Earnings Results for Q3 of the fiscal year ending March 2023

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

February 13, 2023

Key points

Consolidated Results for Q3 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 services, Raku Raku Series.

IT Outsourcing Business

- The number of engineers in operations increased steadily by responding to continuing strong client needs.

Guidance for FY2023.3

- The impact of the company split of the rental servers and other businesses of a consolidated subsidiary reflected in the guidance.
- Guidance for sales and SG&A expenses were revised based on the current business environment.
- Sales and profits at each stage were expected to exceed the initial guidance.

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Consolidated Results for Q3 of the fiscal year ending March 2023

Summary of Consolidated Results for Q3 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	**19,818 million**	**+33.6%**
Operating Profit	**1,110 million**	**-7.5%**
Ordinary Profit	**1,121 million**	**-7.5%**
EBITDA	**1,555 million**	**-4.1%**
Profit attributable to owners of parent	**679 million**	**-13.4%**

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

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Outline of the Consolidated Results for Q3 of FY2023.3

(million yen)

	Q3 FY2022.3	Q3 FY2023.3	Year on Year
Sales	**14,839**	**19,818**	**+33.6%**
Cost of sales	4,781	6,290	+31.6%
Gross profit	10,058	13,528	+34.5%
GP margin	67.8%	68.3%	
SG&A	8,857	12,418	+40.2%
Operating profit	**1,200**	**1,110**	**-7.5%**
OP margin	8.1%	5.6%	
Ordinary profit	**1,211**	**1,121**	**-7.5%**
Ordinary profit margin	8.2%	5.7%	
EBITDA	**1,622**	**1,555**	**-4.1%**
EBITDA margin	10.9%	7.9%	
Income tax	427	405	
Tax rate	35.3%	37.4%	
Profit attributable to owners of parent	**784**	**679**	**-13.4%**

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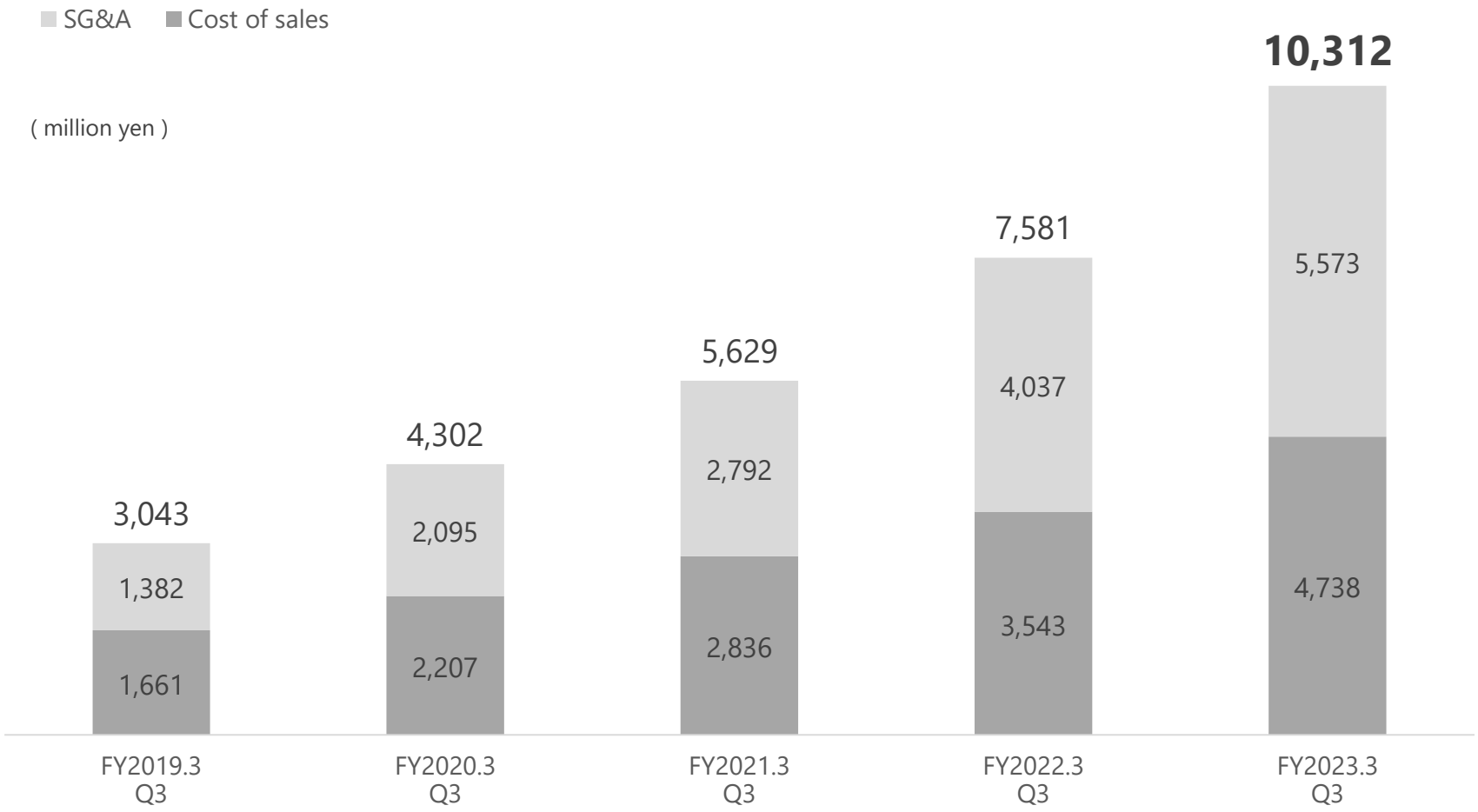
Personnel Costs

The number of employees increased as a result of continuing recruitment in line with the business expansion.



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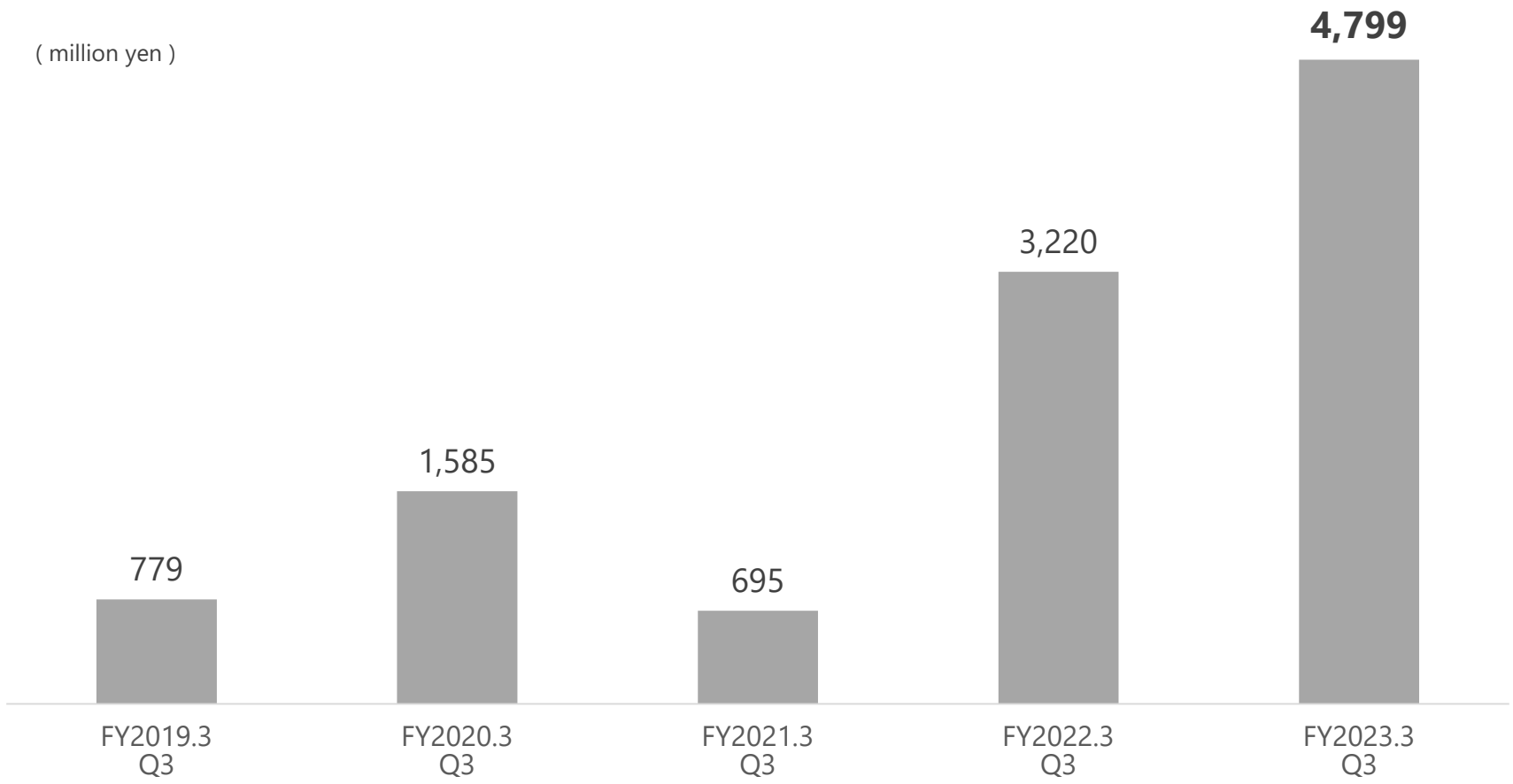
Advertising Costs

Continued aggressive marketing initiatives centered on TV ads.



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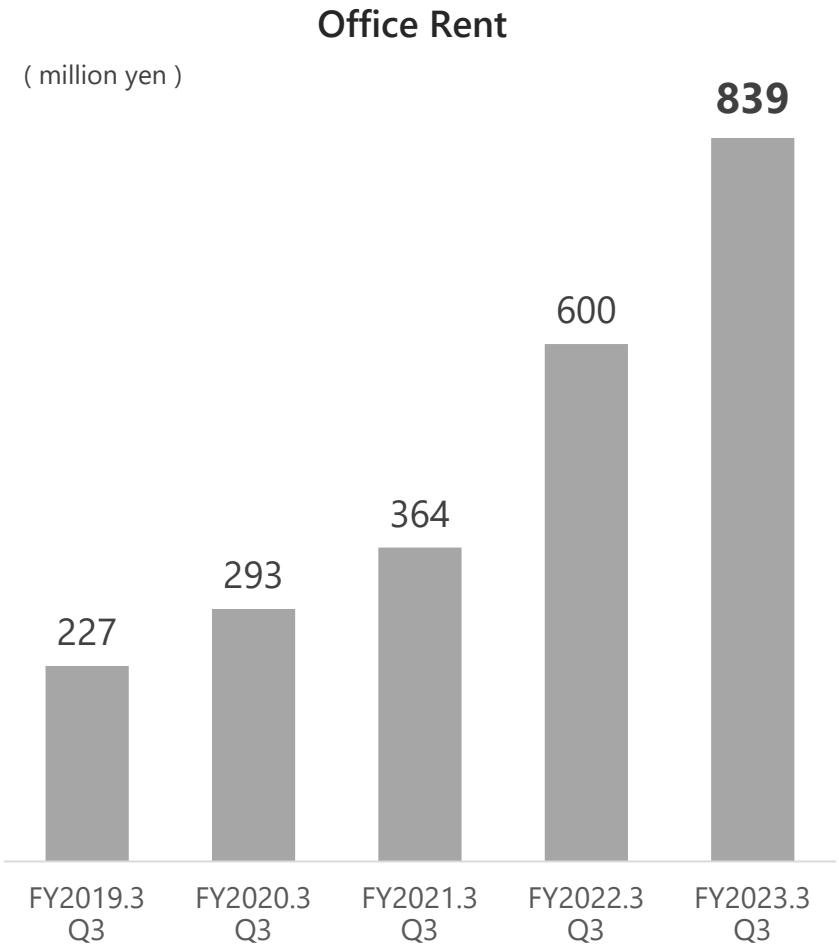
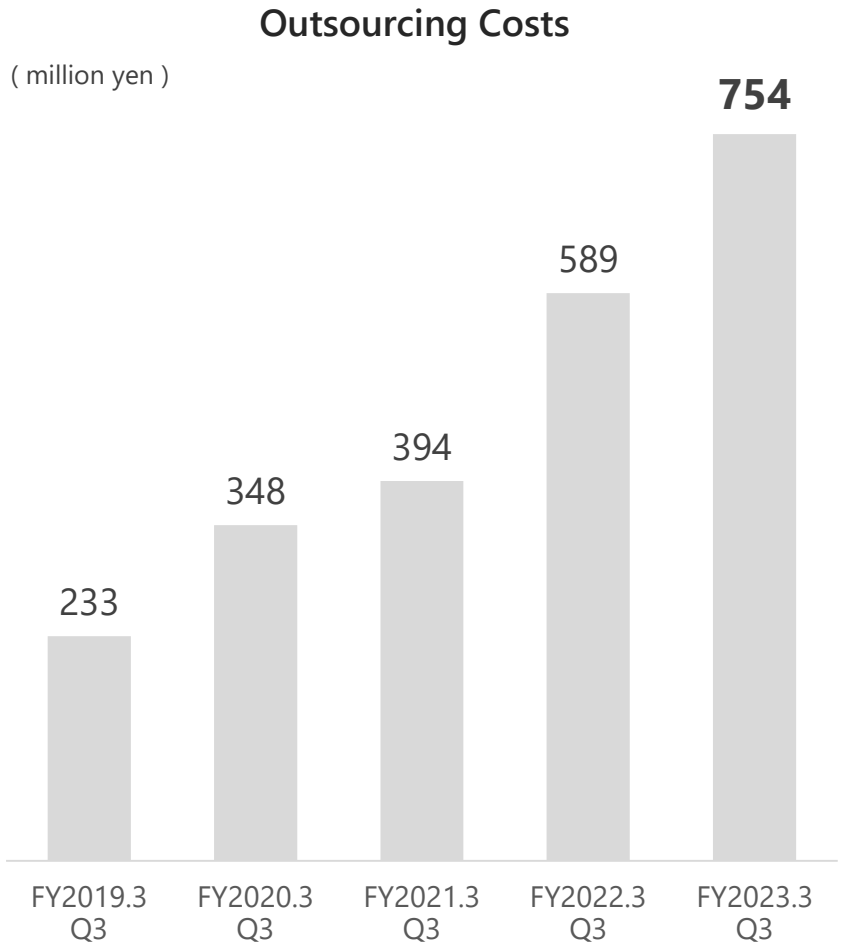
Office Rent and Outsourcing Costs

