Retty

FY2021.09 1Q
Presentation Material

Retty Inc.

February 2021

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1 1Q Results for the Fiscal Year Ending Sept 2021

2 Full Year Forecast for the Fiscal Year Ending September 2021 and Impact of Declaration of State of Emergency

3 Growth Strategy

(Supplementary material)

Executive Summary

1Q result	Both sales and profits remained steady and achieved single month profitability in December for the first time since March last year. Besides Go to Eat Campaign, our unique initiatives such as no fees were popular among restaurants.
Impact of declaration of state of emergency	We expect a certain level of impact from the declaration of the state of emergency in the short term such as irregular cancellation. Meanwhile, restaurants are enthusiastic about sales promotion and we aim recovery of growth at an early date once the state of emergency is lifted.
Growth strategy	Once the state of emergency is lifted, we aim to expand the number of paying restaurants by enhancing the sales force in accordance with the existing plan. In addition, we will also accelerate entry into the field for improving operation efficiency, where needs are further increasing.

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(Supplementary material)

1 1Q Result Highlight

▶ 1Q sales came to 521 million yen, operating loss totaled 3 million yen

・Both sales and operating profit were steady and progressed at a rate of 21.9% to 23.0% of the full-year plan.

▶ Achieved single month profit in December

・Achieved monthly profit for the first time since March 2020, which was before the declaration of state of emergency.
・Succeeded in swiftly achieving single-month profit in a little more than six months after the state of emergency was lifted

▶ Fees were waived in GtE(※1), which was highly acclaimed by restaurants

・ Waived the fees for restaurants to reduce the burden on them , which was highly rated by many of the restaurants
・As a result, the number of free restaurant members surged to near 3 million outlets.

※1 This is an abbreviation for the Go To Eat campaign.

1 Overview of Full-year Performance

Both net sales and operating income were steady

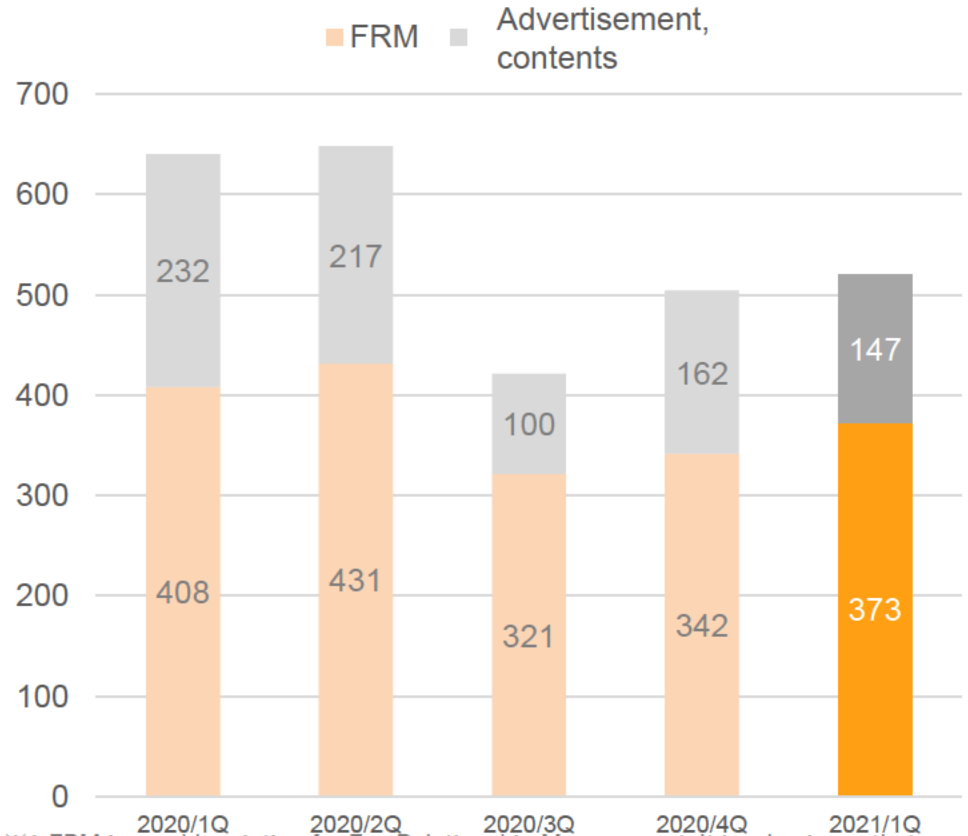
	FY2021	
	1Q Results	Rate of progress to plan
Net Sales	521	21.9–23.0%
Gross Profit	359	-
Gross Profit Margin	68.9%	-
Operating income	(3)	-
Operating Margin	-	-
Ordinary Profit	(16)	-
Net Profit	(14)	-

Non-operating expenses include
11 million yen in share issuance cost

1 1Q Net Sales Composition

FRM※1 is a stock business, and its sales grew steadily despite some irregular cancelations. The number of paying member restaurants, our growth driver, we acquired exceeded 630 per month on average in 1Q.

Quarterly changes in net sales breakdown (million yen)

