Smaregi, Inc.

Q4 FY2025 Financial Results Briefing

June 13, 2025

Event Summary

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[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	2 Ryuhei Miyazaki — Representative Director Kohei Takamadate — Director

Presentation

Moderator: It is time to begin. Thank you for your participation in the Q4 FY2025 financial results briefing of Smaregi, Inc.

Let me quickly explain today's process. First of all, we will provide an overview of the full-year financial results, the outlook for the next fiscal year, and the progress of the medium-term management plan. Then, we will explain the personnel changes of directors and executive officers disclosed yesterday, and finally, we will have a question-and-answer session. We look forward to receiving many questions. For inquiries other than questions, please also use the chat function.

Now then, Mr. Miyazaki, please begin.

Miyazaki: Thank you for taking time out of your busy schedule today to participate in the Q4 FY2025 financial results briefing. I am Miyazaki, Representative Director.

Yesterday, in addition to the full-year financial results briefing material, we published a material on growth potential and a notice on the appointment of directors. Since your time is limited today, I would like to focus on the key points from the disclosed documents.

In the second half of the session, Director Takamadate and I will have a question-and-answer session. We hope to begin the question-and-answer session at approximately 11:00 AM.

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Consolidated Reporting from 3Q FY2025
Smaregi, Inc. began consolidated financial reporting in FY2025 3Q following the full acquisition of Netshop Supporters Co., Ltd. in December 2024. The FY2025 full-year results (May 2024 – April 2025) reflect four months of consolidated performance (January – April 2025). All year-on-year comparisons are against standalone results prior to consolidation.
Goodwill arising from the acquisition of Netshop Supporters Co., Ltd. is recorded on a provisional basis, pending final allocation of the purchase price.

Definitions as noted in this document
Figures: Rounded down to the nearest unit of display
Ratios: Rounded to the second decimal place

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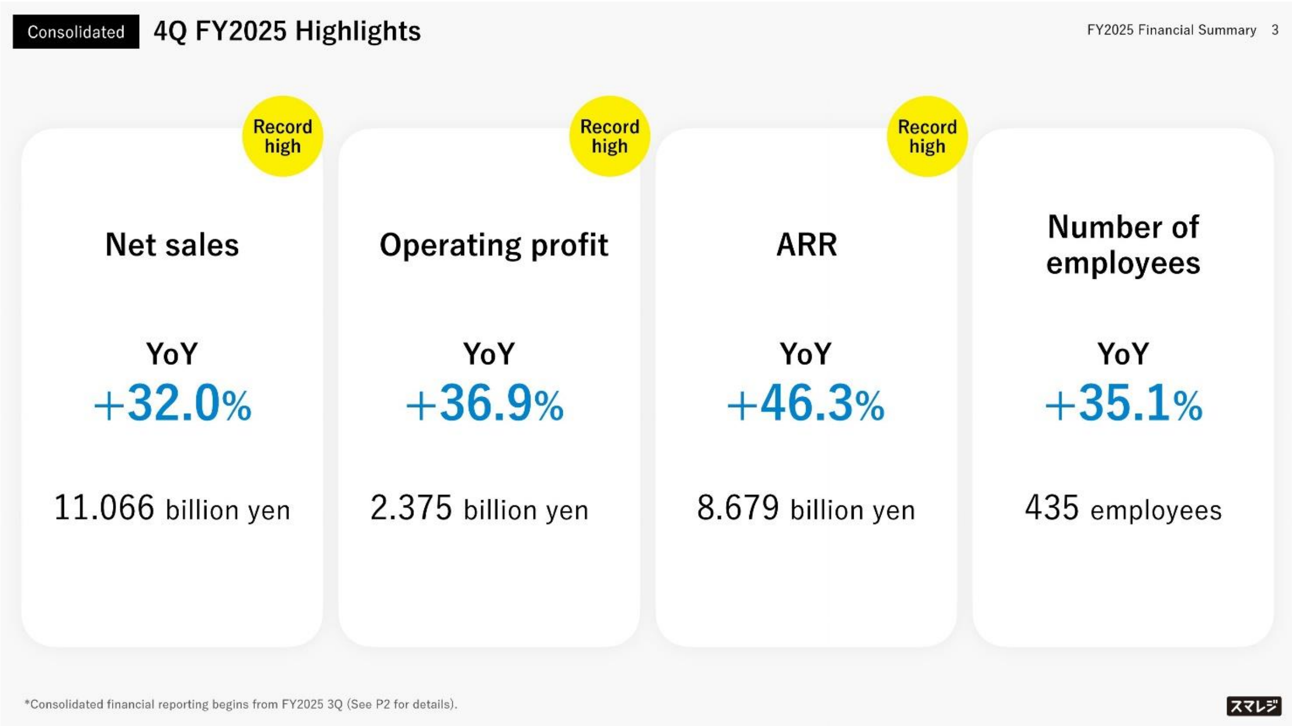
I will begin with a summary of the financial results, business progress, the outlook for the next fiscal year, and our growth strategy.

First, I would like to provide some assumptions before I start explaining our performance for FY2025.

As stated on page two of the financial results material, the Company has shifted to consolidated financial results from Q3 of FY2025. In December 2024, Netshop Supporters Co., Ltd. became a wholly owned subsidiary, and consolidated accounting was applied from the same month. The financial results of the subsidiary for FY2025 cover the four-month period from January to April 2025. All comparisons with the past are with individual results.

The goodwill of JPY965 million incurred in connection with the acquisition of Netshop Supporters Co., Ltd. was accounted for on a provisional basis since the allocation of the acquisition cost has not yet been completed.

With this in mind, I will provide a summary of the financial results.



Here are the performance highlights.

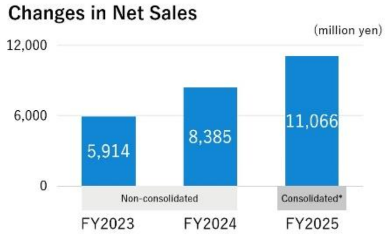
On a consolidated basis, the Company maintained solid growth, with net sales of JPY11.066 billion and an operating income of JPY2.375 billion.

In particular, the subscription model continued to grow, with ARR of JPY8.679 billion, or an increase of 46.3% YoY.

Consolidated **Financial Highlights**

Solid business growth drove record revenue for 12 consecutive years and record profit for 3 consecutive years.

(million yen)	FY2025 May 2024 - Apr. 2025	FY2024 May 2023 - Apr. 2024	YoY	FY2025 plan May 2024 - Apr. 2025	FY2025 % achieved
Net sales	11,066	8,385	+32.0%	10,882	101.7%
Operating profit	2,375	1,735	+36.9%	2,284	104.0%
Ordinary profit	2,358	1,696	+39.0%	2,316	101.8%
Profit attributable to owners of parent	1,639	1,212	+35.2%	1,592	102.9%



*Consolidated financial reporting begins from FY2025 3Q (See P2 for details).

