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RAKUS
SUSTAINABILITY REPORT 2021

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Editorial Policy
This report contains the business, financial, and ESG information of RAKUS, and has been issued for the purpose of improving corporate value by engaging in dialogue with shareholders, investors, and other stakeholders about its contents. Scope 2 Standard has been applied for CO_2 emissions from energy consumption in the report because in many cases the data centers used mainly by our Cloud business do not disclose the environmental impacts and amount of power consumption.

Website
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Scope of Report
This report covers RAKUS Co., Ltd. and its consolidated subsidiaries within and outside Japan as well as some other affiliates. For environmental data, please refer to the respective notes. The report applies to the period from April 2020 to March 2021.

* It also includes some information outside that period.

Performance Forecasts
Forecasts of performance contained in this report are determined based on information available at the time. Actual results may differ due to a variety of factors.

Long-Term Vision

MISSION

We constantly help companies grow their business by providing IT services.

RAKUS has promoted digitalization of SMEs which have faced challenges of budget and digital literacy. But digitalization is essential for not only SMEs but also larger companies which use costly and inefficient legacy systems. When all of the 50 million workers in Japan benefit from the latest IT services, Japan will truly be a prosperous nation. We are determined to contribute to business growth of companies and well-being of their workers by helping them promote digital transformation through our IT services.

Become a Company Representing Japan

VALUE

VALUE 01 Fulfillment
We fulfill and go beyond our customers' expectations.

VALUE 02 Nurture
We nurture human resources who have the capability to yield tangible results.

VALUE 03 Improvement
We improve our activities day and night.

VALUE 04 Integrity
We have integrity with our stakeholders.

VALUE 05 Evolution
We capture signs of potential changes and evolve proactively.

Leadership Principles

Act to become 'a company representing Japan'

Our Leadership Principles are a code of conduct, highlighting the mindset that management of RAKUS should embrace. Leaders correctly understand these principles, which enables them to judge and act with a well-balanced approach from multiple perspectives. Each principle may appear obvious, but when put together create an unrivalled company. This gives us confidence that RAKUS will become 'a company representing Japan' in future.

Take ownership

Leaders consider themselves to be owners of the company. That is why they always act with a sense of ownership. They prioritize matters that contribute to the company's long-term sustained growth. A leader will speak out forcefully if feeling that his or her boss or an executive is making a decision that will negatively impact the company's growth.

Aim for overall optimization

Leaders always think and act according to what is important for the company's overall growth. They focus beyond the interests of their own department or team. They actively collect information from other departments to optimize activities.

Treat people with sincerity

Leaders listen to what each and every individual has to say with sincerity. They consider things from the other party's perspective and not just from their own or the company's perspective. Leaders do their utmost to convince the other party and bring about a desirable outcome for both parties.

Continue learning and growing

Leaders have an insatiable desire to acquire new knowledge and experience necessary to achieve their own goals. They constantly update their knowledge through exposure to the latest information. Leaders actively learn from competitors and prime companies in other industries and utilize this for their own company's growth.

Start small and grow big

Leaders actively try new things. There is no knowing if new initiatives will actually work. So, leaders start test cases on a small scale and with a small budget to verify their hypotheses. They gradually increase the scale and budget while making choices and ultimately grow the business.

Consider the cost-benefit performance

Leaders are authorized to execute budgets. All budgets need to be verified for their cost-benefit performance. When leaders execute budgets, they demonstrate restraint because they are spending the company's money.

Focus on results

Leaders are goal-oriented and do their very best to achieve their goals. They take a firm stance, even when facing difficulties, and do not compromise. Anticipating the unexpected, leaders always have an alternative plan.

Communicate ideas with words

Leaders can certainly communicate their own ideas with words. One's ideas can only be communicated with words. If not well understood, leaders will repeatedly communicate their ideas in a courteous way, until they make themselves understood.

Tolerate failure

Leaders tolerate failures based on hypothesis put forward by people around them. Even if having the knowledge sometimes things cannot be understood without actual experience. Leaders consider failure to be a learning opportunity, and encourage others to learn from their failures.

Accept others' views

Leaders sincerely accept others' views even when different from their own thinking. Leaders have a healthy skepticism about themselves and objectively consider what is genuinely correct. Leaders confess their own mistakes and constantly strive to move forward in a better direction.

Do what needs to be done

Leaders always think about what should be done. Leaders implement measures to solve issues for customers and the organization and not what they would like to do.

Message from the President

Long-Term Vision

Become a company representing Japan

We are striving to 'become a company representing Japan.' In other words, over the next 10 years or so, we aim to become a well-known company in Japan that is ranked among the top 100 Tokyo Stock Exchange listed companies in terms of market capitalization. We believe that in order to raise awareness in our company, we must become a cloud service (SaaS) provider that has a huge workforce, boasts among the highest sales, and provides services to many people.

Growth Strategy

We can achieve growth while making a profit by growing and investing in new services.

To achieve our long-term vision, we will need to attain annual sales of at least 100 billion yen. Sales for the fiscal year ended March 2021 was 15.3 billion yen, so we will need 6.5 times that amount. Our current core services—Raku Raku Seisan and Raku Raku Meisai—are cloud services that help our corporate customers improve efficiency of back-office operations through digitalization. I believe that improving efficiency through back-office digitalization presents a big opportunity for us.

Takanori Nakamura
President and Representative Director

Considering the speed of digitalization in Japan and the size of its economy, we will need to provide multiple services with sales in the tens of billions of yen per year to achieve our long-term vision. Therefore, we are working on launching new services in addition to expanding our current core services. We also plan to pursue mergers and acquisitions(M&As). The key process for nurturing a service after launch is to get it to product market fit for a certain period of time and then invest heavily in SG&A to dramatically increase sales. Normally a company will go far into the red at this stage, but we invest the profits generated from highly profitable services into nurturing and growing the new service. Thus, we can grow while making a profit. And we strive to maintain sustainable growth by leveraging our expertise in launching and growing multiple cloud services.

Review of the Previous Medium-Term Management Targets

Dramatic growth in not only performance, but as an organization

The previous medium-term management targets were the one we set for the first time. When setting the targets, we were somewhat concerned whether we could achieve a higher sales growth rate than before and attain the number of employees we needed to grow. But thanks to setting difficult targets and taking on the challenge to achieve them, we were able to attain dramatic growth in not only performance, but also as an organization. We exceeded the target 30% CAGR in sales and all income items.

New Medium-Term Management Targets

Aiming to achieve high sales growth by lengthening the period to five years to strengthen investment in growth

The new medium-term management targets are a key part in achieving our long-term vision. We exceeded our previous medium-term management targets, but felt the three-year period we set was too short for further growth. Moreover, the external environment has changed: Digitalization is encouraged and a cloud-first approach has become a given when considering IT investment. In order to make the most of this opportunity, we lengthened the period to five years to strengthen investment in growth. Since the sales growth rate is important for many investors, as well as for us, we are targeting CAGR in sales of 25–30%. We set the target as a range rather than an absolute number due to uncertainty over the impact of the COVID-19, but plan to narrow the range as time passes. In terms of profit, we set the target for net income for the fiscal year ending March 2026 at an even 10 billion yen. And since we also plan to actively pursue M&As, we established net asset targets as well. When a company becomes insolvent in Japan, it meets the criteria for delisting. This is an important point to consider when actively pursuing M&As. However, the impact of M&As has not been applied to these targets and we do not expect new services that are still being nurtured to contribute greatly. Continuing to expand our organization will be essential for achieving the new medium-term management targets, so we will also focus efforts on recruiting and developing talent.

Initiatives for the Fiscal Year Ending March 2022

Focusing efforts on existing services by strengthening the organization and aggressively investing in marketing

As the first year of the new medium-term management targets, the fiscal year ending March 2022 is an important year for us. Our Cloud business is based on a subscription model, which makes it extremely difficult to recover from delays. The key to achieving 30% CAGR in sales is how much we can expand and strengthen the organization in the first year. With the aim of gaining as many new customers as possible, we will focus efforts on Raku Raku Seisan and Raku Raku Meisai by increasing our workforce and aggressively investing in marketing. We also plan to make full preparations to strengthen investment in Raku Raku Hambai, which shows promise to contribute to growth in the next fiscal year and beyond.

ESG

Strengthening ESG initiatives through dialogue with investors

I think that whether we can achieve sustainable growth will depend on how much we can benefit society. The key will be whether we can contribute to our corporate customers and their workers by offering services that improve

business efficiency, decrease work hours, and provide other benefits such as going paperless through digitalization. At the same time, as a member of society it is also important to think about the environment. In the future, we will offset the electricity consumed when providing our services and achieve carbon neutrality. In pursuit of our goal of carbon neutrality, first we will gather information, then we will set and disclose targets, including the timeline, to achieve them.

Recognizing that effectiveness is just as important as format in governance, we will maintain an open and positive work environment while meeting the format requirements of shareholders and investors. Diversity is also important for achieving sustainable growth. This year a female executive was appointed for the first time at one of our subsidiaries outside Japan, and we will keep increasing the number of female executives and managers in order to incorporate a diverse range of perspectives in our management team. We have only recently begun instilling awareness of ESG initiatives company-wide, so we look forward to receiving concrete advice from investors about their needs and expectations.

