RAKUS
SUSTAINABILITY REPORT 2022

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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 2021 to March 2022.

* 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.

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.

Leadership Principles

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

Takanori Nakamura President and Representative Director

Q. You published a sustainability report last year. What is the status of your ESG initiatives and information disclosure?

Publishing our first Sustainability Report last year provided us opportunities for discussion with many investors. Those discussions included numerous questions about materiality. We have been progressing discussions internally among management with a view to identifying materiality issues and publishing such information as soon as possible.

At our 22nd Annual General Meeting of Shareholders, Reika Saito, a lawyer, joined our board as an Outside Director. In addition to being a lawyer, because Ms. Saito also has experience overseas, she brings unique strengths to the board in terms of legal and overseas business experience. Going forward, we would like to consider expanding our business overseas, and in that event we expect Ms. Saito will bring her knowledge and experience to bear for us. From a governance perspective, Outside Directors account for 50% of our Board of Directors, so we believe we have strengthened our governance.

We are also progressing our efforts when it comes to investing in our people. We have been rewarding the efforts of employees who have been supporting the growth of the business by raising their salaries, continuously improving the working environment, and establishing a framework for employee wellbeing including the introduction of sick leave. We have also set up an enablement organization and, in addition to on-the-job training carried out in each business unit, we have started creating a framework to support training and

development. By providing ongoing support to help each employee develop his or her abilities, we plan to expand the organization while maintaining and improving quality.

In terms of the environment, as it is difficult to get carbon dioxide emission volumes at data centers in Japan, we disclose Scope 2 carbon dioxide emission volumes. We have also received requests from many investors about Scope 3 disclosures, so along with aiming to make early calculations we will determine our carbon neutrality goal.

Q. Please tell us about your business environment and performance for the fiscal year ended March 31, 2022.

We worked to realize the significant sales growth targets we set for the year, the first year of our Medium-Term Management Targets. During the year, with the issuance of state of emergency declarations and priority measures to prevent the spread of COVID-19 it was a challenging business environment. Yet sales well exceeded expectations, so it was a satisfying year from that perspective.

In the context of the increasing scale of our sales, it is difficult to achieve growth rates similar to those of the past. In aiming to achieve a 25-30% sales CAGR, the upper end of the range in our Medium-Term Management Targets, we have been able to accelerate our growth rate. In light of these results, we decided to raise the lower bound for the sales CAGR from 25% to 26%. We will continue working toward realizing growth at the upper end of the range, a 30% sales CAGR. We feel our growth has been well received, and we also have increasing confidence that we will achieve our growth targets.

Although we saw profits decrease across all income items, this was the result of bolstering our investment for growth in line with plan, including investment in hiring human resources and proactive advertising spend. We will achieve the profit of 10 billion yen in our Medium-Term Management Targets by meeting our sales goals, and by controlling SG&A in the final year just as we did at the time for the previous Medium-Term Management Targets.

We also redoubled our initiatives on hiring which is key for our business growth going forward. By increasing the number of people in our recruitment team, we have ensured sufficient time is devoted to hiring. Consequently, we have been able to welcome many new employees.

Q. What is your current management policy?

The key point to consider when we think about the future growth of our services is not competition with competitors but how to get potential customers to change their mindsets, like with the transition to digitalizing analogue business processes. As we have expanded the scale of the business, we have had sufficient capacity to invest in hiring and marketing strategies essential for growth. And we are aiming to achieve high sales growth through the acquisition of many new customers while continuing to proactively invest for growth.

However, we will not focus solely on sales growth but manage the business keeping a close eye on profits. We must ensure that we do not reduce our awareness of cost-benefit as we continue strengthening our investment for growth. Though we will remain thoroughly aware of our need to spend strategically, including from the perspective of temporarily raising our SG&A ratio to increase sales which results in a lower future cost ratio.

From the management perspective, ultimately, we believe that profits must increase. Although we will also place importance on cost-benefit, we will accept that investment efficiency will fall within acceptable limits during periods when sales growth is a priority. While continuing to grow in a balanced manner, we will make the organization capable of generating large profits.

For the time being we will disclose our plan semi-annually, and, by repeating the Plan-Do-Check-Act (PDCA) Cycle for our marketing strategy and budgets at pace, we will respond flexibly and quickly to changes in the business environment.

Q. What are your views on shareholder returns?

We believe continuing to pay dividends to provide a return to shareholders is important. Because our business is a subscription model where profit margins increase as sales increase, we see it as a business model that can continue to regularly generate profits and increased dividends each year. This year, we are planning to increase dividends for the eleventh consecutive year in line with our policy of increasing dividends each year.

As a manager, being aware of dividends is also an opportunity to consider our financial health. Because profits must be secured considering dividends, we believe that continuing to increase dividends improves the quality of management.

Q. Please tell us about your efforts to realize your long-term vision.

In addition to achieving our long-term vision and addressing social challenges in our mission, clarifying our purpose is important. To that end, we have clearly stipulated our vision and goals and we are striving to have them permeate throughout the company. Also, to avoid confusing ends and means, we have established our “Leadership Principles” which serve as a code of conduct. We are focusing on cultivating a corporate culture, including through training to provide a deeper understanding of the “Leadership Principles” so that new hires will be able to demonstrate their capabilities.

Our current Medium-Term Management Targets are important steps toward realizing our long-term vision. We will work toward the goal of achieving these Medium-Term Management Targets.

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.

