

Retty

FY2021.09 4Q

Presentation Material

Retty Inc.

November 2021

Table of Contents

- 1 Result for Fiscal Year Ending Sept. 2021**
- 2 Growth Strategy**
- 3 Full Year Forecast for Fiscal Year Ending Sept. 2022**

(Supplementary material)

Executive Summary

Full-year result

Despite the actual duration of the state of emergency being way longer than the assumption made for the earnings forecast, full-year sales came to 99.4% of the lower limit of the range and operating profit landed at roughly the center of the range. Further, the number of restaurants who have regular contracts for FRM, our mainstay product, fell only slightly compared with the end of 2020.

Growth strategy

Invested a total of 467 million yen in (i) DX products and (ii) restaurant sales channels. By enhancing the lineup of DX products, we aim to increase the ARPU layer and the number of paying restaurants by expanding the value provided to restaurants.

FY2022 full-year forecast

The sales plan is lower than last year's due to the inclusion of the re-emergence of new coronary infections and the stock business structure. We are in the investment phase, which will result in an operating loss of 760 million yen, but it aims to maximize sales over a 3-5 year span. We aim to turn profitable in FY2024

Table of Contents

- 1 Result for Fiscal Year Ending Sept. 2021**
- 2 Growth Strategy
- 3 Full Year Forecast for Fiscal Year Ending Sept. 2022

(Supplementary material)

1 Results Highlight

- ▶ Despite the actual duration of the state of emergency being way longer than the assumption made for the earnings forecast, full-year sales came to 1,938 million yen, or 99.4% of the lower limit of the range.
- ▶ Operating loss came to 283 million, which is within the forecast range, as we made a 100 million yen investment in sales staff structure in 4Q as planned while reducing unnecessary costs across the company.
- ▶ While the number of restaurants with FRM^{*1} declined 1,380 throughout the year, **the decline in the number of restaurants with regular contracts, our mainstay product, was limited to about 200 (down 2.6%),** maintaining a certain level for the mainstay product for the future.

*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.

1 Overview of the Result

Cumulative sales totaled 1,938 million yen and operating loss came to 283 million yen

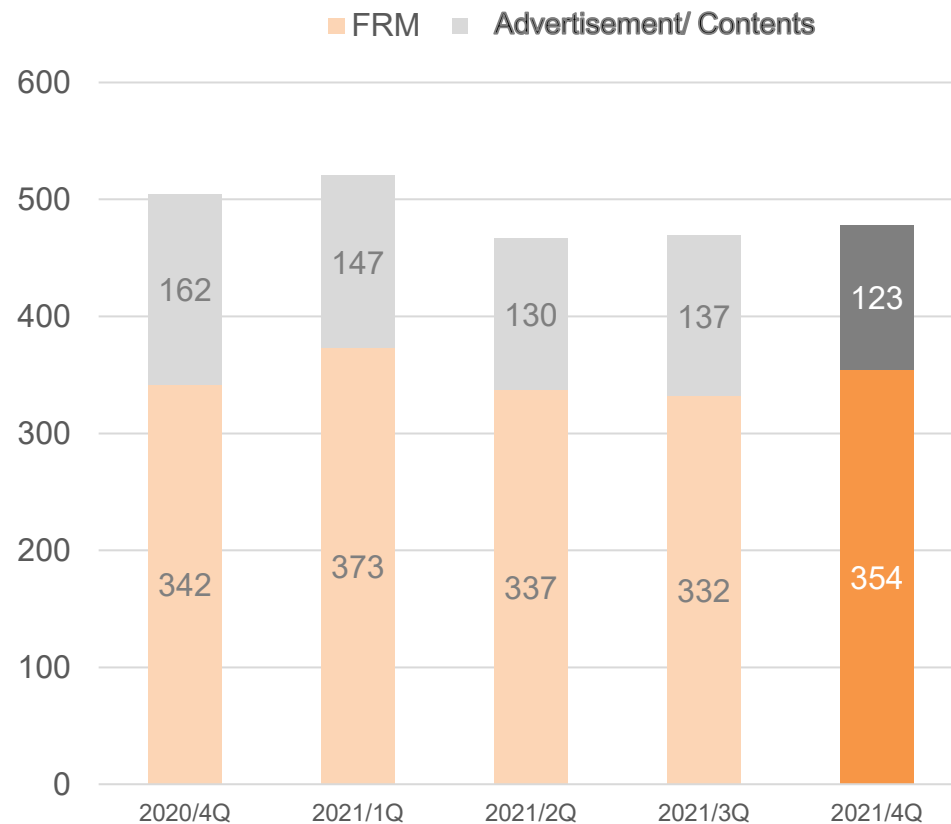
(million yen)	FY2021	
	Forecast	Result
Net Sales	1,950~1,999	1,938
Gros. Profit		1,260
Gross Profit Margin		65.0%
Operating Profit	-303~-254	-283
Operating Margin	-	-
Ordinary Profit	-376~-327	-356
Net Profit	-379~-330	-358

Non operating expenses include
55 million yen
provision of allowance for
doubtful account

1 Quarterly Net Sales Composition

Sales of FRM were 1,398 million yen for full year, while those of advertisement / contents came to 540 million yen.

Quarterly Net Sales Composition (million yen)



Advertisement / contents

-The declaration of a state of emergency caused the postponement of a major project that had been scheduled.

FRM

-Gave 14 million yen worth of payment exemptions to restaurants that remained closed in 4Q (52 million yen in total for full year)

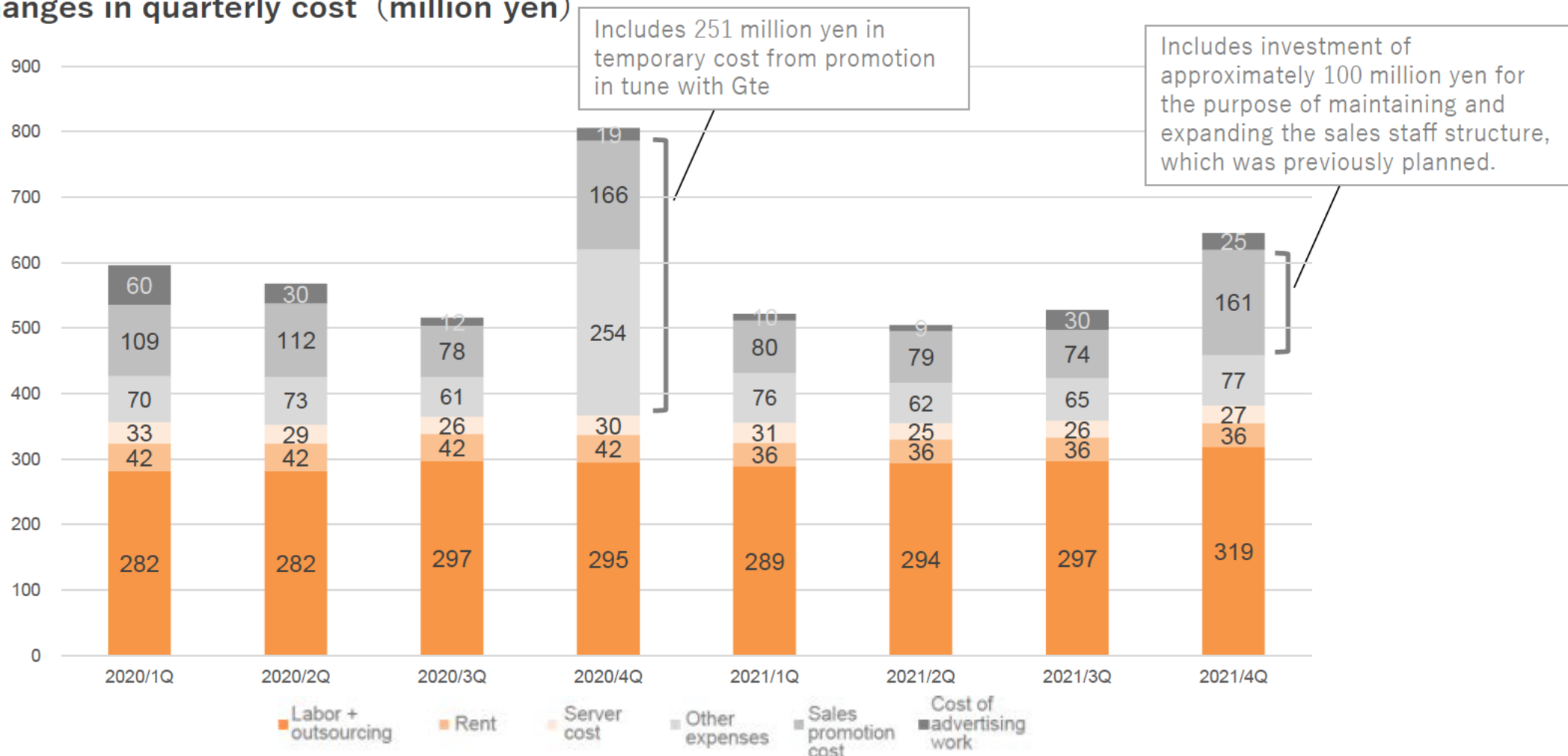
-The number of new member restaurants trended low at 277 per month on average for 4Q, a level similar to the past state of emergency periods. Average for full year was 391 per month

-The number of paying member restaurants declined 1,380 in total for full year, but the decline in the number of regular contracts, our mainstay product, was limited to 208

1 Changes in Cost Structure

Excluding the planned investment of 95 million yen for the purpose of maintaining and expanding the sales force, the cost structure will remain unchanged and stable.

