



Smaregi, Inc.

Q4 Financial Results Briefing for the Fiscal Year Ended April 2022

June 14, 2022

Event Summary

[Company Name]	Smaregi, Inc.	
[Company ID]	4431-QCODE	
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[Event Type]	Earnings Announcement	
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[Fiscal Period]	FY2021 Annual	
[Date]	June 14, 2022	
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[Time]	10:30 – 11:12 (Total: 42 minutes, Presentation: 17 minutes, Q&A: 25 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Hiroshi Yamamoto	Representative Director
	Ryutaro Minato	Executive Vice President, Director
	Eiko Endo	IR Manager, President's Office

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Presentation

Endo: The time has arrived, so we would like to begin.

Thank you very much for joining us today for the presentation of the financial results for the fiscal year ended April 30, 2022, Smaregi, Inc.

Let me explain today's process.

We will start with an explanation of the financial results, followed by Q&A. Questions can be entered at any time thereafter via the Q&A button at the bottom of the screen. We look forward to receiving questions from you.

We plan to post a video of today's event on our website at a later date, but please be assured that viewers' information will not be made public.

Now, Mr. Yamamoto, please.

Yamamoto: My name is Yamamoto, President of Smaregi.

Thank you for taking time out of your busy schedule today to watch this event. I would appreciate your cooperation today.

Mr. Minato, the Vice President, and I would like to proceed with this presentation. So, let me introduce Mr. Minato.

Minato: This is Minato. Thank you for joining us today.

Yamamoto: Thank you very much for watching. I would like to start now.

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2022年4月期 決算概要

FY2022 2021.5~2022.4

2022年4月期3Qより連結決算となります
3QはB/Sのみ、4QでP/Lを連結

I would like to start with an overview of the financial results.

As annotated in this title, the accounts are consolidated from the third quarter, and it is a bit complicated. Please note that only the B/S has been consolidated from the third quarter, and P&L has been consolidated from this fourth quarter.

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損益計算書

2022年4月期 決算概要

7

積極的なS&M投資により販管費はYoY+64.9%と増加するも、通期売上高はQoQ+38.0%、YoY+29.2%を達成

(百万円)	2022年4月期 (2021年5月-2022年4月)					2021年4月期 (2020年5月-2021年4月)	前期比 QoQ
	1Q	2Q	3Q	4Q	累計		
売上高	920	1,001	998	1,377	4,296	3,324	+29.2%
売上原価	336	365	348	603	1,654	1,262	+31.0%
売上総利益	583	635	649	773	2,642	2,061	+28.1%
販売費及び 一般管理費	351	434	460	759	2,005	1,216	+64.9%
営業利益	232	200	189	14	636	845	-24.7%
経常利益	222	200	189	-19	592	846	-30.0%
四半期(当期)純利益	149	134	293	-18	557	583	-4.4%

※2022年4月期4Qより子会社(株式会社ロイヤルゲート)の業績を含む

スマレジ

First is the income statement.

As I mentioned earlier, from the fourth quarter, Royal Gate and its subsidiaries' revenues have been consolidated in a combined manner.

The number of fee-paying stores increased steadily, and sales grew significantly due to the start of consolidated accounting as mentioned earlier. The total amount was JPY4.29 billion, an increase of 29.2% YoY. The sales of the fourth quarter were JPY1,377 million.

As for operating income, we achieved a significant S&M investment as planned in the first year of the medium-term management plan. The Company achieved a 21.6% increase over the plan for the full year, landing at JPY630 million.

In conjunction with the acquisition of Royal Gate as a subsidiary, an extraordinary gain, a gain on negative goodwill, was recorded in the third quarter, resulting in a total net income of JPY550 million for the full year.

The balance sheet and cash flow statement have no significant movements that stand out, so we will skip the explanation. Please take a look at those when you have time.

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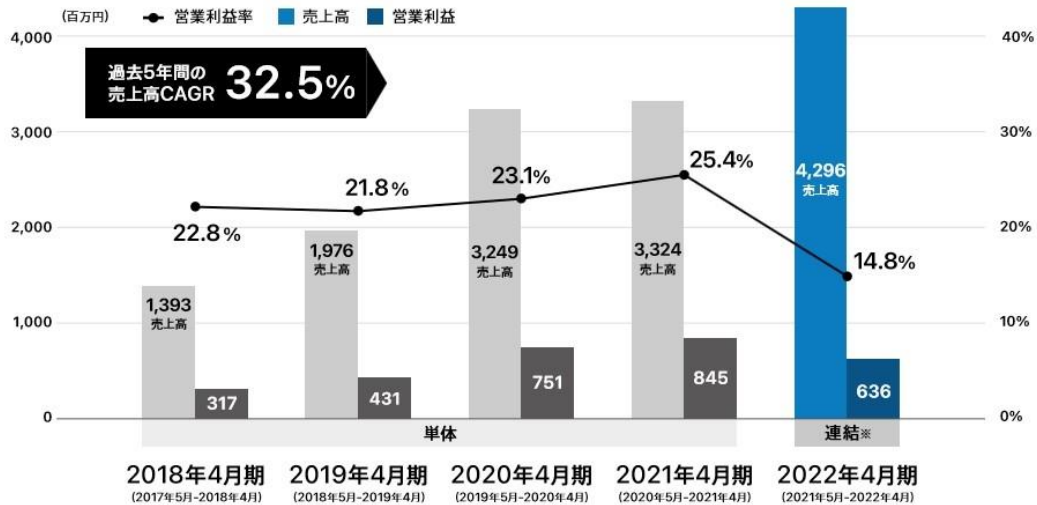
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売上高・営業利益・営業利益率の推移

2022年4月期 決算概要

9

22年4月期の売上高はYoY+29.2%の成長。過去5年間のCAGRは32.5%と高い成長を達成
 中期経営計画に基づくS&M投資等により営業利益率はYoY-10.6ポイントの14.8%



※2022年4月期4Qより子会社(株式会社ロイヤルゲート)の業績を含む

スマレジ

Next, let us look at the operating margin.

In previous years, the ratio exceeded 20%, and in the year before last, it exceeded 25%, but again, we have taken on the challenge of significantly increasing S&M expenses, and as a result, the operating margin is 14.8%.

