Earnings Results for H1 of the fiscal year ending March 2024

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

November 13, 2023

Key points

Consolidated Results for H1 of FY2024.3

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

Cloud Business

- In addition to improvements in productivity, the tailwind from the Invoice System led to strong orders for our main services, Raku Raku Seisan and Raku Raku Meisai.
- ARR (Annual Recurring Revenue) reached 29.8 billion yen as of September and 30 billion yen as of October.

IT Outsourcing Business

- Sales increased driven by increase in the number of engineers in operations, but profit decreased due to lower engineers' utilization ratio.

Future Outlook

- Significant profit increase is planned due to the expansion of sales and improvements in productivity.
- Aiming for a high level of growth rate and profitability towards the final year of the Medium-Term Management Targets.

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Consolidated Results for H1 of the fiscal year ending March 2024

Summary of Consolidated Results for H1 of FY2024.3

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

		Year on Year
Net Sales	**17,662** million yen	**+38.7%**
Operating Profit	**1,718** million yen	**+153.5%**
Ordinary Profit	**1,749** million yen	**+151.0%**
EBITDA	**2,125** million yen	**+116.5%**
Profit attributable to owners of parent	**1,208** million yen	**+185.7%**

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

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Outline of the Consolidated Results for H1 of FY2024.3

(million yen)

	FY2023.3 H1	FY2024.3 H1 Guidance	FY2024.3 H1 Actual	YoY		vs Guidance	
Net Sales	**12,736**	**17,485**	**17,662**	**+4,925**	**+38.7%**	**+177**	**+1.0%**
Cost of sales	4,060	5,252	5,217	+1,157	+28.5%	-34	-0.7%
Gross profit	8,676	12,232	12,444	+3,768	+43.4%	+212	+1.7%
GP margin	68.1%	70.0%	70.5%				
SG&A	7,998	10,877	10,726	+2,728	+34.1%	-150	-1.4%
Operating profit	**677**	**1,355**	**1,718**	**+1,040**	**+153.5%**	**+363**	**+26.8%**
OP margin	5.3%	7.7%	9.7%				
Ordinary profit	**697**	**1,375**	**1,749**	**+1,052**	**+151.0%**	**+374**	**+27.3%**
Ordinary profit margin	5.5%	7.9%	9.9%				
EBITDA	**981**	**1,760**	**2,125**	**+1,143**	**+116.5%**	**+365**	**+20.7%**
EBITDA margin	7.7%	10.1%	12.0%				
Income tax	253	501	545				
Tax rate	37.5%	36.3%	31.1%				
Profit attributable to owners of parent	**423**	**878**	**1,208**	**+785**	**+185.7%**	**+330**	**+37.7%**

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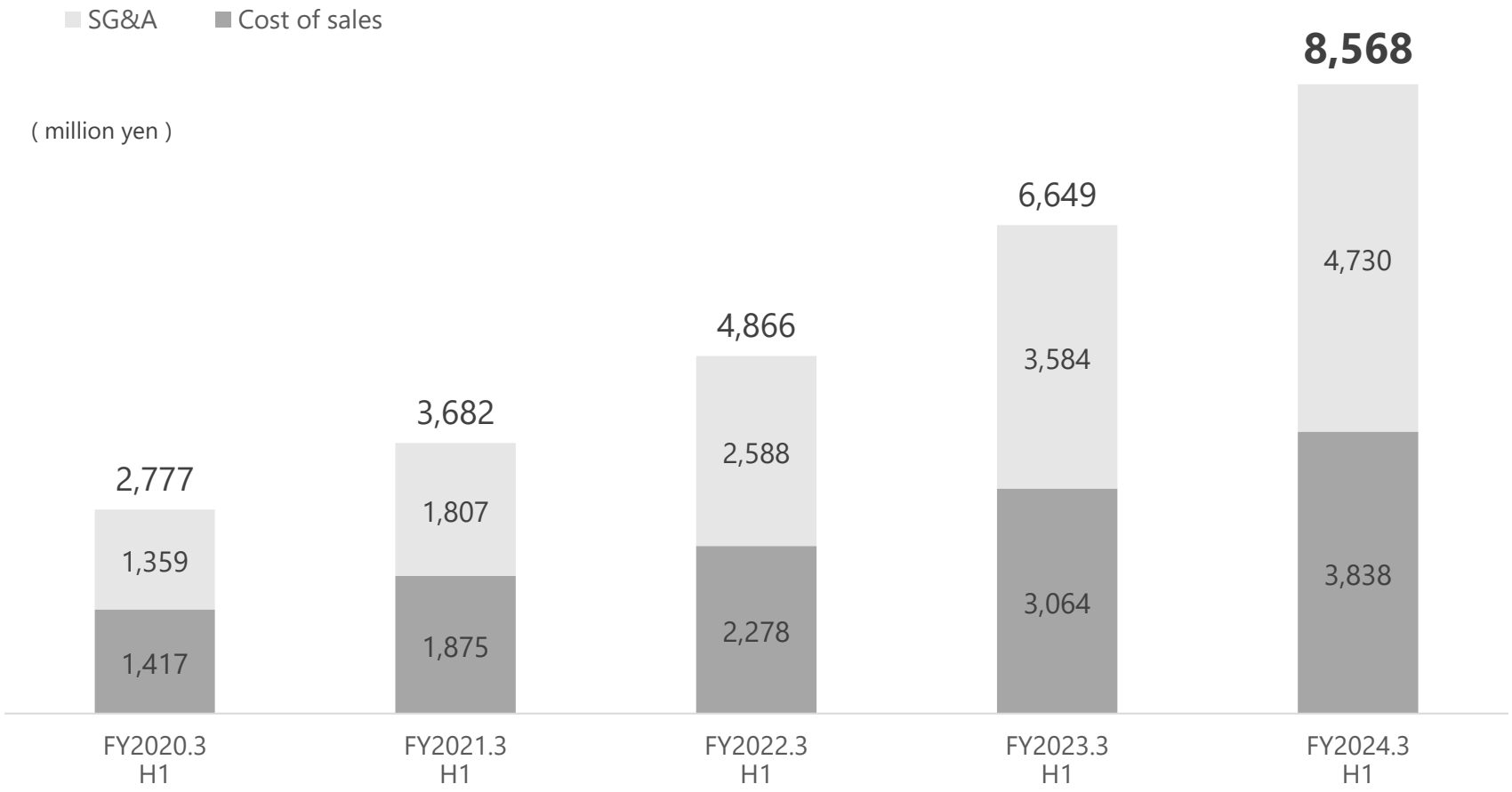
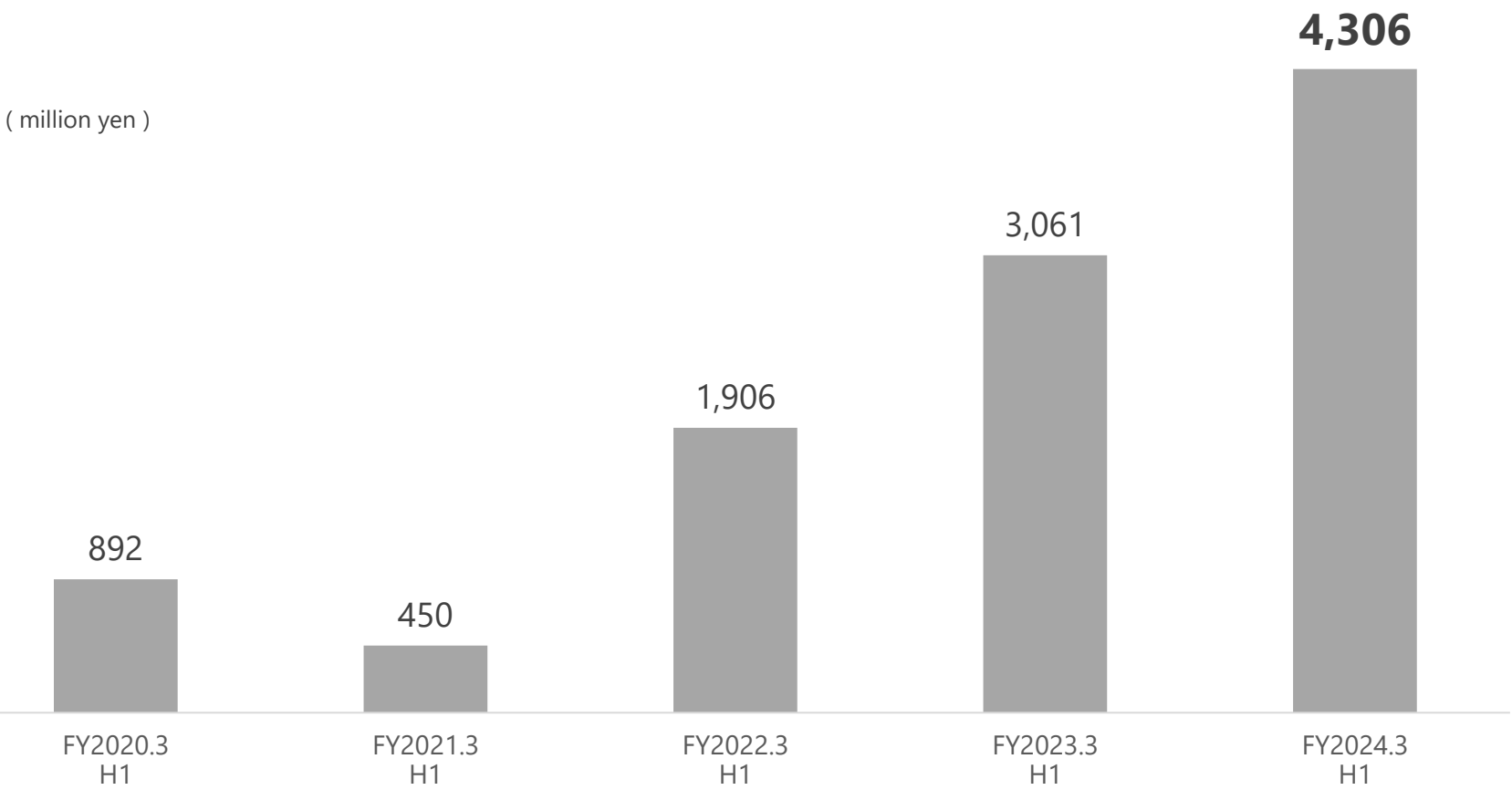
Personnel Costs

Headcount increased as planned due to aggressive recruiting while organizational productivity enhanced.



Advertising Costs

Continued aggressive marketing activities with a focus on Raku Raku Seisan and Raku Raku Meisai.



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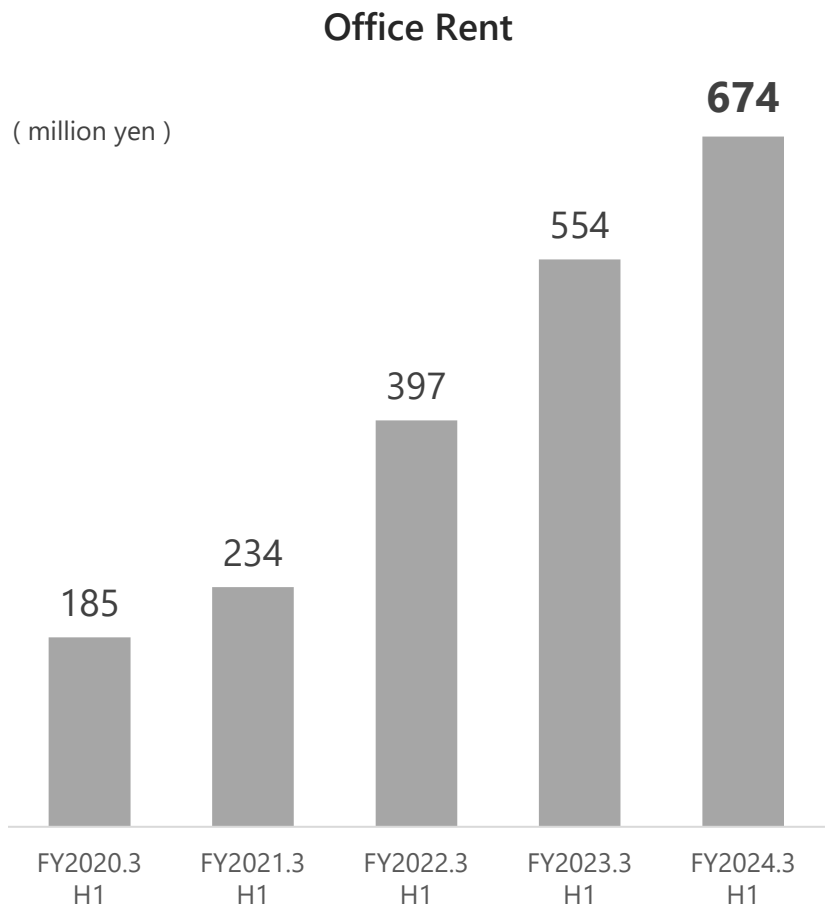
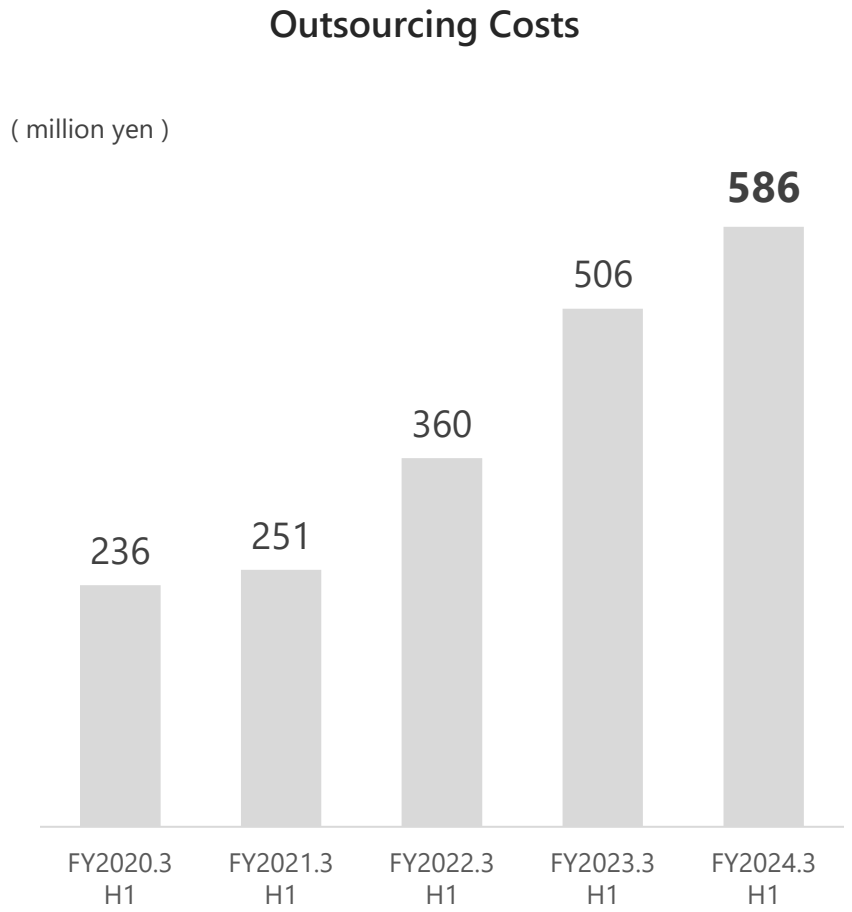
Office Rent and Outsourcing Costs

