

Explanatory Materials for Business Plan and Growth Potential



rakumo Inc.

(TSE Mothers: 4060)

August 13, 2021

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- II. Overview and Features of SaaS Services
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I. Company Profile



To make it easier for users to use
our services

raku (easiness)



To make it available for users to
use the services on the cloud

kumo (cloud)

Make your work easier and make it fun.



With this vision, we develop our business with subscription-based business models on the cloud in order to provide companies with services that contribute to the improvement of their operational productivity and efficiency (work style).

In addition, the Group's business policy is to provide them with high-quality IT services that support a wide variety of their common operations at an affordable cost for them to introduce without paying significant IT investment costs.

Company Profile

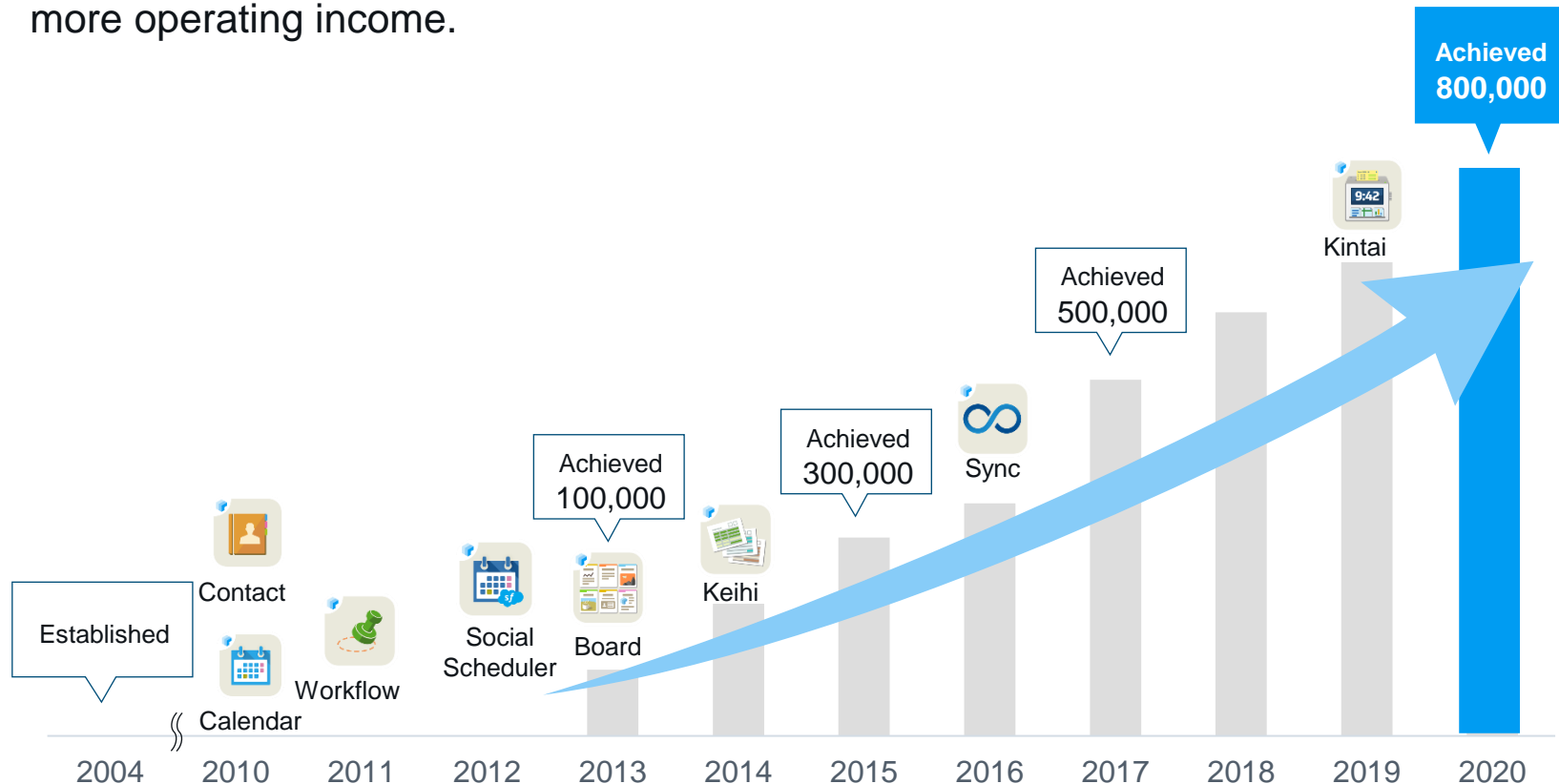


The Company was established as an IT consulting company in 2004. Since 2010, the Company has developed SaaS services.

Company name	rakumo Inc.		 Google Cloud Premier Partner (Build, Sell)	 Salesforce AppExchange Partner
Head office location	3-2 Koji-machi, Chiyoda-ku, Tokyo			
Established	December 17, 2004			
Management	President and CEO	Daisuke Mitarai	Outside director	Osamu Higuchi
	Director CTO	Yasuharu Tajika	Full-time outside corporate auditor (accountant)	Misako Hata
	Director COO	Kumiko Kawamoto	Outside corporate auditor	Yoshinari Noguchi
	Director CFO	Yuya Nishimura	Outside corporate auditor (lawyer)	Koji Ebato
Number of employees	90 (consolidated) (as of the end of June 2021) (excluding officers and part-time workers)			
Consolidated subsidiary	RAKUMO COMPANY LIMITED (Vietnam)			
Major shareholders	Management members, HENNGE K.K.			
Major businesses	1. SaaS services	Providing various licensing services focusing on our own products		
	2. Solution services	Providing consulting services primarily to help clients introduce our own products		
	3. IT offshore development services	Providing IT development services centered on laboratory development (team composition to meet clients needs) through the subsidiary in Vietnam		
Clients	Services have been provided to a wide variety of clients (introduced by 2,125 companies) (as of the end of June 2021)			
Distributors	We have established relationships with more than 100 distributors (sales partners)			

Company History (changes in developed products and the number of licenses)

- Responding to the needs of a wide variety of clients, we have offered a variety of products to the market in a timely manner. As of the end of June 2021, we had more than 920,000 licenses.
- For the fiscal year ended December 2020, the consolidated operating income was a record high of ¥134,317,000 (16.3% operating income ratio). For this fiscal year, we aim to raise operating income to ¥212,422,000 (21.0% operating income ratio).
- We will continue to work to increase the number of licenses and earn more operating income.



Management Members

Well-balanced management structure covering management and business know-how, IT technology, and governance



Daisuke Mitarai, President and CEO

1996 Joined Nippon Telegraph and Telephone Corporation
1999 Established WAAG Technologies Co., Ltd. and assumed President and CEO
2004 Established Nihon Gigei, Inc. (currently rakumo) and assumed President and CEO (current position)
2005 Outside director of istyle Inc.
2018 Chairman (current) of RAKUMO COMPANY LIMITED (Vietnam)



Yasuharu Tajika, Director CTO

1994 Joined Palo Alto Inc.
2000 Joined WAAG Technologies Co., Ltd.
2006 Joined the Company and has served until present



Yuya Nishimura, Director CFO

2005 Joined the Corporate Division of Sumitomo Mitsui Banking Corporation
2007 Joined the Investment Banking Division of Nomura Securities Co., Ltd.
2018 Joined the Company and has served until present



Kumiko Kawamoto, Director COO

1997 Joined Oracle Corporation Japan
2016 Joined Kyriba Japan Co., Ltd.
2018 Joined the Company and has served until present



Misako Hata, full-time outside corporate auditor (certified public accountant)

2005 Joined YUSEI Audit & Co. (currently Grant Thornton Taiyo LLC)
2010 Established Hata Misako Office and has served Chief (current position)
2019 Full-time corporate auditor (current position)

Osamu Higuchi, outside director

1985 Joined Sony Corporation
1990 Joined Lotus Development Japan Ltd. (currently IBM Japan, Ltd.)
1998 Joined Digital Garage, Inc.
1999 Joined Infoseek Co., Ltd. (currently Rakuten Group, Inc.)
2018 Assigned an auditor of archetype corporation (current position)
2021 Director of the Company (current position)

Yoshinari Noguchi, outside corporate auditor

1996 Joined Oracle Corporation Japan
2014 Full-time corporate auditor of VOYAGE GROUP, Inc. (current position)
2017 Corporate auditor of the Company (current position)

Koji Ebato, outside corporate auditor (lawyer)

2006 Joined Sato General Law Office
2014 Joined Kitahama Partners and assumed a partner in 2016
2019 Corporate auditor of the Company (current position)

Overview of the Company's Services

- As an IT business solutions business, we develop three services to meet diverse needs of our clients.
- SaaS services continue to account for more than 80% of net sales, while IT offshore development services, focusing on long-term contracts, have an advantage of continually generating revenues.

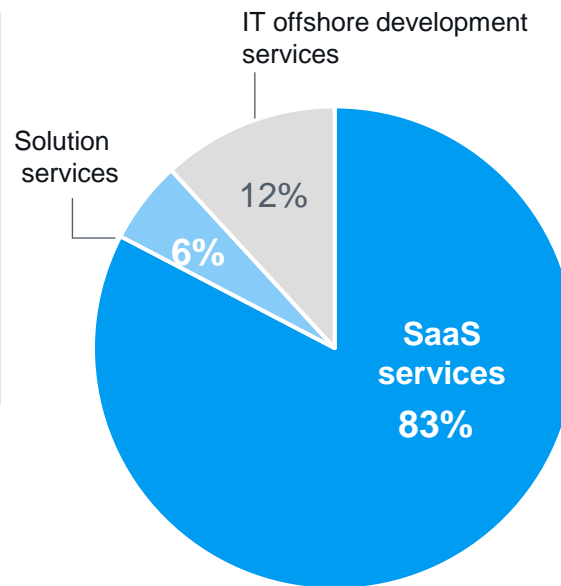
Solution services

Overview: Provision of solution services, including support for the introduction of SaaS services of the Company as well as of other companies and business support

Feature: Continuous revenues are expected as new SaaS services are signed and added.

IT offshore development services

Overview and Feature: Continuous revenues are expected mainly from laboratory-type* development.



Net sales composition by service

FY ended December 2020

SaaS services

Overview: In addition to development and sales services of rakumo products (Google Workspace version and Salesforce version), we provide sales of licenses of other companies.

Features:

Subscription-type recurring revenue model

1. We receive a service fee on a fixed term and fixed amount contract (subscription-type) according to the period of use and the number of users of the client company.
2. We have realized a continuous revenue model (recurring model) with a low churn rate. As a result, we have established continually cumulative business.

*In "laboratory-type" system development, we assign specific engineers for each client, organize a dedicated team, and continuously carry out development work for a certain period of time. The fixed team members make it possible for companies to accumulate their own development requirements and know-how, resulting in the benefits of securing human resources and cost reduction in areas other than personnel expenses.

II. Overview and Features of SaaS Services

1. Partnership Overview and Product Functional Features

Partnerships with Global Cloud Players

- We provide "Google Workspace version rakumo" on Google Cloud, a global cloud service provided by Google.
- We provide "Salesforce version rakumo" on Sales Cloud, a global cloud service provided by salesforce.com Co.,Ltd.



Google Cloud Premier Partner
(Build, Sell)



Salesforce AppExchange Partner

1 **"Global credibility and reputation"**

- Google and salesforce.com both have outstanding credibility and reputation as a global cloud player and our relationship with such global platform players has been significantly advantageous for our business.

2 **"Continuous market expansion (See pages 46 to 52.)"**

- In addition to the development of the market by the major platform players themselves, the development of the market by the distributors (sales partners) of the major platforms has been progressing steadily.
- Since the Company is a distributor of Google Workspace, it is possible not only to sell rakumo products to clients who have introduced Google Workspace, but also to expand the market by itself (the Company sells Google Workspace to clients to expand the market, as well as to sell rakumo products to them).

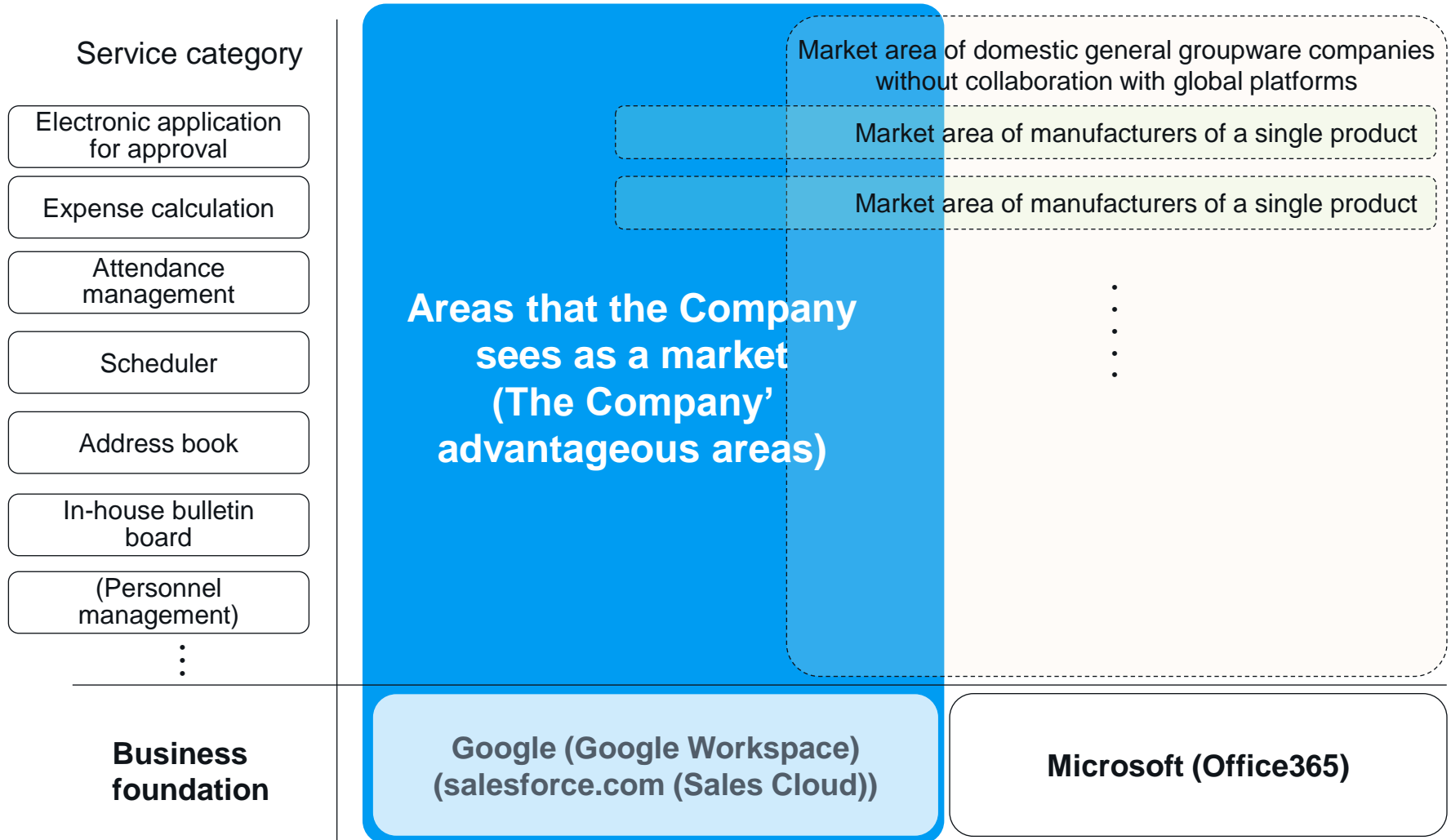
3 **"Barrier to entry"**

- We need product development and maintenance to meet platform specifications (including the development and operational knowledge of platform API and data, and application of the Company's services to UI design, and real-time synchronization).
- The Company's product lineup has reached a certain scale of coverage and number where it is possible to enjoy first-mover advantages.

Overview of the Company's Market and the Company's Competitive Service Areas



- We have competitive advantages in our services (within a blue frame below) for clients whose business base are on Google Workspace or Sales Cloud.
- We can work on expanding the market by reselling Google Workspace.



The Company's Unique Positioning in the Groupware* Industry

- The Company secures a unique positioning in the groupware industry because of its linkage with Google Workspace that provides business foundation tools (examples: document preparation, spreadsheet, presentation materials, e-mail, video conferencing, chat, file server, etc.).
- Although there are major listed companies that develop groupware products like ours, as mentioned above, the Company could be regarded as a "Google Workspace (business foundation tool) + rakumo (groupware)" that makes it possible to provide centralized services for a wide variety of client needs in different areas from major groupware companies.
- Although there are some companies that develop products on Google Workspace the same as the Company does, we believe that the Company has an advantage in terms of product lineup and quality.

