Earnings Results of the fiscal year ended March 2023

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

May 12, 2023

Key points

Consolidated Results of FY2023.3

- A high level of sales growth was maintained due to strong performance in both Cloud Business and IT Outsourcing Business.
- Profit increased while continuing aggressive investments for growth.

Cloud Business

- A high sales growth rate was maintained centered on our main services, Raku Raku Series.

IT Outsourcing Business

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

Future Outlook

- Continuing with aggressive investments for growth while aiming to improve the productivity and efficiency of managerial resources.
- The lower limit of the sales CAGR for the Medium-Term Management Targets has been revised upward to 27%
- Profit is expected to increase steadily towards the final year of the Medium-Term Management Targets.
- Planning to increase dividends for the 12th consecutive period in FY2024.3, 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 2023

Summary of Consolidated Results of FY2023.3

A high level of sales growth was maintained due to strong performance in both Cloud Business and IT Outsourcing Business.
Profit increased while continuing aggressive investments for growth.

		Year on Year
Net Sales	**27,399** million yen	**+32.8%**
Operating Profit	**1,656** million yen	**+4.9%**
Ordinary Profit	**1,677** million yen	**+5.1%**
EBITDA	**2,263** million yen	**+4.8%**
Profit attributable to owners of parent	**1,274** million yen	**+18.2%**

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

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Outline of the Consolidated Results of FY2023.3

(million yen)

	FY2022.3 (Actual)	FY2023.3 (Guidance)	FY2023.3 (Actual)	YoY (Amount)	YoY (%)	Against Guidance
Sales	**20,629**	**27,366**	**27,399**	**+6,770**	**+32.8%**	**+0.1%**
Cost of sales	6,598	8,655	8,621	+2,023	+30.7%	-0.4%
Gross profit	14,030	18,711	18,777	+4,746	+33.8%	+0.4%
GP margin	68.0%	68.4%	68.5%			
SG&A	12,452	17,212	17,121	+4,669	+37.5%	-0.5%
Operating profit	**1,578**	**1,498**	**1,656**	**+77**	**+4.9%**	**+10.6%**
OP margin	7.7%	5.5%	6.0%			
Ordinary profit	**1,595**	**1,508**	**1,677**	**+81**	**+5.1%**	**+11.2%**
Ordinary profit margin	7.7%	5.5%	6.1%			
EBITDA	**2,158**	**2,098**	**2,263**	**+104**	**+4.8%**	**+7.9%**
EBITDA margin	10.5%	7.7%	8.3%			
Income tax	465	560	565			
Tax rate	30.1%	33.5%	30.7%			
Profit attributable to owners of parent	**1,078**	**1,111**	**1,274**	**+196**	**+18.2%**	**+14.7%**

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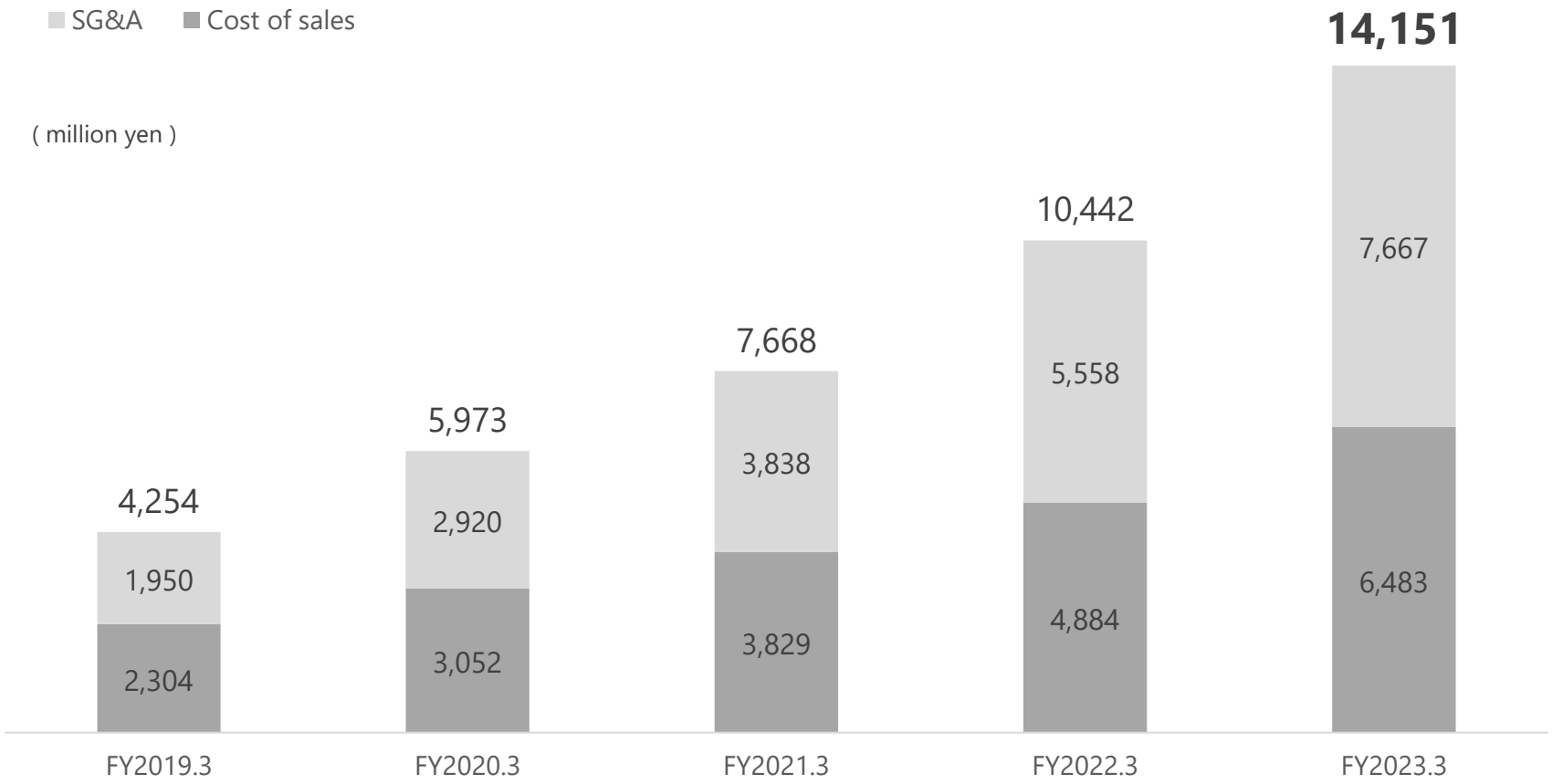
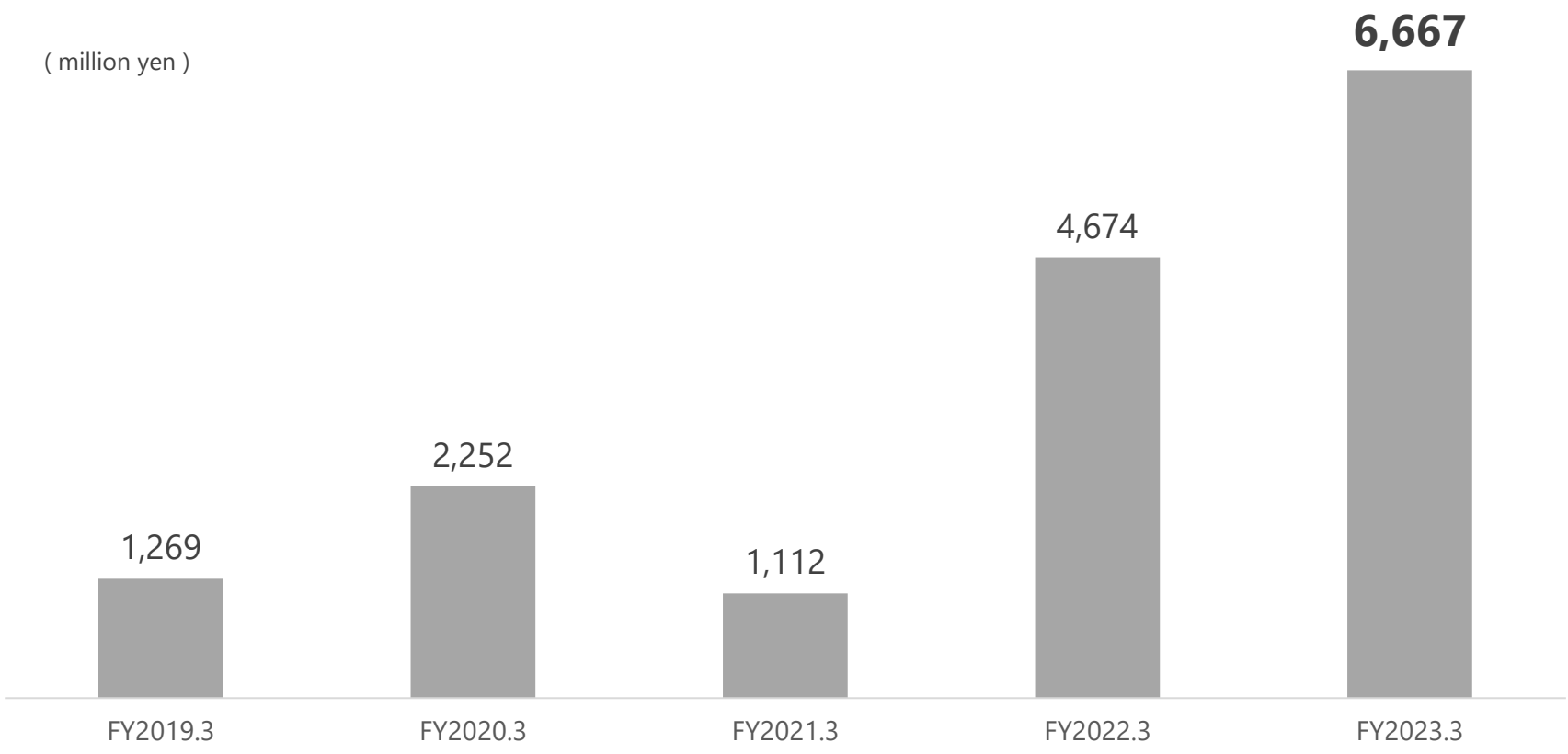
Personnel Costs

The number of employees increased as a result of continuing aggressive recruiting activities.



Advertising Costs

We increased advertising costs mainly for TV ads of Raku Raku Seisan and Raku Raku Meisai based on the lead acquisitions.



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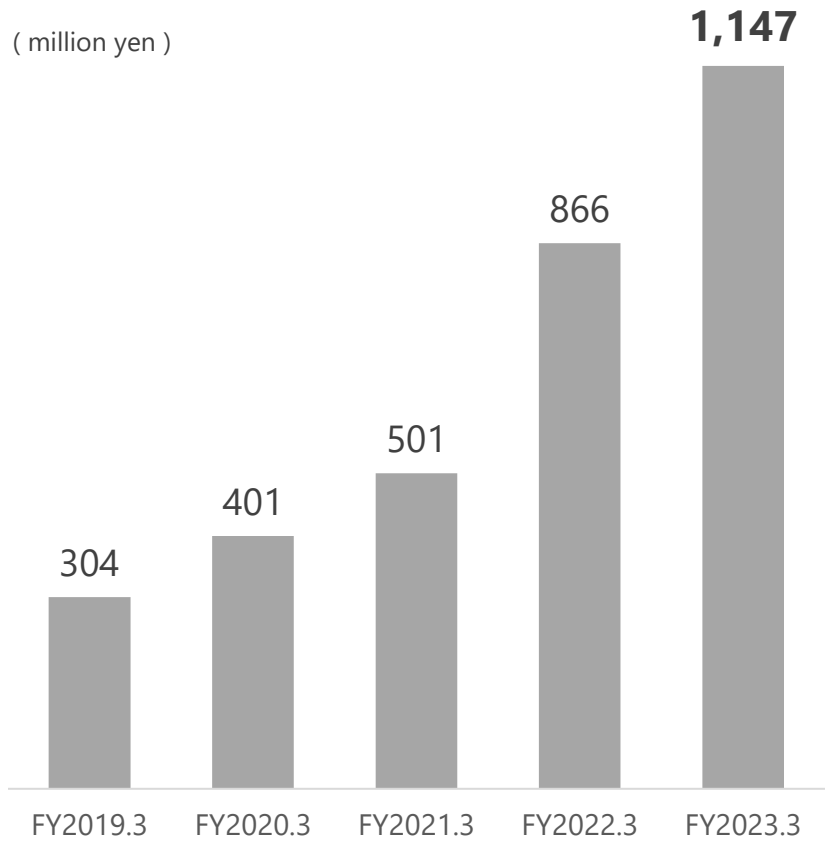
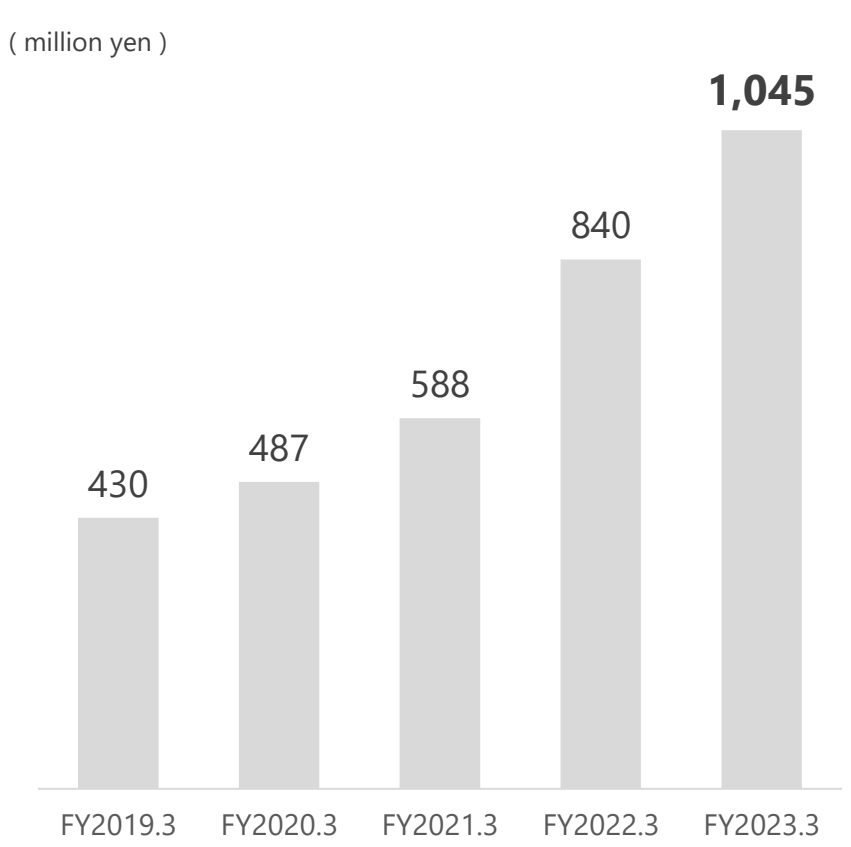
Office Rent and Outsourcing Costs

Office rent increased due to office expansion to accommodate the personnel increase and outsourcing costs increased due to the business expansion.

