



RAKUS Co., Ltd.
(Mothers:3923)
Earnings Results for Q1
the fiscal year March 2021

Key points

■ Earnings results for Q1 of March 2021

- Despite COVID-19, sales grew significantly year on year due to active investment made last fiscal year.
- Profit grew significantly year on year because cost-effective marketing activities were pursued while personnel necessary for sustainable growth were increased.

■ Cloud Business

- Sales grew significantly year on year due to an increase in the number of customers from investments made last fiscal year although business negotiations were temporarily stagnant under COVID-19.

■ IT Outsourcing Business

- A high level of growth has continued due to an increase in the number of engineers although engineers' utilization deteriorated due to COVID-19.

■ Guidance for the Fiscal Year March 2021

- CAGR 30% will be achieved thanks to investments made up until the last fiscal year.
- Business negotiations involving the cloud business were temporarily stagnant, but the impact on our full year business performance will be minimal.
- The growth rate of the IT Outsourcing Business is expected to slow in H2 because there has been a delay in assigning engineers who completed training, and we have stopped hiring personnel except those who will graduate next spring.

Consolidated results for Q1 of the fiscal year March 2020

Summary of Consolidated Results for March 2020



Cost-effective marketing activities were pursued while hiring personnel necessary for sustainable growth.

		Year on Year
Sales	¥3,459M	Up 33.5%
Operating Profit	¥909M	Up 78.5%
Ordinary Profit	¥915M	Up 79.8%
EBITDA	¥1,020M	Up 70.7%
Profit attributable to owners of parent	¥616M	Up 83.8%

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

Outline of the Consolidated Results for March 2021



Operational efficiency was pursued and SG&A was contained in order to achieve CAGR 30%.

(million yen)

	Q1 of March 2020	Q1 of March 2021	Year on Year
Sales	2,590	3,459	133.5%
Cost of sales	863	1,149	133.0%
Gross profit	1,727	2,310	133.8%
(GP margin)	(66.7%)	(66.8%)	
SG&A	1,218	1,401	115.1%
Operating profit	509	909	178.5%
(OP margin)	(19.7%)	(26.3%)	
Ordinary profit	509	915	179.8%
(Ordinary profit margin)	(19.7%)	(26.5%)	
EBITDA	597	1,020	170.7%
(EBITDA margin)	(23.1%)	(29.5%)	
Income tax	174	299	
(Tax rate)	(34.2 %)	(32.7%)	
Profit attributable to owners of parent	335	616	183.8%

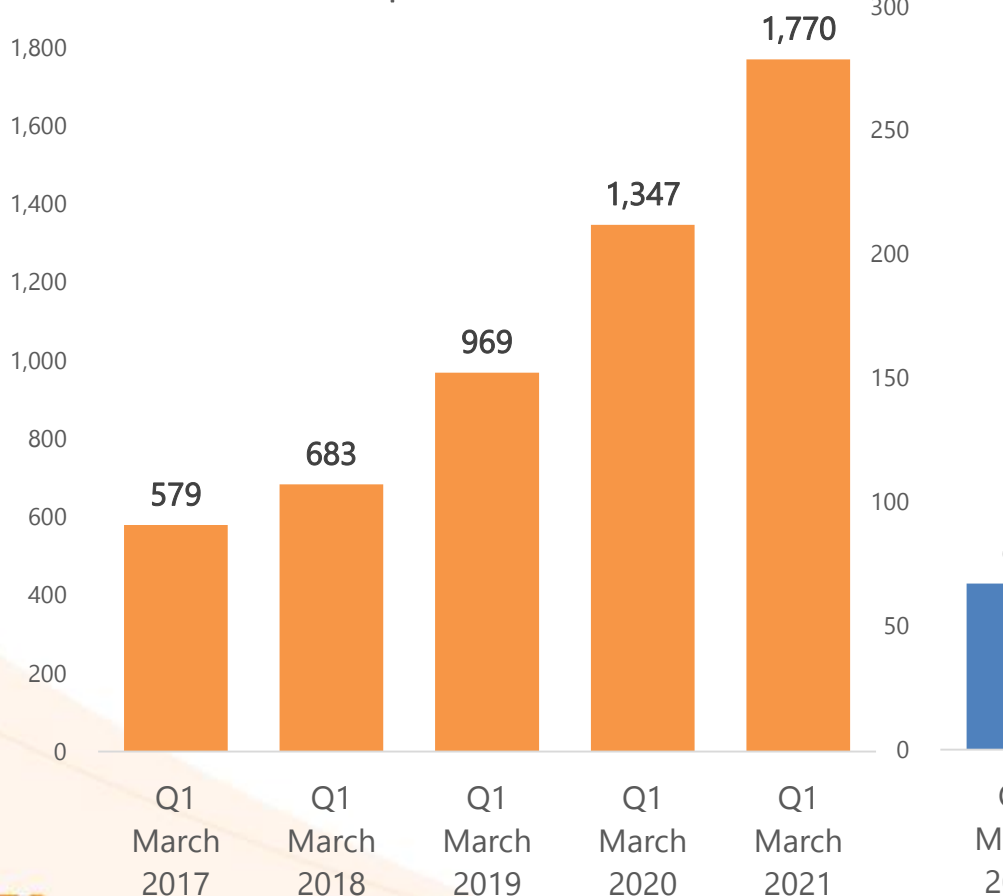
Trends for Personnel and Advertising Costs (actual)



Cost-effective marketing activities were pursued while hiring personnel necessary for sustainable growth.

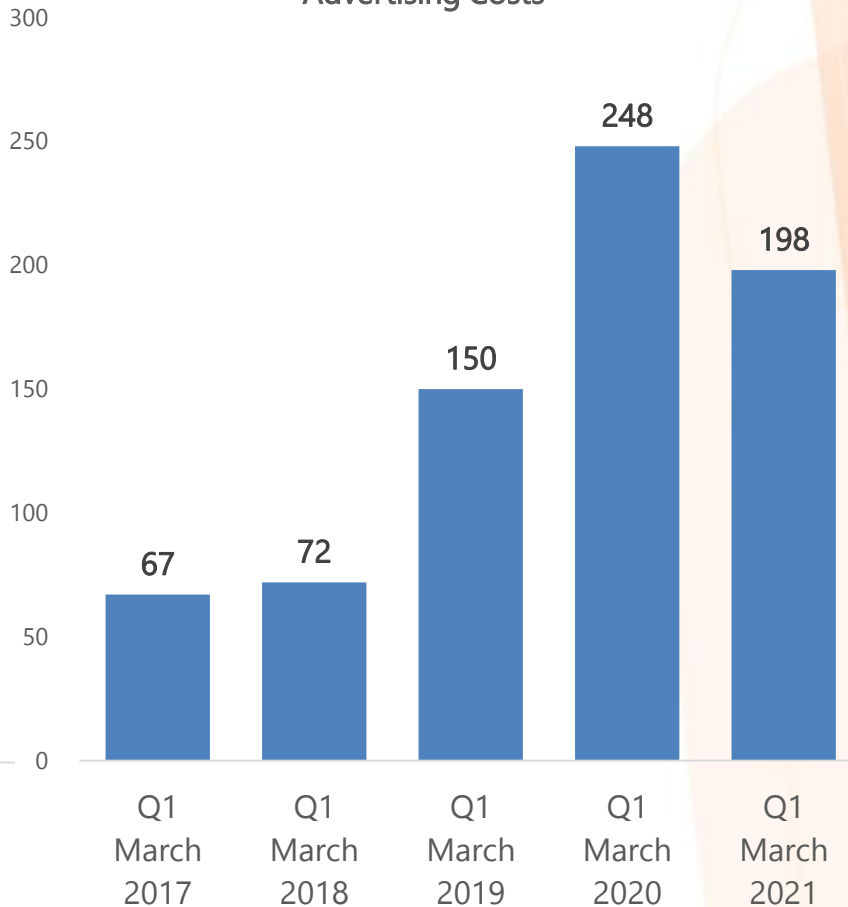
(million yen)

Personnel Costs



(million yen)

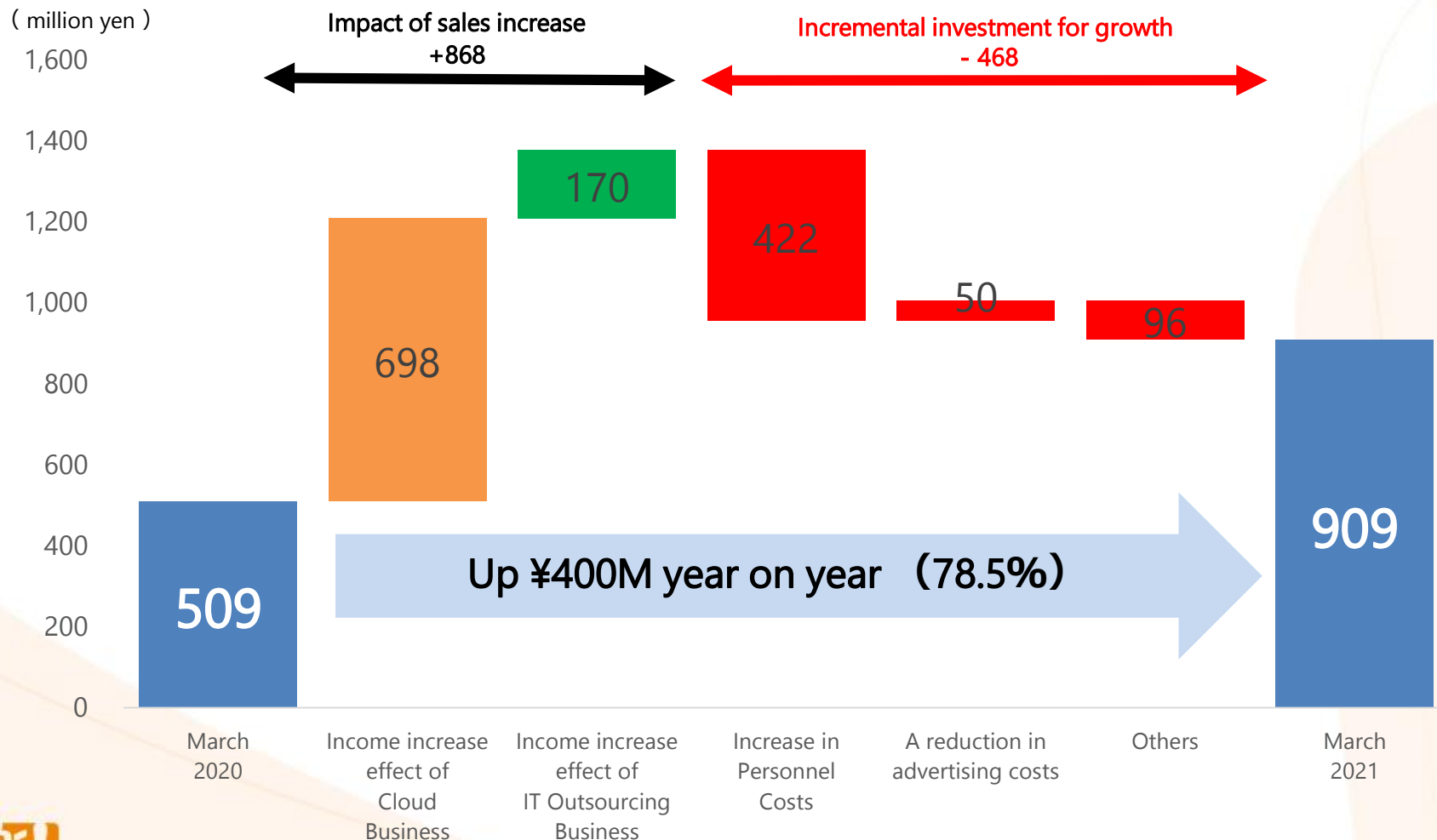
Advertising Costs



Factors for Changes in Consolidated Operating Profits in Q1 of March 2021



Profit grew significantly due to an increase in sales and efficient investments.