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





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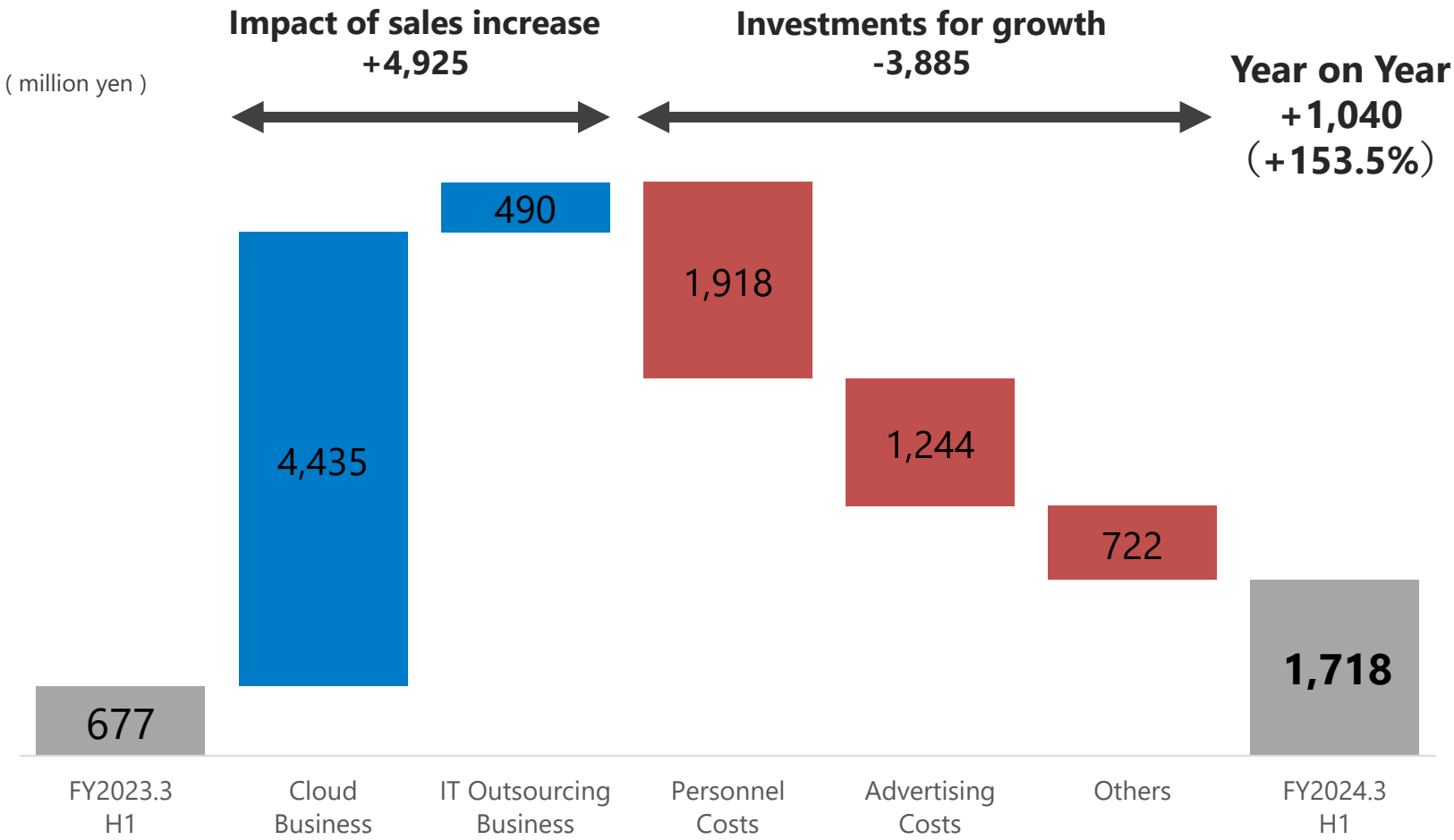
Factors for Changes in Consolidated Operating Profit
(Year on Year)

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



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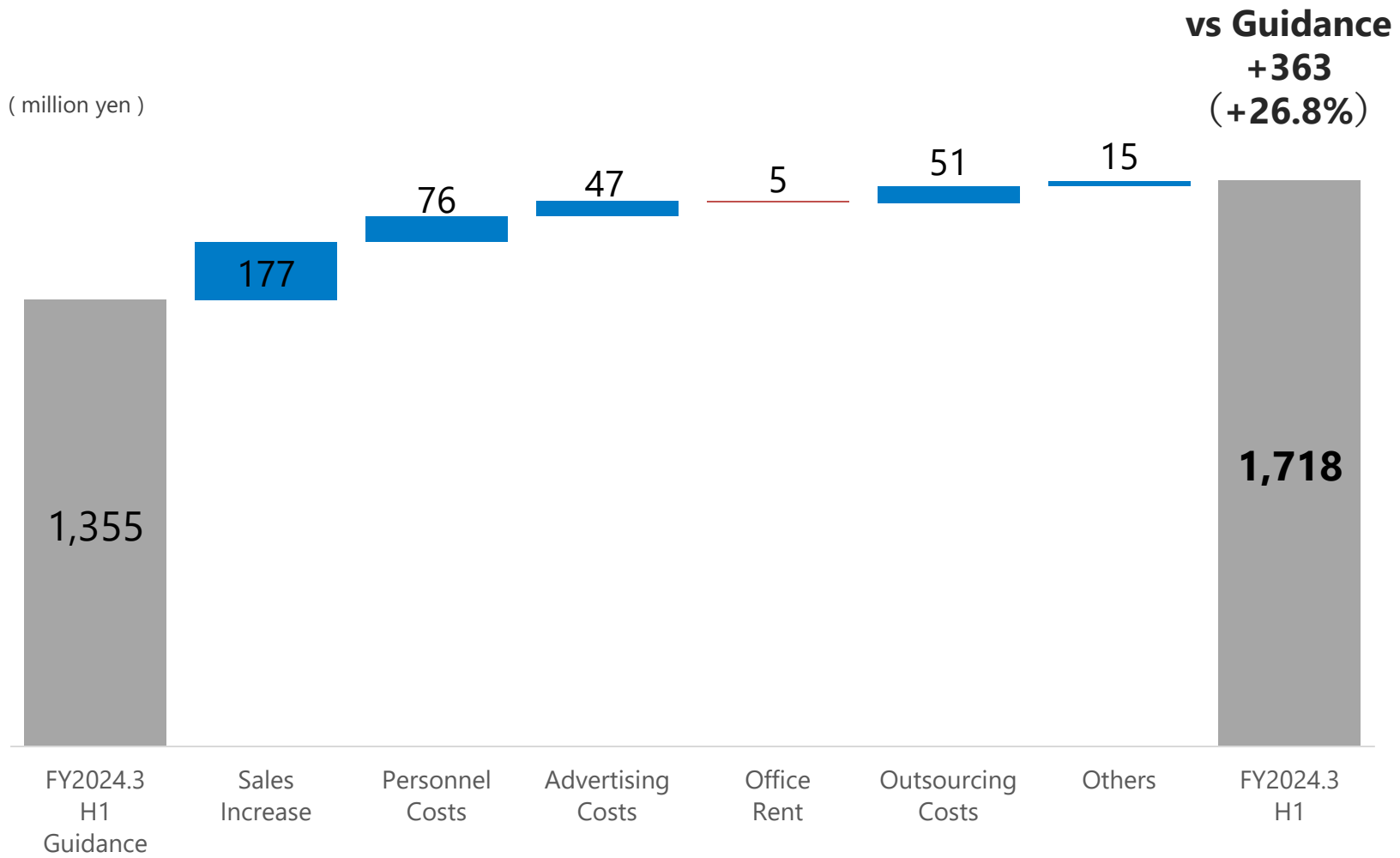
Factors for Changes in Consolidated Operating Profit (vs Guidance)

Profit increased due to higher-than-planned sales growth and a decrease in various expenses.



Consolidated Balance Sheet

(million yen)

	End of March 2023	End of September 2023	Difference
Current assets	10,479	10,003	-475
Non-current assets	3,594	7,564	+3,969
Total assets	**14,073**	**17,568**	**+3,494**
Current liabilities	4,347	6,171	+1,824
Non-current liabilities	178	967	+788
Total liabilities	**4,525**	**7,138**	**+2,612**
Shareholders' equity	9,534	10,389	+855
Accumulated other comprehensive income	13	40	+26
Total equity	**9,548**	**10,430**	**+881**
Total liabilities and equities	**14,073**	**17,568**	**+3,494**
Equity ratio	**67.8%**	**59.4%**	

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Cash Flow Statement

(million yen)

	H1 FY2023.3	H1 FY2024.3	Difference
Cash flow from operating activities	**1,136**	**1,385**	**+249**
Cash flow from investing activities	**-372**	**-3,883**	**-3,511**
Free cash flow	**764**	**-2,498**	**-3,262**
Cash flow from financing activities	**-346**	**956**	**+1,303**
Cash and cash equivalent at the end of the fiscal year	**5,295**	**4,460**	**-835**
Depreciation	**202**[*1]	**249**[*2]	**+47**
Amortization of goodwill	**81**	**124**	**+42**

*1 202 million yen of depreciation includes 36 million yen of amortization of customers' assets acquired through M&A.

*2 249 million yen of depreciation includes 36 million yen of amortization of customers' assets acquired through M&A.

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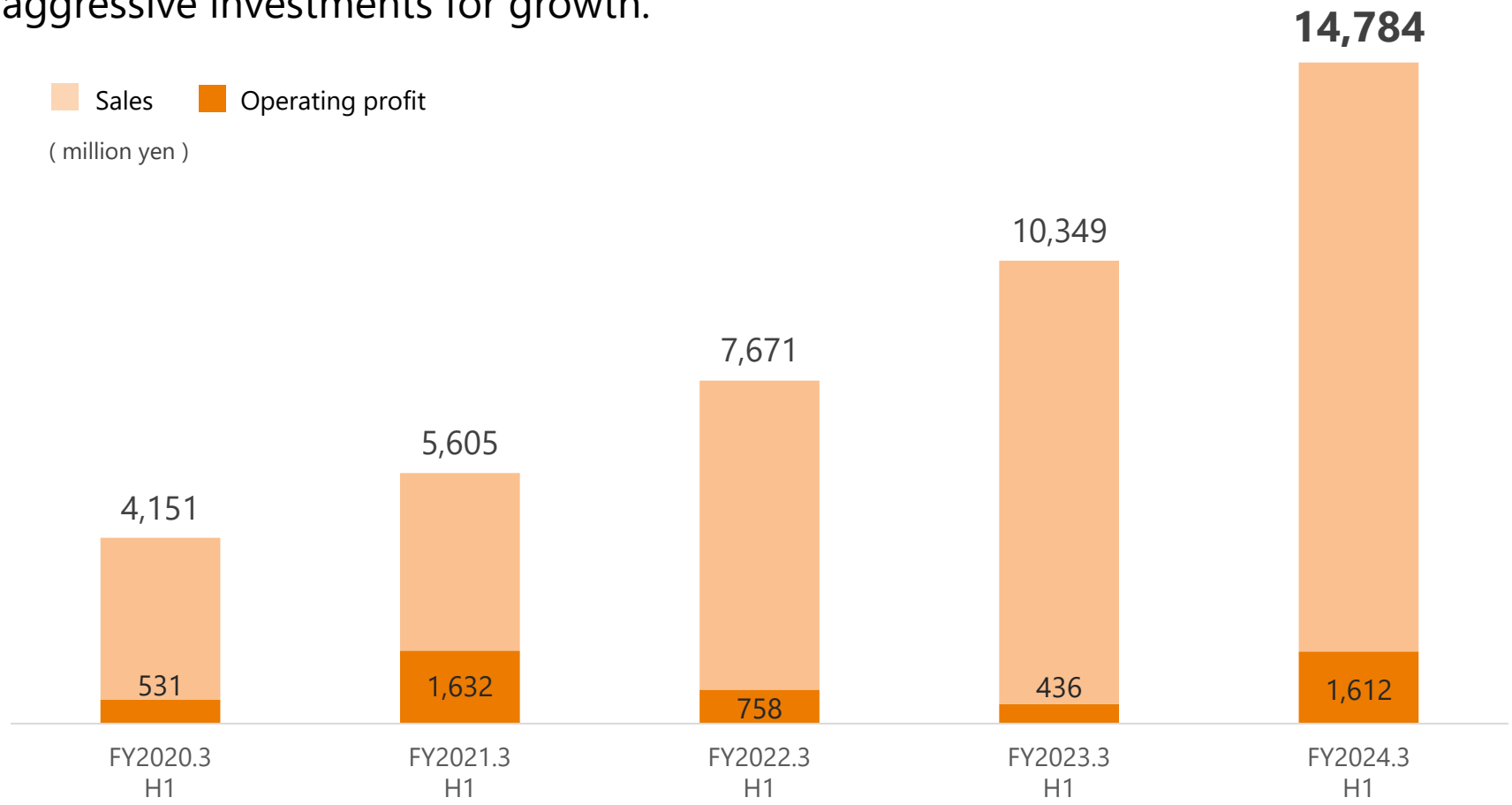
Cloud Business

