



Smaregi, Inc.

Q4 FY2024 Financial Results Briefing

June 14, 2024

Event Summary

[Company Name]	Smaregi, Inc.	
[Company ID]	4431-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q4 FY2024 Financial Results Briefing	
[Fiscal Period]	FY2024 Annual	
[Date]	June 14, 2024	
[Number of Pages]	36	
[Time]	10:30 – 11:38 (Total: 68 minutes, Presentation: 45 minutes, Q&A: 23 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Hiroshi Yamamoto	Representative Director
	Ryuhei Miyazaki	Development Department Director
	Kohei Takamadate	Business Strategy Division Director

Presentation

Moderator: Thank you very much for attending Smaregi, Inc.'s full-year financial results briefing for the fiscal year ended April 30, 2024. Now, let me explain today's flow. This financial results presentation will be presented in two parts, the first half and the second half. In the first 30 minutes, Mr. Miyazaki, Director and CTO, will give an overview of the Company, followed by a Q&A session. In the first half of the Q&A, we will only accept questions regarding the Company profile. Please note that questions regarding the financial results will be answered in the second half of the Q&A session.

Now, Mr. Miyazaki, please begin.

Miyazaki: Good morning, everyone. I am Miyazaki, Development Department Director. Thank you very much for participating in our financial results briefing today. In the first part of the presentation, I would like to focus mainly on providing an overview to first-time participants to get them acquainted with Smaregi.

Again, I would like to briefly introduce myself. I am Miyazaki, CTO and in charge of products. I joined our company in 2011 and have been involved in development planning since the launch of Smaregi. I have been a member of the Board of Directors since 2019. Thank you in advance.

Smaregi is an iPad cash register company. In plain terms, we deal with cashiers of the store, but our cash registers are a bit different from the traditional ones. That is, while cash registers have been made by electronics manufacturers such as Toshiba and Sharp, Smaregi was born to specialize in the software and data that are inside them.

I said iPad cash register, but I actually think it doesn't have to be an iPad. There will be no issue if it's replaced with mobile ordering, ticket machines, or e-commerce sites. This is because we believe that the era of data management will come, in which data such as who bought what, when, where, how many, and at what price will be collected, analyzed, and utilized.

Our management philosophy is open data and open science. Data is very important in management. It is much more advantageous to walk with a map or other data in hand than to groping around in the dark. We would like to be the kind of company that shines a flashlight on store operators walking in the dark.

The Company was founded in 2005 and is in its 19th year of operation. Initially, we were engaged in website development and system development. In 2010, we began developing our own in-house service, the POS system Smaregi, and released it the following year in 2011, marking our 13th year this year.

We currently have five office locations in Osaka, Tokyo, Sapporo, and Fukuoka, and Vietnam; plus six showrooms in Osaka; three in Tokyo, Ebisu, Shinagawa, and Shinjuku; Nagoya; and Fukuoka. We have 322 employees as of the end of April 2024, and we are actively recruiting more.

Mr. Yamamoto, the President, and Mr. Minato, the Vice President, are both former engineers. Our veteran members of the Company, including the President and the Vice President, had experience in developing POS systems for drugstores on contract in the past, and came up with the idea of Smaregi. Therefore, one of our strengths has been the abundance of full-fledged, retail-oriented features since the beginning of our release.

Our founders, Mr. Tokuda and Mr. Mochizuki, are still involved in the Company as advisors and auditors. Our main service offering is a highly functional cloud-based POS cash register used by restaurants and retailers to manage and analyze sales information. Conventional POS cash registers seen in convenience stores consist of a large, dedicated machine and software.

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Smaregi can be used as long as you have an iOS device such as an iPad or iPhone and Wi-Fi. The service was released in September 2011, and as of the end of May 2024, there were 36,303 stores on paid plans and 44,348 active stores including paid and free plans.

Other services include the attendance management service Smaregi Time Card, a cashless payment service, and an app market. Among peripheral services, cashless payment services have grown significantly in the past few years. In December 2021, we acquired payment processing company Royal Gate and are selling the company's multi-payment service PAYGATE in combination with Smaregi as a set.

POS cash registers and cashless payments are highly compatible and are growing as a major revenue driver for our company. In addition, one of our unique initiatives that we are strengthening is the App Market, which was released in 2020. It is a platform that provides extended functions to Smaregi and Time Card as Smaregi and is inspired by Salesforce's AppExchange and Cybozu's kintone.

The apps in the App Market are mainly developed by third-party development partners, and the revenue sharing model is 30% for us and 70% for the developers. So far, apps have been created that are specific to niche industries, such as dry cleaners, direct sales outlets, and hair salons. These apps create touchpoints into industries that would be difficult for Smaregi to develop on its own and play a role in expanding the base of Smaregi users.

The revenue structure is shown in the graph and is mainly divided into two categories: monthly usage fees and equipment sales. Monthly usage fees consist of monthly usage fees for our cloud services such as Smaregi and Time Card payment. Equipment sales are initial costs and consist of the sale of equipment such as iPads purchased at the installation, cash drawers to store cash, receipt printers, barcode readers, and so on.

Since this is a subscription service, monthly usage fees and other charges are structured to accumulate with each acquisition. In contrast, equipment sales, etc., tend to rise and fall depending on the number of acquisitions and seasonality.

I would like to explain our fee structure. Although you need to purchase the equipment that makes up the cash register, there is no up-front cost for the software itself, just monthly usage fees.

Monthly usage fees range from the free Standard Plan with basic cash register functions to four paid plans depending on the functions required by the user. Premium plans and above are paid plans, and in principle, paid plans are promoted in business negotiations.

From Premium Plus and above, you can access telephone support, and our specialized operators will be available to assist you 365 days a year, from 9:00 AM to 10:00 PM. The food business and retail business are industry-specific plans and are higher-end plans with advanced functions tailored to the food and beverage and retail industries, respectively.

In terms of number of stores, Premium Plus has the most, followed by retail businesses. Looking at the user industries for Smaregi POS, 40% are in general retail including apparel, and just under 30% are in food and beverage, making the retail and food and beverage industries account for 70% of the total.

It is also used in a variety of other industries, including beauty salons, clinics, event venues, events and pop-up shops.

There are two main sales strategies: direct sales and partner sales. The ratio is 80% direct sales and 20% partners. Direct sales have grown significantly and so have partner sales.

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Direct sales are an old-fashioned sales style centered on sales activities at showrooms where customers visit by appointment. Thankfully, the number of inquiries continues to increase, so we rarely make push sales visits.

Customers who inquire online are either taken directly to an online business meeting or to one of our six showrooms located throughout Japan, where they are guided through a business meeting with actual equipment demonstration. In addition, users themselves can sign online contracts on our website without having to negotiate.

Our partners include approximately 450 companies with expertise in the industry, such as Otsuka Shokai, OBC, and TSI. They sell a combination of their own products and Smaregi to customers. It is characterized by its ability to reach a customer base that is difficult to approach with Smaregi alone, such as companies with multiple stores, e.g., more than 100 stores or customer bases in regional areas.

As for the timing of the approach to stores, it is difficult to make a proposal to existing stores one by one with a proposal to replace their cash registers. Rather, major business opportunities arise when they are considering switching to a different system, such as when a new store opens, or when an existing cash register contract expires or when hardware depreciation is completed. In fact, the introduction of Smaregi is divided between the two.

As for market size and share, there are approximately 2.2 million stores and outlets throughout Japan, including retail and food and beverage, which are the main user groups of Smaregi, as well as service and medical. Our main target is about 800,000 medium-sized stores with roughly 2 to 40 storefronts.

The current number of active stores is about 44,000, so the market share is still about 5.5% relative to the target. Therefore, there is still a lot of growth ahead. Our goal is to exceed 300,000 active stores, 38% market share, and 30% market share in the cash register industry in eight years, in FY2031, and to be number one in Japan.

As to why we are focusing on the medium-scale segment, in the case of small-scale operations with only one storefront, the store owner can grasp the status of the store to some extent in his/her mind, so a proper system is not really necessary. In addition, if the system is too large, the lead time to go-live will be overwhelmingly long due to the complexity of the system requirements. A lot of individual customization will be required. For these reasons, we are targeting medium-sized businesses that can easily adopt a paid plan without customization.

As for the future of Smaregi, as indicated in our long-term vision, VISION 2031, we aim to capture the top share of the POS market in Japan by 2031. As a specific number, we have set a goal of 300,000 active stores. As the second phase of the plan, the second medium-term management plan has started this fiscal year.

In addition to strengthening business investments centered on advertising expenses and cross-selling of payment and Time Card, which were set forth in the first medium-term plan, we will achieve ARR growth by promoting the market segmentation strategy and approach to e-commerce businesses, which were newly added in the second medium-term management plan.

We have set ARR as our most important KPI, not sales targets. That would mean that monthly usage fees, rather than equipment sales, would be the most important component of the sales mix. Specifically, we aim to achieve an ARR of JPY9.46 billion by the end of the fiscal year ending April 30, 2026, and an average annual growth rate of over 30% in ARR over the three-year period beginning in the fiscal year ending April 2024.

To achieve ARR, it is necessary not only to increase the number of customers, but also to increase the average spending per customer. We will increase customer numbers through our market segmentation strategy, approaching EC businesses, and continuing S&M investments, while we will increase average customer

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spending through cross-selling of strengthening payment services, strengthening the app market, and strengthening Smaregi Time Card.

The first measure to increase the number of customers is a market segmentation strategy. Smaregi mainly targets the retail and restaurant industries, but as you can see, both the retail and restaurant industries are actually very fragmented. Because of this, while the sales department is trying to target bookstores, the marketing department is trying to focus on cosmetics stores. On the other hand, the development department is trying to create self-checkouts, and things tend to get disoriented. It would be a waste if the power was dispersed, so we are trying to unify the areas of target throughout the Company.

The second measure to increase the number of customers is to approach e-commerce businesses. Most of Smaregi customers who are in the retail industry probably also operate an e-commerce business. Since EC is now an inseparable and important measure for retailers, we recognize that it is absolutely necessary to make the linkage with EC easier and more seamless. Ultimately, we will make Smaregi available to e-commerce-only retailers who do not have a storefront.

The third measure to increase the number of customers is to continue S&M investment. This means increasing leads through TV commercials and other advertising efforts. In the previous mid-term plan, we had made this our top priority, but this time we have downgraded it to the third priority. We used to make this a top priority because we did not know how to do it, but now that we have accumulated some know-how, we have reduced the importance of this. Therefore, we have lowered the level of importance.

In the future, we also want to improve our product appeal so that we can receive inquiries without having to rely on advertising. Therefore, we are shifting our focus to research and development expenses while adjusting the base for increasing advertising expenses.

There are also three measures to increase the average customer's spending. We will focus on increasing the compatibility of the app market, cashless payments, attendance and HR services with Smaregi, and selling them as a set with Smaregi. By increasing both the number of customers and the average spending per customer, we aim to maximize business performance.

Finally, regarding M&A, companies that are an extension of the strategies we discussed today are targeted for M&A. We will consider M&A based on whether it would be faster for us to make the product or to buy it.

We are committed to supporting stores by promoting data management through the sale of Smaregi. We believe that when stores are energized, the town will be energized, and in turn, society will be energized. That is why we are committed to be the new standard and to create an era in which anyone can easily and naturally manage data. That is all from me.

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Question & Answer

Moderator [M]: We will now proceed with the Q&A. We will answer as many as the time permits. Please note that similar questions will be answered together. Once again, please note that if you have any questions regarding our financial results, we will answer them in the second half of the Q&A session. Mr. Miyazaki, please begin.

Miyazaki [M]: I will answer the questions we have received in advance.

Participant [Q]: There is a discrepancy between the Company's performance and its stock price valuation. Are there doubts about the Company's growth potential from the current fund?

Miyazaki [A]: The answer is that there are many opinions regarding stock prices, but we refrain from commenting on stock prices regardless of the market or trends. We will continue to work hard to achieve our goals.

Participant [Q]: Is it possible to create a special benefit point for Smaregi?

Miyazaki [A]: I assume you are asking whether Smaregi may add something like T-points. Let's see. I will answer assuming that this refers to a points system for Smaregi users, i.e. the stores that use the service. Let's see. Currently, there are not many requests for such a system, so there are no plans to develop one.

Participant [Q]: Next question. What are the names and market shares of your competitors that currently have a high market share in the mid-size store segment, which is your main target?

Miyazaki [A]: In the mid-sized market, I think that in areas where a certain degree of customization is likely to occur, large companies such as Toshiba Tec and NEC have some shares of the market.

Participant [Q]: Next question. I understand the superiority of Toshiba and other electrical manufacturers over POS systems, but there are many cloud POS systems similar to yours. What are your company's points of differentiation against them?

Miyazaki [A]: Yes, as you say, there are many cloud POS systems, but there are various sales methods, such as industry-specific sales methods, discount methods, etc. We have been dealing with these for 13 years, so I think our ability to deal with a variety of things is a point of comparison when competing with other cloud POS registers.

To give a simple example, there is a sock shop that offers bundle sales, such as JPY1,000 if you buy three socks. I think this is a key point of differentiation. I think what differentiates us is that we have added various functions, such as responding to such detailed sales methods.

Participant [Q]: Please explain the aim of the amendment to the Articles of Incorporation.

Miyazaki [A]: Sure. We acquired a donut shop called Tsubame Donuts as announced in the June 7 press release, and the Articles of Incorporation were amended to reflect the acquisition of that business.

Miyazaki [M]: As there are no further questions, this concludes the question-and-answer session.

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Moderator [M]: This concludes the first half of the presentation, the Company overview. After this, from 11:00 AM, we will explain the financial results disclosed yesterday. We will prepare, so please wait for a while until we start.

