

Earnings Results for Q3 of the fiscal year ending March 2024

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

February 13, 2024



Key points

■ Consolidated Results for Q3 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 number of clients significantly increased in Q2 due to the tailwind from the Invoice System, resulting in a high growth rate.

■ IT Outsourcing Business

- The operating rate, which had been declining, has turned to a recovery trend due to the reduction of hiring and the strengthening of sales activities.

■ Guidance for full year of FY2024.3

- No changes from the initial guidance. We are planning to achieve both high growth and significant profit increase.
- We will continue aggressive investments to achieve the high level of sales set as the Medium-Term Management Targets.

Consolidated Results for Q3 of the fiscal year ending March 2024

Summary of Consolidated Results for Q3 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	27,841 million yen	+40.5%
Operating Profit	3,571 million yen	+221.8%
Ordinary Profit	3,610 million yen	+222.0%
EBITDA	4,227 million yen	+171.7%
Profit attributable to owners of parent	2,474 million yen	+264.4%

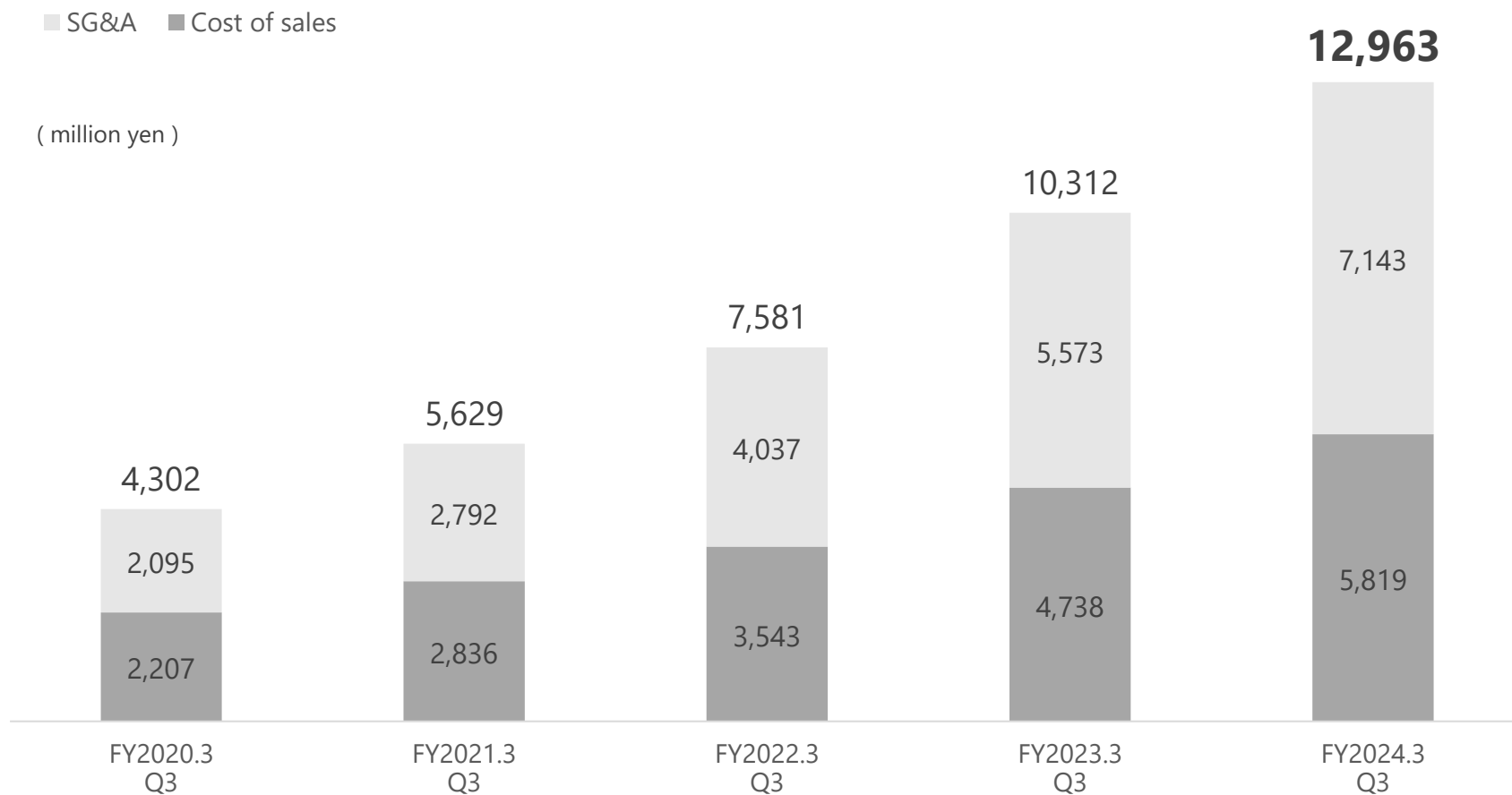
Outline of the Consolidated Results for Q3 of FY2024.3

(million yen)

	FY2023.3 Q3	FY2024.3 Q3	YoY	
Net Sales	19,818	27,841	+8,022	+40.5%
Cost of sales	6,290	7,999	+1,708	+27.2%
Gross profit	13,528	19,842	+6,314	+46.7%
GP margin	68.3%	71.3%		
SG&A	12,418	16,270	+3,852	+31.0%
Operating profit	1,110	3,571	+2,461	+221.8%
OP margin	5.6%	12.8%		
Ordinary profit	1,121	3,610	+2,489	+222.0%
Ordinary profit margin	5.7%	13.0%		
EBITDA	1,555	4,227	+2,671	+171.7%
EBITDA margin	7.9%	15.2%		
Income tax	405	1,134		
Tax rate	37.4%	31.4%		
Profit attributable to owners of parent	679	2,474	+1,795	+264.4%

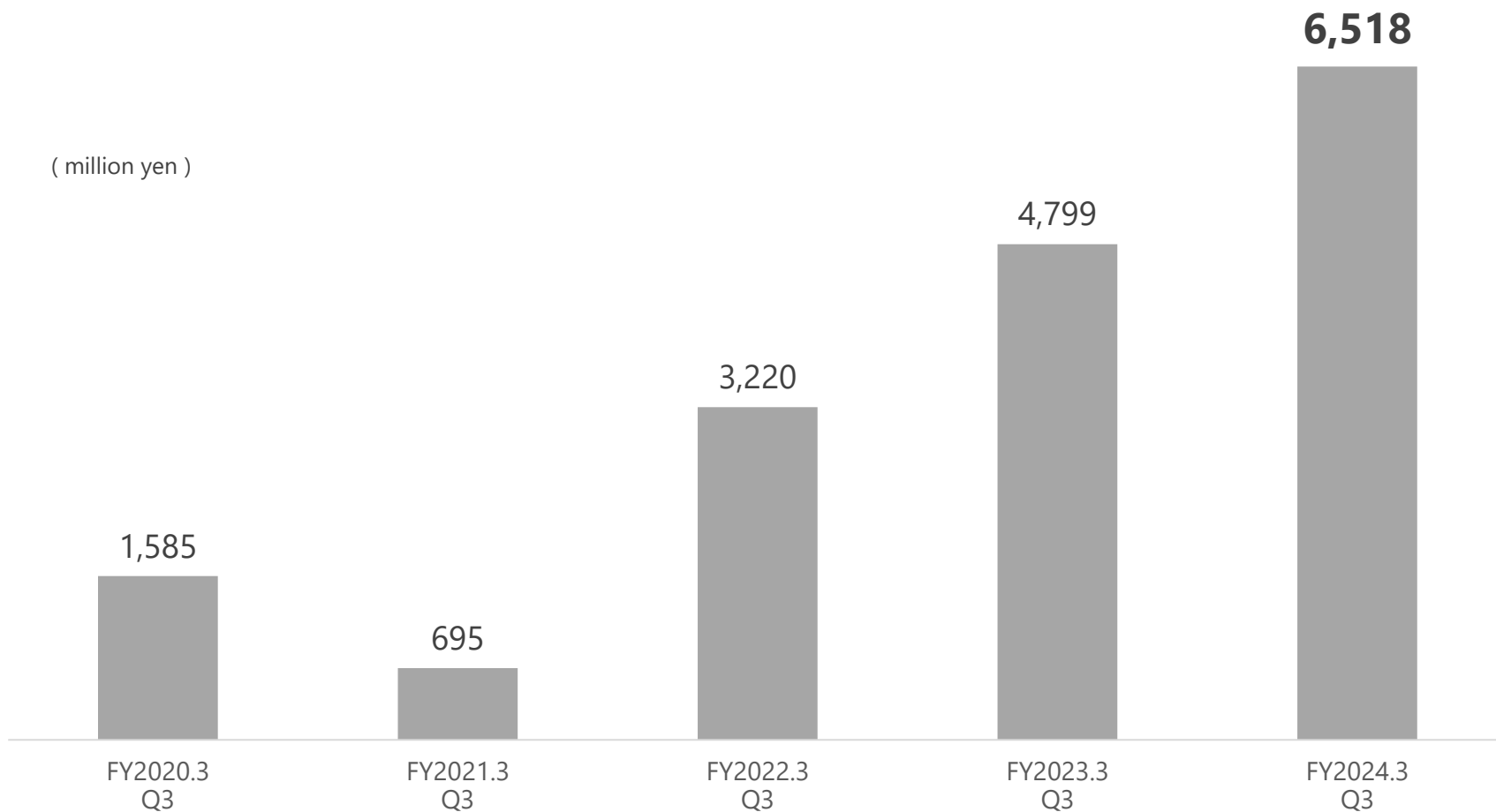
Personnel Costs

Continued our aggressive recruitment activities while reviewing the organizational structure.