To Our Investors

We strive to 'become a company representing Japan' and want to contribute to solving social problems.

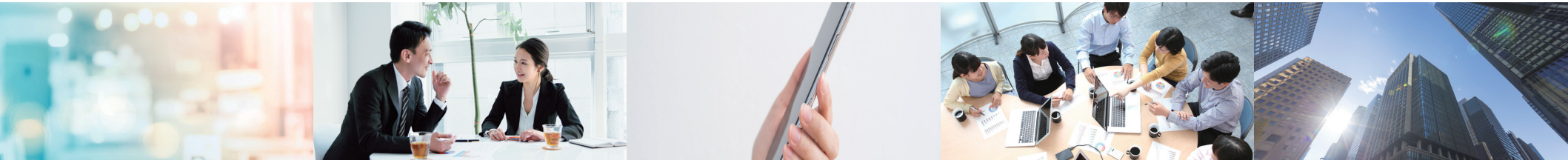
We are striving to 'become a company representing Japan' in the next 10 years or so. To achieve this goal, first and foremost we want to contribute to solving social problems in Japan such as excessive workloads and a workforce shortage by improving efficiency through accelerating digitalization in the country. At the same time, we also want to achieve sustainable growth by mitigating our environmental impact even further, enhancing governance, and engaging in dialogue with investors. We look forward to your continued support.

Company History That Has Led to Value Creation

RAKUS was founded in November 2000 by four people: President Takanori Nakamura, Director Yoshifumi Matsushima, Audit & Supervisory Board Member Toshihiro Nojima, and RAKUS Light Cloud (a subsidiary of RAKUS) President Fumihiko Asano. Before RAKUS was established, these four were shareholders and the main members of mailing list service provider Infocast Co., Ltd. When a rival company was acquired by an internet media giant and it became clear that the competitive environment was becoming increasingly challenging, they sold off Infocast after receiving an offer from an e-commerce giant and established RAKUS with the capital gained from the sale.

President Nakamura had two business concepts when RAKUS was founded. One was a business to provide a system for managing, sharing, and improving efficiency of large volumes of inquiry emails, which was a challenge during his time at Infocast. The other was an IT engineering school to accommodate the shortage of IT engineers. Although he saw a huge potential in the system (Mail Dealer), there were two issues. The first was that to provide the service to SMEs where needs were highest, RAKUS would need engineers who could engage in continuous development. This is because the most effective way to provide the service was thought at the time to be with an application service provider (ASP, now cloud). The second was that it would take time to acquire enough customers to have a sufficient cash flow.

So we launched an IT engineering school business to teach programing for a fee. Our aim with the school was to generate sales and scout talented students to gain engineers. Incidentally, engineers from the school have contributed greatly to the growth of RAKUS and the current head of development is a graduate as well. The school's target group was members of the workforce, so during the day on the weekdays we developed Mail Dealer and during the night and weekends we ran and taught at the school. We invested profits from the school to boost sales of Mail Dealer, contributing greatly to its growth. As the economy improved and less people were willing to pay



money to learn programing, so we gradually converted the IT engineering school into our current IT outsourcing business, in which we hire people with no engineering experience, train them to become IT engineers, and dispatch them to companies. Today we operate two businesses: Cloud business and IT outsourcing business.

In our Cloud business, after releasing Mail Dealer we continued working on creating new services, some of which have been discontinued. The main cloud services we currently offer are Mail Dealer, Hai Hai Mail, Raku Raku Hambai, Raku Raku Seisan, and Raku Raku Meisai. Our basic policy is to focus more on competing in markets where we can succeed than areas that have potential synergy with existing services, and gradually enter big markets. In line with this policy, we start a service with the minimum functions and explore its growth potential by identifying the market potential, customer needs, and the competition. If it looks like we can succeed, we invest heavily in growth.

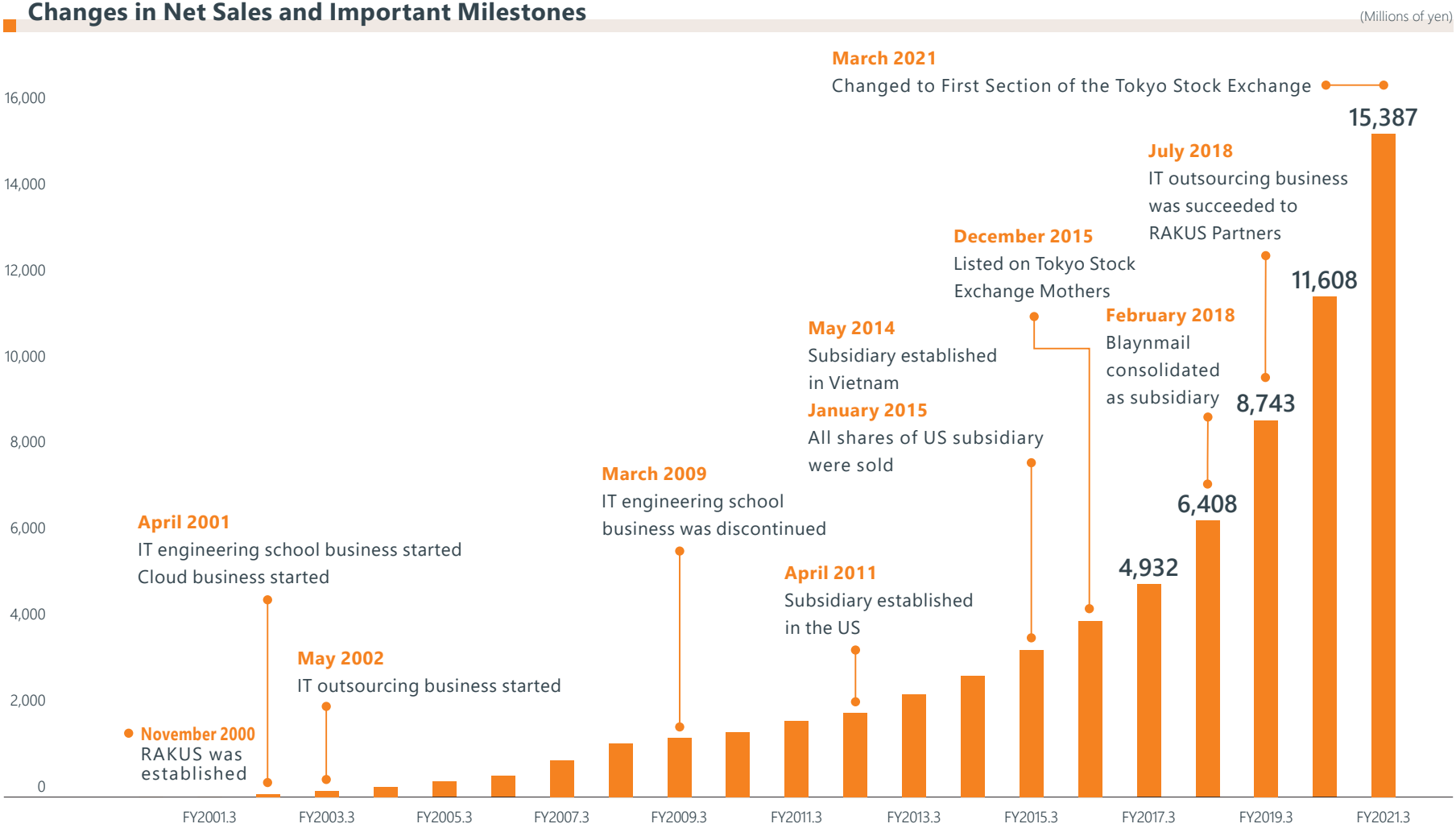
If we run into unforeseen challenges, such as the market being smaller or competitors being stronger than expected, we quickly withdraw to utilize the limited resources efficiently for company-wide growth. At the same time, taking on challenges in a wide range of fields has given us the expertise to create and grow cloud services in Japan, such as knowing what KPIs to track, when to invest, how to launch an organization, and how to manage portfolios of multiple services.

This has helped our entire company grow bigger and stronger, and created a virtuous cycle that enables us to enter even larger markets.

Continuously adding functions and making improvements to our services has led to boosting customer satisfaction. And customers that have used our services for a long time have reduced costs and working hours by improving operational efficiency. By investing the value generated through this process in new areas, we realize value-creation chains.