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





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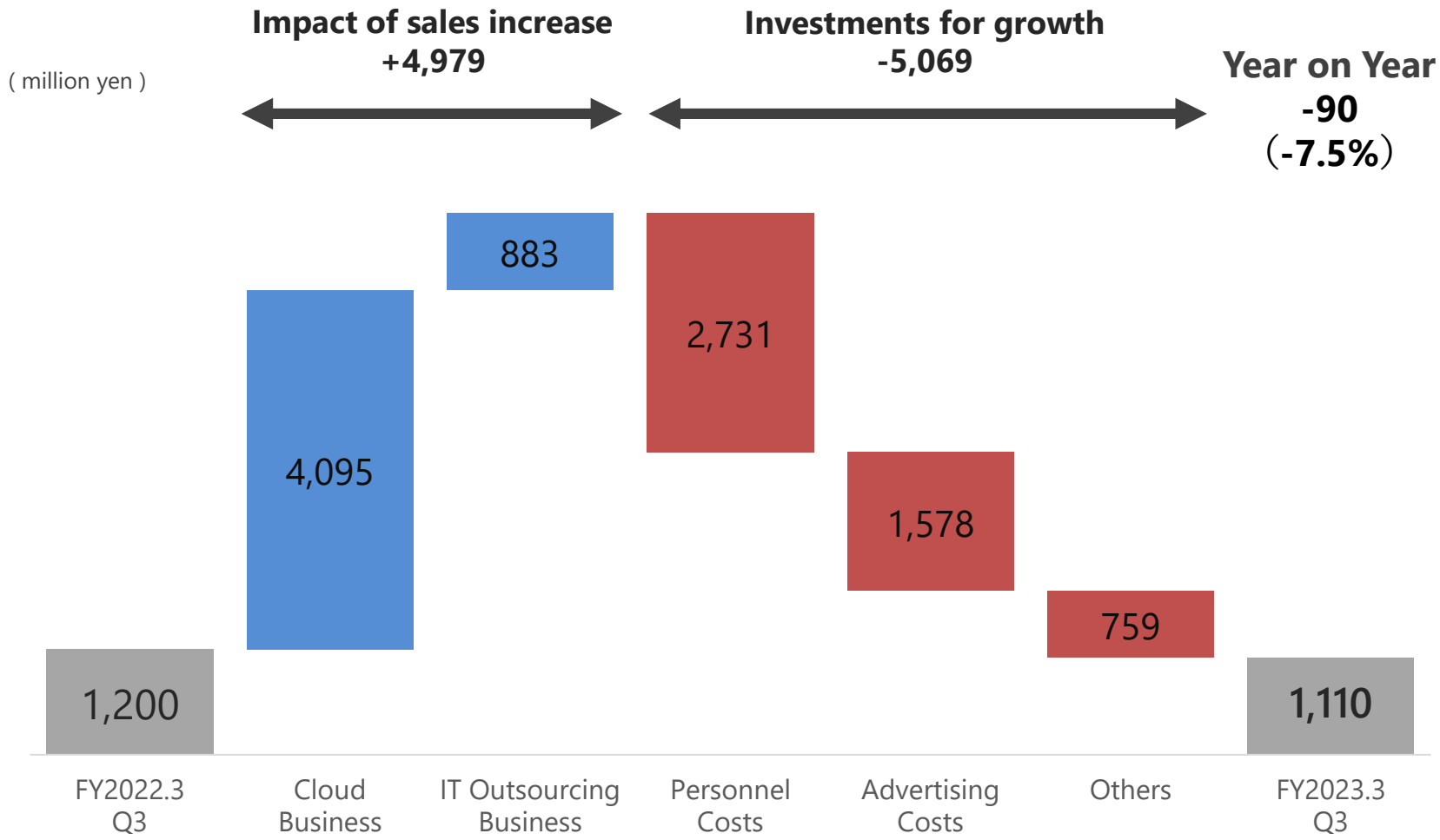
Factors for Changes in Consolidated Operating Profit (Year on Year)

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



Consolidated Balance Sheet

(million yen)

	End of March 2022	End of December 2022	Difference
Current assets	8,419	9,345	+926
Non-current assets	3,281	3,301	+19
Total assets	**11,700**	**12,647**	**+946**
Current liabilities	2,977	3,556	+579
Non-current liabilities	106	132	+25
Total liabilities	**3,083**	**3,688**	**+604**
Shareholders' equity	8,604	8,938	+334
Accumulated other comprehensive income	13	19	+6
Total equity	**8,617**	**8,958**	**+341**
Total liabilities and equities	**11,700**	**12,647**	**+946**
Equity ratio	**73.6%**	**70.8%**	

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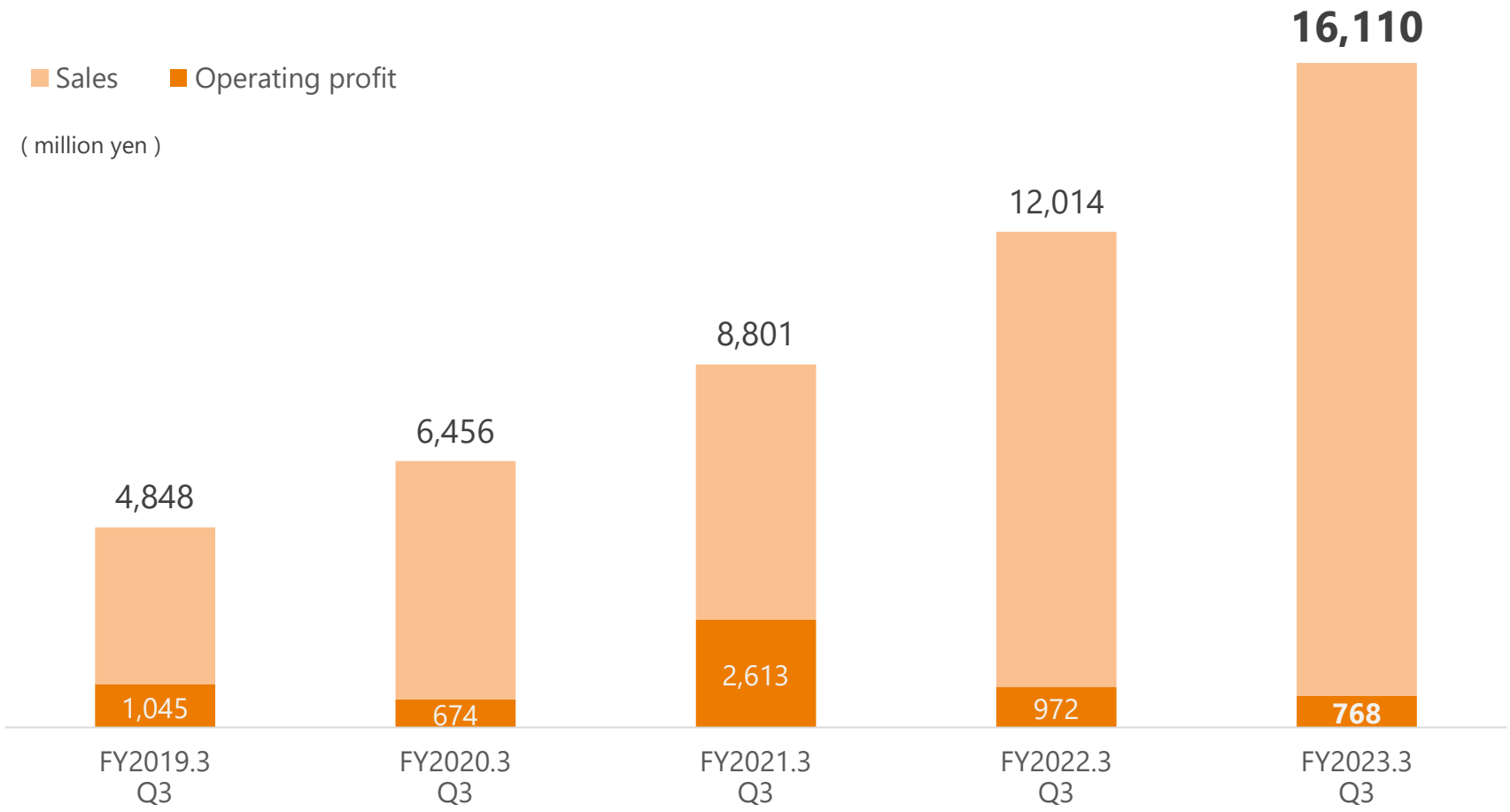
Cloud Business

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 as planned.



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

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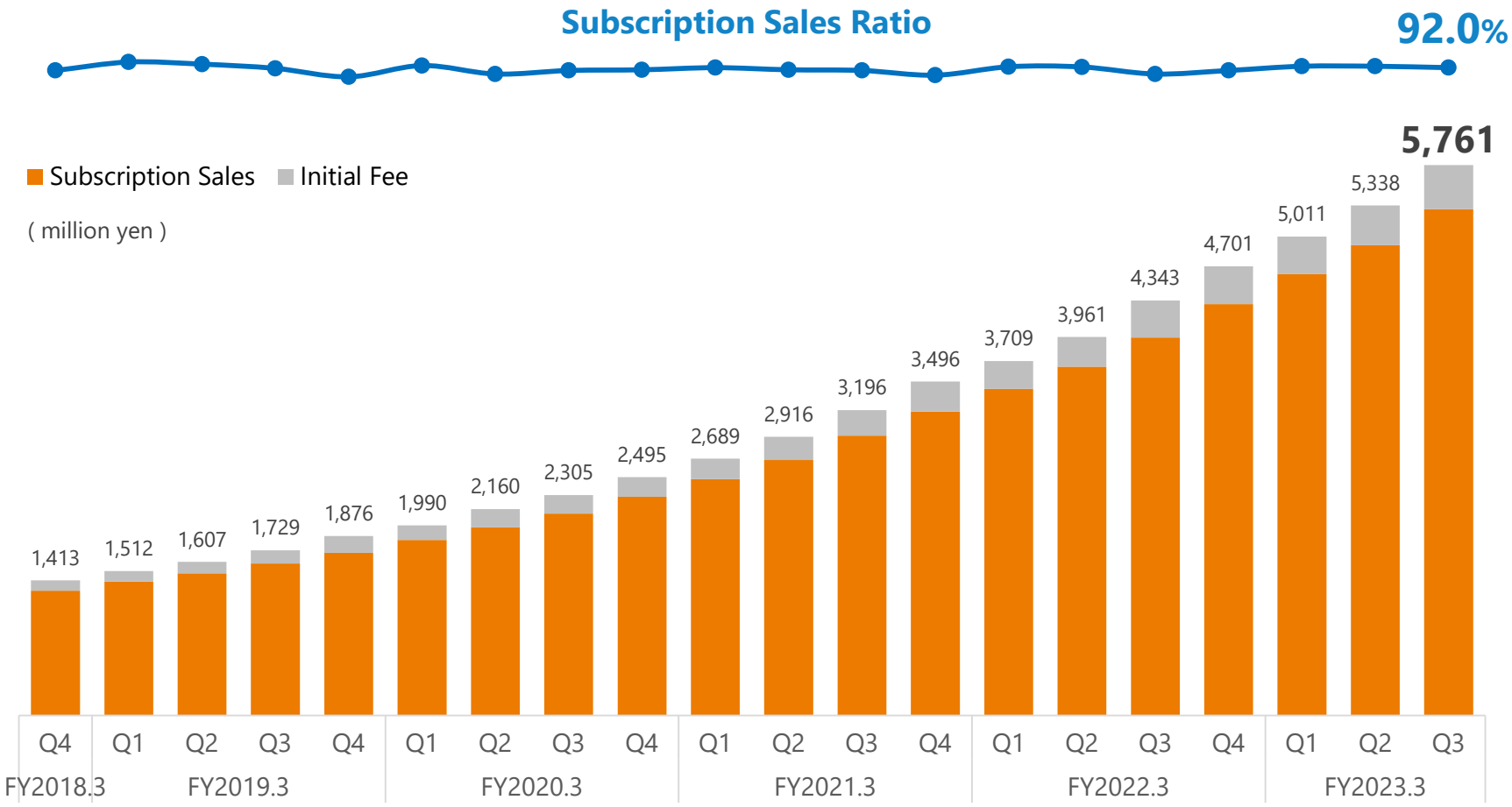
Subscription Sales of the Cloud Business

A high level of subscription sales ratio was maintained due to steady increase of the number of contracted clients.



