



Toward Achieving Our Long-term Vision, VISION 2031

Second

Medium-term Management Plan

+ Business Plan and Growth Potential

Second Edition

Sep. 13, 2023

Smaregi, Inc.
Securities code: 4431

Sep. 13, 2023 ARR plan revised upward. (P8)

(billion yen)	FY4/24	FY4/25	FY4/26
Previous	5.35	7.0	9.1
Current	5.59	7.27	9.46

Mar. 15, 2023 First edition released.

P4 Updating the Medium-term Management Plan Ahead of Schedule

P5 Long-term Vision - VISION2031

P7 Second Medium-term Management Plan — Plan for Increasing ARR

UPDATE

P14 Business Outline

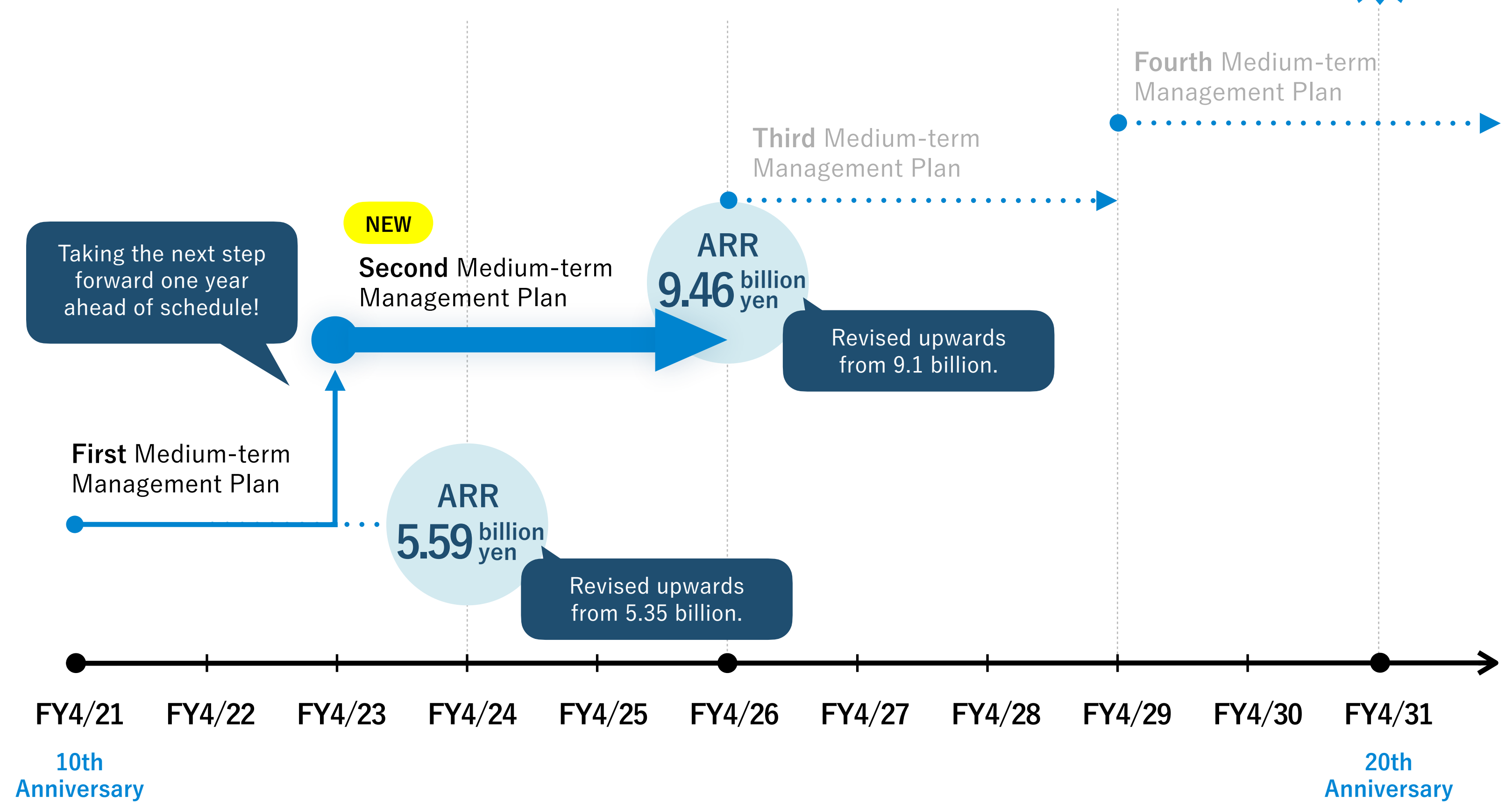
For achieving VISION 2031 Toward the Second Medium-term Management Plan

With a significant rise in the probability of achieving the KPI of "ARR 5 billion yen" set out in our First Medium-term Management Plan (FY4/22 - FY4/24) with a view toward the achievement of VISION 2031, as well as our success in **reforming mindset** within the company, we will move to the Second Medium-term Management Plan (FY4/24 - FY4/26) ahead of schedule without waiting for the remaining one year, toward the achievement of VISION 2031.

Mindset reform within the company

- From emphasis on net sales to emphasis on ARR.
- Liberation from the sense of despair and entrapment brought about by the COVID-19 pandemic.
- Focus on growth rate and investment in advertising and publicity, etc. Stepping on the accelerator with the readiness to sacrifice profits.

VISION 2031 TO BE THE NEW STANDARD



VISION 2031 TO BE THE NEW STANDARD

Smaregi aims to be the top in Japan

Dynamic stores bring about dynamic towns.

Dynamic towns bring about dynamic societies.

By supporting stores, we aim to revitalize society as a whole.

Smaregi aims to be the market leader in Japan. Based on our management philosophy of “OPEN DATA, OPEN SCIENCE!,” we aim to carve out an “era of data access and utilization for everyone.”

