Earnings Results for H1 of the fiscal year ending March 2023

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

November 11, 2022

Key points

Consolidated Results for H1 of FY2023.3

- A high level of sales growth was maintained due to strong performance in both Cloud Business and IT Outsourcing Business.
- Profit declined due to continued aggressive investments for growth as planned.

Cloud Business

- A high level of growth was maintained centered on our main service, Raku Raku Seisan.
- ARR reached 20 billion yen for the first time as of September.

IT Outsourcing Business

- Both sales and profit increased driven by steady increase in the number of engineers in operations by responding to strong client needs.

Guidance for FY2023.3

- We are planning to continue aggressive investments for growth aiming at a high level of sales growth.
- Operating profit amount in FY2023.3 will be the bottom in the Medium-Term Management Targets.

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Consolidated Results for H1 of the fiscal year ending March 2023

Summary of Consolidated Results for H1 of FY2023.3

A high level of sales growth was maintained due to strong performance in both Cloud Business and IT Outsourcing Business.
Profit declined due to continued aggressive investments for growth as planned.

		Year on Year
Net Sales	**12,736 million**	**+34.4%**
Operating Profit	**677 million**	**-23.7%**
Ordinary Profit	**697 million**	**-22.4%**
EBITDA	**981 million**	**-15.6%**
Profit attributable to owners of parent	**423 million**	**-28.0%**

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

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Outline of the Consolidated Results for H1 of FY2023.3

(million yen)

	FY2022.3 H1	Initial Guidance	Revised Guidance	FY2023.3 H1	YoY	Against Initial Guidance	Against Revised Guidance
Sales	**9,473**	**12,773**	**12,730**	**12,736**	+34.4%	-0.3%	+0.1%
Cost of sales	3,022	4,254		4,060	+34.3%	-4.6%	
Gross profit	6,450	8,518		8,676	+34.5%	+1.9%	
GP margin	68.1%	66.7%		68.1%			
SG&A	5,562	8,026		7,998	+43.8%	-0.3%	
Operating profit	**888**	**492**	**654**	**677**	-23.7%	+37.8%	+3.6%
OP margin	9.4%	3.9%	5.1%	5.3%			
Ordinary profit	**898**	**492**	**664**	**697**	-22.4%	+41.7%	+5.0%
Ordinary profit margin	9.5%	3.9%	5.2%	5.5%			
EBITDA	**1,163**	**781**		**981**	-15.6%	+25.7%	
EBITDA margin	12.3%	6.1%		7.7%			
Income tax	310	193		253			
Tax rate	34.6%	39.3%		37.5%			
Profit attributable to owners of parent	**587**	**298**	**423**	**423**	-28.0%	+41.9%	+0.0%

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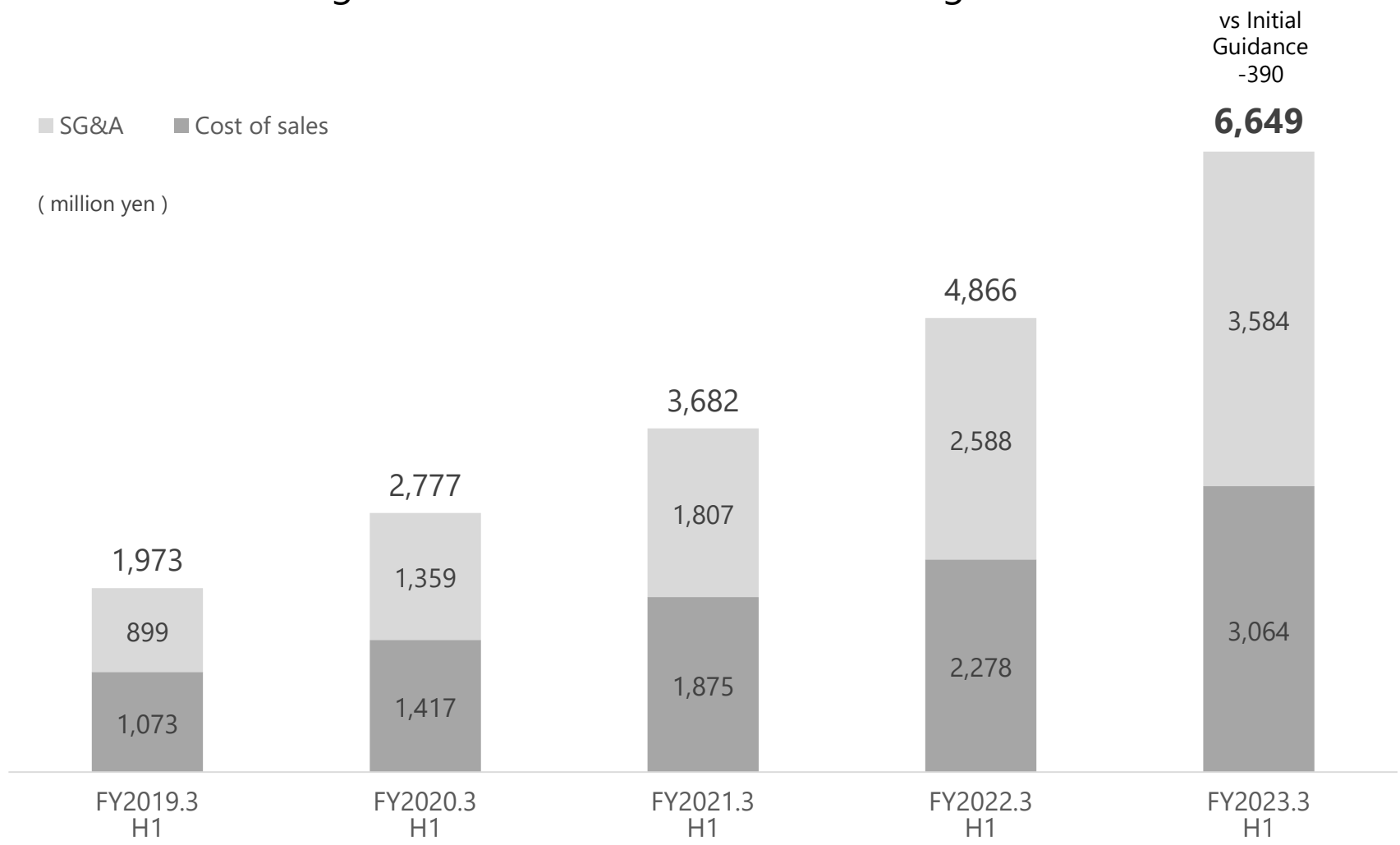
Personnel Costs

The number of employees rose significantly due to continued active recruitment, although we have not achieved the initial guidance.



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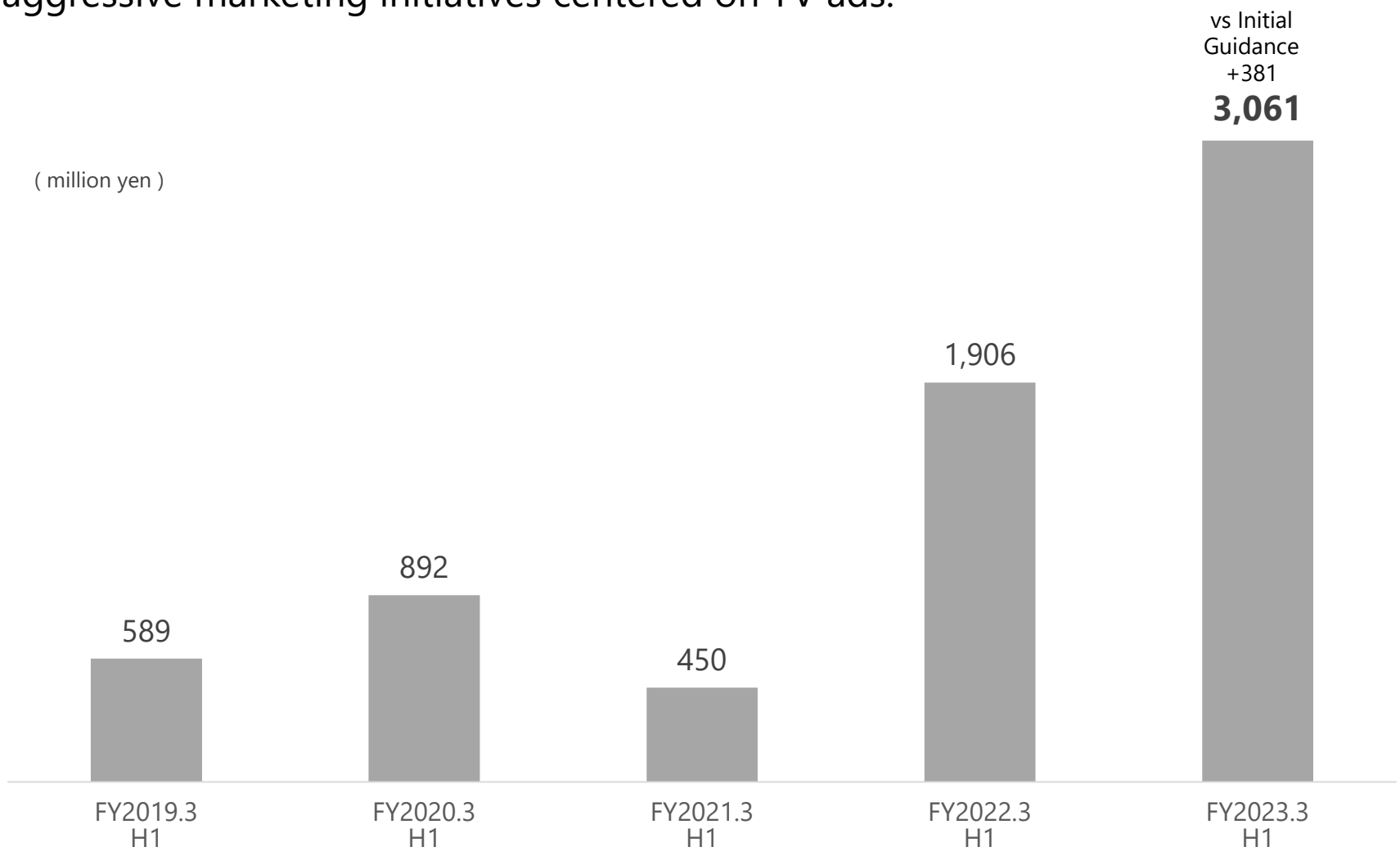
Advertising Costs

We increased advertising costs from the initial guidance, and continued aggressive marketing initiatives centered on TV ads.



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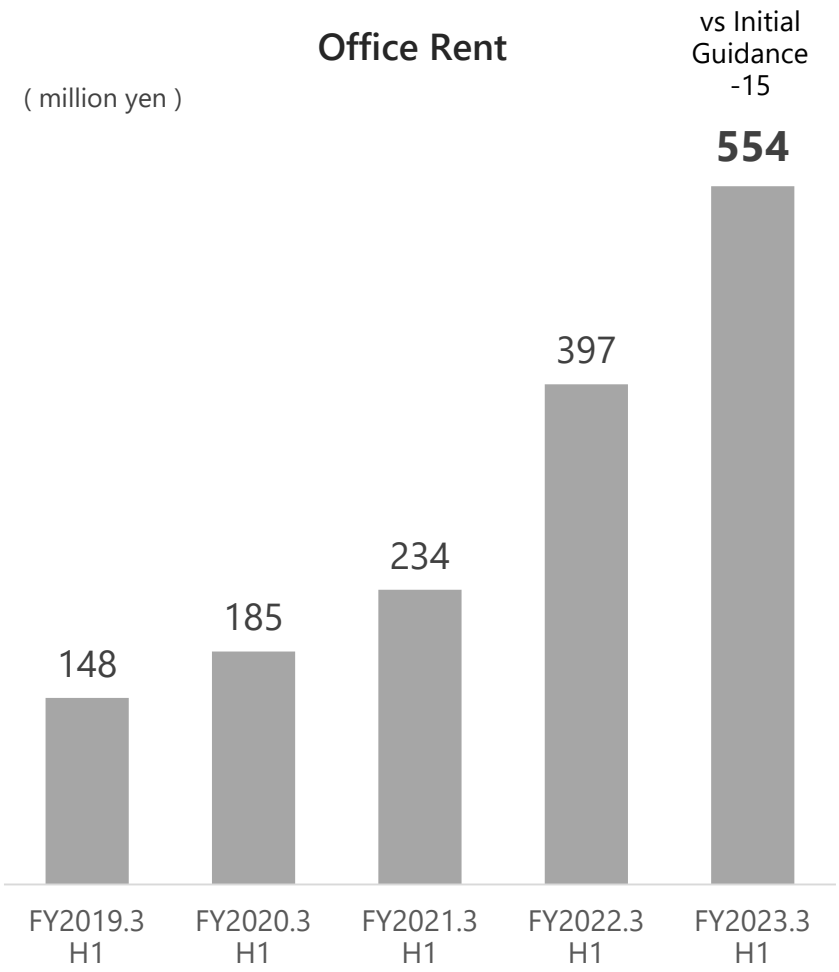
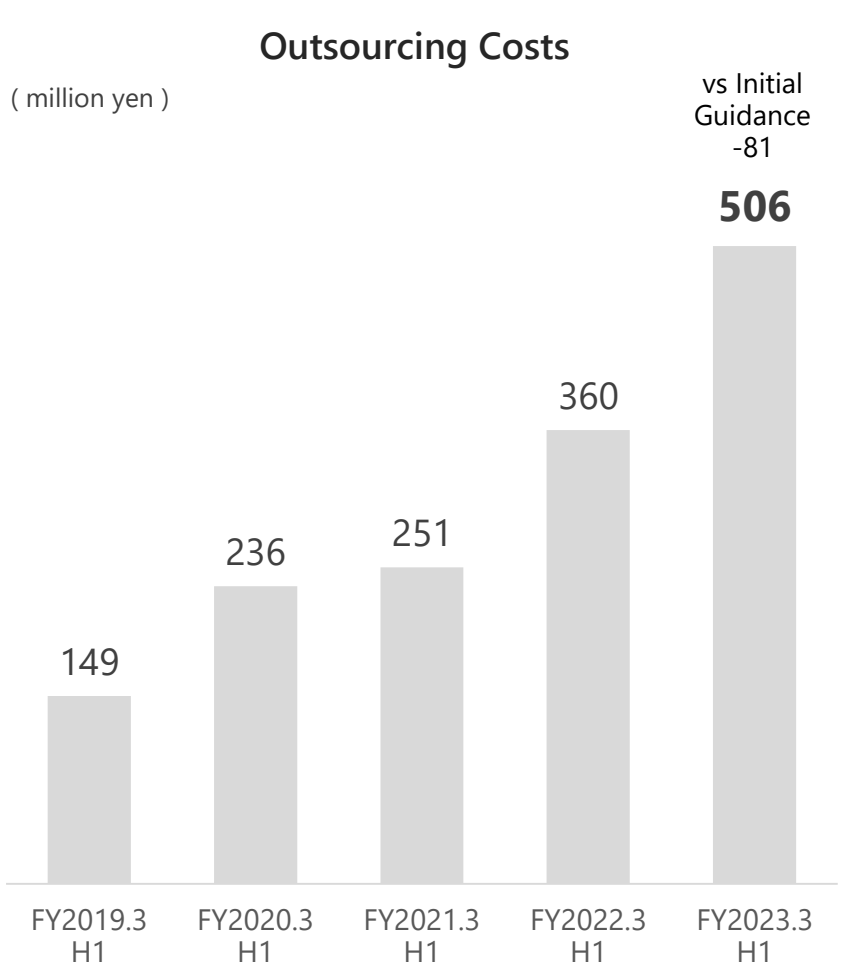
Office Rent and Outsourcing Costs

