

Earnings Results for Q3 of the fiscal year ending March 2022

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

February 10, 2022



Request For 1on1 Meeting

RAKUS accepts requests for 1on1 meetings via “Minsetsu”, a schedule arrangement service.

Please select your preferred date and time from the URL below.

<https://app.msetsu.com/interviews/HKvbnWvg>

*If you would like to have a meeting other than in Japanese, please arrange for an interpreter.

About Minsetsu

<https://msetsu.com/minsetsu-top-en>

Key points

■ Consolidated Results for Q3 FY2022.3

- A high level of sales growth was maintained due to robust performance of the IT Outsourcing business as well as the Cloud business.
- Profit declined significantly year on year due to a large increase in SG&A according to our investment plan for enhancing the sales growth.

■ Cloud Business

- Sales growth accelerated, driven by active investment which was initiated at the beginning of this fiscal year.

■ IT Outsourcing Business

- Growth of sales accelerated driven by significant increase of number of engineers utilized in operations.

■ Guidance for FY2022.3

- We are progressing well to achieve our full year guidance.
- We prioritize growth speed and are flexible in reallocating our budgets, however there is no change to the earnings guidance.

Consolidated Results for Q3 of the fiscal year ending March 2022

Summary of Consolidated Results for Q3 FY2022.3

A high level of sales growth was maintained due to robust performance of the IT Outsourcing business as well as the Cloud business.

Profit declined significantly year on year due to a large increase in SG&A according to our investment plan for enhancing the sales growth.

		Year on Year
Sales	14,839 million	+34.3%
Operating Profit	1,200 million	-56.9%
Ordinary Profit	1,211 million	-56.7%
EBITDA	1,622 million	-48.3%
Profit attributable to owners of parent	784 million	-61.4%

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

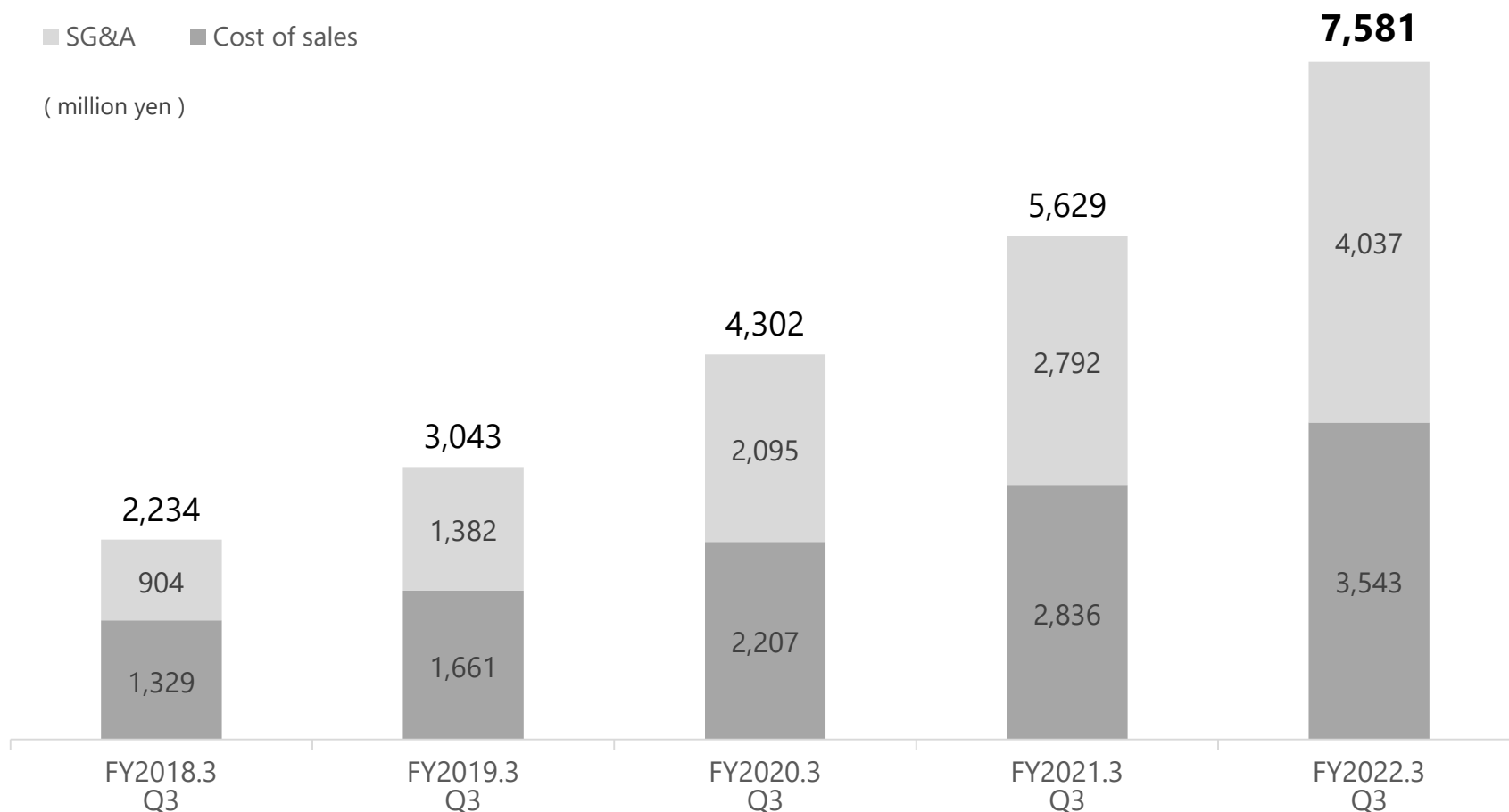
Outline of the Consolidated Results for Q3 FY2022.3

(million yen)

	Q3 FY2021.3	Q3 FY2022.3	Year on Year
Sales	11,049	14,839	134.3%
Cost of sales	3,675	4,781	130.1%
Gross profit	7,374	10,058	136.4%
GP margin	66.7%	67.8%	
SG&A	4,587	8,857	193.1%
Operating profit	2,786	1,200	43.1%
OP margin	25.2%	8.1%	
Ordinary profit	2,799	1,211	43.3%
Ordinary profit margin	25.3%	8.2%	
EBITDA	3,135	1,622	51.7%
EBITDA margin	28.4%	10.9%	
Income tax	975	427	
Tax rate	32.5%	35.3%	
Profit attributable to owners of parent	2,029	784	38.6%

Personnel Costs

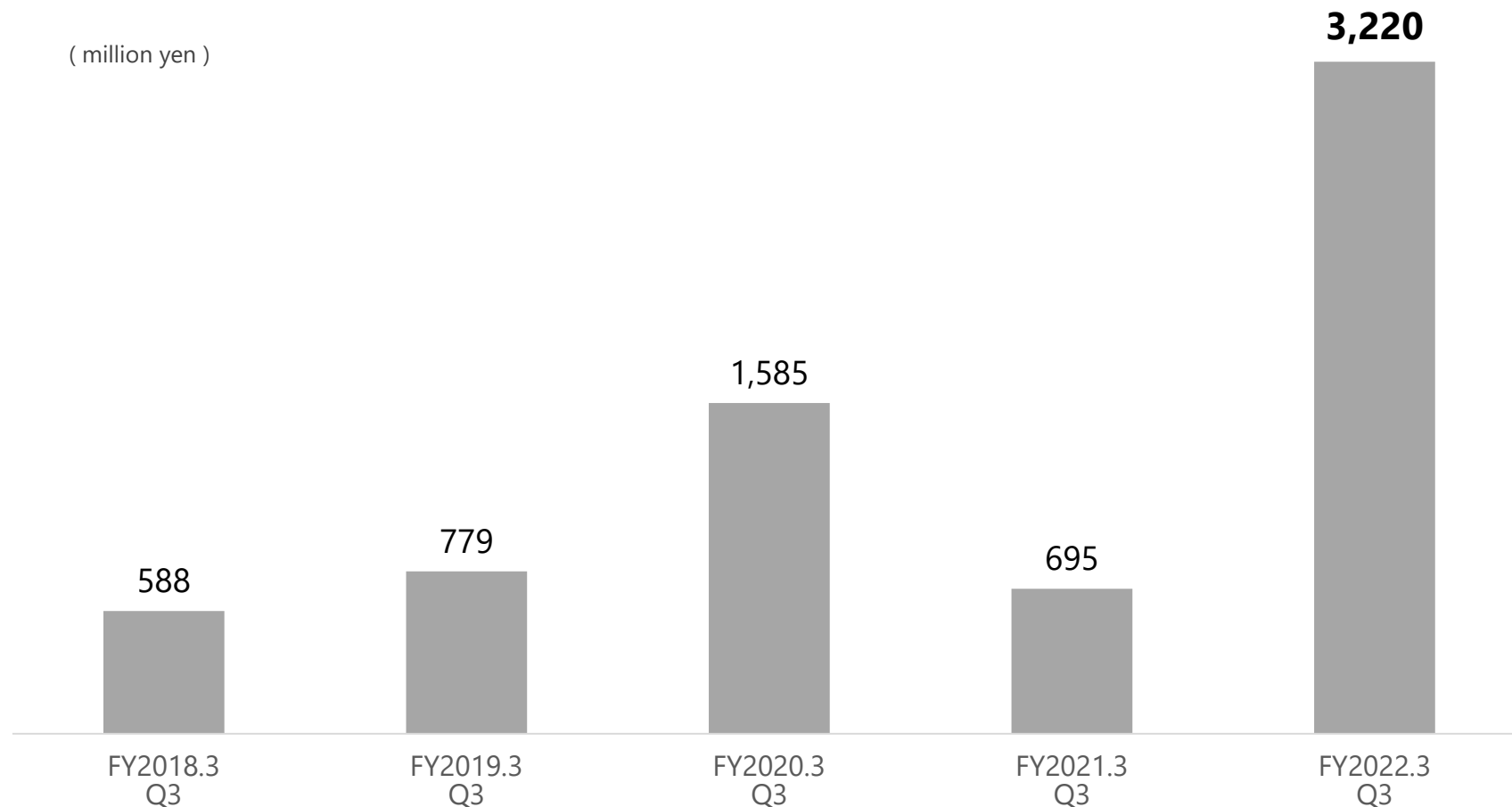
We actively hired more employees to strengthen the organization but recruitment is slightly behind schedule.



Advertising Costs

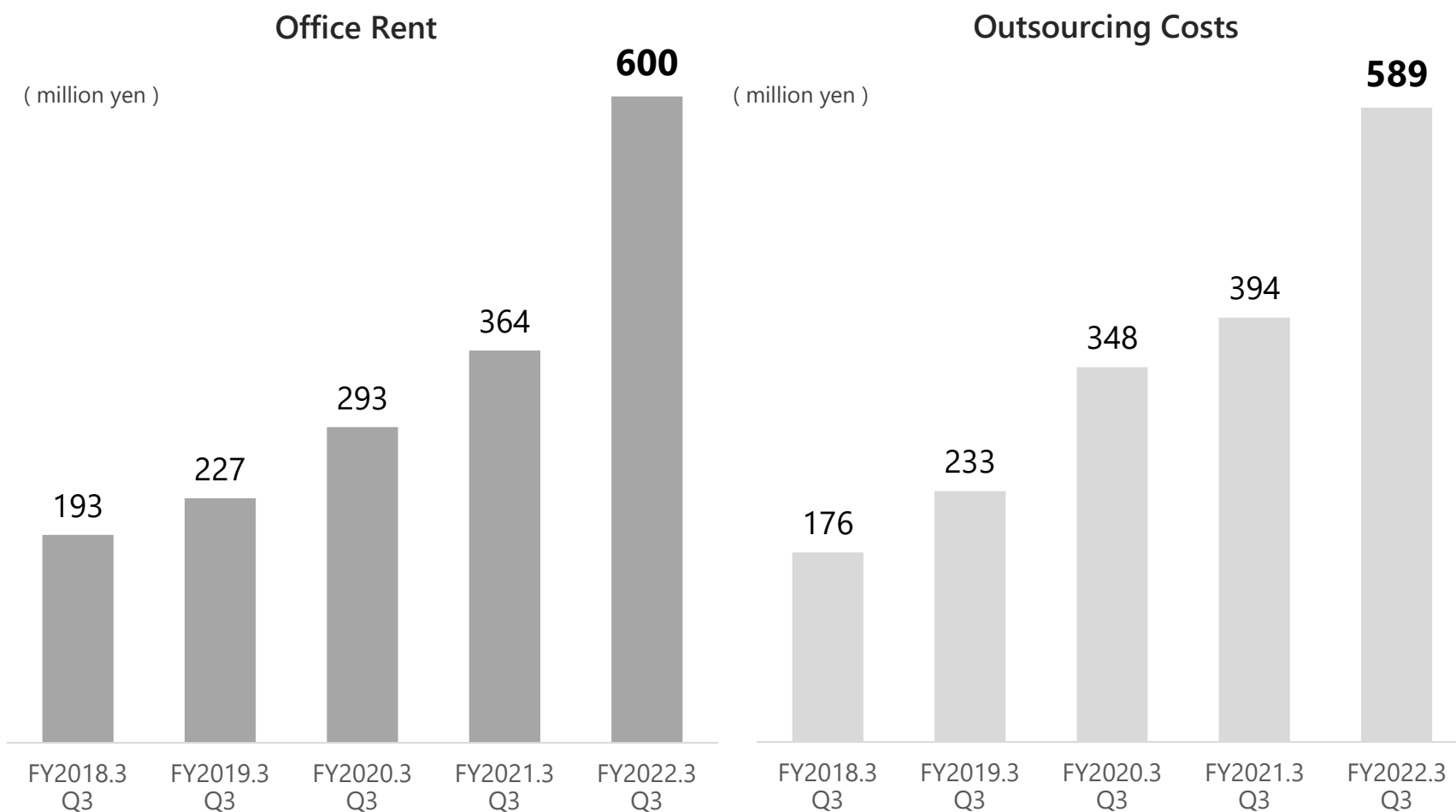
We have increased advertising costs, centering on TV ads which have proven effective for customer acquisition.

