Q2 FY2022

Financial Results Presentation Materials

August 10, 2022

safie

Safie Inc.

TSE Growth : 4375

Agenda

1. Q2 FY2022 Financial Results
2. Revision of FY2022 Earnings Guidance
3. Launch of New Product Safie One

Appendix.

1. Q2 FY2022 Financial Results

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Appendix.

Q2 FY2022 Highlights

- ✓ ARR reached **¥6.3 bn** (up +39.9% YoY), number of billing cloudcams was **158K** units (up +22.8% YoY)
- ✓ Revenue reached **¥2.0 bn**, up **+3.2% YoY**
  - ✓ One-time revenue declined by **43.1%** YoY due to the drop in new sales
- ✓ Gross profit margin came in at **47.2%**, a **8.6pp YoY** improvement
  - ✓ Due to increased proportion of high-margin recurring revenue
  - ✓ Likely to be volatile from the increase in one-time revenue
- ✓ Operating loss was **¥384 mil** due to increase in number of employees

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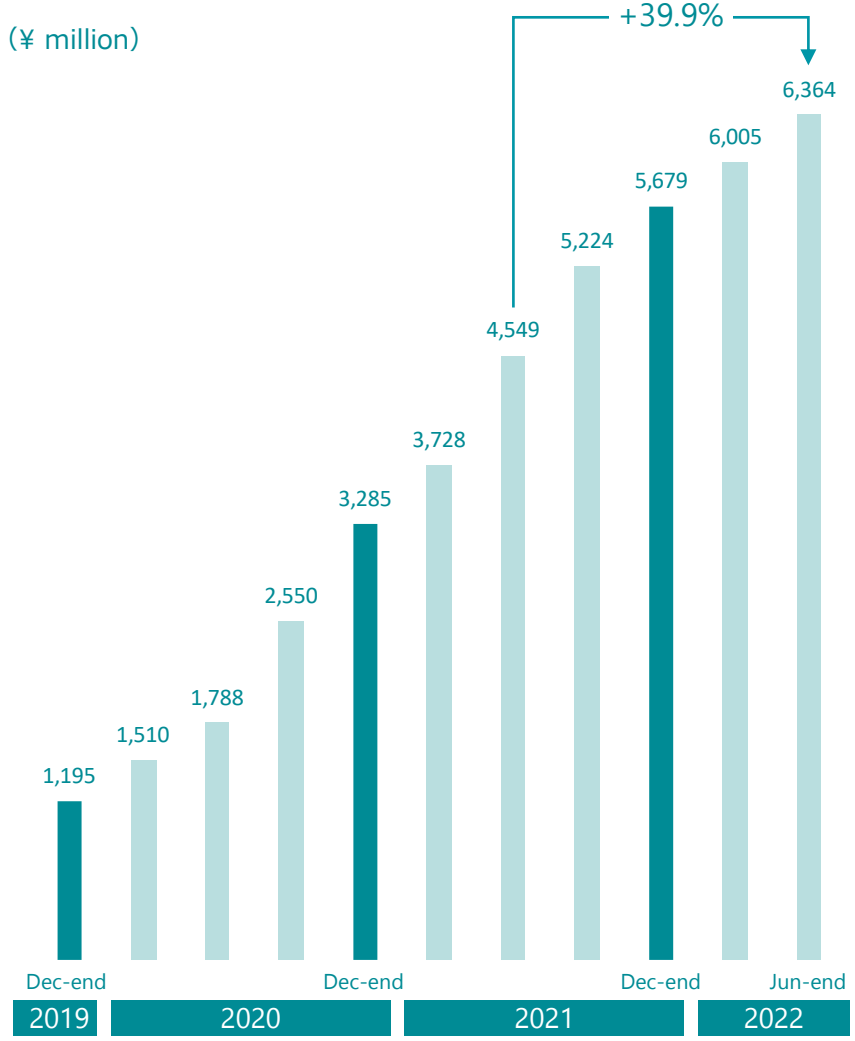
Trend of ARR and Billing Cloudcams

ARR topped ¥6.3bn and billing cloudcams reached 158K units

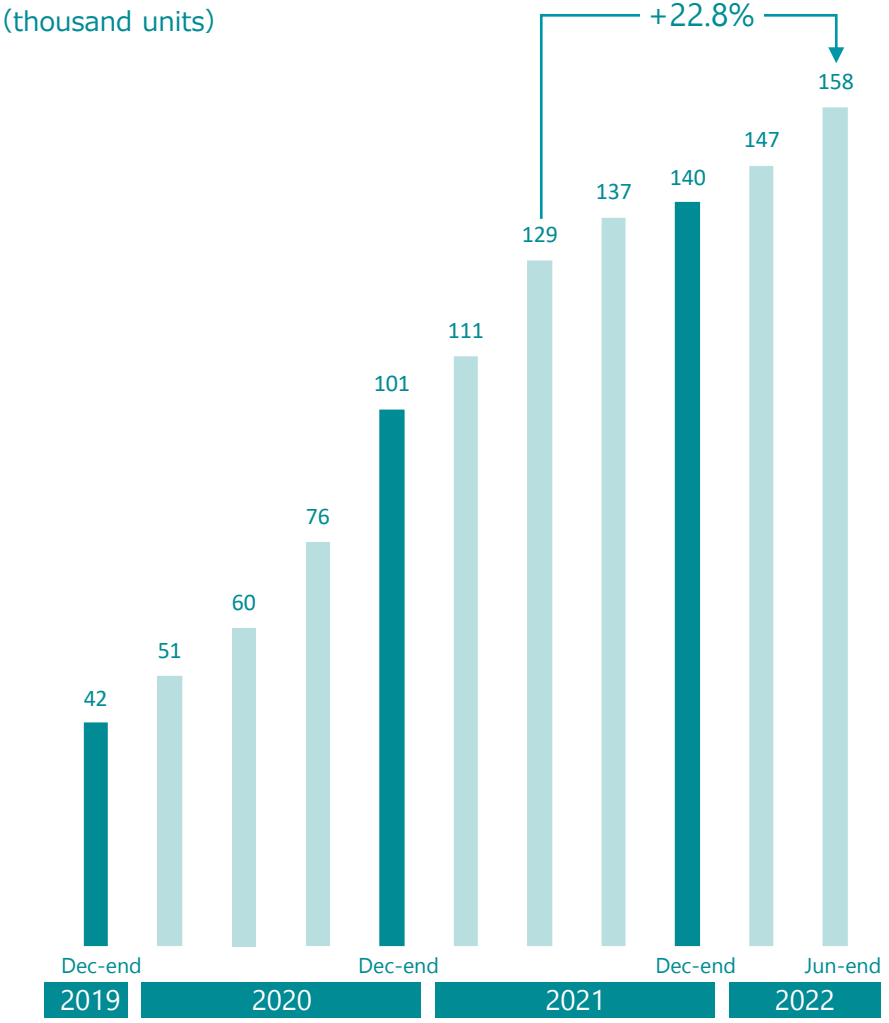
ARR

(¥ million)