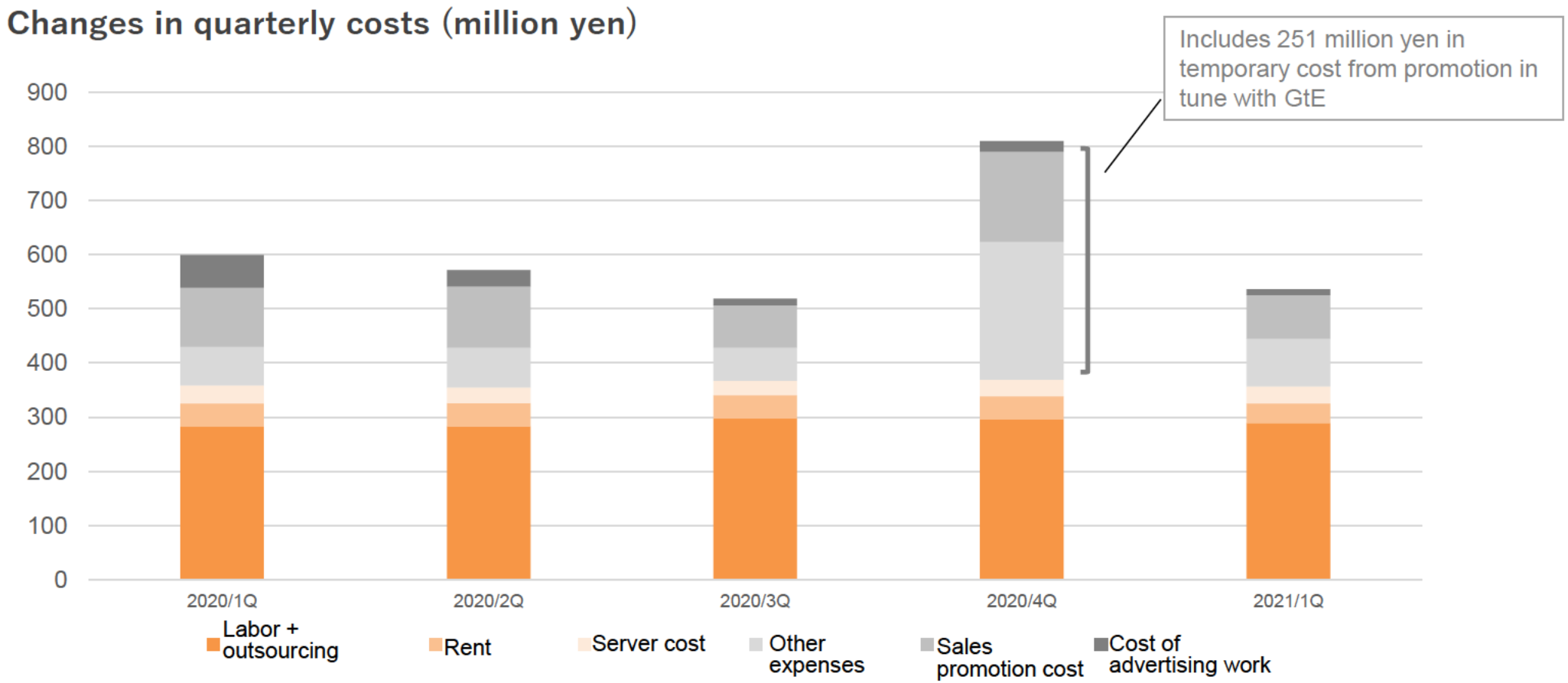


Advertisement /contents	・Declined from the same period a year earlier when there were sales from a one-time project, but maintained an increasing trend compared with 3Q20, which was the bottom.
FRM	・Sales are on a rising trend with QonQ up 9% ・The increase in sales was limited reflecting the slight slowdown in pace given the fall in number of paying member restaurants from 9,730 in Sept. to 9,586 in Dec. as a result of irregular cancelations of trial member restaurants※2 (primarily restaurant chain outlets). The cancelation of said trial member restaurants had been incorporated into the plan. ・The number of regular member restaurants increased through the quarter ・Revenue from contract-based service of GtE were not recorded as sales

※1 FRM is an abbreviation for Fan Relationship Management. It is a business that provides solutions for restaurants with functions for attracting customers and managing customers for a monthly fee.
※2 The trial contract is for a large number of stores for a major food and beverage company as a low-cost, one-time trial order.

1 Changes in Cost Structure

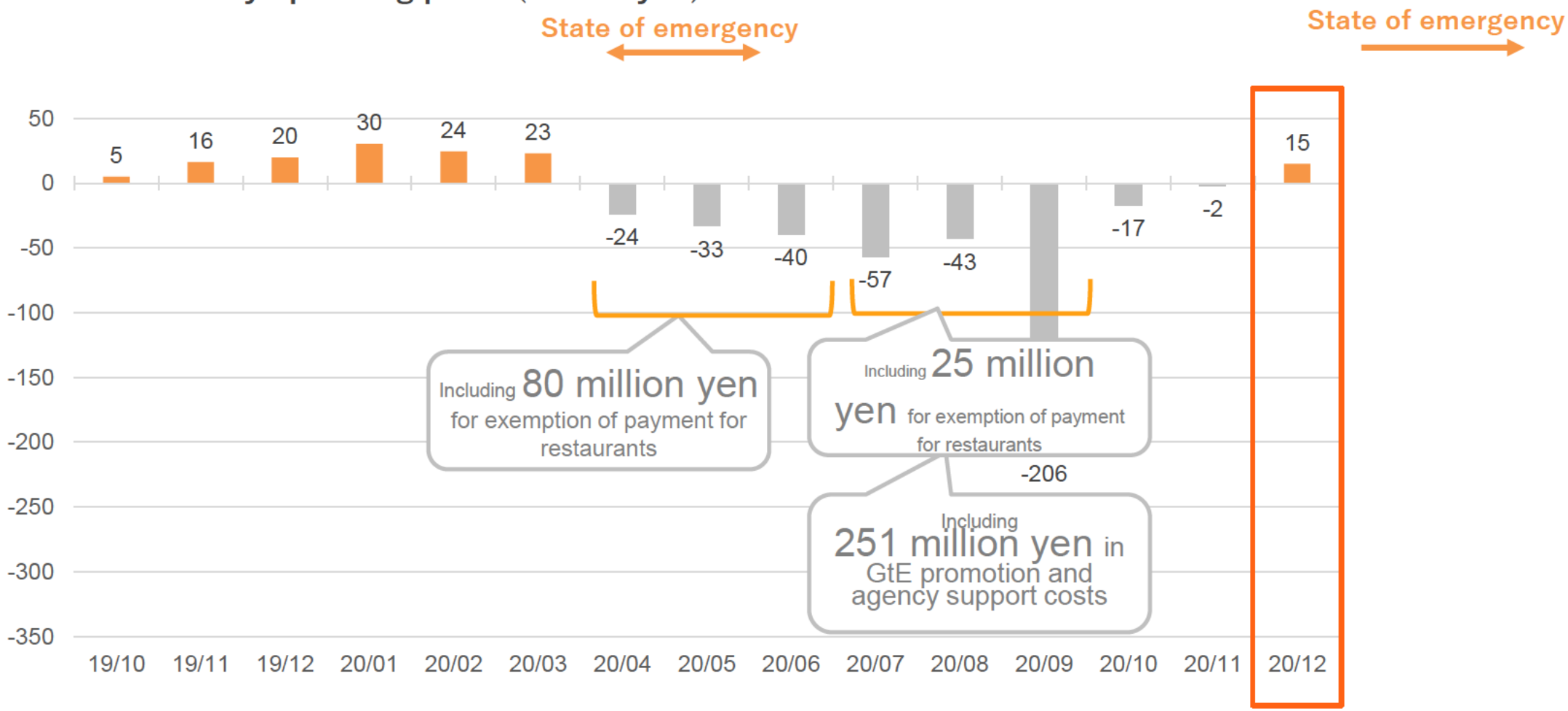
Temporary costs in the previous quarter disappeared and now we have a muscular cost structure.



1 Trend of Monthly Operating Profit

In December, achieved monthly profit for the first time since the spread of COVID-19. Returned to monthly profit in about half a year after the state of emergency was lifted in May 2020.

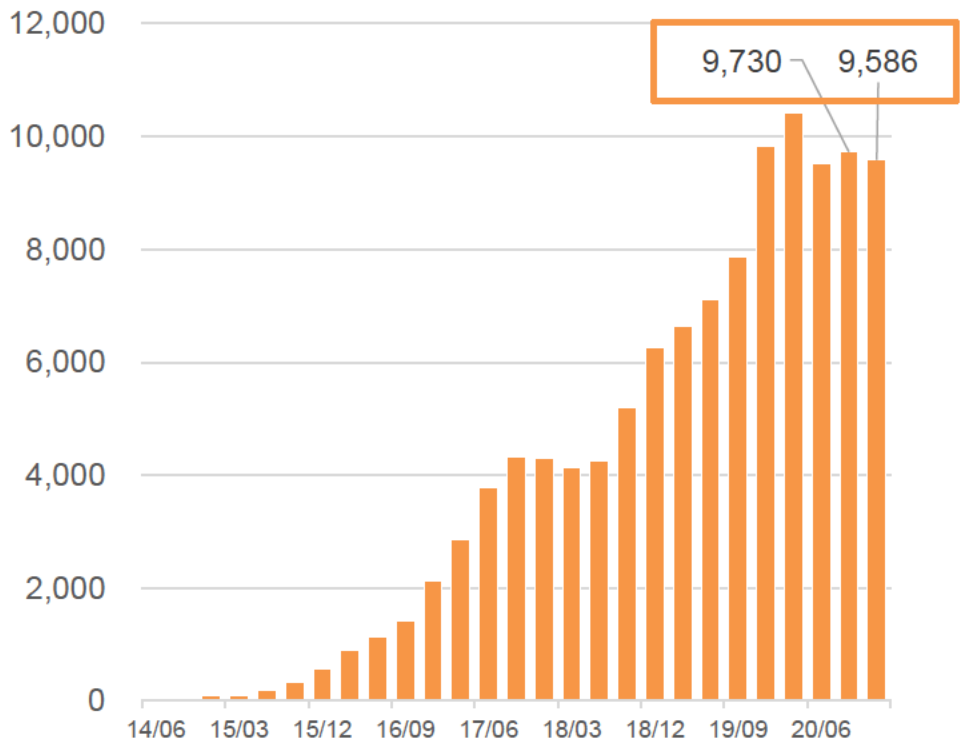
Trend in monthly operating profit (million yen)