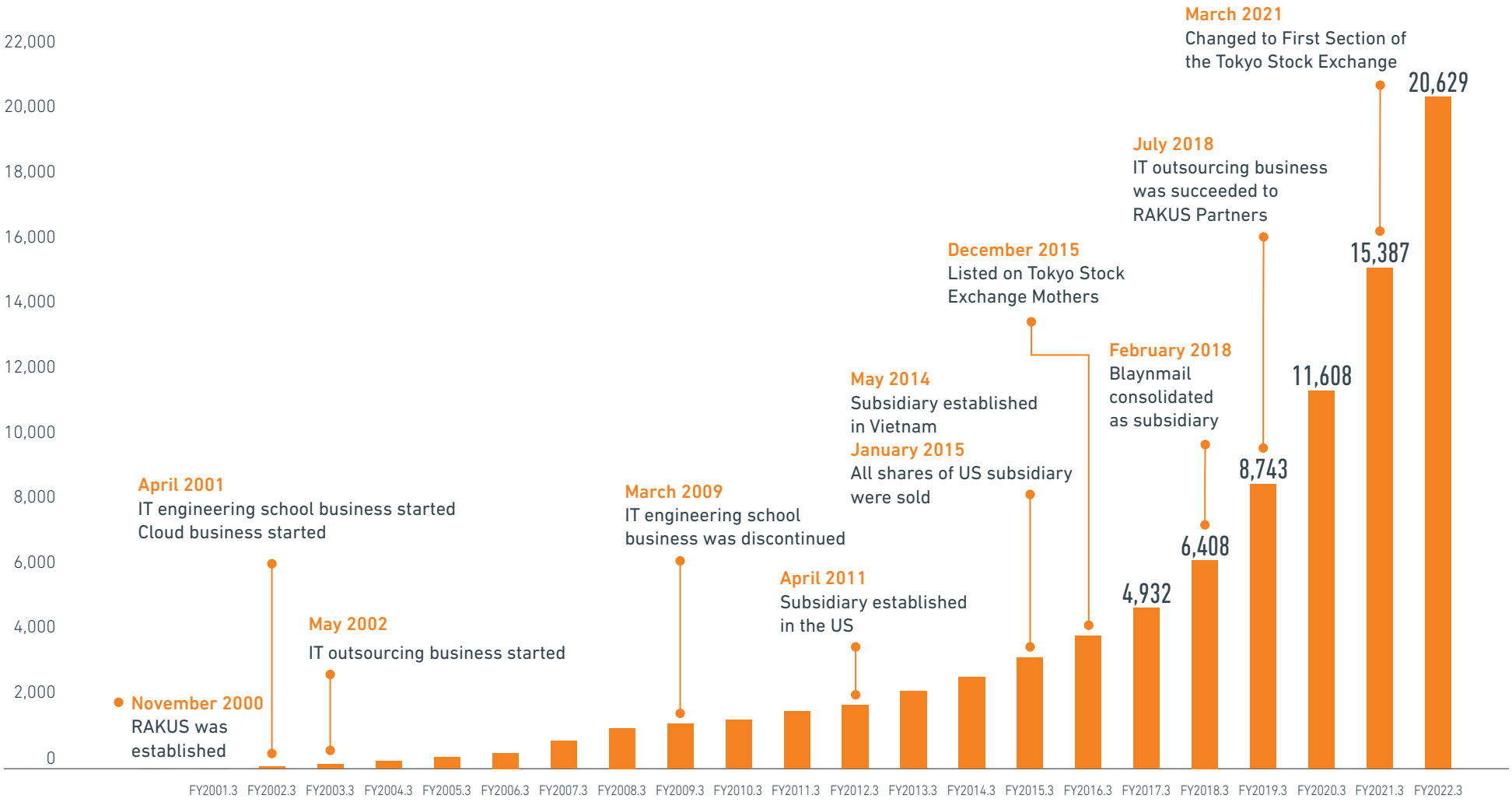
If we run into unforeseen challenges, such as the market being smaller or competitors being stronger than expected, we quickly withdraw to utilize the limited resources efficiently for company-wide growth. At the same time, taking on challenges in a wide range of fields has given us the expertise to 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.

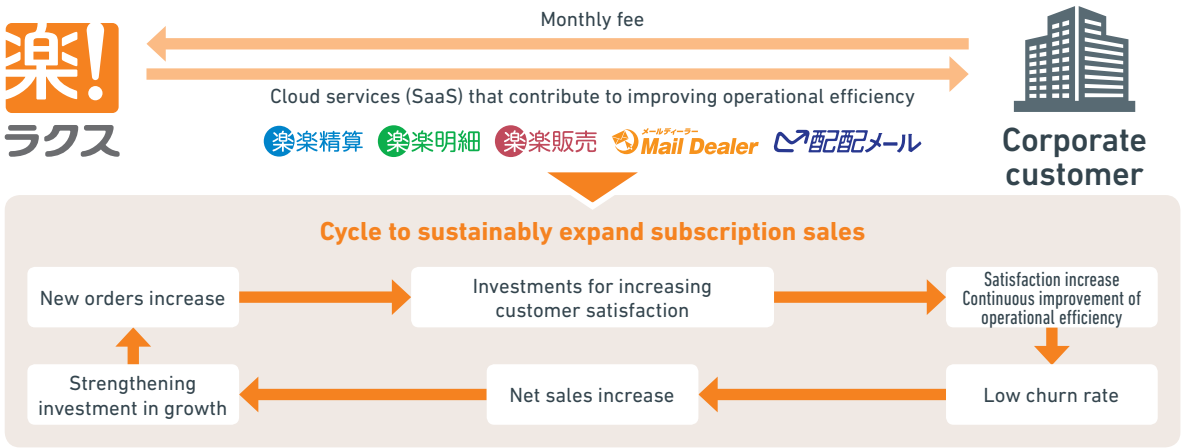
Growth Trajectory

Changes in Net Sales and Important Milestones



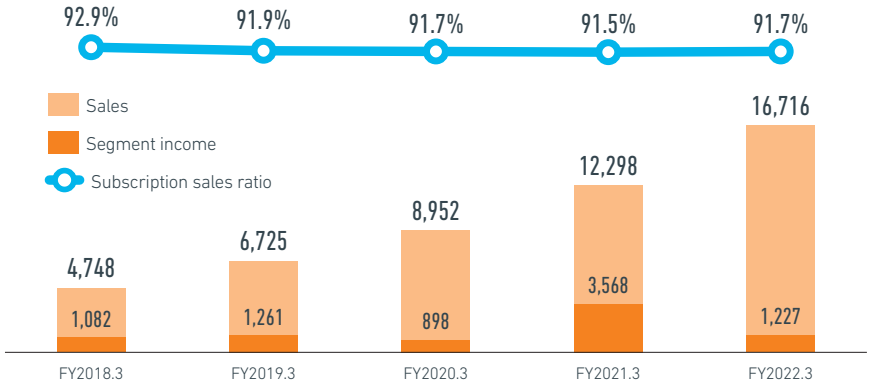
Business Model and Performance of Cloud Business

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)

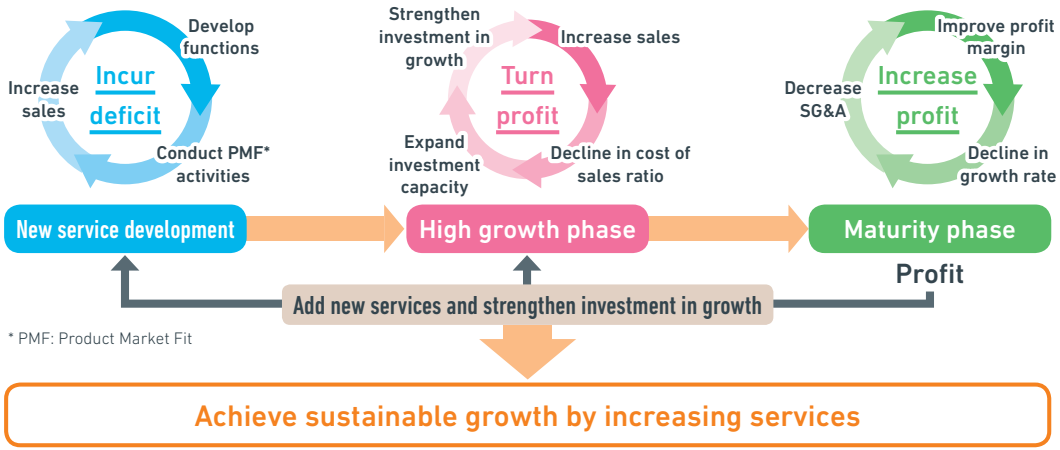
	FY2018.3	FY2019.3	FY2020.3	FY2021.3	FY2022.3
Raku Raku Seisan	1,601	2,579	3,935	5,559	7,658
Mail Dealer	149	326	552	1,177	2,260
Email distribution services	445	598	866	1,281	1,867
Raku Raku Hambai	939	1,410	1,573	1,963	2,367
Raku Raku Meisai	1,339	1,538	1,732	1,979	2,178
Others	274	273	291	336	384
Total of Cloud business	**4,748**	**6,725**	**8,952**	**12,298**	**16,716**

