Earnings Results for the fiscal year ended March 2021

RAKUS Co., Ltd.
(Securities Code：3923)

May 13, 2021

Key points

Earnings Results for the fiscal year ended March 2021

- Significant increase in sales due to the effect of strengthened investment implemented in the fiscal year ended March 2020
- Sales and all types of profits exceeded the guidance due to robust performance of the cloud business.
- Profit grew significantly year on year due to higher operational efficiency while making investment necessary for sustainable growth.

Cloud Business

- Sales increased 2.59 times over the last 3 years exceeding the mid-term targets which started in April 2018.
- Growth in sales accelerated due to a high level of growth maintained in major services.

Guidance for the fiscal year ending March 2022

- We exceeded the mid-term targets (2018.4-2021.3).
- The new five-year mid-term targets (2021.4-2026.3) set for 3 KPIs.
- We plan to disclose semiannual guidance for the time being because accelerating sales growth is our top priority.

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Consolidated Results for the fiscal year ended March 2021

Summary of Consolidated Results for FY2021.3

Significant increase in sales due to the effect of strengthened investment implemented in FY2020.3.
All types of profit increased significantly due to operational efficiency in FY2021.3.

		Year on Year
Sales	**15,387 million**	**+32.6%**
Operating Profit	**3,898 million**	**+232.0%**
Ordinary Profit	**3,881 million**	**+229.7%**
EBITDA	**4,346 million**	**+178.5%**
Profit attributable to owners of parent	**2,936 million**	**+267.3%**

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

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Outline of the Consolidated Results for FY2021.3

Sales and all types of profits exceeded the guidance due to robust performance of the cloud business.

(million yen)

	FY2020.3 (actual)	FY2021.3 (guidance)	FY2021.3 (actual)	Year on Year	Change from guidance
Sales	**11,608**	**15,119**	**15,387**	**132.6%**	**101.8%**
Cost of sales	3,945	5,016	5,030	127.5%	100.3%
Gross profit	7,662	10,103	10,357	135.2%	102.5%
GP margin	66.0%	66.8%	67.3%		
SG&A	6,487	6,498	6,459	99.6%	99.4%
Operating profit	**1,174**	**3,604**	**3,898**	**332.0%**	**108.2%**
OP margin	10.1%	23.8%	25.3%		
Ordinary profit	**1,177**	**3,617**	**3,881**	**329.7%**	**107.3%**
Ordinary profit margin	10.1%	23.9%	25.2%		
EBITDA	**1,561**	**4,070**	**4,346**	**278.5%**	**106.8%**
EBITDA margin	13.4%	26.9%	28.2%		
Income tax	369	1,100	1,150		
Tax rate	31.6%	28.9%	28.1%		
Profit attributable to owners of parent	**799**	**2,720**	**2,936**	**367.3%**	**108.0%**

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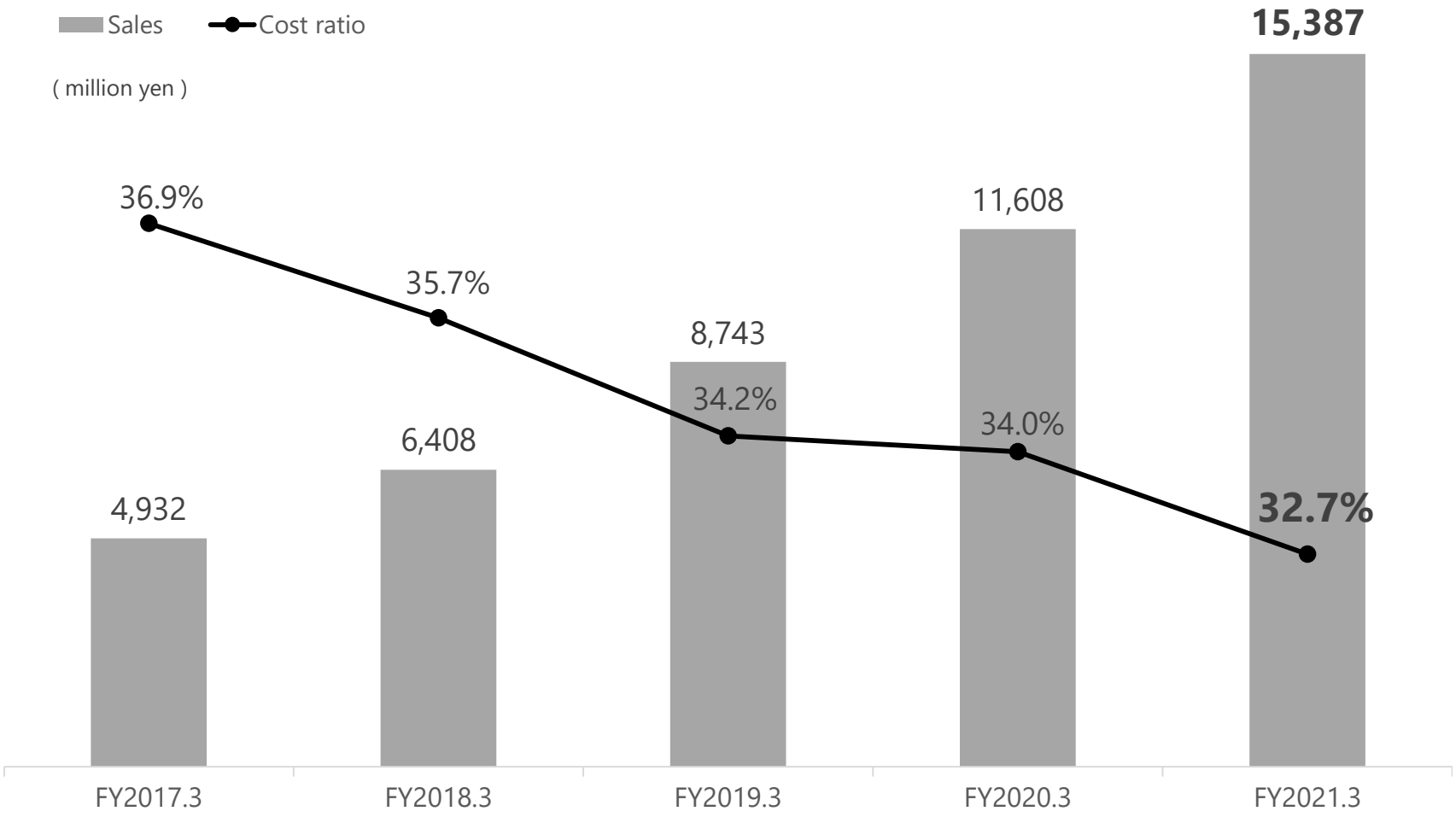
Consolidated Sales and Cost of Sales Ratio

Cost ratios have continuously declined, which is a feature of the business model.



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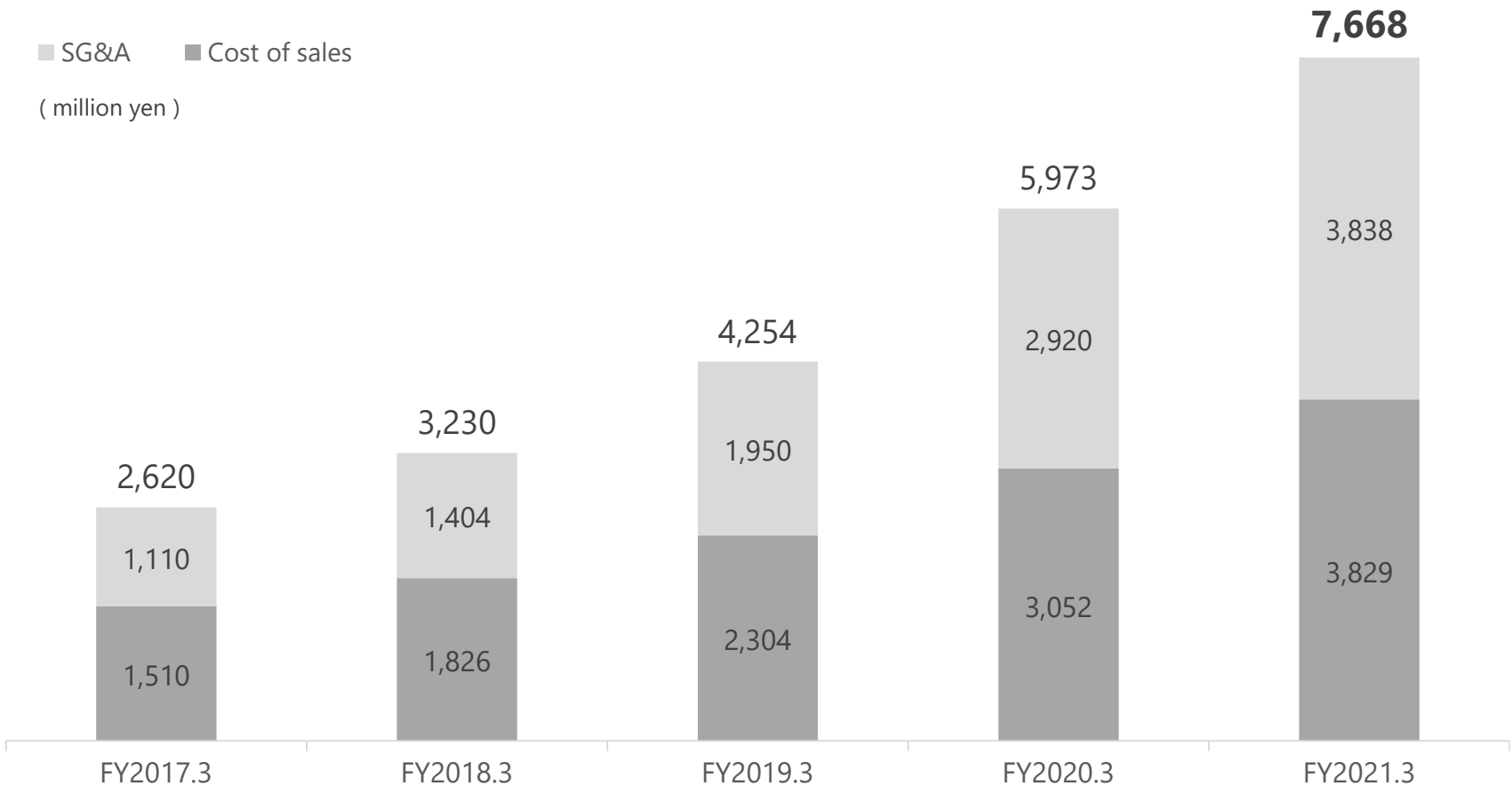
Personnel Costs

Personnel costs increased significantly because we hired more people in order to accelerate growth. Personnel costs were 18 million yen less than the revised guidance but 63 million yen more than the initial plan.



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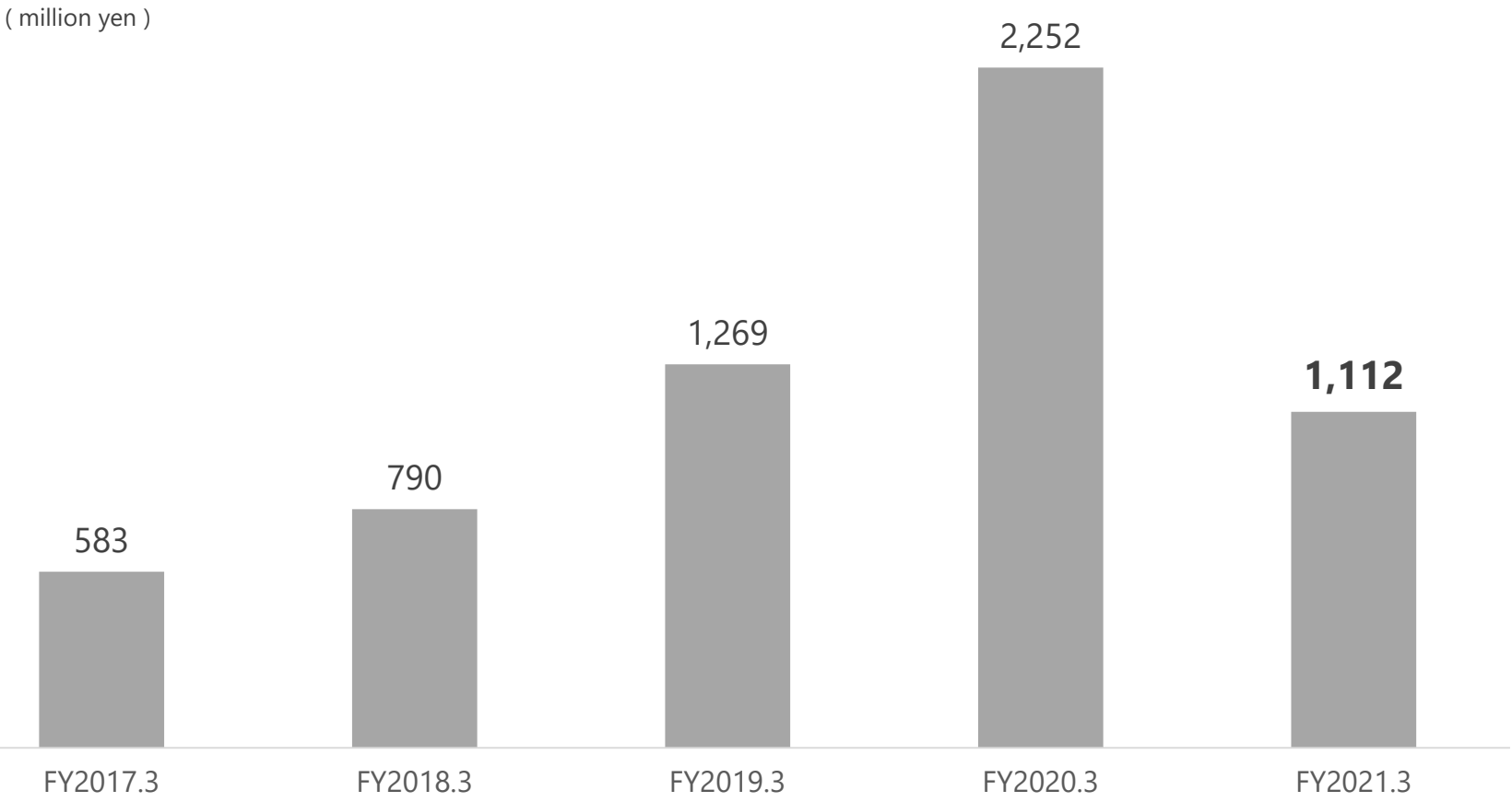
Advertising Costs

A high level of new orders was maintained although advertising costs were well controlled.