Performance of the Cloud Business

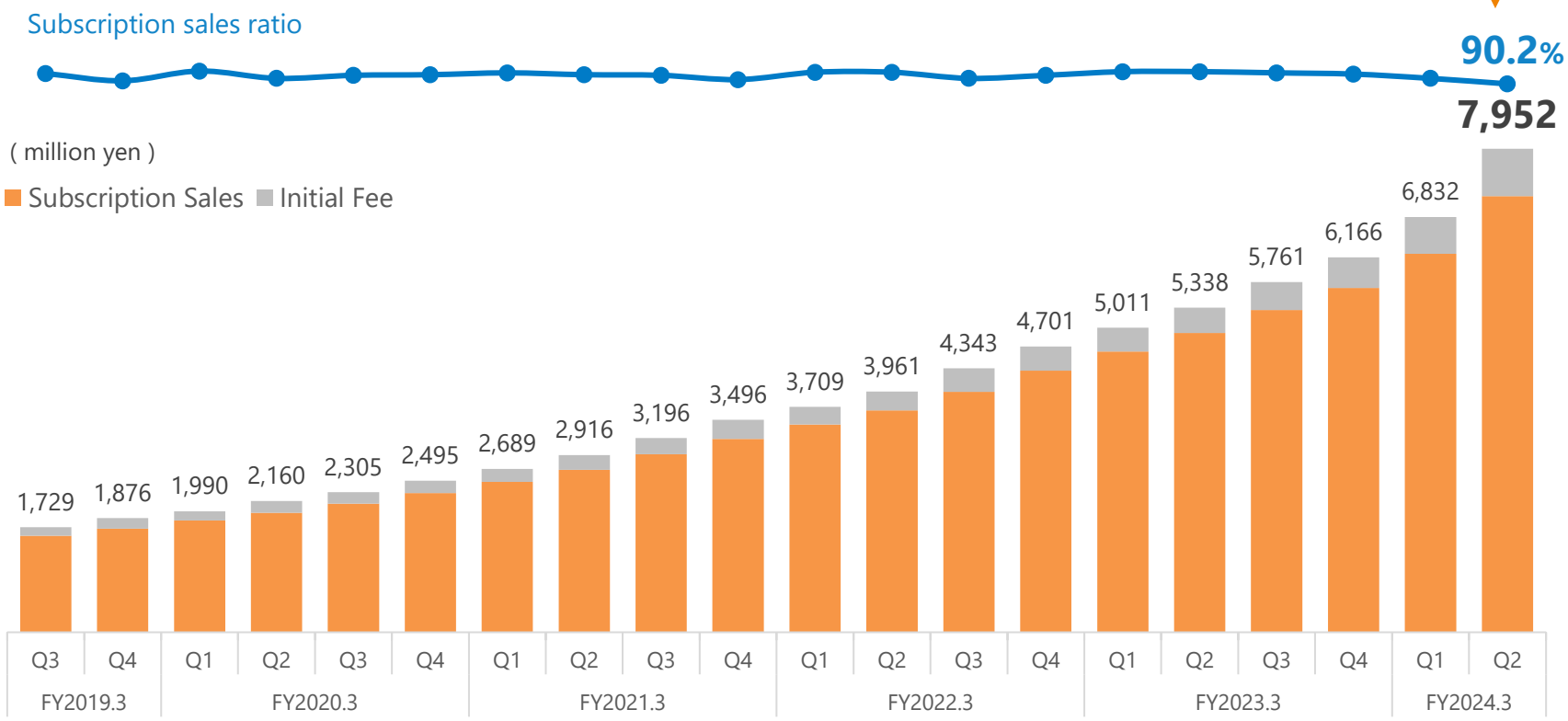
Sales performed strongly due to a steady increase in new orders for the main services.
Profit increased significantly because of sales growth exceeding the scale of aggressive investments for growth.



Subscription Sales of the Cloud Business

Significant customer growth led to higher one-off sales.
However, the subscription sales ratio remained high.

Sep. 2023
ARR
29.8
billion yen



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

Sales of the Cloud Business by Service

Our main services, Raku Raku Series, led the high growth.

(million yen)

	FY2023.3 Q2	FY2024.3 Q2	YoY	FY2023.3 H1	FY2024.3 H1	YoY
Raku Raku Seisan	2,494	3,546	+42.2%	4,816	6,713	+39.4%
Raku Raku Meisai	847	1,661	+96.1%	1,626	2,956	+81.7%
Raku Raku Hambai	547	842	+53.9%	1,051	1,595	+51.8%
E-mail distribution services	652	735	+12.8%	1,281	1,449	+13.1%
Mail Dealer	600	702	+17.0%	1,188	1,399	+17.7%
Others	196	463	+136.3%	384	669	+74.1%
Total of the Cloud Business	5,338	7,952	+49.0%	10,349	14,784	+42.9%

* 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

Number of newly introduced companies increased significantly due to the strengthening of sales and marketing structure and the improvement needs of operational efficiency triggered by the introduction of the Invoice System.

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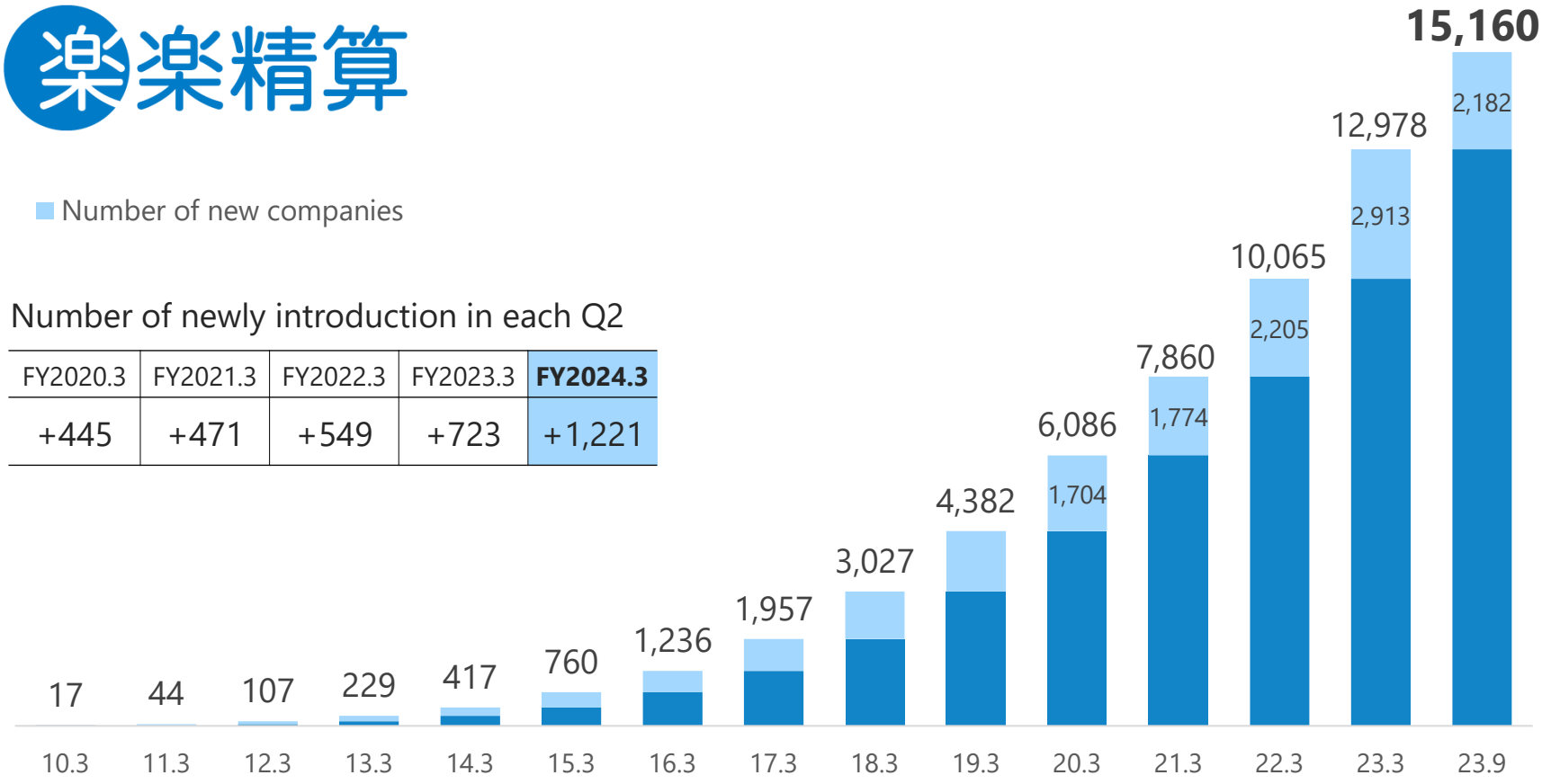
Number of newly introduction in each Q2

FY2020.3	FY2021.3	FY2022.3	FY2023.3	**FY2024.3**
+445	+471	+549	+723	+1,221



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Cumulative Number of Companies Using Raku Raku Meisai

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

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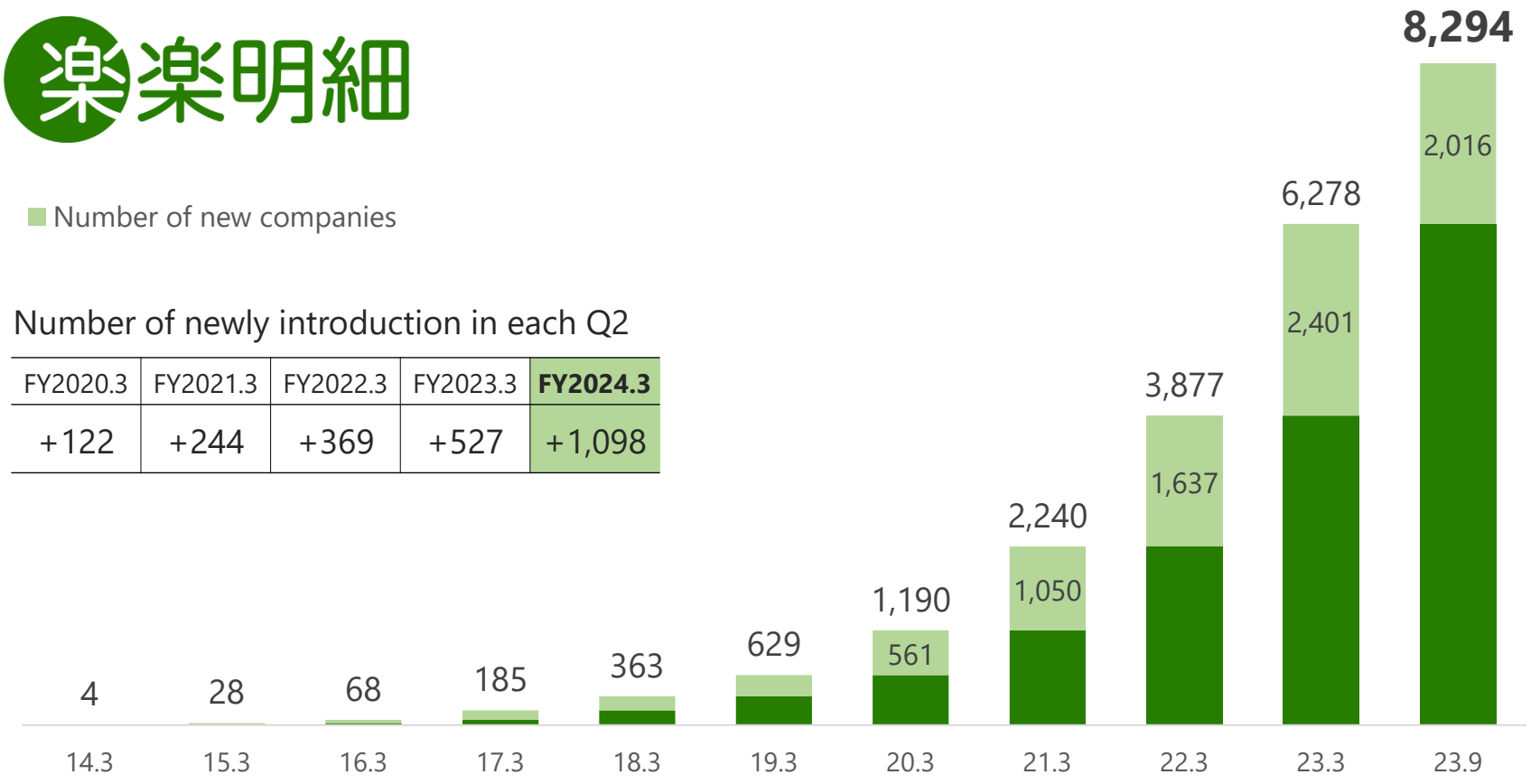
Number of new companies

