


# RAKUS Co., Ltd.

（Mothers:3923）

## Earnings Results for the fiscal year March 2020

# Key points

## Earnings results for March 2020

- Sales increased but profit declined year on year due to active investment aiming for significant growth in sales.
- Although EPS temporarily declined due to active investment, EPS is expected to be maximized in the mid and long term.

## Cloud Business

- A significant year-on-year increase in sales but a decline in profit were recorded due to active investment.
- 5 major services maintained a high level of growth due to active investment.

## IT Outsourcing Business

- Growth was accelerated by an increased number of engineers, which resulted in an increase in sales and profit.

## Guidance for the Fiscal Year March 2020

- Temporary deceleration of growth is expected due to the COVID-19 pandemic.
- Since it is difficult to estimate business performance rationally at the moment, business forecasts are suspended for the time being.
- A great opportunity to accelerate business growth will be captured after COVID-19.
- RAKUS plans to increase dividends for the 9th year in a row because it runs steady and profitable businesses.



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# Consolidated results for the fiscal year March 2020

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# Summary of Consolidated Results for March 2020

Sales increased but profit declined year on year due to active investment aiming for significant growth in sales.

| | | Year on Year |
|---|---|---|
| Sales | ¥11,608M | Up 32.8% |
| Operating Profit | ¥1,174M | Down 20.0% |
| Ordinary Profit | ¥1,177M | Down 20.1% |
| EBITDA | ¥1,561M | Down 13.7% |
| Profit attributable to owners of parent | ¥799M | Down 21.5% |

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



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# Outline of the Consolidated Results for March 2020

An increase in sales and a decline in profit year on year were recorded due to a significant increase in SG&A triggered by active investment.

( million yen )

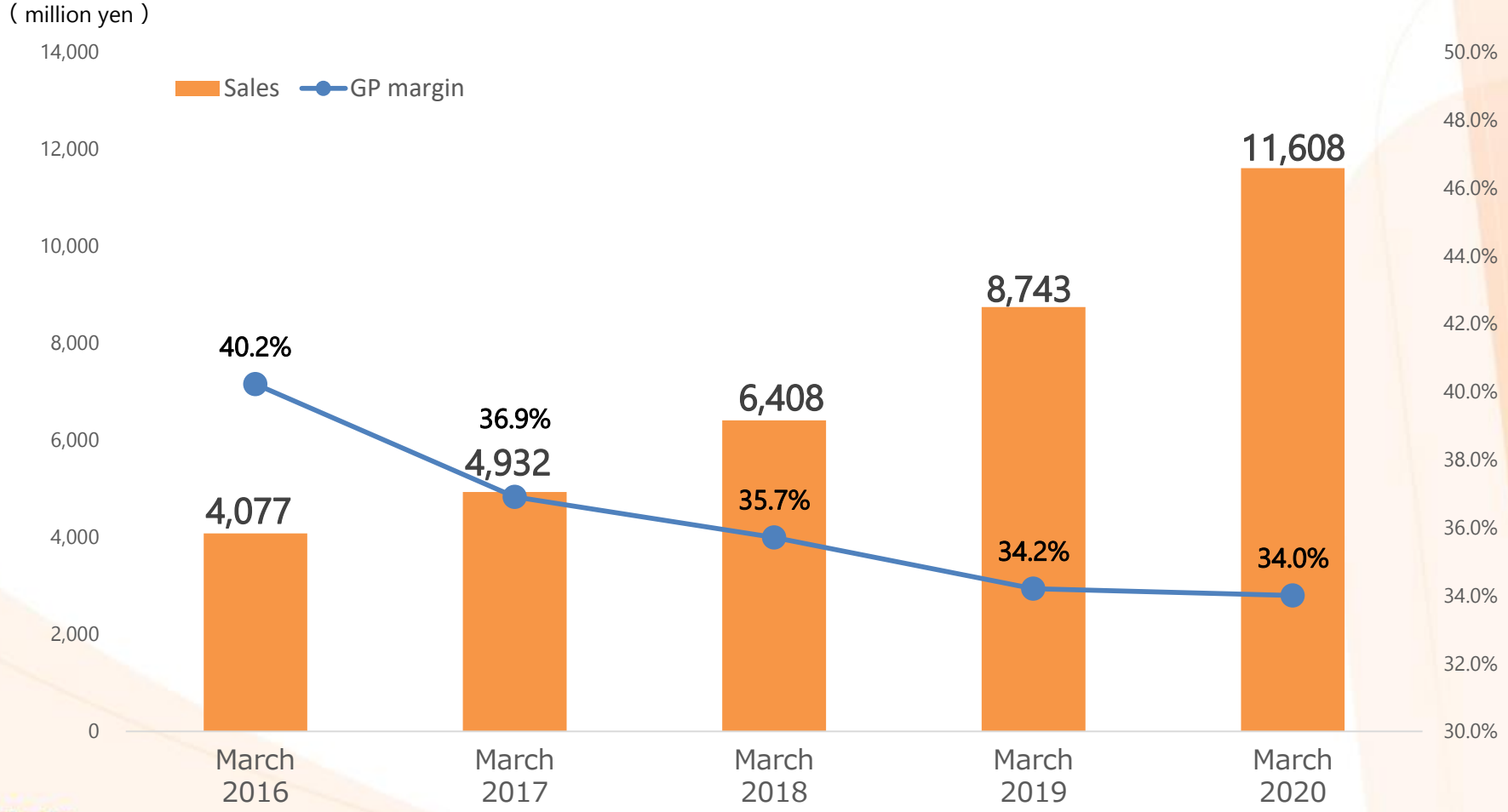
| | Full year of March 2019 (actual) | Full year of March 2020 (actual) | Year on Year |
|---|---|---|---|
| **Sales** | **8,743** | **11,608** | **132.8 %** |
| Cost of sales | 2,989 | 3,945 | 132.0 % |
| Gross profit | 5,753 | 7,622 | 133.2 % |
| (GP margin) | (65.8 %) | (66.0 %) | |
| SG&A | 4,285 | 6,487 | 151.4 % |
| **Operating profit** | **1,468** | **1,174** | **80.0 %** |
| (OP margin) | (16.8 %) | (10.1 %) | |
| **Ordinary profit** | **1,474** | **1,177** | **79.9 %** |
| (Ordinary profit margin) | (16.9 %) | (10.1 %) | |
| **EBITDA** | **1,809** | **1,561** | **86.3 %** |
| (EBITDA margin) | (20.7 %) | (13.4 %) | |
| Income tax | 455 | 369 | |
| (Tax rate) | (30.9 %) | (31.6 %) | |
| **Profit attributable to owners of parent** | **1,018** | **799** | **78.5 %** |



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# Trends for consolidated sales and cost ratios

The cost ratio declined slightly because of new services launched.

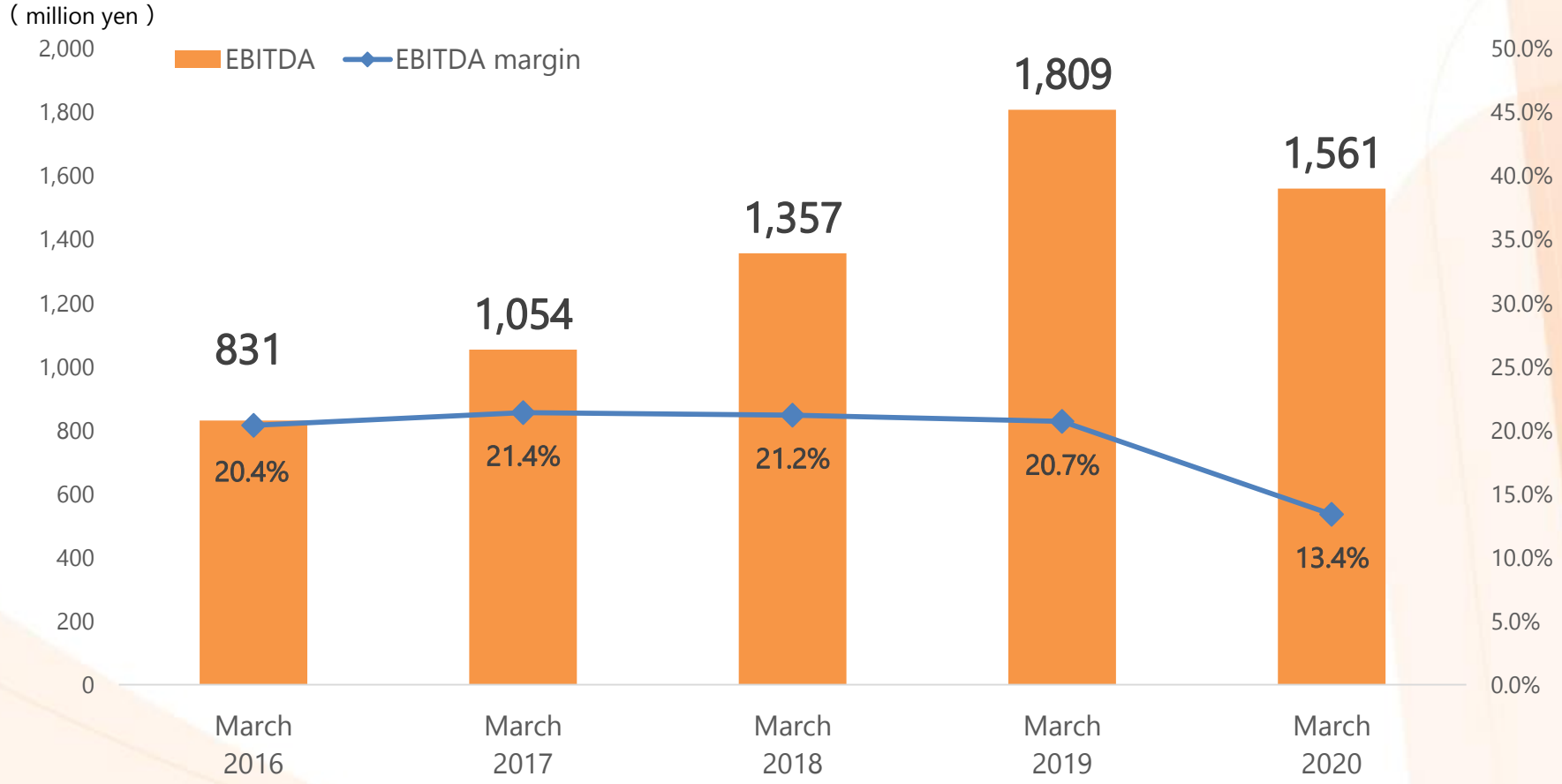





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# Trends for EBITDA and EBITDA margins

EBITDA and EBITDA margin declined due to less operating profit attributed to active investment.



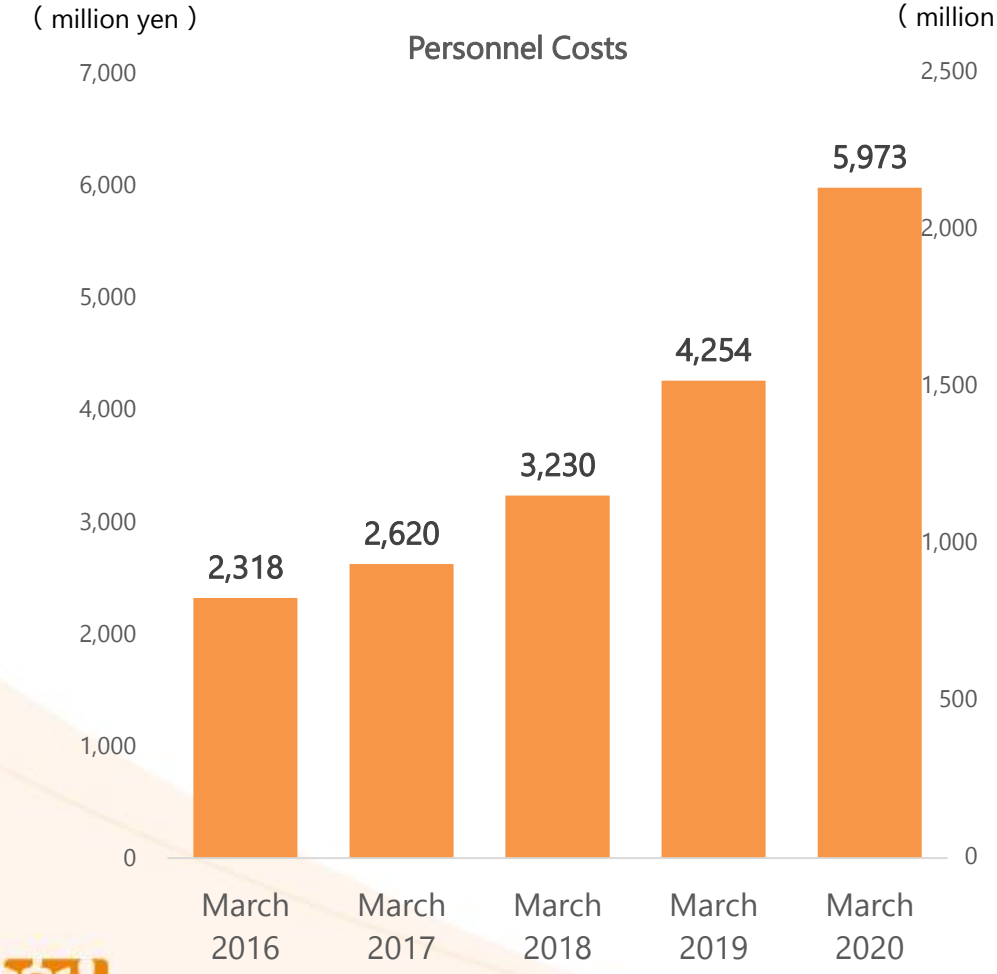

EBITDA＝pretax net income + extraordinary profits/losses + depreciation + goodwill amortization + interest payment