Office rent and outsourcing costs increased due to the business expansion.





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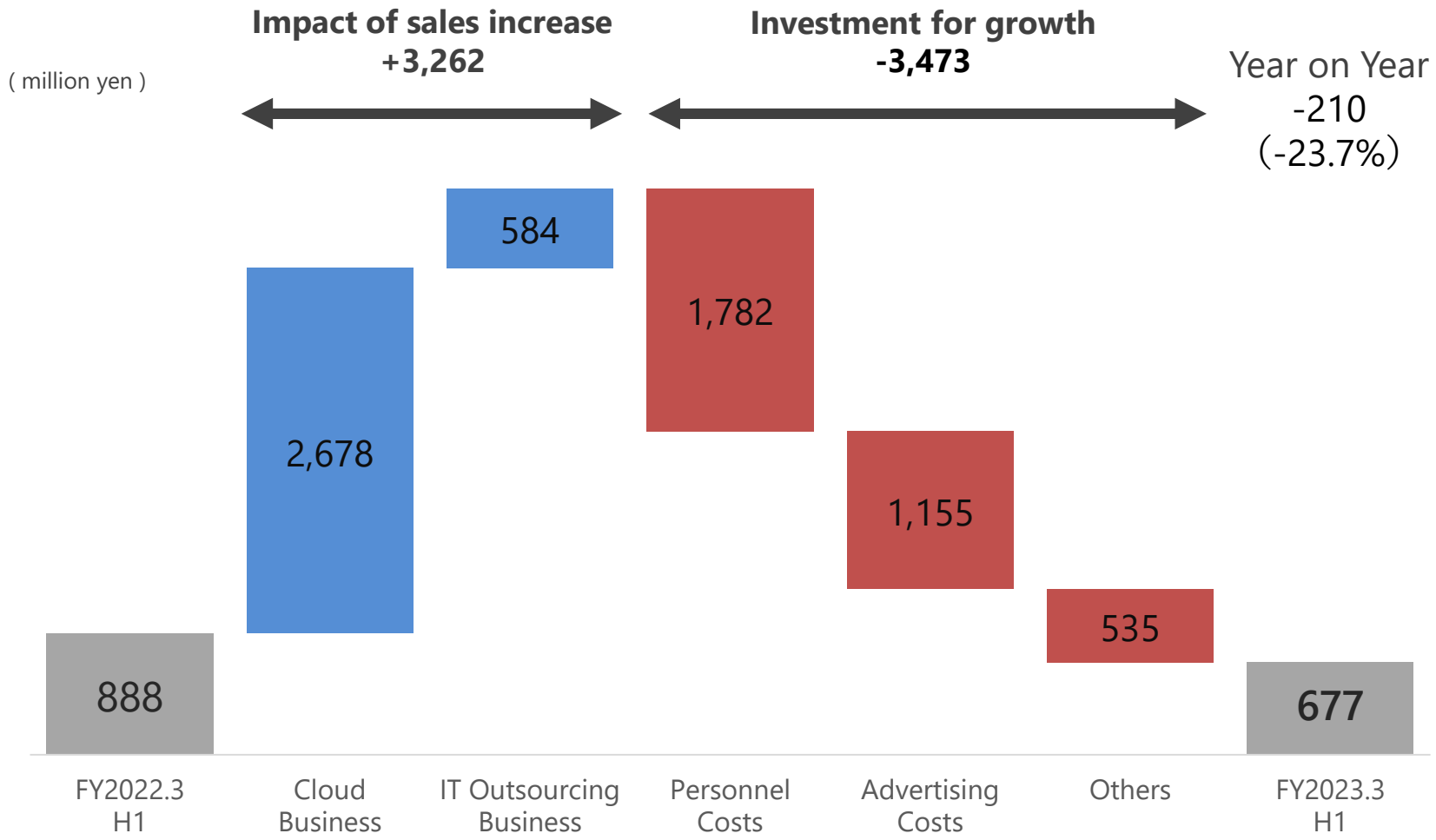
Factors for Changes in Consolidated Operating Profit (Year on Year)

Sales increased significantly, but profit decreased year on year due to active investments for growth as planned.



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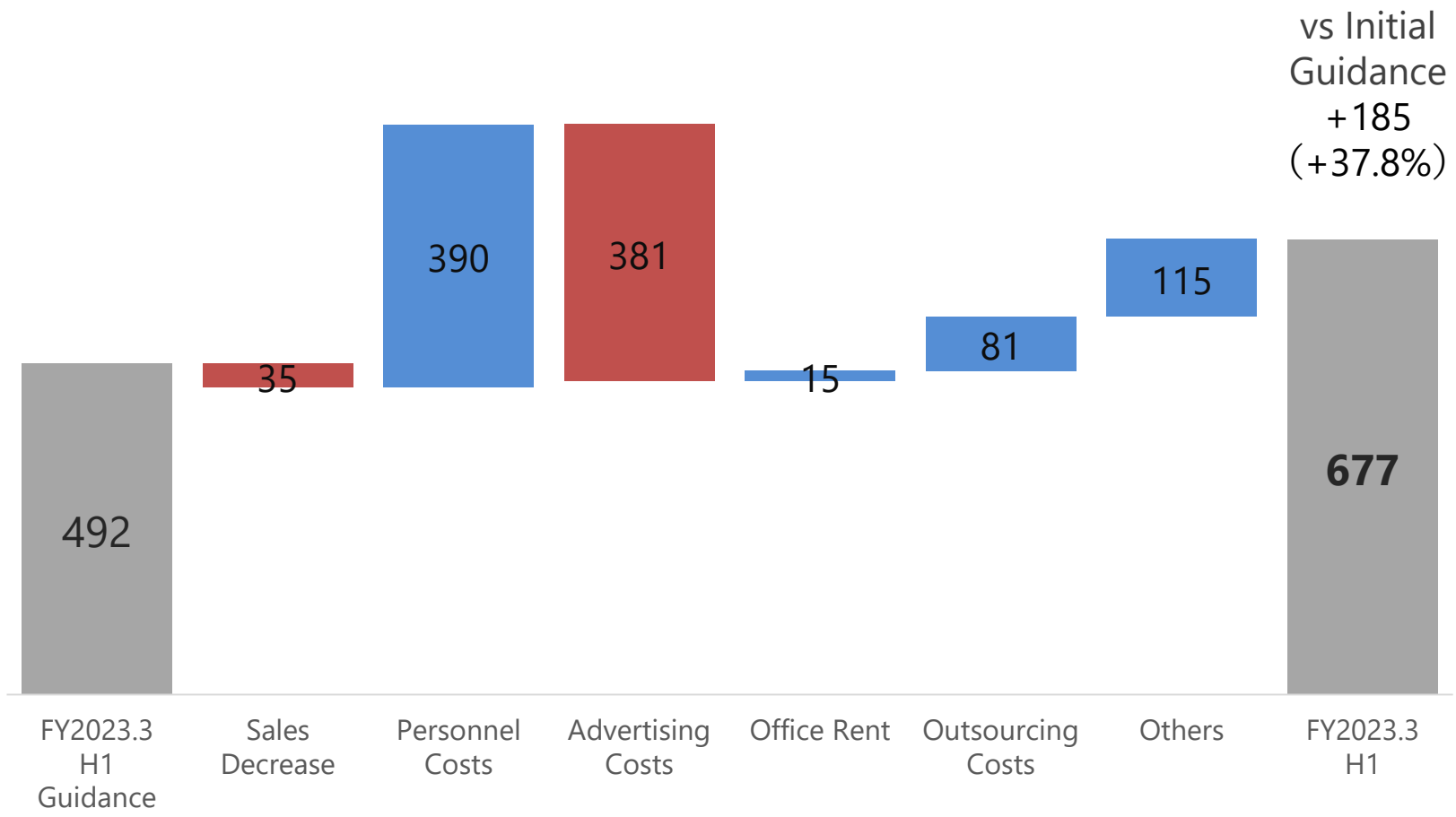
Factors for Changes in Consolidated Operating Profit (Against the Initial Guidance)

We allocated the cost budgets for aiming at the continuous high level of sales growth.

(million yen)



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Consolidated Balance Sheet

(million yen)

	End of March 2022	End of September 2022	Difference
Current assets	8,419	9,230	+811
Non-current assets	3,281	3,418	+137
Total assets	**11,700**	**12,649**	**+948**
Current liabilities	2,977	3,781	+803
Non-current liabilities	106	145	+39
Total liabilities	**3,083**	**3,926**	**+843**
Shareholders' equity	8,604	8,682	+78
Accumulated other comprehensive income	13	39	+26
Total equity	**8,617**	**8,722**	**+104**
Total liabilities and equities	**11,700**	**12,649**	**+948**
Equity ratio	**73.6%**	**69.0%**	

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Cash Flow Statement

(million yen)

	H1 FY2022.3	H1 FY2023.3	Difference
Cash flow from operating activities	**-314**	**1,136**	**+1,450**
Cash flow from investing activities	**-425**	**-372**	**+53**
Free cash flow	**-739**	**764**	**+1,504**
Cash flow from financing activities	**-316**	**-346**	**-29**
Cash and cash equivalent at the end of the fiscal year	**4,980**	**5,295**	**+314**
Depreciation	**182** *1	**202** *2	**+19**
Amortization of goodwill	**81**	**81**	**0**

*1 182 million yen of depreciation includes 36 million yen of amortization of customers' assets acquired through M&A.

*2 202 million yen of depreciation includes 36 million yen of amortization of customers' assets acquired through M&A.

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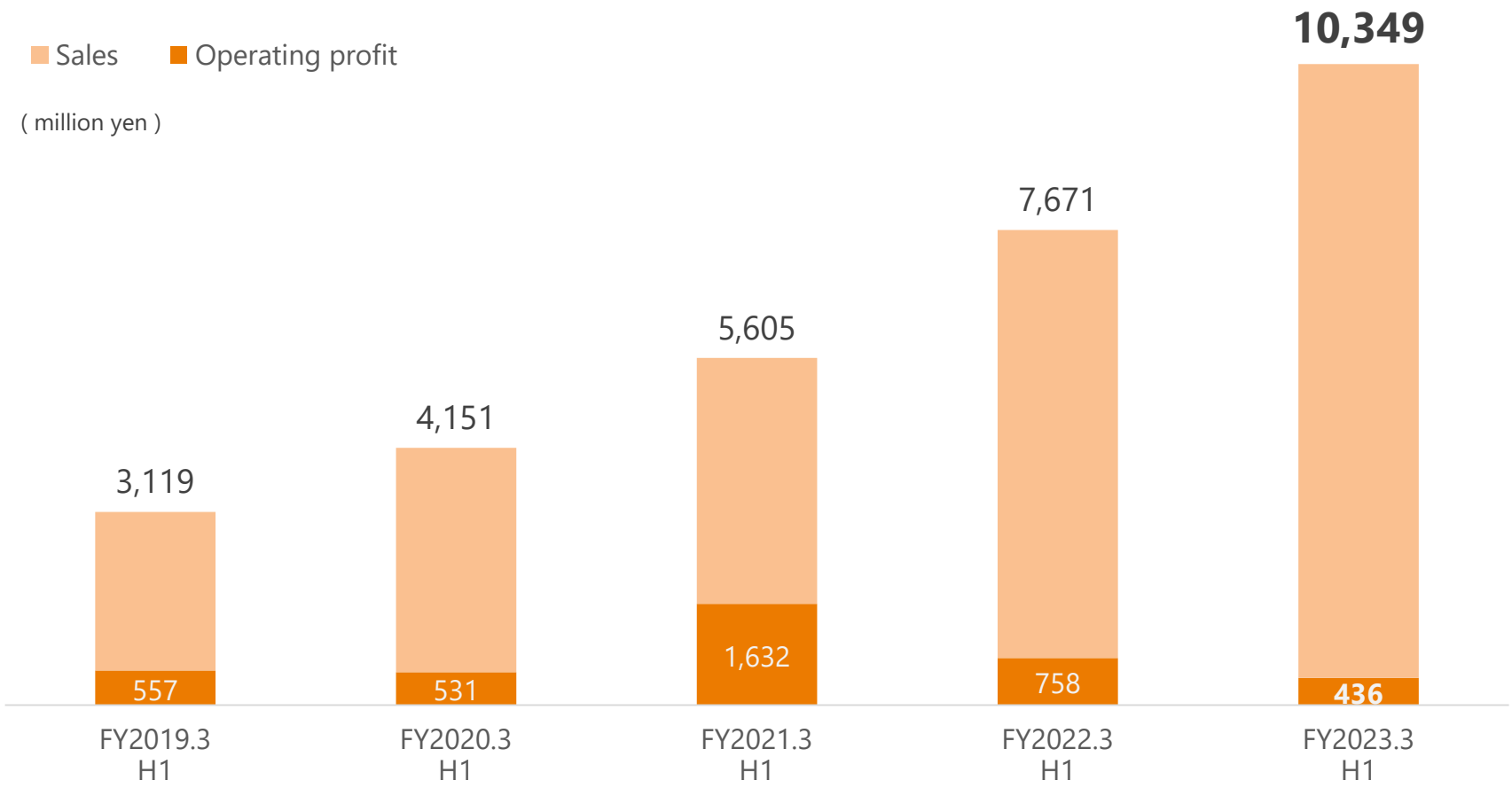
Cloud Business

