

RAKUS Co., Ltd.

（Mothers:3923）

Earnings Results for Q3 the fiscal year March 2021

Key points

Earnings results for Q3 of March 2021

- We are on track to achieve CAGR 30% of sales and all types of profit.
- SG&A was well controlled without affecting new orders.
- Advertising costs were well controlled as planned while hiring employees necessary for sustainable growth.

Cloud Business

- A significant increase in revenue and profit was achieved due to a high level of growth caused by strong investment over the last 2 fiscal years and operational efficiency we have strengthened this fiscal year.
- A high level of growth in major services was maintained due to robust new orders.

IT Outsourcing Business

- Engineers' utilization started to improve, so we resumed recruitment so as to welcome new employees in April.

Guidance for the Fiscal Year March 2021

- We progressed well toward achieving the full year guidance.

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Consolidated results for Q3 of the fiscal year March 2021

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Summary of Consolidated Results for Q3 of March 2021

We are on track to achieve CAGR 30% of sales and all types of profit.

		Year on Year
Sales	¥11,049M	Up 31.4%
Operating Profit	¥2,786M	Up 204.8%
Ordinary Profit	¥2,799M	Up 205.7%
EBITDA	¥3,135M	Up 163.0%
Profit attributable to owners of parent	¥2,029M	Up 255.5%

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

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Outline of the Consolidated Results for Q3 of March 2021

SG&A was well controlled without affecting new orders.

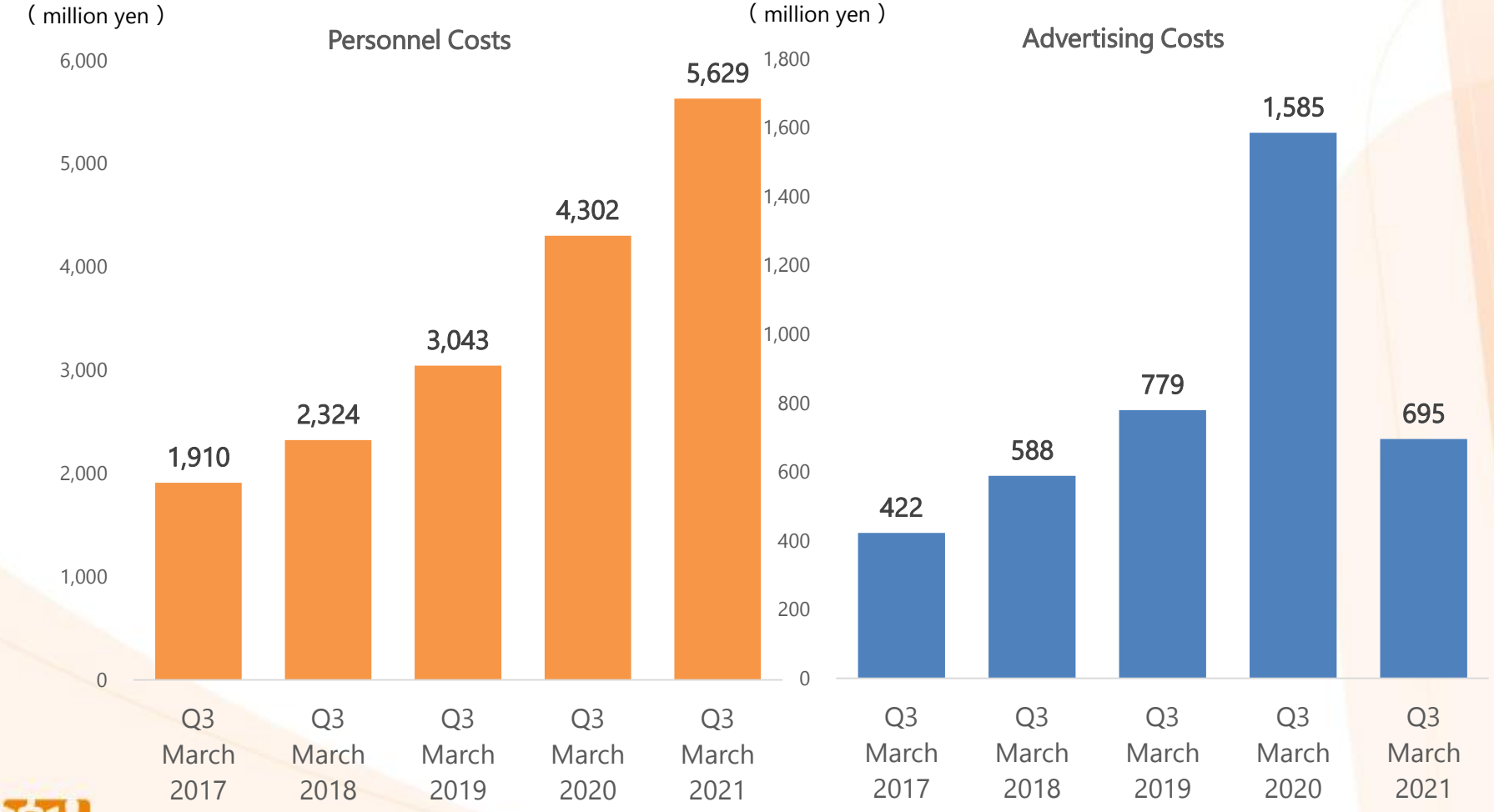
(million yen)

	Q3 of March 2020	Q3 of March 2021	Year on Year
Sales	**8,408**	**11,049**	**131.4%**
Cost of sales	2,846	3,675	129.1%
Gross profit	5,562	7,374	132.6%
(GP margin)	(66.2%)	(66.7%)	
SG&A	4,648	4,587	98.7%
Operating profit	**914**	**2,786**	**304.8%**
(OP margin)	(10.9%)	(25.2%)	
Ordinary profit	**915**	**2,799**	**305.7%**
(Ordinary profit margin)	(10.9%)	(25.3%)	
EBITDA	**1,192**	**3,135**	**263.0%**
(EBITDA margin)	(14.2%)	(28.4%)	
Income tax	336	975	
(Tax rate)	(37.1%)	(32.5%)	
Profit attributable to owners of parent	**571**	**2,029**	**355.5%**

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Trends for Personnel and Advertising Costs（actual）

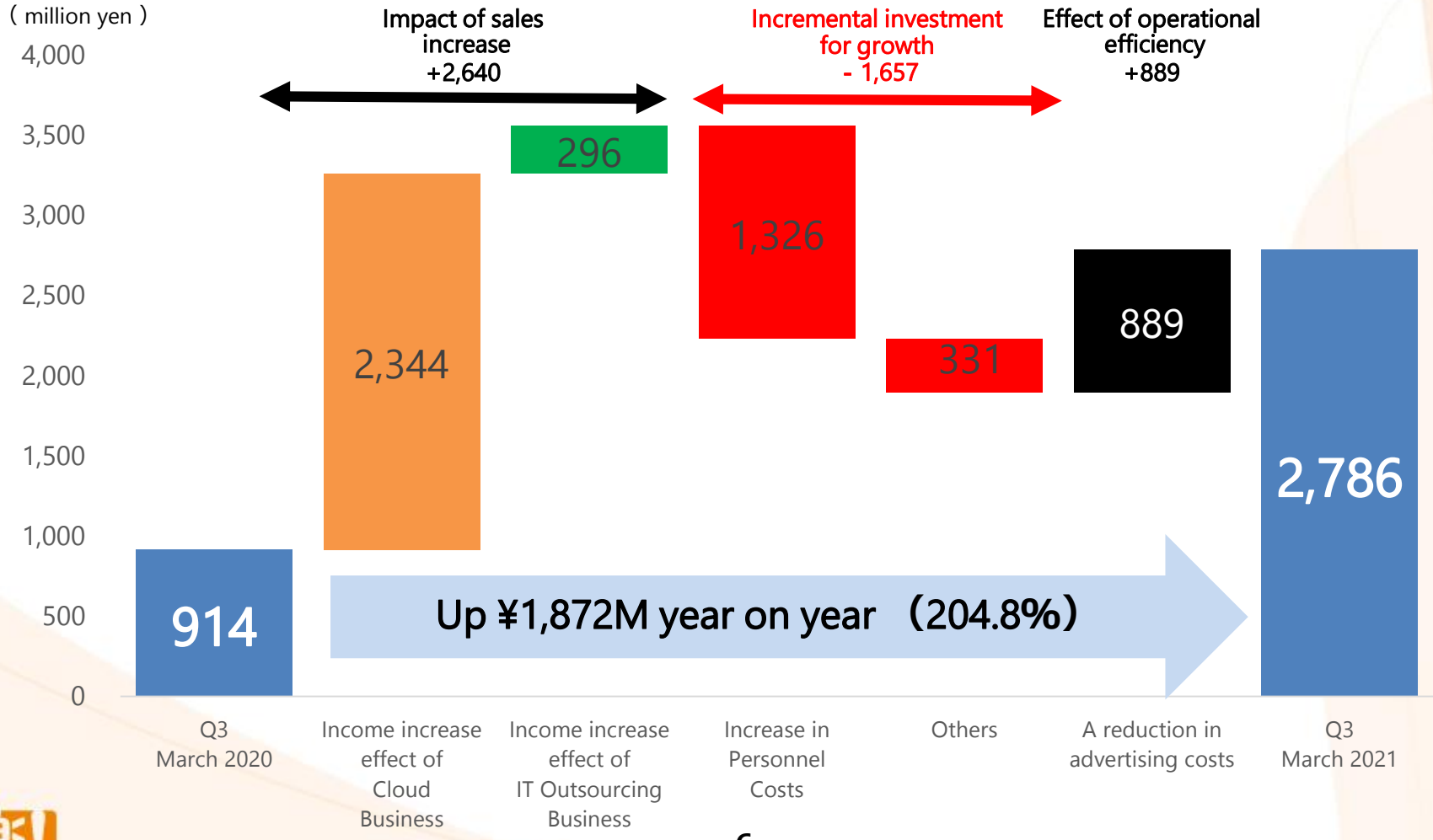
Advertising costs were well controlled as planned while hiring employees necessary for sustainable growth.



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Factors for Changes in Consolidated Operating Profits in Q3 of March 2021

Profit grew significantly year on year due to an increase in sales and operational efficiency.



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Consolidated Balance Sheet

(million yen)

	End of March 2020	End of Q3 of March 2021	Difference
Current assets	4,413	7,069	2,655
Non-current assets	2,625	2,627	2
Total assets	**7,039**	**9,697**	**2,657**
Current liabilities	1,773	2,724	950
Non-current liabilities	72	43	-28
Total liabilities	**1,846**	**2,768**	**921**
Shareholders' equity	5,196	6,936	1,739
Accumulated other comprehensive income	-3	-7	-3
Total equity	**5,192**	**6,928**	**1,736**
Total liabilities and equities	**7,039**	**9,697**	**2,657**
Equity ratio	**73.8%**	**71.5%**	