Then, here are the details of the financial highlights.

Next, I would like to summarize our performance from a plan-comparison perspective.

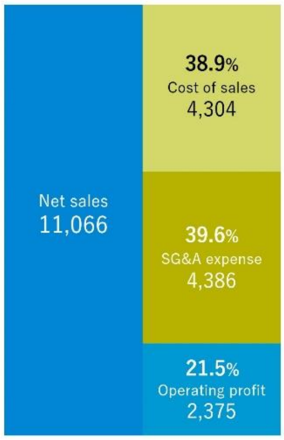
Net sales increased 32% YoY, 101.7% of the full-year plan, operating profit increased 36.9% YoY, 104% of the full-year plan, ordinary profit increased 39% YoY, and net profit increased 35.2% YoY, all record highs for these profit indicators.

Consolidated **Statement of Income**

**Net sales for 4Q reached ¥3,189 million (QoQ +17.1%), marking a record high for a single quarter.
In 4Q, we also recorded customer migration costs from a third-party POS business (increase in SG&A expenses)*1 and disposal costs for legacy payment service terminals (increase in cost of sales).**

(million yen)	FY2025 May 2024 - Apr. 2025					FY2024 May 2023 - Apr. 2024	YoY
	1Q	2Q	3Q	4Q	Total		
Net sales	2,531	2,621	2,723	3,189	11,066	8,385	+32.0%
Cost of sales	986	1,022	989	1,306	4,304	3,182	+35.3%
Gross profit	1,544	1,598	1,734	1,883	6,761	5,203	+30.0%
SG&A expenses	943	1,005	1,098	1,339	4,386	3,468	+26.5%
Operating profit	601	593	636	543	2,375	1,735	+36.9%
Ordinary profit	600	584	634	538	2,358	1,696	+39.0%
Profit attributable to owners of parent	396	396	444	401	1,639	1,212	+35.2%

Earnings structure



*Consolidated financial reporting begins from FY2025 3Q (See P2 for details). Provisional accounting treatment for the business combination (Business transfer from Ligua Co., Ltd. in May 2024) was finalized in FY2025 4Q, and the finalized figures are reflected in the 4Q results. *1 1 Approximately ¥42 million in transaction fees were incurred in 4Q FY25 as a result of migrating customers to our services following the discontinuation of a third-party POS service.

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Next, I will explain the quarterly profit and loss trends.

Net sales reached a record high of JPY3,189 million in Q4. The solid growth trend continued, with a positive 17.1% from Q3.

I will provide more details on the slides that follow, but in Q4, we incurred onetime transition costs, an increase in SG&A expenses, and disposal costs of old payment service terminals due to the impact of the ongoing customer migration from a third-party POS business.

Even including these factors, the cumulative operating profit was JPY2,375 million, which seemed to indicate that the Company continued to maintain a high level of profitability.

Consolidated **Balance Sheet**

Non-current assets increased +171.0% YoY due to goodwill recognized from the M&A completed in December 2024.
Net assets grew +28.4% YoY, supported by business growth, maintaining a solid financial foundation with an equity ratio of 71.8%.

(million yen)	FY2025 4Q	FY2024 4Q	YoY	FY2025 3Q	QoQ
Current assets	7,825	6,902	+13.4%	7,400	+5.7%
Cash and deposits	5,912	5,284	+11.9%	5,688	+3.9%
Non-current assets	2,845	1,050	+171.0%	2,732	+4.2%
Total assets	10,671	7,952	+34.2%	10,132	+5.3%
Current liabilities	2,805	1,878	+49.3%	2,748	+2.1%
Non-current liabilities	198	105	+88.6%	119	+66.2%
Total liabilities	3,004	1,983	+51.4%	2,867	+4.8%
Total net assets	7,667	5,969	+28.4%	7,265	+5.5%
Total liabilities and net assets	10,671	7,952	+34.2%	10,132	+5.3%

*Consolidated financial reporting begins from FY2025 3Q (See P2 for details). *Goodwill of JPY 965 million arising from the acquisition of Netshop Supporters Co., Ltd. is recorded on a provisional basis, as the purchase price allocation (PPA) has not yet been finalized. Retrospective adjustments may be made once the allocation is finalized.

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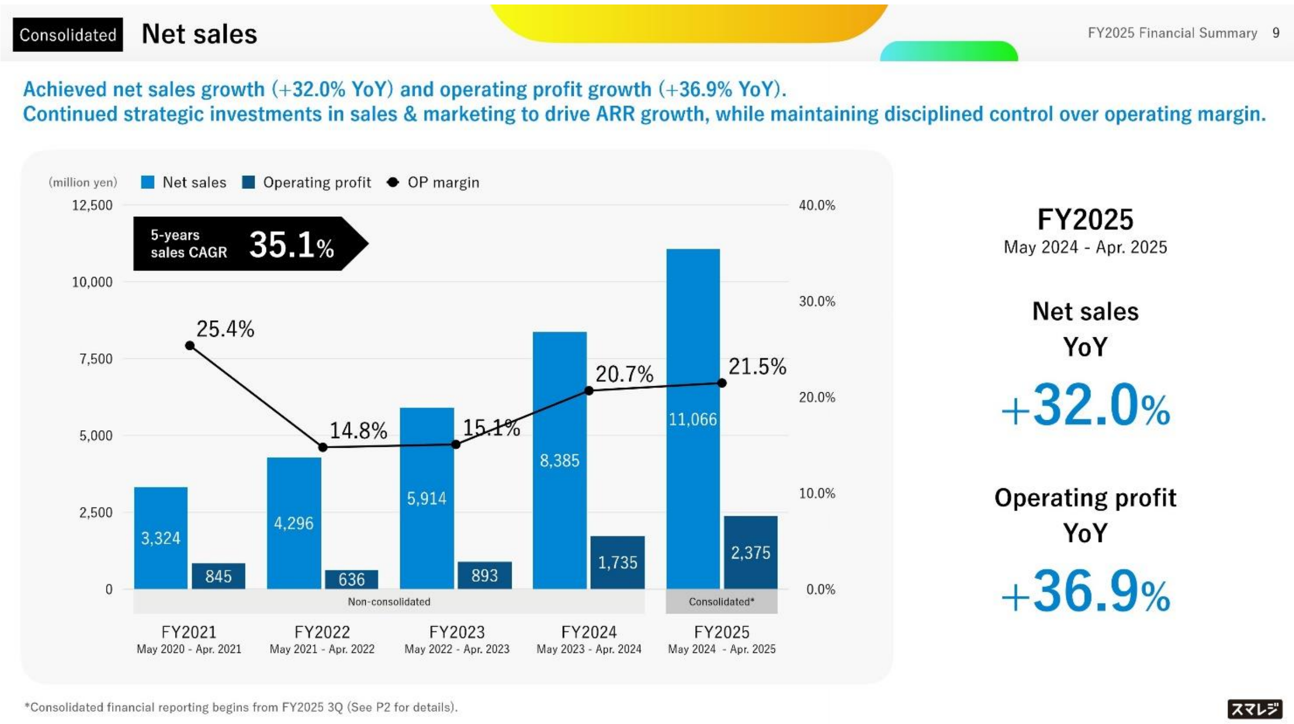
Next is the balance sheet.