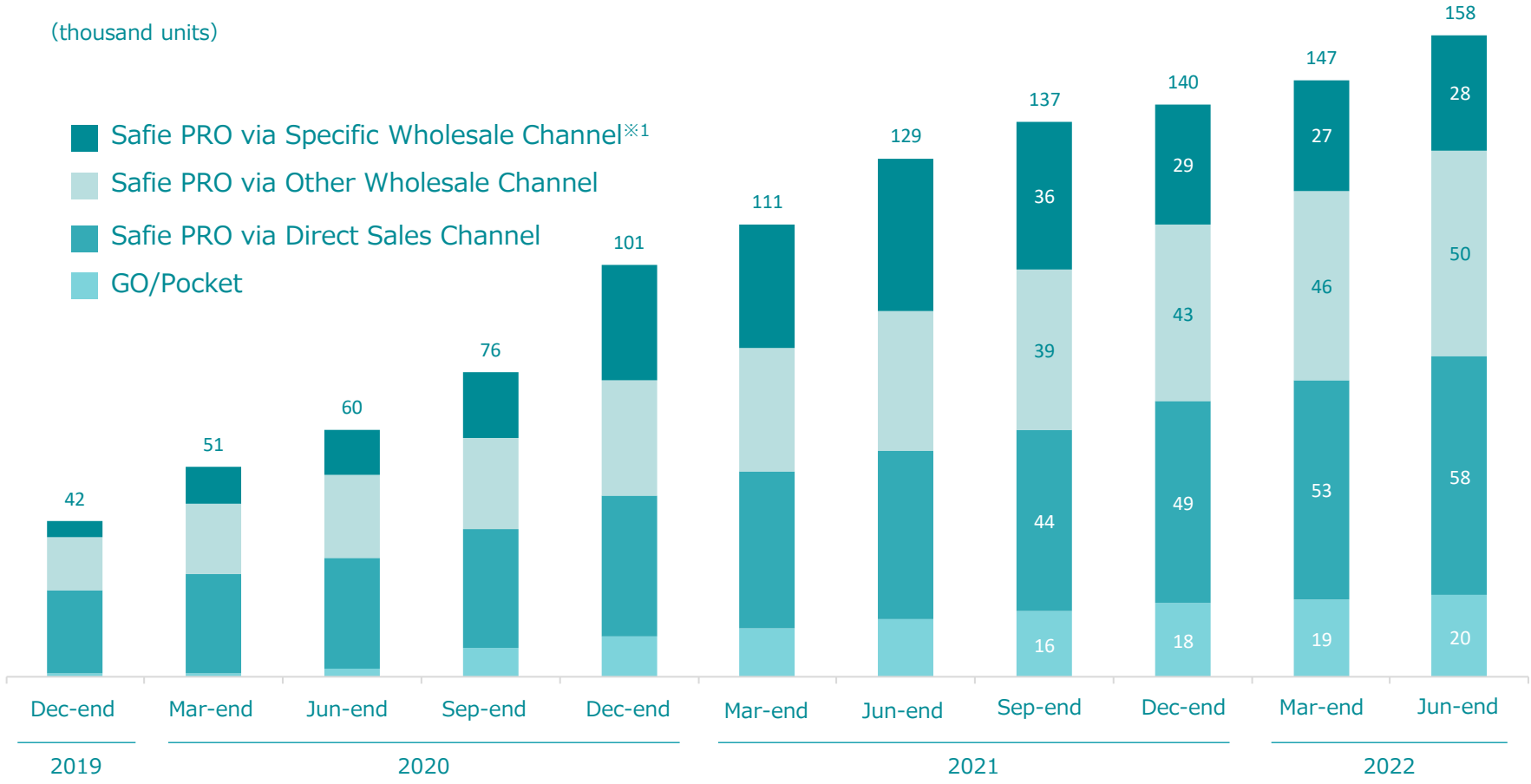
Number of Billing Cloudcams

(thousand units)



Trend of Billing Cloudcams by Sales Channel

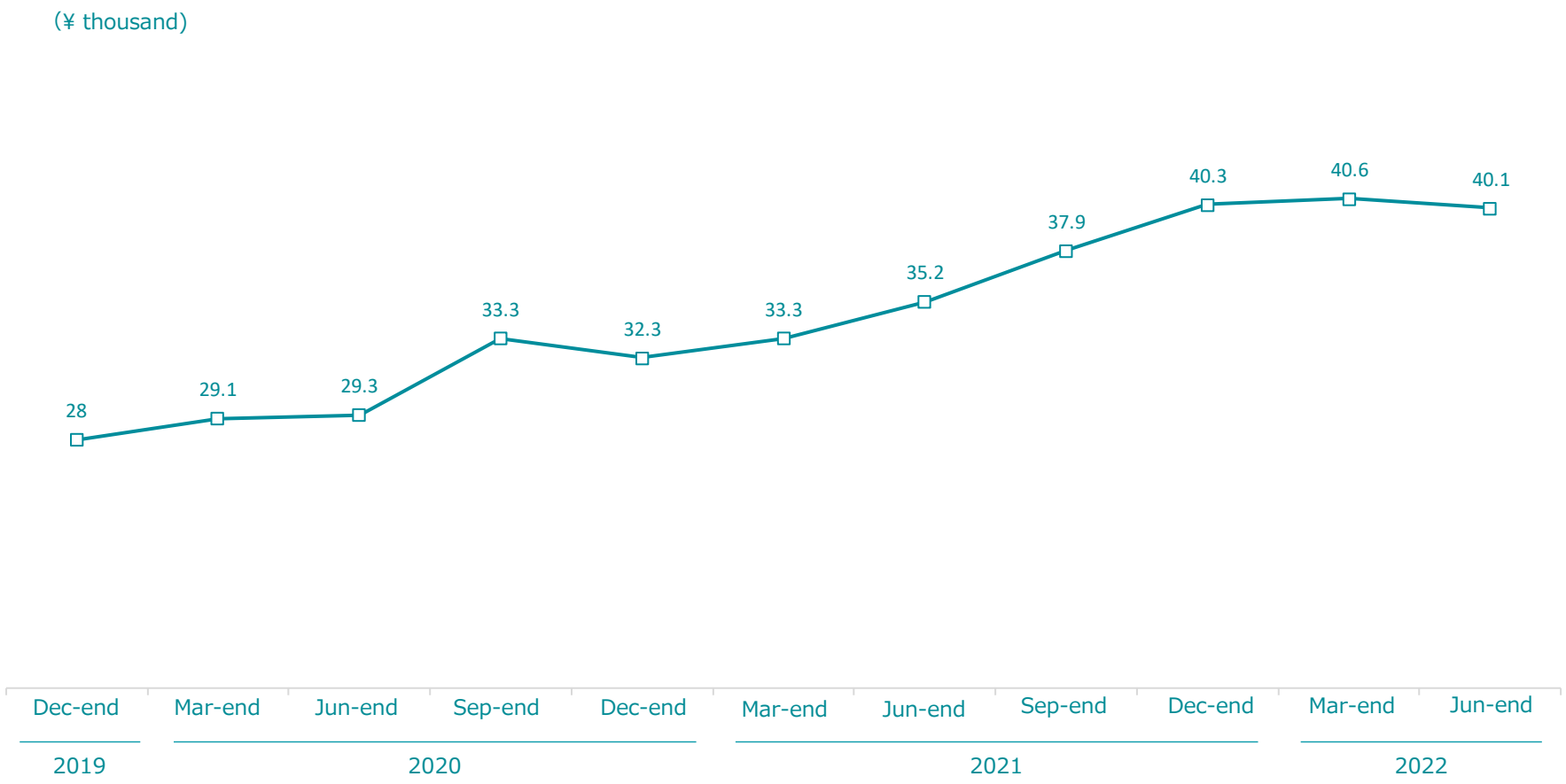
Sales via the specific wholesale channel restored to a net add pace;
However, the pace of sales expansion of Safie GO and Pocket underperformed expectation



※1： Refers to a wholesale channel through a single sales partner.

ARPC※1 Trend

ARPC declined from the slight drop in the ARR proportion of high-ARPC Safie GO and Safie Pocket



※1 : ARPC stands for Average Revenue Per Camera and is calculated as ARPC = ARR ÷ Nos. of billing cloudcams.

