



# RAKUS Co., Ltd.

(Mothers:3923)

Earnings Results for Q1  
the fiscal year March 2020

# Key points

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## ■ Earnings results for Q1 of March 2020

- Active investment for growth continuing from the last fiscal year led to a significant year-on-year sales increase, and all types of profit exceeded budget expectations.
- Personnel costs and advertising costs surpassed the budget as a result of active investment.

## ■ Cloud Business

- The cloud business enjoyed an increase in both sales and profit. The profit margin declined due to active investment.
- Raku Raku Seisan maintained a high level of growth due to an increasing number of corporate users and a higher unit price.

## ■ IT Outsourcing Business

- Sales growth accelerated due to an increase in the number of engineers.

## ■ Guidance for Q2 of the Fiscal Year March 2020

- A year-on-year profit decline is expected because active investment continues to aim for a significant sales increase.
- The cloud business is expected to have a year-on-year profit decline in Q2 due to vigorous investment.
- The IT Outsourcing Business is expected to have a year-on-year profit decline in Q2 because of active recruitment to meet customer needs.

# Summary of Consolidated Results for Q1 of March 2020



Active investment for growth continuing from the last fiscal year led to a significant year-on-year sales increase, and all types of profit exceeded budget expectations.

		Year on Year
Sales	¥2,590M	Up 30.4%
Operating Profit	¥509M	Up 9.7%
Ordinary Profit	¥509M	Up 9.6%
EBITDA	¥597M	Up 9.8%
Profit attributable to owners of parent	¥335M	Up 12.3%

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

# Consolidated results for Q1 of the fiscal year March 2020

# Outline of the Consolidated Results for Q1 of March 2020



Costs were below the budget because outsourcing and datacenter costs were pushed back to the later quarter.

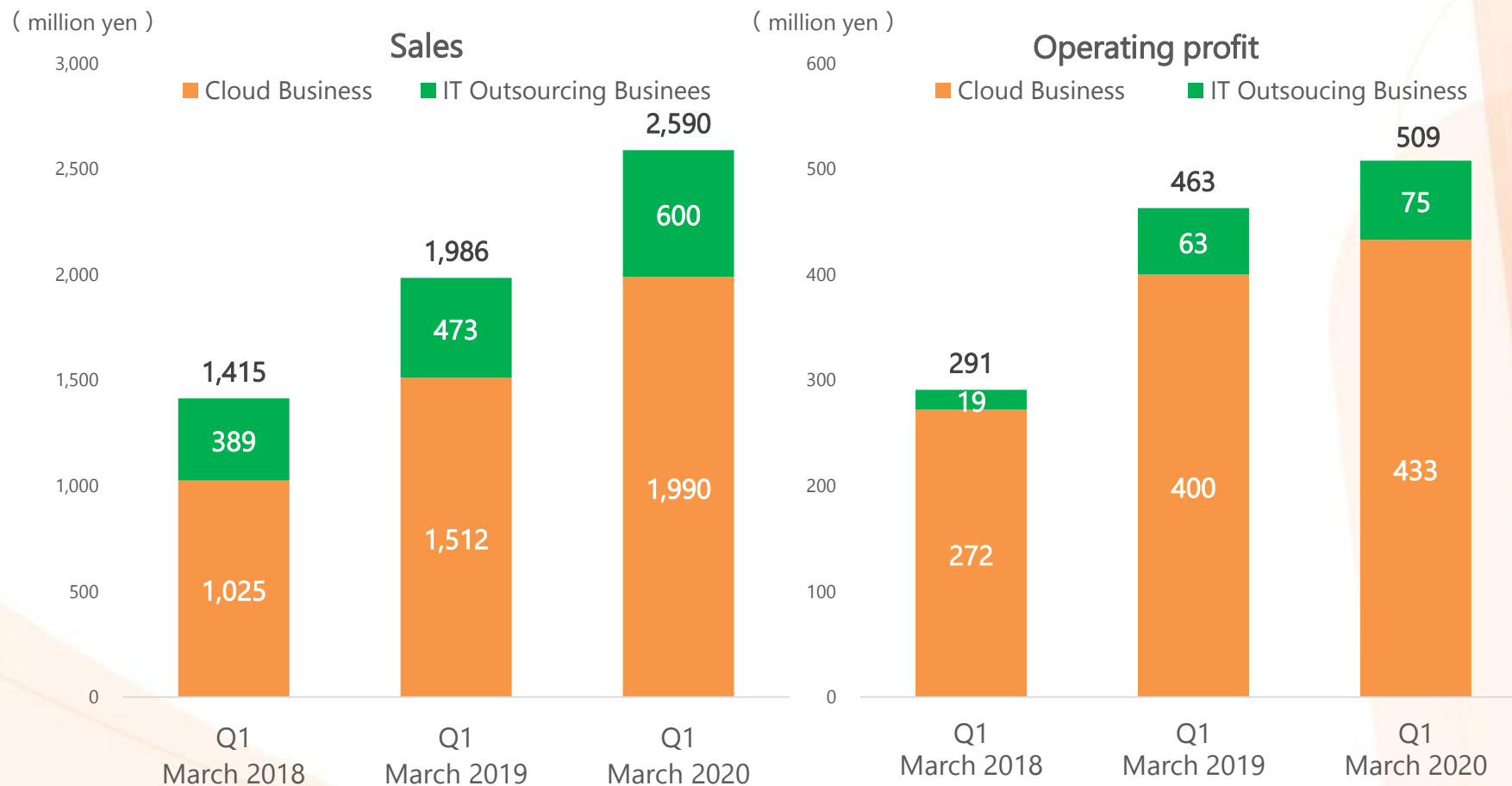
( million yen )

	Q1 of March 2019 (actual)	Q1 of March 2020 (guidance)	Q1 of March 2020 (actual)	Versus the guidance	Year on Year
<b>Sales</b>	1,986	2,560	2,590	<b>101.2%</b>	<b>130.4%</b>
Cost of sales	669	873	863	98.9%	129.0%
Gross profit (GP margin)	1,316 (66.3%)	1,686 (65.9%)	1,727 (66.7%)	102.4%	131.2%
SG&A	852	1,216	1,218	100.1%	142.9%
<b>Operating profit</b> (OP margin)	<b>463</b> (23.4%)	<b>470</b> (18.4%)	<b>509</b> (19.7%)	<b>108.3%</b>	<b>109.7%</b>
<b>Ordinary profit</b> (Ordinary profit margin)	<b>464</b> (23.4%)	<b>470</b> (18.4%)	<b>509</b> (19.7%)	<b>108.4%</b>	<b>109.6%</b>
<b>EBITDA</b> (EBITDA margin)	<b>544</b> (27.4%)	<b>558</b> (21.8%)	<b>597</b> (23.1%)	<b>106.9%</b>	<b>109.8%</b>
Income tax	166	165	174		
<b>Profit attributable to owners of parent</b>	<b>298</b>	<b>305</b>	<b>335</b>	<b>109.9%</b>	<b>112.3%</b>

# Performance by Business Segment



The cloud business enjoyed an increase in both sales and profit.  
The profit margin declined due to active investment.



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

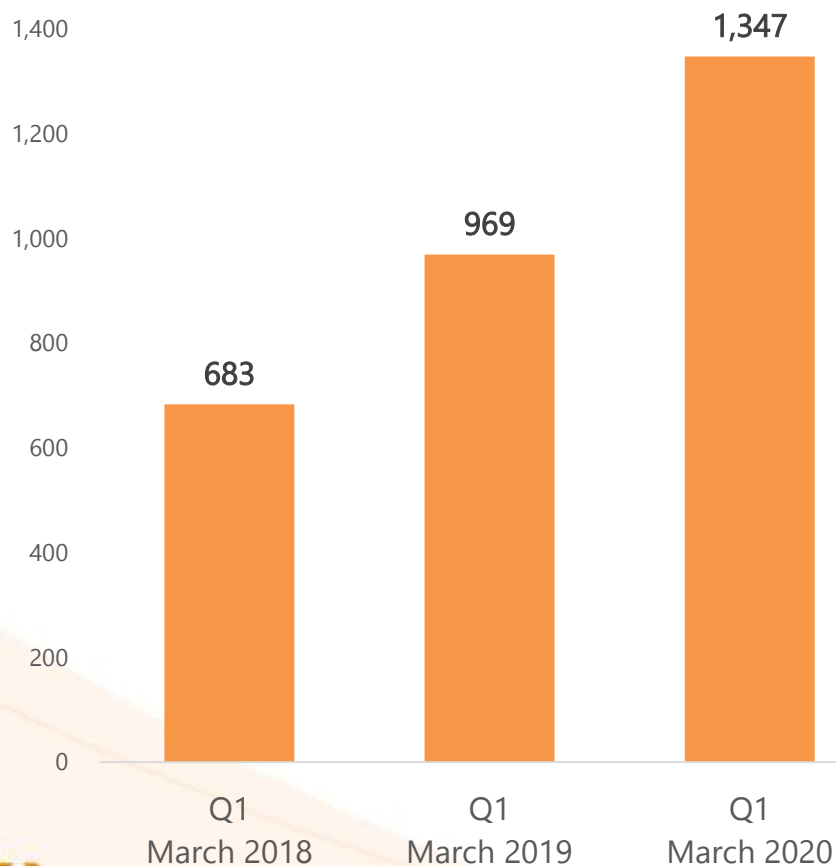
# Trends for Personnel and Advertising Costs (actual)



Personnel costs and advertising costs surpassed the budget as a result of active investment.

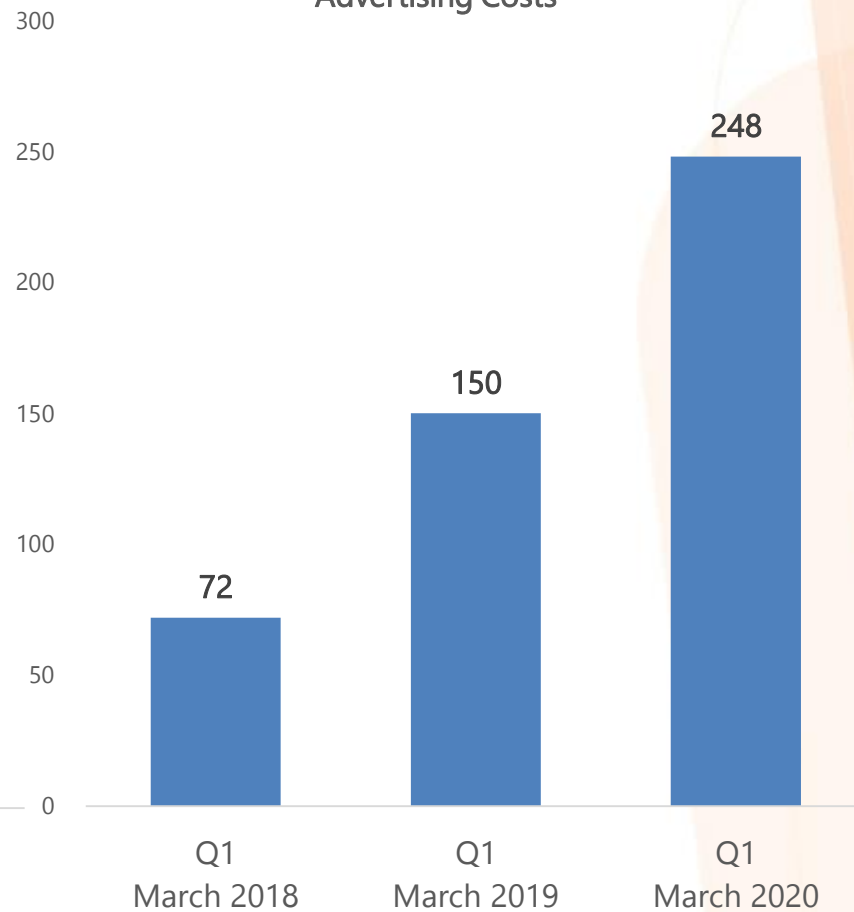
( million yen )

### Personnel Costs



( million yen )