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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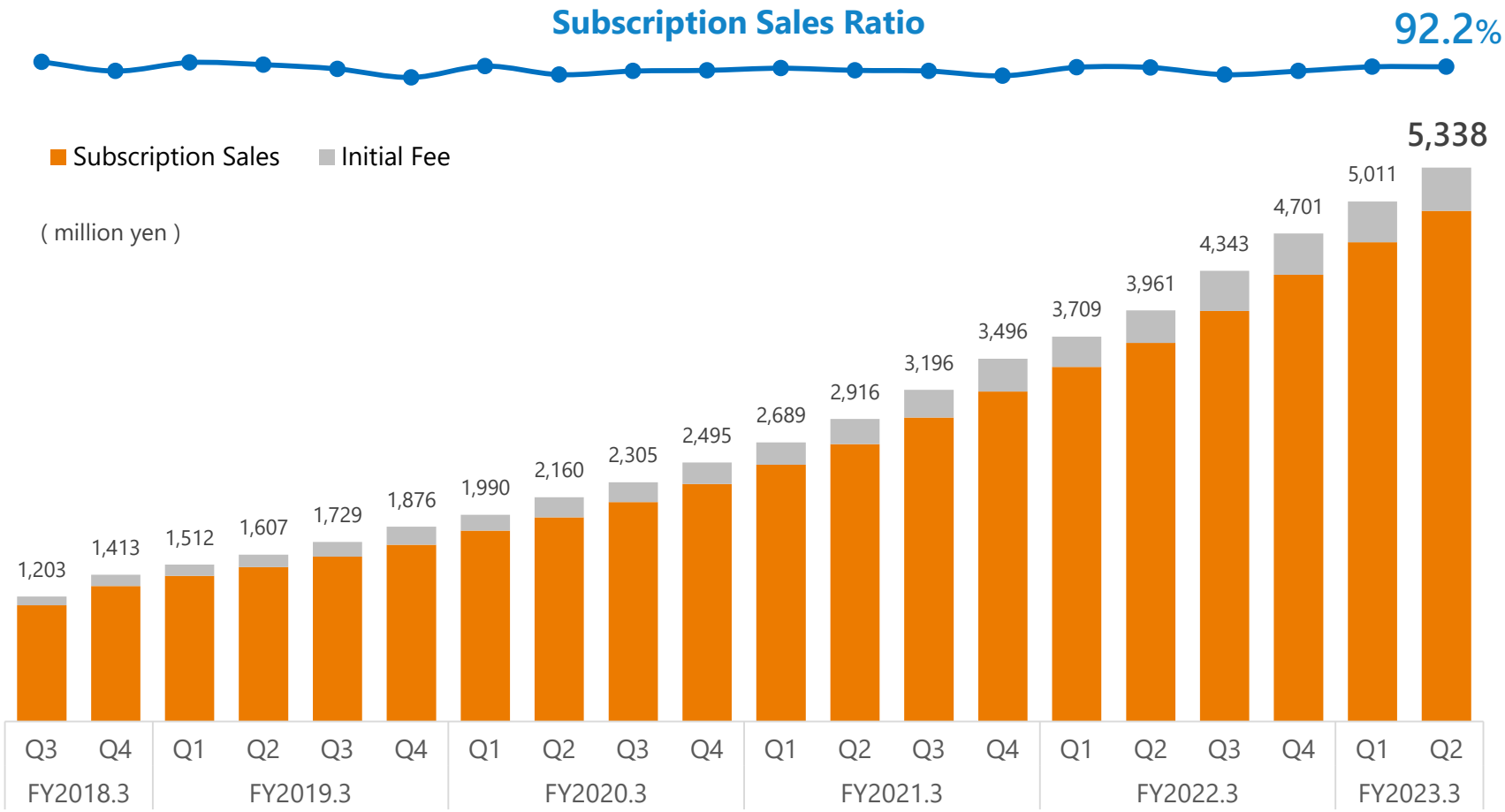
Subscription Sales of the Cloud Business

ARR has reached 20 billion yen for the first time driven by steady increase of the number of contracted clients.



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Quarterly Sales of the Cloud Business by Service

A high level of growth was maintained centered on our main service, Raku Raku Seisan.

(million yen)

	Sales in Q2 FY2023.3 (July-Sep.)	Quarter on Quarter	Year on Year
Raku Raku Seisan	2,494	+7.4%	+39.1%
Raku Raku Meisai	847	+8.7%	+62.2%
Raku Raku Hambai	627	+8.0%	+42.9%
E-mail distribution services	652	+3.6%	+12.6%
Mail Dealer	600	+2.2%	+12.2%
Others	116	+4.0%	+26.6%
Total of the Cloud Business	5,338	+6.5%	+34.8%

* 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

The number of new introduction companies showed a steady growth.

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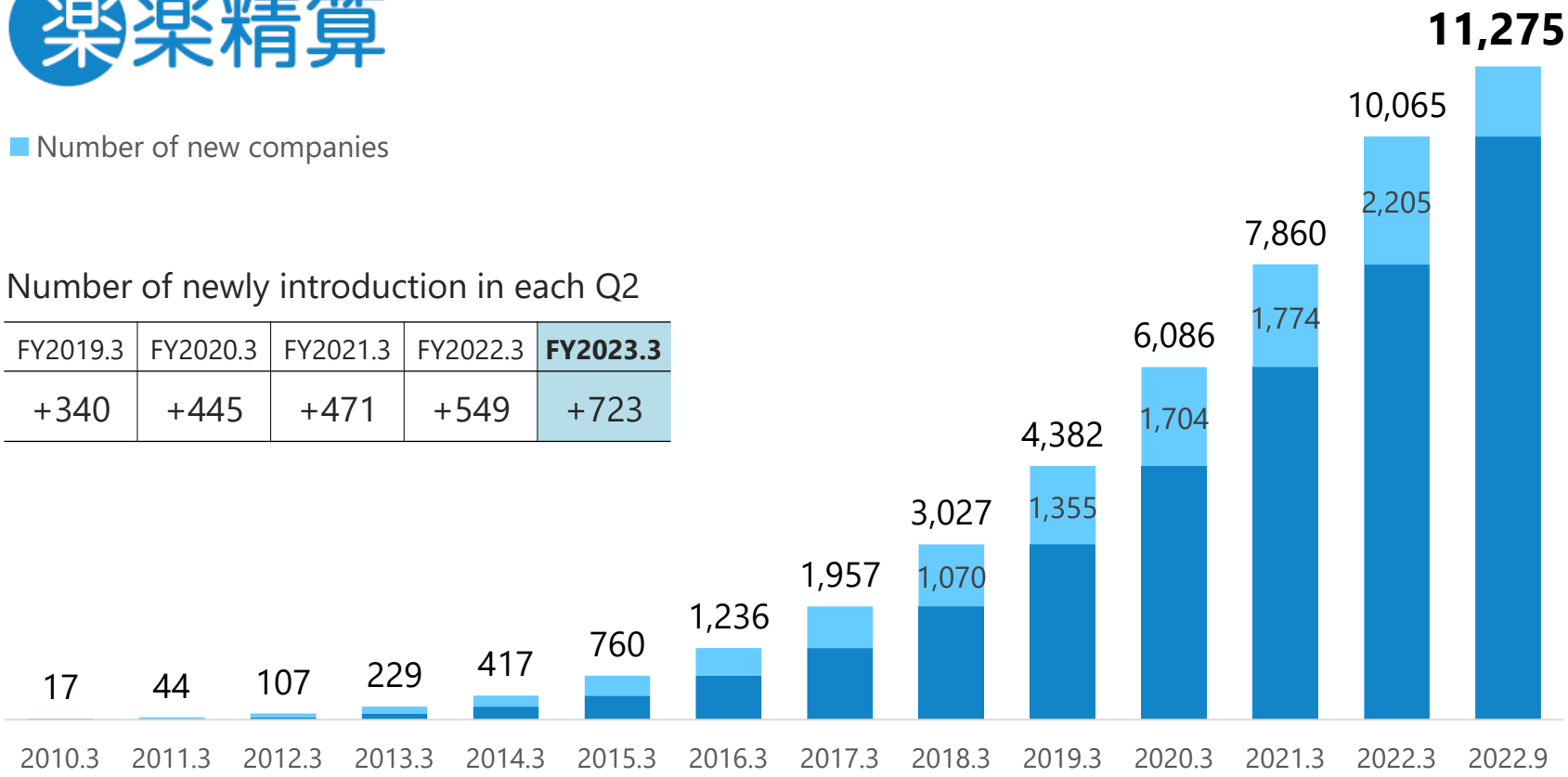
Number of new companies

Number of newly introduction in each Q2

FY2019.3	FY2020.3	FY2021.3	FY2022.3	**FY2023.3**
+340	+445	+471	+549	+723



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Cumulative Number of Companies Using Raku Raku Meisai

The trend of new order acquisition, which had slowed down in the previous quarter, was recovering and the number of new introduction companies continued to increase steadily.

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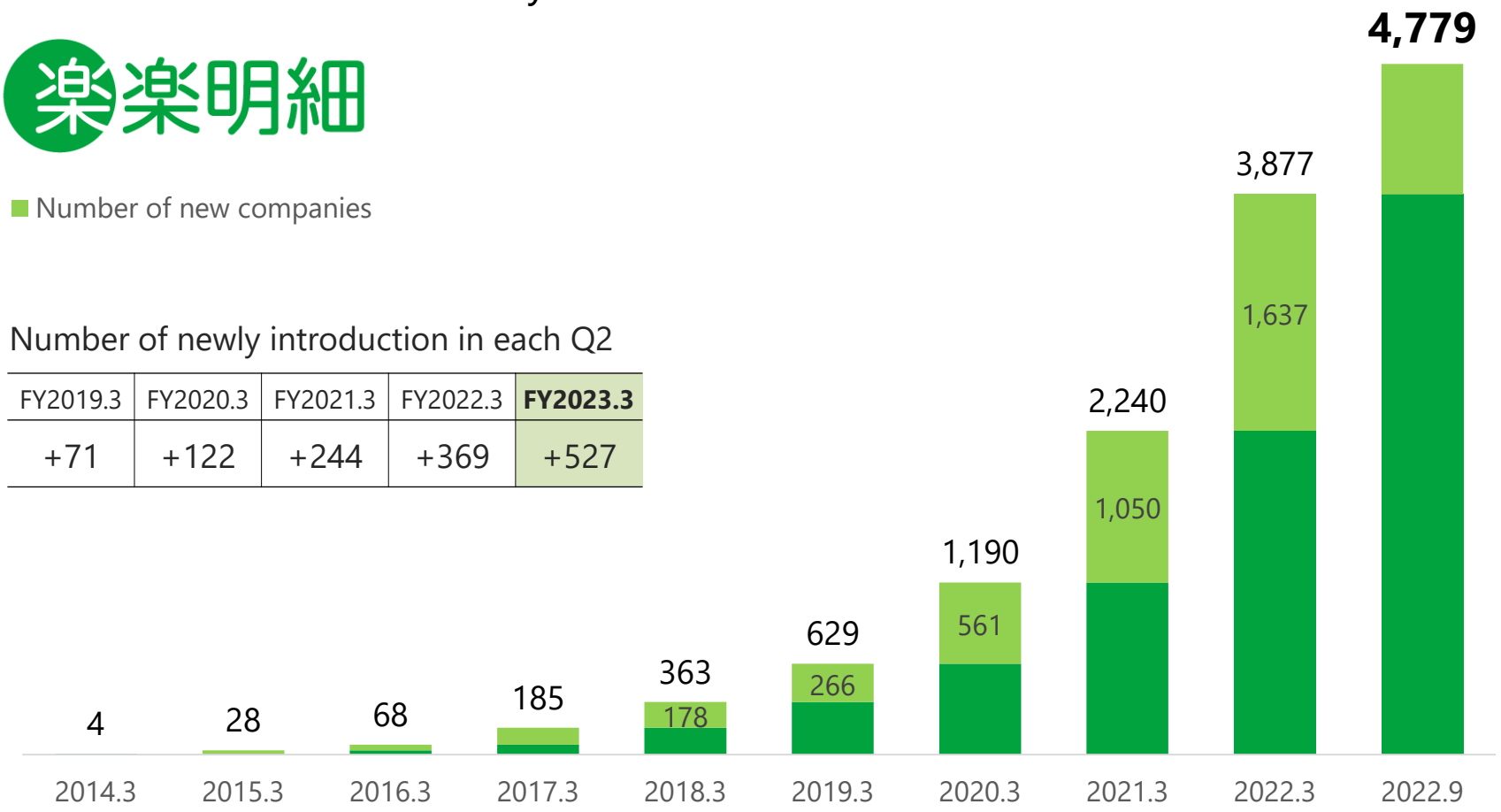
Number of new companies