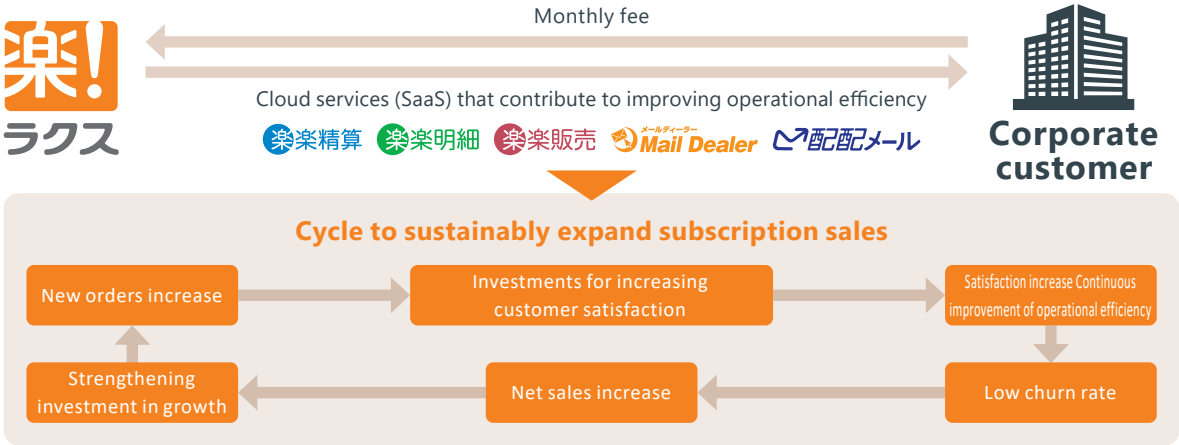
Growth Trajectory

Changes in Net Sales and Important Milestones



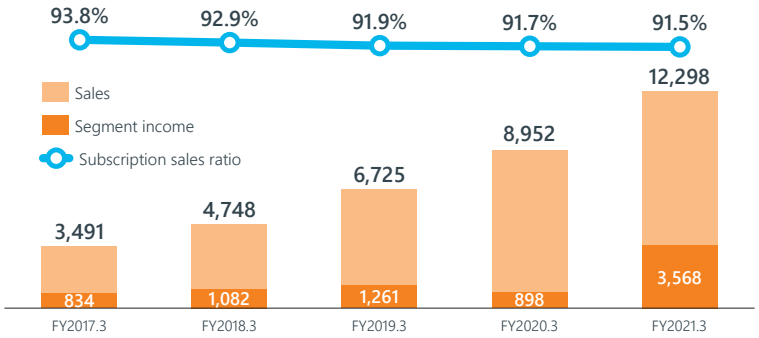
Business Model and Performance of Cloud Business

Business Model of Cloud Business



Our Cloud business offers subscription services to help companies improve operational efficiency through digitalization. The business model enables stable sales growth by accumulating new subscribers. Maintaining a low churn rate is key in this model, so in order to keep the rate low, we constantly work to improve customer satisfaction, target segments with low business failure rates, and have established a pricing structure that makes it easy to continue using the service.

Changes in Sales, Segment Income, and Subscription Sales Ratio (Millions of yen)



Sales by Service

(Millions of yen)

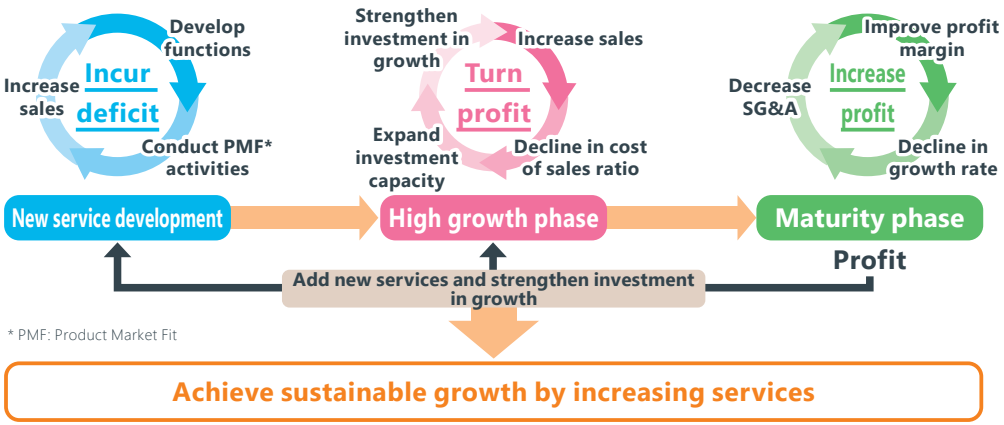
	FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Raku Raku Seisan	977	1,601	2,579	3,935	5,559
Mail Dealer	1,141	1,339	1,538	1,732	1,979
Email distribution services	657	939	1,410	1,573	1,964
Raku Raku Hambai	342	445	598	866	1,281
Raku Raku Meisai	69	149	326	552	1,177
Others	301	274	273	291	336
Total of Cloud business	**3,491**	**4,748**	**6,725**	**8,952**	**12,298**

Features and Growth Strategy of Cloud Business

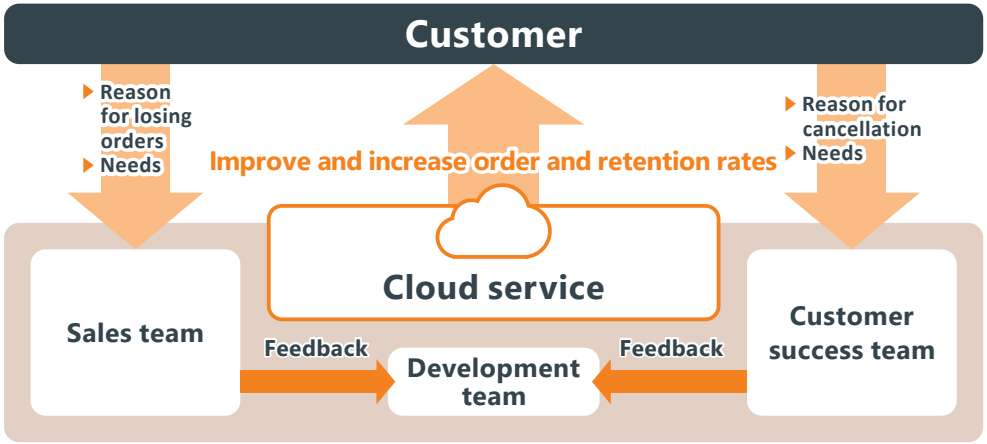
1. Offers subscription-based cloud services that contribute to improving operational efficiency
2. Best-of-breed focused
3. Aims for both profitability and high sales growth by managing a portfolio of multiple services
4. Strives for high sustainable sales growth by increasing the number of services

RAKUS offers multiple best-of-breed services that improve efficiency of specific operations, with the aim of taking the top share in each service. The biggest feature of our growth strategy is that we simultaneously roll out different services during their growth phase. If a service exhibits growth potential after we determine its product market fit, we invest greatly in SG&A and let it go into the red. During the 'high growth phase,' the gross profit margin improves as sales increase and the service turns a profit. By investing the operating profit of services that have reached the 'maturity phase' in new services, we generate profit and achieve sustainable growth for the business overall. We will leverage the expertise we have gained from launching and growing a large number of cloud services over many years. Thus, we will strive to expand our service lineup by launching new services, and M&As.

Growth Cycle of Cloud Business



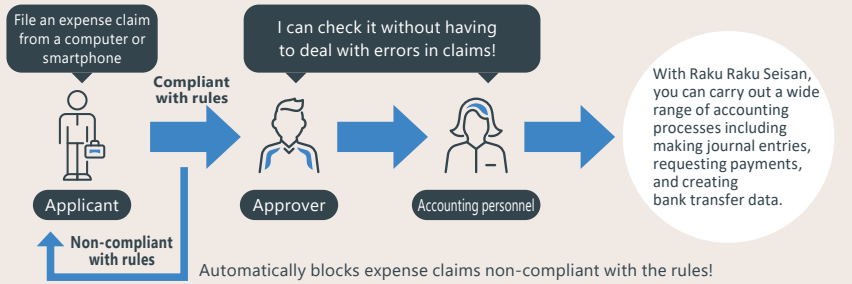
Service Improvement Cycle



Services

楽楽精算

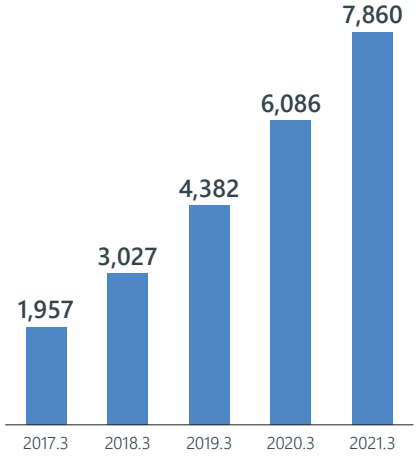
Dramatically reduces time and costs in settling expenses!



Solves all your expense settlement problems

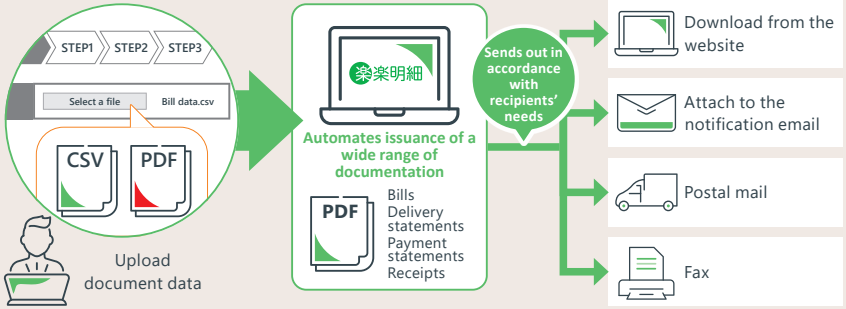
For many companies in Japan the expense settlement process is still paper-based. Managing and confirming so many documents takes up a considerable amount of time for accounting personnel. Raku Raku Seisan digitalizes the entire process, from claims to journal entry, reducing the time required to manage documents. The system also prevents errors and non-compliance with the rules in claim procedures, thereby lightening the workload for accounting personnel and improving efficiency of expense settlement tasks.

