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Company name: RAKUS Co., Ltd.
Stock exchange listing: Tokyo
Stock code: 3923 URL https://www.rakus.co.jp/
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Business guidance for the fiscal year ending March 2021

It is difficult to estimate business performance rationally at the moment due to the COVID-19 outbreak, therefore the business guidance for March 2021 is suspended for the time being.

Situations surrounding the cloud business

RAKUS is the provider of cloud services which improve the business efficiency of small and medium-sized enterprises. Since our cloud services have contributed to improving our corporate users' operational efficiency through digitization, the contract retention rate is high and revenue from corporate users is steady.

We usually get leads through physical events such as large-scale exhibitions in addition to online ads. However, these events which were expected to attract many people have been cancelled or postponed amid the coronavirus pandemic. In addition, we generally visit prospective customers to sell our services. But many companies have promoted teleworking for their employees in response to the virus outbreak. Although we do online sales activities, we cannot get appointments to meet prospective customers in a timely manner. It also takes a longer time for our prospective customers to decide whether they should introduce the services we offer. Therefore, we expect a delay in acquiring new orders.

A state of emergency has been in place nationwide in Japan and it is difficult to anticipate when Japanese corporations will resume their normal operations. The business environment is so uncertain that we cannot estimate how many new orders we will acquire, or whether we will consume marketing costs through physical events as planned. We cannot make rational guidance for sales and profits at any level at the moment.

In the short term, the COVID-19 pandemic could cause us to acquire fewer new orders than a year before because of fewer chances to meet our customers, a delay in business talk opportunities or a longer time required for our customers to consider using our services. After COVID-19, however, these issues will be resolved and a lot of corporations will start to establish better operational environments to enable more teleworking activities. This will accelerate digital transformation replacing paper work in the mid and long term.

Situations faced by the IT Outsourcing Business

RAKUS hire inexperienced personnel, train them to be IT engineers and dispatch them to our corporate clients. Our engineers work remotely under the current circumstances, so we have maintained a high utilization of full-fledged engineers but this is not the case for engineers under apprenticeship. Current economic uncertainties have made it difficult to rationally estimate potential changes in trends for contract renewals or the unit price of engineer dispatch contracts.

When our engineers are dispatched to new locations, they are instructed on their tasks and given relevant information. If our corporate customers continue teleworking for a longer period, they may postpone having new engineers work for them. Under those circumstances, it is expected that contracts to dispatch our engineers who have just completed their apprenticeship periods, or contracts assigning engineers to new locations could be pushed back. Therefore, estimating reasonable business guidance is very difficult.

We are concerned about a slowdown in our business performance until the COVID-19 pandemic is over. However, demand for IT engineers will be robust in the mid and long term because there has been a chronic shortage of engineers in the market, so we see a rosy picture for the future.

Since it is difficult to estimate reasonable business performance at the moment, business guidance for the fiscal year ending March 2021 is suspended for the time being. Once we see more certainties which enable us to make guidance, we will disclose them immediately.