



RAKUS Co., Ltd.
(Mothers:3923)
Earnings Results for Q2
the fiscal year March 2021

Key points

■ Earnings results for Q2 of March 2021

- We are on track to achieve CAGR 30%
- Operational efficiency was pursued and SG&A was contained.

■ Cloud Business

- Year-on-year sales growth expanded continuously due to an increase in the number of customers.

■ IT Outsourcing Business

- Losses were reported in Q2 due to lower engineers' utilization than Q1.
- There has been a delay in assigning engineers, but engineers' utilization has been gradually recovering since it hit the bottom in July.

■ Guidance for the Fiscal Year March 2021

- CAGR 30% will be achieved thanks to investments made up until the last fiscal year.
- The guidance for March 2021 was revised upward due to robust performance of the cloud business.
- Our policy is to resume investment for future growth in March 2022 despite compromising profits.

Consolidated results for Q2 of the fiscal year March 2020

Summary of Consolidated Results for Q2 of March 2021



We are on track to achieve CAGR 30%

		Year on Year
Sales	¥7,074M	Up 31.2%
Operating Profit	¥1,704M	Up 152.2%
Ordinary Profit	¥1,714M	Up 152.8%
EBITDA	¥1,932M	Up 125.0%
Profit attributable to owners of parent	¥1,299M	Up 199.7%

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

Outline of the Consolidated Results for Q2 of March 2021



Operational efficiency was pursued and SG&A was contained.

(million yen)

	Q2 of March 2020	Q2 of March 2021	Year on Year
Sales	5,391	7,074	131.2%
Cost of sales	1,831	2,404	131.3%
Gross profit	3,559	4,670	131.2%
(GP margin)	(66.0%)	(66.0%)	
SG&A	2,883	2,965	102.8%
Operating profit	676	1,704	252.2%
(OP margin)	(12.5%)	(24.1%)	
Ordinary profit	678	1,714	252.8%
(Ordinary profit margin)	(12.6%)	(24.2%)	
EBITDA	859	1,932	225.0%
(EBITDA margin)	(15.9%)	(27.3%)	
Income tax	244	624	
(Tax rate)	(36.0%)	(32.5%)	
Profit attributable to owners of parent	433	1,299	299.7%

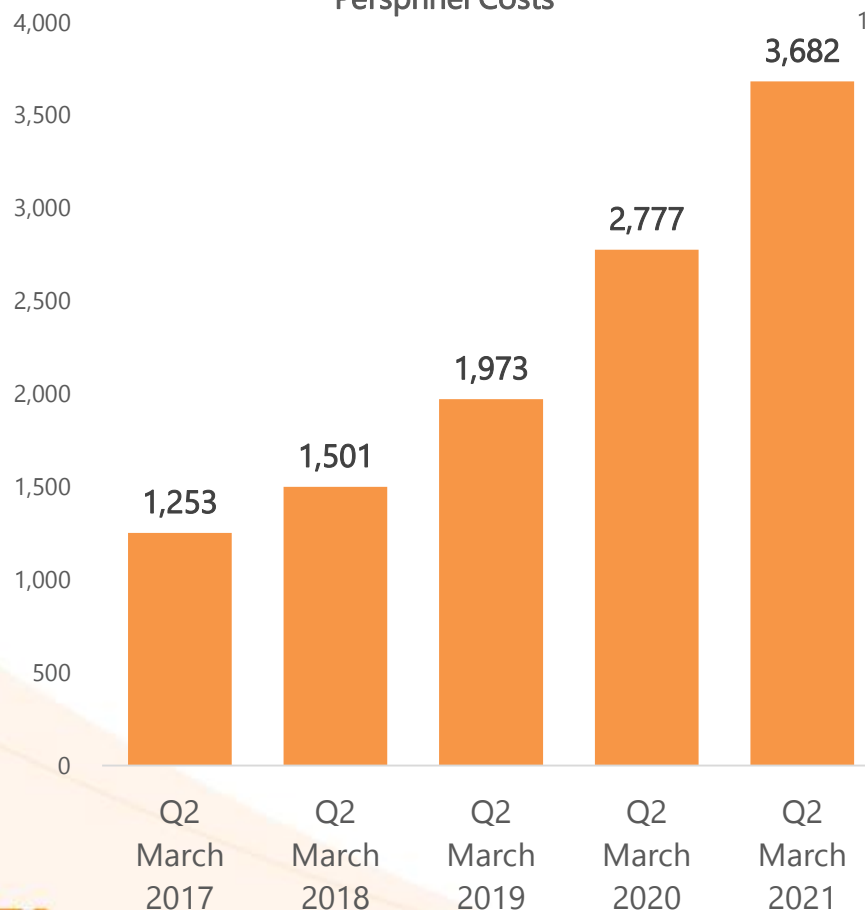
Trends for Personnel and Advertising Costs (actual)



Advertising costs were well controlled while increasing personnel necessary for sustainable growth.

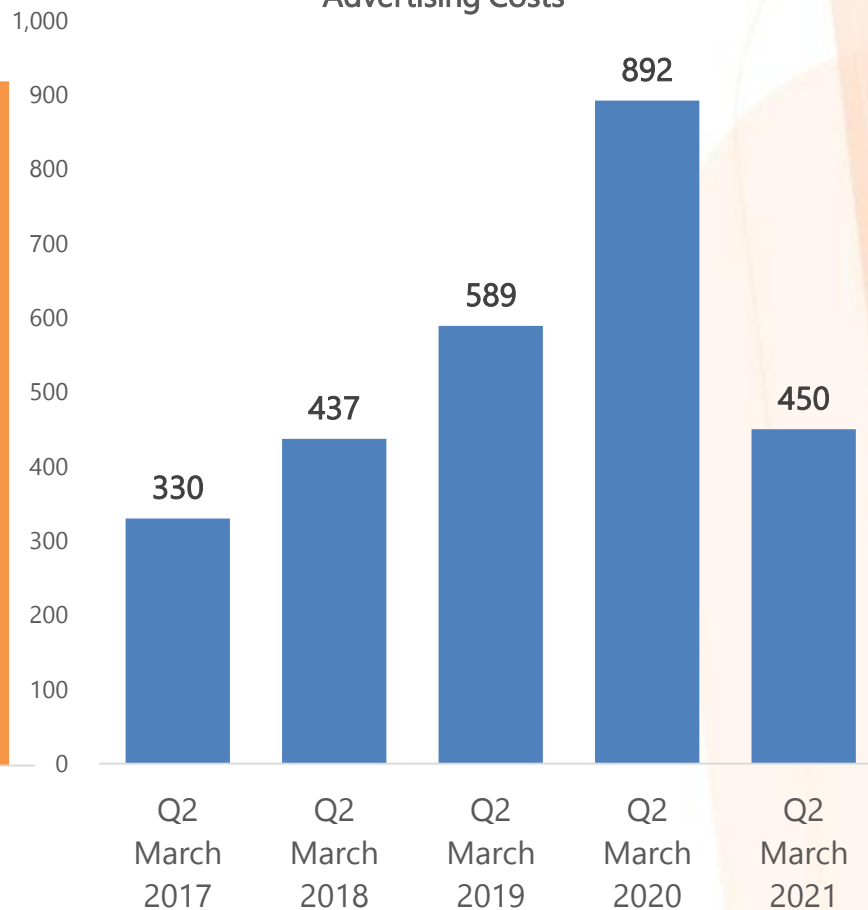
(million yen)

Personnel Costs



(million yen)

Advertising Costs

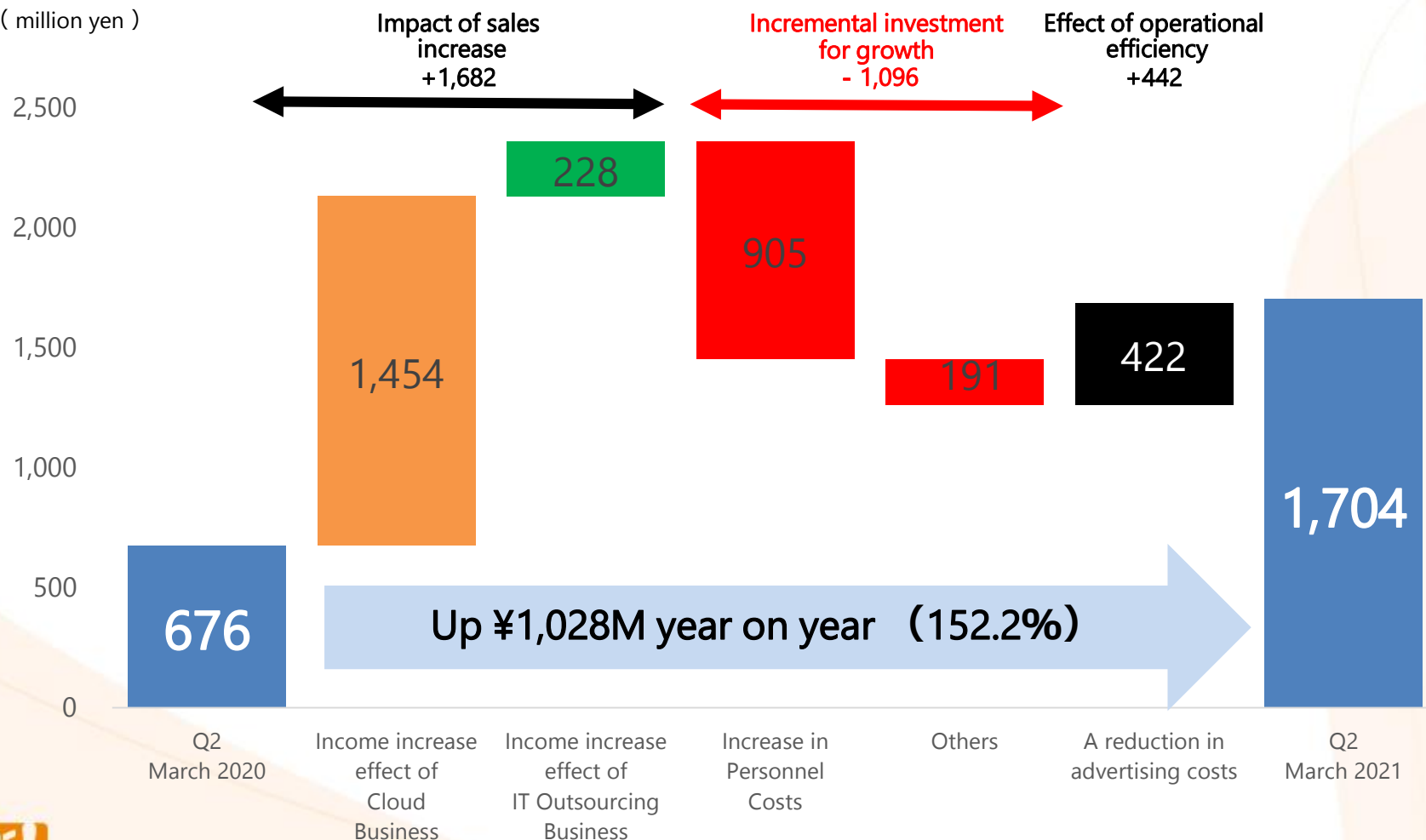


Factors for Changes in Consolidated Operating Profits in Q2 of March 2021



Profit grew significantly year on year due to an increase in sales and operational efficiency.