Features and Growth Strategy of Cloud Business

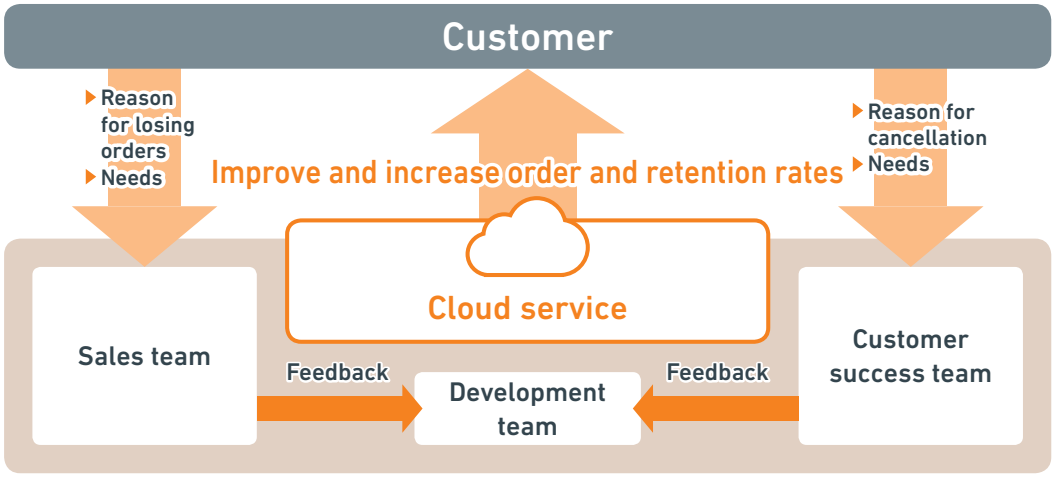
1. Offers subscription-based cloud services that contribute to improving operational efficiency
2. Best-of-breed focused
3. Aims for both profitability and high sales growth by managing a portfolio of multiple services
4. Strives for high sustainable sales growth by increasing the number of services

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



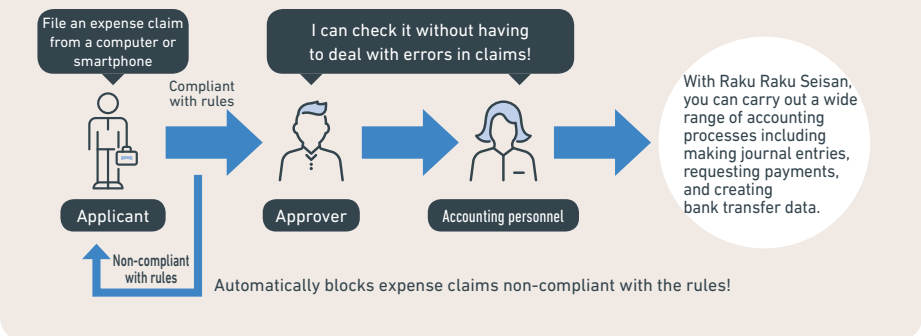
Service Improvement Cycle



Services

楽楽精算 Raku Raku Seisan

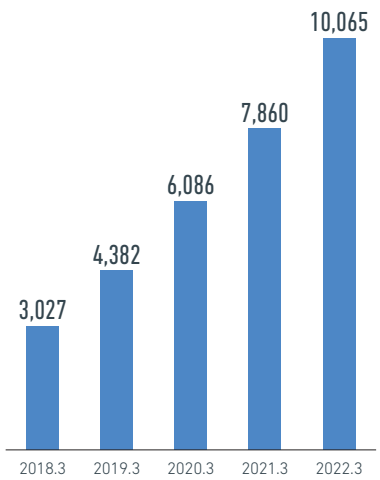
Dramatically reduces time and costs in settling expenses!



Solves all your expense settlement problems

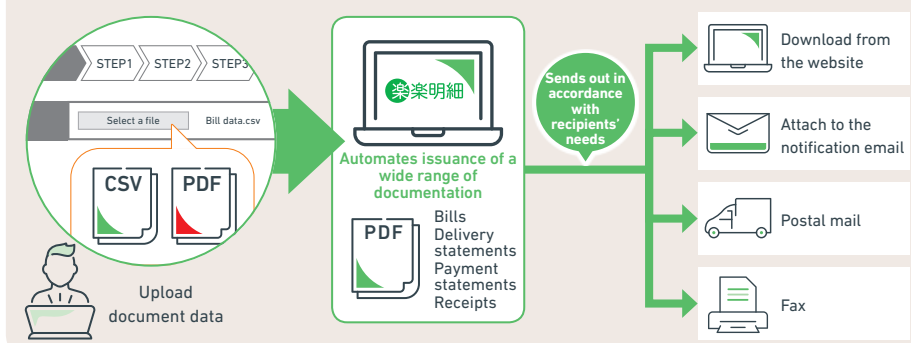
For many companies in Japan the expense settlement process is still paper-based. Managing and confirming so many documents takes up a considerable amount of time for accounting personnel. Raku Raku Seisan digitalizes the entire process, from claims to journal entry, reducing the time required to manage 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 Raku Raku Meisai

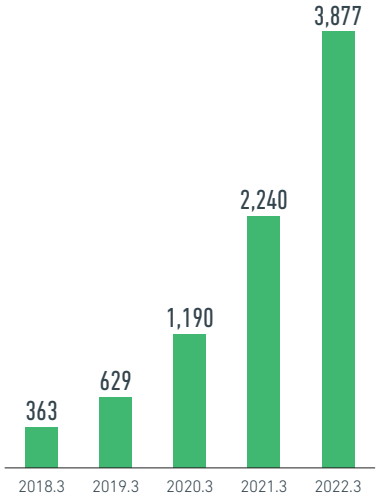
Eliminates the time-consuming work of printing, sealing, and sending bills



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.

