


# RAKUS Co., Ltd.

（Mothers:3923）

## Earnings Results for Q2 the fiscal year March 2020

# Key points

## Earnings results for Q2 of March 2020

- Significant sales increases were achieved due to continuous investment from the previous fiscal year.
- Profit was higher than guidance because of cost-effective investment on top of sales increases.

## Cloud Business

- Major services have continued to grow as planned.
- Profit declined year on year because active investment was made as planned.

## IT Outsourcing Business

- Sales growth was accelerated by an increasing number of engineers.

## Guidance for Q3 of the Fiscal Year March 2020

- A year on year profit decline is expected due to the plan to continue actively investing for significant sales increases in the future.



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# Summary of Consolidated Results for Q2 of March 2020

Significant sales increases were achieved due to continuous investment from the previous fiscal year.

| | | Year on Year |
|---|---|---|
| Sales | ¥5,391M | Up 32.3% |
| Operating Profit | ¥676M | Down 0.4% |
| Ordinary Profit | ¥678M | Down 0.6% |
| EBITDA | ¥859M | Up 1.7% |
| Profit attributable to owners of parent | ¥433M | Down 2.2% |

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



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# Consolidated results for Q2 of the fiscal year March 2020

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# Outline of the Consolidated Results for Q2 of March 2020

Profit was higher than guidance because of cost-effective investment on top of sales increases.

( million yen )

| | Q2 of March 2019 (actual) | Q2 of March 2020 (guidance) | Q2 of March 2020 (actual) | Versus the guidance | Year on Year |
|---|---|---|---|---|---|
| **Sales** | **4,074** | **5,370** | **5,391** | **100.4%** | **132.3%** |
| Cost of sales | 1,384 | 1,826 | 1,831 | 100.2% | 132.2% |
| Gross profit | 2,689 | 3,543 | 3,559 | 100.5% | 132.3% |
| (GP margin) | (66.0%) | (66.0%) | (66.0%) | | |
| SG&A | 2,011 | 2,957 | 2,883 | 97.5% | 143.4% |
| **Operating profit** | **678** | **586** | **676** | **115.4%** | **99.6%** |
| (OP margin) | (16.7%) | (10.9%) | (12.5%) | | |
| **Ordinary profit** | **682** | **586** | **678** | **115.7%** | **99.4%** |
| (Ordinary profit margin) | (16.7%) | (10.9%) | (12.6%) | | |
| **EBITDA** | **844** | **766** | **859** | **112.1%** | **101.7%** |
| (EBITDA margin) | (20.7%) | (14.3%) | (15.9%) | | |
| Income tax | 238 | 214 | 244 | | |
| **Profit attributable to owners of parent** | **443** | **372** | **433** | **116.6%** | **97.8%** |



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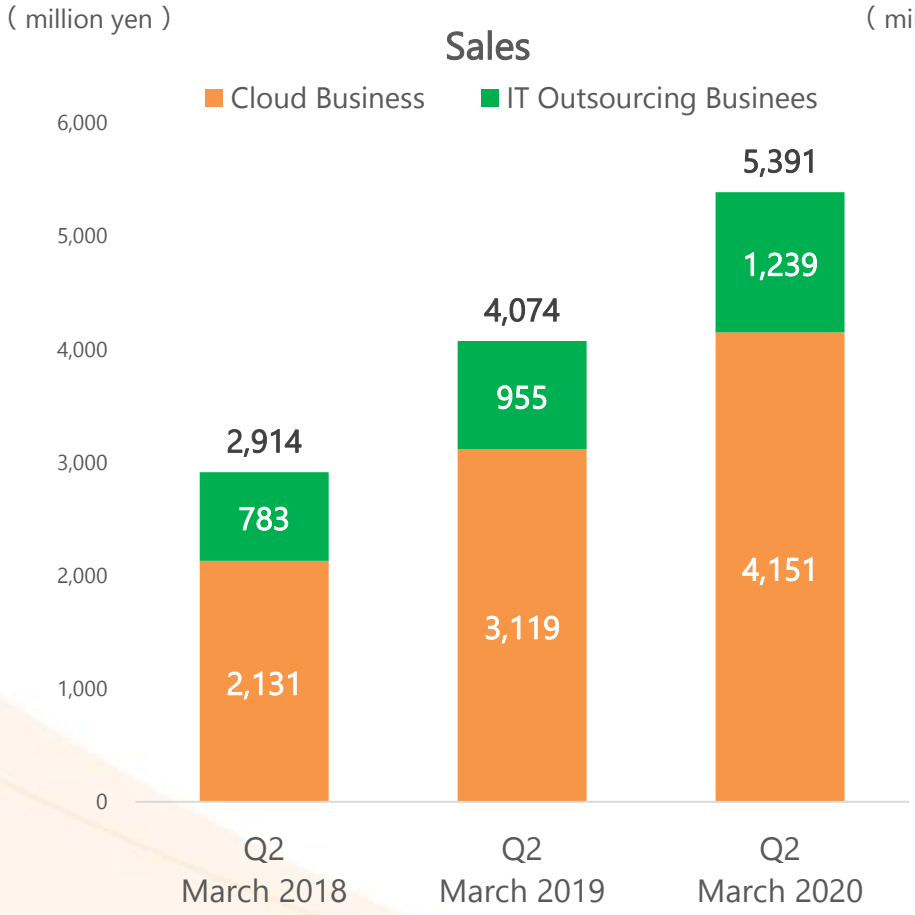
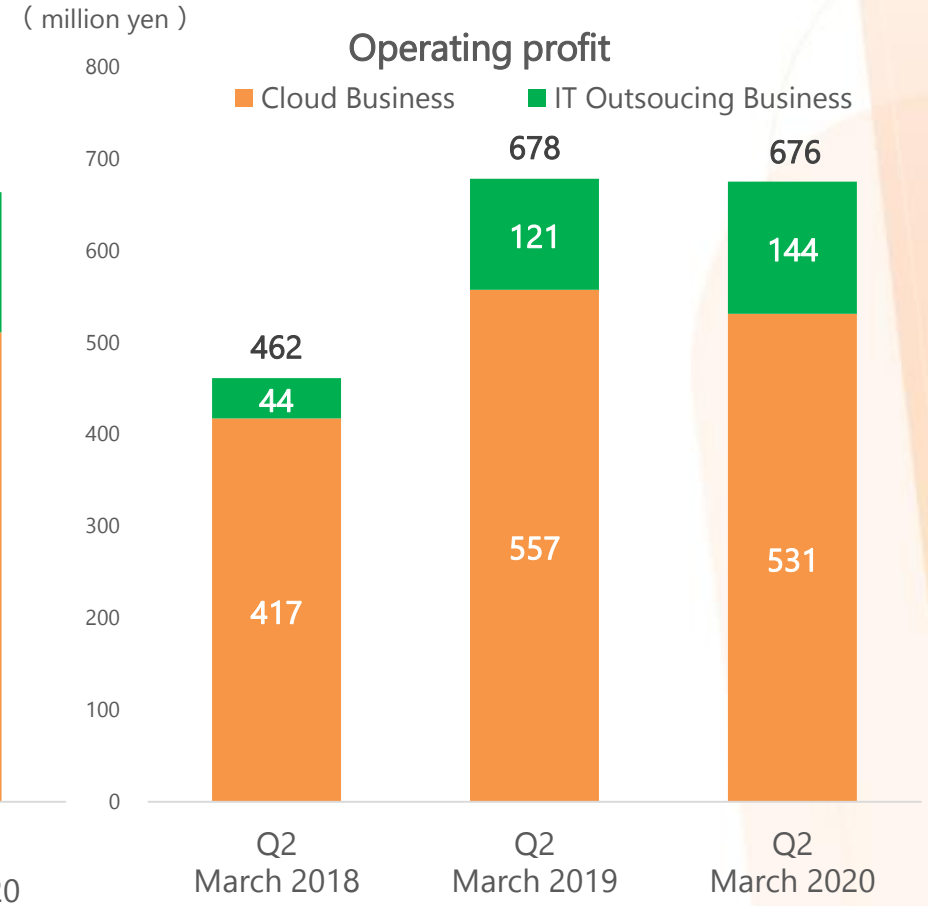
# Performance by Business Segment

The cloud business continued to actively invest resulting in a year-on-year profit decline.
In the IT Outsourcing Business sales growth was accelerated by an increasing number of engineers.




※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.



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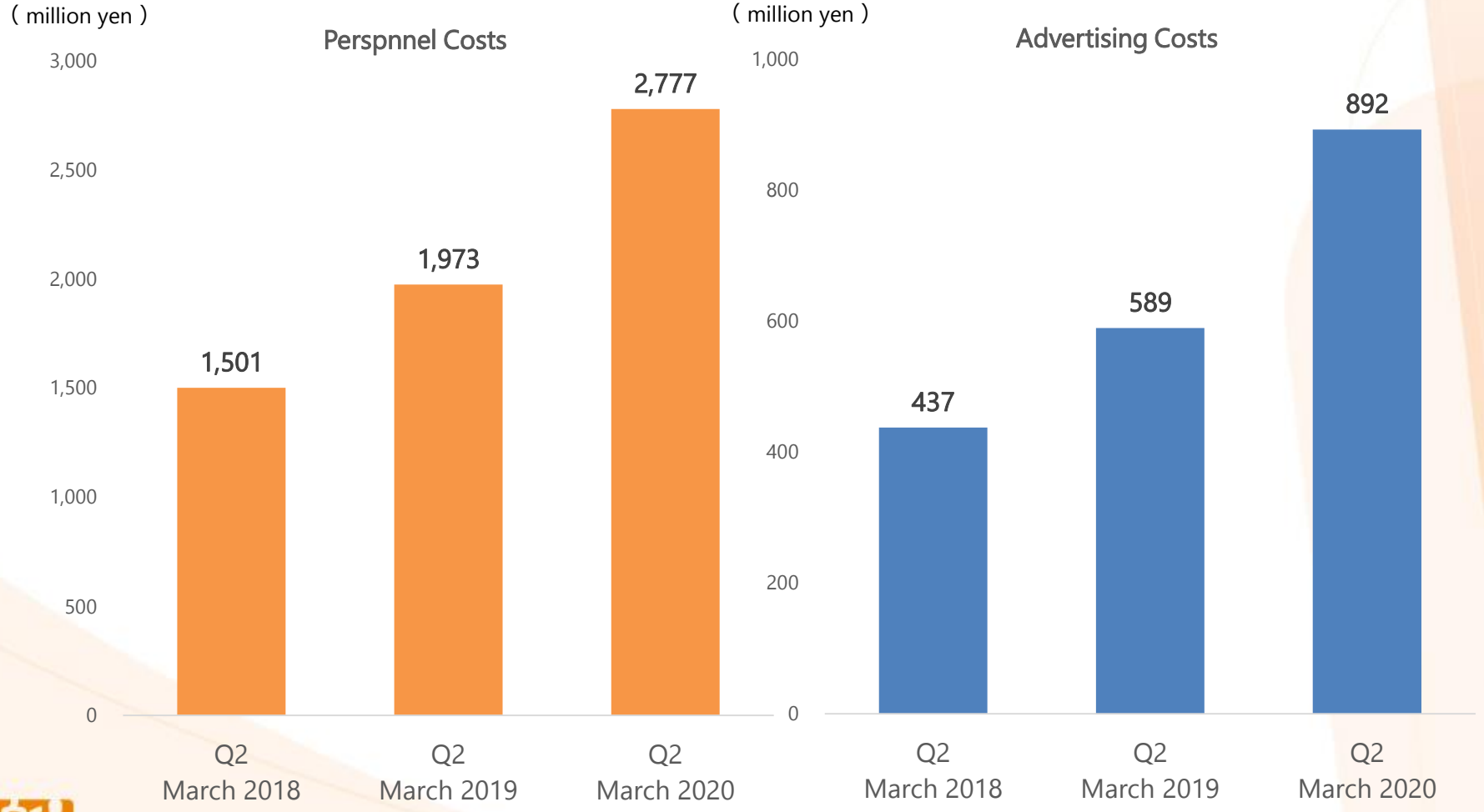
# Trends for Personnel and Advertising Costs（actual）

Personnel costs and advertising costs increased largely due to the active investment policy.