Office Rent



Outsourcing Costs



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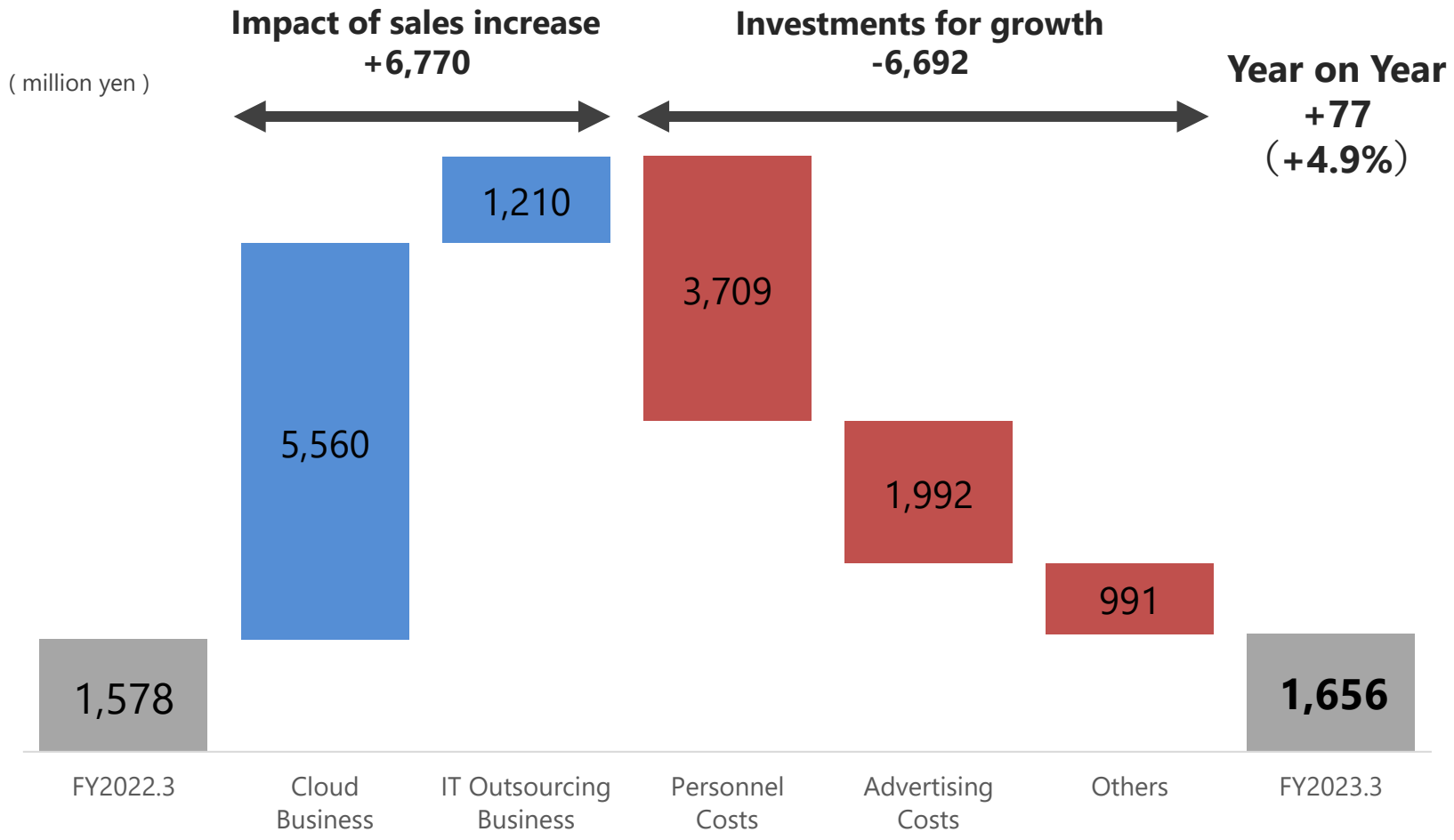
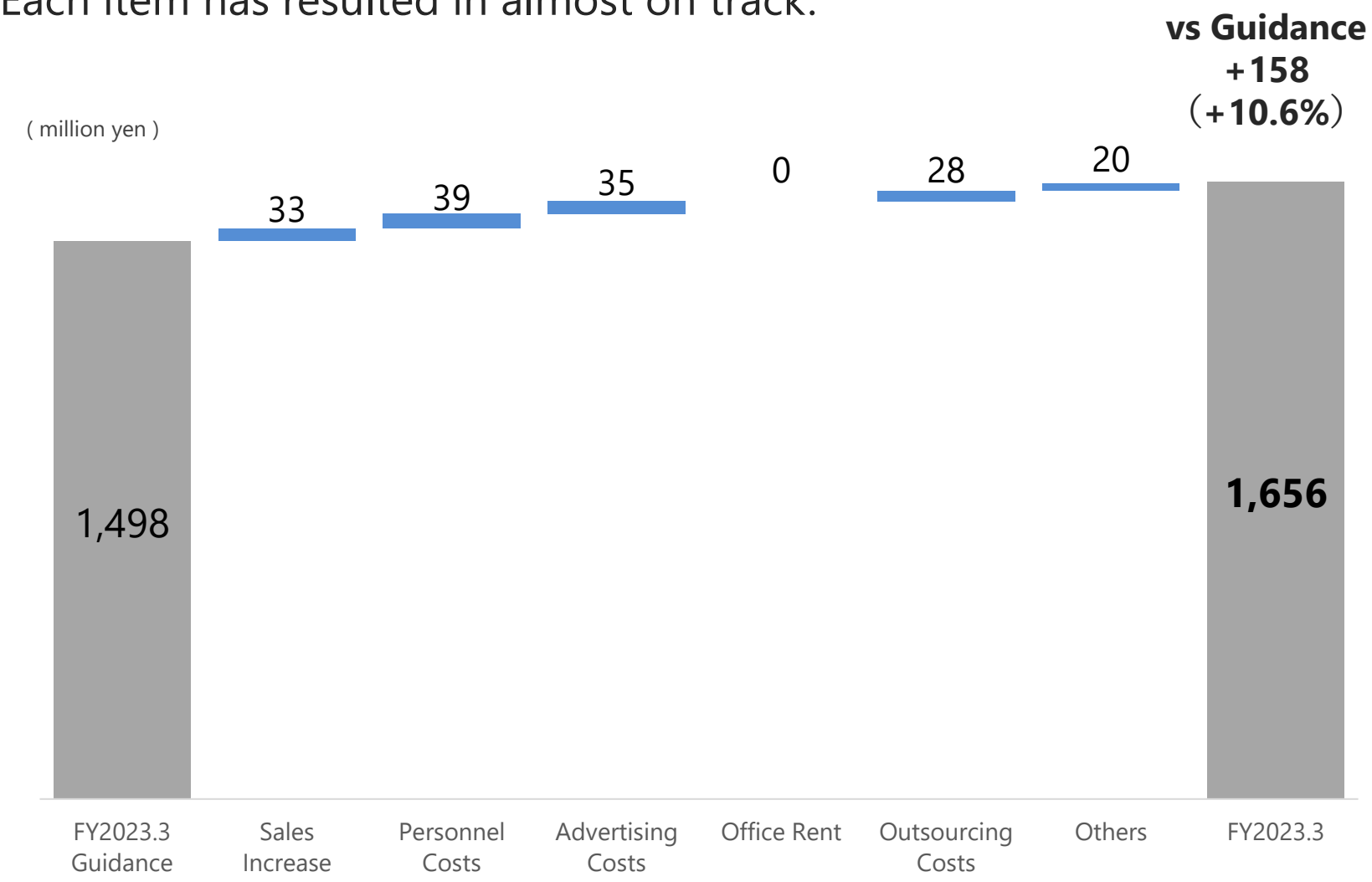
Factors for Changes in Consolidated Operating Profit (Year on Year)

We continued aggressive investments for growth while considering the productivity and efficiency.



Factors for Changes in Consolidated Operating Profit (Against Guidance)

Each item has resulted in almost on track.



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Consolidated Balance Sheet

(million yen)

	End of March 2022	End of March 2023	Difference
Current assets	8,419	10,479	+2,059
Non-current assets	3,281	3,594	+313
Total assets	**11,700**	**14,073**	**+2,372**
Current liabilities	2,977	4,347	+1,369
Non-current liabilities	106	178	+72
Total liabilities	**3,083**	**4,525**	**+1,442**
Shareholders' equity	8,604	9,534	+930
Accumulated other comprehensive income	13	13	+0
Total equity	**8,617**	**9,548**	**+930**
Total liabilities and equities	**11,700**	**14,073**	**+2,372**
Equity ratio	**73.6%**	**67.8%**	

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Cash Flow Statement

(million yen)

	FY2022.3	FY2023.3	Difference
Cash flow from operating activities	**-11**	**2,170**	**2,181**
Cash flow from investing activities	**-877**	**-699**	**178**
Free cash flow	**-889**	**1,471**	**2,360**
Cash flow from financing activities	**-295**	**-348**	**-53**
Cash and cash equivalent at the end of the fiscal year	**4,861**	**5,990**	**1,128**
Depreciation	**399** *1	**422** *2	**23**
Amortization of goodwill	**163**	**163**	**-0**

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

*2 422 million yen of depreciation includes 61 million yen of amortization of customers' assets acquired through M&A.

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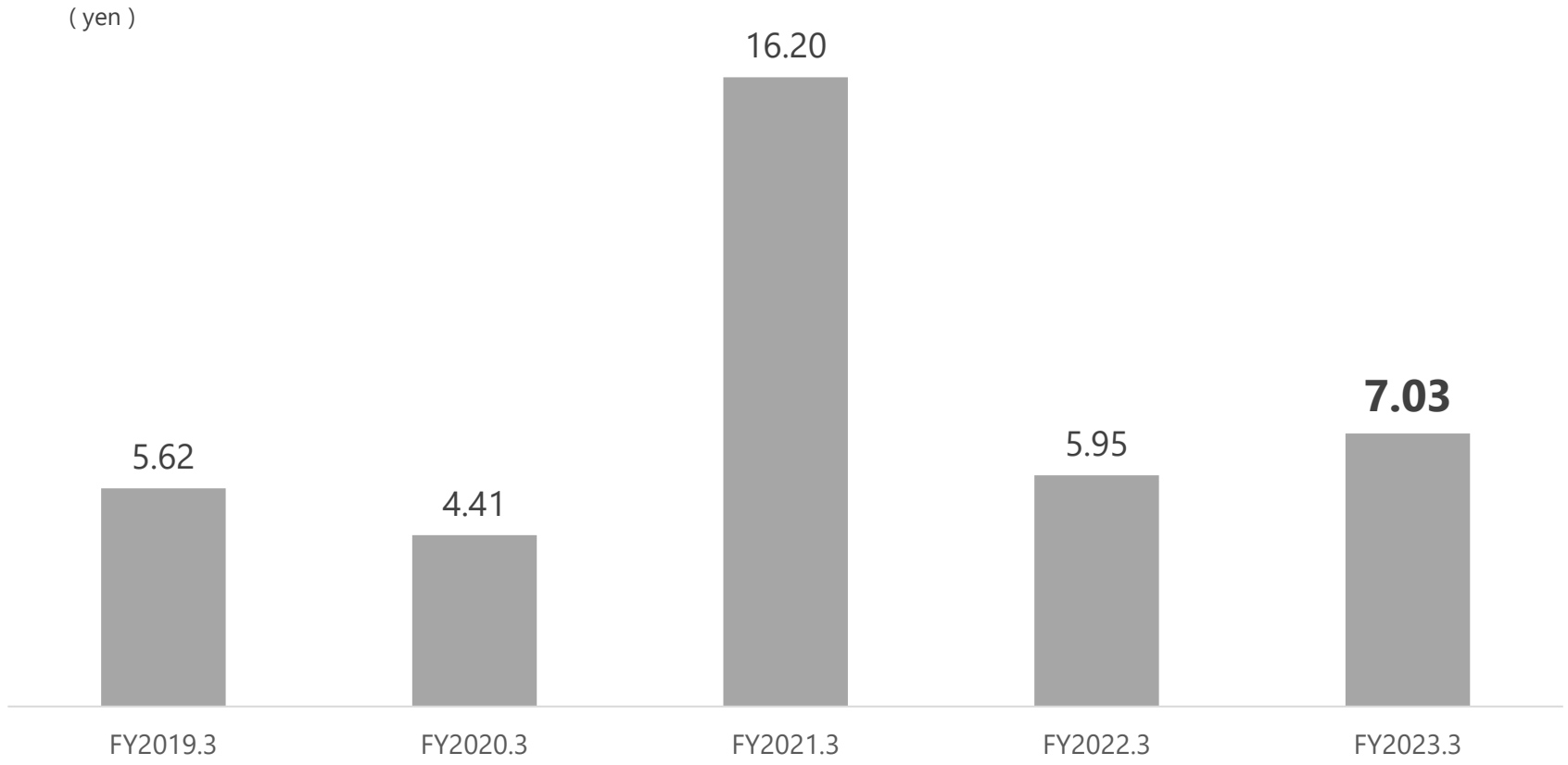
【KPI】EPS

We are aiming for sustained EPS growth while continuing aggressive investments.