Number of newly introduction in each Q2

FY2019.3	FY2020.3	FY2021.3	FY2022.3	**FY2023.3**
+71	+122	+244	+369	+527



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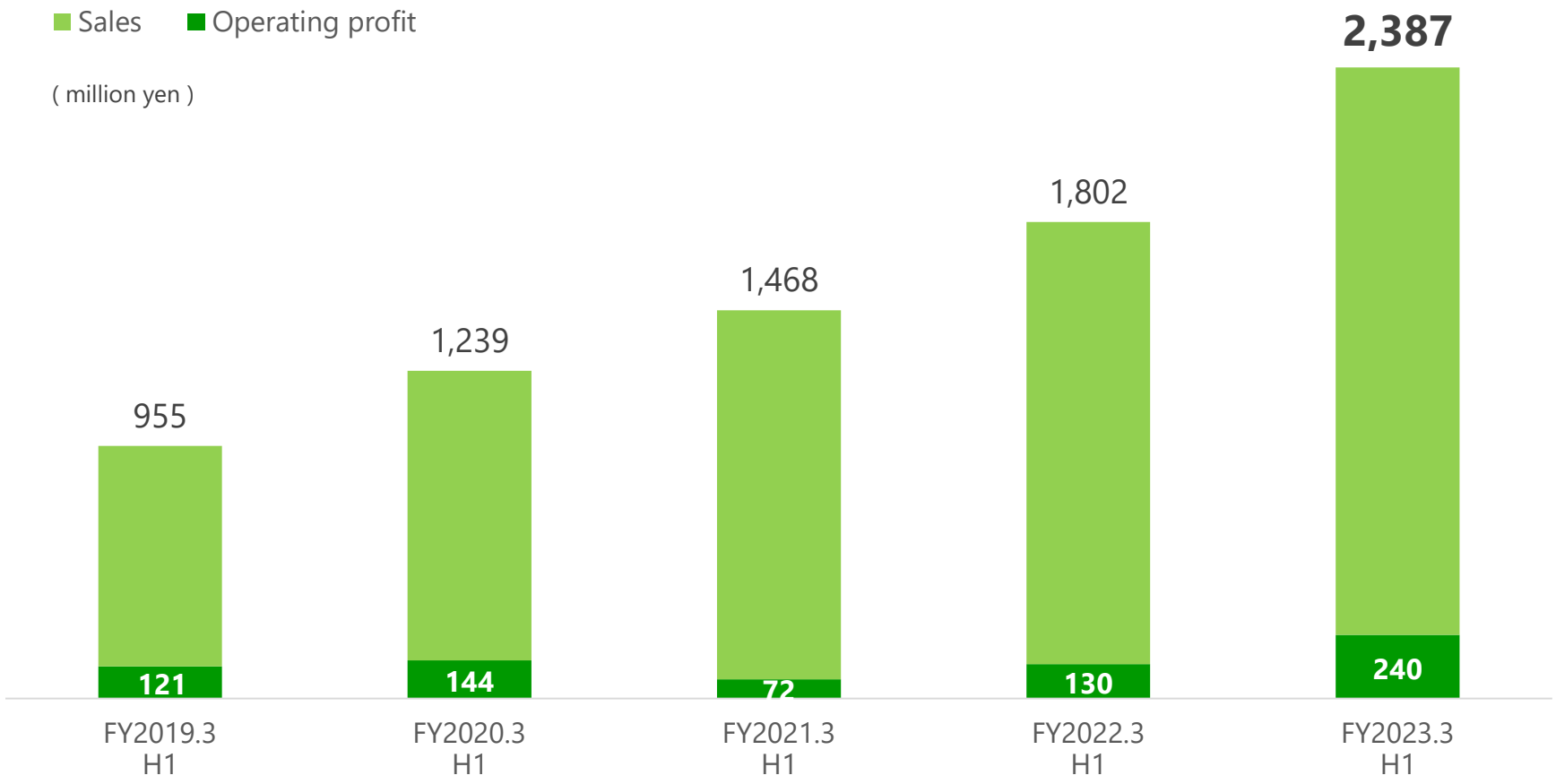
IT Outsourcing Business

Performance of the IT Outsourcing Business

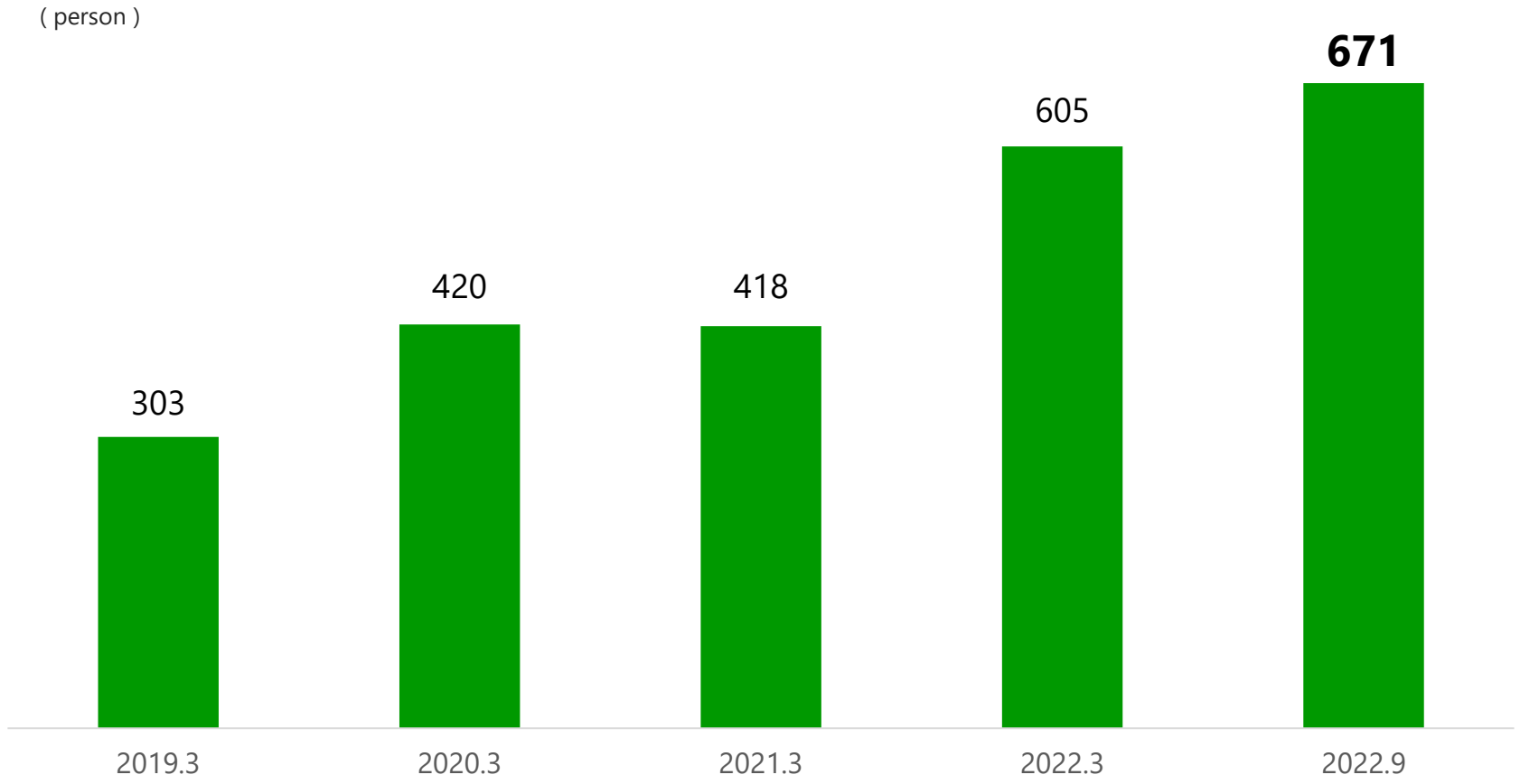
Both sales and profit increased driven by steady increase in the number of engineers in operations by responding to strong client needs.



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

Number of Engineers for the IT Outsourcing Business

Continued proactive hiring resulted in a steady increase in the number of engineers.



* These figures include apprentice engineers.

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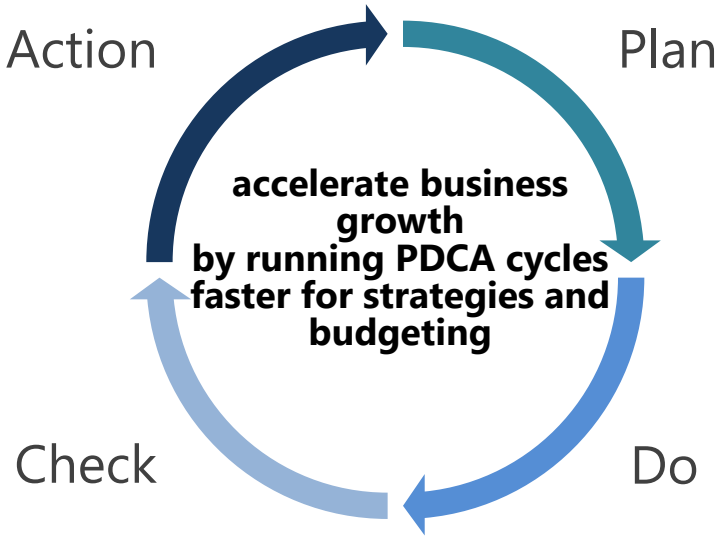
Guidance for the fiscal year ending March 2023

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 FY2023.3

We are planning to continue aggressive investments for growth aiming at a high level of sales growth.

(million yen)

	FY2022.3	FY2023.3 (Guidance)	YoY (Amount)	YoY (%)
Net Sales	**20,629**	**27,302**	**+6,672**	**+32.3%**
Cost of sales	6,598	8,708	+2,109	+32.0%
Gross profit	14,030	18,594	+4,563	+32.5%
GP margin	68.0%	68.1%		
SG&A	12,452	17,170	+4,717	+37.9%
Operating profit	**1,578**	**1,424**	**-154**	**-9.8%**
OP margin	7.7%	5.2%		
Ordinary profit	**1,595**	**1,447**	**-148**	**-9.3%**
Ordinary profit margin	7.7%	5.3%		
EBITDA	**2,158**	**2,036**	**-122**	**-5.7%**
EBITDA margin	10.5%	7.5%		
Income tax	465	474		
Tax rate	30.1%	33.7%		
Profit attributable to owners of parent	**1,078**	**934**	**-144**	**-13.4%**

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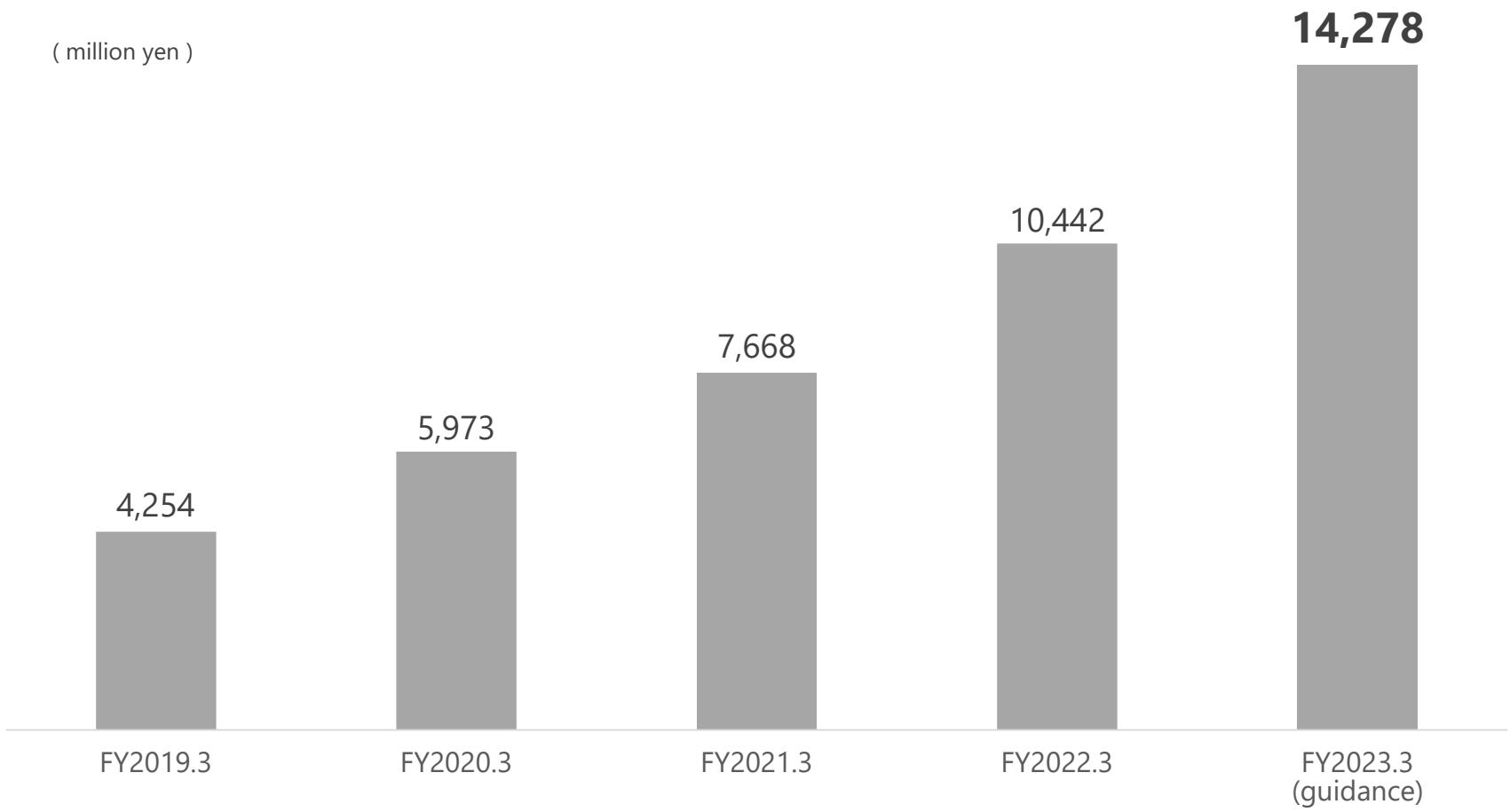
Personnel Costs Guidance

We are continuing active recruitment for achieving a high level of sales growth.



