



**Smaregi, Inc.**

**Q4 FY2023 Financial Results Briefing**

June 14, 2023

## Event Summary

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<b>[Company Name]</b>	Smaregi, Inc.	
<b>[Company ID]</b>	4431-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q4 FY2023 Financial Results Briefing	
<b>[Fiscal Period]</b>	FY2023 Annual	
<b>[Date]</b>	June 14, 2023	
<b>[Number of Pages]</b>	39	
<b>[Time]</b>	10:30 – 11:29 (Total: 59 minutes, Presentation: 20 minutes, Q&A: 39 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	3	
	Hiroshi Yamamoto	Representative Director
	Megumi Shikichi	Financial Accounting Manager, Management Department
	Yuka Niki	IR Officer
<b>[Analyst Names]*</b>	Daisuke Aiba	IwaiCosmo Securities

\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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# Presentation

**Niki:** Thank you for participating in our financial results briefing for Q2 of the fiscal year ended April 30, 2023, of Smaregi, Inc.

Today's procedure. First, Representative Yamamoto will give an explanation of the financial results disclosed yesterday, followed by a Q&A session.

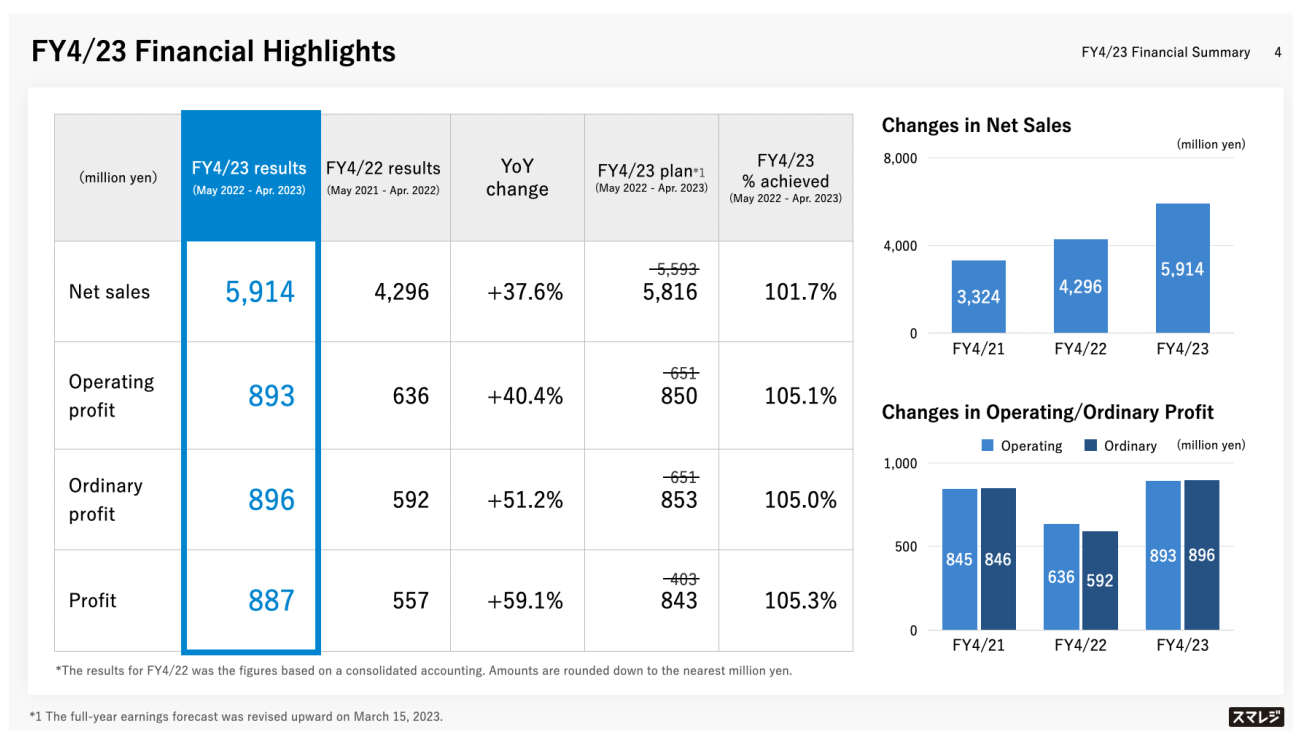
This financial results briefing will feature a special guest, Mr. Daisuke Aiba, Senior Analyst, Investment Research Department, IwaiCosmo Securities Co. We will invite him to participate in the Q&A session in the second half of the briefing, where he will ask various questions from an analyst's perspective. Please see to the end.

Now, Mr. Yamamoto, please begin.

**Yamamoto:** Hello, everyone. I'm Yamamoto, Representative Director of Smaregi, Inc. Thank you very much for participating in our financial results briefing today.

Today, after explaining our business performance for the fiscal year ended April 30, 2023, and our business performance plan for the following fiscal year, I will explain our long-term vision and medium-term management plan. Thank you.

First, here are the full-year financial highlights.



Compared to the previous year, net sales increased 37.6% to JPY5,914 million, operating profit increased 40.4% to JPY893 million, ordinary profit increased 51.2% to JPY896 million, and net income increased 59.1% to JPY887 million.

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As for the sharp increase in net income, this is only for the current fiscal year, since it is due to the extraordinary gain resulting from the absorption of the subsidiary Royal Gate, Inc.

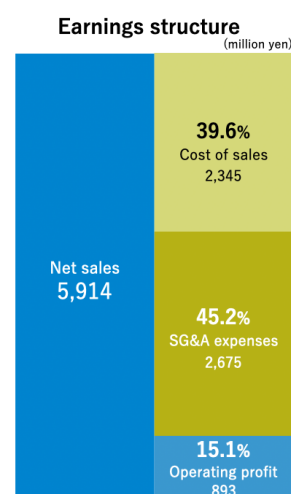
For the current fiscal year, we revised our full-year earnings forecast in March 2023, and results were largely in line with that plan.

## Statement of Income

FY4/23 Financial Summary 5

Net sales grew by 37.6% YoY due to the increase in subscription sales accompanying the absorption merger of a subsidiary and increase in the number of new customers acquired. Even as we continued to invest in S&M based on the Medium-term Management Plan, operating profit grew 40.4% YoY.

(million yen)	FY4/23 (May 2022 - Apr. 2023)					FY4/22 results (May 2021 - Apr. 2022)	YoY change
	1Q	2Q	3Q	4Q	Total		
Net sales	1,228	1,413	1,526	1,745	5,914	4,296	+37.6%
Cost of sales	456	570	609	708	2,345	1,654	+41.8%
Gross profit	772	842	917	1,036	3,569	2,642	+35.1%
SG&A expenses	585	631	675	782	2,675	2,005	+33.4%
Operating profit	186	211	241	254	893	636	+40.4%
Ordinary profit	188	211	241	254	896	592	+51.2%
Profit	362	143	169	211	887	557	+59.1%



\*The results for FY4/22 was the figures based on a consolidated accounting.

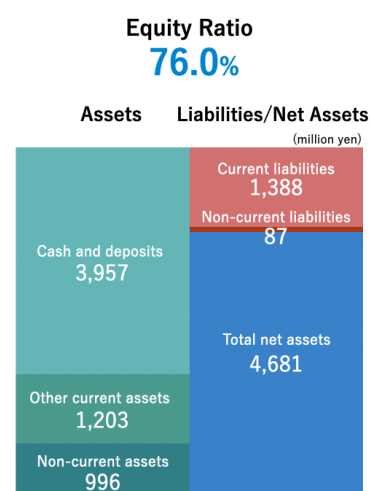
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## Balance Sheet

FY4/23 Financial Summary 6

Non-current assets increased 67.1% YoY and current liabilities increased 44.2% YoY, due to the absorption merger of a subsidiary and business expansion. Although equity ratio fell due to the acquisition of treasury shares, the financial foundation remained stable with equity ratio at 76.0%.

(million yen)	FY4/23 results (May 2022 - Apr. 2023)	FY4/22 results (May 2021 - Apr. 2022)	YoY change	3Q FY4/23 results (May 2022 - Jan. 2023)	QoQ change
Current assets	5,160	4,760	+8.4%	4,741	+8.8%
Cash and deposits	3,957	3,766	+5.1%	3,773	+4.9%
Non-current assets	996	596	+67.1%	992	+0.4%
Total assets	6,156	5,356	+14.9%	5,733	+7.4%
Current liabilities	1,388	962	+44.2%	1,178	+17.8%
Non-current liabilities	87	84	+3.5%	86	+1.0%
Total liabilities	1,475	1,046	+41.0%	1,264	+16.7%
Total net assets	4,681	4,309	+8.6%	4,469	+4.7%
Total liabilities and net assets	6,156	5,356	+14.9%	5,733	+7.4%



\*The results for FY4/22 was the figures based on a consolidated accounting.

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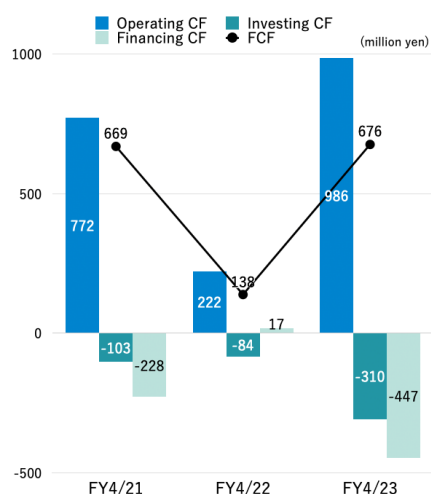
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## Cash Flows

FY4/23 Financial Summary 7

Net cash provided by operating activities increased significantly by 344.1% YoY due to steady business growth. Net cash used in financing activities was 447 million yen due to acquisition of treasury shares.

(million yen)	FY4/23 results (May 2022 - Apr. 2023)	FY4/22 results (May 2021 - Apr. 2022)	YoY change	
			Amount	%
Cash flows from operating activities	986	222	+764	+344.1%
Cash flows from investing activities	-310	-84	-226	+269.0%
Free cash flows	676	138	+538	+389.9%
Cash flows from financing activities	-447	17	-464	-2,729.4%
Cash and cash equivalents at the end of period	3,957	3,766	+191	+5.1%



\*The results for FY4/22 were the figures based on a consolidated accounting.

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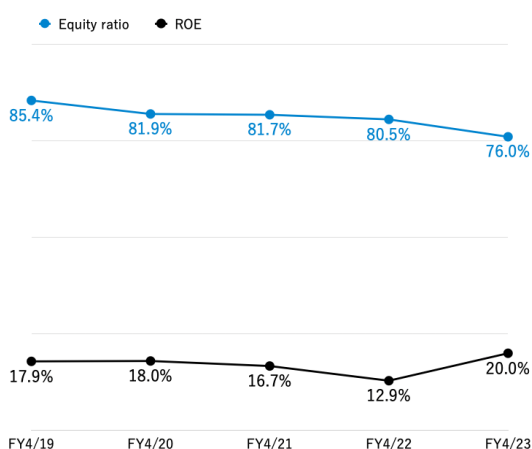
The income statement, balance sheet, and cash flow statement are shown on pages five through seven of the explanatory materials.

## ROE ROA

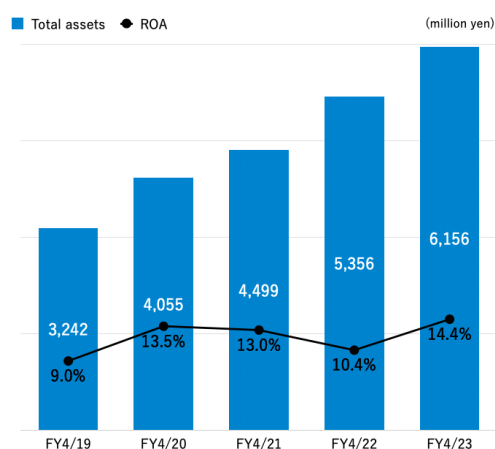
FY4/23 Financial Summary 8

Although equity ratio fell due to the acquisition of treasury shares, we maintained stable capital efficiency and profitability with ROE at 20.0% and ROA at 14.4%.

### Changes in ROE and equity ratio



### Changes in ROA and total assets



\*The results for FY4/22 were the figures based on a consolidated accounting. ROE: Return on Equity, ROA: Return on Asset

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Please take a look at page eight, where we have newly added ROE and ROA from this fiscal year. ROE and ROA for the current fiscal year were 20% and 14.4%, respectively, maintaining a certain level of capital efficiency and profitability.