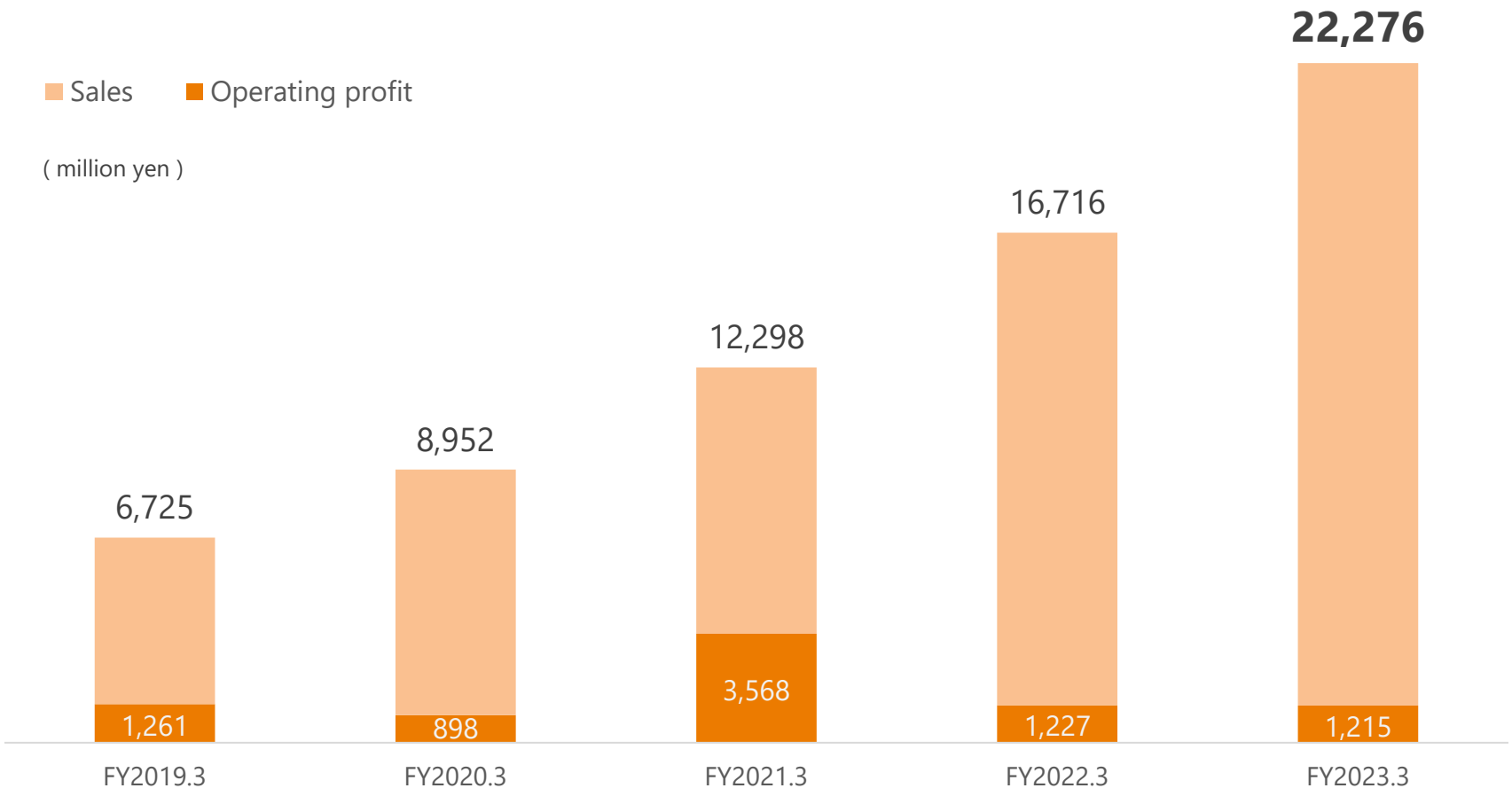


* Figures are after share split adjustment.

Cloud Business

Performance of the Cloud Business

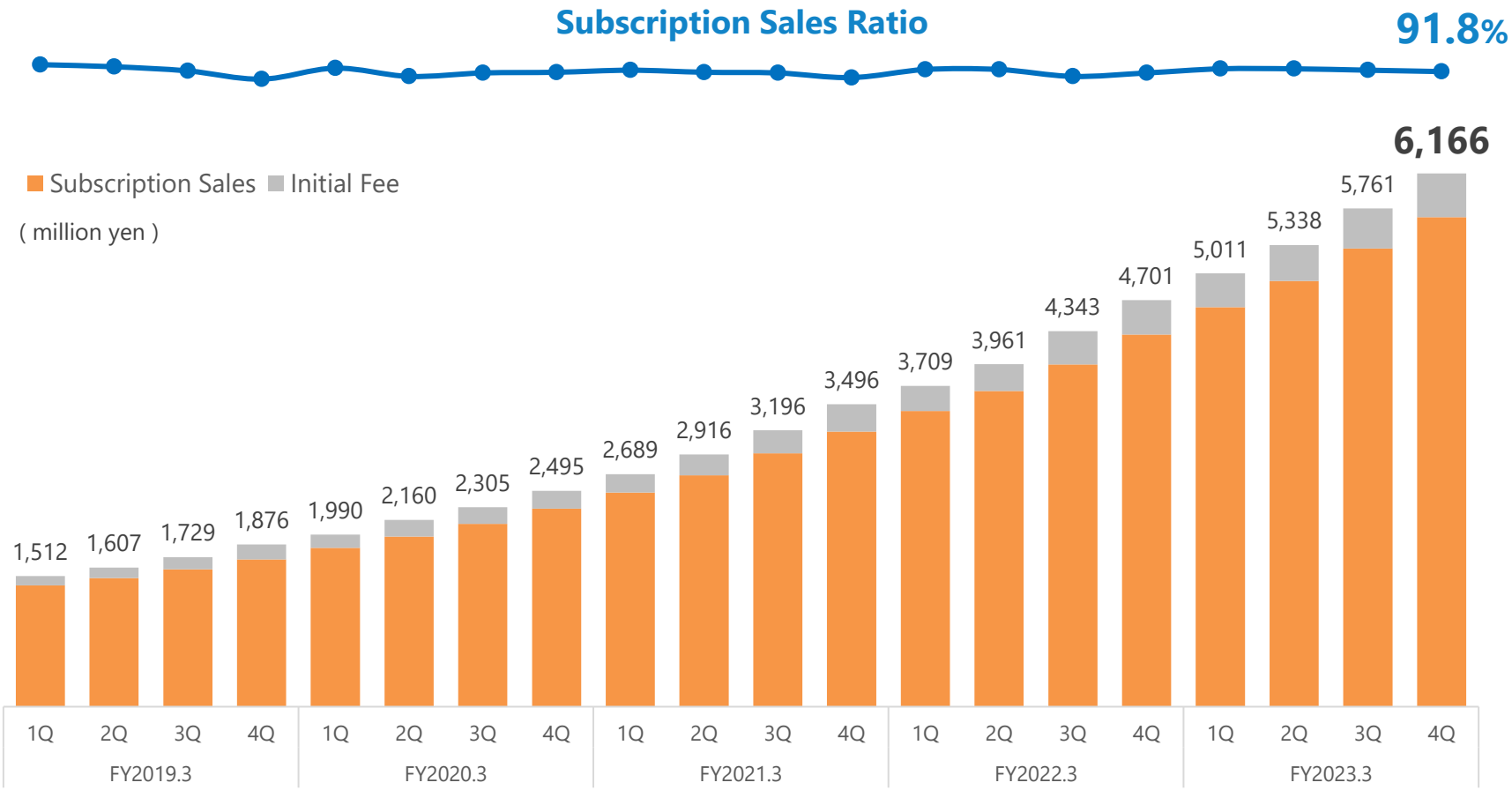
Sales performed strongly due to a steady increase in new orders for our main services.
We continued aggressive investments for growth.



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

Subscription Sales of the Cloud Business

The number of contracted clients increased steadily, mostly for our main services.
Solid growth in subscription sales led to ARR* exceeding 23 billion yen as of March.



*ARR (Annual Recurring Revenue) ＝March 2023 Cloud Business Monthly Recurring Revenue ×12
Reference：Notice Regarding Monthly Sales in FY2023 (Mar.)

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Sales of the Cloud Business by Service (Quarter/Year)

A high level of growth was maintained centered on our main services, Raku Raku Series. The annual sales for Raku Raku Seisan exceeded 10 billion yen.

(million yen)

	FY2023.3 Q4 (Jan.-Mar.)	YoY	FY2023.3	YoY
Raku Raku Seisan	**2,859**	**+30.5%**	**10,343**	**+35.1%**
Raku Raku Meisai	**1,120**	**+65.3%**	**3,735**	**+65.3%**
Raku Raku Hambai	**743**	**+38.4%**	**2,626**	**+40.7%**
E-mail distribution services	**701**	**+12.8%**	**2,672**	**+12.9%**
Mail Dealer	**626**	**+10.4%**	**2,430**	**+11.5%**
Others	**113**	**+9.0%**	**468**	**+22.1%**
Total of the Cloud Business	**6,166**	**+31.1%**	**22,276**	**+33.3%**

* 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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Sales of the Cloud Business by Service

(million yen)

		FY2019.3	FY2020.3	FY2021.3	FY2022.3	FY2023.3
Raku Raku Seisan	Sales	2,579	3,935	5,559	7,658	10,343
	YoY	+61.1%	+52.6%	+41.3%	+37.7%	+35.1%
Raku Raku Meisai	Sales	326	552	1,177	2,260	3,735
	YoY	+118.4%	+68.8%	+113.3%	+92.0%	+65.3%
Raku Raku Hambai	Sales	598	869	1,281	1,867	2,626
	YoY	+34.4%	+45.3%	+47.5%	+45.7%	+40.7%
E-mail distribution services	Sales	1,410	1,573	1,963	2,367	2,672
	YoY	+50.2%	+11.6%	+24.8%	+20.6%	+12.9%
Mail Dealer	Sales	1,538	1,732	1,979	2,178	2,430
	YoY	+14.9%	+12.7%	+14.2%	+10.1%	+11.5%
Others	Sales	273	291	336	384	468
	YoY	-0.4%	+6.8%	+15.2%	+14.3%	+22.1%
Total of the Cloud Business	Sales	6,725	8,952	12,298	16,716	22,276
	YoY	+41.7%	+33.1%	+37.4%	+35.9%	+33.3%

* 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 newly introduced companies increased steadily due to the strong performance of our sales activities.

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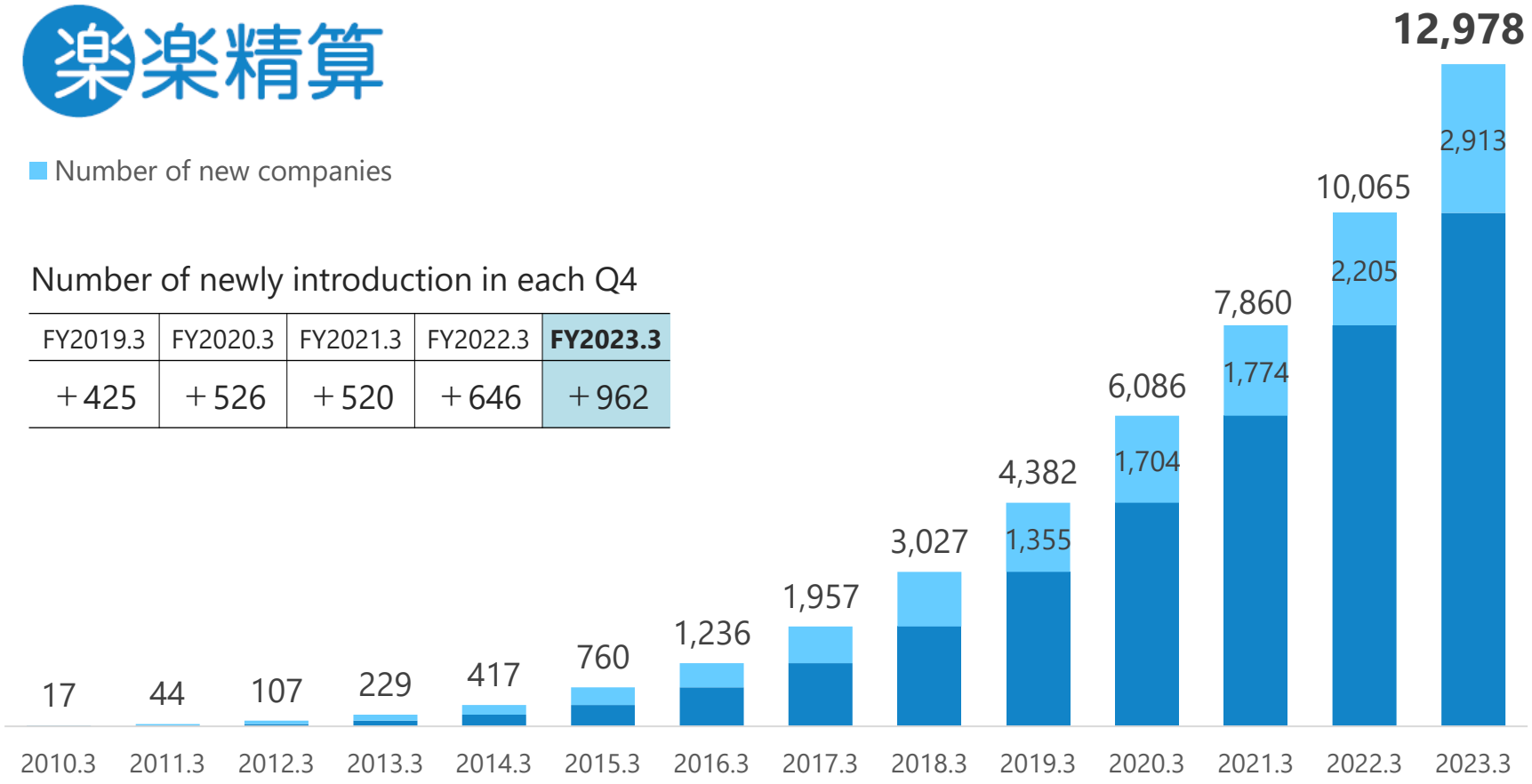
Number of new companies

Number of newly introduction in each Q4

FY2019.3	FY2020.3	FY2021.3	FY2022.3	**FY2023.3**
＋425	＋526	＋520	＋646	＋962



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Cumulative Number of Companies Using Raku Raku Meisai

Organization structure of Raku Raku Meisai has been normalized and the number of newly introduced companies increased in a stable upward trend.