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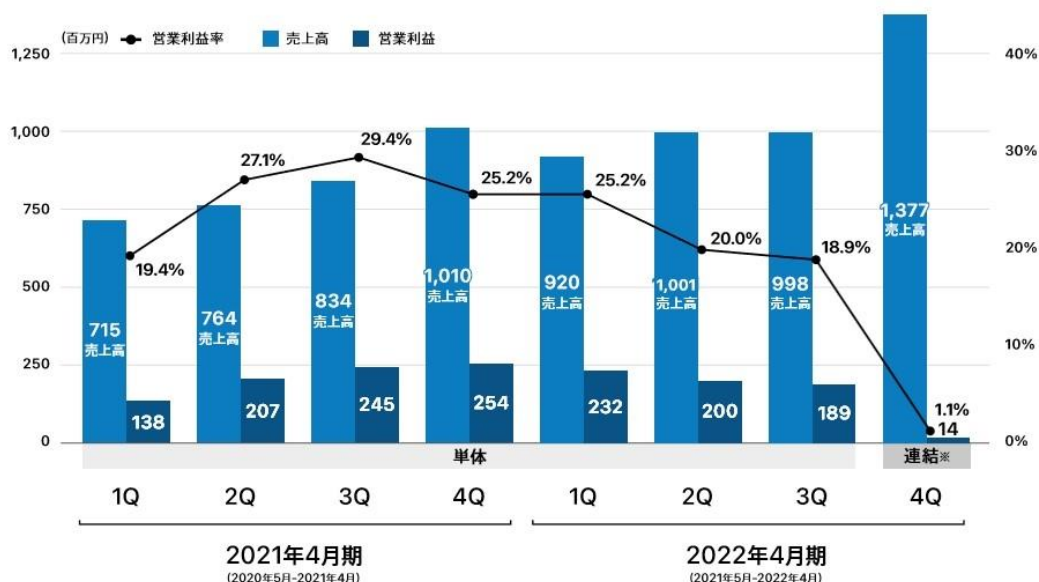
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売上高・営業利益・営業利益率の四半期推移

4Qの営業利益率はQoQ-17.8ポイントの1.1%に
 子会社連結による販管費の増加よりも中期経営計画に基づくS&M投資や賞与等による影響が大きい



※2022年4月期4Qより子会社(株式会社ロイヤルゲート)の業績を含む

スマレジ

Looking at the quarterly trends, sales increased significantly to JPY1,377 million due to seasonal factors, with the fourth quarter usually being the busiest season.

Operating income is lower, partly due to the negative impact of Royal Gate's loss and, in addition, the impact of S&M investments and financial bonuses based on the medium-term management plan.

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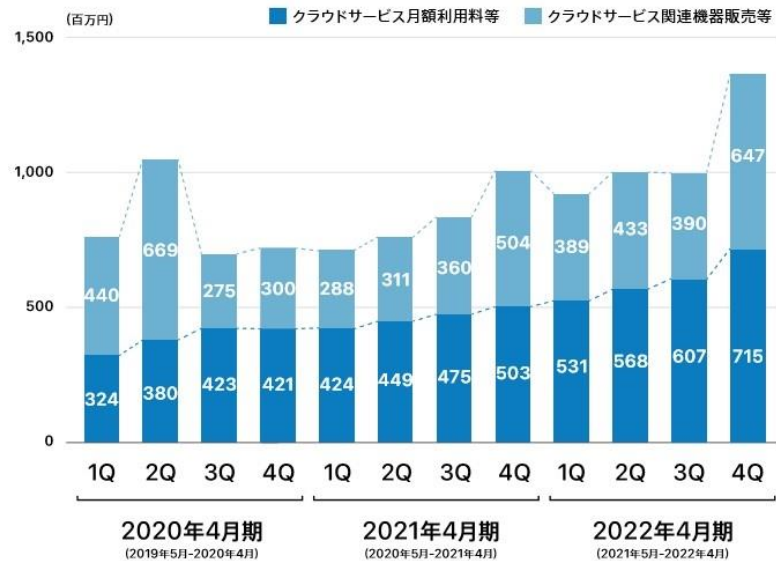
季節要因や大型案件の受注により初期費用（クラウドサービス関連機器販売等）が伸長
 連結化の影響により、SaaS（クラウドサービス月額利用料等）粗利率はやや低下

2022年4月期

サブスクリプション
 売上高比率
56.4%

■ 初期費用粗利率
 クラウドサービス関連機器販売等
37.0%

■ SaaS粗利率
 クラウドサービス月額利用料等
80.8%



※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

Minato: Continuing on, here is the breakdown of sales.

The dark blue portion of the graph represents subscription-based sales, which have been steadily increasing.

The light blue area represents sales of equipment and initial costs, which increased significantly in the fourth quarter due to seasonal factors and the acquisition of large clients.

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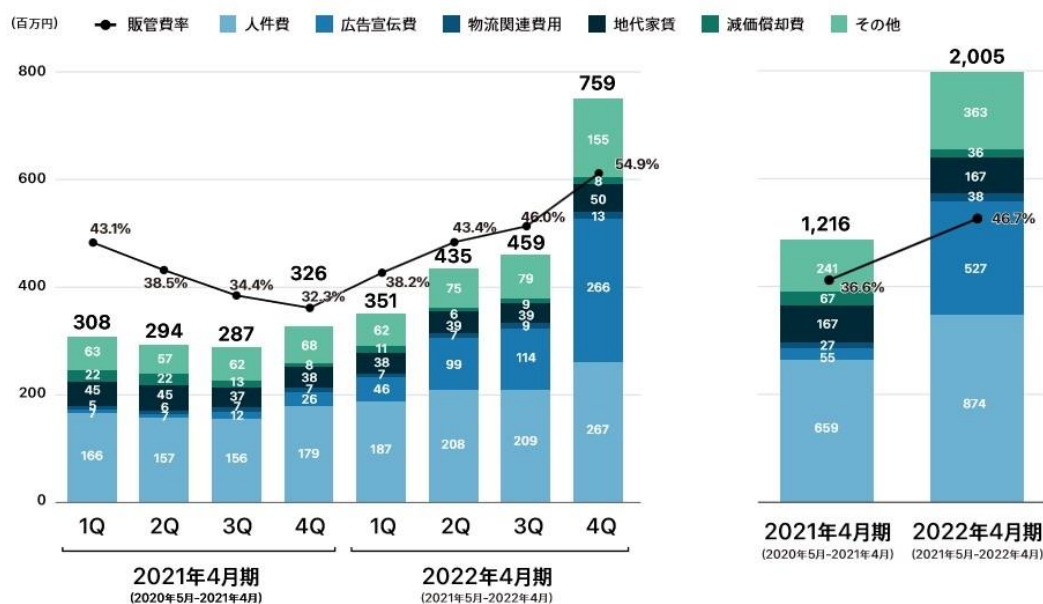


販売費及び一般管理費の推移

2022年4月期 決算概要

13

子会社連結やS&M投資等により4Q販管費が増加、通期販管費率はYoY+10.1ポイントの46.7%と計画通り中期経営計画に基づく積極投資を実行



スマレジ

The following is the summary of SG&A expenses.

In the previous period, SG&A expenses increased significantly, due in part to the concentrated investment in advertising and the resumption of hiring that had been restrained during the pandemic. The fourth quarter is significantly inflated because of the Royal Gate employee increase, as well as events and financial bonuses.

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広告宣伝費の四半期推移

TVCM等のマス広告を活用した認知拡大と認知をリードに繋げるリード獲得施策の強化を継続中



リード獲得：WEB広告（リスティング、アフィリエイト）、展示会費用
 認知獲得：テレビ、ラジオ
 その他：アプリコンテスト、フードフェスなどのイベント。リード、認知に直接紐付かない企業ブランディング等



This is the quarterly trend of advertising expenses in SG&A expenses.