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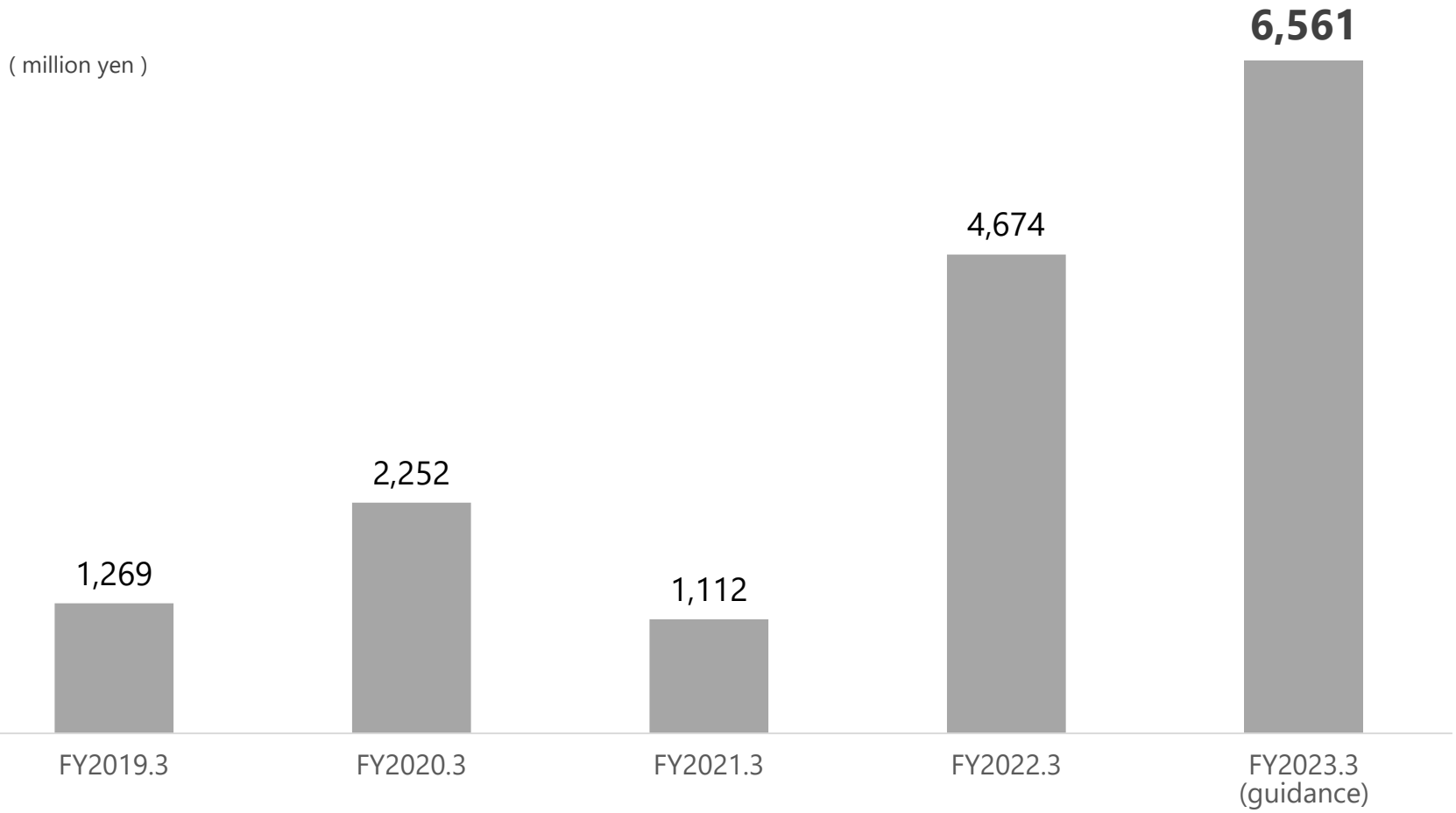
Advertising Costs Guidance

We are continuing aggressive investments for growth centered on Raku Raku Series (Raku Raku Seisan, Raku Raku Meisai, Raku Raku Hambai).



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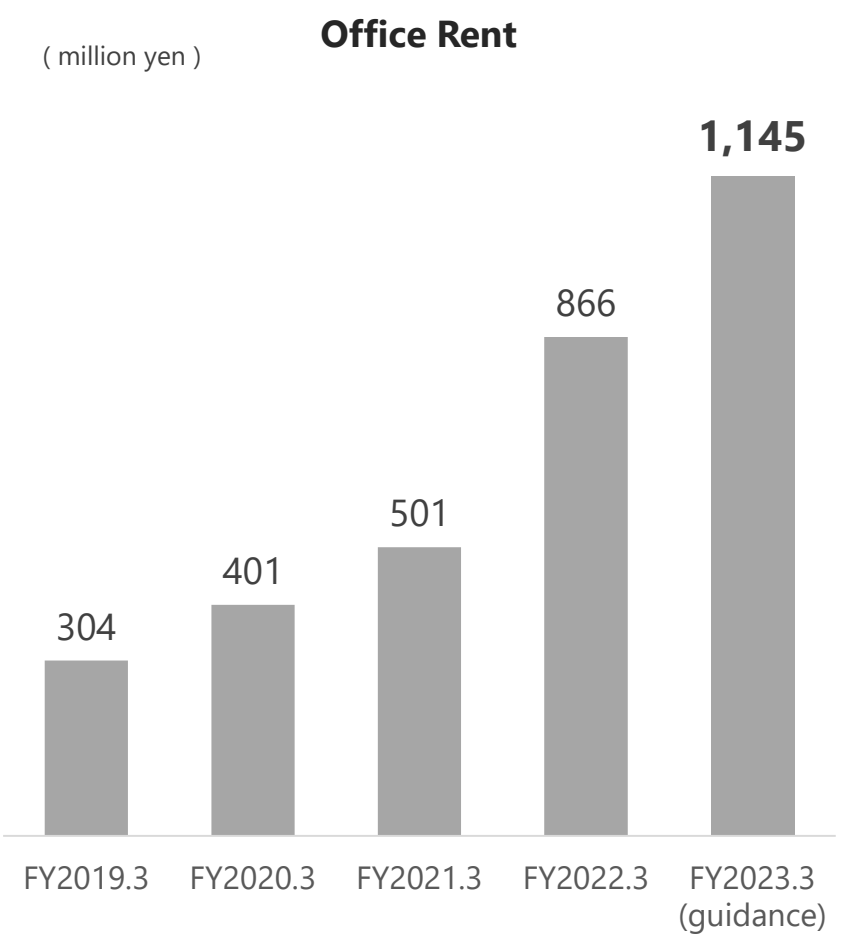
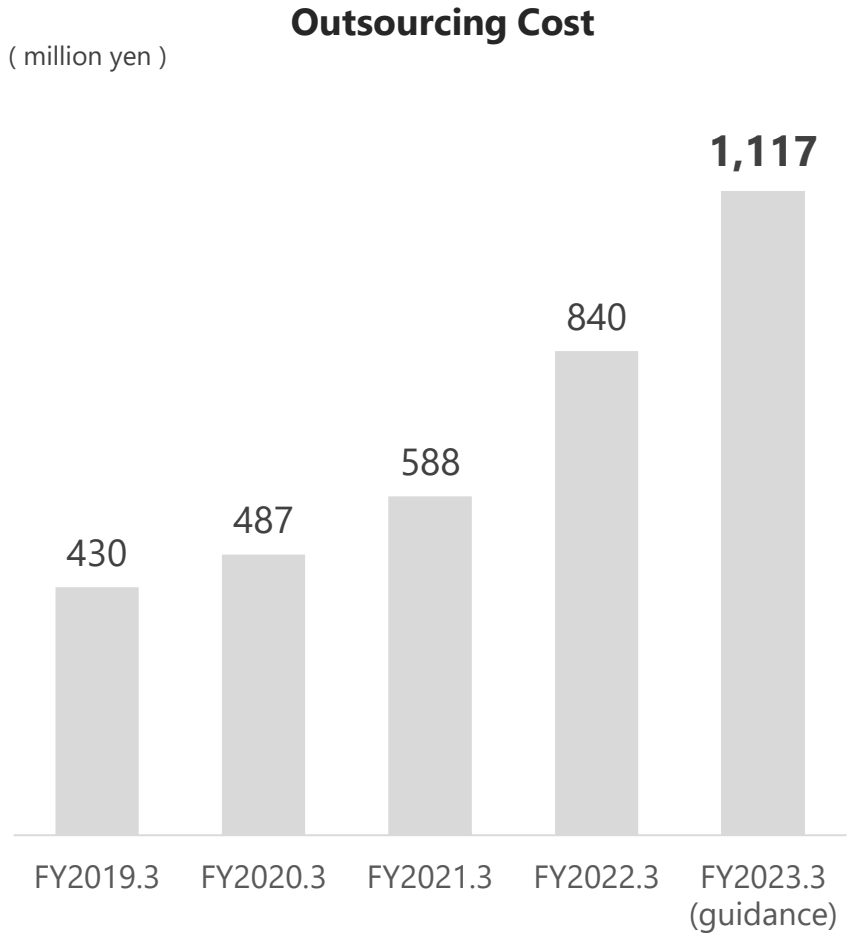
Office Rent and Outsourcing Costs Guidance

Both office rent and outsourcing costs are increasing driven by the business expansion.





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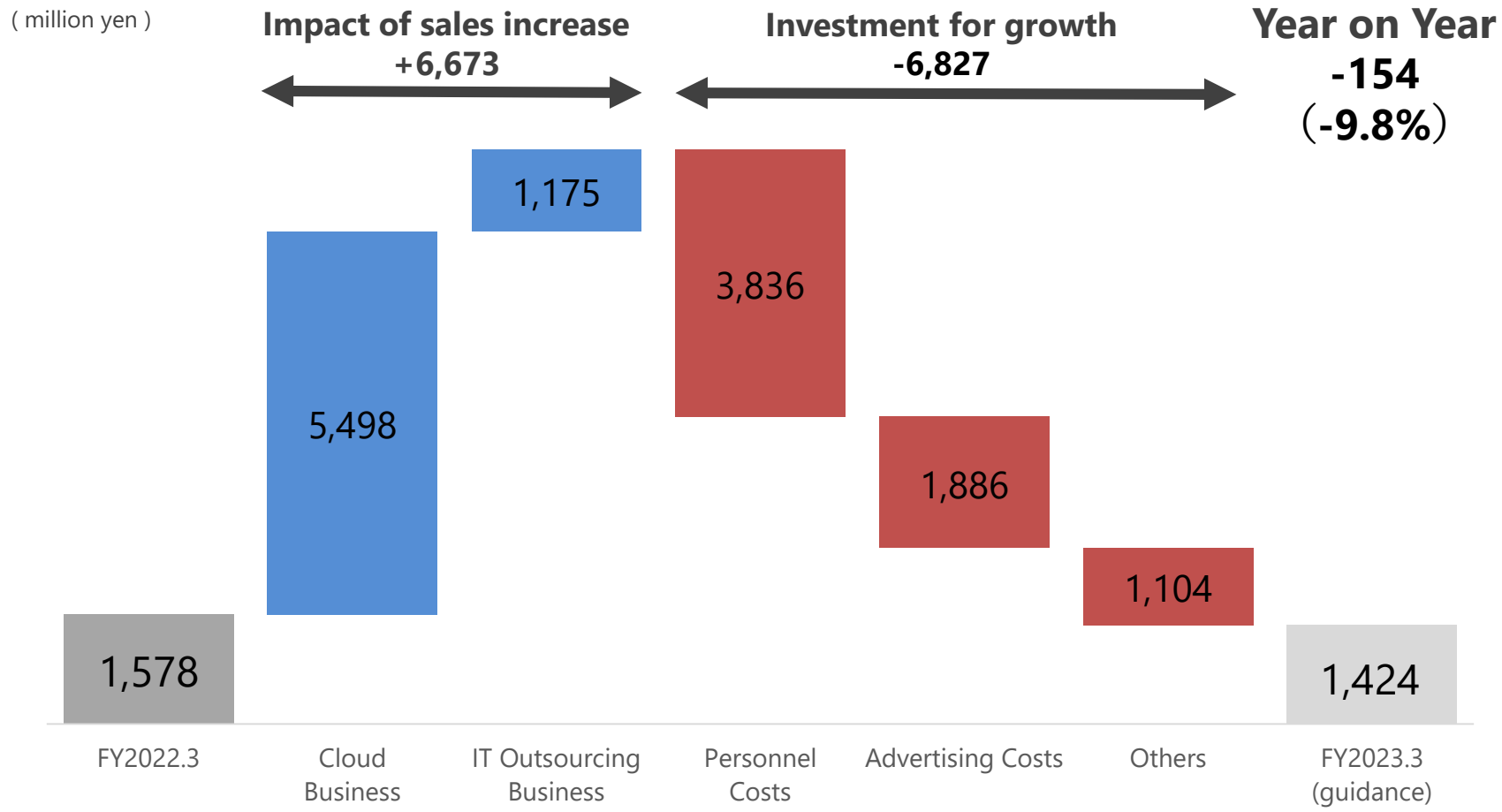
Factors for Changes in Consolidated Operating Profits

We are planning for a decrease in profit due to the investments for growth, aiming at a high level achievement of Medium-Term Management Targets.