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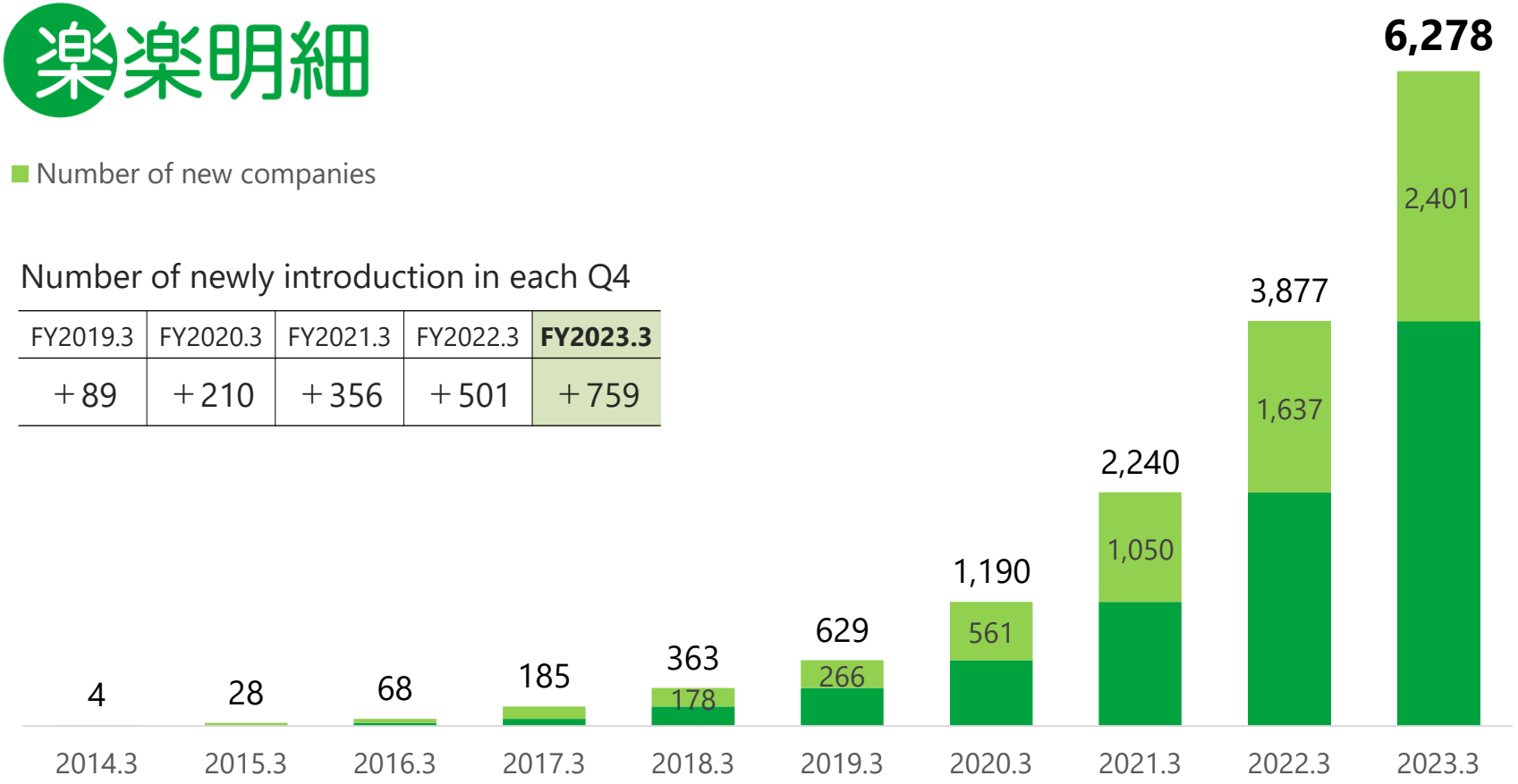
Number of new companies

Number of newly introduction in each Q4

FY2019.3	FY2020.3	FY2021.3	FY2022.3	**FY2023.3**
＋89	＋210	＋356	＋501	＋759



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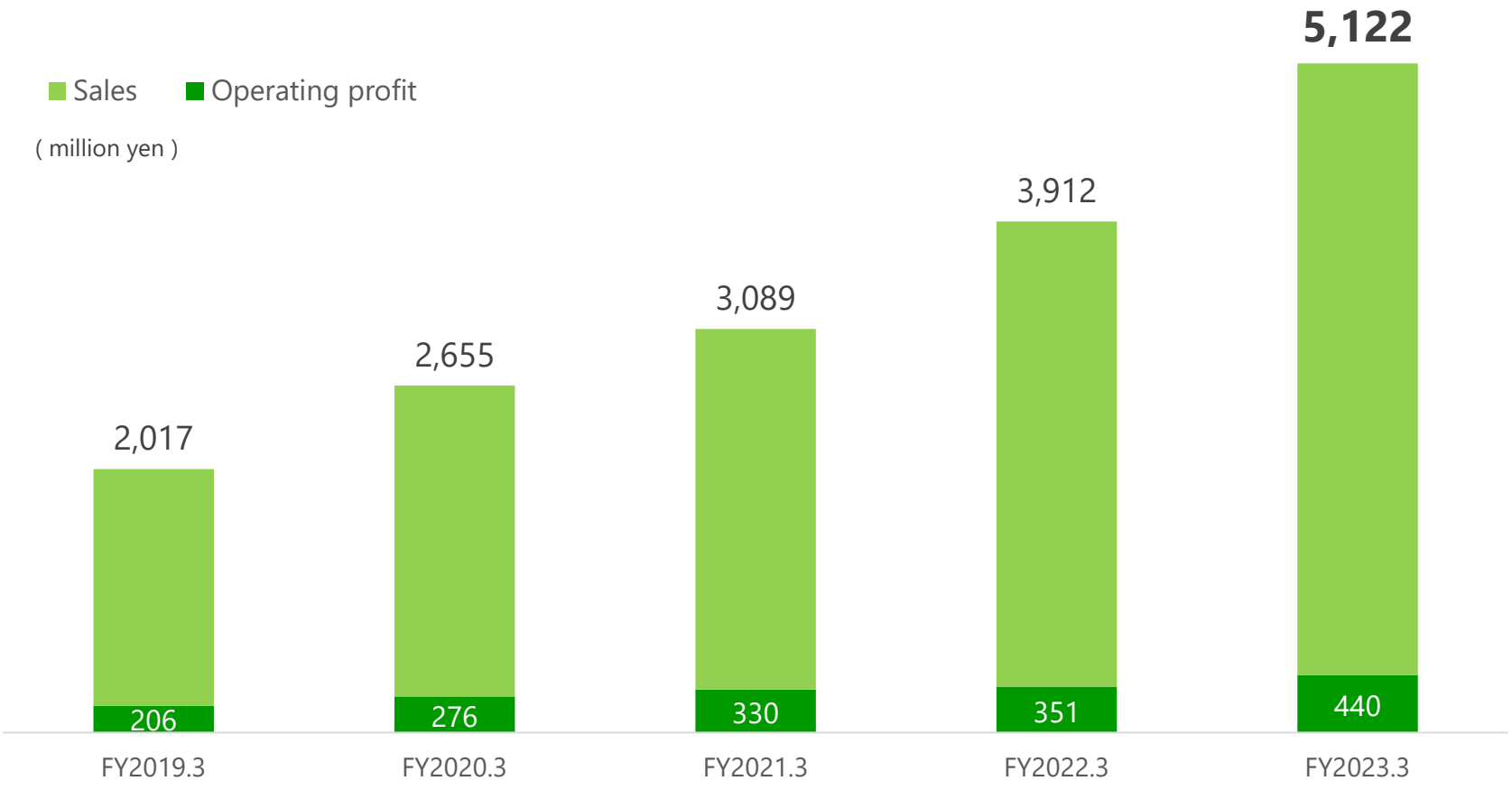
IT Outsourcing Business

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.

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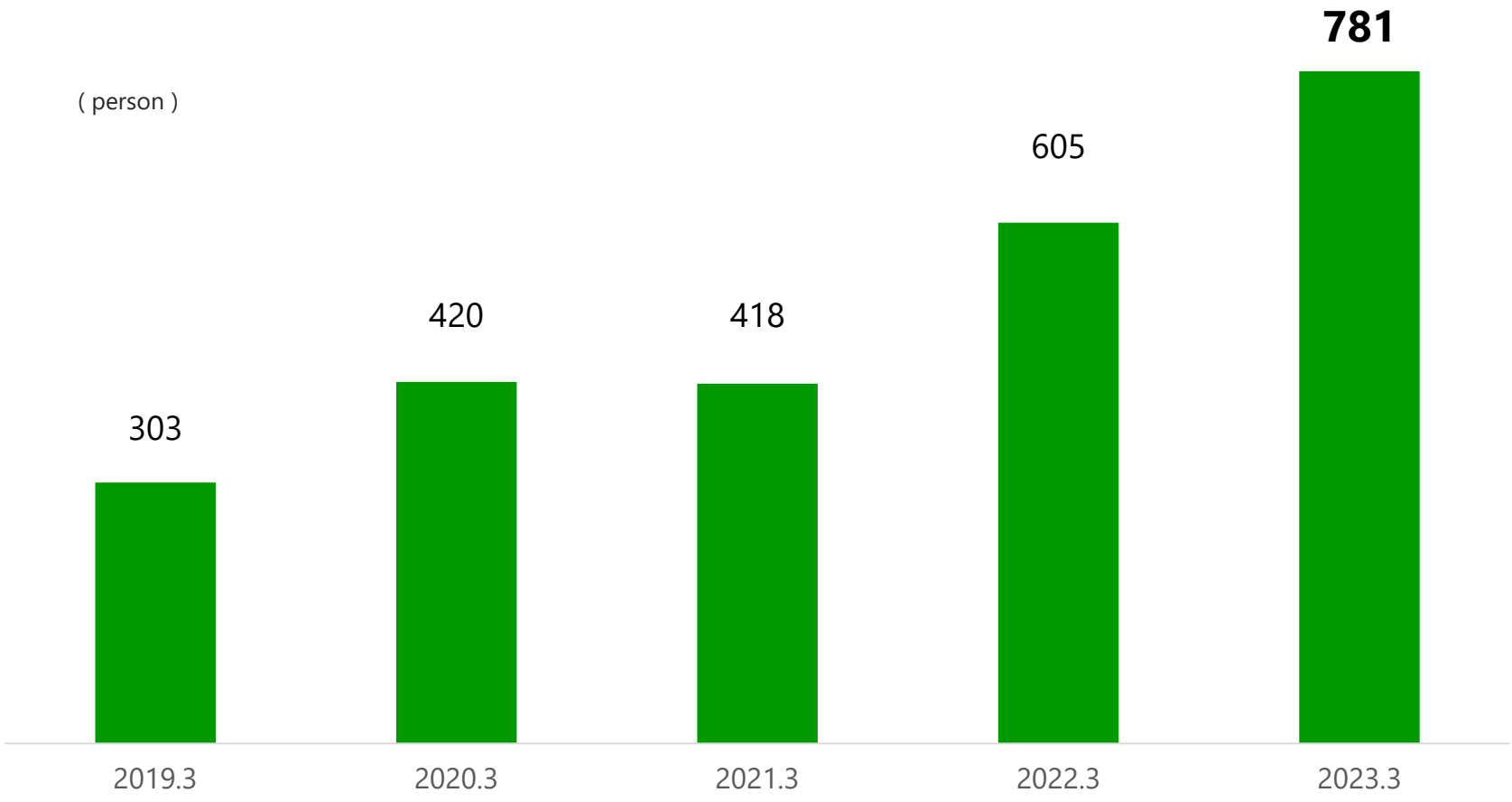
Number of Engineers for the IT Outsourcing Business

The number of engineers increased significantly due to aggressive recruiting activities in anticipation of future business growth.



* These figures include apprentice engineers.

