



Presentation Materials for 3Q FY2023

May 1, 2022 - January 31, 2023

Smaregi, Inc.

Securities code: 4431

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- **We have revised upwards the full-year earnings forecast for FY4/23.** (Refer to P4)
- Due to steady business growth, **3Q net sales grew 42.8% YoY** to 4,168 million yen, and operating profit grew 2.8% YoY to 639 million yen.*1
- **In 3Q, the sales progress rate was 71.7% and operating profit progress rate was 75.2%** against the revised full-year plan for FY4/23.
- **ARR rose by 62.2% YoY**, coming in at 4,007 million yen.
- As the target KPI set out in the First Medium-term Management Plan of **achieving ARR of 3,670 million yen in FY4/23, was achieved far ahead of schedule, even before 4Q**, we have ended the current Medium-term Management Plan without waiting for the remaining one year and **moved into our Second Medium-term Management Plan.**
(FY4/24 - FY4/26)

*1 The figures are compared with consolidated results as 3Q FY4/22 is a part of a consolidated accounting period.

Revision of FY4/23 Full-year Earnings Forecast

Full-year earnings forecast was revised upwards due to steady growth in the number of fee-paying stores and the effects of efficient investment.

Full-year Earnings Forecast for 4/23 (May 1, 2022 - April 30, 2023)

(million yen)	Net sales	Operating profit	Ordinary profit	Profit
Previous projections (A)	5,593	651	651	403
Projections (B)	5,816	850	853	843
Change (B-A)	222	199	201	439
(%)	4.0%	30.6%	31.0%	109.1%

Reasons for revising the earnings forecast

Due to steady growth in the number of fee-paying stores, net sales is expected to be slightly higher than the net sales forecast announced initially.

Additionally, with respect to proactive investment in advertising based on the Medium-term Management Plan, the realization of efficient investment is anticipated to bring both operating profit and ordinary profit above figures set out in the initial plan.

Statement of Income

Net sales grew by 42.8% YoY due to the increase in subscription sales, among other factors (Including the impact of price revisions on January sales). Full-year plan for FY4/23 was revised upwards. Progress rate was 71.7% for net sales and 75.2% for operating profit.

(million yen)	3Q FY4/23 results (May 2022 - Jan. 2023)	3Q FY4/22 results *1 (May 2021 - Jan. 2022)	YoY change	FY4/23 plan *2 (May 2022 - Apr. 2023)	3Q FY4/23 % achieved (May 2022 - Jan. 2023)
Net sales	4,168	2,919	+42.8%	5,816	71.7%
Cost of sales	1,636	1,050	+55.7%	—	—
Gross profit	2,532	1,868	+35.5%	—	—
SG&A expenses	1,892	1,246	+51.9%	—	—
Operating profit	639	622	+2.8%	850	75.2%
Ordinary profit	642	612	+4.9%	853	75.2%
Profit	675	576	+17.2%	843	80.2%

***2
Full-year earnings forecast
was revised upwards**

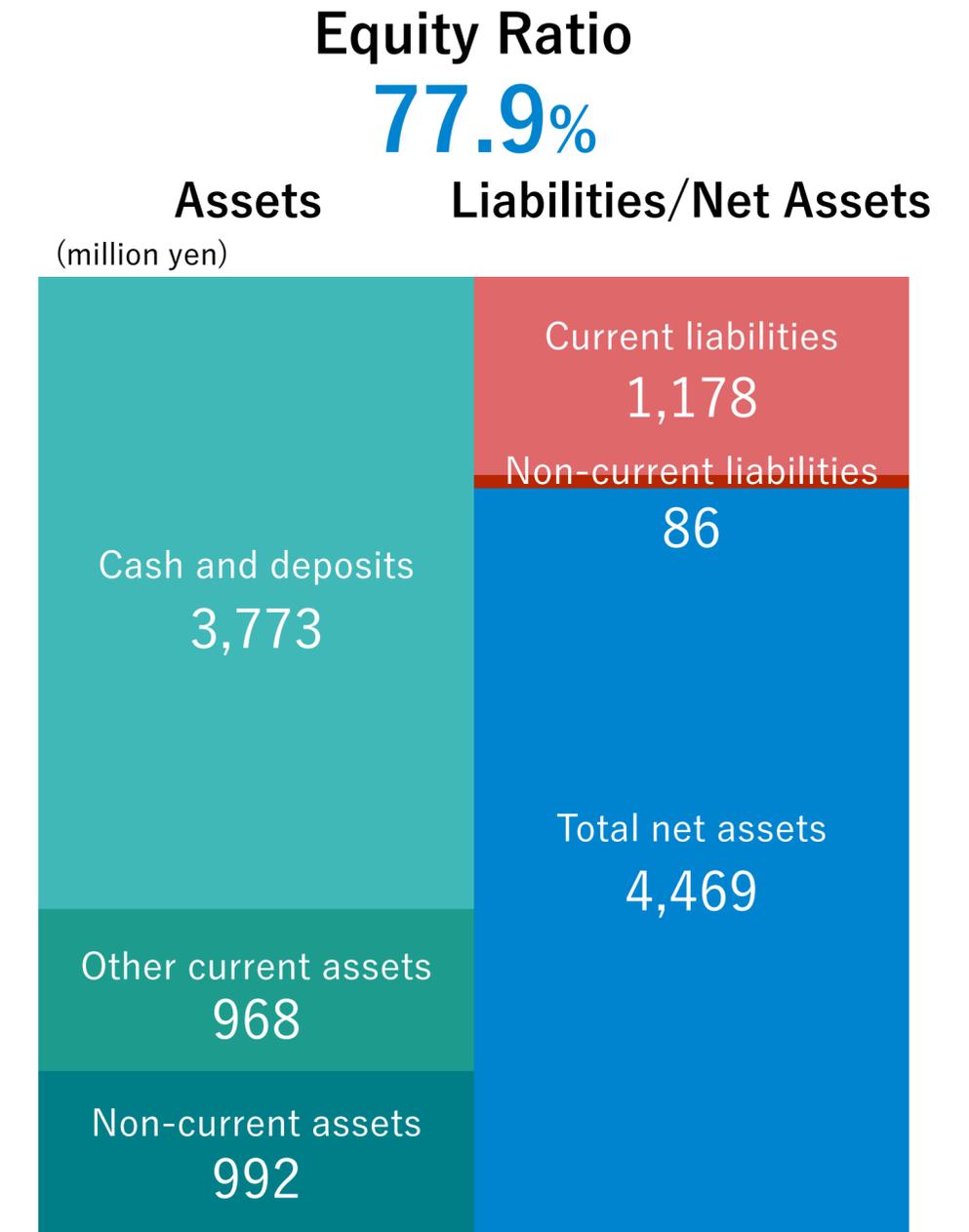
The full-year earnings plan was reviewed, and operating profit, ordinary profit, and profit were revised upwards. (Refer to P4)

*Amounts are rounded down to the nearest million yen.

*1 The results for 3Q FY4/22 was the figures based on a consolidated accounting.

Non-current assets increased 59.0% YoY and current liabilities increased 40.7% YoY due to the absorption merger of a subsidiary and growth in business scale. Stable financial foundation was maintained with equity ratio of 77.9%.

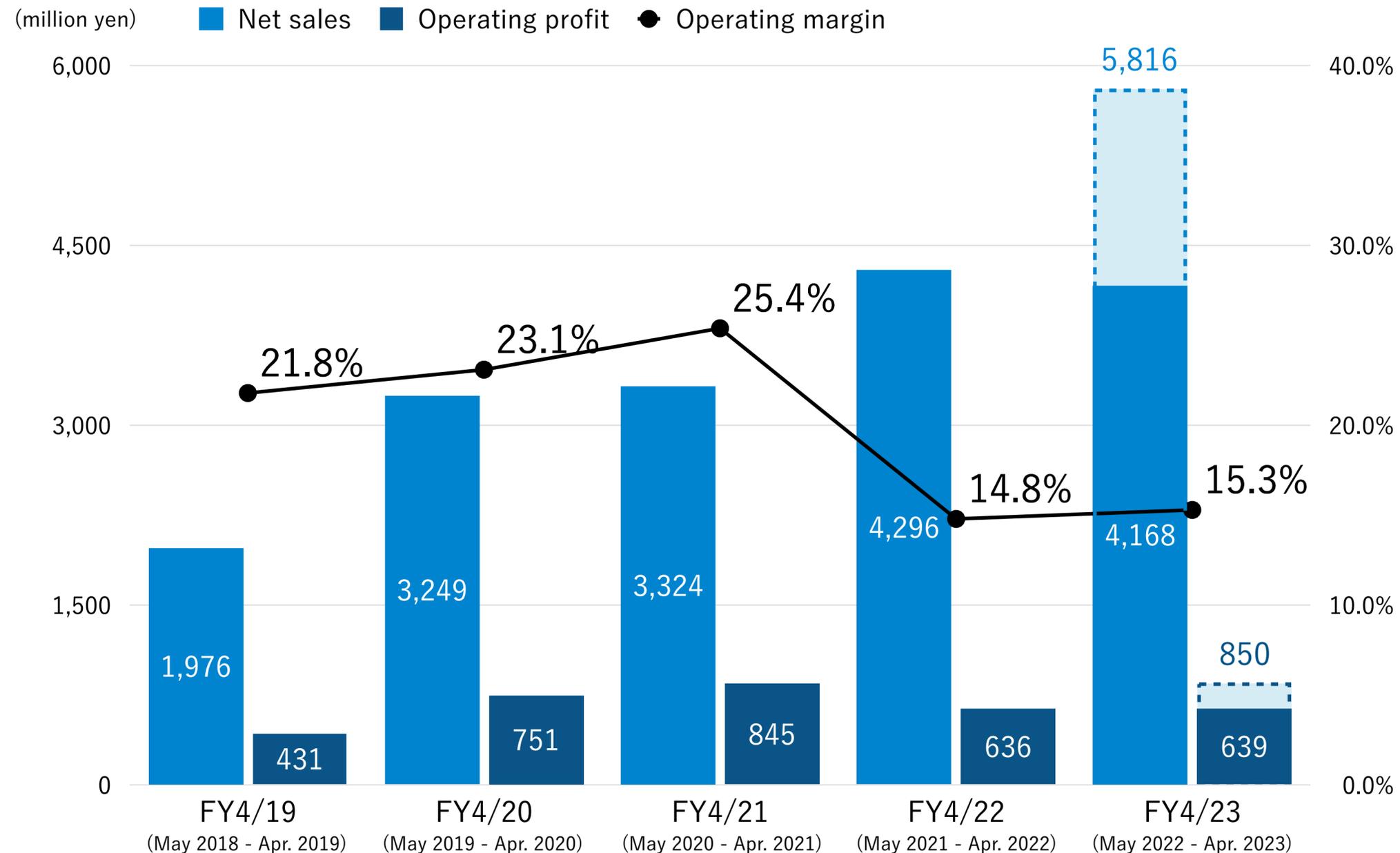
(million yen)	3Q FY4/23 results (May 2022 - Jan. 2023)	3Q FY4/22 results *1 (May 2021 - Jan. 2022)	YoY change	2Q FY4/23 results (May - Oct. 2022)	QoQ change
Current assets	4,741	4,623	+2.5%	4,498	+5.4%
Cash and deposits	3,773	3,865	-2.4%	3,606	+4.6%
Non-current assets	992	624	+59.0%	943	+5.3%
Total assets	5,733	5,247	+9.3%	5,441	+5.4%
Current liabilities	1,178	837	+40.7%	1,054	+11.8%
Non-current liabilities	86	81	+5.9%	87	-1.5%
Total liabilities	1,264	919	+37.6%	1,141	+10.8%
Total net assets	4,469	4,328	+3.2%	4,299	+4.0%
Total liabilities and net assets	5,733	5,247	+9.3%	5,441	+5.4%



*1 The results for 3Q FY4/22 was the figures based on a consolidated accounting.

Changes in Net Sales, Operating Profit, and Operating Margin

The sales progress rate in 3Q FY4/23 was 71.7% and operating profit progress rate was 75.2% against the fiscal year forecast after the upward revision.