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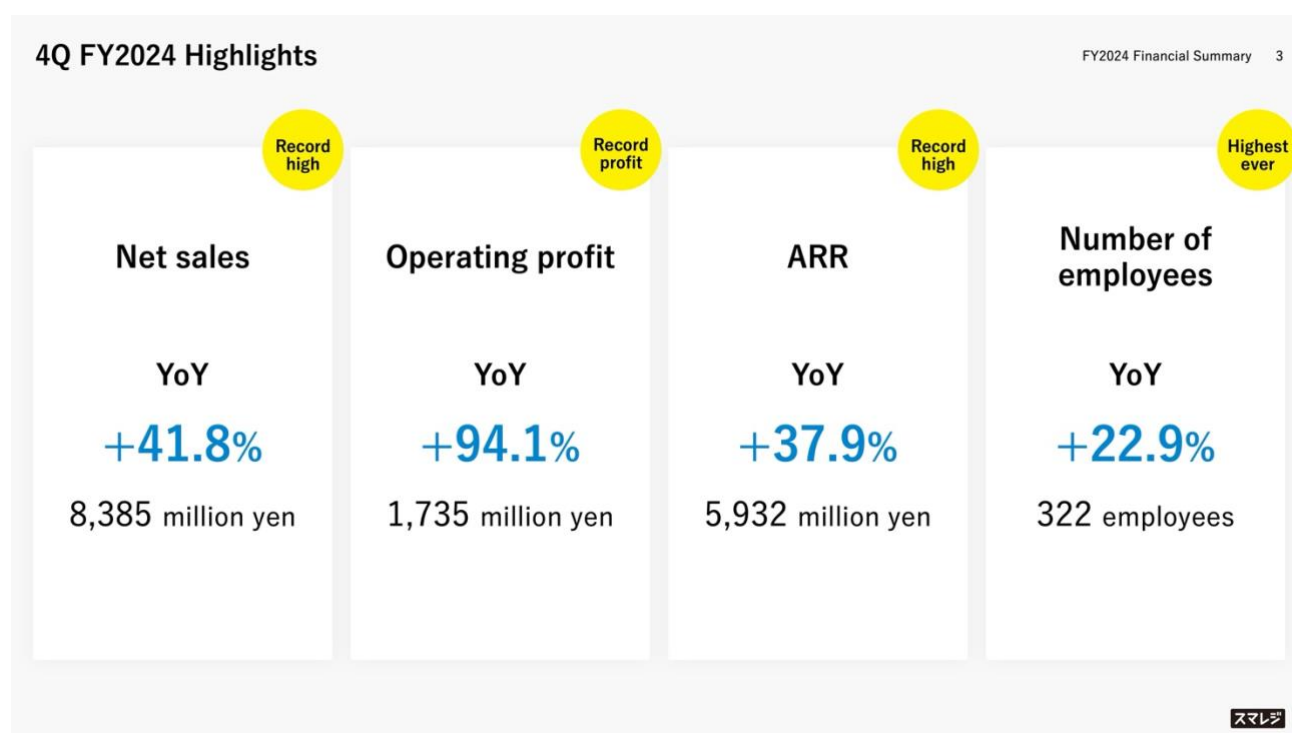


Presentation

Moderator: Once again, thank you for attending Smaregi Inc.'s full-year financial results briefing for the fiscal year ended April 2024. I now will explain the flow for the second half of the presentation. In the last 30 minutes, Mr. Yamamoto, Representative Director, and Mr. Takamadate, Director and CSO, will explain the financial results disclosed yesterday, followed by a Q&A session.

In the Q&A session in the second half of the briefing, we will only accept questions related to the contents of the financial results. The first half of the Q&A regarding the Company profile has been completed. If you have any additional questions, please send them via the inquiry form on our IR website. We look forward to your questions. We also encourage you to use our chat function for non-question related inquiries. Now, Mr. Yamamoto and Mr. Takamadate, please go ahead.

Yamamoto: Hello, everyone. I am Yamamoto, Representative Director. Thank you very much for taking time out of your busy schedule to participate in our financial results briefing today. We would like to begin the second part of the briefing now. Mr. Takamadate, please go ahead.



Takamadate: Hello. I am Takamadate, Director of Smaregi, Inc. Thank you very much for participating in our financial results briefing today. I now explain our full-year financial results for the fiscal year ended April 30, 2024. Thank you.

Here are the performance highlights. Compared to the same period last year, sales increased 41.8% to JPY8,385 million, operating profit increased 94% to JPY1,735 million, ARR increased 37.9% to JPY5,932 million, and the number of employees was 322, a net increase of 23 from Q3, bringing the net increase to 60 for the full year.

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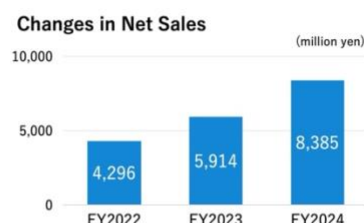
We have revised our forecast twice this fiscal year, and as a result, we have achieved this result for the full year. The ARR target of JPY5,590 million, which was stated in the mid-term management plan, was also greatly exceeded.

FY2024 Financial Highlights

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During the fiscal period, we revised our earnings forecasts twice.* Supported by robust business growth, we have achieved our 11th consecutive year of revenue increase and set a record for the highest profits for the second year in a row.

(million yen)	FY2024 May 2023 - Apr. 2024	FY2023 May 2022 - Apr. 2023	YoY	FY2024 plan* May 2023 - Apr. 2024	FY2024 % achieved
Net sales	8,385	5,914	+41.8%	8,204	102.2%
Operating profit	1,735	893	+94.1%	1,610	107.7%
Ordinary profit	1,696	896	+89.3%	1,608	105.5%
Profit	1,212	887	+36.7%	1,052	115.2%



*The full-year forecasts were revised on December 13, 2023 and March 15, 2024.

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This shows the comparison with the previous year's figures and the second-term plan.

The full-year plan shown here on the far right is based on the figures we revised when we announced Q3 results of this year. Sales were up over 40% from the previous year, and operating profit was up 94%, reaching a record high.

Statement of Income

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Solid performance led to a 41.8% YoY increase in revenue. Operating profit surged by 94.1% YoY due to improved efficiency in COGS and SG&A expenses, marking consecutive record-high profits.

(million yen)	FY2024 May 2023 - Apr. 2024					FY2023 May 2022 - Apr. 2023	YoY
	1Q	2Q	3Q	4Q	Total		
Net sales	1,824	2,122	2,096	2,342	8,385	5,914	+41.8%
Cost of sales	663	831	761	925	3,182	2,345	+35.7%
Gross profit	1,160	1,290	1,334	1,417	5,203	3,569	+45.8%
SG&A expenses	749	866	886	965	3,468	2,675	+29.6%
Operating profit	410	424	447	452	1,735	893	+94.1%
Ordinary profit	410	424	445	416	1,696	896	+89.3%
Profit	274	284	318	335	1,212	887	+36.7%



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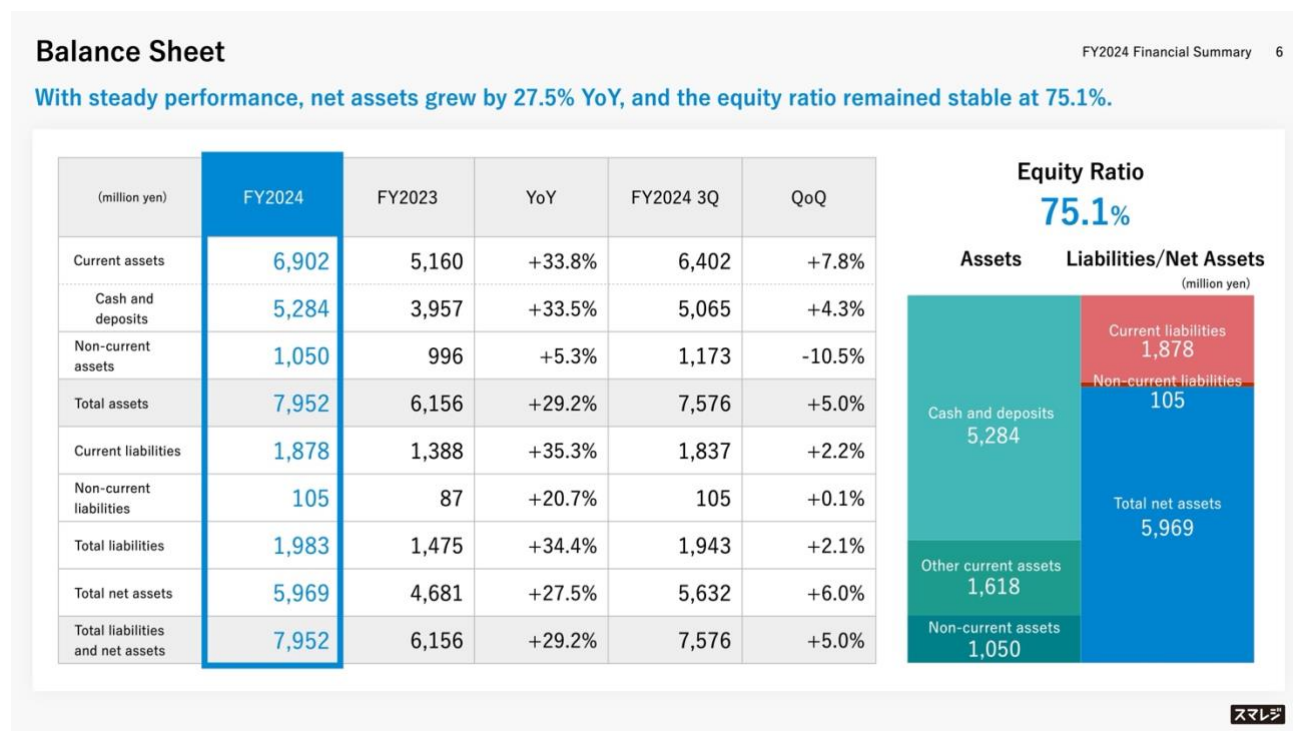
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The income statement and balance sheet are as stated on pages five to six of the material.

Income statements for each quarter and the previous full year are shown side by side. Regarding net profit for the previous fiscal year, there was a special factor of over JPY200 million associated with the merger of a subsidiary, so it is displayed a little higher.



The balance sheet shows that cash and deposits have accumulated and exceeded JPY5 billion as the business expanded.

Current assets and current liabilities increased, mainly due to an increase in advances received in conjunction with business expansion and response to special demand, as well as an increase in income taxes. The equity ratio stood at 75%.

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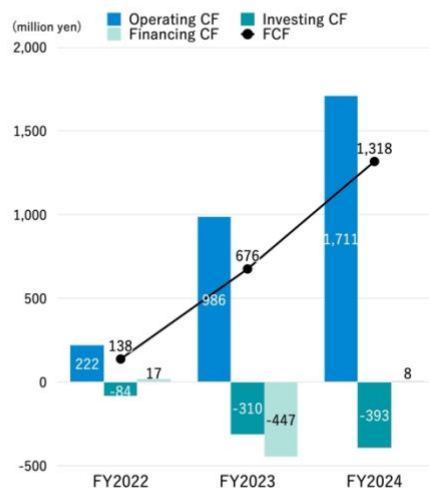
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Cash Flows

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Operating cash flow soared by 73.5% YoY, reflecting strong operational performance. However, cash flow from investing activities was -393 million yen due to showroom relocation investments.

(million yen)	FY2024	FY2023	YoY	
			Amount	%
Cash flows from operating activities	1,711	986	+724	+73.5%
Cash flows from investing activities	-393	-310	-82	+26.5%
Free cash flows	1,318	675	+642	+95.1%
Cash flows from financing activities	8	-447	+456	-102.0%
Cash and cash equivalents at the end of period	5,284	3,957	+1,327	+33.5%



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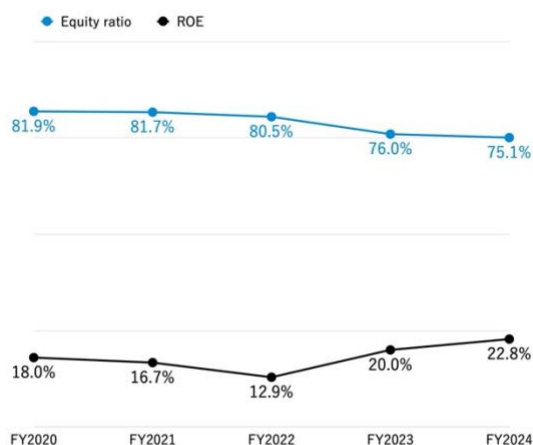
Next, this is the cash flow. Investment cash flow is negative at approximately JPY400 million, which is due to the acquisition of fixed assets resulting from the relocation of showrooms in Ebisu and Nagoya.

ROE ROA

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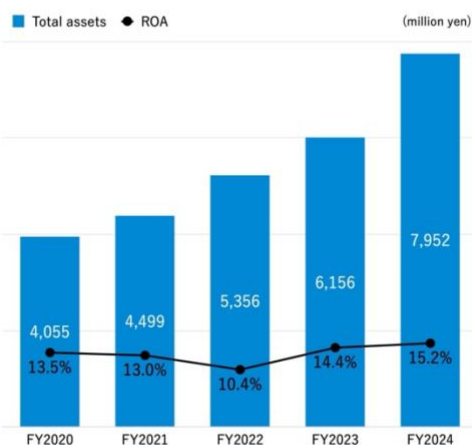
We achieved high profitability with an ROE of 22.8% and an ROA of 15.2%, ensuring sustainable high returns.

Changes in ROE and equity ratio



ROE: Return on Equity, ROA: Return on Asset

Changes in ROA and total assets



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ROE and ROA are as stated. These are the ratio of net profit divided by net assets and total assets, respectively, and are indicators of profit efficiency relative to assets. They are 22.8% and 15.2%, both of which remain high.

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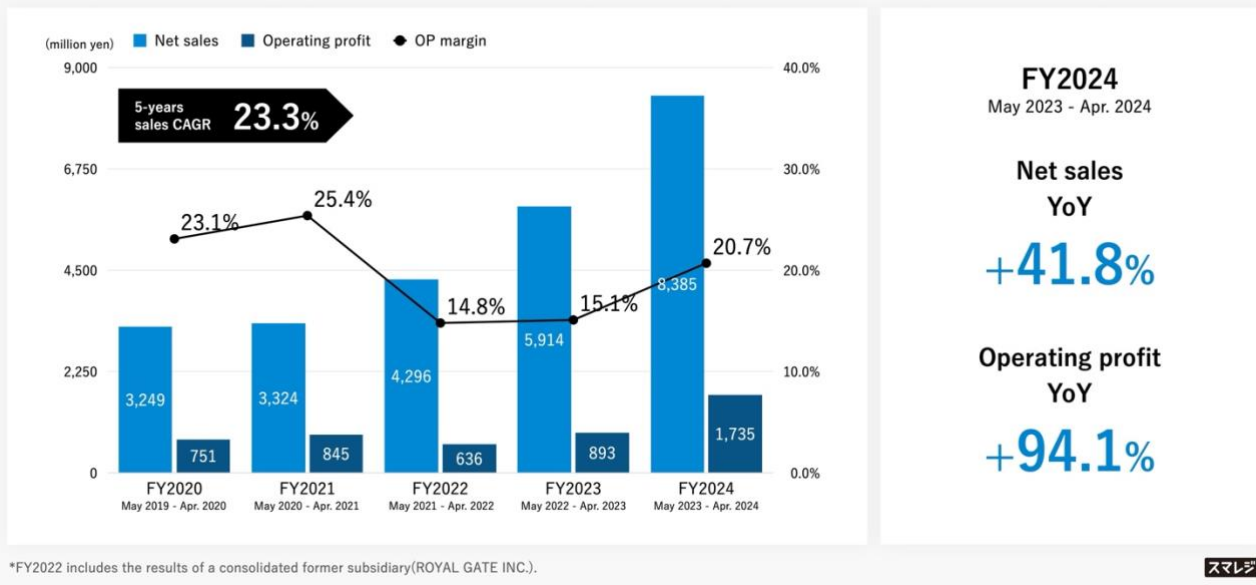
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Changes in Net Sales, Operating Profit, and Operating Margin

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Revenue and operating profit grew significantly, exceeding initial forecasts with a YoY increase of 41.8% in revenue and 94.1% in operating profit. Despite ongoing S&M investments, SG&A expense efficiency improved, boosting the operating margin to 20.7%.