VISION 2031

Goal

Active Store

300,000

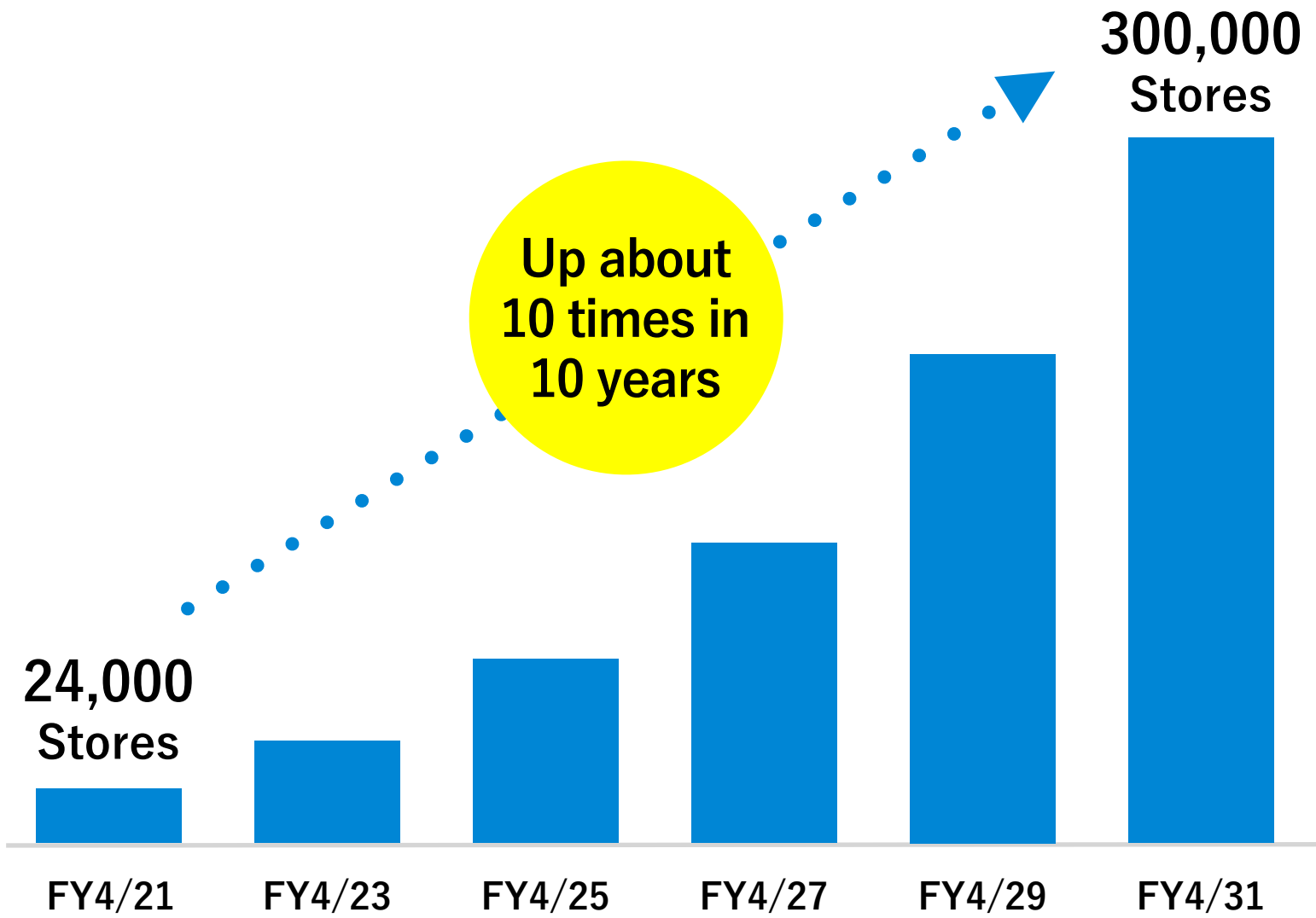
Share in the mid-sized category

38%

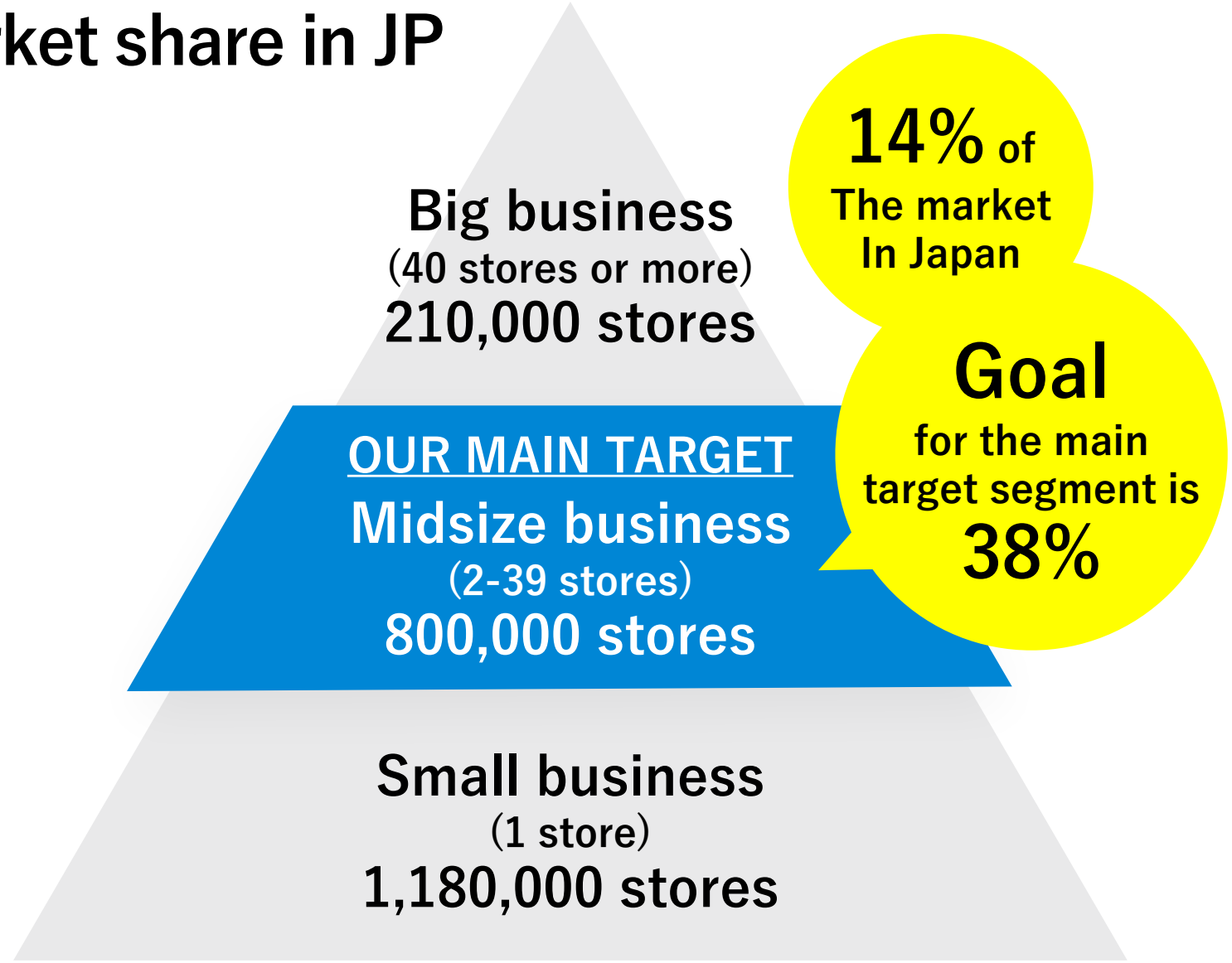
To become the top company in the POS market, we first aim to be the top in the mid-size business category in Japan.