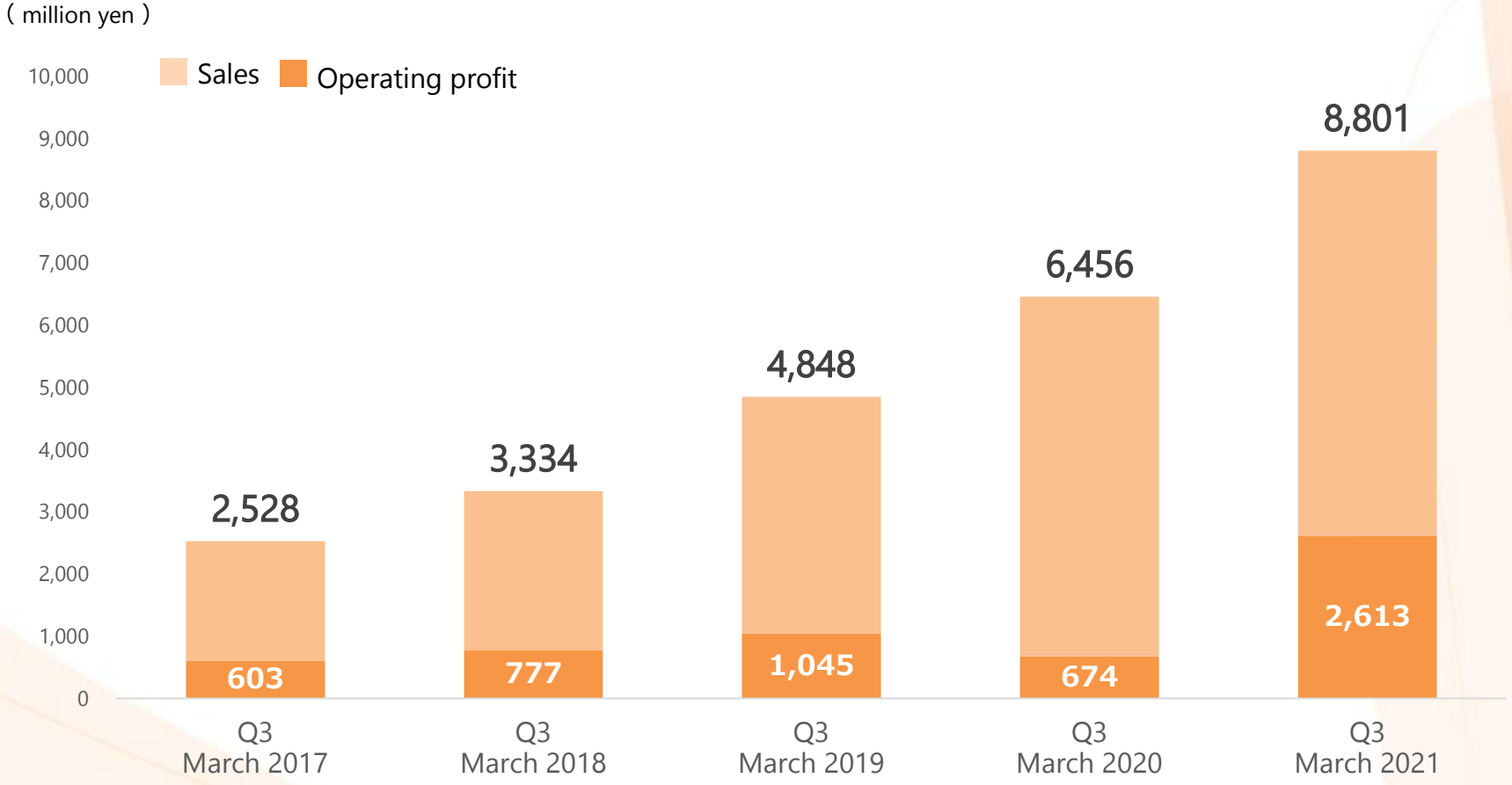
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Cloud Business

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Trend for the cloud business

A significant increase in revenue and profit was achieved due to a high level of growth caused by strong investment over the last 2 fiscal years and operational efficiency we have strengthened this fiscal year.

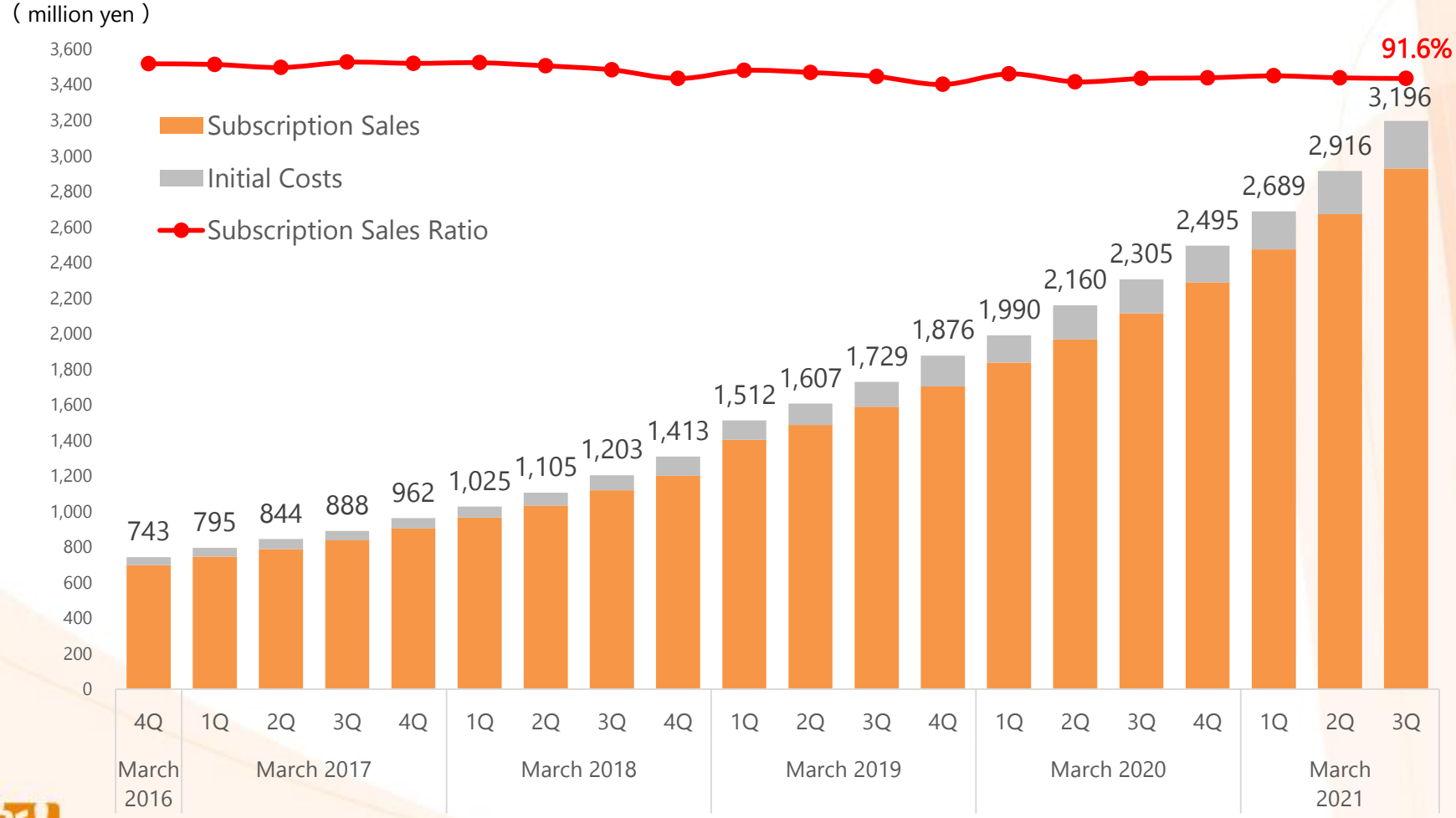


※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

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Trends for Subscription Sales of the Cloud Business

The subscription sales ratio continued to be high.



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Quarterly sales of the cloud business by service

A high level of growth in major services was maintained due to robust new orders.

（million yen）

	Sales from October to December in 2021	Quarter on Quarter	Year on Year
Raku Raku Seisan	1,441	9.2%	41.6%
Mail Dealer	503	3.2%	15.4%
Email distribution services	506	8.3%	27.0%
Raku Raku Hambai	336	11.9%	47.5%
Raku Raku Meisai	322	24.8%	114.7%
Others	85	5.2%	15.7%
Total of the Cloud Business	3,196	9.6%	38.6%

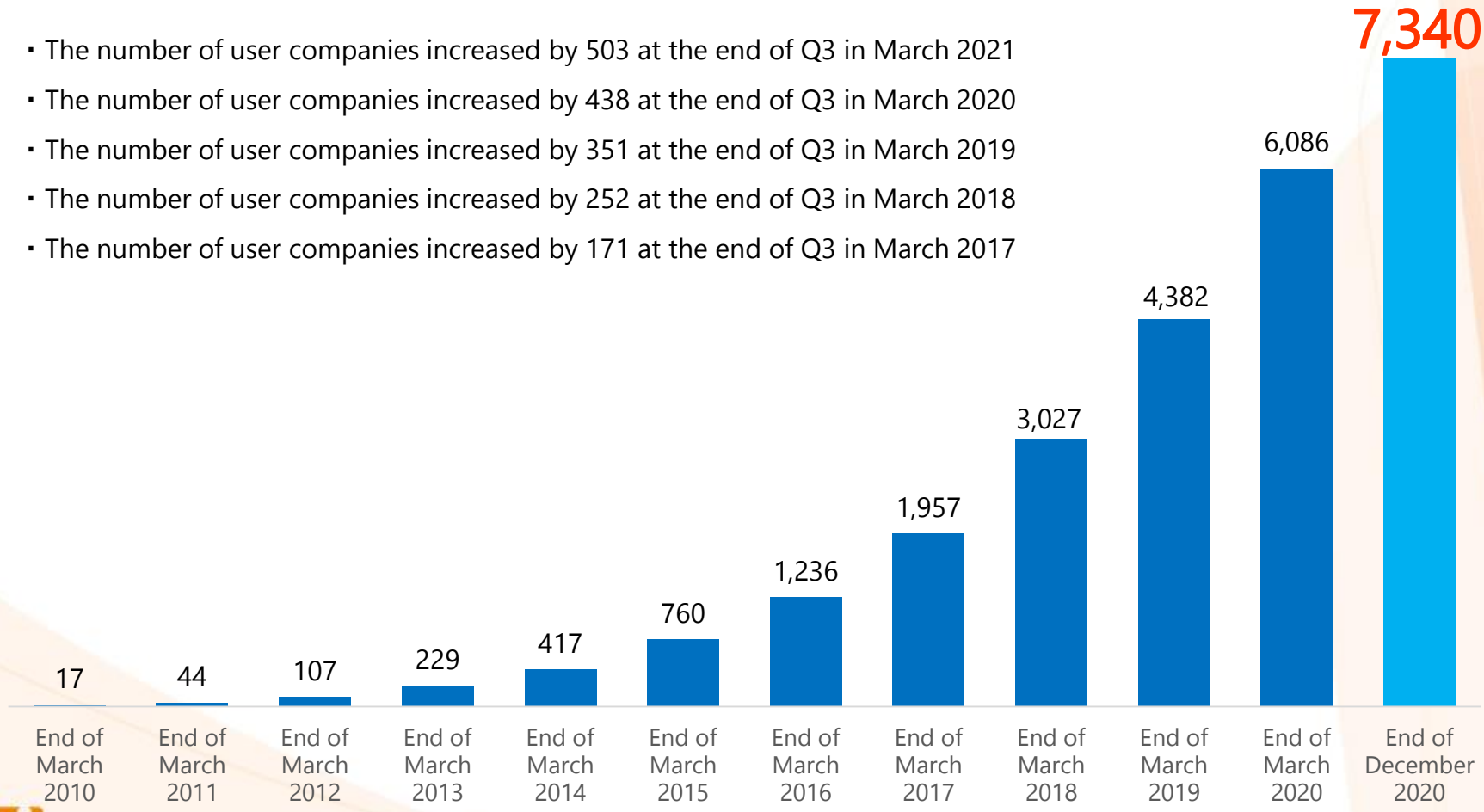
※ The figure for email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail.
※ On-premises sales are included in the chart above.

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Trends for the Cumulative Number of Corporations Using Raku Raku Seisan

The number of corporate users increased continuously.