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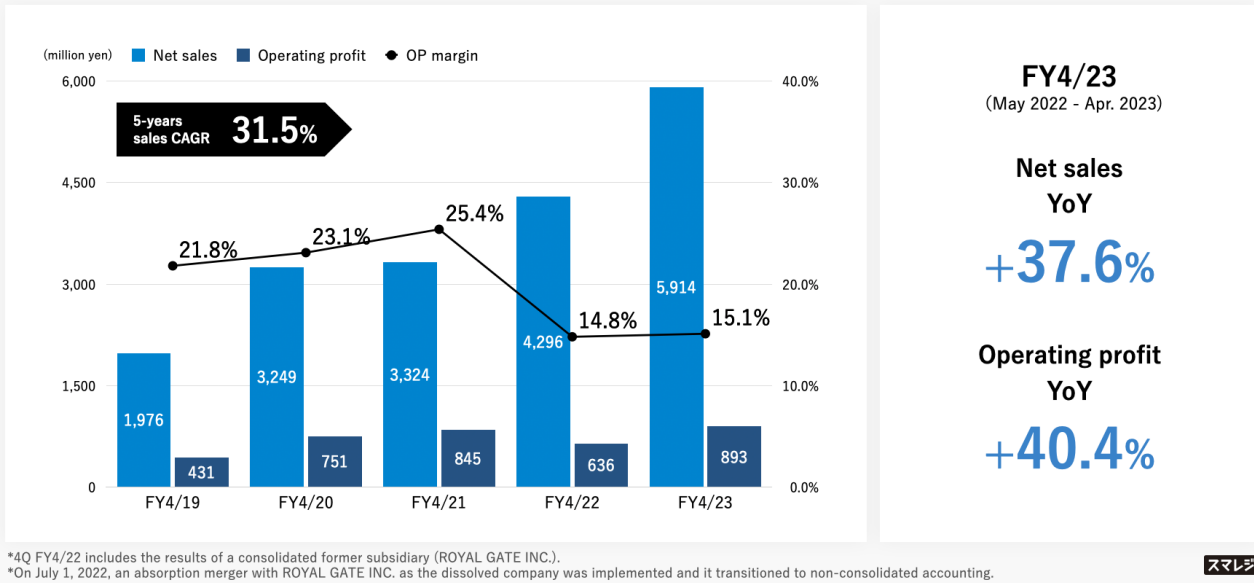
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## Changes in Net Sales, Operating Profit, and Operating Margin

FY4/23 Financial Summary 9

Net sales for FY4/23 increased 37.6% YoY and operating profit increased 40.4% YoY, marking significant growth from the plans at the beginning of the fiscal year. Operating margin landed at 15.1% due to S&M investments based on the Medium-term Management Plan.



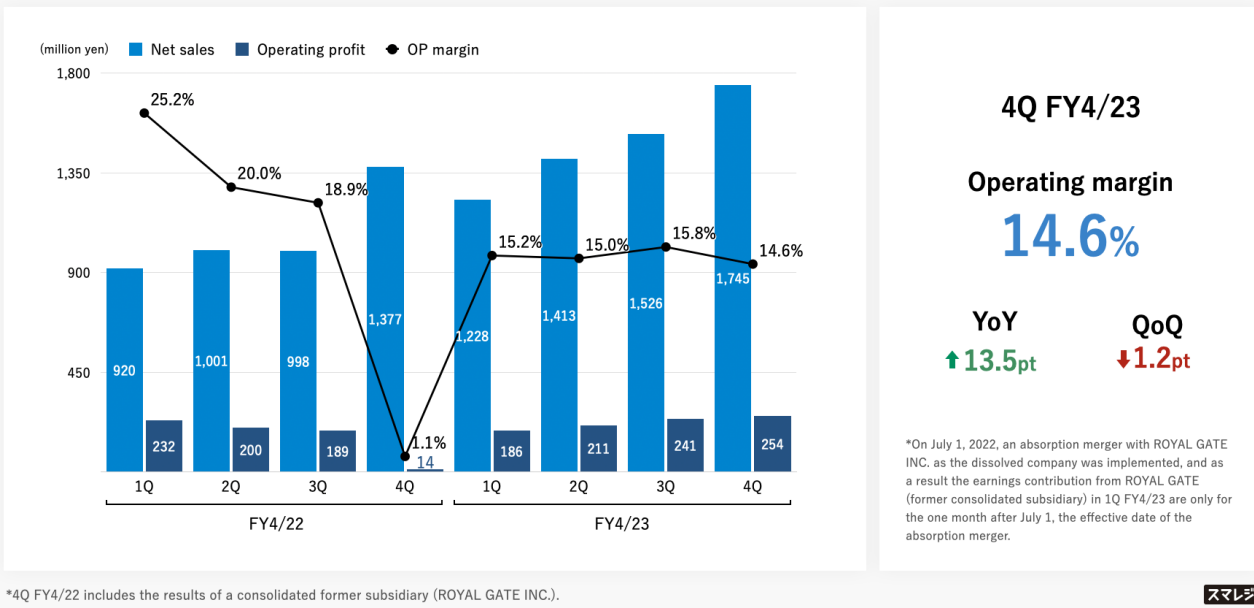
Next, I would like to show you the five-year trend of our business performance. In the fiscal year ended April 2021, the Company's performance stagnated once due to the COVID-19 pandemic, but it is back on a growth path in the last and current fiscal years.

The five-year average CAGR is 31.5%. In addition, operating profit reached a record high.

## Quarterly Changes in Net Sales, Operating Profit and Operating Margin

FY4/23 Financial Summary 10

In FY4/23, we invested efficiently in S&M across all four quarters of the year.



Quarterly progress. Sales increased significantly in Q4 due to the accumulation of monthly fees and the fact that March is a busy season every year.

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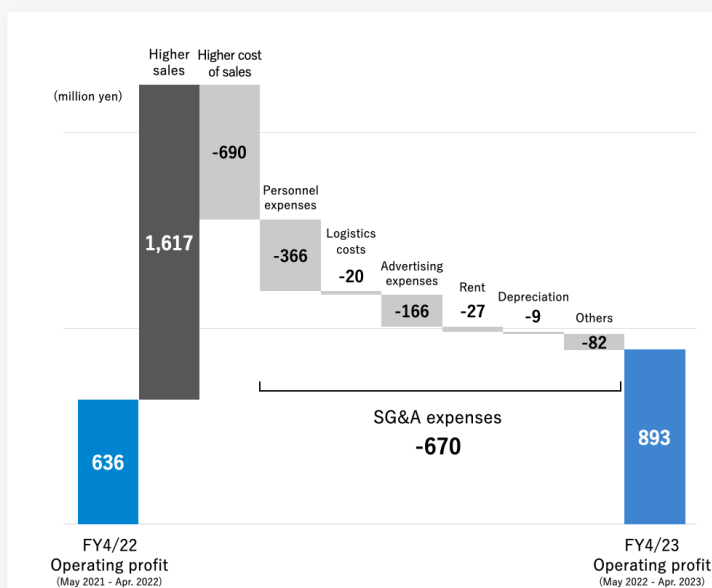
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Operating profit fell sharply in Q4 of the last fiscal year. This was due to an increase in advertising expenses and the closing bonus.

## Analysis of Changes in Operating Profit (YoY change)

FY4/23 Financial Summary 11



### Higher sales

- Number of fee-based contracts increased.
- Growth of consistent sales (monthly fees) due to low churn rate.
- Synergy through M&A with a payment company.
- Price revision of monthly fees for cloud services (New prices were applied from January 2023)

### Higher cost of sales

- Higher server expenses and equipment purchases because of the growth in sales.
- Higher personnel expenses due to the increased number of engineers.
- Increase in data center usage costs, etc. accompanying the operation of payment systems.

### Higher SG&A expenses

- Advertising expenses increased 31.6% YoY due to planned marketing activities.
- Higher personnel expenses due to the increased number of employees.
- Increase in other expenses due to M&A.

\*The results for FY4/22 was the figures based on a consolidated accounting.

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Regarding this fiscal year, we were able to generate a profit in Q4 as well due to better pacing of advertising expenses throughout the year and also due to the impact of price increases.

Now, here is a brief explanation of the components of sales, although it is not included in the material.

## 売上高内訳の事業

1. 2023年4月期決算概要  
決算説明資料のP49

### スマレジ (POS)

店舗経営の効率化とデータ経営を可能にするクラウドベースの新しいPOSレジシステム



### PAYGATE (決済)

様々な決済手段に対応したキャッシュレス決済サービス



### タイムカード (HR)

勤怠管理の枠を超えたHRサービス



### その他

SES  
など

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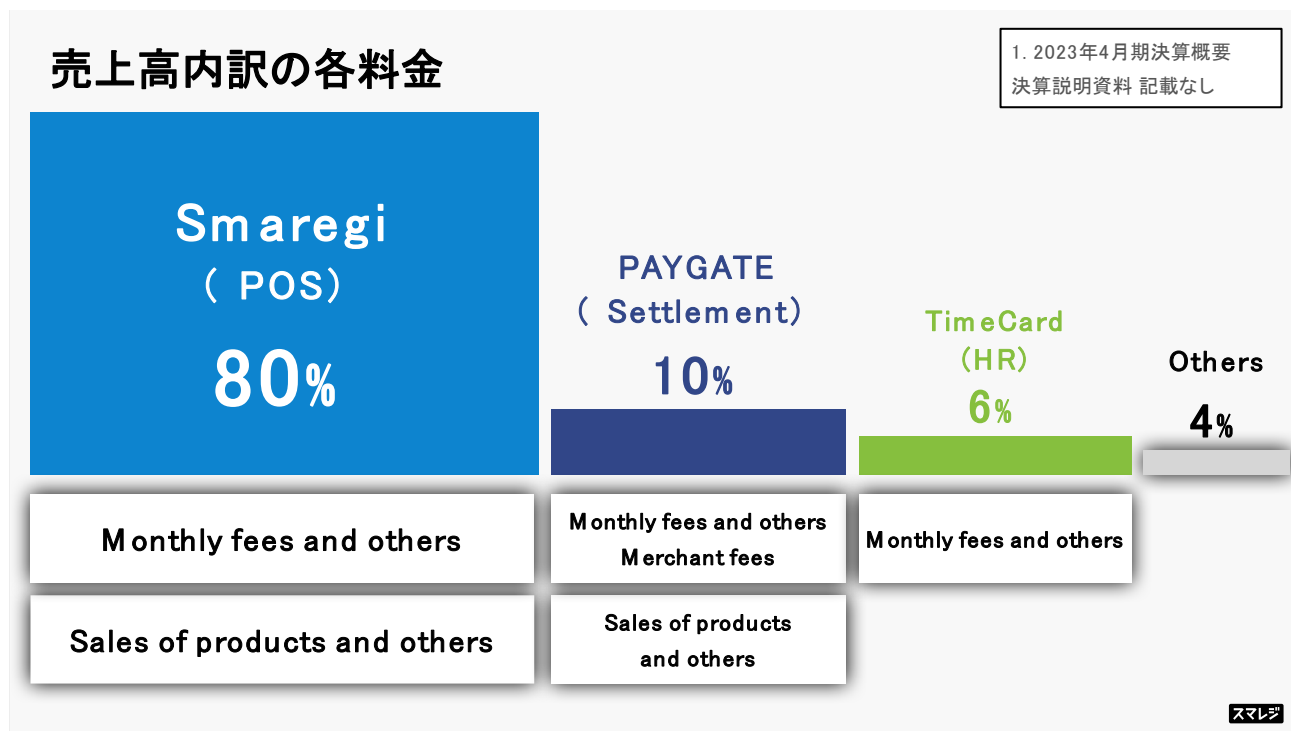
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Our business mainly consists of three main services: Smaregi, a cloud-based POS cash register service; PAYGATE, a cashless payment service; and TimeCard, an employee attendance management service.



Roughly 80% of sales are accounted for by Smaregi, 10% by PAYGATE, and 6% to 7% by TimeCard.



Then, from each classification, Smaregi is further divided into two categories: monthly usage fees and equipment sales. The monthly fee is MRR. PAYGATE also has the same monthly usage fee and settlement fee divided into two categories: MRR and equipment sales. There is no initial cost or equipment sales for the TimeCard, only a monthly fee.

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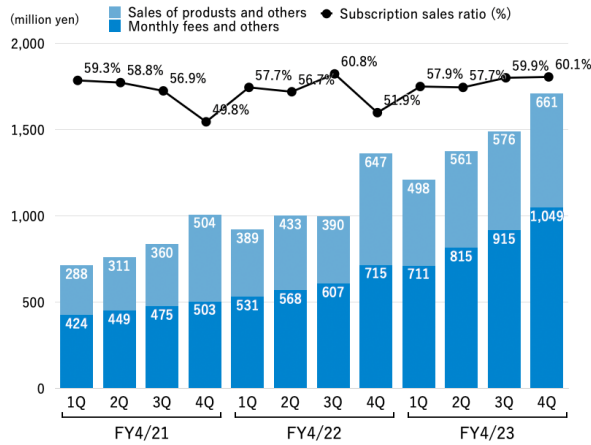


## Changes in Sales Composition

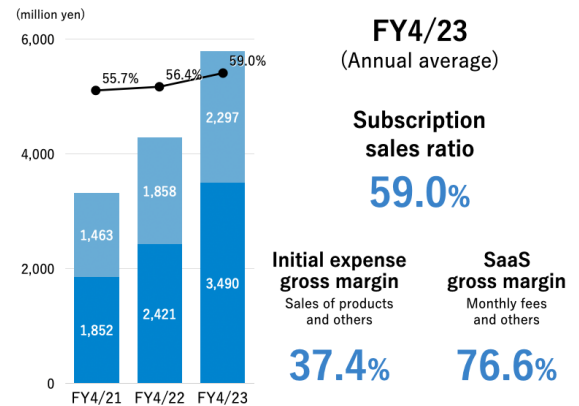
FY4/23 Financial Summary 12

Subscription sales (monthly fees and others) grew significantly by 44.1% YoY due to the increase in the number of fee-paying stores and the impact of price revisions. \*Price revisions were implemented from January 2023.

### Quarterly changes



### Annual changes



\*This graph does not include sales involving other system development expenses.

\*The earnings contribution from ROYAL GATE (former consolidated subsidiary) in 1Q FY4/23 is only for the one month after July 1, the effective date of the absorption merger.



