



Smaregi, Inc.

Q1 FY2022 Information Session for Institutional Investors

September 24, 2021

Event Summary

[Company Name]	Smaregi, Inc.	
[Company ID]	4431-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q1 FY2022 Information Session for Institutional Investors	
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[Date]	September 24, 2021	
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[Time]	13:00 – 13:40 (Total: 40 minutes, Presentation: 28 minutes, Q&A: 12 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Hiroshi Yamamoto	Representative Director
	Ryutaro Minato	Executive Vice President and Director
	Yuka Niki	Investor Relations

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Presentation

Niki: Hello, everyone. Smaregi, Inc. will now hold a financial results briefing for the first quarter of the fiscal year ending April 30, 2022.

We will be proceeding online this time as well.

My name is Niki and I am in charge of Investor Relations at Smaregi. I will be your facilitator today. Thank you for your attention.

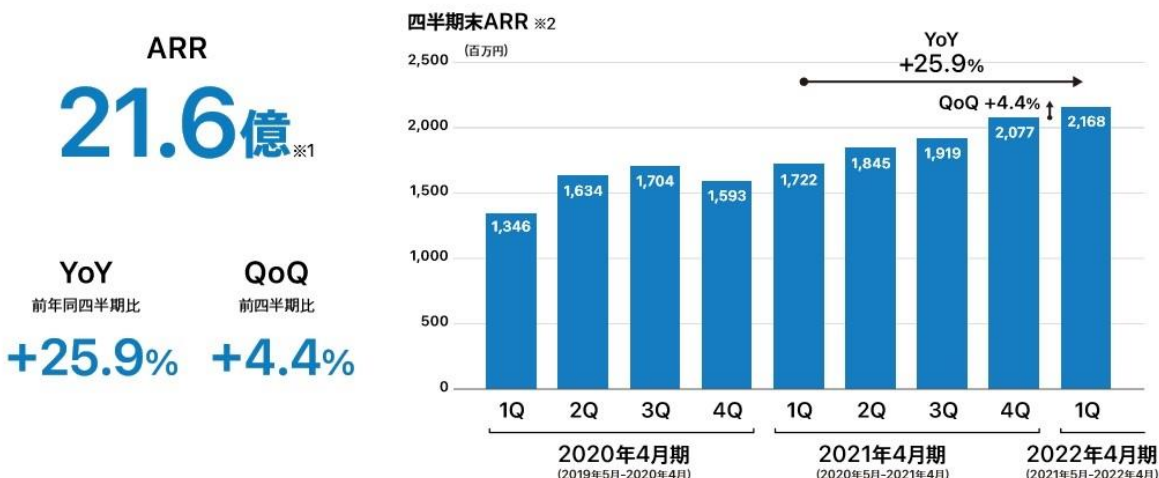
Yamamoto: My name is Yamamoto, and I am the Representative Director. Thank you for your attention.

Minato: My name is Minato. I am the Executive Vice President and Director. Thank you for your attention.

ARR (サブスクリプション売上高) の推移

2022年4月期1Q 決算概要 12

コロナ禍においても有料店舗数が堅調に増加し、ARRはYoY+25.9%の成長



ARR: Annual Recurring Revenue (年間経常収益)、MRR: Monthly Recurring Revenue (月間経常収益) の構成要素: タブレットPOS「スマレジ」月額利用料、勤怠管理システム「スマレジ・タイムカード」月額利用料、「スマレジ・ペイメント」決済手数料、「スマレジ・アプリマーケット」利用料

※1 21年4月のMRR (クラウドサービス月額利用料等) を12倍して算出

※2 四半期末月のMRRを12倍して算出

スマレジ

Niki: Before we begin the main part of the presentation, I would like to make a correction to the content of the financial results presentation.

In the financial results for the first quarter of the fiscal year ending April 30, 2022, on page 12, in the ARR Subscription Revenue section, there is an error in the contents of note 1 at the bottom of the page. Although MRR for April 2021 is written, it is calculated by multiplying the MRR for July 2021 by 12. That is the correction.

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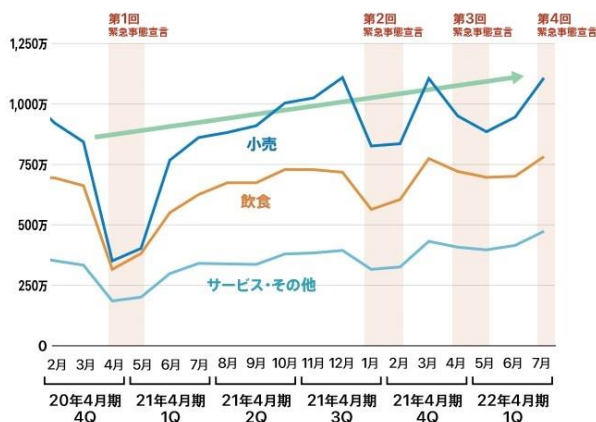
新型コロナウイルスによる影響について

4度目の緊急事態宣言が発出 (2021年7月12日～) されるも回数を追うごとにその影響は軽微に

取引数への影響

緊急事態宣言期間中、経済活動は制限されるものの、回数を追うごとに緩和傾向にある

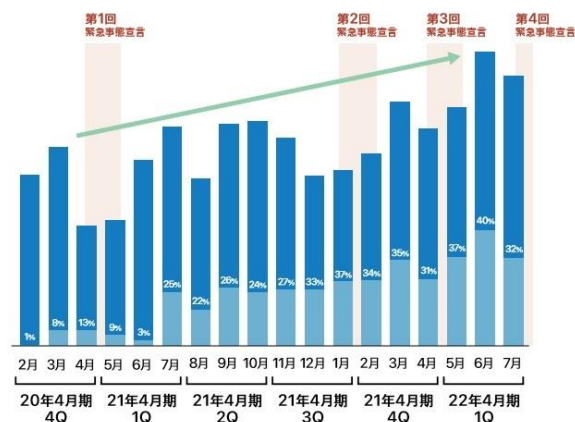
業種別取引数の推移 (スマレジPOSデータより)



商談数への影響

3度目の緊急事態宣言が明けた6月は、商談件数YoY57.7%の増加。緊急事態宣言による影響は回数を追うごとに緩和し、平常時に向けて回復している

商談数の推移 ■ 対面商談 ■ オンライン商談



スマレジ

Now, let me begin my explanation.