The target has been enlarged from the core midsize business category to include big businesses and small businesses.

Number of active stores



Market share in JP



Prepared by Smaregi *1

*1 Based on 2021 Economic Census conducted by the Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communications.



Second Medium-term Management Plan

FY4/24 - FY4/26

Plan for Increasing ARR

We continue to position ARR as the most important indicator.

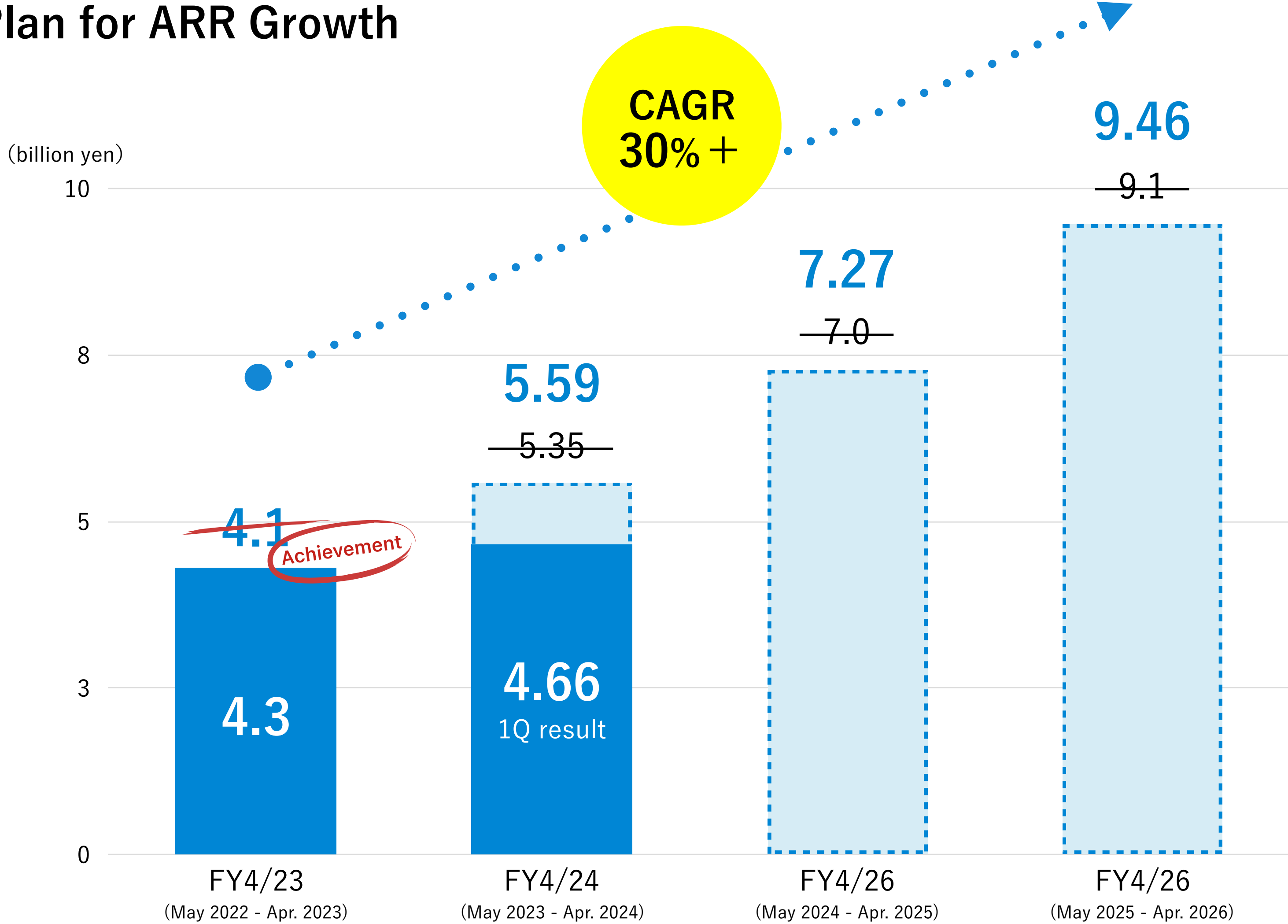
Goal*

ARR
9.46
 billion yen

Aim to achieve growth exceeding CAGR 30% over the three-year period from FY4/24

*Upward revision of ARR growth forecast. (Disclosed on September 13, 2023)

Plan for ARR Growth



Increase the number of contracts

Marketing, Sales strategy

Acquire new users

Strengthen targets through market segmentation strategy	NEW
Approach EC businesses	NEW
Continue with S&M investment	Continue



Increase customer unit price

Customer success, Upselling/cross-selling measures

Expand usage by existing customers	Upsell
	Cross-sell

Enhance payment services	Continue
Strengthen App Market	Continue
Strengthen Smaregi TimeCard	Continue

Strengthen targets through market segmentation and enhance marketing efficiency

Market segmentation strategy

Break down the broad target segments of “retail stores” and “restaurants” by “type of industry/business” and “scale,” and strengthen the approach to specific industries.

Strive to enhance sales and market efficiency through the detailed segmentation of targets.

Through the App Market, provide niche functions that the target industries/businesses demand.

