# Earnings Results for Q1 of the fiscal year ending March 2022

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

August 12, 2021

# Key points

## Consolidated Results for Q1 FY2022.3

- A high level of sales growth was maintained due to a significant year-on-year increase in the number of customers.
- Profit declined considerably year on year due to active investment as planned.

## Cloud Business

- Growth of Raku Raku Meisai continues to be strong, with other major services also performing well.

## IT Outsourcing Business

- Both sales and profit increased year on year due to more engineers utilized in operations.

## Revision of guidance for Q2 FY2022.3

- Based on the Q1 results, the guidance was revised, and the cost allocation was reviewed.

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# Consolidated Results for Q1 of the fiscal year ending March 2022

# Summary of Consolidated Results for Q1 FY2022.3

A high level of sales growth was maintained due to a significant year-on-year increase in the number of customers.
Profit declined considerably year on year due to active investment as planned.

| | | Year on Year |
|---|---|---|
| **Sales** | **4,613 million** | **+33.3%** |
| **Operating Profit** | **519 million** | **-42.9%** |
| **Ordinary Profit** | **526 million** | **-42.5%** |
| **EBITDA** | **653 million** | **-35.9%** |
| **Profit attributable to owners of parent** | **346 million** | **-43.8%** |

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

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# Outline of the Consolidated Results for Q1 FY2022.3

## Substantial increase in SG&A expenses due to active investment in growth.

( million yen )

| | Q1 FY2021.3 | Q1 FY2022.3 | Year on Year |
|---|---|---|---|
| **Sales** | **3,459** | **4,613** | **133.3%** |
| Cost of sales | 1,149 | 1,441 | 125.5% |
| Gross profit | 2,310 | 3,171 | 137.3% |
| GP margin | 66.8% | 68.7% | |
| SG&A | 1,401 | 2,652 | 189.2% |
| **Operating profit** | **909** | **519** | **57.1%** |
| OP margin | 26.3% | 11.3% | |
| **Ordinary profit** | **915** | **526** | **57.5%** |
| Ordinary profit margin | 26.5% | 11.4% | |
| **EBITDA** | **1,020** | **653** | **64.1%** |
| EBITDA margin | 29.5% | 14.2% | |
| Income tax | 299 | 180 | |
| Tax rate | 32.7% | 34.2% | |
| **Profit attributable to owners of parent** | **616** | **346** | **56.2%** |

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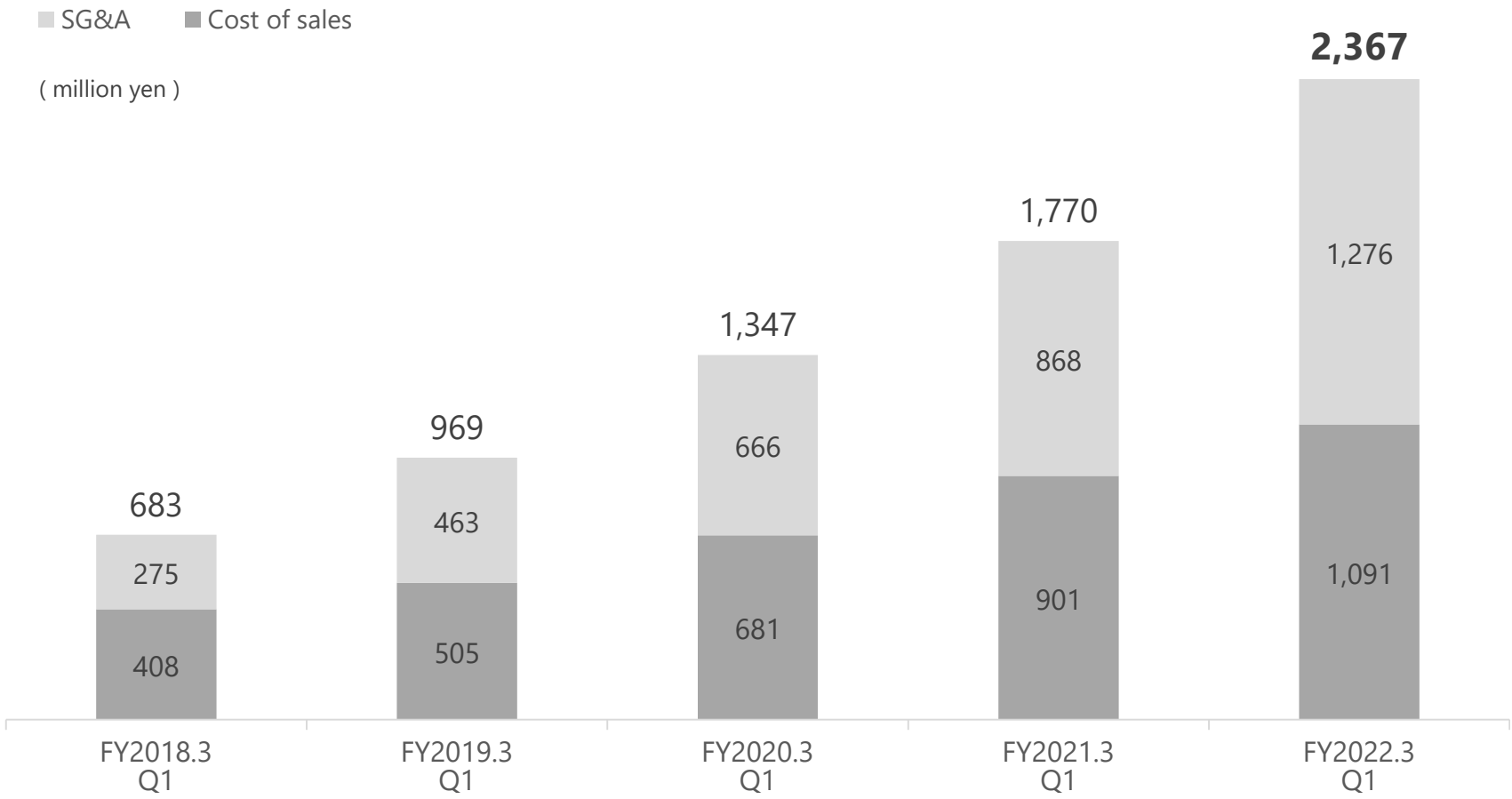
# Personnel Costs

Although personnel costs were continuously on the rise, recruitment has been slightly behind schedule.

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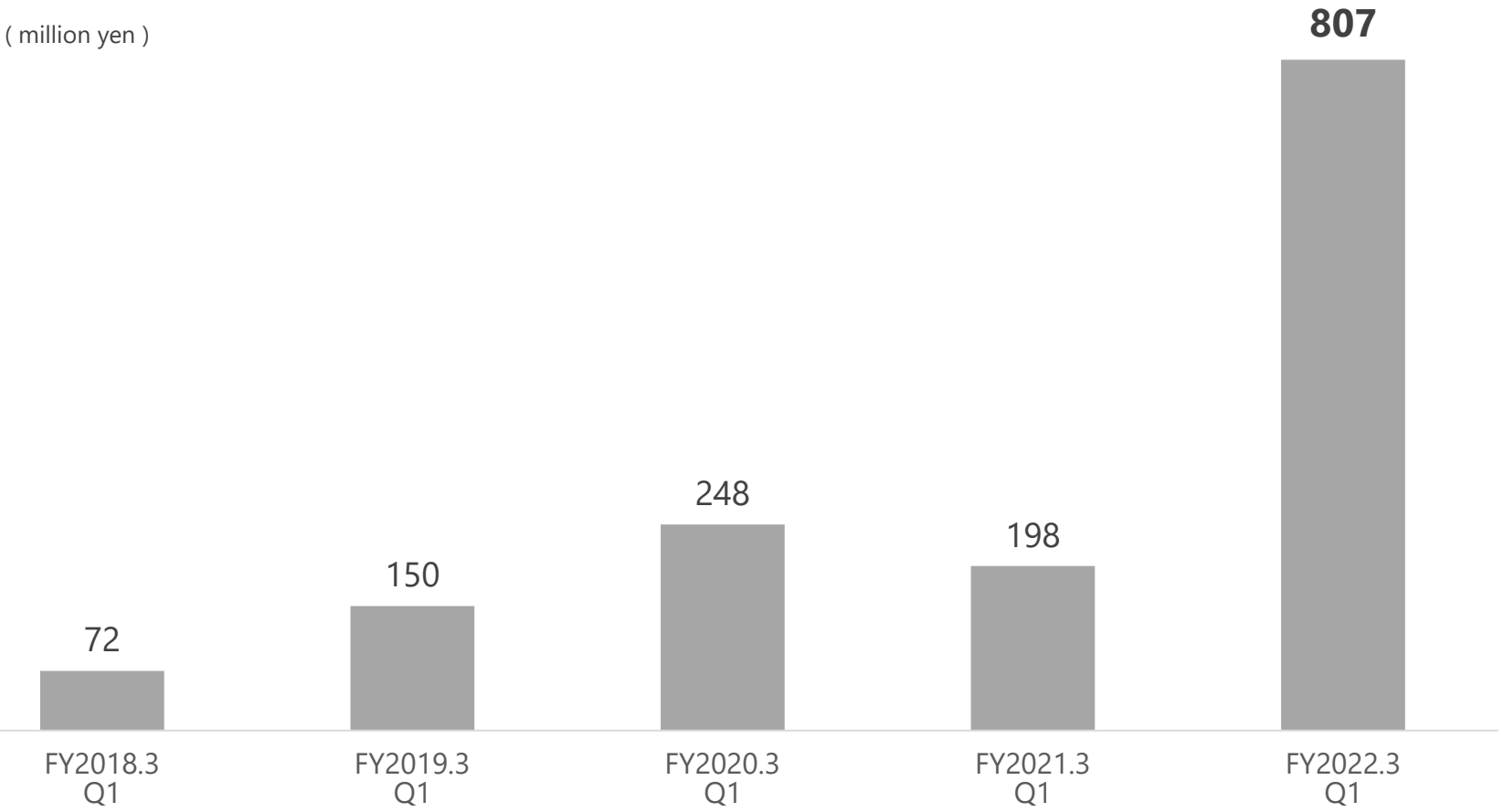
# Advertising Costs

The largest advertising costs ever invested in Q1.

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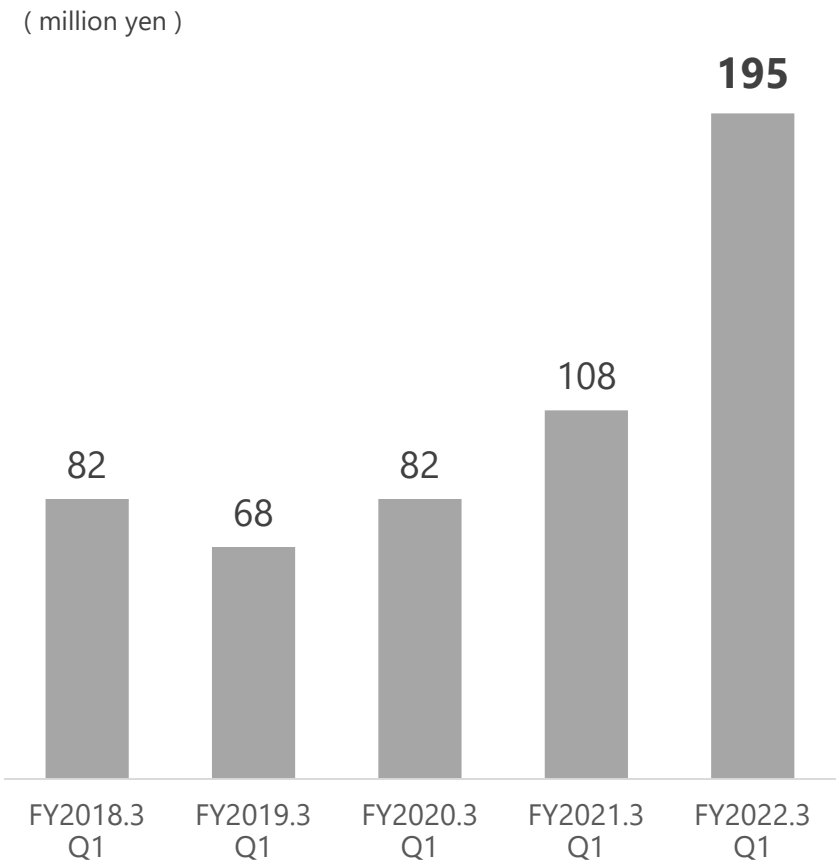
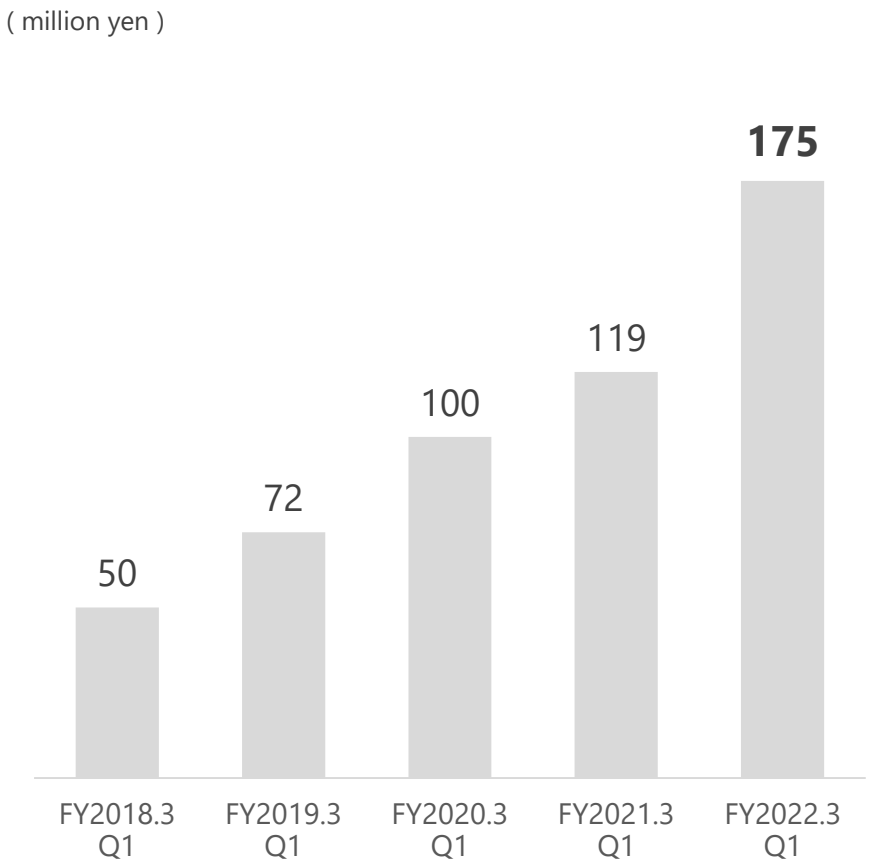
# Office Rent and Outsourcing Costs

Substantial increase in office rent due to expanding floor space to accommodate more employees, outsourcing costs increased as planned.

