# Earnings Results of the fiscal year ended March 2022

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

May 13, 2022

# Request For 1on1 Meeting

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Please select your preferred date and time from the URL below.

https://app.msetsu.com/interviews/HKvbnWvg

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# Key points

## Consolidated Results of FY2022.3

- Significant decrease in profit due to active investment , but sales growth rate accelerated.
- Net sales exceeded the plan due to stronger-than-expected effects of strengthened investment.
- Solid start toward achieving Medium-Term Management Targets.

## Cloud Business

- Significant increase in sales but decline in profit due to active investment as planned.
- Maintained high growth in main services due to the effect of active investment.

## IT Outsourcing Business

- Achieved significant increase in sales by proactively increasing the number of employees to meet strong needs.

## Guidance for FY2023.3

- Based on the results for the fiscal year ended March 31, 2022, the lower limit of the sales CAGR for the Medium-Term Management Targets has been revised upward to 26%.
- Operating profit  is expected to bottom out in the fiscal year ending March 31, 2023, and to increase from the fiscal year ending March 31, 2024 onward.
- Planning to continue to invest in order to achieve a sales CAGR of 30%.
- Planning to increase dividends for the 11th year in a row, in line with the Company's policy of increasing dividends every fiscal year.

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# Consolidated Results of the fiscal year ended March 2022

# Summary of Consolidated Results of FY2022.3

Significant decrease in profit due to active investment , but sales growth rate accelerated.
Solid start toward achieving Medium-Term Management Targets.

| | | Year on Year |
|---|---|---|
| **Net Sales** | **20,629 million** | **+34.1%** |
| **Operating Profit** | **1,578 million** | **-59.5%** |
| **Ordinary Profit** | **1,595 million** | **-58.9%** |
| **EBITDA** | **2,158 million** | **-50.3%** |
| **Profit attributable to owners of parent** | **1,078 million** | **-63.3%** |

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

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# Outline of the Consolidated Results of FY2022.3

Net sales exceeded the plan due to stronger-than-expected effects of strengthened investment.

( million yen )

| | FY2021.3 (Results) | FY2022.3 (Guidance) | FY2022.3 (Results) | YoY (Amount) | YoY (%) | Against Guidance (%) |
|---|---|---|---|---|---|---|
| **Net Sales** | **15,387** | **20,387** | **20,629** | **5,241** | **134.1%** | **101.2%** |
| Cost of sales | 5,030 | 6,762 | 6,598 | 1,568 | 131.2% | 97.6% |
| Gross profit | 10,357 | 13,625 | 14,030 | 3,672 | 135.5% | 103.0% |
| GP margin | 67.3% | 66.8% | 68.0% | | | |
| SG&A | 6,459 | 12,284 | 12,452 | 5,993 | 192.8% | 101.4% |
| **Operating profit** | **3,898** | **1,341** | **1,578** | **-2,320** | **40.5%** | **117.7%** |
| OP margin | 25.3% | 6.6% | 7.7% | | | |
| **Ordinary profit** | **3,881** | **1,351** | **1,595** | **-2,285** | **41.1%** | **118.1%** |
| Ordinary profit margin | 25.2% | 6.6% | 7.7% | | | |
| **EBITDA** | **4,346** | **1,920** | **2,158** | **-2,188** | **49.7%** | **112.4%** |
| EBITDA margin | 28.2% | 9.4% | 10.5% | | | |
| Income tax | 1,150 | 438 | 465 | -685 | | |
| Tax rate | 28.1% | 32.4% | 30.1% | | | |
| **Profit attributable to owners of parent** | **2,936** | **912** | **1,078** | **-1,858** | **36.7%** | **118.2%** |


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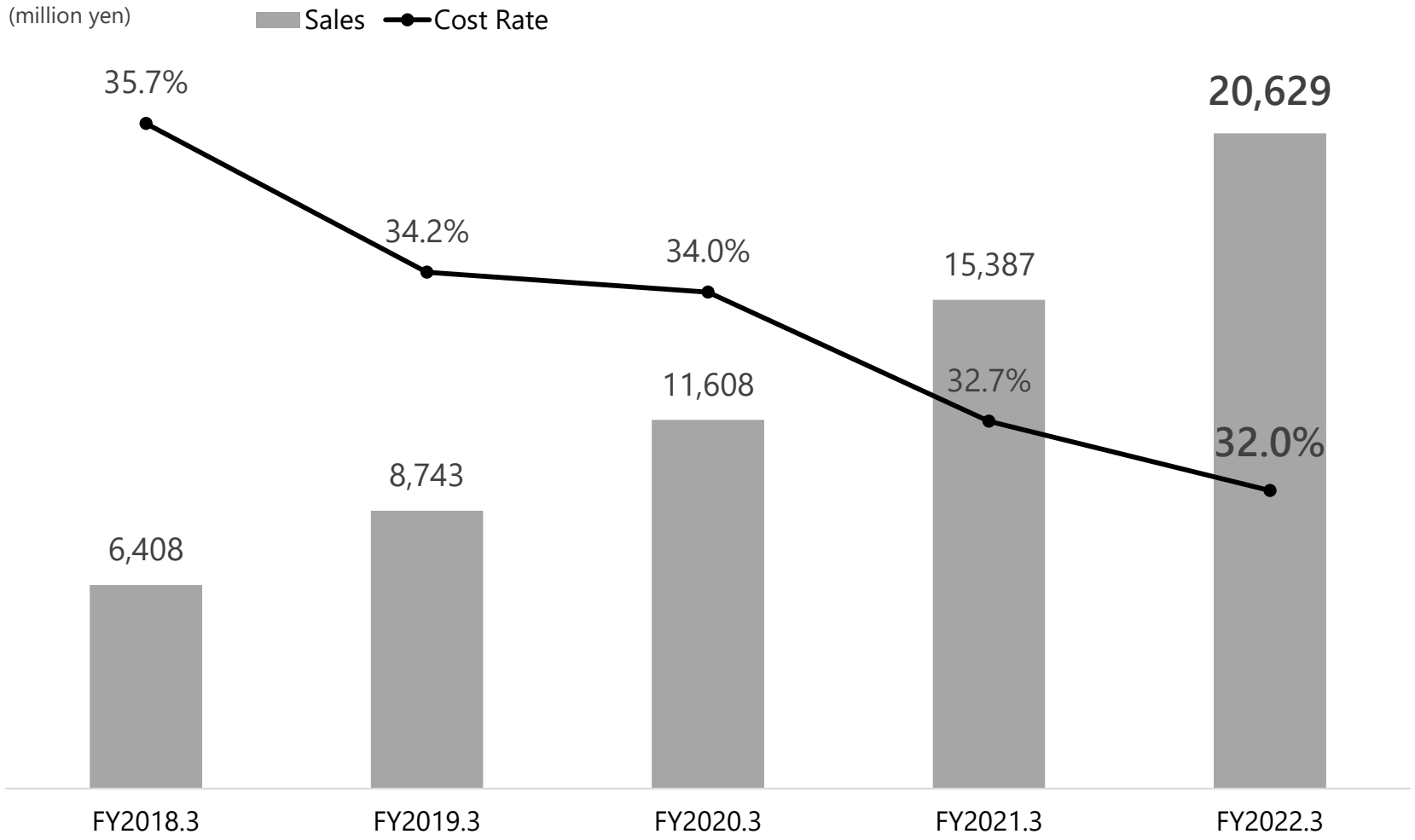
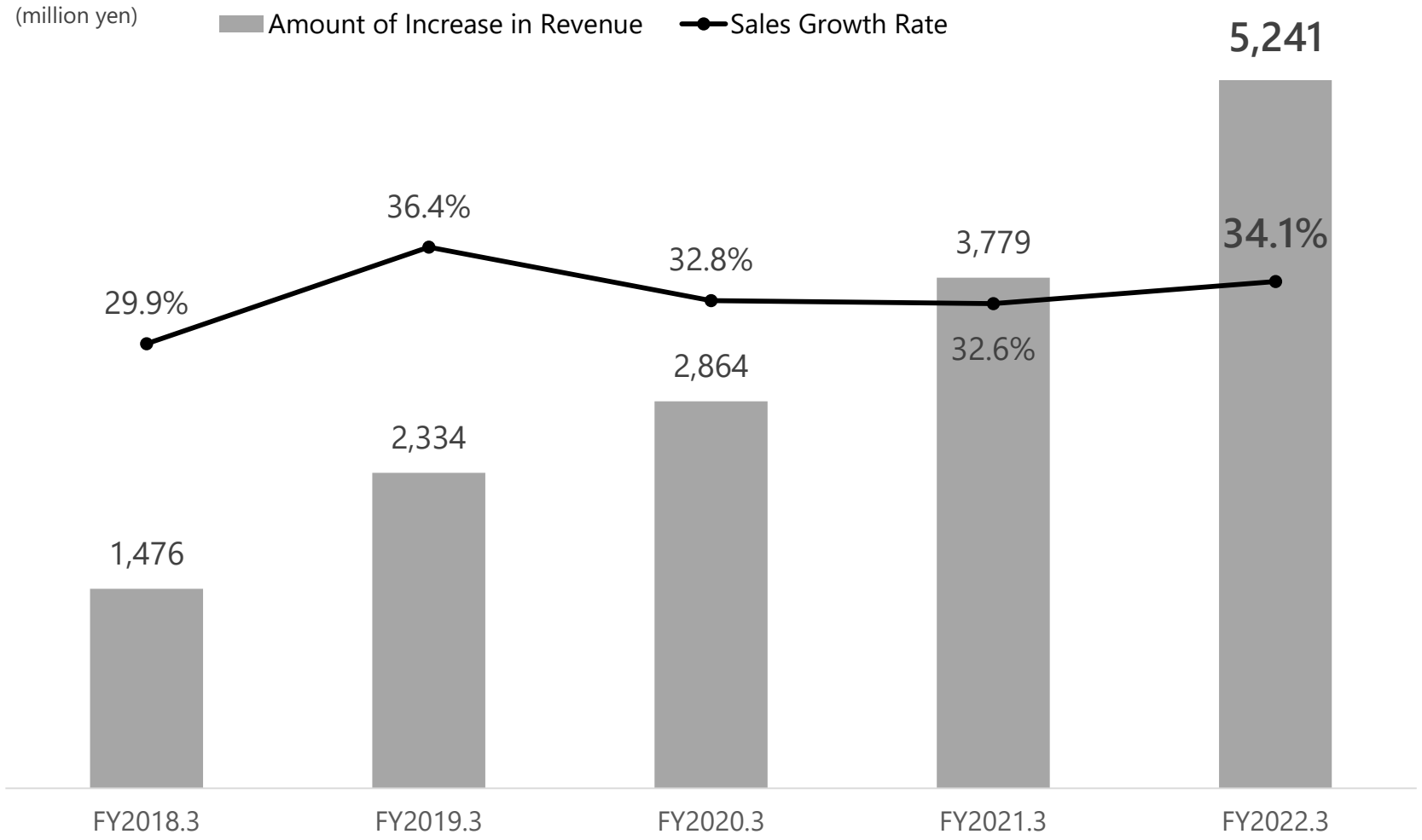
# Consolidated Sales and Cost Rate

Cost of sales ratio continued to decline, in accordance with the business model.



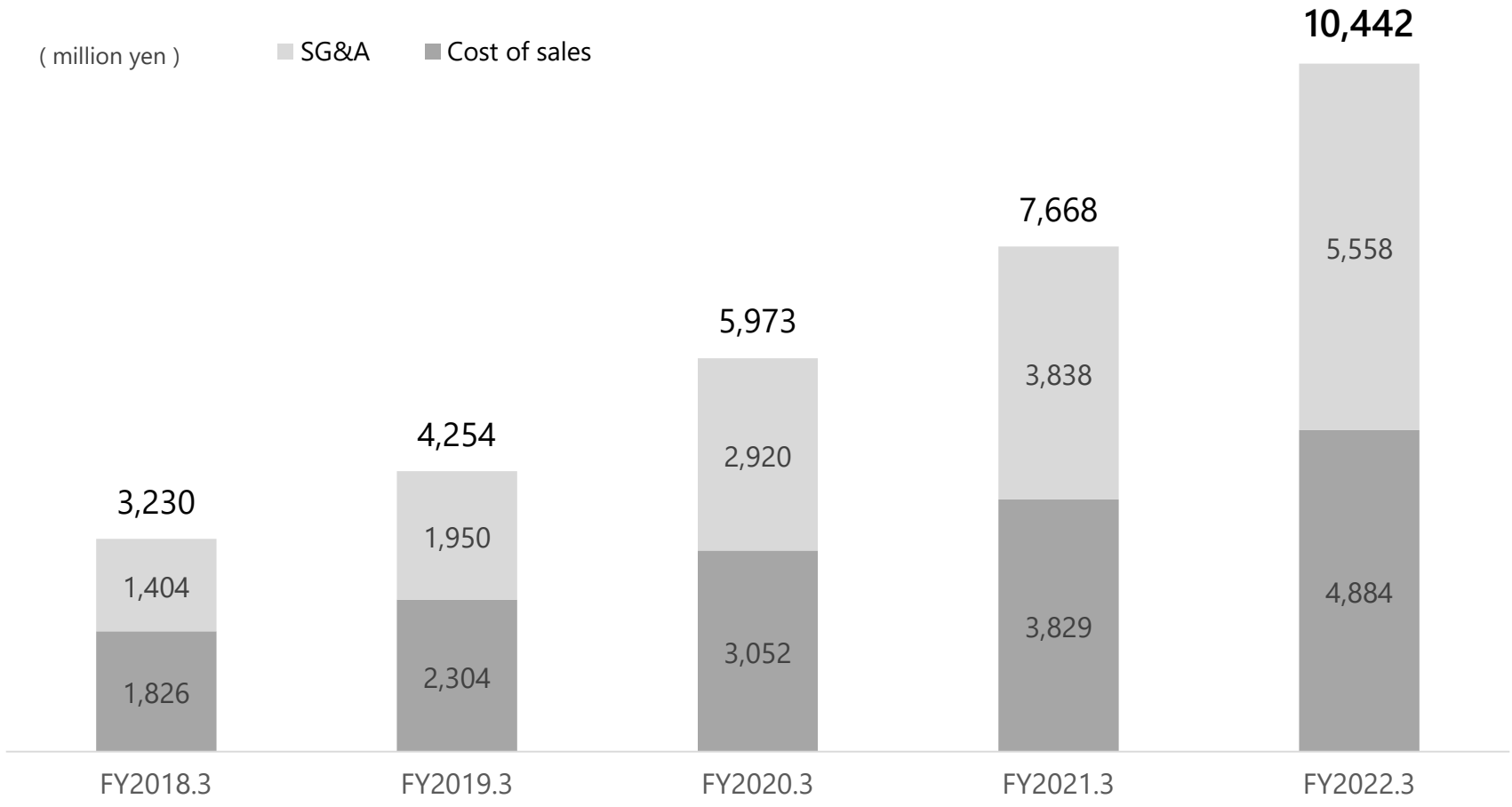
# Amount of Increase in Revenue and Sales Growth Rate

Active investment was successful, resulting in a significant increase in sales and acceleration of net sales growth rate.



# Personnel Costs

Although slightly short of the plan, there was a significant increase in personnel costs due to an increase of 490 employees.

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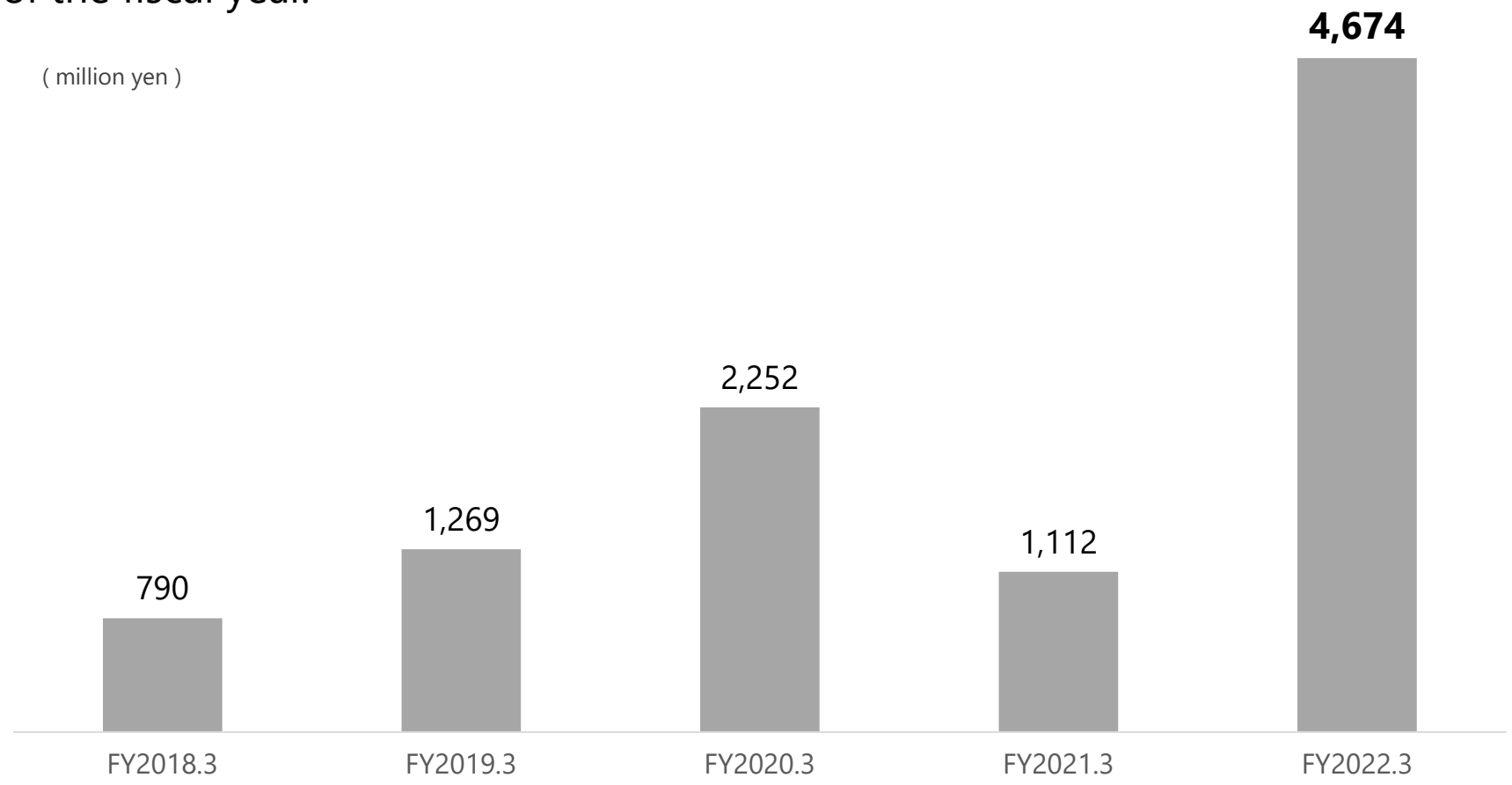
# Advertising Costs

Advertising costs increased significantly aiming to accelerate growth by winning more new orders.
Accelerated growth as investment effects became apparent in the second half of the fiscal year.

