スマレジ

Toward Achieving Our Long-term Vision, VISION 2031

# Second Phase Medium-term Management Plan

## + Business Plan and Growth Potential

| Edition 3 | September 12, 2024 |
|---|---|

Smaregi, Inc.
Securities code: 4431

# Update history



**Sep. 12, 2024**

1. Revised the goal of our long-term vision "VISION 2031" from 300,000 active stores to **¥30 billion in ARR**.
2. Added "**focus on mid- to large-scale projects**" as one of the concrete measures in the second medium-term management plan.

**Sep. 13, 2023**

ARR plan revised upward.

| (billion yen) | FY4/24 | FY4/25 | FY4/26 |
|---|---|---|---|
| Previous | 5.35 | 7.0 | 9.1 |
| Current | **5.59** | **7.27** | **9.46** |

**Mar. 15, 2023**

First edition released.

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# VISION 2031 TO BE THE NEW STANDARD

## Smaregi aims to be the top in Japan

**Dynamic stores bring about dynamic towns.**
**Dynamic towns bring about dynamic societies.**
**By supporting stores, we aim to revitalize society as a whole.**

Smaregi aims to be the market leader in Japan. Based on our management philosophy of “OPEN DATA, OPEN SCIENCE!,”
we aim to carve out an “era of data access and utilization for everyone.”

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# Update on Long-term Vision and Medium-term Management Plan



Revised

~~300,000 active stores~~

↓

Aiming for

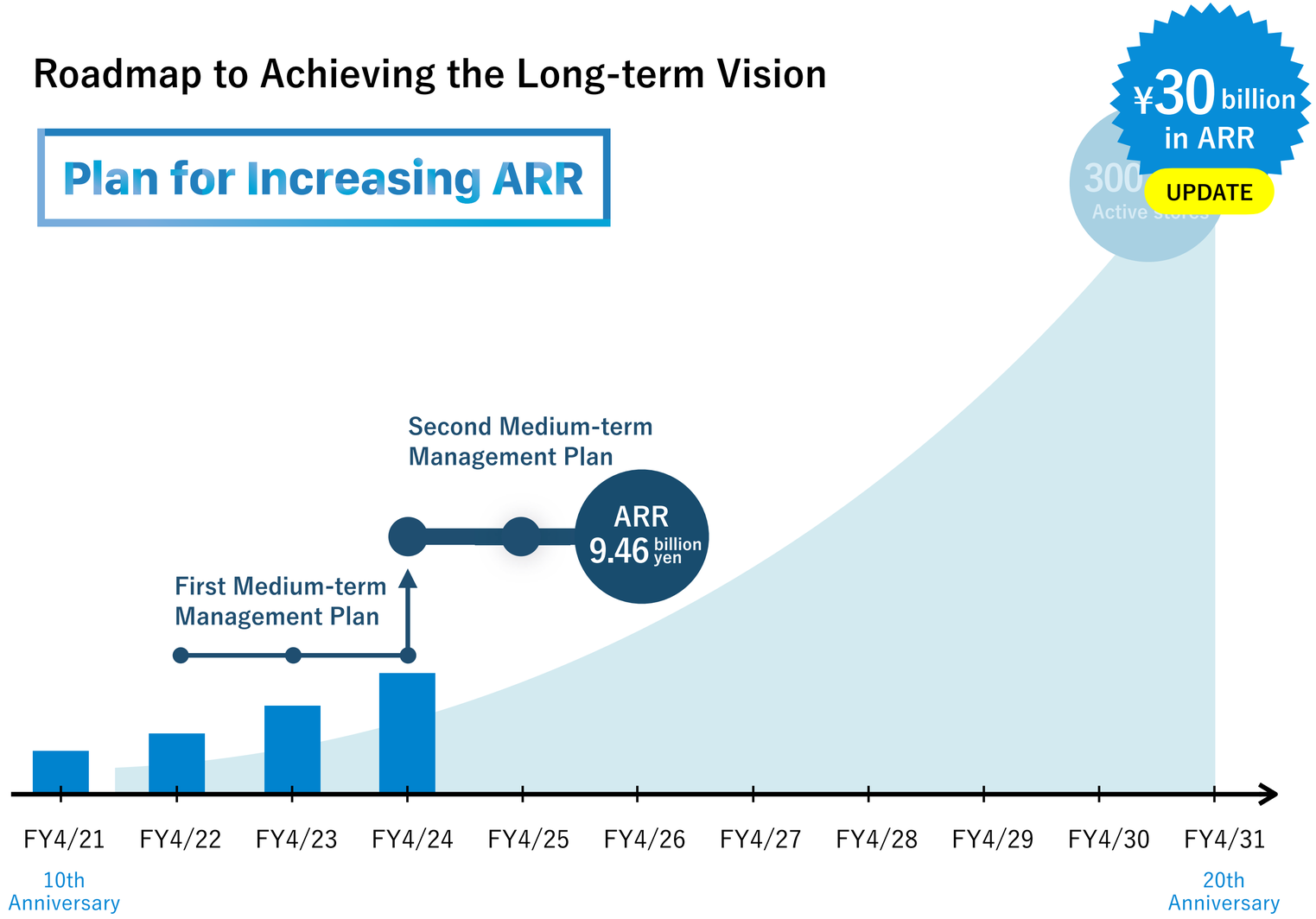
**¥30 Billion**

**ARR!**

To align all efforts toward increasing ARR, we have revised the long-term vision goal from 300,000 stores to ¥30 billion ARR.