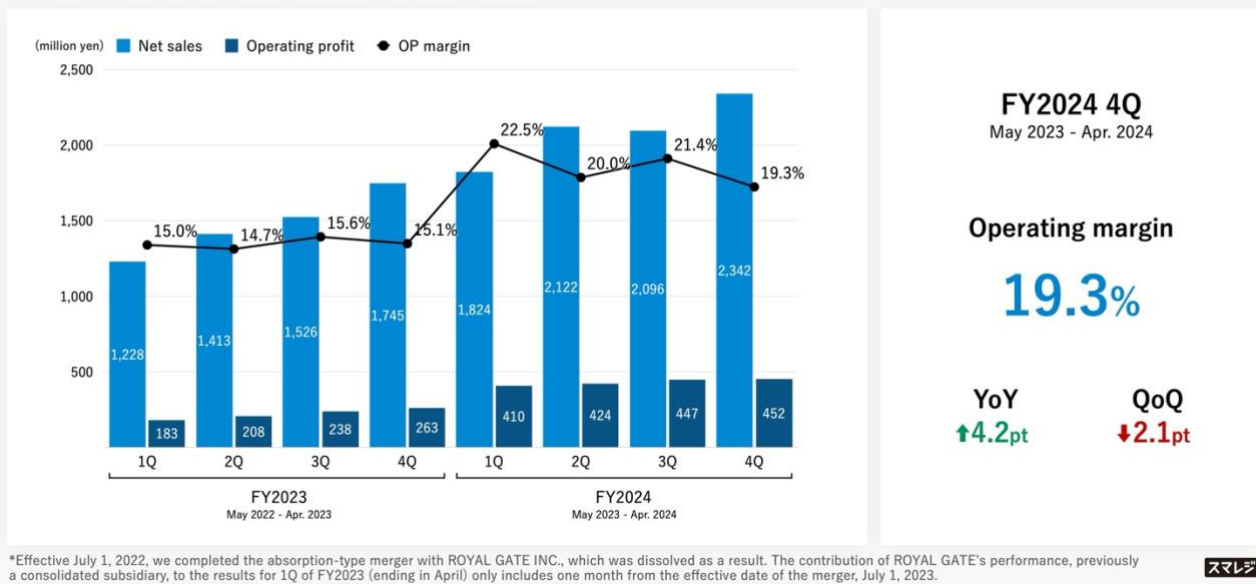


Five-year performance trends. The profit margin itself has fallen a little due to accelerated investment for expansion starting in the fiscal year ended April 2022, but the growth curve has been gradually improving. In the previous fiscal year, YoY growth was over 40%, and the operating profit margin exceeded 20%, so I believe we are now able to make profits while continuing to expand.

Quarterly Changes in Net Sales, Operating Profit and Operating Margin

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For FY2024, we maintained an operating margin around 20%, attributed to solid performance and SG&A expense efficiency, even with continued S&M investments.



This slide shows the quarterly changes. There isn't much fluctuation between quarters, so generally Q3, which includes the New Year holidays, is a slightly slower period, followed by Q4 which tends to be a slightly busier period.

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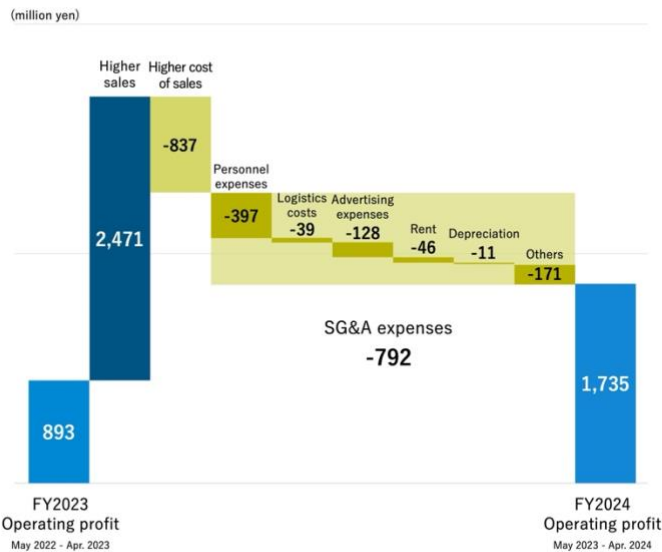
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Analysis of Changes in Operating Profit (YoY change)

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Higher sales

- Number of new fee-based contracts increased.
- Increasing demand for currency update services due to new banknote issuance.
- Growth of consistent sales(monthly fees) due to low churn rate
- Price revision of monthly fees for cloud services

Higher cost of sales

- Increase in equipment purchases because of the growth in sales
- Increase in cost of production including labor costs

Higher SG&A expenses

- Higher personal expenses due to the increased of employees
- Increase in other expenditures associated with business expansion
- Smaller margin of increase in advertising expenses due to enhanced marketing efficiency

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The next is the YoY comparison, which shows an increase in sales of JPY2,471 million, while cost of sales and personnel expenses are listed as negative, which means that the increase in costs will be a factor in the decrease in profits.

There have been fluctuations in costs due to increased sales and labor costs due to an increase in personnel, but other than that, there have been no major changes compared to the same period last year.

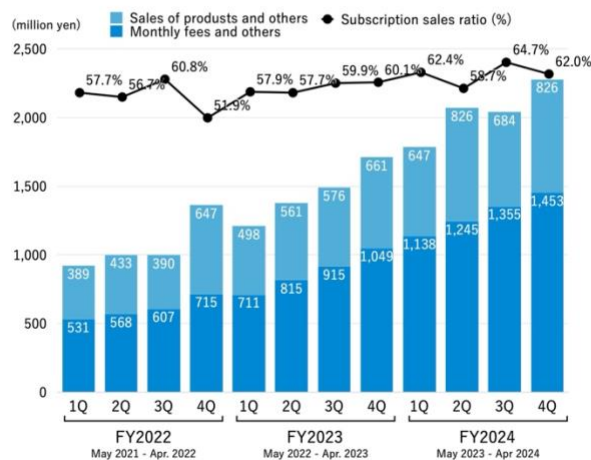
The other negative JPY171 million is for research and development and other costs.

Changes in Sales Composition

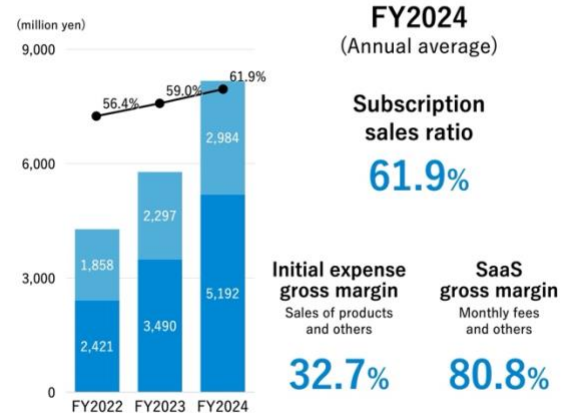
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Due to special demand from new currency issuance, the initial cost gross margin fell by 4.7 points YoY. However, SaaS gross margin improved by 4.2 points YoY following price adjustments.

Quarterly changes



Annual changes



*Sales from Other System Development Costs Not Included in the Graph *4Q FY2022 Figures Reflect Consolidated Financial Results. 1Q FY2023, the performance contribution from the former consolidated subsidiary is only included for one month after the effective date of the merger, which was July 1st. *Special Demand for System Upgrades in 2Q FY2024: The sales in "Equipment Sales, etc." for 2Q FY2024 include a surge in demand for system upgrades of automatic coin changers. This is due to the issuance of new banknotes in Japan in July 2024.

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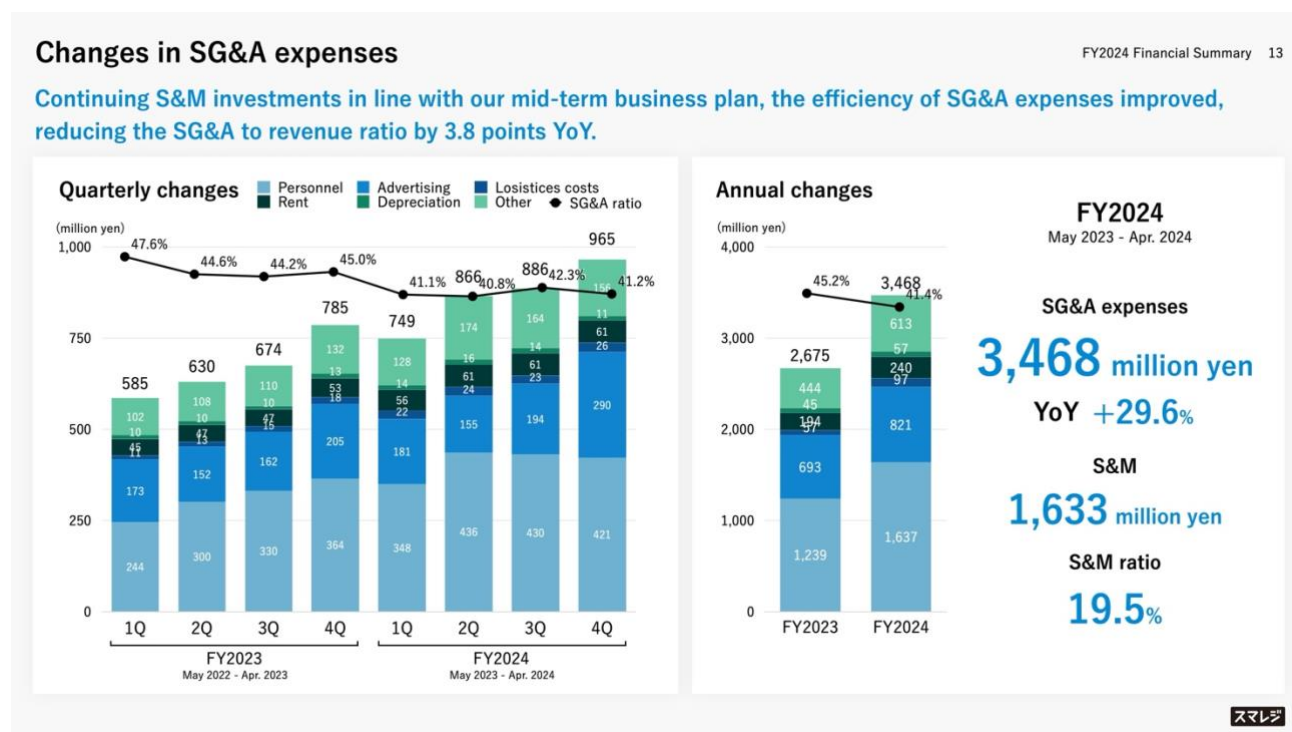
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Please take a look at the quarterly changes. This shows the quarterly performance trend in sales. The quarterly sales figures are broken down into subscriptions such as monthly usage fees, the darker portion at the bottom, and initials such as sales of equipment related to implementation, with the subscription ratio being 62%.

The gross profit margin on initial costs has declined slightly, but this is due in part to the special demand for new banknotes in the fiscal year ended April 2024. Although subscriptions grew due to price revisions, initial costs also grew due to special demand, resulting in a moderate increase in the subscriptions ratio.



Next page shows SG&A expenses. Q4 totaled JPY965 million, an increase of about JPY80 million from Q3, due in part to the food festival held every year in Q4 and the impact of increased advertising through TV commercials and other means.

Personnel expenses are a little uneven, but I explained that the amount increased in Q2 due to an increase in bonuses and the revaluation of stock compensation due to fluctuations in stock prices. In Q3, the figures were almost normal, but in Q4, there was a reversal of bonus provisions, so the amount recorded was slightly lower.

Q2 and Q4 have slightly unusual shapes, so it may look strange that labor costs have not increased, but I think you can see the trend by looking at the years and approximation lines.

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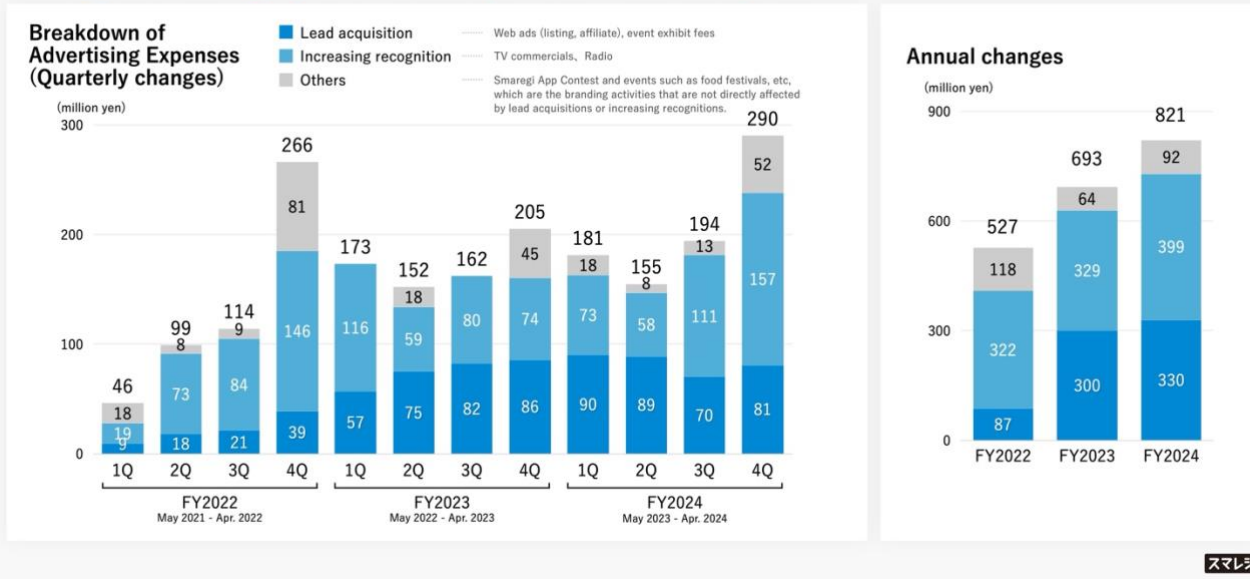
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Changes in Advertising Expenses

FY2024 Financial Summary 14

With a YoY increase of 18.5%, we optimized efficient investment focusing on brand awareness and lead generation, reducing the advertising expense ratio to 9.8%, a YoY decrease of 1.9 points.



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Advertising expenses. This shows the trend in advertising expenses.

We continued our advertising activities from the previous fiscal year. The quarterly total was JPY290 million, and the full year total was JPY821 million. In Q4, we spent JPY81 million on ads aimed at directly acquiring leads, and JPY157 million on ads aimed at raising awareness through television, radio, etc.

At the previous briefing, I mentioned that from November, we began to seriously consider cost-effectiveness when it came to lead-seeking advertising expenses, and we have been selecting advertising spending accordingly. After a thorough scrutiny of the unit economics of each inflow, those that do not meet certain standards and those that cannot be improved are to be eliminated.

We have increased the costs of awareness-increasing purpose ads significantly, but this is mainly due to an expansion of the area of television commercials. We conduct awareness surveys on a regular basis, with particular emphasis on areas where we are supporting TV commercials, and this year we saw a particularly marked increase in awareness in areas where the commercials are aired.

We intend to continue to actively market our products in each area, in conjunction with our sales strategies.

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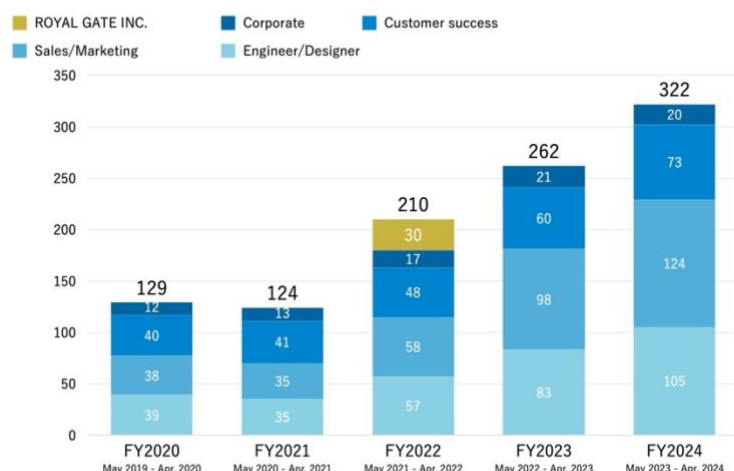
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Growth in Number of Employees

FY2024 Financial Summary 15

We executed hiring plans focusing on engineers, designers, sales, and marketing roles. The number of employees grew by 60 YoY, reaching 322, achieving 94.2% of our plan.