Based on these factors, I will return to the financial results presentation. Then, please take a look at the quarterly performance overview on page 12. Quarterly and full-year changes in net sales are shown.

The breakdown is divided into MRR, such as monthly usage fees, and one-shot sales, such as equipment sales, with subscription sales ratio, or MRR, accounting for 59% of total sales.

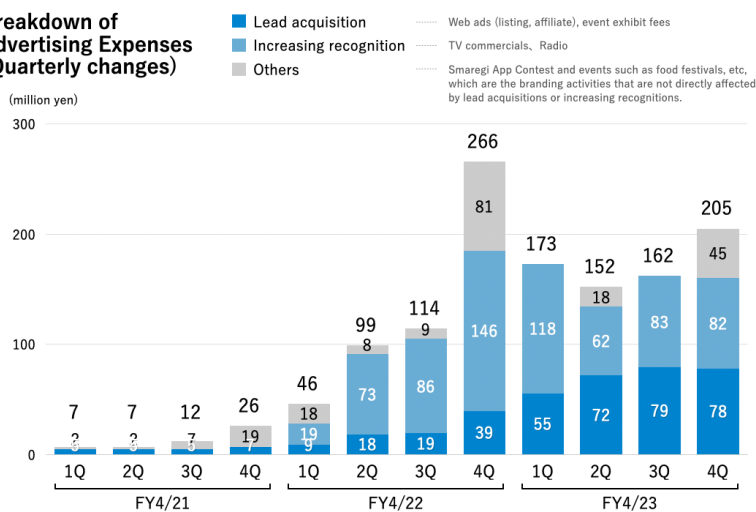
Monthly subscription fees and other sales have been accumulating nicely, and equipment sales have been growing, although there are fluctuations.

## Changes in Advertising Expenses

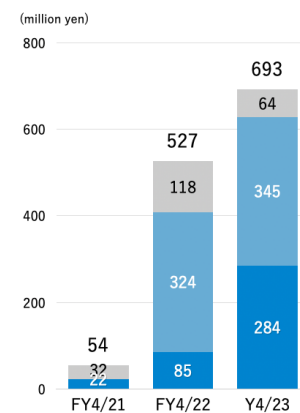
FY4/23 Financial Summary 14

Advertising expenses increased 31.6% YoY. We are continuing with efficient investments while optimizing spending with a focus on strategies for increasing recognition and lead acquisition, as well as utilizing exhibitions and other advertising channels.

### Breakdown of Advertising Expenses (Quarterly changes)



### Annual changes



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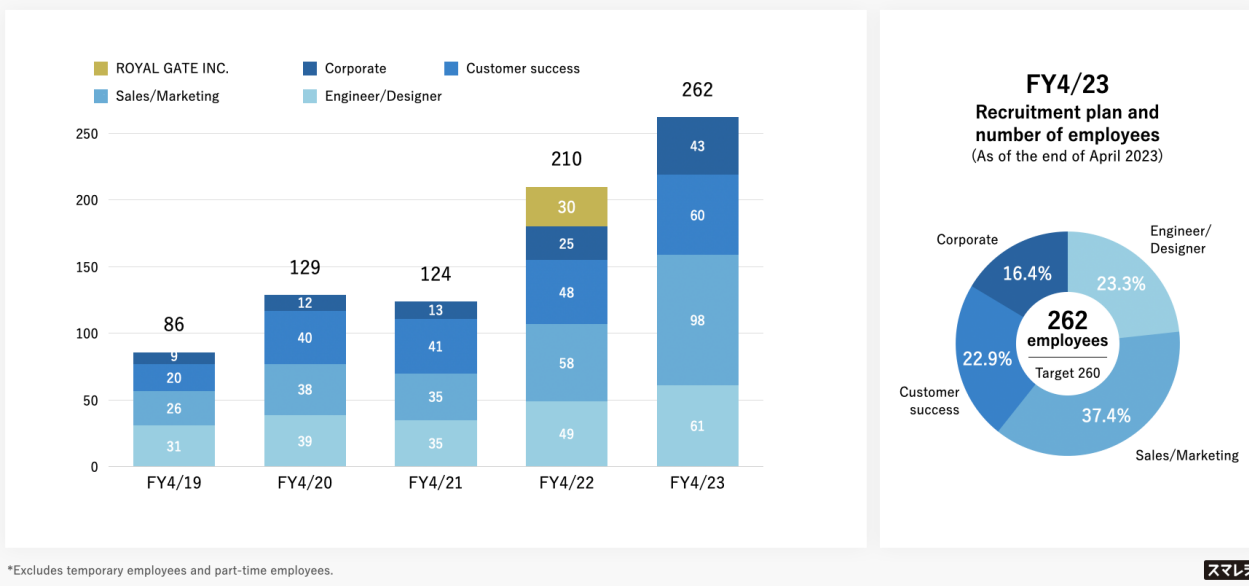


Moving on to page 14, here are the advertising expenses. We continued to conduct promotional activities throughout the year. Advertising for direct lead acquisition purposes amounted to JPY284 million, and advertising for TV, radio, and other media for the purpose of gaining recognition amounted to JPY345 million.

## Growth in Number of Employees

FY4/23 Financial Summary 15

We implemented the recruitment plan based on our growth strategy and strengthened the workforce across all departments. We achieved the target set out in the full-year recruitment plan for FY4/23 (50 additional employees), with the total number increasing by 52 employees YoY to 262 employees.



Page 15, employees. The number of employees was 262, almost in line with the recruitment plans.

## Impact of price revisions

Business Summary 20

Cloud service prices were revised from January 2023 with the aim of strengthening the operational system. Although there were some downgrades, thorough steps were taken to support individual cases. As a result, there was hardly any negative impact.

### Impact to date (As of April 30, 2023)

**Churn rate** No notable changes

**Customer unit price** ARPA +17.4% ARPU +17.7%  
(Comparison of 4Q FY23 after price revisions and 2Q FY23 before price revisions)

**Number of inquiries** 48

Main contents of inquiries	No. of inquiries
Wish to know the billing amount from January	22
Requests to review the start date for the application of price revisions (While the price increase is acceptable, would like to request for adjustment to the start date as internal procedures take time, and the timing for notification was too late, etc.)	6
Questions about the background to the price increase	4

\*Inquiry information obtained through the dedicated inquiry form was categorized by type of inquiry

### Price revisions (Applying from January 1, 2023)

Smaregi		
Main service plans	Previous price	New price
Premium	¥4,000	→ ¥5,000
Premium Plus	¥7,000	→ ¥8,000
Food Business	¥10,000	→ ¥11,000
Retail Business	¥12,000	→ ¥14,000
Food Retail	¥15,000	→ ¥17,000

Smaregi TimeCard		
Main service plans	Previous price	New price
Standard	¥1,000	→ ¥1,100
Additional fee per person	¥100/person	→ ¥100/person
Premium	¥2,000	→ ¥2,200
Additional fee per person	¥300/person	→ ¥350/person
Premium Plus	¥4,000	→ ¥4,400
Additional fee per person	¥400/person	→ ¥450/person
Premium Plus (POS combination)	¥2,000	→ ¥2,200
Additional fee per person	¥400/person	→ ¥450/person
Enterprise	¥6,000	→ ¥6,600
Additional fee per person	¥600/person	→ ¥700/person

\*All prices above are excluding tax.

\*ARPA(Average Revenue Per Account): Customer unit price per contract ID (only for paid plan contracts).

\*ARPU(Average Revenue Per User): Customer unit price per store (only for paid plan contracts). Both are NOT include sales from Smaregi TimeCard, Smaregi App Market, or the payment service.

I will continue with a report on business activities.

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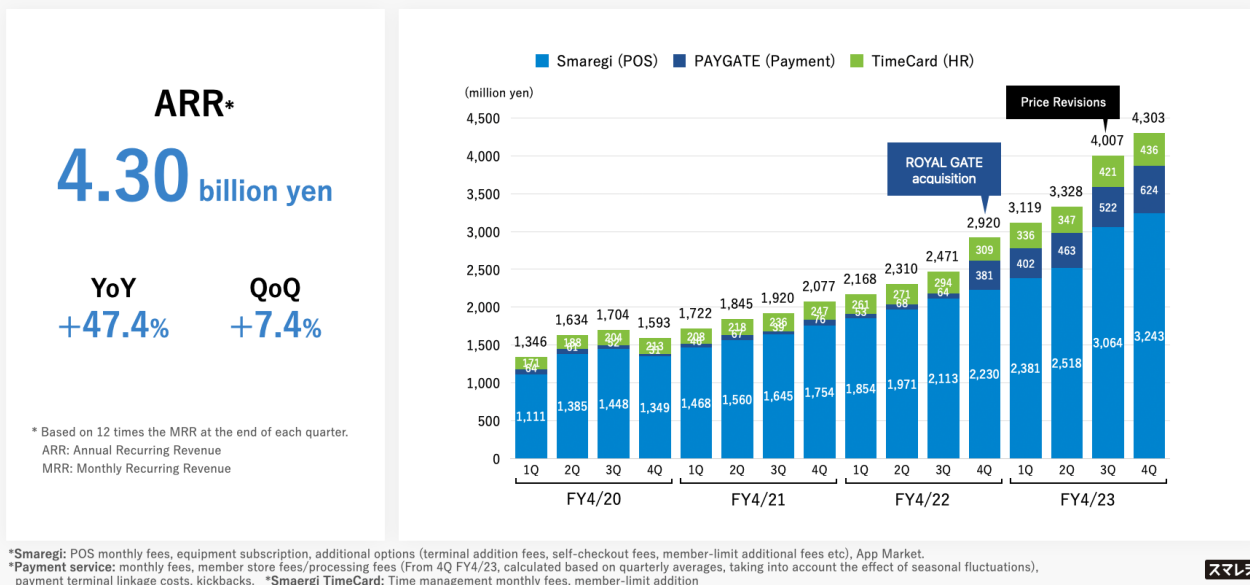
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Prices were revised in January 2023, with an average increase of about 13%. Some downgrades occurred, but they were handled thoroughly on an individual basis, and no major complaints or cancellations occurred.

## Annual Recurring Revenue (Subscription Sales)

Business Summary 21

Due to the increase in number of fee-paying stores and the impact of price revisions, ARR exceeded the ARR plan after the upward revision (4.1 billion yen) by 4.9% to reach 4.3 billion yen. ARR for payment services grew 63.8% YoY to 624 million yen on the back of enhanced cross-selling efforts.



This is the transition of ARR, which is our most important KPI. ARR was JPY4.3 billion due to customer growth and price revisions. From cross-selling reinforcement, payment services in particular grew significantly, up 63.8% from the previous year.

The ARR is calculated by multiplying the MRR at the end of the period by 12. Since settlement fees are subject to GMV, quarterly changes and quarterly averages are used to account for seasonal fluctuations. This will start this year.

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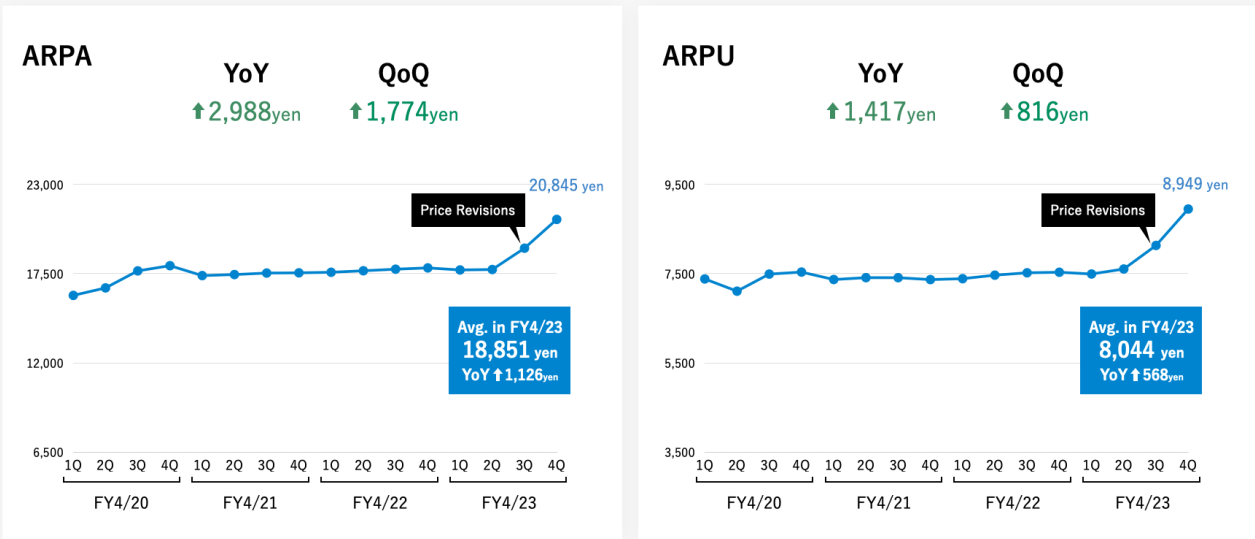
<b>ARPA</b> <b>18,851 yen</b> YoY +6.4%	<b>ARPU</b> <b>8,044 yen</b> YoY +7.6%	<b>Avg. stores per contract</b> <b>2.34 stores</b> YoY -2.1%	<b>MRR churn</b> <b>0.58%</b> YoY -0.02%
<b>CAC</b> <b>252,094 yen</b> YoY +10.3%	<b>LTV</b> <b>719,741 yen</b> YoY +3.3%	<b>Unit economics</b> LTV/CAC <b>2.86</b> YoY -6.2%	<b>No. of apps</b> <b>106</b> YoY +27 apps
<b>No. of fee-paying stores</b> <b>29,410 stores</b> YoY +20.3%	<b>MAU</b> <b>36,375 stores</b> YoY +19.8%	<b>No. Of registered stores</b> <b>126,620 stores</b> YoY +14.4%	<b>GMV</b> <b>1.63 trillion yen</b> YoY +44.0%

ARPA: revenue per customer for each fee-based contract, ARPU: revenue per customer for each fee-paying store, MRR churn: the attrition rate calculated by using Smaregi monthly recurring revenue, CAC: the customer acquisition cost per contract, LTV(customer lifetime value): the lifetime value per customer for each contract (excluding product sales for cloud services), calculated on a gross profit basis using account churn by contract, rather than MRR churn, Unit economics: profitability per customer obtained by dividing LTV by CAC, No. of apps: total number of public apps available on the Smaregi App Market, MAU: active stores with transactions in the current month, GMV: total value of distribution transactions processed by Smaregi



A KPI summary of the Smaregi KPI summary is provided on page 22. Various KPI figures are shown in the material.