## Roadmap to Achieving the Long-term Vision

**Plan for Increasing ARR**




ARR：Annual Recurring Revenue

Sep.12
UPDATE

# Second Phase Medium-term Management Plan

FY4/24 - FY4/26

# Towards ARR Growth Plan – Aiming for Over 30% Average Growth Over 3 Years



Goal*

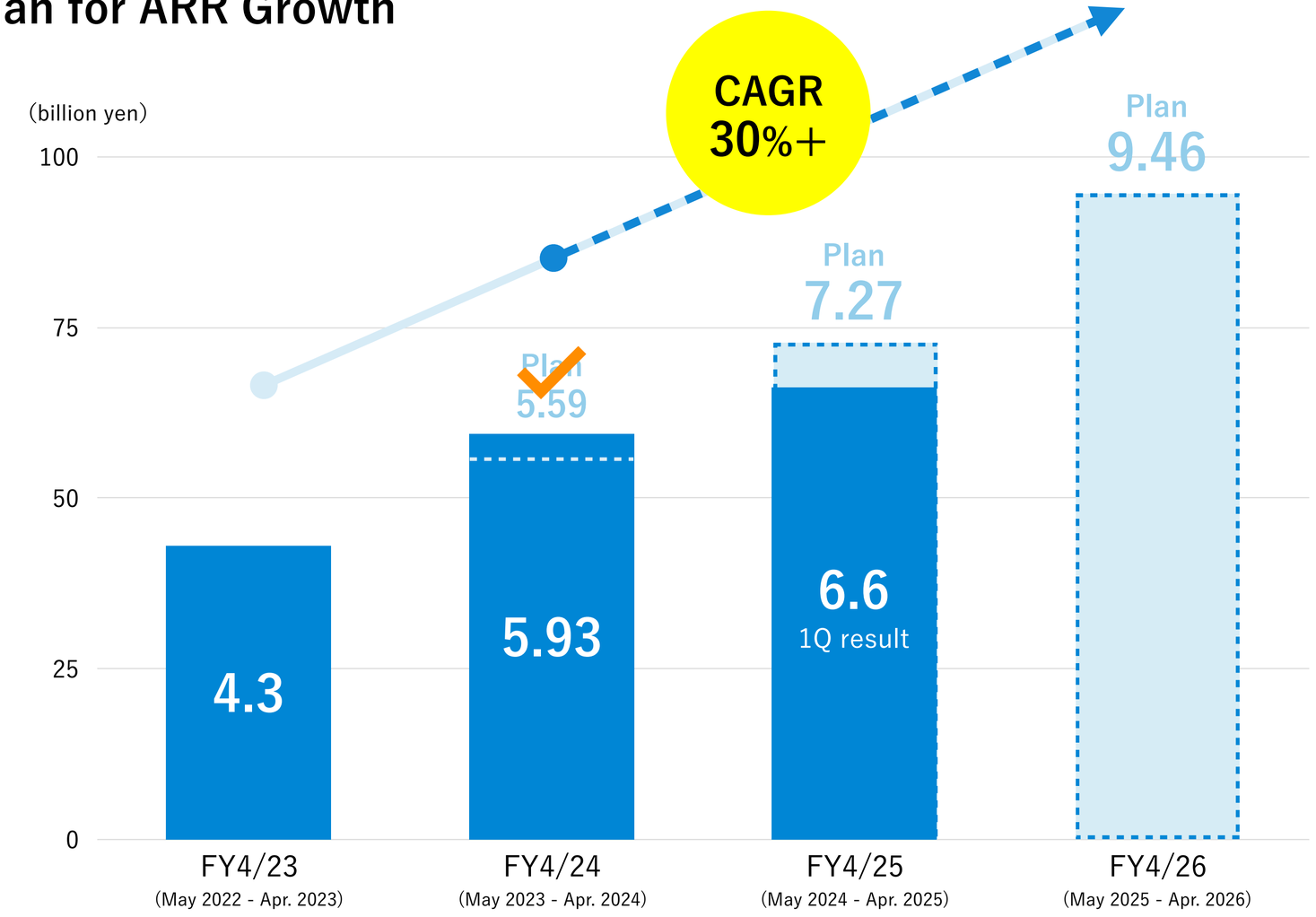
ARR

**9.46**

billion yen

Aim to achieve growth
exceeding CAGR 30%
over the three-year period from FY4/24

## Plan for ARR Growth




ARR：Annual Recurring Revenue
CAGR：Compound Annual Growth Rate

# Basic Strategy for the Second Medium-term Management Plan



## Increase the number of contracts

Marketing, Sales strategy

**Acquire new users**

- Strengthen targets through market segmentation strategy — Continue
- Focus on Mid- to Large-scale Projects — NEW
- Continue with S&M investment — Continue

