

RAKUS Co., Ltd.

（Mothers:3923）

Earnings Results for Q3 the fiscal year March 2020

Key points

Earnings results for Q3 of March 2020

- Significant sales increases were achieved due to investment made in H1.
- Profit was higher than forecast because of cost-effective marketing activities on top of sales increases.

Cloud Business

- Major services have continued to grow as planned.
- Profit declined significantly year on year due to active investment.

IT Outsourcing Business

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

Guidance for the Fiscal Year March 2020

- Year on year sales increase and profit decline are expected due to the plan to actively invest for future growth.

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Summary of Consolidated Results for Q3 of March 2020

Significant sales increases were achieved due to investment made in H1.

		Year on Year
Sales	¥8,408M	Up 32.8%
Operating Profit	¥914M	Down 26.2%
Ordinary Profit	¥915M	Down 26.3%
EBITDA	¥1,192M	Down 20.0%
Profit attributable to owners of parent	¥571M	Down 29.9%

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 2020

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Outline of the Consolidated Results for Q3 of March 2020

Profit was higher than forecast because of cost-effective marketing activities on top of sales increases.

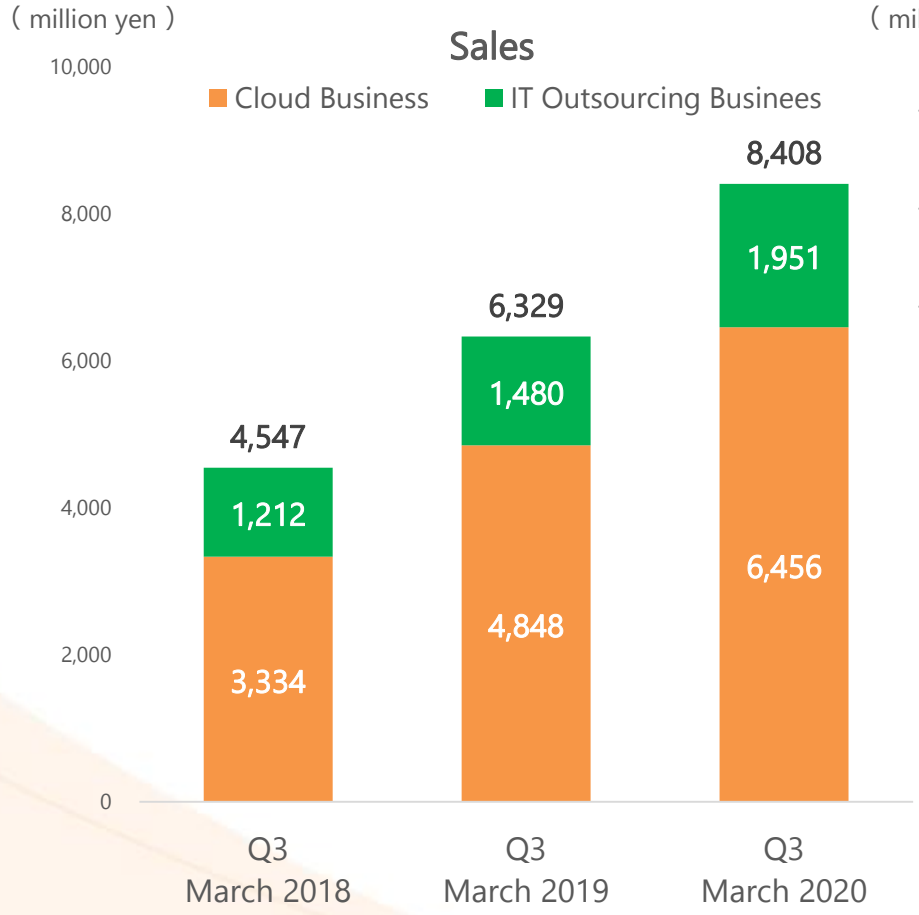
(million yen)

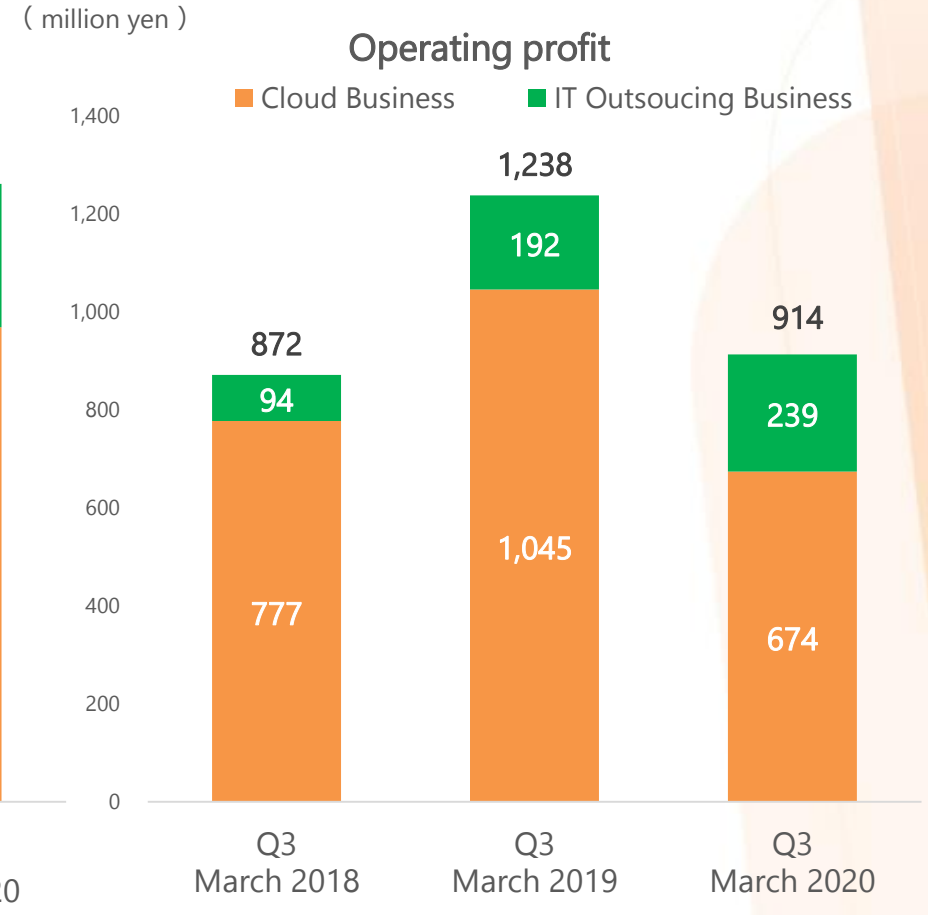
	Q3 of March 2019 (actual)	Q3 of March 2020 (guidance)	Q3 of March 2020 (actual)	Versus the guidance	Year on Year
Sales	**6,329**	**8,351**	**8,408**	**100.7%**	**132.8%**
Cost of sales	2,140	2,855	2,846	99.7%	133.0%
Gross profit	4,189	5,496	5,562	101.2%	132.8%
(GP margin)	(66.2%)	(65.8%)	(66.2%)		
SG&A	2,950	4,663	4,648	99.7%	157.5%
Operating profit	**1,238**	**833**	**914**	**109.8%**	**73.8%**
(OP margin)	(19.6%)	(10.0%)	(10.9%)		
Ordinary profit	**1,242**	**835**	**915**	**109.7%**	**73.7%**
(Ordinary profit margin)	(19.6%)	(10.0%)	(10.9%)		
EBITDA	**1,489**	**1,110**	**1,192**	**107.4%**	**80.0%**
(EBITDA margin)	(23.5%)	(13.3%)	(14.2%)		
Income tax	427	307	336		
Profit attributable to owners of parent	**814**	**520**	**571**	**109.8%**	**70.1%**

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Performance by Business Segment

The cloud business continued to actively invest resulting in a significant year-on-year profit decline.
IT Outsourcing Business hired more engineers, which accelerated sales growth.



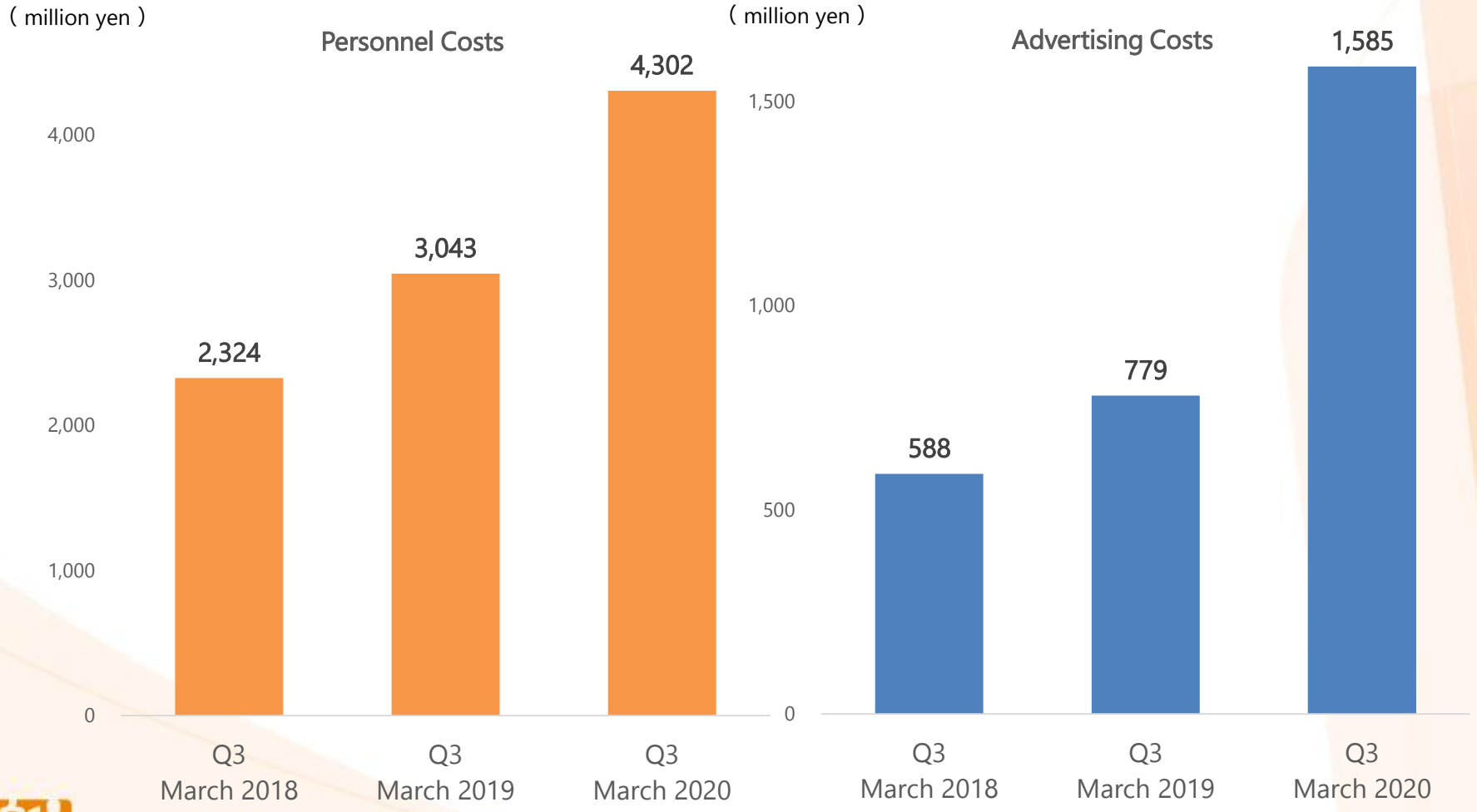


※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

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Trends for Personnel and Advertising Costs（actual）