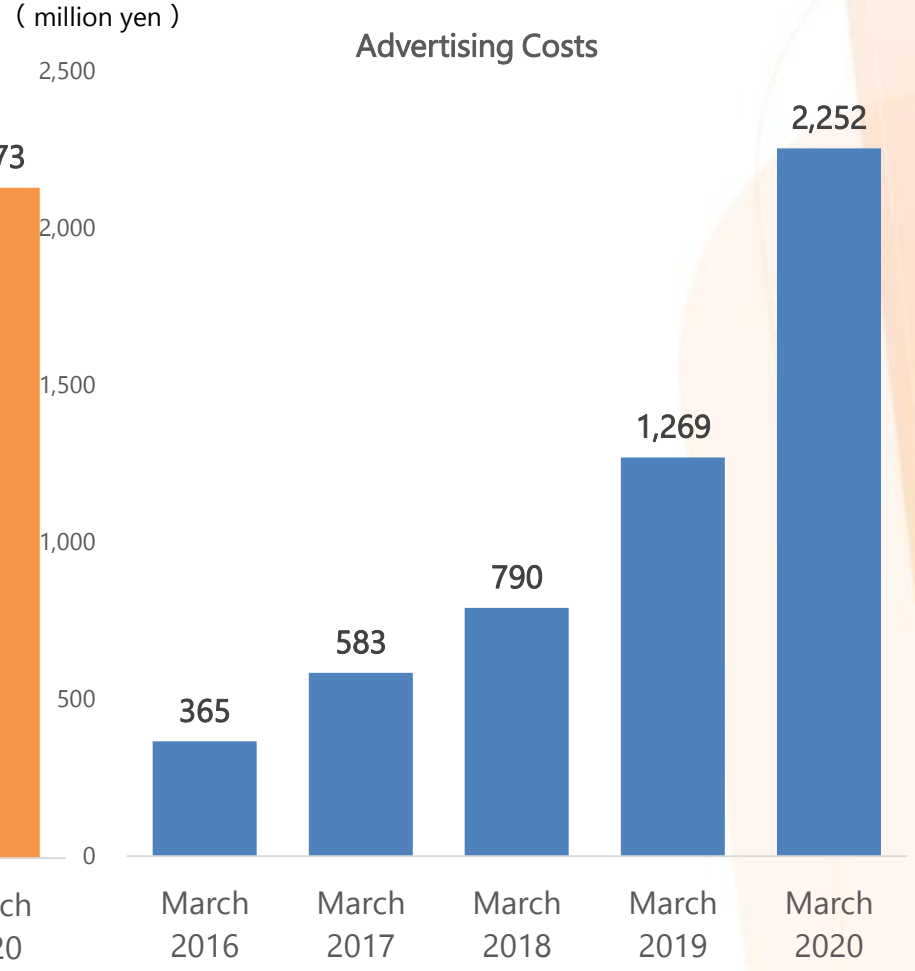


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# Trends for Personnel and Advertising Costs（actual）

Costs increased largely because of hiring more employees and enhancing marketing activities as planned.



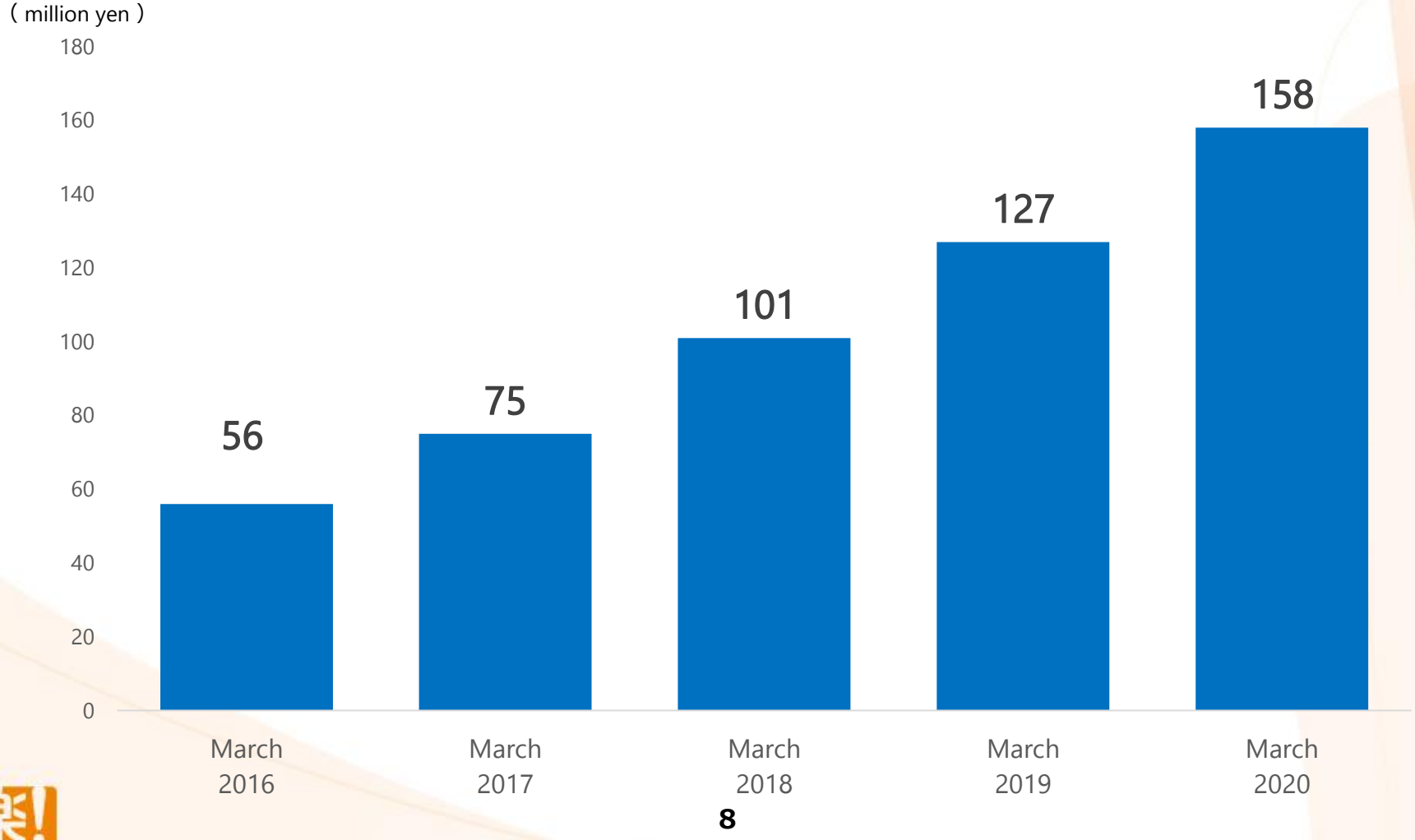






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# Trend for commissions paid to distributors

Orders taken through distributors increased, which resulted in paying more sales commissions.

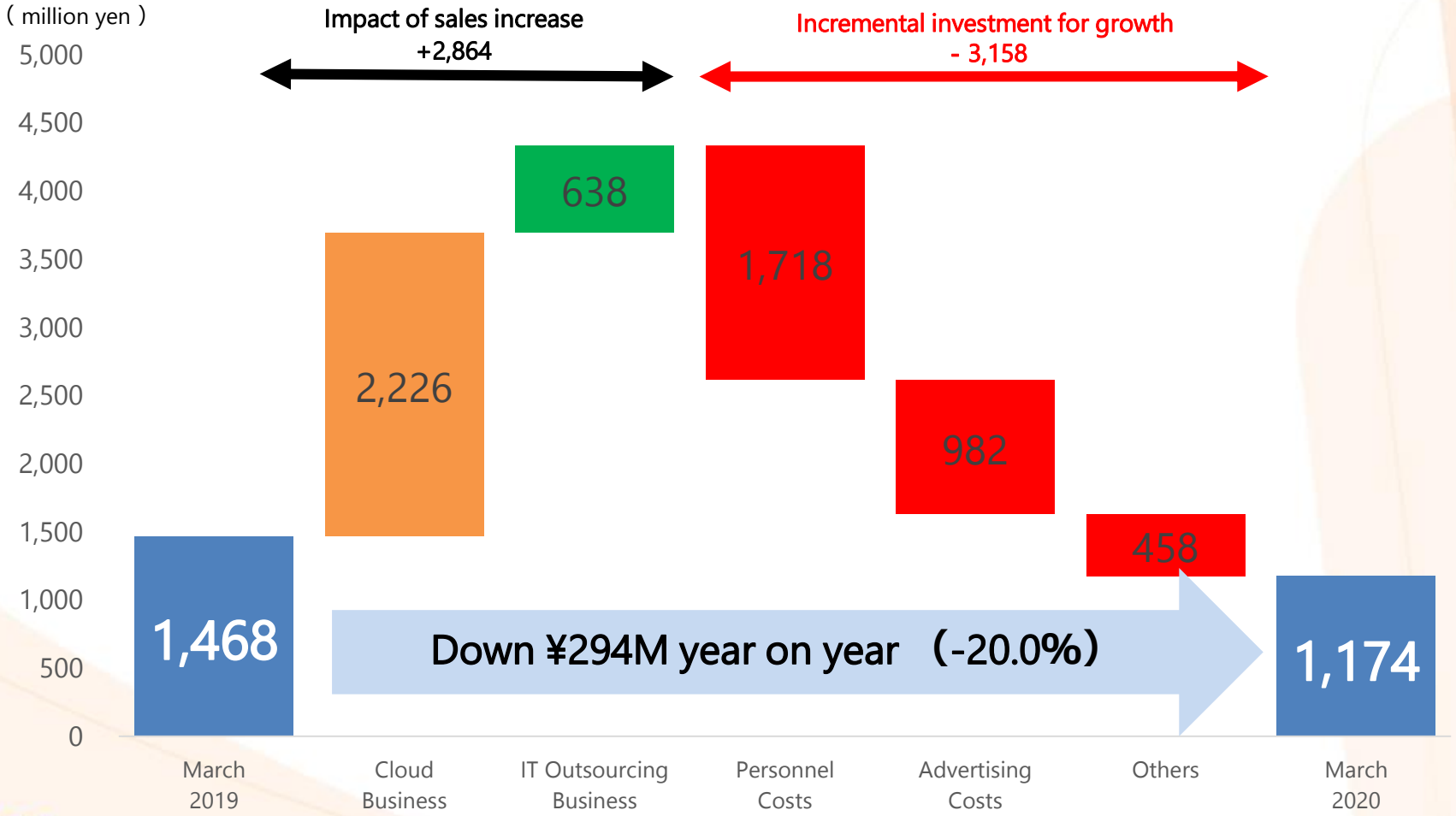





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# Factors for Changes in Consolidated Operating Profits in March 2020

Personnel costs and advertising costs increased a lot according to our policy to invest for future growth despite compromising profits.