Total assets amounted to JPY10,671 million, an increase of 34.2% YoY. Non-current assets increased by 171% due to the recording of goodwill from the M&A executed in December 2024, and net assets increased by 28.4%, in line with business growth. Current assets totaled JPY7,825 million, of which cash and deposits amounted to JPY5,912 million, maintaining a continued strong cash position.

On the liabilities side, current liabilities totaled JPY2,850 million and non-current liabilities JPY198 million, for a total of JPY3,004 million in liabilities. The main reason for the increase in current liabilities was an increase in deposits received due to the expansion of the settlement business, and in non-current liabilities was an increase in asset retirement obligations.

The equity ratio remained high at 71.8%, forming a stable financial base. The Company appeared to be maintaining a healthy balance sheet while absorbing the temporary increase in debt associated with M&A in the fiscal year.

The graph on the right shows that cash and deposits made up the majority of the Company's structure, leaving the Company with a flexible capital surplus for future growth investments.

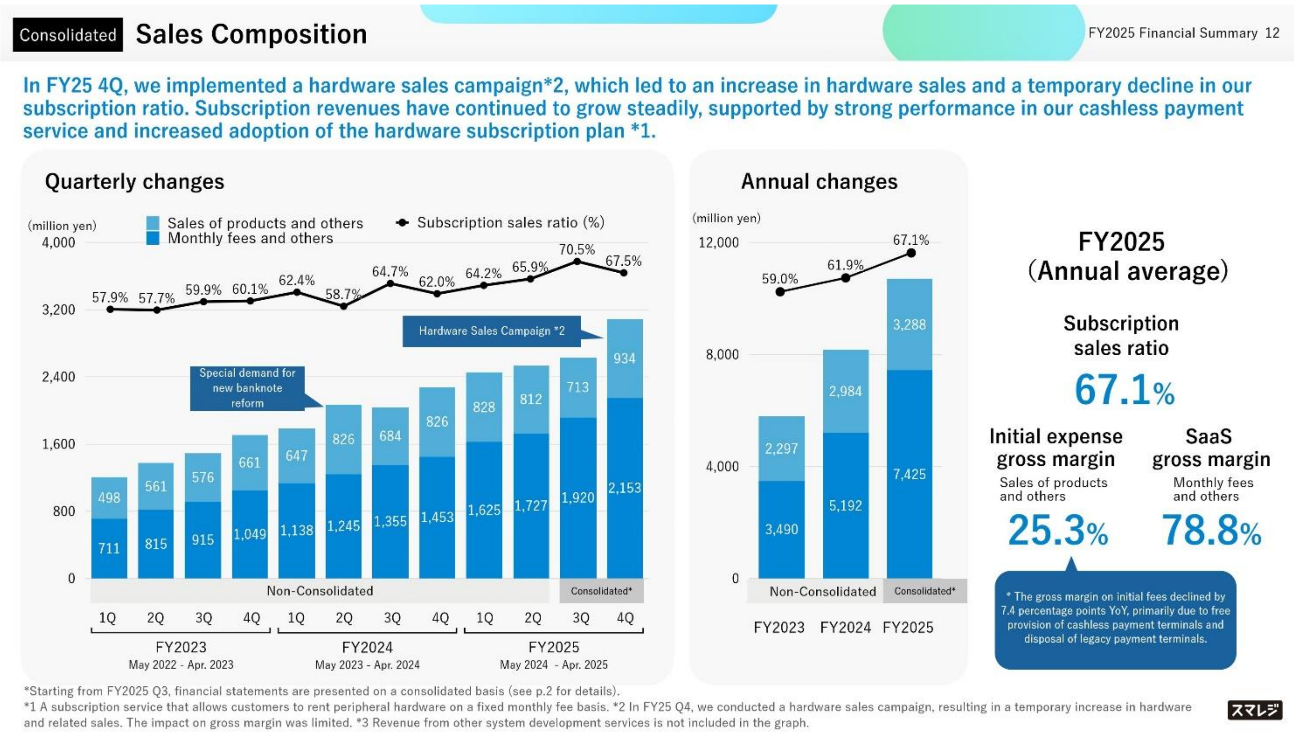


Next are the trends in net sales, operating profit, and operating margins.

The Company has maintained a continuous growth trend, with a sales CAGR of 35.1% over the past five years.

The operating margin for the fiscal year was 21.5%, a further improvement from the previous year's 20.7%.

We believe this is the result of the work of business management that is conscious of controlling profitability while continuing to invest in growth.