### Advertising Costs

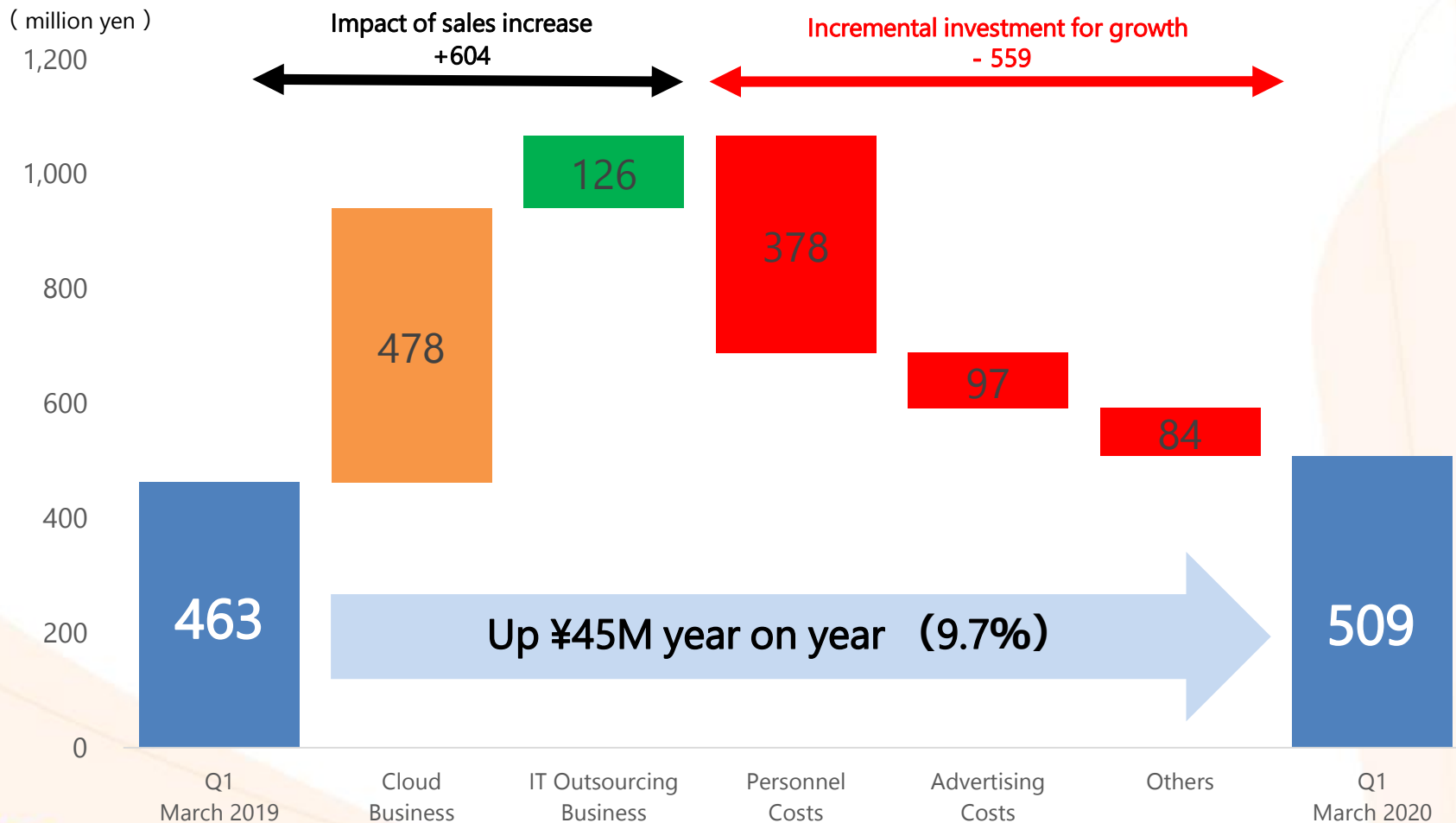




# Factors for Changes in Consolidated Operating Profits in Q1 of March 2020



Profit increased year on year although a large proportion of incremental sales was allocated to investment.

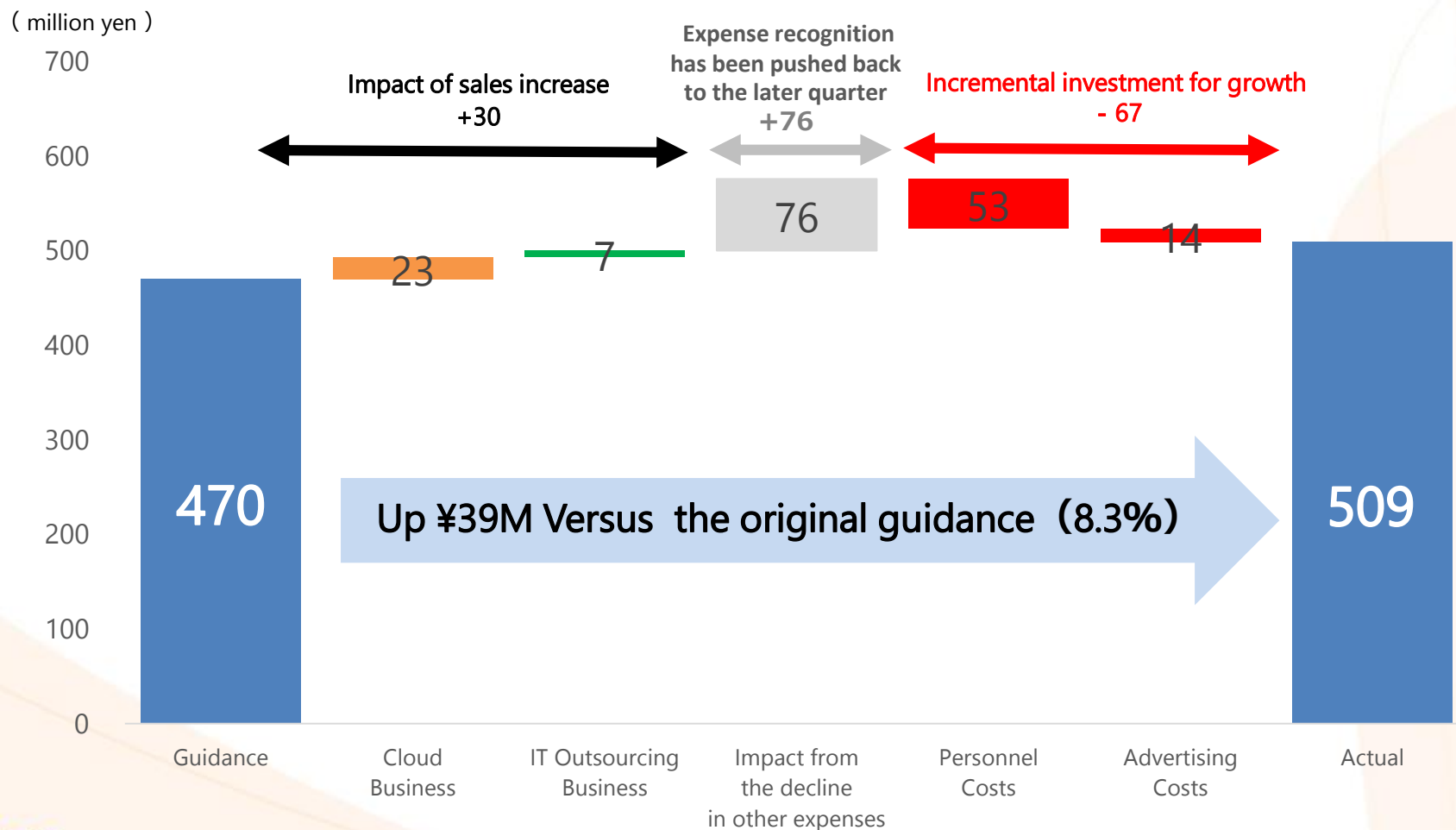




# Factors for Changes in Consolidated Operating Profits in Q1 of March 2020 (Versus the guidance)



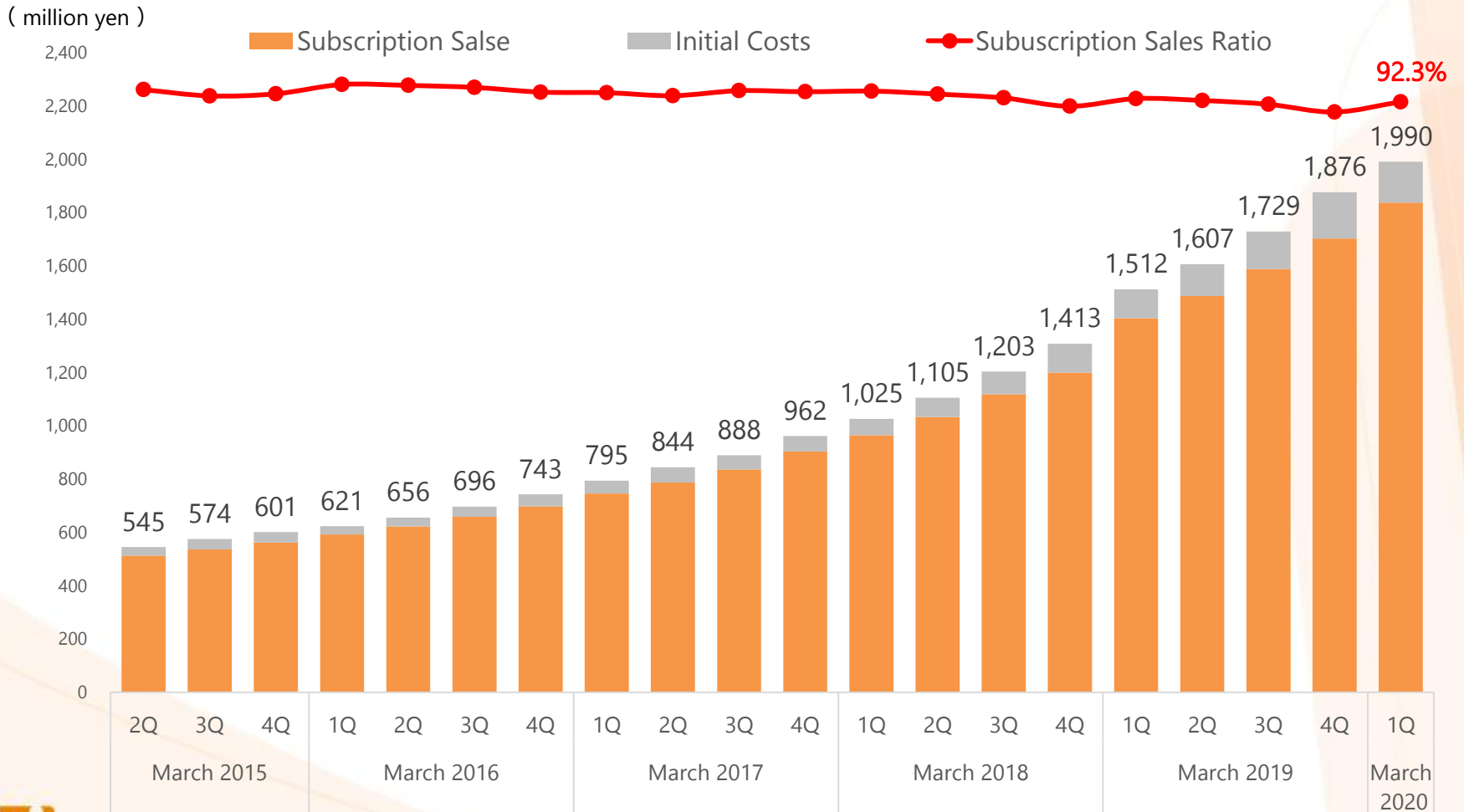
Profit exceeded budget expectations due to year-on-year sales growth, and because of outsourcing costs and other costs being pushed back to the later quarter.



# Trends for Subscription Sales of the Cloud Business



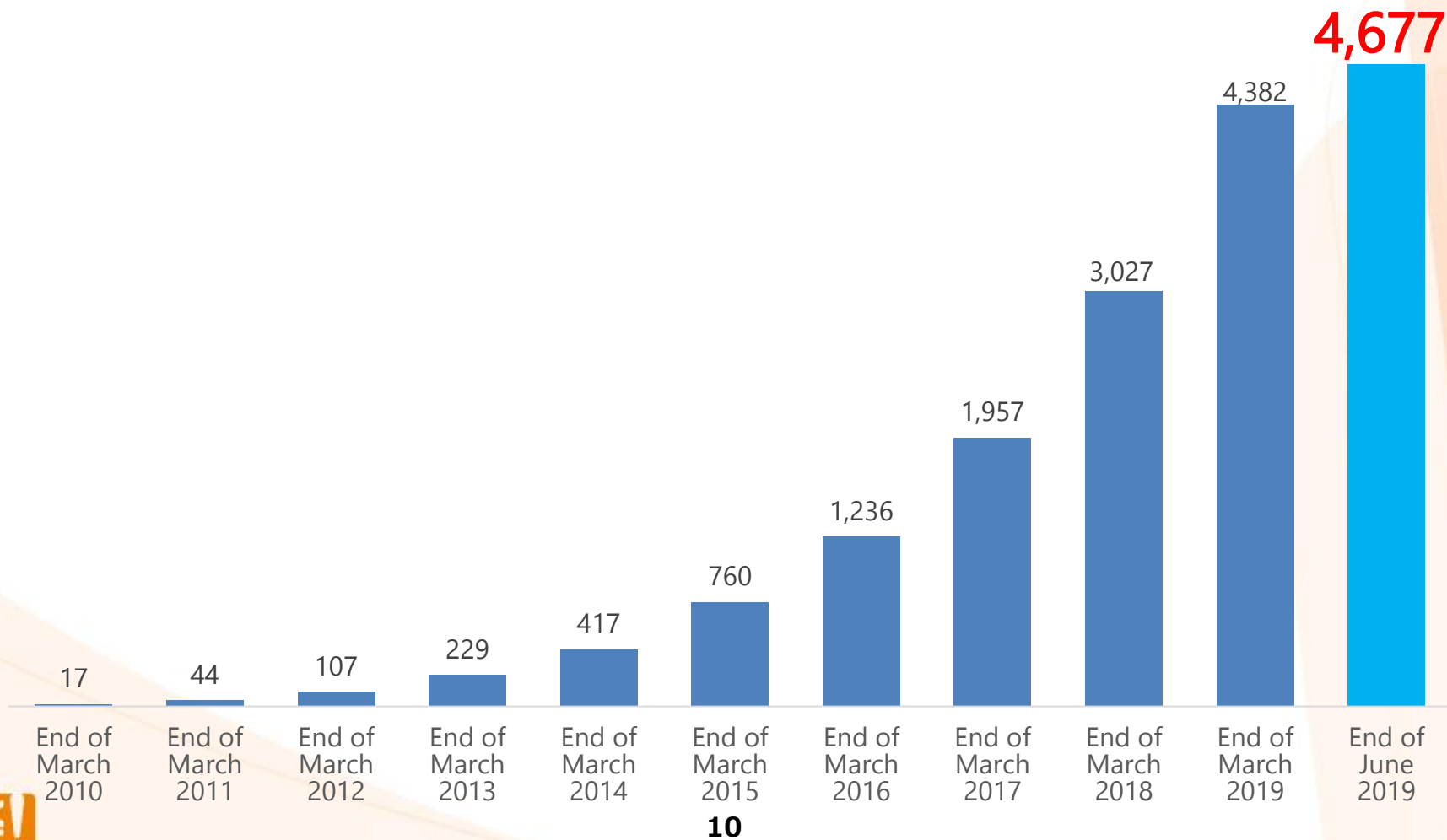
Recurring sales increased by 30.9% year on year due to steady growth in new contracts.



