# Earnings Results for Q1 of the fiscal year ending March 2023

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

August 12, 2022

# Request For 1on1 Meeting

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

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About Minsetsu

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# Key points

## Consolidated Results for Q1 of FY2023.3

- A high level of sales growth was maintained due to a brisk trend in new orders for main services.
- Profit declined significantly due to active investments for growth as planned.

## Cloud Business

- A high level of growth was maintained, mainly due to sales of main services Raku Raku Seisan, Raku Raku Meisai, and Raku Raku Hambai.

## IT Outsourcing Business

- Both sales and profit increased by responding to strong client needs.

## Guidance for H1 of FY2023.3

- Based on the Q1 results, the cost allocation was reviewed.
- Guidance for sales and all profit levels is unchanged from the initial guidance.

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# Consolidated Results for Q1 of the fiscal year ending March 2023

# Summary of Consolidated Results for Q1 of FY2023.3

A high level of sales growth was maintained due to a brisk trend in new orders for main services.
Profit declined significantly due to active investments for growth as planned.

| | | Year on Year |
|---|---|---|
| **Net Sales** | **6,165 million** | **+33.7%** |
| **Operating Profit** | **286 million** | **-44.9%** |
| **Ordinary Profit** | **293 million** | **-44.2%** |
| **EBITDA** | **434 million** | **-33.6%** |
| **Profit attributable to owners of parent** | **182 million** | **-47.1%** |

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

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# Outline of the Consolidated Results for Q1 of FY2023.3

( million yen )

| | Q1 FY2022.3 | Q1 FY2023.3 | Year on Year |
|---|---|---|---|
| **Sales** | **4,613** | **6,165** | **133.7%** |
| Cost of sales | 1,441 | 1,967 | 136.4% |
| Gross profit | 3,171 | 4,198 | 132.4% |
| GP margin | 68.7% | 68.1% | |
| SG&A | 2,652 | 3,912 | 147.5% |
| **Operating profit** | **519** | **286** | **55.1%** |
| OP margin | 11.3% | 4.6% | |
| **Ordinary profit** | **526** | **293** | **55.8%** |
| Ordinary profit margin | 11.4% | 4.8% | |
| **EBITDA** | **653** | **434** | **66.4%** |
| EBITDA margin | 14.2% | 7.0% | |
| Income tax | 180 | 110 | |
| Tax rate | 34.2% | 37.7% | |
| **Profit attributable to owners of parent** | **346** | **182** | **52.9%** |

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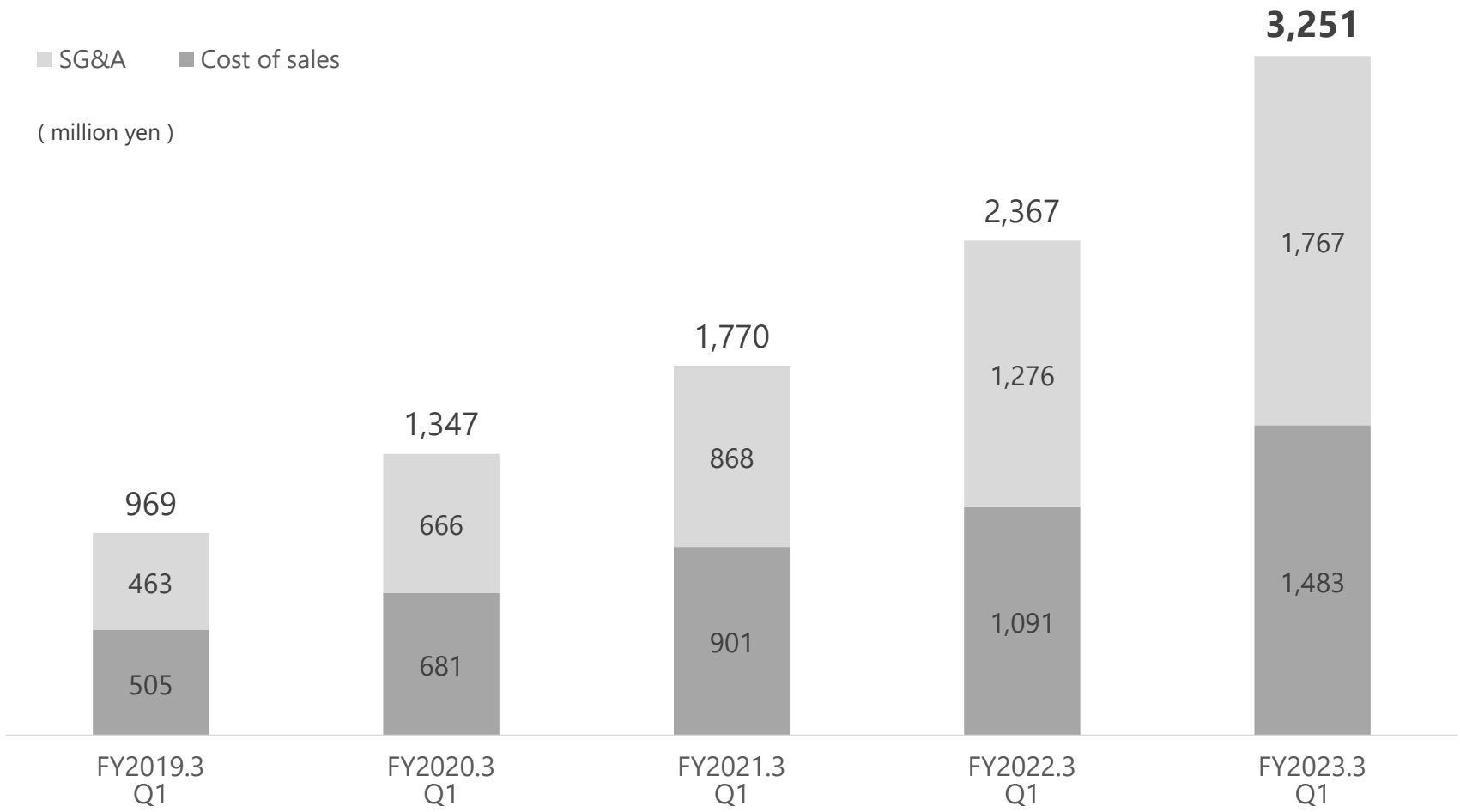
# Personnel Costs

Personnel costs increased as the number of employees rose significantly due to continued active recruitment.

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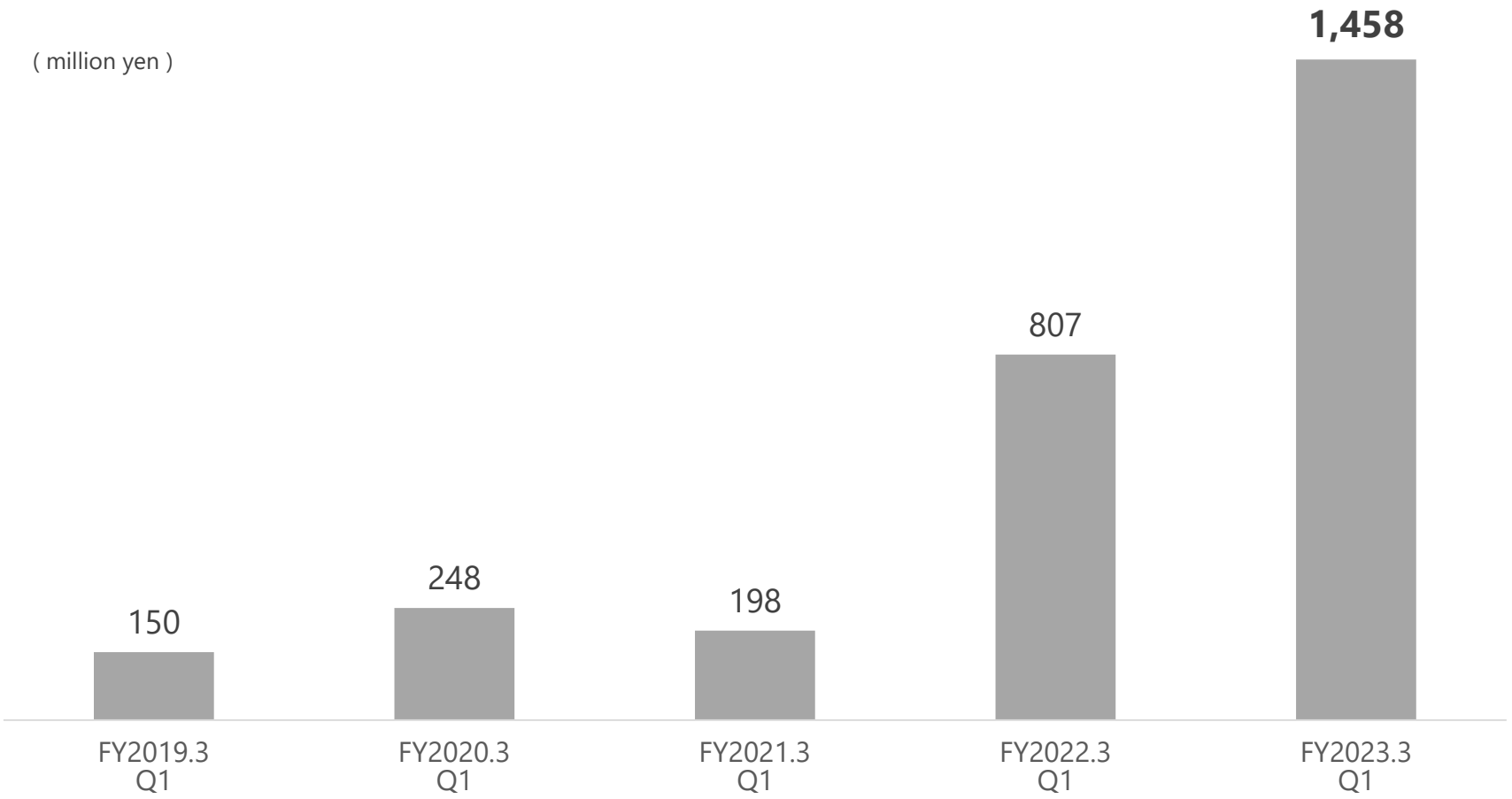
# Advertising Costs

Advertising costs increased significantly, mainly for TV ads for Raku Raku Seisan, Raku Raku Meisai, and Raku Raku Hambai.

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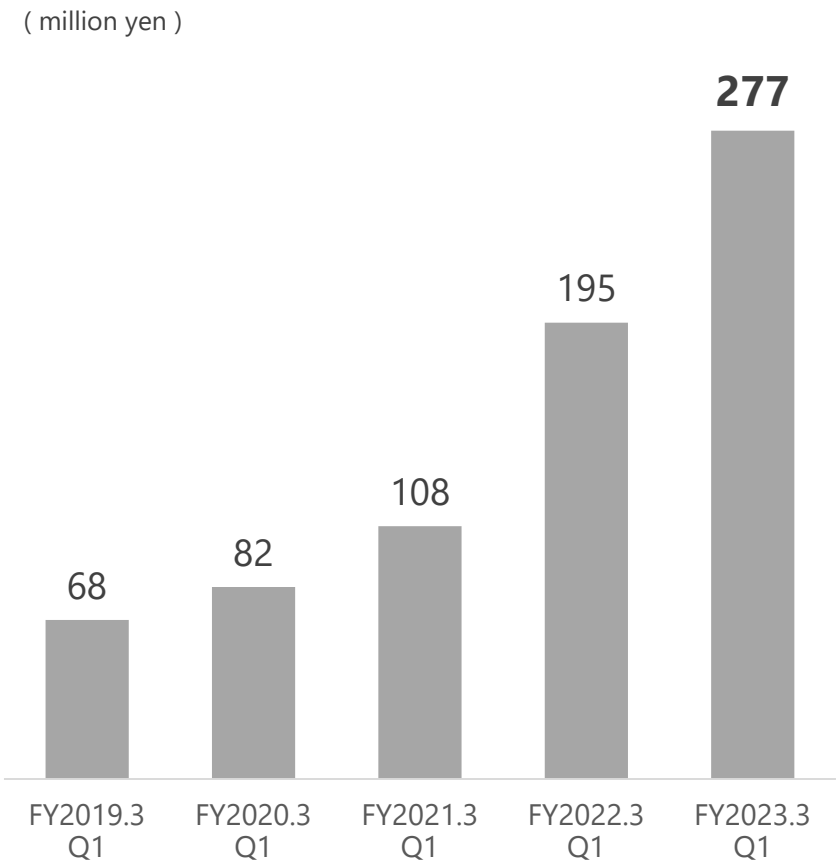
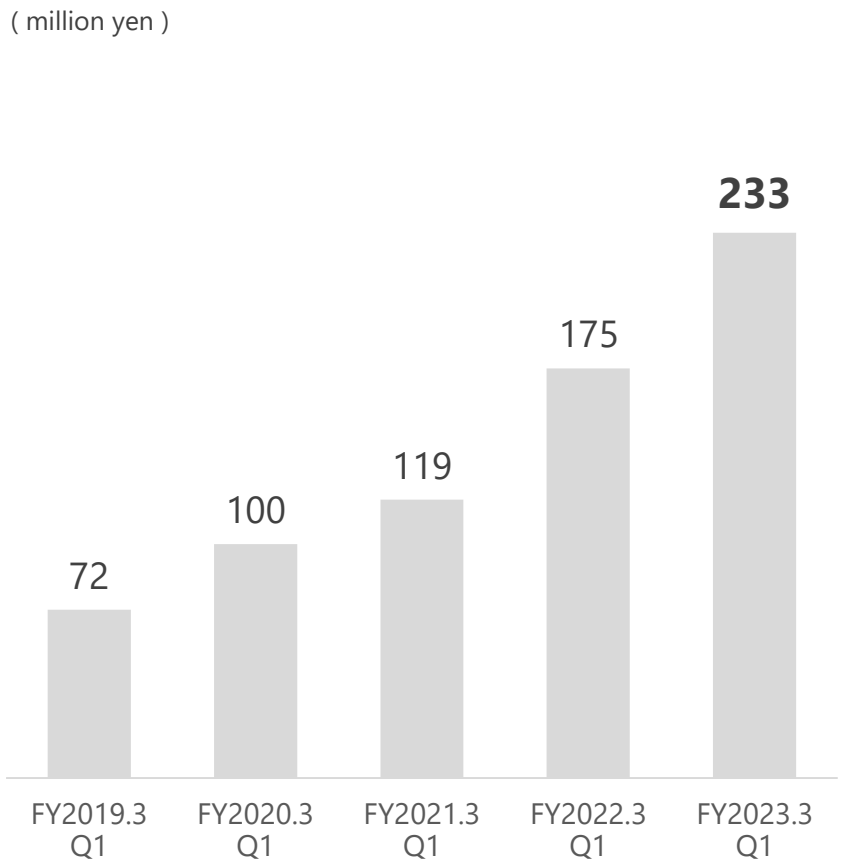
# Office Rent and Outsourcing Costs

Office rent and outsourcing costs increased due to business expansion.