3Q FY4/23
(May 2022-Jan. 2023)

Sales progress rate

71.7%

4,168 / 5,816 million yen

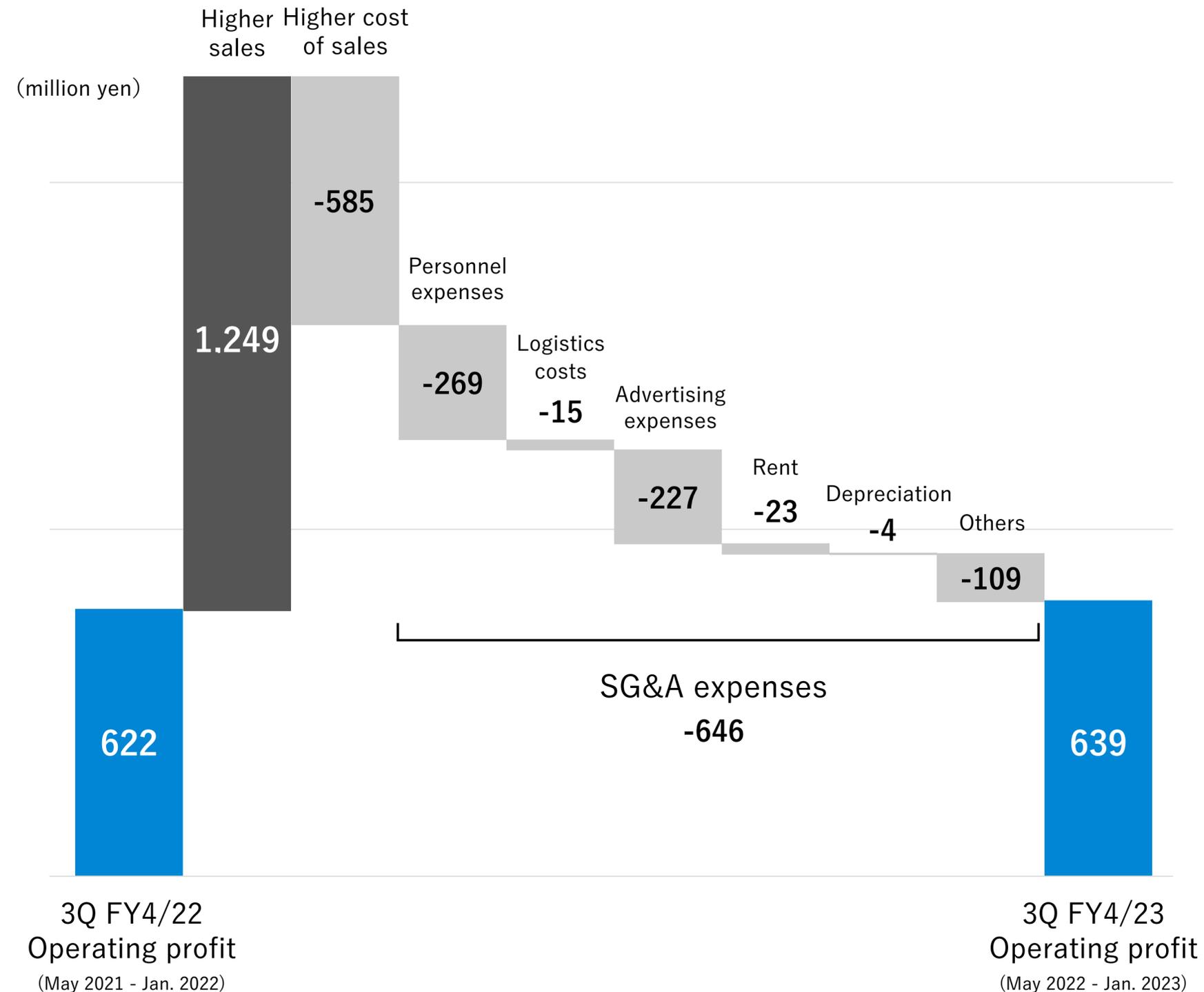
Operating profit progress rate

75.2%

639 / 850 million yen

*4Q FY4/22 includes the results of a consolidated former 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

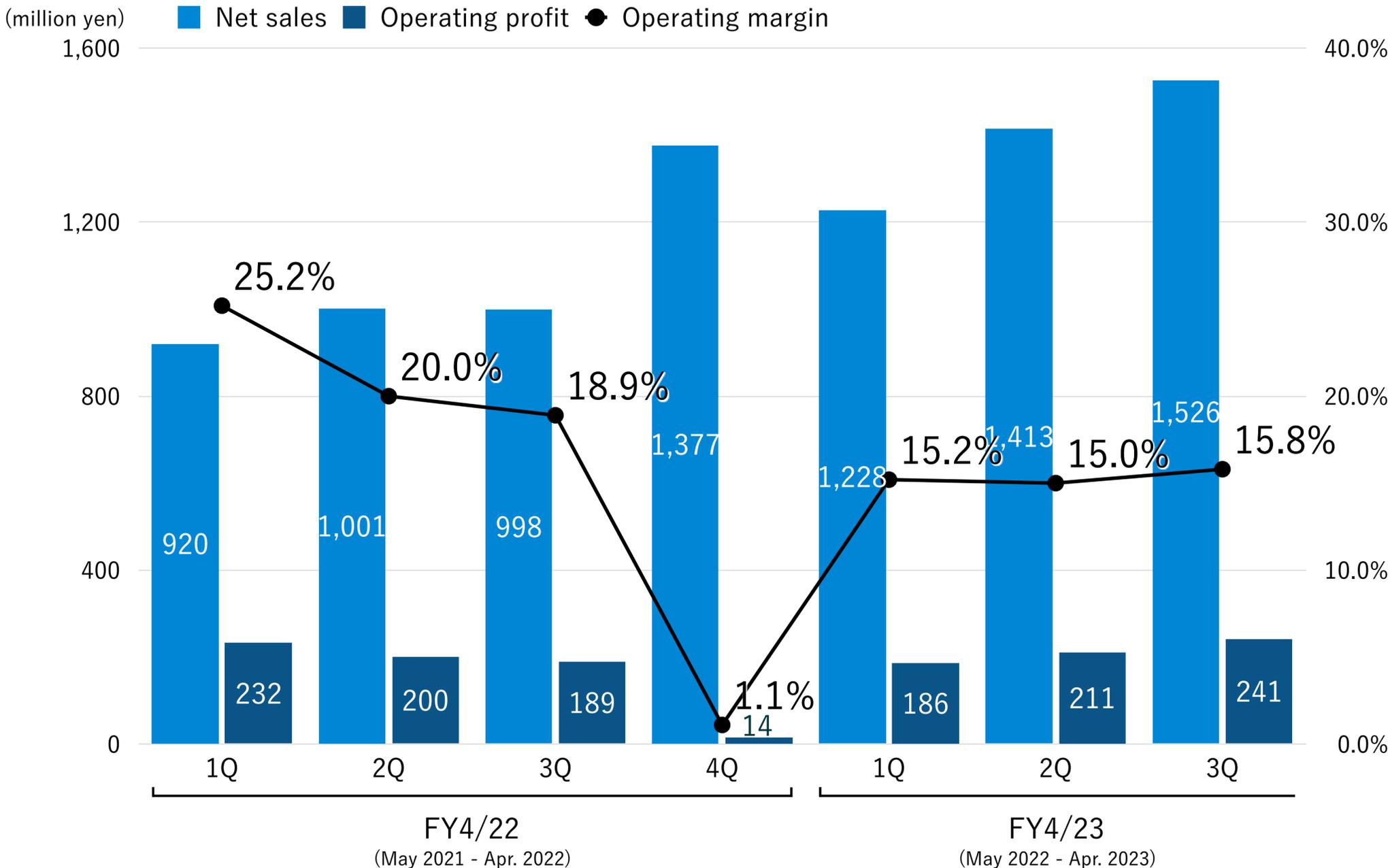
- Higher server expenses and equipment purchases because of the growth in sales.
- Increase in data center usage costs, etc. accompanying the operation of payment systems.
- Higher personnel expenses due to the increased number of engineers.

Higher SG&A expenses

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

Quarterly Changes in Net Sales, Operating Profit and Operating Margin

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



3Q FY4/23
Operating margin
15.8%
 YoY ↓ 3.1pt QoQ ↑ 0.8pt

*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 50.7% 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. This impacted the results for one month in the 3Q accounts.

3Q FY4/23

Subscription sales ratio

59.9%

Initial expense gross margin

Sales of products and others

36.5%

QoQ

↓ 1.3pt

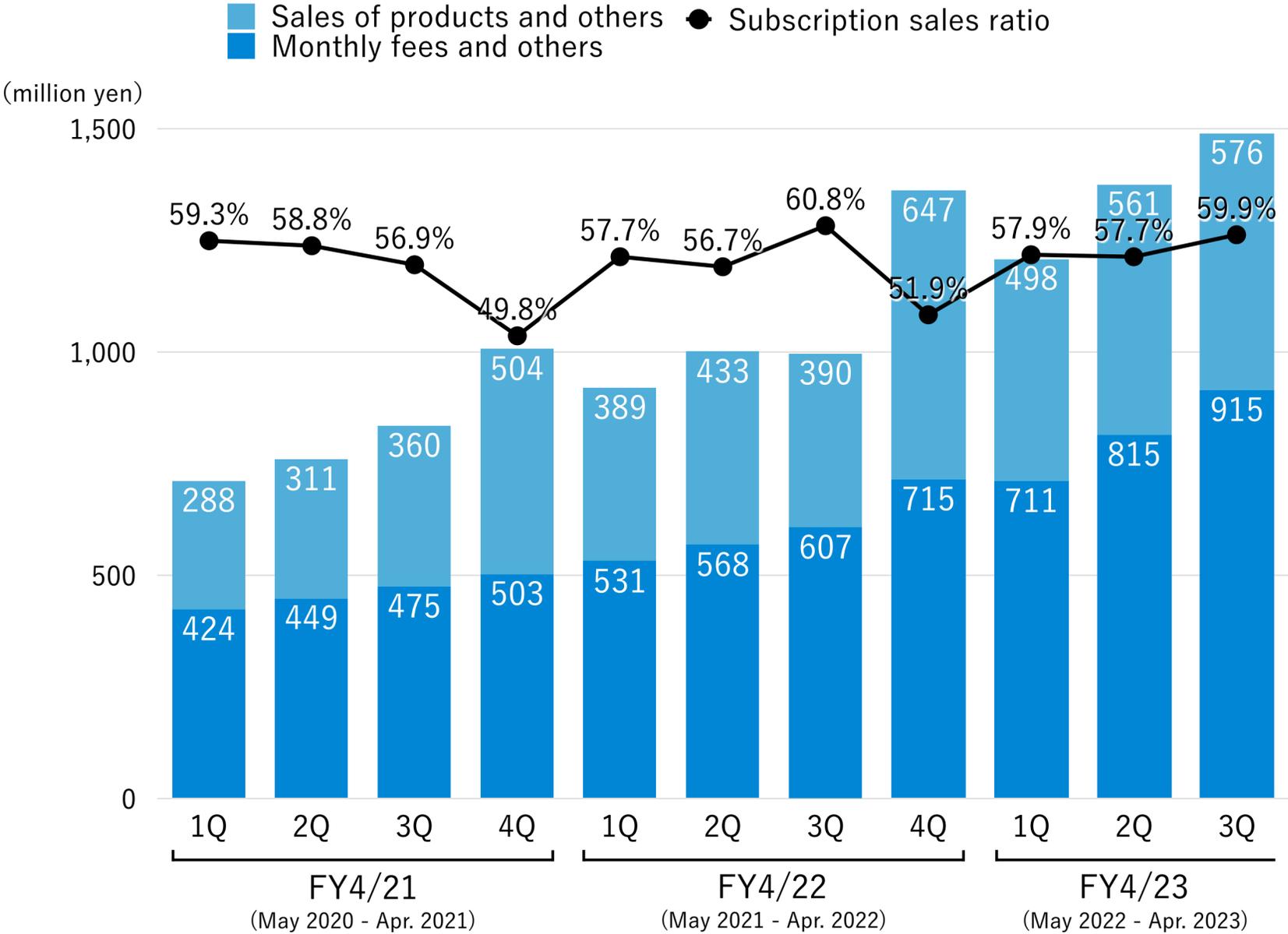
SaaS gross margin

Monthly fees and others

76.2%

QoQ

↑ 0.3pt



*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 (44.3%) to keep it within the scope of the plan, we continued with investment in S&M toward achieving the Medium-term Management Plan. Personnel expenses increased alongside the expansion of the organization, in line with our recruitment plan.