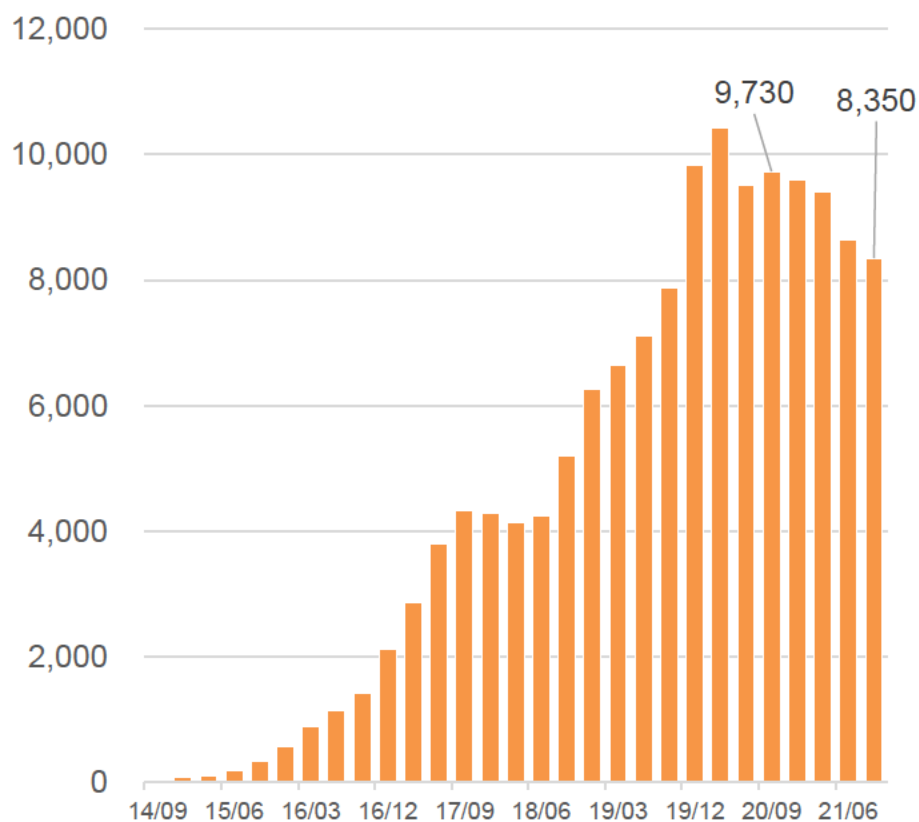
Changes in quarterly cost (million yen)



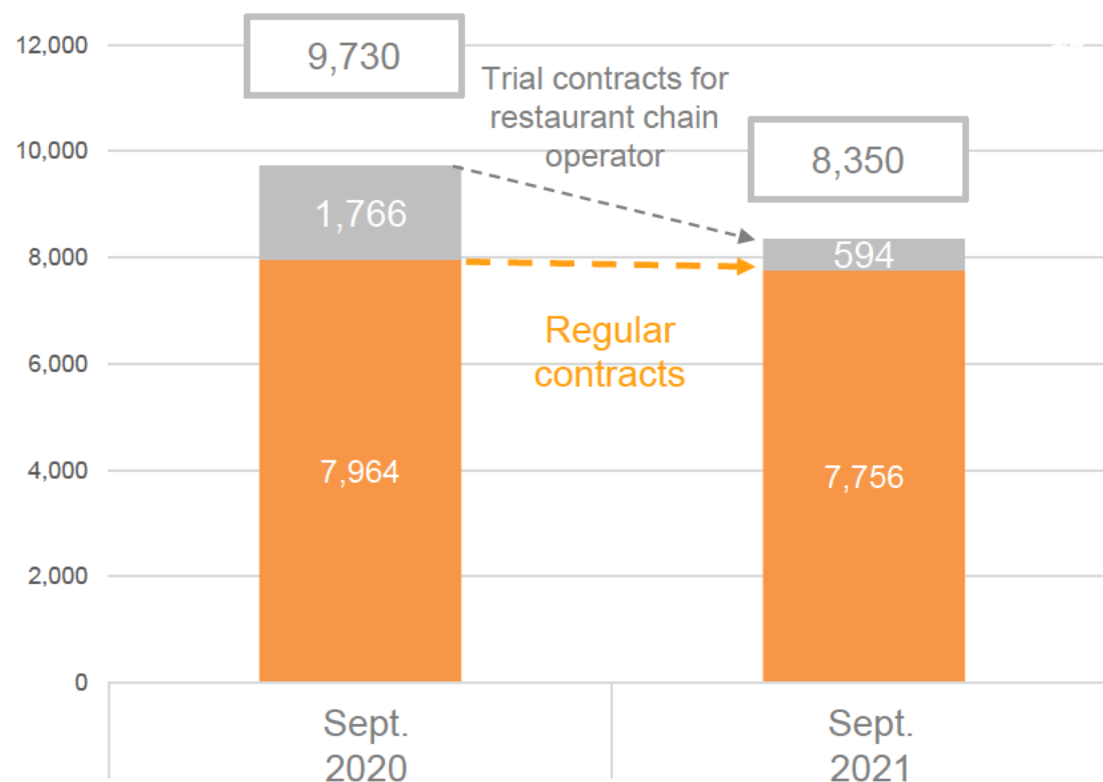
1 Number of Member Restaurants in FRM

The number of member restaurant decreased by 1,380 compared to the end of the previous fiscal year. In terms of the breakdown, sales of regular contracts, the main product targeted at individual stores, declined only slightly, and trial contracts for chain operator accounted for most of the decline.

Number of member restaurants



Changes in breakdown of monthly number of member restaurants



1 Regular Contract and Trial Contract for Restaurant Chains

Priority
product

Regular
contract

Annual change

Maintained

Mainstay product. The decline was limited to 2.6% (208) even though the entire year was under COVID-19 pandemic

Product outline

Regular one-year plan

The fee structure differs between parts of Tokyo and Osaka and other areas, and the regional plan is relatively low priced. There is also a plan for restaurant formats (bars and ramen noodle shops) that do not accept reservations (10,000 yen per month)

Number of restaurants x ARPU
(as of the end of September)

7,756 × On a restaurant billing basis 17,900 yen

Trial
contract
for
restaurant
chains

Declined

Non-priority product Declined 66.4% (1,172) in one year as chain restaurants had a hard time due to COVID-19

A plan for large orders such as corporations

- Contract period: decided for each corporate customer
- ARPU: lower than the regular contract
- Irregular cancelations tend to occur

594 × On a restaurant billing basis 8,400 yen

Table of Contents

1 Result for Fiscal Year Ending Sept. 2021

2 Growth Strategy

3 Full Year Forecast for Fiscal Year Ending Sept. 2022

(Supplementary material)

Assumptions for future growth strategies

Even under these circumstances, we were able to maintain our regular contracts, which mainly target individual stores, and **reaffirmed our strength in individual stores.**

The importance of various types of DX, such as in the area of business support, has been emphasized under the spread of COVID-19, and needs have become apparent.