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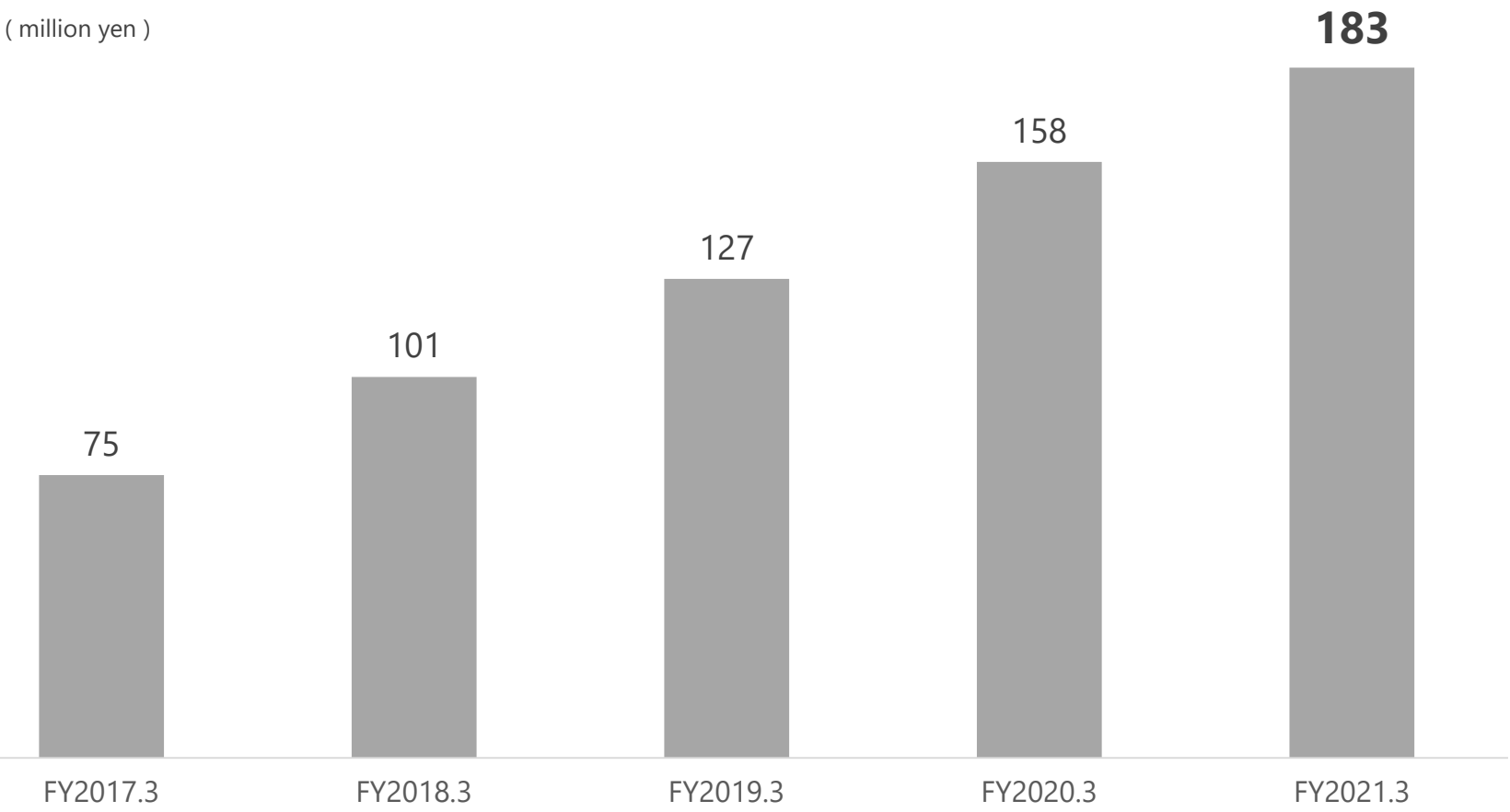
Commissions paid to distributors

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



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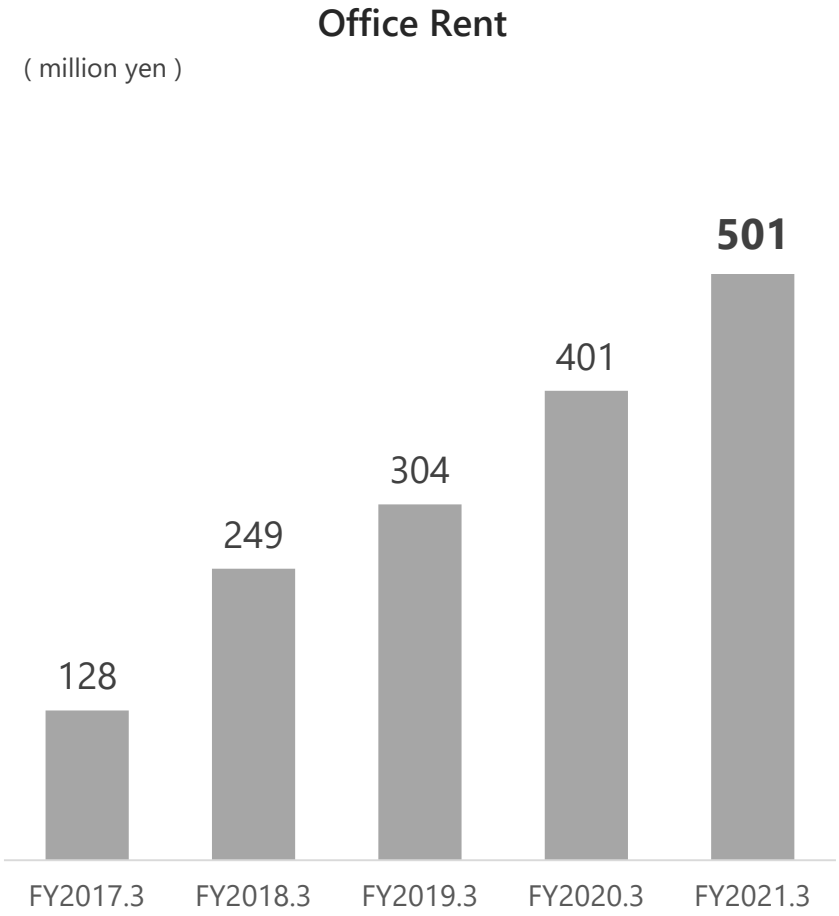
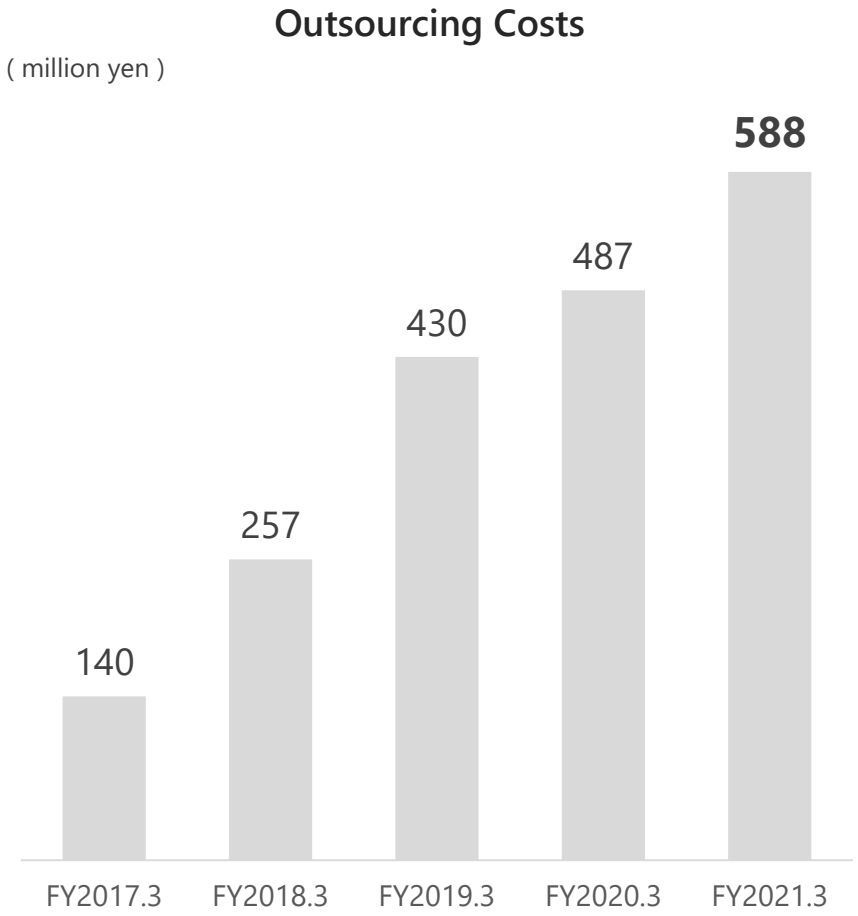
Office Rent and Outsourcing Costs

Office rent and outsourcing costs increased as we have expanded the business.





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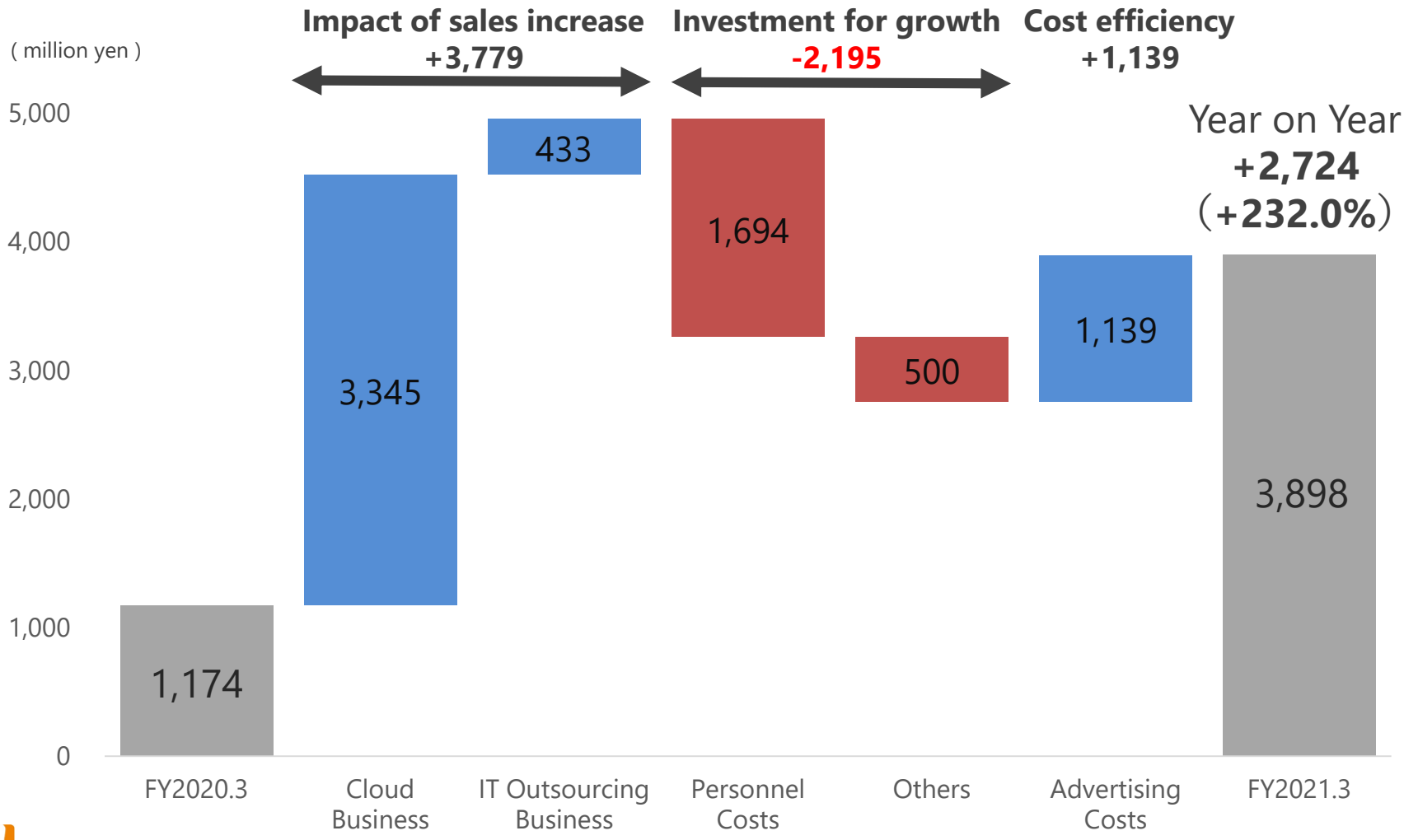
Factors for Changes in Consolidated Operating Profits in FY2021.3
(Year on Year)

Profit grew significantly year on year due to higher operational efficiency while making investment necessary for sustainable growth.



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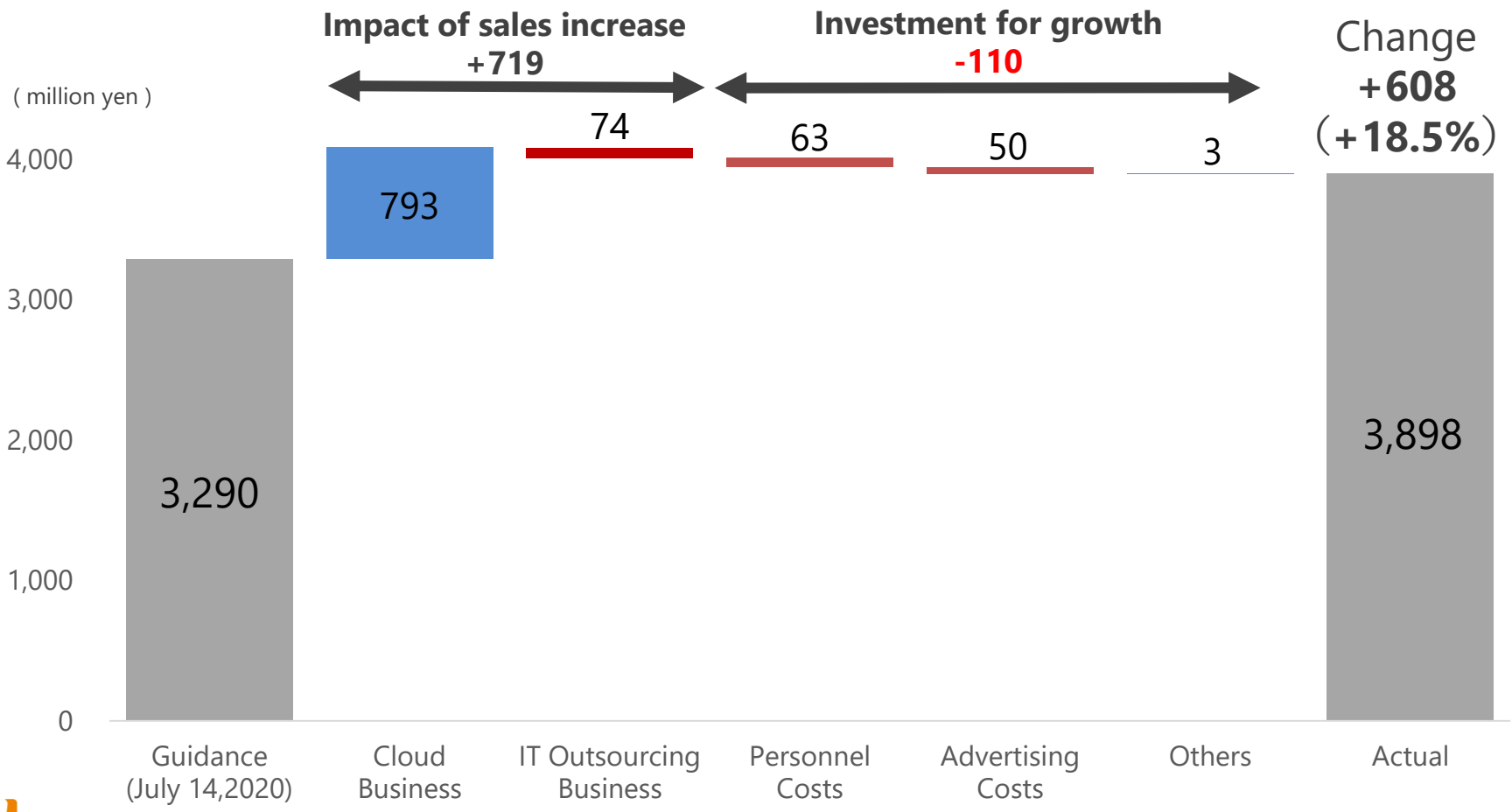
Factors for Changes in Consolidated Operating Profits in FY2021.3
(Change from the initial guidance announced on July 14)

Sales increased significantly YoY due to robust performance of the cloud business which made up for lower-than-planned sales in the IT outsourcing business.
Personnel costs and advertising costs were higher than the initial guidance while pursuing operational efficiency.



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Consolidated Balance Sheet

(million yen)

	End of March 2020	End of March 2021	Difference
Current assets	4,413	8,580	4,166
Non-current assets	2,625	2,891	265
Total assets	**7,039**	**11,471**	**4,432**
Current liabilities	1,773	3,606	1,832
Non-current liabilities	72	22	-50
Total liabilities	**1,846**	**3,629**	**1,782**
Shareholders' equity	5,196	7,842	2,646
Accumulated other comprehensive income	-3	0	3
Total equity	**5,192**	**7,842**	**2,649**
Total liabilities and equities	**7,039**	**11,471**	**4,432**
Equity ratio	**73.8%**	**68.4%**	

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Cash Flow Statement

(million yen)

	FY2020.3	FY2021.3	Difference
Cash flow from operating activities	**939**	**4,271**	**3,332**
Cash flow from investing activities	**-481**	**-432**	**49**
Free cash flow	**458**	**3,839**	**3,381**
Chas flow from financing activities	**-195**	**-303**	**-108**
Cash and cash equivalent at the end of the fiscal year	**2,496**	**6,035**	**3,539**
Depreciation	**219** *1	**301** *2	**82**
Amortization of goodwill	**163**	**163**	**0**

*1 219 million yen of depreciation includes 73 million yen of amortization of customers' assets acquired through M&A.
*2 301 million yen of depreciation includes 73 million yen of amortization of customers' assets acquired through M&A.