**Office Rent**




**Outsourcing Costs**

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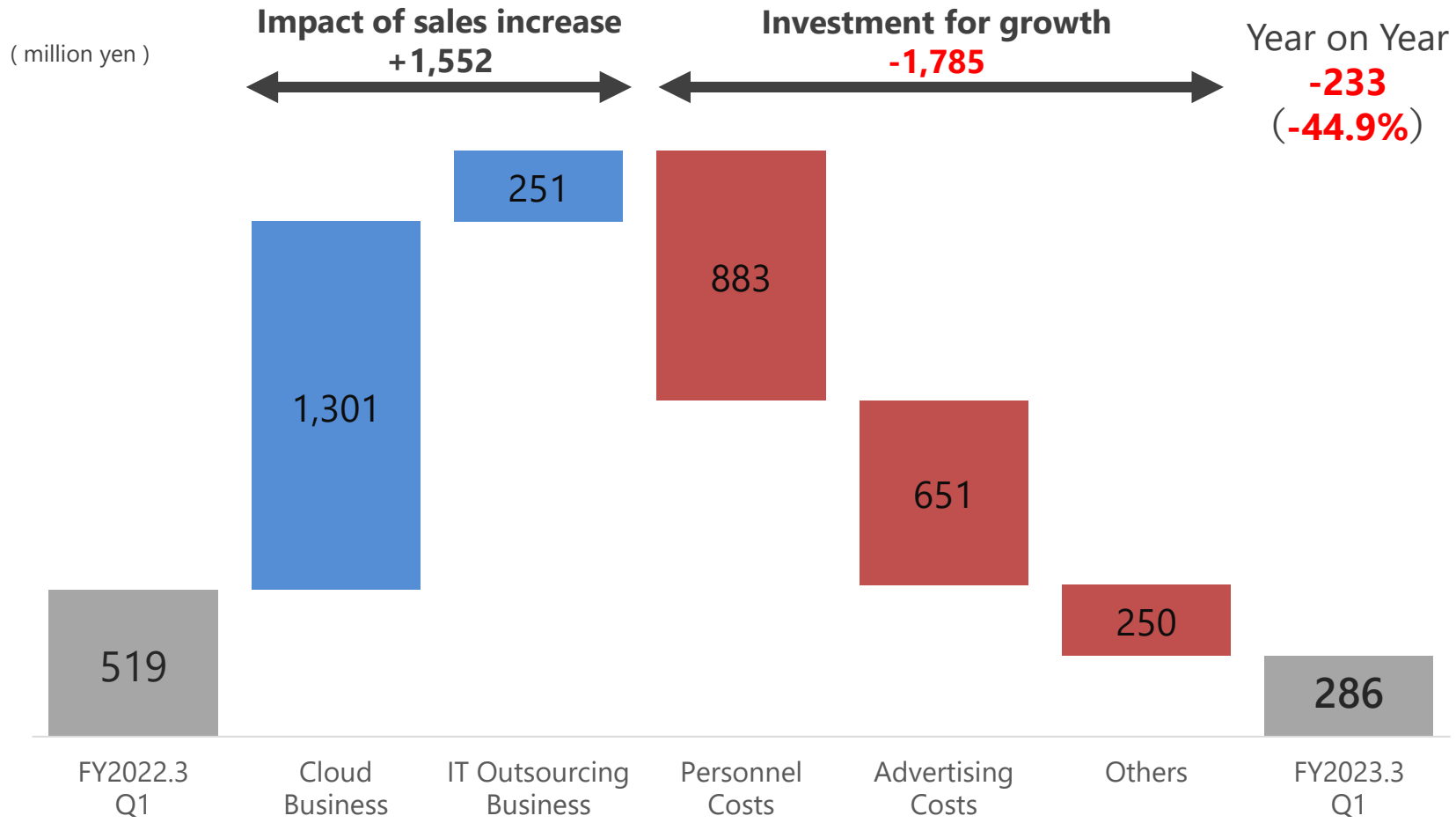
# Factors for Changes in Consolidated Operating Profit in Q1 FY2023.3

Significant increase in sales, but decrease in profit year on year due to active investments for growth as planned.

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# Consolidated Balance Sheet

( million yen )

| | End of March 2022 | End of June 2022 | Difference |
|---|---|---|---|
| Current assets | 8,419 | 8,483 | 64 |
| Non-current assets | 3,281 | 3,207 | -73 |
| **Total assets** | **11,700** | **11,691** | **-9** |
| Current liabilities | 2,977 | 3,053 | 76 |
| Non-current liabilities | 106 | 160 | 53 |
| **Total liabilities** | **3,083** | **3,213** | **130** |
| Shareholders' equity | 8,604 | 8,442 | -161 |
| Accumulated other comprehensive income | 13 | 34 | 21 |
| **Total equity** | **8,617** | **8,477** | **-140** |
| **Total liabilities and equities** | **11,700** | **11,691** | **-9** |
| **Equity ratio** | **73.6%** | **72.5%** | |

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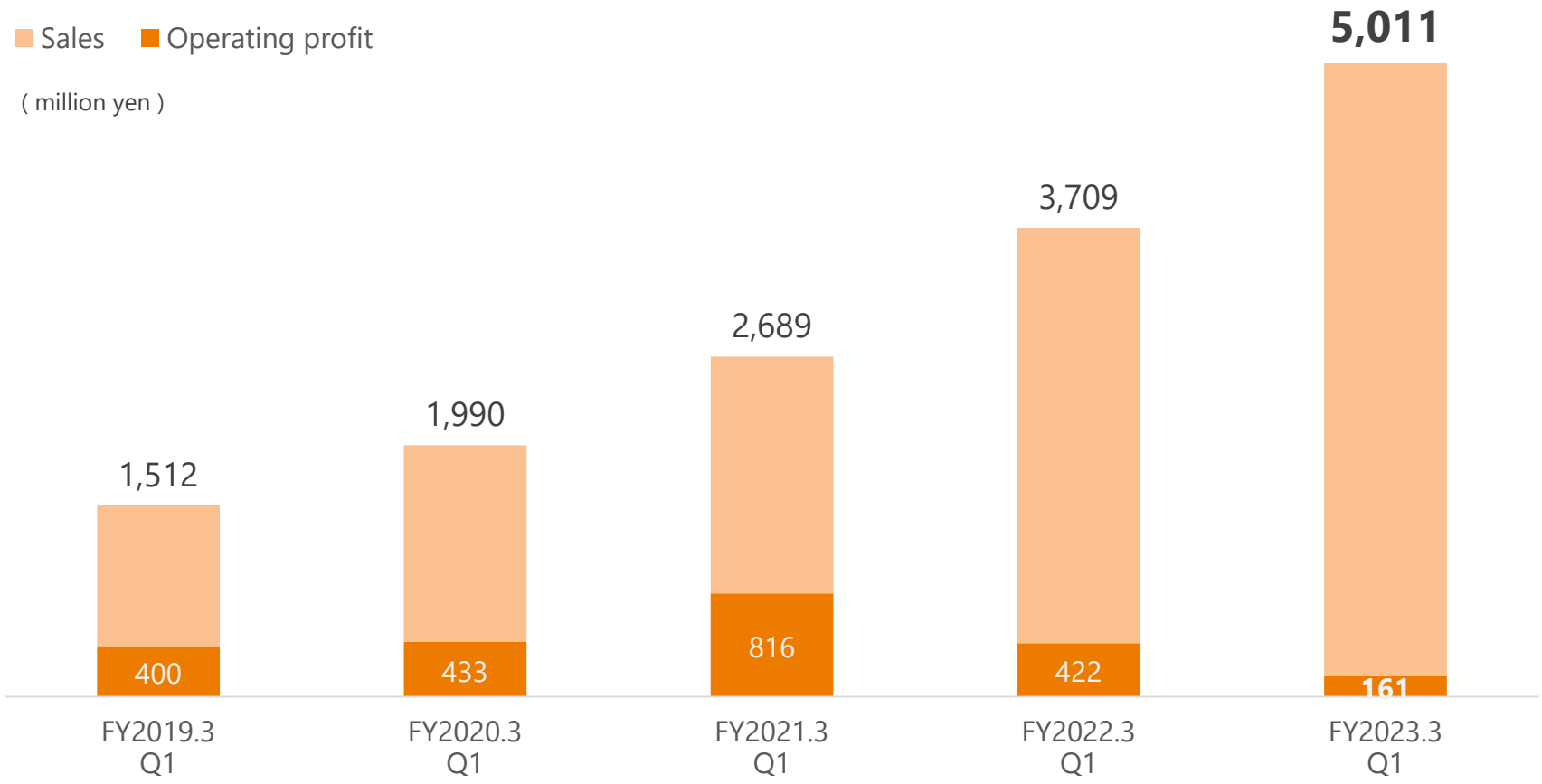
# Cloud Business

# Performance of the Cloud Business

Net sales performed strongly due to a steady increase in new orders for main services.
Profit decreased due to active investment to accelerate growth as planned.




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

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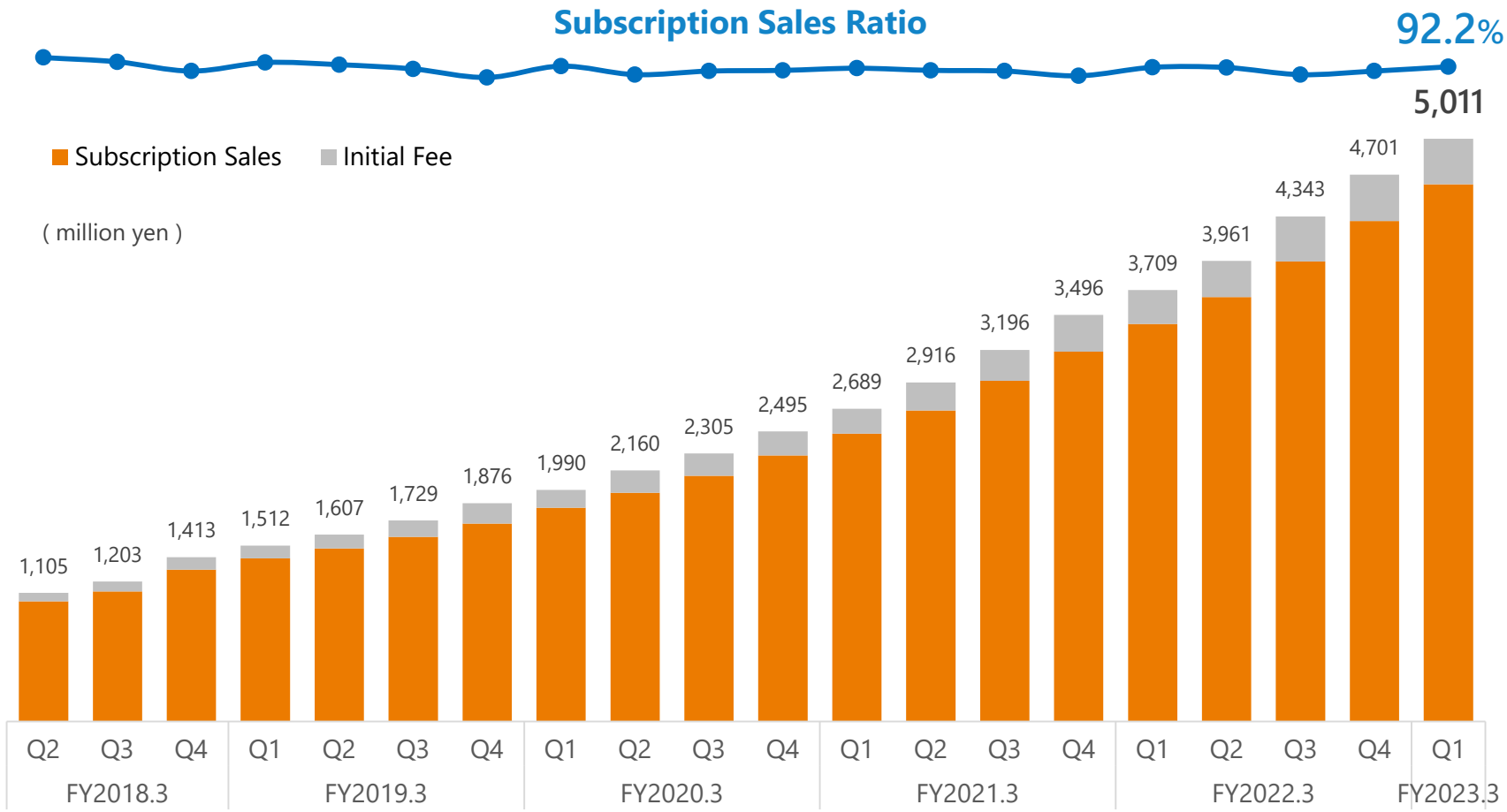
# Subscription Sales of the Cloud Business

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

A high level of growth was maintained, mainly due to sales of main services Raku Raku Seisan, Raku Raku Meisai, and Raku Raku Hambai.