Google Workspace

Everything links together
Full of business support functions by AI

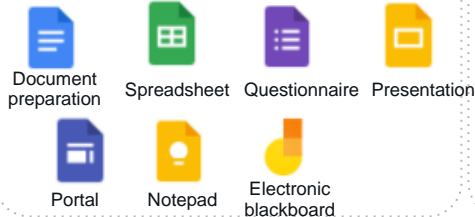


rakumo for Google Workspace

Common use of foundation such as user management of Google Workspace
Providing services for groupware areas

Preparation of materials

Everything goes on at the same time



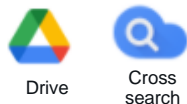
Contact

Able to contact anyone immediately by various means



Data retrieval

Quick and easy way to find information you need



Security

Easily and safely manage terminals and information



Attendance management



rakumo キンタイ

Application for approval



rakumo ワークフロー

Expense calculation



rakumo ケイビ

Schedule management



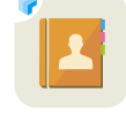
rakumo カレンダー

In-house bulletin board



rakumo ボード

Contact management

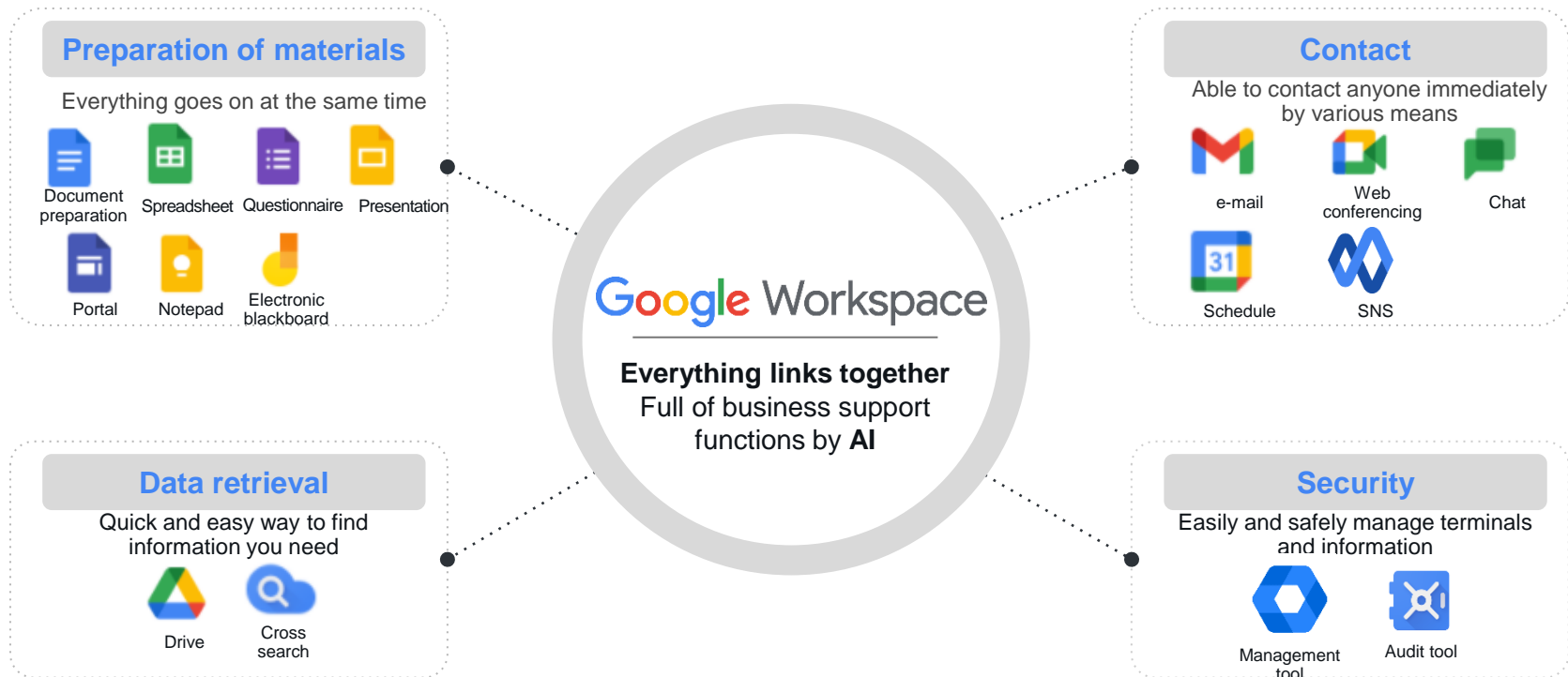


rakumo コンタクト

* "Groupware": This refers to software, which helps a company or organization facilitate their communication, share information, and streamline operations through their computer network and the Internet.

What Is Google Workspace (formerly G Suite)?









- Essential business foundation services
- The essential business foundation tools in a package will be provided on the cloud, featuring document preparation, spreadsheet, presentation materials, e-mail, video conferencing, chat, and file server.
- This enables not only individual operations, but also team operations to be more efficiently at high security level, that require team collaboration such as "preparation of materials," "contact," "data retrieval."



Rakumo Product Lineup ([introductory video](#))





















- Providing a wide range of business support tools as a Google Workspace version and Salesforce version on the cloud
- Extensive product coverage to meet a diverse client needs

	Product name	Summary and functions	Video URL
Google Workspace version	 rakumo Calendar	Shared scheduler Linkage with Google Calendar, reservation for meeting rooms and facilities, and Keihi linkage	Introductory video
	 rakumo Contact	Shared address book Employee list, customer and business partner information management, and linkage with Gmail	Introductory video
	 rakumo Workflow	Electronic application for approval system Extensive approval process setting, flexible application form preparation, and linkage between Keihi and Kintai	Introductory video
	 rakumo Board	Electronic bulletin board Comment and reaction functions, circulation board, access setting	Introductory video
	 rakumo Keihi	Expense calculation system Fare and transfer information linkage, calendar workflow linkage	Introductory video
	 rakumo Kintai	Attendance management system Flexible working style setting, clock-in IC card/the Web, calendar linkage	Introductory video
Salesforce version	 rakumo Social Scheduler	Shared calendar Redesign of Salesforce Calendar, linking to clients and business negotiation data, etc.	-
	 rakumo Sync	Calendar synchronization service Bidirectional synchronization service for Google Calendar and Salesforce Calendar	-

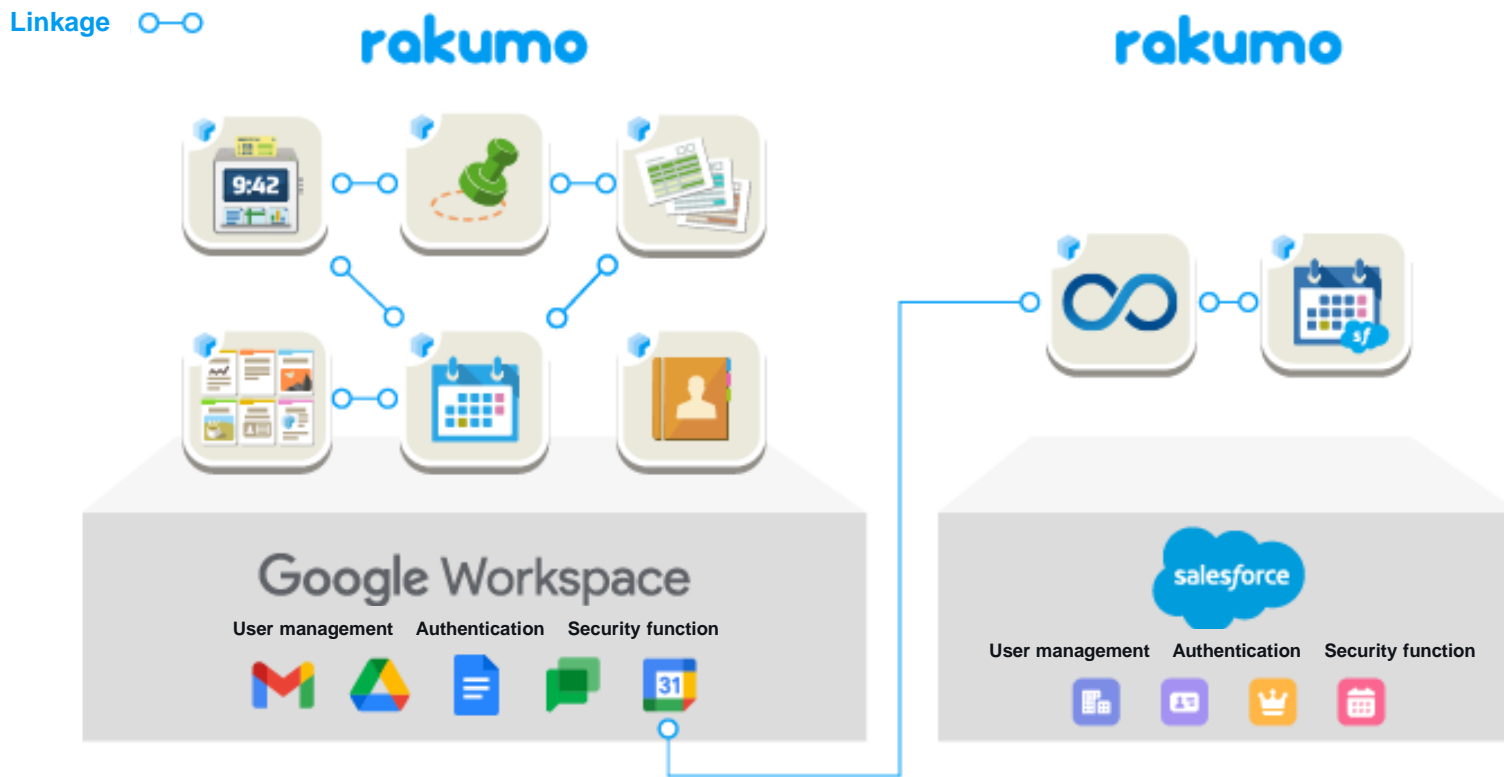
Price Range of rakumo Products

In addition to the required functional unit, products can be delivered in a package at the best price for the client.

	Product name	1 ID unit price (Monthly)	rakumo Basic Pack	rakumo Suite Pack
Google Workspace version	 rakumo Calendar	100 yen	Monthly fee: 390 yen    	Monthly fee: 780 yen      
	 rakumo Contact	50 yen		
	 rakumo Workflow	300 yen		
	 rakumo Board	150 yen		
	 rakumo Keihi	300 yen	-	
	 rakumo Kintai	300 yen	-	
Salesforce version	 rakumo Social Scheduler	900 yen		
	 rakumo Sync	400 yen		

* The above prices are tax-exclusive.

Linkage between products is available to avoid duplicate input, providing users with convenience and efficiency. In addition, no duplicate input will contribute to the reduction of errors.





Electronic application for approval system improves operational efficiency and facilitates internal communication

1 Application for approval

Anyone can easily prepare an application form.



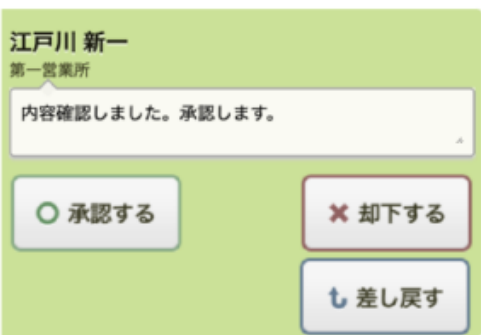
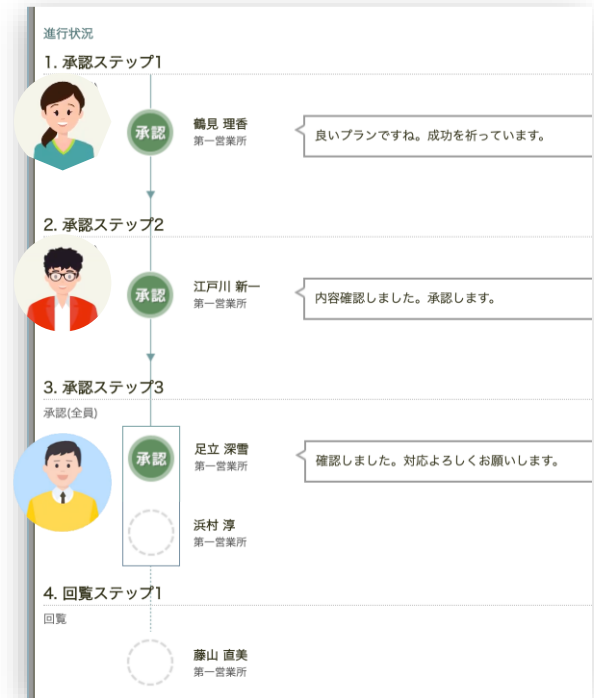
2 Approval process

Timely application and approval are available at any time and any place.



3 Approval progress can be monitored at any time.

The comment function contributes to facilitating internal communication.



Product Introduction 2 Kintai



Unit price: 300 yen/ID

[Introductory video](#)



The attendance management system enables visualization of attendance status and the efficiency of attendance registration.

- Users can intuitively understand their own working status (working hours, paid leave status, etc.) on one screen.
- This system contributes to the efficiency of registration of working hours and various application procedures (for paid leave, etc.) through various clock-in methods.

日付	勤務パターン	出勤時刻	退勤時刻	休憩時間	実働時間	備考	申請	7	9	11	13	15	17	19	21
12/1 (日)							+								
2 (月)	通常	8:58	19:34	1:00	9:36		+		[Green bar representing working hours]						
3 (火)	通常	8:48	19:31	1:00	9:43				[Green bar representing working hours]						
			19:06	1:00	8:25				[Green bar representing working hours]						
			19:47	1:00	9:46				[Green bar representing working hours]						
							+		全休(年休)						
							+								

Various applications can be submitted on one screen.

- Application for leave
- Application for work on holidays
- Application for late-night work
- Application for late for work/early leave from work

Variety of clock-in methods

Easy and accurate time registration is available at any time and any place.

Working hours, overtime working hours and the status of taking paid leave can be monitored at any time.

所定労働日数	20日	時間外労働時間	7:11	深夜労働時間	0:00	有給休暇(年休+特休)	残り8日
所定労働時間	160:00	法定内	7:11	休日労働時間	0:00	代休・休日	残り0日
実労働日数	19日	法定外	0:00	所定休日	0:00	有給取得時間(年休・特休など)	8:00
実労働時間	159:11	みなし	33:00	法定休日	0:00	無給・欠勤・遅刻・早退	0:00

最終集計時刻: 2020年2月17日 15:39

No duplicate input or duplicate response through linkage between products improved efficiency and reduced errors.

Register a schedule of going out on rakumo Calendar

(1) Enter the destination on Calendar

(2) Select the route on Calendar
(Automatic search for the route and costs)

(3) Automatic registration on Calendar
(Traveling time is also automatically blocked)

Linkage with rakumo Workflow

(5) Application for approval and approval
(Automatic linkage and no additional input)

Linkage with rakumo Keihi

(4) Automatic registration of transportation expenses and transportation routes
(Automatic deduction for commuter pass section expenses)

(Reference)

Commendation at ITreview

We received various awards at "ITreview Grid Award 2021 Summer."



rakumo (Google Workspace version)

- Groupware division
- Google Workspace extended feature division

rakumo Workflow

- Workflow division
- Google Workspace extended feature division



rakumo Kintai

- Attendance management system division

rakumo Board

- Team collaboration division

1. Products work closely with Google Workspace and Sales Cloud, contributing to streamlining business processes, increasing business accuracy, and improving the efficiency of service management.
(See pages 10 to 13 and 17, etc.)
2. Client-specific flexible service provision and reasonable pricing (one service is available for one user at a reasonable price without an initial cost)
(See pages 15 and 16, etc.)
3. Multiple services enable more efficient operations through data process linkage between services.
(See page 20, etc.)

II. Overview and Features of SaaS Services

2. Characteristics of Business Models and Business Foundation

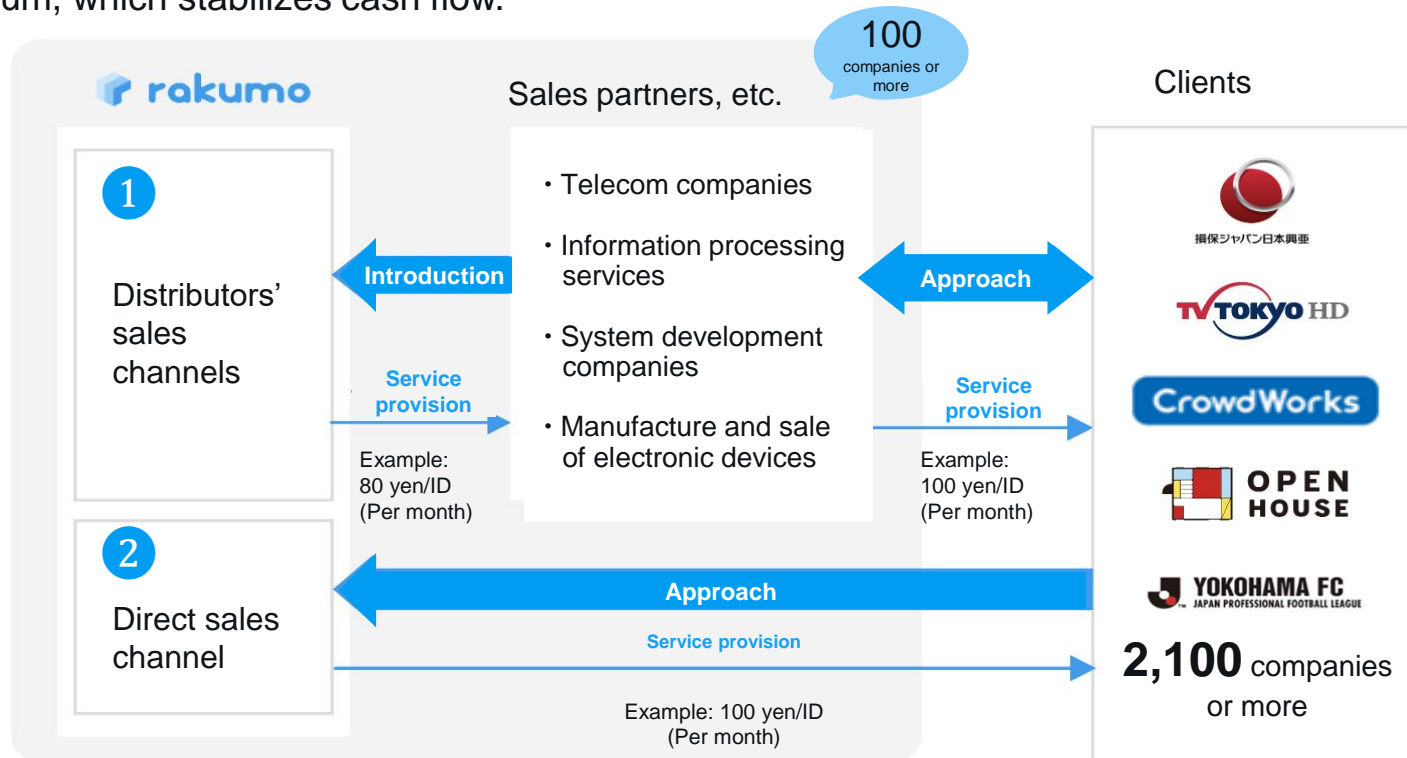
Flow per Sales Channel and Earnings Structure per Channel

- We construct an efficient sales mechanism through (1) close cooperation with distributors (sales partners) and (2) direct sales channels focusing on the approach (inbound) from clients via the Internet resulting from effective marketing measures.
- The earnings structure has a mechanism where most sales of additional SaaS services become gross profits as they are.