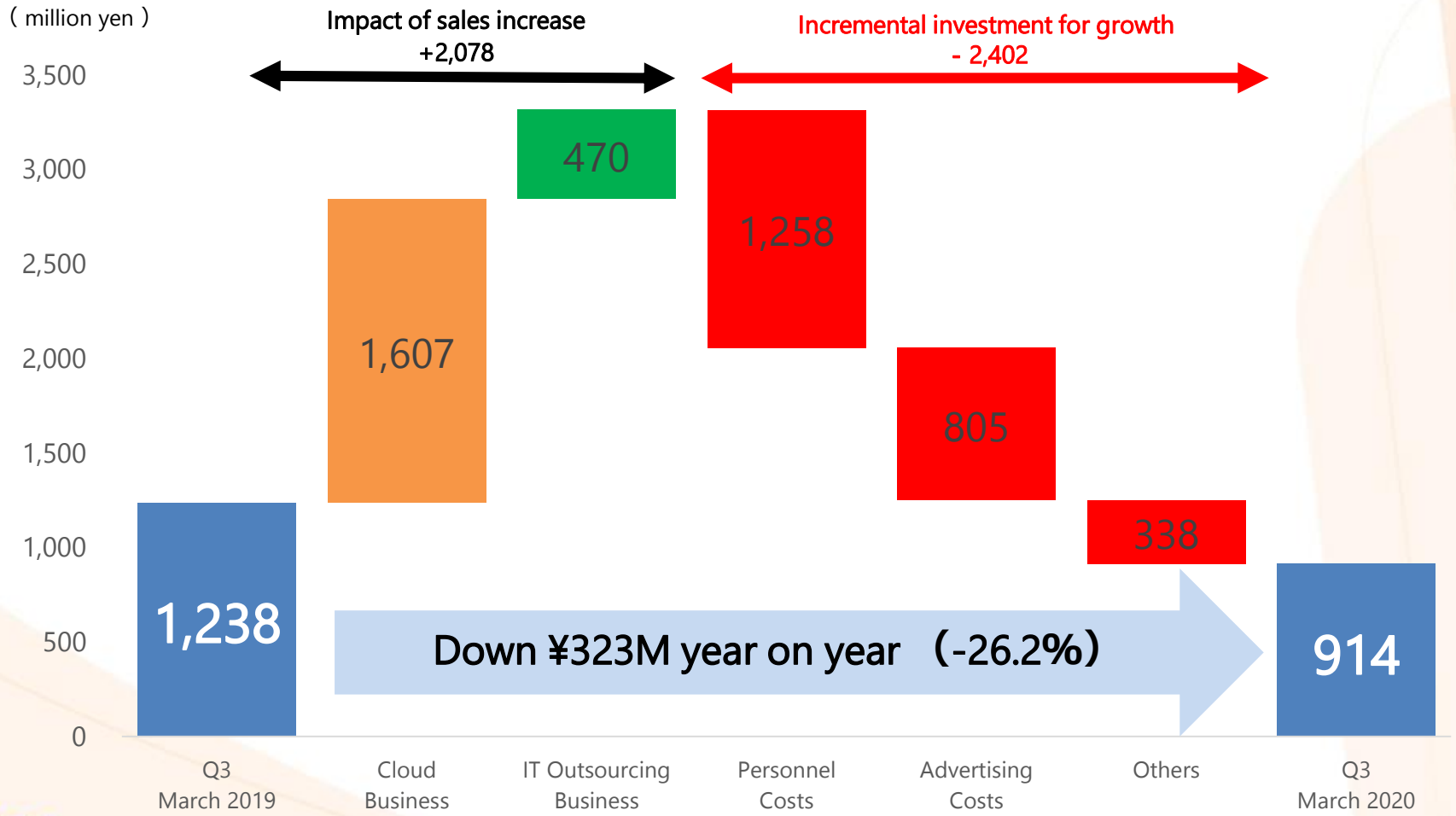
Personnel costs and advertising costs increased largely due to the active investment policy.



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Factors for Changes in Consolidated Operating Profits in Q3 of March 2020

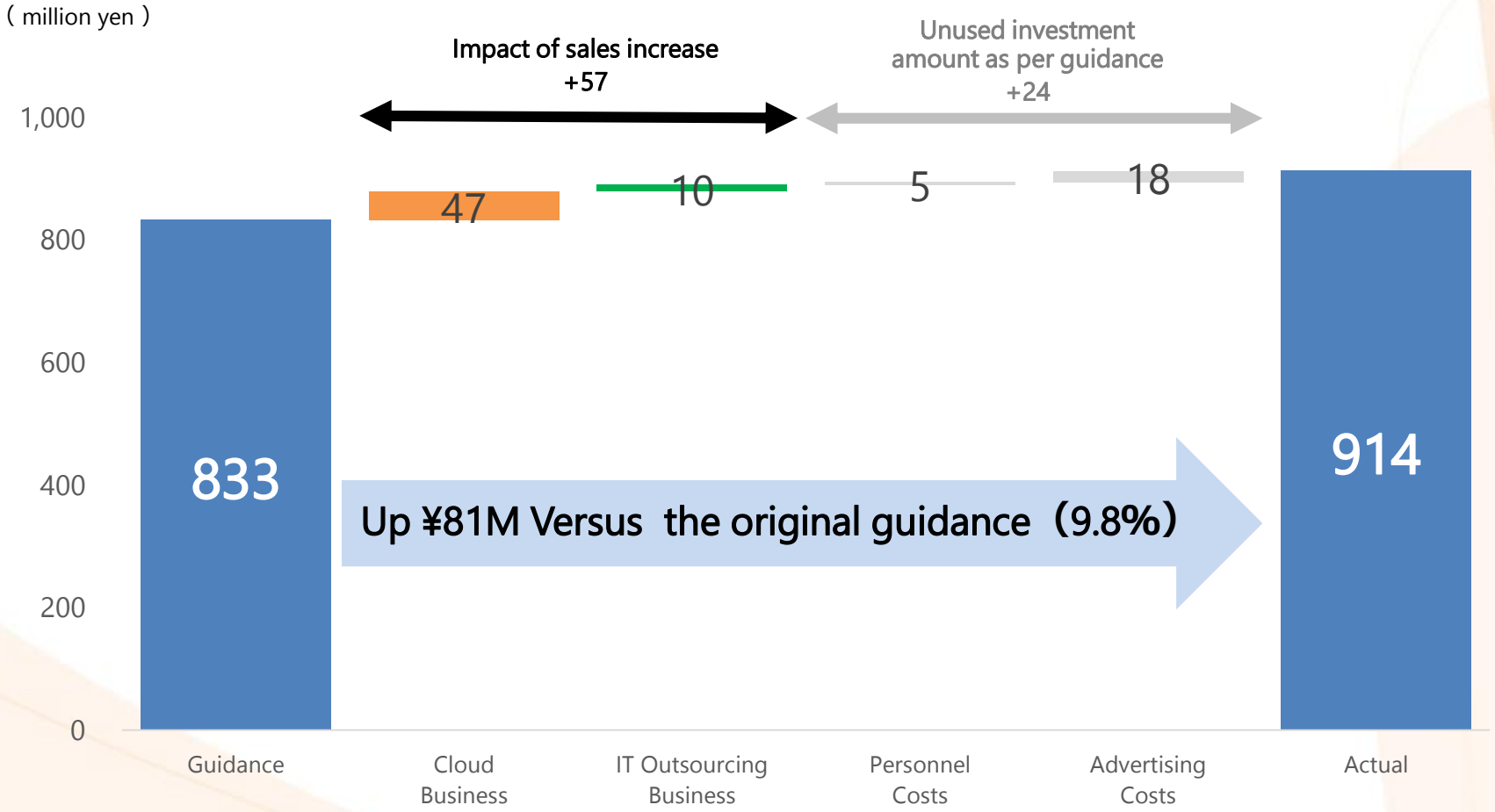
Active investment continued as planned.



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Factors for Changes in Consolidated Operating Profits in Q3 of March 2020 (Versus the guidance)

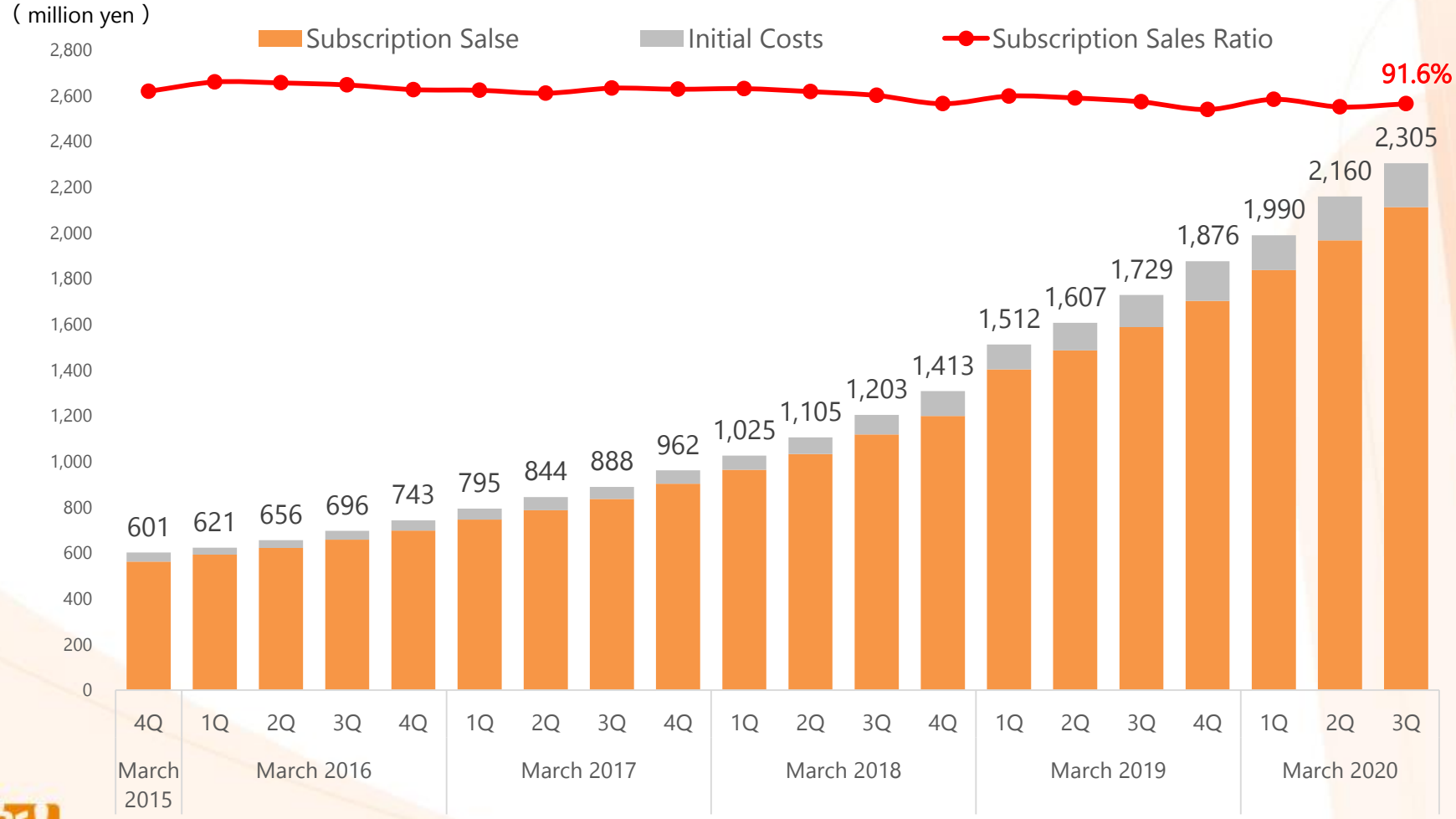
Profit was higher than forecast due to sales increases and less advertising costs than planned.



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Trends for Subscription Sales of the Cloud Business

The subscription sales ratio continued to be high.