Quarterly Sales of the Cloud Business by Service

A high level of growth was maintained centered on our main services, Raku Raku Series.

(million yen)

	Sales in Q3 FY2023.3 (Oct.-Dec.)	Quarter on Quarter	Year on Year
Raku Raku Seisan	**2,667**	**+6.9%**	**+33.7%**
Raku Raku Meisai	**987**	**+16.6%**	**+61.9%**
Raku Raku Hambai	**675**	**+7.7%**	**+39.5%**
E-mail distribution services	**689**	**+5.7%**	**+13.6%**
Mail Dealer	**614**	**+2.2%**	**+11.5%**
Others	**127**	**+9.3%**	**+31.7%**
Total of the Cloud Business	**5,761**	**+7.9%**	**+32.6%**

* On-premises sales are included in the chart above.
* The figure for Raku Raku Hambai includes Rakutel.
* The figure for Email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail.

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Cumulative Number of Companies Using Raku Raku Seisan

The number of new introduction companies increased steadily and reached 12,000 companies.

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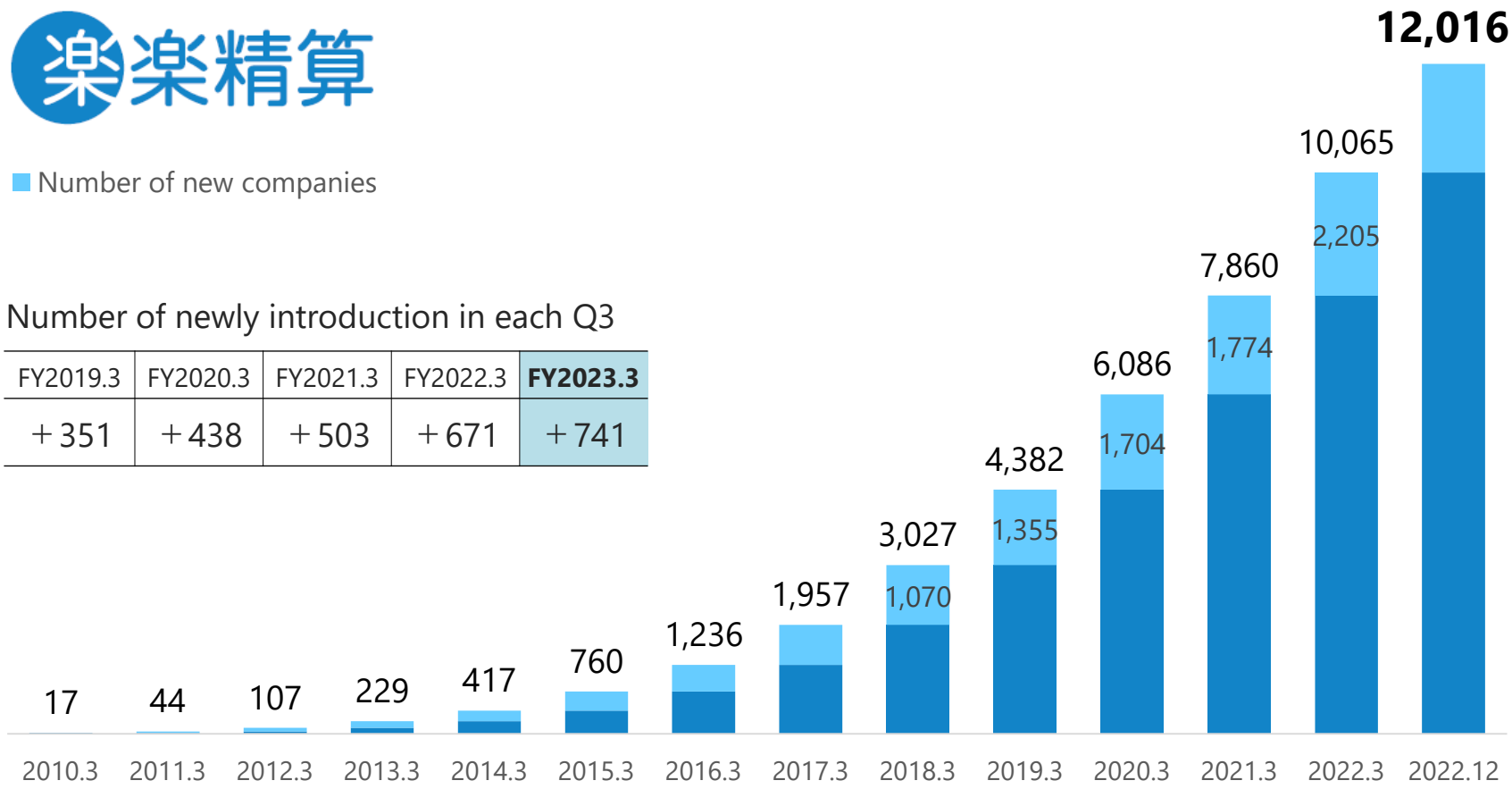
Number of new companies

Number of newly introduction in each Q3

FY2019.3	FY2020.3	FY2021.3	FY2022.3	**FY2023.3**
＋351	＋438	＋503	＋671	＋741



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Cumulative Number of Companies Using Raku Raku Meisai

The number of new introduction companies increased steadily and reached over 5,000 companies, partly due to the impact of the acquisition of postponed cases.

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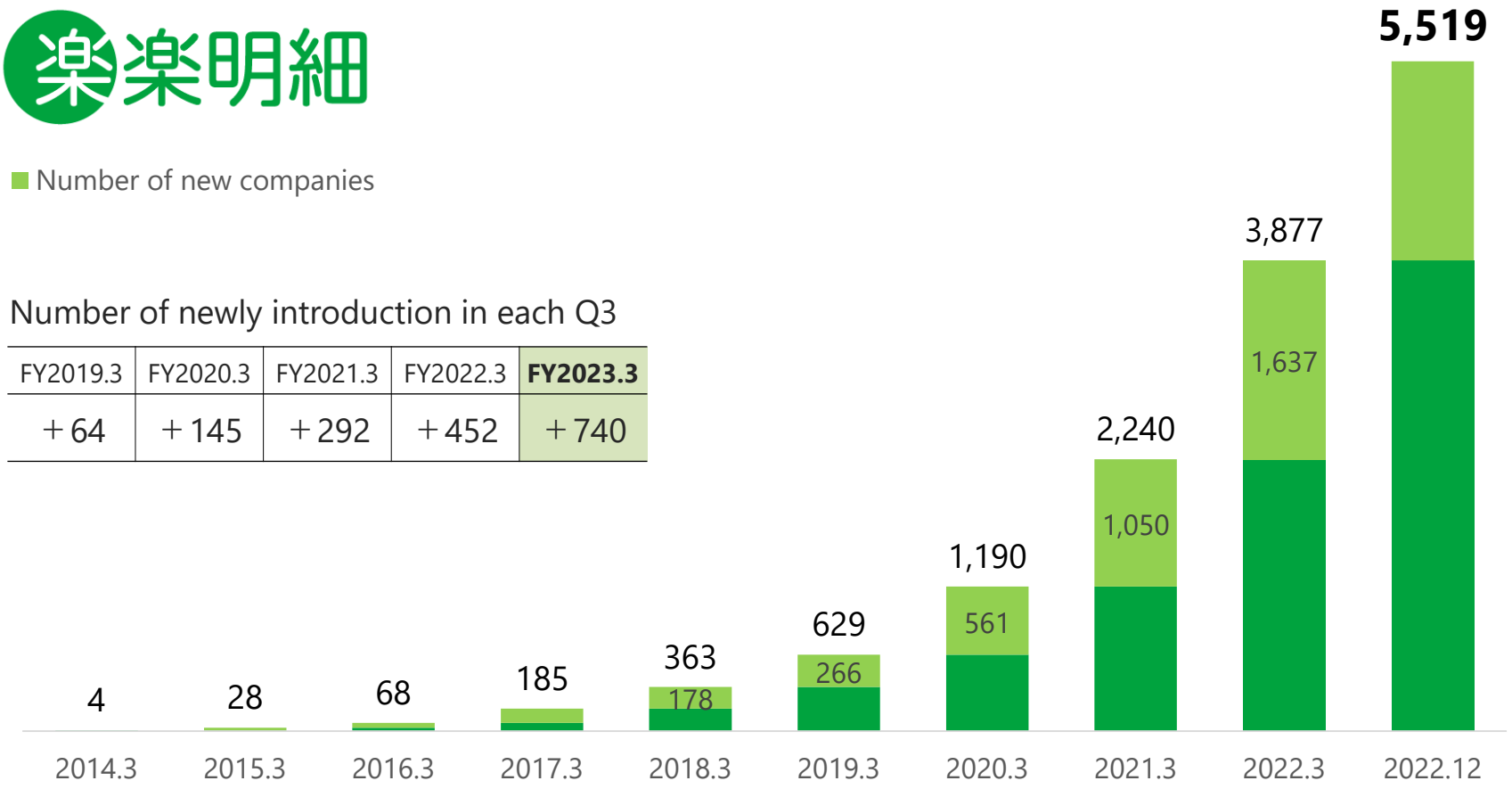
Number of new companies

Number of newly introduction in each Q3

FY2019.3	FY2020.3	FY2021.3	FY2022.3	**FY2023.3**
＋64	＋145	＋292	＋452	＋740



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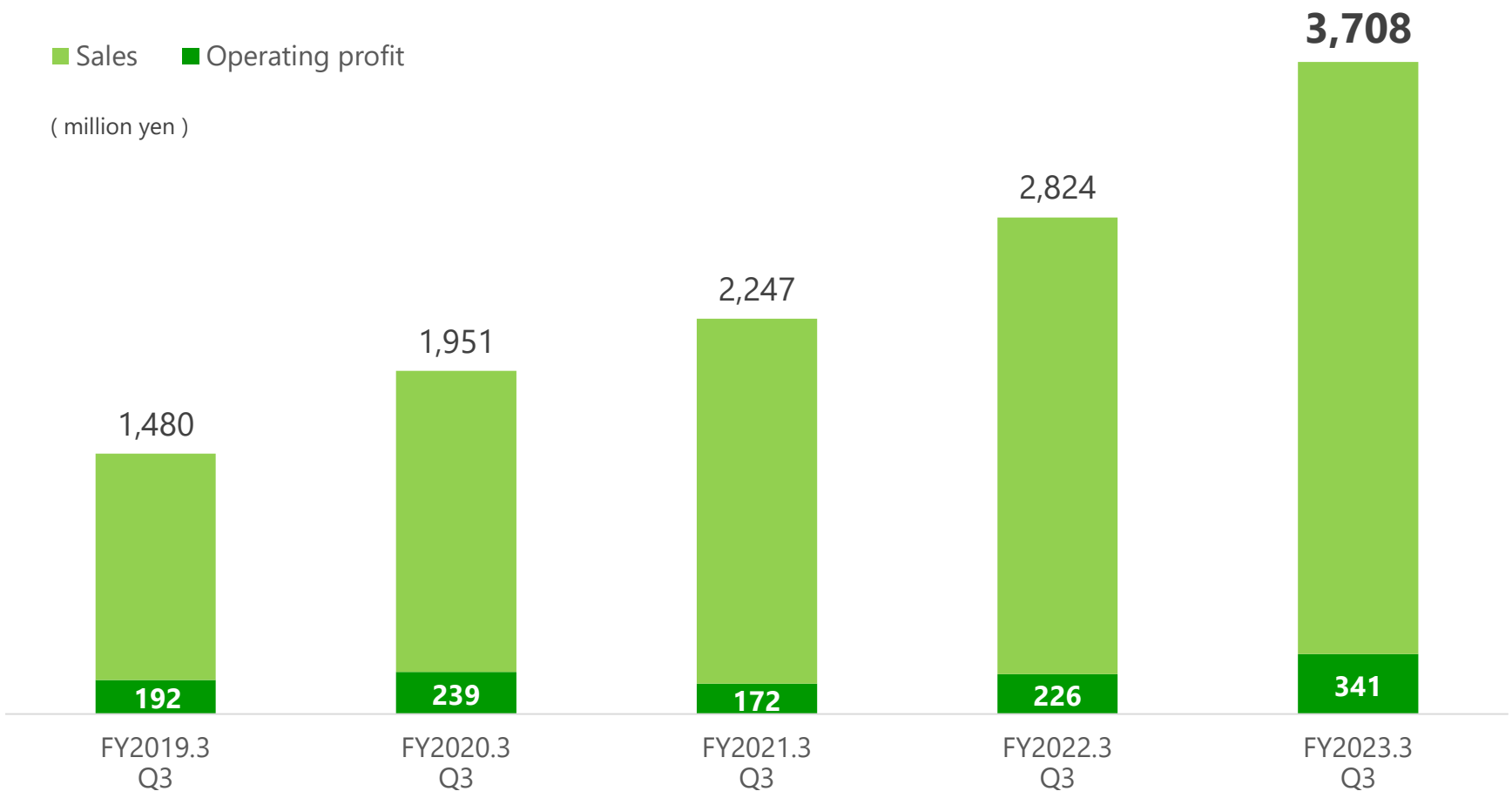
IT Outsourcing Business