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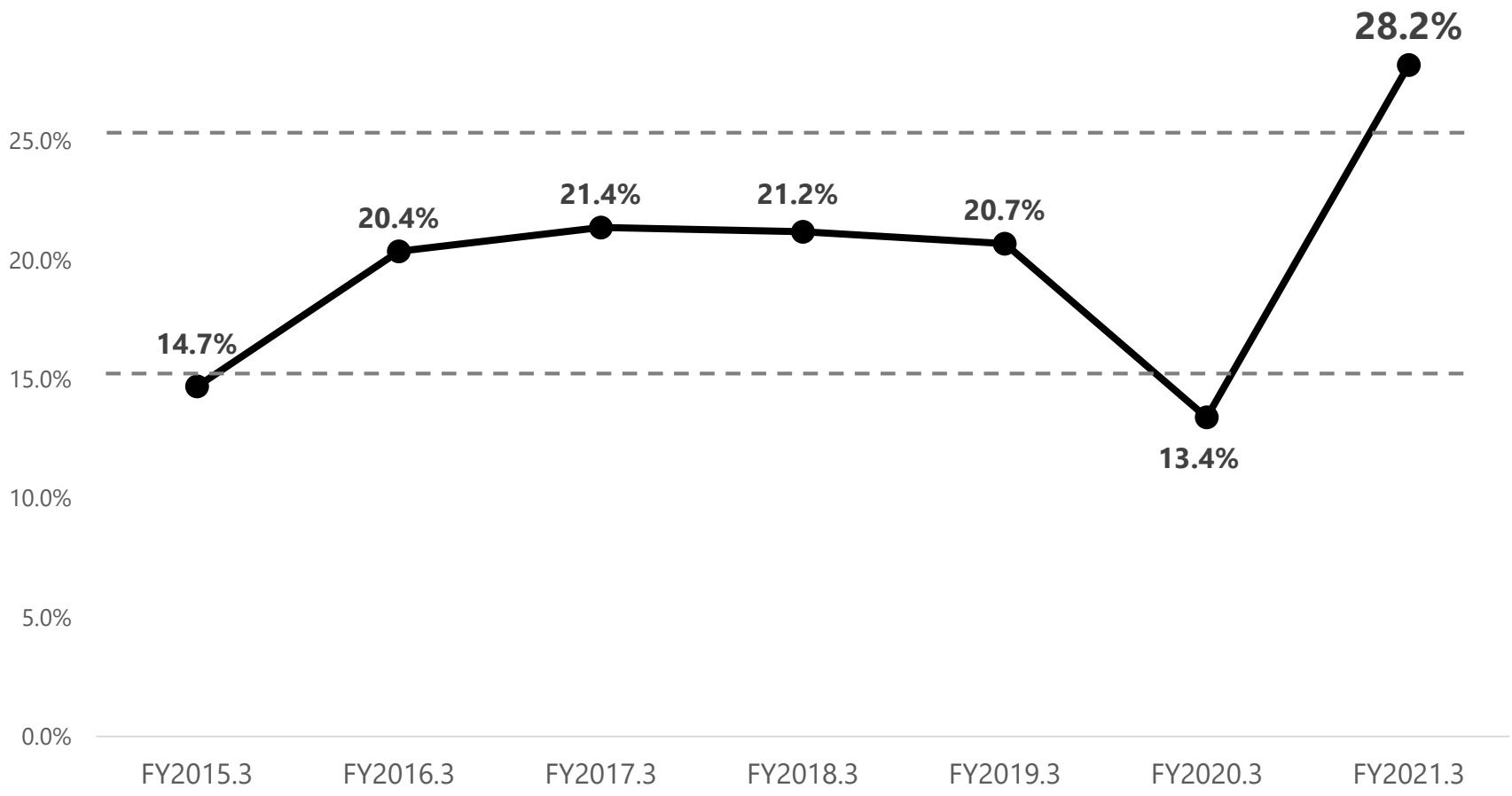
【KPIs】EBITDA Margins

We exceeded the mid-term targets due to the investment in FY2020.3.
EBITDA margins are excluded from KPIs in order to give priority to maintaining a high level of growth.



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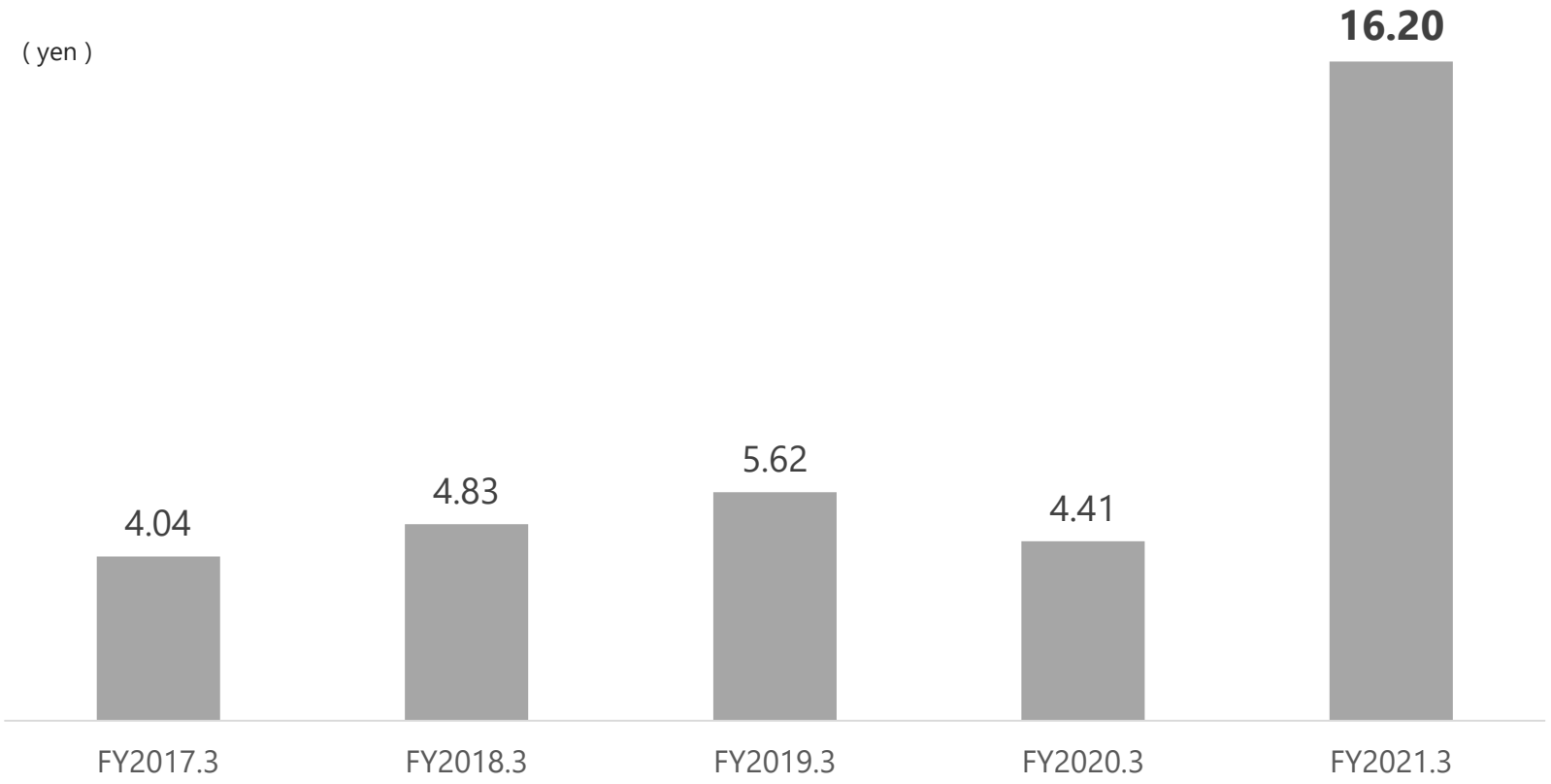
【KPIs】EPS

EPS grew significantly due to the strategic investment in FY2020.3.
We continuously aim to accelerate growth giving overriding weight to mid- and long-term growth in EPS.

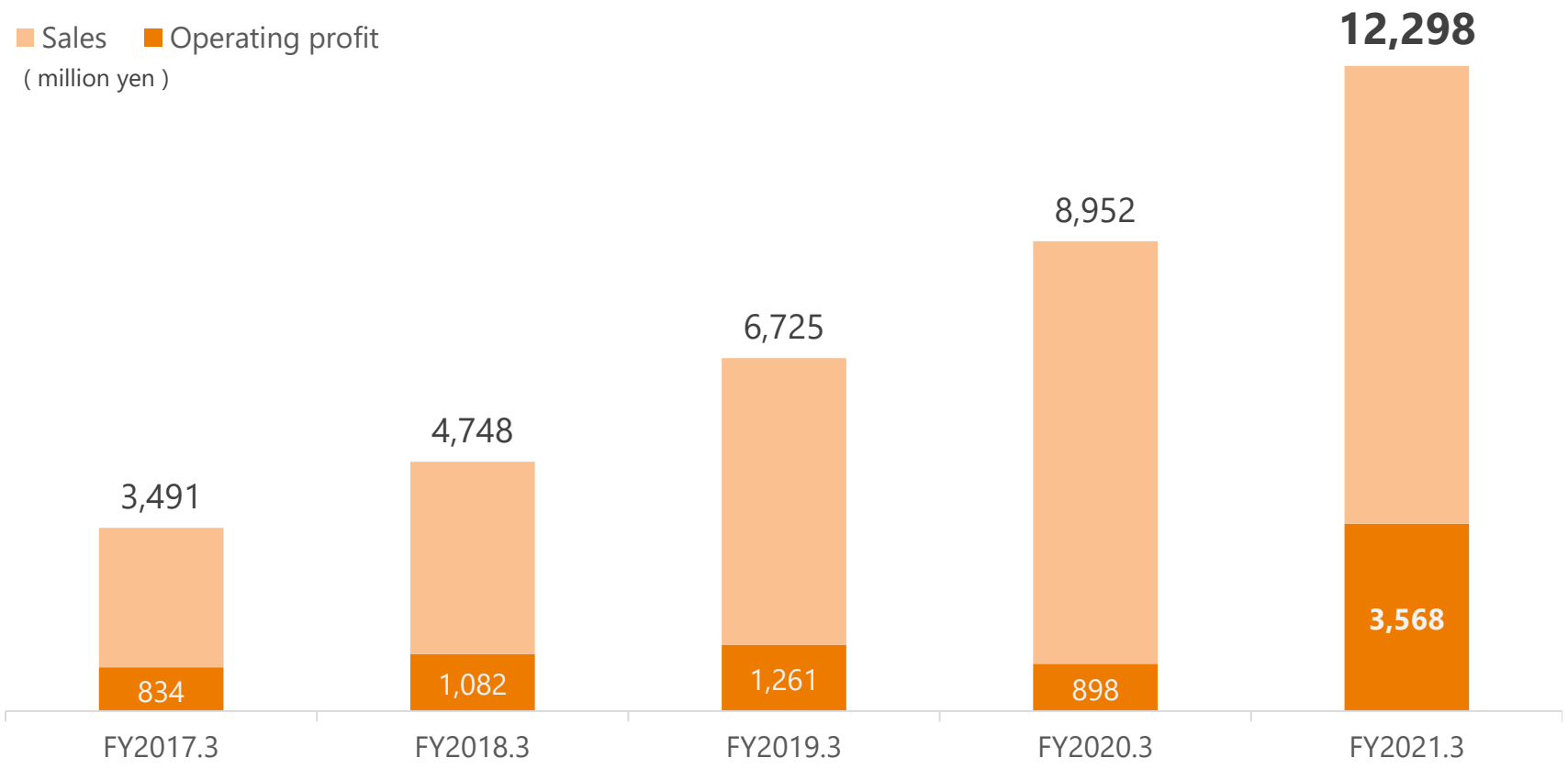


* Figures are after share split adjustment.

Cloud Business

Performance of the Cloud Business

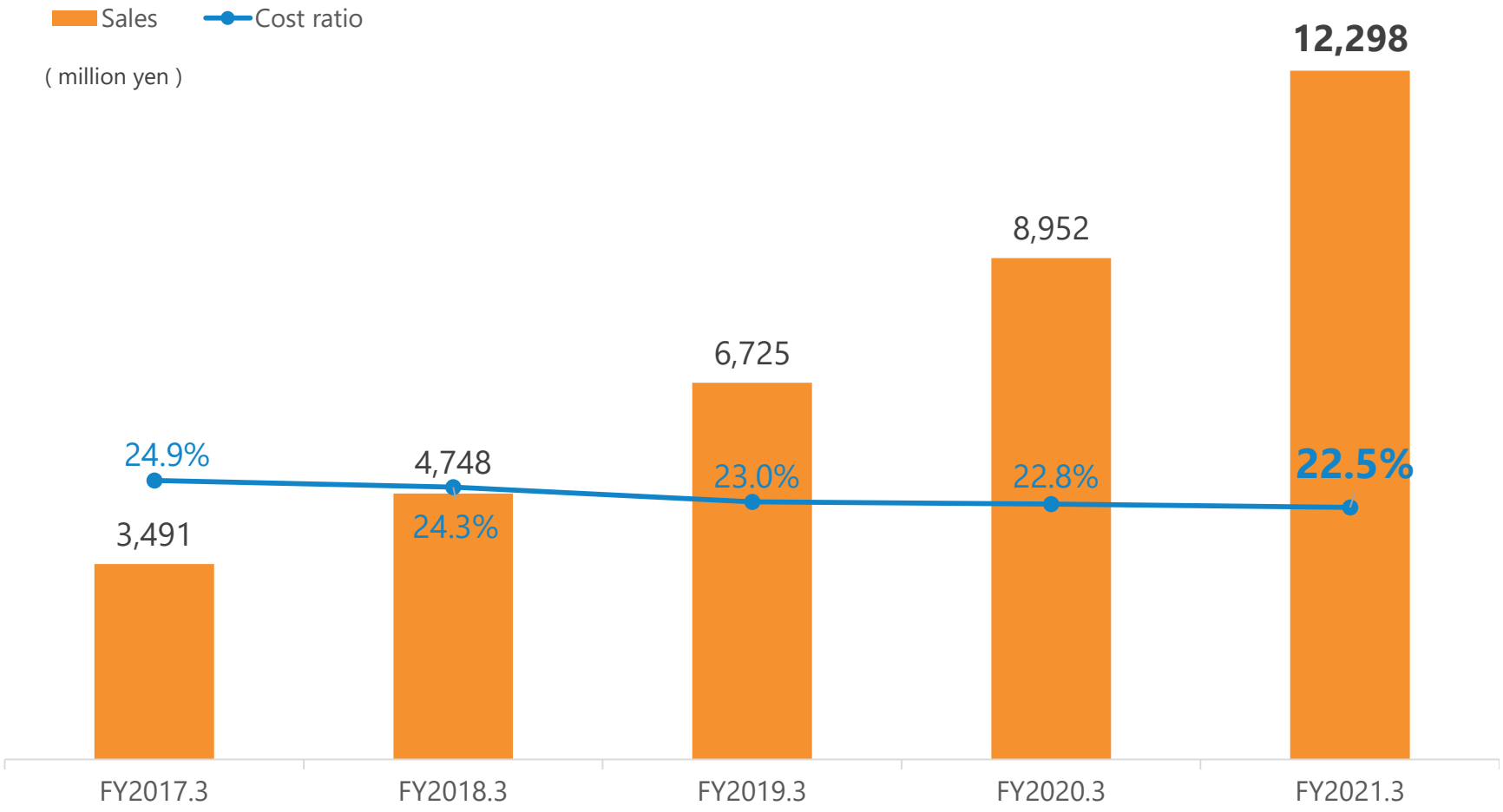
Sales increased 2.59 times over the last 3 years exceeding the mid-term targets which started in FY2019.3.
Profit increased significantly year on year while containing the impact on sales growth, which was as expected.



* The criteria for overhead cost allocation were revised retroactive to the beginning of FY2019.3.

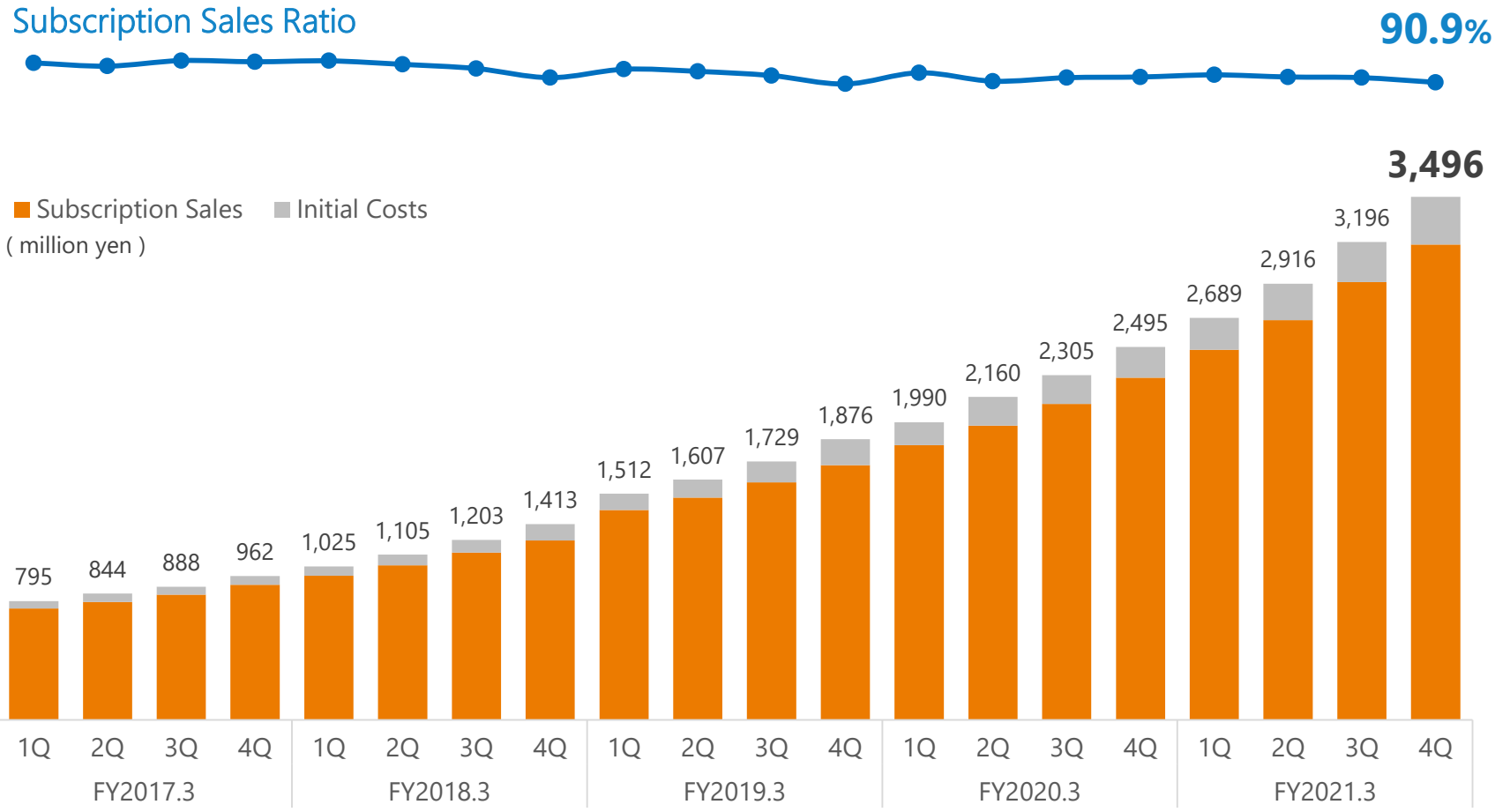
Sales and Cost of Sales Ratio (Cloud Business)

Cost ratios improved despite spending necessary costs against a backdrop of a high level of growth in sales.