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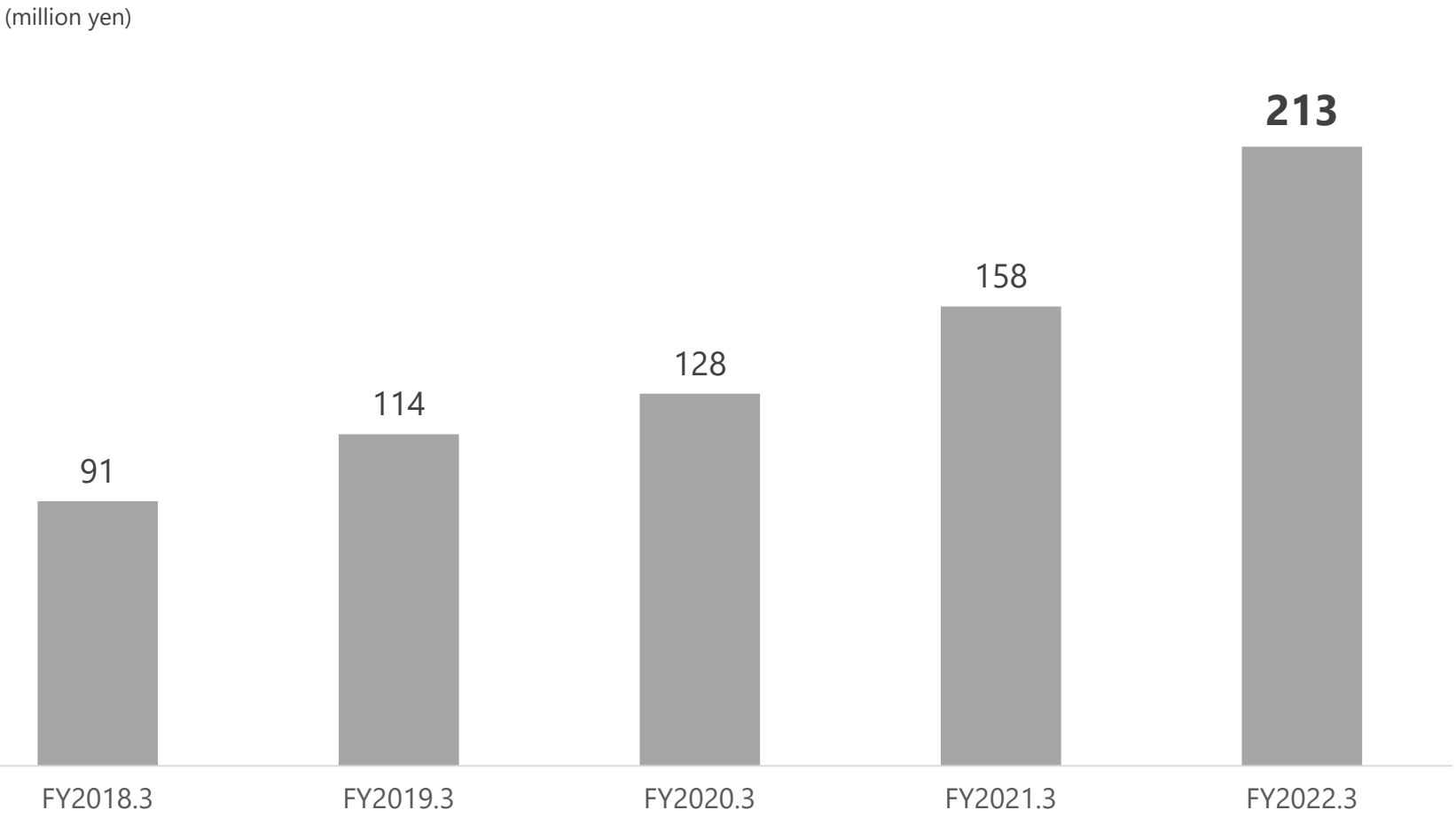
# Commissions Paid to Distributors

Orders through distributors are also increasing, leading to higher commissions.

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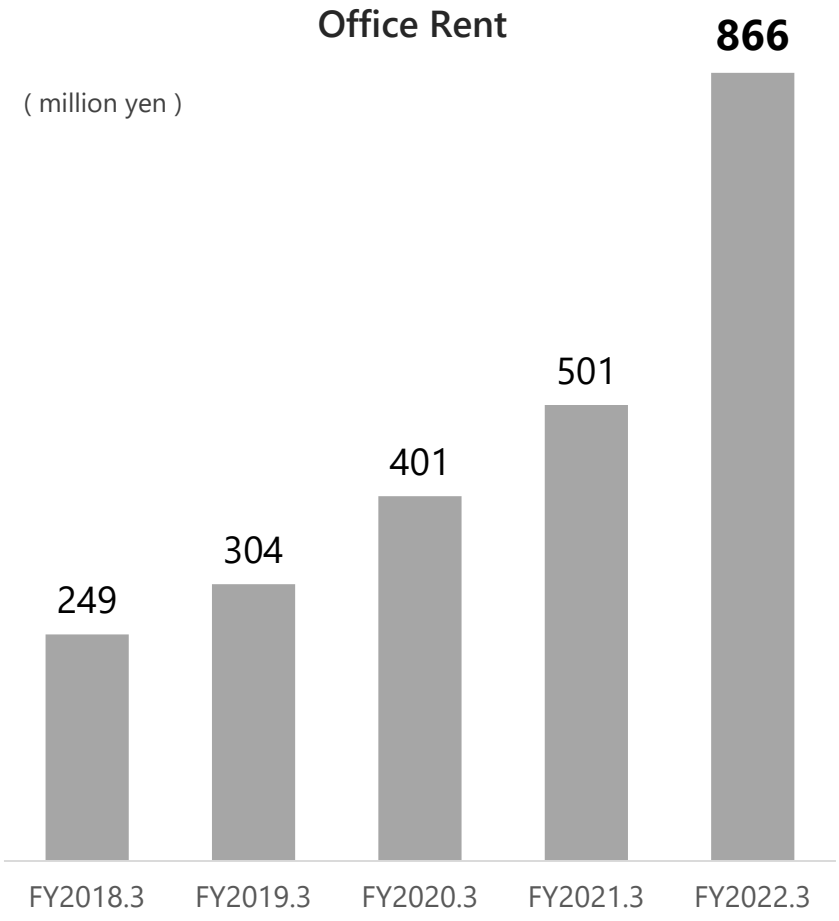
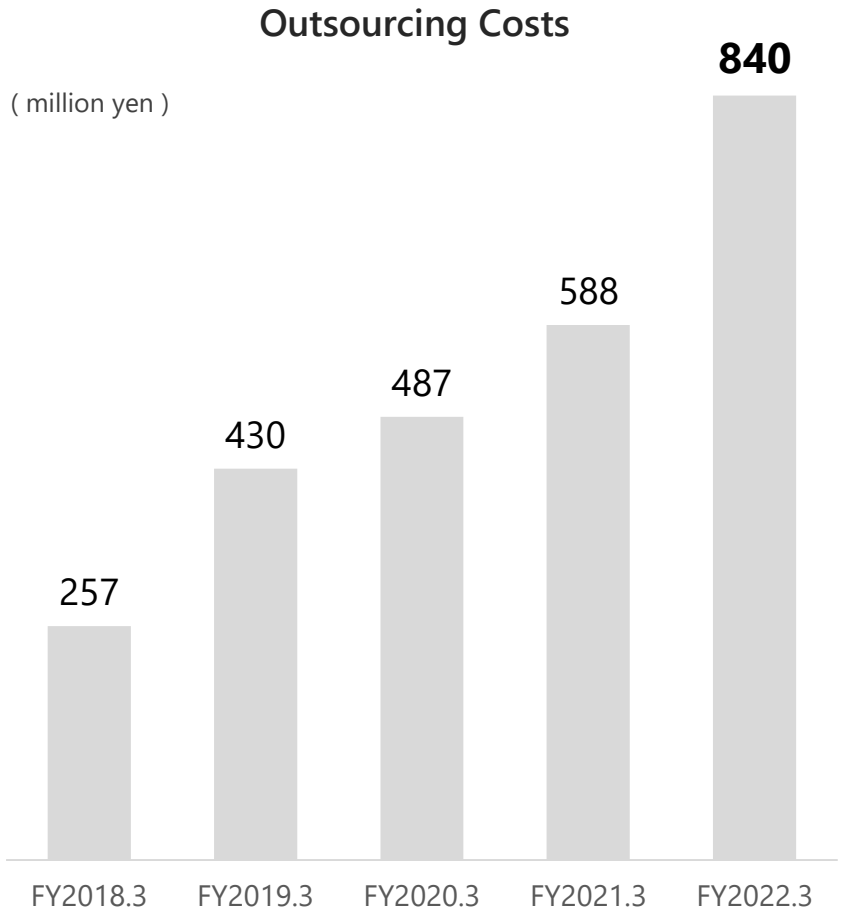
# Office Rent and Outsourcing Costs

Office rent and outsourcing costs increased due to business expansion.

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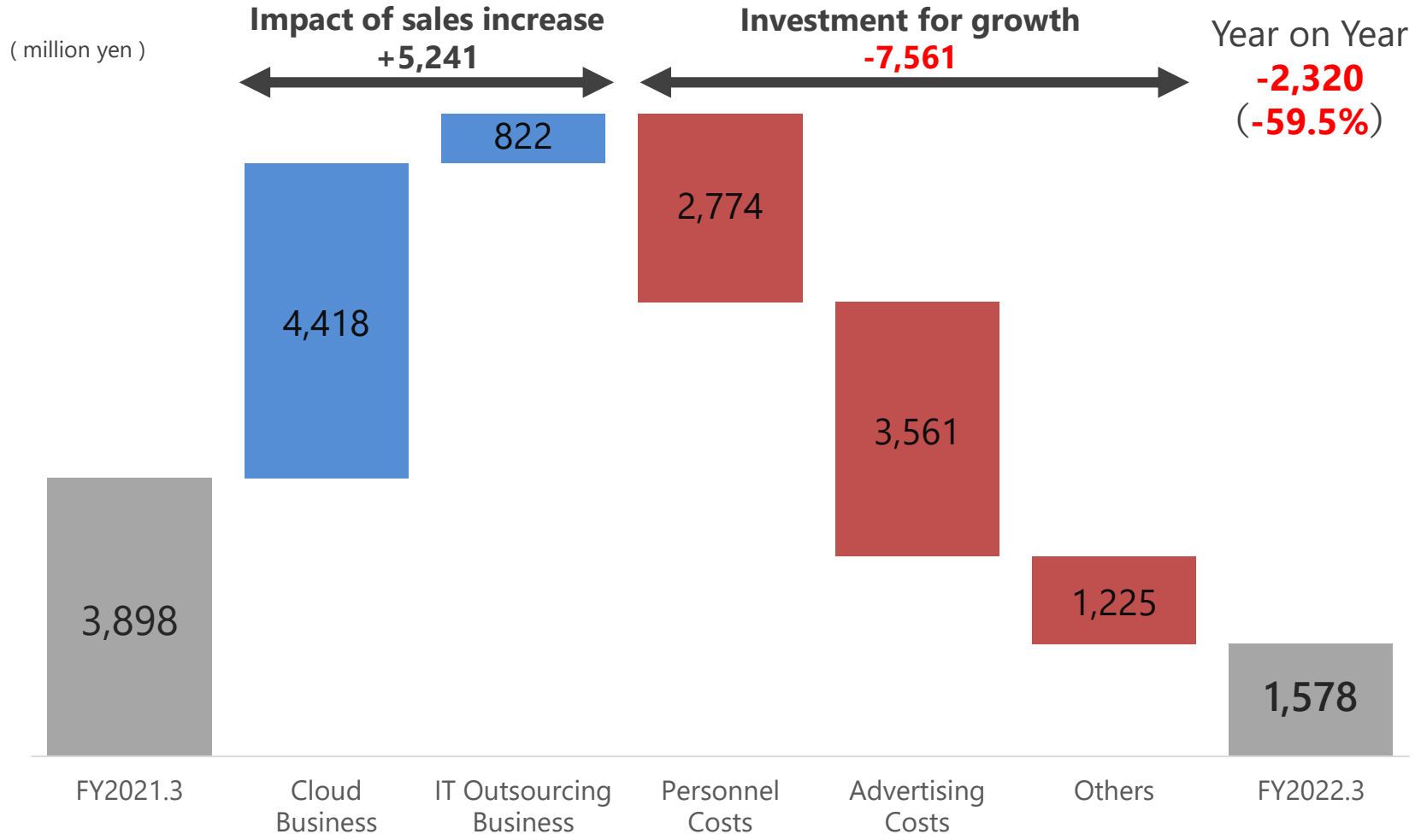
# Factors for Changes in Consolidated Operating Profit (Year on Year)

Significant increase in sales due to the effect of investment, but significant decrease in profit year on year.

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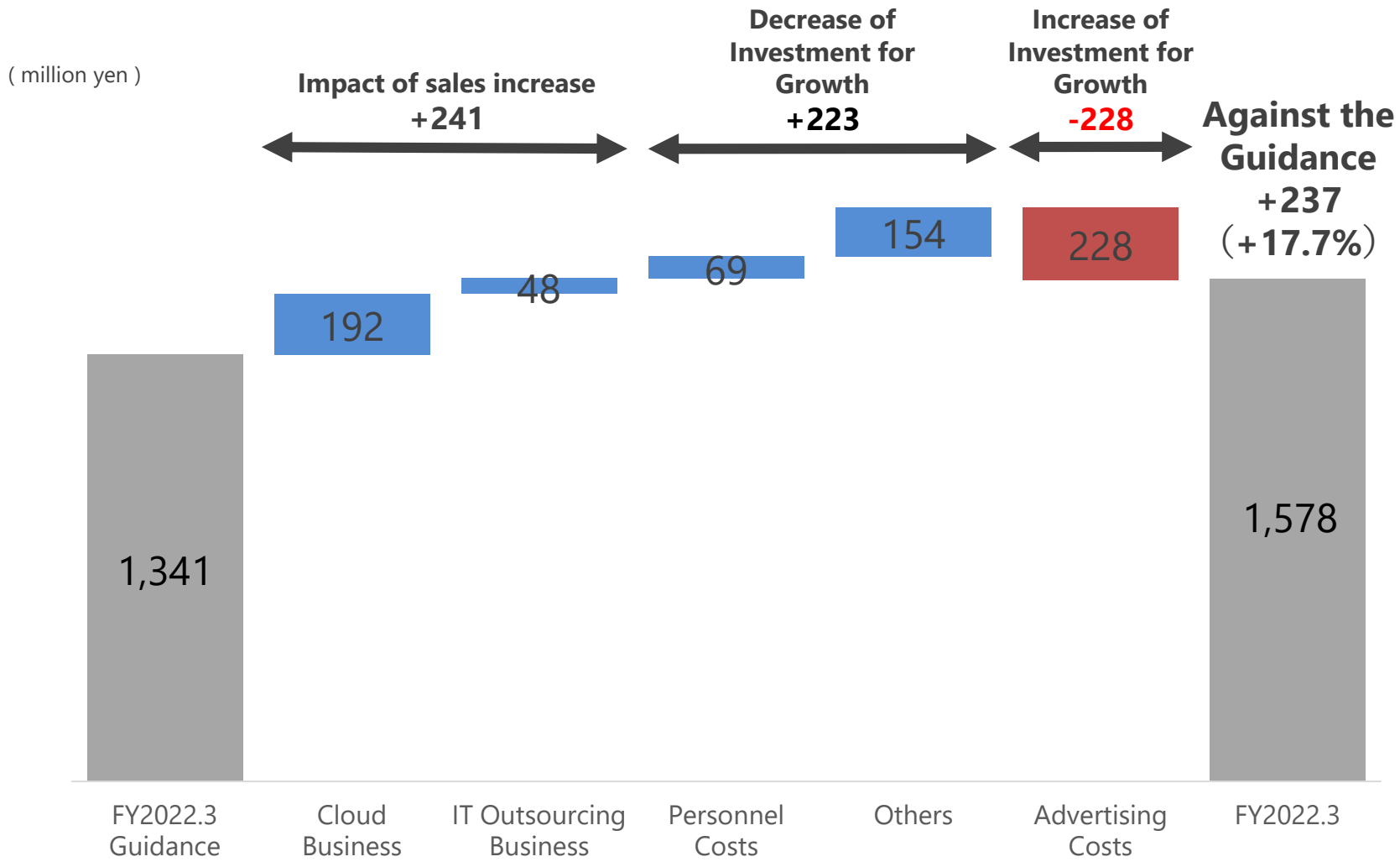
# Factors for Changes in Consolidated Operating Profit (Against the Guidance)

Despite there being unrecognized personnel costs and other expenses that were flexibly shifted to advertising costs, profit increased compared to the plan due to higher-than-expected increase in sales.

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# Consolidated Balance Sheet

( million yen )

| | End of March 2021 | End of March 2022 | Difference |
|---|---|---|---|
| Current assets | 8,580 | 8,419 | -161 |
| Non-current assets | 2,891 | 3,281 | 390 |
| **Total assets** | **11,471** | **11,700** | **229** |
| Current liabilities | 3,606 | 2,977 | -628 |
| Non-current liabilities | 22 | 106 | 83 |
| **Total liabilities** | **3,629** | **3,083** | **-545** |
| Shareholders' equity | 7,842 | 8,604 | 761 |
| Accumulated other comprehensive income | 0 | 13 | 13 |
| **Total equity** | **7,842** | **8,617** | **774** |
| **Total liabilities and equities** | **11,471** | **11,700** | **229** |
| **Equity ratio** | **68.4%** | **73.6%** | |


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# Cash Flow Statement

( million yen )

| | FY2021.3 | FY2022.3 | Difference |
|---|---|---|---|
| Cash flow from operating activities | **4,271** | **-11** | **-4,282** |
| Cash flow from investing activities | **-432** | **-877** | **-445** |
| Free cash flow | **3,839** | **-888** | **-4,727** |
| Cash flow from financing activities | **-303** | **-295** | **8** |
| Cash and cash equivalent at the end of the fiscal year | **6,035** | **4,861** | **-1,174** |

| | | | |
|---|---|---|---|
| Depreciation | **301** *1 | **399** *2 | **98** |
| Amortization of goodwill | **163** | **163** | **0** |

*1 301 million yen of depreciation includes 73 million yen of amortization of customers' assets acquired through M&A.
*2 399 million yen of depreciation includes 73 million yen of amortization of customers' assets acquired through M&A.