Performance of the IT Outsourcing Business

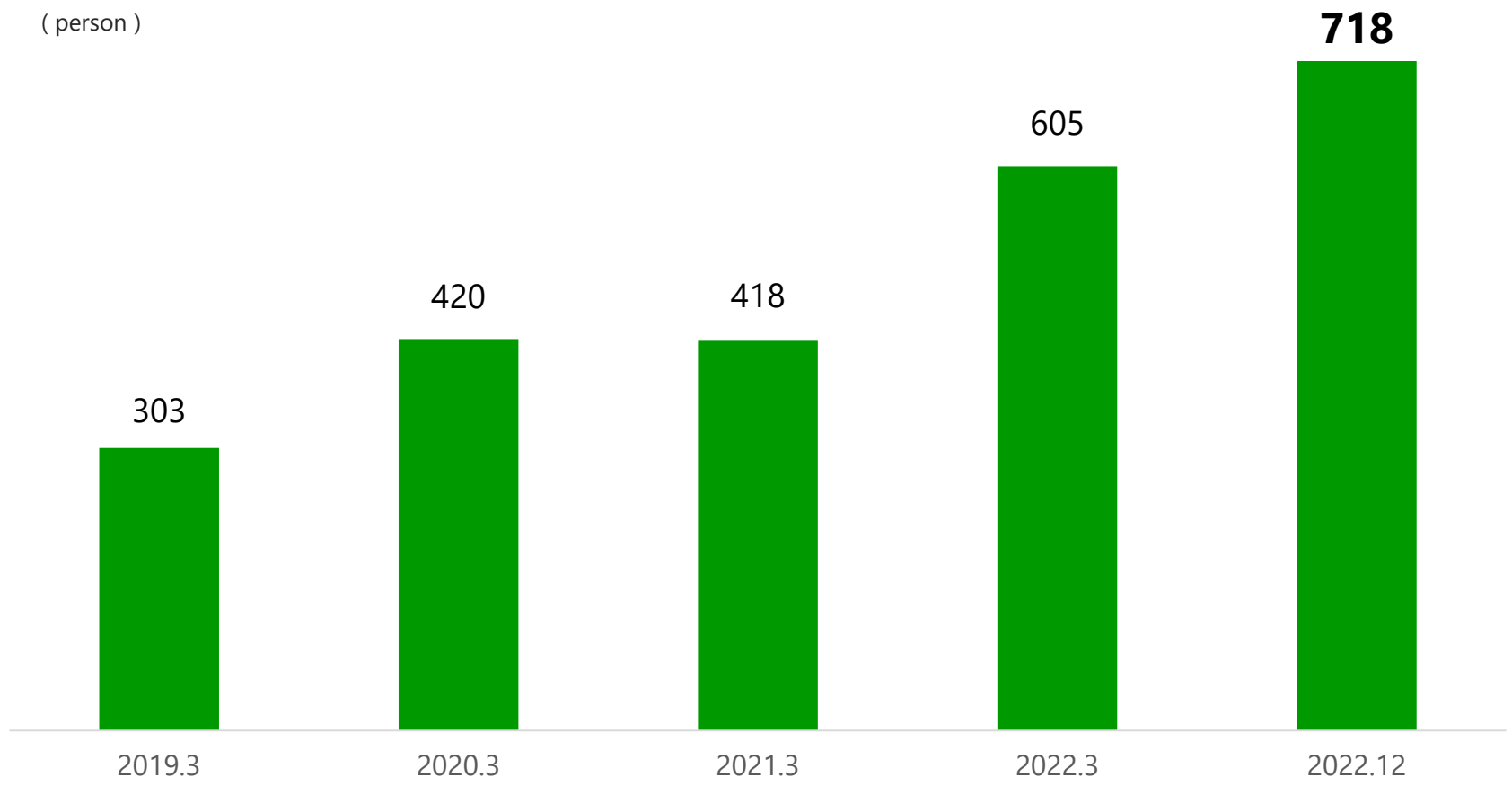
Both sales and profit increased driven by steady increase in the number of engineers in operations by responding to strong client needs.



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

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.

Guidance for the fiscal year ending March 2023

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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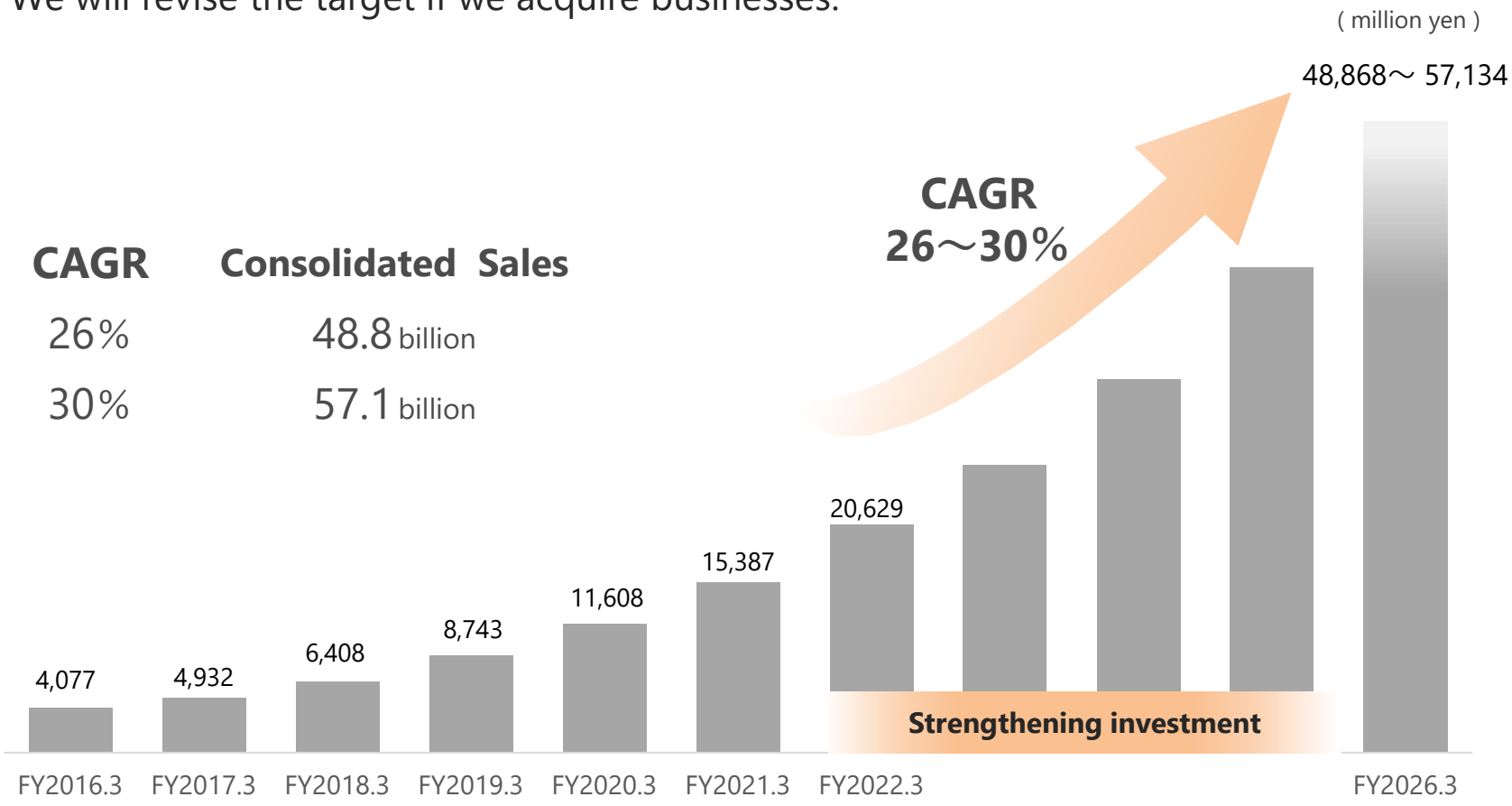
Five-Year Sales and Profit Targets

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.



Guidance for FY2023.3

The guidance was revised based on the impact of the company split of the rental server business and the current business environment.

(million yen)

	FY2022.3	Initial Guidance	Revised Guidance	YoY	Against Initial Guidance
Net Sales	**20,629**	**27,302**	**27,366**	**+32.7%**	**+0.2%**
Cost of sales	6,598	8,708	8,655	+31.2%	-0.6%
Gross profit	14,030	18,594	18,711	+33.4%	+0.6%
GP margin	68.0%	68.1%	68.4%		
SG&A	12,452	17,170	17,212	+38.2%	+0.2%
Operating profit	**1,578**	**1,424**	**1,498**	**-5.1%**	**+5.2%**
OP margin	7.7%	5.2%	5.5%		
Ordinary profit	**1,595**	**1,447**	**1,508**	**-5.5%**	**+4.2%**
Ordinary profit margin	7.7%	5.3%	5.5%		
EBITDA	**2,158**	**2,036**	**2,098**	**-2.8%**	**+3.0%**
EBITDA margin	10.5%	7.5%	7.7%		
Income tax	465	474	560		
Tax rate	30.1%	33.7%	33.5%		
Profit attributable to owners of parent	**1,078**	**934**	**1,111**	**+3.0%**	**+19.0%**

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Company split of the rental server business

- Summary

  We transferred the rental server and other businesses of RAKUS Light Cloud, a subsidiary of us, to NHN Techorus by means of company split.

- Effective date of the company split：February 1, 2023

- Impact on Guidance for FY2023.3（million yen）
  （Disclosure: November 11, 2022）

Net Sales	-26
Operating Profit	-6
Net profit	+126

※For details, please refer to the "Announcement Regarding the Company Split (Absorption-type Split) with a Consolidated Subsidiary (RAKUS Light Cloud Co., Ltd.) and NHN Techorus Corp.," released on November 30, 2022.

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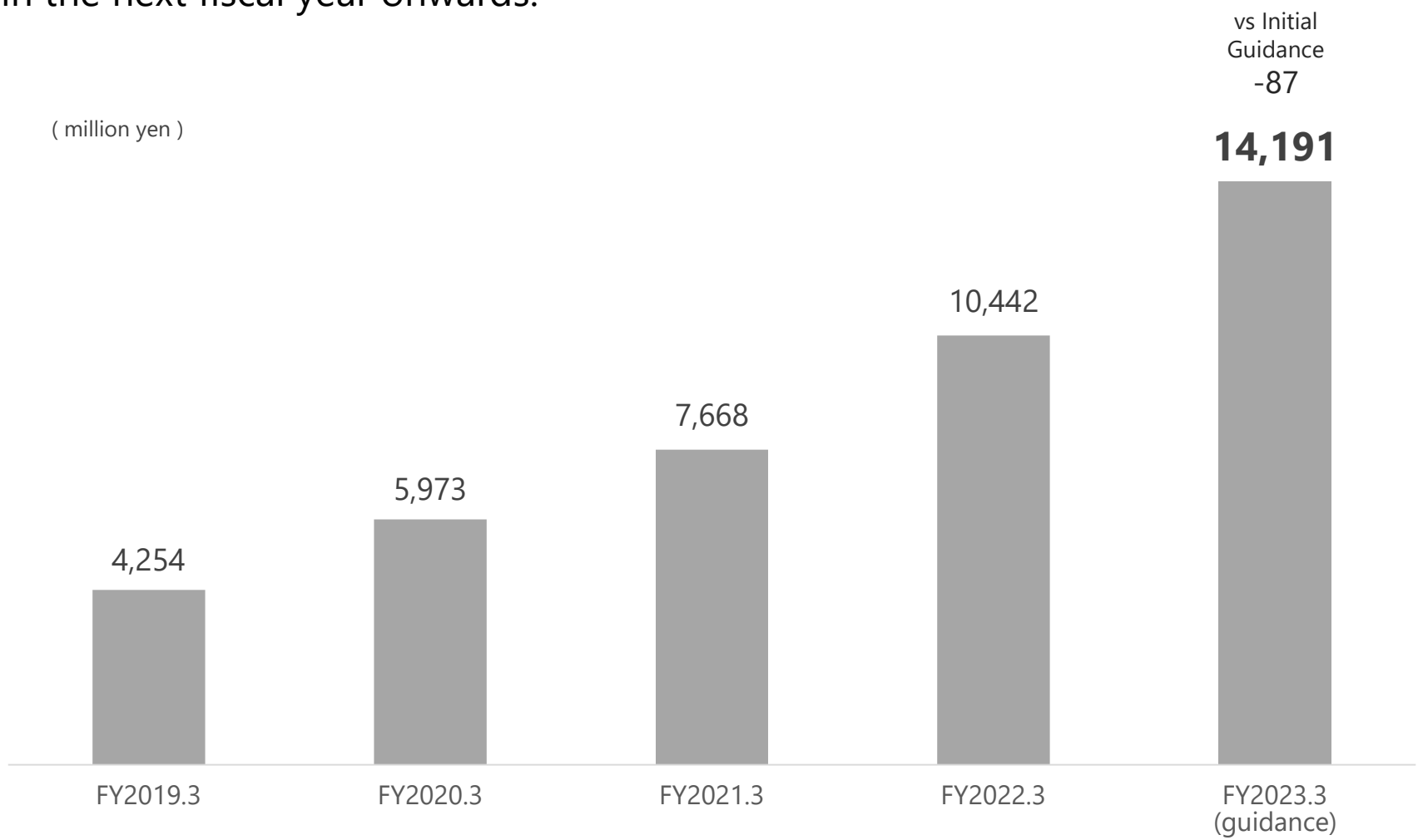
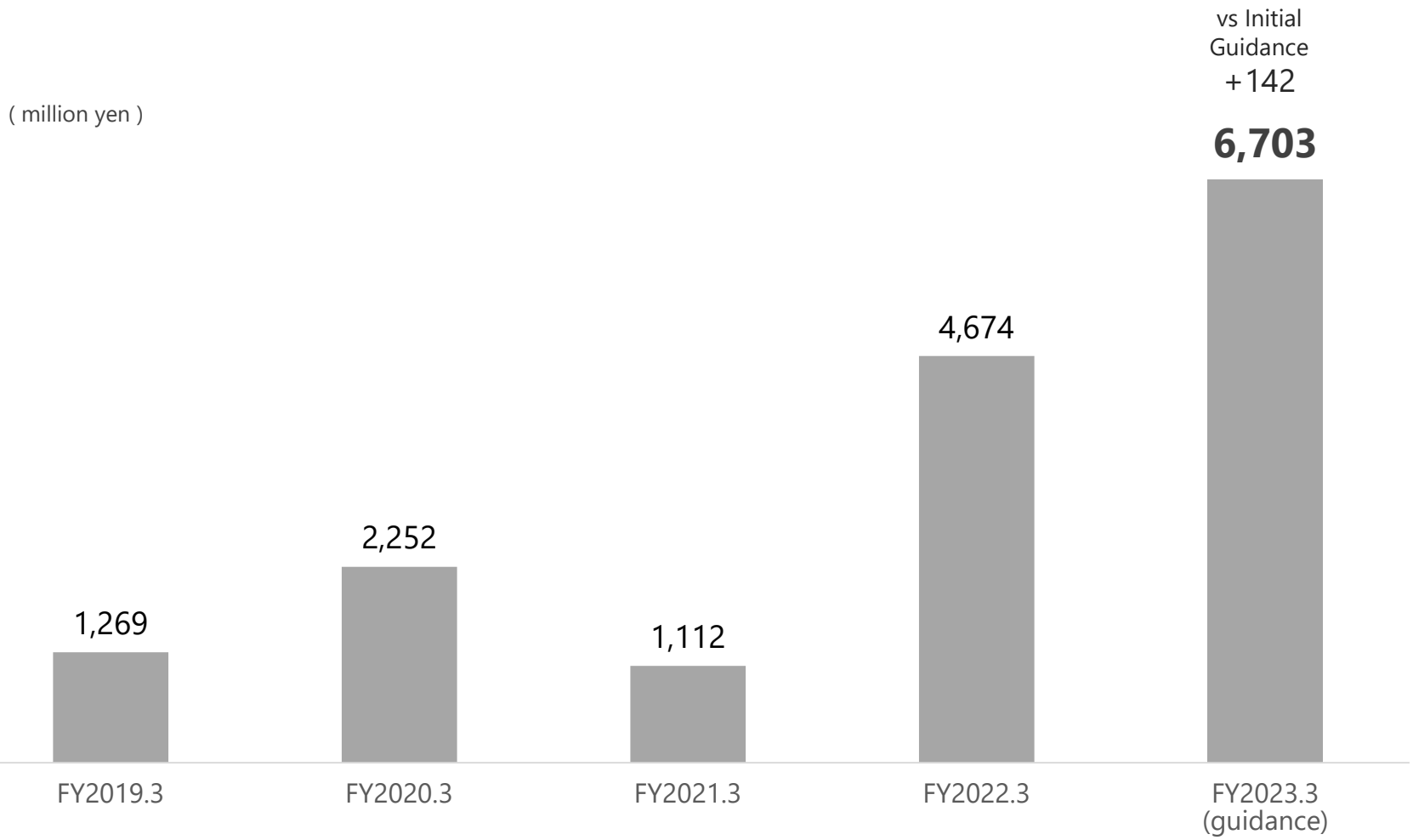
Personnel Costs Guidance