Cumulative Number of Companies Using the Service



楽楽明細

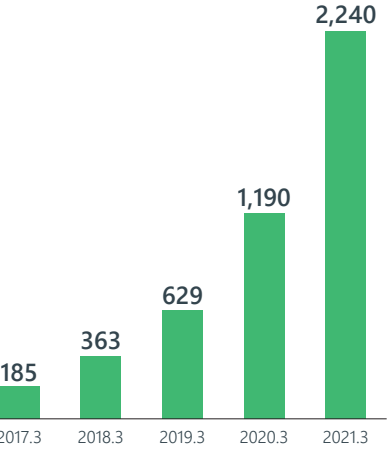
Eliminates the time-consuming work of printing, sealing, and sending bills



Improves efficiency of work of issuing bills

Accounting personnel in companies with a large number of clients must create and print bills, seal them in envelopes, and send them out in only a few days. Raku Raku Meisai is easy to introduce because it lets you choose the method of sending bills—electronically, by post, or fax. Just enter your billing data in Raku Raku Meisai and it takes care of everything from creating and sending bills, and if you send bills electronically, you can check whether the electronic bills have been received. Thereby Raku Raku Meisai lightens the workload and improves efficiency for accounting personnel.

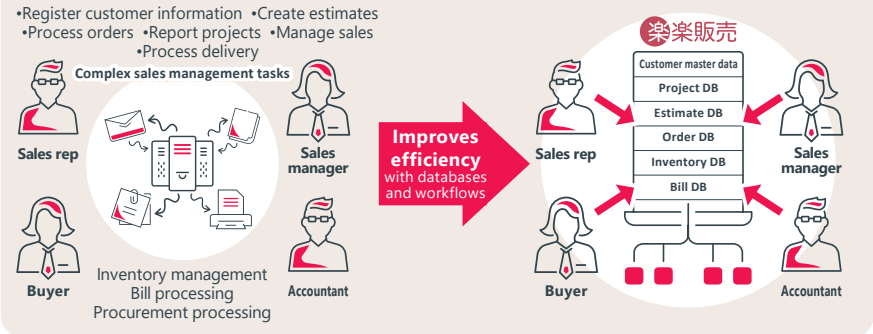
Cumulative Number of Companies Using the Service



Services

楽楽販売

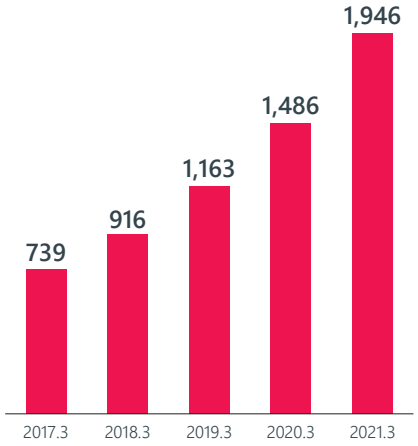
Automates and streamlines operations without the need for spreadsheets



Improves efficiency for all sales management operations

Raku Raku Hambai is a system that improves efficiency of sales management tasks carried out with spreadsheets and paper. Combining databases and workflows, it can easily be customized without the need for coding, and you can make improvements while you use it. It improves operational efficiency by automating routine work and sharing information in real time.

Cumulative Number of Companies Using the Service



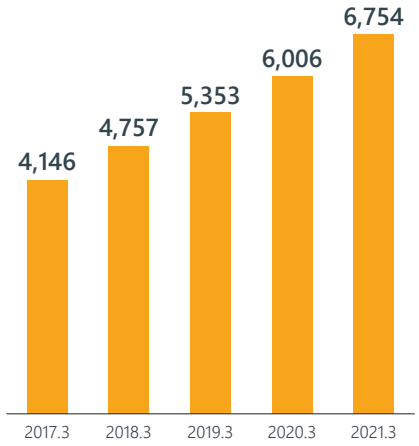
メールディーラー Mail Dealer

Improves operational efficiency through central management of emails

Improves operational efficiency by centrally managing inquiries

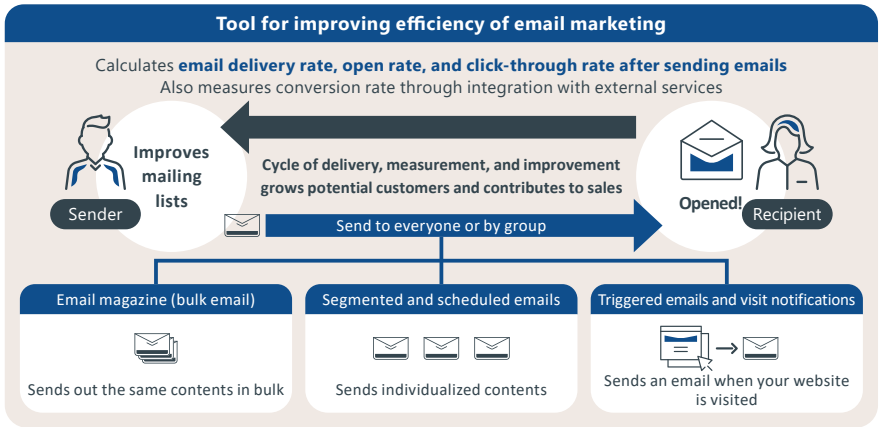
Mail Dealer is a system that improves efficiency of customer support operations by enabling teams to centrally manage and share email inquiries among members. It eliminates errors such as duplicate responses and lack of response, and enables smooth transition between team members through creation of response logs.

Cumulative Number of Companies Using the Service



Services

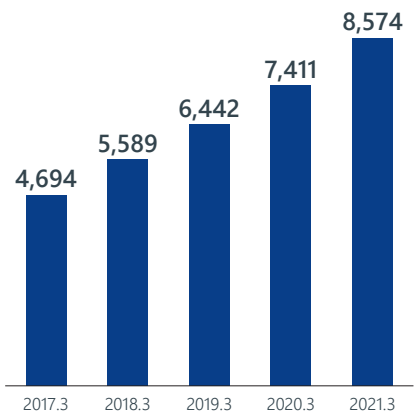
配配メール



Sends out the optimal emails for email marketing

RAKUS offers three email distribution services: Hai Hai Mail, Curumeru, and blastmail. Hai Hai Mail, our biggest seller, is a system that improves efficiency of email marketing. You can send emails by group or attribute, and it comes with analytical functions that are essential for measuring the effectiveness of email marketing such as functions that track click-through and email open rates, and display graphs of reports. It also includes a function that lets you use the open rate tracking function to send additional emails. Hai Hai Mail improves the efficiency of email marketing with functions for measuring effectiveness.

Cumulative Number of Companies Using the Service (Hai Hai Mail)



Services Being Nurtured to Contribute to the Growth of the Next Generation

An essential part of launching a new service is the product market fit process. The process from selecting the suitable market to functional development, marketing and sales, and strengthening customer support takes about three to five years. Once product market fit is determined, the next step is the growth phase where we invest heavily in SG&A.

Chat Dealer

Chat Dealer is a chatbot that responds to inquiries. The chatbot answers frequently asked questions, improving efficiency of support operations and boosting user satisfaction.

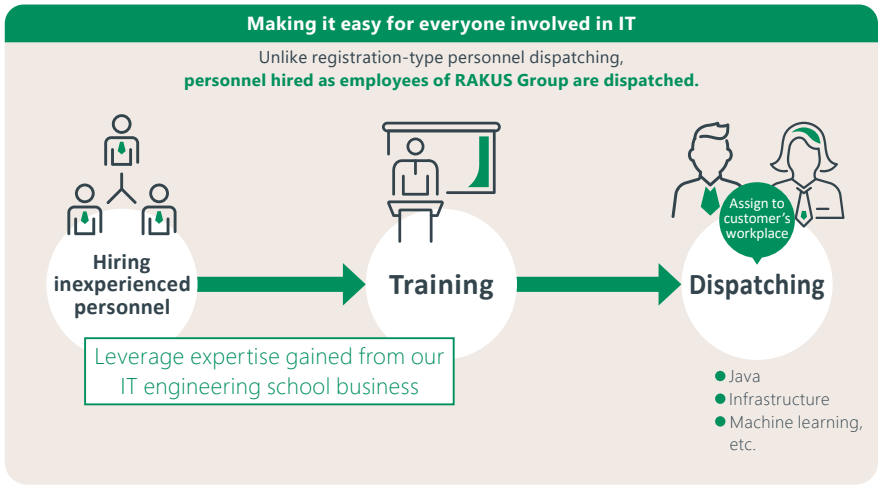
楽楽労務

Raku Raku Roumu is a labor management system that collects information online from soon-to-be-employees that is needed when they start employment, and automatically prepares the forms required for enrolling in social insurance. It consolidates employee information on the cloud and improves efficiency of HR and labor affairs tasks.