Guidance for H1 of the fiscal year ending March 2024

Medium-Term Management Targets (FY2022-FY2026)

1 **Five-Year sales CAGR 27% - 30%**

Based on the past results, we revise the lower limit to 27%

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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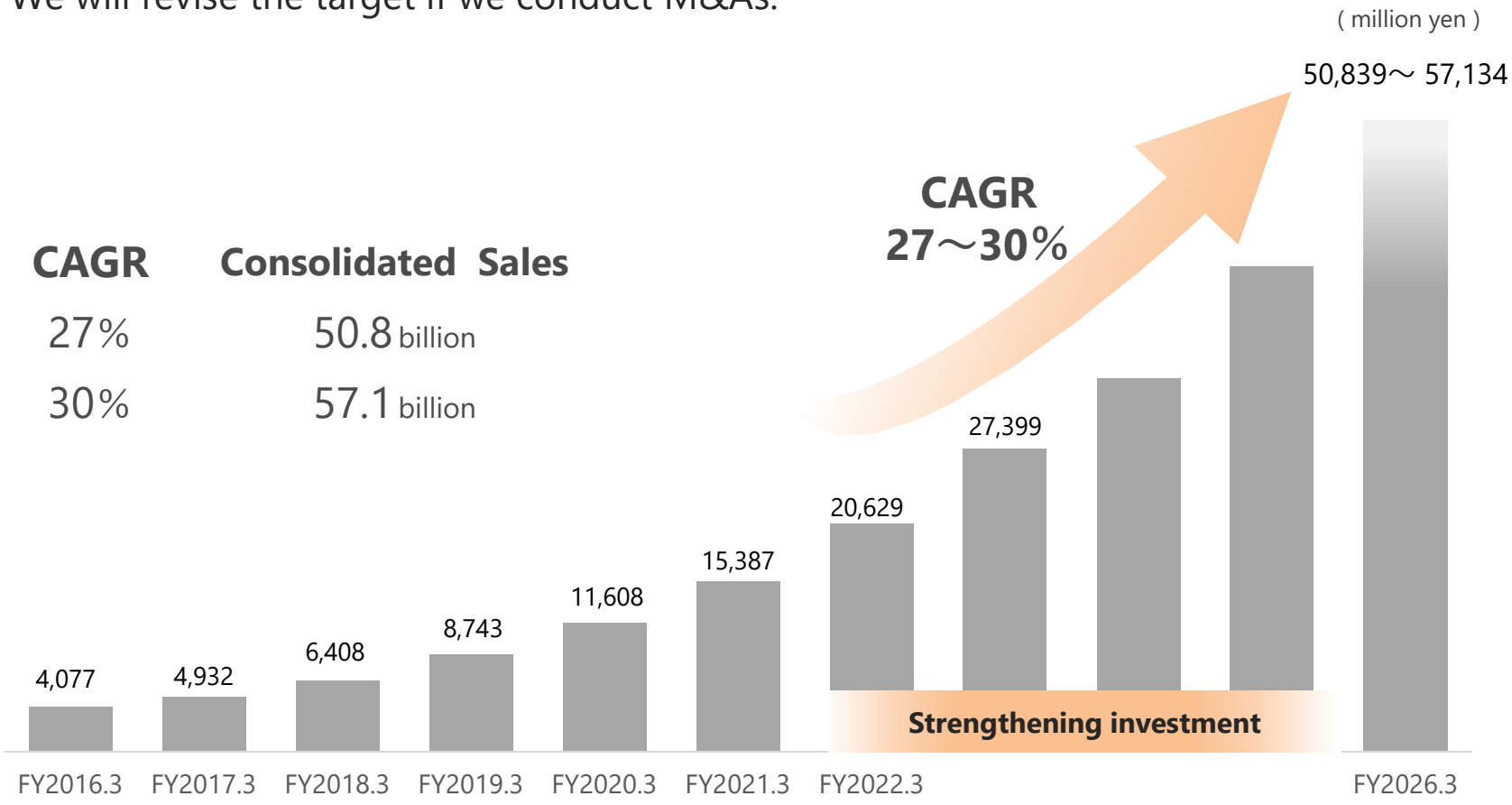
Five-Year Sales and Profit Targets

Our target is to achieve 27-30% 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 conduct M&As.



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Guidance for H1 of FY2024.3

Both sales and profit are planned to increase by continuing investments with a focus on improving the productivity and efficiency of managerial resources.

	FY2023.3 H1 (Actual)	FY2024.3 H1 (Guidance)	YoY (Amount)	YoY (%)
Net Sales	**12,736**	**16,808**	**+4,071**	**+32.0%**
Cost of sales	4,060	5,127	+1,066	+26.3%
Gross profit	8,676	11,681	+3,004	+34.6%
GP margin	68.1%	69.5%		
SG&A	7,998	10,691	+2,692	+33.7%
Operating profit	**677**	**989**	**+311**	**+45.9%**
OP margin	5.3%	5.9%		
Ordinary profit	**697**	**1,000**	**+302**	**+43.4%**
Ordinary profit margin	5.5%	6.0%		
EBITDA	**981**	**1,302**	**+320**	**+32.6%**
EBITDA margin	7.7%	7.7%		
Income tax	253	361		
Tax rate	37.5%	36.5%		
Profit attributable to owners of parent	**423**	**627**	**+203**	**+48.2%**

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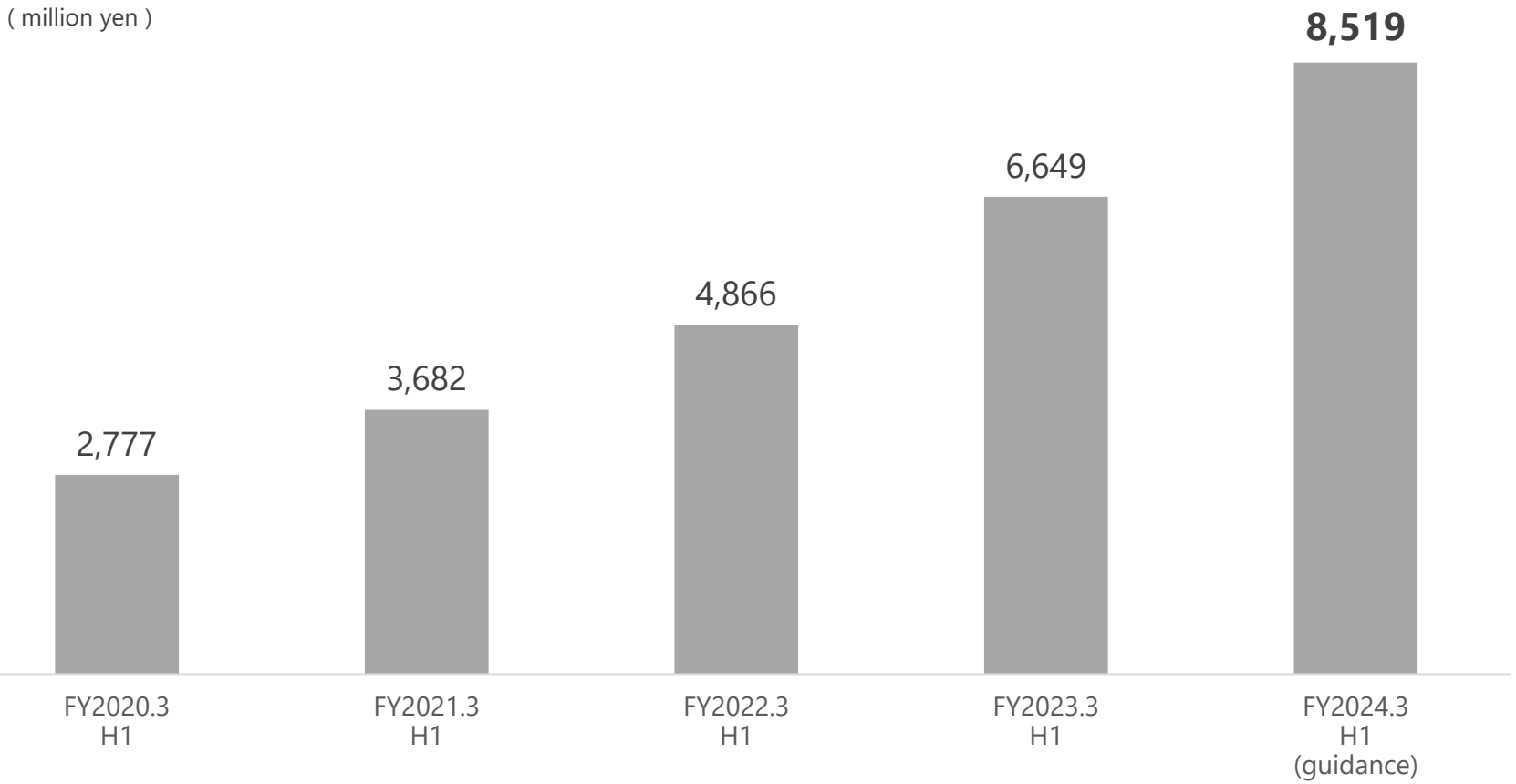
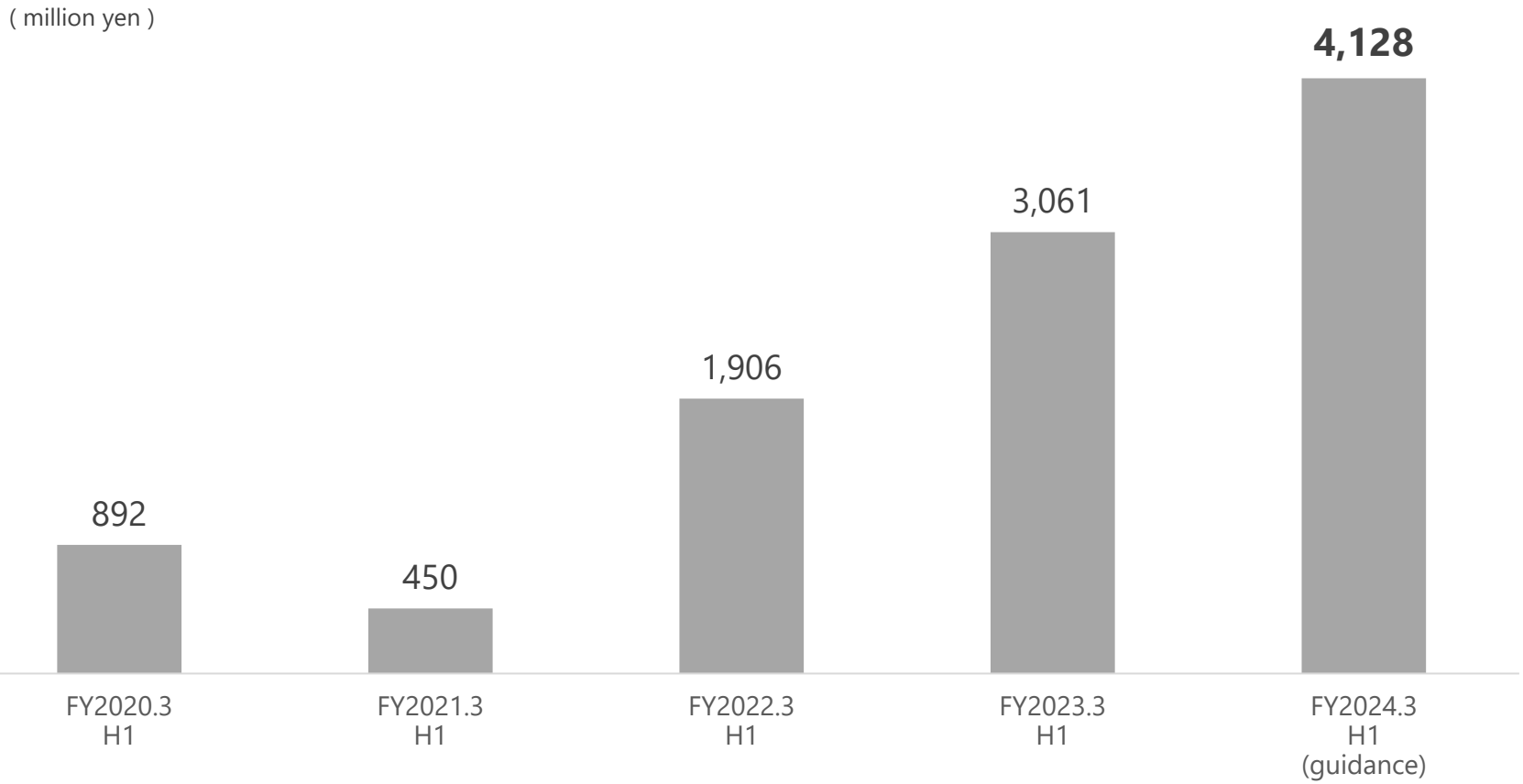
Personnel Costs Guidance

We will continue recruiting activities for the organizational expansion while realizing the organizational productivity improvements.



Advertising Costs Guidance

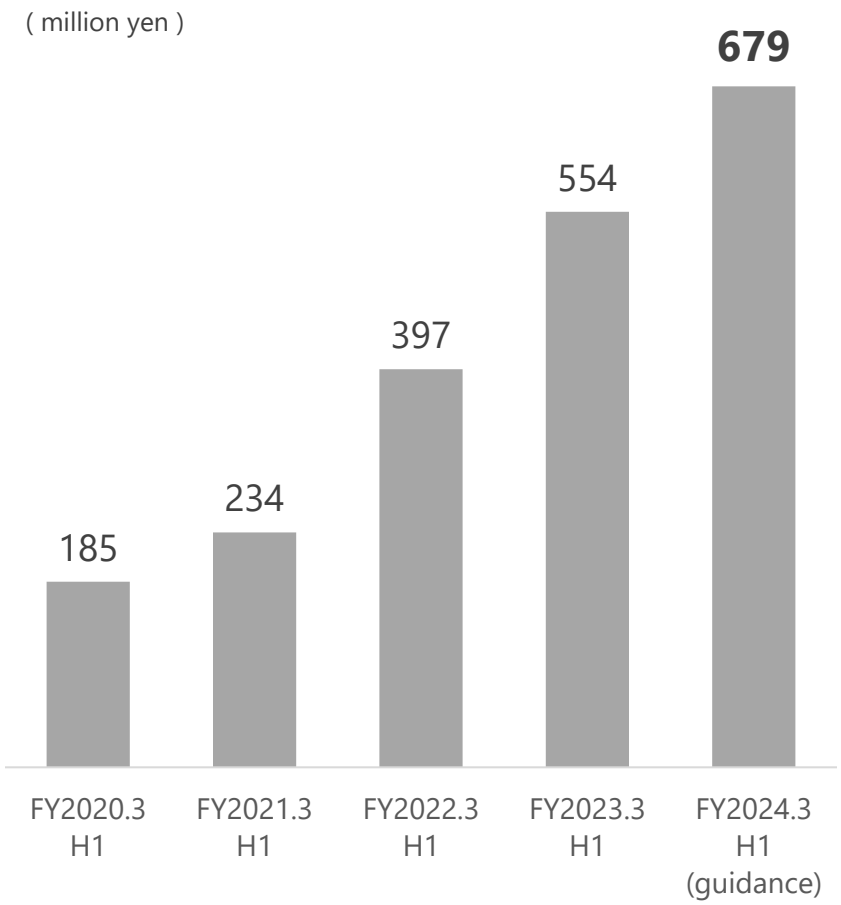
We will continue investments for growth, focusing on Raku Raku Seisan and Raku Raku Meisai, while assessing the investment effectiveness.



