

RAKUS Co., Ltd.

（Mothers:3923）

Earnings Results for Q3 of the fiscal year March 2019

Key points

Earnings results for Q3 of March 2019

- Sales and all types of profit increased significantly year on year.
- Gross profit margin increased which is a feature of the business model.

Cloud Business

- High growth of major services including Raku Raku Seisan continued.
- Investment was enhanced further to achieve a high level of growth for the next fiscal year and onwards.

IT Outsourcing Business

- Growth was accelerated by effective employee retention measures.

Full year guidance for March 2019

- The full year guidance was revised upward.
- The dividend forecast was also revised, followed by the revision of the guidance. (Dividend is increased)

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Summary of Consolidated Results for Q3 of March 2019

Sales and profits increased significantly year on year due to accelerated growth.

		Year on Year
Sales	¥6,329M	Up 39.2%
Operating Profit	¥1,238M	Up 41.9%
Ordinary Profit	¥1,242M	Up 41.9%
EBITDA	¥1,489M	Up 61.1%
Net income attributable to shareholders of the parent	¥814M	Up 35.6%

EBITDA＝pretax net income + extraordinary profits/losses + depreciation + goodwill amortization + interest payment

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Consolidated results for Q3 of the fiscal year March 2019

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Outline of the Consolidated Results for Q3 of March 2019

Profits grew significantly due to higher gross profit margin caused by sales increases.

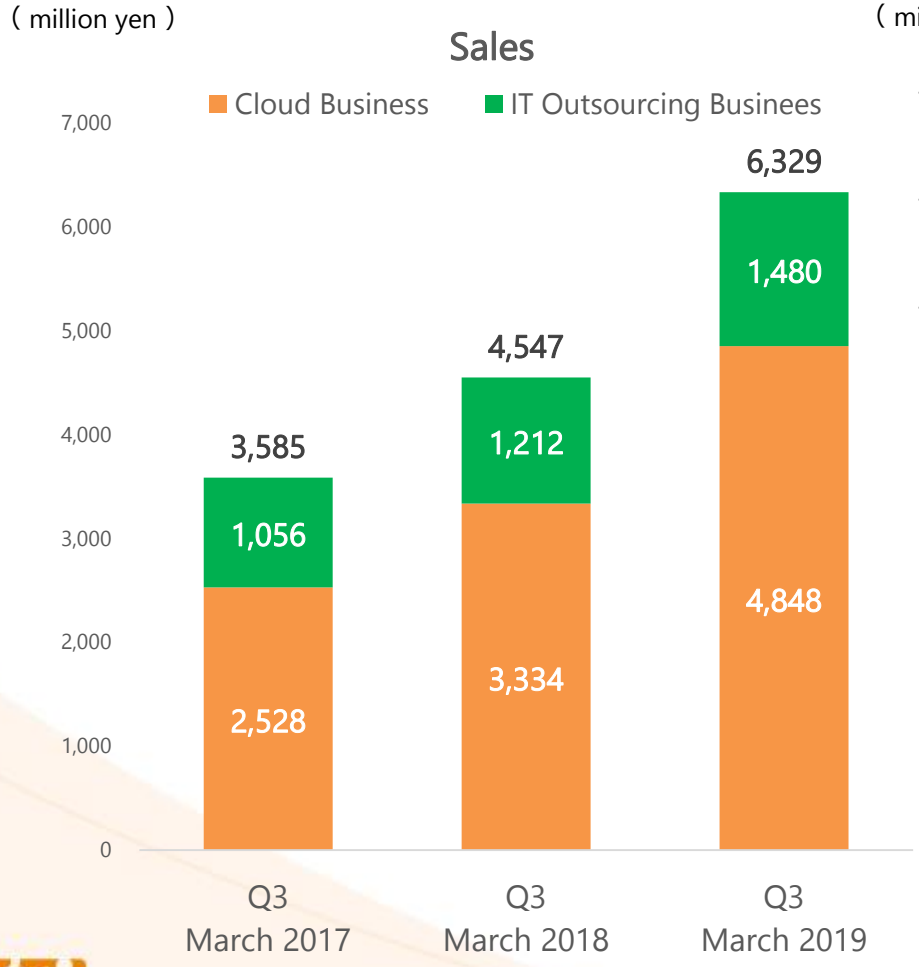
(million yen)	Q2 of March 2018 (actual)	Q3 of March 2018 (actual)	Year on Year
Sales	4,547	6,329	139.2%
Cost of goods sold	1,639	2,140	130.6%
Gross profit	2,908	4,189	144.0%
(GP margin)	(64.0%)	(66.2%)	
SG&A	2,036	2,950	144.9%
Operating profit	872	1,238	141.9%
(OP margin)	(19.2%)	(19.6%)	
Ordinary profit	875	1,242	141.9%
(Ordinary profit margin)	(19.3%)	(19.6%)	
EBITDA	924	1,489	161.1%
(EBITDA margin)	(20.3%)	(23.5%)	
Corporate income tax	274	427	
(Corporate tax rate)	(31.3%)	(34.4%)	
Net income attributable to shareholders of the parent	600	814	135.6%

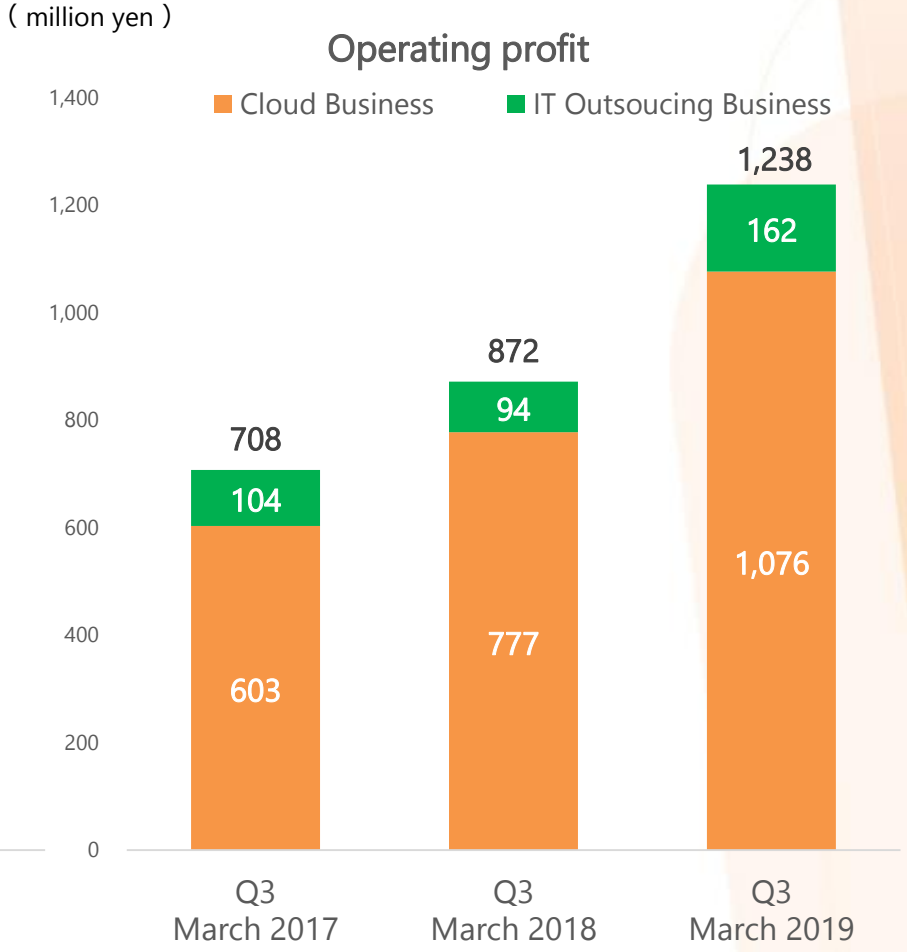
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Performance by Business Segment

Growth of the cloud business was accelerated by enhanced investment for future growth.

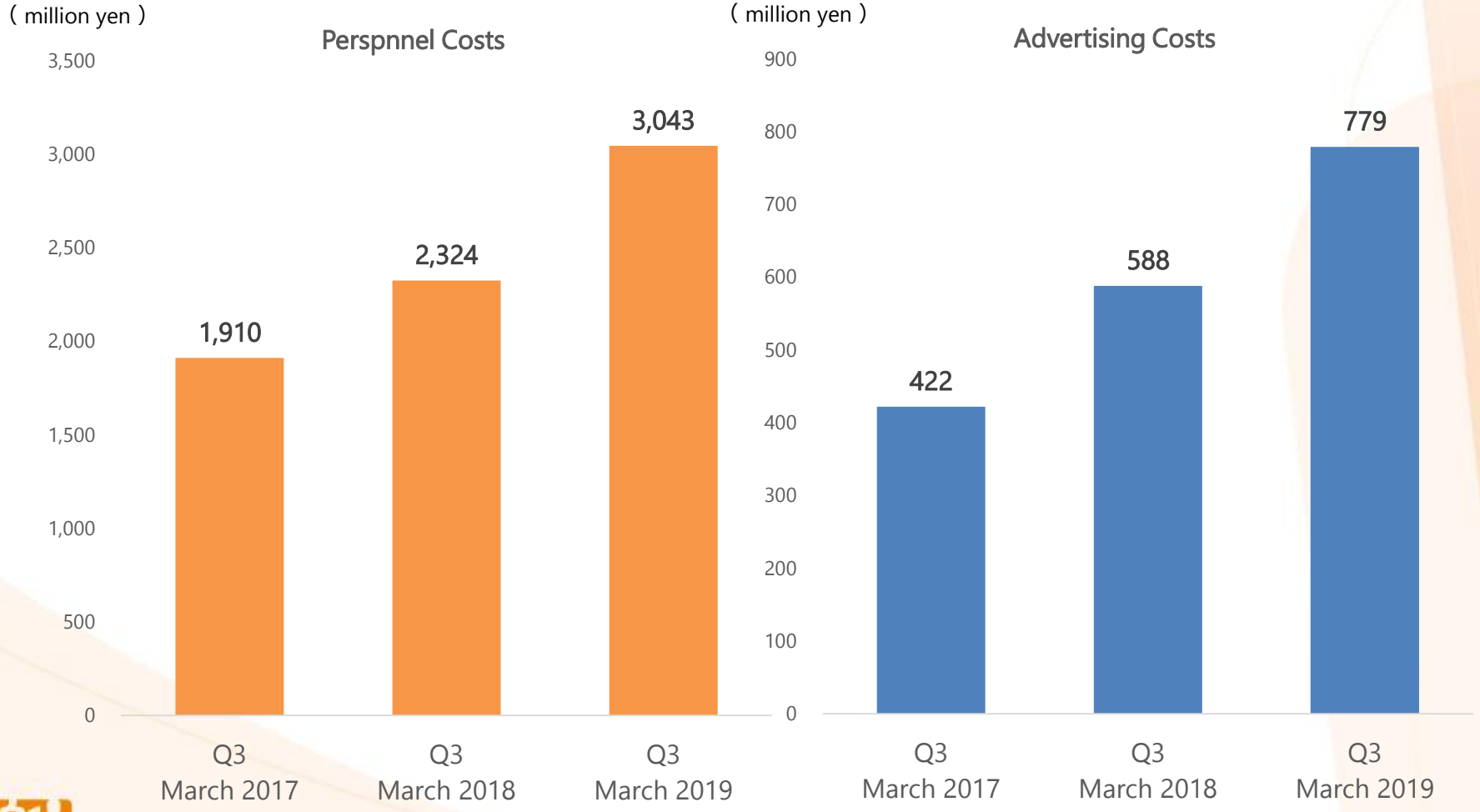




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Trends for Personnel and Advertising Costs（Q3 actual）