# Trends for the Cumulative Number of Corporations Using Raku Raku Seisan



The number of corporate users was 1,414 more than the year before and 295 more than the previous quarter.



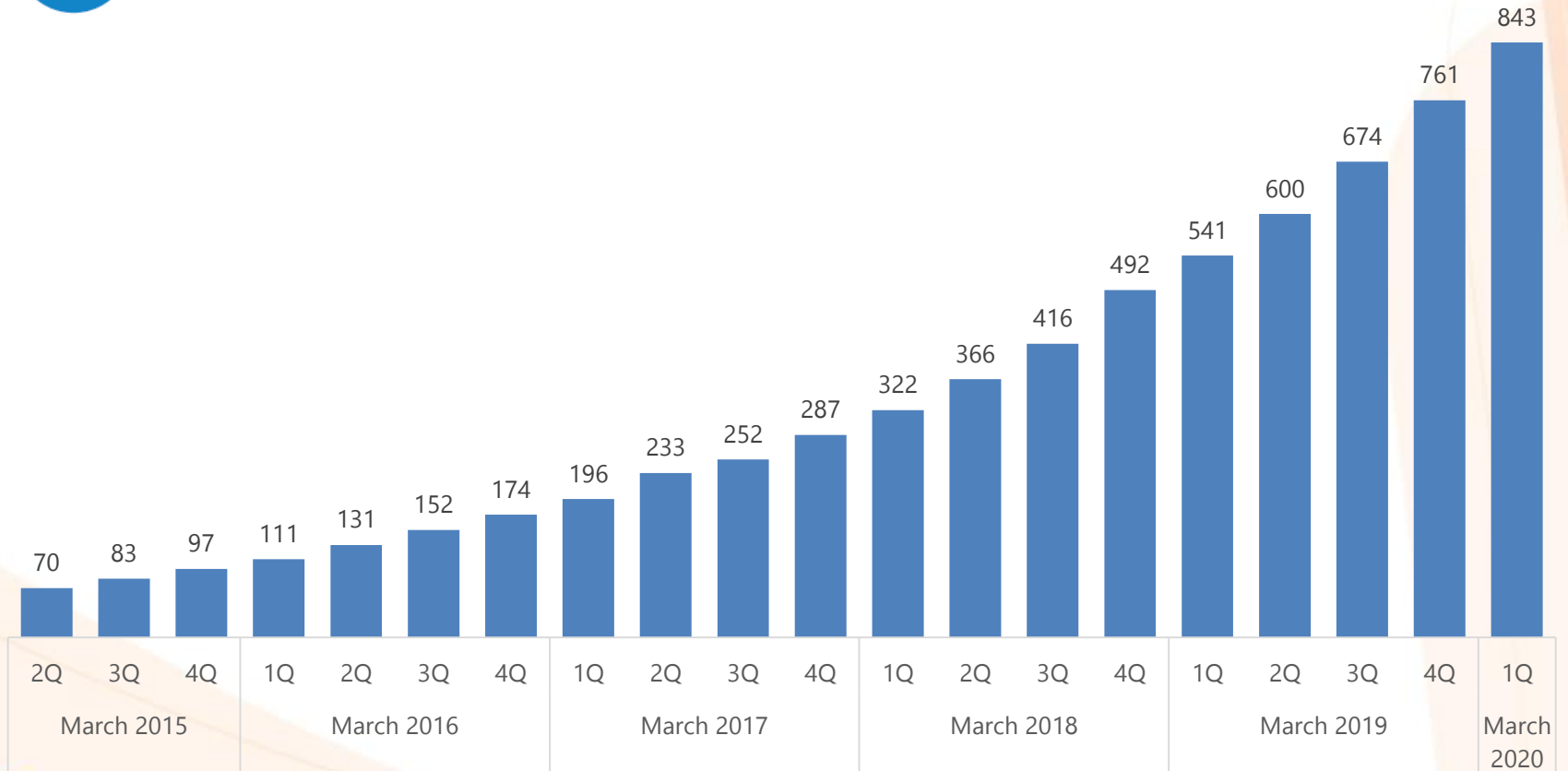
# Sales Trends for Raku Raku Seisan



A high level of growth was maintained due to an increasing number of corporate users and a higher unit price.



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



## Quarterly sales of the cloud business by service



Email distribution services had lower sales quarter on quarter for seasonal reasons.  
Other services performed well.

( million yen )

	Sales from April to June in 2019	Quarter on Quarter	Year on Year
Raku Raku Seisan	843	10.8%	55.6%
Mail Dealer	413	3.3%	12.9%
Email distribution services	367	-2.6%	7.7%
Hataraku DB	189	10.5%	46.7%
Raku Raku Meisai	106	9.5%	59.7%
Others	70	2.0%	5.0%
Total of the Cloud Business	1,990	6.1%	31.6%

※ 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.

# Balance Sheet

( million yen )

	End of March 2019	End of Q1 of March 2020	Difference
Current assets	3,668	3,786	117
Non-current assets	2,474	2,456	-17
<b>Total assets</b>	<b>6,142</b>	<b>6,242</b>	<b>99</b>
Current liabilities	1,436	1,416	-19
Non-current liabilities	113	100	-12
<b>Total liabilities</b>	<b>1,549</b>	<b>1,516</b>	<b>-32</b>
Shareholders' equity	4,596	4,732	135
Accumulated other comprehensive income	-2	-6	-3
<b>Total equity</b>	<b>4,593</b>	<b>4,725</b>	<b>132</b>
<b>Total liabilities and equities</b>	<b>6,142</b>	<b>6,242</b>	<b>99</b>
<b>Equity ratio</b>	<b>74.8%</b>	<b>75.7%</b>	

# Consolidated Guidance for Q2 of the Fiscal Year March 2020



# Management Policies and Growth Strategy



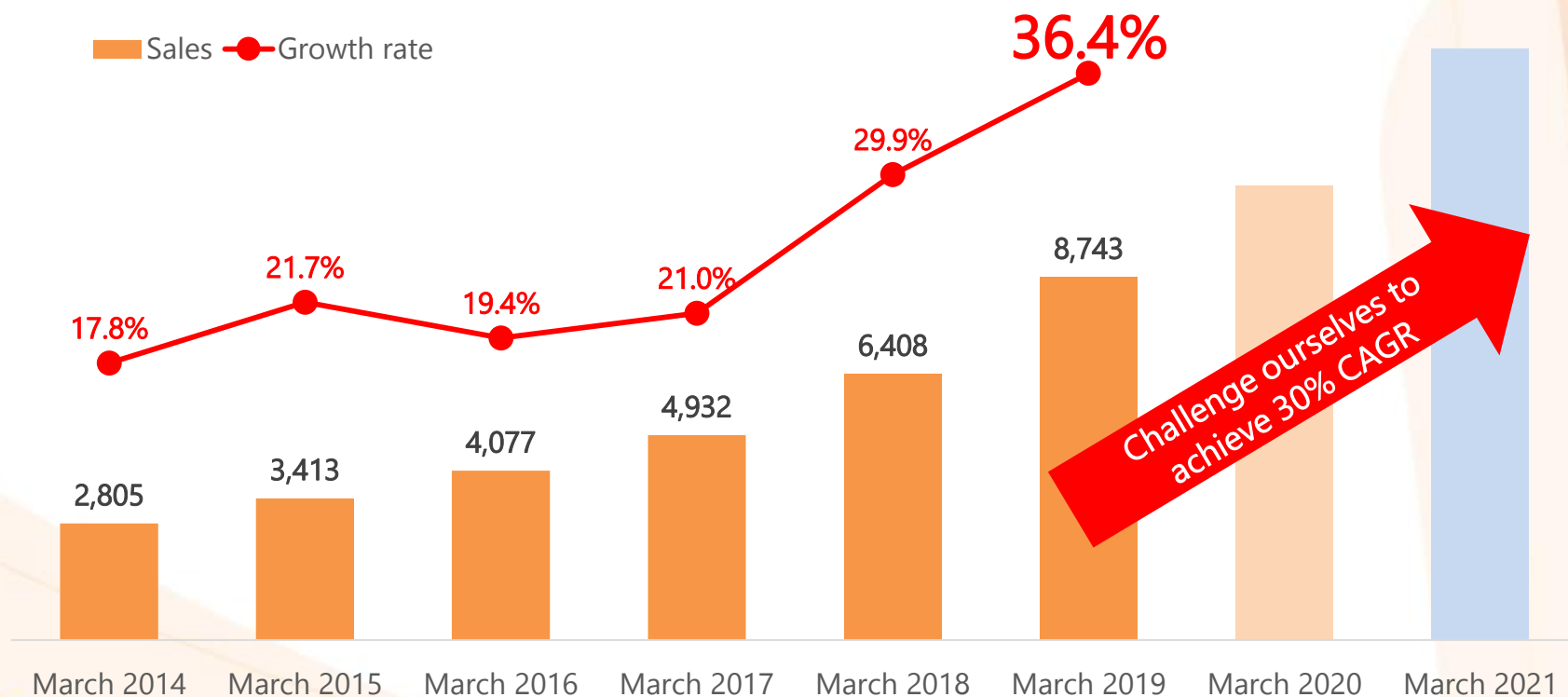
A successful start was made with active investment achieving 30% CAGR.

※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



# Forecast disclosure policy for the fiscal year ending March 2020



We are determined to capture business opportunities by strengthening investment despite a year-on-year profit decline in March 2020.

**In March 2020, quarterly guidance will be disclosed in each quarter instead of disclosing the full yearly forecast at the beginning of the year.**

The external business environment has tailwinds to enjoy benefits from work-style reforms, DX and a stronger appetite for cloud services.



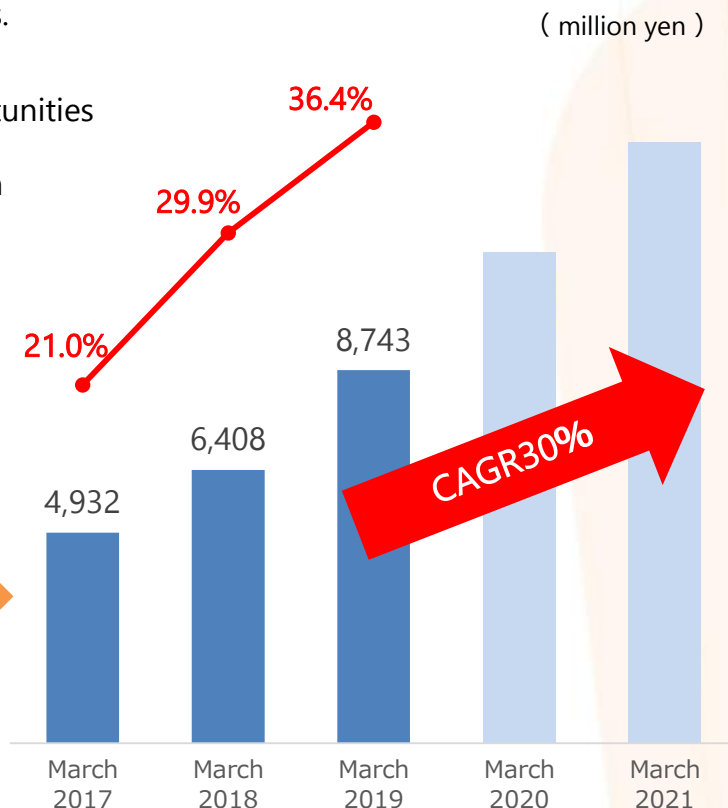
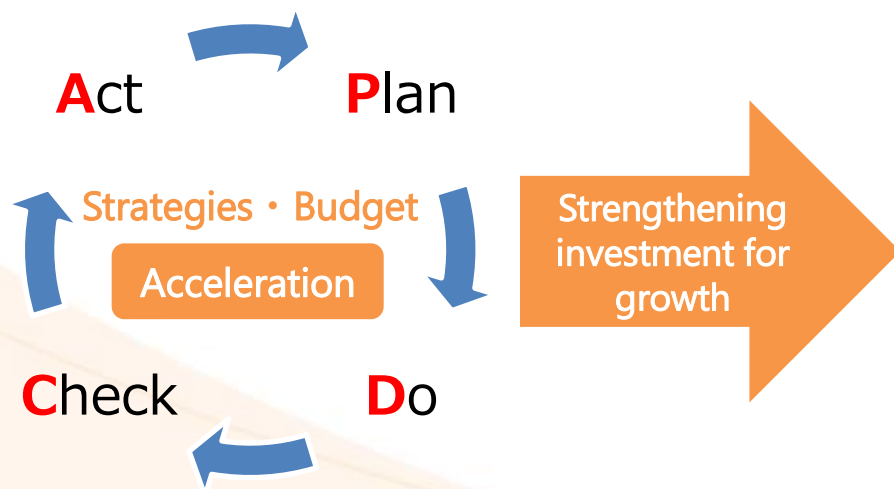
Strengthening investment for growth to capture business opportunities

- Accelerating the PDCA cycle for marketing strategies
- Hiring more people who will contribute to our future growth



**Guidance is crafted on a quarterly basis**

※This applies to only March 2020.