(million yen)



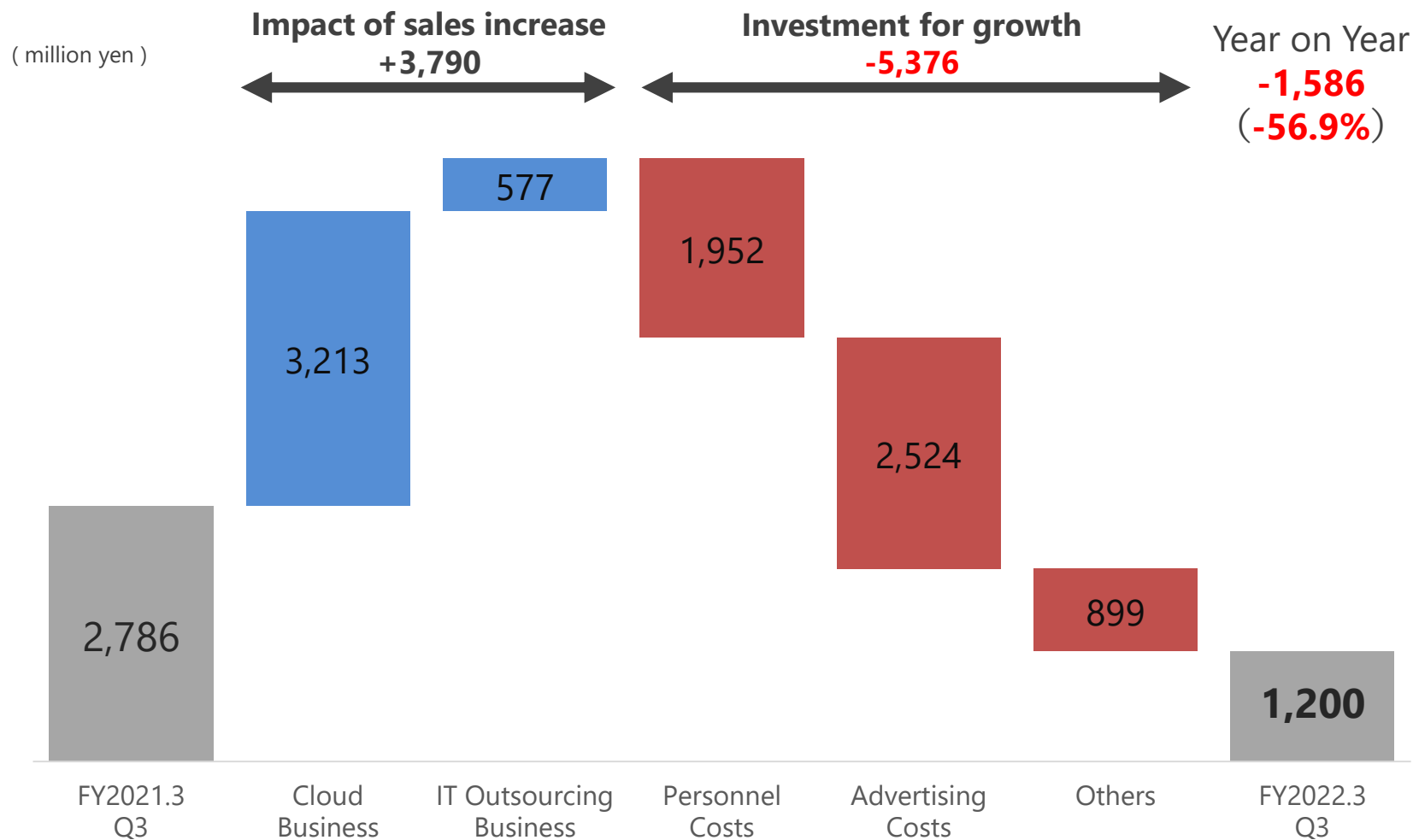
Office Rent and Outsourcing Costs

A large increase in costs was driven by business expansion.



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

Despite significant increase in sales, profit decreased due to active investments for growth as planned.



Consolidated Balance Sheet

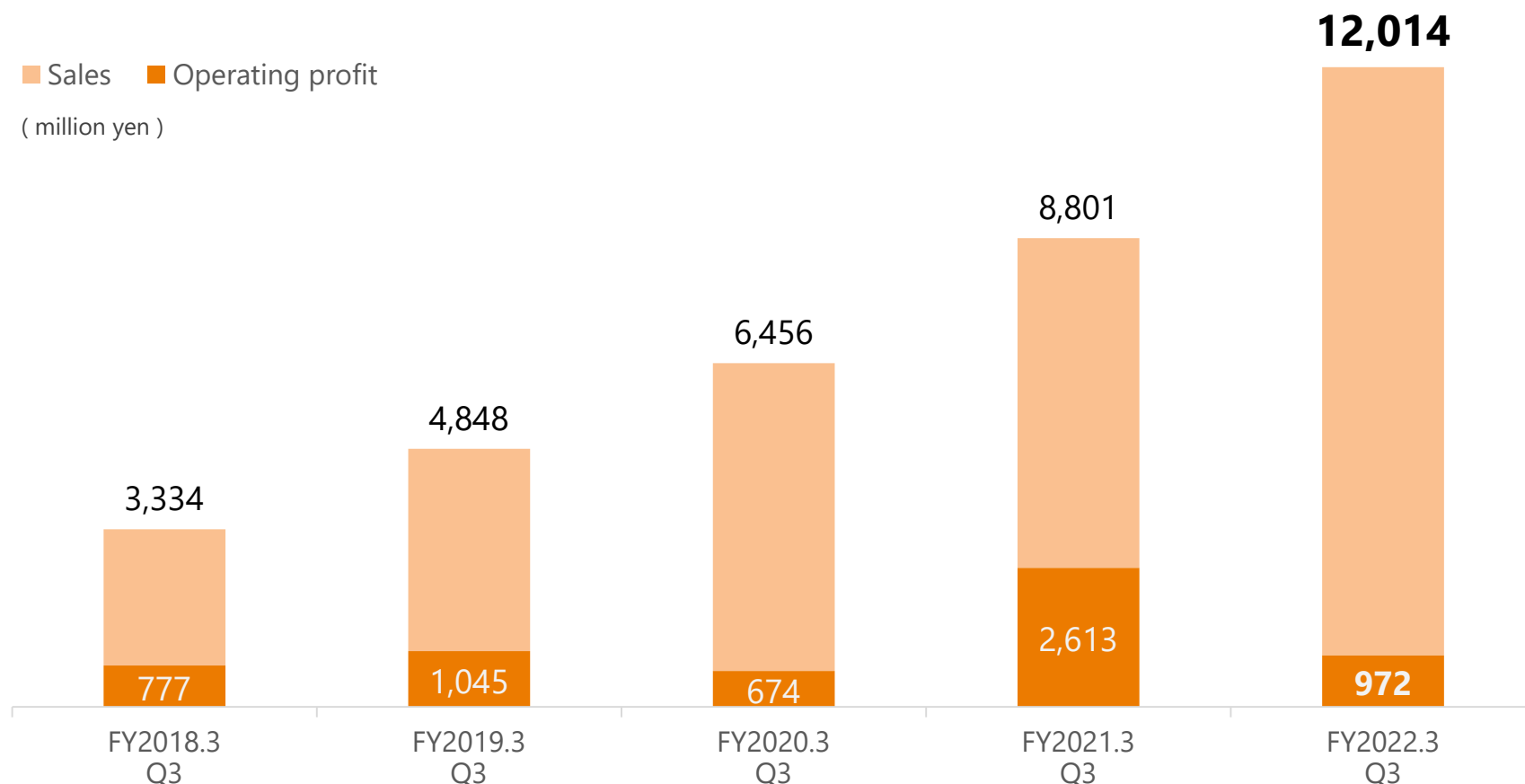
(million yen)

	End of March 2021	End of December 2021	Difference
Current assets	8,580	7,670	-909
Non-current assets	2,891	3,181	289
Total assets	11,471	10,851	-619
Current liabilities	3,606	2,515	-1,090
Non-current liabilities	22	20	-1
Total liabilities	3,629	2,536	-1,092
Shareholders' equity	7,842	8,310	467
Accumulated other comprehensive income	0	4	5
Total equity	7,842	8,315	472
Total liabilities and equities	11,471	10,851	-619
Equity ratio	68.4%	76.6%	

Cloud Business

Performance of the Cloud Business

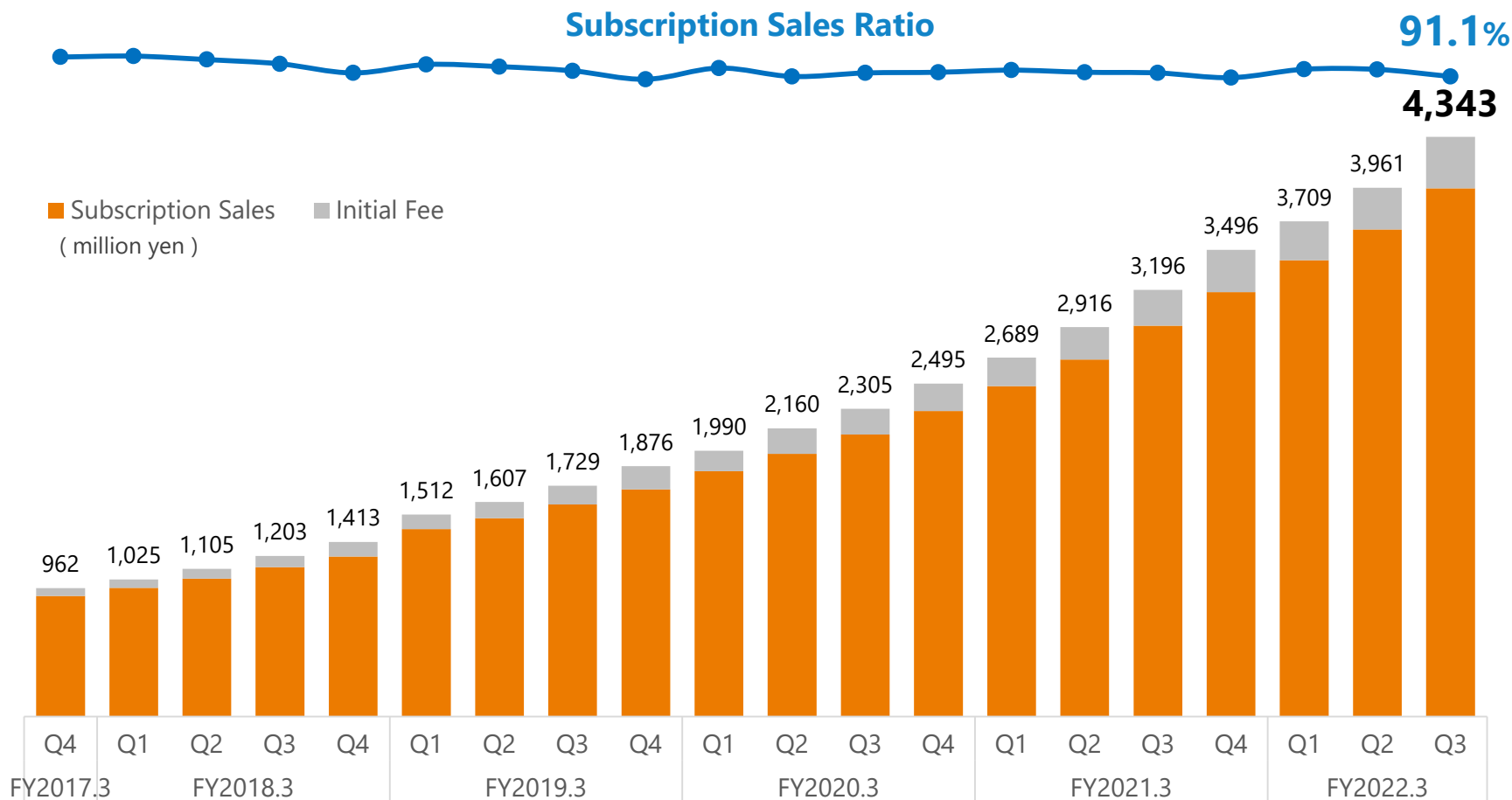
Sales growth accelerated, driven by active investment which was initiated at the beginning of this fiscal year.



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

Subscription Sales of the Cloud Business

The subscription sales increased steadily as the number of customers continued to grow.



Quarterly Sales of the Cloud Business by service

Growth of Raku Raku Seisan accelerated, helped by revision of the Electronic Books Preservation Act which in January, 2022.

Raku Raku Meisai has kept a high level of growth.

(million yen)

	Sales in Q3 FY2022.3 (Oct.-Dec.)	Quarter on Quarter	Year on Year
Raku Raku Seisan	1,995	11.3%	38.4%
Mail Dealer	551	2.9%	9.4%
Email distribution services	606	4.7%	19.8%
Raku Raku Hambai	484	10.4%	43.9%
Raku Raku Meisai	610	16.8%	89.0%
Others	96	5.1%	12.8%
Total of the Cloud Business	4,343	9.7%	35.9%

* 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.