Workforce plan was revised with a view to changing the organizational structure in the next fiscal year onwards.



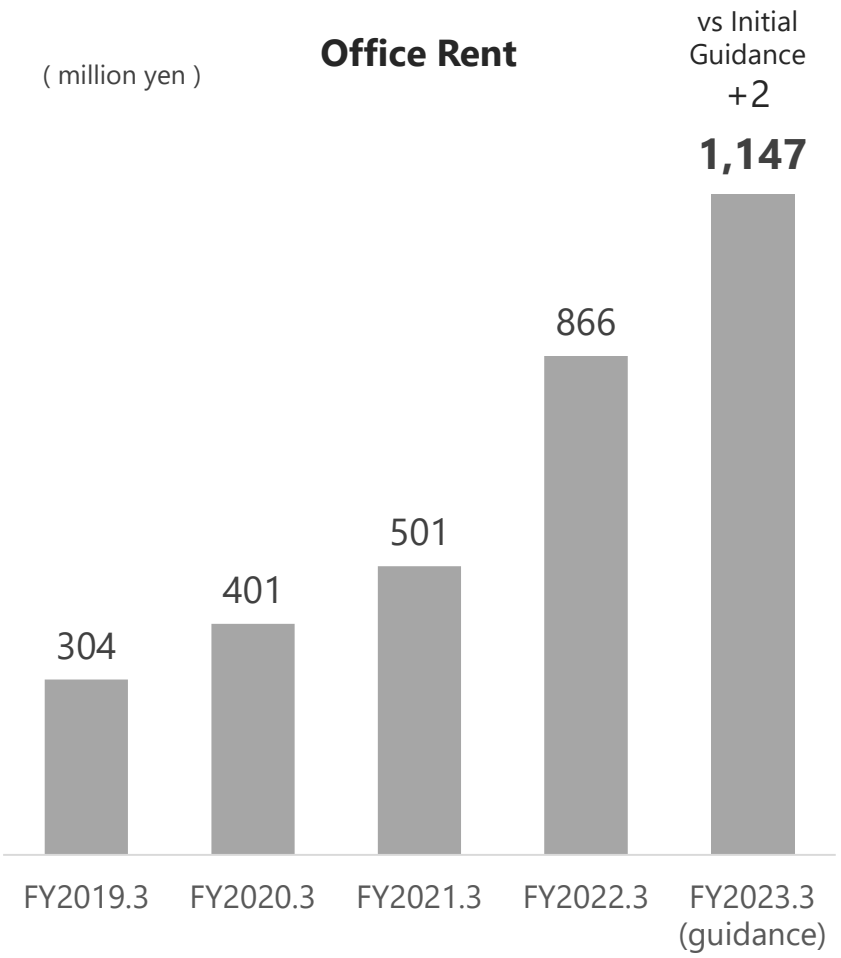
Advertising Costs Guidance

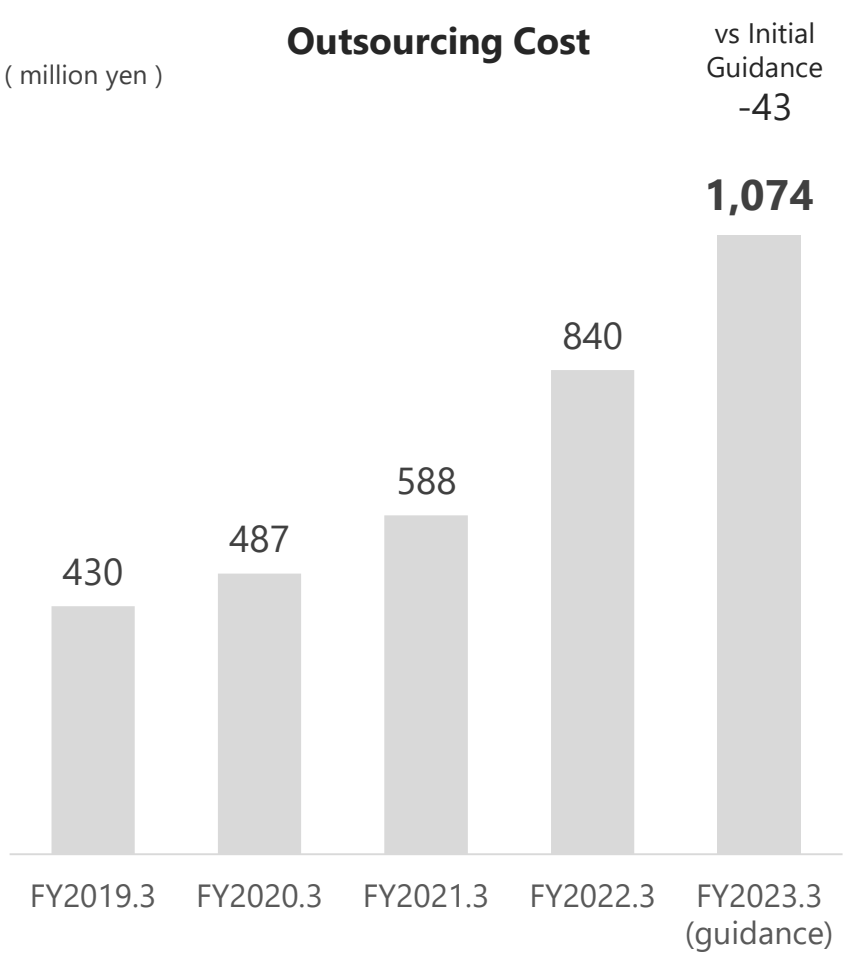
Additional investments planned centered on TV ads in Raku Raku Seisan and Raku Raku Meisai.



Office Rent and Outsourcing Costs Guidance

Reduced outsourcing costs with a view to changing the organizational structure.





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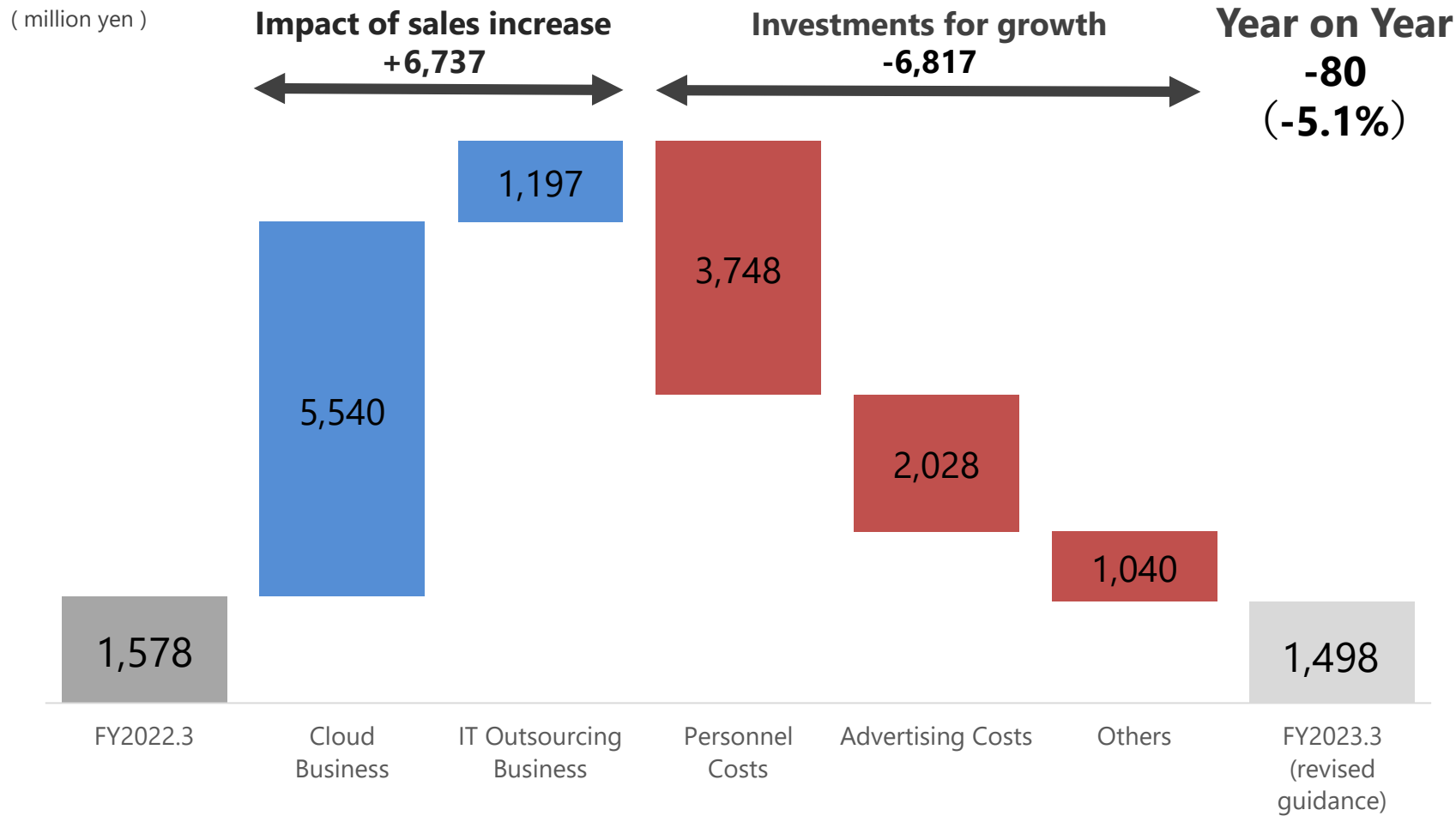
Factors for Changes in Consolidated Operating Profits

The guidance was revised with a view to the current business environment and changing the organizational structure in the next fiscal year onwards.