3Q FY4/23

SG&A expenses

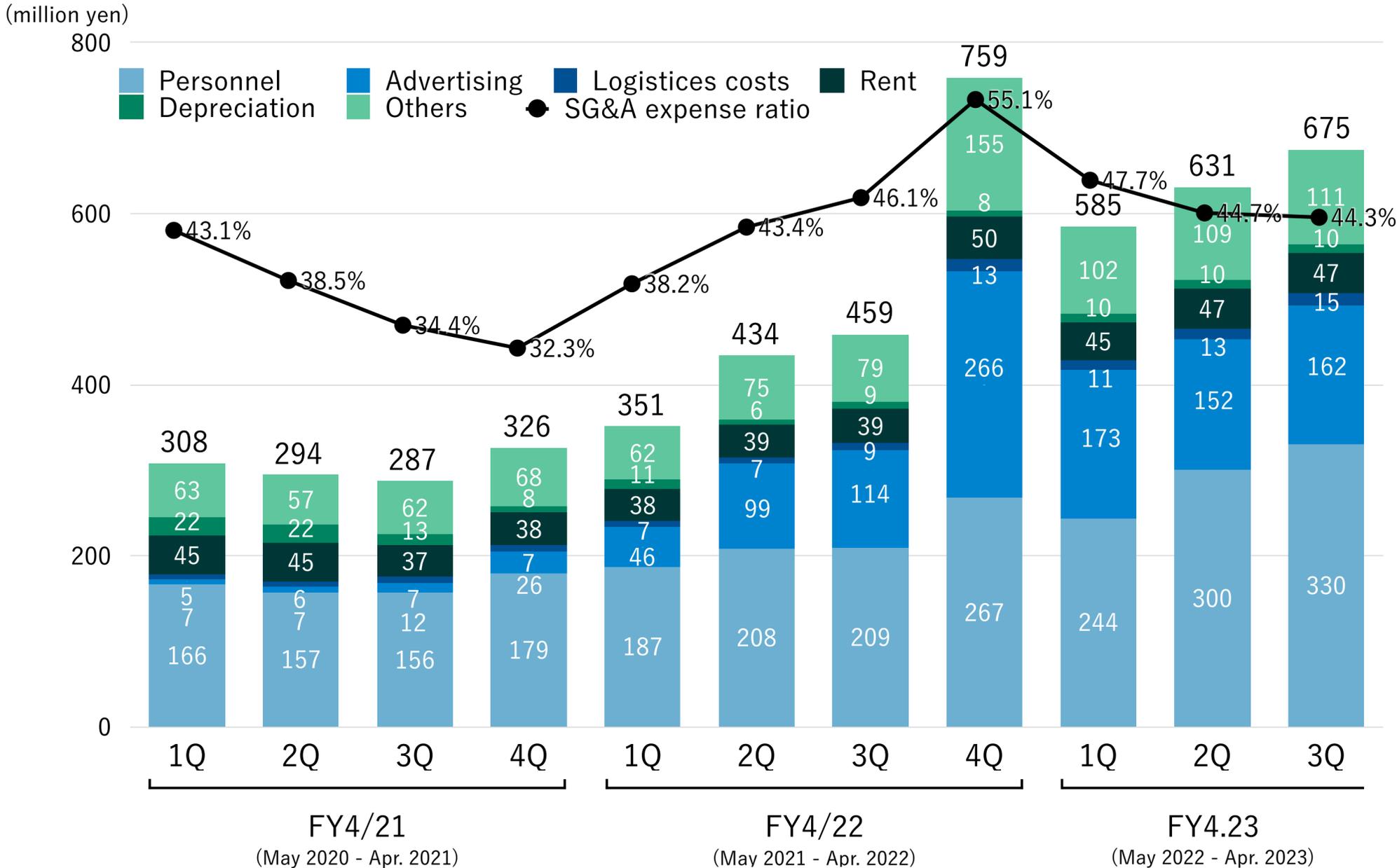
675 million yen

S&M

302 million yen

S&M ratio

19.8%

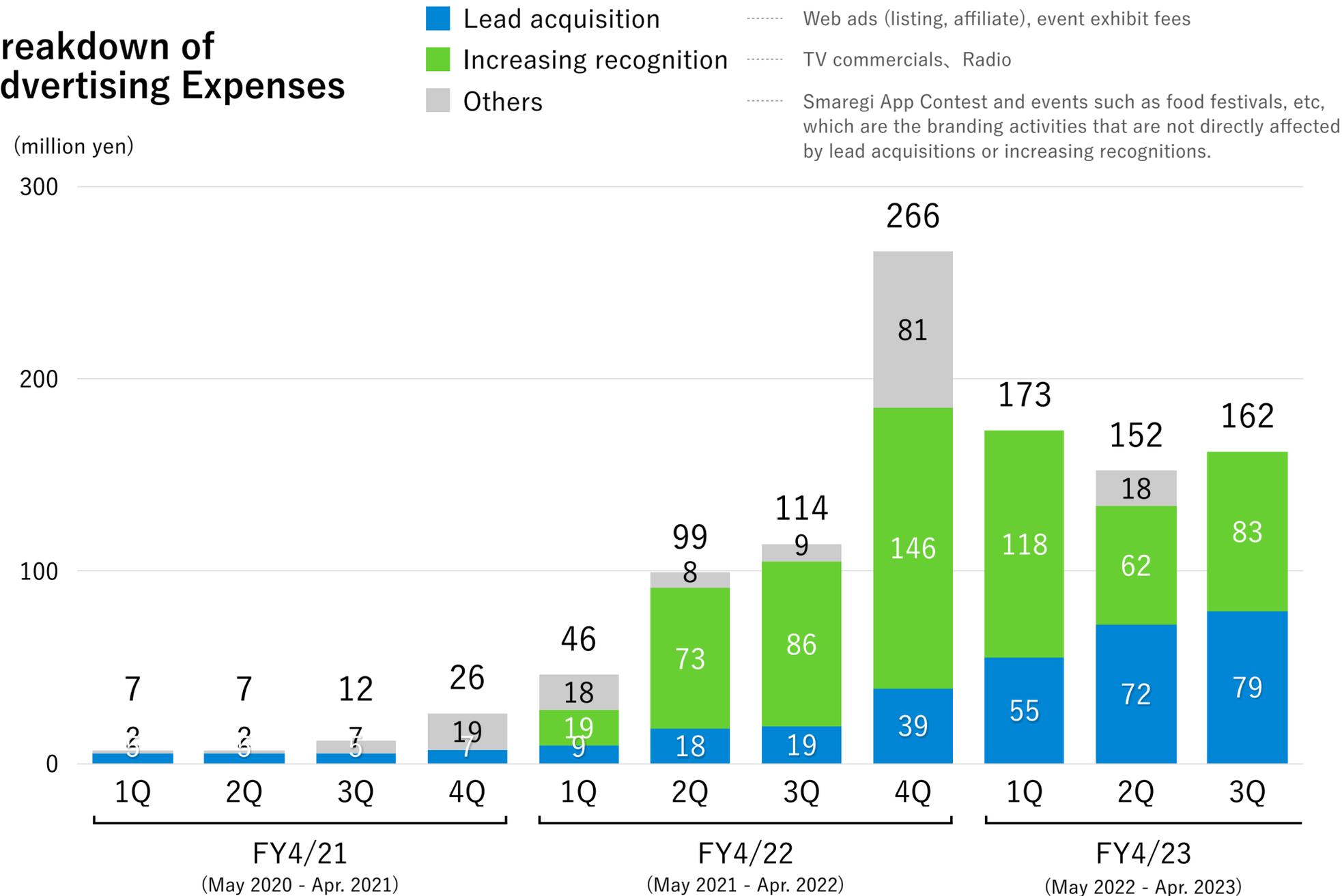


Quarterly Changes in Advertising Expenses

A new TV commercial started airing in January 2023.

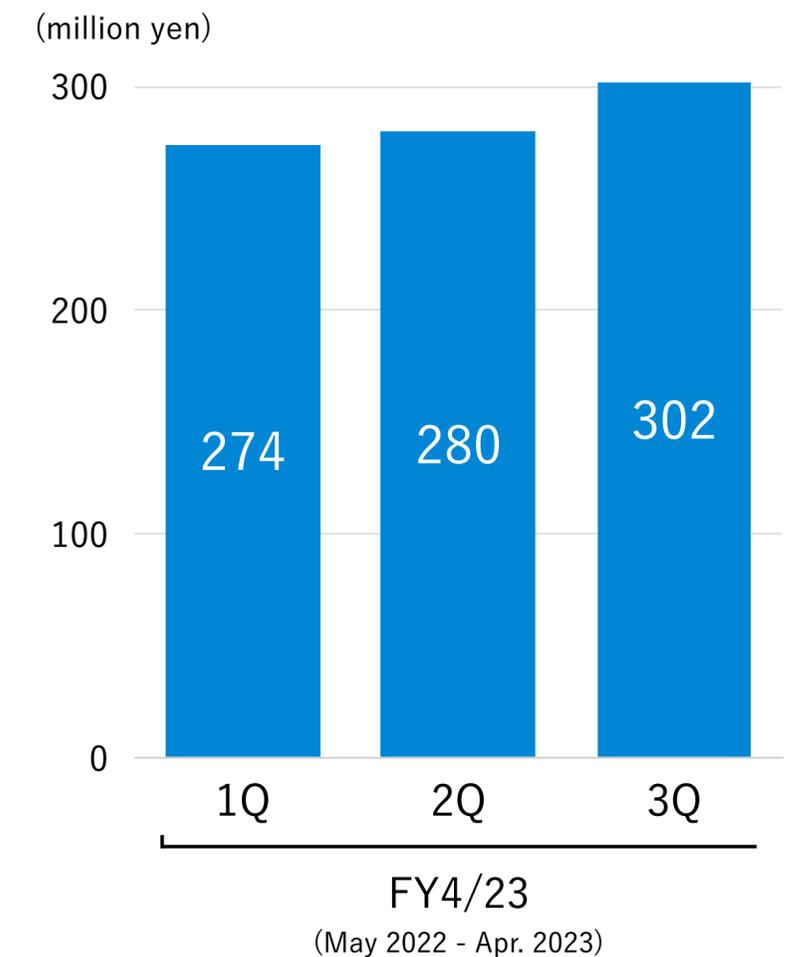
We are continuing to invest in advertising while verifying its effects with a focus on measures to expand awareness and acquire leads.

Breakdown of Advertising Expenses



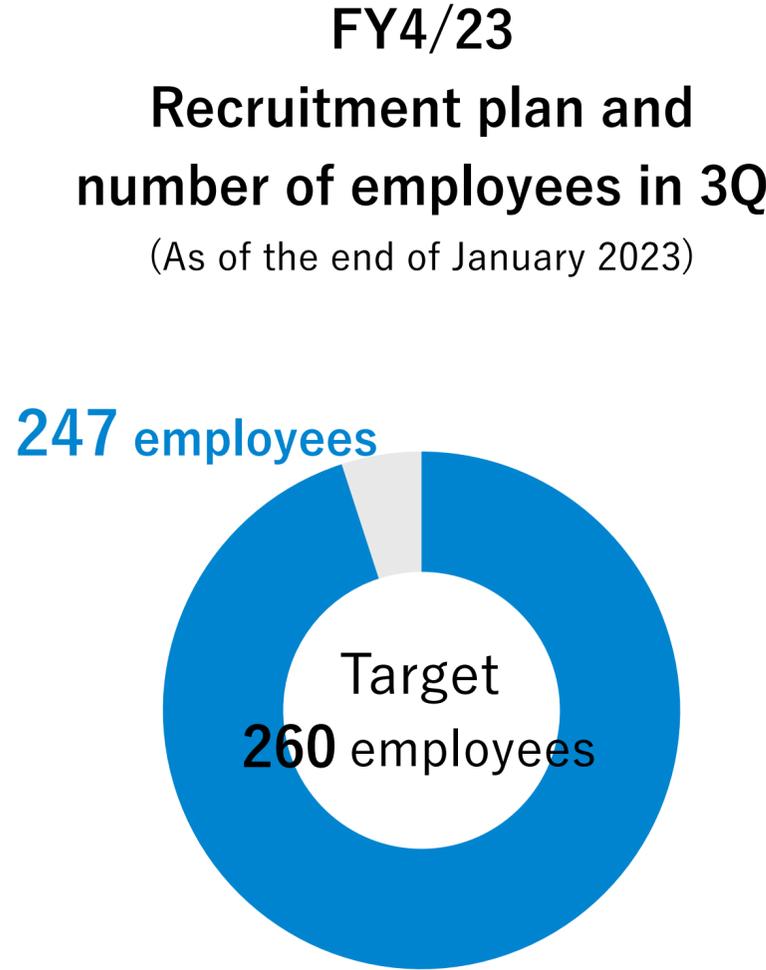
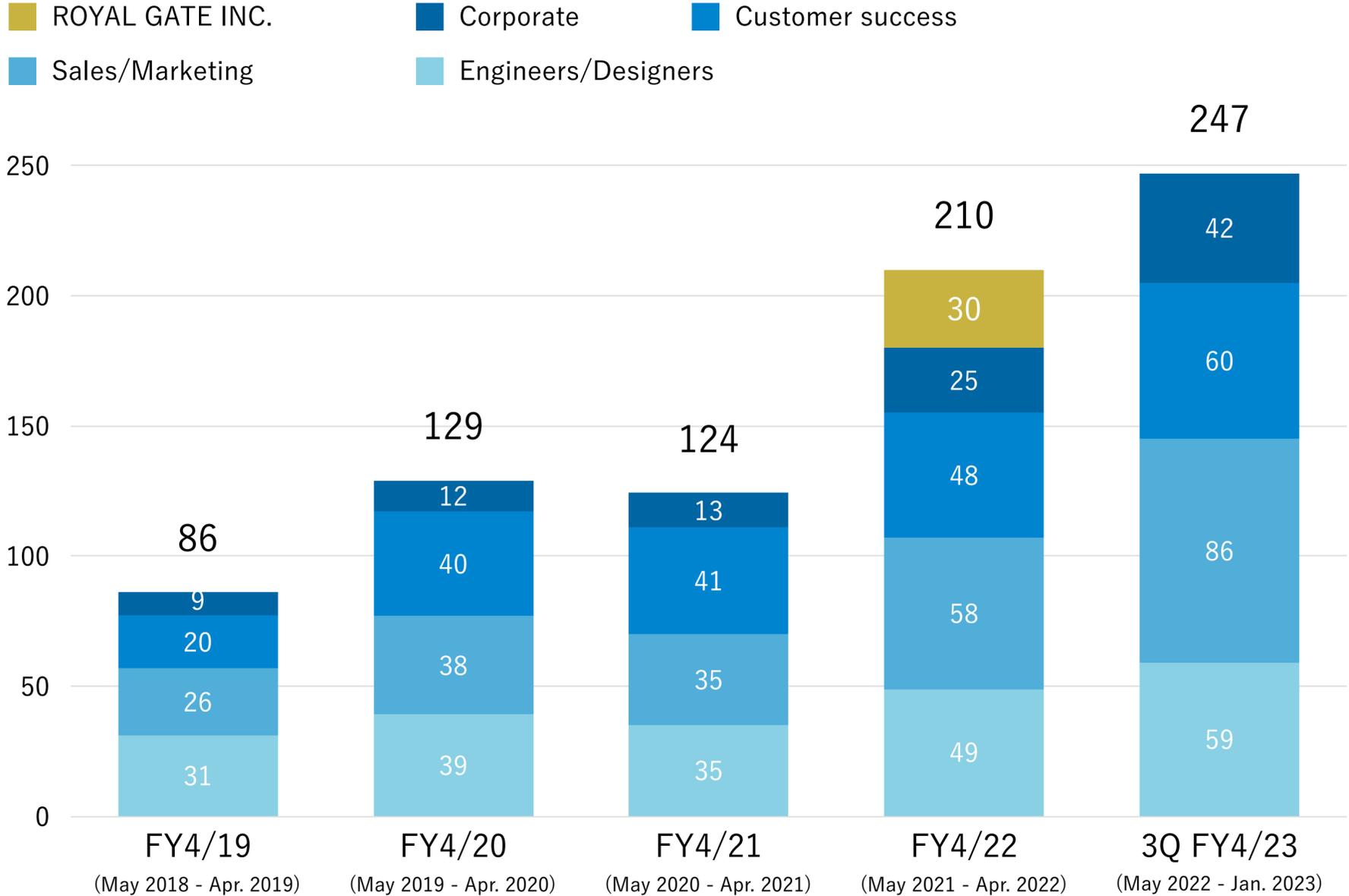
S&M