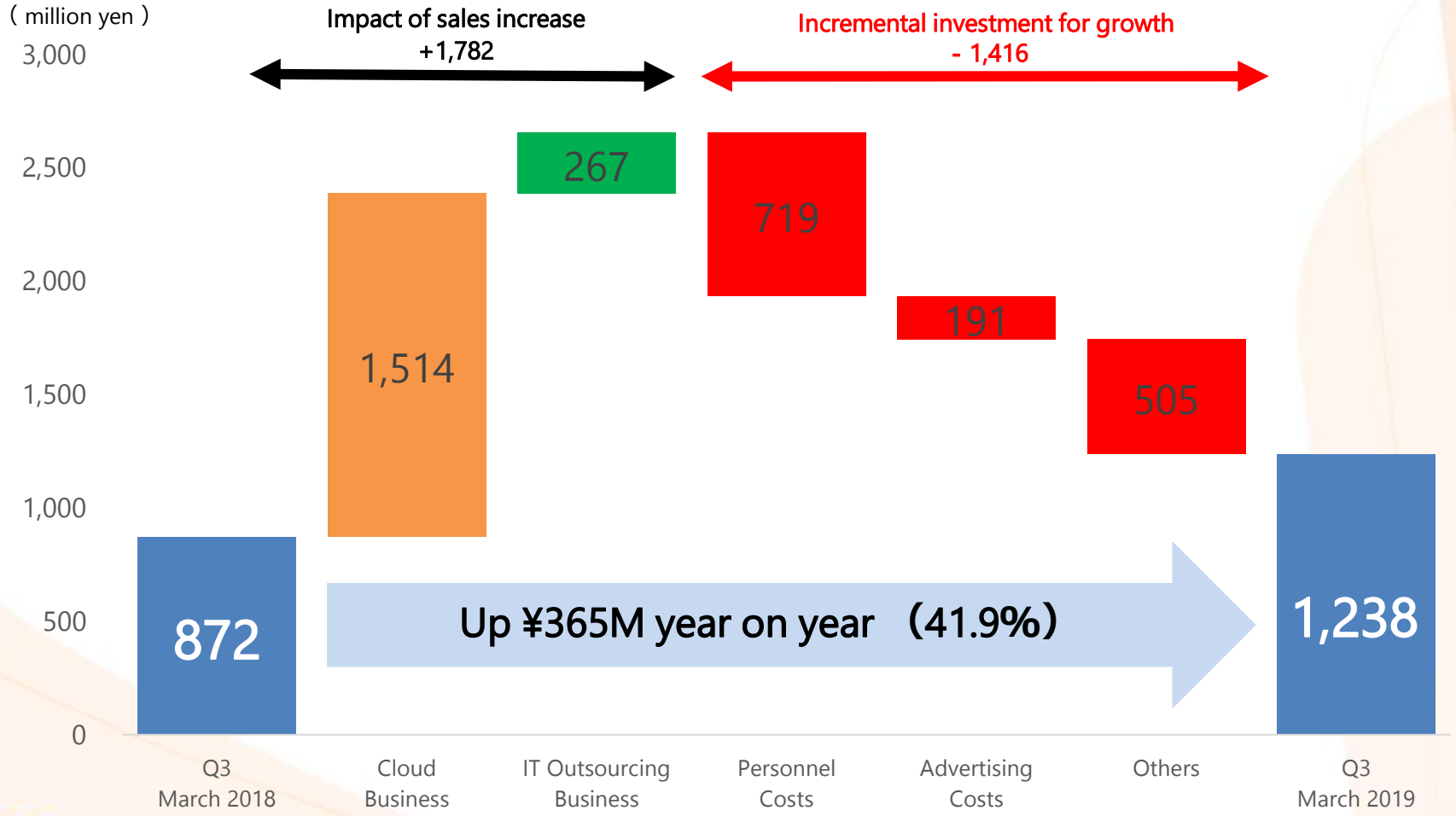
Vigorous investment was made for future growth while cost performance was stressed.



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Factors for Changes in Consolidated Operating Profits in Q3 of March 2019

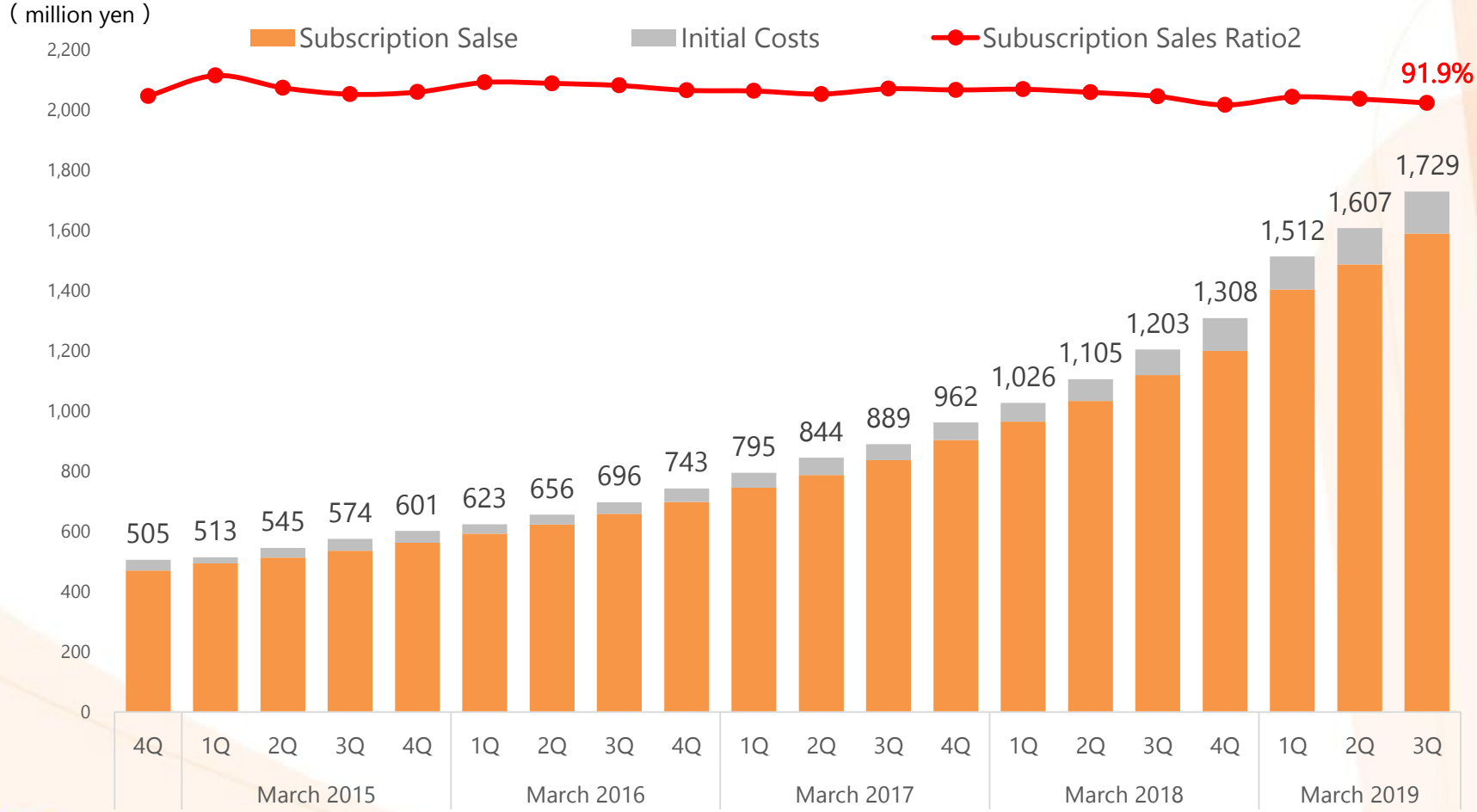
Profits increased significantly due to no big marketing activities in Q3.



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Trends for Subscription Sales of the Cloud Business

The subscription revenue ratio continued to be at a high level.

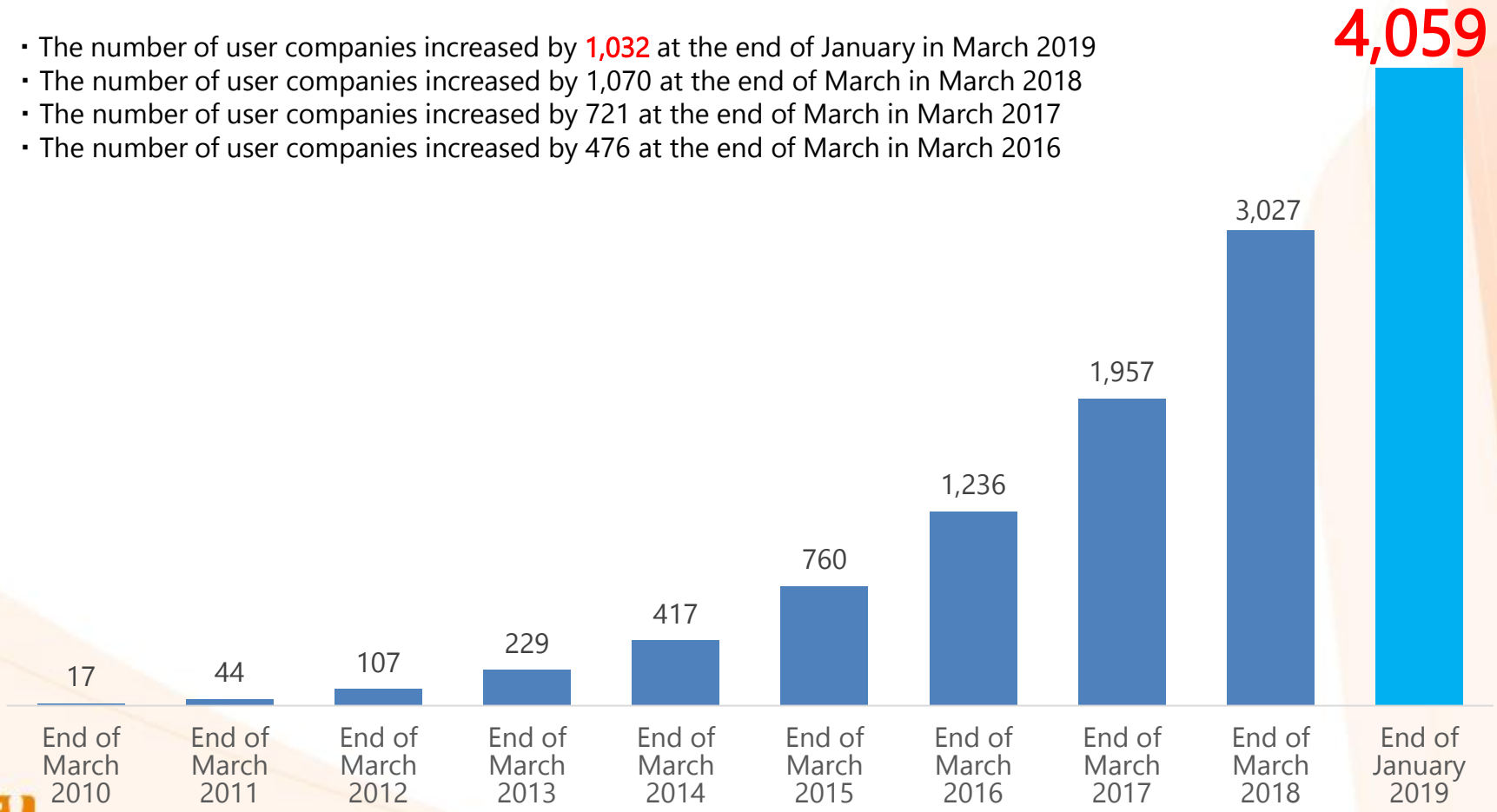


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Trends for the Cumulative Number of Corporations Using Raku Raku Seisan

Our short term target to obtain 5,000 user companies will be achieved in March 2020.