**Office Rent**




**Outsourcing Costs**

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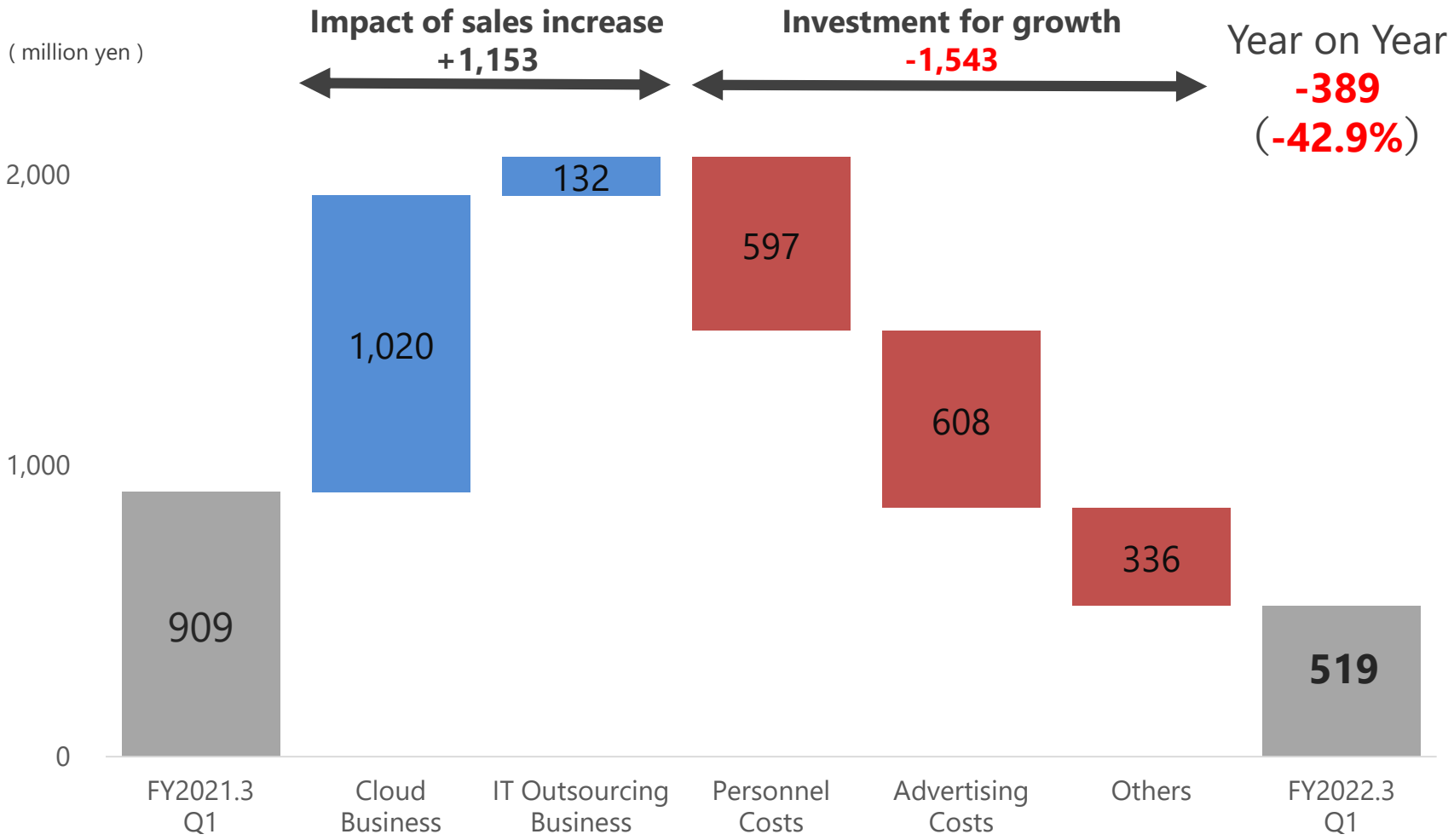
# Factors for Changes in Consolidated Operating Profits in Q1 FY2022.3

Despite significant increase in sales, profit decreased due to active investment in growth as planned.

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# Consolidated Balance Sheet

( million yen )

| | End of March 2021 | End of June 2021 | Difference |
|---|---|---|---|
| Current assets | 8,580 | 7,229 | -1,350 |
| Non-current assets | 2,891 | 2,929 | 38 |
| **Total assets** | **11,471** | **10,159** | **-1,311** |
| Current liabilities | 3,606 | 2,244 | -1,362 |
| Non-current liabilities | 22 | 44 | 21 |
| **Total liabilities** | **3,629** | **2,288** | **-1,340** |
| Shareholders' equity | 7,842 | 7,871 | 28 |
| Accumulated other comprehensive income | 0 | 0 | 0 |
| **Total equity** | **7,842** | **7,871** | **29** |
| **Total liabilities and equities** | **11,471** | **10,159** | **-1,311** |
| **Equity ratio** | **68.4%** | **77.5%** | |

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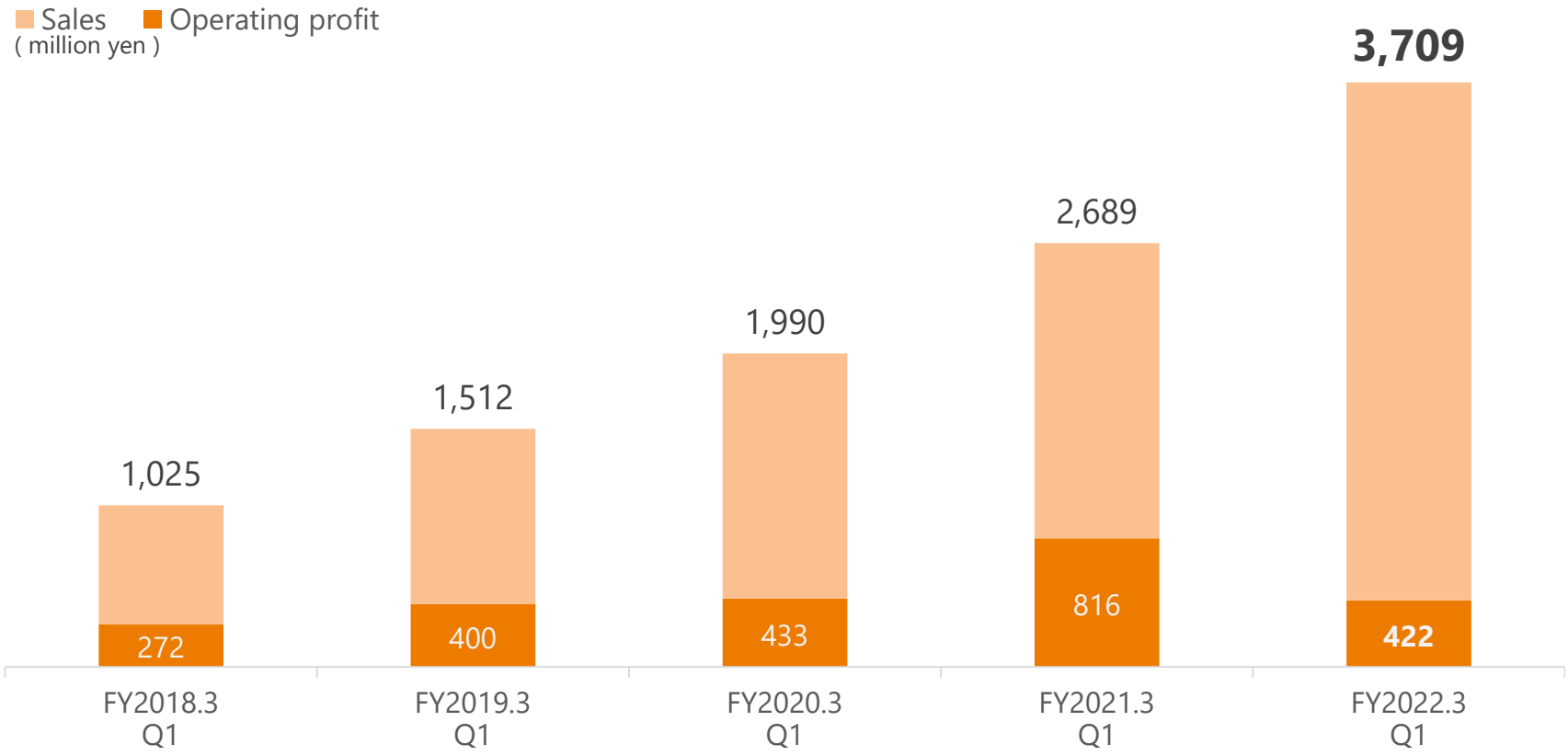
# Cloud Business

# Performance of the Cloud Business

Sales performed well due to the number increase of new corporate users this quarter with declined profit due to active investment for boosting growth.




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

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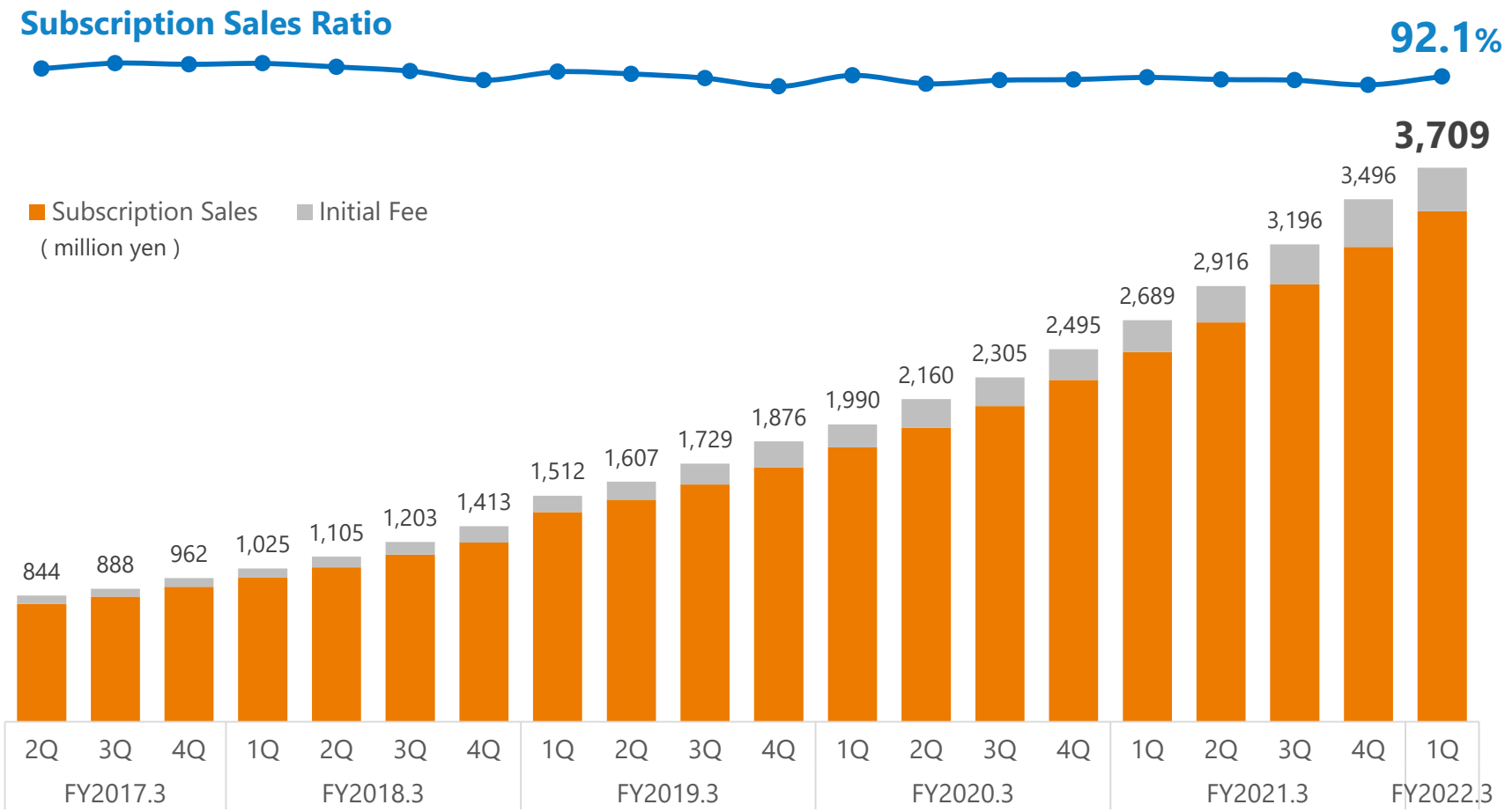
# Subscription Sales of the Cloud Business

A high level of subscription sales ratio was maintained due to steady growth in subscription sales.