- The number of user companies increased by 503 at the end of Q3 in March 2021
- The number of user companies increased by 438 at the end of Q3 in March 2020
- The number of user companies increased by 351 at the end of Q3 in March 2019
- The number of user companies increased by 252 at the end of Q3 in March 2018
- The number of user companies increased by 171 at the end of Q3 in March 2017



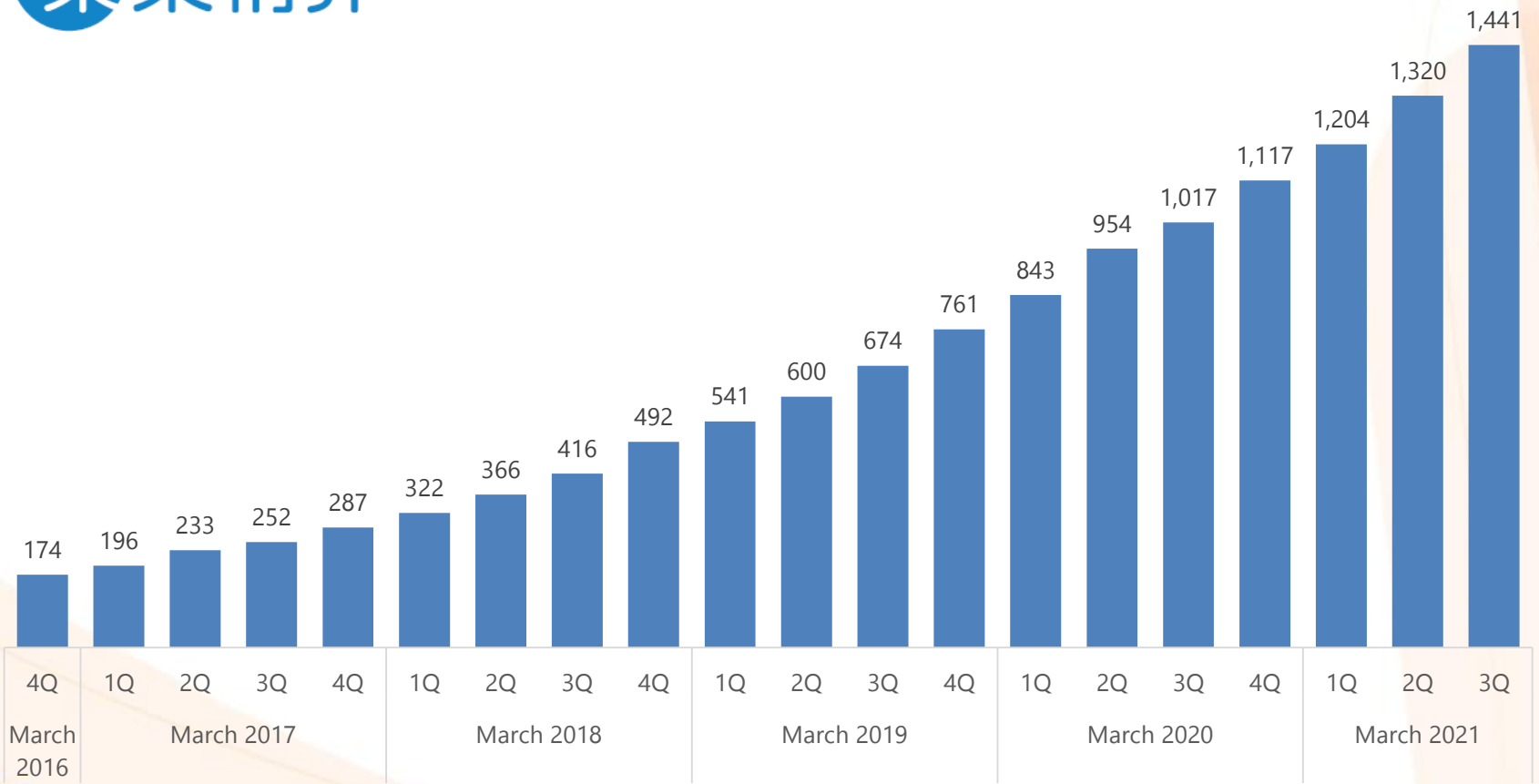
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Sales Trends for Raku Raku Seisan

A high level of growth has continued

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※ Sales of cloud services alone are described below.



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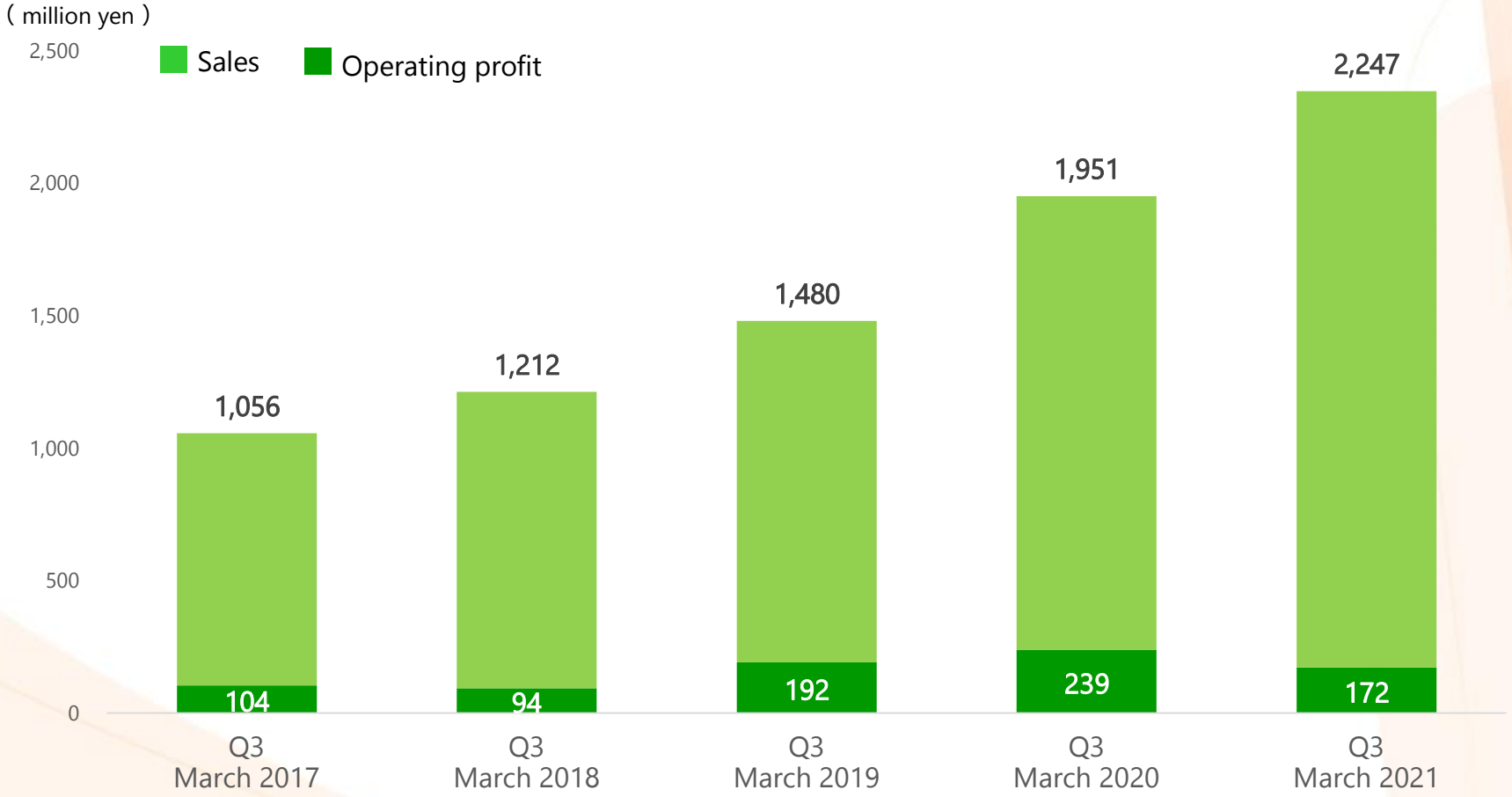
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IT Outsourcing Business

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Trend for the IT Outsourcing Business

We turned around the business of the segment in Q3 although profit declined year on year.

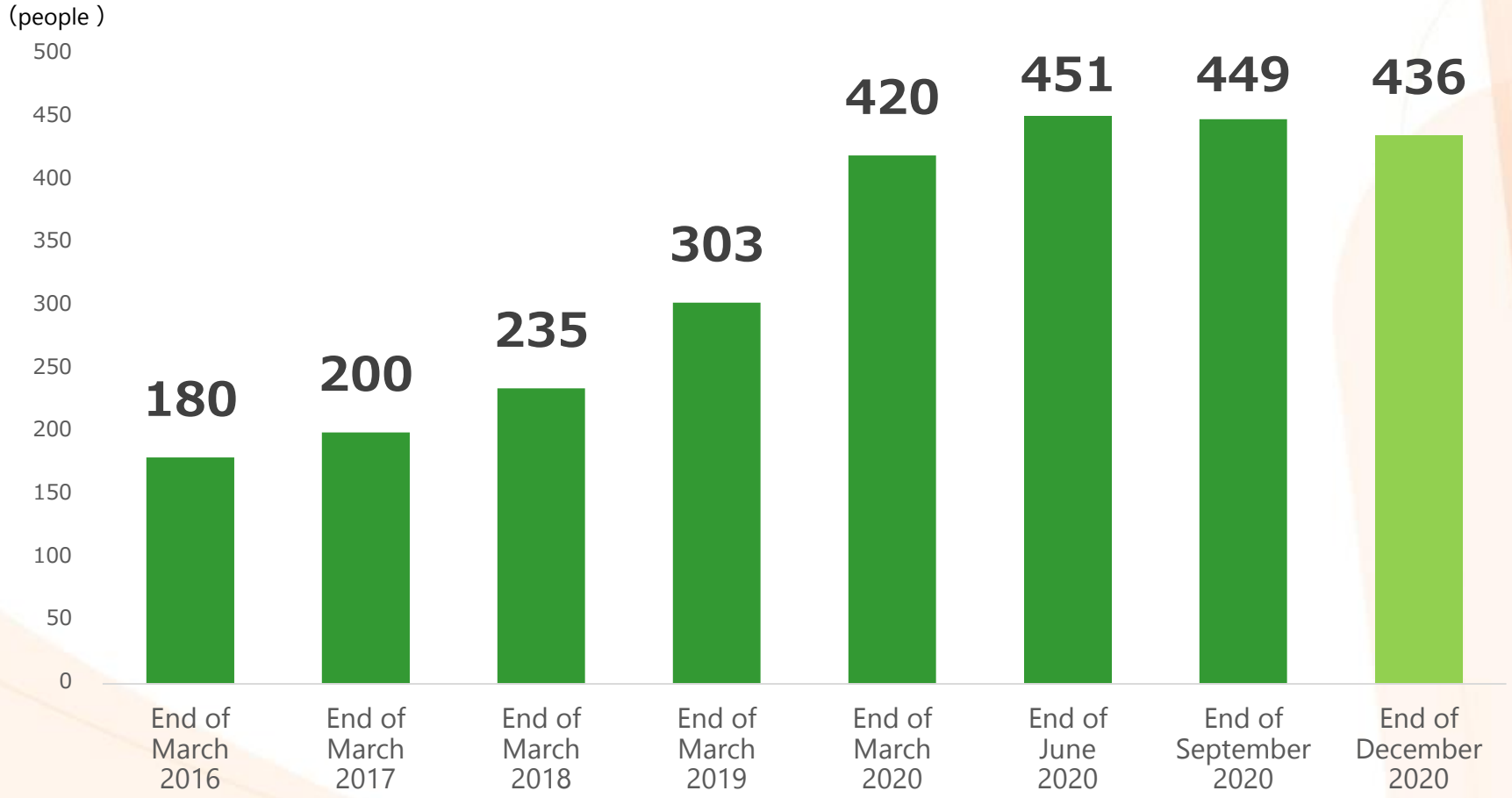


※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

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Trend for the number of engineers for the IT Outsourcing Business

Engineers' utilization started to improve, so we resumed recruitment so as to welcome new employees in April.



※This includes apprentice engineers.