Consolidated Balance Sheet

(million yen)

	End of March 2020	End of Q1 of March 2021	Difference
Current assets	4,413	4,822	408
Non-current assets	2,625	2,664	38
Total assets	7,039	7,486	447
Current liabilities	1,773	1,900	126
Non-current liabilities	72	66	-6
Total liabilities	1,846	1,967	120
Shareholders' equity	5,196	5,522	326
Accumulated other comprehensive income	-4	-4	-0
Total equity	5,192	5,518	326
Total liabilities and equities	7,039	7,486	447
Equity ratio	73.8%	73.7%	

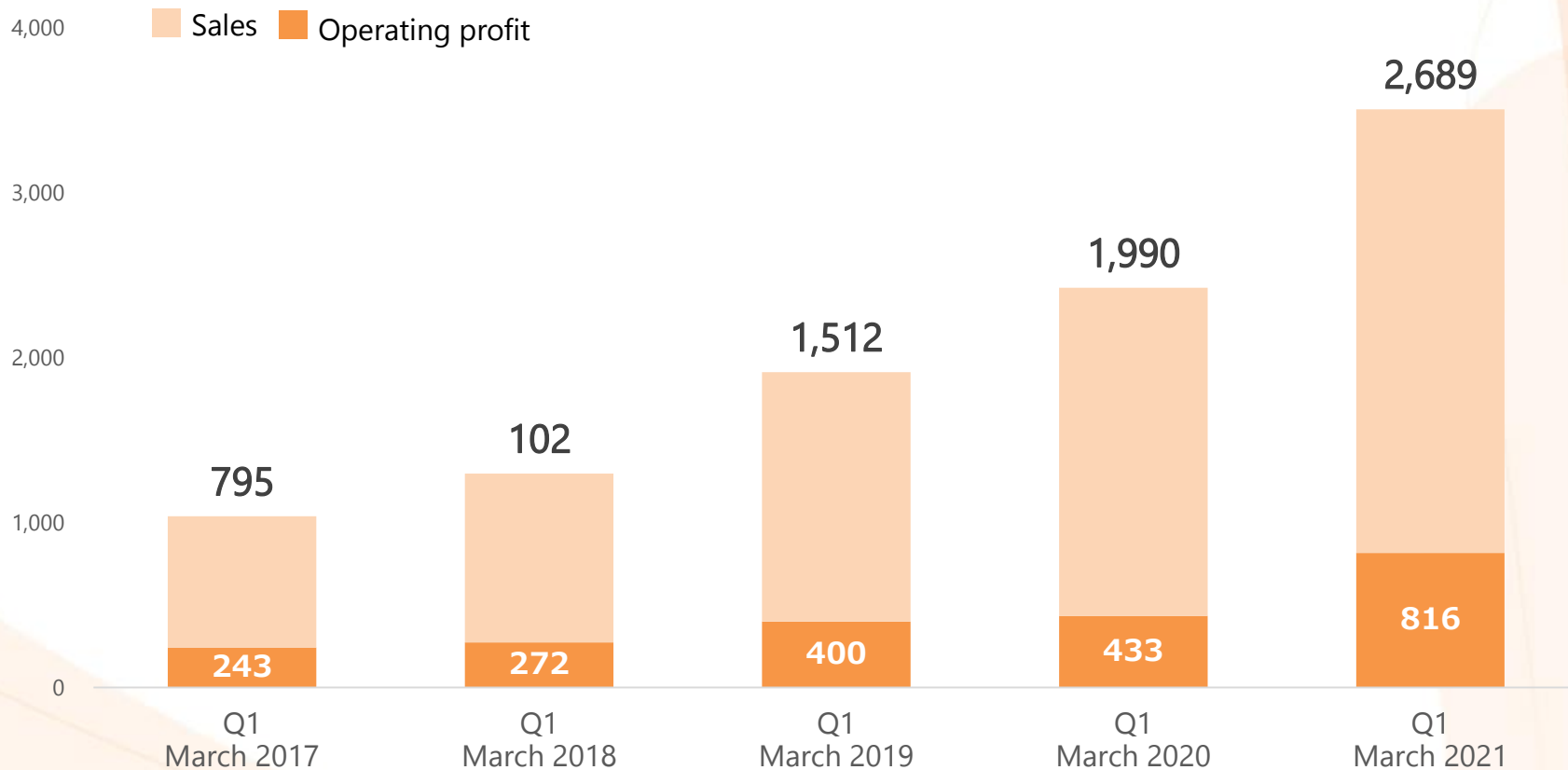
Cloud Business

Trend for the cloud business



Sales grew significantly year on year due to an increase in the number of customers from investments made last fiscal year although business negotiations were temporarily stagnant under COVID-19.

(million yen)



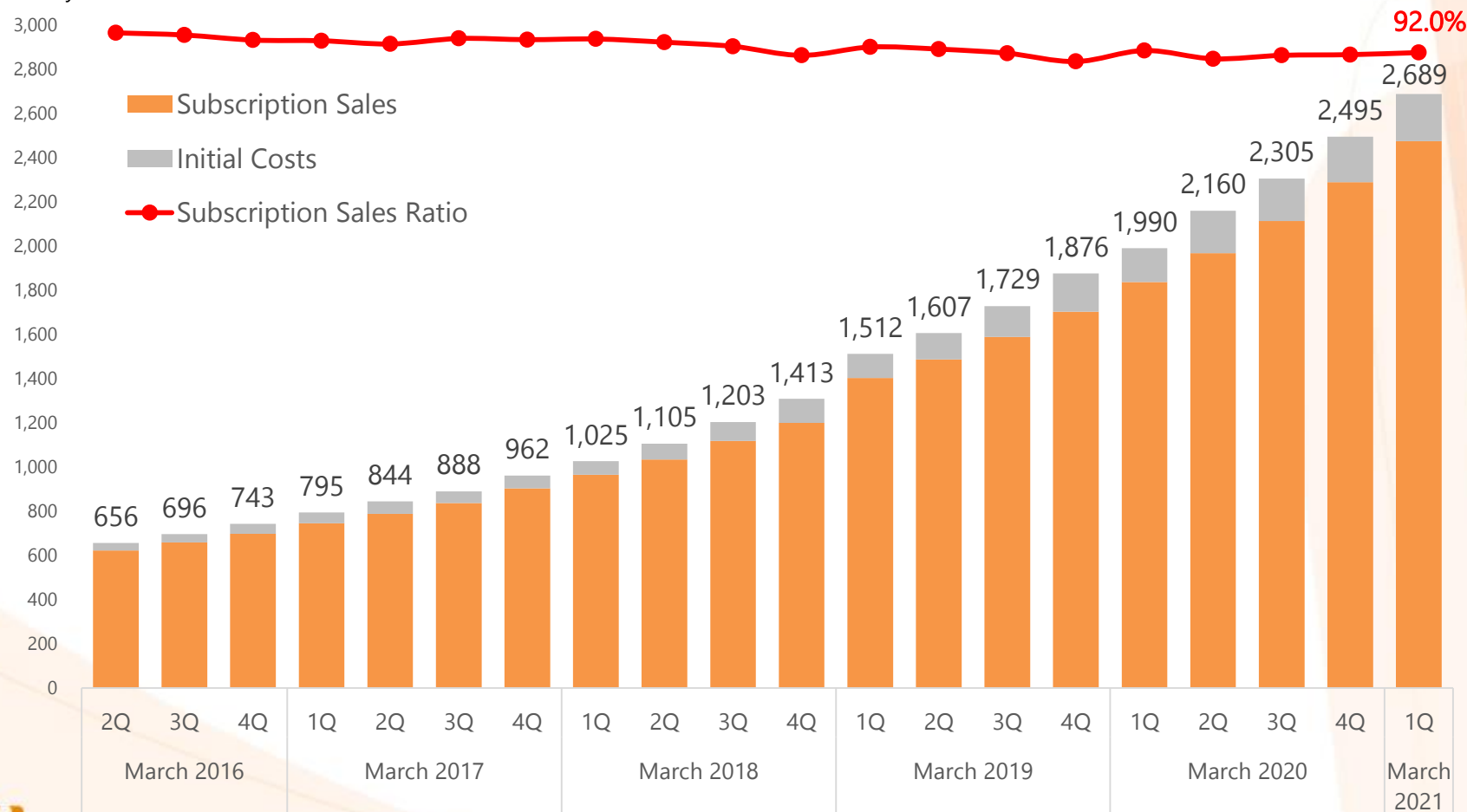
※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

Trends for Subscription Sales of the Cloud Business



Trend for sales by cloud services

(million yen)



Quarterly sales of the cloud business by service



A high level of growth in major services was maintained.

(million yen)

	Sales from April to June in 2020	Quarter on Quarter	Year on Year
Raku Raku Seisan	1,204	7.8%	42.7%
Mail Dealer	469	2.5%	13.7%
Email distribution services	445	3.9%	21.3%
Raku Raku Hambai	275	11.5%	45.3%
Raku Raku Meisai	213	26.4%	100.8%
Others	80	7.5%	14.4%
Total of the Cloud Business	2,689	7.8%	35.1%

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

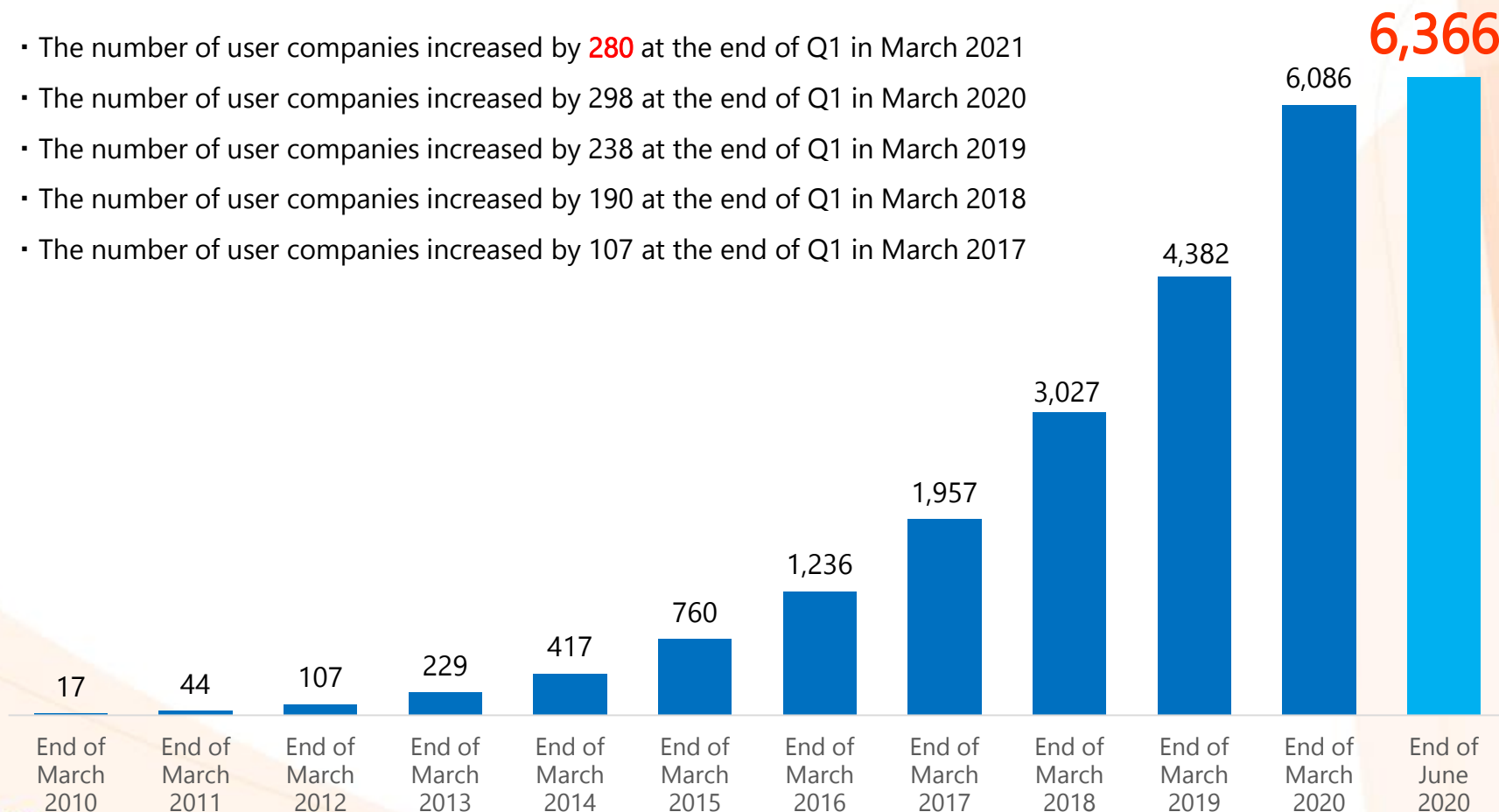
※ On-premises sales are included in the chart above.

Trends for the Cumulative Number of Corporations Using Raku Raku Seisan



The number of new customers in Q1 decreased year on year because business negotiations were temporarily stagnant under COVID-19, but it has recovered since June.