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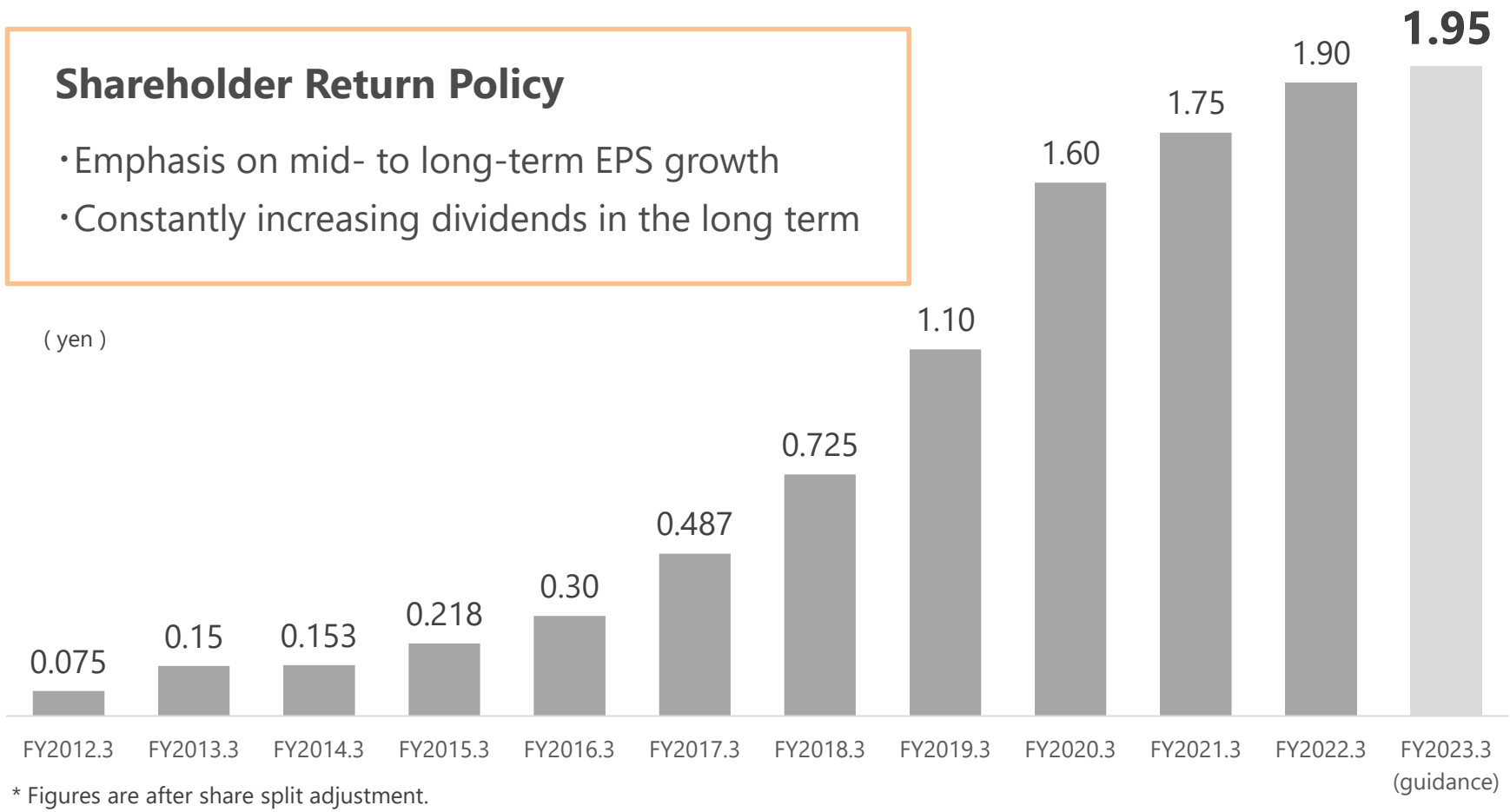
【KPI】Shareholder Returns

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

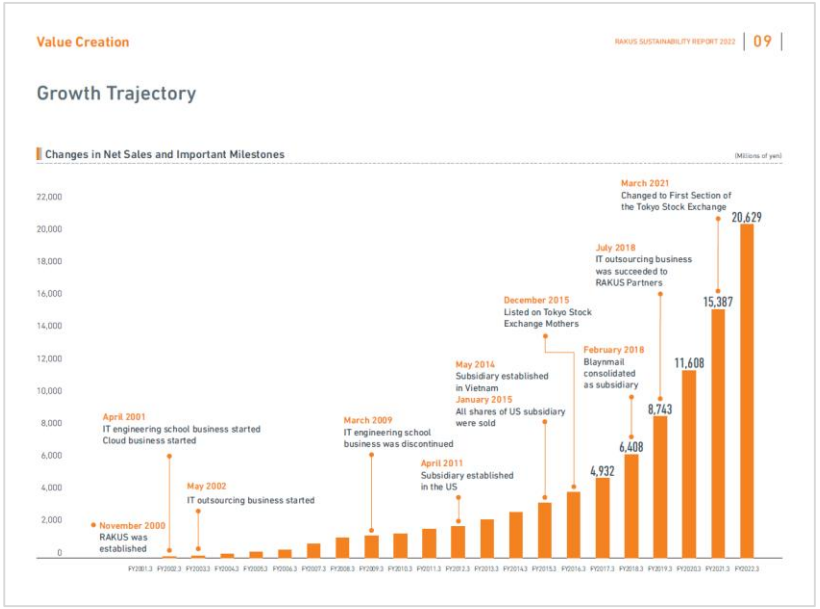
- Emphasis on mid- to long-term EPS growth
- Constantly increasing dividends in the long term



* Figures are after share split adjustment.

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%

* On-premises sales are included in the chart above.
* The figure for Raku Raku Hambai includes Rakutel.
* 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.)

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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)
* Gross margin ratio is calculated using the assumed provisional figure (70%) if it is less than 70%.
* The figure for Raku Raku Hambai includes Rakutel.
* The figure for E-mail distribution services is the sum of Hai Hai Mail and Curumeru .

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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%**

* 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	2022.12
Raku Raku Seisan	**61,101**	**67,319**	**71,222**	**78,655**	**85,308**	**87,784**
Raku Raku Meisai	**52,787**	**56,166**	**54,142**	**64,923**	**65,111**	**67,544**
Raku Raku Hambai	**73,880**	**77,663**	**86,164**	**95,865**	**103,343**	**107,835**
Hai Hai Mail	**19,498**	**20,234**	**22,053**	**25,295**	**28,175**	**30,850**
Mail Dealer	**42,677**	**43,447**	**46,085**	**46,819**	**47,893**	**50,066**

* The figure for Raku Raku Hambai includes Rakutel.
* Hai Hai Mail is a main service of E-mail distribution service.

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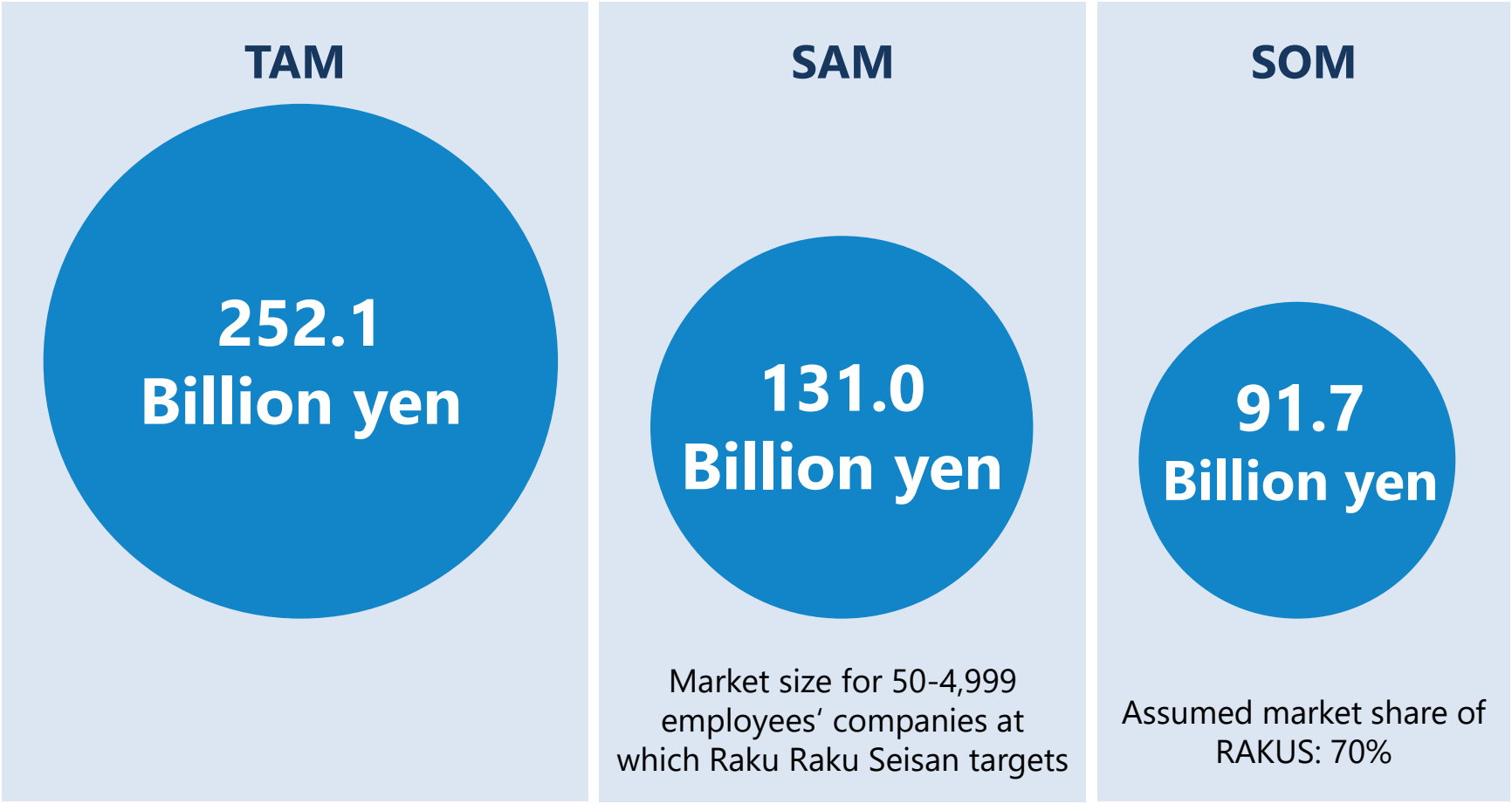
[Raku Raku Seisan] Market Size for Expense Settlement System



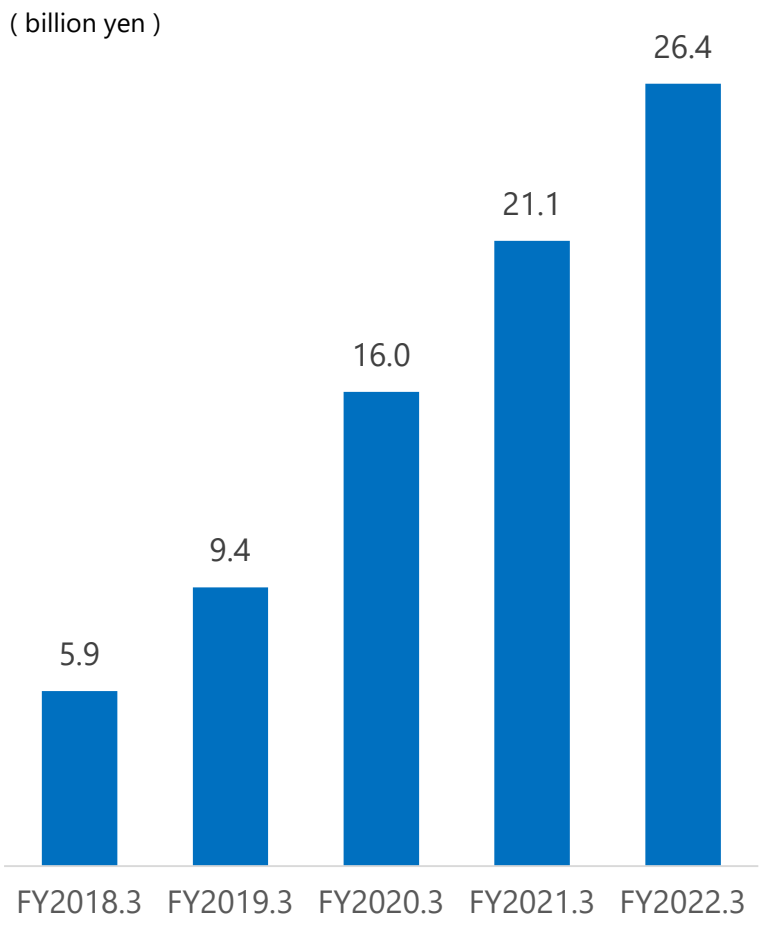
The addressable market and our target assumptions are estimates based on the following external statistics and published materials as well as the unit prices of our services. Therefore, there is a possibility that these can be different from the actual market size.