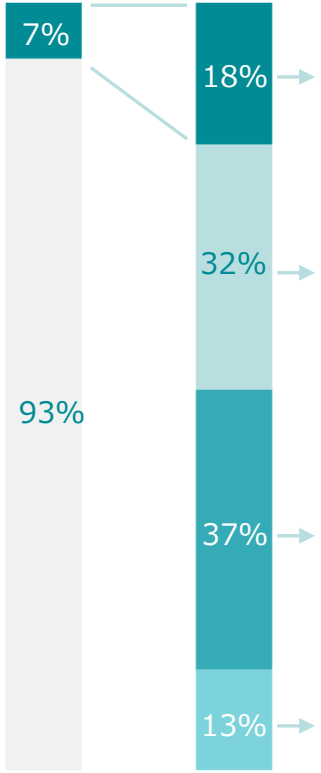
Breakdown of ARR and Billing Cloudcams

Churn declined to around 5% at the specific wholesale channel

ARR | **Number of Billing Cloudcams**

Breakdown at Jun-end

¥6.3 bn **158K Units**



Monthly (Jun-2022)

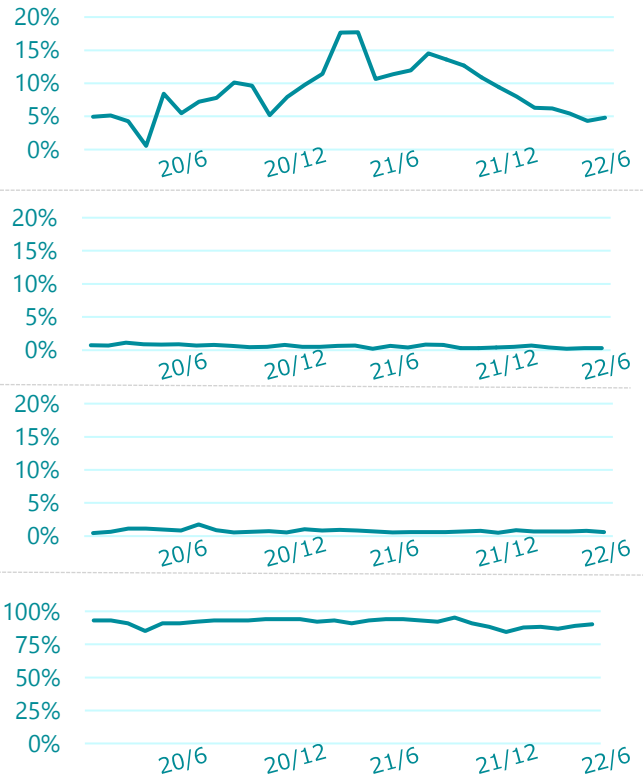
Monthly billing cloudcam churn rate※2: **4.8%**

Monthly billing cloudcam churn rate ※2: **0.3%**

Monthly billing cloudcam churn rate ※2 : **0.6%**

Monthly operating rate※3 : **90.1%**

Monthly Trend



Improved to previous levels

Stale at low churn rate

Stable at high operating rates

※1: Refers to a wholesale channel through a single sales partner. ※2 : Churn rate is based on the number of billing cloudcams at the end of the month, and is calculated as Monthly churn rate of billing cloudcam = Number of churned units in current month ÷ Nos. of billing cloudcams at end of previous month
※3: Operating rate = Nos. of billing cloudcam at end of month ÷ Nos. of cloudcams for rental business at end of month (excluding units in repair).

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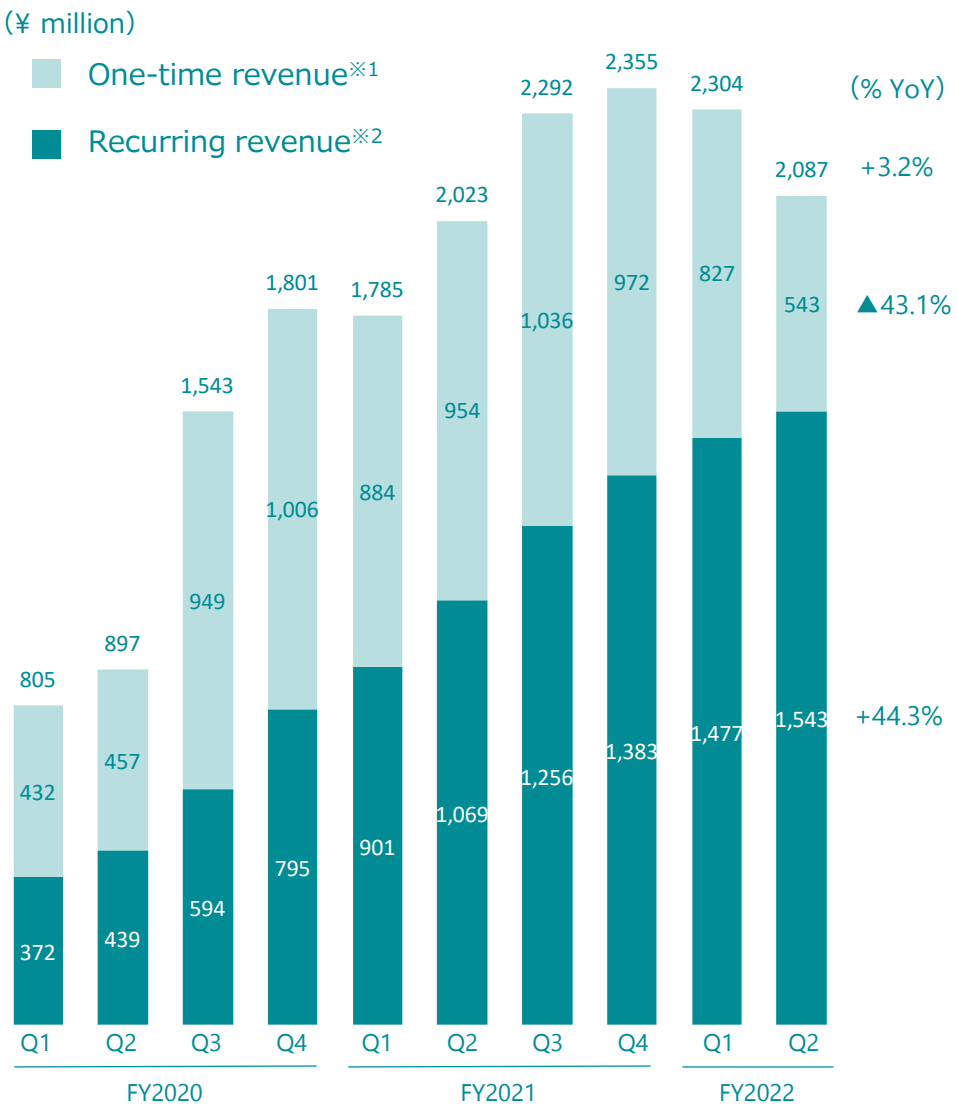
Revenue Trend



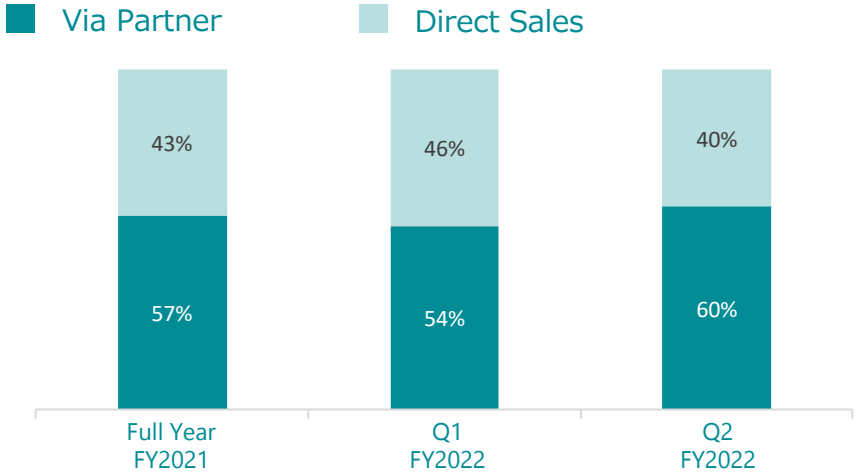
- Recurring revenue grew by 44.3% YoY
- One-time revenue to declined QoQ due to sluggish sales to new customers