The darkest blue area of the graph represents advertising expenditures used to acquire leads, the light blue area above that represents advertising expenditures used for increasing recognition, such as TV commercials and radio, and the gray area represents advertising expenditures for events.

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従業員数の推移

2022年4月期 決算概要 15

スマレジ単体で年間56名の採用をこなし、組織力を強化
前年比+69.4%。平均年齢33歳



スマレジ

Here is the transition of employee numbers.

In addition to the increase in Royal Gate employees, hiring in both sales and development was favorable, resulting in a 69.4% increase over the previous year.

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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。

決済サービスの補強 (PAYGATE) により、ARRはYoY+40.6%の成長

ARR※
29.2億

YoY
前年同四半期比
+40.6%

QoQ
前四半期比
+18.2%



※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)

スマレジ: POS月額・端末追加オプション・機器サブスク・セルフレジ利用料・会員上限追加オプション、アプリマーケット
 決済サービス: PAYGATE月額利用料・加盟店手数料・処理料・決済端末連携費・キックバック
 タイムカード

スマレジ

Yamamoto: Next, I would like to give an overview of our business.

First, I would like to start with the ARR trend, as you can see on the screen.

The actual result was JPY2.92 billion compared to the planned JPY2.7 billion.

The breakdown of ARR is provided from this time forward. From the bottom, light blue is the monthly fee for Smaregi, dark blue is the revenue from payment services, which has significantly grown this time, and green is the monthly fee for Smaregi Time Card.

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スマレジのKPIサマリー (2021年5月~2022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単位のアカウントチャーンを使用し、粗利益ベースで算出、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、GMV: スマレジで処理された流通取引総額

スマレジ

Next, we disclosed the KPI summary for Smaregi, although we only disclose it for the full year. This is a summary of the Smaregi service alone, excluding the related product, Smaregi Time Card.

Compared to the same period last year, the unit economics was 7.9 last year, but we increased the CAC due to the increase in S&M and controlled the unit economics to be three. As a result, it landed at 3.05. It is almost as planned.

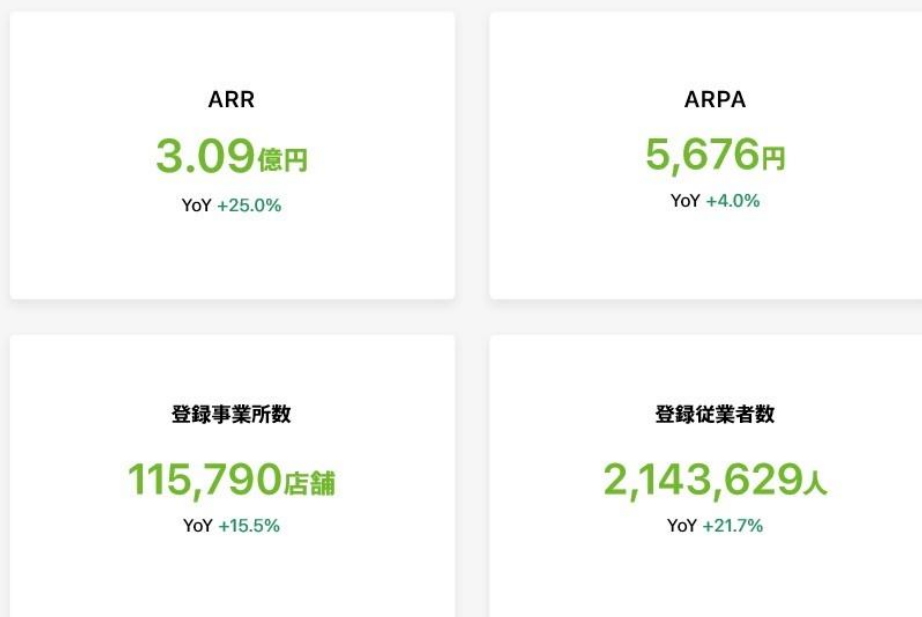
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スマレジ・タイムカードのKPIサマリー (2021年5月~2022年4月) 事業の状況 21



ARR (スマレジ・タイムカード月額利用料の年間経常収益): 22年4月のMRRを12倍して算出、ARPA: 有料契約1契約あたりの顧客単価

スマレジ

Continuing on, here is the KPI summary for the Smaregi Time Card.

The match table is a bit small, but the ARR is now over JPY300 million.

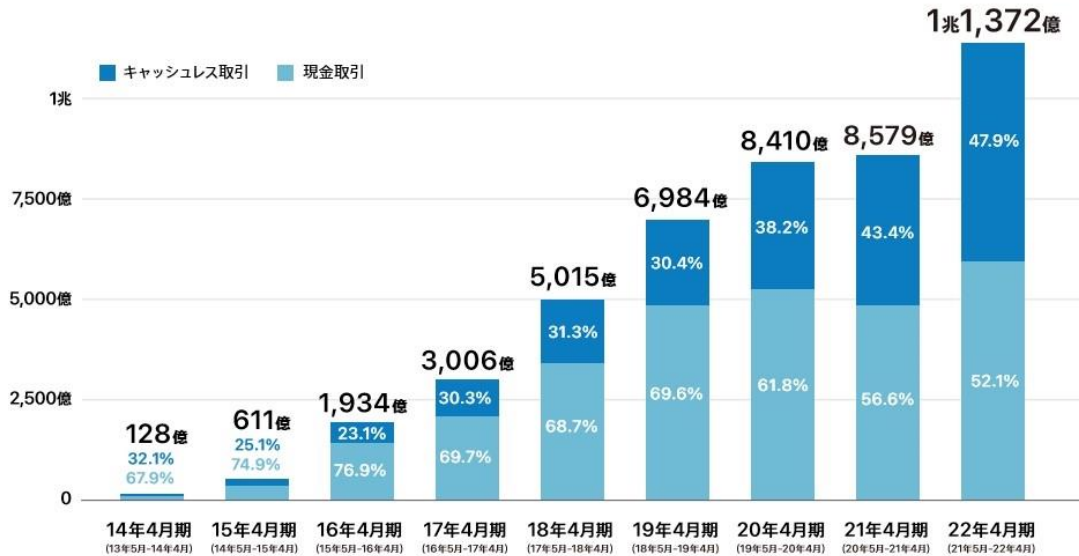
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コロナ禍により抑制されていた消費が拡大し、経済活動は徐々に回復基調へ
非接触ニーズの高まりによりキャッシュレス決済が増加



キャッシュレス取引：クレジットカード、電子マネー、QRコード決済、一部金券や商品券なども含まれます。

スマレジ

Minato: Next is the GMV, gross margin value of transactions in circulation, trend.

GMV exceeded JPY1 trillion. Consumption, which had been suppressed in the pandemic, is now expanding. The ratio of cashless payments has increased due to growing contactless needs. It accounts for roughly half of all payments.