Retail 42%		
Food and drinks 280,000	Cars/Bicycles 89,000	Machinery & equipment 44,000
Apparel* 99,000	Daily necessities 30,000	Medical/Cosmetic products 85,000
Agricultural supplies/Fuel 59,000	Entertainment 40,000	Furniture & fittings 33,000
Books/Stationery 33,000	Non-store retailers 34,000	Other 98,000

F&B/Accommodations 27.6%	
Accommodations 45,000	Bars 181,000
Specialty restaurants 198,000	Cafes 60,000
Takeaway/Delivery 52,000	Other 72,000

Medical care 10.7%		
Clinics/Therapeutic businesses 153,000	Dental clinics 63,000	Other 20,000

Services 19.7%	
Hairdressing & beauty 256,000	Lifestyle 51,000
Entertainment facilities 36,000	Other 89,000

*Clothing, drapery, fabric, bedding, etc.

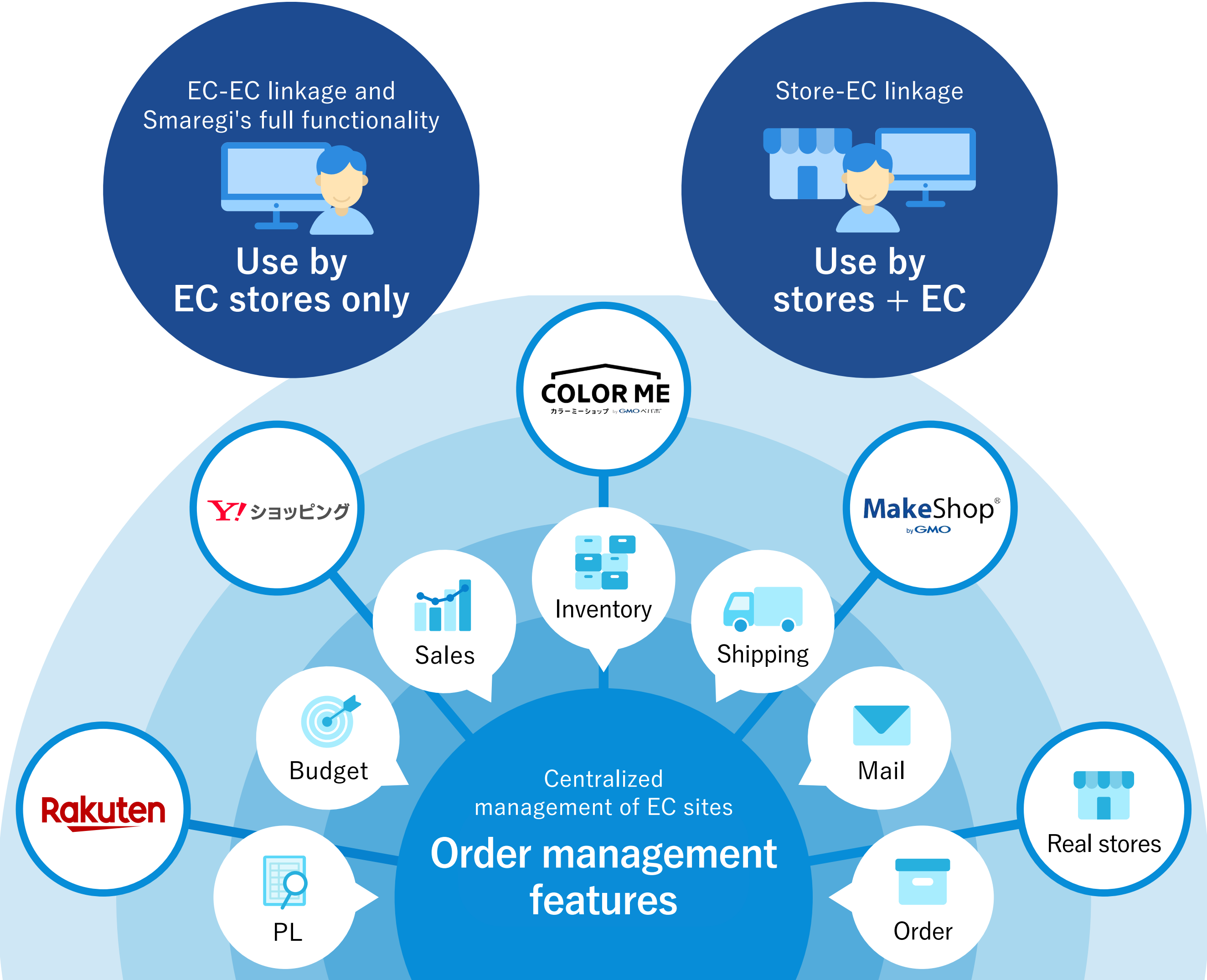
(stores)

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.

Contribute to service usage through marketing activities that engage with the leads from the awareness acquisition phase.



Improve competitive advantage and customer satisfaction by expanding usage by existing customers, and increase unit price per customer through upselling and cross-selling.



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.



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.)



Strengthen functionality for stores and strengthen HR

- Develop functionality for retail, apparel, and F&B businesses, which is Smaregi's strength.
- Strengthen employee management and overall work attendance and salary management as a means of acquiring CV regardless of industry and preventing cancellations resulting from scaling up.
- Air commercials, participate in exhibitions, and reinforce upselling efforts to existing customers.

Business Outline

With Smaregi (POS) and Smaregi TimeCard (HR) as the core cloud services businesses, we are aiming to expand the Smaregi economic zone through venture investments and IT human resources discovery and training businesses.

Cloud Services

Smaregi (POS)