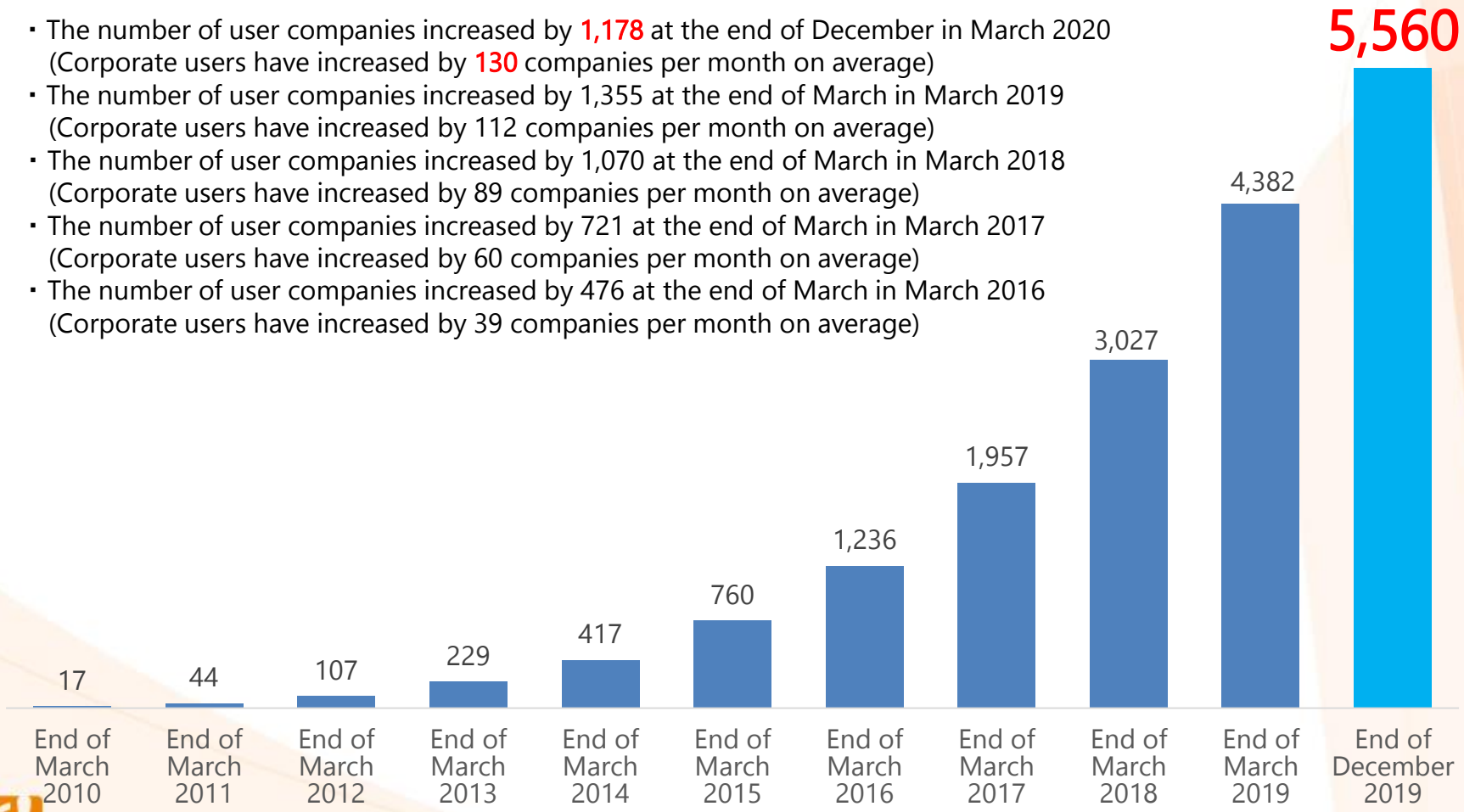


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Trends for the Cumulative Number of Corporations Using Raku Raku Seisan

Acquisition of new customers progressed well.

- The number of user companies increased by 1,178 at the end of December in March 2020 (Corporate users have increased by 130 companies per month on average)
- The number of user companies increased by 1,355 at the end of March in March 2019 (Corporate users have increased by 112 companies per month on average)
- The number of user companies increased by 1,070 at the end of March in March 2018 (Corporate users have increased by 89 companies per month on average)
- The number of user companies increased by 721 at the end of March in March 2017 (Corporate users have increased by 60 companies per month on average)
- The number of user companies increased by 476 at the end of March in March 2016 (Corporate users have increased by 39 companies per month on average)



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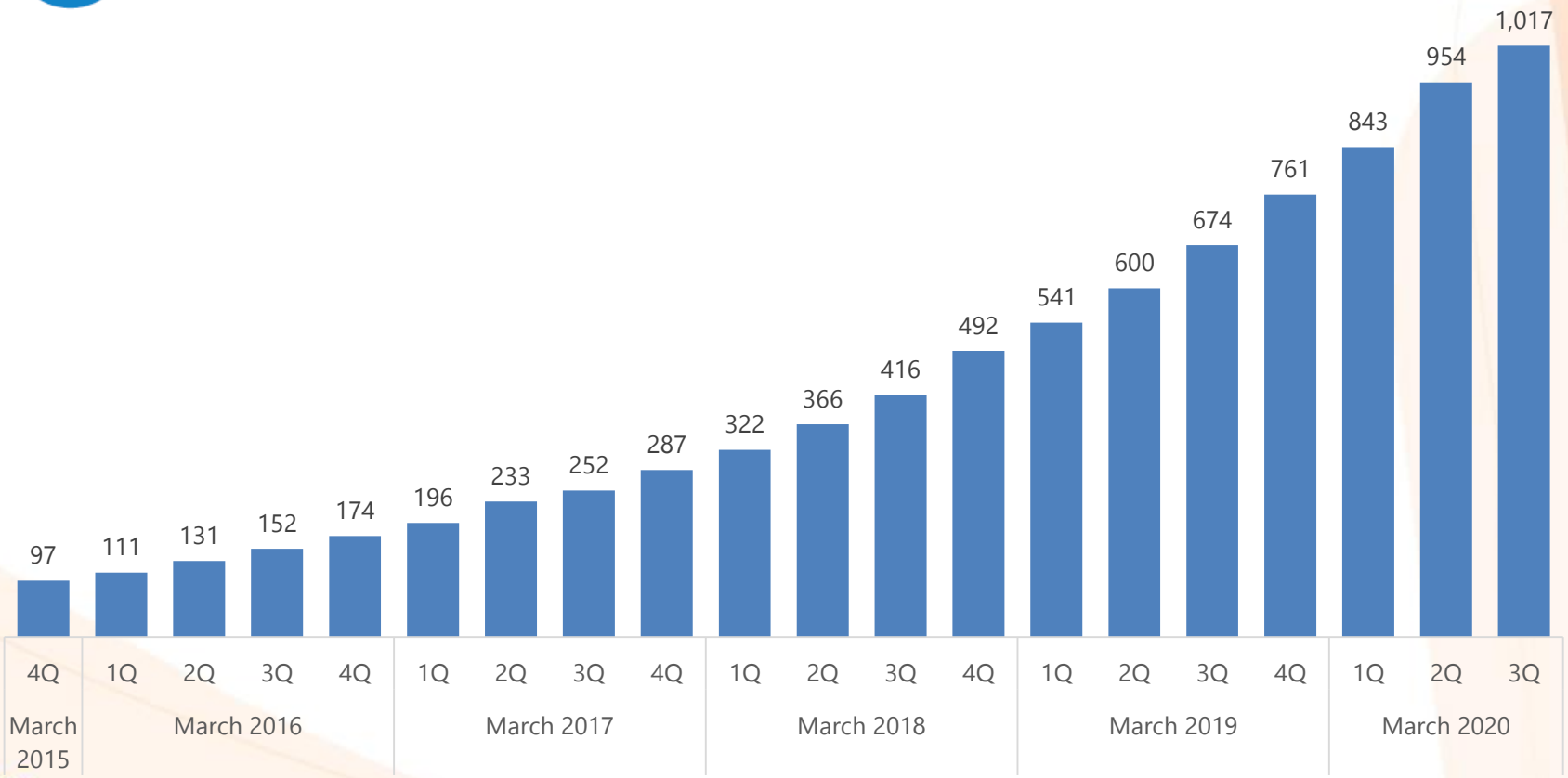
Sales Trends for Raku Raku Seisan

High level growth continued contributing to record high quarterly sales exceeding 1 billion yen.

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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 October to December in 2019	Quarter on Quarter	Year on Year
Raku Raku Seisan	1,017	6.7%	50.9%
Mail Dealer	436	2.8%	9.9%
Email distribution services	398	5.3%	15.0%
Raku Raku Hambai (Hataraku DB)	228	11.9%	47.2%
Raku Raku Meisai	150	18.5%	71.8%
Others	73	2.9%	8.7%
Total of the Cloud Business	2,305	6.7%	33.3%

※ 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 Q3 of March 2020	Difference
Current assets	3,668	3,881	212
Non-current assets	2,474	2,640	166
Total assets	**6,142**	**6,521**	**378**
Current liabilities	1,436	1,468	32
Non-current liabilities	113	88	-24
Total liabilities	**1,549**	**1,557**	**7**
Shareholders' equity	4,596	4,968	371
Accumulated other comprehensive income	-2	-3	0
Total equity	**4,593**	**4,964**	**370**
Total liabilities and equities	**6,142**	**6,521**	**378**
Equity ratio	**74.8%**	**76.1%**	

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Consolidated Guidance for the Fiscal Year March 2020

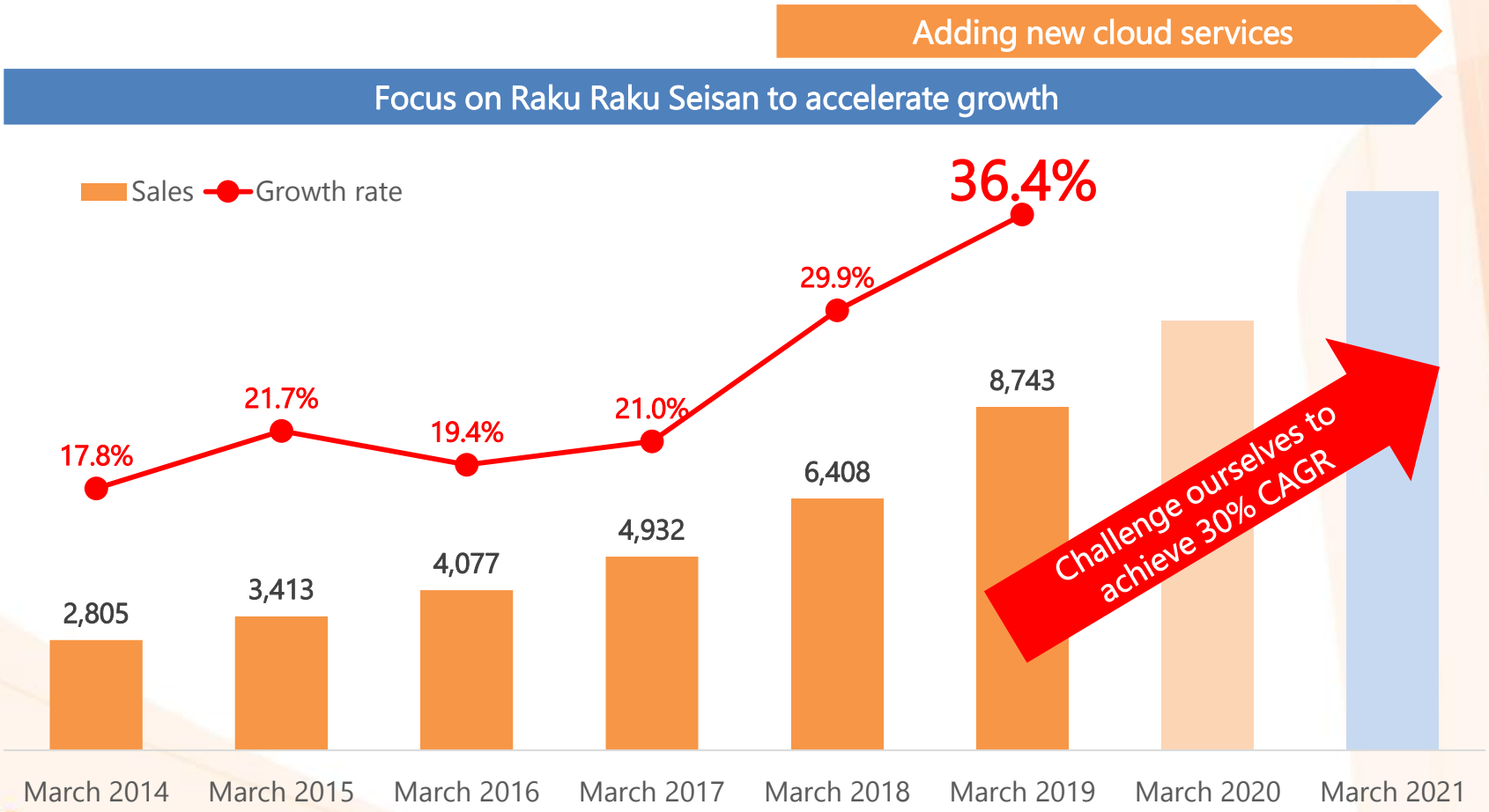
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Management Policies and Growth Strategy

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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Consolidated Guidance for Q3 of the fiscal March 2020