# Consolidated Guidance for Q2 of the fiscal March 2020



Active investment plans continue to target opportunities in the external business environment.

( million yen )	H1 March 2019 (actual)	March 2020		H1 March 2020 compared to the year before
		Q2 March 2020 (guidance)	H1 March 2020 (guidance)	
<b>Sales</b>	<b>4,074</b>	<b>2,779</b>	<b>5,370</b>	<b>131.8%</b>
Cost of sales	1,384	963	1,826	131.9%
Gross profit	2,689	1,815	3,543	131.7%
(GP margin)	(66.0%)	(65.3%)	(66.0%)	
SG&A	2,011	1,738	2,957	147.0%
<b>Operating profit</b>	<b>678</b>	<b>76</b>	<b>586</b>	<b>86.3%</b>
(OP margin)	(16.7%)	(2.8%)	(10.9%)	
<b>Ordinary profit</b>	<b>682</b>	<b>76</b>	<b>586</b>	<b>85.9%</b>
(Ordinary profit margin)	(16.7%)	(2.8%)	(10.9%)	
<b>EBITDA</b>	<b>844</b>	<b>168</b>	<b>766</b>	<b>90.7%</b>
(EBITDA margin)	(20.7%)	(6.1%)	(14.3%)	
Income tax	238	39	214	
<b>Profit attributable to owners of parent</b>	<b>443</b>	<b>36</b>	<b>372</b>	<b>83.9%</b>

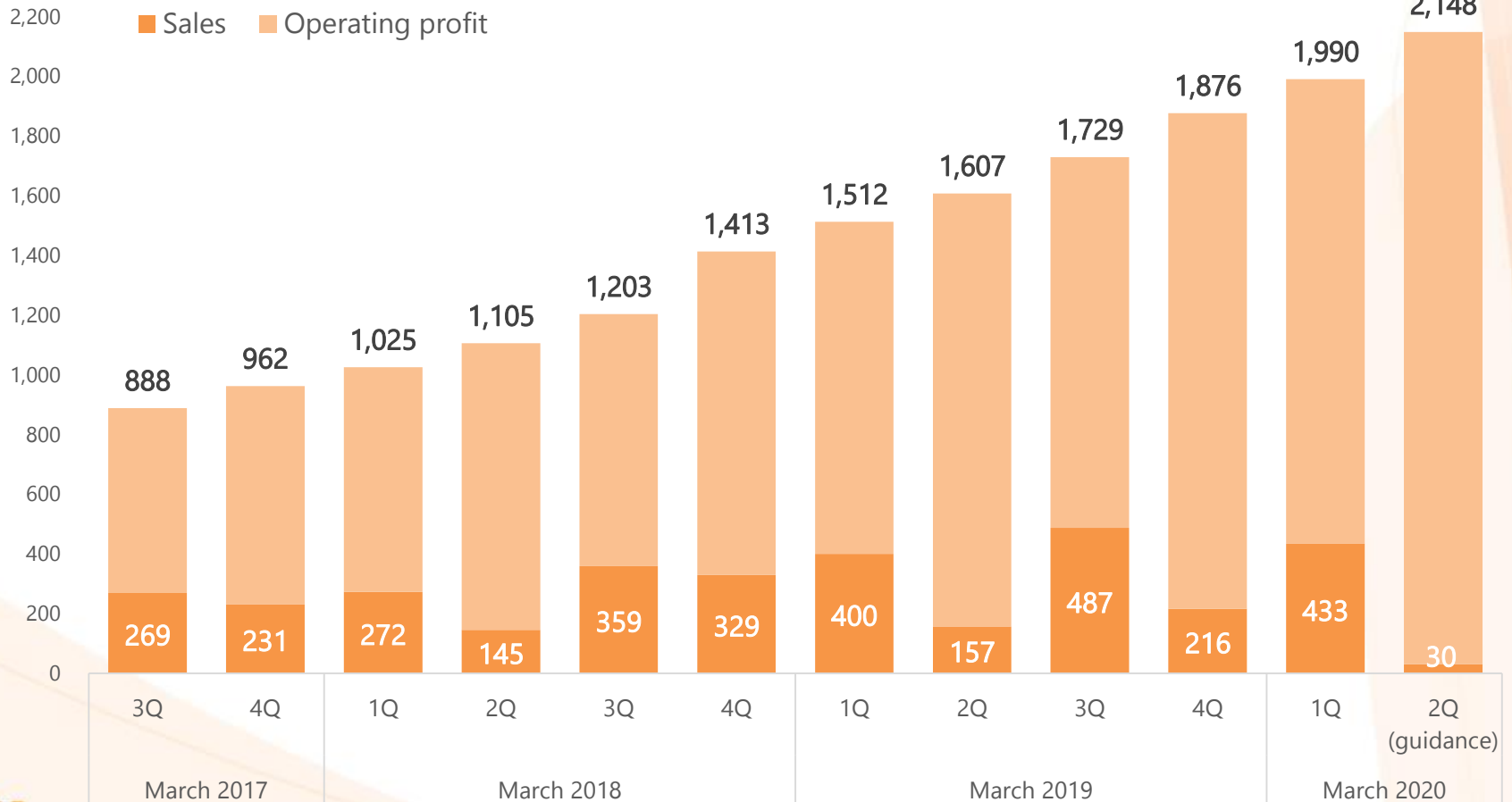
# Quarterly trends for the cloud business



Lower profits are estimated year on year due to active investment planning.

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

( million yen )



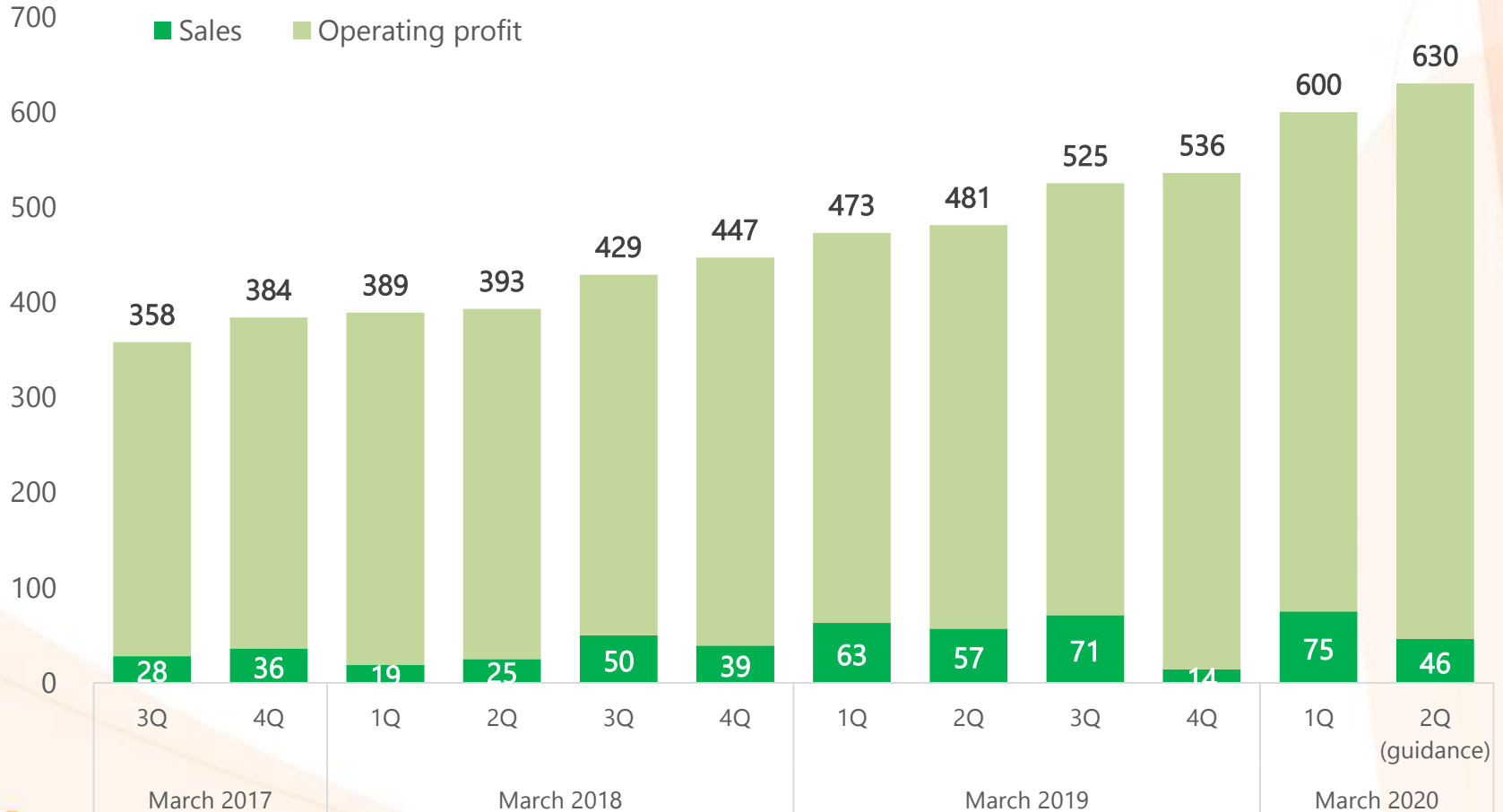
# Quarterly trends for the IT outsourcing business



Profit decline despite a year-on-year sales increase is expected because of a plan to hire more people to address customer needs.

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

( million yen )



# Large scale marketing initiatives in Q2

TV ads for Raku Raku Seisan were on air in July in Hokkaido, Miyagi, Niigata, Sizuoka, Hiroshima and Fukuoka.



TV ads for Raku Raku Meisai will be on air in August in the Greater Tokyo Area.



The RAKUS Cloud Forum will be held in September.

RAKUS Cloud Forum

## 苦楽より楽だけ するための経理会議

2019年9月18日(水)

ANAインターコンチネンタルホテル東京  
10:00~

[専用サイトへ](#)