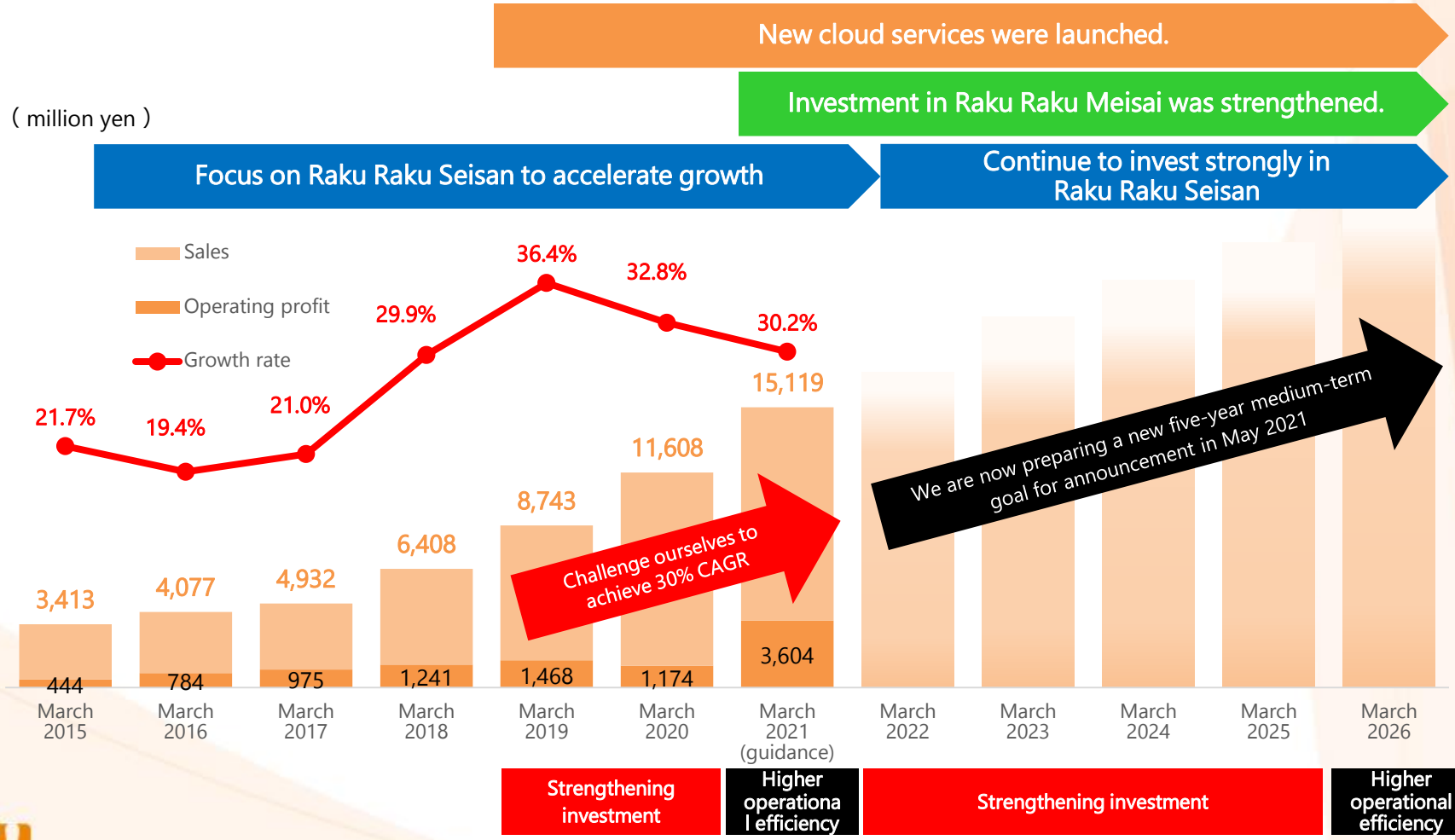
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Consolidated Guidance for the Fiscal Year March 2021

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Business policy and growth strategy

We are crafting a mid-term management plan based on our policy of strengthening investment over the next 4 years starting next fiscal year aiming for sustainable growth despite a year-on-year profit decline, and pursuing operational efficiency in the final year of the plan.



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Progress toward achieving the mid-term target, CAGR 30%

Sales and all types of profit are expected to exceed the target.

(million yen)

	Full year of March 2018 (actual)	Figures under CAGR 30%	Full year of March 2021 (guidance)	Budget Variance	The average growth rate over the three years
Sales	6,408	14,080	15,119	1,038	33.1%
Gross profit	4,123	9,060	10,103	1,042	34.8%
Operating profit	1,241	2,726	3,604	877	42.7%
Ordinary profit	1,247	2,741	3,617	875	42.6%
EBITDA	1,357	2,982	4,070	1,087	44.2%
Profit attributable to owners of parent	874	1,922	2,720	797	45.9%

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Consolidated Guidance for the Fiscal Year March 2021

The guidance for March 2021 was revised upward due to robust performance of the cloud business.

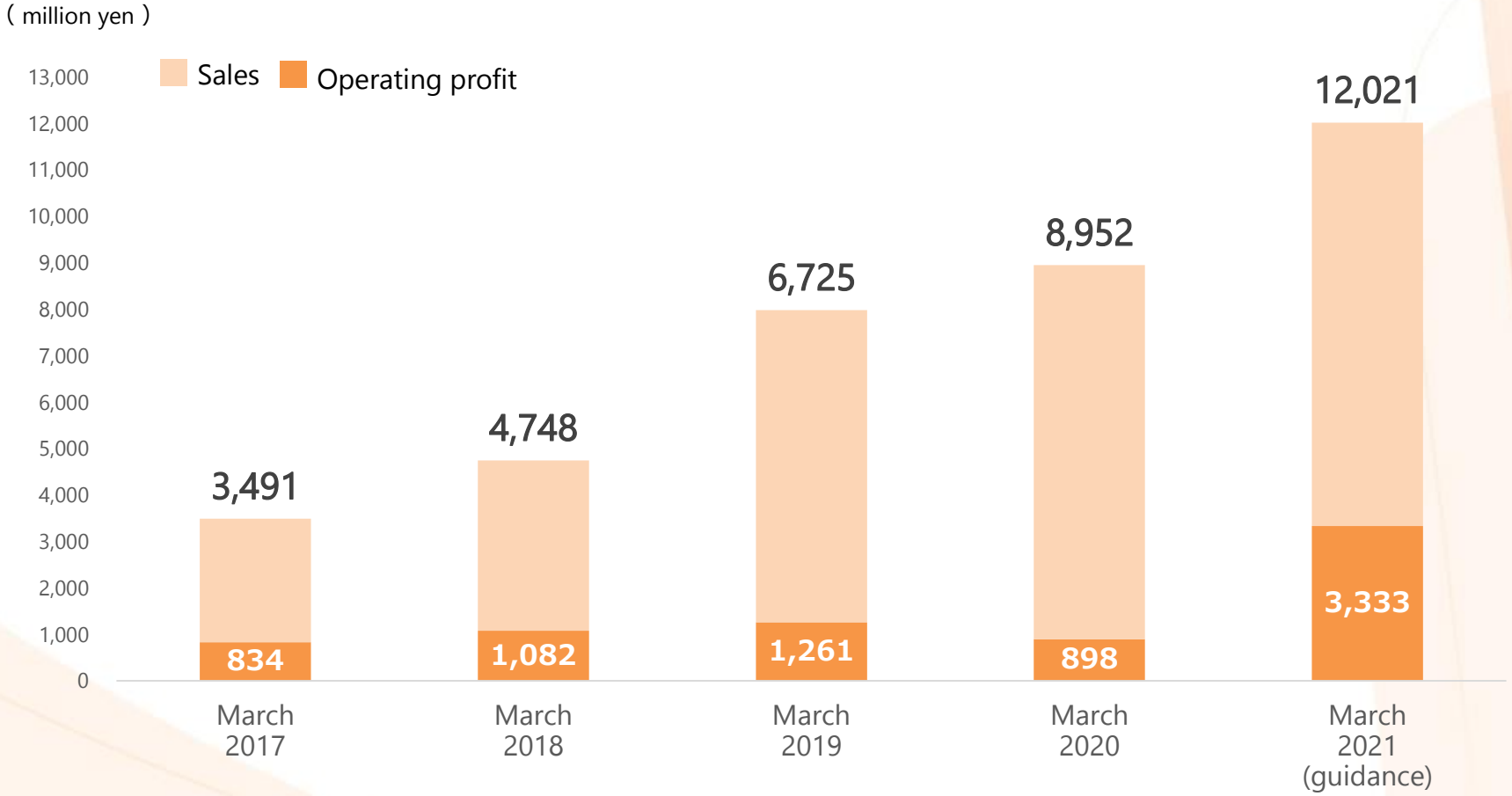
(million yen)

	Full year of March 2020 (actual)	Full year of March 2021 (guidance)	Year on Year
Sales	**11,608**	**15,119**	**130.2%**
Cost of sales	3,945	5,016	127.1%
Gross profit	**7,662**	**10,103**	**131.9%**
(GP margin)	(66.0%)	(66.8%)	
SG&A	6,487	6,498	100.3%
Operating profit	**1,174**	**3,604**	**306.9%**
(OP margin)	(10.1%)	(23.8%)	
Ordinary profit	**1,177**	**3,617**	**307.2%**
(Ordinary profit margin)	(10.1%)	(23.9%)	
EBITDA	**1,561**	**4,070**	**260.7%**
(EBITDA margin)	(13.4%)	(26.9%)	
Income tax	369	1,100	
(Tax rate)	(31.6%)	(28.9%)	
Profit attributable to owners of parent	**799**	**2,720**	**340.2%**

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Trend for the cloud business

We progressed toward achieving the full year guidance by acquiring new orders in major services.

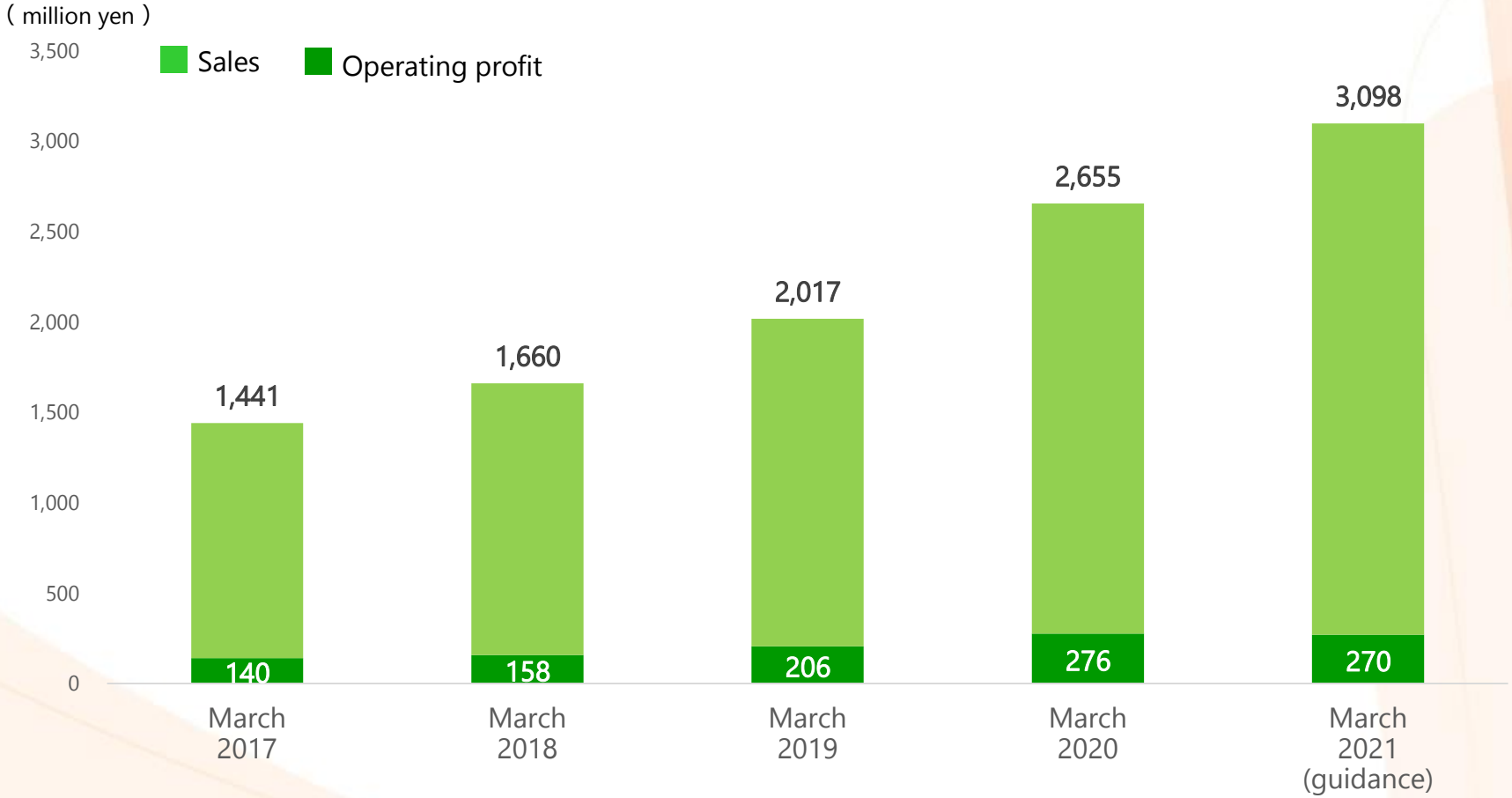


※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

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Trend for the IT Outsourcing Business

We focused on recovering engineers' utilization despite a tough environment under the state of emergency.