Advertising expenses, personnel expenses and related expenses for sales and marketing



Growth in Number of Employees

We strengthened organizational capabilities across all departments. The number of employees increased 54.4% YoY. In FY4/23, with an additional 50 employees compared to the previous period, we are implementing the recruitment plan to reach the target total of 260 employees.



*160 people as of 3Q FY4/22 attributable to parent company . *Excludes temporary employees and part-time employees.

Business summary

Cloud service prices were revised from January 2023 with the aim of strengthening the operational system.

Impact to date (As of January 31, 2023)

Churn rate No notable changes

Customer unit price ARPA **+7.0%**(MoM) ARPU **+6.5%**(MoM)

Number of inquiries 46

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	Precious price	New price
Standard Additional fee per person	¥1,000 ¥100/person	→ ¥1,100 ¥100/person
Premium Additional fee per person	¥2,000 ¥300/person	→ ¥2,200 ¥350/person
Premium Plus Additional fee per person	¥4,000 ¥400/person	→ ¥4,400 ¥450/person
Premium Plus (POS combination) Additional fee per person	¥2,000 ¥400/person	→ ¥2,200 ¥450/person
Enterprise Additional fee per person	¥6,000 ¥600/person	→ ¥6,600 ¥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.

Annual Recurring Revenue (Subscription Sales)

ARR grew 62.2% YoY on the back of the increase in the number of fee-paying stores and the impact of price revisions *1.

*1 Price revisions were implemented from January 2023.

ARR※

40.0 billion yen

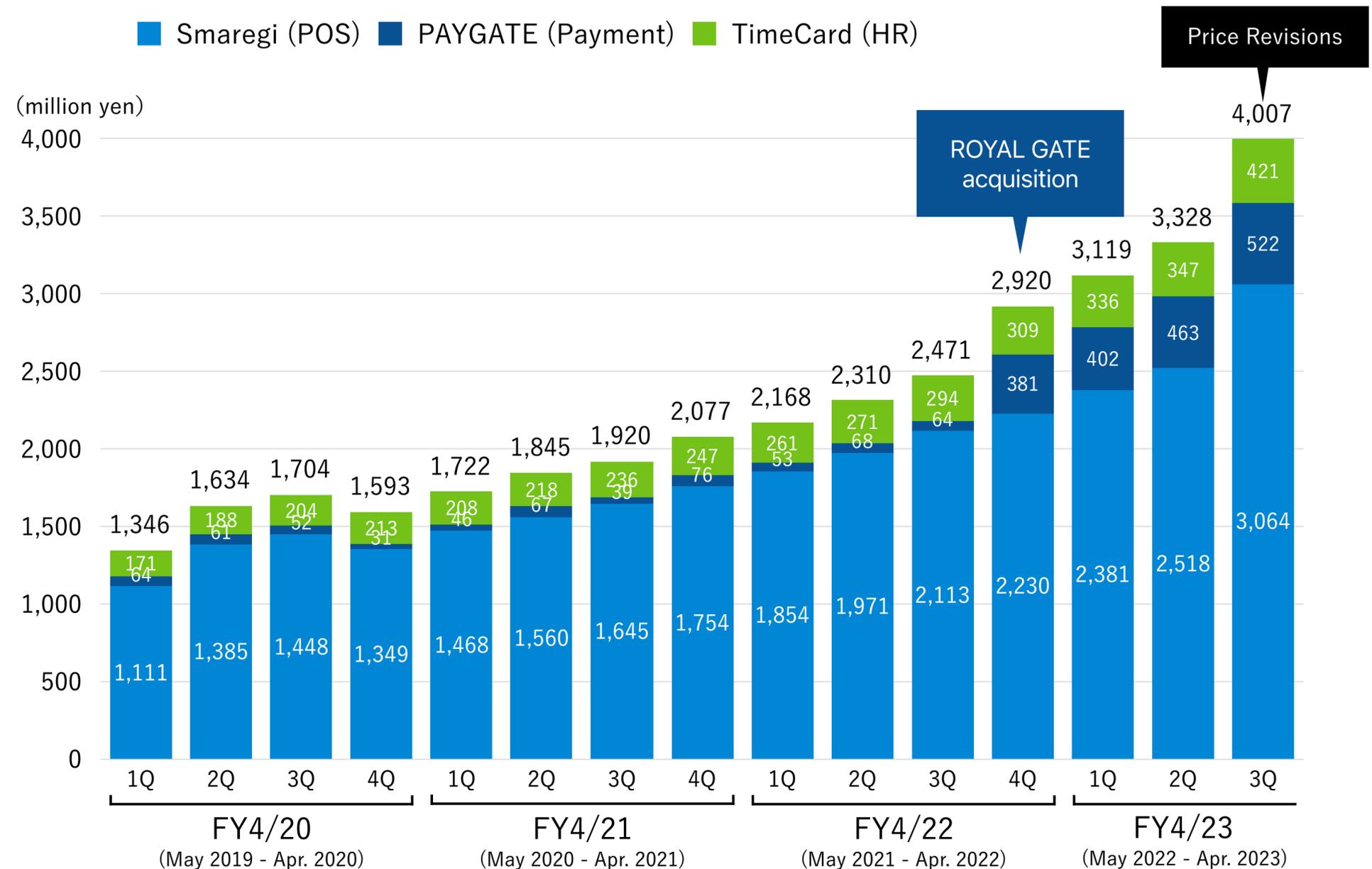
YoY
+62.2%

QoQ
+20.4%

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

ARR: Annual Recurring Revenue

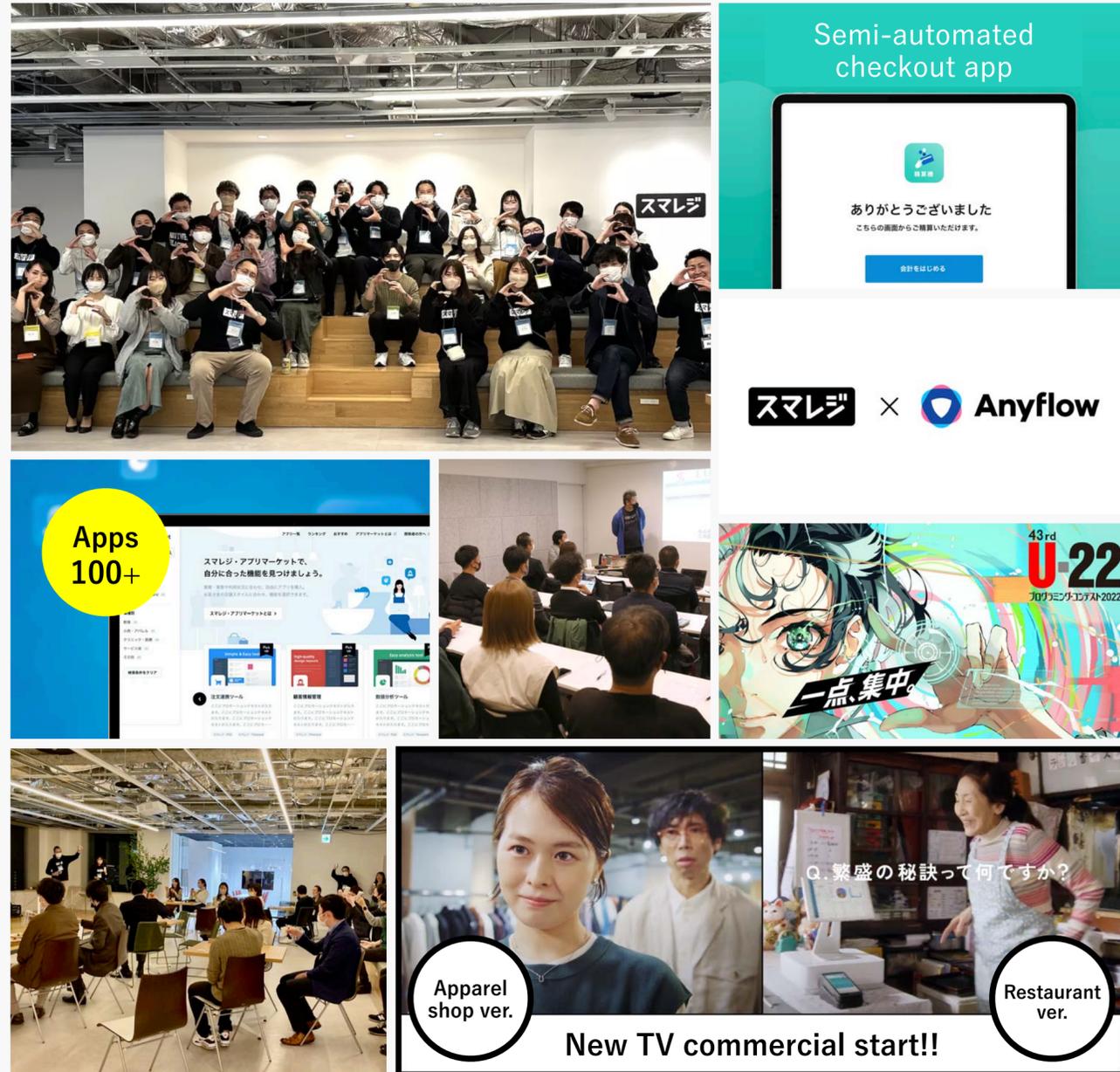
MRR: Monthly Recurring Revenue



*Smaregi: POS monthly fees, equipment subscription, additional options (terminal addition fees, self-checkout fees, member-limit additional fees etc), 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



- Jan. 2023**
- Implemented price revisions for Smaregi and Smaregi TimeCard
 - New TV commercial started airing ~ Apparel edition/Japanese diner interview edition
 - Held a joint recruitment event by eight SaaS IT companies
 - Number of apps released on Smaregi App Market reached 100
- Dec. 2022**
- Smaregi Ventures No. 4: Formed capital and business alliance with Anyflow Inc., which provides code-free business automation services.
 - Released app compatible with semi-automated checkout operations
 - Made the issuance of receipts compatible with Japan’s “Qualified invoice-based method (the Invoice System)”
- Nov. 2022**
- “U-22 Programming Contest 2022” held with Smaregi participating as a Diamond Sponsor
 - Smaregi’s user community “Akiinai LABO” Meet-up held in Osaka

GMV grew due to the busy year-end and New Year season. Cumulative transaction amount for 3Q FY4/23 exceeded 1 trillion yen. Smaregi's economic zone is steadily expanding.