楽楽勤怠

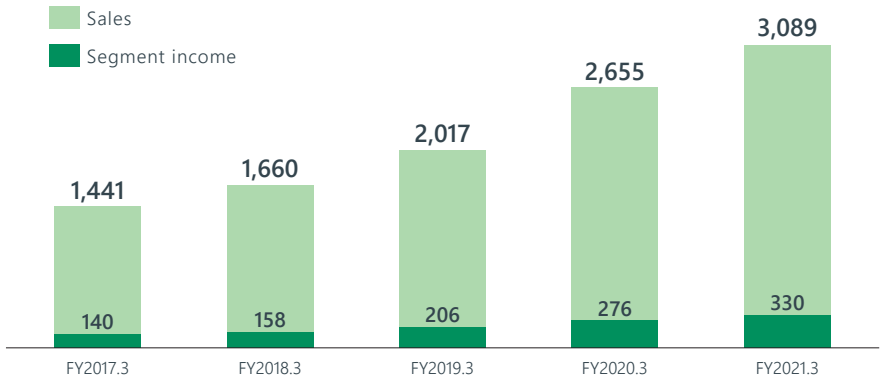
Raku Raku Kintai is an attendance management system that centrally manages employee attendance information. In addition to managing paid leave and overtime, it can also flexibly accommodate needs such as types of leave and employment specific to individual companies, thereby improving efficiency of attendance management operations.

Business Model and Performance of IT Outsourcing Business



Sales and Segment Income

(Millions of yen)



We hire and train people to be IT engineers, and provide recruitment services.

Leveraging the expertise gained from the IT engineering school we previously operated, we select people without engineering experience who show potential to become engineers from applicants wishing to change careers. We train them for about three months to turn them into IT engineers who are proficient in Java programing, infrastructure, machine learning, and quality assurance, and dispatch them to corporate customers. We also provide recruitment services, serving as a career hub for IT engineers and contributing to society by helping accommodate the shortage of them.

Features of RAKUS Partners' Engineer Dispatching Service

STRENGTH 1

Top talent

- Unlike registration-type personnel dispatching, personnel hired as employees of RAKUS Partners are dispatched.
- Since they are employees and not simply registered members, attendance is stable.

STRENGTH 2

First class training

- We provide training in the specialized fields of Java, infrastructure, machine learning, and quality assurance.
- Full-time instructors provide fully practical training to ensure the engineers perform successfully at the customer's workplace.

STRENGTH 3

Full-time support

- The engineers we dispatch are selected from full-time engineering staff.
- We interview the customer on how the IT engineers are doing and provide follow-up.

Management Resources That Underpin Value Creation and Growth

	Human resources	Technology	Customer base	Partners	Finance
Importance of management resource	Retaining talented employees and expanding the organization is essential for achieving sustainable growth.	Staying on top of the latest technological trends and tirelessly incorporating needed technology leads to sustainable growth.	Addressing customer needs gives services competitive advantage, so expanding the customer base is an important part of our strategy.	System partners and sales agents play a major role in accelerating growth.	Maintaining and expanding a stable and solid financial base is key for achieving sustainable growth.
Strengths	Many employees are mid-career hires with diverse experiences and specializations, and continuously increasing the number of employees is a source of our capability to grow.	We have the technological capabilities to provide services that are stable, low cost, and secure.	We have a large customer base compared to competitors. This enables us to identify detailed customer needs, which contributes to the enhancement of our services.	Our partner base continues to increase as we grow, as does our alliances with large companies that have high name recognition.	We have continuously turned a profit since our second fiscal year in business. This has grown our equity capital, enabling us to continue to make large investments.
Risks and opportunities	Many companies are competing over diverse and talented employees, so retaining such employees poses a risk, and our hiring power could be improved.	Security and system stability are the most important things to ensure customers choose us and can use our services with peace of mind.	Digitalization in the market where we offer our services is still behind. This huge untapped segment presents big opportunities but also poses the risk of increased competition.	It is important to retain the companies that choose us as partners, so we will strive to strengthen collaboration and provide services that contribute to their growth.	We maintain a stable financial base and control risks.
Challenges	Boosting awareness in our company name is one of the biggest challenges in acquiring talent. Part of the problem is that the names of our services and name of the company differs.	Maintaining strong security is not easy. We must constantly acquire the latest information and technology, and continuously invest.	Using our customer base to cross-sell will be a big challenge in the future.	Increasing and utilizing our partners to achieve further growth will continue to be a major challenge.	Using our financial leverage will be a big challenge in the future.

Medium-Term Management Targets

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**

Our target is to achieve 25–30% sales CAGR. 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.

Note:The target will be revised if we acquire businesses.

Effects we would like to bring about by strengthening and expanding the balance sheet

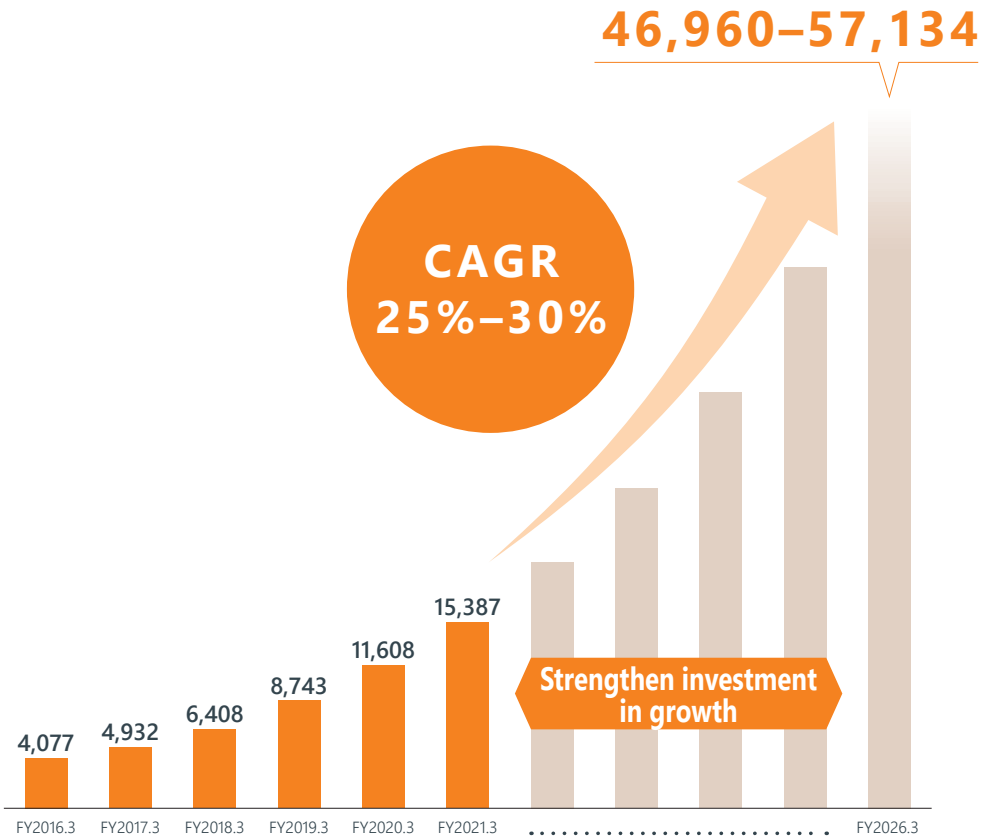
- Reduction in borrowing costs by enhancing our creditworthiness
- Mitigation of the impact of impairment generated by large or multiple business acquisitions

Note:Increase in the amount of goodwill we can handle

Our policy is to actively pursue M&A opportunities in the cloud (SaaS) business domain to contribute to our sales and profit in the mid- and long-term.

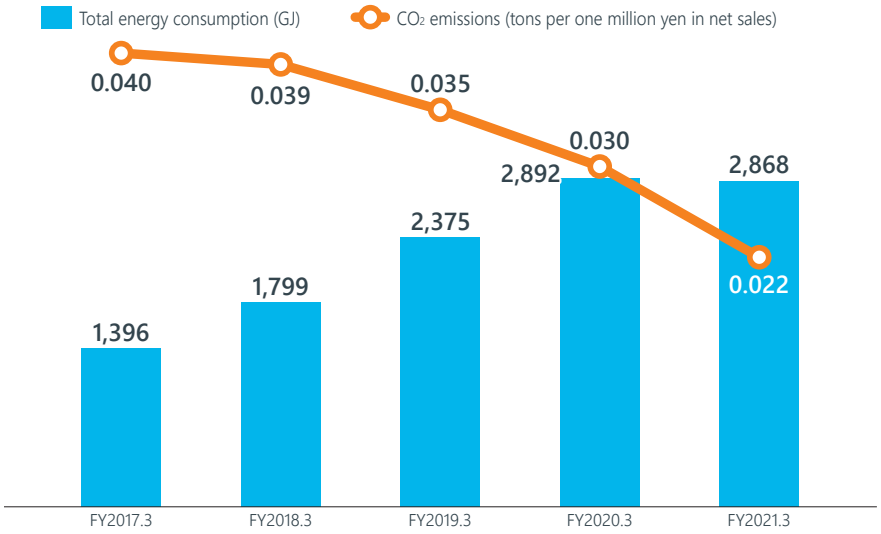
Changes in Net Sales and Its Targets

(Millions of yen)