紙の領収書の突合せ、経費明細の目視確認、  
不備指摘、月末時間超過…。

今の煩雑な業務が当たり前と思いませんか？  
経理は楽ができないと思いませんか？

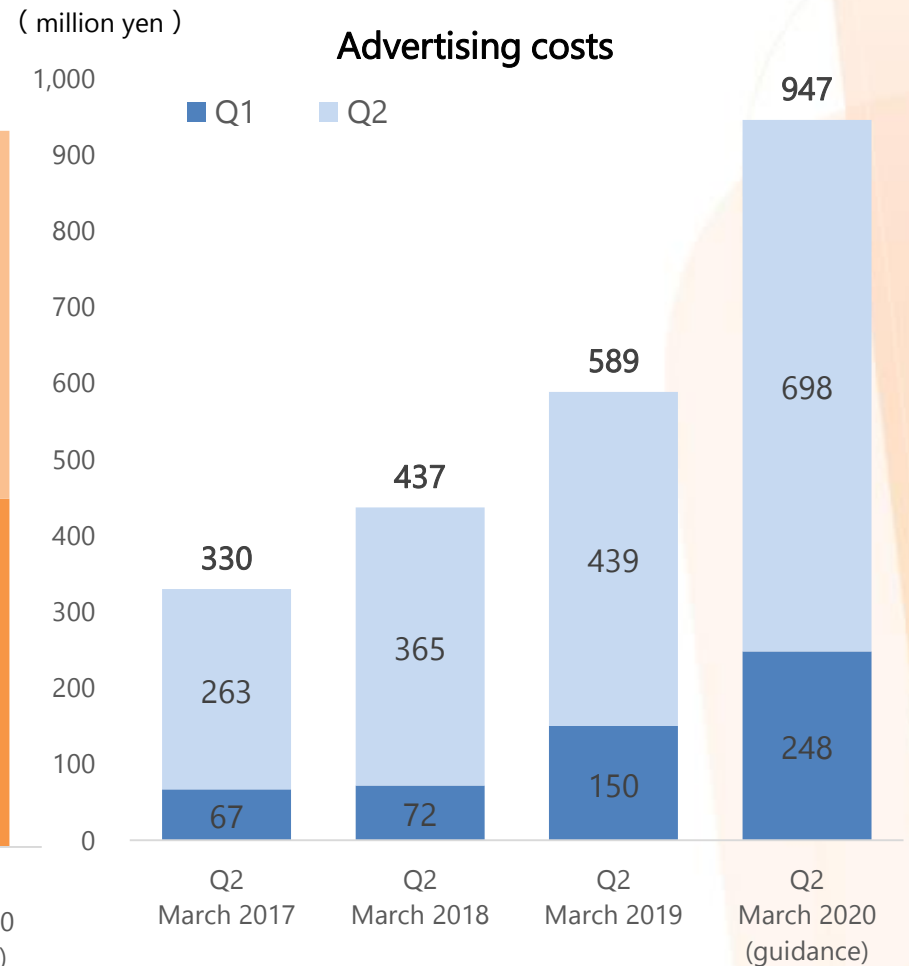
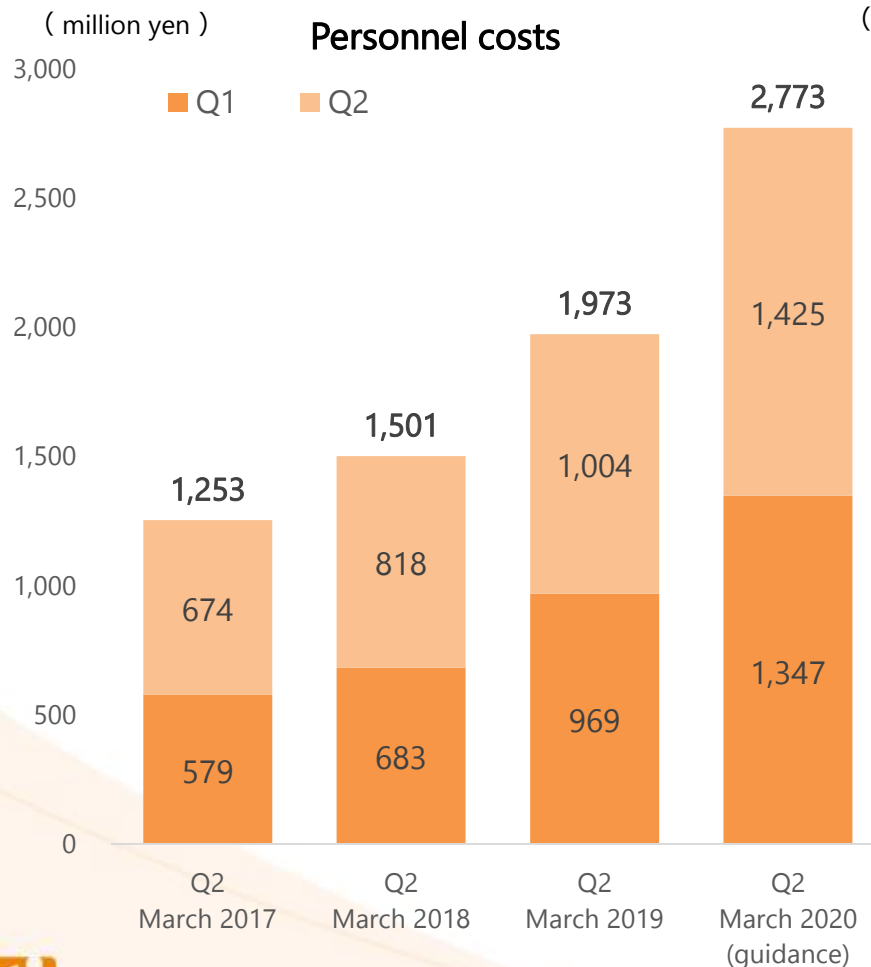
ルーティン業務はどんどん楽をして、  
そして、本来の“経営管理”業務で、  
最高のパフォーマンスを。

さあ、“苦楽”より“楽”だけするための  
経理会議をはじめよう。

# Guidance of Personnel and Advertising Costs



Recruitment is progressing well. Robust investment for future growth continues.

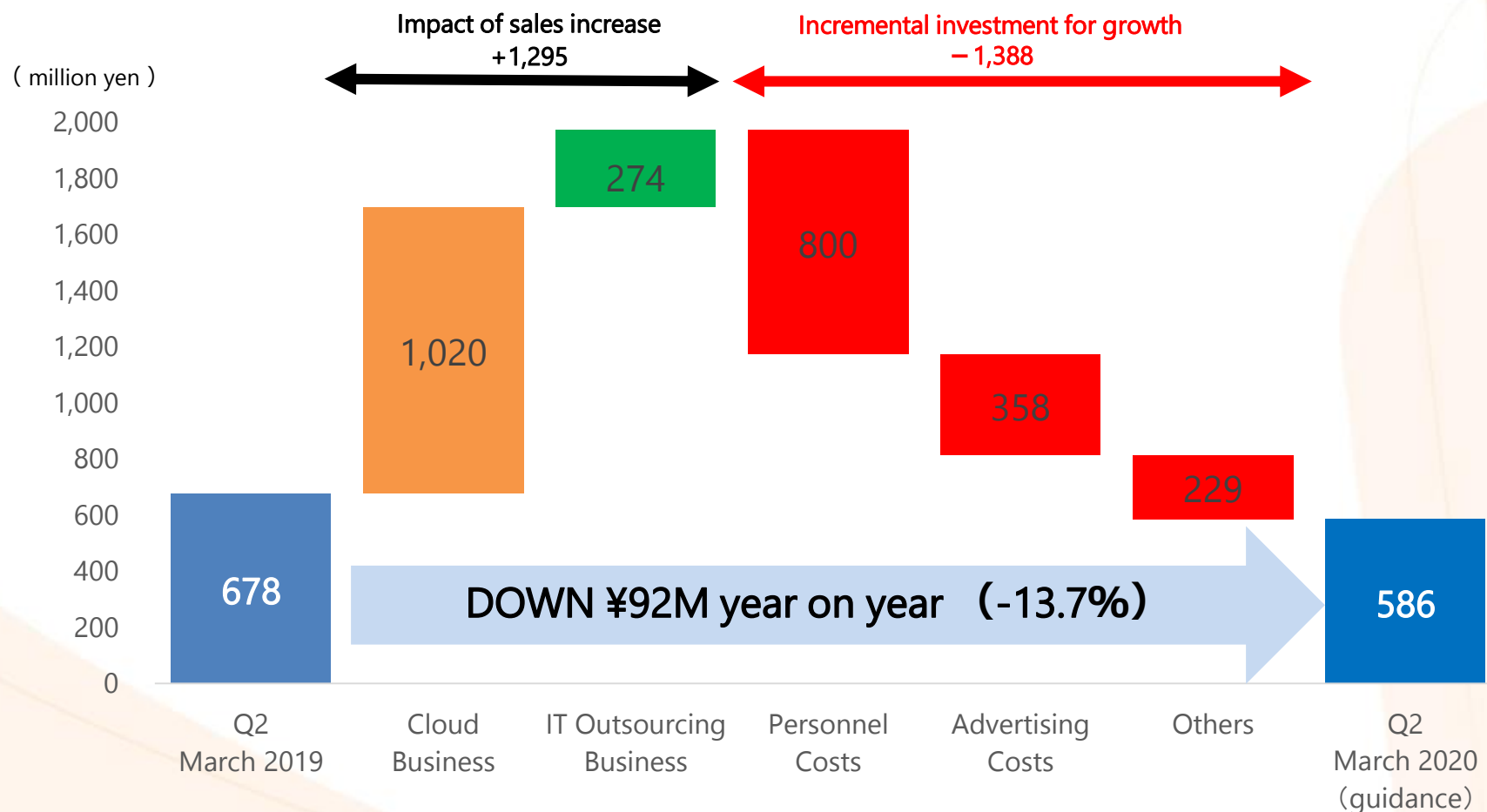




# Reasons for year-on-year changes in consolidated operating profit in H1 March 2020



Vigorous investment is continuously planned aiming for significant sale increases.



# 【KPIs】 Shareholder Return



Dividends are up by 2 yen per share, which sees a growth in dividends for 8 consecutive years.

(yen)

7.00

6.00

5.00

4.00

3.00

2.00

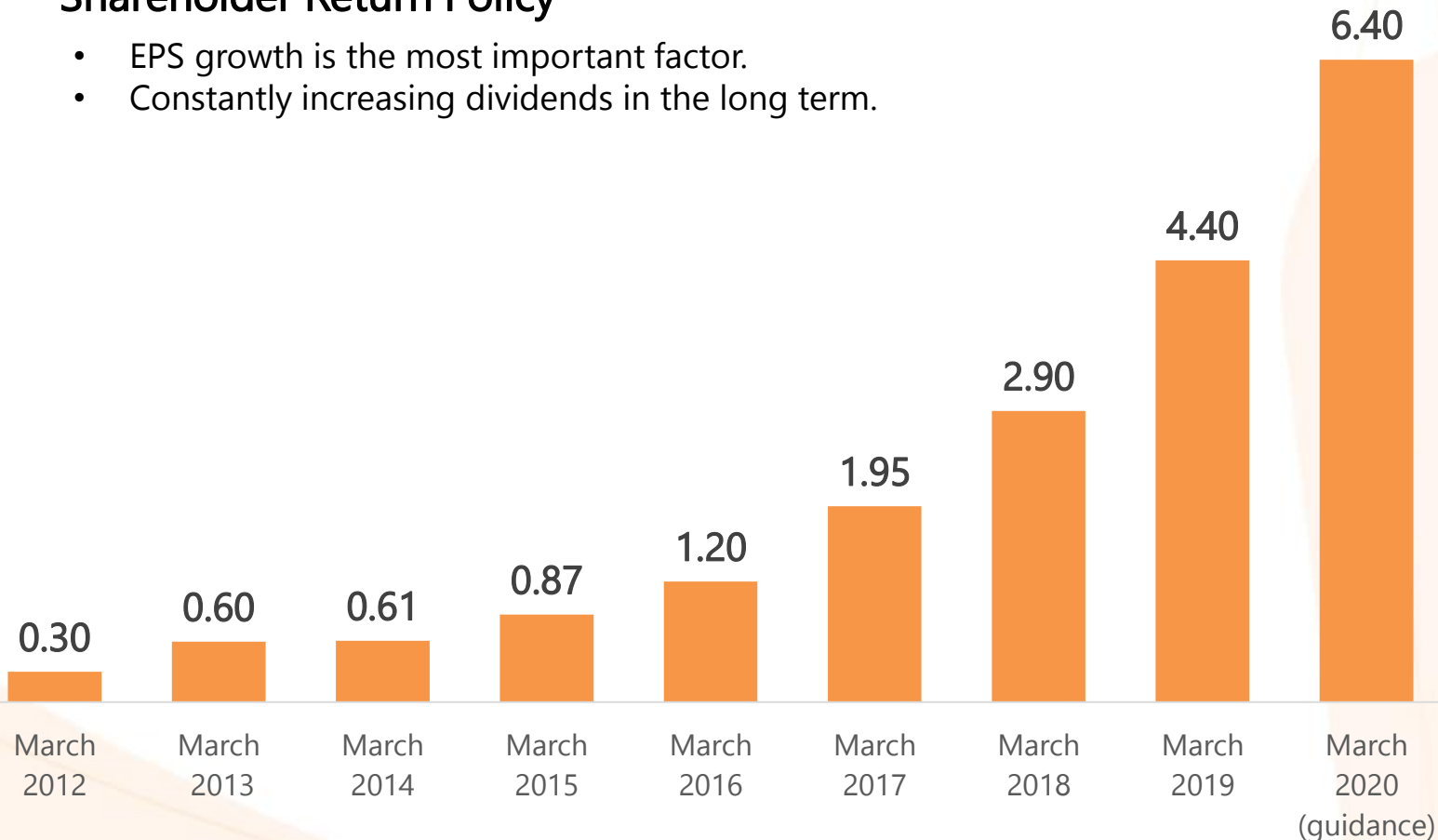
1.00

0.00

## Shareholder Return Policy

- EPS growth is the most important factor.
- Constantly increasing dividends in the long term.