*Excludes temporary employees and part-time employees.

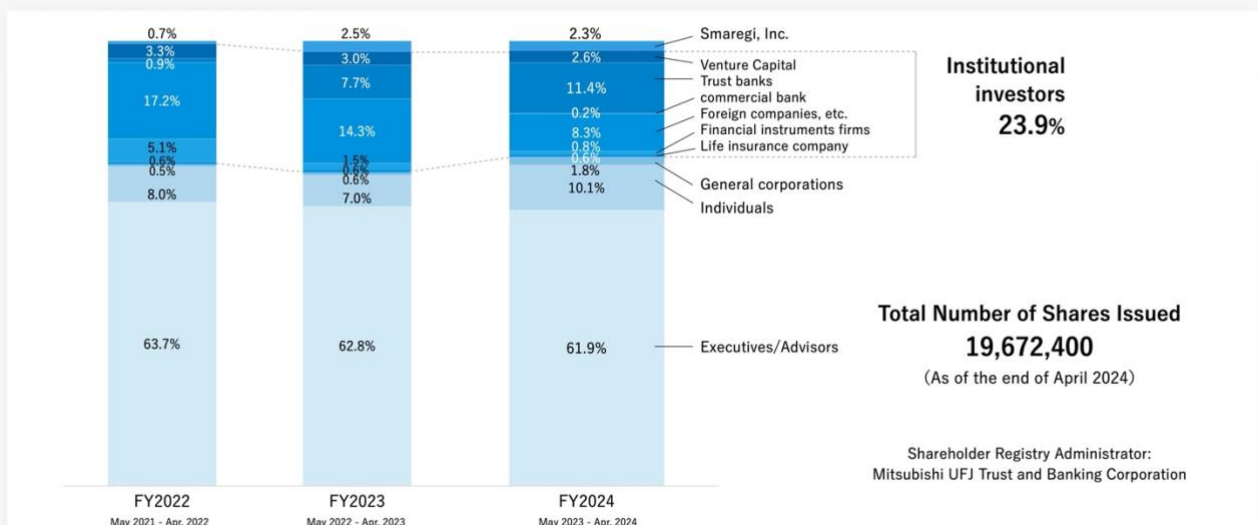
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This shows the number of employees. The figures are as of the end of each fiscal period. The number of employees increased by 60 from the end of the previous fiscal year to 322. In terms of net increase, we have fallen a little short of our target, but we have been hiring carefully and selectively based on our policy of hiring ahead of schedule in preparation for business expansion, and I think we have been able to hire at a good pace for the past three terms. We would like to continue to actively promote hiring as our business expands.

Main Shareholders

FY2024 Financial Summary 16

The proportion of shares held by institutional investors has decreased, while the ownership by general corporations and individuals has increased.



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Shareholder composition at the end of the fiscal year. Although not significantly different, there was a slight increase in the number of general corporations and individuals.

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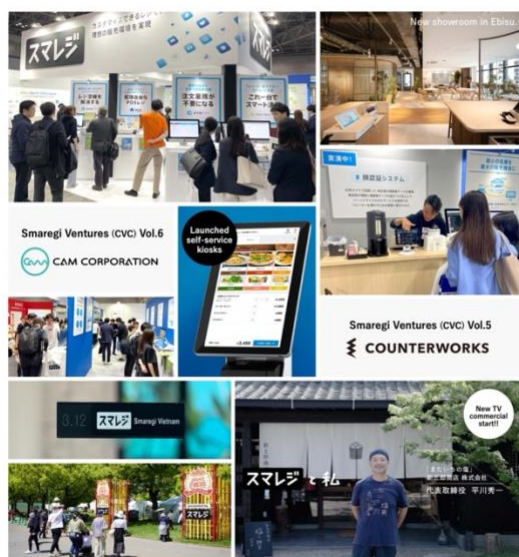
The basic policy of Smaregi is to pay a dividend that reflects results of operations and the current financial condition. As Smaregi is still in the growth phase of its operations, there has been no dividend since the company's inception in order to retain earnings needed for upcoming business operations and for further increasing financial soundness. There is no dividend for the fiscal year ended April 30, 2023 as well because Smaregi is still in its growth phase and is placing priority on retaining earnings to fund new investments and other activities for more growth.

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I would like to reiterate our dividend policy. We receive questions about this at shareholder meetings and other such events, but as we are in the process of growth and would like to use the proceeds to fund business expansion, we would like to forgo dividends this fiscal year. We hope you will support our company's growth and look forward to working with you.

FY2024 Topics

Business Summary 19



- Apr. 2024**
 - Announced the acquisition of the ResONE Plus business from Ligua Co., Ltd.
 - Limited time showrooms that travel to local cities (6 locations in Japan)
- Mar. 2024**
 - Launched self-service kiosks (ticket vending machines).
 - Participated in Japan's largest comprehensive IT fair, RETAILTECH JAPAN 2024
- Feb. 2024**
 - Participated in international hotel / restaurant / show, HOTERES JAPAN
- Jan. 2024**
 - Invested in CAMCORPORATION, a cloud ERP company for SMEs. (Smaregi Ventures)
- Jan. 2023**
 - Established a subsidiary in Vietnam as a new overseas software development base.
- Nov. 2023**
 - Started offering a monthly 0 yen plan for Smaregi PAYGATE
- Oct. 2023**
 - Invested in COUNTERWORKS, the provider of the online platform for event and pop-up retail space 'SHOPCOUNTER'. (Smaregi Ventures)
- Sep. 2023**
 - Relocated and expanded Shibuya Showroom to a convenient location near Ebisu station.
- Jul. 2023**
 - Participated in RETAILTECH OSAKA 2023
- Aug. 2023**
 - Appointed Saki Ikawa, former Asia Director of BLUE BOTTLE COFFEE Inc., as an outside director.
- Jun. 2023**
 - Shugo Suzuki, Director of the Partner Promotion Department, appointed as Executive Officer.
- May 2023**
 - Smaregi sponsors the food festival "Harapeko Circus." Launched in 2022, this marks the second edition of the event.

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Next, we would like to provide a business summary.

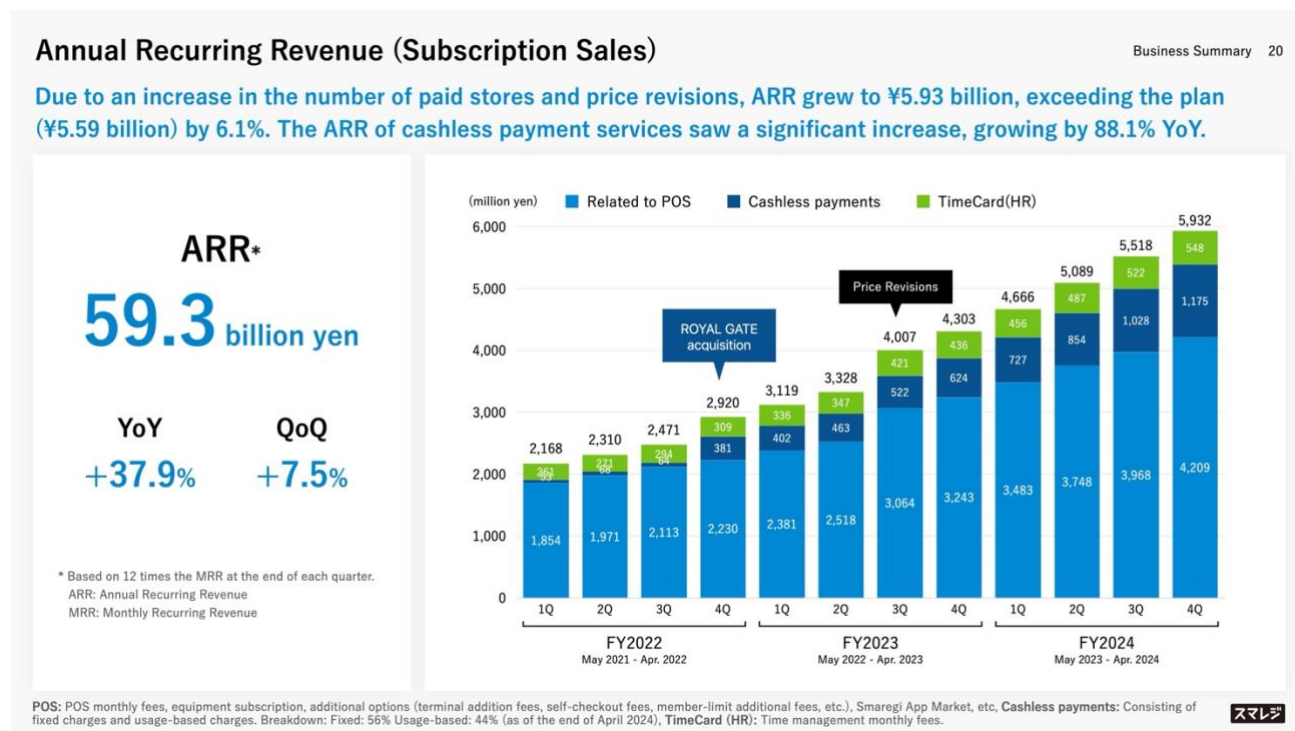
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First, the topics for the full fiscal year ended April 30, 2024, are listed. We hope you will take a look at our new executive appointments, showroom relocation, announcement of our new self-checkout ticket vending machine and new series of TV commercials.



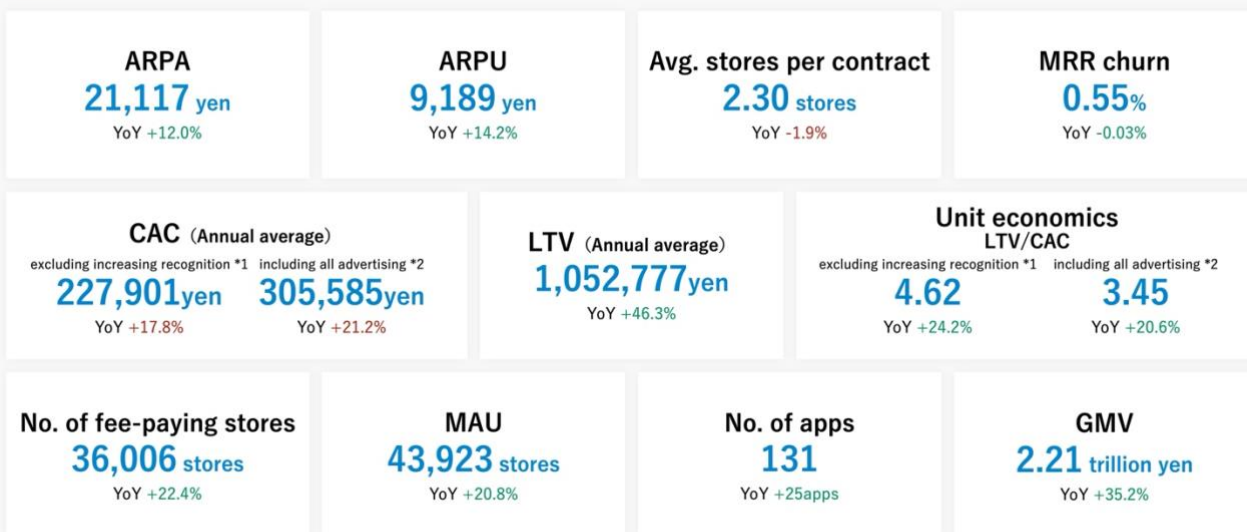
This is the ARR trend, which is our most important KPI. Due to the increase in customers, ARR was JPY5,930 million, an increase of 37.9% YoY. Post-payment cross-selling was robust, with payment services growing significantly, up 88% YoY.

Our target for the current fiscal year under our medium-term management plan is JPY7.2 billion, and we will steadily work toward that goal.

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ARPA: revenue per customer for each fee-based contract, **ARPU:** revenue per customer for each fee-paying store, **MRR churn:** the attrition rate calculated by using Smaregi monthly recurring revenue, **CAC:** the customer acquisition cost per contract, **LTV(customer lifetime value):** the lifetime value per customer for each contract (excluding product sales for cloud services), calculated on a gross profit basis using account churn by contract, rather than MRR churn, **Unit economics:** profitability per customer obtained by dividing LTV by CAC, **No. of apps:** total number of public apps available on the Smaregi App Market, **MAU:** active stores with transactions in the current month, **GMV:** total value of distribution transactions processed by Smaregi

*1 Calculated excluding increasing recognition expenses (e.g., TV commercials, radio) from total advertising costs.
 *2 Calculated including all advertising expenses, including those for increasing recognition (e.g., TV commercials, radio).

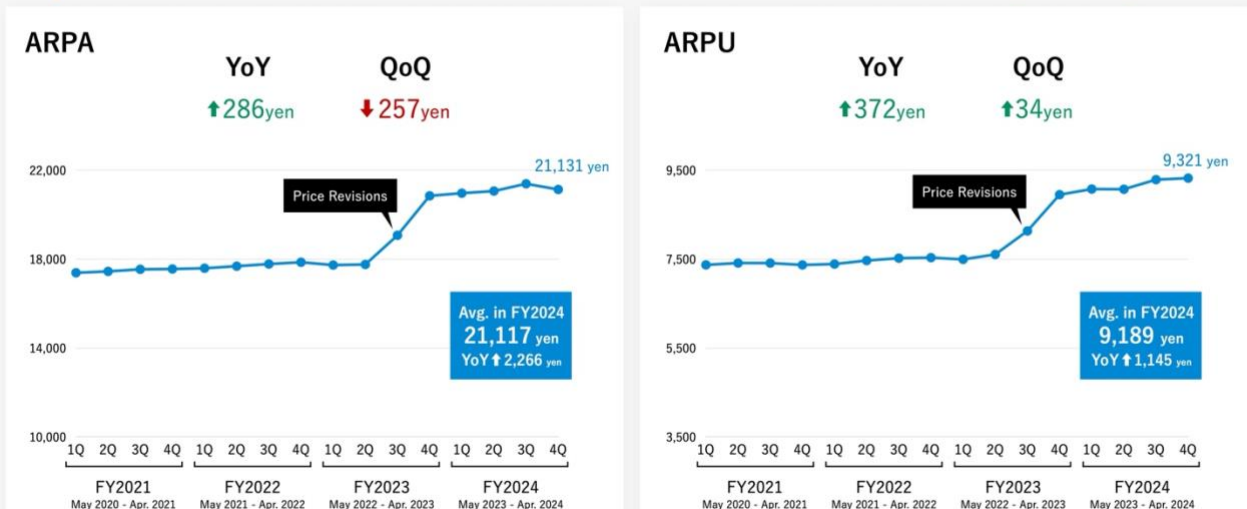
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The slides from here onwards show the KPIs only for our main POS system, Smaregi POS. Various KPI figures are shown in the material, but ARPA/ARPU per customer improved, partly due to the impact of price revisions.