First, I would like to ask about the effects of the new coronavirus. The fourth state of emergency declaration has been extended, what is the impact on the Company now, Mr. Yamamoto?

Yamamoto: The state of emergency has been declared for the second time, third time and fourth time this year, but the impact on inquiries and contracts for Smaregi is gradually fading, or rather, the negative impact is gradually disappearing and the number of customers is increasing. The number of inquiries is also the highest for 2021, so I think we are gradually moving in the right direction.

Niki: Our products are used in a variety of industries, but can you tell us if you see any differences by industry?

Yamamoto: For example, it is often said on TV and in the media that restaurants are in a tough situation, but it is not that restaurants are particularly bad. Many of customers are retail stores and restaurants and there wasn't that much impact on both. However, I think that the category of events and event sales is not coming back.

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2022年4月期1Q 業績ハイライト

5

- 外部要因として自動釣銭機サプライヤー供給不足の影響を受けながらも
売上高はYoY+28.7%の9億2千万円で着地（供給不足は今後解消の方向へ）
- 営業利益はYoY+67.4%の2億3千万円、営業利益率25.2%と
高水準で着地（ただし中期経営計画に基づくS&M投資により、通期での
営業利益率は低下する計画）
- ARRがYoY+25.9%の21.6億で着地
- 採用活動の再開により従業員数がふたたび増加基調へ

スマレジ

Niki: We will now explain our financial results for the first quarter of the fiscal year ending April 30, 2022.

Yamamoto: In the full-year plan, we mentioned that the supply of automatic change machines might be slightly delayed. As we wrote in the previous financial results presentation, the negative impact of the shortage of supply of automatic change machines slightly affected us as an external factor, but we managed to achieve sales of JPY920 million. The shortage of automatic change machines is now being resolved, and I think the situation is getting better and better.

Operating profit was JPY230 million, and the operating profit margin was 25.2%, which is a fairly high level. Last fiscal year as well, we took profit margins of over 20% for granted because of the nature of Smaregi's business. However, this year is the first year of our new mid-term management plan, and we have set a plan to grow the business by using sales and marketing expenses. As a result, we expect the profit margin to gradually decline in the second quarter, third quarter, and fourth quarter.

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2022年4月期1Q 決算概要 6

自動釣銭機の供給不安による影響を受けたものの(※2Q解消予定)売上高YoY+28.7%の成長
営業利益もYoY+67.4%の増加。ただし、中期経営計画に基づくS&M投資により、通期での営業利益率は低下する計画

(百万円)	2022年4月期 1Q 実績 (2021年5月-7月)	2021年4月期 1Q 実績 (2020年5月-7月)	前年同期比 YoY	2022年4月期 通期計画 (2021年5月-2022年4月)	2022年4月期 1Q 達成率 (2021年5月-7月)
売上高	920	715	+28.7%	4,001	23.0%
営業利益	232	138	+67.4%	594	39.1%
経常利益	222	138	+60.1%	595	37.3%
四半期(当期) 純利益	149	94	+58.4%	415	35.9%

記載金額は百万円未満を切り捨てて表示しております。

スマレジ

Niki: I would like to ask Mr. Yamamoto again about how the sales and operating income are progressing against the forecast.

Yamamoto: I would say that we have not made a quarter of the progress announced in our full-year sales plan. Usually, because of seasonal variations, the fourth quarter is the biggest season for Smaregi.

However the first quarter tends to be pretty slow, which is why we have not reached 25% or 1/4 of the forecast. But we believe we are off to a good start and are making progress as expected.

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売上高内訳の推移

コロナ禍においても機器販売売上が堅調に推移

サブスクリプション売上高(クラウドサービス月額利用料等)もYoY+25.2%と順調に増加

2022年4月期 1Q

サブスクリプション
売上高比率

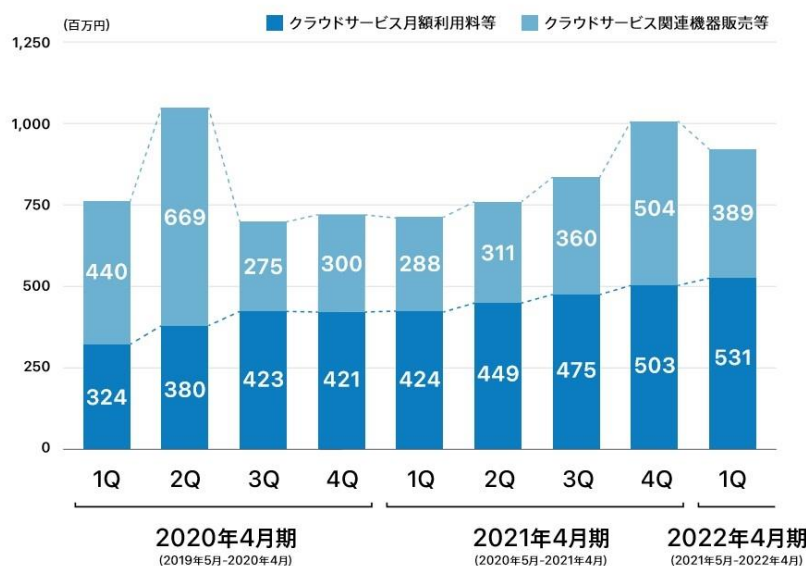
57.7%

■ 初期費用粗利率
クラウドサービス関連機器販売等

35.3%

■ SaaS粗利率
クラウドサービス月額利用料等

84.0%



※その他システム開発費等の売上高はグラフに含んでいません。

スマレジ

Niki: Next, I would like to ask about the breakdown of sales on page 11 of the financial results presentation.