( million yen )

| | Sales in Q1 FY2023.3 (Apr.-Jun.) | Quarter on Quarter | Year on Year |
|---|---|---|---|
| Raku Raku Seisan | 2,321 | +5.9% | +38.4% |
| Raku Raku Meisai | 779 | +14.9% | +73.3% |
| Raku Raku Hambai | 580 | +8.1% | +42.8% |
| E-mail distribution services | 629 | +1.2% | +12.3% |
| Mail Dealer | 587 | +3.5% | +12.2% |
| Others | 111 | +7.3% | +22.4% |
| Total of the Cloud Business | 5,011 | +6.6% | +35.1% |

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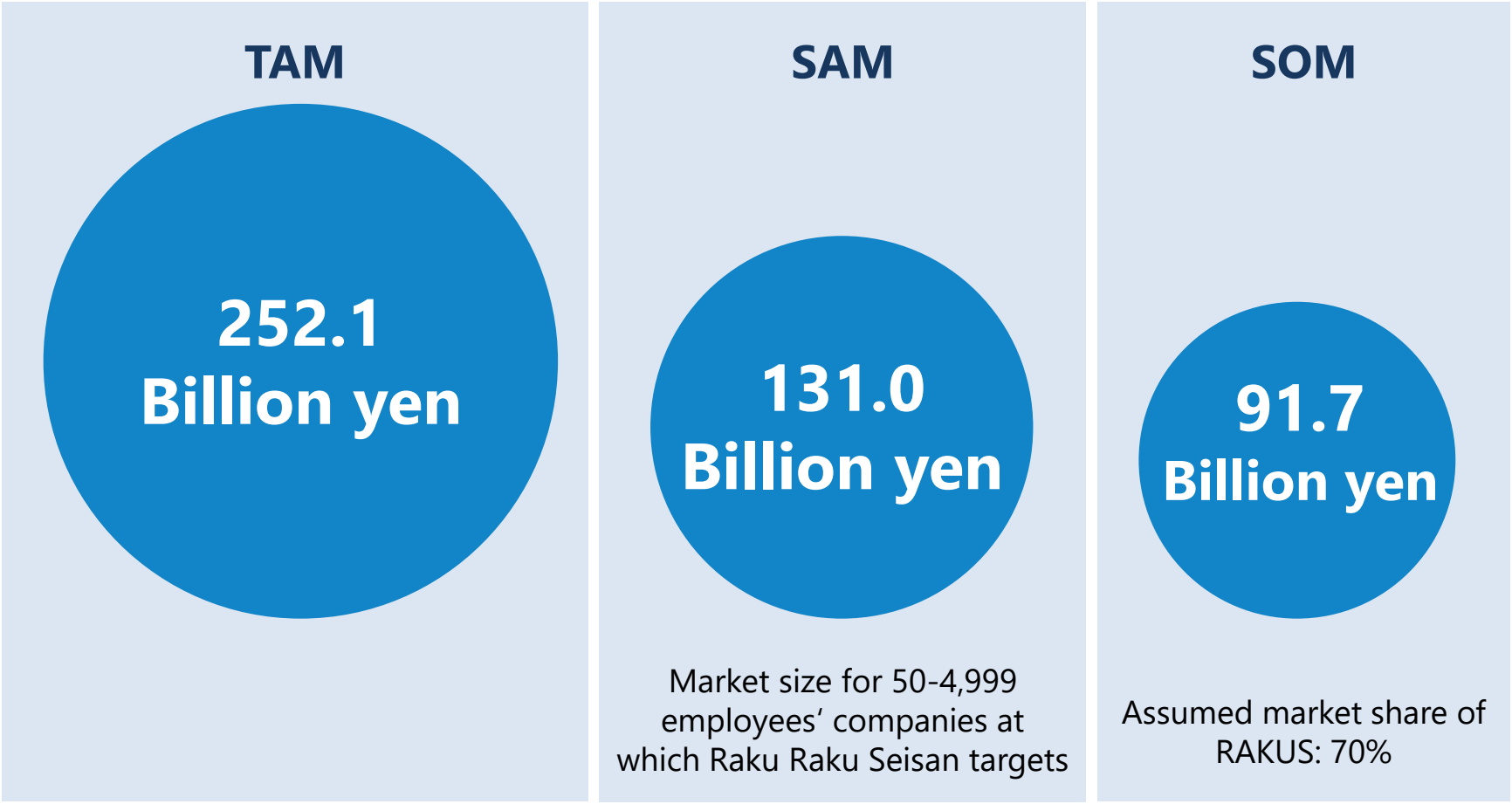
# [Raku Raku Seisan] Market Size for Expense Settlement System




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

The number of new introduction companies showed a solid trend, partly due to the effects of investments for growth since the previous fiscal year.

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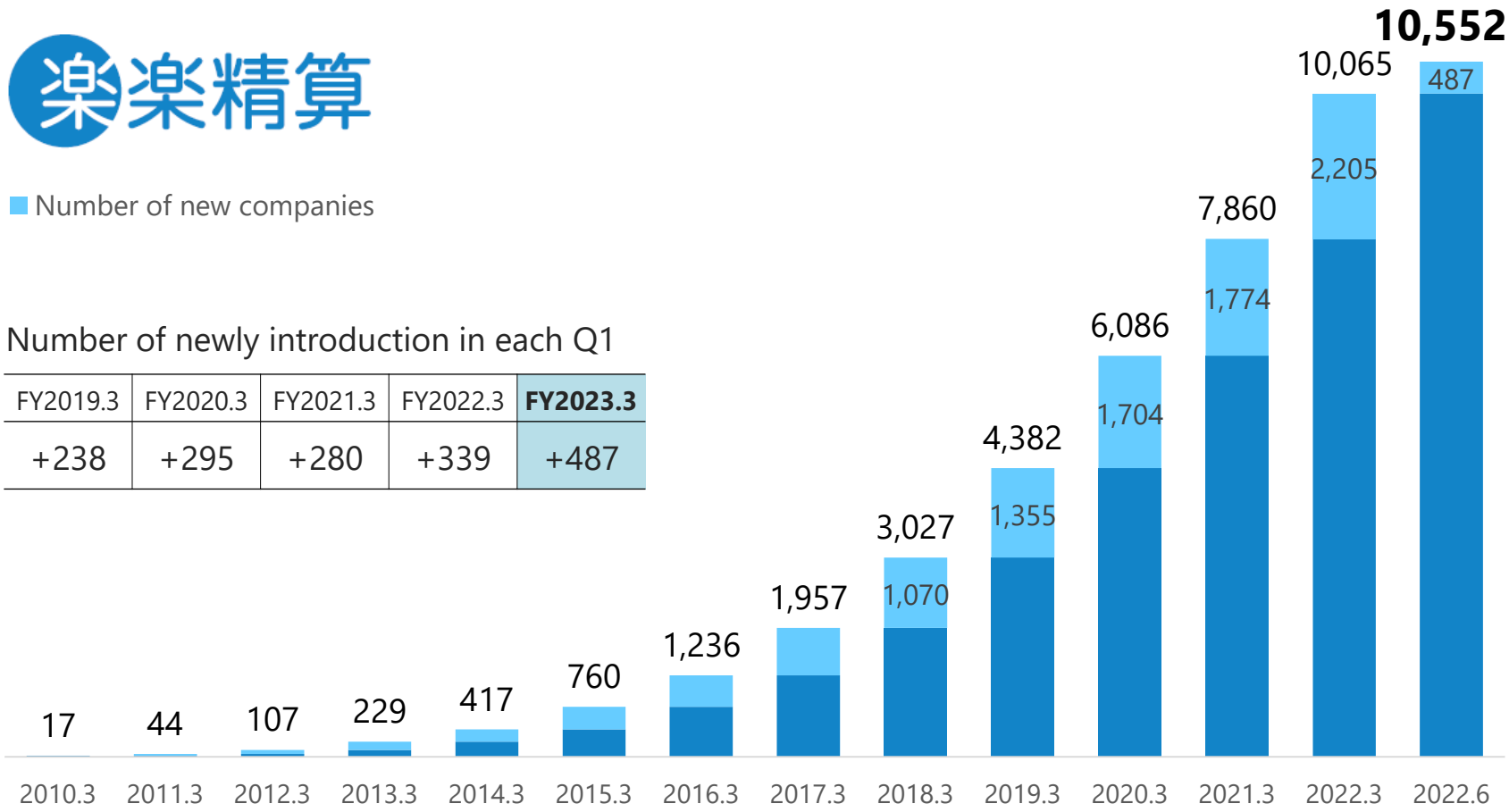
Number of new companies

Number of newly introduction in each Q1

| FY2019.3 | FY2020.3 | FY2021.3 | FY2022.3 | **FY2023.3** |
|---|---|---|---|---|
| +238 | +295 | +280 | +339 | +487 |

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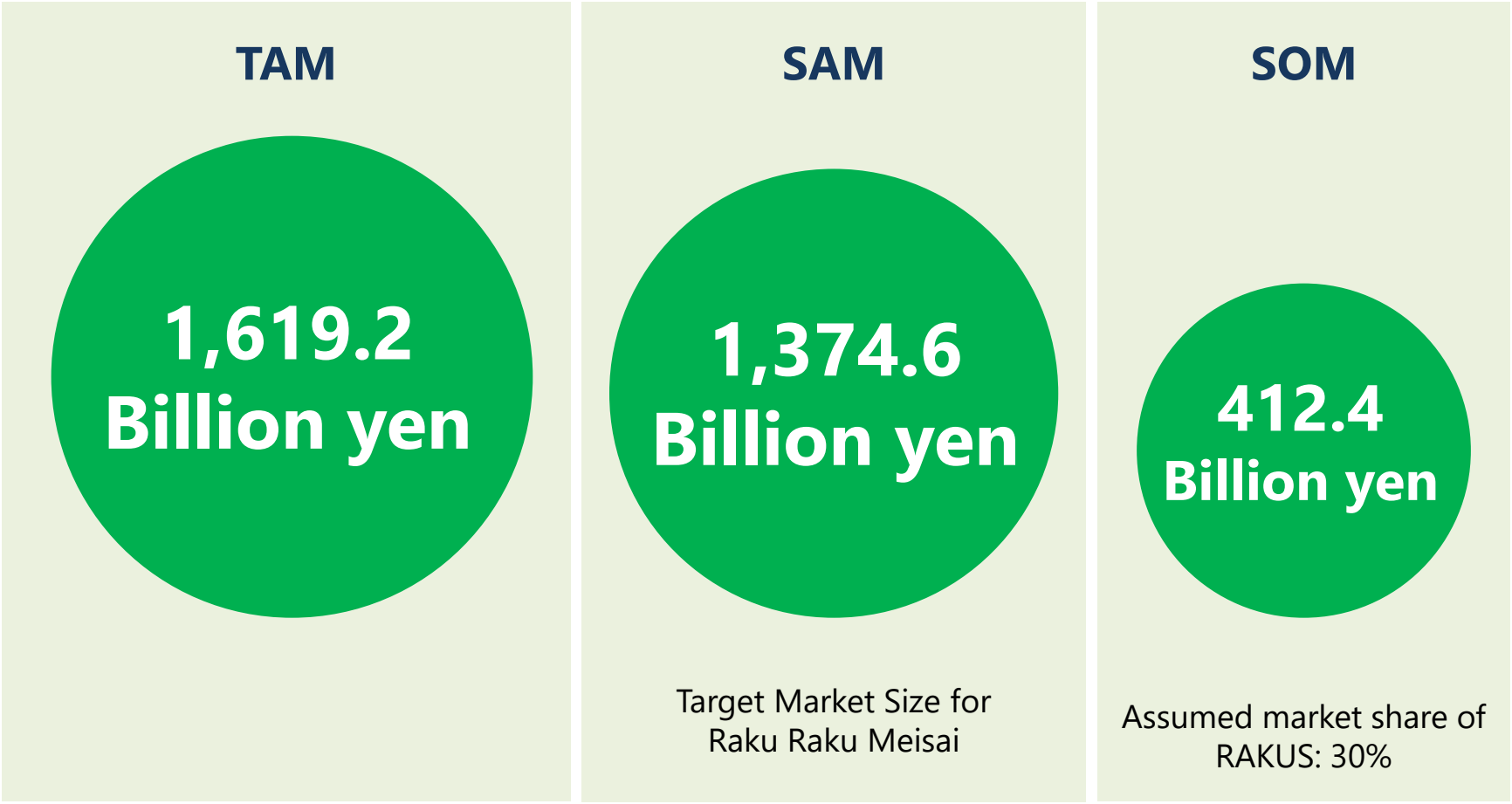
# [Raku Raku Meisai] Market Size for Bill Issuance System




