Earnings Results for Q1 of the fiscal year ending March 2024

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

August 10, 2023

Key points

Consolidated Results for Q1 of FY2024.3

- A high level of sales growth was maintained driven by Cloud business.
- Profit increased significantly due to the expansion of the sales while continuing aggressive investments for growth.

Cloud Business

- We achieved a high growth rate driven by strong orders for the main service, Raku Raku Series.
- As of June 2023, ARR (Annual Recurring Revenue) exceeded 25 billion yen.

IT Outsourcing Business

- Sales increased driven by increase in the number of engineers in operations.
- Profit decreased due to lower engineers' utilization caused by slowdown in sales activities.

Future Outlook

- The guidance was revised considering the current business environment and the consolidation of Rakus HRTech.
- No change in medium-term management targets.

楽! ラクス

© RAKUS Co., Ltd.

Consolidated Results for Q1 of the fiscal year ending March 2024

Summary of Consolidated Results for Q1 of FY2024.3

A high level of sales growth was maintained driven by Cloud business.
Profit increased significantly due to the expansion of the sales while continuing aggressive investments for growth.

		Year on Year
Net Sales	**8,288** million yen	**+34.4%**
Operating Profit	**1,031** million yen	**+260.5%**
Ordinary Profit	**1,047** million yen	**+256.7%**
EBITDA	**1,193** million yen	**+174.8%**
Profit attributable to owners of parent	**705** million yen	**+285.5%**

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

© RAKUS Co., Ltd.

Outline of the Consolidated Results for Q1 of FY2024.3

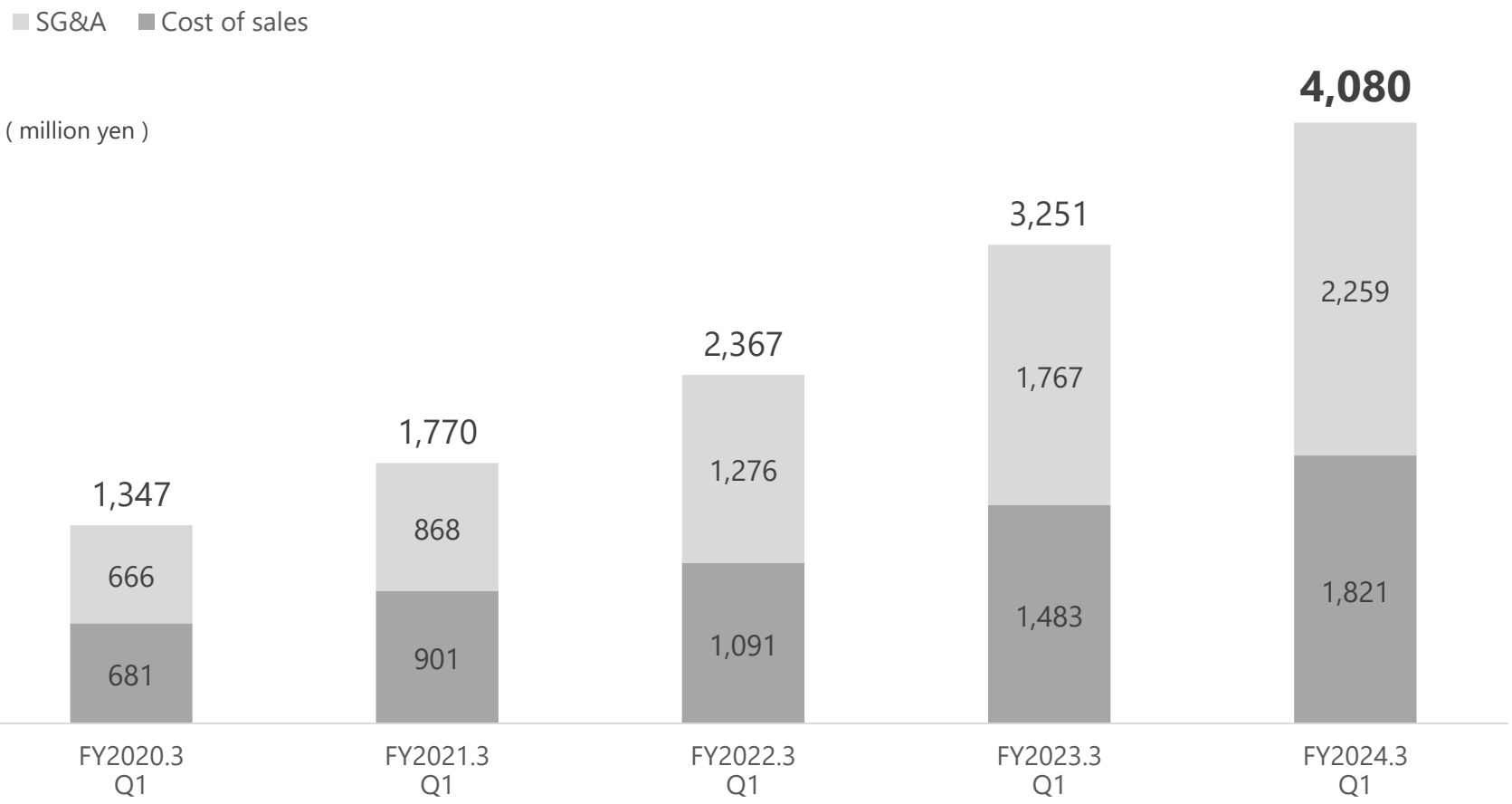
(million yen)

	FY2023.3 Q1	FY2024.3 Q1	YoY	
Net Sales	**6,165**	**8,288**	**+2,122**	**+34.4%**
Cost of sales	1,967	2,449	+482	+24.5%
Gross profit	4,198	5,838	+1,640	+39.1%
GP margin	68.1%	70.4%		
SG&A	3,912	4,807	+894	+22.9%
Operating profit	**286**	**1,031**	**+745**	**+260.5%**
OP margin	4.6%	12.4%		
Ordinary profit	**293**	**1,047**	**+753**	**+256.7%**
Ordinary profit margin	4.8%	12.6%		
EBITDA	**434**	**1,193**	**+759**	**+174.8%**
EBITDA margin	7.0%	14.4%		
Income tax	110	349		
Tax rate	37.7%	33.1%		
Profit attributable to owners of parent	**182**	**705**	**+522**	**+285.5%**

© RAKUS Co., Ltd.

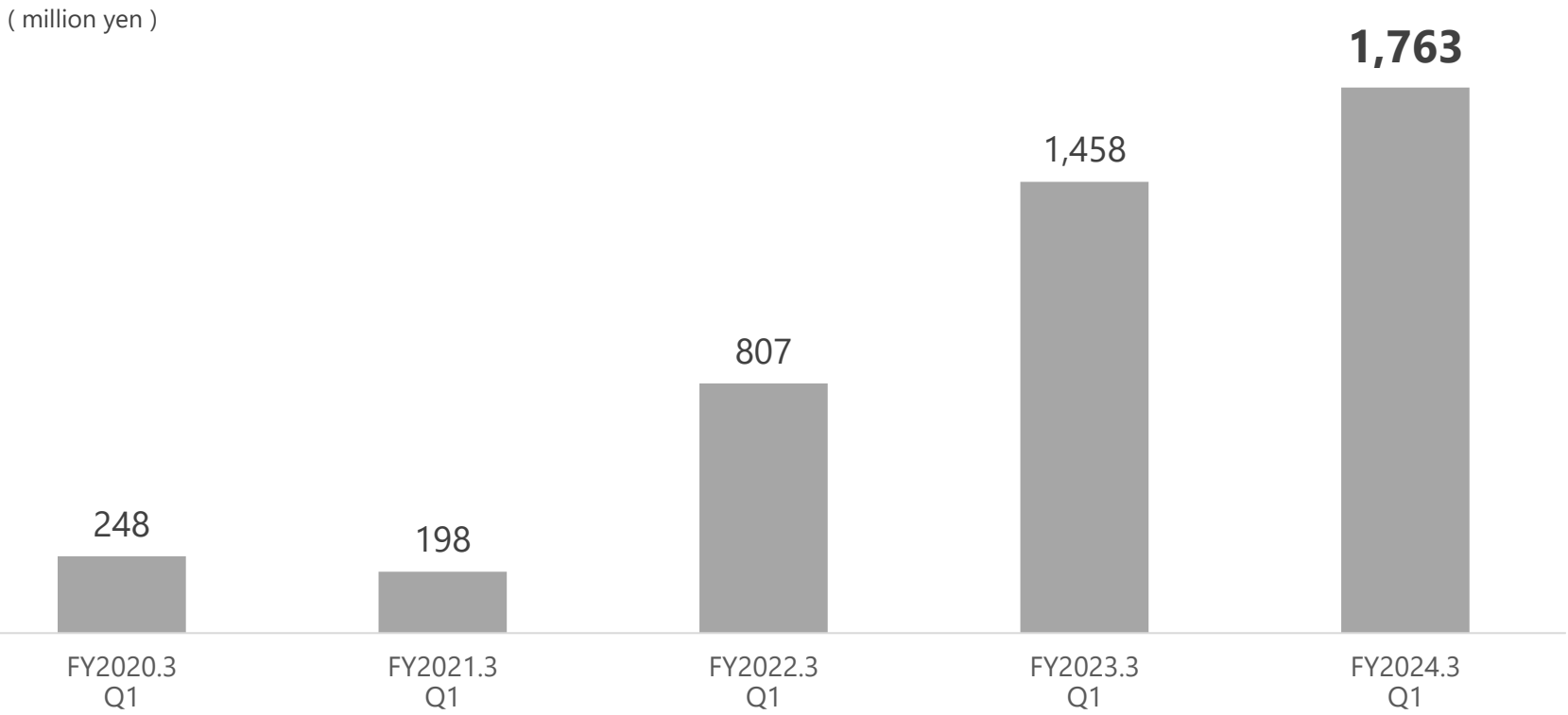
Personnel Costs

We continued expanding the organizational structure with a focus on productivity.



Advertising Costs

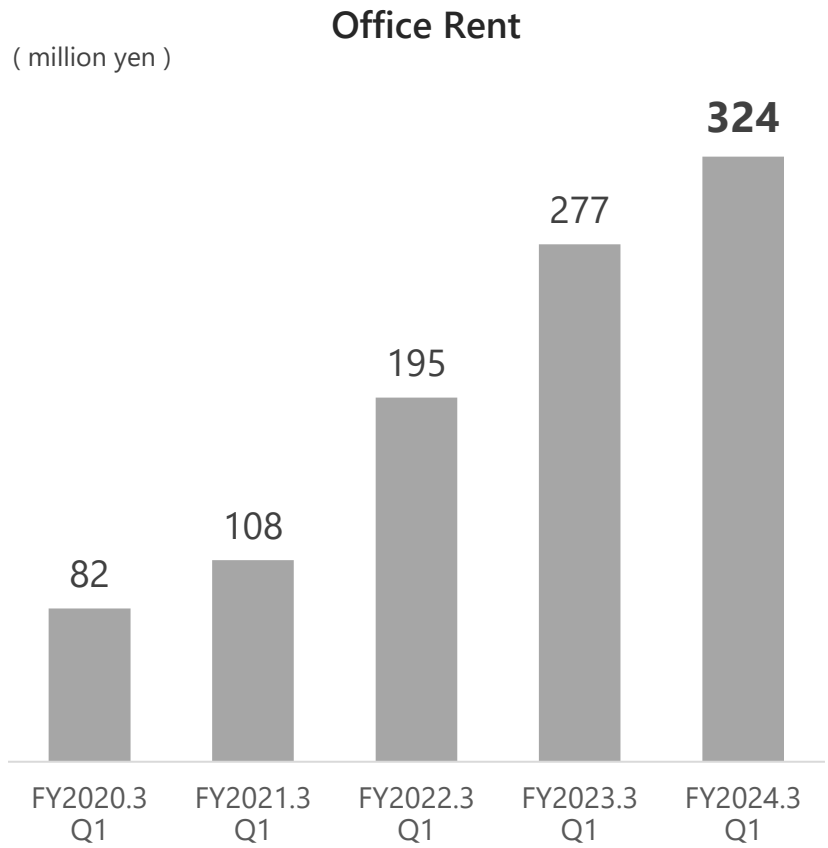
We continued aggressive marketing activities mainly for TV commercials, while assessing the investment effectiveness.