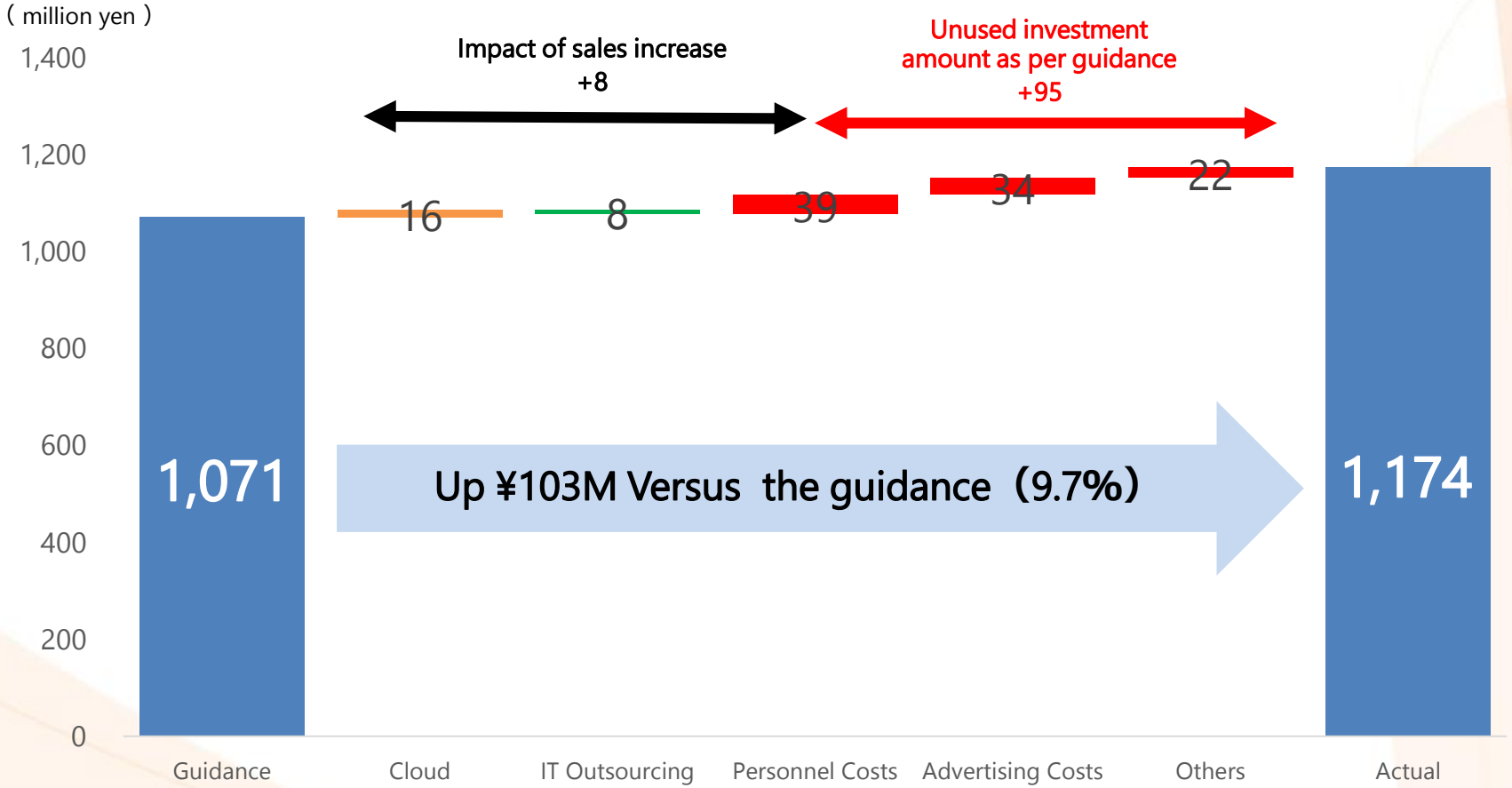





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# Factors for Changes in Consolidated Operating Profits in Q4 of March 2020 (Versus the guidance)

Profits were higher than the forecast because planned personnel costs and advertising costs were not fully utilized.

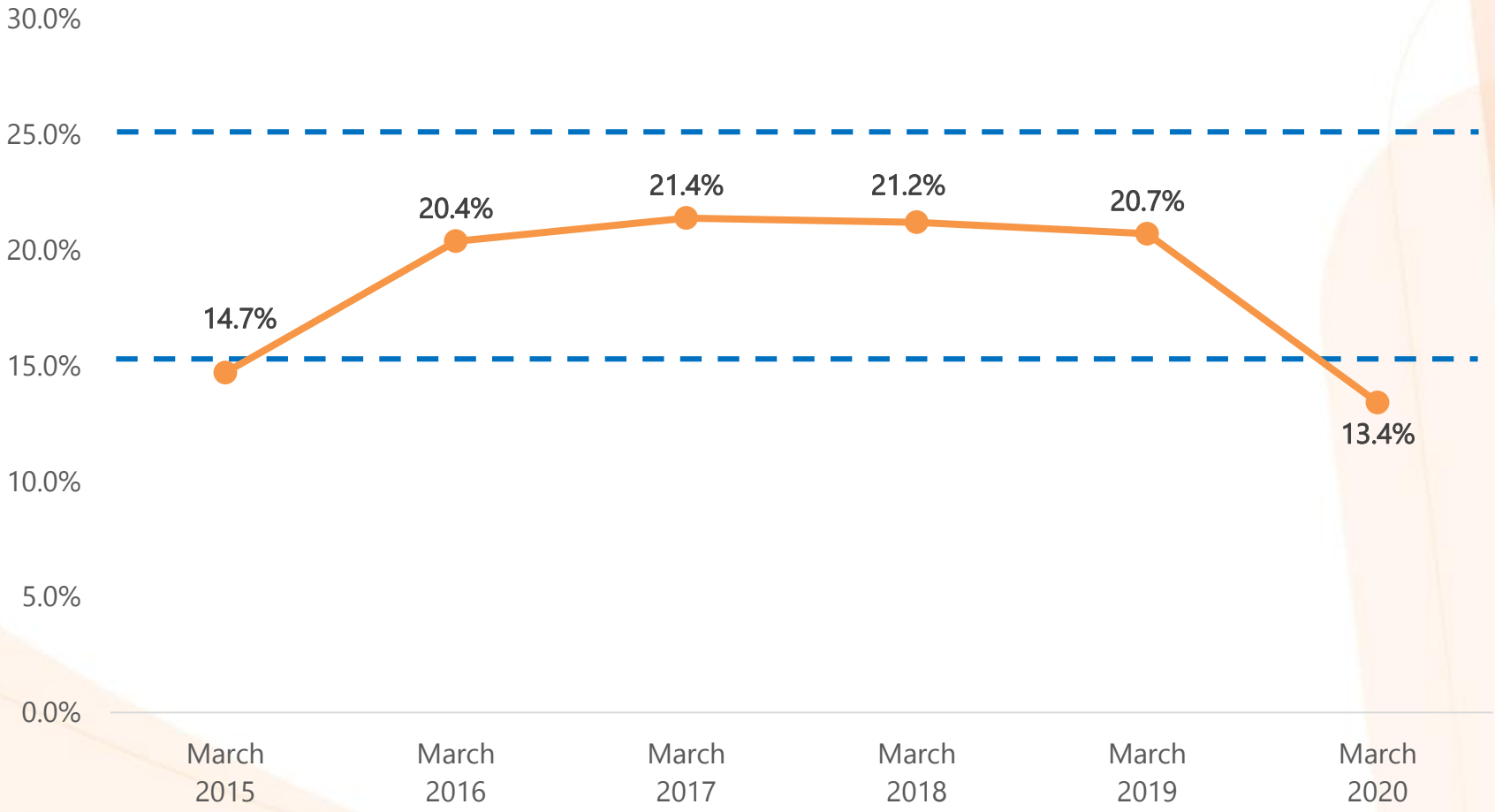





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# 【KPIs】Trends for EBITDA Margins

We enjoyed significant sales growth although EBITDA margin was less than the lower range of the forecast due to our emphasis on investment.



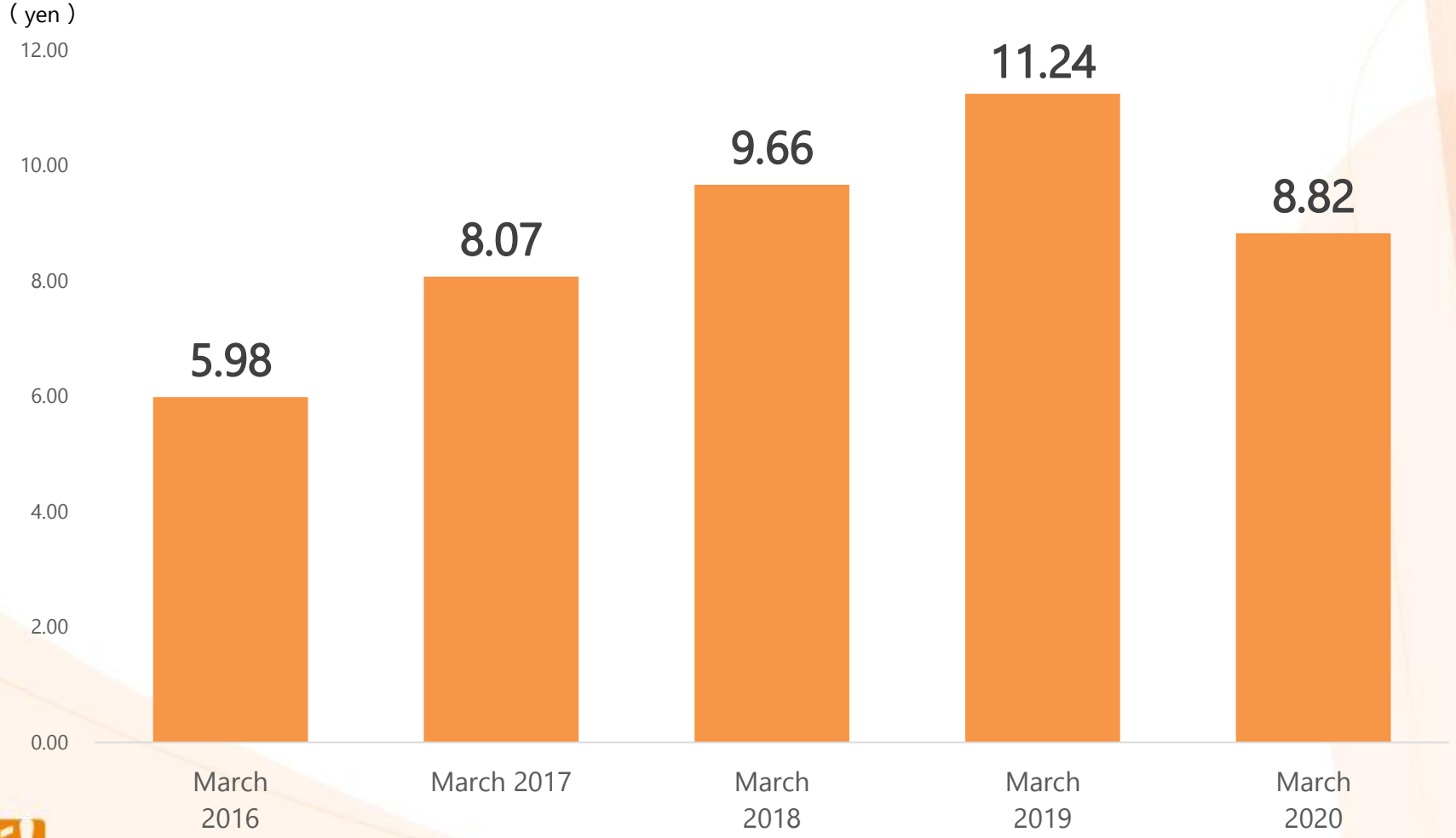



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# 【KPIs】Trends for EPS

※ Figures are after share split adjustment.

Although EPS temporarily declined due to active investment, EPS is expected to be maximized in the mid and long term.






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# Consolidated Balance Sheet

( million yen )

| | End of March 2019 | End of March 2020 | Difference |
|---|---|---|---|
| Current assets | 3,668 | 4,413 | 744 |
| Non-current assets | 2,474 | 2,625 | 151 |
| **Total assets** | **6,142** | **7,039** | **896** |
| Current liabilities | 1,436 | 1,773 | 337 |
| Non-current liabilities | 113 | 72 | -40 |
| **Total liabilities** | **1,549** | **1,846** | **297** |
| Shareholders' equity | 4,596 | 5,196 | 600 |
| Accumulated other comprehensive income | -2 | -4 | -2 |
| **Total equity** | **4,593** | **5,192** | **598** |
| **Total liabilities and equities** | **6,142** | **7,039** | **896** |
| **Equity ratio** | **74.8%** | **73.8%** | |



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# Cash flow statement

( million yen )

| | March 2019 | March 2019 | Difference |
|---|---|---|---|
| Cash flow from operating activities | 1,120 | 939 | -180 |
| Cash flow from investing activities | -463 | -481 | -17 |
| Free cash flow | 656 | 458 | -197 |
| Chas flow from financing activities | -141 | -195 | -54 |
| Cash and cash equivalent at the end of the fiscal year | 2,236 | 2,496 | 260 |
| | | | |
| Depreciation | ※1 171 | ※2 219 | 48 |
| Amortization of goodwill | 163 | 163 | 0 |

※ 171 million yen of depreciation includes 73 million yen of amortization of customers' assets acquired through M&A.

※ 219 million yen of depreciation includes 73 million yen of amortization of customers' assets acquired through M&A.