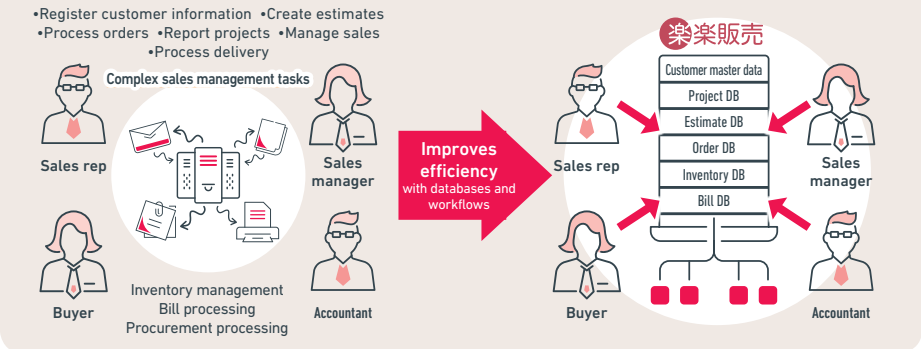
Cumulative Number of Companies Using the Service



Services

楽楽販売 Raku Raku Hambai

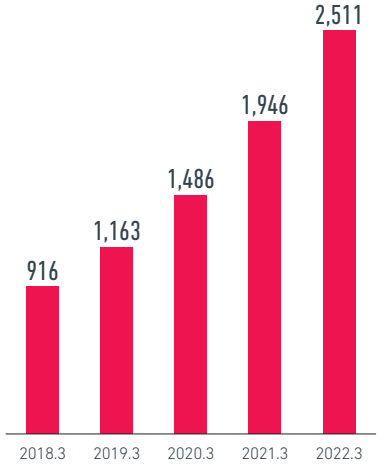
Automates and streamlines operations without the need for spreadsheets



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



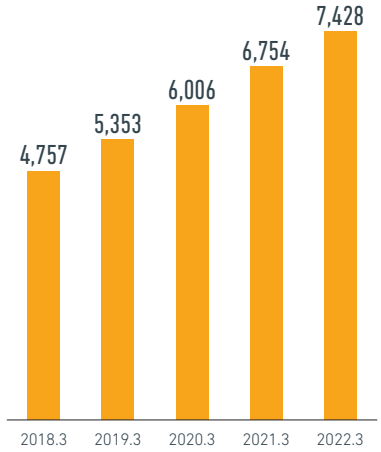
メールディーラー Mail Dealer

Improves operational efficiency through central management of emails

Improves operational efficiency by centrally managing inquiries

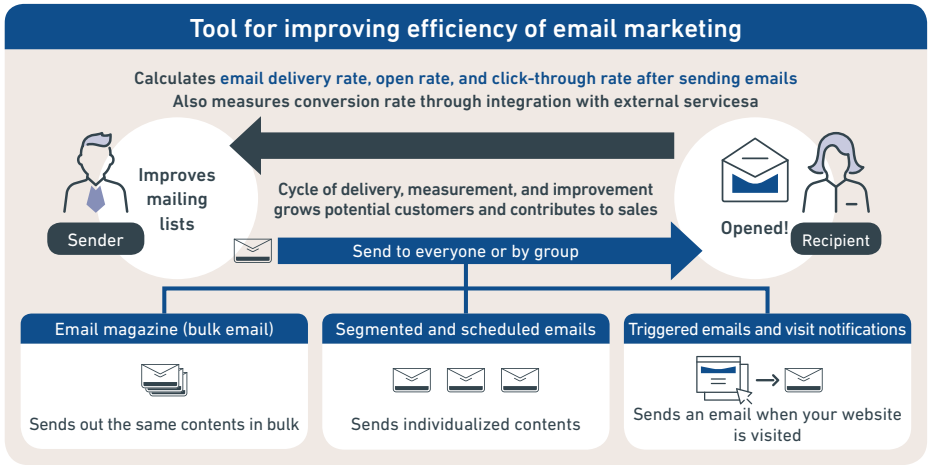
Mail Dealer is a system that improves efficiency of customer support operations by enabling teams to centrally manage and share email inquiries among members. It eliminates errors such as duplicate responses and lack of response, and enables smooth transition between team members through creation of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

Cumulative Number of Companies Using the Service



Services

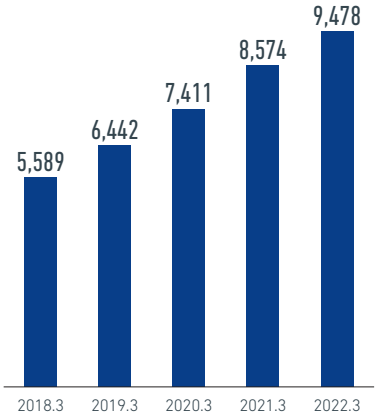
配配メール Hai Hai Mail



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



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 AI

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

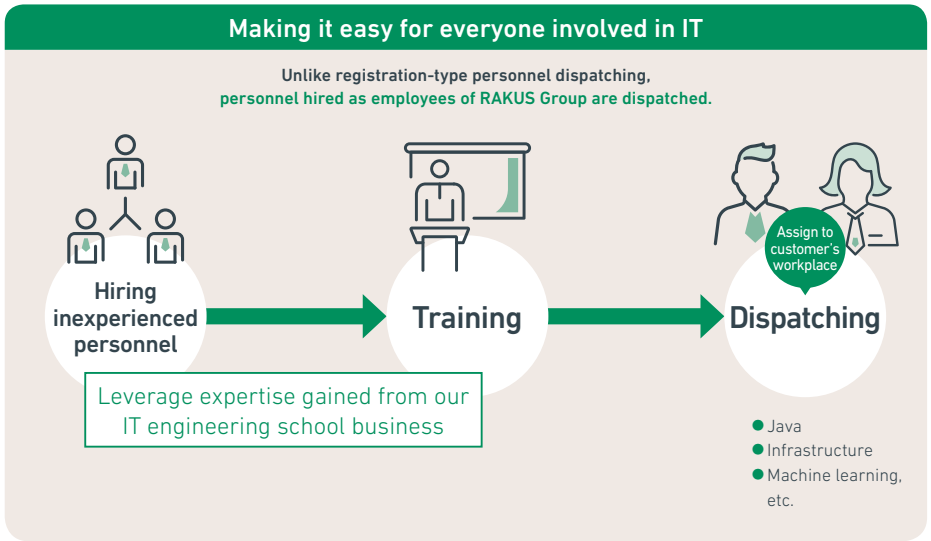
楽楽人事

Raku Raku Jinji is a human resources and labor management system that collects necessary information on the Web at the time of joining a company and enables centralized management of employee information. It can also conclude employment contracts online, making it possible to achieve a paperless system for documentation for new employees.