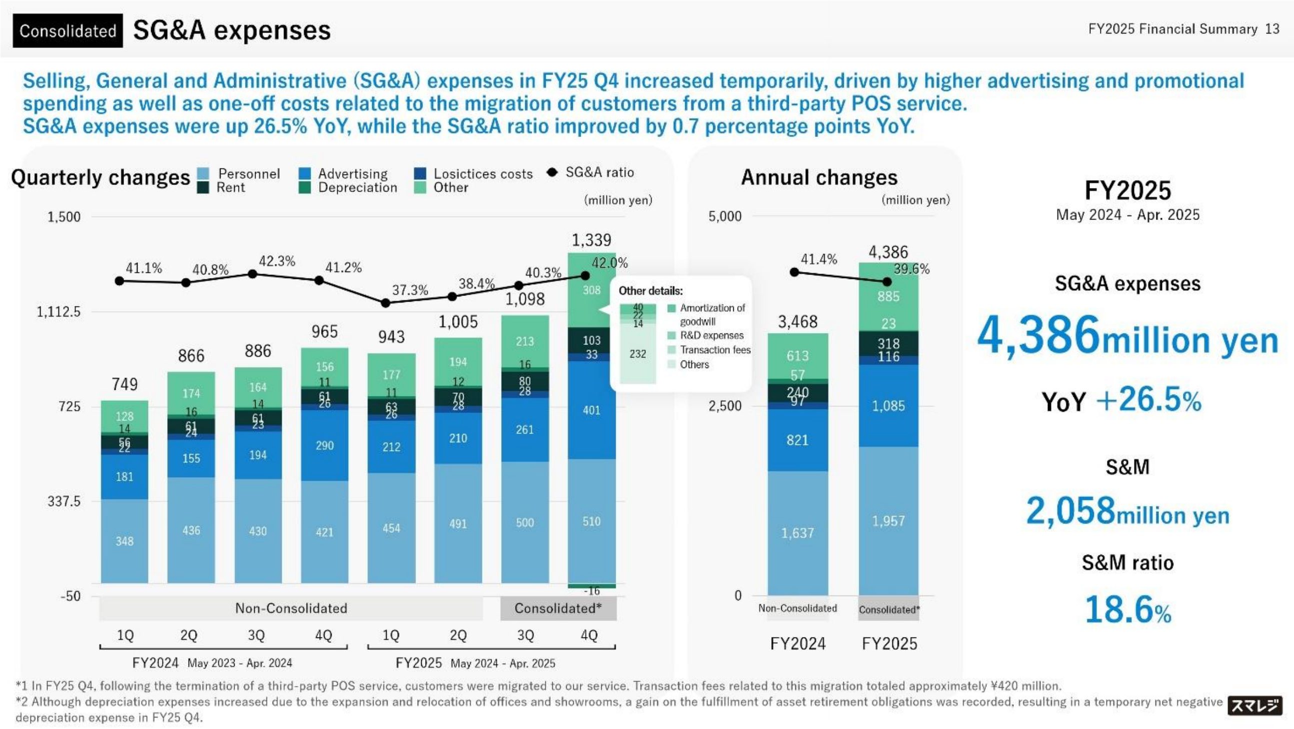


Here are the quarterly changes in net sales and the breakdown.

As you can see, subscription sales continued to grow in FY2025, averaging 67.1% of total sales for the year. Monthly subscription fees and other revenues grew steadily, and the situation appeared to be such that the highly stock-based sales structure continued to strengthen.

Regarding Q4, sales of products and others increased temporarily due to the implementation of a hardware sales campaign, causing the subscription ratio to decline slightly, but overall subscription revenue continued to grow.

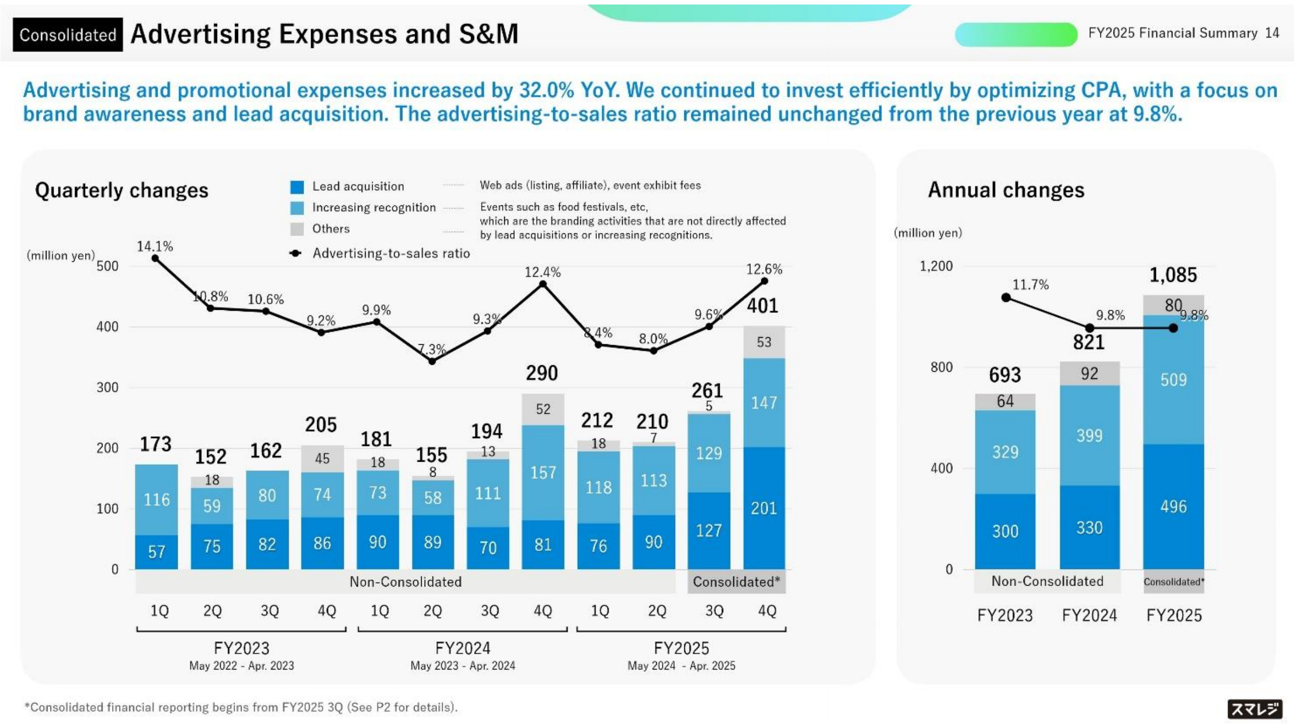
The SaaS gross margin remained high at 78.8%.



Here are the changes in SG&A expenses.

As noted on the slide, advertising and onetime expenses, as well as the cost of migrating customers from a third-party POS, as explained earlier, and amortization of goodwill increased in Q4.

