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Non-consolidated Financial Results for the Three Months Ended July 31, 2024 [Japanese GAAP]

September 12, 2024

Company name: Smaregi, Inc.
Listing: Tokyo
Securities code: 4431
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Representative: Ryuhei Miyazaki Representative Director
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Non-consolidated Financial Results for the Three Months Ended July 31, 2024 (May 1, 2024 to July 31, 2024)

(1) Non-consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
July 31, 2024	2,531	38.8	601	46.5	600	46.2	396	44.5
July 31, 2023	1,824	48.4	410	123.5	410	120.6	274	(23.8)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
July 31, 2024	20.61	20.57
July 31, 2023	14.33	14.27

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
July 31, 2024	8,275	6,366	76.9
April 30, 2024	7,952	5,969	75.1

(Reference) Equity: As of July 31, 2024: ¥ 6,366 million
As of April 30, 2024: ¥ 5,969 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended April 30, 2024	-	0.00	-	0.00	0.00
Fiscal year ending April 30, 2025	-				
Fiscal year ending April 30, 2025 (Forecast)		0.00	-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending April 30, 2025(May 1, 2024 to April 30, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	10,688	27.5	2,033	17.2	2,033	19.8	1,414	16.6	73.60

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(3) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

July 31, 2024: 19,687,400 shares
April 30, 2024: 19,672,400 shares

2) Number of treasury shares at the end of the period:

July 31, 2024: 454,502 shares
April 30, 2024: 453,702 shares

3) Average number of shares outstanding during the period:

Three months ended July 31, 2024: 19,229,943 shares
Three months ended July 31, 2023: 19,151,132 shares

* Review of the Japanese-language originals of the attached quarterly non-consolidated financial statements by certified public accountants or an audit firm: None

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Results of Operations

During the first quarter of the current fiscal year (May 1 to July 31, 2024), Japan's economy showed a moderate recovery trend, supported by improvements in employment and income conditions. However, risks such as rising prices, the continued depreciation of the yen, and increasing geopolitical tensions continue to impede a virtuous cycle of economic recovery, resulting in ongoing uncertainty regarding the future outlook.

In the service industry, including the food and beverage sector, and the retail industry, which are the main users of our POS system, the economy turned positive, driven by factors such as inbound demand, heat-related products during the hot summer, and seasonal demand for alcohol consumption.

In this environment, during the first quarter of the fiscal year, our sales increased compared to the same period last year. This was due to successful advertising initiatives, including television commercials, leading to a steady increase in the number of paid stores, as well as higher customer unit prices driven by proactive cross-selling strategies during business negotiations.

Additionally, the "Rece ONE Plus" business, which we acquired from Ligua Inc. on May 1, 2024, and the "TSUBAME DONUT" business, which manufactures and sells donuts and was acquired on June 1, 2024, both contributed to our performance.

Selling, general, and administrative expenses increased due to factors such as rising personnel costs from active recruitment efforts to strengthen our organizational capabilities, rental expenses for the new showroom, and goodwill amortization associated with the acquisition of the Rece ONE Plus business. However, thanks to cost efficiency initiatives, including improving the efficiency of recruitment expenses, operating profit and ordinary profit both increased compared to the same period last year.

As a result, for the first quarter of the fiscal year, net sales amounted to 2,531 million yen (an increase of 38.8% year-on-year), operating profit was 601 million yen (an increase of 46.5% year-on-year), ordinary profit was 600 million yen (an increase of 46.2% year-on-year), and net profit for the quarter was 396 million yen (an increase of 44.5% year-on-year).

Since we operate as a single segment in the cloud services business, we have omitted segment-specific details.

First Quarter Sales Comparison

(Thousands of yen)

Category	three months of FY4/24 (May 1, 2023 – Jul. 31, 2023)	three months of FY4/25 (May 1, 2024 – Jul. 31, 2024)	YoY (%)
Monthly fees and others	1,137,976	1,624,984	＋42.8
Sales of products and others	647,105	828,090	＋28.0
Others	39,203	78,161	＋99.4
Total	1,824,285	2,531,236	＋38.8

The following tables show Smaregi's number of Fee-paying stores and active stores, and cumulative transaction volume.