楽楽勤怠

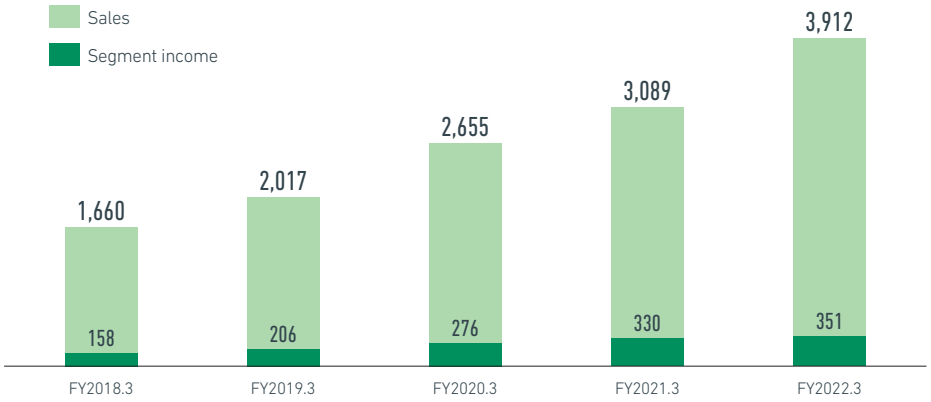
Raku Raku Kintai is an attendance management system that centrally manages employee attendance information. In addition to managing paid leave and overtime, it can also flexibly accommodate needs such as types of leave and employment specific to individual companies, thereby improving efficiency of attendance 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 26%–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 26–30% 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

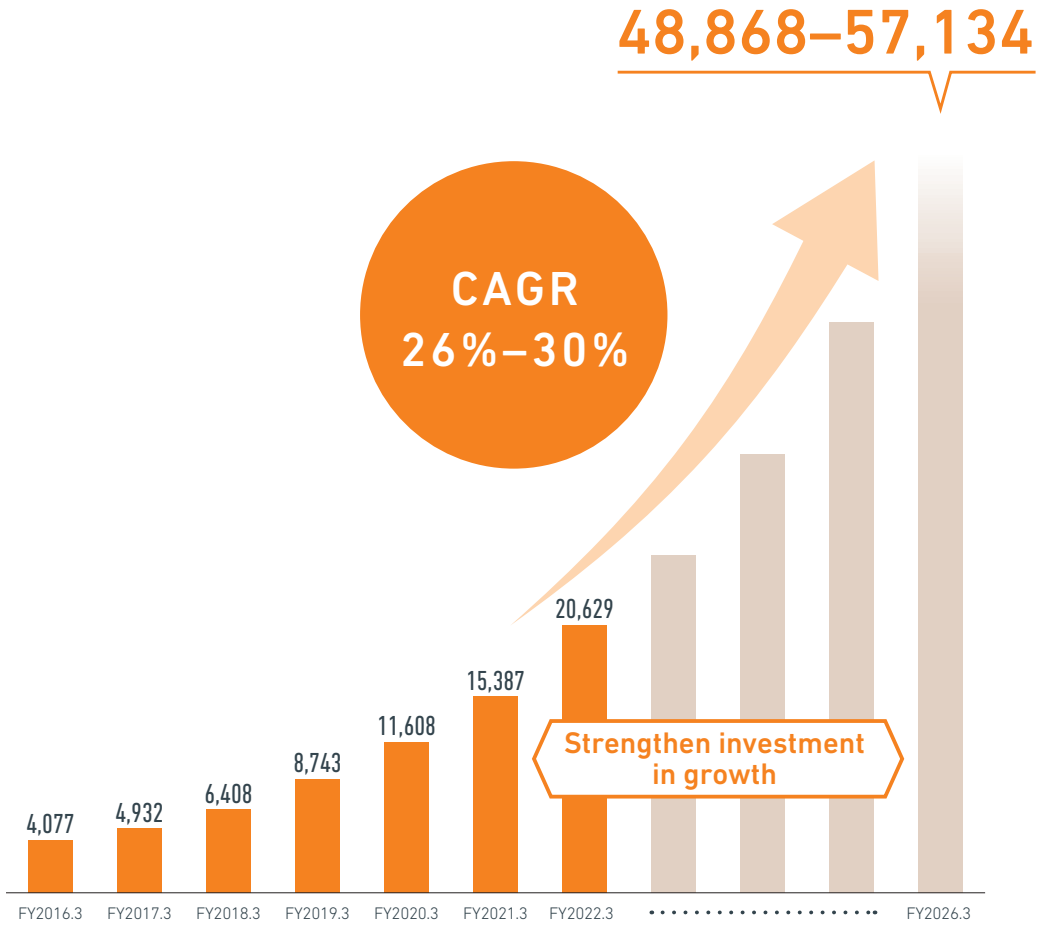
- Reduction in borrowing costs by enhancing our creditworthiness
- Mitigation of the impact of impairment generated by large or multiple business acquisitions

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.

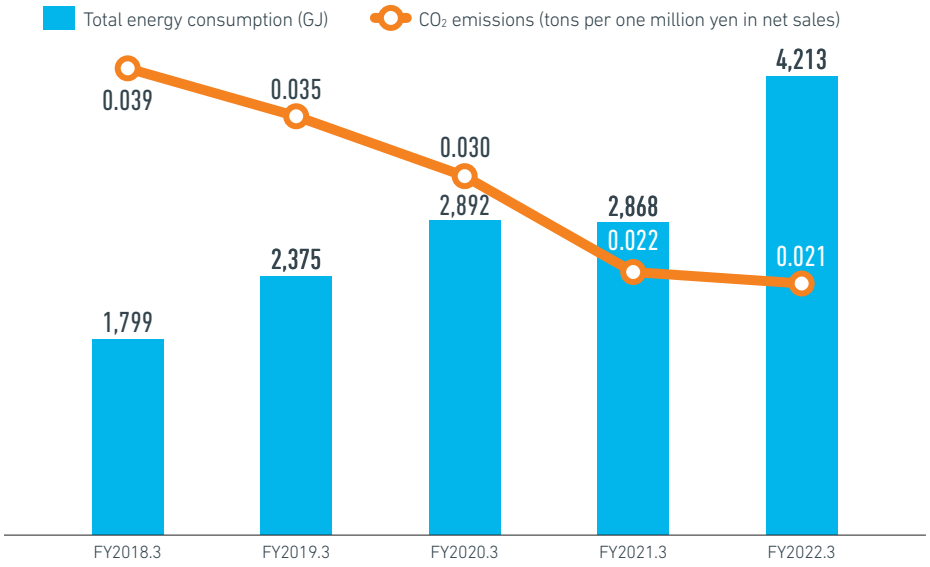
Changes in Net Sales and Its Targets

(Millions of yen)