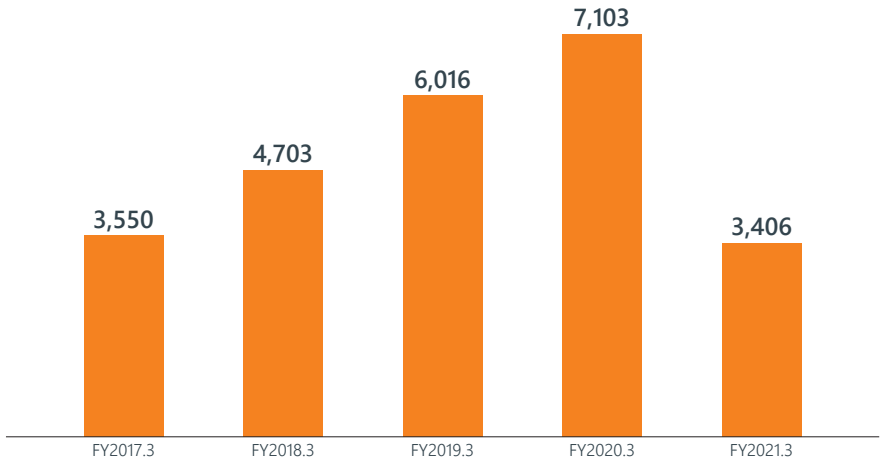
Environmental Data

Total Energy Consumption and CO_2 Emissions



Paper Usage

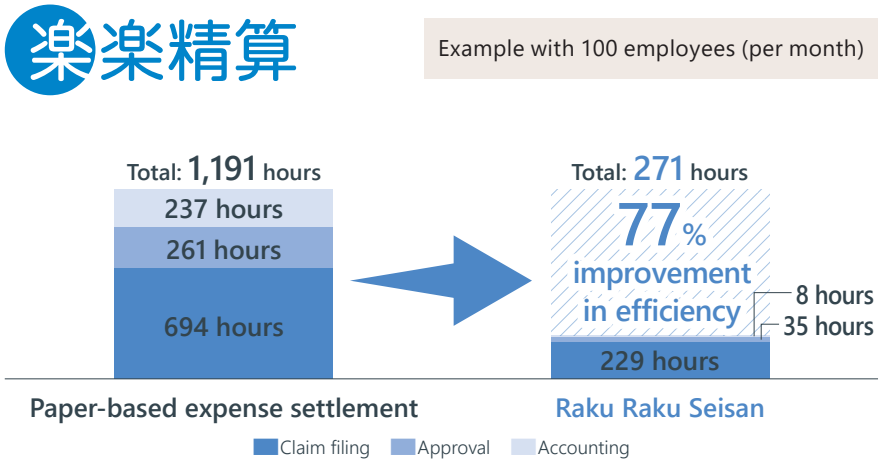
(Kg)

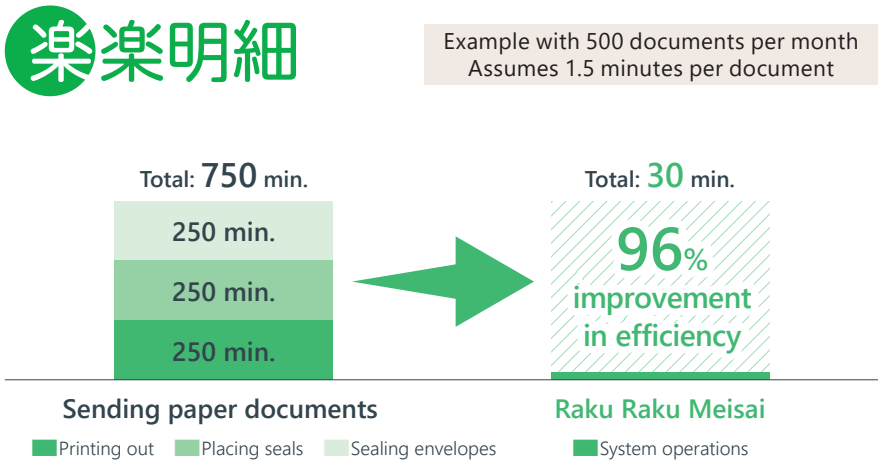


Goals

Because RAKUS is an IT service provider, its CO_2 emissions are relatively low. Although we use electricity to provide our services, the data centers we are contracted with do not disclose electricity consumption and renewable energy use rates so in Japan. For this reason, at present we disclose Scope 2 emissions. In the future we will ascertain the circumstances and set targets while incorporating the feedback and advice of investors, and consider measures to achieve carbon neutrality.

Social Contribution in Businesses





RAKUS operates its Cloud business and IT outsourcing business in line with its mission: "We constantly help companies grow their business by providing IT services." Our Cloud business provides several services that contribute to improving the efficiency of companies' back-office operations, thus improving their overall operational efficiency.

Faced with an expected workforce shortage due to a declining birthrate and increasing aged population, Japan cannot afford not to improve efficiency through digitalization. However, because the country is behind in training workers in the digital field and has not aggressively invested in IT, many processes are still carried out with inefficient manual methods. SMEs make up a large part of companies and the workforce. Such companies have had particular difficulty acquiring staff and tend to be behind in digitalization, making them prone to long working hours. And there are even many major corporations that have shown little progress in improving efficiency through digitalizing back-office operations. Lacking the ability to allocate enough manpower to growth-driving R&D and sales operations is a factor in low sales growth rates and profit margins.

In this environment, customers that use our cloud services have improved operational efficiency by digitalizing previously paper-based processes such as settling expenses and issuing bills. This enables them to strengthen investments for growth and revise staff allocation, and contributes to improving their performance as well as the health and well-being of the people who work there.

Improving efficiency through digitalization in Japan requires a huge workforce of people who are well versed in the digital field. Our IT outsourcing business is contributing to the advancement of society by adding to this workforce through training IT engineers and dispatching them to companies.

Organizational Structure and Governance Policy

The RAKUS Group's basic philosophy of corporate governance is to have a lasting organizational structure that enables accurate decisions to be made in response to changes in the social and economic environment. We believe that making accurate decisions with efficiency, justice, transparency, fairness, and promptness benefit all stakeholders including shareholders, business partners, and employees.

Basic Corporate Governance System and Reasons for Adoption

Overview of Corporate Governance System

RAKUS is a company with an Audit & Supervisory Board. The Audit & Supervisory Board Members attend important meetings such as the Board of Directors meetings, and monitor decision-making processes and the performance of executive tasks from an independent standpoint. The Board of Directors is chaired by President and Representative Director Takanori Nakamura. It holds meetings at least once per month as a rule, where it formulates corporate management policies and plans, confirms the status of executive tasks, deliberates and decides legal matters and important corporate management-related matters, and monitors the performance of each Director's duties.

The Internal Audit DIvision conducts internal audits of our divisions and subsidiaries on matters such as legal compliance and operational efficiency, and offers concrete advice and suggestions on making improvements.

Reasons for Adopting Corporate Governance System

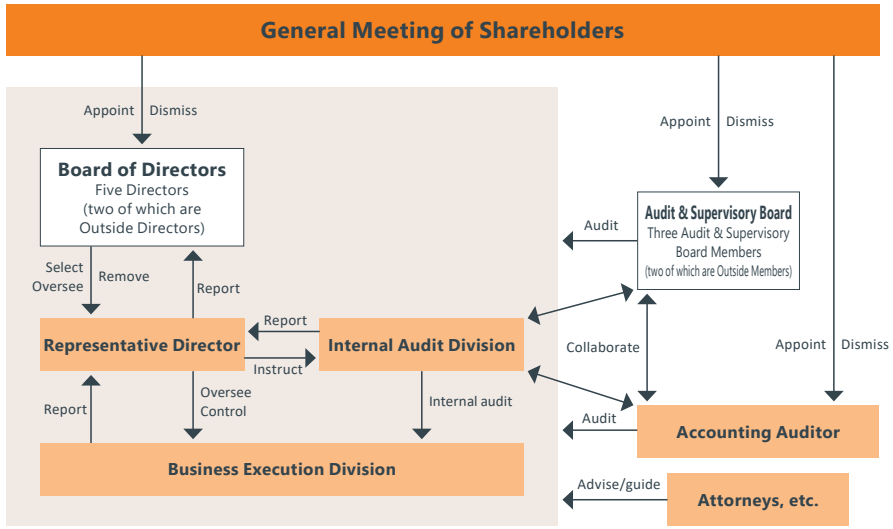
We adopted a corporate governance system that we believed was the best system for achieving our company's purpose at the time. Therefore, we will revise the system as needed in response to changes in the social and legal environment.

RAKUS ensures that it is run soundly and transparently by ensuring the proper functioning of the monitoring and oversight functions of corporate management by the Audit & Supervisory Board Members, which includes Outside Audit & Supervisory Board Members. We also appoint Outside Directors to improve the monitoring and oversight of decision of business execution and corporate management by the Board of Directors. We have decided to adopt the company with the Audit & Supervisory Board because we determine that the most appropriate governance system is one based on monitoring and oversight by Outside Directors that are independent from executives, the Audit & Supervisory Board Members, and the Audit & Supervisory Board.