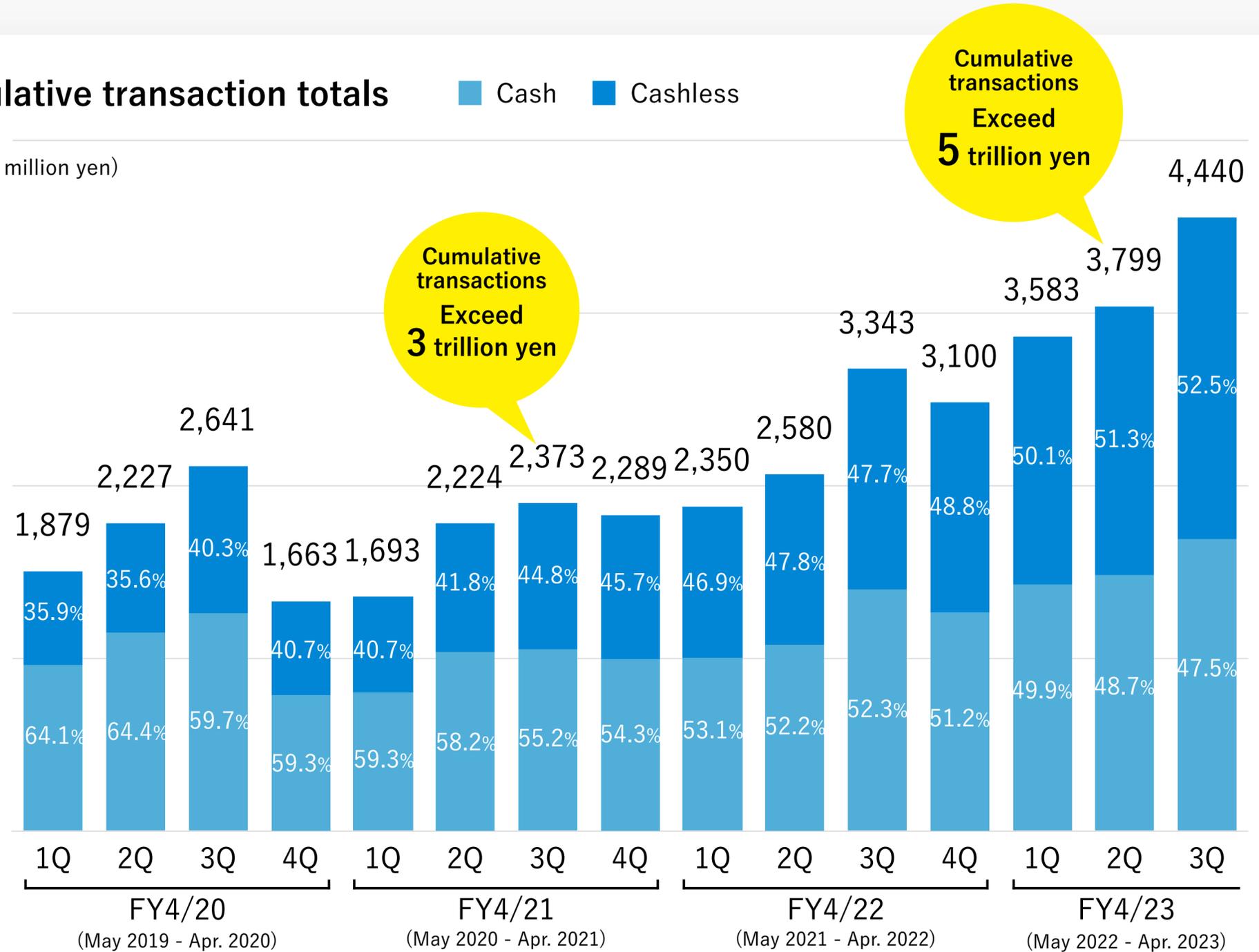
GMV Growth Rate
 YoY **+32.8%** QoQ **+16.9%**

Cumulative Transaction Amount
5.7 trillion yen
 (As of January 31, 2023)

Cumulative transaction totals

■ Cash ■ Cashless

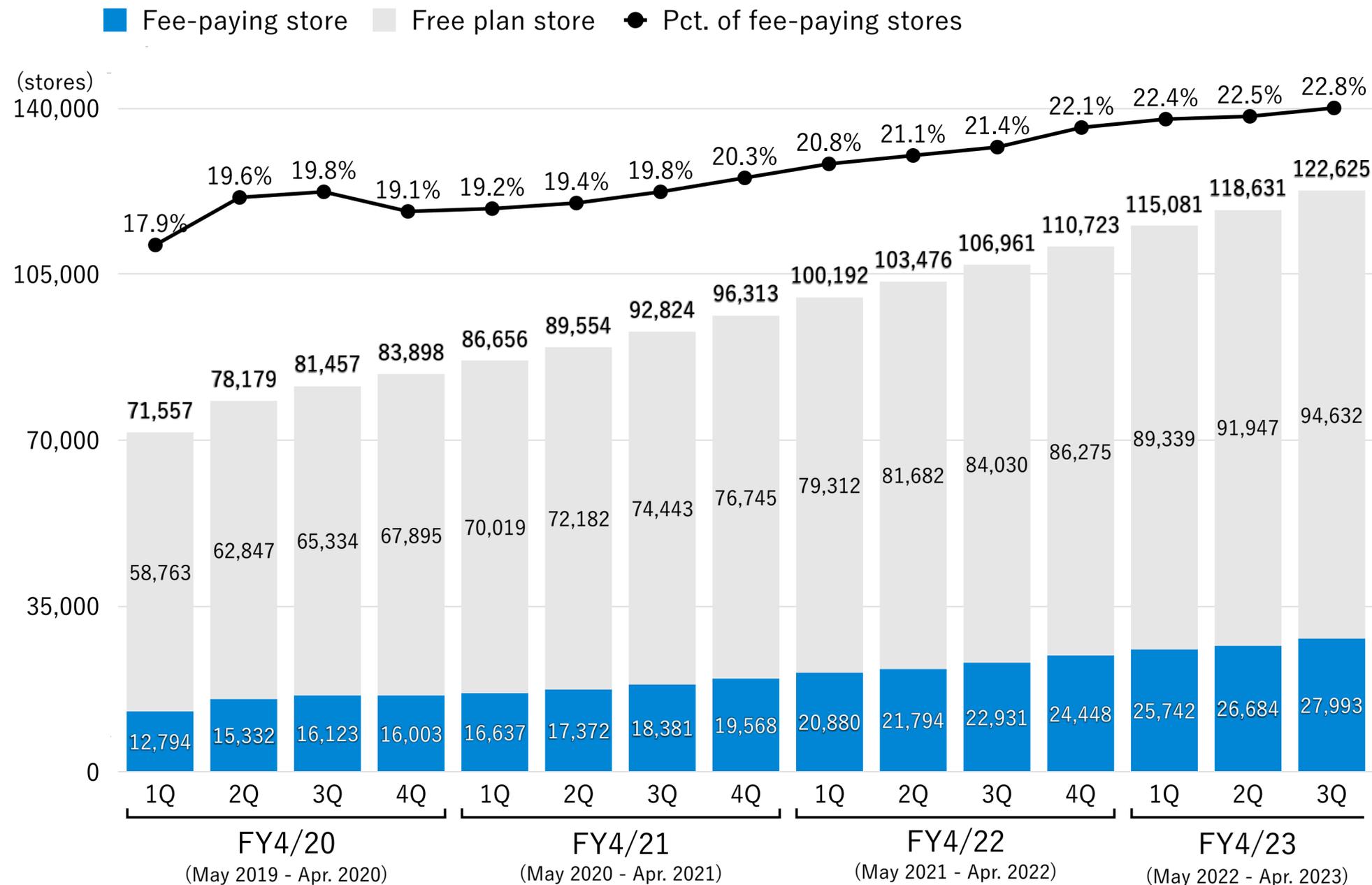
(hundred million yen)



*Cashless transactions: Also includes credit cards, electronic money, QR code payments, and some tradable 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 22.8%.



Fee-Paying Stores*

27,993

YoY

+22.1%

+5,062 stores

QoQ

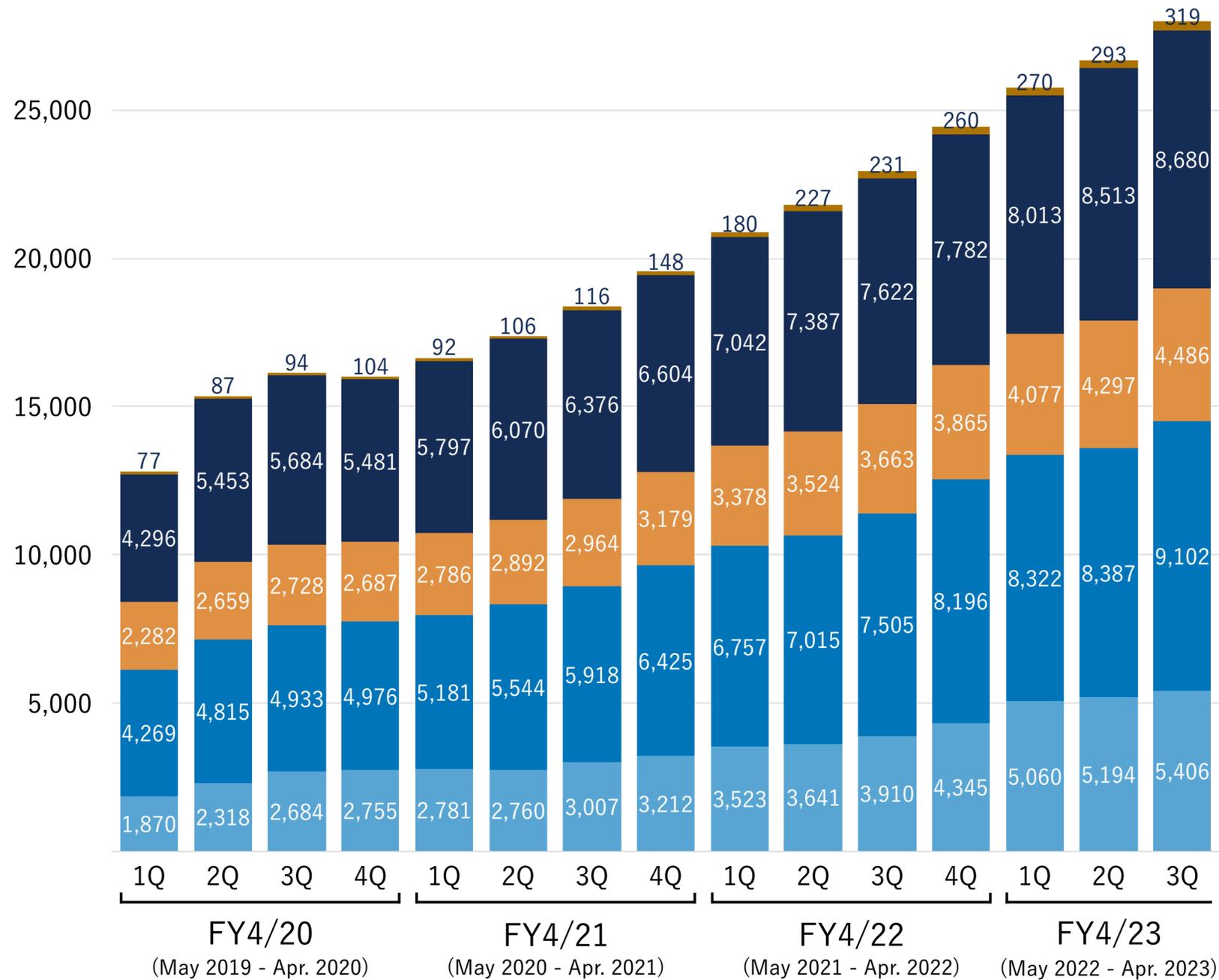
+4.9%

+1,309 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 February 28, 2023, the number of fee-paying stores is **28,410 stores**. For details, please refer to the [IR site](#)

Despite plan revisions accompanying the price revisions, the increasing trend is sustained through steady growth for each plan.