(million yen)



Consolidated Balance Sheet

(million yen)

	End of March 2020	End of Q2 of March 2021	Difference
Current assets	4,413	6,048	1,634
Non-current assets	2,625	2,743	117
Total assets	7,039	8,791	1,752
Current liabilities	1,773	2,542	769
Non-current liabilities	72	48	-25
Total liabilities	1,846	2,591	744
Shareholders' equity	5,196	6,206	1,009
Accumulated other comprehensive income	-4	-6	-2
Total equity	5,192	6,200	1,007
Total liabilities and equities	7,039	8,791	1,752
Equity ratio	73.8%	70.5	

Cash flow statement

(million yen)

	Q2 of March 2020	Q2 of March 2021	Difference
Cash flow from operating activities	492	1,762	1,270
Cash flow from investing activities	-178	-40	138
Free cash flow	313	1,722	1,409
Chas flow from financing activities	-179	-293	-114
Cash and cash equivalent at the end of the fiscal year	2,368	3,924	1,557
Depreciation	99 ※1	137 ※2	37
Amortization of goodwill	81	81	—

※1 ¥99 million depreciation costs include ¥36 million amortization of customer related assets acquired through M&A transactions.

※2 ¥137 million depreciation costs include ¥36 million amortization of customer related assets acquired through M&A transactions.

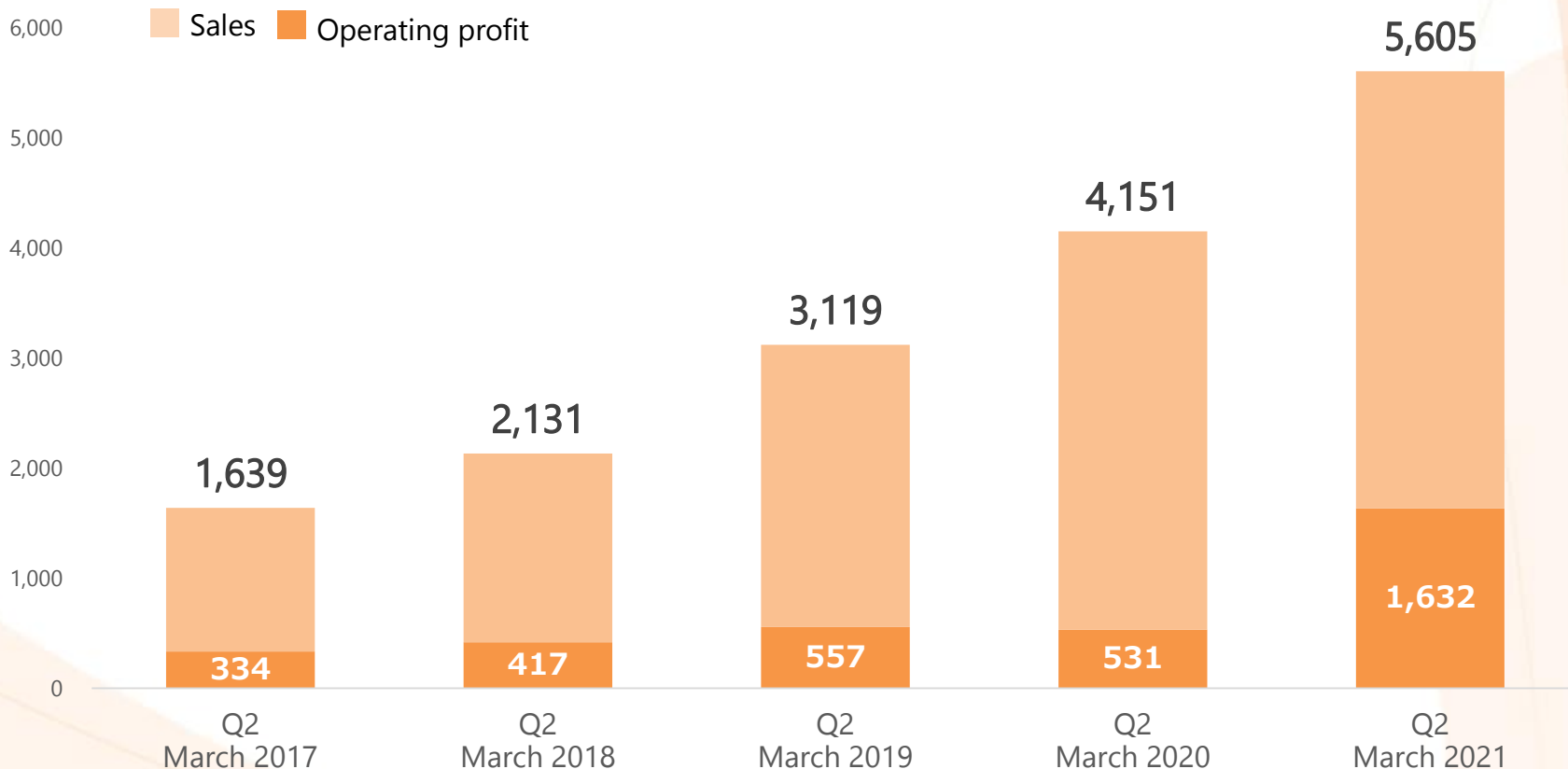
Cloud Business

Trend for the cloud business



Year-on-year sales growth expanded continuously due to an increase in the number of customers.

(million yen)



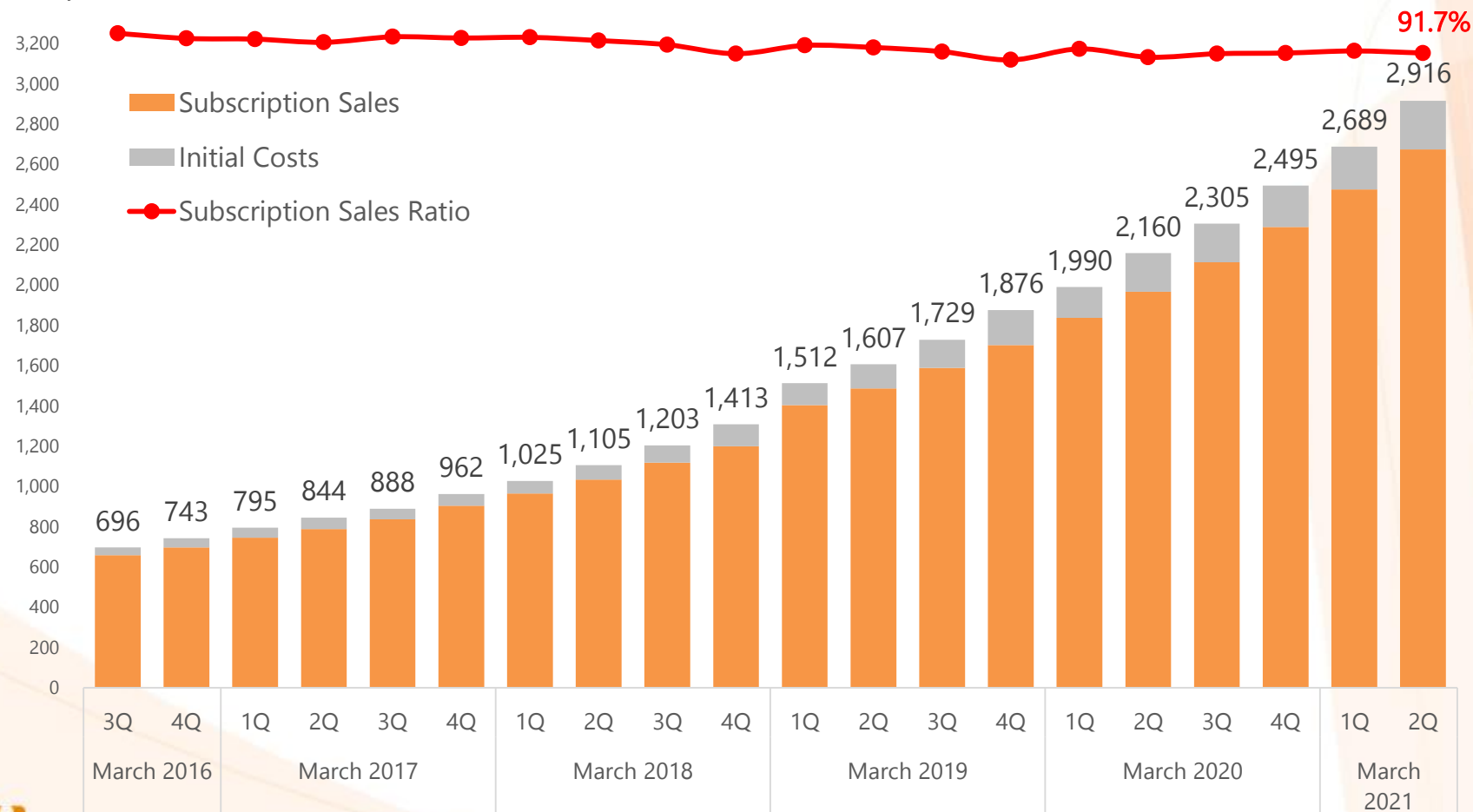
※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

Trends for Subscription Sales of the Cloud Business



The subscription sales ratio continued to be high.

(million yen)



Quarterly sales of the cloud business by service



A high level of growth in major services was maintained.

(million yen)

	Sales from July to September in 2021	Quarter on Quarter	Year on Year
Raku Raku Seisan	1,320	9.6%	38.2%
Mail Dealer	487	3.7%	14.7%
Email distribution services	467	4.9%	23.5%
Raku Raku Hambai	300	9.2%	47.9%
Raku Raku Meisai	258	21.3%	103.9%
Others	82	1.7%	14.4%
Total of the Cloud Business	2,916	8.4%	35.0%

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

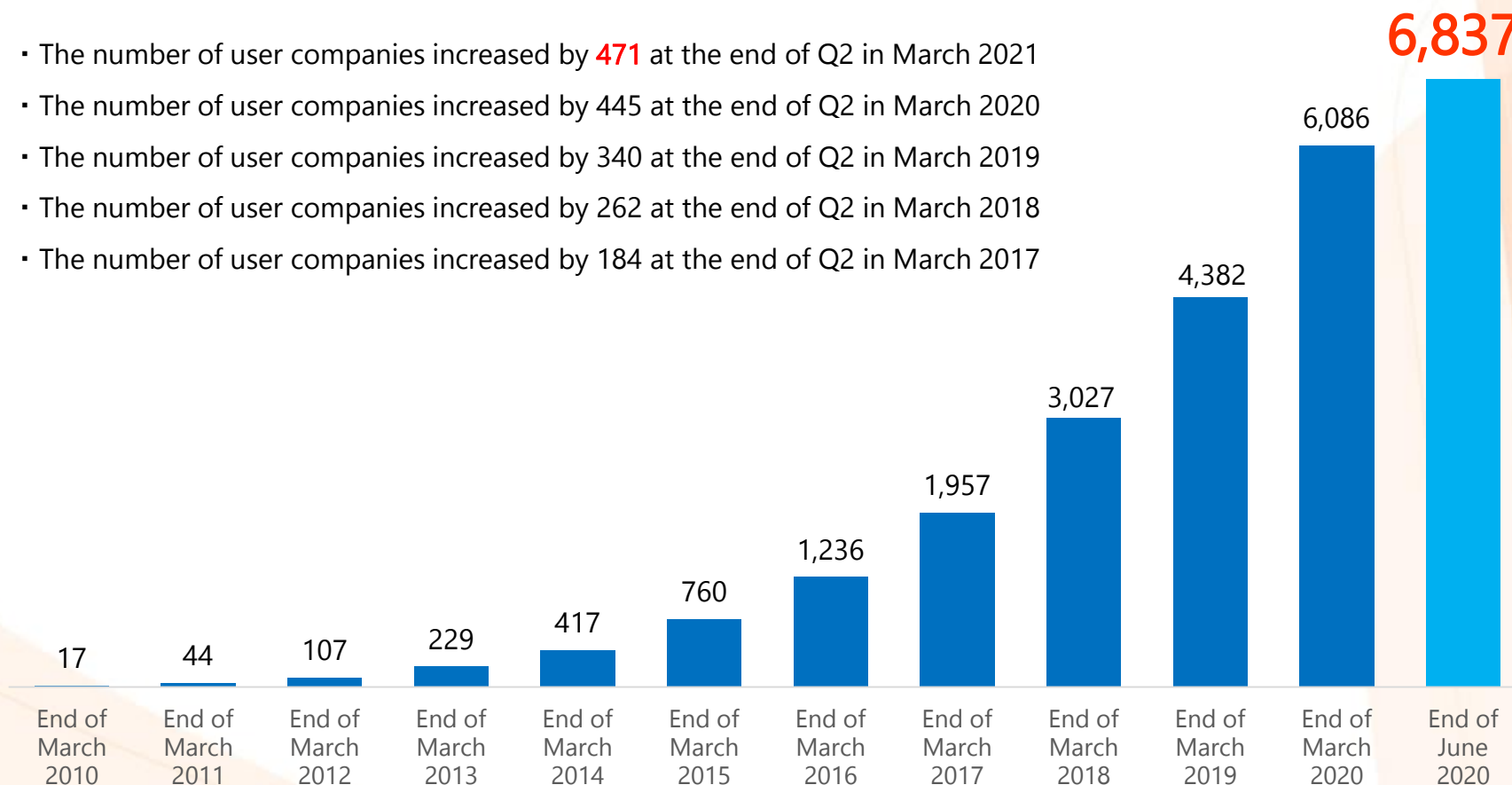
※ On-premises sales are included in the chart above.

