



Presentation Materials for 1H FY2023

May 1 - October 31, 2022

Smaregi, Inc.

Securities code: 4431

Price revisions

Service fees for all users will be revised from January 1, 2023, with the aim of strengthening the operational system toward implementing service expansion and improvements more than ever before.

Smaregi		
Main service plans	Current price (Excluding tax)	New price (Excluding tax)
Premium	4,000 yen →	5,000 yen
Premium Plus	7,000 yen →	8,000 yen
Food Business	10,000 yen →	11,000 yen
Retail Business	12,000 yen →	14,000 yen
Food Retail	15,000 yen →	17,000 yen

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

*While it is difficult to calculate the impact on business results at present, if it is deemed necessary to revise the results forecast, an announcement shall be made promptly.

P4	1H FY4/23 Financial Summary
P14	Business Summary
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- **1H net sales grew 37.5% YoY** to 2.64 billion yen due to steady business growth.
- Income taxes-deferred (gain) was recorded in 1Q due to the absorption merger with a consolidated subsidiary, and 2Q net profit came in at 506 million yen.
- ARR **rose by 44.1% YoY** to 3.32 billion yen.
- The number of employees **increased by 63.4% YoY (+90 employees)** due to active recruiting activities and the absorption merger.

Quarterly profit increased due to the corporate merger, and net sales grew 37.5% YoY. Operating profit declined YoY due to aggressive S&M investment, but progressed 61.1% against the plan for the current fiscal year.

(million yen)	1H FY4/23 results (May - Oct. 2022)	1H FY4/22 results (May - Oct. 2021)	YoY change	FY4/23 plan (May 2022 - Apr. 2023)	1H FY4/23 % achieved (May - Oct. 2022)
Net sales	2,641	1,921	+37.5%	5,593	47.2%
Cost of sales	1,026	702	+46.2%	—	—
Gross profit	1,615	1,218	+32.5%	—	—
SG&A expenses	1,217	786	+54.8%	—	—
Operating profit	397	432	-8.0%	651	61.1%
Ordinary profit	400	422	-5.2%	651	61.5%
Profit	506	283	+78.5%	403	125.5%

Absorption merger with a consolidated subsidiary

At the Board of Directors meeting held on April 15, 2022, the decision was made to merge with ROYAL GATE INC., a consolidated subsidiary and the merger took place on July 1, 2022.

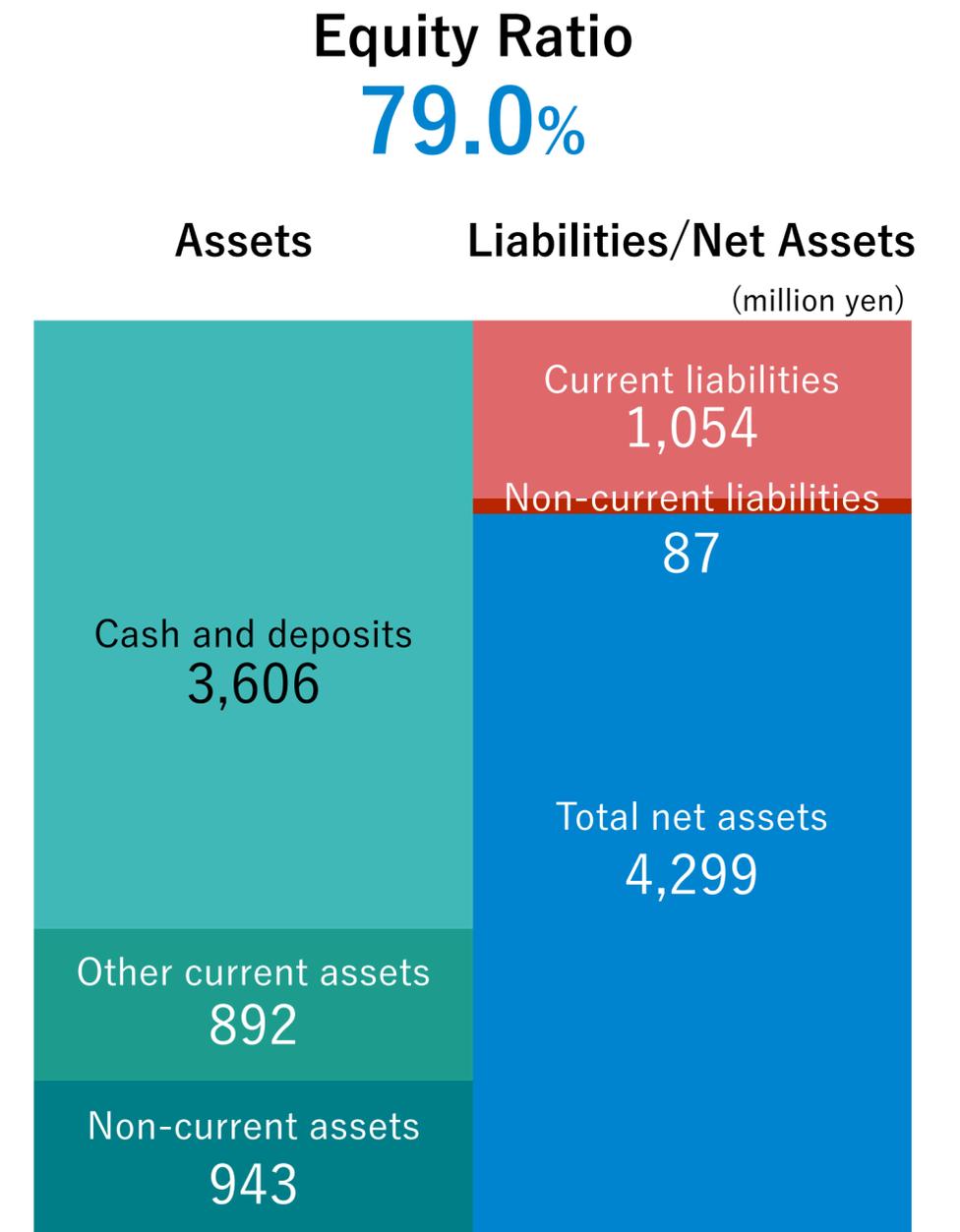
Regarding the increase in quarterly profit

1. Recorded a gain on extinguishment of tie-in shares due to the merger (extraordinary income)
2. As a result of estimating future taxable income after the merger and examining the recoverability of deferred tax assets, recorded a gain on income taxes-deferred.

*Amounts are rounded down to the nearest million yen.

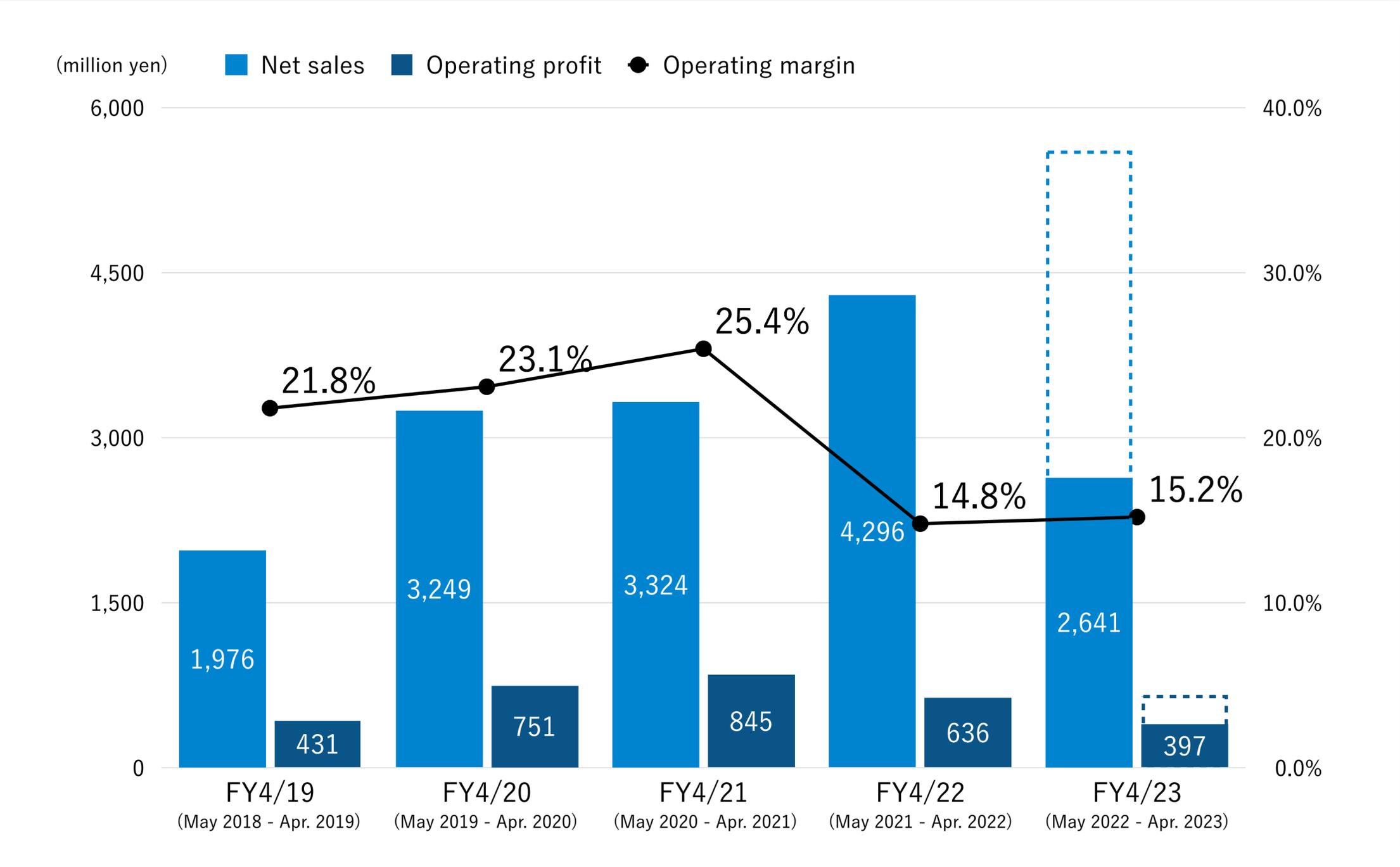
Non-current assets increased 52.0% YoY and current assets increased 44.3% YoY due to changes caused by the absorption merger of a subsidiary. Stable financial foundation was maintained with equity ratio of 79.0%.

(million yen)	1H FY4/23 results (May - Oct. 2022)	1H FY4/22 results (May - Oct. 2021)	YoY change	1Q FY4/23 results (May - Jul. 2022)	QoQ change
Current assets	4,498	4,213	+6.7%	4,198	+7.1%
Cash and deposits	3,606	3,647	-1.1%	3,197	+12.8%
Non-current assets	943	620	+52.0%	892	+5.7%
Total assets	5,441	4,834	+12.6%	5,091	+6.9%
Current liabilities	1,054	730	+44.3%	893	+18.0%
Non-current liabilities	87	81	+7.6%	86	+1.7%
Total liabilities	1,141	811	+40.6%	979	+16.5%
Total net assets	4,299	4,022	+6.9%	4,111	+4.6%
Total liabilities and net assets	5,441	4,834	+12.6%	5,091	+6.9%



Changes in Net Sales, Operating Profit, and Operating Margin

The sales progress rate in 1H FY4/23 was 47.2% and operating profit progress rate was 61.1%, on track toward the fiscal year forecast.



1H FY4/23
(May-Oct. 2022)

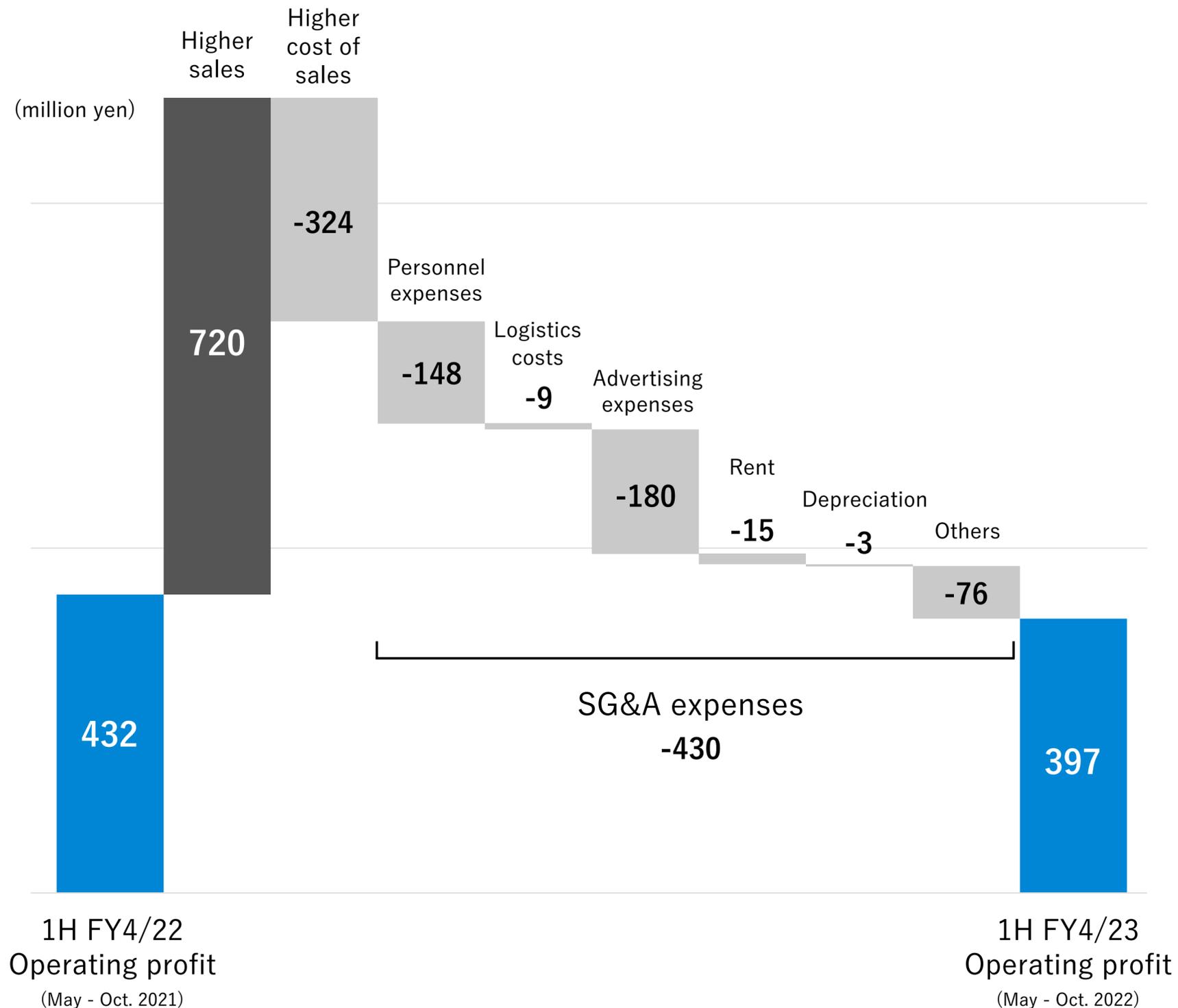
Sales progress rate
47.2%
2,641 / 5,593 million yen

Operating profit progress rate
61.1%
397 / 651 million yen

* 4Q FY4/22 includes the results of a consolidated subsidiary (ROYAL GATE INC.).