- The number of user companies increased by 1,032 at the end of January in March 2019
- The number of user companies increased by 1,070 at the end of March in March 2018
- The number of user companies increased by 721 at the end of March in March 2017
- The number of user companies increased by 476 at the end of March in March 2016



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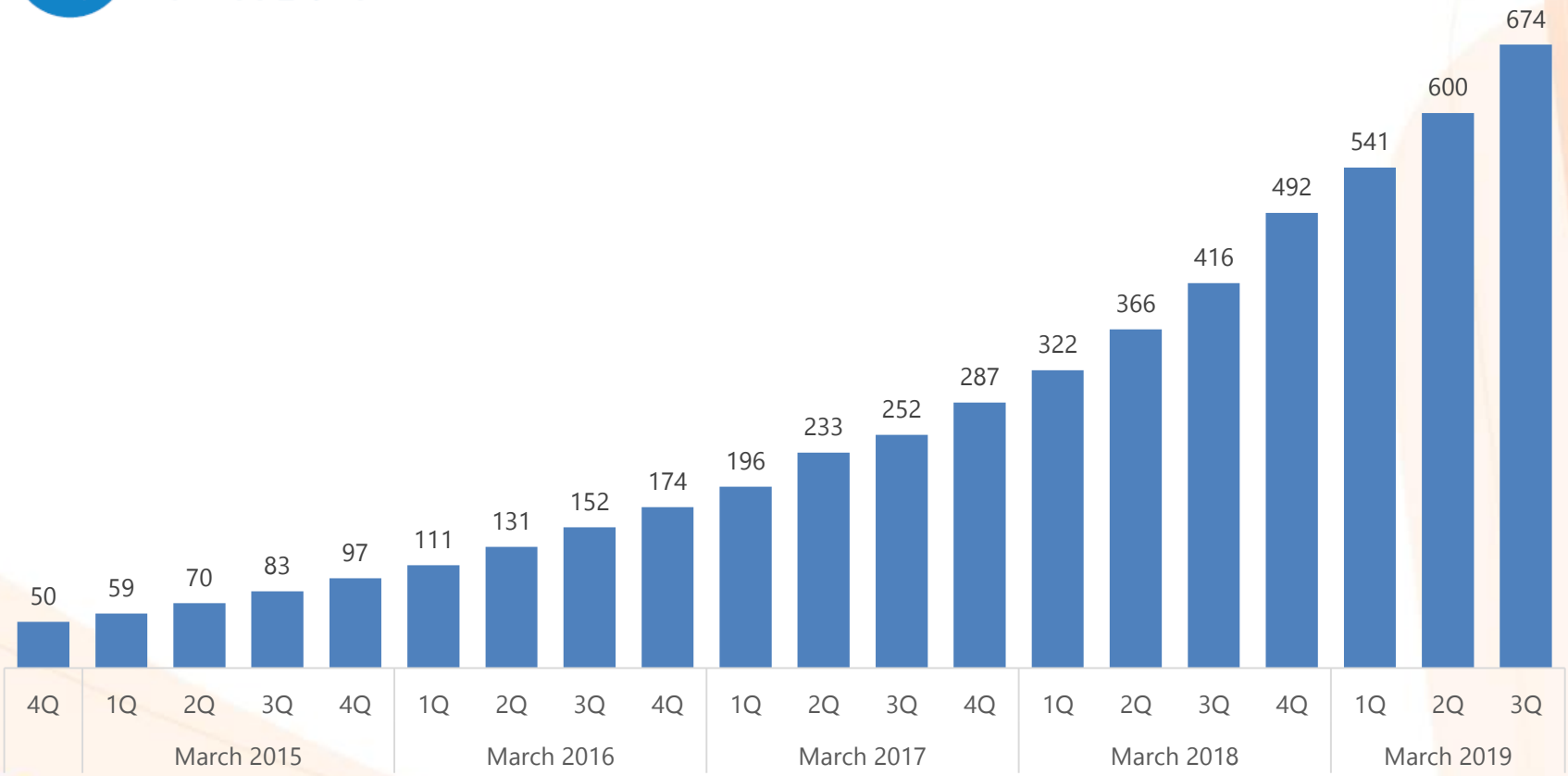
Sales Trends for Raku Raku Seisan

Sales increased by 62.0% year on year and high growth was maintained.

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* Sales of cloud services alone are described below.

(million yen)



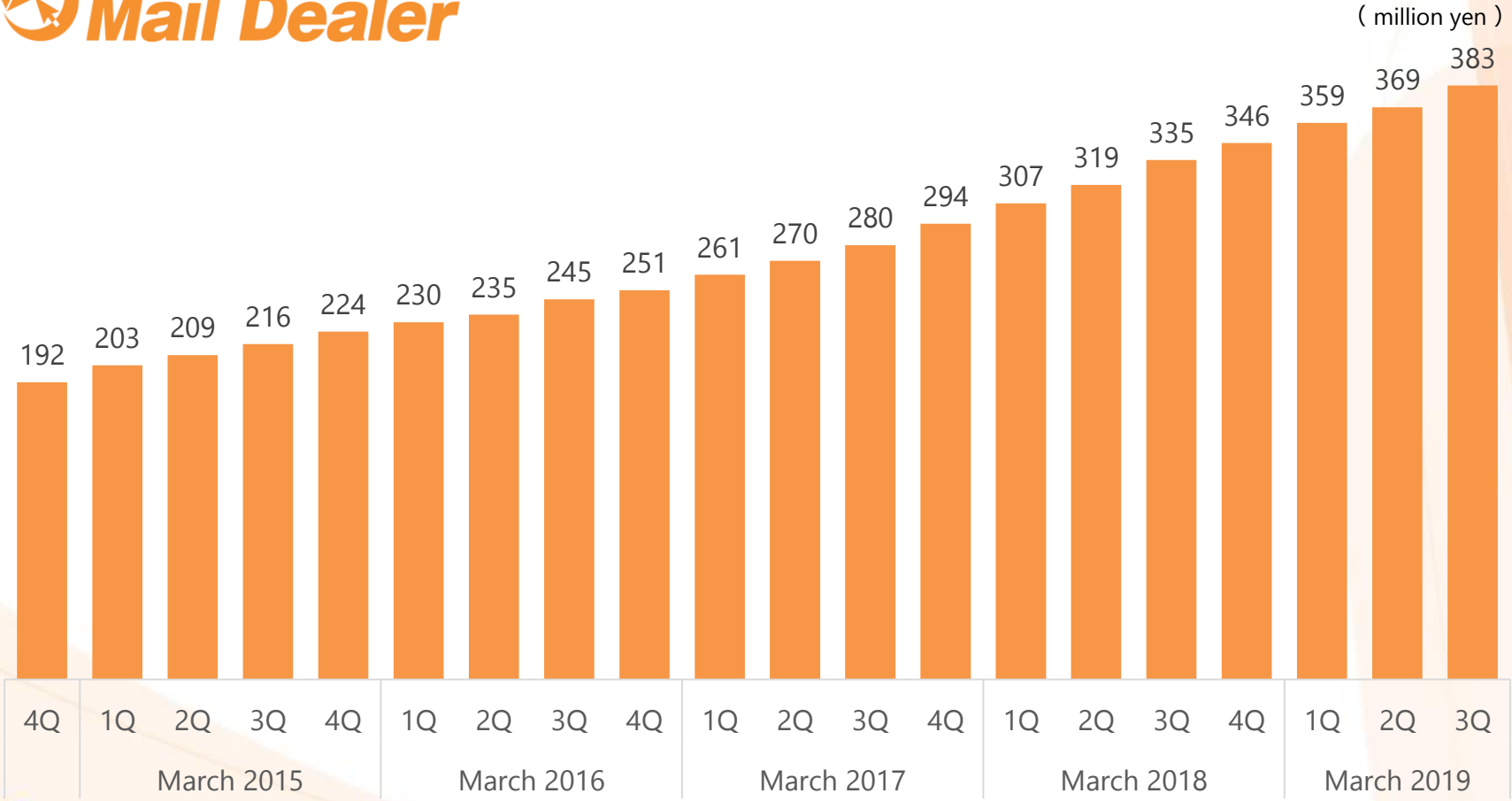
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Sales trends for Mail Dealer

Sales increased by 14.3% year on year and steady growth was maintained.

メールディーラー Mail Dealer

* Sales of cloud services alone are described below.



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Sales of the Cloud Business by Service

High growth of major services was maintained.
Mail Dealer enjoyed 16.2% sales growth due to the impact of non-recurring sales.

(million yen)

	Sales from October to December in 2018	Quarter on Quarter	Year on Year
Raku Raku Seisan	674	12.3%	61.5%
Mail Dealer	397	6.1%	16.2%
Email distribution services	346	0.3%	59.5%
Hataraku DB	154	9.2%	33.4%
Raku Raku Meisai	87	15.3%	102.6%
Others	68	-0.5%	1.9%
Total of the Cloud Business	1,729	7.6%	43.7%

* The figure for email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail.
* On-premises sales are included in the chart above.

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Balance Sheet

(million yen)

	End of March 2018	End of Q3 of March 2019	Difference
Current assets	2,802	3,183	380
Non-current assets	2,427	2,396	-31
Total assets	**5,229**	**5,579**	**349**
Current liabilities	1,418	1,062	-356
Non-current liabilities	104	126	21
Total liabilities	**1,522**	**1,188**	**-334**
Shareholders' equity	3,709	4,392	683
Accumulated other comprehensive income	-2	-1	0
Total equity	**3,706**	**4,391**	**684**
Total liabilities and equities	**5,229**	**5,579**	**349**
Equity ratio	**70.9%**	**78.7%**	

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Consolidated Guidance for the Fiscal Year March 2019

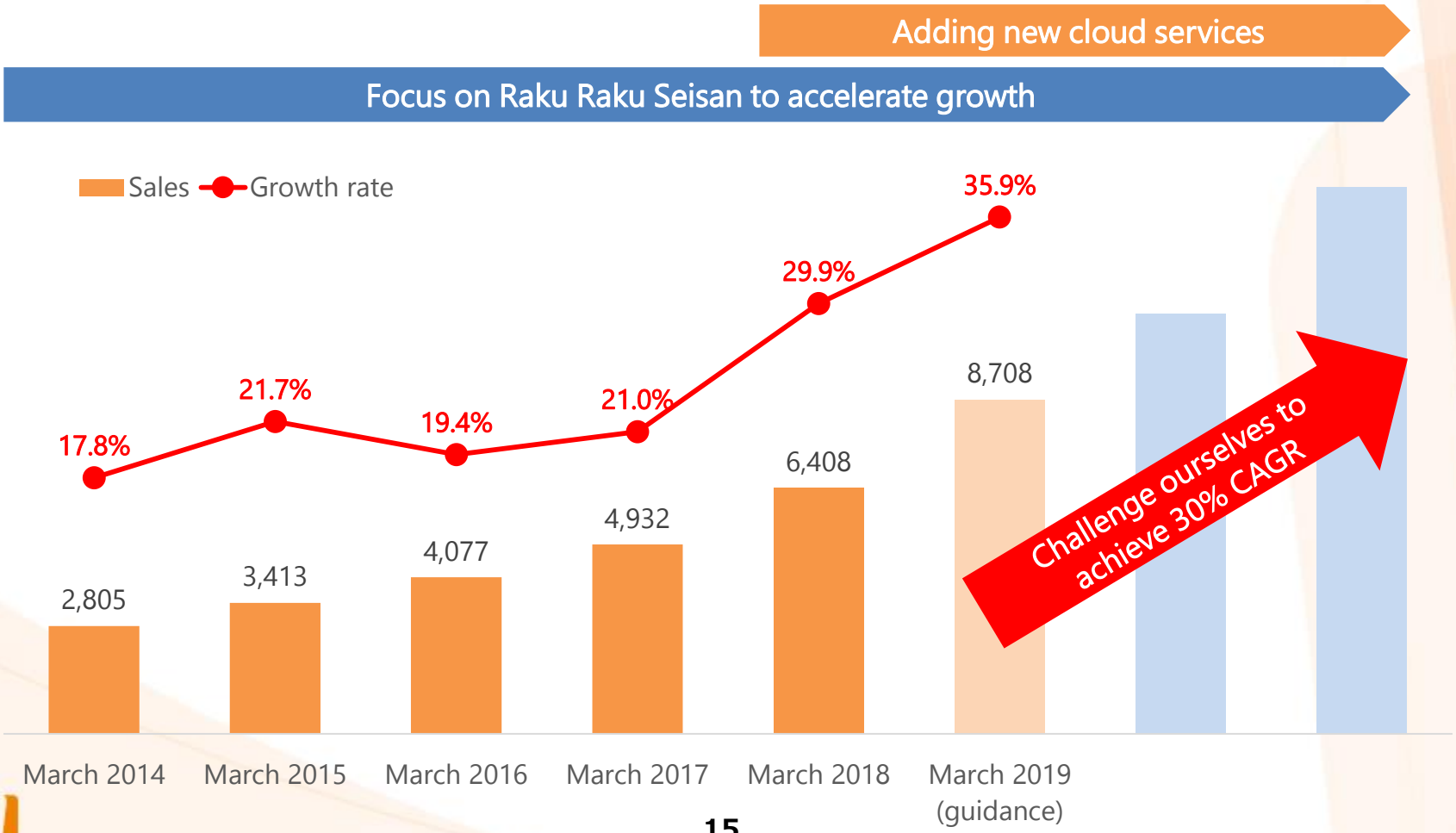
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Management Policies and Growth Strategy

Intensify investment for growth to achieve 30% CAGR

※We aim to achieve 30% of CAGR over 3 years from March 2019 to March 2021, with a baseline of March 2018.