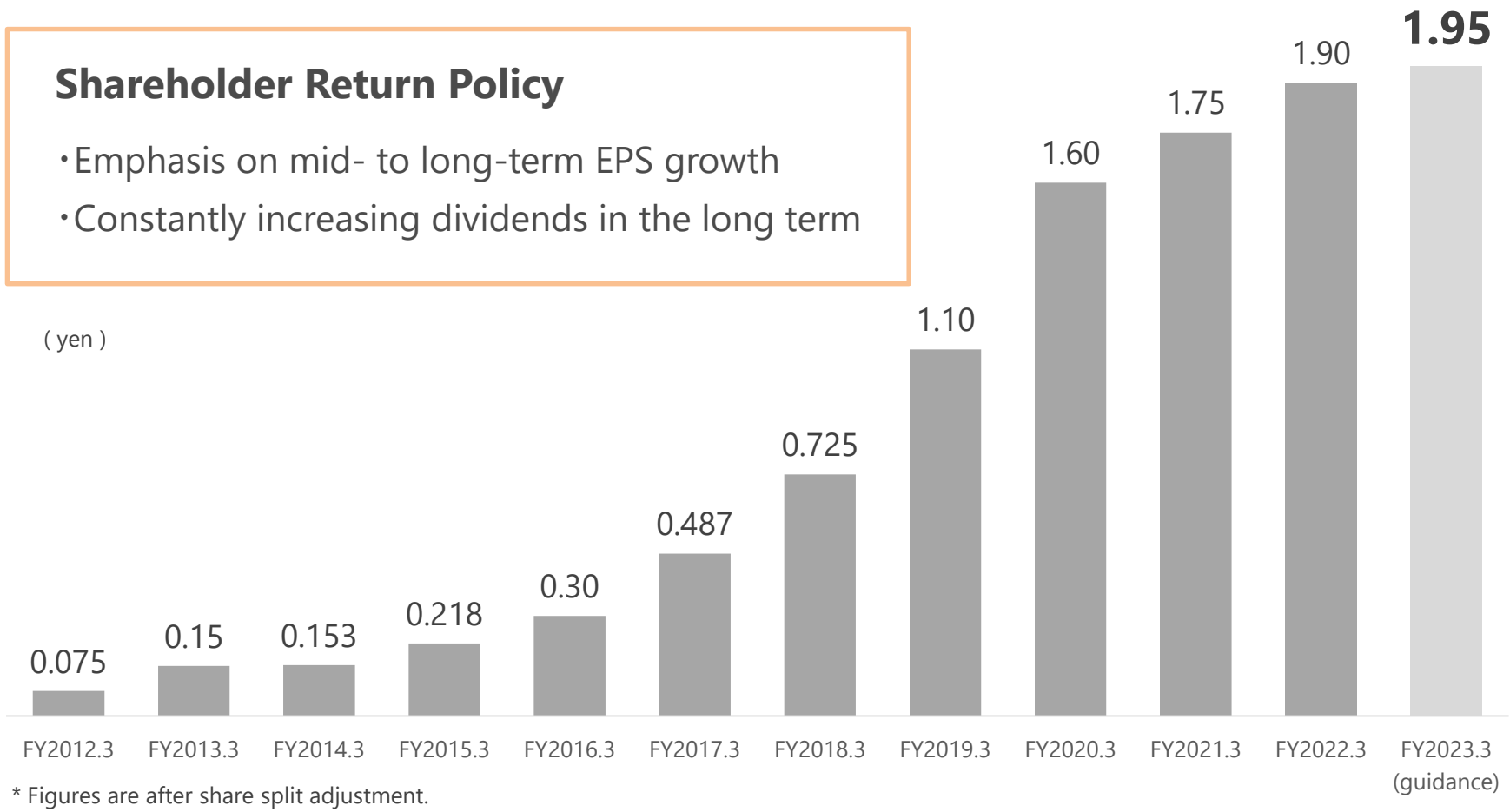
【KPI】Shareholder Returns

We are 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.

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Medium-Term Management Targets

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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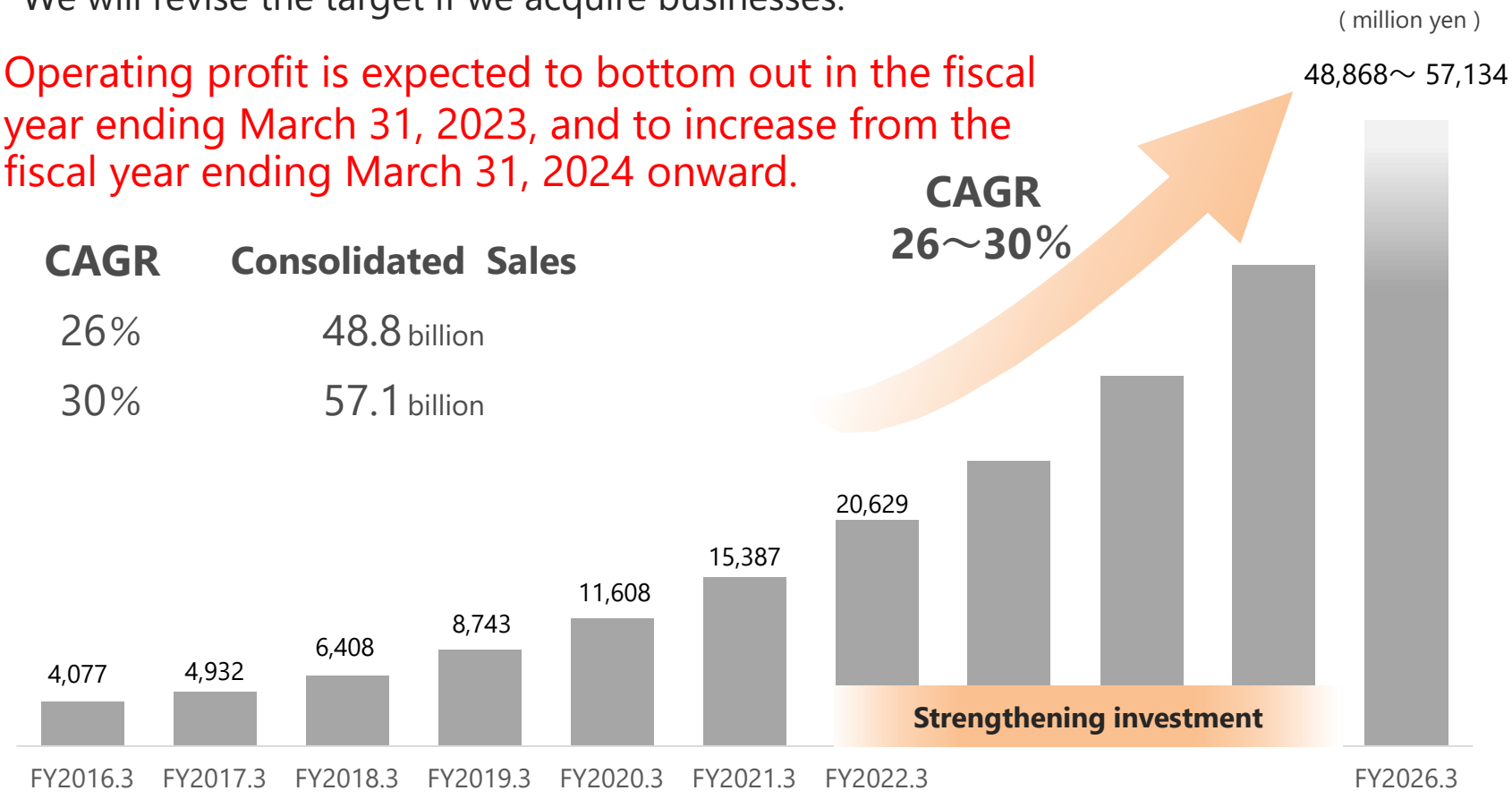
Five-Year Sales and Profit Targets

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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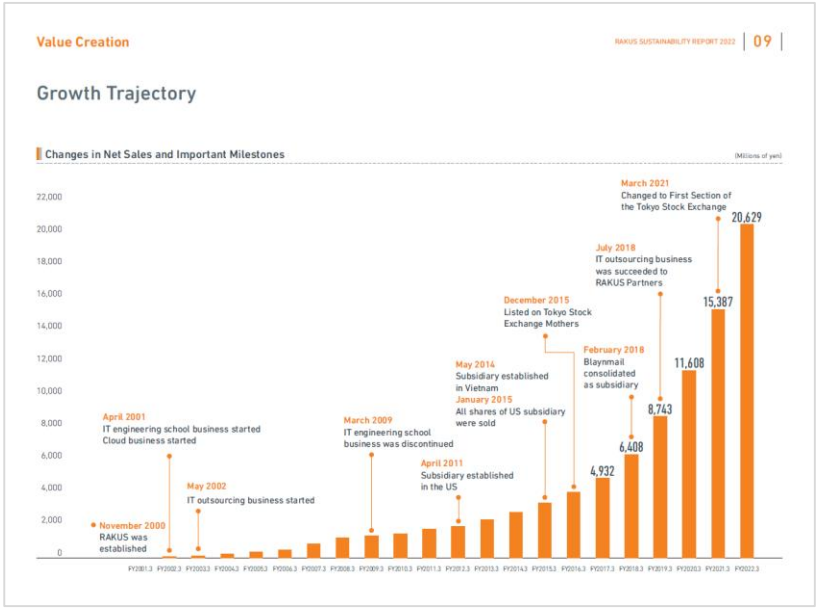
Appendix

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	2022.9
Raku Raku Seisan	**61,101**	**67,319**	**71,222**	**78,655**	**85,308**	**86,871**
Raku Raku Meisai	**52,787**	**56,166**	**54,142**	**64,923**	**65,111**	**64,487**
Raku Raku Hambai	**73,880**	**77,663**	**86,164**	**95,865**	**103,343**	**106,098**
Hai Hai Mail	**19,498**	**20,234**	**22,053**	**25,295**	**28,175**	**29,573**
Mail Dealer	**42,677**	**43,447**	**46,085**	**46,819**	**47,893**	**49,657**

Note: Hai Hai Mail is a main service of E-mail distribution services.
The monthly average unit price of Raku Raku Hambai includes the Rakutel's figures.

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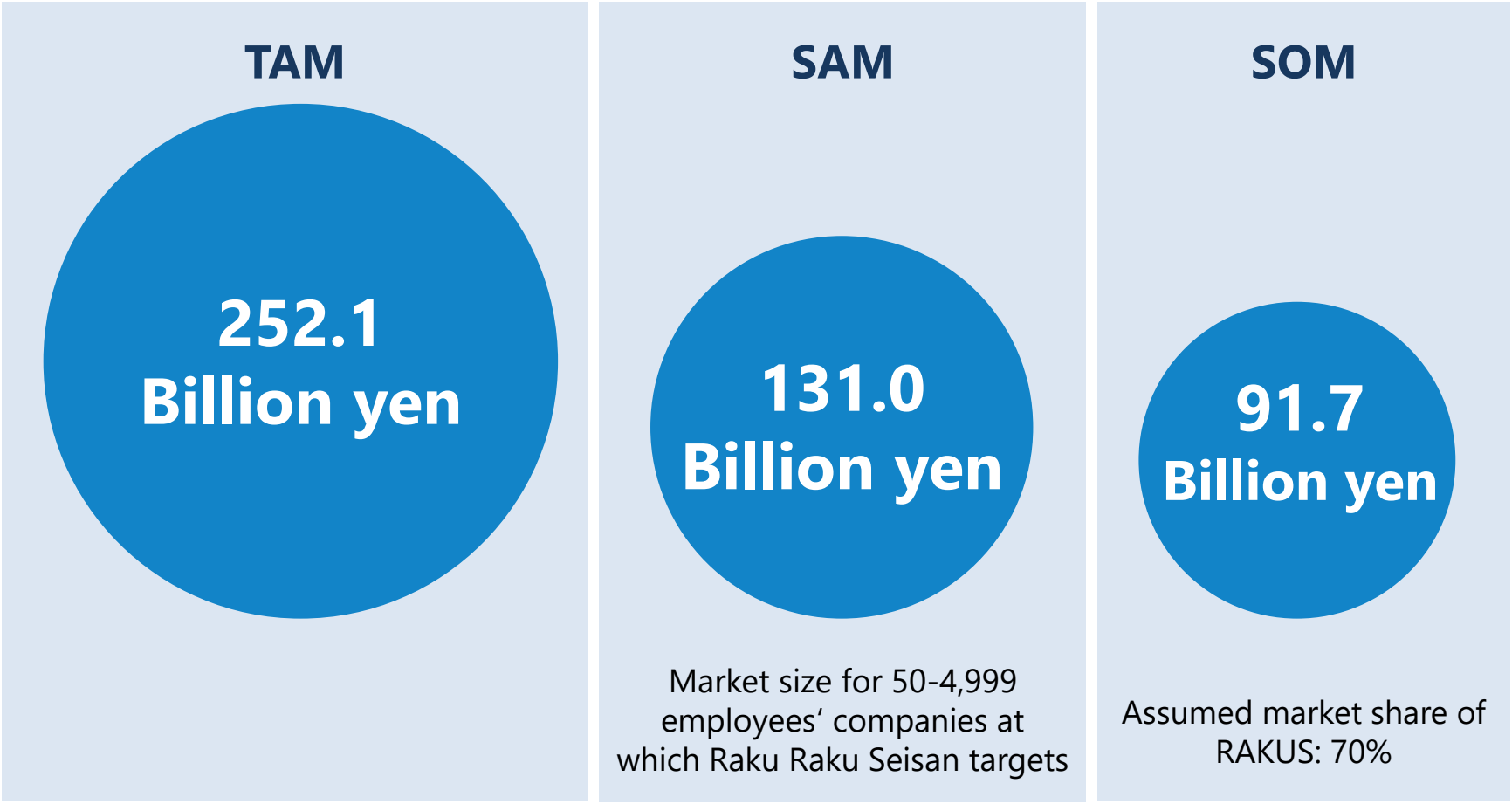
[Raku Raku Seisan] Market Size for Expense Settlement System



