



Smaregi, Inc.

Q2 FY2022 Information Session for Institutional Investors

December 16, 2021

Event Summary

[Company Name]	Smaregi, Inc.	
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[Fiscal Period]	FY2021 Q2	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Hiroshi Yamamoto	Representative Director
	Ryutaro Minato	Executive Vice President and Director
	Eiko Endo	IR Manager

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Presentation

Endo: It is now time, so we will begin. Thank you for watching the financial results briefing for the 2nd quarter of the fiscal year ending April 30, 2022, of Smaregi, Inc. My name is Endo, I am in charge of Investor relations, and I will be the moderator today. I'm looking forward to working with you.

Now to present the speakers.

Yamamoto: I'm Yamamoto, Representative Director. Thank you for your cooperation today. I would like to give this presentation with Executive Vice President and Director, Mr. Minato. Thank you, Mr. Minato.

Minato: I'm Minato. I'm looking forward to working with you.

Endo: Now, let's move on to the explanation of the financial results.

新型コロナウイルスによる影響について

3

withコロナは、デジタルシフト等の新しい社会環境の変化をもたらした
商談数は順調に増加。今後も変化した社会のニーズに対応する体制が求められる

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

デジタルシフトや非対面ニーズを起因とした環境変化により、オンライン比率の増加傾向は続いている

商談数の推移 ■ 対面商談 ■ オンライン商談



スマレジ

Yamamoto: First of all, thank you very much for coming. I'll get right into the material. I will start with the slide on page 3 of the financial results presentation which details the impact of COVID-19.

On the left, which is the document we always disclose, is the number of transactions, which is a guideline of how many customers are doing business with us. The 1st time a state of emergency was declared, there was a huge drop, but since the 2nd time, the impact has been gradually fading, and the situation is gradually returning to what it was before the pandemic.

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The right side shows the impact on the number of our business negotiations. The number of business negotiations is now recovering to the point where it will surpass the peak before COVID-19 around December 2019, so you could say that there is an impact, but the organic growth of Smaregi is outweighing that, and the number of business negotiations is growing steadily.

Business meetings are held in the showroom, but we have prepared many contents for online business meetings instead of visiting the showroom, so I think that online business meetings are becoming more common.

2022年4月期2Q 業績ハイライト

5

- 有料店舗数の増加により、売上高はYoY+29.9%の19億2千万円で着地
- 堅調な売上増加により、営業利益はYoY+25.1%の4億3千万円、中期経営計画に基づくS&M投資の実行で販管費が増加し、営業利益率は22.5%で着地
- ARRはYoY+25.2%の23.1億で着地
- 積極的な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

Next is page 5, and it shows the performance highlights for the 2nd quarter.

Net sales reached JPY1.92 billion, a 29.9% YoY growth. Operating income is JPY430 million. The operating profit margin has slowed down a bit. The rate has slowed down a bit compared to last year to 22.5%.

We are currently making progress on the ARR of JPY2.31 billion, which is set in our mid-term management plan. At the time of the full-year financial results, we had mentioned that there was a concern about the supply of automatic change machines due to the shortage of semiconductors, but that has now been resolved to a large extent. However, we are now facing some difficulties in the supply of receipt printers. That is our main concern at the moment.

Minato: That's right. Both Epson and Star Micronics have quite a shortage of printers in stock, so we are taking measures to respond to other manufacturers so that we do not lose opportunities.

Yamamoto: Thank you very much. We have already secured some inventory, so we don't think there will be a negative impact.

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損益計算書

2022年4月期2Q 決算概要 8

中期経営計画に基づくS&M及び採用投資の増加により、販管費はQoQ+23.8%、
営業利益はQoQ-13.8%

(百万円)	2021年4月期 (2020年5月-2021年4月)				2022年4月期 (2021年5月-2022年4月)				前四半期比 QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
売上高	715	764	834	1,010	920	1,001			+8.8%
売上原価	267	263	302	429	336	365			+8.8%
売上総利益	447	501	532	580	583	635			+8.8%
販売費及び 一般管理費	308	294	287	326	351	434			+23.8%
営業利益	138	207	245	254	232	200			-13.8%
経常利益	138	207	245	255	222	200			-9.8%
四半期純利益	94	142	168	178	149	134			-10.1%

スマレジ

Let's jump to page 8, which is the income statement.

Net sales in the 2nd quarter exceeded JPY1 billion. Operating income is about JPY200 million. I think there are different ways of looking at it, whether you see operating income has fallen considerably or not, or whether you see operating income as being too high, but I would like to explain this in the 2nd half.

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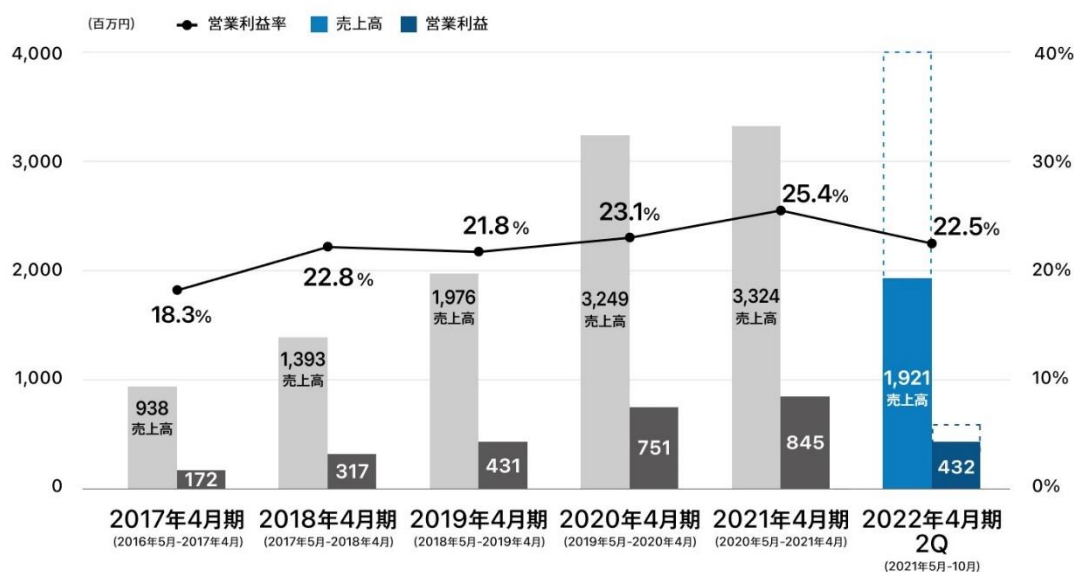
売上高・営業利益・営業利益率の推移