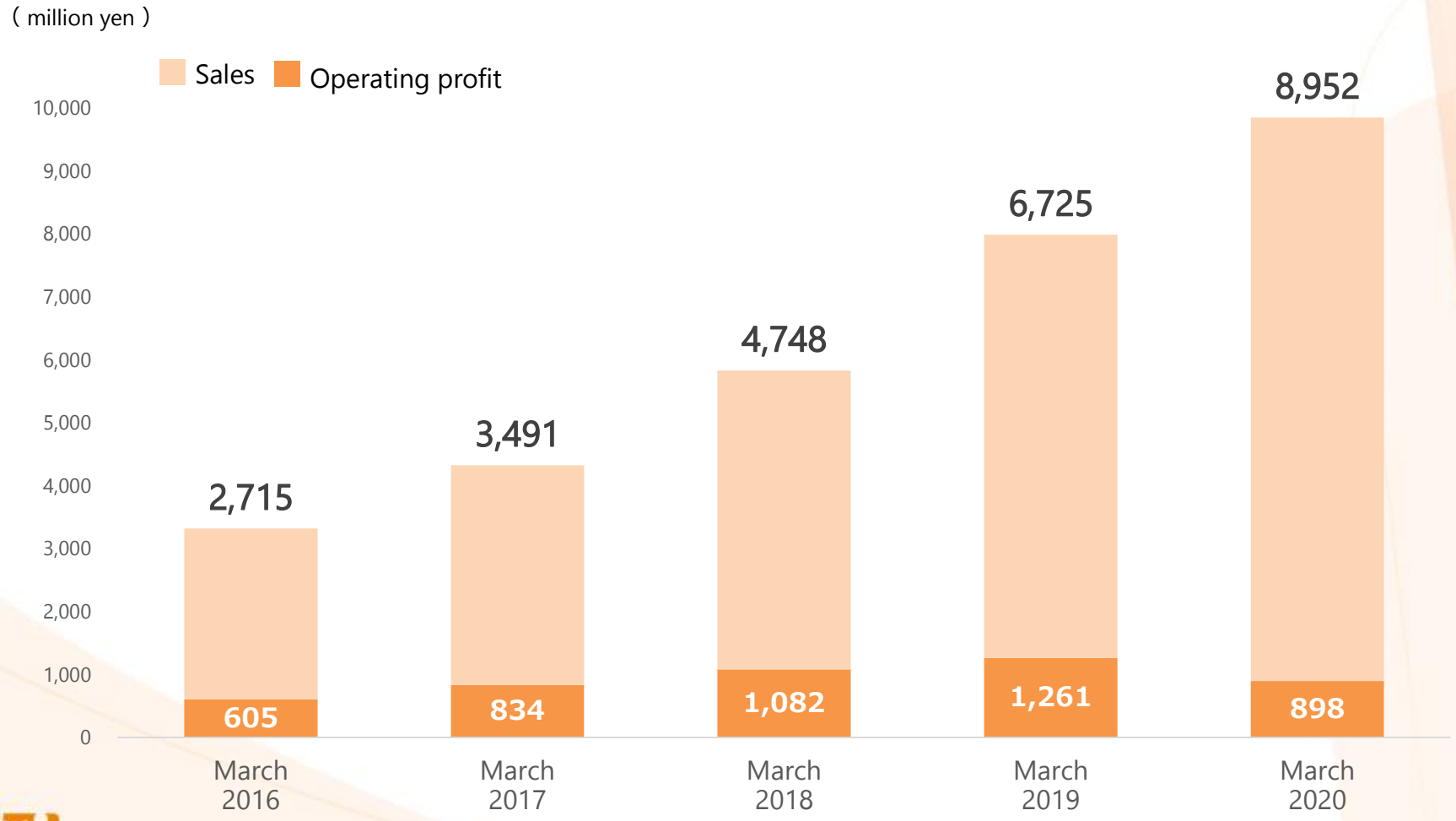
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# Cloud Business

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# Trend for the cloud business

A significant sale increase and a profit decline were recognized due to active investment.

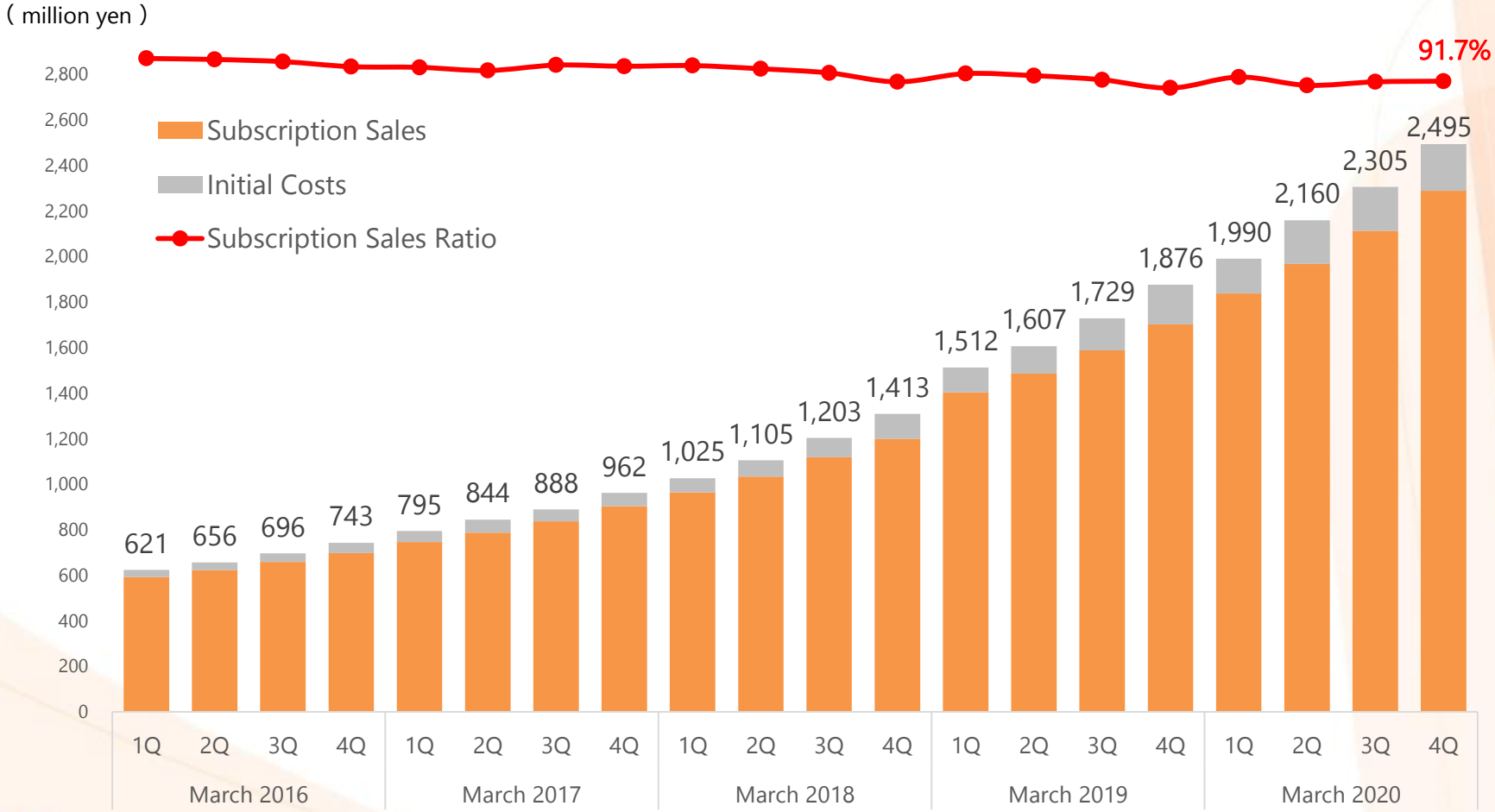





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# Trends for Subscription Sales of the Cloud Business

Trend for sales by cloud services






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# Sales of the Cloud Business by Service

Growth rates of email distribution services have been normalized after the M&A impact passed through.

| ( million yen ) | | March 2016 | March 2017 | March 2018 | March 2019 | March 2020 |
|---|---|---|---|---|---|---|
| Raku Raku Seisan | Sales | 577 | 978 | 1,601 | 2,579 | 3,935 |
| | Year on Year | 81.8% | 69.9% | 63.8% | 61.1% | 52.6% |
| Mail Dealer | Sales | 1,000 | 1,141 | 1,339 | 1,538 | 1,733 |
| | Year on Year | 10.5% | 14.1% | 17.3% | 14.9% | 12.7% |
| Email distribution services | Sales | 526 | 657 | 939 | 1,410 | 1,574 |
| | Year on Year | 22.1% | 25.1% | 42.8% | 50.2% | 11.6% |
| Raku Raku Hambai | Sales | 267 | 343 | 445 | 598 | 867 |
| | Year on Year | 28.7% | 28.5% | 29.8% | 34.4% | 44.9% |
| Raku Raku Meisai | Sales | 14 | 70 | 150 | 326 | 552 |
| | Year on Year | 397.2% | 413.1% | 114.6% | 118.4% | 68.8% |
| Others | Sales | 333 | 302 | 274 | 273 | 292 |
| | Year on Year | -11.5% | -9.7% | -9.2% | -0.4% | 6.8% |
| Total of the Cloud Business | Sales | 2,714 | 3,491 | 4,748 | 6,725 | 8,952 |
| | Year on Year | 21.3% | 28.5% | 36.0% | 41.7% | 33.1% |

* The figure for email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail. (The figure for March 18 includes 2 months of blastmail.)
* On-premises sales are included in the chart above.



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# Quarterly sales of the cloud business by service

5 major services maintained a high level of growth due to active investment.

（million yen）

| | Sales from January to March in 2020 | Quarter on Quarter | Year on Year |
|---|---|---|---|
| Raku Raku Seisan | 1,117 | 9.7% | 46.7% |
| Mail Dealer | 458 | 5.0% | 14.5% |
| Email distribution services | 429 | 7.6% | 13.8% |
| Raku Raku Hambai | 247 | 8.4% | 43.6% |
| Raku Raku Meisai | 169 | 12.2% | 73.9% |
| Others | 75 | 1.7% | 8.6% |
| Total of the Cloud Business | 2,495 | 8.2% | 32.9% |

※ 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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# Trend for LTV by cloud services

The supporting team contributed to maximizing LTV.

| ( yen ) | March 2016 | March 2017 | March 2018 | March 2019 | March 2020 |
|---|---|---|---|---|---|
| Raku Raku Seisan | 8,310,722 | 9,790,391 | 10,405,262 | 10,800,545 | 14,004,503 |
| Mail Dealer | 2,625,492 | 4,112,810 | 3,823,875 | 4,156,660 | 3,789,798 |
| Email distribution services | 1,040,173 | 1,084,527 | 1,180,323 | 1,035,117 | 1,218,522 |
| Raku Raku Hambai | 5,246,983 | 5,054,024 | 5,210,540 | 8,282,573 | 8,120,258 |
| Raku Raku Meisai | — | 7,781,983 | 5,211,834 | 13,016,007 | 9,412,375 |

※LTV(Life Time Value) = revenue that a customer will generate during their lifetime (ARPU × estimated average usage years × gross profit margin)
※The figure for email distribution services excludes 'blastmail'.
※LTV of Raku Raku Meisai in March 2016 is not described here because it is difficult to calculate accurately.

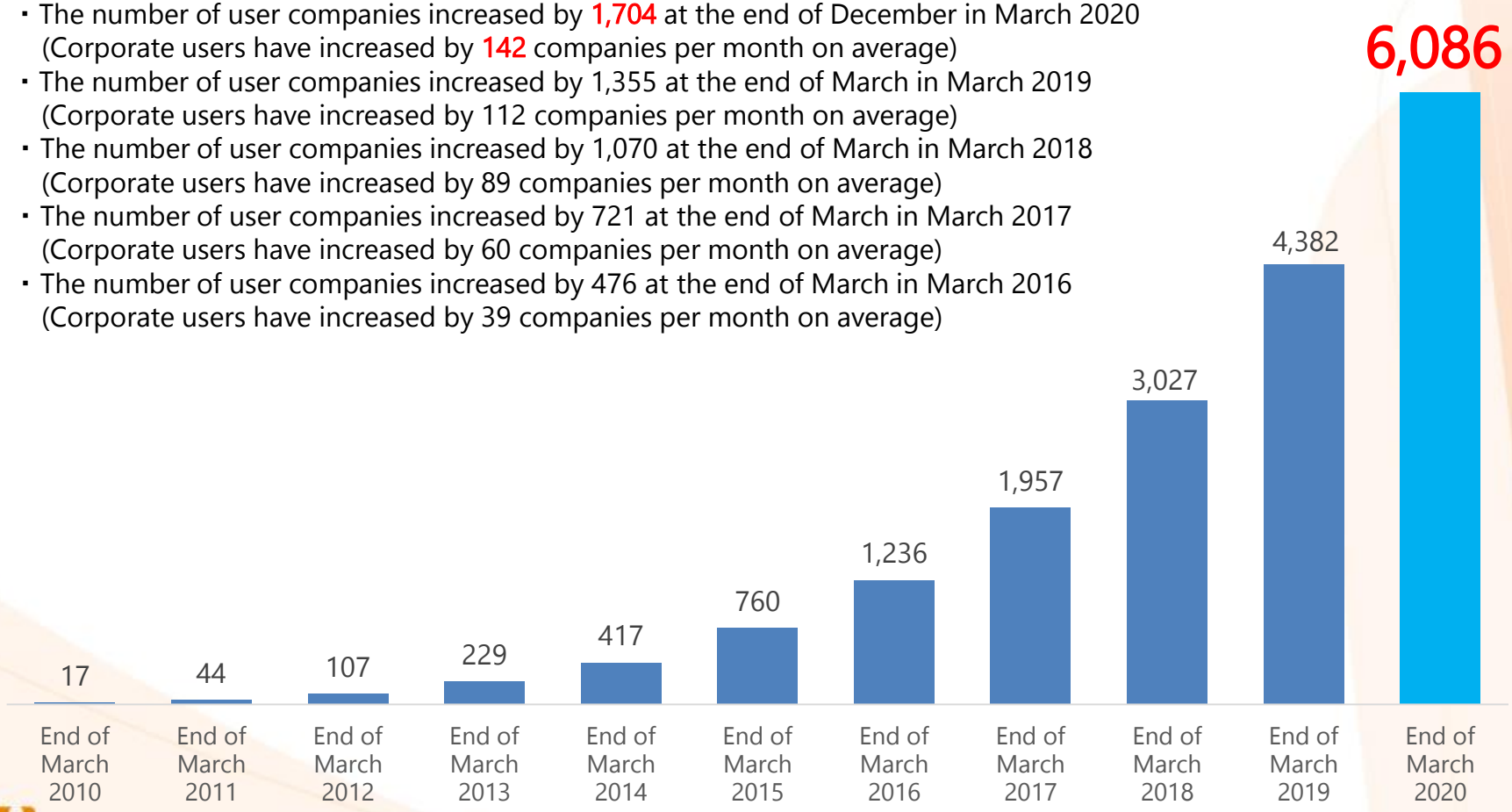


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# Trends for the Cumulative Number of Corporations Using Raku Raku Seisan

The number of user companies increased significantly due to active investment.