Source: 2016 Economic Census for Business Activity

The Market for Cloud-based Expense Settlement Systems

Source：Our own survey based on various data

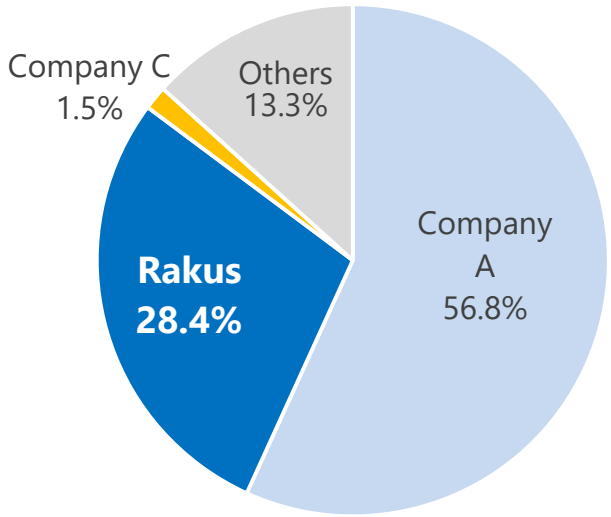
The Market Size for Cloud-Based Expense Settlement in Japan



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

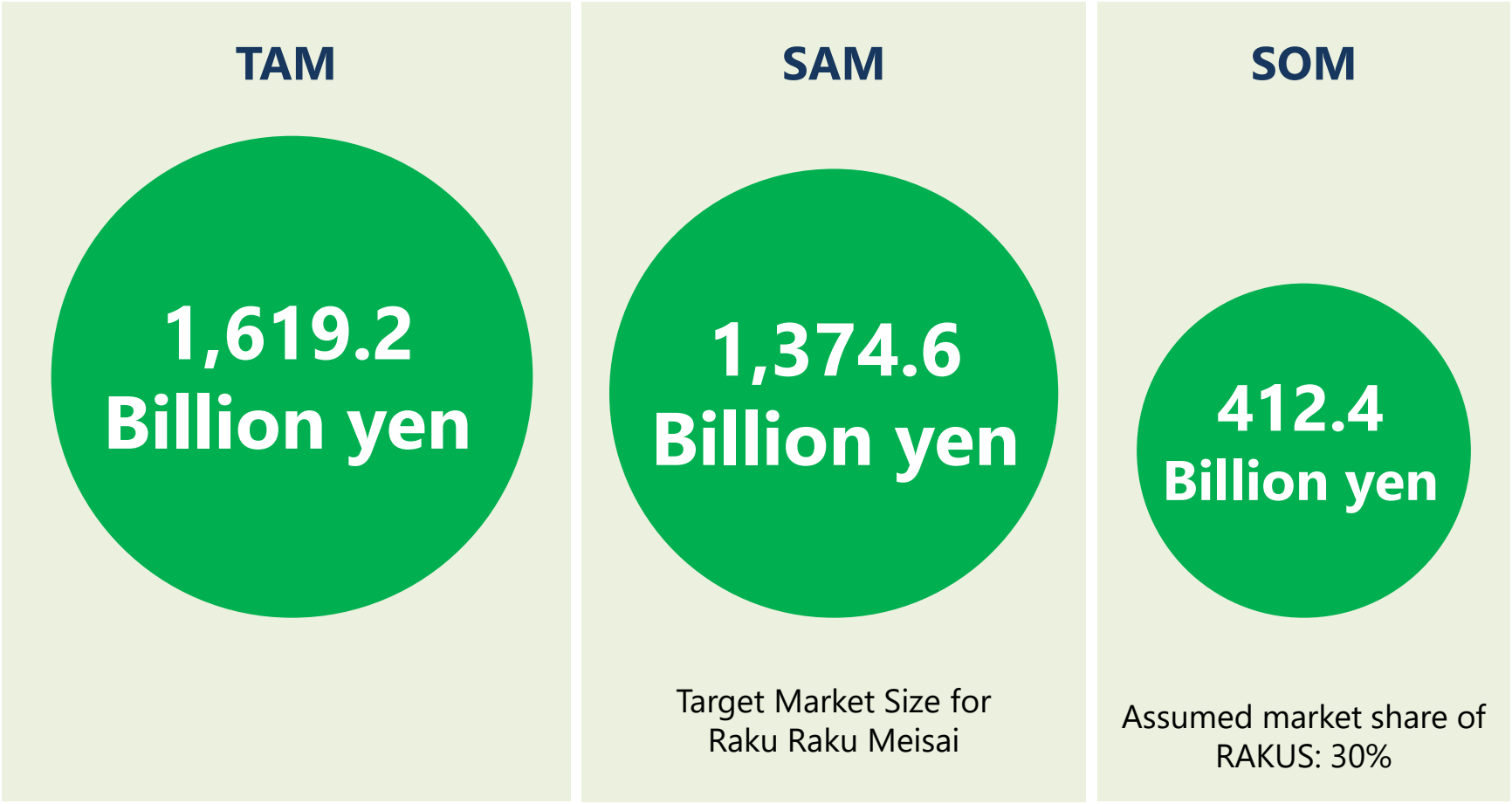
1	**Rakus 楽楽精算**	**9,419** companies
2	Company A	1,425 companies
3	Company B	820 companies

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.

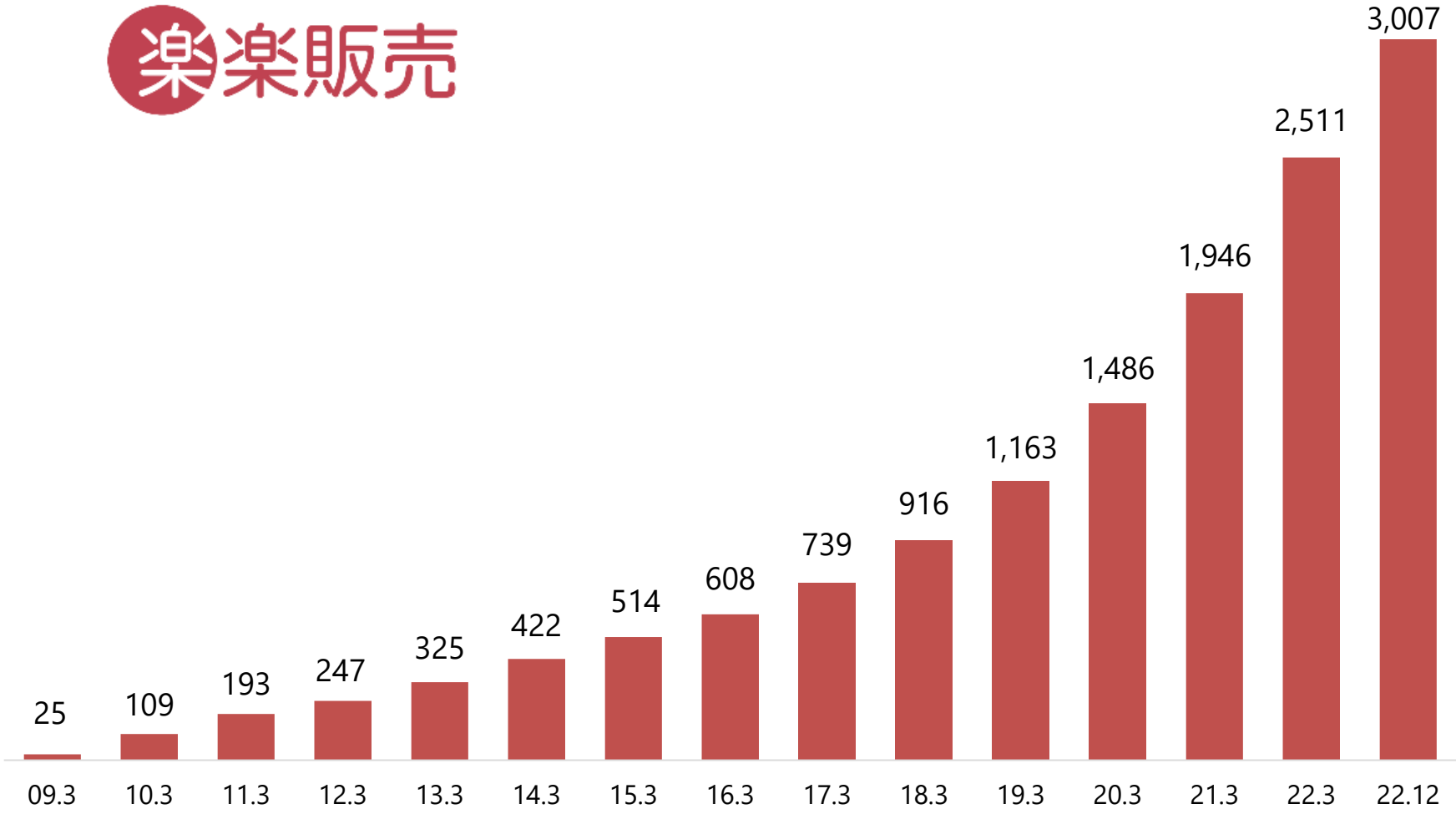
[Raku Raku Meisai] Market Size for Bill Issuance System



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」)

Cumulative Number of Companies Using Raku Raku Hambai



* The figure includes Rakutel.

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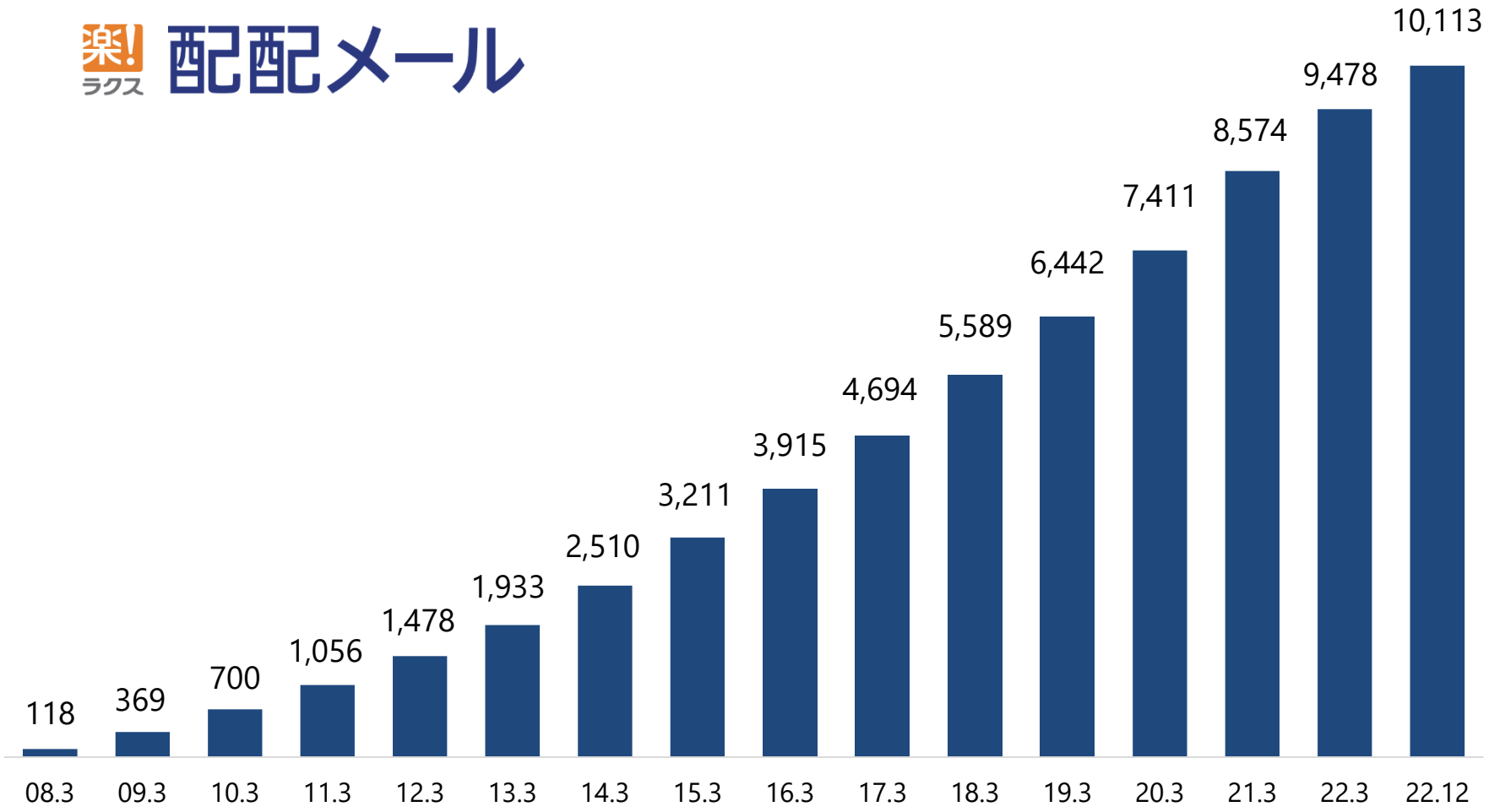
Cumulative Number of Companies Using Hai Hai Mail