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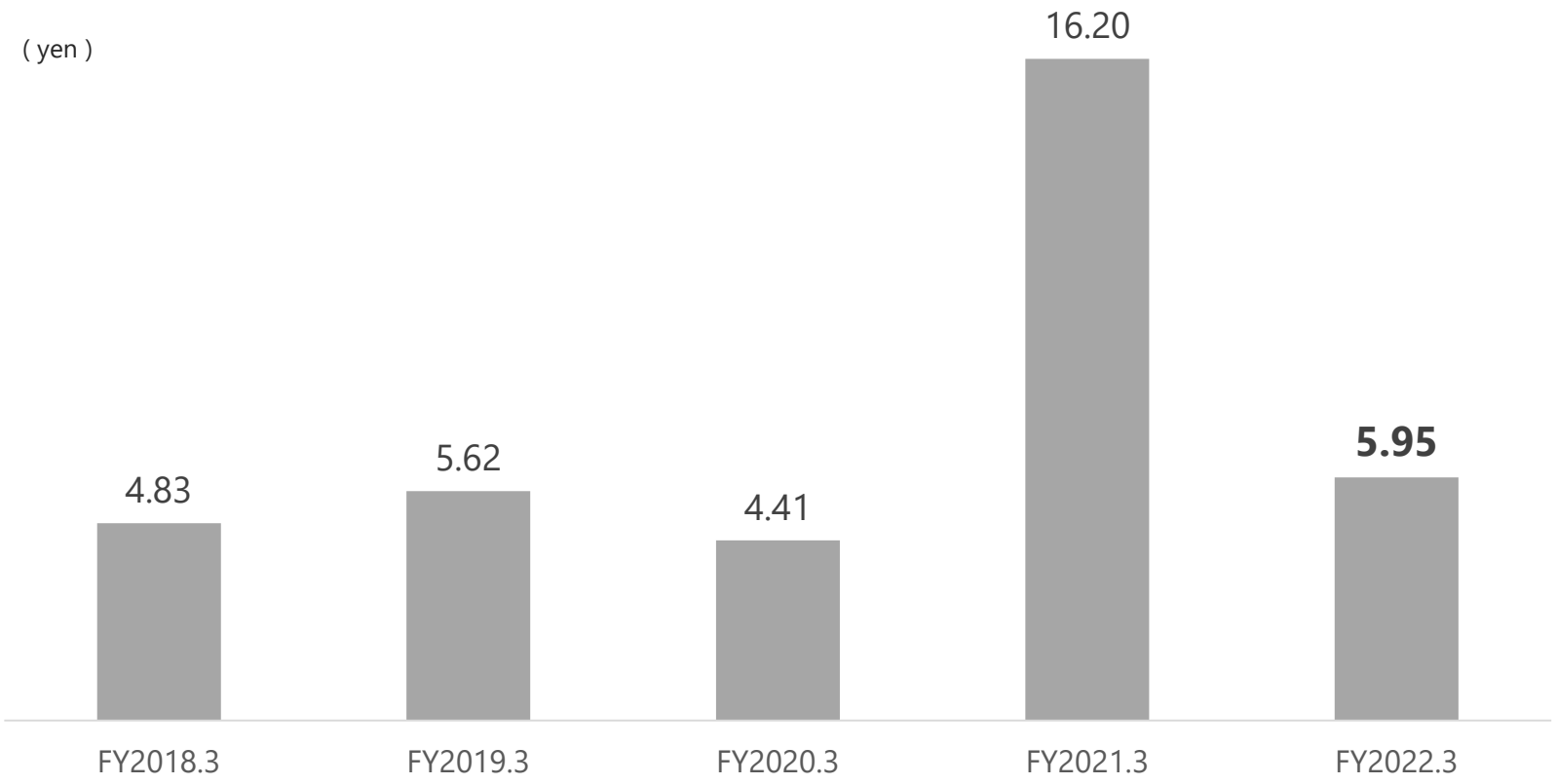
# 【KPI】EPS

EPS declined due to increased investments in line with the medium- to long-term EPS maximization policy.




* Figures are after share split adjustment.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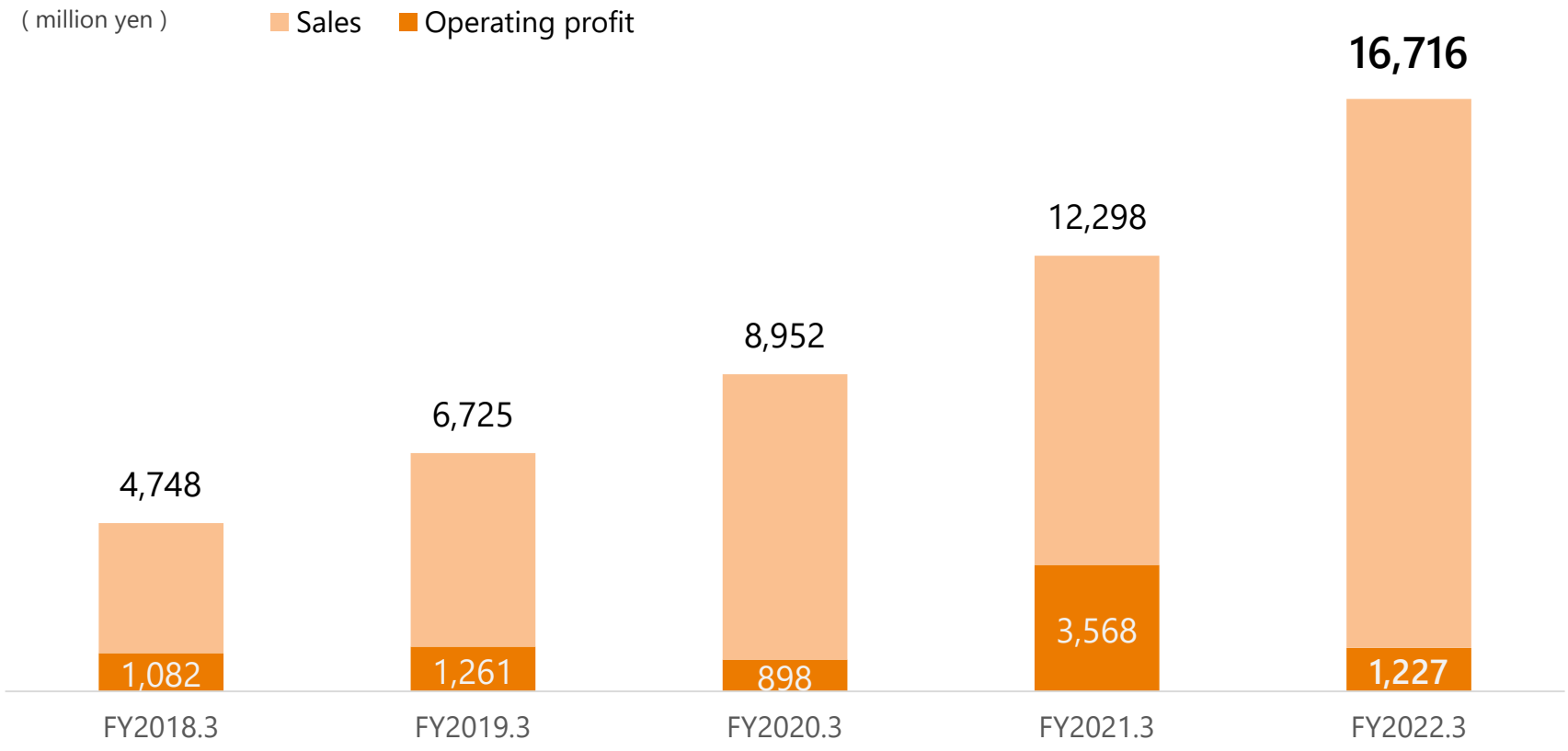
# Cloud Business

# Performance of the Cloud Business

Significant increase in sales but decline in profit due to active investment as planned.




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

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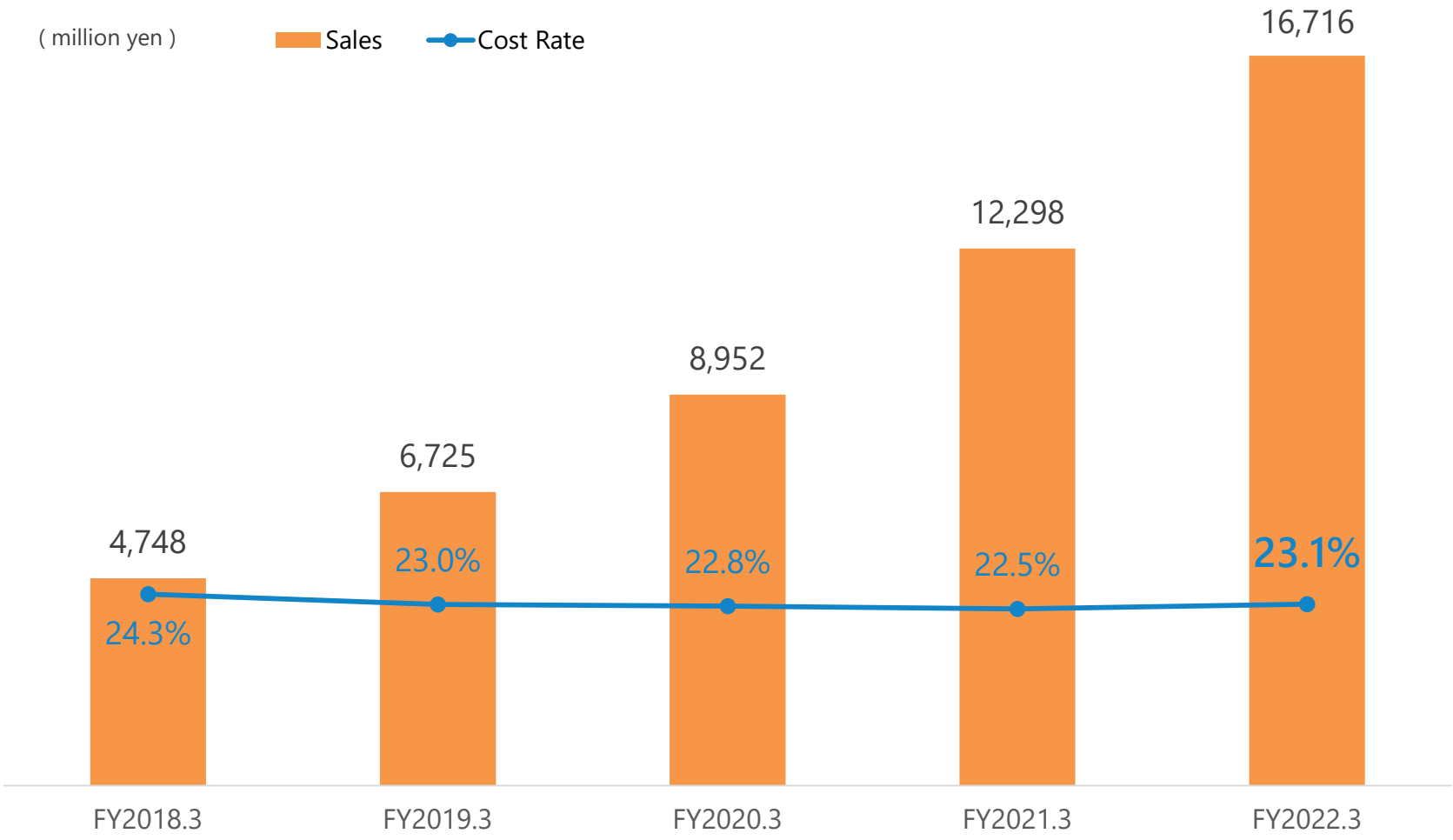
# Sales and Cost Rate (Cloud Business)

Cost of sales ratio remained stable at a low level while maximizing LTV and investing.

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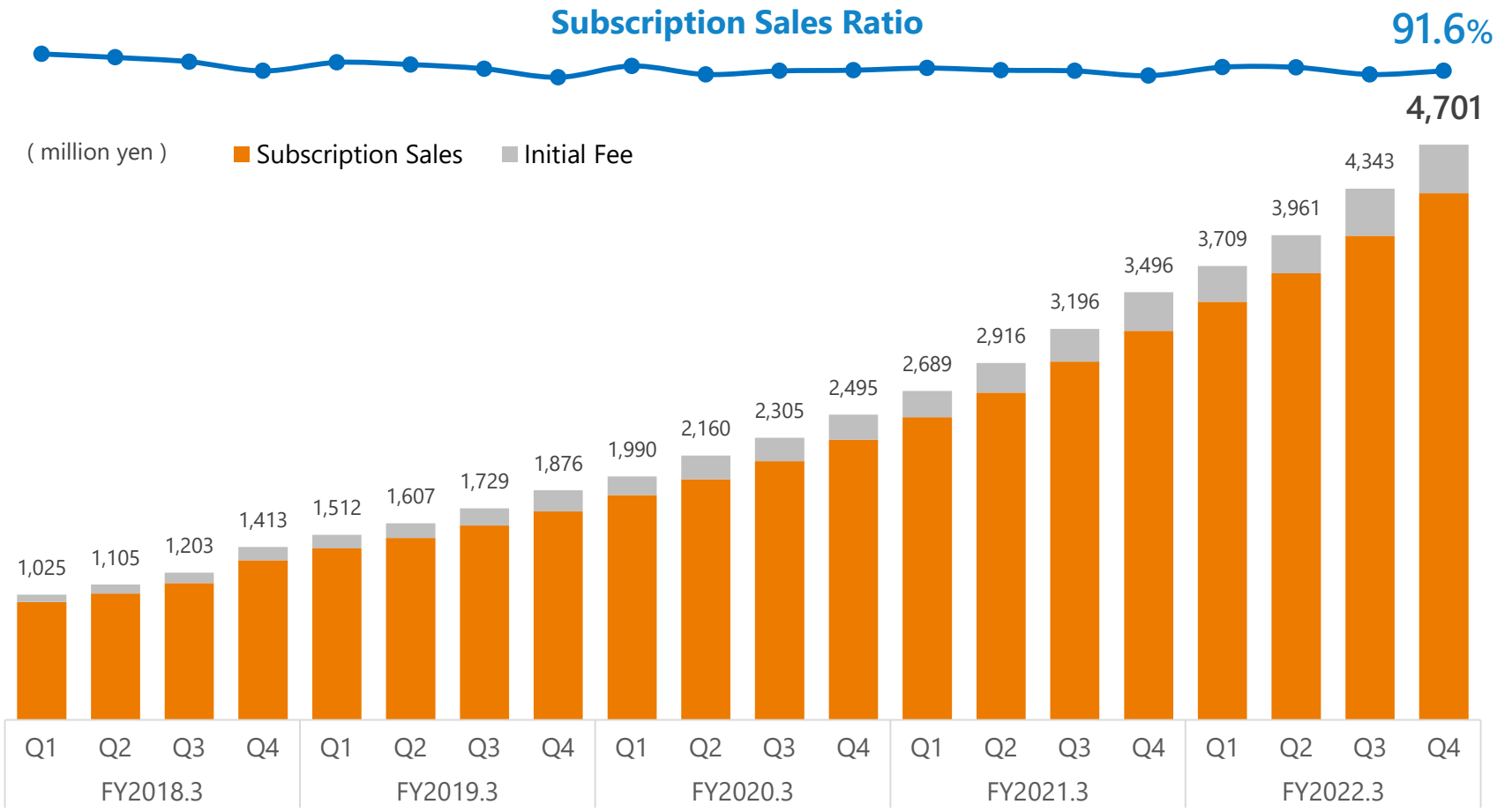
# Subscription Sales of the Cloud Business

Steady growth in subscription sales, maintaining a high level of subscription sales ratio.

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# Sales of the Cloud Business by Service

## Maintained high growth in main services due to the effect of active investment.

( million yen )

| | | FY2018.3 | FY2019.3 | FY2020.3 | FY2021.3 | FY2022.3 |
|---|---|---|---|---|---|---|
| Raku Raku Seisan | **Sales** | **1,601** | **2,579** | **3,935** | **5,559** | **7,658** |
| | YoY | 63.8% | 61.1% | 52.6% | 41.3% | 37.7% |
| Raku Raku Meisai | **Sales** | **149** | **326** | **552** | **1,177** | **2,260** |
| | YoY | 113.9% | 118.4% | 68.8% | 113.3% | 92.0% |
| Raku Raku Hambai | **Sales** | **445** | **598** | **866** | **1,281** | **1,867** |
| | YoY | 29.8% | 34.4% | 44.9% | 47.8% | 45.7% |
| E-mail distribution services | **Sales** | **939** | **1,410** | **1,573** | **1,963** | **2,367** |
| | YoY | 42.8% | 50.2% | 11.6% | 24.8% | 20.6% |
| Mail Dealer | **Sales** | **1,339** | **1,538** | **1,732** | **1,979** | **2,178** |
| | YoY | 17.3% | 14.9% | 12.7% | 14.2% | 10.1% |
| Others | **Sales** | **274** | **273** | **291** | **336** | **384** |
| | YoY | -9.2% | -0.4% | 6.8% | 15.2% | 14.3% |
| Total of the Cloud Business | **Sales** | **4,748** | **6,726** | **8,952** | **12,298** | **16,716** |
| | YoY | 36.0% | 41.7% | 33.1% | 37.4% | 35.9% |

* 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

Active investment from the beginning of the fiscal year has been successful, and high growth continues as the scale of sales expands.

( million yen )

| | Sales in Q4 FY2022.3 (Jan.-Mar.) | Quarter on Quarter | Year on Year |
|---|---|---|---|
| Raku Raku Seisan | 2,192 | 9.9% | 37.6% |
| Raku Raku Meisai | 678 | 11.2% | 77.2% |
| Raku Raku Hambai | 537 | 10.9% | 45.4% |
| E-mail distribution services | 622 | 2.6% | 14.2% |
| Mail Dealer | 568 | 3.1% | 9.9% |
| Others | 104 | 7.9% | 17.0% |
| Total of the Cloud Business | 4,701 | 8.2% | 34.5% |

* 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 Service

## Raku Raku Meisai maintained a high level despite a decline of LTV due to a slightly higher churn rate

( yen )

| | FY2018.3 | FY2019.3 | FY2020.3 | FY2021.3 | FY2022.3 |
|---|---|---|---|---|---|
| Raku Raku Seisan | **10,405,262** | **10,800,546** | **14,278,231** | **15,449,125** | **17,354,319** |
| Raku Raku Meisai | **5,211,834** | **13,016,008** | **9,016,996** | **20,303,924** | **15,119,595** |
| Raku Raku Hambai | **5,210,540** | **8,330,738** | **8,120,258** | **8,759,510** | **8,833,376** |
| E-mail distribution services | **1,271,463** | **1,077,168** | **1,229,511** | **1,521,779** | **1,887,750** |
| Mail Dealer | **4,201,709** | **4,534,086** | **3,992,650** | **4,281,398** | **4,506,168** |

* 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'.
* Gross margin ratio is calculated using the assumed provisional figure (70%) if it is less than 70%.