2022年4月期2Q 決算概要

9

22年4月期2Qの売上高進捗率は48.0%と通期計画に向け計画通り推移

中期経営計画に基づくS&M及び採用投資の増加により営業利益率は前期比-2.9ポイントの22.5%



スマレジ

This is the next slide, page 9. The graph shows the progress.

The full-year non-consolidated plan for the current fiscal year is approximately JPY4 billion, and although the progress rate is not quite 50%, we believe that we are making progress as planned.

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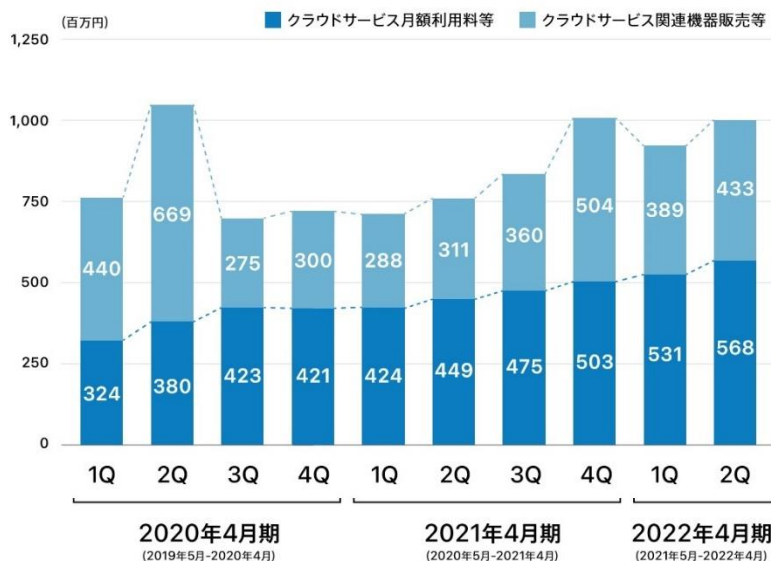
コロナ禍においても関連機器販売（クラウドサービス関連機器販売等）が堅調に推移
サブスクリプション売上高（クラウドサービス月額利用料等）もYoY+26.5%と順調に増加

**2022年4月期
2Q（累計期間）**

サブスクリプション
売上高比率
57.2%

■ 初期費用粗利率
クラウドサービス関連機器販売等
35.8%

■ SaaS粗利率
クラウドサービス月額利用料等
84.1%



※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。



Please turn to page 11.

In this graph, the breakdown of sales is divided into 2 parts: the dark blue filled part at the bottom of the graph is the monthly subscription fee, etc., which is the monthly revenue. The light blue area at the top is the initial cost, which is the sales of equipment, such as printers, iPads, and training for the setup.

Originally, the percentage was around 50% and 50%, but gradually, sales of subscription cloud services such as monthly usage fees have been slowly accumulating, and now the percentage has risen to 57.2%.

As for the gross profit, the gross profit from the dark blue monthly fee is roughly 84%, and the light blue portion, which corresponds to the initial cost, is roughly 35.8% of the gross profit from equipment sales. In terms of the Company as a whole, gross profit is about 60% to 65%.

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ARR (サブスクリプション売上高) の推移

コロナ禍においても有料店舗数が堅調に増加し、ARRはYoY+25.2%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
※ 期末月のMRR (クラウドサービス月額利用料等) を12倍して算出



Now, let's go to page 12 of the document.

As I mentioned at the beginning, ARR is the most important indicator in our mid-term management plan, and we are currently aiming for JPY2.7 billion this fiscal year. As of the end of the 2nd quarter, the ARR was JPY2.31 billion.

In the 2nd half of the fiscal year, we are aiming to increase our sales by JPY390 million to JPY2.7 billion. Some people may think that we are a little behind schedule, but the 2nd half of the fiscal year is our busy season, so we are considering various measures for the 2nd half, and if we proceed as planned, we expect to achieve JPY2.7 billion.

As I will talk about later, we have announced the consolidation of Royal Gate Inc., but not as a consolidated entity, we are aiming to achieve JPY2.7 billion on a stand-alone basis.

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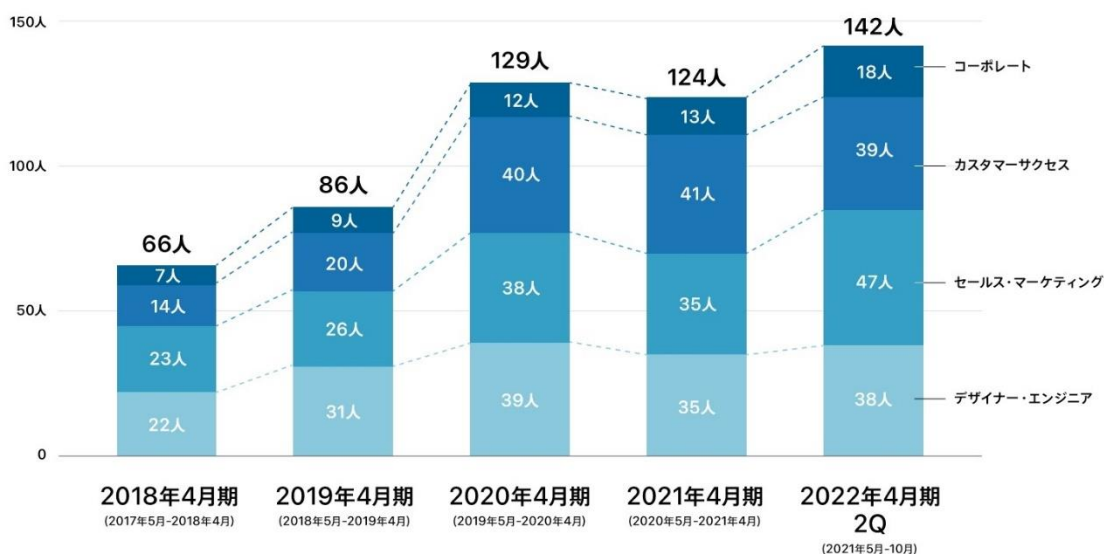
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従業員数の推移