- The number of user companies increased by 1,704 at the end of December in March 2020 (Corporate users have increased by 142 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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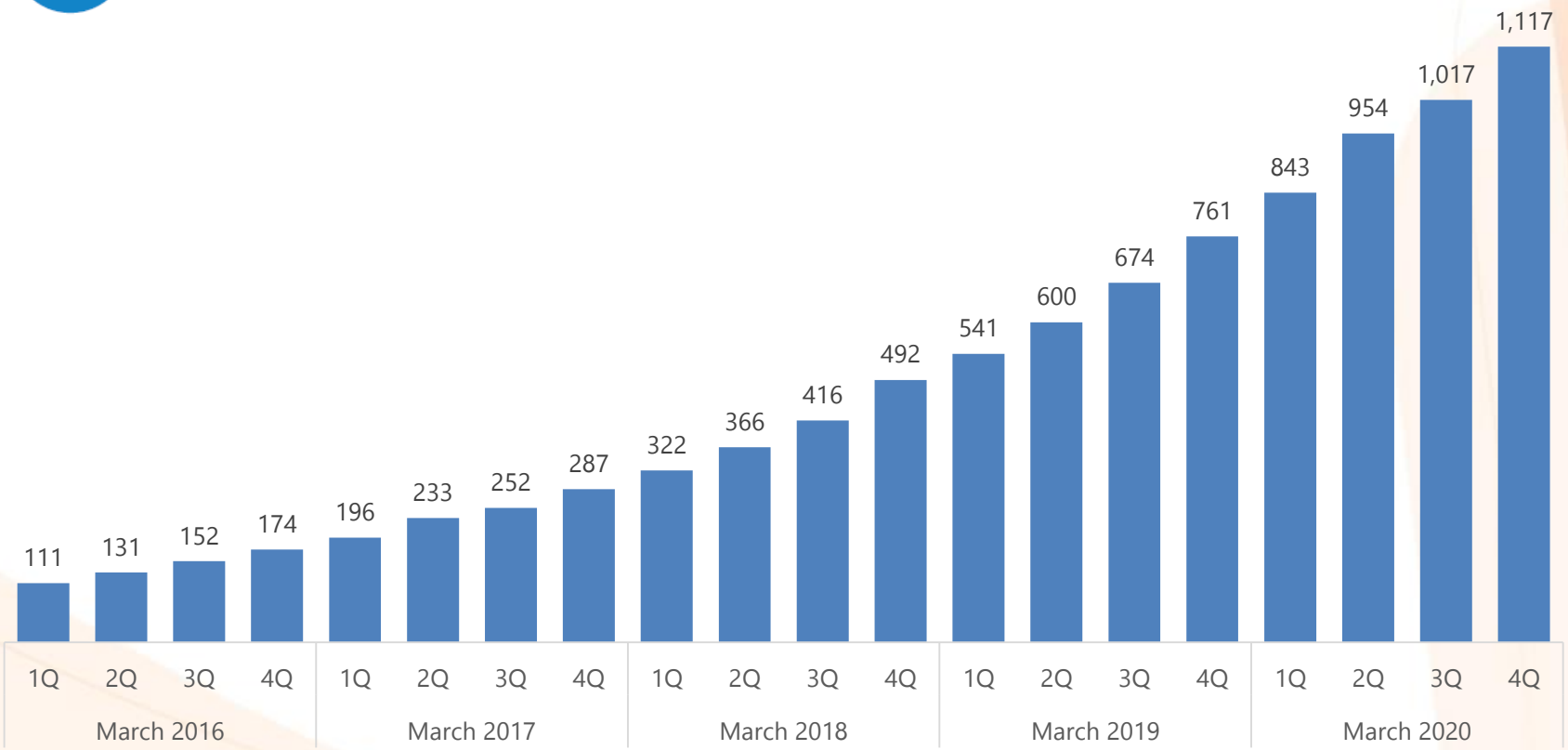
# Sales Trends for Raku Raku Seisan

We were successful in acquiring new orders and sales growth accelerated.

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※ Sales of cloud services alone are described below.

( million yen )





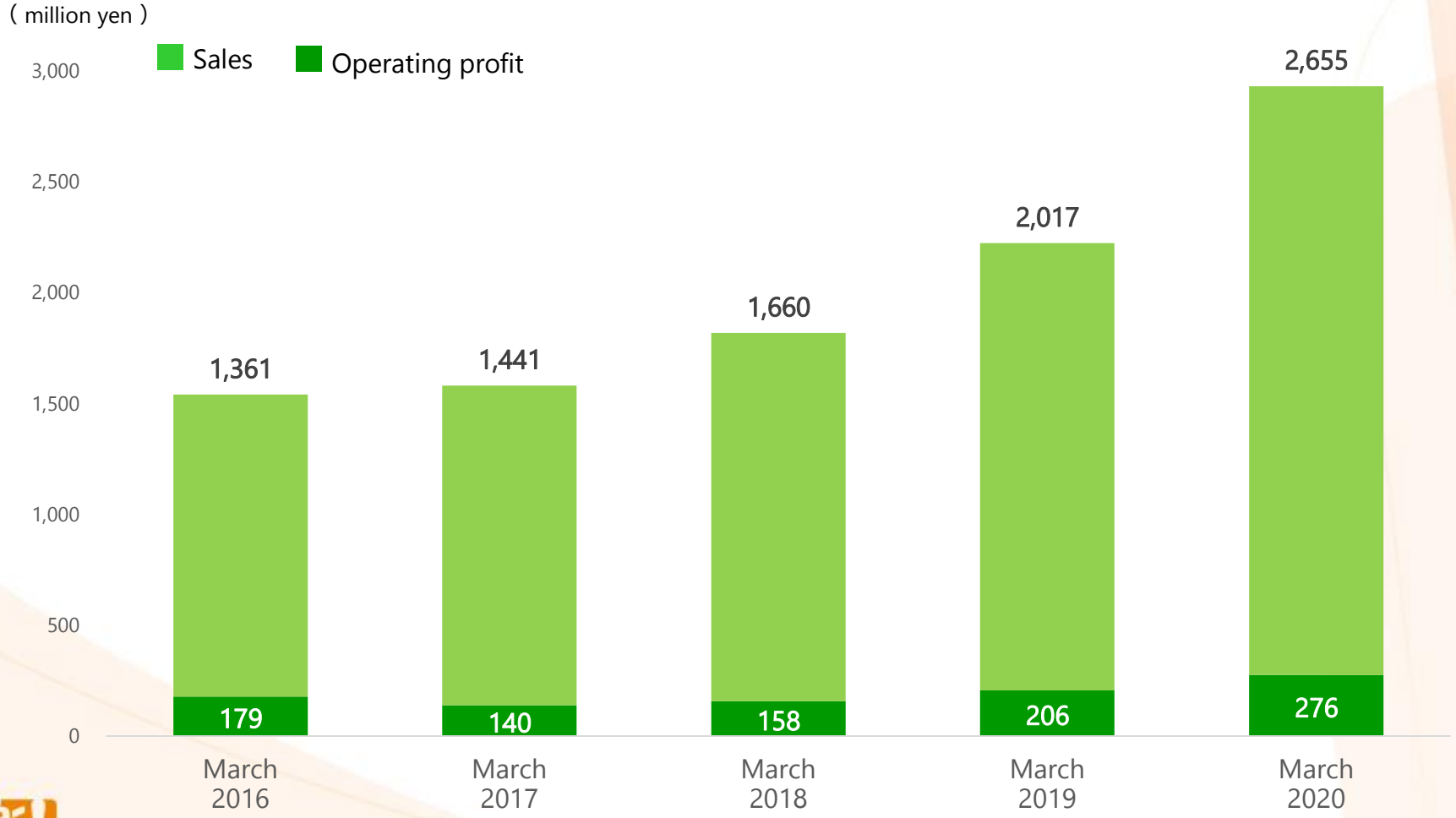

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# IT Outsourcing Business

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# Trend for the IT Outsourcing Business

Sales and profit increased year on year because growth was accelerated by hiring more engineers.

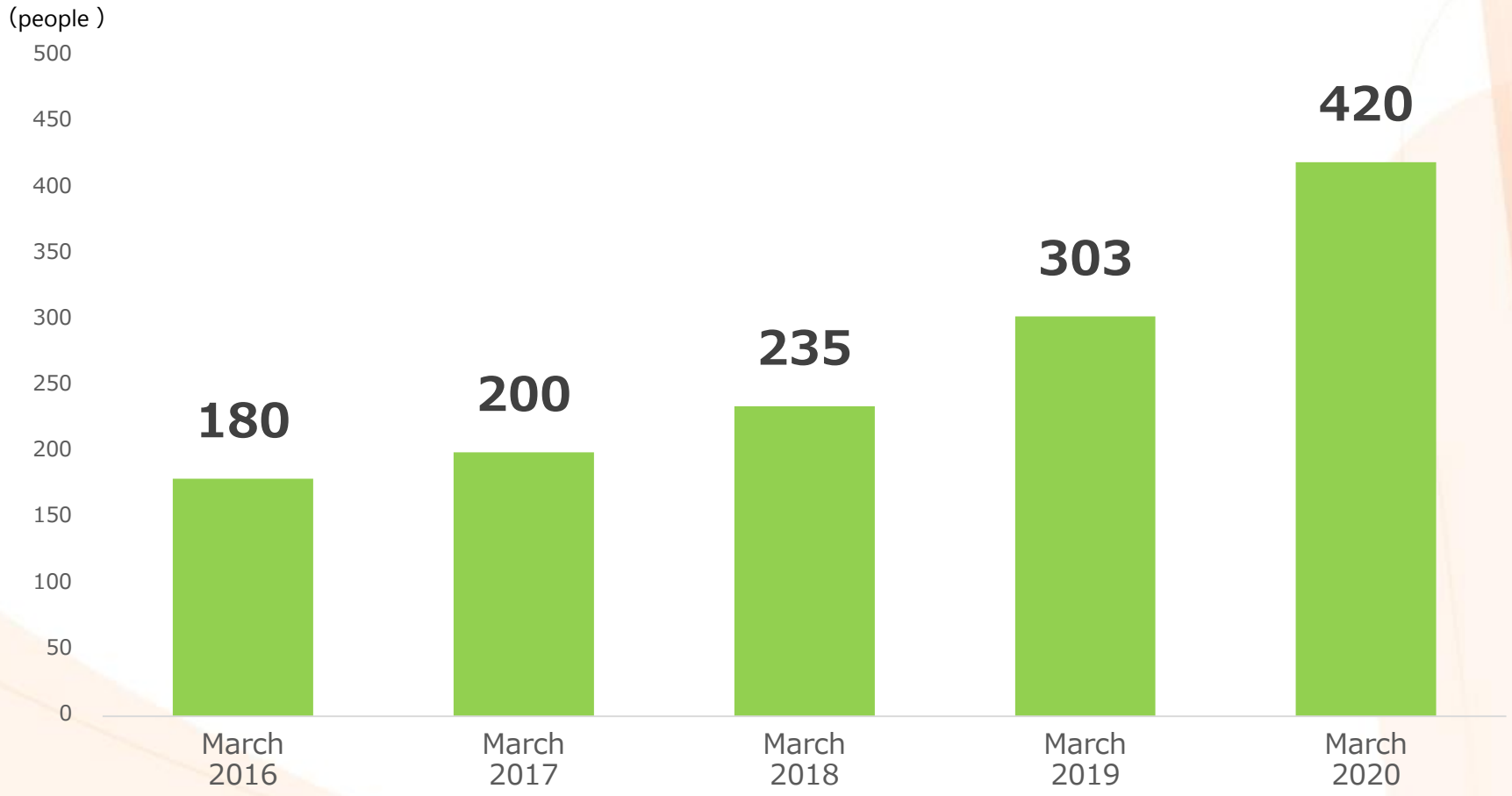





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# Trend for the number of engineers for the IT Outsourcing Business

The number of engineers increased due to the successful recruitment, and measures to retain employees.




※This includes apprentice engineers.