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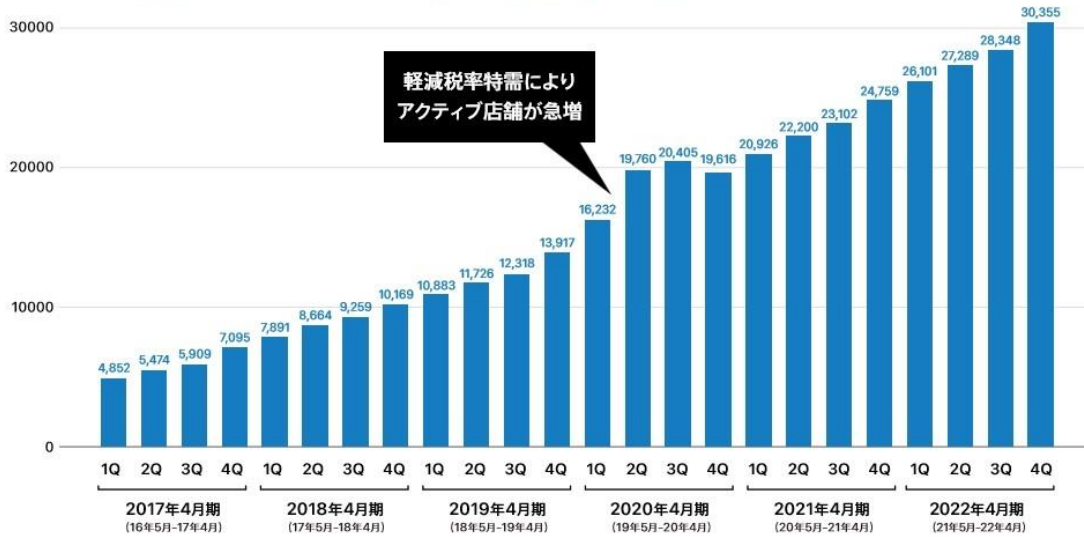
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POSレジ アクティブ店舗数の推移 (無料プラン含む)

事業の状況 27

活用されるPOSレジを目指し、カスタマーサクセスのオンボーディング等により継続利用を促進
アクティブ店舗数はYoY+22.6%の30,355店舗と着実に増加中



アクティブ店舗：プラン種別に関わらず、スマレジのレジ機能で直近1か月の間に商取引（売上）の記録を行った店舗
※在庫管理やその他の機能などを利用していても、商取引のない場合はアクティブ店舗にカウントされません

スマレジ

Next is the number of active stores.

The number of active stores surpassed 30,000 with 30,355 stores, a 22.6% increase over the previous year.

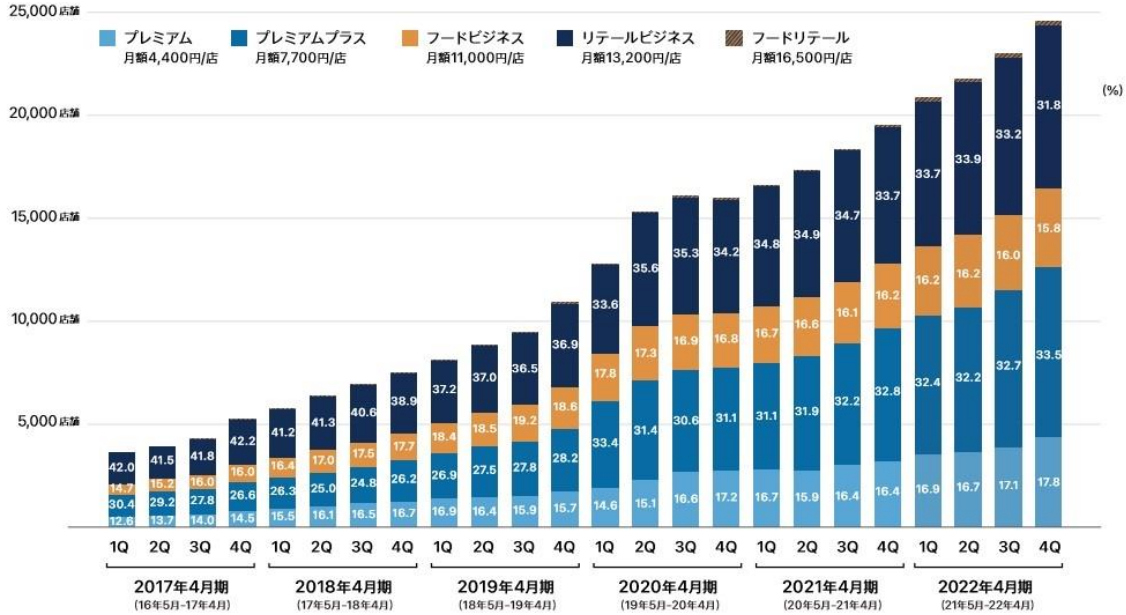
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「プレミアムプラス」プランが安定的な伸びを牽引。有料プランはYoY+24.9%の24,448店舗に



※スタンダードプラン契約にオプション追加で有料化されている場合がありますが、有料プランには含んでいません。

スマレジ

Next is a breakdown of the usage plans for fee-paying stores.

Paid plans increased 24.9% YoY to 24,448 outlets.

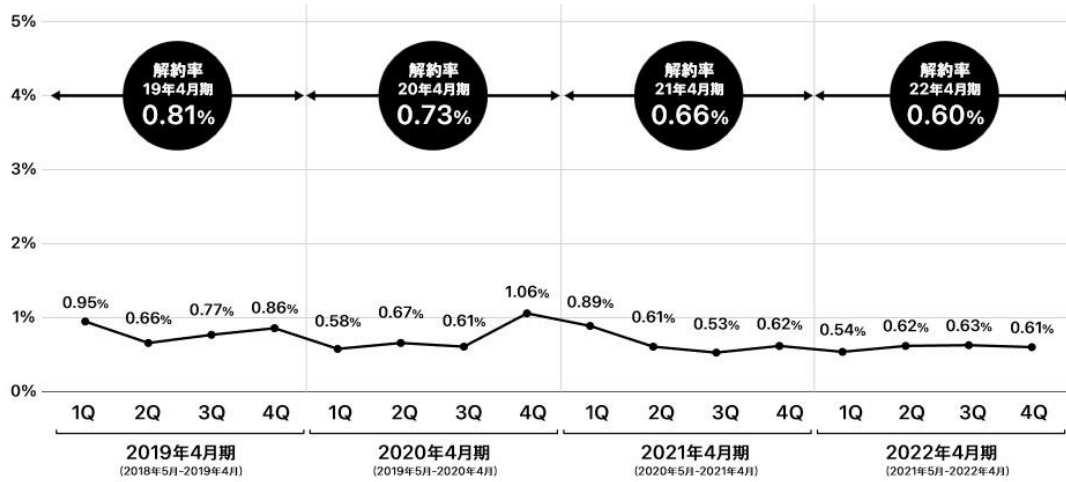
See also the breakdown by plan.

