforming industry structures, values innovation over traditional methods, and is unafraid of challenges. In 2015, Raksul launched the logistics platform "Hacobell," followed by the marketing platform "Novasell" in 2020, and the IT device & SaaS integrated management service "Josys" in 2021. Starting with the acquisition of "Danball One" in 2022, Raksul has also been expanding its business domains through M&A, growing into a portfolio company with unique strengths. Moving forward, Raksul aims to become a technology platform that solves management issues for SMEs end-to-end, with plans to enter the finance and software sectors.

○ From FY2018 to FY2024, prior to its listing, Raksul achieved high growth rates with a 29% CAGR in revenue, a 70% CAGR in EBITDA (non-GAAP), and a 93% CAGR in operating profit (non-GAAP). Under the direction of Quality Growth since June 2022, profitability has also improved over the past two years.

Figure 30: Raksul's Performance Trends post-IPO

	FY7/2018	FY7/2019	FY7/2020	FY7/2021	FY7/2022	FY7/2023	FY7/2024	CAGR (FY18-24)
Revenue	10,993	16,503	19,434	25,523	33,980	41,018	51,121	29%
YoY		50%	18%	31%	33%	21%	25%	
Gross Profit	2,693	3,859	4,866	7,091	9,804	12,296	17,192	36%
YoY		43%	26%	46%	38%	25%	40%	
EBITDA (non-GAAP)	191	256	1	1,030	1,634	3,145	4,547	70%
YoY		34%			59%	92%	45%	
OP (non-GAAP)	75	125	-173	830	1,404	2,912	3,927	93%
YoY		67%	-238%	-580%	69%	107%	35%	
OP (J-GAAP)	93	144	-244	221	462	1,765	2,523	73%
YoY					109%	282%	43%	
EBITDA/Revenue	2%	2%	0%	4%	5%	8%	9%	
EBITDA/Gross Profit	7%	7%	0%	15%	17%	26%	26%	

Source: CGS

○ In FY2024, the majority of revenue and profit will be generated by the procurement platform (formerly Raksul business). The marketing platform business, Novasell, is expected to remain in operating deficit until FY2024 but is projected to turn profitable in FY2025. Additionally, Peraichi, which was included in other businesses, will be reclassified into the advertising platform from FY2025.

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Figure 31: Revenue, Gross Profit, and Operating Profit by Segment for FY2024

	Revenue		Gross Profit			Operating Profit (J-GAAP)	
(JPY mn)	Value	Mix	Value	Margin	Mix	Value	Margin
Procurement Platform	47,097	92%	14,603	31%	85%	5,139	11%
Printing & Solutions	20,239	40%					
Business Supplies & Peripherals	18,446	36%					
Packaging	8,411	16%					
Marketing Platform	2,476	5%	1,610	65%	9%	-61	-2%
Others	1,547	3%	979	63%	6%	-193	-12%
Elimination						-2,360	
Total	51,121	100%	17,192	34%	100%	2,523	5%

Source: CGS

Procurement Platform Business

○ The printing e-commerce business started with paper printing products such as business cards, envelopes, flyers, and brochures, and has gradually expanded its product range to include promotional goods, novelties, cardboard, apparel, uniforms, stamps, store supplies, and packaging materials. In the printing e-commerce market, it boasts the largest number of registered users in the industry. In the cardboard e-commerce market, it holds over 50% market share and has maintained the top share for seven consecutive years. In the stamp market, Hanko.com, acquired in FY2024, is also a leading company.

Figure 32: Diverse Services of the Procurement Platform Business

Service Name	Overview
Printing EC Business	A service that allows easy ordering of printed materials such as flyers, pamphlets, and business cards at industry-lowest prices.
Customer Acquisition Support Business	A service that supports customer acquisition for companies by combining various methods such as printed materials, promotional items, newspaper inserts, and direct mail.
Goods & Novelty Business	A service that allows easy online ordering of a wide variety of novelty goods, starting from just one unit.
Enterprise Business	A business support service for large enterprises that enables centralized management of printed materials and promotional-related operations.
Marketing Services for SMEs	A marketing efficiency service for small and medium-sized businesses (SMBs), including the "50,000 yen Full-Service On-Site Video" package.
Corrugated Box & Packaging Material Business	A service that allows easy online ordering of various sizes and types of cardboard boxes and packaging materials in small lots.
Apparel & Uniform Business	A service that enables easy online ordering of a wide range of designs and sizes of apparel and uniforms, starting from a single piece.
Seal & Stamp EC Business	A service that allows easy online ordering of custom seals and stamps, with a variety of designs and options to choose from.