Subscription Sales of the Cloud Business

A high level of subscription sales was maintained due to steady growth in subscription sales.
The subscription sales ratio slightly declined due to a high level of new orders.



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Sales of the Cloud Business by Service

Growth in sales accelerated due to a high level of growth maintained in major services.

(million yen)

		FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Raku Raku Seisan	**Sales**	**977**	**1,601**	**2,579**	**3,935**	**5,559**
	YoY	69.6%	63.8%	61.1%	52.6%	41.3%
Mail Dealer	**Sales**	**1,141**	**1,339**	**1,538**	**1,732**	**1,979**
	YoY	14.1%	17.3%	14.9%	12.7%	14.2%
Email distribution services	**Sales**	**657**	**939**	**1,410**	**1,573**	**1,964**
	YoY	25.1%	42.8%	50.2%	11.6%	24.8%
Raku Raku Hambai	**Sales**	**342**	**445**	**598**	**866**	**1,281**
	YoY	28.5%	29.8%	34.4%	44.9%	47.8%
Raku Raku Meisai	**Sales**	**69**	**149**	**326**	**552**	**1,177**
	YoY	413.9%	113.9%	118.4%	68.8%	113.3%
Others	**Sales**	**301**	**274**	**273**	**291**	**336**
	YoY	-9.2%	-9.2%	-0.4%	6.8%	15.2%
Total of the Cloud Business	**Sales**	**3,491**	**4,748**	**6,726**	**8,952**	**12,298**
	YoY	28.6%	36.0%	41.7%	33.1%	37.4%

* The figure for Email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail.
  (The figure for FY2018.3 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

Growth of Raku Raku Meisai accelerated even further. Other major services also performed well.

(million yen)

	Sales in Q4 FY2021.3 (Jan.-Mar.)	Quarter on Quarter	Year on Year
Raku Raku Seisan	**1,593**	**10.6%**	**42.6%**
Mail Dealer	**516**	**2.6%**	**12.8%**
Email distribution services	**544**	**7.6%**	**27.0%**
Raku Raku Hambai	**369**	**9.8%**	**49.7%**
Raku Raku Meisai	**382**	**18.6%**	**127.0%**
Others	**89**	**5.1%**	**19.6%**
Total of the Cloud Business	**3,496**	**9.4%**	**40.1%**

* 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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LTV of the Cloud Business by services

LTV in all major services improved.

(yen)

	FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Raku Raku Seisan	**9,790,391**	**10,405,262**	**10,800,545**	**14,004,503**	**14,657,378**
Mail Dealer	**4,112,810**	**3,823,875**	**4,156,660**	**3,789,798**	**4,098,993**
Email distribution services	**1,084,527**	**1,180,323**	**1,035,117**	**1,218,522**	**1,500,287**
Raku Raku Hambai	**5,054,024**	**5,210,540**	**8,282,573**	**8,120,258**	**8,830,777**
Raku Raku Meisai	**7,781,983**	**5,211,834**	**13,016,007**	**9,412,375**	**20,303,924**

* 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'.
* For LTV of Raku Raku Meisai, the gross profit margin is calculated using an assumed provisional figure (70%).

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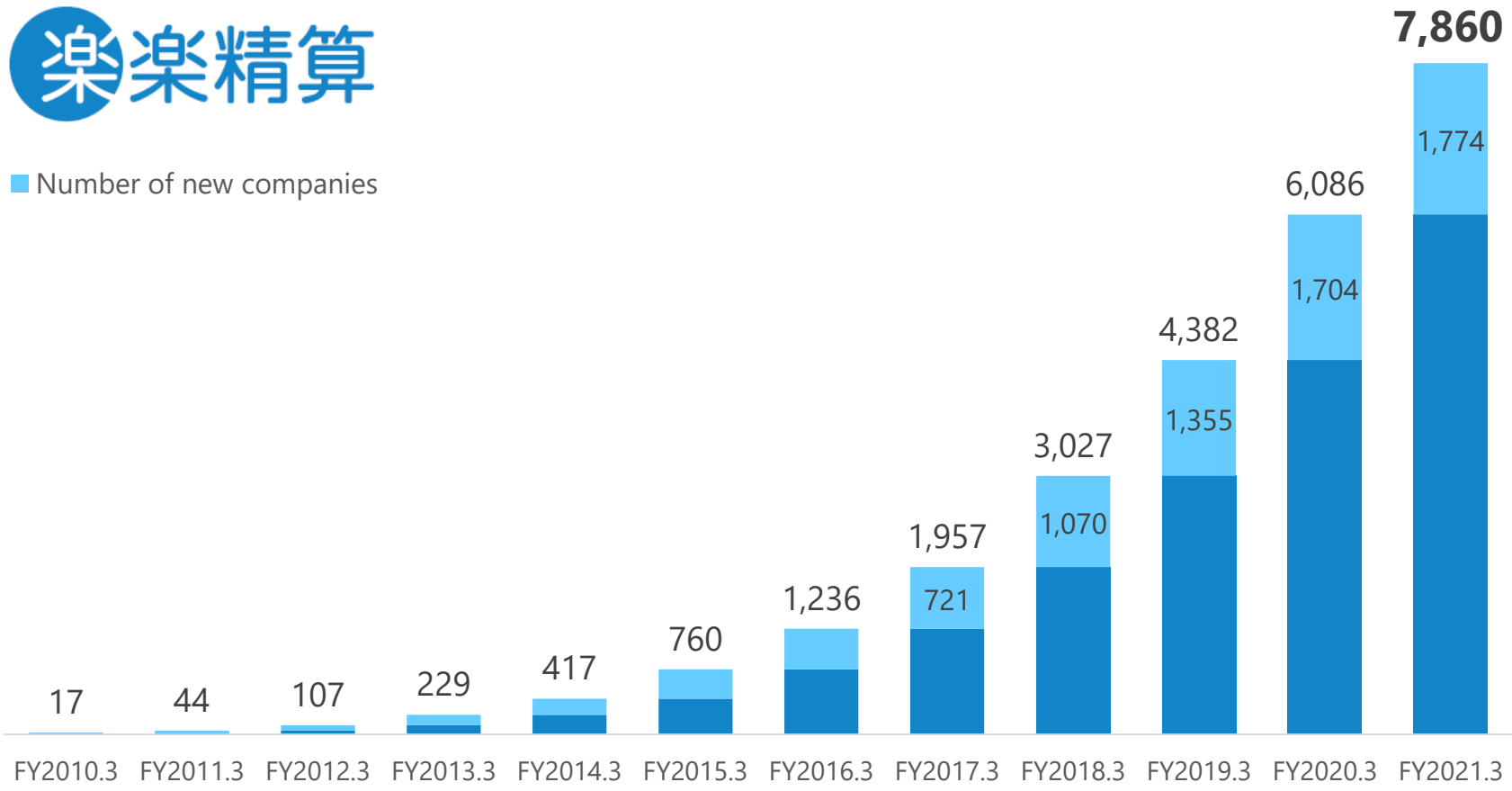
Cumulative Number of Companies Using Raku Raku Seisan

New orders for the full year were better than the previous year although orders declined year on year at the beginning of the fiscal year and in March.



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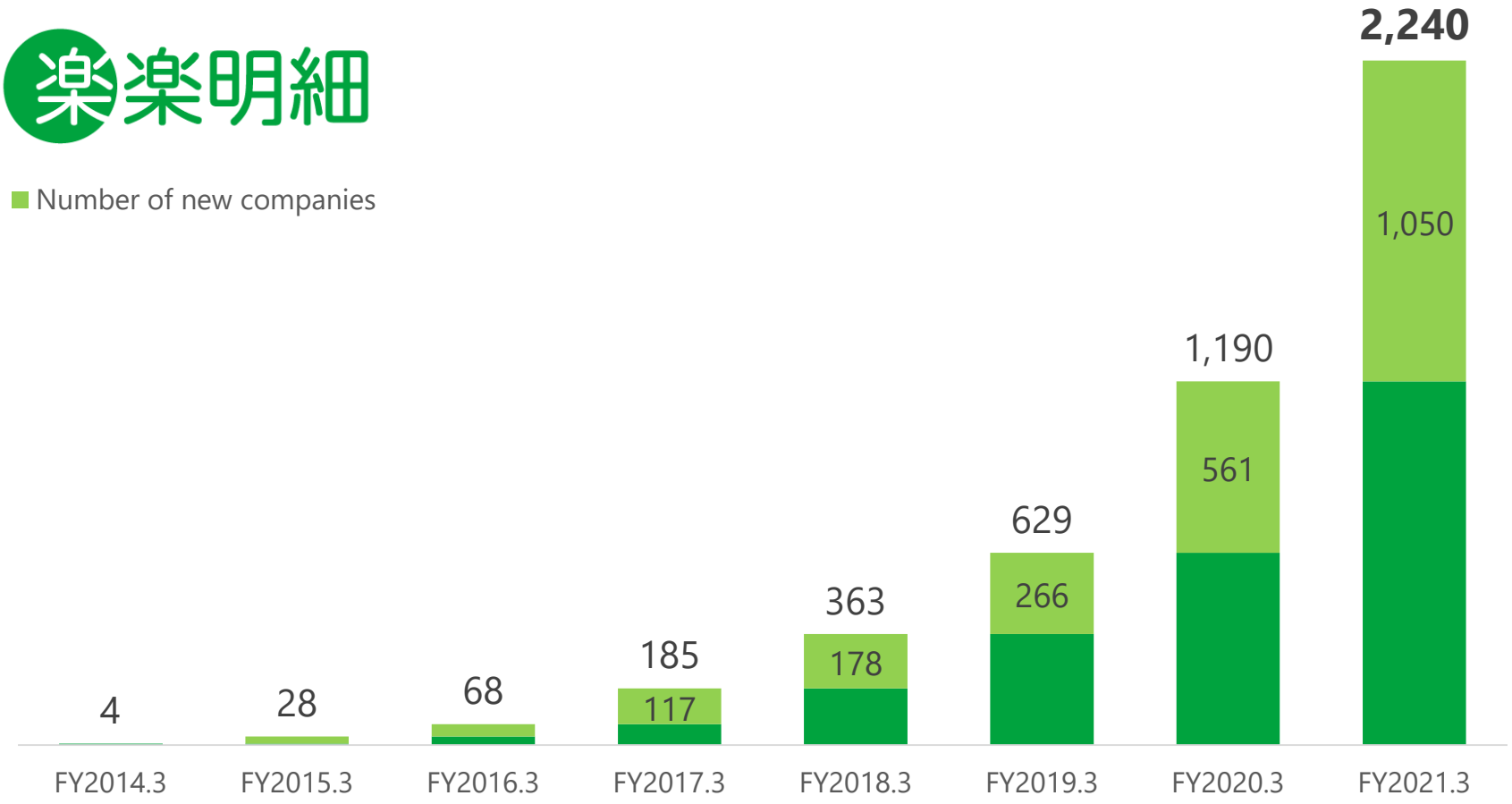
Cumulative Number of Companies Using Raku Raku Meisai

Growth accelerated due to a significant increase in new orders.



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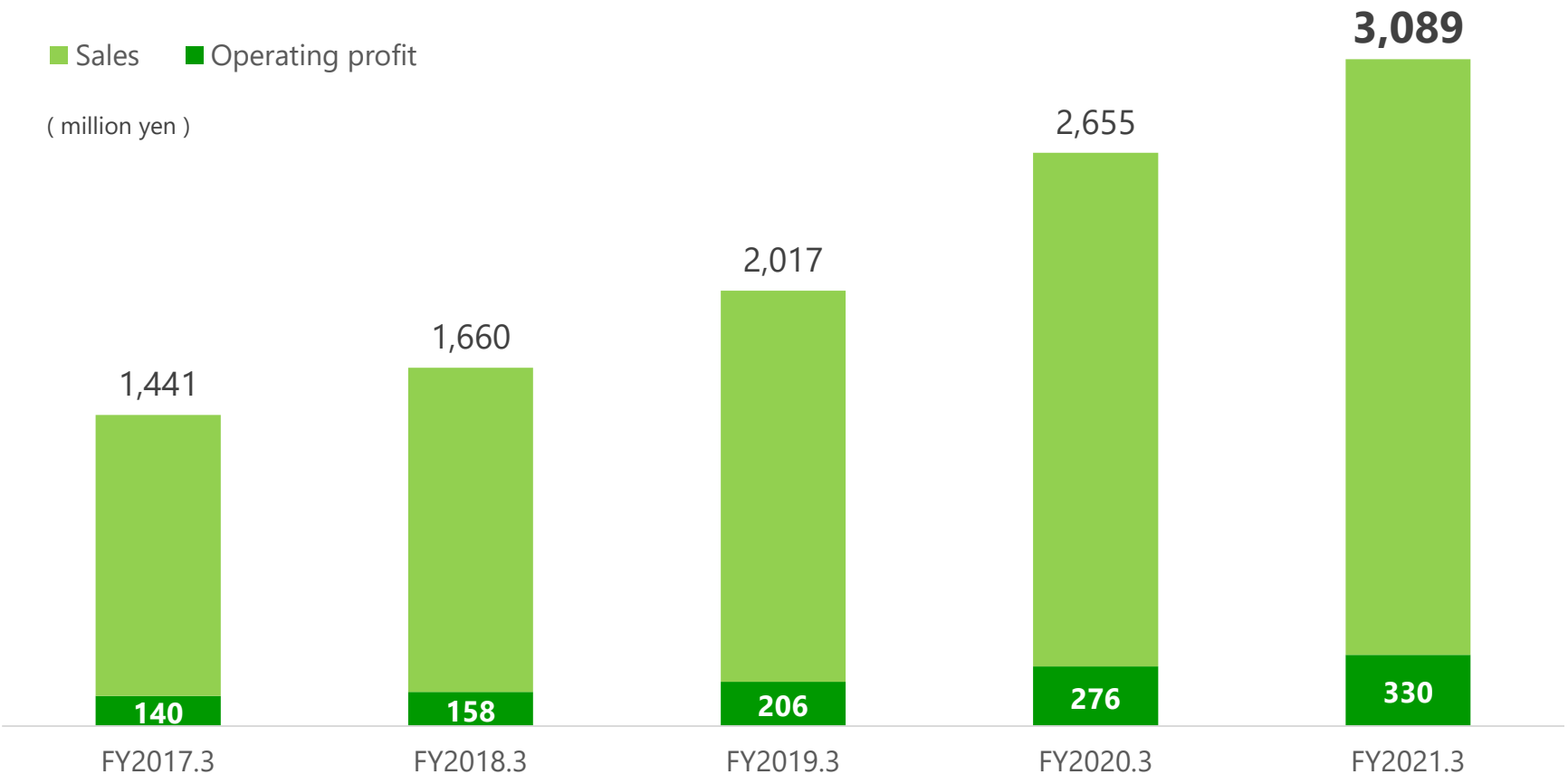
IT Outsourcing Business