Trends for the Cumulative Number of Corporations Using Raku Raku Seisan



We were successful in acquiring new orders and made up for the delay in Q1.

- The number of user companies increased by **471** at the end of Q2 in March 2021
- The number of user companies increased by 445 at the end of Q2 in March 2020
- The number of user companies increased by 340 at the end of Q2 in March 2019
- The number of user companies increased by 262 at the end of Q2 in March 2018
- The number of user companies increased by 184 at the end of Q2 in March 2017



Sales Trends for Raku Raku Seisan

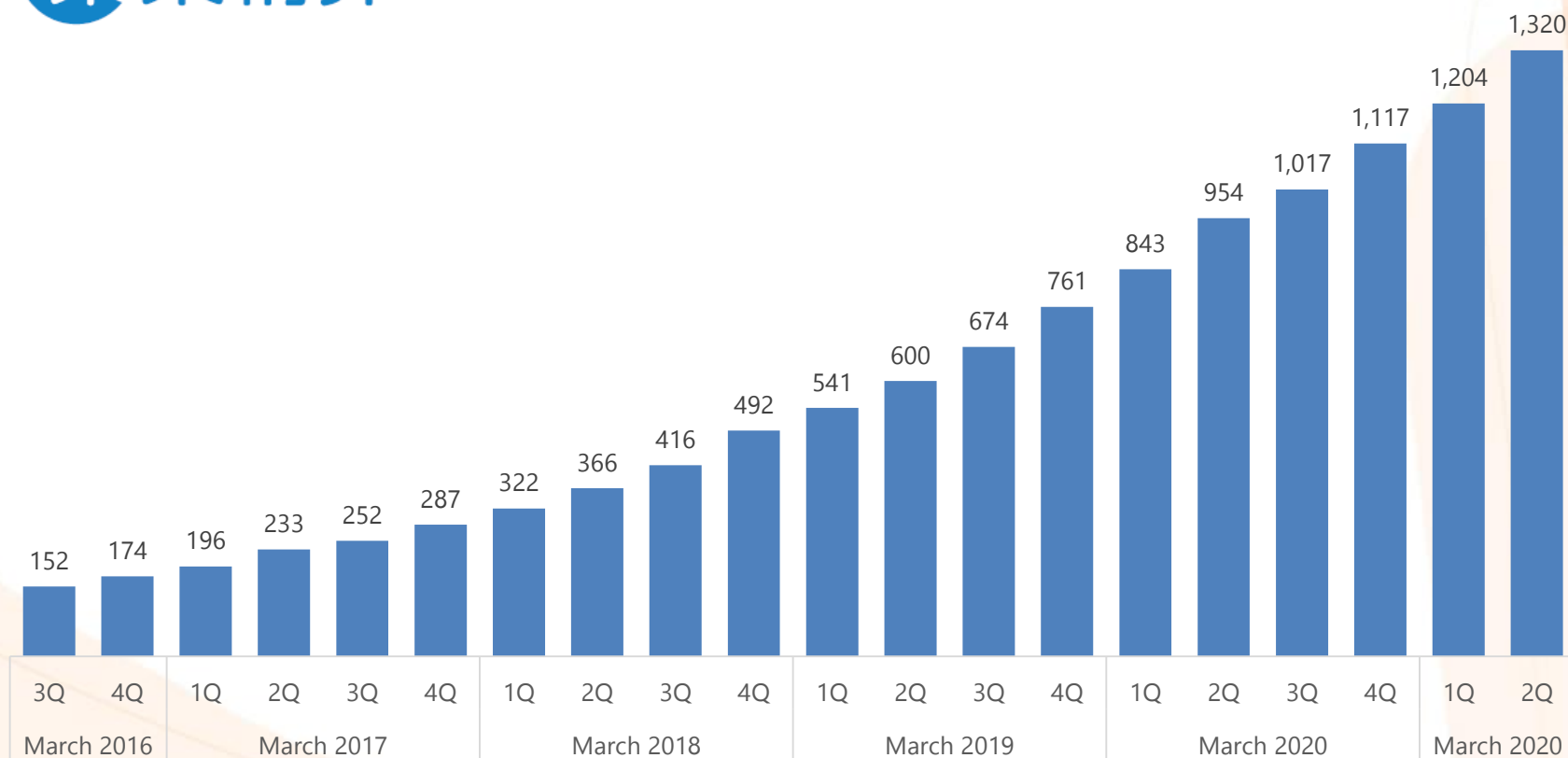


A high level of growth has continued



※ Sales of cloud services alone are described below.

(million yen)



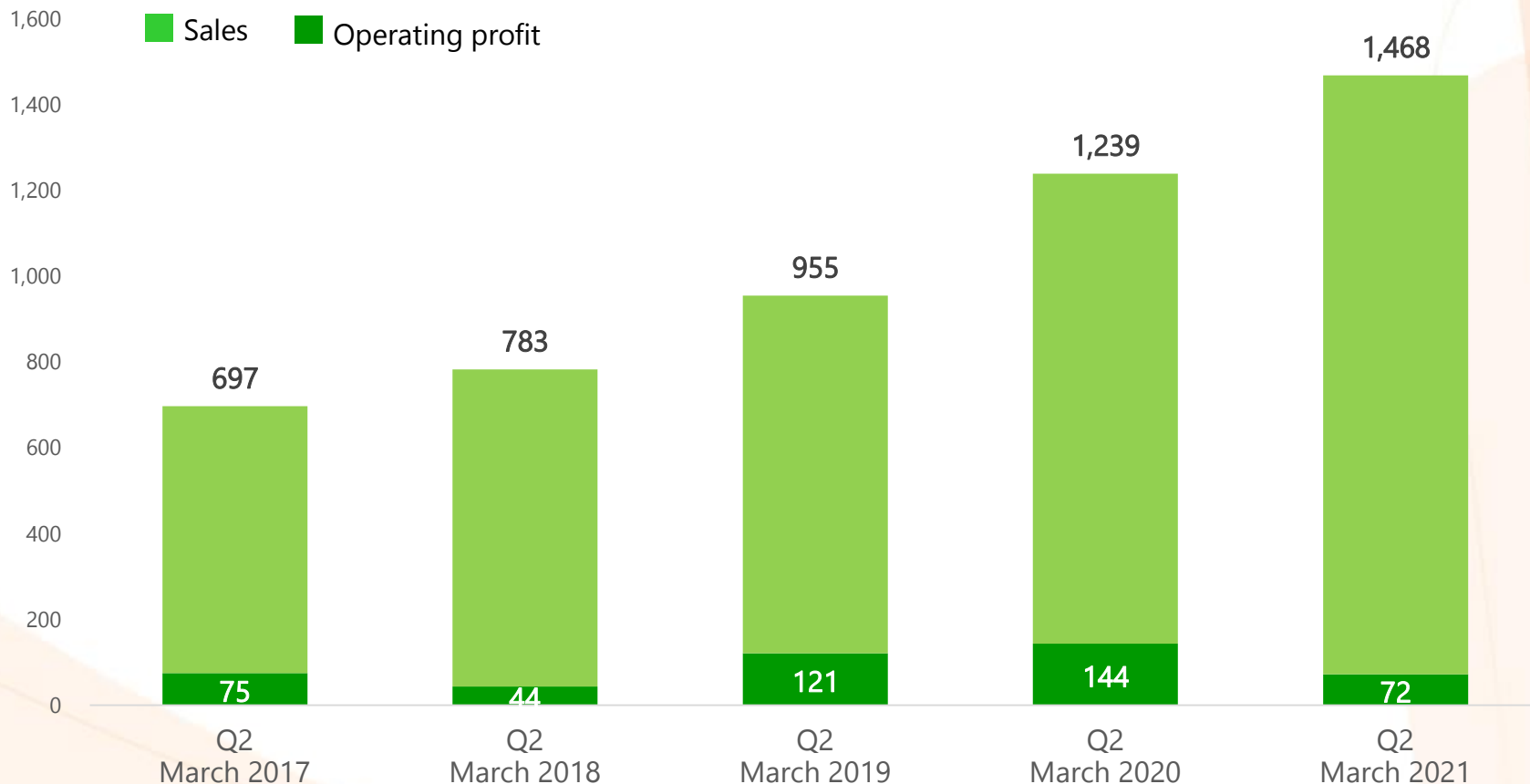
IT Outsourcing Business

Trend for the IT Outsourcing Business



Losses were reported in Q2 due to lower engineers' utilization than Q1.

(million yen)