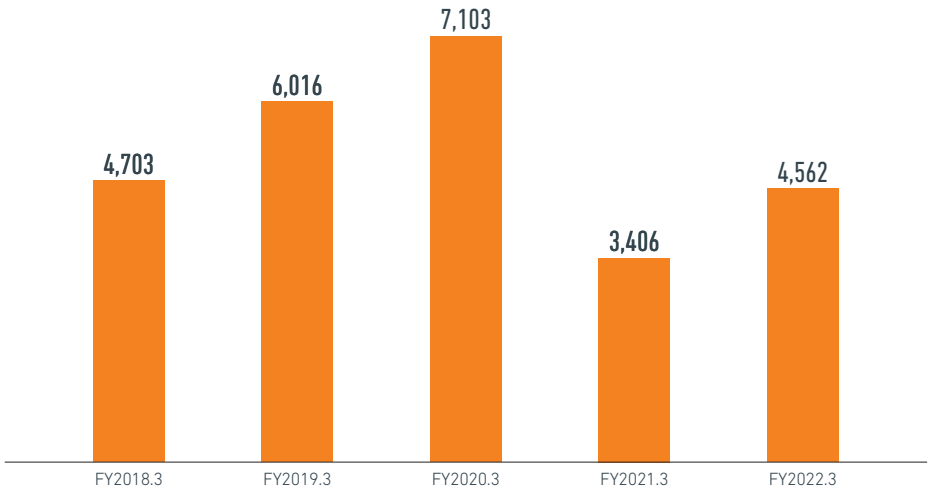
Environmental Data

Total Energy Consumption and CO_2 Emissions



Paper Usage

(Kg)

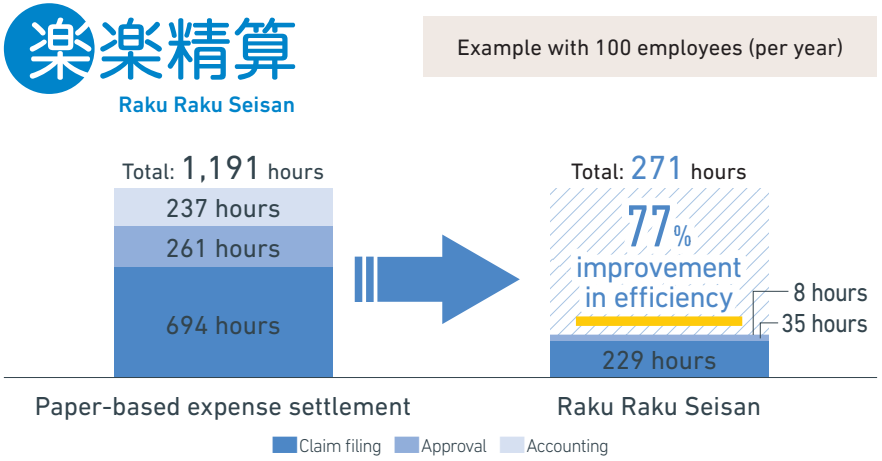


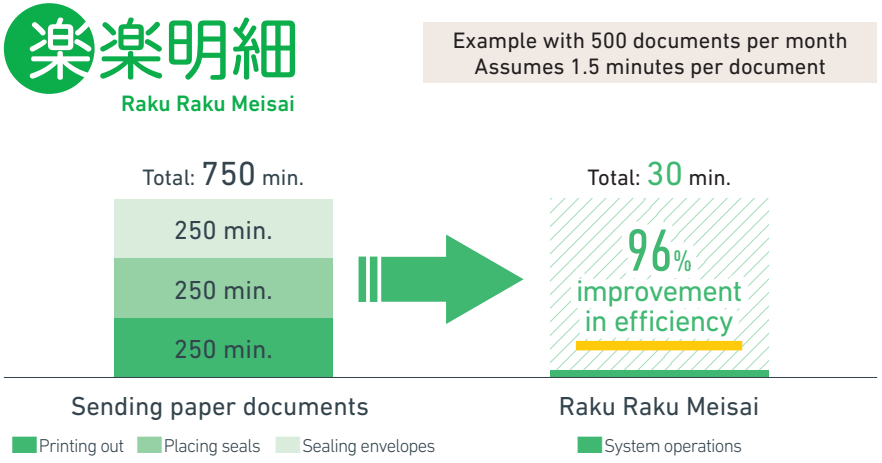
Goals

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 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

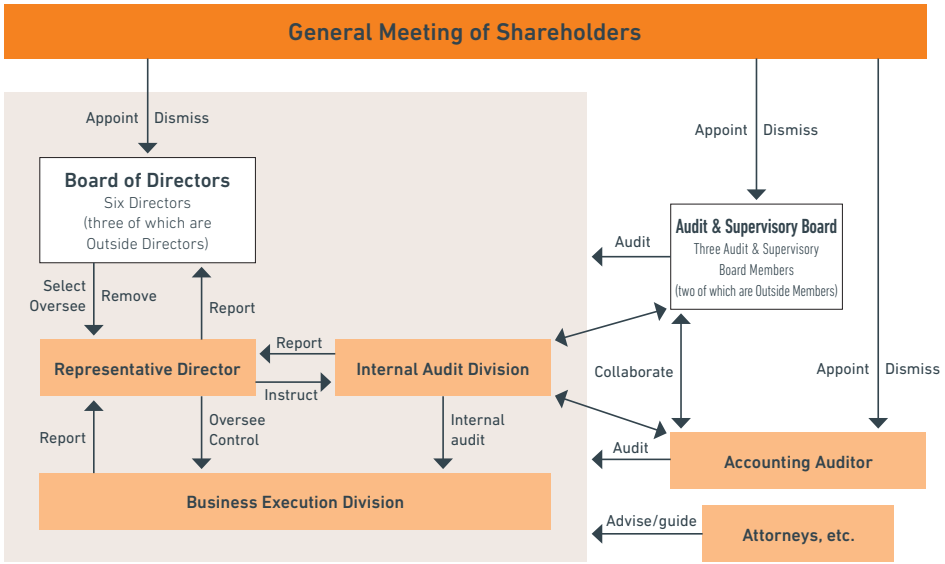
We adopted a corporate governance system that we believed was the best system for achieving our company's purpose at the time. Therefore, we will revise the system as needed in response to changes in the social and legal environment.

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.

(Millions 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)	68 (3)	63 (3)	5 (–)	6 (2)
Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)	8 (3)	8 (3)	– (–)	3 (2)
Total (Of which outside officers)	77 (7)	71 (7)	5 (–)	9 (4)

The above includes one Director who retired at the conclusion of the 21st Annual General Meeting of Shareholders held on June 25, 2021.

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**	26/26 meetings	
Director **Yoshifumi Matsushima**	26/26 meetings	
Director **Shinichiro Motomatsu**	21/21 meetings *	
Outside Director **Kenji Ogita**	26/26 meetings	
Outside Director **Yukihiko Kunimoto**	26/26 meetings	
Outside Director **Reika Saito**	— *	
Full-time Audit & Supervisory Board Member **Toshihiro Nojima**	26/26 meetings	13/13 meetings
Outside Audit & Supervisory Board Member **Koji Matsuoka**	26/26 meetings	13/13 meetings
Outside Audit & Supervisory Board Member **Natsuro Abe**	26/26 meetings	13/13 meetings

Director Shinichiro Motomatsu was appointed as Director after the 21st Annual General Meeting of Shareholders held in June 2021, so the number of times he attended the meeting after his appointment is shown. Outside Director Reika Saito was appointed as Director after the 22nd Annual General Meeting of Shareholders held in June 2022, so the number of times she attended the meeting in the previous fiscal year is not shown.