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# Quarterly Sales of the Cloud Business by service

Growth of Raku Raku Meisai continues to be strong, with other major services also performing well.

( million yen )

| | Sales in Q1 FY2022.3 (Apr.-June) | Quarter on Quarter | Year on Year |
|---|---|---|---|
| Raku Raku Seisan | **1,677** | **5.3%** | **39.3%** |
| Mail Dealer | **524** | **1.4%** | **11.3%** |
| Email distribution services | **560** | **2.9%** | **25.8%** |
| Raku Raku Hambai | **406** | **10.0%** | **47.8%** |
| Raku Raku Meisai | **449** | **17.5%** | **110.9%** |
| Others | **91** | **2.6%** | **14.2%** |
| Total of the Cloud Business | **3,709** | **6.1%** | **38.0%** |

* 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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# Cumulative Number of Companies Using Raku Raku Seisan

Despite the impact of the declaration of a state of emergency in the same quarter of the previous year, the current fiscal year has been steady.

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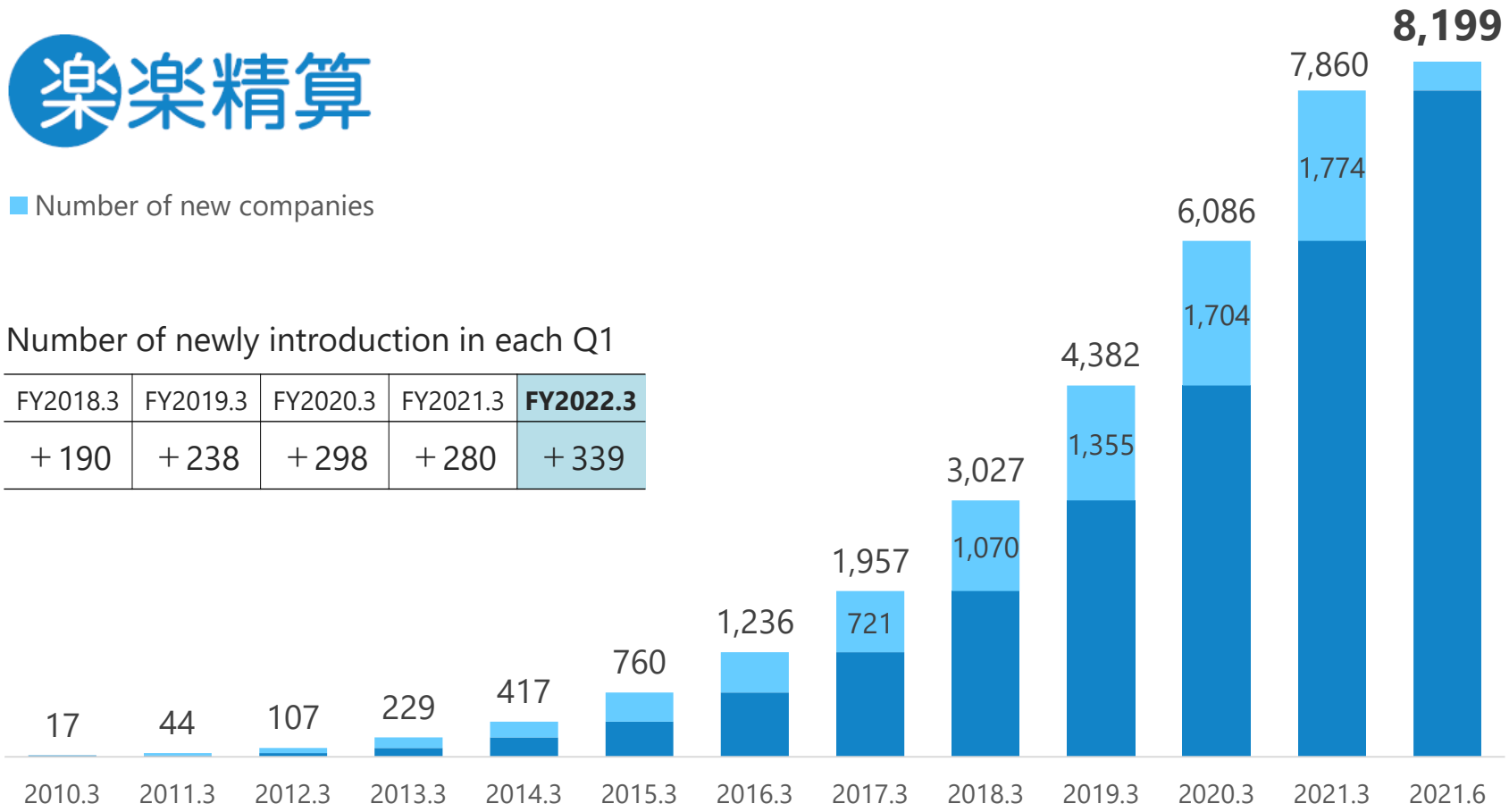


Number of newly introduction in each Q1

| FY2018.3 | FY2019.3 | FY2020.3 | FY2021.3 | **FY2022.3** |
|---|---|---|---|---|
| ＋190 | ＋238 | ＋298 | ＋280 | ＋339 |


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# Cumulative Number of Companies Using Raku Raku Meisai

New orders continue to increase strongly.

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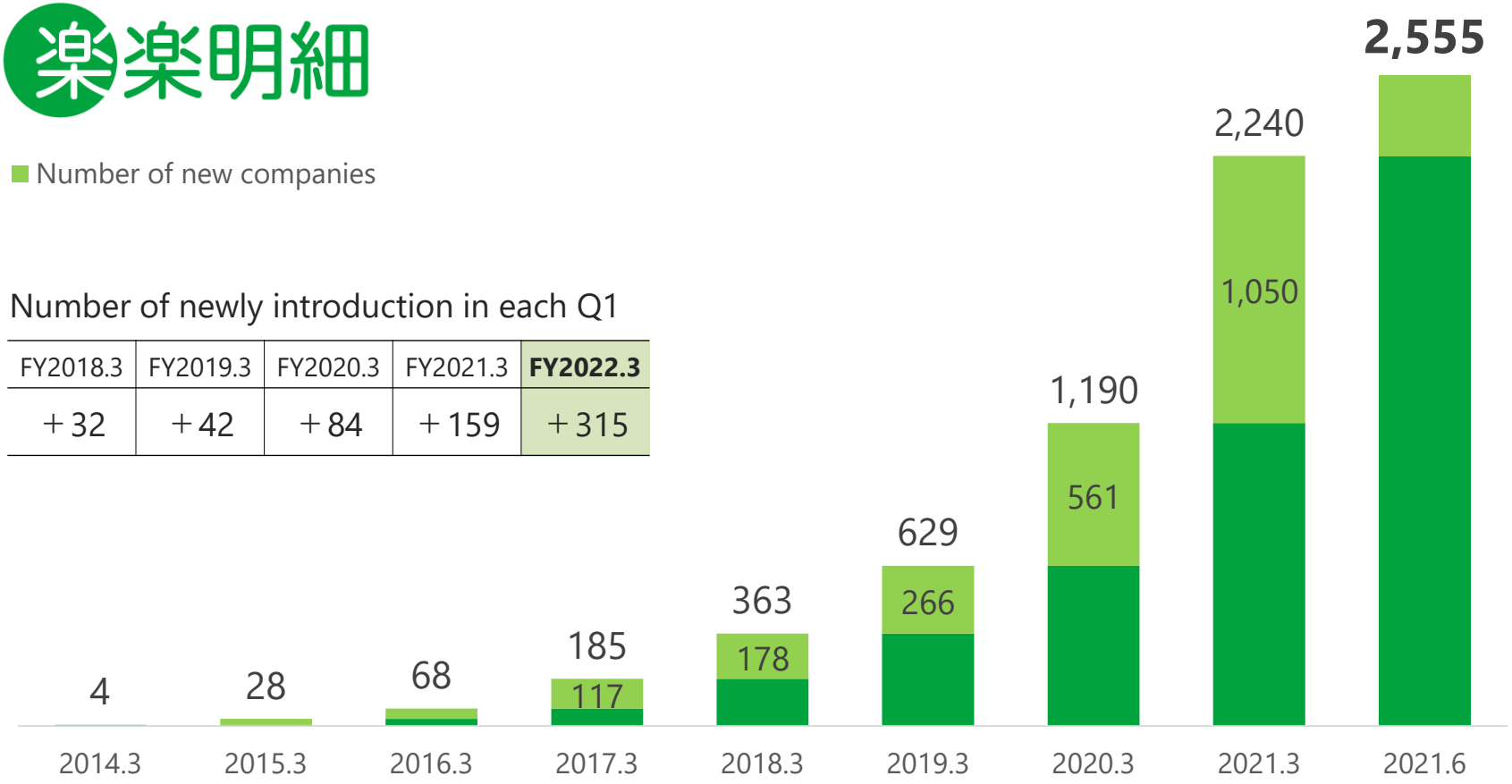
■ Number of new companies

Number of newly introduction in each Q1

| FY2018.3 | FY2019.3 | FY2020.3 | FY2021.3 | **FY2022.3** |
|---|---|---|---|---|
| ＋32 | ＋42 | ＋84 | ＋159 | ＋315 |

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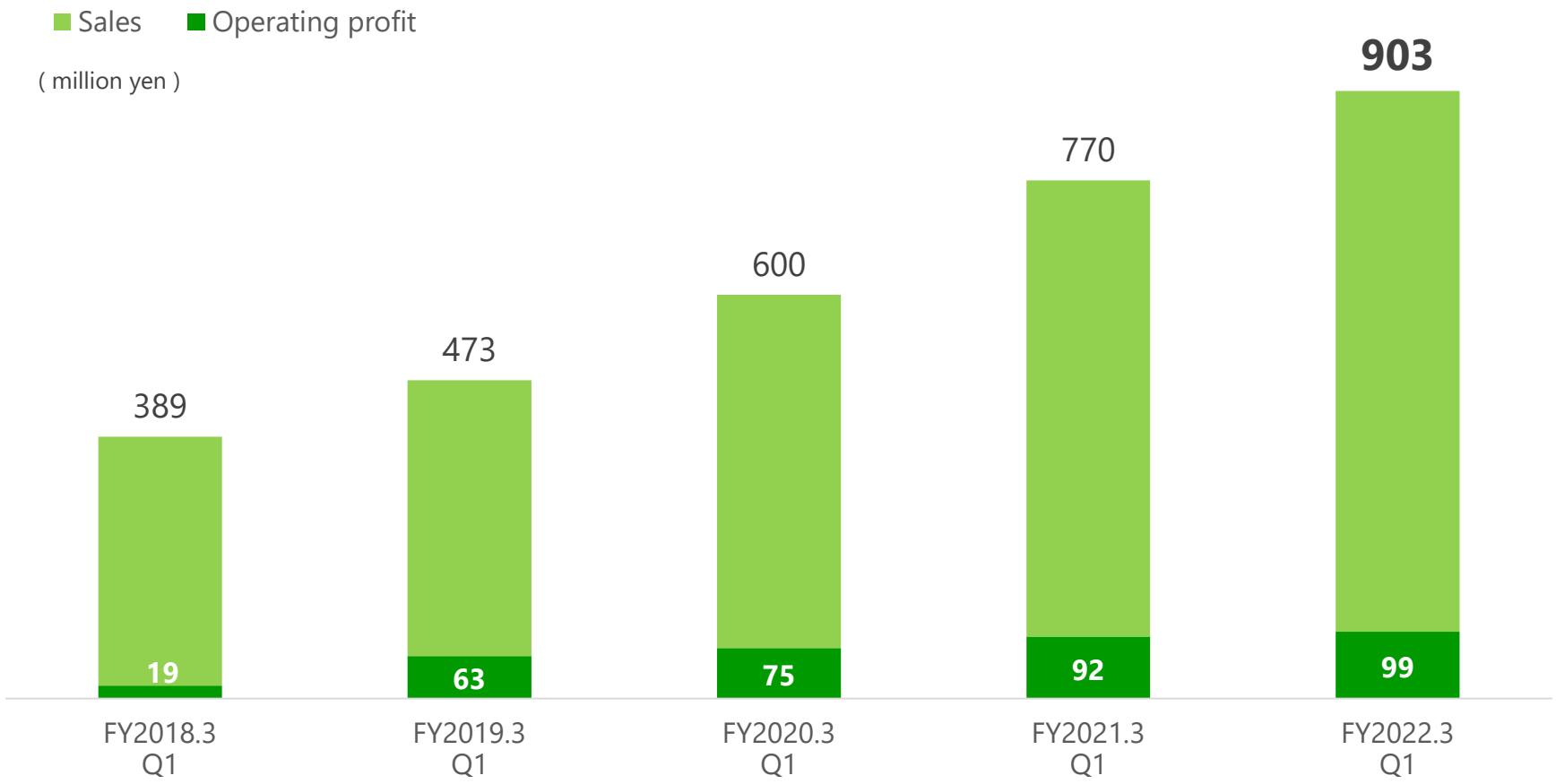
# IT Outsourcing Business

# Performance of the IT Outsourcing Business

Both sales and profit increased year on year due to more engineers utilized in operations.