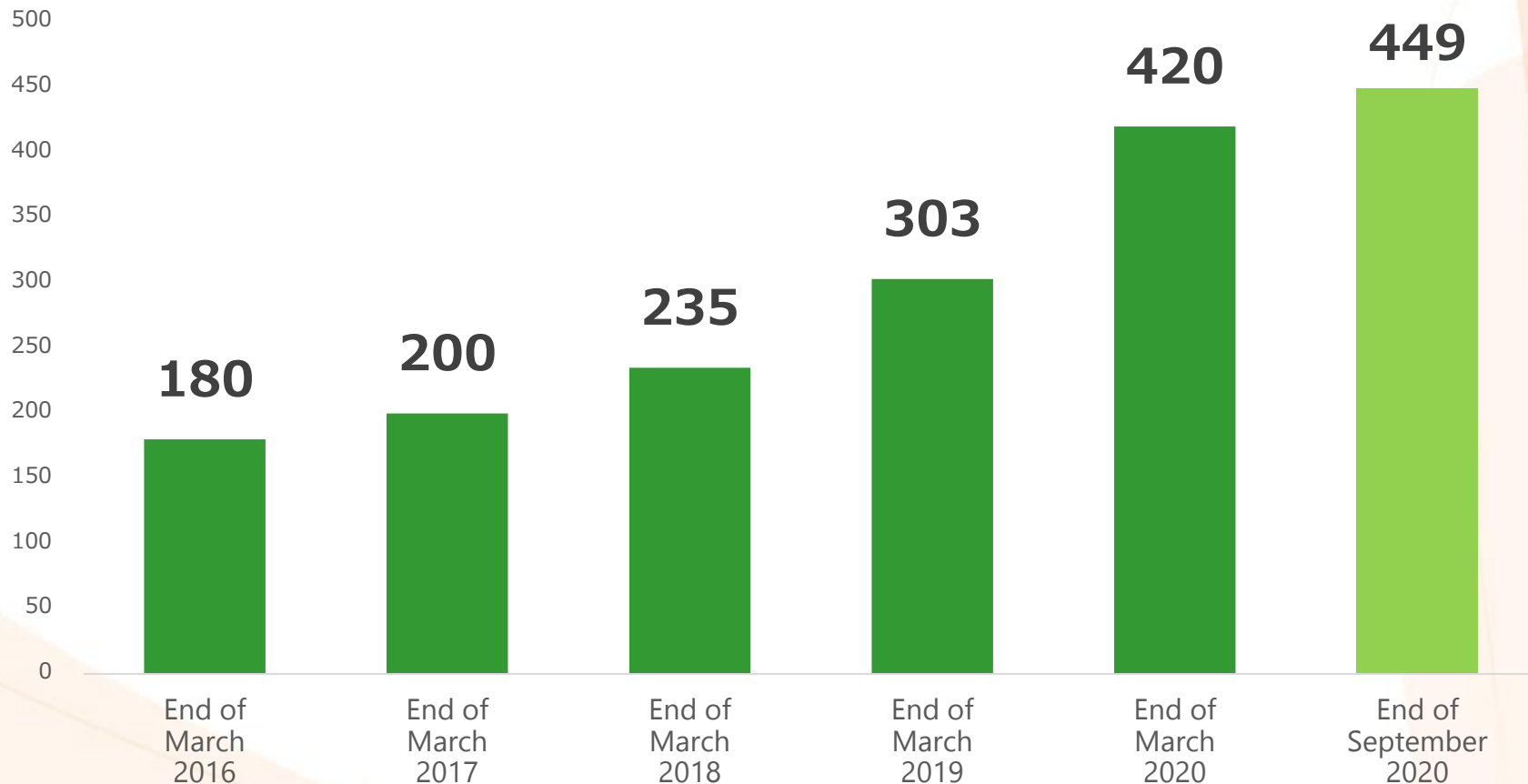
※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

Trend for the number of engineers for the IT Outsourcing Business



The number of engineers slightly declined quarter over quarter because we have stopped hiring personnel.

(people)



※This includes apprentice engineers.

Consolidated Guidance for the Fiscal Year March 2021

Business policy and growth strategy



CAGR 30% will be achieved thanks to investments made up until the last fiscal year.
Our policy is to resume investment for future growth in March 2022 despite compromising profits.

New cloud services were launched.

Investment in Raku Raku Meisai was strengthened.

Focus on Raku Raku Seisan to accelerate growth

(million yen)

35,000

30,000

25,000

20,000

15,000

10,000

5,000

0

Sales

Operating profit

Growth rate

21.7%

19.4%

21.0%

29.9%

36.4%

32.8%

30.2%

3,413

4,077

4,932

6,408

8,743

11,608

15,119

444

784

975

1,241

1,468

1,174

3,604

March
2015

March
2016

March
2017

March
2018

March
2019

March
2020

March
2021
(guidance)

March
2022

March
2023

March
2024

Challenge ourselves to
achieve 30% CAGR

Strengthening
investment

Higher
operational
efficiency

Strengthening
investment

• • •



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



Sales and all types of profit are expected to exceed the target.

(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	15,119	1,038	33.1%
Gross profit	4,123	9,060	10,103	1,042	34.8%
Operating profit	1,241	2,726	3,604	877	42.7%
Ordinary profit	1,247	2,741	3,617	875	42.6%
EBITDA	1,357	2,982	4,070	1,087	44.2%
Profit attributable to owners of parent	874	1,922	2,720	797	45.9%

Consolidated Guidance for the Fiscal Year March 2021



The guidance for March 2021 was revised upward due to robust performance of the cloud business.

(million yen)

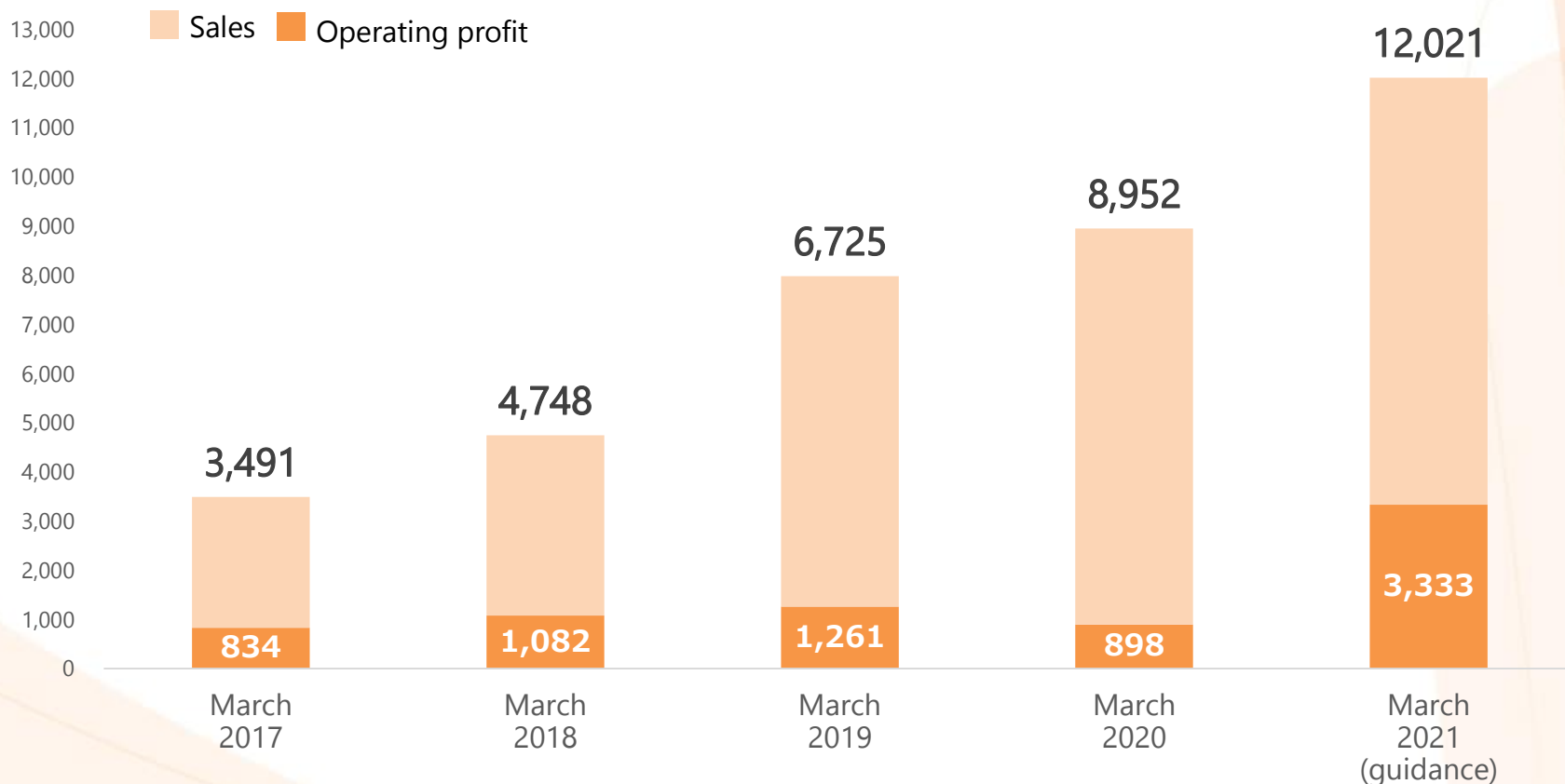
	Full year of March 2020 (actual)	Full year of March 2021 (guidance)	Year on Year
Sales	11,608	15,119	130.2%
Cost of sales	3,945	5,016	127.1%
Gross profit	7,662	10,103	131.9%
(GP margin)	(66.0%)	(66.8%)	
SG&A	6,487	6,498	100.3%
Operating profit	1,174	3,604	306.9%
(OP margin)	(10.1%)	(23.8%)	
Ordinary profit	1,177	3,617	307.2%
(Ordinary profit margin)	(10.1%)	(23.9%)	
EBITDA	1,561	4,070	260.7%
(EBITDA margin)	(13.4%)	(26.9%)	
Income tax	369	1,100	
(Tax rate)	(31.6%)	(28.9%)	
Profit attributable to owners of parent	799	2,720	340.2%

Trend for the cloud business



Actual performance was better than the guidance due to robust new orders after the emergency declaration was lifted.

(million yen)



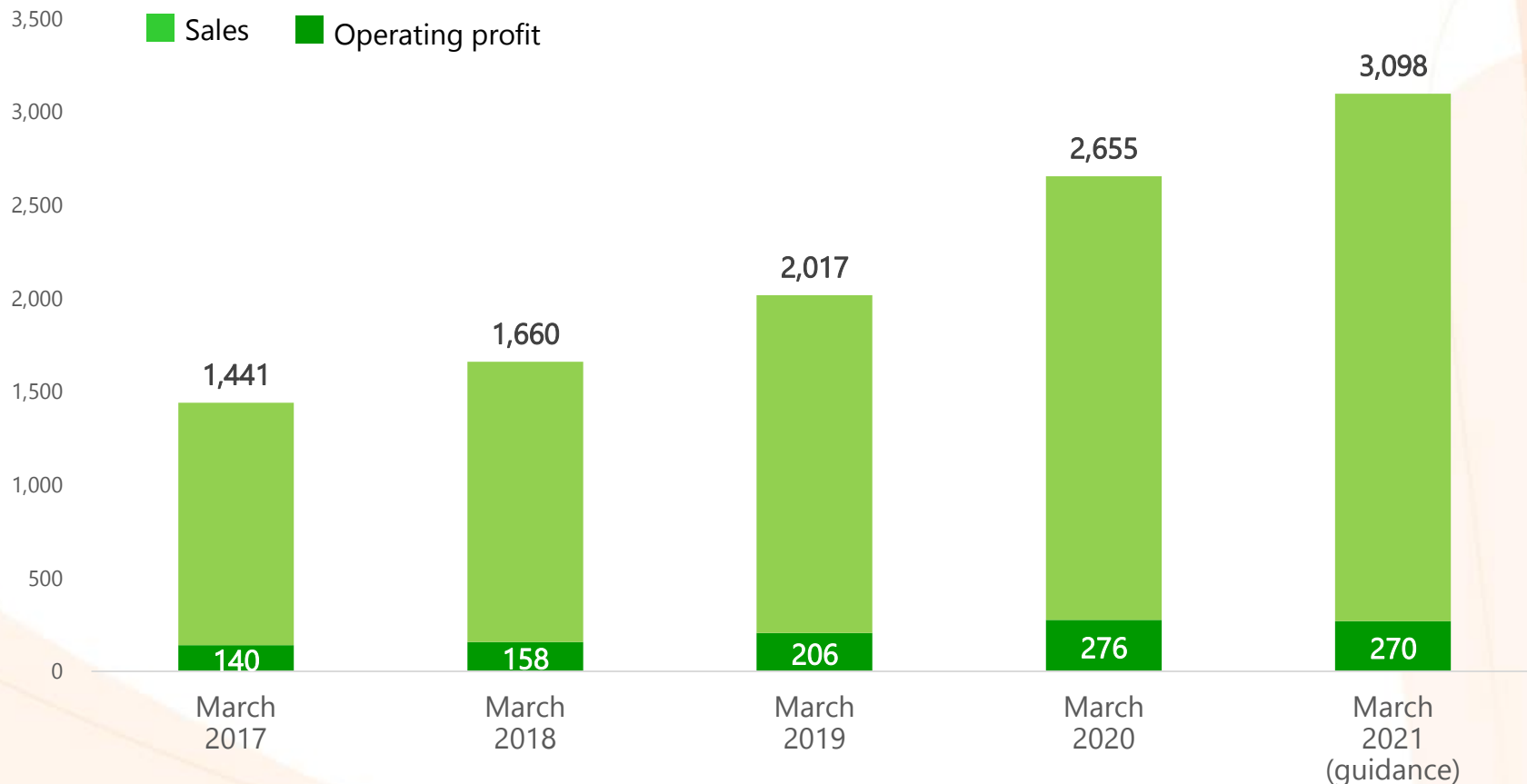
※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

Trend for the IT Outsourcing Business



Sales and operating profit were revised downward due to slower recovery of engineers' utilization than anticipated.