Customer unit price increased significantly due to the impact of price revisions \*1 (compared to 2Q FY4/23 before the price revisions, ARPA increased 17.4% and ARPU increased 17.7%). \*Price revisions were implemented from January 2023



\*ARPA(Average Revenue Per Account): Customer unit price per contract ID (only for paid plan contracts), \*ARPU(Average Revenue Per User): Customer unit price per store (only for paid plan contracts). Both are NOT include sales from Smaregi TimeCard, Smaregi App Market, or the payment service.



The impact of the price revision led to a significant increase in the unit price per customer. Compared to Q2 before the price revision, ARPA and ARPU increased by 17.4% and 17.7%, respectively.

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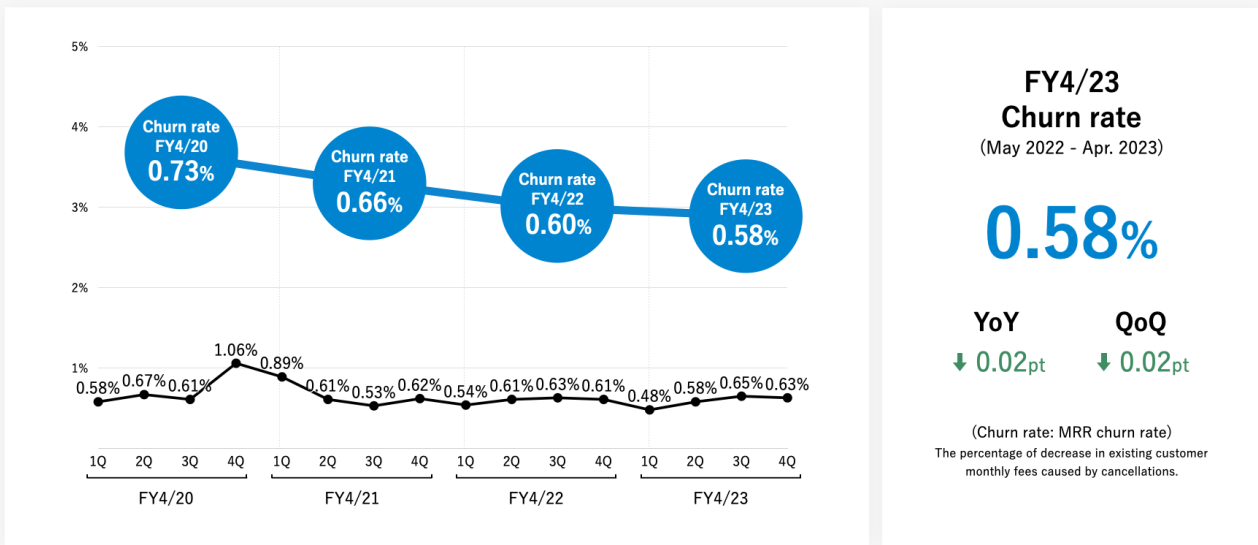
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**POS Changes in Churn Rate**

There have been no noticeable effects from the price revisions, and average churn rate for FY4/23 reached a record low of 0.58%. We have continued with measures to strengthen onboarding and improve service quality.



**FY4/23 Churn rate**  
(May 2022 - Apr. 2023)

**0.58%**

YoY **↓ 0.02pt**      QoQ **↓ 0.02pt**

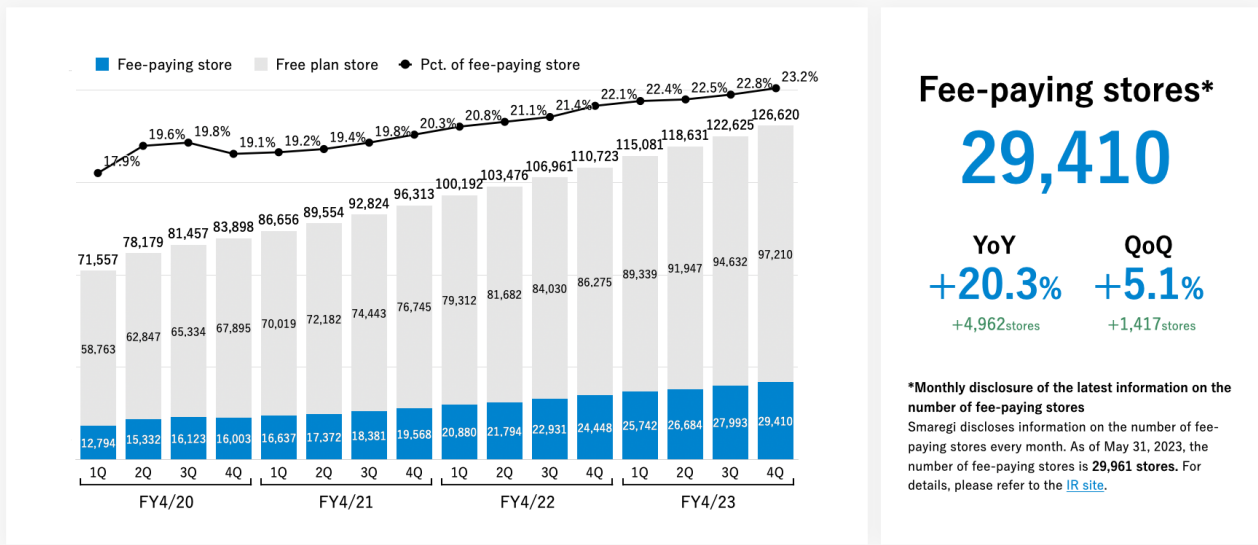
(Churn rate: MRR churn rate)  
The percentage of decrease in existing customer monthly fees caused by cancellations.



On the other hand, there was no significant change in churn rates.

**POS Quarterly Progress in Number of Registered Stores and Fee-paying Stores**

Store numbers continued to grow steadily even after the price revisions. The ratio of fee-paying stores also increased 1.1 points YoY to 23.2%.



**Fee-paying stores\***

**29,410**

YoY **+20.3%**      QoQ **+5.1%**  
+4,962 stores      +1,417 stores

\*Monthly disclosure of the latest information on the number of fee-paying stores  
Smaregi discloses information on the number of fee-paying stores every month. As of May 31, 2023, the number of fee-paying stores is 29,961 stores. For details, please refer to the [IR site](#).



The number of stores subscribing to paid plans increased by 4,962 during the year to 29,410.

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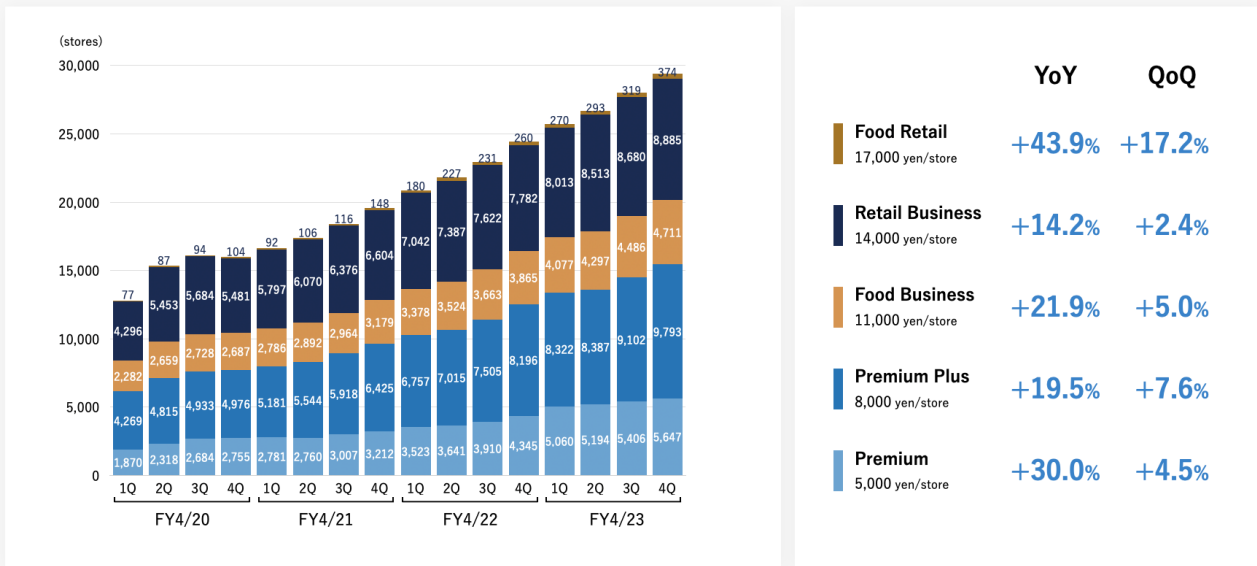
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## POS Composition of Plan Categories with Fees

Business Summary 26

Even after the price revisions, the increasing trend has been sustained through steady growth for each plan.



\*Free plan stores paying a fee due to the use of an optional service are not included in this graph.  
\*Please refer to the [IR site](#) for the latest number of stores per plan (as of May 31, 2023).

\*The price for each plan is the monthly price after the January 2023 revision (excluding tax).

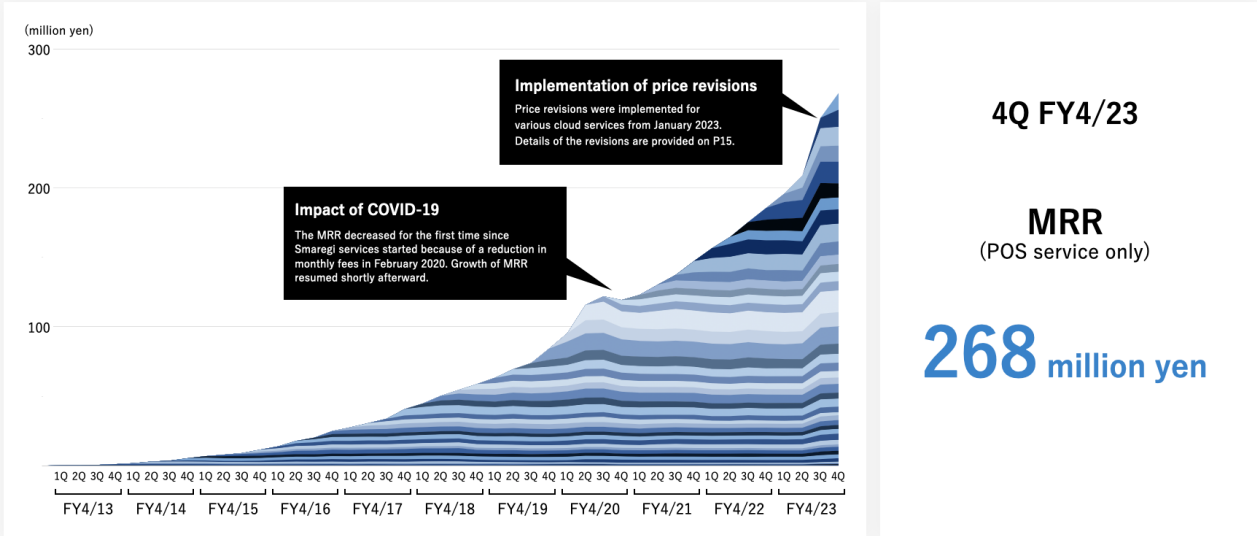


Contracts increased steadily for all plans.

## POS Monthly Fees by Quarter of Start of Services

Business Summary 29

MRR increased due to the price revisions. We are achieving sustainable growth through the steady growth of MRR brought about by new contracts and the stable, continuous use of services by customers due to a low churn rate.



\*Although monthly fees for Smaregi were reduced in March - April 2020 in consideration of the impact of the COVID-19 pandemic, the impact of this reduction measure has not been included in the graph above.



MRR trends by service start date. MRR grew significantly due to steady new acquisitions and the implementation of price revisions for all users.