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オンボーディングの強化とサービス品質の向上に取り組んだ結果、
22年4月期の平均解約率は過去最低水準の0.60%を達成!



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 is the churn rate.

The churn rate, MRR churn rate, remained low at approximately 0.6% as in the previous year.

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2023年4月期 通期業績ハイライト (計画)

2023年4月期 業績の見通し 33

広告宣伝費投下による新規顧客の増加 × クロスセル商材 (タイムカード、決済) による顧客単価の向上による増収を計画。中期経営計画に基づき、S&M費用増加やロイヤルゲート赤字分が利益を圧迫するものの、前年比と同水準の利益確保を目指す。

(百万円)	2022年4月期 (2021年5月-2022年4月)	2023年4月期 (2022年5月-2023年4月)	
	実績	計画	前期比 YoY
売上高	4,296	5,593	+30.2%
営業利益	636	651	+2.3%
経常利益	592	651	+9.9%
当期純利益	557	403	-27.7%

留意事項

2022年4月15日の連結子会社の吸収合併(簡易合併)に関するお知らせにてご報告のとおり、当社の完全子会社である株式会社ロイヤルゲートを2022年7月1日付で吸収合併することを決議しております。これにより、23年4月期(2022年5月1日~2023年4月30日)に非連結決算への移行を予定しているため、来期の業績予想は連結ではなく単体を前提として見積もっております。

スマレジ

Yamamoto: Continuing on, here are the projected full-year results for the fiscal year ending April 30, 2023.

Sales are planned at JPY5,593 million, an increase of 30.2% over the previous year.

Operating income is JPY651 million, so we plan to achieve about the same level as the previous year.

We have just begun to consolidate our subsidiary Royal Gate Inc. and have decided to merge the subsidiary in July. Therefore, the new fiscal year account settlement will be a stand-alone again.

Accordingly, sales for May and June will be solely for Smaregi. Royal Gate sales will not be captured. Please note that the results will be the sum of Smaregi and Royal Gate as a result of the absorption merger starting in July.

In the current fiscal year, we will continue to invest in advertising. We will aim to acquire new customers.

Then, we plan to increase revenues through cross-selling merchandise, payment settlement, and higher sales per customer through Smaregi Time Card.

Regarding profits, in accordance with the medium-term management plan, we are aiming to secure profits of JPY650 million, the same level as the previous year, despite the increase in S&M expenses and the deficit in SG&A expenses at Royal Gate, which I have mentioned many times.

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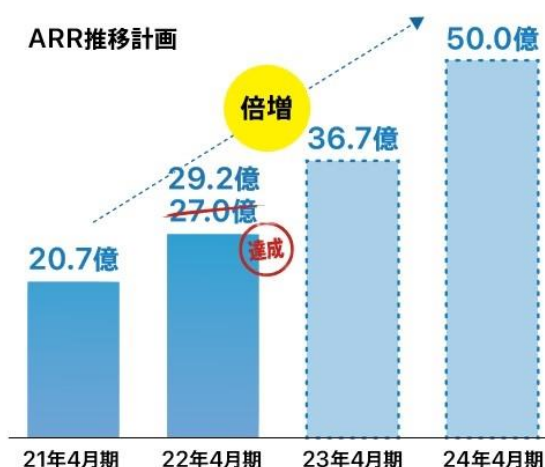
アクティブ30万店 ▶ 長期目標への第1ステップ

本中期経営計画でARR50億円の突破を目指す!

機器販売などのフロー収益よりも月額利用料などのストック型(サブスクリプション)収益を最重要視するため、中期計画のKPIはARRと設定

「顧客数 × 顧客単価」

「客数 × 客単価」を意識し、S&M費用の大幅投下により顧客数を増加し、決済サービスやスマレジ・タイムカード等のクロスセルにより顧客単価をそれぞれ向上させる



スマレジ

Next is the progress of the medium-term management plan.

ARR is our most important KPI, and in the first year, as mentioned earlier, we were able to achieve actual results of JPY2.92 billion against the plan of JPY2.7 billion.

We are planning to achieve JPY3.67 billion this fiscal year, and I think we have made a good start in the first year of our medium-term plan. We would like to challenge various measures again to achieve the goal of JPY5 billion.

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4つの具体的施策

中期経営計画の進捗 36

顧客数の増加

1 広告宣伝への集中投下

認知・リード獲得

TVCM等メディアを活用した認知向上施策とウェブ広告等によるリード獲得施策を実施



顧客単価の向上

2 アプリマーケット施策

CX向上・顧客単価向上

アプリマーケットを活性化し、エコシステムを構築
アプリの充実により顧客単価の向上を目指す

3 決済サービスの強化*

収益基盤の強化

POSサービスとのシームレスな連携により
GMVを源泉とした収益モデルの構築

NEW

4 スマレジ・タイムカード

HR事業、クロスセル

機能強化やCXの向上により、
勤怠管理からHRサービスへ事業を成長させる

※決済サービスを提供するロイヤルゲート社を買収した事により、当初発表した施策のひとつ「クリエイティブ人材育成」を「決済サービスの強化」に変更いたしました。「クリエイティブ人材育成」については、長期的な課題と認識し継続的に取り組んでいきます。

スマレジ

This is a specific measure of the mid-term management plan.

In the four measures, only one has been changed to strengthening payment services, but I think the first thing to do is to multiply the number of customers by the amount spent per customer, so I changed the way it is written to make this clear. We will continue to concentrate on advertising expenses in order to increase the number of customers.

On the right side, in terms of increasing the unit price per customer, we would like to aim to increase the unit price per customer through cross-selling, first by implementing measures in the app market, then by strengthening settlement services, and finally by strengthening the Smaregi Time Card services.

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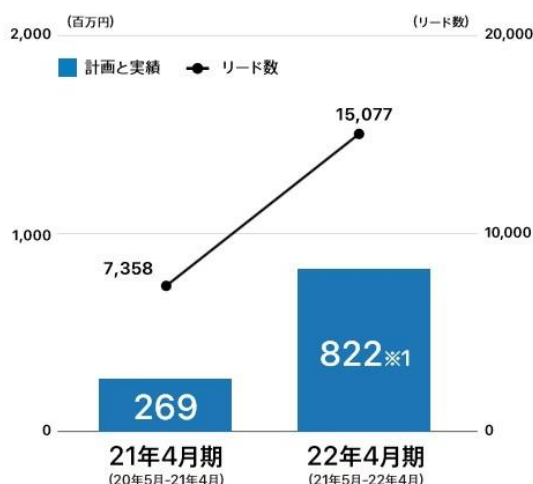
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中期経営計画達成に向けて、23年4月期もS&M投資を継続し、サブスクリプション売上高の高成長を目指す

S&Mの実績



※1 子会社(ロイヤルゲート)を含む実績の合計値 計画:692百万円(スマレジ単体) 実績:729百万円(スマレジ単体)92百万円(子会社)
 ※2 2022年4月実施TVCM認知度調査 当社依頼による第三者機関調べ

TVCM投資効果 ※2

市場認知度 **26%** 業界首位 TVCM認知度 **25%**

市場での認知

- ・ タブレット型・モバイル型のPOSレジ認知者の、「スマレジ」の認知度は26%で業界首位

TVCM認知

- ・ スマレジのテレビCM認知(見た計)はYoY7%上昇し25%
- ・ 役職者(店長/副店長/エリアマネージャー)による認知は4割以上と、他の役職に比べスコアが特に高い
- ・ スマレジ認知者の、スマレジを知ったタイミングは、今回の「テレビCMで初めて知った」が34%
- ・ 役職者(店長/副店長/エリアマネージャー)の28.2%がCM閲覧後、検索やウェブサイト閲覧

スマレジ

Minato: This is the progress of concentrated advertising and marketing activities.