The outlook for COVID-19 disease is becoming more stable. **The timing is right for investment.**

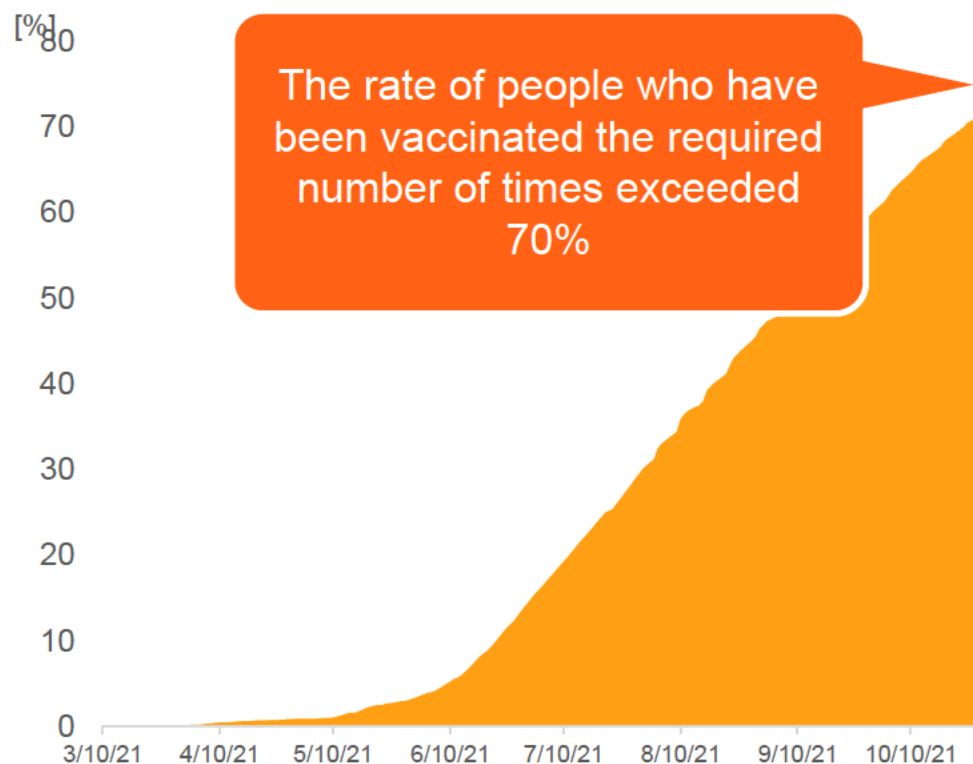
2 Themes Related to Future Growth Strategy

**Make aggressive investments
in the current fiscal year
to maximize growth in DX products for restaurants.**

2 The external environment became more stable than before and it is a good timing for making investments

The vaccination rate of Japan, which had a late start compared with other countries, now has exceeded 70%, ranking high globally. While there is a likelihood of the government declaring another state of emergency, we can still expect a more stable recovery in terms of people dining out than before given factors including development of oral treatments.

Ratio of people who have been vaccinated against COVID-19 in Japan



Reports on oral anti-virus drugs

新型コロナ 経口抗ウイルス薬開発競争は最終コーナーに…メルクなど年内実用化へ

更新日 2021/10/11 前田雄樹

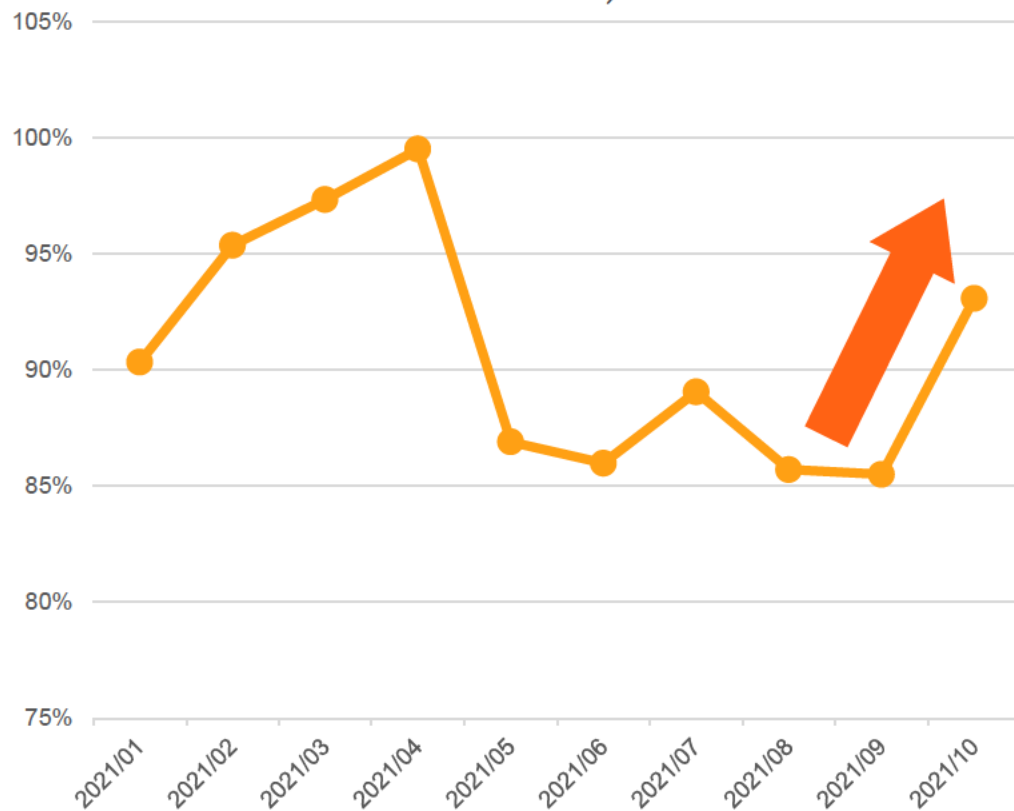


*Source: Answers News

2 Signs of Recovery Seen in Service Platform, Customer Attraction at Restaurants, DX Intention

The monthly user count is showing a smooth recovery trend at the moment following the lifting of the state of emergency. Based on a questionnaire survey of restaurants who are members of our services, we also confirmed that restaurants are willing to take **proactive initiatives for DX** and **for attracting customers** in the future.

Trend of monthly Retty users (compared with the same month in 2019)



Result of the questionnaire survey of Retty member restaurants*



84% of restaurants answered that they are positive about taking **new**, long-term measures to **attract customers**



52% of restaurants answered that they are positive about further **utilization of digital solutions**

*The survey was conducted targeting Retty's paying and non-paying member restaurants in October 2021.

2 Investment Overview

By investing a total of 470 million yen, the company aims to **strengthen its lineup of DX products** and **enhance its restaurant sales channel** to enable powerful delivery to restaurants.

Investment in **DX products**

320 million yen



Aiming to expand the value provided to restaurants by developing **MOs and new DX products** by strengthening the development system

Investment in **restaurant sales channels**

150 million yen

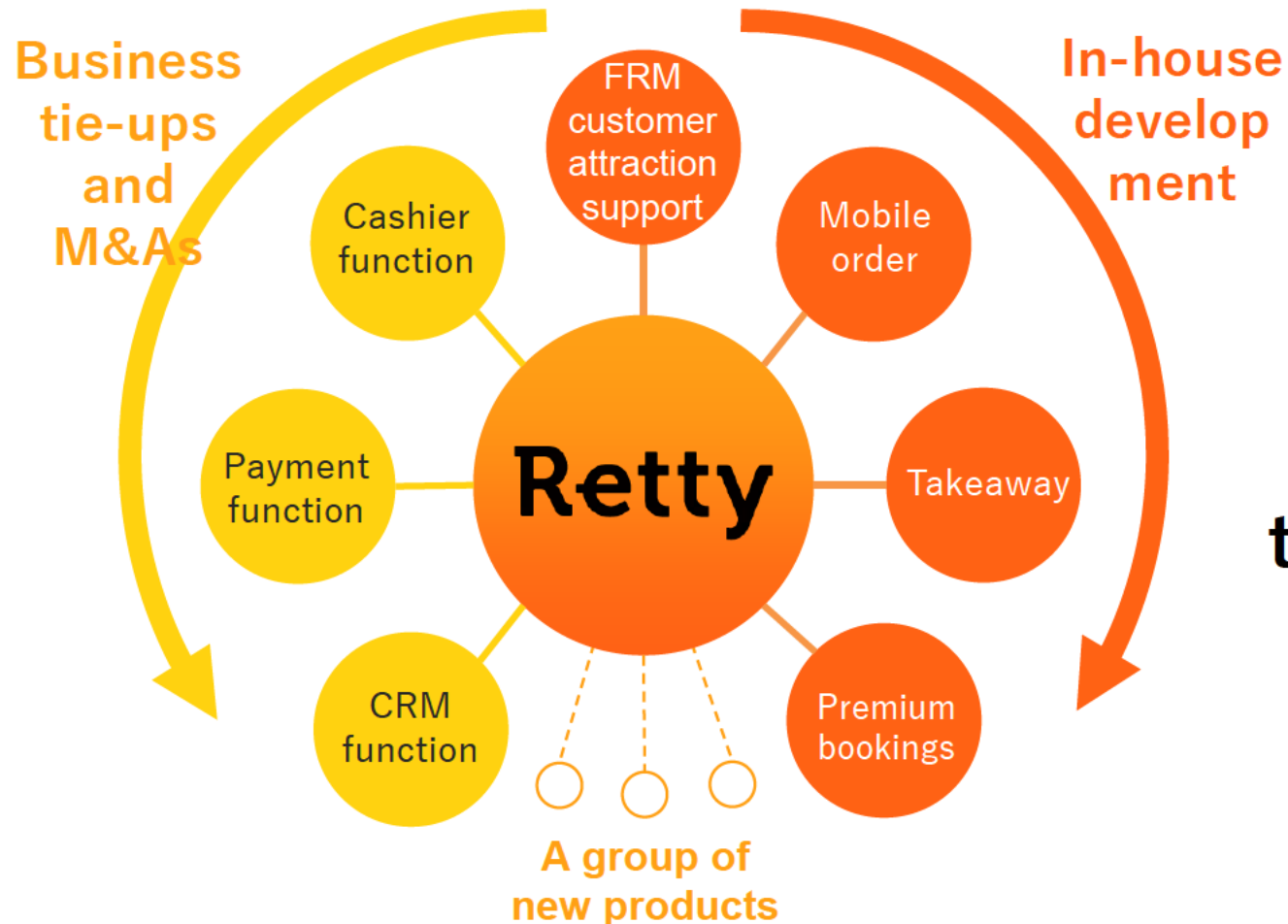


Aim to **strengthen the sales channel** by strengthening the adoption of direct sales and building an external sales structure.