Cumulative Number of Companies Using Raku Raku Seisan

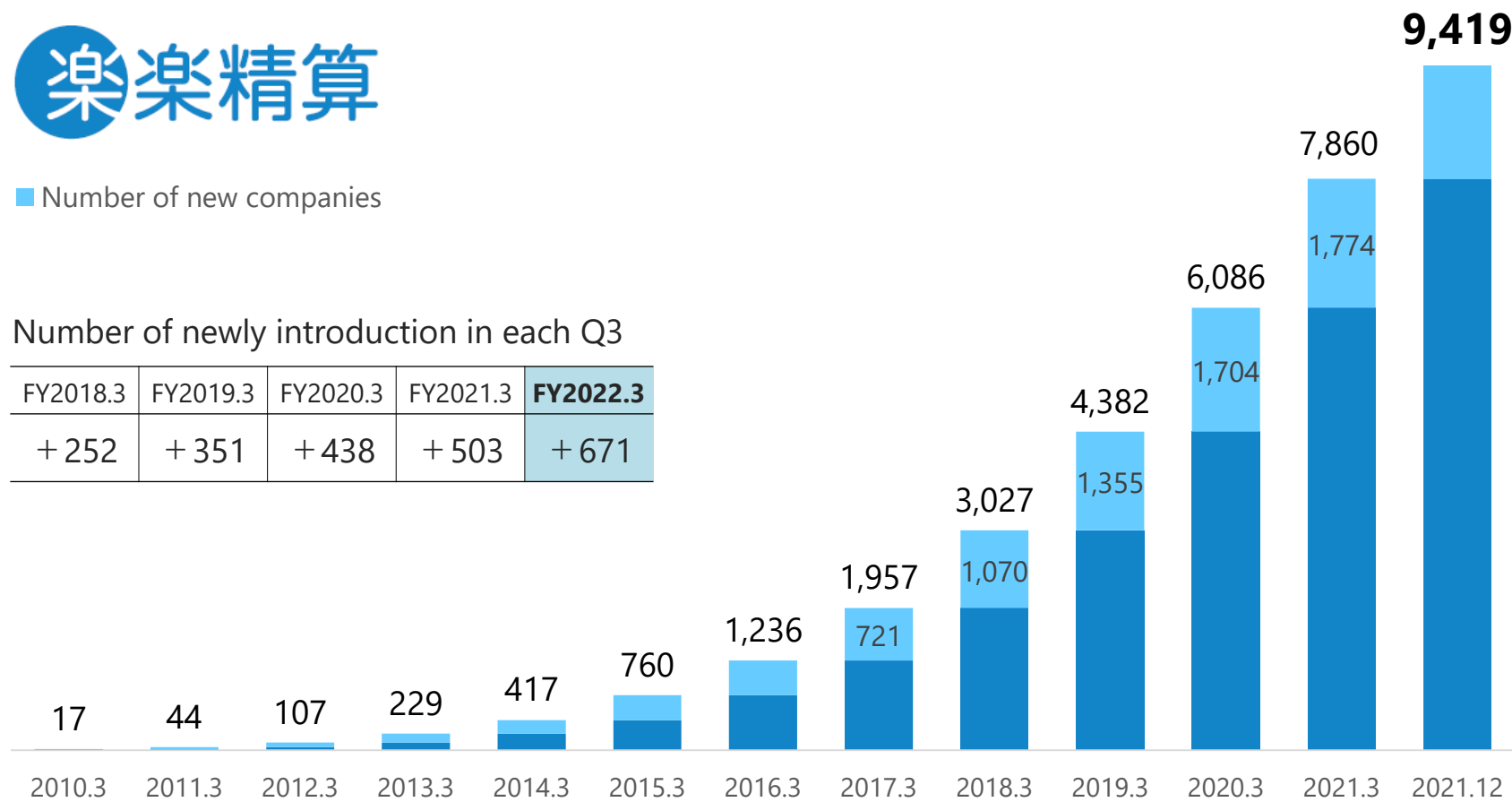
The number of new corporate customers was a record high due to TV ads and the lifting of the state of emergency.



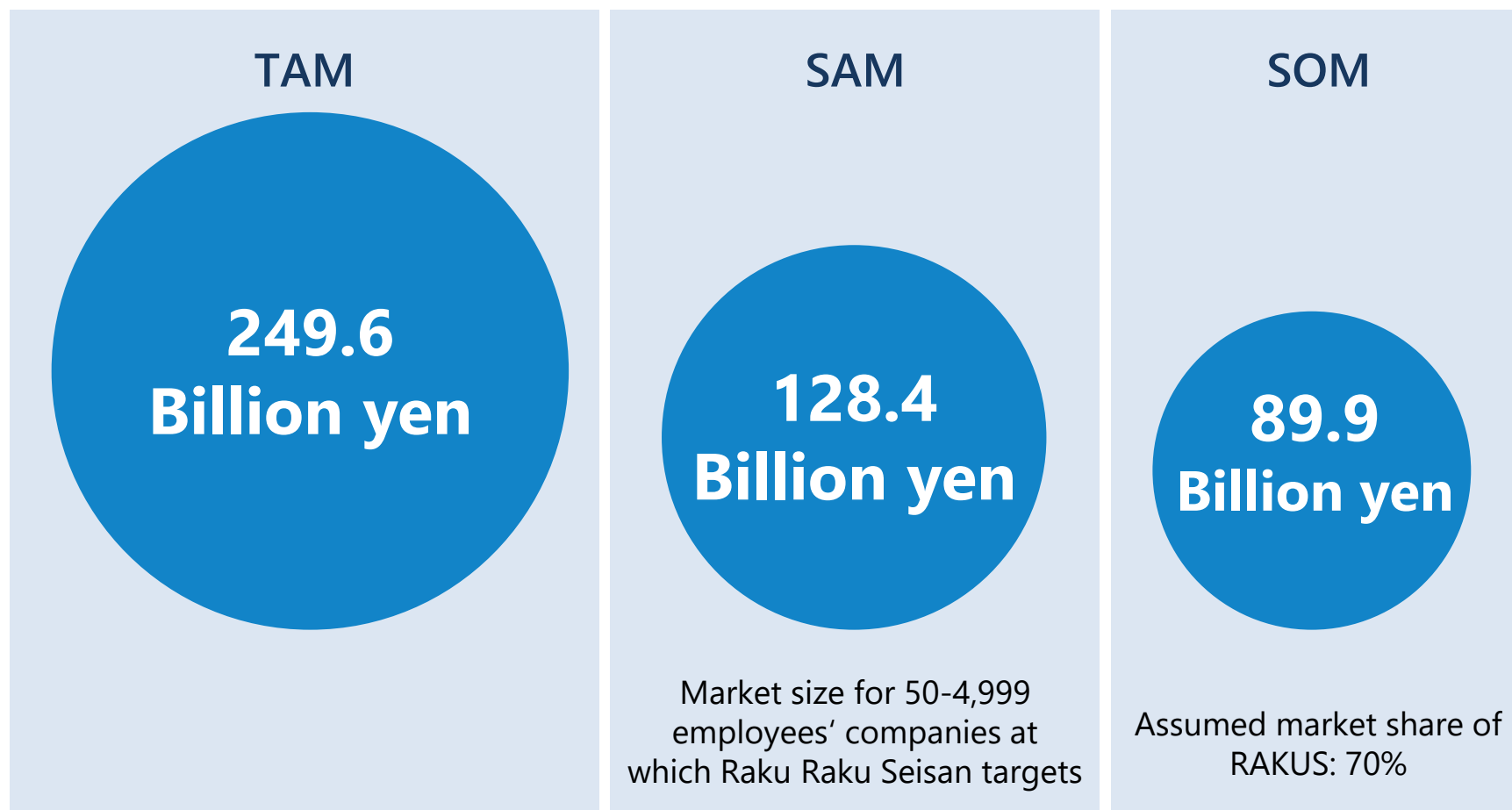
■ Number of new companies

Number of newly introduction in each Q3

FY2018.3	FY2019.3	FY2020.3	FY2021.3	FY2022.3
+ 252	+ 351	+ 438	+ 503	+ 671



[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

Cumulative Number of Companies Using Raku Raku Meisai

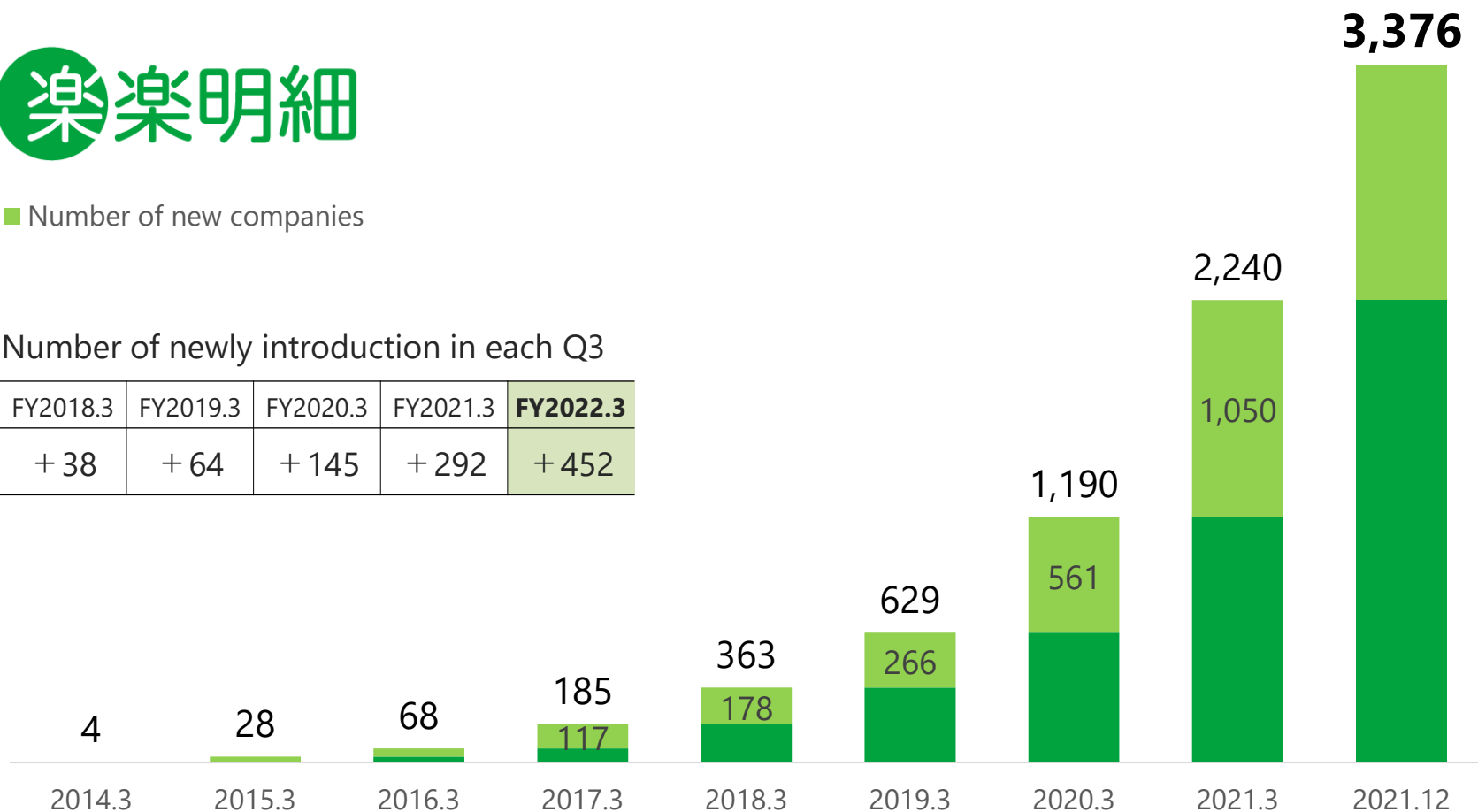
The number of corporate customers increased significantly driven by TV ads.