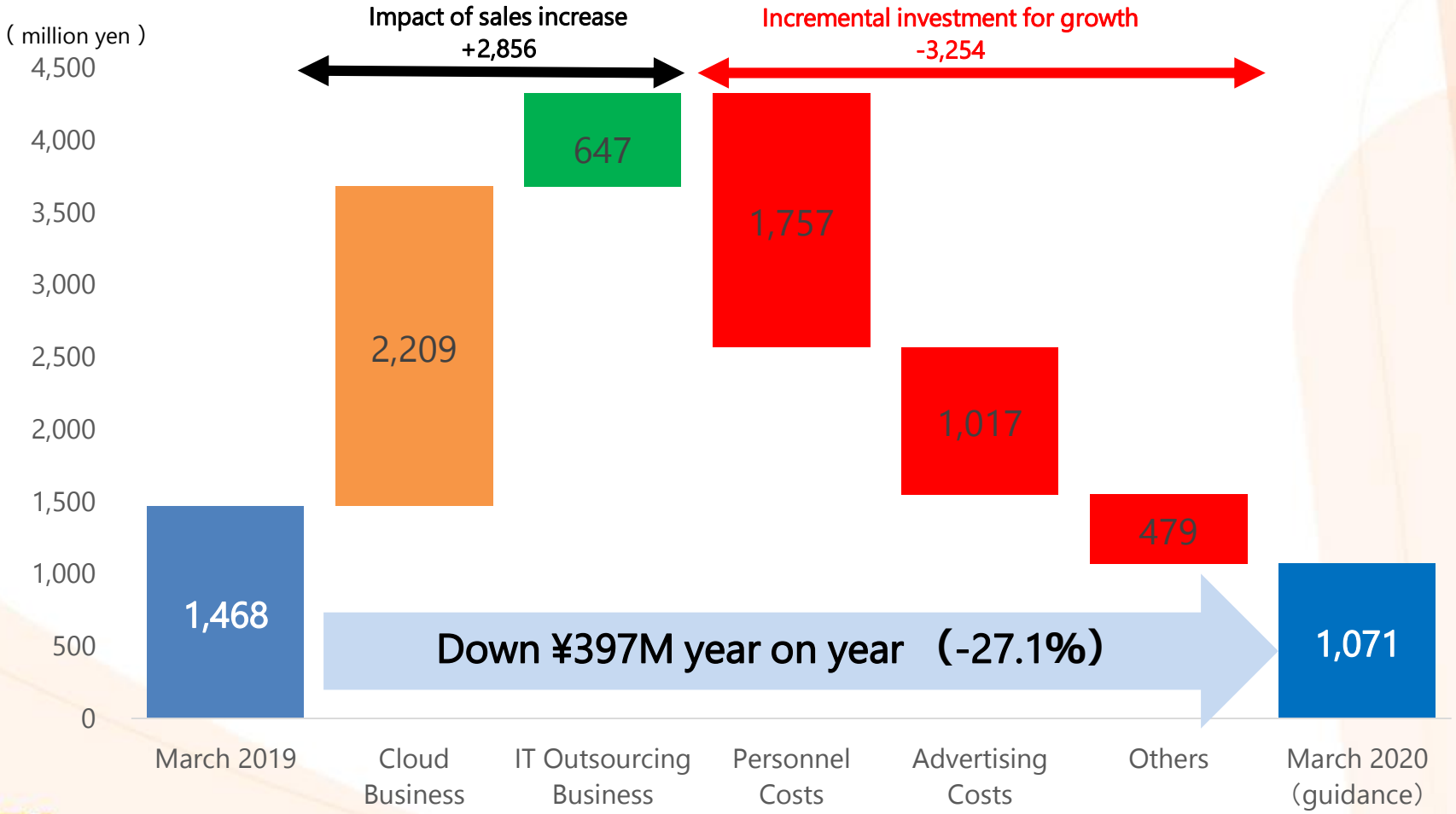
Year on year sales increase and profit decline are expected due to the plan to actively invest for future growth.

(million yen)	March 2019 (actual)	March 2020 Q4 (guidance)	March 2020 Full year (guidance)	Full year Year on Year
Sales	**8,743**	**3,191**	**11,600**	**132.7%**
Cost of sales	2,989	1,116	3,963	132.6%
Gross profit	5,753	2,074	7,637	132.7%
(GP margin)	(65.8%)	(65.0%)	(65.8%)	
SG&A	4,285	1,917	6,565	153.2%
Operating profit	**1,468**	**156**	**1,071**	**72.9%**
(OP margin)	(16.8%)	(4.9%)	(9.2%)	
Ordinary profit	**1,474**	**157**	**1,073**	**72.8%**
(Ordinary profit margin)	(16.9%)	(4.9%)	(9.3%)	
EBITDA	**1,809**	**265**	**1,457**	**80.6%**
(EBITDA margin)	(20.7%)	(8.3%)	(12.6%)	
Income tax	455	18	355	
Profit attributable to owners of parent	**1,018**	**138**	**710**	**69.7%**

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

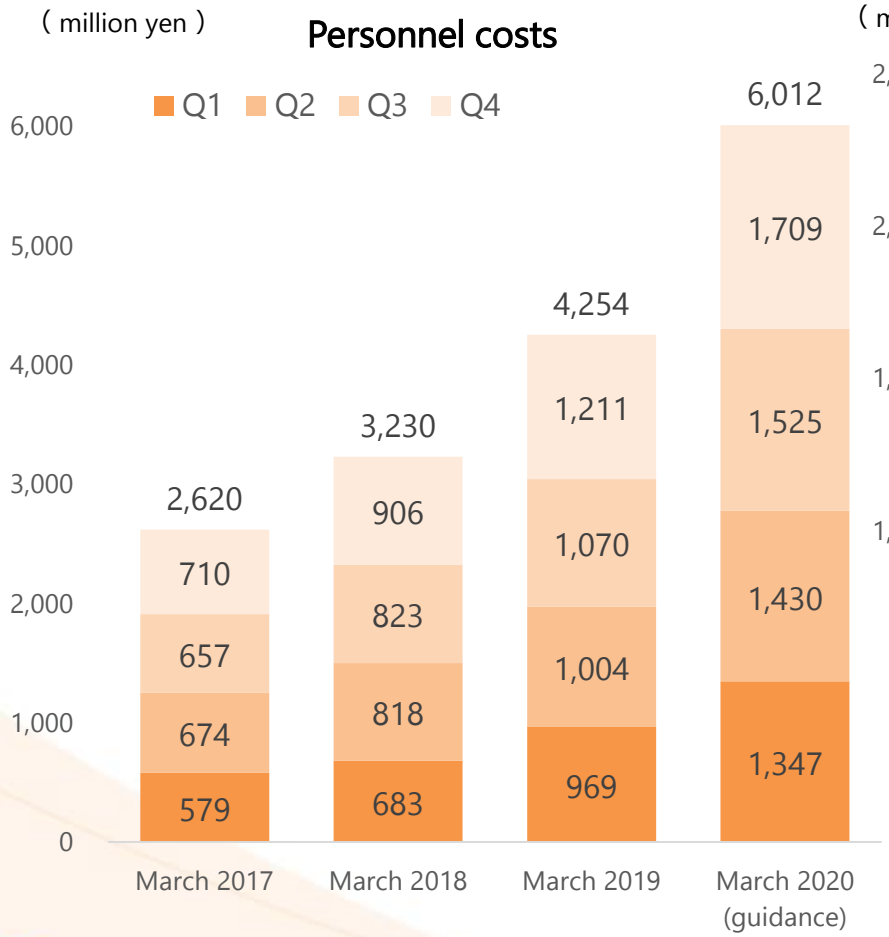
Active investment is planned based on our policy.

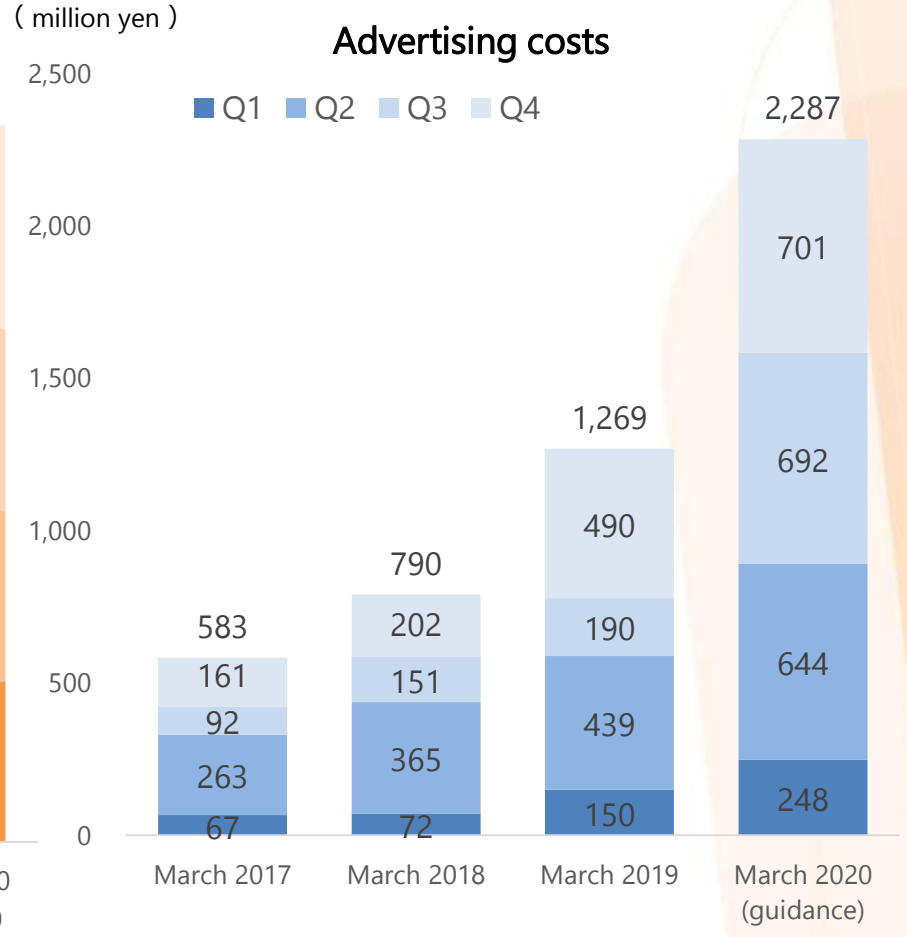


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Guidance of Personnel and Advertising Costs

Personnel costs increased significantly by hiring more people.