2

Expanding the range of value provided to restaurants by expanding DX products

Investing approximately 320 million yen, the company aims to increase ARPU by providing a group of products that can be customized by restaurants to meet their needs.



Aiming to provide an **integrated package** to DX restaurant management

2 Investment in Strengthening Restaurant Sales Channels

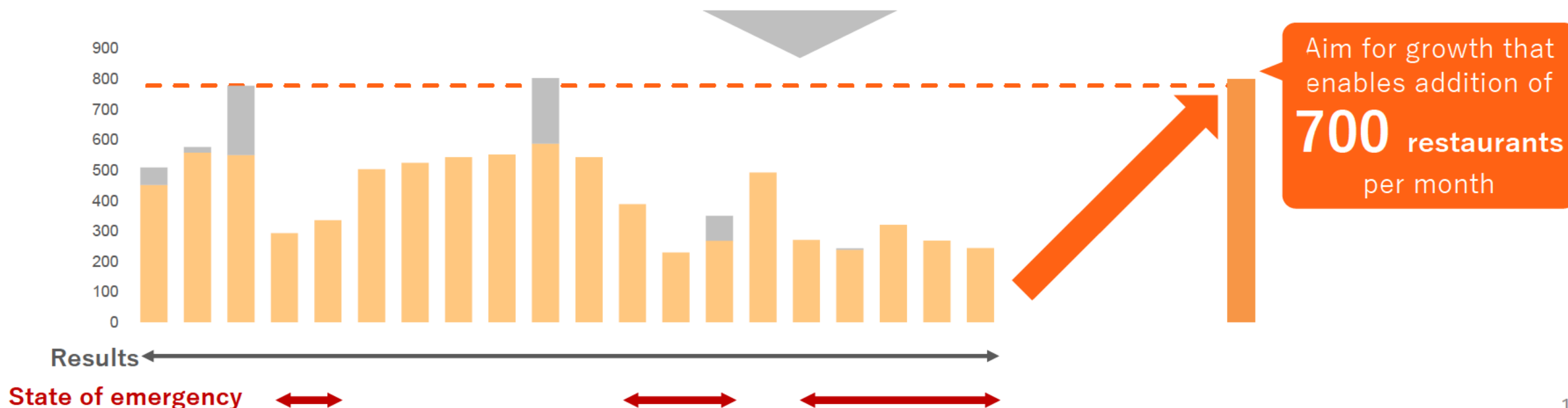
First of all, we will develop a sales channel that would add 700 new member restaurants per month. Create a situation where the increasing number of paying member restaurants enables leveraging the improvement in multilayered ARPU.

Investment in direct sales (73 million yen)

- Very high rate of member restaurant acquisition per person
- To hire about 30 new graduates a year in the current fiscal year

Investment in establishment of an external sales structure (107 million yen)

- Aim for significantly expanding the scale with the introduction of a new prepaid outsourcing contract*



*Unlike the existing model of paying commissions permanently, we pay the cost in lumpsum and it will be heavy initially in this contract format, but profitability rises as the contract continues on.

2 Non-paying Restaurant Members to Become the Entry Point for DX Products

The number of non-paying restaurant members continues to increase inbound as it responds to DX needs of restaurants to some extent. They are going to serve as an entry point for multilayered deployment of DX products in the future.

[Repost] Survey of Retty member restaurants



52% of restaurants answered that they are positive about further **utilization of digital solutions**

Want to use online booking service!

Want to use it in place of an official website!

Want to manage the existing reviews regarding my restaurant on Retty!

Want to correct the basic information of our company on Retty!

Non-paying members **increased by 700 per month** inbound as a crucible for capturing the needs shown on left



2

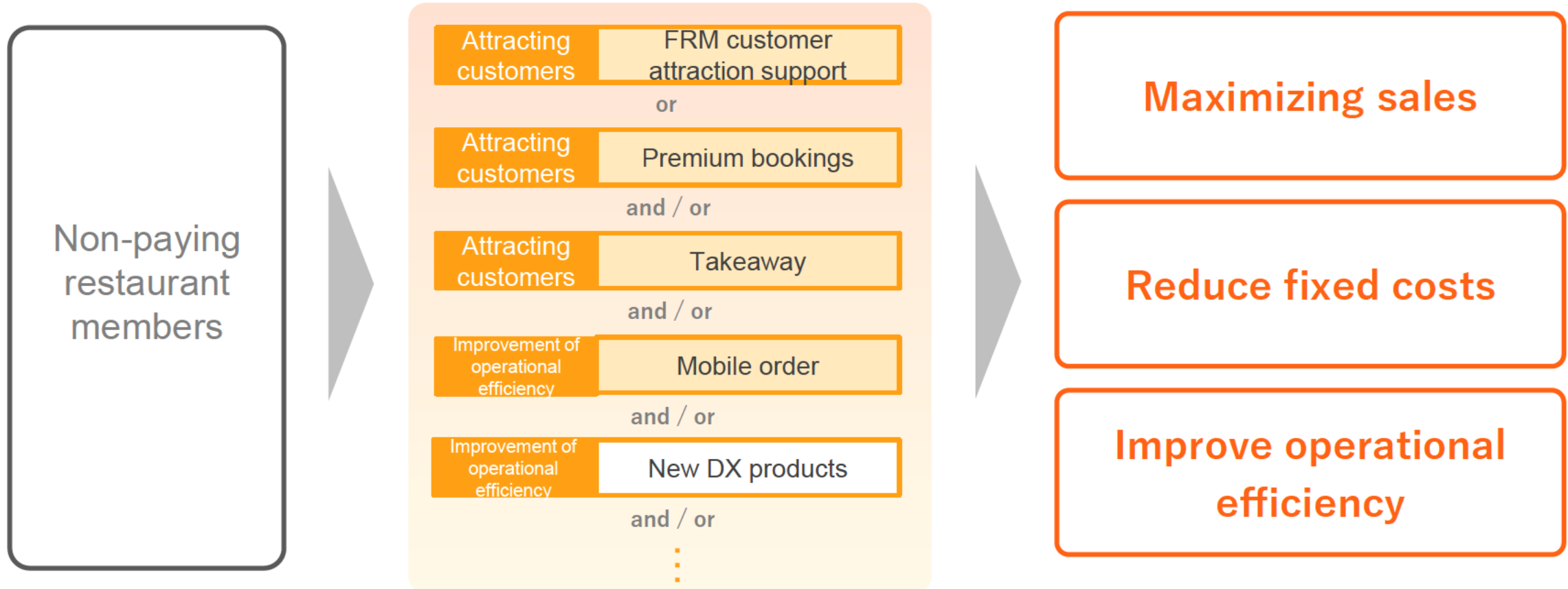
Offering of Multilayered DX Products Starting with Non-paying Restaurant Members

Widely secure contact points for restaurants using non-paying members and offer DX products in combination to cater to the diverse needs of restaurants, through which it becomes indispensable for restaurants.

Non-paying members who keep increasing as an entry point for DX

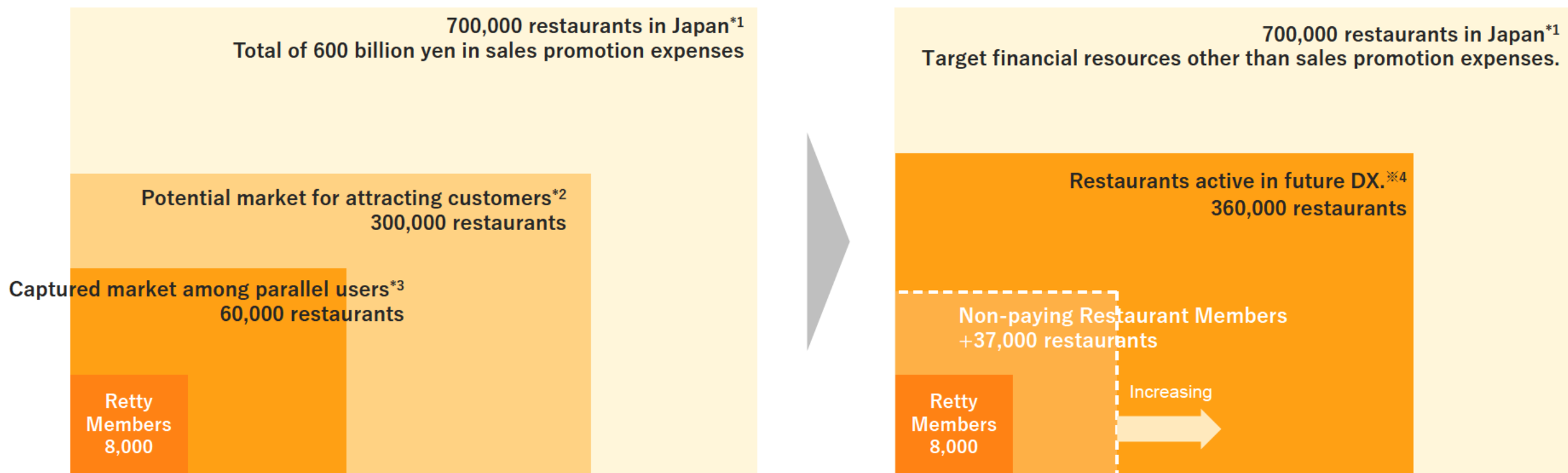
Can be selected depending on the needs of the restaurants

Build firm relationships with restaurants



2 Redefine the target market

The target market, which was only the online sales promotion market, will be expanded to include restaurants that are resistant to online sales promotion but are active in DX. In addition, budgets other than sales promotion expenses in restaurants will also be covered.