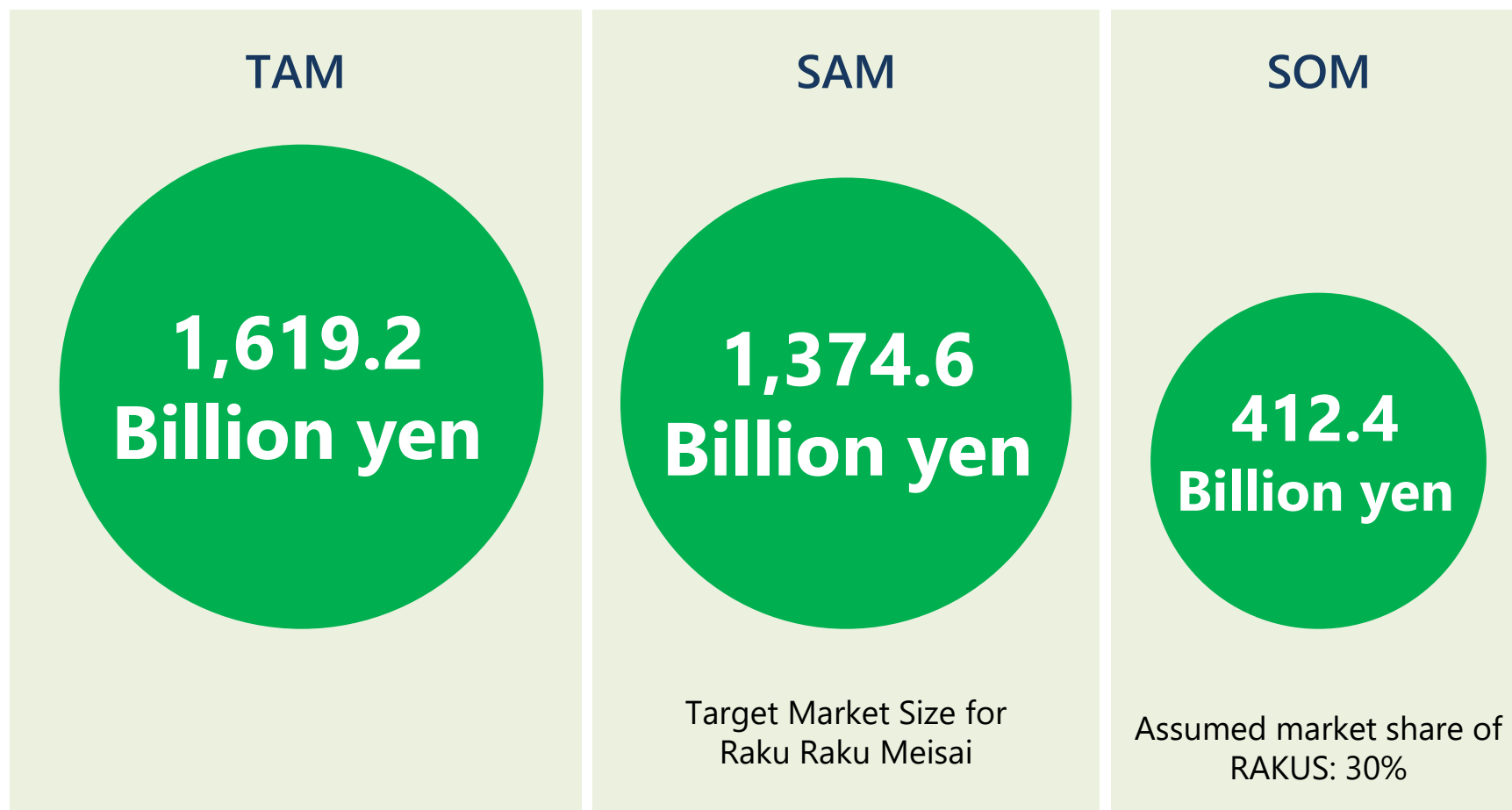
■ Number of new companies

Number of newly introduction in each Q3

FY2018.3	FY2019.3	FY2020.3	FY2021.3	FY2022.3
+ 38	+ 64	+ 145	+ 292	+ 452



[Raku Raku Meisai] Market Size for Bill Issuance System



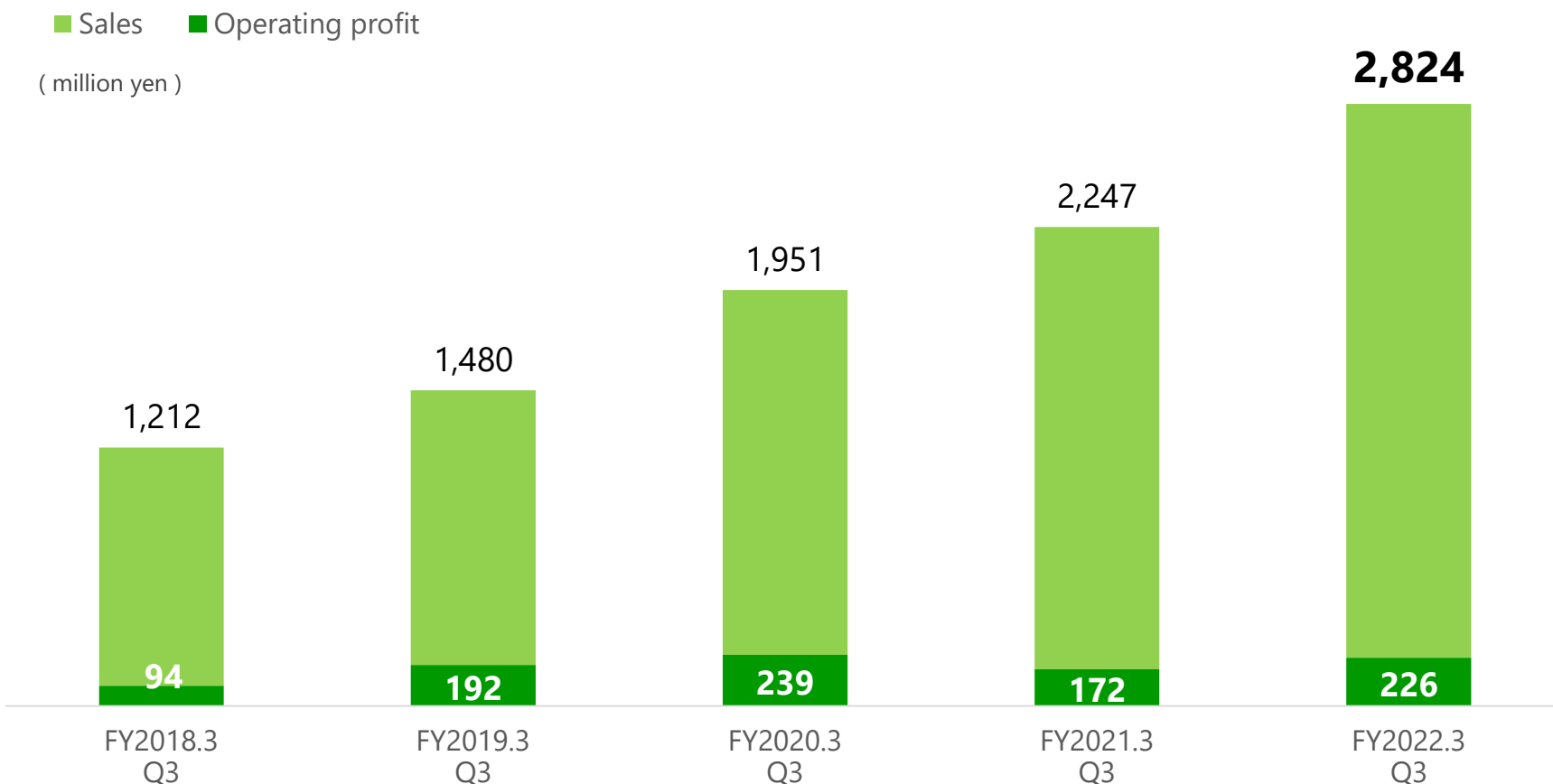
The addressable market and our target assumptions are estimates based on the following external statistics and published materials as well as the unit prices of our services. Therefore, there is a possibility that these can be different from the actual market size.

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」）

IT Outsourcing Business

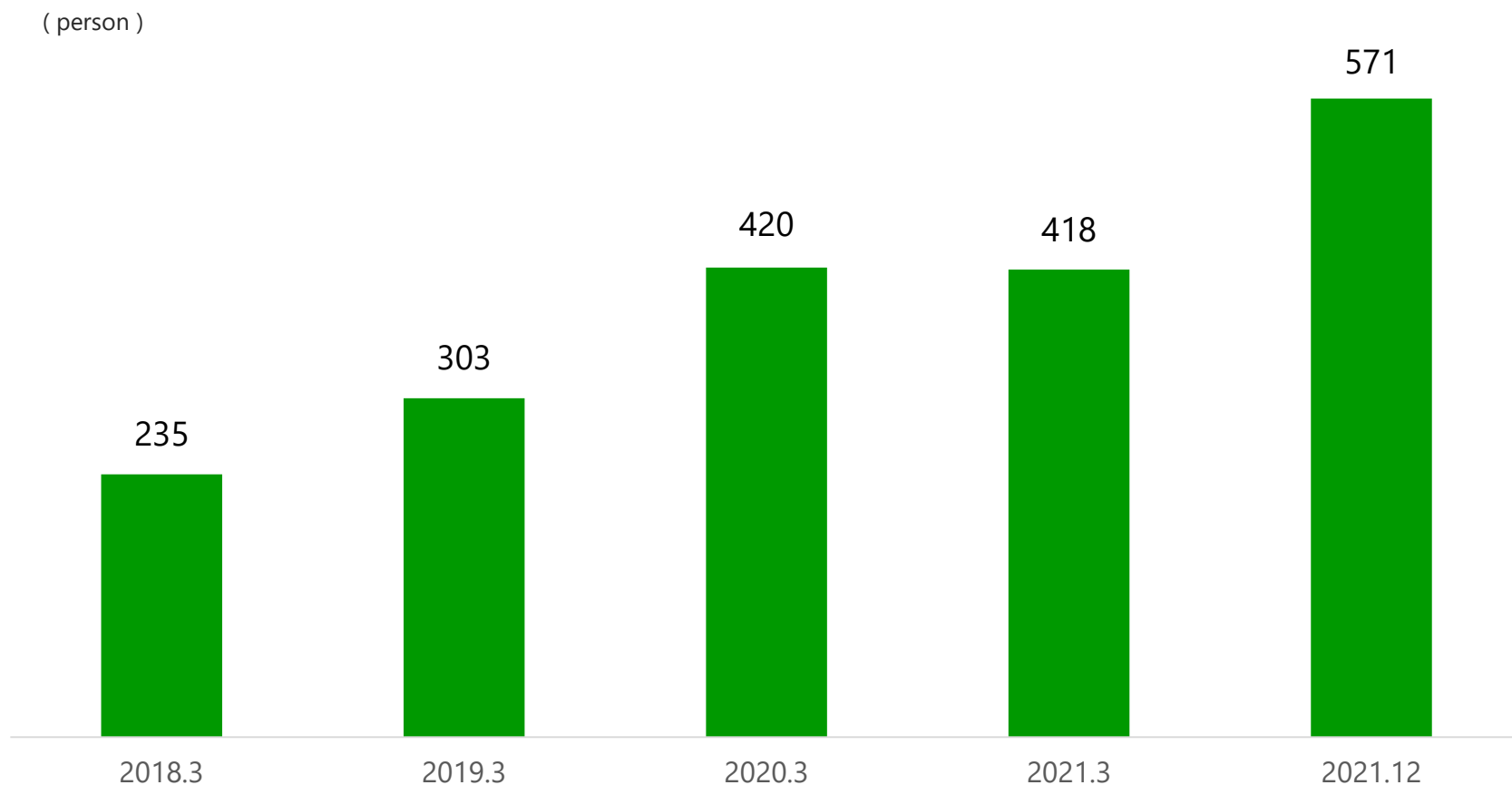
Performance of the IT Outsourcing Business

Growth of sales accelerated driven by significant increase of number of engineers utilized in operations.



Number of Engineers for the IT Outsourcing Business

We increased our number of engineers to address strong customer needs.



* This includes apprentice engineers

Guidance for Full Year of the fiscal year ending March 2022

New Medium-Term Management Targets (FY2022-FY2026)

1 Five-Year sales CAGR 25% - 30%

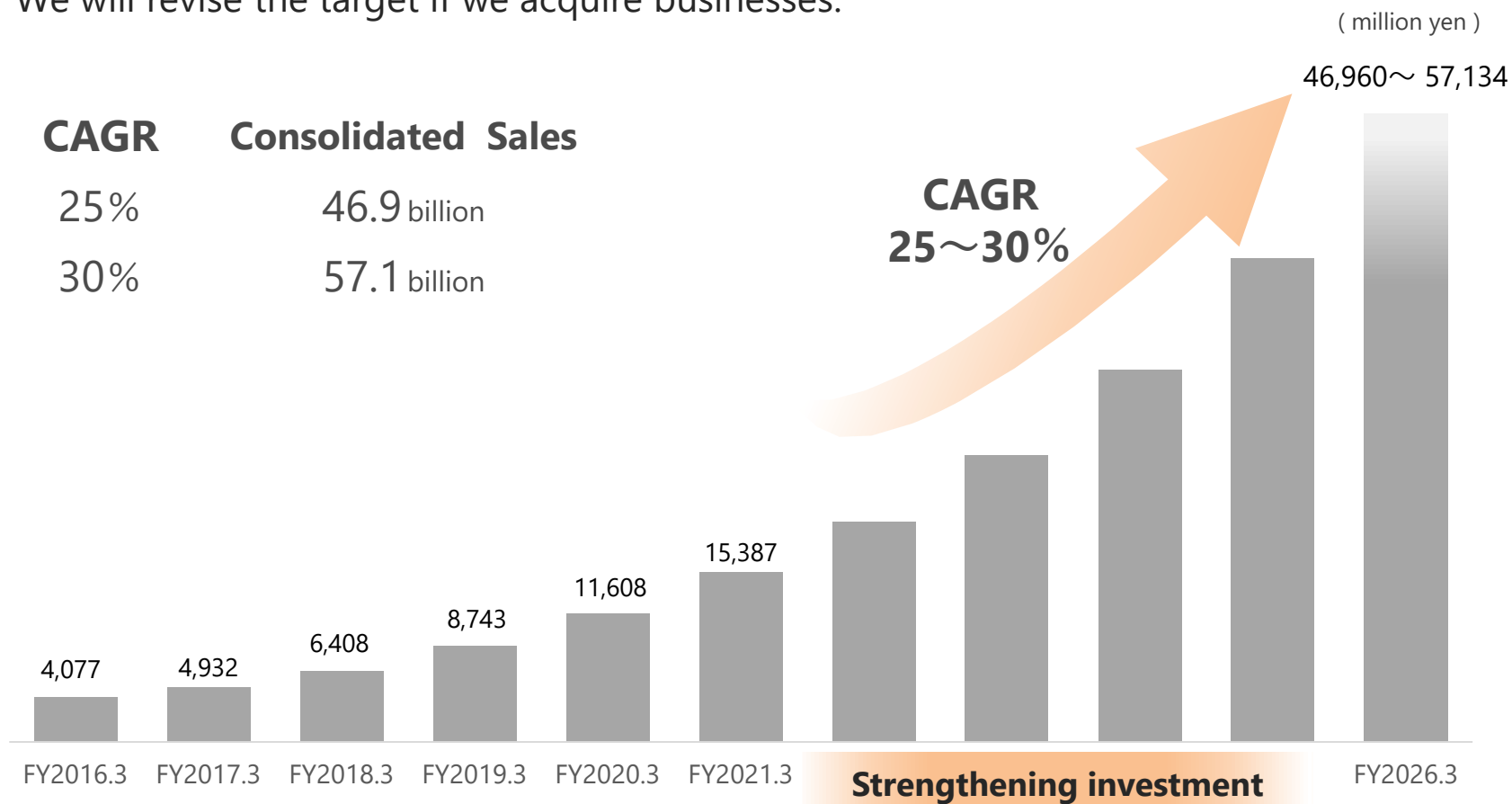
**2 Net income for FY2026.3:
10 billion yen or more**

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

Five-Year Sales and Profit Targets

Our target is to achieve 25-30% 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 net income in the final year by pursuing operational efficiency.