* On July 1, 2022, an absorption merger with ROYAL GATE INC. as the dissolved company was implemented and it transitioned to non-consolidated accounting.





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.

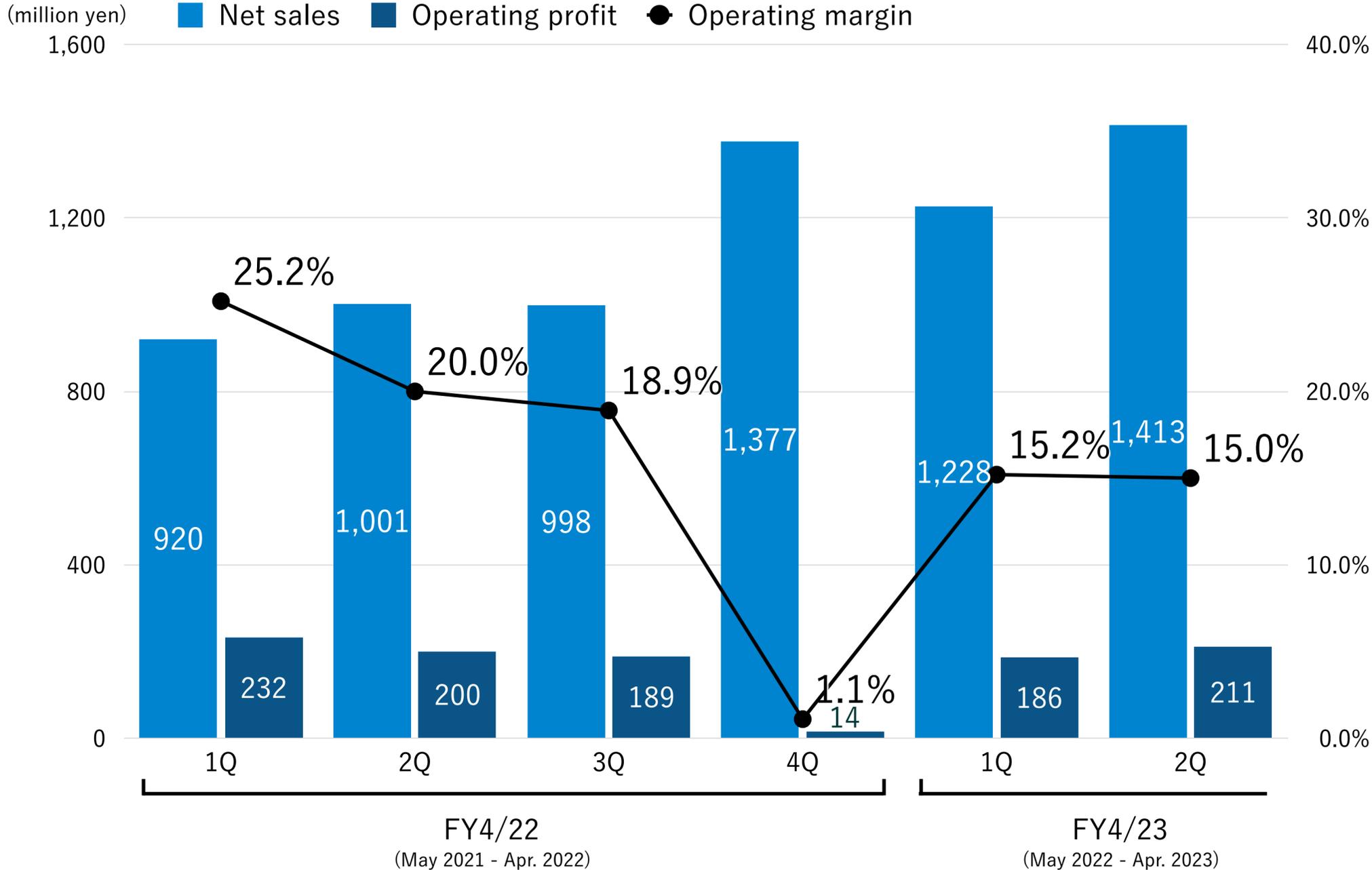
Higher cost of sales

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

Higher SG&A expenses

- Higher advertising expenses because of TV commercials.
- Higher personnel expenses due to the increased number of employees.
- Increase in rent due to the increase in the number of bases.
- Increase in other expenses due to M&A.

S&M investment in the Medium-term Management Plan is continuing while maintaining an operating margin of about 15.0%



2Q FY4/23

Operating margin

15.0%

YoY
↓ 5.0pt

QoQ
↓ 0.2pt

*4Q FY4/22 includes the results of a subsidiary (ROYAL GATE INC.).

*On July 1, 2022, an absorption merger with ROYAL GATE INC. as the dissolved company was implemented, and as a result the earnings contribution from ROYAL GATE (former consolidated subsidiary) in 1Q FY4/23 are only for the one month after July 1, the effective date of the absorption merger.

Changes in Sales Composition

Subscription sales (monthly fees and others) grew significantly by 43.5% YoY on the back of synergy generated through M&A with the payment company, ROYAL GATE INC.

2Q FY4/23

Subscription sales ratio

57.7%

Initial expense gross margin

Sales of products and others

37.8%

QoQ

↓ 2.1pt

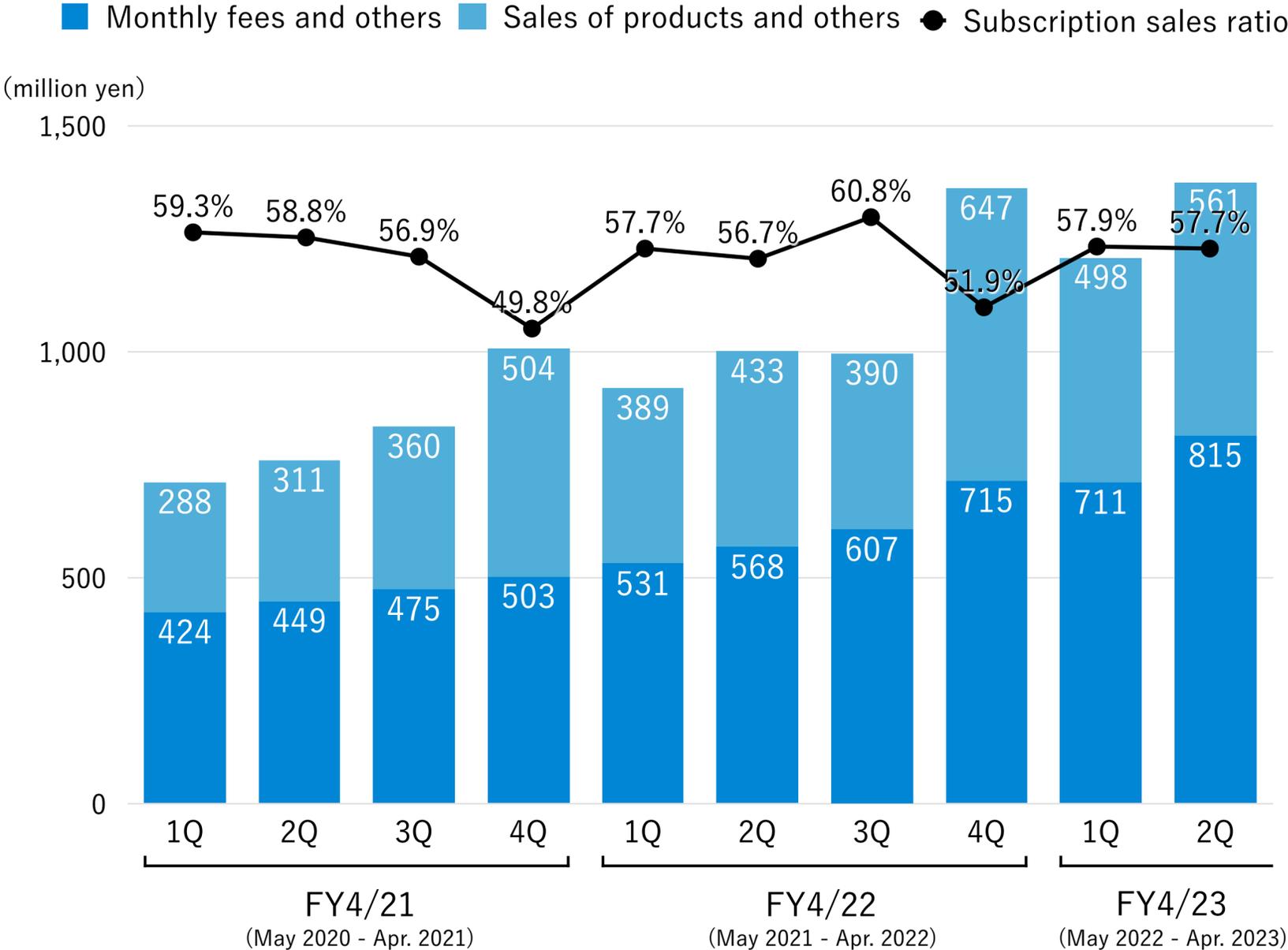
SaaS gross margin

Monthly fees and others

75.9%

QoQ

↓ 3.8pt



*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.

Quarterly Changes in SG&A Expenses

While controlling the SG&A expense ratio (44.7%) to keep it within the scope of the plan, we continue with investment in S&M toward achieving the Medium-term Management Plan. Personnel expenses increased alongside the expansion of the organization.