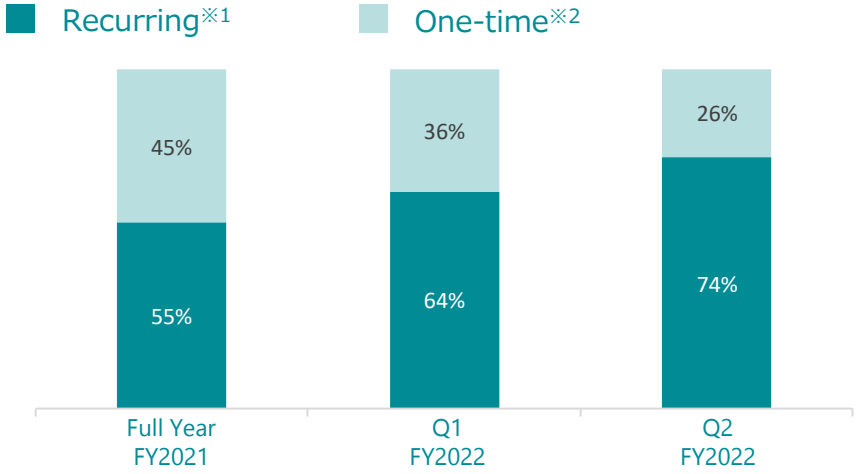
※1 : One-time revenue includes merchandise and construction work, etc.
※2 : Recurring revenue includes cloud, application, rental and SIM, etc.

Revenue Breakdown and Gross Margin of One-time & Recurring Revenue

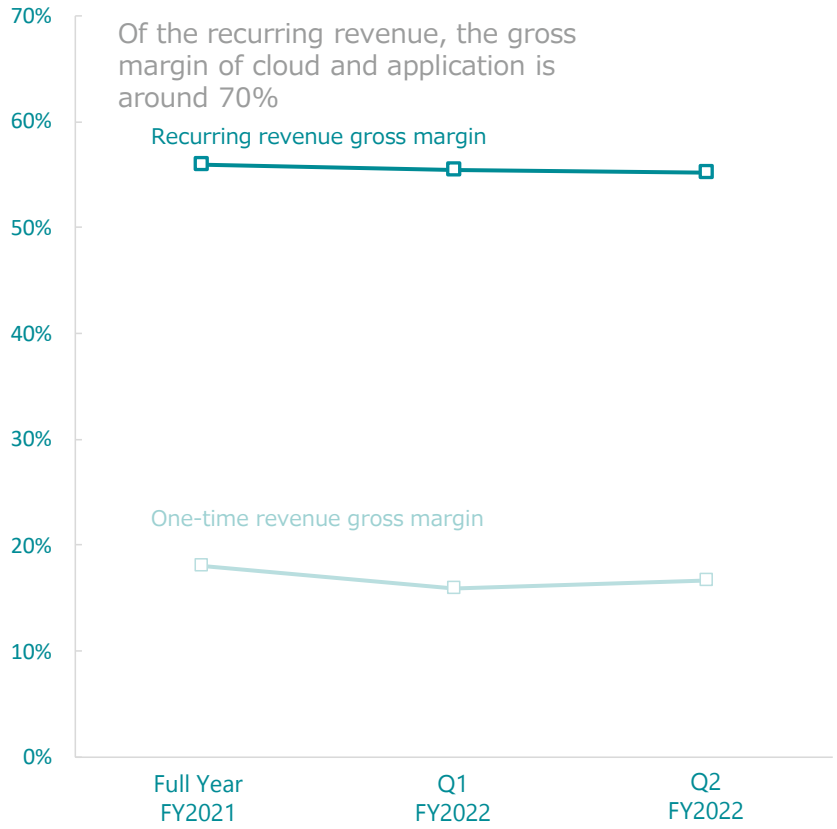
Proportion of recurring revenue rose to 74% mainly due to the QoQ decline in one-time revenue

Revenue Breakdown



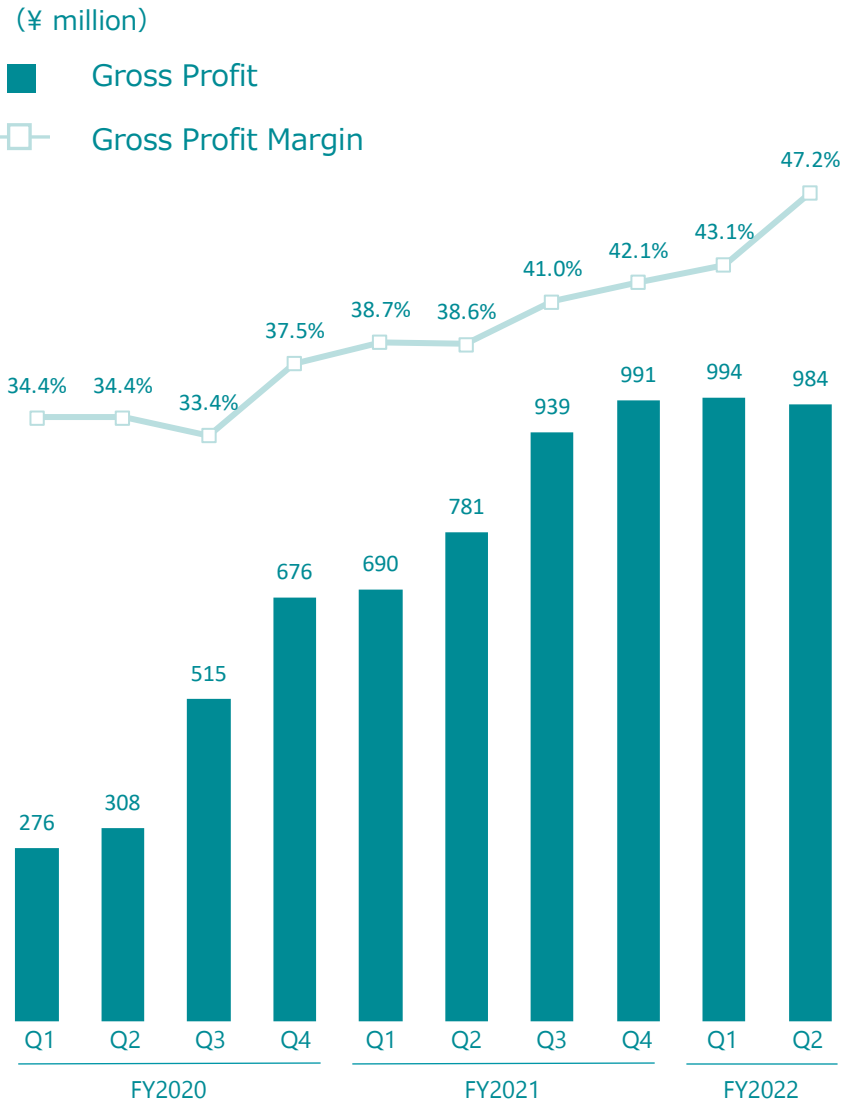


Gross Profit Margin (Image)