- The number of user companies increased by **280** at the end of Q1 in March 2021
- The number of user companies increased by 298 at the end of Q1 in March 2020
- The number of user companies increased by 238 at the end of Q1 in March 2019
- The number of user companies increased by 190 at the end of Q1 in March 2018
- The number of user companies increased by 107 at the end of Q1 in March 2017



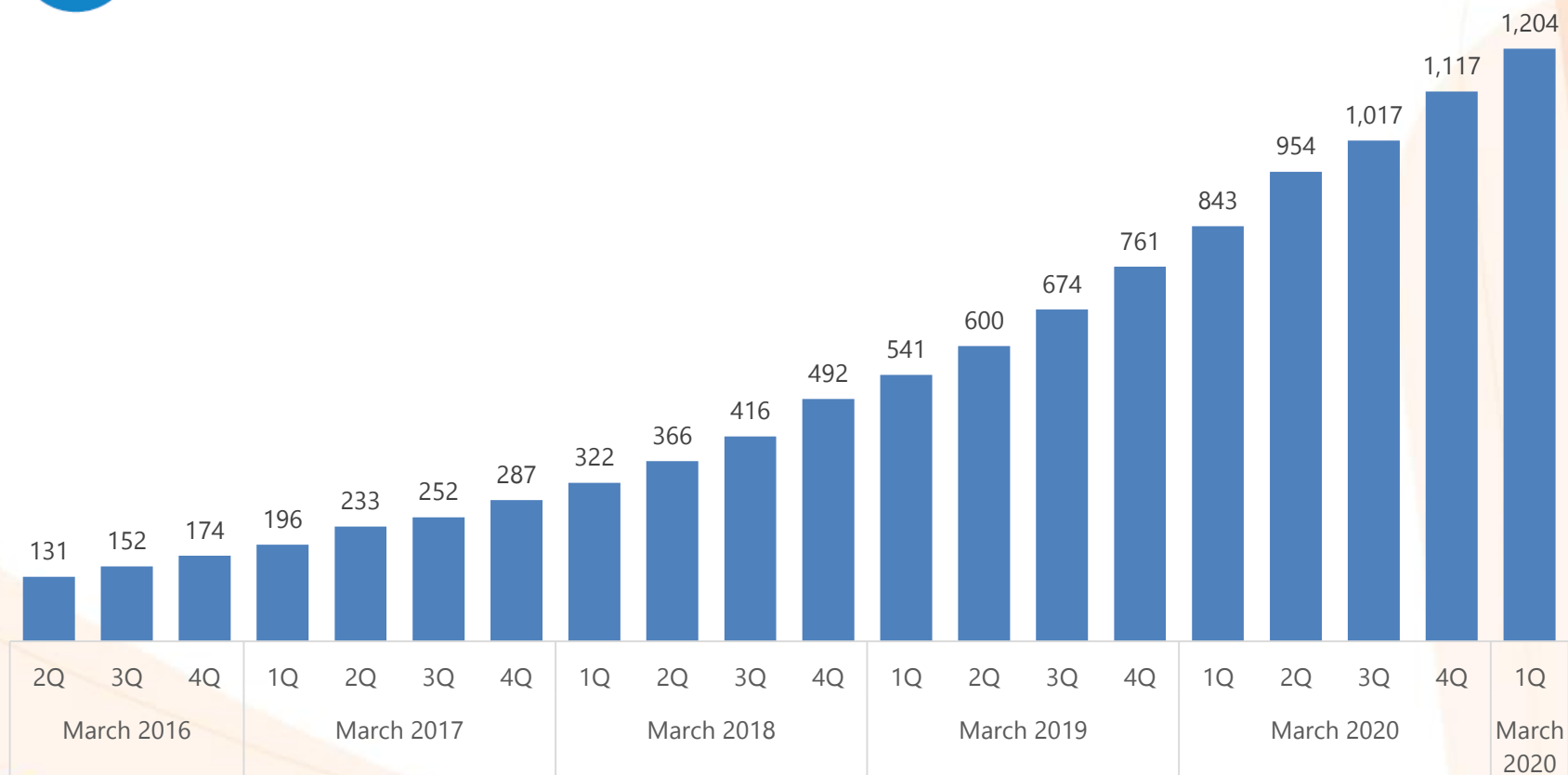
Sales Trends for Raku Raku Seisan



Although there were fewer new customers year on year due to stagnant business negotiations, the impact on sales has been minimal because the cumulative number of customers increased significantly year on year.



※ Sales of cloud services alone are described below.
(million yen)



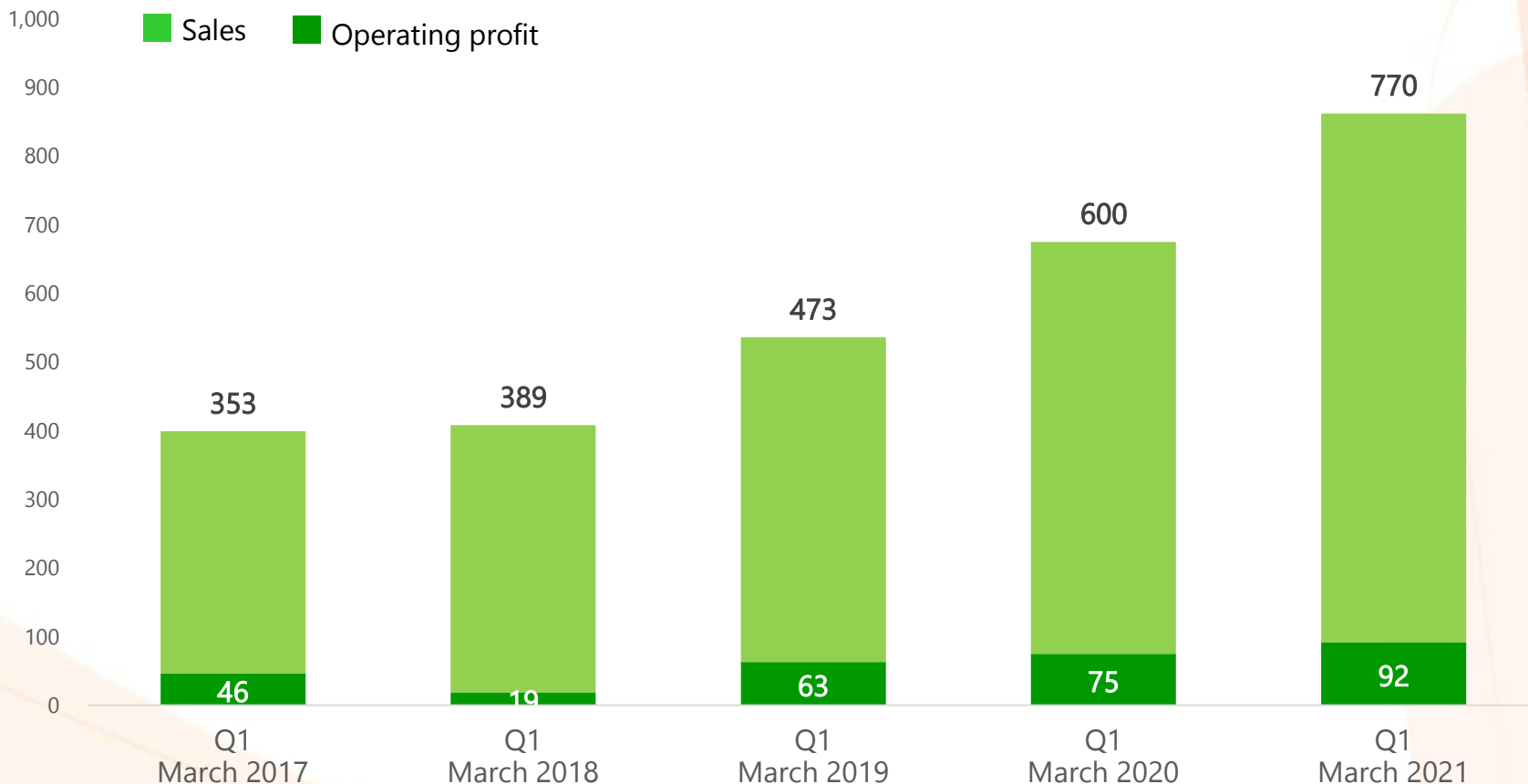
IT Outsourcing Business

Trend for the IT Outsourcing Business



The utilization rate of engineers decreased due to the impact of COVID-19, but the number of engineers increased year-on-year, and high growth continued in the first quarter.

(million yen)



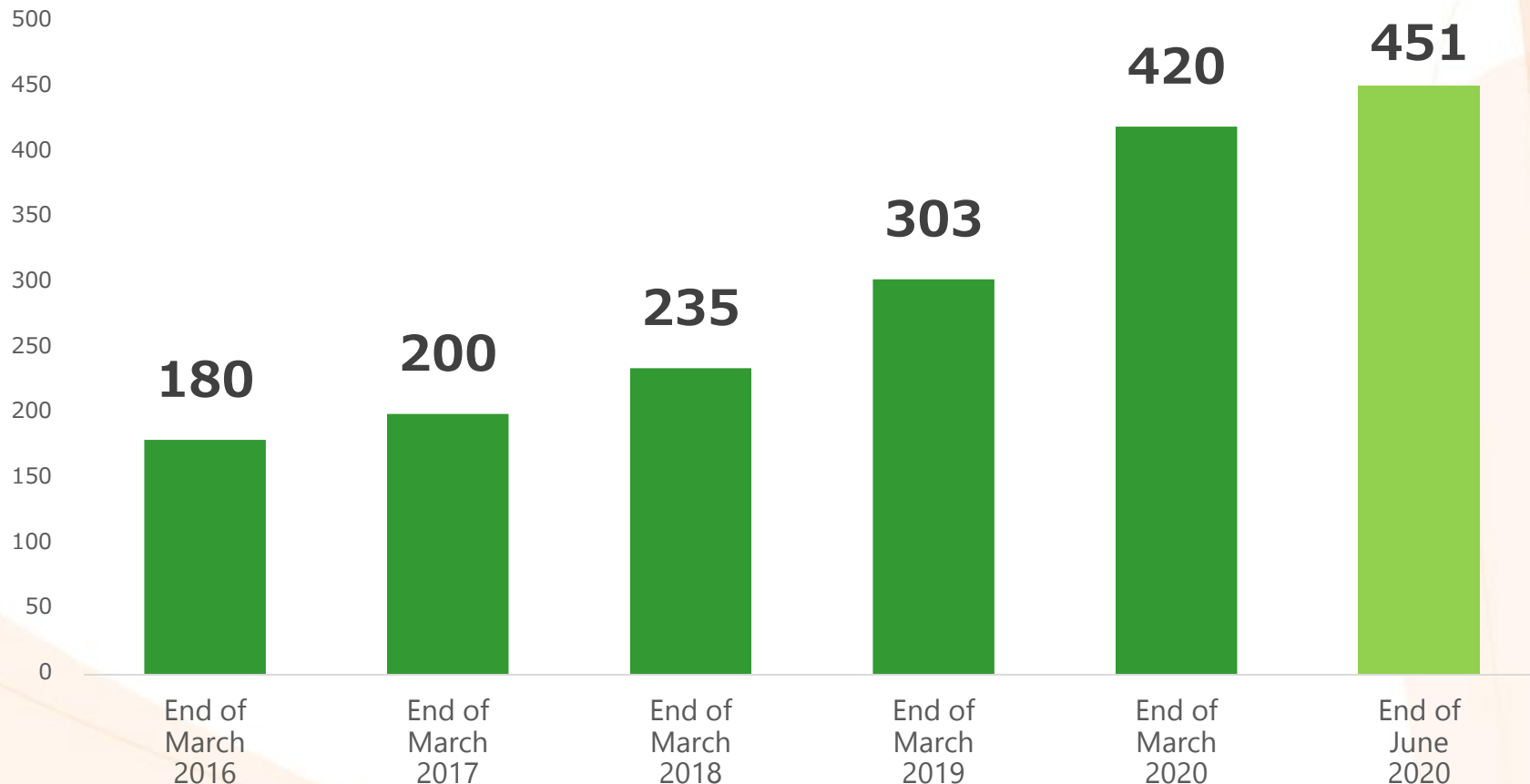
※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

Trend for the number of engineers for the IT Outsourcing Business



While the number of engineers is increasing, we have stopped hiring personnel except those who will graduate next spring.

(people)



※This includes apprentice engineers.