(million yen)



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Consolidated Guidance for March 2019

The sales guidance was revised again due to brisk new orders. Sales and profits will be higher than the original budget.

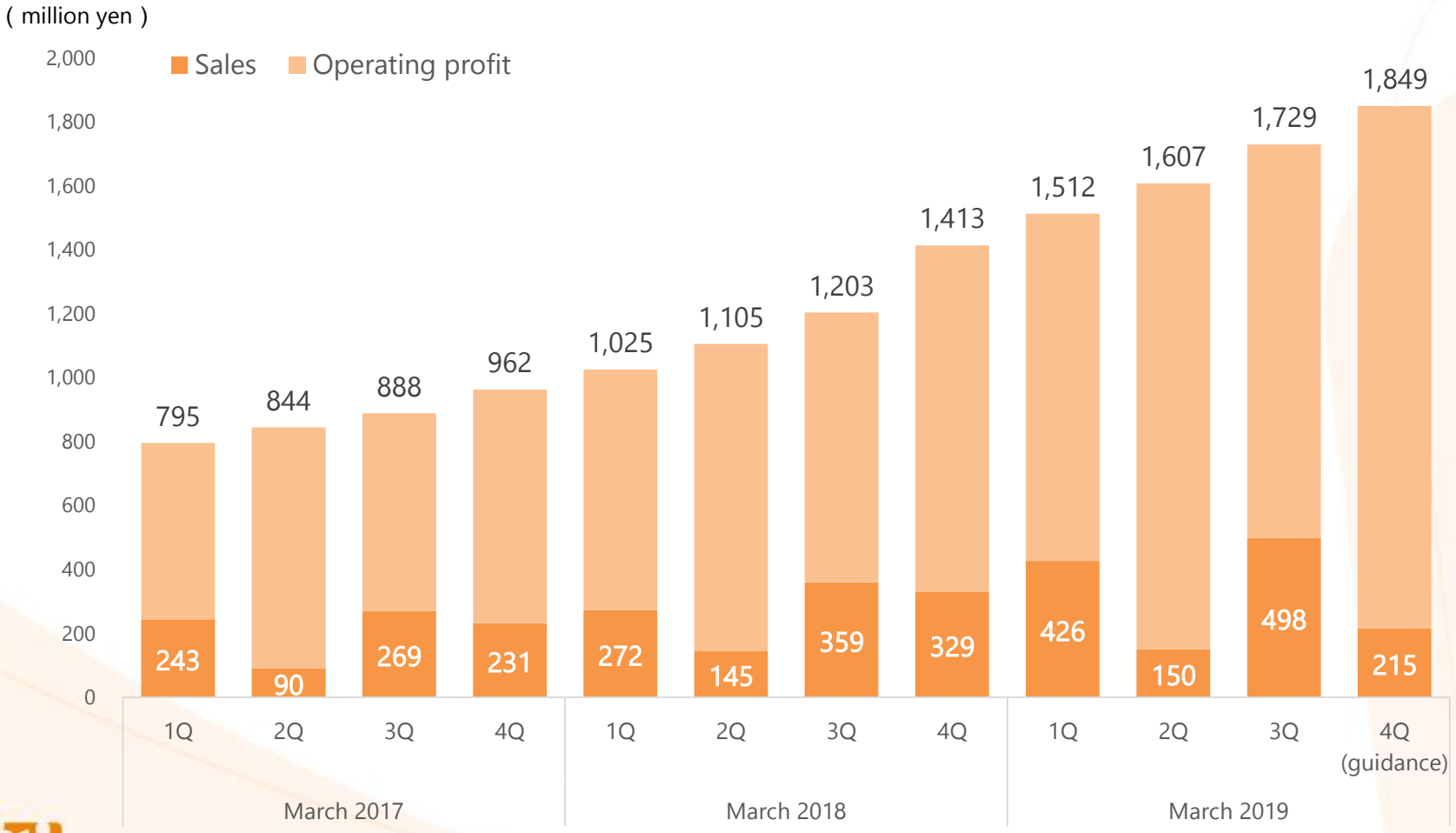
(million yen)	Full year of March 2018 (actual)	Full year of March 2019 (original guidance)	Full year of March 2019 (Revised guidance)	Versus the original guidance	Year on Year
Sales	**6,408**	**8,430**	**8,708**	**103.3%**	**135.9%**
Cost of goods sold	2,285	2,858	2,979	104.2%	130.4%
Gross profit	4,123	5,572	5,729	102.8%	138.9%
(GP margin)	(64.4%)	(66.1%)	(65.8%)		
SG&A	2,882	4,195	4,261	101.6%	147.8%
Operating profit	**1,241**	**1,376**	**1,468**	**106.7%**	**118.3%**
(OP margin)	(19.8%)	(16.3%)	(16.9%)		
Ordinary profit	**1,247**	**1,376**	**1,472**	**107.0%**	**118.0%**
(Ordinary profit margin)	(19.5%)	(16.3%)	(16.9%)		
EBITDA	**1,357**	**1,703**	**1,805**	**106.0%**	**133.0%**
(EBITDA margin)	(21.2%)	(20.2%)	(20.7%)		
Corporate income tax	372	485	459	94.6%	123.3%
(Corporate tax rate)	(29.9%)	(35.3%)	(31.2%)		
Net income attributable to shareholders of the parent	**874**	**890**	**1,013**	**113.8%**	**115.8%**

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Quarterly trends for the cloud business

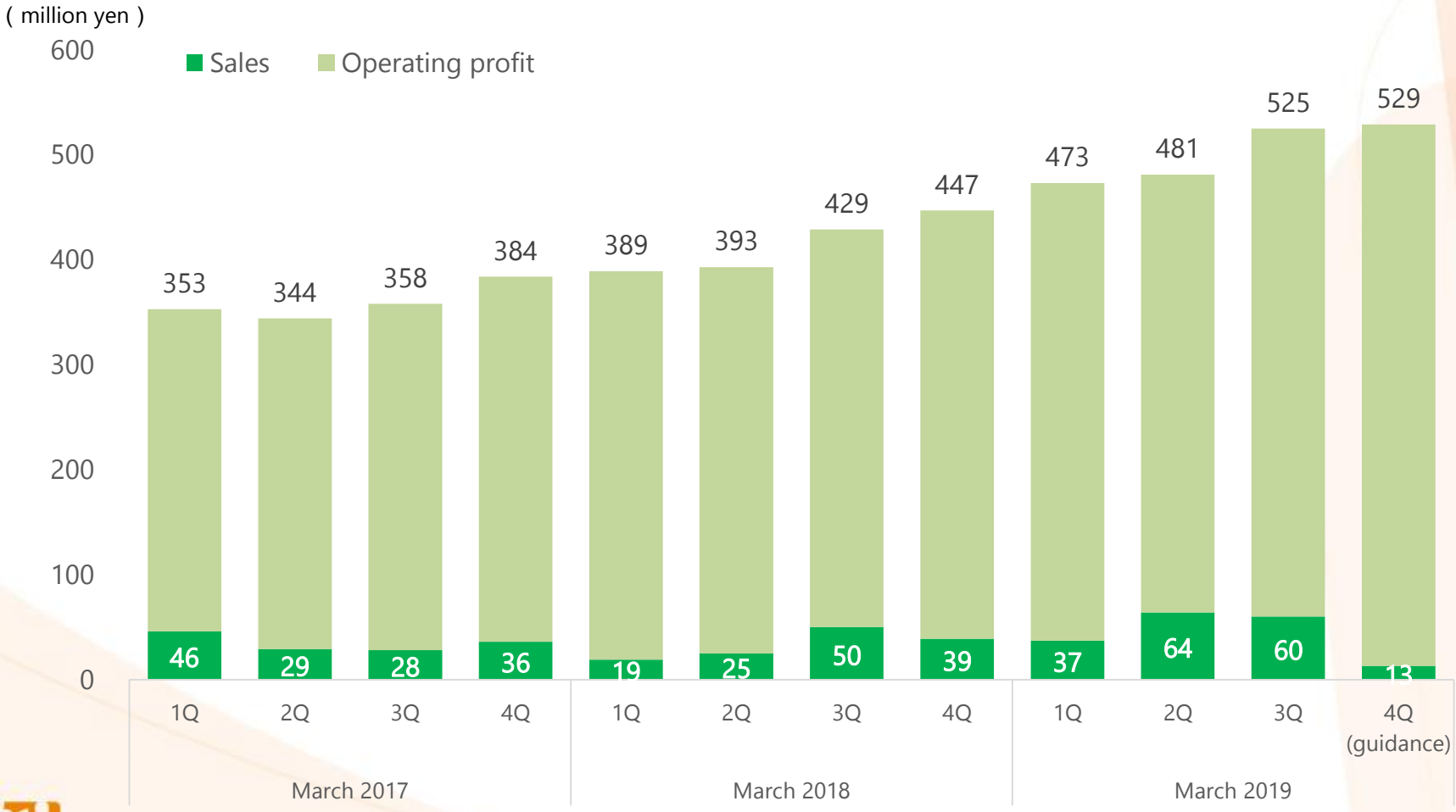
Sales increased steadily, which is a characteristic of the subscription model.
Operating profit fluctuates due to the timing of large-scale marketing activities.



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Quarterly trends for the IT outsourcing business

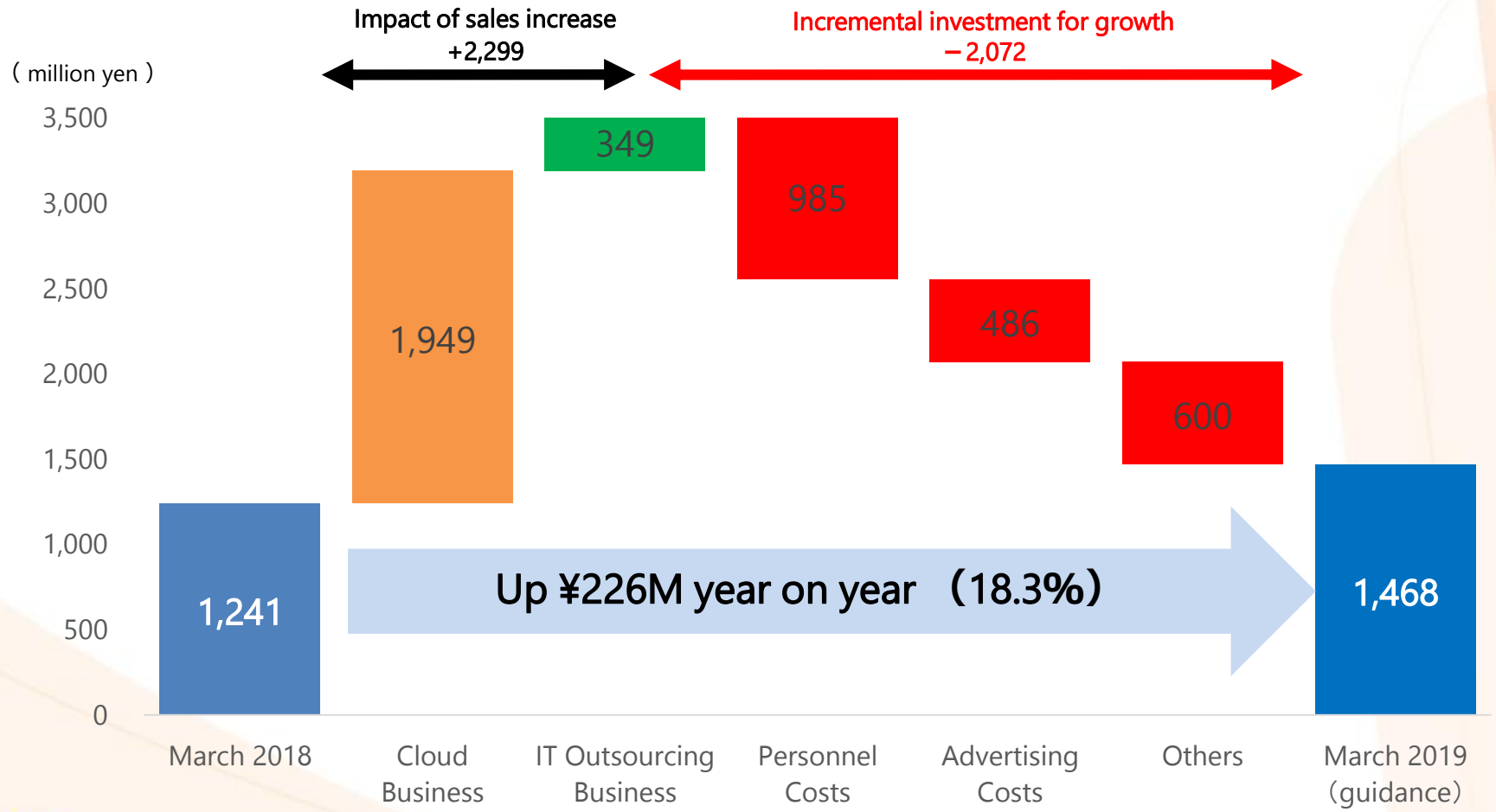
Steady growth was achieved with an increasing number of engineers.