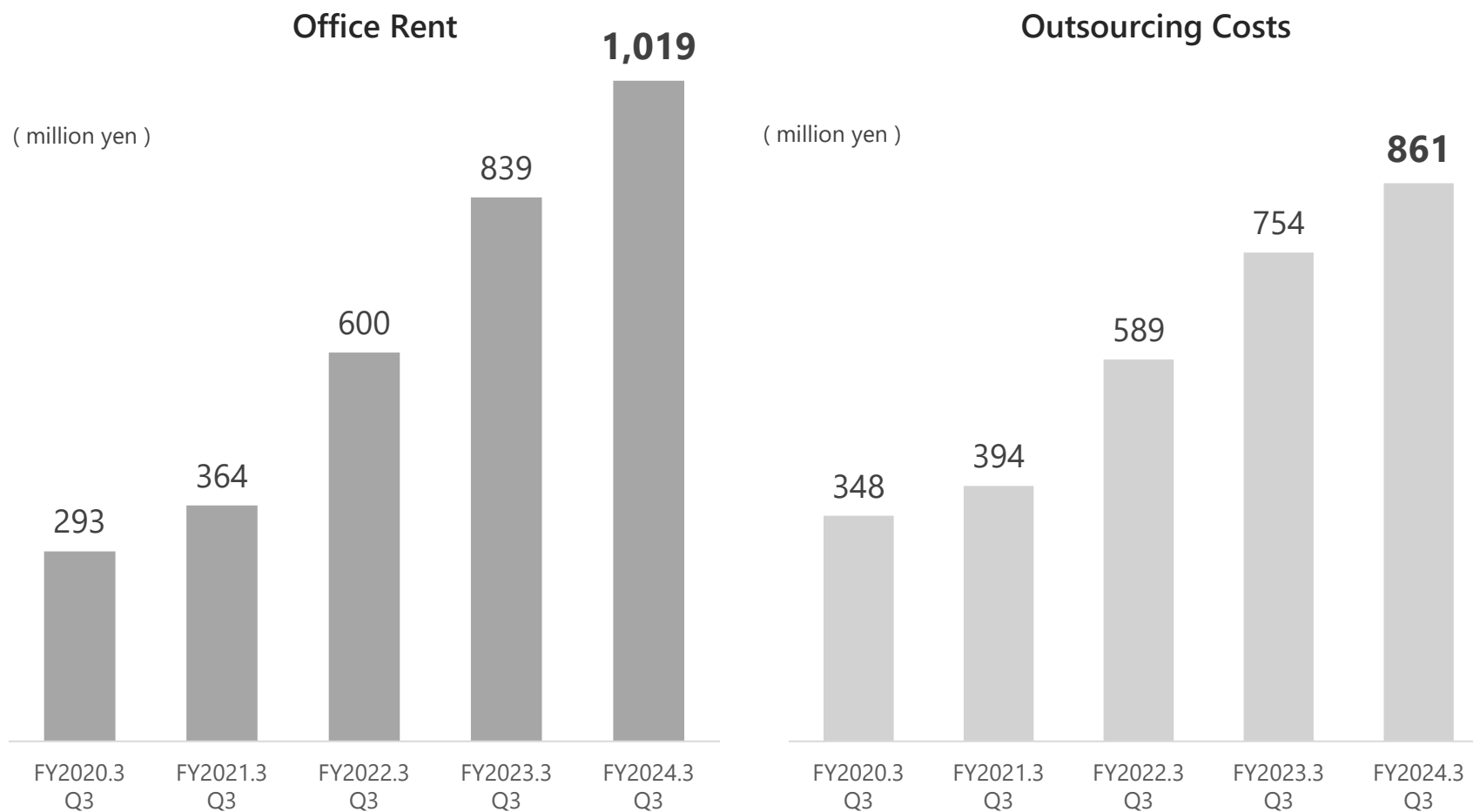
Advertising Costs

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



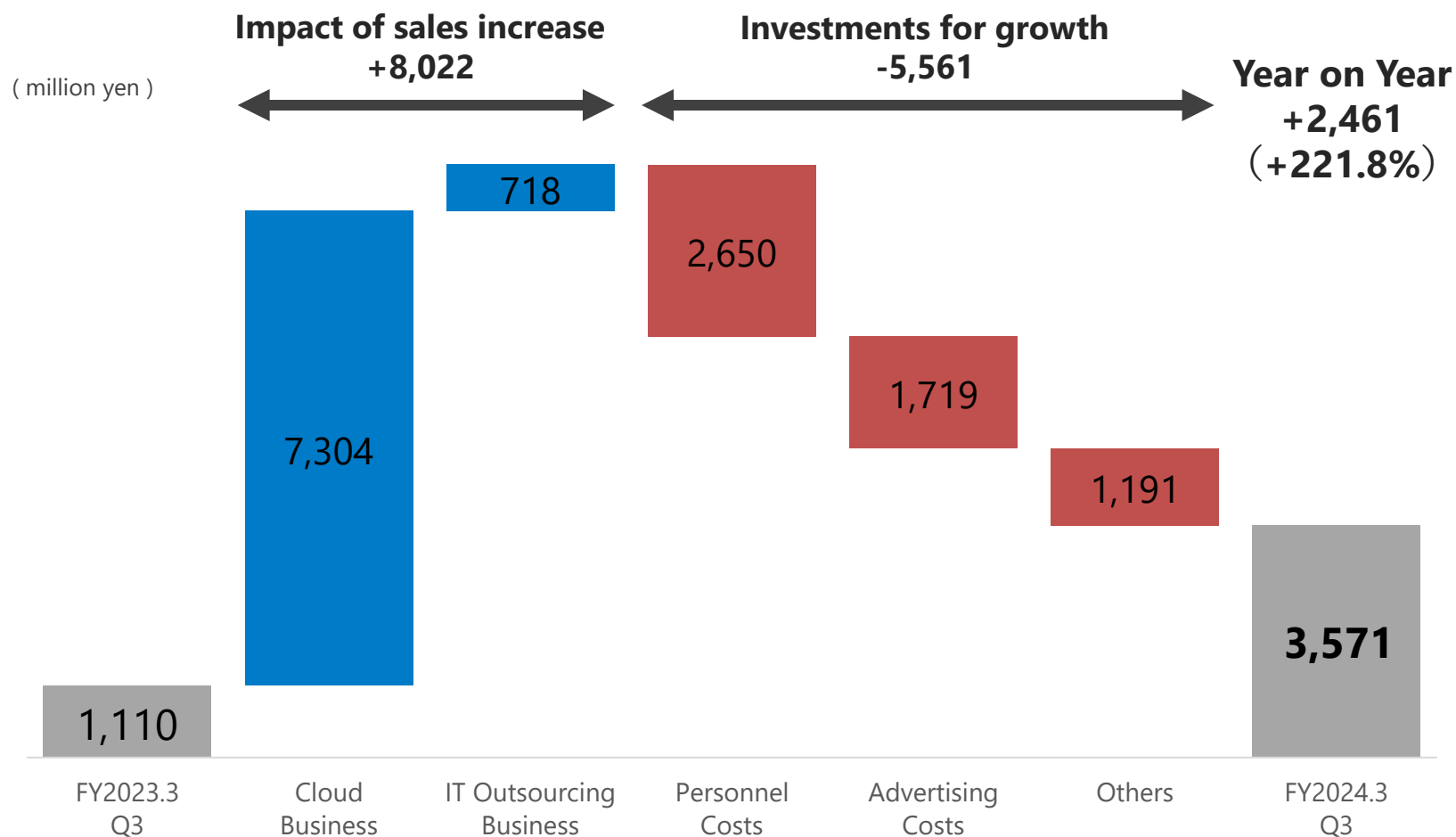
Office Rent and Outsourcing Costs

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



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.



Consolidated Balance Sheet

(million yen)

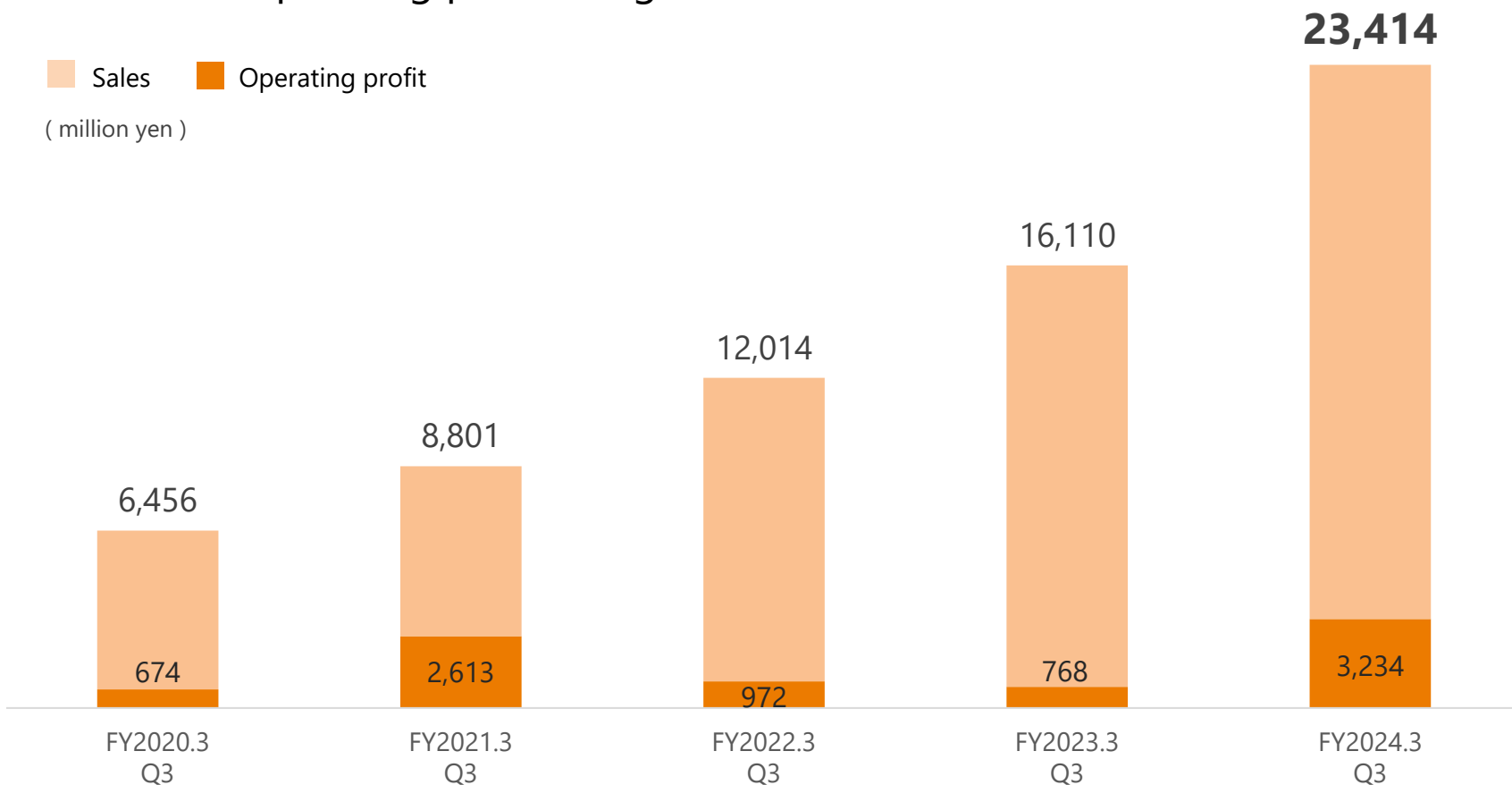
	End of March 2023	End of December 2023	Difference
Current assets	10,479	11,311	+832
Non-current assets	3,594	7,348	+3,753
Total assets	14,073	18,660	+4,586
Current liabilities	4,347	6,228	+1,881
Non-current liabilities	178	751	+573
Total liabilities	4,525	6,980	+2,455
Shareholders' equity	9,534	11,655	+2,121
Accumulated other comprehensive income	13	23	+9
Total equity	9,548	11,679	+2,131
Total liabilities and equities	14,073	18,660	+4,586
Equity ratio	67.8%	62.6%	

Cloud Business

Performance of the Cloud Business

Sales performed strongly due to a steady increase in new orders for the main services.

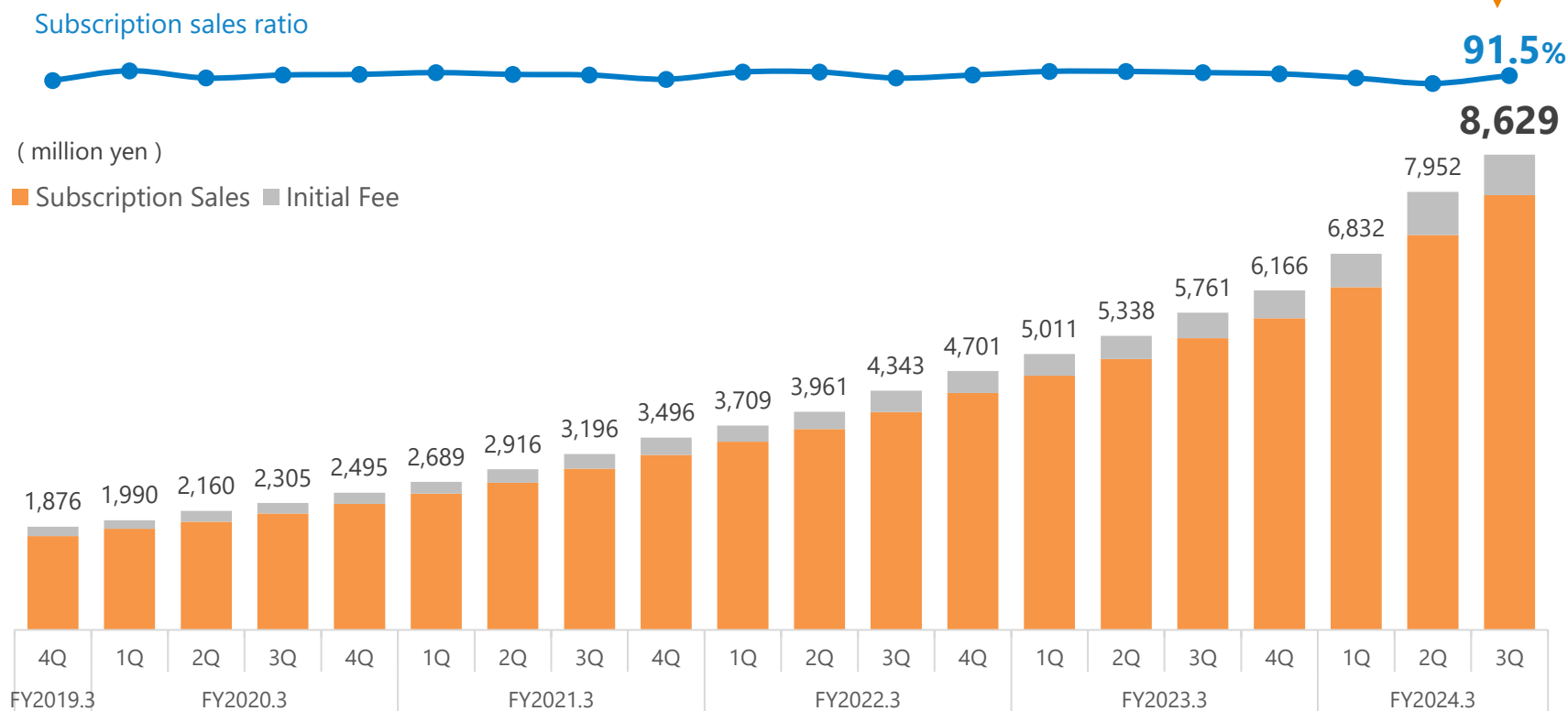
Substantial profit growth driven by the expansion of sales scale, accompanied by an enhanced operating profit margin.