2Q FY4/23

SG&A expenses

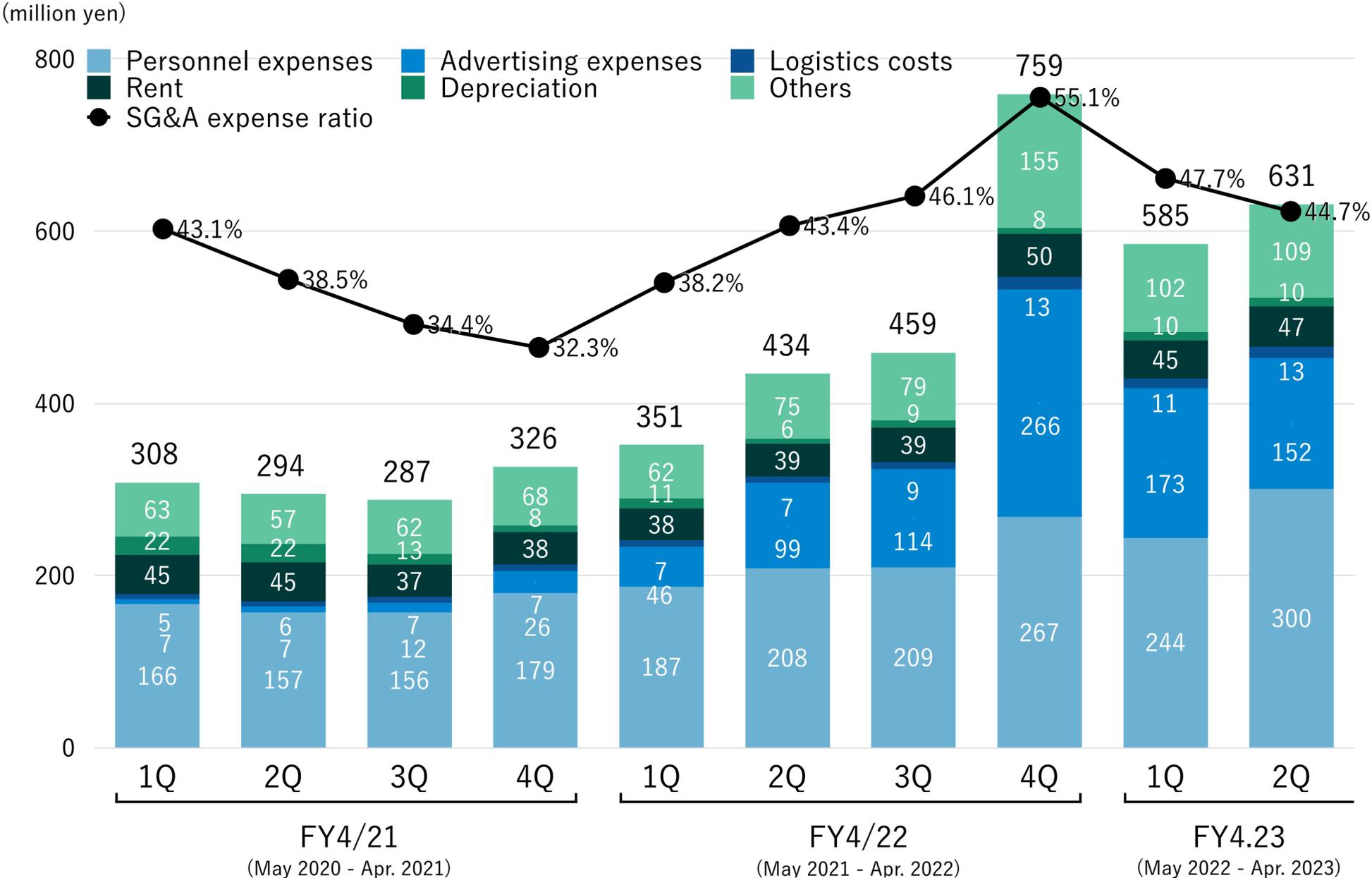
631 million yen

S&M

280 million yen

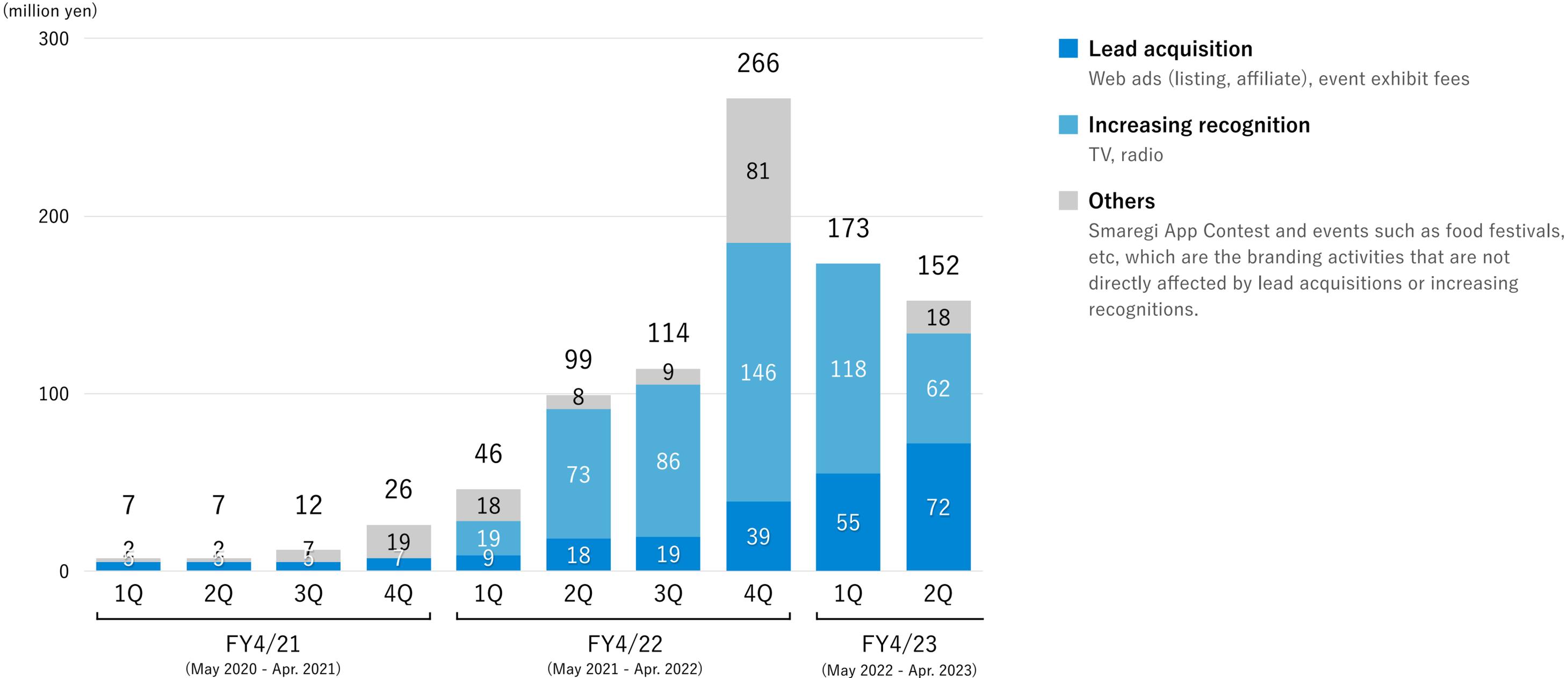
S&M ratio

19.8%



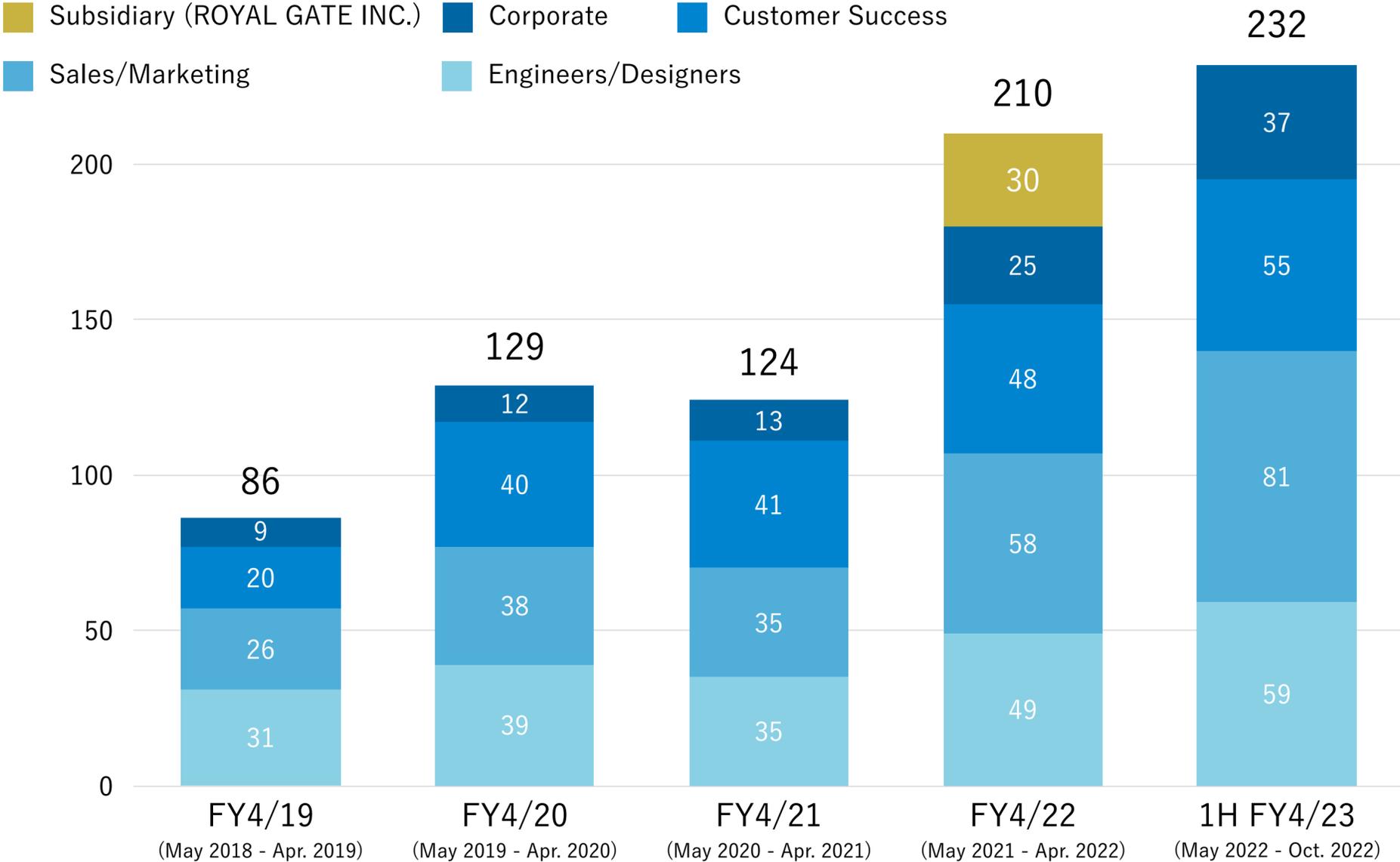
Quarterly Changes in Advertising Expenses

In parallel with expanding awareness through mass marketing such as TV commercials, we are also implementing measures to acquire leads.



Growth in Number of Employees

We strengthened our organization with an absorption merger with a subsidiary through PMI. The number of employees is up 63.4% in FY4/23 with an additional 50 employees from the previous year. We are implementing the recruitment plan to reach the target total of 260 employees.



FY4/23
Recruitment plan and
number of employees in 1H



*142 people as of 1H 2022. *Excludes temporary employees and part-time employees.



BUSINESS SUMMARY

Annual Recurring Revenue (Subscription Sales)

Even amid the COVID-19 pandemic, the number of fee-paying stores has remained solid.
ARR grew 44.1% YoY, driven by the growth in an acquired payment service.

ARR*
33.2 billion yen

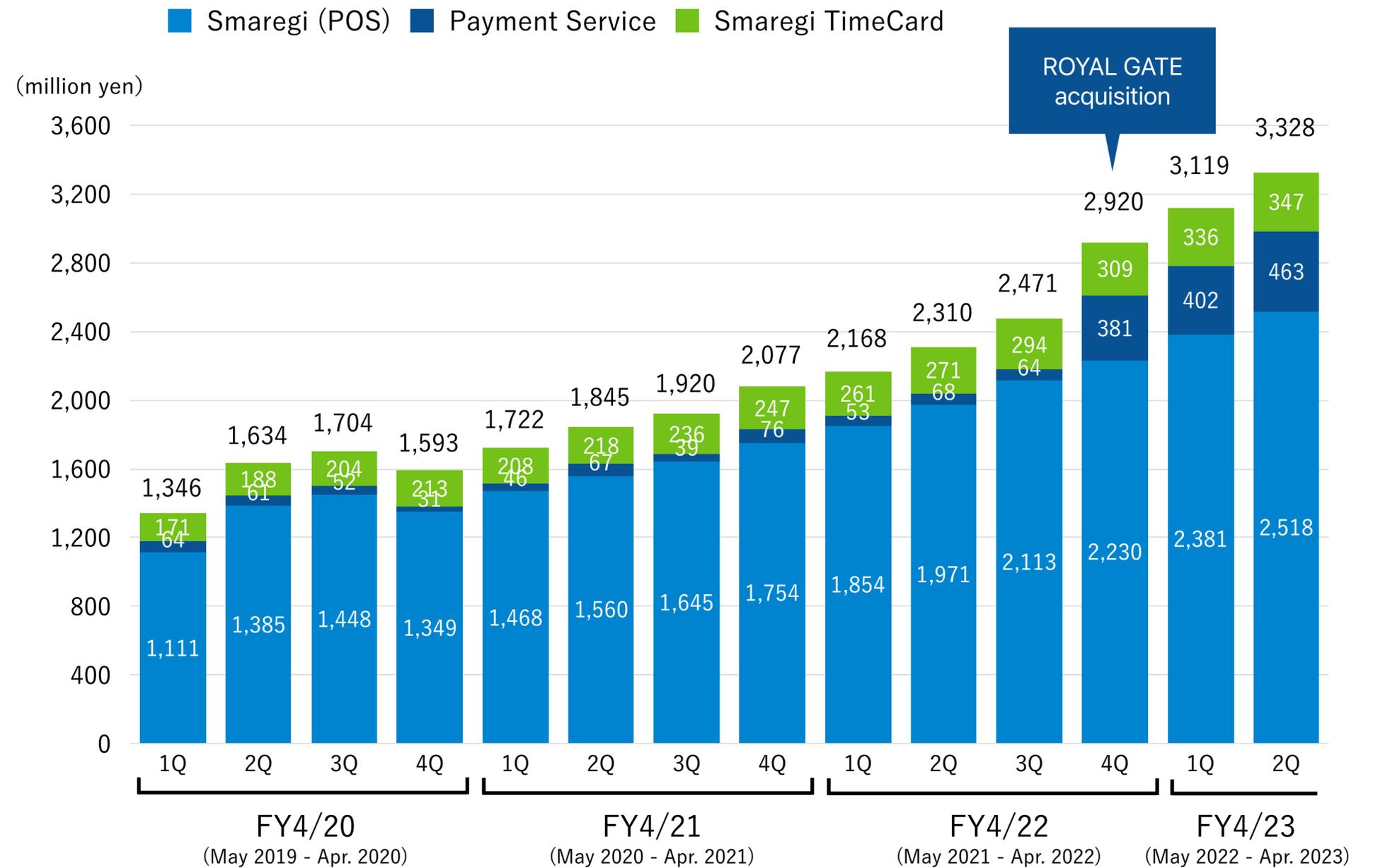
YoY
+44.1%

QoQ
+6.7%

* Based on 12 times the MRR at the end of each quarter.