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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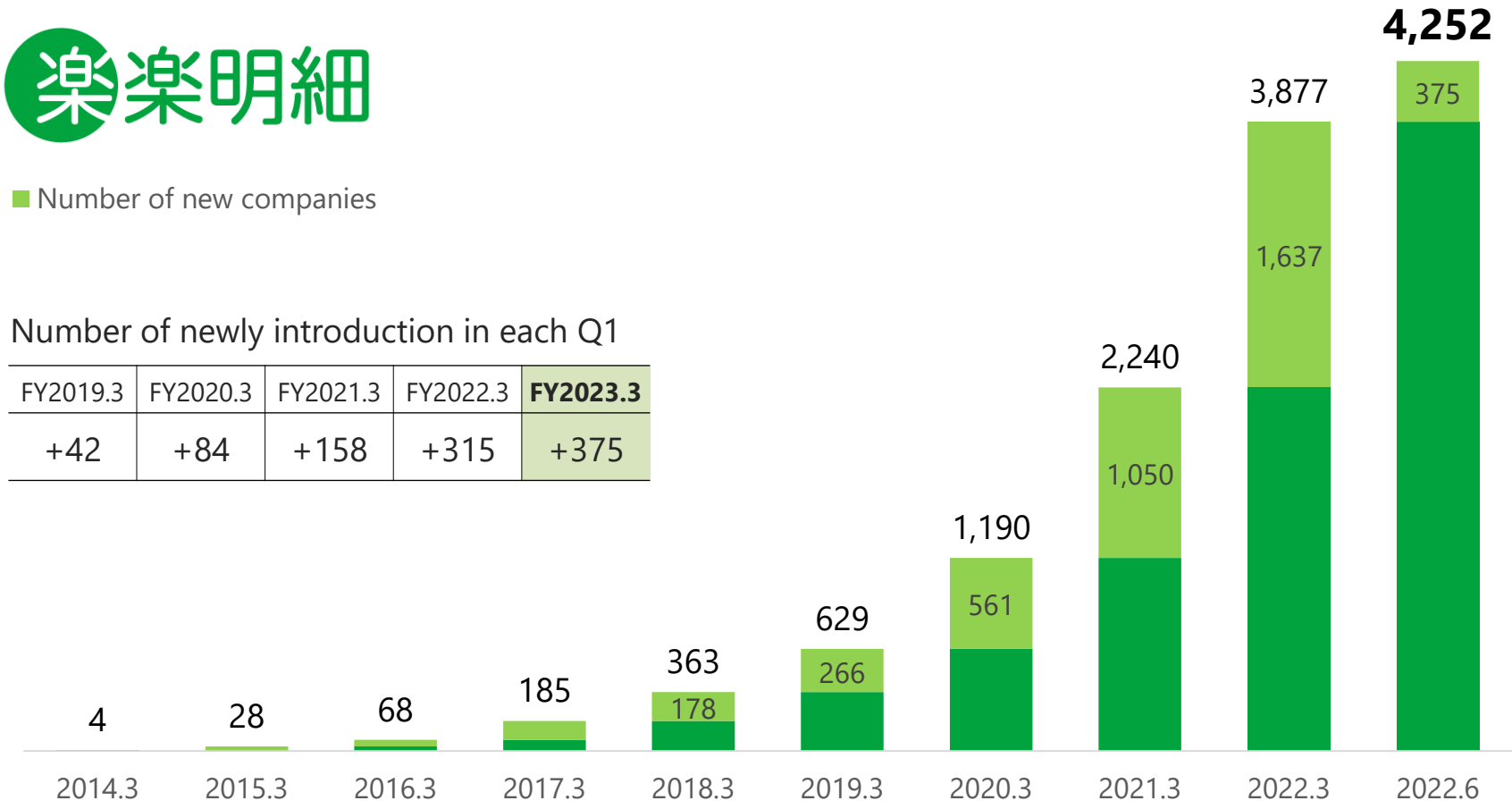
# Cumulative Number of Companies Using Raku Raku Meisai

Number of new introduction companies continues to increase steadily.




Number of newly introduction in each Q1

| FY2019.3 | FY2020.3 | FY2021.3 | FY2022.3 | **FY2023.3** |
|---|---|---|---|---|
| +42 | +84 | +158 | +315 | +375 |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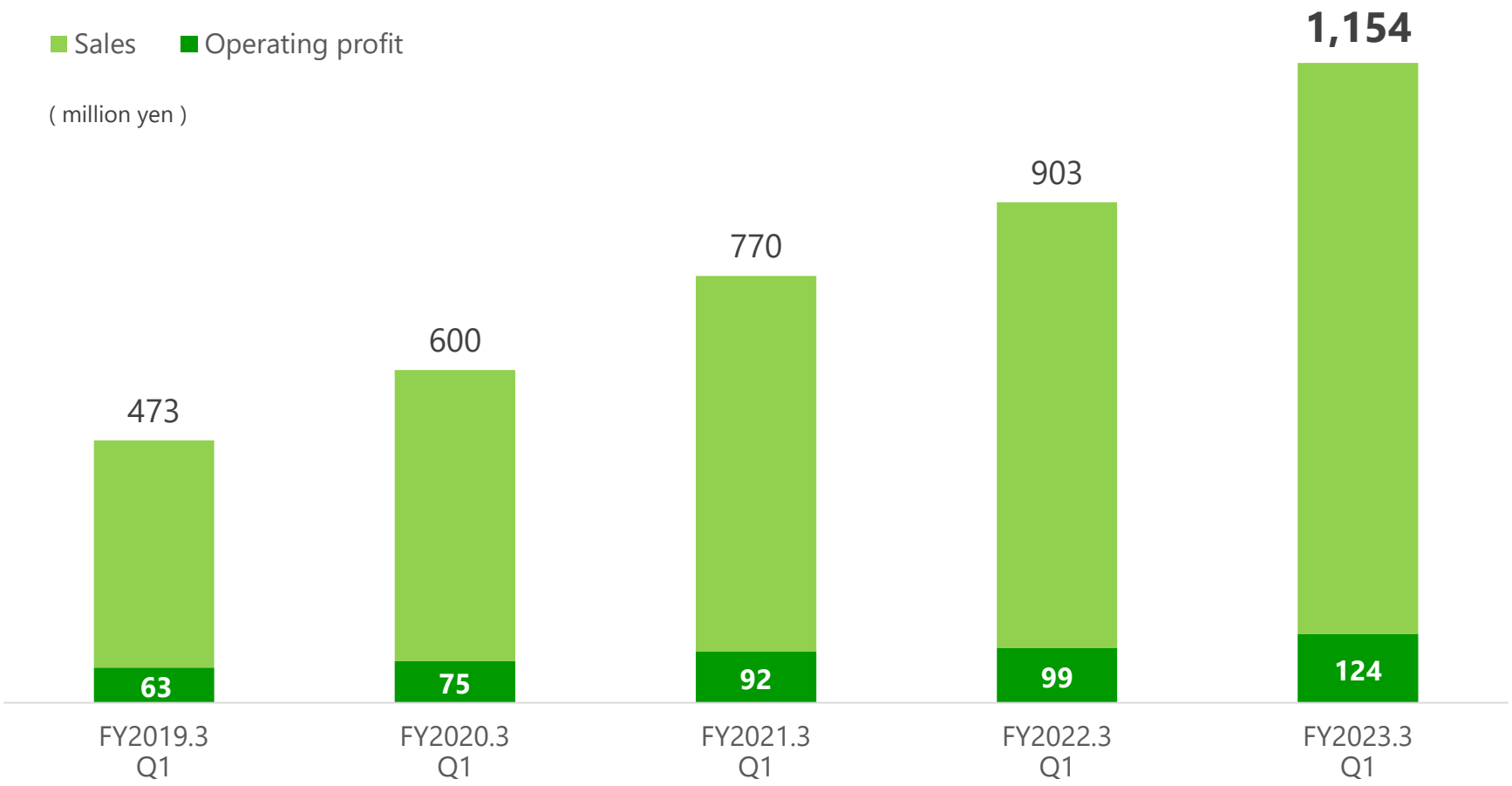
# IT Outsourcing Business

# Performance of the IT Outsourcing Business

Both sales and profit increased by responding to strong client needs.




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

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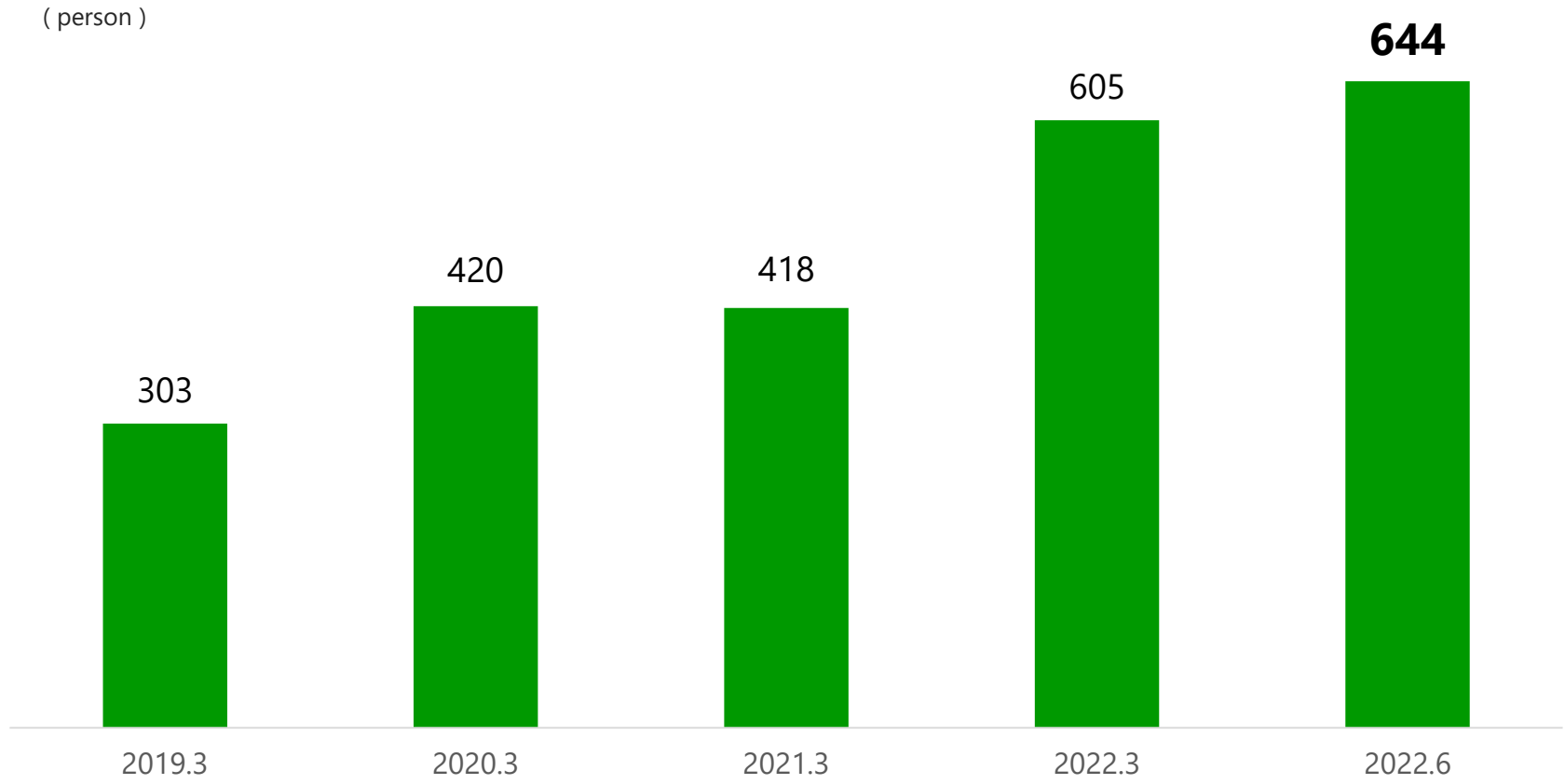
# Number of Engineers for the IT Outsourcing Business

Continued proactive hiring resulted in a significant increase in the number of engineers