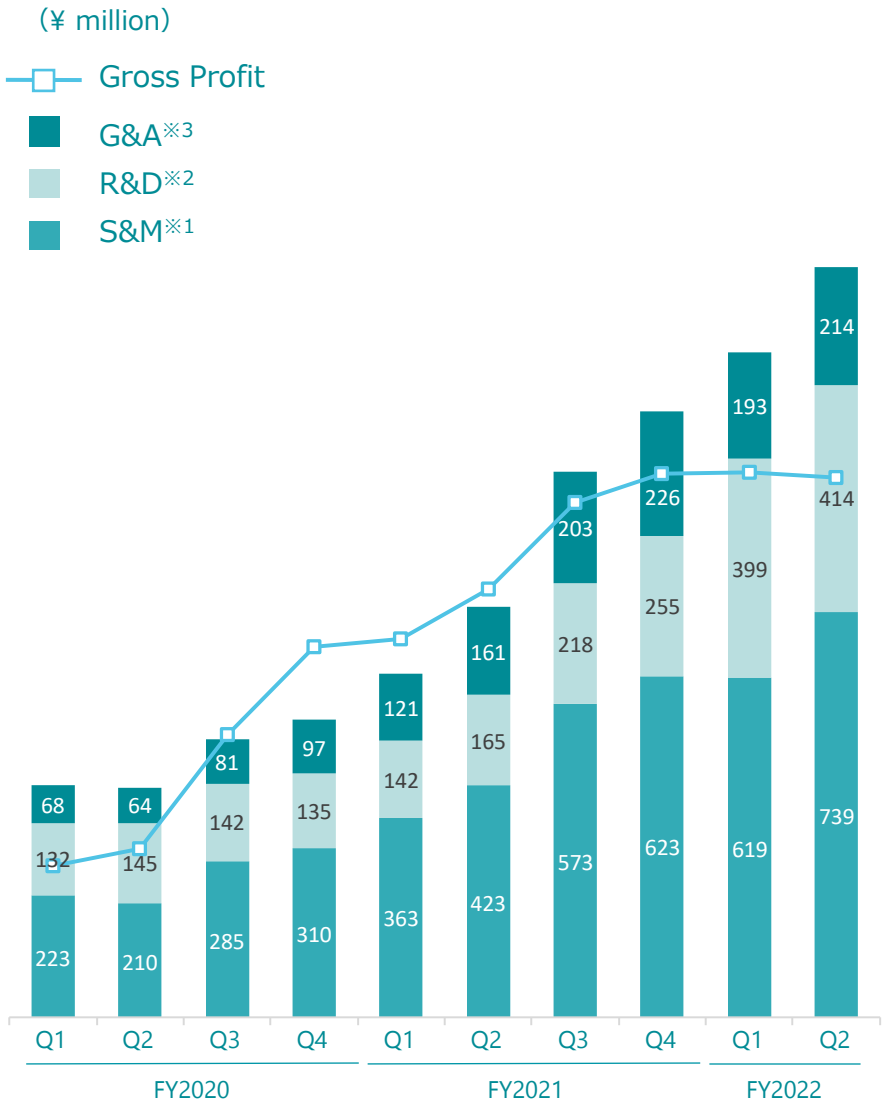
※1 : Recurring revenue includes cloud, application, rental and SIM, etc.
※2 : One-time revenue includes cloud, application, rental and SIM, etc.

Gross Profit Trend



- Gross profit decline QoQ due to lower one-time revenue
- Moreover, Q2 gross profit margin rose to 47.2% due to the higher proportion of high-margin recurring revenue

SG&A Trend

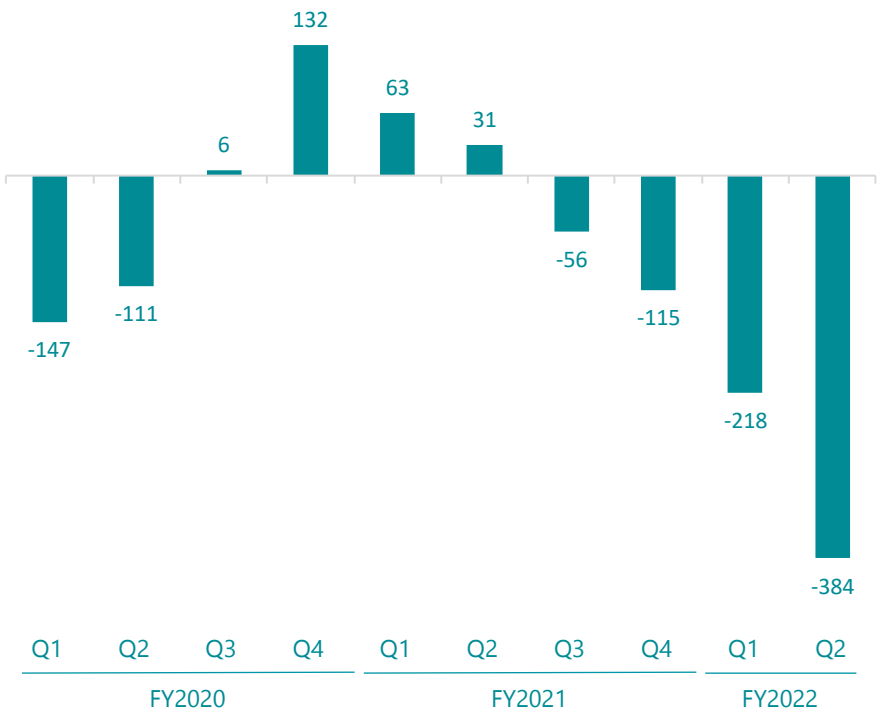


- SG&A on an increasing trend due to growth in number of employees.

※1 S&M stands for Sales and Marketing and is the sum-total of sales promotion expenses, advertising expense, sales personnel cost and other related/common expenses.
※2 R&D stands for Research and Development and is the sum-total of R&D engineer personnel cost, outsourcing expense and other related/common expenses.
※3 G&A stands for General and Administrative and is the sum-total of administrative personnel cost and other related/common expenses.

Operating Profit Trend

(¥ million)



- Operating loss in Q2 was ¥384 mil due continued upfront investments.

2. Revision of FY2022 Earnings Guidance

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Appendix.

Revision of FY2022 Guidance

✓ Guidance is revised as earnings are expected to be lower than initial estimates.

(¥ million)	FY2021	FY2022 Guidance		
		Previous	Revised	Change
ARR	5,679	8,300	7,500	▲9.6%
Nos. of billing cloudcams ('000 units)	140	200	178	▲11.0%
Revenue	8,456	11,000	9,200	▲16.4%
Gross Profit	3,402	4,700	4,200	▲10.6%
GP Margin	40.2%	42.7%	45.7%	-
Operating Profit	▲76	▲500～▲1,000	▲1,500	-

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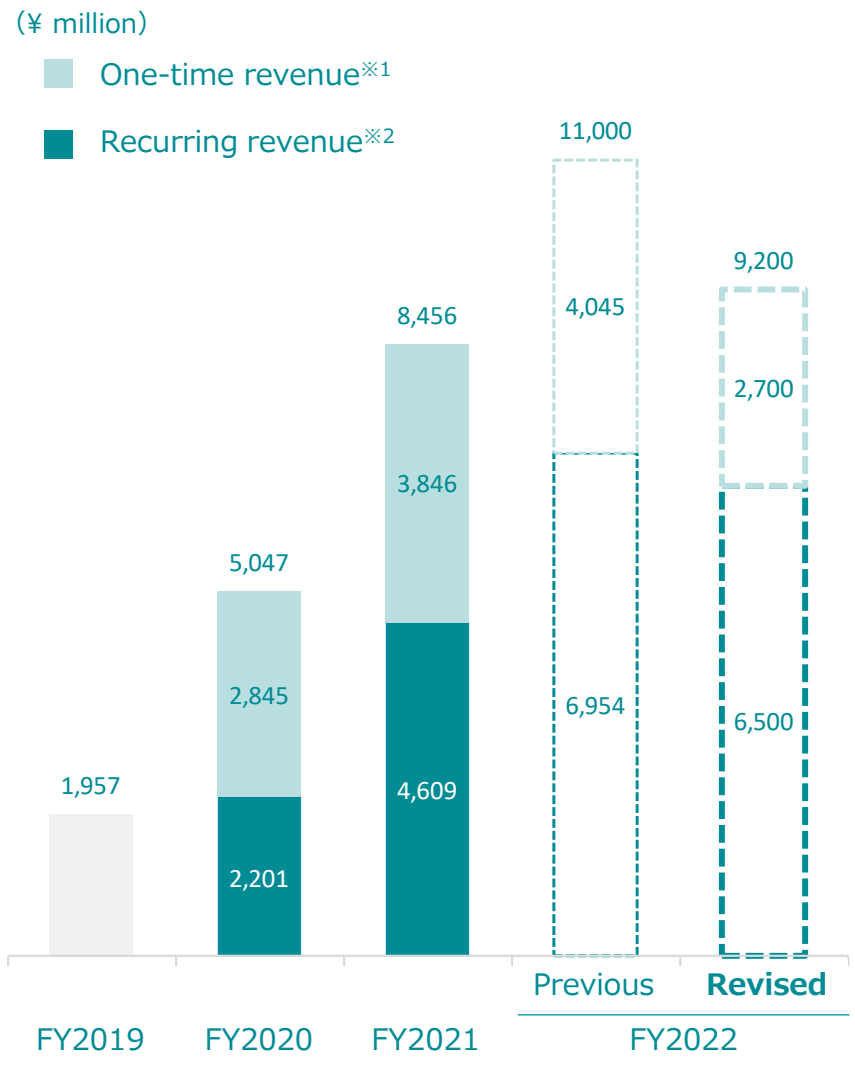
Revision of FY2022 Guidance : Revenue