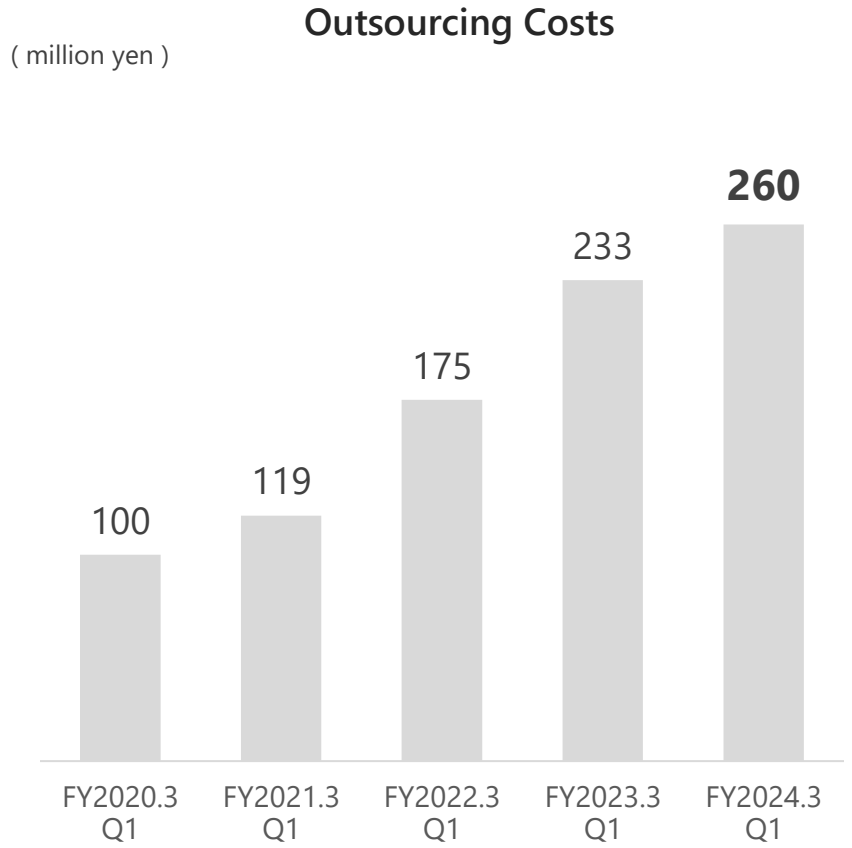


© RAKUS Co., Ltd.

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.

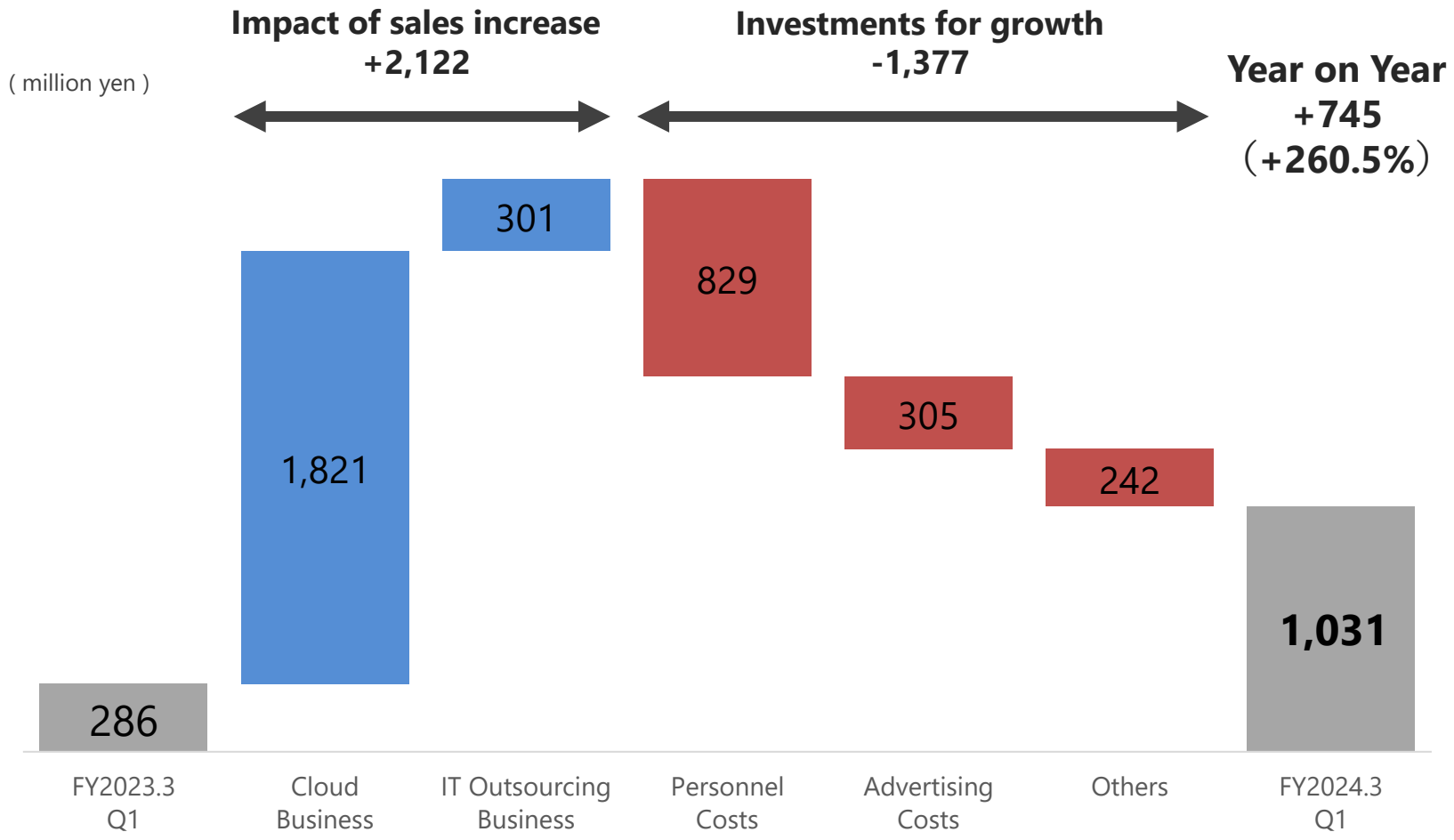




© RAKUS Co., Ltd.

Factors for Changes in Consolidated Operating Profit

Profit increased significantly due to sales growth exceeding the scale of aggressive investments for growth.



© RAKUS Co., Ltd.

Consolidated Balance Sheet

(million yen)

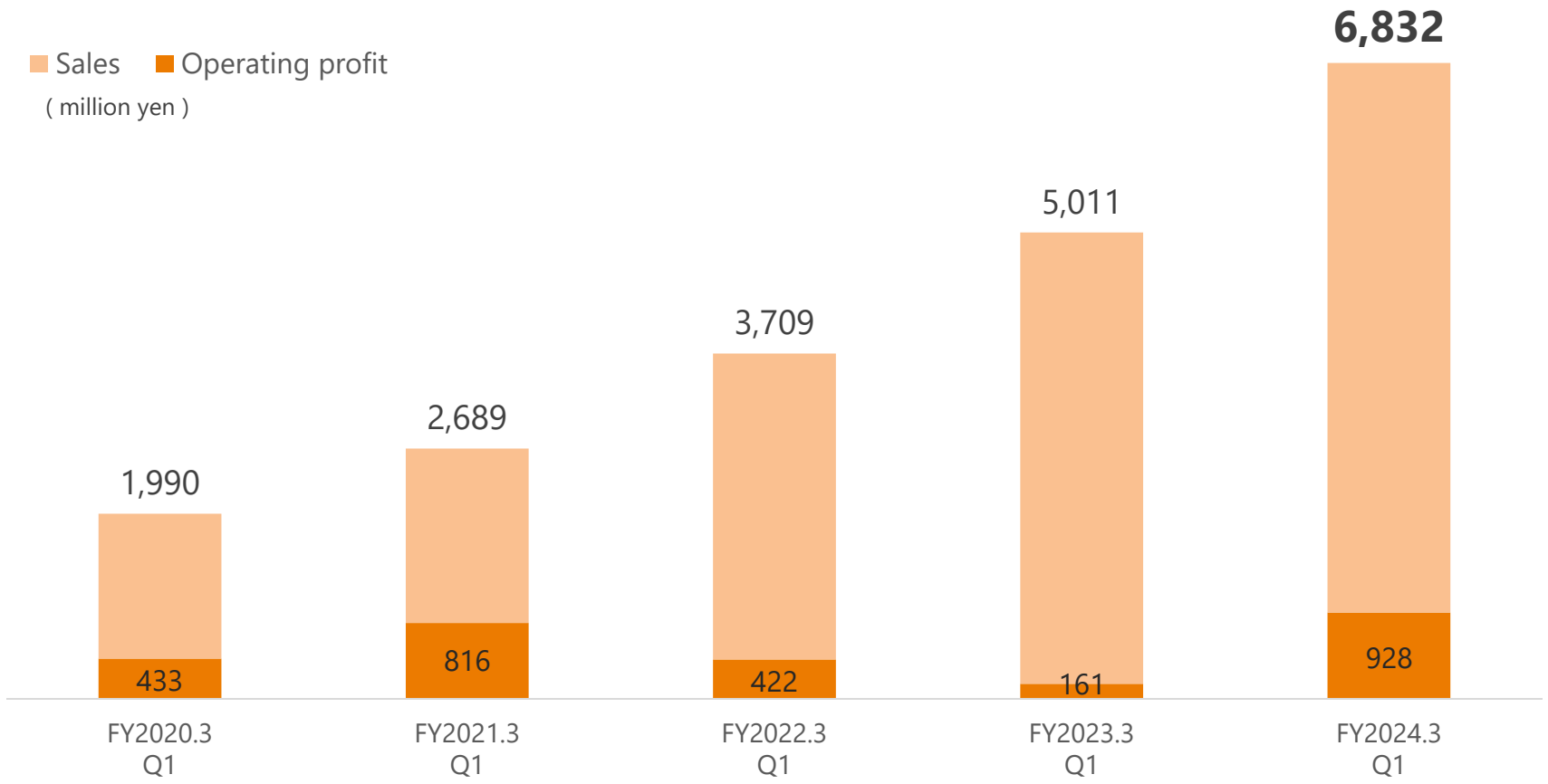
	End of March 2023	End of June 2023	Difference
Current assets	10,479	9,246	-1,232
Non-current assets	3,594	6,960	+3,365
Total assets	**14,073**	**16,206**	**+2,133**
Current liabilities	4,347	5,330	+983
Non-current liabilities	178	950	+771
Total liabilities	**4,525**	**6,281**	**+1,755**
Shareholders' equity	9,534	9,886	+351
Accumulated other comprehensive income	13	39	+25
Total equity	**9,548**	**9,925**	**+377**
Total liabilities and equities	**14,073**	**16,206**	**+2,133**
Equity ratio	**67.8%**	**61.2%**	

© RAKUS Co., Ltd.

Cloud Business

Performance of the Cloud Business

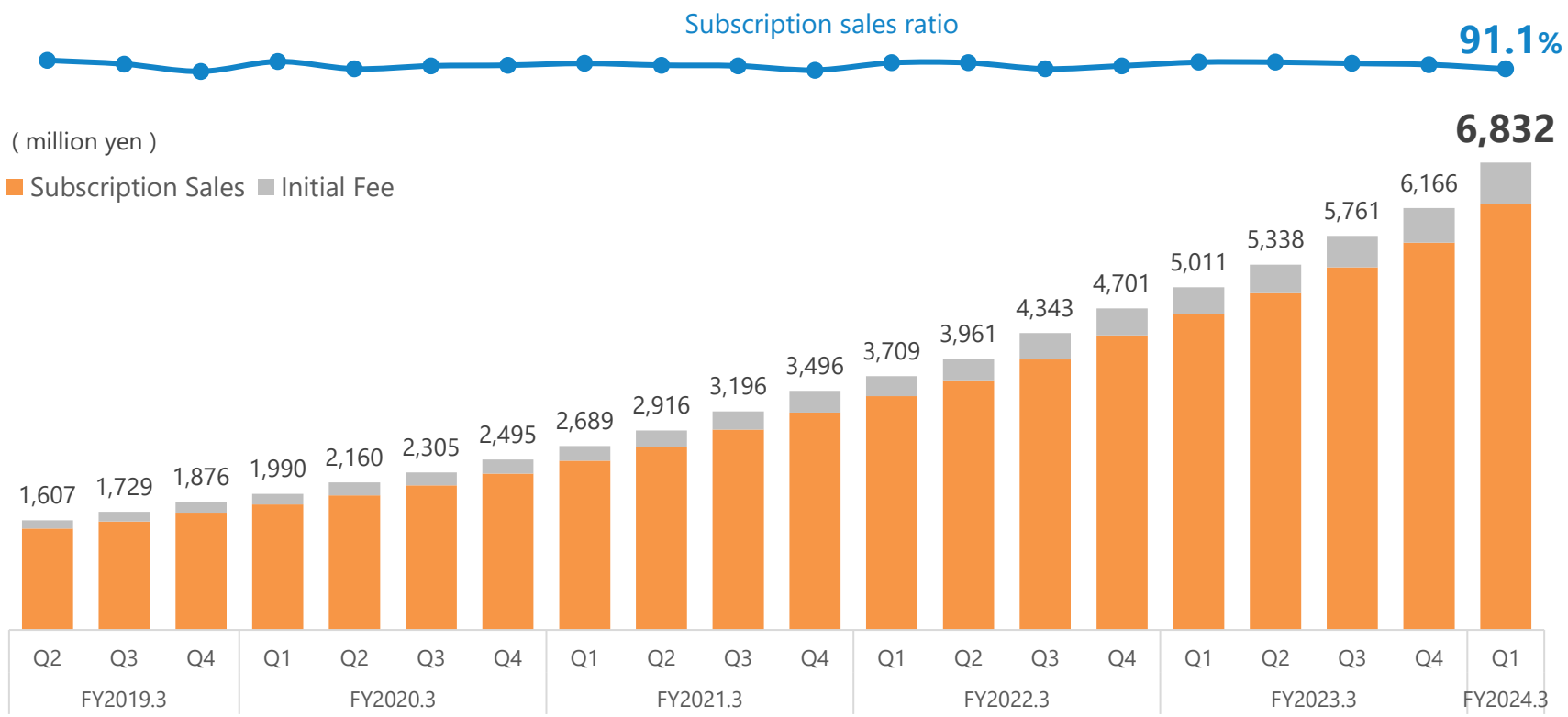
Sales performed strongly due to a steady increase in new orders for the main services.
Profit increased significantly because of sales growth exceeding the scale of aggressive investments for growth.