×

## Increase customer unit price

Customer success, Upselling/cross-selling measures

**Expand usage by existing customers**

- Upsell
- Cross-sell

- Enhance payment services — Continue
- Strengthen App Market — Continue
- Strengthen Smaregi TimeCard — Continue

# Toward the Plan for Increasing ARR - Market Segmentation Strategy

## Strengthen targets through market segmentation and enhance marketing efficiency

## Market segmentation strategy

**Break down the broad target segments of “retail stores” and “restaurants” by “type of industry/business” and “scale,” and strengthen the approach to specific industries.**

Strive to enhance sales and market efficiency through the detailed segmentation of targets.

Through the App Market, provide niche functions that the target industries/ businesses demand.

### Retail 42%

| | | |
|---|---|---|
| Food and drinks 280,000 | Cars/Bicycles 89,000 | Machinery & equipment 44,000 |
| Apparel※ 99,000 | Daily necessities 30,000 | Medical/ Cosmetic products 85,000 |
| Agricultural supplies/Fuel 59,000 | Entertainment 40,000 | Furniture & fittings 33,000 |
| Books/Stationery 33,000 | Non-store retailers 34,000 | Other 98,000 |

### F&B/Accommodations 27.6%

| | |
|---|---|
| Accommodations 45,000 | Bars 181,000 |
| Specialty restaurants 198,000 Self-Service Kiosks | Cafes 60,000 Self-Service Kiosks |
| Takeaway/Delivery 52,000 | Other 72,000 |

### Medical care 10.7%

| | | |
|---|---|---|
| Clinics/Therapeutic businesses 153,000 Rece ONE Plus | Dental clinics 63,000 | Other 20,000 |

### Services 19.7%

| | |
|---|---|
| Hairdressing & beauty 256,000 | Lifestyle 51,000 |
| Entertainment facilities 36,000 | Other 89,000 |

*Clothing, drapery, fabric, bedding, etc.

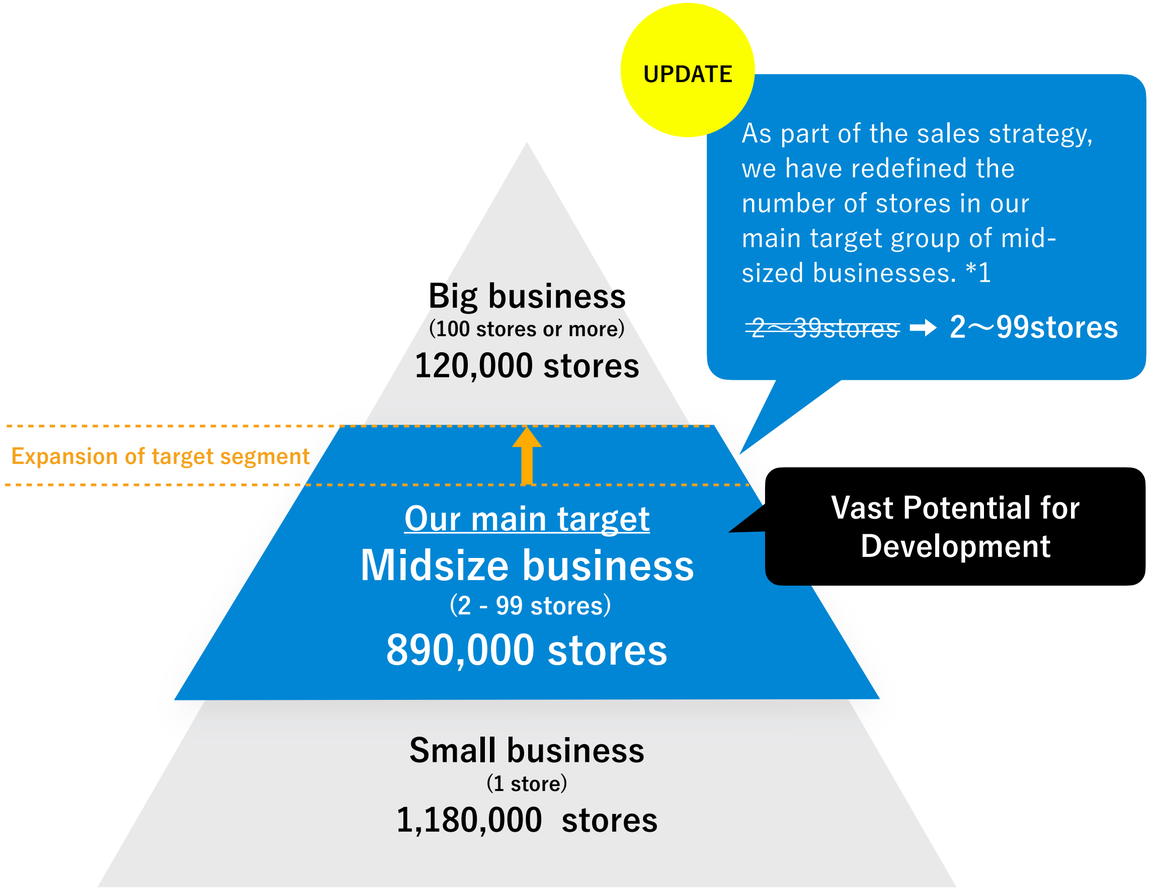
(stores)