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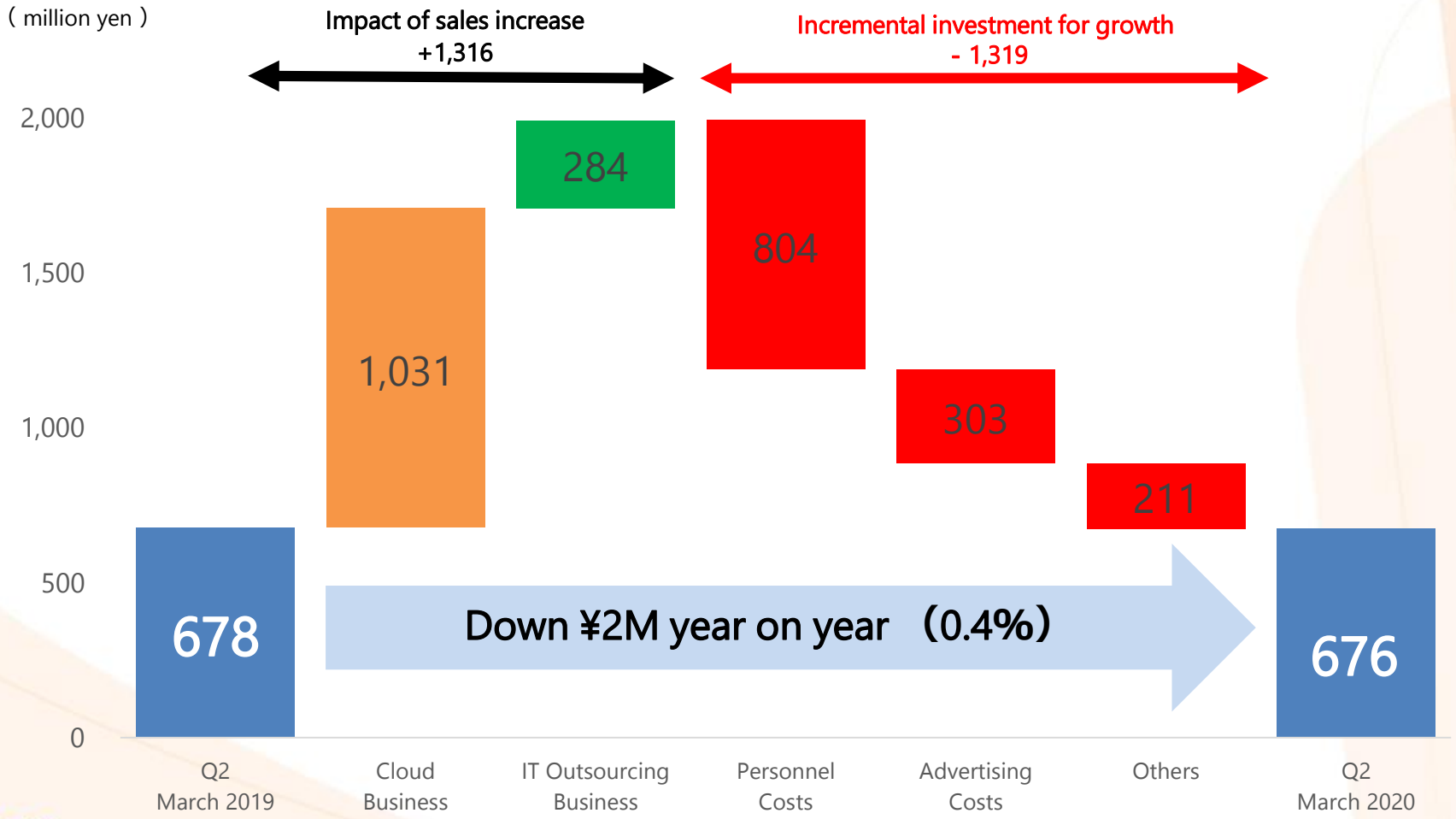
# Factors for Changes in Consolidated Operating Profits in Q2 of March 2020

Profit declined year on year because investment was, as planned, greater than year-on-year incremental sales.



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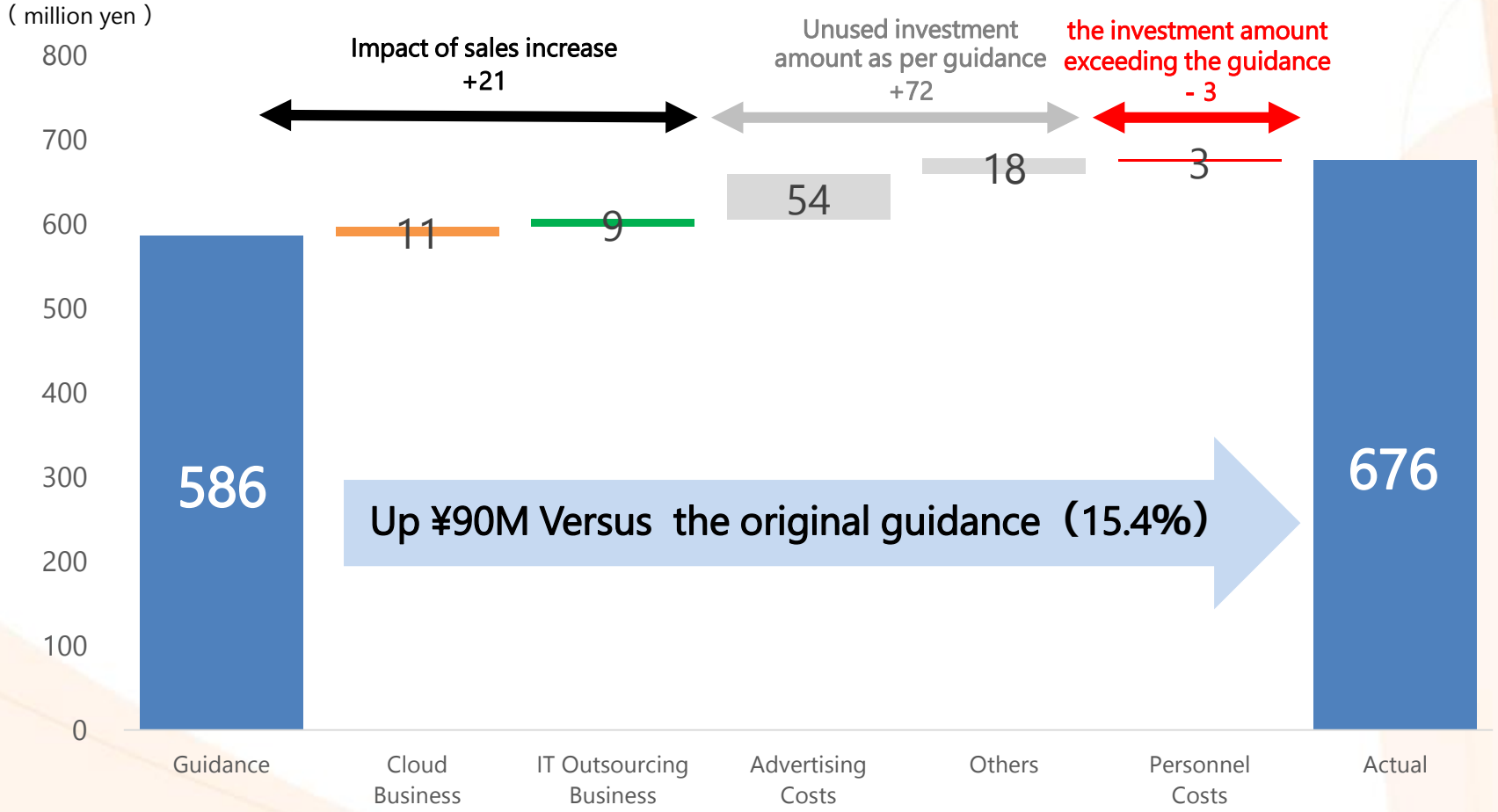
# Factors for Changes in Consolidated Operating Profits in Q2 of March 2020 (Versus the guidance)

Profit was significantly higher than the forecast due to sales increases and cost-effective investment. Some costs were less than budgeted.



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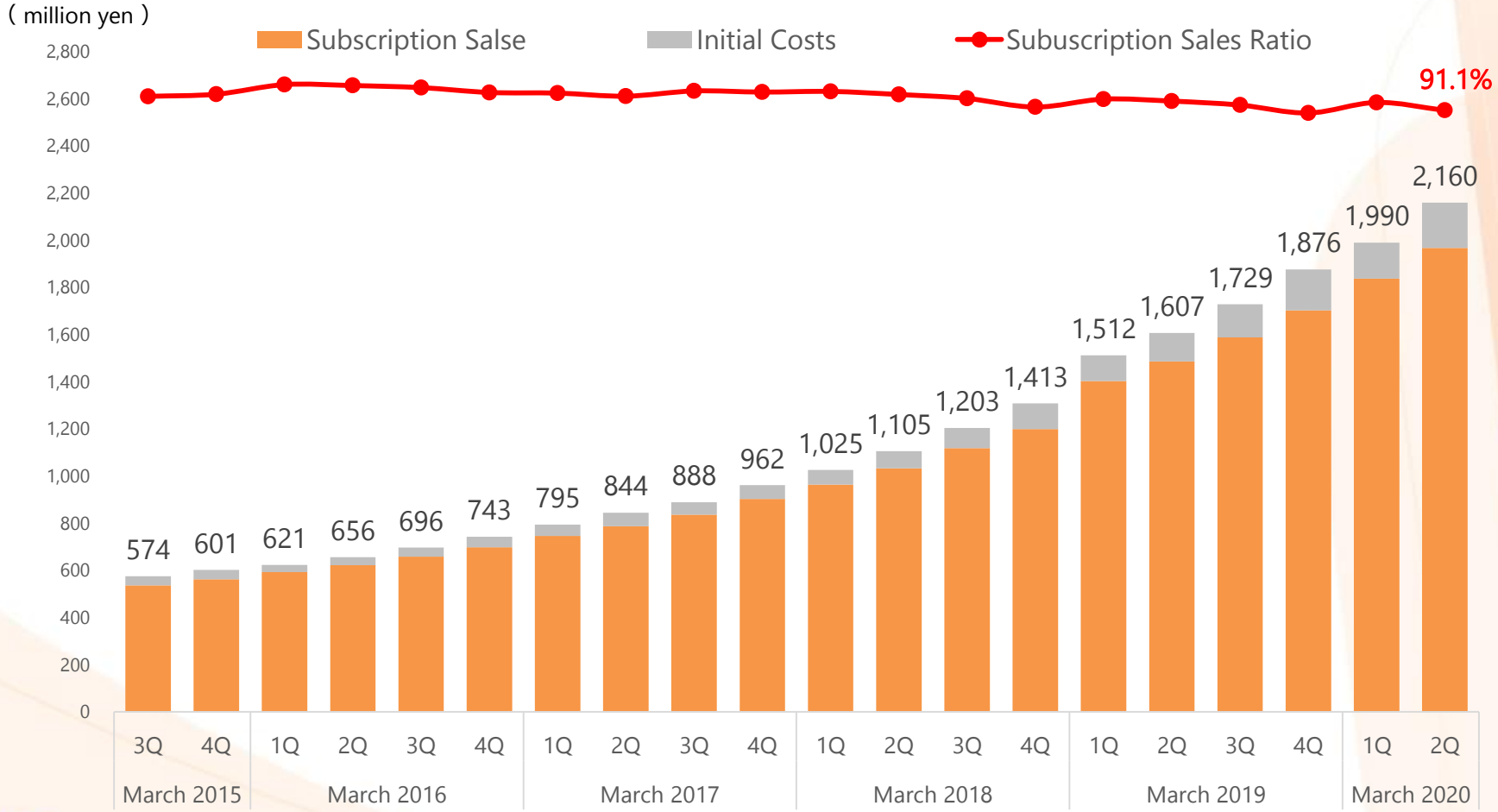
# Trends for Subscription Sales of the Cloud Business

The subscription sales ratio continued to be high.



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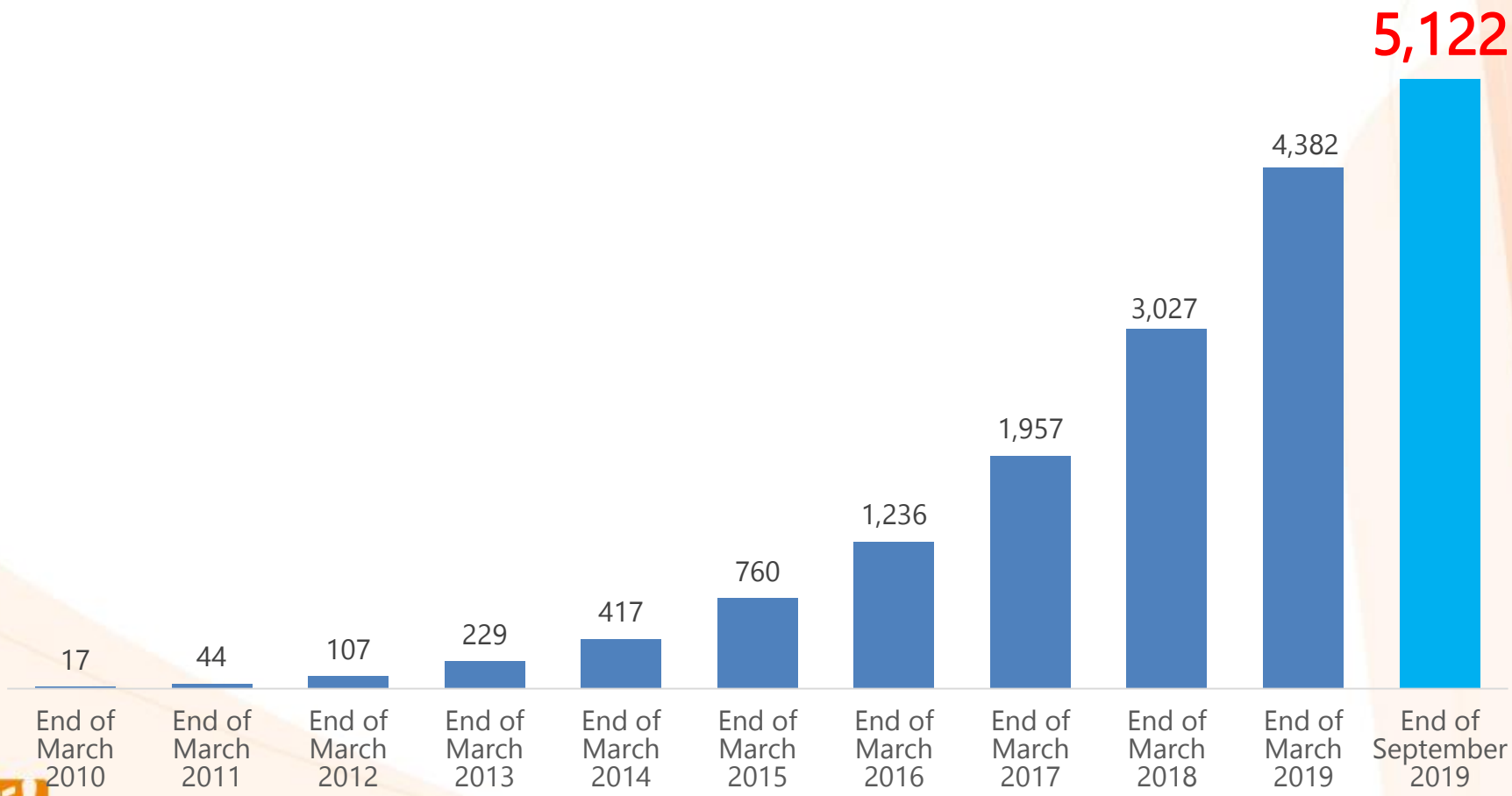
# Trends for the Cumulative Number of Corporations Using Raku Raku Seisan