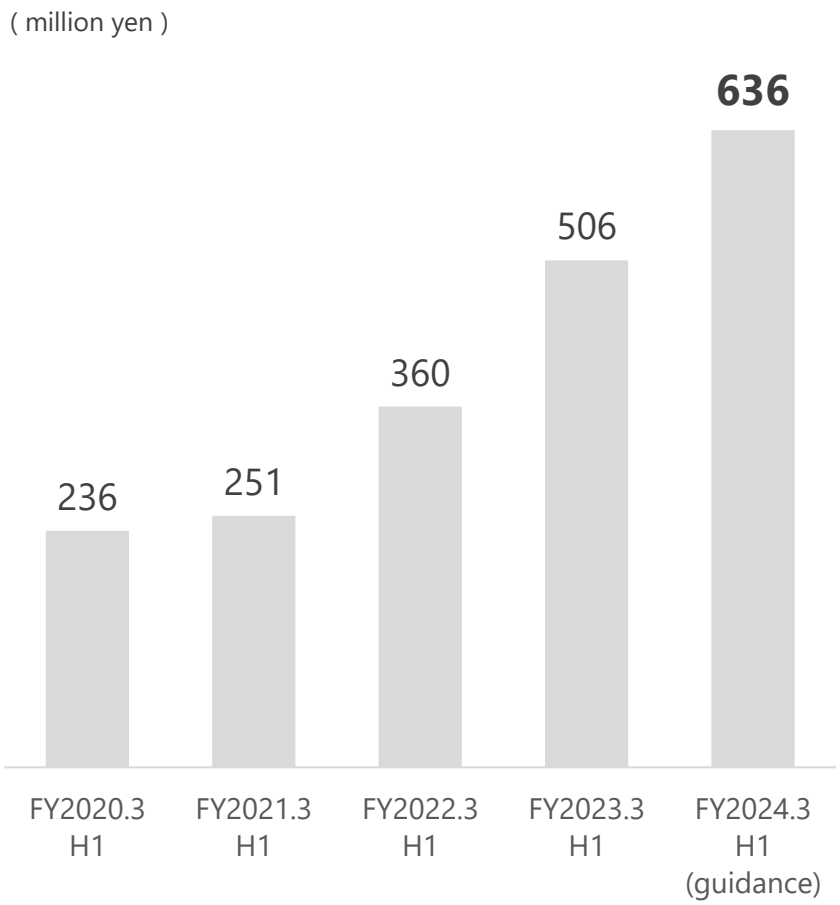
Office Rent and Outsourcing Costs Guidance

Both office rent and outsourcing costs will increase due to the business expansion.

Office Rent



Outsourcing Costs



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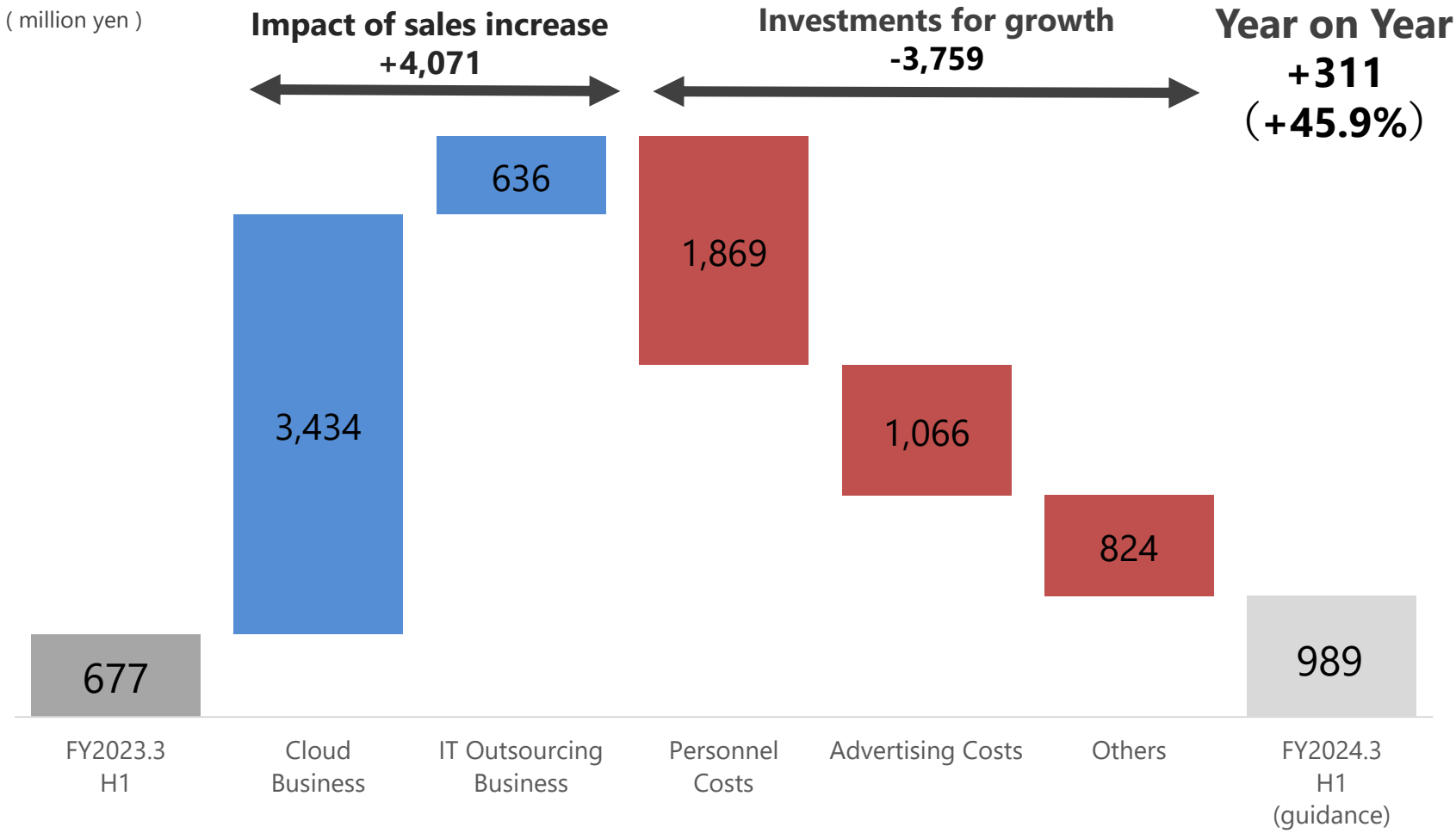
Factors for Changes in Consolidated Operating Profits

Profit is planned to increase due to the sales increase exceeding the scale of aggressive investments for growth.

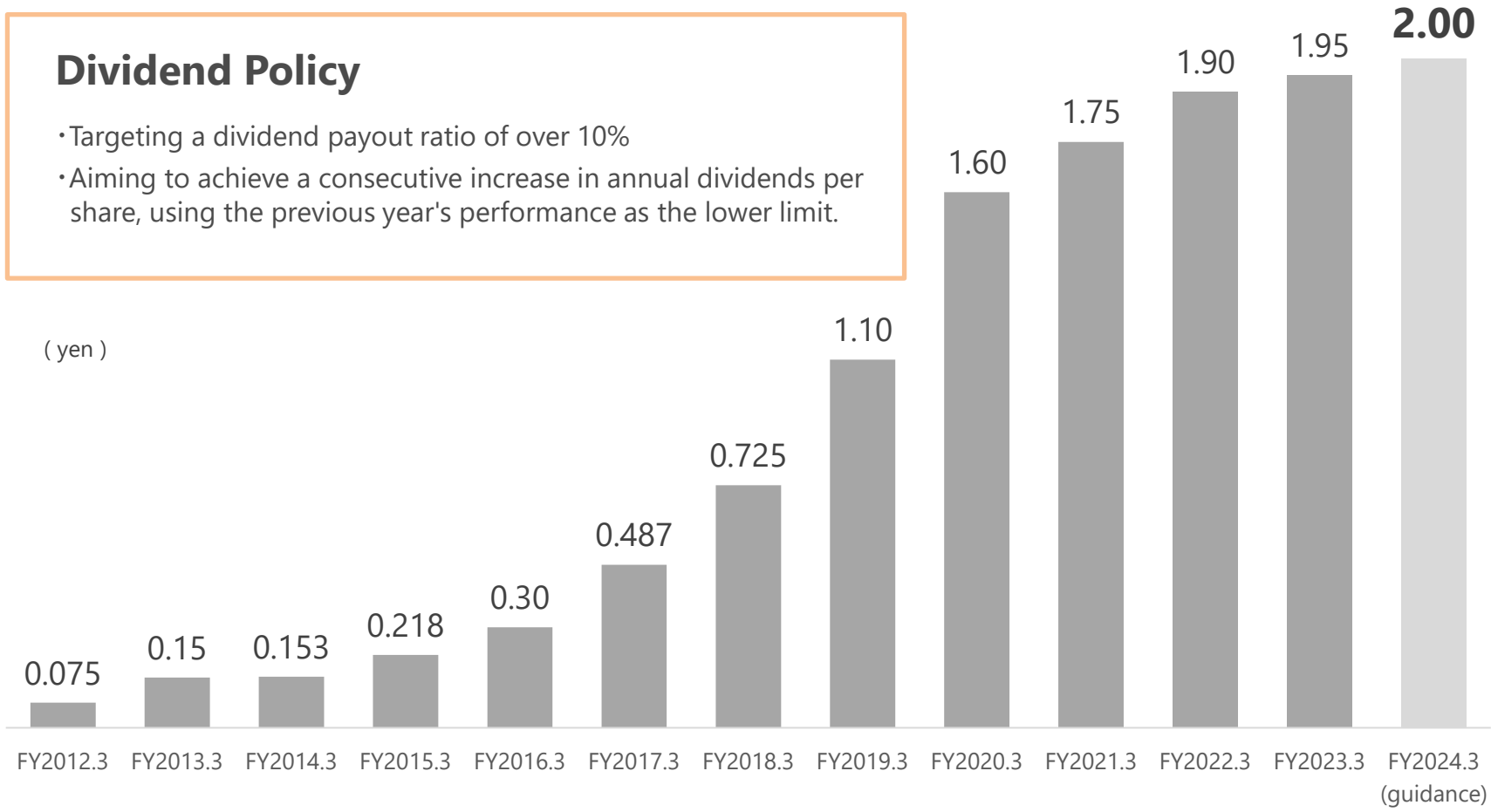


【KPI】Dividend

We are planning to increase dividends for the 12th year in a row, in line with the Company's policy of increasing dividends every fiscal year.

Dividend Policy

- Targeting a dividend payout ratio of over 10%
- Aiming to achieve a consecutive increase in annual dividends per share, using the previous year's performance as the lower limit.



* Figures are after share split adjustment.

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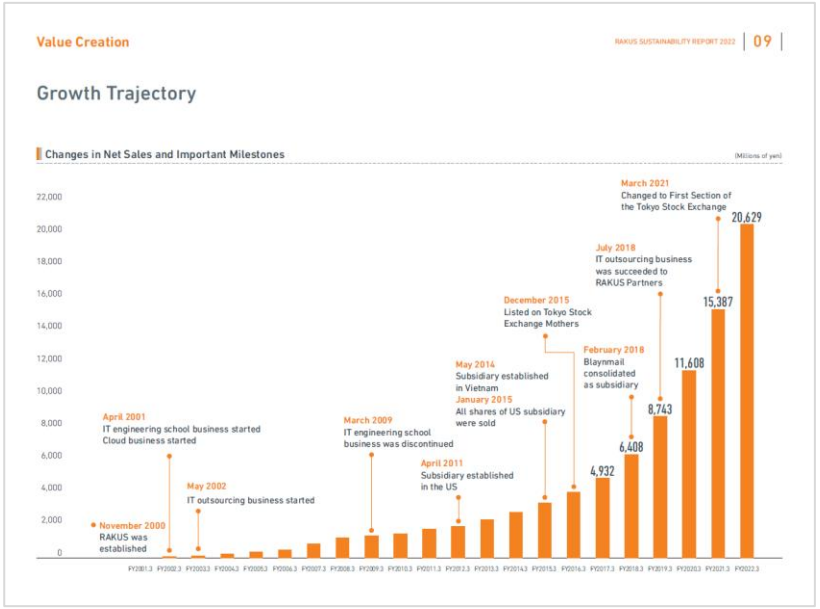
Appendix

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/

LTV of the Cloud Business by Service

(yen)

	FY2019.3	FY2020.3	FY2021.3	FY2022.3	FY2023.3
Raku Raku Seisan	**10,800,546**	**14,278,231**	**15,449,125**	**17,354,319**	**20,931,651**
Raku Raku Meisai	**13,016,008**	**9,016,996**	**20,303,924**	**15,402,526**	**23,408,991**
Raku Raku Hambai	**8,330,738**	**8,120,258**	**8,759,510**	**8,833,376**	**10,463,032**
E-mail distribution services	**1,077,168**	**1,229,511**	**1,521,779**	**1,887,750**	**2,318,227**
Mail Dealer	**4,534,086**	**3,992,650**	**4,281,398**	**4,506,168**	**4,986,751**