Since the Company's net sales to sales partners is recorded at a wholesale price (80 yen/ID in the figure below), net sales and operating expenses in accounting do not include the margin (100 yen - 80 yen = 20 yen in the figure below) via the sales partner, and therefore net sales $\hat{=}$ gross profit.
 (Example: When selling 3 IDs through the sales partner and 1 ID directly to a client, $3 \times 80 \text{ yen} + 1 \times 100 \text{ yen} = 340 \text{ yen} = \text{net sales of the Company} \hat{=}$ profit)

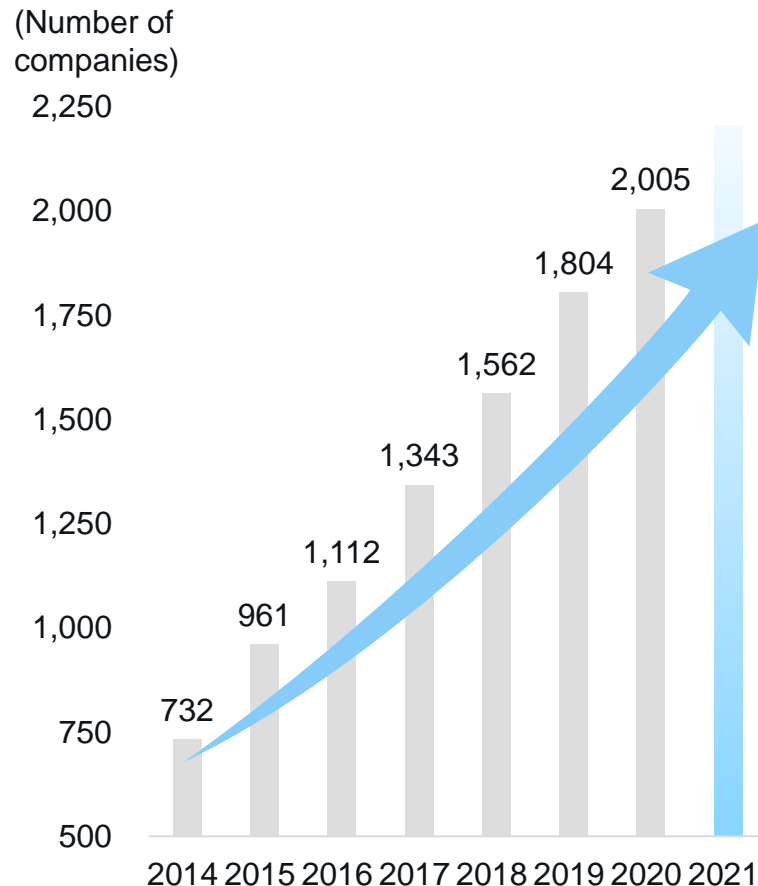
(See page 30 for marginal profit ratio ((net sales - variable cost)/net sales))

- As we mainly make annual contracts and multi-month contracts, we receive contract amounts in advance in a lump sum, which stabilizes cash flow.



We provide services to more than 2,100 clients regardless of their sizes and industries.

Changes in the number of clients (companies)



Clients (from large companies to venture companies)



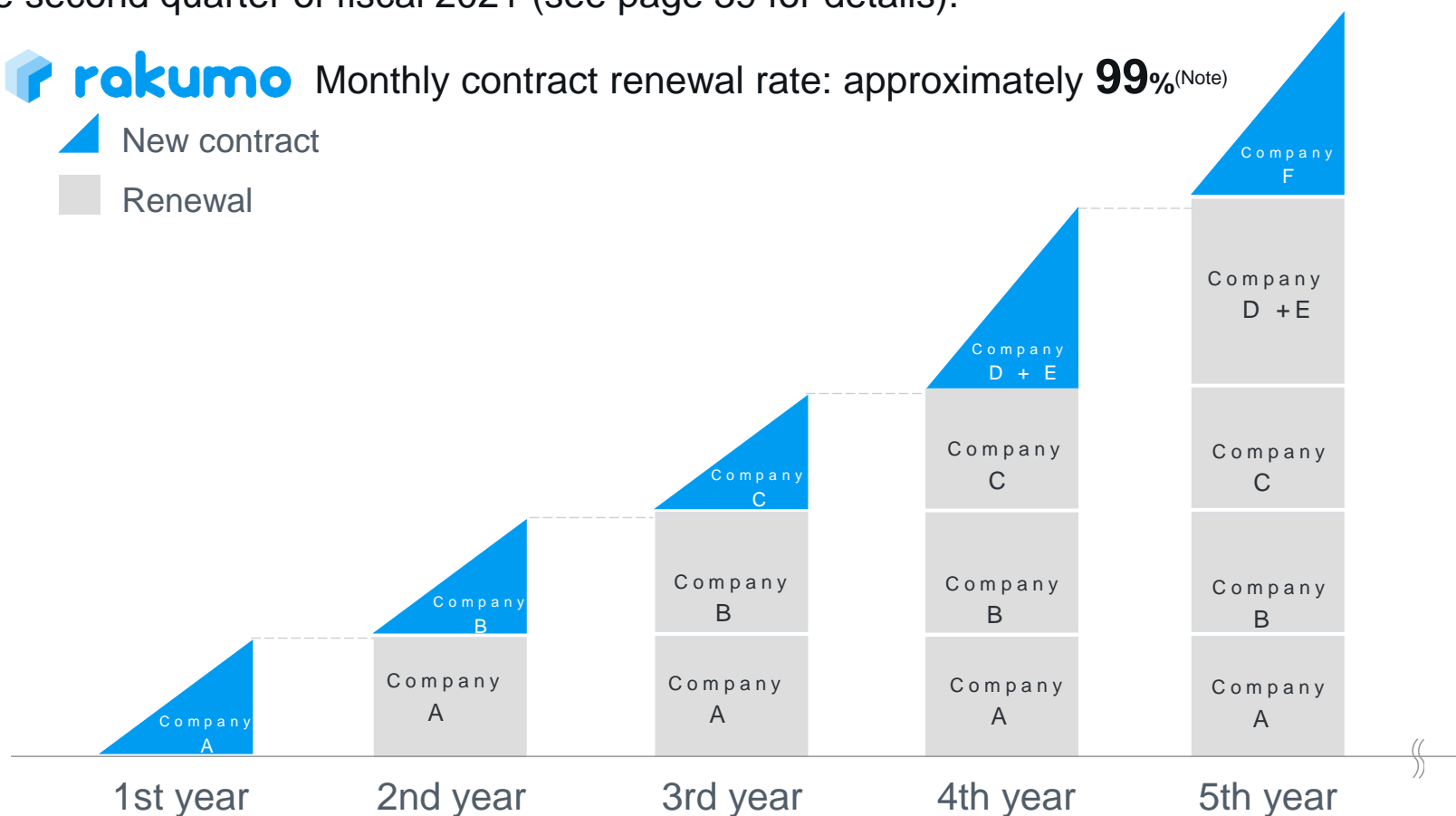
Overall Image

- New contracts contribute to sales growth in the following fiscal year (cumulative model), achieving stability and growth potential.
- Thanks to a high contract renewal rate (low churn rate), the majority of new contracts contribute to sales in the following fiscal year and beyond. In FY 2020, the churn rate further improved from 1.13% to 0.93% through various measures, and remained at a low level in the second quarter of fiscal 2021 (see page 39 for details).



Monthly contract renewal rate: approximately **99%**^(Note)

- New contract
- Renewal



Note: The average monthly contract renewal rate for the full year 2020.

Image of a Client

- As clients grow, **additional ID** orders are expected and sales unit prices are expected to increase.
- In addition, the Company features an extensive product portfolio, generating **service addition** (example: a client that had introduced Workflow also introduced Kintai), contributing to a higher unit price per company.



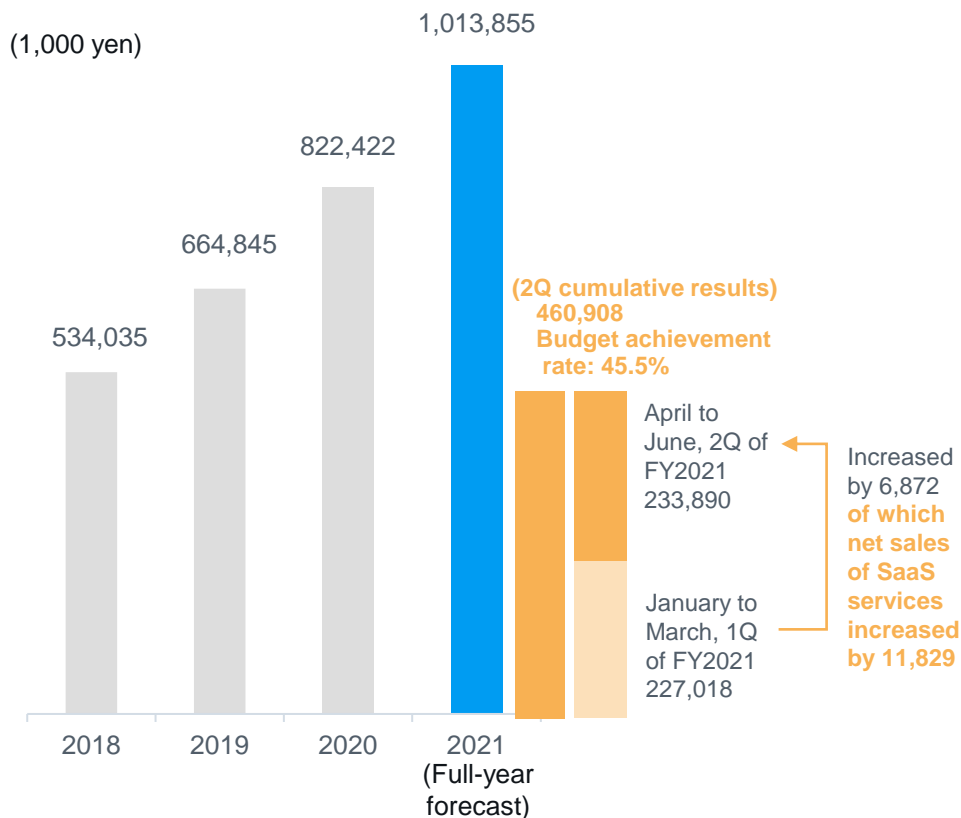
III. Financial Results of the Company

(Including Earnings Status and
Cost Structure)

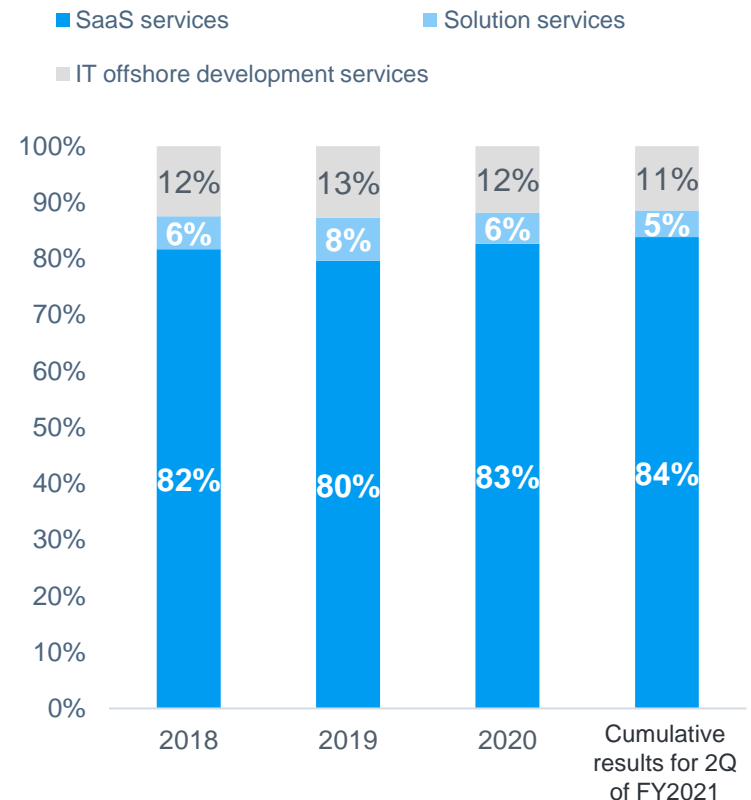
Trends in Net Sales and Net Sales Composition by Service

- Sales increased steadily each fiscal year. In fiscal 2021, net sales increased from the first quarter to the second quarter. In particular, SaaS services, the Company's main services and recurring model, increased by about 12 million yen.
- As the Company's business model focuses on SaaS services where net sales accumulate (net sales progress) toward the end of fiscal year, the future sales budget achievement rate is expected to improve.
- Net sales of SaaS services that combine growth and stability will continue to account for more than 80%.

Net sales



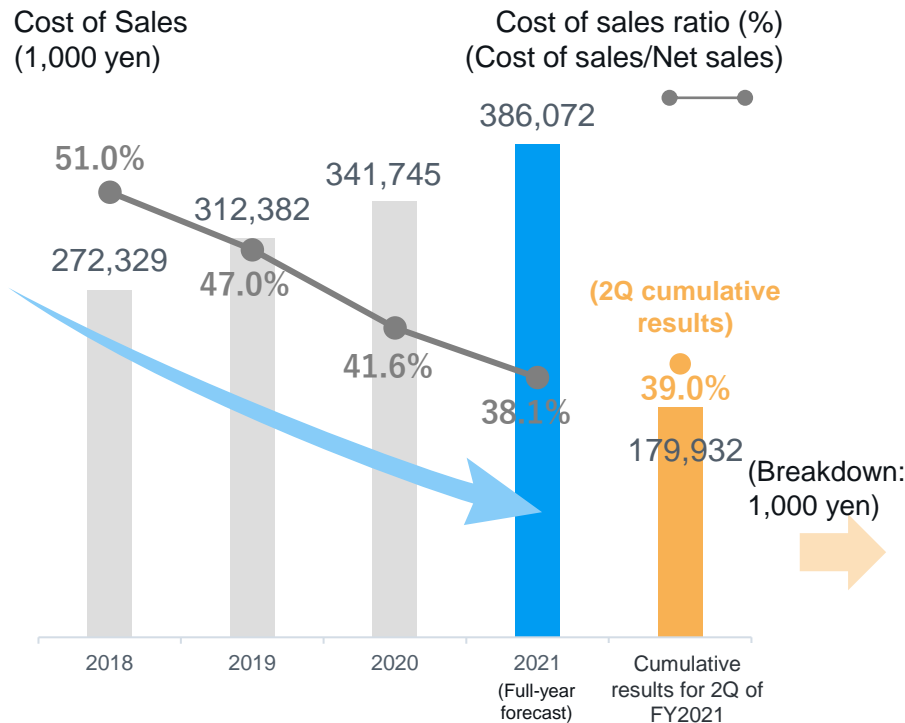
Net sales composition by service



Cost of Sales

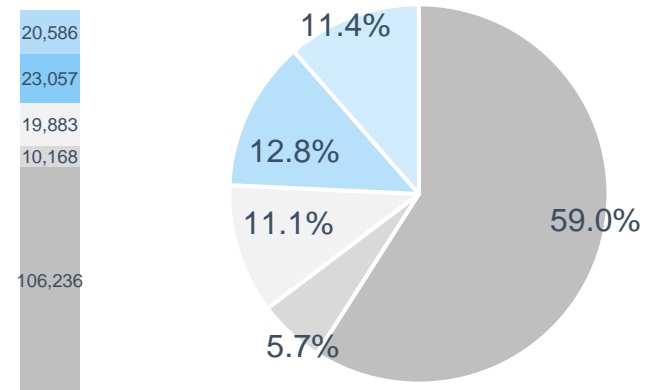
- Cost of sales are mainly fixed costs such as personnel expenses (please refer to the pie chart at the bottom right).
- Steady growth in net sales and the cost of sales structure centered on fixed costs led to a solid improvement in the cost of sales ratio.
- We aim to make further improvement (38.1%) in the current fiscal year, and the cumulative total for the second quarter of fiscal 2021 decreased as planned.
- The variable cost ratio of SaaS services in the cost department (Server costs for Google + Platform usage fees (salesforce.com) ÷ net sales of SaaS services) further improved from the previous year's level to 11.3% in the cumulative second quarter of fiscal 2021, maintaining a high marginal profit ratio (88.7%) in SaaS services.

Cost of sales and cost of sales ratio



Composition ratio of cost of sales (results for 2Q of FY2021)

- Personnel expenses⁽¹⁾
- Rent expenses on land and buildings + common service fees
- Other expenses
- Server costs for Google
- Platform usage fees (salesforce.com)



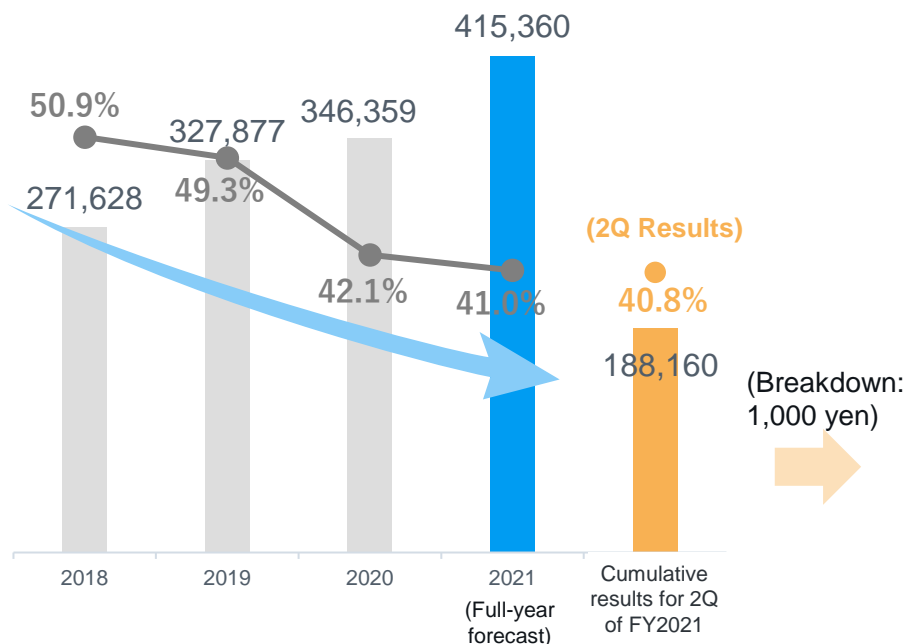
Note 1: Personnel expenses are calculated as "labor cost - transfer to another account (software assets and research and development expenses) + software depreciation expenses + commuting expenses."

General and Administrative Expenses

- General and administrative expenses are mainly fixed costs such as personnel expenses (please refer to the pie chart at the bottom right).
- Thanks to the nature of the Company's business model, we can focus on cost-effective marketing, and the amount of "promotion expenses + advertising expenses" remained at a low level compared to other SaaS companies while net sales increased steadily.
- The SG & A expenses ratio improved steadily due to the steady growth of net sales and the structure of general and administrative expenses centered on fixed costs.
- Although we have already achieved the target ratio of SG & A on a cumulative basis in the second quarter of fiscal 2021, we will continue to focus on top line growth and profit generation by engaging in management striking a balance between the investment required for growth and the profit level.

