



Smaregi, Inc.

Q3 Financial Results Briefing for the Fiscal Year Ending April 2022

March 17, 2022

Event Summary

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[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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North America 1.800.674.8375
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Presentation

Endo: It's time, and we will now begin. Thank you for participating in the financial results meeting for the third quarter of the fiscal year ending April 30, 2022 of Smaregi, Inc.

Let me introduce the speakers.

Yamamoto: I am Yamamoto, the Representative Director. Thank you for your cooperation today. I would like to proceed with this briefing with myself and Vice President Minato. This is Mr. Minato.

Minato: Hi, I'm Minato. Thank you for your cooperation.

もくじ

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スマレジ

Endo: Here is today's flow. Q&A will be scheduled after the financial results briefing.

Now, let me move on to the financial summary. Mr. Yamamoto, please.

Yamamoto: Thank you for watching. Once again, please accept my best regards.

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注 意
ロイヤルゲート社の連結化の影響について

- 貸借対照表のみ連結しています。
- 3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

ロイヤルゲート社のみなし取得日を 2021 年 12 月 31 日としており、四半期連結決算日との差異が3ヶ月を超えないことから、貸借対照表のみを連結しています。当第3四半期連結累計期間に係る四半期連結損益計算書にロイヤルゲート社の業績は含まれておりません。

スマレジ

The first step is to provide an overview of the financial results. The accounts are consolidated from this time on, but there is a note of caution: only the balance sheet is consolidated. As for the P/L, please note that the results for the third quarter do not include Royal Gate's results, as we will start recording sales from the fourth quarter.

Please note that from then on, this notation will be used for all materials on the slides.

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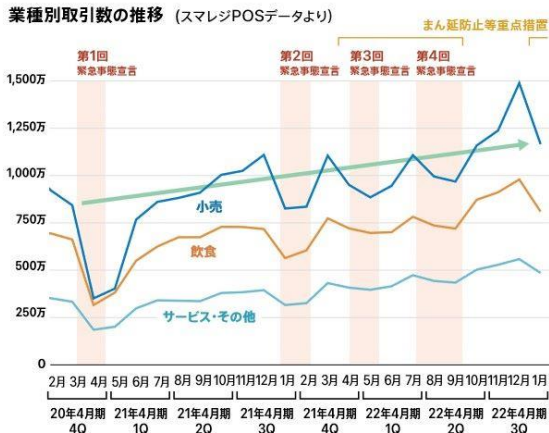
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新型コロナウイルスによる影響について

潜在的なニーズやマーケティングにより商談数は順調に増加
 今後も変化する社会のニーズに柔軟に対応することが求められる

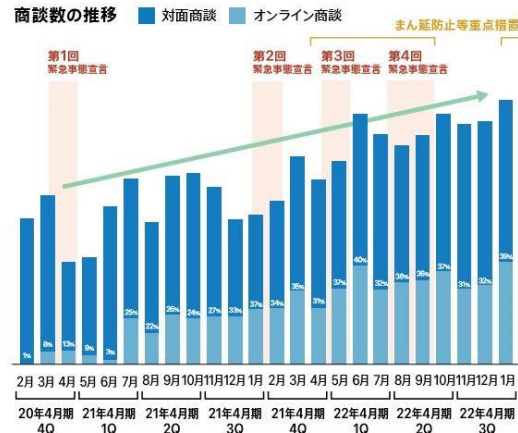
取引数への影響

緊急事態宣言解除後の反動増や年末年始商戦で取引数は急伸するが、22年1月は蔓延防止等重点措置を背景に大きな減少に転じる



商談数への影響

コロナ禍の行動変容により、オンライン商談比率が高まるが、ニーズは変わらず商談数は増加傾向



First, let us talk about the impact of the coronavirus.

As I tell you every time, this graph on the left side shows the impact on the number of transactions, or how many customers using Smaregi used the cash register.

As for December, it is the peak season for retail and restaurant businesses, so transactions was raised, but in January, the situation has calmed down a bit. We think this is more of a seasonal factor than the coronavirus. I think you can see that the economy is gradually recovering as the year progresses, since the number of transactions is gradually rising.

The graph on the right shows the number of business negotiations for our Smaregi. There was a period of considerable dip when the state of emergency was declared at the first time and such, but I think we are now in a phase of considerable recovery, or rather, a phase of gradual growth.

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- コロナ禍においても有料店舗数が堅調に増加し、**売上高はYoY+26.2%**の29億1千万円で着地
- 中期経営計画S&M投資の増加により、**営業利益はYoY+5.3%**の6億2千万円、**営業利益率は21.3%**で着地
- ロイヤルゲート社の連結子会社化に伴い、負ののれん発生益**1億6千万円**を**特別利益**に計上
- ARRは**YoY+28.8%**の**24.7億**で着地
- 積極的な採用活動やM&Aにより従業員数が**YoY+63.3%**の大幅増加

貸借対照表のみ連結しています。3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

スマレジ

This will be followed by highlights of the third quarter.

To review briefly, the number of pay stores increased steadily during the pandemic, and the net sales landed at JPY2,910 million, an increase of 26.2% YoY.

Due to increased S&M investment based on the medium-term management plan, operating income increased by 5.3% YoY to JPY620 million, and the operating income margin landed at 21.3%.

The third on the topics, a gain on negative goodwill of JPY160 million was recorded as a result of Royal Gate becoming a consolidated subsidiary. We reported this as an extraordinary gain.

ARR was JPY2,470 million, an increase of 28.8% YoY.

The number of employees increased by 63.3%, due to aggressive recruiting activities and the Royal Gate M&A.

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コロナ禍においても売上高はYoY+26.2%の成長。S&M投資もあり営業利益はYoY+5.3%
営業利益進捗率は118.8%を達成するも、4Qも引き続き中期経営計画に基づくS&M投資を計画

(百万円)	2022年4月期 3Q 実績 (2021年5月-2022年1月)	2021年4月期 3Q 実績 (2020年5月-2021年1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 3Q 進捗率 (2021年5月-2022年1月)
売上高	2,919	2,313	+26.2%	4,135	70.6%
営業利益	622	591	+5.3%	523	118.8%
経常利益	612	591	+3.5%	524	116.7%
四半期(当期) 純利益	576	405	+42.2%	511	112.8%

記載金額は百万円未満を切り捨てて表示しております。

*2022年4月期3Qからの連結決算開始に伴い、連結業績予想を2021年12月15日公表の数値から、2022年3月16日公表の数値へ変更しております。

*四半期純利益(当期純利益)は、一部、親会社株主に帰属する当期純利益としております。

貸借対照表のみ連結しています。3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

スマレジ

Next is the performance highlights.

Net sales were JPY2,919 million, and operating income was JPY622 million. Net income for the quarter was JPY576 million.

The full-year plan from the second right in this table shows that we now expect to land at JPY4,135 million on a consolidated basis. Operating income is expected to land at JPY523 million, ordinary income at JPY524 million, and net income at JPY511 million.

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連結 貸借対照表

2022年4月期3Q 決算概要

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事業の成長及び連結決算開始により、現預金および商品(流動資産)や買掛金(流動負債)が増加

(百万円)	2022年4月期 3Q (2021年5月-2022年1月)	2021年4月期 3Q (2020年5月-2021年1月)	前年同期比 YoY	2022年4月期 2Q (2021年5月-10月)	前四半期比 QoQ
流動資産	4,623	3,627	+27.4%	4,213	+9.7%
うち現預金	3,865	3,191	+21.1%	3,647	+6.0%
固定資産	624	572	+9.1%	620	+0.6%
資産合計	5,247	4,200	+24.9%	4,834	+8.6%
流動負債	837	625	+34.0%	730	+14.7%
固定負債	81	85	-5.3%	81	0.0%
負債合計	919	710	+29.3%	811	+13.2%
純資産合計	4,328	3,489	+24.1%	4,022	+7.6%
負債・純資産合計	5,247	4,200	+24.9%	4,834	+8.6%

貸借対照表のみ連結しています。3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

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Next is the balance sheet.