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# Consolidated Guidance for the Fiscal Year March 2021

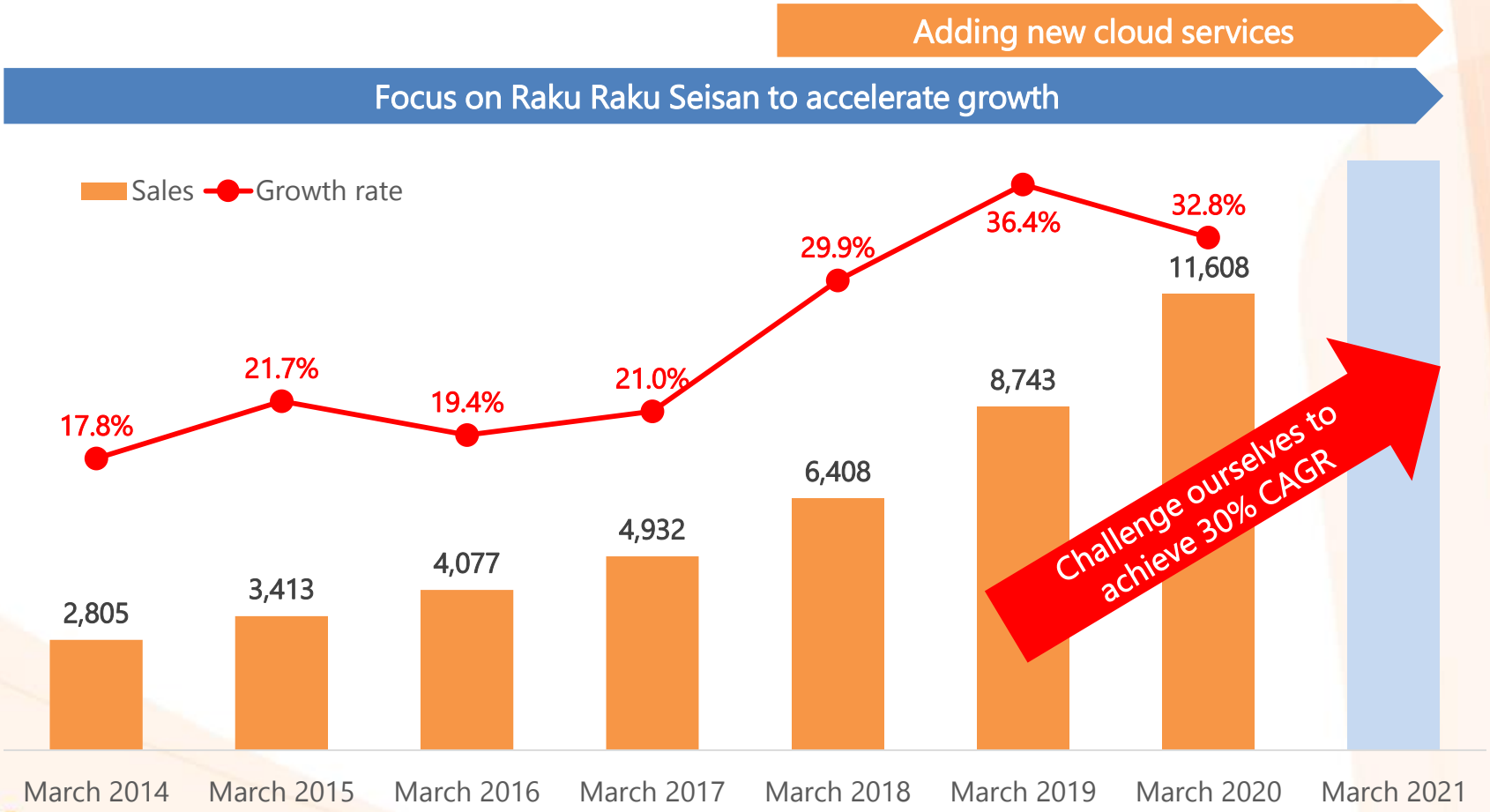
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# Management Policies and Growth Strategy

We are striving to achieve 30% CAGR even though the final year of the business plan faces a tough business environment affected by the COVID-19 pandemic.

※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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# 【Cloud Business】Impact from COVID-19

New orders were a record high in the month of March in 2020.
There was no big impact on our business activities in March.

## Situations in April and onwards

① Exhibitions which are important opportunities to encounter potential customers have been canceled or postponed.

② Business meetings with potential customers have been pushed back because they work from home, and companies are taking a longer time to decide whether to introduce our services.

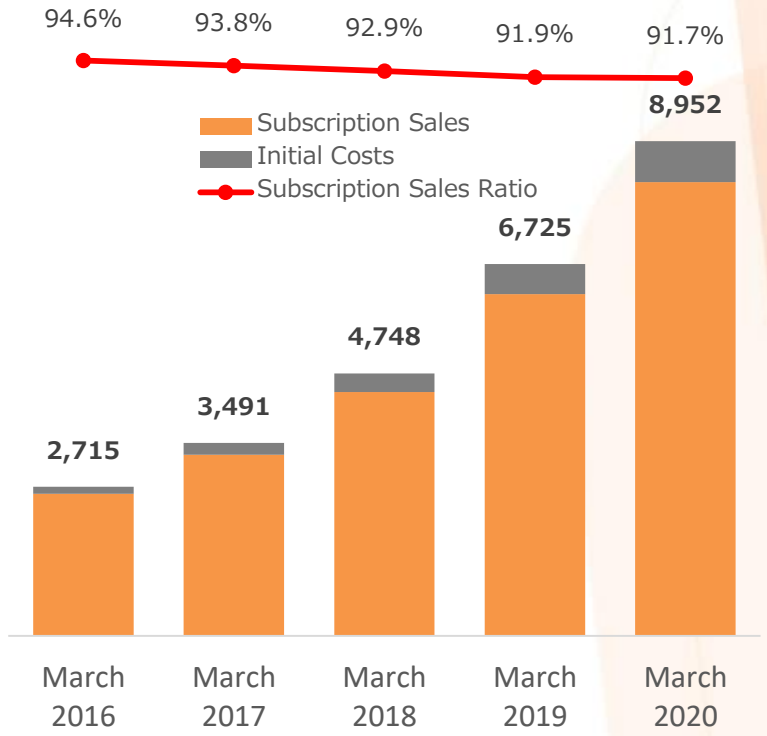
③ We expect to delay hiring people who are necessary for our future growth.

A delay in acquiring new orders and a decline in new orders are expected.

It is likely that we may fall into a situation where active investment cannot be fully executed.

(Existing contracts)
Subscription sales are stable revenue sources.

Trends for Subscription Sales of the Cloud Business




We are not sure how much we can increase orders next fiscal year from the current 9,324 million yen.



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# 【IT Outsourcing Business】Impact from COVID-19

## March

Sales declined because engineers took more paid leave due to the spread of the virus in the Greater Tokyo Area.

## Status of April

- 90% of our corporate customers have promoted teleworking.
- A high level of utilization of full-fledged engineers has been maintained, but this is not the case for apprentice engineers.
- It is difficult to give instructions and share information when our engineers are dispatched to new locations. Therefore, we needed to change the locations our engineers are assigned to and delay contracts to dispatch our engineers who have just completed their apprenticeship period.

**【Potential risks estimated as of now】**

① The utilization of engineers could drop if the state of emergency is in place for a longer period.

② The unit price for the IT outsourcing business could decline due to the economic downturn caused by the coronavirus outbreak.

③ There could be a significant delay in finalizing contracts to dispatch our engineers who have just finished their apprenticeship period.

④ The growth rate could decelerate if engineer dispatch contracts are delayed.

⑤ Profit margins could deteriorate if engineers' utilization lessens or unit prices decline.



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It is difficult to estimate business performance rationally at the moment due to the COVID-19 outbreak.

# Business guidance are suspended for the time being.

Business forecasts will be disclosed whenever it becomes possible for us to estimate them.



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# Our perspective after COVID-19

A bright future is expected in the mid and long term although there is a concern about negative impact in the short term.

## 【Short term perspective】

Teleworking has been promoted and increased due to the emergency declaration.

▶

Potential delays in acquiring new orders and declines in new orders are expected.

A potential delay in engineer dispatch contracts is expected.

▶

Business growth could decelerate temporarily.

## 【Our perspective after COVID-19】

- Many companies will accelerate introducing cloud services to promote teleworking more. (DX to replace traditional paper work will be accelerated.)
- Demand for IT engineers will be increased by accelerated DX.

**We will face great opportunities to accelerate the growth of our businesses.**

※D X (Digital transformation)



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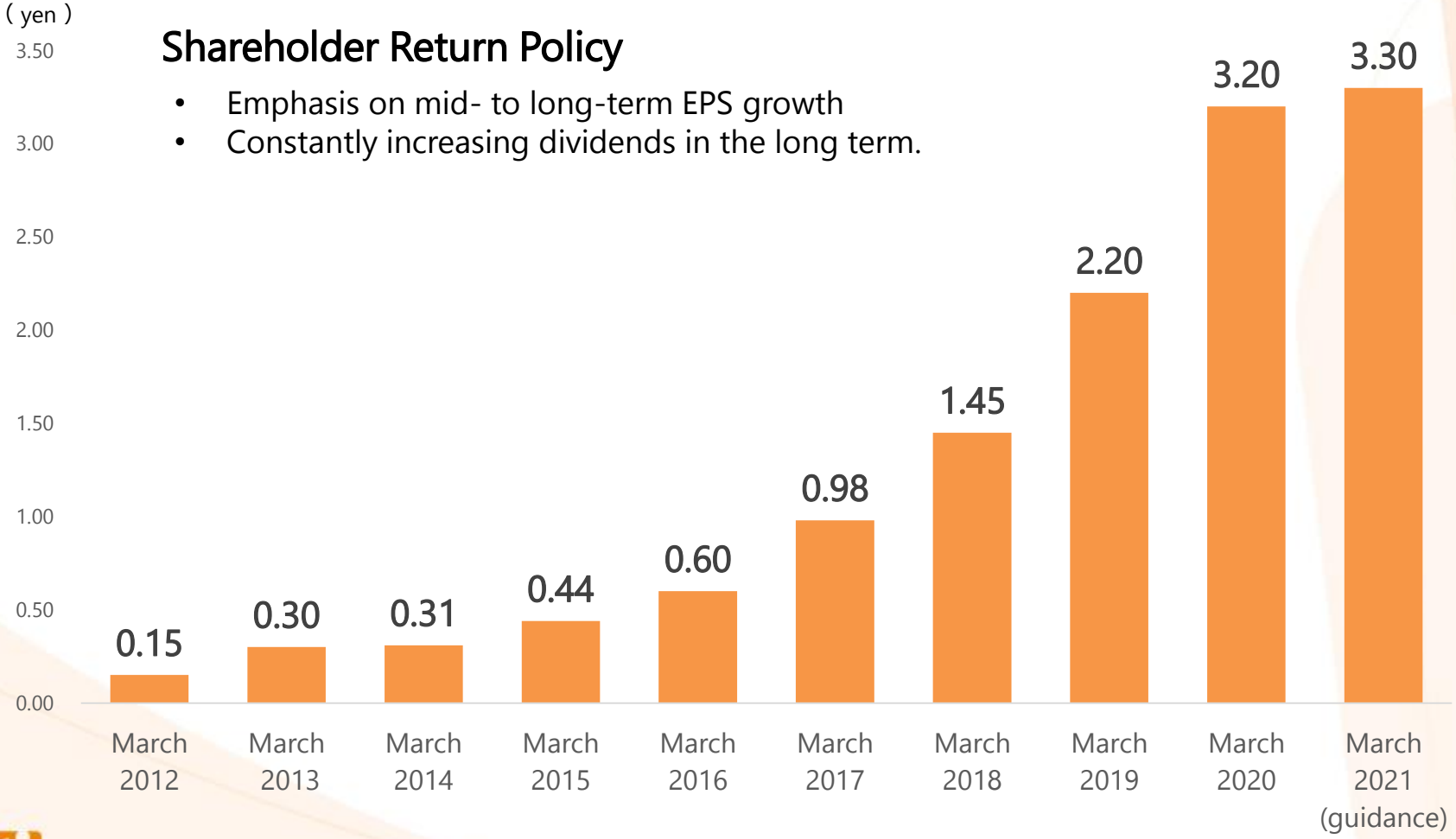
# 【KPIs】Shareholder Return

* Figures are after share split adjustment.

RAKUS plans to increase dividends for the 9th year in a row because it runs steady and profitable businesses.