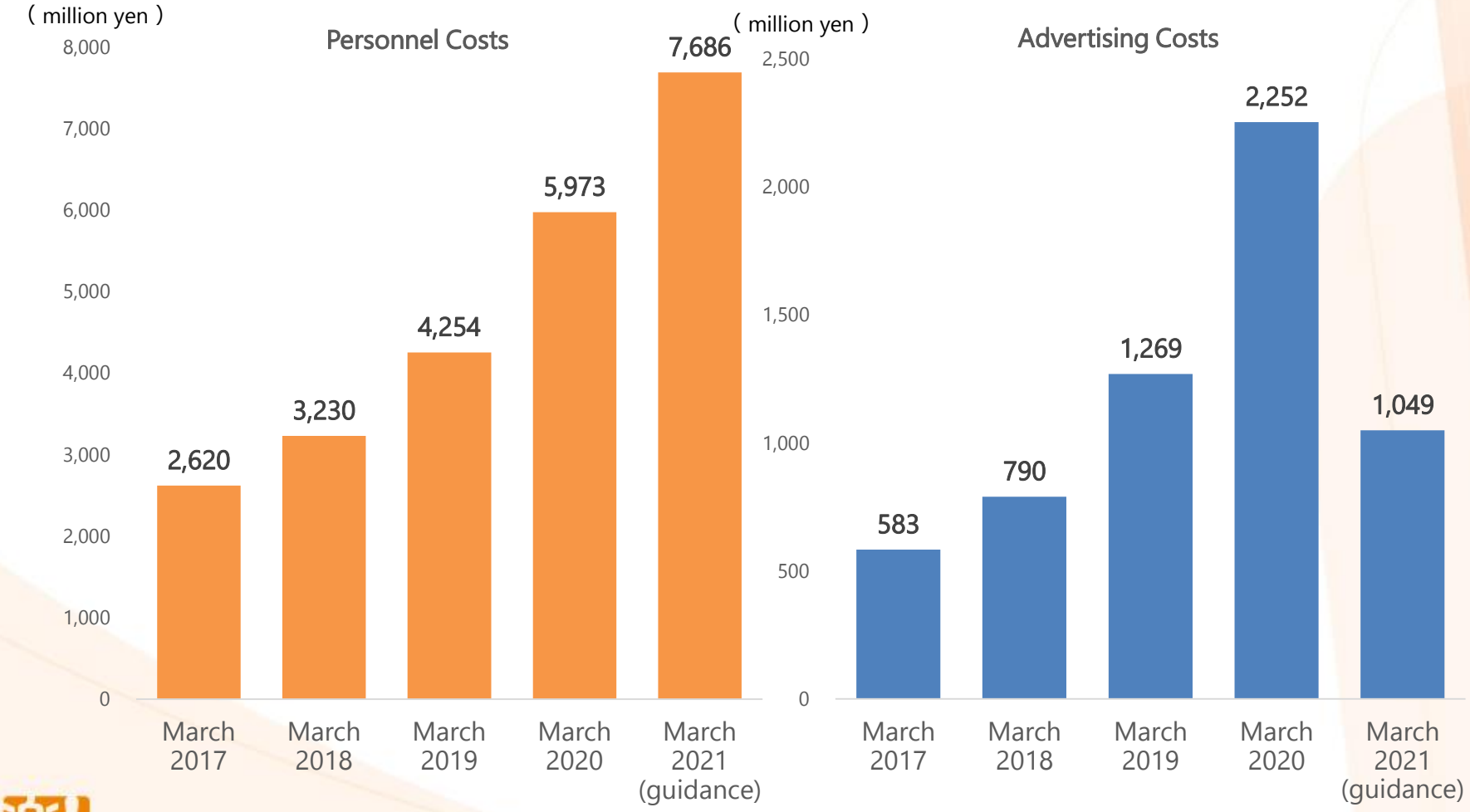


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Trends for Personnel and Advertising Costs（guidance）

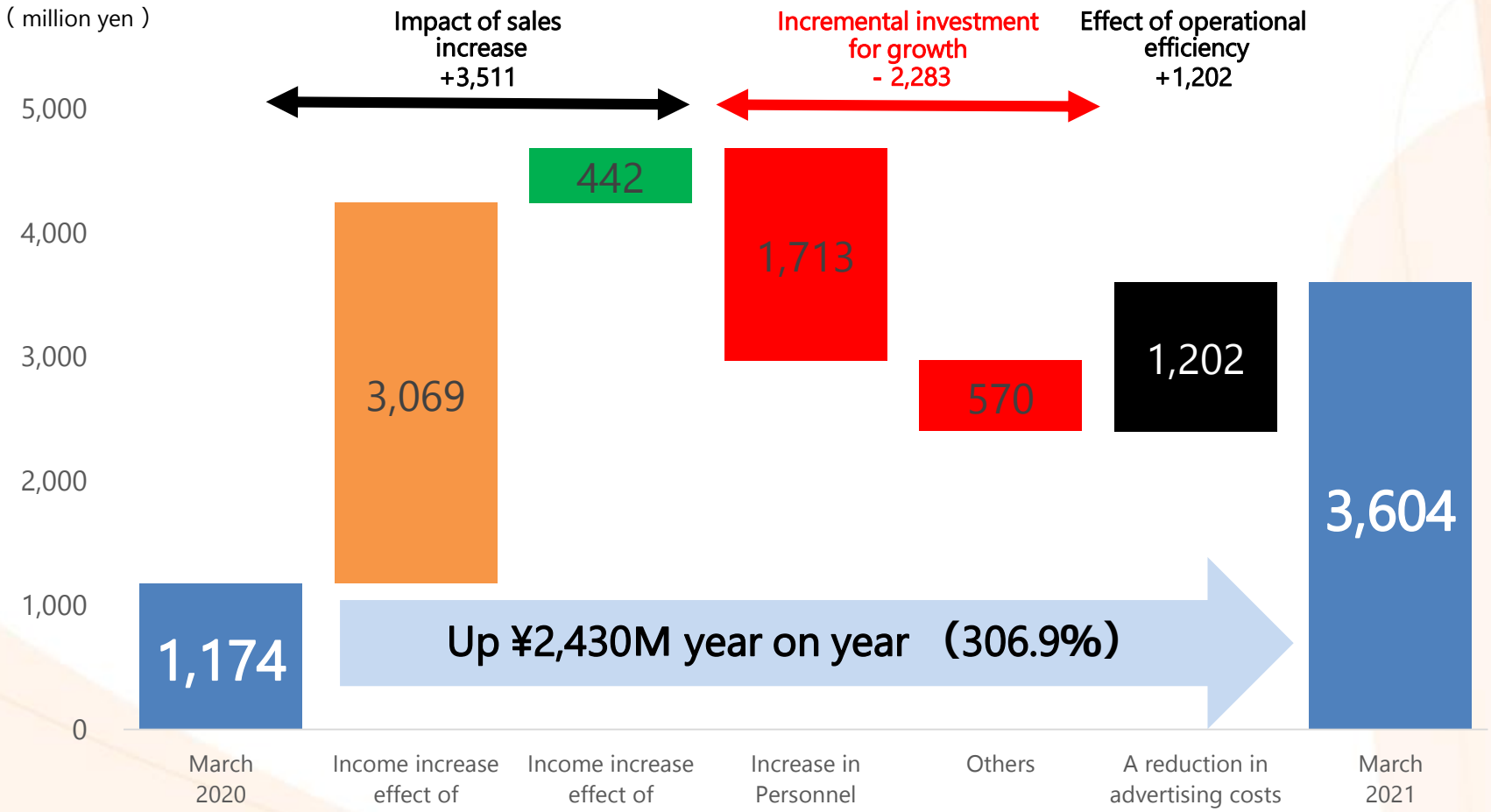
Our policy is to pursue operational efficiency this fiscal year and resume investment for future growth next fiscal year.



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Factors for Changes in Consolidated Operating Profits in of March 2021

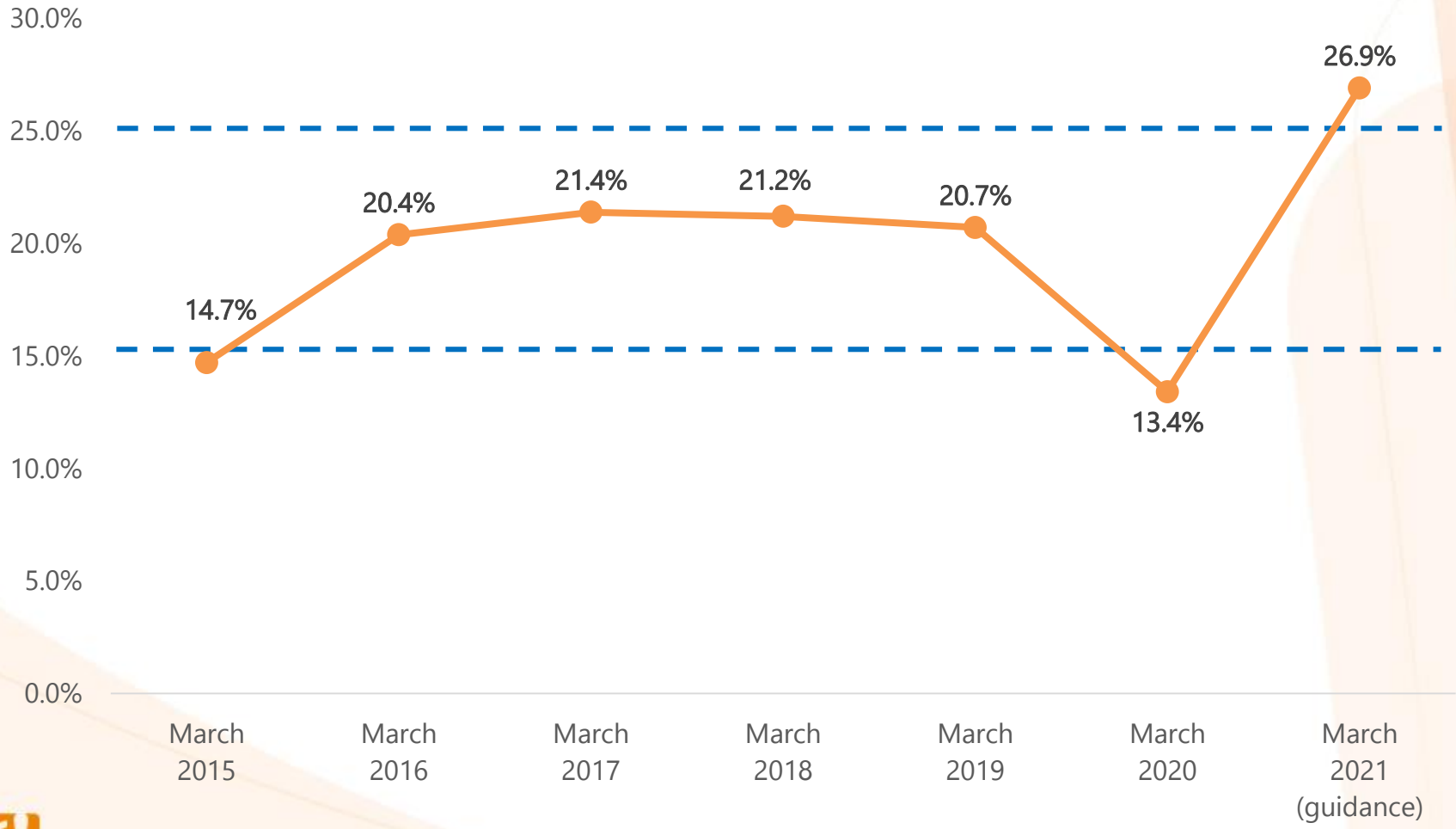
Our plan is to fully control advertising costs while increasing personnel necessary for sustainable growth.