The results include Royal Gate's B/S.

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季節要因や長引く半導体不足の影響を受けながらも、売上高はQoQでほぼ横ばいの着地
S&M及び採用投資の増加により、販管費はQoQ+5.8%、営業利益はQoQ-5.3%

(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	998		-0.3%
売上原価	267	263	302	429	336	365	348		-4.7%
売上総利益	447	501	532	580	583	635	649		+2.3%
販売費及び 一般管理費	308	294	287	326	351	434	460		+5.8%
営業利益	138	207	245	254	232	200	189		-5.3%
経常利益	138	207	245	255	222	200	189		-5.3%
四半期(当期) 純利益	94	142	168	178	149	134	293		+118.3%

貸借対照表のみ連結しています。3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

スマレジ

This is P/L. This is Smaregi alone.

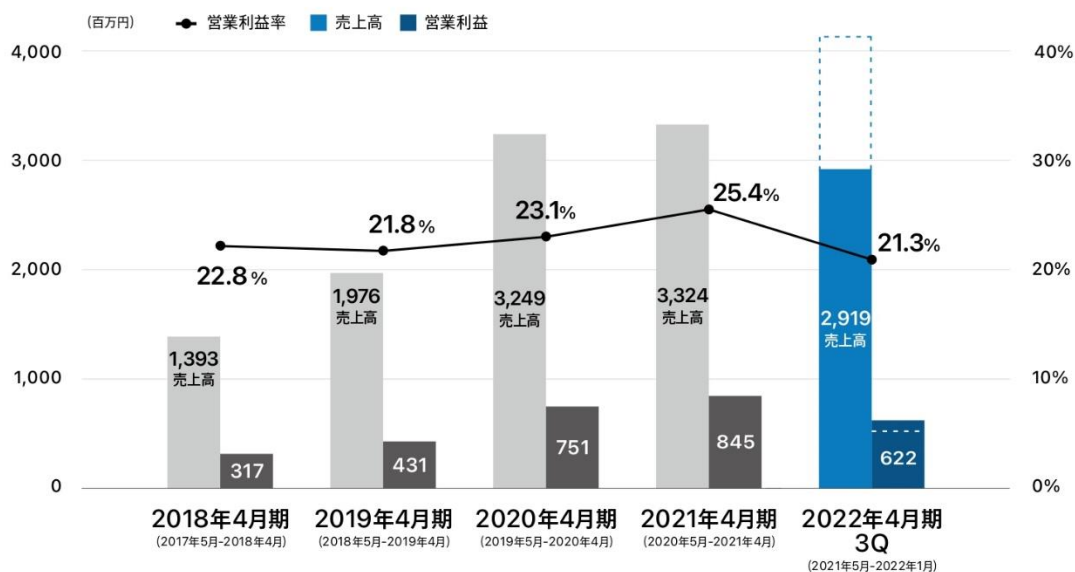
This is the stand-alone result, although the extraordinary gain is included. Sales for the third quarter totaled JPY998 million. The second quarter was JPY1,001 million, which is slightly negative compared to the previous quarter, but there are some seasonal factors, so I think the growth is expected to come in waves. Compared to the third quarter of last fiscal year, we are at about plus 19%.

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22年4月期3Qの売上高進捗率は70.6%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-4.1ポイントの21.3%



貸借対照表のみ連結しています。3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

スマレジ

Next is the operating income ratio and sales.

In the fiscal year before last and last year, sales were almost flat due to the coronavirus, but it has changed to be in a growth path this fiscal year.

We think we are on track to achieve JPY4,100 million on a consolidated basis, which is now at JPY2,919 million. The operating profit margin is down slightly, but we expect it to be even lower this year due to a slight increase in advertising expenses.

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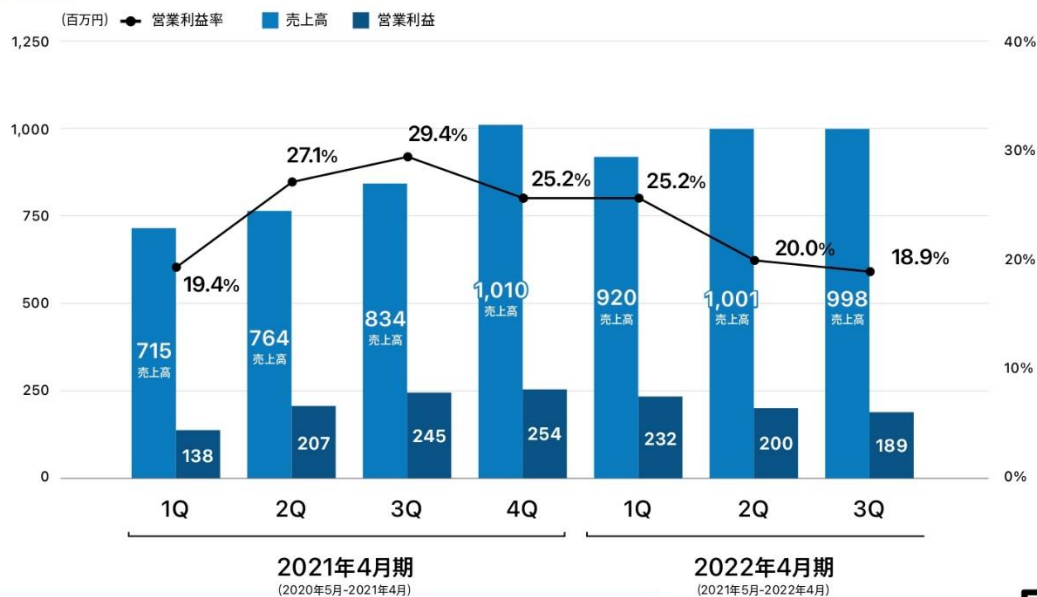
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連結 売上高・営業利益・営業利益率の四半期推移

2022年4月期3Q 決算概要

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長期化する半導体不足の影響を受け、売上高は2Q比で微減するもYoY+19.6%の成長
 中期計画達成に向けた積極的なS&M及び採用投資により、四半期営業利益率はQoQ-1.1ポイントの
 18.9%に



貸借対照表のみ連結しています。3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

スマレジ

Next is by the quarter.

I repeat here that the third quarter was JPY998 million. The operating profit margin has been declining each quarter, and we expect it to decline a little more in the fourth quarter as well, since we will spend a little more on advertising and publicity.