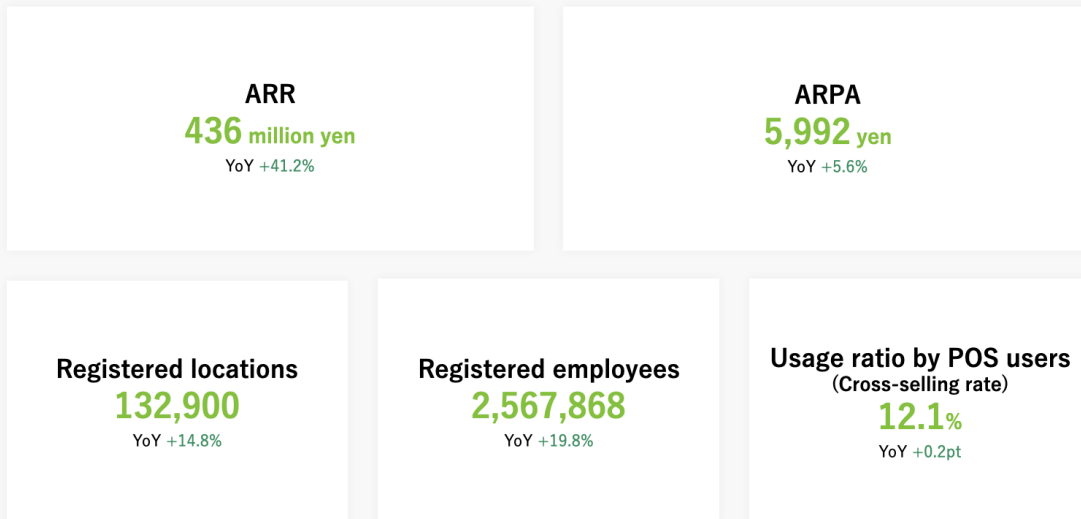
In addition, graphs are accumulating as long-time customers continue to use the service without canceling their contracts.

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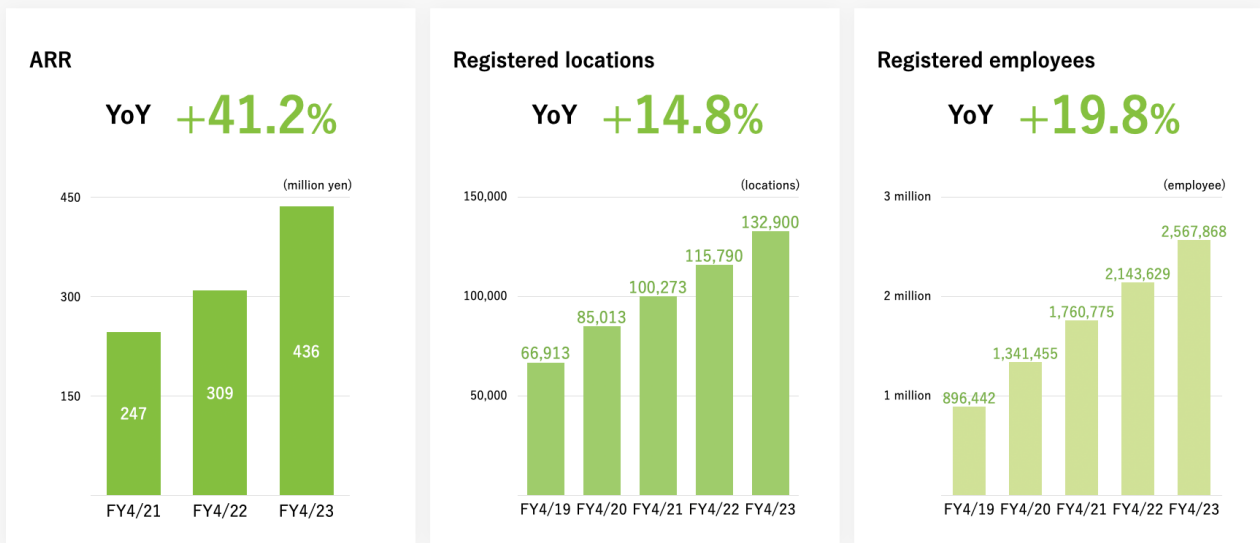




ARR (annual recurring revenue from monthly Smaregi TimeCard utilization fees): April 2023 MRR multiplied by 12, ARPA: revenue per customer for each fee-based contract, Usage ratio by POS users: combined usage rate of TimeCard among POS register users is calculated based on contract ID.



We are strengthening cross-selling measures for TimeCard (HR) to POS register users, based on the Medium-term Management Plan. The cross-selling rate for POS register users increased by 0.2 points YoY to 12.1% as a result of thorough onboarding efforts and enhanced functions.



The performance of TimeCard, an employee attendance management service, is summarized on pages 30 and 31 of the material.

ARR was JPY436 million, up 41.2% from last year, thanks to an increase in customers and price revisions. The cross-sell rate with POS users was 12.1%.

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## Forecast of the FY4/24 (Plan)

Business Plan for FY4/24 34

We plan to invest actively with a view to increasing earnings while maintaining sales and profit growth. We aim to achieve the goals of the Medium-term Management Plan, and to increase ARR by increasing the number of contracts as well as customer unit price.

(million yen)	FY4/24 (May 2023 - Apr. 2024)		FY4/23 (May 2022 - Apr. 2023)
	Plan	YoY changes	Results
Net sales	<b>7,688</b>	+30.0%	5,914
Operating profit	<b>914</b>	+2.4%	893
Ordinary profit	<b>914</b>	+2.1%	896
Profit	<b>636</b>	-28.3%	887

スマレゾ

Next, I will explain our outlook for the fiscal year ending April 30, 2024.

This is the plan for the fiscal year ending April 2024. While maintaining increased sales and profits, we plan to make aggressive investments to expand earnings.

Sales are projected at JPY7,688 million, up 30% YoY. Based on the trend of past performance, we expect organic growth in the current fiscal year as well. In addition, we expect that the current situation, in which the number of inbound travelers to the city has increased dramatically since the COVID-19 pandemic, will lead to the opening of new stores and the streamlining of operations at existing stores.

Operating income was JPY914 million, up 2.4%. We have already received several questions about the decline in the operating margin. We are taking on more SG&A expenses to ensure that we will achieve the ARR target set in our medium-term management plan.

This includes personnel, advertising, and R&D expenses. Of course, we do not use them in a wasteful manner, but our first two priorities are to obtain ARR and to increase sales linked to ARR.

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## 経営幹部体制の強化

3. 2024年4月期 業績見通し  
決算説明資料のP58

### 社外取締役を1名増員（予定）



社外取締役（新任候補者）  
ブランディング/コミュニケーション戦略  
**井川 沙紀**

スタッフサービスHD、プレッツェルジャパン、トリドール、BLUE BOTTLE COFFEE Inc. アジア支社長を経て、2022年インフロレッセスを創業。  
店舗経営と企業ブランディング、コミュニケーション戦略の知見に期待。

### 内部昇進により新執行役員に



執行役員  
ビジネスアライアンス/アプリマーケット 担当  
**鈴木 周吾**

製造小売企業を経て2016年入社。サービスパートナー制度やパートナー推進部の立ち上げに従事。  
またアプリマーケットや決済事業の立ち上げを推進。

スマレゾ

Ahead of the July shareholders' meeting, we selected yesterday our nominees for the new year's Board of Directors. Ms. Saki Igawa, who was in charge of the launch of Blue Bottle Coffee Japan, has been added as an outside director. We look forward to utilizing her expertise in store management and corporate branding for our company.

We are also pleased to report here that Mr. Shugo Suzuki, who was the General Manager of the Partner Promotion Department until last year, has been promoted to the position of Executive Officer, strengthening our executive management structure.

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**VISION 2031**

Goal

Active Store

**300,000**

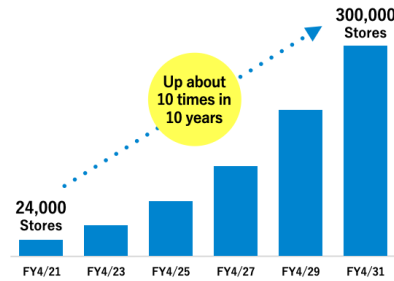
Share in the mid-sized category

**38%**

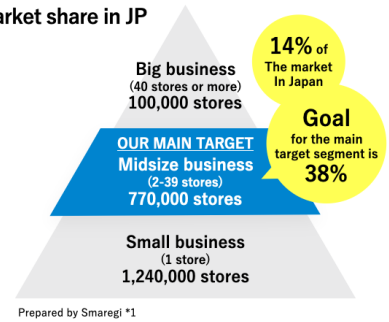
To become the top company in the POS market, we first aim to be the top in the mid-size business category in Japan.

The target has been enlarged from the core midsize business category to include big businesses and small businesses.

Number of active stores



Market share in JP



\*1 Based on 2016 Economic Census conducted by the Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communications.



I will continue by explaining our long-term vision, medium-term management plan, and our growth strategy.

Two years have passed since we started the plan called VISION 2031. The plan is to acquire 300,000 active stores and become Japan's leading POS company.

I will deviate from the material a little about why we want to be the best in Japan, but I will briefly talk about it.

## レジの歴史は長く、電機メーカーの市場

4. 長期ビジョンと中期計画  
決算説明資料 記載なし



引用: Wikipedia



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As you may know, cash registers have existed for more than 100 years, and almost all stores in Japan have them. Therefore, it can be said that the market has been saturated, and in Japan, Toshiba TEC and other electronics manufacturers have created the market.

## スマレジはソフトウェアとデータに特化

4. 長期ビジョンと中期計画  
決算説明資料 記載なし



HARDWARE

## SOFTWARE & DATA

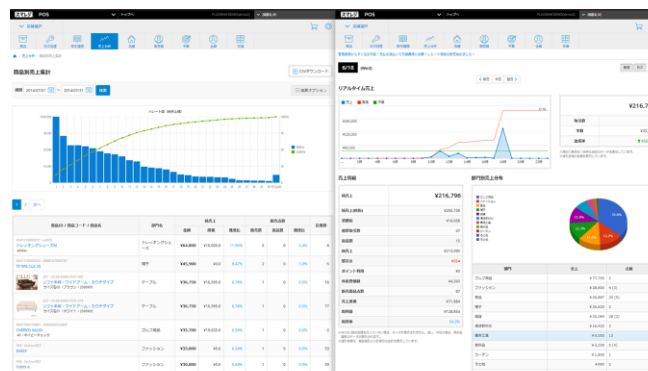


スマレジ

In contrast, Smaregi was created to specialize in its contents, software and data. We use iPads for our smart cash registers, but we see no problem with that being replaced by mobile ordering, ticket vending machines, and e-commerce sites.

## データ経営の時代がくる

4. 長期ビジョンと中期計画  
決算説明資料 記載なし



データ収集 → 分析 → 活用

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This is because we believe that the era of data management will come, in which data such as who bought what, when, where, how many, and at what price will be collected, analyzed, and utilized.

**スマレジ** 経営理念

# OPEN DATA, OPEN SCIENCE!!

This is our management philosophy, OPEN DATA, OPEN SCIENCE. The POS data of a store is the customer's own, and our goal is to make it easy for customers to easily access and use that data. That has become the most important feature of the current Smaregi.

## スマレジはデータの出し入れが簡単

4. 長期ビジョンと中期計画  
決算説明資料 記載なし

### CSVインアウト



大半のデータを  
CSV形式でアップ・  
ダウンロード可能

### オープンAPI



開発者向け。会計や基  
幹システム等、他社サ  
ービスとの連携が可能

他社CRMやERPなど連携実績多数

### アプリマーケット



様々な業種への多面的  
なアプローチと利便性  
の向上を実現

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We have three mechanisms for moving data in and out of the system. The first, CSV, is simply a mechanism for uploading and downloading as an Excel file. The second one, API, is a function for developers to directly

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integrate with other systems and services. For example, sales data can be developed to be directly connected to an accounting system or accounting software. The third one, application market, is a platform. In other words, Smaregi is the basic platform, on top of which various additional functions and additional applications can be added or removed.

## 多種多様な店舗業態が存在する

4. 長期ビジョンと中期計画  
決算説明資料 記載なし



There are two major types of businesses among Smaregi users: retail and restaurant, but even within the retail industry, there are, for example, glasses store, clothing stores, cake shops, etc., and the business systems everyone wants are quite different. If you were a cake shop, you would have to manage expiration dates and production processes, and it would be impossible for us to handle and pick up all of their requests.

## そこでアプリマーケットをリリース

4. 長期ビジョンと中期計画  
決算説明資料 記載なし



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Therefore, three years ago, in 2020, we created a system called the App Market. Basic functions are provided by Smaregi. Niche functions and special operations for each type of business can be added or removed as needed.

## リリースから2年半で100個を超える

4. 長期ビジョンと中期計画  
決算説明資料 記載なし



In the two and a half years since we started this App Market system, the number of apps has exceeded 100. The combination of the basic functionality of a highly functional Smaregi with the ease of connectivity is now a key feature. Now, Smaregi is based on this platform strategy.

### Long-term Vision - VISION2031

Long-term Vision and Medium-term Management Plan 37

# VISION 2031

**Goal**

Active Store

## 300,000

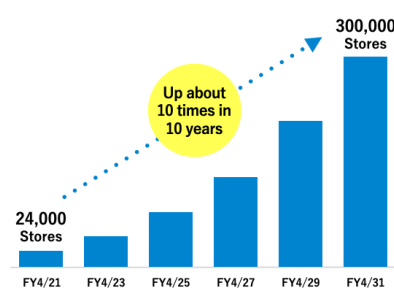
Share in the mid-sized category

## 38%

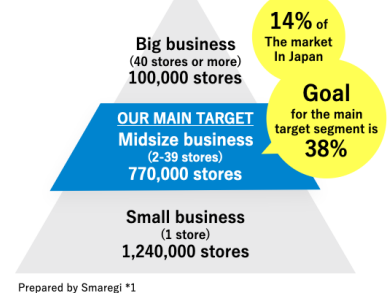
To become the top company in the POS market, we first aim to be the top in the mid-size business category in Japan.