* These figures include 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%**

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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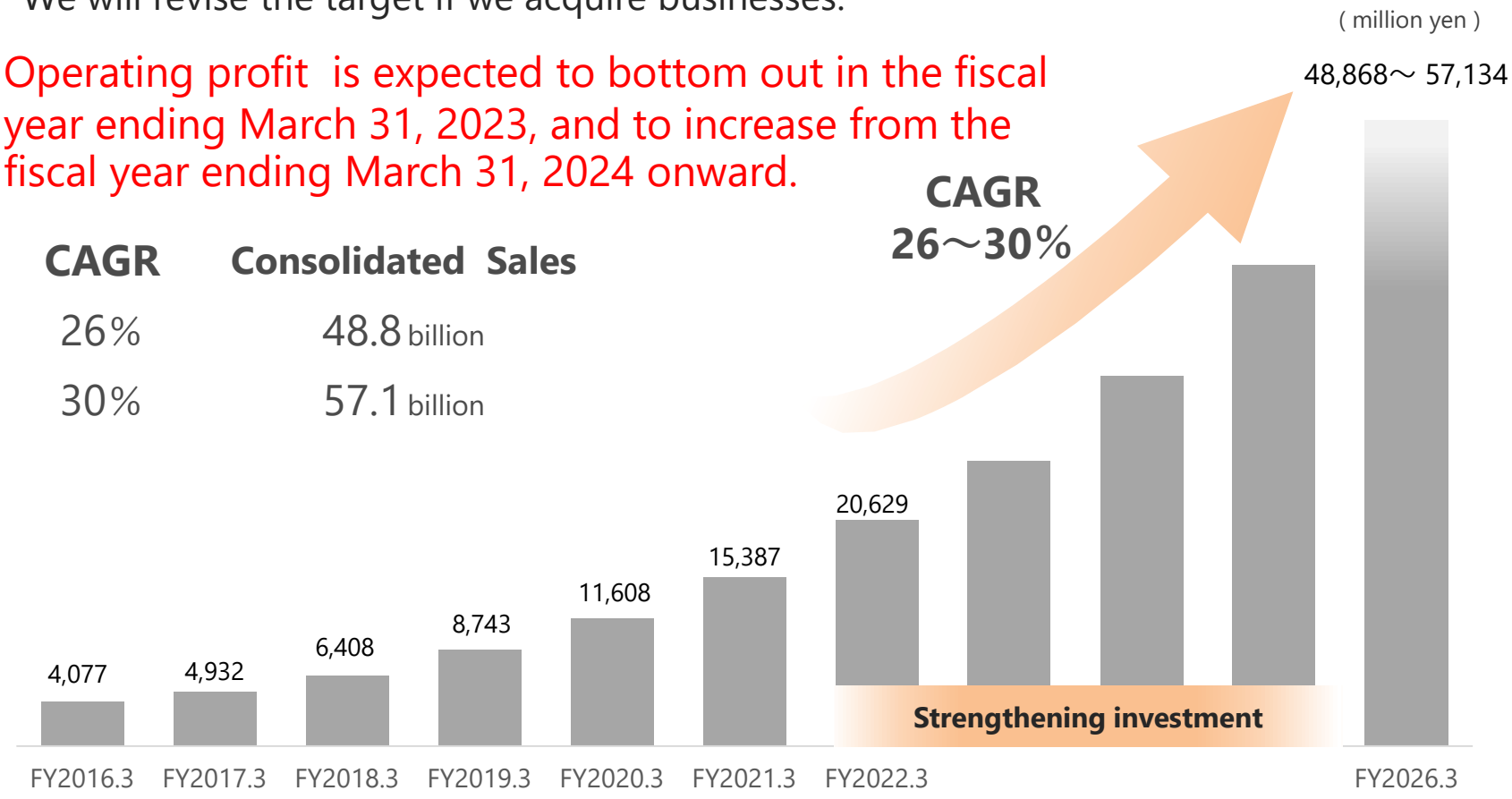
# Five-Year Sales and Profit Targets

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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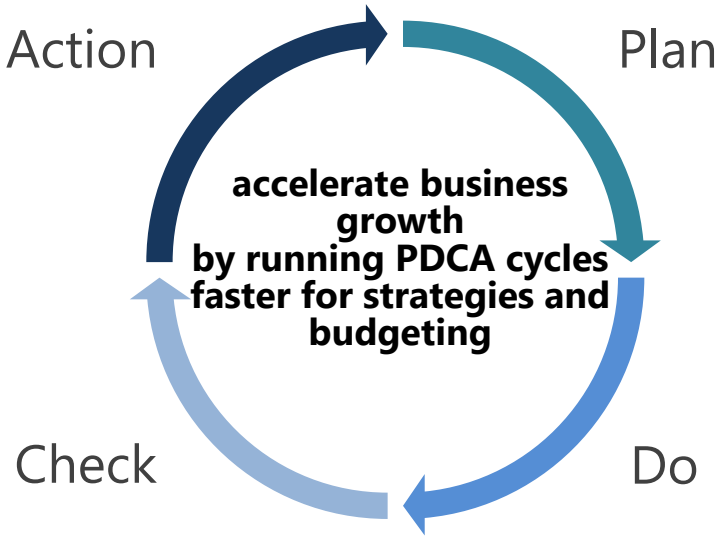
# Guidance Policy for Disclosure

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




**Aim to accelerate growth by increasing new orders**

# Guidance for H1 of FY2023.3

Despite reallocation of cost budgets, the initial guidance was left unchanged.

( 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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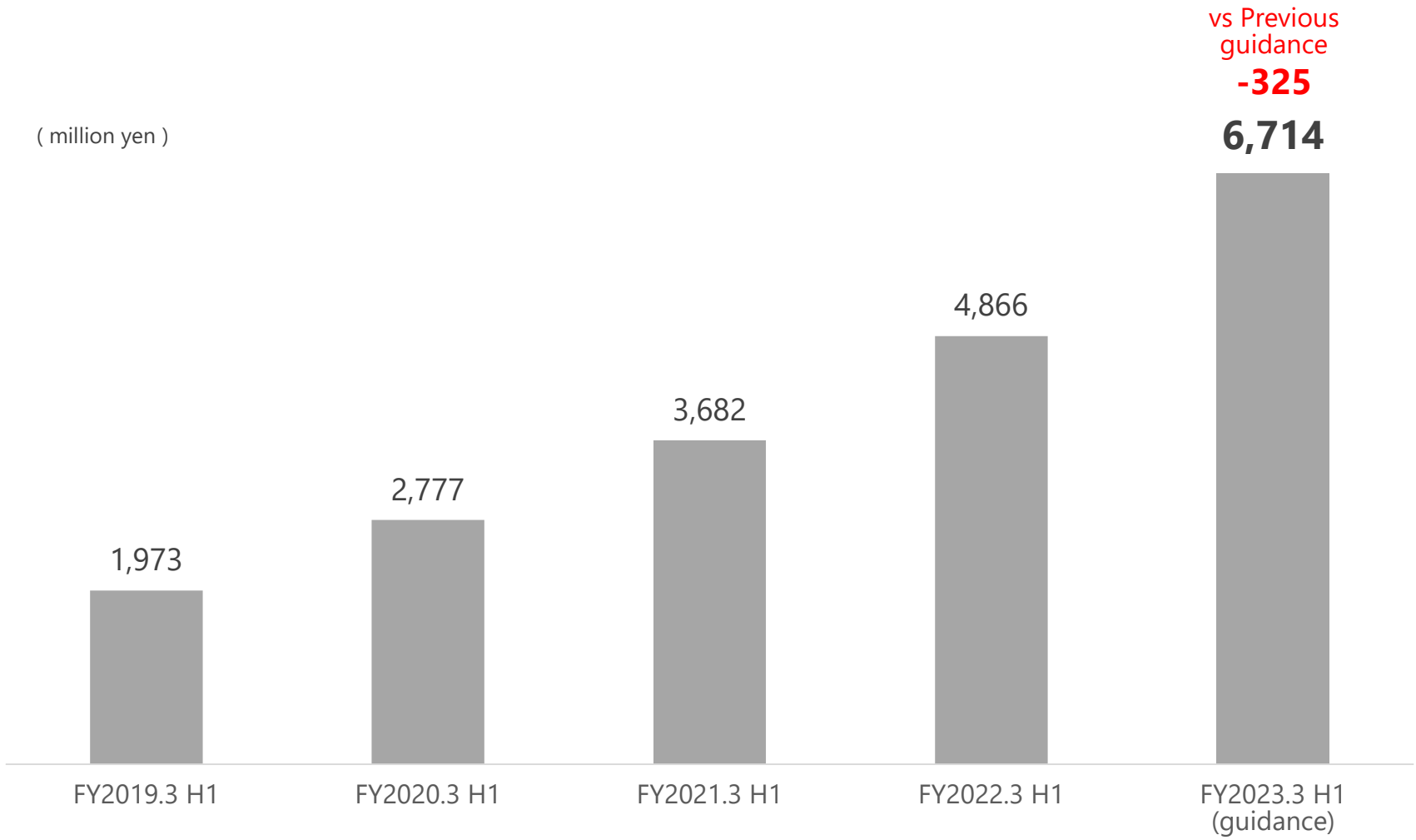
# Personnel Costs Guidance

Initial guidance was revised to reflect a delay in recruitment during Q2.

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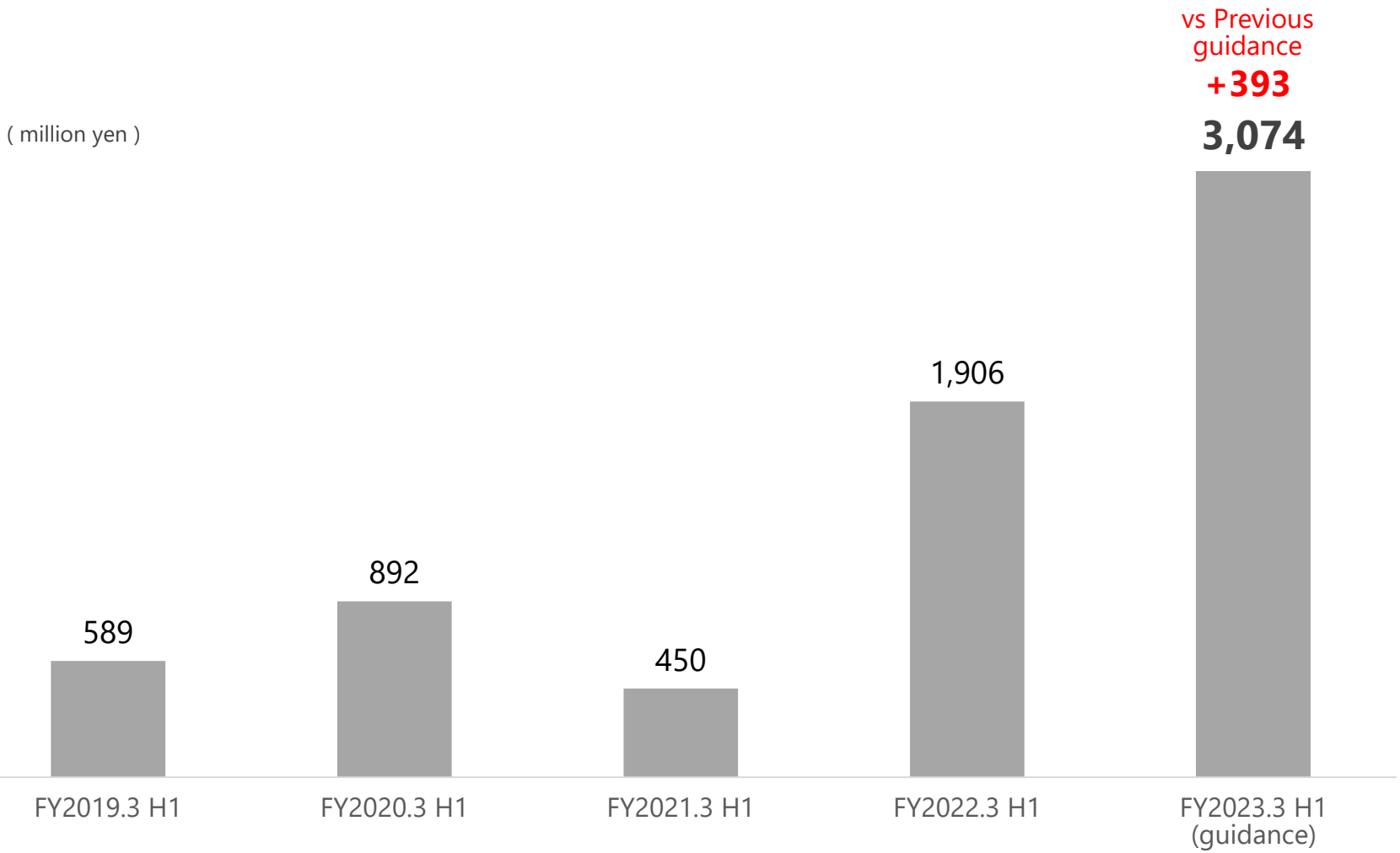
# Advertising Costs Guidance

Advertising costs increased from the initial guidance, mainly due to TV ads.