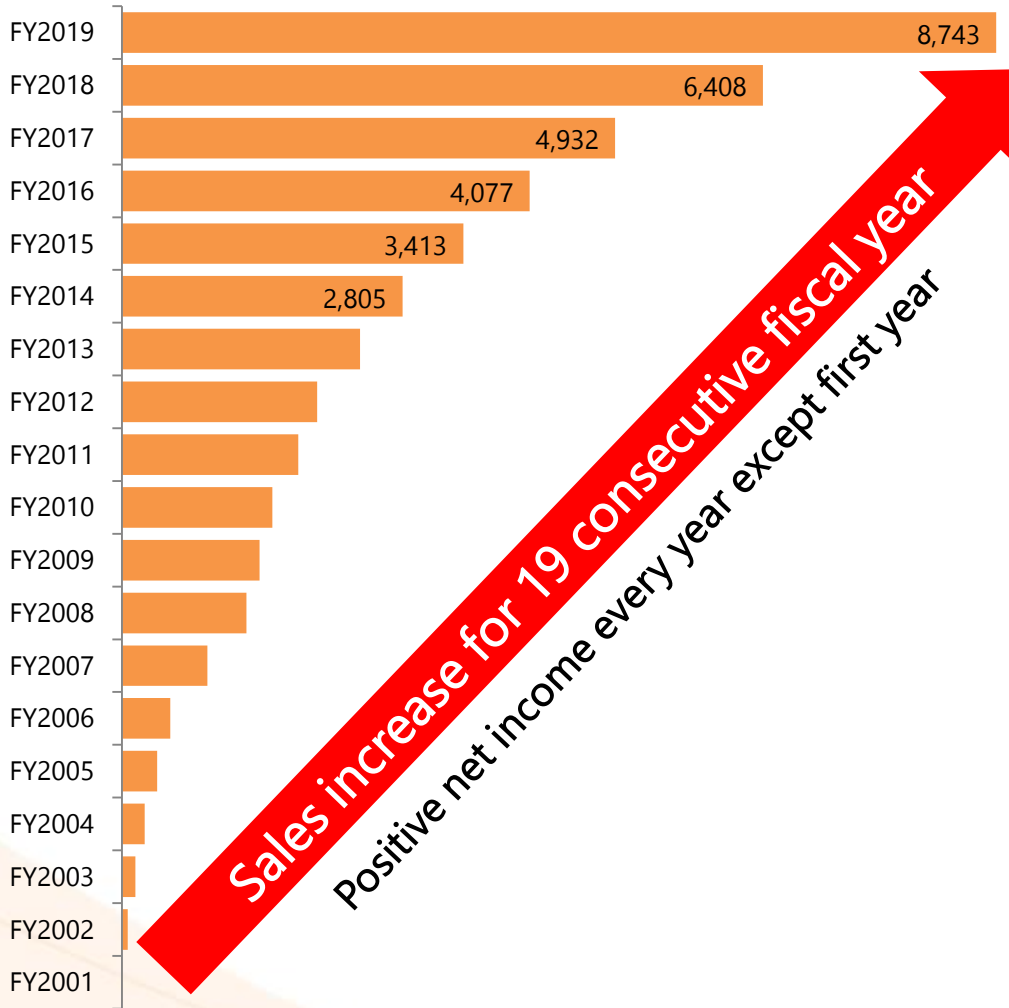
\* Figures are after share split adjustment.



# Appendix

# 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  
Hataraku Database launched  
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

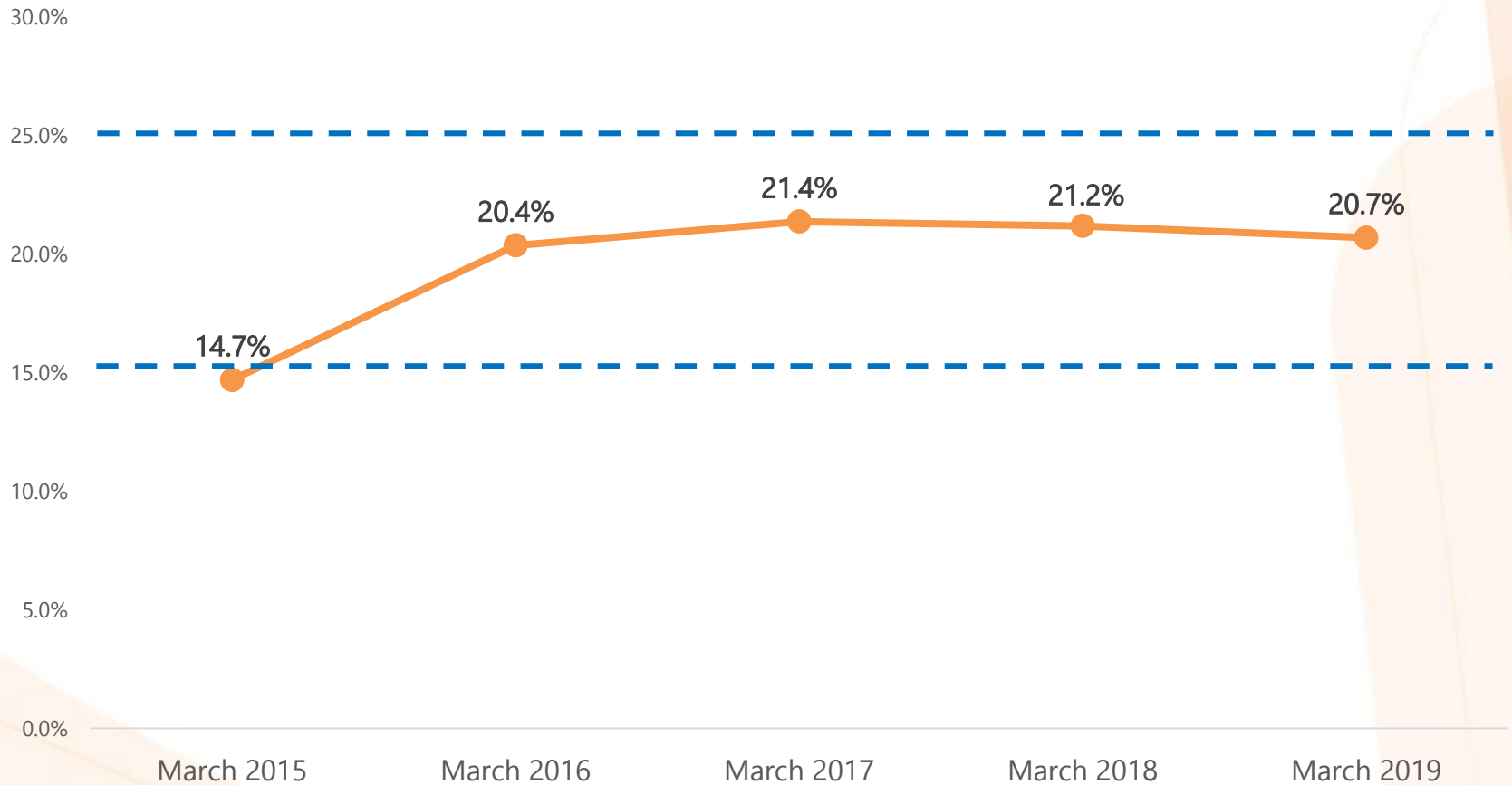
The company was not audited from 2001 to 2013.



## 【KPIs】 Trends for EBITDA Margins



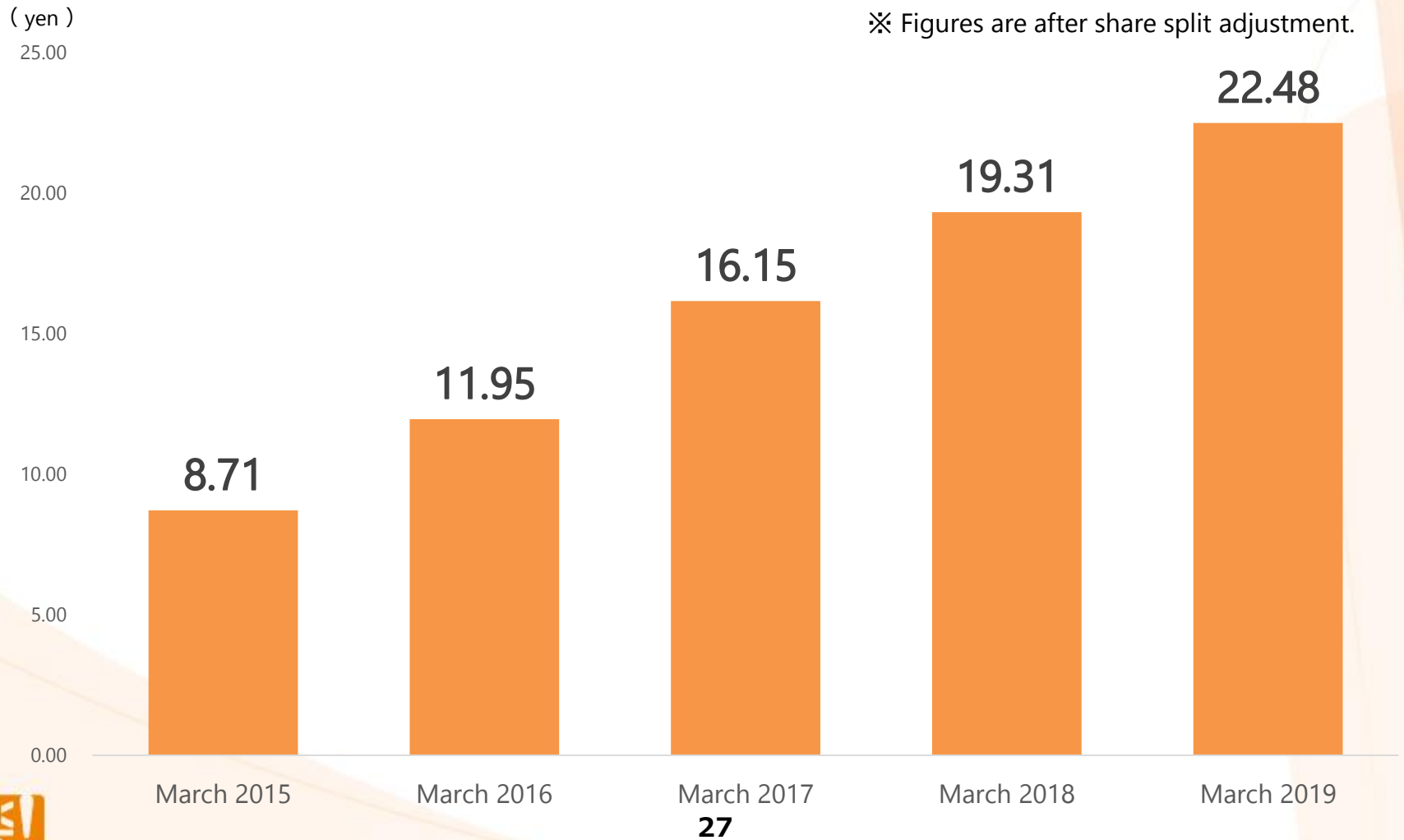
Investing for growth while keeping 15 – 25% EBITDA margin.



## 【KPIs】 Trends for EPS



EPS steadily grew absorbing the impact of goodwill amortization and taxes.



# Raku Raku Seisan



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

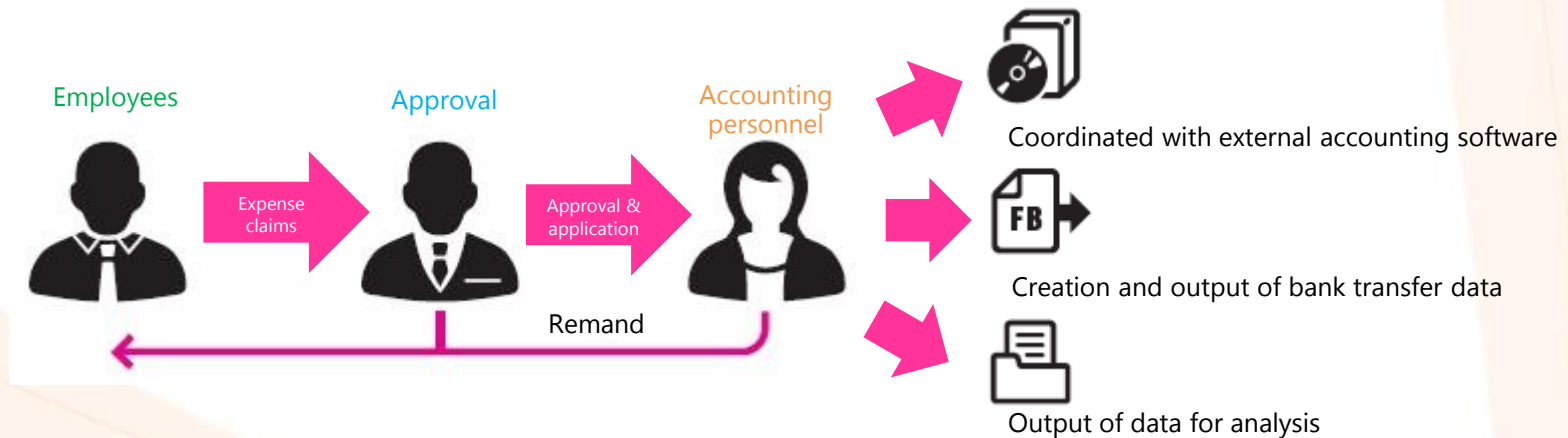
Main customers : Companies with 50 to 1,000 employees (all industries)

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





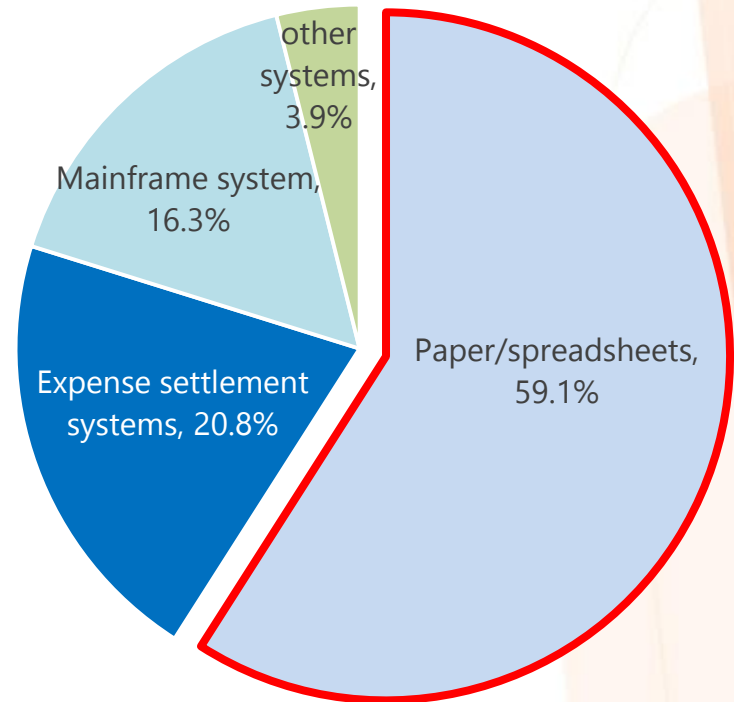
# Target Market for the Cloud-based Expense Settlement Systems

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.