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【KPIs】Trends for EBITDA Margins

A significant increase in profit is estimated due to well controlled SG&A. We exceeded the upper range of the target.

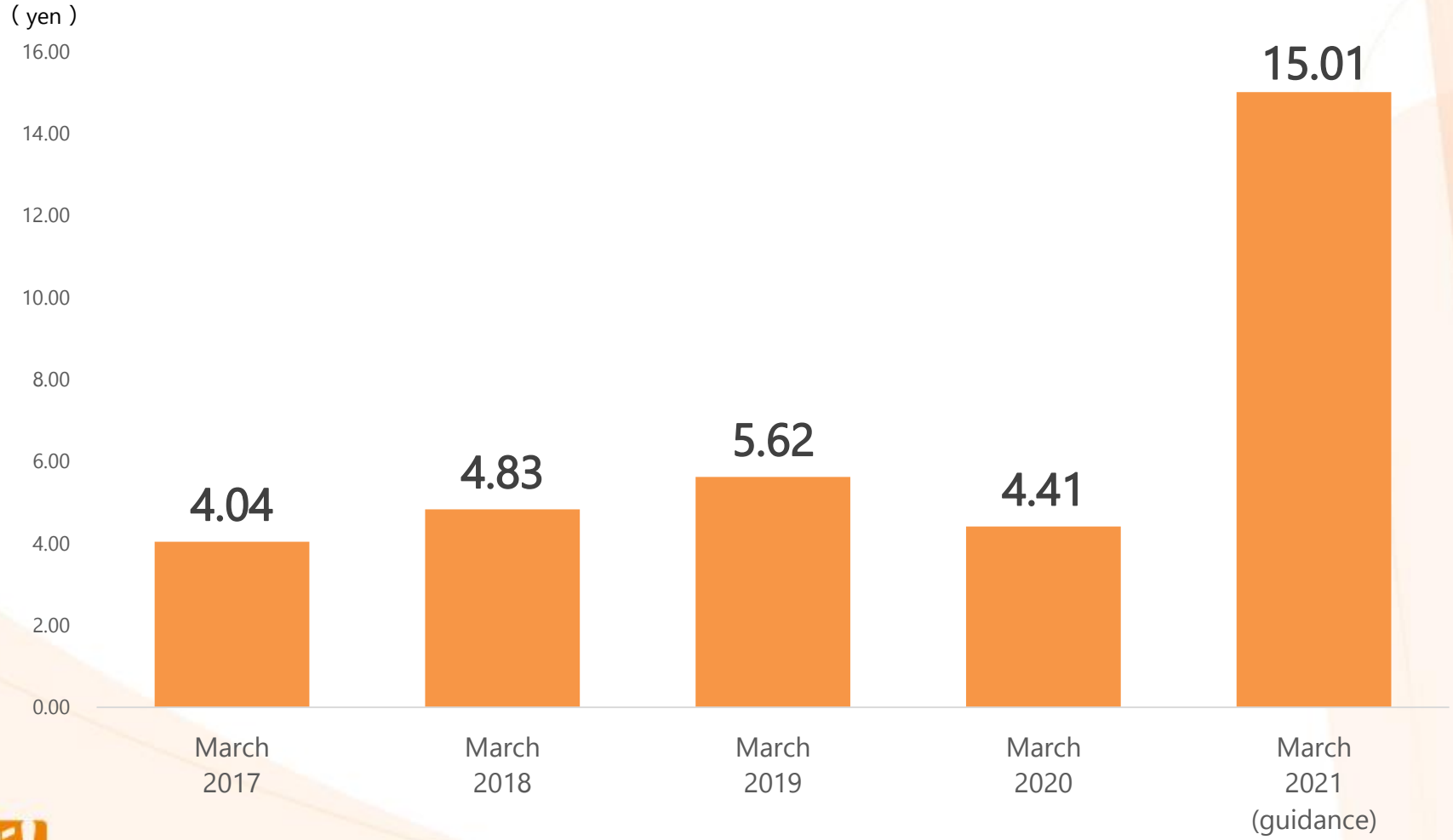


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【KPIs】Trends for EPS

※ Figures are after share split adjustment.

We continue to focus on mid and long-term EPS growth.



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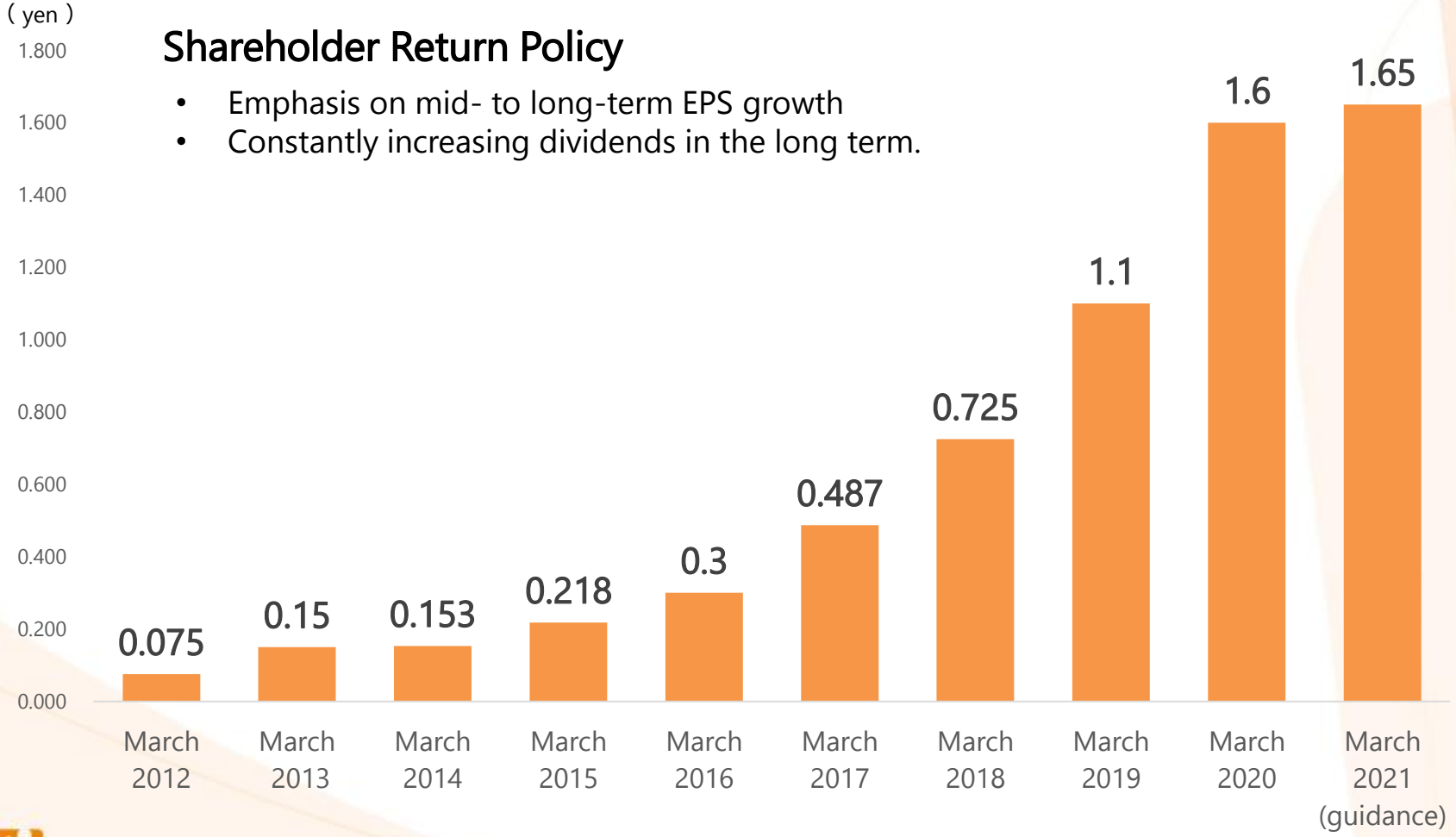
【KPIs】Shareholder Return

* Figures are after share split adjustment.

We plan to increase dividends for the 9th year in a row.

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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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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Trend for LTV by cloud services

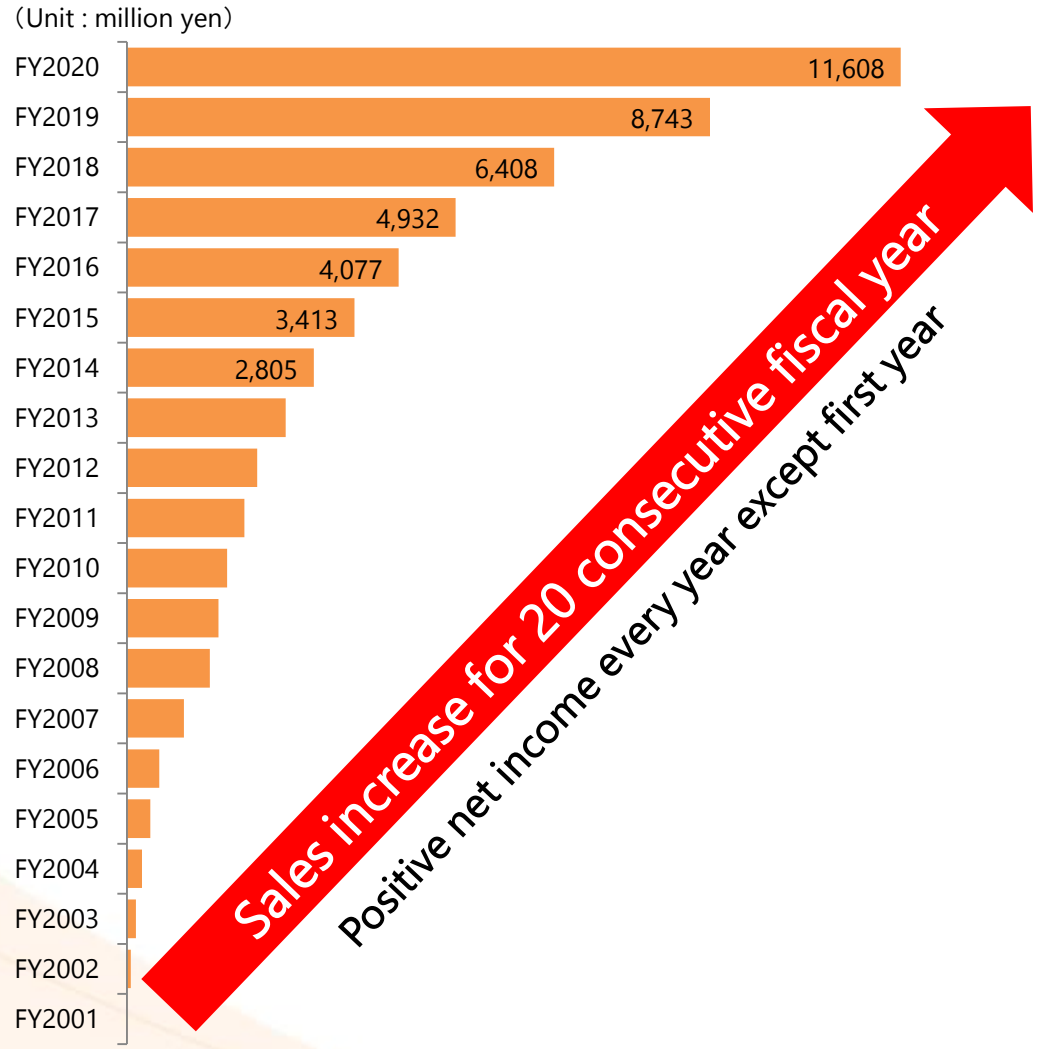
The supporting team contributed to maximizing LTV.