Source: CGS

○ According to Yano Research Institute, the print e-commerce market in FY2022 was valued at ¥134 billion. This accounts for 5% of the overall print market, which continues to expand. The market is increasingly dominated by three companies: Raksul, Printpac, and Graphic, which together hold approximately 70% of the market share.

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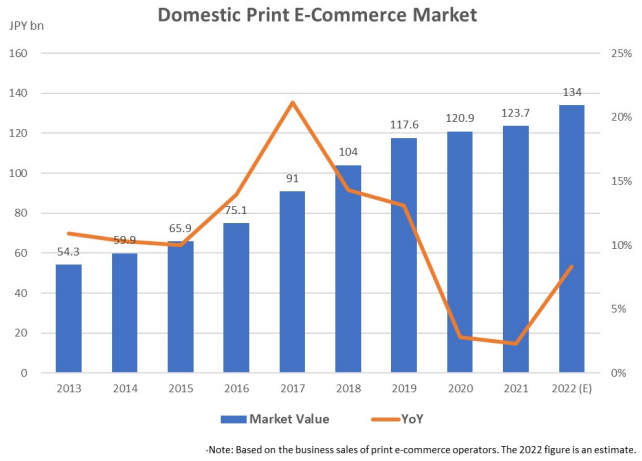
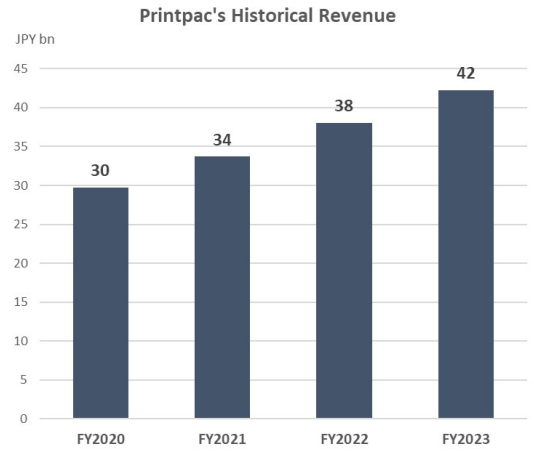
Figure 33: Trends in the Domestic Print E-Commerce Market



Source: CGS – Based on Yano Research Institute's Data

Figure 34: Sales Trends of Printpac



Source: CGS – Based on Printpac's Website

○ The company actively utilizes technology, characteristic of a platformer company. It monitors the production plans of printing factories in real-time, and AI analyzes supply and demand conditions as well as competitor prices to automatically adjust the printing prices. By implementing dynamic pricing continuously, it enhances productivity and stabilizes the gross profit margin. Additionally, it uses demand forecasting to improve the efficiency of SCM, including logistics.

○ Also, Raksul aims to evolve into an AI-native platform by leveraging AI across all operations in the future. As part of this initiative, it announced a collaboration with Adobe during the FY2025 Q2 earnings briefing. By building an integrated platform for design and printing using Adobe's AI, Raksul aims to enhance user convenience and differentiate itself from competitors. Specifically, it plans to soon start integrating features with "Adobe Express," which includes Adobe's generative AI "Adobe Firefly," allowing users to easily create and customize designs for business cards, flyers, posters, and more. This collaboration will streamline the creative process in printing tasks and facilitate the creation of images for social media and web banners. Furthermore, by utilizing Adobe Express's diverse design features (such as background removal and AI image generation), users will be able to complete design tasks within the Raksul platform.

Figure 35: Raksul's Strengths in AI and Data Utilization

Domain	Specific Details
Advanced Demand Forecasting	Analyzing past order data, seasonality, and industry trends with AI to predict demand. Optimizing factory utilization rates to reduce the risks of oversupply and undersupply. Adjusting production plans in real-time at printing factories to ensure optimal production resources.
Dynamic Pricing for Printing Services	AI analyzes real-time demand and supply conditions to automatically adjust prices. Utilizing idle factory time to calculate optimal pricing, enabling low-cost offerings. Proposing the best pricing plan based on each customer's past order data.
Utilization of Marketing Data (Integration with Novacell)	Enhancing targeting accuracy by utilizing Novacell's ad distribution data. Analyzing advertising effectiveness data to propose optimal printed materials and promotional strategies. Analyzing advertising ROI by region to optimize printing and distribution plans.