*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 at the end of June stated on the earnings result materials of competitors by taking into consideration the rate of parallel users.

*4 This figure is calculated by multiplying the percentage of stores that responded that they are proactive about DX (52%) in a survey of our member stores by 700,000 stores nationwide.

2

Pay-as-you-go growth by leveraging the PayPay economic zone

The number of pay-as-you-go restaurants has already exceeded 2,000 and has been increasing steadily. It is a mechanism in which sales increases as the number of users rise in the future. It becomes a factor that boosts ARPU in addition to enhancement of DX product lineup.

Overview

- A scheme that adds on a fixed price
- Unit cost is 200 yen per dinner booking
- Of the paying members, it has been incorporated into **more than 2,000 restaurants** as of the end of September
- It will be included in principle to all new contracts from now on

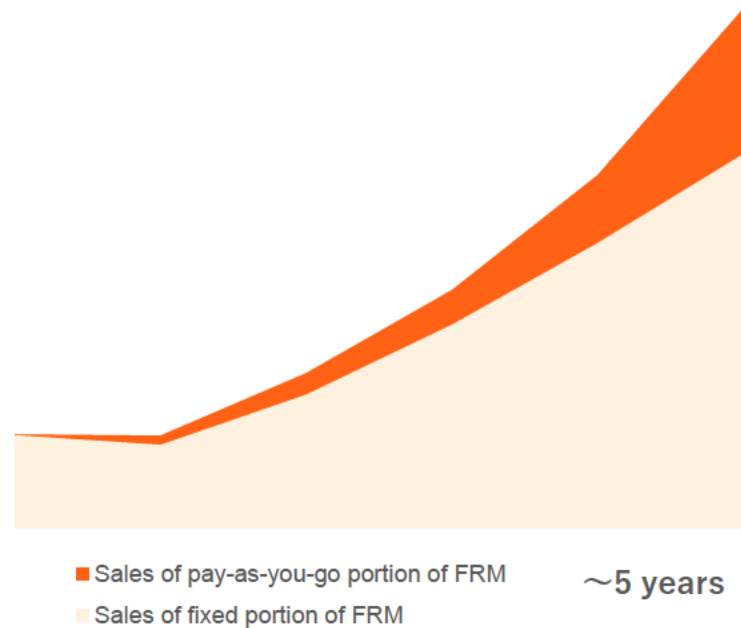
User

- Users will receive a PayPay bonus when they make online reservations at participating stores.

Restaurant

- Since it is linked to the PayPay bonus, restaurants can expect to attract customers from the PayPay economic zone.

Sales contribution image of pay-as-you-go system



*The graph is for representational purpose.

Table of Contents

- 1 Result for Fiscal Year Ending Sept. 2021
- 2 Growth Strategy
- 3 Full Year Forecast for Fiscal Year Ending Sept. 2022**

(Supplementary material)

3 Full-Year Forecast for Fiscal Year Ending September 2022

- ▶ While the company continues to be in the red due to the impact of COVID-19, we position the fiscal year ending September 2022 as **an investment period for high growth three to five years from now.**
- ▶ For the fiscal year ending September 2022, we are expecting limited sales growth allowing for a possible resurgence of COVID-19 (the sixth wave) as well as due to the structure of the stock business. We also expect operating loss due to investments. Investments will greatly contribute to growth from the next fiscal year on.
- ▶ The one to two years from now is an investment period, and we aim for nonlinear growth on an operating profit basis over a three to five year span. **We expect to turn profitable in the fiscal year ending September 2024.**

3 Full-Year Forecast for Fiscal Year Ended September 2021

Results for the previous fiscal year

Sales
1,938 million yen

Operating loss
-283 million yen



Premise of the plan

Spring 2022

Full-scale sales
promotion recovery

- The number of customers at restaurants has begun recovering
- At the same time, we also incorporate the possibility of a resurgence of COVID-19 through this winter
- Based on these, we assume sales promotion appetite to fully recover from spring 2022

FY2022 full-year forecast

Sales
1,810 million yen

Operating loss
-764 million yen

Including investment of
471 million yen

3 Reason for Sales Decline Vs. Fiscal Year Ended Sept. 2021

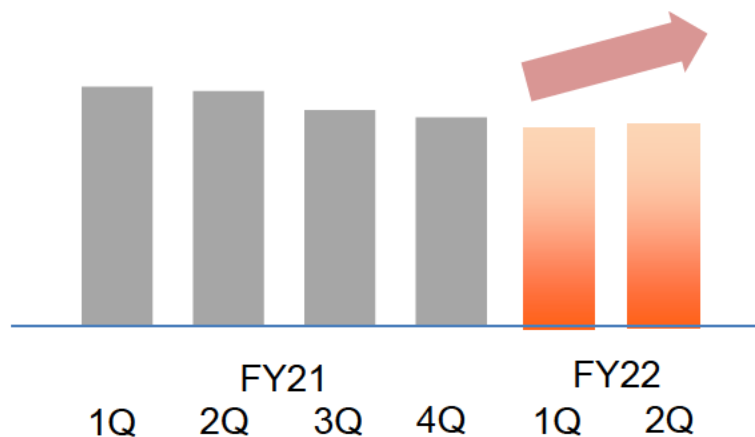
The main reasons: the number of restaurants in the stock business as of the beginning of the period is small compared with the last fiscal year, we are assuming full recovery from COVID-19 to begin in spring, and vagueness regarding certain areas of advertisement / contents. **Investment will make significant contribution to sales from the fiscal year ending September 2023.**

Stock business structure

The number of restaurants at the beginning of the period

As it is a stock business, the number of restaurants at the beginning affects the sales throughout a year

Number of member restaurants

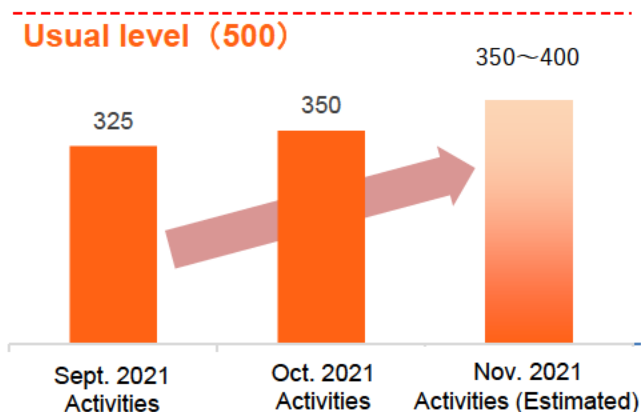


Number of stores as a lagging indicator

Assumed timing of recovery in the number of member restaurants acquired

In the assumptions made for the plan, we allowed for a possible resurgence of COVID-19 and are assuming that the number of new member acquisition will recover to regular levels (500) by spring 2022