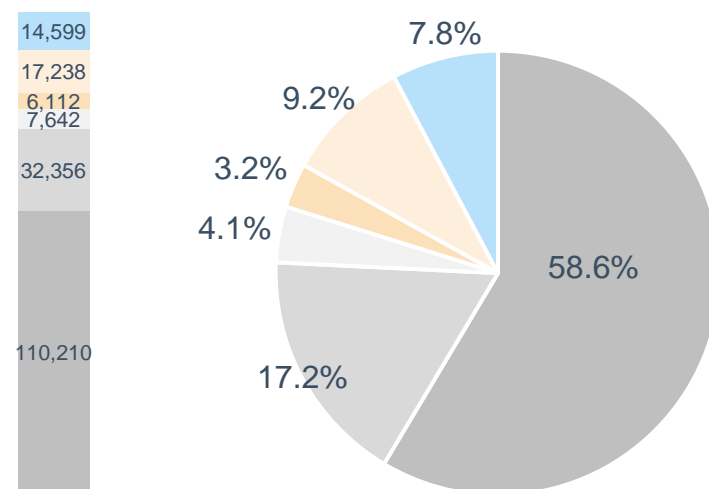
General administrative expenses and SG & A expenses ratio

General and Administrative Expenses (1,000 yen) SG & A expenses ratio (%) (General and administrative expenses/Net sales)



Composition ratio of general and administrative expenses (results for 2Q of FY2021)

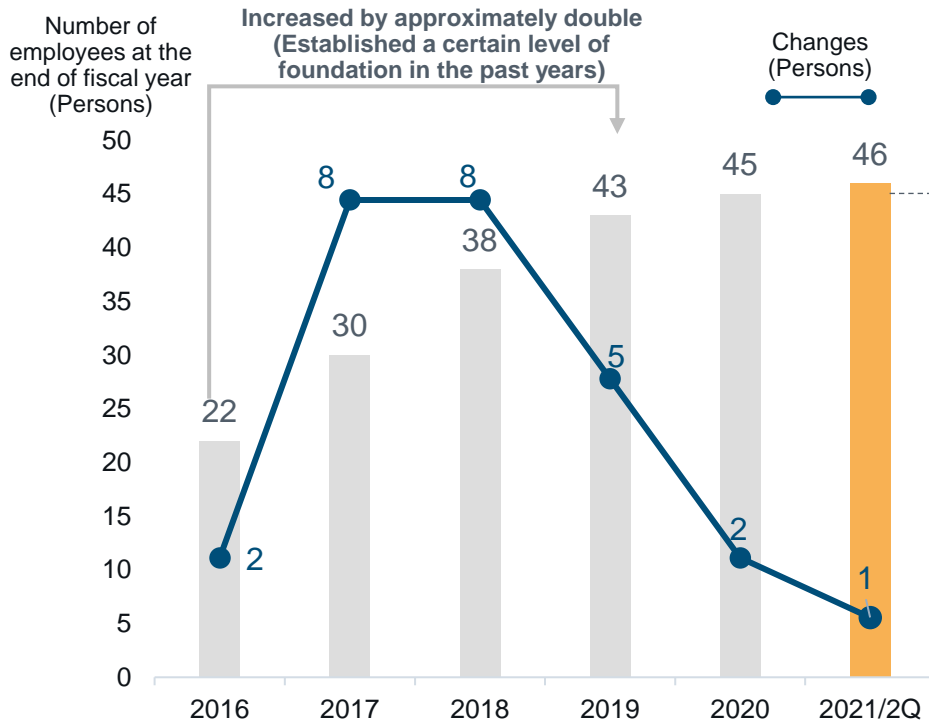
■ Personnel expenses (including research and development expenses) ■ Fees and commissions paid (audit fees, etc.)
■ System usage fees for business operations ■ Rent expenses on land and buildings + common service fees
■ Other expenses ■ Sales promotion expenses + advertising expenses



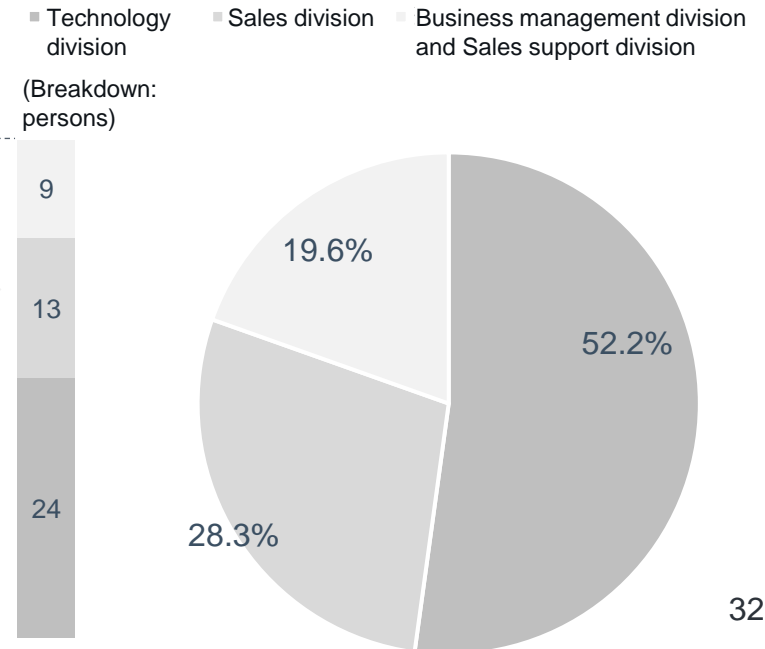
Supplement to the Cost Structure: Changes in the Number of Employees and the Personnel Composition (non-consolidated)

- Between 2017 and 2019, the number of employees increased by about double from that as of the end of 2016, establishing a certain level of foundation. The number of employees has been on track as planned in 2020 and 2021.
- Cost of sales ratio and SG & A expenses ratio improved because personnel expenses are the main operating expenses (cost of sales + general and administrative expenses).
- Since more than 50% of our employees (non-consolidated) are assigned in the technology division that is the cornerstone of SaaS service development, we can continue to develop products with the exception of large-scale development. Over 80% of the workforce of the subsidiary in Vietnam are engineers. So our entire group has ample development resources.

Changes in the number of employees (non-consolidated)

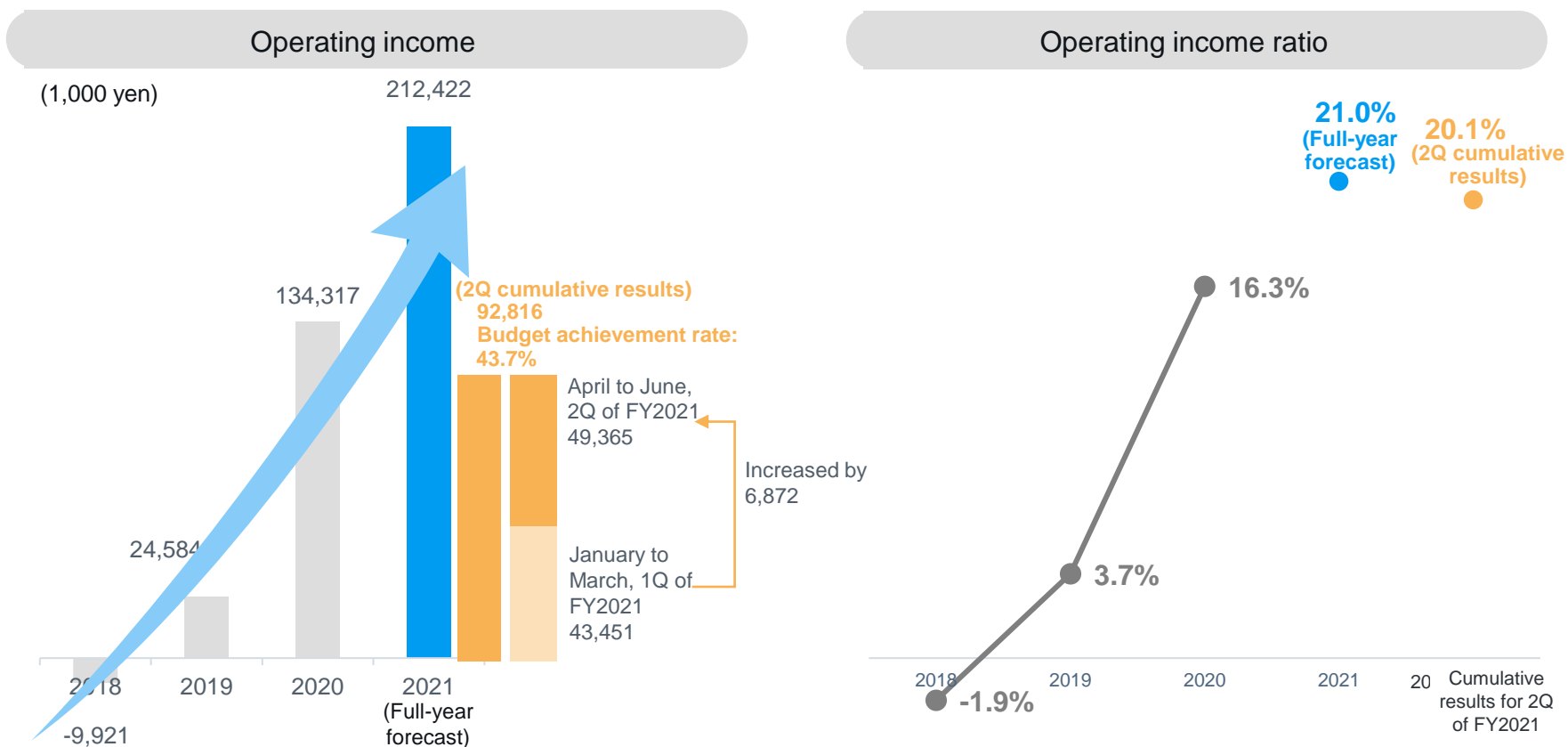


Employee composition (non-consolidated)



Operating Income

- Operating income increased steadily each fiscal year. In addition, as the Company is characterized by a high marginal profit ratio, quarterly operating income also increased steadily as a result of net sales accumulation in the first and second quarters of fiscal 2021.
- Cumulative operating income for the second quarter of fiscal 2021 increased sharply to 92 million yen (up 104.2% YoY), and the operating income ratio exceeded 20%. The operating income ratio in the second quarter alone reached 21.1%, further increasing from 19.1% in the first quarter.
- As the Company's business model focuses on SaaS services where net sales and profit accumulate (net sales and profit progress) toward the end of fiscal year, the future profit budget achievement rate is expected to improve.



(Reference) Changes in Major Items and Their Factors and Measures for the Year Ending December 2021



Main factors and measures for the changes

(1) - (3) Net sales

- We plan to increase the top line, mainly SaaS services, by expanding the market, collaborating with various partner companies, and implementing additional sales measures in our own sales channels, etc.
- We plan to increase some IT offshore sales by creating synergies with SaaS services (leveraging the client base).

(4) Labor cost (8) Personnel expenses

- Basic pay raise of the existing personnel
- Some additional employment (staff in charge of distributors' sales strategy, etc.)
- Provision of work-from-home allowance in consideration of preventing infection of COVID-19

(5) Server costs

- The growth of rakumo Google Workspace version increased variable server costs.

(9) Fees and commissions paid

- Fixed costs increased mainly due to listing maintenance costs (audit fees, trust fees, etc.)

(10) Sales promotion expenses + advertising expenses

- Additional cost-effective sales promotion and advertising expenses (addition of listing advertising media, etc.)

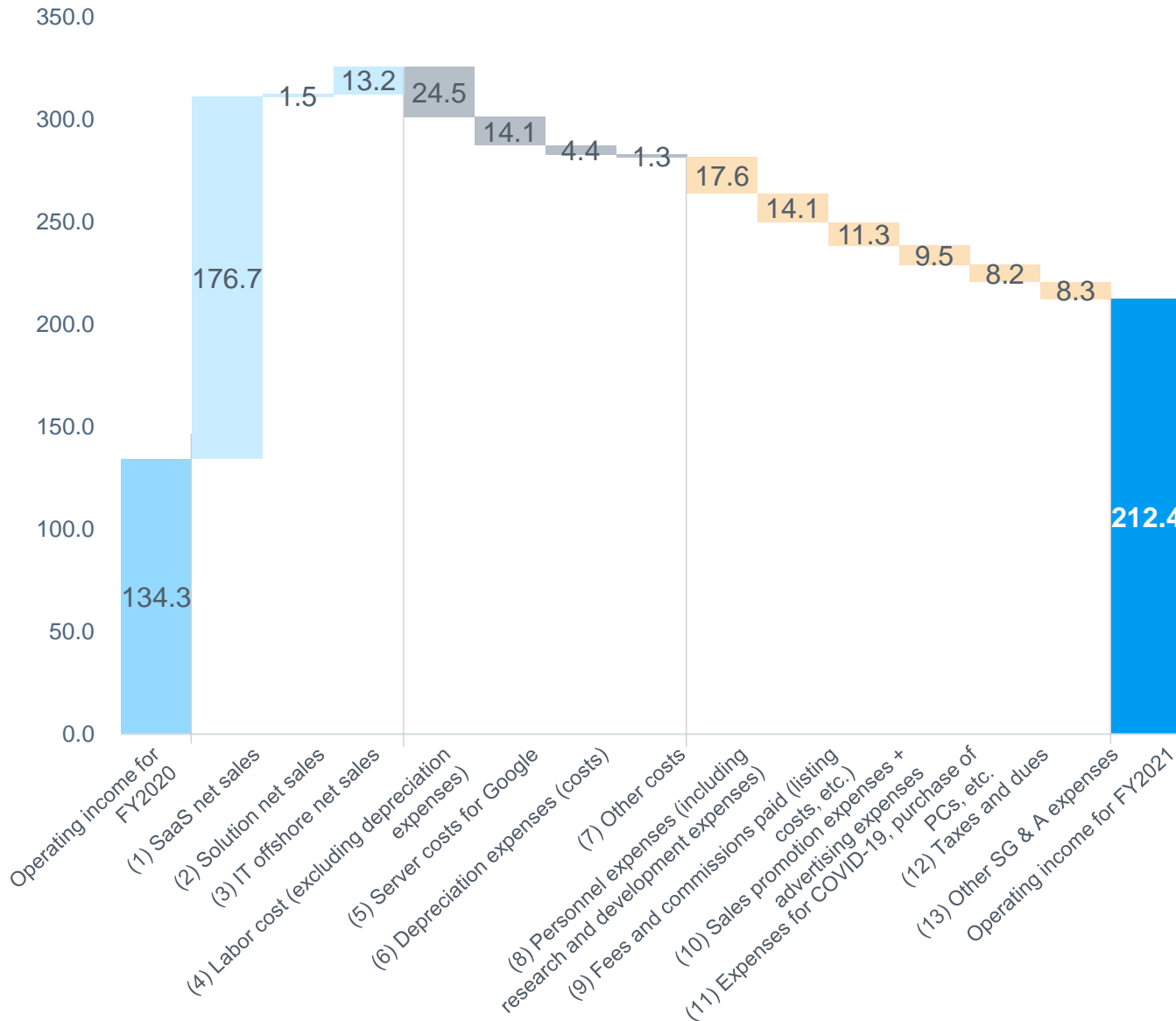
(11) Response to COVID-19, purchase of PCs, etc.

- Change of office layout to respond to COVID-19 and purchase of spare PCs, etc.

(12) Taxes and dues

- An increase in the pro forma standard tax due to becoming a large company

(Million yen)

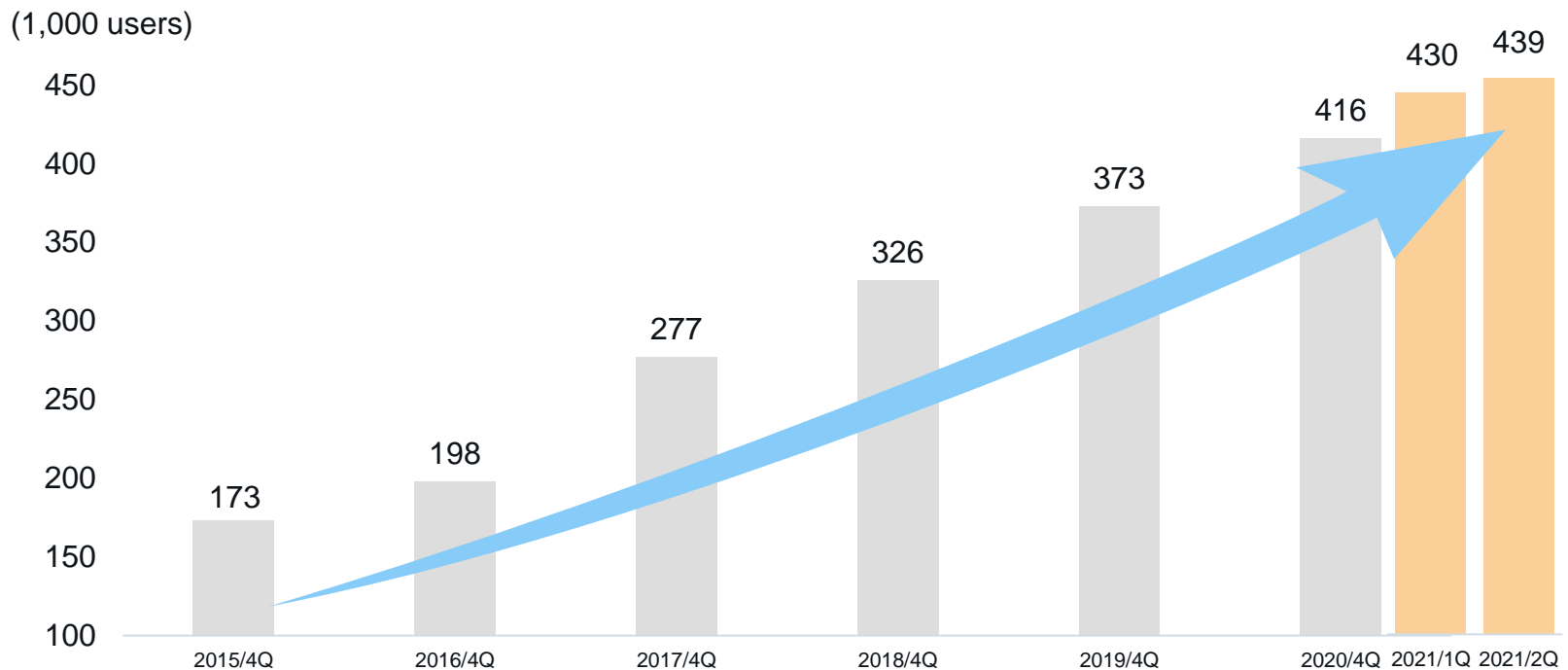


IV. Changes in Major KPIs (Indicators)

Changes in the Number of Unique Users (UUs)*

- The number of Unique Users increased steadily each year, reaching 400,000 in fiscal 2020, and it increased steadily in the second quarter of fiscal 2021.
- We will continue to focus on increasing the number of UUs through measures such as the development of new clients, the development of group companies of existing major clients, the company-wide introduction to companies with divisional introduction, and the approach to sales partner clients who have not yet introduced rakumo products.