Subscription Sales of the Cloud Business

The number of contracted clients increased steadily and the subscription sales ratio remained high.

Dec. 2023
ARR
32.4
billion yen



*ARR (Annual Recurring Revenue) = Dec. FY2024.3 Cloud Business Monthly Recurring Revenue × 12

Reference : [Notice Regarding Monthly Sales in FY2024 \(Dec.\)](#)

Sales of the Cloud Business by Service

Continuing, Raku Raku series, which is our main service, drove high growth in the business.

(million yen)

	FY2023.3 Q3	FY2024.3 Q3	YoY	FY2023.3 Q3 YTD	FY2024.3 Q3 YTD	YoY
Raku Raku Seisan	2,667	3,798	+42.4%	7,483	10,511	+40.5%
Raku Raku Meisai	987	1,903	+92.7%	2,614	4,860	+85.9%
Raku Raku Hambai	594	934	+57.3%	1,645	2,530	+53.8%
E-mail distribution services	689	770	+11.8%	1,970	2,220	+12.7%
Mail Dealer	614	716	+16.6%	1,803	2,115	+17.3%
Others	208	506	+142.8%	593	1,176	+98.3%
Total of the Cloud Business	5,761	8,629	+49.8%	16,110	23,414	+45.3%

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

Cumulative Number of Companies Using Raku Raku Seisan

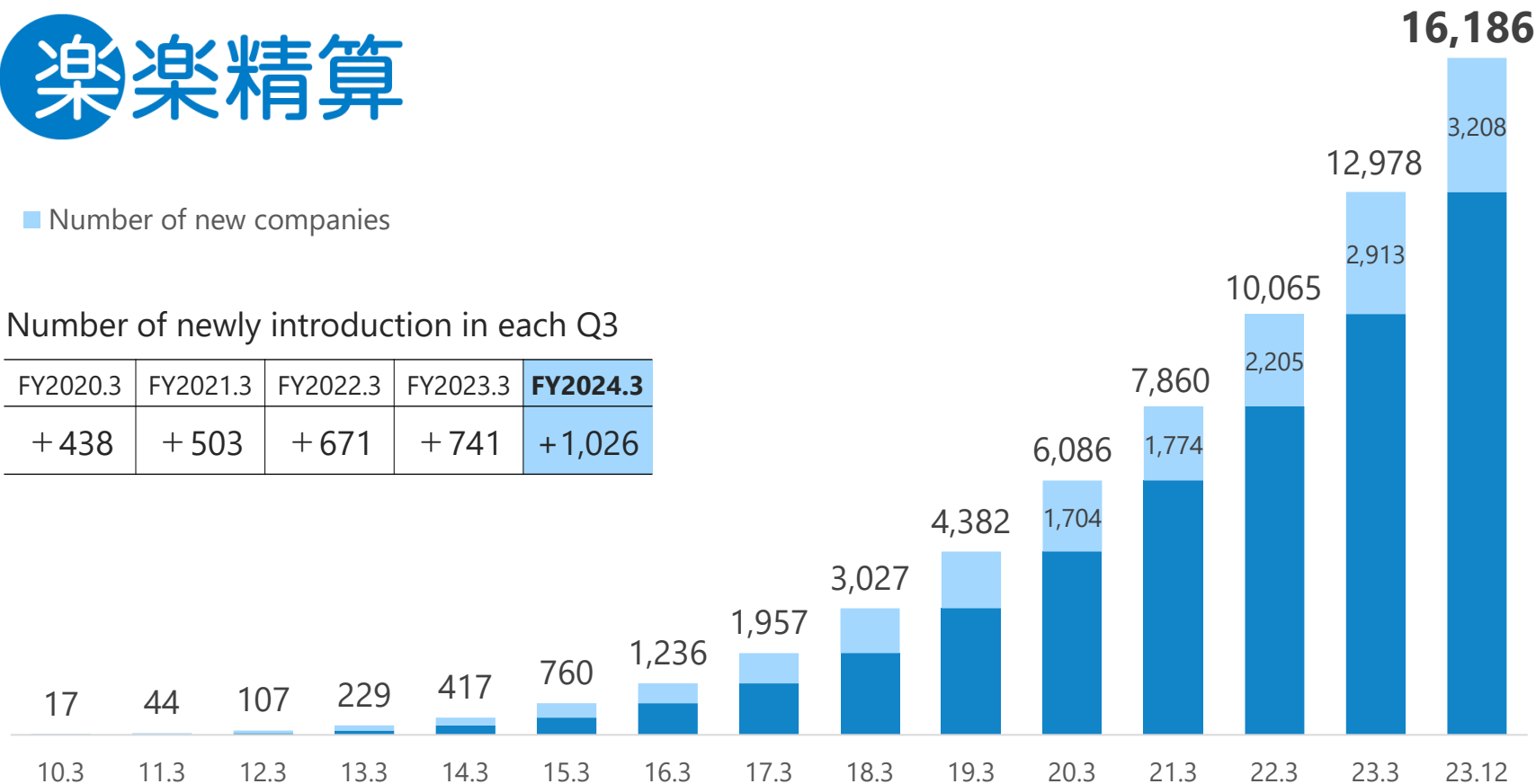
The tailwind from the Invoice System was still blowing gently, leading to a significant increase in the number of newly introduction.



■ Number of new companies

Number of newly introduction in each Q3

FY2020.3	FY2021.3	FY2022.3	FY2023.3	FY2024.3
+ 438	+ 503	+ 671	+ 741	+1,026



Cumulative Number of Companies Using Raku Raku Meisai

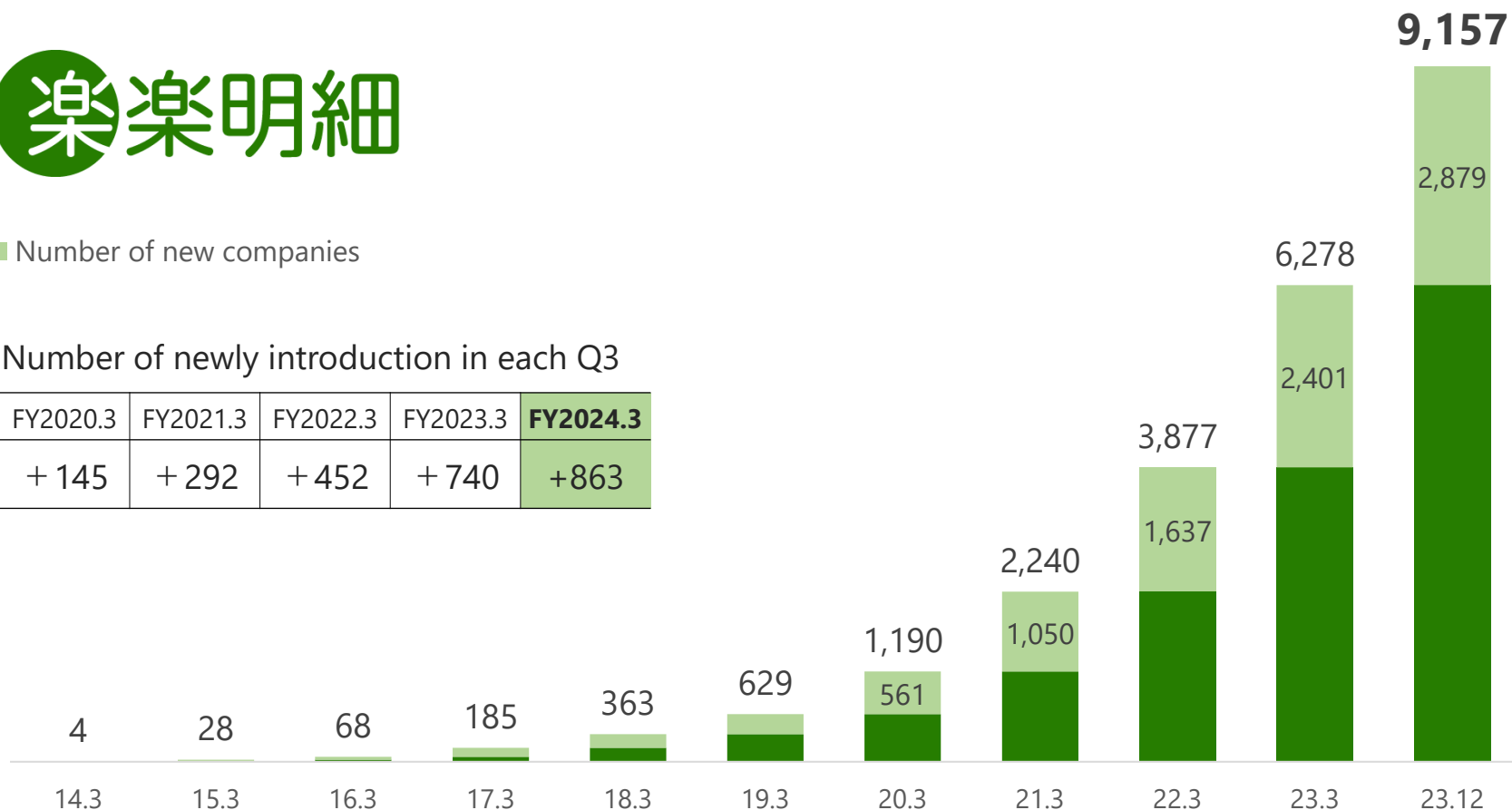
With the disappearance of the tailwind from the Invoice System, the number of newly introduction has been steady.



■ Number of new companies

Number of newly introduction in each Q3

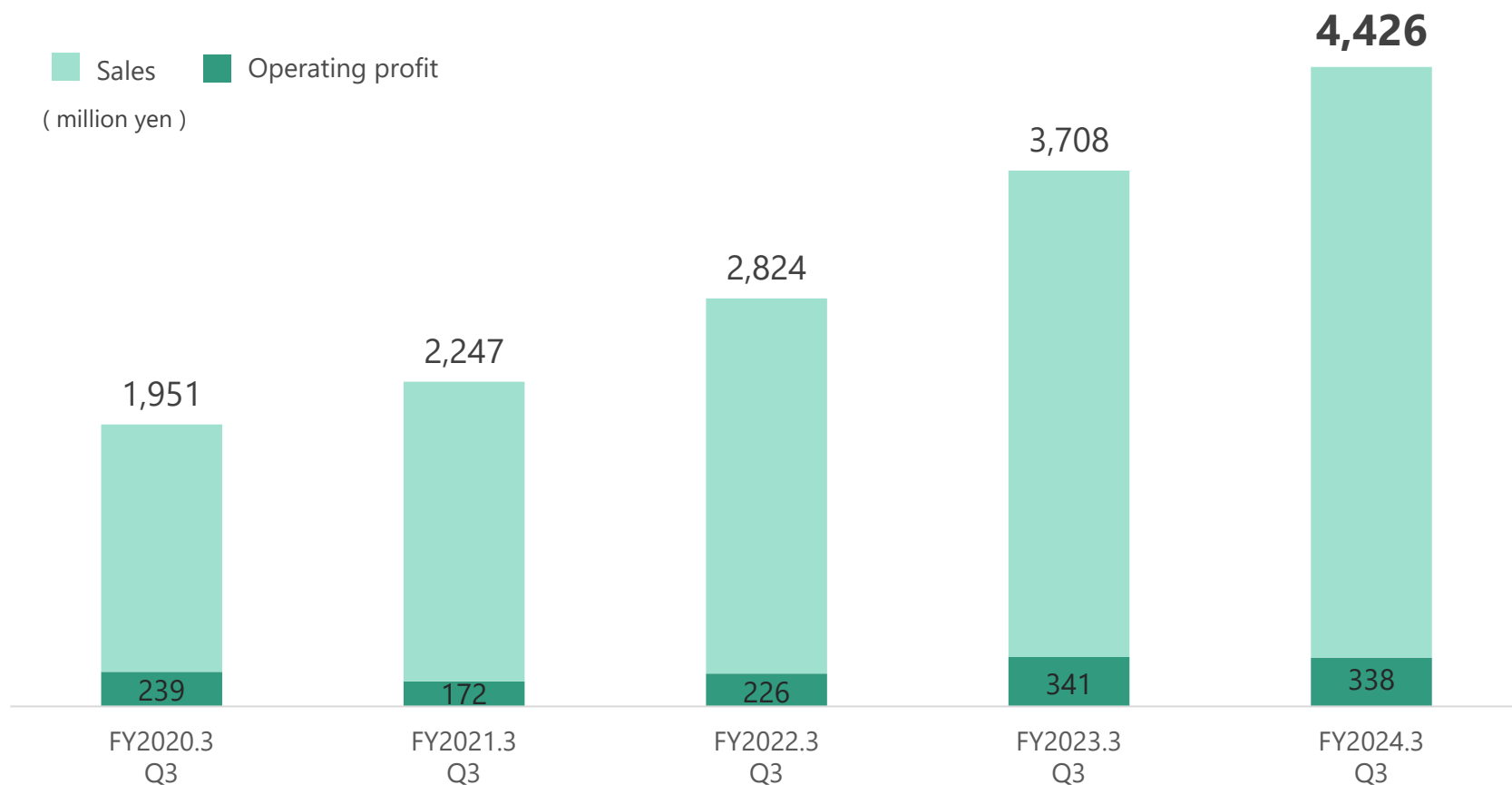
FY2020.3	FY2021.3	FY2022.3	FY2023.3	FY2024.3
+ 145	+ 292	+ 452	+ 740	+863