Source: CGS

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Marketing Platform Business

○ This segment includes the Novasell business and Peraichi. The impetus for starting Novasell was Raksul's own experience of achieving significant growth by utilizing TV commercials. When they aired their own TV commercial in 2014, they quantified and analyzed the effectiveness of the advertisement, establishing a method to maximize ROI. This method enabled highly effective TV commercial operations, accelerating customer acquisition. From the idea of selling this model externally, the Novasell business was launched in 2018. Novasell provides a system for advertisers to maximize ROI by measuring the effectiveness of TV commercials, digital ads, and taxi ads in a data-driven manner. In addition to ad distribution, they also offer a platform that supports the entire process from creative production and media planning to post-distribution analysis. However, due to intense competition in the advertising industry and ongoing upfront investments for business expansion, the business has been operating at a loss.

Figure 36: Service Details of the Marketing Platform Business

Service Name	Overview
TV Commercial Support Service	A service that supports the planning and operation of TV commercials based on effectiveness measurement. It visualizes advertising effectiveness and provides a one-stop solution from broadcast slot selection to creative production and data analysis.
Online Advertising Support Service	A service that supports the operation of digital advertisements such as SNS ads, search ads, and display ads.
Advertising Creative Production	Support for creating ad creatives optimized for the target audience.
Data-Driven Marketing Support	A service that optimizes advertising performance using data analysis.
Enterprise Advertising Support	Integrated advertising planning and operation services for large enterprises.
Peraichi (Homepage Creation SaaS)	A SaaS-based service that allows anyone to easily create and manage websites. It can be integrated with advertising and customer acquisition strategies.

Source: CGS

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Risk Factors

○ **Risk of slowing organic growth.** Factors such as the deterioration of the economic environment leading to a decline in demand for printing and cardboard, ineffective marketing and product policies resulting in stagnant active user growth, and intensified competition are anticipated.

○ **Risk of deteriorating capital efficiency, such as ROIC, due to large M&A executed at high valuations.** Although there have been no signs of this since FY2023, it could occur depending on future acquisition deals.

○ **Risk of slowed profitability improvement due to rising raw material and transportation costs.** The procurement platform business outsources product delivery operations and offers free delivery services for some products. Efforts in SCM have mitigated cost increases, and dynamic pricing appropriately reflects these cost increases in prices, thus currently minimizing this risk.

○ **Risk of deteriorating ROIC and ROE due to future consolidation of Hacobell and Josys and aggressive investment in new businesses.** Hacobell and Josys are expected to be consolidated once sufficient profitability is ensured, and management is operated with financial discipline under Quality Growth, thus the current risk is considered limited.

○ **Risk of system troubles.** The greatest concern is the risk of personal information leakage or operational stoppage due to cyber attacks. Additionally, there are risks of system failures, software malfunctions, and system downtime caused by natural disasters.

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Management Interview

Summary:

Overall Strategy; Since President Nagami took office in August 2023, Raksul has been transitioning into a technology platform that provides a variety of end-to-end services for small and medium-sized enterprises. In its medium- to long-term strategy, looking ahead 5 to 10 years, the company plans to expand its product offerings as a B2B e-commerce marketplace and build an ecosystem that includes new businesses such as finance and software. The growth model aims to combine organic growth with inorganic growth through M&A, targeting an annual gross profit growth rate of 20-30%.

Organic Growth Strategy; Organic growth is the main pillar of Raksul's growth. The company is focusing on expanding its registered user base to 2.8 million. For small and medium-sized enterprises, it utilizes natural inflow and TV commercials, while for large enterprises, it is promoting "Raksul Enterprise" and strengthening its sales organization to improve penetration rates. Additionally, to increase the active user ratio (currently in the low 10%), Raksul is adopting a strategy to enhance purchase frequency through product expansion and new businesses (finance and software).

M&A and Capital Allocation Strategy; M&A is a key pillar for accelerating growth, promoting continuous inorganic growth in adjacent areas. Over the next five years, the company plans to invest max. ¥40 billion (30% in capital expenditures and 70% in M&A), making disciplined decisions with a hurdle rate of 20% ROIC. The goal is to target acquisitions with an EV/EBITDA multiple of less than 5x, creating synergies in cost (functional integration and procurement cost reduction) and revenue (customer base sharing). In PMI, the focus is on B/S efficiency and CF, accelerating growth with local support as seen in the case of Danball One. Although there are no set criteria for withdrawal if the performance of the acquired company is low, the company will flexibly proceed with business portfolio restructuring (e.g., JV of Hacobell) based on a comprehensive assessment of capital efficiency and synergies, continuing to enhance shareholder value in the medium to long term through disciplined capital allocation.