And since the churn rate has also dropped slightly, LTV has increased significantly. As a result, we feel that unit economics has also improved. At the end of the previous fiscal year, we announced that unit economics were around 2.8, so combined with advertising controls, we have seen a significant improvement.

POS Average Revenue per Account and User (ARPA/ARPU)

Following the price revision* over a year ago, customer pricing has remained stable. Year-over-year (YoY) comparisons show a 12.0% increase in ARPA and a 14.2% rise in ARPU. *Price revision implemented in January 2023 (FY2023Q3).



*ARPA(Average Revenue Per Account): Customer unit price per contract ID (only for paid plan contracts).
 *ARPU(Average Revenue Per User): Customer unit price per store (only for paid plan contracts). Both are NOT include sales from Smaregi TimeCard, Smaregi App Market, or the payment service.

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Since this is the fiscal year after the price revision, the unit price per customer has improved by 12% to 14% from the fiscal year ended April 30, 2023.

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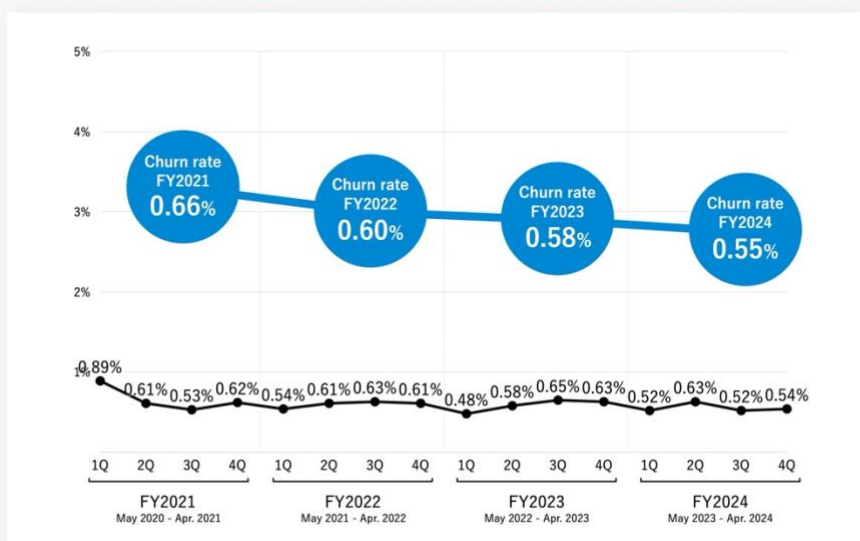
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POS Changes in Churn Rate

Business Summary 23

Continued Initiatives for Enhancing Onboarding and Improving Service Quality. There was no impact from price revisions, and the average churn rate for the fiscal period ending in April 2024 reached a historic low of 0.55%.



Lowest ever

FY2024
Churn rate
May 2023 - April 2024

0.55%

YoY

↓ 0.03pt

QoQ

↑ 0.02pt

(Churn rate: MRR churn rate)
The percentage of decrease in existing customer monthly fees caused by cancellations.

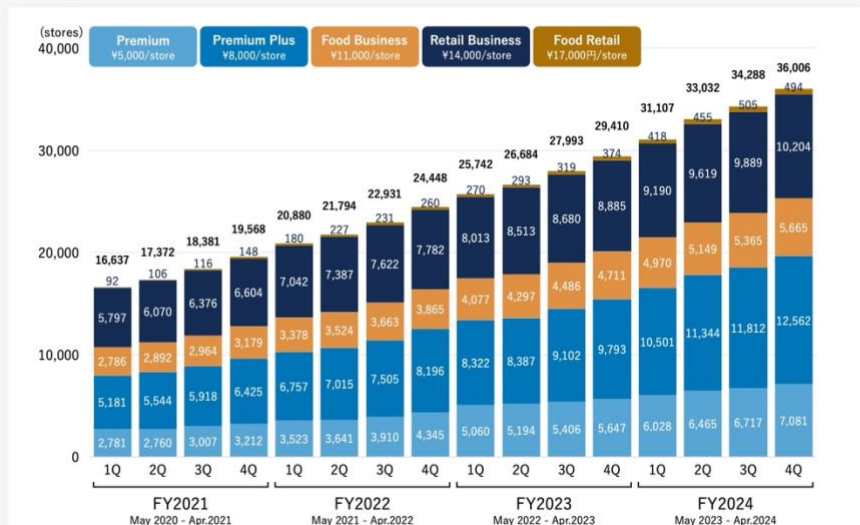
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Next is the churn rate. The churn rate is gradually decreasing. The fiscal year ended April 30, 2024, recorded the lowest figure ever. These figures are almost flat, so I don't really need to emphasize it that much, but I think it's a very good trend that the churn rate has not worsened even as the business has expanded.

POS Composition of Plan Categories with Fees

Business Summary 24

The increasing trend continues even after the price adjustment in January 2023. The number of paid stores shows a YoY growth of +22.4%.



Fee-paying stores*

36,006

YoY

+22.4%

+6,596stores

QoQ

+5.0%

+1,718stores

*Monthly disclosure of the latest information on the number of fee-paying stores Smaregi discloses

information on the number of fee-paying stores every month. As of May 30, 2024, the number of fee paying stores is 36,303 stores. For details, please refer to the [IR site](#).

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Next is the number of fee-paying stores. We track the number of fee-paying stores and the number of active stores as key indicators. The number of stores that signed up for paid plans was 36,006, an increase of 6,596 stores from the same period last year. Although there are seasonal factors and there is a slight variation each month, there has been a steady increase.

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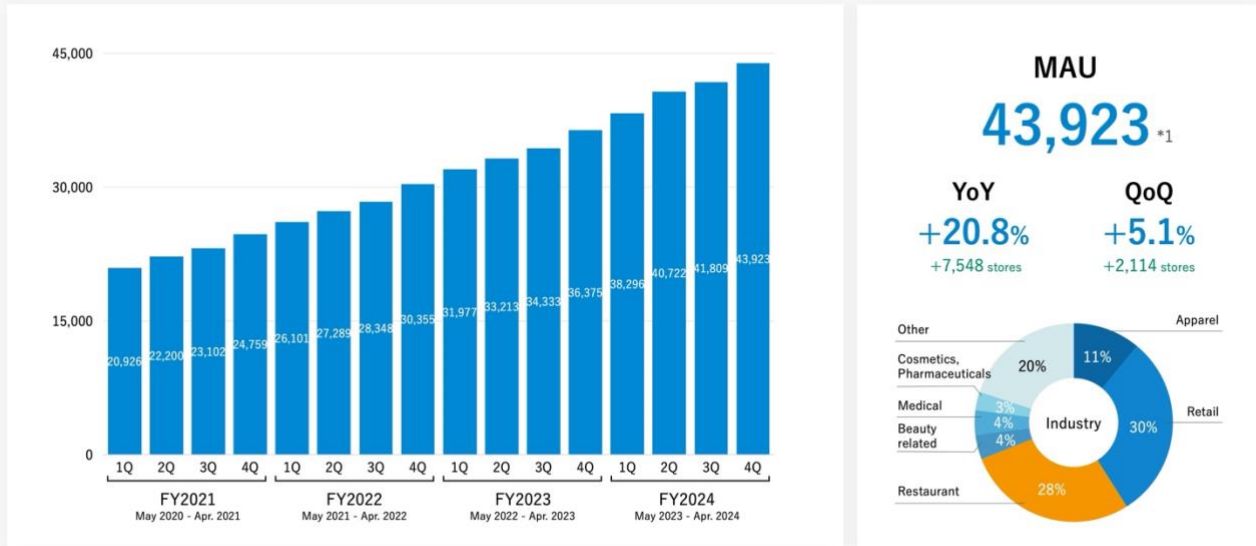
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POS Active Stores (Including Free Plan Stores)

Business Summary 25

The number of stores increased 20.8% YoY to 43,923 stores, building up toward the target of 300,000 active stores.



*The number of stores that recorded commercial transactions (sales) in the most recent one-month period using Smaregi's cash register function, irrespective of the type of plan. Even when the stores utilize inventory management and other functions, if there are no commercial transactions then they are not counted.
*1 The latest number of active stores (as of May 30, 2024) is 44,348 stores. For details, please refer to the IJR site.

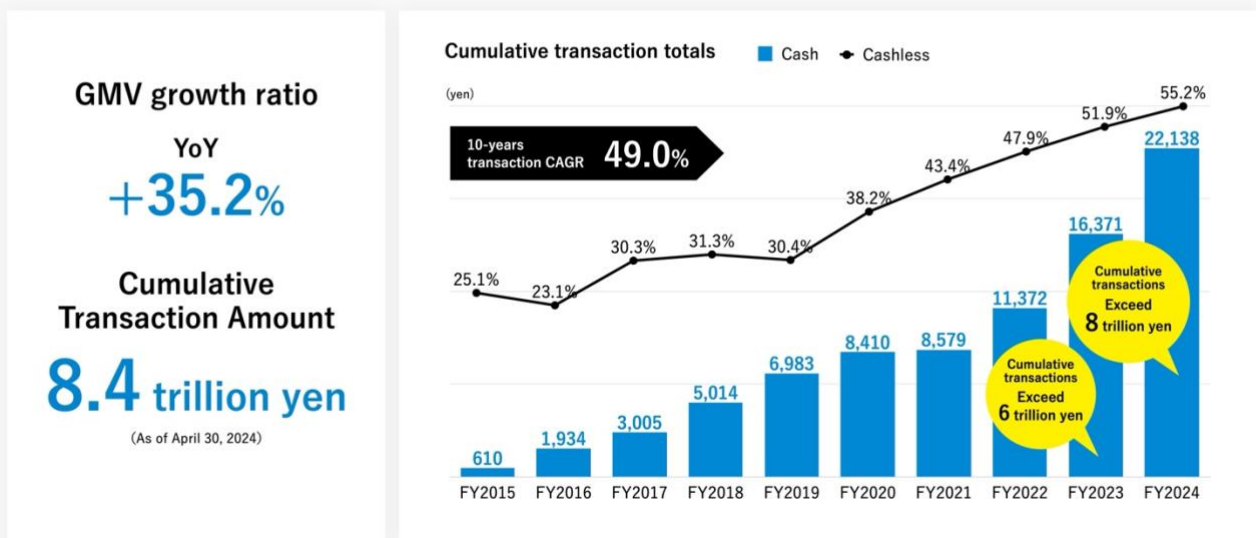
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Next is the number of active stores. This is the number of stores that actually used the service and includes free plan users in addition to the paid plans mentioned earlier. This is also an important indicator to measure whether the system is really being used, since it does not include stores that have only signed up for the free plan but are not using it. In the fiscal year ended April 2024, we exceeded 40,000 stores in Q2, bringing the total to 43,923 stores at the end of the fiscal year.

POS Quarterly GMV (Gross Merchandise Value) Progress

Business Summary 26

In February 2024, we surpassed 8 trillion yen in cumulative transactions. For FY24, the total transaction volume expanded by 35.2% YoY to 2.213 trillion yen. The cashless transaction ratio in Smaregi-using stores increased to 55.2%, contributing to Japan's shift towards cashless payments.*



*The Ministry of Economy, Trade and Industry (METI) is promoting cashless payments with the goal of increasing the ratio of cashless payments to about 40% by 2025. The cashless payment ratio in 2022 was 36.0% (as announced by METI in April 2023). *Cashless transactions: Also includes credit cards, electronic money, QR code payments, and some tradable coupons, gift certificates, etc.

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Next is GMV, the number of transactions and sales by all POS register users. The total transaction amount was JPY22,213 billion, an increase of 35% YoY, and the cumulative amount has now exceeded JPY8 trillion.

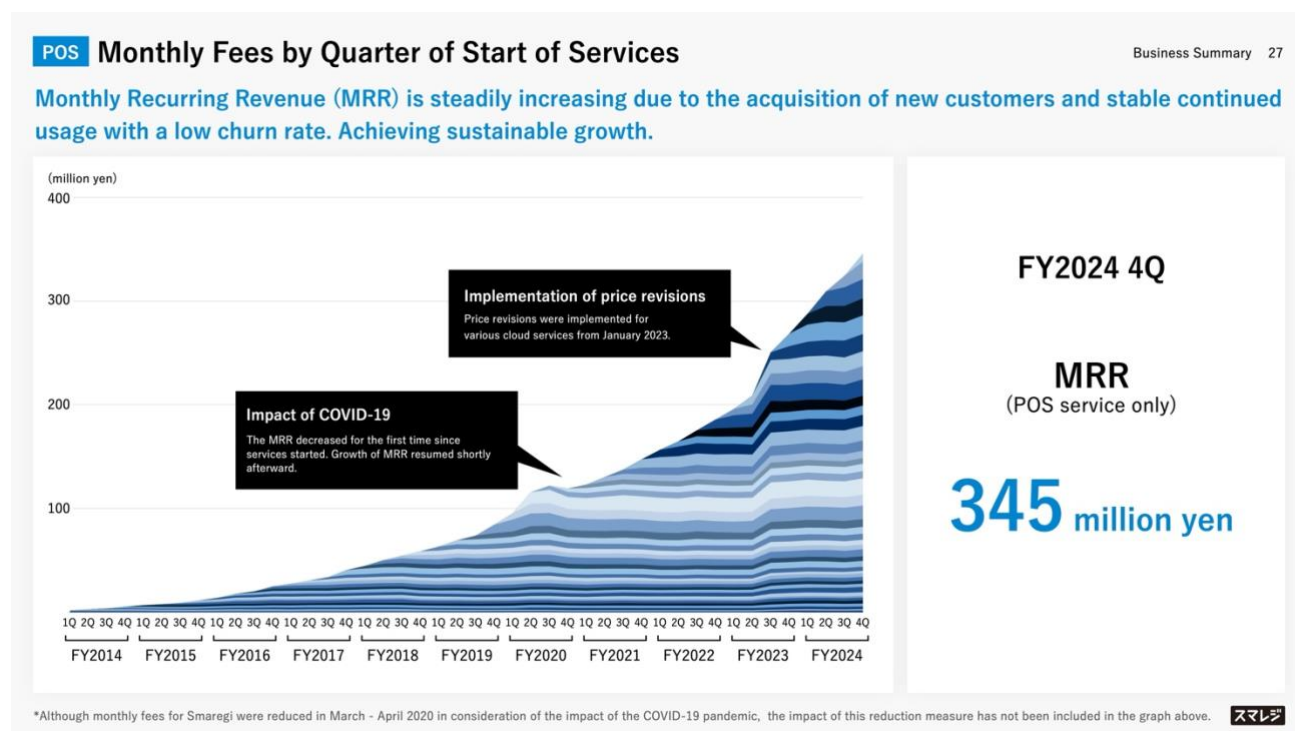
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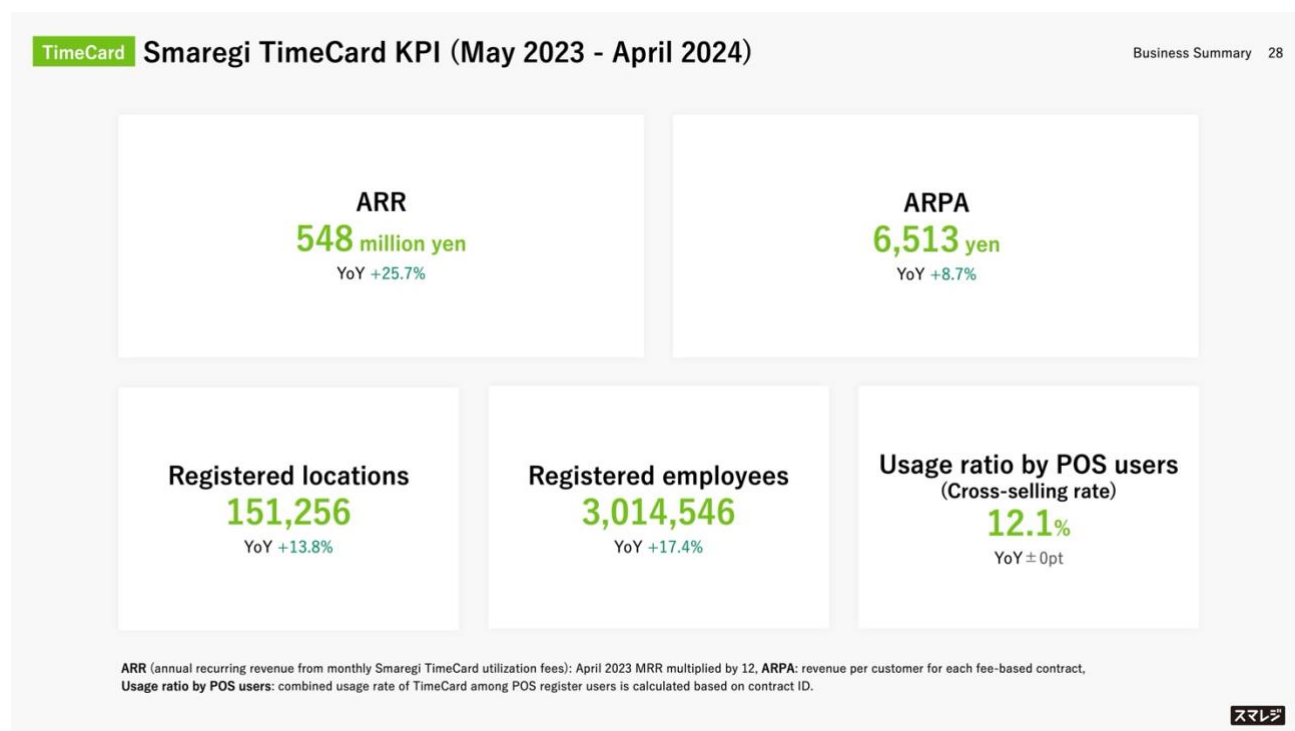
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The cashless ratio is gradually increasing, and we believe that this is due to the spread of various QR payment methods, as well as the cross-selling of our payment service, PAYGATE