Prepared by Smaregi based on the "2016 Economic Census for Business Activity," Ministry of Economic, Trade and Industry/Ministry of Internal Affairs and Communications

# Towards ARR Growth - Focus on Mid- to Large-scale Projects

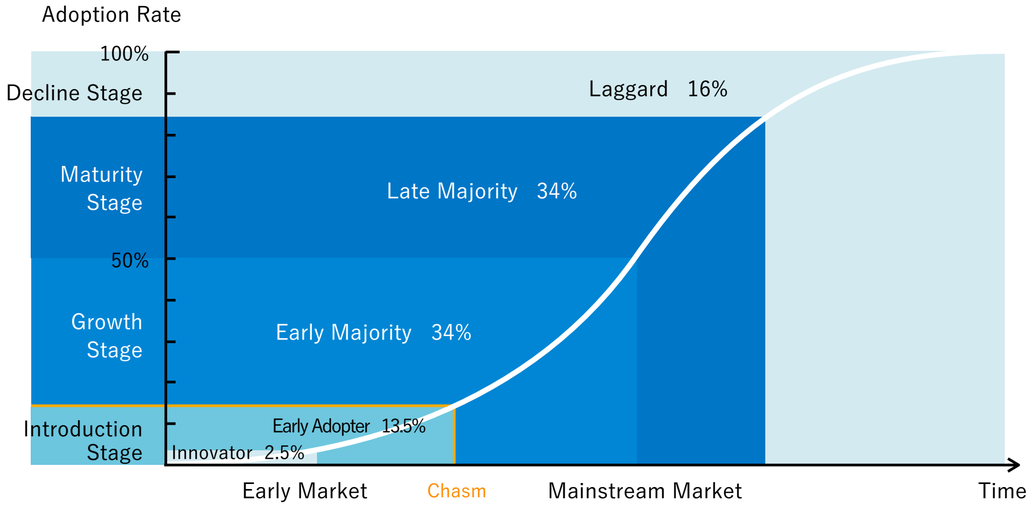


## Expanding the main target in line with market conditions and sales strategy. Actively approaching mid- to large-scale businesses.




Prepared by Smaregi based on the 2021 Economic Census conducted by the Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communication.

The domestic cloud POS register market has crossed the chasm and entered the mainstream market, where full-scale competition takes place. As security, reliability, and a proven track record become essential for mid-to-large-scale customers, Smaregi aims to capture replacement demand by leveraging its strong track record, scalability, and multifunctionality.




**Key Strategies**

- **Establishing a sales system specialized for enterprise clients**
- **Strengthening integration development with core systems**

*1 Due to the expansion of the target segment, we have redefined the mid-sized business classification from "2 to 39 stores" to "2 to 99 stores" (July 2024).

# Toward the Plan for Increasing ARR - Continue with S&M Investment



## Implement measures tailored to each marketing funnel and increase CVR at each stage.

Awareness

Interest/Concern

Comparison/ Review

Purchase

### 1 Awareness acquisition

- **Advertising and publicity** (Programs and commercials on mass media, social media advertising, specialized magazines, food fair sponsorship, etc.)

**Achievements**

- We launched commercials and YouTube videos focusing on user interviews to highlight customer experiences and successes with our solutions.

### 2 Lead nurturing

- **Online marketing** (Listing, affiliates, owned media, etc.)
- Holding events such as exhibitions, seminars, etc.

**Achievements**

- Focused on improving efficiency by managing and reducing low-performing ad placements.
- Significantly expanded our marketing efforts within the payments sector.
- Conducted specialized webinars and actively participated in industry exhibitions aimed at store operators.
- Regularly hosted user community events to foster engagement and knowledge sharing among our clients.