Photo of Mgmt. Meeting: From right, Sugiyama (Group CFO, Raksul), Nagami (Group CEO, Raksul), and Nobuzane (CEO, CGS)

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CGS: Today, we are pleased to welcome Mr. Nagami, President and Group CEO of Raksul Inc., and Mr. Sugiyama, Senior Executive Officer and Group CFO. We have arranged this interview to reflect the voices of the management team in addition to our report, addressing topics that are likely to be of interest to medium- and long-term investors in their investment decisions.

CGS: First, I would like to ask President Nagami about the overall strategy. Your company has maintained a very high growth rate by digitalizing traditional industries such as printing, business supplies, and advertising. Looking ahead to the next 5 to 10 years, which markets will you focus on, and what is your medium- to long-term strategy? Will organic growth continue to be the main driver, or will inorganic growth through M&A become a major pillar of growth?

Nagami, Raksul: Raksul was founded in 2009 and went public in 2018. With the vision of "Better System, Better World" we started by transforming the printing industry. Specifically, we adopted a sharing economy business model. Without owning any factories ourselves, we matched customer demand with the supply from printing factories that were struggling with low utilization rates. From there, we have also advanced the transformation of other industries such as advertising and logistics. However, since I became president in 2023, we have shifted our direction. We aim to become a technology platform that provides a variety of end-to-end services to small and medium-sized enterprises.

In the new direction, there are two points of transformation. The first is to grow as a broader B2B e-commerce marketplace that offers a variety of products online, not just printing. The second is continuous inorganic growth through sequential M&A. Since I became president in August 2023, we have been conducting continuous M&A in adjacent areas. Last year, we integrated six companies into our group, and this year, we have integrated two companies so far. All of these companies are in adjacent areas. There are many companies that can create significant synergies by joining us, and we aim to grow together with them.

With these two strategies, I believe we can certainly achieve growth over the next 2-3 years. To maintain high growth beyond that, we plan to create an even more advanced ecosystem. Simply put, we aim to build an ecosystem in the B2B domain similar to what Yahoo and Rakuten have established in the B2C domain. Providing end-to-end services to small and medium-sized enterprises effectively requires adding other service groups beyond e-commerce. Specifically, we are preparing to launch finance and software businesses within this year. Our goal is to offer these new businesses and the e-commerce marketplace transactions all on one platform, with a single user ID, providing a one-stop solution.

CGS: To become a platform for B2B small and medium-sized enterprises, you are planning to implement various measures. When considering growth over the next five years, do you think organic growth is the best approach, or will M&A become a significant driver of growth?

Nagami, Raksul: Organic growth will continue to be the main driver. We expect organic growth to sustain at around 20% to slightly above 20%. Additionally, inorganic growth through M&A in adjacent areas will contribute approximately 5% to 10%, resulting in a model where total revenue or gross profit continues to grow at a level of around 20% to 30%.

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CGS: You have adopted a policy of "Quality Growth." What is your definition of Quality Growth, and what is the quality of the growth model you are aiming to achieve?

Nagami, Raksul: In the context of growth companies, I believe we are a company that shifted early to a strategy that values growth including profits, rather than simply pursuing revenue growth. We have adopted this policy since 2021, specifically prioritizing the growth of gross profit. Additionally, we have mentioned that the growth of EBITDA is also important.

In the SaaS industry, there is the Rule of 40, which is a metric that considers a company to be operating healthily if the sum of its growth rate and profit margin is over 40%. Internally, we consider the growth rate of gross profit and the ratio of EBITDA to gross profit as a concept similar to the Rule of 40, and we disclose this concept externally as well. While we do not necessarily believe that 40% is the appropriate target, we think it is important to maintain a relatively high figure consistently. Our idea of Quality Growth is not a scenario where gross profit growth is 50% and EBITDA margin is 0%, but rather a state where both indicators are maintained at around 20% to 30%.

CGS: Regarding Quality Growth, I have an additional question. While I believe EBITDA growth is important, investors are looking at how efficiently EBITDA growth is achieved. This is often reflected in valuation. For example, achieving an EBITDA of ¥10 billion by July 2027 is a condition for your stock options, but the amount of capital investment required to achieve this goal is not included. While EBITDA growth is certainly important, how do you view the balance between achieving growth and the capital investment required to achieve it?

Nagami, Raksul: I believe capital efficiency is extremely important. We aim to achieve an ROE or ROIC of over 20% as soon as possible. Currently, our ROE is around 10% to the high teens. We do not intend to grow EBITDA by indiscriminately expanding the balance sheet. Instead, we plan to create high capital efficiency businesses through careful capital allocation. In phases where net assets increase excessively, we will also consider shareholder returns, ensuring we achieve the goal of ¥10 billion in EBITDA while maintaining high capital efficiency.