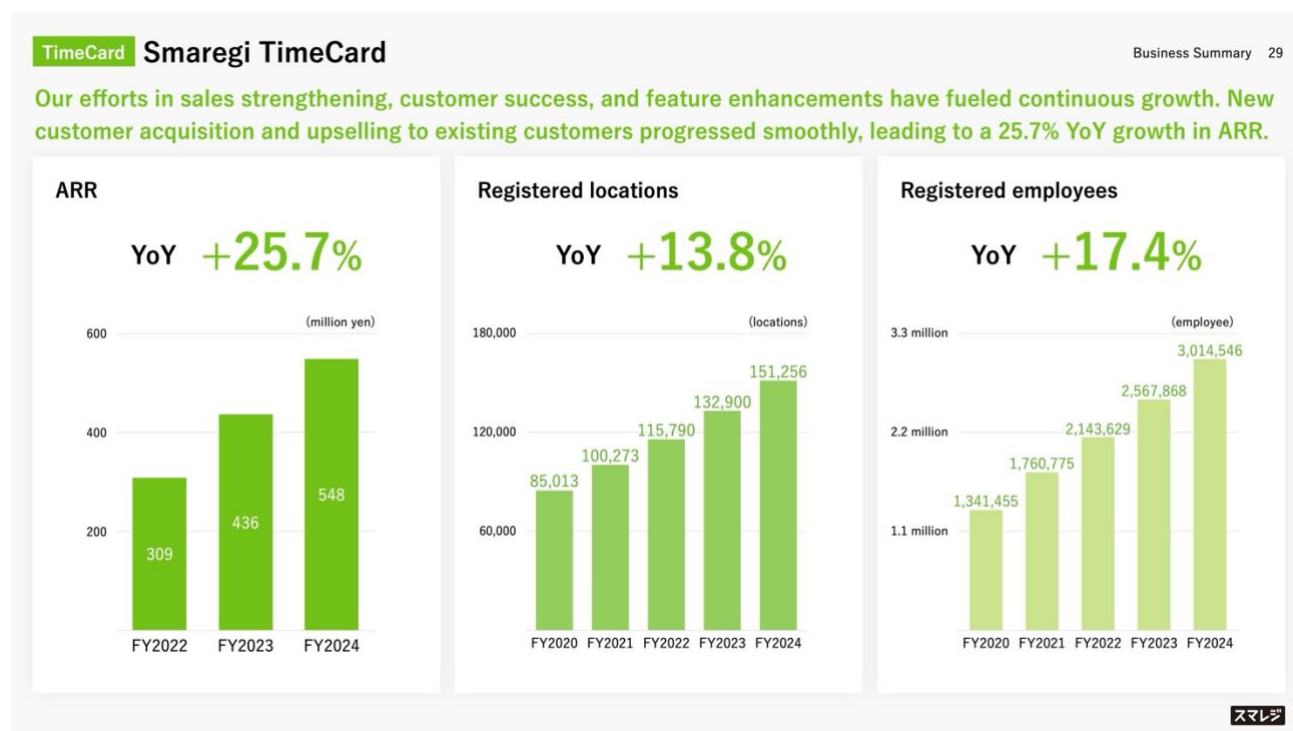


This is a POS-only figure, but MRR at the end of the period was JPY341 million. After the price revision, the speed of MRR accumulation, which is the angle of this curve, has also increased.

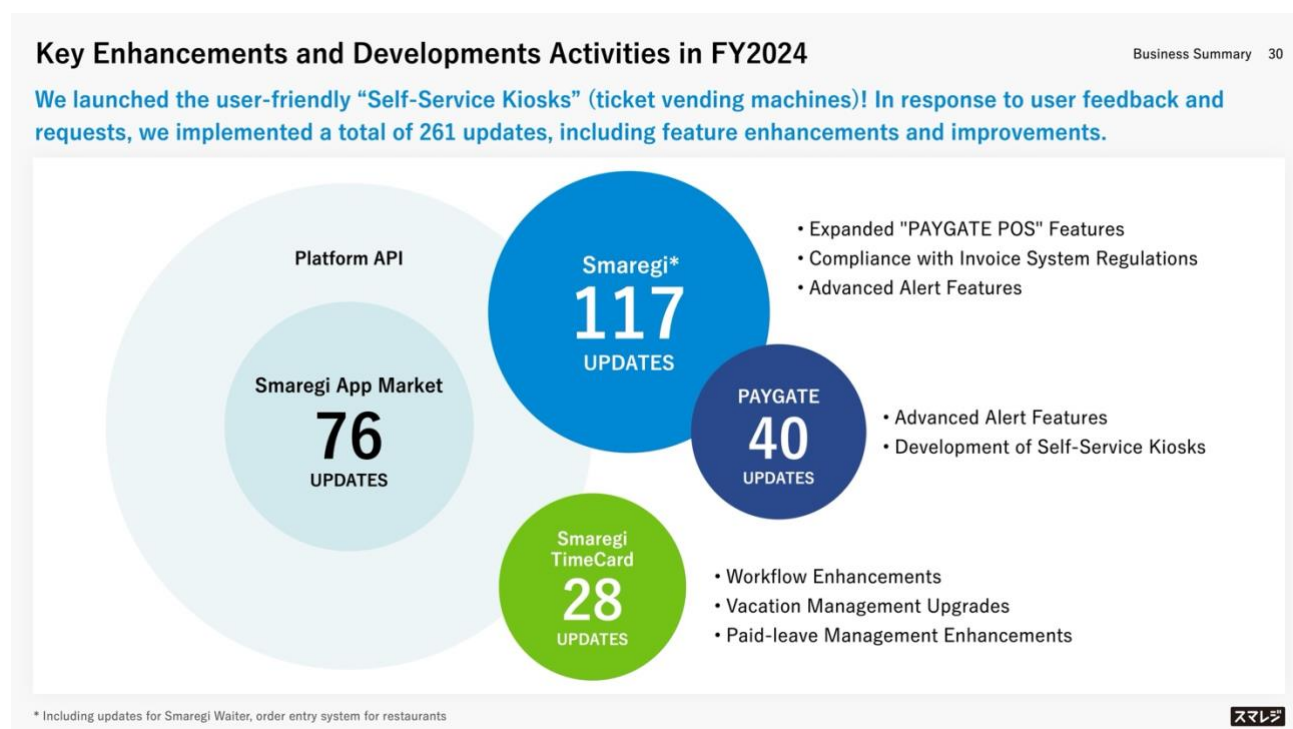


Since it is the end of the fiscal year, I will also briefly explain the KPIs for the Time Card business. The ARR was JPY548 million, and the number of registered establishments and businesses were 151,256 and 3 million,

respectively. Although the target of Time Card is slightly different from that of POS and other businesses, the cross-selling rate for POS remains unchanged from the previous fiscal year at 12%.



The ARR for the past three years for Time Card are listed. The Company has been steadily acquiring users while making a series of minor improvements and updates, resulting in an ARR of plus 25% YoY. We have created a dedicated sales team and plan to continue to grow steadily while cross-selling POS payments where possible.



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Lastly, I would like to talk about the status of the development. A total of 261 updates were made to all project projects. From large items such as self-checkout ticket vending machines to detailed requests for improvements such as those described, we believe that raising the satisfaction level of users will deter churn and attract new customers, so we will continue to understand detailed updates and make our products even better. This concludes my explanation of our financial results overview for Q4 and full year of the fiscal year ended April 2024.

Forecast of the FY2025 (Plan)

Business- Plan for FY2025 32

For the fiscal year ending April 2025, we plan to achieve revenue and profit growth driven by our mid-term business plan's growth strategy. We aim to increase ARR (Annual Recurring Revenue) through the expansion of contract volumes and customer unit prices, targeting our first-ever revenue exceeding 10 billion yen.

(million yen)	FY2025 May 2024 - Apr. 2025		FY2024 May 2023 - Apr. 2024
	Plan	YoY	Results
Net sales	10,688	+27.5%	8,385
Operating profit	2,033	+17.2%	1,735
Ordinary profit	2,033	+19.8%	1,696
Profit	1,414	+16.6%	1,212

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Yamamoto: Now, I will explain the performance plan for the fiscal year ending April 2025. Sales are projected at JPY10,688 million, up 27.5% YoY, and operating profit at JPY2,033 million, up 17.2% YoY.

Finally, sales will surpass the 10 billion yen mark. Moreover, we are looking forward to a great deal of excitement as we celebrate the 20th anniversary of our founding.

The operating profit margin is set at a relatively high 19%, but of course, this profit margin is based on a budget for advertising and R&D expenses, and we will continue to invest in future growth.

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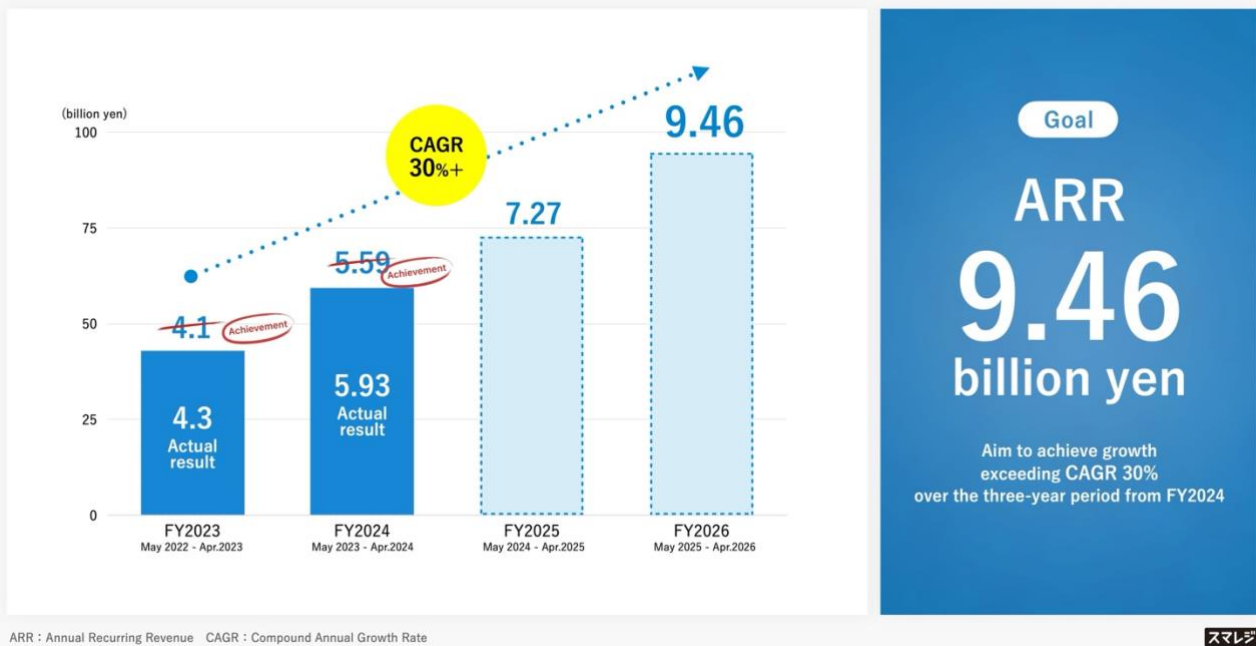
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ARR Progress and Plans - Aiming for over 30% growth each year

Long-term Vision and Medium-term Management Plan 38

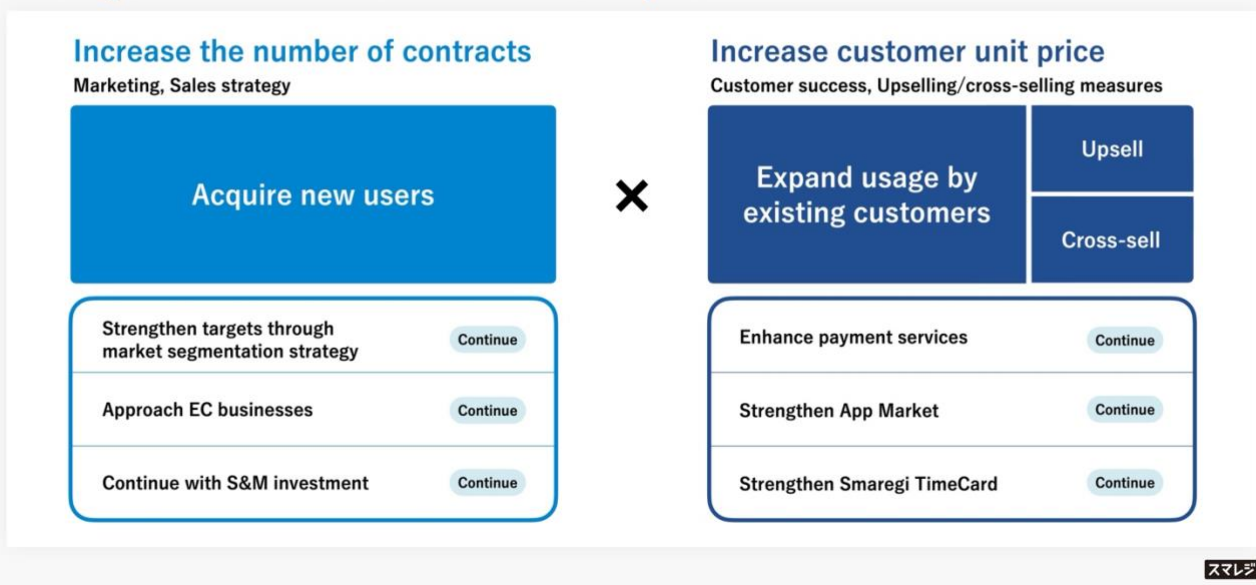


Next, I would like to discuss the progress of the medium-term plan. First, ARR, our most important KPI, got off to a good start in the first year of the three-year plan with an actual result of JPY5.93 billion compared to the target of JPY5.59 billion. Since the feasibility of JPY7.27 billion for the current fiscal year and JPY9.46 billion for the final year has considerably increased, we will make sure to achieve this goal and, without sticking to this planned figure, we will work to increase as much as we can.