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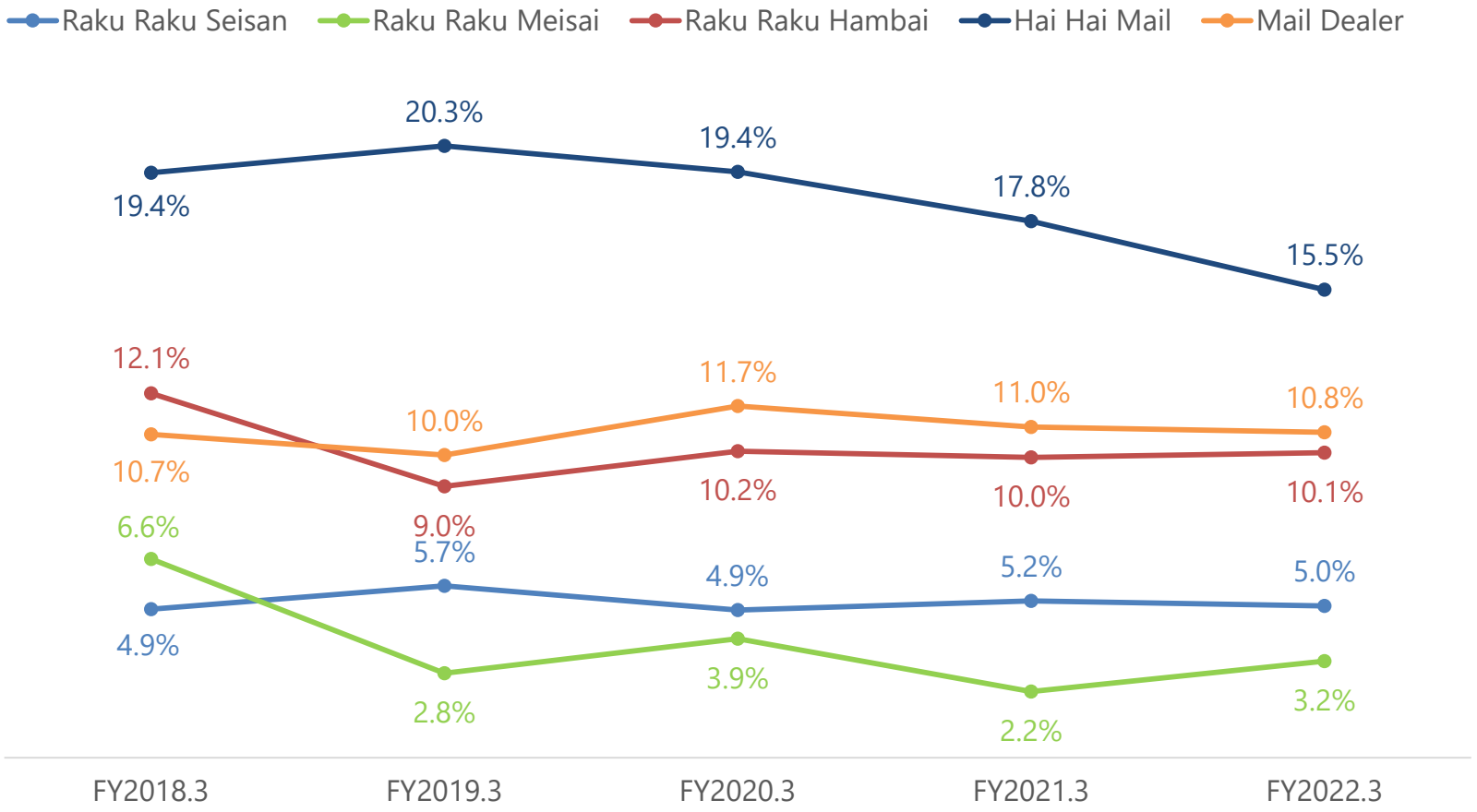
# Annual Churn Rate by Each Cloud Business Service

Churn rates for Raku Raku Seisan and Raku Raku Meisai remained stable at low levels, while the churn rate for Hai Hai Mail temporarily declined significantly due to the impact of measures.




Note: Figures are contract number-based annual churn rates
Hai Hai Mail is a main service of E-mail distribution services

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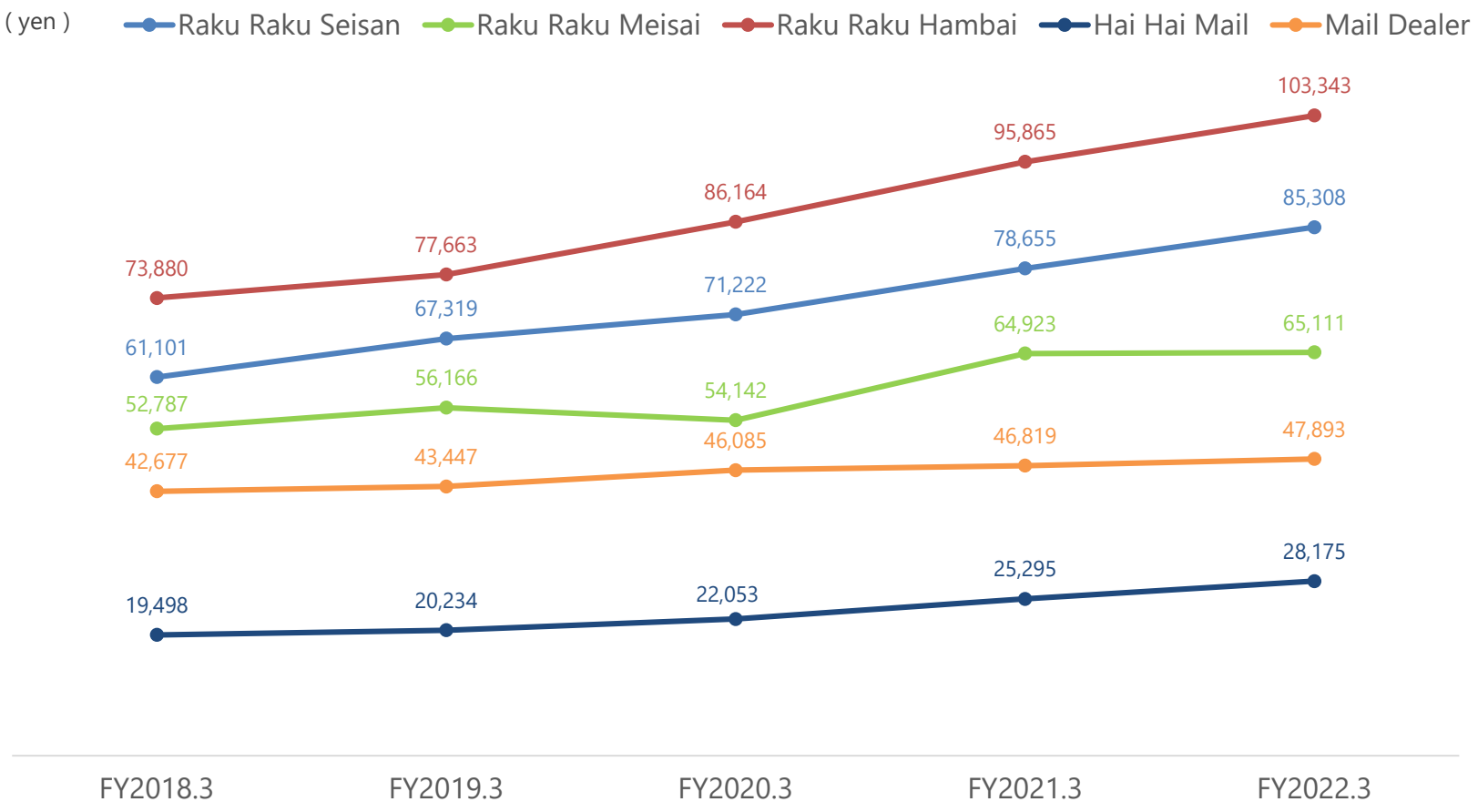
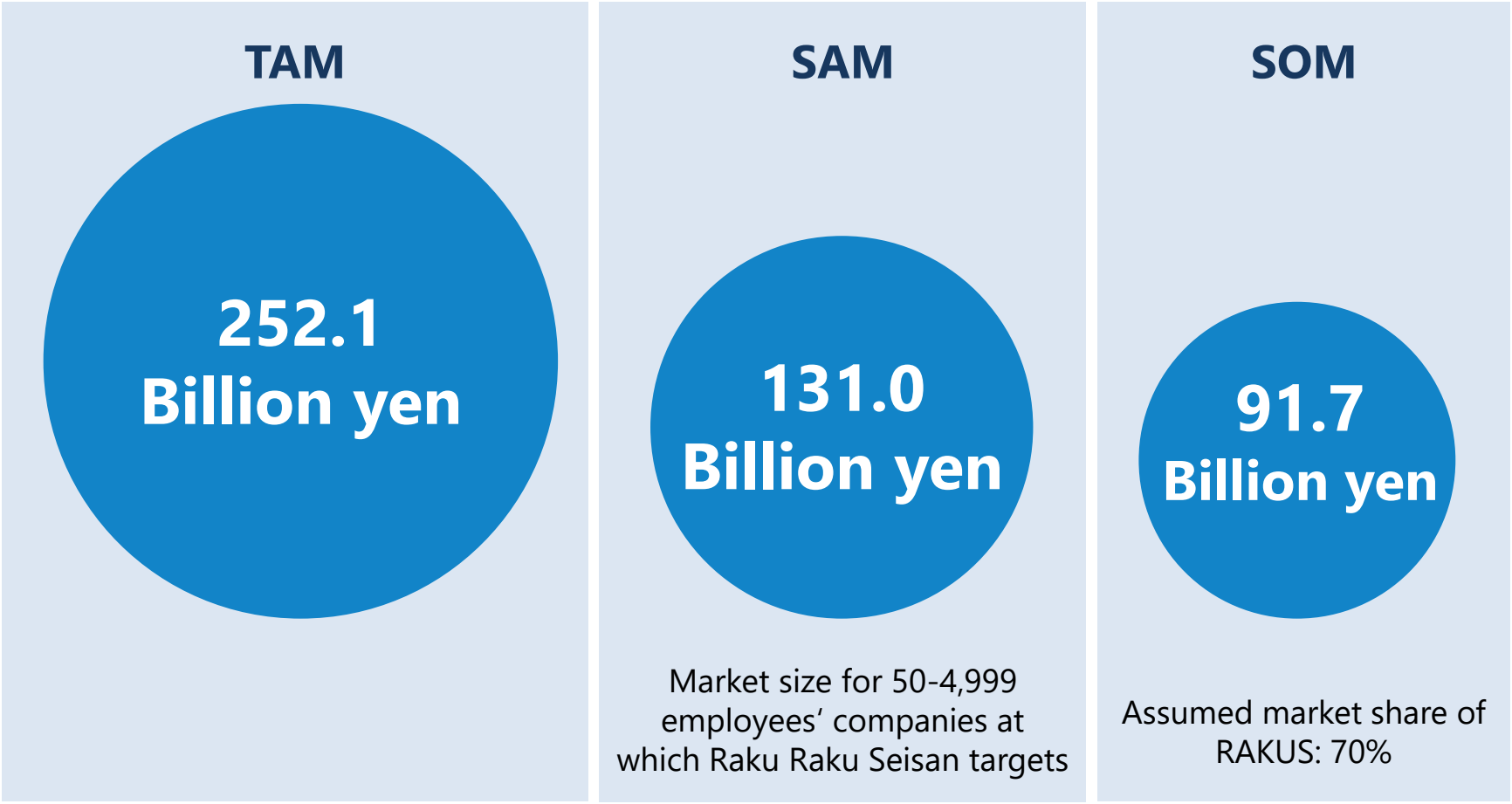
# Monthly Average Unit Price by Each Cloud Business Service

Upward trend in unit price continued for all services.




Note: Hai Hai Mail is a main service of E-mail distribution services

# [Raku Raku Seisan] Market Size for Expense Settlement System




The addressable market and our target assumptions are estimates based on the following external statistics and published materials as well as the unit prices of our services. Therefore, there is a possibility that these can be different from the actual market size.

Source: 2016 Economic Census for Business Activity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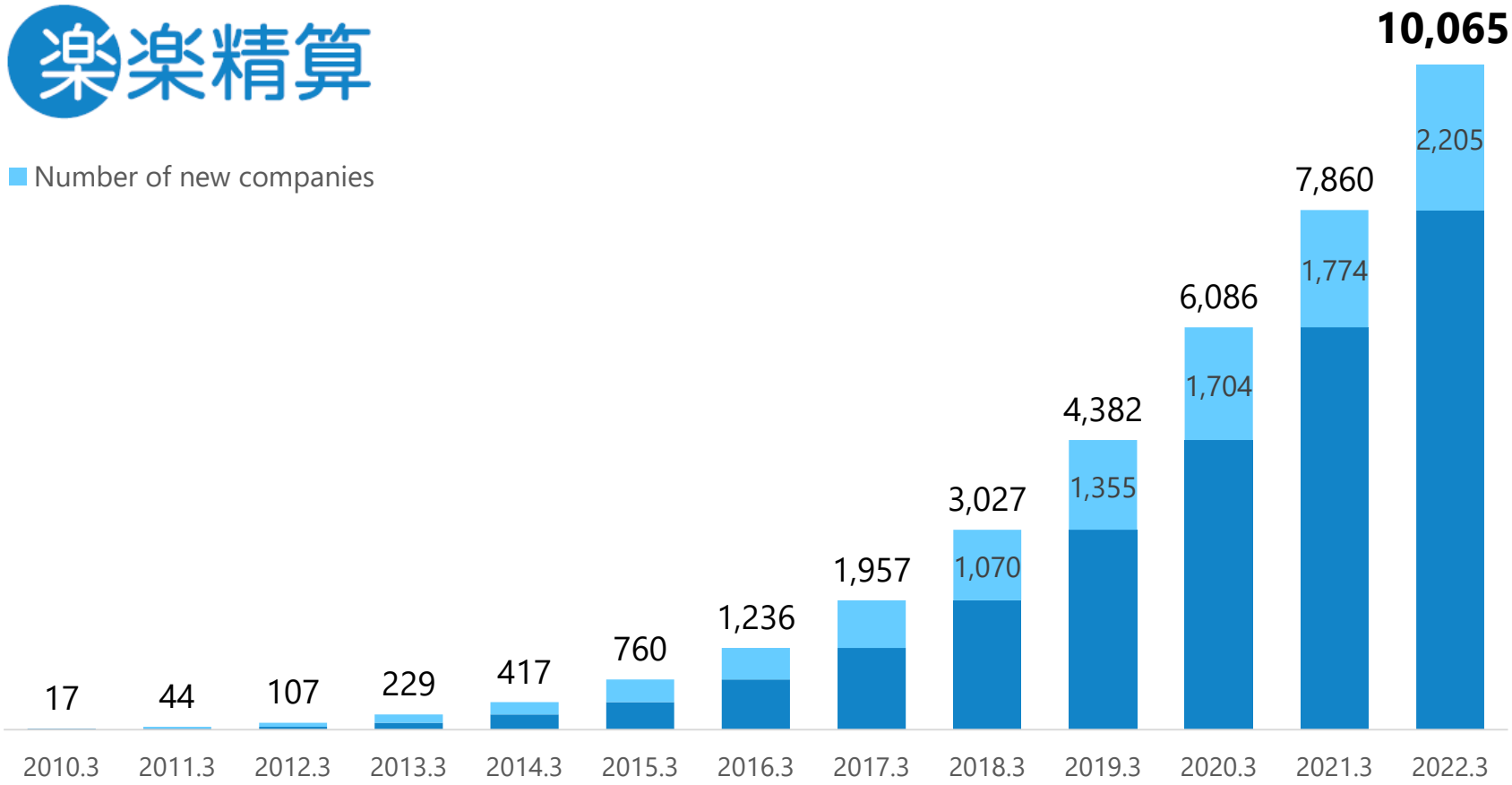
# Cumulative Number of Companies Using Raku Raku Seisan

Cumulative number of companies exceeded 10,000; further active investment in order for achieving 20,000 during the Medium-Term Management Targets.





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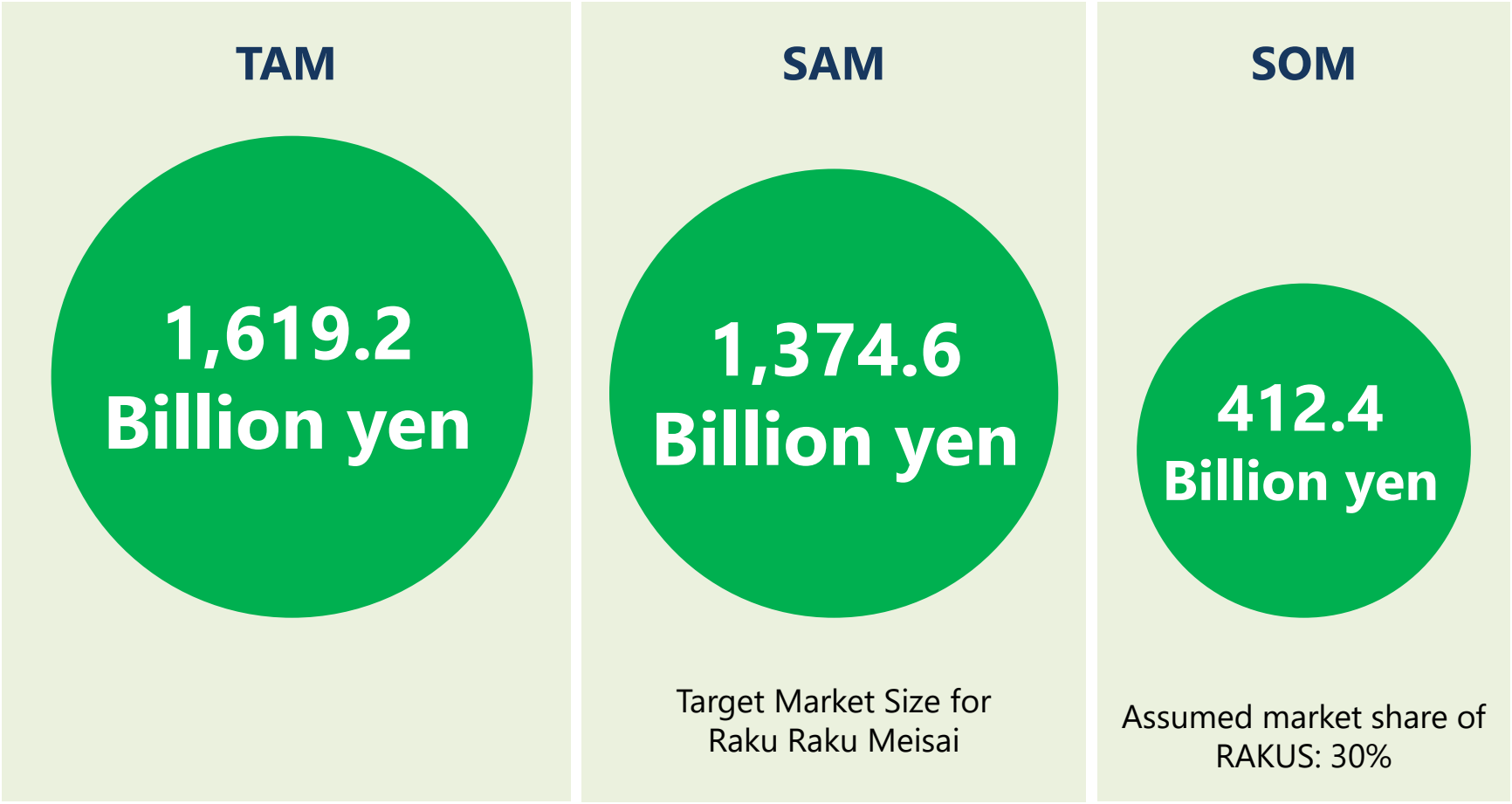
# [Raku Raku Meisai] Market Size for Bill Issuance System




The addressable market and our target assumptions are estimates based on the following external statistics and published materials as well as the unit prices of our services. Therefore, there is a possibility that these can be different from the actual market size.