Performance of the IT Outsourcing Business

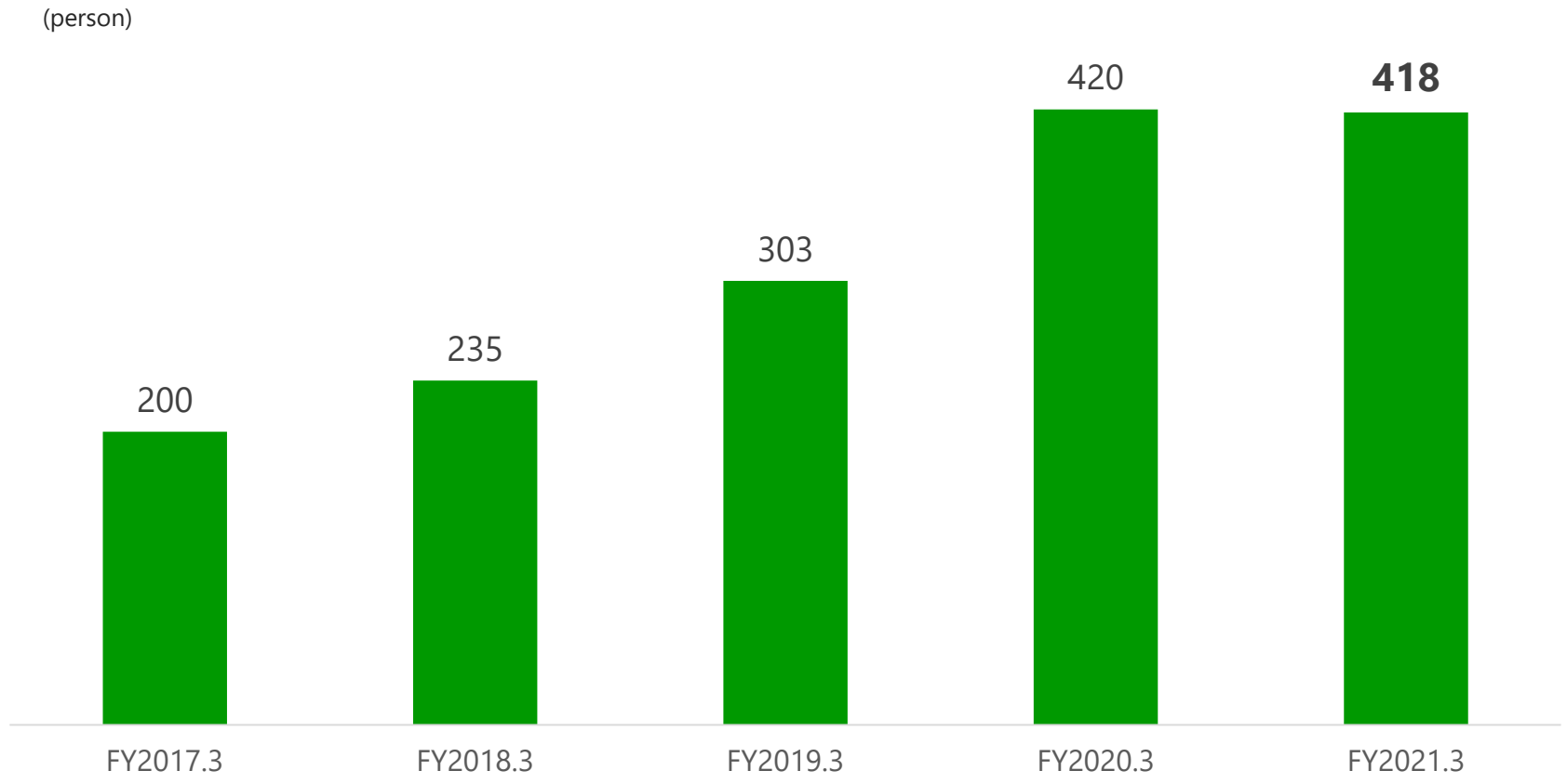
Growth decelerated because we struggled assigning engineers due to COVID-19. We enjoyed an increase in profit year on year because we stopped recruitment temporarily based on our policy to prioritize profit.



* The criteria for overhead cost allocation were revised retroactive to the beginning of FY2019.3.

Number of Engineers for the IT Outsourcing Business

The number of engineers slightly declined because we stopped recruitment temporarily due to lower engineer utilization during the pandemic.
It will increase because we resumed recruitment as utilization recovered.



* This includes apprentice engineers

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Medium-Term Management Targets

Review of Medium-Term Management Targets (2018.4-2021.3)

We achieved the target of CAGR 30% in sales and all types of profit.
All types of profit increased significantly exceeding the target of CAGR 45%.

(million yen)

	FY2018.3 (actual)	Figures under CAGR 30%	FY2021.3 (actual)	Difference	The average growth rate over the three years
Sales	6,408	14,080	15,387	+1,307	**33.9%**
Gross profit	4,123	9,060	10,357	+1,297	**35.9%**
Operating profit	1,241	2,726	3,898	+1,172	**46.5%**
Ordinary profit	1,247	2,741	3,881	+1,140	**46.5%**
EBITDA	1,357	2,982	4,346	+1,364	**47.4%**
Profit attributable to owners of parent	874	1,922	2,936	+1,014	**49.7%**

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New Medium-Term Management Targets

1 **Five-Year sales CAGR 25% - 30%**

2 **Net income for FY2026.3:**
10 billion yen or more

3 **Net assets as of 2026.3:**
20 billion yen or more

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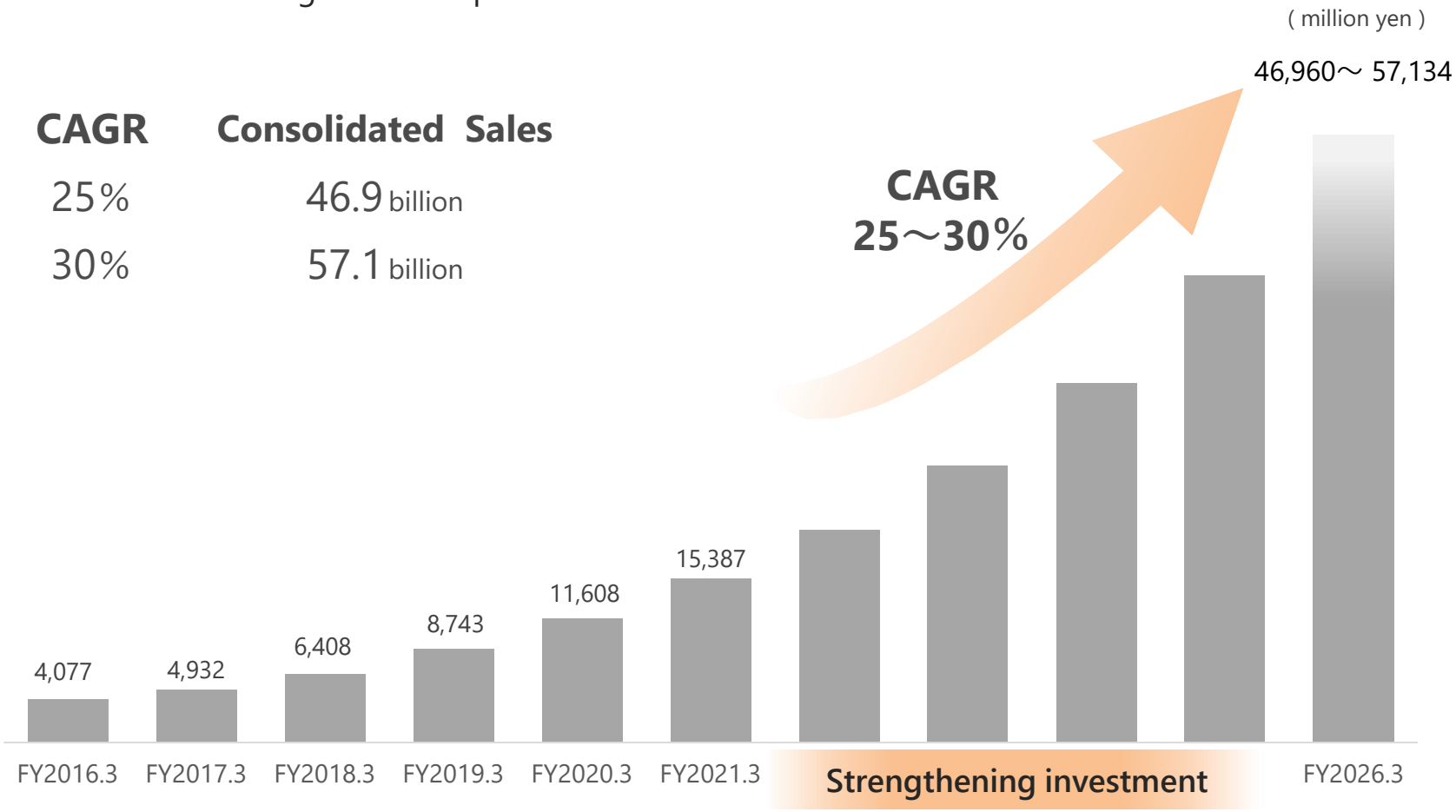
Five-Year Sales and Profit Targets

Our target is to achieve 25-30% sales CAGR over the first 4 years by investing actively. We aim to achieve over 10 billion yen of net income in the final year by pursuing operational efficiency.

*We will revise the target if we acquire businesses.

CAGR	Consolidated Sales
25%	46.9 billion
30%	57.1 billion



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Strengthen and expand our balance sheet by increasing profit

We aim to strengthen and expand the balance sheet to get ready to further accelerate growth by acquiring businesses.

(million yen)

	End of March 2021
Current assets	8,580
Non-current assets	2,891
Total assets	**11,471**
Current liabilities	3,606
Non-current liabilities	22
Total liabilities	**3,629**
Shareholders' equity	7,842
Accumulated other comprehensive income	0
Total equity	**7,842**
Total liabilities and equities	**11,471**
Equity ratio	**68.4%**

Priorities of acquisition financing are as follows:

① cash in hand
② debt financing
(borrowings or corporate bonds)
③ equity financing

Effects we would like to bring about by strengthening and expanding the balance sheet

- Reduction in borrowing costs by enhancing our creditworthiness
- Mitigation the impact of impairment generated by large or multiple business acquisitions
  *Larger amount of goodwill we could handle

Net assets as of March 2026:

20 billion yen or more

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Accelerating growth through actively pursuing M&A

Our policy is to actively pursue M&A opportunities in the cloud business domain (SaaS) which would contribute to our sales and profit in the mid- and long-term.



Domestic

・To increase value proposition for customers of our own and acquired companies
・To provide our resources and expertise to acquired companies

Overseas

・Europe and ASEAN
・It might be a option to acquire/invest target companies with partners.

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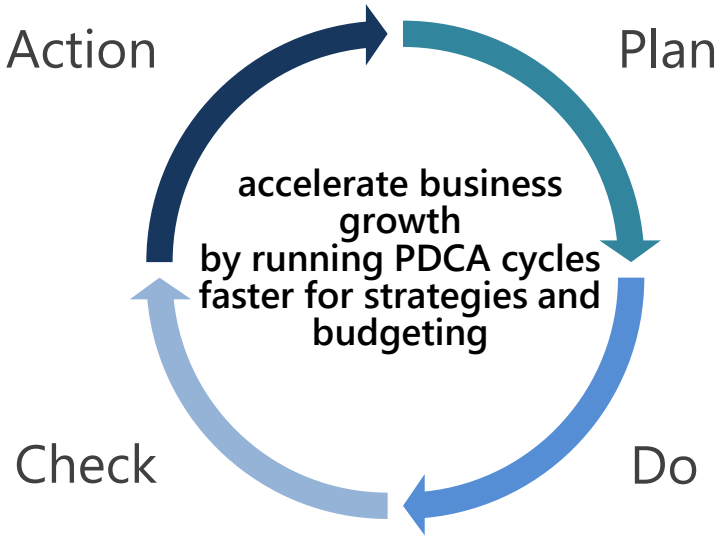
Guidance for Q2 of the fiscal year ending March 2022

Disclose the Guidance for FY2022.3

Guidance and strategies are crafted semi-annually because our top priority is to accelerate sales growth. Semi-annual guidance will be disclosed every half year for the time being instead of disclosing the full yearly guidance.

We aim to accelerate business growth by running PDCA cycles faster for strategies and budgeting

- Hire more people who are necessary to accelerate growth
- Aim to accelerate growth by winning more new orders with faster PDCA cycles for marketing strategies



Aim to accelerate growth by increasing new orders

Guidance for FY2022.3 Q2

Increase in sales but decline in profit year on year planned due to active investment aiming for significant growth in sales.

(million yen)

	FY2021.3 Q2 (actual)	FY2022.3 Q2 (guidance)	Year on Year
Sales	**7,074**	**9,384**	**132.7%**
Cost of sales	2,404	3,102	129.0%
Gross profit	4,670	6,282	134.5%
GP margin	66.0%	66.9%	
SG&A	2,965	5,836	196.5%
Operating profit	**1,704**	**446**	**26.2%**
OP margin	24.1%	4.8%	
Ordinary profit	**1,714**	**446**	**26.0%**
Ordinary profit margin	24.2%	4.8%	
EBITDA	**1,932**	**711**	**36.8%**
EBITDA margin	27.3%	7.6%	
Income tax	624	171	
Tax rate	32.5%	38.6%	
Profit attributable to owners of parent	**1,299**	**273**	**21.0%**

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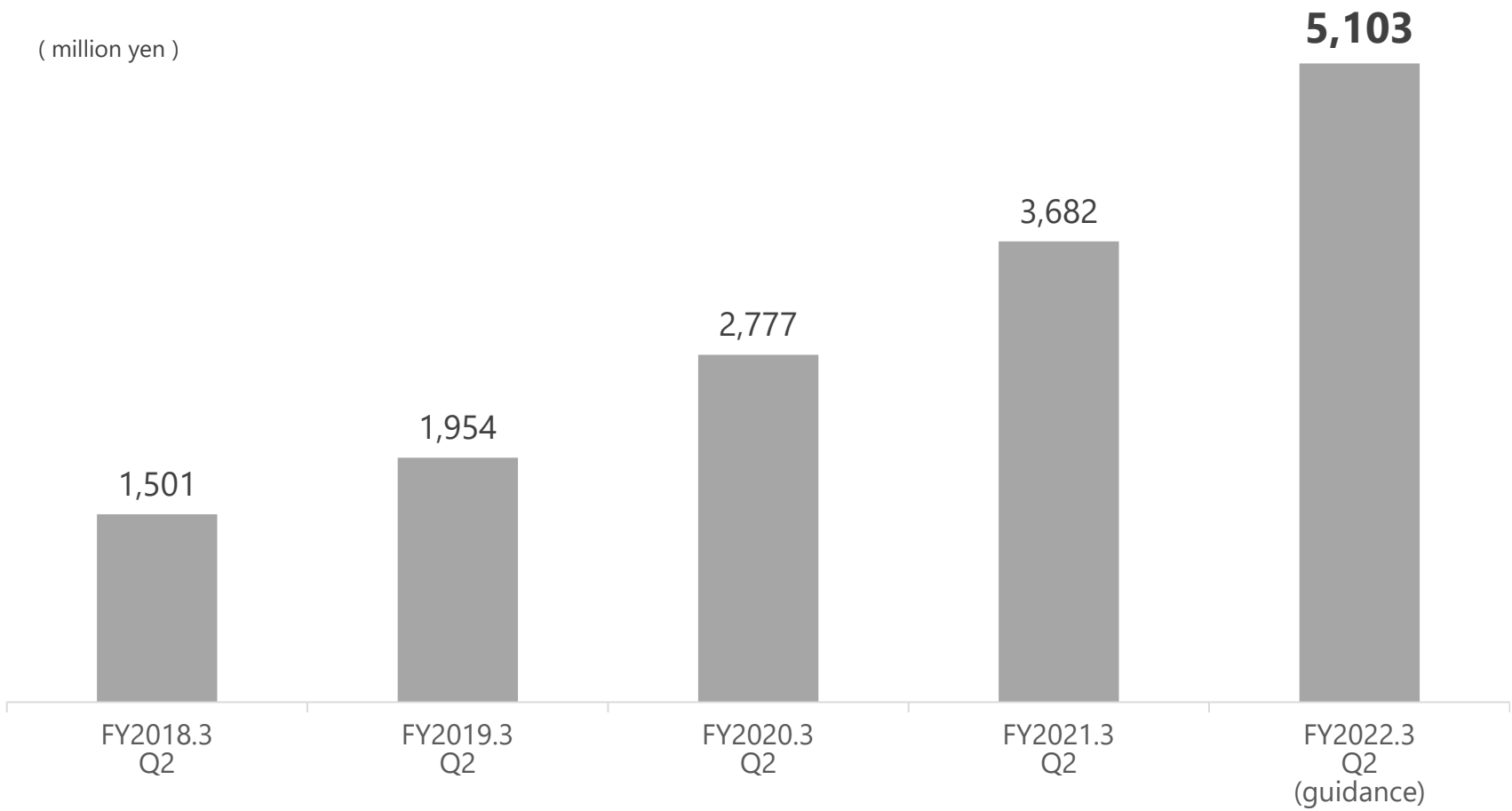
Personnel Costs Plan

Personnel costs will increase significantly because we are hiring more people necessary for continuous growth.