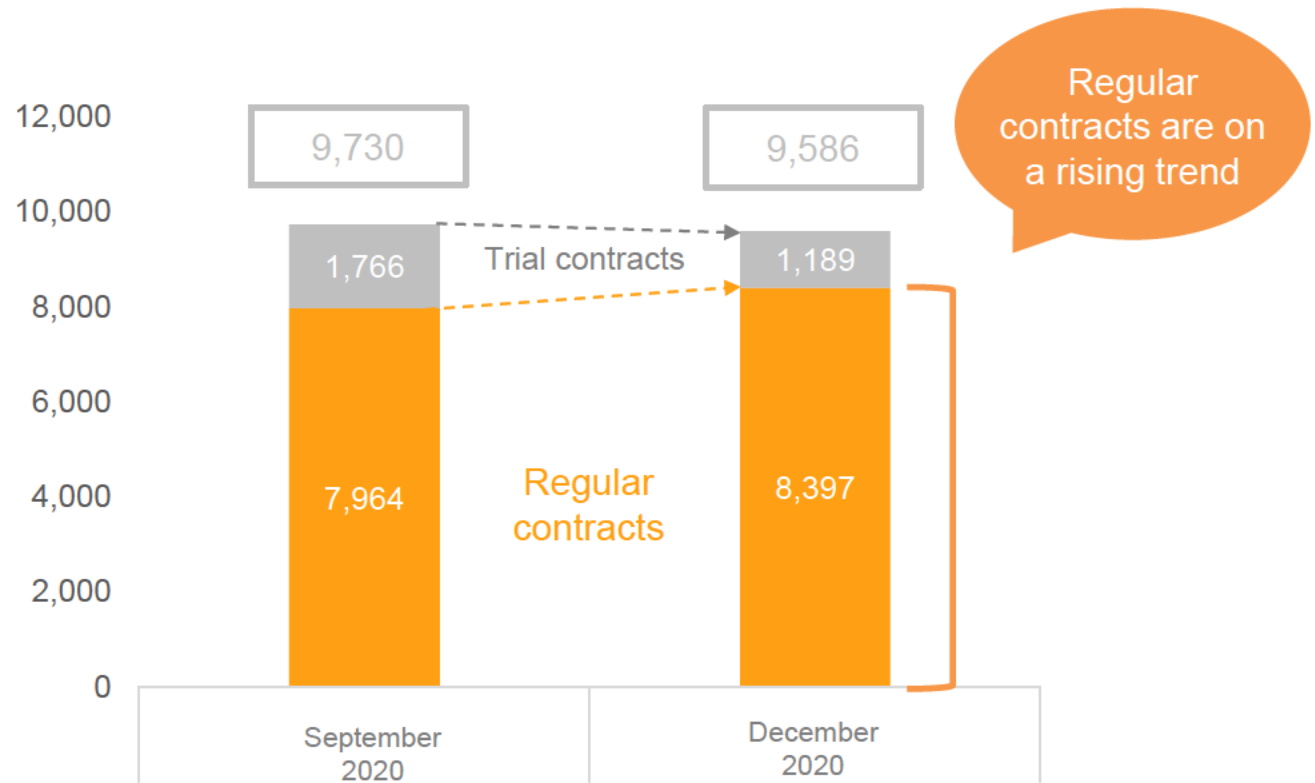
1 Number of Member Restaurants

The number of member restaurants came to 9,586, as the number of trial contracts declined due to closures of restaurant chains.
Regular contracts remain on a net increase trend at 8,397 (Dec. 2020), rising from 7,964 (Sept. 2020)

Number of member restaurants



Changes in breakdown of monthly number of member restaurants



1 Go to Eat Campaign Result

We differentiated ourself from many other competitors and waived the fees for restaurants. It was well-received by restaurants, resulting in an increase in the number of non-paying restaurants.

Waiving the fees for restaurants in Go to Eat Campaign was restaurant-friendly and was well-received

Go To Eatで飲食店を本当に応援する「Retty」の取り組みは何が違う？

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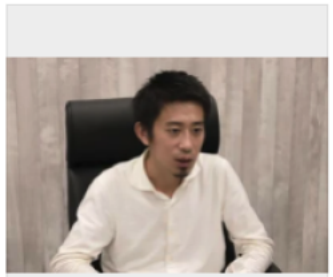
マイナビニュース



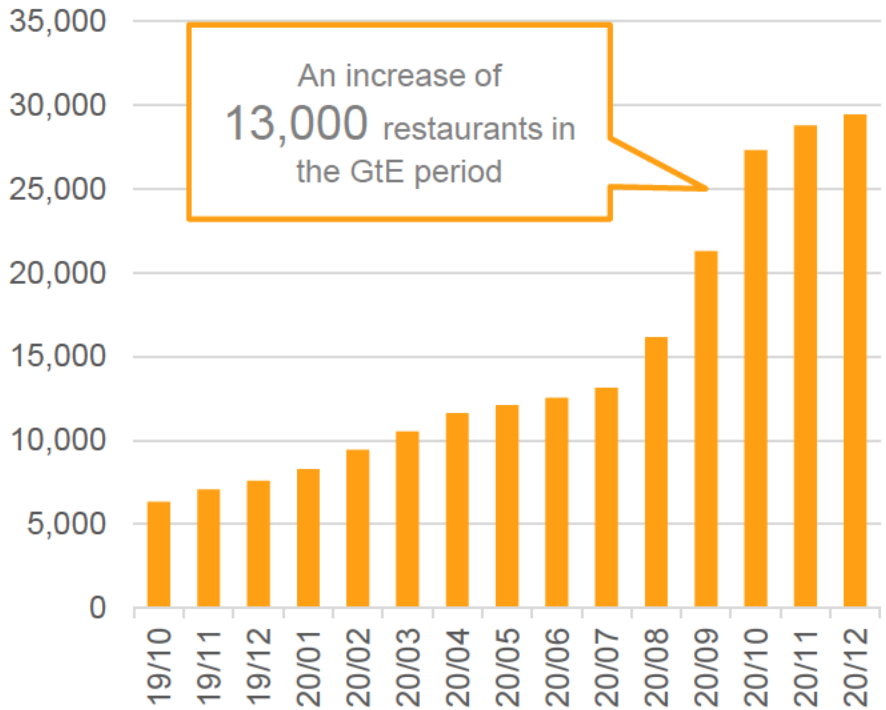
飲食店応援を掲げる、Go To Eat対応予約サイト Retty 代表取締役 武田和也氏

飲食店応援のために選ぶべきグルメサイトとは？

10月1日から「Go To Eatキャンペーン」が開始された。コロナ禍の中で苦しい状況にある飲食店の活性化を狙ったキャンペーンは、利用する消費者側にも少し注意が必要となる。

【グラフ】「新型コロナウイルスが終息したらGo To Eatキャンペーンを利用したい」という回答が目立つ　資料：Retty

Number of non-paying restaurants



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(Supplementary material)

2 Full Year Forecast for the Fiscal Year Ending September 2021 and Impact of Declaration of State of Emergency

▶ We will disclose full-year forecast swiftly when it becomes necessary to revise it.