Directors/Audit & Supervisory Board Members

President and Representative Director

Takanori Nakamura

Born January 27, 1973 ● Shares held: 62,240,300

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: 8,814,300

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.

Directors/Audit & Supervisory Board Members

Outside Director

Reika Saito

● Born February 7, 1980 ● Shares held: 0

*Reika Saito's name is recorded as Reika Koumori in the family registry.

September 2007	Joined Ogasawara & Konno Law Firm
October 2008	Joined the International Legal Affairs Bureau, Ministry of Foreign Affairs of Japan (with limited term)
October 2009	Returned to Ogasawara, Konno & Rokugawa Law Firm
February 2012	Joined the Dispute Settlement Center for Nuclear Damages (part-time)
September 2012	Assigned overseas to Israel and Egypt
January 2018	Returned to Ogasawara, Konno & Rokugawa Law Firm
February 2021	Partner, Amita International Law Firm
June 2022	Outside Director, RAKUS (current position)

[Important concurrent positions]
Outside Audit & Supervisory Board Member, Grooves Inc.
Director, Forum on Future Vision

Reasons for selection

In addition to her professional knowledge and experience as an attorney-at-law, Reika Saito has experience as an Outside Audit & Supervisory Board Member at another company. The Company therefore nominated her for Outside Director, judging that she can provide supervision from an independent and objective standpoint and advice from a legal perspective on overall management.

Full-time Audit & Supervisory Board Member

Toshihiro Nojima

● Born March 3, 1974 ● Shares held: 2,640,000

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. (currently PLATFORM HOLDINGS Co., Ltd.) (current position)
June 2014	Outside Audit & Supervisory Board Member, RAKUS (current position)
October 2021	Representative Director, ANDB Co., Ltd. (current position)
October 2021	Representative Director, RESPa Co., Ltd. (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)

	FY2018.3	FY2019.3	FY2020.3	FY2021.3	FY2022.3
Net sales	6,408	8,743	11,608	15,387	20,629
Cost of sales	2,285	2,989	3,945	5,030	6,598
Gross profit	4,123	5,753	7,662	10,357	14,030
GP margin	64.3%	65.8%	66.0%	67.3%	68.0%
Selling, general and administrative expenses	2,882	4,285	6,487	6,459	12,452
Operating profit	1,241	1,468	1,174	3,898	1,578
OP margin	19.4%	16.8%	10.1%	25.3%	7.7%
Extraordinary income/losses	0	0	(8)	205	(52)
EBITDA*	1,357	1,809	1,561	4,346	2,158
Profit before income taxes	1,247	1,474	1,169	4,087	1,543
Total income taxes	372	455	369	1,150	465
Tax rate	29.9%	30.9%	31.6%	28.1%	30.1%
Profit attributable to owners of parent	874	1,018	799	2,936	1,078
Earnings per share	4.83 yen	5.62 yen	4.41 yen	16.20 yen	5.95 yen
ROE	26.4%	24.5%	16.3%	45.1%	13.1%
Equity ratio	70.9%	74.8%	73.8%	68.4%	73.6%

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

Consolidated Balance Sheets

(Millions of yen)

	FY2018.3	FY2019.3	FY2020.3	FY2021.3	FY2022.3
Assets					
Total current assets	2,802	3,668	4,413	8,580	8,419
Total property, plant and equipment	201	321	619	730	886
Goodwill	1,283	1,119	955	791	627
Customer relationship	355	282	208	134	61
Software	21	36	49	38	34
Total intangible assets	1,659	1,438	1,213	964	723
Total investments and other assets	566	714	793	1,195	1,671
Total non-current assets	2,427	2,474	2,625	2,891	3,281
Total assets	5,229	6,142	7,039	11,471	11,700
Liabilities					
Total current liabilities	1,418	1,436	1,773	3,606	2,977
Total non-current liabilities	104	113	72	22	106
Total liabilities	1,522	1,549	1,846	3,629	3,083
Net assets					
Total shareholders' equity	3,709	4,596	5,196	7,842	8,604
Total net assets	3,706	4,593	5,192	7,842	8,617
Total liabilities and net assets	5,229	6,142	7,039	11,471	11,700

Consolidated Statements of Cash Flows

(Millions of yen)

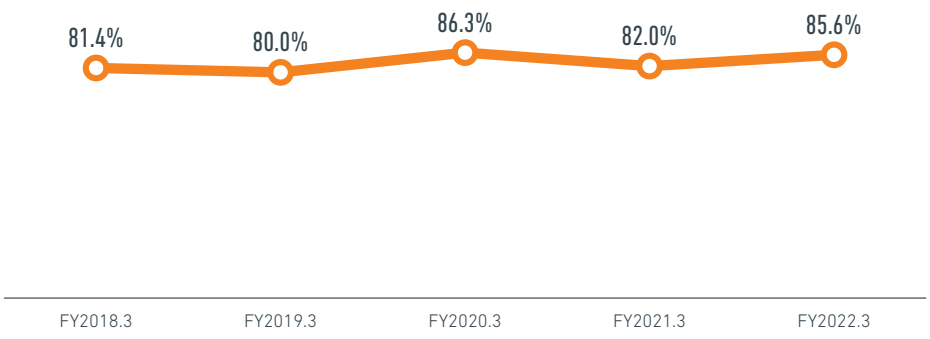
	FY2018.3	FY2019.3	FY2020.3	FY2021.3	FY2022.3
Profit before income taxes	1,247	1,474	1,169	4,087	1,543
Depreciation	82	171	219	301	399
Amortization of goodwill	27	163	163	163	163
Decrease (increase) in trade receivables	(206)	(261)	(348)	(552)	(680)
Increase (decrease) in accounts payable — other	69	32	47	314	501
Increase (decrease) in accrued expenses	55	94	115	81	282
Income taxes paid	(316)	(572)	(458)	(464)	(1,770)
Net cash provided by (used in) operating activities	1,042	1,120	939	4,271	(11)
Net cash provided by (used in) investing activities	(1,523)	(463)	(481)	(432)	(877)
Dividends paid	(88)	(131)	(199)	(289)	(317)
Net cash provided by (used in) financing activities	(113)	(141)	(195)	(303)	(295)
Cash and cash equivalents at beginning of period	2,316	1,719	2,236	2,496	6,035
Cash and cash equivalents at end of period	1,719	2,236	2,496	6,035	4,861
Free cash flow	(480)	656	458	3,839	(888)