Source: 2016 Economic Census for Business Activity and the report of Small and Medium Enterprise Agency which is written only in Japanese (中小企業庁金融EDIにおける商流情報等のあり方検討会議（第３回）配布資料（資料４「「決済事務の事務量等に関する実態調査」最終集計報告書」)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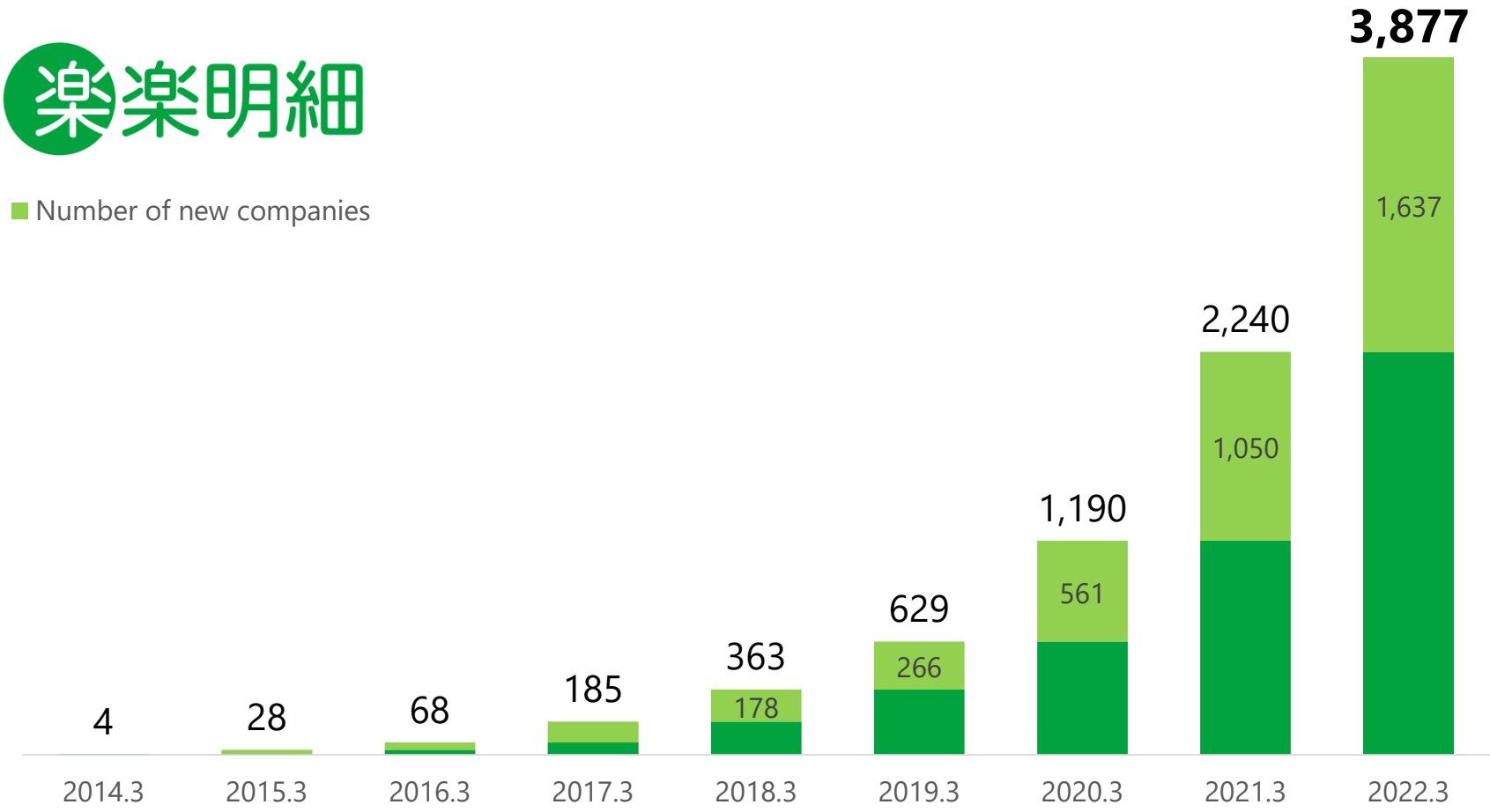
# Cumulative Number of Companies Using Raku Raku Meisai

New orders continue to be solid.





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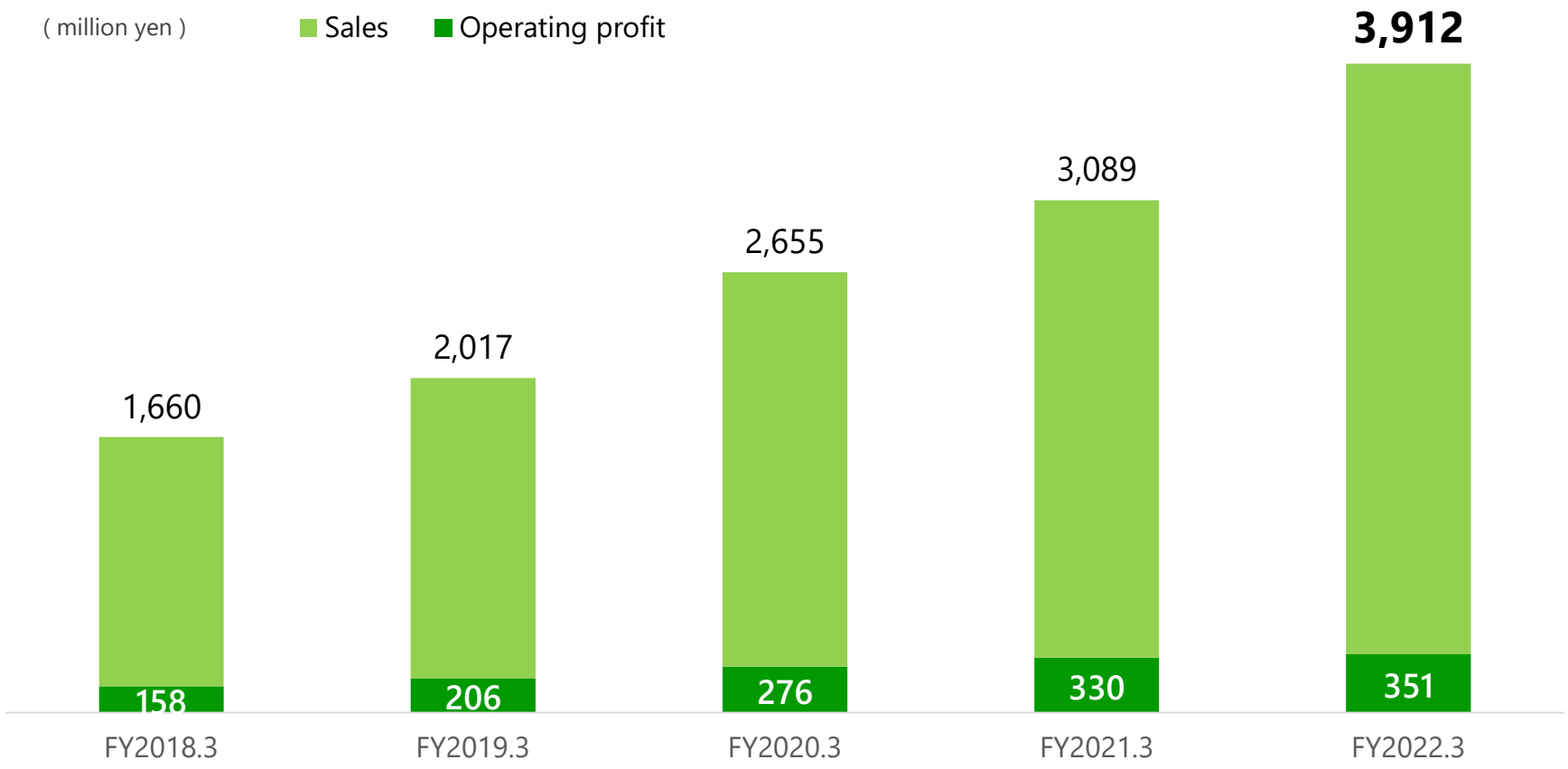
# IT Outsourcing Business

# Performance of the IT Outsourcing Business

Achieved significant increase in sales by proactively increasing the number of employees to meet strong needs.




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

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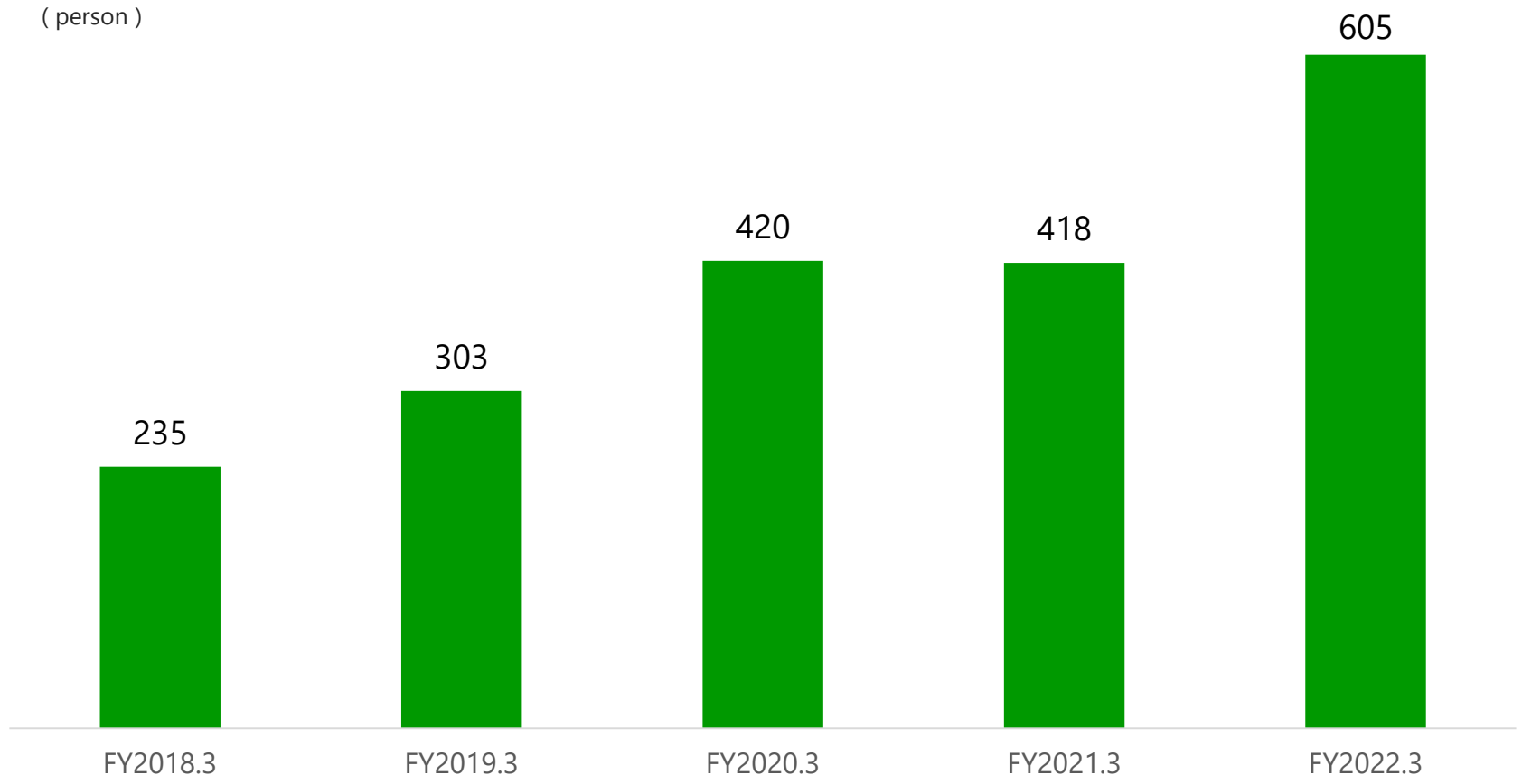
# Number of Engineers for the IT Outsourcing Business

Proactive hiring to respond to strong needs, resulting in a significant increase in the number of engineers.




* This includes apprentice engineers

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# Guidance for H1 of the fiscal year ending March 2023

# New Medium-Term Management Targets (FY2022-FY2026)

1 **Five-Year sales CAGR 26% - 30%**

Based on the results for the first year, the lower limit has been revised upward to 26%.

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

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

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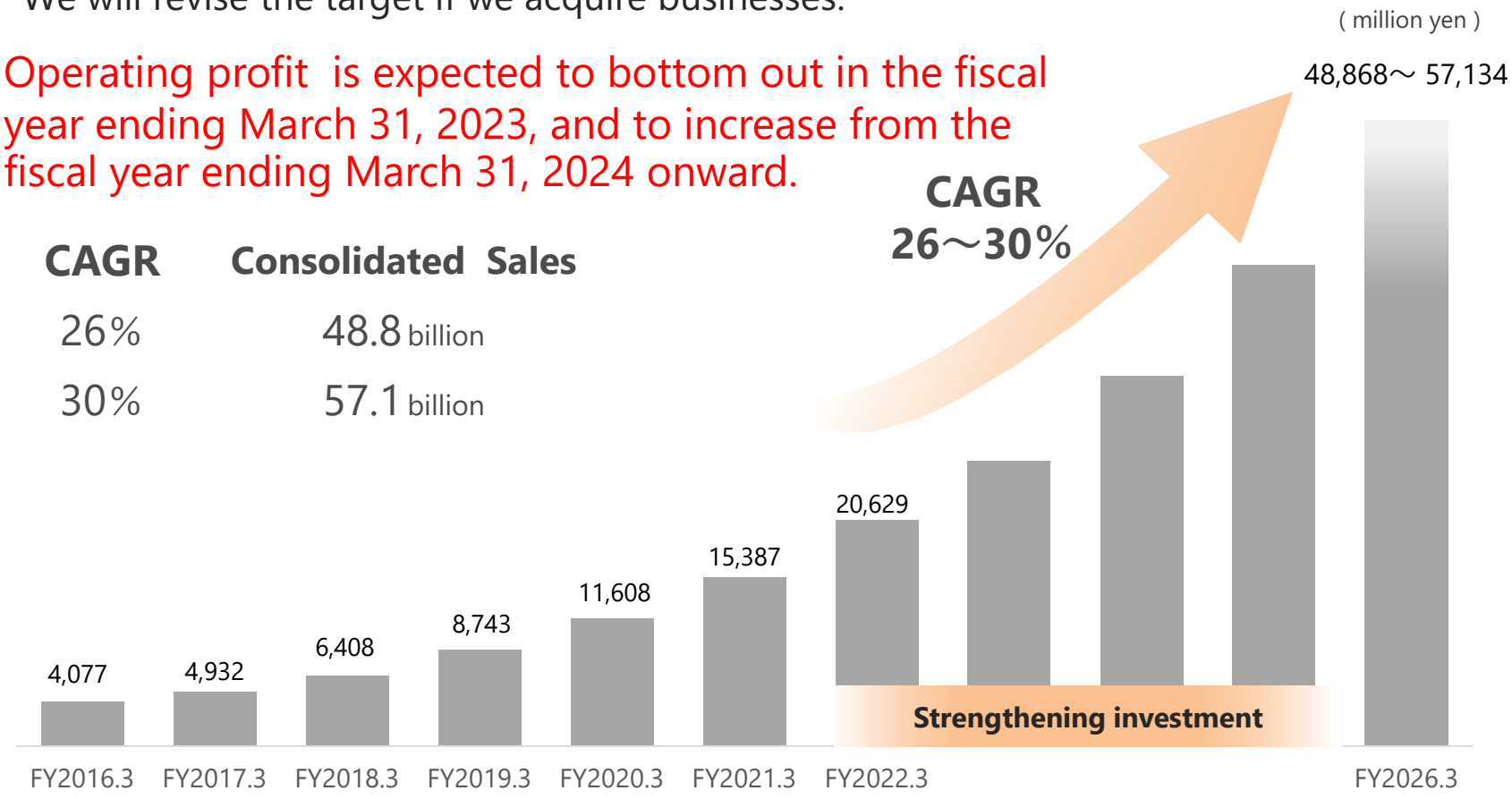
# Five-Year Sales and Profit Targets

Our target is to achieve 26-30% sales CAGR and we invest actively over the first 4 years to meet the sales target. Then, we aim to achieve over 10 billion yen of profit in the final year by pursuing operational efficiency.

*We will revise the target if we acquire businesses.