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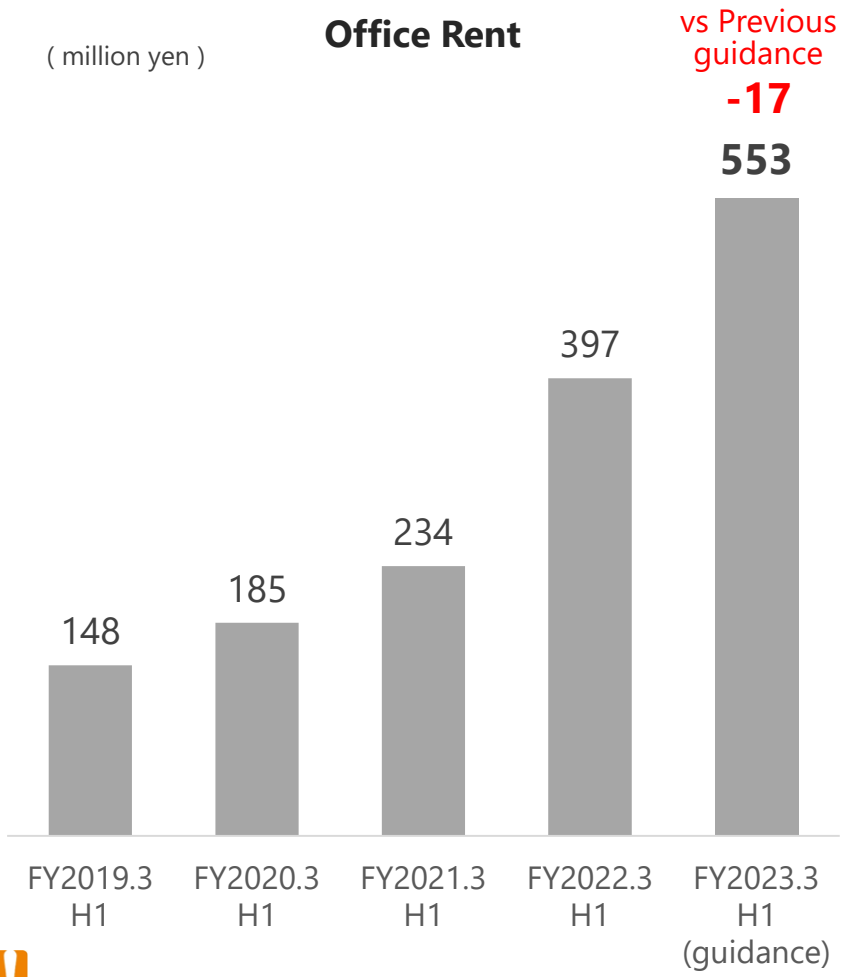
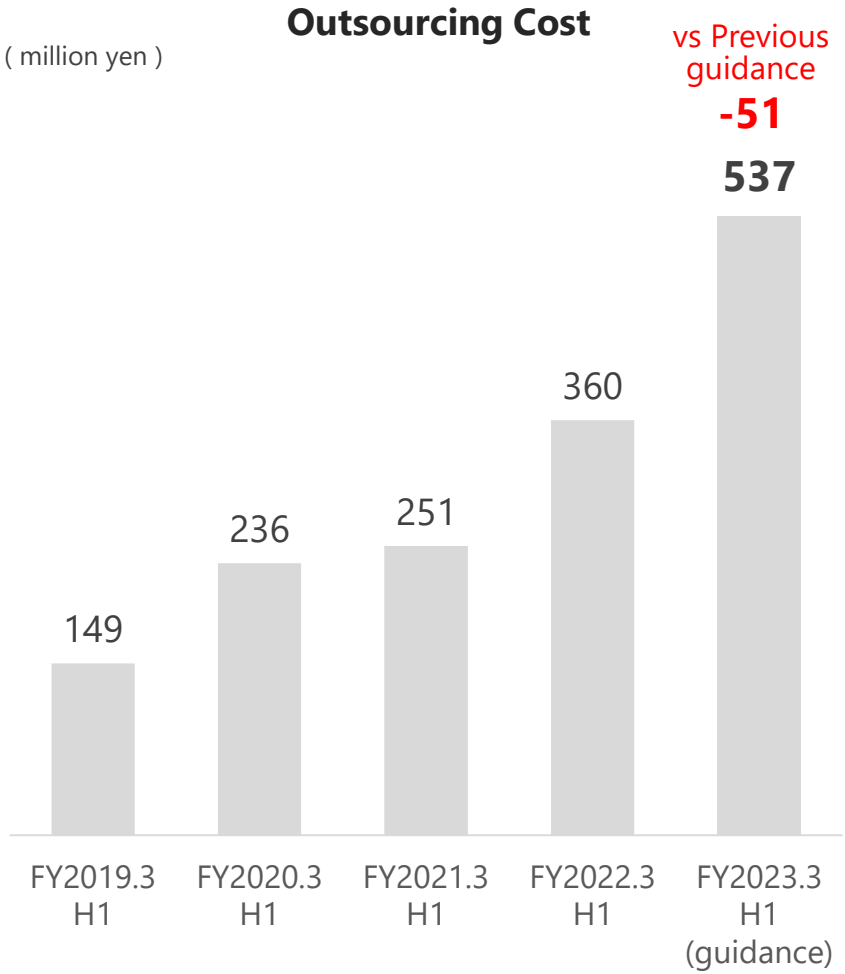
# Office Rent and Outsourcing Costs Guidance

Outsourcing costs decreased from the initial guidance, mainly due to insourcing through revision of operations.

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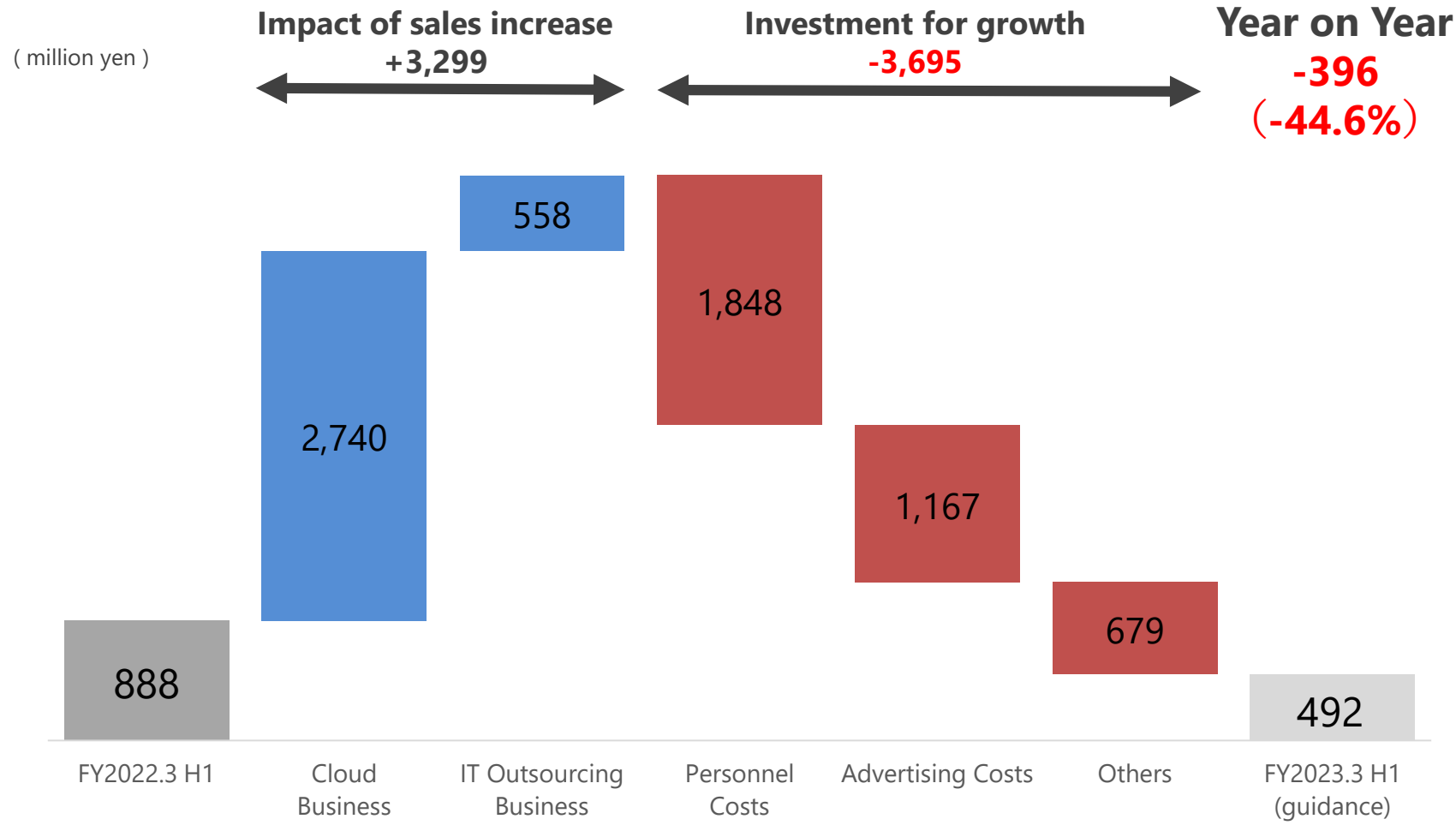
# Factors for Changes in Consolidated Operating Profits

There is no change to the profits guidance although we reallocated cost budgets.

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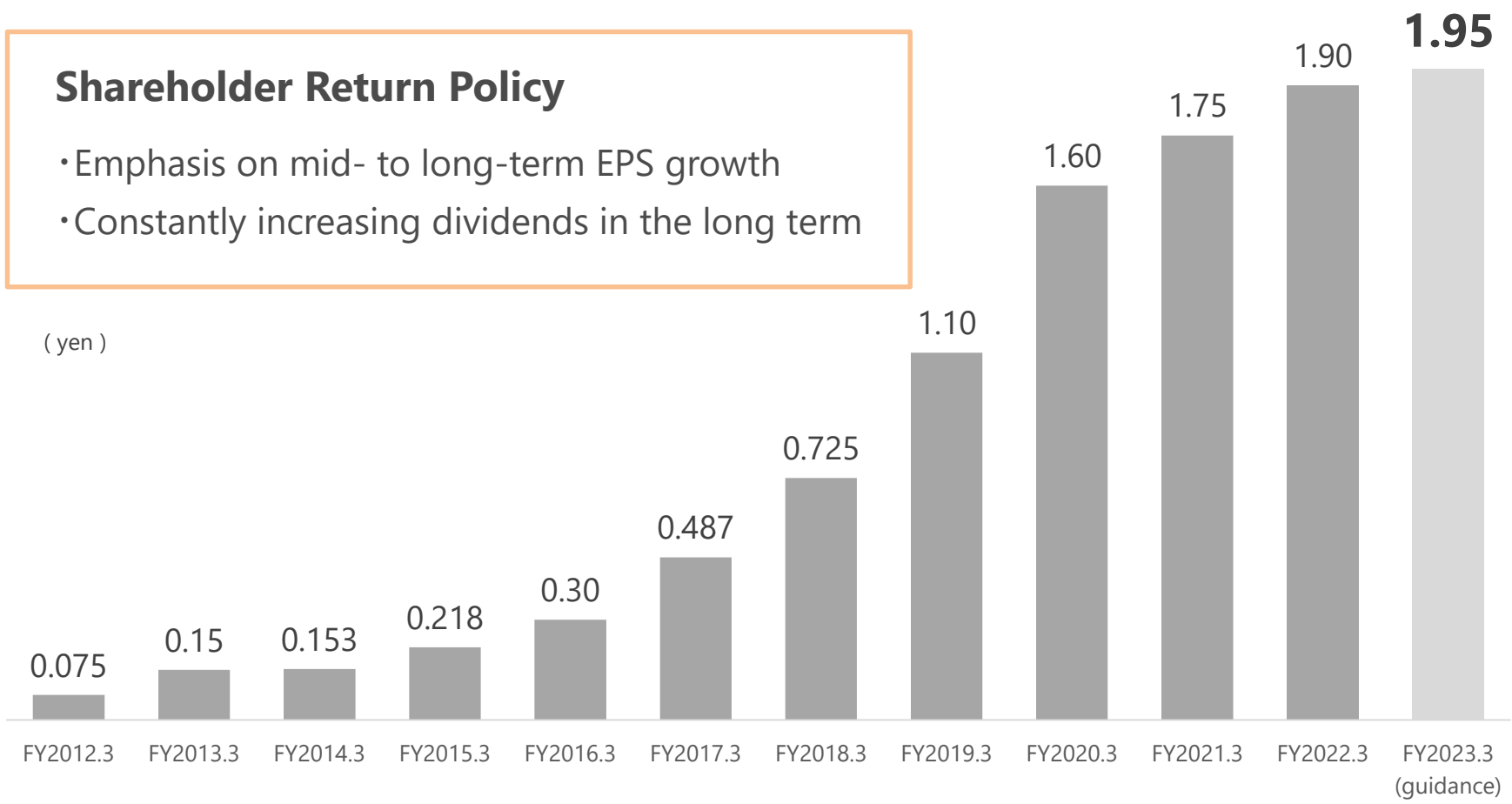
# 【KPI】Shareholder Returns

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

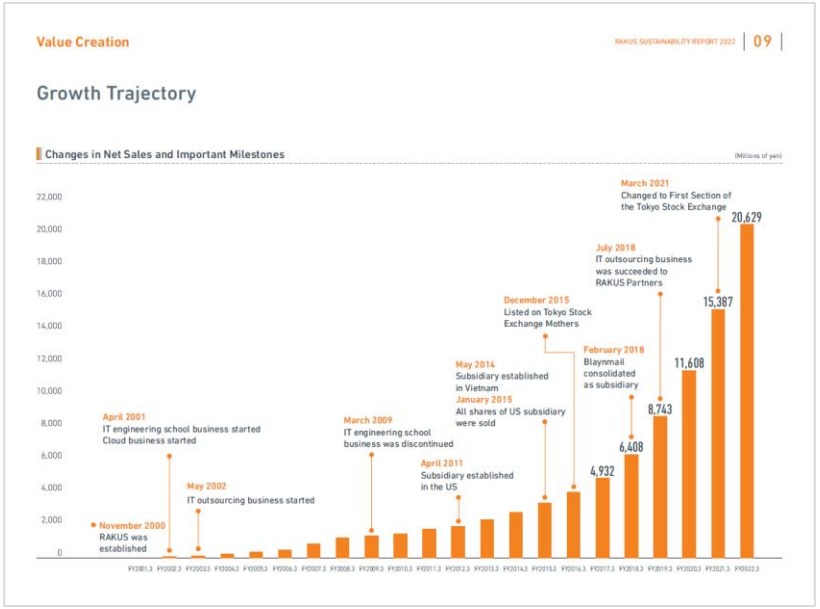
・Constantly increasing dividends in the long term




* Figures are after share split adjustment.