Changes in the number of Unique Users (UUs)



* "The number of Unique Users" is counted as the number of users. For example, if Mr. A uses Kintai and Workflow, it is calculated as one count. On the other hand, "the number of licenses" is counted by the number of used products. In this case, it is calculated as two counts.

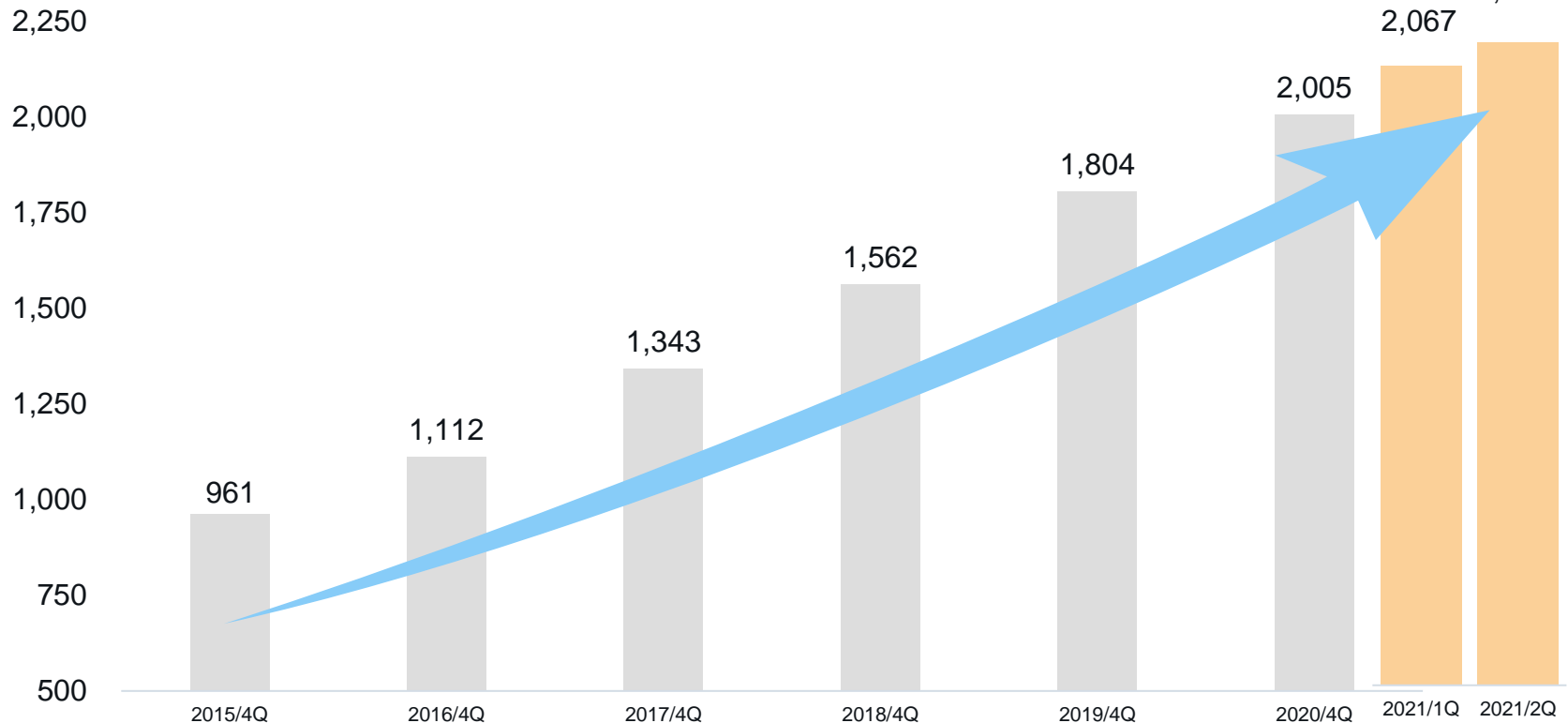
Changes in the Number of Clients* (User Companies)



- The number of clients (the number of user companies) increased steadily each fiscal year, reaching 2,000 in fiscal 2020, and it increased steadily in the second quarter of fiscal 2021.
- We will continue to leverage the advantages of two sales channels (see page 24) and focus on developing new clients.

Changes in the number of clients

(Companies)

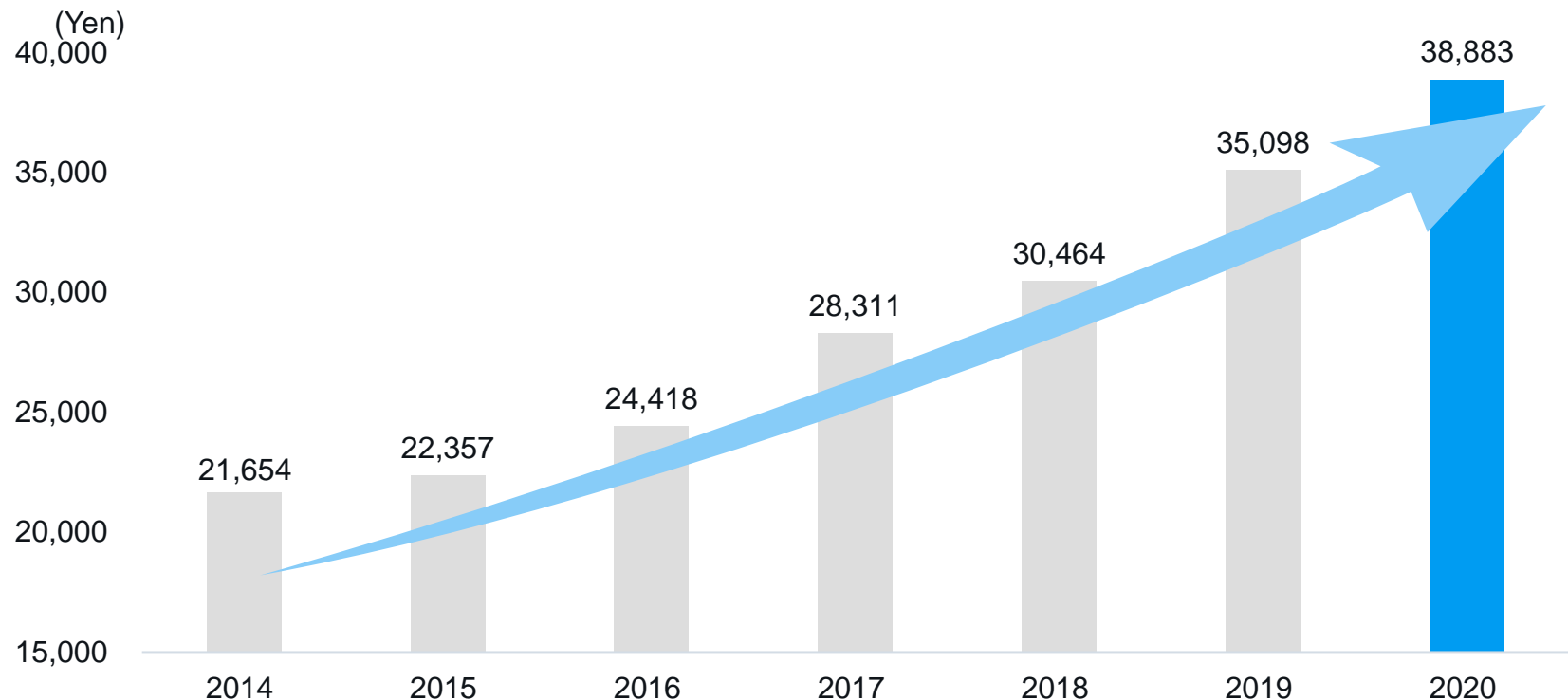


* "The number of clients" is the number of client companies using the Company's SaaS service-related products.

Changes in the Sales Amount per Client

- The sales amount per company (client) has been on the rise, primarily due to **additional ID** orders as clients grow and **additional services** provided from a wide range of product lineup.
- We will continue to focus on increasing sales per company by continuing sales strategies to utilize the Company's product lineup and product-related collaboration (package sales (see page 16) to new clients and cross-selling (additional service sales) to existing clients).

Changes in sales amount (gross MRR) per company ^(Note)

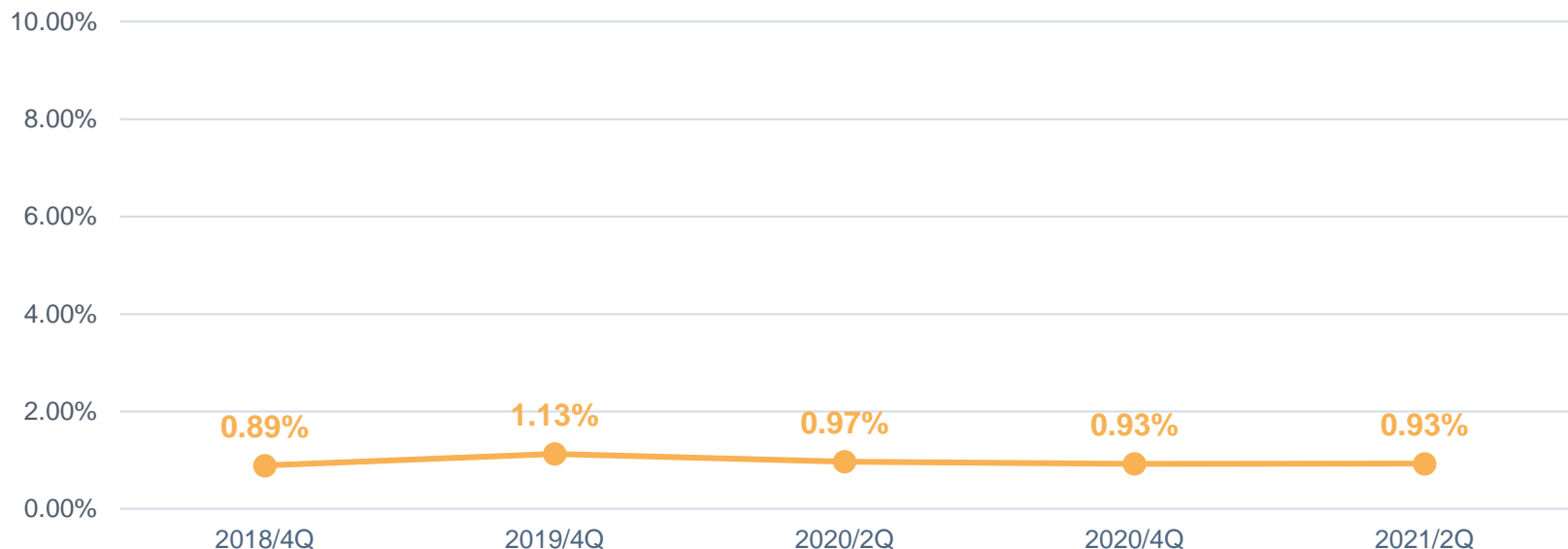


Note: "MMR" is the abbreviation of "Monthly Recurring Revenue." Each figure is the total amount of monthly fees for the continued billing user companies as of the end of the applicable month. In addition, it is the sales amount and does not correspond to the accounting sales amount when the Company sells licenses of other companies.

Change in the Churn Rate

- The contract of our products tends not to be cancelled because clients use them as business foundation tools, and the monthly churn rate has remained stable at around 1%.
- The average monthly churn rate for the fiscal year ended December 2020 remained below 1%. We implemented various measures, including expansion of service sites (enhancing startup guides for products [*links](#), enriching case study for Kintai (setting) [*links](#)), online web presentations [*links](#), and expansion of functions to meet client needs.
- In addition, in this fiscal year, we are aiming to decrease the churn rate by making follow-up for major clients as well as for other clients after analyzing their usage status.

Changes in the churn rate (Note 1, 2)



Note:

1. The churn rate is the percentage of cancelled sales amount during the month against the sales amount at the beginning of the month.
2. The cumulative churn rate for each fiscal year is calculated by using the monthly churn rate as calculated above.

V. Industry Trends and Business Environment

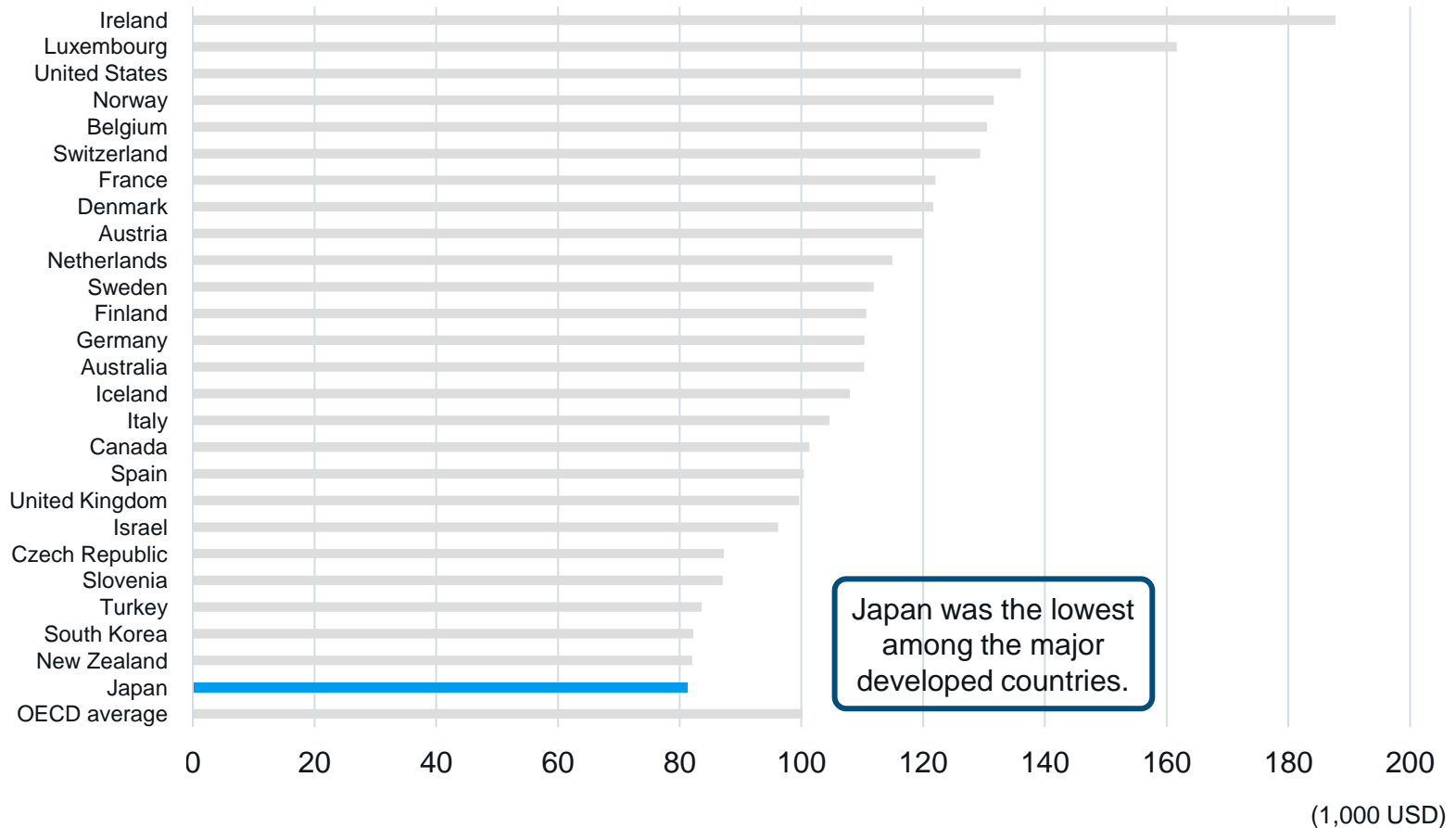
1. Industry Trends from Macro Perspective

Japan's Labor Productivity Needs to Be Improved

Japan's labor productivity per worker has long been low among the OECD member countries, and efficient ways of working (improvement of labor productivity) are required. Japan ranked 26th out of 37 OECD member countries, the lowest since 1970.

Labor productivity among the OECD member countries (2019)

*Performance per worker



Japan was the lowest among the major developed countries.

Source: Japan Productivity Center, "International Comparison of Labor Productivity 2020"

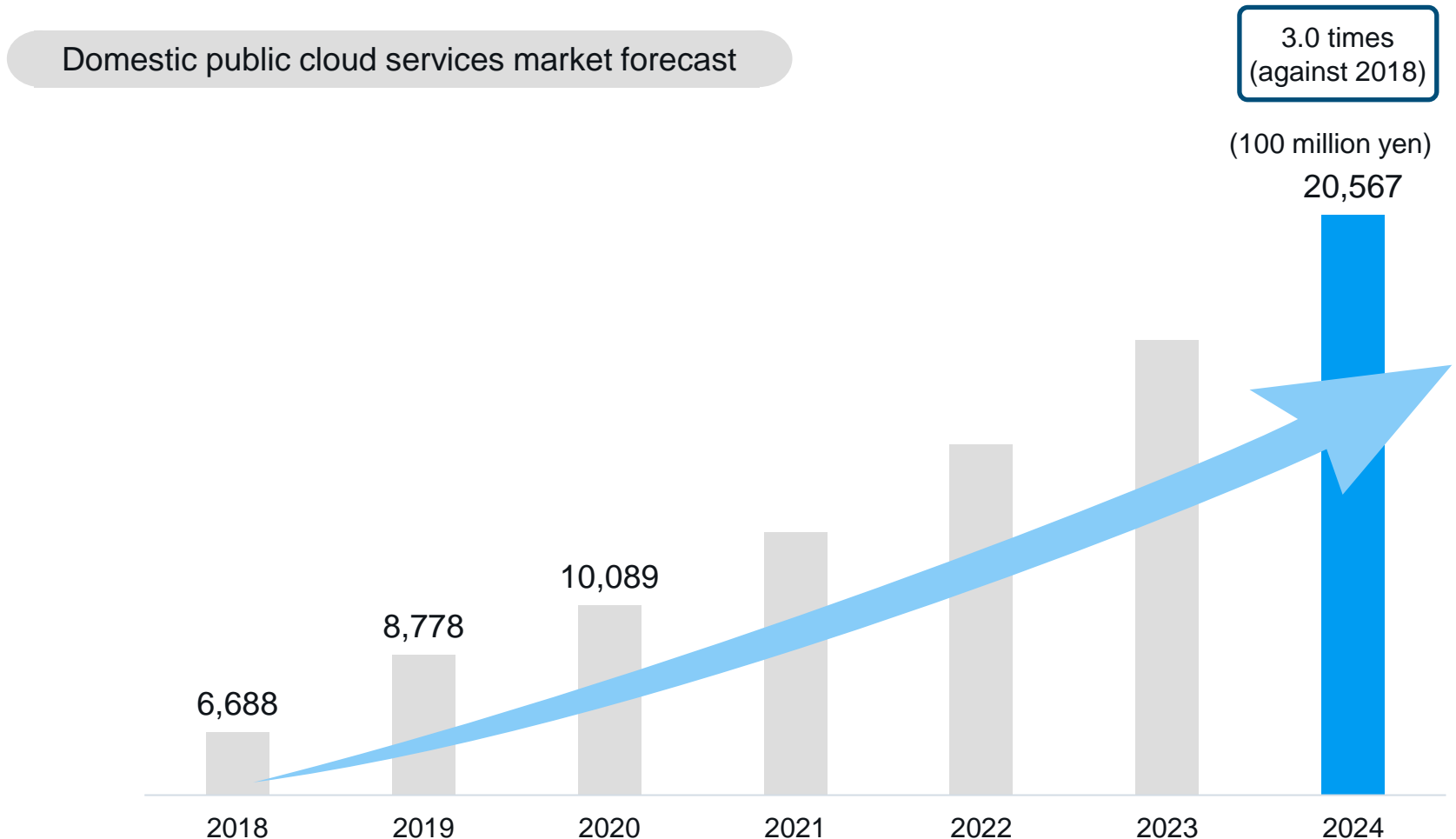
Japan is pursuing improvement in labor productivity and flexible work style (telework) through work style reform, and the Company' business providing cloud business support tools is heading for the same direction.