Operating profit is expected to bottom out in the fiscal year ending March 31, 2023, and to increase from the fiscal year ending March 31, 2024 onward.

| CAGR | Consolidated Sales |
|---|---|
| 26% | 48.8 billion |
| 30% | 57.1 billion |

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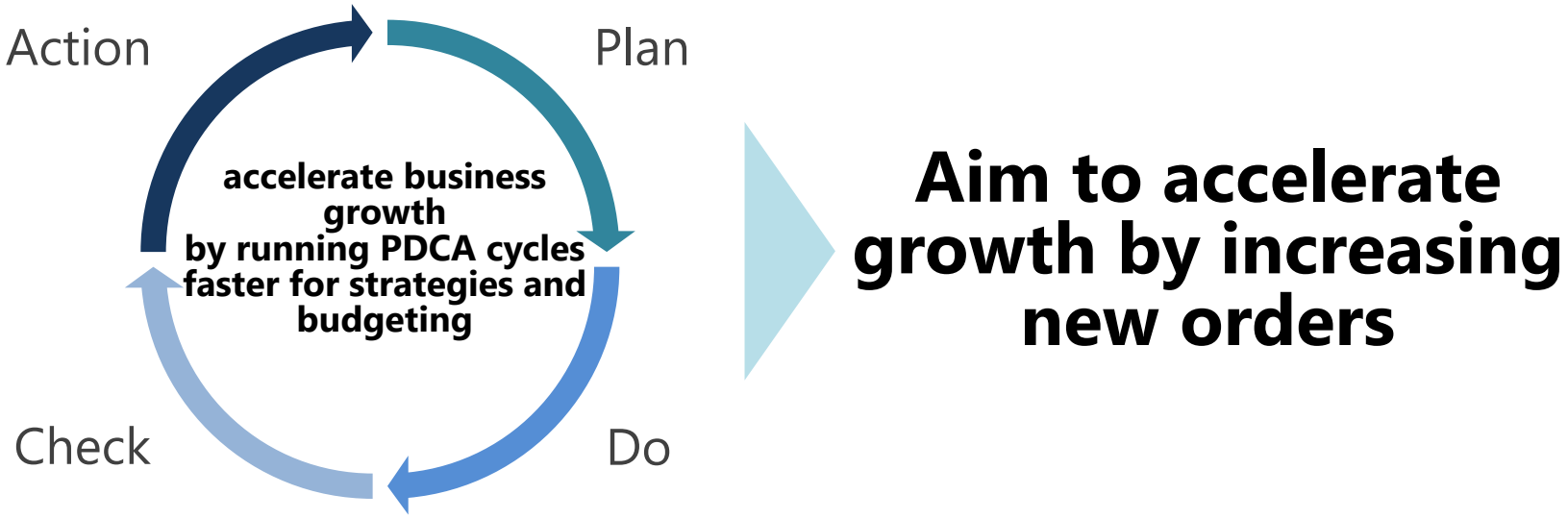
# Guidance Policy for Disclosure

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



# Guidance for H1 of FY2023.3

Planning to continue to invest in order to achieve a sales CAGR of 30%.

( million yen )

| | FY2022.3 H1 | FY2023.3 H1 (Guidance) | YoY (Amount) | YoY (%) |
|---|---|---|---|---|
| **Net Sales** | **9,473** | **12,773** | **3,299** | **134.8%** |
| Cost of sales | 3,022 | 4,254 | 1,231 | 140.7% |
| Gross profit | 6,450 | 8,518 | 2,067 | 132.0% |
| GP margin | 68.1% | 66.7% | | |
| SG&A | 5,562 | 8,026 | 2,463 | 144.3% |
| **Operating profit** | **888** | **492** | **-396** | **55.4%** |
| OP margin | 9.4% | 3.9% | | |
| **Ordinary profit** | **898** | **492** | **-406** | **54.7%** |
| Ordinary profit margin | 9.5% | 3.9% | | |
| **EBITDA** | **1,163** | **781** | **-381** | **67.1%** |
| EBITDA margin | 12.3% | 6.1% | | |
| Income tax | 310 | 193 | -117 | |
| Tax rate | 34.6% | 39.3% | | |
| **Profit attributable to owners of parent** | **587** | **298** | **-289** | **50.7%** |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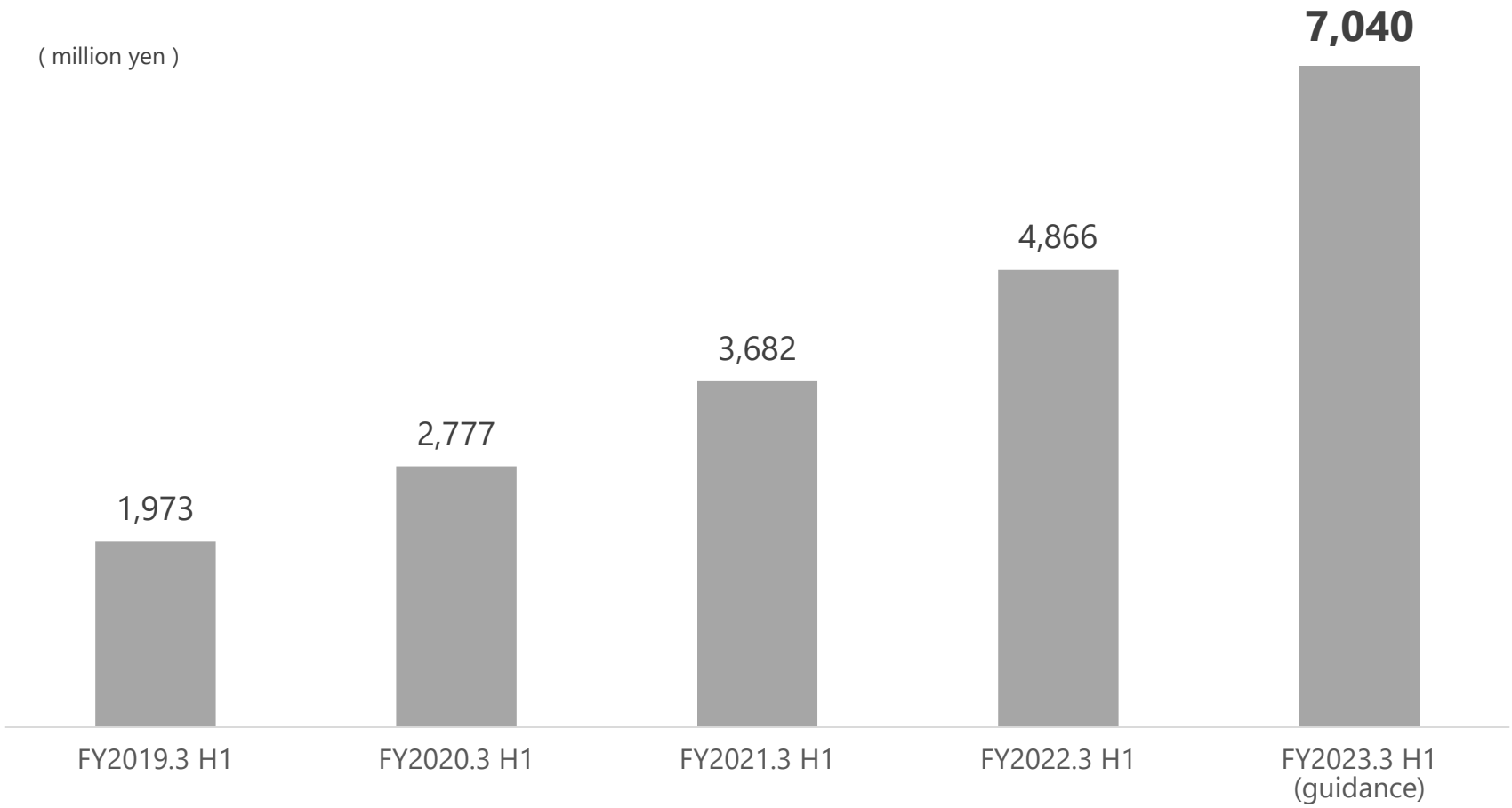
# Personnel Costs Guidance

Personnel costs are expected to increase significantly as the Company continues to increase the number of employees needed for growth.

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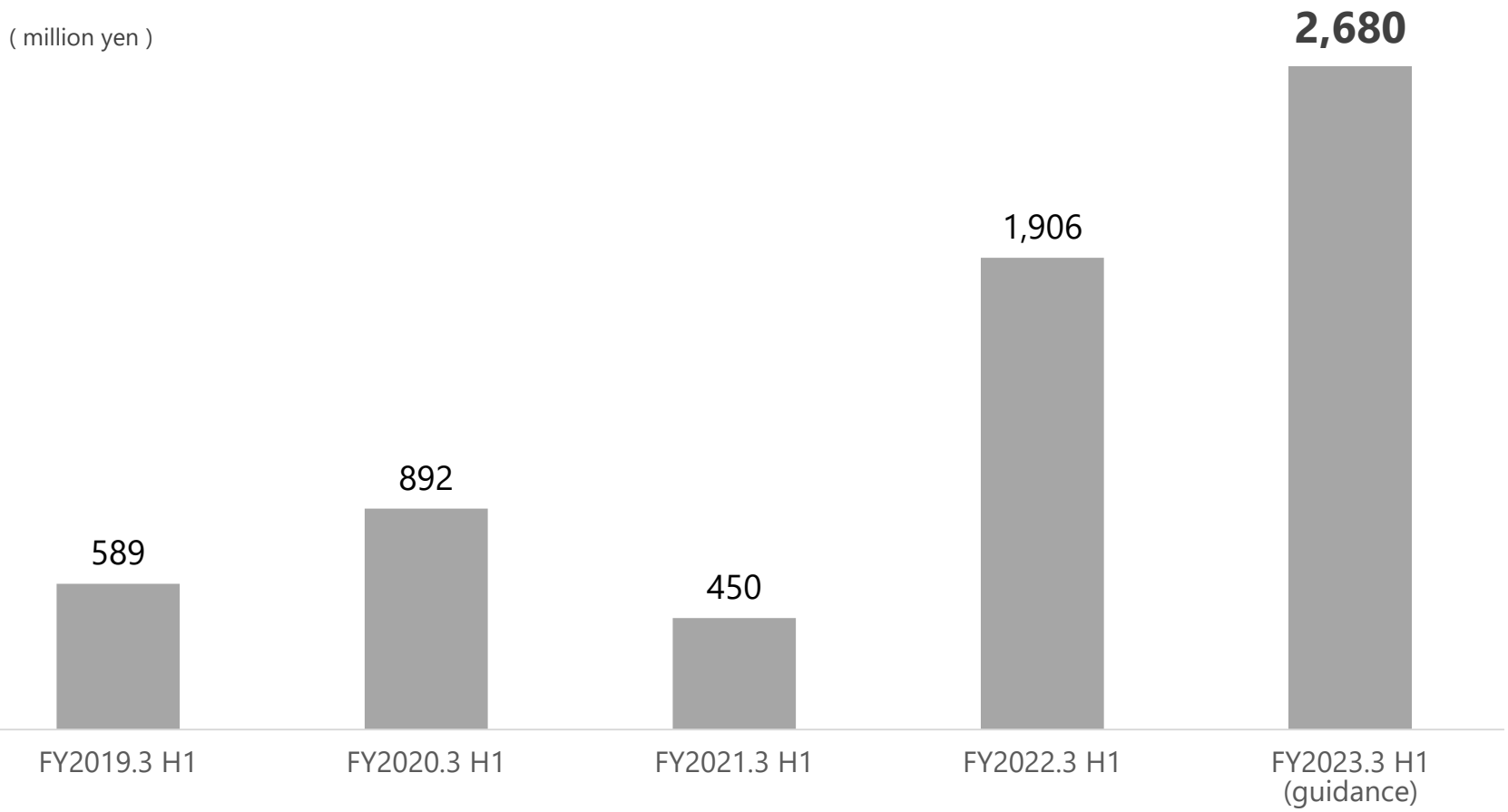
# Advertising Costs Guidance

Advertising costs are expected to remain at a high level as proactive advertising is leading to an increase in new orders.

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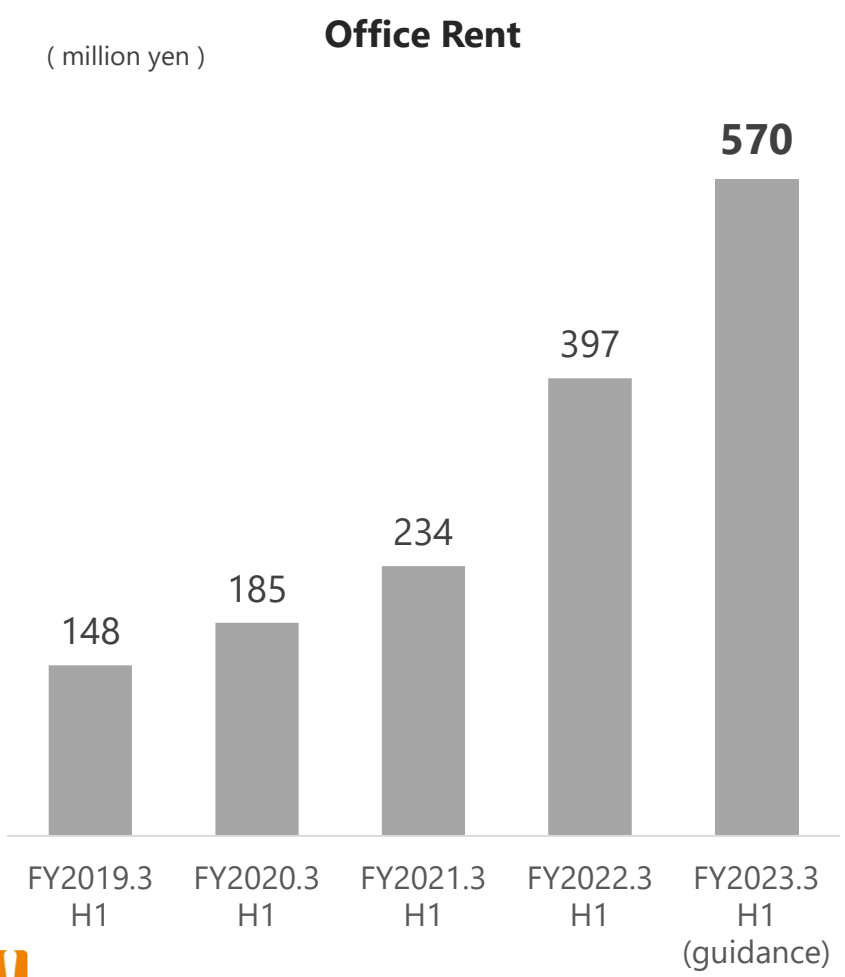
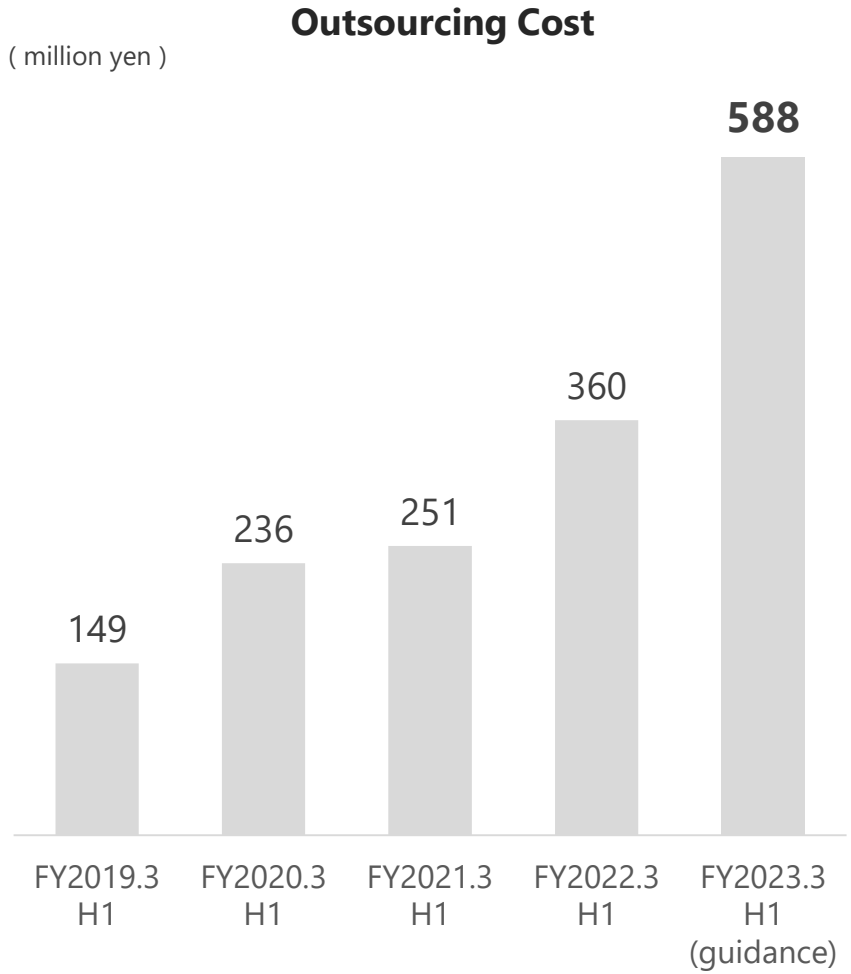
# Office Rent and Outsourcing Costs Guidance

Rent is expected to increase significantly due to office expansion to accommodate the increase in the number of employees.

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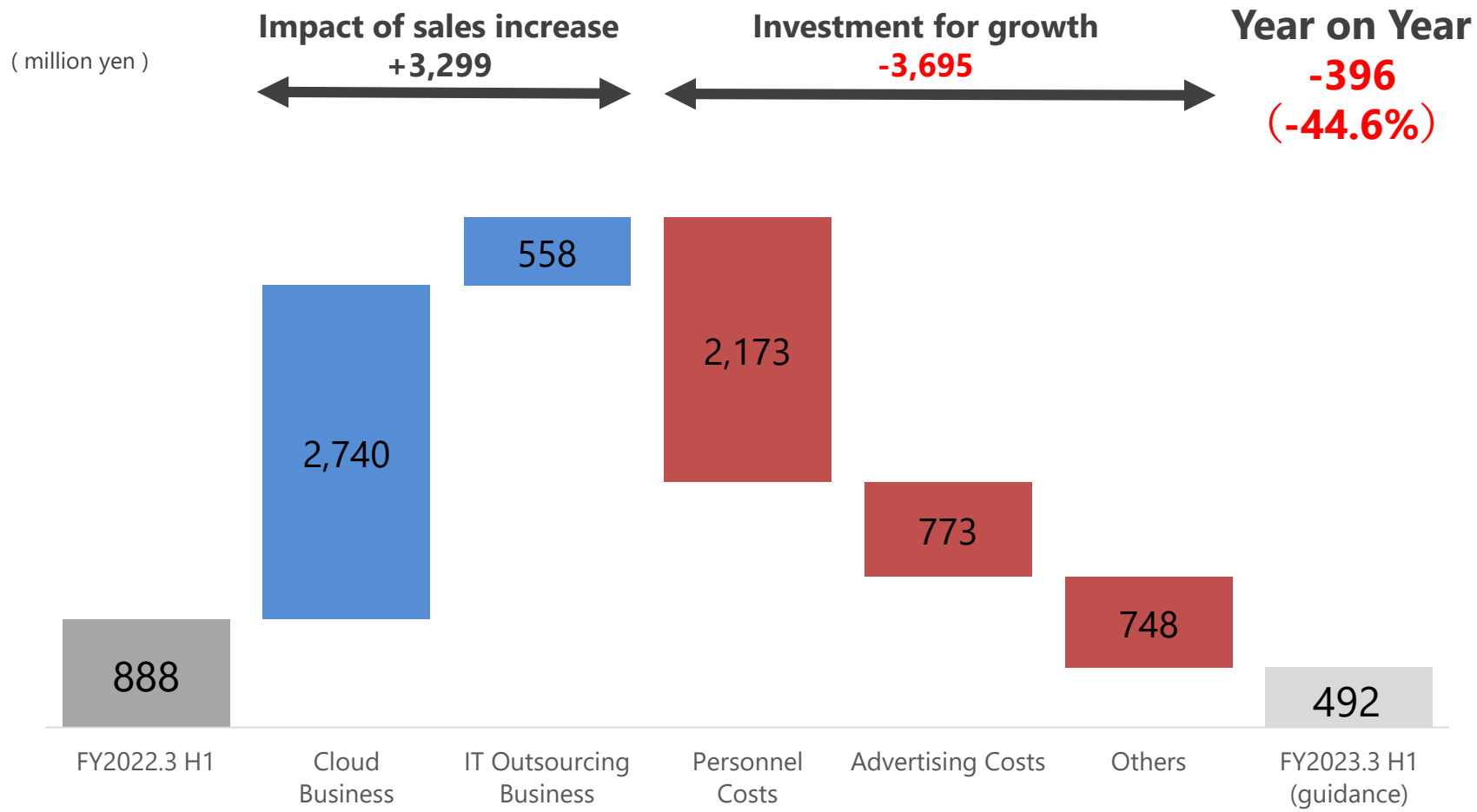
# Factors for Changes in Consolidated Operating Profits

Planning to invest in excess of increase in sales in order to achieve sustained high growth.