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Factors for Changes in Consolidated Operating Profits

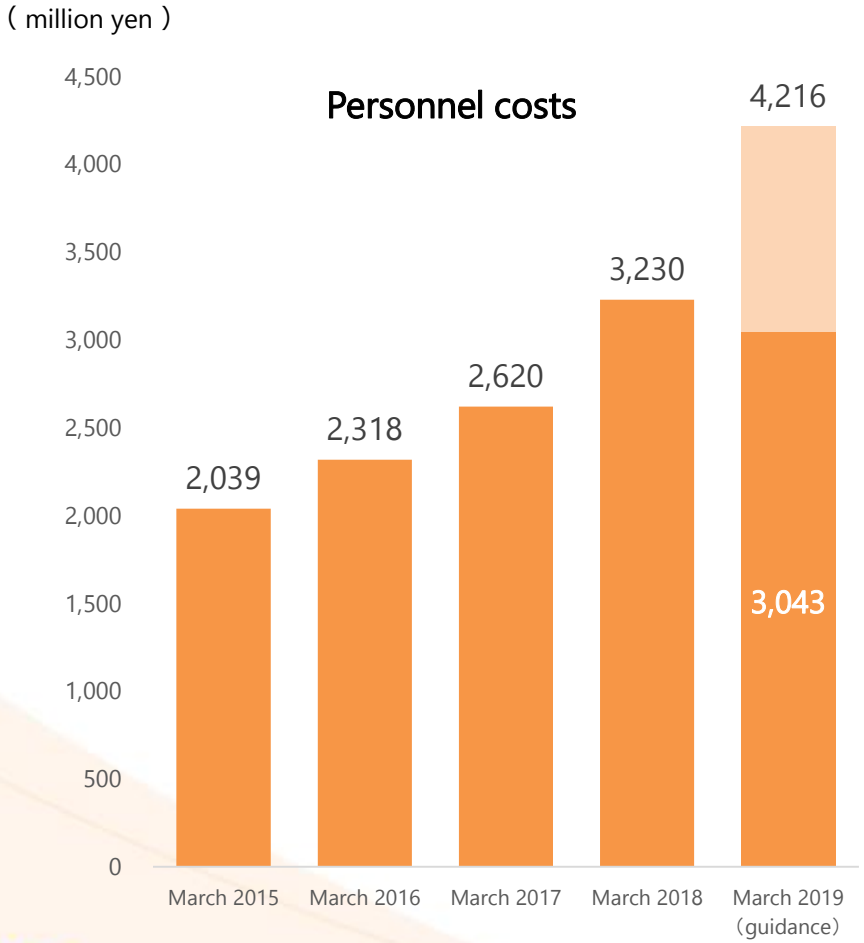
Additional investment notwithstanding, operating profit will increase significantly year on year due to an increase in sales.

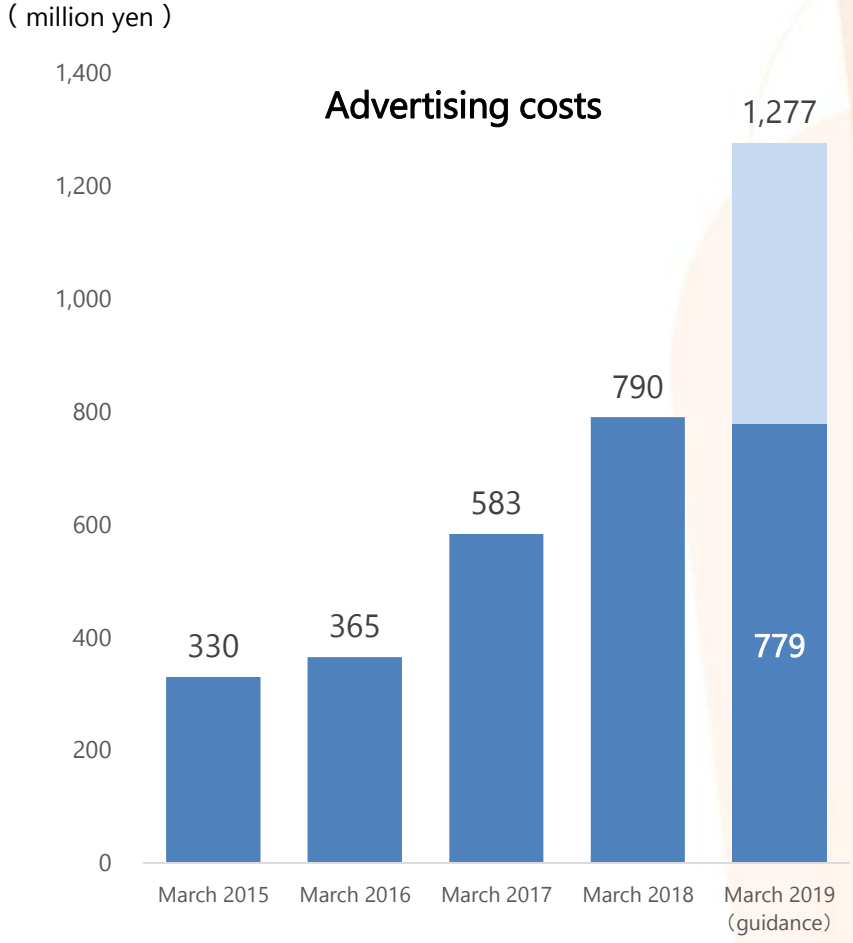


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Guidance of Personnel and Advertising Costs

Investment was made based on well-considered cost efficiency.

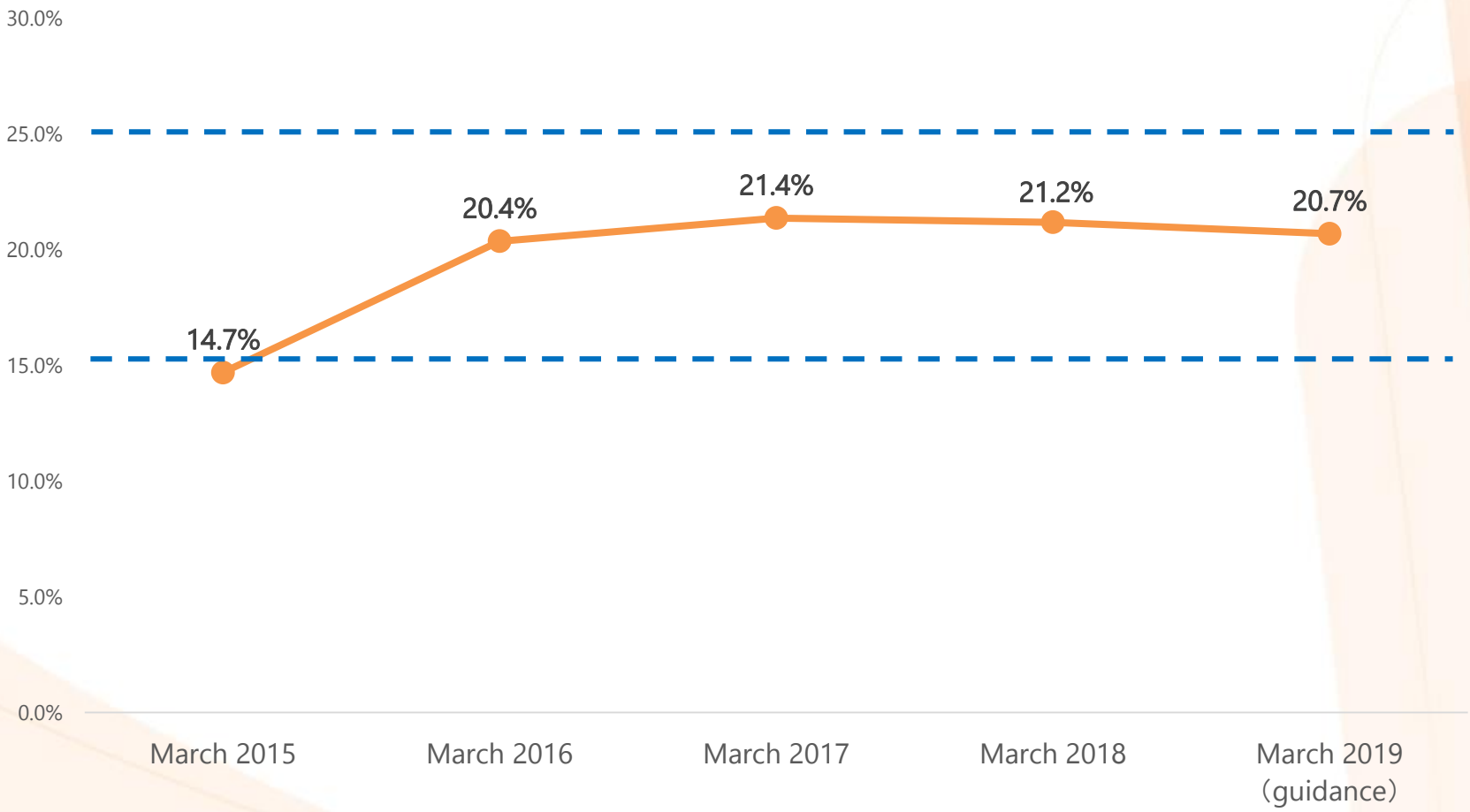




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【KPIs】Trends for EBITDA Margins

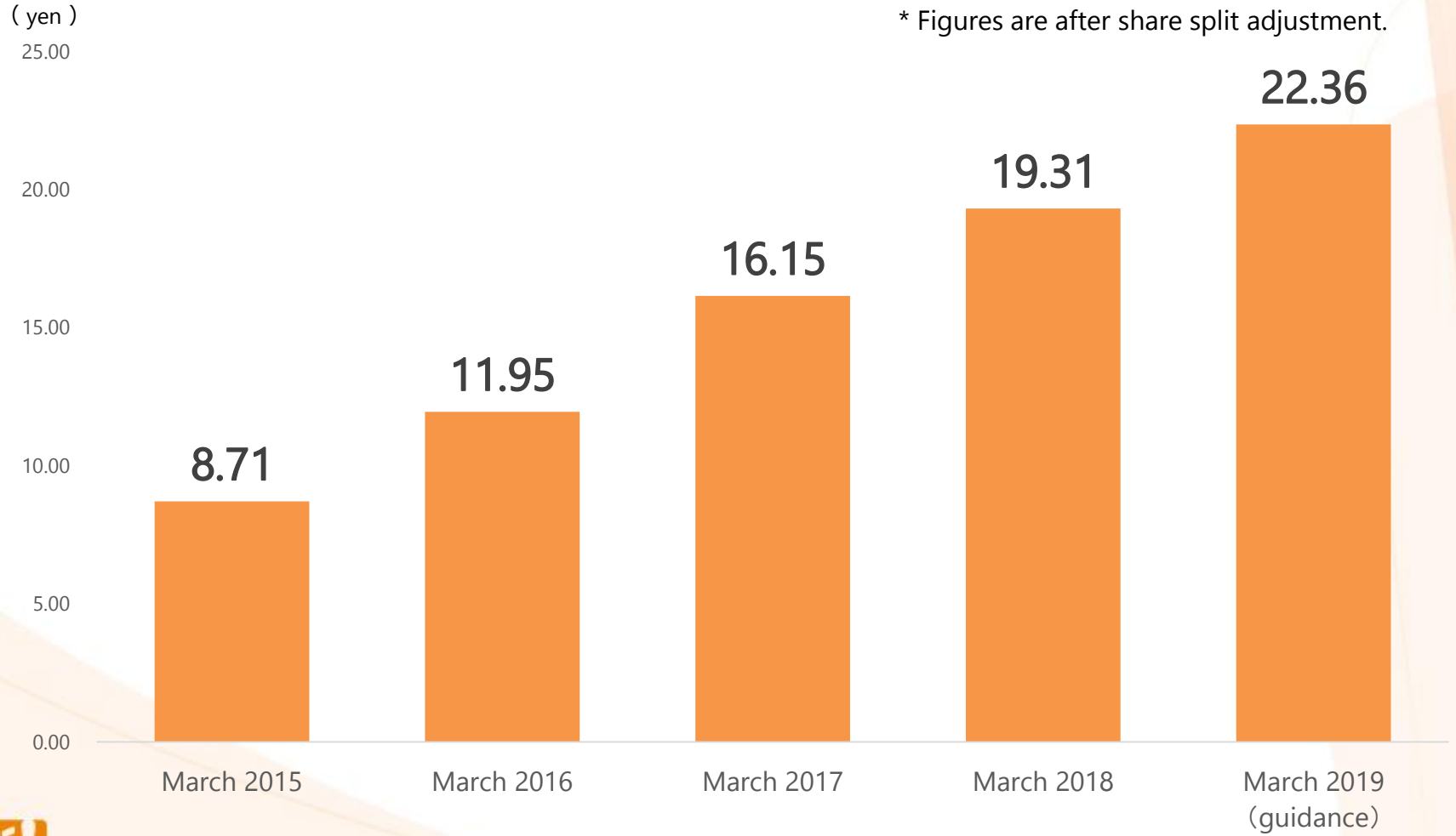
Investing for growth while keeping 15 – 25% EBITDA margin.