- Guidance revised due to underperformance versus the initial sales plan of the rental products Safie GO and Safie Pocket2 to new customers as well as increased uptake by existing customers
  - Acquiring new customers in the home-builder and manufacturing sector is taking longer than expected
  - Also impacted from returns of rental products Safie GO and Safie Pocket2
- Of the one-time and recurring revenue outlook, it was the decline in one-time revenue due to the underperformance in new customer acquisitions that had a larger impact
- Revised guidance still shows healthy 41.0% YoY growth in recurring revenue

※1 : One-time revenue includes merchandise and construction work, etc.
※2 : Recurring revenue includes cloud, application, rental and SIM, etc.

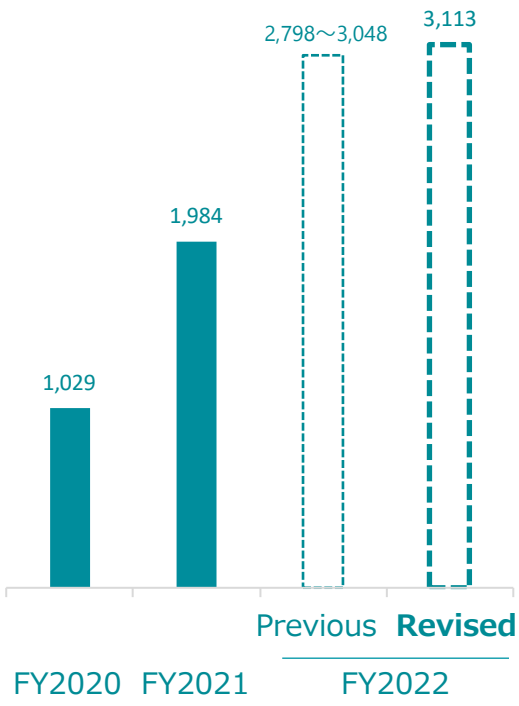
Revision of FY2022 Guidance：SG&A

SG&A expenses is guided to be ¥5.7 bn which is close to the high end of the forecast range, although expense items within SG&A are likely to fluctuate somewhat.

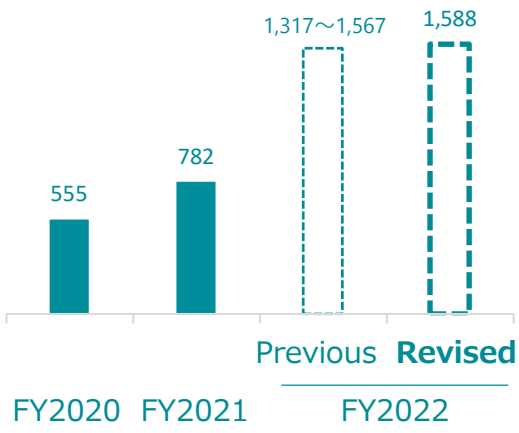
SG&A (Previous): ¥5,200mil ~ ¥5,700mil
SG&A (Revised): ¥5,700mil

S&M※1

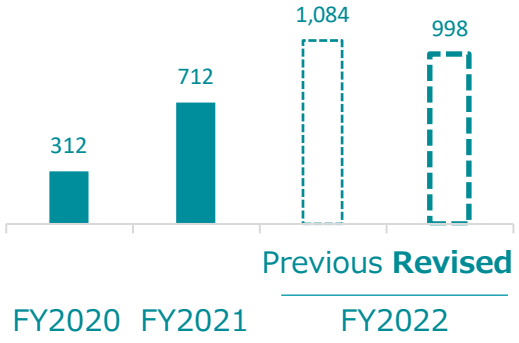
(¥ million)



R&D※2



G&A※3



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Short-term Issues to be Resolved and Initiatives

Issues		Initiatives
■ Continued acquisition in the enterprise segment for large-scale projects	■ Brand/Corporate recognition ■ Optimized sales resources (inbound vs. enterprise) ■ Strengthening of sales training	■ Mass advertisement ■ Revamp inbound team ■ Strengthen sales enablement function
■ Strengthen product line-up to respond to customer's needs in each sector in a timely manner	■ Assembling an optimal industry-specific solution package ■ Delays in new product/service launch ■ Engineer recruitment delays and inadequate R&D structure	■ Launch of Safie One for retail and service sectors ■ Continued focus on recruitment and talent development
■ Continued value proposition and post-adoption support to existing customers	■ Absence of a team responsible for post-sales onboarding and customer retention	■ Establish new organization for onboarding

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3. Launch of New Product Safie One

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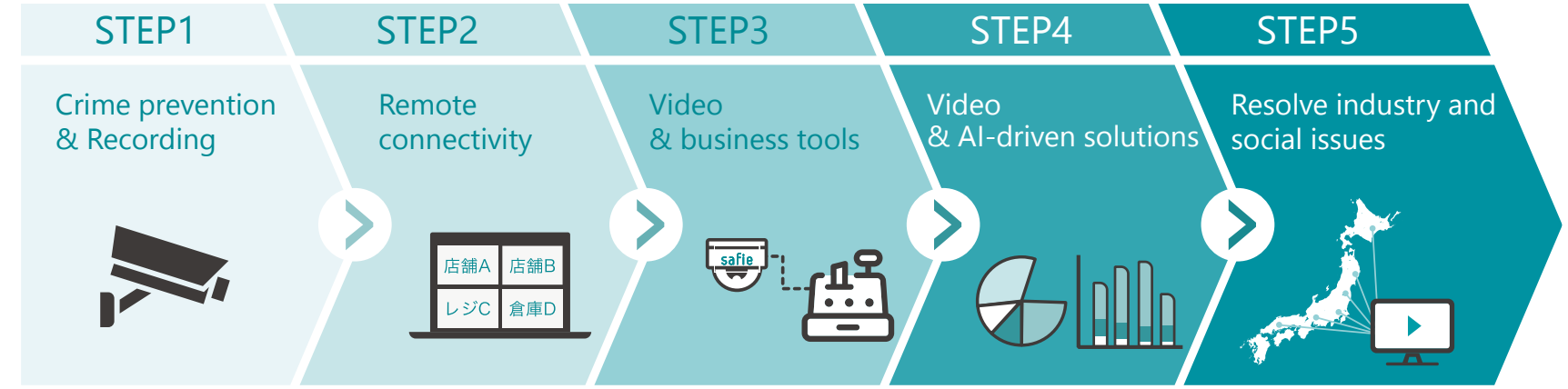
Appendix.