The target has been enlarged from the core midsize business category to include big businesses and small businesses.

Number of active stores



Market share in JP



\*1 Based on 2016 Economic Census conducted by the Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communications.

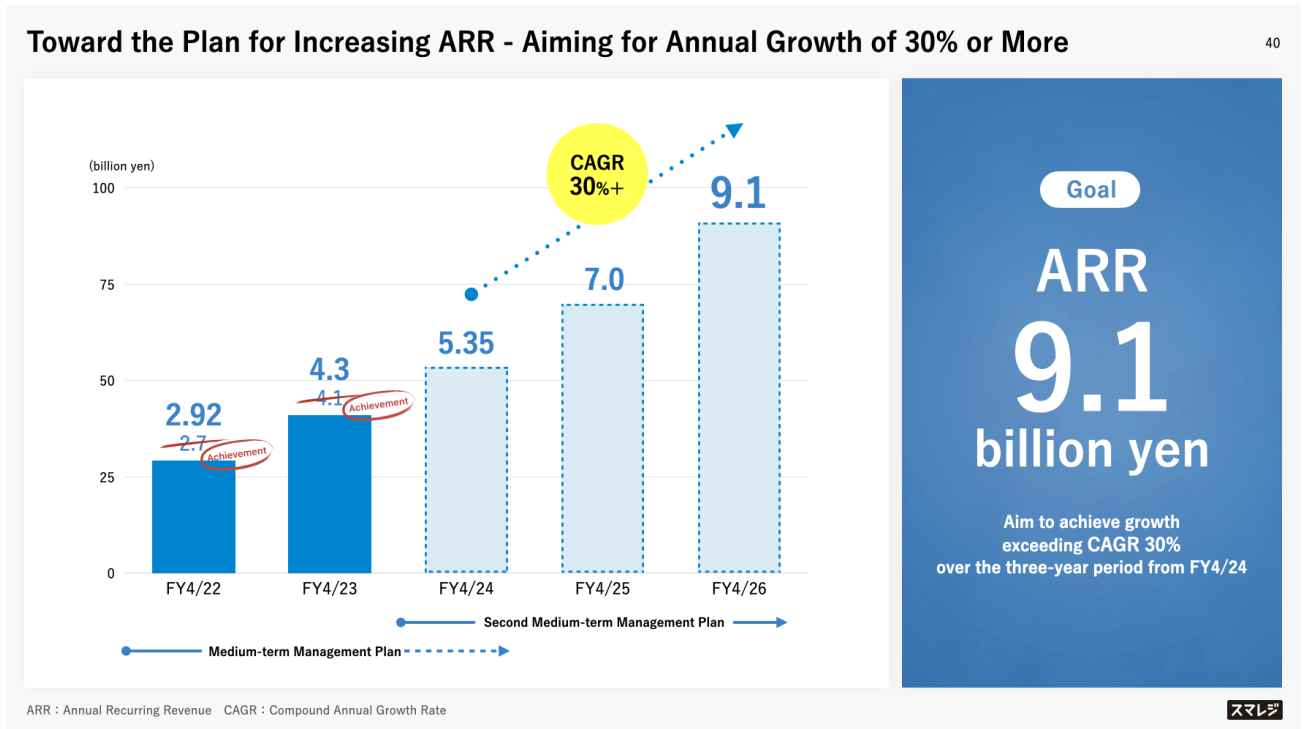
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Now, back to the mid-term plan. Please see page 37 of the material. Software and data are important, not hardware sales, and so the most important KPI is ARR accordingly.



ARR for the fiscal year ended April 2023 was JPY4.3 billion, compared to the plan of JPY4.1 billion. Three years from now, in the fiscal year ending April 2026, we aim to achieve an ARR of JPY9.1 billion.

In our medium-term plan, we have left next year's plan unchanged at JPY5.35 billion, but we have also set an average annual growth rate of 30%, which we will continue to work toward achieving this year.

### Basic Strategy for the Second Medium-term Management Plan

Long-term Vision and Medium-term Management Plan 41

We have carried forward measures from the First Medium-term Management Plan. We aim to maximize ARR by increasing the number of contracts as well as customer unit price.

#### Increase the number of contracts

Marketing, Sales strategy

### Acquire new users

Strengthen targets through market segmentation strategy	NEW
Approach EC businesses	NEW
Continue with S&M investment	Continue

#### Increase customer unit price

Customer success, Upselling/cross-selling measures

### Expand usage by existing customers

×

Upsell

Cross-sell

Enhance payment services	Continue
Strengthen App Market	Continue
Strengthen Smaregi TimeCard	Continue

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Now, I will explain specific measures on how to obtain an ARR. ARR can be expressed as the number of customers, here multiplied by the number of stores per customer. We need to increase both the number of customers and the unit price per customer.

There are three measures to increase the number of customers: strengthening targets through market segmentation strategies, approaching e-commerce businesses, and continuing S&M investments. There are also three measures to increase the cost per customer: strengthening payment services, reinforcing the App Market, and reinforcing the Smaregi TimeCard.

**Toward the Plan for Increasing ARR - Market Segmentation Strategy** NEW 42

Strengthen targets through market segmentation and enhance marketing efficiency

### Market segmentation strategy

Break down the broad target segments of “retail stores” and “restaurants” by “type of industry/business” and “scale,” and strengthen the approach to specific industries.

Strive to enhance sales and market efficiency through the detailed segmentation of targets.

Through the App Market, provide niche functions that the target industries/businesses demand.

Retail 42%			F&B/Accommodations 27.6%	
Food and drinks <b>280,000</b>	Cars/Bicycles <b>89,000</b>	Machinery & equipment <b>44,000</b>	Accommodations <b>45,000</b>	Bars <b>181,000</b>
Apparel* <b>99,000</b>	Daily necessities <b>30,000</b>	Medical/Cosmetic products <b>85,000</b>	Specialty restaurants <b>198,000</b>	Cafes <b>60,000</b>
Agricultural supplies/Fuel <b>59,000</b>	Entertainment <b>40,000</b>	Furniture & fittings <b>33,000</b>	Takeaway/Delivery <b>52,000</b>	Other <b>72,000</b>
Books/Stationery <b>33,000</b>	Non-store retailers <b>34,000</b>	Other <b>98,000</b>	<b>Services 19.7%</b>	
<b>Medical care 10.7%</b>				
Clinics/Therapeutic businesses <b>153,000</b>	Dental clinics <b>63,000</b>	Other <b>20,000</b>	Entertainment facilities <b>36,000</b>	Other <b>89,000</b>

\*Clothing, drapery, fabric, bedding, etc. (stores)

Prepared by Smaregi based on the "2016 Economic Census for Business Activity," Ministry of Economic, Trade and Industry/Ministry of Internal Affairs and Communications

The first is a market segmentation strategy. This is a step forward from the platform strategy explained earlier.

We will segment retailers and restaurants, which are the main targets of Smaregi, more finely and precisely. We will provide solutions that properly fit each type of business. We are currently conducting interviews in each of these industries to find out the issues while deepening our industry knowledge.

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23

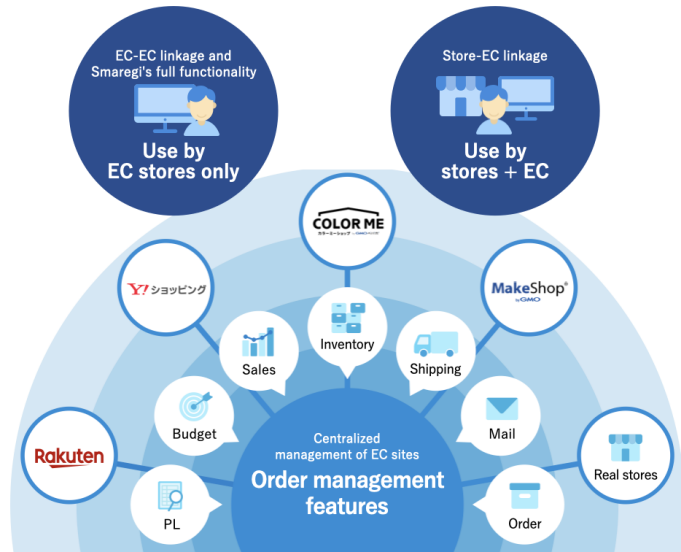


Expand sales channels to EC businesses by strengthening EC functions

### Enabling use of Smaregi by EC stores through EC-EC linkage and EC-store linkage

EC functions were updated in August 2022. This made it possible for **EC businesses** that do not have physical stores **to make use of all Smaregi functions.**

Inventory linkage had been the greatest issue for EC businesses. However, **by using Smaregi, it is now possible to link inventory in physical stores and EC stores easily.** We will promote the use of Smaregi among EC businesses as a store tool for the EC era that moves beyond the POS register mechanism.



\*We plan to update the functions successively, such as compatibility with mall EC carts, etc.



The next strategy is to approach EC businesses. We see this as essential for the retail industry in general, even before segmentation.

I believe that the majority of companies are now operating several e-commerce sites at the same time, not one e-commerce site. Users will find it overwhelmingly easier to link store and e-commerce management, including sales, inventory, and customer management. Therefore, we will concentrate on strengthening this area and expand its introduction to retailers.

We have already made some progress in implementing this functionality through the App Market, but we are still working on improving it.

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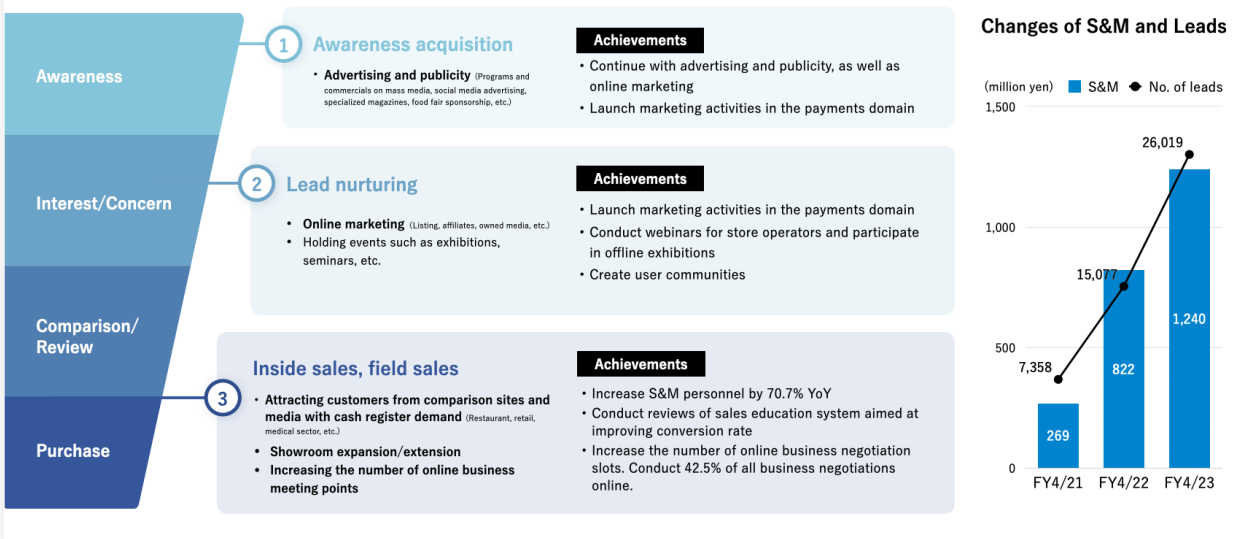
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## Increase Customer Unit Price - Continue with S&M investment

Long-term Vision and Medium-term Management Plan 44

Implement measures tailored to each marketing funnel and increase CVR at each stage.



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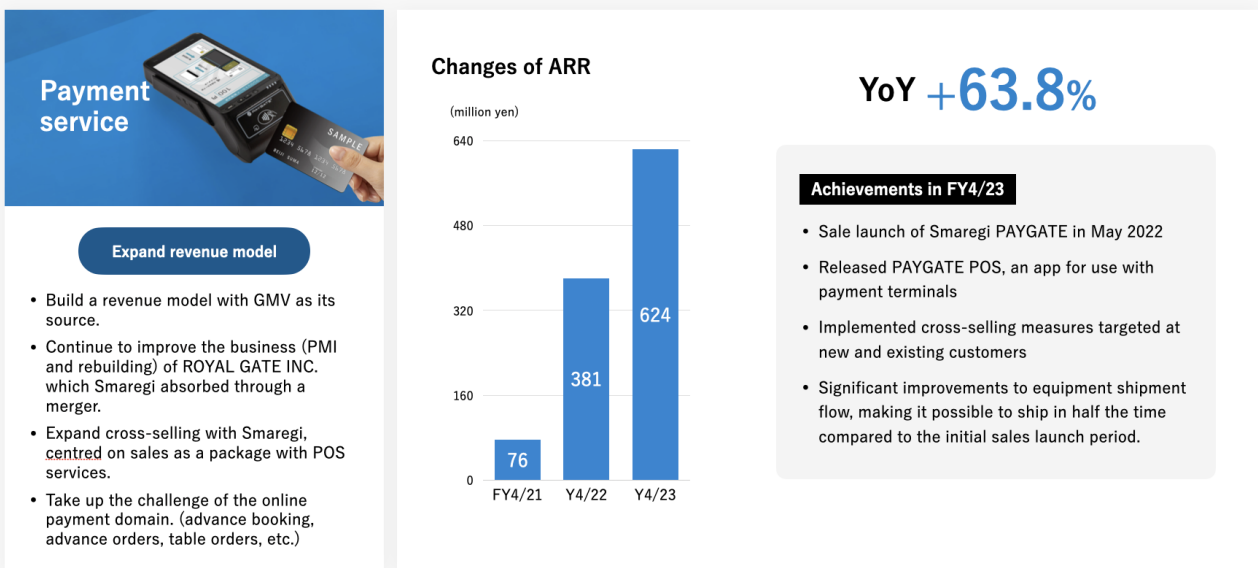
Third, we continue to invest in S&M. While we will not explosively increase our advertising budget, we will continue to focus on more efficient and effective advertising.