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

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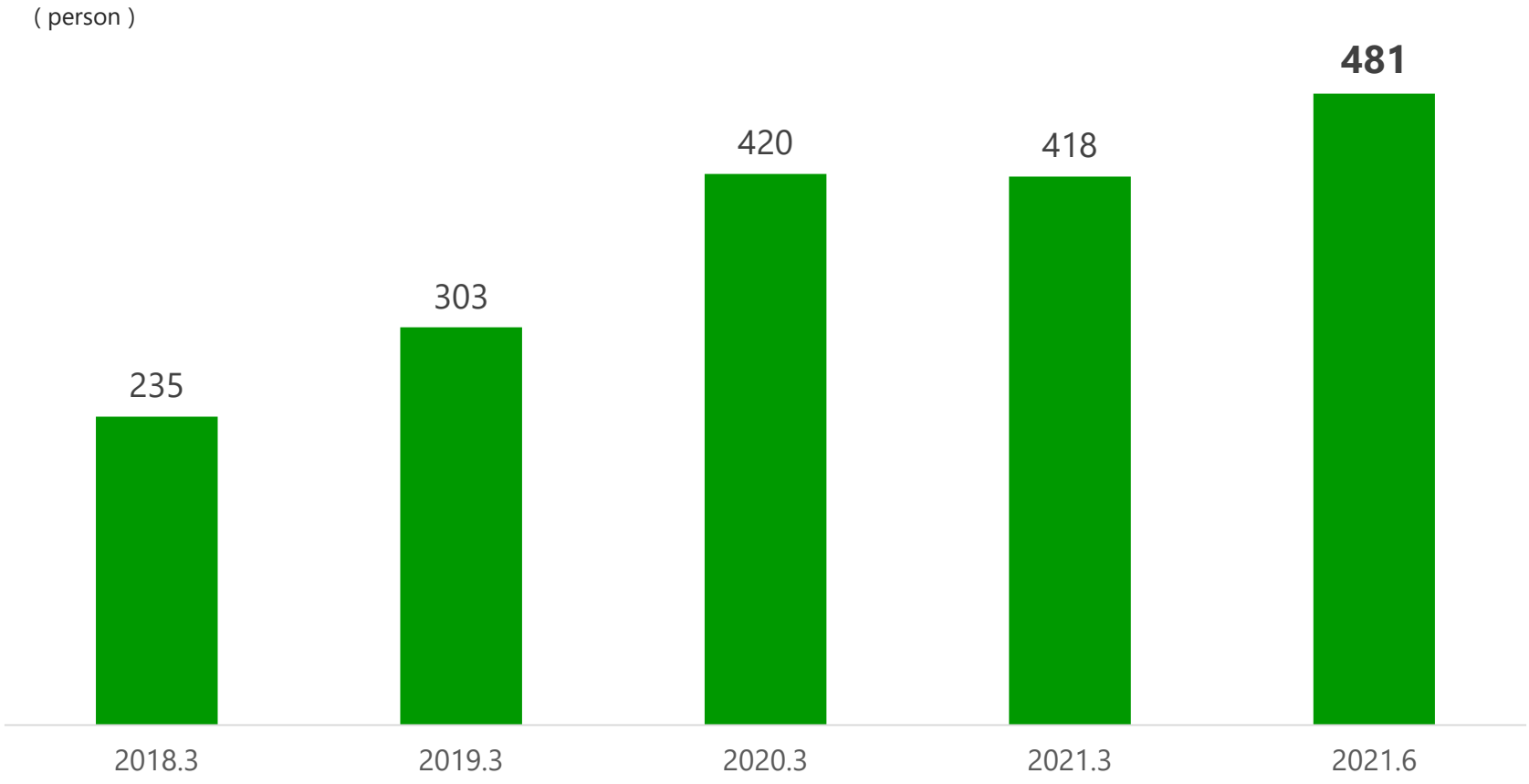
# Number of Engineers for the IT Outsourcing Business

The number of engineers increased because we resumed recruitment. This trend will be ongoing since we continue to hire as utilization is progressing as expected.




* This includes apprentice engineers

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# Medium-Term Management Targets

# 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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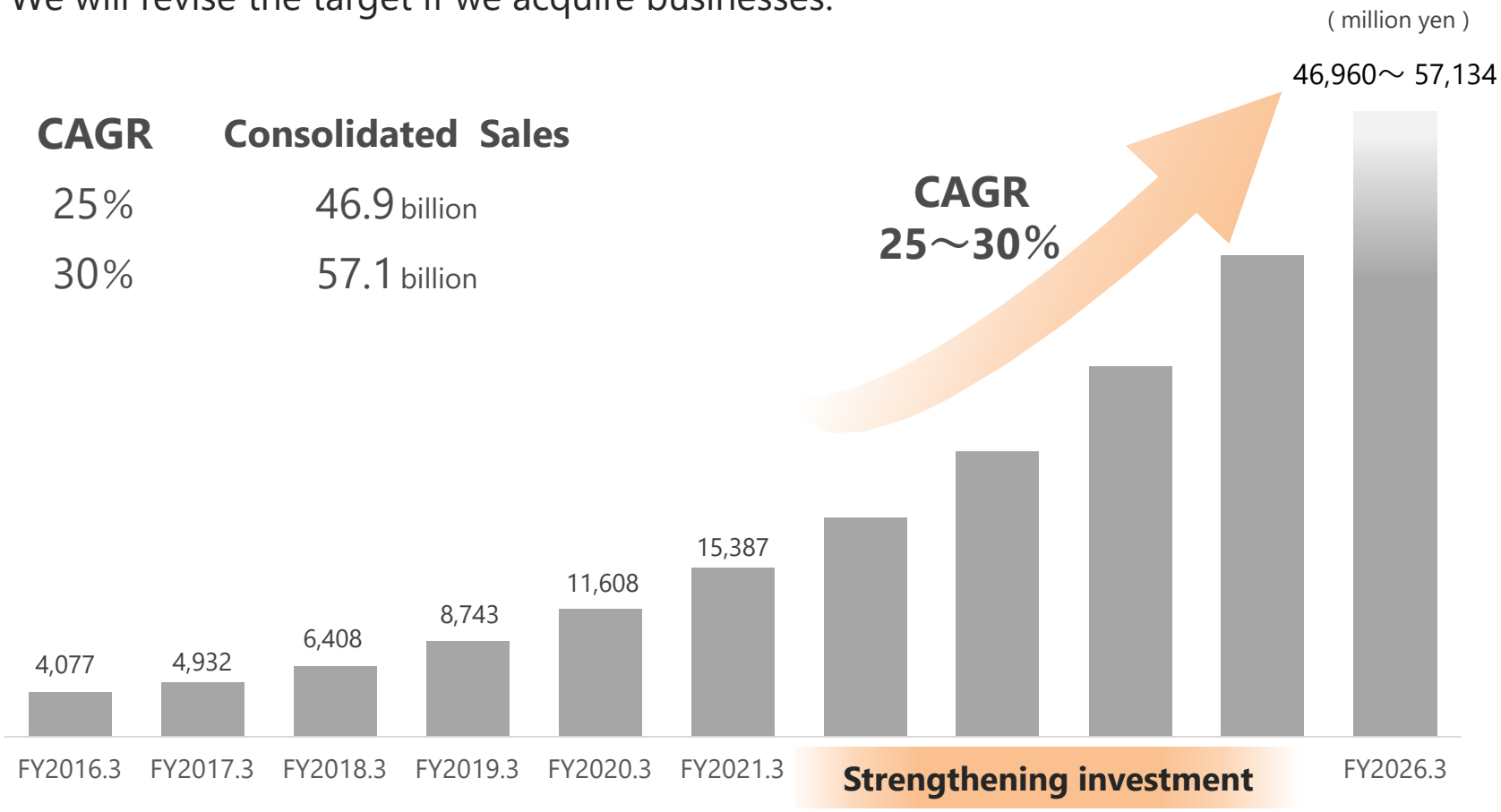
# Five-Year Sales and Profit Targets

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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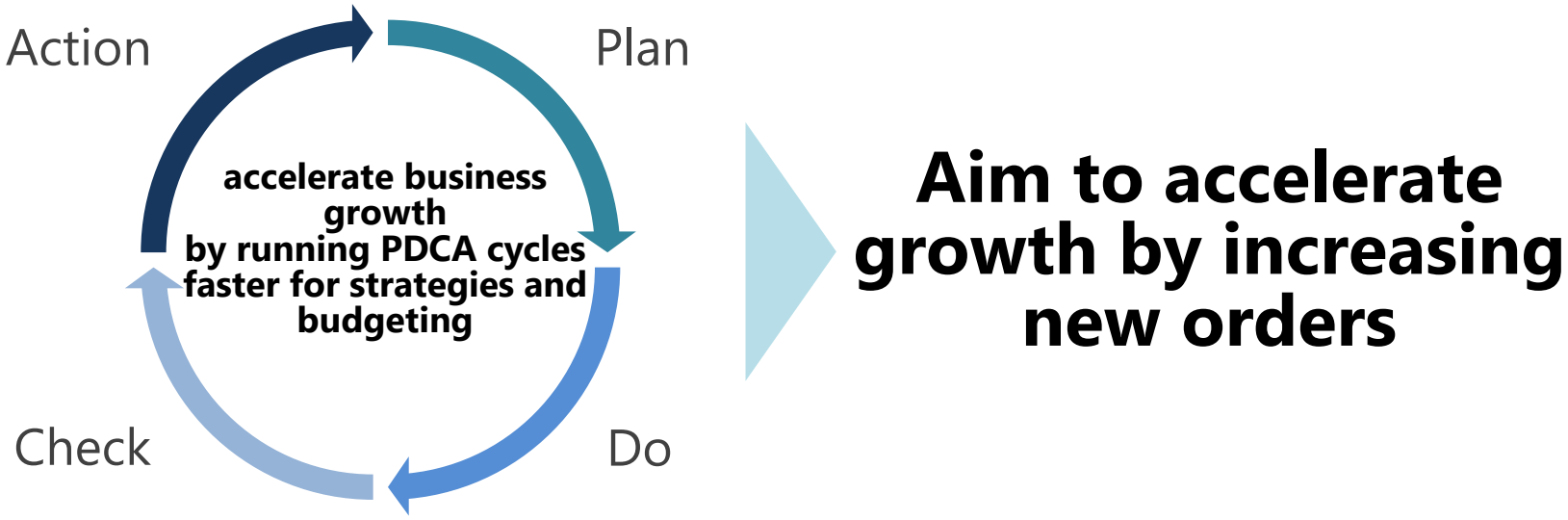
# Guidance for Q2 of the fiscal year ending March 2022

# 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

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# Guidance for FY2022.3 Q2

Based on the Q1 results, the guidance was revised, and the cost allocation was reviewed.