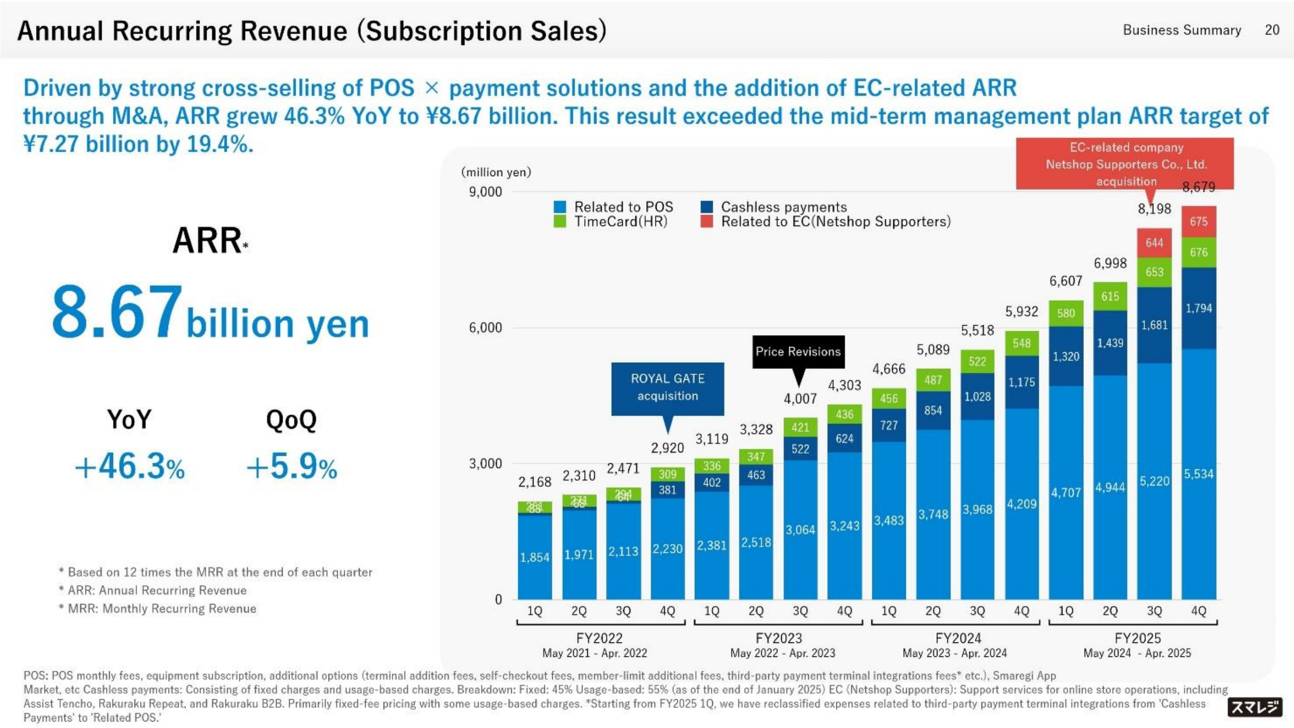
The negative value of depreciation in Q4 was related to the addition of showrooms and the relocation of offices and was similar to a marginal gain on the fulfillment of an asset retirement obligation despite an increase in depreciation.



As a further breakdown of SG&A expenses, here are the changes in advertising expenses.

For FY2025, expenses increased 32.1% YoY. We continue to invest effectively, focusing on expanding awareness and acquiring leads while keeping CPA in mind. The ratio of advertising expenses to net sales was maintained at 9.8%, the same as in the previous year.

There was a temporary increase in expenses in Q4, but this is the same as in previous years and was the result of increased investment in advertising as a deliberate measure during the busy season.

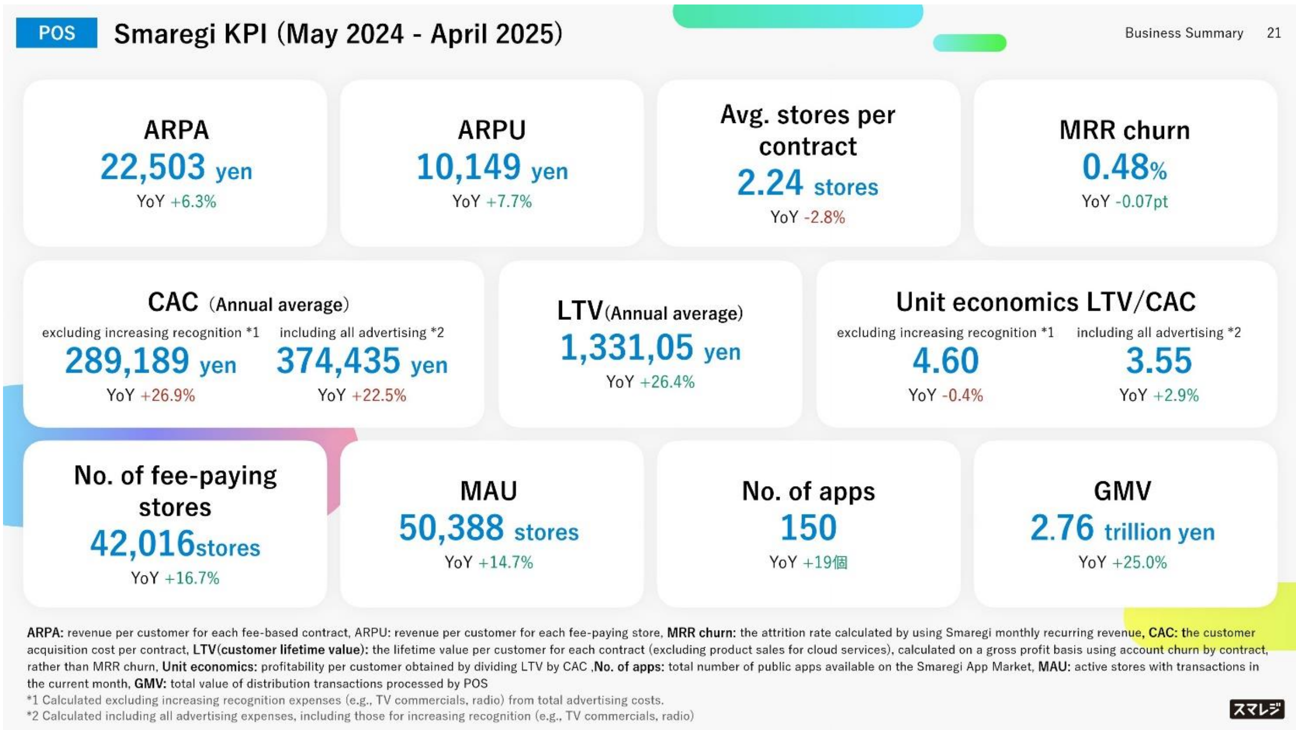


Then, here are the business summary, ARR, and service unit trends.

The Company has positioned ARR as the most important growth indicator for its management. This is because we believe that the degree to which stock-type earnings are accumulated indicates the growth potential and profitability of a business.

ARR as of the end of April 2025 was JPY8.67 billion, up 46.3% YoY, landing at a level well above the target of the year's medium-term management plan. This was mainly due to continued strong cross-selling between POS and payment, as well as e-commerce-related accumulation through M&A.

We will continue to work on the sustainable growth of this ARR as our most important issue.