(million yen)

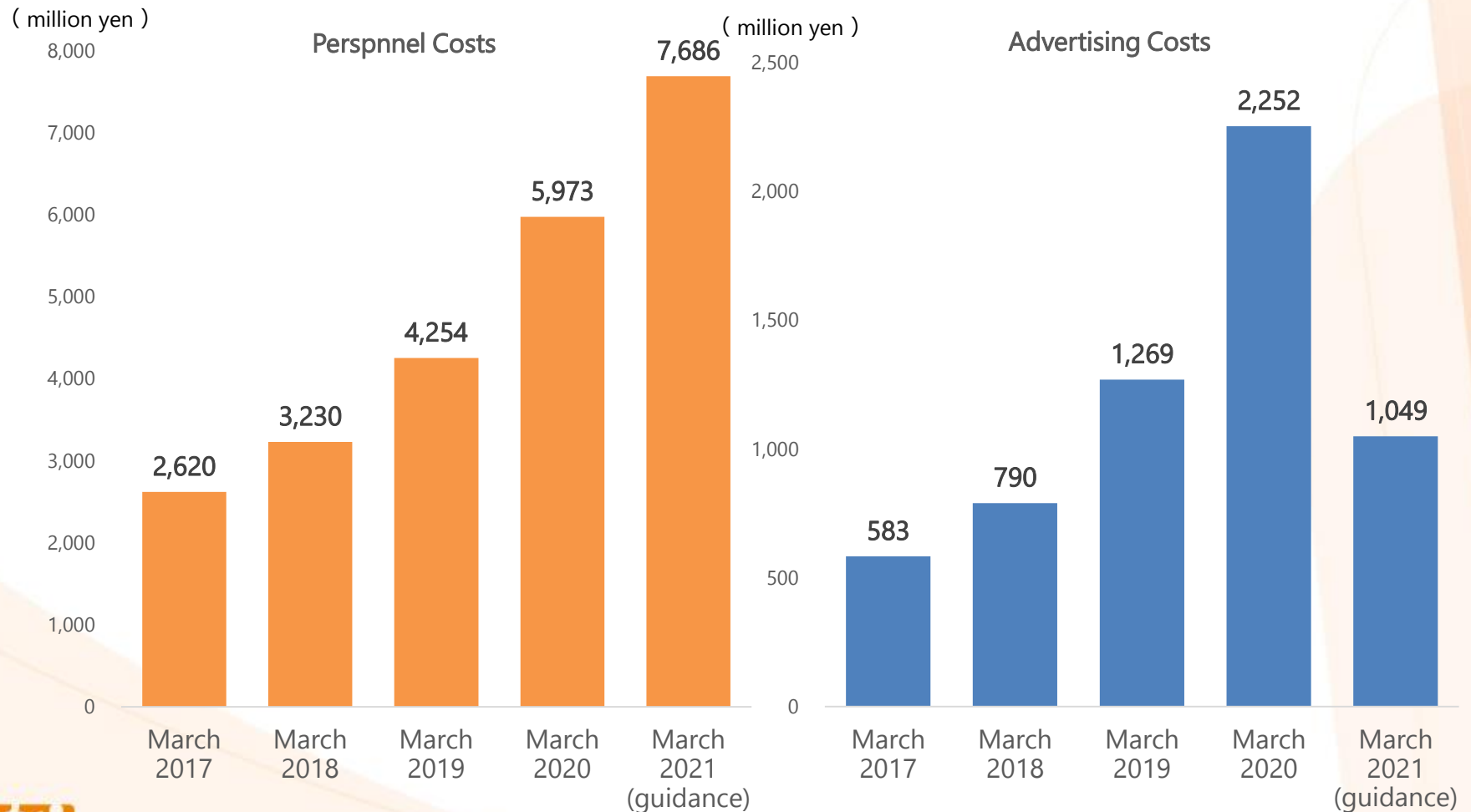


※The criteria for overhead cost allocation were revised retroactive to the beginning of the fiscal year ending March 2019.

Trends for Personnel and Advertising Costs (guidance)



Our policy is to pursue operational efficiency this fiscal year and resume investment for future growth next fiscal year.

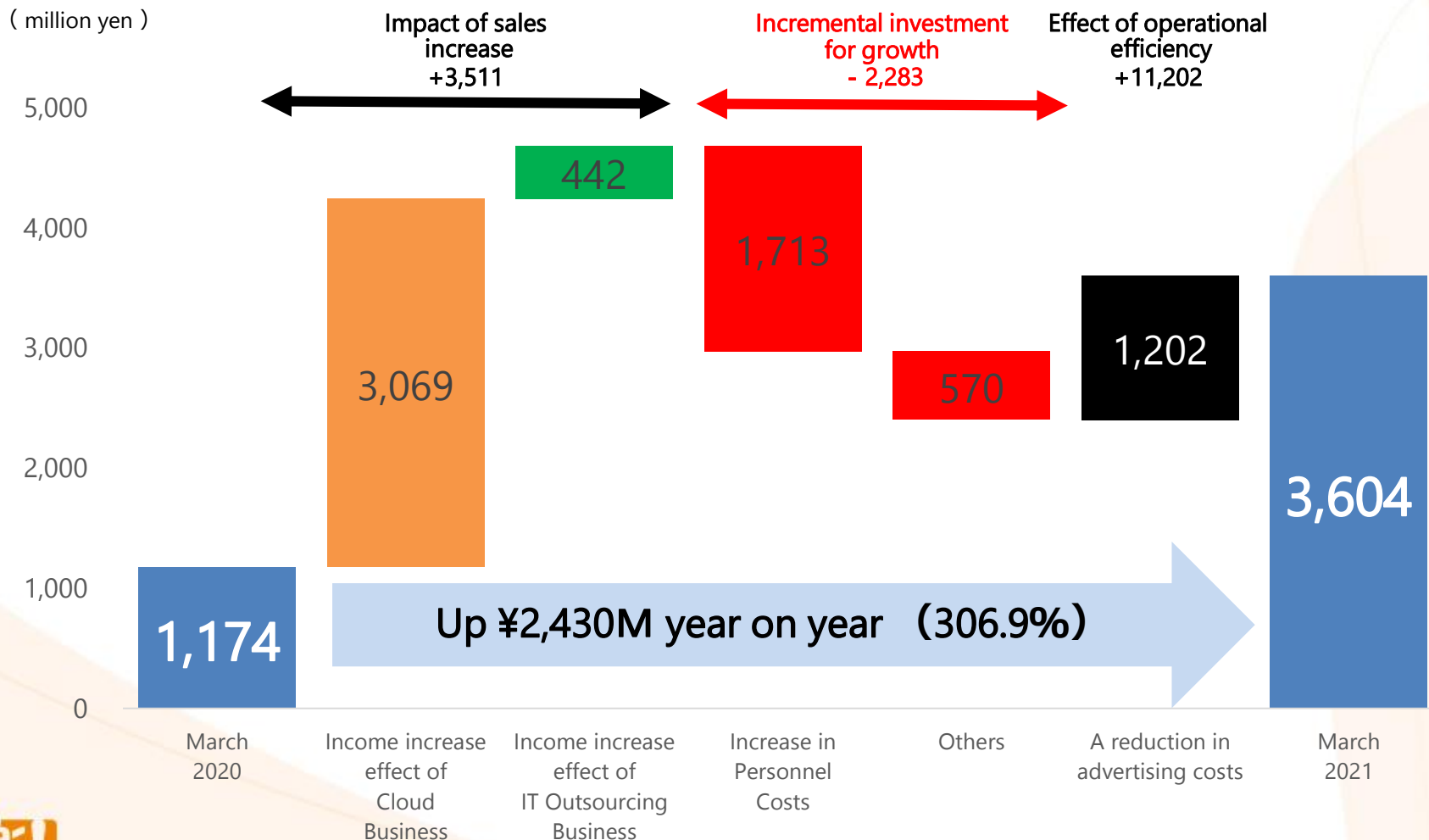


Factors for Changes in Consolidated Operating Profits in of March 2021



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

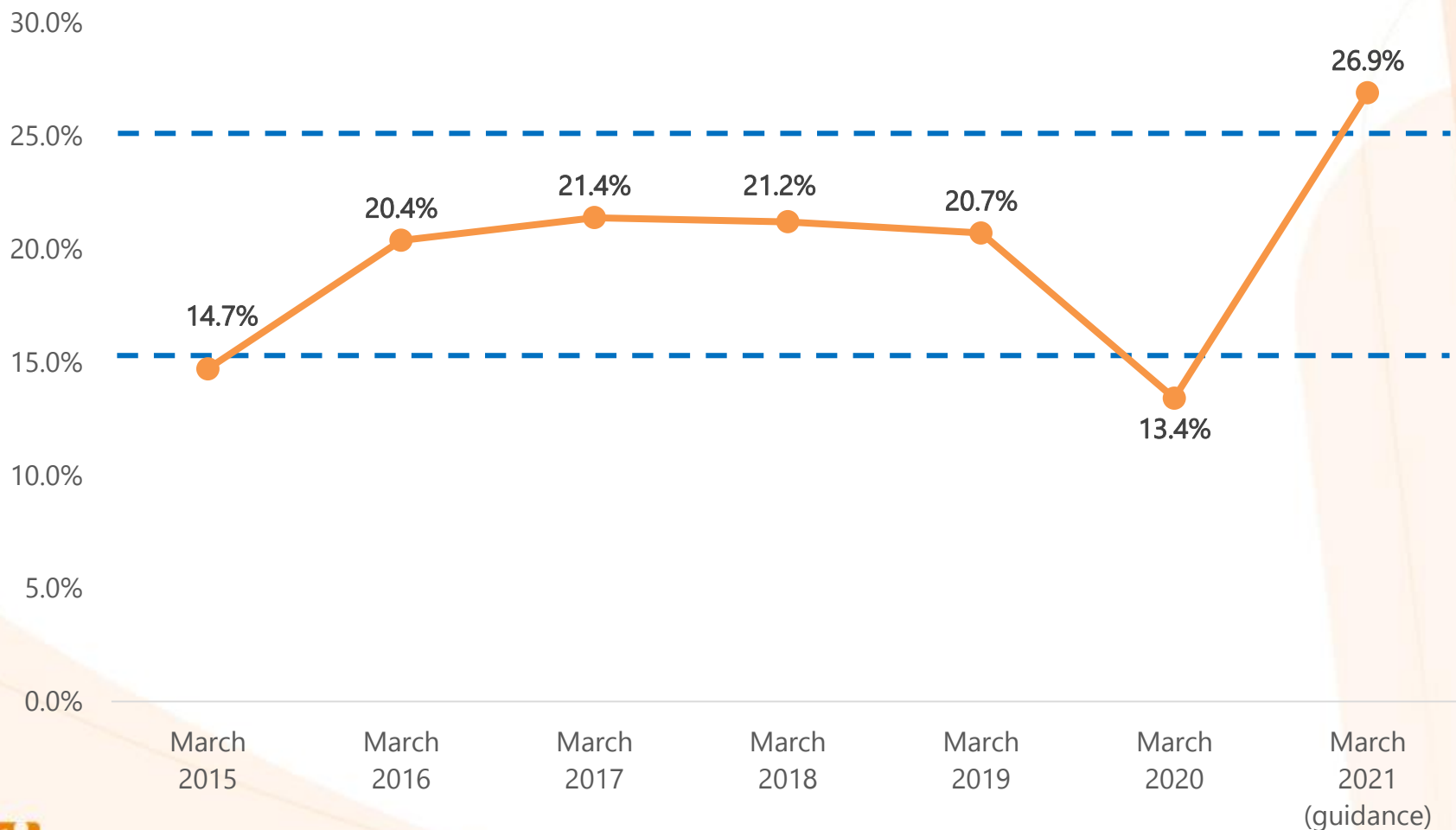
(million yen)