( million yen )

| | FY2021.3 Q2 (actual) | FY2022.3 Q2 (Previous guidance) | FY2022.3 Q2 (Revised guidance) | Year on Year | vs Previous guidance |
|---|---|---|---|---|---|
| **Sales** | **7,074** | **9,384** | **9,437** | **133.4%** | **100.6%** |
| Cost of sales | 2,404 | 3,102 | 3,050 | 126.9% | 98.3% |
| Gross profit | 4,670 | 6,282 | 6,386 | 136.7% | 101.7% |
| GP margin | 66.0% | 66.9% | 67.7% | | |
| SG&A | 2,965 | 5,836 | 5,704 | 192.4% | 97.7% |
| **Operating profit** | **1,704** | **446** | **682** | **40.0%** | **152.9%** |
| OP margin | 24.1% | 4.8% | 7.2% | | |
| **Ordinary profit** | **1,714** | **446** | **694** | **40.5%** | **155.6%** |
| Ordinary profit margin | 24.2% | 4.8% | 7.4% | | |
| **EBITDA** | **1,932** | **711** | **958** | **49.6%** | **134.7%** |
| EBITDA margin | 27.3% | 7.6% | 10.2% | | |
| Income tax | 624 | 171 | 246 | | |
| Tax rate | 32.5% | 38.6% | 35.5% | | |
| **Profit attributable to owners of parent** | **1,299** | **273** | **446** | **34.3%** | **163.4%** |


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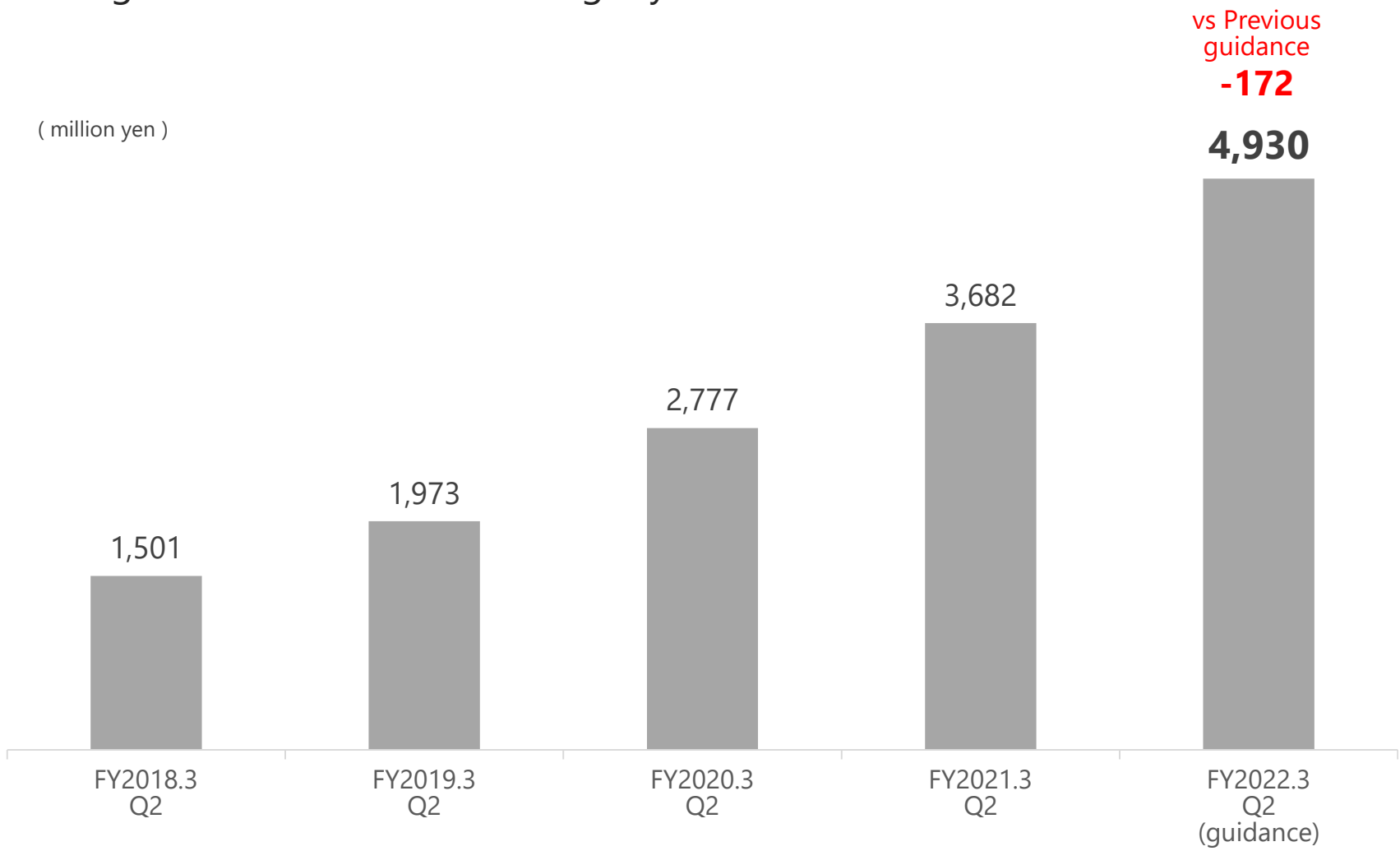
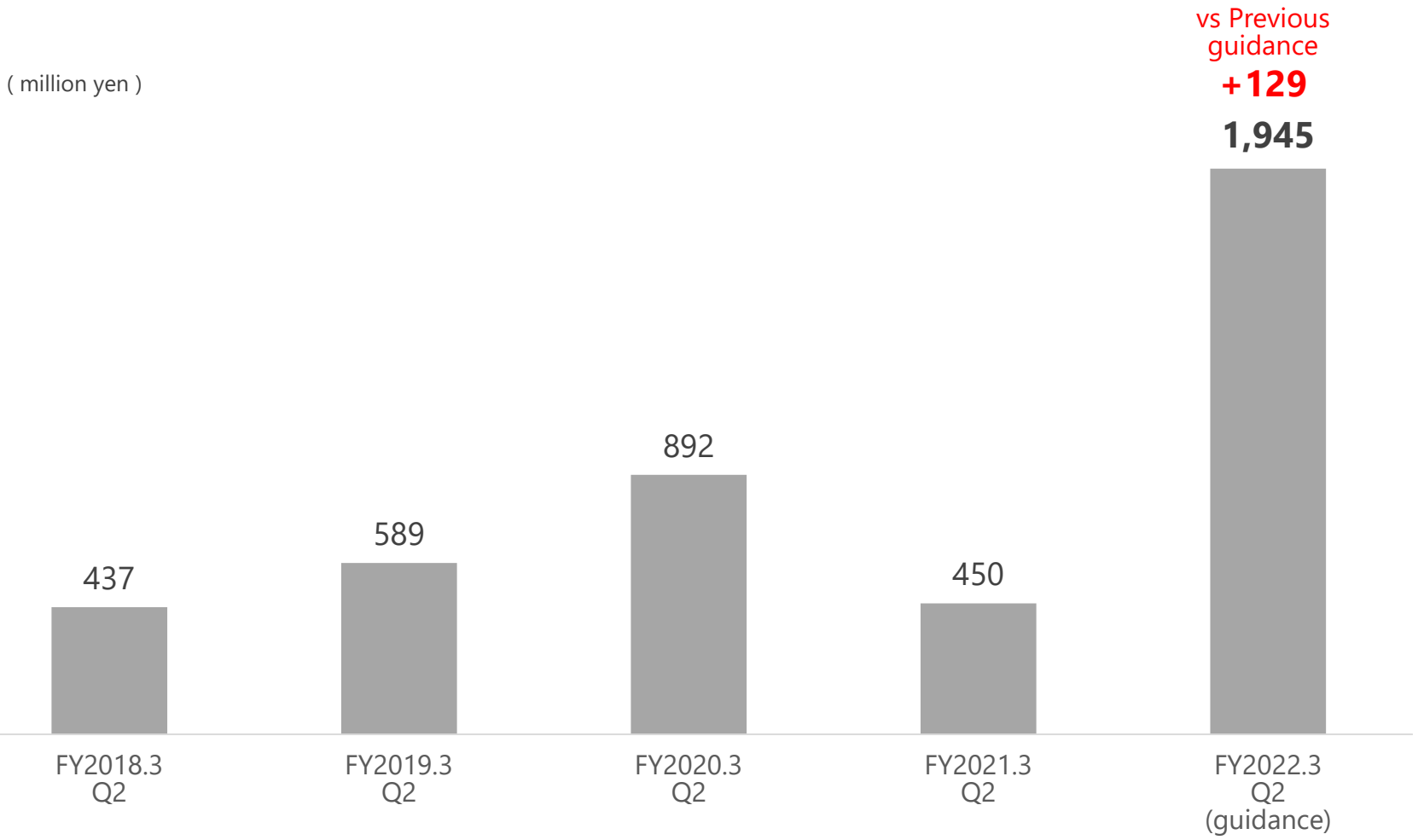
# Personnel Costs Plan

Personnel costs will increase significantly because we are hiring employees although recruitment has been slightly behind schedule.



# Advertising Costs Plan

We increased the budget for advertising from the previous guidance because marketing activities in Q1 worked better than expected.

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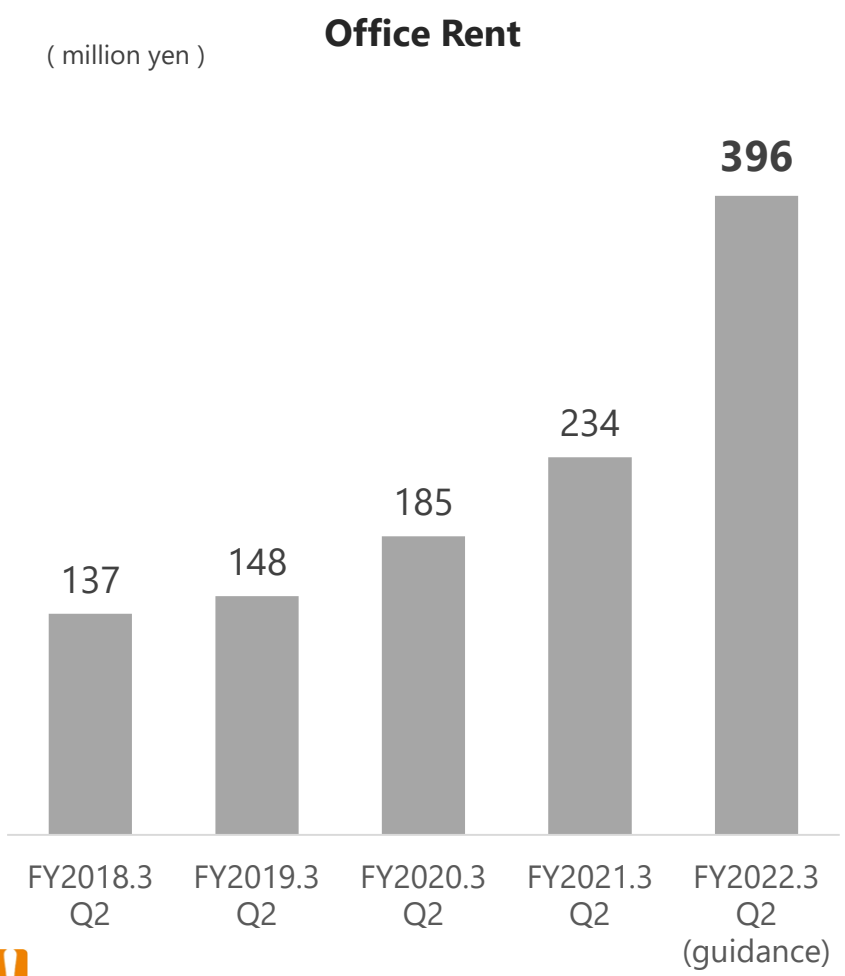
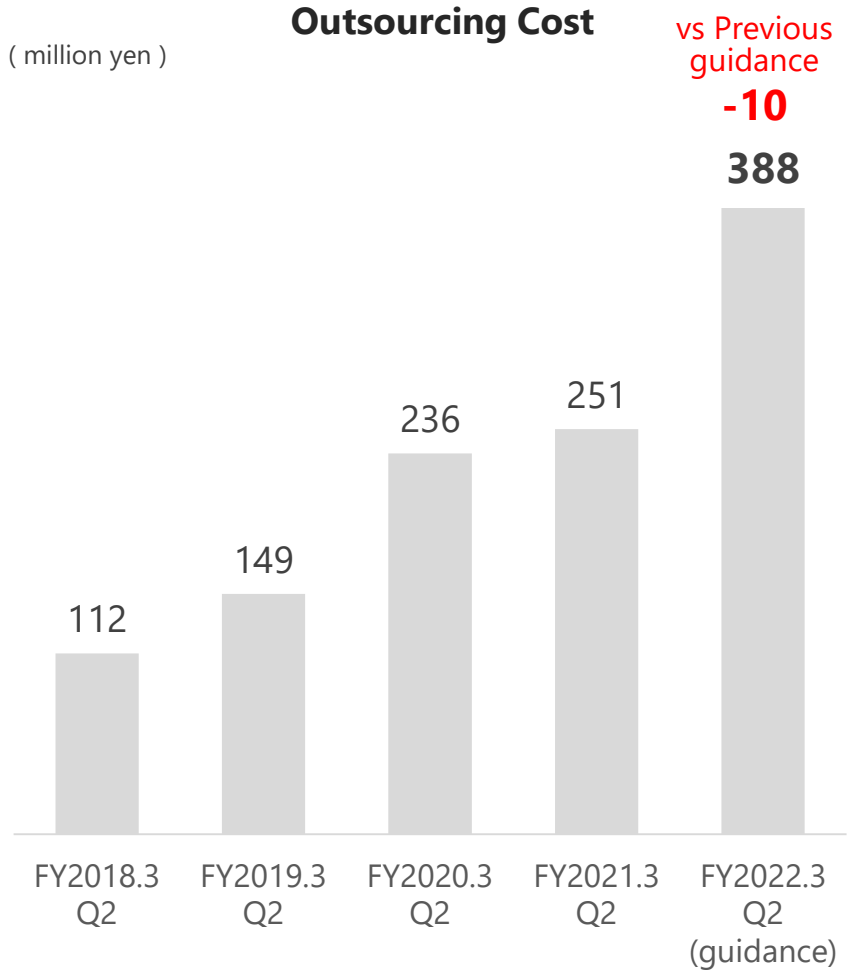
# Office Rent and Outsourcing Costs Plan

Although outsourcing costs will be slightly lower than the previous guidance, both office rent and outsourcing costs will increase a lot year on year driven by business expansion.