Number of new participating restaurants



Accuracy of forecast

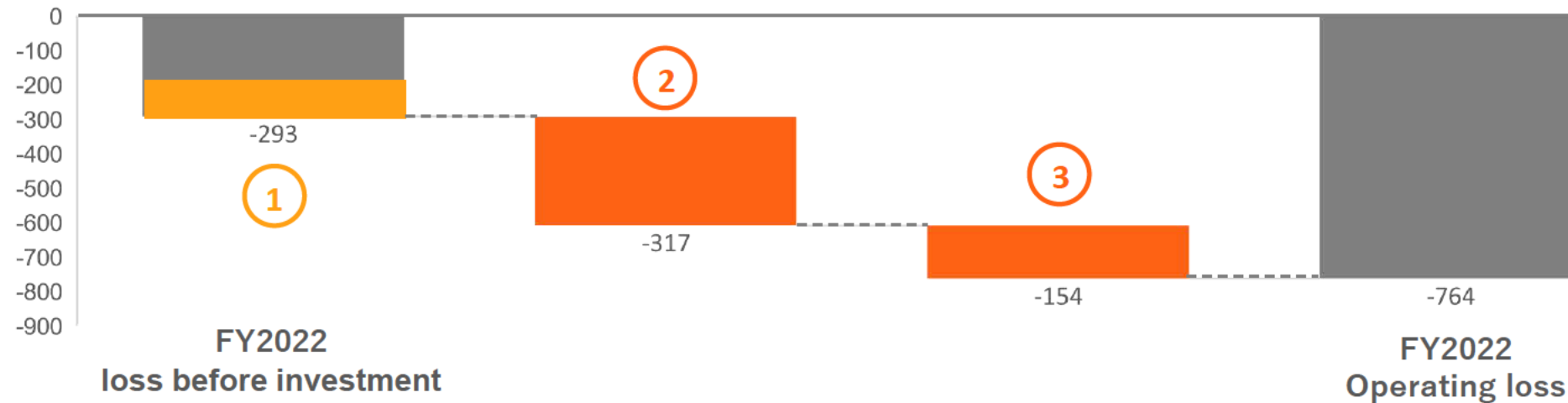
Vagueness in some areas of advertisement / contents

Similarly, we set forth conservative conditions (decline compared to a year earlier) taking into account the likelihood of large-scale clients postponing ads allowing for a possible resurgence of COVID-19 over this winter.



3 Details of operating income for the fiscal year ending September 2022

Of the -764 million yen in operating income forecast, the loss before investment, excluding the aforementioned investment of 471 million yen, is approximately -293 million yen. Of this amount, 96 million yen is due to uncertainty in advertising content.



①
Vagueness in some areas of advertisement / contents
(96 million yen)

In the Advertising Contents Division, we have set a conservative assumption of negative 100 million yen year-on-year, taking into account the uncertain timing of large client placements and the possibility of delays into the next fiscal year.

②
Investment in DX products
(317million yen)

Impact of investments aimed at growing the number of acquisitions, as explained in the previous section.

③
Investment in restaurant sales channels
(154 million yen)

Impact of investment to strengthen the development system, as explained in the previous section

3 Capital Margins

We have taken this opportunity to raise funds by borrowing to take advantage of favorable public financing conditions. As of the end of September, the company had approximately 630 million yen in cash and deposits and 770 million yen in other borrowing facilities. Additional debt financing is under consideration.

		[million yen]		
<div>borrowing facilities 770 million yen</div> <div>+</div>	Cash and deposits	629	Current liabilities	334
	other current assets	793	Non-current liabilities	279
	Non-current assets	305	Net assets	1,114
	Assets		Liabilities, net assets	

3 Growth Image Retty Aims to Realize with Investment

Image of
sales

Growth from the investment

- Enhanced lineup of DX products contributes to a wide range of restaurant DX
- Sales channels have been strengthened to provide the above DX products to more restaurants.

Growth without investment

- Gradually accumulate number of member restaurants and sales with the pre-COVID-19 acquisition level of 500 restaurants per month

- Company-wide sales (no investment)
- Company-wide sales (portion where investment contributed)

~5 years

*The graph is for representational purpose.

Image of
profit

By achieving the above sales, we aim to become
profitable by the fiscal year ending September 2024

*The graph is for representational purpose.

Period with COVID-19 impact

Period for investment for growth
(two years)

Profit expansion period
(from the third year on)

Supplementary Materials

CEO Introduction

Kazuya Takeda

CEO

He founded Retty, Inc. in 2010 and is the CEO of the company. He was born in Ehime Prefecture, Japan. After graduating from Aoyama Gakuin University, he joined NetAge Corporation (now United Corporation), where he was engaged in marketing-related business such as selling Internet advertising. After leaving the company, he stayed on the West Coast of the United States for a year to prepare for his entrepreneurial venture.

After returning to Japan, he worked for a year on the West Coast to prepare for the development of Japan's world-renowned food culture.

He founded Retty Inc. with co-founder Natsuka.



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 Concept

**Real name-based
Review**



**Recommendation
Without scores**



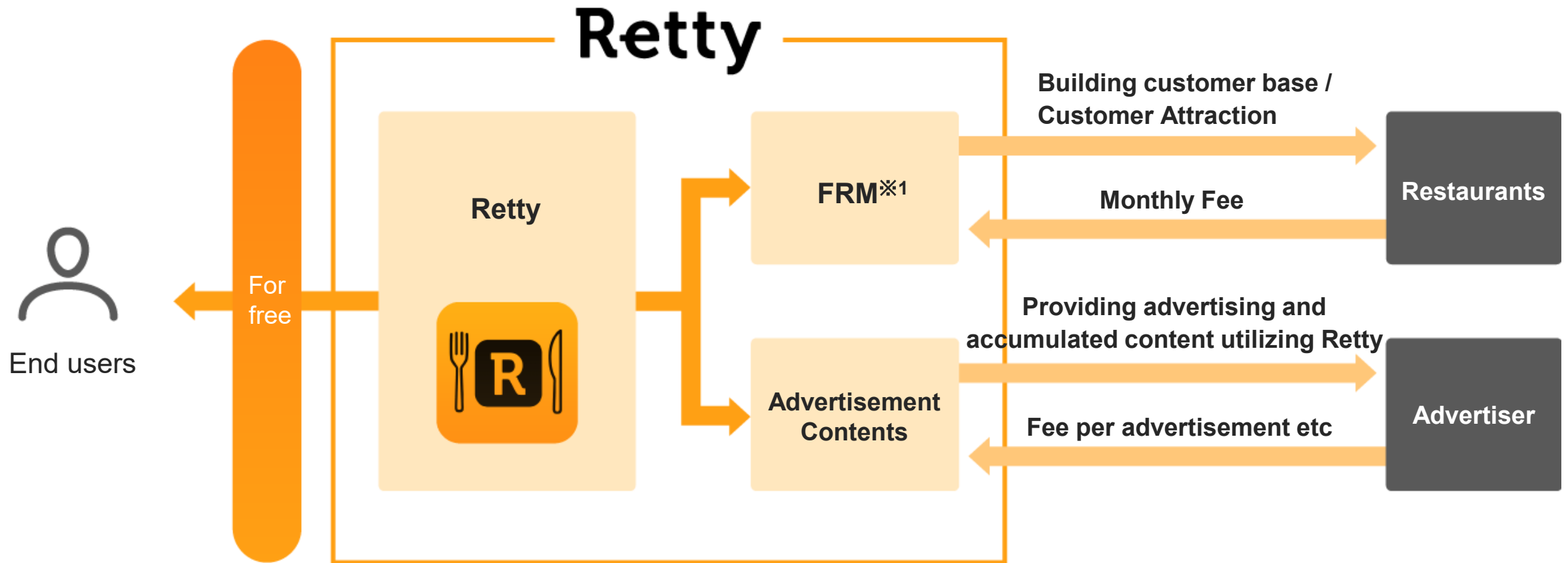
**Search starts with
“people”**



Find a matching restaurant through trusted people

Restaurant review service with reviewers using real names

Business model



※1 FRM: Fan Relationship Management

Platform enabling stable customer attraction



New customers

Stock

Increased access

Dine

Customer
management

Repeat customer

Approach and Initiatives Regarding Restaurant Industry Amid COVID-19 Crisis

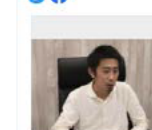
We will implement the following initiatives with top priority on the revival of the restaurant industry