- The current forecast does not incorporate possible impact of the state of emergency currently in place.
- When it becomes necessary to revise the forecast, we plan to disclose it swiftly.

▶ The impact of the state of emergency is assumed to be short term but there are uncertain factors during the period.

- It is possible to see an impact similar to the one after the state of emergency was declared last year.

▶ Once the state of emergency is lifted, swift recovery can be expected given the business structure.

- Various KPIs swiftly recovered once the state of emergency was lifted in the last fiscal year.
- Restaurants' appetite for sales promotion for the future has not been seriously damaged.

2 Full Year Forecast for the Fiscal Year Ending September 2021

The forecast does not incorporate possible impact of the state of emergency currently in place. When it becomes necessary to revise the forecast in the future, we will disclose it swiftly.

	FY2020	FY2021	
	Full Year Results	Full Year Outlook	YOY
Net sales*1	2,215	2,270 to 2,380	2.5% to 7.4%
Operating income*2	(283)	50 to 200	-

*1 The upper limit of the net sales assumes recovery in the number of new acquisitions and cancellation of FRM trial memberships (format used for major restaurant corporations to accept a large number of group restaurants as trial members at the same time at a lower fee), and unit price per user for advertisement/contents business to the level prior to the COVID-19 pandemic. The lower limit of the net sales assumes delay in the recovery.
*2 For operating income, in addition to the assumptions of net sales estimates stated above, we are expecting active investment in development resources, in salespersons including for the agencies and in new businesses to realize medium- to long-term growth. The upper and lower limit of figures are calculated in accordance with these assumptions.

2 Environment Surrounding Retty under State of Emergency in 2021

In response to the impact of the state of emergency, we quickly optimized sales strategy including key products.

Changes in market

- As for genre, visits to *izakaya,* Japanese pubs, declined and **composition of visits to formats not requiring reservation** such as BBQ, steak, noodles, rice bowl dishes, fried food, cafés, sweets, etc. **increased..**
- **The number of restaurants which chose to close increased temporarily** during the period of emergency
- Restaurants' appetite for sales promotion has not significantly deteriorated and **majority of them plan to implement it once the state of emergency is lifted**
- Strong needs for infection prevention continue to exist

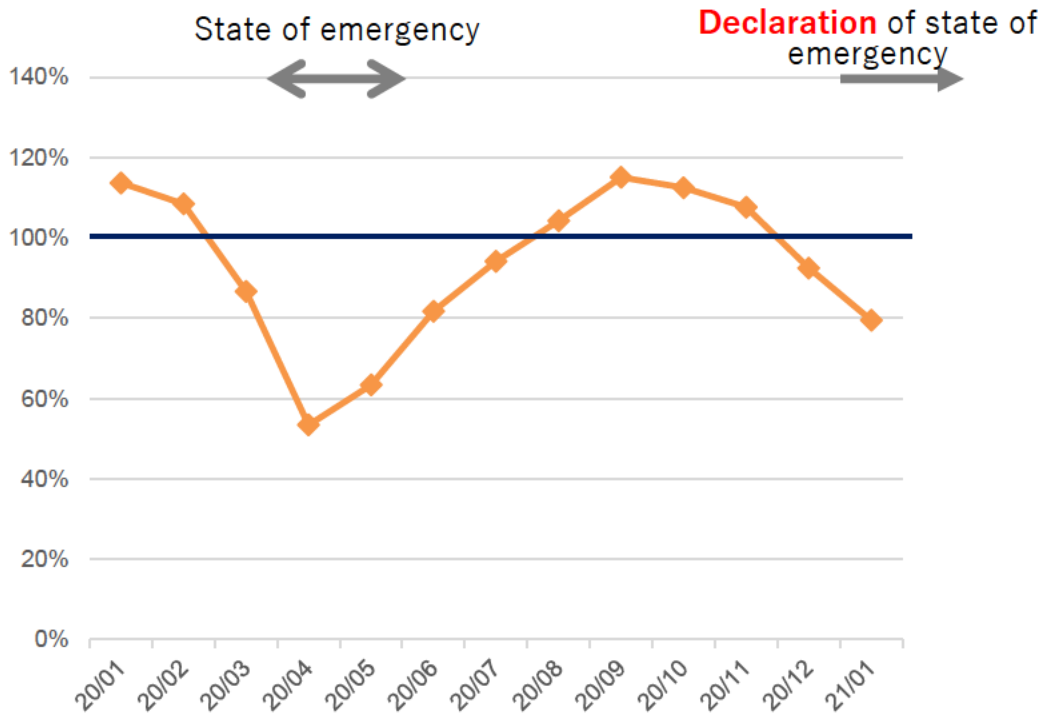
Initiatives by Retty

- In response to the expansion of needs in the formats not requiring reservation, we are strengthening offering of products (10,000 yen per month) for the format such as ramen plan and bar plan.
- From a long-term perspective, we are exempting payment from restaurants that chose to close temporarily to prevent cancelation.
- We offer discounts by making the first month free and adopting a sales strategy for acquiring orders once the state of emergency is lifted.
- Promote industry awareness of the need for thorough countermeasures against infectious diseases through GtE

2 Impact of State of Emergency Declared in January 2021

The number of users declined, as people refrained from going out in response to the state of emergency
Meanwhile, there has been no major decline in the number of paying members at this time.