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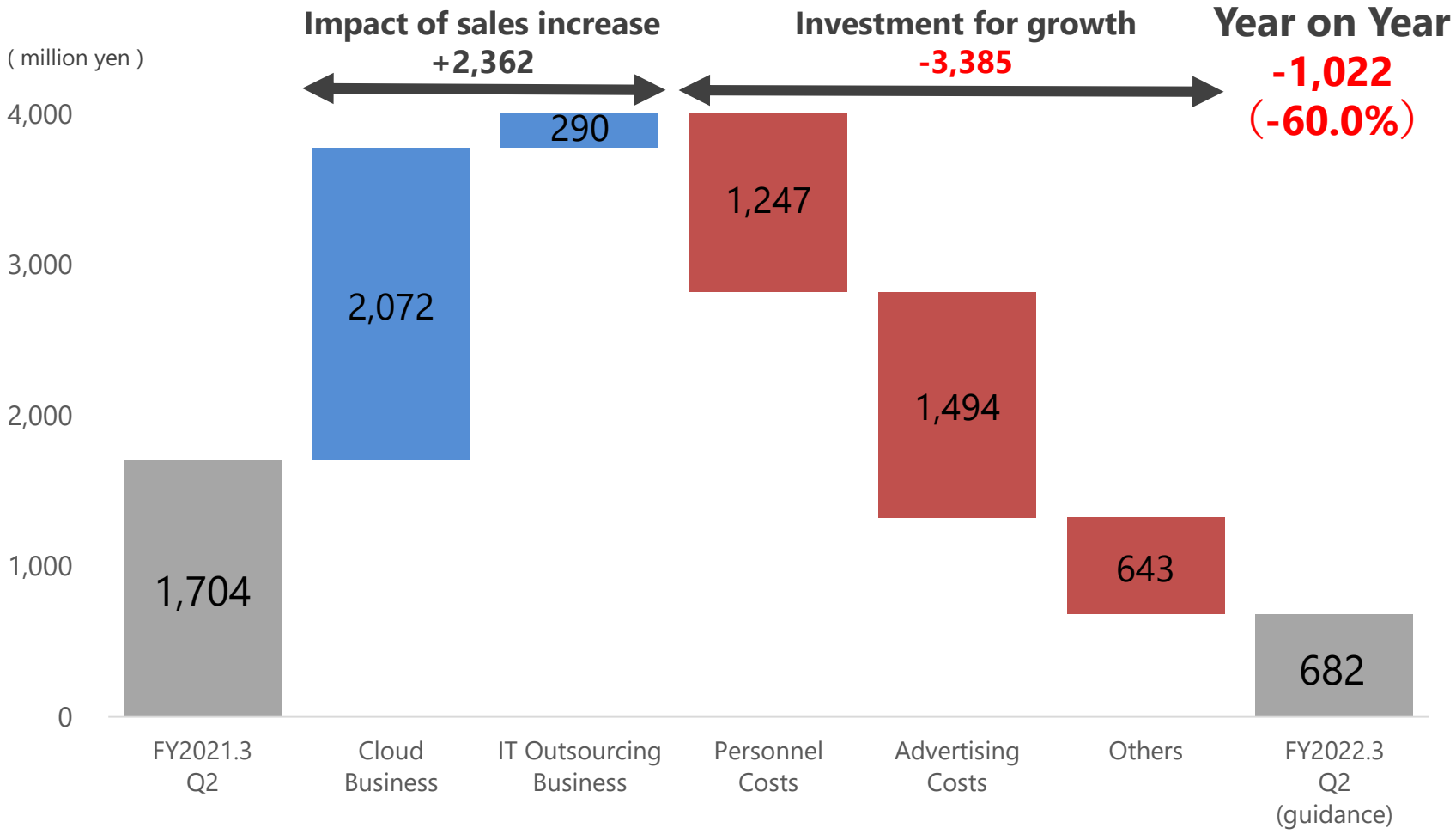
# Factors for Changes in Consolidated Operating Profits for Q2 FY2022.3

We reviewed the cost allocation based on a revision of the guidance. As a result, profit will be higher than the previous guidance but lower than the previous fiscal year due to active investment to grow our business.

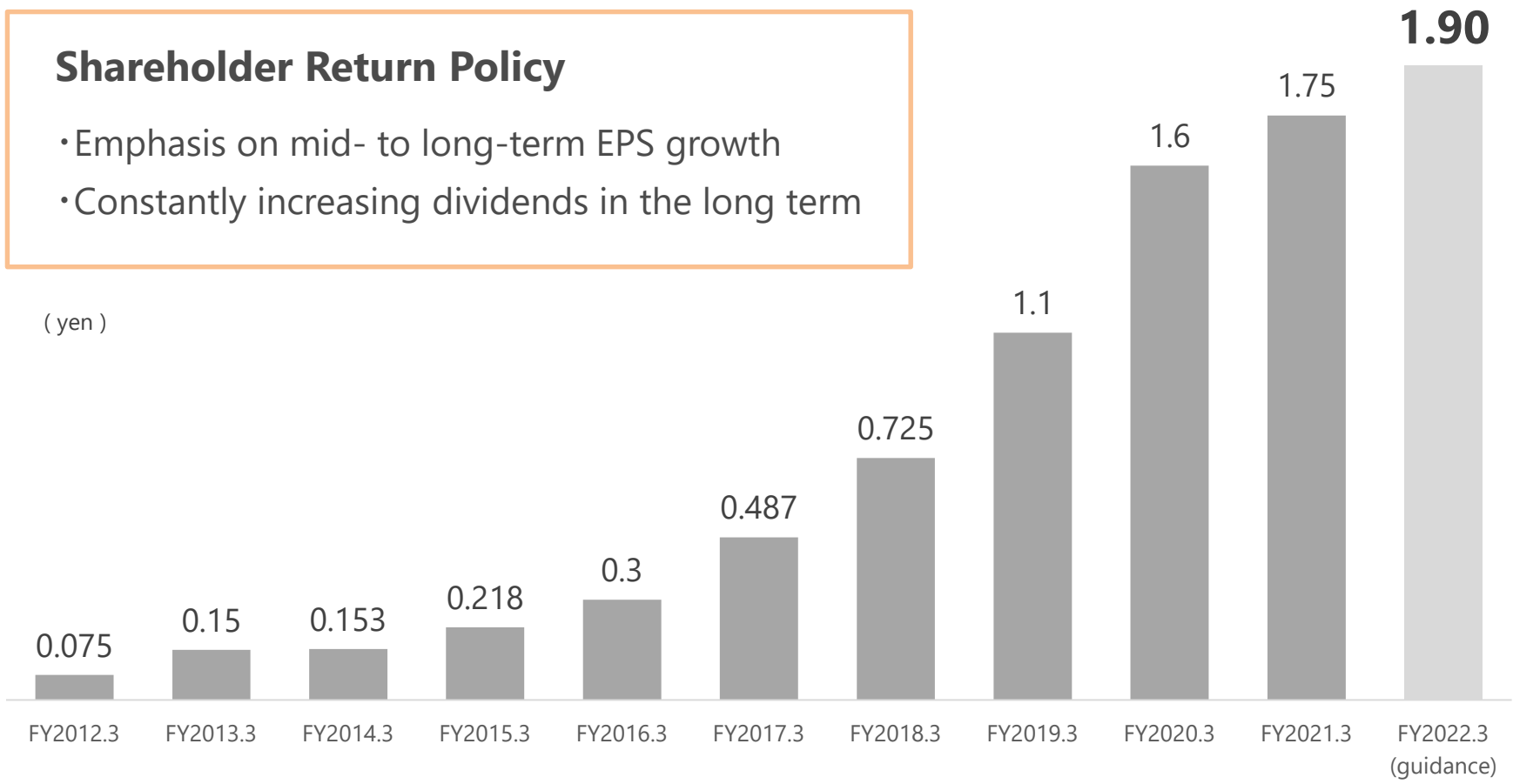


# 【KPIs】Shareholder Returns

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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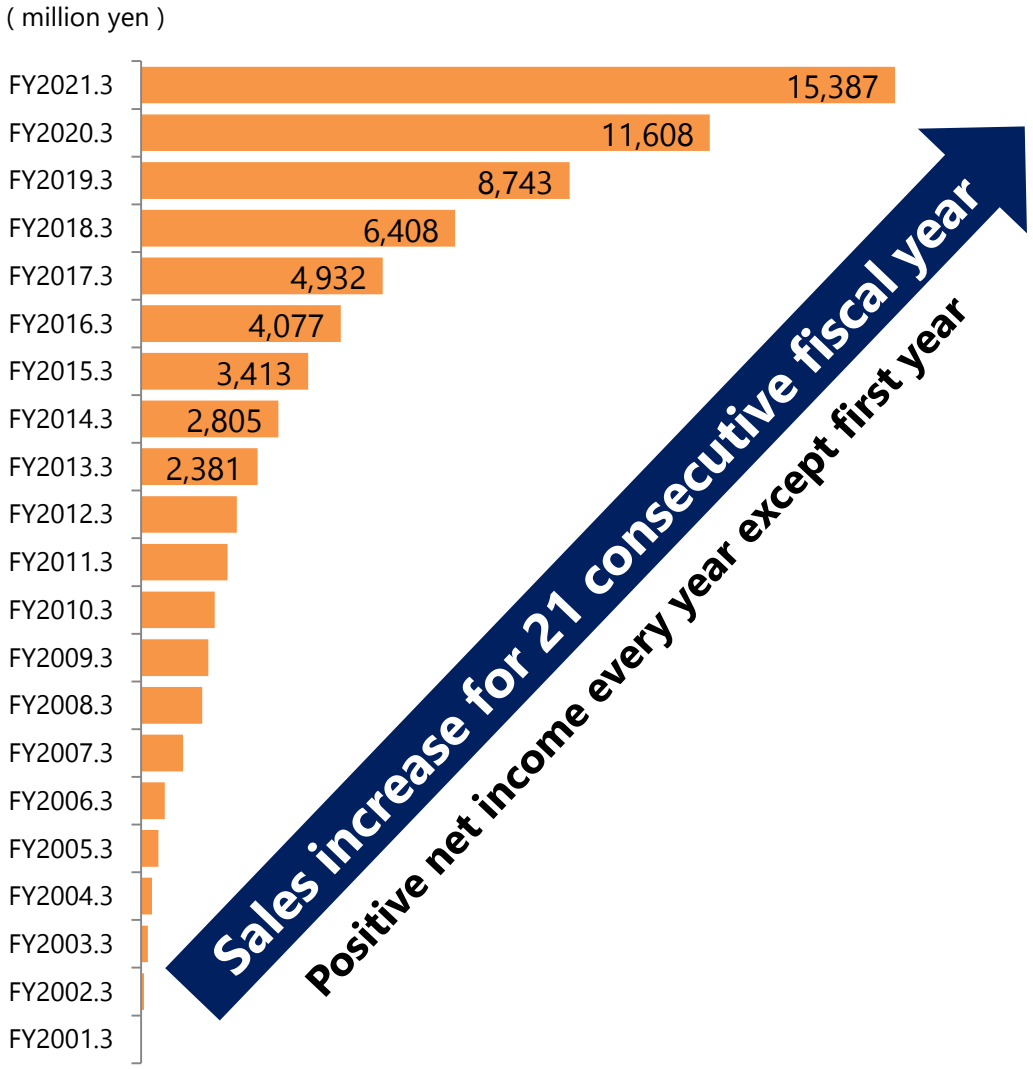
# Appendix

# History




Changed to First Section of the Tokyo Stock Exchange

Blaynmail consolidated as subsidiary

Listed on Mothers

Subsidiary established in Vietnam, Sell US subsidiary

Rakuraku meisai launched

Subsidiary established in the US

Corporate name changed
Raku Raku Seisan launched

Raku Raku Hambai 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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# Sales of the Cloud Business by Service

( 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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# LTV of the Cloud Business by Service

( 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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# Raku Raku Seisan