Number of Fee-paying Stores

	April 2021	April 2022	April 2023	April 2024	July 2024
Premium	3,212	4,345	5,647	7,081	7,261
Premium plus	6,425	8,196	9,793	12,562	13,231
Food business	3,179	3,865	4,711	5,665	5,886
Retail business	6,604	7,782	8,885	10,204	10,466
Food & retail	148	260	374	494	547
Total (Fee-paying)	19,568	24,448	29,410	36,006	37,391

Note: The store count provided above represents the number of fee-paying stores, that have signed up for the Smaregi POS service. If a client company operates multiple stores, each store is counted. No-fee stores paying a fee due to the use of an optional service are not included in this graph.

Number of Active Stores and Ratio (%) of Active Stores

	April 2021	April 2022	April 2023	April 2024	July 2024
Total	24,759 (25.7)	30,355 (27.4)	36,375 (28.7)	43,923 (30.3)	45,387 (30.4)

Note: The number of 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 when the stores utilize inventory management and other functions, if there are no commercial transactions then they are not counted.

Cumulative Transaction Volume

(Millions of yen)

	April 2021	April 2022	April 2023	April 2024	July 2024
Cumulative transaction volume	3,468,715	4,605,960	6,243,138	8,457,026	9,088,694

Note: Cumulative transaction volume is the amount of products and services sold using Smaregi since the start of this cloud-based POS service.

(2) Explanation of Financial Position

1) Assets

At the end of the first quarter of the fiscal year, current assets increased by 11 million yen compared to the end of the previous fiscal year, amounting to 6,914 million yen. The main factors contributing to this were a 65 million yen decrease in cash and deposits, offset by a 97 million yen increase in merchandise inventory. Non-current assets increased by 310 million yen compared to the end of the previous fiscal year, reaching 1,360 million yen. This increase was primarily due to a 179 million yen rise in intangible assets and an 89 million yen rise in investments and other assets.

As a result, total assets increased by 322 million yen compared to the end of the previous fiscal year, reaching 8,275 million yen.

2) Liabilities

At the end of the first quarter of the fiscal year, current liabilities decreased by 84 million yen compared to the end of the previous fiscal year, amounting to 1,794 million yen. This was primarily due to a 77 million yen increase in bonus provisions and a 51 million yen increase in deposits received, which were offset by a 99 million yen decrease in income taxes payable and a 74 million yen decrease in accrued consumption taxes. Fixed liabilities increased by 9 million yen compared to the end of the previous fiscal year, reaching 114 million yen.

As a result, total liabilities decreased by 74 million yen compared to the end of the previous fiscal year, amounting to 1,908 million yen.

3) Net Assets

Total net assets at the end of the first quarter increased by 397 million yen compared to the end of the previous fiscal year, amounting to6,366 million yen. The main contributing factor was the recording of 396 million yen in quarterly net profit.

(3) Explanation of Earnings Forecasts and Other Forward-looking Statements

There have been no changes to the forecast for the fiscal year ending April 2025, as announced on June 13, 2024.

2. Quarterly Non-consolidated Financial Statements

(1) Quarterly Non-consolidated Balance Sheets

(Thousands of yen)

	As of April 30, 2024	As of July 31, 2024
Assets		
Current assets		
Cash and deposits	5,284,561	5,219,274
Accounts receivable - trade	611,981	644,697
Merchandise	695,761	793,350
Prepaid expenses	90,482	105,520
Other	220,470	152,413
Allowance for doubtful accounts	(398)	(419)
Total current assets	6,902,858	6,914,837
Non-current assets		
Property, plant and equipment		
Buildings, net	142,019	145,930
Tools, furniture and fixtures, net	167,332	205,232
Total property, plant and equipment	309,352	351,163
Intangible assets		
Goodwill	-	177,082
Trademark right	649	612
Software	215,443	217,167
Software in progress	32,402	33,460
Total intangible assets	248,494	428,323
Investments and other assets		
Investment securities	42,281	42,281
Investments in capital of subsidiaries and associates	12,849	12,849
Leasehold deposits	236,585	334,346
Deferred tax assets	193,400	188,175
Other	7,176	3,748
Total investments and other assets	492,293	581,400
Total non-current assets	1,050,140	1,360,887
Total assets	7,952,998	8,275,725

(Thousands of yen)