Percentage of Outside Directors

Percentage of Outside Audit & Supervisory Board Members

Organizational Structure



Policy on Remuneration for Officers

RAKUS prioritizes aligning the interests of shareholders and investors and those of the top management. The current top management team, not including outside officers, are the major shareholders of the company. Thanks to the growth of our businesses, the continuous increase of dividend income and the improvement of corporate value have led to an increase in the value of shares held. This means that the responsibility and results of management are linked to assets held. For this reason, we believe that creating a big incentive plan is not needed for the time being. Monetary remuneration is within the scope of about 3.5 times more than the average income of employees, which serves to boost motivation to improve corporate value while at the same time maintaining a level that does not produce too wide of a gap with employees.

(Thousands of yen, unless otherwise stated)

Category	Total remuneration	Total remuneration by type		No. of eligible officers (Persons)
		Basic remuneration	Non-monetary remuneration, etc.	
Directors (Of which Outside Directors)	67,813 (3,150)	60,735 (3,150)	7,078 (—)	5 (2)
Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)	8,400 (3,600)	8,400 (3,600)	— (—)	3 (2)
Total (Of which outside officers)	76,213 (6,750)	69,135 (6,750)	7,078 (—)	8 (4)

Attendance at Meetings of the Board of Directors and the Audit & Supervisory Board

	Attendance at Meetings of the Board of Directors	Attendance at Meetings of the Audit & Supervisory Board
Representative Director **Takanori Nakamura**	30/30 meetings	
Director **Yoshifumi Matsushima**	30/30 meetings	
Director **Shinichiro Motomatsu**	—*	
Outside Director **Kenji Ogita**	30/30 meetings	
Outside Director **Yukihiko Kunimoto**	24/24 meetings*	
Full-time Audit & Supervisory Board Member **Toshihiro Nojima**	30/30 meetings	14/14 meetings
Outside Audit & Supervisory Board Member **Koji Matsuoka**	30/30 meetings	14/14 meetings
Outside Audit & Supervisory Board Member **Natsuro Abe**	30/30 meetings	14/14 meetings

*Director Shinichiro Motomatsu was appointed as a Director after the General Meeting of Shareholders held in June 2021, so the attendance for the previous fiscal year is not shown. Outside Director Yukihiko Kunimoto was appointed as a Director after the General Meeting of Shareholders held in June 2020, so his attendance after his appointment is shown.

Directors

President and Representative Director

Takanori Nakamura

● Born January 27, 1973 ● Shares held: 62,256,700

April 1996	Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION
September 1997	Established Digital Network Service GSK
January 2000	Established Infocast Co., Ltd.; Director
November 2000	Established RAKUS; President and Representative Director (current position)

[Important concurrent positions]
Chairman, RAKUS Vietnam Co., Ltd.
Director, RAKUS Light Cloud Co., Ltd.
Director, RAKUS Partners Co., Ltd.

Director

Yoshifumi Matsushima

● Born August 17, 1973 ● Shares held: 9,340,000

April 1998	Joined Toppan Co., Ltd.
January 2000	Established Infocast Co., Ltd.; Director
November 2000	Established RAKUS; Director (current position)

Director

Shinichiro Motomatsu

● Born March 3, 1974 ● Shares held: 8,800,000

April 2001	Joined RAKUS
July 2012	Executive Officer
June 2021	Director (current position)

Outside Director

Kenji Ogita

● Born July 6, 1958 ● Shares held: 64,000

March 1986	Joined Toyo Information Systems Co., Ltd. (currently TIS Inc.)
June 2005	Joined Digital Garage, Inc.
June 2005	Director, Ibex&rims Inc.
July 2005	Director, DG Incubation, Inc.
September 2005	Representative Director, DG & Partners, Inc.
March 2007	Director, TransWARE CO., LTD. (currently QUALITIA CO., LTD.)
February 2015	Outside Director, RAKUS (current position)
July 2020	Representative Director, Orange Company Inc. (current position)
August 2020	Representative Partner, Antelope LLC (current position)

Reasons for selection

Kenji Ogita was selected to be an Outside Director due to his experience serving as Director at other companies, and his ability to use his broad insight to give feedback and advice, oversee from a neutral and objective standpoint, and make holistic decisions based on his unique career.

Outside Director

Yukihiko Kunimoto

● Born August 21, 1960 ● Shares held: 0

April 1984	Joined Japan Associated Finance Co., Ltd. (currently JAFCO Group Co., Ltd.)
January 2006	Established Independents Co., Ltd. (currently Kips Co., Ltd.); Representative Director (current position)
June 2020	Outside Director, RAKUS (current position)

Reasons for selection

Yukihiko Kunimoto was selected to be an Outside Director due to his ability to oversee the management of RAKUS and give advice on a wide range of management issues from an out-of-the-box perspective based on his extensive experience and keen insight as the head of another company.

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member

Toshihiro Nojima

● Born June 29, 1973 ● Shares held: 2,800,000

April 1997	Joined The Yasuda Fire and Marine Insurance Co., Ltd. (currently Sompo Japan Partners Inc.)
January 2000	Established Infocast Co., Ltd.; Director
November 2000	Established RAKUS; Director
June 2011	Full-time Audit & Supervisory Board Member (current position)

[Important concurrent positions]
Auditor, RAKUS Vietnam Co., Ltd.
Audit & Supervisory Board Member, RAKUS Partners Co., Ltd.
Audit & Supervisory Board Member, mj Capital Inc.

Outside Audit & Supervisory Board Member

Koji Matsuoka

● Born August 5, 1974 ● Shares held: 520,000

April 1997	Joined Asahi & Co. (currently KPMG AZSA LLC)
November 2000	Outside Audit & Supervisory Board Member, RAKUS (current position)
March 2005	Representative, Matsuoka CPA Office (current position)

[Important concurrent positions]
Outside Director, ROCKWAVE Co., Ltd.
Outside Audit & Supervisory Board Member, Asahi Life Science Co., Ltd.
Outside Audit & Supervisory Board Member, Aisawa Construction Ltd.
Outside Audit & Supervisory Board Member, Adachi Co., Ltd.
Audit & Supervisory Board Member, Dream Factory Inc.
Director and Audit & Supervisory Committee Member, HouseFreedom Co., Ltd.

Reasons for selection

A certified public accountant, Koji Matsuoka was selected to be an Outside Audit & Supervisory Board Member due to his considerable capabilities and experience in overseeing the performance of Directors' duties and ensuring transparency, efficiency, and impartiality in decision making.

Outside Audit & Supervisory Board Member

Natsuro Abe

● Born July 19, 1975 ● Shares held: 64,000

May 1998	Joined Andersen Consulting Ltd. (currently Accenture Japan Ltd.)
August 2002	Joined Y's table corporation
October 2004	Director, Yume no Machi Souzou Iinkai Co., Ltd. (currently Demae-can Co., Ltd.)
April 2009	Representative Director, Y's & partners Co., Ltd. (current position)
June 2014	Outside Audit & Supervisory Board Member, RAKUS (current position)

Reasons for selection

Natsuro Abe was selected to be an Outside Audit & Supervisory Board Member due to his experience serving as Director at another company, and his ability to use his broad insight to give feedback and advice, oversee from a neutral and objective standpoint, and make holistic decisions based on his unique career.

Consolidated Statements of Income

(Millions of yen)

	FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Net sales	4,932	6,408	8,743	11,608	15,387
Cost of sales	1,820	2,285	2,989	3,945	5,030
Gross profit	3,112	4,123	5,753	7,662	10,357
GP margin	63.1%	64.3%	65.8%	66.0%	67.3%
Selling, general and administrative expenses	2,136	2,882	4,285	6,487	6,459
Operating profit	975	1,241	1,468	1,174	3,898
OP margin	19.8%	19.4%	16.8%	10.1%	25.3%
Extraordinary income/losses	52	0	0	(8)	205
EBITDA*	1,158	1,357	1,809	1,561	4,346
Profit before income taxes	1,025	1,247	1,474	1,169	4,087
Total income taxes	293	372	455	369	1,150
Tax rate	28.6%	29.9%	30.9%	31.6%	28.1%
Profit attributable to owners of parent	731	874	1,018	799	2,936
Earnings per share	4.04 yen	4.83 yen	5.62 yen	4.41 yen	16.20 yen
ROE	28.3%	26.4%	24.5%	16.3%	45.1%
Equity ratio	76.5%	70.9%	74.8%	73.8%	68.4%

*EBITDA = Profit before income taxes + Extraordinary income/losses + Depreciation + Amortization of goodwill + Interest expenses

Consolidated Balance Sheets

(Millions of yen)

	FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Assets					
Total current assets	3,186	2,802	3,668	4,413	8,580
Total property, plant and equipment	135	201	321	619	730
Goodwill	—	1,283	1,119	955	791
Customer relationship	—	355	282	208	134
Software	26	21	36	49	38
Total intangible assets	26	1,659	1,438	1,213	964
Total investments and other assets	472	566	714	793	1,195
Total non-current assets	634	2,427	2,474	2,625	2,891
Total assets	3,821	5,229	6,142	7,039	11,471
Liabilities					
Total current liabilities	887	1,418	1,436	1,773	3,606
Total non-current liabilities	10	104	113	72	22
Total liabilities	897	1,522	1,549	1,846	3,629
Net assets					
Total shareholders' equity	2,922	3,709	4,596	5,196	7,842
Total net assets	2,923	3,706	4,593	5,192	7,842
Total liabilities and net assets	3,821	5,229	6,142	7,039	11,471

