

1Q FY2025 Q&A

During the ZOOM webinar held on September 13, there were operational issues, and we were unable to respond to the real-time questions received, ending the broadcast with some questions unanswered. The following Q&A text includes those unanswered questions from the live session.

- Q1.** The POS market is highly competitive, with many companies offering similar products and services. Could you share your company's strategy moving forward, your positioning, and the competitive advantages you hold over others?

Our competitive advantage lies in our extensive external integration capabilities with other companies' products and services, as well as our approach to addressing niche needs through our App Marketplace.

- Q2.** Could you provide the adoption rate of PAYGATE payments within the total GMV of Smaregi?

While we do not disclose GMV-based figures, as a reference, the adoption rate of PAYGATE among our POS users is around 10%. When we first absorbed and started this business in July 2022, the rate was nearly 0%, but since then, it has steadily increased and continues to grow at a significant pace.

- Q3.** What are your expectations for future customer unit prices, and do you have any strategies in place to raise these prices?

We expect a gradual increase in customer unit prices moving forward. As our long-term vision now targets ARR, improving unit prices will naturally be a focus. Specific initiatives include enhancing optional and peripheral features through the Smaregi App Market and offering subscription plans for hardware without upfront investment. While these efforts are centered around our POS services, the expansion of our business domain will contribute to an increase in unit prices per customer across the board. Although not yet publicly disclosed, this is a key pillar of our strategy.

- Q4.** The ARPA growth in 1Q seems higher than usual. Could you explain the reasons for this?

As mentioned in our earnings presentation, the increase in sales is due to costs related to our integration with third-party payment services. These sales were previously accounted for under our payment segment, but starting this fiscal year, they have been included in the POS segment. Although the amount itself is not substantial, this change has contributed to the growth. Additionally, the continued smooth adoption of our [subscription plans](#) has also boosted sales.

Q5. Could you explain your plans for advertising and promotion expenses from 2Q onwards? Will they remain at 1Q levels, or do you plan to increase them?

The advertising and promotion expenses for 1Q will likely serve as a benchmark moving forward. As you can see from past quarters, there tends to be a slight concentration of expenses in 4Q. We anticipate a similar trend this year, with a gradual increase towards 4Q.

Q6. Regarding the pyramid chart representing your domestic market share, could you clarify which data is used to classify large, medium, and small-scale businesses, and which industries are included?

While we won't detail every step, we use data from the Economic Census for Business Activity for both "establishments" and "enterprises." To estimate the number of stores in each industry, we combine the number of employees per establishment with data from "enterprise size by employee count." This methodology, unique to our company, allows us to calculate the number of stores by size. The industries covered include retail, accommodation, food service, personal services, entertainment, and medical services, with appropriate adjustments in subcategories.

Q7. For Smaregi-related POS fees, can we assume the total is the customer count multiplied by the price of each plan? Also, what explains the rapid increase in ARR compared to monthly figures?

Referring to [page 17 of the earnings presentation](#), your question likely pertains to the discrepancy between the growth in store count and ARR. While the total subscription fees for Smaregi are generally derived by multiplying the number of stores by the plan prices, the ARR figure on page 17 includes peripheral and related services, unlike the customer unit price on [page 20](#), which reflects POS-only figures. The ARR includes revenue from the App Marketplace and integrated systems, like the chiropractic clinic software. Therefore, the "Smaregi-related ARR" is not based solely on the POS subscription fees.

Q8. How much of an impact did the special demand related to the new currency issuance have in 1Q? Should we expect a decline in 2Q and beyond?

The special demand caused by the issuance of new banknotes largely ended in the previous fiscal year, and we had anticipated only a minimal impact for this fiscal year. As expected, the effect was negligible.

Q9. Advertising and promotion expenses seem to have been reduced. Has this impacted the number of leads?

Advertising and promotion expenses did decrease compared to the 4Q of the fiscal year ending in April 2024. However, 4Q had included non-lead-generating expenses, such as event sponsorships. Additionally, we strengthened promotional activities in line with our peak season, which led to the usual increase in 4Q expenses. Since we closely monitor unit economics for all lead sources and optimize accordingly, advertising costs were lower in this quarter.

Q10. Could you explain your profit distribution policy? Currently, you prioritize growth investments and have no dividend payouts. What conditions need to be met to start issuing dividends?

At present, our priority is to maintain sufficient internal reserves to support growth investments. While we cannot specify a timeline for initiating dividends, we will carefully consider commencing dividends once we have completed large-scale investments, such as M&A, and established a stable profit base.

Q11. One of your company's strengths is product development. Could you share what measures you take to recruit and retain top engineers? Additionally, what makes working at your company attractive to engineers?

We focus on hiring talent not only for their technical skills but also for their understanding of business. Our hiring standards and development philosophy are discussed in detail in this article. We expect our engineers to possess both technical proficiency and a business-oriented mindset. In an industry where trends shift rapidly, those who can bridge technology and business can grow into highly valued engineers capable of solving critical issues.