# Appendix

# RAKUS Sustainability Report 2022







We have published the 'RAKUS Sustainability Report 2022' 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/en/report/

# Sales of the Cloud Business by Service

( 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** | **6,725** | **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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# LTV of the Cloud Business by Service

( 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 of the Cloud Business by Service

| | FY2018.3 | FY2019.3 | FY2020.3 | FY2021.3 | FY2022.3 |
|---|---|---|---|---|---|
| Raku Raku Seisan | **4.9%** | **5.7%** | **4.9%** | **5.2%** | **5.0%** |
| Raku Raku Meisai | **6.6%** | **2.8%** | **3.9%** | **2.2%** | **3.2%** |
| Raku Raku Hambai | **12.1%** | **9.0%** | **10.2%** | **10.0%** | **10.1%** |
| Hai Hai Mail | **19.4%** | **20.3%** | **19.4%** | **17.8%** | **15.5%** |
| Mail Dealer | **10.7%** | **10.0%** | **11.7%** | **11.0%** | **10.8%** |

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

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# Monthly Average Unit Price of the Cloud Business by Service

(yen)

| | 2018.3 | 2019.3 | 2020.3 | 2021.3 | 2022.3 | 2022.6 |
|---|---|---|---|---|---|---|
| Raku Raku Seisan | **61,101** | **67,319** | **71,222** | **78,655** | **85,308** | **86,280** |
| Raku Raku Meisai | **52,787** | **56,166** | **54,142** | **64,923** | **65,111** | **65,863** |
| Raku Raku Hambai | **73,880** | **77,663** | **86,164** | **95,865** | **103,343** | **105,455** |
| Hai Hai Mail | **19,498** | **20,234** | **22,053** | **25,295** | **28,175** | **28,831** |
| Mail Dealer | **42,677** | **43,447** | **46,085** | **46,819** | **47,893** | **48,865** |

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


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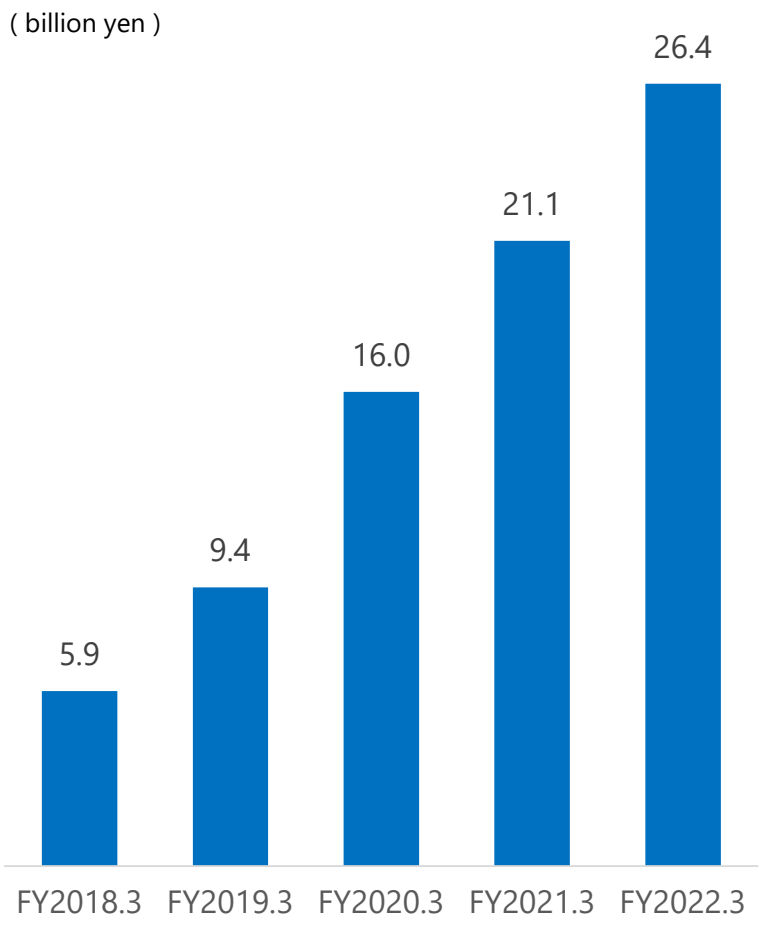
# The Market for Cloud-based Expense Settlement Systems

Source：Our own survey based on various data

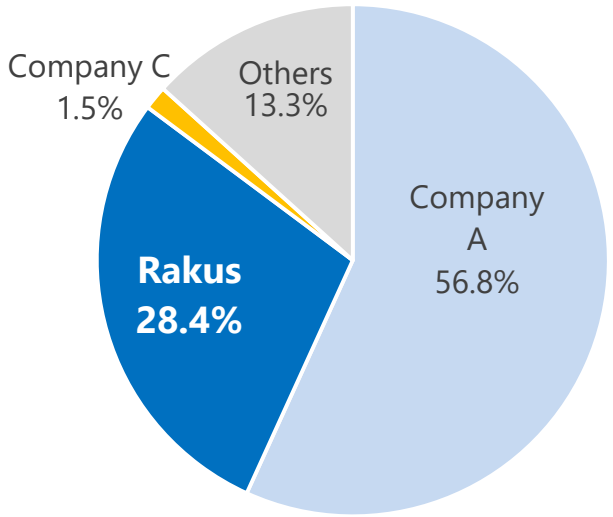
## The Market Size for Cloud-Based Expense Settlement in Japan




## 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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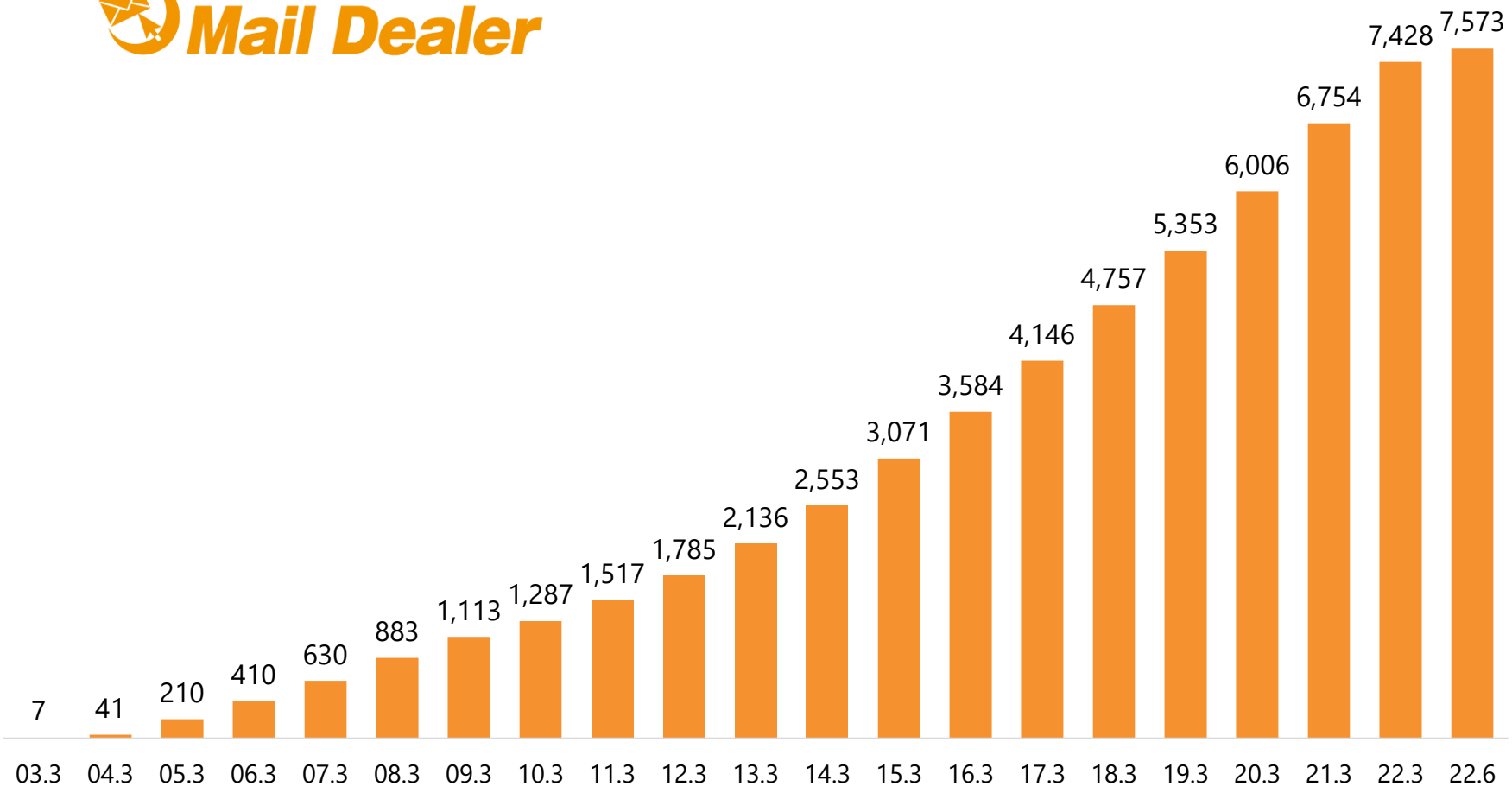
# Cumulative Number of Companies Using Mail Dealer

メールディーラー Mail Dealer

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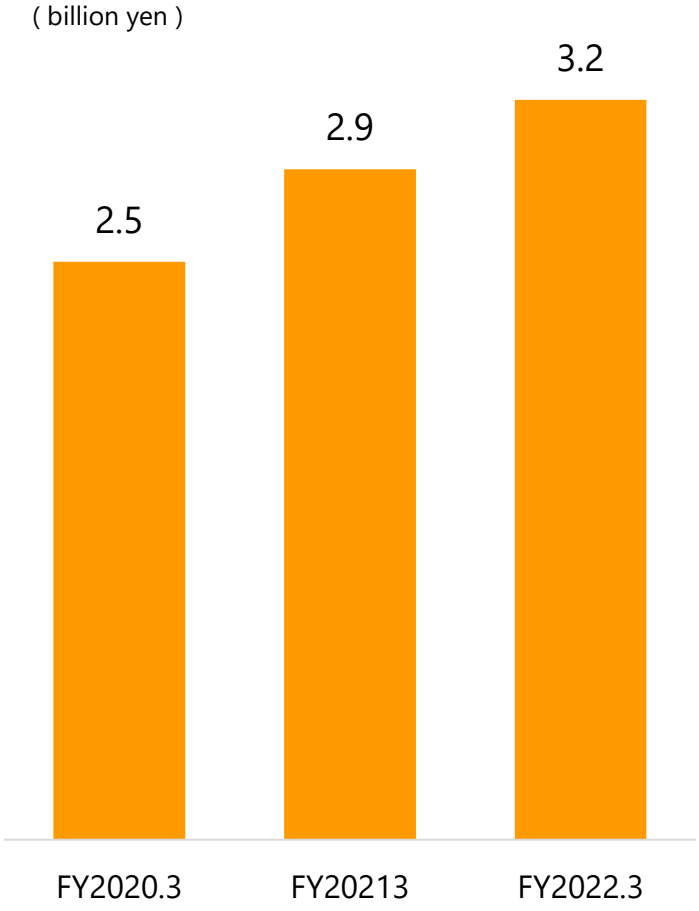
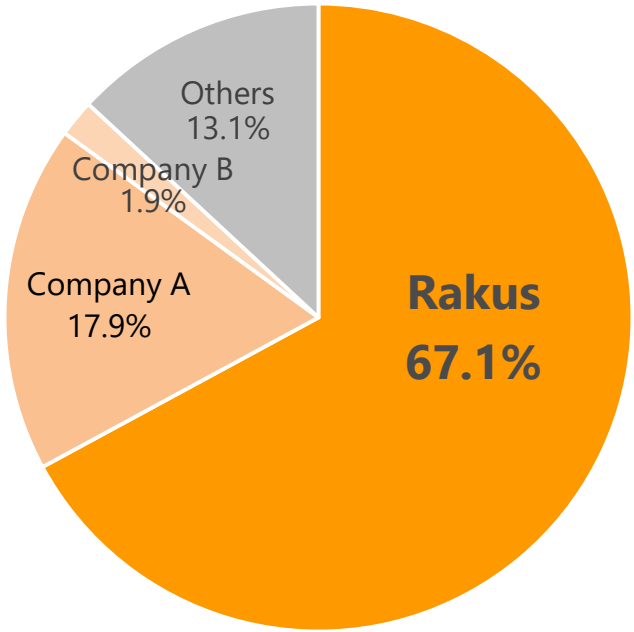
# The market for Cloud-based Mail processing