2022年4月期2Q 決算概要 15

積極的な採用活動により、前期比+14.5%。平均年齢33.0歳、平均勤続年数2年10ヶ月
インターン制度やテックファーム事業を通じ、優秀なエンジニア育成に取り組む



スマレジ

Next page, please. The number of employees.

We have begun actively recruiting in all departments. Last year, we stopped recruiting because we were not sure how the pandemic would affect us, but this year, we are actively recruiting across all departments.

In particular, it is difficult to hire designers and engineers, but we would like to strengthen these areas.

Originally, we were only recruiting members for the development of Smaregi, but this year we also started a business called Smaregi Tech Farm, which aims to train and discover young engineers, and we are gradually hiring more people for that.

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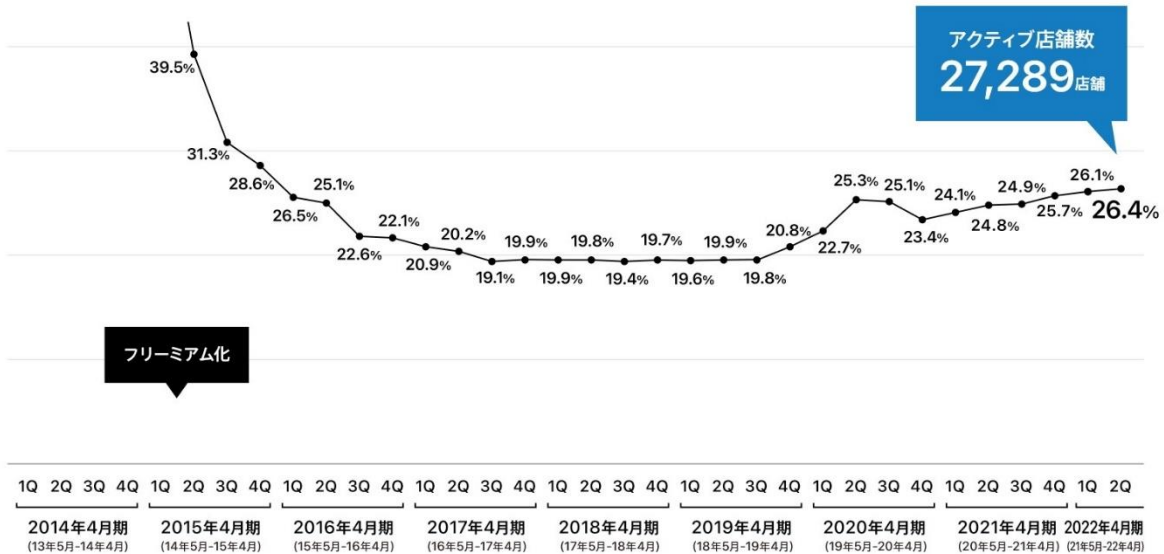
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アクティブ店舗率 (無料プラン含む)

事業の状況 19

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+1.6ポイントの26.4%



フリーミアム化

アクティブ店舗数
 27,289店舗

アクティブ店舗：当月の取引が存在する店舗

スマレジ

Next page, please. This is where we will start with the KPIs, so Mr. Minato, if you will please.

Minato: This is the number of active stores. The current active rate is 26.4% and the number of active stores is 27,289.

In the past, we used the number of registered stores as a KPI, but now we use the number of active stores as a KPI. Due in part to the effects of customer success measures and other measures, the active rate is steadily increasing.

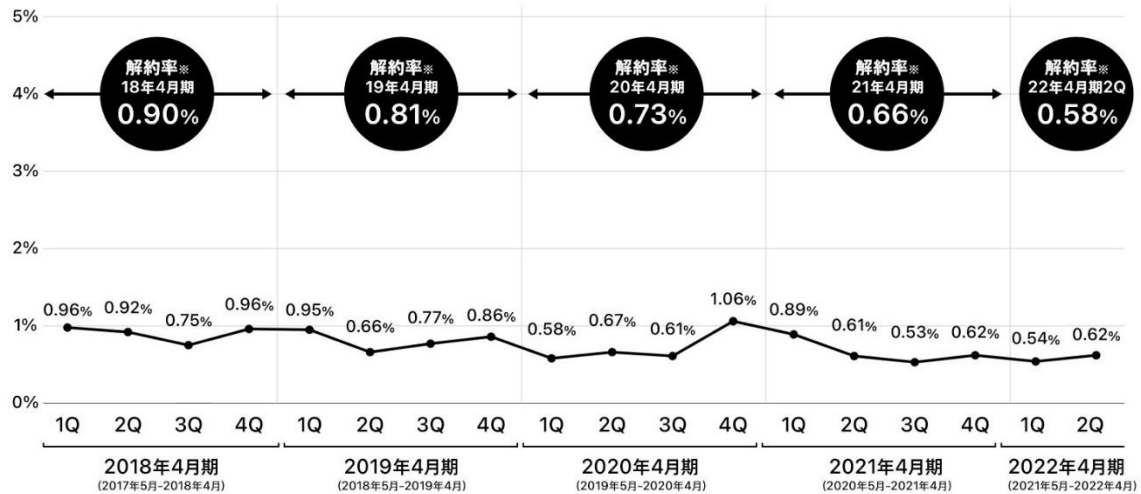
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解約率の推移

22年4月期2Qの平均解約率は0.62%、2Q累計では0.58%と低水準を安定継続
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

Next page, please. We will now look at the churn rate.