We recommend that you use Raku Raku Seisan for 59.1% companies, 59,000 companies that settle paper and spreadsheet costs.

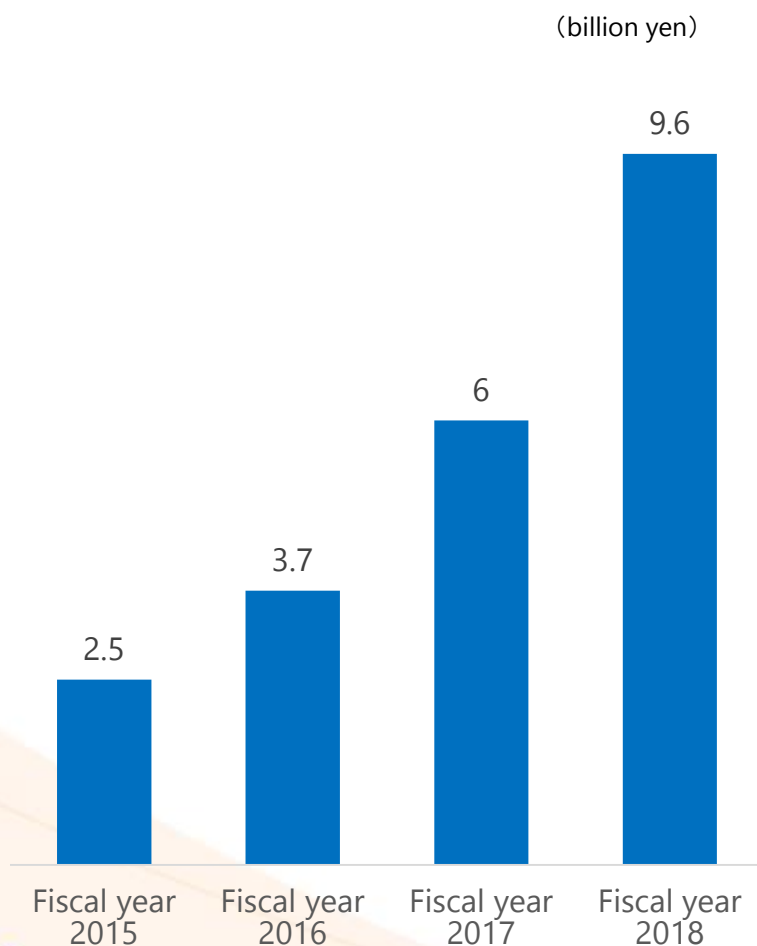


Source : Questionnaire filled out by accounting department staff in February, 2019.

# The Market for Cloud-based Expense Settlement Systems

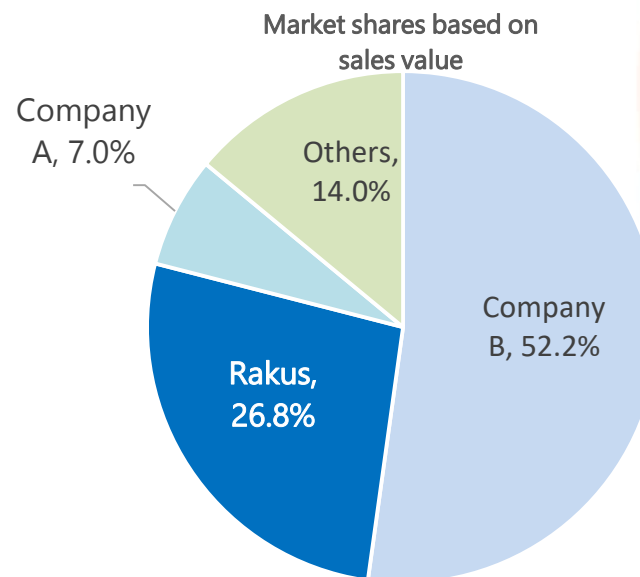
※Source : Our own survey based on various data

## The market for cloud-based expense settlement in Japan



## Ranking of cloud-based expense settlement (As of December 2018)

Number 1	Rakus 楽楽精算	3,954 companies
Number 2	Company A	1,200 companies
Number 3	Company B	880 companies
Number 4	Company C	750 companies
Number 5	Company D	110 companies



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

# Mail Dealer



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

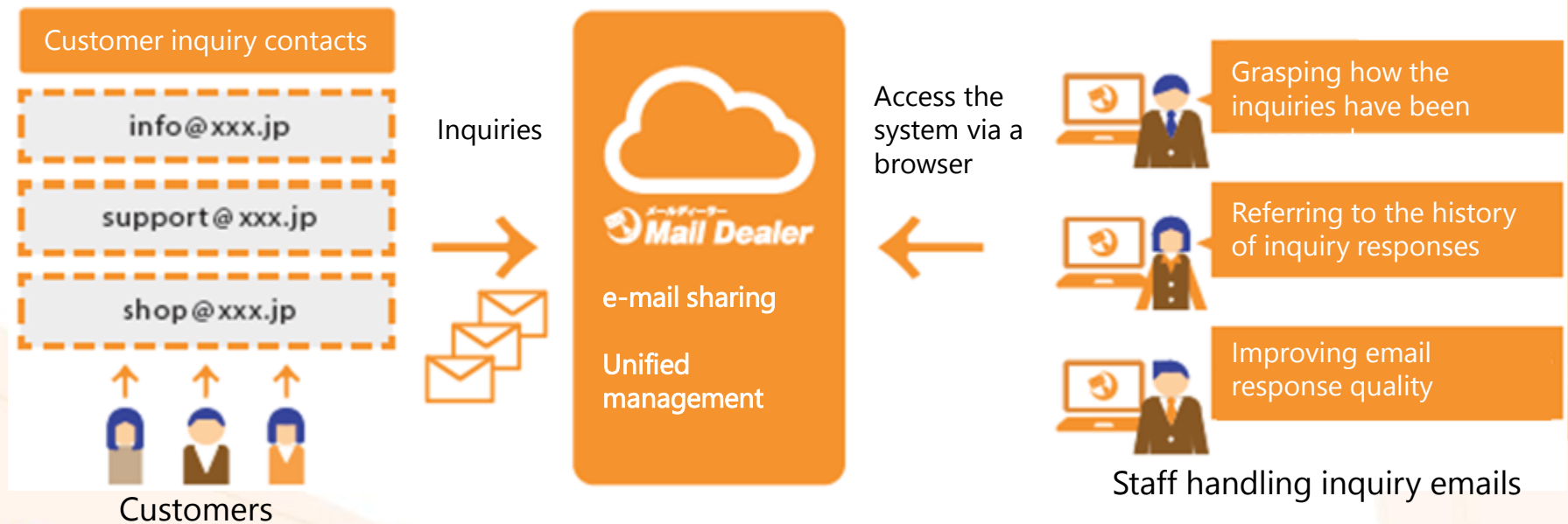
Main customers : E commerce businesses, call centers, and other B to C businesses

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

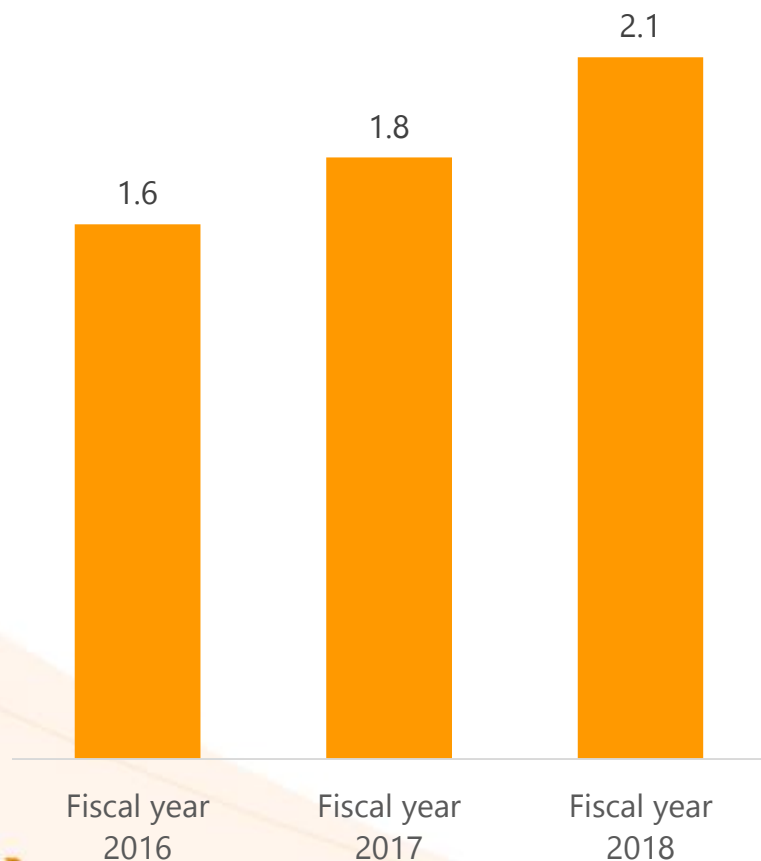
Launched : April 2001



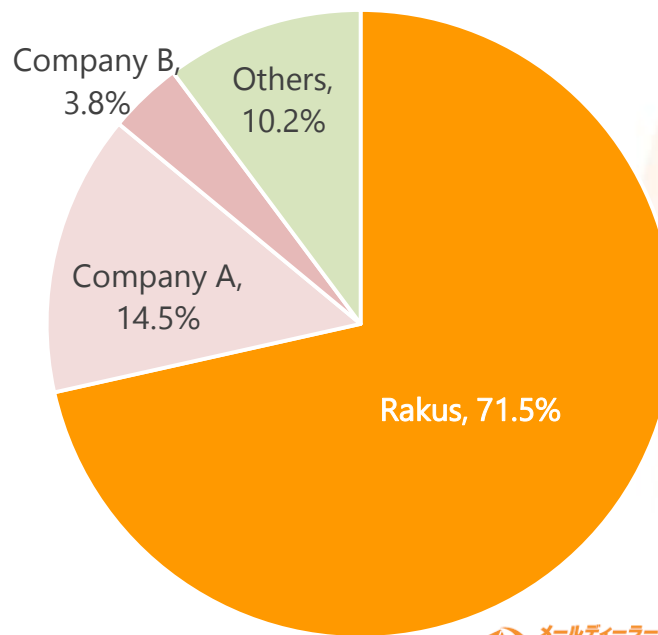
# The market for cloud-based Mail processing

※ Source : Our own survey based on various data (As of March 2019)