Yamamoto: This is the evolution of sales per quarter. We release this document every time but let me explain once again. The bottom part of the graph in dark blue is the MRR, the monthly usage fees for cloud services. The number of customers here has been increasing continuously in this category, so sales have been increasing little by little through accumulation each quarter along with the increase in customers.

The other part of the graph, which is colored in light blue, is sales of equipment related to cloud services. Since Smaregi is a cash register service, it involves the sale of equipment like receipt printers, barcode readers, and cash drawers, which are like safety boxes for cash. These are 1-shot sales, so rather than accumulating over time, they fluctuate according to the number of business negotiations closed at any given time.

The gross profit ratio is shown on the left side, and the gross profit from the sale of equipment related to cloud service is about 35%. By SaaS, we mean monthly fees for cloud services, they represent 80% to 84% of our gross profit.

For this first quarter, the monthly fees have been steadily accumulating. Sales of equipment and other services have been steadily increasing or, more accurately, we have been able to obtain contracts.

However if we compare the results to the fourth quarter, it looks like they're declining. As I mentioned earlier, due to seasonal changes, the first quarter is a little lower than the fourth quarter. But if we compare it to the first quarter of last year, we can see that it has grown considerably.

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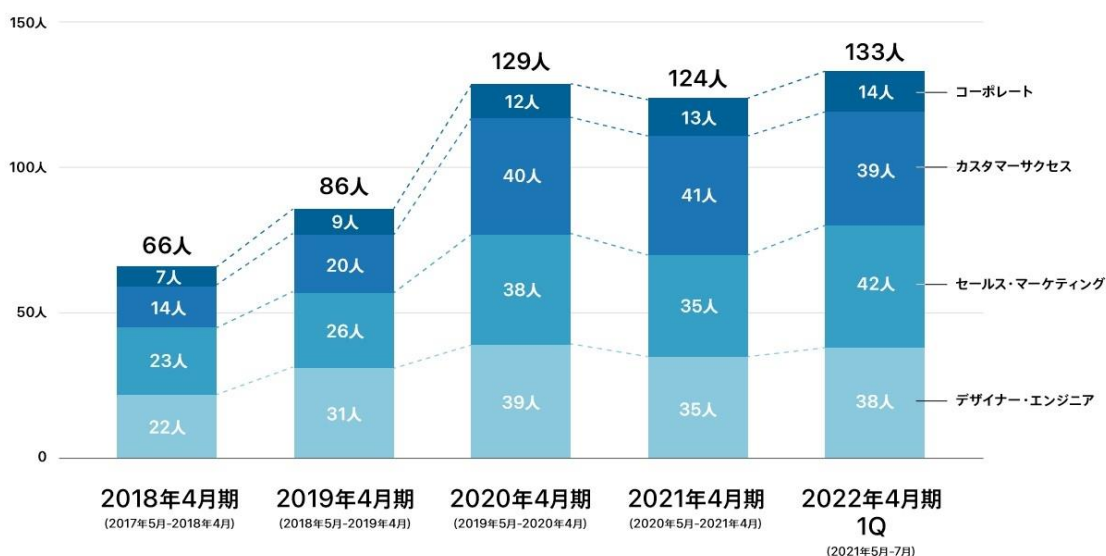
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従業員数の推移

2022年4月期1Q 決算概要 15

コロナ禍で抑制していた採用活動により減少していた従業員数は、今期からの積極的な採用活動の開始により増加傾向に。継続して優秀な人材の確保に努める。平均年齢32.9歳、平均勤続年数2年10ヶ月



スマレジ

Niki: Now, I would like to continue by asking about the employment situation. This is the evolution in the number of employees. We are currently in the process of resuming active recruitment but can you please tell us more about the current situation?

Yamamoto: We didn't know what the impact of coronavirus would be during the last fiscal year, so we stopped recruiting for a while. Actually, we stopped recruiting completely, not for a while. Consequently, the number of employees decreased a little last year, but now we have resumed our activities in line with the midterm management plan, and we have started recruiting across all departments, so the number of employees has immediately increased in the first quarter.

The recruiting team was originally a 1-person department until last year, but we've expanded the number of members, and now there are 4 members in the recruiting team, so I think recruiting activity will be accelerated.

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スマレジ4の進捗

事業の状況 18

公開アプリ数がQoQ+48.1%増加！開発パートナーも順調に増加し、アプリ紹介サイトやお店と開発パートナーを繋ぐユーザーリクエスト機能の公開により、さらなる活性化を促進

店舗が課題や目的にあわせて必要な機能(アプリ)を自由に追加することができる「スマレジ・アプリマーケット」が、活性化しはじめています。

便利なアプリが続々登場！

キッチンモニター  スマレジ・ウェ이터の注文情報をモニターに表示する拡張アプリ	LINE連携「会員カード」  お客様のLINEアプリを会員カードにできる拡張アプリ
LBB Cloud for スマレジ  店内モバイルオーダーを簡単導入できる拡張アプリ	BASE連携  Eコマースプラットフォーム「BASE」と連携できる拡張アプリ

開発パートナーの状況 2021年7月末時点

法人 **356**社 個人 **175**名

2021年6月には「ユーザーリクエスト」ページをリリース。スマレジユーザーみずから、欲しい機能を開発者に伝えることができる新たな取り組みにも着手しています。

公開アプリ数 2021年7月末時点

40個

オムニチャネル化をバックアップするネットショップ連携や、取引情報をベースに複合的な売上分析を可能にする拡張アプリなど、スマレジの利便性をより一層向上させる新機能(アプリ)が日々誕生しています。

スマレジ

Niki: Now, I'd like to ask about the status of the business. I would like to ask Mr. Minato about the progress of Smaregi 4, which is Smaregi App Market, described on page 18 of the financial results presentation.