Subscription Sales of the Cloud Business

The number of contracted clients increased steadily and the subscription sales ratio remained high.

June 2023
ARR
25.6
billion yen



*ARR (Annual Recurring Revenue) ＝June FY2024.3 Cloud Business Monthly Recurring Revenue ×12
Reference：Notice Regarding Monthly Sales in FY2024 (Jun.)

© RAKUS Co., Ltd.

Sales of the Cloud Business by Service

High growth of the main services, Raku Raku Series, led the high growth of the Cloud business.

(million yen)

	FY2023.3 Q1	FY2024.3 Q1	YoY	
Raku Raku Seisan	**2,321**	**3,167**	**+845**	**+36.4%**
Raku Raku Meisai	**779**	**1,294**	**+515**	**+66.1%**
Raku Raku Hambai	**503**	**753**	**+249**	**+49.5%**
E-mail distribution services	**629**	**714**	**+85**	**+13.5%**
Mail Dealer	**587**	**696**	**+108**	**+18.5%**
Others	**188**	**206**	**+17**	**+9.5%**
Total of the Cloud Business	**5,011**	**6,832**	**+1,821**	**+36.4%**

* The figure for Email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail.

© RAKUS Co., Ltd.

Cumulative Number of Companies Using Raku Raku Seisan

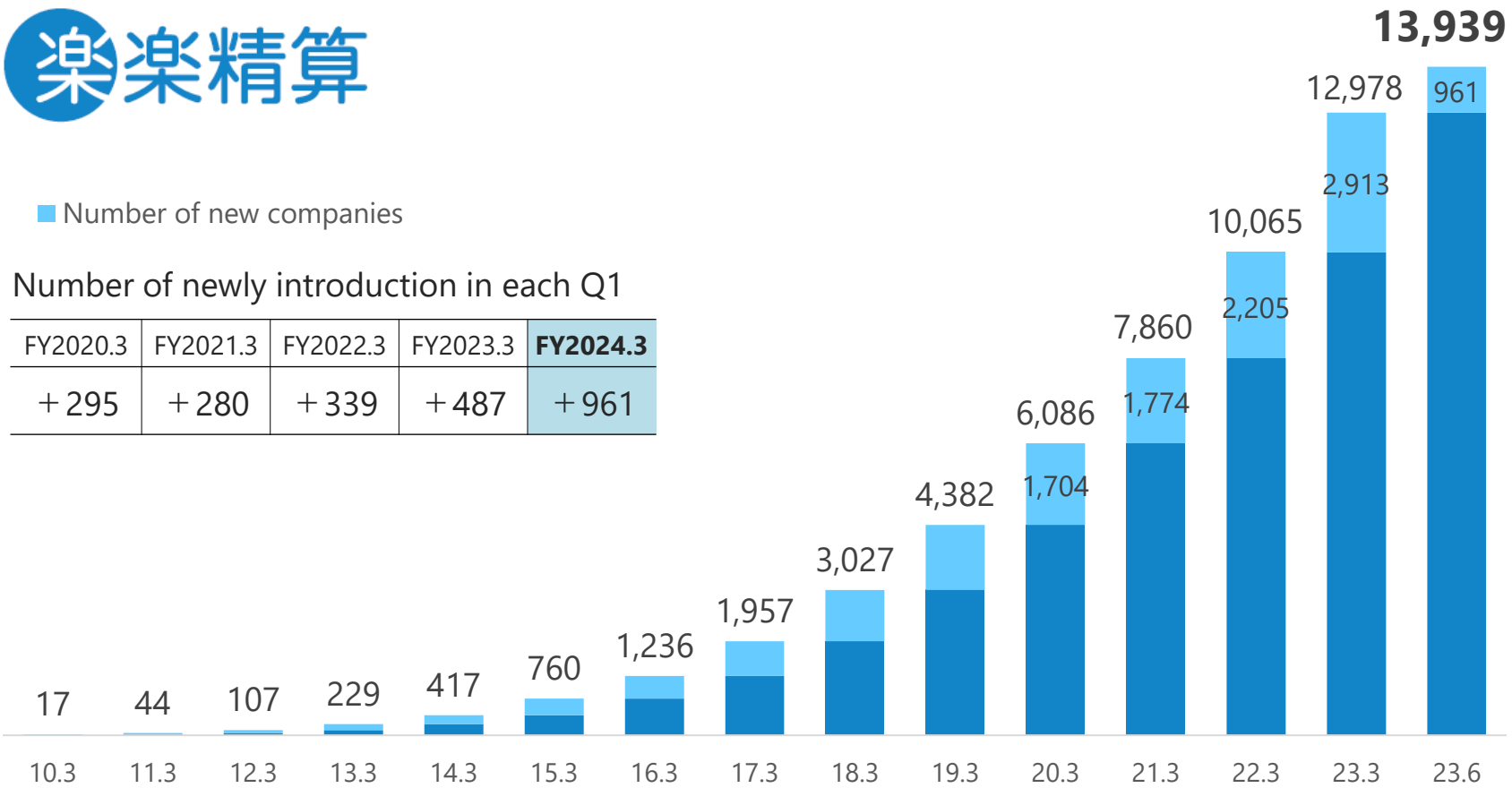
Number of newly introduced companies increased significantly due to strengthened sales and marketing structures.

楽楽精算

Number of new companies

Number of newly introduction in each Q1

FY2020.3	FY2021.3	FY2022.3	FY2023.3	**FY2024.3**
＋295	＋280	＋339	＋487	＋961



楽! ラクス

© RAKUS Co., Ltd.

Cumulative Number of Companies Using Raku Raku Meisai

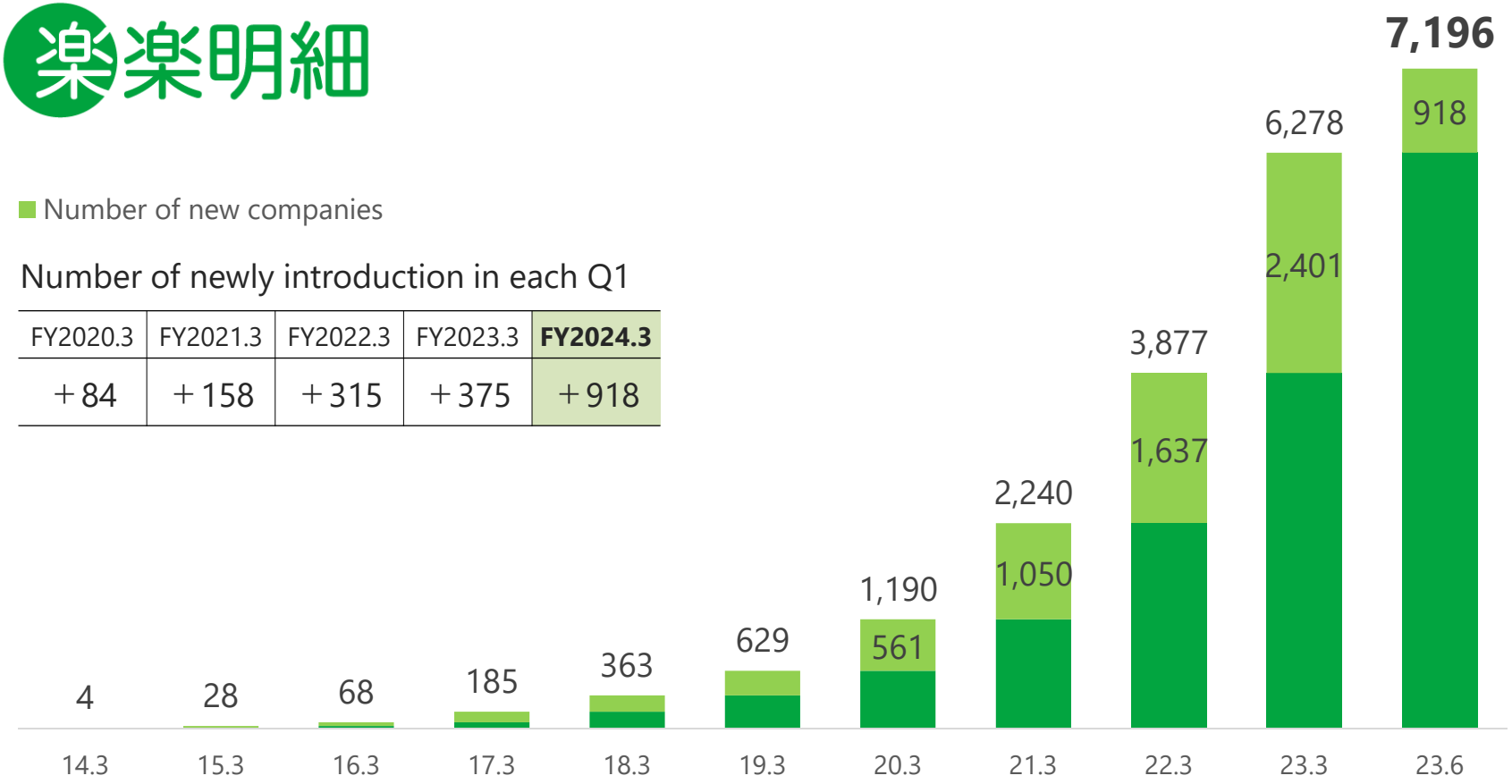
Number of newly introduced companies increased significantly due to same effect as Raku Raku Seisan.

楽楽明細

Number of new companies

Number of newly introduction in each Q1

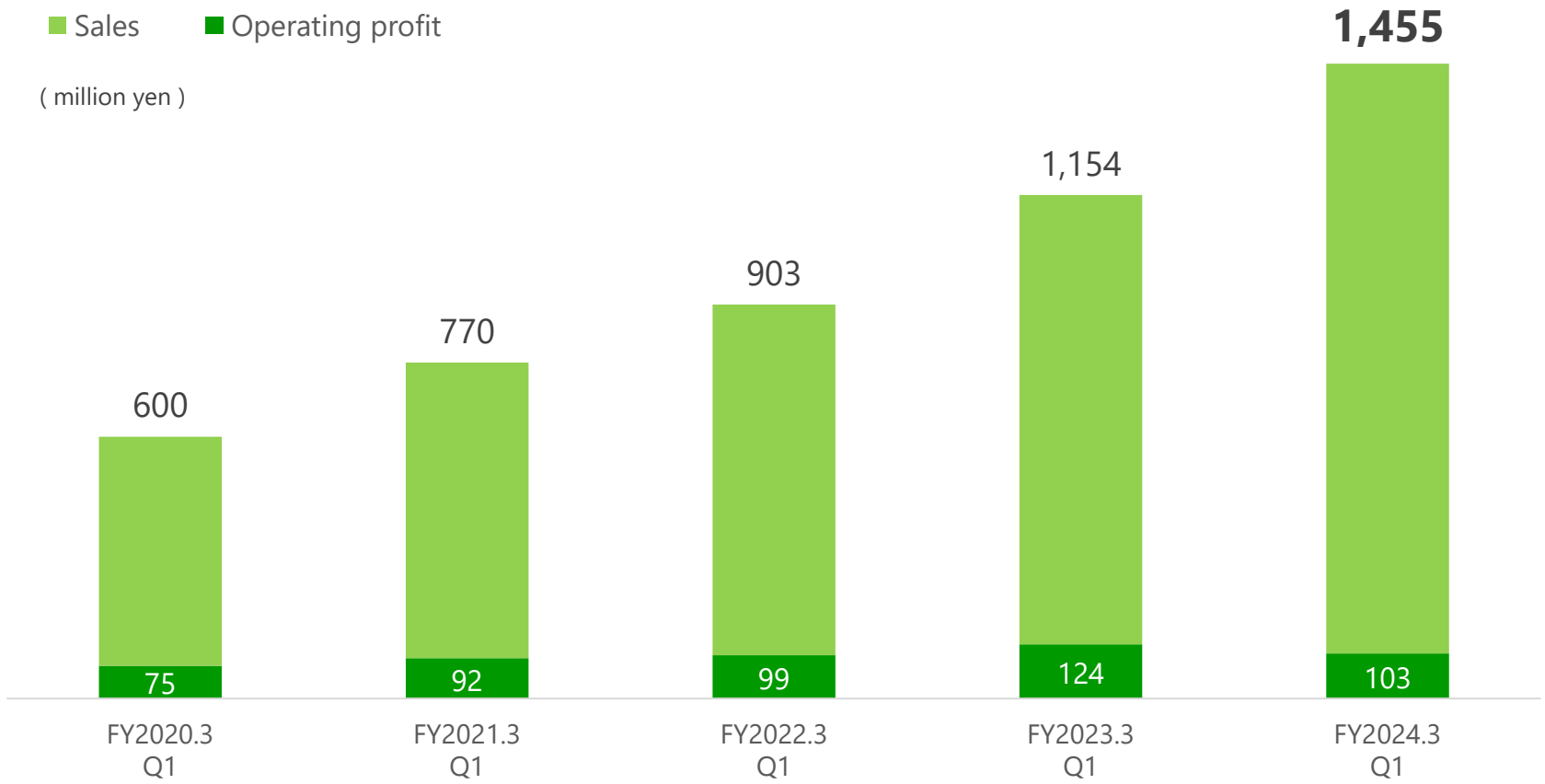
FY2020.3	FY2021.3	FY2022.3	FY2023.3	**FY2024.3**
＋84	＋158	＋315	＋375	＋918