ARR: Annual Recurring Revenue

MRR: Monthly Recurring Revenue



Smaregi: POS monthly fees, terminal addition option, equipment subscription, self-checkout fees, member-limit addition option, App Market
Payment service: PAYGATE monthly fees, member store fees, processing fees, payment terminal linkage costs, kickbacks,
Smaergi TimeCard: Time management monthly fees, member-limit addition



- Oct. 2022**
 - Relaxation of COVID-19-related border measures, removal of entry restrictions
 - Launch of Smaregi's user community "Akinai LABO" owned media
 - Exhibited at the 1st FASHION DIGITAL TRANSFORMATION EXPO (Autumn), a specialized show on IT and digital transformation for the apparel and general merchandise industry
 - **Selected for the "2022 Award for Excellence in Corporate Disclosure" by The Securities Analysts Association of Japan**
 - Published analyst coverage page
- Sep. 2022**
 - Held the "Kyushu Autumn Festival," a food festival presented by Smaregi
 - Exhibited at the 10th Dessert Sweets and & Bakery Festival in Kansai, a specialized commercial fair for Japanese and Western sweets, bakeries, cafes, and beverages
- Aug. 2022**
 - **Smaregi's (POS) cumulative transaction amount exceeded 5 trillion yen**
 - Released the "Order Management" function that enables the integrated management of EC orders through Smaregi
 - **Selected as one of "Asia's 200 Best Under A Billion" by Forbes Asia**
 - Released promotion LP for Western sweets stores
 - Sponsored "Another Japan," a new student run x regional revitalization project by Mitsubishi Estate Co., Ltd. and Nakagawa Masashichi Shoten

Smaregi's cumulative transaction amount exceeded 5 trillion yen!
 Smaregi's economic zone is steadily expanding.

GMV Growth Rate

YoY **+47.2%** QoQ **+6.0%**

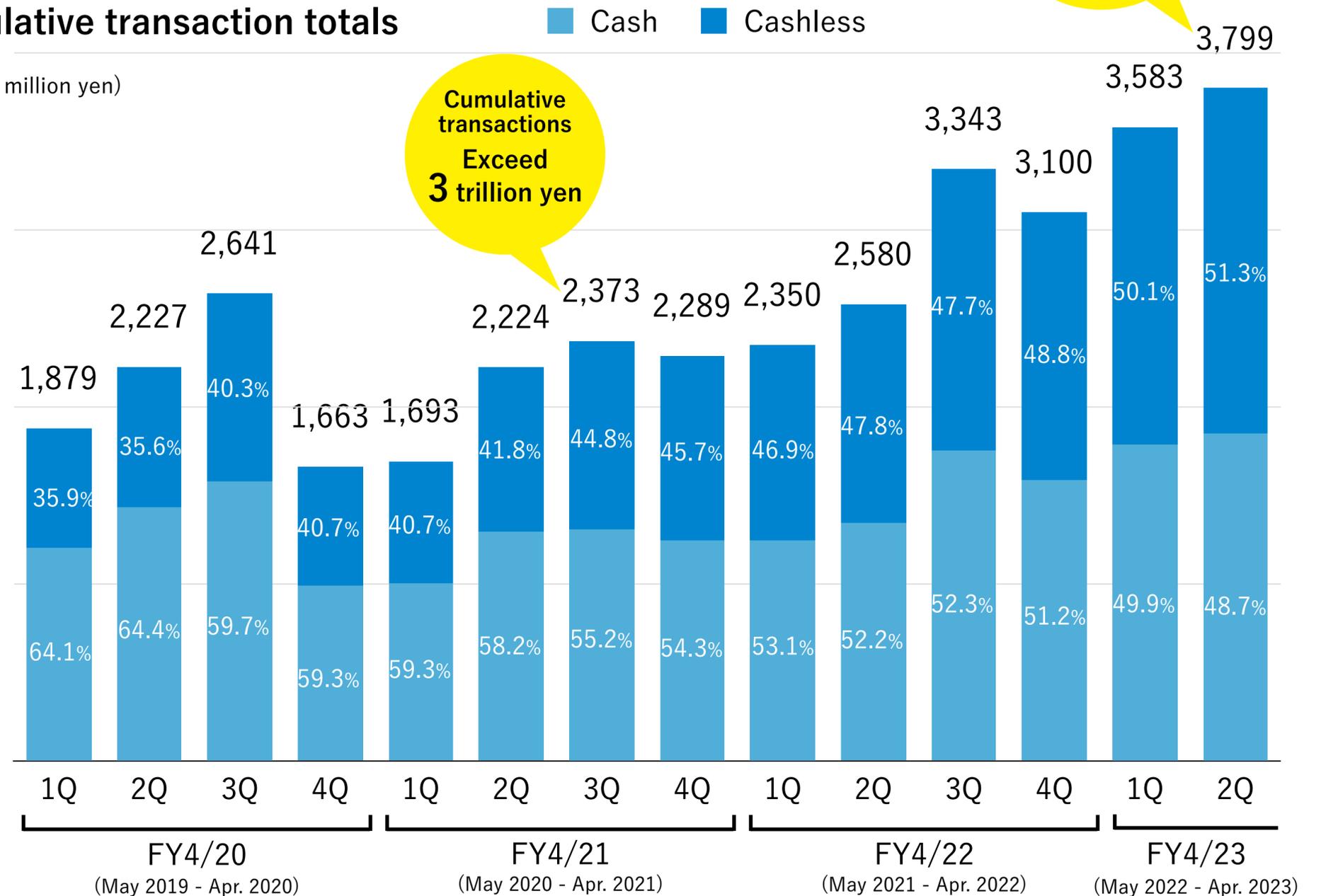
Cumulative Transaction Amount

5.3 trillion yen

(As of October 31, 2022)

Cumulative transaction totals

(hundred million yen)



Cumulative transactions Exceed 5 trillion yen

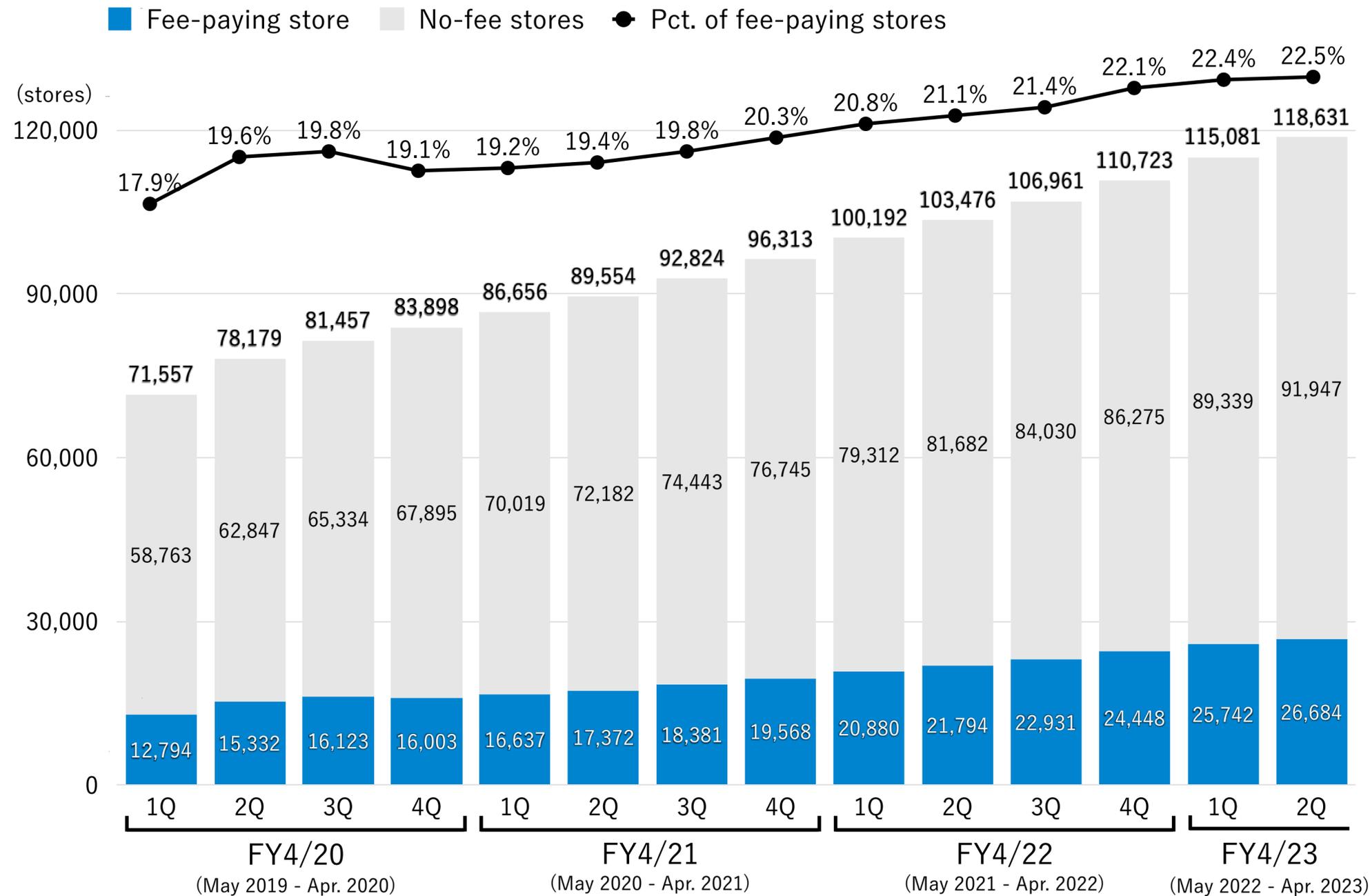
Cumulative transactions Exceed 3 trillion yen

Cashless transactions: Also includes credit cards, electronic money, QR code payments, and some tradeable coupons, gift certificates, etc.



The customer base has continued to expand.

The fee-paying store ratio also increased by 1.4 percentage points YoY to 22.5%.



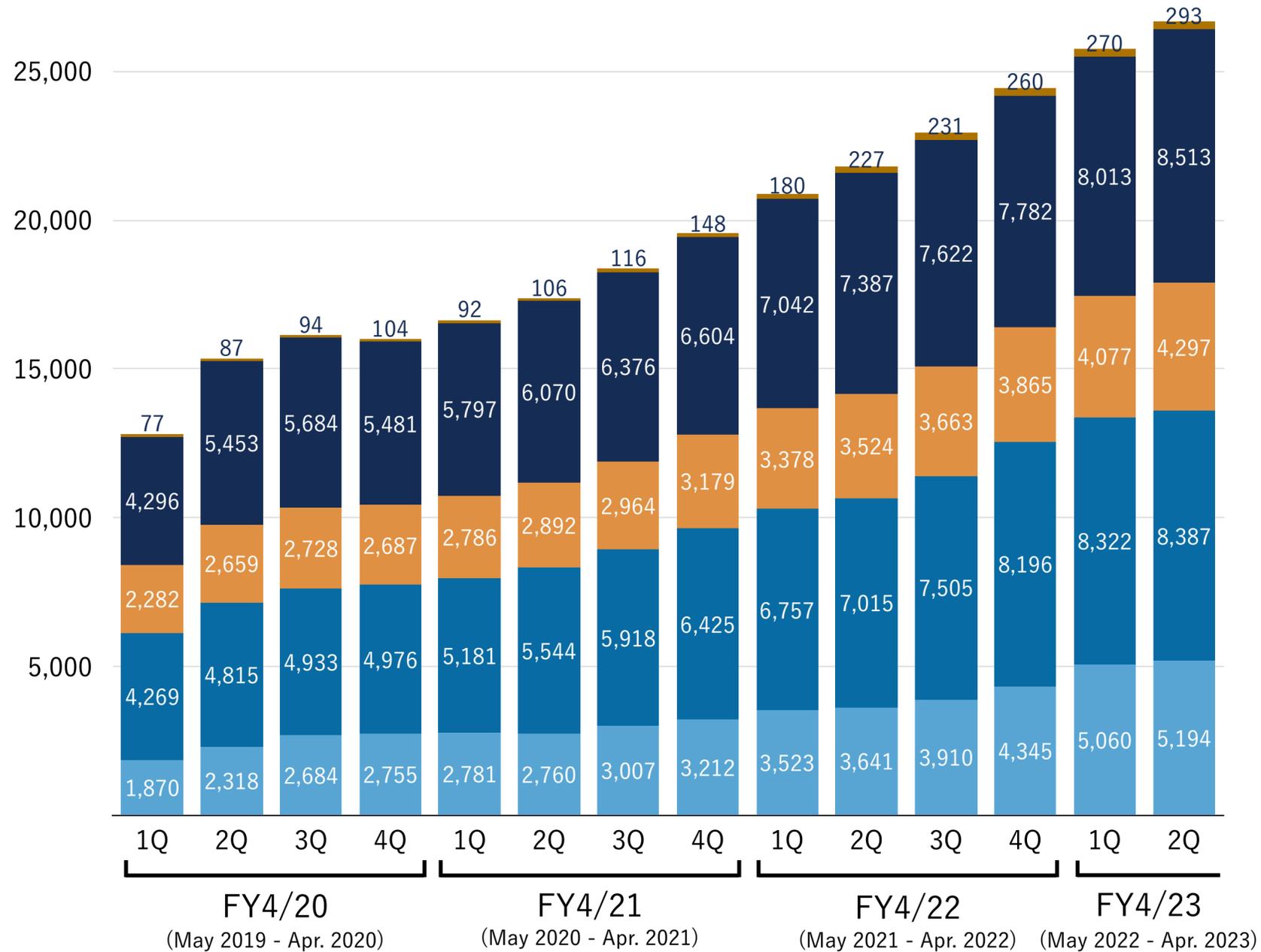
Fee-Paying Stores

26,684

YoY
+22.4%
+4,890 stores

QoQ
+3.7%
+942 stores

Strong performance by all plans. The proportion of Retail Business plan for retailers is increasing again.