The churn rate here is the MRR churn rate based on monthly fees. It temporarily went up due to COVID-19, but now it has dropped to the same low level as before.

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顧客単価 (ARPA/ARPU) の推移

事業の状況 22

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 **2.36**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

Next, please. Unit cost per customer.

Paid subscriptions, the average unit price per subscription is JPY17,680, and paid stores, the average unit price per store is JPY7,467.

This is also stable, but we are not planning to increase the price of the plan at this time, so I think this will continue in the short term. We would like to somehow increase this in the medium to long term.

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2022年4月期 通期業績ハイライト (計画)

2022年4月期 業績の見通し 25

決済会社の株式取得に成功。現スマレジ・ペイメントとのサービス統合を目指し、ロイヤルゲート社の早期赤字解消及び将来収益の柱となるようPMI計画を策定中

3Q決算発表時を目処に当社中期経営計画をアップデート予定

ロイヤルゲート社 買収の影響	連結営業損益	連結によりロイヤルゲート社の営業損失を計上予定。
	のれん	負ののれんを計上する見込み

(百万円)	2021年4月期 (2020年5月-2021年4月)	2022年4月期 (2021年5月-2022年4月)			
	実績	通期業績予想 (個別)	前期比 YoY	通期業績予想 (連結)	前期比 YoY
売上高	3,324	4,001	120.4%	4,135	-
営業利益	845	594	70.3%	523	-
経常利益	846	595	70.3%	524	-
当期純利益	583	415	71.2%	454~564	-

※本業績予想については、現時点で入手可能な情報及び合理的と考える一定の前提に基づき判断した見通しであります。今後、投資判断に影響を及ぼすと思われる情報は、適宜、適切な方法で速やかに開示いたします。

スマレジ

Next page, please. Now, Mr. Yamamoto, if you will.

Yamamoto: This is the full-year earnings plan.

Yesterday, when we announced that we had acquired Royal Gate, we received a lot of questions, mostly about how we would land this fiscal year. In response, we have disclosed the approximate consolidated earnings forecast for the current fiscal year. Consolidated net sales were JPY4.135 billion, operating income was JPY523 million, and net income for the year was disclosed in the range of JPY454 million to JPY564 million.

Originally, we did not change our non-consolidated earnings forecast. It's still there. Net sales will be JPY4,001 million. The difference between this non-consolidated figure and this consolidated figure is the approximate performance of Royal Gate.

We will officially make the company a subsidiary on December 22, so I imagine that the following months will be reflected in the P&L. It will be consolidated from the 3rd quarter. Therefore, it will be consolidated from the next earnings announcement.

In the P&L, we plan to reflect Royal Gate's performance from January to March in the 4th quarter, so for example, in terms of the difference in sales here, JPY134 million is Royal Gate's expected sales for the 4th quarter.

Originally, we disclosed Royal Gate's business results up to last fiscal year, and there were some people who said that the company would be in the red even more. While the Company has been spending a lot of money on subcontracting development, that development is almost finished, which means the subcontracting cost for development will decreasing rapidly.

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In addition, we have been considering a number of measures to reduce other expenses, and by accumulating these measures, we expect to be able to reduce the deficit significantly, which is why we have come up with this profit plan.

Although net income will decrease by the amount of the deficit, negative goodwill is expected to be recorded. The acquisition price is undisclosed due to discussions with Daiwa House Industry Co., Ltd., but since the acquisition was made at a price relatively lower than the assets, negative goodwill will be generated, and that amount will be recorded, resulting in a positive result.

The reason for the range of net income is that we are currently reviewing our assets and want to write them down, but the range is not yet known.

3 決済サービスの見直しによる決済収益の強化

利便性向上、決済収益強化

決済サービスの強化により、 トランザクションベースの売上高拡大を目指す

株式会社ロイヤルゲートを子会社化し、決済システムを保有する決済事業者へ。決済事業のサプライチェーンを改善し、決済収益の最大化を目指す。

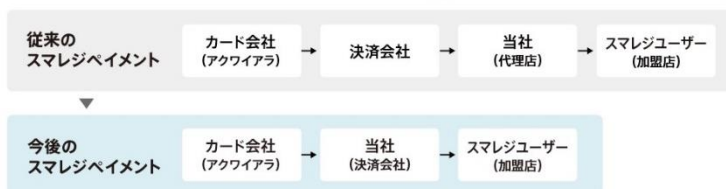
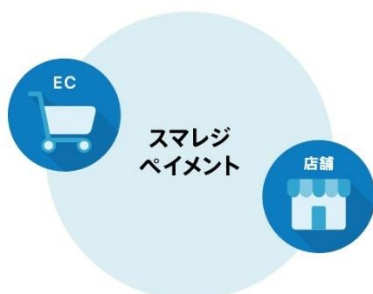


図. サプライチェーンの見直しを実施



店頭決済のみならずオンライン決済領域までをカバーするシームレスで利便性の高い決済サービスの実現により、トランザクションベースの売上高拡大を目指す。

スマレジ

Next slide, please.

I think there is also the question of what kind of company Royal Gate is. Incidentally, this material is not from the financial results presentation, but from the material on business plans and growth potential, which was also disclosed yesterday. It's on page 30.

Royal Gate is a company that specializes in payments -- credit card payments, to be precise. In addition to this, the company also offers electronic money, QR payments, and other payment services known as multi-payments.

Although Smaregi originally provided a payment service called Smaregi Payment, it did not have its own payment center, but rather borrowed the system of a payment processing company called Zeus Co., Ltd. In other words, as an agency, we have been developing Smaregi Payment from the position of a sales agency.

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By acquiring Royal Gate, we will be able to shorten the supply chain for credit card payment, and we will be able to increase the profit margin by reducing the number of companies in the payment process, or we will be able to provide flexible payment services. The aim is to increase sales around the settlement area.