IT Outsourcing Business

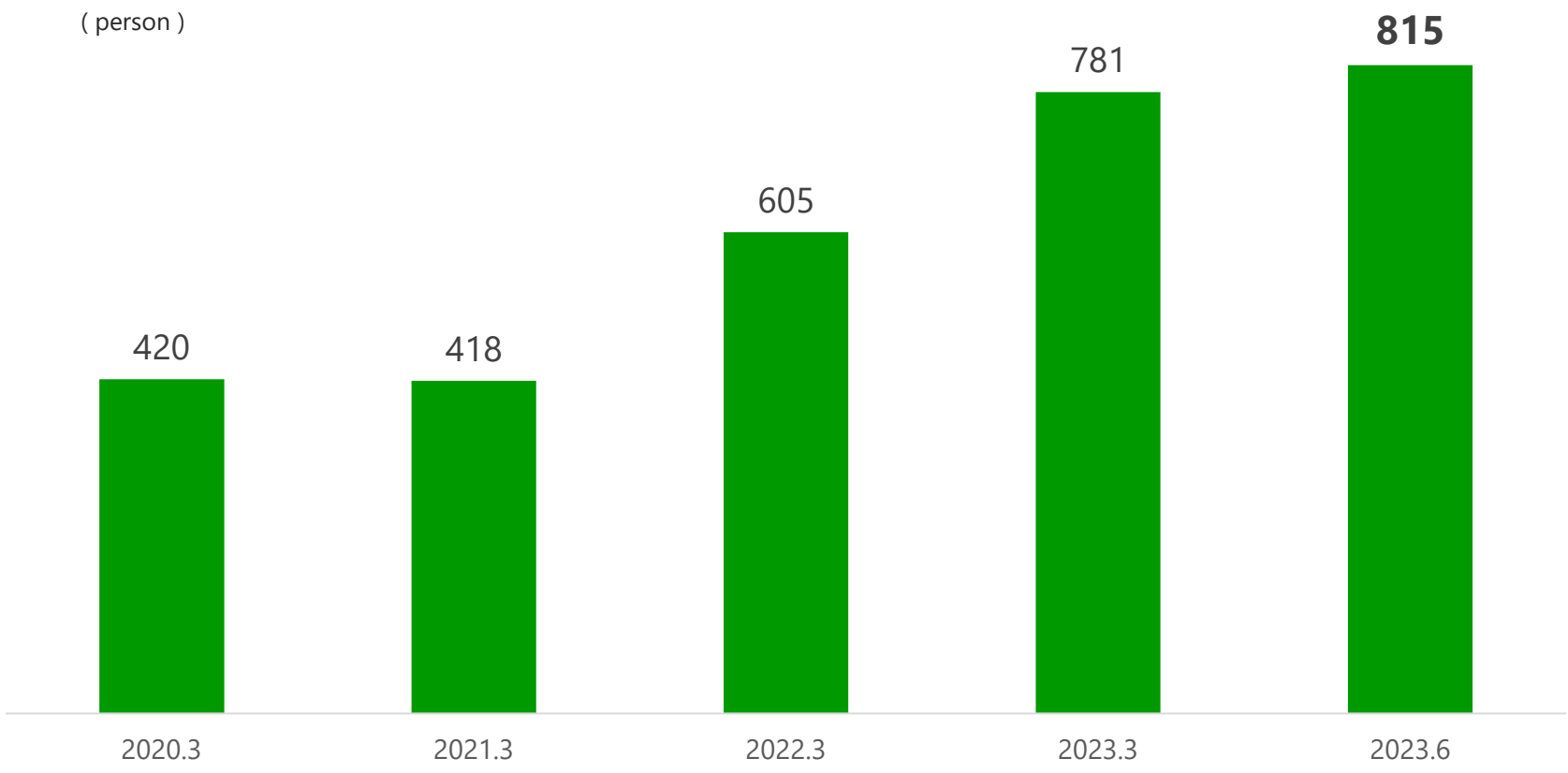
Performance of the IT Outsourcing Business

Sales increased driven by increase in the number of engineers in operations.
Profit decreased due to lower engineers' utilization caused by slowdown in sales activities.



Number of Engineers for the IT Outsourcing Business

The number of engineers increased due to ongoing recruiting activities.



* These figures include apprentice engineers.

Guidance for H1 of the fiscal year ending March 2024

Regarding the consolidation of the cloud-based attendance management system as a subsidiary

- Overview
  Rakus acquired all shares of the new company which was established through a company split (incorporation-type company split) of the cloud service business on a time management and electronic pay slip operated by HOYA CORPORATION and made it a wholly-owned subsidiary.

- Purpose of the Share Acquisition
  Increasing our market share by acquiring the services of a new company that has complementary services with our cloud-based attendance management system "Raku Raku Kintai" with a view to building a foundation for sustainable business growth in the future.

- Acquisition Cost : 3,356 million yen

- Execution Date of Share Transfer : July 1, 2023

- Impact on business results for H1 of FY2024.3 (approx. amount, million yen)

Net Sales	+247
Amortization of Goodwill*	-72
Operating profit	-19

We do not revise the medium-term management targets' figures due to this M&A.

*The numbers for the amortization of goodwill are pre-audit and may be subject to change through PPA (Purchase Price Allocation) etc.

© RAKUS Co., Ltd.

Medium-Term Management Targets (FY2022-FY2026)

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

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

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

楽! ラクス

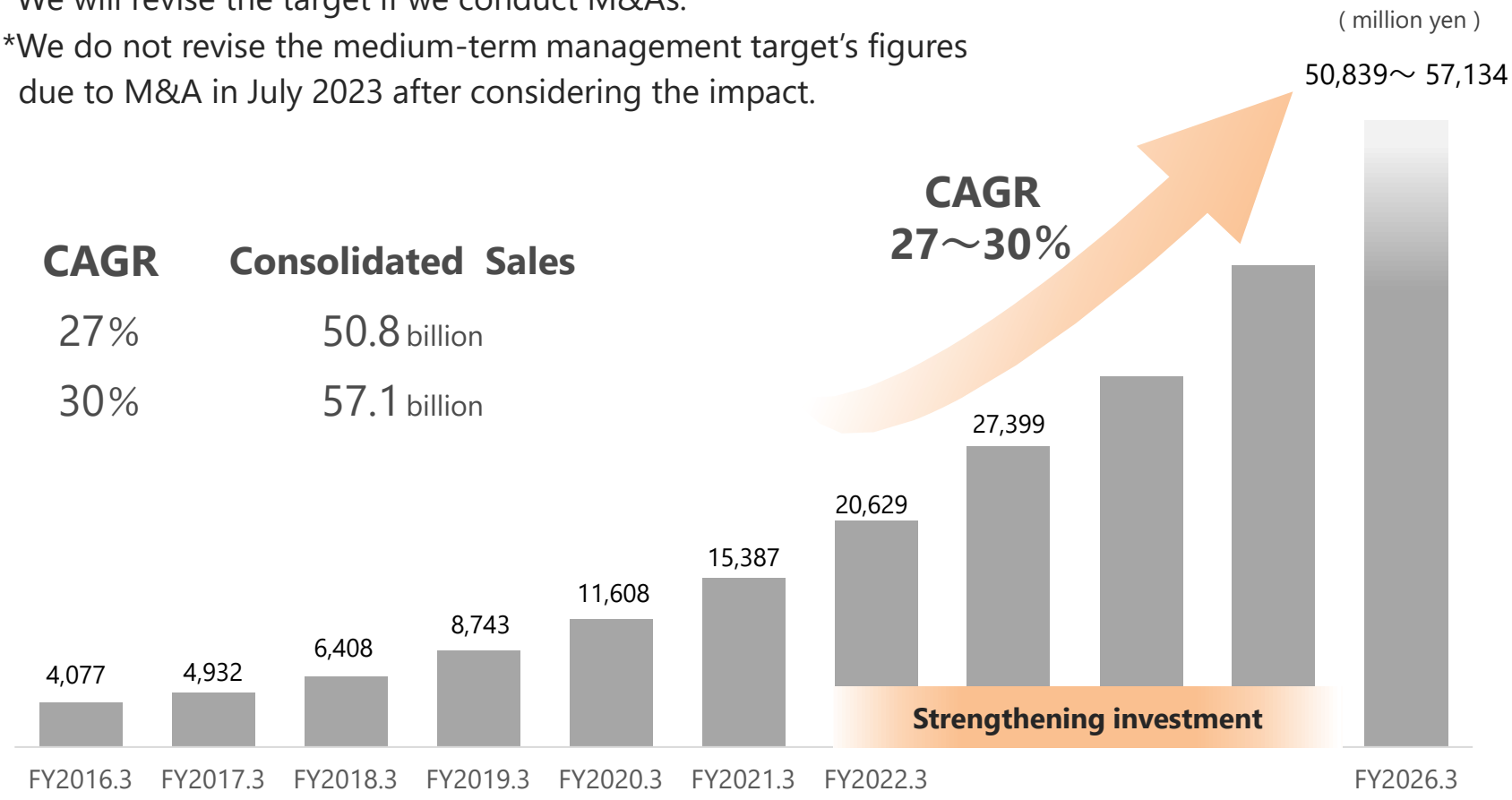
© RAKUS Co., Ltd.

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.

*We do not revise the medium-term management target's figures due to M&A in July 2023 after considering the impact.



Guidance for H1 of FY2024.3

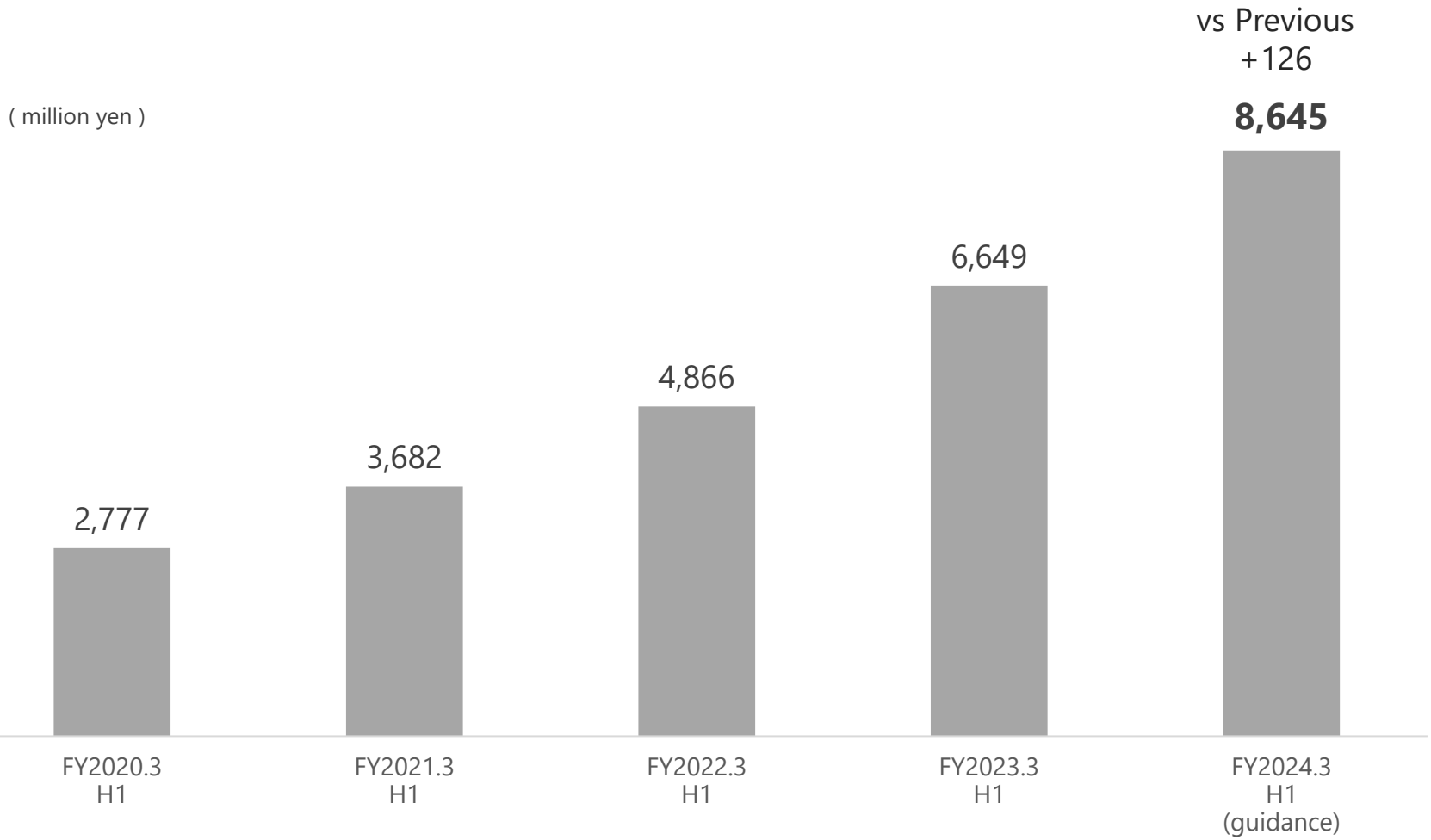
The plan was revised considering the strong performance of the Cloud business and the consolidation of Rakus HRTech.