CGS: I'm relieved to hear that. Next, I'd like to ask about your organic growth strategy, which is a key pillar of your growth. Expanding the user base of your procurement platform business is crucial. According to company materials, the percentage of registered users for Raksul is very low, at 0.4% for large enterprises and 2-5% for small and medium-sized enterprises. Conversely, this suggests a significant upside potential in terms of penetration rate. Could you elaborate on your strategies to increase penetration rates and expand the user base for both large enterprises and SMEs?

Nagami, Raksul: Our initial business in printing, such as business cards, is a widely used product across various companies, and we believe there is still room to increase its penetration rate. Although we are no longer just a printing company, there is still potential to expand our customer interactions using printing as a hook. Currently, we have over 2.8 million registered users. On the other hand, despite offering different products, MonotaRO, which is also a B2B company, has already grown to over 10 million registered users. We feel there is still significant potential to expand our registered user base.

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The initial user base we acquired was primarily small and medium-sized enterprises (SMEs), but the penetration rate is still low. For SMEs, we believe we can continue to acquire new customers through organic inflow and marketing efforts centered around TV commercials. For large enterprises, we launched the Raksul Enterprise service three years ago, and the number of accounts has been steadily increasing. We have also established a dedicated sales organization. Given the high ARPU and strong retention, this is a crucial strategy. Since the penetration rate among large enterprises is very low, there is significant potential for expanding this service, and we have high expectations.

CGS: Considering TAM compared to MonotaRO, I believe there is significant upside potential. The next important factor is the active user ratio. Currently, I think the active user ratio is in the low teens. Could you share the measures you are taking to increase this ratio?

Nagami, Raksul: The primary orders for printed materials are typically between 4 to 8 times per year. Increasing this purchase frequency is crucial for raising the active user ratio in any given quarter. The key driver for increasing purchase frequency is expanding the range of products offered. We believe it is very important to broaden our product categories, and to this end, we continuously add new products and expand target categories through M&A. Additionally, Raksul Enterprise for large enterprises has a higher purchase frequency. We believe that increasing the proportion of this service will raise the active user ratio. Furthermore, by offering new, more engaging businesses such as financial services and software, we aim to increase customer touchpoints and, consequently, the frequency of use on our platform. This is our strategy.

CGS: Next, I would like to ask about competitive advantage. The sharing economy business model tends to have relatively low entry barriers and poses imitation risks. What do you consider to be your company's competitive advantages, such as technology and partnerships?

Nagami, Raksul: Since our IPO, investors have consistently asked the same question. In the customized printing e-commerce business, we are already the number one player. In fact, there have been no new entrants in the past ten years. On the contrary, the market has become more oligopolistic, dominated by the top three companies. Our strength lies in being asset-light, meaning we don't need to invest heavily in manufacturing facilities. Instead, we can allocate almost all our funds to marketing investments to acquire customers and technology investments to build our infrastructure. This is a significant difference from traditional business model players. This approach has allowed us to become the market leader within approximately ten years and continue to expand our market share.

CGS: Why do you think there have been no new entrants?

Nagami, Raksul: Traditional printing companies primarily acquired customers through sales efforts, so they lack the means and capabilities to acquire customers through marketing or online channels. Additionally, they do not have the technology to develop software in-house, which is why there have been no new entrants.

There are also barriers to new entrants from other e-commerce categories. While we do not own large manufacturing facilities, we have an in-house supply chain management team. They regularly develop and negotiate with new supplier

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partners. Additionally, by engaging in joint purchasing, we can reduce costs together and provide benefits to our existing supplier partners. This relatively hands-on work in manufacturing and supply chain management is something that other marketplace companies find challenging. In essence, our strength lies in the combination of manufacturing and software.

CGS: Regarding capital allocation, including M&A strategy, I would like to ask Mr. Sugiyama as CFO. At CGS, we believe that capital allocation is a crucial factor for valuation drivers. Could you explain your approach to the discipline or execution of hurdle rates, including expected returns, for investments in capital expenditures and M&A?

Sugiyama, Raksul: We have announced that we will allocate up to ¥40 billion for growth investments over the next five years. Of this, approximately 30% will be allocated to capital expenditures, software, and R&D investments, while about 70% will be allocated to M&A. As for the hurdle rate for investments, our current ROIC for Raksul's business assets is around 20%, so we make investment decisions based on the criterion that we can catch up to this 20% ROIC within a few years. For capital expenditures and software development, we have set specific payback periods.