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【KPIs】Trends for EPS

EPS growth has been maintained despite the impact of goodwill amortization and corporate income tax.



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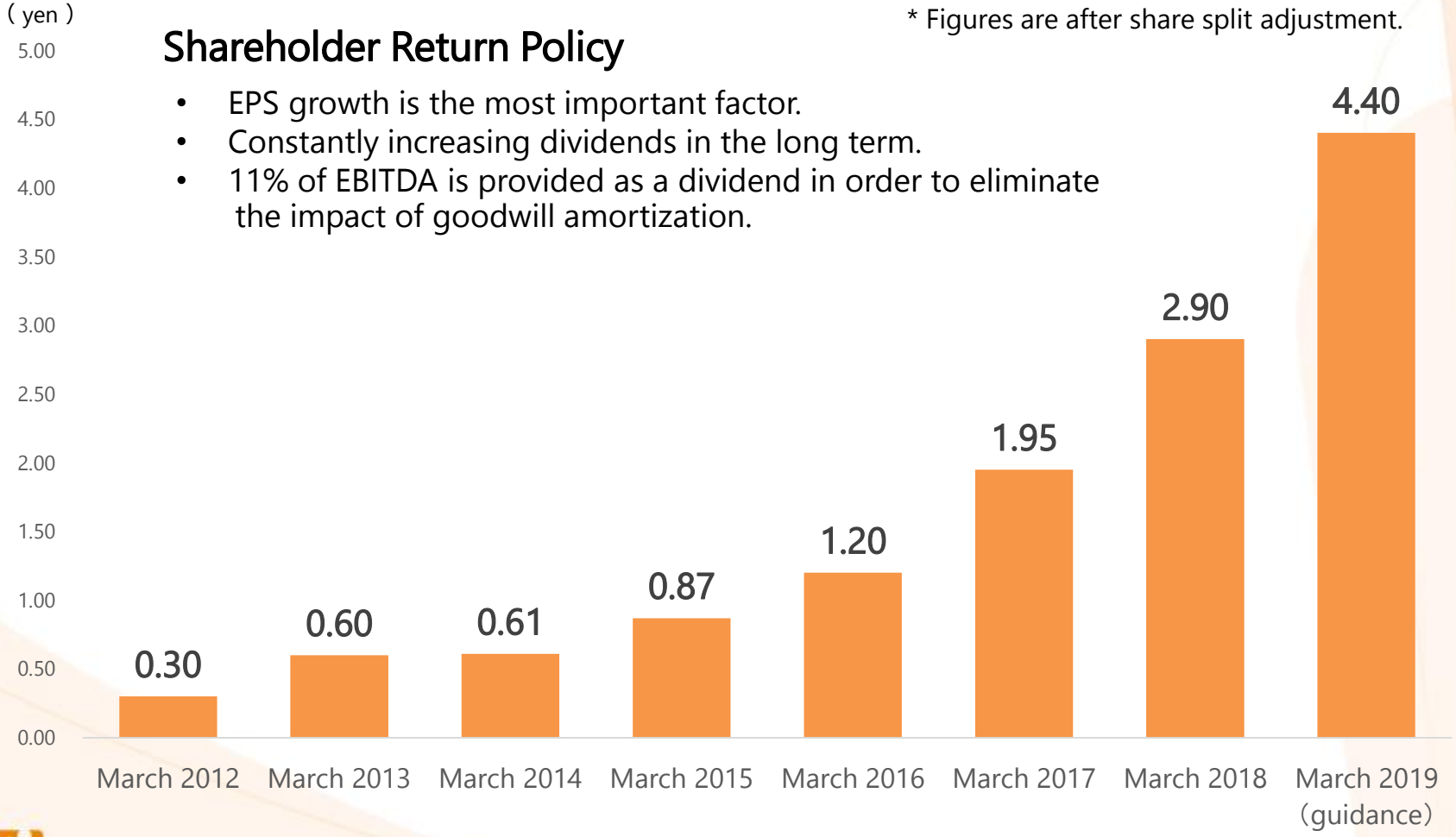
【KPIs】Shareholder Return

Dividend is 0.25 yen higher than the initial budget due to the upward revision of the guidance, which marks a 7 year consecutive dividend increase.

* Figures are after share split adjustment.

Shareholder Return Policy

- EPS growth is the most important factor.
- Constantly increasing dividends in the long term.
- 11% of EBITDA is provided as a dividend in order to eliminate the impact of goodwill amortization.

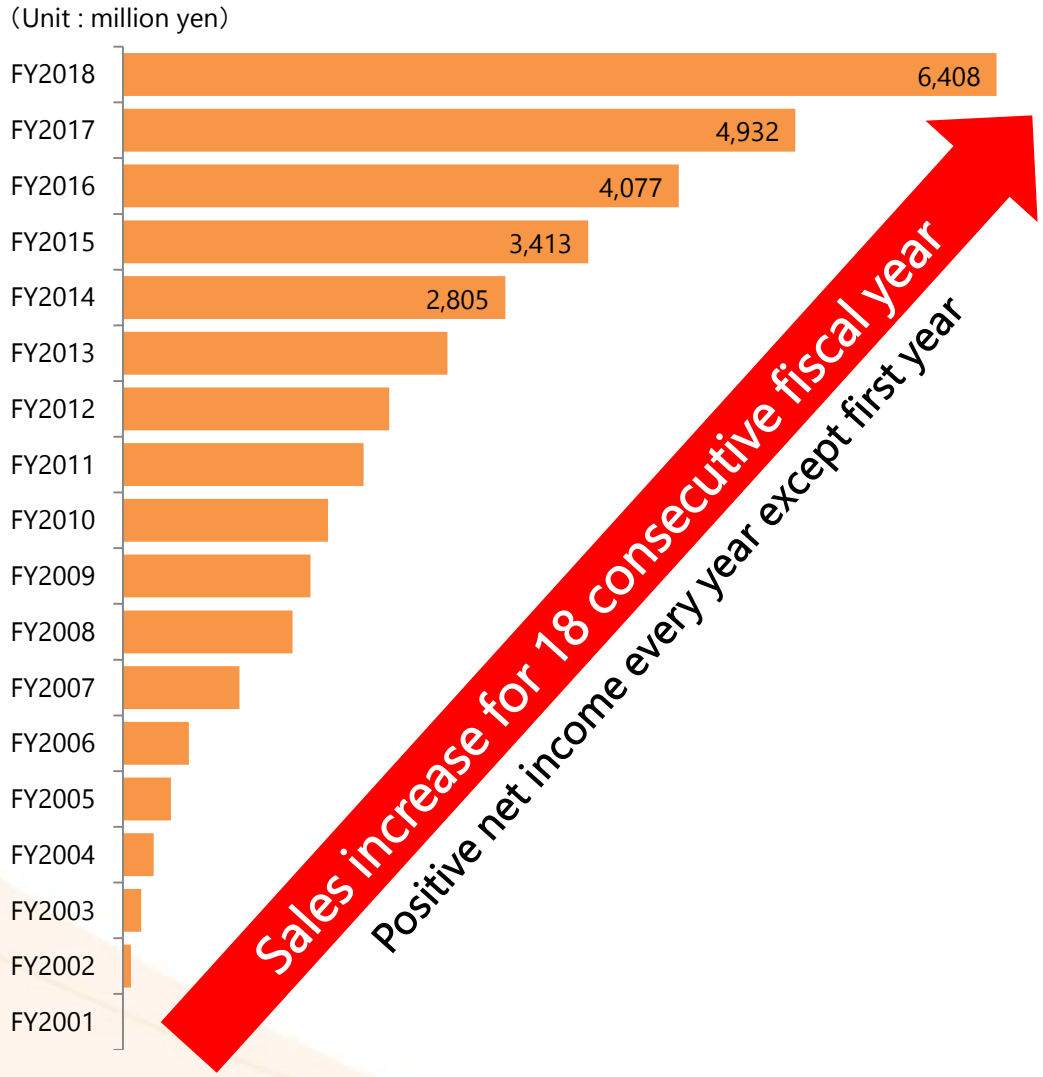


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Appendix

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History



Blaynmail consolidated as subsidiary

Listed on Mothers
Sell US subsidiary
Subsidiary established in Vietnam

Rakuraku meisai launched

subsidiary established in the US

Raku Raku Seisan launched
Corporate name changed
Hataraku Database launched
Shut down engineer school
Hai-Hai mail launched

Merged Xbit

Xbit consolidated as subsidiary

Cloud business started（Mail Dealer launched）
IT engineering school business started
IT Boost established (later known as RAKUS)

Consolidated results from FY 2014
The company was not audited from 2001 to 2013.

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Raku Raku Seisan

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Product outline：A system for settlement of travel & other expenses