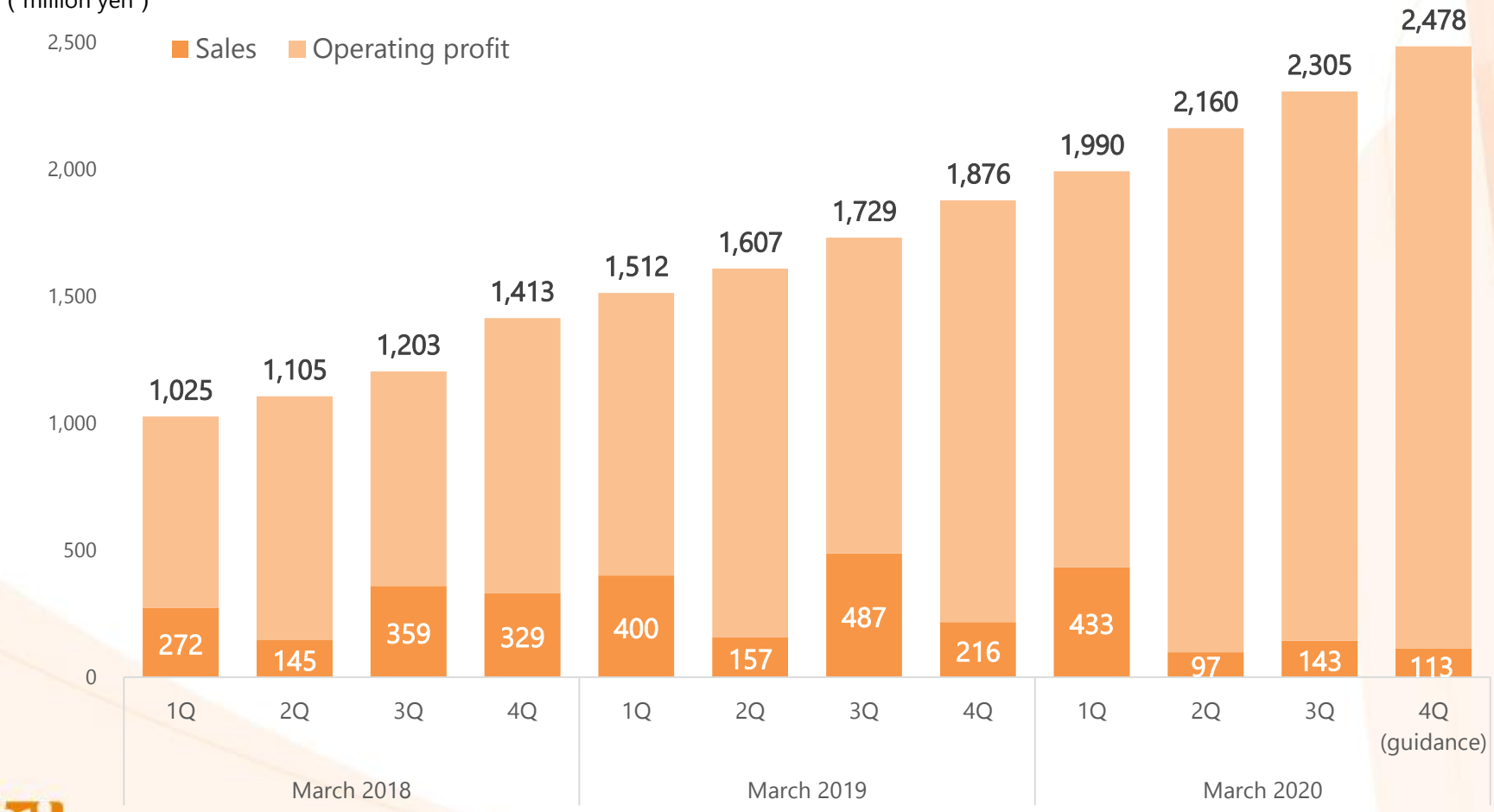


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Quarterly trends for the cloud business

The profit margin is expected to decline due to TV ads.

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

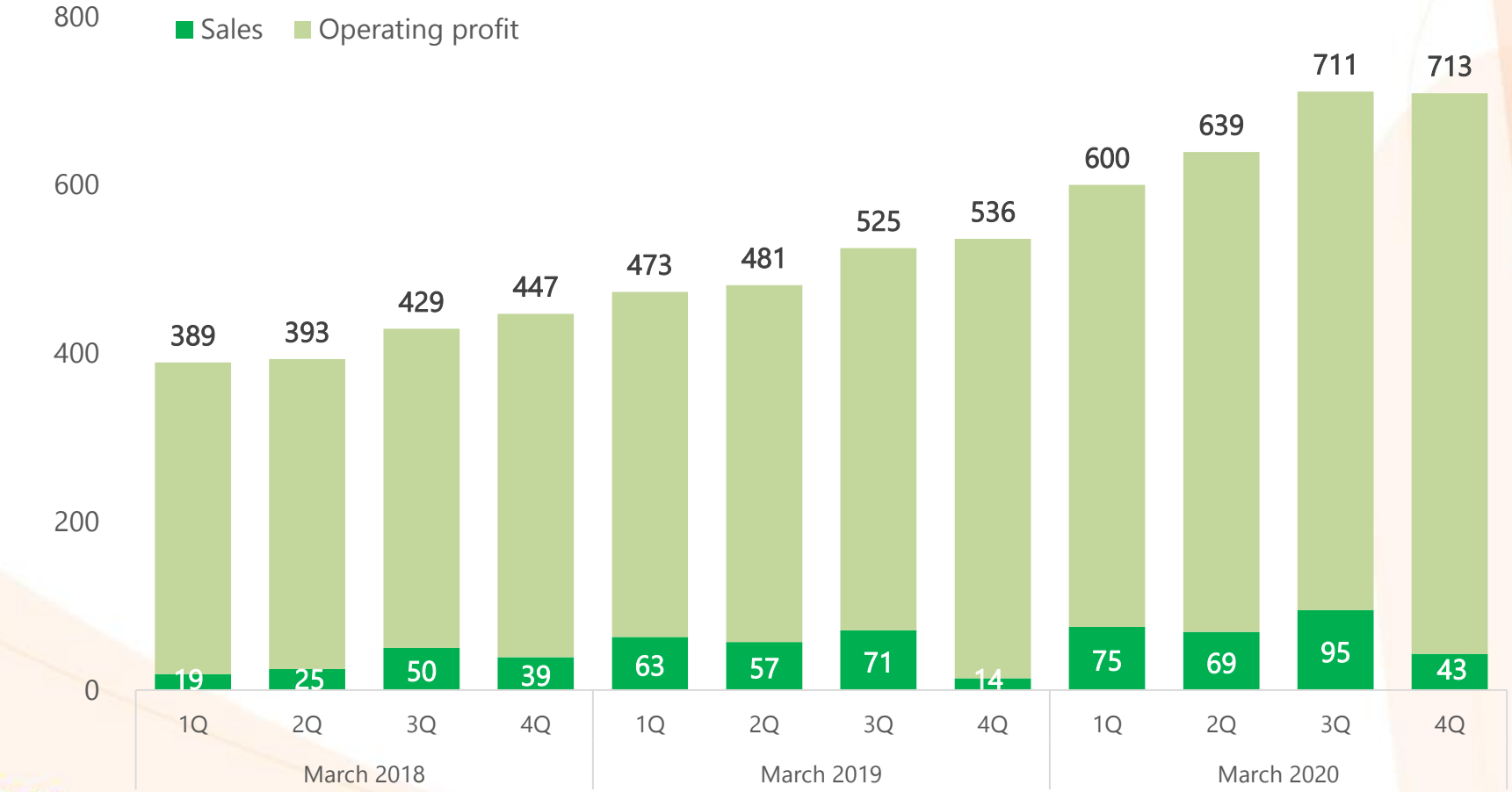


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Quarterly trends for the IT outsourcing business

The profit margin will decline temporarily because more people are hired due to strong demand.

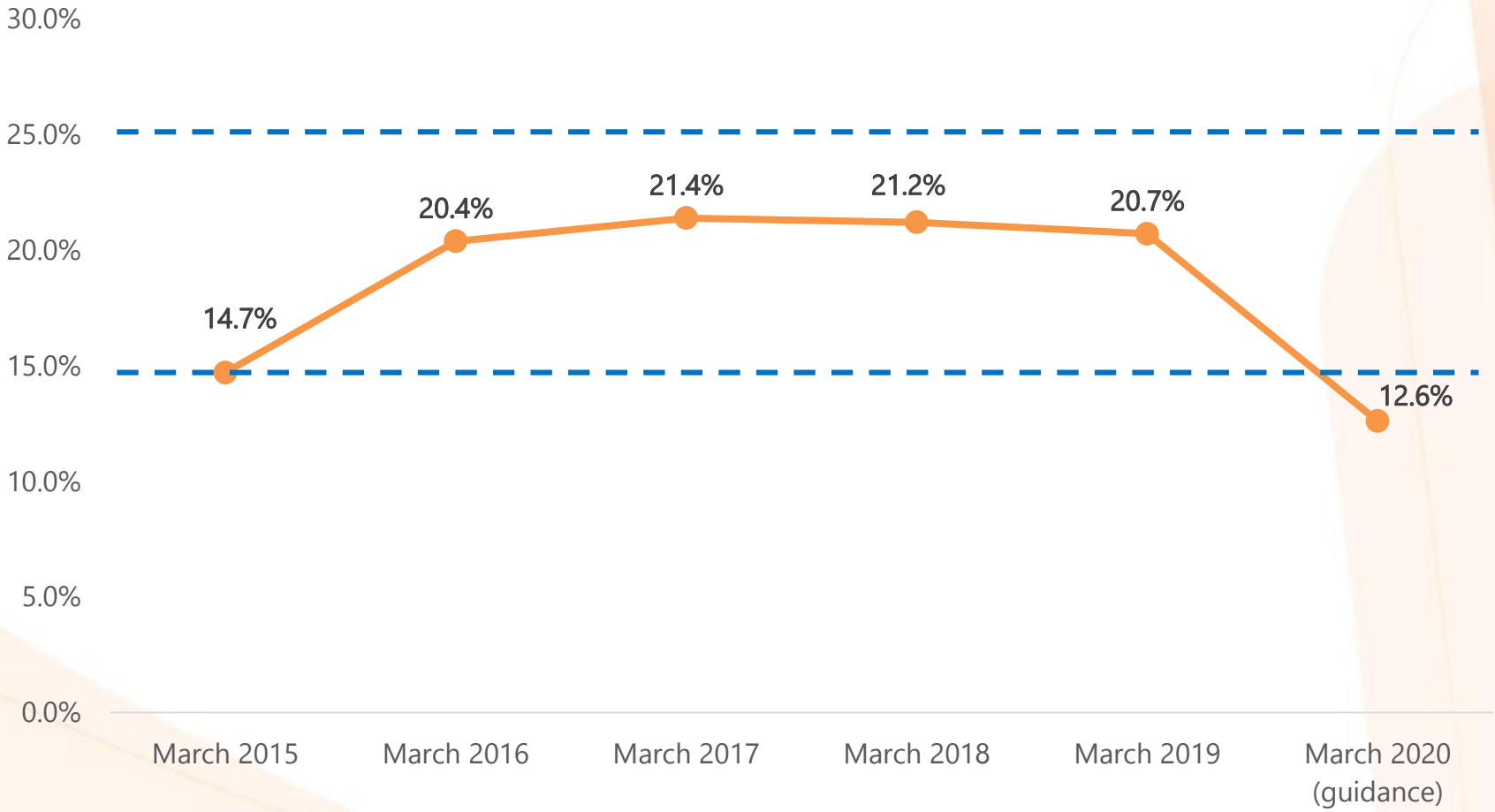
※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.



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【KPIs】Trends for EBITDA Margins

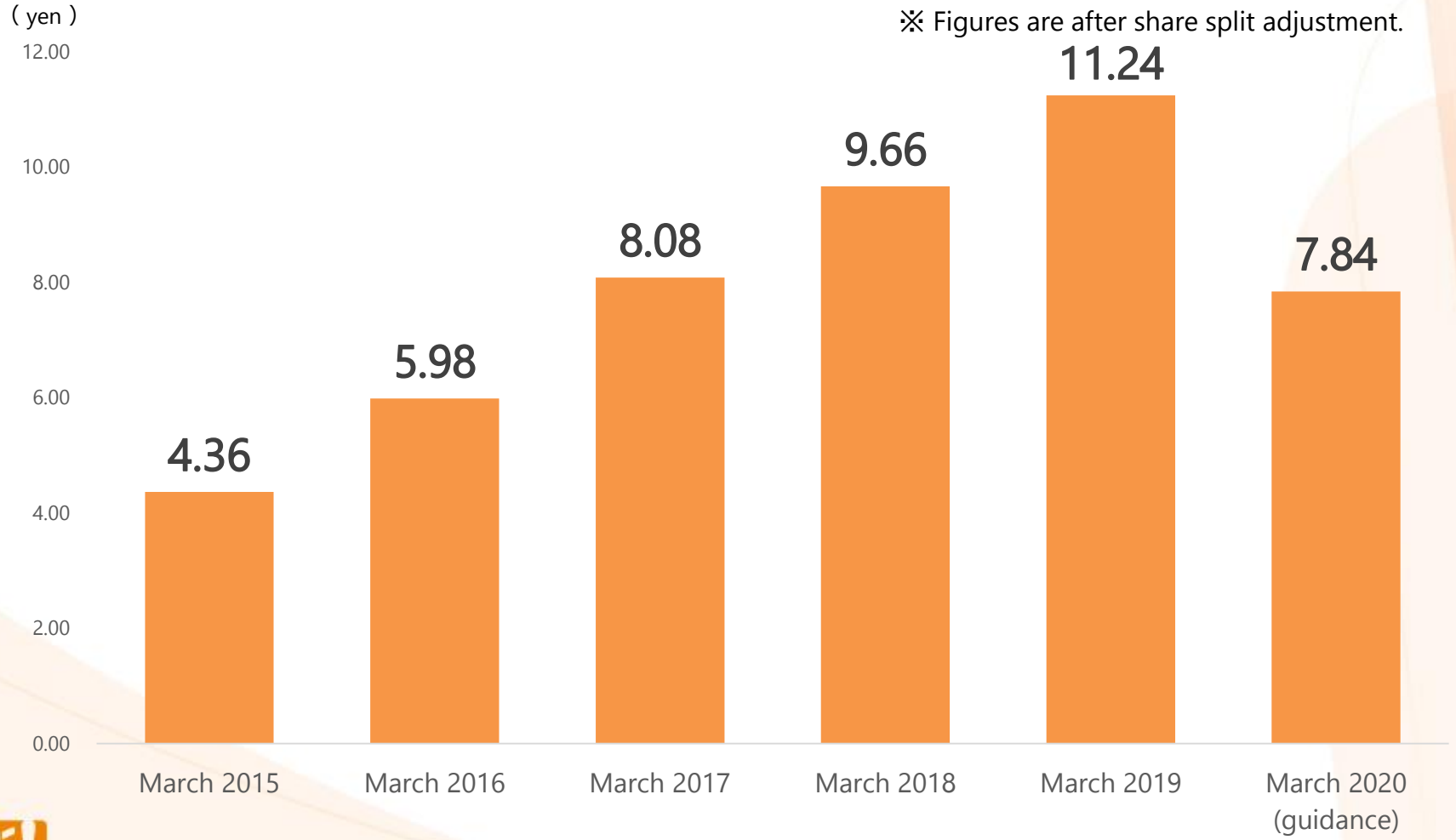
Investing for growth while keeping 15 – 25% EBITDA margin.