Outline of work style reform

No.	Item	Details
1	Treatment improvement for non-regular employees	<ul style="list-style-type: none"> • Development of legal systems and guidelines to ensure the effectiveness of the equal pay for equal work • Promotion of career advancement, including the transition of non-regular employees to regular employees
2	Pay raise and improvement of labor productivity	<ul style="list-style-type: none"> • Developing an environment conducive to wage increases such as encouraging companies to raise wages and supporting improvements in their business conditions and productivity
3	Reduction of long working hours	<ul style="list-style-type: none"> • Introduction of restrictions on overtime work by legal revisions • Developing an environment for the introduction of the work interval system • Creating a healthy and comfortable working environment
4	Creating an environment where flexible work styles can be encouraged <ul style="list-style-type: none"> • Companies that have not introduced telework account for 83.8% • Domestic crowdsourcing market size 21.5 billion yen in 2013 40.8 billion yen in 2014 65.0 billion yen in 2015 	<ul style="list-style-type: none"> • Revision of guidelines for employed-type telework and support for its introduction • Revision of guidelines for non-employed-type telework and support for its workers • Development of an environment for the formulation of guidelines for the promotion of side jobs and side business, and revision of model rules of employment
5	Balancing work with medical treatment, child rearing and nursing care, and promotion of employment of the disabled	<ul style="list-style-type: none"> • Promotion of triangular support for balancing work and medical treatment • Promotion of utilization and enhancement of support measures for balancing work with child rearing and nursing care • Promotion of support for the employment of the disabled utilizing their abilities
6	Acceptance of foreign human resources	<ul style="list-style-type: none"> • Development of an environment for accepting foreign human resources
7	Development of a favorable environment for women and young people to work in	<ul style="list-style-type: none"> • Support for individual re-learning opportunities such as women's recurrent education and enhancement of occupational training • Promotion of diverse measures for women to work, including the development of an environment where female part-time workers do not need to worry about work adjustment, and the reinstatement of female regular employees • Promotion of support and environmental improvement for advancement of the employment of ice age generation and young people
8	Support for job change and reemployment to industries with high employment-absorbing capabilities, human resource development, and enhancement of education to reduce disparities	<ul style="list-style-type: none"> • Formulation of guidelines for expanding mid-career recruitment and support for accepting companies, and visualization of occupational skills and workplace information • Development of an educational environment, including the establishment of grant-type scholarships to give everyone an opportunity
9	Promotion of employment of elderly people	<ul style="list-style-type: none"> • Support for the extension of employment and retirement age, and job-matching support for elderly people

Growth in the Domestic Public Cloud Services Market

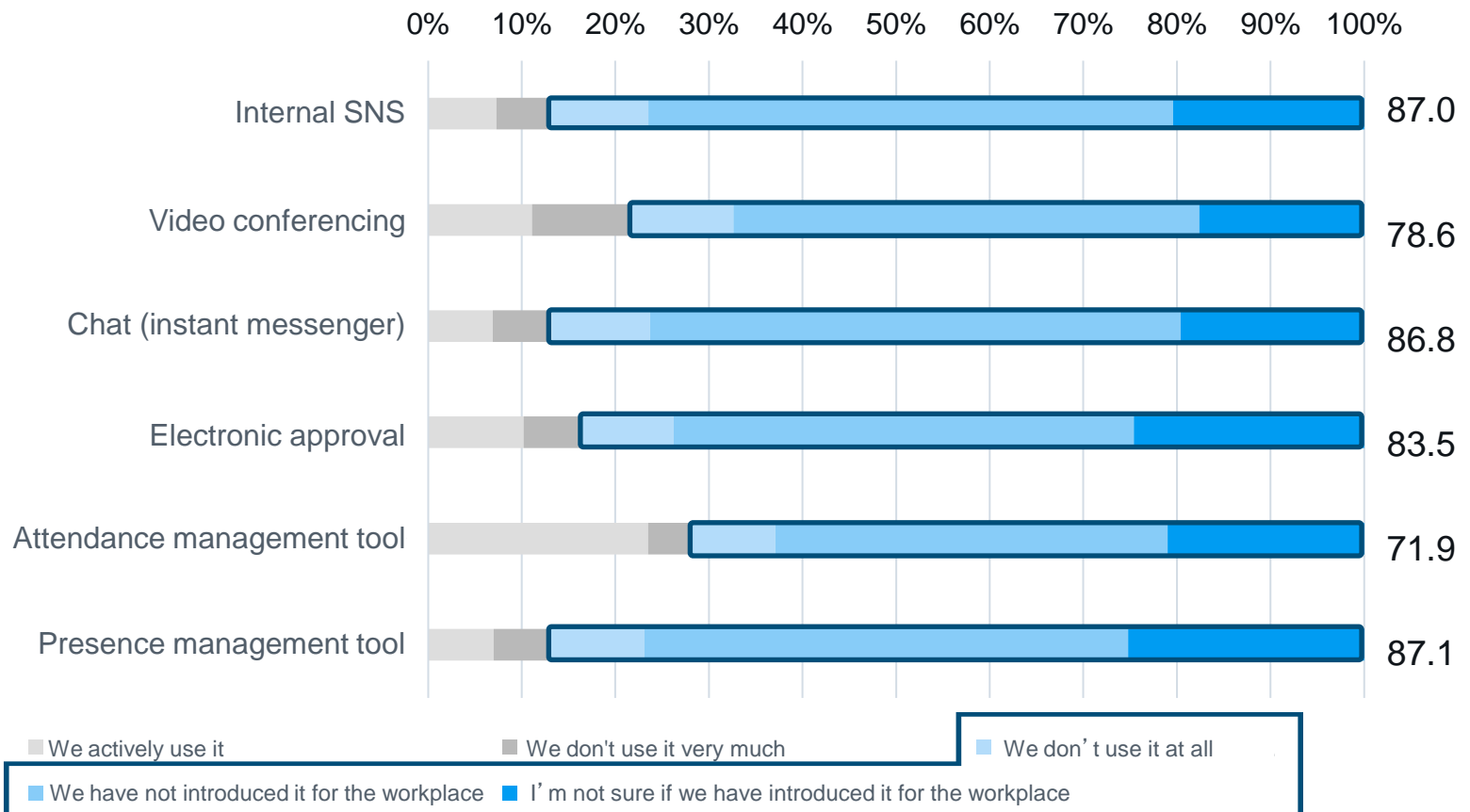
In 2024, the domestic public cloud services market is expected to expand by 3.0 times as much as in 2018 to 2,056.7 billion yen, maintaining a high growth potential.



Room for the Expansion of Domestic Business IT Tools

According to the statistics of the Ministry of Internal Affairs and Communications, the unused status of domestic business IT tools is around 70 to 90%, and there is room for expansion in the market.

Used status of business ICT tools



V. Industry Trends and Business Environment

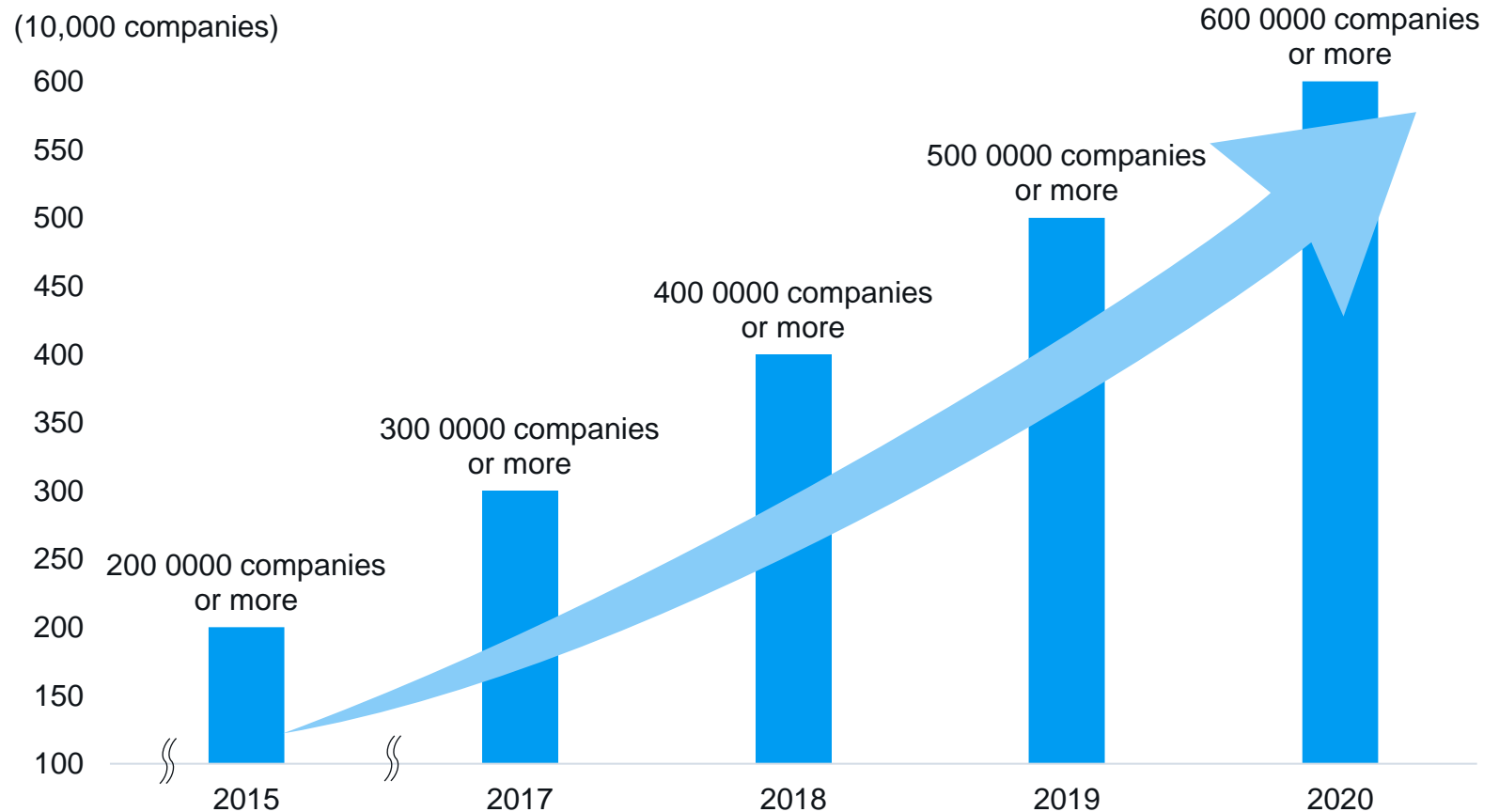
2. Business Environment Surrounding the Company's Services

Google: Sales Status of G Suite*



According to Google's publications, the number of user companies of G Suite* around the world has been increasing significantly every year, and the Company's further growth is expected as the Company develops its products on the platform.

Trends in sales of G Suite*



Source: Google's publications, etc.

*Currently, G Suite has been changed to Google Workspace, but the publication was issued in the past so it is stated in the name of G Suite.

(Reference) Examples of G Suite (Currently Google Workspace) Introduced by Major Companies



- According to Google's public information^{*link}, it can be seen that G Suite (currently Google Workspace) has been introduced by major companies in a wide variety of industries in addition to small and medium enterprises and venture companies.
- It seems that this service has been introduced by them to improve operational efficiency and reduce costs (including paperless) through Gmail (security and capacity issues), drives (file server management and capacity issues), co-editing tools, video conferencing systems, search functions, etc.

Manufacturing	Travel and transportation	Retail and wholesale
<ul style="list-style-type: none"> • A company (number of employees: more than 45,000) • B company (number of employees: more than 14,000) 	<ul style="list-style-type: none"> • C company (number of employees: more than 30,000) • D company (number of employees: more than 1,500) 	<ul style="list-style-type: none"> • E company (number of employees: more than 7,500) • F company (number of employees: more than 6,000)
Mining and construction	Real estate	Food and beverages
<ul style="list-style-type: none"> • G company (number of employees: more than 8,500) • H company (number of employees: more than 4,000) 	<ul style="list-style-type: none"> • I company (number of employees: more than 3,000) • J company (number of employees: more than 2,500) 	<ul style="list-style-type: none"> • K company (number of employees: more than 15,000) • L company (number of employees: more than 500)
Technology	Restaurant	Other industries
<ul style="list-style-type: none"> • M company (number of employees: more than 5,000) • N company (number of employees: more than 1,500) 	<ul style="list-style-type: none"> • O company (number of employees: more than 2,500) • P company (number of employees: more than 2,000) 	<ul style="list-style-type: none"> • Energy/Utilities • Healthcare/Social care • Experts • Government agencies

Source: Google's publications, etc.

- Note:
1. This material was prepared within the scope of the Company's knowledge based on the publications issued by Google and may differ from actual data.
 2. The number of employees is stated only as far as the Company knows, and not all of these employees necessarily use G Suite (Currently Google Workspace). In addition, these companies have not bought from the Company as a distributor.

Currents Status and Potential of rakumo Licensing Services: Domestic Market Size

Existing markets (comparison of (1) and (2) below)

- With a view of the estimated number of users of Google Workspace (2), it seems that the existing market alone has plenty of room to increase the introduction rate of the Company's products.

Future market expansion (comparison of (1), (2) and (3) below)

- The number of user companies of Google Workspace worldwide has been steadily increasing (P. 46), and it is expected that further introduction of Google Workspace will be expected in Japan where the promotion of use of cloud services are remarkable, so the future market trend will be favorable. We also look forward to expanding the market through the GIGA School Package.

(3) Number of regular officers and employees in Japan

35.56 million⁽¹⁾

**(2) Number of the current users of Google Workspace
in Japan**

5 million⁽²⁾

**(1) Number of current UUs
(users) of rakumo**
Approximately 0.4 million⁽³⁾

Source:

(1) Statistics Bureau, Ministry of Internal Affairs and Communications (Labor Force Survey (Basic Tabulation), May 2021)

(2) Estimates (quoted from a report by an analyst published on March 30, 2021)

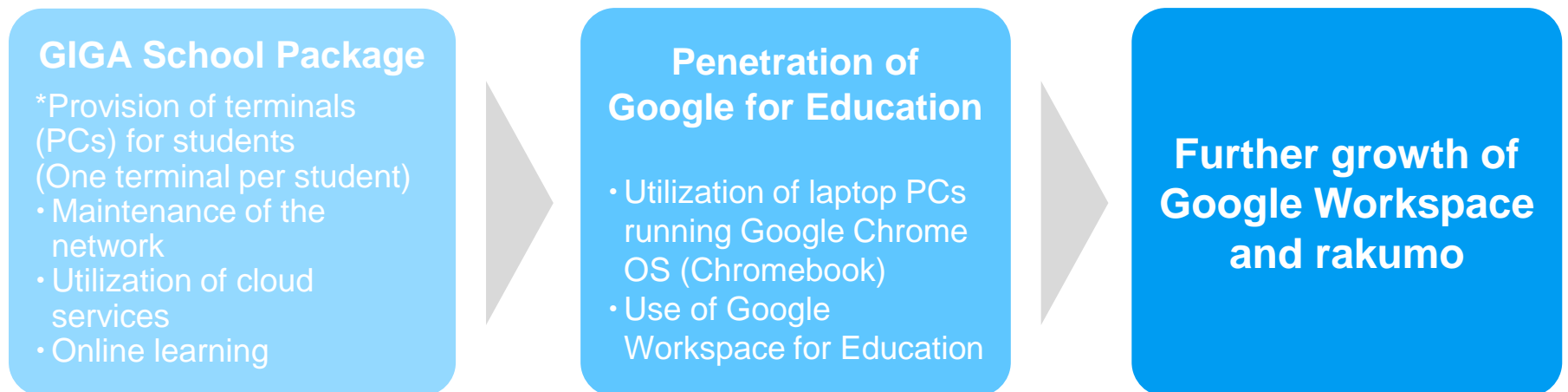
(3) The Company's own statistics

(Reference) The GIGA School Package* and Its Impact on the Company's Business



- In response to the GIGA (Global and Innovation Gateway for All) School Package proposed by the Ministry of Education, Culture, Sports, Science and Technology, the use of advanced technologies based on ICT (Information and Communication Technology) has been expanding from the educational field.
- As Google announced that about half of the municipalities which are subject to the GIGA School Package in Japan choose the laptop PC (Chromebook) which runs Google Chrome OS, it is estimated that Google for Education will expand in the domestic education field.
- As a result of the above, it is expected to promote the use of Google Workspace, which has a feature that overlaps with the cloud service of Google for Education in many aspects.

As a result, we expect a long-term and sustainable growth for the Company's Google Workspace version rakumo.