## Shareholder Return Policy

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



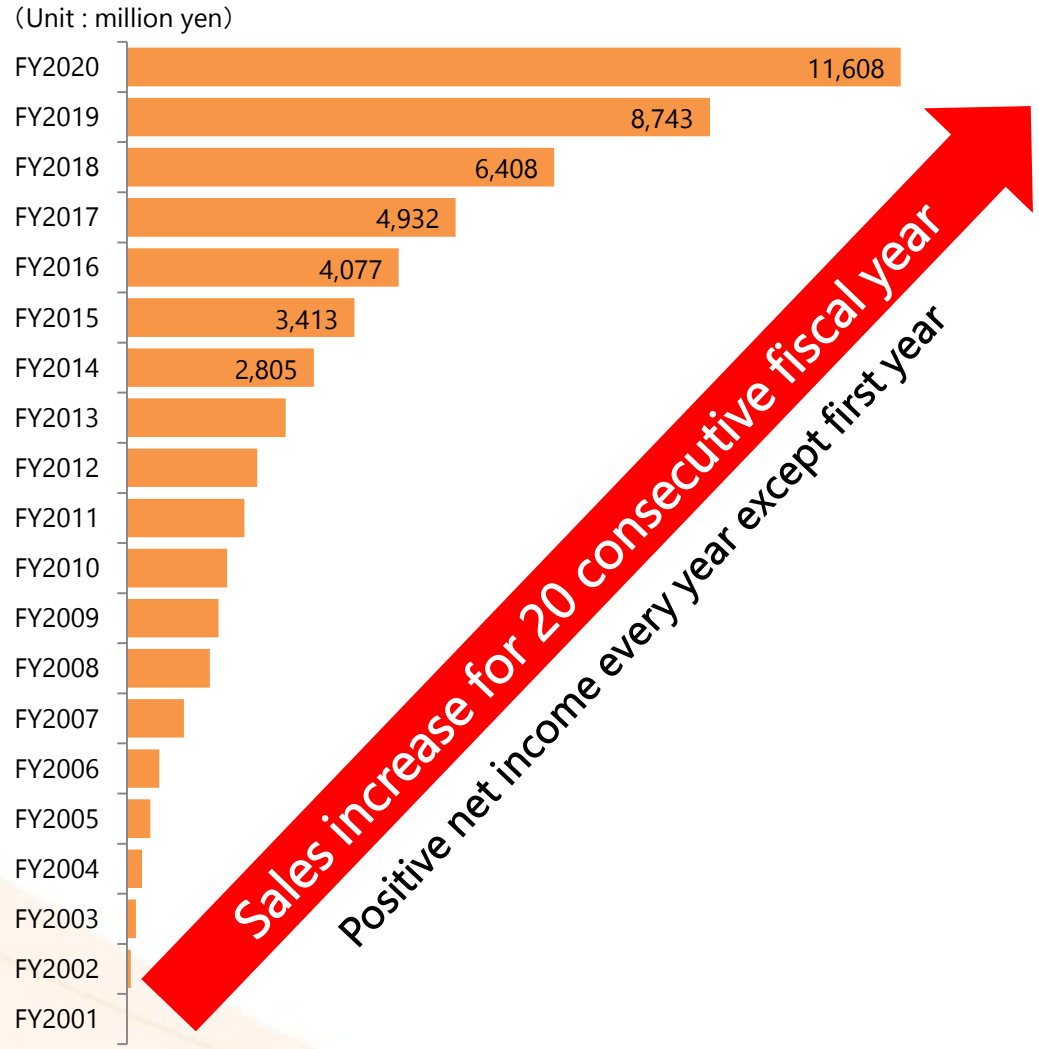



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# Appendix

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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
Raku Raku Hambai

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

## 楽楽精算

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

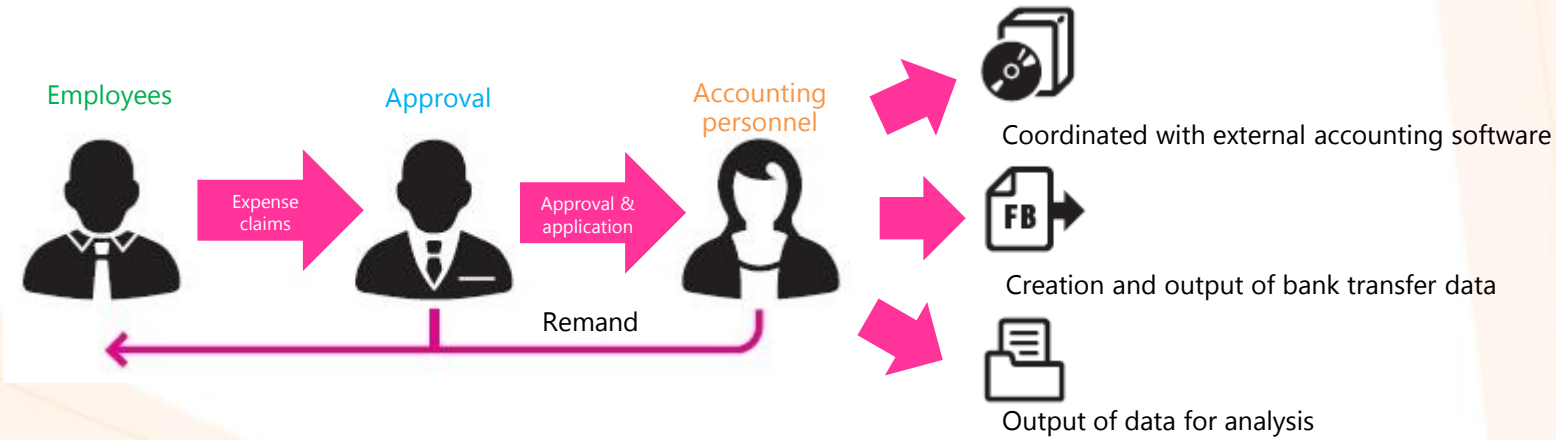
Main customers：Companies with 50 to 1,000 employees（all industries）

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

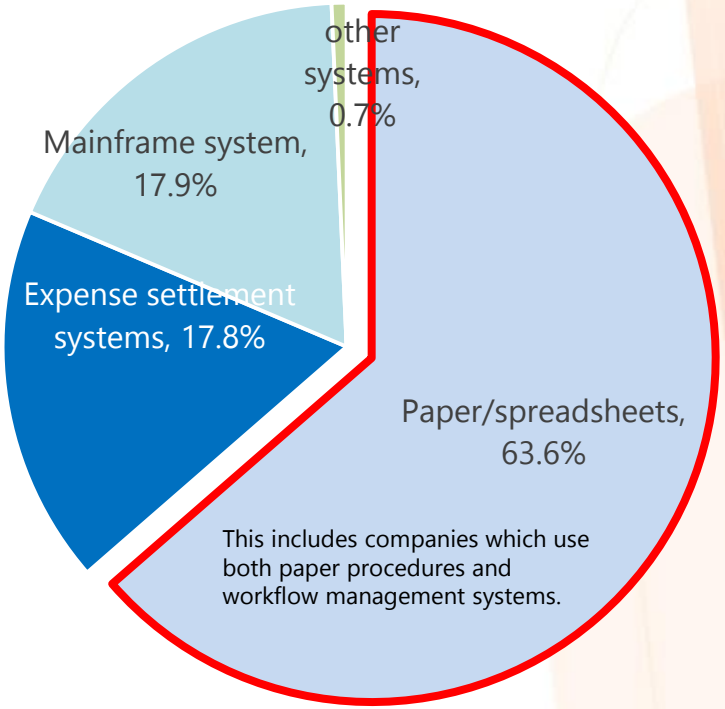
## The target market is 100,000 companies valued at 70 billion yen.

## 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.

Our target is to convert 63,600 companies which manage expense procedures on paper or spreadsheet to Raku Raku Seisan, which accounts for 63.6%.

There is still a high percentage of companies which use inefficient methods for expense management such as paper or Excel. (Those which use both paper and workflow management systems are included.) This means more corporations will introduce expense management systems in the future.




Source：Questionnaire filled out by accounting department staff in February, 2020.

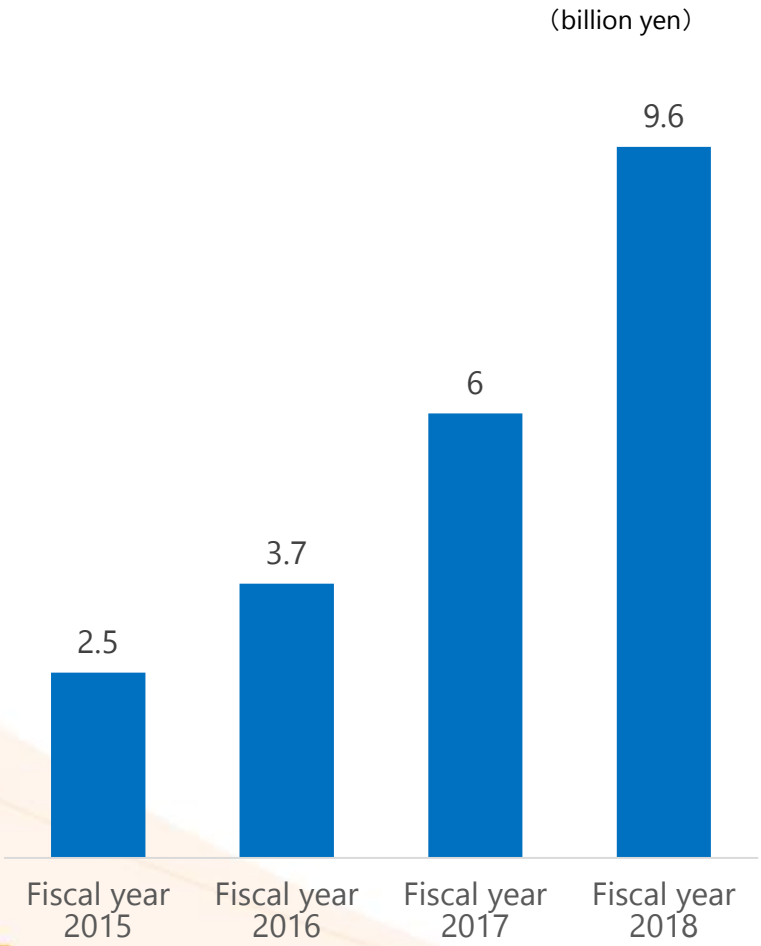


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# The Market for Cloud-based Expense Settlement Systems

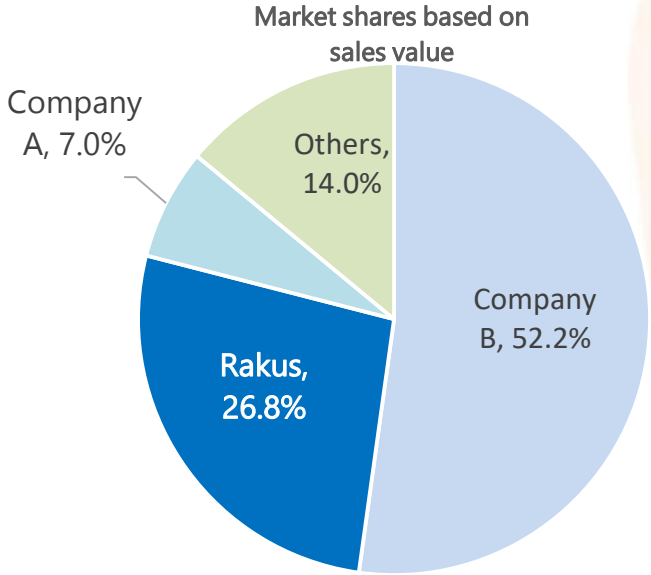
※Source：Our own survey based on various data

## 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

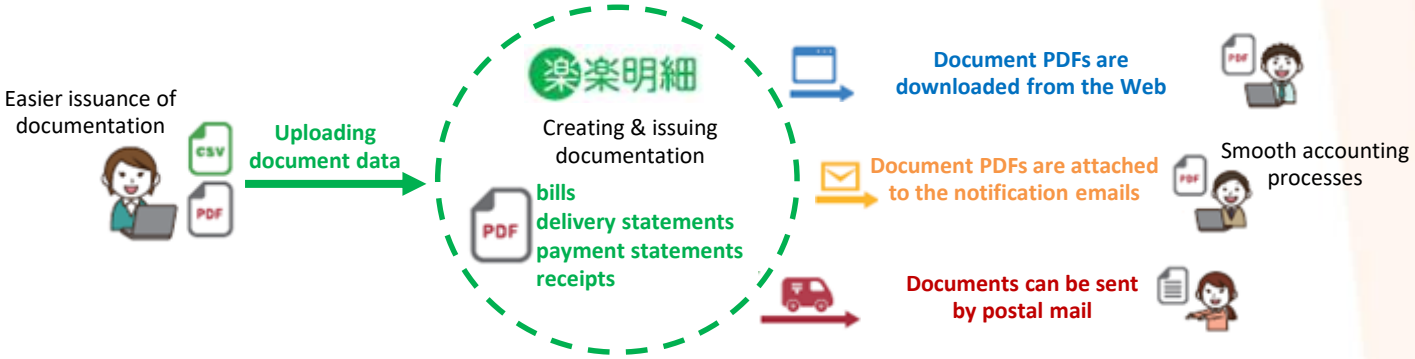
Main customers： All industries

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

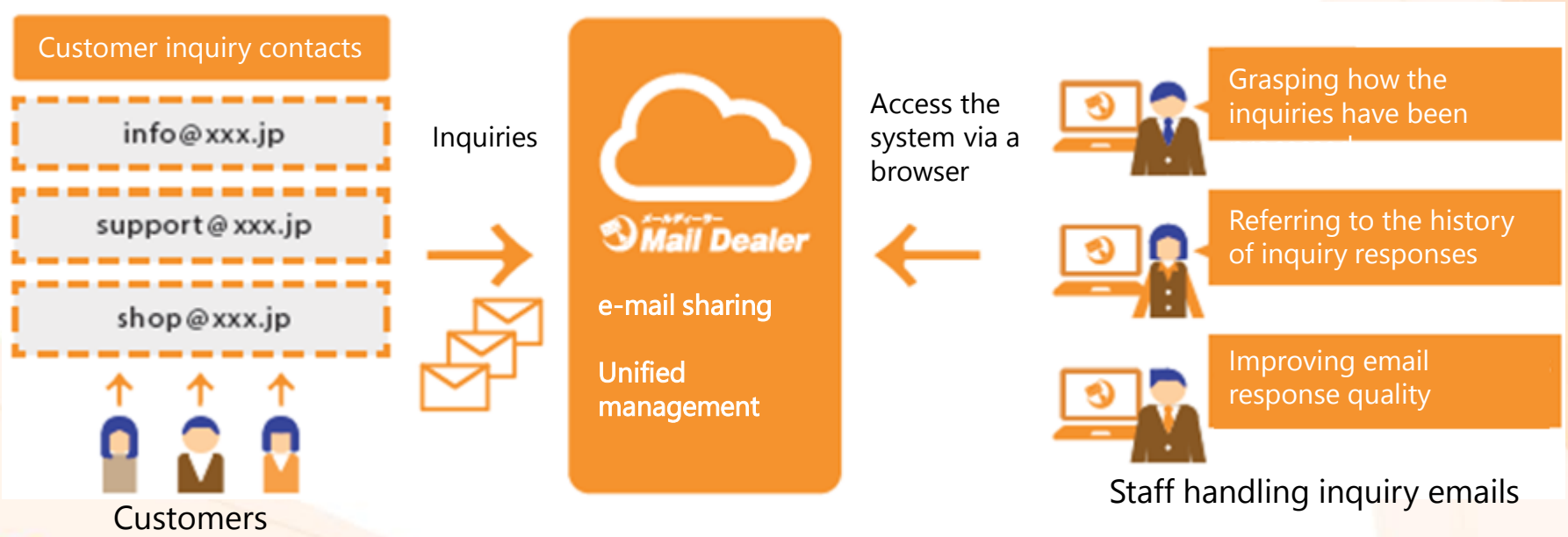
Main customers：E commerce businesses, call centers, and other B to C businesses