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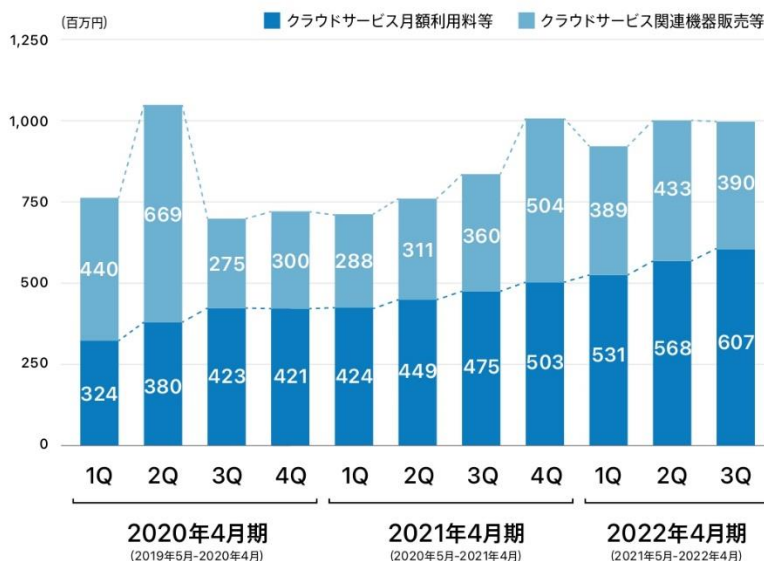
サブスクリプション売上高 (クラウドサービス月額利用料等) はYoY+27.7%と大幅に伸長
 機器販売 (クラウドサービス関連機器販売等) は主要プリンター等の品薄が響き減収

2022年4月期
 3Q (累計期間)

サブスクリプション
 売上高比率
58.4%

■ 初期費用粗利率
 クラウドサービス関連機器販売等
36.2%

■ SaaS粗利率
 クラウドサービス月額利用料等
83.7%



※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。

貸借対照表のみ連結しています。3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

スマレジ

The following is the breakdown of the sales trend.

The dark blue in the graph represents subscription sales, i.e., monthly usage fees, etc. It is going well. The light blue in the graph represents the initial cost, or sales of equipment and cash register peripherals.

This one is down a bit. It says this is because of the shortage of major printers and other products. I'd like Mr. Minato to explain.

Minato: Due to the shortage of semiconductors, there is still a shortage of major receipt printers from Epson and Star Micronics.

However, because Smaregi is compatible with other receipt printers, and we moved quickly to secure inventory, we believe we have avoided lost opportunities that would have prevented us from acquiring new users.

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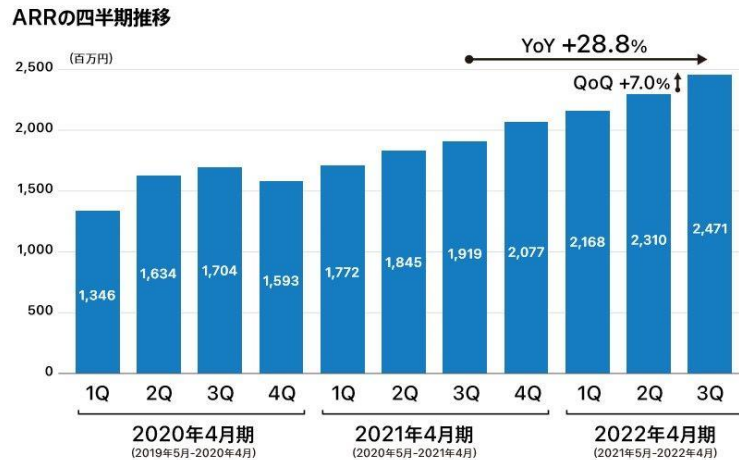
コロナ禍においても有料店舗数が堅調に増加し、ARRはYoY+28.8%の成長

ARR※
24.7億

YoY
前年同四半期比
+28.8%

QoQ
前四半期比
+7.0%

※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。ARR: Annual Recurring Revenue(年間経常収益) MRR: Monthly Recurring Revenue(月間経常収益)



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」



Yamamoto: Thank you very much.

Next is the ARR trend.

Now, ARR has gone to JPY2,470 million as of the end of January. Our target is JPY2,700 million for the current fiscal year, so we are in the situation where we need to build up quite a bit in the final quarter.

ARR is the most important indicator of our mid-term plan, so we are taking various measures with considerable emphasis. Our components of ARR fall into four categories: monthly revenue from Smaregi, monthly revenue from the attendance management service called Smaregi TimeCard, revenue from the Smaregi App Market, and payment-related revenue.

I would like to explain each of these in detail later when we'll talk about the progress of the mid-term plan, in the second half of the briefing.

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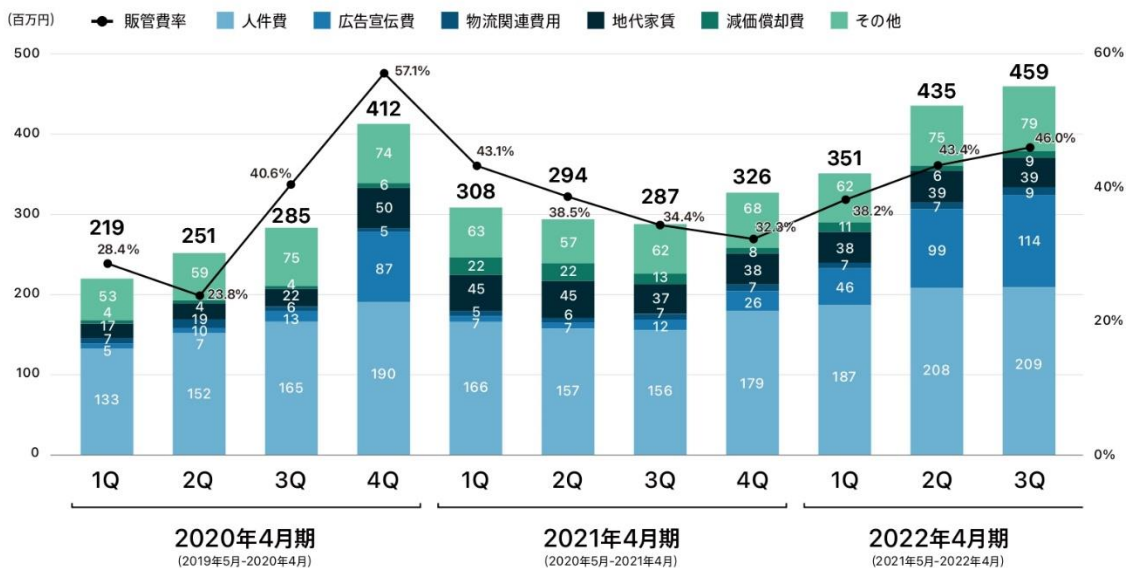
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連結 販売費及び一般管理費の四半期推移

2022年4月期3Q 決算概要 16

中期経営計画に基づくS&M及び採用投資により販管費率は46.0%に



貸借対照表のみ連結しています。3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

スマレジ

Minato: Quarterly changes in selling, general, and administrative expenses.

SG&A expenses increased in this fiscal year due to higher advertising expenses.