In M&A, it is fundamental to acquire profitable companies at the correct valuation. For instance, the company we acquired in FY2024 had an EV/EBITDA multiple of less than 5. Additionally, in the year following the consolidation, we achieved certain profit growth through cost synergies.

CGS: I understand that you have a very disciplined capital allocation strategy. Next, I would like to ask about the industries you target for acquisitions. Could you explain the characteristics of the industries you invest in, as well as those you do not target?

Sugiyama, Raksul: Most of our acquisition targets are in the procurement platform business. This business already has a large user base and a diverse product lineup, making it the area with the most growth opportunities through M&A. There is room for expansion both horizontally and vertically. For horizontal expansion, we are looking at products that over 2.8 million Raksul users can purchase together, focusing on customized items. Examples include A-Link Services, which manufactures and sells tote bags, and Hankoya.com

In terms of vertical expansion, strategically extending the supply chain is highly significant. The products we handle are primarily customized items, making the supply chain crucial. For example, the acquisition of Raksul Factory has enabled partial in-house production of digital printing capabilities. This has allowed us to achieve very short lead times and high price competitiveness in small-lot printing. Similarly, in the case of tote bags, we have partially internalized production.

CGS: In M&A, why do you think Raksul is chosen as an acquisition candidate, and why can it win bids?

Nagami, Raksul: There are several reasons. Unlike funds, we have a strong stance on growing together. By generously providing our resources, we can grow together, and this direction resonates with our partners. For example, in the case of Danball One, we sent about 15 employees to their headquarters in Ishikawa to revamp and strengthen various functions. As a result, the company grew significantly. Local employment increased, and the founder was very satisfied, making it a very

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successful M&A. The success and reputation of this M&A spread, leading others to believe that they can grow together with Raksul.

Another reason we are chosen is the foundation we have for creating synergy effects. As a technology platform company, we can provide synergies in both cost and revenue aspects. On the revenue side, we have already started initiatives in each business to share our user base and cross-sell. On the cost side, we can use the capabilities of our technology engineers to optimize the headquarters functions and back-office operations of the acquired companies, and integrate some functions. By optimizing these areas, we can achieve cost synergies, which in turn creates a virtuous cycle where the profits can be reinvested into the business.

Sugiyama, Raksul: Broadly speaking, there are synergies for both parties, and there are also very good economic synergies for the acquired company. I believe these factors are why we are highly regarded.

CGS: Your IR materials pointed out that the companies acquired in FY2024 are successfully generating synergies. Among the PMI measures implemented after the acquisition, what is the most effective driver for synergy creation?

Nagami, Raksul: Broadly speaking, there are two types of synergies: cost synergies and revenue synergies. I believe cost synergies tend to show results first. By integrating functions, we can reduce costs, and with our engineering capabilities, we can improve their business processes to increase productivity. Additionally, leveraging our company's scale allows us to negotiate lower procurement costs. Revenue synergies, on the other hand, materialize by sharing our customer base and cross-selling. However, this requires educating customers, so the results will manifest gradually over time.

CGS: What kind of discipline do you have in place for downside protection, including withdrawal or downsizing, in case the performance of the acquired company is poor?

Sugiyama, Raksul: Our M&A strategy has only been in place for two years, so we haven't encountered any cases of poor performance yet, nor have we established specific criteria for withdrawal. We focus on the contribution to the P&L, capital efficiency, and how well synergies are being realized as a platform, making comprehensive judgments based on these points. We have previously reorganized our business portfolio, including divestitures. Moving forward, we will continue to restructure our portfolio to enhance capital efficiency and shareholder value.

Nagami, Raksul: Additionally, I believe there are businesses that can grow under different capital structures, distinct from equity participation. For example, we started Hacobell in-house. It is a very successful business with growing sales. However, the synergies with our company are limited, and we believed it would grow better under a different capital structure. Therefore, we transitioned it into a joint venture with Seino Holdings. Subsequently, we sold some shares to other business partners. This strategy has been very beneficial for our capital allocation and capital efficiency. I also believe it supports Hacobell's growth strategy. We may adopt similar capital policies in the future.

CGS: In M&A strategy, attention often focuses on the P&L contribution. However, the capital efficiency of the acquired

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company's balance sheet and the cash conversion cycle are also crucial. Differences in the speed of cash conversion between the acquirer and the acquired company can lead to deterioration in cash flow generation post-acquisition. What are your thoughts on PMI elements related to capital efficiency and cash flow generation on the balance sheet?