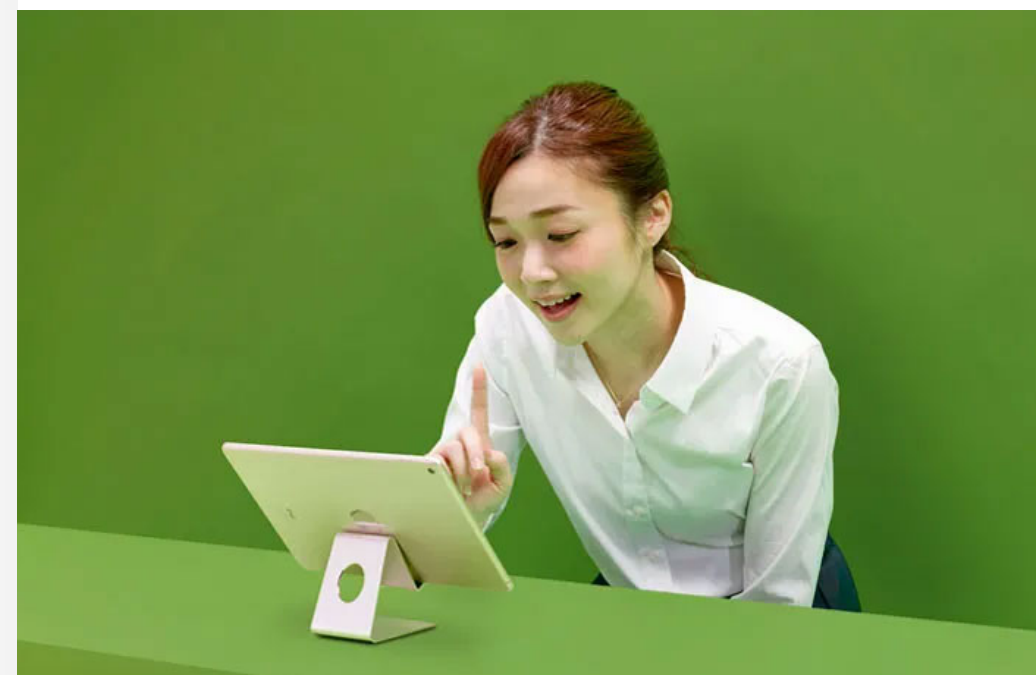
A new, cloud-based POS register system that enables efficient store management and data management through sales analysis, advanced inventory management, and other DX transformations for the retail, restaurant, and service industries.

Payment Service



A multi-payment service that supports a variety of payment methods such as credit card payments, contactless payments, and barcode payments.

Smaregi TimeCard (HR)



An HR service that has been requested by stores and companies, which goes beyond the framework of attendance management with features such as payroll calculations, vacation management, shift management, daily reports, project management, and workflow.

Others

EC



Online store for store peripherals

SES



IT and creative human resources discovery and training business through SES

CVC

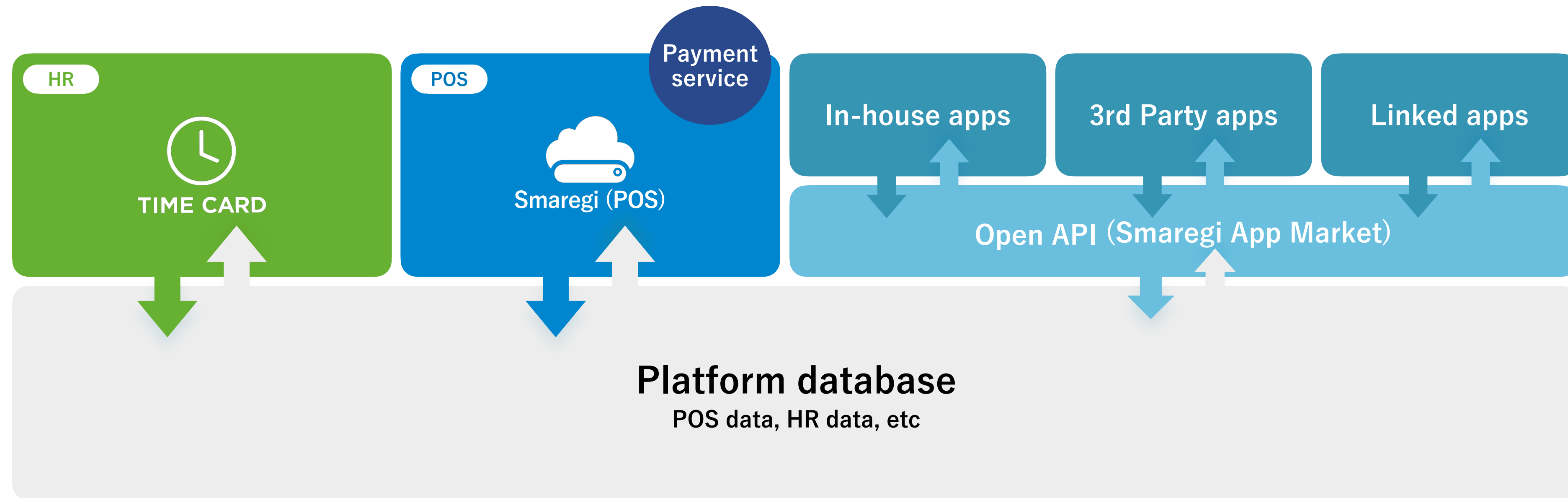


Venture investments business and Smaregi economic zone expansion business

Society is moving towards an era of storing and utilizing data, and Smaregi supports store management based on data with a rich set of APIs that other companies lack.

Smaregi Platform

Smaregi provides a platform centered around the vast amounts of sales data and HR data that are accumulated by Smaregi, and then flexible data input and output are realized through the app market and an open API.