* 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

	FY2019.3	FY2020.3	FY2021.3	FY2022.3	FY2023.3
Raku Raku Seisan	**5.7%**	**4.9%**	**5.2%**	**5.0%**	**4.3%**
Raku Raku Meisai	**2.8%**	**3.9%**	**2.2%**	**3.2%**	**2.5%**
Raku Raku Hambai	**9.0%**	**10.2%**	**10.0%**	**10.1%**	**9.4%**
Hai Hai Mail	**20.3%**	**19.4%**	**17.8%**	**15.5%**	**14.1%**
Mail Dealer	**10.0%**	**11.7%**	**11.0%**	**10.8%**	**10.2%**

* Figures are contract number-based annual churn rate.
* The figure for Raku Raku Hambai includes Rakutel.
* 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)

	2019.3	2020.3	2021.3	2022.3	2023.3
Raku Raku Seisan	**67,319**	**71,222**	**78,655**	**85,530**	**88,818**
Raku Raku Meisai	**56,166**	**54,142**	**64,923**	**65,092**	**67,644**
Raku Raku Hambai	**77,663**	**86,164**	**95,865**	**103,343**	**110,141**
Hai Hai Mail	**20,234**	**22,053**	**25,295**	**28,175**	**33,511**
Mail Dealer	**43,447**	**46,085**	**46,819**	**47,893**	**50,497**

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

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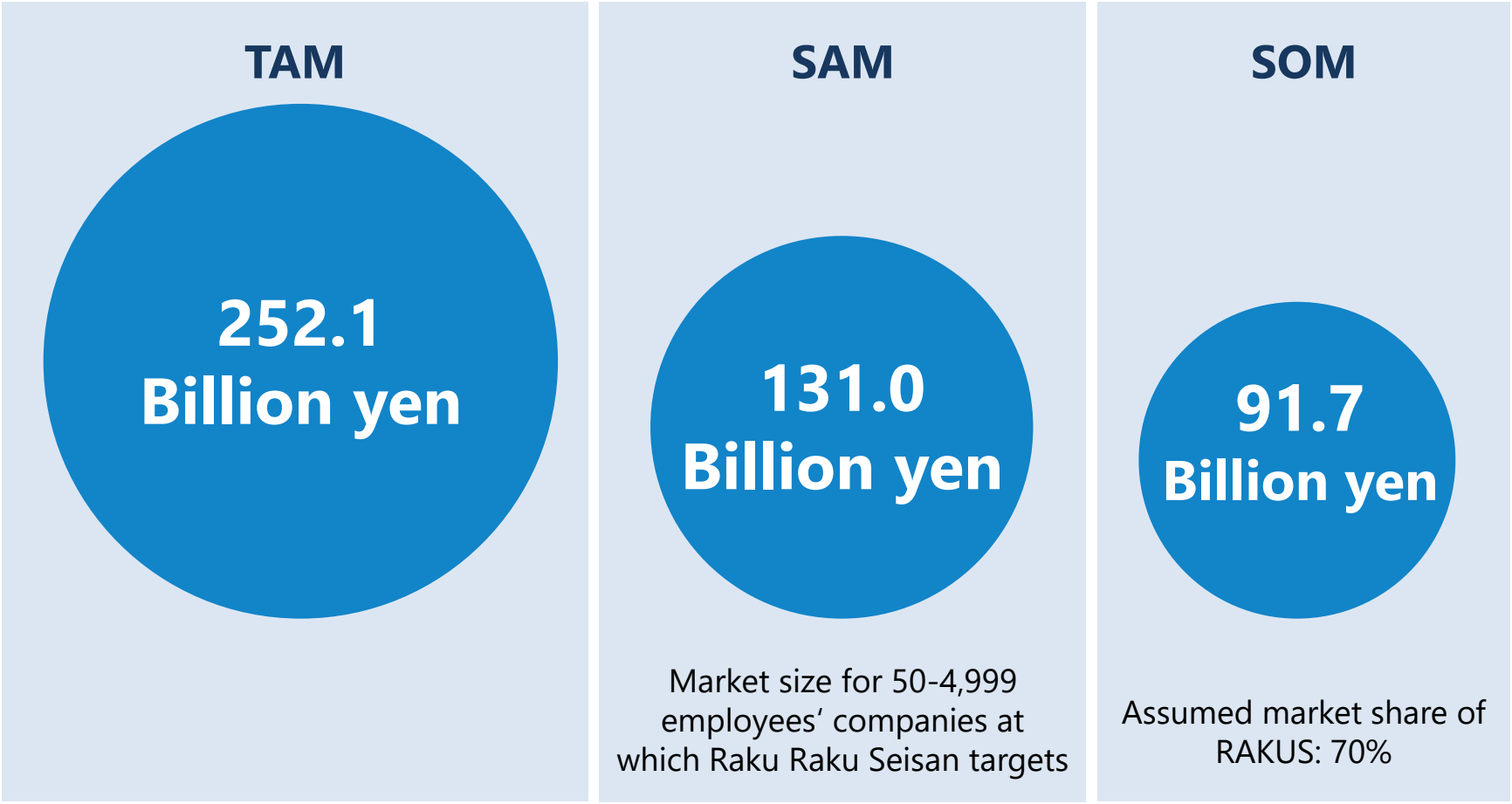
[Raku Raku Seisan] Market Size for Expense Settlement System



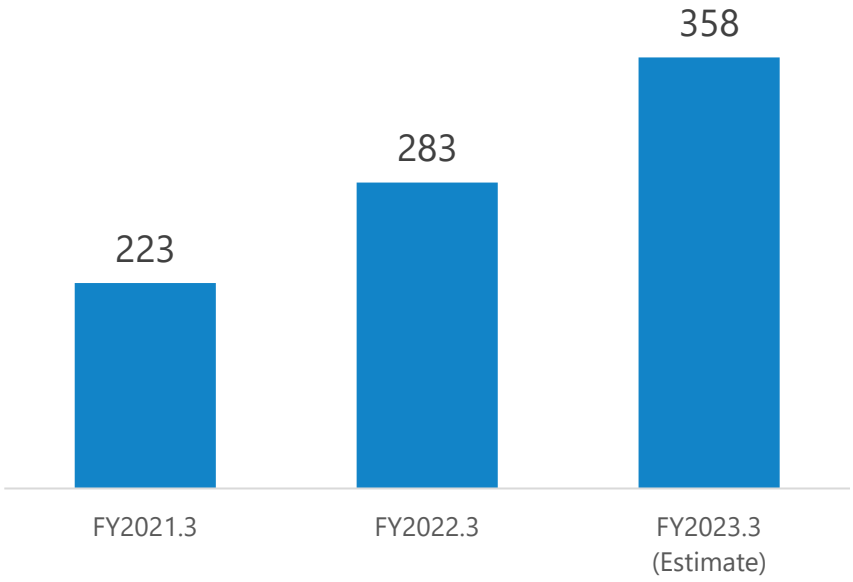
The addressable market and our target assumptions are estimates based on the following external statistics and published materials as well as the unit prices of our services. Therefore, there is a possibility that these can be different from the actual market size.

Source: 2016 Economic Census for Business Activity

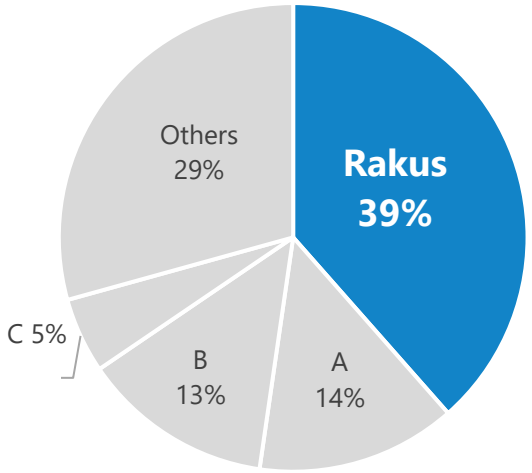
The Market for Cloud-based Expense Settlement Systems

Market Size

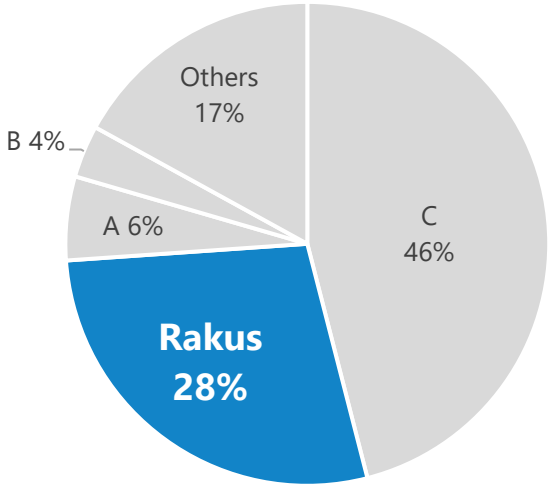
(billion yen)



Market shares based on Introduced Numbers

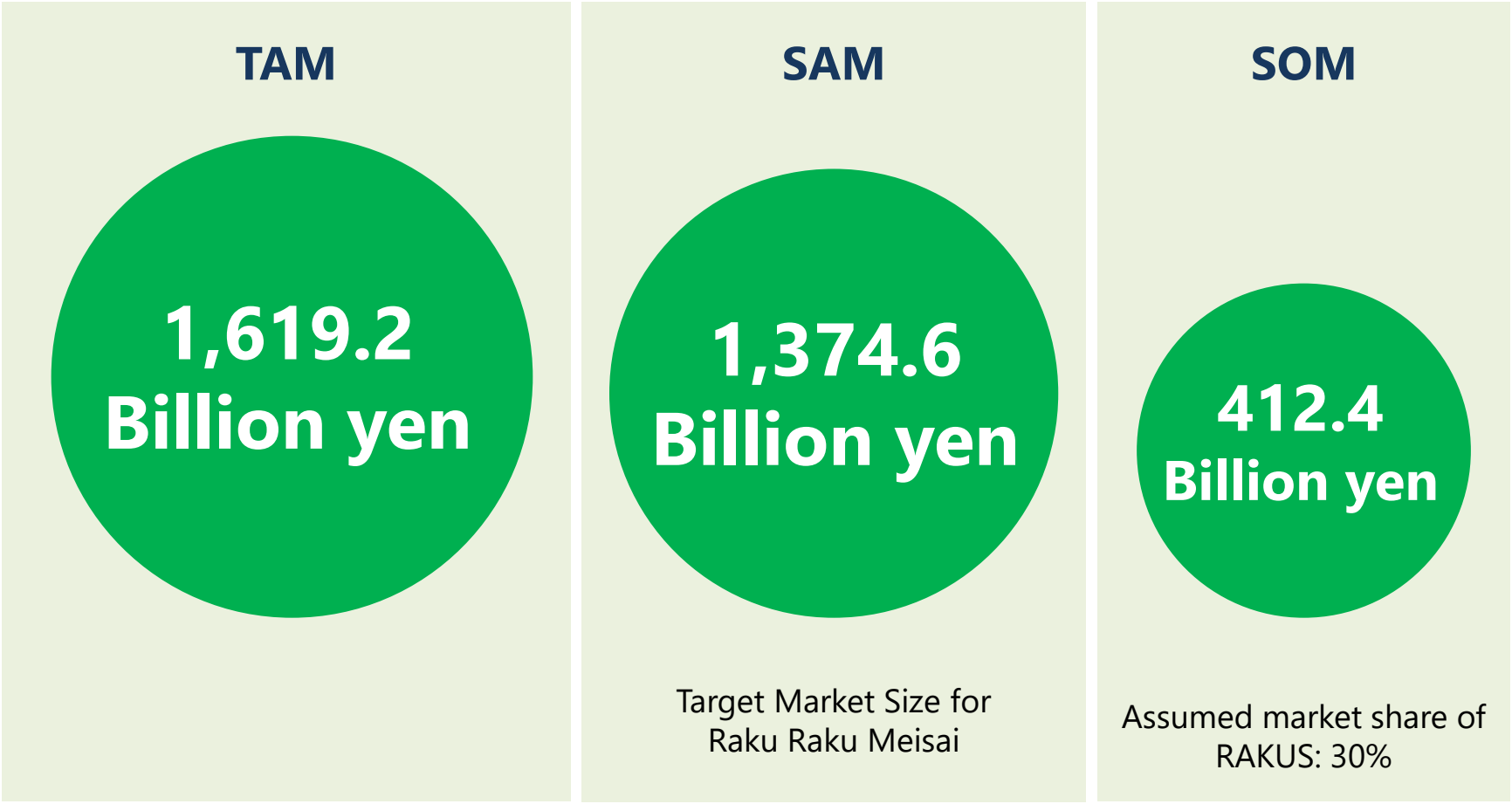


Market shares based on Sales



Source：Deloitte Tohmatsu MIC Research Institute Co., Ltd. which is written only in Japanese
「クラウド型経費精算システム市場の実態と展望」（ミックITリポート2022年9月号：https://mic-r.co.jp/micit/）
*Introduced numbers and Sales are for the estimated FY2023.3