4つの具体的施策

中期経営計画の進捗 27

中期経営計画 - スマレジを高成長サイクル軌道へ

継続的な高成長サイクルを実現させるため、22年4月期から3年間は減益を覚悟し、事業投資を積極強化

積極的な広告宣伝活動を中心とした事業投資により、アクティブ店舗数の増加と顧客単価の向上を目指す

アクティブ30万店 ▶ 長期目標への第1ステップ

本中期経営計画でARR50億円の突破を目指す!

- ① 広告宣伝費を投下し、アクティブ店舗数を増加
- ② アプリマーケットの活性化による顧客単価向上
- ③ 決済サービスの見直しによる決済収益を強化
- ④ スマレジ・タイムカードの強化(機能強化)



「クリエイティブ人材育成」は、継続的な成長を支える重要施策として中期計画とは切り離して、今後も継続して取り組んでいきます。

スマレジ

Next, please. Here, the material has returned to the financial results presentation. It is on page 27.

We had disclosed 4 specific measures to achieve our mid-term management plan. This will be the progress in response to that.

The 1st medium-term management plan was announced in March of this year. We released an updated version in June, so the main body of the medium-term plan itself can be viewed again on the IR page. We have set 1 major benchmark, which has been mentioned many times, and that is to break through the ARR of JPY5 billion in 3 years including this fiscal year.

In response, 4 measures have been proposed. The 1st is to increase the number of active stores and increase the number of customers by investing in advertising. The 2nd is to increase the price per customer by activating the app market, or to provide a wide range of functions.

The 3rd is to strengthen settlement revenue by reviewing settlement services. This was originally called Smaregi Payment before the acquisition of Royal Gate. The acquisition of Royal Gate will further accelerate our efforts to improve the profitability of the Company.

The 4th is a Smart cash register, Time Card, and attendance management services. In addition to the POS system for stores called Smaregi, Smaregi also provides time and attendance management service, so we are aiming to cross-sell this service.

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When we first announced our mid-term management plan, 1 of the 4 points was to strengthen our developers and engineers, called Tech Farm, but we have omitted that 1 point and replaced it with these 4 measures.

中期経営計画の達成に向けて

中期経営計画の進捗 28

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

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・広告展開を実施中。マーケティング・広告施策を継続して企画中。S&Mの2Q実績は242百万円に留まるも、下期はさらに加速する計画。

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

Next, please.

Page 28 of this document shows the sales and marketing expenses, which were written in the 1st measure to achieve the mid-term management plan. In other words, we are planning to spend JPY690 million this year, compared to JPY269 million last year, mainly on advertising and personnel expenses for sales staff.

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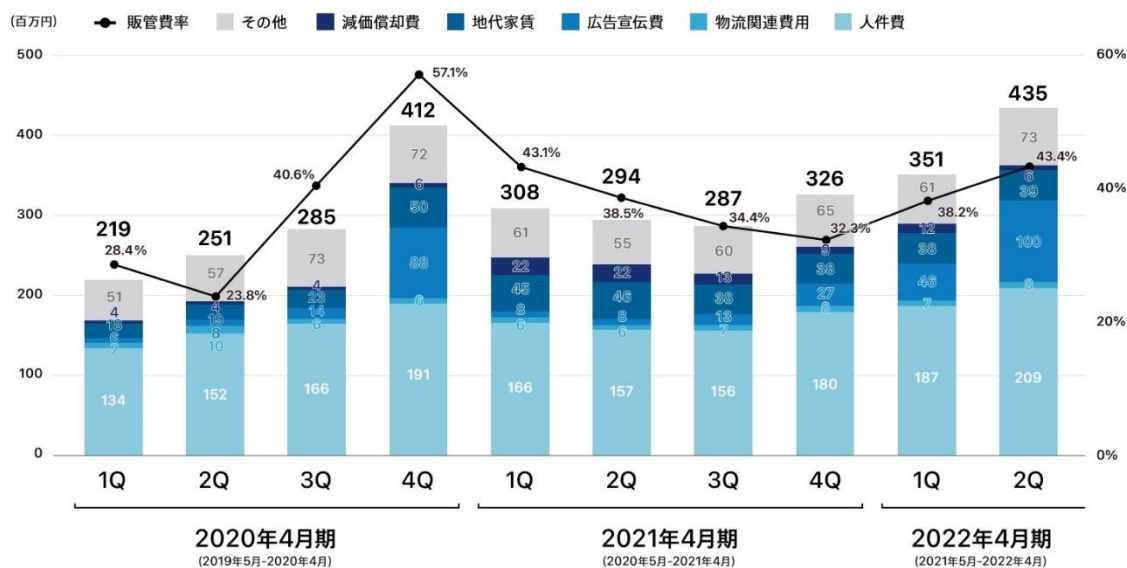
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販売費及び一般管理費の四半期推移

2022年4月期2Q 決算概要 14

中期経営計画に基づくS&M投資の実行により販管費率は43.4%に上昇。今後も投資を継続



スマレシ

Now, on an actual basis, we have JPY242 million. As for the breakdown of JPY242 million, I will go back to the page number of the document, but page 14 shows the breakdown of SG&A expenses.

It is difficult to color-code the advertising expenses, but for the 1st and 2nd quarters combined, we spent about JPY150 million on advertising, or more than JPY140 million. So, if you go back to the slide, out of the JPY242 million, about JPY140 to JPY150 million is used for advertising expenses.

In the 2nd half of the fiscal year, you may be wondering if we will be able to use up the remaining amount, but according to our plan, we expected to spend JPY400 to JPY500 million in advertising and publicity expenses alone. In the 2nd half of the fiscal year, we are planning to implement various marketing measures, advertising, TV commercials, and other measures, and we expect to spend about JPY300 million in the 2nd half of the fiscal year, so I believe that SG&A expenses will continue to increase.

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スマレジ・アプリマーケットの進捗

中期経営計画の進捗 29

大賞1,000万円は誰の手に!? 第2回スマレジ・アプリコンテスト開催中!
公開アプリ数は、QoQ+35%の増加。開発パートナーも増加し、さらなる活性化を目指す

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。

開発パートナーの状況

2021年10月末時点

法人 **472** 社 / 個人 **204** 名

公開アプリ数

2021年10月末時点

53 個



第2回 スマレジ・アプリコンテスト開催中!