Growth in the number of corporate users accelerated, and the initial target of 5,000 corporate users declared upon IPO was achieved in 3 years and 10 months. We are aiming to achieve a mid-term target of 20,000 corporate users by accelerating the growth even further.



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# Sales Trends for Raku Raku Seisan

High level growth was maintained due to an increase in corporate users and Higher unit prices.

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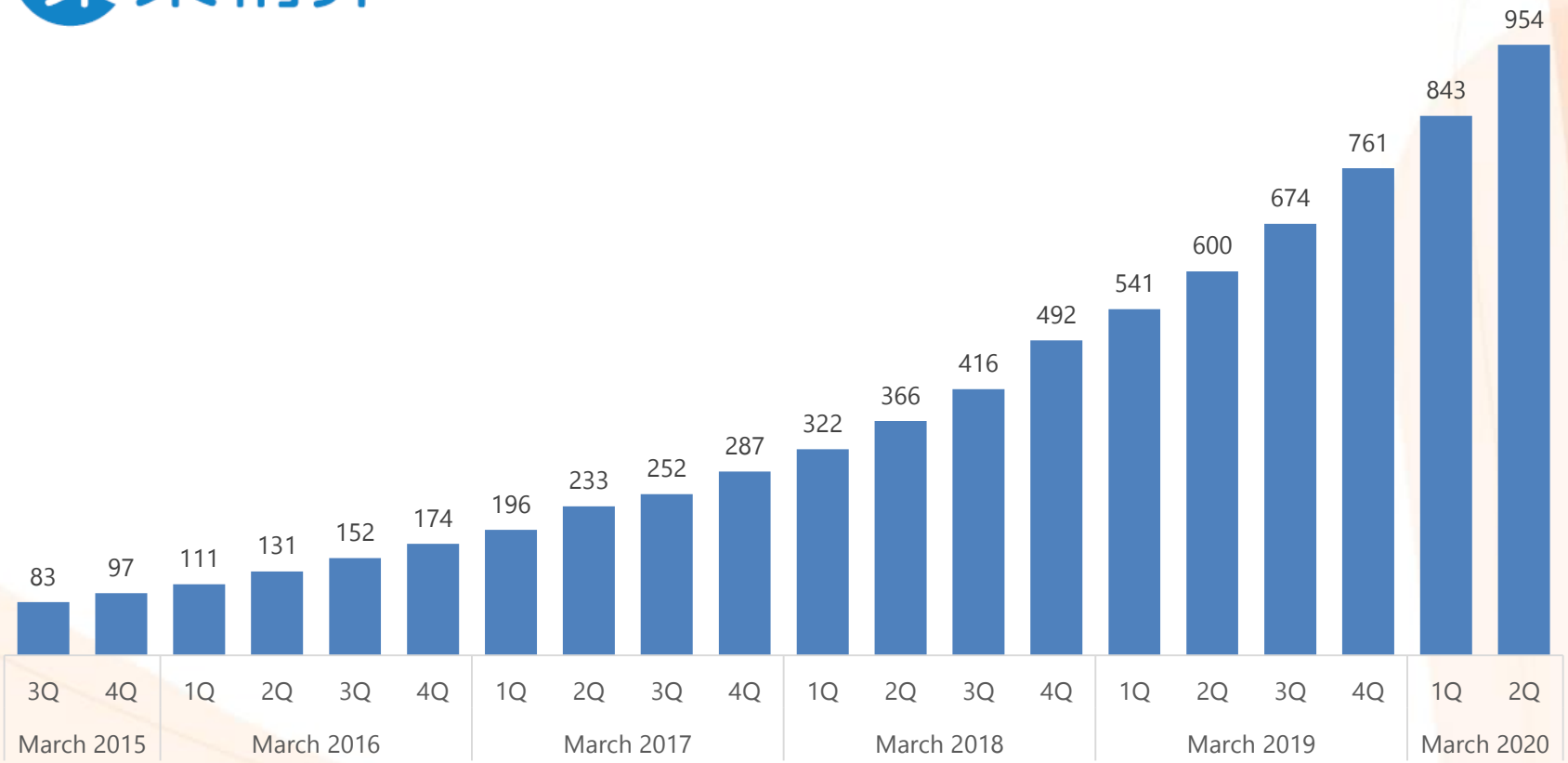
※ Sales of cloud services alone are described below.

( million yen )



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# Quarterly sales of the cloud business by service

Major services have continued to grow as planned.

( million yen )

| | Sales from July to September in 2019 | Quarter on Quarter | Year on Year |
|---|---|---|---|
| Raku Raku Seisan | 954 | 13.1% | 58.9% |
| Mail Dealer | 424 | 2.8% | 13.3% |
| Email distribution services | 378 | 3.1% | 9.5% |
| Hataraku DB ( Raku Raku Hambai ) | 203 | 7.4% | 43.8% |
| Raku Raku Meisai | 126 | 19.5% | 67.0% |
| Others | 71 | 1.7% | 5.1% |
| Total of the Cloud Business | 2,160 | 8.5% | 34.4% |

※ 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 2019 | End of Q2 of March 2020 | Difference |
|---|---|---|---|
| Current assets | 3,668 | 4,036 | 367 |
| Non-current assets | 2,474 | 2,519 | 45 |
| **Total assets** | **6,142** | **6,555** | **412** |
| Current liabilities | 1,436 | 1,634 | 197 |
| Non-current liabilities | 113 | 96 | -17 |
| **Total liabilities** | **1,549** | **1,730** | **180** |
| Shareholders' equity | 4,596 | 4,830 | 234 |
| Accumulated other comprehensive income | -2 | -5 | -2 |
| **Total equity** | **4,593** | **4,825** | **232** |
| **Total liabilities and equities** | **6,142** | **6,555** | **412** |
| **Equity ratio** | **74.8%** | **73.6%** | |



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# Cash flow statement

( million yen )

| | Q2 of March 2019 | Q2 of March 2020 | Difference |
|---|---|---|---|
| Cash flow from operating activities | 397 | 492 | 94 |
| Cash flow from investing activities | -185 | -178 | 6 |
| Free cash flow | 212 | 313 | 100 |
| Chas flow from financing activities | -141 | -179 | -37 |
| Cash and cash equivalent at the end of the fiscal year | 1,793 | 2,367 | 574 |
| | | | |
| Depreciation | 80 | 99 | 18 |
| Amortization of goodwill | 81 | 81 | ― |



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# Consolidated Guidance for Q3 of the Fiscal Year March 2020

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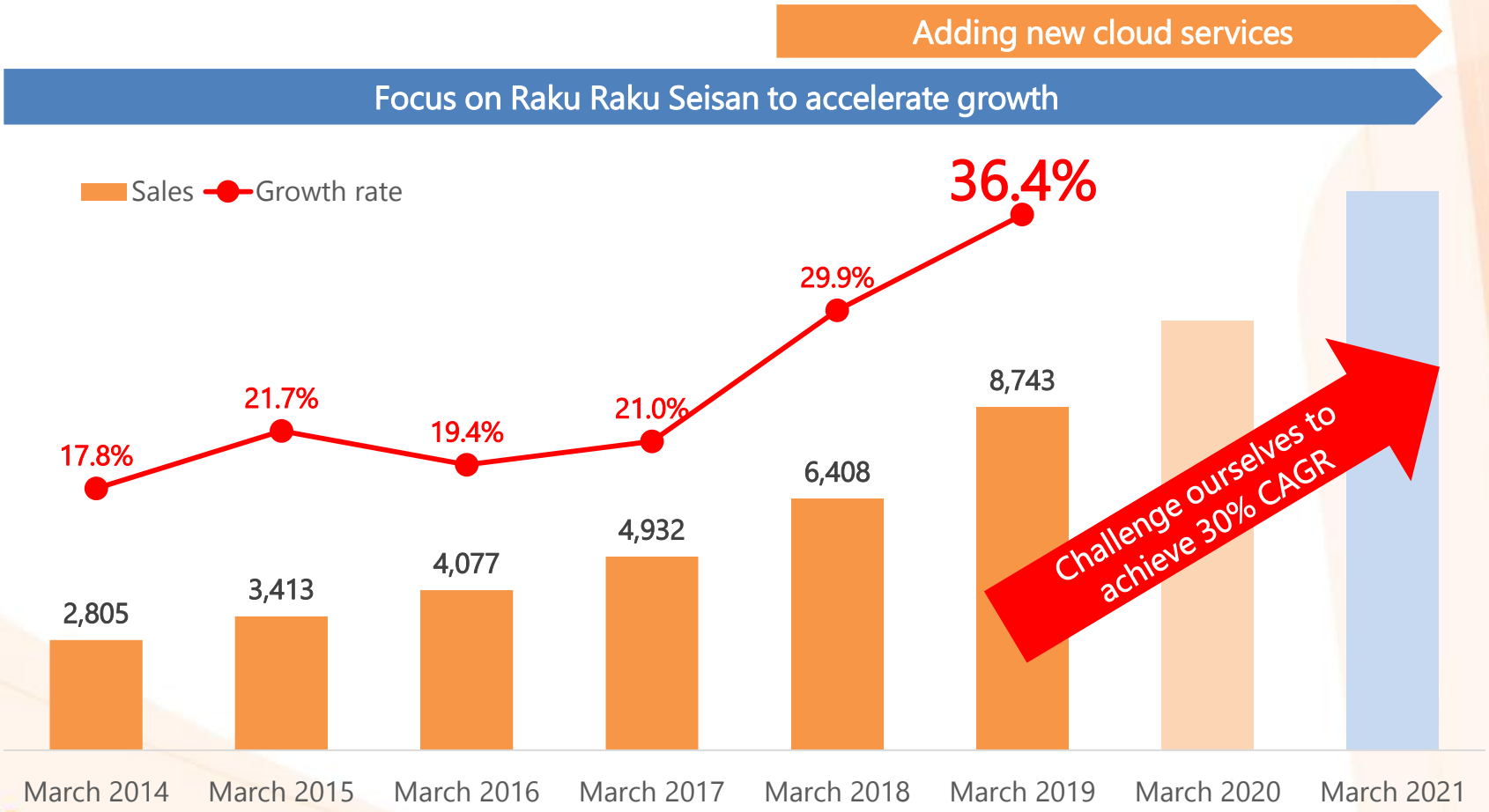
# Management Policies and Growth Strategy

Sales have grown faster than expected due to active investment.

※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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# Forecast disclosure policy for the fiscal year ending March 2020

We are determined to capture business opportunities by strengthening investment despite a year-on-year profit decline in March 2020.

**In March 2020, quarterly guidance will be disclosed in each quarter instead of disclosing the full yearly forecast at the beginning of the year.**

The external business environment has tailwinds to enjoy benefits from work-style reforms, DX and a stronger appetite for cloud services.