Minato: For Smaregi App Market, we currently have 356 corporate development partners and 175 individual development partners and these numbers are growing steadily. The number of applications we've released has grown as well to over 40.

We also send out a mailing list to introduce apps so that they can be used by existing customers of Smaregi. We have also prepared a user request page so that users can send their requests for apps to developers. This is how we plan to promote the utilization of App Market.

Niki: It seems App Market has recently been gaining momentum, but if you have any future prospects and expectations, can you tell us about them?

Yamamoto: App Market is a new initiative that we started in July of last year, but I think it has unique features that our competitors don't have, and we would like to focus on it to strengthen the Company as a whole.

Up until now, I think I've roughly described our targets as retail stores and food and drink establishments, but there are actually many different types of businesses in these categories. For example, there are many types of food and drink establishments, such as restaurants, yakiniku – barbecue - restaurants, izakaya - Japanese style pubs, tapioca shops, and now, fruit daifuku, a kind of sweet treat. We believe that we should provide business systems tailored to each of them. That's why I'm hoping that niche, detailed apps for various types of businesses will emerge on Smaregi App Market.

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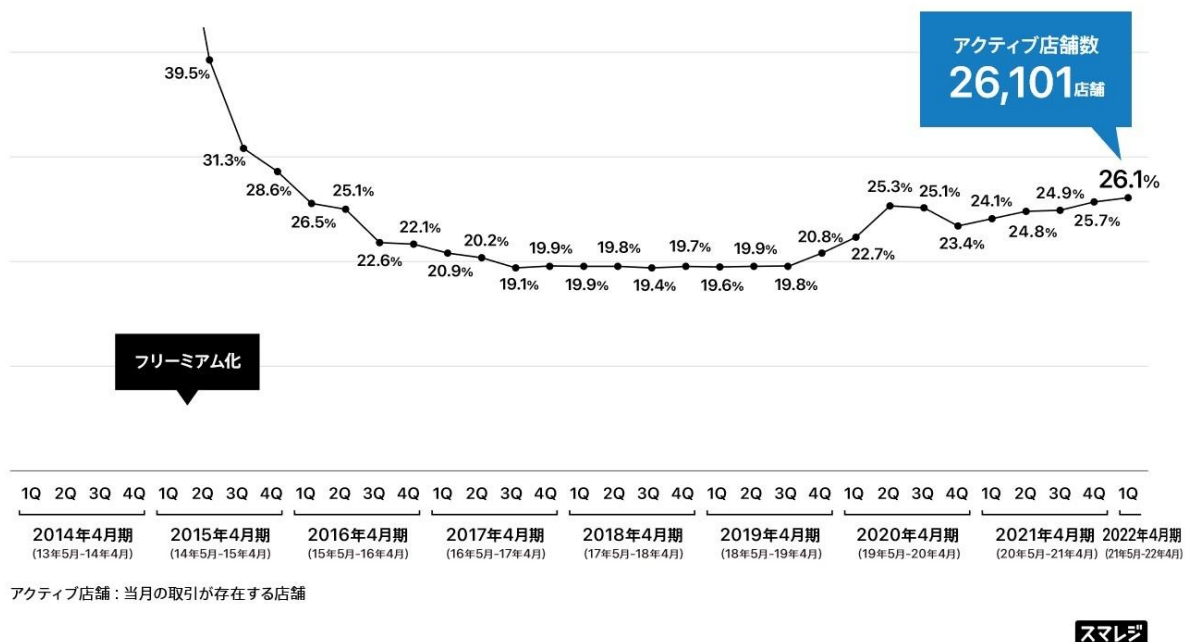
By using a very fine grid-like segmentation of our targets, we can capture the market share for each target segment, which will make it easier to expand business.

Niki: I hope that you will continue to look forward to this project. Thank you very much.

アクティブ店舗率 (無料プラン含む)

事業の状況 20

毎日利用されるサービスを目指し、アクティブ店舗率の向上へ積極的に取り組む
 アクティブ店舗率はYoY+2.0ポイント増の26.1%



Next, I would like to ask about the number of active stores, which can be found on page 20 of the financial results presentation.

Mr. Minato, may I ask you about the latest here?

Minato: In the past, we used the number of accounts and stores as KPIs, but recently we have been using the number of active stores as a KPI. First, our strategy to acquire customers was to get them to install the software and use it for free, but now we are trying to get them to contact us first.

The reason for this is that the initial setup is complicated and difficult, and many customers quit before they can actually use it. After receiving their inquiry and asking about their activity, they can choose the proper setup. This is how we create a situation where people can continue to use the service actively.

Niki: We could say it is growing steadily.

Minato: Yes. I feel that the active rate is gradually increasing as a result.

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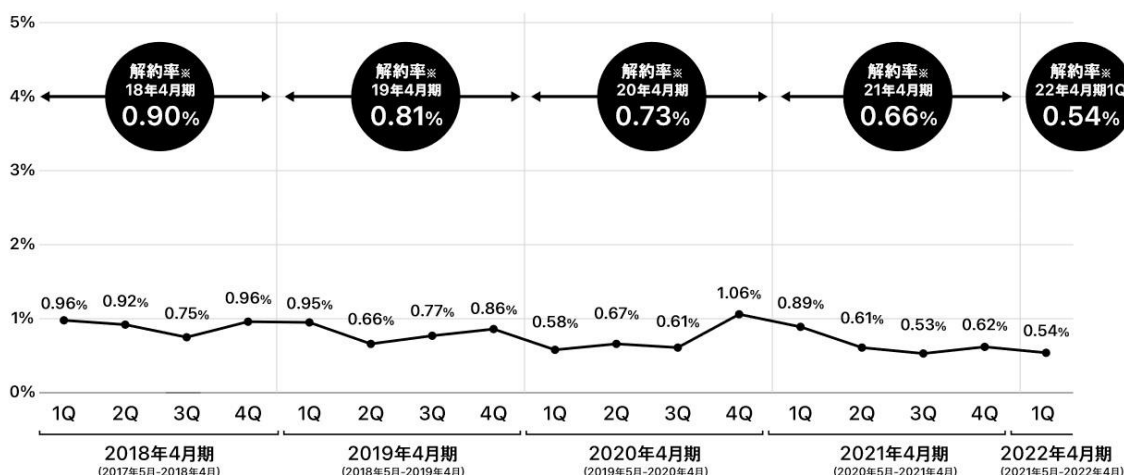
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解約率の推移

22年4月期1Qの平均解約率は過去最低水準の0.54%を達成!