オムニチャネル化や飲食店向けのモバイルオーダー活用例など、店舗DXをテーマとする主催ウェビナーも大好評。アプリマーケットの利用を促し、アクティブユーザーの増加、既存顧客の維持と客単価向上を狙います。



スマレジ

Next slide please. I would like to ask Mr. Minato about the 2nd measure in the mid-term management plan - the progress of the application market.

Minato: This is the progress of the app market.

As of the 2nd quarter, we have 472 corporate and 204 individual development partners registered to create applications. The number of published applications has increased to 53.

As a measure to increase the number of development partners, we will hold the same app contest this year as last year. We also hold events for development partners and online seminars for users, and we hope to further activate the application market.

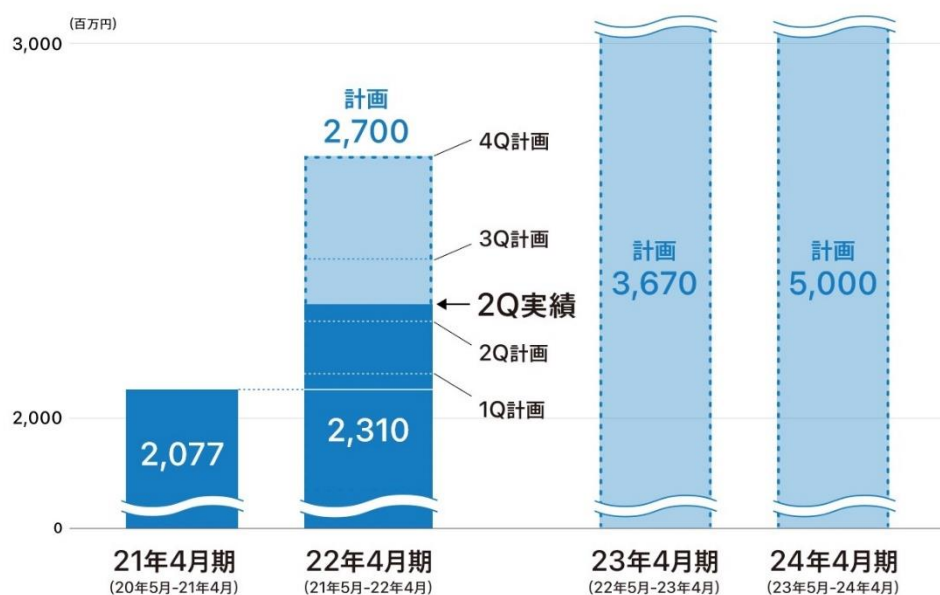
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ARR倍増計画のファーストステップ今期27億達成に向け計画通り推移



スマレシ

Next page, please.

Yamamoto: As has been mentioned many times, ARR is an indicator in our medium-term management plan, and we have now made progress of JPY2.31 billion. After this, we are trying to achieve JPY2.7 billion over the 3rd and 4th quarters.

In terms of seasonal fluctuation factors, March is usually the peak season every year, so the 4th quarter is the best time to get customers. Therefore, we are planning for a rapid increase in the 4th quarter, as in previous years, and we will allocate advertising expenses to coincide with this period. We believe that we can achieve about JPY2.7 billion.

This concludes the explanation of the material.

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Question & Answer

Endo [M]: Now then, we will open up the floor to questions and we will begin with those that we've already received. The 1st question asks about the areas in which you think M&A should be conducted in the future. You have been asked what are the pieces that are currently missing in your company for growth.

Yamamoto [A]: Thank you very much. We are not in the phase of diversification, so it is basically other companies in the same industry, or in the sense of increasing the number of customers, other companies in the same industry. There are many POS cash registers in the country, but the target is POS vendors that offer cloud services. I'm thinking that companies that provide older models, such as installation-type POS systems and software, will be a little out of scope.

In terms of cost-per-customer, companies that provide services that are convenient for customers of Smaregi, such as customer management since Smaregi is weak in this area, or companies that provide purchase order services for retailers. If they have a service that complements Smaregi Checkout, I think they are eligible.

These are the 2 basics. I think it comes down to whether it is something that will increase the number of customers or something that will increase the price per customer.

Another possibility is to acquire a system development company because it is very difficult to acquire engineers, and it is getting more difficult every year.

Endo [Q]: Thank you. Now for the 2nd question. "I am not sure if there is any effect of S&M investment on PL yet, but if there are any results, please let us know. We've received a lot of feedback from customers."

Yamamoto [A]: Thank you very much. For example, with TV and radio, it is difficult to measure the effectiveness of the product because it is measured through analog. You did a lot of TV commercials in the 1st half of the year, but how did they go?

Minato [A]: Since the TV commercials are for recognition purposes, we have not been able to measure the exact and direct effects of the TV commercials, but we have taken questionnaires from customers who visit our showrooms, and we have heard quite a few comments that they came to our company after seeing the TV commercials.

Yamamoto [Q]: Does it have much effect on the number of business negotiations?

Minato [A]: It's hard to say at the moment.

Yamamoto [Q]: Surely there must be an effect, even if slightly?

Minato [A]: Very slightly, yes.

Yamamoto [A]: I feel like there is a slight effect. The sales plan is also based on the expectation that there will be a slight increase in sales, and in terms of the medium-term plan, it is a 3-year plan that covers the next year and the year after that, but the line is drawn in such a way that the effects will gradually appear.

Endo [Q]: Now, let's move on to the 3rd and final question that we received in advance. The question is: "Can you give us some examples of apps that are getting good response from customers in the app market?"

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Minato [A]: Kitchen monitors are widely used in the application market. There are a lot of people who use this function, such as McDonald's, which allows them to see the order in the kitchen on a monitor, instead of having to use a receipt printer. Recently, the number of apps that are connected to LINE has been increasing rapidly. Probably the reason for this is that we held a seminar for customers and users, which was quite significant.