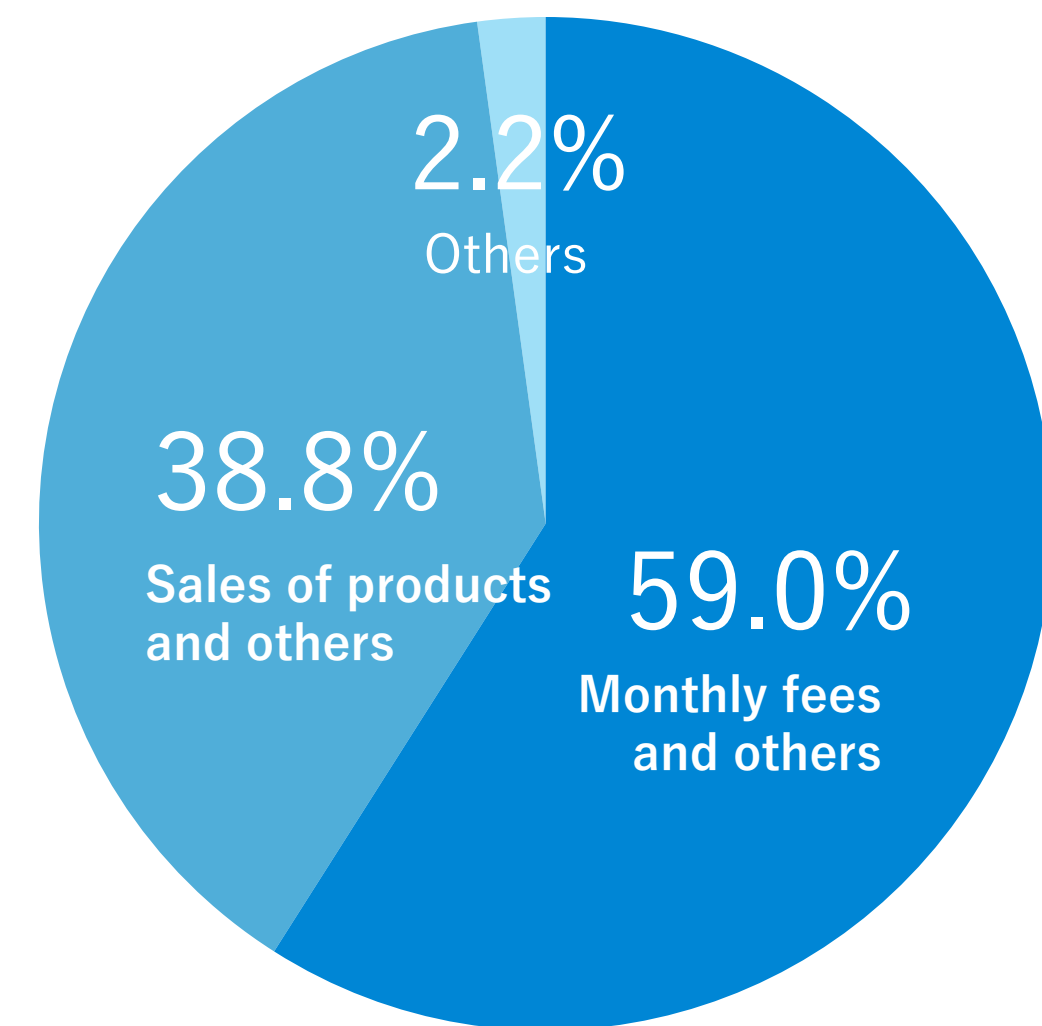


Adopt a freemium model that provides basic cash register functions for free while charging for additional functions corresponding to the industry and need. The pillars of revenue are subscription revenues such as monthly usage fees, and peripheral equipment sales at the start of use.

Sales composition ratio (May 1, 2022 - April 30, 2023)

Steady accumulation of subscription revenue.

Slight increase in "other" earnings such as through the SES business.



Monthly fees and others (subscription revenue)

Monthly fees of Smaregi POS, Smaregi TimeCard, and App Market and payment service commission revenue.

Sales of products and others

Hardwares, initial expenses, and STORE STORE revenue.

Others

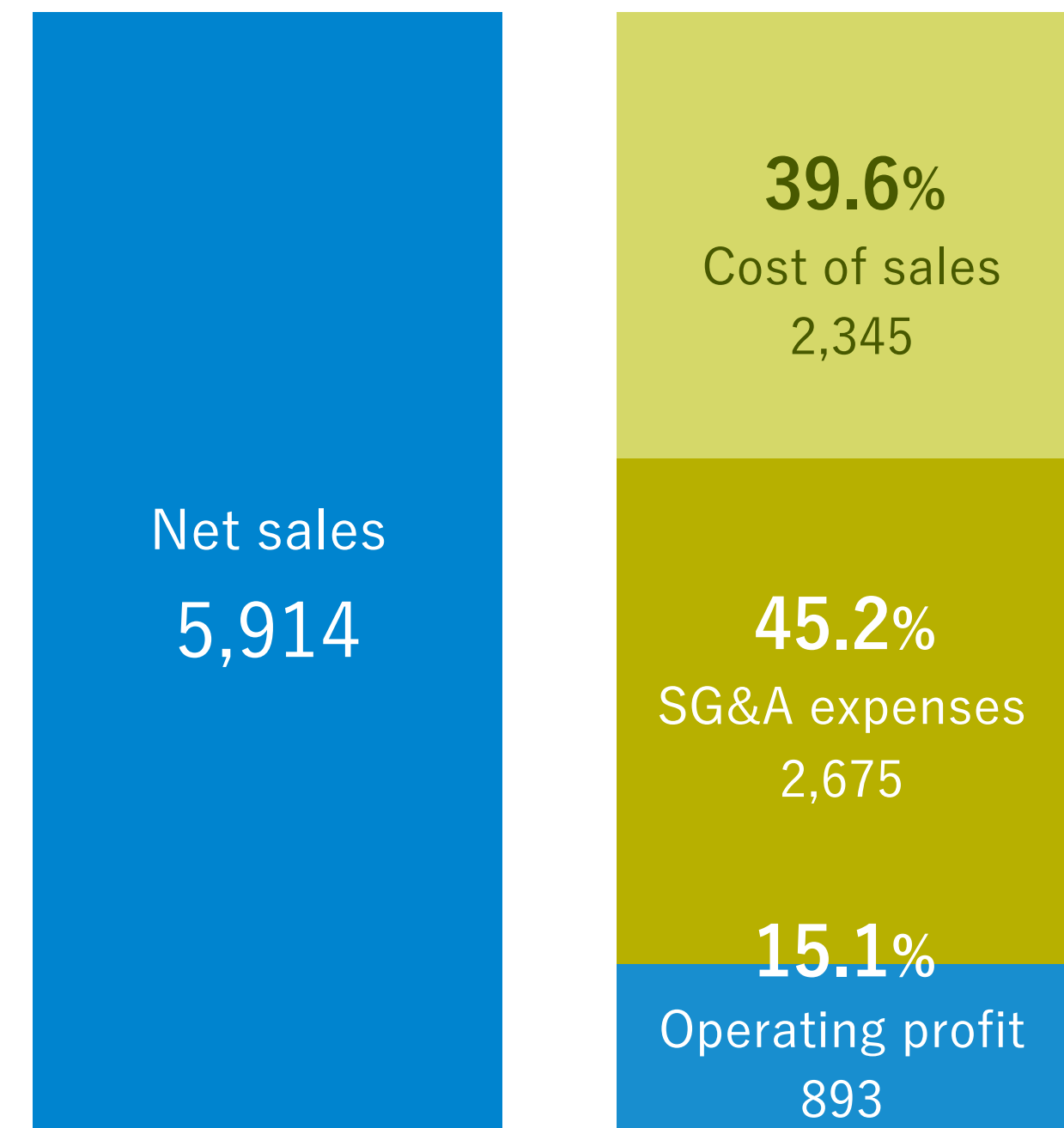
Customization, system development, and SES (Smaregi Tech Farm)