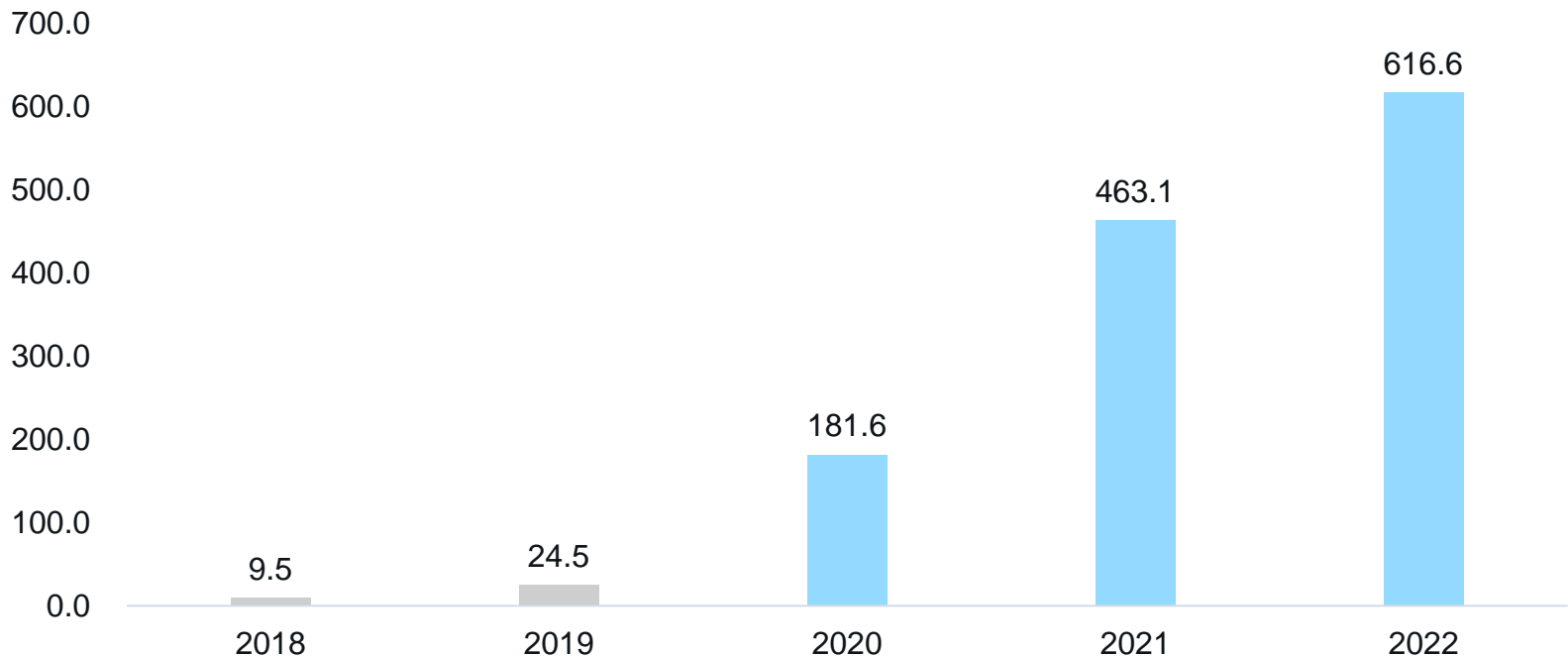


** The package is to provide students with a terminal per student and a high-speed and high-capacity communication network in an integral manner, and to sustainably realize education that fosters fair and individually-optimized creativity in schools nationwide without leaving any one of a wide variety of children behind.*

- According to the publications^{[*link](#)} of MM Research Institute Ltd., the GIGA School Package promoted by the Ministry of Education, Culture, Sports, Science and Technology has led to the deployment of a terminal per student in public elementary and junior high schools. In particular, their shipment volume has increased rapidly due to the increasing number of municipalities adopting Chromebook.
- We expect that Google for Education will expand in the domestic education field, which will lead to an increase in the number of users of Google Workspace and an increase in our services in the long term.

Trends in the number of Chromebook in use and forecasts

(10,000 terminals)



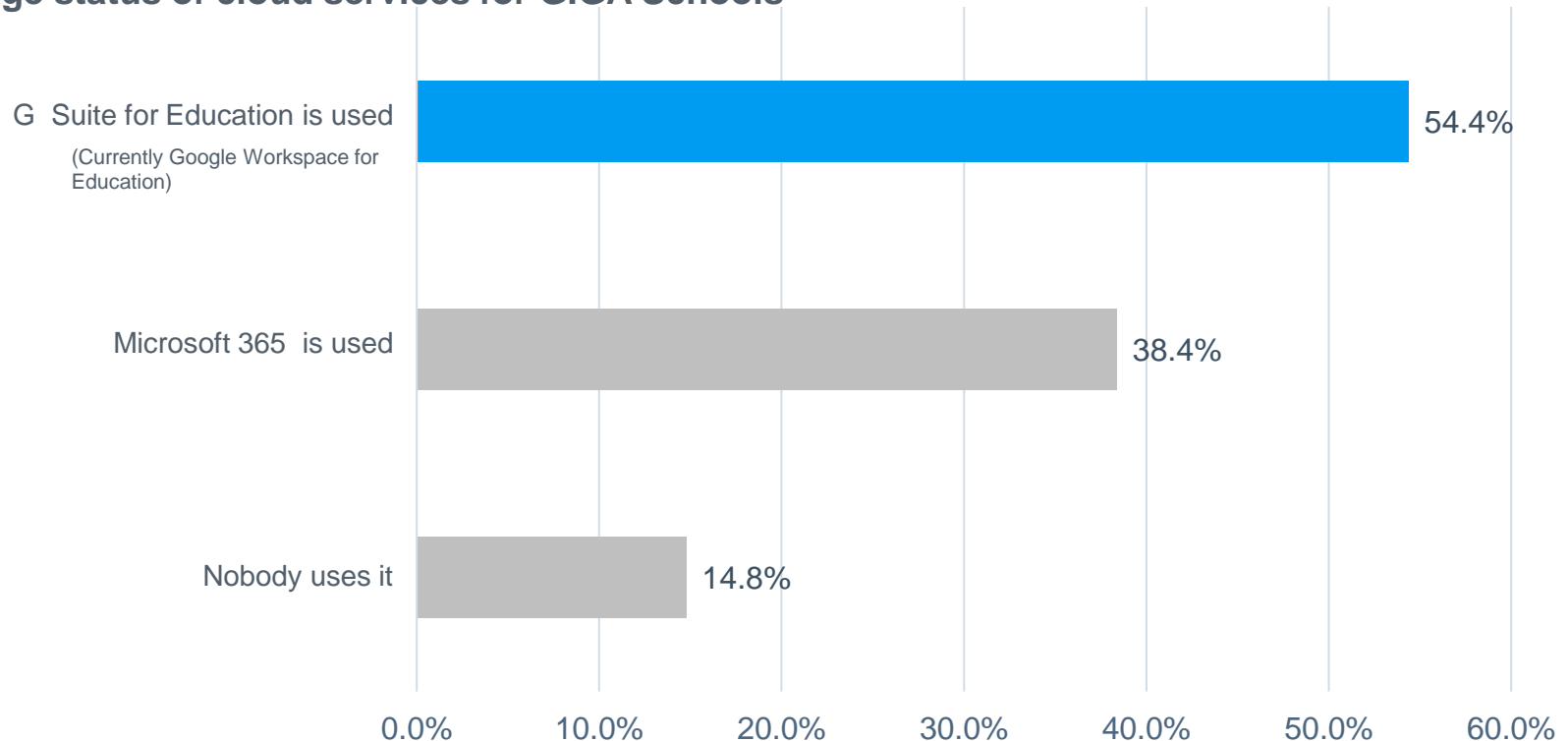
(Reference)

Usage Status of Cloud Services for GIGA Schools



- According to the publications^{[*link](#)} of MM Research Institute Ltd., it can be seen that the use of cloud services for GIGA Schools is increasing, and in particular, the use of G Suite (currently Google Workspace) for Education is at the highest level.
- As a result, we expect that Google for Education will expand in the domestic education field, which will lead to an increase in the number of users of Google Workspace and an increase in our services in the long term.

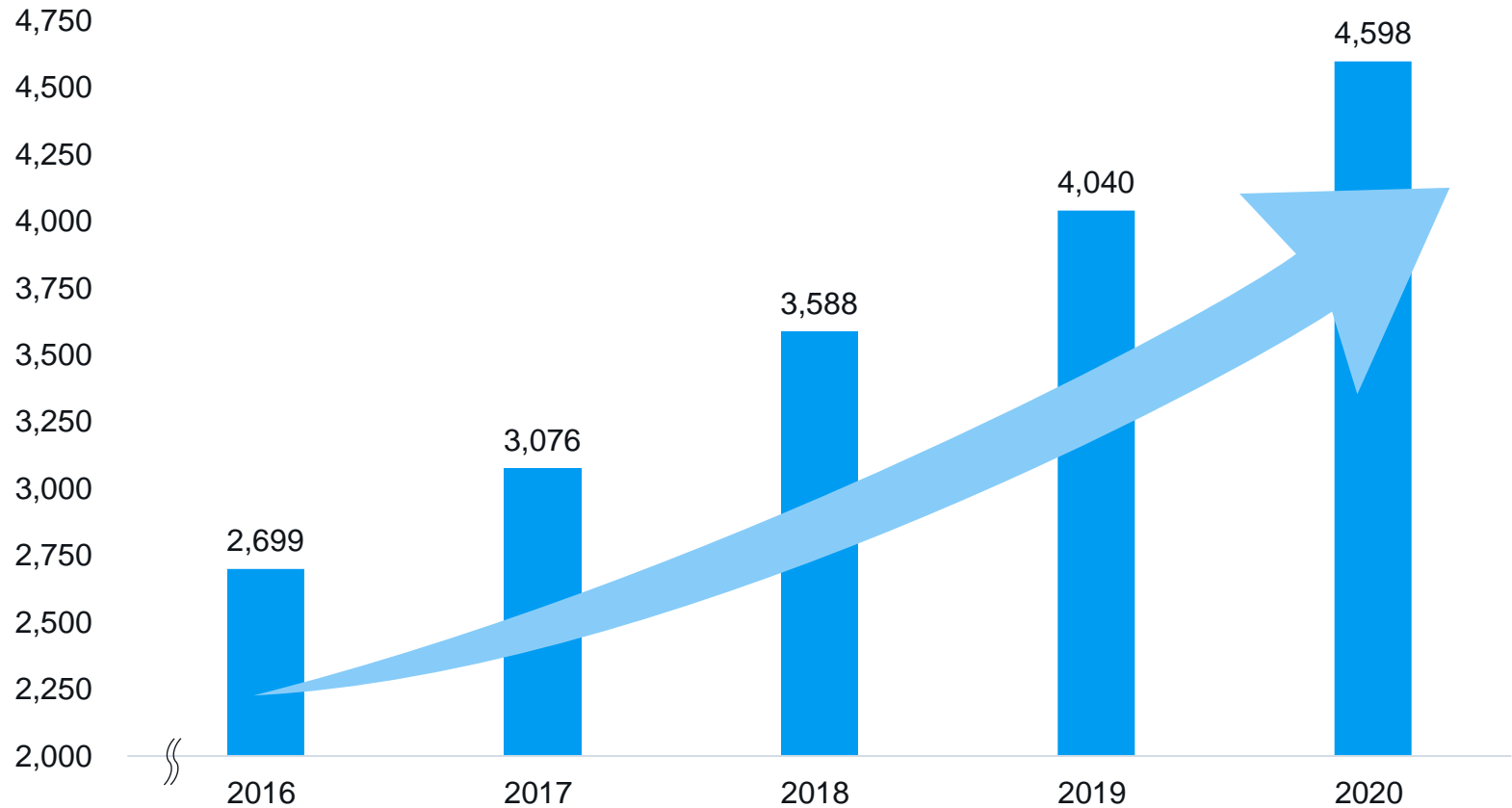
Usage status of cloud services for GIGA Schools



According to salesforce.com's publications, sales of Sales Cloud have been increasing significantly every year, and the Company's further growth is expected as the Company develops its products on the platform.

Trends in sales of Sales Cloud

(USD million)



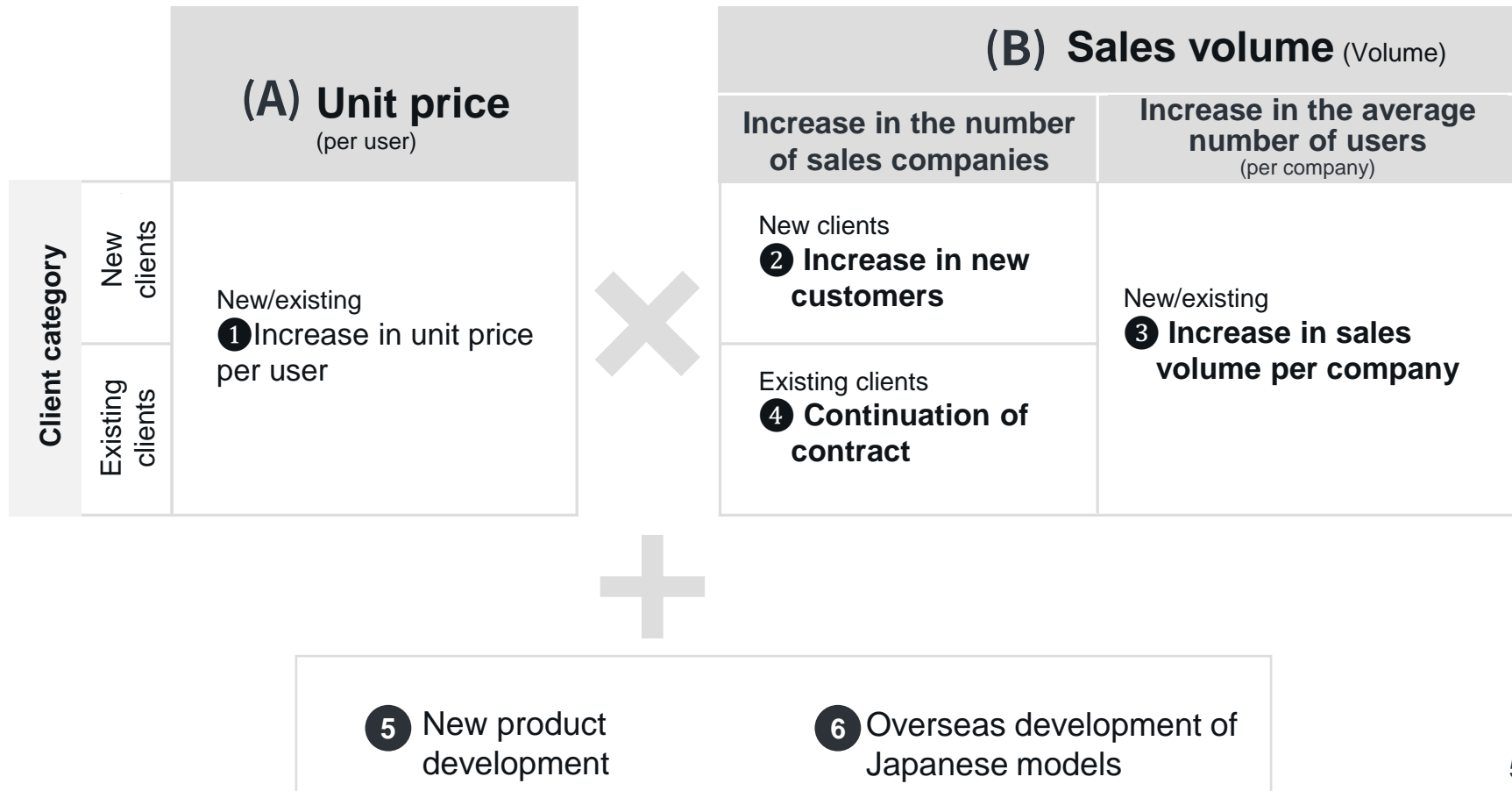
VI. Summary of the Company's Features and Strengths

- 1** Development of services and product lineup on the cloud on trend (prospective)
(See pages 15, 41 to 44, 46 to 52, etc.)
- 2** Business development on a platform provided by the global cloud players that have both stability and growth potential
(See pages 10 to 13, 17, 46 to 52, etc.)
- 3** Establishment of a mechanism of efficient sales through two sales channels (close cooperation with sales partners and in-house sales channels focusing on inbound sales)
(See page 24, etc.)
- 4** Establishment of a continuous revenue model (subscription-type recurring revenue model*) that achieves both stability and growth potential
(See pages 26, 27, 38, 39, etc.)

* "Subscription-type recurring revenue model": A business model in which a service fee is charged for a fixed term and fixed amount contract (subscription) according to the period of use and the number of users, etc., so that it can obtain continuous revenues (recurring revenues).

VII. Growth Strategy

- Aiming for further growth through measures to increase (A) Unit price and (B) Sales volume
- In the medium- to long-term, we plan to make additional cross-selling through new product development (multiple product sales) and develop new clients.
- We also plan to develop new markets by expanding Japanese models overseas. As a first step, we have obtained the right to resell Google Workspace in Vietnam.