Number of newly introduction in each Q2

FY2020.3	FY2021.3	FY2022.3	FY2023.3	**FY2024.3**
+122	+244	+369	+527	+1,098



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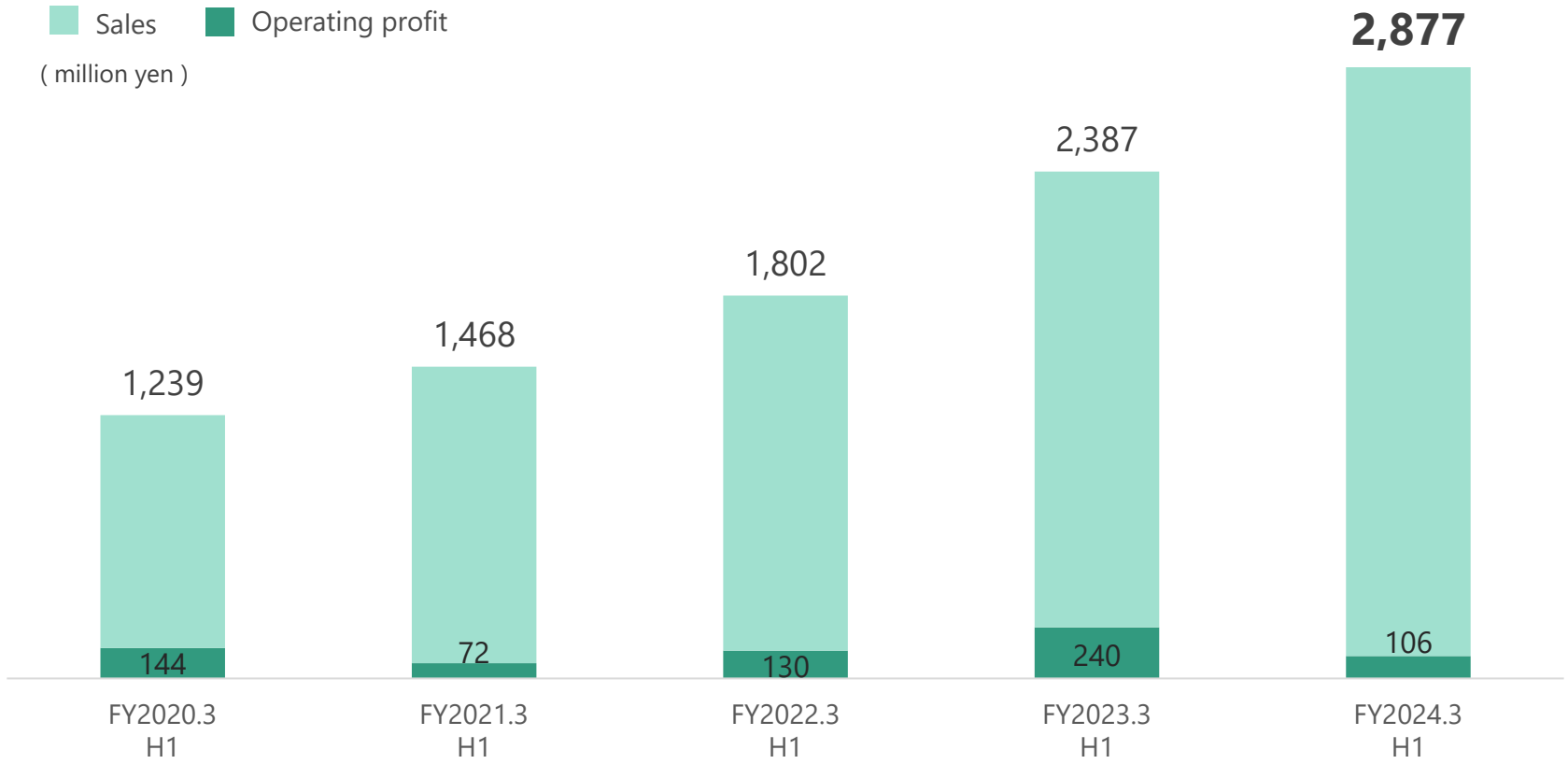
IT Outsourcing Business

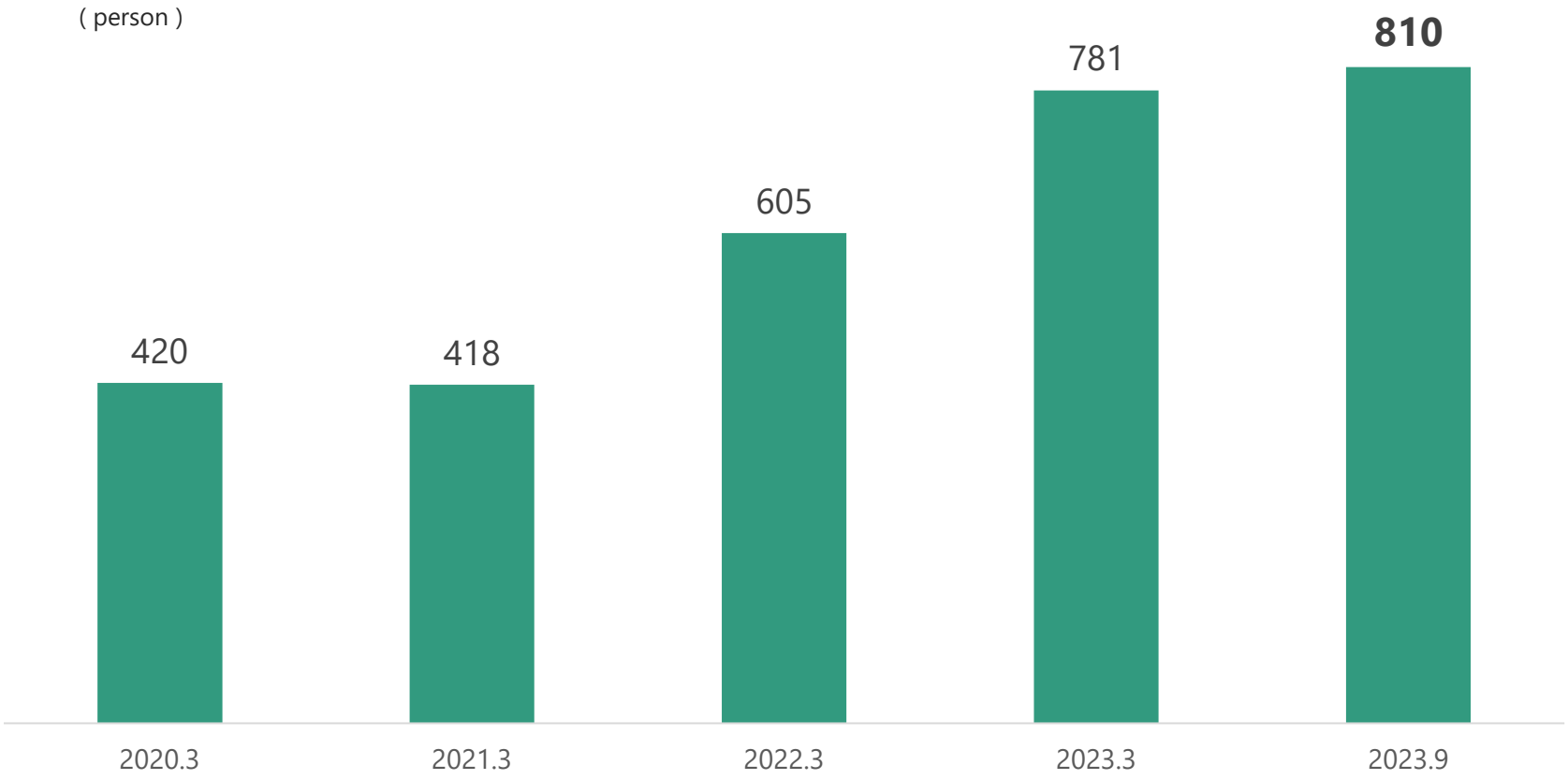
Performance of the IT Outsourcing Business

Sales increased driven by increase in the number of engineers in operations, while 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 hired in Q2 was reduced to prioritize improving utilization ratio.



* These figures include apprentice engineers.

Guidance for full year of the fiscal year ending March 2024

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

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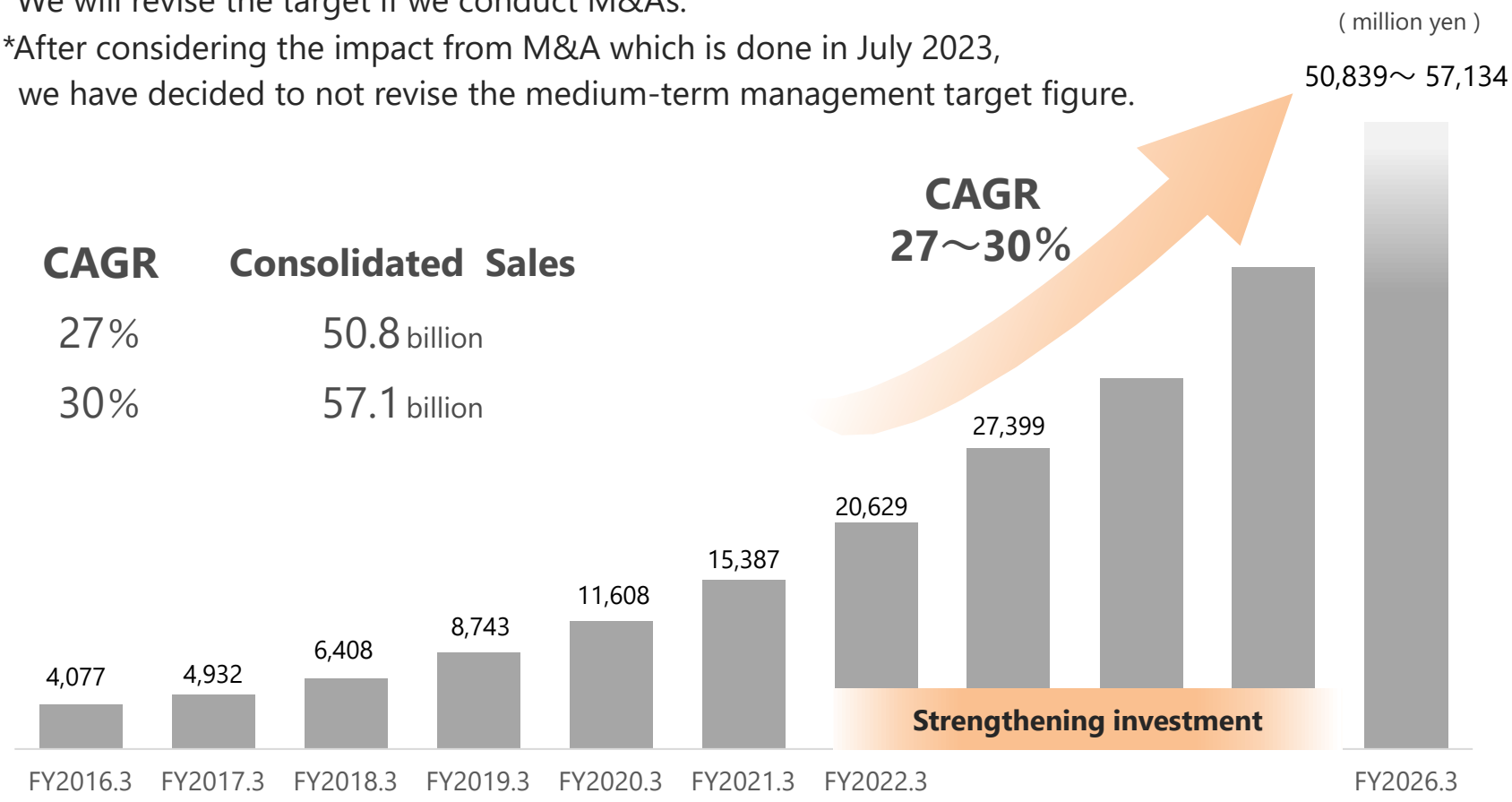
Five-Year Sales and Profit Targets

Our target is to achieve 27-30% sales CAGR and we invest actively over the first 4 years to meet the sales target. We are aiming 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.

*After considering the impact from M&A which is done in July 2023, we have decided to not revise the medium-term management target figure.



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Guidance for full year of FY2024.3

We plan to increase profits significantly by expanding the scale of sales and improving productivity, while aiming for high growth.