IT Outsourcing Business

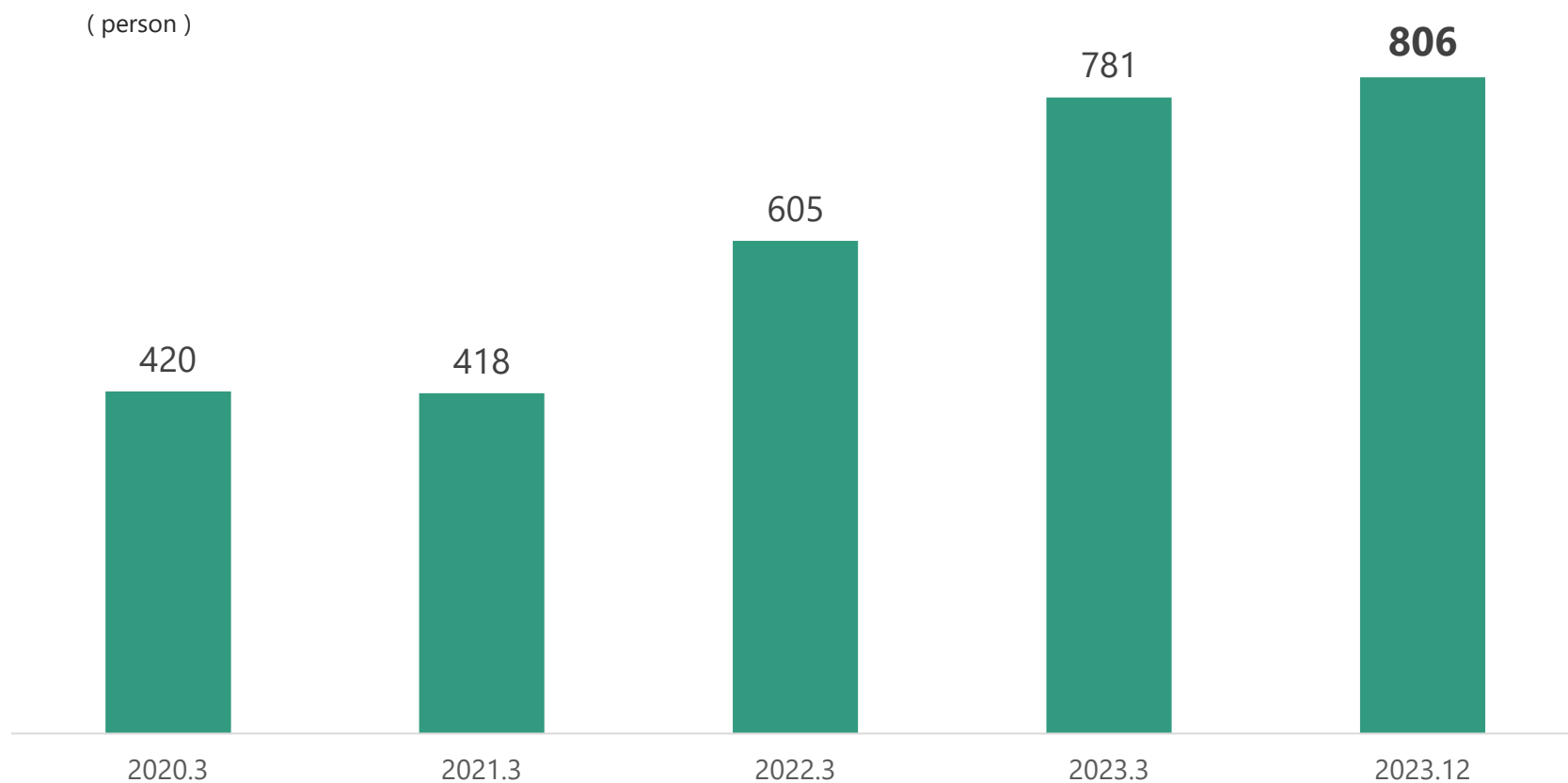
Performance of the IT Outsourcing Business

The operating rate, which had been declining, has turned to a recovery trend due to the reduction of hiring and the strengthening of sales activities.



Number of Engineers for the IT Outsourcing Business

Continued to significantly reduce the number of hires from Q2.



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**

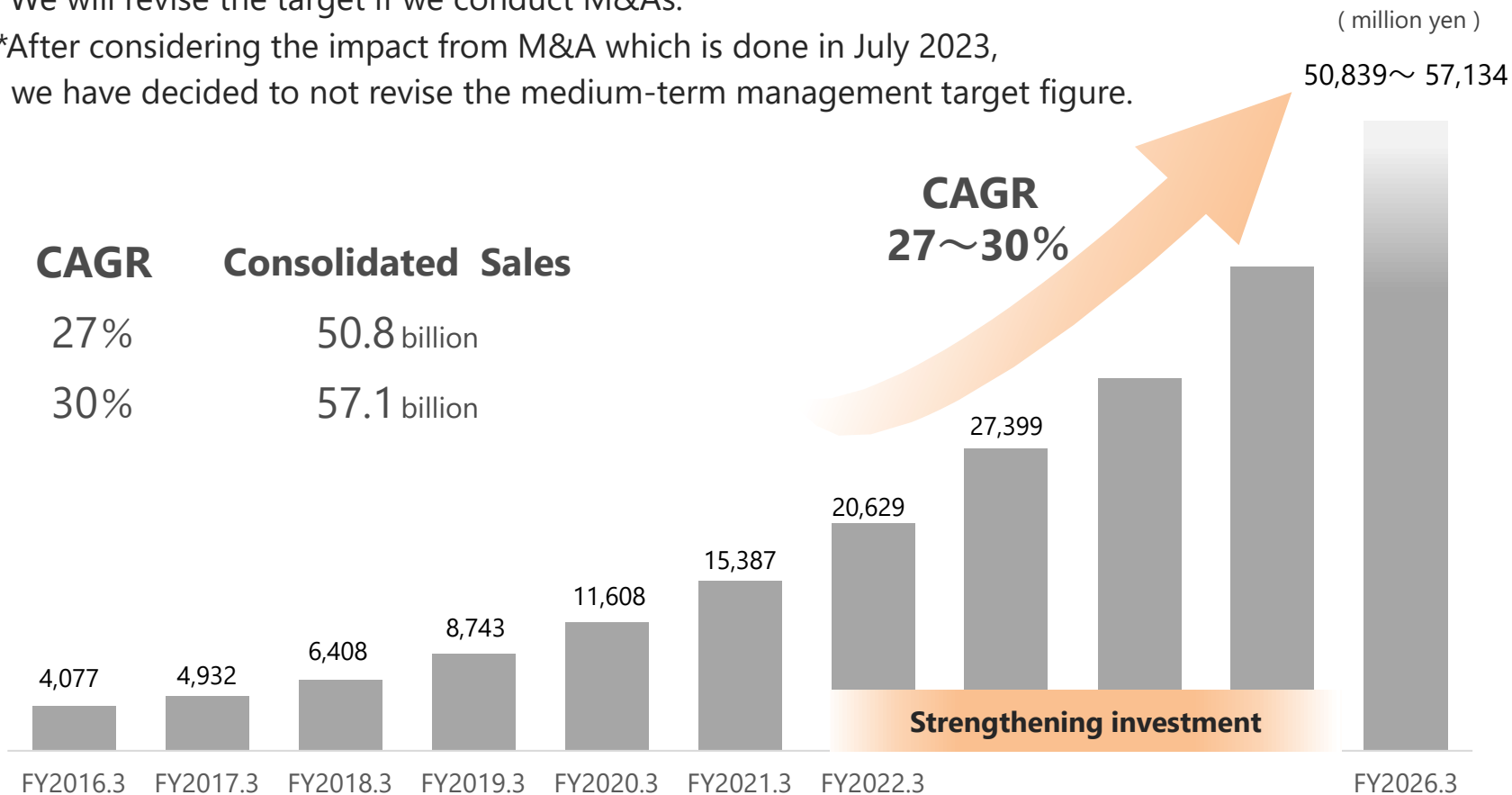
**3 Net assets as of 2026.3:
20 billion yen or more**

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.



Guidance for full year of FY2024.3

No changes from the initial guidance. We are planning to achieve both high growth and significant profit increase.

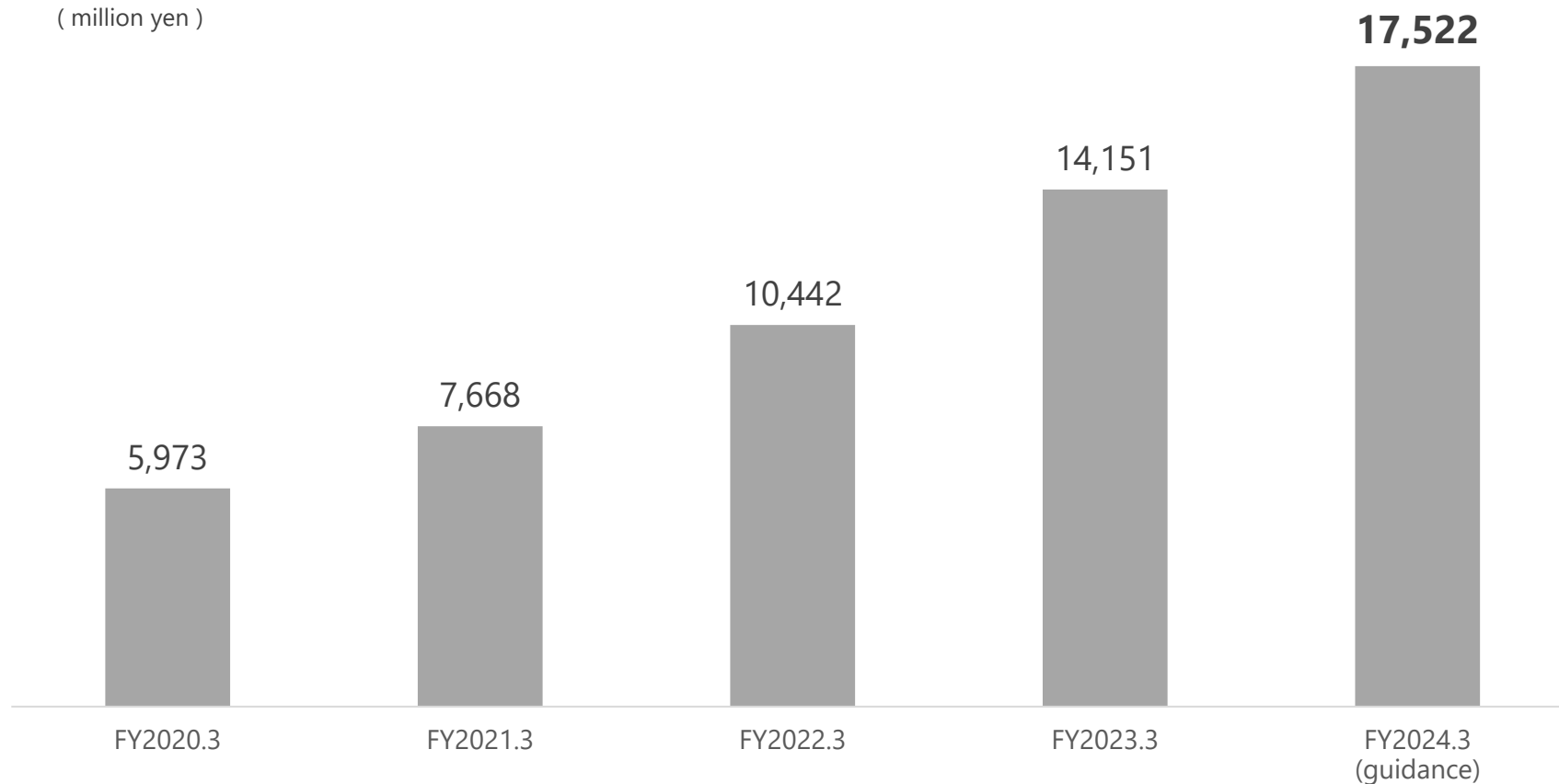
(million yen)

	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%

Personnel Costs Guidance

Personnel costs are expected to increase significantly by increasing employees, especially in Sales and Customer Success.