Consolidated Guidance for the Fiscal Year March 2021

Management Policies and Growth Strategy



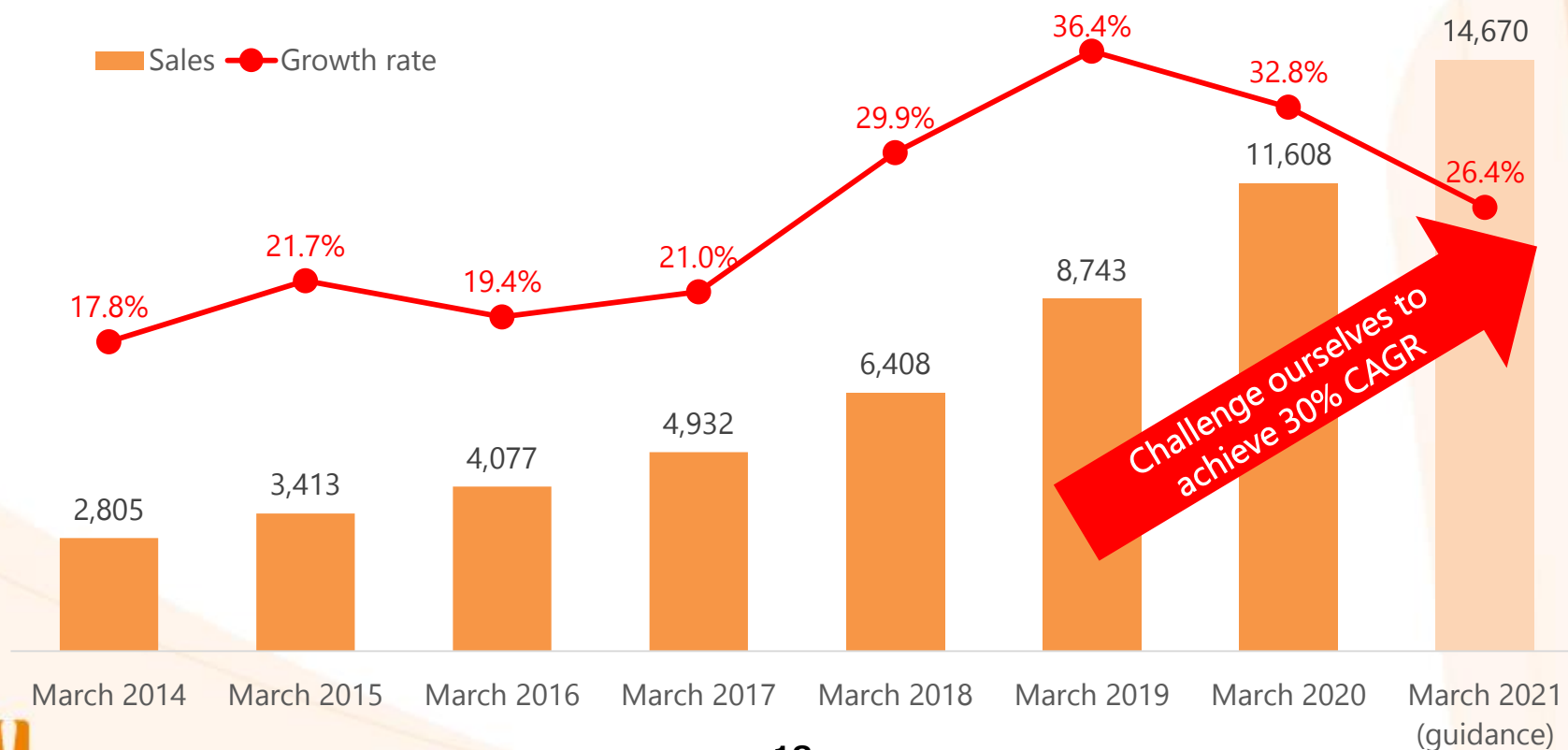
CAGR 30% will be achieved thanks to investments made up until the last fiscal year.

※We aim to achieve 30% of CAGR over 3 years from March 2019 to March 2021, with a baseline of March 2018.

(million yen)

Adding new cloud services

Focus on Raku Raku Seisan to accelerate growth



Progress toward achieving the mid-term target, CAGR 30%



Sales and all types of profit are expected to exceed their targets.

(million yen)

	Full year of March 2018 (actual)	Figures under CAGR 30%	Full year of March 2021 (guidance)	Budget variance	The average growth rate over the three years
Sales	6,408	14,080	14,670	589	31.8%
Gross profit	4,123	9,060	9,721	660	33.1%
Operating profit	1,241	2,726	3,290	563	38.4%
Ordinary profit	1,247	2,741	3,300	558	38.3%
EBITDA	1,357	2,982	3,761	779	40.5%
Profit attributable to owners of parent	874	1,922	2,493	571	41.8%

Consolidated Guidance for the Fiscal Year March 2021



We aim to achieve a high level of topline growth while streamlining SG&A in March 2021.

(million yen)

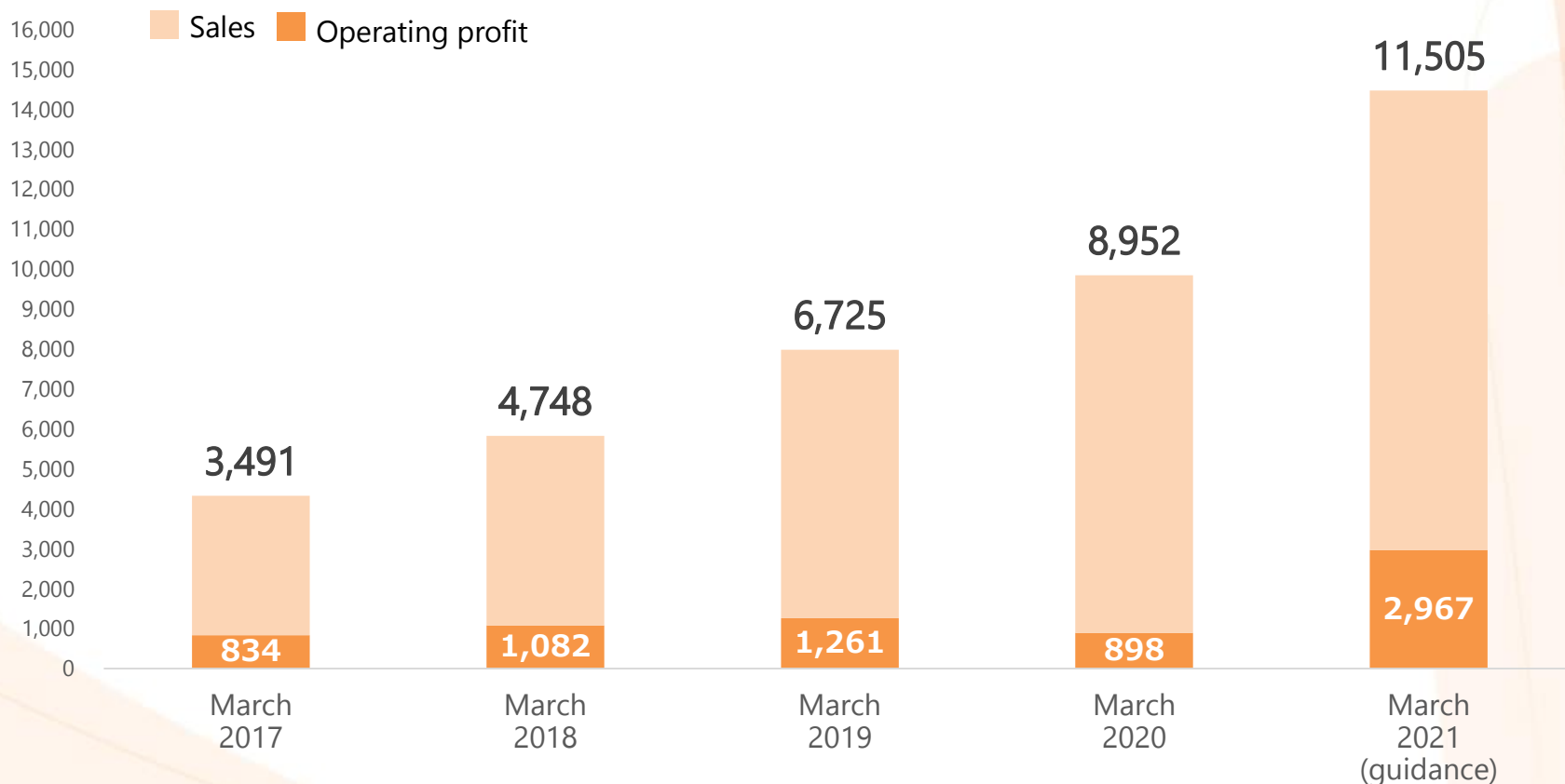
	Full year of March 2020 (actual)	Full year of March 2021 (guidance)	Year on Year
Sales	11,608	14,670	126.4%
Cost of sales	3,945	4,949	125.4%
Gross profit	7,662	9,721	126.9%
(GP margin)	(66.0%)	(66.3%)	
SG&A	6,487	6,431	99.1%
Operating profit	1,174	3,290	280.1%
(OP margin)	(10.1%)	(22.4%)	
Ordinary profit	1,177	3,300	280.3%
(Ordinary profit margin)	(10.1%)	(22.5%)	
EBITDA	1,561	3,761	
(EBITDA margin)	(13.4%)	(25.6%)	
Income tax	369	1,017	
(Tax rate)	(31.6%)	(29.0%)	
Profit attributable to owners of parent	799	2,493	311.8%

Trend for the cloud business



The impact on our full year business performance has been minimal although there was a temporary delay in business negotiations.

(million yen)



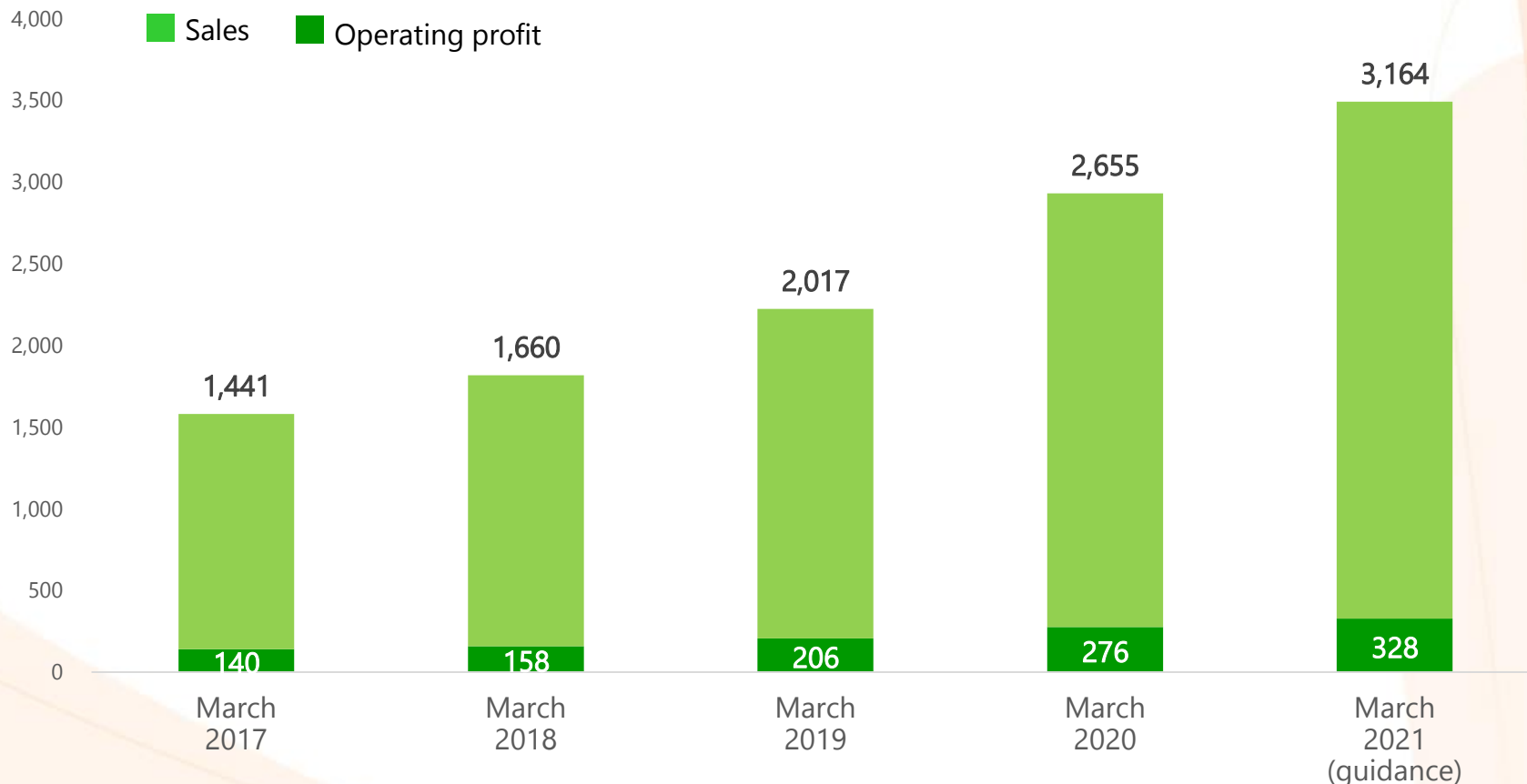
※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

Trend for the IT Outsourcing Business



The growth rate of the IT Outsourcing Business is expected to slow in H2 because there has been a delay in assigning engineers who completed training, and we have stopped hiring personnel except those who will graduate next spring.