Basic Strategy for the Second Medium-term Management Plan

Long-term Vision and Medium-term Management Plan 39

We have carried forward measures from the First Medium-term Management Plan. We aim to maximize ARR by increasing the number of contracts as well as customer unit price.



I will discuss specific measures in the mid-term plan. First, to recap, sales can be broken down into the number of customers multiplied by the average customer spending, and there are three measures to increase the number of customers: market segmentation strategy, approaching EC businesses, and S&M investment. The

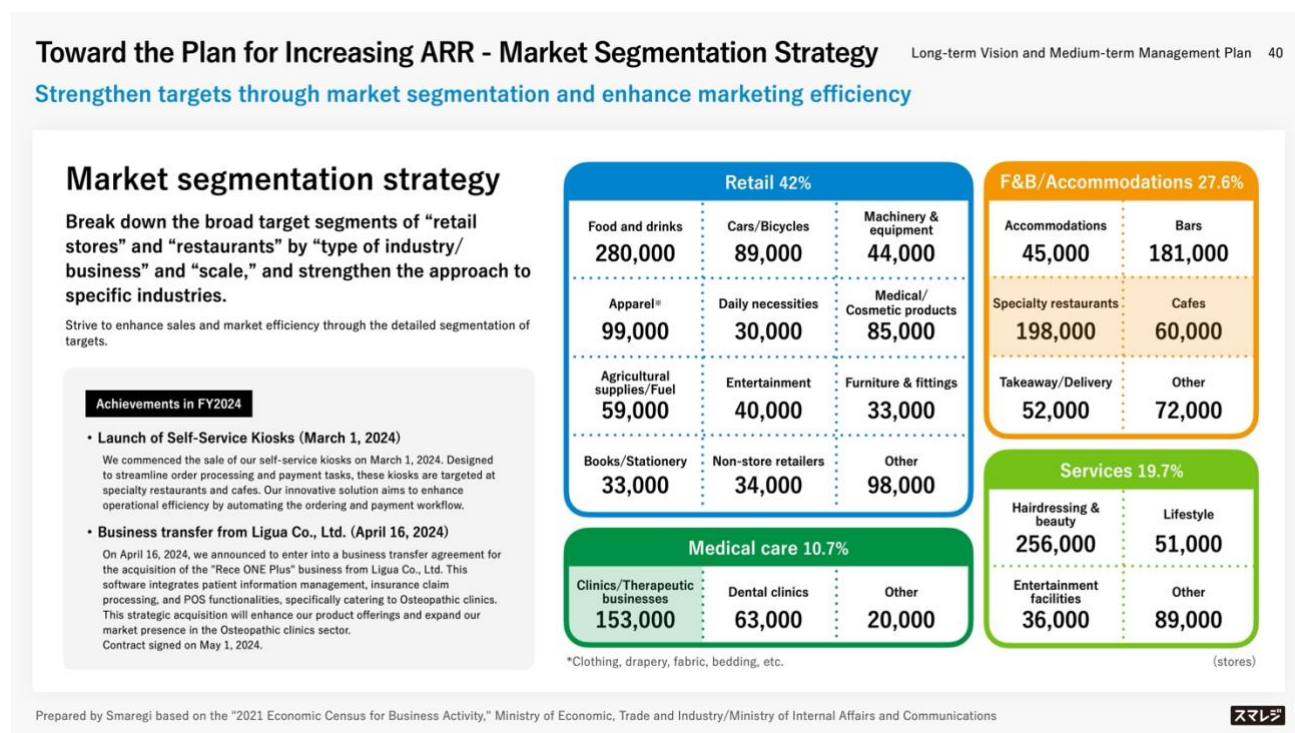
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three measures to increase the average customer spending: strengthening payment services, strengthening the app market, and strengthening Time Card.



As for the first market segmentation strategy, one of the progresses is self-checkout ticket vending machines. We have developed and started selling a system ticket vending machine to improve the efficiency of order acceptance and accounting operations targeting specialty restaurants, such as Japanese fast food, including ramen stores, curry stores, and beef bowl restaurants, as well as coffee shops and cafes. We will continue to evolve and deepen the functionality of the system.

The other is the management of patient information targeted at osteopathic clinics, and medical fee receipts. We acquired a software program called Rece ONE Plus, which combines receipt calculation and POS functions, from Ligua Inc. We are particularly encouraged by our partnership with Ligua, which has in-depth industry expertise. We expect that mutual synergies will be generated by our handling of the software and Ligua's handling of its sales.

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Toward the Plan for Increasing ARR - Approach EC Businesses

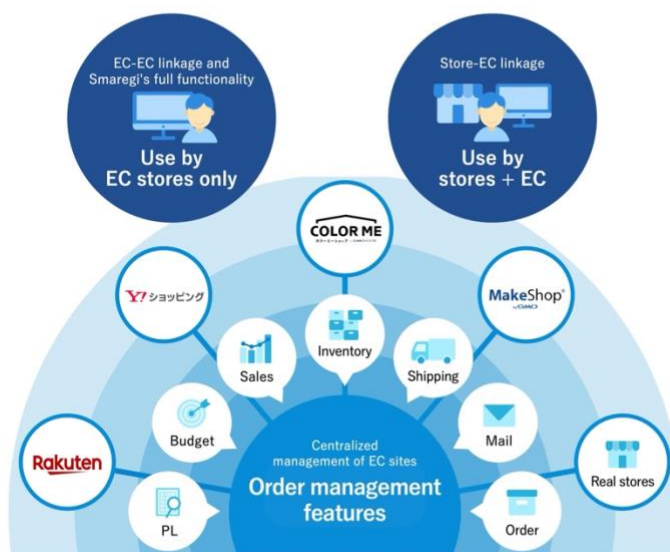
Long-term Vision and Medium-term Management Plan 41

Expand sales channels to EC businesses by strengthening EC functions

Enabling use of Smaregi by EC stores through EC-EC linkage and EC-store linkage

EC functions were updated in August 2022. This made it possible for EC businesses that do not have physical stores to make use of all Smaregi functions.

Inventory linkage had been the greatest issue for EC businesses. However, by using Smaregi, it is now possible to link inventory in physical stores and EC stores easily. We will promote the use of Smaregi among EC businesses as a store tool for the EC era that moves beyond the POS register mechanism.



*We plan to update the functions successively, such as compatibility with mall EC carts, etc.

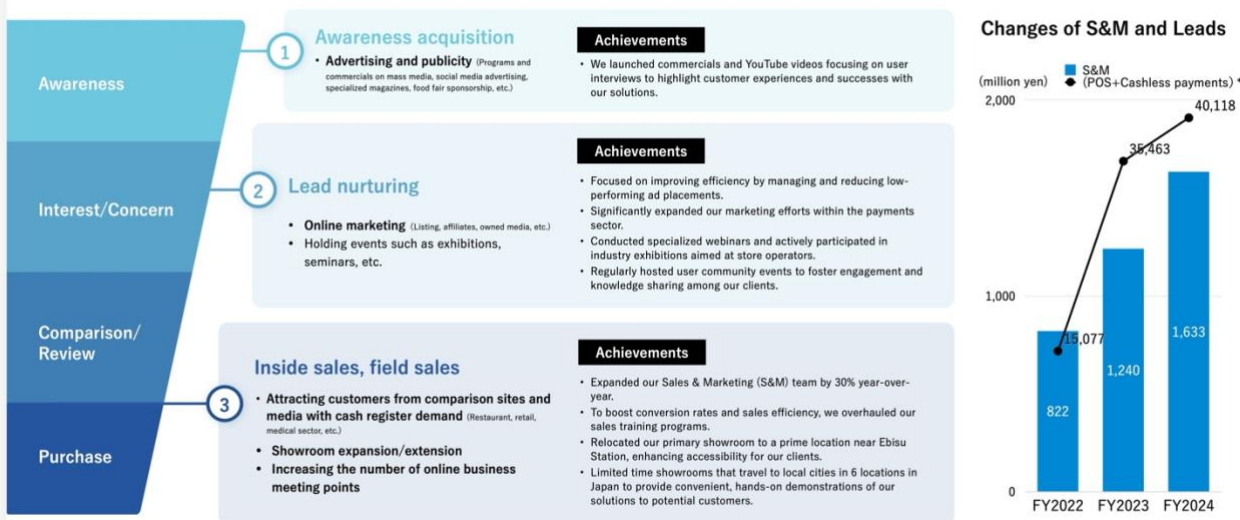
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Next, regarding our approach to e-commerce businesses, we have been making various efforts behind the scenes, but we have not yet had any progress to report. We believe that the linkage with e-commerce is very important for retail stores, so we will continue to focus on this area.

Increase Customer Unit Price - Continue with S&M Investment

Long-term Vision and Medium-term Management Plan 42

Implement measures tailored to each marketing funnel and increase CVR at each stage.



*Last year's data only included the number of leads for our POS system. This time, we've recalculated the figures to include both POS and Cashless payments, so the numbers for FY2023 differ from those previously reported.

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The third is S&M investment. In terms of gaining recognition, we are conducting TV commercials, sponsorship of YouTube programs, and main sponsorship of food festivals. The lead nurturing phase included online marketing, such as listings, affiliate marketing, owned media, etc. We then set up booths at exhibitions and seminars, held events, and undertook word-of-mouth marketing through our user community.

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In the areas of inside sales and field sales, we are attracting and sending customers from comparison sites and other media that already have demand for cash registers, expanding and adding showrooms, and increasing the number of online negotiation windows.

Increase Customer Unit Price - Enhance Payment Services

Long-term Vision and Medium-term Management Plan 43

Expand our earnings model in the payments domain with a focus on the cross-selling strategy with Smaregi POS.



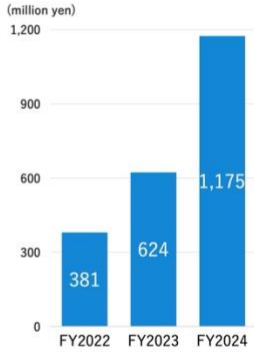
Payment service

Expand revenue model

- Build a revenue model with GMV as its source.
- Continue to improve the business (PMI and rebuilding) of ROYAL GATE INC. which Smaregi absorbed through a merger.
- Expand cross-selling with Smaregi, centred on sales as a package with POS services.
- Take up the challenge of the online payment domain. (advance booking, advance orders, table orders, etc.)

Changes of ARR

(million yen)



Fiscal Year	ARR (million yen)
FY2022	381
FY2023	624
FY2024	1,175


YoY **+88.3%**

Achievements in FY2024

- Started offering a monthly 0 yen plan for Smaregi PAYGATE
- Introduction of Payment Integration Fees^{*1}
- Launch of QR Code Payment Services with "Smaregi PAYGATE" under an Inclusive Merchant Agreement^{*2}

^{*1} We have commenced charging fees for integrating with third-party payment terminals. This new pricing model reflects the enhanced capabilities and support provided for seamless interoperability with external devices.

^{*2} An inclusive merchant agreement is a system where a payment provider enters into a single contract with multiple merchants (stores or service providers). While our QR code payment solutions are offered through third-party systems, in the past we acted as an intermediary, managing the process of users entering into contracts directly with service providers. Now, by simplifying the contracting process and providing a more efficient and effective cashless payment solution, merchants can quickly adopt payment services and we ensure smooth operations. This streamlined approach supports our goal of facilitating QR code payment adoption and seamless transactions for our customers.




Next, I will explain the measures to increase the average spending per customer. The first is to strengthen payment services. This one was able to significantly improve its performance, with a non-consolidated ARR of JPY1,175 million. The business successfully returned to profitability in a single month in August 2023.

Increase Customer Unit Price - Strengthen App Market

Long-term Vision and Medium-term Management Plan 44

Enhance customer satisfaction and increase customer unit price by providing niche functions through our developer partners.

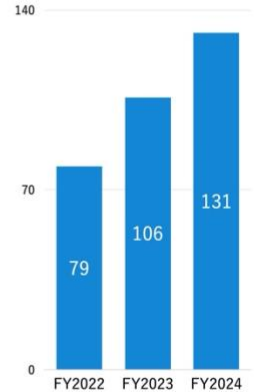


App Market

Improve customer satisfaction customer

- Aim to increase customer unit price and improve customer experience (CX) by providing industry-specific niche functions.
- Aim to strengthen collaboration with development partners and increase the number of apps.
- Strengthen EC cart and social media tie-up for retailers. Enhance the OMO/omni-channel domains.