Sugiyama, Raksul: From the perspective of synergy creation beyond the P&L, we thoroughly screen the cash conversion cycle and the alignment between the P&L and cash flow at the time of acquisition. Additionally, we expect benefits from applying our platform-specific cost structures and payment cycles to the acquired company. We believe that such balance sheet synergies can also be realized.

CGS: Great, thank you. I understand that you have a disciplined M&A strategy and capital allocation, including PMI. Finally, could you please share a message for the investors?

Nagami, Raksul: Our vision, “Better System, Better World”, remains unchanged. However, we are now more focused on growing as a technology platform provider that offers a wide range of services to SMEs on an end-to-end basis in the medium to long term. While organic growth remains at the core of our strategy, we believe that continuous M&A in adjacent areas will accelerate our growth. We are confident in achieving our EBITDA target of ¥10 billion by July 2027, but we also recognize the need for further growth beyond that. To this end, we are preparing to launch financial and software services. We believe we have a well-balanced management strategy that allows us to sow the seeds for future growth while achieving our mid-term goals. We hope for your continued support.

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CGS Financial Model

JPY mn	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY28E Base Case	FY28E Bull Case	FY28E Bear Case
Income Statement										
Sales	33,980	41,018	51,121	62,730	75,978	92,845	112,814	112,814	139,938	94,886
COGS	24,176	28,722	33,929	40,980	48,994	59,089	71,073	71,073	85,362	62,625
Gross Profit	9,804	12,296	17,192	21,750	26,983	33,756	41,741	41,741	54,576	32,261
SG&A	9,342	10,531	14,669	18,159	22,046	26,224	30,984	30,984	38,437	26,044
Operating Profit	462	1,765	2,523	3,591	4,937	7,532	10,757	10,757	16,138	6,218
Pretax Profit	497	2,502	3,430	4,387	4,790	7,485	10,713	10,713	16,086	6,174
Income Tax	-524	1,173	1,388	1,777	1,887	2,657	3,599	3,599	5,457	2,163
Minority Interest	0	0	-76	0	0	0	0	0	0	0
Net Income	1,021	1,329	2,118	2,610	2,903	4,828	7,114	7,114	10,629	4,011
EBIT	462	1,765	2,523	3,591	4,937	7,532	10,757	10,757	16,138	6,218
D&A	474	726	1,549	2,042	2,313	2,729	3,115	3,115	5,025	2,459
EBITDA	936	2,491	4,072	5,633	7,251	10,260	13,873	13,873	21,163	8,676
SBC Expense	695	652	473	400	400	400	400	400	400	400
EBITDA (ex. SBC)	1,634	3,145	4,547	6,033	7,651	10,660	14,273	14,273	21,563	9,076
EBITA (ex. SBC)	1,404	2,912	3,927	5,133	6,554	9,210	12,456	12,456	18,870	7,503
Net Income (ex. Goodwill Amort. & SBC)	2,036	2,518	3,533	4,152	4,520	6,506	8,812	8,812	13,361	5,296
Diluted Shares Outstanding	62	61	61	61	61	61	62	62	62	62
GAAP EPS (Diluted)	17	22	35	43	47	79	115	115	172	65
Cash EPS (Non-GAAP, Diluted)	21	30	50	62	67	99	136	136	210	79
DPS	0	0	2	3	3	5	8	8	34	3
Payout Ratio	0%	0%	5%	7%	7%	7%	7%	7%	20%	5%
COGS/Sales	71%	70%	66%	65%	64%	64%	63%	63%	61%	66%
Gross Margin	29%	30%	34%	35%	36%	36%	37%	37%	39%	34%
Other SG&A/Sales	27%	26%	29%	29%	29%	28%	27%	27%	27%	27%
OPM	1%	4%	5%	6%	6%	8%	10%	10%	12%	7%
EBITDA Margin	3%	6%	8%	9%	10%	11%	12%	12%	15%	9%
EBITDA Margin (Non-GAAP)	5%	8%	9%	10%	10%	11%	13%	13%	15%	10%
Cash Flow Statement										