(million yen)

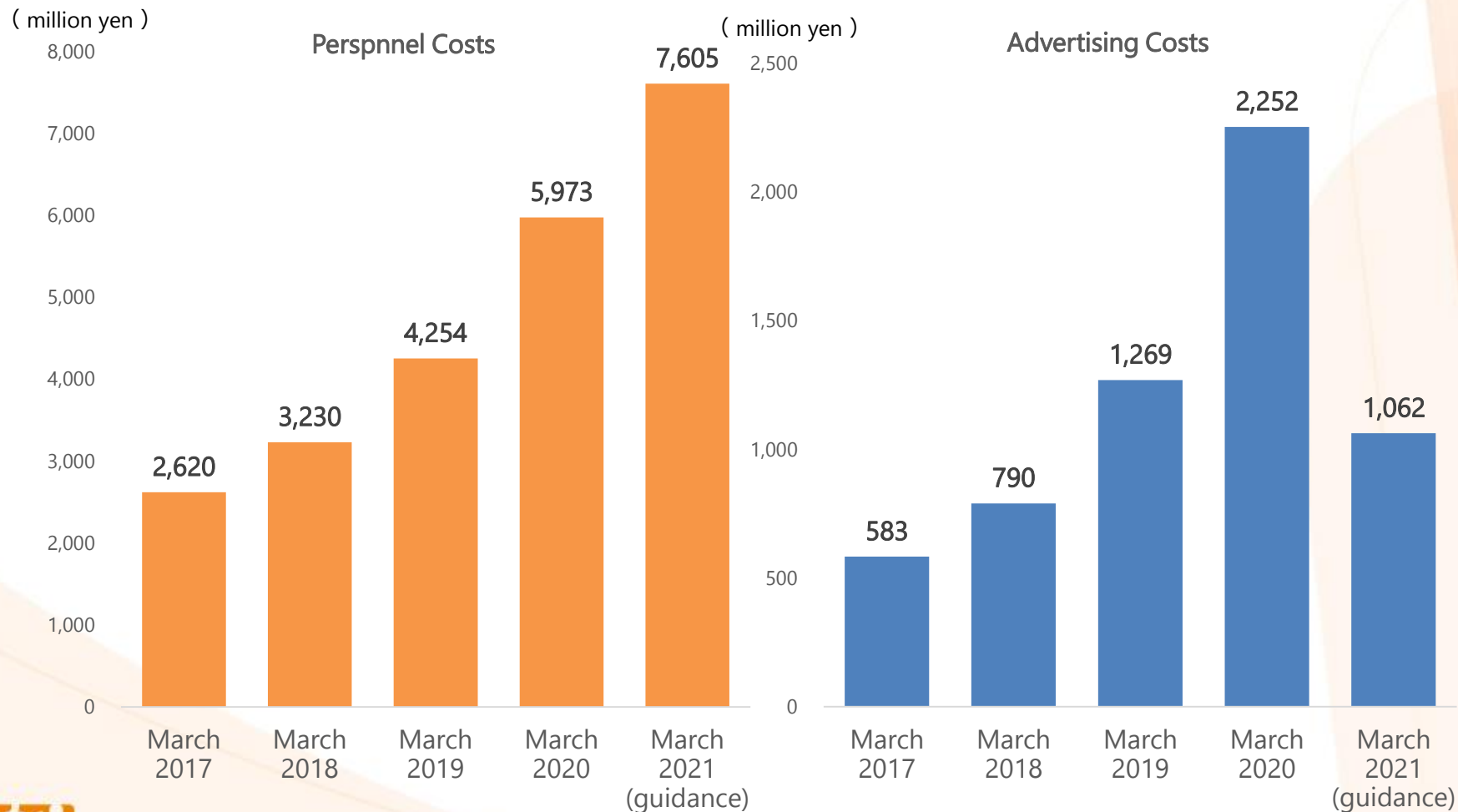


※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

Trends for Personnel and Advertising Costs (guidance)



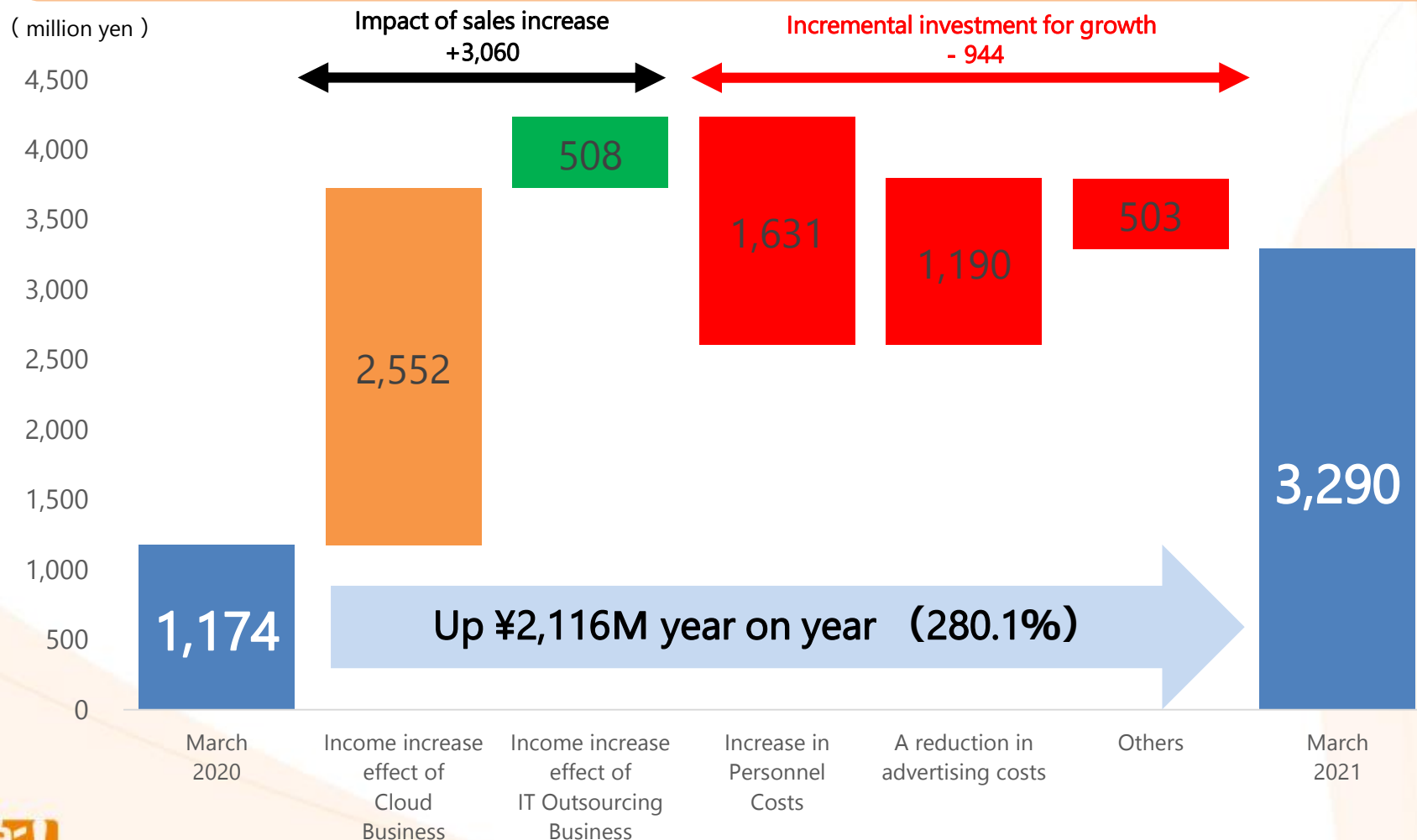
Our policy for March 2021 is to pursue operational efficiency and contain SG&A.



Factors for Changes in Consolidated Operating Profits in of March 2021



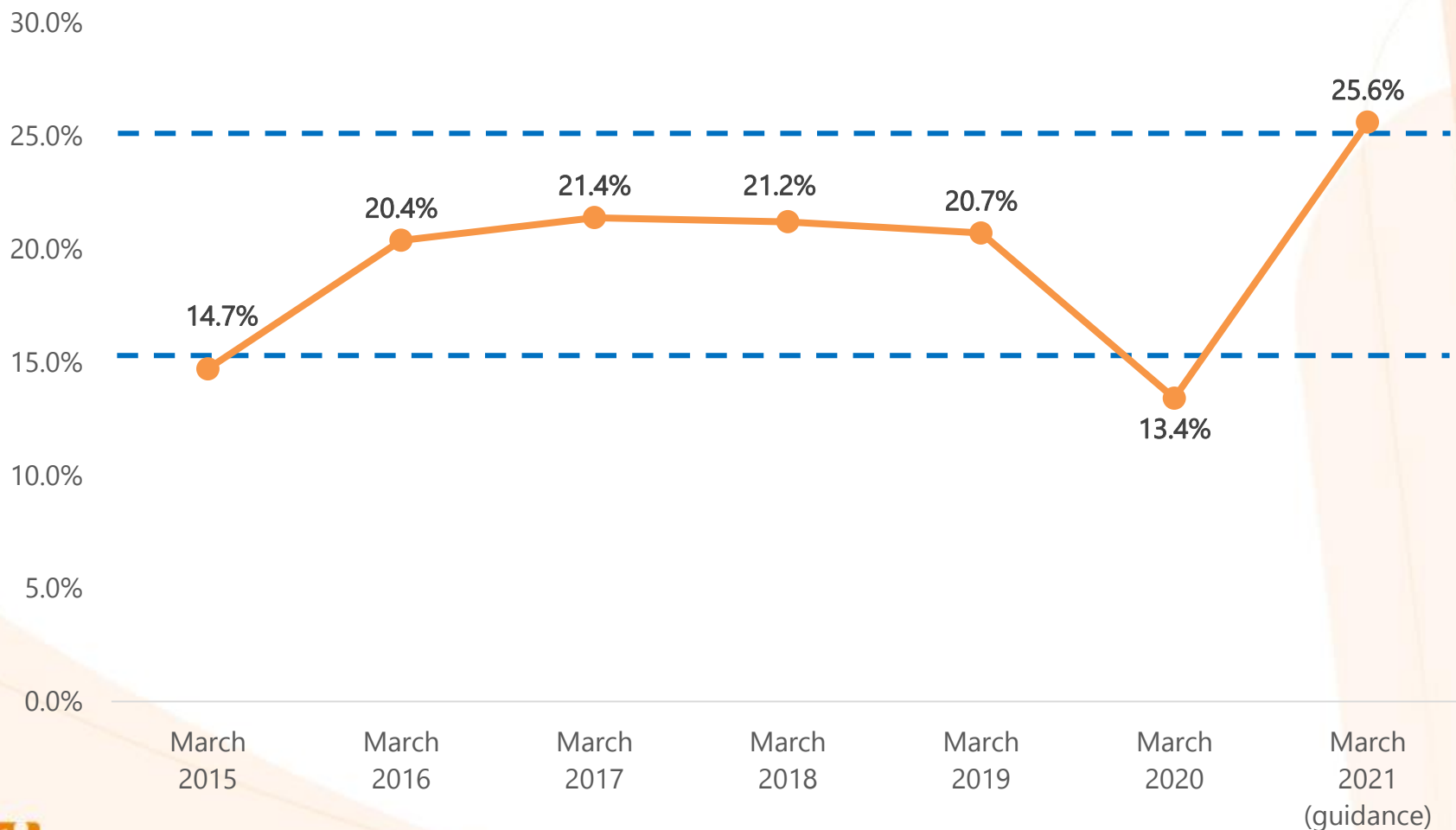
Our plan is to fully control advertising costs while increasing personnel necessary for sustainable growth.