*We will revise the target if we acquire businesses.

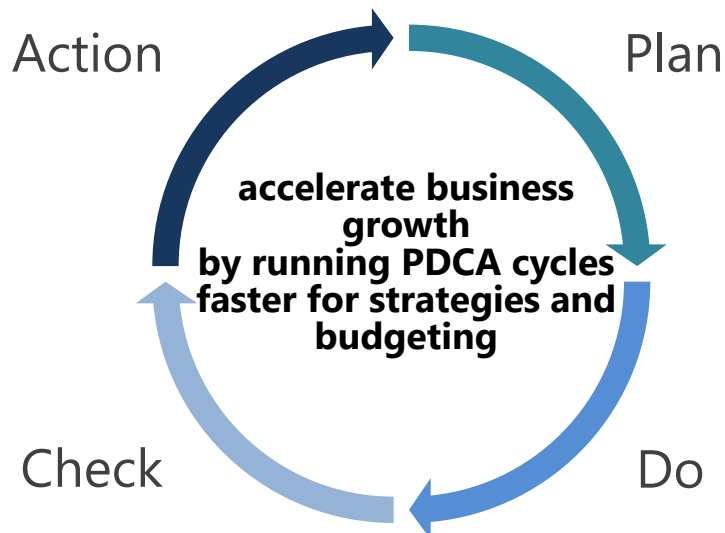


Guidance Policy for Disclosure

Guidance and strategies are crafted semi-annually because our top priority is to accelerate sales growth. Semi-annual guidance will be disclosed every half year for the time being instead of disclosing the full yearly guidance.

We aim to accelerate business growth by running PDCA cycles faster for strategies and budgeting

- Hire more people who are necessary to accelerate growth
- Aim to accelerate growth by winning more new orders with faster PDCA cycles for marketing strategies



Aim to accelerate growth by increasing new orders

Guidance for FY2022.3

We are progressing well to achieve our full year guidance.
We prioritize growth speed and are flexible in reallocating our budgets.

(million yen)

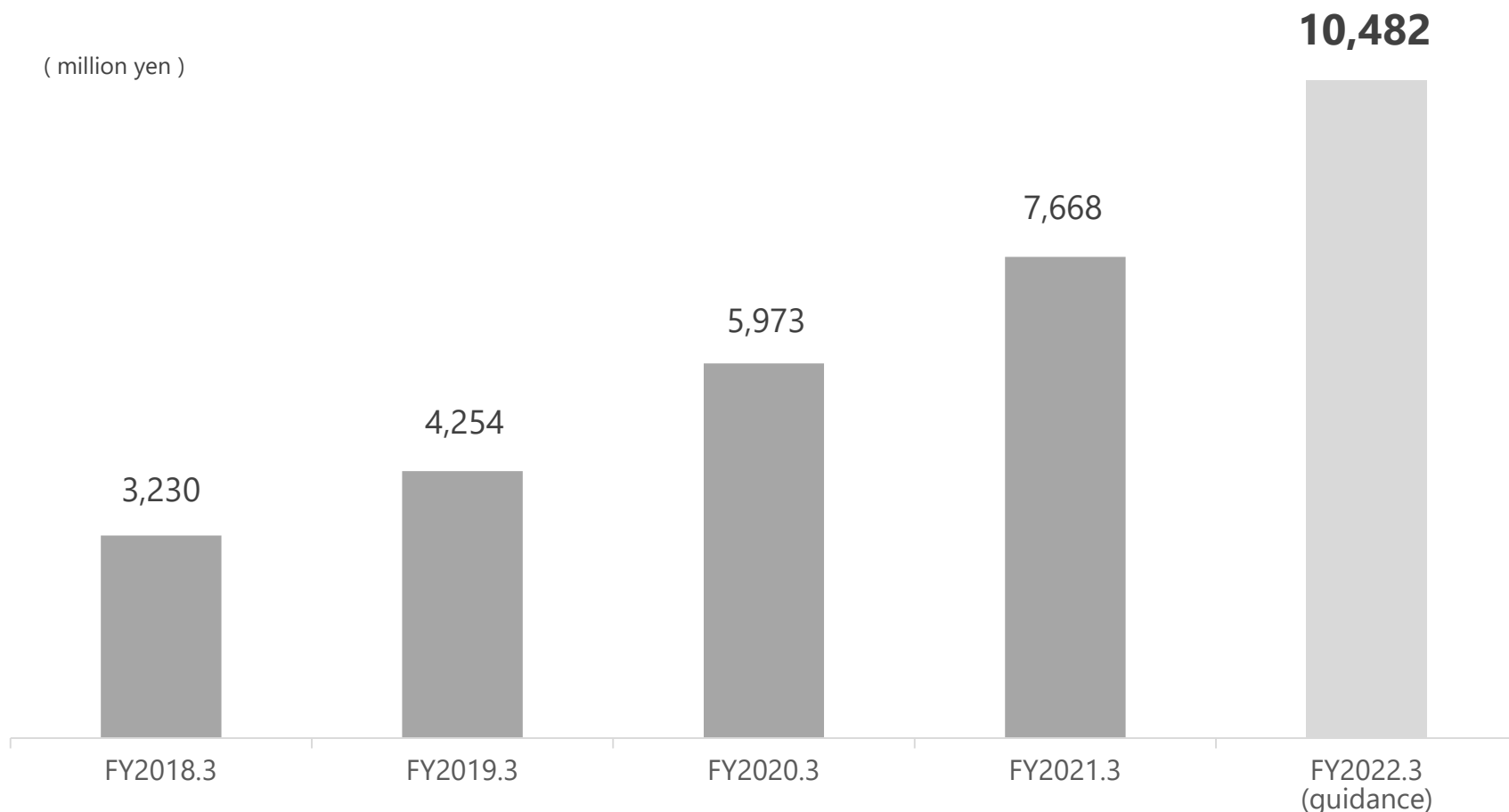
	FY2021.3	FY2022.3 (Guidance)	Year on Year
Sales	15,387	20,387	132.5%
Cost of sales	5,030	6,673	132.7%
Gross profit	10,357	13,714	132.4%
GP margin	67.3%	67.3%	
SG&A	6,459	12,373	191.6%
Operating profit	3,898	1,341	34.4%
OP margin	25.3%	6.6%	
Ordinary profit	3,881	1,351	34.8%
Ordinary profit margin	25.2%	6.6%	
EBITDA	4,346	1,920	44.2%
EBITDA margin	28.2%	9.4%	
Income tax	1,150	438	
Tax rate	28.1%	32.4%	
Profit attributable to owners of parent	2,936	912	31.1%

Personnel Costs Guidance

We revised the budget for personnel costs based on the current situation while continuing active recruitment.

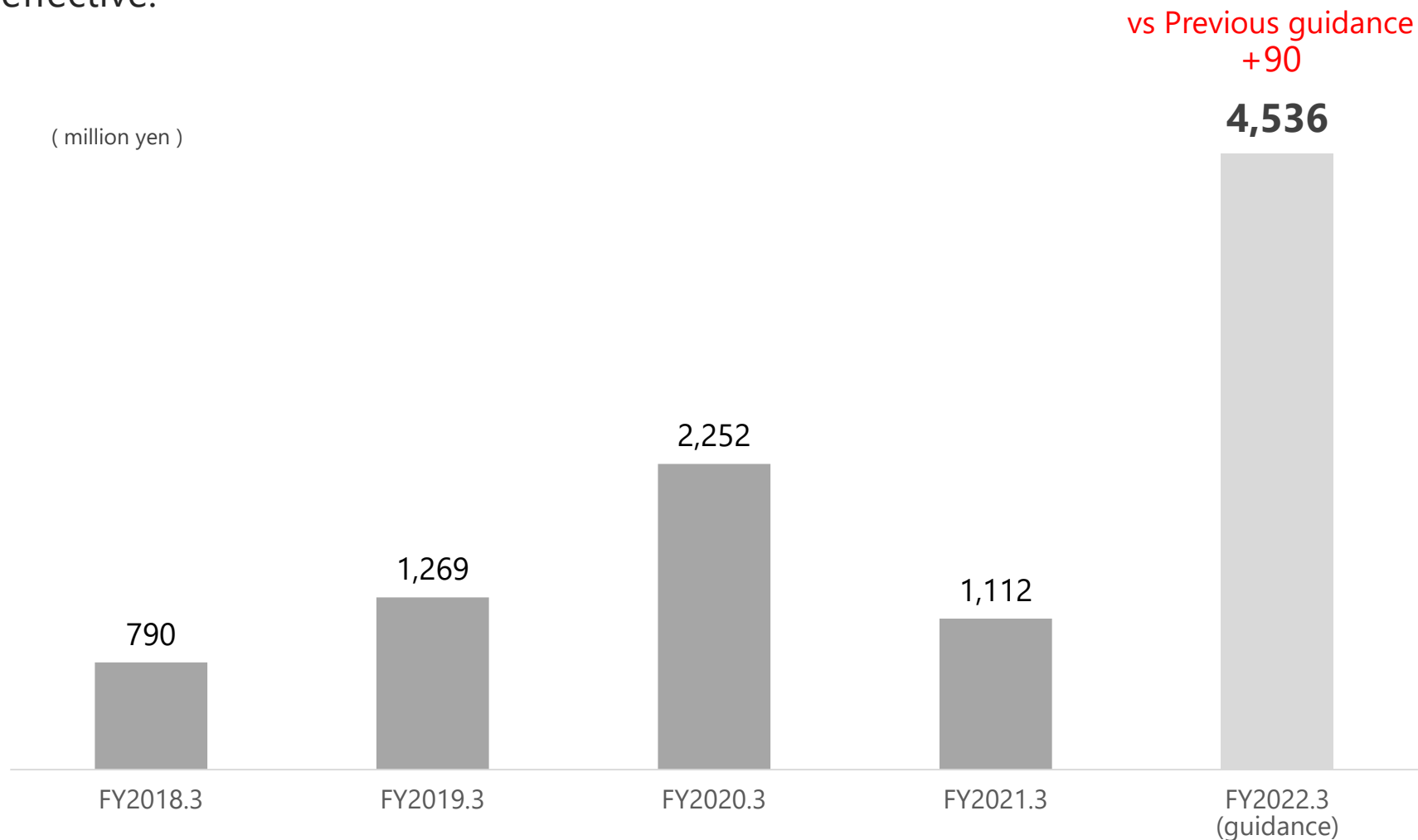
vs Previous guidance
-29

(million yen)