(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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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

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

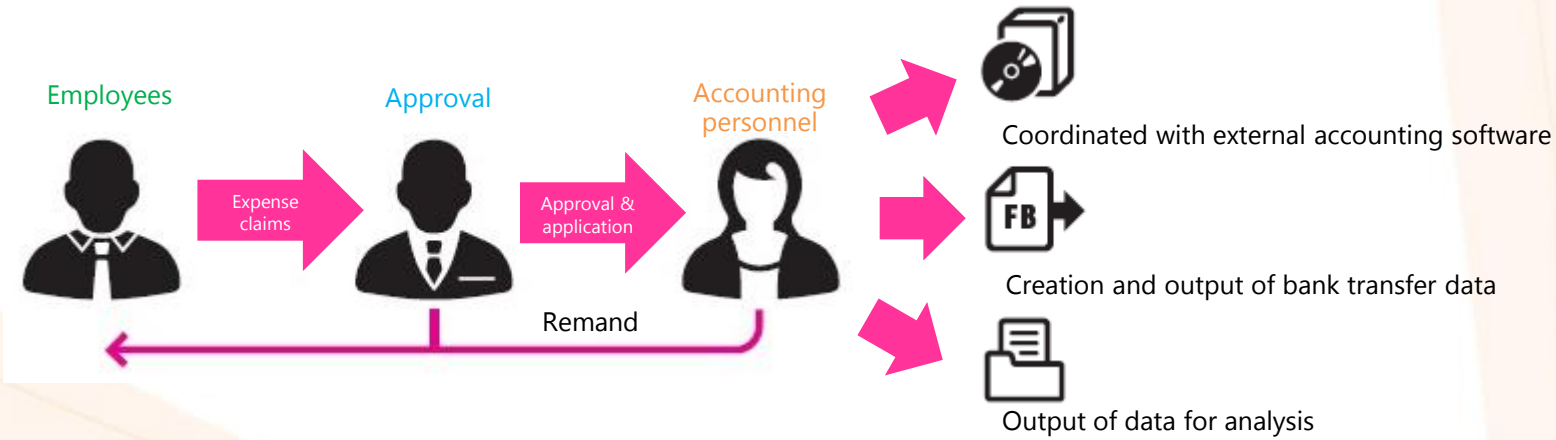
Main customers：Companies with 50 to 1,000 employees（all industries）

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

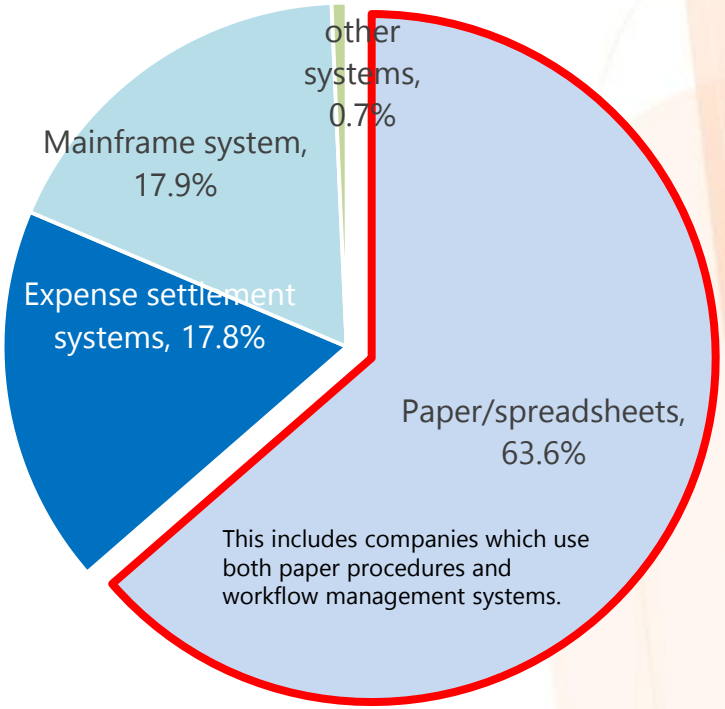
The target market is 100,000 companies valued at 70 billion yen.

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.

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.



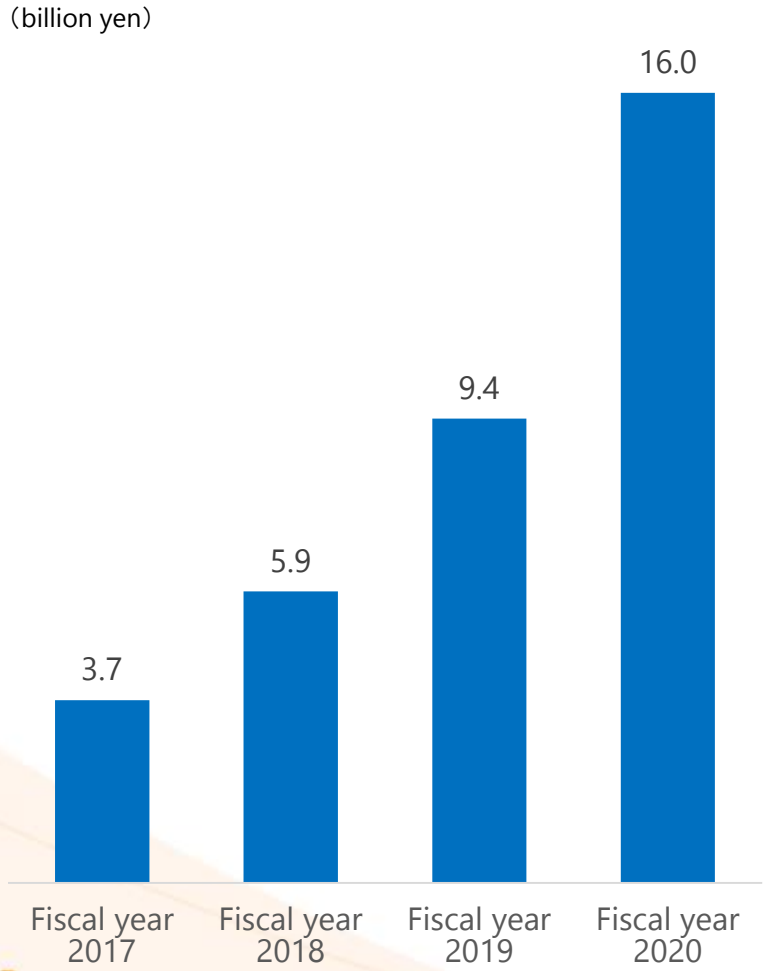
Source：Questionnaire filled out by accounting department staff in February, 2020.

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The Market for Cloud-based Expense Settlement Systems

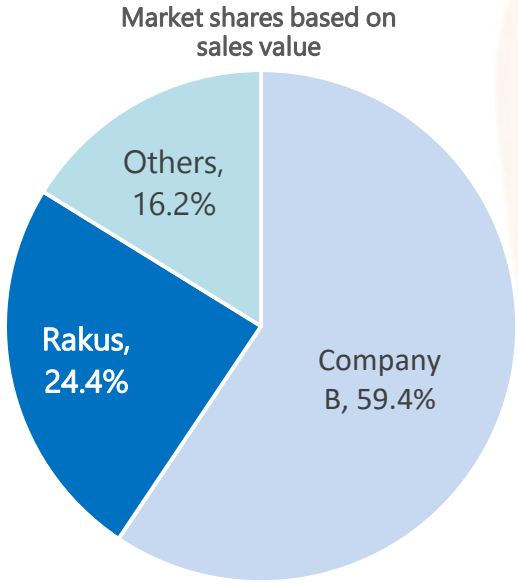
※Source：Our own survey based on various data

The market for cloud-based expense settlement in Japan



Ranking of cloud-based expense settlement
（As of December 2019 ）

Number 1	Rakus 楽楽精算	5,560 companies
Number 2	Company A	1,300 companies
Number 3	Company B	1,005 companies
Number 4	Company C	780 companies
Number 5	Company D	140 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

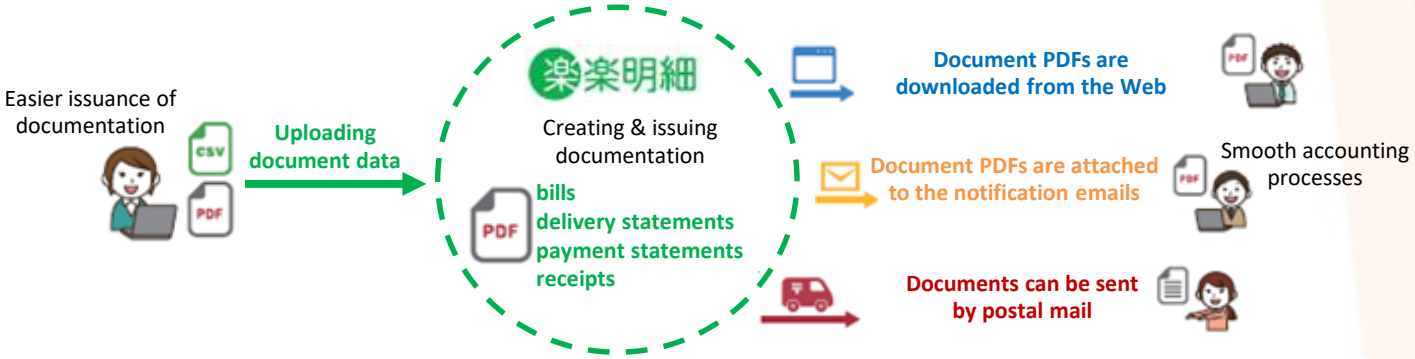
Main customers： All industries

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

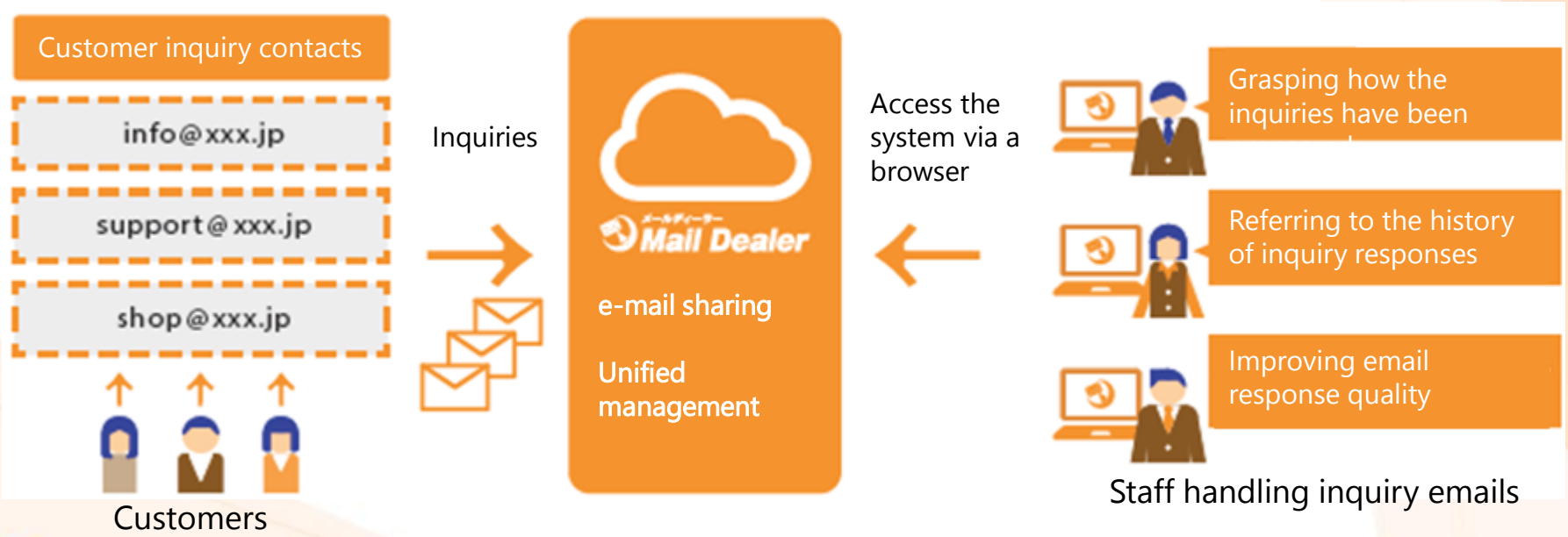
Main customers：E commerce businesses, call centers, and other B to C businesses