【KPIs】 Trends for EBITDA Margins



A significant increase in profit is estimated due to well controlled SG&A. We plan to achieve the upper range of the target.

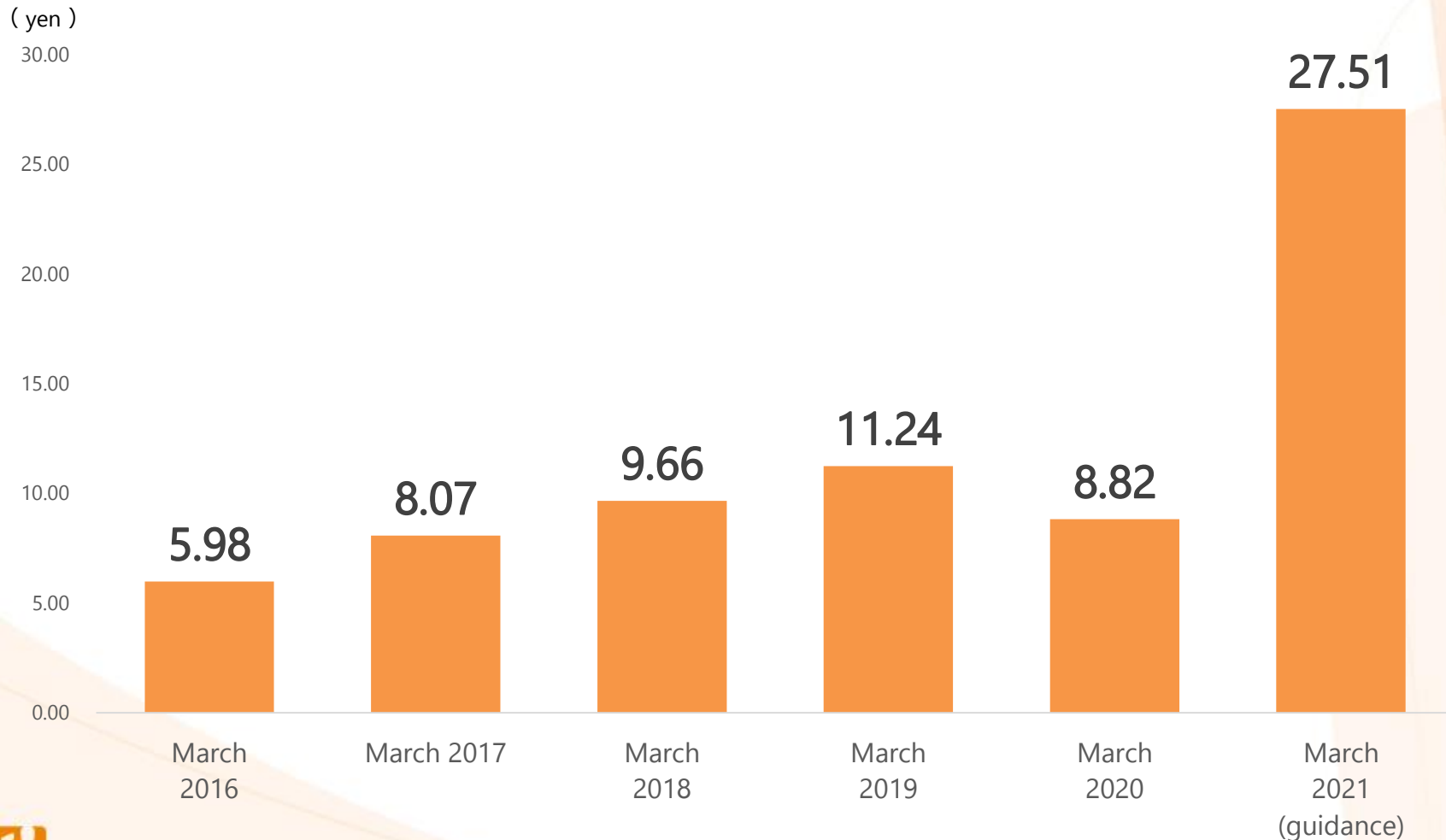


【KPIs】 Trends for EPS

※ Figures are after share split adjustment.



We continue to focus on mid and long-term EPS growth.



【KPIs】 Shareholder Return

* Figures are after share split adjustment.



RAKUS plans to increase dividends for the 9th year in a row because it runs steady and profitable businesses.

(yen)

3.50

Shareholder Return Policy

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

3.00

2.50

2.00

1.50

1.00

0.50

0.00

March
2012

March
2013

March
2014

March
2015

March
2016

March
2017

March
2018

March
2019

March
2020

March
2021
(guidance)

0.15

0.30

0.31

0.44

0.60

0.98

1.45

2.20

3.20

3.30

Appendix

Sales of the Cloud Business by Service



Growth rates of email distribution services have been normalized after the M&A impact passed through.

(million yen)		March 2016	March 2017	March 2018	March 2019	March 2020
Raku Raku Seisan	Sales	577	978	1,601	2,579	3,935
	Year on Year	81.8%	69.9%	63.8%	61.1%	52.6%
Mail Dealer	Sales	1,000	1,141	1,339	1,538	1,733
	Year on Year	10.5%	14.1%	17.3%	14.9%	12.7%
Email distribution services	Sales	526	657	939	1,410	1,574
	Year on Year	22.1%	25.1%	42.8%	50.2%	11.6%
Raku Raku Hambai	Sales	267	343	445	598	867
	Year on Year	28.7%	28.5%	29.8%	34.4%	44.9%
Raku Raku Meisai	Sales	14	70	150	326	552
	Year on Year	397.2%	413.1%	114.6%	118.4%	68.8%
Others	Sales	333	302	274	273	292
	Year on Year	-11.5%	-9.7%	-9.2%	-0.4%	6.8%
Total of the Cloud Business	Sales	2,714	3,491	4,748	6,725	8,952
	Year on Year	21.3%	28.5%	36.0%	41.7%	33.1%

* The figure for email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail. (The figure for March 18 includes 2 months of blastmail.)

* On-premises sales are included in the chart above.

Trend for LTV by cloud services



The supporting team contributed to maximizing LTV.

(yen)	March 2016	March 2017	March 2018	March 2019	March 2020
Raku Raku Seisan	8,310,722	9,790,391	10,405,262	10,800,545	14,004,503
Mail Dealer	2,625,492	4,112,810	3,823,875	4,156,660	3,789,798
Email distribution services	1,040,173	1,084,527	1,180,323	1,035,117	1,218,522
Raku Raku Hambai	5,246,983	5,054,024	5,210,540	8,282,573	8,120,258
Raku Raku Meisai	—	7,781,983	5,211,834	13,016,007	9,412,375

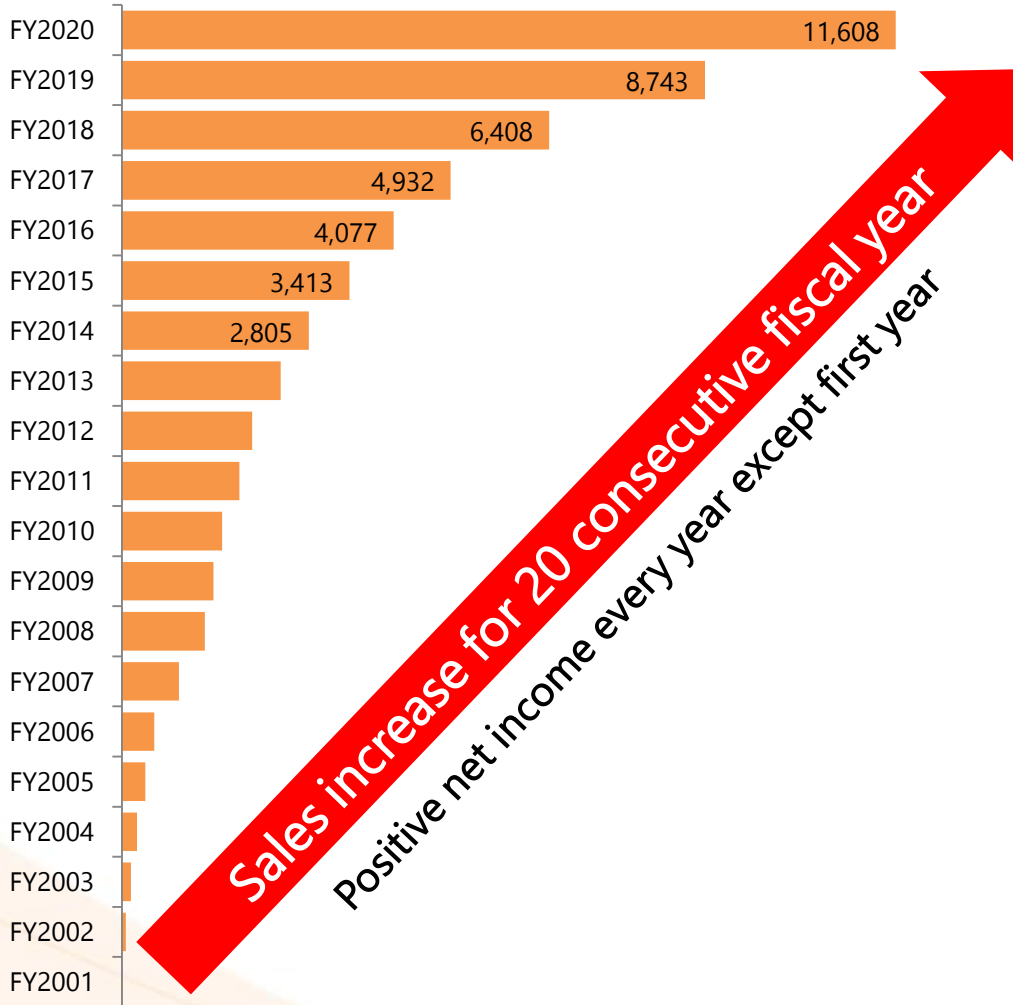
※LTV(Life Time Value) = revenue that a customer will generate during their lifetime (ARPU × estimated average usage years × gross profit margin)

※The figure for email distribution services excludes 'blastmail'.

※LTV of Raku Raku Meisai in March 2016 is not described here because it is difficult to calculate accurately.

History

(Unit : million yen)



Blaynmail consolidated as subsidiary

Listed on Mothers
Sell US subsidiary
Subsidiary established in Vietnam
Rakuraku meisai launched

subsidiary established in the US

Raku Raku Seisan launched
Corporate name changed
Raku Raku Hambai

Shut down engineer school
Hai-Hai mail launched

Merged Xbit

Xbit consolidated as subsidiary

Cloud business started (Mail Dealer launched)
IT engineering school business started
IT Boost established (later known as RAKUS)

Consolidated results from FY 2014

The company was not audited from 2001 to 2013.