Initial expense gross margin	SaaS gross margin
37.4%	76.6%

Earnings structure (May 1, 2022 - April 30, 2023)

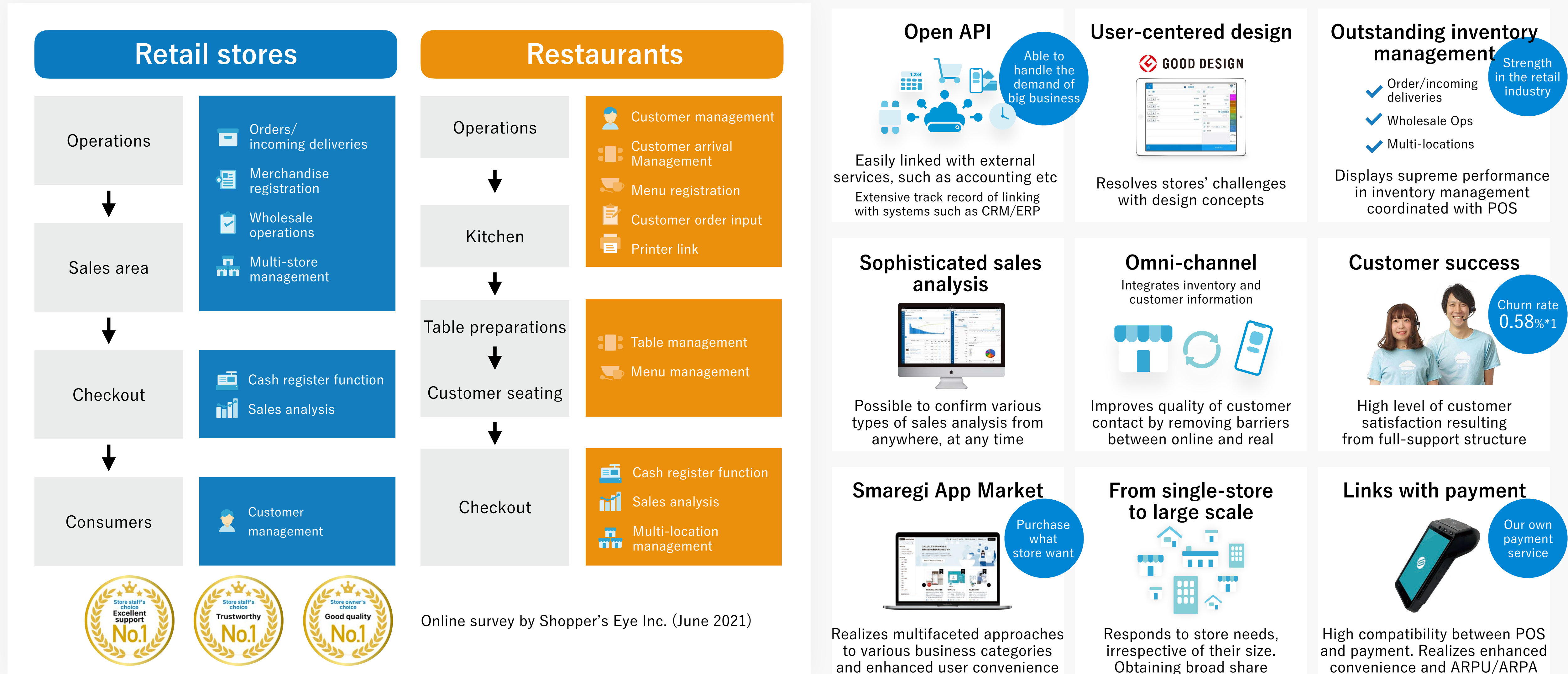
Increase in SG&A expenses from aggressive S&M investment

(million yen)



Unique Features of Smaregi (POS) - Exceptional High Performance

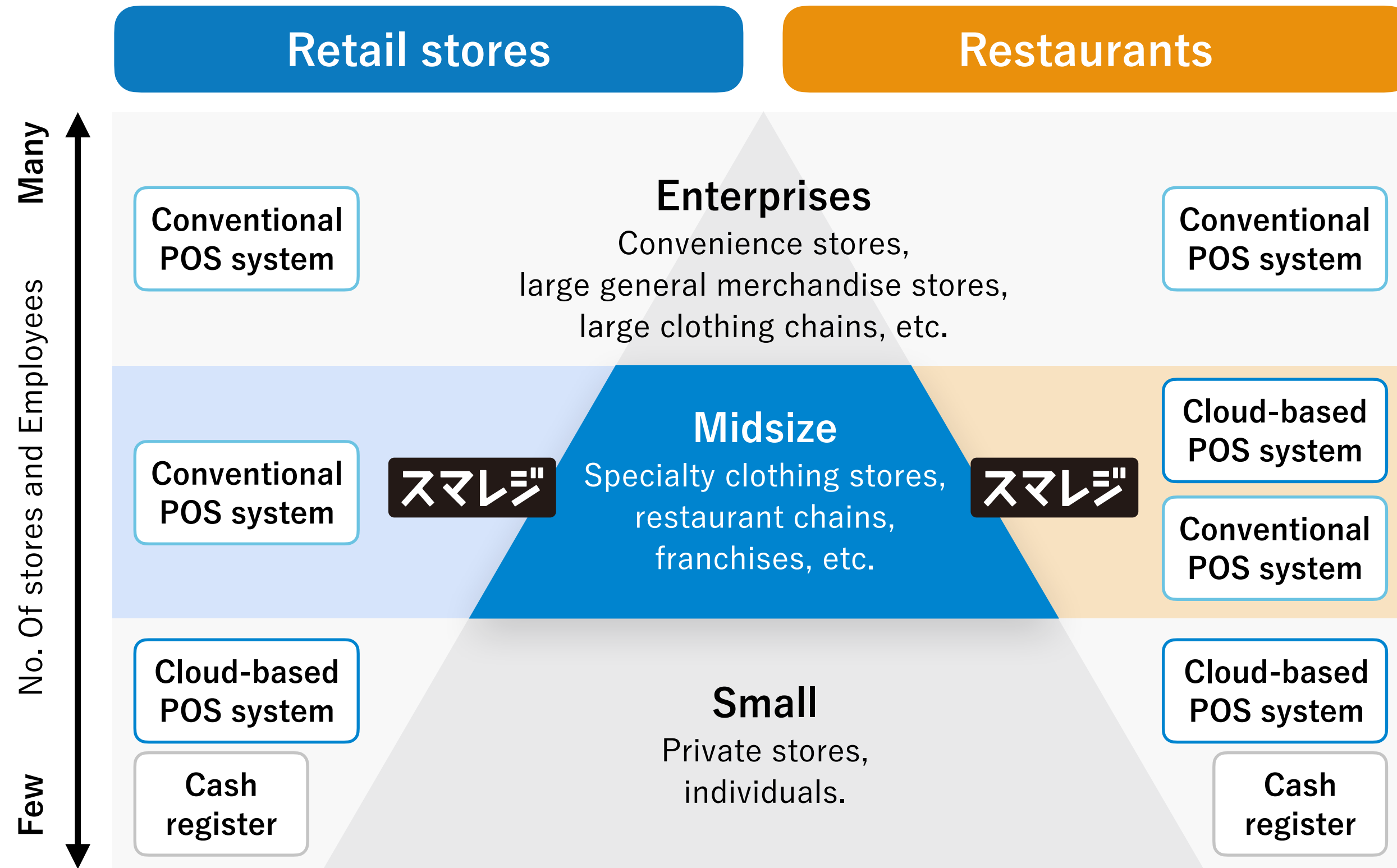
The basic functions of Smaregi's POS are provided free of charge. Smaregi is a highly-functional cloud-based POS register that uses sales data to make store management a science.