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



Market shares based on sales value



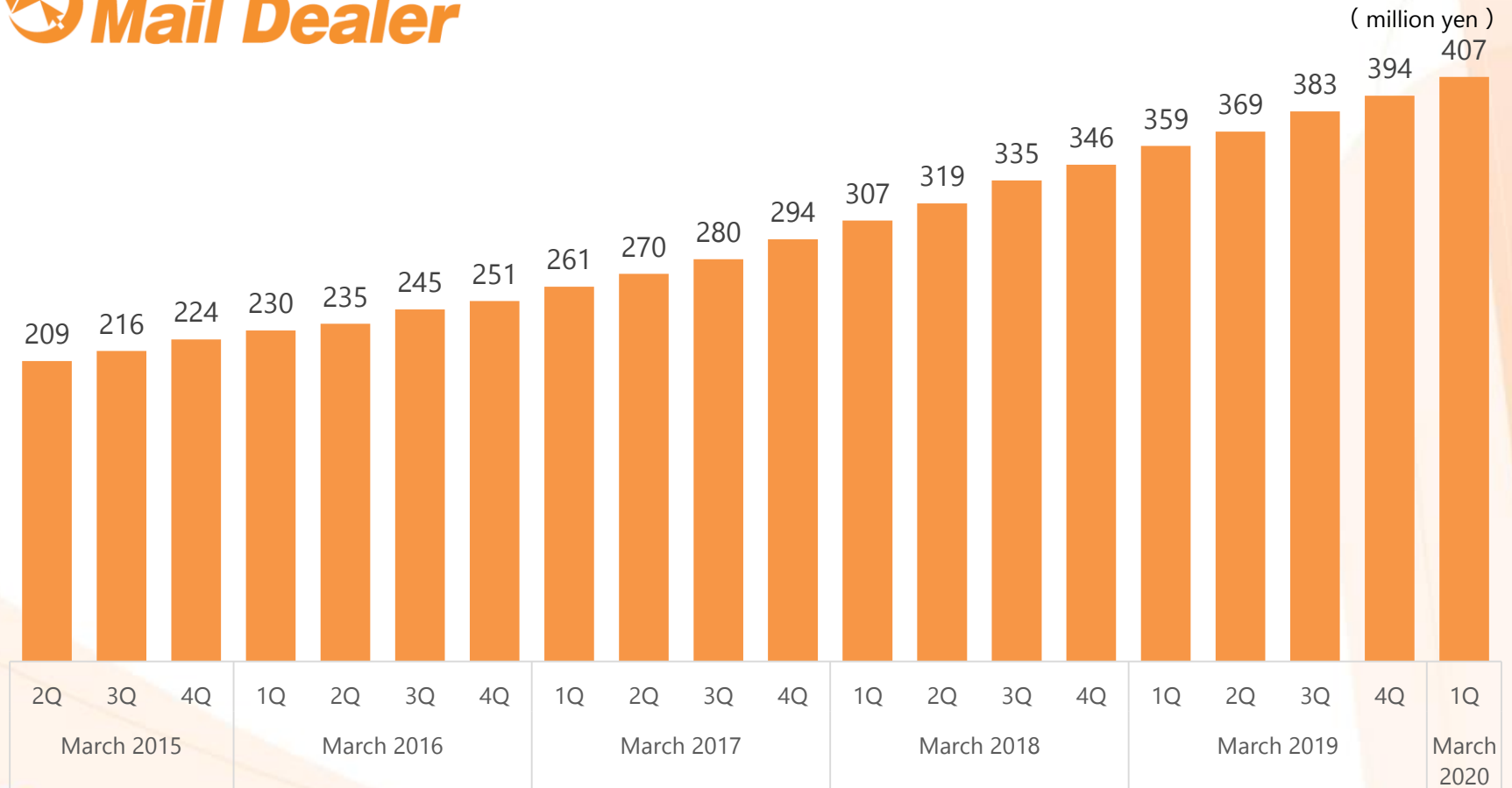
# Sales trends for Mail Dealer



Over 70% of market share was maintained as steady growth continued.



※ Sales of cloud services alone are described below.



# Other services 1

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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

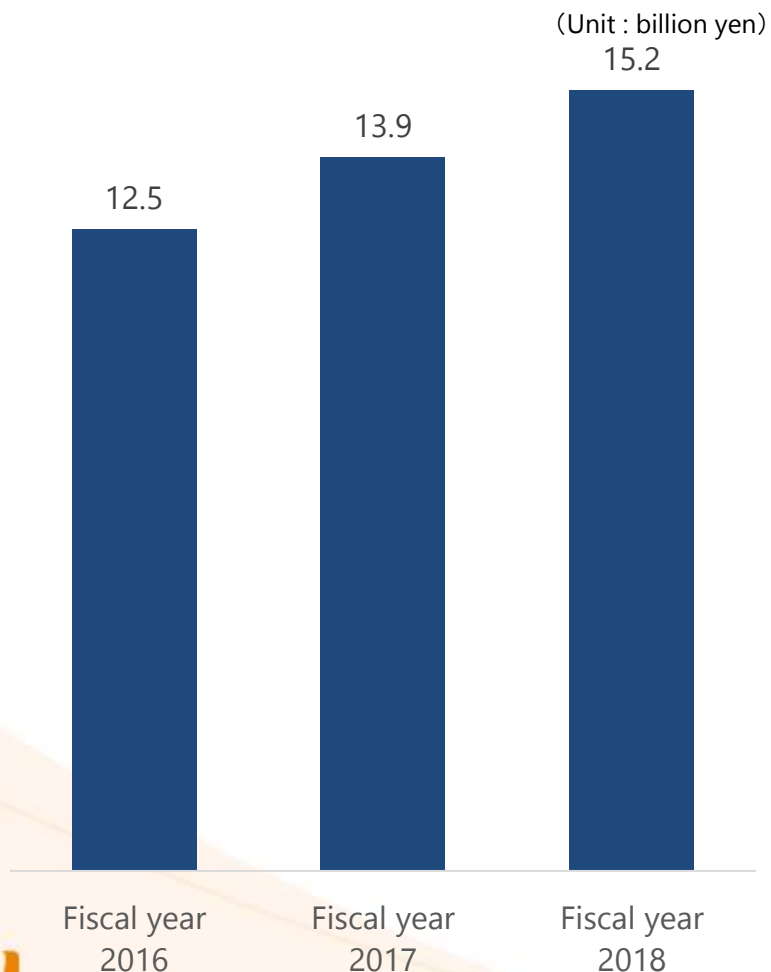
Fee structure : Based on the number of emails distributed + option fees

Launched : June 2011

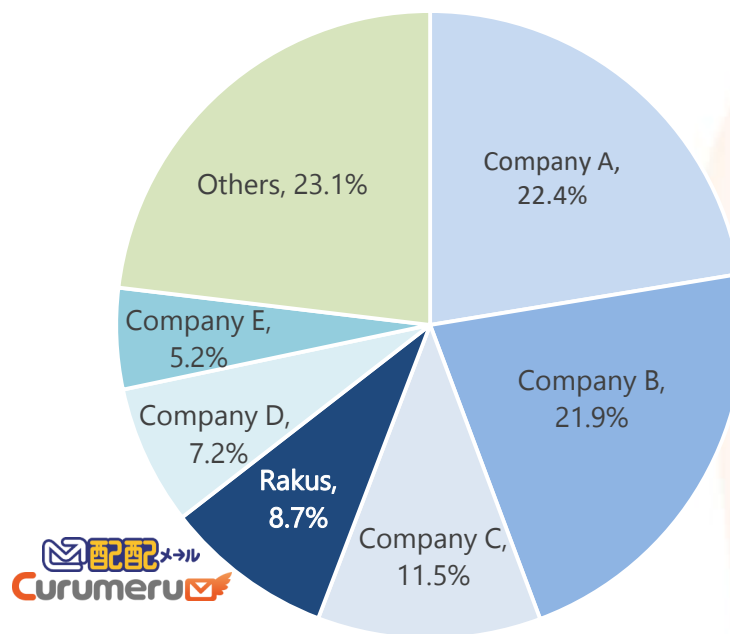
# The Market for Cloud-based Email Distribution Systems

※ Source : Our own survey based on various data (As of March 2019)

## The Market for Cloud-based Email Distribution Systems in Japan



## Market shares based on sales value



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



# Other services 2

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## 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

## Raku Raku Meisai

Product outline : A system to issue digital documentation

Main customers : All industries

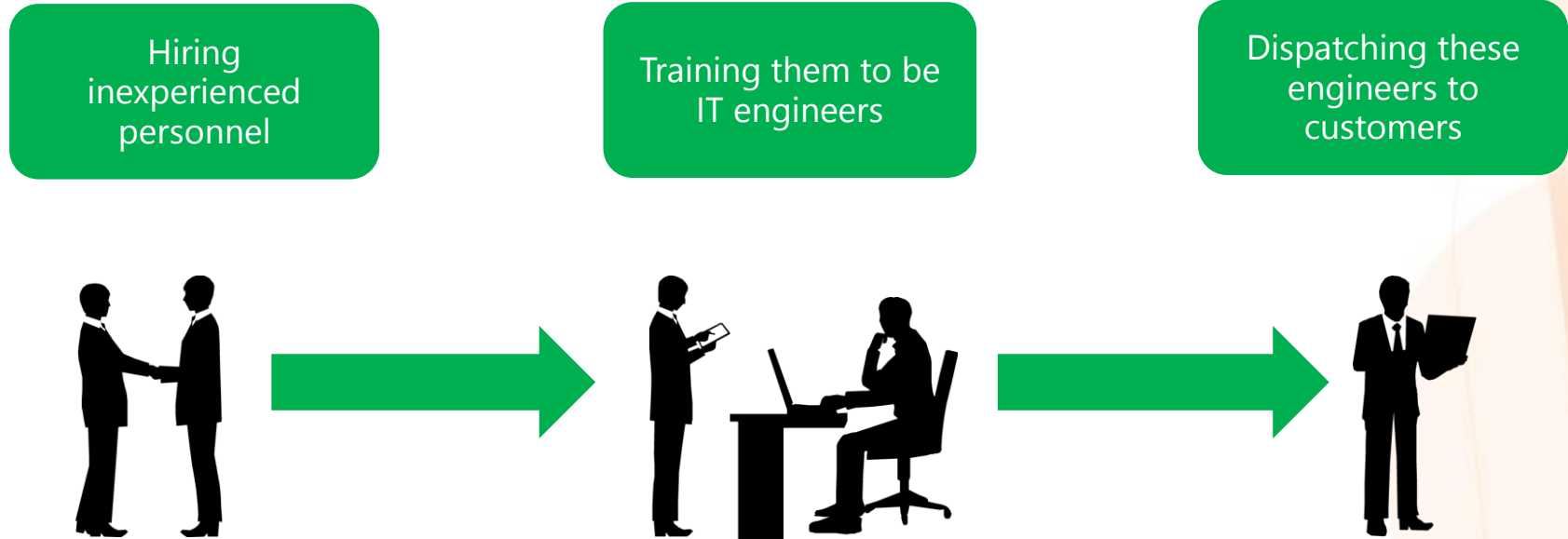
Addressed to : Accounting departments

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

# 【IT outsourcing business】 business model



## IT outsourcing business superiority

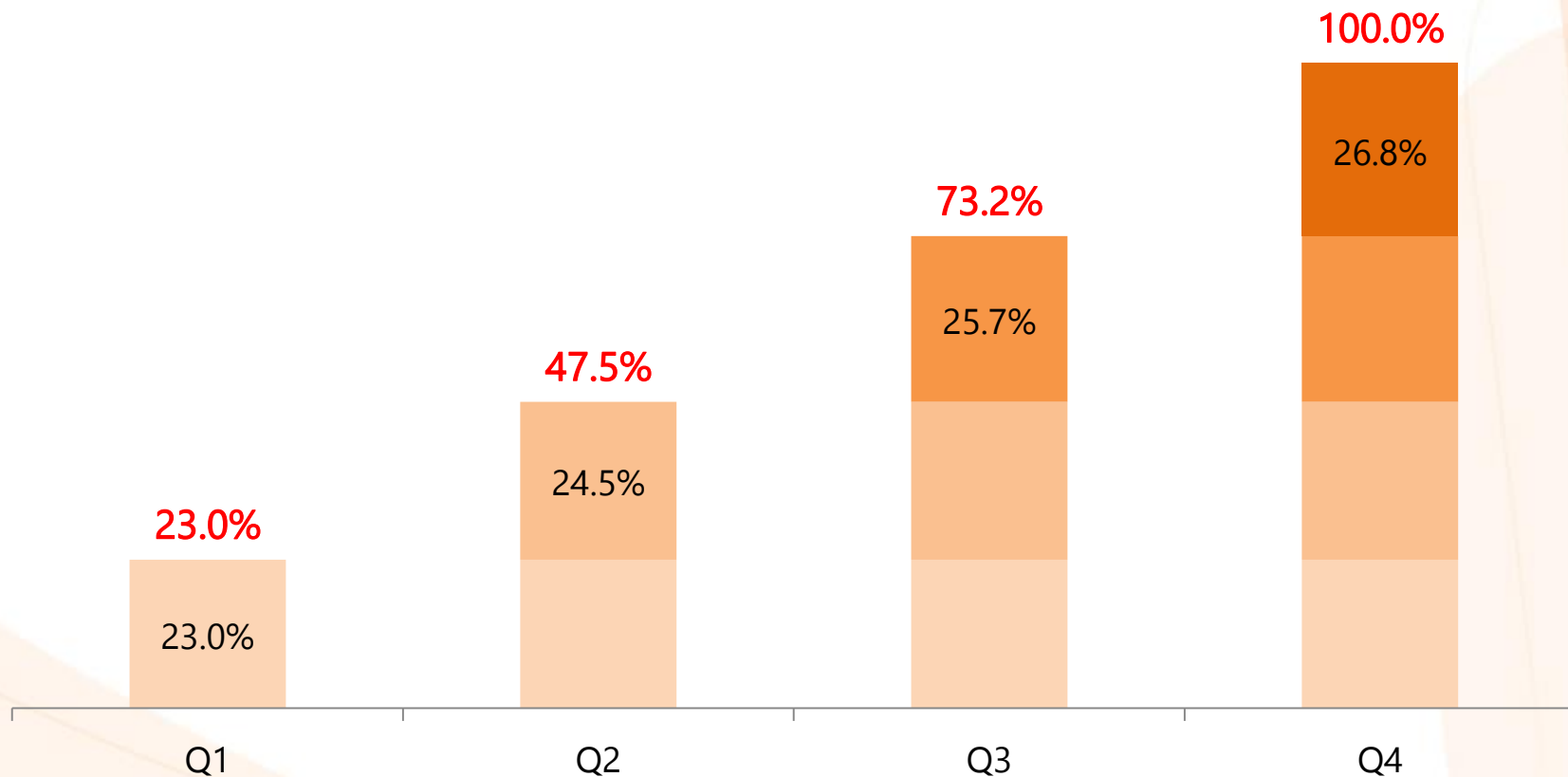
- ◆ Inexperienced person engineer appropriateness judgment know-how
- ◆ Expertise on education

## 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.



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.

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