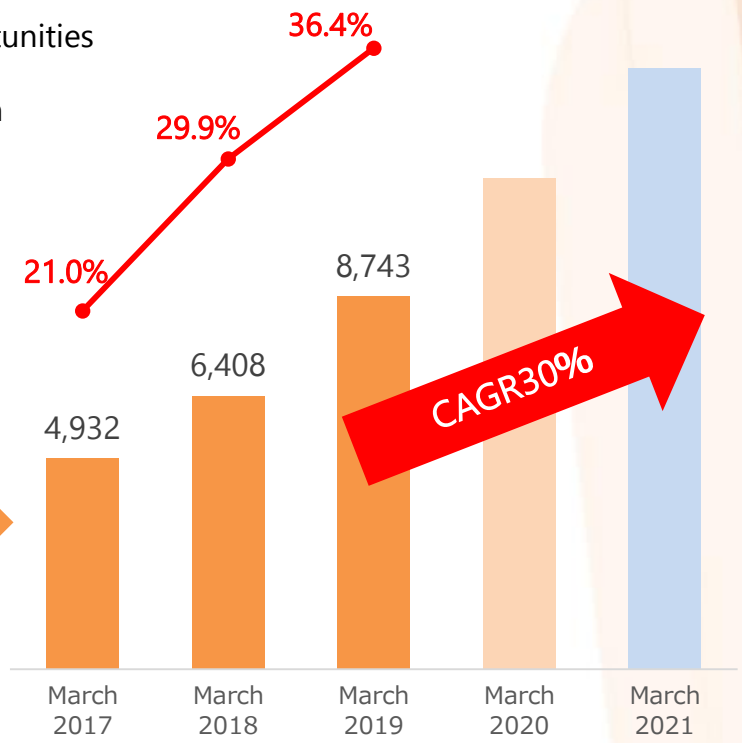
Strengthening investment for growth to capture business opportunities
- Accelerating the PDCA cycle for marketing strategies
- Hiring more people who will contribute to our future growth

**Guidance is crafted on a quarterly basis**

※This applies to only March 2020.




Strengthening investment for growth



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# Consolidated Guidance for Q3 of the fiscal March 2020

A year on year decline in operating profit is expected due to our plan for continuous active investment.

| ( million yen ) | March 2019 | March 2020 | | Q3 (year to date means from April to December) compared to the year before |
|---|---|---|---|---|
| | Q3 year to date means from April to December (actual) | Q3 means from October to December (guidance) | Q3 year to date means from April to December (guidance) | |
| **Sales** | **6,329** | **2,959** | **8,351** | **131.9%** |
| Cost of sales | 2,140 | 1,023 | 2,855 | 133.4% |
| Gross profit | 4,189 | 1,936 | 5,496 | 131.2% |
| (GP margin) | (66.2%) | (65.4%) | (65.8%) | |
| SG&A | 2,950 | 1,779 | 4,663 | 158.0% |
| **Operating profit** | **1,238** | **156** | **833** | **67.3%** |
| (OP margin) | (19.6%) | (5.3%) | (10.0%) | |
| **Ordinary profit** | **1,242** | **156** | **835** | **67.2%** |
| (Ordinary profit margin) | (19.6%) | (5.3%) | (10.0%) | |
| **EBITDA** | **1,489** | **251** | **1,110** | **74.5%** |
| (EBITDA margin) | (23.5%) | (8.5%) | (13.3%) | |
| Income tax | 427 | 62 | 307 | |
| **Profit attributable to owners of parent** | **814** | **86** | **520** | **63.8%** |



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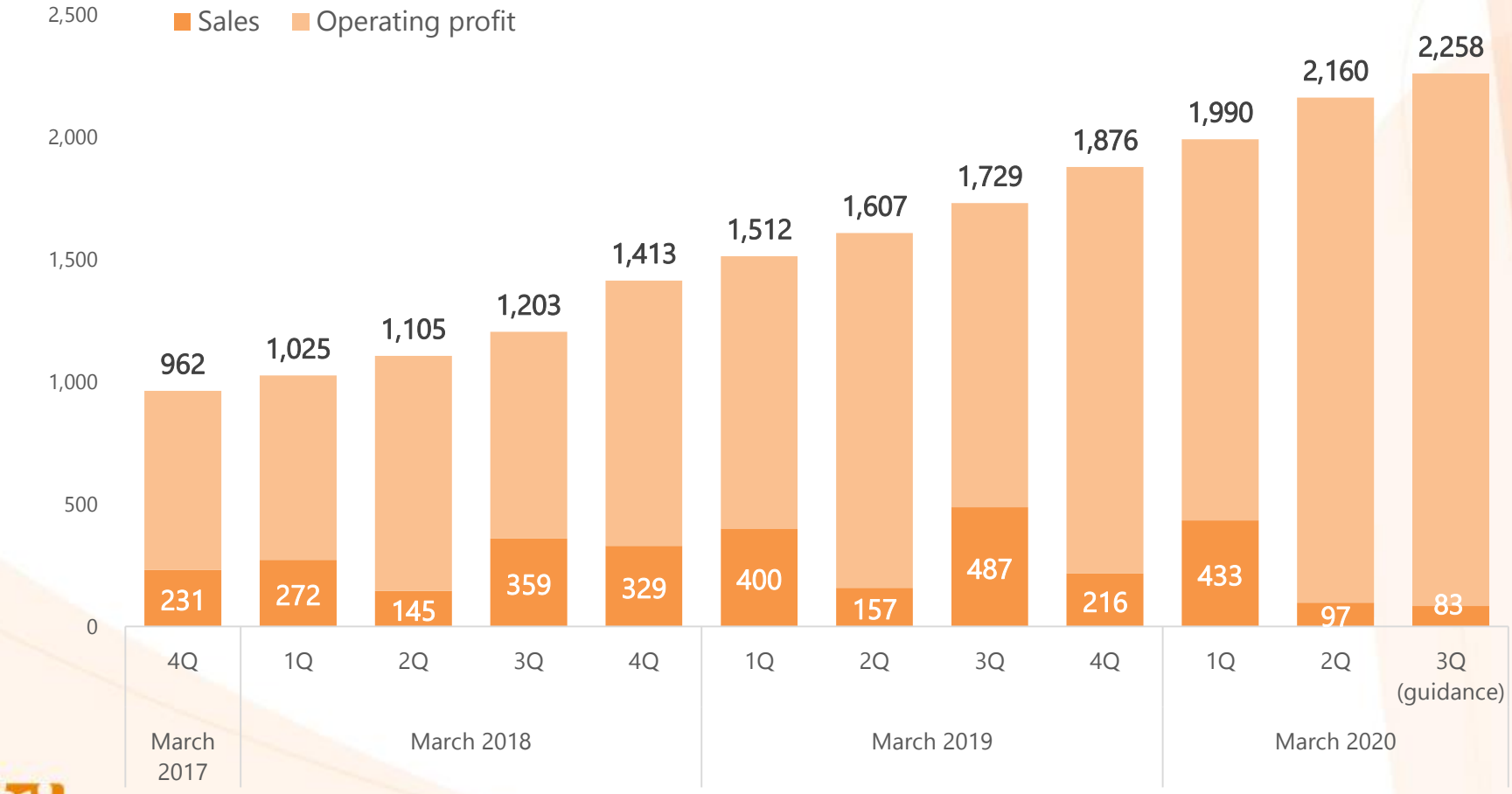
# Quarterly trends for the cloud business

A year on year profit decline is expected because TV ads for Raku Raku Seisan have been planned.

※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.



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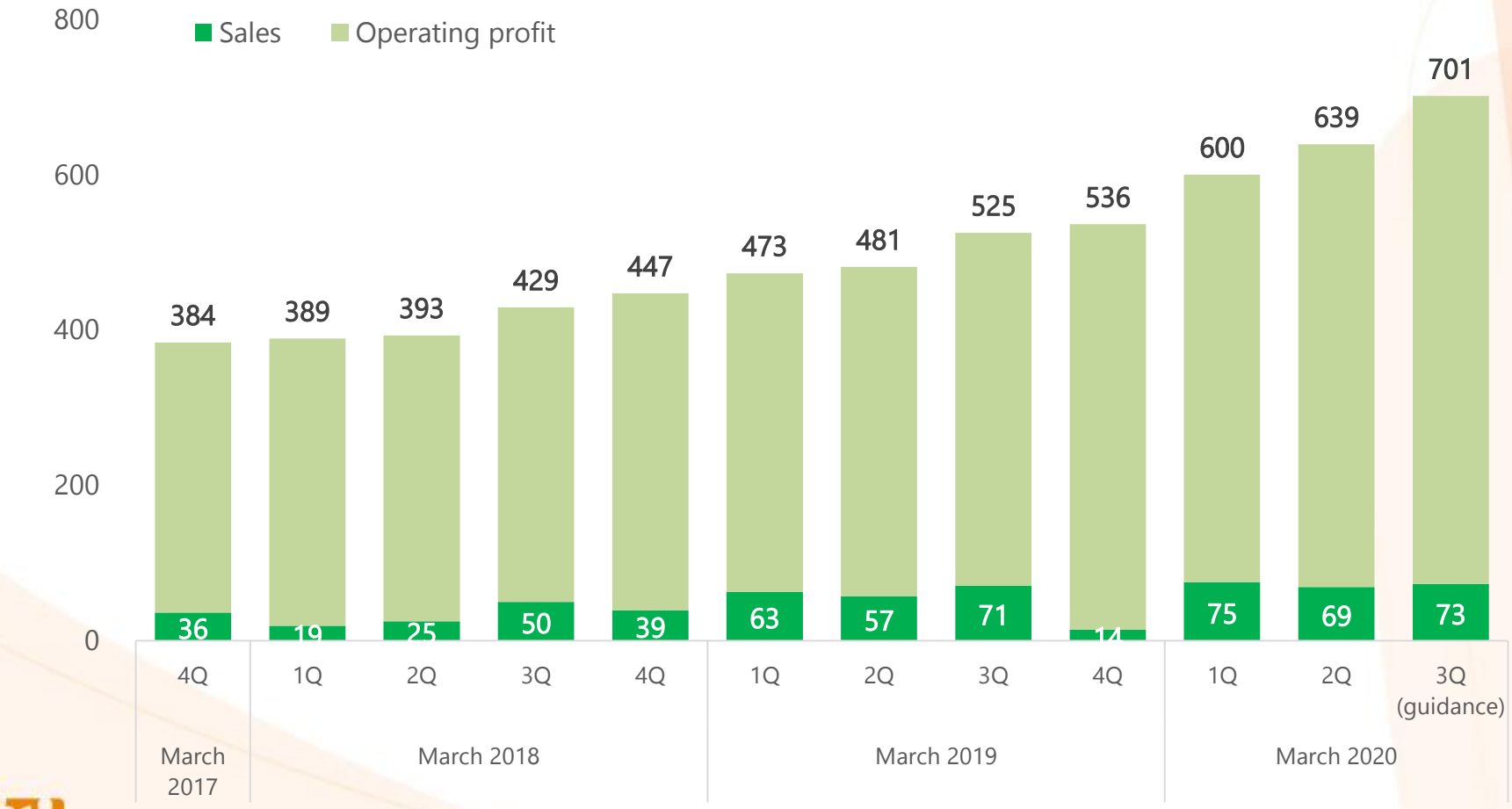
# Quarterly trends for the IT outsourcing business

Sales growth will be accelerated by increasing the number of engineers.

※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.



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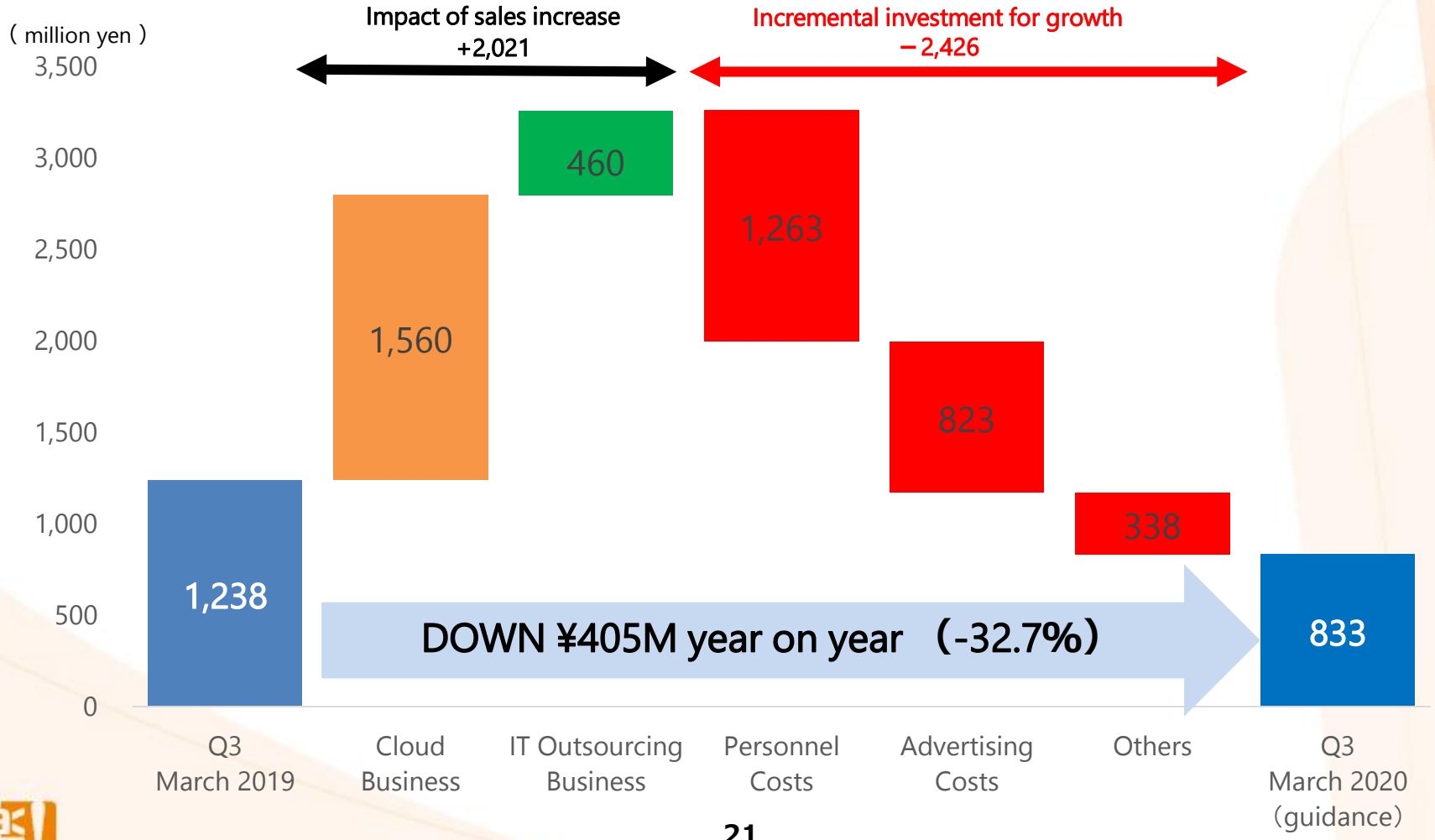
# Reasons for year-on-year changes in consolidated operating profit in Q3 of March 2020

A significant increase in advertising costs is expected due to planned TV ads for Raku Raku Seisan.