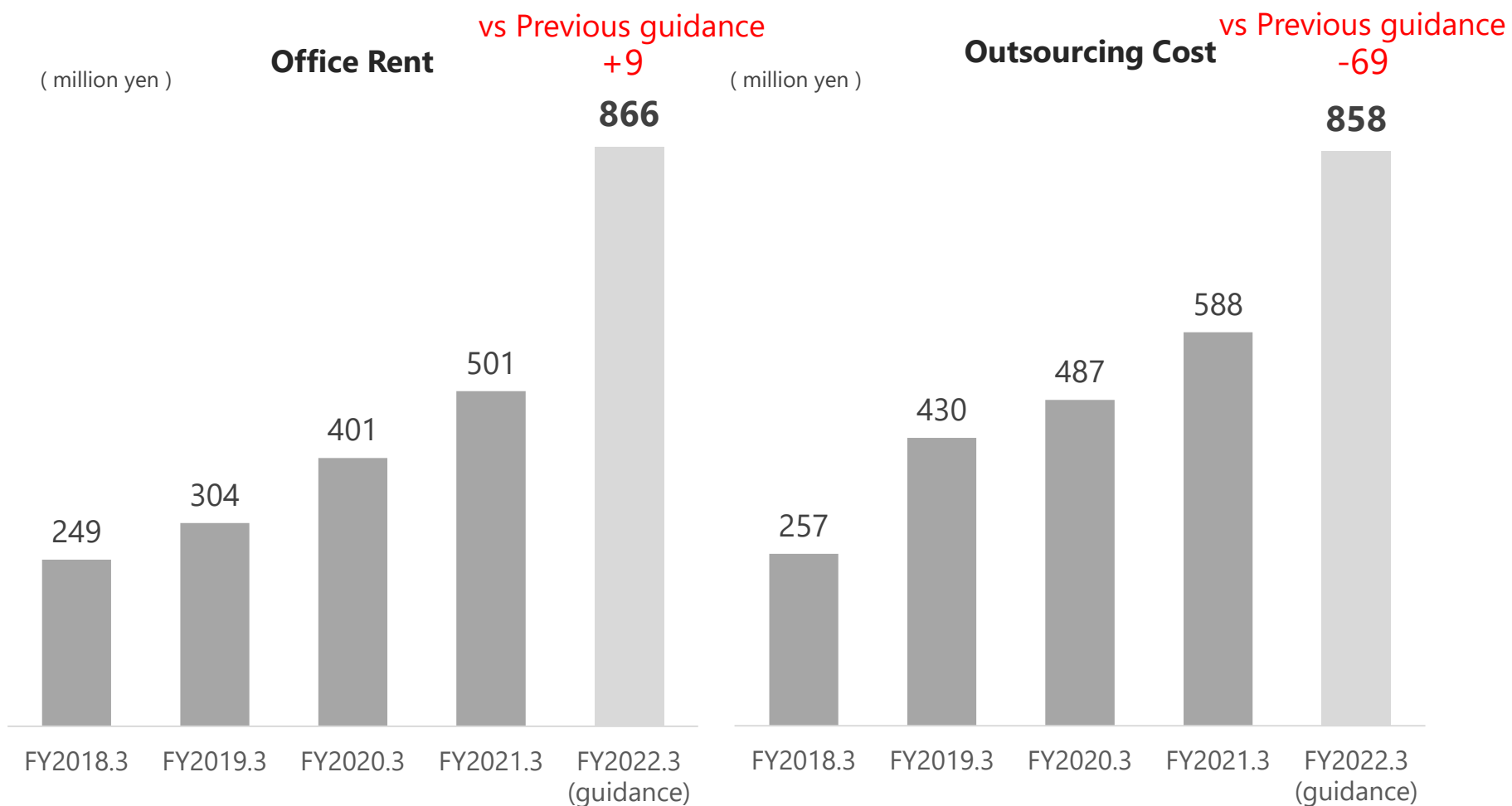
Advertising Costs Guidance

We increased advertising budgets mainly for TV ads which are proving to be cost effective.



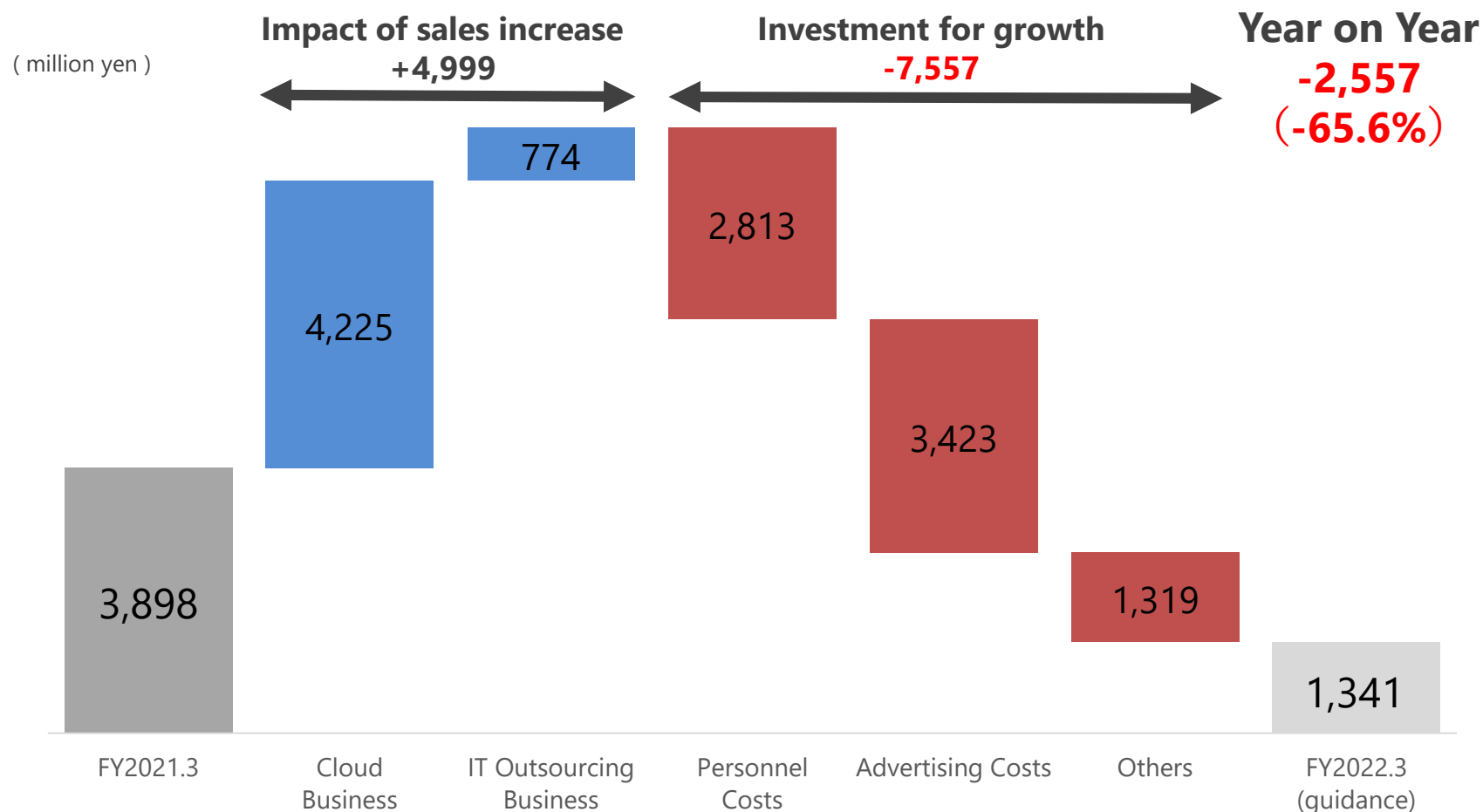
Office Rent and Outsourcing Costs Guidance

Guidance are revised according to the current situation.



Factors for Changes in Consolidated Operating Profits

We are actively investing to achieve higher figures in the mid-term target range. There is no change to the earnings guidance although we reallocated cost budgets.



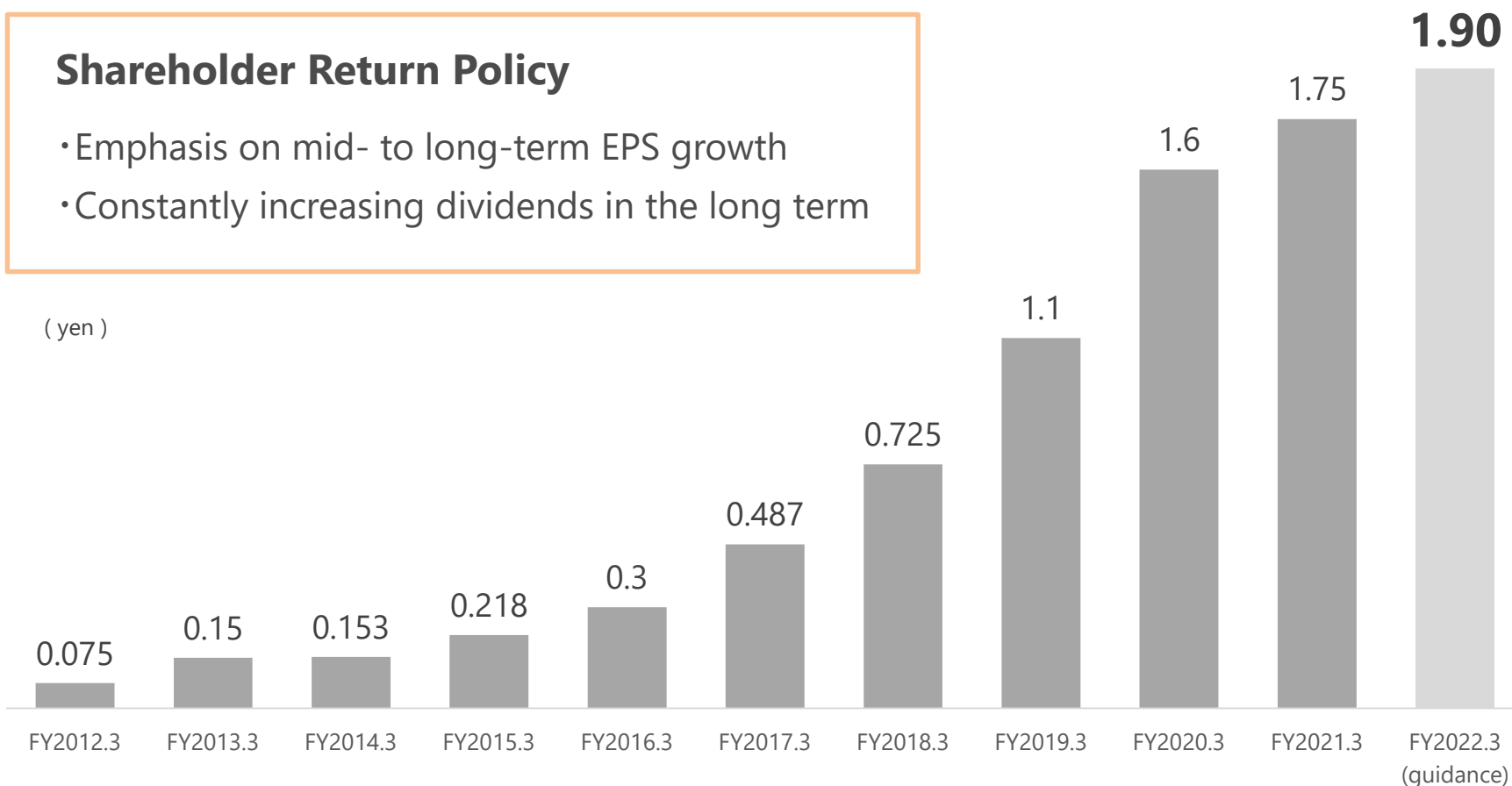
【KPIs】 Shareholder Returns

We plan to increase dividends for the 10th year in a row as policy.
Dividends for FY2022.3 will be 6.3 times higher than FY2016.3 when we IPO.

Shareholder Return Policy

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

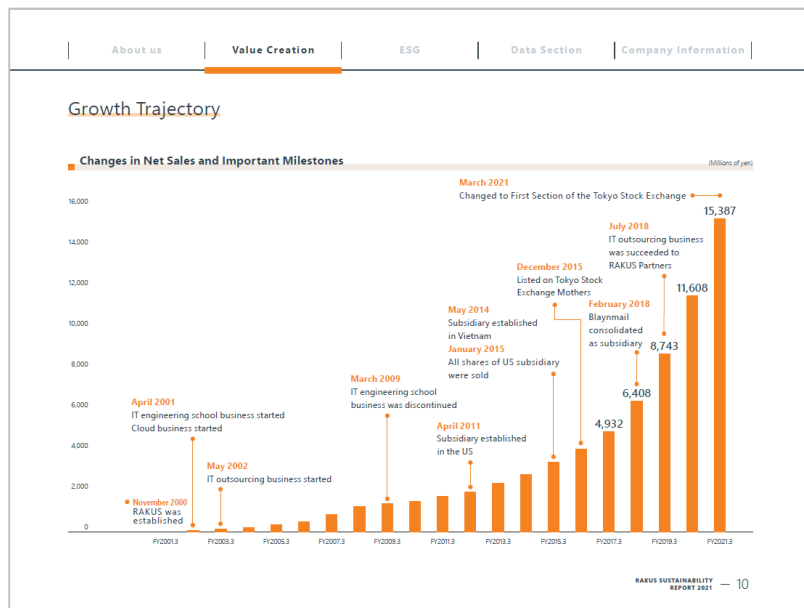
(yen)



* Figures are after share split adjustment.

Appendix

RAKUS Sustainability Report 2021



We have published the 'RAKUS Sustainability Report 2021' which has information on our business outline, financials and ESG. The report also gives an overview of our services. We hope this will help you have a deeper understanding of us.

https://www.rakus.co.jp/ir/pdf/sustainability_report_en.pdf

Sales of the Cloud Business by Service

(million yen)

		FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Raku Raku Seisan	Sales	977	1,601	2,579	3,935	5,559
	YoY	69.6%	63.8%	61.1%	52.6%	41.3%
Mail Dealer	Sales	1,141	1,339	1,538	1,732	1,979
	YoY	14.1%	17.3%	14.9%	12.7%	14.2%
Email distribution services	Sales	657	939	1,410	1,573	1,964
	YoY	25.1%	42.8%	50.2%	11.6%	24.8%
Raku Raku Hambai	Sales	342	445	598	866	1,281
	YoY	28.5%	29.8%	34.4%	44.9%	47.8%
Raku Raku Meisai	Sales	69	149	326	552	1,177
	YoY	413.9%	113.9%	118.4%	68.8%	113.3%
Others	Sales	301	274	273	291	336
	YoY	-9.2%	-9.2%	-0.4%	6.8%	15.2%
Total of the Cloud Business	Sales	3,491	4,748	6,726	8,952	12,298
	YoY	28.6%	36.0%	41.7%	33.1%	37.4%

* The figure for Email distribution services is the sum of Hai Hai Mail, Curumeru and blastmail.
(The figure for FY2018.3 includes 2 months of blastmail.)