In the previous fiscal year, we concentrated on advertising expenses.

As for the effectiveness of TV commercials, we conducted a survey on recognition and other factors, and were able to achieve the top position in the industry in terms of market recognition, with 26% market share. In particular, I feel that the increased recognition among the manager class was very positive.

In terms of leads, the number of leads received was approximately double of the previous year.

The budget for advertising expenses for the current fiscal year is about the same as the previous fiscal year, plus an additional amount, to the extent that profits will not decrease.

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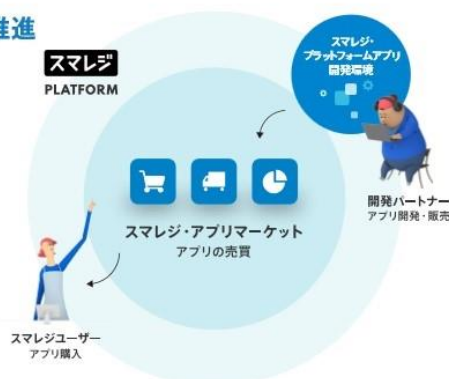
スマレジ・アプリマーケットの進捗

中期経営計画の進捗 38

公開アプリは、前年比約3倍の79個に拡大
業種特化アプリでユーザー層の拡大を狙い、新たな価値創造を推進

スマレジ・アプリマーケット

お店（スマレジユーザー）と開発パートナーを繋ぐプラットフォーム。様々な業種や業態のお店が、目的にあわせて必要な機能（アプリ）を自由に選択することができる仕組みで、開発パートナーはプラットフォーム上で自由にアプリを開発・販売することができます。今まで実現できなかった専門性の高いニッチな機能の提供等により、ユーザーの利便性向上を実現し、競争優位性を高めてゆきます。



公開アプリ数の推移

これから取り組むべき課題も多くクロスセルの成果はまだ小さいものの、業種特化型アプリの出現によって、幅広い業種への多面的なアプローチが可能に！



開発パートナー

いずれも2022年4月末時点

法人 576 社
個人 319 名

スマレジ

Yamamoto: Next, I would like to talk about the progress of the app market.

We have held app contests and encouraged the emergence of useful apps for our users. The number of published apps is 79 now. As mentioned here, we have about 900 development partners, both corporate and individual.

The impact on sales is still very small, but this is a unique initiative that our competitors do not have. Through this add-on application, even in niche businesses, Smaregi is conveniently used, so we will continue to focus on this initiative.

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決済サービスの強化 - PAYGATEについて

クレジットカード・電子マネー・QR決済などのあらゆるキャッシュレス決済を一台の端末で処理できる決済サービス



The next measure is to strengthen payment services.

We are focusing on this area since we have made PAYGATE a subsidiary, in addition to the Smaregi payment that we have been promoting for some time.

Shall we go to the next page for the details?

Support

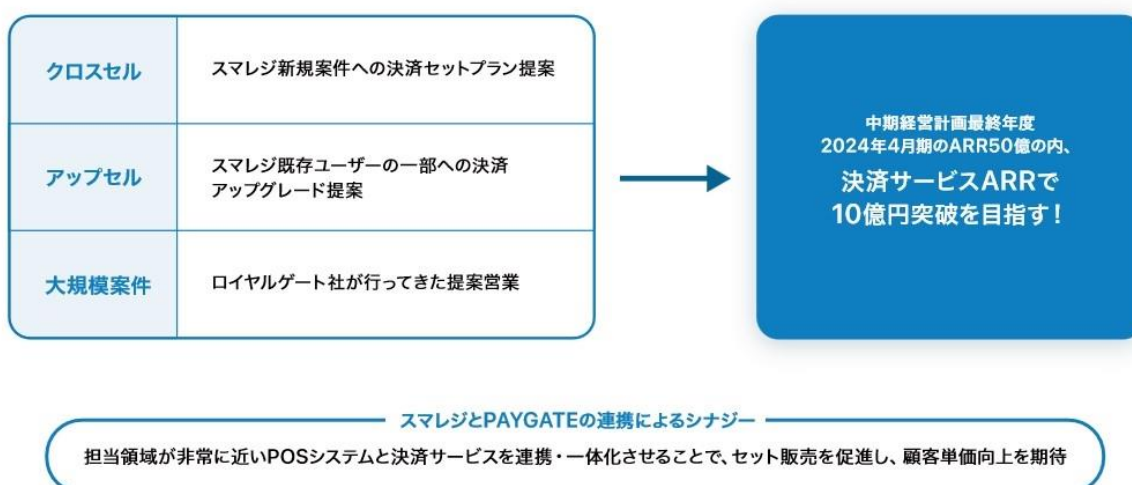
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決済サービスの強化 - 販売戦略と計画

中期経営計画の進捗 41

価格体系を全面的に見直し、収益構造を端末売上から月額利用料等のストック売上へシフトし、ARR増大に貢献



スマレジ

The question is how to expand the service, and the answer, of course, is cross-selling. For new Smaregi customers, as for business negotiations planned in the future, we will aggressively propose a set plan for payment settlement.

As for upsell, although it's cross-sell, we are proposing an upgrade and replacement of payment methods or settlement service to some of the existing users of Smaregi, of which there are currently about 30,000 active stores. We will make proposals to the 30,000 existing users, asking them if they would like to switch their payment methods.

Then, the other thing is that, although it says large-scale projects, we will continue to do proposal-based sales, which Royal Gate originally did independently.

With these three points, we are aiming to surpass JPY1 billion in ARR within about two years from now.

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スマレジ・タイムカード

マーケティング活動によるスマレジ利用者へのクロスセル施策と
カスタマーサクセスによるオンボーディングによってCVRの向上施策を実施中

主な活動 (2022年4月末時点)

- ・ 人時売上高や法定三帳簿に対応した新プラン「プレミアムプラスプラン」の提供をスタート
- ・ 専用コールセンター設置 (一部プラン対象)
- ・ スマレジ (POS) 利用者へ向けたキャンペーンの実施

ARRの推移



登録事業所数の推移



スマレジ

Minato: This is the ARR trend for the Smaregi Time Card.