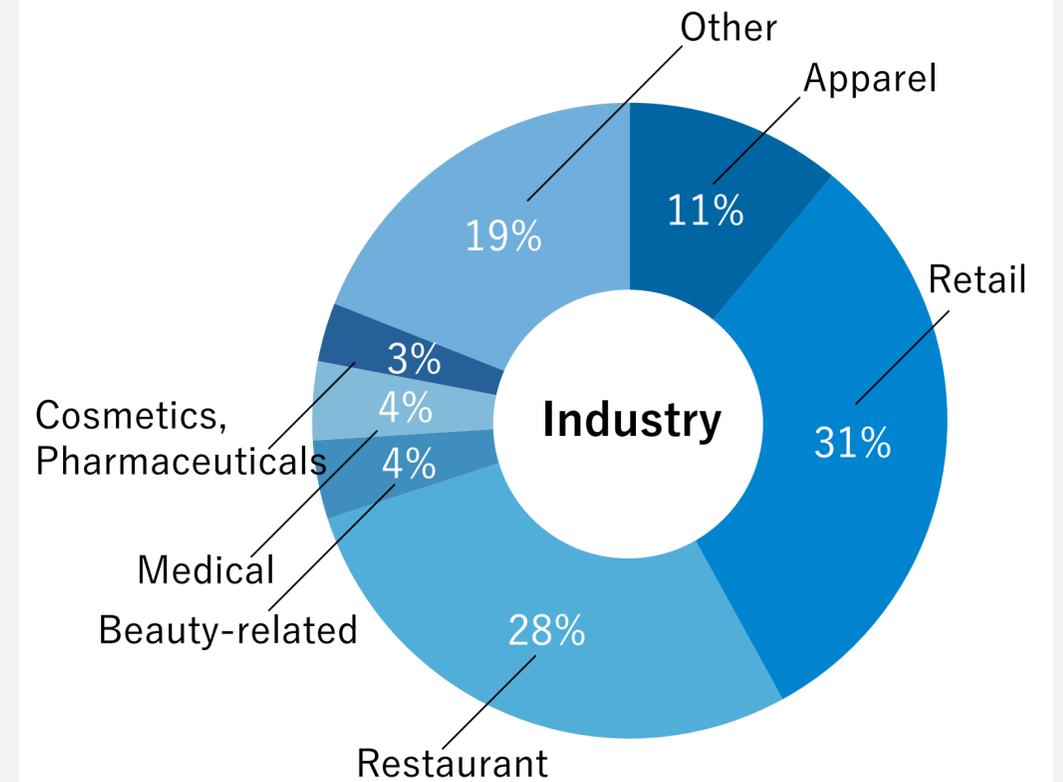
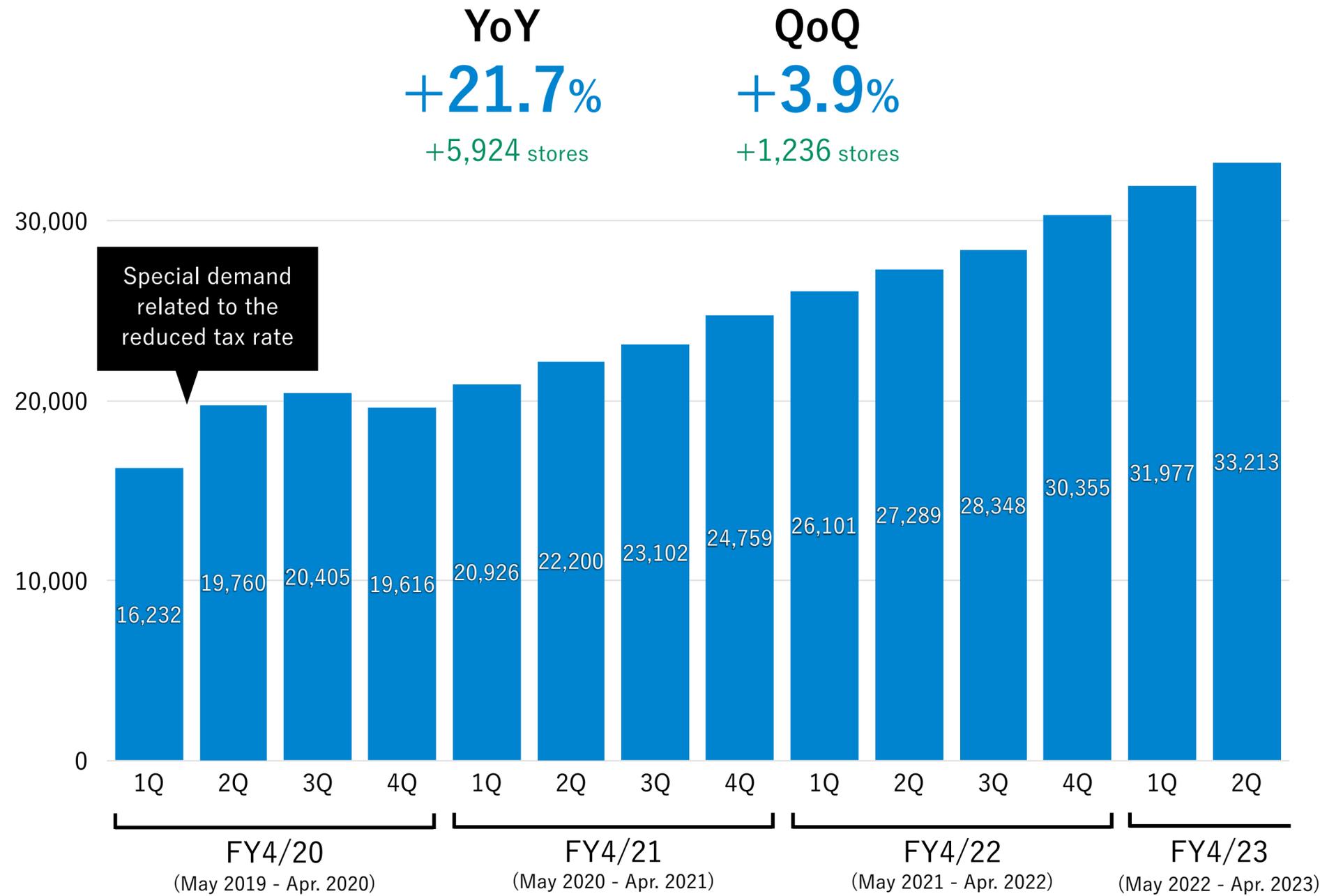


	YoY	QoQ
■ Food Retail 15,000 yen monthly/store	+29.1%	+8.5%
■ Retail Business 12,000 yen monthly/store	+15.2%	+6.2%
■ Food Business 10,000 yen monthly/store	+21.9%	+5.4%
■ Premium Plus 7,000 yen monthly/store	+19.6%	+0.8%
■ Premium 4,000 yen monthly/store	+42.7%	+2.6%

*Standard plan stores paying a fee due to the use of an optional service are not included in this graph.
 *All plan fees exclude tax.

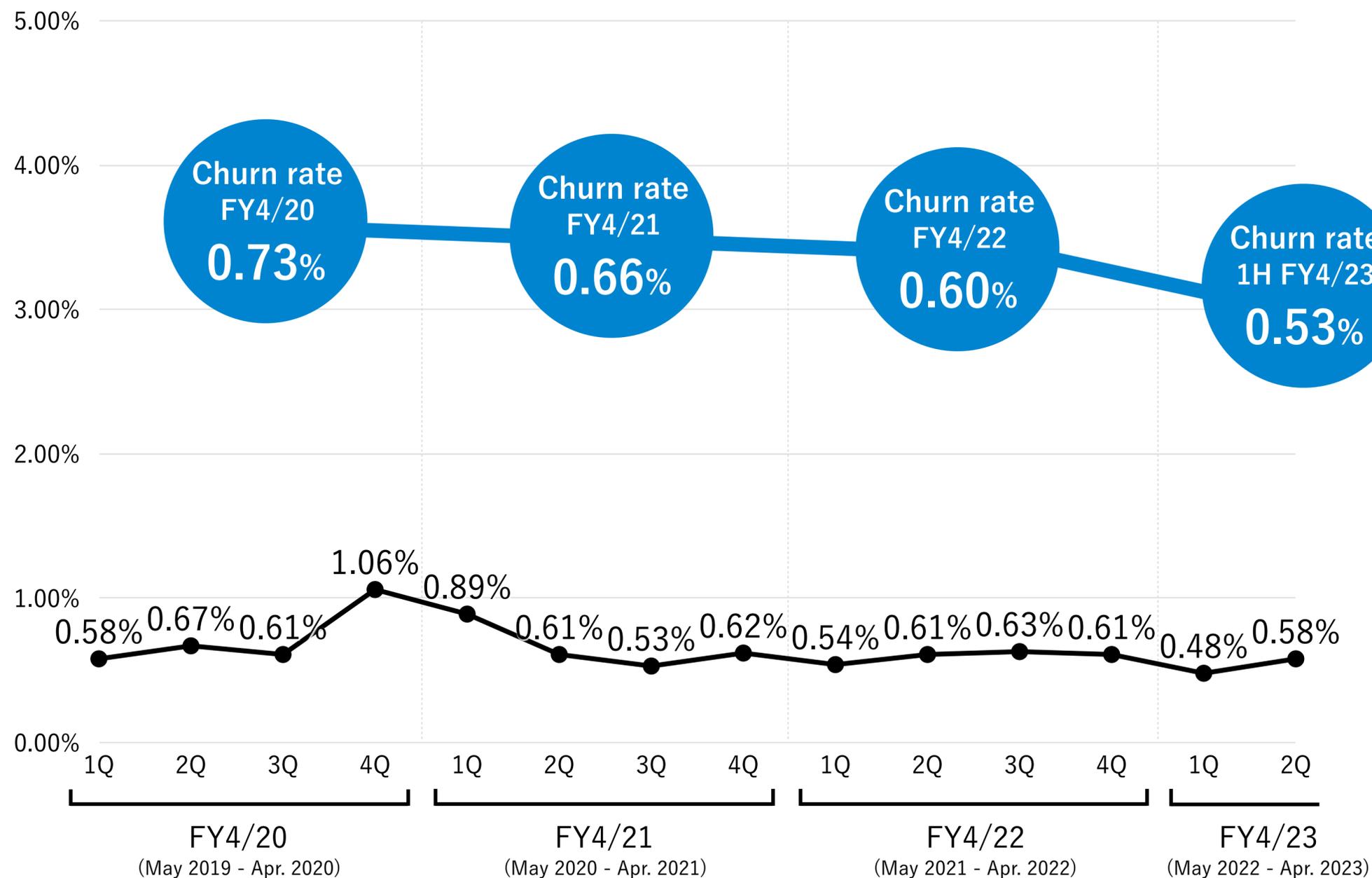
POS Active Stores (Including No-Fee Stores)

We are steadily building up toward the goal of reaching 300,000 active stores.



*Stores that recorded commercial transactions (sales) in the most recent one-month period using Smaregi's cash register function, irrespective of the type of plan. Even if the stores utilize the inventory management and other functions, if there are no commercial transactions then they are not counted.

We have continued measures to strengthen onboarding and improve service quality, and in 1H FY4/23 the average churn rate remained at a low level.



**1H FY4/23
Churn rate
(May-Oct. 2022)**

0.53%

YoY
↓ 0.05pt

QoQ
↑ 0.1pt

Cumulative churn rate for 1H F4/Y22 is 0.58% (May-Oct. 2021)