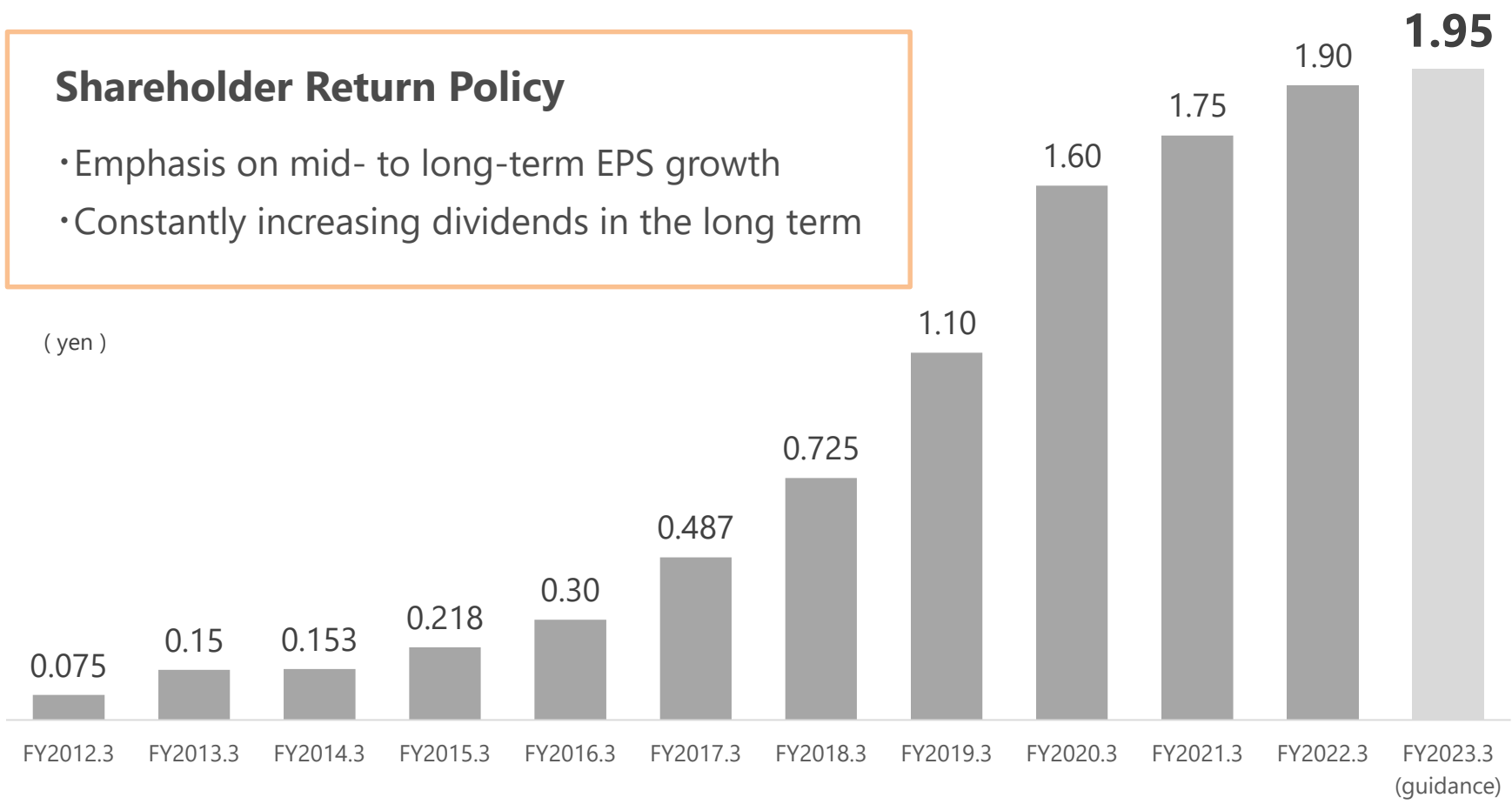
# 【KPI】Shareholder Returns

Planning to increase dividends for the 11th year in a row, in line with the Company's policy of increasing dividends every fiscal year.

**Shareholder Return Policy**

・Emphasis on mid- to long-term EPS growth

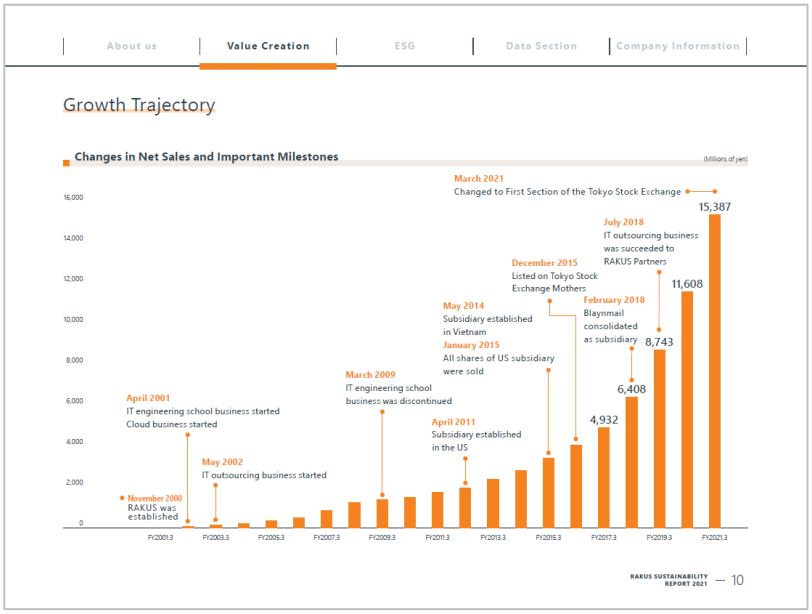
・Constantly increasing dividends in the long term




* Figures are after share split adjustment.

# Appendix

# RAKUS Sustainability Report 2021







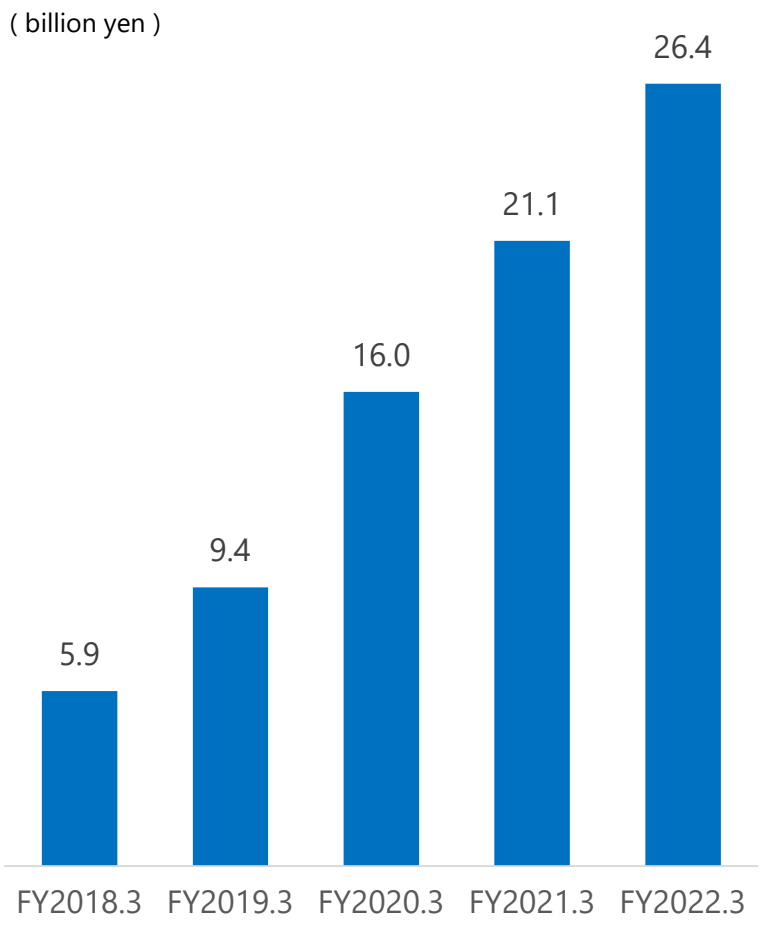
We have published the 'RAKUS Sustainability Report 2021' which has information on our business outline, financials and ESG.
The report also gives an overview of our services. We hope this will help you have a deeper understanding of us.

https://www.rakus.co.jp/ir/pdf/sustainability_report_en.pdf

# The Market for Cloud-based Expense Settlement Systems

Source：Our own survey based on various data

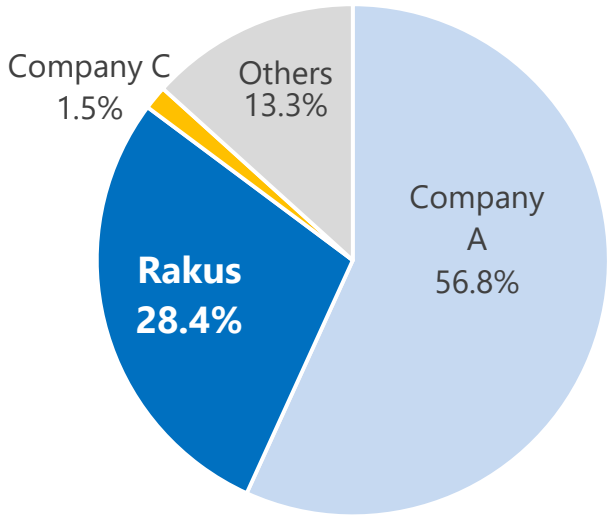
## The Market Size for Cloud-Based Expense Settlement in Japan




## Ranking of Cloud-Based Expense Settlement Based on Introduced Numbers (As of December 2021)

| | | |
|---|---|---|
| **1** | **Rakus 楽楽精算** | **9,419** companies |
| 2 | Company A | 1,425 companies |
| 3 | Company B | 820 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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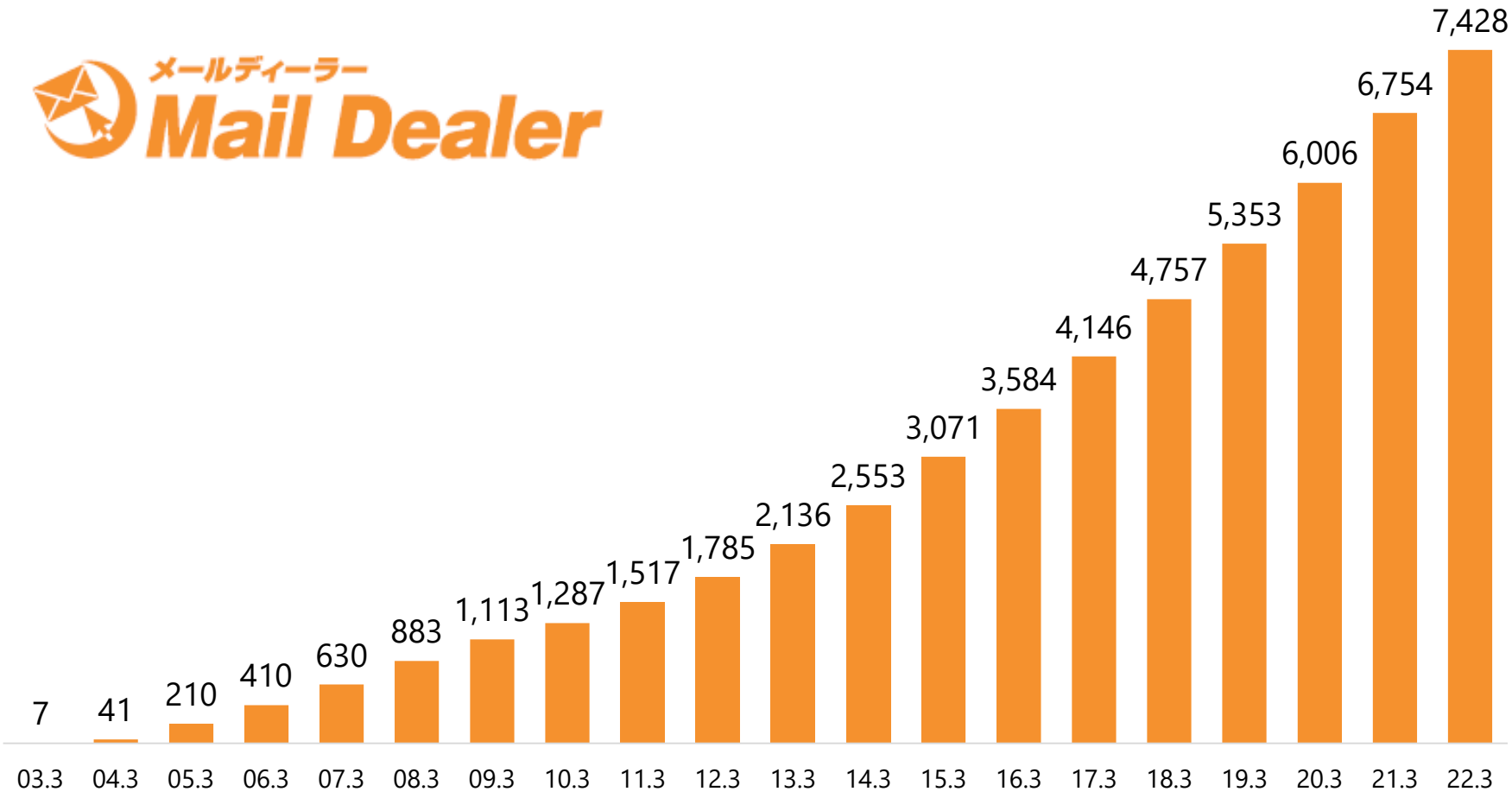
# Cumulative Number of Companies Using Mail Dealer

メールディーラー Mail Dealer

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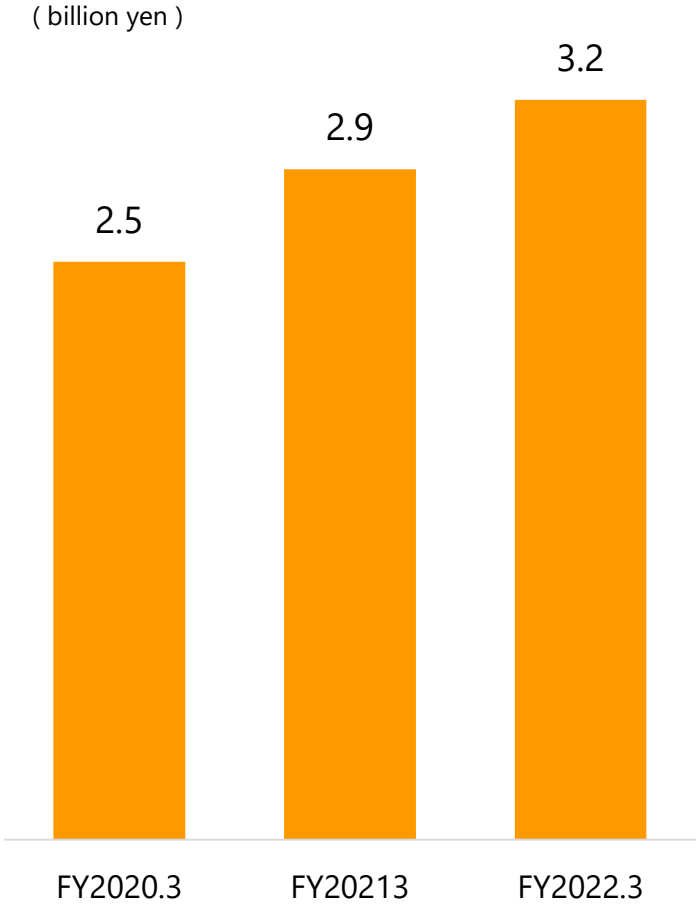
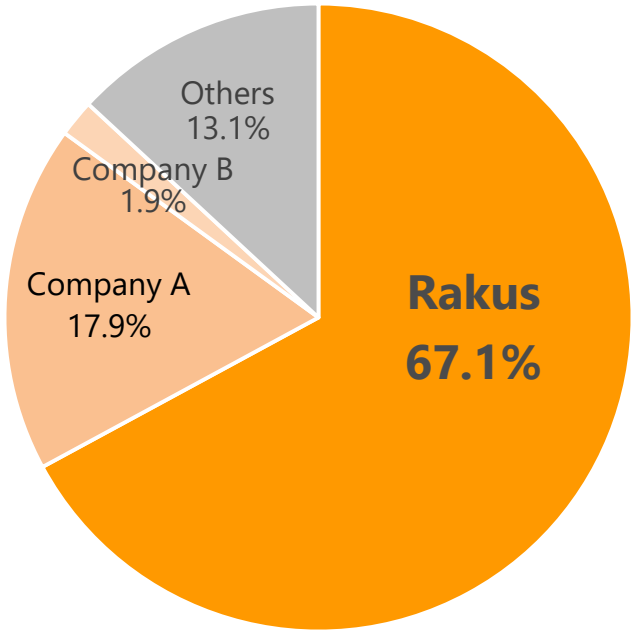
# The market for cloud-based Mail processing

Source：Our own survey based on various data (As of December 2021)