- **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



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

2020/10/15(木) 7:11 配信 43



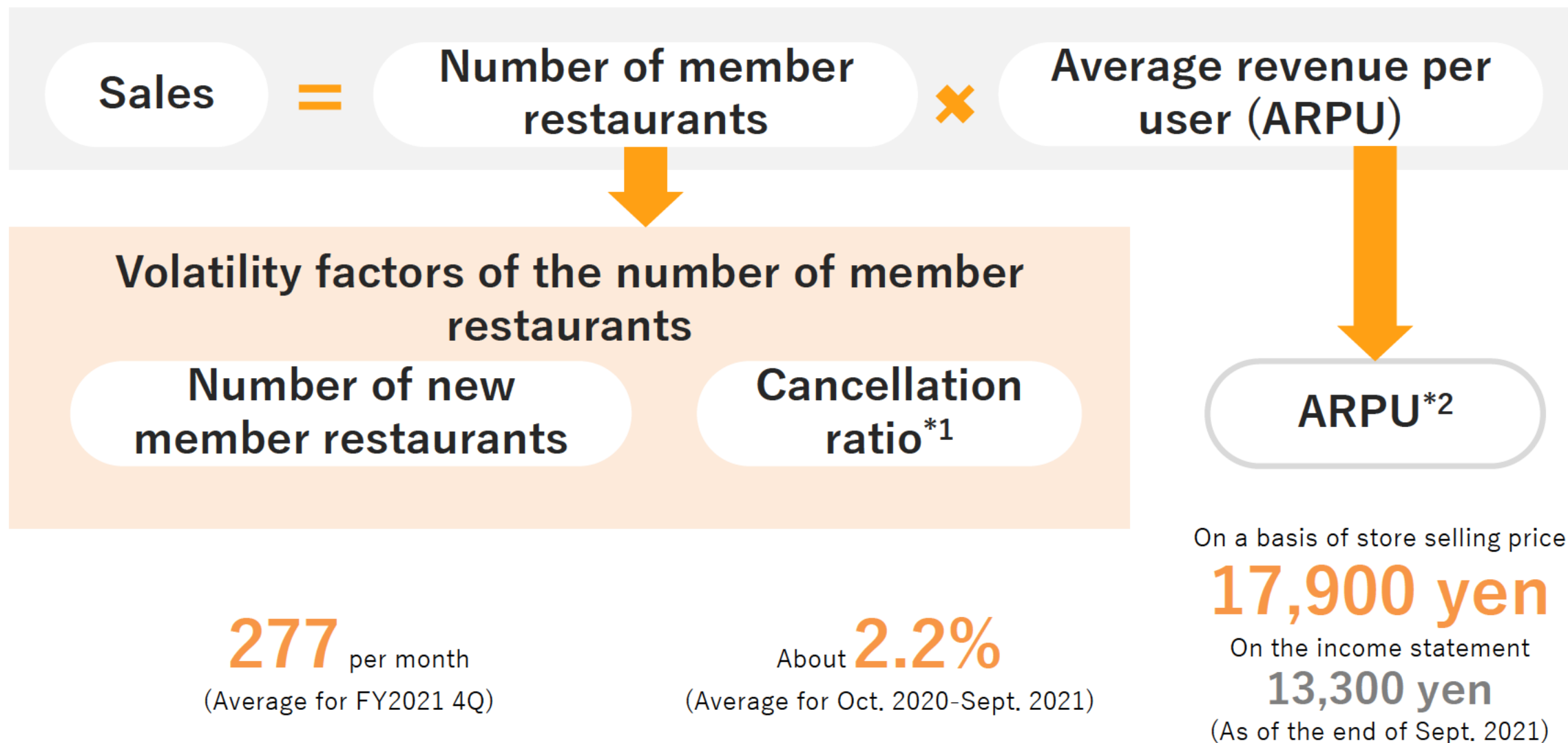
飲食店応援のために選ぶべきグルメサイトとは？
10月1日から「Go To Eatキャンペーン」が開始された。コロナ禍の中で苦しい状況にある飲食店の活性化を狙ったキャンペーンは、利用する消費者側にも少し注意が必要となる。

飲食店応援も増える、Go To Eat対応サイト Retty 代表取締役 武田 和也氏

【グラフ】「新型コロナウイルス」To Eatキャンペーンを立つ 資料：Retty



Breakdown of FRM Sales

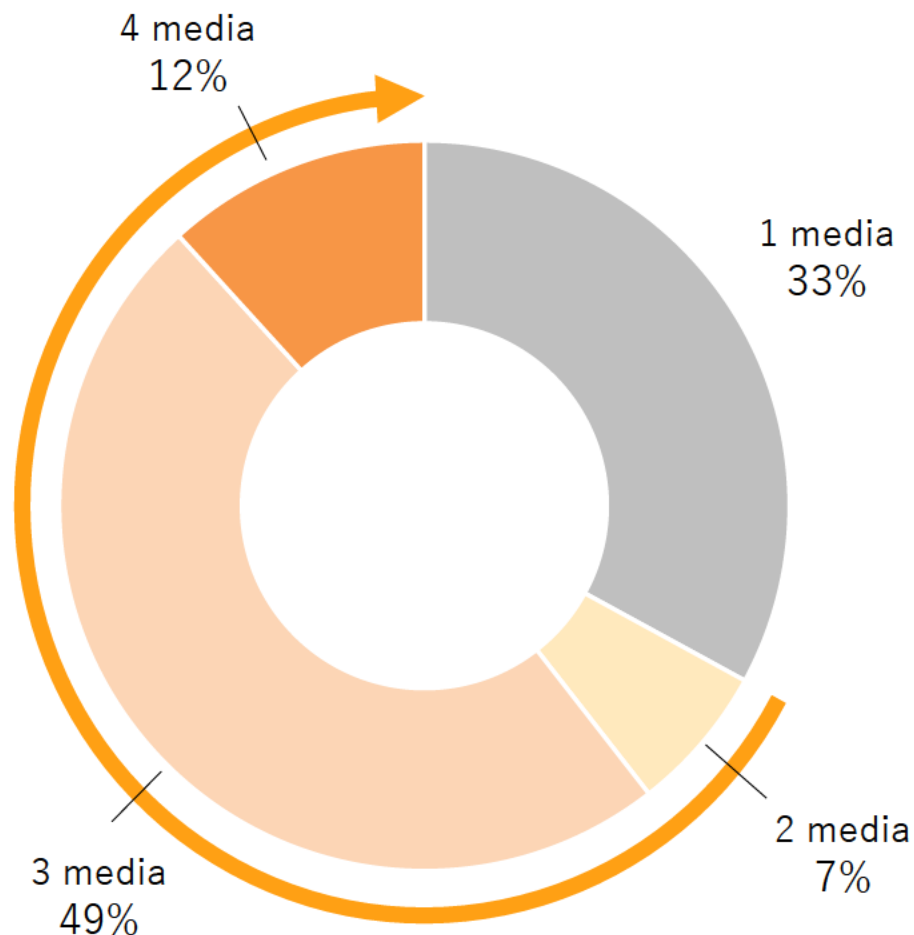


^{*1} The average of the number of restaurants that cancelled their contracts at the end of the contract period and at the time of renewal, as a percentage of the total number of member restaurants.

^{*2} ARPU based on store billing (including options), excluding trial stores (in which we receive orders for a large number of restaurants as a trial at a low price and in bulk for major restaurant operators).

Parallel User Market, Where Many Restaurants Use Multiple Restaurant Review Services

The number of services used by restaurants to attract customers*1

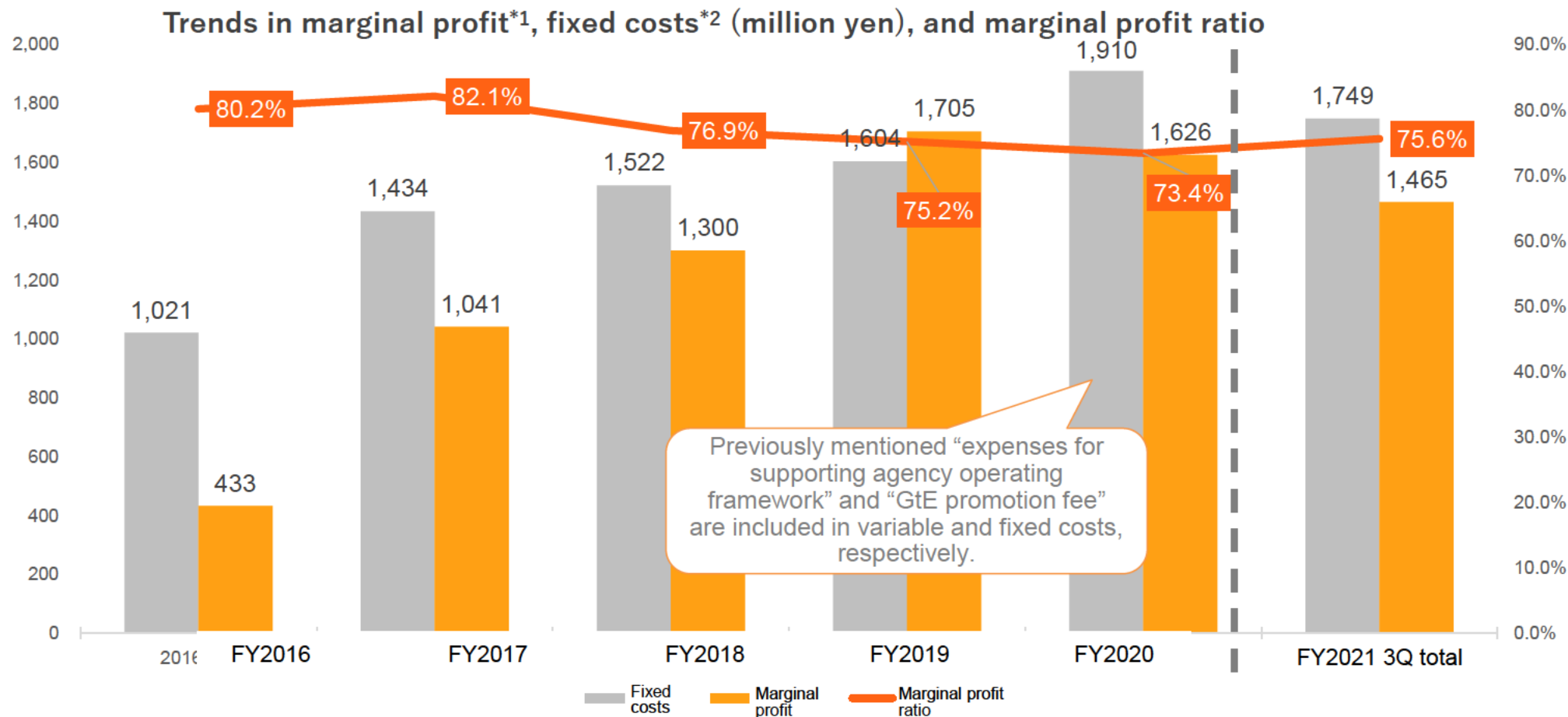


Parallel user ratio
about **70%**

*1 We conducted a questionnaire survey of restaurants including non-Retty users in 2021.