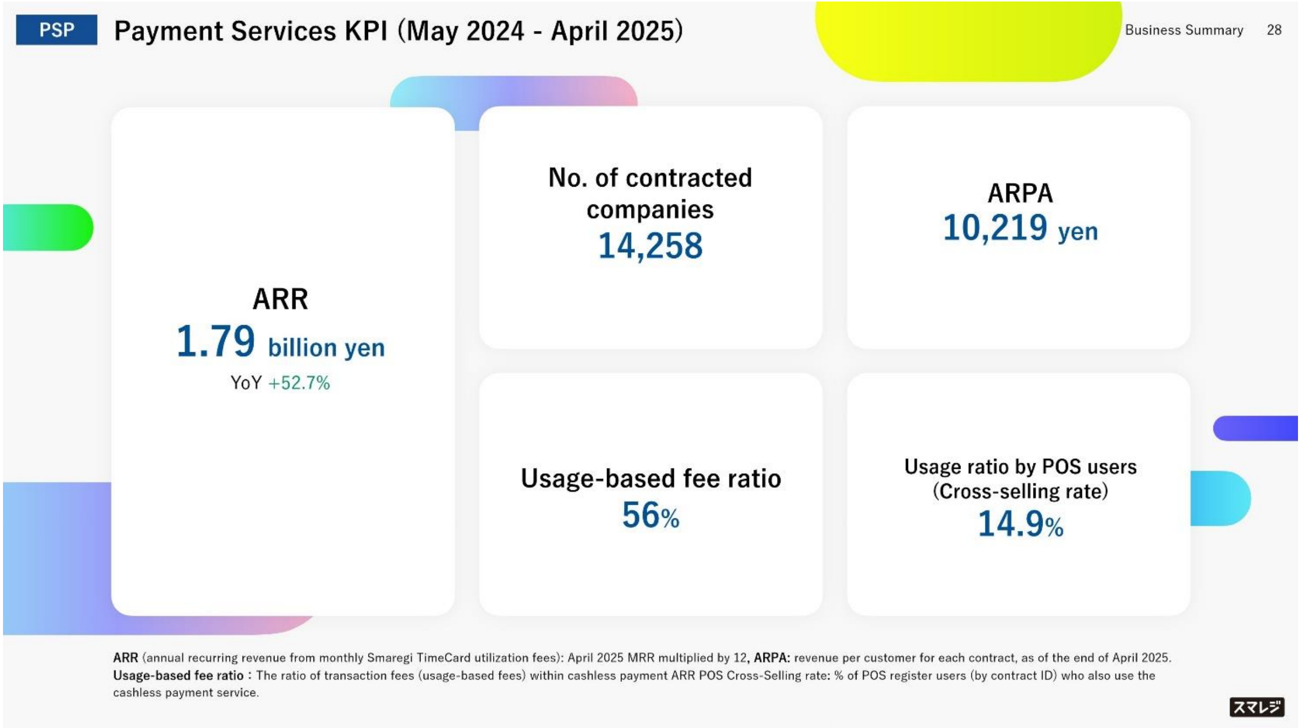
Here are the KPI summaries related to Smaregi and POS.

As noted, the number of fee-paying stores, which supports ARR growth, expanded to 42,016 stores, up 16.7% YoY.

ARPU and ARPA also grew steadily, with both unit price increases and growth in the number of subscriptions.

LTV improved significantly to a positive 26.4%.

On the other hand, CAC rose as a result of increased investment in advertising, but we believe that the unit economics continued to be under control at a favorable level.



Next, I will explain the situation related to payment services.

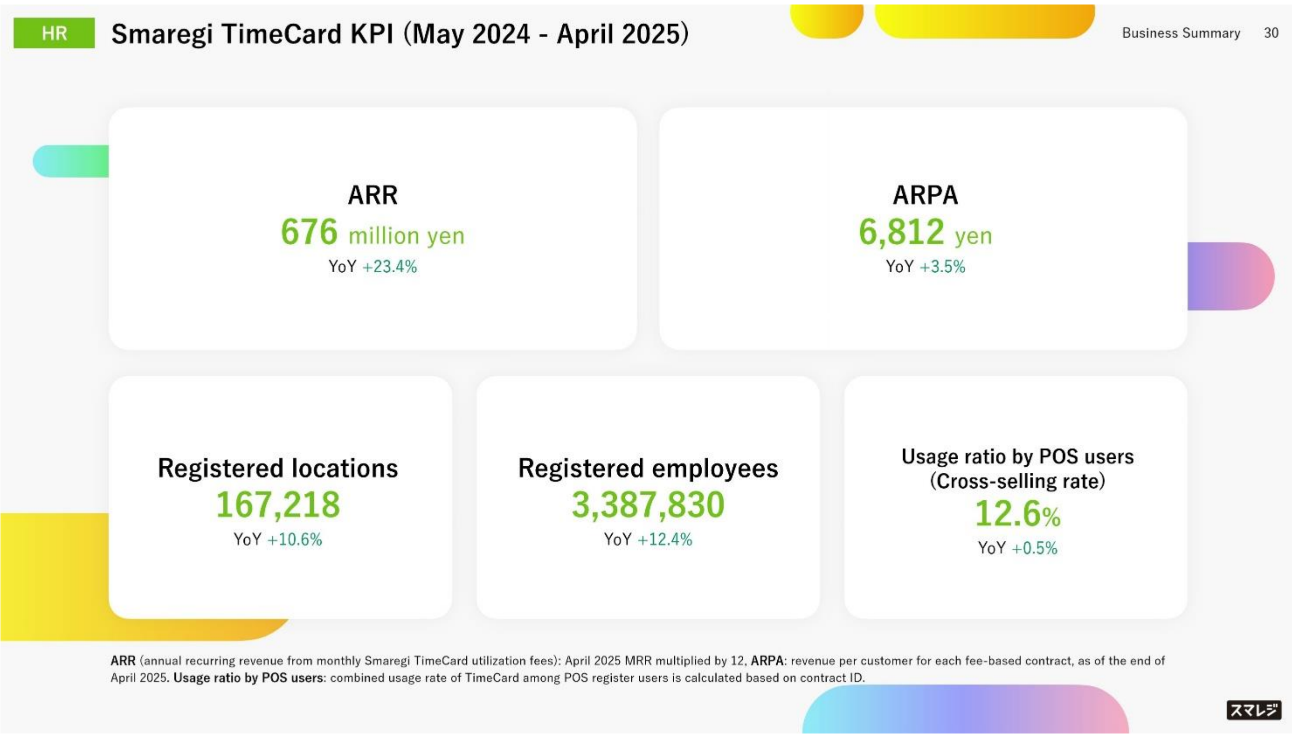
Currently, the cashless payment category accounts for the second largest percentage of our monthly usage fees after our mainstay POS. We offer PAYGATE, a multi-payment terminal compatible with almost all major cashless payment methods.

Please refer to the growth potential material for a more detailed overview of our services, but this slide is the first payment-related KPI summary to be released from the full-year financial results.

We have received many requests from investors to expand information in the payment area and to disclose indicators that show the progress of cross-selling. In response to this request, we are disclosing for the first time the number of member companies, ARPA, and cross-selling rate to help you understand the current situation.

For FY2025, ARR was JPY1.79 billion, or a positive 52.7% YoY. The number of member companies was 14,258, ARPA was JPY10,219, and the cross-selling rate was 14.9%. This cross-selling rate is the rate for all POS-paid plan subscriptions, whether new or existing.