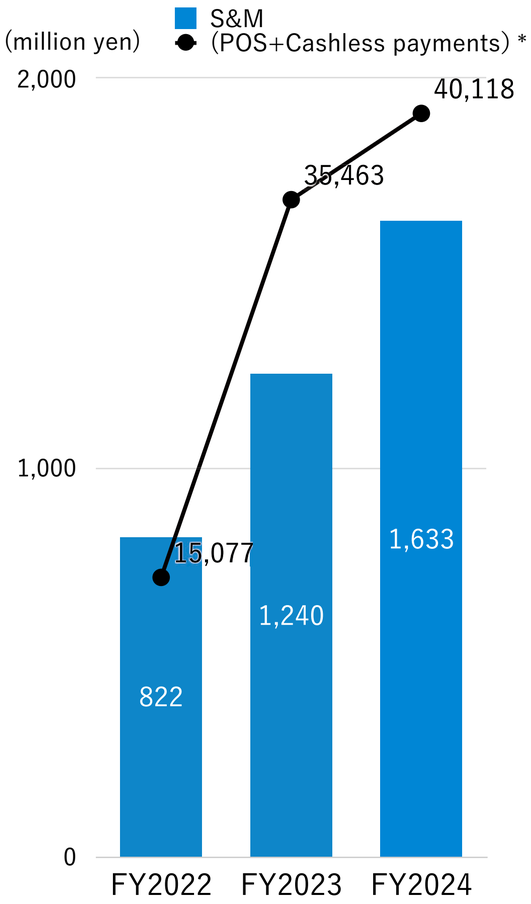
### 3 Inside sales, field sales

- **Attracting customers from comparison sites and media with cash register demand** (Restaurant, retail, medical sector, etc.)
- **Showroom expansion/extension**
- **Increasing the number of online business meeting points**

**Achievements**

- Expanded our Sales & Marketing (S&M) team by 30% year-over-year.
- To boost conversion rates and sales efficiency, we overhauled our sales training programs.
- Relocated our primary showroom to a prime location near Ebisu Station, enhancing accessibility for our clients.
- Limited time showrooms that travel to local cities in 6 locations in Japan to provide convenient, hands-on demonstrations of our solutions to potential customers.

### Changes of S&M and Leads




*Last year's data only included the number of leads for our POS system. This time, we've recalculated the figures to include both POS and Cashless payments, so the numbers for FY2023 differ from those previously reported.

# Toward the Plan for Increasing ARR - Increase Customer Unit Price



## Improve competitive advantage and customer satisfaction by expanding usage by existing customers, and increase unit price per customer through upselling and cross-selling.



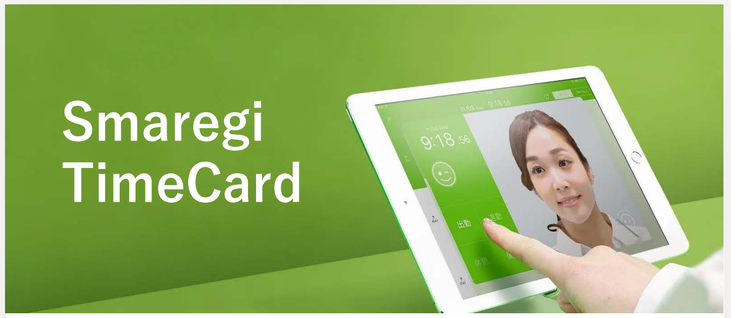

**Improve customer satisfaction customer**

- Aim to  increase customer unit price and improve customer experience (CX) by providing industry-specific niche functions.
- Aim to strengthen collaboration with development partners and increase the number of apps.
- Strengthen EC cart and social media tie-up for retailers. Enhance the OMO/omni-channel domains.




**Expand revenue model**

- Build a revenue model with GMV as its source.
- Continue to improve the business (PMI and rebuilding) of ROYAL GATE INC. which Smaregi absorbed through a merger.
- Expand cross-selling with Smaregi, centred on sales as a package with POS services.
- Take up the challenge of the online payment domain. (advance booking, advance orders, table orders, etc.)




**Strengthen functionality for stores and strengthen HR**

- Develop functionality for retail, apparel, and F&B businesses, which is Smaregi's strength.
- Strengthen employee management and overall work attendance and salary management as a means of acquiring CV regardless of industry and preventing cancellations resulting from scaling up.
- Air commercials, participate in exhibitions, and reinforce upselling efforts to existing customers.

# Business Outline

# Businesses

**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)



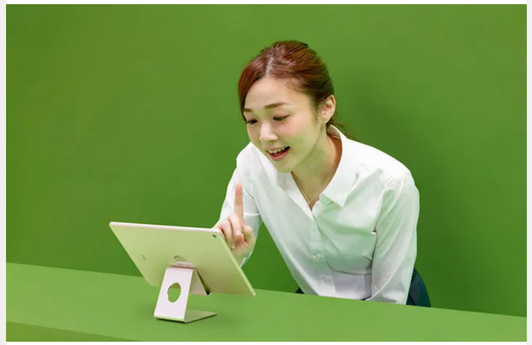
A new, cloud-based POS register system that enables efficient store management and data management through sales analysis, advanced inventory management, and other DX transformations for the retail, restaurant, and service industries.