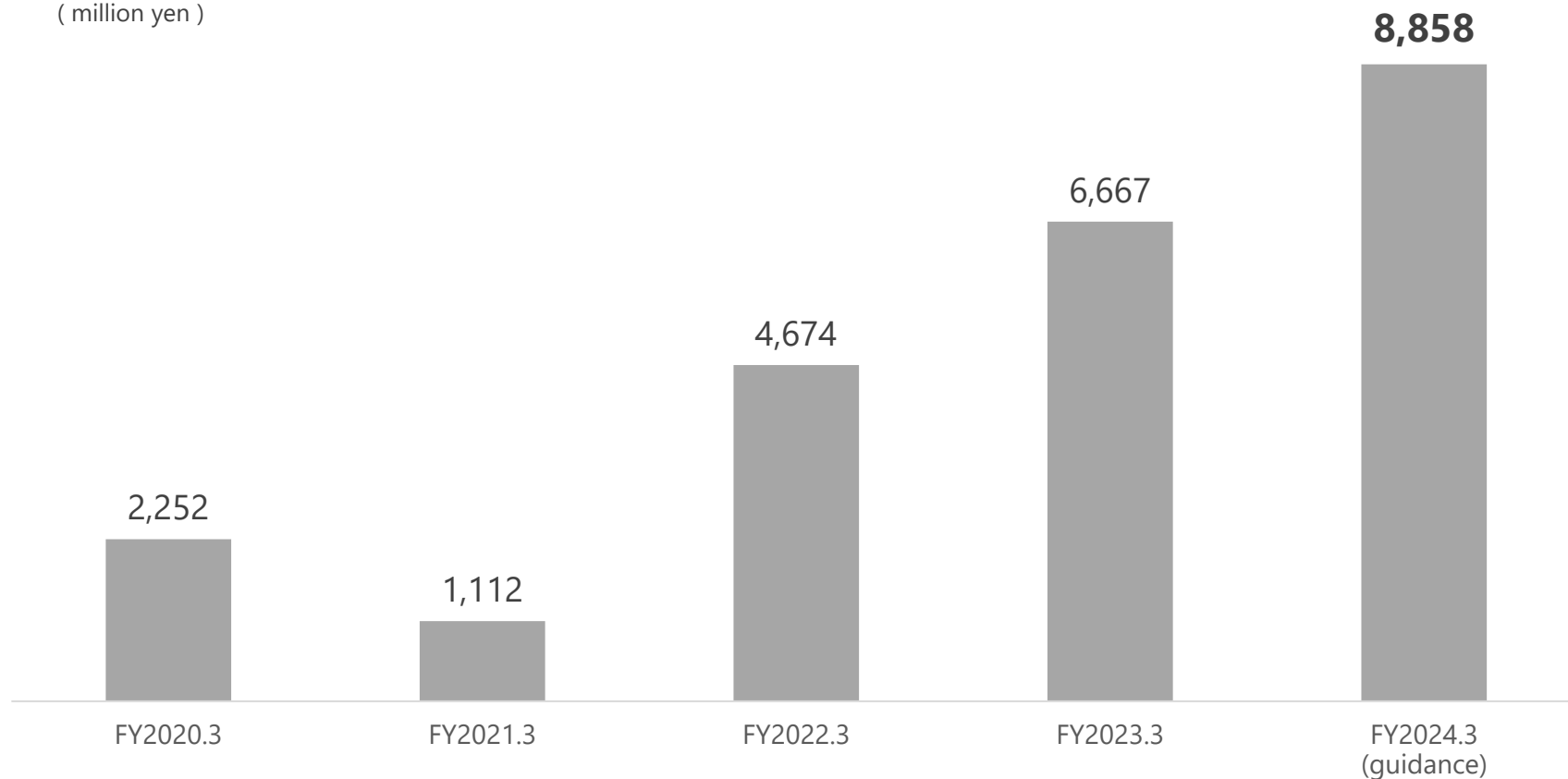
(million yen)



Advertising Costs Guidance

From January, we have been broadcasting TV commercials with new creative. We continue aggressive marketing investment, focusing on Raku Raku series.

(million yen)

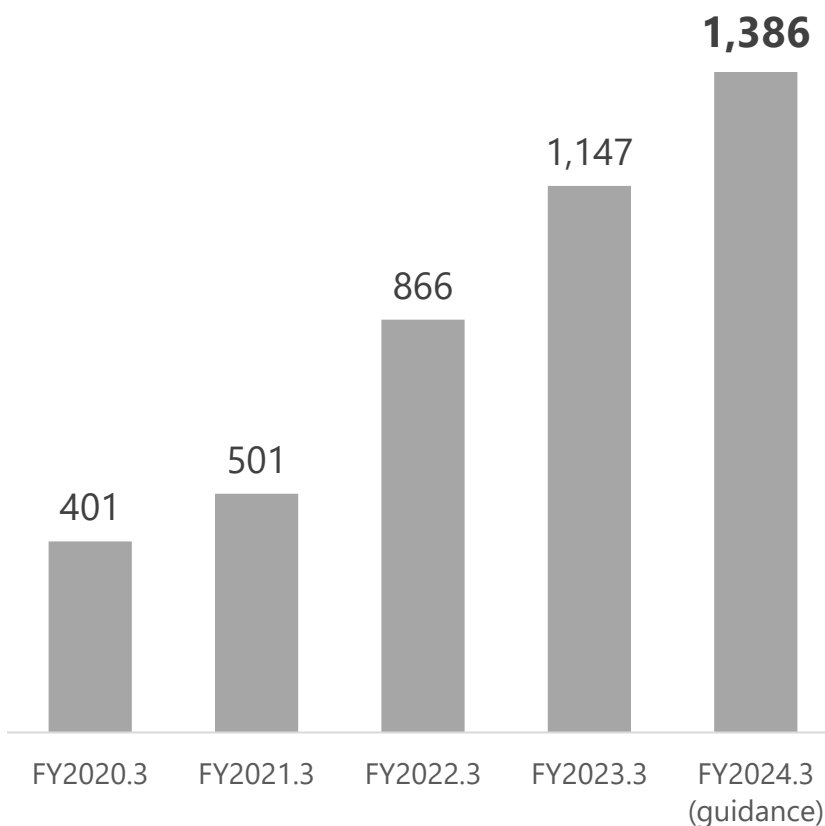


Office Rent and Outsourcing Costs Guidance

Both costs will increase due to the business expansion.

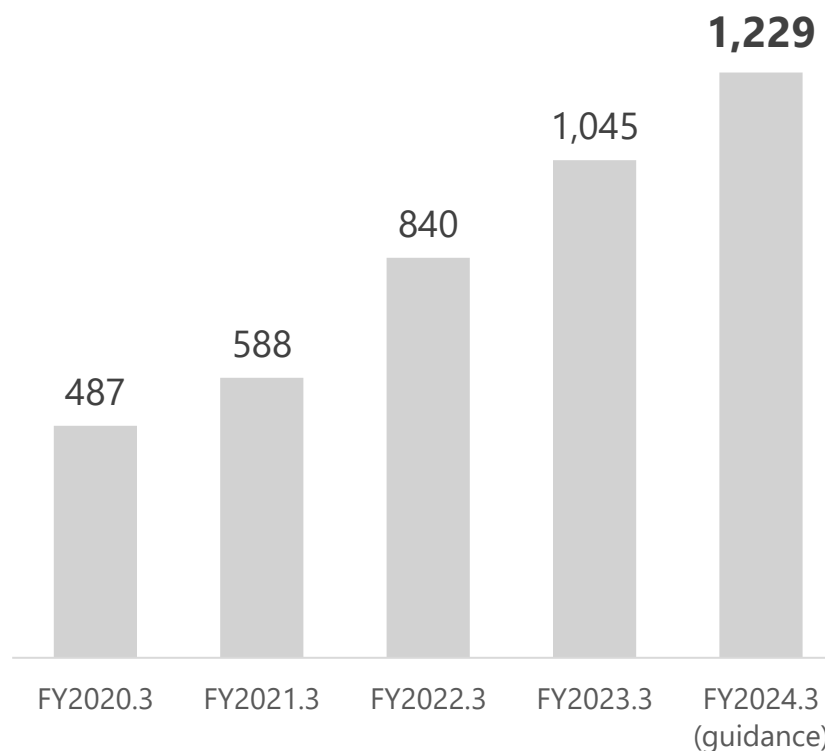
Office Rent

(million yen)



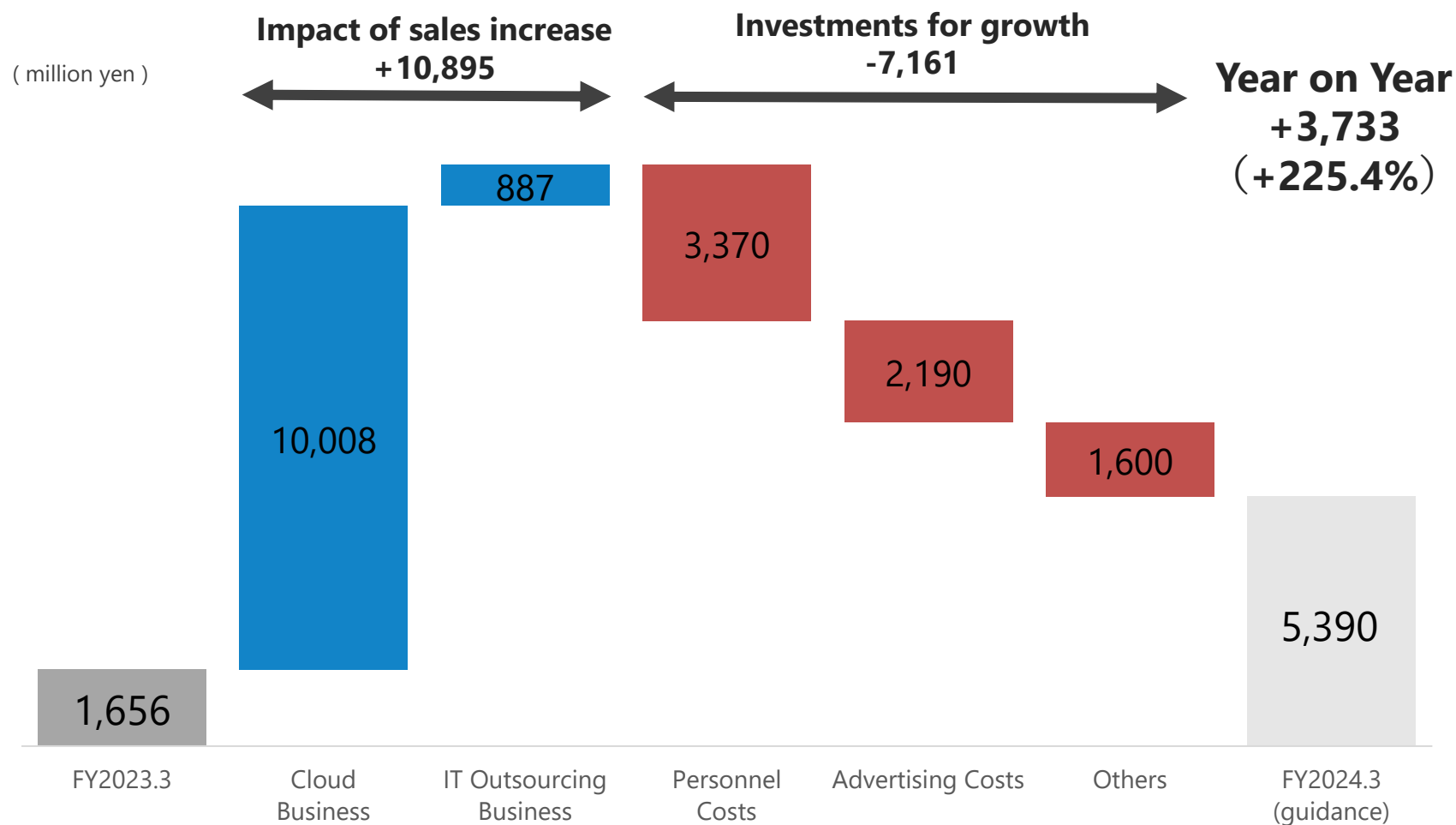
Outsourcing Costs

(million yen)