【KPIs】 Trends for EBITDA Margins



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

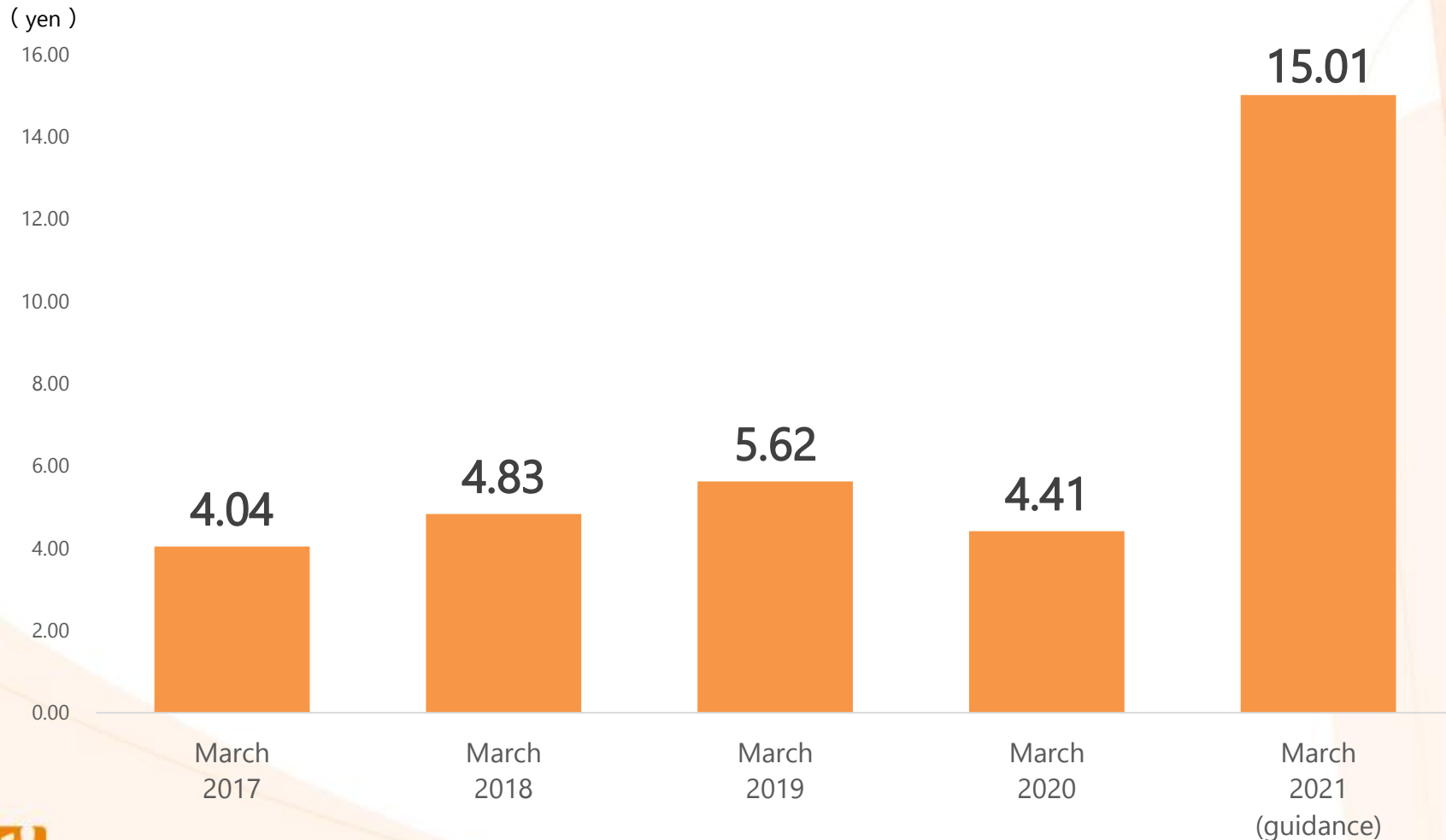


【KPIs】 Trends for EPS

※ 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.

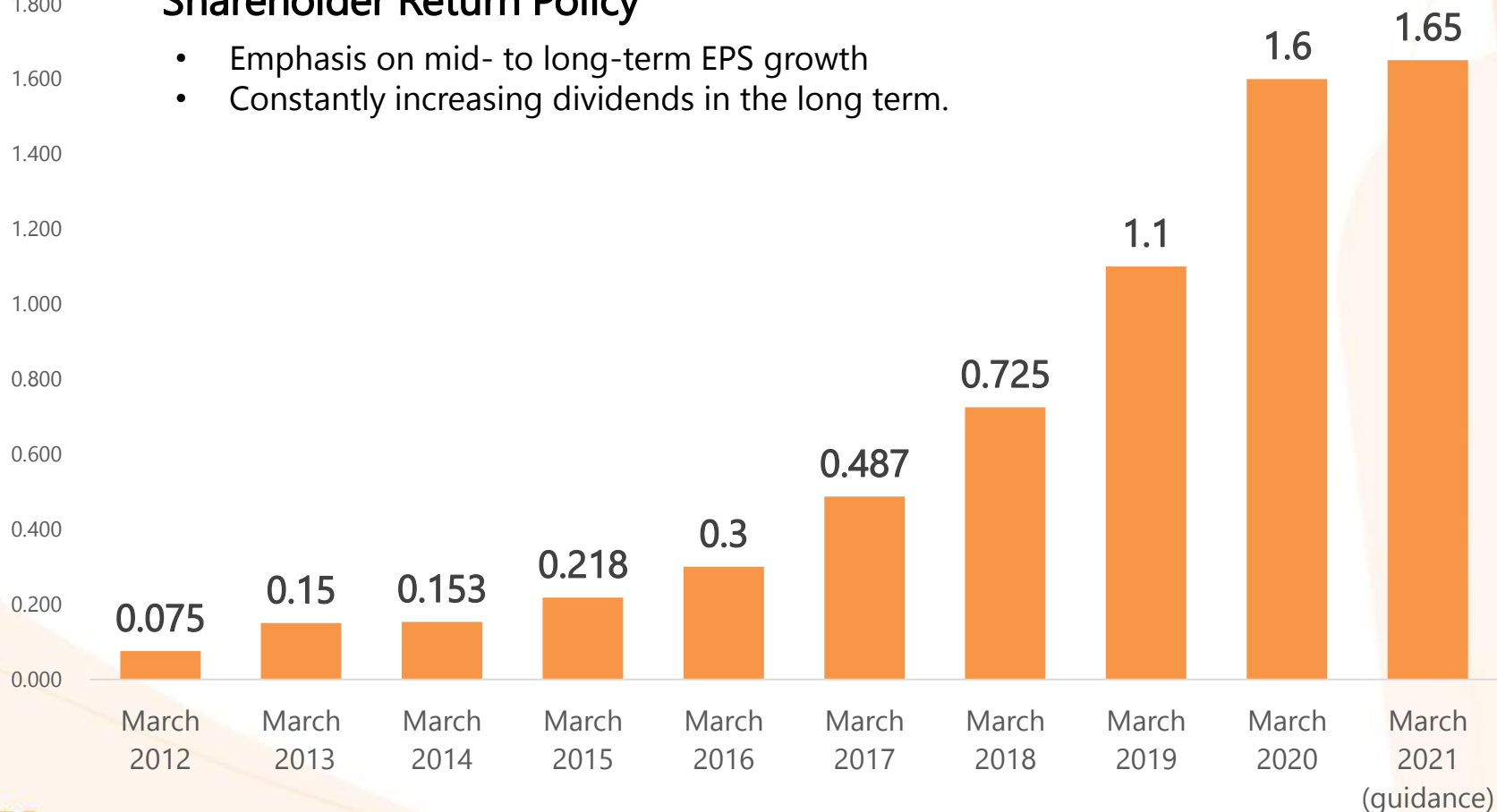


We plan to increase dividends for the 9th year in a row.

(yen)

Shareholder Return Policy

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



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

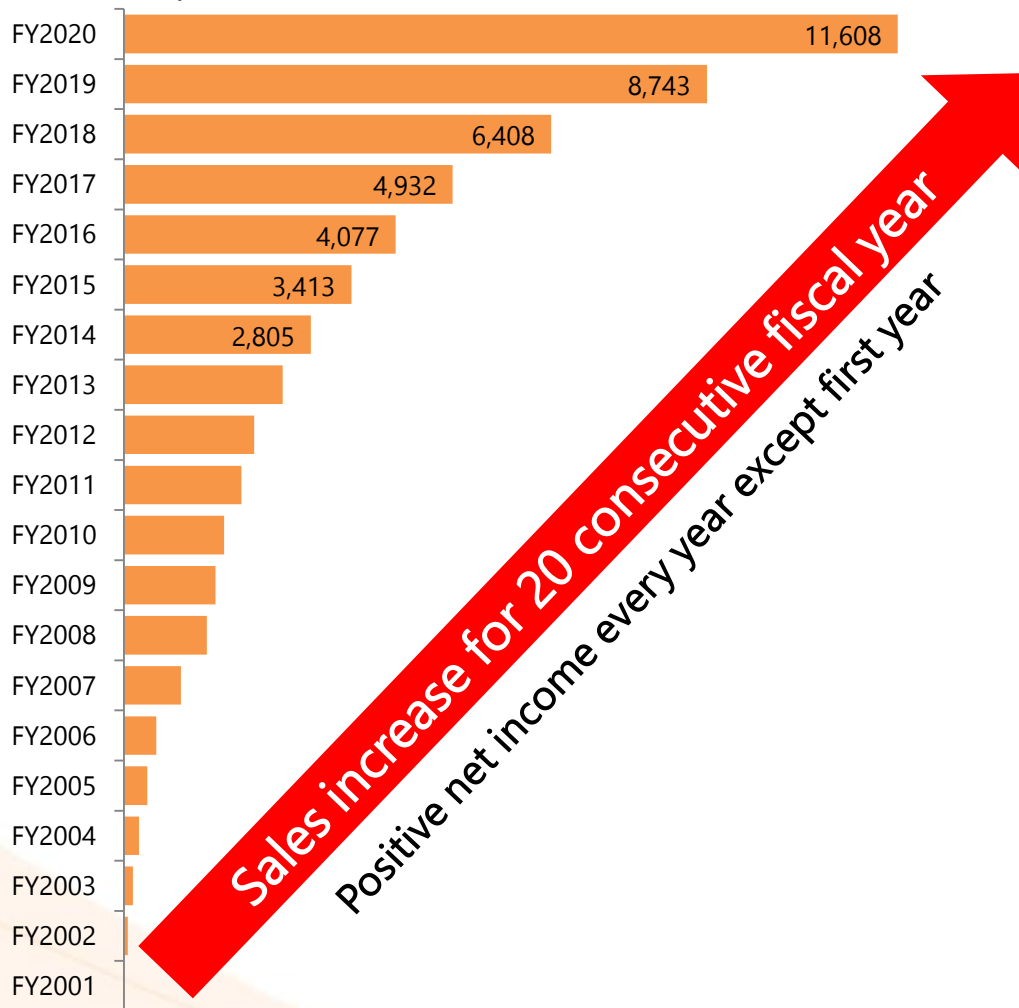
※LTV(Life Time Value) = revenue that a customer will generate during their lifetime (ARPU × estimated average usage years × gross profit margin)