継続してCX改善(カスタマーサクセス強化等)に取り組み、コロナ禍においても低解約率を実現



※解約率: MRRチャーンレート (既存顧客の月額利用料に占める解約により減少した月額利用料の割合)

スマレジ

Niki: Next, I would like to confirm the evolution of the churn rate, which is shown on page 22 of the financial results presentation. I wonder if it continues to be low even with the coronavirus situation.

Minato: The churn rate that we post here is not based on contract IDs, but on a monthly basis. The MRR churn rate is shown here. It is currently at 0.54. It is usually slightly below 1%, sometimes dropping to 0.5. Although it has risen a little during the Covid-19 crisis, it has remained at a low level of about 0.5.

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顧客単価 (ARPA/ARPU) の推移

事業の状況 23

1店舗あたりの顧客単価は安定推移

メインターゲットである複数店舗ユーザーが順調に増加しているため、1契約あたりの顧客単価は増加傾向

ARPA (有料契約1契約あたりの顧客単価)



ARPU (有料店舗1店舗あたりの顧客単価)



有料契約1契約あたりの平均店舗数 **2.37**店舗

ARPA (Average Revenue Per Account) : 1契約ID (有料プラン契約のみ) あたりの顧客単価
ARPU (Average Revenue Per User) : 1店舗 (有料プラン契約のみ) あたりの顧客単価

スマレジ

Niki: Well, we arrive at the last part dealing with the business situation. Please tell us about the trends in the average revenue per account, ARPA, and the average revenue per user, ARPU, described on the next page, page 23.

Minato: Let's start with ARPA. This is the average revenue per company. ARPU is listed as the average revenue per store. ARPA has been growing slowly. Here, we tend to get more and more customers with multiple stores or large stores.

ARPU, on the other hand, has been stable at around JPY7,400. There are times when it drops a little, that is because when we get a large customer, we offer volume discounts. So the revenue per customer fluctuates a little, but it is currently stable.

Yamamoto: ARPA is per account, so it tends to go up as the number of stores depending on a company increases, or in other words, as our clients becomes larger. And ARPU is per store. The revenue per store has been flat for a long time. And when I say it's stable, I mean it's stable. However, I think there is also a need to develop it a little more.

1 possibility, as was mentioned earlier, is App Market. App Market allows users to purchase additional functions by paying money in addition to the original fee structure, so we think it will gradually contribute to increasing the revenue per customer here.

Also, we can think of cross-selling products to existing stores, such as Smaregi Time Card, our attendance management system. We could also gradually offer this product to our clients.

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There's also settlement. We are currently receiving a small amount of commissions as an agent through the settlement business, starting with credit card settlements, but we are thinking about improving our earnings in that area by reviewing the commission rate.

4つの具体的施策

中期経営計画の進捗 26



スマレジ

Niki: We will now report on progress with relation to the midterm management plan, which happens to include the measures we just mentioned.

This is page 26 in the financial results presentation. We have set forth 4 specific measures, and I would like to ask you about the progress made in each of them 1 by 1.

Yamamoto: Yes, 4 measures. We had 4 objectives: concentrated investment in advertising, measures concerning App Market, Smaregi Time Card, and the developing of creative human resources. There is progress and stagnation in all 4 items but let's proceed 1 by 1.

First of all, it is very easy to understand that we are concentrating on advertising, because until last fiscal year, we didn't spend much on advertising. We do not know the effect of advertising so by spending properly once in that area, we want to see how many customers we can gain. That is the challenge we are embarking upon.

What we're doing now is starting with TV commercials and owned media. In addition to that, there are many other things we're working on right now.

Niki: What are they, can you say something?

Minato: Well there's offline content, so content from media other than TV and then I guess TV as well.

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Yamamoto: Events and such.

Minato: We're working on a variety of measures.

Yamamoto: That's right. We're beginners when it comes to TV, actually this is our second attempt, but we have a lot of questions like what commercials will be well received or are TV commercials even suitable for a product like Smaregi. There's still a lot of work to do.

At any rate we're moving forward with a lot of planning. The only things visible now are TV commercials and owned media, but a lot is in the works.

As for App Market, it has been mentioned several times already but this is something we are putting a lot of effort into as a company. Sales are still small but we have a lot of apps coming out and, as Minato mentioned, we've also started a user request function. Can you be more specific about the user request function?

Minato: As for the user request page, we've often received requests from users to add functions to the standard version of Smaregi for their own operations. However, due to our own development resources, it was difficult for us to accept such requests.

Thanks to customers posting these requests on the user request page, developers registered in App Market can say: "If there are so many customers who are looking for this function, let's turn it into an app." This is a page that matches developers and users.

Yamamoto: The third item is the Smaregi Time Card. Time Card cannot really be called an HR service, but it is a service that focuses on attendance management, such as salary calculation and employee shift scheduling. We are now preparing to add more functions that will make it more convenient for people to use both Smaregi and Time Card together.

Minato: Yes. Originally, there was not much of a match between Smaregi users and Time Card users, so the Time Card policy is to cross-sell, meaning to sell more to Smaregi users.