Factors for Changes in Consolidated Operating Profit

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

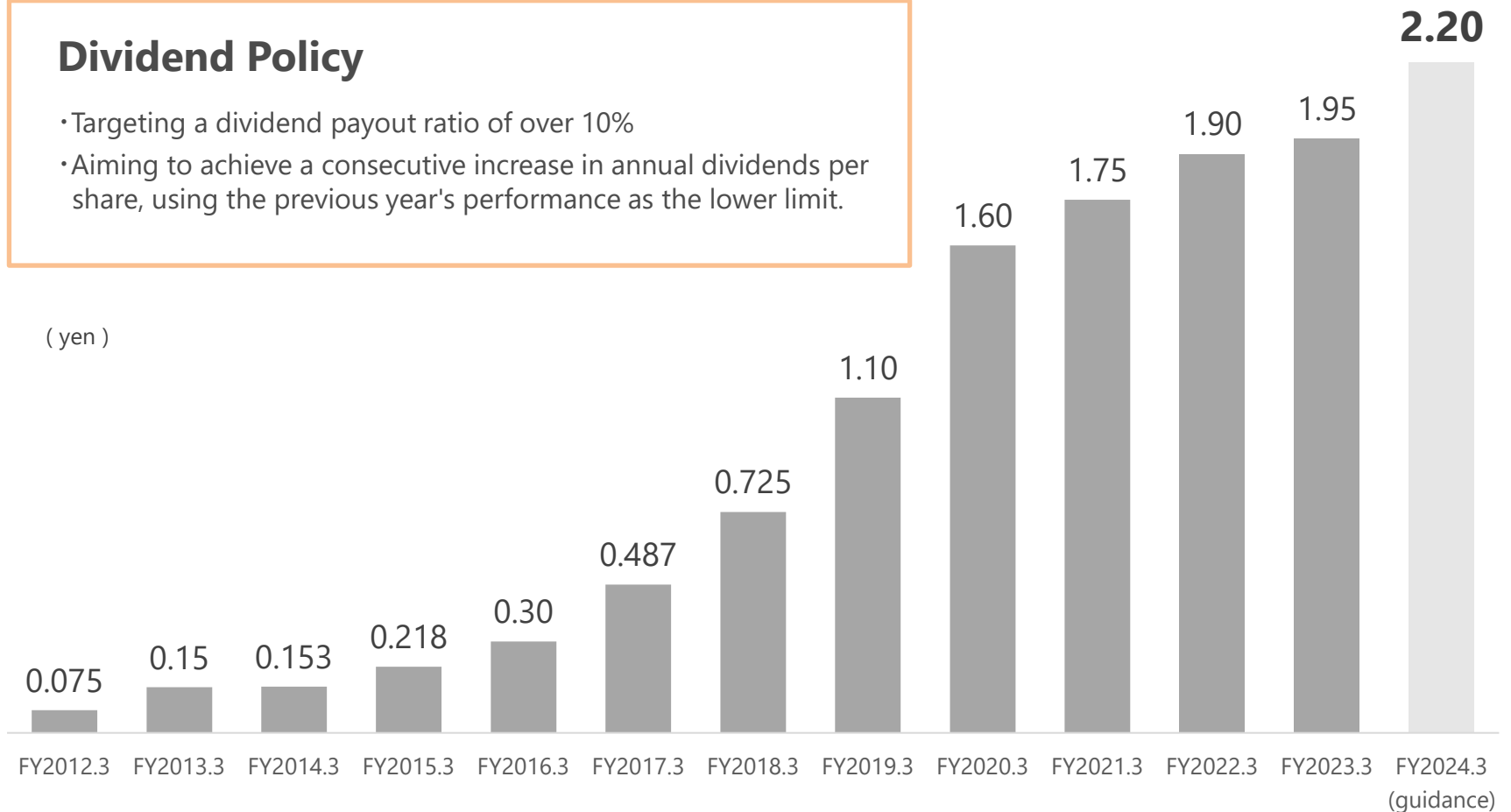


【KPI】 Dividend

We plan to increase dividends for the 12th year in a row, in line with the Company's policy of increasing dividends every fiscal year.

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.



Appendix

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.

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 .

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.

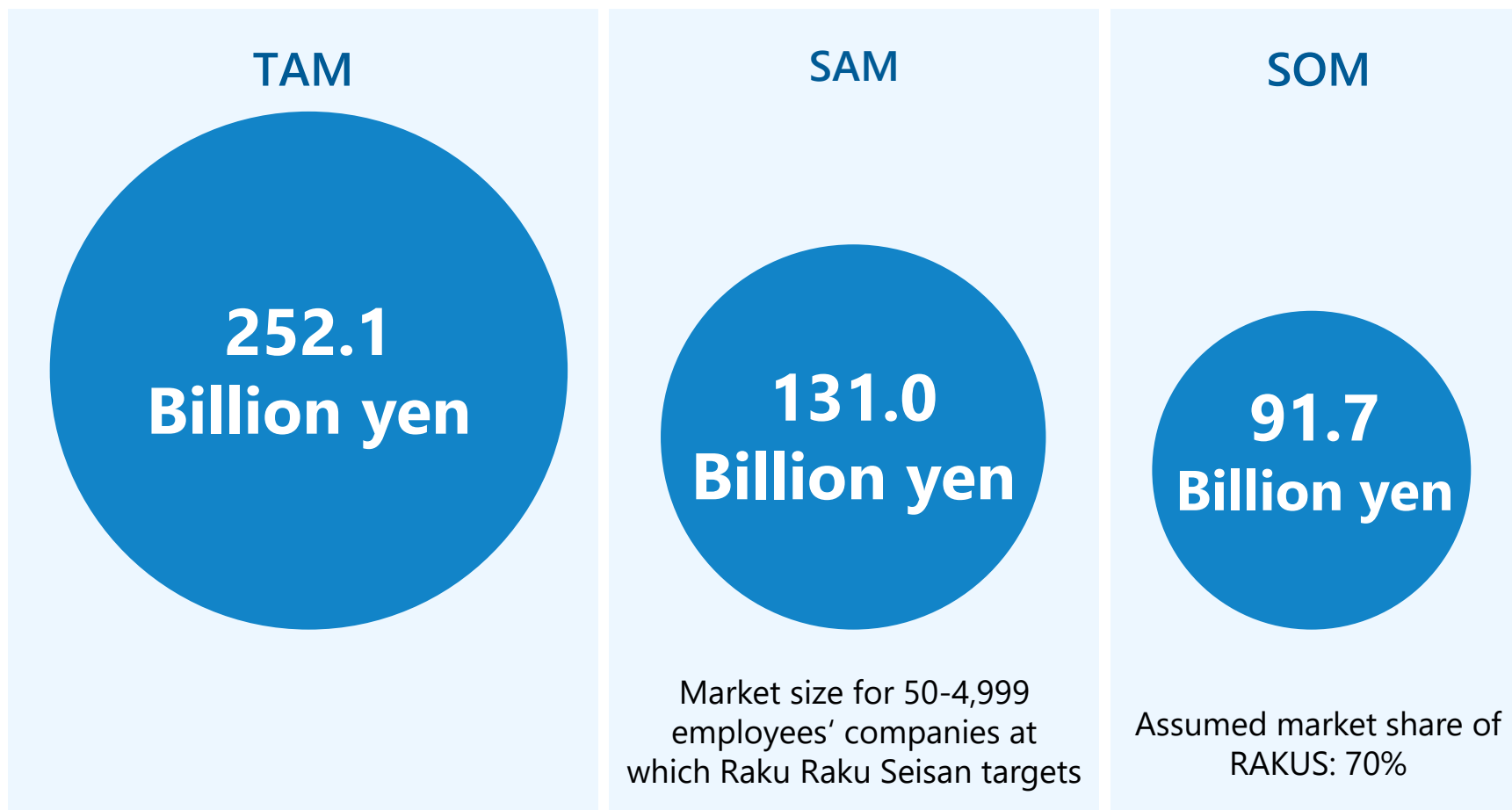
Monthly Average Unit Price of the Cloud Business by Service

(yen)

	2019.3	2020.3	2021.3	2022.3	2023.3	2023.6	2023.9	2023.12
Raku Raku Seisan	67,319	71,222	78,655	85,530	88,818	90,571	91,893	92,583
Raku Raku Meisai	56,166	54,142	64,923	65,092	67,644	67,960	72,061	73,572
Raku Raku Hambai	75,541	85,592	95,762	102,308	108,379	111,031	112,877	114,851
Hai Hai Mail	20,234	22,053	25,295	28,175	33,511	34,088	34,580	35,644
Mail Dealer	43,447	46,085	46,819	47,893	50,497	59,406	60,023	60,523

*The figure for E-mail distribution services is the sum of Hai Hai Mail and Curumeru.

[Raku Raku Seisan] Market Size for Expense Settlement System

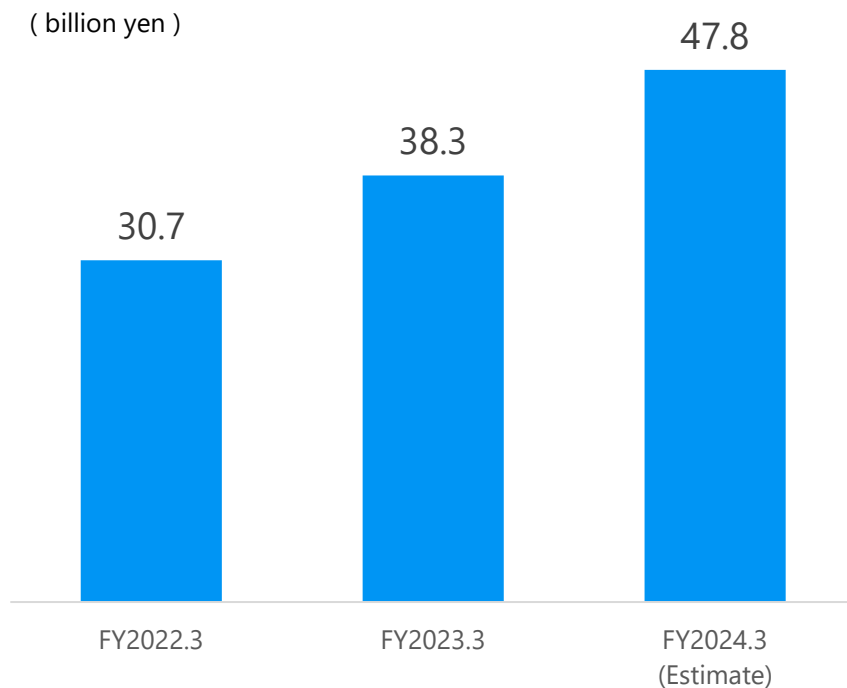


The addressable market and our target assumptions are estimates based on the following external statistics and published materials as well as the unit prices of our services. Therefore, there is a possibility that these can be different from the actual market size.