Non-financial Data

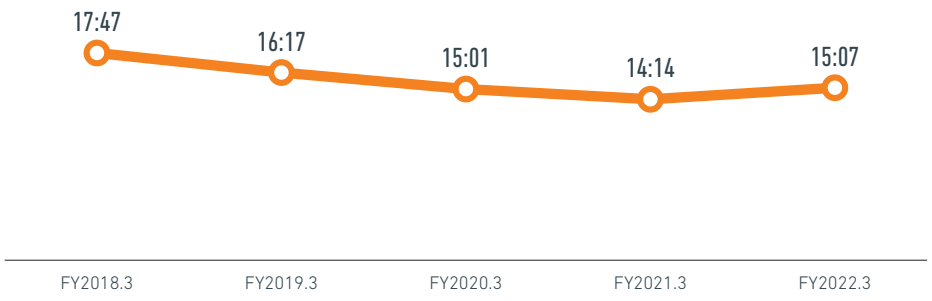
(Persons)

	FY2018.3	FY2019.3	FY2020.3	FY2021.3	FY2022.3
Number of employees	561	747	1,044	1,230	1,720
Percentage of female employees	25.0%	26.0%	26.0%	27.7%	28.8%
Cloud business	280	381	538	706	958
IT outsourcing business	254	327	455	459	668
Administrative Division	27	39	51	65	94

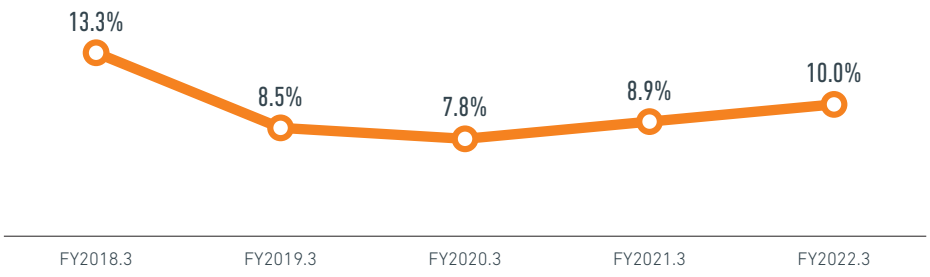
Percentage of Paid Leave Taken



Overtime Working Hours



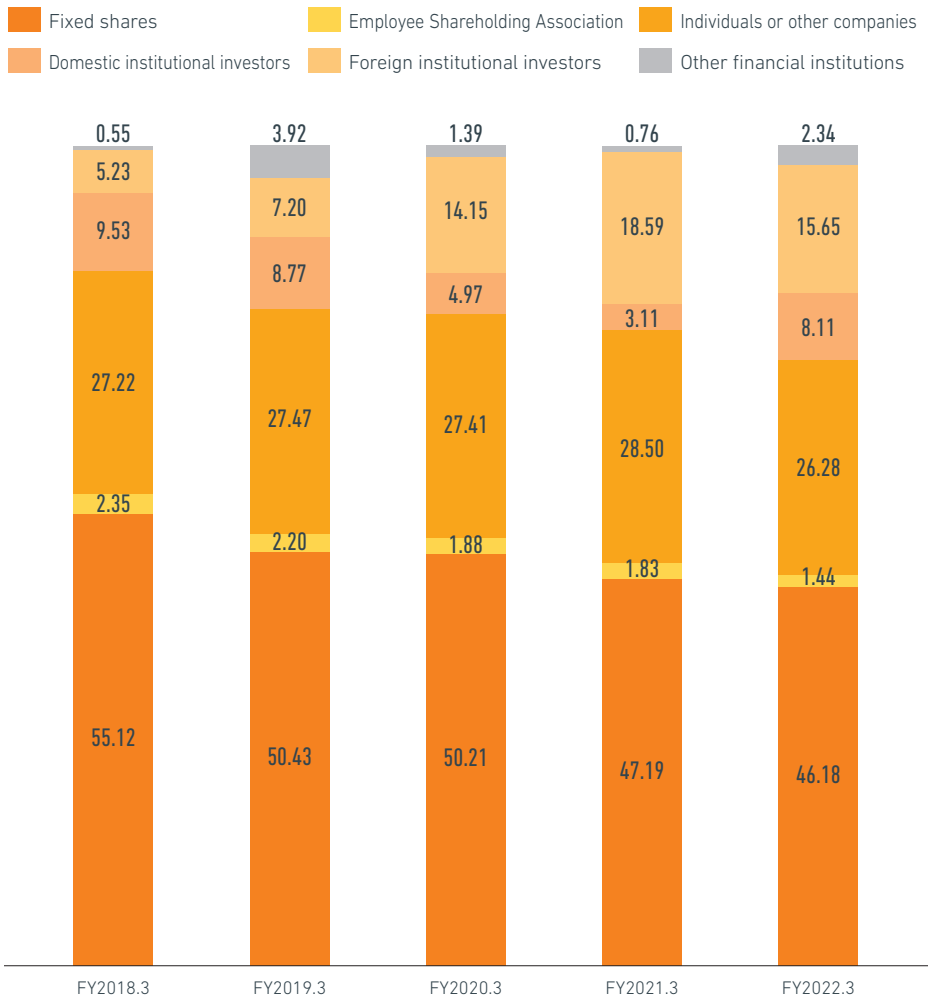
Turnover Rate



Changes in Capital Structure and Dividends

Changes in Capital Structure

(%)



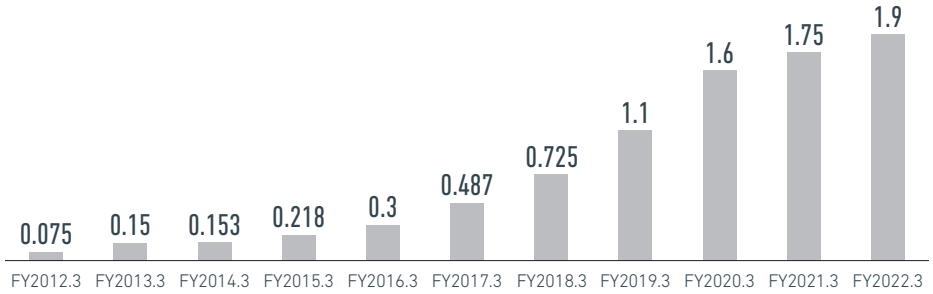
Top Ten Major Shareholders

Shareholder Name	No. of Shares Held	Shareholding Ratio*
Takanori Nakamura	62,240,300	34.4%
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,513,600	5.8%
Yoshifumi Matsushima	9,340,000	5.2%
Shinichiro Motomatsu	8,814,300	4.9%
Hideyuki Inoue	8,000,400	4.4%
Fumihiko Asano	8,000,000	4.4%
Noritsugu Ogawa	4,000,000	2.2%
MSCO CUSTOMER SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	2,992,844	1.7%
Toshihiro Nojima	2,640,000	1.5%
RAKUS Employee Shareholding Association	2,610,700	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 2022	Consolidated: 1,720
	Non-consolidated: 983
Stock Listing	Tokyo Stock Exchange Prime Market
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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