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【KPIs】Trends for EPS

EPS will decline due to active investment this fiscal year.



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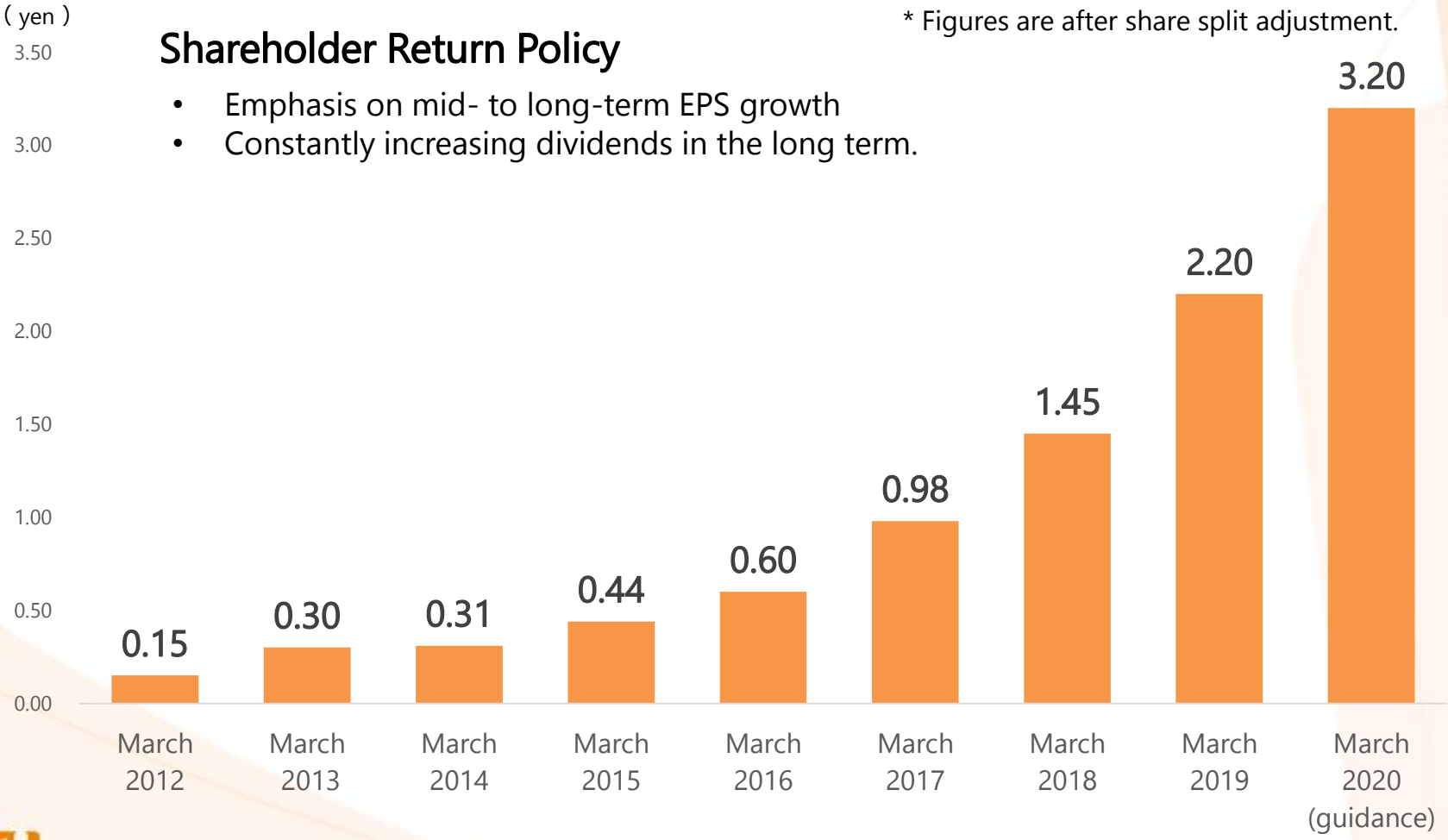
【KPIs】Shareholder Return

Plan to increase dividend for 8 consecutive years.

Shareholder Return Policy

- Emphasis on mid- to long-term EPS growth
- Constantly increasing dividends in the long term.

* Figures are after share split adjustment.

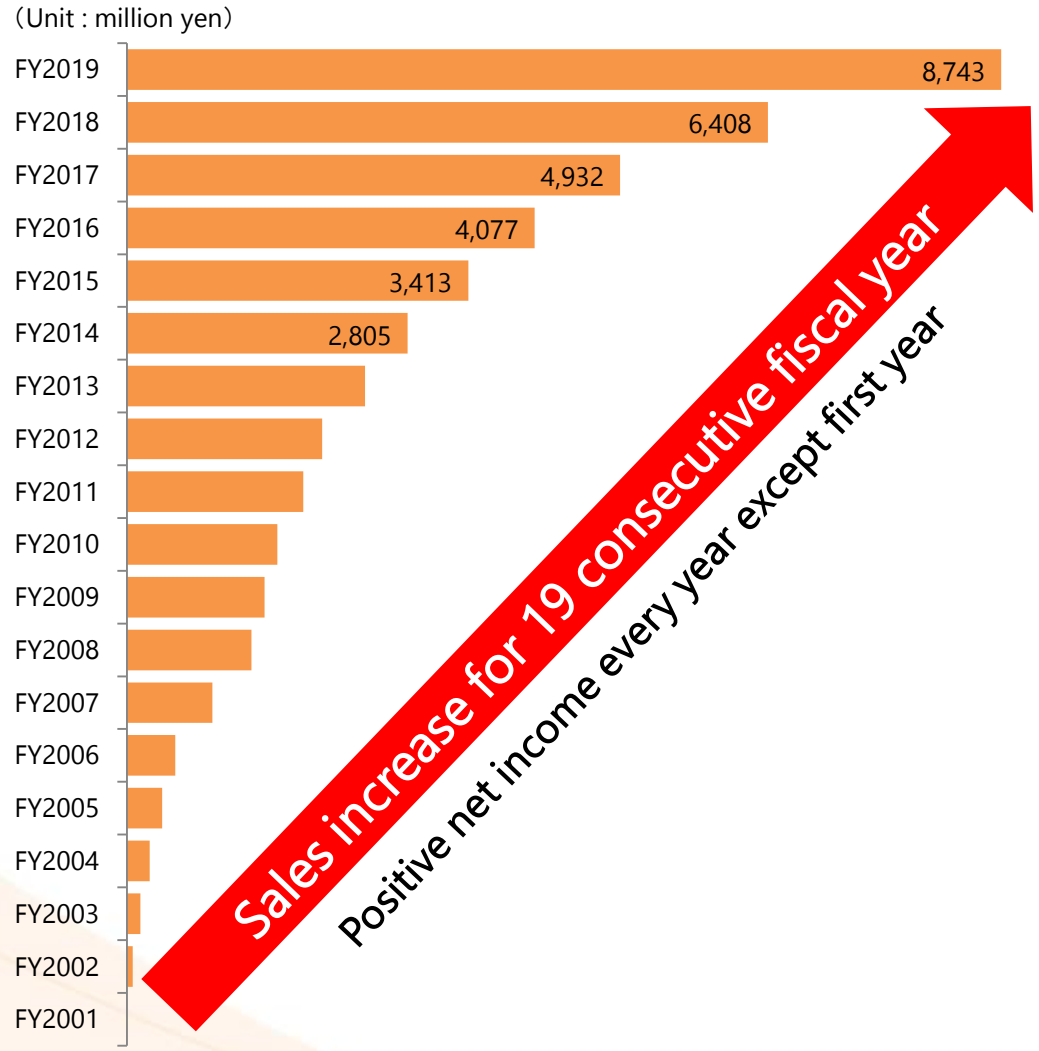


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Appendix

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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

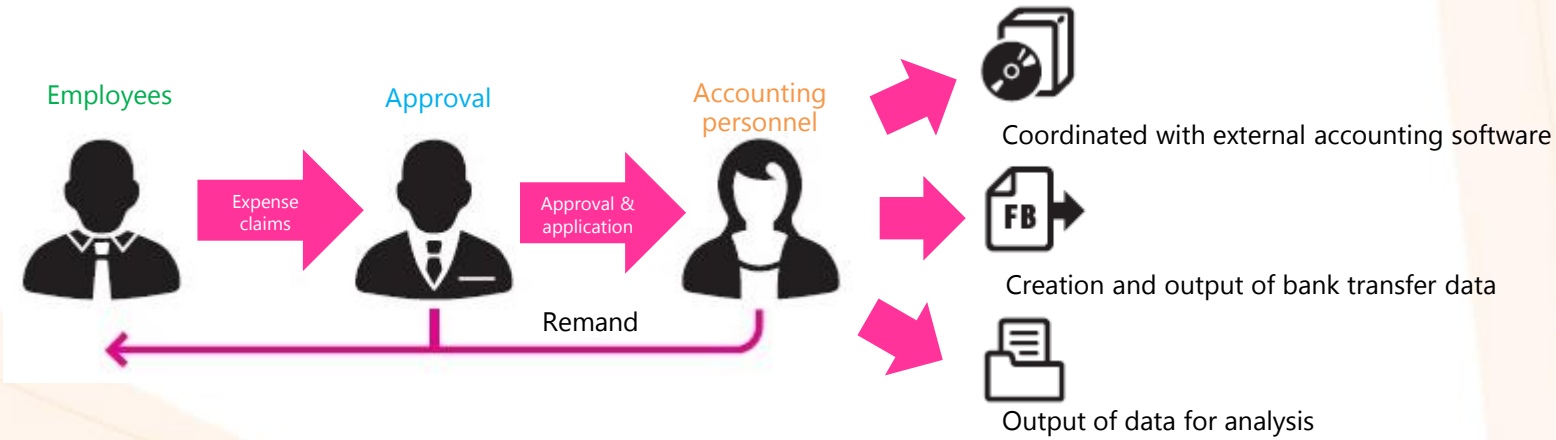
Main customers：Companies with 50 to 1,000 employees（all industries）

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



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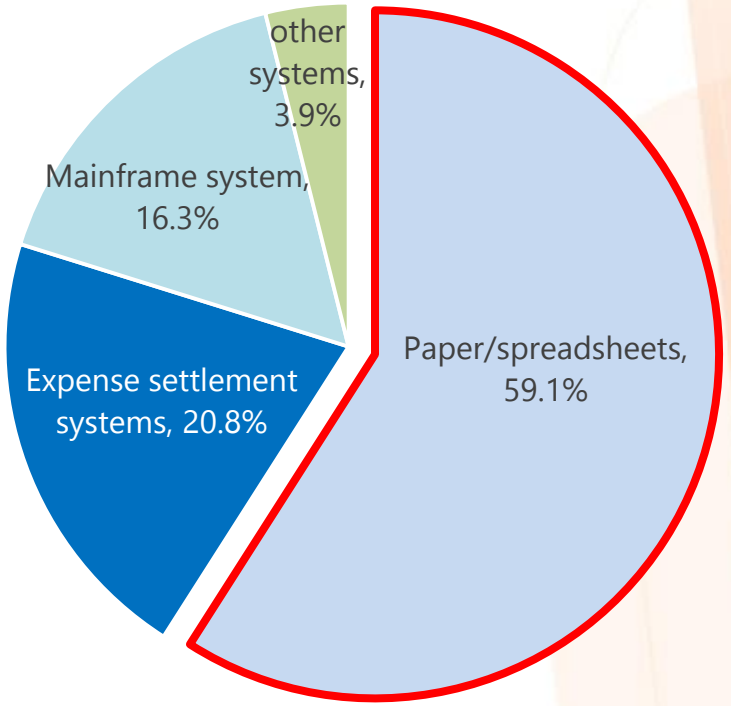
Target Market for the Cloud-based Expense Settlement Systems

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.