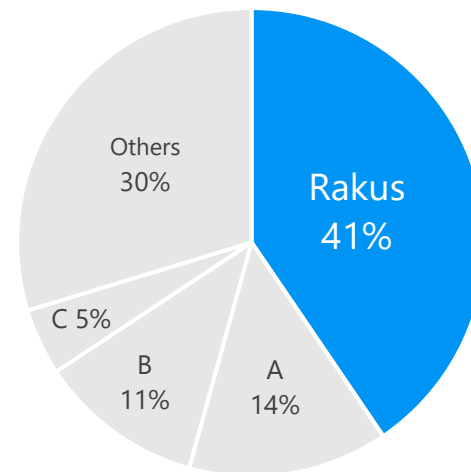
Source: 2016 Economic Census for Business Activity

The Market for Cloud-based Expense Settlement Systems

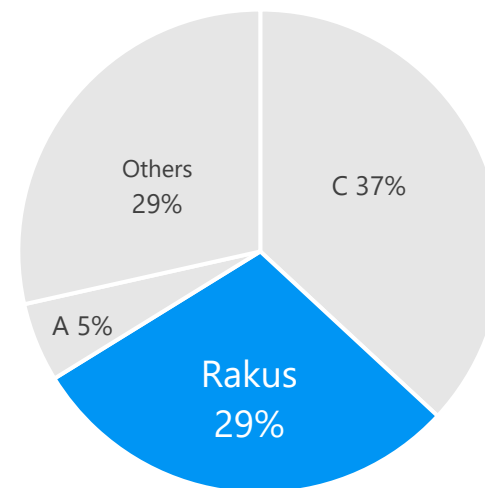
Market Size



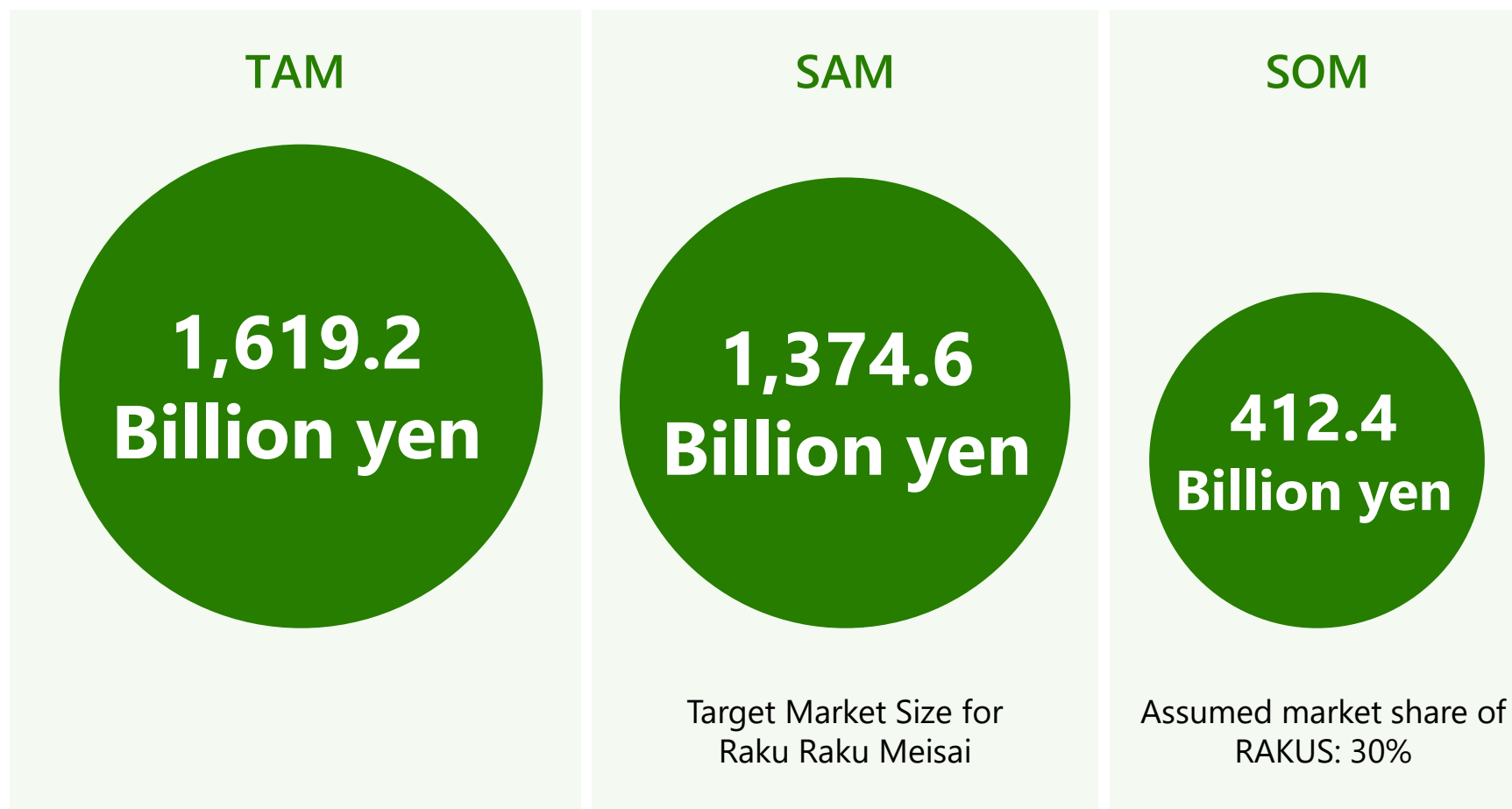
Market shares based on Introduced Numbers



Market shares based on Sales



[Raku Raku Meisai] Market Size for Bill Issuance System

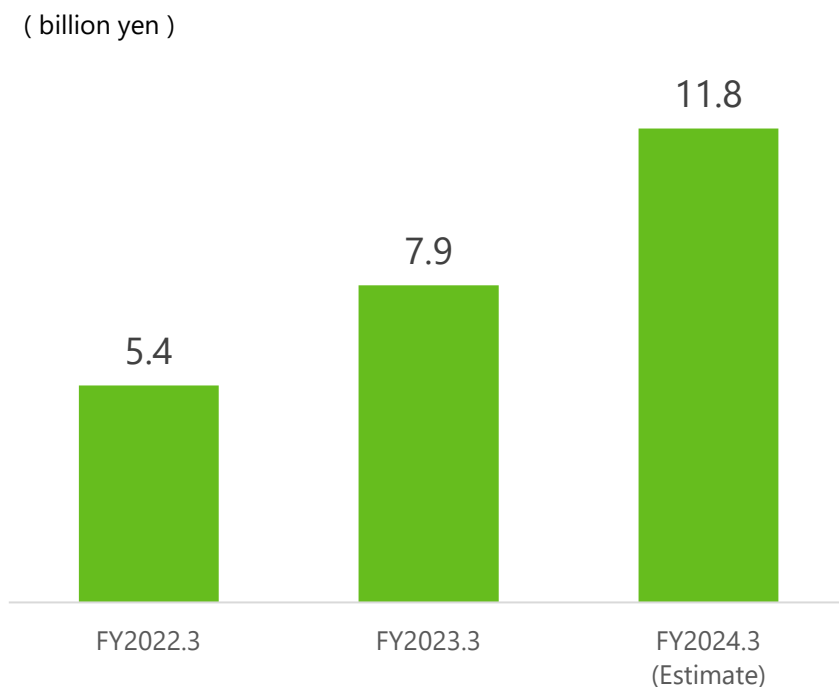


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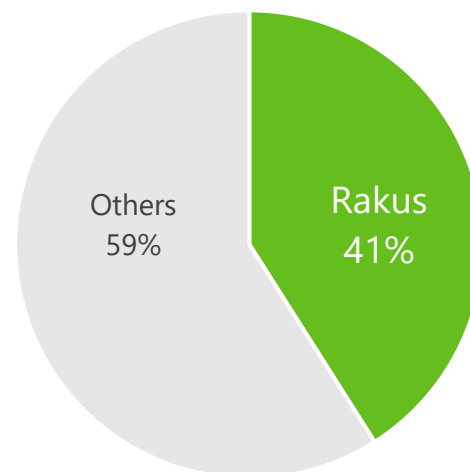
Source: 2016 Economic Census for Business Activity and the report of Small and Medium Enterprise Agency which is written only in Japanese (中小企業庁金融EDIにおける商流情報等のあり方検討会議 (第3回) 配布資料 (資料4「決済事務の事務量等に関する実態調査」最終集計報告書))

The Market for Cloud-based Bill Issuance System

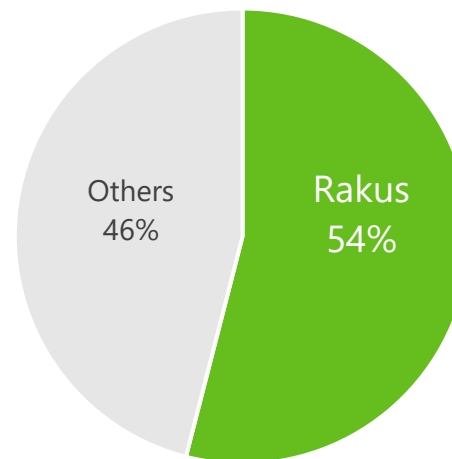
Market Size



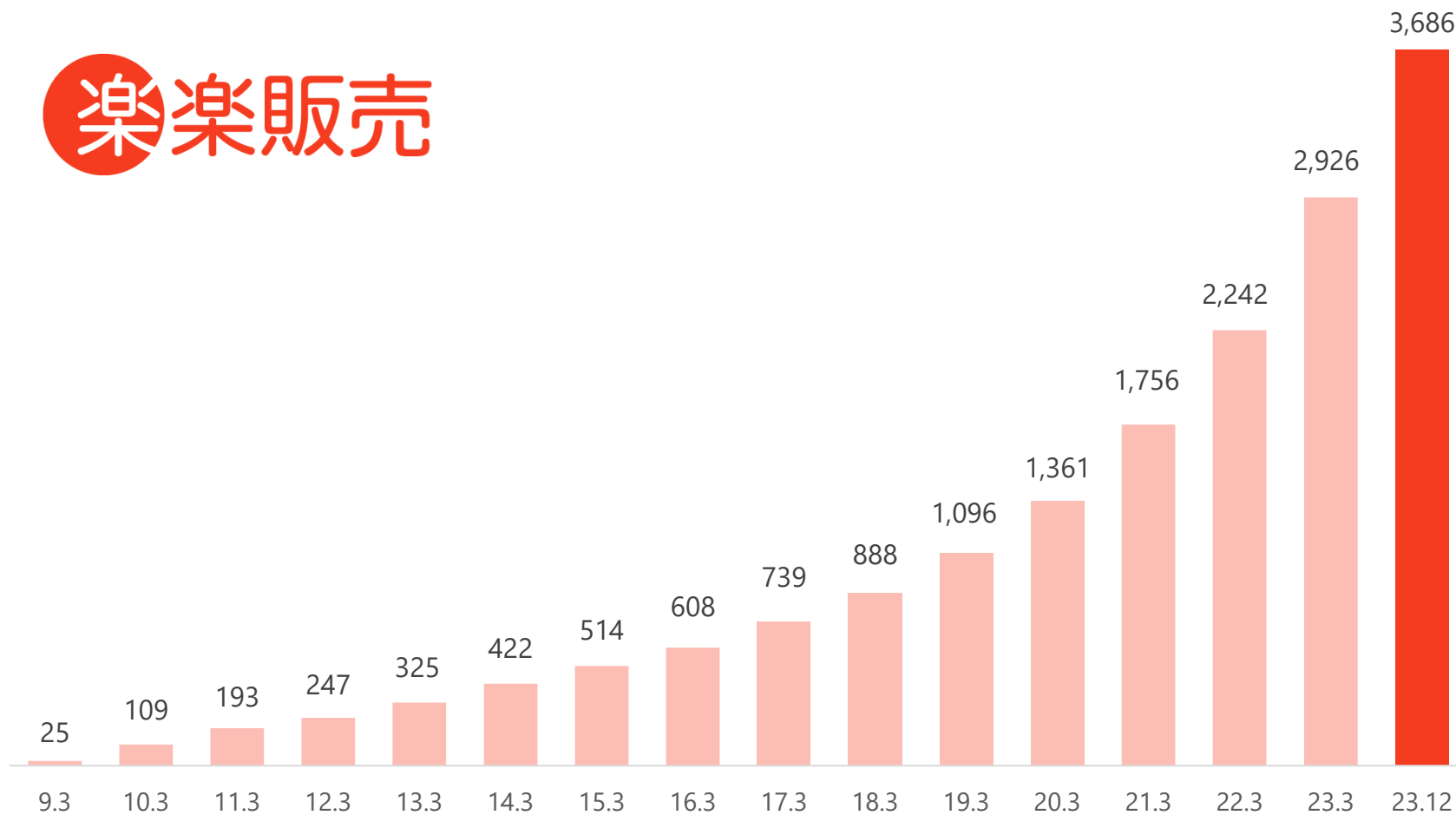
Market shares based on Introduced Numbers