Trend of YOY changes in monthly user count

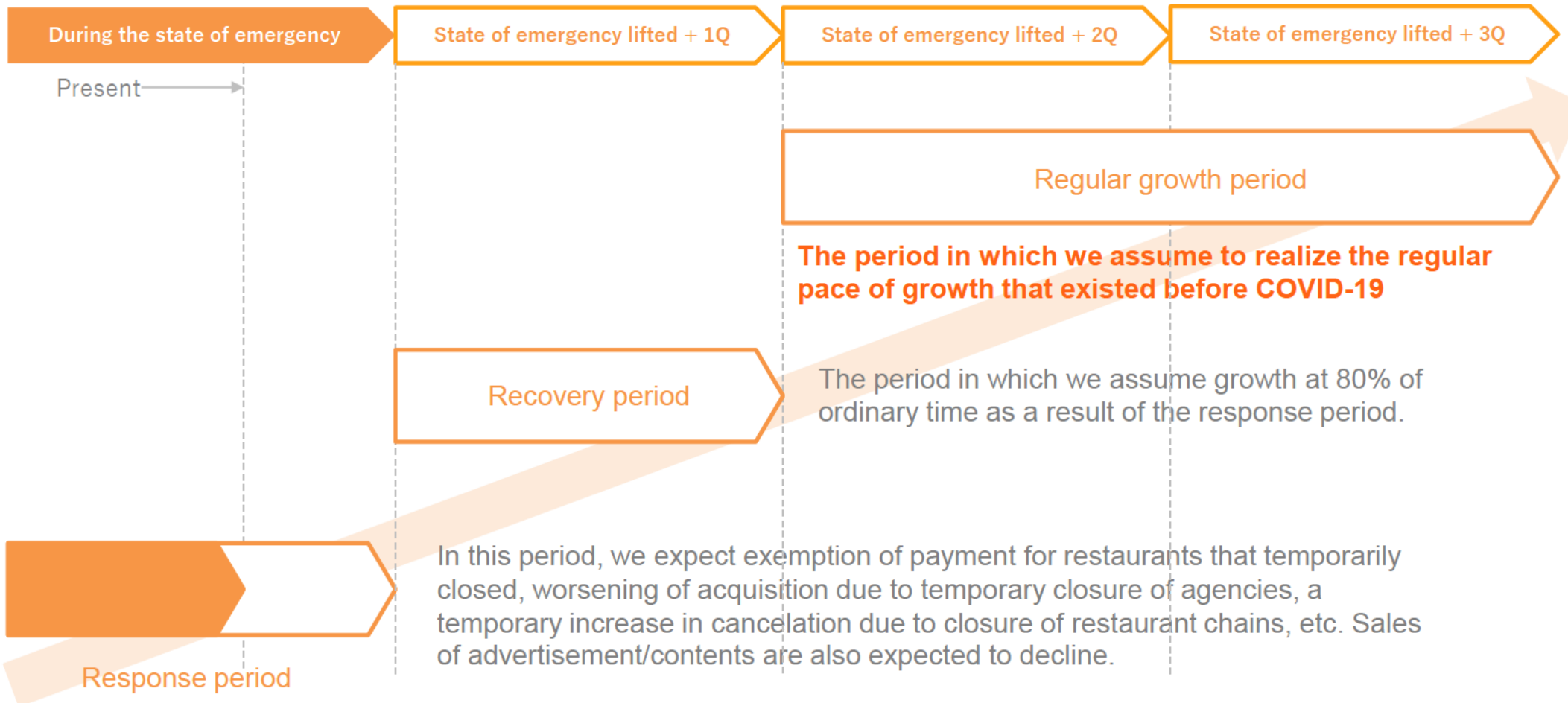


Changes in number of member restaurants



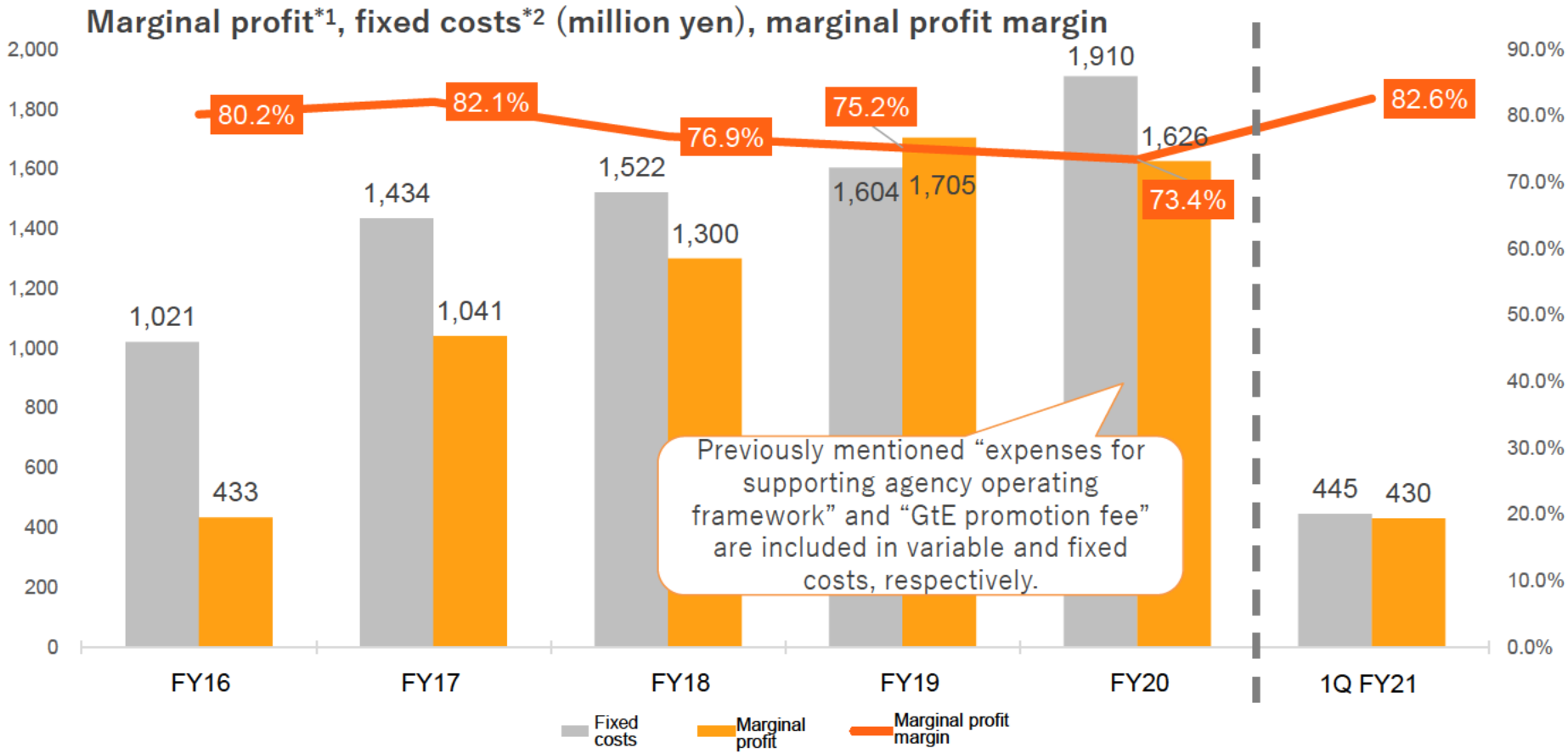
2 Future Growth Image Considered Based on the Results During the State of Emergency Last Year

Based on the recovery after the lifting of the state of emergency last year and the sound appetite for sales promotion, we learned through interviews with restaurants, we can expect growth in relatively short period after the state of emergency is lifted.



2 Trend in Marginal Profit Margin

Once the state of emergency is lifted, restaurants' appetite for sales promotion is expected to recover comparatively early, and the financial model which enables continuously high profit growth is alive in the medium to long term.



*1 Marginal profit is calculated by subtracting variable cost from sales. Variable cost is the sum of production cost which is the cost of production for advertisement/contents solution business, and sales promotion cost which is the fees paid to agencies for restaurant customer attraction business.
*2 Fixed cost mainly comprises of costs other than variable costs such as labor cost, server cost, and land and building rent.

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3 **Growth Strategy**

(Supplementary material)

3 Measures for Growth after Recovery from State of Emergency

There is large room for expanding the profits of FRM and we will continue focusing on it. At the same time, we will actively strengthen our involvement in operation efficiency improvement field.

Operation efficiency improvement field	Mobile Order	Test at actual restaurants progressed and confirmed the need. We will add new functions and plan to officially release it in April.
Expanded sales promotion field	Premium reservation	The target restaurants have been steadily increasing. Plan to start charging when the number of customers at restaurants fully recover after the state of emergency is lifted.
Existing sales promotion, advertisement field	Expand paying restaurants	Will significantly increase sales persons, who are the most significant parameter of sales growth, at agencies and direct sales and greatly increase the number of paying restaurants.
	Increase ARPU	Currently, it has less priority compared with the expansion of paying restaurants. Meanwhile, we began considering pay as you go as it is important in the medium- to long-term.