**The Market Size for Cloud-Based E-mail Processing in Japan**




**Market Shares Based on Sales Value**




メールディーラー Mail Dealer

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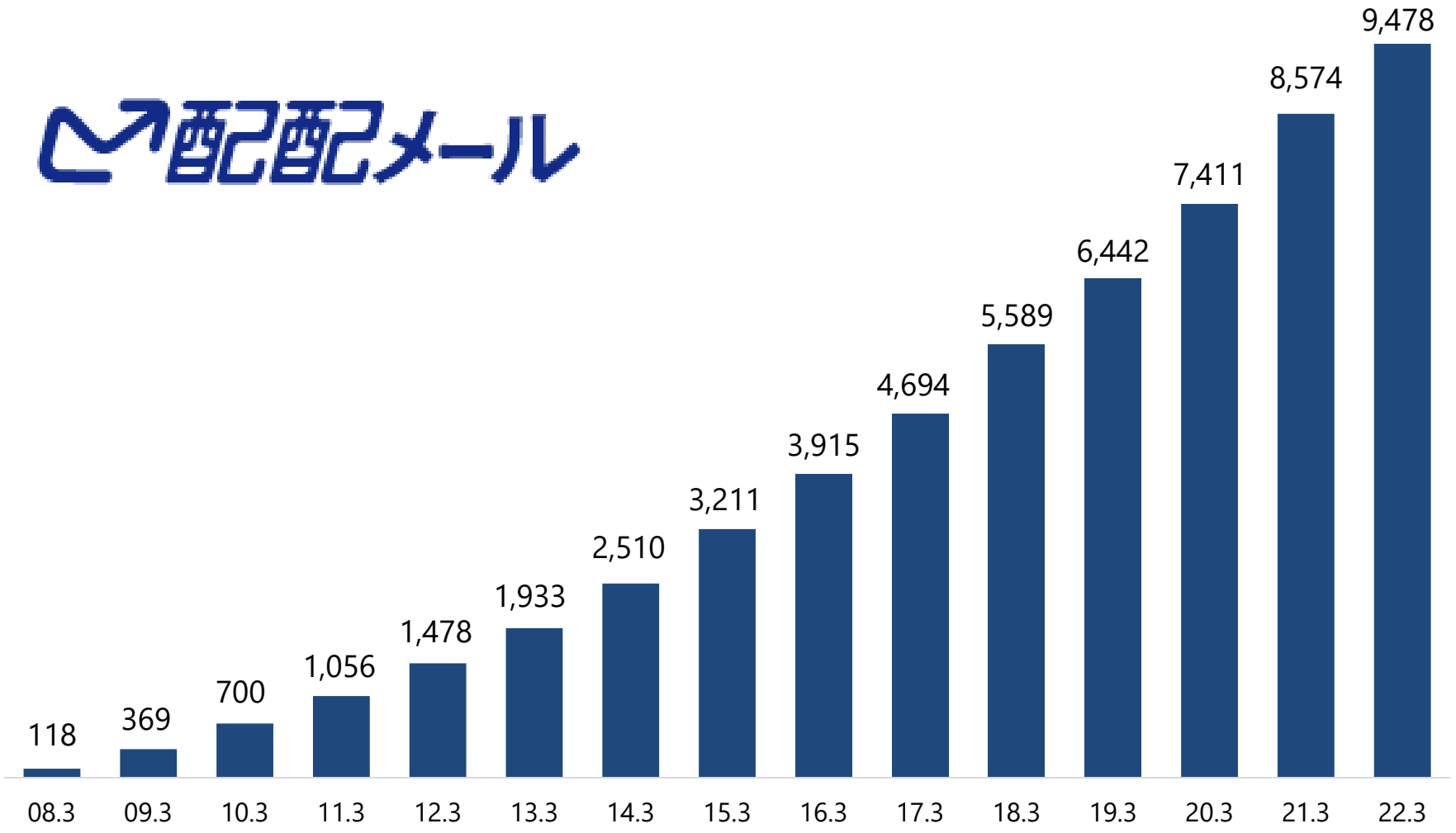
# Cumulative Number of Companies Using Hai Hai Mail

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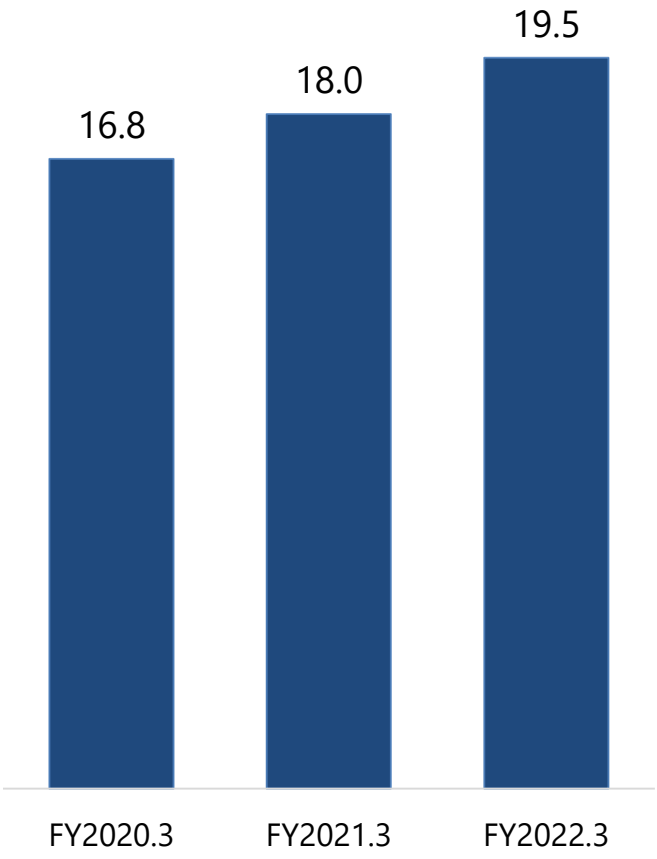
# The Market for Cloud-based Email Distribution Systems

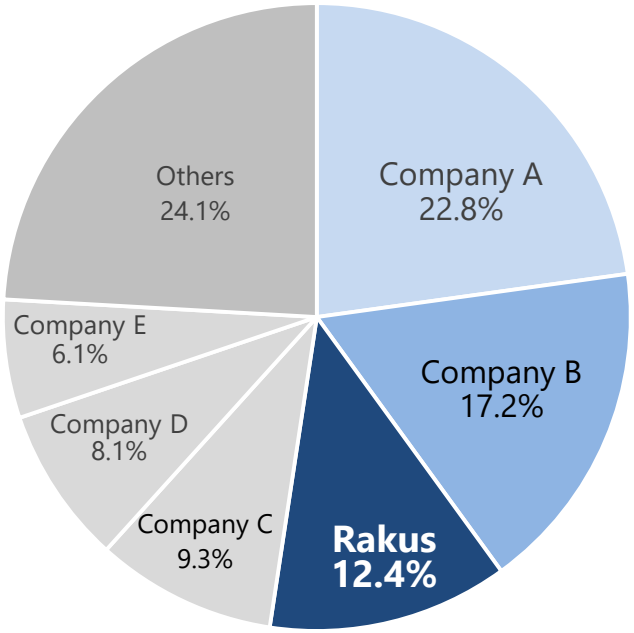
Source：Our own survey based on various data (As of December 2021)

## The Market Size 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

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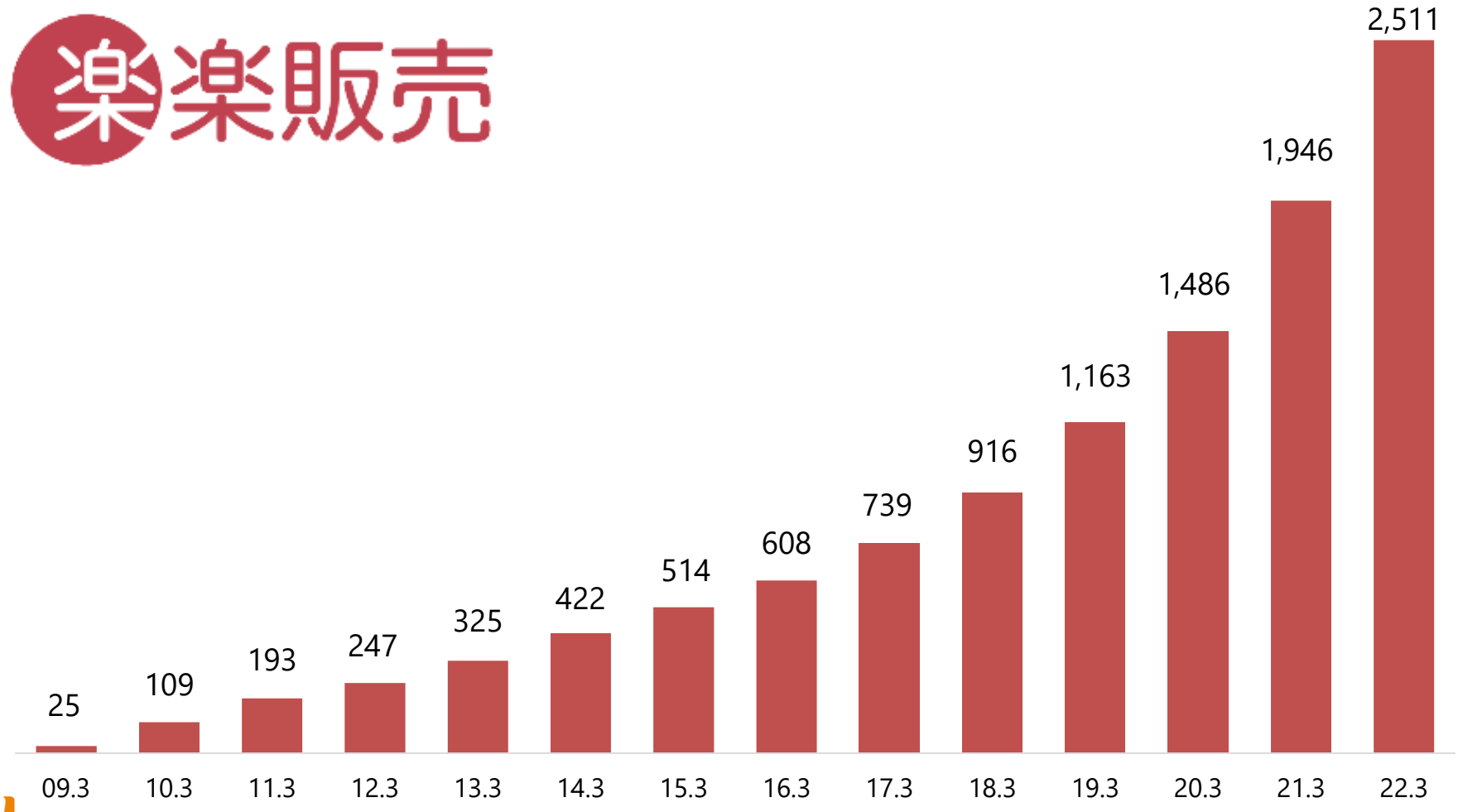


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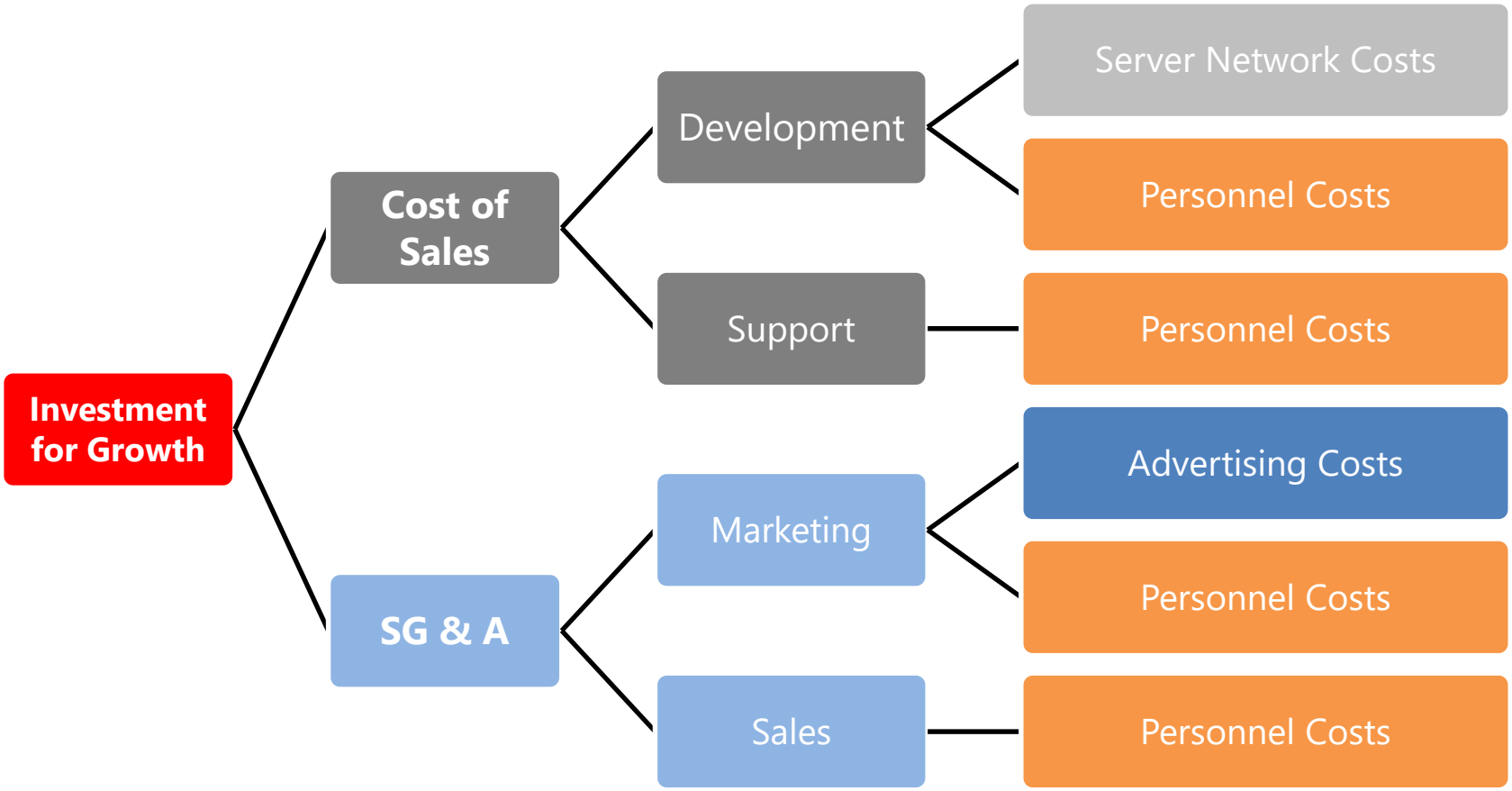
# Breakdown of Investment for Growth (Cloud Business)

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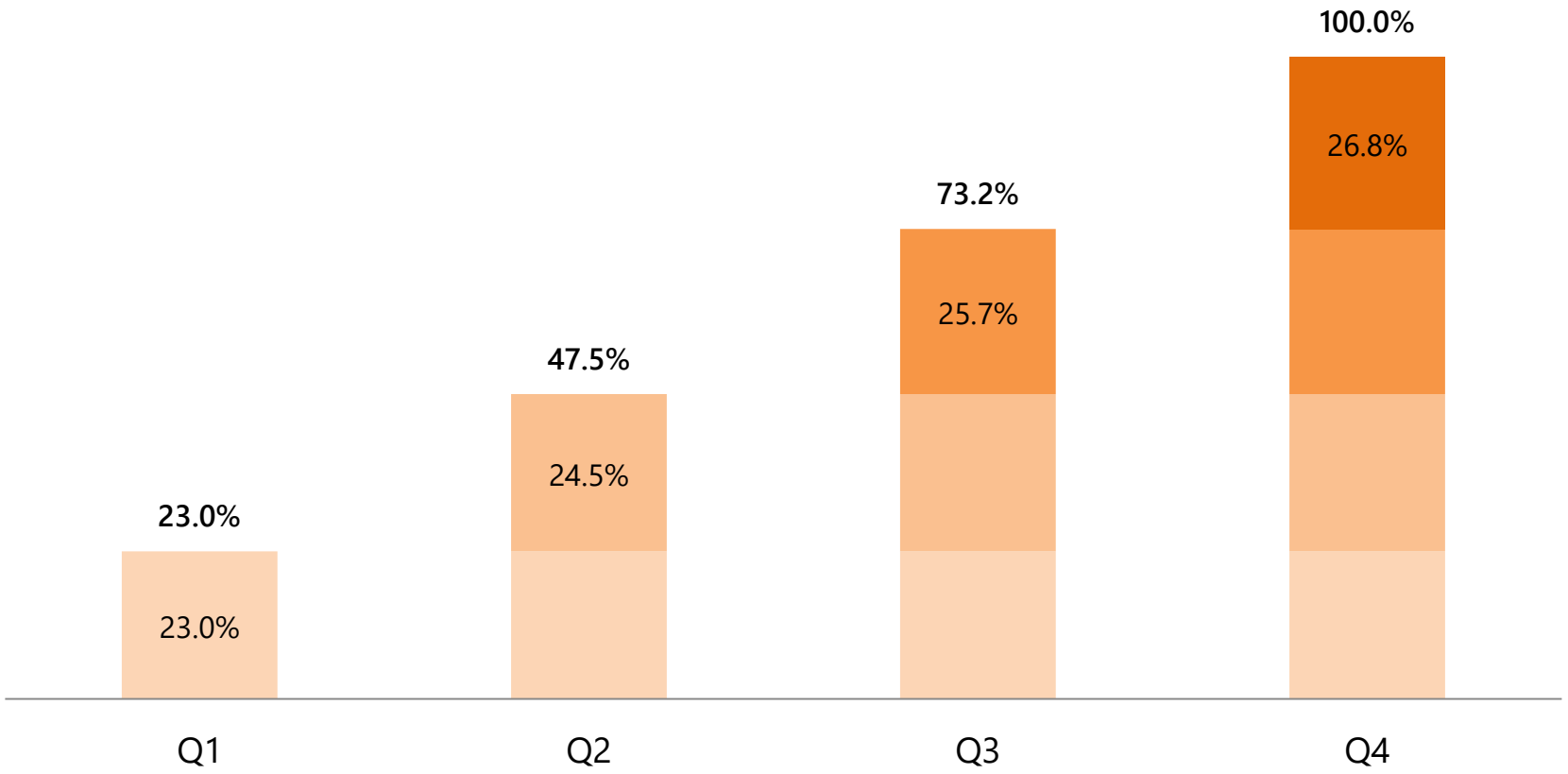
# 【 Cloud Business 】Concept Image of Sales Generated throughout a Year

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

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

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