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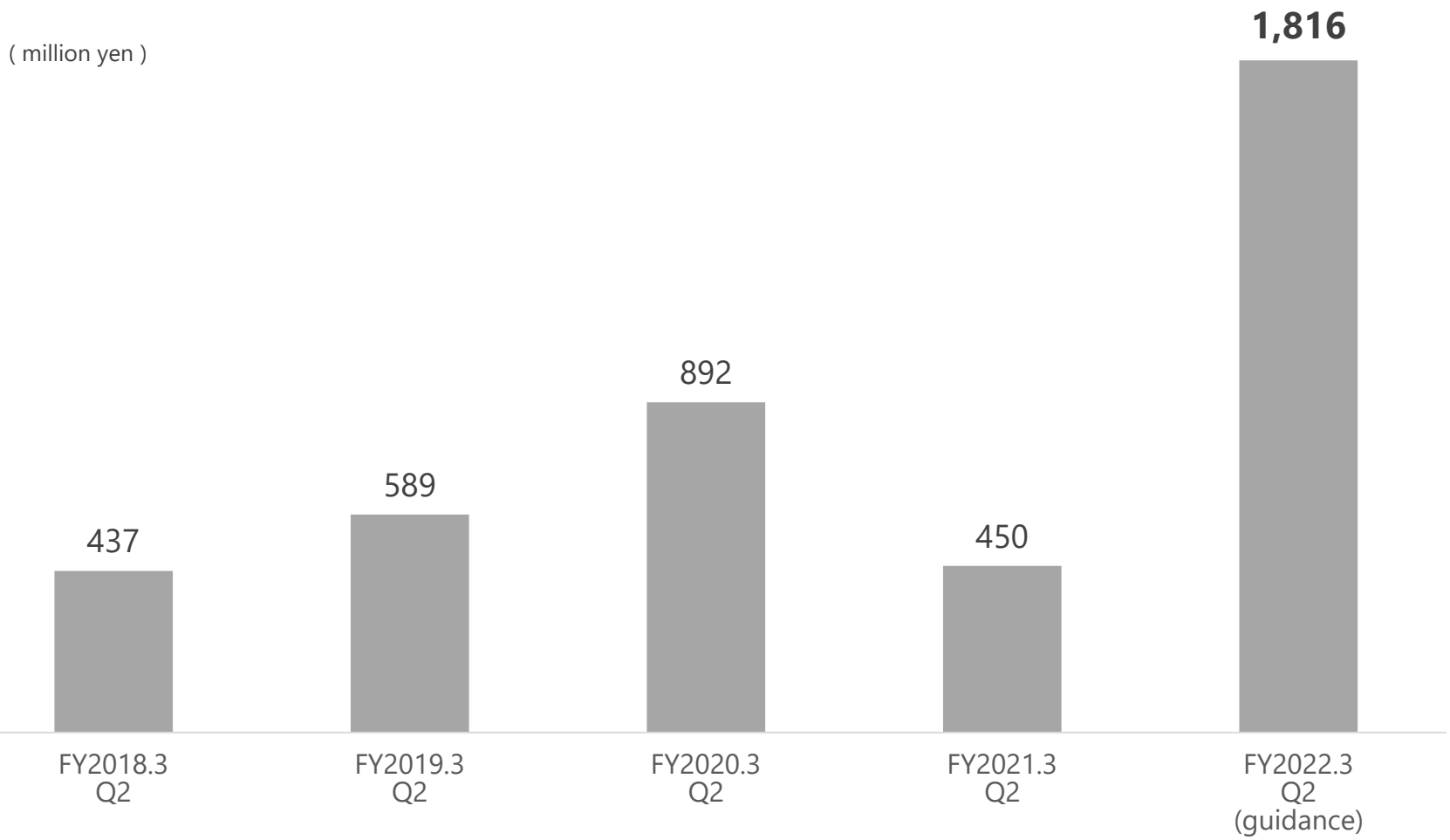
Advertising Costs Plan

We will strengthen investment to increase new orders. We plan to spend costs exceeding twice as much as the ones incurred in FY2020.3 which were a record high.



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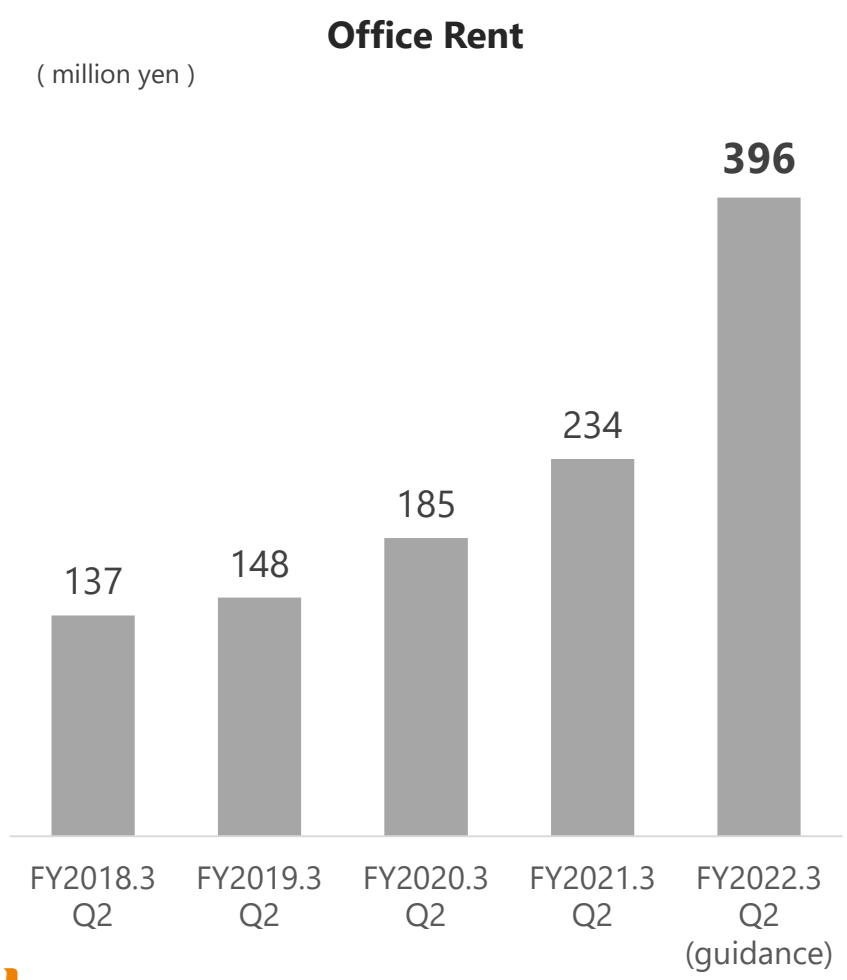
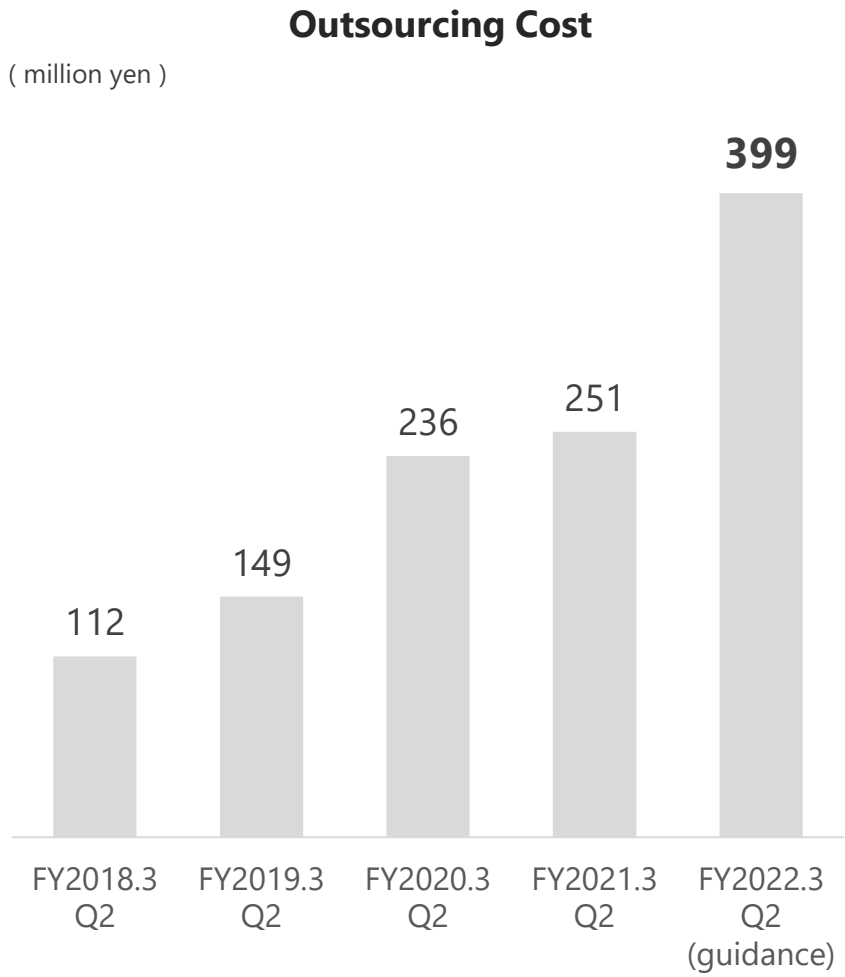
Office Rent and Outsourcing Costs Plan

Office rental costs will increase a lot because we are expanding floor space to accommodate more employees.





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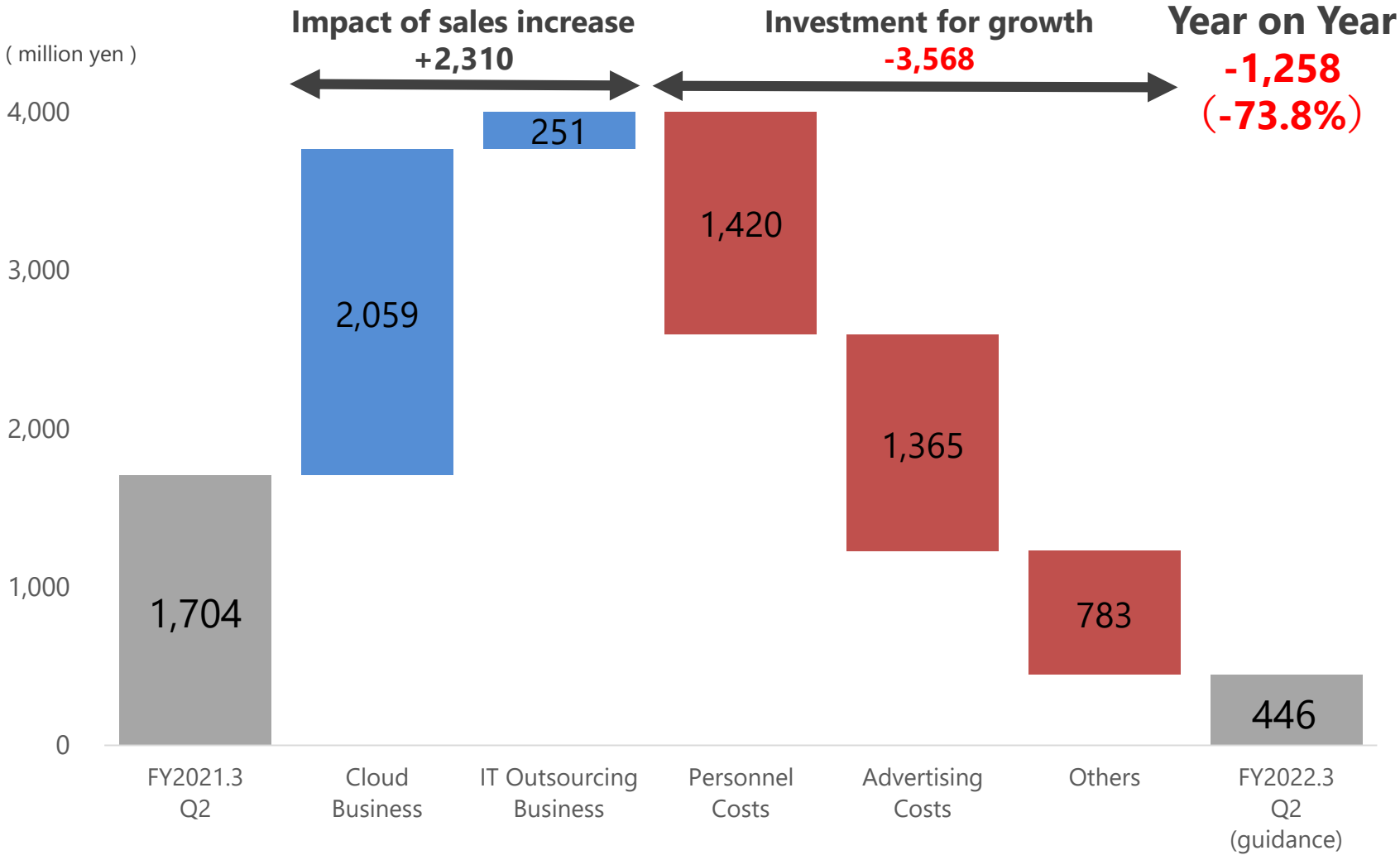
Factors for Changes in Consolidated Operating Profits for Q2 FY2022.3

Investments greater than year-on-year incremental sales will be made to keep the high growth rate.



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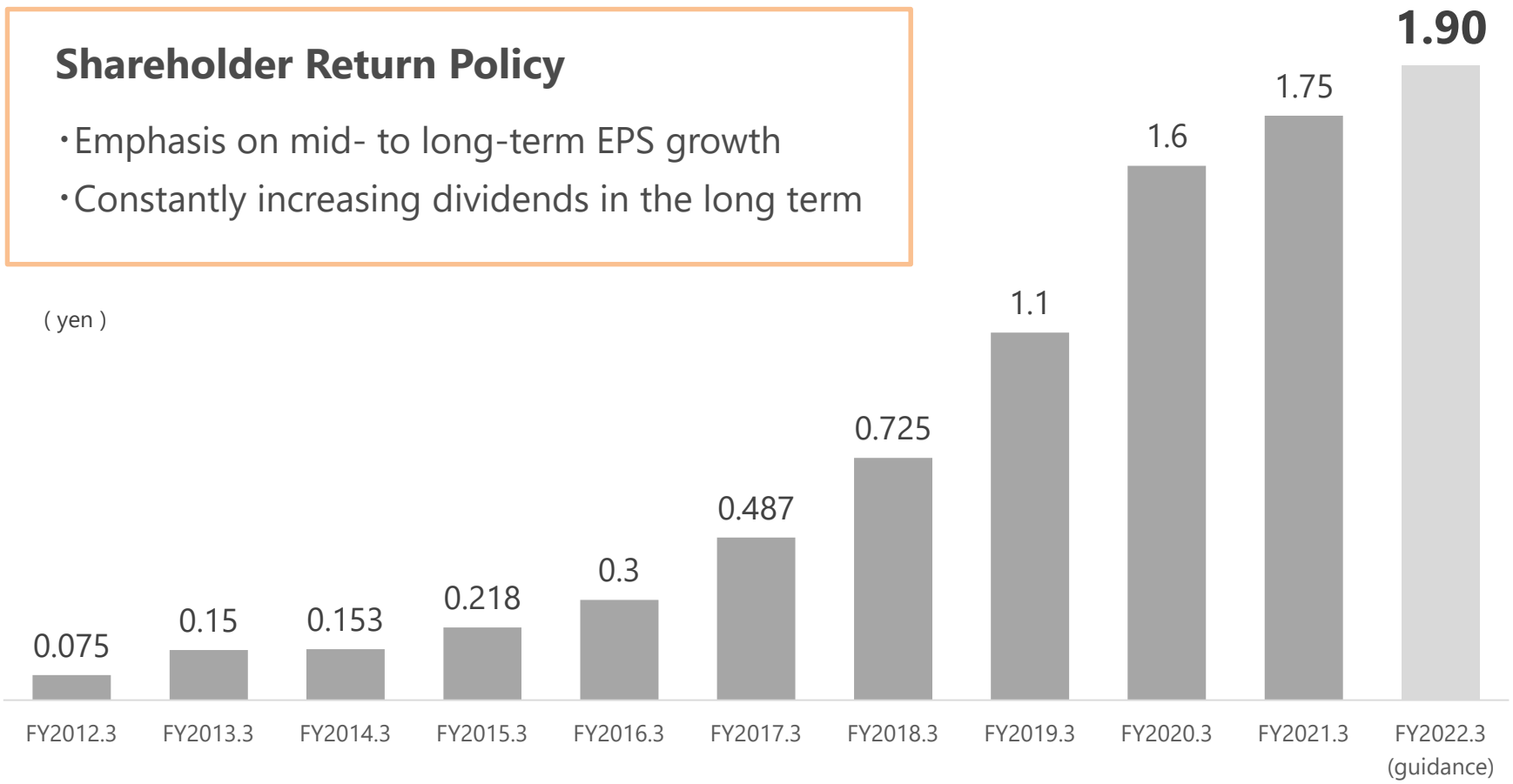
【KPIs】Shareholder Returns

We plan to increase dividends for the 10th year in a row as policy.
Dividends for FY2022.3 will be 6.3 times higher than FY2016.3 when we IPO.