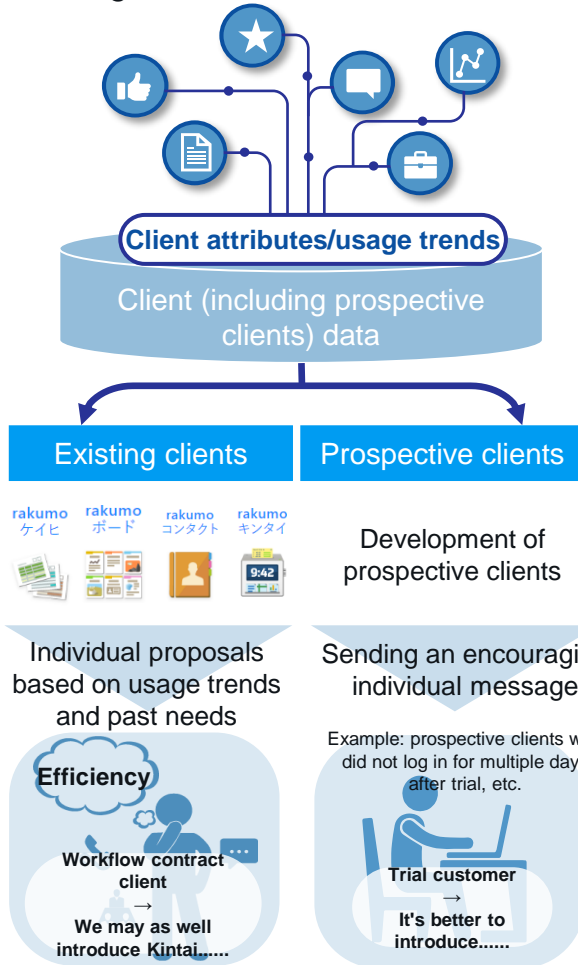


Growth strategy 1

Increase in Unit Price per User

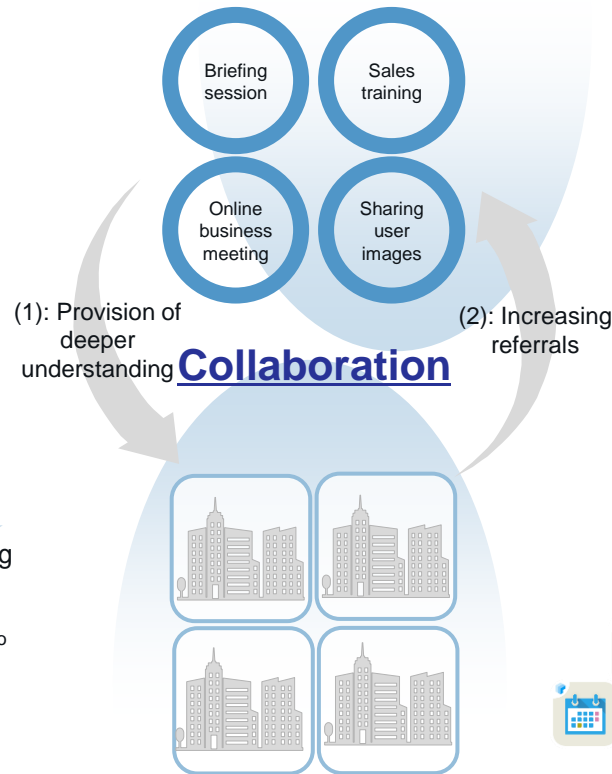
Realization of cross-selling*

- Client-specific information will be delivered automatically by analyzing and classifying client attributes and usage trends.



Cooperation with sales partners

- Increase in the number of referrals of new clients from sales partners by strengthening their proposal capabilities through specific measures for them



New product development

- Realization of further cross-selling through new product development (technology in HR, Salesforce-related products, new services through data utilization, etc.)

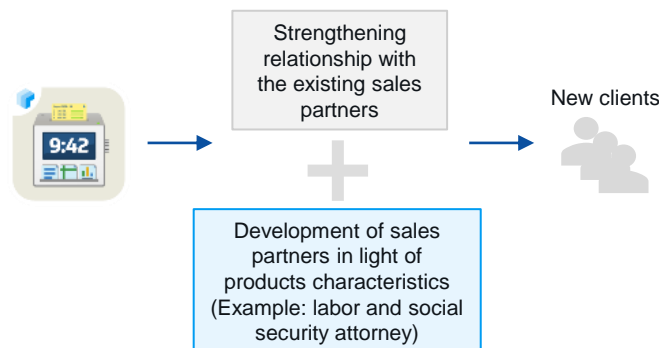


*Cross-selling: selling additional services (example: a client who uses Workflow signs a new contract for Kintai)

Developing new clients through new sales strategies (including marketing measures)

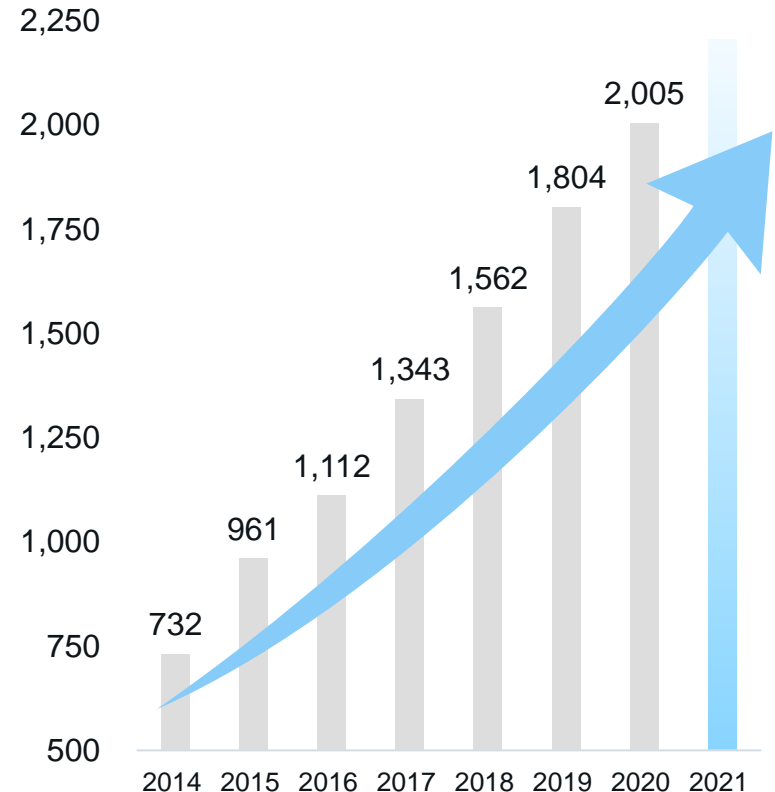
Key strategies

1. Implementation of new marketing measures
 - Utilization of marketing automation (client-specific information will be delivered automatically by analyzing and classifying client attributes and usage trends)
 - Consideration and implementation of appropriate measures to increase recognition based on cost-effectiveness
2. Strengthening relationship with sales partners
 - Implementation of measures tailored to sales partners, including holding exhibitions and seminars
 - Developing new distributor partners in accordance with the product characteristics or contracting with new sales partners with the capability to develop customers



Changes in the number of clients

(Number of companies)



Increase in the sales volume per company through sales strategy and product development

Key strategies

1. Approach to company-wide introduction to companies with divisional introduction
2. Proposal of additional services
3. Implementation of efficient and effective sales strategies tailored to clients
 - Medium to large enterprises: Strengthen solutions sales
 - Small and medium enterprises: Completion of online procedures, such as online payment by credit card
4. Product development in light of clients' needs

Changes in the sales amount (MRR) per company^(Note)

(Yen)

45,000

40,000

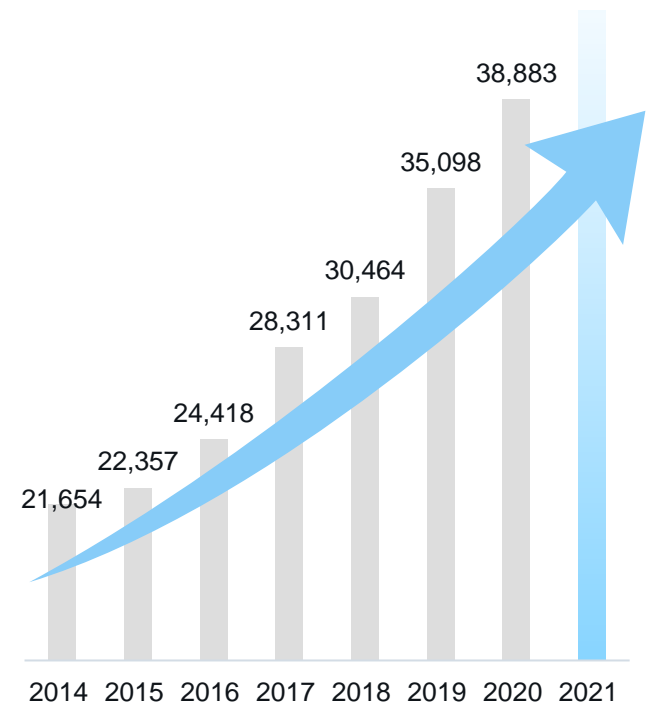
35,000

30,000

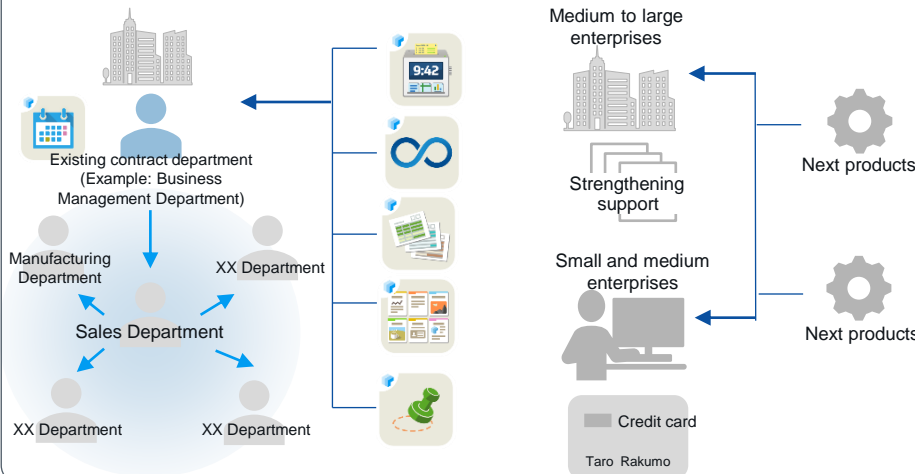
25,000

20,000

15,000



[1. Expansion of internal use] [2. Service addition] [3. Client-specific measures] [4. New products]



Note: "MMR" is the abbreviation of "Monthly Recurring Revenue." Each figure is the total amount of monthly fees for the continued billing user companies as of the end of the applicable month. In addition, it is the sales amount and does not correspond to the accounting sales amount when the Company sells licenses of other companies.

We aim to further increase the continuous renewal rate by grasping the situation of clients and cooperating with other companies.

Cooperate with other companies

Analyze client withdrawal

Identify client needs

- System collaboration to make work easier!

- Reduce client withdrawal

- Maximize client satisfaction

<p>Existing area</p>	<p>New</p>	<p>Companies using the service for a year or two</p> <p>Generally, the longer you use it, the more useful it can be as a business foundation</p> <p>Support companies that have not used it enough as a business foundation by making analysis of their usage</p>	<p>Low utilization</p> <p>Less usage reduces the importance as a business foundation</p> <p>Support companies that have not used it enough as a business foundation by making analysis of their usage</p>	<p>Survey implementation</p> <p>Implementation and utilization of ongoing NPS (Net Promoter Score)</p> <p>Always identify what contributes to work dissatisfaction and reflect it to products to make work easier</p>	<p>Utilization of ITreview</p> <p>Frequent reviews of services on the Internet are being implemented</p> <p>Used for product development and recognition enhancement</p>
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Working with other companies aims to create a business platform that can complete business within rakumo

Monthly contract renewal rate: Approximately 99%

Further increase the contract renewal rate

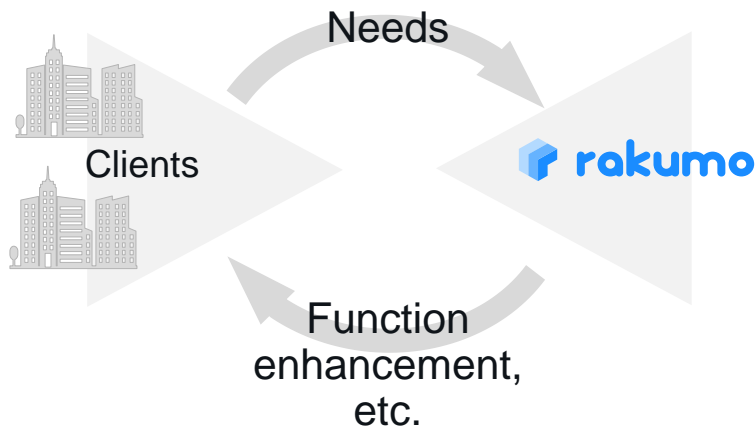
Make your work easier!
And make it fun

In addition to developing additional functions for existing products to meet client needs, we aim to further develop new products over the medium to long term.

Additional functions to existing products

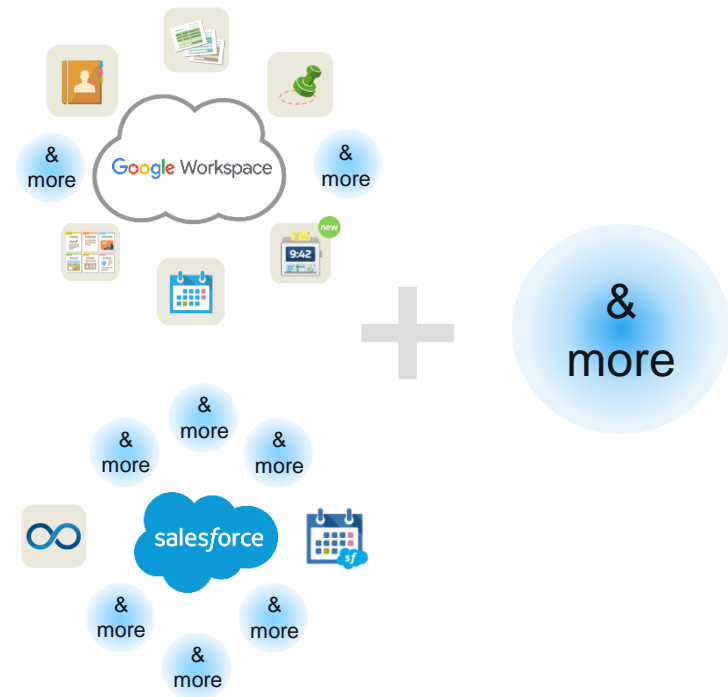
Continuous brushing up of existing services

Reflecting customer feedback on products that can lead to operational efficiency in order to enhance continuous use of the service, which is a characteristic of SaaS



Strengthening of a new product lineup

New product development (technology in HR, Salesforce-related products, new services through data utilization, etc.)



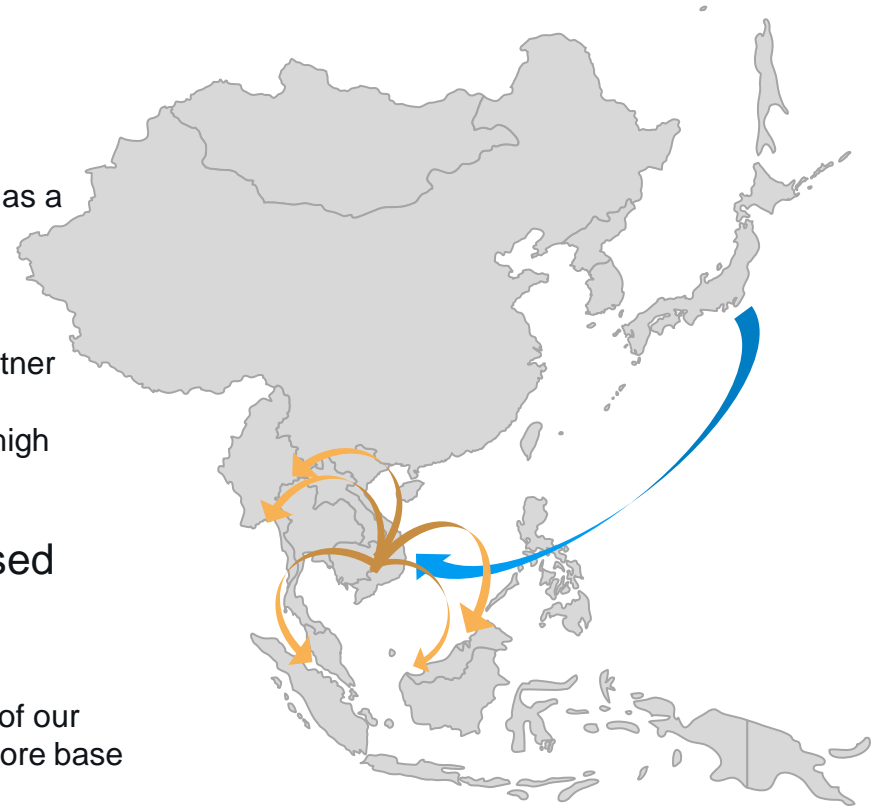
We plan to develop new markets by expanding Japanese models overseas. As a first step, we have obtained the right to resell Google Workspace in Vietnam.

1. Expansion of licensing business mainly in Southeast Asia

- In response to the growing needs for remote work for corporate business continuity, which emerged globally as a result of the COVID-19 outbreak in early 2020, the Company sought to expand its licensing business, particularly in the rapidly growing ASEAN region.
- The Company considered sales of its services and partner companies' platform services in Vietnam where its subsidiary is located and the economic growth rate is high among the ASEAN countries.

2. Development and provision of its own licensed products in the ASEAN region

- Utilizing the Company's knowledge of licensed service development, we promote the development and sales of our own services for local companies in Vietnam, the offshore base of the Company.



VIII. Major Risks and Countermeasures

Identified Risks and Countermeasures

- As of the submission date of this material, the following are major risks we recognize that may have a significant impact on the realization of growth in the Group and the implementation of business plan and its response policy:
- For other risks, please refer to "Risks in the business" in the Annual Securities Report.

Risk item	Risk summary	Possibility/ timing of materialization of risks	Impact that the materialization of risks could have	Response policy
Relationship with Google and salesforce.com	The Group's business may be affected by changes in policies of both companies	Low/Unknown	Large	The two companies have no plans to withdraw from Japan at this time and we will continue to actively communicate with them to maintain good relationship.
Responding to technological innovation	Delay in responding to technological innovation and customer needs, and the possibility of requiring more investment than expected to respond to new technologies	Medium/ Unknown	Medium	We will strive to promptly respond to technological innovations and changes in customer needs by collecting information on the latest technological trends and changes in the environment, and accumulating know-how through securing excellent human resources and education.
Competition	Intensified competition from competitors and new entrants could hamper the Group's planned business development	Medium/ Medium to long term	Medium	We will strive to maintain competitiveness by strengthening product development capabilities, continuously upgrading products and service quality, etc.
Overseas development	Potential inability to respond to overseas business practices and business environmental differences, and potential inability to develop markets and monetize as expected	Medium/ Medium to long term	Small	We will proceed by taking sufficient measures such as feasibility study.



Make your work easier and make it fun.

仕事をラクに。オモシロく。

煩わしさが仕事をつまらなくする。

もしも自分の仕事に集中できるなら。

「つまらない」が「オモシロい」に変わるとしたら。

さあ。rakumoで新しい働き方を。



- The Company plans to disclose the latest information, including the progress of the materials, when announcing the full-year financial results.
- This material contains forward-looking statements, future plans, and management goals regarding the Company. These forward-looking statements are based on current assumptions about future events and trends, and there is no guarantee that such assumptions are necessarily accurate. Actual results may differ materially from those forecasts herein due to various factors.
- The Company does not necessarily amend the announcement of the future outlook that it has already made, regardless of the occurrence of future events, except as required by the disclosure rules.
- Information concerning companies other than the Company generally relies on public information.