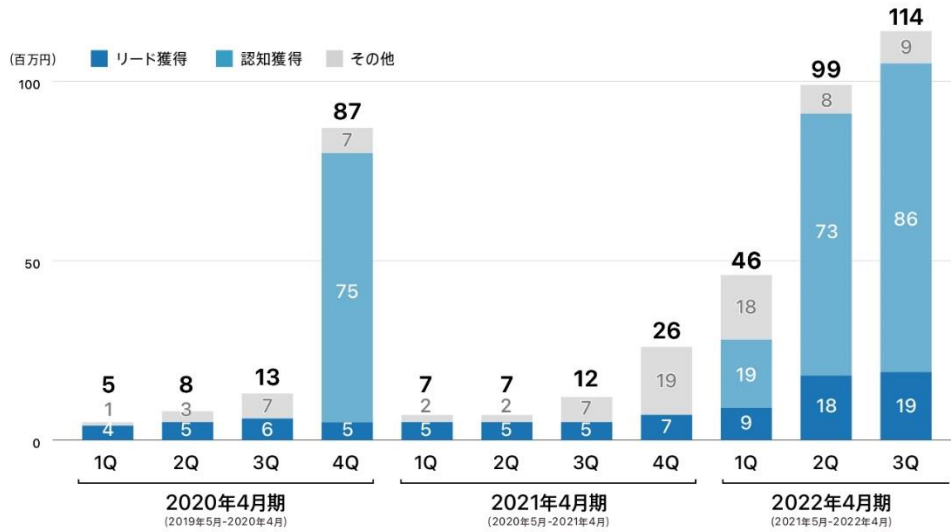
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TVCM等のマス広告を活用した認知拡大施策に加え、認知をリードに繋げるリード獲得施策を強化中



貸借対照表のみ連結しています。3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

スマレジ

This is the quarterly trend and breakdown of advertising expenses. A breakdown of advertising expenses is included from this report.

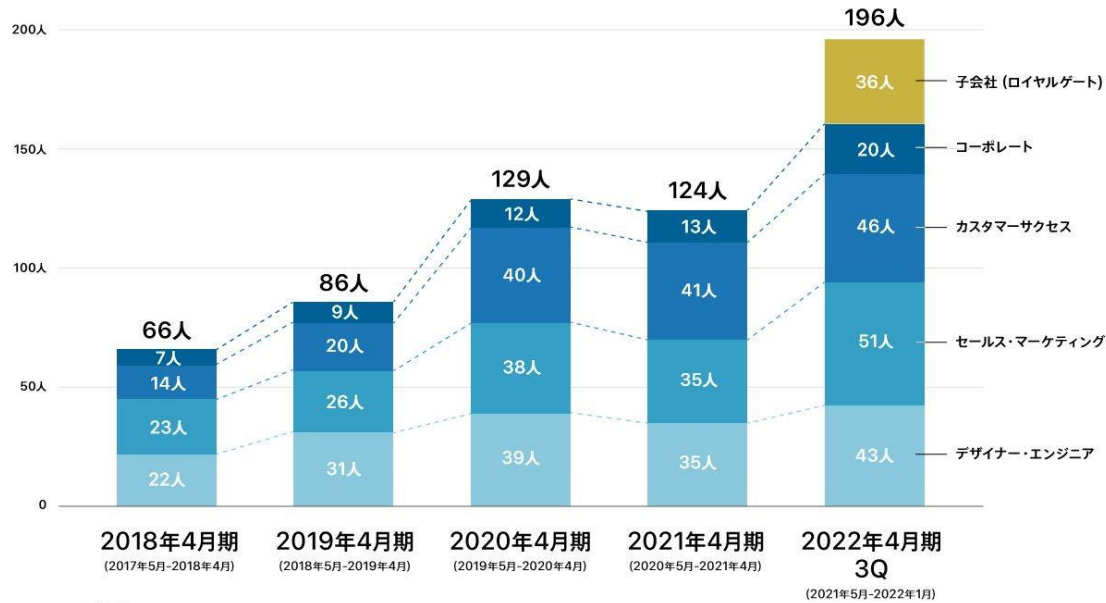
The bottom blue part is the cost used in lead acquisition. Lead acquisition is the cost of listing and affiliate advertising on the web. The largest area in light blue above is the cost used to expand recognition, which mainly includes TV commercials and radio. The others in gray are the costs used for branding and advertising in the Smaregi App Market.

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幅広い職種で採用を強化。コロナ禍での採用停滞を脱して、積極的な採用活動を実施
前期比+58.0%。平均年齢35.6歳



※派遣社員・パートタイマー除く

スマレジ

Yamamoto: Next, the number of employees.

Last year we stopped hiring altogether due to the pandemic, but this year we have resumed active hiring in all departments. In addition, the number of members of the subsidiary company, which I am writing about here in green, has increased by about 40, which is a significant increase. We will continue to actively promote recruitment activities.

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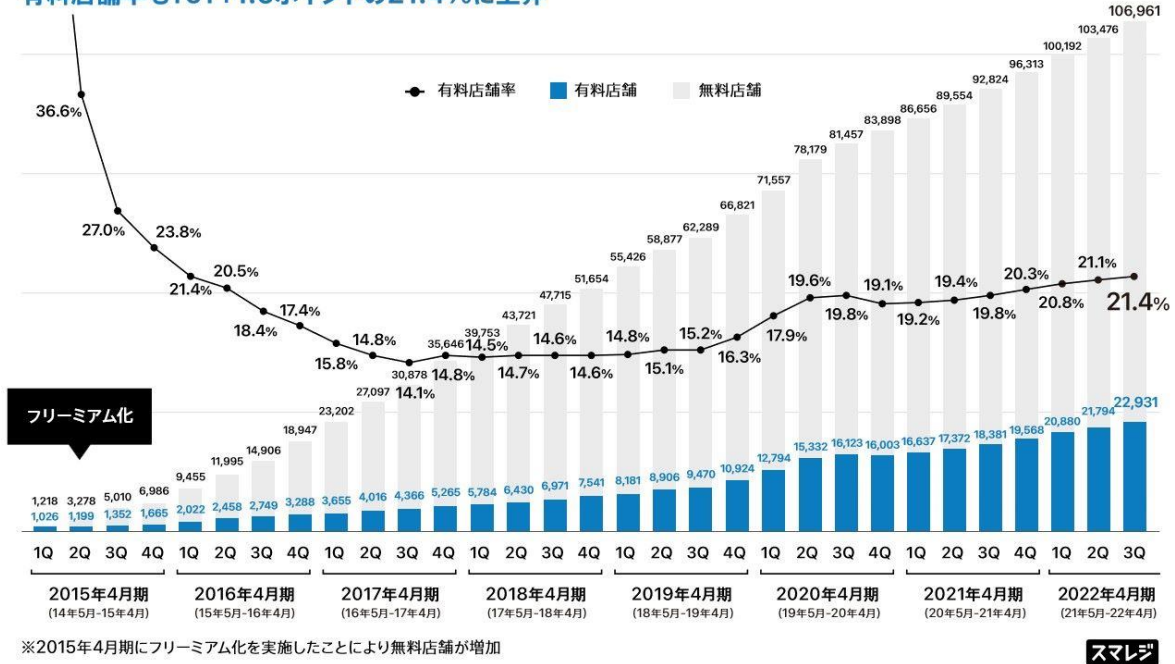
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登録店舗数と有料店舗数の四半期推移

長引くコロナ禍においても導入支援等のタッチポイント強化により、顧客基盤は継続的に拡大
 有料店舗率もYoY+1.6ポイントの21.4%に上昇



Minato: This is a quarterly trend of the number of registered and paid stores.

The number of paying outlets has also been growing steadily, reaching 22,931 outlets at the end of the third quarter.