[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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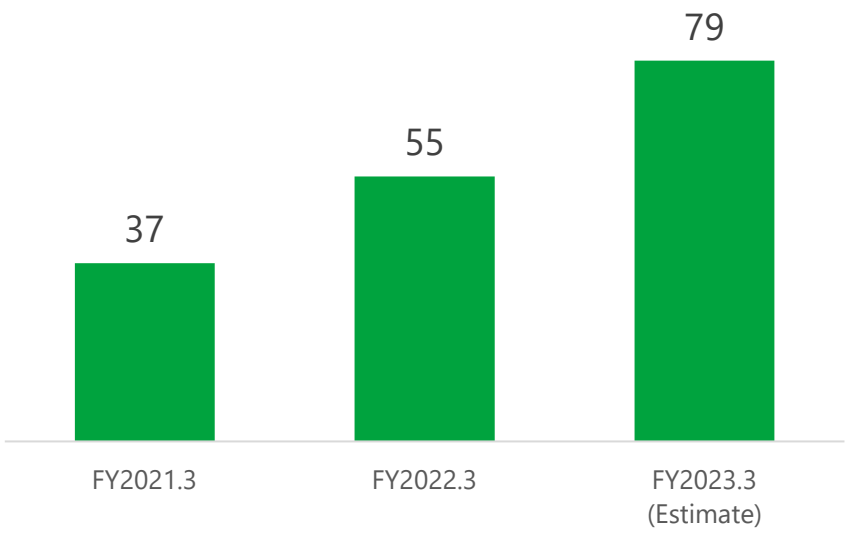
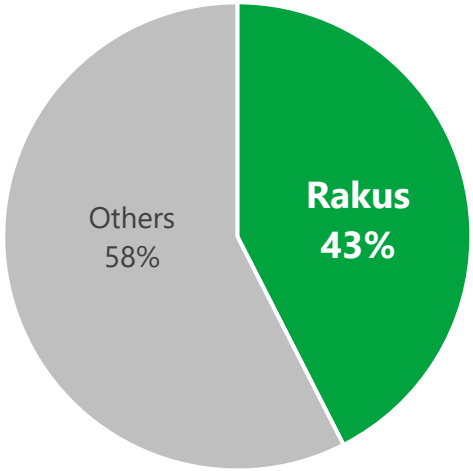
The Market for Cloud-based Bill Issuance System

Market Size

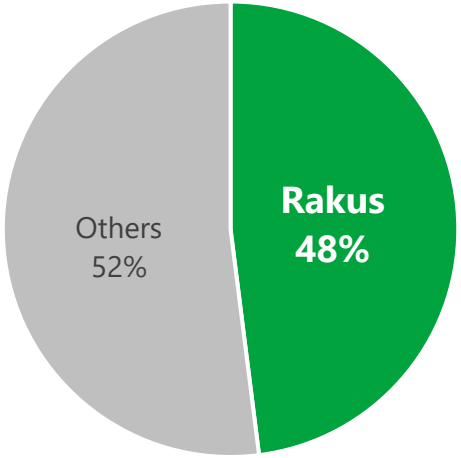
(billion yen)



Market shares based on Introduced Numbers

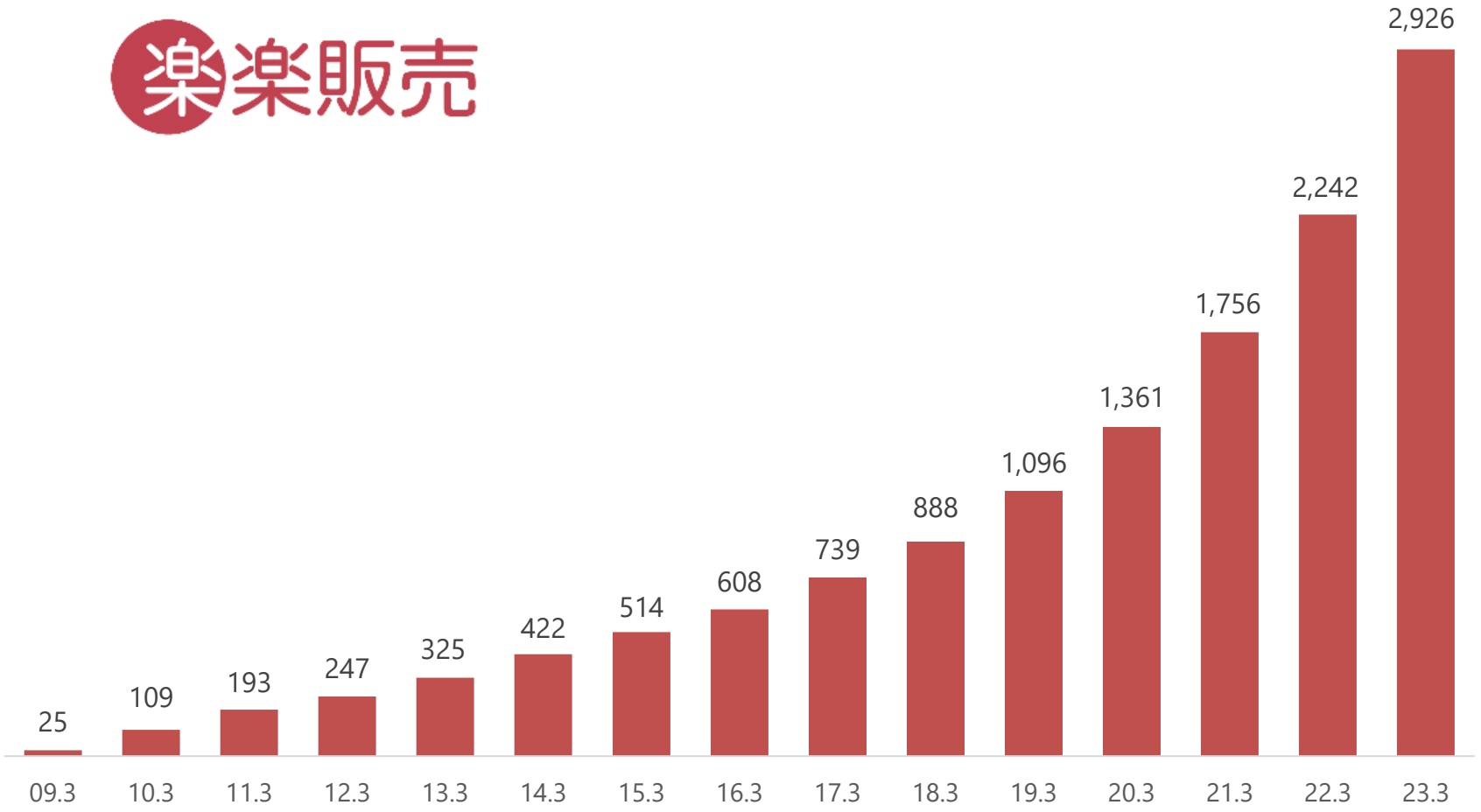


Market shares based on Sales



Source：Deloitte Tohmatsu MIC Research Institute Co., Ltd. which is written only in Japanese
「クラウド帳票発行サービスの市場の実態と展望」（ミックITリポート2022年6月号：https://mic-r.co.jp/micit/）
*Introduced numbers and Sales are for the estimated FY2023.3

Cumulative Number of Companies Using Raku Raku Hambai



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Cumulative Number of Companies Using Hai Hai Mail

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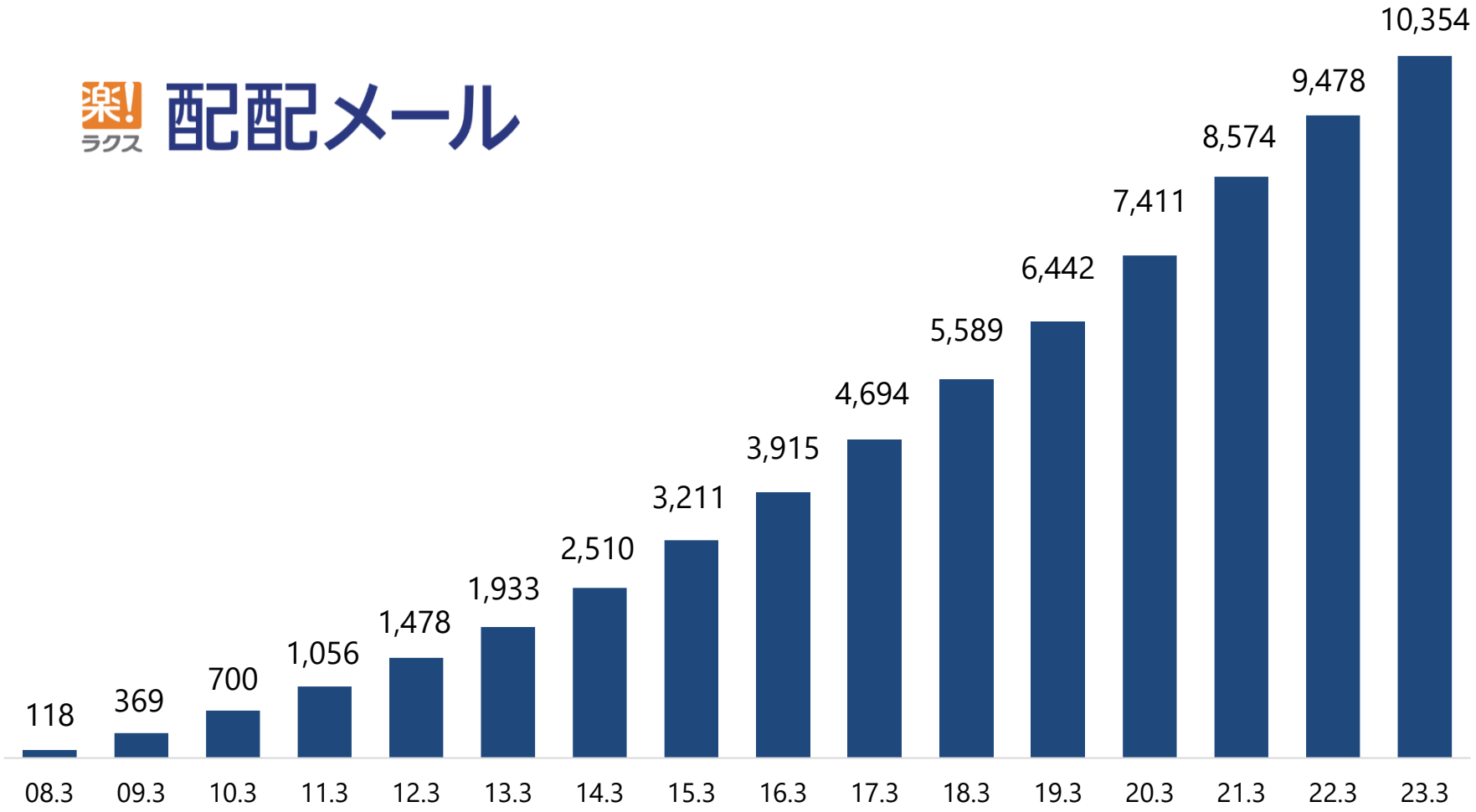

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Cumulative Number of Companies Using Mail Dealer



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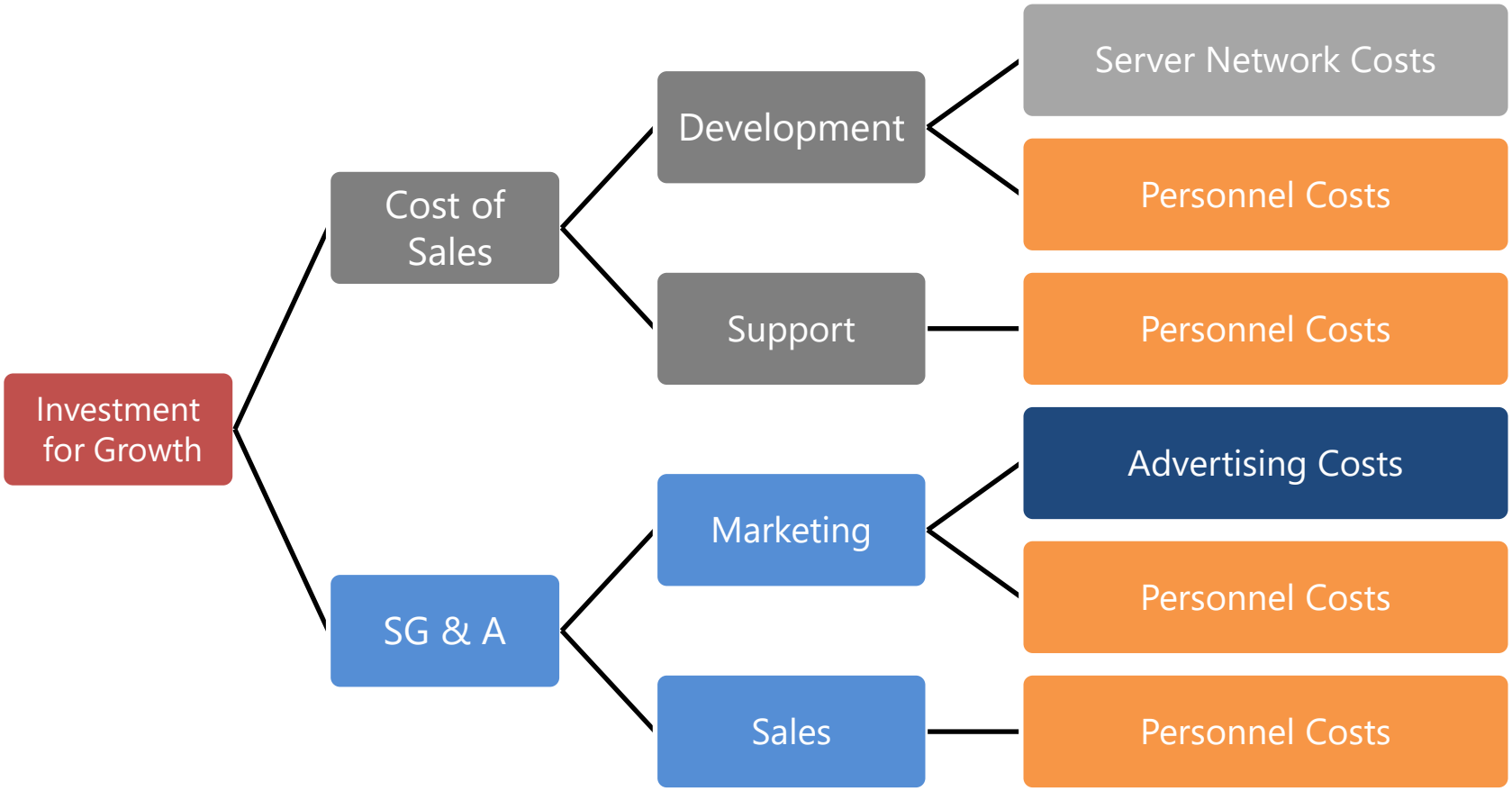
Breakdown of Investment for Growth (Cloud Business)



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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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