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

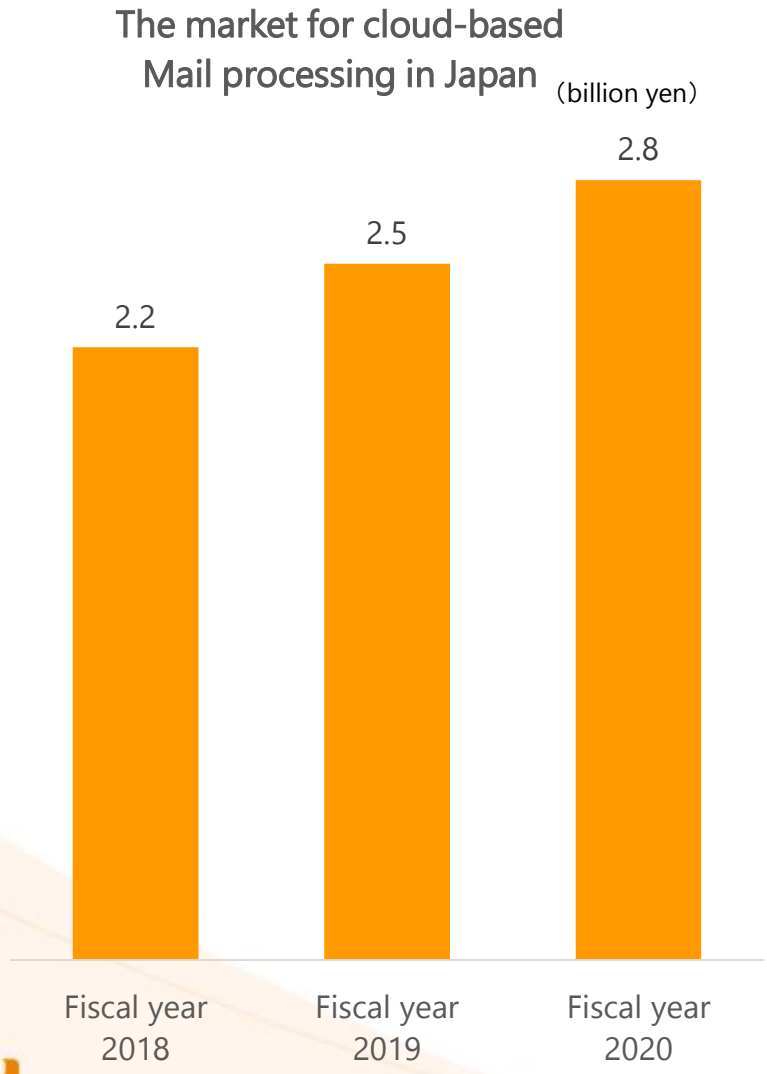


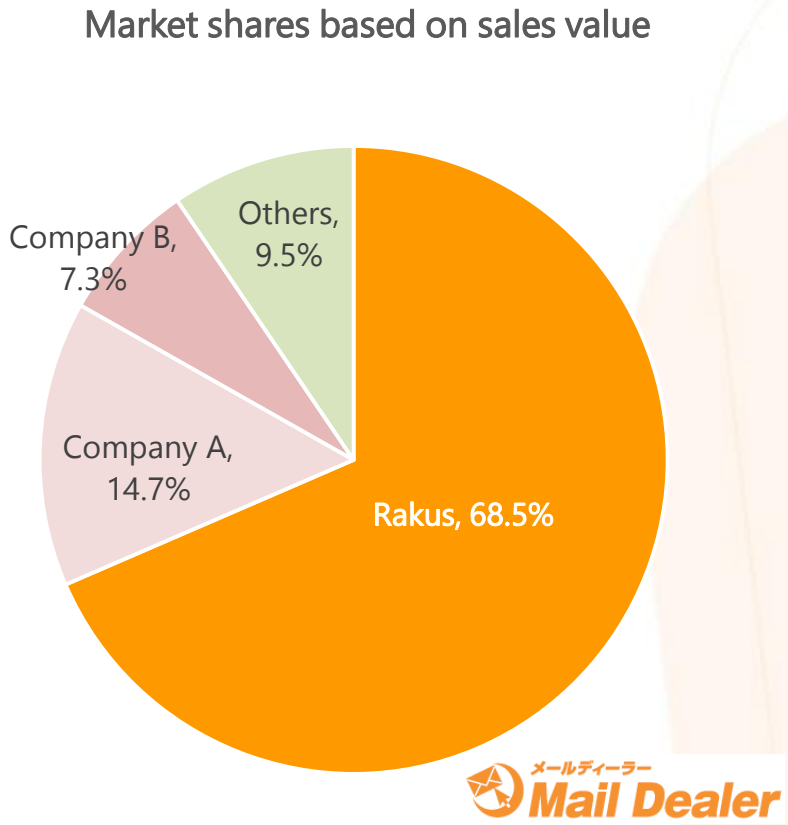
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The market for cloud-based Mail processing

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





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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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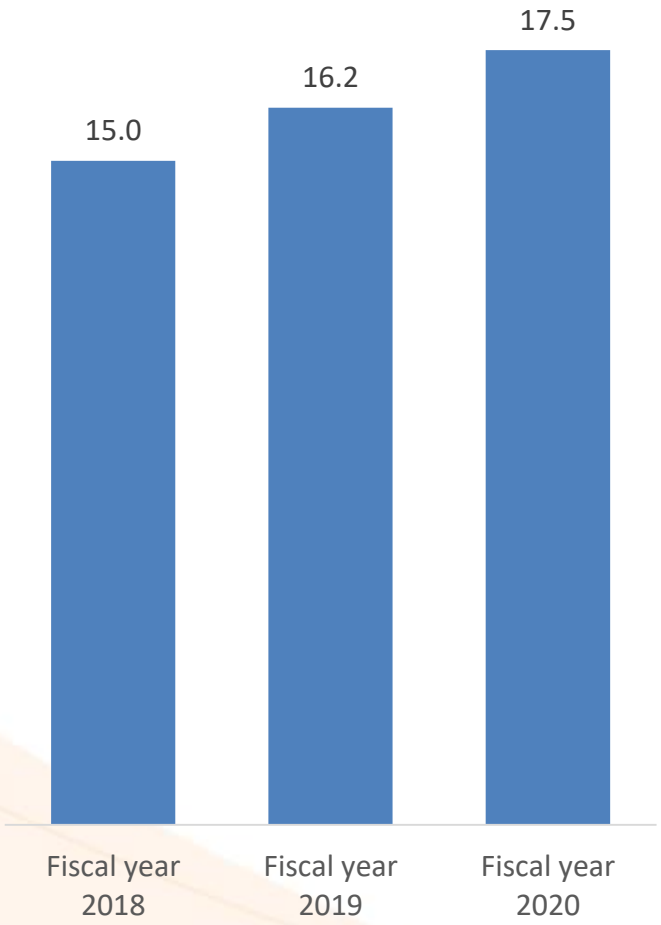
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The Market for Cloud-based Email Distribution Systems

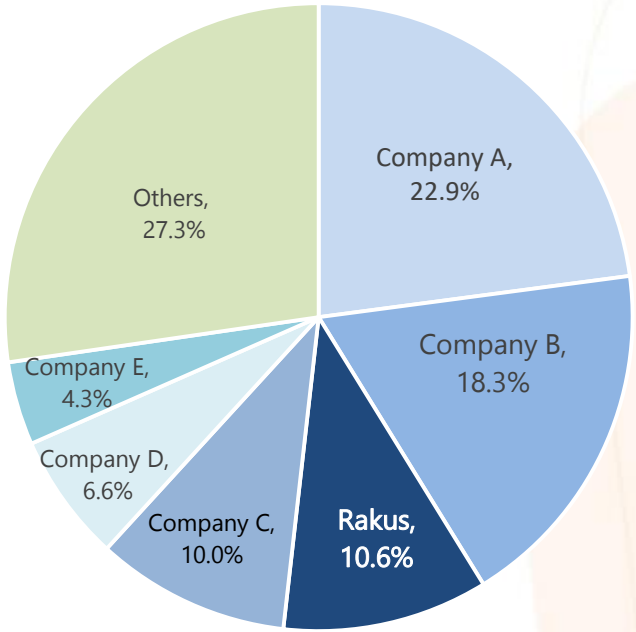
※ Source：Our own survey based on various data（As of December 2020）

The Market for Cloud-based Email Distribution Systems in Japan

（Unit : billion yen）



Market shares based on sales value



配配メール
Curumeru
blastmail

* 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

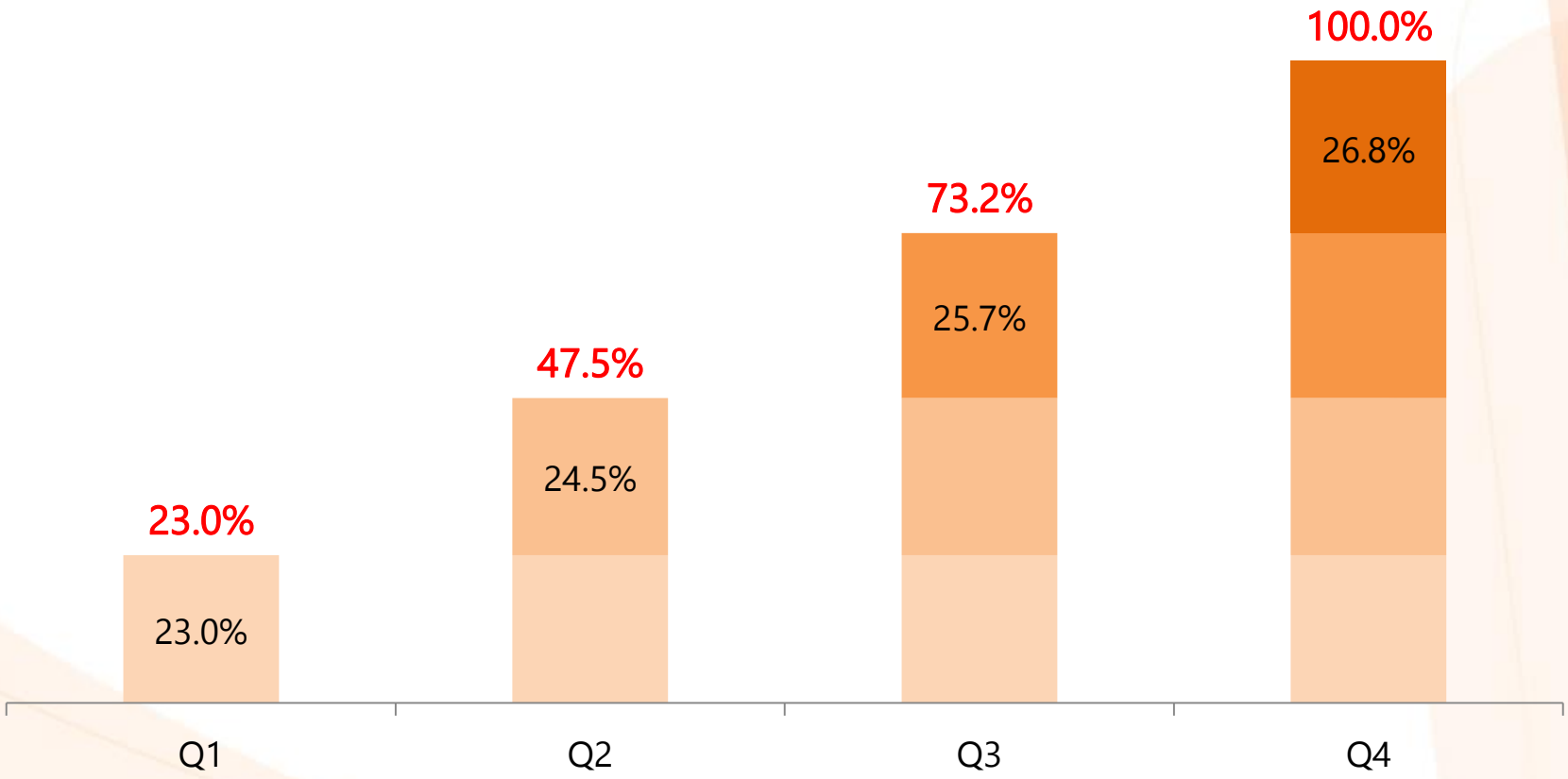
Technological domains

- 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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