	As of April 30, 2024	As of July 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	295,868	290,556
Accounts payable - other	381,527	355,905
Accrued expenses	76,638	58,257
Income taxes payable	318,658	219,124
Accrued consumption taxes	169,874	95,775
Advances received	465,434	471,882
Deposits received	115,828	166,841
Provision for bonuses	-	77,763
Asset retirement obligations	-	2,381
Other	54,902	55,765
Total current liabilities	1,878,731	1,794,252
Non-current liabilities		
Asset retirement obligations	105,115	114,719
Total non-current liabilities	105,115	114,719
Total liabilities	1,983,847	1,908,971
Net assets		
Shareholders' equity		
Share capital	1,154,961	1,155,606
Capital surplus	1,160,942	1,161,587
Retained earnings	4,284,563	4,680,876
Treasury shares	(631,316)	(631,316)
Total shareholders' equity	5,969,150	6,366,753
Total net assets	5,969,150	6,366,753
Total liabilities and net assets	7,952,998	8,275,725

(2) Quarterly Non-consolidated Statements of Income

Quarterly Non-consolidated Statements of Income (For the three months)

(Thousands of yen)

	For the three months ended July 31, 2023	For the three months ended July 31, 2024
Net sales	1,824,285	2,531,236
Cost of sales	663,964	986,356
Gross profit	1,160,320	1,544,879
Selling, general and administrative expenses	749,438	943,068
Operating profit	410,882	601,810
Non-operating income		
Interest income	0	49
Other	1,398	563
Total non-operating income	1,399	613
Non-operating expenses		
Other	1,532	1,737
Total non-operating expenses	1,532	1,737
Ordinary profit	410,749	600,686
Profit before income taxes	410,749	600,686
Income taxes - current	107,991	199,148
Income taxes - deferred	28,413	5,225
Total income taxes	136,405	204,373
Profit	274,343	396,312

(3) Notes to Quarterly Non-consolidated Financial Statements

Going Concern Assumption

Not applicable

Significant Changes in Shareholders' Equity

Not applicable

Segment Information

As we operate in a single segment, the cloud services business, segment information is omitted.

Cash Flow Statement

The quarterly cash flow statement for the first quarter cumulative period has not been prepared. However, depreciation expenses (including amortization of intangible fixed assets, excluding goodwill) and goodwill amortization for the first quarter cumulative period are as follows:

(Thousands of yen)

	For the three months ended July 31, 2023	For the three months ended July 31, 2024
Depreciation Expenses	44,136	51,846
Goodwill Amortization	1,001	9,146

Business Combinations and Related Matters

(Acquisition of Business)

On April 16, 2024, the Board of Directors resolved to enter into a business transfer agreement with Ligua Inc. (hereinafter "Ligua") for the acquisition of its Rece ONE Plus business. The agreement was signed on the same day, and the business transfer was completed on May 1, 2024.

(1) Overview of Business Transfer

a. Name and Business of Acquired Company:

Name: Ligua Inc.

Business: Management consulting and support services for Osteopathic clinics and the healthcare industry

b. Primary Reason for Business Combination:

In September 2023, we updated our Medium-Term Management Plan and implemented a new market segmentation strategy to achieve our "VISION2031." This strategy divides our target segments by "industry and business type" and "scale" rather than just by the broad categories of "retail" and "food and beverage." The goal is to improve sales and marketing efficiency and capture the top share in specific target industries.

Rece ONE Plus, acquired from Ligua, is software that combines patient information management, billing, and POS functions, specifically targeting chiropractic clinics. The decision to acquire this business aligns with our market segmentation strategy.

c. Date of Business Combination: May 1, 2024

d. Legal Form of Business Combination: Business acquisition for cash consideration

e. Basis for Determining Acquiring Company:

The business was acquired for cash consideration by the company.

(2) Performance of the Acquired Business Included in the Quarterly Income Statement for the First Quarter Cumulative Period

From May 1, 2024, to July 31, 2024

(3) Breakdown of Acquisition Cost and Consideration Type

Acquisition Consideration: Cash and deposits: 176,329 thousand yen

Acquisition Cost: 176,329 thousand yen

(4) Amount of Goodwill, Cause of Occurrence, Amortization Method, and Period

a. Amount of Goodwill: 176,329 thousand yen

This amount is provisional, as the allocation of the acquisition cost has not yet been finalized as of the end of the first quarter.

b. Cause of Occurrence: The goodwill arose from the anticipated future excess earning power expected from the business.

c. Amortization Method and Period: Amortization on a straight-line basis over five years

(5) Allocation of Acquisition Cost

As of the end of the first quarter, the identification of identifiable assets and liabilities at the acquisition date and the valuation of their fair value has not been completed. Accordingly, a provisional accounting treatment has been applied based on reasonably available information at that time.