※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

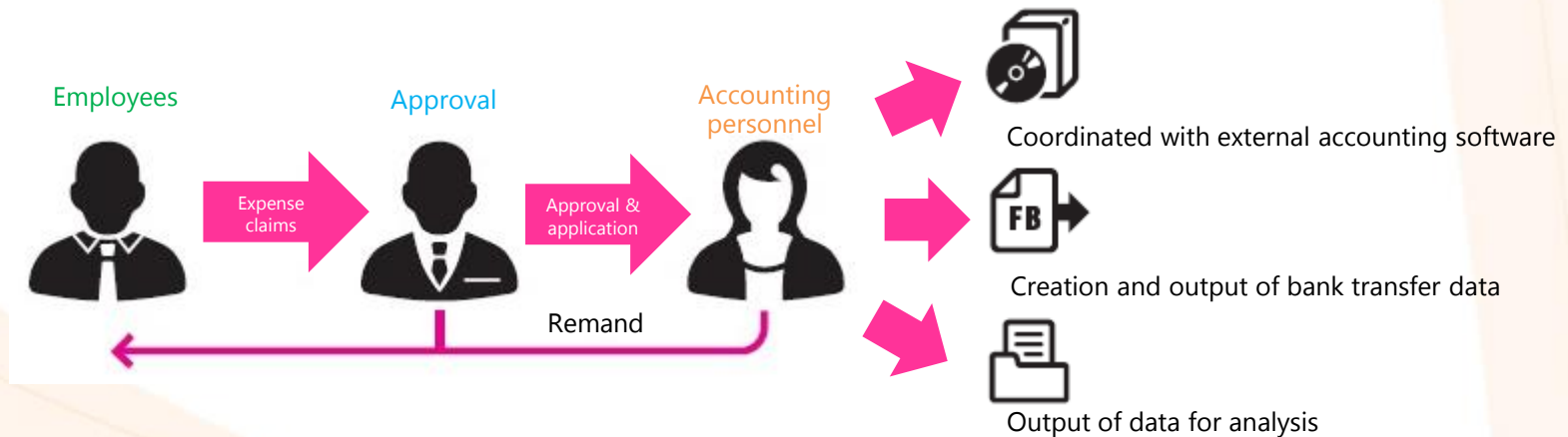
Main customers : Companies with 50 to 1,000 employees (all industries)

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

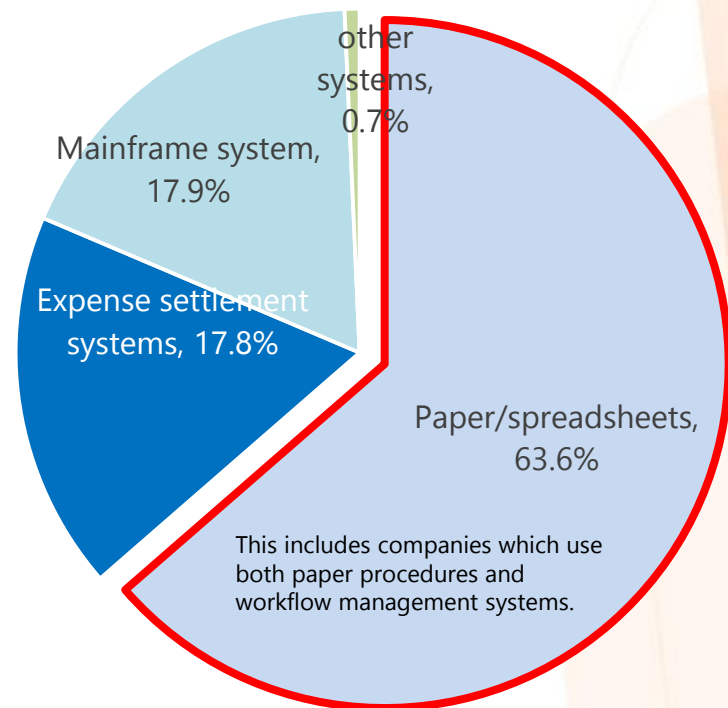
The target market is 100,000 companies valued at 70 billion yen.

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.



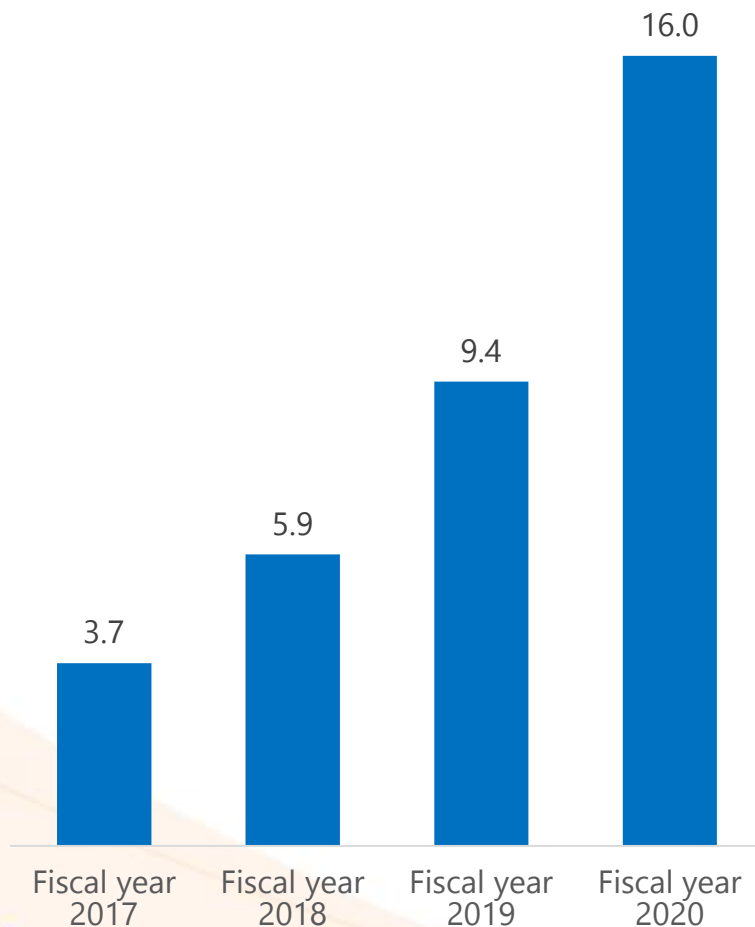
Source : Questionnaire filled out by accounting department staff in February, 2020.

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

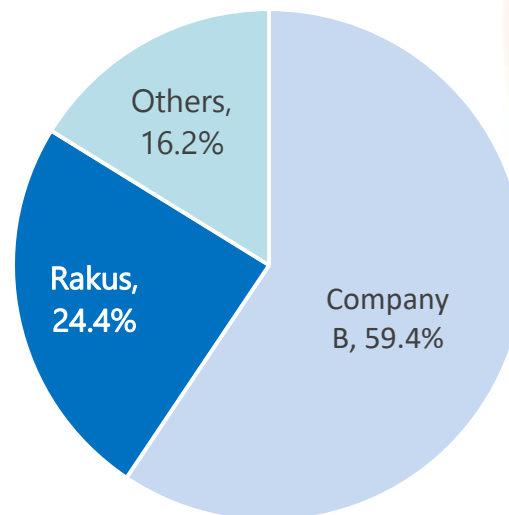
(billion yen)



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

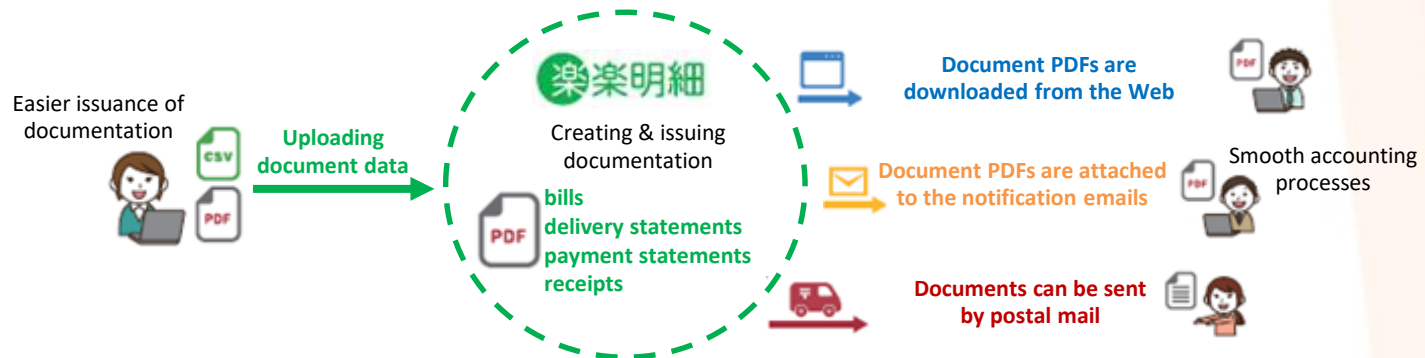
Main customers : All industries

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

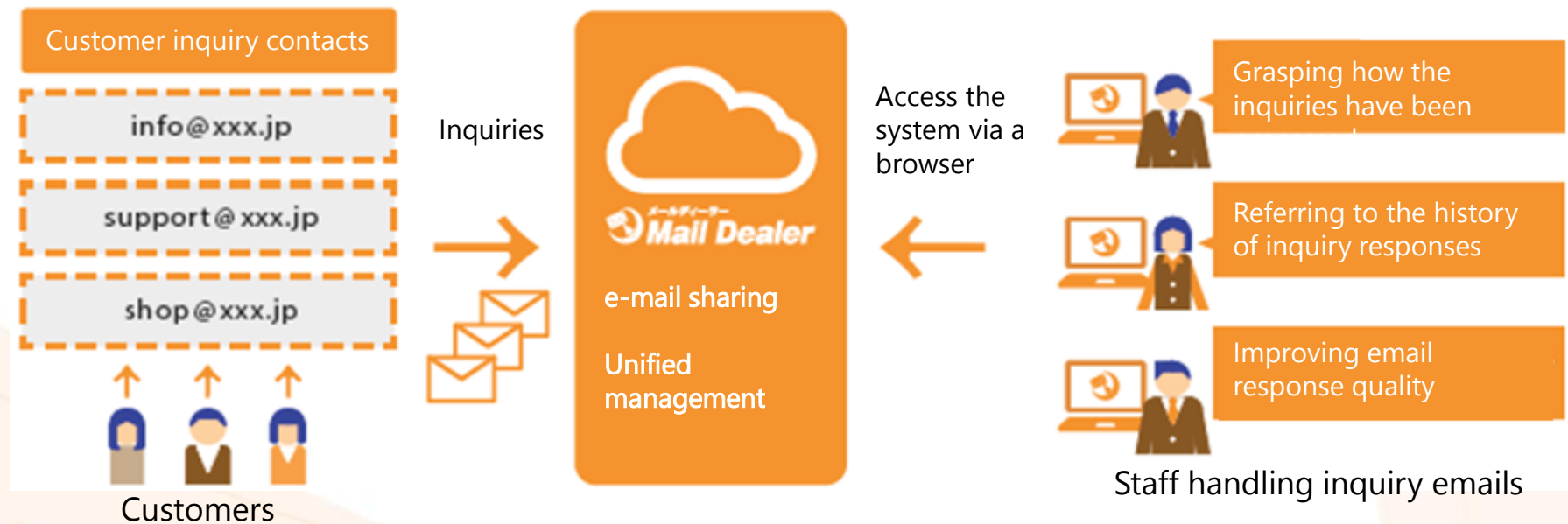
Main customers : E commerce businesses, call centers, and other B to C businesses