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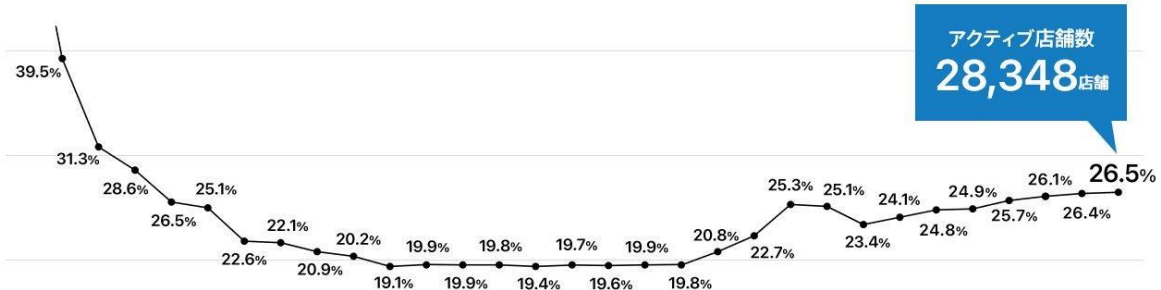
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アクティブ店舗率 (無料プラン含む)

事業の状況 20

カスタマーサクセスチームによるオンボーディング等により、継続した顧客価値の向上に注力
 アクティブ店舗率はYoY+1.6ポイントの26.5%と着実に増加中



フリーミアム化

1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q								
2015年4月期 (14年5月-15年4月)				2016年4月期 (15年5月-16年4月)				2017年4月期 (16年5月-17年4月)				2018年4月期 (17年5月-18年4月)				2019年4月期 (18年5月-19年4月)				2020年4月期 (19年5月-20年4月)				2021年4月期 (20年5月-21年4月)				2022年4月期 (21年5月-22年4月)		

アクティブ店舗：当月の取引が存在する店舗

スマレジ

Here is the active storefront rate.

There are 28,348 active stores, 26.5% of the total number of active stores. As for the criteria for determining active stores, only customers and stores that have transactions during the month are counted as active.

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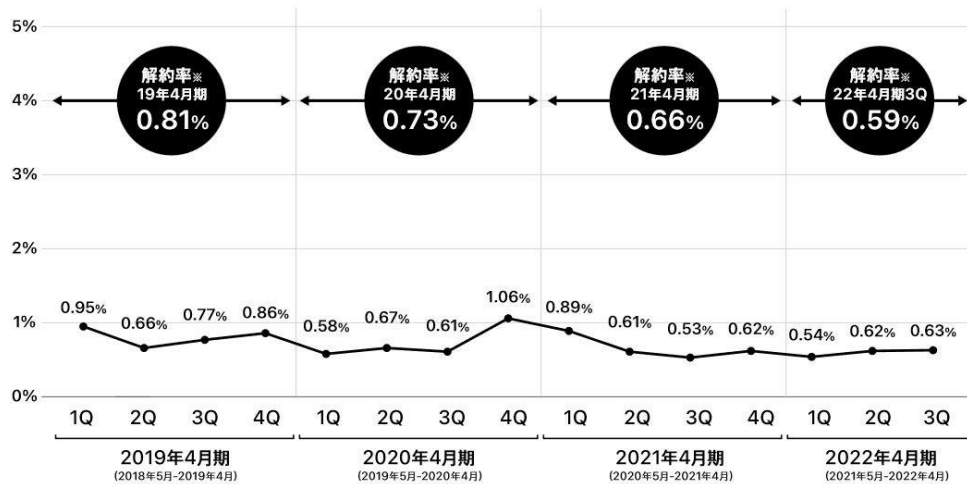
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解約率の推移

22年4月期3Qの平均解約率は0.63%、3Q累計では0.59%と低水準を維持
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

Continuing on, here is the churn rate.

The churn rate is the MRR churn rate based on Smaregi's monthly fees. In the pandemic, the third quarter remained low at 0.63%.

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顧客単価 (ARPA/ARPU) の推移

事業の状況 23

緩やかではあるものの着実に成長し、ARPA、ARPUともに安定的に推移

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

Next, we look at the cost of sales per customer.

The cost per customer listed here is for the monthly fee of Smaregi only and does not include the monthly fee for using Smaregi TimeCard or the settlement fee.

The unit price per contract is JPY17,777, or JPY7,520 per store, which is a stable unit price per customer.

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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

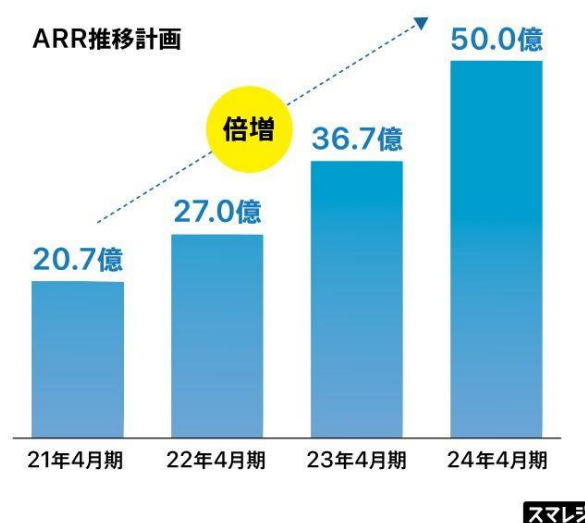
アクティブ30万店

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!



Yamamoto: Continuing on to the medium-term management plan progress.

Again, the goal of this ARR is stated. We are now in the fourth quarter of the current fiscal year, and we are taking various measures to achieve the goal of JPY2,700 million. As I mentioned earlier, there are four components.

One is monthly sales revenue from Smaregi, and the other one is the time and attendance management service called Smaregi TimeCard, a cross-selling product. Third one is the revenue from Smaregi App Market, and the last one is payment-related revenue.

Basically, revenue from the monthly fee of Smaregi accounts for the majority of sales. As for the monthly fee of Smaregi, the third quarter includes the end of the year holiday season in December, and there are not many people who open new stores in this time of year. This is a somewhat quiet season for Smaregi, as everyone is focused on how to make as many sales as possible at the stores that are already open. Therefore, it is a difficult season to increase revenue.

Conversely, the fourth quarter would normally be the busy season, but I think there is a slight influence from the Omicron variant and also a slight breakdown in seasonal factors because of it. We are seeing a slight increase in inquiries at the moment, and we would like to carefully build up each case one by one. The first one is the Smaregi monthly fee.

The second one is monthly sales from the attendance management service called Smaregi TimeCard. We are currently working to add new functions to this service, and in particular, since the customer segments for Smaregi and Smaregi TimeCard were slightly divided, we are trying to bring them closer together. The number of these is also steadily increasing.

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The third one is revenue from SmaregiApp Market, which is still very small in terms of sales, so it has little contribution on sales. We are focusing on the development with the developers to create a competitive advantage, but the impact on the amount of money spent is very small.

The fourth is payment-related revenues, and this is where we have focused a great deal of our efforts on improving earnings. We originally offered a service called the Smaregi Payments, but after successful negotiations to improve the profitability of this service, in other words, to improve procurement terms and conditions, we are taking measures to propose a new Smaregi Payments service.

At the end of the year, we had an M&A of payment settlement company called Royal Gate, and we are working on this as a positive factor. We have received many questions that we may not reach JPY2,700 million, but we will work until the end of the fourth quarter to achieve JPY2,700 million on a non-consolidated basis, Smaregi alone.

We are also planning to add the MRR of Royal Gate's original customers, so we would like to work toward exceeding JPY2,700 million on a consolidated basis as well.

In addition, we are now considering and implementing various measures to achieve JPY3,670 million in the next fiscal year, and JPY5,000 million in the following year, and we are working to achieve these goals at any cost.

This is a bit long, but this is all about ARR.