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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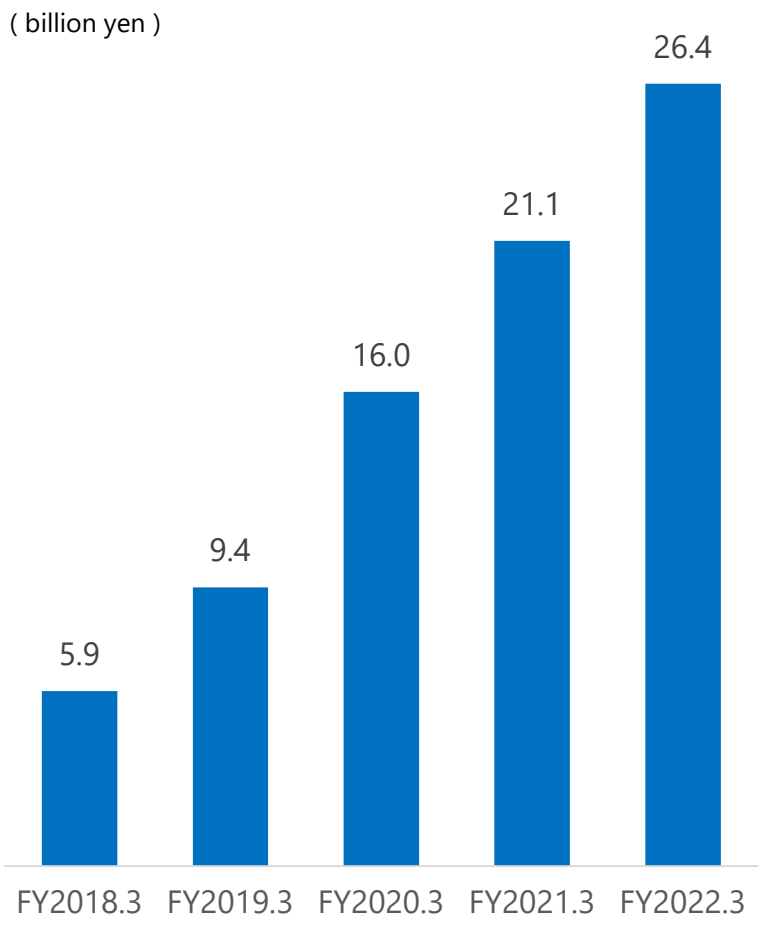
The Market for Cloud-based Expense Settlement Systems

Source：Our own survey based on various data

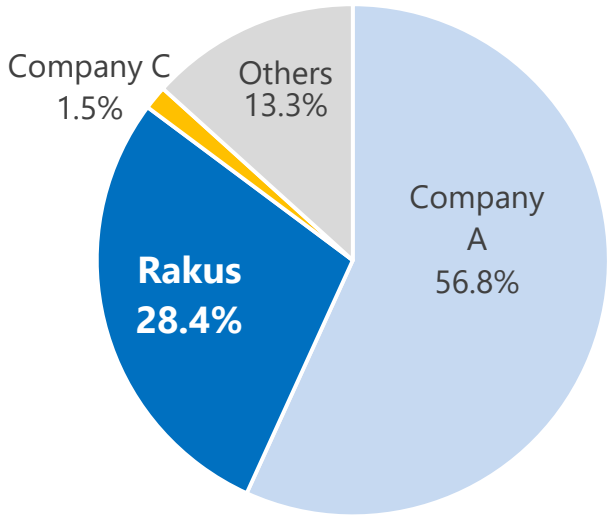
The Market Size for Cloud-Based Expense Settlement in Japan



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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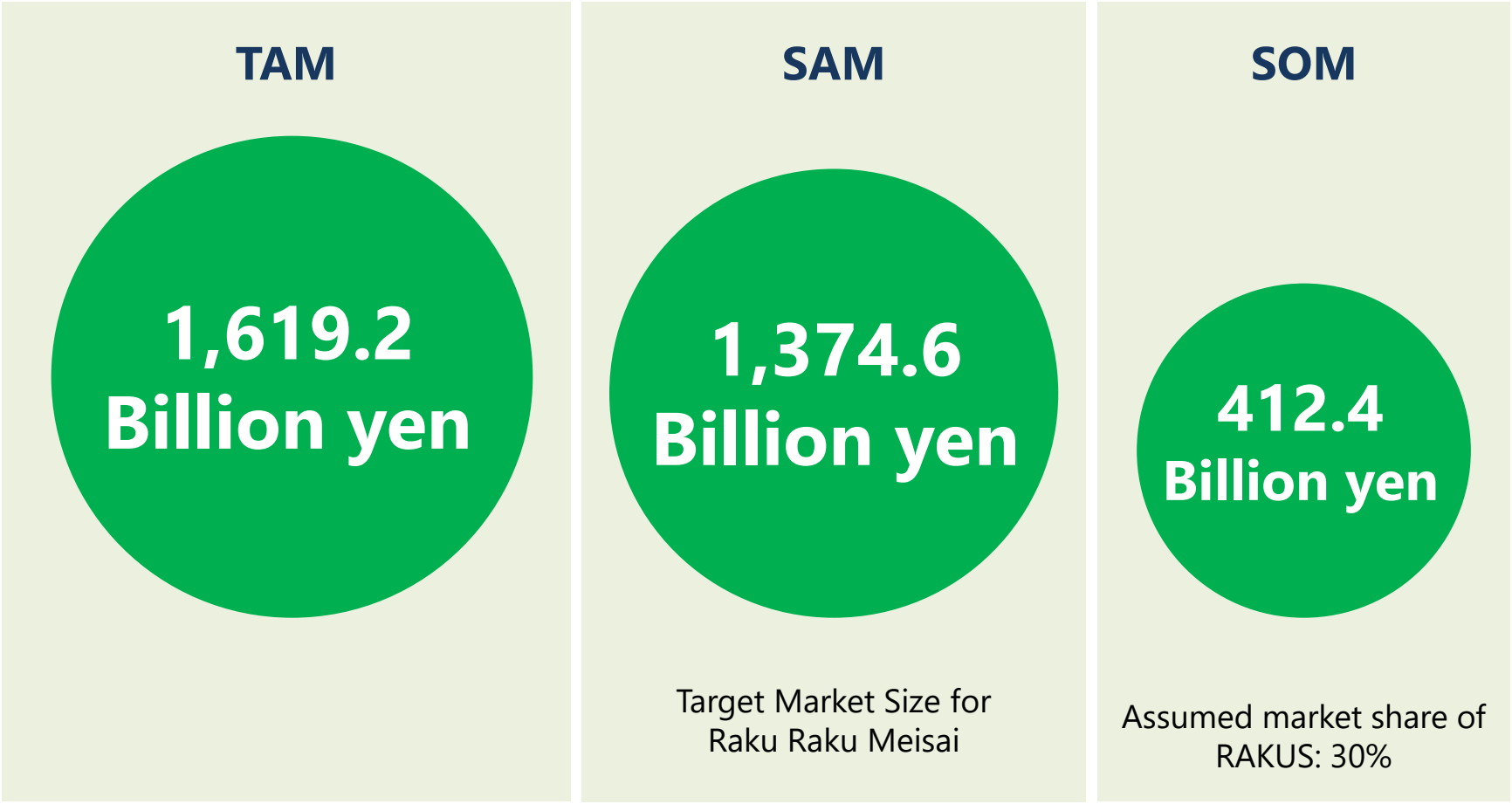
[Raku Raku Meisai] Market Size for Bill Issuance System



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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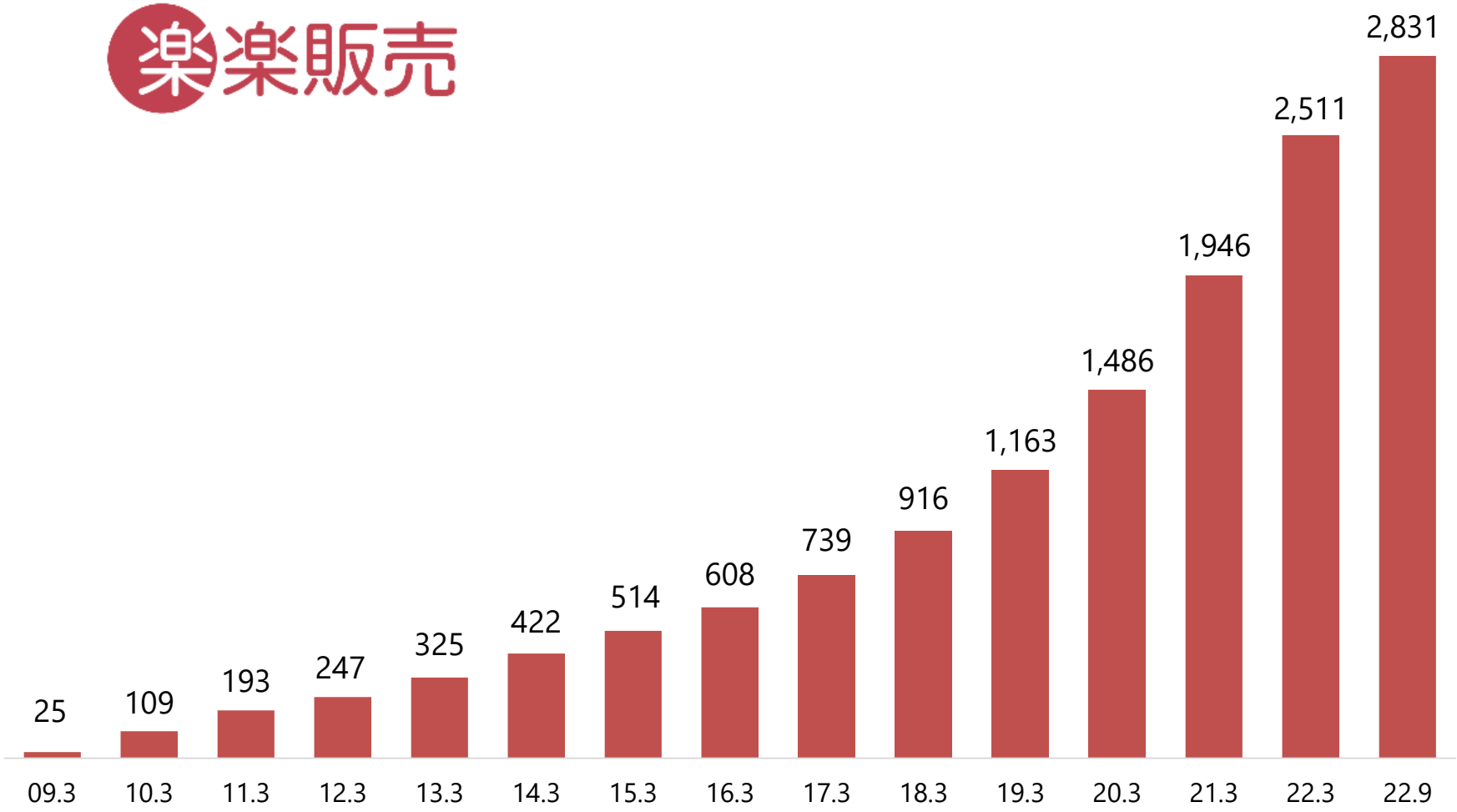
Cumulative Number of Companies Using Raku Raku Hambai