Market shares based on Sales

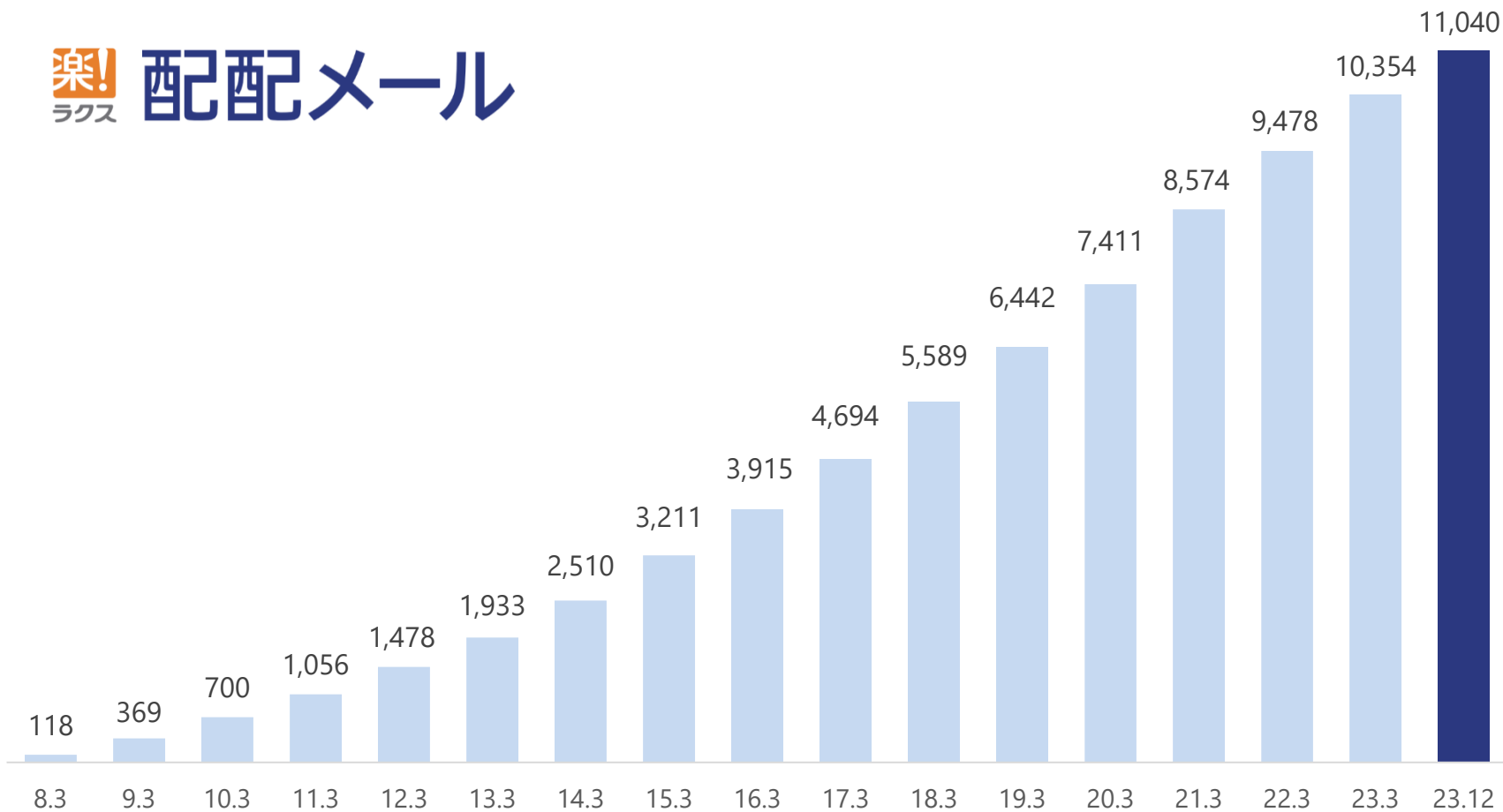


Cumulative Number of Companies Using Raku Raku Hambai



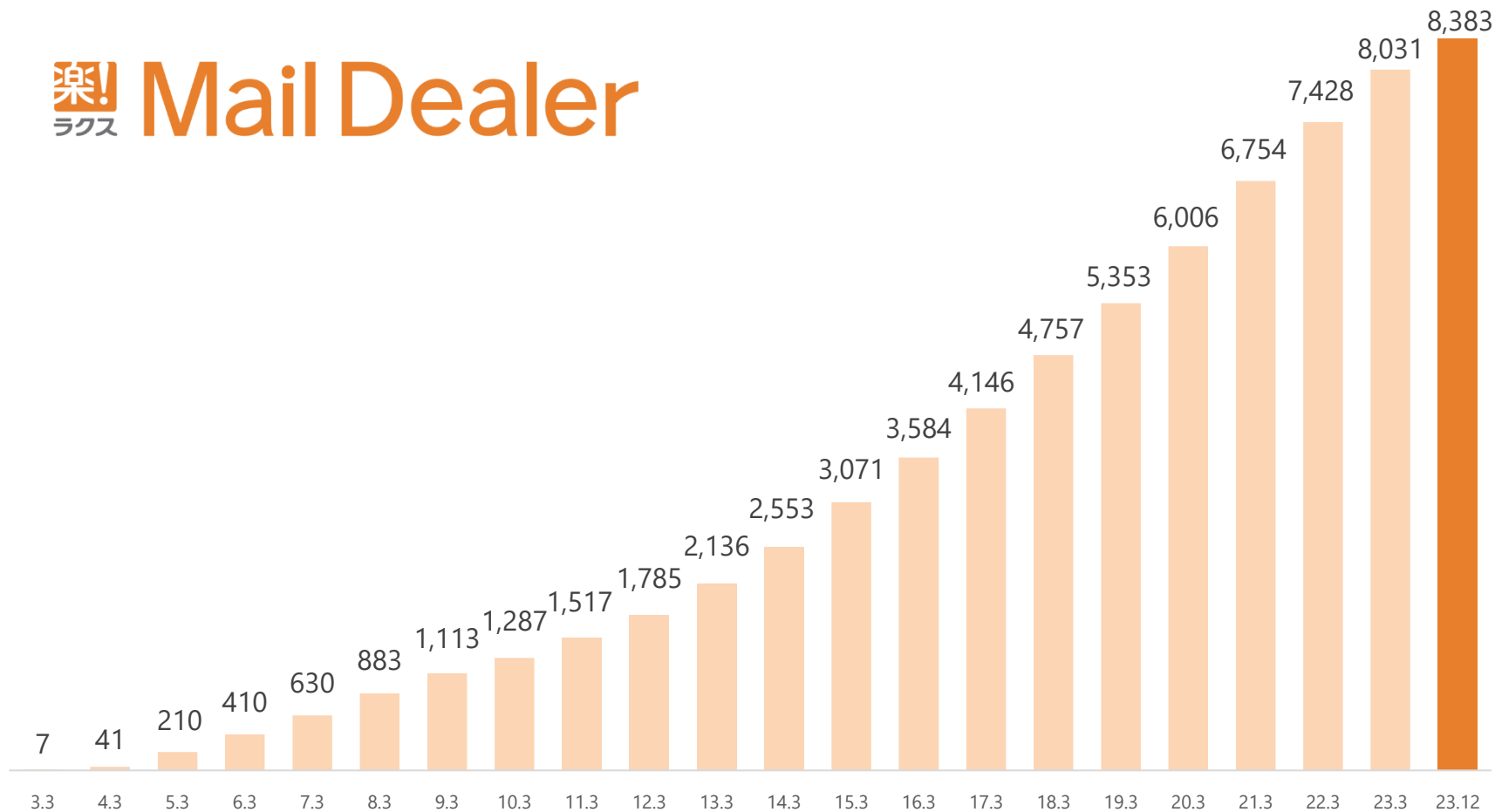
Cumulative Number of Companies Using Hai Hai Mail

楽! 配配メール
ラクス

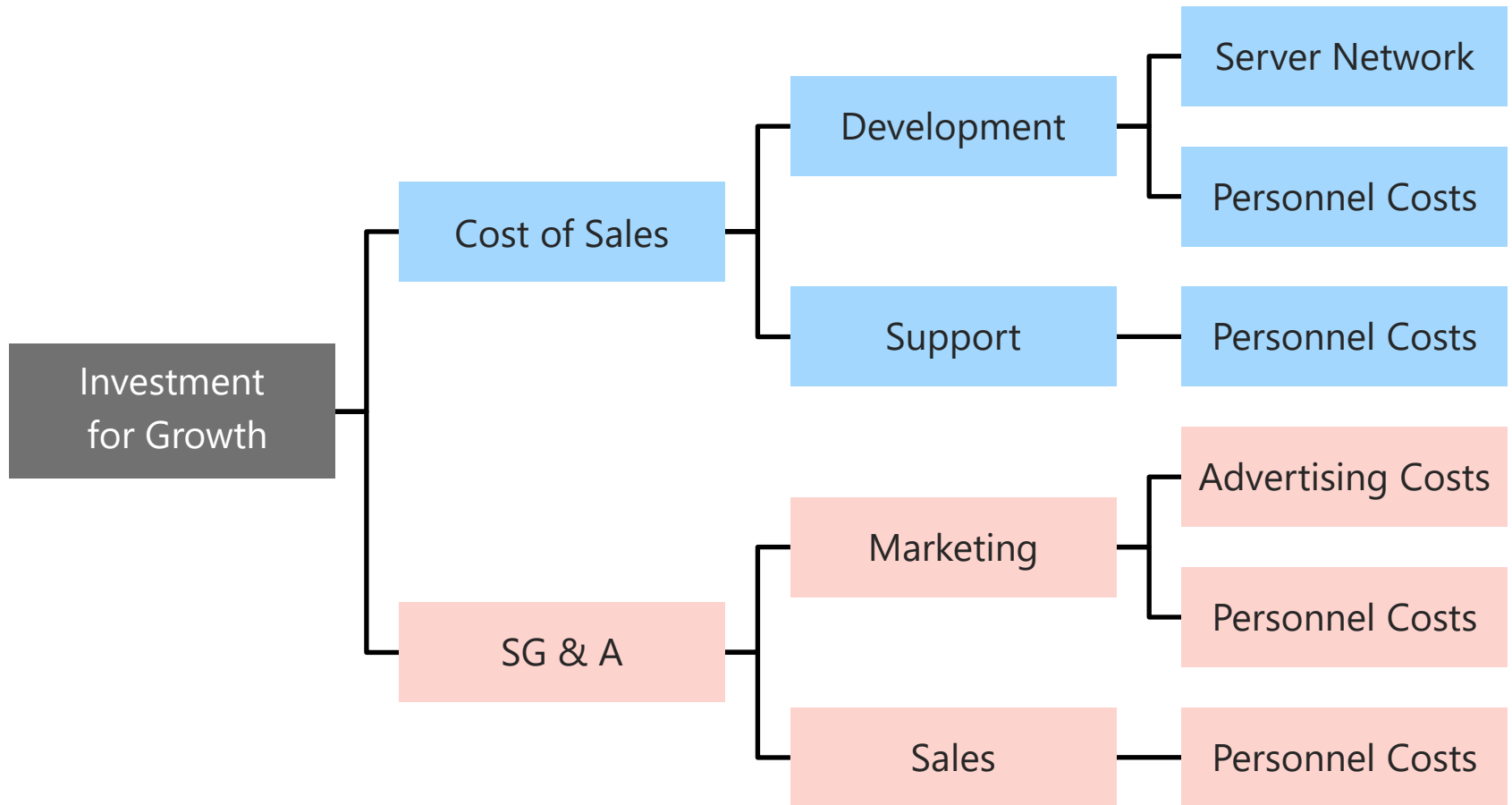


Cumulative Number of Companies Using Mail Dealer

 Mail Dealer



Breakdown of Investment for Growth (Cloud Business)



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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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