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



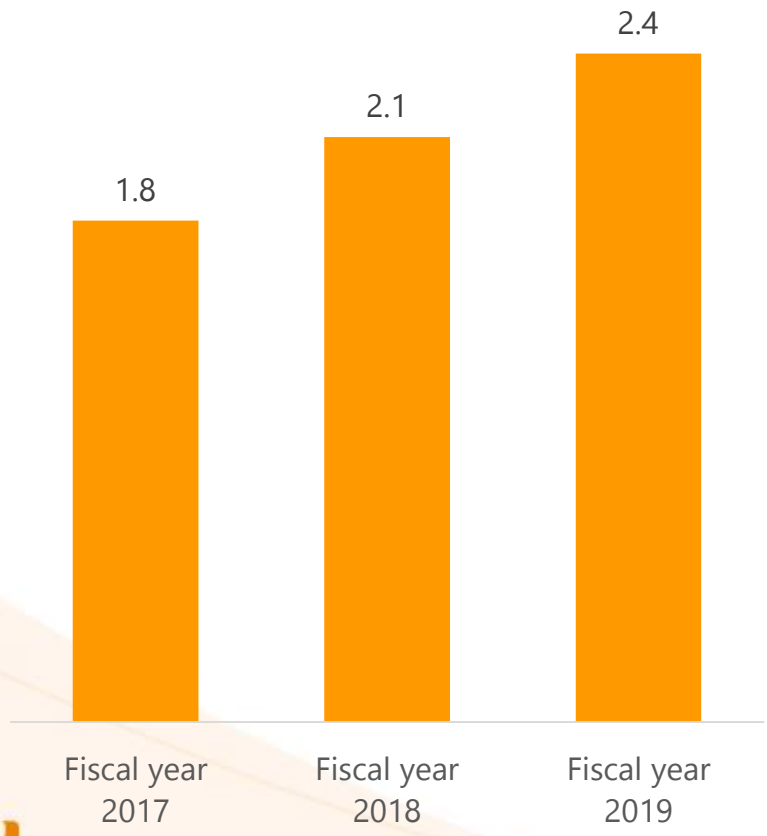



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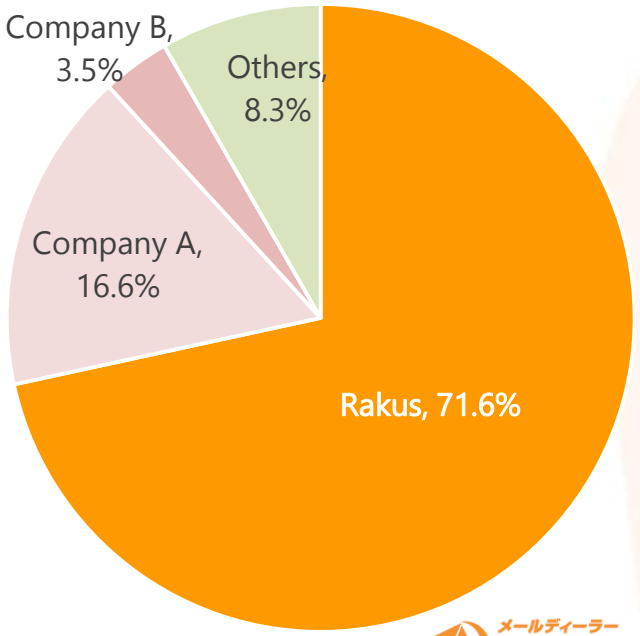
# The market for cloud-based Mail processing

※ Source：Our own survey based on various data（As of March 2020）

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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# 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



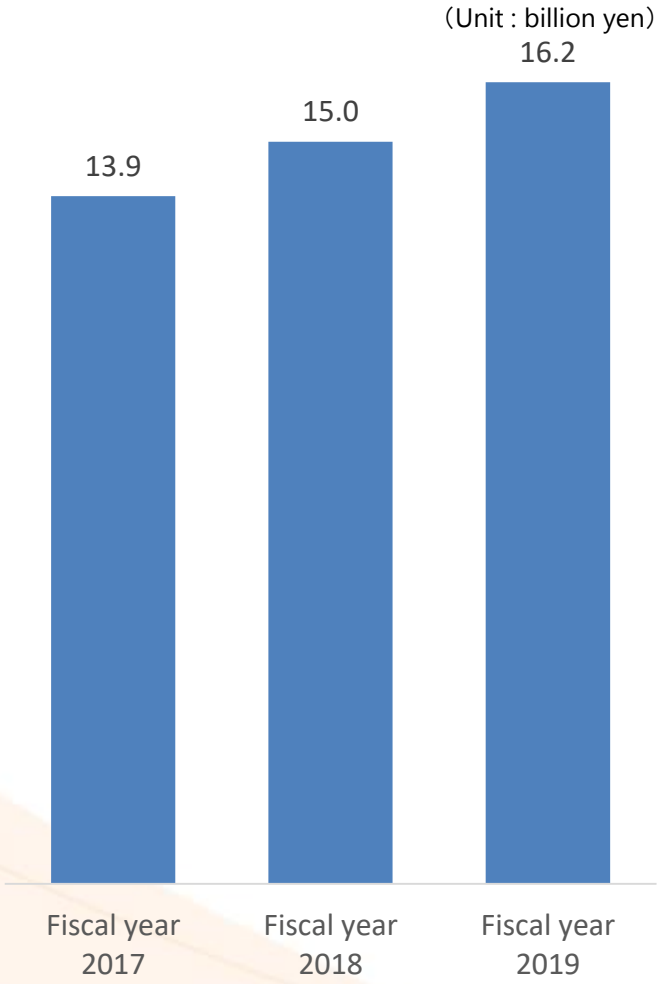
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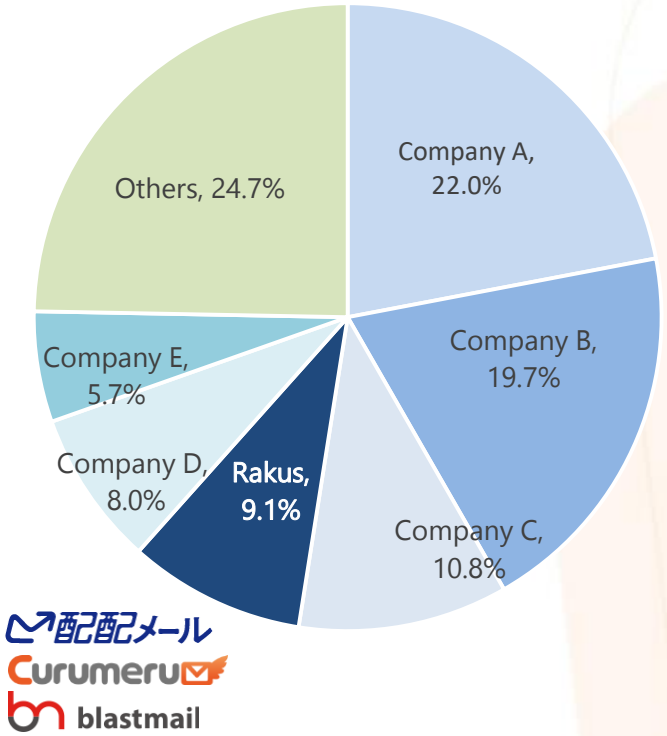
# The Market for Cloud-based Email Distribution Systems

※ Source：Our own survey based on various data（As of March 2020）

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

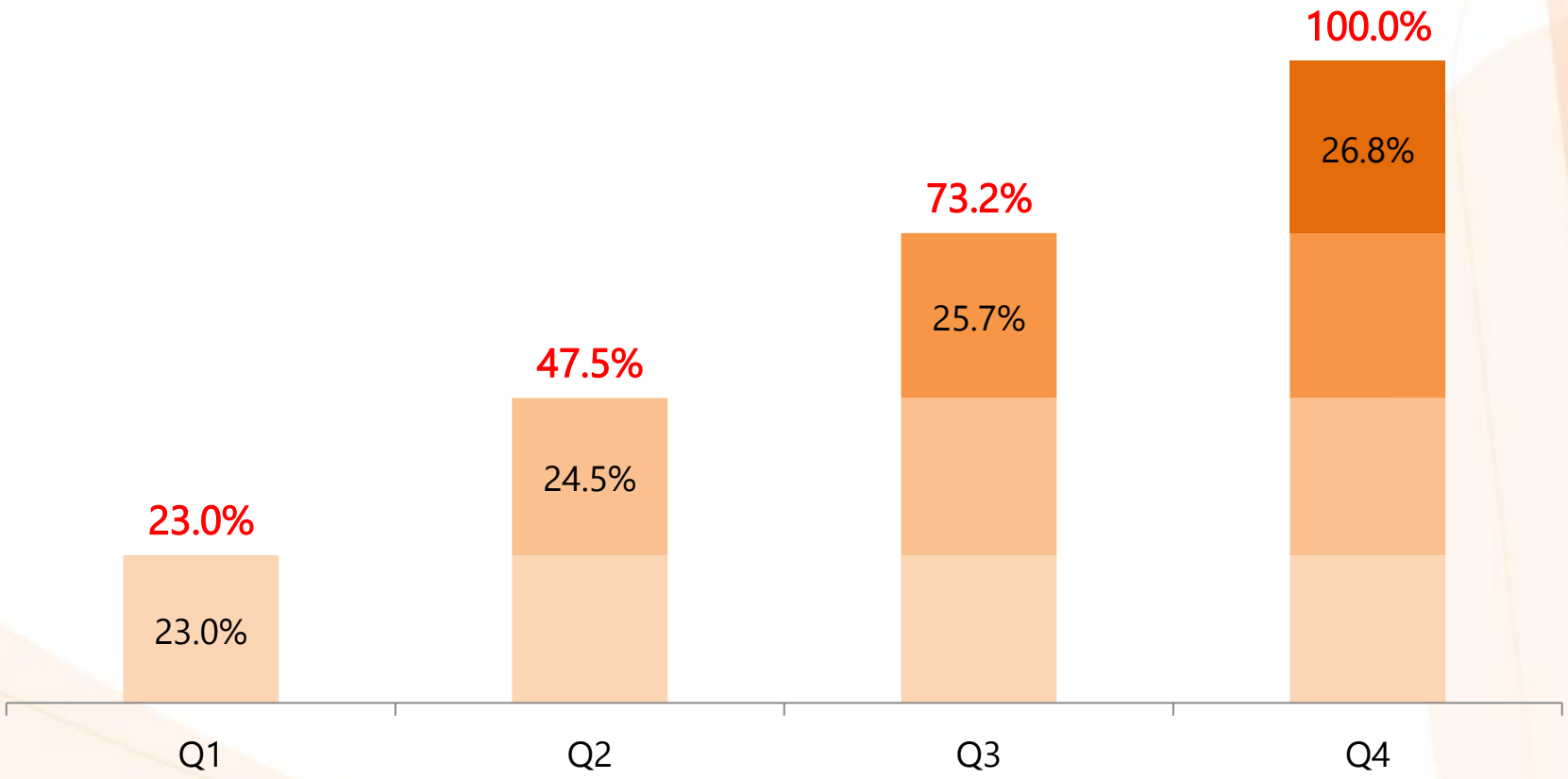
- Java programmers
- Infrastructure engineers



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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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