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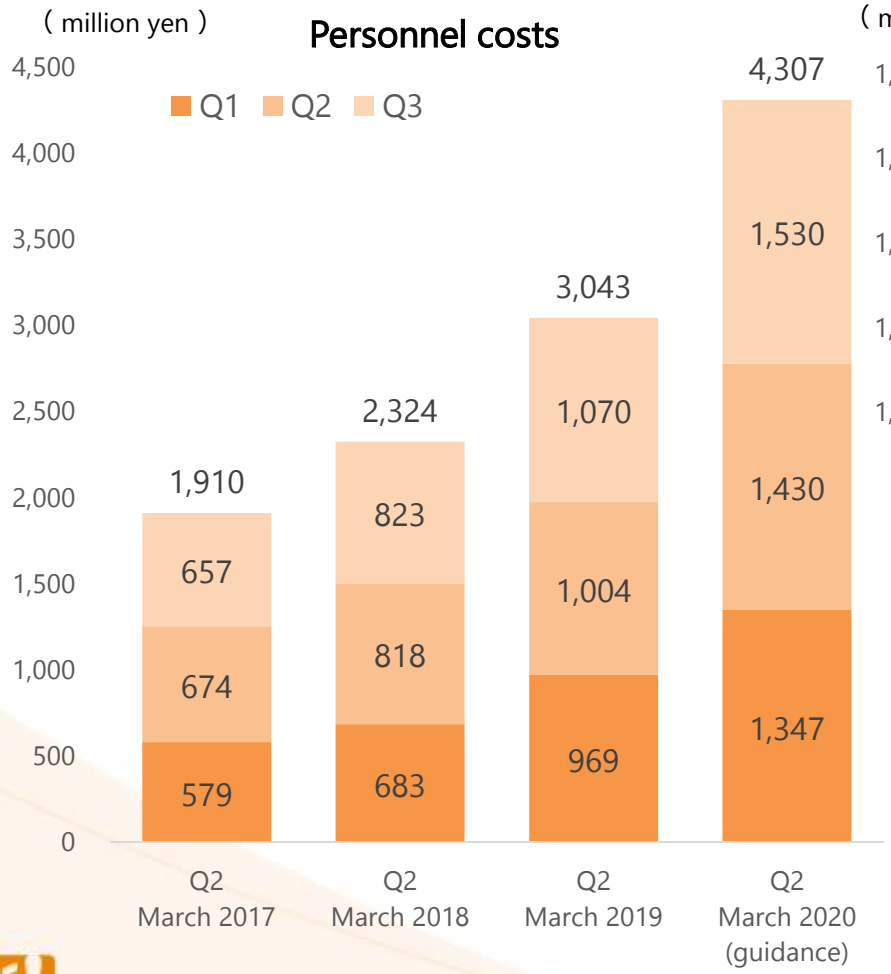
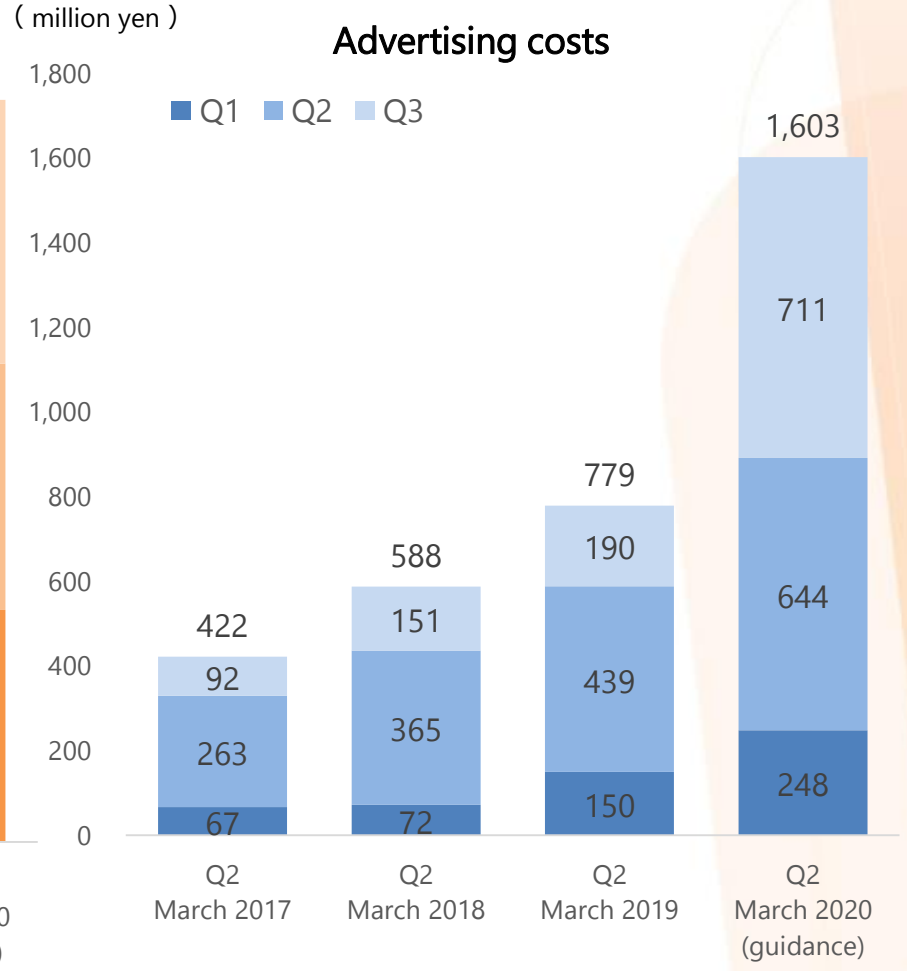
# Guidance of Personnel and Advertising Costs

The plan for active investment continues.



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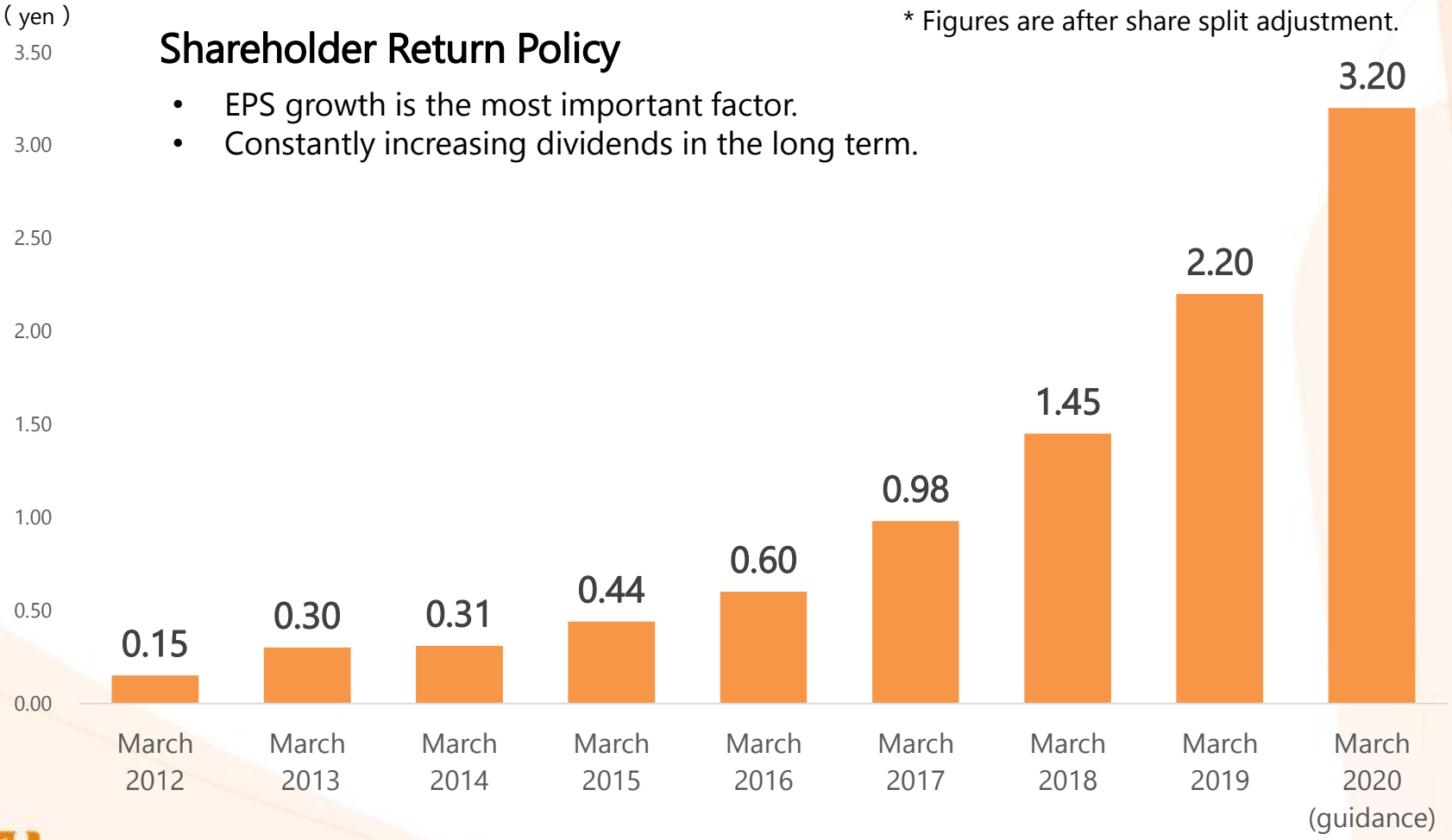
# 【KPIs】Shareholder Return

Plan to increase dividend for 8 consecutive years.

## Shareholder Return Policy

- EPS growth is the most important factor.
- Constantly increasing dividends in the long term.

* Figures are after share split adjustment.



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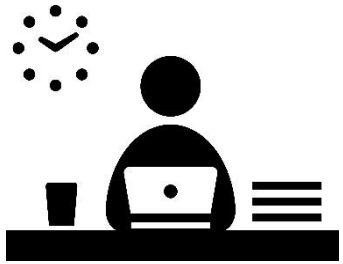
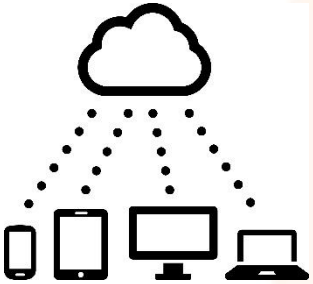
# Enhancing efficiency for administrative work

## BO Tech = Back Office × Technology

Raku Raku Seisan 楽楽精算 Raku Raku Meisai 楽楽明細

Raku Raku Hambai 楽楽販売 Raku Raku Roumu 楽楽労務





BO Tech means solutions and services which enhance the efficiency of administrative work such as accounting, finance, HR, general affairs and labor management by using advanced technologies such as cloud and AI technologies.