中期経営計画の達成に向けて

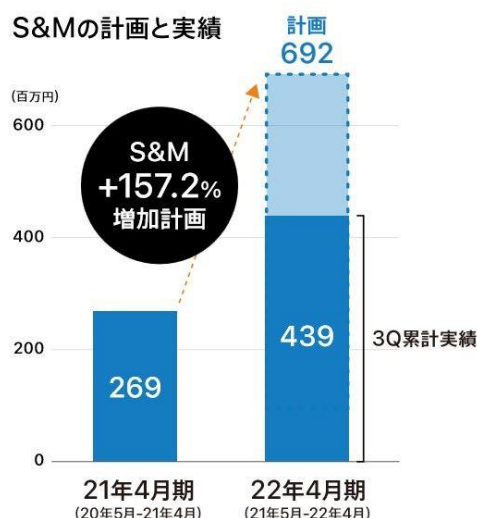
中期経営計画の進捗 27

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

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。S&Mの3Q実績は439百万。

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

We have picked up two points in the area as specific measures.

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The first one is advertising expenses. This is mainly the breakdown of advertising expenses for acquiring new customers for Smaregi that we report from this time. We are working hard to expand recognition, not only through very high-probability leads, but also by using mass advertising quite extensively. Sales and marketing expenses are now digested to JPY439 million, compared to the planned JPY692 million for the current fiscal year.

We had announced that we would gradually increase the amount toward the second half of the year, and we plan to further increase the amount in the fourth quarter, so we will fully digest this JPY692 million. We do not intend to spend it in vain, but since we have never done advertising before, we would like to challenge various measures, testing which ads are effective and to what extent.

スマレジ・アプリマーケットの進捗

中期経営計画の進捗 28

公開アプリは、QoQ+11.3%

未開拓業種に特化した拡張・連携アプリも出現、ユーザー層拡大を狙う

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」

店舗運営に便利な機能はもちろん、専門性の高い業種(クリーニング、エステ・リラクゼーション・療術等)向けのアプリも続々登場し、CX、ARPUの向上をはかる。



第2回 スマレジアプリコンテスト現在開催中!

開発パートナー / 公開アプリ数 いずれも2022年1月末時点

法人	個人	公開アプリ数
493 社	257 名	59 個

-  **L**メンバーズカード
LINEミニアプリ(会員管理)連携
-  **POS**
LBBクラウド for スマレジ
モバイルオーダー連携
-  **ロジクラ**
店舗と倉庫の在庫連携で
オムニチャネル化サポート
-  **Cleeean**
クリーニング業向け 機能拡張
-  **[WEB予約管理] LTV-Salon**
整体/整骨院・エステ業向け 会員連携

スマレジ

Next is the progress of the Smaregi App Market.

Although the contribution to the sales is very small, we are putting a lot of effort into this initiative because we believe it is unique and one which other competitors do not have and will result in a very high level of customer satisfaction.

The basic cash register functions are covered by Smaregi, but there are many different types of stores, such as dry cleaners, karaoke boxes, etc. If we are to provide very convenient functions for each of these types of businesses, we will need to provide a new type of cash register. Therefore, we are working with our partners to create functions for various industries and business categories, including niche functions, by opening APIs and using Smaregi as a platform.

We now have 493 corporate partners and 257 individual development partners. The number of published applications has increased to 59. Our initial goal is to manage to increase the number to about 300.

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We are holding the app contest again this year just like the last year. The grand prize is JPY10 million, and the deadline for submissions is the end of this month. We look forward to receiving many submissions and seeing more useful features and applications.

As I mentioned earlier, this is a very strong product, and I think it will be a very unique feature that other companies do not have.

That is all.

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Question & Answer

Endo [M]: Okay, we will now move on to the question & answers.

Please send your questions via sli.do. We would like to answer as much as possible while time permits.

Yamamoto [Q]: Here is one already. The first question.

What is the progress of PMI at Royal Gate? We have been asked if there would be any impact on ARR in the future.

May I have a brief PMI of Royal Gate Corporation, Mr. Minato? There is something like a 100-day plan.

Minato [A]: Yes, that's right. Since this is the first time for us to do this, some things are not going well, and both Royal Gate and Smaregi have to run own business at the same time, so I honestly don't think we are progressing at a very good pace, but we are making steady progress.

We are now preparing to sell Royal Gate's PAYGATE terminals and payments as Smaregi as soon as possible, and Royal Gate is also preparing to sell Smaregi as soon as possible.

There is an ARR impact.

Yamamoto [A]: Yes, there is. There are quite a few.

Minato [A]: There is quite a bit. We consider this a positive impact.

Yamamoto [A]: One big thing was that Royal Gate was a company that was running a rather large deficit every month, so we first declared that we would try to stop the deficit as soon as possible, in this moment, and make the Company profitable. I think that the combination with Smaregi will become the strongest product, so I think it would be best to realize the linkage with Smaregi as soon as possible and sell the product as a set.

We have about 30,000 active customers and stores, so we are trying to purchase products with our negotiation ability with credit card companies at a great deal and sell customers at a fair and competitive price.

In the area of deficit, when it comes to cutting costs, it is difficult to further cut labor and cost expenses since they have been doing so with a minimal number of employees. So, we would like to focus on increasing sales to maximum rather than cutting the cost, which is already minimal.

Thank you for your many questions.

What is the reason for the delay in PMI, and what are you doing about it?

Minato [A]: Delay. Since this is our first time, there are many and large areas that I could not see until when I actually went through. We are just trying to solve each one that comes up, where efforts are also being made to respond as quickly as possible, which is what we are doing now.

We want to generate synergies as quickly as possible and turn Royal Gate's deficit into profit. This is our main focus.

Sorry, I don't think I have a very correct answer.

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Yamamoto [A]: The big thing is that we do not leave it to the subsidiary, but rather, Minato and I are on the Board of Directors of the subsidiary, and we have a firm grip to solve issues and move things forward. It is taking quite a bit of time. I think it is largely because we are trying to do this quite seamlessly, rather than separating the parent company and the subsidiary.

Thank you for your question. We have received many.

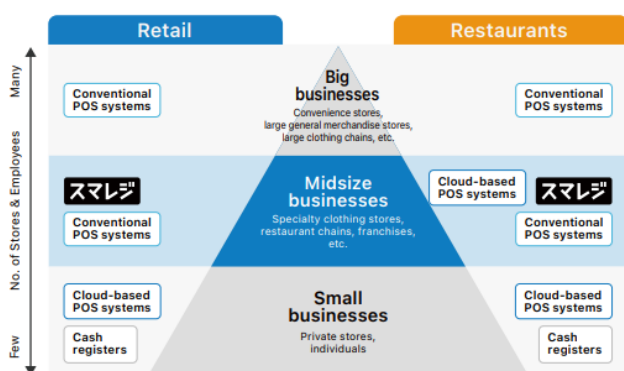
We feel that further intensification of the competitive environment is a risk. How should we look at the most recent competitors' trends?

Can you provide a slide of the competitive environment? Thank you very much.

Japanese Market

Market Environment 12

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 Systems Dedicated Device	Cloud-Based POS Systems PC or Tablet
Device Price	Low ¥10,000-100,000	High ¥500,000 - several million	Low ¥100,000-150,000
Maintenance Costs	Replacement of malfunctioning devices	Replacement of malfunctioning devices, separate update fees required	Replacements 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, etc.	Help desk, email support, Help site, etc.



Cash registers and POS system have a long history. While there were originally existing players, new players like us have also emerged, creating a situation where there are many different manufacturers and software companies.

As you see the screen we are sharing, we often use a pyramid picture, and it is clear that the requirements of cash registers for individual stores are different from those of large-scale cash registers, such as those of Uniqlo, for example. One thing we can say is that it depends on the size of stores. Each store requires a different type of cash register. Our target market, or rather our specialty, is small and medium-sized stores ranging from one or two stores to 40 stores, and we provide convenient functions for them, so this is our main battleground.