	FY2023.3 H1 (Actual)	FY2024.3 H1 (Guidance)		YoY		vs Previous Guidance	
		Previous	Revised				
Net Sales	**12,736**	**16,808**	**17,485**	**+4,748**	+37.3%	**+677**	+4.0%
Cost of sales	4,060	5,127	5,252	+1,191	+29.4%	+125	+2.4%
Gross profit	8,676	11,681	12,232	+3,555	+41.0%	+551	+4.7%
GP margin	68.1%	69.5%	70.0%				
SG&A	7,998	10,691	10,877	+2,878	+36.0%	+186	+1.7%
Operating profit	**677**	**989**	**1,355**	**+677**	+99.9%	**+366**	+37.0%
OP margin	5.3%	5.9%	7.7%				
Ordinary profit	**697**	**1,000**	**1,375**	**+677**	+97.2%	**+375**	+37.5%
Ordinary profit margin	5.5%	6.0%	7.9%				
EBITDA	**981**	**1,302**	**1,760**	**+778**	+79.3%	**+458**	+35.2%
EBITDA margin	7.7%	7.7%	10.1%				
Income tax	253	361	501				
Tax rate	37.5%	36.5%	36.3%				
Profit attributable to owners of parent	**423**	**627**	**878**	**+454**	+107.6%	**+251**	+40.0%

© RAKUS Co., Ltd.

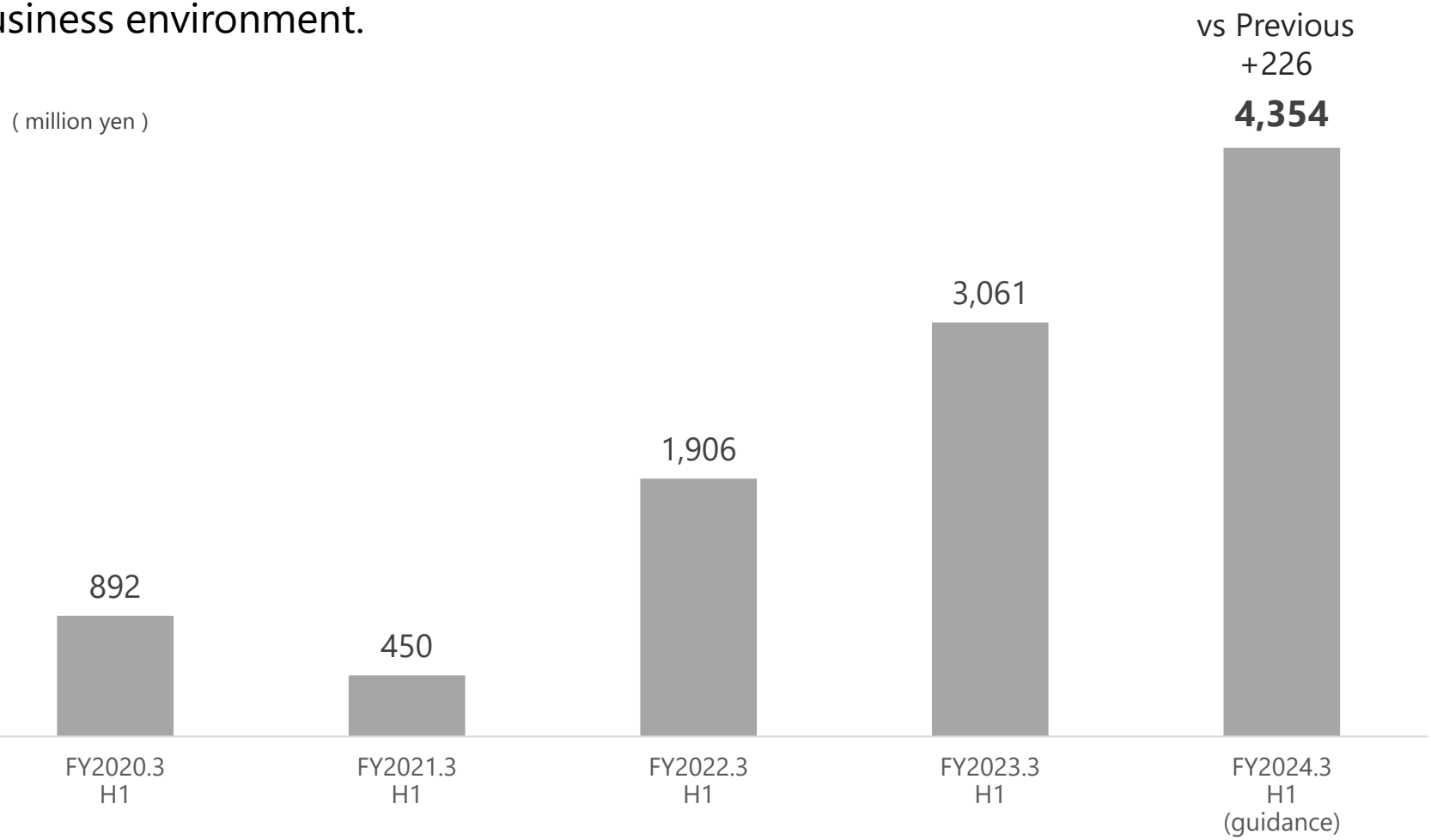
Personnel Costs Guidance

We plan to increase personnel costs from the previous guidance considering the consolidation of Rakus HRTech as a subsidiary, etc.



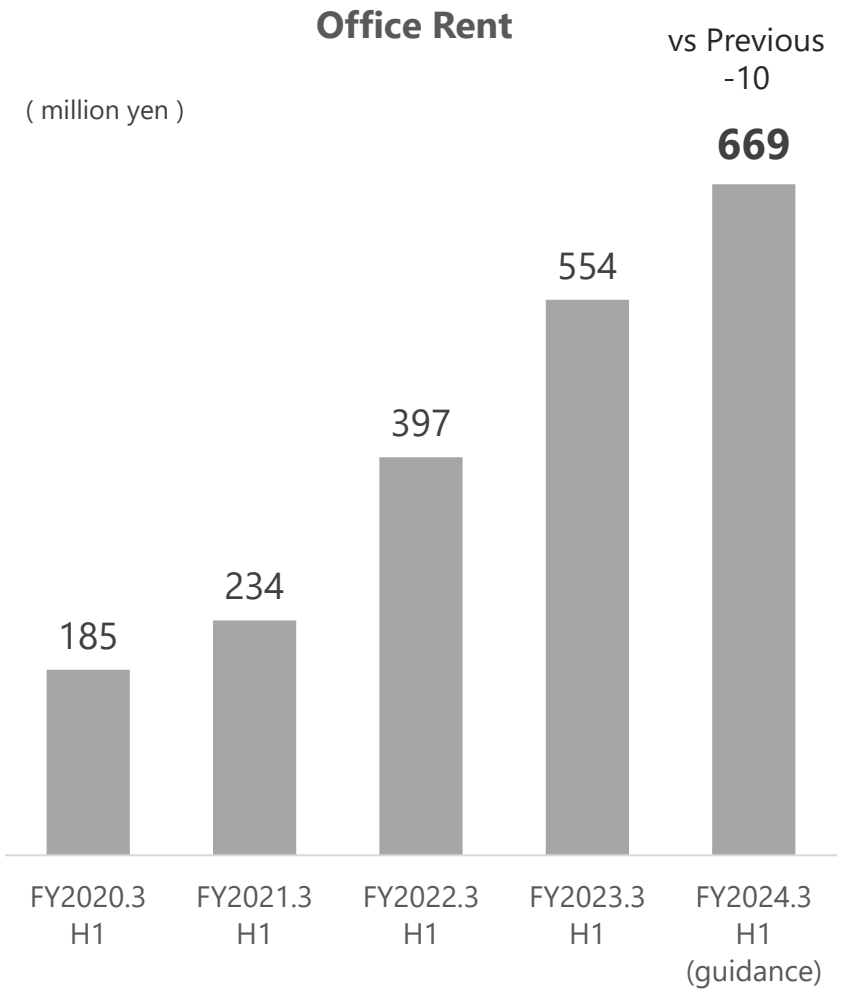
Advertising Costs Guidance

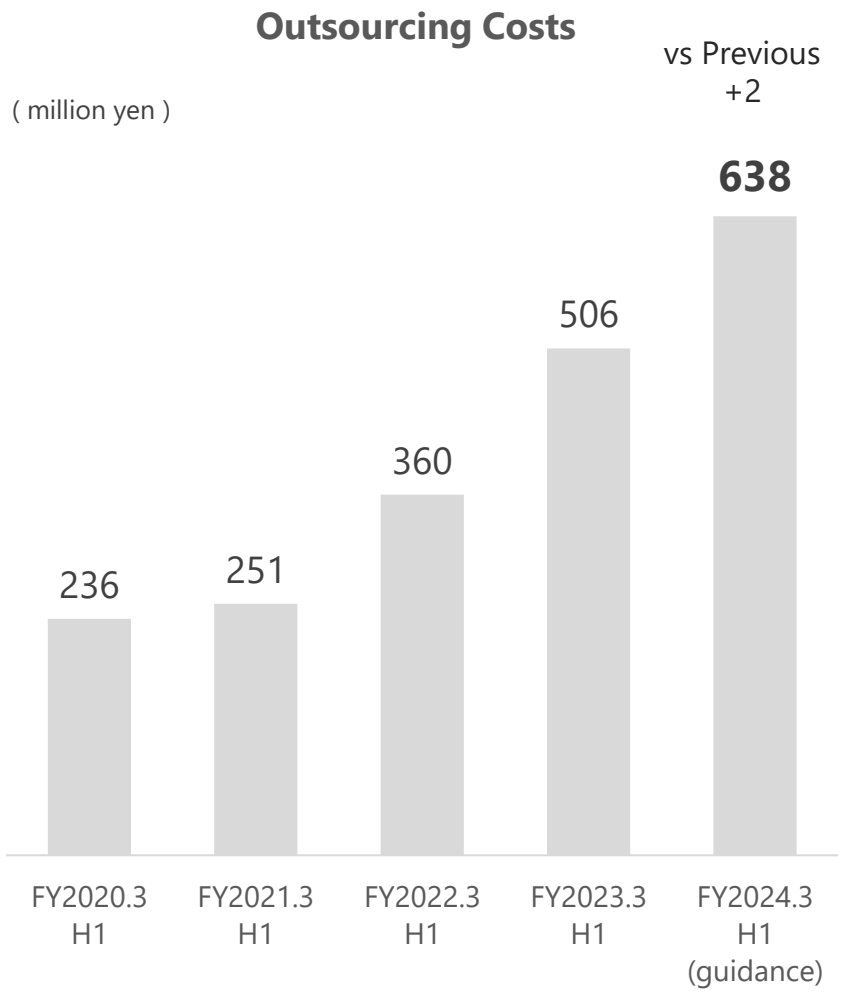
Additional budget has been allocated focusing mainly on TV ads for Raku Raku Seisan and Raku Raku Meisai, considering the favorable business environment.