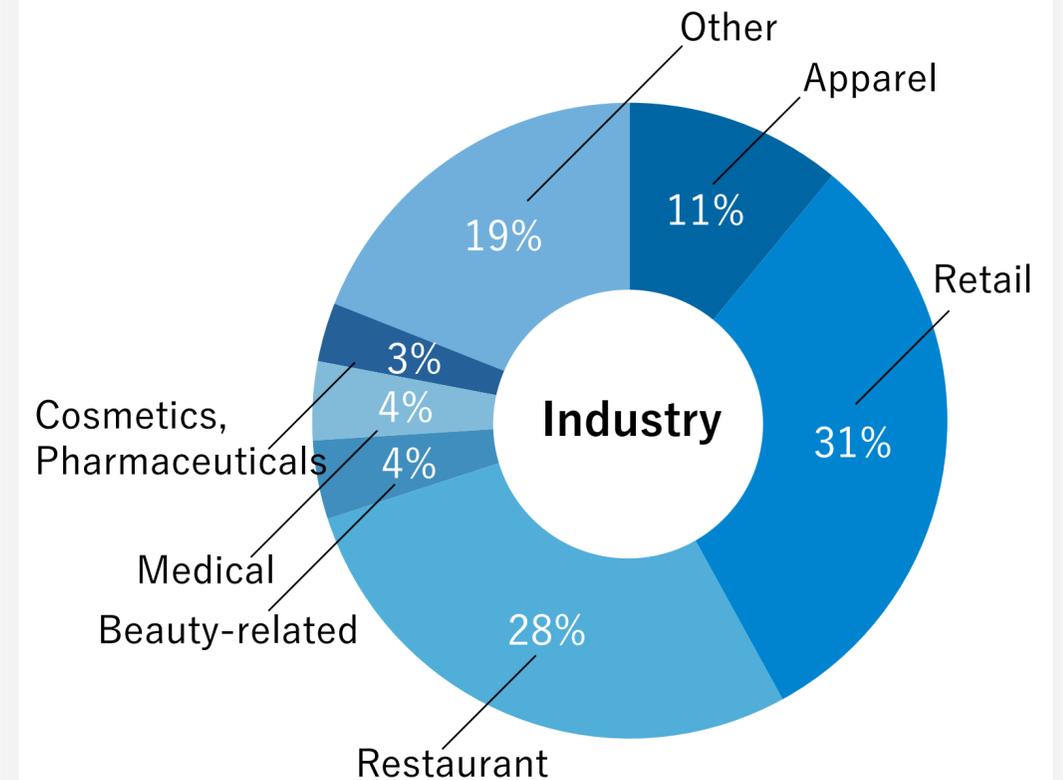
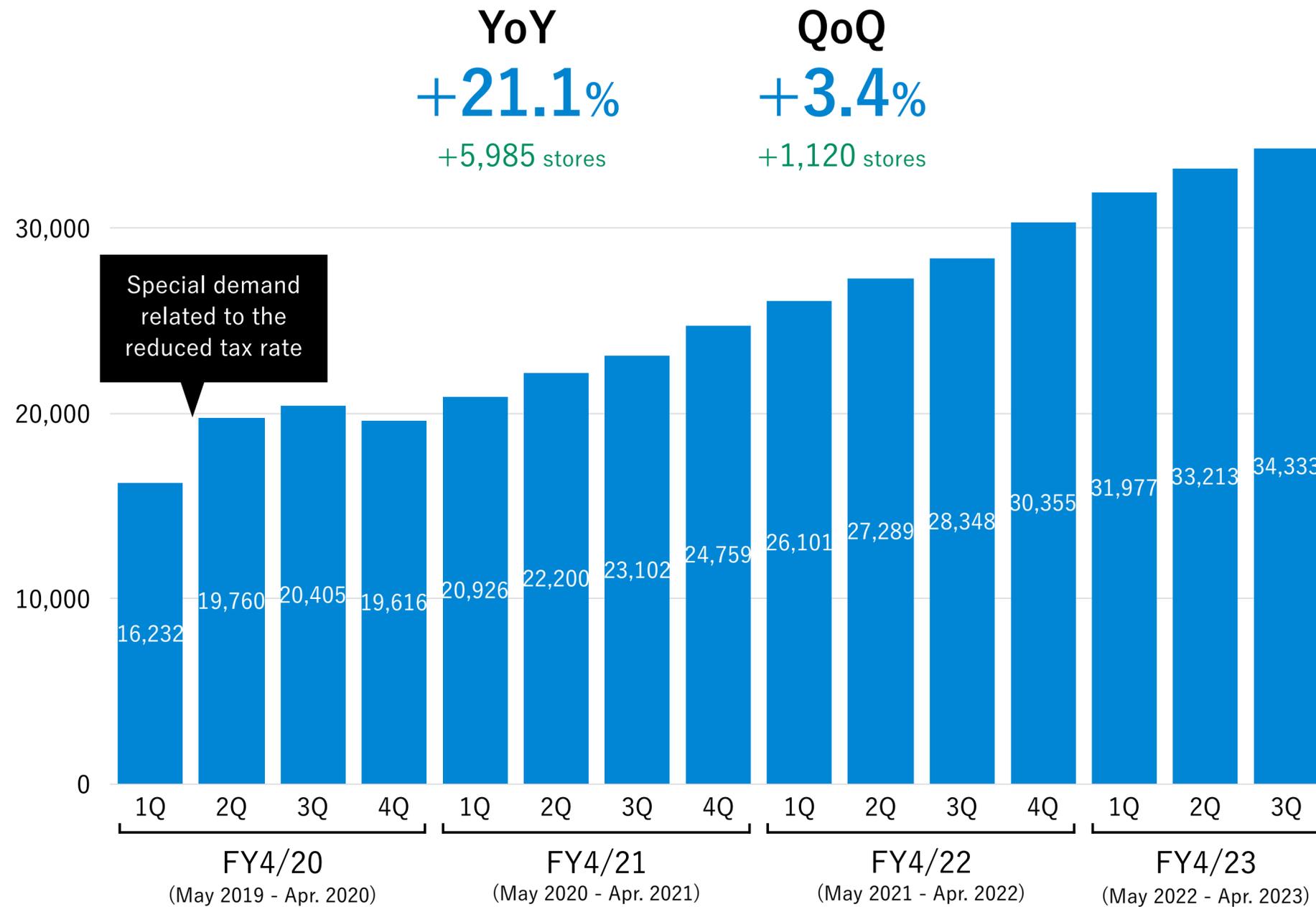
	YoY	QoQ
■ Food Retail 17,000 yen/store	+38.1%	+8.9%
■ Retail Business 14,000 yen/store	+13.9%	+2.0%
■ Food Business 11,000 yen/store	+22.5%	+4.4%
■ Premium Plus 8,000 yen/store	+21.3%	+8.5%
■ Premium 5,000 yen/store	+38.3%	+4.1%

*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 February 28, 2023).

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

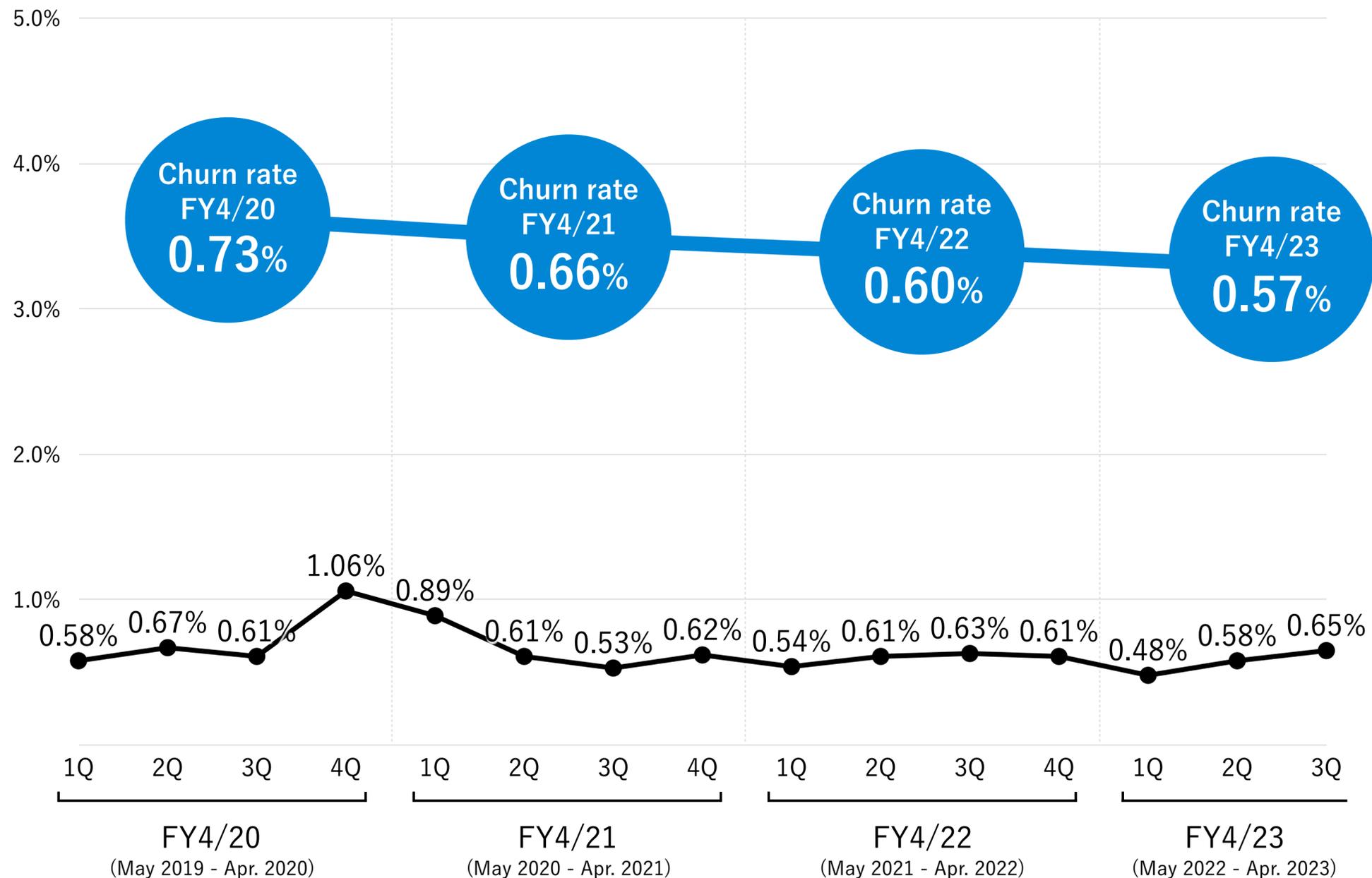
POS Active Stores (Including Free Plan Stores)

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. *The latest number of active stores (as of February 28, 2023) is 34,908 stores.

We have continued measures to strengthen onboarding and improve service quality, and the average churn rate remained at a low level. The price revisions have had mostly no impact, and in 3Q FY4/23 the average churn rate remained at a low level.



3Q FY4/23
Churn rate
 (May 2022 - Jan. 2023)

0.57%

YoY **QoQ**
 ↓ 0.02pt ↑ 0.07pt

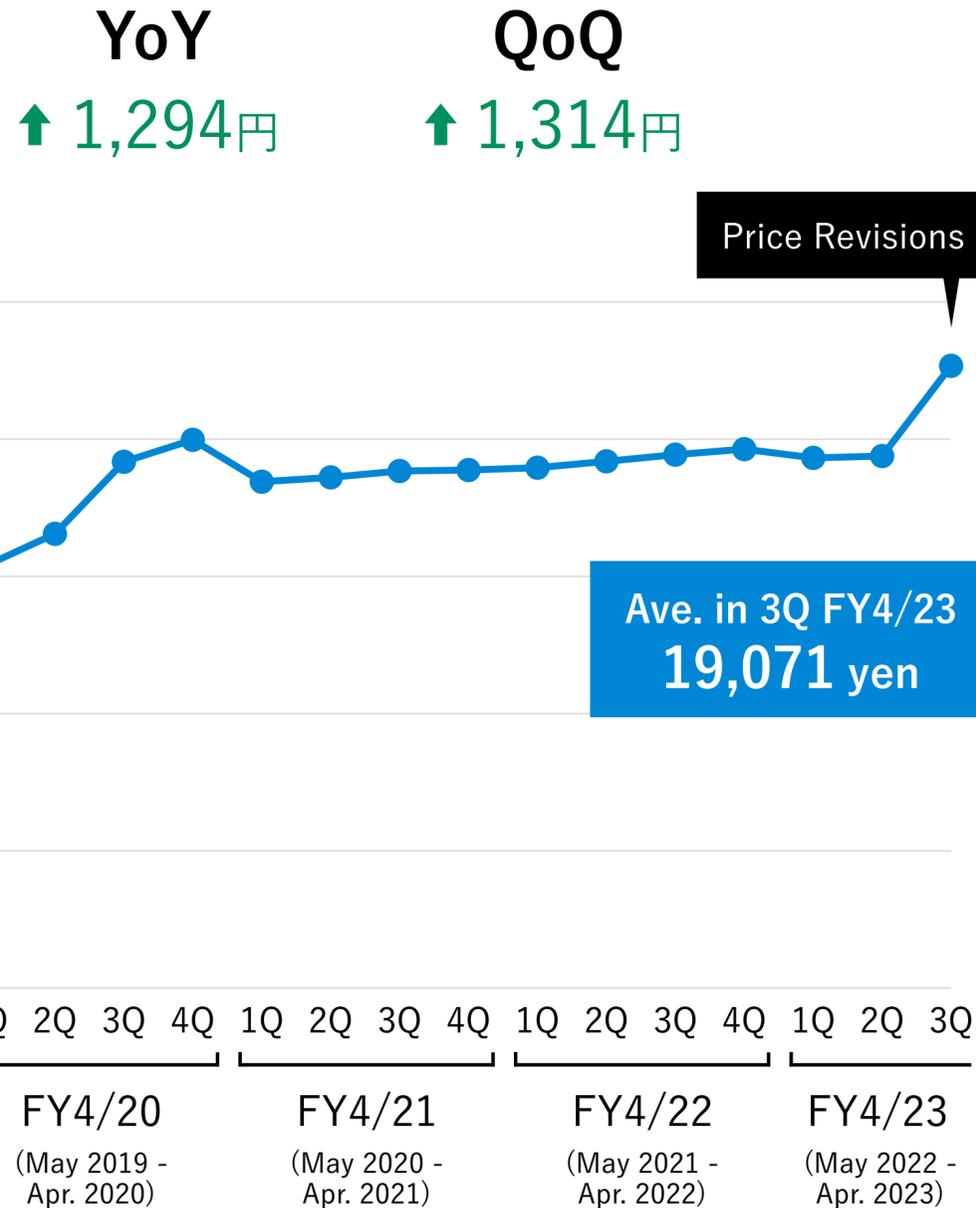
Cumulative churn rate for 3Q F4/Y22 is 0.59% (May 2021-Jan. 2022)