Growth Themes to Achieve Our Target – Onsite DX



The Five Steps for Onsite DX using Cloudcams



Viewed as & when needed only	Using as an extension of your eyes	Easy linking with other systems	Smart Camera	Even smarter camera
Passive Use	Dynamic use	API linkage	Increased functions on cloud platform	An ecosystem that includes third parties



Example: Issues in Retail and Restaurants

Need to count actual number of visitors not captured by POS data



Keep track of empty shelves in the store



Assess abnormal behavior by customers at unmanned stores



現場DX
Powered by safie

One camera to resolve multiple issues

Edge AI Camera that resolves Store Operations Challenges "Safie One"

Gets smarter

Quick and Easy Set Up

Interactive Communication



現場DX
Powered by safie

Gets Smarter - Store People Detection Pack

safie one

ai-app

Entry Detection



Detects queques and congestion

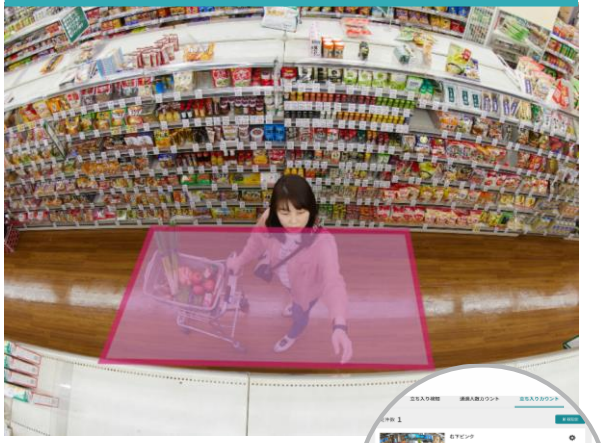
Passerby Counter





Counts number of people

Area Traffic Counter





Counts number of people

現場DX Powered by safie

The first AI-app targeting store administrators will be launched as an optional item on the product launch date of Sep. 28th

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Quick and Easy Set Up

safie one

Compatible to diverse types of adapters



Adjusts to various adapters, making for easy setup in the place of your choice

Local back-up and enhanced wireless LAN function

Improved connectivity

Secure connectivity even with weak Wi-Fi and sudden network interruption. Compatible with IEEE 802.ax (Wi-Fi 6) for better stability

LTE Dock compatible



Easy setup in places with no internet connection using LTE dock and communication plan (both sold separately)

現場DX Powered by safie

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Interactive Communication

safie one

Bluetooth HSP/HFP compatible

Mike can be placed away from the camera in your convenient spot for voice connection

Group talk function

Enables remote voice communication between users viewing Safie Viewer and persons at the camera location

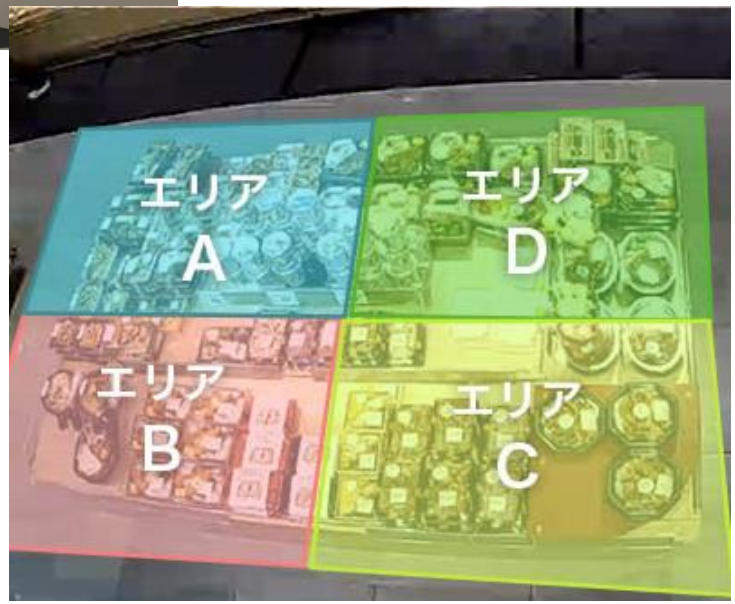


現場DX
Powered by safie

Use Case for Safie One

Retail





現場DX
Powered by safie

STEP4



Belc ベルク

Pilot test carried out using Safie One's video images from cloud recording service linked with AI to provide analysis that helps improve operations and create new styles

■ Main points of pilot test

Purpose: Reduce sales opportunity loss and maximize sales at the bento (lunch box) area

Process: Measurements taken by dividing the lunch box area into 4 sections

Method: Using the Traffic Counter function to numerically count passerbys, shelf-browsing customer and shelf-browsing ratio

Safie One contributes to visually represent and quantify what was formerly the realm of intuition and experience.

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Continually Launch Applications that use AI and Video Images to Resolve Issues

ai-app

Continually launch apps to resolve various issues using AI analytics

safie one

Edge-AI mounted
Enables nearly real-time image processing



install



現場DX
Powered by safie

Initiative to raise Safie's brand/corporate awareness







現場DX
Powered by safie

- Created movie based on a construction site that uses Safie service for Onsite DX
- Promote expansion of customers base and higher brand/corporate awareness by broadcasting TV commercials and digital ads from August 12

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Create a better Future
with intelligent vision



Appendix

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Appendix.

Management Team



Ryuhei Sadoshima
President and CEO
Co-founder



Kazuma Morimoto
Director and CTO
Co-founder



Moriaki Shimozaki
Director
Co-founder



Tetsuharu Furuta
Director and CFO

SONY
Sony Network Communications

SONY

SONY
Kihara Research Center

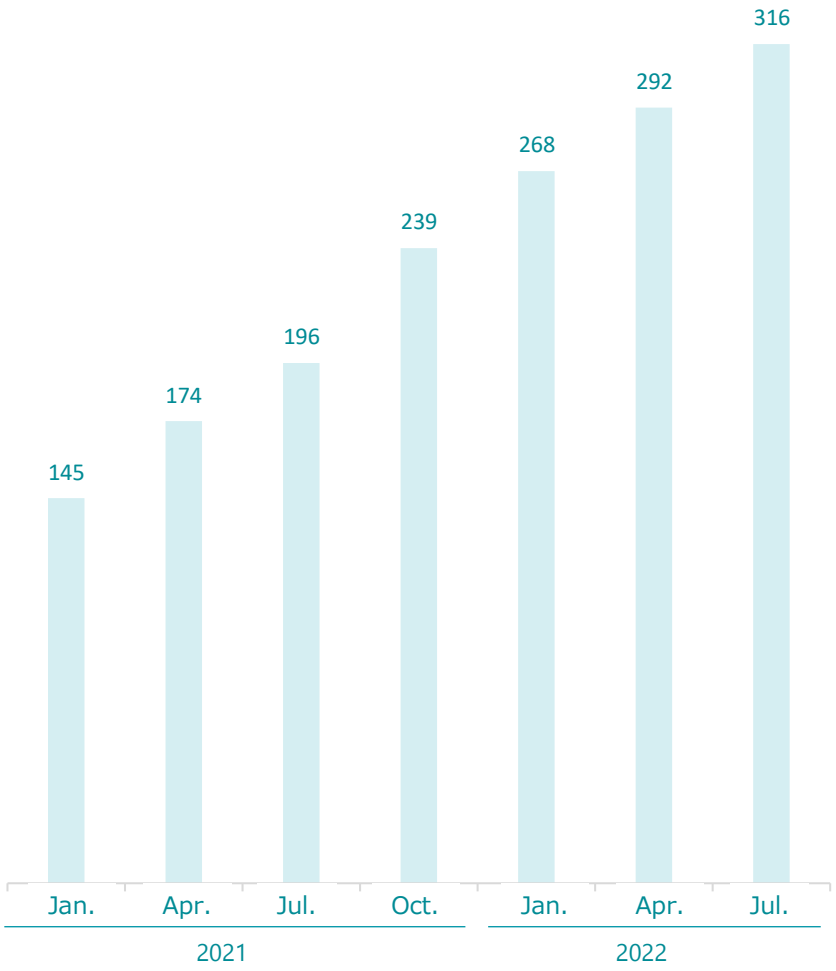
McKinsey & Company

INCJ

Forbes JAPAN
1st Prize in “Japanese entrepreneur ranking 2021”