Office Rent and Outsourcing Costs Guidance

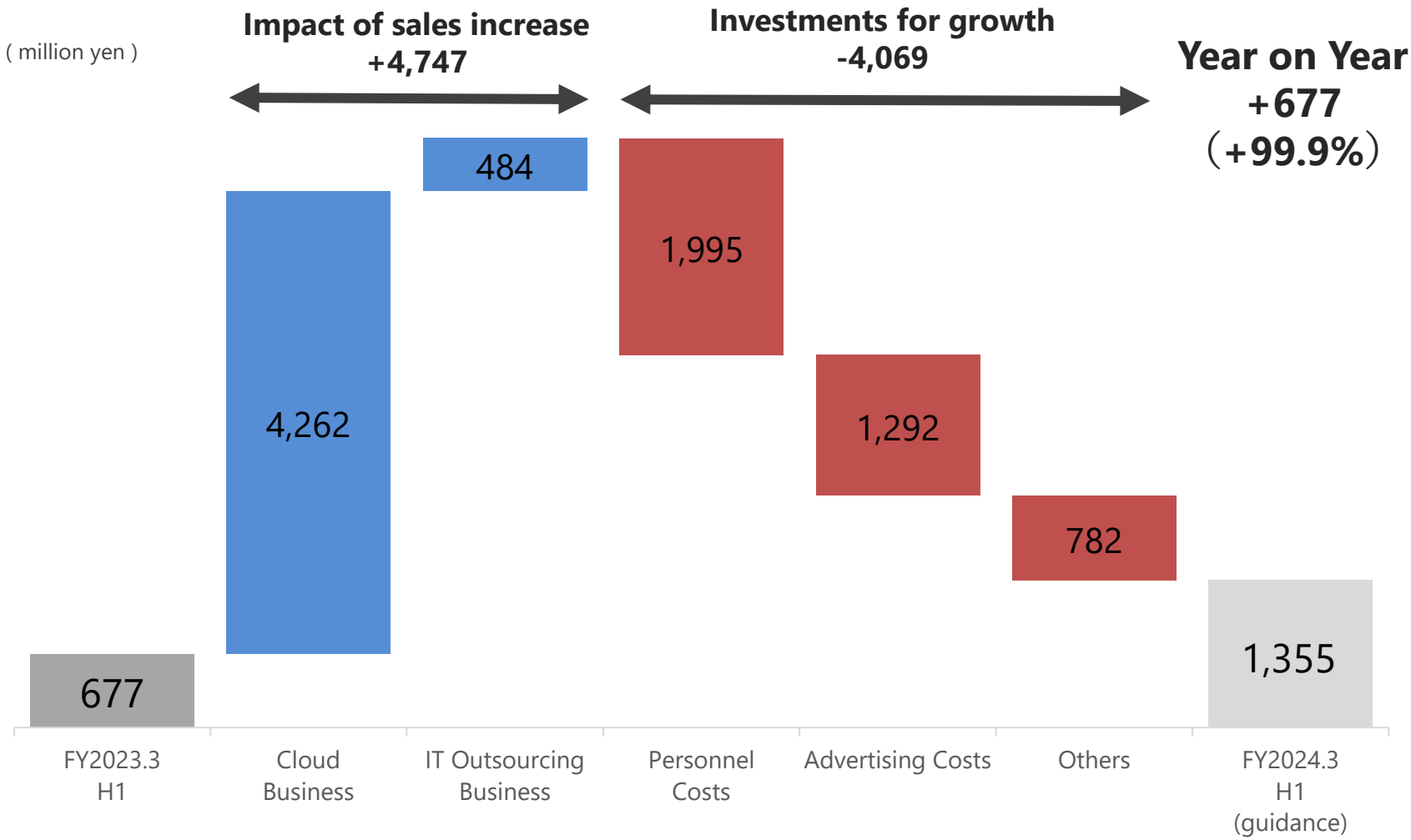
No major changes from the previous guidance.





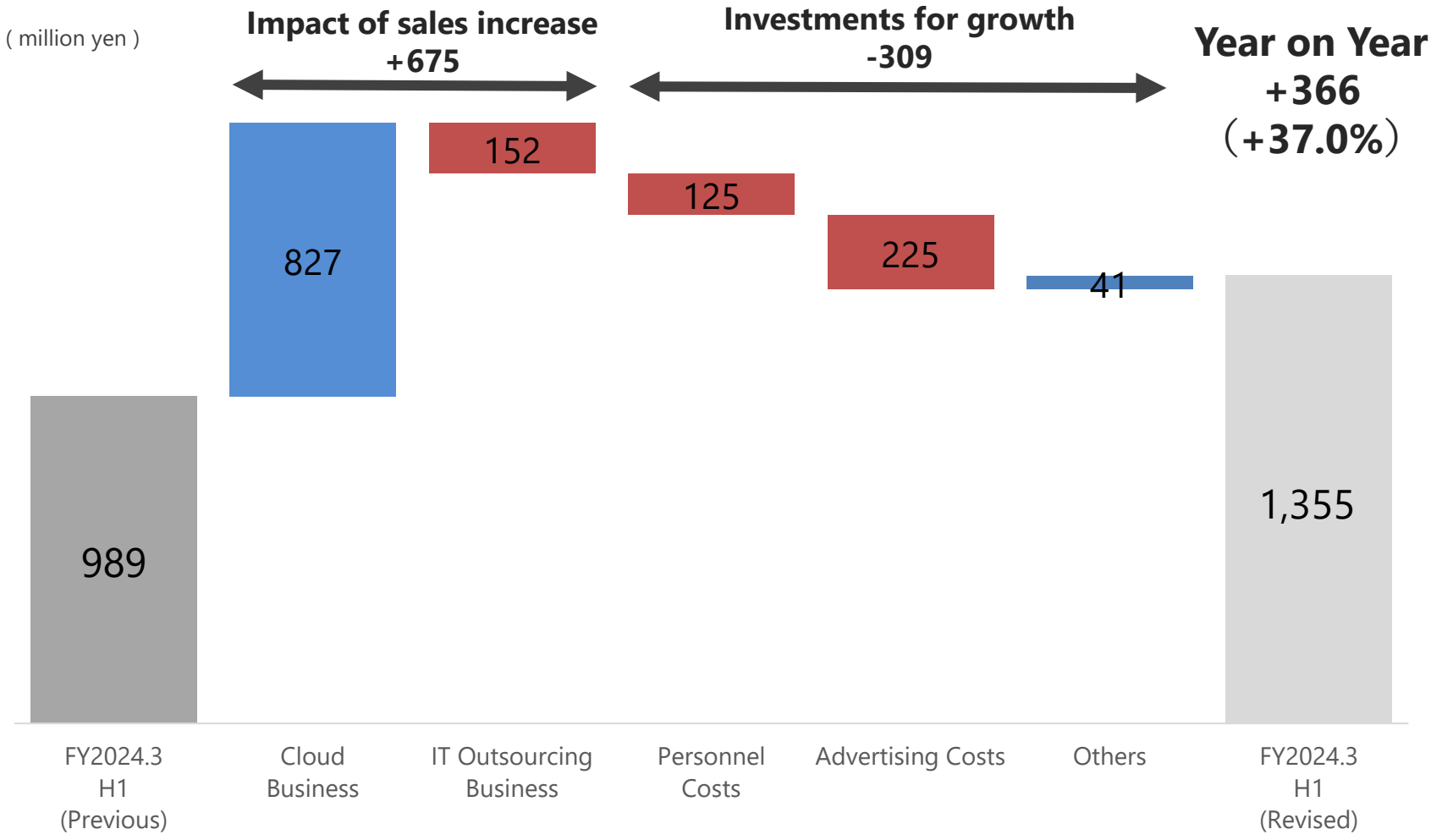
Factors for Changes in Consolidated Operating Profits (Year on Year)

As in the Q1, profit is planned to increase because of sales increase.



Factors for Changes in Consolidated Operating Profits
(vs Previous guidance)

Profit is planned to increase from the previous guidance due to favorable business environment in the Cloud business.

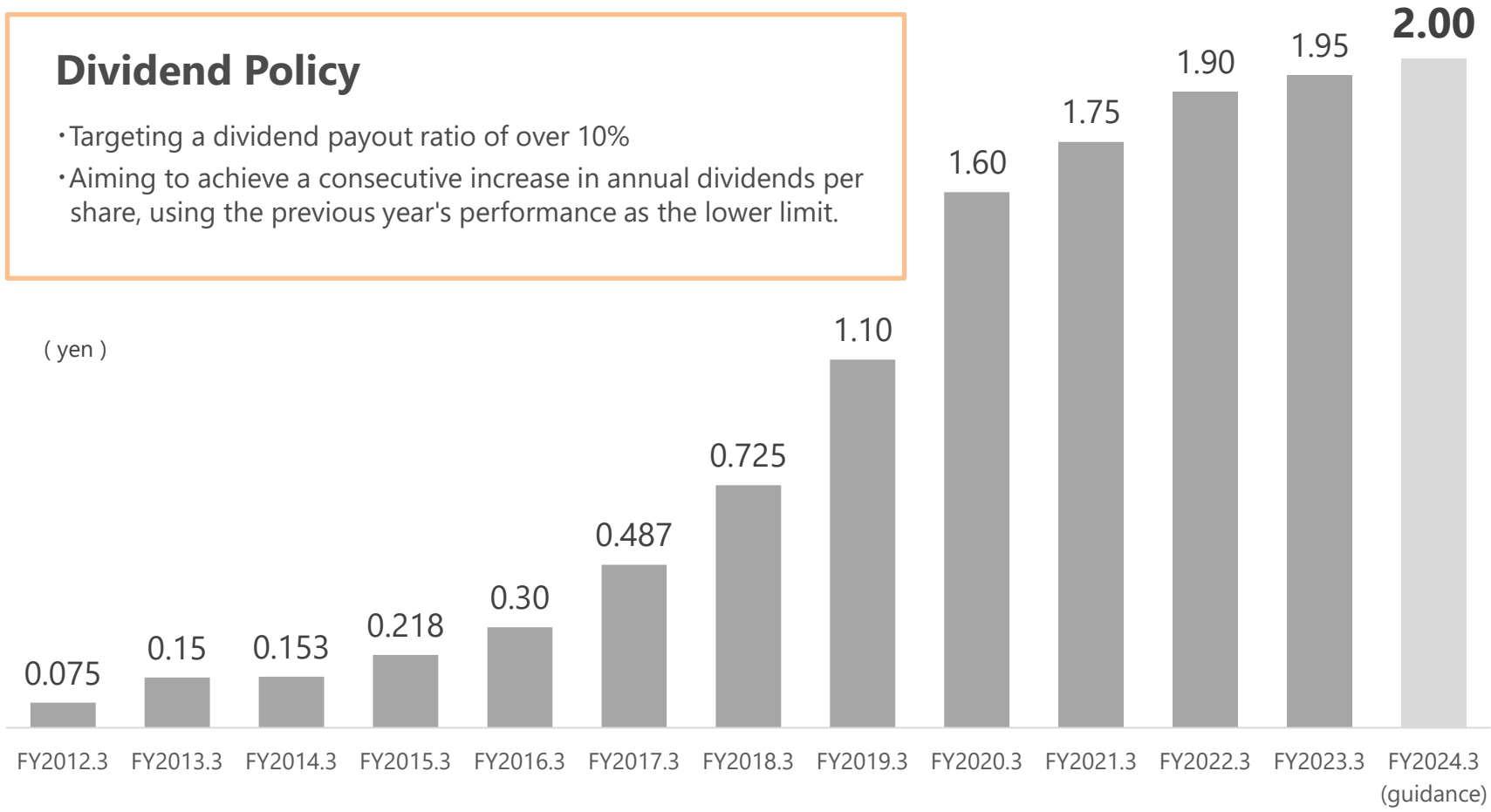


【KPI】Dividend

We plan 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.

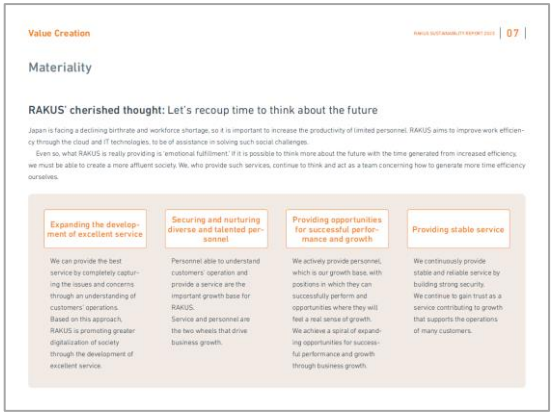
© RAKUS Co., Ltd.

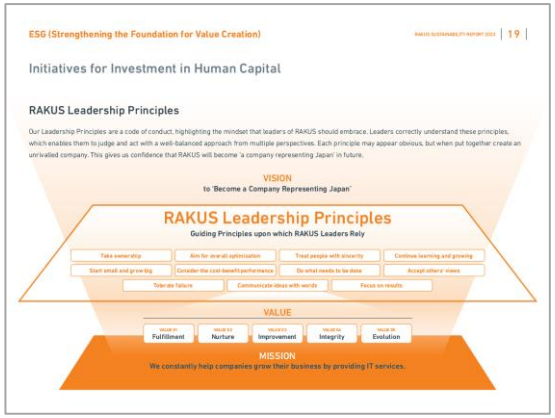
Appendix

RAKUS Sustainability Report 2023









'RAKUS Sustainability Report 2023' features RAKUS' materiality and human capital investment initiatives. Please also read about our business features and business model. We hope this will help you have a deeper understanding of us.

https://www.rakus.co.jp/en/report/

© RAKUS Co., Ltd.

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	556	770	1,124	1,624	2,298
	YoY	+25.0%	+38.4%	+46.0%	+44.4%	+41.5%
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	314	390	493	626	796
	YoY	+14.8%	+24.1%	+26.2%	+27.1%	+27.1%
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 Email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail.

© RAKUS Co., Ltd.

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	**9,096,813**	**7,851,460**	**8,846,353**	**9,493,814**	**10,387,353**
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 E-mail distribution services is the sum of Hai Hai Mail and Curumeru .

楽! ラクス

© RAKUS Co., Ltd.

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	**7.9%**	**10.2%**	**9.5%**	**9.1%**	**9.1%**
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.
* Hai Hai Mail is a main service of E-mail distribution services.

楽! ラクス

© RAKUS Co., Ltd.