Raku Raku Seisan



Product outline : A system for settlement of travel & other expenses

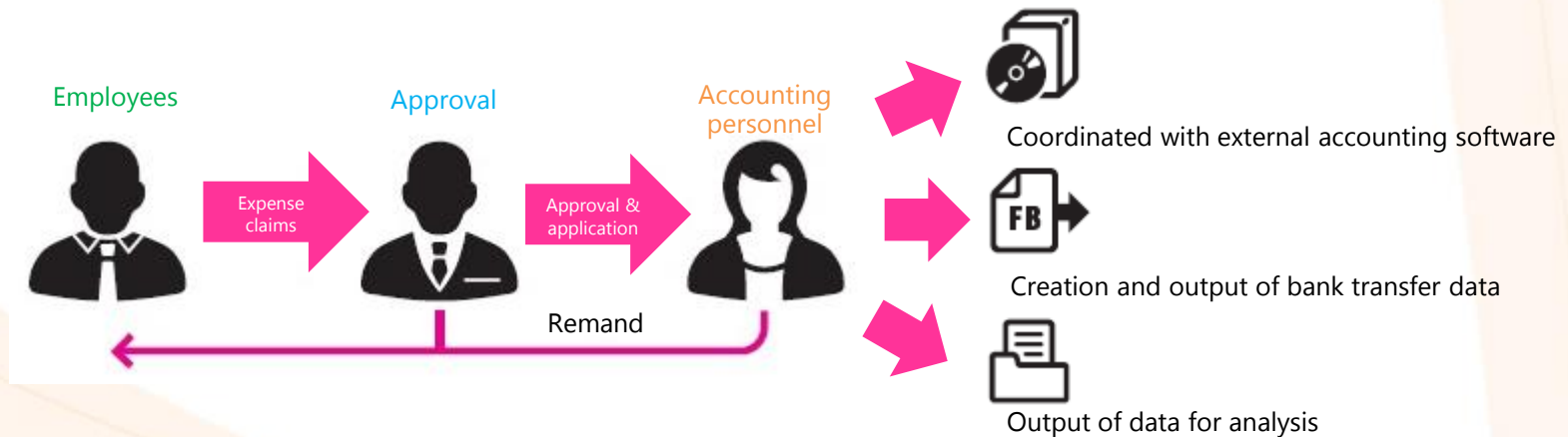
Main customers : Companies with 50 to 1,000 employees (all industries)

Addressed to : Accounting departments

Usage : To improve efficiency of settlement for travel & other expenses

Fee structure : Based on the number of users + option fees

Launched : July 2009



Target Market for the Cloud-based Expense Settlement Systems

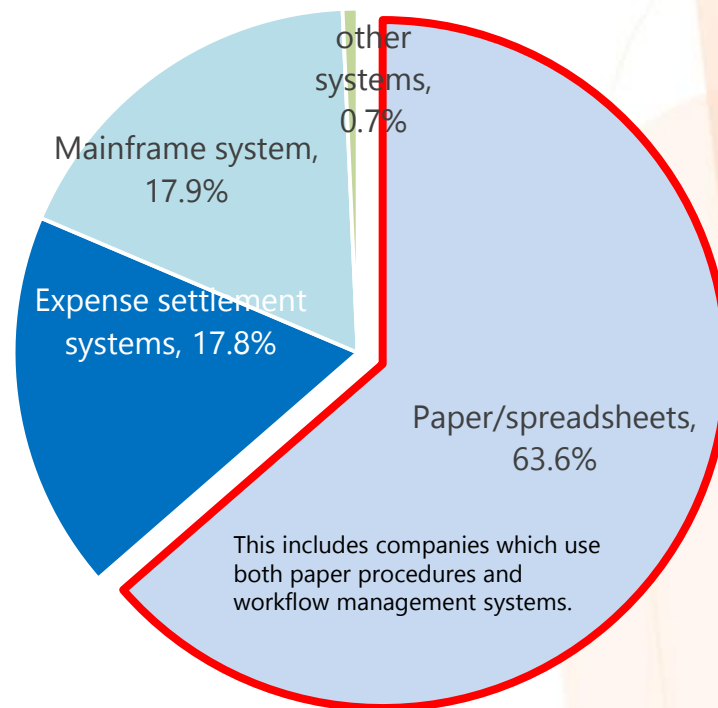
The target market is 100,000 companies valued at 70 billion yen.

We aim to acquire at least 20,000 corporate customers out of those 100,000.

There are 4 million SEMs in Japan. Of those, Raku Raku Seisan's target customers are 100,000 companies which have 50 to 1,000 employees.

Our target is to convert 63,600 companies which manage expense procedures on paper or spreadsheet to Raku Raku Seisan, which accounts for 63.6%.

There is still a high percentage of companies which use inefficient methods for expense management such as paper or Excel. (Those which use both paper and workflow management systems are included.) This means more corporations will introduce expense management systems in the future.



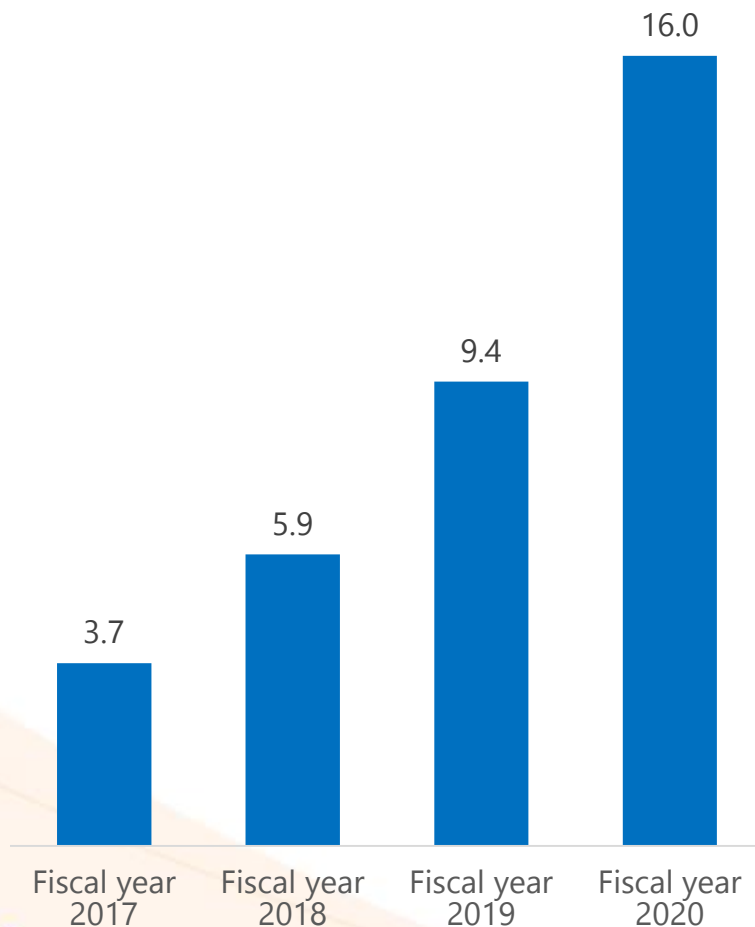
Source : Questionnaire filled out by accounting department staff in February, 2020.

The Market for Cloud-based Expense Settlement Systems

※Source : Our own survey based on various data

The market for cloud-based expense settlement in Japan

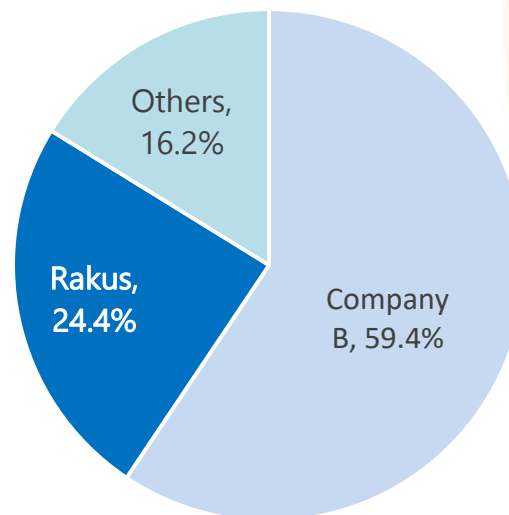
(billion yen)



Ranking of cloud-based expense settlement (As of December 2019)

Number 1	Rakus 楽楽精算	5,560 companies
Number 2	Company A	1,300 companies
Number 3	Company B	1,005 companies
Number 4	Company C	780 companies
Number 5	Company D	140 companies

Market shares based on sales value



※ Company B has a large market share based on sales value because they target large companies selling services at a higher unit price.

Raku Raku Meisai

楽楽明細 Raku Raku Meisai

Product outline : A system to issue digital documentation

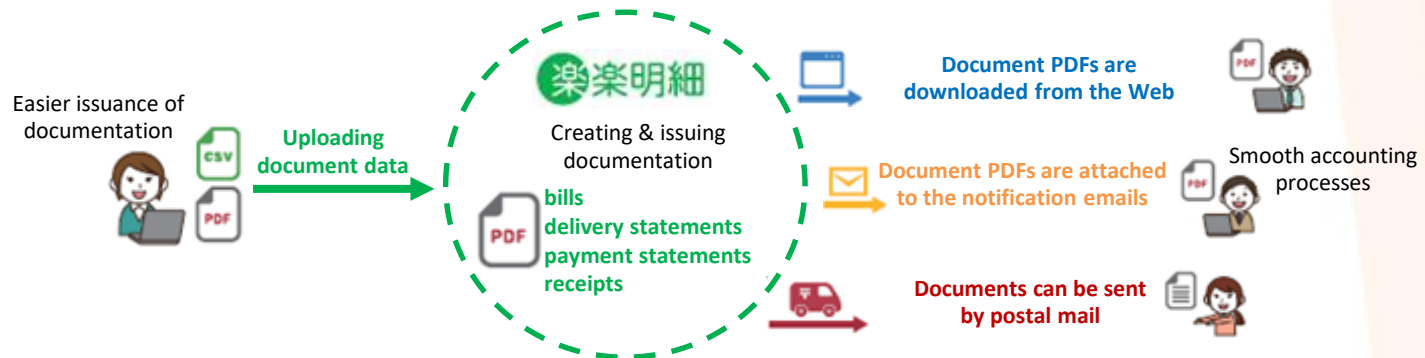
Main customers : All industries

Addressed to : Accounting departments

Usage : To improve efficiency of procedures to issue bills, receipts, delivery statements, payment statements, etc.

Fee structure : Number of slips issued + option fees

Launched : August 2013



Mail Dealer



Product outline : A system to share and manage inquiry emails among staff within a company

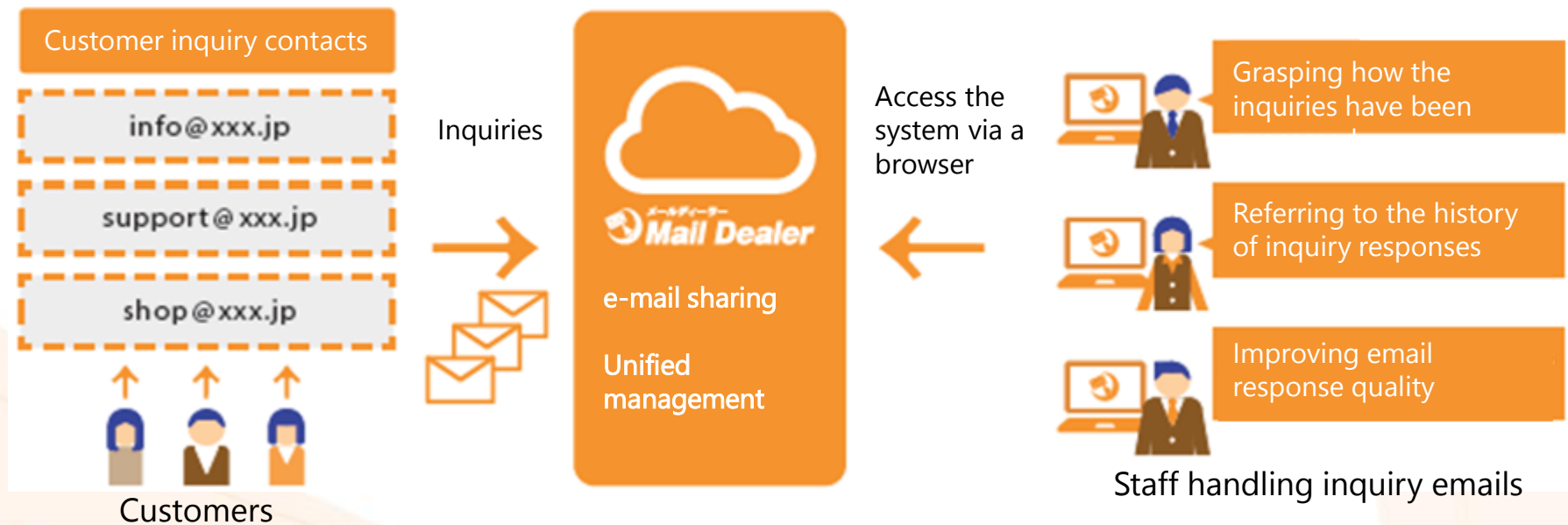
Main customers : E commerce businesses, call centers, and other B to C businesses