Yamamoto: The new functions are not released yet so it says "in preparation," but we hope to release them gradually.

The last one is to nurture creative human resources, and when I say creative human resources, I mainly mean IT engineers. We're always hiring IT engineers, but it's hard to find them, and competition is fierce, so we're about to launch a new business called TechFarm.

Our team has just started and sales are about to rise, so we are ready to hire engineers with a different approach.

Niki: 1 of the questions I get from time to time is that you are still hiring engineers, but are they different from the team developing Smaregi?

Yamamoto: Well, the development team for Smaregi now has about 40 people. They have been working exclusively on Smaregi for a long time but, by working on various technologies and projects, I think they can improve their engineering skills a bit more.

And even if engineers are inexperienced, they can be trained internally after we hire them. We have never had a system where people work while being taught, so it has been difficult to hire people, but we are now trying to incorporate a system where even young and inexperienced people can work.

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Although this is a different job from the development of Smaregi, I think it is possible for engineers to hone technical skills there and replace the Smaregi development team.

中期経営計画の達成に向けて

中期経営計画の進捗 27

FY22は、マーケティング・広告・採用等の予算を増加し、中期経営計画達成に向けて、サブスクリプション売上高の高成長を目指す。準備中により1QのS&M投資は少ないが、下期に向けて施策を仕込み中

経営戦略

継続的な高成長をめざす中期経営計画の初年度となる今期は、積極的なマーケティング・広告展開を実施予定。

顧客目線でのマーケティング施策（コンテンツマーケティング、クチコミマーケティングなど）を重点的にスタートさせ、それらを補完すべくテレビCMなどのマス広告を展開する計画



スマレジ

Niki: I would now like to ask about the progress in advertising expenses and about future plans. I would like to ask you about how we should look at cost allocation in the second quarter and beyond.

Yamamoto: 1 of the major changes in the midterm management plan is that we are going full throttle with advertising expenses. In the past, the goal of the Company was to generate a solid operating profit margin, but this fiscal year we have drastically changed our policy. That's why it is clearly stated in the plan.

We'll be especially raising our sales and marketing expenses. Last year, the amount was JPY269 million, which includes not only advertising expenses but also personnel expenses for sales staff, so I think it was quite small. Starting from this fiscal year and according to the plan, we'll spend JPY692 million. This is a major challenge within Smaregi, or should I say a completely new initiative, so a lot of time is necessary to prepare.

The actual amount for the first quarter was JPY90 million. It may look like we didn't spend as much as we had planned compared to our plan for the whole year, but the plan showed that it would take time to prepare at the beginning, so we thought the first quarter would be more of a preparation period. But how is it really?

Minato: TV commercials account for a large percentage of S&M, but we planned to start broadcasting TV commercials in mid-August after the Olympics, so we were not able to spend much on TV commercials in the first quarter. We plan to spend more than ever in the second quarter and beyond.

Yamamoto: We will be hiring more and more members for the sales team in the second half of the year. Advertising costs will also increase in weight after the Olympics. We are also preparing a variety of initiatives

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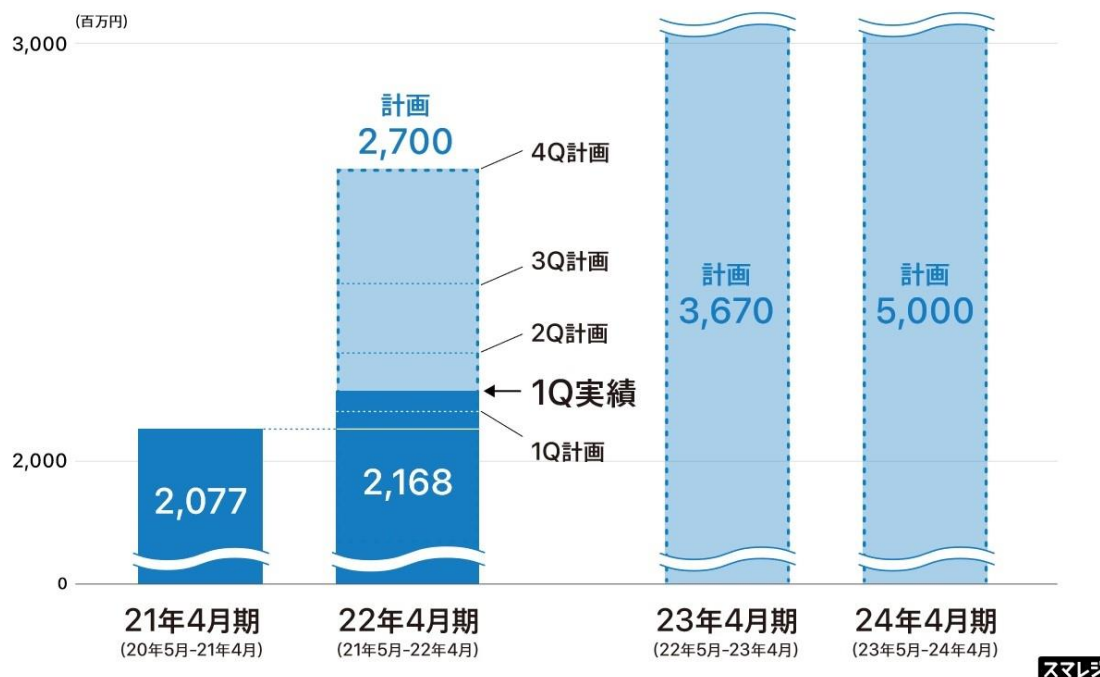
other than TV commercials, like those we mentioned before. By combining these initiatives we plan to finally reach the estimated level.

Niki: In the highlights, we also wrote that the operating margin will come down in the future due to S&M investments, so I hope you will keep that in mind.

ARRの進捗

中期経営計画の進捗 28

ARR倍増計画のファーストステップ今期27億達成に向け計画通り推移



Now, I would like to continue by asking about the progress of ARR. What can you say about the plan and the actual results?