Another thing, in terms of industry and business type, we are quite specialized in retail and restaurants. So we are competing in small to medium sized areas in retail and restaurants. For example, Recruit's AirREGI is

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often mentioned as a competitor, but I think their target is more towards food and beverage, beauty, and beauty salons, which are a bit smaller market than Smaregi, so I would say that the target group is a bit different from us.

Our most direct competitor is USEN's U-Regi in the field of food and beverage. There is also a company called POS+, which can be our competitor. Then, of course, Toshiba Tec, the original player in the field, is our competitor. These companies are our competitors.

There are many players in the industry, but when we look at them in segments and categories, the number of competitors is slightly decreasing. In fact, I think there is a good degree of segregation of each other in the big picture. There are many competitors for restaurants, but when it comes to POS system for retailers in particular, there are not as many clouds POS systems that can do inventory, inventory management, ordering and purchasing. So, there are not as many competitors, and I think we are the only one who provide the POS with inventory management. We would like to put considerable effort into the field of retail POS system.

Move on to the next question.

連結 業績ハイライト

2022年4月期3Q 決算概要 8

コロナ禍においても売上高はYoY+26.2%の成長。S&M投資もあり営業利益はYoY+5.3%
営業利益進捗率は118.8%を達成するも、4Qも引き続き中期経営計画に基づくS&M投資を計画

(百万円)	2022年4月期 3Q 実績 (2021年5月-2022年1月)	2021年4月期 3Q 実績 (2020年5月-2021年1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 3Q 進捗率 (2021年5月-2022年1月)
売上高	2,919	2,313	+26.2%	4,135	70.6%
営業利益	622	591	+5.3%	523	118.8%
経常利益	612	591	+3.5%	524	116.7%
四半期(当期) 純利益	576	405	+42.2%	511	112.8%

記載金額は百万円未満を切り捨てて表示しております。

*2022年4月期3Qからの連結決算開始に伴い、連結業績予想を2021年12月15日公表の数値から、2022年3月16日公表の数値へ変更しております。

*四半期純利益(当期純利益)は、一部、親会社株主に帰属する当期純利益としております。

貸借対照表のみ連結しています。3Qまでの損益計算書にロイヤルゲート社の業績は含まれていません。

スマレジ

Operating income progress is 118%, but we have been asked if we are planning an operating loss for the fourth quarter, or if it is due to the deficit from Royal Gate, and how long that effect will last beyond the next fiscal year.

We have already received many questions since yesterday as to whether the fourth quarter will be negative if the progress of operating income has exceeded the planned figures.

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In terms of Smaregi alone, one factor that will reduce the deficit, or operating income, is that we have a plan to spend more on advertising at the end, so that will reduce the operating income. Also, there will be the closing bonus at the end of fiscal year that will also reduce the operating income.

Those two factors raise SG&A expenses considerably. We spend quite a bit on SG&A expenses in the fourth quarter every year to spend the rest of budget remaining. So, the operating profit margin for Smaregi alone is expected to be relatively lower than that of the previous quarter.

In addition, Royal Gate is still in the red on a monthly basis, so that will be added as negative amount, so I think we will be in quite negative. We have a policy that Royal Gate's is to return to profitability within two years, as short as possible, so I expect the impact of the deficit to continue for several years after next year.

As for Smaregi, although the profit margin will drop in the fourth quarter, we expect the profit margin to return a little in the first quarter of the next fiscal year. We have been using a method of increasing the weight of SG&A expenses as the fiscal year progresses from the first to fourth quarter, so we expect SG&A expenses to be a little lighter in the first quarter.

Move on to the next question.

In terms of cost, we have asked to talk about the image of advertising expenses for the next year and beyond.

We have a rough budget for next year and the year after as in the mid-term plan, so could you talk about that as much as possible Mr. Minato?

Minato [A]: We plan to spend more on advertising from this quarter, but as I mentioned earlier, we are not currently planning to spend enough to incur a deficit. I hope I answered to the question.

Yamamoto [A]: Does it mean that the plan is to raise the budget even more next year than this year?

Minato [A]: Yes.

Yamamoto [A]: The budget for advertising will be raised.

Minato [A]: To the extent that the profit will not go down.

Yamamoto [A]: The operating profit margin was originally intended to be lowered quite a bit, wasn't it?

Minato [A]: Yes.

Yamamoto [A]: The operating profit margin was usually 22% to 23%, until last year. It was 25.4% last year because we were aware of the negative impact of the pandemic and cut costs as much as we could, and the profit margin was higher. We were originally planning to make it down in the 10% range in this fiscal year, and it will be going down and reaching that range in the fourth quarter. The plan is to keep it at that level for the next three years. This is the kind of image we are trying to achieve on a non-consolidated basis, although it will shift, especially if there is a big M&A.

Move on to the next question.

Minato [Q]: Effectiveness and response to advertising expenses.

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Yamamoto [A]: Please tell us about the effectiveness, response, and feedback to the advertising campaign to expand awareness, which has been aggressive from this fiscal year. Also, advertising for lead acquisition has increased since the second quarter, but what about acquisition efficiency? Is competition intensifying?

Thank you very much. What should we do about this one? Is it the SaaS metrics?

Minato [A]: Yes, that's right. In terms of the effectiveness of advertising to gain recognition, the TV commercial aired in the Tokyo metropolitan area was not very effective at first. I think it is becoming somewhat effective. The effect in regional areas, such as Okinawa and Kyushu area, seems to have a fairly immediate response. We would also like to conduct a recognition survey at the timing of the full year.

The increase in lead acquisition from the second quarter, it is not as large as the increase in acquisition efficiency, and the efficiency is slightly lower. Is competition intensifying?

Yamamoto [A]: I don't really mind the competition. In terms of competition, the competition for Smaregi POS systems has not changed that much. When we look at Royal Gate's multi-payment terminals in the settlement category, there are terminals such as SMBC's Stera terminal and others such as pay something. There are many of them. So, I think the competition is quite fierce in terms of payments settlements alone in the future. If we compete on price, we will lose out to large capitalization companies, so we would like to sell payment services together as a set, with a competitive advantage over other companies, such as Smaregi App Market mentioned earlier, or by expanding the services of Smaregi itself.

In terms of advertising, we have increased the number of advertisements and have been told in IR meetings that the numbers are not showing any results as they think it should be effective right away. We think POS product is not something you go and buy right away after seeing it on TV commercial. So, while we are trying to expand awareness of the product, we also need to take the approach of reminding potential customers when they have a business issue, need to replace their cash registers, or open a new store. I think it is a product that is not immediately effective even with the thick advertisement.

Even so, we still don't want to miss opportunities without exposing ourselves, so I would like to continue to do that recognition activity to remind people.

Move on to the next question.

You mentioned that you are building up toward the ARR goal. What will you be working on?

As I mentioned several times in the meeting, we are working on the four components to reach the ARR goal: the monthly fee of the Smaregi, Smaregi TimeCard, Smaregi App Market, and the settlement revenue. We would like to build up revenue from those four components.

We would like to grow all of them, but the biggest impact in terms of numbers will be the monthly revenue from Smaregi. I would say it is about 60% to 70%. Sorry, that was a rough answer. Since it is the biggest pillar, we are trying to increase the number of customers and the sales per customer of Smaregi.