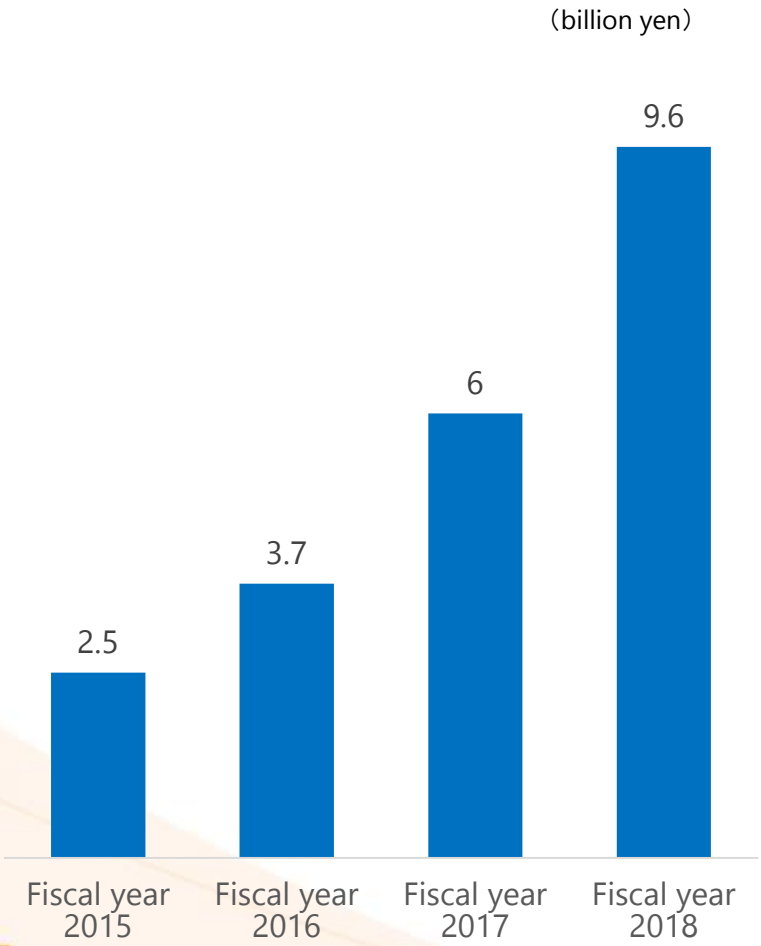
Source：Questionnaire filled out by accounting department staff in February, 2019.

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The Market for Cloud-based Expense Settlement Systems

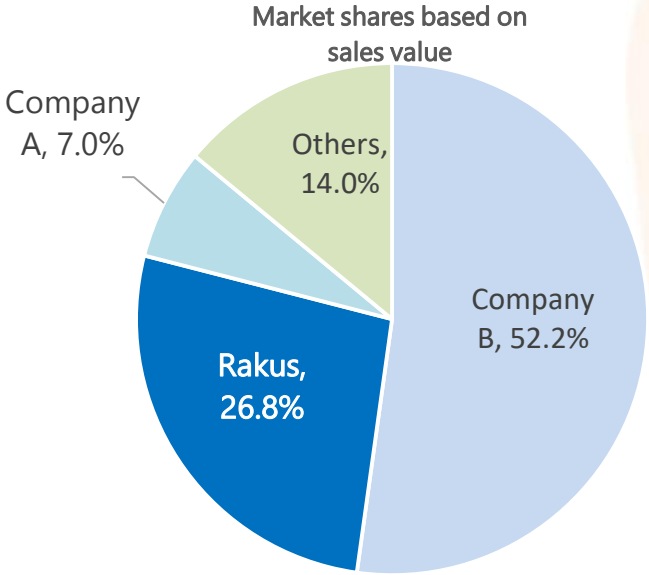
※Source：Our own survey based on various data

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

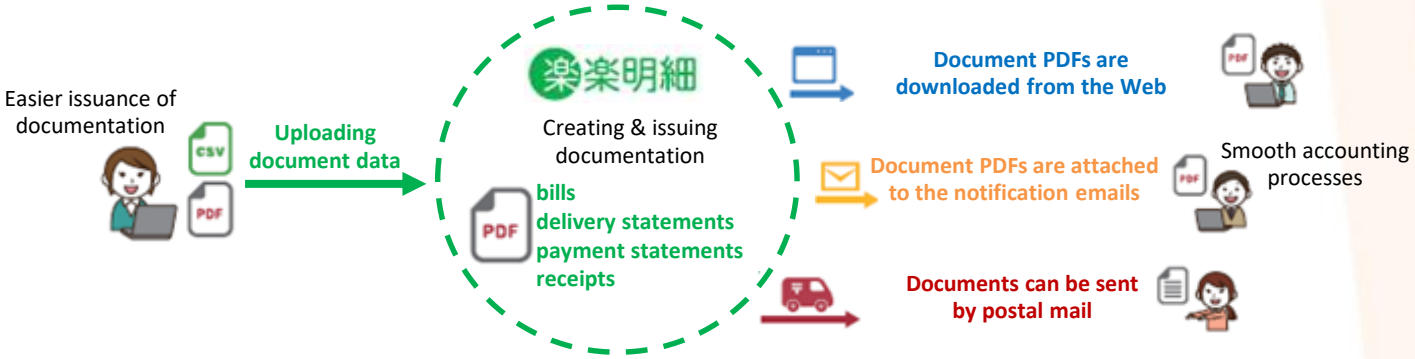
Main customers： All industries

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

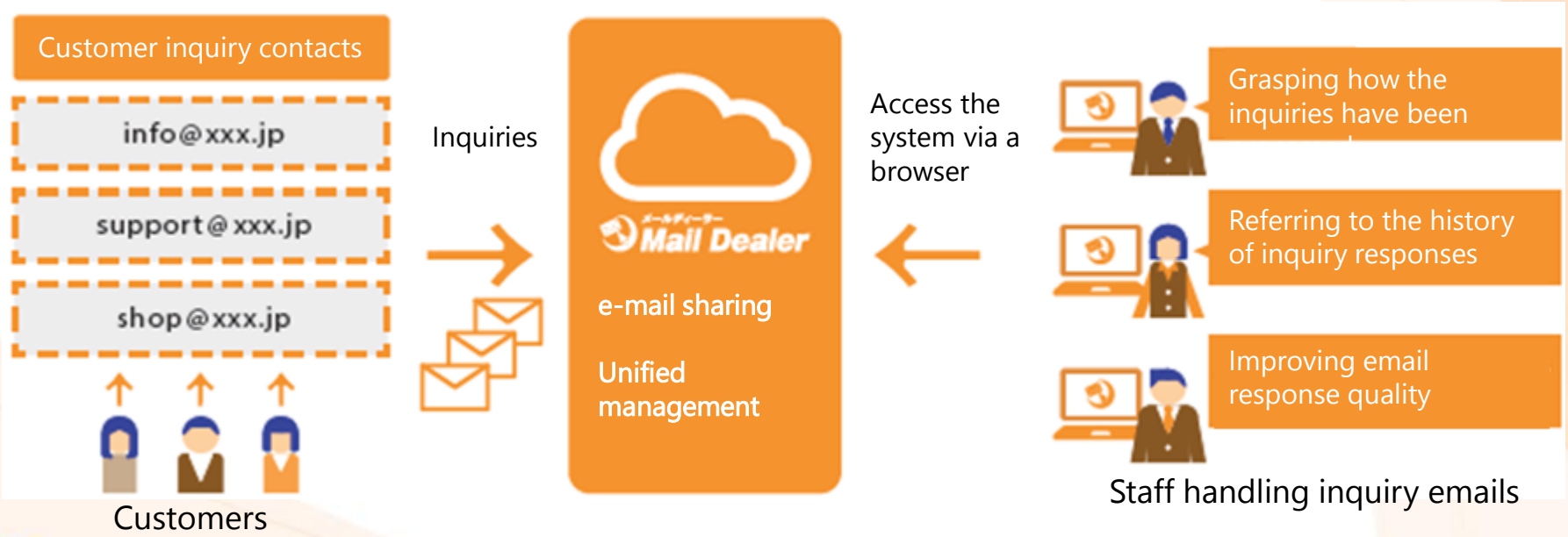
Main customers：E commerce businesses, call centers, and other B to C businesses

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



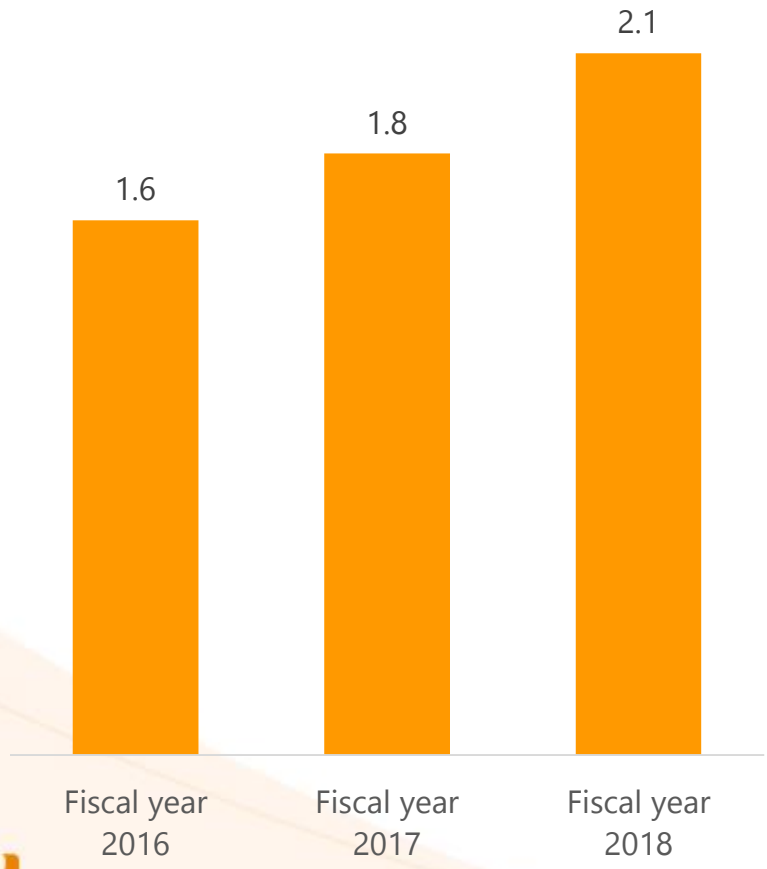
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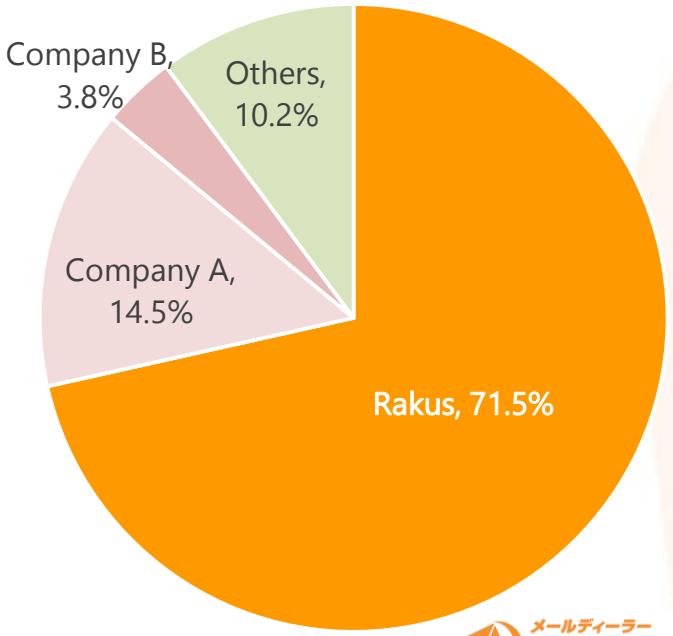
The market for cloud-based Mail processing