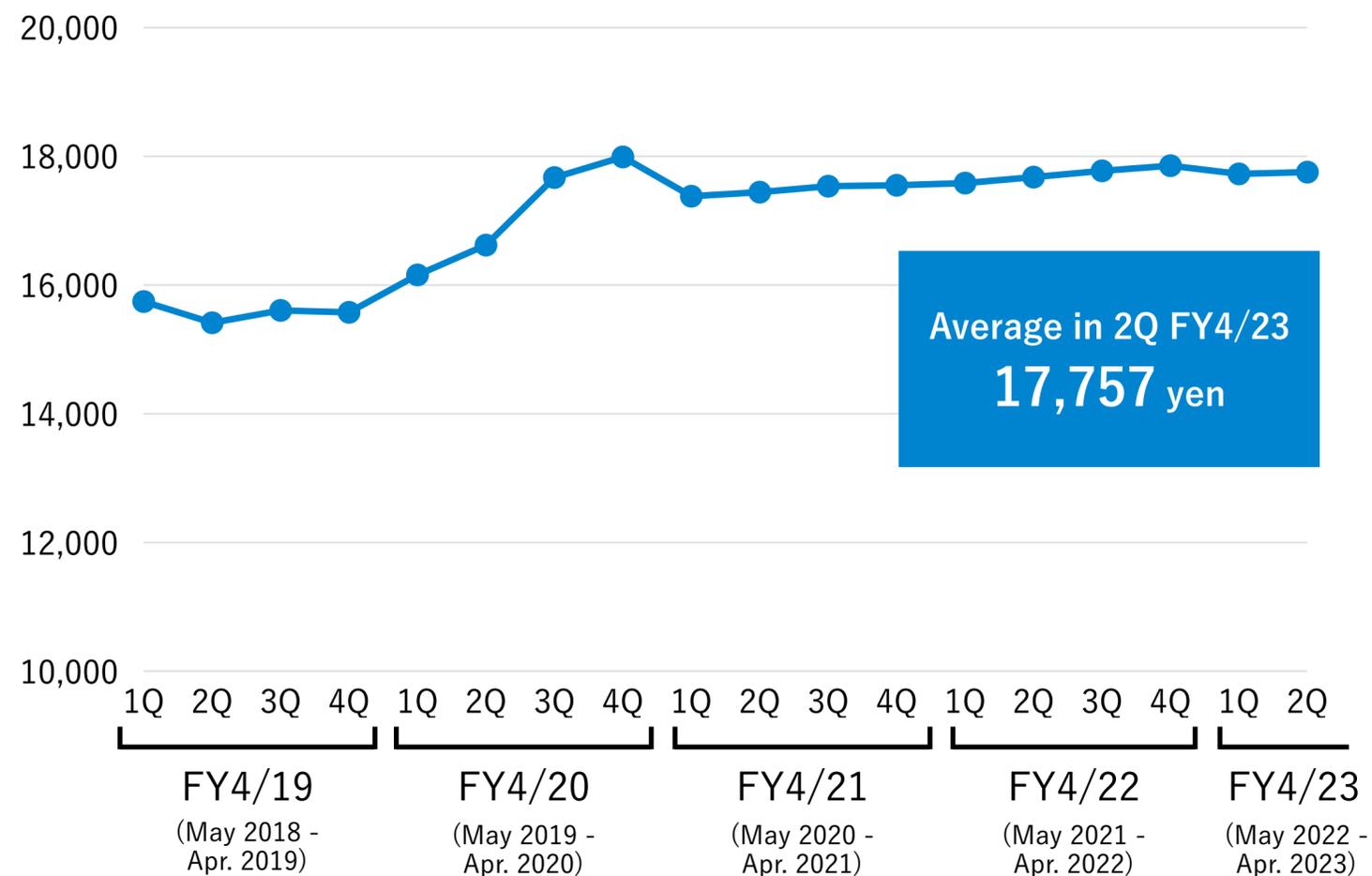
Churn rate: MRR churn rate
The percentage of decrease in existing customer monthly fees caused by cancellations.

Both ARPA and ARPU remained stable. The average number of stores per paid subscription is 2.33.

ARPA

YoY
↑77 yen

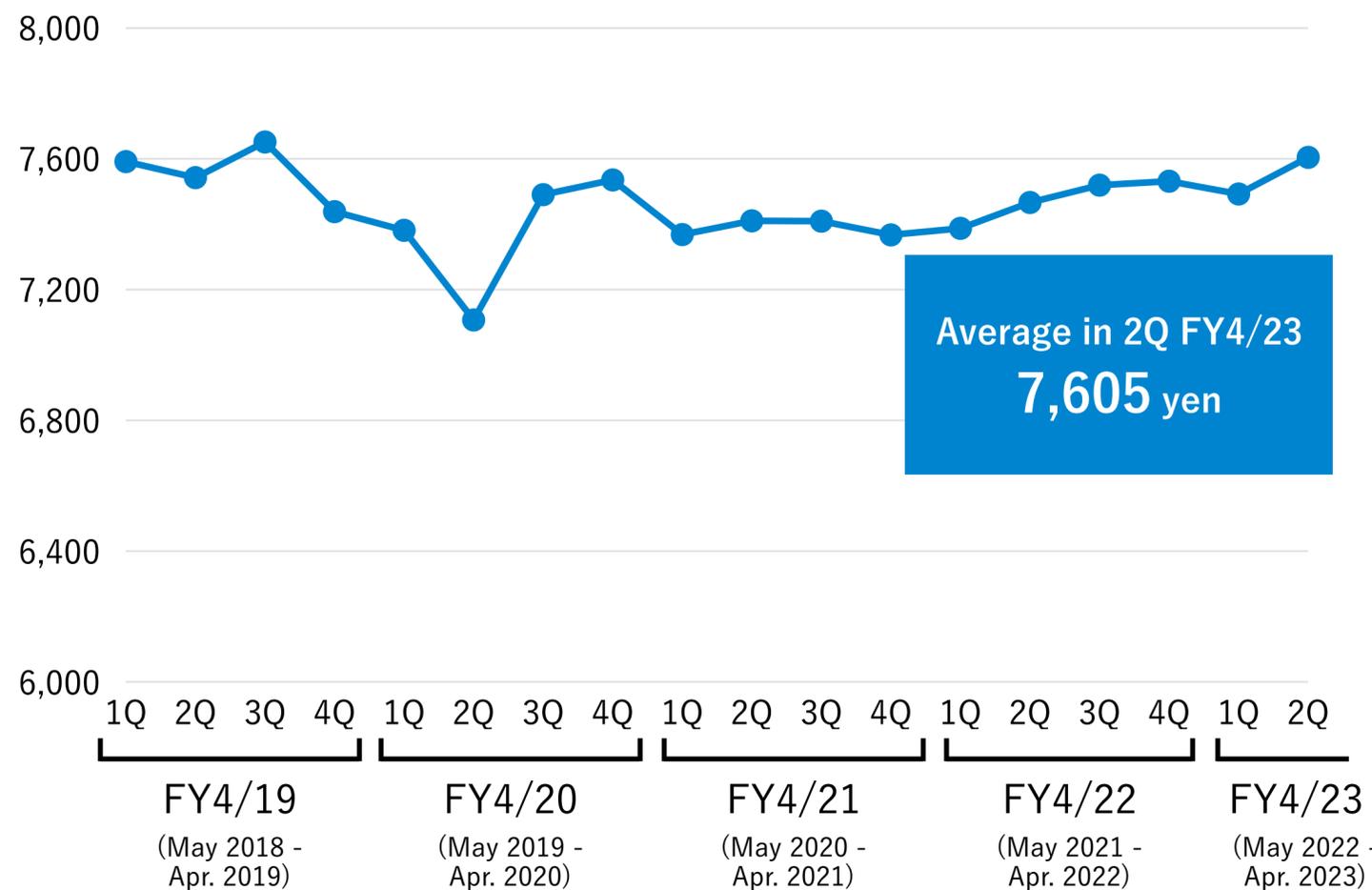
QoQ
↑27 yen



ARPU

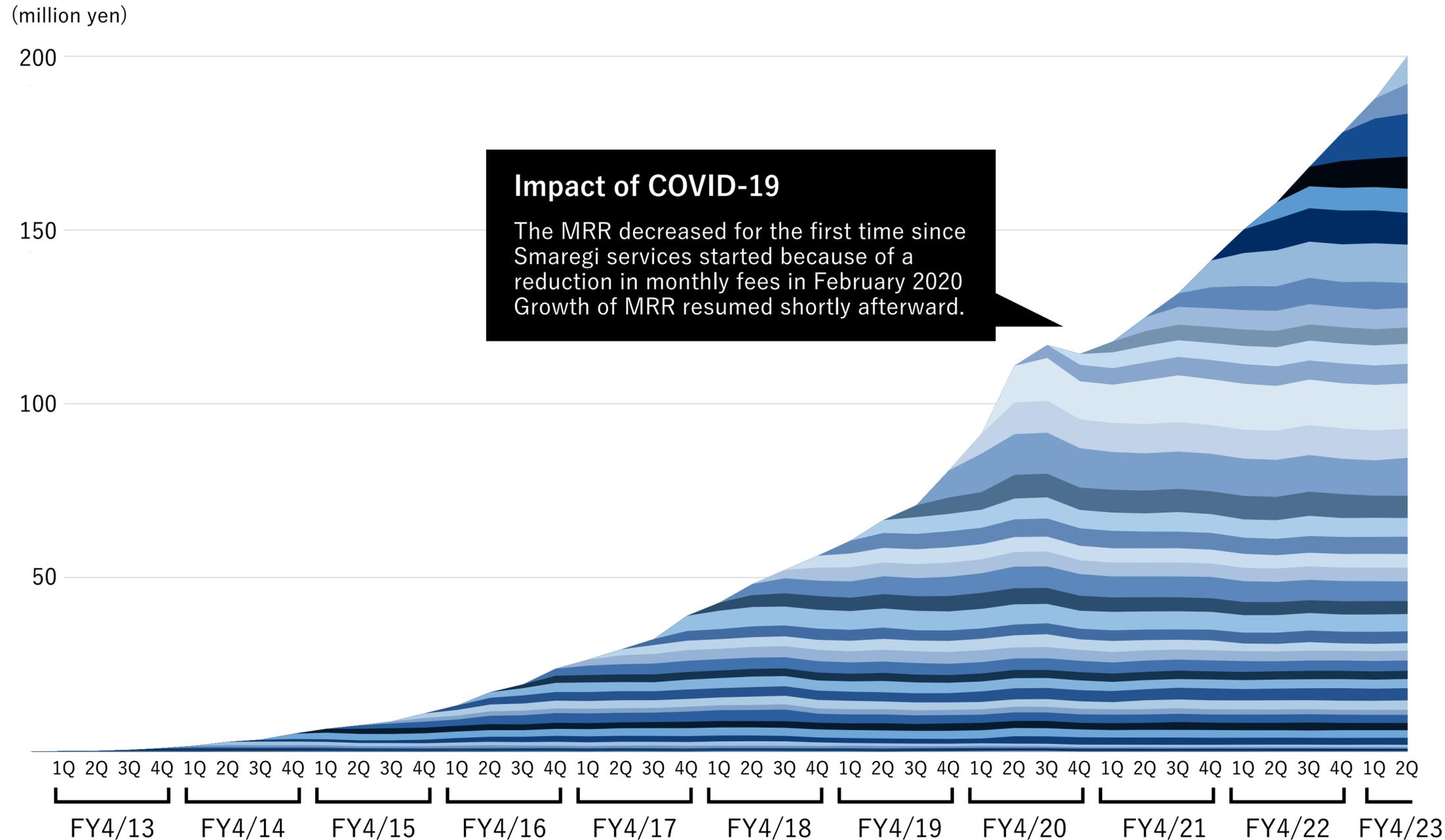
YoY
↑138 yen

QoQ
↑112 yen



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)
Does not include sales from Smaregi TimeCard, Smaregi App Market, or the payment service.

We are achieving sustainable growth through a net increase in MRR due to new contracts and the stable, continuous use of services by customers due to a low churn rate.

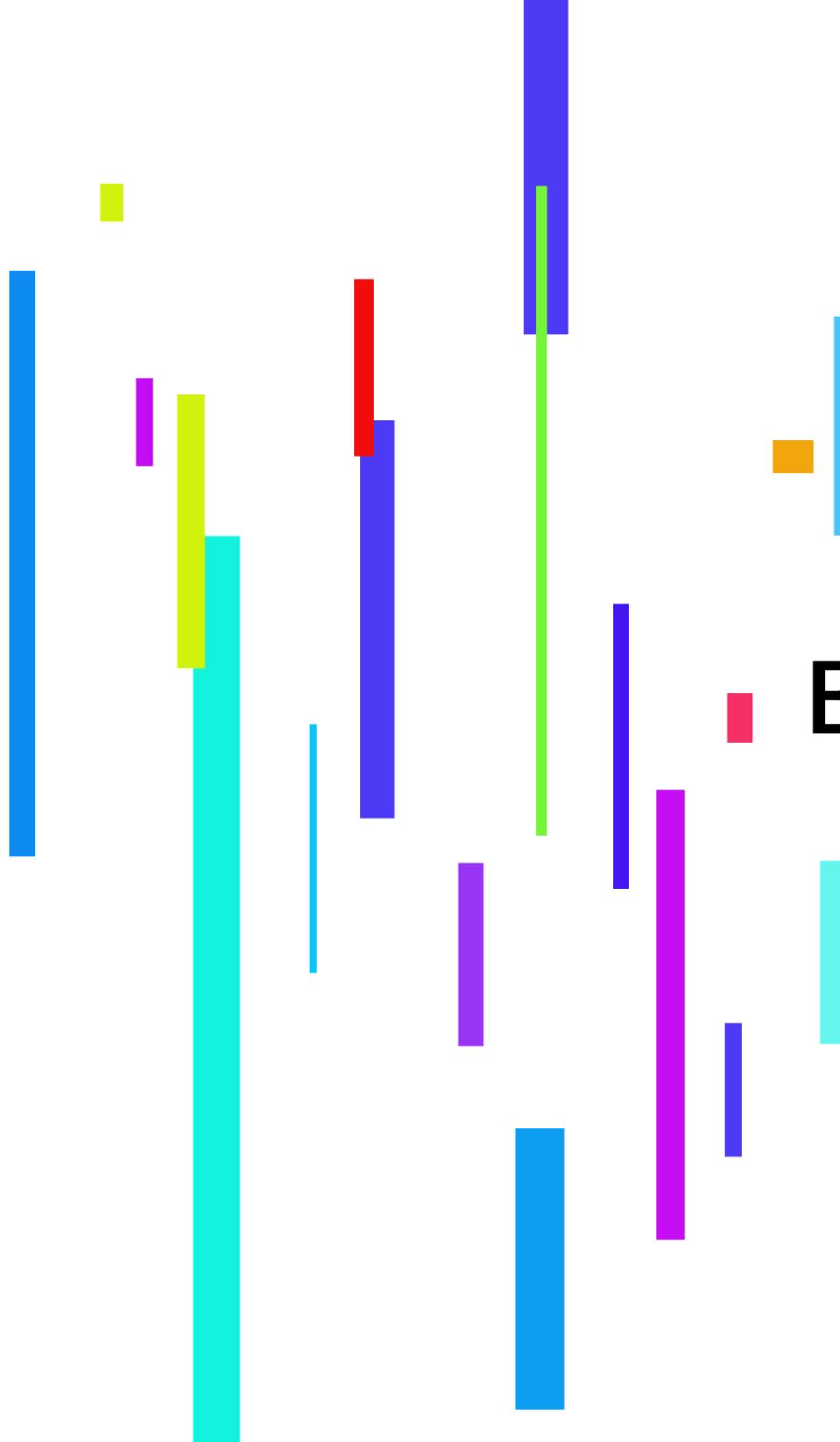


2Q FY4/23

MRR
(POS registers only)

208 million yen

※Does not reflect the impact of the temporary reduction of monthly fees for Smaregi services due to the COVID-19 pandemic.