楽! ラクス 配配メール



楽! ラクス

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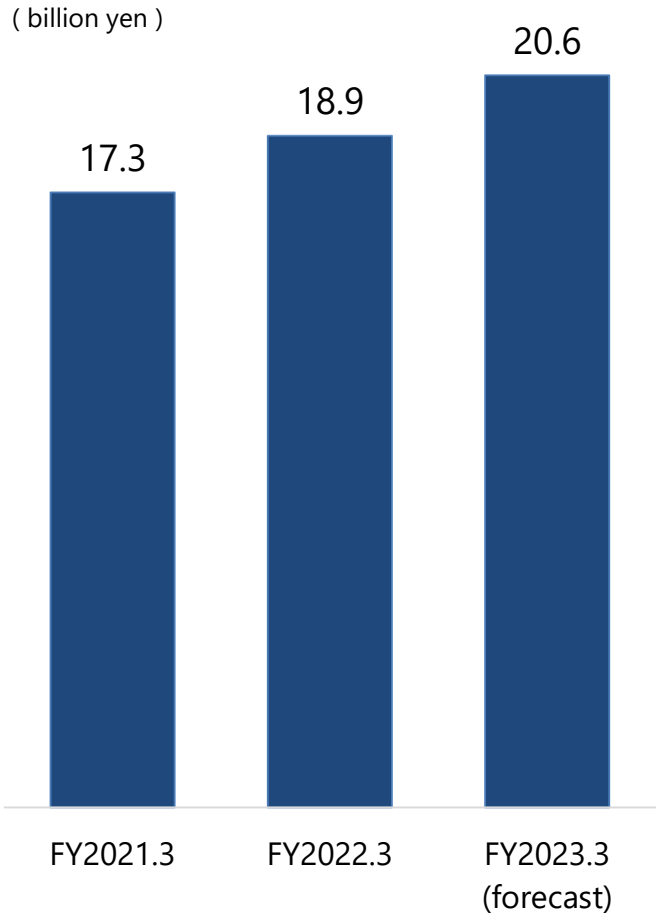
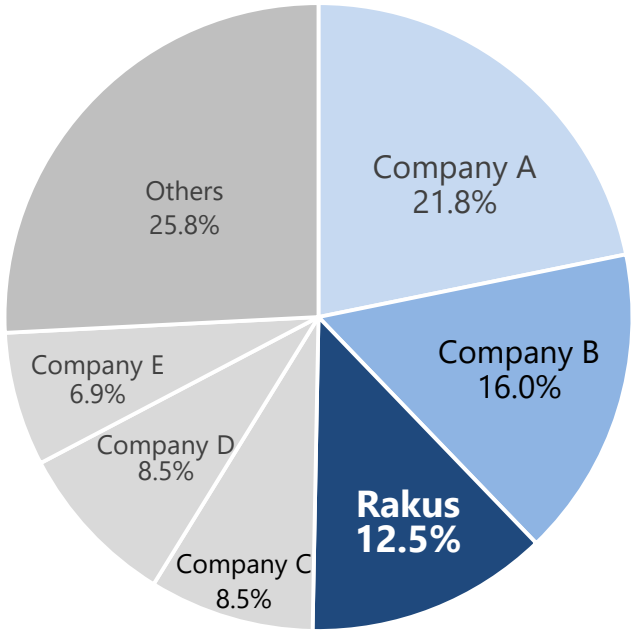
The Market for Cloud-based Email Distribution Systems

Source：Our own survey based on various data (As of January 2023)

The Market Size for Cloud-based Email Distribution Systems



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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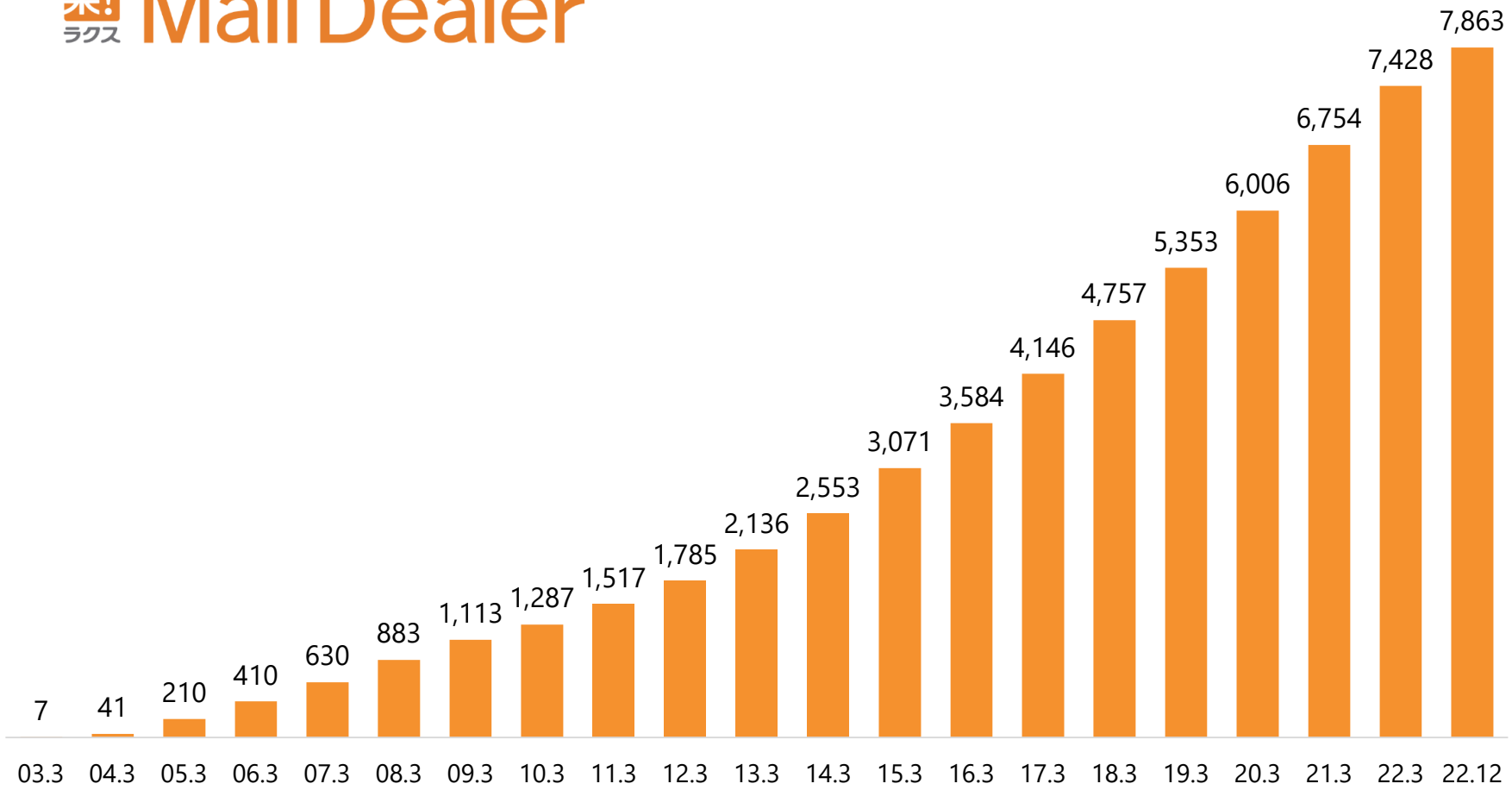
Cumulative Number of Companies Using Mail Dealer

楽! ラクス Mail Dealer



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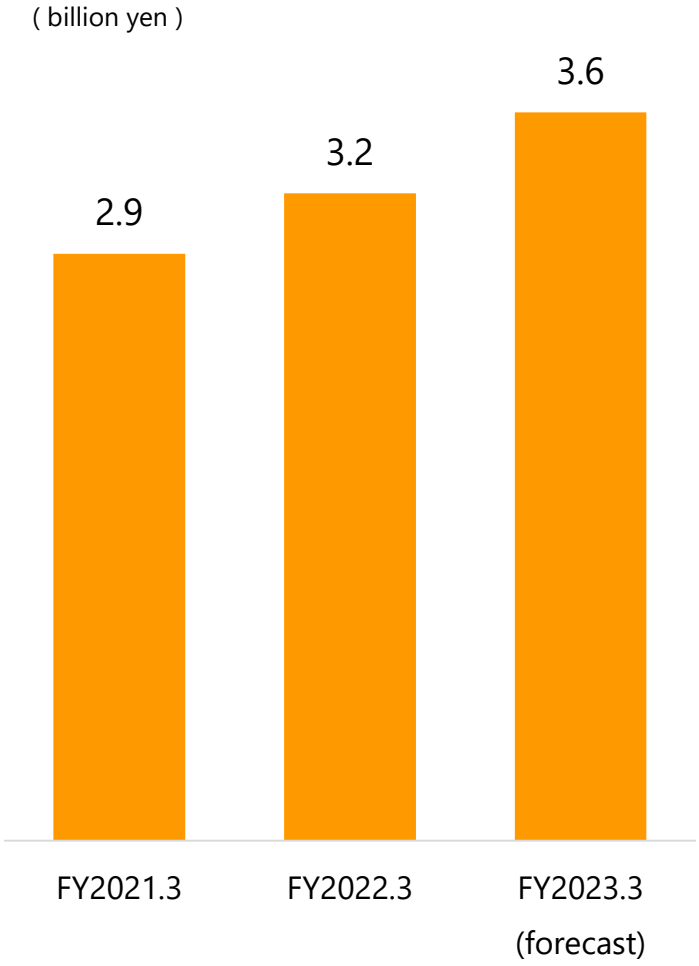
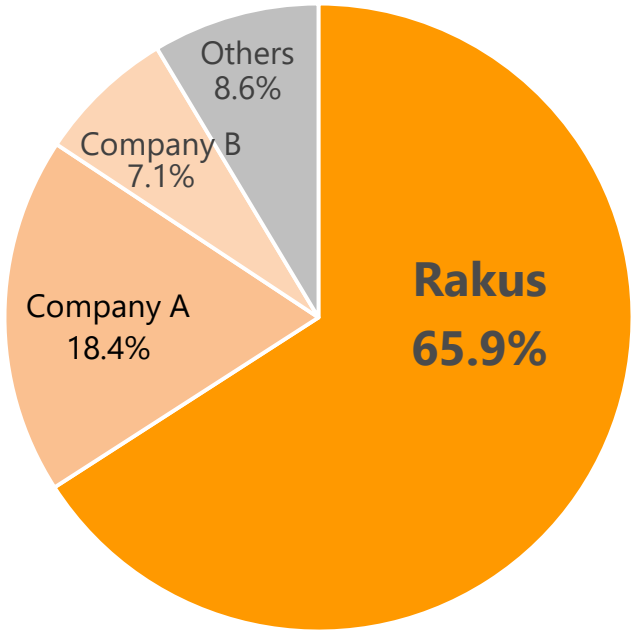
The market for Cloud-based Mail processing

Source：Our own survey based on various data (As of January 2023)

The Market Size for Cloud-Based E-mail Processing



Market Shares Based on Sales Value



楽! ラクス Mail Dealer

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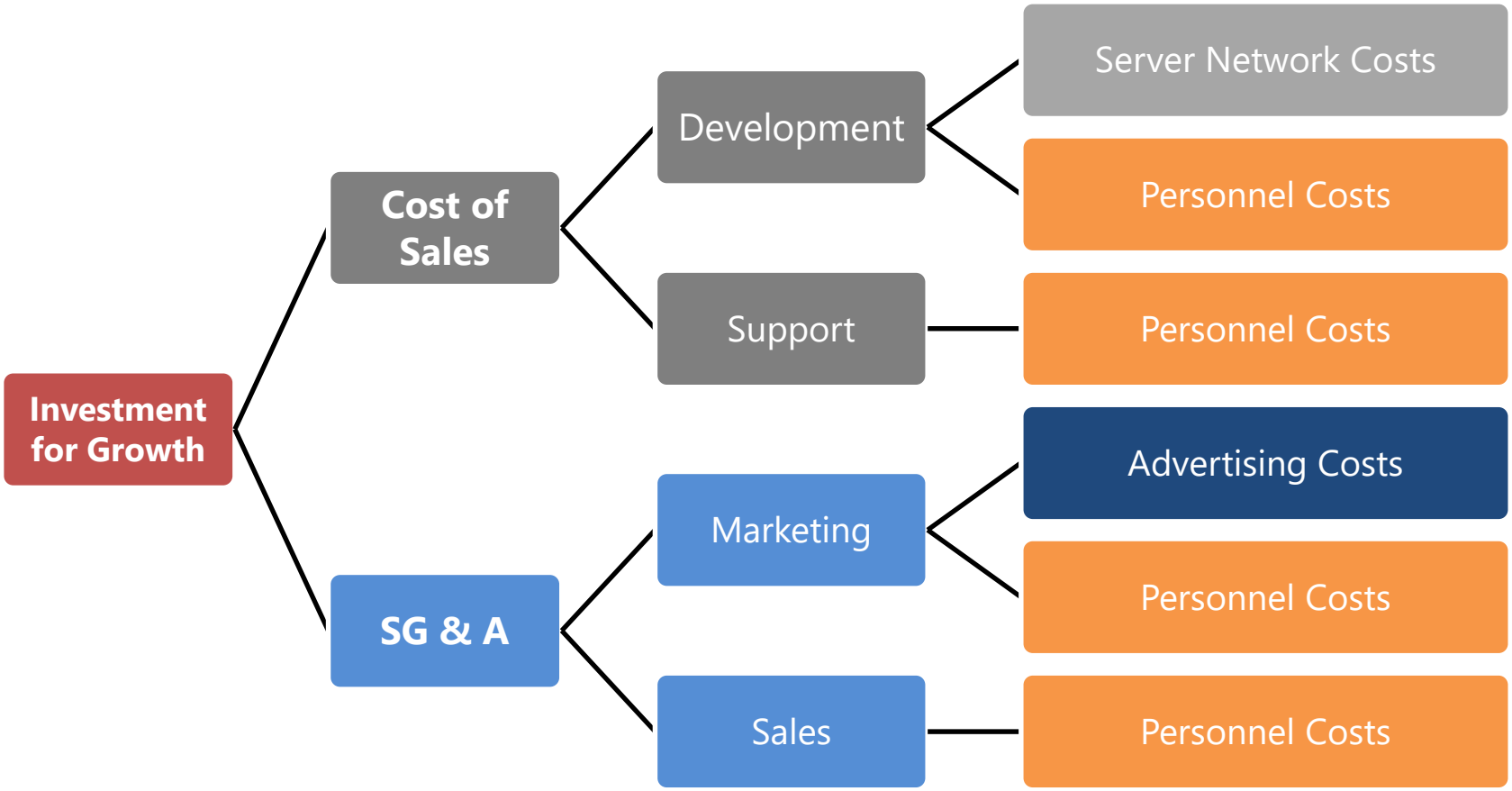
Breakdown of Investment for Growth (Cloud Business)



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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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