Sales of time cards have also been steadily increasing, exceeding JPY300 million in ARR. We are continuing to add functions for cross-selling and cross-selling with Smaregi, so we will continue to acquire new users and also increase ARR.

Yamamoto: So, we have just completed the first year of our medium-term management plan that we put out last year, and we are about to enter the second year.

First, we will continue to focus on how to achieve our long-term goal of introducing 300,000 active stores, and in terms of our medium-term plan, how to quickly surpass JPY5 billion in ARR.

It was quick and brief, but I would like to end the presentation of the financial results.

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Question & Answer

Endo [Q]: Okay, we would like to move on the question-and-answer session.

We will answer as many questions as time permits, so please send your questions using the Q&A button at the bottom of the screen. Please note that the order of responses may change. If all questions cannot be answered in time, we will send out answer sheets to all participants at a later date.

First, we would like to answer some of the questions we received when registered for the information session.

This is the question.

I would like to know more about the current status of the app market, which is the key to Smaregi 4.0. For example, a sense of the level of no-code and low-code development promotion, the frequency of problems caused by the applications you have collaborated with, and whether they are profitable. We are asked to answer not about the scale of the project, but rather the credibility of the business model.

Now, in turn, Mr. Yamamoto, please. How do you feel about the progress of no-code and low-code development promotion?

Yamamoto [A]: I think a couple of things had a mix in the question, but I guess to start with the progress of the app market. Thank you very much for the question.

First of all, the level of no-code and low-code is quite difficult to develop, and it is not easy to make progress, as we have to consider, and then stop considering again.

The app market team is more focused on biz dev, and they are working on how to create more useful apps by increasing the number of partners and working together with them before they can develop more easily with no-code and low-code.

As a result, the number of partners has increased to 900, and the number of apps has increased to 79. As for no-code and low-code, I feel that it will take quite a bit of time yet.

Then, as for the frequency of application glitches, we have not received any major glitches report here so far.

Then, there is the question about profit. 30% of app sales are designated to come into Smaregi. It is difficult to judge whether 30% is too much or too little, but the monthly MRR is still less than JPY1 million, so it is still small. Therefore, I think it will take some time before it becomes profitable.

However, as I mentioned earlier, the app market is now providing additional functions that can be used conveniently in various niche industries and business categories.

The app that won the grand prize in the app contest this time is an add-on app that provides a system for farmers to easily manage their consignment sales at roadside stations, for example. We expect to see many more of these types of apps, as these will allow us to approach niche business categories that other companies have not been able to reach.

Let's move on. Thank you for your question.

We have been asked to provide the specific progress of the PMI at Royal Gate.

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So, I think there are four progresses from the perspective of development, sales strategy, back office, and customer support. Mr. Minato, can you give an explanation?

Minato [A]: First of all, on the development side, the linkage between Royal Gate's payment terminals and Smaregi is going smoothly, and we have already released the linkage on May 23.

The development members feel that the PMI on the internal side is progressing well and that they are well on track for the absorption merger planned in July.

How about the administration department?

Yamamoto [A]: The administration department and back office have been consolidated and are now doing all the finance, accounting, and everything else on the Smaregi side. We have cleared all the issues, as recruitment will also be done on the Smaregi side in the future.

Since we absorb and merge, we are streamlining the common areas with Smaregi quite a bit.

I am sure that everyone is wondering about the extent of the deficit. Although it has been significantly reduced from the original deficit, it is still in the red.

If we are to further reduce the deficit from this point, the only way is to cut SG&A expenses more and more, but there is a limit. We have now completed the process of cutting down to the limit. From here, how to increase sales is the point of internal discussion.

Is that all for the progress on the PMI for Royal Gate?

Thank you very much for the question.

We have received many questions and have been asked if it would be possible to tell us about the scale of S&M's investments and specific strategies for this fiscal year.

S&M, advertising, and salesman labor costs, what do you think?

Minato [A]: As for expenses, we expect it will be a little more than the one of this fiscal year to the extent that profits will not decrease, as I mentioned earlier. Since we were able to acquire quite a few salespeople in the second half of the current fiscal year, we expect to see the personnel expenses in this area will be taken directly into account.

In terms of recognition and lead acquisition, we would like to spend as much advertising money as possible on lead acquisition, but we also plan to continue working on recognition. In particular, we would like to focus on TV commercials for regional areas.

Yamamoto [A]: In terms of budget, TV commercials probably have the largest weight. What will be the next step after that?

Minato [A]: Events are a big part of it, if excluding TV commercials.

Yamamoto [A]: Events and exhibitions.

Minato [M]: Exhibition.

Yamamoto [Q]: Are web-based measures, such as listings and SNS advertising, not that big in monetary terms?

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Minato [A]: It's not as big as TV commercials, but it gets a lot bigger than what we've been spending on advertising. However, I would like to pick up advertisements that are as cost-effective as possible while doing various other things, and I would like to invest more and more in those advertisements.

Yamamoto [A]: After a year of doing this, we have some idea of what works and what doesn't.

Minato [A]: Yes, that's right.

Yamamoto [Q]: Do you feel that you have already replaced quite a few of the ineffective ones?

Minato [A]: Yes.

Yamamoto [A]: Thank you.

Thank you for continuing to tell us why and how you utilize share buybacks.

At the same time as the financial results, the Company disclosed that it would buy back its own shares. The reason for the share buyback is as stated. We, as well as the younger members than the founding members, are now being promoted more and more to the executive ranks, or rather, are joining the executive team.

One thing I would like to use them is for share-based compensation, or incentive, to motivate them. We are considering the use of these for handing over to the next generation, or rather, for human resource development.

Another thing is, we are thinking of actively conducting M&A in the future, and since we have CVC-like function called Smaregi ventures, we would like to use it as a material for stock swaps and such.

Move on to next.

Assuming that gross profit will be maintained at the same level as the previous year, I think the gross profit will increase by almost JPY800 million due to the increase in revenue. What items in SG&A expenses will increase by almost JPY800 million? You commented that advertising expenses would not increase much, but what else would increase?

Is it a more in-depth question? This person pointed out that gross profit would increase by almost JPY800 million. Do you have something to say about this?

But there is a deficit offset for Royal Gate, so I'm not sure if the profit is that plentiful.

Minato [A]: Not really.

Yamamoto [Q]: But is it an advertising expense? Labor costs for salespeople will also increase.

Minato [A]: There will be more engineers, and labor costs are rising. Therefore, if we add up all the expenses, we are not sure if we will be able to spend that much on advertising in the current fiscal year, a little more than the previous year as planned. If we were to keep the profit.

Yamamoto [A]: So, it's like investing in ads appropriately while not making that much profit. Thank you very much for the question.

Also, in terms of negative factors during the year, we are running a campaign to offer payment terminals for JPY0, and I think we will take several measures to lower the initial equipment cost to capture MRR, so I think this will also reduce the gross profit margin a little.

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That is all.

Continuing on, I have received many questions. Thank you very much for the question.