■ Business Outline

With Smaregi (POS) and Smaregi TimeCard (HR) as the core cloud services businesses, we are aiming to expand the Smaregi economic zone through venture investments and IT human resources discovery and training businesses.

Cloud Services

Smaregi (POS)



A new, cloud-based POS register system that enables efficient store management and data management through sales analysis, advanced inventory management, and other DX transformations for the retail, restaurant, and service industries.

Payment Service



A multi-payment service that supports a variety of payment methods such as credit card payments, contactless payments, and barcode payments.

Smaregi TimeCard (HR)



An HR service that has been requested by stores and companies, which goes beyond the framework of attendance management with features such as payroll calculations, vacation management, shift management, daily reports, project management, and workflow.

Others

EC



Online store for store peripherals

SES



IT and creative human resources discovery and training business through SES

CVC

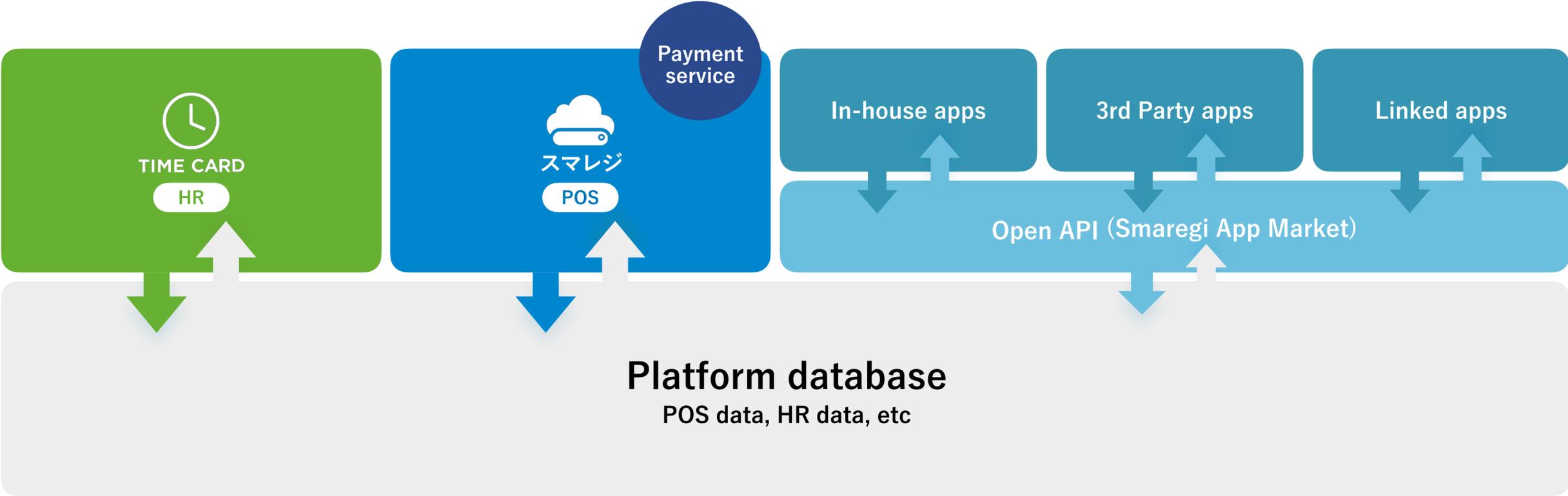


Venture investments business and Smaregi economic zone expansion business

Society is moving towards an era of storing and utilizing data, and Smaregi supports store management based on data with a rich set of APIs that other companies lack.

Smaregi Platform

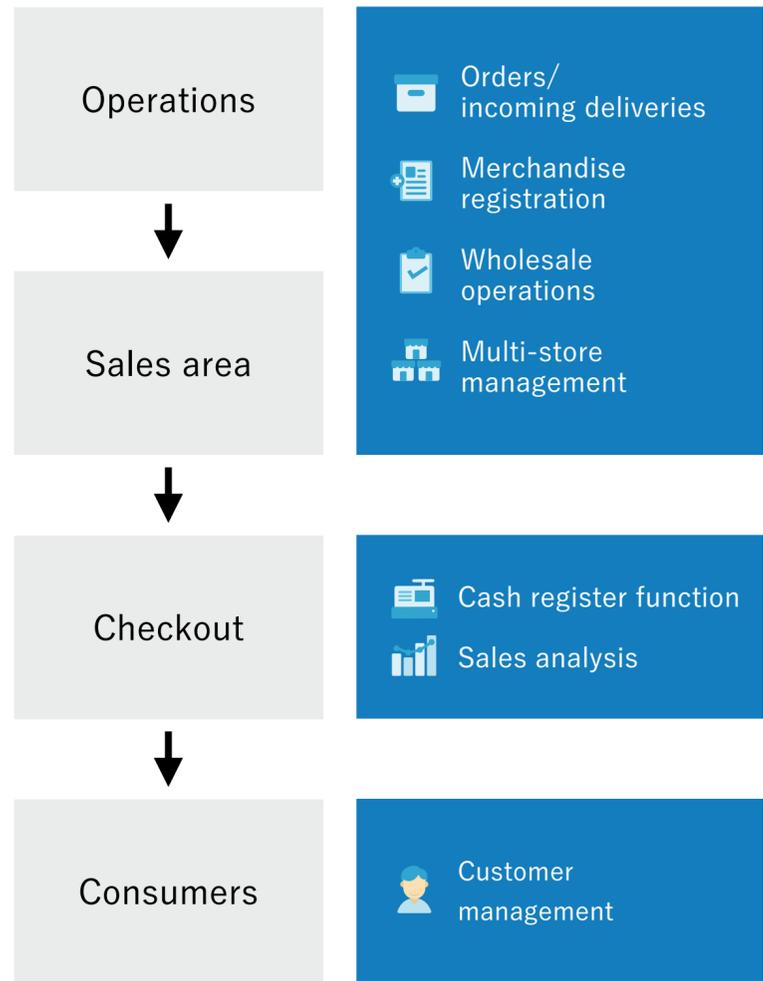
Smaregi provides a platform centered around the vast amounts of sales data and HR data that are accumulated by Smaregi, and then flexible data input and output are realized through the app market and an open API.



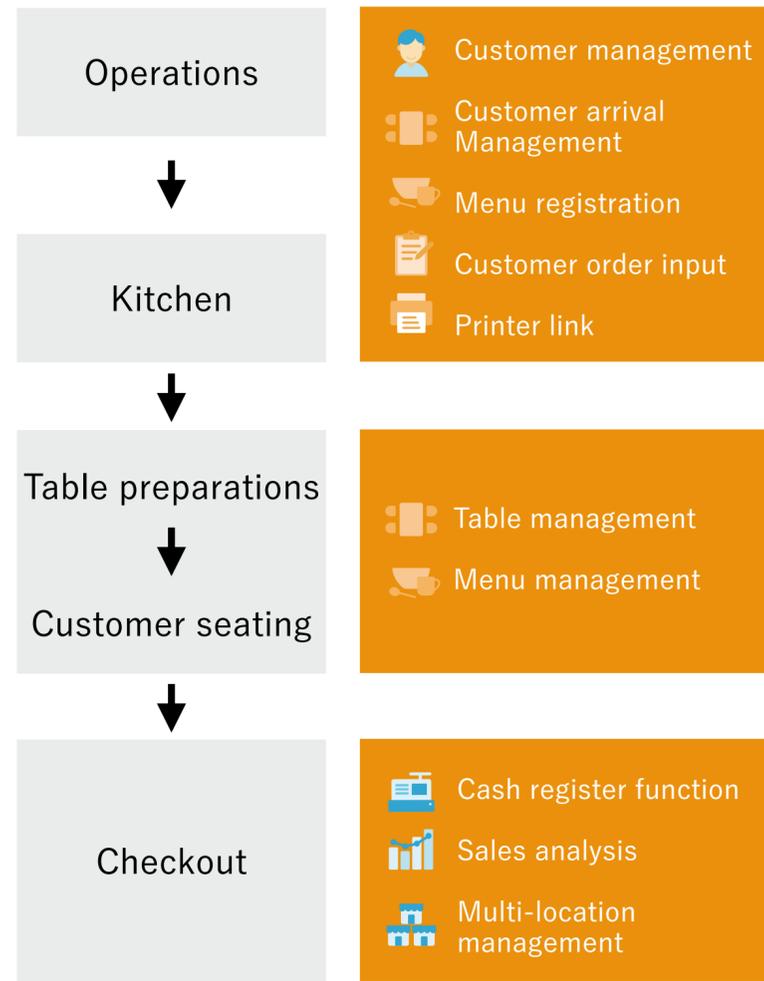
Unique Features of Smaregi (POS) - Exceptional High Performance

The basic functions of Smaregi's POS are provided free of charge. Smaregi is a highly-functional cloud-based POS register that uses sales data to make store management a science.

Retail stores



Restaurants



Online survey by Shopper's Eye Inc. (June 2021)*

*Survey method: Internet survey, Survey period: June 22-23, 2021, Survey outline: Site comparison image survey targeting cloud POS cash register 10 services, Survey target: Men and women, 20-69 years old, nationwide, 1 and 2: 330 store staff; 3: 189 store operators, survey conducted: Shoppers Eye Co., Ltd., comparison target company: "Cloud POS cash register" Google search top 7 services (as of 16:00 on June 17, 2021) and Selected companies 2 services.

Open API

Able to handle the demand of big business

Easily linked with external services, such as accounting etc
Extensive track record of linking with systems such as CRM/ERP

User-centered design

Resolves stores' challenges with design concepts

Outstanding inventory management

- Order/incoming deliveries
- Wholesale Ops
- Multi-locations

Displays supreme performance in inventory management coordinated with POS

Strength in the retail industry

Sophisticated sales analysis

Possible to confirm various types of sales analysis from anywhere, at any time

Omni-channel

Integrates inventory and customer information

Improves quality of customer contact by removing barriers between online and real

Customer success

High level of customer satisfaction resulting from full-support structure

Churn rate 0.53%*

Smaregi App Market

Purchase what store want

Realizes multifaceted approaches to various business categories and enhanced user convenience

From single-store to large scale

Responds to store needs, irrespective of their size. Obtaining broad share

Links with payment

Our own payment service

High compatibility between POS and payment. Realizes enhanced convenience and ARPU/ARPA

*MRR churn is the attrition rate calculated by using Smaregi monthly recurring revenue. The average is from May 2022 to October 2022.



Smaregi (POS) is adopted by a wide range of stores and businesses operating from single-store to more than 600 stores.

Retail/Apparel



Restaurants



Others

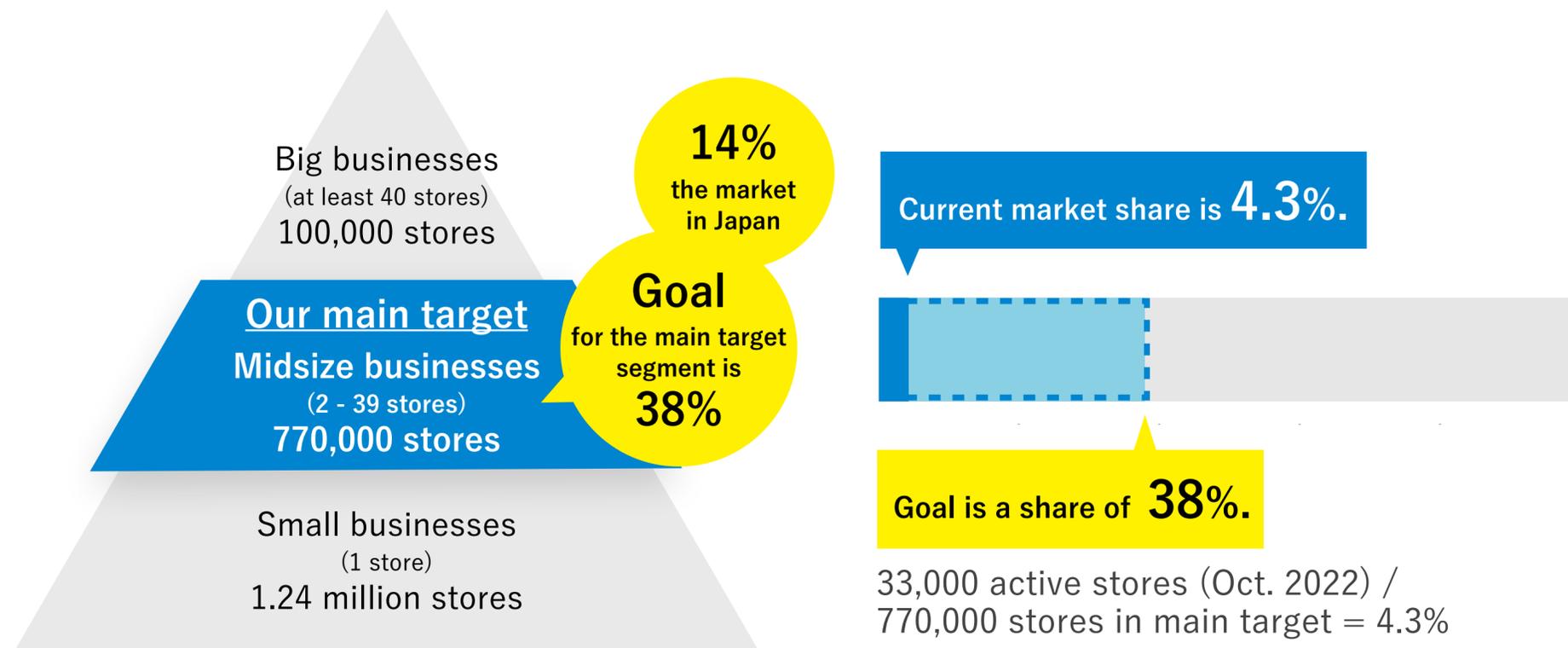


*Random order. Posted some stores that got approval to publish.