Yamamoto [Q]: What is LINE integration? Is it like customer management?

Minato [A]: That's right.

Yamamoto [Q]: If a store has a LINE account and a customer signs-up, do they get something?

Minato [A]: That's right. This is a membership card application with LINE integration.

Yamamoto [M]: Thank you very much.

Endo [M]: We have some questions that we are receiving during the live streaming.

Yamamoto [A]: "Is it correct to understand that all of your company's payment transactions will go through Royal Gate? If so, can we expect Royal Gate to return to profitability due to the increase in transactions?"

I'm having trouble interpreting the intent of your question. Right now, the amount of distribution going through the Smaregi cash register is about JPY1 trillion per year in payment processing. Of that, about 70% is cash. The remaining 30% is non-cash, with credit cards accounting for about 20%. So, if all payments can be treated as Royal Gate payments, that means that 100% of our customers will be utilizing Royal gate. 20% of that will result in process payments of about JPY200 billion. However, that still a bit on the low side. How plausible is it to reach 50%?

Minato [A]: It's difficult.

Yamamoto [A]: I don't know which payment companies are used by the majority of the customers, but we are currently linked to Smaregi Payment and Rakuten Pay. Then there's the STORES settlement, formerly known as Coiny. Also, the payment from a company called Flight System Consulting, Inc. is linked to it. Another 1 is JMS. Most of the companies in the JCB family are connected.

We are connected to various payment services, and we will replace some of them with Royal Gate, so I think it will be difficult to get all of them. As for whether we can aim for profitability, we expect to gain enough market share to become profitable.

At this point, it is difficult to say whether we can suddenly become profitable in the first year, so our current view is that it will take almost 2 years to become profitable. We haven't finalized a proper plan yet, but at the moment, that's the image we have, and we are aiming to be in the black within 2 years.

Let's go to the next question. "Please tell us about the measures you are taking in the 2nd half of the year to achieve the ARR of JPY2.7 billion. Thank you."

1 is that getting customers is usually a big deal.

Minato [A]: Yes. We are expecting some effect from the commercials in the 1st half of the year, but as Mr. Yamamoto mentioned earlier, we are not expecting that much. It is purely a matter of how much we can increase the number of customers in the 2nd half of the year due to seasonal factors and how much we can increase that number. We also opened a showroom in Fukuoka, and when we opened the showroom in Fukuoka, we broadcasted commercials to the Fukuoka market, so we will increase the number of bases in this

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area to acquire customers. Also, since online business negotiations are increasing quite a bit, we are thinking about making commercials for local markets. That's about it.

Yamamoto [A]: As a factor of ARR, the first and biggest factor is the monthly usage fee for Smaregi. That's what I'm talking about now, first of all, to increase the number of customers. Smaregi Payment was originally available. This is not that big, but it is still a factor.

We are trying to improve the settlement fees and purchase conditions of Smaregi Payment, so we sent out an announcement that we have updated Smaregi Payment at the beginning of November, I believe. Therefore, the profitability of purchasing has actually increased greatly, and we are now in a situation where it is easy to make a gross profit. With Royal Gate, we originally changed the terms of the contract so that we could make a lot of gross profit, and that's where we focused our sales efforts. That would be another contribution to ARR.

The 3rd is the app market. The app market is also a factor, although its sales are not that large. As Mr. Minato mentioned earlier, the app market is currently working on increasing the number of apps, and we are holding contests, for example, an app contest, a rather large contest with a grand prize of JPY10 million, and we are hoping that some killer apps will emerge.

Also, there are still parts of the app market that customers are not aware of, so the 3rd goal is to increase the revenue of the app market by educating people about it.

Another thing that we as a company have to consider when thinking about ARR is timecards. The Smaregi Time Card is reasonably large, as a breakdown. At the time of the last full-year financial results, we disclosed the KPI indexes for Smaregi and Time Card, and they are rather large, so we are trying to expand them. We are thinking of selling it as a set, especially together with Smaregi. We expect that we can reach JPY2.7 billion by increasing each of these four points. Thank you very much.

"I think retail is a strong industry, but do you have any plans to strengthen restaurants? For example, we received questions about the renewal of the order entry system, the integration of delivery services other than Uber Eats in the app market, and the enhancement and expansion of self-checkout and meal ticket machines.

It is my impression that the retail sector is strong, while the food and beverage sector seem to be a little weak. What are your thoughts?" I think your assumption is mostly correct.

Minato [A]: That's right.

Yamamoto [A]: Even if we talk about restaurants in 1 word, the types of business are very fragmented. For example, in ramen shops, there is a great probability that ticket vending machines are installed now. We are currently working on the linkage of several ticket vending machines. There are so many types of ticket vending machines that it is difficult to handle all of them, but we are currently working on some of them. We have it in our showroom, but we are now supporting ticket machines from a manufacturer called Mamiya-OP Co., Ltd. We are also planning to add more in the future.

Then there is the self-checkout. Self-checkout is similar to a ticket vending machine. In the case of restaurants, there are self-service cash registers, which are similar to ticket vending machines, and kitchen monitors, which was mentioned earlier as a hit in the app market and the best-selling product. We are now working on this.

I'm also hoping that other delivery services besides Uber Eats will also appear in the app market. We don't make them in-house. I think we will have to respond 1 by 1 to solutions that meet the detailed needs of various types of businesses.

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Minato [A]: Rather than doing it inside, we'd basically like to strengthen that area via the app market.