Addressed to : Customer support divisions

Usage : To improve quality and efficiency of response to inquiry emails

Fee structure : Based on the number of emails stored in the system + option fees

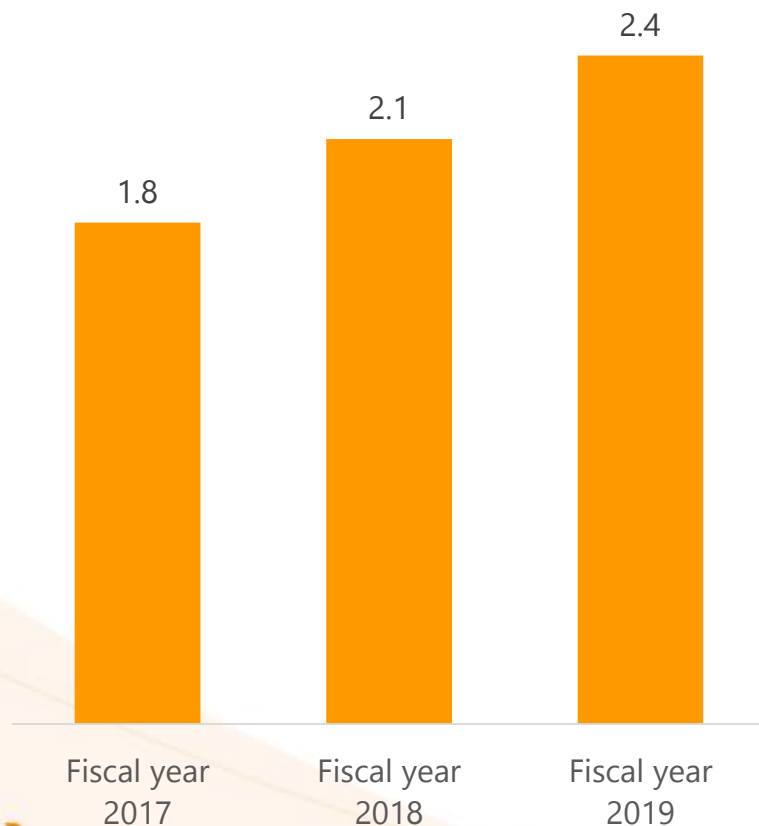
Launched : April 2001



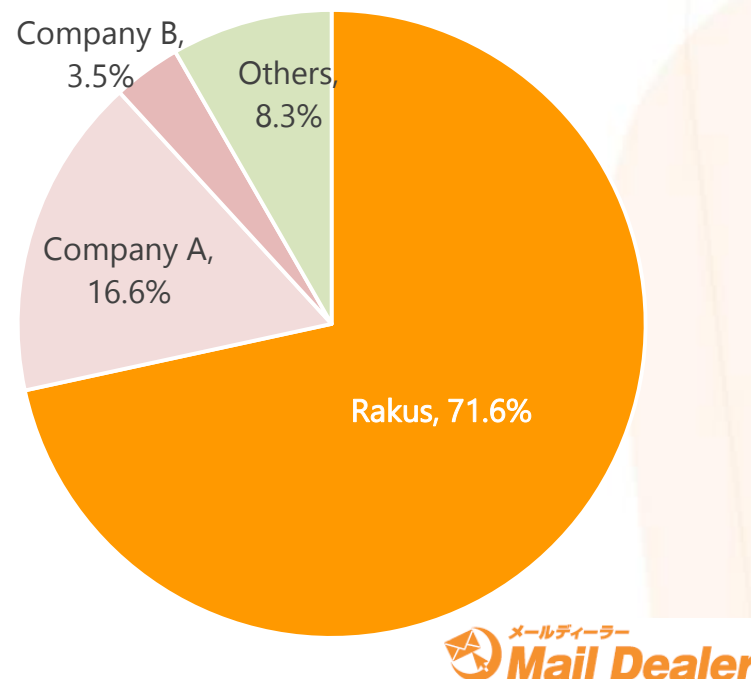
The market for cloud-based Mail processing

※ Source : Our own survey based on various data (As of March 2020)

The market for cloud-based
Mail processing in Japan (billion yen)



Market shares based on sales value



Other services 1

Hai Hai Mail

Product outline : Email distribution system

Main customers : B to C & B to B businesses which distribute a massive amount of emails

Addressed to : Sales division and Marketing division

Usage : To improve efficiency for distribution of sale promotion emails and mail magazines

Fee structure : Based on the number of registered addresses + option fees

Launched : May 2007

Curumeru

Product outline : A system to distribute emails in conjunction with the corporate customer's backbone system (email distribution engine)

Main customers : Businesses which distribute a massive amount of emails in conjunction with their customer database.

Addressed to : Sales division and Marketing division

Usage : To improve efficiency for distribution of sale promotion emails and mail magazines

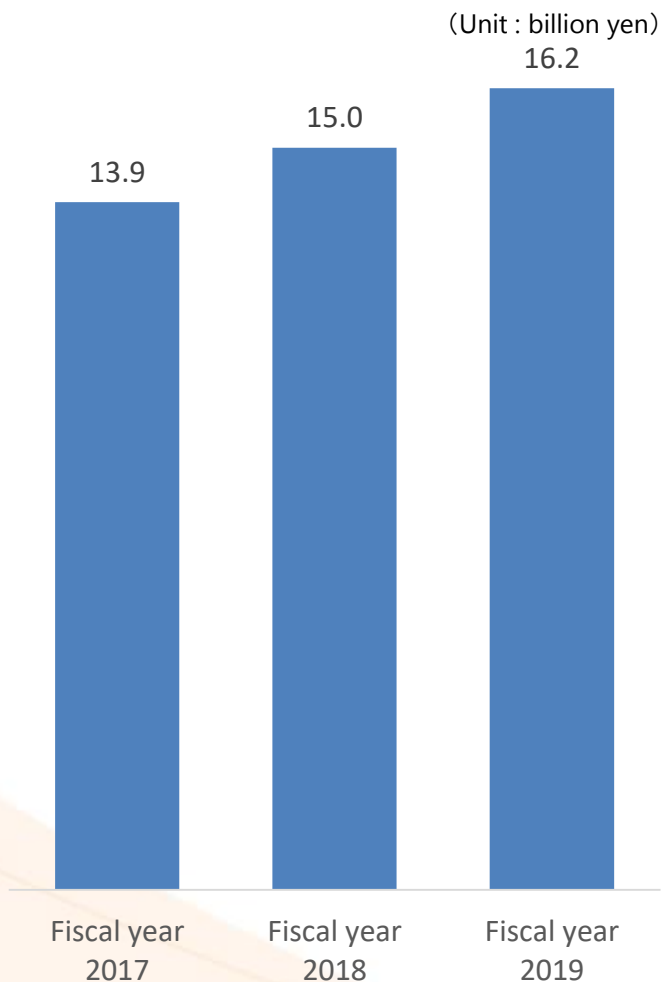
Fee structure : Based on the number of emails distributed + option fees

Launched : June 2011

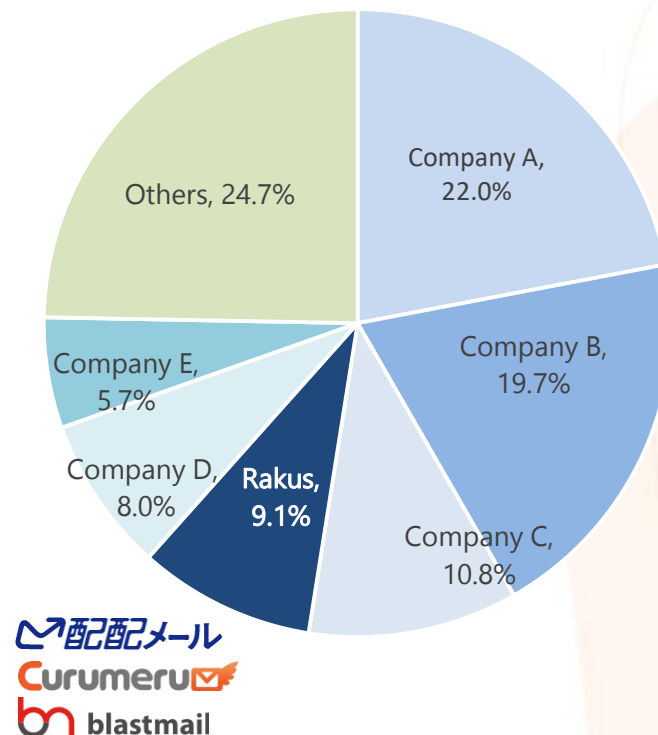
The Market for Cloud-based Email Distribution Systems

The Market for Cloud-based Email Distribution Systems in Japan

※ Source : Our own survey based on various data (As of March 2020)




Market shares based on sales value



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

Other services 2

 楽楽販売 / 働<DB Raku Raku Hambai / Hataraku DB

Product outline : Web database system which can automate clerical procedures and data processing

Main customers : All industries

Addressed to : All divisions

Usage : To improve efficiency for management of sales, customers, processes and projects

Fee structure : Number of users and number of databases + option fees

Launched : October 2008

【IT outsourcing business】 business model

Hiring
inexperienced
personnel

Training them to be
IT engineers

Dispatching these
engineers to
customers



IT outsourcing business superiority

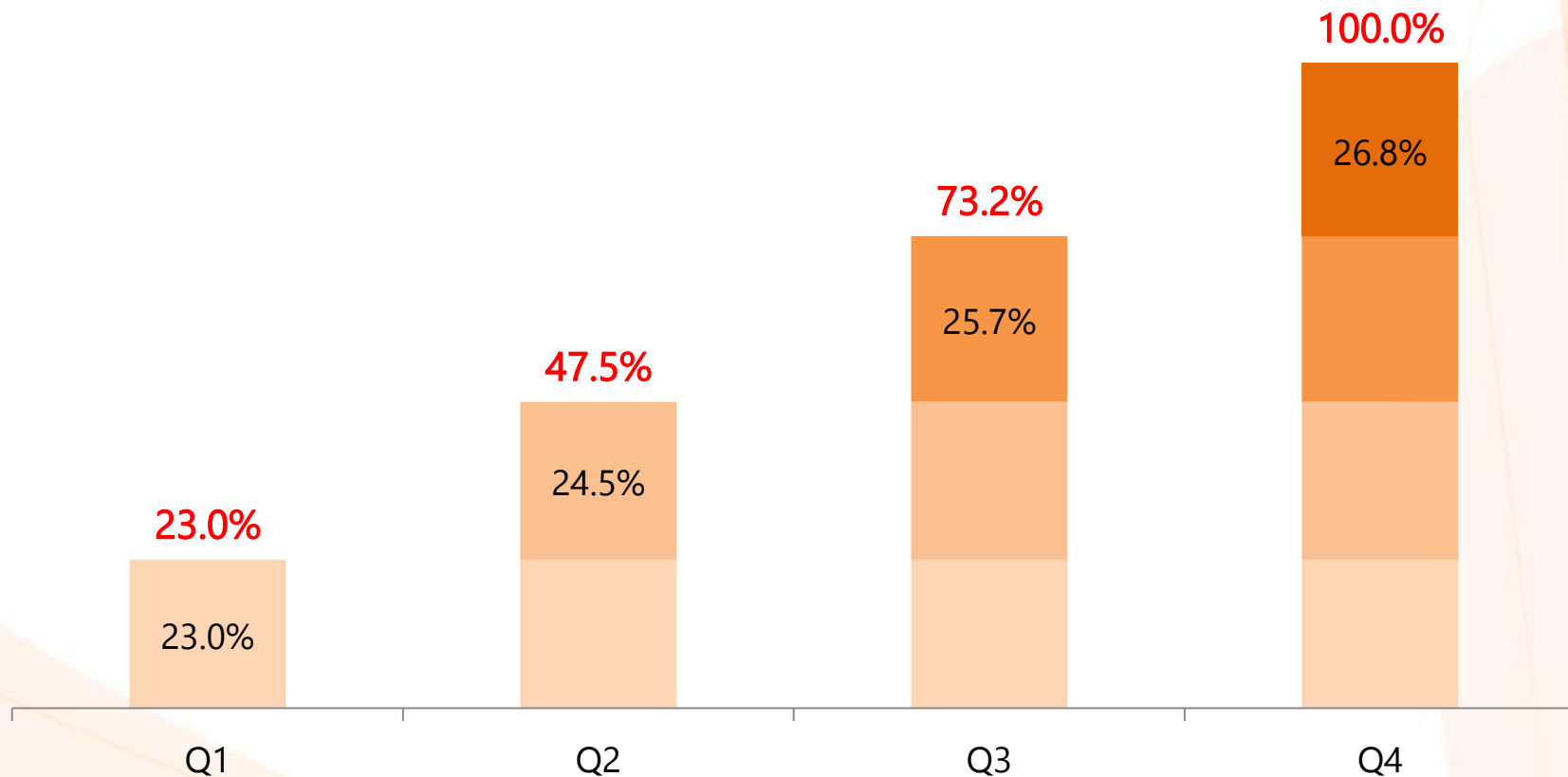
- ◆ Inexperienced person engineer appropriateness judgment know-how
- ◆ Expertise on education

Technological domains

- ◆ Java programmers
- ◆ Infrastructure engineers

【Cloud business】 Concept Image of Sales Generated throughout a Year

The contribution in Q4 is the largest because the business is based on a subscription model.



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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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