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

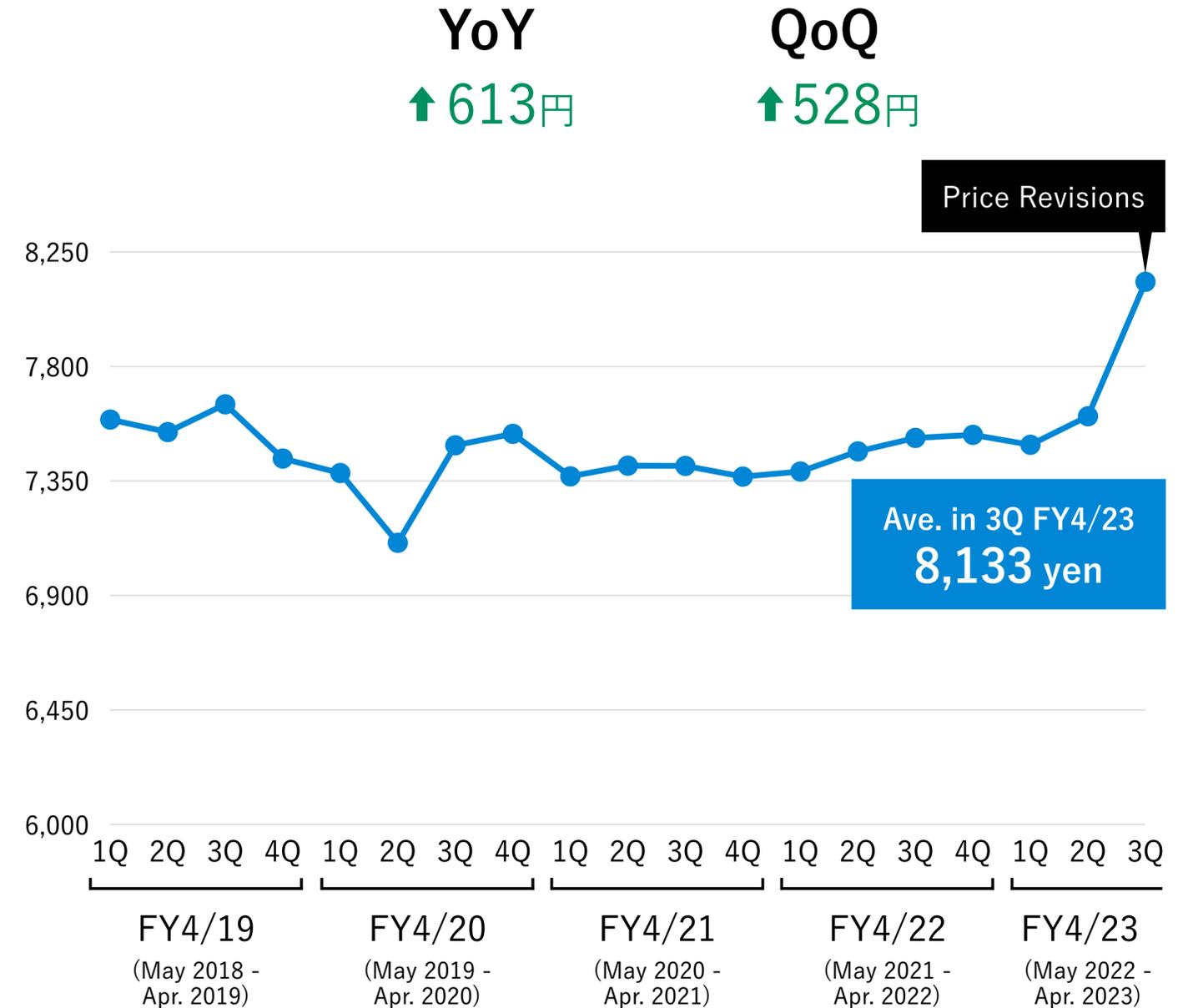
Customer unit price increased significantly due to the impact of the price revisions *1. The average number of stores per paid subscription is 2.34.

*1 Price revisions were implemented from January 2023. This impacted the results for one month in the 3Q accounts.

ARPA



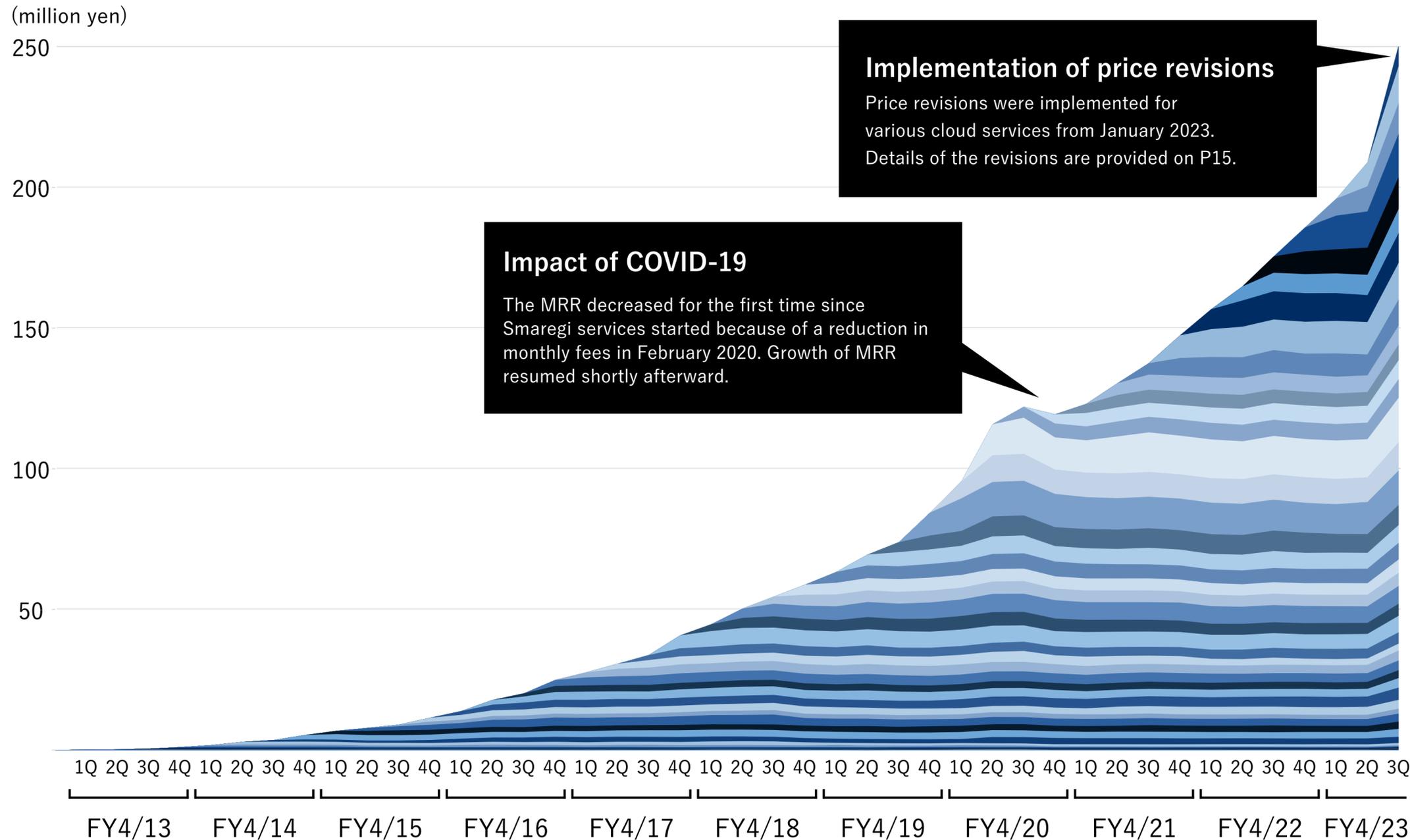
ARPU



*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.

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.



3Q FY4/23

MRR
(POS service only)

2.5 million yen

*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.

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

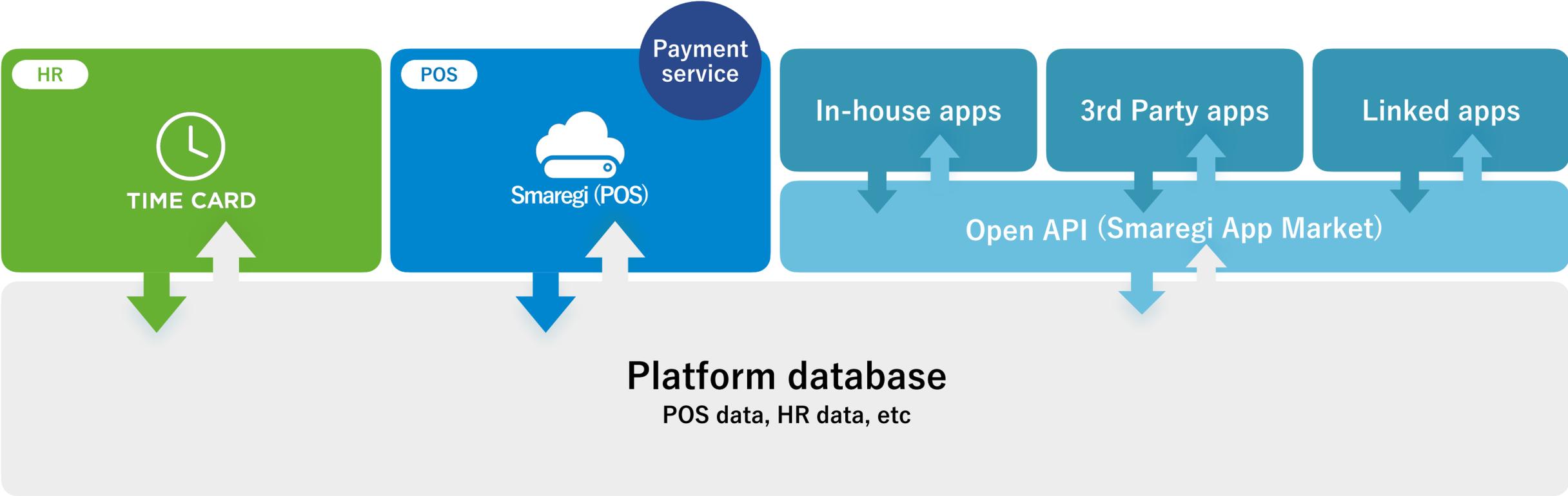


Venture investments business and Smaregi economic zone expansion business

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.