*1 MRR churn is the attrition rate calculated by using Smaregi monthly recurring revenue. The average is from May 1, 2022 to April 30, 2023.



Product distribution by store size and industry. Smaregi shows its strengths among retail and midsize businesses.



Conventional products in the POS system market are being swapped out for cloud-based ones. As the shift to the cloud and DX accelerate across industries, cloud-based POS system manufacturers are expanding into new markets such as inventory management as they compete for market share.

	 Cash registers	 Conventional POS system Dedicated device	 Cloud-based POS system PC or tablet
Device price	○ Low ¥10,000 - 100,000	✗ High ¥500,000 - millions +	○ Low ¥10,000 - 150,000
Maintenance costs	△ Replacement of malfunctioning devices	✗ Replacement of malfunctioning devices / Separate update fees required	○ Replacement by part. No update fees required
Ease of use	△ Complicated to use with many buttons	△ Complicated to use with many buttons	○ Easy to use iOS app
Functionality	✗ Basic performance	○ High performance	○ High performance & freely expandable
Support	✗ Generally none	○ Help desk, on-site support +	○ Help desk, email support, help site +

We are actively considering M&A with a focus on companies that have direct business synergies.

We are also considering acquiring IT engineers as well.

1

Acquire Customer Numbers

M&A to speed up
customer acquisition or
expand target areas.

Target Companies

Cloud-based POS vendors.

2

Increase Revenue per Customer (Full lineup of products/services)

M&A of companies that can
functionally complement Smaregi.
Aim for cross-selling and up-selling.

Target Companies

Companies that have software
for stores and that likely have
direct synergy with Smaregi.

3

Acquire IT Engineers

Companies that have web engineers.
The companies don't have to
own a product.

Target Companies

System development companies,
systems integrators, and
production companies.

Major risks affecting the realization of growth and the execution of the business plan

	Key risks	Likelihood of occurrence	Potential impact	Risk management measures
Securing Technicians (Software engineers)	There is a risk that business operations will be affected by a lack of progress in securing and training human resources in line with the scale of our business.	Medium	Medium	Operates "Smaregi Tech farm" for the purpose of discover and develop young talent. We will work to train entry-level engineers while striving to secure outstanding human resources by utilizing various recruitment methods
Reliance on Specific Suppliers	There is a risk that changes in transaction volumes or terms and conditions may affect our business and performance.	Medium	Medium	We have strengthened cooperation with suppliers (detailed delivery management, etc.) and established a system allowing us to always secure our required volumes. We will also aim to quickly build out an alternative supply system with multiple suppliers.
Economic fluctuation/customer trends	The electronic payments market is growing steadily as a result of increasing demand, but in cases where contractions in the value of payments or number of member stores occur accompanying market downturns triggered by economic fluctuations and so forth, there is a risk business performance will be affected.	Low	Large	Because the Company's core business is a stable subscription-type business that covers a great variety of member stores, the Company is endeavouring to stabilize its revenue base through share expansion. We will engage in strengthening the business model in order to minimize impacts on the Group as a whole
Regulation by laws and ordinances	In the payment agency business, there is a risk the Group's business performance could be affected as a result of controls on member stores being strengthened accompanying a revision of the Act for Partial Revision of the Installment Sales Act (Revised Installment Sales Act), which was enacted in 2018, or further revisions in the future.	Medium	Large	In order to eliminate the potential for business performance to be affected accompanying legislative revisions, regulatory changes and so on, we will strengthen our framework for gathering information through lawyers and various external organizations, while also striving to expand the legal department in order to respond appropriately.

Impact of COVID-19: As a result of a careful review of the degree of impact for "COVID-19 Impact 1 and 2" described in the Consolidated Financial Results for the Year Ended April 30, 2022, disclosed on June 13, 2022, we have decided to suspend publication of the impact from this report and thereafter. With the abolition of travel restrictions accompanying the review of border measures, changes to the positioning of the novel coronavirus disease under the Infectious Diseases Act, and other factors, economic activities in Japan are on a recovery trend. In view of that, we expect the impact of COVID-19 on the store opening trends of retail stores and restaurants, which are Smaregi's main customers, to be alleviated over time. Moreover, with regard to the diversification of sales format associated with changes in social structure, we will continue to put in place risk mitigation measures such as working with developer partners to actively promote function development.

Disclaimer

Business plans, forecasts and other forward-looking statements in this presentation are based on the reasonable judgments of Smaregi based on information that was currently available. Actual results of operations may be different because these statements include uncertainties involving market conditions, political events, the economy and other items. The purpose of this presentation is not to encourage investors to buy or sell Smaregi stock or make any other investment decisions. Investors are responsible for making these decisions on their own.

Disclosure Policy

The Company plans to disclose the latest information, including the status of progress, at the end of each fiscal year under the section of “Business Plan and Growth Potential”. However, the Company’s financial data and key performance indicators are planned to be disclosed at the end of each quarter.

VISION 2031

Second Medium-term Management Plan

+ Business Plan and Growth Potential

Smaregi, Inc.