The number of customers means acquiring new customers, so I think the biggest measure is to increase advertising expenses, which was mentioned earlier. Also, as I sent out the press release yesterday, we have a new showroom in Shibuya. We can increase contact opportunities in these showrooms, or online, and then through advertising. We are also vigorously increasing exposure at various trade shows. So, I think the biggest thing we can do is to increase the number of customers by investing our budget in gaining recognition and direct leads in these areas.

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When it comes to raising the sales per customer, there are some difficulties here. It is difficult to say whether we should simply raise prices, but in terms of the price per customer, this means cross-selling payment services or introducing products such as Smaregi or Smaregi TimeCard to existing customers. Or sales other than the Smaregi itself, such as additional app purchases on Smaregi App Market, could increase the sales per customer.

Regarding Smaregi TimeCard, there are some competitions with HR-related services such as SmartHR, so we will first expand the function of it. We are also strongly conscious of cross-selling to existing customers of Smaregi and aim to create a suite-type system that will be very convenient when combined with Smaregi by linking attendance management services and POS system and between systems. I think it is the right way to go.

As for the payment settlement, as I mentioned a couple of times, in addition to the existing Smaregi Payments, we are also planning to make good use of Royal Gate's resources to sell products in combination with Smaregi.

Smaregi App Market, again, is a unique feature that our competitors do not have, and we expect it to become a large ecosystem involving our sales partners. We will work on these four measures as explained. With this, we hope to reach our goal of JPY5,000 million.

Do you have any numerical targets associated with the Royal Gate acquisition, such as when and how much you plan to increase settlement fee income?

Numerical targets have not yet been finalized. We are focusing on PMI right now, for example, making our products more attractive, integrating our brands, employee issues, or integrating our employees, labor, and management systems and such. We are focusing on integrating Royal Gate with Smaregi now. We are still in the process of preparing targets and sales plans, so we cannot disclose them at this time.

The new fiscal year will begin in a few months, and we hope to have a firm sales and numerical plan for the next fiscal year and beyond by then so that we can disclose it again. At this time, sorry, we are not able to provide it yet.

Let's go one more.

I am joining from the middle of briefing. Thank you very much. I think the February was good. I am concerned with whether you can continue to keep the same level in the future.

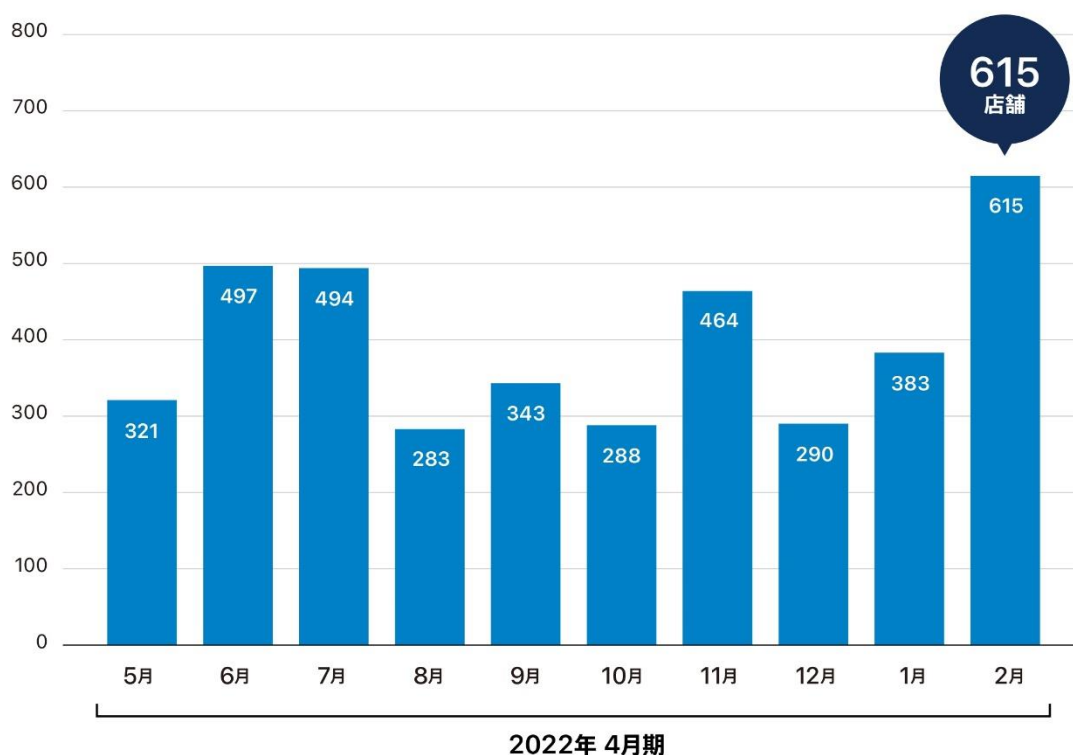
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有料プラン月別登録店舗数



Thank you very much. February is the most recent month.

Do you have any comments on this? That's a tough one. Store count trends.

When we look at the graph of the number of stores in the long run, there are quite a few waves on a monthly basis, but the trend has been and continues to be a gradual steady increase. The impact of the coronavirus is now fading considerably, so I think the trend is increasing.

However, there is a seasonal factor. December is the worst month of the year, with a slowdown of the increase, and March is usually the best month for growth. Due to the coronavirus, many stores changed their opening plan. Since customers' plans have changed quite a bit, it is honestly difficult to see what is going on.

Also, in terms of the scale of projects, the number of large-scale projects is gradually increasing, which is still the same. For the past one or two years, we have been gradually receiving larger and larger projects, such as for more than 50 stores. Although our main target was originally set at 40 to 50 stores, the number of projects for bigger stores has been gradually increasing. It's a bit difficult because when we get a deal for 50 or more stores, the number of increases in a single month can jump up and down, making it even more difficult to say.

We will continue to disclose monthly in IR, and we will also add commentary in note. We will disclose monthly onsite, including the status of the sales department, so I hope you will take a look.

Next is about the related equipment sales.

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Printer sales may be in the form of lower unit prices due to alternative equipment, but not much drop in volume?

This is Minato-san, okay?

Minato [A]: Yes. As you have written, the unit price has dropped a little, since the printer is less expensive, but the quantity, in fact, might also have changed some. Some customers say that they still need the Epson printer for its specific function and are willing to wait until they will be available. In such cases, there is a delay in introducing our products and such.

On the contrary, since the unit price is lower, some customer may find an advantage, so I can't say for sure that the quantity has dropped, but there has been such a change.

Yamamoto [A]: It's a little hard to see here, too. That is all.

Any other questions? The briefing will be done in about five minutes, but if you have any more, please let me know.

Anything else? Shall we end?

Endo [M]: Well, we would like to end the Q&A session. Thank you for your many questions.

Yamamoto [M]: We also provide IR information through newsletters and other means. We also distribute monthly store counts and other informative reports. We hope you will subscribe.

As in the previous issue, this was delivered via live streaming. There are still many things we are not familiar with, and I am sure there were some parts that we shouldn't show to you during the process, but thank you very much for watching this far. We also have a section for media interviews and additional questions.

Now that we are finished for this briefing, but we are already approaching the middle of the fourth quarter. The fourth quarter is a busy season, and everyone is rather busy with their duties, as well as the end of the fiscal year operations. It is also time to boil down our plans for the coming year, so we will work carefully one by one. In addition, we would like to proceed carefully and boldly with the PMI of Royal Gate, as you mentioned today.

We still have one quarter to go, so we will work hard again to achieve various results during this fiscal year, one measure at a time. Thank you for your continued support. Thank you very much for your time today.

[END]

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