Main customers：Companies with 50 to 1,000 employees（all industries）

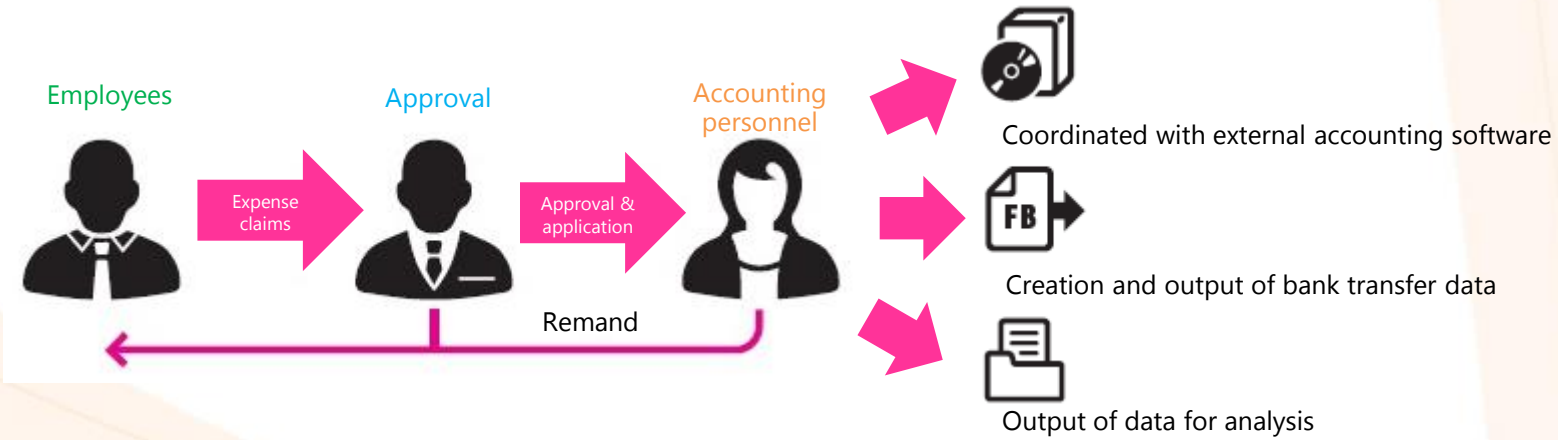
Addressed to：Accounting departments

Usage：To improve efficiency of settlement for travel & other expenses

Fee structure：Based on the number of users + option fees

Launched：July 2009

75% reduction in time & cost required for expense settlements



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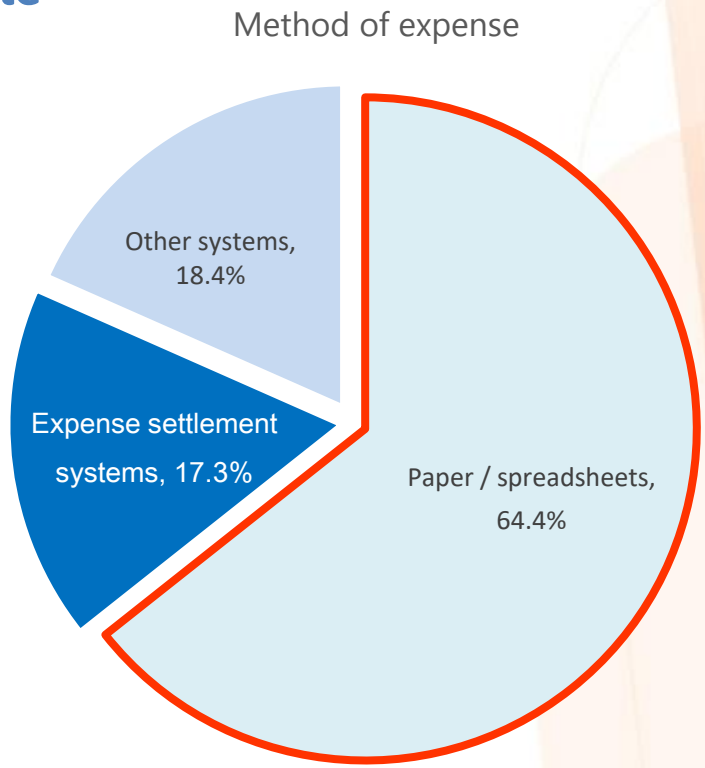
Target Market for the Cloud-based Expense Settlement Systems

The target market is 100,000 companies valued at 70 billion yen.

We aim to acquire at least 20,000 corporate customers out of those 100,000.

There are 4 million SEMs in Japan. Of those, Raku Raku Seisan's target customers are 100,000 companies which have 50 to 1,000 employees.

We recommend that you use Raku Raku Seisan for 64.4% companies, 64,000 companies that settle paper and spreadsheet costs.



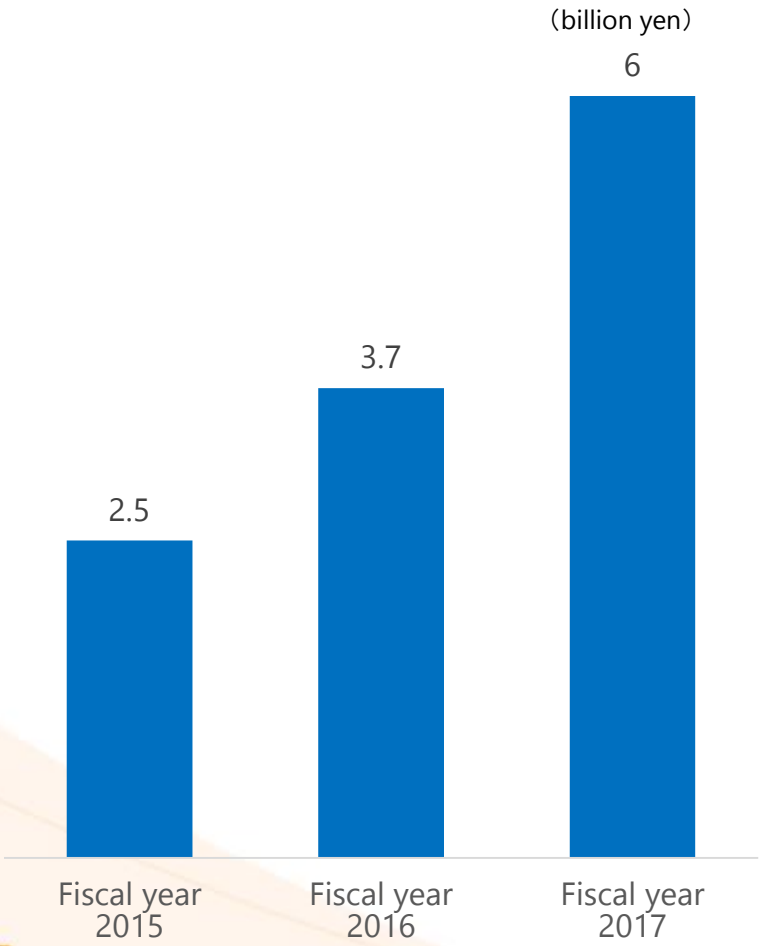
Source：Questionnaire filled out by accounting department staff in March, 2018.

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The Market for Cloud-based Expense Settlement Systems

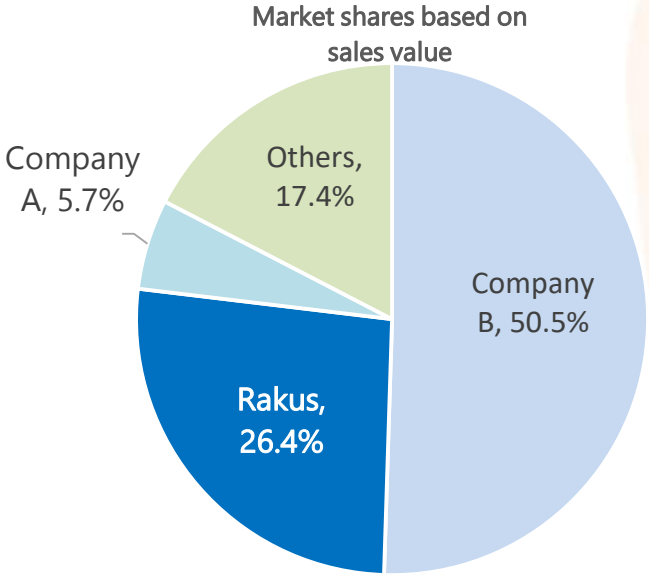
※Source：Our own survey based on various data

The market for cloud-based expense settlement in Japan



Ranking of cloud-based expense settlement （Fiscal year 2017）

Number 1	Rakus 楽楽精算	2,661 companies
Number 2	Company A	1,000 companies
Number 3	Company B	710 companies
Number 4	Company C	590 companies
Number 5	Company D	200 companies



※ Company B has a large market share based on sales value because they target large companies selling services at a higher unit price.

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Mail Dealer

メールディーラー Mail Dealer

Product outline：A system to share and manage inquiry emails among staff within a company

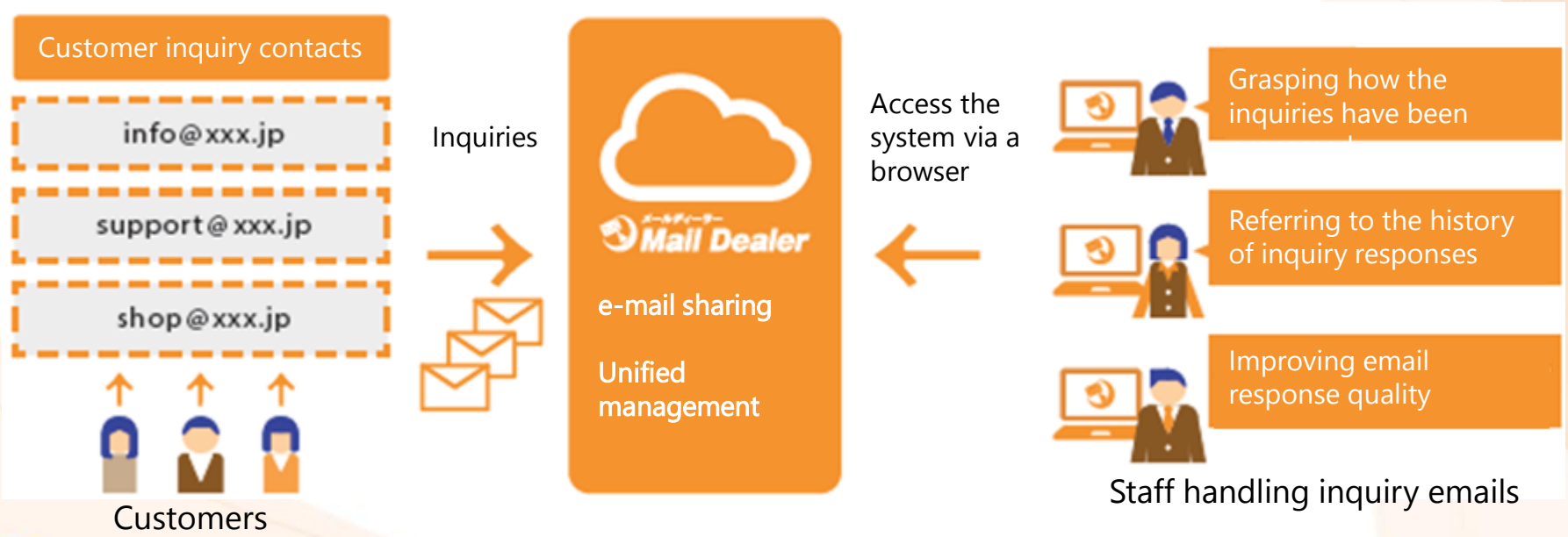
Main customers：E commerce businesses, call centers, and other B to C businesses