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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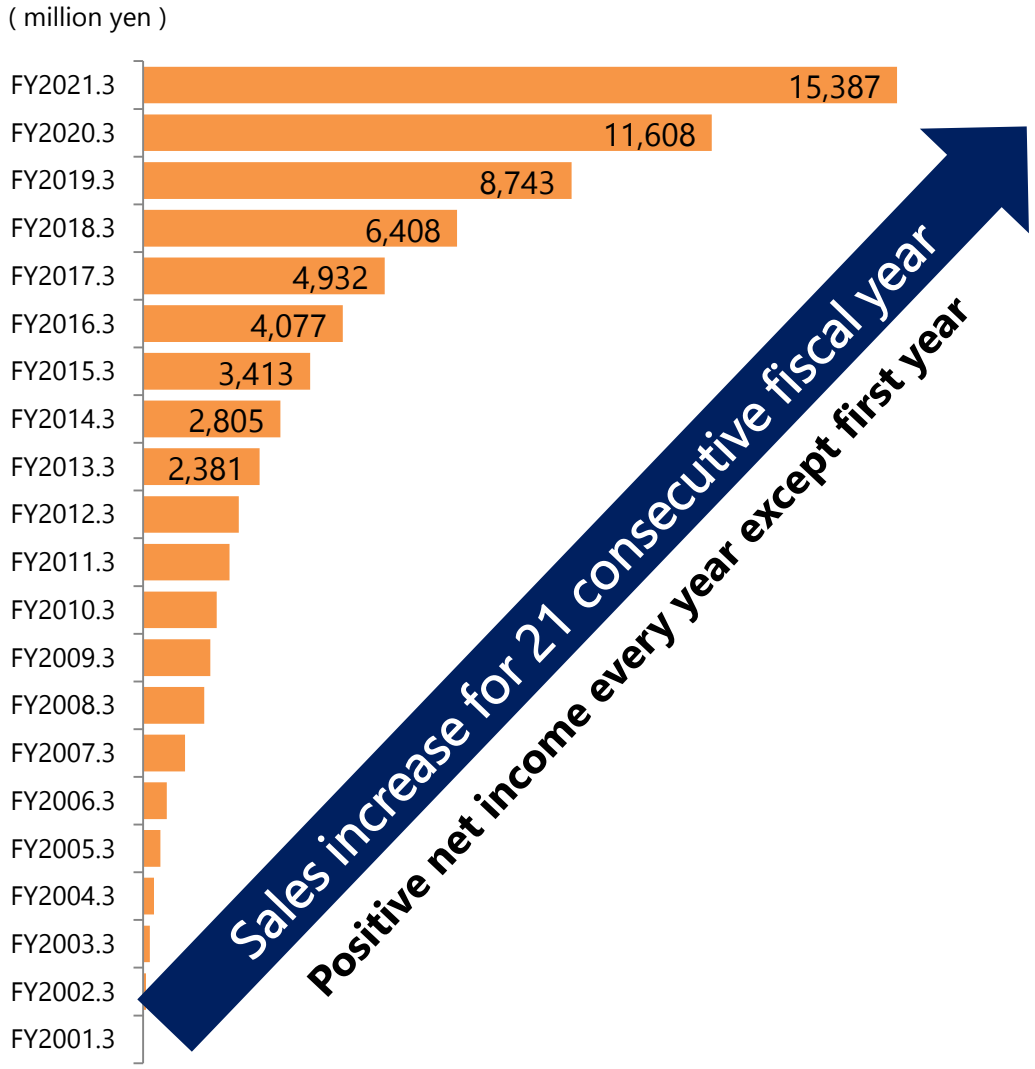
Appendix

History



Changed to First Section of the Tokyo Stock Exchange

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

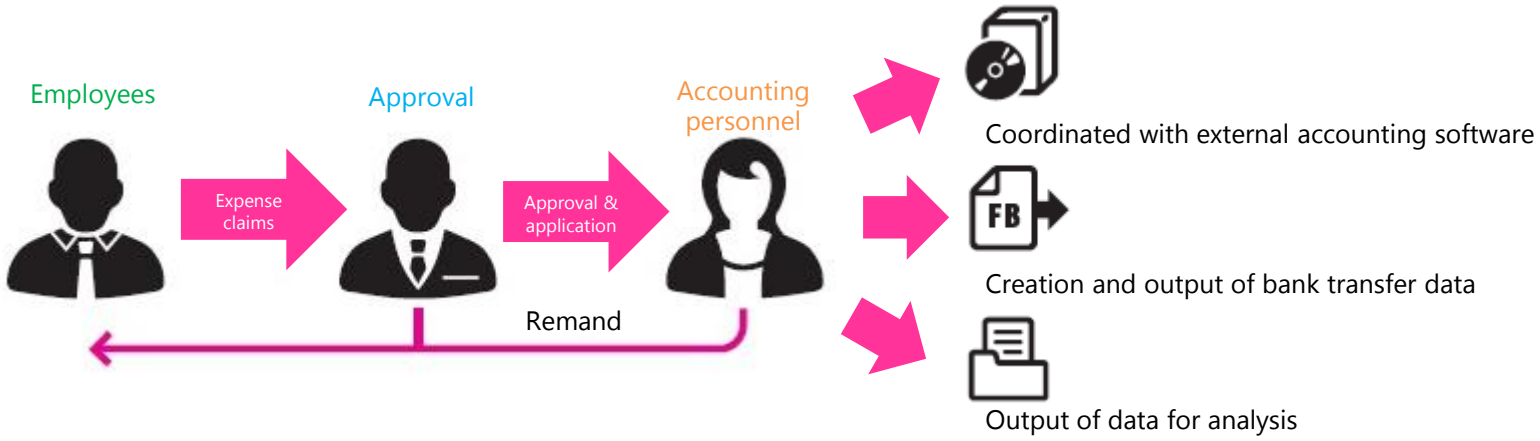
Main customers：Companies with 50 to 1,000 employees（all industries）

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



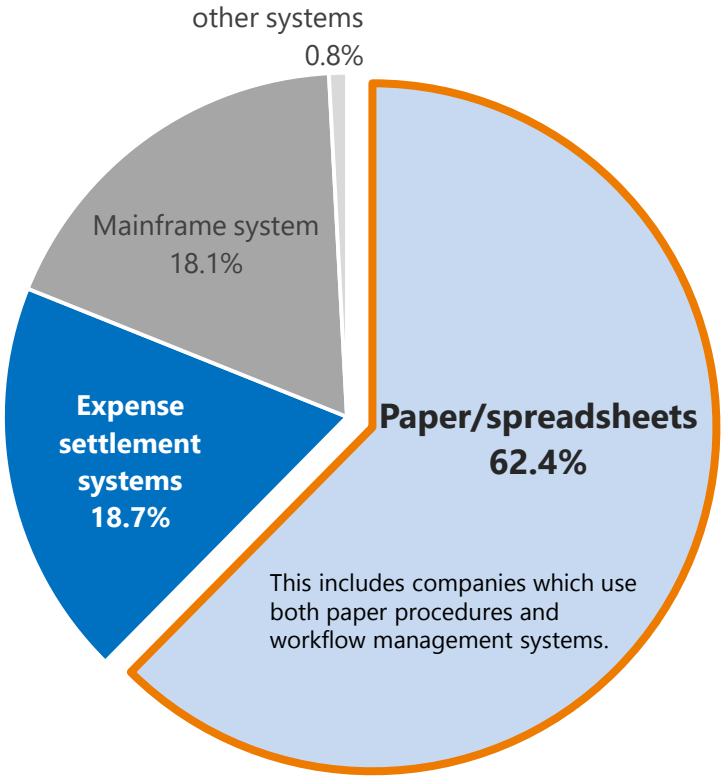
Target Market for the Cloud-based Expense Settlement Systems

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 62,400 companies which manage expense procedures on paper or spreadsheet to Raku Raku Seisan, which accounts for 62.4%.

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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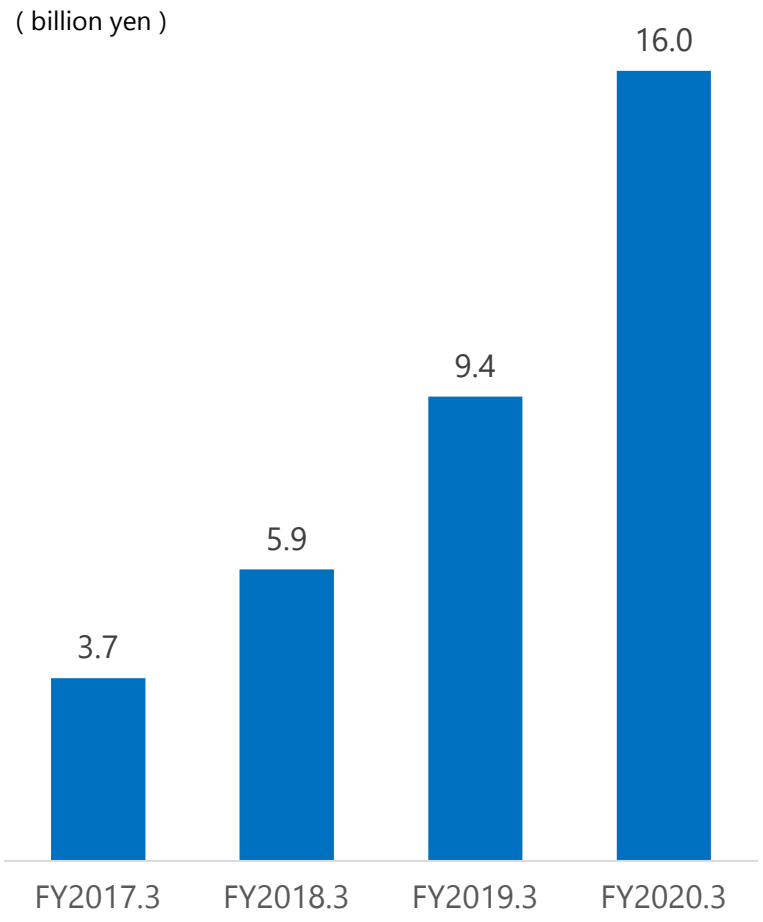
The Market for Cloud-based Expense Settlement Systems

Source：Our own survey based on various data

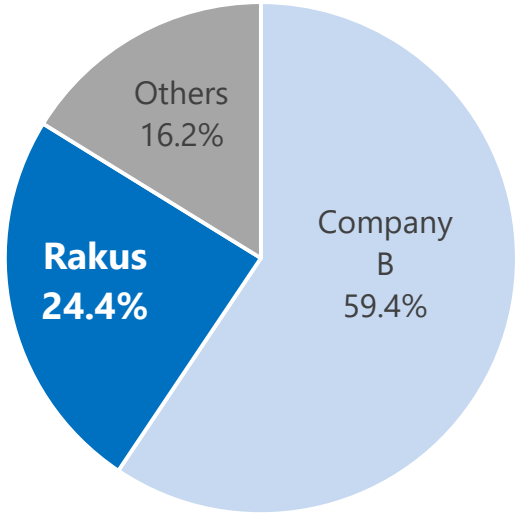
The market for cloud-based expense settlement in Japan



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

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

Market shares based on sales value



* 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

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



Cumulative Number of Companies Using 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

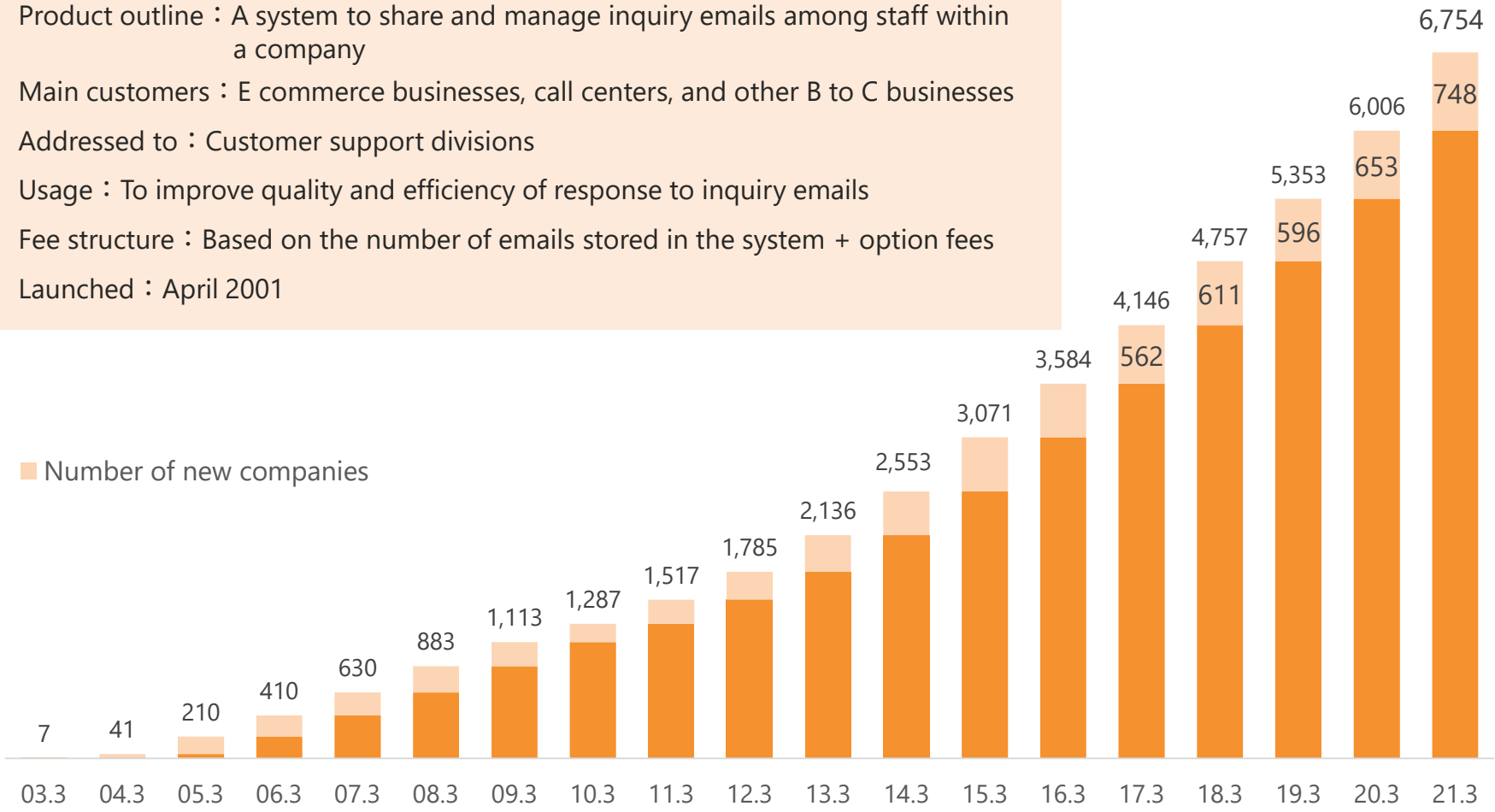
Main customers：E commerce businesses, call centers, and other B to C businesses

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



楽! ラクス

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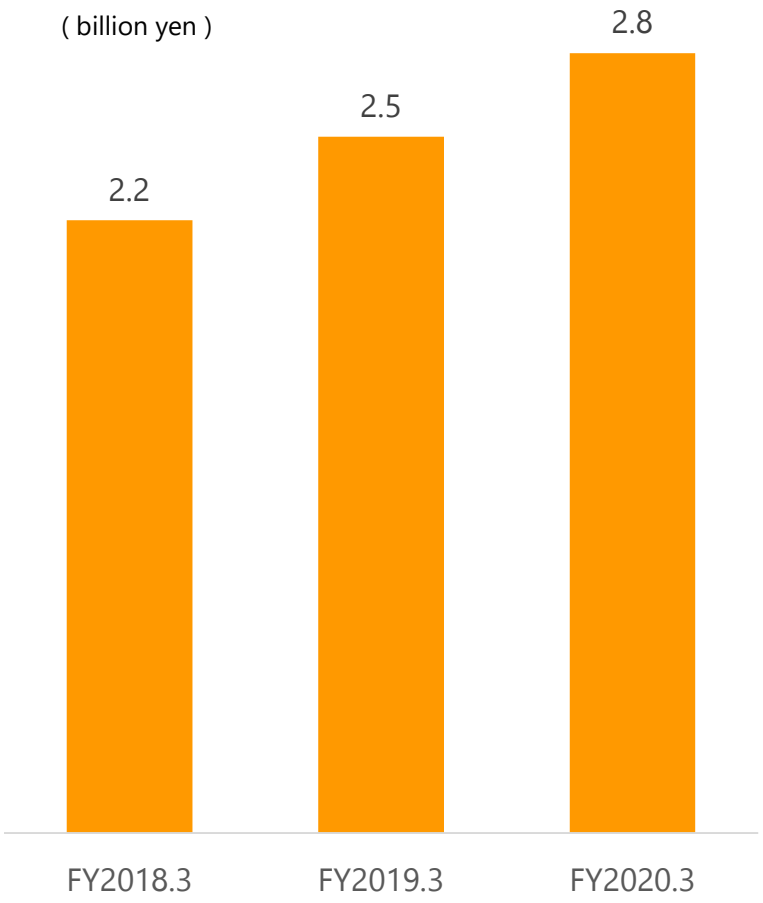
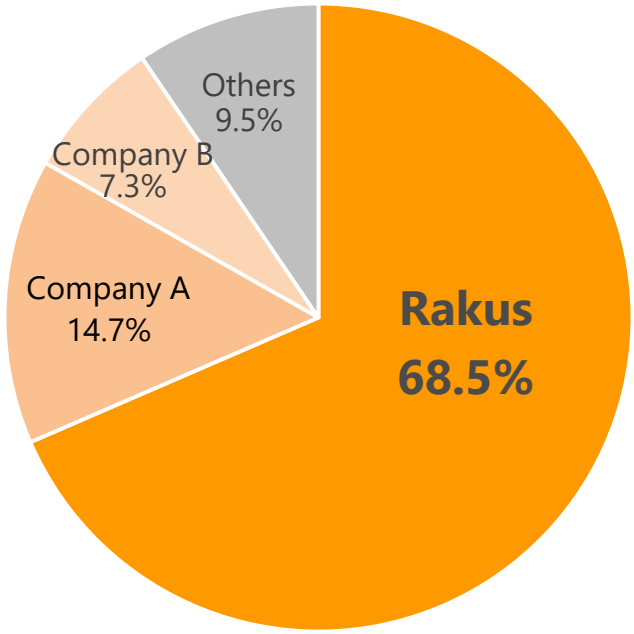
The market for cloud-based Mail processing