Although this is just a start to present the current status, we will work to further enhance the indicators and continuously update the information so that progress in this area will be more easily understood by investors in the future.



Here is a KPI summary of TimeCard.

Please also take a look at the growth potential material, which once again provides an overview of services and market conditions.

Smaregi TimeCard was also steadily building up as one of the pillars of stock-type earnings, with ARR of JPY676 million, up 23.4% YoY.

The cross-selling rate to POS users continued to expand at 12.6%, and we will continue to further strengthen cross-selling.

Forecast of the FY2026 (Plan)

Driving Revenue and Profit Growth through Group-wide Synergies and Strategic Expansion.

(million yen)	FY2026 May 2025 - Apr. 2026		FY2025 May 2024 - Apr. 2025
	Plan	YoY	Results
Net sales	**13,859**	+25.2%	11,066
Operating profit	**2,804～2,954**	+18.1%～24.4%	2,375
Ordinary profit	**2,804～2,954**	+18.9%～25.3%	2,358
Profit	**1,866～2,016**	+13.8%～23.0%	1,639

Dividend forecast

	FY2025 Results	FY2026
Record Date	Apr. 30, 2025	Apr. 30, 2026
Profit per Share	85.16 yen	96.90 yen
Dividend per Share	15.00 yen	20.00 yen
Dividend Policy	17.6%	20.6%
Total Dividend Amount	288 million yen	

*FY2026 earnings forecast presented as a range due to pending PPA for Netshop Supporters acquisition.

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Next is the business plan for FY2026.

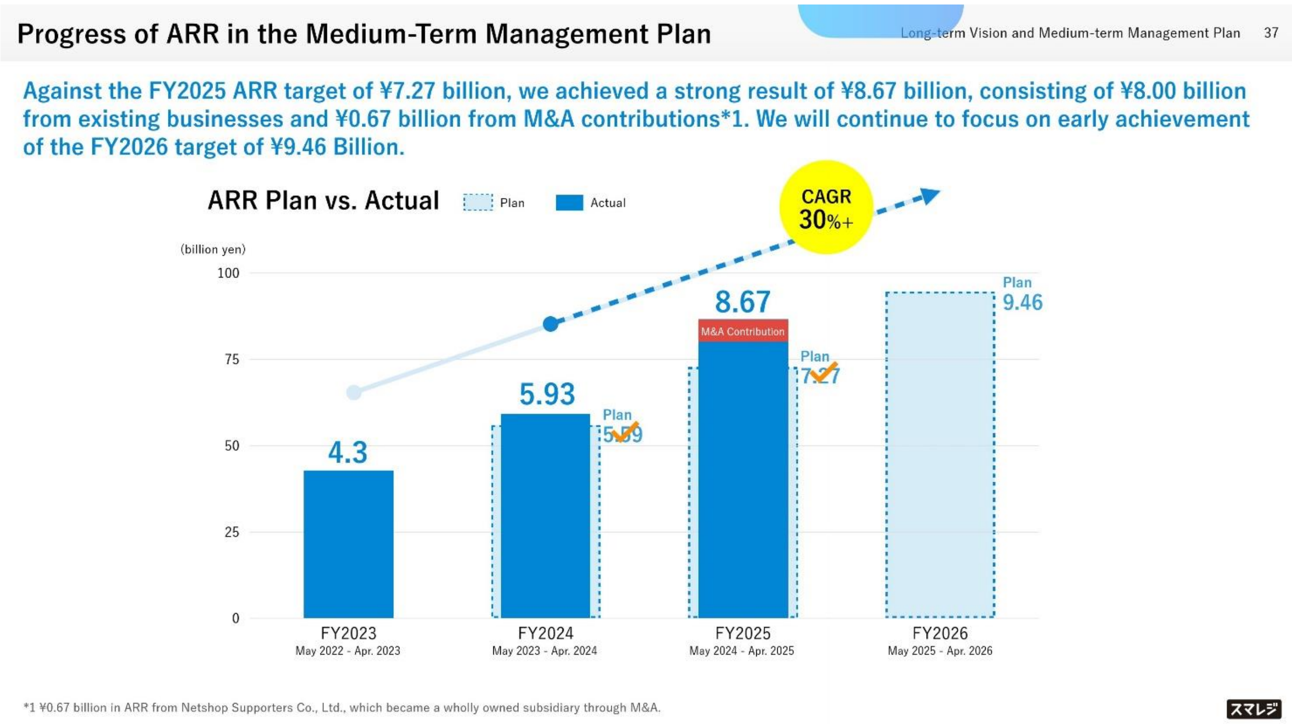
Net sales are projected at JPY13.8 billion, an increase of 25.2% YoY.

We are forecasting the profits in ranges, and the reason for this is that the accounting treatment of goodwill associated with the acquisition of Netshop Supporters Co., Ltd. has not been finalized at this time. Also, the impact of depreciation and amortization on earnings may vary.

The dividend forecast is also shown on the right.

This year marks the 20th anniversary of our company's founding, and we have decided to pay our first year-end dividend for the purpose of providing continuous shareholder returns beginning in 2025. The background and the concept of the dividend payout ratio are described in the financial results material, so please refer to it for details.

We will continue to strive to enhance our corporate value over the long term while maintaining a balance between investment in growth and shareholder returns.



Here is the content of the growth potential material. This is the ARR progress of the medium-term management plan.

Due to time constraints, we will not address the entire growth potential material from this point on but will excerpt some of the important points.

Please see page 37 of the document.

In FY2025, including M&A contributions and growth in existing businesses, we were on track to reach JPY8.67 billion, far exceeding our target.

In the fiscal year ending April 2026 and beyond, we will continue to steadily build up our current business. We will continue to aim for high quality growth.

Looking back on the past year, I would like to introduce some of the major developments in our growth strategy and how they relate to the specific measures set forth in our medium-term management plan.

