

Long-term Vision And Medium-term Management Plan

Q&A

Q1. Please explain the reasons for your decision to change your previous stance and begin making business investments consisting mainly of substantial advertising and marketing activities?

February 2021 was the second anniversary of our IPO. The IPO generated cash of about 1.5 billion yen to 2.0 billion yen. In the first year after the IPO, the demand for our products and services was high because of one-time demand created by the consumption tax hike and associated reduced tax rates. There was no need to spend money on advertising. In the second year, we decided to use TV commercials and other marketing activities on a trial basis. But this quickly ended because of the state of emergency and the remainder of the year was impacted by the COVID-19 crisis. As a result, most of the funds procured at the IPO are still unused. In our third year as a publicly owned company, based on the outlook for the effects of the COVID-19 crisis to slowly decline, we have decided to step up our expenditures when the timing is right.

Since before the IPO, our goal was to maintain an operating margin of 20%. We are still aiming for rapid sales growth but are instead placing emphasis on the growth of annual recurring revenue (number of customers) as a SaaS business. Consequently, we are no longer aiming to maintain a 20% operating margin and instead plan to take on new challenges with the understanding that our initiatives will result in lower earnings.

Q2. Why did you decide to announce your medium-term plan now?

We are now in the last quarter of this fiscal year, so we have a good idea of what our fiscal year sales and earnings will be. This is a time when everyone at Smaregi needs to start taking many actions to prepare for the next fiscal year. Announcing our plan in the third quarter demonstrates our desire to enable our people to start measures early to prepare for activities beginning in the next fiscal year.

Q3. There is a chronic shortage of engineers at many companies in Japan. Recruiting talented people is very difficult. What are you doing to differentiate Smaregi from other companies in order to attract these people?

There is no doubt that the increasing demand for IT engineers is making it difficult to hire these engineers. But we do not have a negative view of this situation. To help end the IT engineer shortage, we believe that we should start by taking the initiative to increase the number of people who want to become an IT engineer. In 2020, Smaregi joined the Computer Software Association of Japan and became a member of the Executive Committee of the U-22 programming contest and a sponsor of this contest. We also operate programming classes for students, have sponsorship activities for non-profit organizations, and help hold events where engineers gather to share their ideas.

To train large numbers of engineers, we first need to create a culture that makes people realize that software is interesting work. We are determined to take the initiative to be a source of information within our organization and externally that will play a role in the invigoration of the entire software industry.