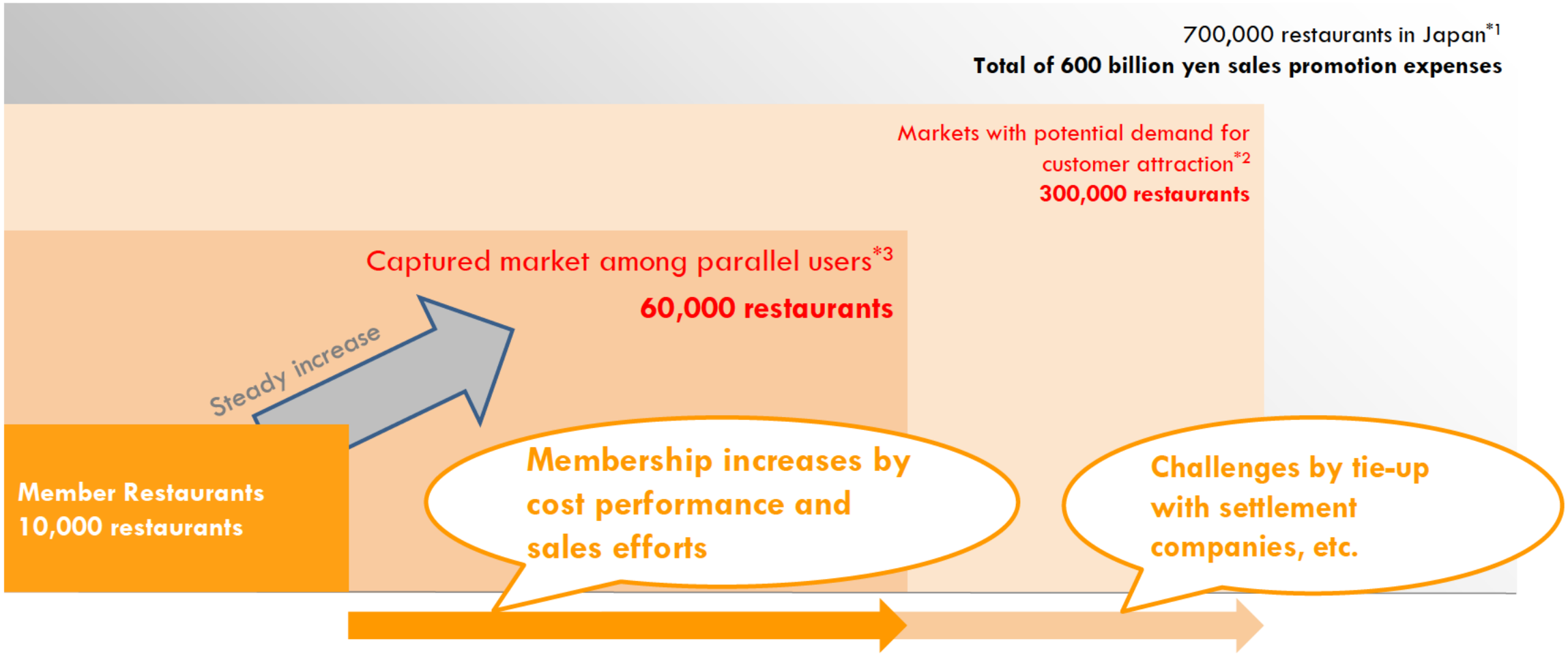
3 Promote Mobile Order

We are making progress in testing it at restaurants and plan to officially release it this April.



3 About the target market of FRM

Converting 60,000 manifested restaurants to member restaurants is a high strategic priority



*1 Based on figures from Ministry of Economy, Trade and Industry (METI): Food Business Index 2016 (Food Service Operations (as of 2014)).
*2 Calculated by multiplying the number of restaurants located in Tokyo and other prefectures with ordinance-designated cities by the ratio of restaurants who responded "monthly expense for new and repeat customer attraction is 5,000 yen or more" to the survey (survey on sales promotion (as of March 2018)) by LINE Corporation.
*3 Calculated based on number of members stated on the earnings result materials at the end of March by Competitors.

3 Accumulate stable revenue with hybrid model of customer appeal + business efficiency



Supplement material

Mission

Making the world happier, one meal at time



Realize a world where both the users and operators can be happy in the area of “food,” which is part of the proud culture of Japan and is central to the lives of people around the world. Retty aims to connect people with positivity, through recommendation of favorite restaurants.

Service Image

Find the BEST restaurant for you



Service Concept

Real name-based Review



Recommendation Without scores



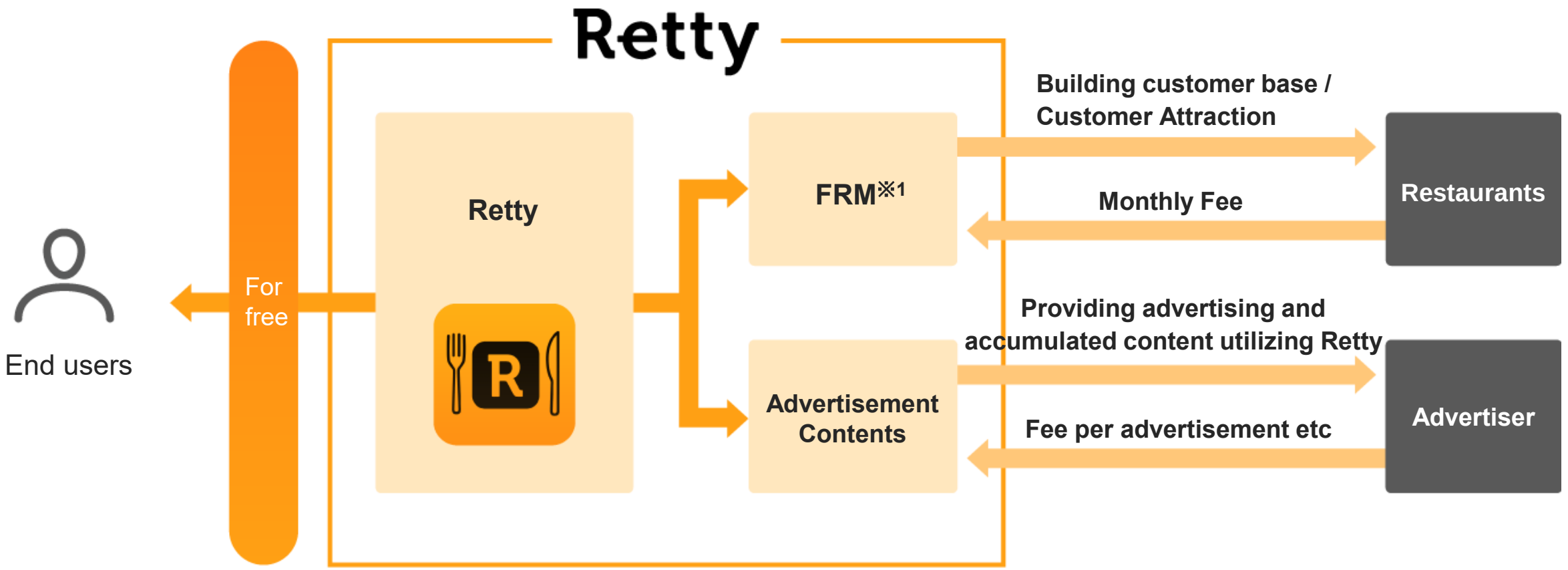
Search starts with “people”