## 楽楽精算

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

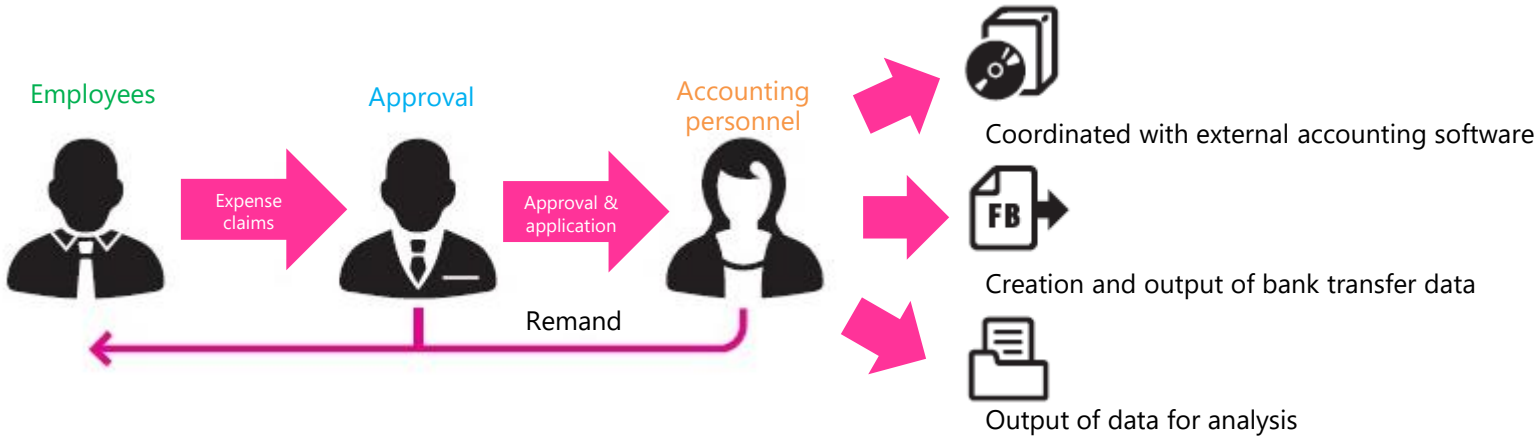
Main customers：Companies with 50 to 1,000 employees（all industries）

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



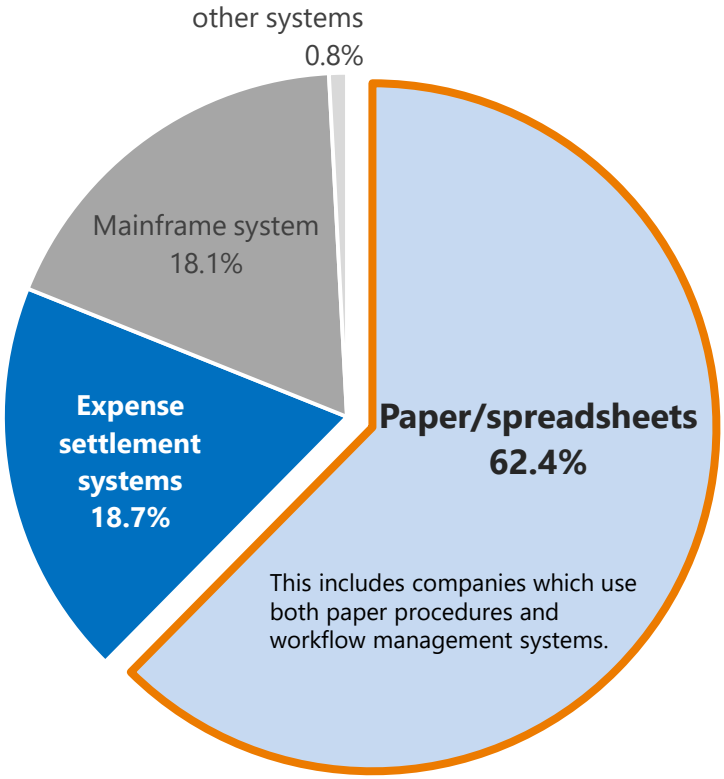
# Target Market for the Cloud-based Expense Settlement Systems

**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 SMEs 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, 2021.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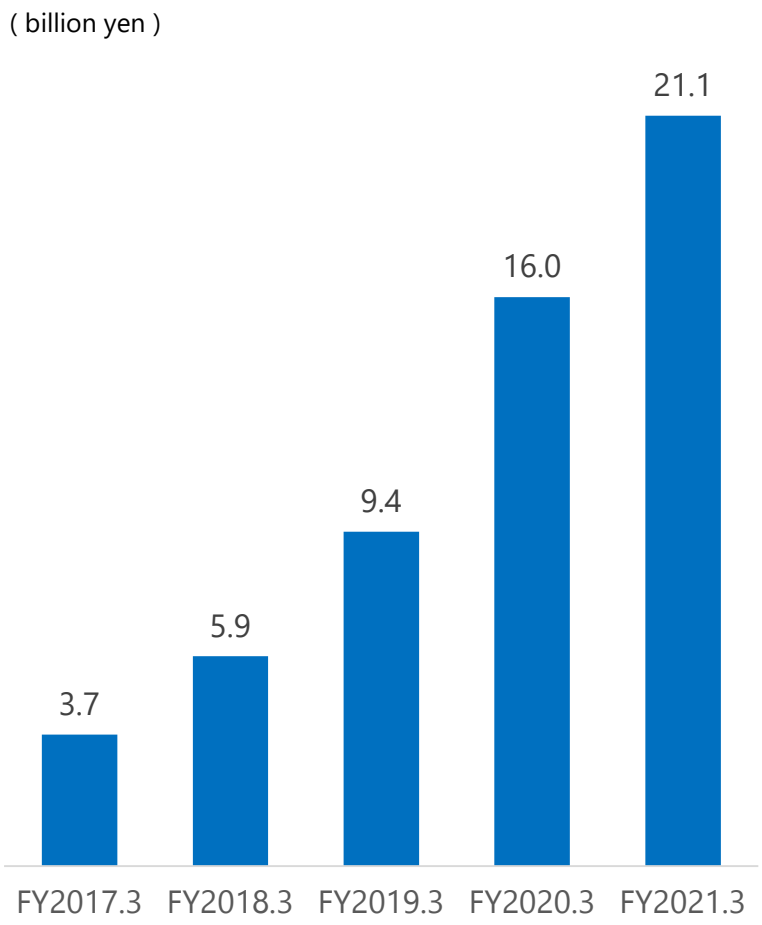
# The Market for Cloud-based Expense Settlement Systems

Source：Our own survey based on various data

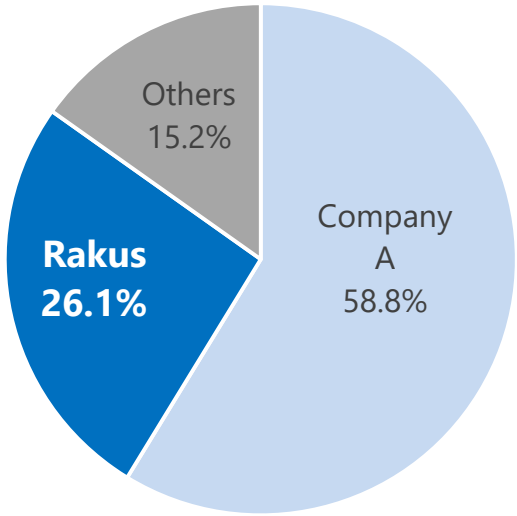
## The market for cloud-based expense settlement in Japan




## Ranking of cloud-based expense settlement (As of December 2020)

| | | |
|---|---|---|
| **1** | **Rakus** 楽楽精算 | **7,340** companies |
| 2 | Company A | 1,200 companies |
| 3 | Company B | 770 companies |
| 4 | Company C | 220 companies |

## Market shares based on sales value




* Company A 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

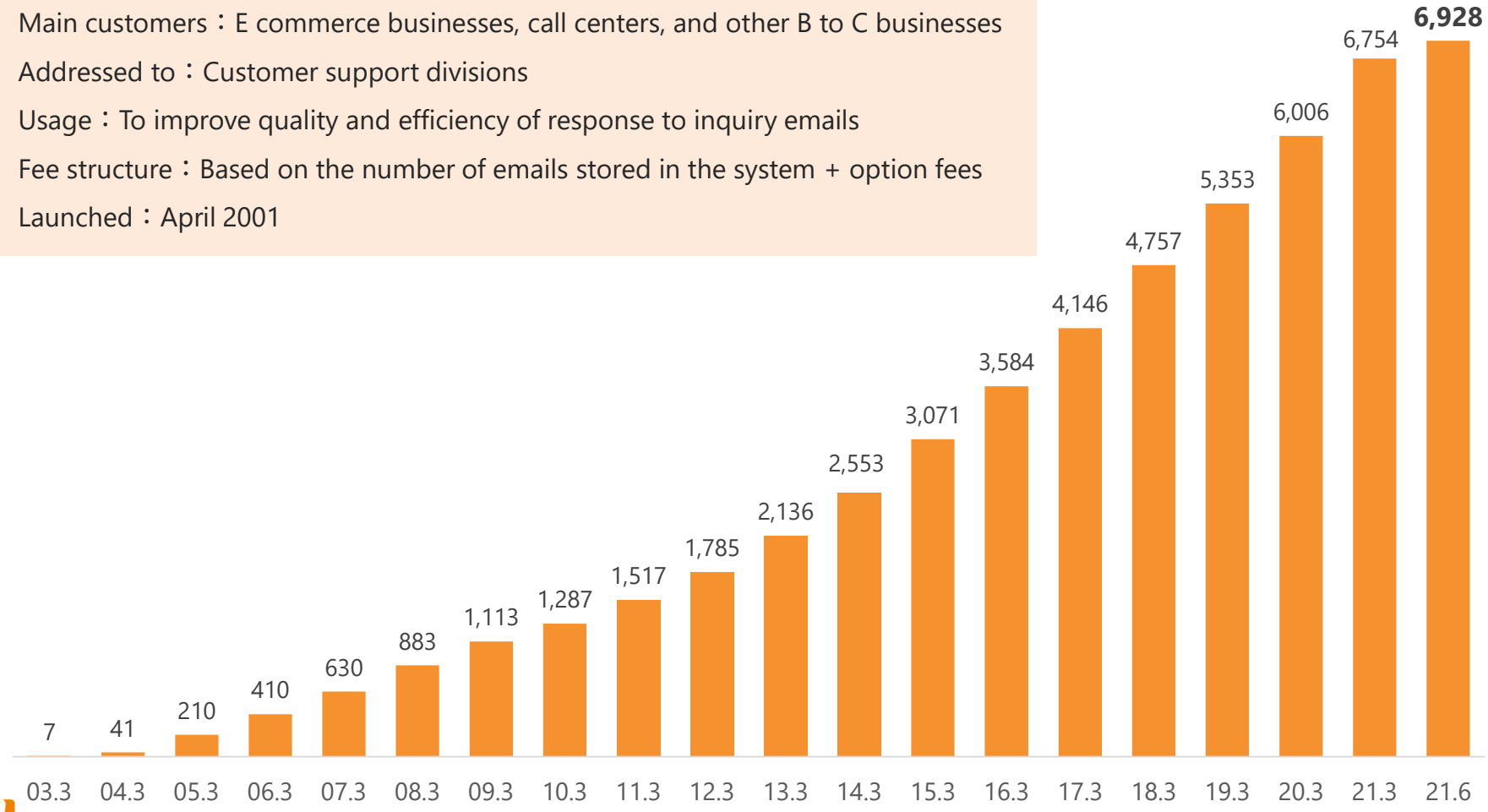
Main customers：E commerce businesses, call centers, and other B to C businesses