	FY2023.3	FY2024.3 (Guidance)	YoY	
Net Sales	**27,399**	**38,295**	**+10,895**	+39.8%
Cost of sales	8,621	10,861	+2,239	+26.0%
Gross profit	18,777	27,433	+8,655	+46.1%
GP margin	68.5%	71.6%		
SG&A	17,121	22,043	+4,921	+28.7%
Operating profit	**1,656**	**5,390**	**+3,733**	+225.4%
OP margin	6.0%	14.1%		
Ordinary profit	**1,677**	**5,424**	**+3,746**	+223.4%
Ordinary profit margin	6.1%	14.2%		
EBITDA	**2,263**	**6,286**	**+4,022**	+177.7%
EBITDA margin	8.3%	16.4%		
Income tax	565	1,421		
Tax rate	30.7%	26.2%		
Profit attributable to owners of parent	**1,274**	**4,001**	**+2,726**	+213.9%

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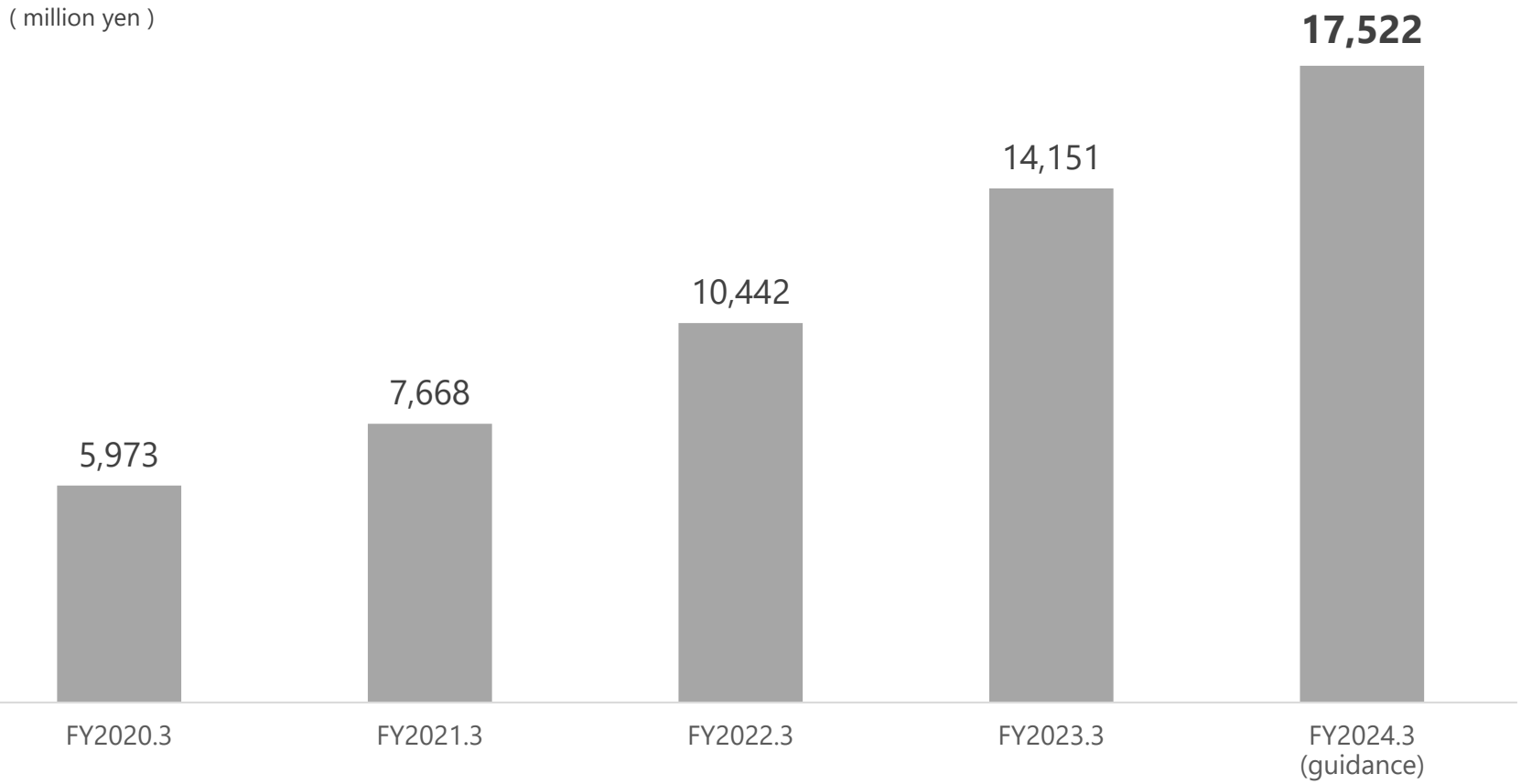
Personnel Costs Guidance

We will continue to actively recruit, especially in Sales and Customer Success.



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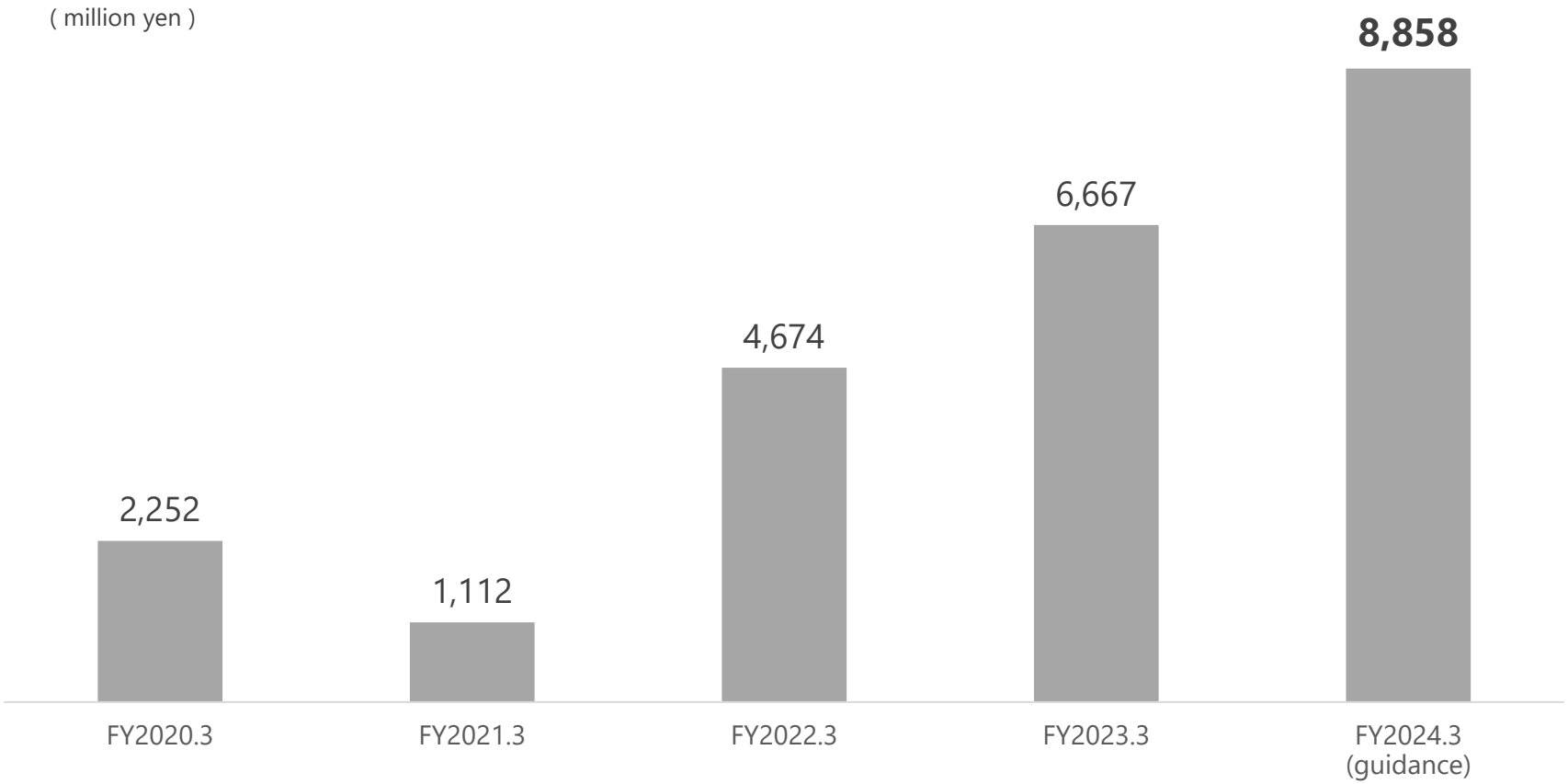
Advertising Costs Guidance

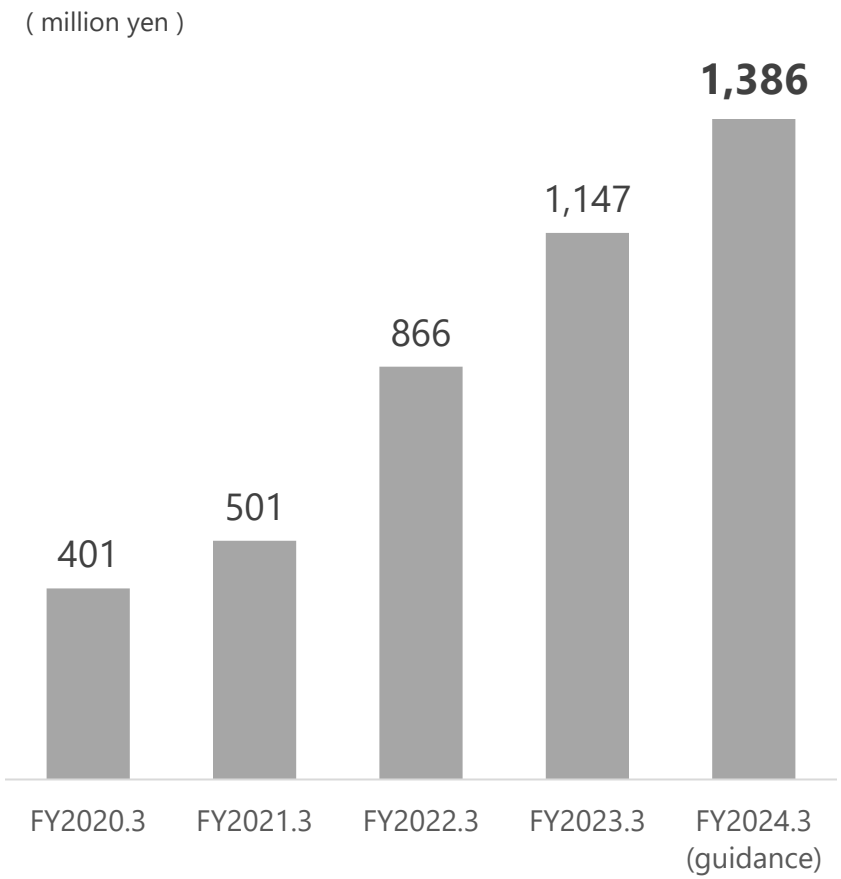
We will continue to invest for growth, focusing on core services, while assessing the investment effectiveness.



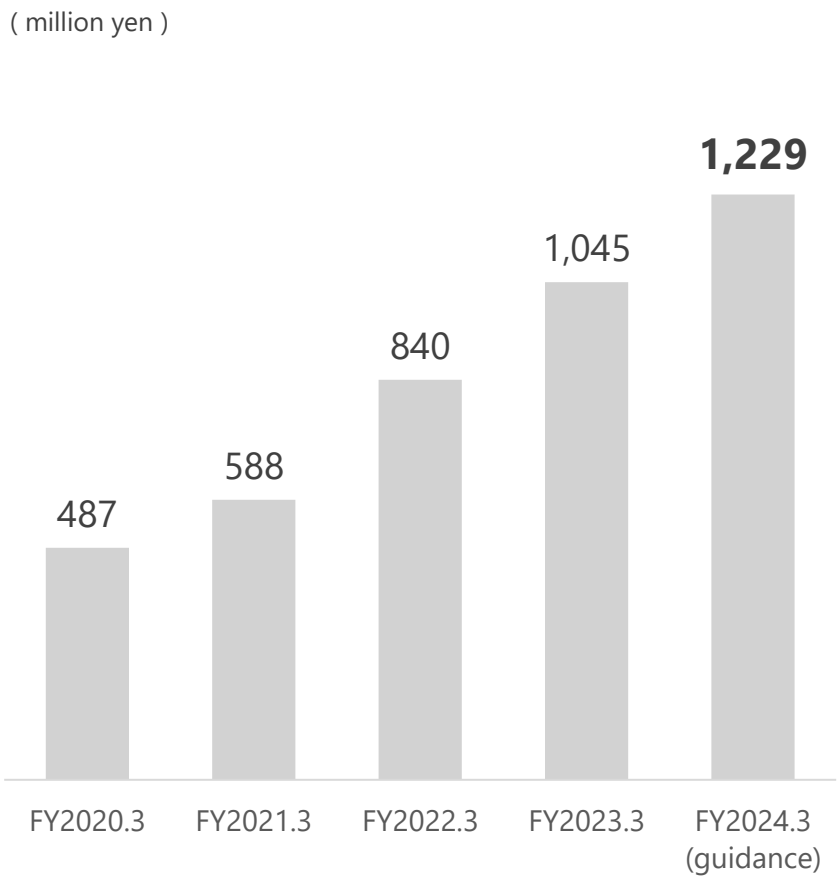
Office Rent and Outsourcing Costs Guidance

Both costs will increase due to the business expansion.