Yamamoto: Here as well the midterm plan places more importance on ARR than on sales growth.

We have announced the planned figures, and we are moving forward with a plan to generate ARR of JPY2.7 billion in the current fiscal year, JPY3.67 billion in the next fiscal year, and over JPY5 billion in the year after that. For example, I mentioned TV commercials, but a TV commercial being broadcast will not immediately lead to contracts. The lead time between awareness and the next inquiry or contract is likely to be very long, so it will probably not lead to an immediate change in ARR. That's why we were planning for a slow start. But actually we feel that we are already getting results.

Minato: Indeed. We have been able to obtain MRR and ARR that are considerably higher than our initial plan.

Niki: Do seasonal factors have anything to do with this?

Yamamoto: Yes, there is that too. First of all, sales for Smaregi grow the most in the fourth quarter, so the first quarter is usually rather calm. It's been like that for the past few years.

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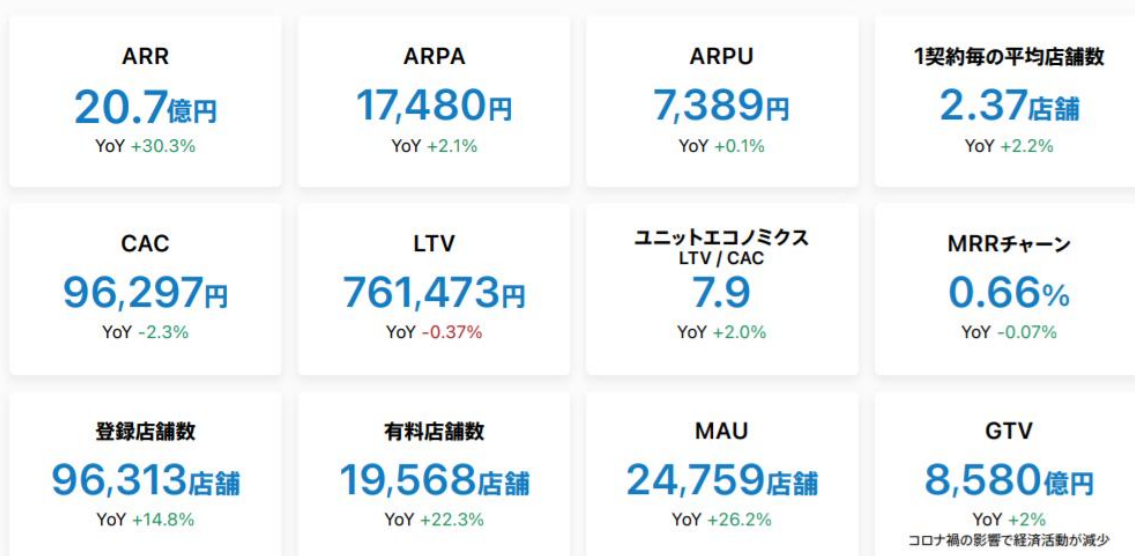
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スマレジKPIサマリー (2020年5月~2021年4月)

事業の状況 20



ARR(スマレジ月額利用料の年間経常収益):21年4月のMRR(クラウドサービス月額利用料等)を12倍して算出、ARPA:有料契約1契約あたりの顧客単価、ARPU:有料店舗1店舗あたりの顧客単価、CAC:1契約あたりの顧客獲得コスト、LTV(顧客生涯価値):1契約あたりの顧客生涯価値(関連機器販売は除く)LTVの算出にはMRRチャーンではなく契約の解約率を使用して算出)、ユニットエコノミクス:LTV / CACで計算される1顧客あたりの採算性、MRRチャーン:スマレジの月間経常収益から算出される解約率、MAU:当月取引のあるアクティブ店舗、GTV:スマレジで処理された取引金額

スマレジ

▲ Cited from "Smaregi KPI" on page 20 of the full-year financial results presentation for the fiscal year ending April 2021

Niki: Then, the KPI summary for Smaregi, which was disclosed in the financial results presentation for the previous period, is not included in the financial results presentation this time. Can you please explain this?

Yamamoto: Right now, we are very much focused on the SaaS business model. We are gradually starting to measure those KPI indicators and make management decisions based on them. At the time of the last full-year earnings announcement, we provided a KPI summary. Since it was pretty detailed, it was quite well received by institutional investors.

It would be a little difficult to publish this information every quarter, so we would like to disclose it once a year for each full year.

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Question & Answer

Niki: We will now answer the questions that we have received from investors. This time, we have received a total of 8 questions and we will answer each of them one by one.

First question.

We have been asked how much of an impact the shortage of supply of automatic change machines will have.

Would you like to answer this, Mr. Minato?

Minato: The revenue per automatic change machines was very high, and sales were in the tens of millions of Japanese yen every month. We were told by the manufacturer that there would be a shortage in the supply of automatic change machines due to a fire at the semiconductor plant. Based on that assumption, we eliminated those sales from the plan for this quarter.

However, it turns out that we were able to generate sales, although not as much as usual, probably due to our early efforts to secure inventory.

Niki: As an additional point, I think that the semiconductor shortage itself has not yet been resolved, and this is a global problem. Do you have any measures or prospects concerning this issue?

Minato: Well our manufacturers are saying that the supply shortage for automatic change machines is about to be resolved, but the global shortage of semiconductors is still expanding. So even if we don't run out of stock of change machines, we may run out of iPads and receipt printers again in the future. Therefore we would like to take measures so that we do not lose sales opportunities while maintaining a large inventory.

Niki: Let's move on to the second question.

We said that we were on track to meet your full-year plan, but do you plan to make larger investments starting in the second quarter? The question: is does the amount of investment varies greatly depending on the period?

Mr. Yamamoto, would you like to answer this one?