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# Appendix

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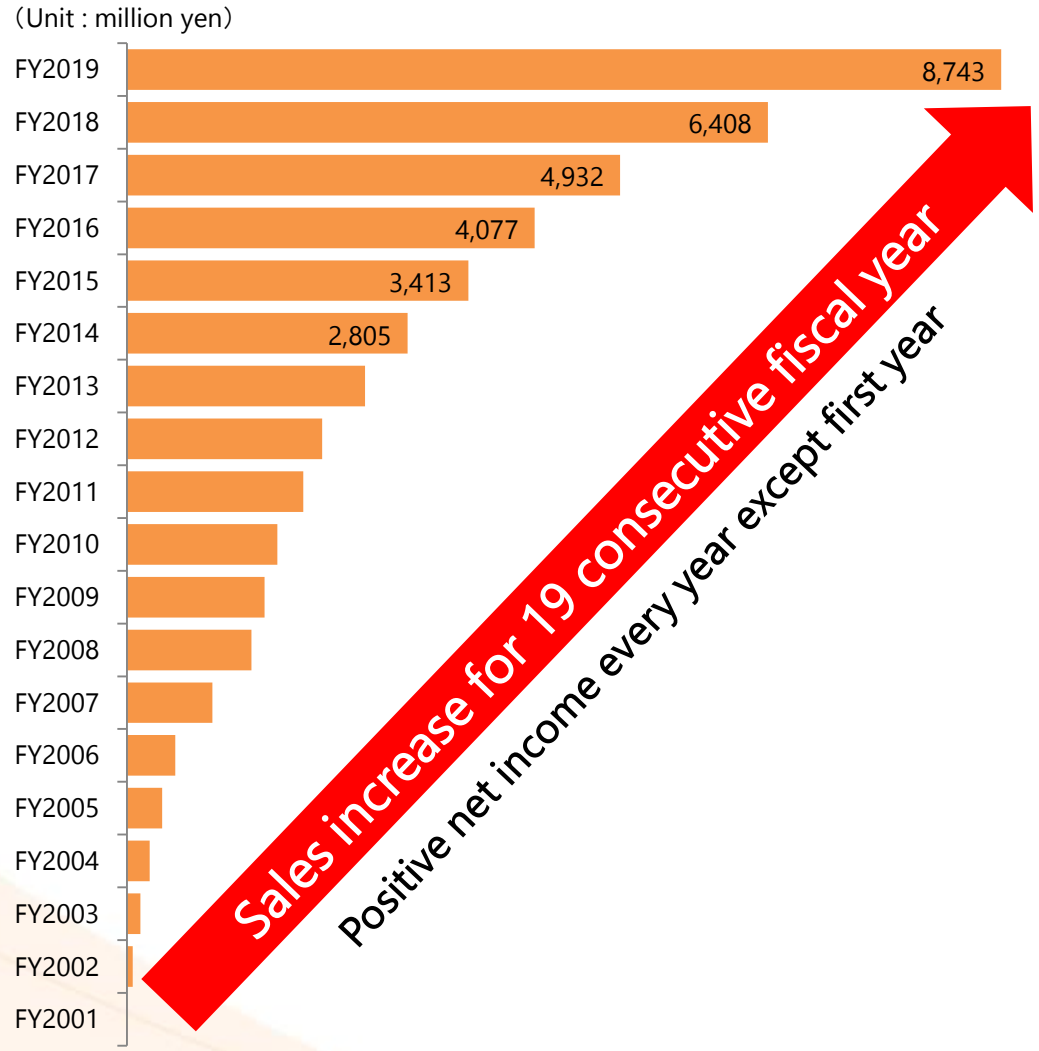
# History




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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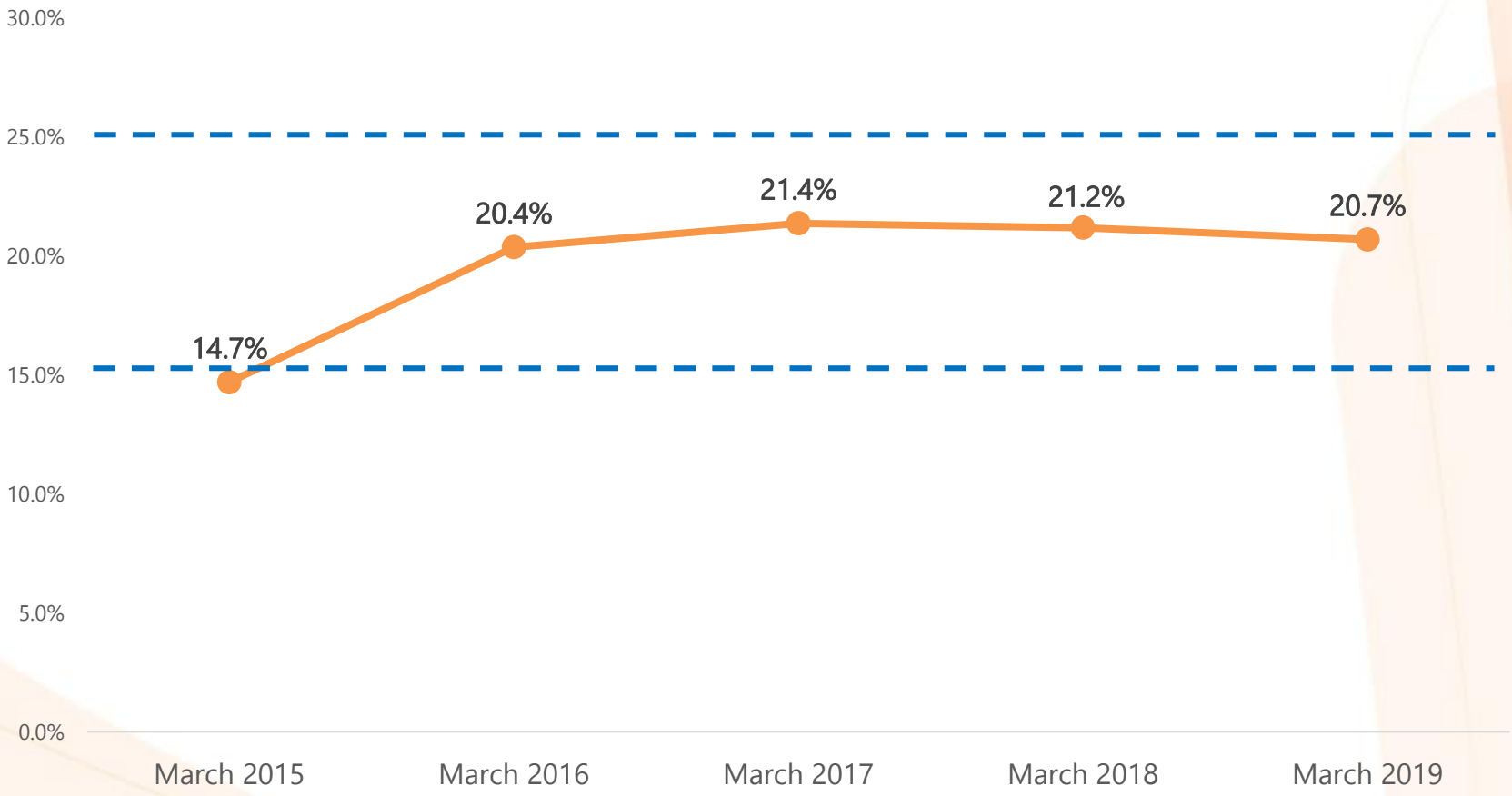
# 【KPIs】Trends for EBITDA Margins

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



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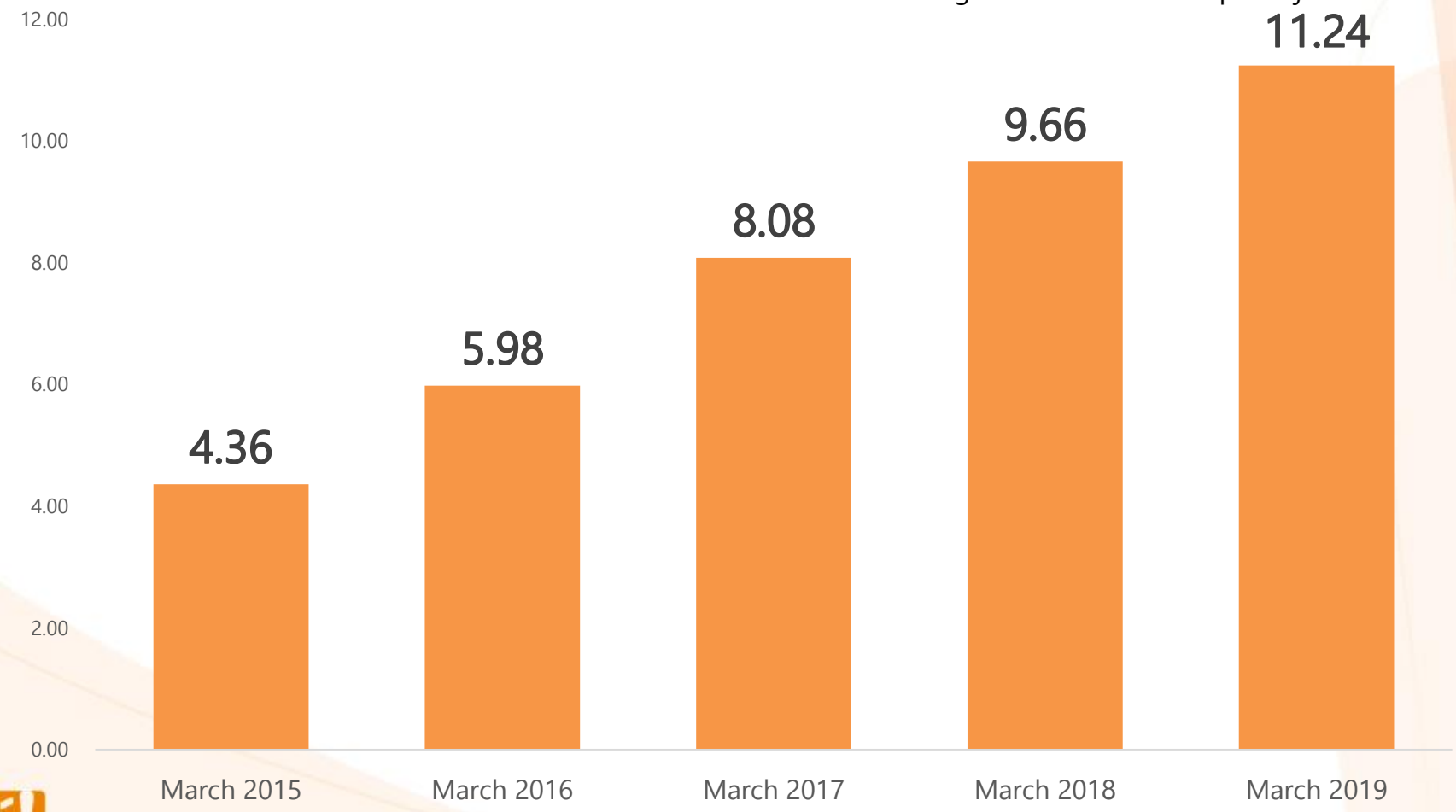
# 【KPIs】Trends for EPS

EPS steadily grew absorbing the impact of goodwill amortization and taxes.

※ Figures are after share split adjustment.



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# Raku Raku Seisan

## 楽楽精算

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

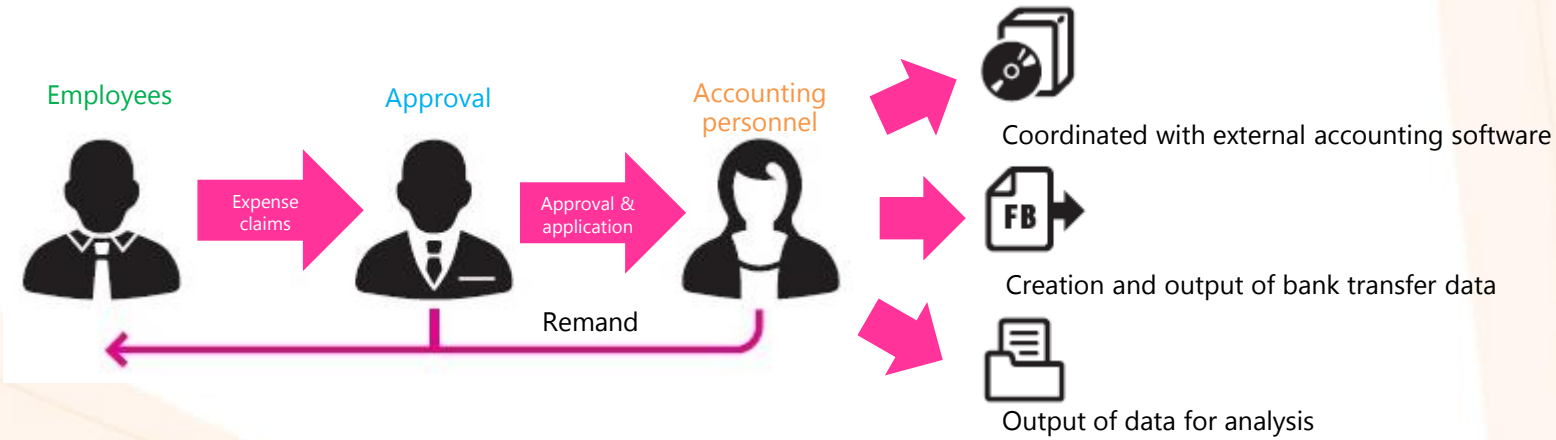
Main customers：Companies with 50 to 1,000 employees（all industries）

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



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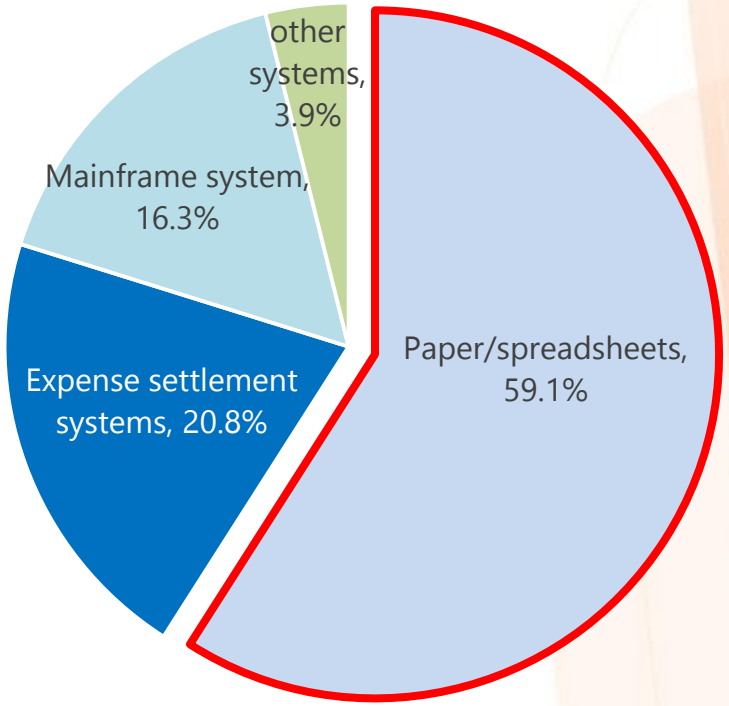
# Target Market for the Cloud-based Expense Settlement Systems

## 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 59.1% companies, 59,000 companies that settle paper and spreadsheet costs.