※ 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

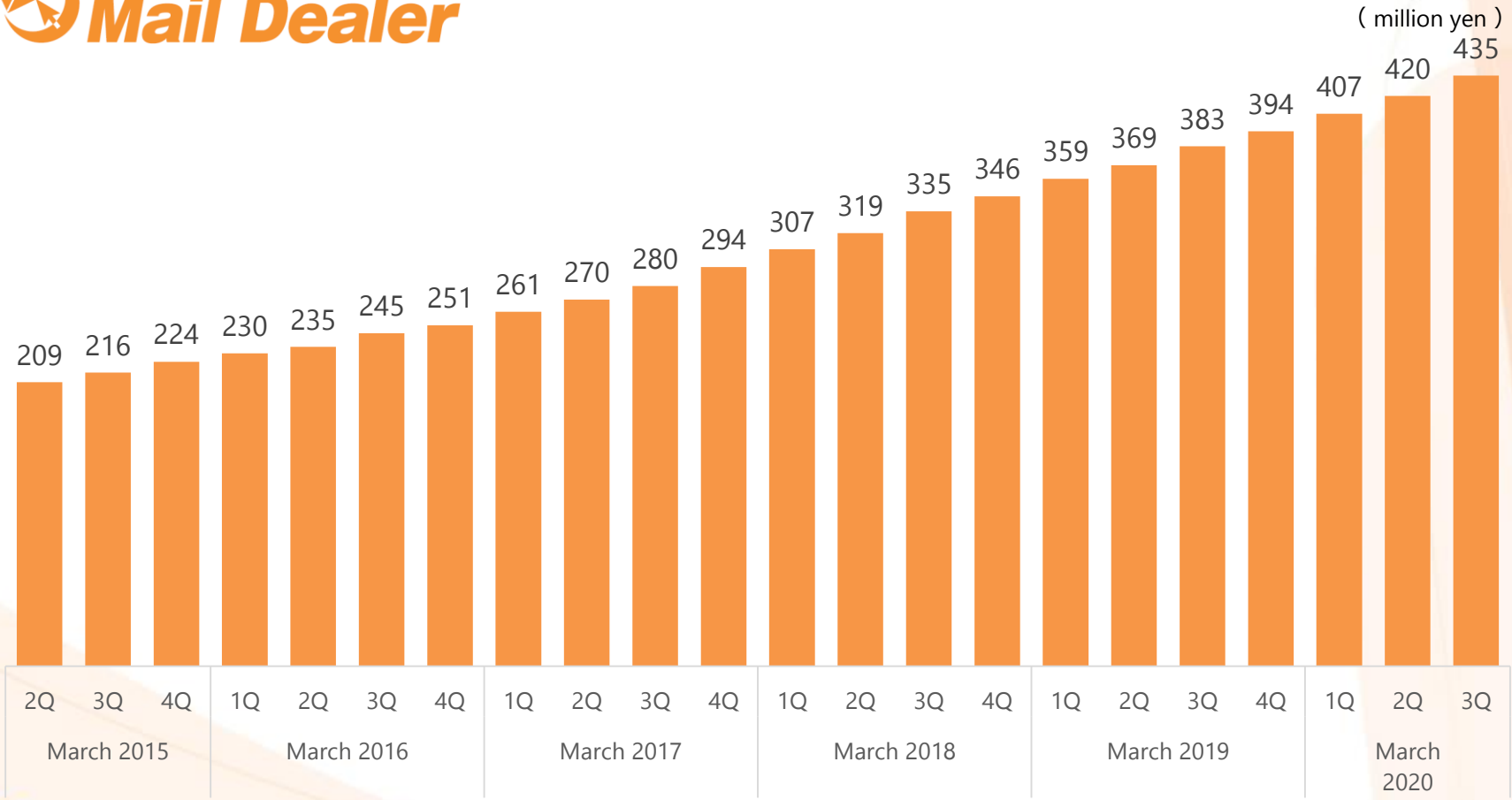
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Sales trends for Mail Dealer

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

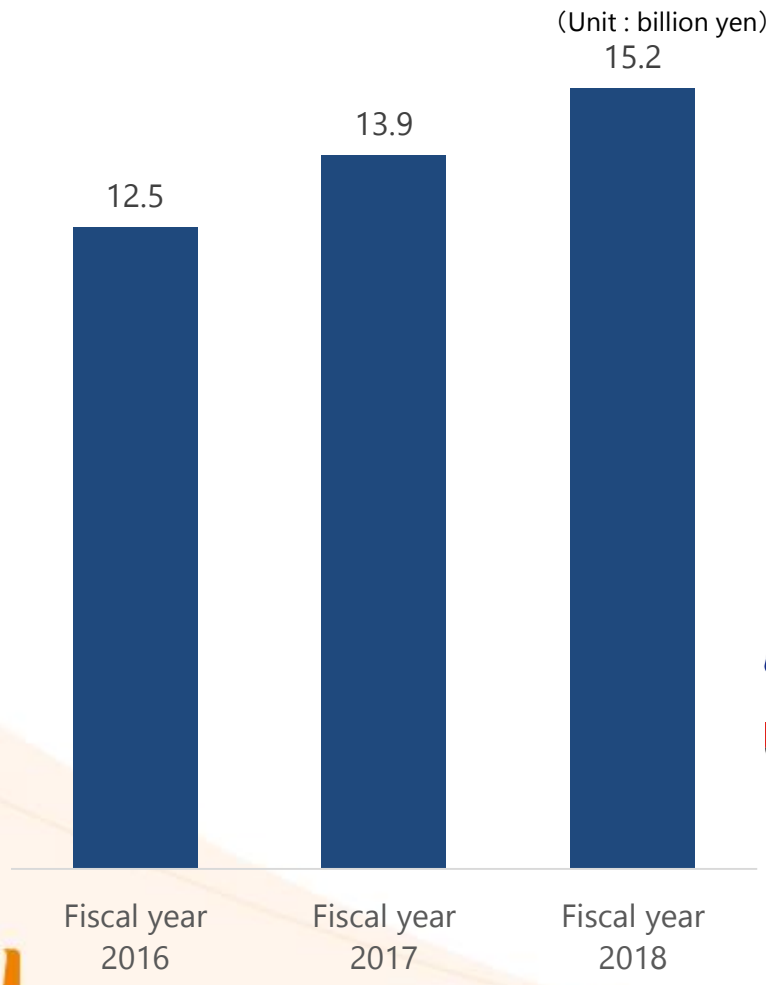
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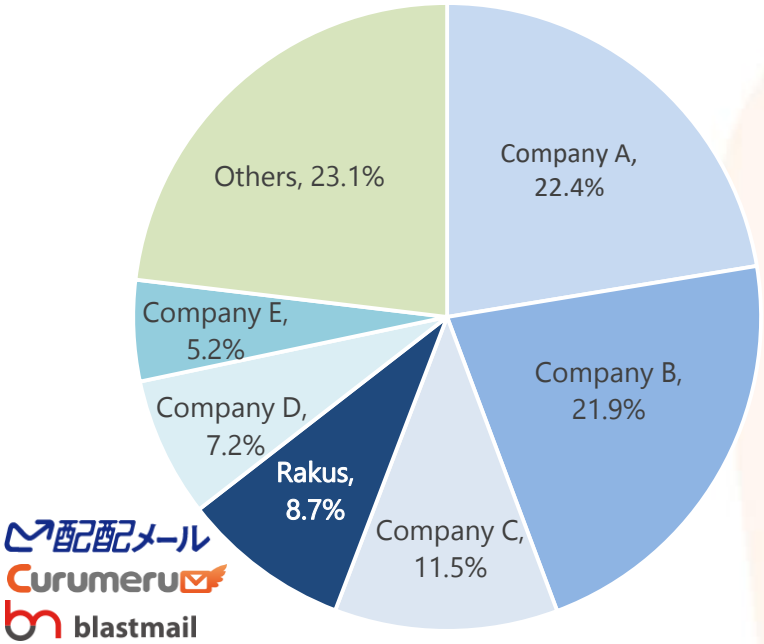
The Market for Cloud-based Email Distribution Systems

※ 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

楽楽販売 / 働くDB Raku Raku Hambai / Hataraku 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

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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

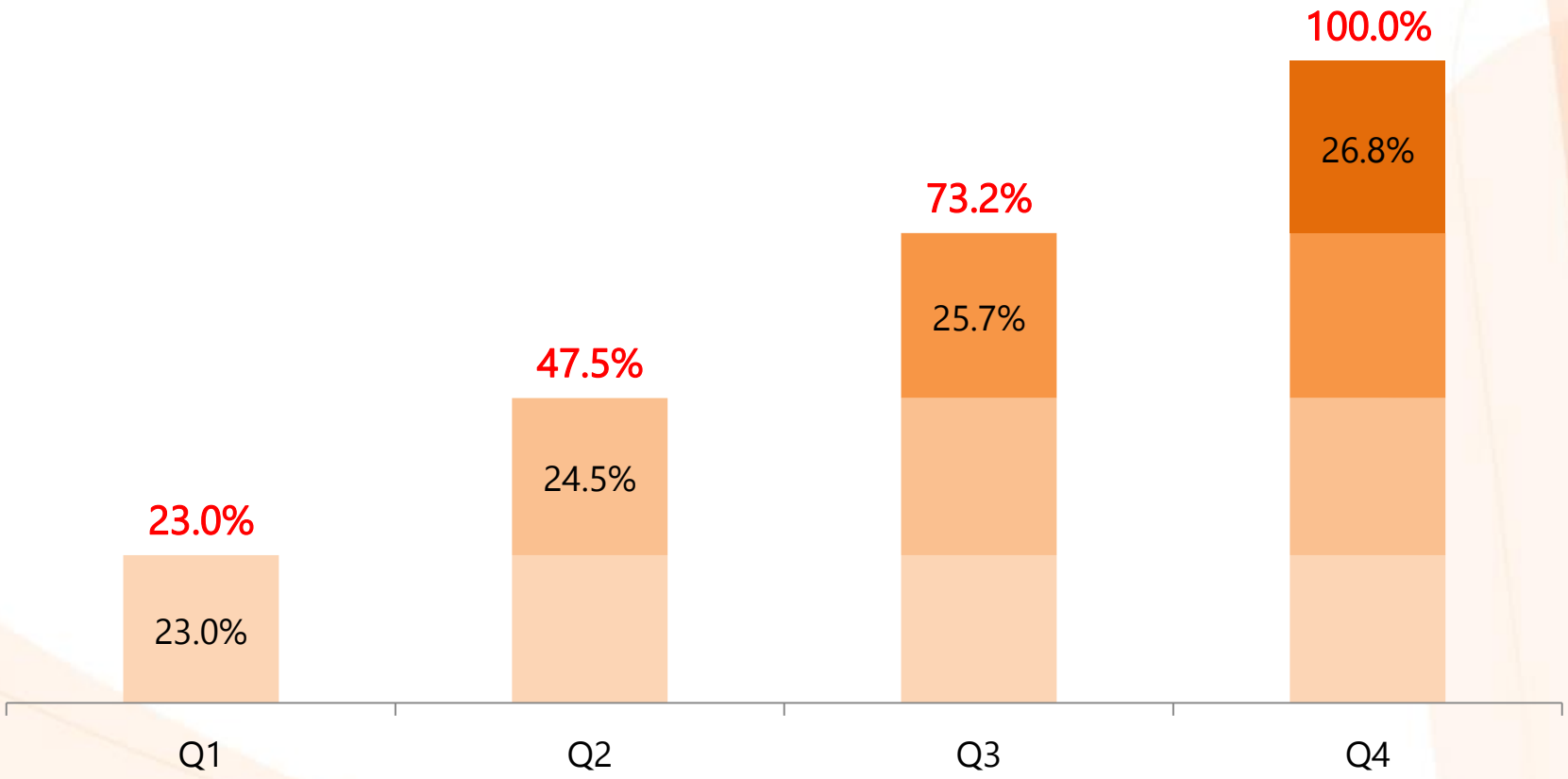
Technological domains

- 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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