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

The market for cloud-based Mail processing in Japan



Market shares based on sales value



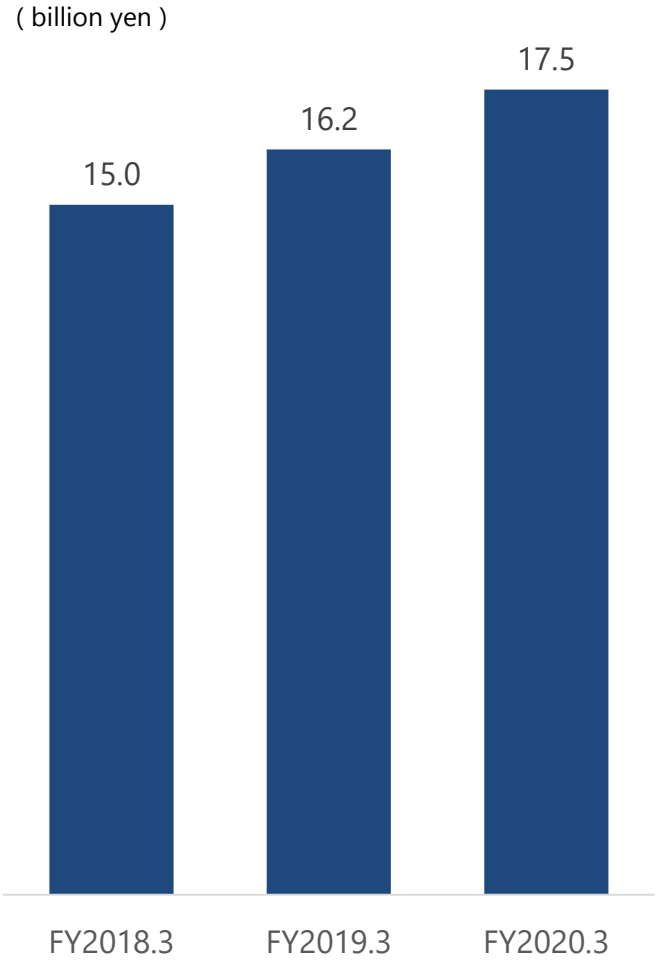
メールディーラー Mail Dealer

楽! ラクス

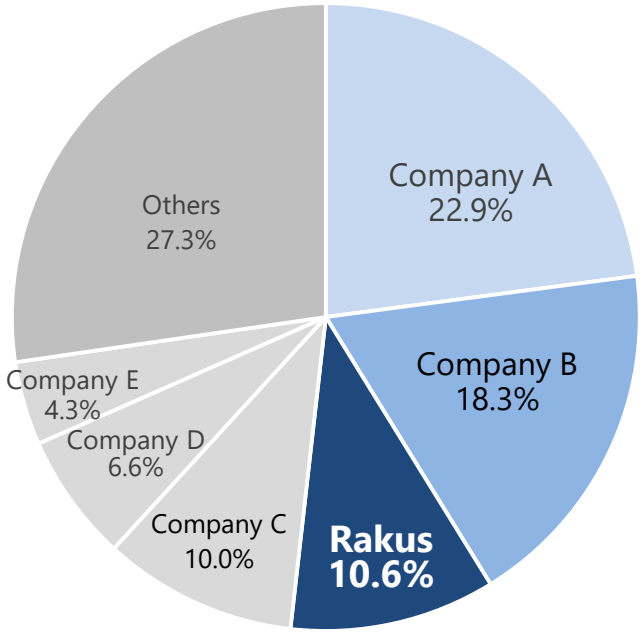
The Market for Cloud-based Email Distribution Systems

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

The Market for Cloud-based Email Distribution Systems in Japan



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

楽! ラクス

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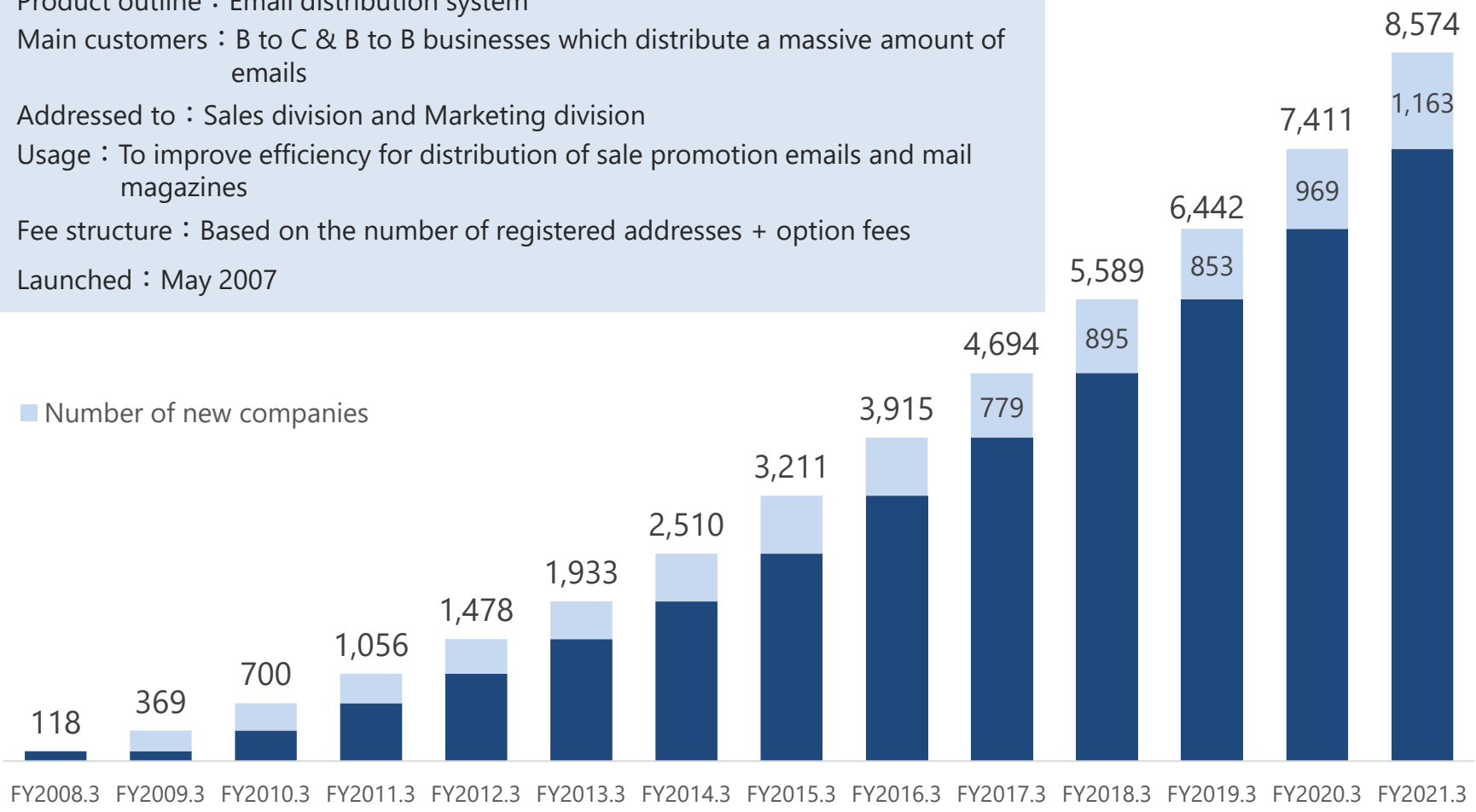
Cumulative Number of Companies Using Hai Hai Mail

配配メール

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



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Cumulative Number of Companies Using Raku Raku Hanbai

楽楽販売

Product outline：Web database system which can automate clerical procedures and data processing

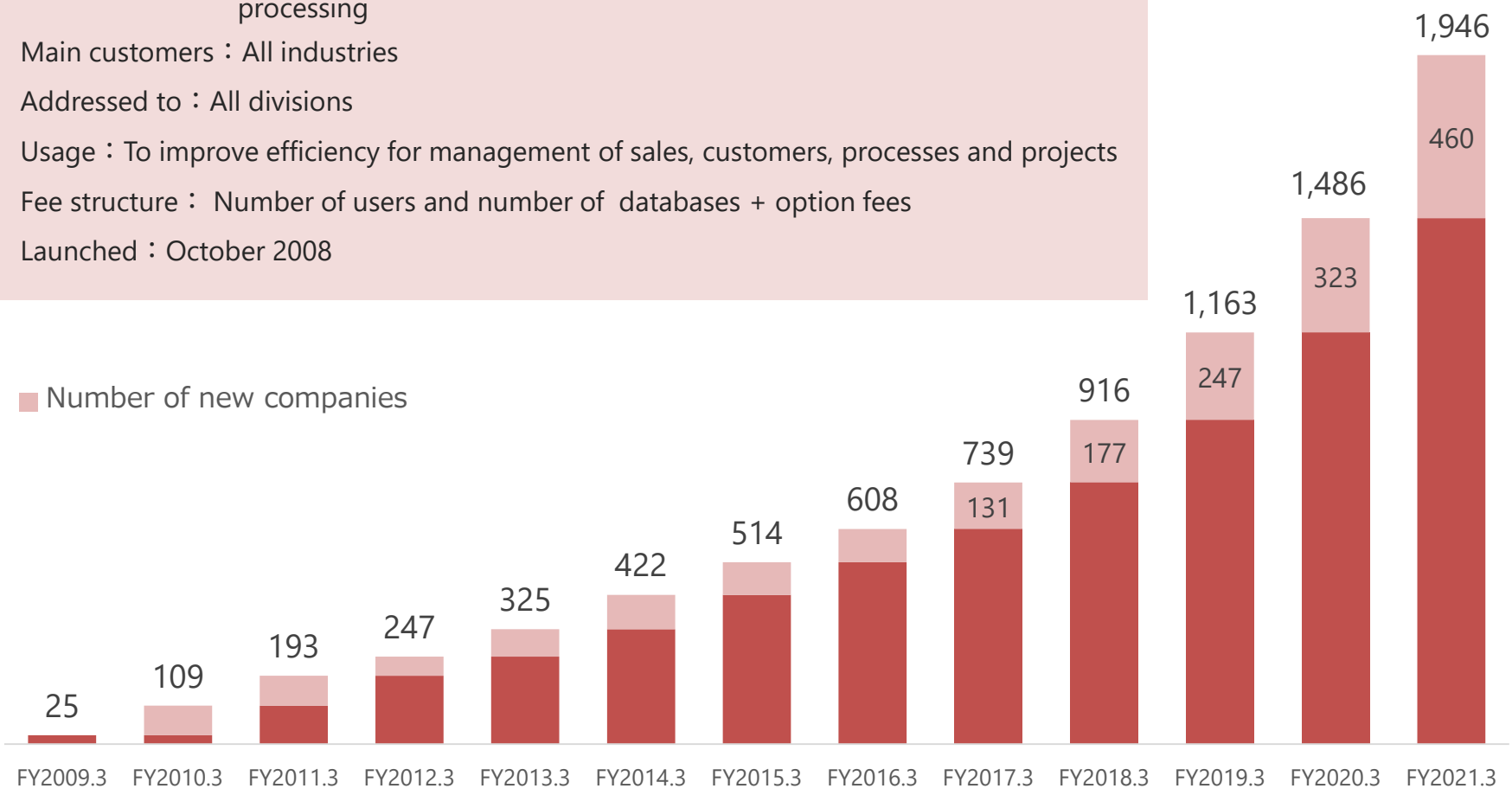
Main customers：All industries

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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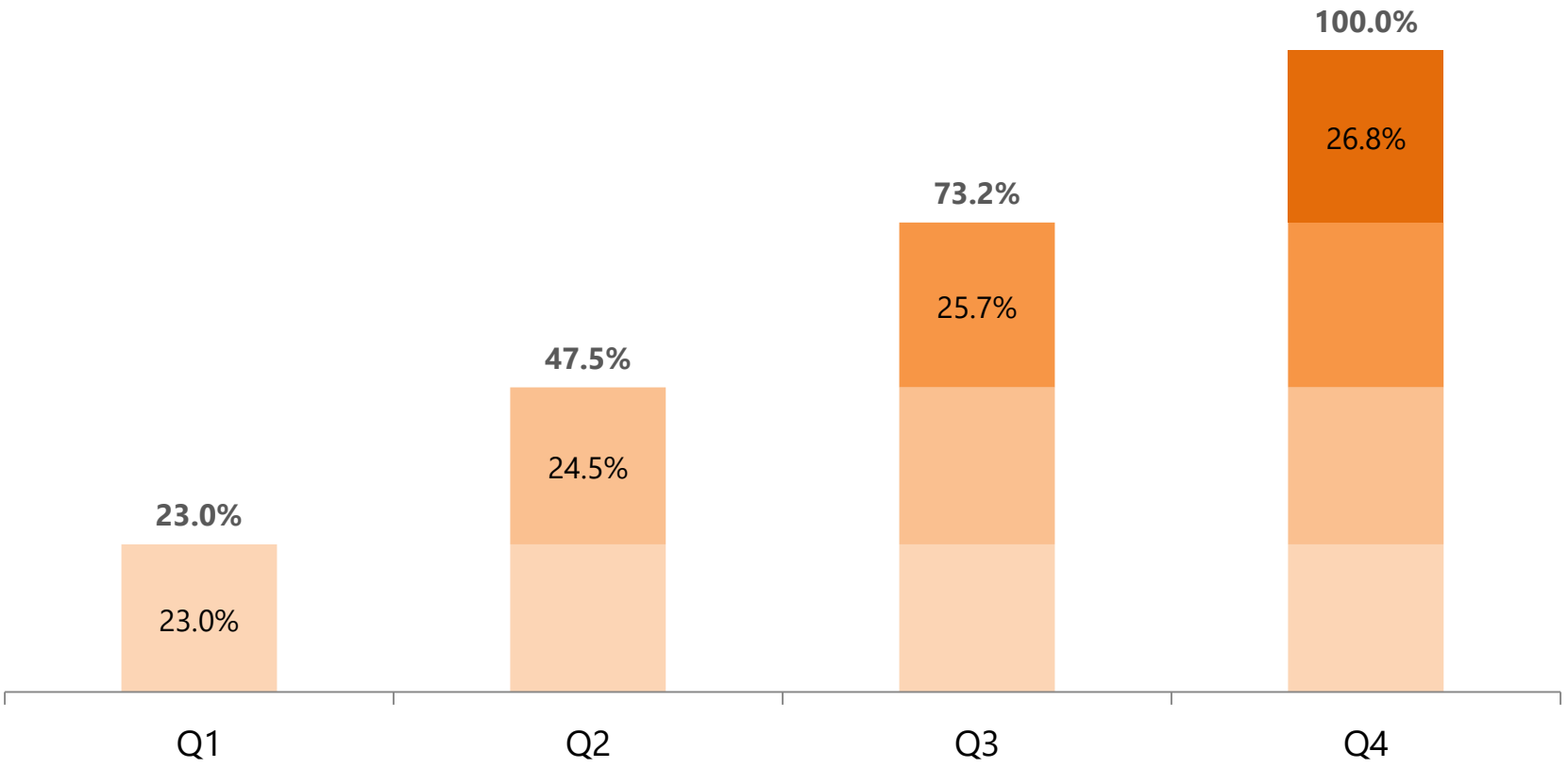
【Cloud Business】Concept Image of Sales Generated throughout a Year

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



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【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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It needs to be clear that our future performances could be different from the currently estimated business performances.

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