Addressed to：Customer support divisions

Usage：To improve quality and efficiency of response to inquiry emails

Fee structure：Based on the number of emails stored in the system + option fees

Launched：April 2001

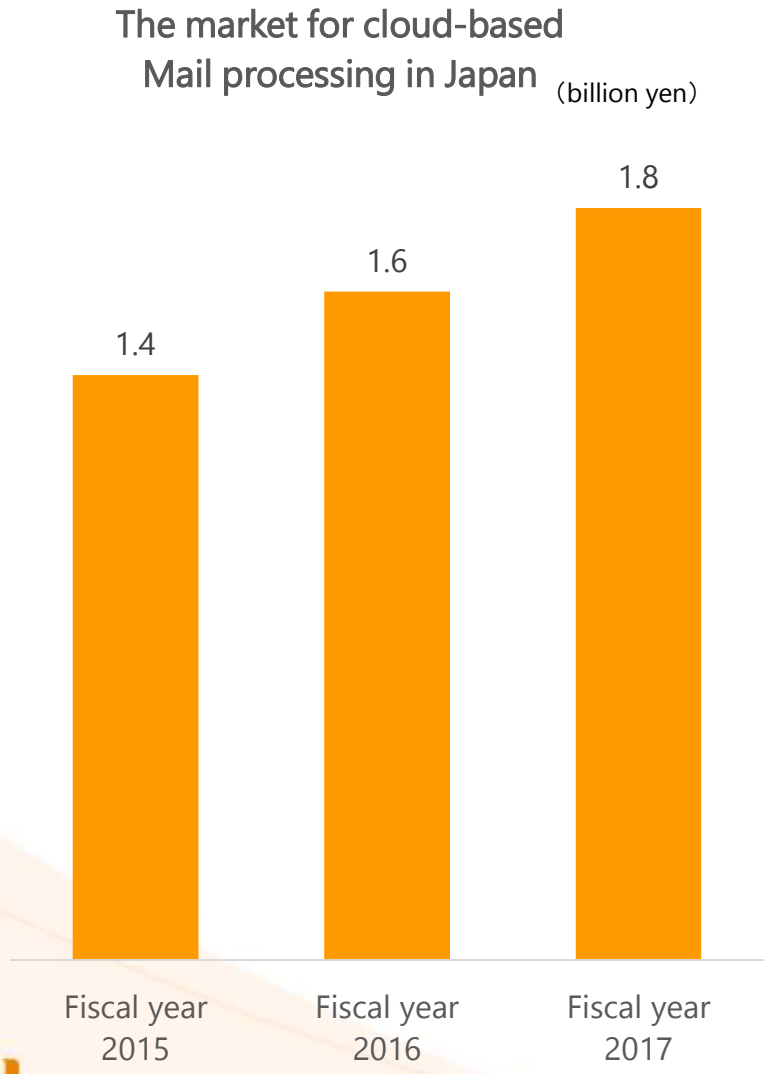


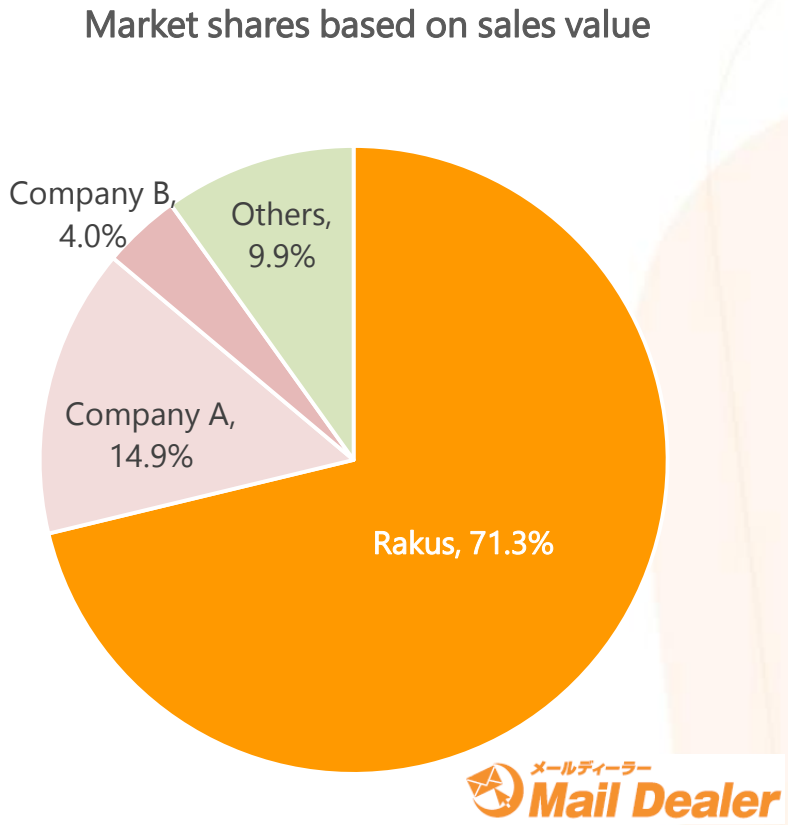
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The market for cloud-based Mail processing

* Source：Our own survey based on various data





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Other services 1

Hai Hai Mail

Product outline：Email distribution system

Main customers：B to C & B to B businesses which distribute a massive amount of emails

Addressed to：Sales division and Marketing division

Usage：To improve efficiency for distribution of sale promotion emails and mail magazines

Fee structure：Based on the number of registered addresses + option fees

Launched：May 2007

Curumeru

Product outline：A system to distribute emails in conjunction with the corporate customer's backbone system (email distribution engine)

Main customers：Businesses which distribute a massive amount of emails in conjunction with their customer database.

Addressed to：Sales division and Marketing division

Usage：To improve efficiency for distribution of sale promotion emails and mail magazines

Fee structure：Based on the number of emails distributed + option fees

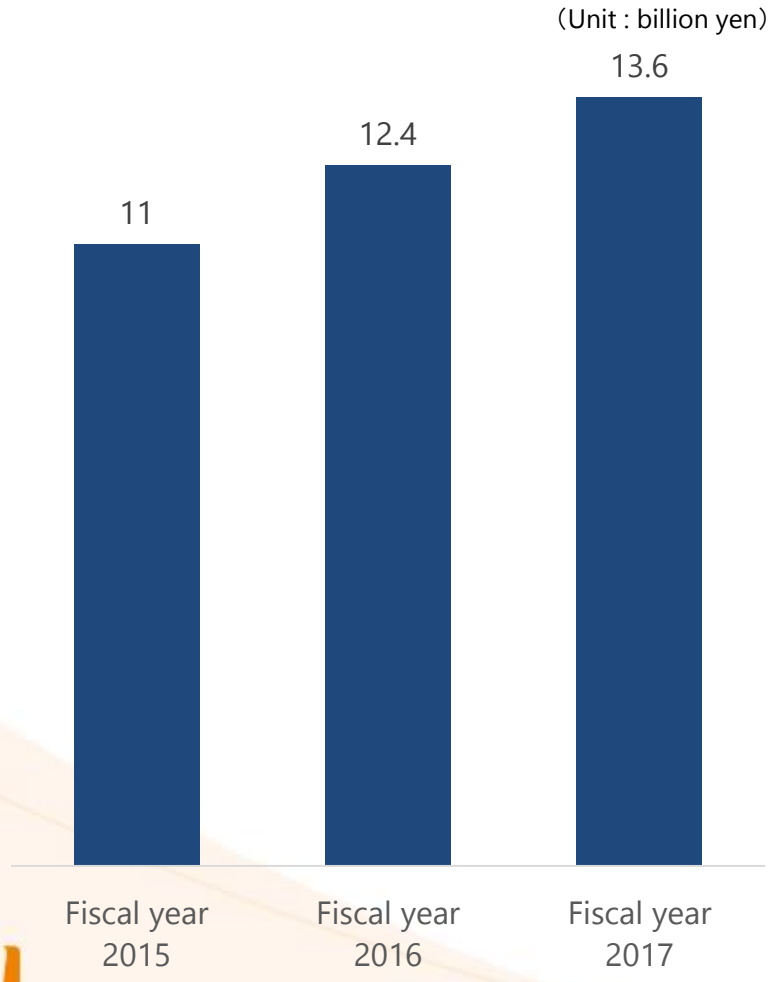
Launched：June 2011

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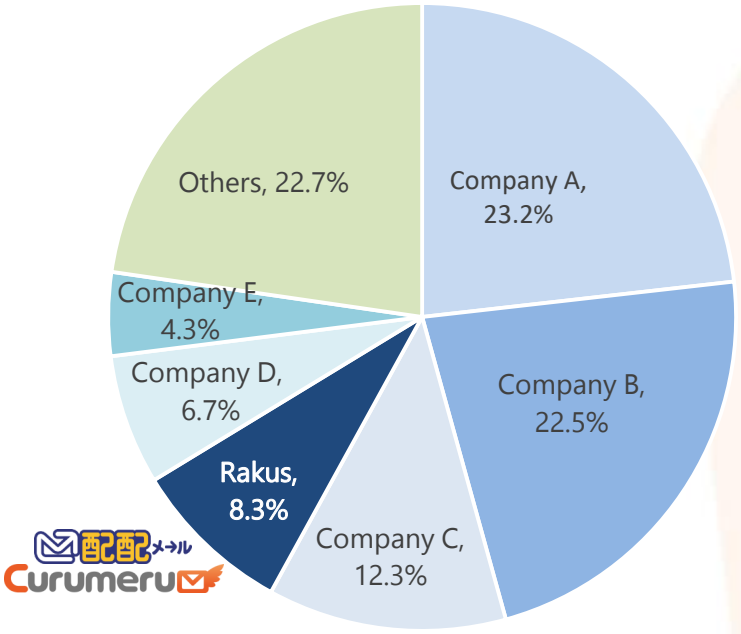
The Market for Cloud-based Email Distribution Systems

※Source：Our own survey based on various data

The Market for Cloud-based Email Distribution Systems in Japan



Market shares based on sales value



* RAKUS' market share consists of Hai Hai Mail, Curumeru and Blaynmail combined

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Other services 2

働くDB Hatadaku DB

Product outline：Web database system which can automate clerical procedures and data processing

Main customers：All industries

Addressed to：All divisions

Usage：To improve efficiency for management of sales, customers, processes and projects

Fee structure： Number of users and number of databases + option fees

Launched：October 2008

楽楽明細 Raku Raku Meisai

Product outline：A system to issue digital documentation

Main customers： All industries

Addressed to： Accounting departments

Usage：To improve efficiency of procedures to issue bills, receipts, delivery statements, payment statements, etc.

Fee structure： Number of slips issued + option fees

Launched：August 2013

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【IT outsourcing business】business model

Hiring inexperienced personnel

Training them to be IT engineers

Dispatching these engineers to customers



IT outsourcing business superiority

- Inexperienced person engineer appropriateness judgment know-how
- Expertise on education

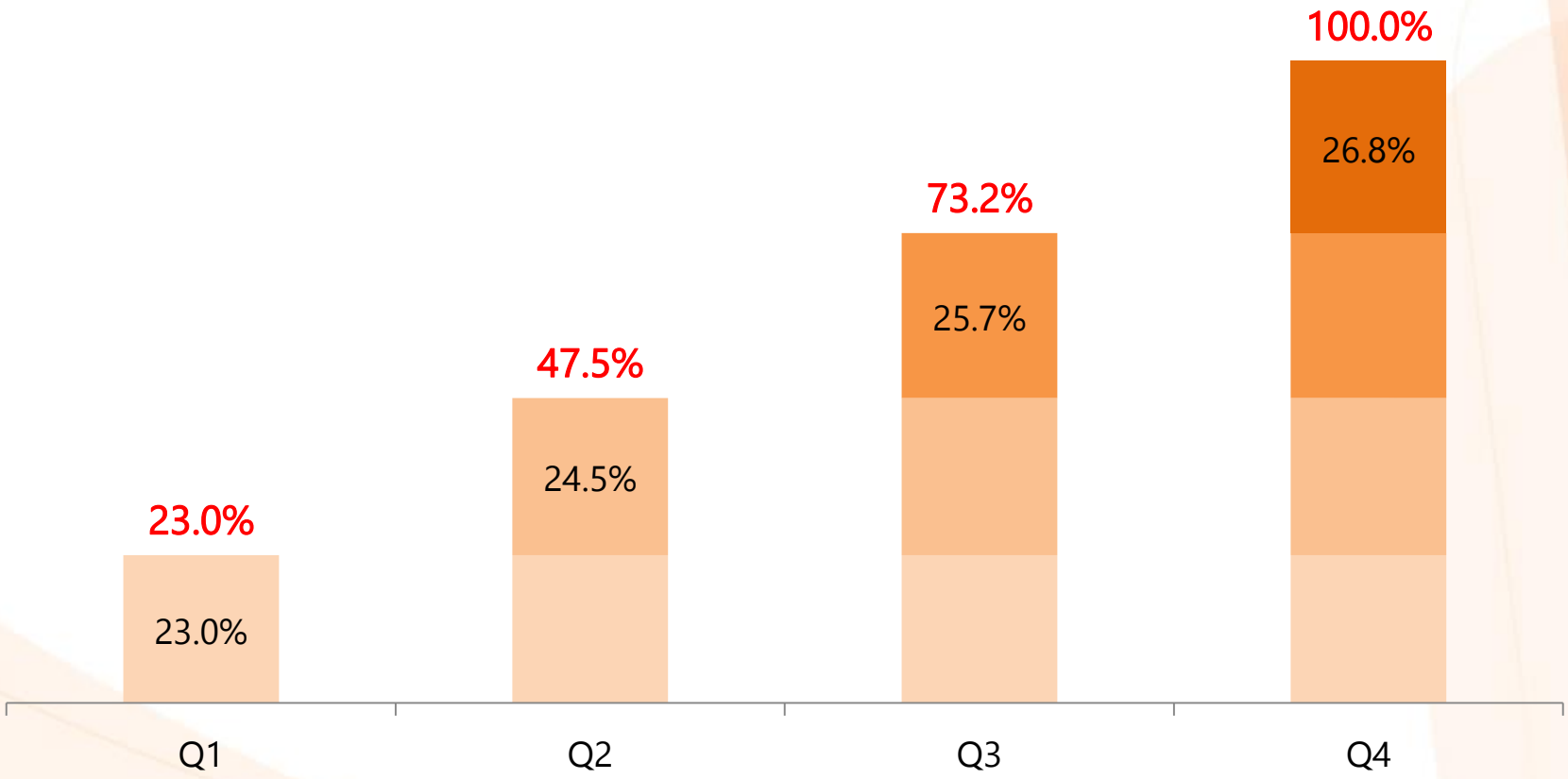
Technological domains

- Java programmers
- Infrastructure engineers

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【Cloud business】 Concept Image of Sales Generated throughout a Year

The contribution in Q4 is the largest because the business is based on a subscription model.



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