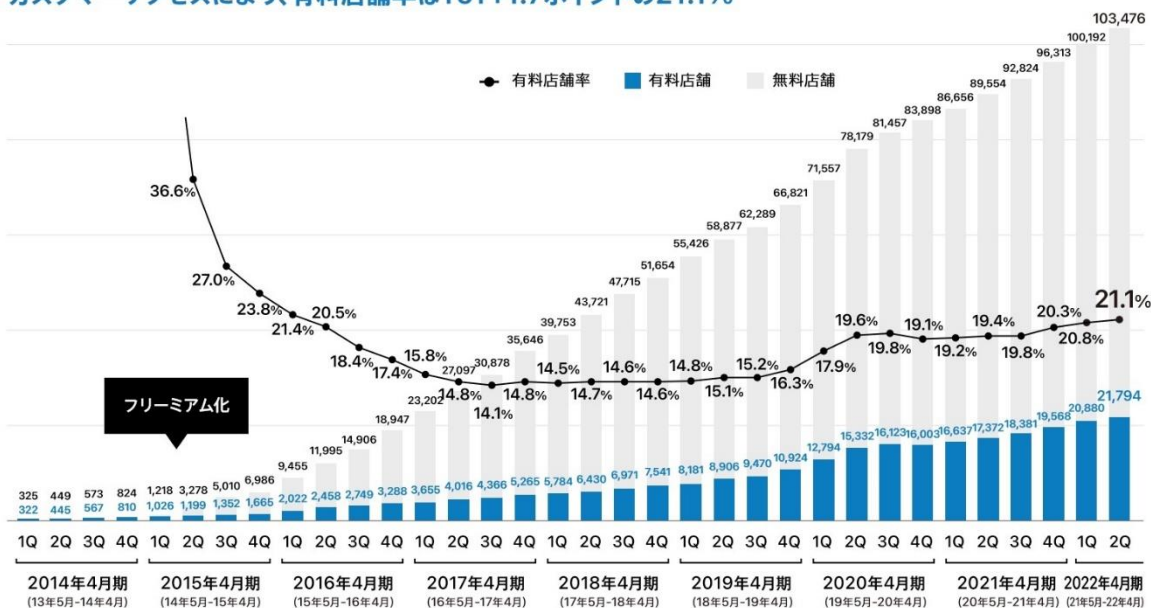
Yamamoto [Q]: Thank you very much. I'll go to the next question. "What initiatives have contributed to the increase in the number of paying stores and active stores through customer success?"

登録店舗数と有料店舗数の四半期推移

事業の状況 18

長らくコロナ禍においても安定して新規契約を獲得

カスタマーサクセスにより、有料店舗率はYoY+1.7ポイントの21.1%



※2015年4月期にフリーミアム化を実施したことにより無料店舗が増加



Endo [A]: This is also written on page 18 of the financial results presentation, about Customer Success.

Minato [A]: At first, we were trying to increase the number of customers by using iPad apps, for example, so that people could download and use them, but then they didn't know how to use them, so they quit immediately. The number of registered stores only increased, so basically, our basic policy was to ask customers to contact us first, and for customers who sign up online, our support staff would first explain simple usage. From there, after the initial setup, we know that once we get to the point where they can use the system, customers will use it quite a bit, so we would like to further increase and expand that area.

Yamamoto [A]: It's not just timecards, but also Smaregi.

Minato [A]: The same applies to Smaregi, yes.

Yamamoto [A]: Support will do the onboarding. As for customer success, we have our own call centers in Sapporo, Tokyo, and Osaka. We have a staff of about 40 to 50 people, and most of them are our own full-time employees. Call centers are usually outsourced, but we've built the entire system in-house and use our own staff. I think that's a good thing. Thank you very much.

Next. "You recently announced an investment in a company in India. What are your aims and future plans for collaboration?"

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It's not that we are going to expand into India directly. It was a very small investment. Originally, we established a subsidiary in the US about 5 years ago to expand into the English-speaking world, but we withdrew before the IPO. In the future, it is fundamental and natural to increase domestic sales, but we also need to broaden our horizons and expand our business overseas.

Due to the pandemic, all overseas inspections were cancelled. However, I have been keeping my antennae open to see if there are any opportunities or plans for us to expand into other areas, such as going to Europe and inspecting the ASEAN region.

In the course of these discussions, I was able to meet an Indian company, headquartered in the US, that was starting a POS service that looked rather good. As a sign of goodwill, I made an investment to let them know my interest in being open to communication and to hint at the possibility of exchanging information in the future.

I'll move on to the next question. "I joined halfway through, so my apologies if this has already been asked. Could you tell us about your plans for advertising expenses in the 2nd half?"

I mentioned a little about the budget for advertising expenses for the 2nd half of the year. We are planning to spend about JPY300 million on advertising in the 2nd half of the year. We spent about JPY150 million in the 1st half. What is the breakdown in a nutshell?

Minato [A]: In terms of percentage, TV commercials are the biggest. In addition, we also do regular online listings, banners, social networking ads, and YouTube ads. In addition, we are also planning to participate in events.

Yamamoto [A]: As part of an exhibition.

Minato [A]: And then there's the radio show.

Yamamoto [A]: Yes, we also have a radio program.

Minato [A]: We also do that kind of thing, as well as our own owned media. We are implementing a variety of measures, but rather than seeing immediate results, many of them will become effective in the next fiscal year, so rather than taking measures only for the 2nd half of the year, we are taking measures for the mid- to long-term.

Yamamoto [A]: Thank you very much. As I mentioned earlier, the 2nd half of the year, especially March, will be the peak season, so I think that advertising will be heaviest in January, February, and March, the months that coincide with the peak season. That's all.

Endo [M]: We have reviewed all the questions we have received, but if anyone has any other questions, please let us know.

As there seem to be no further questions, we will end the question-and-answer session here. Thank you very much for your many questions.

Yamamoto [M]: Thank you very much.

Endo [M]: I have an announcement to make here. We send out IR information via newsletters and LINE, and we also send out monthly store counts and other information here. Please make sure to register.

Mr. Yamamoto. Any final words?

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Yamamoto [M]: We are already in the middle of the 3rd quarter. The 4th quarter, as I have mentioned many times, will be our busy season, so we are busy preparing for it, or rather, we are working vigorously now.

In addition, with the acquisition of Royal Gate, we are going to put a lot of effort into PMI as soon as possible, so things are getting quite hectic in the Company, but we will do our best to prepare various measures and achieve various results within this fiscal year. Thank you for your continued support.

Thank you very much for your time today.

[END]

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1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
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