### 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

STORE STORE

Online store for store peripherals

### SES

Smaregi TechFarm

IT and creative human resources discovery and training business through SES

### CVC

スマレジ Ventures

Venture investments business and Smaregi economic zone expansion business

### Store Management

awabar

TSUBAMEDONUT

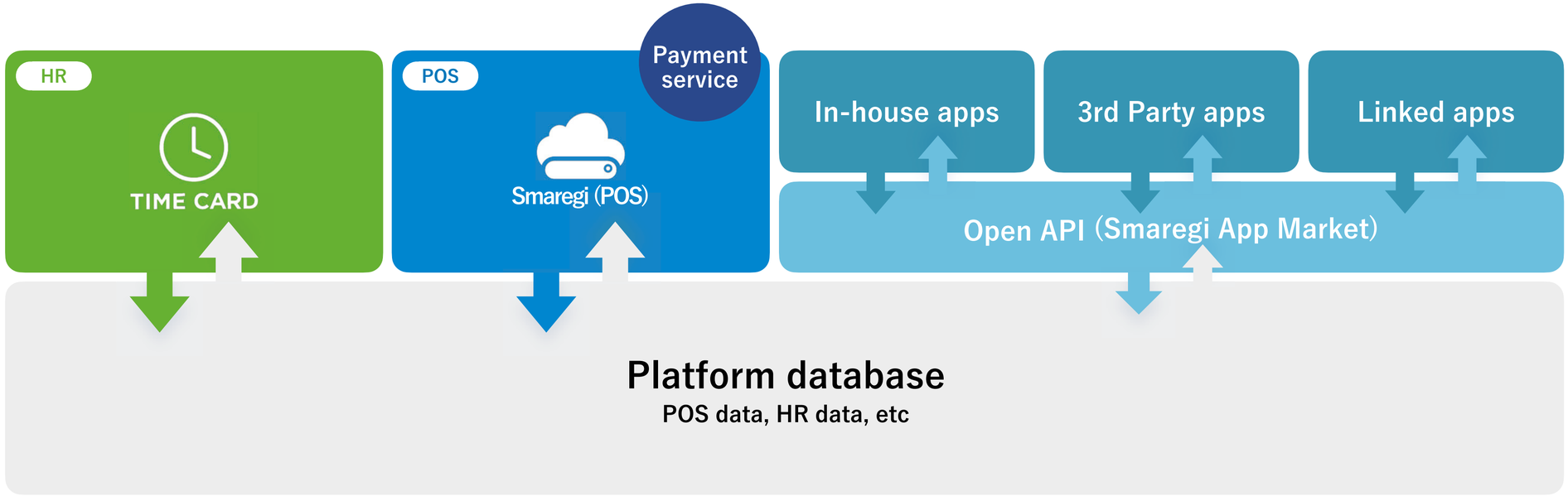
Providing Feedback from On-the-Ground Needs to User-Centric Software Development through Store Management

# Cloud Services

## 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.



# Smaregi’s Profit Structure

**Adopt a freemium model that provides basic cash register functions for free while charging for additional functions corresponding to the industry and need. The pillars of revenue are subscription revenues such as monthly usage fees, and peripheral equipment sales at the start of use.**

## Sales composition ratio (May 1, 2023 - April 30, 2024)

Steady accumulation of subscription revenue.
Slight increase in “other” earnings such as through the SES business.




### Monthly fees and others (subscription revenue)

Monthly fees of Smaregi POS, Smaregi TimeCard, and App Market and payment service commission revenue.

### Sales of products and others

Hardwares, initial expenses, and STORE STORE revenue.

### Others

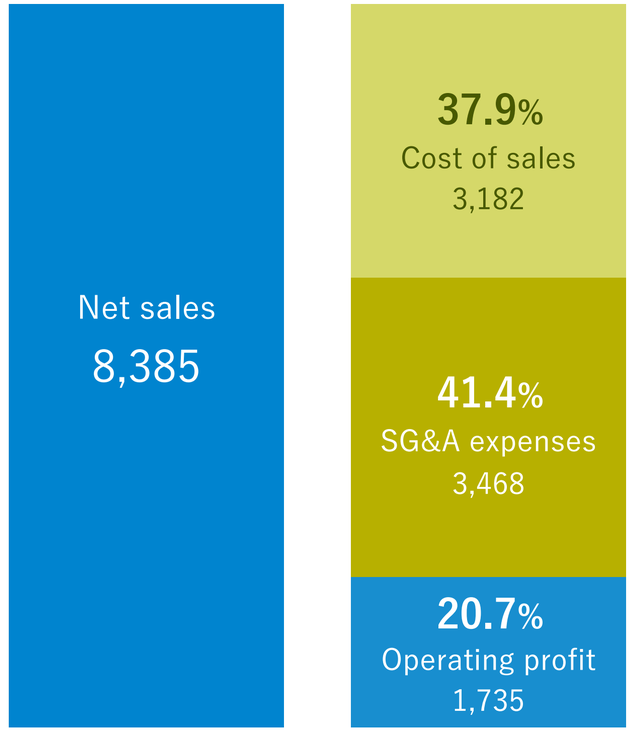
Customization, system development, and SES (Smaregi Tech Farm)

| Initial expense gross margin | SaaS gross margin |
|---|---|
| 32.7% | 80.8% |

## Earnings structure (May 1, 2023 - April 30, 2024)

Increase in SG&A expenses from aggressive S&M investment

(million yen)