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

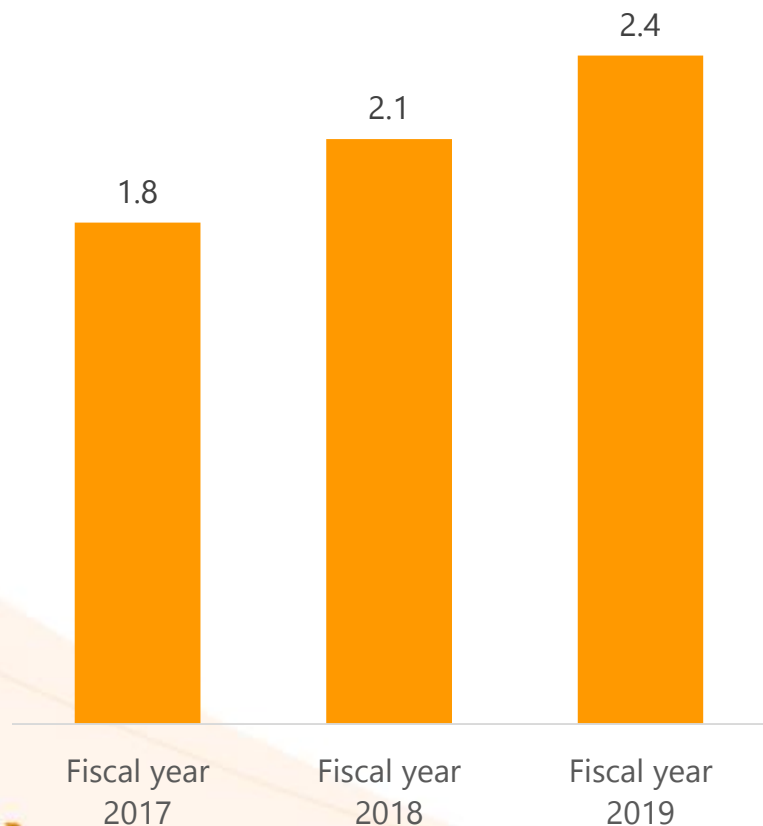
Launched : April 2001



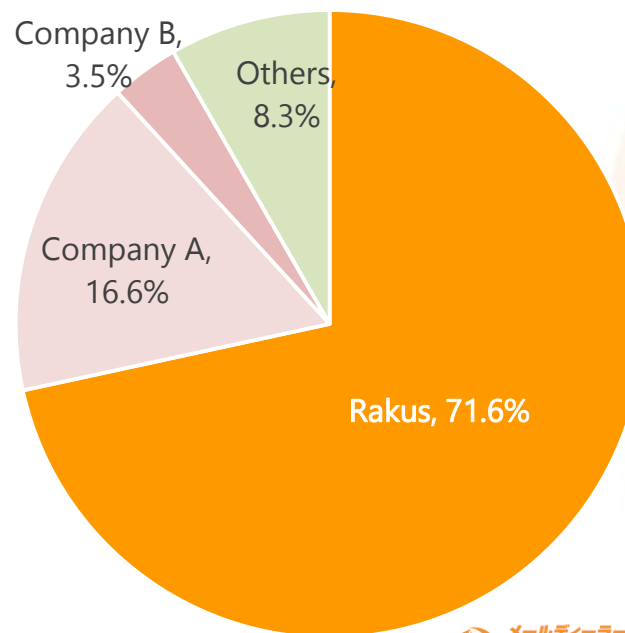
The market for cloud-based Mail processing

※ 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

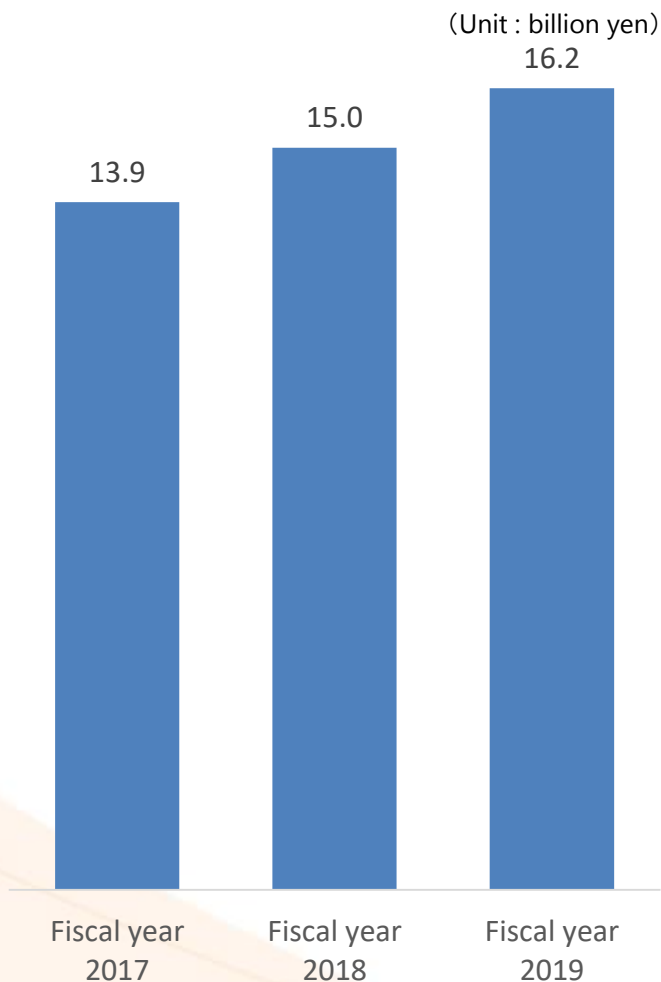
Fee structure : Based on the number of emails distributed + option fees

Launched : June 2011

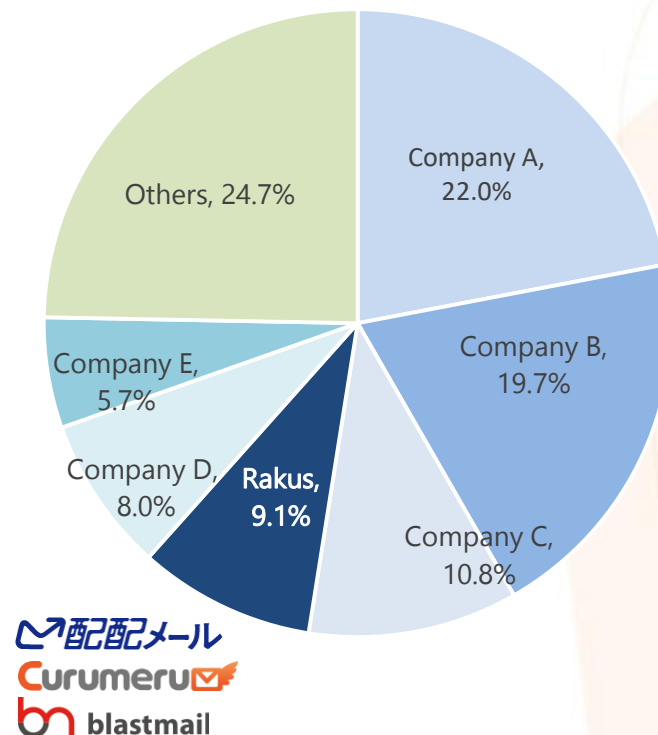
The Market for Cloud-based Email Distribution Systems

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

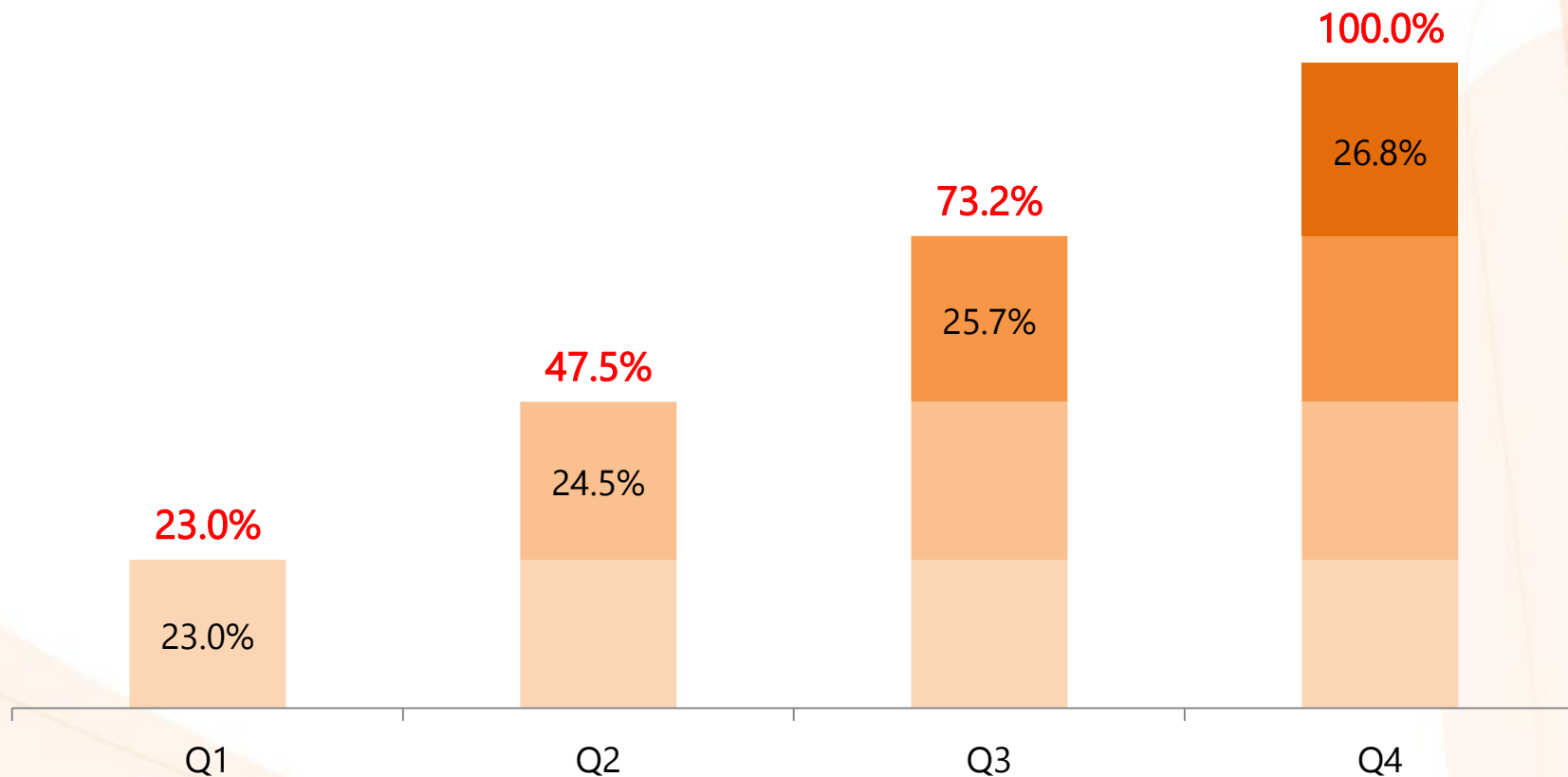
- ◆ Inexperienced person engineer appropriateness judgment know-how
- ◆ Expertise on education

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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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.

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