Employees

Number of Employees※1

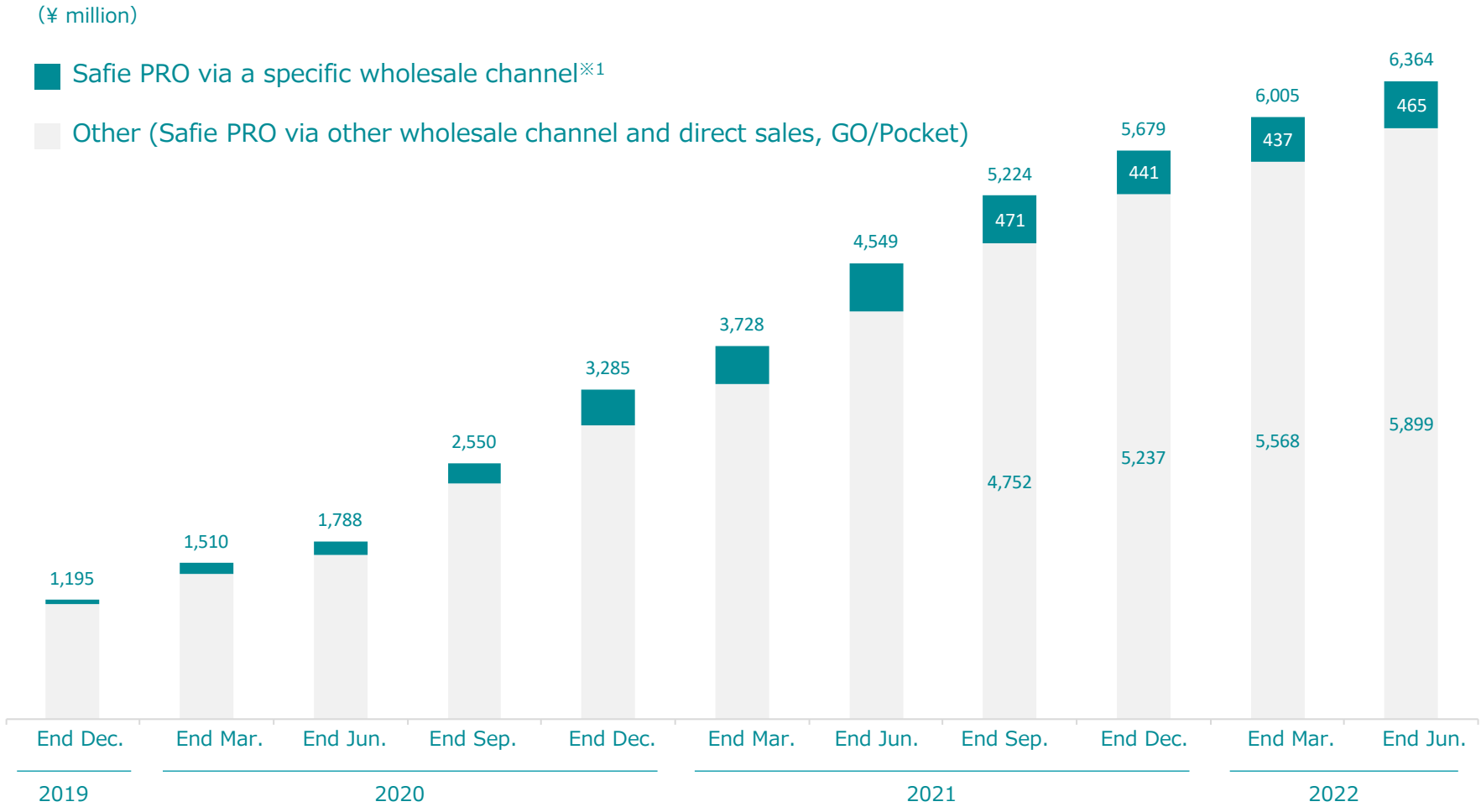


※1 The number of employees is as of the beginning of the month.

Employee Breakdown (as of July 2022)



ARR Trend



※1 : Refers to a wholesale channel through a single sales partner.

Trend of Churn Rate and Operating Rate

Churn Rate of Safie PRO Billing Cloudcam (volume basis)

		2020/12	2021/3	2021/6	2021/9	2021/12	2022/3	2022/6
Specific wholesale channel	Monthly	-	17.7%	11.4%	13.6%	9.4%	6.2%	4.8%
	12-mnth avg.	-	8.4%	10.5%	11.8%	12.6%	11.1%	9.0%
Other wholesale channel	Monthly		0.6%	0.6%	0.8%	0.4%	0.4%	0.3%
	12-mnth avg.		0.7%	0.6%	0.6%	0.5%	0.5%	0.4%
Total wholesale channel	Monthly	-	9.2%	6.2%	6.9%	4.0%	2.5%	2.0%
	12-mnth avg.	2.9%	4.2%	5.4%	6.2%	6.4%	5.4%	4.2%
Direct sales	Monthly	-	0.9%	0.5%	0.6%	0.6%	0.7%	0.6%
	12-mnth avg.	0.9%	0.9%	0.8%	0.7%	0.7%	0.7%	0.7%
Total	Monthly	-	6.0%	4.1%	4.5%	2.6%	1.8%	1.4%
	12-mnth avg.	2.1%	2.9%	3.6%	4.1%	4.3%	3.6%	2.8%

Operating Rate of GO/Pocket Billing Cloudcams (volume base)

		2020/12	2021/3	2021/6	2021/9	2021/12	2022/3	2022/6
Total	Monthly	94%	93%	94%	92%	88%	88%	90%

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Balance Sheet

(¥: thousand)	End Dec. 2021	End Jun. 2022		End Dec. 2021	End Jun. 2022
(Assets)			**(Liabilities)**		
Current Assets			**Current liabilities**		
Cash and deposits	11,649,281	10,564,137	Accounts payable	502,151	427,599
Trade notes receivable	1,091,014	-	Current portion of long-term loans payable	9,145	11,656
Trade notes receivable, contract asset	-	1,074,605	Income taxes payable	100,797	54,026
Inventories	618,984	945,167	Provision for bonuses	1,100	92,584
Other current asset	158,995	285,793	Other current liabilities	450,966	410,699
Allowance for doubtful accounts	-3,489	-2,725	Total current liabilities	1,064,160	996,564
Total current asset	13,514,786	12,866,977	Long-term liabilities		
Non-current Assets			Long-term loans payable	125,860	114,894
Tangible fixed assets	93,134	91,155	Total long-term liabilities	125,860	114,894
Investment and other assets	113,382	169,277	**Total liabilities**	1,190,020	1,111,458
Non-current assets	206,517	260,433	Net assets		
			Shareholders' equity		
			Capital stock	5,404,872	5,452,708
			Capital surplus	7,890,254	7,938,091
			Retained earnings	-769,062	-1,380,008
			Treasury stock	-108	-167
			Total shareholders' equity	12,525,955	12,010,624
			Subscription rights to shares	5,328	5,328
			Total net assets	12,531,283	12,015,952
Total Assets	13,721,304	13,127,411	Total liabilities and net assets	13,721,304	13,127,411

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