# 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

- Operations
- Sales area
- Checkout
- Consumers

- Orders/ incoming deliveries
- Merchandise registration
- Wholesale operations
- Multi-store management
- Cash register function
- Sales analysis
- Customer management

### Restaurants

- Operations
- Kitchen
- Table preparations
- Customer seating
- Checkout

- Customer management
- Customer arrival Management
- Menu registration
- Customer order input
- Printer link
- Table management
- Menu management
- Cash register function
- Sales analysis
- Multi-location management

Store staff's choice Excellent support No.1

Store staff's choice Trustworthy No.1

Store owner's choice Good quality No.1

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

### Open API



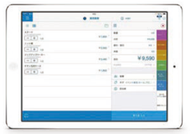
Able to handle the demand of big business

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 0.46%*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

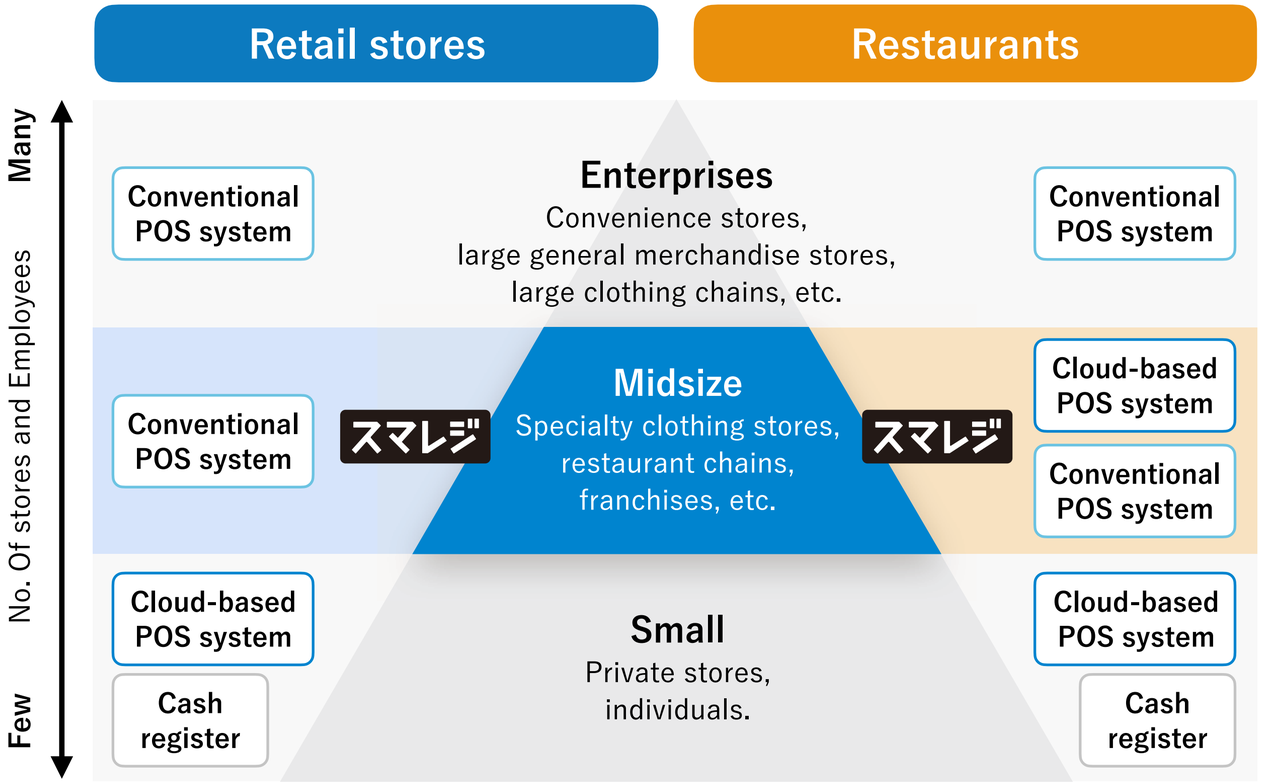
*1 MRR churn is the attrition rate calculated by using Smaregi monthly recurring revenue.The average is from May 1, 2024 to July 31, 2024.