Yamamoto: We have plans to gradually invest more, as mentioned in the report. In particular, I believe that advertising costs will continue to increase. Also, we are hiring, so labor costs will also gradually rise towards the latter half of the year. And in addition to commercials, we are planning for more radio and TV programs, so I think investments will expand considerably.

As for whether the amount of investment will change drastically depending on the period, this fiscal year is the first time that we are going to spend this much on advertising and publicity, so we will decide how much we will increase the amount next year and the year after that after seeing the results of this fiscal year.

Niki: Now for the third question.

Please give us an update on Smaregi Time Card. We would like to know the ARR, the number of registered establishments, and the number of registered employees.

Mr. Yamamoto, can you take this one?

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Yamamoto: We would like to disclose this information once a year just like the KPIs for SaaS and Smaregi. Thank you for your question.

Niki: Now, let's move on to the fourth question. I have another question regarding Smaregi Time Card.

There are many competitors in the attendance management services, but how do you suppose Smaregi Time Card will develop in the future?

Once again, Mr. Yamamoto, what do you think?

Yamamoto: It's true that there are a lot of services that offer help with attendance management, payroll calculation, or human resource management.

In order to capitalize on the strengths of the Company, I think it would be quite effective to make it appealing and convenient to Smaregi's customers first, especially stores and store managers.

In order to achieve this, we are currently updating Smaregi Time Card and we would like to strongly promote the cross-selling of Smaregi and Smaregi Time Card in the future.

Niki: Now on to the fifth question.

The rate of paying stores seems to be increasing gradually. Is this the result of new policy to start charging for services? We are being asked if there is a plan to continue to increase the percentage of paying stores.

What do you think about this, Mr. Minato?

Minato: As I mentioned earlier in the section on the rate of active stores in the financial results presentation, I think the biggest factor here is that we changed our policy regarding customer acquisition. Rather than just asking people to simply use the system for free, we ask them to inquire about it, we explain how to use it in a suitable way and then let them to use it. We feel that, by doing this, the number of paying customers has increased.

Niki: Is it correct to say that rather than trying to increase the ratio of paying stores, you are approaching the customers with paying contracts from the beginning?

Minato: I think it is more effective to correctly communicate how to use the system in a manner suitable to a store's operations. A lot of functions can be used for free, and we appreciate our customers who only use the free functions as they are, but we explain to them that there are better functions that can be used for a fee and that fit the operational needs of their store.

Niki: Now, I would like to continue with the sixth question.

We received a question asking if there is anything we can disclose about App Market sales.

Mr. Yamamoto, can you take this one?

Yamamoto: Smaregi receives a 30% commission on the amount of money circulating in App Market.

In terms of sales, the volume is still too small to disclose, but the share going to Smaregi is currently running at several hundred thousand Japanese yen per month. That's about it.

Also concerning App Market, the IR team puts out a monthly report containing announcements about new apps, so I'd be happy if you could take a look at those.

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Niki: Please subscribe to our monthly reports.

Now, we have 1 more question about App Market.

It seems that the number of apps released on App Market is gradually increasing, but is there any particular area or genre of apps that you would like to strengthen in the future?

What do you think?

Yamamoto: Developers, or rather development partners, make the products, so we don't have much control over that, but the biggest thing we'd like to see as Smaregi is coordination with ecommerce. I think there has been a significant increase in the number of people who shop online rather than in stores, especially since the coronavirus.

In Japan, there are various ecommerce services such as Amazon, Rakuten, Yahoo! Shopping, etc. A store usually displays their products on several of these services, and there will be a way to manage all of the various ecommerce services that are available. I think it will become possible to manage all of them in one place.

One of the great strengths of Smaregi is that we have a much more complete inventory management function for retailers than other companies. If we can make good use of this, we can further expand our inventory and sales activities, whether in ecommerce or real stores. So creating a system that can manage them well is what we would like to focus on the most.

In addition to that, we'd like to cover a lot of niche requests, even they're very small. It would be great if more convenient apps for more types of stores were created. We want our clients to think of Smaregi as very useful.

Niki: Next is our last question.

Despite the Covid-19 situation, you've opened a new showroom in Fukuoka. Why did you take the risk of opening a new store this time? And do you have any plans to open new stores in the future?

What do you think?

Yamamoto: We are opening a directly managed showroom in Fukuoka. Originally, we had a franchise showroom in the Fukuoka area, but since the trading zone in Kyushu and Kitakyushu is very large, we thought we could take on many more challenges and decided to directly manage the showroom.

We had been planning to do this for more than a year, but we had to halt the project because of the pandemic. We got to the point when we had to decide when to accelerate again. After releasing the midterm plan, we decided the time had come and we moved forward with the new store in Fukuoka.

The other question is about our plan to open new stores in the future. We haven't opened any store in major terminal stations or in the Tohoku region yet, so we would like to plan for those areas. Right now, a few more places actually have concrete plans in the works.

We have a lot of clients in Tokyo, so we are looking for properties in Shibuya and Tokyo station, for example. The timeline has not been decided yet.

Niki: In terms of scale, it won't be that big, will it?

Yamamoto: Well, we want to stay nimble. The showrooms outside of the Osaka, Tokyo and Nagoya offices, and the current showroom as well, are more like satellites. We use co-working spaces and shared offices to open these showrooms.

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That way it is easy to open a new store and easy to leave if things don't go well, so we'd like to try opening stores on a small scale, and if they're not successful, we'd like to be able to leave immediately.

Niki: These were all the questions we received. Thank you very much for asking them.

Lastly, we would like to make an announcement from our IR department. Each month, we deliver the latest IR news and timely disclosed information via newsletter and LINE. Please register if you wish to receive access.

Yamamoto: The IR team also does IRTV, right?

Niki: Yes.

Yamamoto: We also disclose the number of stores on a monthly basis, so please take a look.

All of us, directors and employees, will work together to achieve the goals of the midterm management plan.

Thank you very much for your attention today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *This document has been translated by SCRIPTS Asia.*

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