In addition, we will increase the number of salespeople and at the same time provide training to improve the quality of sales.

## Increase Customer Unit Price - Enhance payment services

Long-term Vision and Medium-term Management Plan 45

Expand our earnings model in the payments domain with a focus on the cross-selling strategy with Smaregi POS.



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This is a measure to increase the cost per customer. The first is to strengthen payment services. We brushed up PAYGATE and were able to grow it significantly with a positive 63.8% YoY growth, but we feel there is still a lot of potential.

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We will further improve the service and aim to increase revenue by acquiring new customers, selling the service as a set with Smaregi, and promoting proposals to existing Smaregi users.

## Increase Customer Unit Price - Strengthen App Market

Long-term Vision and Medium-term Management Plan 46

Enhance customer satisfaction and increase customer unit price by providing niche functions through our developer partners.

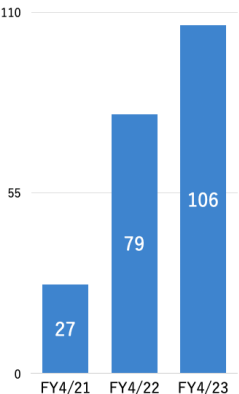


**App Market**

**Improve customer satisfaction customer**

- Aim to increase customer unit price and improve customer experience (CX) by providing industry-specific niche functions.
- Aim to strengthen collaboration with development partners and increase the number of apps.
- Strengthen EC cart and social media tie-up for retailers. Enhance the OMO/omni-channel domains.

### Changes of Apps



Fiscal Year	Number of Apps
FY4/21	27
FY4/22	79
FY4/23	106


### App Development Partners

(As of April 30, 2023)

Corporate **889** Individual **510**

**Achievements in FY4/23**

- Released 27 apps in FY4/23, including apps linked to EC sites such as Yahoo! Shopping and Rakuten
- Launched the "Small- and Medium-sized Stores DX Consortium" and became a business supporting subsidies for introduction of IT. Promoted the use of apps in cooperation with developer partners.
- Enhanced web contents, such as improving and expanding adoption case studies




The second is to strengthen the application market. This platform strategy with the App Market is very important to us, as it is the foundation of our market segmentation strategy and our approach to e-commerce businesses.

The CVC, Smaregi Ventures, also serves to strengthen this App Market. We will work to expand both the number of applications and the number of users.

## Increase Customer Unit Price - Strengthen Smaregi TimeCard

Long-term Vision and Medium-term Management Plan 47

Cross-sell with Smaregi POS by enhancing HR functions for stores, on top of the existing sales strategy.



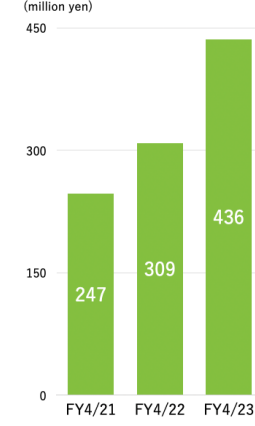
**Smaregi TimeCard**

**Strengthen functionality for stores and strengthen HR**

- Develop functionality for retail, apparel, and F&B businesses, which is Smaregi's strength.
- Strengthen employee management and overall work attendance and salary management as a means of acquiring CV regardless of industry and preventing cancellations resulting from scaling up.
- Air commercials, participate in exhibitions, and reinforce upselling efforts to existing customers.

### Changes of ARR

(million yen)




Fiscal Year	ARR (million yen)
FY4/21	247
FY4/22	309
FY4/23	436

**YoY +41.2%**

**Achievements in FY4/23**

- Full-scale launch of dedicated TimeCard development and sales teams
- Strengthened functions for stores to support cross-selling (updates for variable work hour systems and shift creation function, etc.)
- Implemented systematic onboarding at customer touchpoint



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The third is TimeCard reinforcement. Originally, we did not have a dedicated team, and we have a history of making proposals along the way when we sell Smaregi, but a dedicated sales team has started working on the project.

In the future, we will further strengthen our overall structure, including development, marketing, sales, and support.

**Smaregi's M&A Strategy** Business Outline 56

**We are actively considering M&A with a focus on companies that have direct business synergies. We are also considering acquiring IT engineers as well.**

<p><b>1</b></p> <p><b>Acquire Customer Numbers</b></p> <p>M&amp;A to speed up customer acquisition or expand target areas.</p> <p><b>Target Companies</b></p> <p>Cloud-based POS vendors.</p>	<p><b>2</b></p> <p><b>Increase Revenue per Customer (Full lineup of products/services)</b></p> <p>M&amp;A of companies that can functionally complement Smaregi. Aim for cross-selling and up-selling.</p> <p><b>Target Companies</b></p> <p>Companies that have software for stores and that likely have direct synergy with Smaregi.</p>	<p><b>3</b></p> <p><b>Acquire IT Engineers</b></p> <p>Companies that have web engineers. The companies don't have to own a product.</p> <p><b>Target Companies</b></p> <p>System development companies, systems integrators, and production companies.</p>
---	--	--



Finally, M&A. We are actively considering M&As that will directly accelerate the speed of our future growth.

Our policy is as stated in the material, and we will continue to consider projects from time to time, focusing on three areas that will directly contribute to the realization of our medium- to long-term plan: those that will increase the number of Smaregi customers, those that will increase the unit cost per customer, or those that will lead to the acquisition of IT engineers.

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VISION 2031

# TO BE THE NEW STANDARD

誰もがあたりまえにデータ活用できる時代へ

スクリプト

We aim to be the new standard and create an era in which anyone can easily utilize data as a matter of course and aim to have 300,000 active stores by 2031 and the top class market share in Japan.

This was the explanation of our full-year financial results for the fiscal year ended April 30, 2023.

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## Question & Answer

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**Niki [M]:** We will proceed with the Q&A from here. We will answer as many as the time permits. Please note that similar questions will be answered together.

Next, I would like to introduce our panelist. Mr. Daisuke Aiba, Senior Analyst, Investment Research Department, IwaiCosmo Securities Co. In addition to your questions, Mr. Aiba will also ask questions. Mr. Aiba, please go ahead.

**Aiba [M]:** My name is Daisuke Aiba, an analyst at IwaiCosmo Securities Co. Thank you. As moderator today, I would like to pose various questions to Mr. Yamamoto.

First, please begin with the questions we received in advance.

**Aiba [Q]:** I was wondering what differentiates your system from other companies' systems. As an analyst, I would also like to add to the question. If you have any specific examples of when you competed with other companies in business negotiations in the previous year and you won.

**Yamamoto [A]:** Thank you for your question. It came up quite a bit in the first half of the explanation, but the ability to link data is now the most important feature. The reason is that the cash register function and the sales management part that manages cash register sales are not so different from those of our competitors.

Also, when thinking about what is convenient for stores and what is necessary for them to be able to do while prices are not that different, I think it is very important to analyze store data and use it to make business decisions.

As I mentioned earlier, CSV data can be uploaded and downloaded, and there is a full range of API tools for system integration for developers, as well as an app market that allows customers to add and remove various additional apps. This is a very important feature.

Nowadays, stores don't make membership cards, for example, and they often communicate with customers by becoming LINE friends. In addition to Smaregi, our app allows them to easily link their LINE friends. Some customers have introduced Smaregi because they found this attractive.

Also, a restaurant in Ehime Prefecture has a BI tool, a system that uses AI to forecast demand, and since Smaregi can be easily connected to such a tool, they chose Smaregi. We are gradually seeing an increase in the number of customers who are installing not only Smaregi, but also some additional functions in combination with it.

**Aiba [Q]:** You mean that the information collected by Smaregi will be able to be used by AI, etc., right?

**Yamamoto [A]:** Yes. Basic sales data can be collected by Smaregi, so it can be connected to an external system and analyzed by AI.

**Aiba [Q]:** Thank you. Could you please continue with the results of your analysis of the impact of the price increase and its effects, as well as your projections?

**Yamamoto [A]:** We weren't sure how the price increase would affect our business, but we did it carefully, conducting interviews with customers in turn. I think cash registers and POS systems cannot be switched so

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quickly as switching costs are very high. So, if any of our customers are thinking about replacing their POS system if we are going to raise their prices, they cannot replace it right away.

We were a little concerned that churn might occur roughly in six months to a year, but so far, six months after the price increase, the churn rate has not changed much. That simply added to the MRR, and the impact was that sales went up, or it's like they directly contributed to the increase in MRR and ARR.

We also worried that new inquiries might decrease, but there has been a steady growth in leads and business negotiations, and I do not think there has been much of a negative impact.

**Aiba [Q]:** Thank you. When do you plan to start paying dividends? Why the Company does not pay dividends even though it has increased profits?

**Yamamoto [A]:** Thank you for your question.

We recognize that we are still in the growth phase, and since we are at the stage of trying to capture the top domestic market share with our long-term vision of VISION 2031, we are currently working in the style of putting retained earnings into the next investment.

**Aiba [Q]:** Thank you. Please tell me about your upfront investment.

**Yamamoto [A]:** Since there are no facilities, etc., the upfront investment is basically an increase in personnel costs related to hiring. Then there is an increase in R&D and advertising expenses, which, roughly speaking, are the three major factors.

**Aiba [Q]:** Thank you. Also in the profit margin area, the operating margin has dropped a little from 15.1% to 11.9%. Is this a temporary drop and will it eventually return to normal, and if so, when?

**Yamamoto [A]:** This fiscal year is about 15%. The plan for next year drops a bit to 11.9% or so. Is the question regarding why that is?

We have just started anew with the renewed mid-term management plan. It says that we aim to achieve an ARR of JPY9.1 billion or more in three years, and since we have set ARR as our most important KPI, we will definitely achieve that first.

However, the top priority is to achieve sales that are linked to ARR, so the profit margin may decrease a little. We do not believe in wasting money, but we would like to try to make as much room as possible for our SG&A expenses and try to implement various measures and various initiatives, so the profit margin will decrease in that area.

**Aiba [Q]:** Is the guidance conservatively estimated from the Company perspective?

**Yamamoto [A]:** I think that our disclosures, especially with regard to planned figures, are certainly conservative, as I think that it is not good to go below the planned figures. It is our company's policy to always disclose where we can go, as we could not have predicted that it would fall below, or rather our plan was naive. I think it is not good to say that we can do this much on a gut feeling basis and disclose large target values without any support, so we tend to be conservative.

**Aiba [Q]:** Please explain the breakdown of SG&A expenses in your full-year earnings plan for the fiscal year ending April 2024, and in particular, to what extent do you expect to increase advertising expenses from the previous year?

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**Yamamoto [A]:** We have been gradually increasing advertising expenses, and we expect to add a little more in the next fiscal year, but not to the extent that we will spend more than JPY1 billion on advertising alone.

**Aiba [Q]:** Thank you. Could you please explain the details regarding net income? Final profit is expected to be JPY636 million, a decrease of 28.3% from the current term.

**Yamamoto [A]:** I think the question is asking why the profit for next year will be lower where this year is over JPY800 million and next year will be in the JPY600 million range.

The current fiscal year recorded an extraordinary profit and loss, as we merged with our subsidiary Royal Gate Co. We did it last July, and that's where the extraordinary gain from the merger came from. More than JPY200 million has been posted as extraordinary profit, so net income has increased slightly this year only. This is for this year only, so next year will be a bit lower.

**Aiba [Q]:** What do you think about today's stock price drop, which is contrary to expectations?

**Yamamoto [A]:** It is difficult for me to comment on the share price, since it is decided by the shareholders, but I would like to concentrate on generating a certain level of solid profit and then maintaining a high growth rate in the future, so please keep your expectations high.

**Aiba [Q]:** What is the time frame you envision for the effect of this fiscal year's investment to be reflected in ARR and growth rate of number of customers?

**Yamamoto [A]:** Particularly in terms of advertising expenses, we are engaged in awareness activities, but we are also increasing the weight of advertisements that directly lead to leads and business negotiations, so we are now focusing on measures that will be effective in the shortest possible time. We have a three-year ARR plan, and our priority is to reach an ARR of over JPY9.1 billion as quickly as possible, so we are focusing on measures that will produce results within the next three years.

**Aiba [Q]:** Thank you. You seem to be taking a significant amount of SG&A expenses for a 30% increase in revenue this fiscal year, and I was wondering if you could give me a rough breakdown. I would appreciate it if you could give me a sense of what you think the percentage should be.

**Yamamoto [A]:** As for manufacturing costs and purchases, I don't think the ratio will change that much, just a slight increase. Then again, we are a software company, so it is personnel costs for increasing the number of development members. We have been chronically growing in sales, marketing, customer support, and general back-office year after year, and we have always been short on staff, or rather, we have always been on the edge of staffing, so we have a very large budget in the area of personnel expenses.

Then, to repeat what I said earlier, we will do advertising, so there will be a slight increase in that area. Then there are R&D expenses. We want to do a variety of R&D to find the next seed, so we are also increasing our R&D expenses a little.