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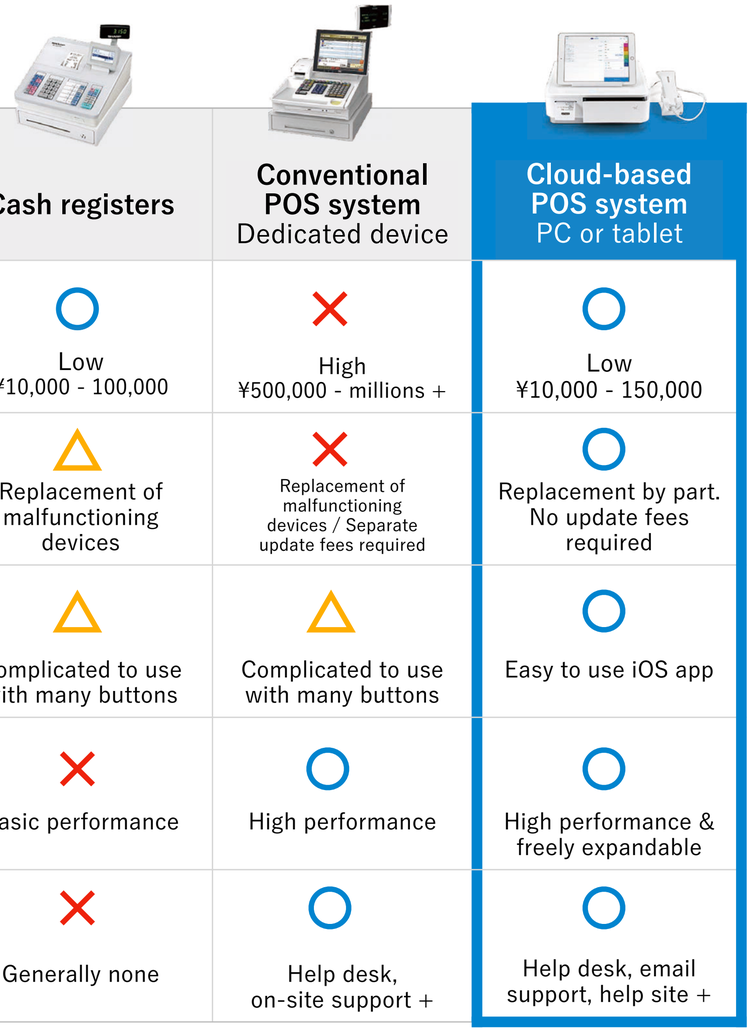
# Domestic Market



## 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 + |

# Smaregi’s M&A Strategy

**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.

# Business Risks and Measures Policy



## Major risks affecting the realization of growth and the execution of the business plan

| | Key risks | Likelihood of ccurrence | Potential impact | Risk management measures |
|---|---|---|---|---|
| **Securing Technicians (Software engineers)** | There is a risk that business operations will be affected by a lack of progress in securing and training human resources in line with the scale of our business. | Medium | Medium | Operates "Smaregi Tech farm" for the purpose of discover and develop young talent.We will work to train entry-level engineers while striving to secure outstanding human resources by utilizing various recruitment methods. |
| **Reliance on Specific Suppliers** | There is a risk that changes in transaction volumes or terms and conditions may affect our business and performance. | Medium | Medium | We have strengthened cooperation with suppliers (detailed delivery management, etc.) and established a system allowing us to always secure our required volumes. We will also aim to quickly build out an alternative supply system with multiple suppliers. |
| **Economic fluctuation/ customer trends** | The electronic payments market is growing steadily as a result of increasing demand, but in cases where contractions in the value of payments or number of member stores occur accompanying market downturns triggered by economic fluctuations and so forth, there is a risk business performance will be affected. | Low | Large | Because the Company’s core business is a stable subscription-type business that covers a great variety of member stores, the Company is endeavouring to stabilize its revenue base through share expansion. We will engage in strengthening the business model in order to minimize impacts on the Group as a whole. |
| **The Relationship with Apple Inc.** | Dependence on iOS Platform for "Smaregi" POS Functionality: Our cloud-based POS system, "Smaregi," operates solely on the iOS platform. Therefore, any strategic shifts or developments by Apple Inc. could potentially impact our business operations and financial performance. | Medium | Large | Proactive Monitoring and Response to Apple's Strategic Moves: We continuously monitor Apple's business strategies and related developments. To address these promptly, we keep establishing a management and coordination framework within our administrative and operational departments. |

Please refer to the "Risks Related to Our Business" section of our securities report for information on other business risks. (In Japanese)

# 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. Actual results of operations may be different 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.

# Disclosure Policy

The Company plans to disclose the latest information, including the status of progress, at the end of each fiscal year under the section of “Business Plan and Growth Potential”. However, the Company’s financial data and key performance indicators are planned to be disclosed at the end of each quarter.

# VISION 2031

## Second Medium-term Management Plan

＋ Business Plan and Growth Potential

Smaregi, Inc.