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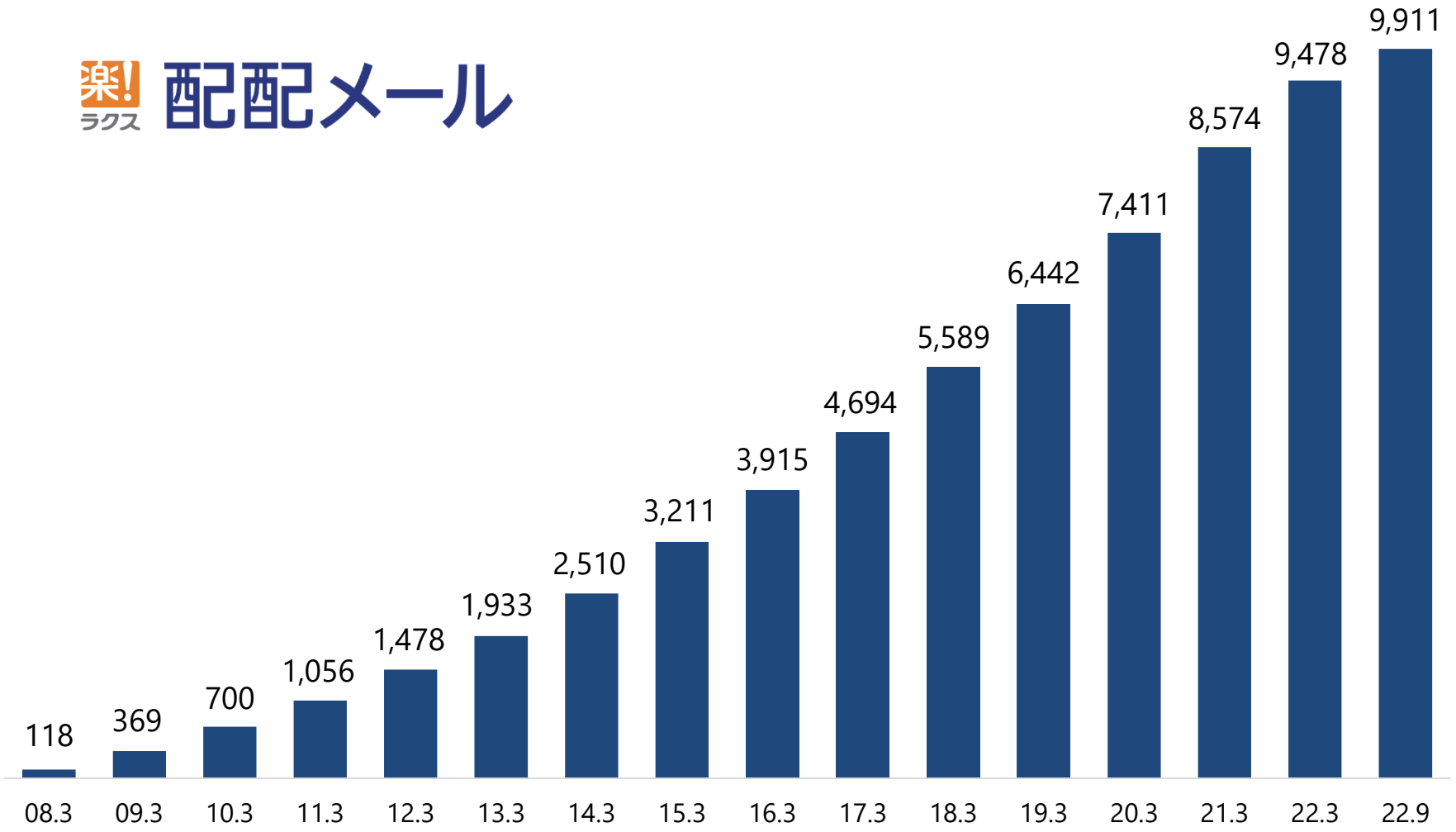
Cumulative Number of Companies Using Hai Hai Mail

楽! ラクス 配配メール



楽! ラクス

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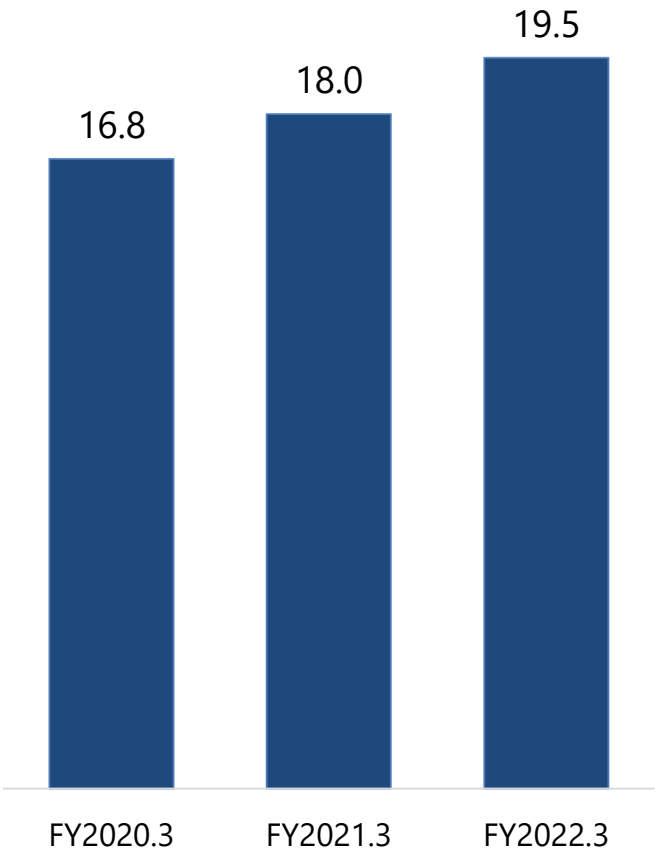
The Market for Cloud-based Email Distribution Systems

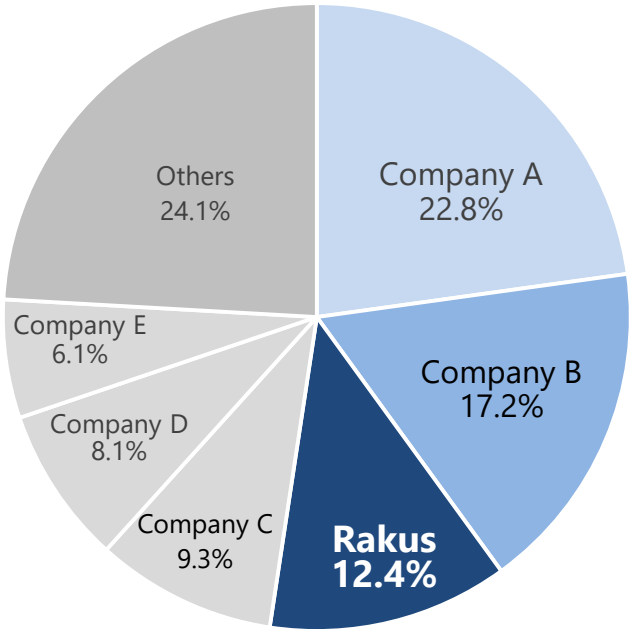
Source：Our own survey based on various data (As of December 2021)

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

(billion yen)



Market Shares Based on Sales Value



楽配配メール
Curumeru
blastmail

* RAKUS' market share consists of Hai Hai Mail, Curumeru and Blastmail combined

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Cumulative Number of Companies Using Mail Dealer



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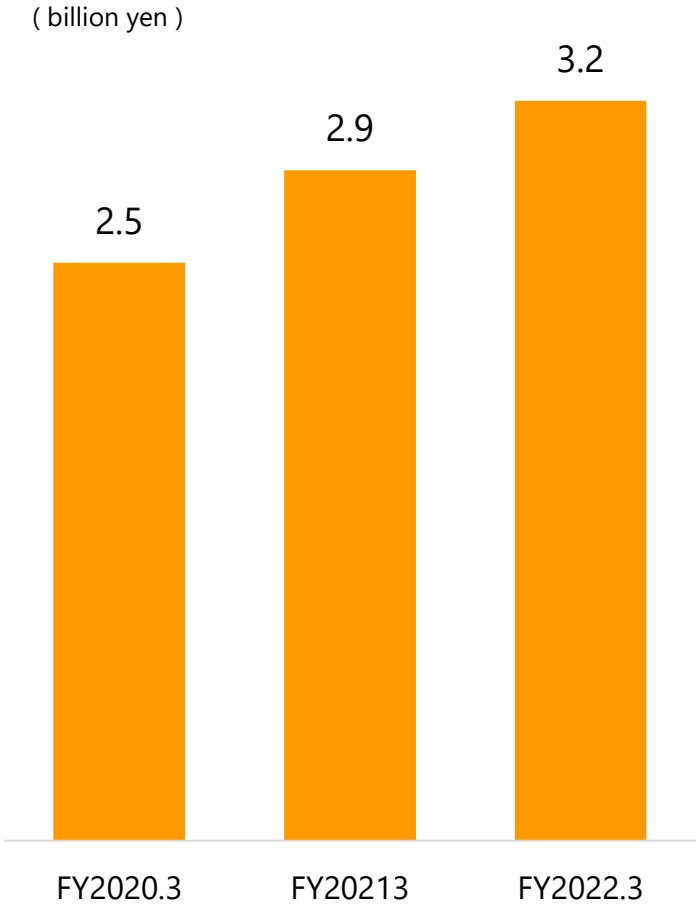
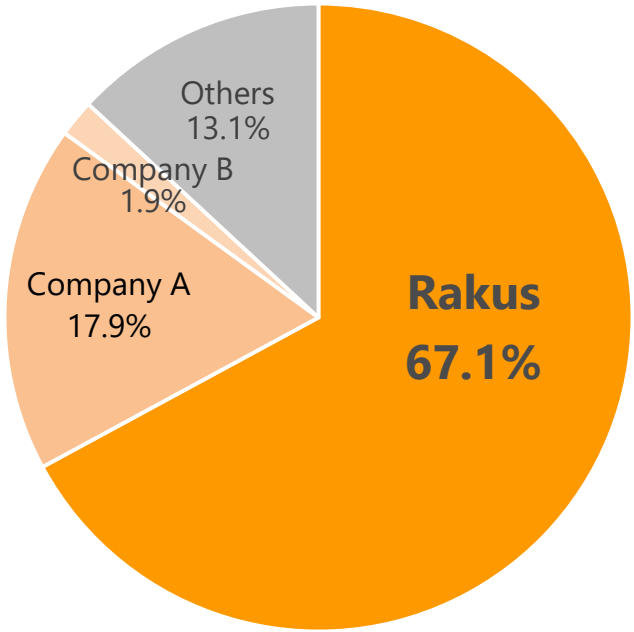
The market for Cloud-based Mail processing

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



楽! Mail Dealer

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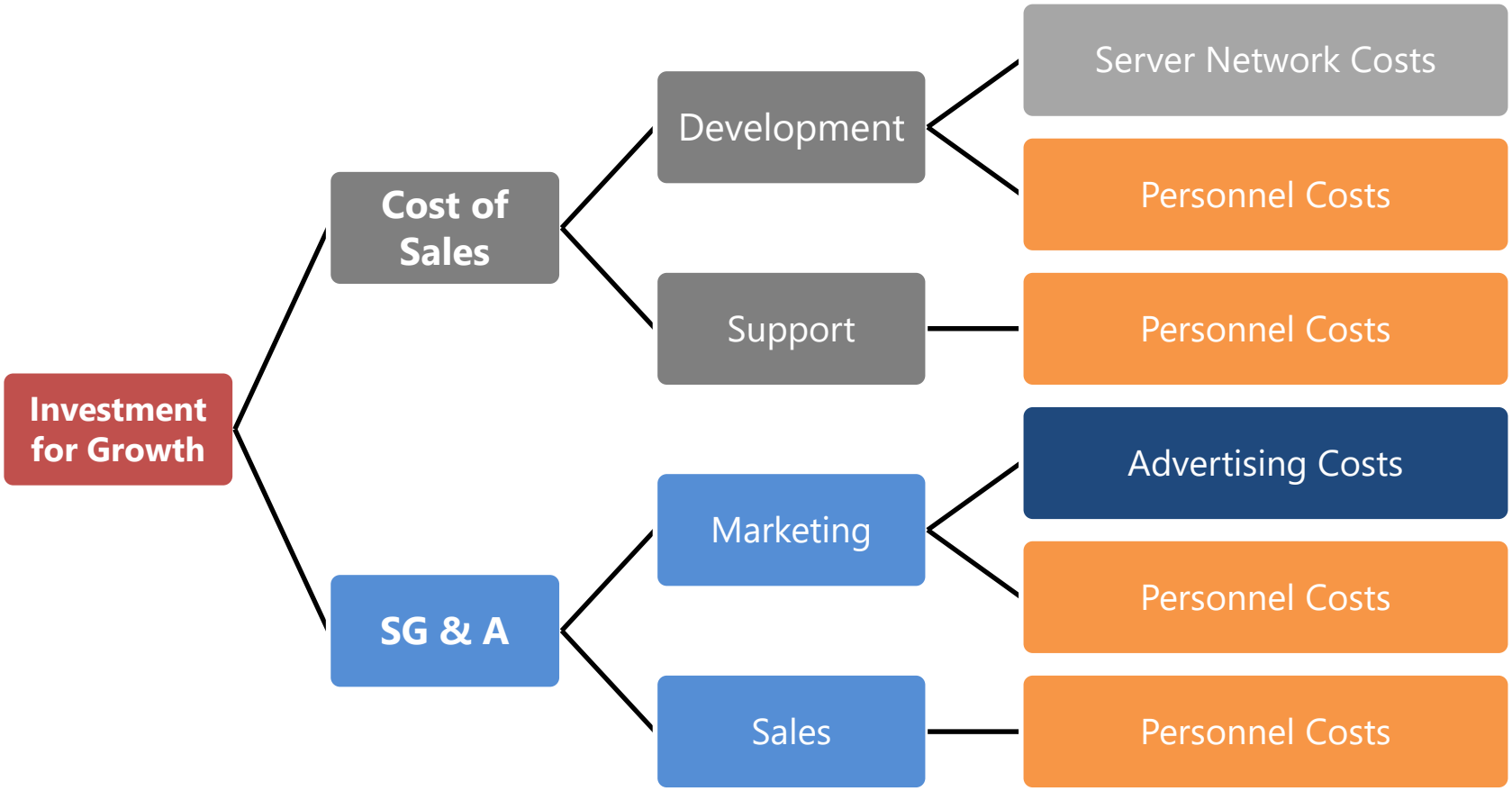
Breakdown of Investment for Growth (Cloud Business)



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Request For 1on1 Meeting

RAKUS accepts requests for 1on1 meetings via “Minsetsu”, a schedule arrangement service.

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

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

*If you would like to have a meeting other than in Japanese, please arrange for an interpreter.

About Minsetsu

https://msetsu.com/minsetsu-top-en

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