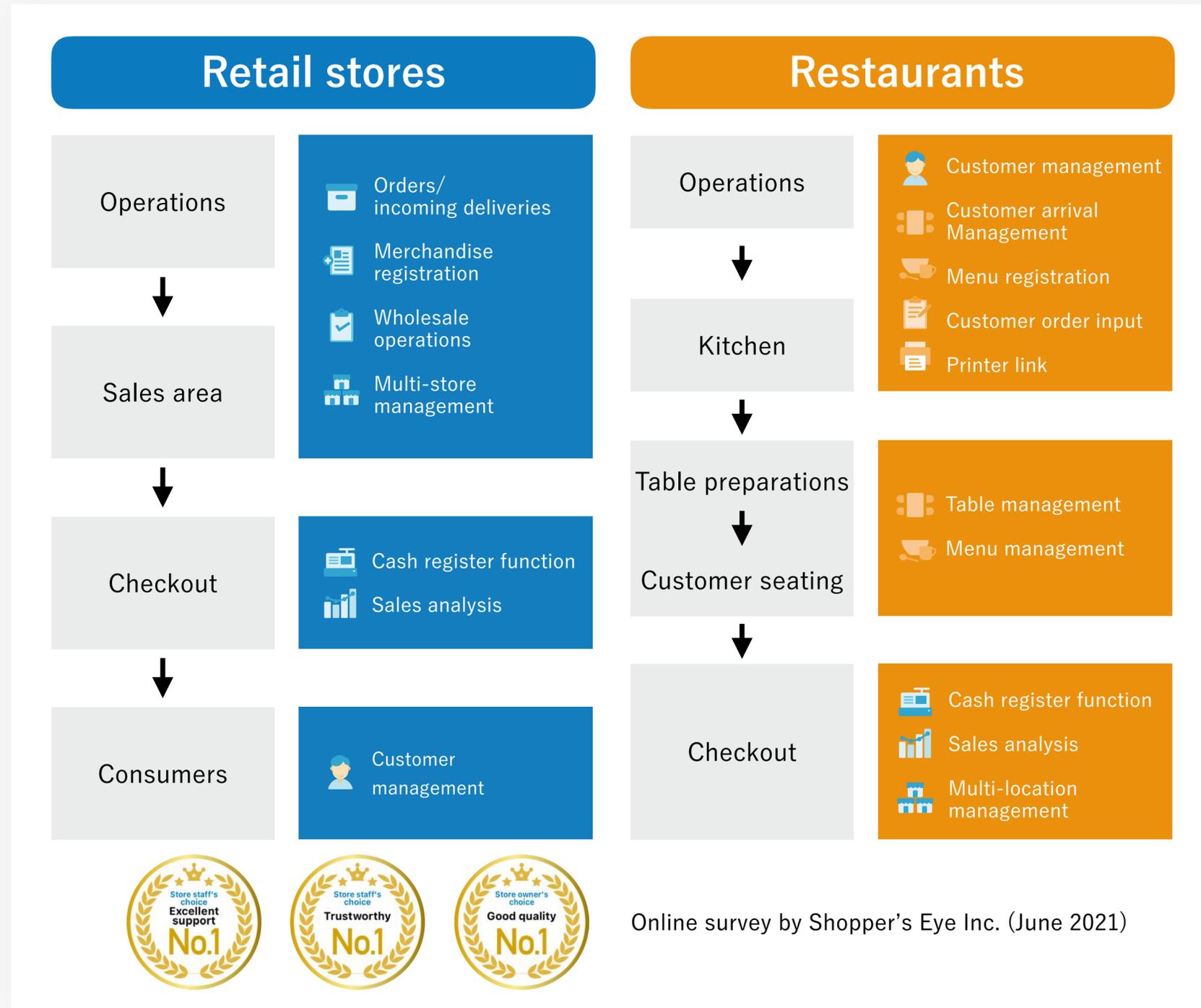
Smaregi Platform

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.



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

GOOD DESIGN

Resolves stores' challenges with design concepts

Outstanding inventory management

Strength in the retail industry

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

Displays supreme performance in inventory management coordinated with POS

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

Churn rate 0.57%*1

High level of customer satisfaction resulting from full-support structure

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

*1 MRR churn is the attrition rate calculated by using Smaregi monthly recurring revenue. The average is from May 2022 to January 2023.



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

Retail/Apparel/Others



Restaurants

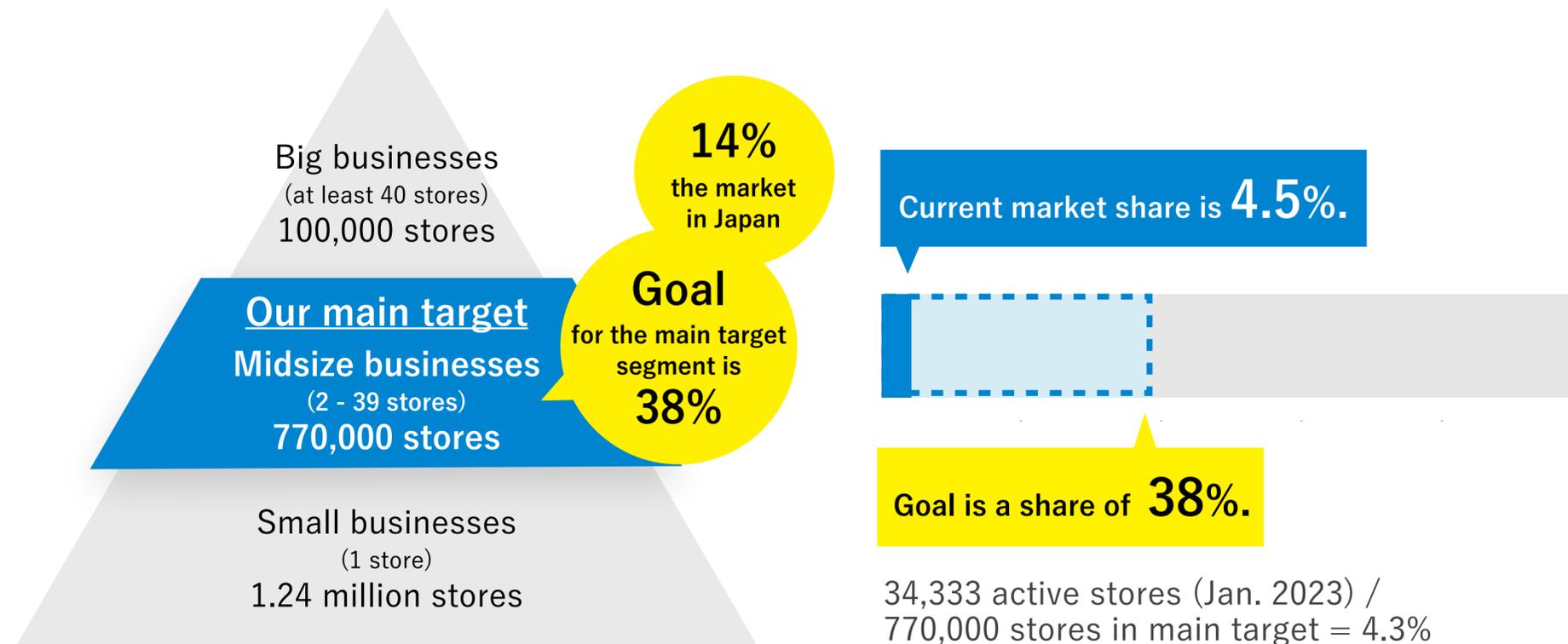


*Random order. Posted some stores that got approval to publish.

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.

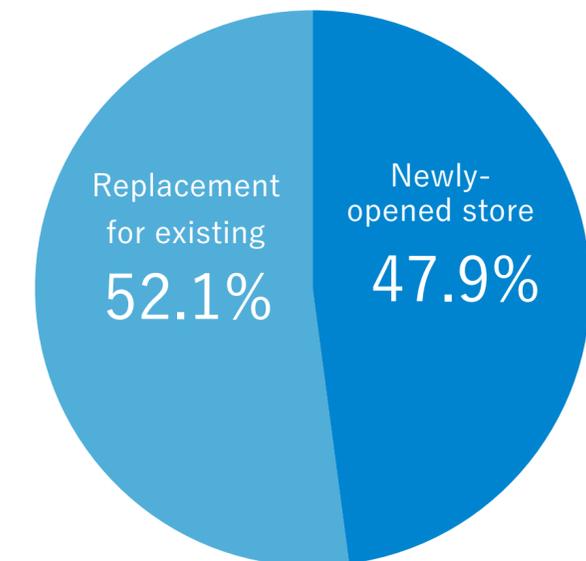


Prepared by Smaregi based on the 2016 Economic Census conducted by the Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communication.

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

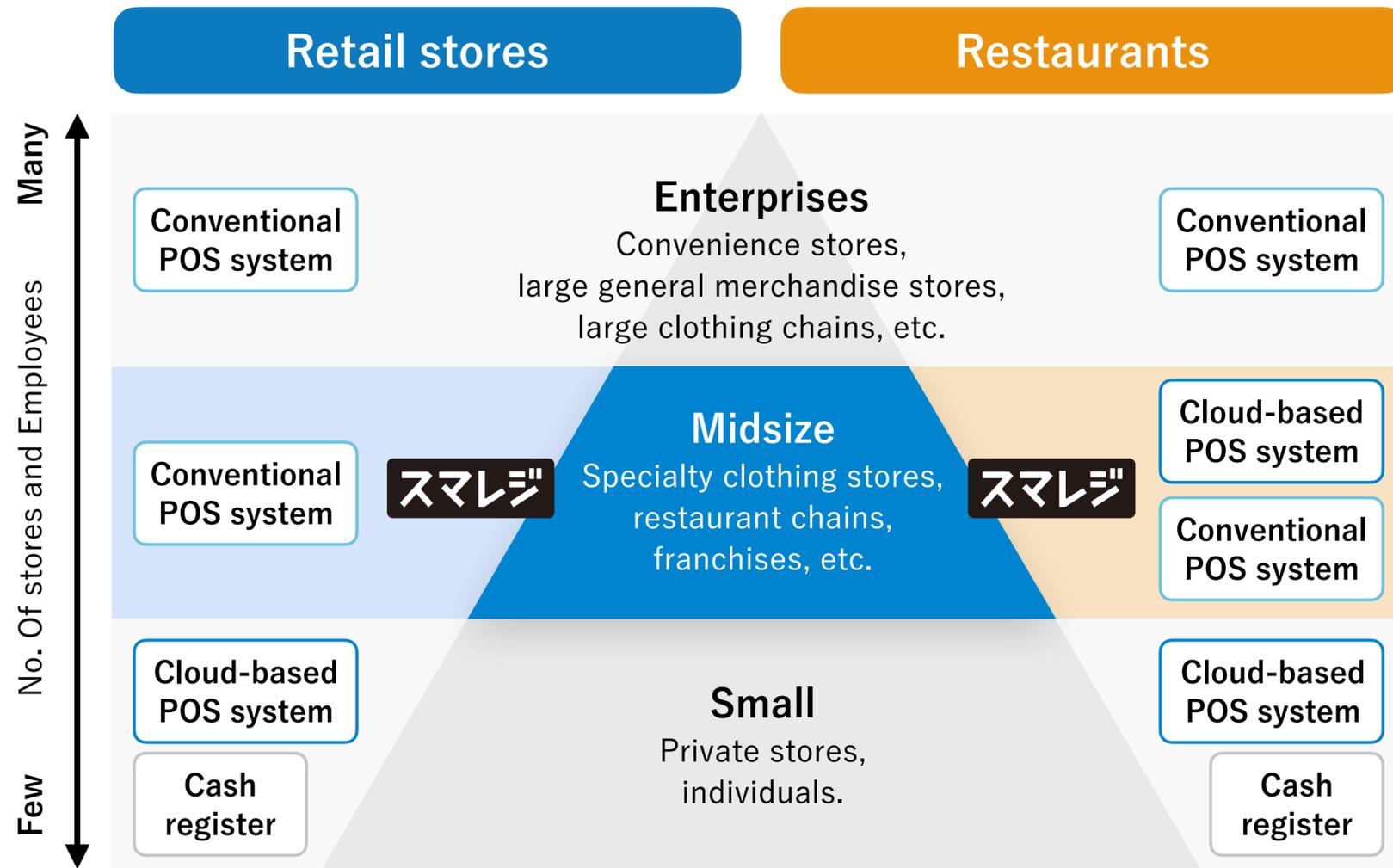
Based on our data, there tends to be a rise in demand when a business owner opens a new store, or when the contract for their existing system is expired or outdated. Our dual focus on both opportunities is a way to gather quality sales leads with the aim to further market expansion.

Market Needs



*Calculated based on Smaregi inquiry data (Aug. 2022 - Jan. 2023)

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.



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 OHIRA

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 JAFCO 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

SOSUKE 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.



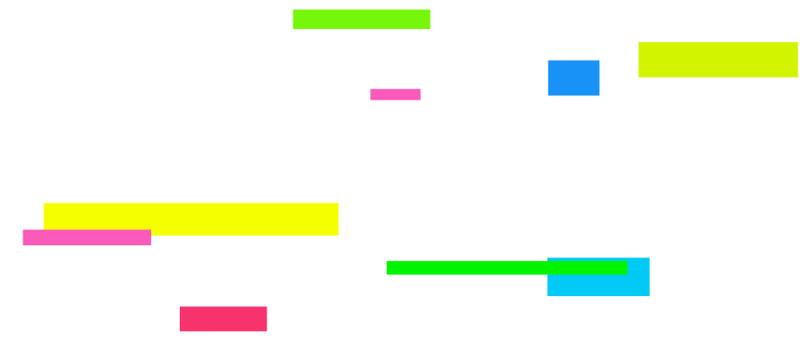
Outside Corporate Auditor

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.



Appendix



In view of the strengthened likelihood of achieving
the First Medium-term Management Plan ahead of schedule,
toward the realization of VISION 2031,
we have revised the ARR target upwards, and
moved to the Second Medium-term Management Plan.

VISION 2031

First Medium-term
Management Plan



Second Medium-term Management Plan



<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.

The purpose of this presentation is not to encourage investors to buy or sell Smaregi stock or make any other investment decisions. Investors are responsible for making these decisions on their own.

3Q FY2023

May 1, 2022 - January 31, 2023

Presentation Materials

Smaregi, Inc.