Our goal is a 38% share of the targeted 770,000 stores

The POS system market will remain competitive rather than dominated by a single company because a company that monopolizes this market would have no benefits from the larger scale of operations.

Focusing on midsize businesses as our main target, we will expand our target to both big businesses (replacement demand from conventional POS) and small businesses (billing through use of the App Market), aiming to expand our market share from the center of the pyramid.

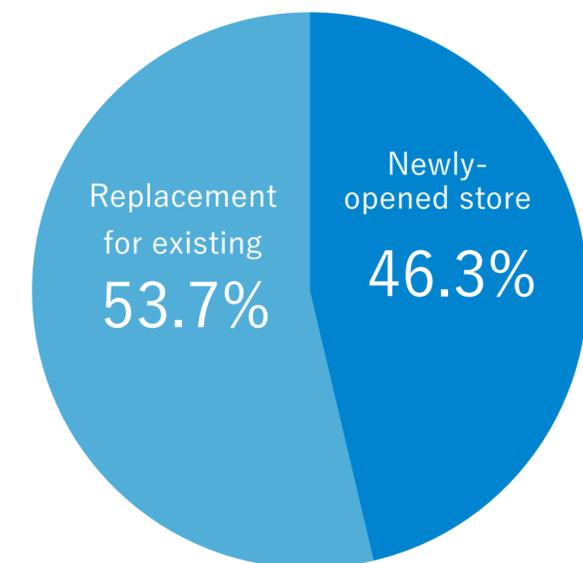


Prepared by Smaregi based on the 2016 Economic Census conducted by the Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communication.

Sales opportunities half - and - half; newly - opened stores and replacement for existing

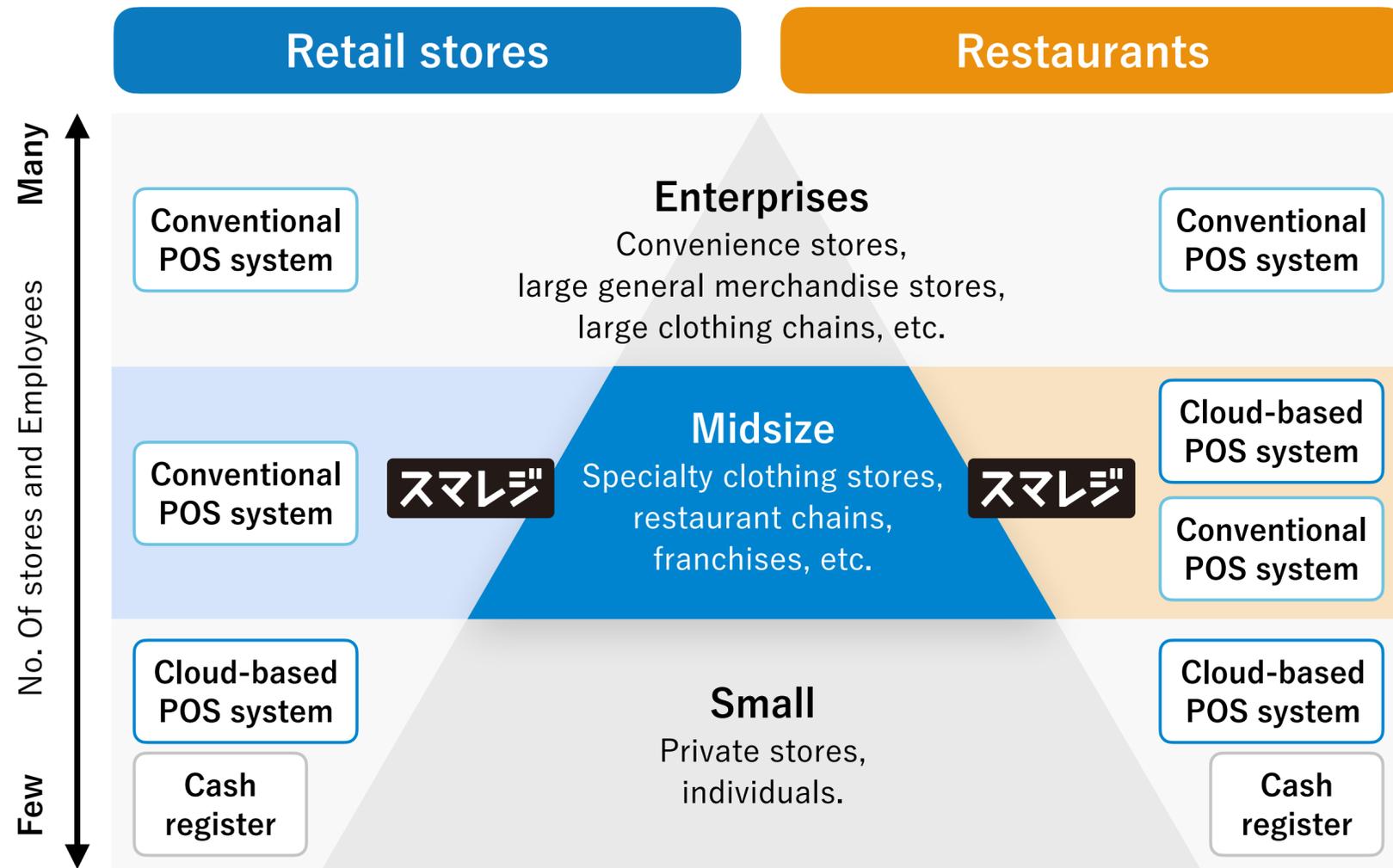
Based on our data, there tends to be a rise in demand when a business owner opens a new store, or when the contract for their existing system is expired or outdated. Our dual focus on both opportunities is a way to gather quality sales leads with the aim to further market expansion.

Market Needs



*Calculated based on Smaregi inquiry data (May-Oct. 2022)

Product distribution by store size and industry. Smaregi shows its strengths among retail and midsize businesses.



Conventional products in the POS system market are being swapped out for cloud-based ones. As the shift to the cloud and DX accelerate across industries, cloud-based POS system manufacturers are expanding into new markets such as inventory management as they compete for market share.

	 Cash registers	 Conventional POS system Dedicated device	 Cloud-based POS system PC or tablet
Device price	○ Low ¥10,000 - 100,000	✗ High ¥500,000 - millions +	○ Low ¥10,000 - 150,000
Maintenance costs	△ Replacement of malfunctioning devices	✗ Replacement of malfunctioning devices / Separate update fees required	○ Replacement by part. No update fees required
Ease of use	△ Complicated to use with many buttons	△ Complicated to use with many buttons	○ Easy to use iOS app
Functionality	✗ Basic performance	○ High performance	○ High performance & freely expandable
Support	✗ Generally none	○ Help desk, on-site support +	○ Help desk, email support, help site +

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.

1

Acquire Customer Numbers

M&A to speed up
customer acquisition or
expand target areas.

Target Companies

Cloud-based POS vendors.

2

Increase Revenue per Customer (Full lineup of products/services)

M&A of companies that can
functionally complement Smaregi.
Aim for cross-selling and up-selling.

Target Companies

Companies that have software
for stores and that likely have
direct synergy with Smaregi.

3

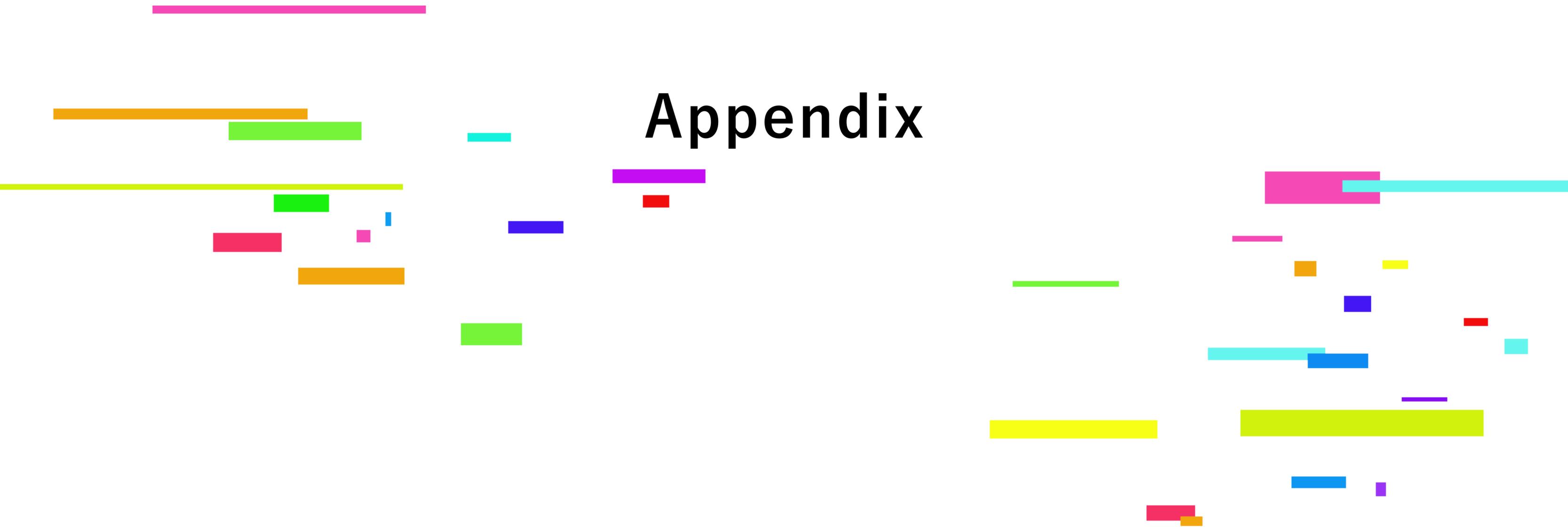
Acquire IT Engineers

Companies that have web engineers.
The companies don't have to
own a product.

Target Companies

System development companies,
systems integrators, and
production companies.

Appendix





Representative Director

HIROSHI YAMAMOTO

Engaged with business systems development as an IT engineer since 2003. Launched the cloud-based POS cash register service, Smaregi, in 2011.



Director Products/CTO

RYUHEI MIYAZAKI

Joined Smaregi in 2011. After participating in development as a founding member of Smaregi, launched the Smaregi TimeCard in 2014.



Outside Director IT Venture Investments

SHINJI ASADA

Worked at ITOCHU Corporation, ITOCHU Techno Solutions Co., Ltd., and Salesforce Ventures Japan representative, then founded One Capital Co., Ltd. in 2020.



Executive Officer In charge of Customer Success/Smaregi TimeCard

DAI TAKEMURA

Joined Smaregi in 2013. Engaged in the launch of the Customer Success Department, which covers a range of solutions from onboarding to after-sales support.



Outside Corporate Auditor

YUTAKA OOHIRA

Certified public accountant and tax accountant. Worked as a professional accountant since 1994 after passing the national examination. Appointed as a corporate auditor in 2017.



Executive Vice President and Director Business Planning/COO

RYUTARO MINATO

An IT engineer who has been involved in many large-scale development projects including financial systems and POS. Developed the Smaregi cloud-based POS system in 2011.



Director Corporate Planning and Marketing/CSO

KOHEI TAKAMADATE

Joined the JAFSCO Group in 2007. Worked in the areas of venture investment, M&A, and stock listing, appointed president and representative director of Sekaie in 2013, then joined Smaregi.



Executive Officer General Manager of Sales Department

SOUSUKE SUGIMOTO

Joined Smaregi in 2013 after working in a major enterprise in the apparel industry. Has served as section manager and general manager of the Sales Department.



Full-time Corporate Auditor

TAKUYA MOCHIZUKI

In 2005, established genephics design, Inc. (now Smaregi Inc.) with Makoto Tokuda (a Smaregi Corporate advisor) and became a director of this company. Appointed as a full-time corporate auditor in 2017.



Outside Corporate Auditor

MASAYUKI MURATA

Worked at the stock exchange for 27 years since 1991. Established PUBLIC GATE LLC in 2018, and appointed as a corporate auditor of Smaregi.

Celebrating our 10th anniversary.
Looking ahead to more growth in the next 10 years!

VISION 2031

2022/6/13 UPDATE

KPI

Aiming for 300,000 active stores and a 14% market share in Japan

Smaregi does not set the number of accounts or registered stores as target indicators, but sets the number of active stores as our KPI with the aim of becoming a POS system that is actually used.



<https://corp.smaregi.jp/en/ir/management/vision2031.php>

Disclaimer

Business plans, forecasts, and other forward-looking statements in this presentation are based on the reasonable judgments of Smaregi based on information that was currently available. The actual results of operations may differ because these statements include uncertainties involving market conditions, political events, the economy, and other items.

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1H FY2023

2022.5~2022.10

Presentation Materials

Smaregi, Inc.