**Aiba [Q]:** Thank you. Since you mentioned headcount, I understand that the headcount has increased considerably, and you are planning to invest in human resources for the fiscal year ending April 2024. I would also like to ask for your thoughts on the next fiscal year and beyond. In addition, I would like to know what kind of human resources you would like to have.

**Yamamoto [A]:** We are currently hiring in all departments, sales, marketing, customer support, and development, to repeat what I said earlier. The personnel we need change from time to time, but we also need leaders, senior engineers, and young members, and we conduct total recruitment activities.

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**Aiba [Q]:** This fiscal year, you hired 52 people. I would also appreciate it if you could tell me how many more you plan to hire this fiscal.

**Yamamoto [A]:** Recruitment is difficult to keep to plan, and it depends on whether we find good people, or rather, matches, but we need to recruit at least 50 people like last year, and if we can, we would like to recruit 80 to 100 people.

**Aiba [Q]:** Thank you. Do you plan for the operating profit margin to basically decline until the achievement of the medium-term management plan? Also, please give us an estimate of the operating profit margin after the achievement of the medium-term management plan.

**Yamamoto [A]:** I don't think we want to unnecessarily lower the operating profit margin, and we should make a profit every year. In this context, I hope to adjust while watching to see when and how fast ARR can build up, and we would like to make a profit if we can.

**Aiba [Q]:** Thank you. Could you please explain the share buyback? Is it under consideration and if there are any plans to implement it?

**Yamamoto [A]:** We have done two share buybacks in the past, most recently in June 2022, so just about a year ago. There are two ways to do this: to allocate the Company's shares as incentives for employees and directors, for example, and to stockpile them in case there is a stock swap in an M&A transaction. We just did this a year ago, so we don't have any immediate plans, but we would like to keep an eye on the stock price and consider it again if the use comes up, if it does.

**Aiba [M]:** Thank you. Your company's salary seems a bit low compared to other cloud providers. Do you have any plans to raise wages this fiscal year? Also, at your current salary level, how do you perceive your competitiveness in the labor market?

**Yamamoto [A]:** Salaries have actually been raised slightly this spring. We have not disclosed this, but we have just implemented a base increase.

It is difficult to say how the salary level compares to other companies, but in our case, for example, all call center operators are full-time employees. Compared to software engineers, for example, the labor costs for call center operators are relatively low, and I think this pushes down the average salary of the Company as a whole a bit. So, there is a possibility that the Company may look bad, but we are not losing employees because the salary is low, so I think it should be about this much.

**Aiba [Q]:** Is the salary level still such that you can attract human resources?

**Yamamoto [A]:** Yes, that's right.

**Aiba [Q]:** What is the current utilization rate of your sales force?

**Yamamoto [A]:** In terms of sales utilization and personnel, everyone is working at full capacity, and we have three showrooms in Tokyo, and one each in Osaka, Nagoya, and Fukuoka. I'm sorry, I don't have the exact numbers, but I'd say that in terms of the availability of rooms in the showroom there, about 50% are visited by customers.

We are also putting a lot of effort into online business negotiations, and even to customers who cannot come to our showrooms, we are now able to introduce our products through online business negotiations, so online sales have increased considerably. I guess the rate of utilization there might be higher.

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Sorry, I don't have the exact numbers.

**Aiba [Q]:** Thank you. We recognize the reversal of deferred tax assets recorded last year as one of the factors contributing to the decrease in after-tax income this year, but I would like to confirm that the reversal will not occur at current earnings levels.

**Yamamoto [A]:** I have the finance and accounting manager in front of me now, so she will answer the question.

**Shikichi [A]:** Let me explain.

It is true that after-tax income is now declining, but since taxable income has remained steady without any problems, we do not believe that the reduction in deferred tax assets will have any particular impact. Therefore, we do not expect excessive reversals to occur at this time.

**Yamamoto [M]:** Thank you very much.

**Aiba [Q]:** With respect to the ARR growth forecast, what are the risks of not meeting it? Also, please tell us how you see the medium- to long-term challenges here.

**Yamamoto [A]:** It is hard to tell if there is a possibility that we will not meet the ARR forecast, because it is in the future. Of course, there is a possibility that we will not meet it, but that could be due to a change in major external factors surrounding the stores, like the COVID-19 pandemic, which of course could eliminate the cash register contract.

Although it has not happened so far, since Smaregi stores all of the sales data for each customer, there could be a possibility where the server may go down, or some other fatal error, such as the loss of the entire data.

However, we have been conducting this business for about 10 years, even under the COVID-19 pandemic, and the number of customers has always tended to increase, so I think it is unlikely that we will suddenly lose customers. The rate of growth will depend on the efforts of salespeople, or rather, on how hard they work in their sales activities.

**Aiba [Q]:** Thank you. You mentioned that manufacturing and procurement costs will increase. Am I correct in understanding that the gross profit margin will decrease by that amount?

**Yamamoto [A]:** The gross profit margin may drop a little, but we have raised our prices, and the weak yen, or the impact of the exchange rate, and the impact of servers and other factors were not so great, so I think we can keep the gross profit margin at a certain level.

The other thing is that we are now allocating engineers to labor and cost of goods, and it is possible that the cost of goods will go up a bit if the engineers' man-hours are taken. That's the only thing that might change a bit.

**Aiba [Q]:** Thank you. Please tell us if you are considering a stock split.

**Yamamoto [A]:** As I recall, the TSE gives guidance on stock splits, generally saying to consider a split when the price exceeds JPY5,000, but at the moment we have no plans to do so since the price has not exceeded JPY5,000.

**Aiba [Q]:** Thank you. What are your thoughts on the decline in unit economics?

**Yamamoto [A]:** I think advertising costs probably have a big impact. I think it is a little bit declining as we are trying different ads and different methods of advertising. These are the factors.

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As I recall, we also include advertising costs for awareness activities in customer acquisition costs. I think that is a big part of it. If we stop awareness activities, it can go up a bit more if we focus only on things like Google listing ads, for example, to get direct leads, but we are trying various things.

**Aiba [Q]:** Please tell us about the reasons for the decline in the gross profit margin in the previous year and what level of gross profit margin is likely to be when the medium-term plan is achieved.

**Yamamoto [A]:** Is it about the monthly gross margin where the gross margin was higher for Smaregi alone? In the financial results presentation, on page 12, bottom right, the initial cost gross profit margin is 37.4%, which is from equipment sales. Since commercial equipment is relatively price-competitive, a gross profit margin of 30% or more can be secured.

The gross profit margin for SaaS is 76.6%, and I don't have the trend data at hand, but I remember that it seems to have been gradually decreasing from around 80%. The gross profit margin has changed a little in such areas as the result of the addition of the PAYGATE service compared to Smaregi alone.

PAYGATE is also making progress on PMI, so I am hoping that we will be able to gradually increase our profit margin. There are limits, and we cannot increase it indefinitely, but I think we can keep a certain line.

**Aiba [Q]:** Since you just mentioned Royal Gate, please tell us how the PMI for Royal Gate is going, if there are any synergies being generated, and if you are going to focus on payment services, can you also tell us if this is where you can make it work?

**Yamamoto [A]:** One of Royal Gate's PMIs is to enhance product appeal, but I think a lot of time was spent on culture fit of the workers, since it was originally a different company.

As for the way we work, we receive applications from customers for our payment services, and after the credit card company reviews them, the customer opens them and starts using them. Royal Gate's workflow for this process was completely different from that of Smaregi, so we have been working on fundamentally changing it, and we are still working on it to make it as efficient as possible.

We were lucky that it contributed quite so much to sales, or to the addition of MRRs, but we did not foresee that much. We found that sales were quite good when combined with Smaregi, and we felt that we should expand the sales of PAYGATE.

Of course, we will also sell the PAYGATE cashless payment service by itself, without combining with Smaregi, and we will of course put considerable effort into selling Smaregi and the cashless payment service PAYGATE as a set. We have also been going around informing existing Smaregi users of the new cashless payment system.

I believe that these three points have allowed us to maintain a high growth rate now. Or rather, I think we are achieving the growth rate, so I would like to focus on that.

**Aiba [Q]:** Thank you. Are there any plans for products that match the declining population, such as unmanned cash registers where customers can still purchase items even without a person to operate the register?

**Yamamoto [A]:** Thank you for your question. The basic idea behind Smaregi is not to provide a very expensive solution for large companies, but rather to make it easy and convenient, even with relatively dead technology. Therefore, it is designed for small and medium-sized stores.

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There are many ways to operate unmanned stores, but if you want to operate them safely and properly, you have to spend a lot of money to install them, so I think it's not quite fit for us.

I think we should rather focus on areas that are a bit simpler than unmanned stores, such as beef bowl restaurants or ramen shops, where ticket vending machines are very widespread.

I would like to see PAYGATE used not only for ticket vending machines, but also for door-to-door sales, or services where a salesperson makes a round of the store and settles payments on the spot, rather than at the store. PAYGATE has the feature of being able to take the payment outside, rather than within a certain fixed IP address, so we would like to put more effort into such outside sales.

We have many such projects in the Company, but we are not currently developing any very avant-garde unmanned stores or anything like that.

**Aiba [M]:** Thank you very much. I understand that you are now exploring various directions.

**Yamamoto [M]:** Yes, that's right.

**Aiba [Q]:** Are there any specific changes in advertising expenses to increase the number of customers?

**Yamamoto [A]:** The breakdown of advertising expenses is shown on page 14 of the financial results presentation.

It is natural that the budget for acquiring leads in the deep blue is being increased quite a bit, but on the other hand, the budget for acquiring awareness, TV commercials, radio, etc., is reduced a bit and the breakdown is being adjusted.

**Aiba [Q]:** Thank you. The monthly number of registered stores has exceeded 500 stores, and I think it is going well, but can you please explain the factors here?

**Yamamoto [A]:** The number of registered stores, or rather, the number of stores with paid subscriptions has been exceeding 500 stores on a monthly basis frequently. The reason for this is the increase in customers.

I think the advertising has been effective, and the number of leads has increased steadily. Also, due to seasonal factors, March and April were rather busy months for us, so there was an increase in the last few months.

Sales are now divided into groups: those who do primary reception and those who conduct business meetings and inside sales and field sales. For inside sales, we have always measured the negotiation turnover rate, and for field sales, we have always measured the closing rate, which is now being measured in much greater detail. We are actively working within the Company to improve our understanding of what kind of business negotiations are conducted by those with high closing rates and what kind of business negotiations are conducted by those with low closing rates. I think this is also contributing to increase the conversion rate.

I also think that the negative impact of COVID-19 has almost completely disappeared.

**Aiba [Q]:** I think you are in a situation where the COVID-19 pandemic is over and to some extent, the number of stores is increasing, but is there a possibility that this could go down again a little bit?

**Yamamoto [A]:** No, I think the number will increase more.

**Aiba [Q]:** Thank you. In your previous answer, you did not answer about the operating margin after the achievement of the mid-term management plan. Is it possible to ask about this again?

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**Yamamoto [A]:** We have not yet seen the operating profit margin after the achievement of the mid-term management plan. We are running simulations, but they are still a bit inaccurate after three years, so we are not in a position to disclose them easily.

Also, this time, there was a previous medium-term management plan, which was terminated early, and the next medium-term management plan was started. Once the prospects of this medium-term management plan are clear, we will create another plan. Then there is the possibility that we will invest to realize the next plan; therefore, it is difficult to say that we will make a certain profit at the end of the final year of the medium-term plan.

We want to continuously grow, especially plus 30%, etc., so I think we will prioritize high growth, but that does not mean that we will go into the red or anything like that.

**Aiba [M]:** As the time is approaching, the next question will be the last one. I understand that you use ARR as an indicator. Are you considering future plans regarding increasing shareholder value?

**Yamamoto [M]:** Increasing shareholder value?

**Aiba [M]:** It would be in the form of a share buyback, as you mentioned earlier. I would appreciate it if you could explain the future outlook for these areas, such as dividends, etc. For example, whether you are thinking of paying out a dividend if you get a certain level of profit.

**Yamamoto [A]:** I believe that both the Company and our business are currently in a growth phase, and I would like to see continuous business development and solid growth, which will, for example, increase our stock price and market capitalization, so our priority is the growth of the Company.

As a result, I had an image of increasing profits per share for our shareholders and paying dividends as a goal much further down the road, but I would like to become a company that can pay dividends someday. Sorry, I am being vague?

**Aiba [M]:** I asked you a lot of questions. Thank you.

**Yamamoto [M]:** Thank you. Did I not answer all of them? Were there a few more? Thank you for all your questions. That is all for the Q&A.

**Niki [M]:** Thank you very much for a lot of questions.

Now, finally, I would like to make an announcement from IR. We also provide IR information via our newsletter and LINE. We also send out informative reports every month, including monthly registered store counts, so please be sure to sign up.

We would like to conclude by asking for your cooperation in filling out the questionnaire. The questionnaire will automatically appear on your screen after the meeting. It is a simple task that will take about 30 seconds to complete, and we would appreciate your cooperation in answering the questions.

**Yamamoto [M]:** Thank you very much for your time today, Mr. Aiba. How did you feel about doing it today?

**Aiba [M]:** We received quite a lot of questions today, so I could not quite finish answering them, but I hope it will help them to understand better. Thank you.

**Yamamoto [M]:** Thank you. We will work for one year in the new fiscal year to realize the six measures under our medium-term management plan, and we ask for your continued support. Thank you very much for today.

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