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

LTV of the Cloud Business by Service

(yen)

	FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Raku Raku Seisan	9,790,391	10,405,262	10,800,545	14,004,503	14,657,378
Mail Dealer	4,112,810	3,823,875	4,156,660	3,789,798	4,098,993
Email distribution services	1,084,527	1,180,323	1,035,117	1,218,522	1,500,287
Raku Raku Hambai	5,054,024	5,210,540	8,282,573	8,120,258	8,830,777
Raku Raku Meisai	7,781,983	5,211,834	13,016,007	9,412,375	20,303,924

* 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'.

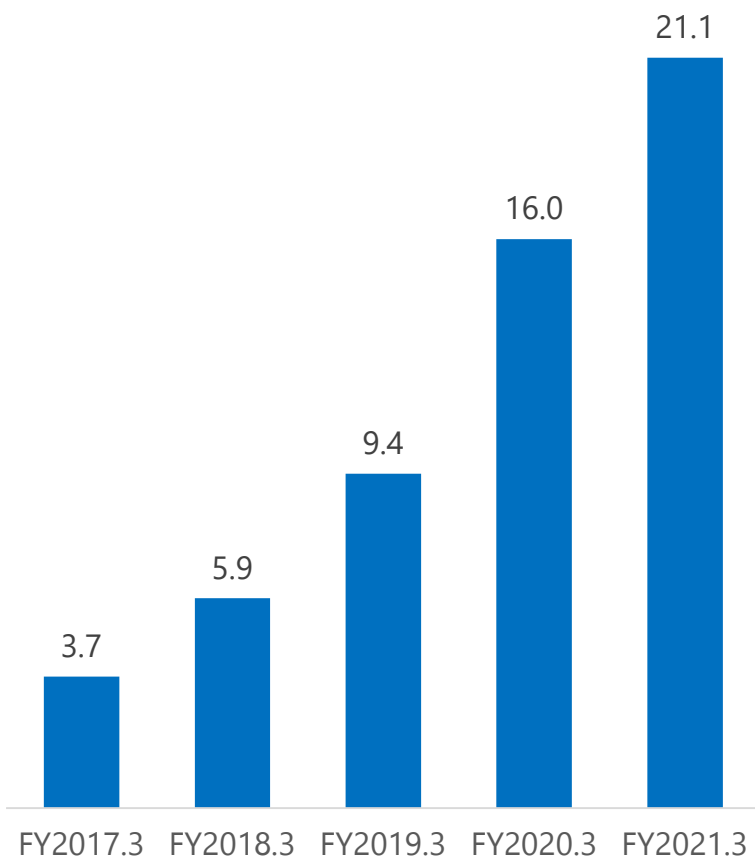
* For LTV of Raku Raku Meisai, the gross profit margin is calculated using an assumed provisional figure (70%).

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

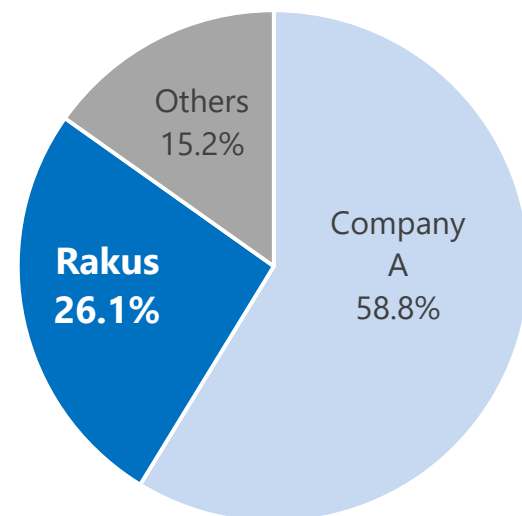
(billion yen)



Ranking of cloud-based expense settlement (As of December 2020)

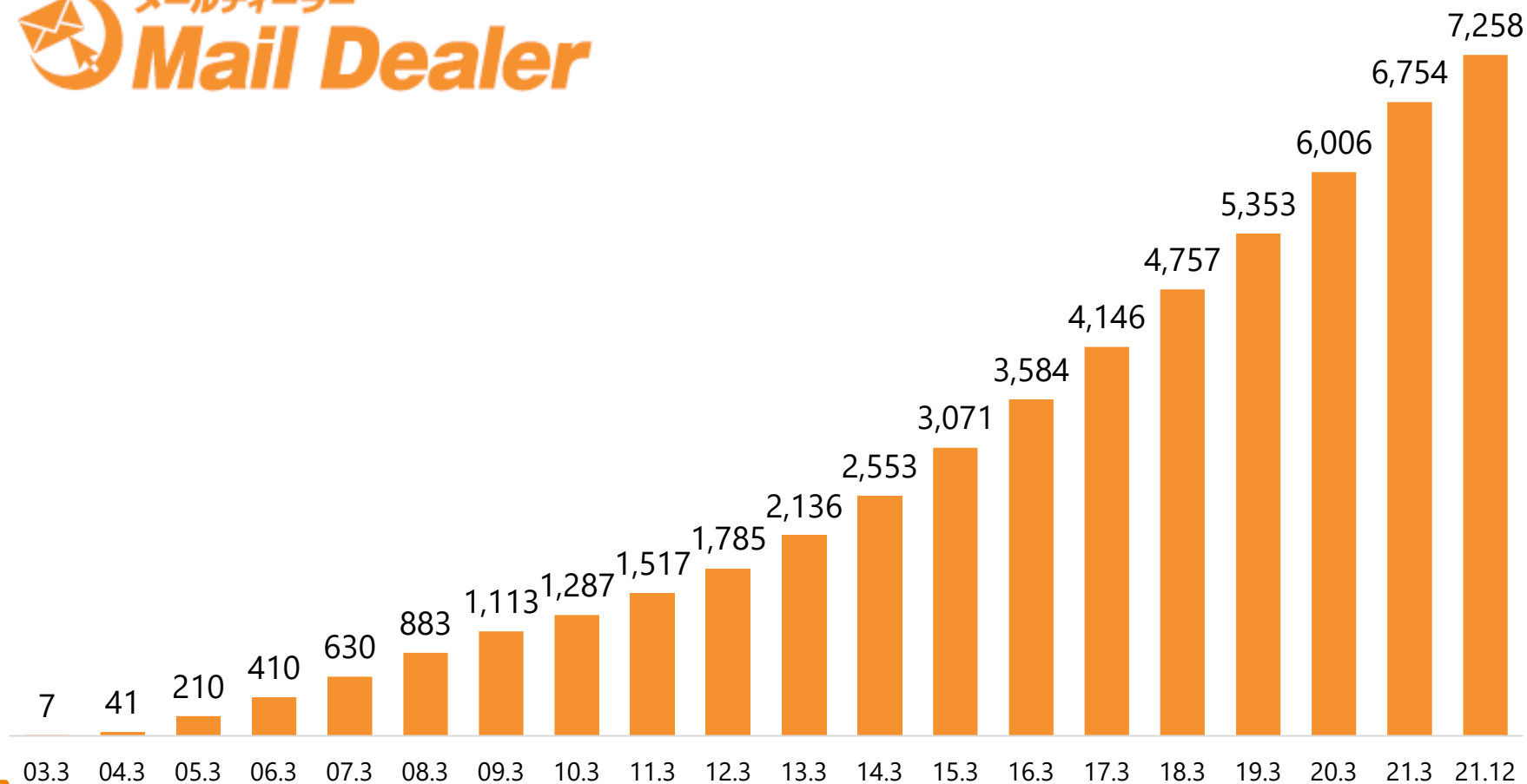
1	Rakus 楽楽精算	7,340 companies
2	Company A	1,200 companies
3	Company B	770 companies
4	Company C	220 companies

Market shares based on sales value



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

Cumulative Number of Companies Using Mail Dealer

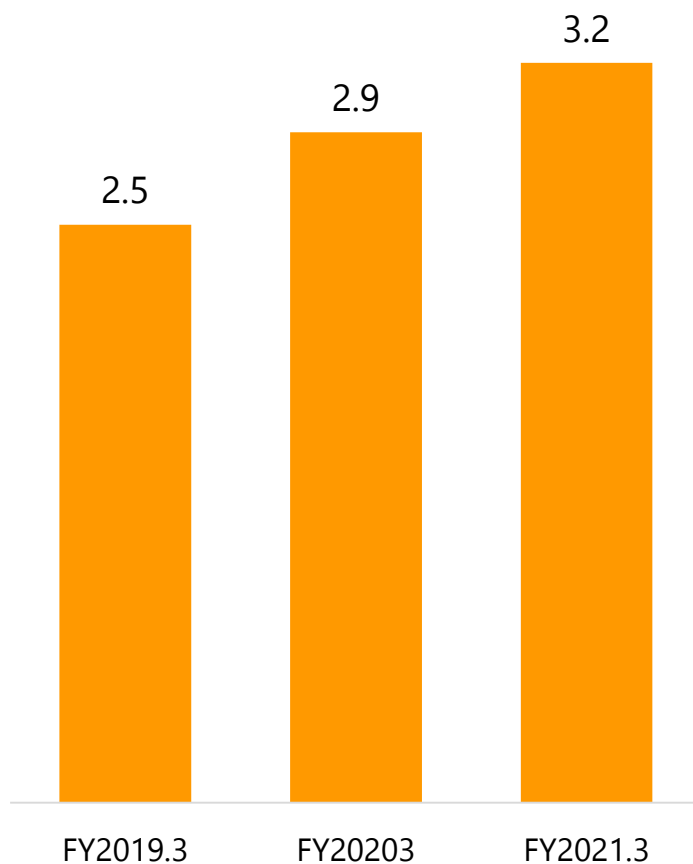


The market for cloud-based Mail processing

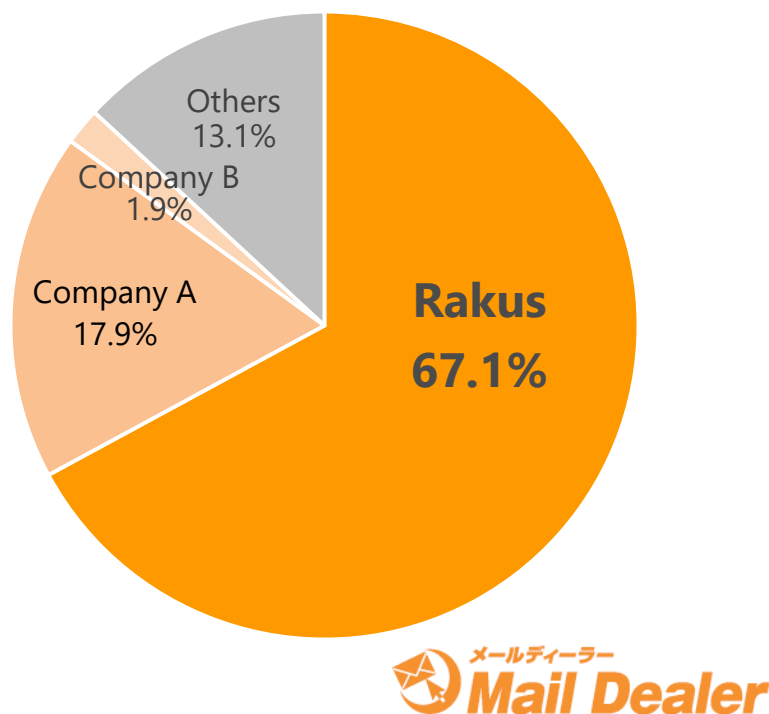
Source : Our own survey based on various data (As of December 2021)

The market for cloud-based Mail processing in Japan

(billion yen)