Find a matching restaurant through trusted people

Restaurant review service with reviewers using real names

Business model



※1 FRM: Fan Relationship Management

Approach and Initiatives Regarding Restaurant Industry Amid COVID-19 Crisis

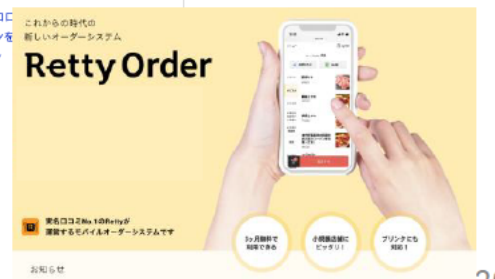
We will implement the following initiatives with top priority on the revival of the restaurant industry

- **Waive fees for restaurants** in Go to Eat Campaign
- Use SNS as a public relations tool for **Restaurant Support Project**
- **Waive fees of cloud funding** for restaurants in a joint effort with CAMPFIRE
- Launch **takeout products** in response to requests by restaurants
- Develop **Mobile Order** products, which optimize restaurant operations in COVID-19 crisis

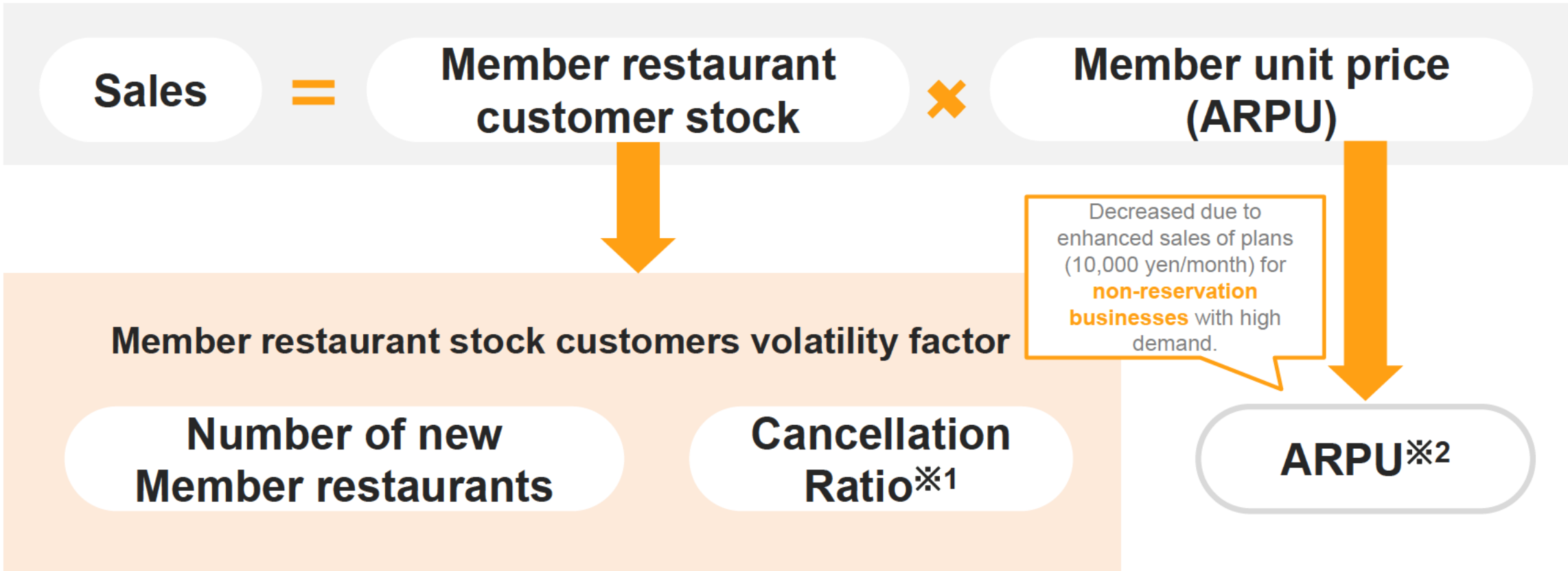








Sales Breakdown



630/month
（Average for the Q1 FY2021.09）

About **2.1%**
（Average for the 2020.01～2020.12）

18.2k JPY
（end of the Q1 FY2021.09）

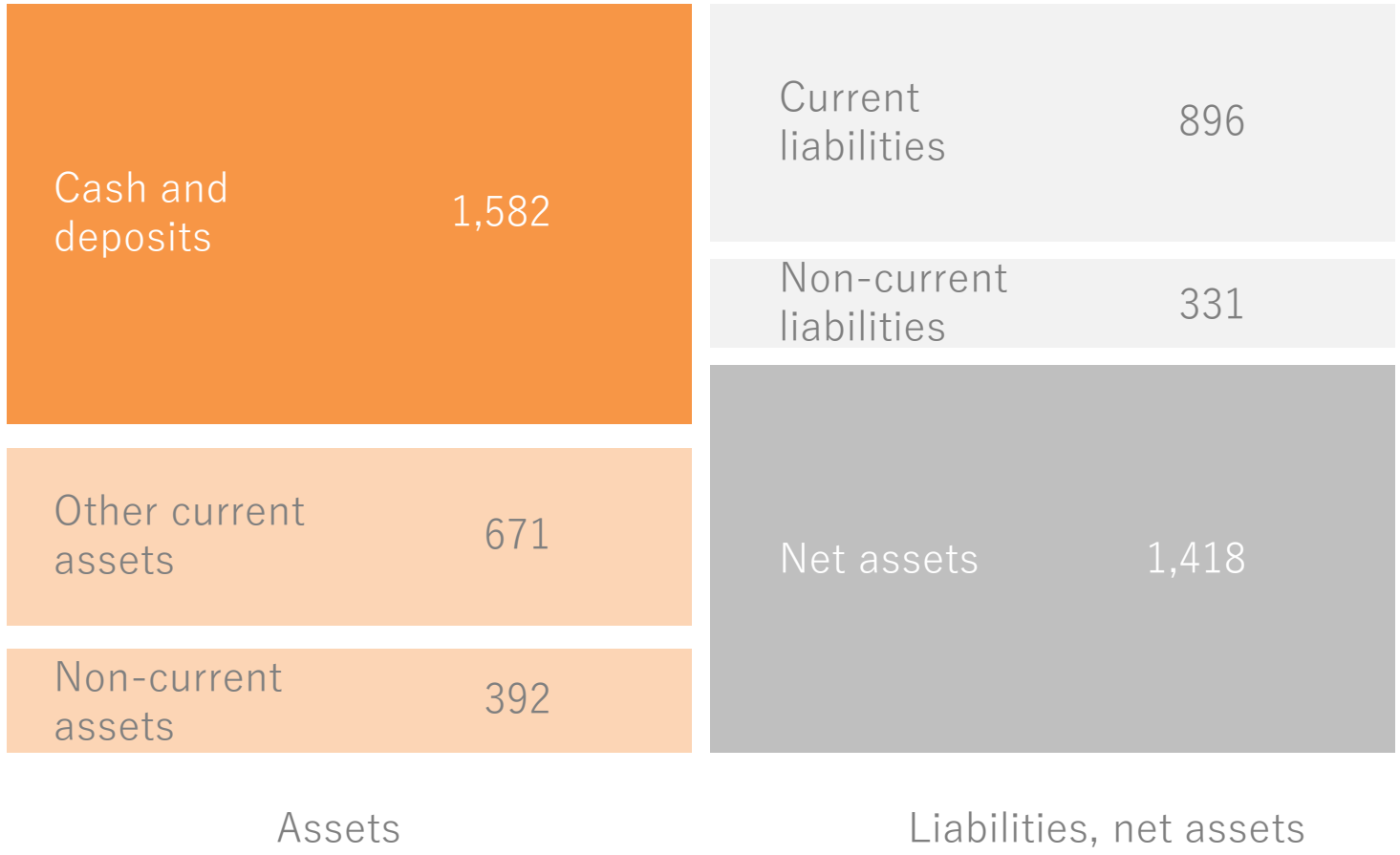
※1 This is the average of the number of stores that cancelled their contracts at the end of the contract period and at the time of renewal, as a percentage of the total number of paying restaurants.
※2 ARPU is based on store invoicing (including options), excluding trial stores (in which we receive orders for a large number of stores as a trial at a low price and in bulk for a major restaurant company).