Source：Questionnaire filled out by accounting department staff in February, 2019.



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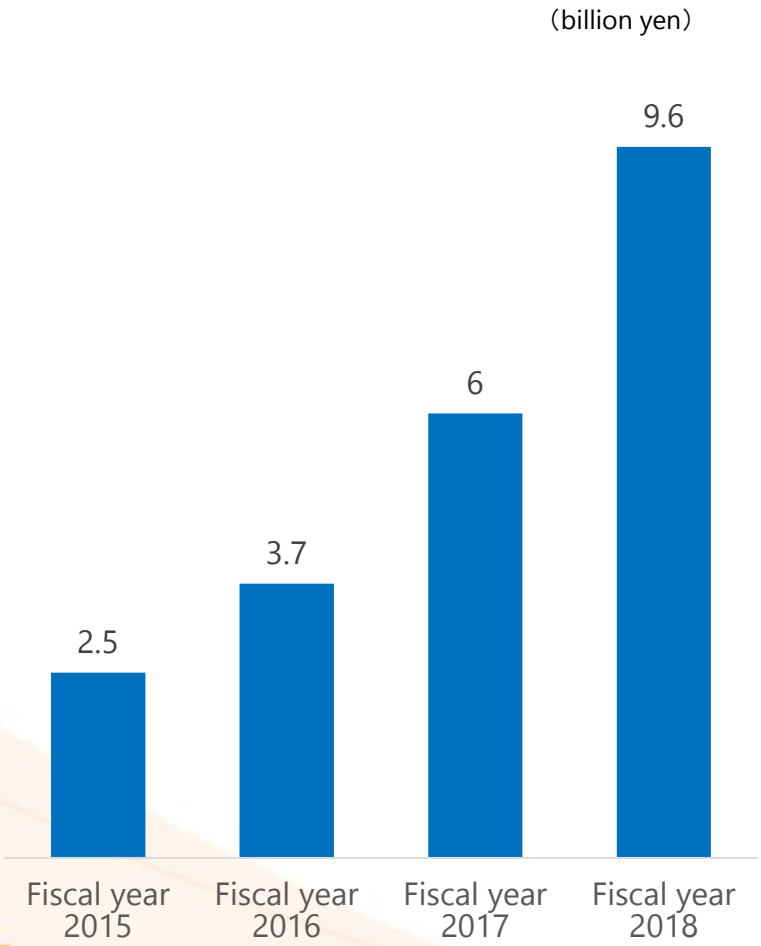
# The Market for Cloud-based Expense Settlement Systems

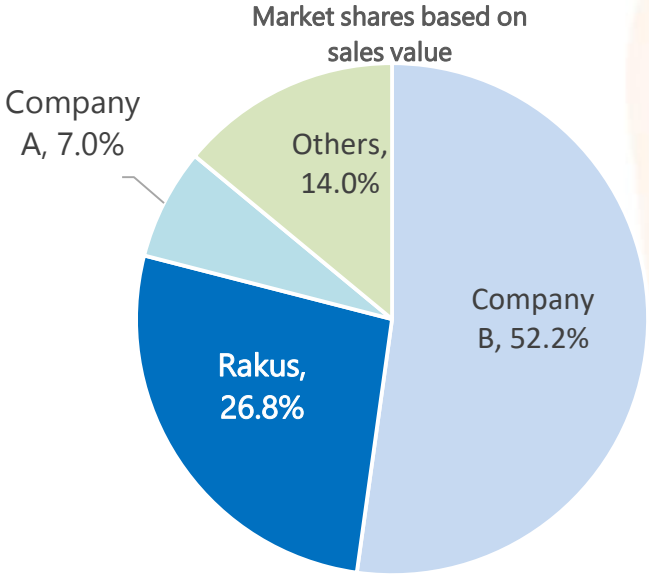
※Source：Our own survey based on various data

## The market for cloud-based expense settlement in Japan




## Ranking of cloud-based expense settlement (As of December 2018 )

| | | |
|---|---|---|
| Number 1 | Rakus 楽楽精算 | 3,954 companies |
| Number 2 | Company A | 1,200 companies |
| Number 3 | Company B | 880 companies |
| Number 4 | Company C | 750 companies |
| Number 5 | Company D | 110 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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# Raku Raku Meisai

楽楽明細 Raku Raku Meisai

Product outline：A system to issue digital documentation

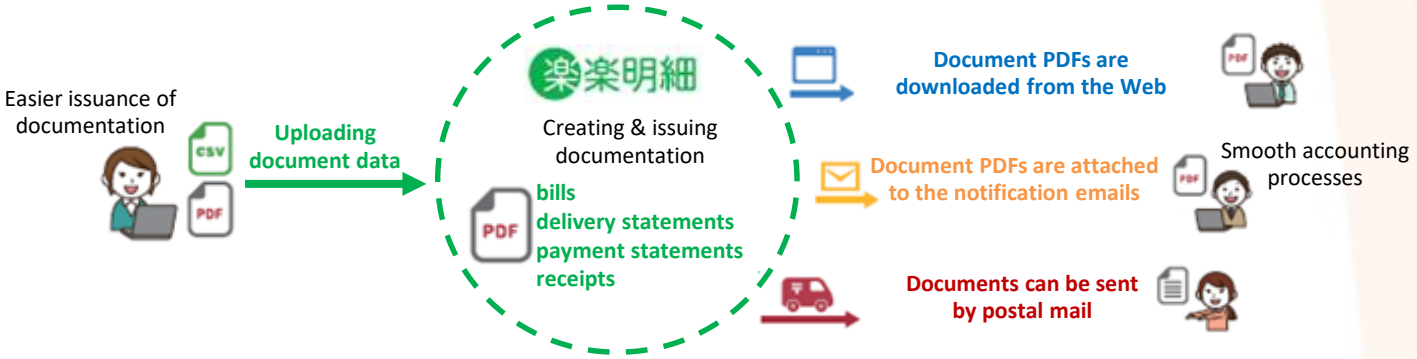
Main customers： All industries

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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# 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

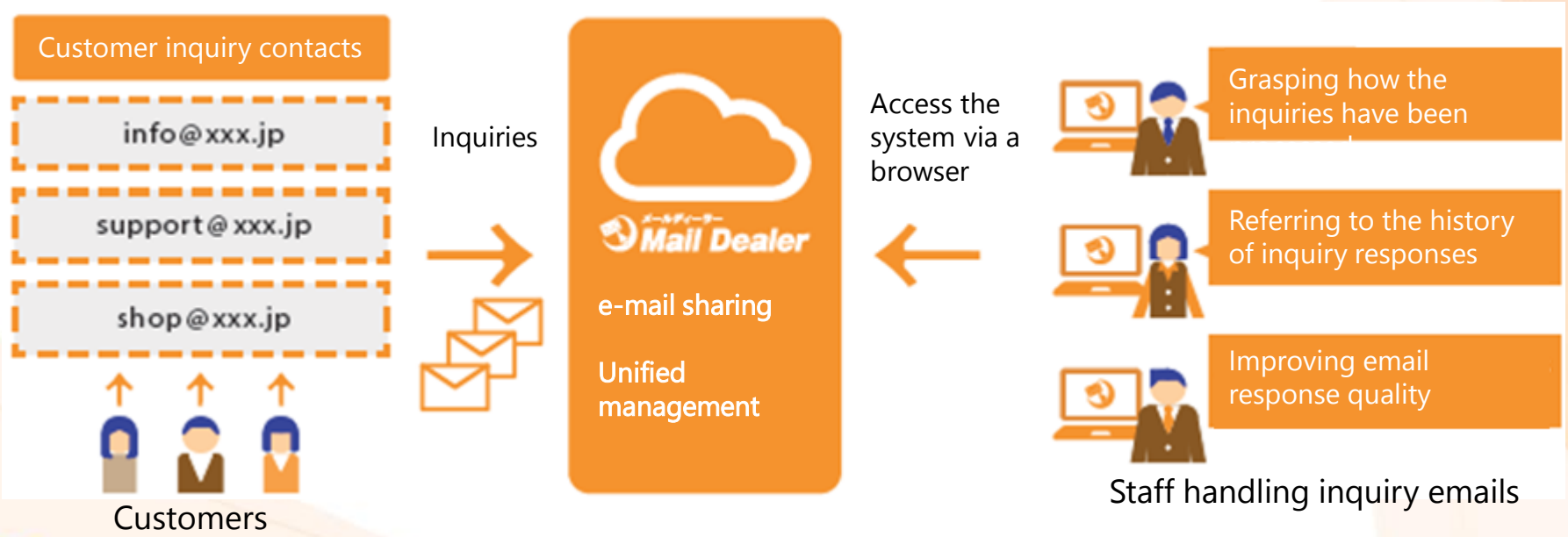
Main customers：E commerce businesses, call centers, and other B to C businesses

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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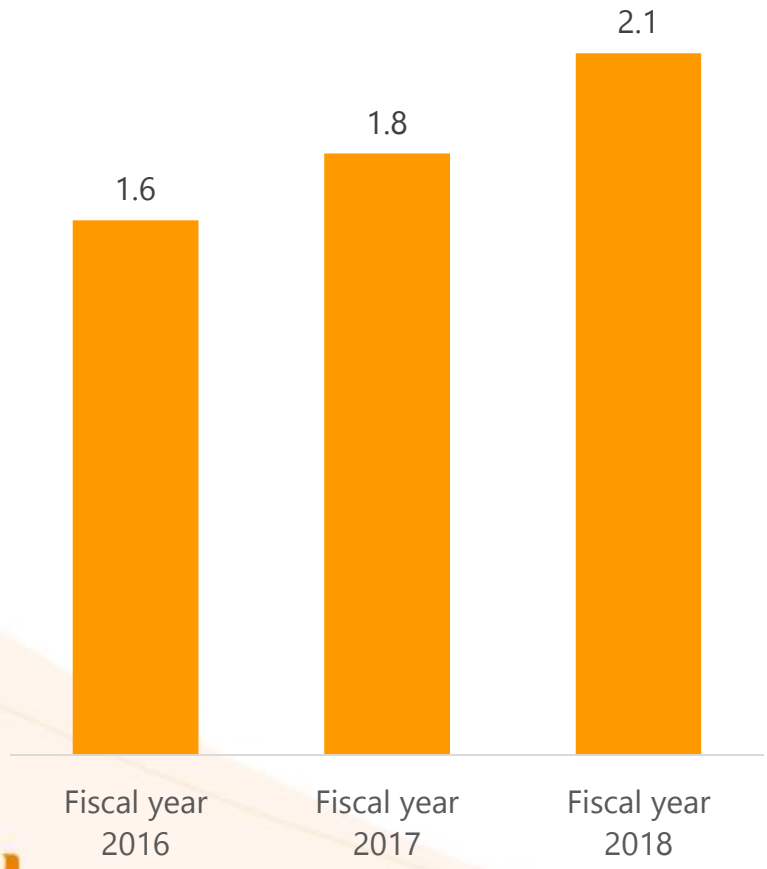
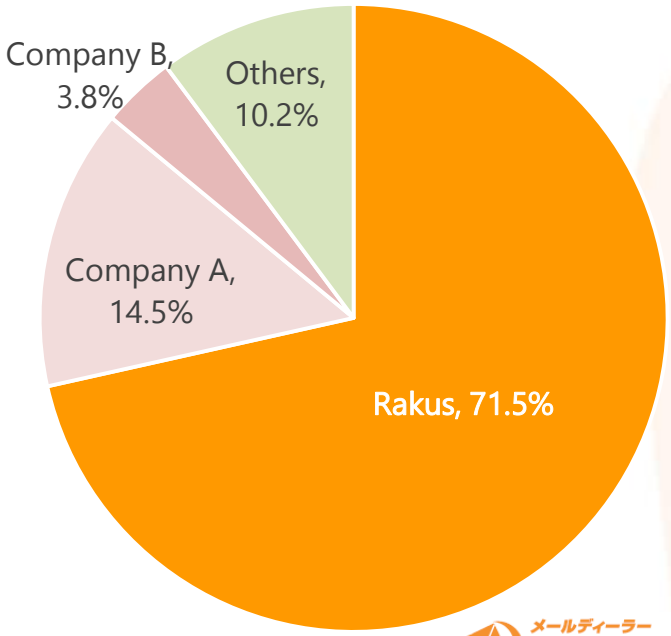
# The market for cloud-based Mail processing