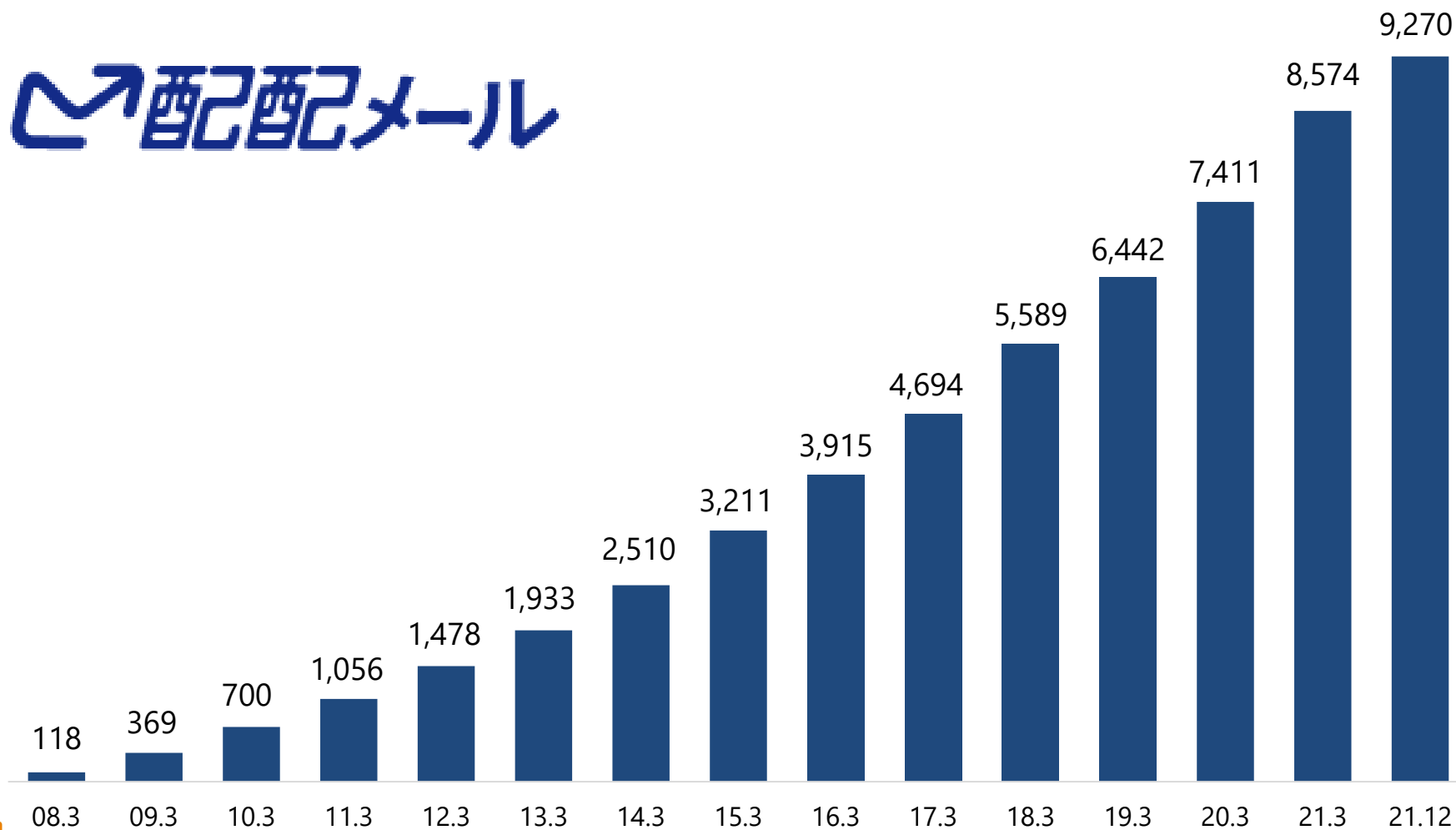


Market shares based on sales value



Cumulative Number of Companies Using Hai Hai Mail

配配メール

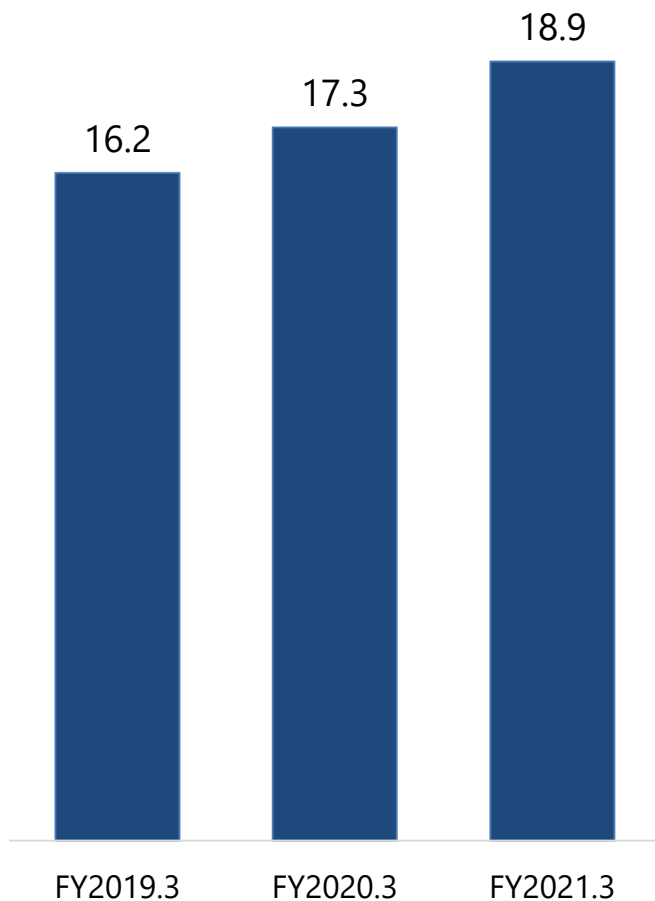


The Market for Cloud-based Email Distribution Systems

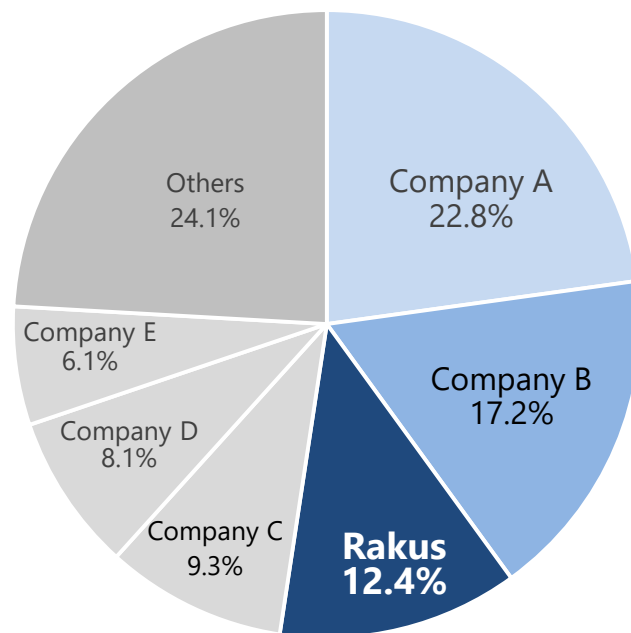
Source : Our own survey based on various data (As of December 2021)

The Market for Cloud-based Email Distribution Systems in Japan

(billion yen)

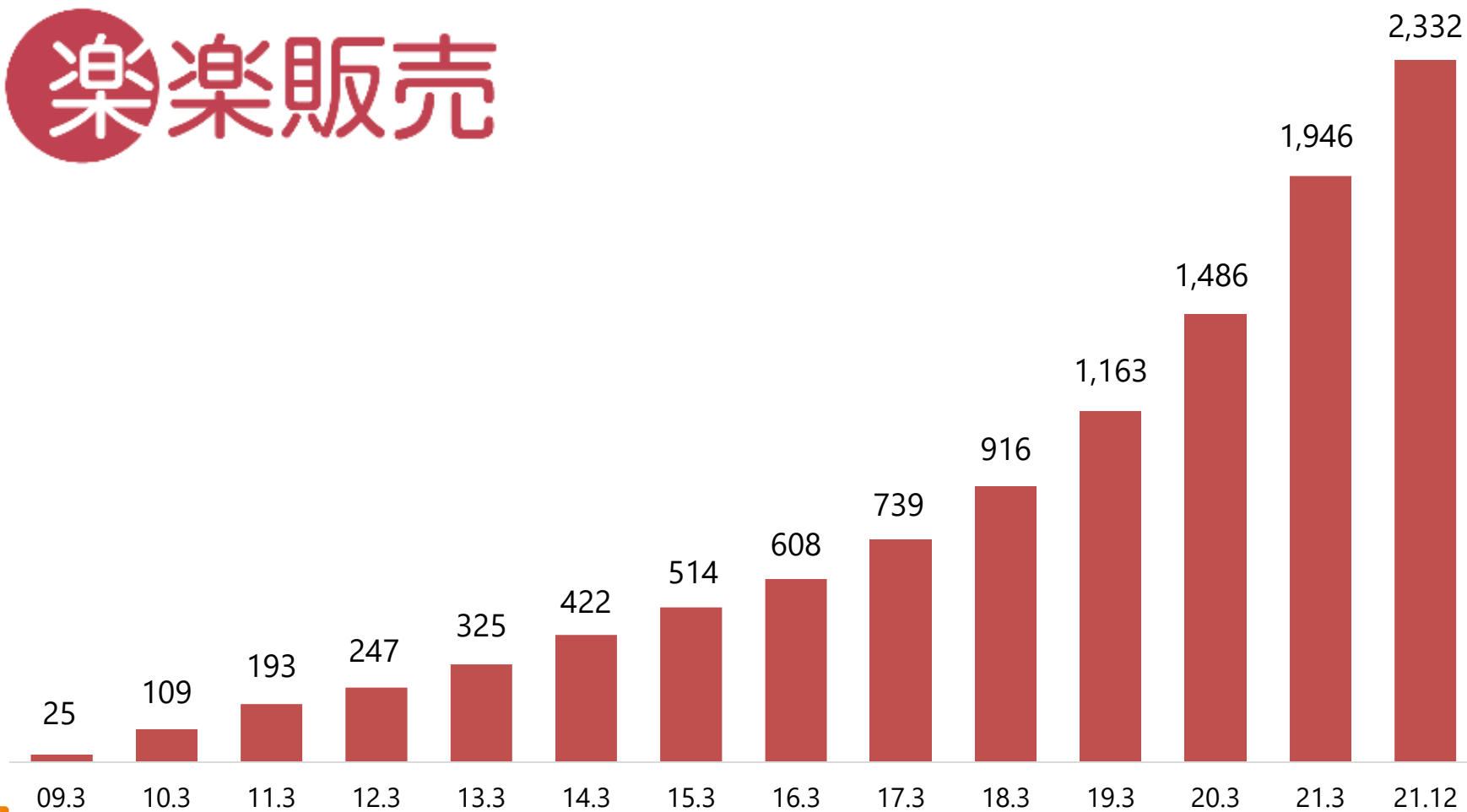


Market shares based on sales value



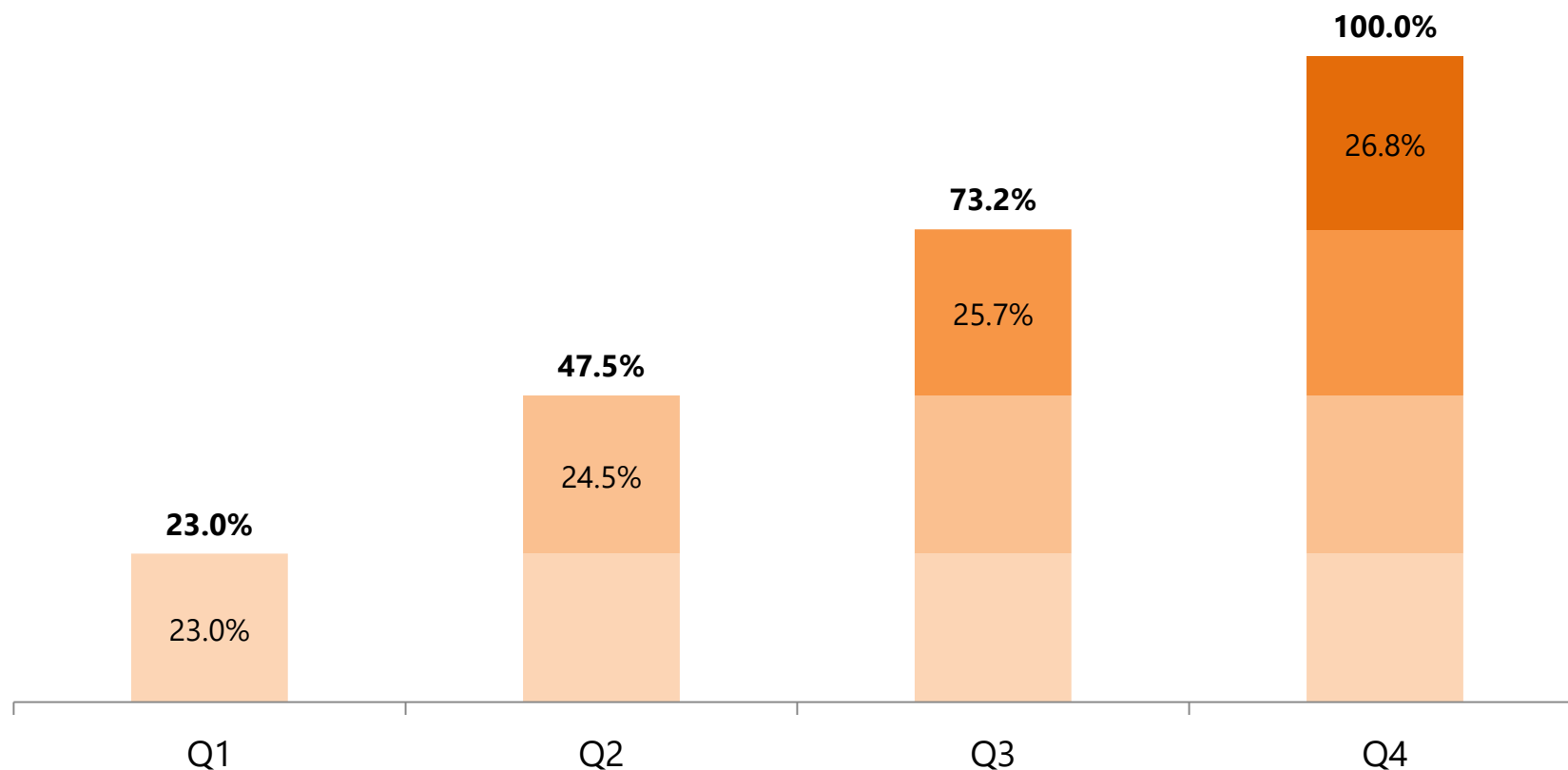
* RAKUS' market share consists of Hai Hai Mail, Curumeru and Blastmail combined

Cumulative Number of Companies Using Raku Raku Hambai



【 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.



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.