Office Rent



Outsourcing Costs



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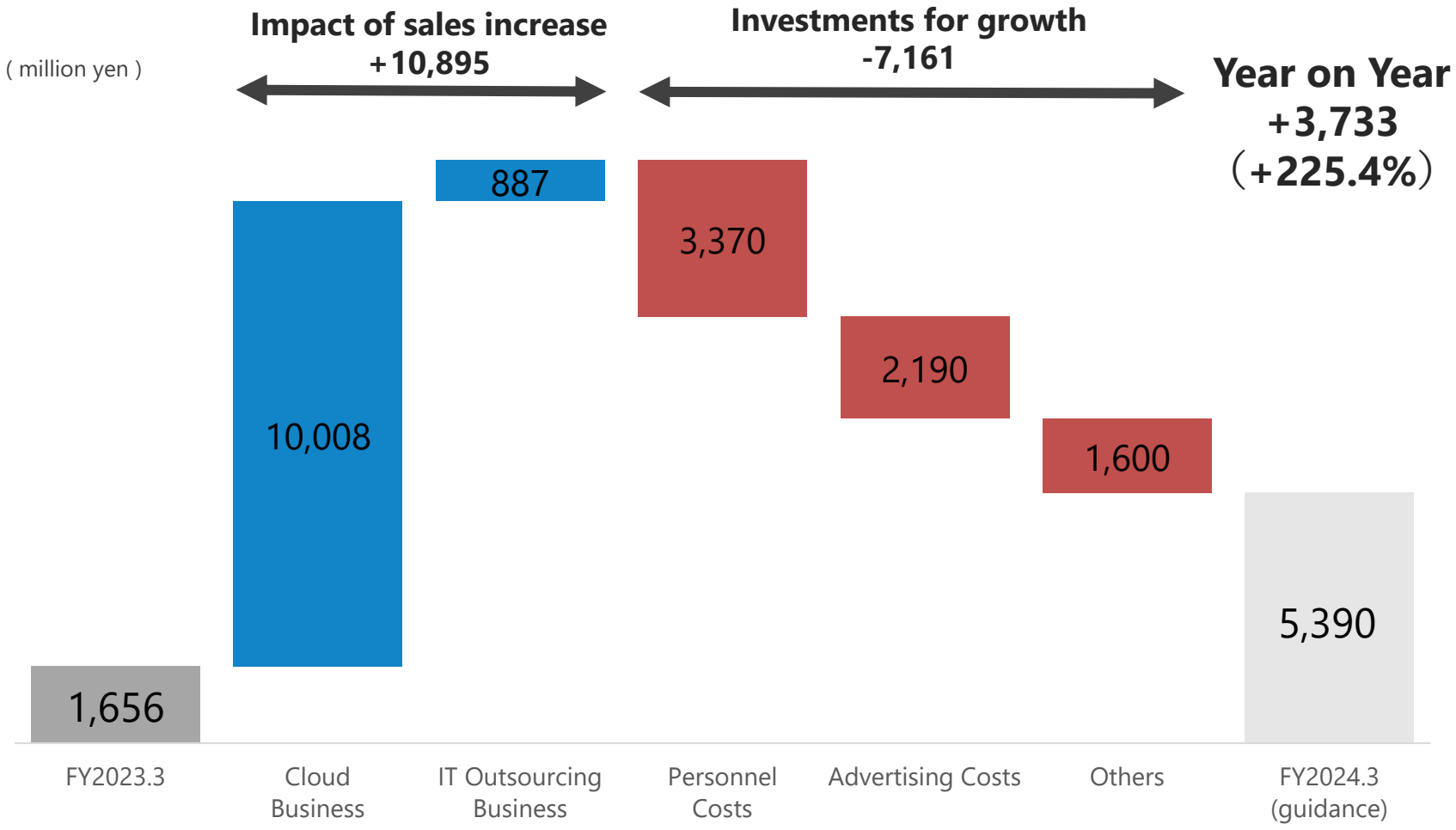
Factors for Changes in Consolidated Operating Profit

Significant profit increase is planned due to the expansion of sales and improvements in productivity.

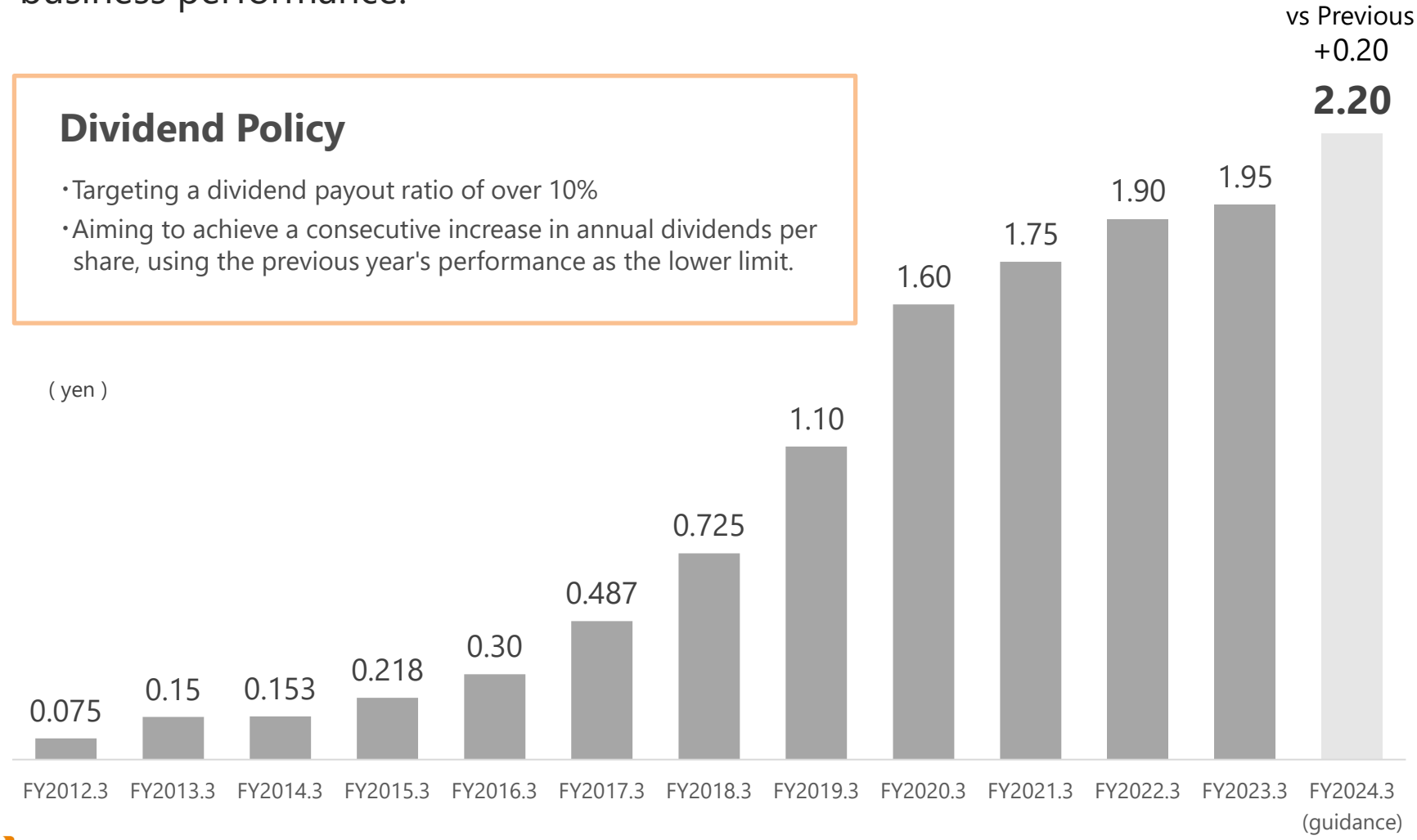


【KPI】Dividend

We revised our dividend guidance based on our dividend policy and current business performance.

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

Unified Brand for Back Office Services

We have unified five services for back-office cloud services under a single brand. Additionally, we have refreshed the brand messaging and communication, including updating the logo colors for five services.

Better and Closer

We are close to the people in charge of the back-office and contribute to the growth of each company. For that purpose, we solve the daily problems of those in charge of back-office operations and support continuous improvement.

楽楽精算	楽楽明細	楽楽電子保存	楽楽販売	楽楽勤怠
経費精算	電子請求書発行	電子帳簿保存	販売管理	勤怠管理
Raku Raku Seisan	Raku Raku Meisai	Raku Raku Denshihozon	Raku Raku Hambai	Raku Raku Kintai
Expense Settlement	Electronic Invoicing	Electronic Document Storage	Sales Management	Attendance Management

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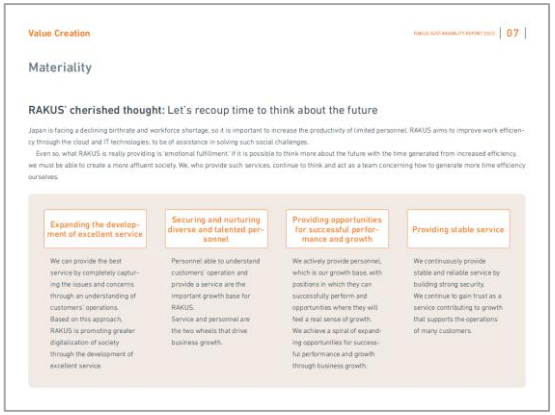
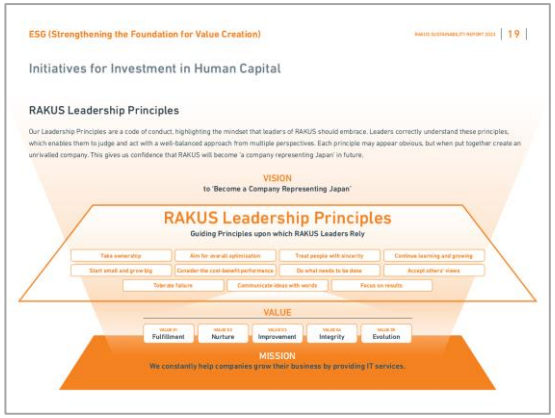
RAKUS Sustainability Report 2023









'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 RAKUS.

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

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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	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.

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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 .

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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	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.

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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	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.

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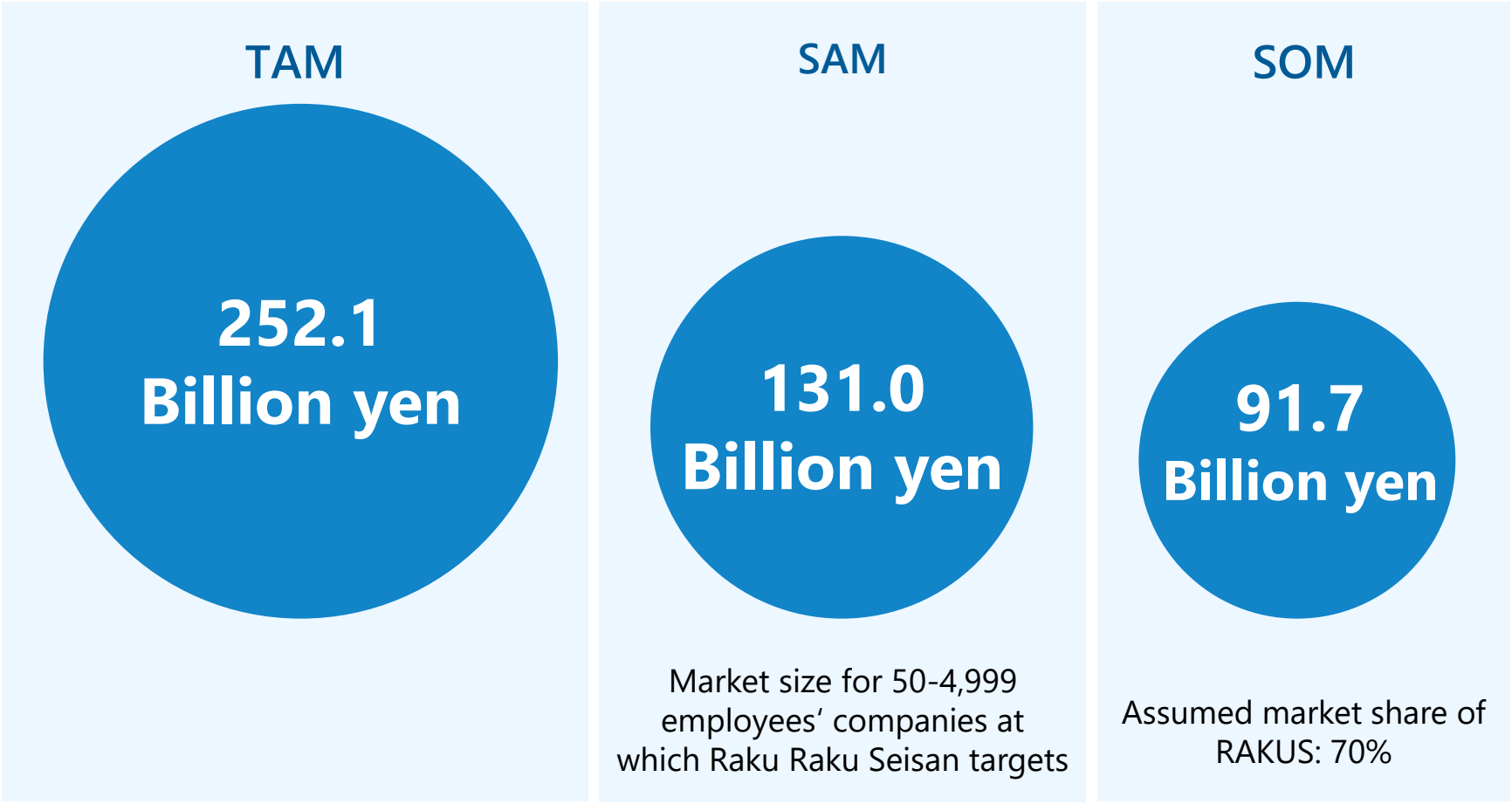
[Raku Raku Seisan] Market Size for Expense Settlement System