Consolidated Statements of Cash Flows

(Millions of yen)

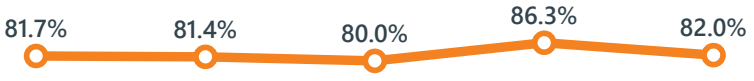
	FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Profit before income taxes	1,025	1,247	1,474	1,169	4,087
Depreciation	81	82	171	219	301
Amortization of goodwill	-	27	163	163	163
Decrease (increase) in trade receivables	(159)	(206)	(261)	(348)	(552)
Increase (decrease) in accounts payable — other	109	69	32	47	314
Increase (decrease) in accrued expenses	(39)	55	94	115	81
Income taxes paid	(394)	(316)	(572)	(458)	(464)
Net cash provided by (used in) operating activities	579	1,042	1,120	939	4,271
Net cash provided by (used in) investing activities	(290)	(1,523)	(463)	(481)	(432)
Dividends paid	(54)	(88)	(131)	(199)	(289)
Net cash provided by (used in) financing activities	(19)	(113)	(141)	(195)	(303)
Cash and cash equivalents at beginning of period	2,047	2,316	1,719	2,236	2,496
Cash and cash equivalents at end of period	2,316	1,719	2,236	2,496	6,035
Free cash flow	289	(480)	656	458	3,839

Non-financial Data

(Persons)

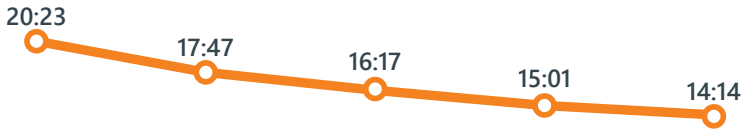
	FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3
Number of employees	452	561	747	1,044	1,230
Percentage of female employees	23.7%	25.0%	26.0%	26.0%	27.7%
Cloud business	218	280	381	538	706
IT outsourcing business	217	254	327	455	459
Administrative Division	17	27	39	51	65

Percentage of Paid Leave Taken



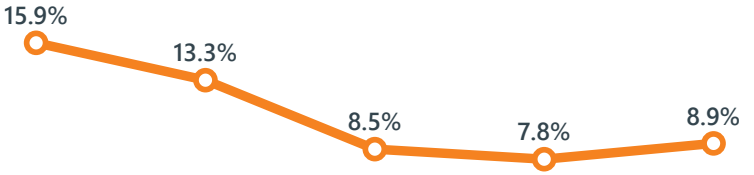
FY2017.3 FY2018.3 FY2019.3 FY2020.3 FY2021.3

Overtime Working Hours



FY2017.3 FY2018.3 FY2019.3 FY2020.3 FY2021.3

Turnover Rate

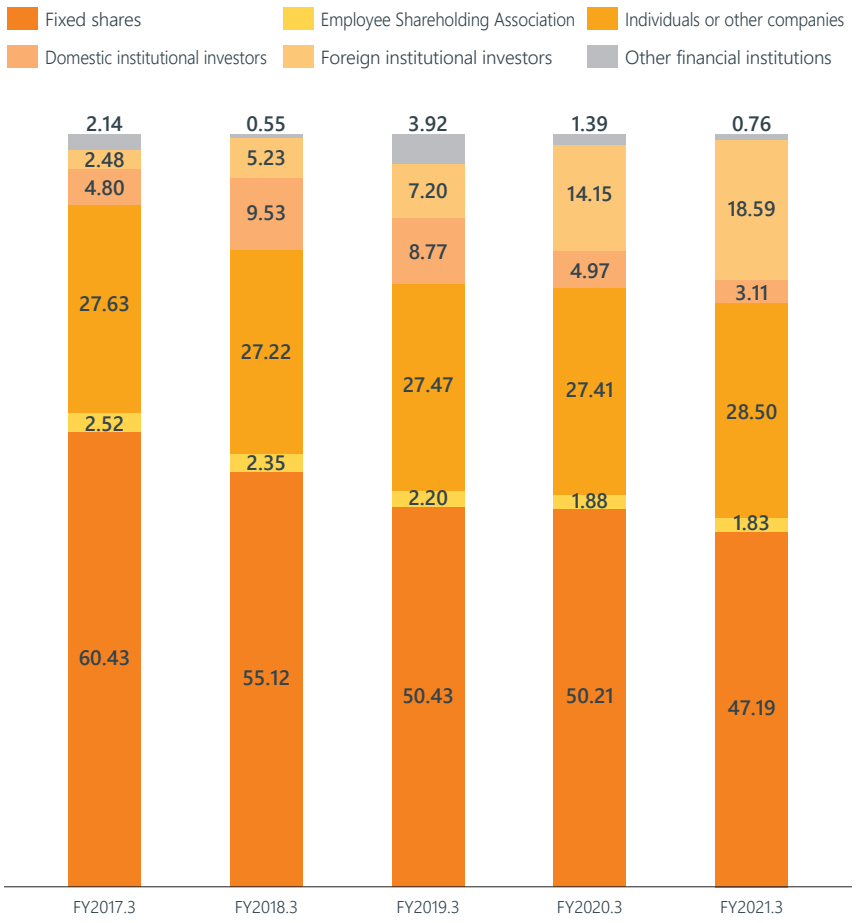


FY2017.3 FY2018.3 FY2019.3 FY2020.3 FY2021.3

Changes in Capital Structure and Dividends

Changes in Capital Structure

(%)



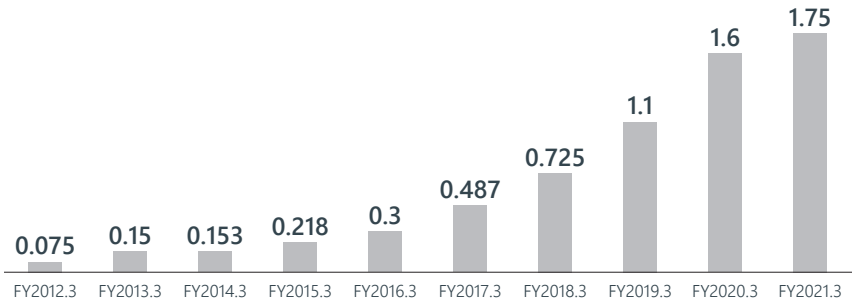
Top Ten Major Shareholders

Shareholder Name	No. of Shares Held	Shareholding Ratio*
Takanori Nakamura	62,256,700	34.4%
Yoshifumi Matsushima	9,340,000	5.2%
Hideyuki Inoue	9,040,000	5.0%
Shinichiro Motomatsu	8,800,000	4.9%
Fumihiko Asano	8,000,000	4.4%
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	4,394,100	2.4%
Noritsugu Ogawa	4,080,800	2.3%
RAKUS Employee Shareholding Association	3,326,300	1.8%
Toshihiro Nojima	2,800,000	1.5%
Custody Bank of Japan, Ltd. (Trust Account)	2,497,300	1.4%

*Shareholding ratio is calculated after deducting treasury shares (1,490 shares).

Changes in Dividends

(Yen)



Note:Figures after retroactively adjusting to reflect stock split

Company Outline & Group Structure

Company Name	RAKUS Co., Ltd.
Foundation	November 1, 2000
Capital	378,378,000 yen
Fiscal Year	From April 1 of each year to March 31 of the following year
Number of Employees as of the end of March 2021	Consolidated: 1,230
	Non-consolidated: 714
Stock Listing	First Section of the Tokyo Stock Exchange
Securities Code	3923
Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation
Auditing Firm	KPMG AZSA LLC

Group Companies	Business	Shareholding Ratio
RAKUS Light Cloud Co., Ltd.	Cloud-based software service provider	100%
RAKUS Partners Co., Ltd.	IT engineer dispatching	100%
	IT engineer career change support	
RAKUS Mirai Co., Ltd.	Production and sales of food products and operation of restaurants	100%
RAKUS Vietnam Co., Ltd.	Cloud service development	100%

RAKUS Co., Ltd. Headquarters	Link Square Shinjuku, 5-27-5 Sendagaya, Shibuya-ku, Tokyo
RAKUS Light Cloud Co., Ltd.	
RAKUS Mirai Co., Ltd.	
RAKUS Co., Ltd. Osaka Head Office	Umeda gatetower, 1-9, Tsurunocho, Kita-ku, Osaka-shi, Osaka
RAKUS Co., Ltd. Nagoya Sales Office	Taijuseimei Nagoya Building, 1-4-6 Nishiki, Naka-ku, Nagoya-shi, Aichi
RAKUS Co., Ltd. Fukuoka Sales Office	Tenjin Front Square, 2-1-10 Maizuru, Chuo-ku, Fukuoka-shi, Fukuoka
RAKUS Partners Co., Ltd.	TOKYU REIT Shinjuku Building, 4-3-25 Shinjuku, Shinjuku-ku, Tokyo
RAKUS Vietnam Co., Ltd.	Bldg. QTSC 9, 4th Floor, Street 3, Quang Trung Software City, Tan Chanh Hiep Ward, District 12, Hochiminh City, Vietnam.

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