Monthly Average Unit Price of the Cloud Business by Service

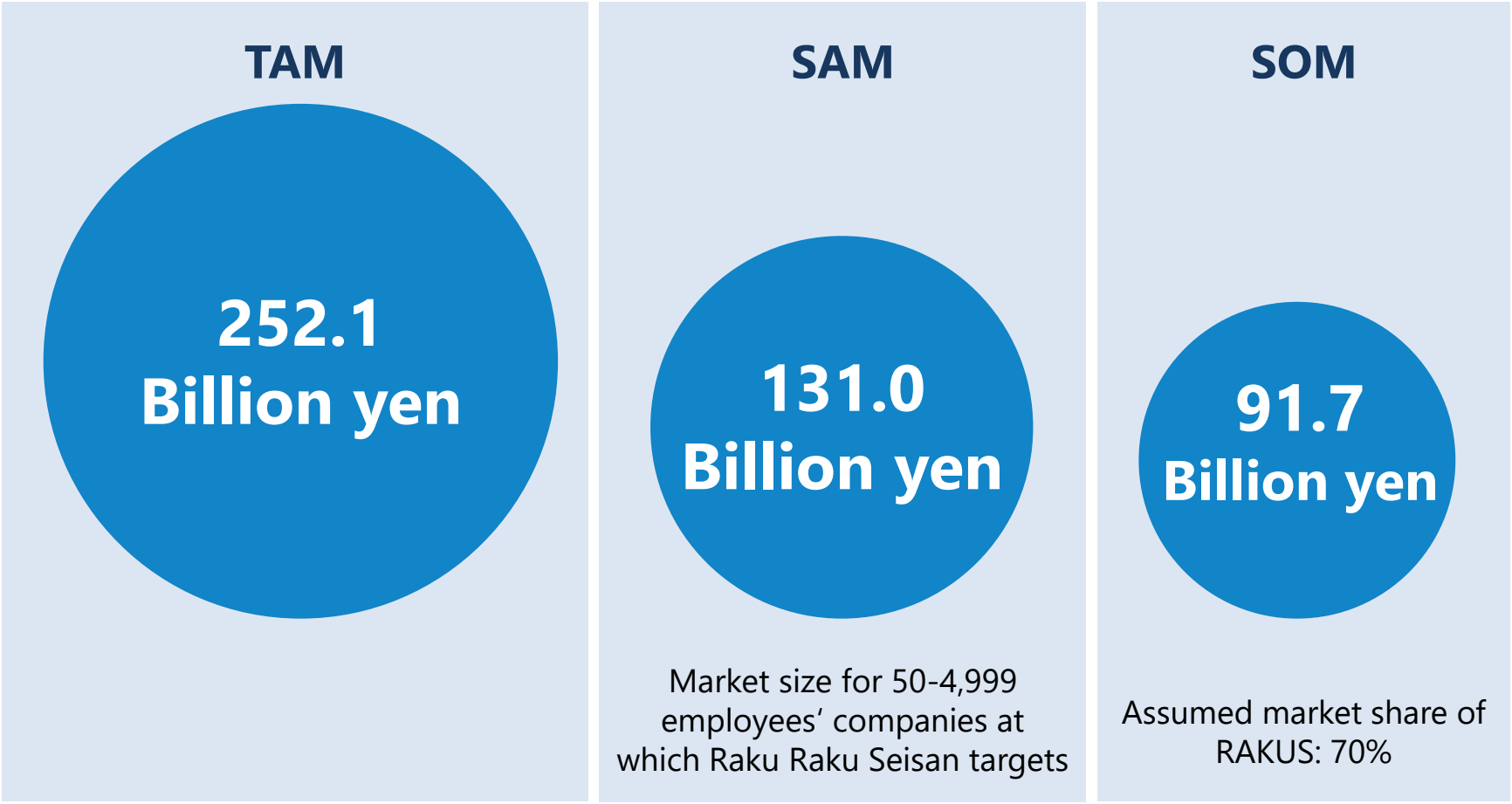
(yen)

	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	**75,541**	**85,592**	**95,762**	**102,308**	**108,379**
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**

* Hai Hai Mail is a main service of E-mail distribution service.

© RAKUS Co., Ltd.

[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.

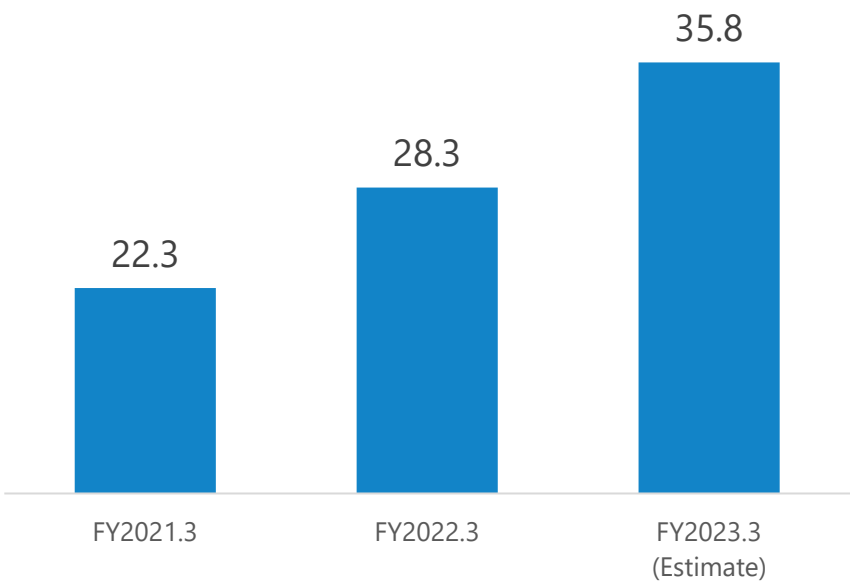
Source: 2016 Economic Census for Business Activity

© RAKUS Co., Ltd.

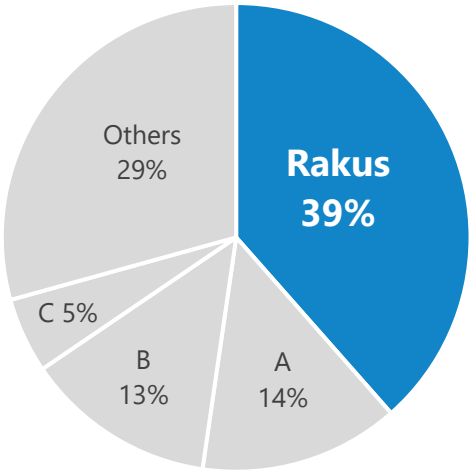
The Market for Cloud-based Expense Settlement Systems

Market Size

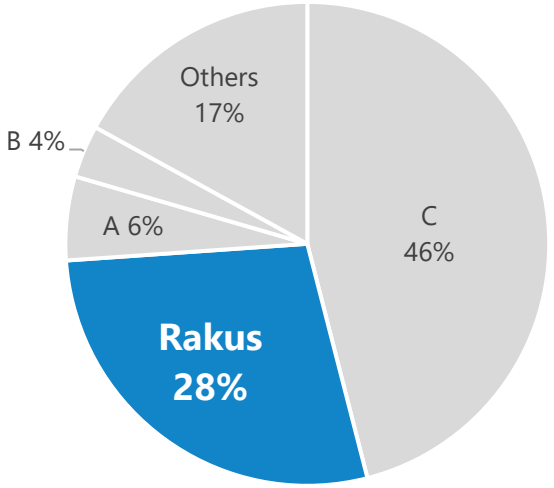
(billion yen)



Market shares based on Introduced Numbers

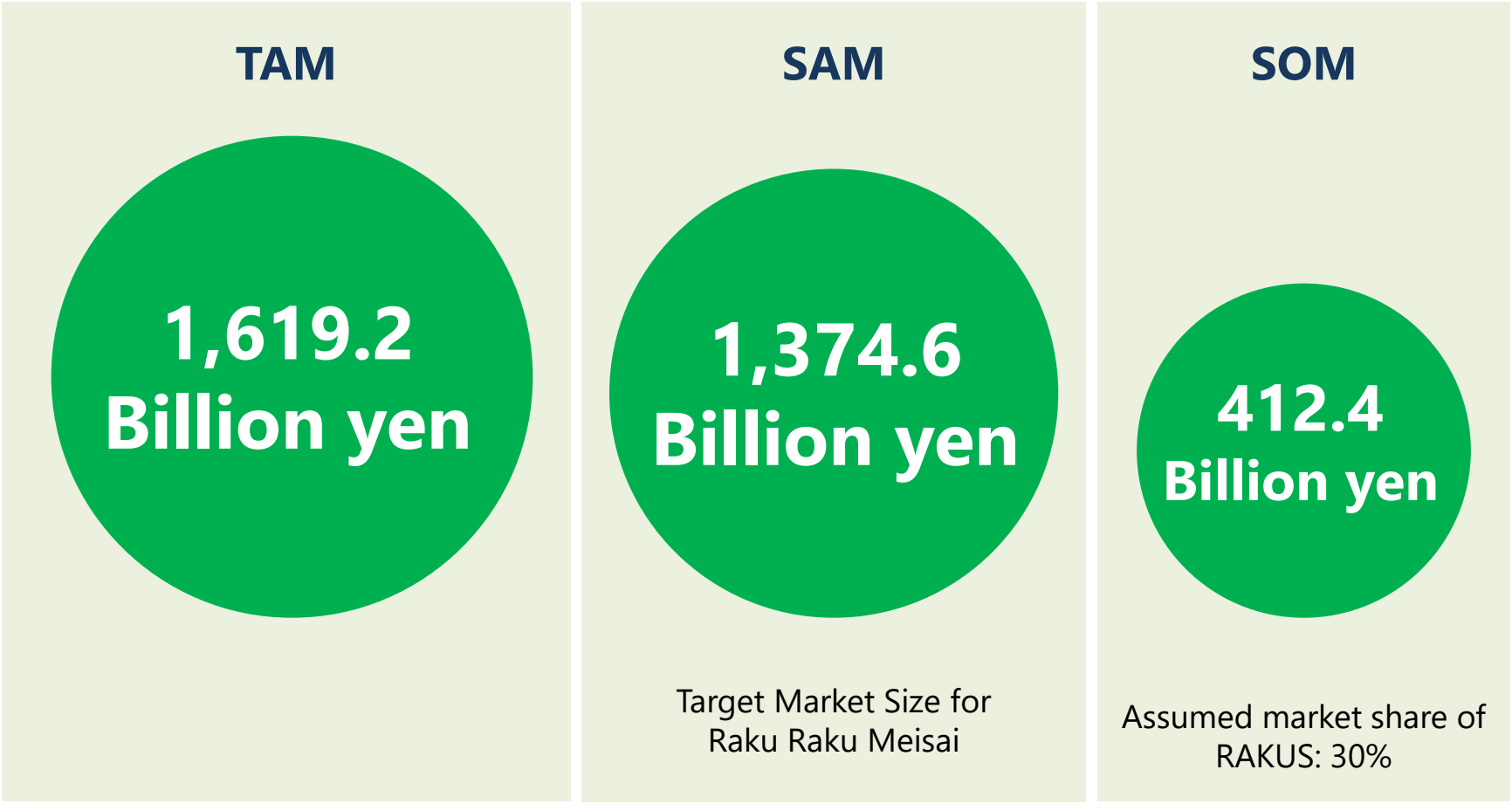


Market shares based on Sales



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



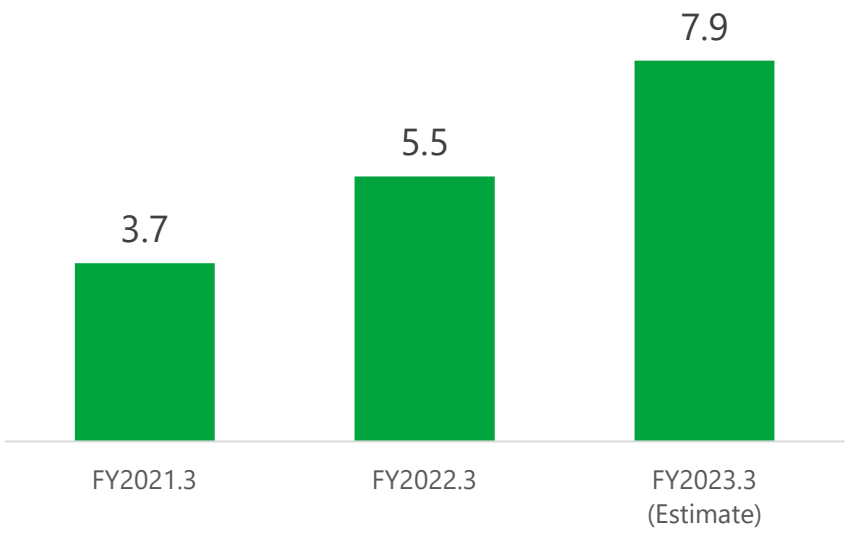
The addressable market and our target assumptions are estimates based on the following external statistics and published materials as well as the unit prices of our services. Therefore, there is a possibility that these can be different from the actual market size.