Trend in Marginal Profit Ratio

We maintained marginal profit ratio at a similar level



*1 Marginal profit is calculated by subtracting variable cost from net 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 personnel cost, communication cost (server cost), and land and building rent.

Type of Agencies

Agency concurrently selling other products	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Sales persons directly employed by Retty• Started hiring new graduates exclusively for sales in April 2019

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

Premium booking

Online booking

Performance fee model



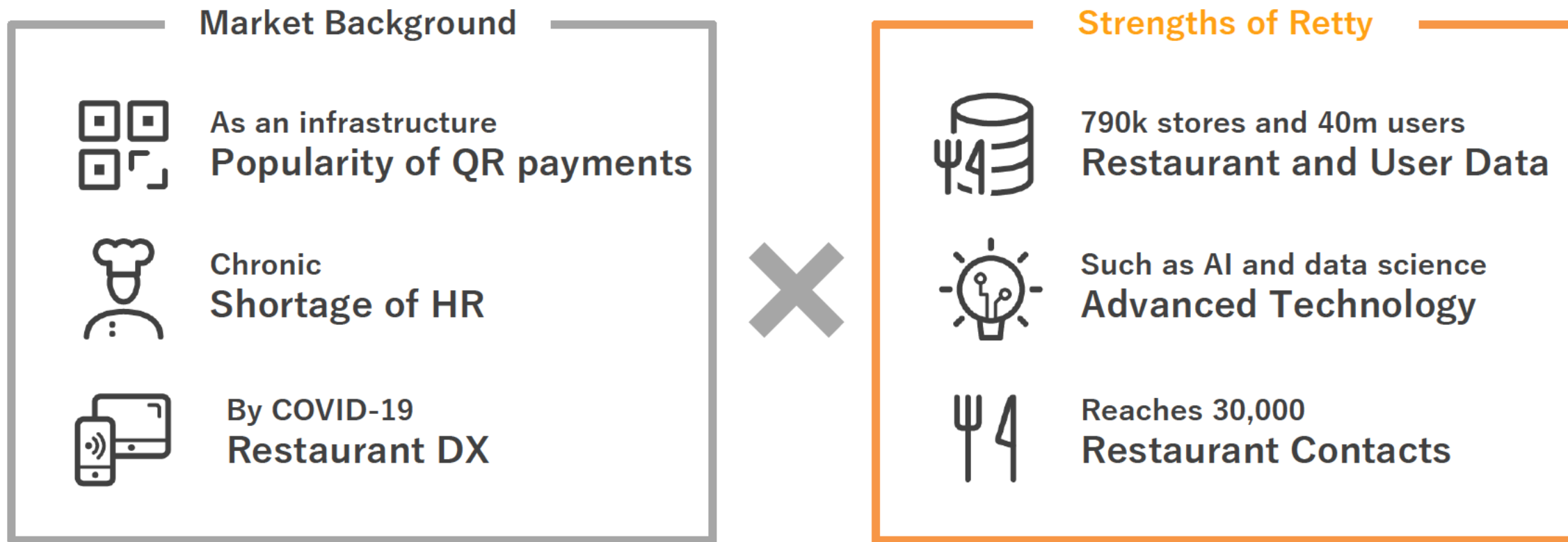
Take-out plans

Take-Out Customer Attraction & Reception System

Monthly Fixed 10,000 yen



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











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

Mobile Ordering Helps Restaurants Improve Operational Efficiency

Comparison of order taking workflow



Capture offline data

	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

If mobile ordering becomes as popular as in China

140k restaurants ※1

If used by stores as much as promotional media

60k restaurants ※2

Current Retty member restaurants

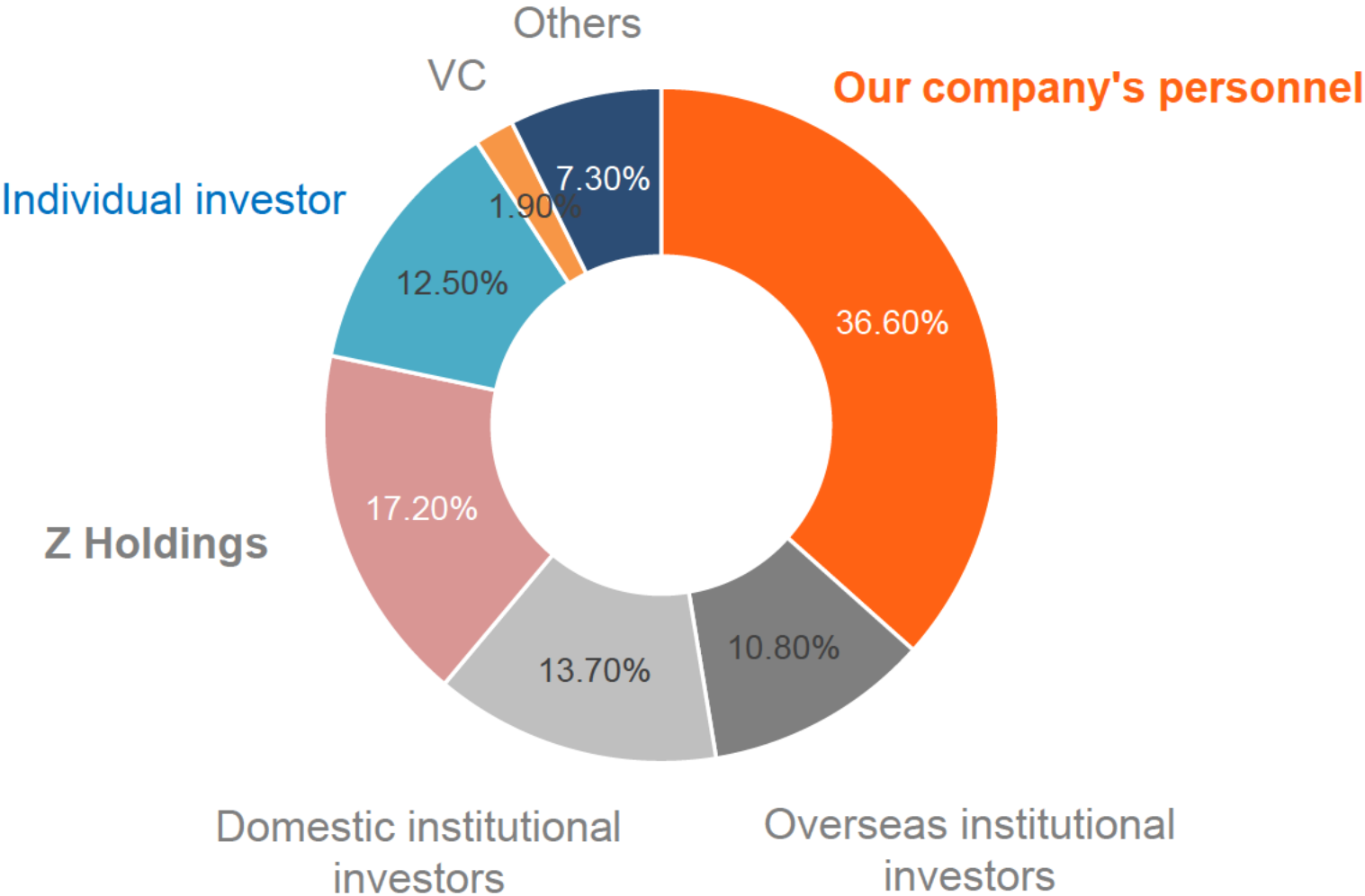
10k restaurants

※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.

Shareholder Composition

Shareholder Composition(As of Sept. 2021)



Company Profile

Company name	Retty Inc.
Headquarters	Sumitomo Fudosan Azabujuban Building 3F, 1-4-1 Mita, Minato-ku, Tokyo
Established	November 2010
Capital	616 million yen
Employees	136
Stock exchange	Tokyo Stock Exchange Mothers
Securities code	7356

Retty

Disclaimer

This material is not intended for soliciting investments in securities issued by the Company. Forward-looking statements in this material are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable, and does not represent a guarantee from the Company that they will be achieved. Actual results may differ significantly from these statements for several reasons.