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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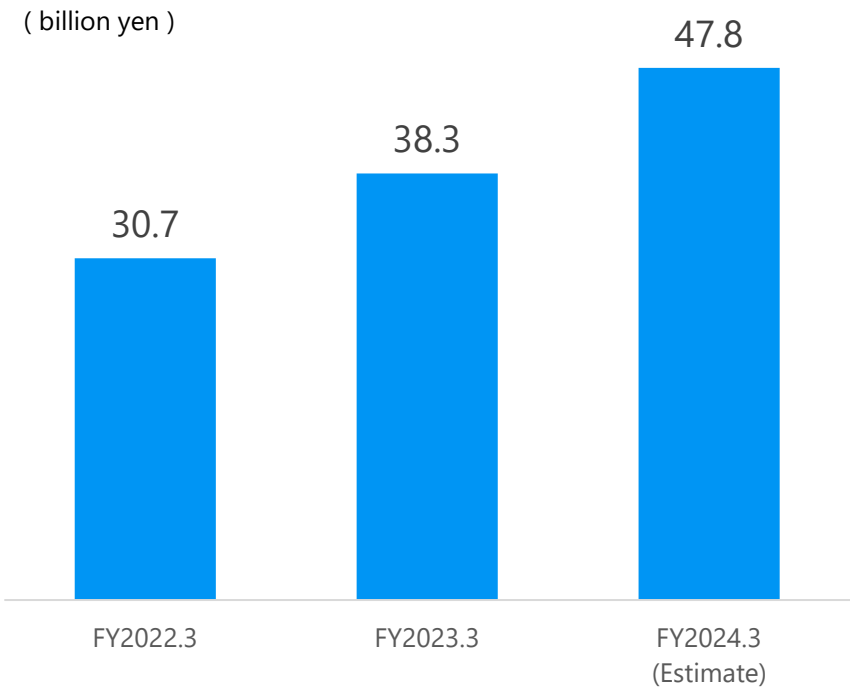
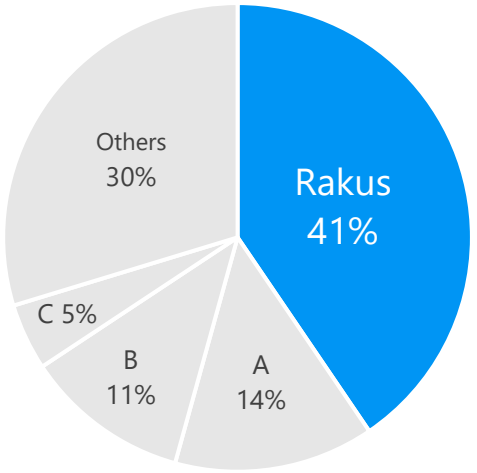
The Market for Cloud-based Expense Settlement Systems

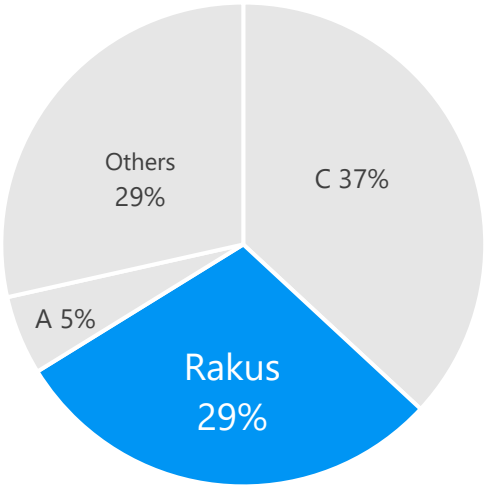
Market Size



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2023年9月号：https://mic-r.co.jp/micit/）
*Introduced numbers and Sales are for the estimated FY2024.3

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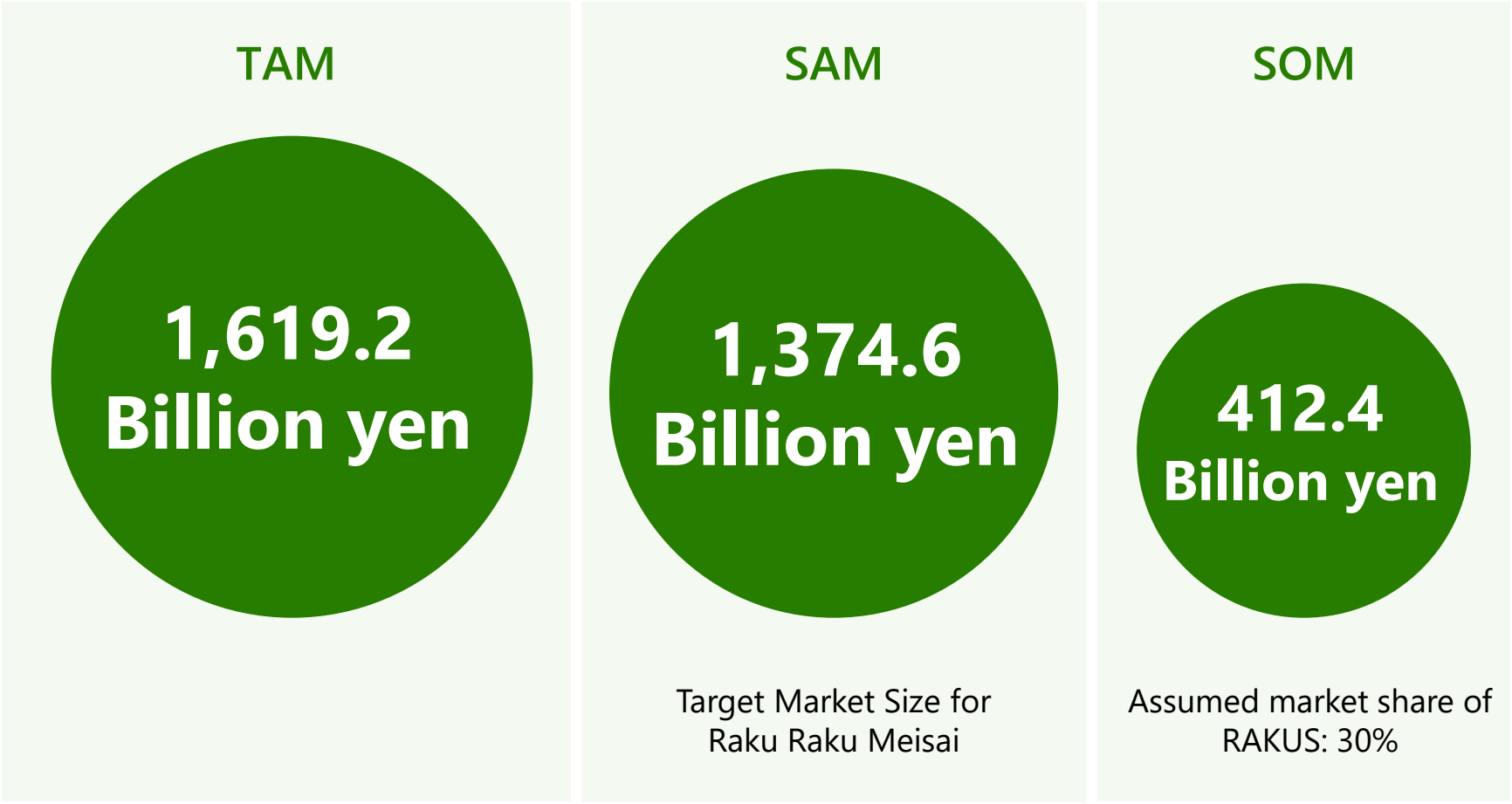
[Raku Raku Meisai] Market Size for Bill Issuance System



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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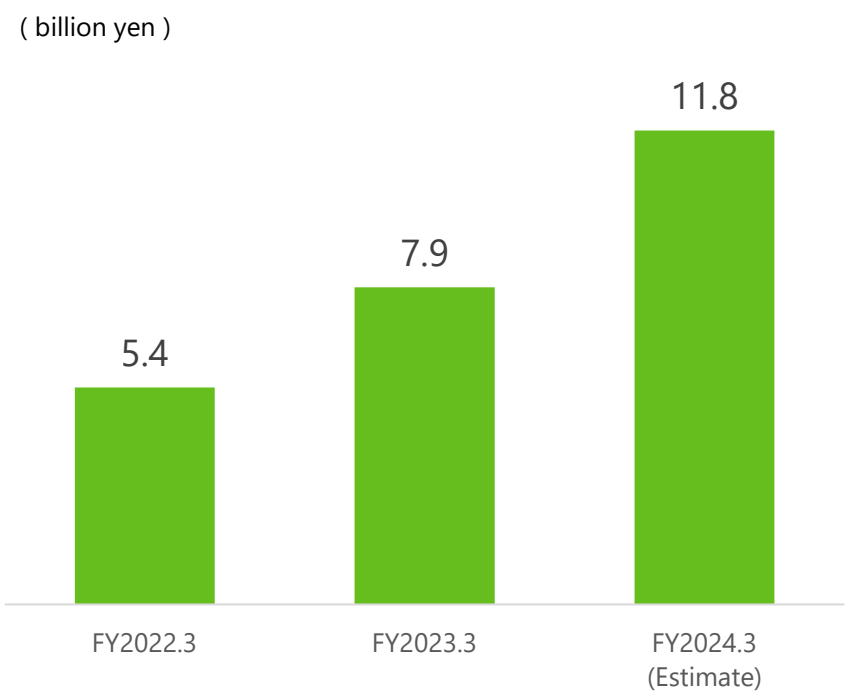
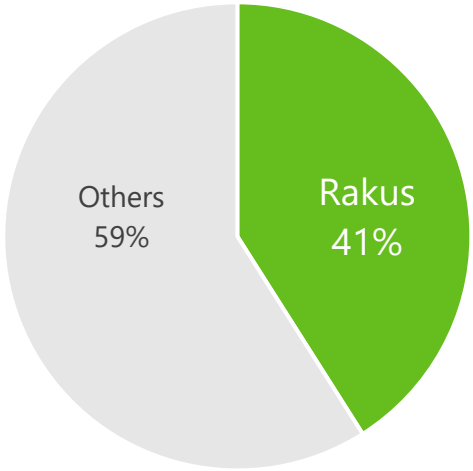
The Market for Cloud-based Bill Issuance System

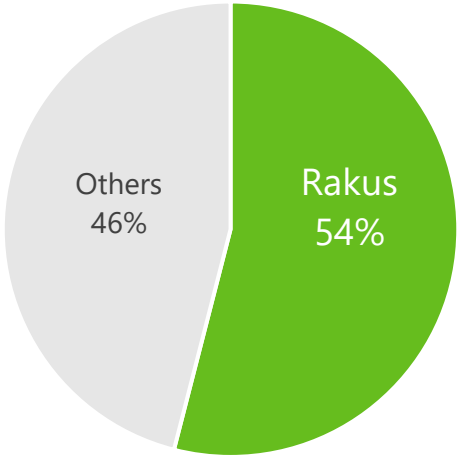
Market Size



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2023年9月号：https://mic-r.co.jp/micit/）
*Introduced numbers and Sales are for the estimated FY2024.3

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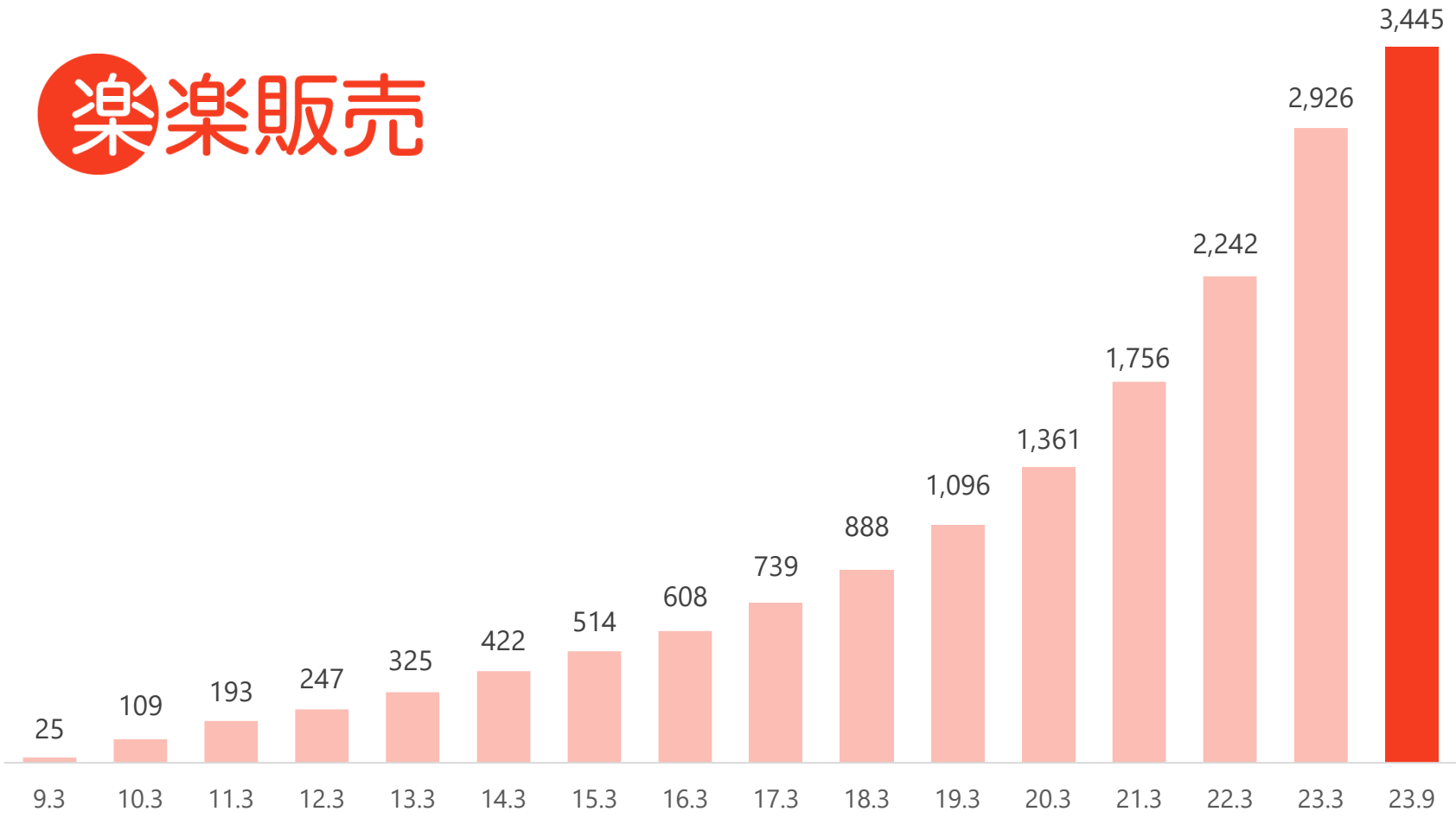
Cumulative Number of Companies Using Raku Raku Hambai