※ Source：Our own survey based on various data（As of March 2019）

The market for cloud-based Mail processing in Japan （billion yen）




Market shares based on sales value




メールディーラー Mail Dealer



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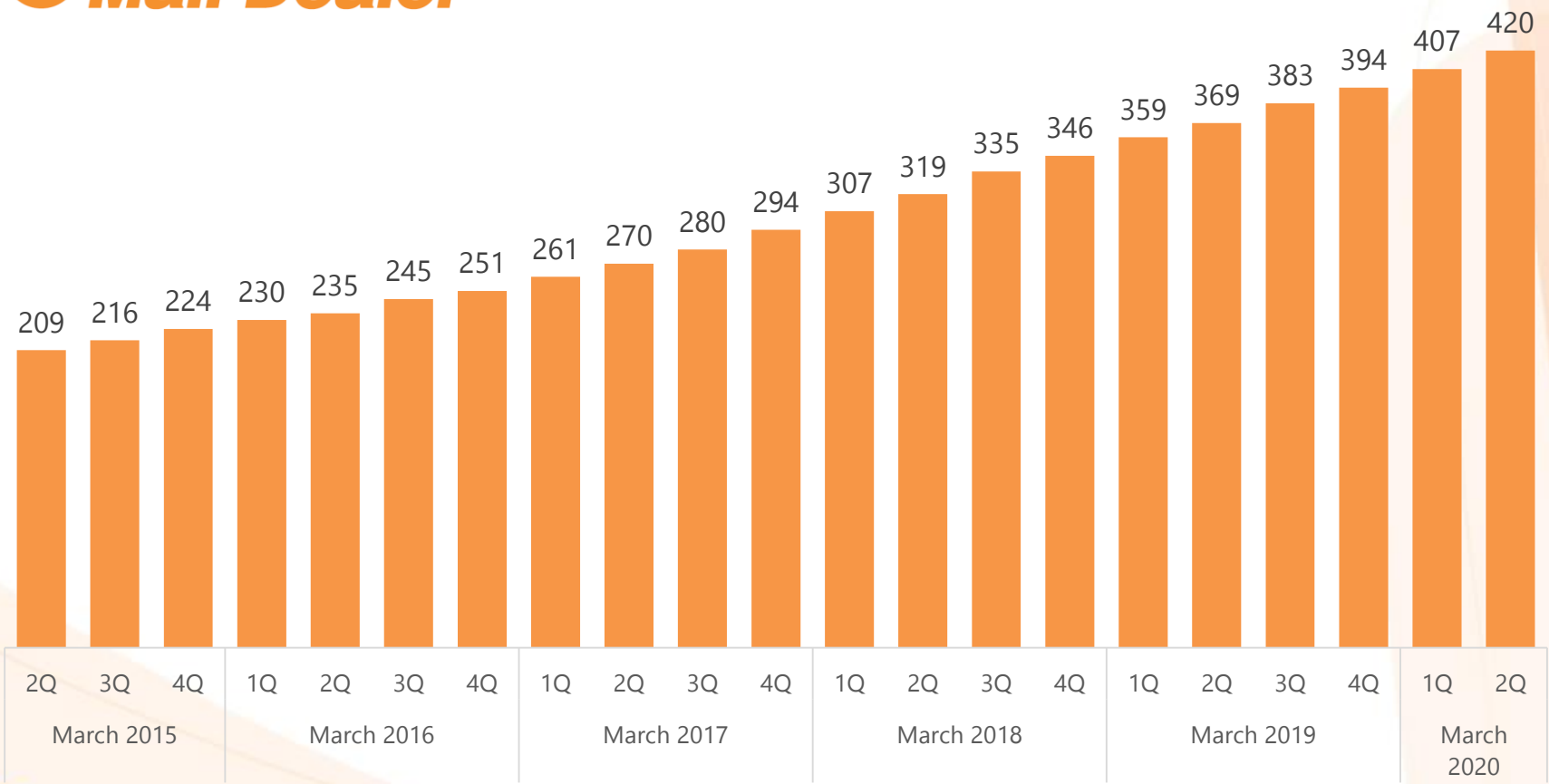
# Sales trends for Mail Dealer

Over 70% of market share was maintained as steady growth continued.

メールディーラー Mail Dealer

※ Sales of cloud services alone are described below.



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# Other services 1

配配メール 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 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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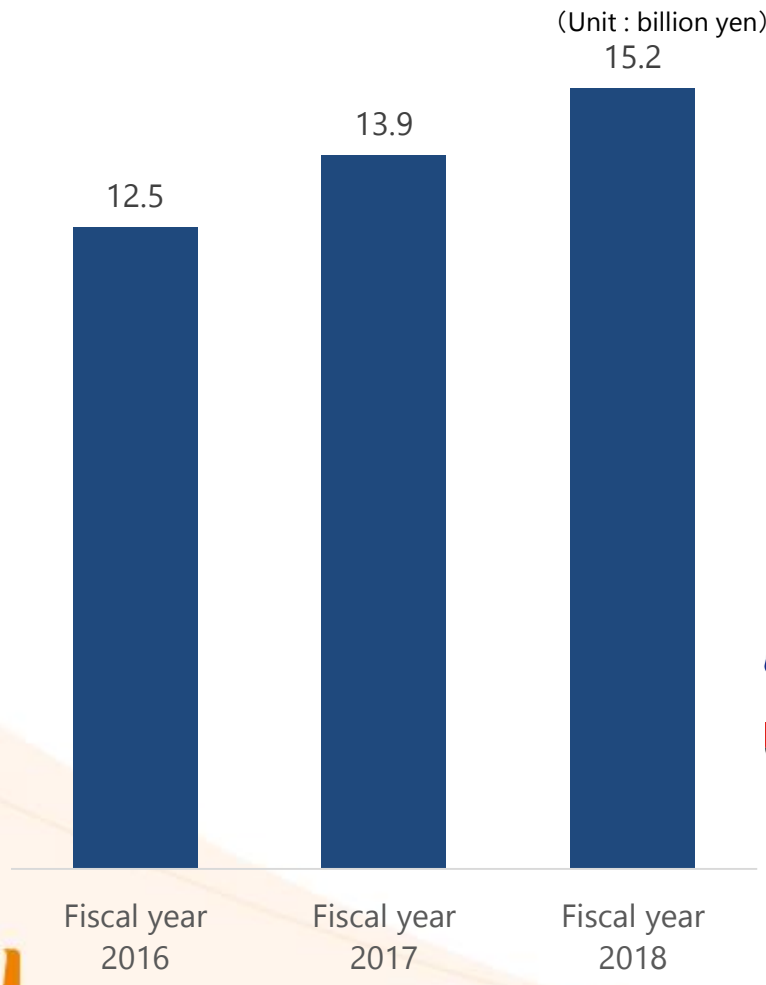
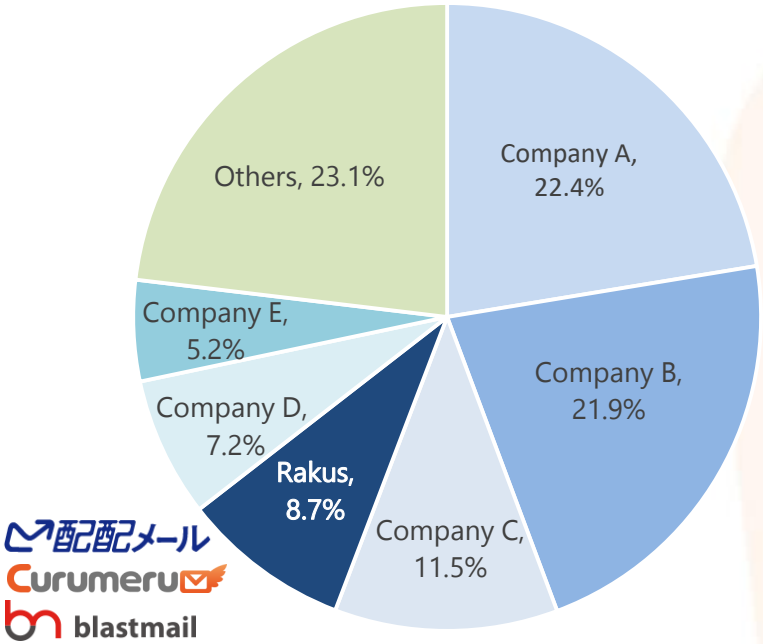
# The Market for Cloud-based Email Distribution Systems

※ Source：Our own survey based on various data（As of March 2019）

## 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 Blastmail combined



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# Other services 2




Hataraku DB / Raku Raku Hambai

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



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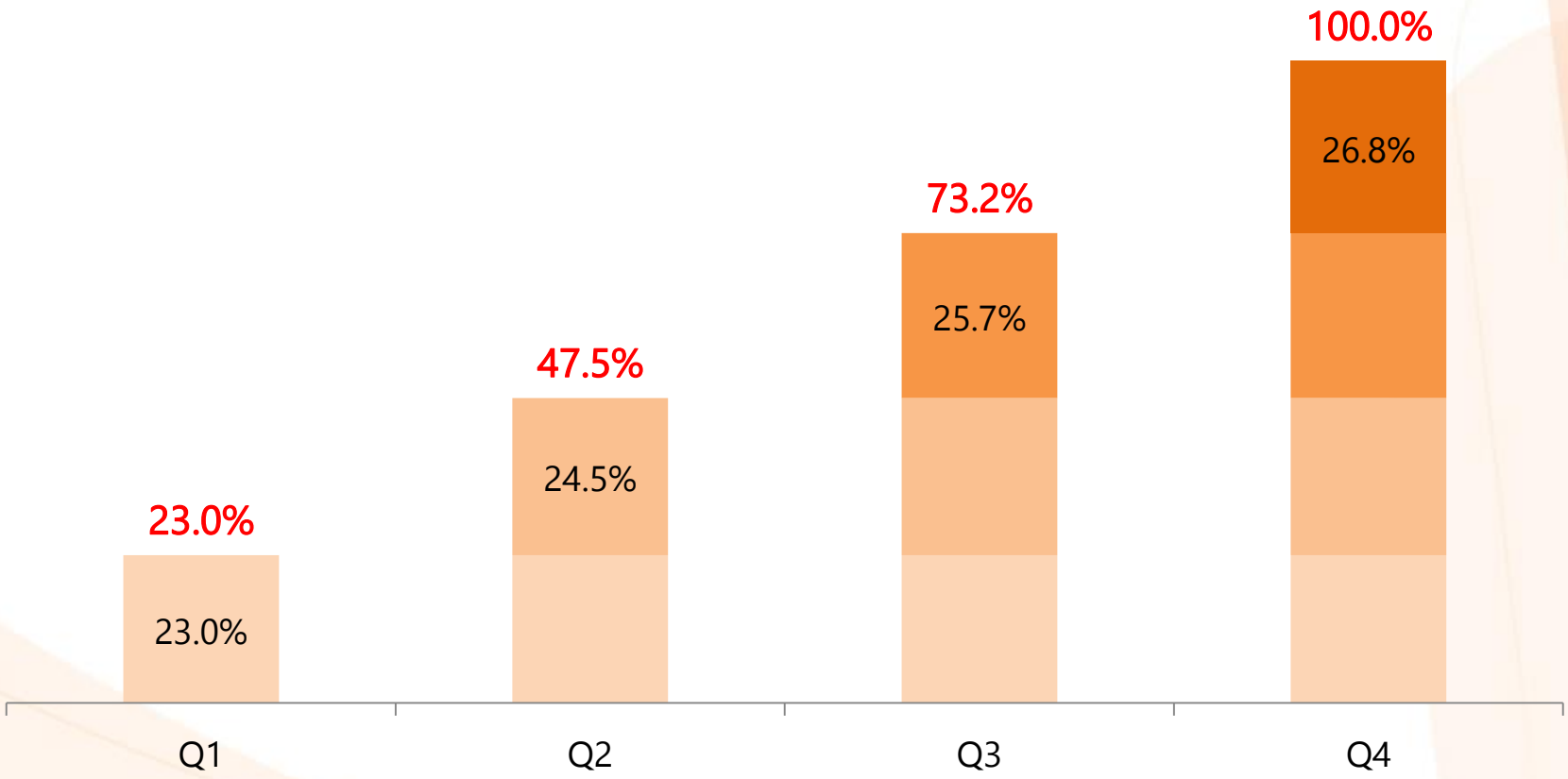
# 【Cloud business】 Concept Image of Sales Generated throughout a Year

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



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