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」)

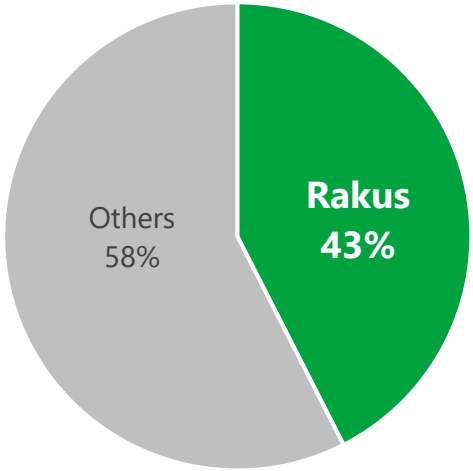
The Market for Cloud-based Bill Issuance System

Market Size

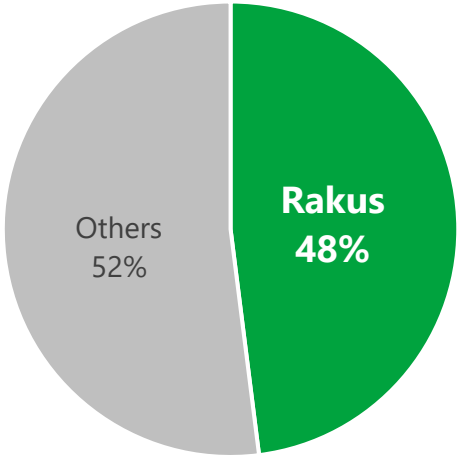
(billion yen)



Market shares based on Introduced Numbers



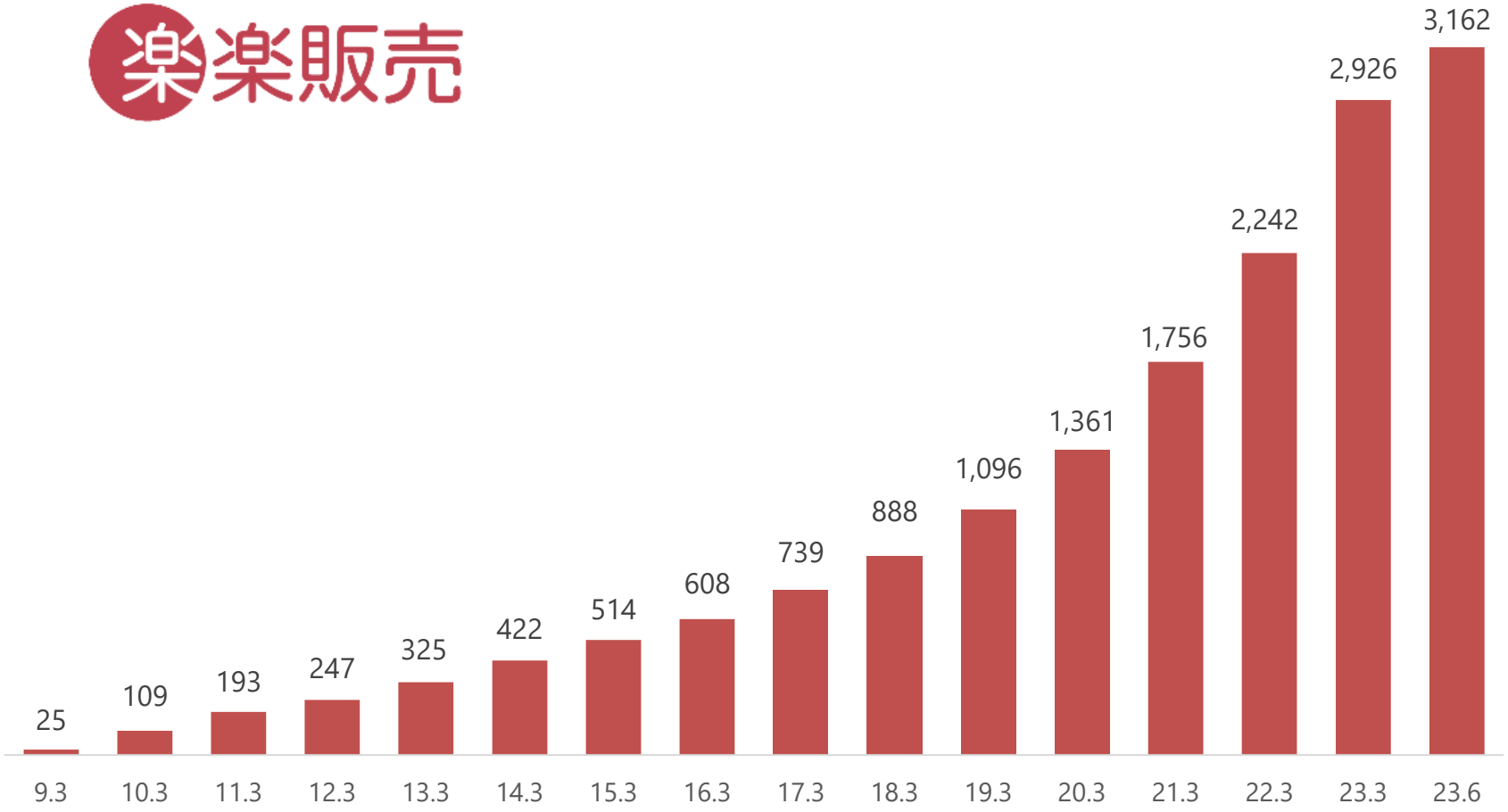
Market shares based on Sales



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

楽楽販売

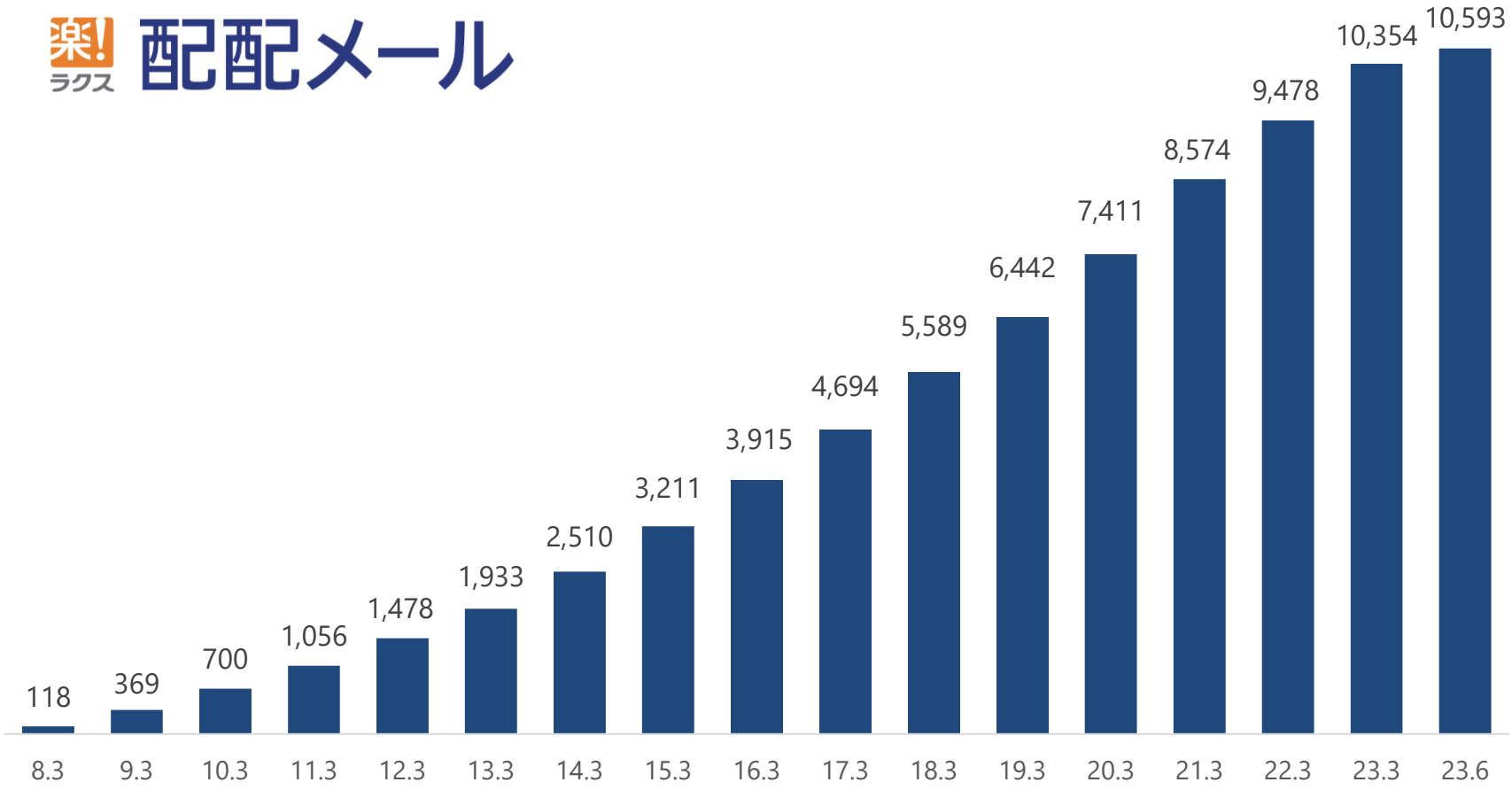


楽! ラクス

© RAKUS Co., Ltd.

Cumulative Number of Companies Using Hai Hai Mail

楽! ラクス 配配メール



楽! ラクス

© RAKUS Co., Ltd.

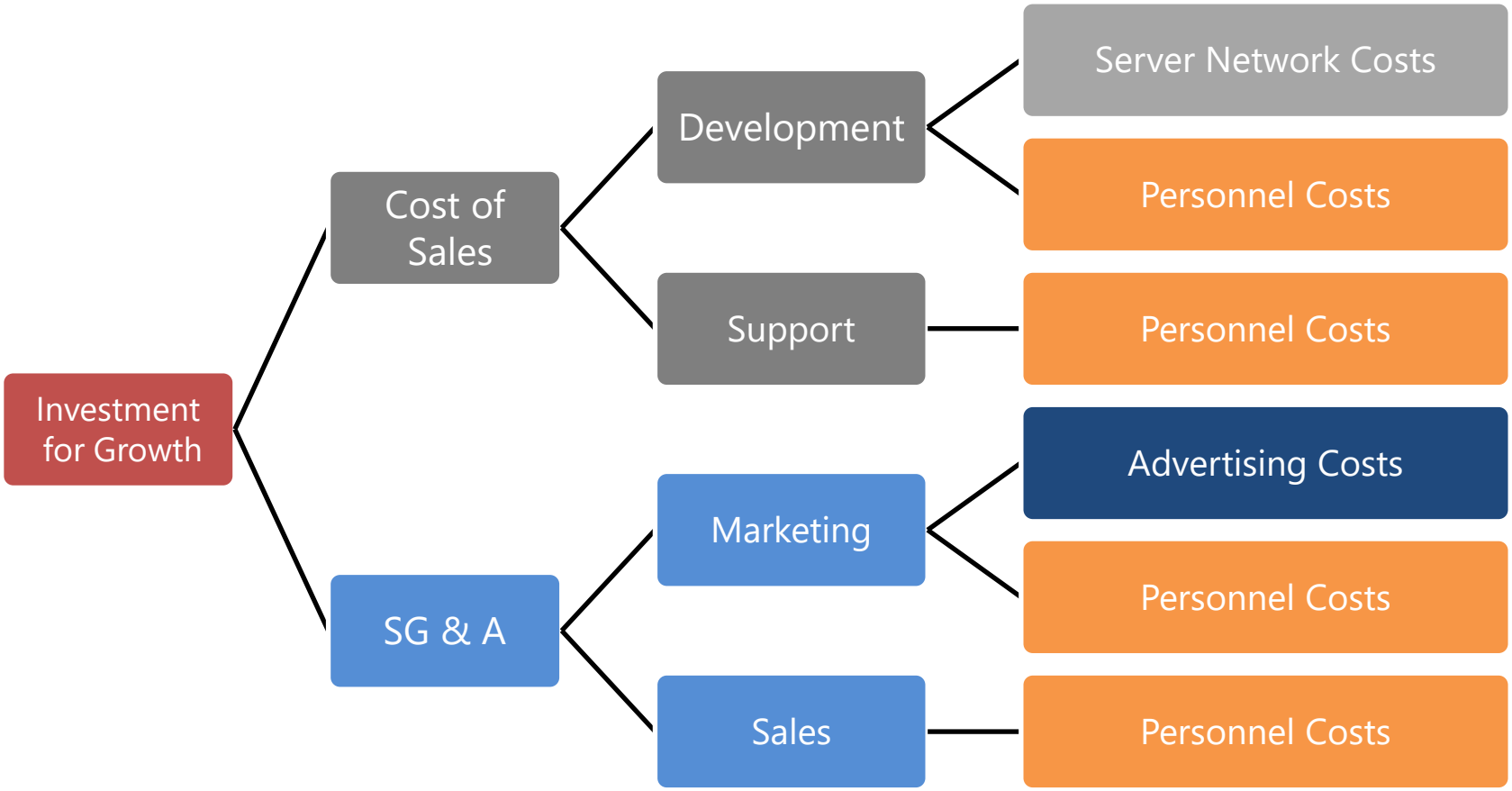
Cumulative Number of Companies Using Mail Dealer



楽! ラクス

© RAKUS Co., Ltd.

Breakdown of Investment for Growth (Cloud Business)



This material is only for the purpose of providing information to investors. It is not to induce investors to buy or sell shares in the company.

Forward looking statements in the material are based on our goals and forecasts. They are not guarantees of future performance.

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

Market information included in this material is based on reliable data, but the company cannot guarantee its accuracy or integrity.

This material is provided under the condition that investors use it at their own discretion and use it on their own judgement. The company shall not be liable under any circumstances.

© RAKUS Co., Ltd.