Net Income	1,021	1,329	2,118	2,610	2,903	4,828	7,114	7,114	10,629	4,011
D&A	474	726	1,549	2,042	2,313	2,729	3,115	3,115	5,025	2,459
Changes in Working Capital	-314	170	-229	-281	-976	-1,295	-1,610	-1,610	-2,035	-1,495
OCF	837	2,902	2,705	4,002	3,816	5,712	7,972	7,972	12,497	4,647
CAPEX	-149	-152	-563	-900	-988	-1,207	-1,467	-1,467	-1,399	-1,613
FCF	688	2,750	2,142	3,102	2,829	4,506	6,505	6,505	11,097	3,034
Acquisitions	-2,176	274	-2,552	-1,000	-3,000	-3,000	-3,000	-3,000	-8,000	-1,000
Cash Dividends Paid	0	0	0	-175	-194	-323	-498	-498	-2,126	-201
FCF III (OCF - ICF -Div)	-1,971	3,199	-3,310	1,927	-366	1,182	3,007	3,007	972	1,833
Share Issuance (Repurchase)	91	-225	-629	-700	0	0	0	0	0	0
Issuance (Reduction) of Debt - Net	2,116	-2,013	6,302	0	0	0	0	0	0	0
Net Change in Cash	235	962	2,361	1,227	-366	1,182	3,007	3,007	972	1,833
Conversion										
OCF/EBITDA	89%	116%	66%	71%	53%	56%	57%	57%	59%	54%
FCF/NI	67%	207%	101%	119%	97%	93%	91%	91%	104%	76%
Balance Sheet										
Cash & Cash Equivalents, ST Inv	13,682	14,644	17,014	18,241	17,875	19,057	20,882	20,882	14,159	21,201
Accounts Receivable	4,903	4,718	5,770	6,545	8,060	10,012	12,363	12,363	15,336	10,398
Inventories	209	295	804	778	1,068	1,453	1,947	1,947	1,637	2,574
Total Current Assets	19,660	20,589	24,981	27,326	29,189	33,257	38,574	38,574	35,554	36,787
Net PP&E	373	294	1,328	1,628	2,419	3,076	3,625	3,625	6,440	2,660
LT Investments	633	5,025	7,524	7,900	8,295	8,710	9,145	9,145	9,145	9,145
Intangible/Goodwill	5,206	4,623	8,322	7,880	8,763	9,585	10,387	10,387	18,653	7,080
Total LT Assets	8,973	12,076	18,882	19,236	21,433	23,463	25,396	25,396	36,477	21,125
Total Assets	28,633	32,665	43,863	46,562	50,622	56,720	63,971	63,971	72,031	57,911
ST Debt & Curr. Portion LT Debt	2,495	2,447	9,387	9,387	9,387	9,387	9,387	9,387	9,387	9,387
Accounts Payable	3,234	3,299	3,825	4,293	5,122	6,165	7,399	7,399	9,355	6,005
Other Current Liabilities	2,045	2,546	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771
Total Current Liabilities	7,774	8,292	17,983	18,451	19,280	20,323	21,557	21,557	23,513	20,163
LT Debt	11,440	9,464	9,006	9,006	9,006	9,006	9,006	9,006	9,006	9,006
Total LT Liabilities	11,547	10,464	10,202	10,262	10,325	10,391	10,460	10,460	10,460	10,460
Total Liabilities	19,321	18,756	28,185	28,713	29,605	30,713	32,017	32,017	33,972	30,623
Total Equity	9,312	13,909	15,678	17,849	21,017	26,007	31,954	31,954	38,059	27,289
Total Liabilities & Shareholder's Equity	28,633	32,665	43,863	46,562	50,622	56,720	63,971	63,971	72,031	57,911
CCC										
Days of Sales Outstanding (DSO)	42	42.8	37	38	39	39	40	40	40	40
Days of Inventory Outstanding (DIO)	2	3.2	6	7	8	9	10	10	7	15
Days of Payables Outstanding (DPO)	42	41.5	38	38	38	38	38	38	40	35
Cash Conversion Cycle (Days)	2	4.5	5	7	9	10	12	12	7	20
	0	0								
ROE	11.8%	11.4%	14%	16%	15%	21%	25%	25%	33%	15%
ROIC (Incl. Cash on Invested Capital)	4.6%	3.7%	5%	6%	8%	11%	14%	14%	20%	9%
ROIC (ex. Cash on Invested Capital)	6.8%	5.3%	7%	9%	11%	15%	18%	18%	23%	12%
Cash ROIC (incl. Cash on Invested Capital)	6.8%	6.2%	8%	9%	11%	14%	17%	17%	23%	11%
Cash ROIC (ex. Cash on Invested Capital)	19.6%	14.2%	15%	18%	20%	24%	28%	28%	31%	20%
Net Debt / EBITDA	-1.7	-0.5	-0.2	0.1	0.0	-0.0	-0.1	-0.1	0.3	-0.3
Net Cash per Share	-73	-63	-23	-3	-8	11	40	40	-69	45

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