Changes of Apps




Fiscal Year	Number of Apps
FY2022	79
FY2023	106
FY2024	131

App Development Partners (As of April 30, 2024)

Corporate **1,211** Individual **662**

Achievements in FY2024

- Released 25 Apps in the Fiscal Year Ending April 2024, Including the Extended App for Self-Service Kiosks
- Promoting App Deployment through Collaboration with Development Partners and Utilization of IT Introduction Subsidies
- Expansion of Case Studies, Including the Launch of the Web Magazine "Hero Interview"



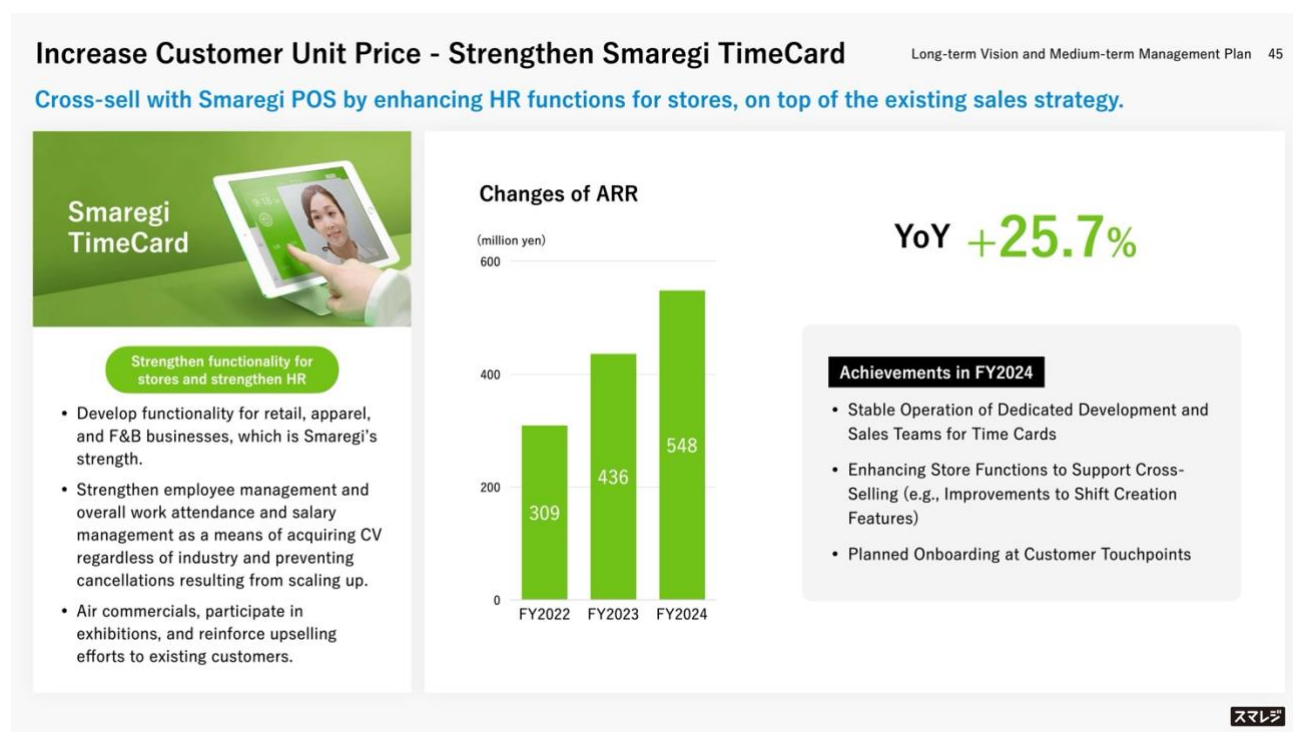
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The next step is to strengthen the application market. The number of applications exceeds 130 and an economic zone is being established here. Although the direct contribution to our business performance is still small, we will continue to focus on this app market system, which is becoming a major feature of Smaregi that other companies do not have.

Also, the app market has made it possible to achieve a certain degree of linkage with e-commerce.



The third and final factor is the strengthening of Time Card, which resulted in an ARR of JPY548 million, a 25.7% increase YoY. We will continue to aim for cross-selling of Smaregi POST by strengthening the HR function for stores in addition to our existing sales strategy. Although it was brief, this concludes the progress of our medium-term management plan.

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Smaregi's Management Team

Business Outline 57

Representative Director HIROSHI YAMAMOTO

Engaged with business systems development as an IT engineer since 2003. Launched the cloud-based POS cash register service, Smaregi, in 2011.



Executive Vice President and Director Business Planning/COO

RYUTARO MINATO

An IT engineer who has been involved in many large-scale development projects including financial systems and POS. Developed the Smaregi cloud-based POS system in 2011.



Director Products/CTO

RYUHEI MIYAZAKI



Joined Smaregi in 2011. After participating in development as a founding member of Smaregi, launched the Smaregi TimeCard in 2014.

Director Corporate Planning and Marketing/CSO

KOHEI TAKAMADATE



Joined the JAFECO Group in 2007. Worked in the areas of venture investment, M&A, and stock listing, appointed president and representative director of Sekaie in 2013, then joined Smaregi.

Outside Director IT Venture Investments

SHINJI ASADA



Worked at ITOCHU Corporation, ITOCHU Techno Solutions Co., Ltd., and Salesforce Ventures Japan representative, then founded One Capital Co., Ltd. in 2020.

Outside Director Branding/Communication strategy

SAKI IGAWA



Started up inflorescence inc. in 2022 after a career in Staff Service Holdings Co., Ltd., Pretzel Japan, TORIDOLL Holdings Corporation, and BLUE BOTTLE COFFEE Inc. (as President Asia).

Executive Officer In charge of Sales

SOSUKE SUGIMOTO



Joined Smaregi in 2013 after working in a major enterprise in the apparel industry. Has served as section manager and general manager of the Sales Department.

Executive Officer In charge of Customer Success/Smaregi TimeCard

DAI TAKEMURA



Joined Smaregi in 2013. Engaged in the launch of the Customer Success Department, which covers a range of solutions from onboarding to after-sales support.

Executive Officer In charge of business alliance/Smaregi App Market

SHUGO SUZUKI



Joined the company in 2016 after working in manufacturing and retail companies. Involved in the launch of the business partner scheme and partner promotion department.

Executive Officer In charge of Sales/Payment Services

TETSUYA TAKAHASHI



In 2017, he joined Link Processing, a payment processing company, where he led the business expansion as Vice President and President.

Full-time Corporate Auditor TAKUYA MOCHIZUKI

In 2005, established geneptics design, Inc. (now Smaregi Inc.) with Makoto Tokuda (a Smaregi Corporate advisor) and became a director of this company. Appointed as a full-time corporate auditor in 2017.

Outside Corporate Auditor YUTAKA OHIRA

Certified public accountant and tax accountant. Worked as a professional accountant since 1994 after passing the national examination. Appointed as a corporate auditor in 2017.

Outside Corporate Auditor MASAYUKI MURATA

Worked at the stock exchange for 27 years since 1991. Established PUBLIC GATE LLC in 2018, and appointed as a corporate auditor of Smaregi.

スマレジ

I would like to add one last thing and introduce the addition of one new executive officer. Mr. Takahashi, General Manager in charge of cashless payment services, has been promoted to Executive Officer.

Although ARR is performing better than planned, our long-term plan is to reach 300,000 active stores, and we will continue to work to become a leading POS vendor in Japan. We appreciate your continued support.

This is the end of the explanation of the financial results. Thank you.

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Question & Answer

Moderator [M]: We will now proceed with the Q&A session. We will answer as many questions as time permits, so please use the Q&A button at the bottom of the screen or send us your questions by e-mail. If you send your question by e-mail, please indicate in the subject line that your question is about the financial results briefing.

Please note that similar questions will be answered together. We have already finished accepting questions regarding the Company profile in the first half. Please check the archived video to be released tomorrow or submit your questions using the inquiry form on our IR website.

Mr. Yamamoto and Mr. Takamadate, please begin.

Yamamoto [M]: I would like to move on to the QA session, but we only have about five minutes left, and we have received so many questions that I would like to try to answer as many as possible.

We have received six questions in advance, so I will address these questions first.

Participant [Q]: First, can you please explain the background and the circumstances that led to the acquisition of the Rece ONE Plus business? In addition, about the settlement services business, please provide us with specific information on your future business strategy, taking into account the trends of your competitors. We received two questions. First, please explain some background and history of the M&A of Rece ONE Plus.

Takamadate [A]: As someone in charge of M&A, I can explain that it was at the beginning of this year when we received an offer from Ligua and began considering the matter. Although it is a somewhat unique industry, dealing in medical receipt computers and CRM posts for osteopathic clinics, we have thoroughly examined the system requirements required of us as a market player, and as Mr. Yamamoto explained earlier, we found that it fits with our segmentation strategy. We also thought that we could partner with Ligua, who has knowledge of this industry, so we decided to acquire the company.

Participant [Q]: Now, please answer the second half of the question regarding the settlement services business, including your future business strategy, etc., in light of the trends of the competition.

Yamamoto [A]: I understand that there are many competitors in the cashless payment service business. The services we provide are simple, such as processing e-money, credit cards, QR code payments, etc., so it is difficult to differentiate our services from the rest. This is usually where price competition tends to occur.

The main advantage of Smaregi is the linkage with POS, and I think the main thing we should do is to sell Smaregi, which is a fairly strong product, and payment service as a set. Then, if we go into detail, when you settle the payment, if it is not incredibly fast, you may have to wait for a long time, and we will try to eliminate this issue as much as possible. Then closing and payment. We would like to take steps to speed up payment processing for stores with affiliated stores. But in terms of differentiation from the competition, I think the biggest differentiator is the POS integration.

Participant [Q]: The next question. Please tell us about the current progress and results of your market segmentation strategy and the approach to EC businesses.

Yamamoto [A]: I will be quite brief since I explained it earlier. Regarding the market segmentation strategy, we are trying to sell ticket vending machines, then a POS system plus CRM for osteopathic clinics, and brush up and sell a set of software on receipts.

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No progress has been made so far on the EC business approach, so we will continue to work on it under the surface.

Participant [Q]: The next question. Will there be an increase in sales with the issuance of new banknotes in June? Can you answer this, Mr. Takamadate?

Takamadate [A]: Sure. It is what is called special demand for the issuance of new paper money. Among the questions we are receiving in real time, there is a similar question asking whether the special demand for issuance of new paper money will subside in the previous term or whether we can expect a certain level of demand this term as well. We have explained that there was a special factor of about JPY180 million in the fiscal year ended April 2024, which was the response to the new paper money issuance. We expect some sales this fiscal year as well, but I think it will be a little less than the previous fiscal year. We are not certain yet. That is our estimate.

Participant [Q]: Thank you. The next question is about the sales situation of the app market and its finances.

Yamamoto [A]: Although sales from the app market are not that large, this system has become a major feature of Smaregi that our competitors do not have, and we will continue to focus on it. The number of apps is 130, but our initial target is 300, so we expect many more apps to come out.

Moderator [Q]: There is a question for Representative Yamamoto. How do you perceive the current situation, where stock prices have been stagnant, and volume has been declining since 2024? Do you have any plans to implement stock price measures with immediate effect, such as dividends, share buybacks, stock splits, etc.?

Yamamoto [A]: I think it would not be appropriate to talk about the current share price and our response to it or proposed countermeasures here, so I will refrain from doing so. In the past we have implemented share buybacks and stock splits, and we believe that we should take similar measures when necessary.

From a medium- to long-term perspective, our basic premise is to increase corporate value by maintaining stable, high performance and high growth. First, we would like to focus on continuing to improve our business performance.

Participant [Q]: I congratulate you on your excellent performance for the April 2024 fiscal year and your continued hard work. Thank you. Here is the question. You recently announced the acquisition of Tsubame Donuts. Could you please tell us specifically what results you have achieved and what functions have been created through your physical store operations so far? Also, are there any other aims for this acquisition?

Yamamoto [A]: In the past, we had a food stall, and we are currently running a bar in Shinsaibashi, and now we are starting to operate this donut shop. So, we are doing this with the aim of actually embodying the customer's perspective. When things aren't going well, for example a bar in Shinsaibashi that is still in the red, this initiative aims to experience not only how store managers use their cash registers, but also what the difficulties are, what the staff find joy in their businesses, and so on. One result is that it is still useful in sales pitches, for example.

In terms of functions, this is a bit geeky, but we have created kitchen monitors, vouchers, and in terms of the number of food festivals, we have brushed up on mobile ordering, which is a function that eases the large number of orders placed at the same time. We have achieved several functions like these, and we hope to continue incorporating more of these in the future.

Participant [Q]: Next question. Which should we look at, ARPA or ARPU for Smaregi?

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Takamadate [A]: I will answer. I think the answer is that it is better to look at both ARPA and ARPU. Since ARPA is calculated per subscriber, if ARPA improves and there is a gap with ARPU, it means that there is a trend toward an increase in large customers with multiple stores. As Mr. Yamamoto explained, we are currently targeting small to medium-sized stores, so there is not much divergence in these two at this point.

Participant [Q]: Thank you. Another similar question, what was the annualized growth rate of ARPA and ARPU for Smaregi, excluding the impact of price revisions?

Takamadate [A]: I think there is a slide in the explanatory material that describes ARPA and ARPU, so I think it would be very easy to understand if you take a look at that. Before and after the price revision, during the price revision, the curve goes up a lot and from there it is almost flat. In that sense, I would say that it has gone up slightly, but it is almost flat, so in percentage terms, it is probably 1% or something like that.

Participant [Q]: By the way, this refers to the Smaregi Post alone, right?

Takamadate [A]: Yes, that's right.

Participant [Q]: So cross-selling of Time Card, cross-selling of payment services, and cross-selling of app market are not reflected here, correct?

Takamadate [A]: Yes.

Participant [Q]: Okay. This is the number. It has passed 35 minutes, but let's answer a little more. We have received about five more questions, so let's go as far as we can. The question is asking for a breakdown of the forecast for the fiscal year ending April 30, 2025.

Takamadate [A]: Yes. It is not written down, but I think are explained that the subscription ratio shown in the presentation materials is growing gradually, and I think the ratio will be roughly around that level. As for ARPA and ARPU, the trend will be almost unchanged or slightly increased, so we would appreciate it if you could imagine that later.

Participant [Q]: Okay. Would you like the questioner to imagine the answer to the question, which asked you to break down Smaregi sales into ARPU multiplied by the number of paying stores?

Takamadate [A]: Yes. Thank you.

Participant [Q]: The next question. Smaregi's LTV/CAC unit economics was 3.5x, but what do you think is an appropriate multiple?

Takamadate [A]: I will also answer this. Generally, the guideline for SaaS UE is more than three times, so we are taking that into consideration. We would like to make slight adjustments, such as increasing or decreasing advertising depending on the situation and eliminate unprofitable advertising that does not generate UE as much as possible, so given the current situation, we are not really thinking about making it worse. We don't have a clear target for how many times is appropriate, but we are thinking of three times. That's all.

Participant [Q]: Thank you. Now for the next question. Store growth of 10x in 10 years from April 2021 would require an annual growth rate of 26%. However, for the past three years, you have fallen short of your goals by 25%, 20%, and 22%, respectively. Please tell us your assessment of these points and the reasons why you are behind.

Yamamoto [A]: Our long-term plan is to become number one in Japan in terms of store number share, and we have set a goal of actively operating 300,000 stores. Regarding the reason for the results and the number

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of stores is not keeping up with this, although things are not always as we would like, the number of stores we have acquired is increasing year by year. In terms of progress toward the distant future of 10 years from now, we are certainly behind, but we are hoping to somehow make a comeback in a variety of ways. However, if you're asking if there are any projectiles, the answer is no. For example, it is possible to acquire a company in the same industry through M&A, but it is not very certain, so we have to take small, incremental steps one by one. I think it is important. What I can say now is that we will think carefully about each of the steps to achieve our goals and take on the challenge of implementing various measures. We will do our best.

Participant [Q]: This is the last question. I think that the profit margin will improve as stock sales with high gross margins increase. I do not know if your growth investment will reach a plateau in 2031, but what is your outlook for operating profit in the medium to long term?

Yamamoto [A]: In the medium term, the operating profit margin will be about 15% when we are a little aggressive. I think it is just under 20% now or about 19%, so I think that is roughly where I would expect it to be. In the long term, it will be difficult to answer the question because it is not yet visible.

Yamamoto [M]: We have done all the above. Thank you.

The new fiscal year has already begun, so we will continue to work hard this year to achieve good results, and we appreciate your continued support. Thank you very much for your participation.

Moderator [M]: Here is an announcement from IR. We also provide IR information via our newsletter and LINE. We also send out informative reports every month, including monthly registered store counts, so please be sure to sign up.

Now, we conclude the financial results briefing for the full fiscal year ended April 30, 2024.

Thank you for your participation throughout the entire presentation. We ask you for your continued support.

[END]

Document Notes

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