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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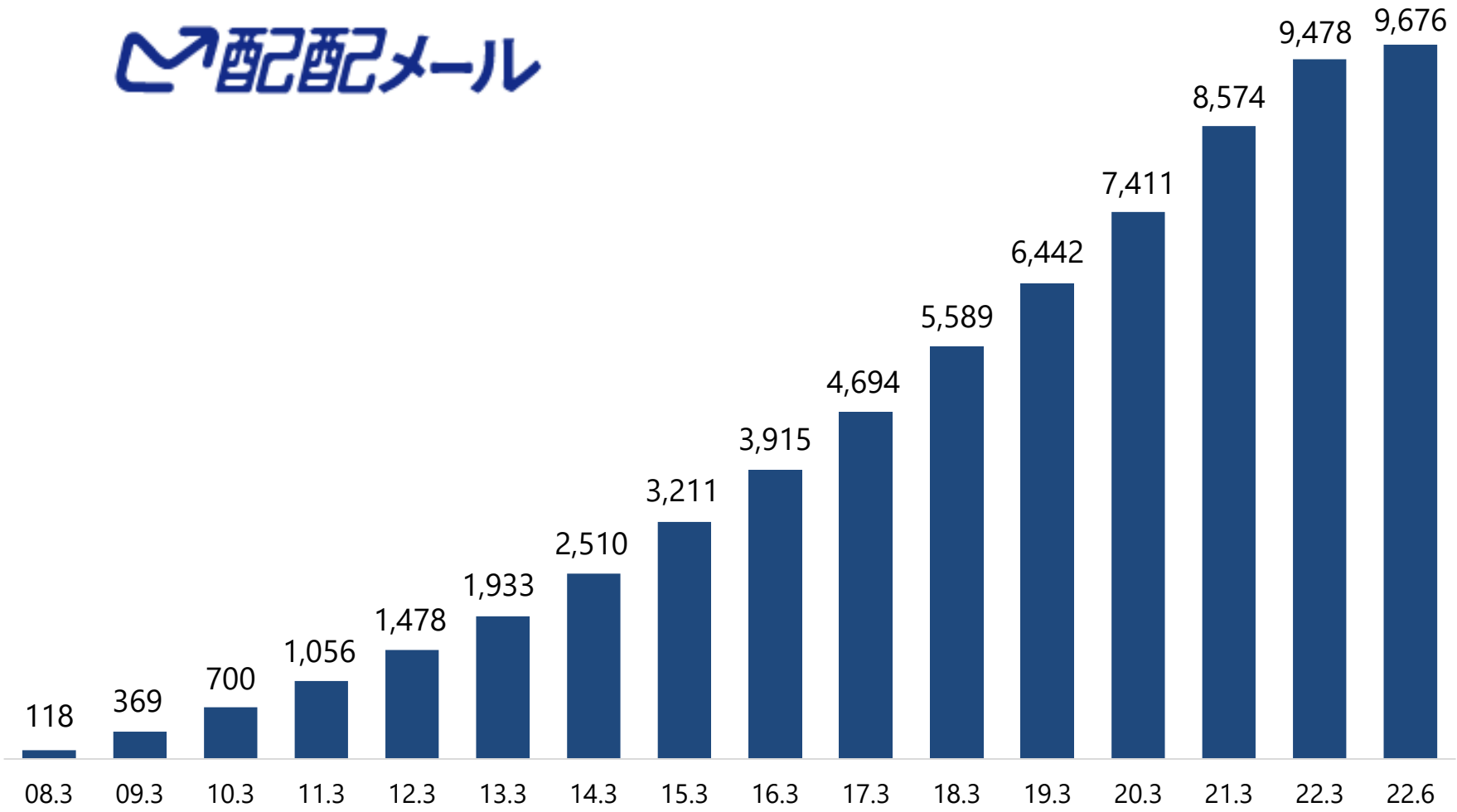
# Cumulative Number of Companies Using Hai Hai Mail

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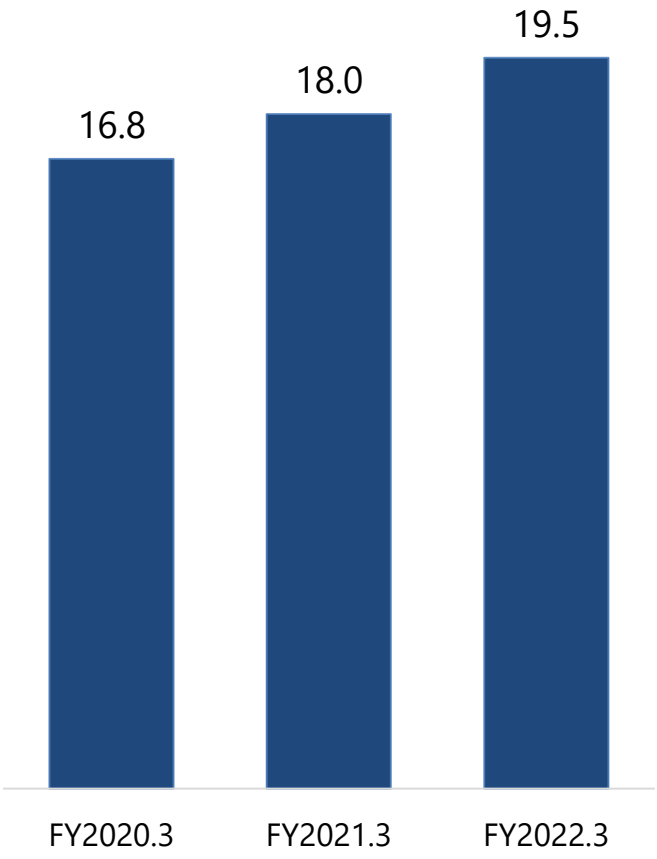
# The Market for Cloud-based Email Distribution Systems

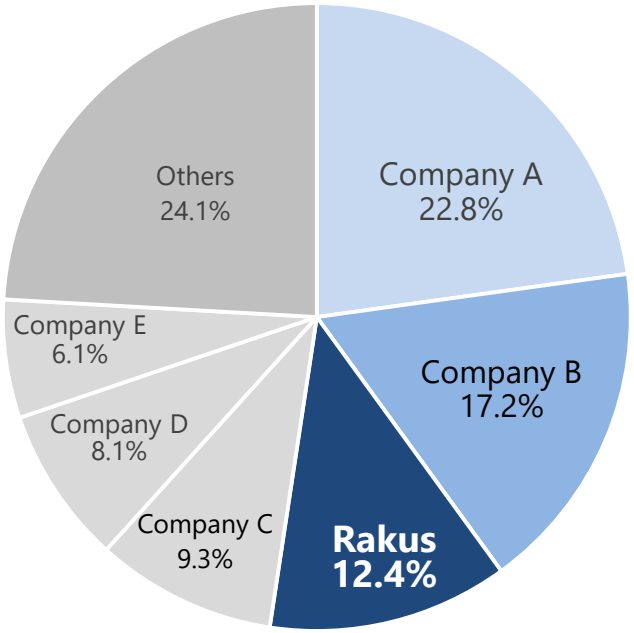
Source：Our own survey based on various data (As of December 2021)

## 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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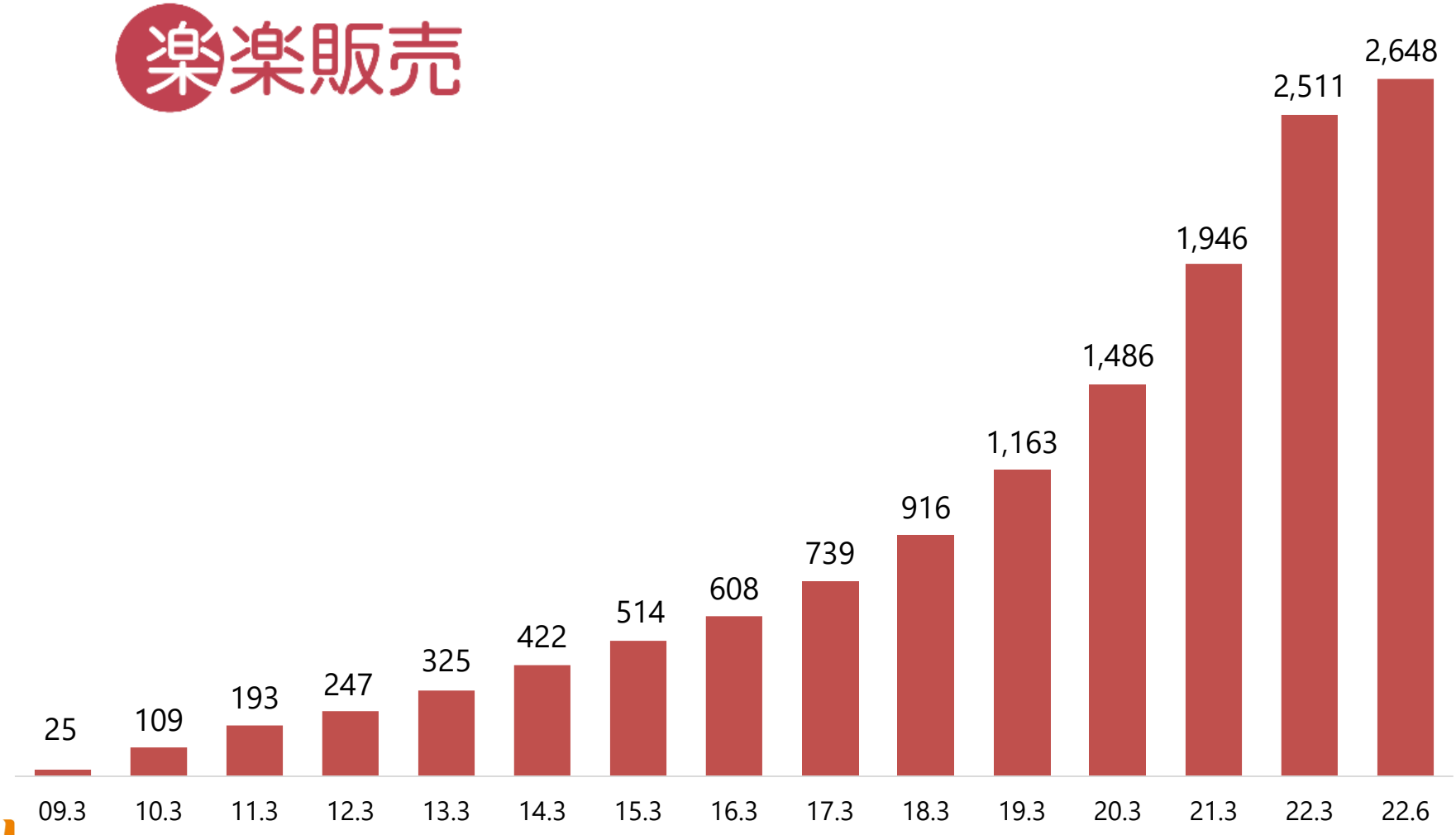
# Cumulative Number of Companies Using Raku Raku Hambai

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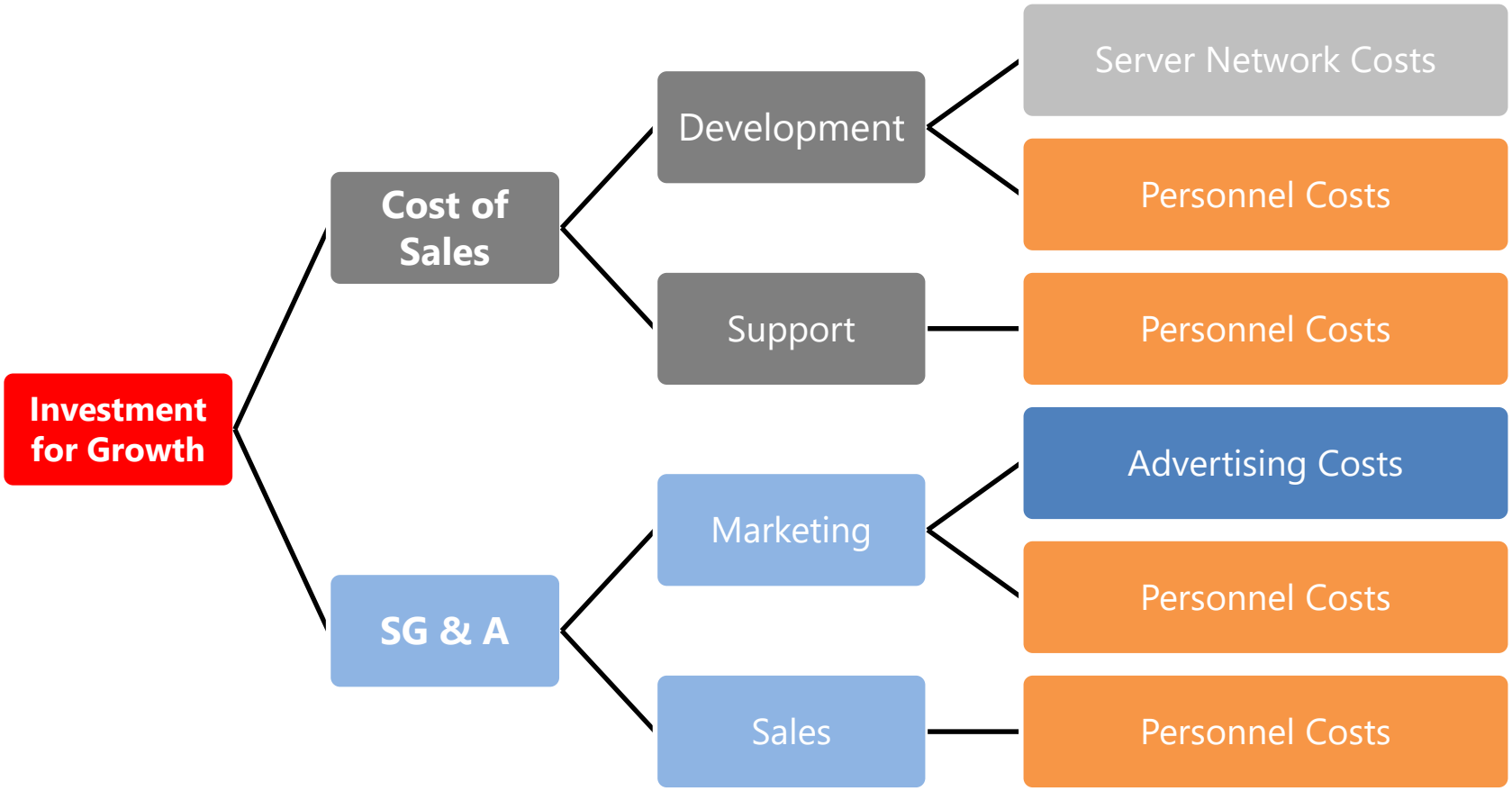
# Breakdown of Investment for Growth (Cloud Business)

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