How would you summarize the effects of the advertising and promotion that you invested in the previous fiscal year? Acquisition appears to have been slow during the busy season.

How is the effectiveness of advertising? It is difficult.

Minato [A]: It is difficult. To be honest, we would have wanted to have had more customers, but I think that the effects of the TV commercials are slowly beginning to emerge.

Yamamoto [A]: The effects of CM are easy to see in rural areas.

Minato [M]: In rural areas.

Yamamoto [A]: I think it fades a bit when it comes to Osaka and Tokyo. For example, when we run a TV commercial before an exhibition in Okinawa, customers came to the exhibition because they saw the TV commercial.

We are currently focusing our sales efforts on the Kyushu area, and I think we will be able to measure the effects of our efforts there this year.

And how about the fourth quarter, when it looks like the acquisition was slow during the busy season? This is true, though, isn't it?

Minato [A]: Conversely, there was growth a little earlier in the season, which is not normally a busy season, and I think there may be a slight seasonal shift during the pandemic.

Yamamoto [A]: Yes, that's right. We have been doing Smaregi for the past 10 years, and February, March, and April are usually the busiest months, but last year we didn't have that many customers. As Minato said, it was slightly dispersed during the pandemic.

Incidentally, in response to this reflection, we are planning this year's monthly plan in a rather even way, so it is not a plan that expects a rush at the end of the year, which is busy a season for us.

Minato [Q]: Is the free provision of PAYGATE terminals factored into the current financial results? What do you think?

Yamamoto [A]: Yes. Equipment sales are set rather low and are factored in.

Would you like to add your comment?

Endo [A]: In terms of the current financial results, the disclosed financial results for the fiscal year ended April 30, 2022, there were no sales for the ones we provided free or charge. As for the budget, it has been factored in for FY2023.

Yamamoto [A]: Excuse me. Yes, it means that it has not been factored into the FY2022 fourth quarter financial results.

Shall we move on?

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Depending on the base of leads obtained this quarter, is there a possibility of building up the current quarter's marketing expenses during the quarter? How do you feel about the response to future growth in time cards and other services? What are the risks involved in aiming for an ARR of JPY5 billion? We have received three questions.

We are trying to lock in profits, so if sales grow significantly more than planned, we may add to our marketing expenses.

Next, how are you feeling about the future growth in time card service, etc.? Do you have any thoughts?

Minato [A]: Until now, we have not implemented any cross-selling measures at all, but this time we have prepared products that can be sold and proposed at the same time as Smaregi by adding functions for human productivity, for example, which will enable us to cross-sell Smaregi. Compared to the one-year growth from the fiscal year ended April 2020, for example, we were able to nearly double the growth in the previous fiscal year, so we are hoping for further growth.

Yamamoto [A]: Thank you.

What are the risks involved in aiming for an ARR of JPY5 billion?

Maybe a large cancellation or related things. The churn rate and MRR churn have been maintained at a low level, which was omitted from the explanation in the presentation material, but the denominator has been bigger, so the number of churns itself has been increasing slightly from before. We need to acquire newer clients to catch up with the denominator. In terms of the churn rate, the rate is the same, but the number is increasing, and this is a challenge.

We know the reason for the cancellations to some extent. Some of them are unavoidable, but we know other various reasons, so we would like to take appropriate measures to address them.

Continuing on, please tell us about the status of Royal Gate's payment services competing with GMO Financial Gate's in-person cashless services, if any.

There are many competitors for payment services. For example, SMBC's stera terminal would be a competitor, and Recruit's AirPAY would also be a competitor.

If we were to fight settlement alone, it would tend to be simply a commission game. Therefore, we are trying to cross-sell the products by selling them as a set with Smaregi, which we think is the most solid or reliable method.

Next up.

Is the hiring of engineers going well? I would like to know about the recruitment plan for each type of job.

Can you answer?

Minato [A]: Recruitment of engineers proceeded quite smoothly in the last fiscal year, and we were able to acquire a good number of infrastructure engineers, who are considered difficult to hire, and the best part was that we were able to strengthen this area. We will, of course, continue to hire engineers in the current fiscal year.

In terms of job classifications, in the last fiscal year, recruitment in the sales department was quite successful. Recruitment planning, total. This term, we will continue to have about 40, though not quite 50. We plan to hire half as sales people and half as engineers. I guess I'm more of an engineer. Yes, engineers are more.

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Yamamoto [A]: Thank you.

You have reorganized the sales team and updated to a more agile selling system. What specific changes have you made to your sales team to make it more agile? Also, what issues led to the reorganization?

Where to ask about the reorganization of sales team? Who wants to go?

Now, though, what I find interesting as a trend is the huge increase in online business meetings. To follow up with this, for example, it is starting with inside sales and connected to online meeting. We have been good at face-to-face meetings in showrooms, but now we are seeing a significant increase in online sales. I have the impression that it is becoming more efficient.

Also, if you have any updates in the sales structure? Sorry, that is all from me. If someone has any additional information, please comment later.

Continuing on, the next question is if you can comment on the profit target, which is currently targeted at ARR.

The first priority is ARR. The main focus is on how to expand ARR first, so profit comes next. So, if we can find a good measure to take ARR even at the cost of squeezing profits, we should do so.

However, I think we should be very careful about whether or not to unnecessarily incur a deficit. Smaregi was originally a relatively profitable company, so I think it is possible to use all of the profits to invest in advertising and publicity, but it would gradually become less efficient.

Since acquisition efficiency will decrease, we believe that we should be discerning about this while making sure that we are making a profit where we can. Therefore, we would like to manage our business while maintaining a balance between the two.

Do you have any comments? I've said all that, sorry.

Do we still have time? Do we? Since we still have time, if you have any questions, please do not hesitate to ask. Any questions? Nothing?

Now, Mr. Endo, please.

Endo [M]: Well, thank you all for your many questions. If you have any additional questions, please contact IR.

Finally, we would like to inform you of the following.

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.

Now, this is the third financial results presentation that we delivered via live streaming. There are still many things we are not familiar with, and I am sure there were some parts that didn't look professional, but thank you for watching this far.

After the briefing, a questionnaire will be displayed on the Zoom screen. Please take a minute to complete this brief questionnaire, which takes you only one minute, and we look forward to hearing your honest opinions and impressions. We also have a section for individual interviews and additional questions.

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Yamamoto [M]: We would like to continue to pursue our business activities in an aggressive manner to some extent in this fiscal year.

The challenge of increasing advertising expenses is the second year now that we have gradually learned what works and what does not. So, we intend to increase the pace of customer acquisition by investing our budget with even greater precision.

In addition, we have also been enhancing our cross-selling products, such as payment services, smart cash registers, and time cards, and we would like to actively propose these products to our customers as well. Through these efforts, we hope to achieve our mid-term management plan and surpass the JPY5 billion ARR mark.

Through our investor relations activities, we are very much taking into account the opinions and advice from investors, especially institutional investors, and we would like to ask for your continued guidance and support in this area. We would appreciate your continued support.

Thank you very much for your time today.

[END]

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