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

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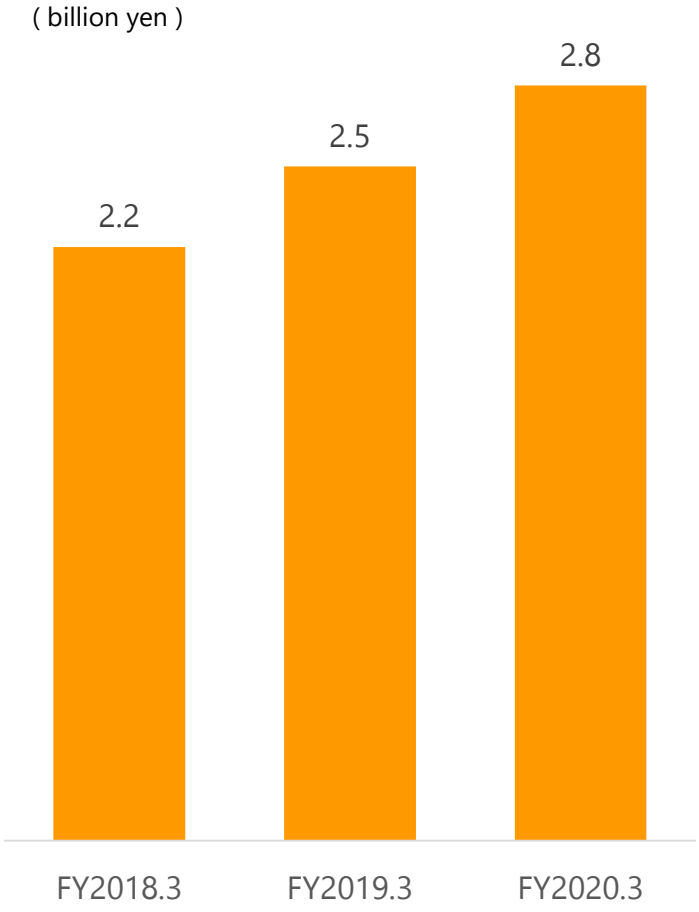
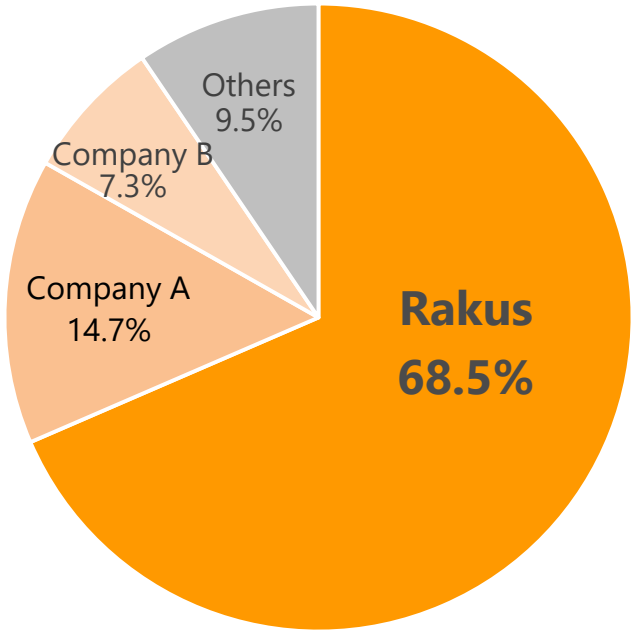
# The market for cloud-based Mail processing

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

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# Cumulative Number of Companies Using Hai Hai Mail

配配メール

Product outline：Email distribution system

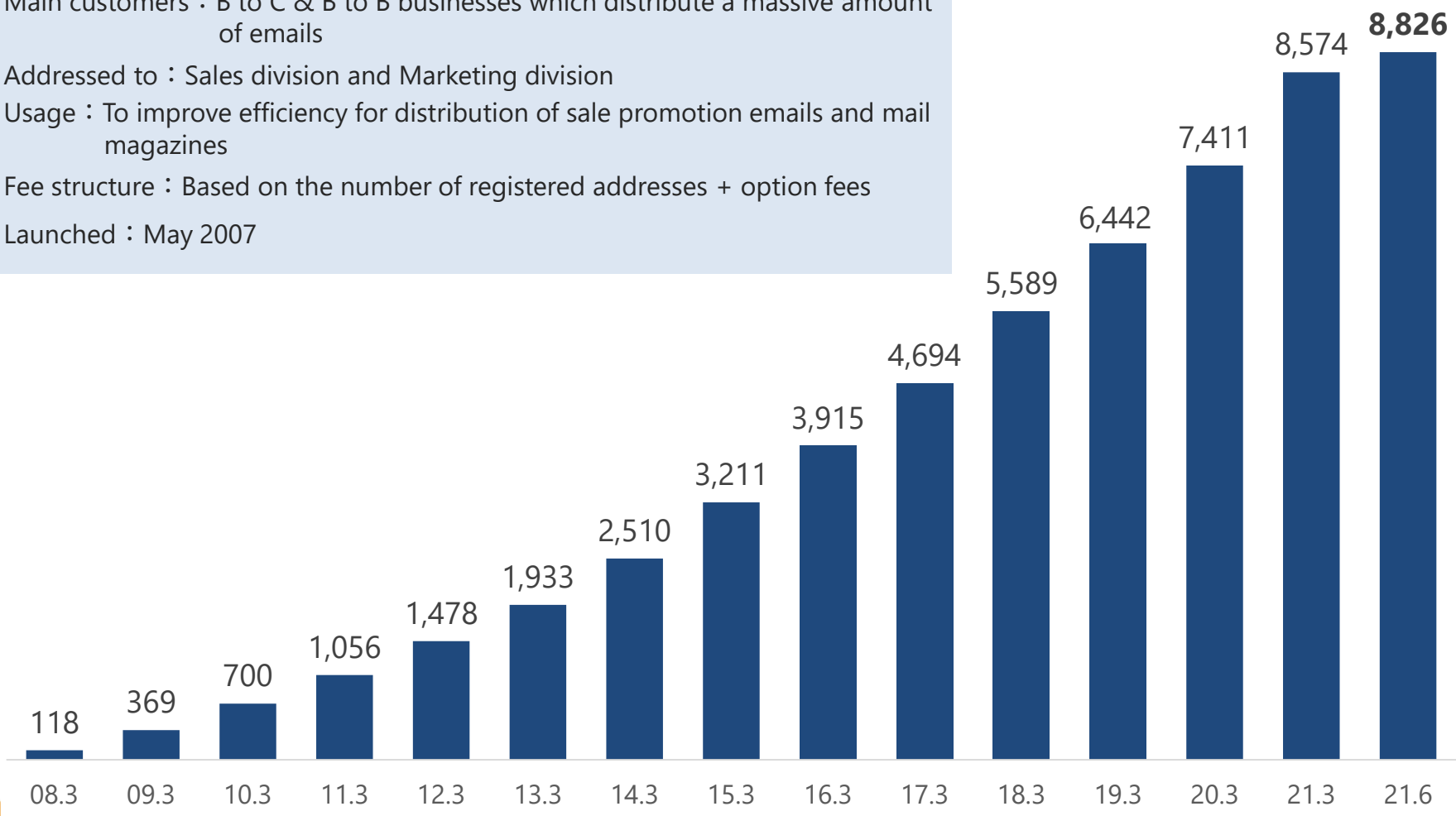
Main customers：B to C & B to B businesses which distribute a massive amount of emails

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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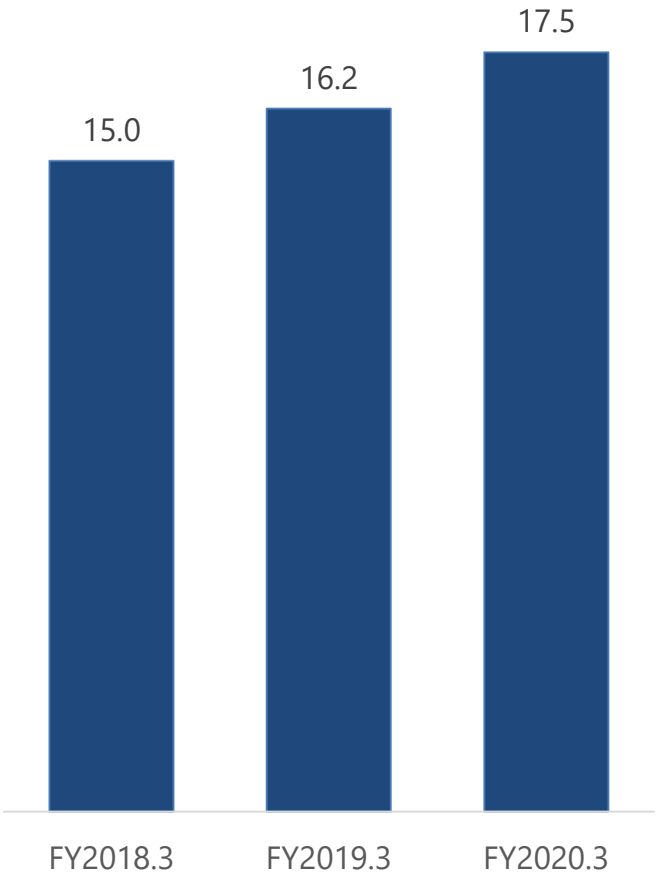
# The Market for Cloud-based Email Distribution Systems

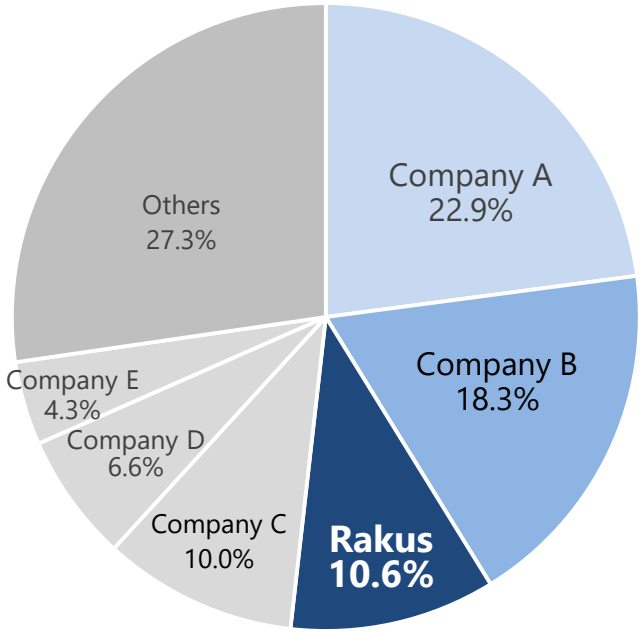
Source：Our own survey based on various data (As of December 2020)

**The Market for Cloud-based Email Distribution Systems in Japan**

( 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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# Cumulative Number of Companies Using Raku Raku Hambai

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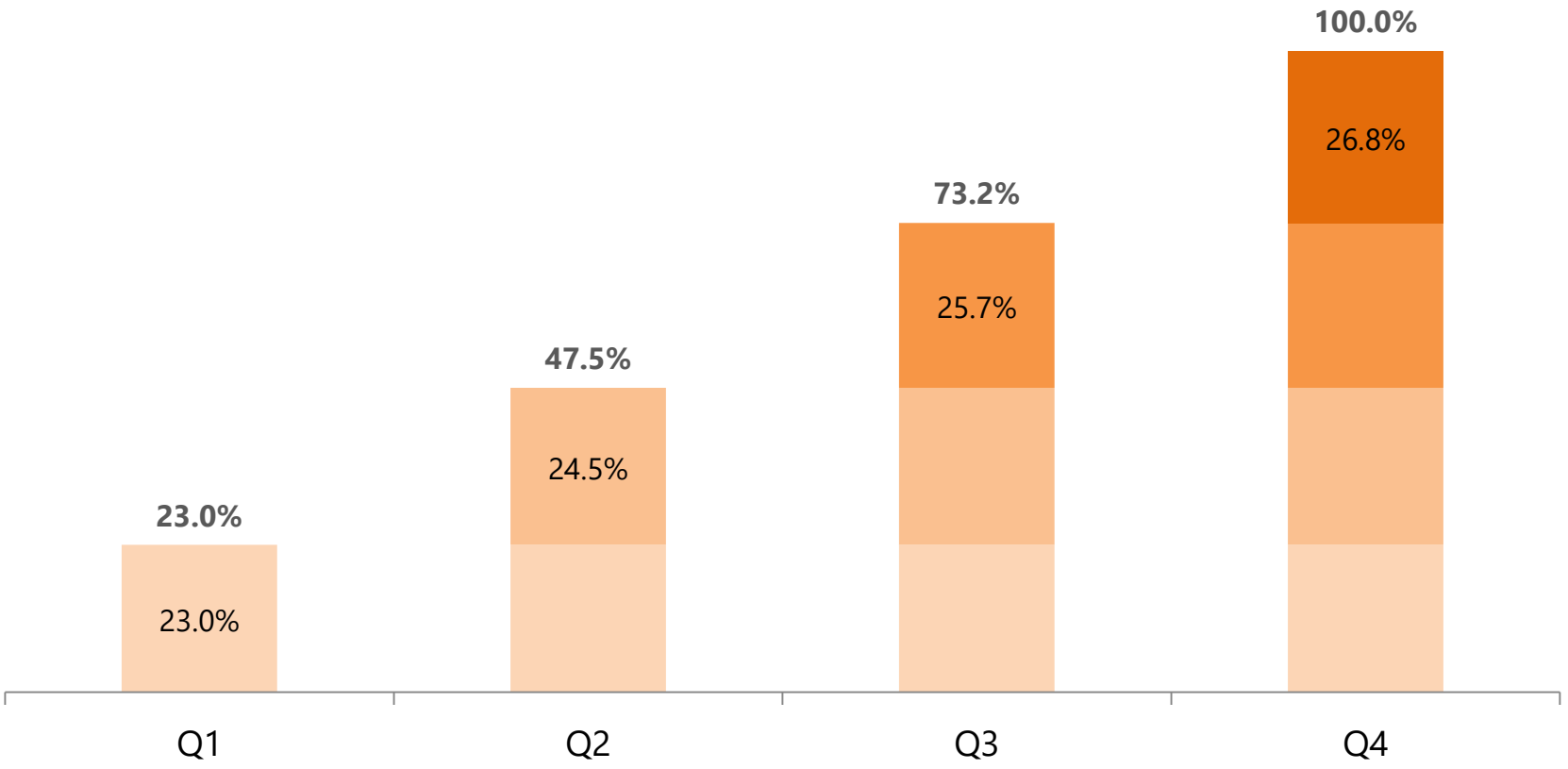
# 【 Cloud Business 】Concept Image of Sales Generated throughout a Year

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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