Regular Contracts and Trial Contracts

	Outline	Number of restaurants × ARPU (as of the end of December)
Regular contract	One-year contract Rate structure differs between some areas of Tokyo and Osaka and the rest and regional plans are relatively inexpensive In addition, there are plans for non-reservation formats (ramen, bars, etc.). (monthly 10,000 yen)	On a basis of restaurant billing 8,397 ✖ 18.2k JPY
Trial	Plan for large-scale orders such as corporations ・Contract period: decided for each company ・ARPU: cheaper than regular contracts Irregular cancelations tend to occur during the state of emergency, etc., but it has been incorporated in the plan.	On a basis of restaurant billing 1,189 ✖ 5.9k JPY

2Q FY2021 BS

Cash and deposits account for about 60% of total assets and equity ratio is about 54%, suggesting good financial health.



Type of Agencies

Agency concurrently selling other products	• Agencies with sales persons who sell products of both Retty and other companies. • Restaurants sign a contract with the agencies • Sales are **recorded net** after deducting the agencies' fees. ARPU appears low.
Exclusive agency	• Agencies that have secured sale persons dedicated to selling Retty products • Retty directly signs contract with restaurants • Sales are **recorded gross**, and fees to the agencies are recorded as sales promotion cost
Direct sales	• Sales persons directly employed by Retty • Started hiring new graduates exclusively for sales in April 2019

Platform enabling stable customer attraction



New customers → Stock

Increased access → Dine → Customer management → Repeat customer

Performance fee "premium booking" and "take-out plans”

Premium booking

Online booking

Performance fee model



Take-out plans

Take-Out Customer Attraction & Reception System

Monthly Fixed 10,000 yen



Background of the Business Efficiency Support Market and Retty's Strengths in Entering

Market Background

As an infrastructure
Popularity of QR payments

Chronic
Shortage of HR

By COVID-19
Restaurant DX

×

Strengths of Retty

790k stores and 40m users
Restaurant and User Data

Such as AI and data science
Advanced Technology

Reaches 30,000
Restaurant Contacts

In response to the market's structural changes accelerated by COVID-19, We launches new products leveraged with data and aims for restaurant infrastructure

※ Based on the average number of monthly users for the period October 2019 - March 2020.

Mobile Ordering Helps Restaurants Improve Operational Efficiency



お客様自身のスマホから注文

Win
Restaurant
Save on labor

Retty

Win
Customer
Improved convenience

Capture offline data

Comparison of order taking workflow

	Existing Order system	Mobile Order system
1. Take orders	Store	Customer
2. Communicate order to kitchen	Store	Auto
3. Bring out food	Store	Store
4. Payment	Store	Customer

Significantly reduce tasks by restaurant

(Enables better pricing/investment in quality of food)

Value spillover from mobile orders and the number of target

Ripple Value

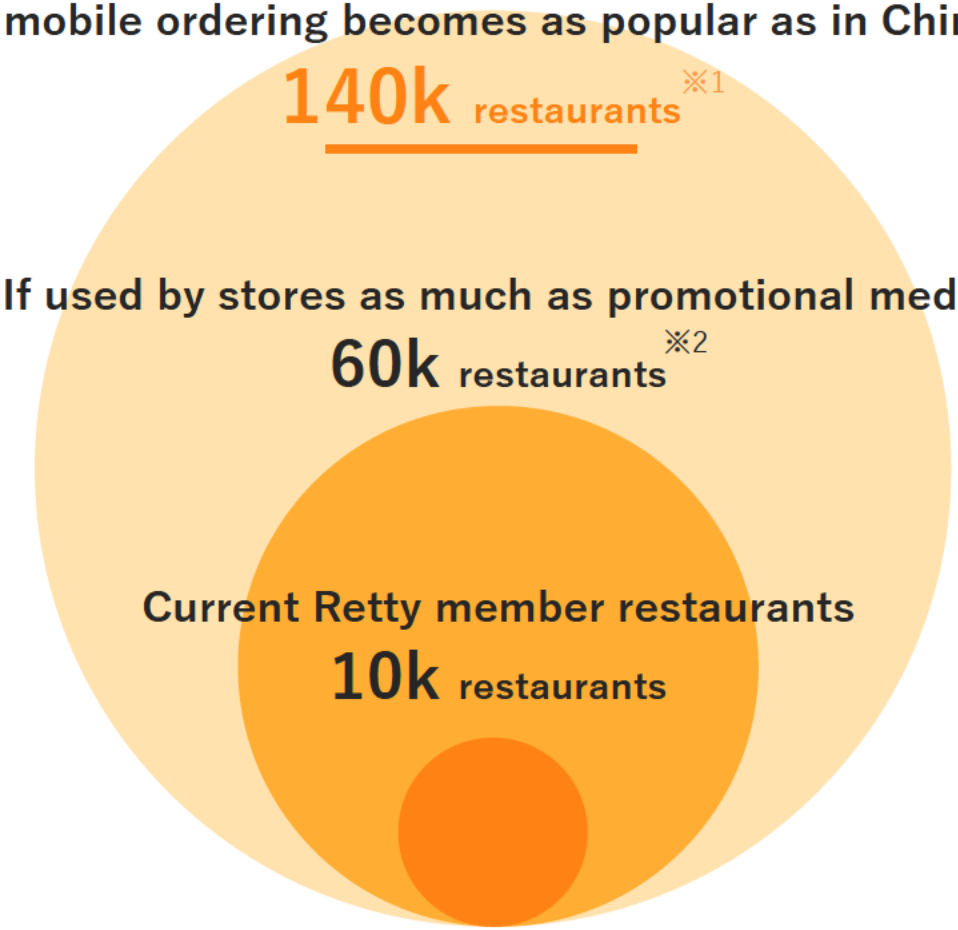
Accumulated by mobile orders
Offline data

Recommendations by improving accuracy
Increase in the number of users

By improving customer service
Increase in FRM revenue

New business, mobile orders spill over into services and value to existing businesses

Target



※1 This figure was calculated by multiplying approximately 20% of the mobile order penetration rate in China (according to our research) by all 700,000 restaurants in Japan.
※2 Based on the number of paying members as of the end of June, based on the financial results of other gourmet services, and taking into account the percentage of combined use.

Corporate Profile

Company name	Retty Inc.
Headquarters	Sumitomo Fudosan Azabujuban Building 3F 1-4-1 Mita, Minato-ku, Tokyo
Established	November 2010
Capital	596 million yen
Number of employees	143
Stock Exchange	Tokyo Stock Exchange Mothers
Securities Code	7356

Retty

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