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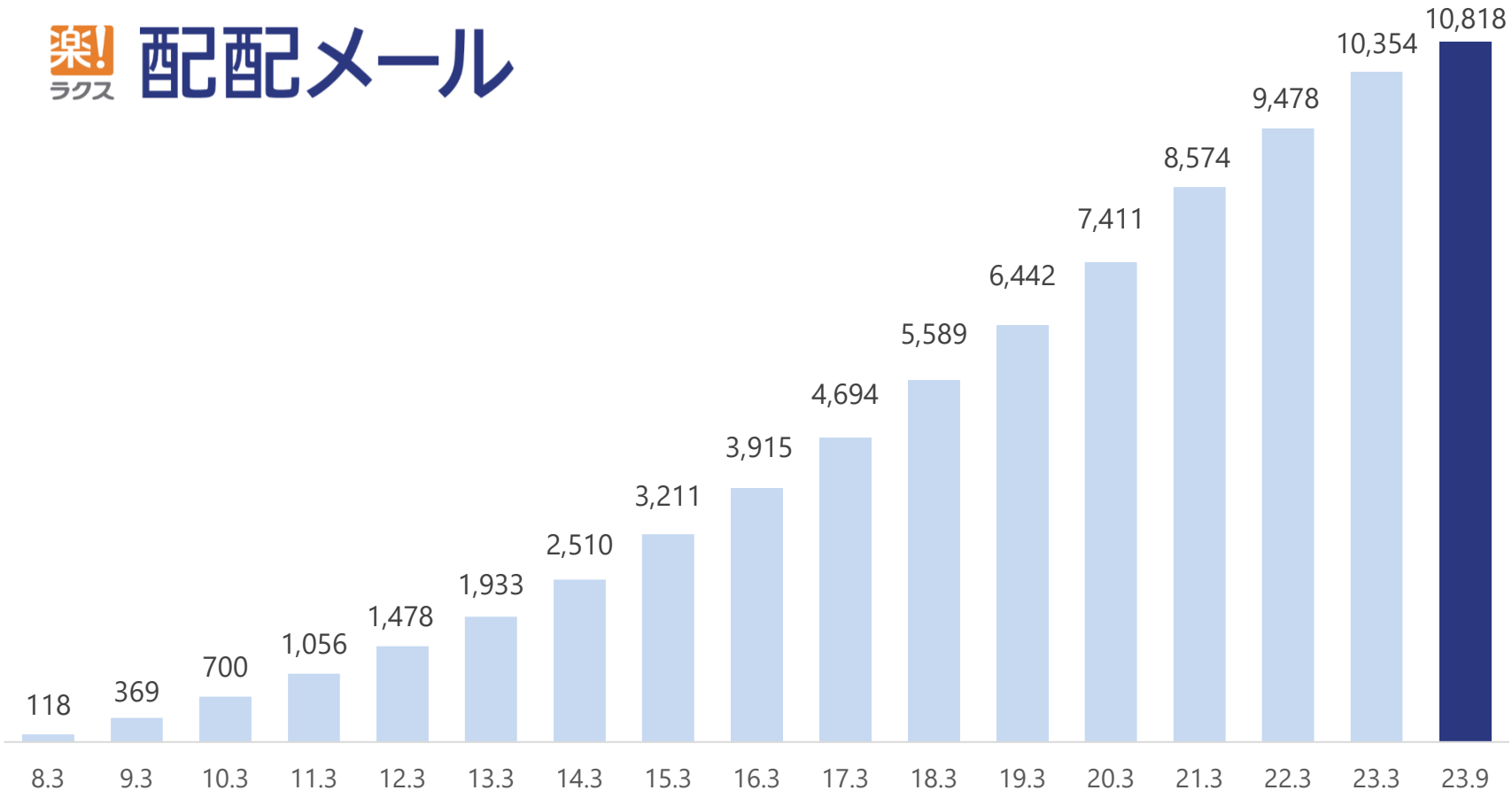
Cumulative Number of Companies Using Hai Hai Mail

楽! ラクス 配配メール



楽! ラクス

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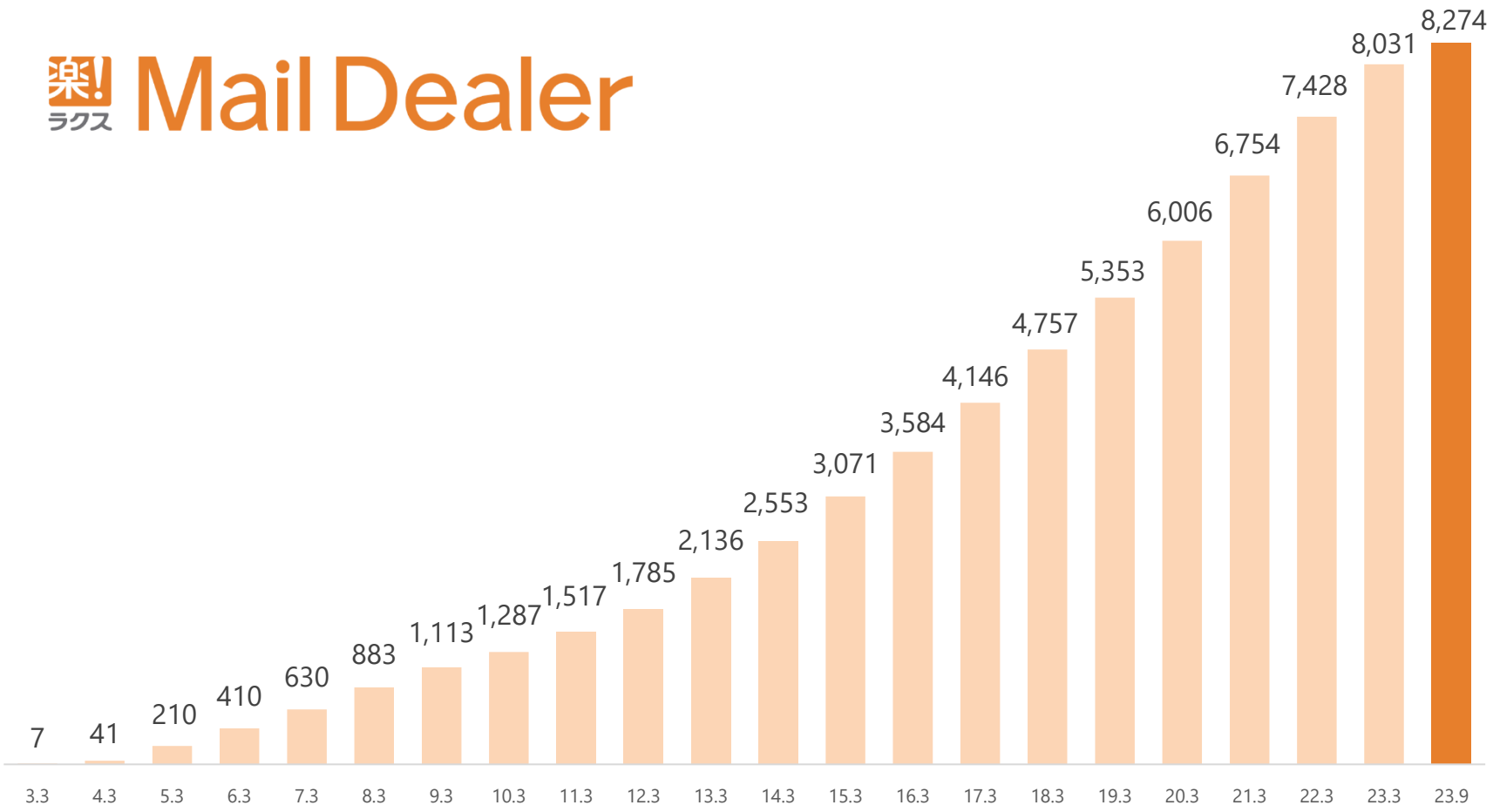
Cumulative Number of Companies Using Mail Dealer

楽! ラクス Mail Dealer



楽! ラクス

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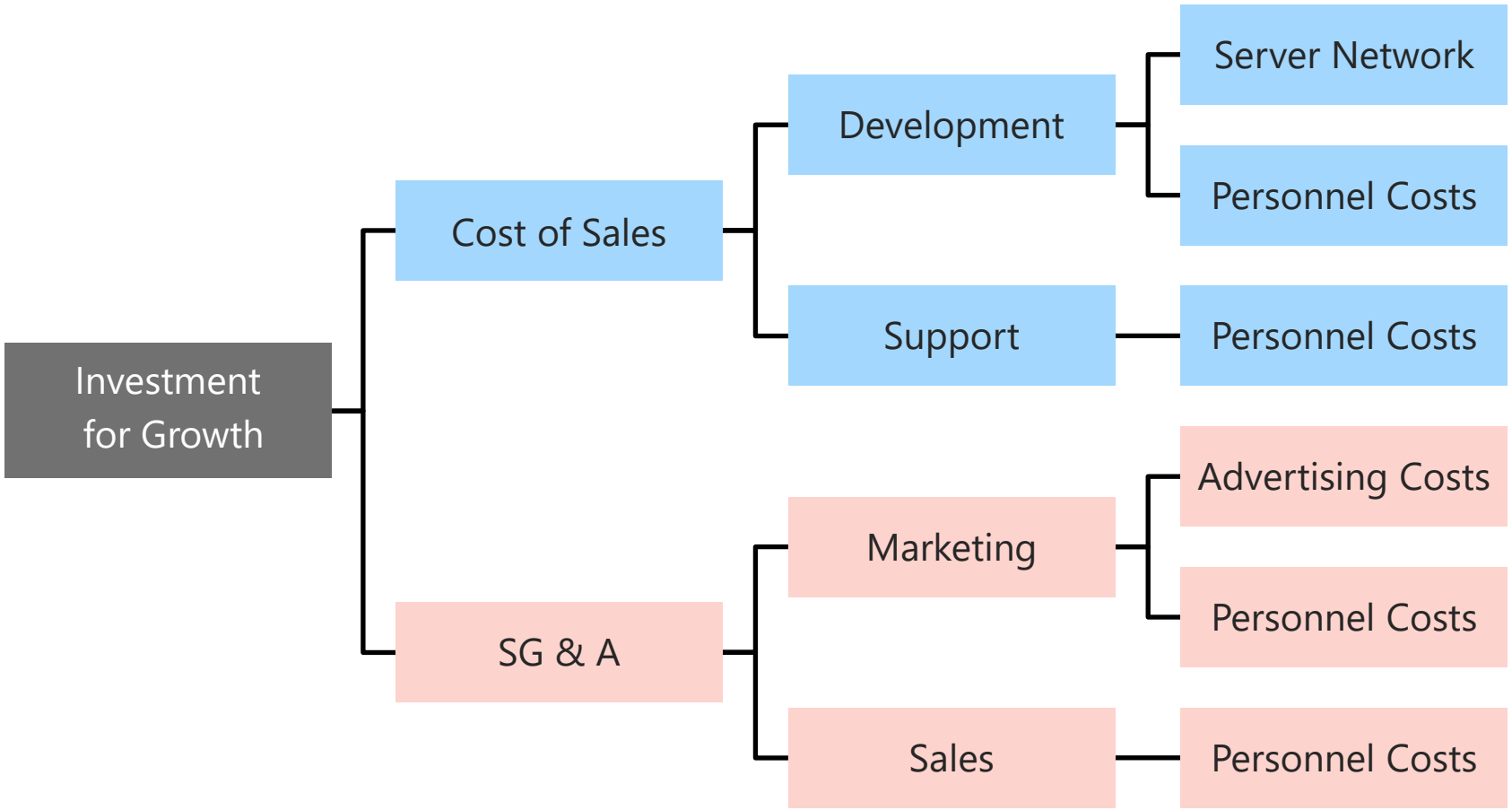
Breakdown of Investment for Growth (Cloud Business)



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