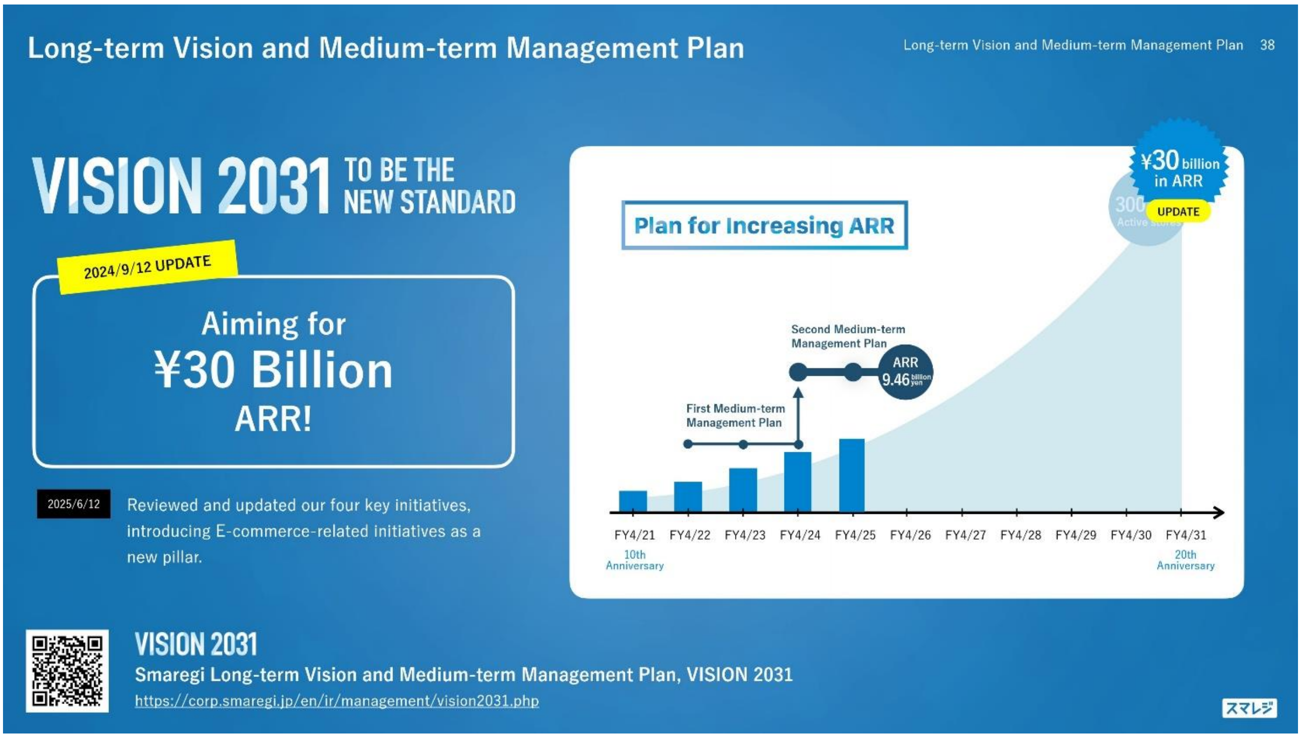
As we have repeatedly talked about M&A from the beginning, in December 2024, we acquired Netshop Supporters Co., Ltd., which provides specialized services for e-commerce, as a subsidiary. The company has services that help e-commerce businesses improve operational efficiency and increase revenues, with a subscription-based revenue model accounting for approximately 90% of sales.

In order to convey the position of this service, we have also illustrated it in the growth potential material.

Generally, when you think of e-commerce, you may have a strong image of online shopping malls like BASE, but our main service, Assist Tencho, is a SaaS product that supports the back end of e-commerce management operations.

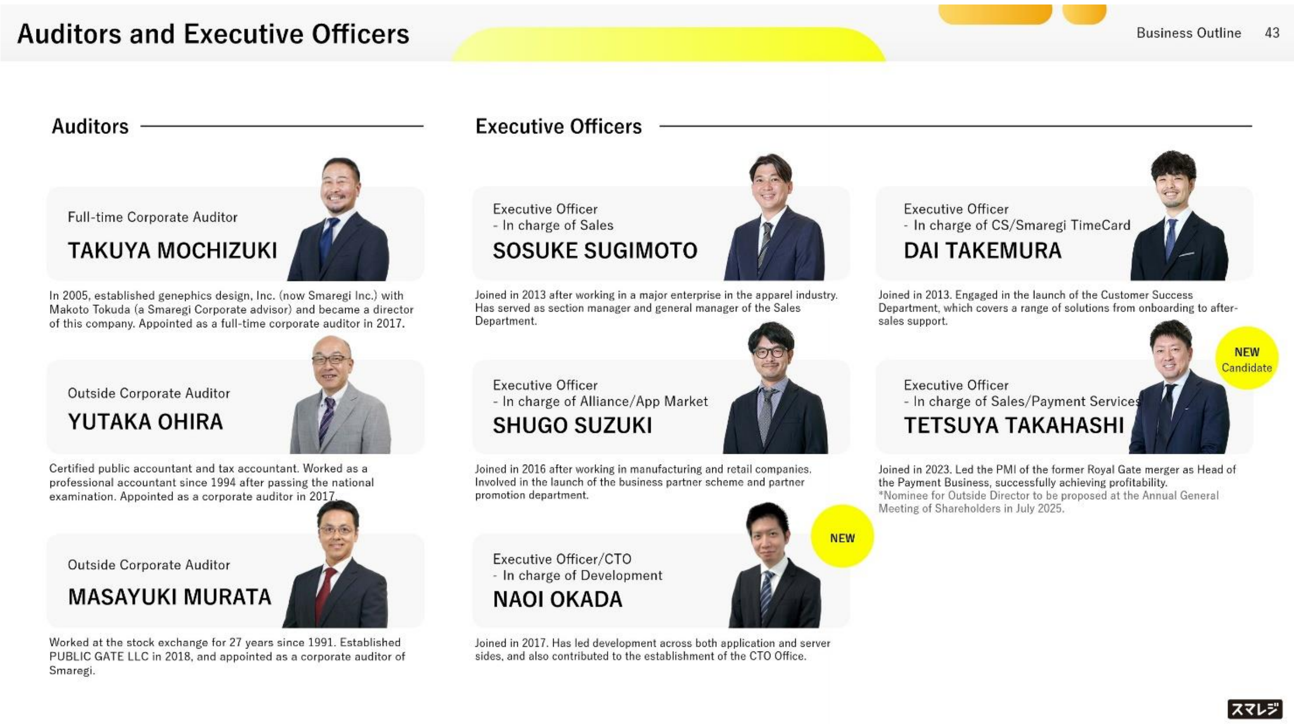
It will serve as a foundation for connecting data to cart systems, various shopping malls, logistics, and even store POS registers, and we hope to further strengthen our strategy of leveraging the strengths of both POS and e-commerce.

We then reorganized our areas of focus with this grouping with e-commerce-related companies. As a result, the market segmentation strategy, which was a strengthening measure in the medium-term management plan, has been changed to an approach to e-commerce businesses.



In order to achieve the long-term plan of JPY30 billion ARR, we plan to focus on cashless payment, which is growing rapidly, and e-commerce related services, which we have focused on again, as important measures to increase the amount of money spent per customer.

We are not only proposing stand-alone POS cash registers, but also expanding our vision to related areas such as payment solutions, attendance management, customer management, mobile ordering, and ticket vending machines to flexibly propose the best solutions to meet your needs.



Finally, I would also like to take this opportunity to reiterate the executive appointments announced yesterday.

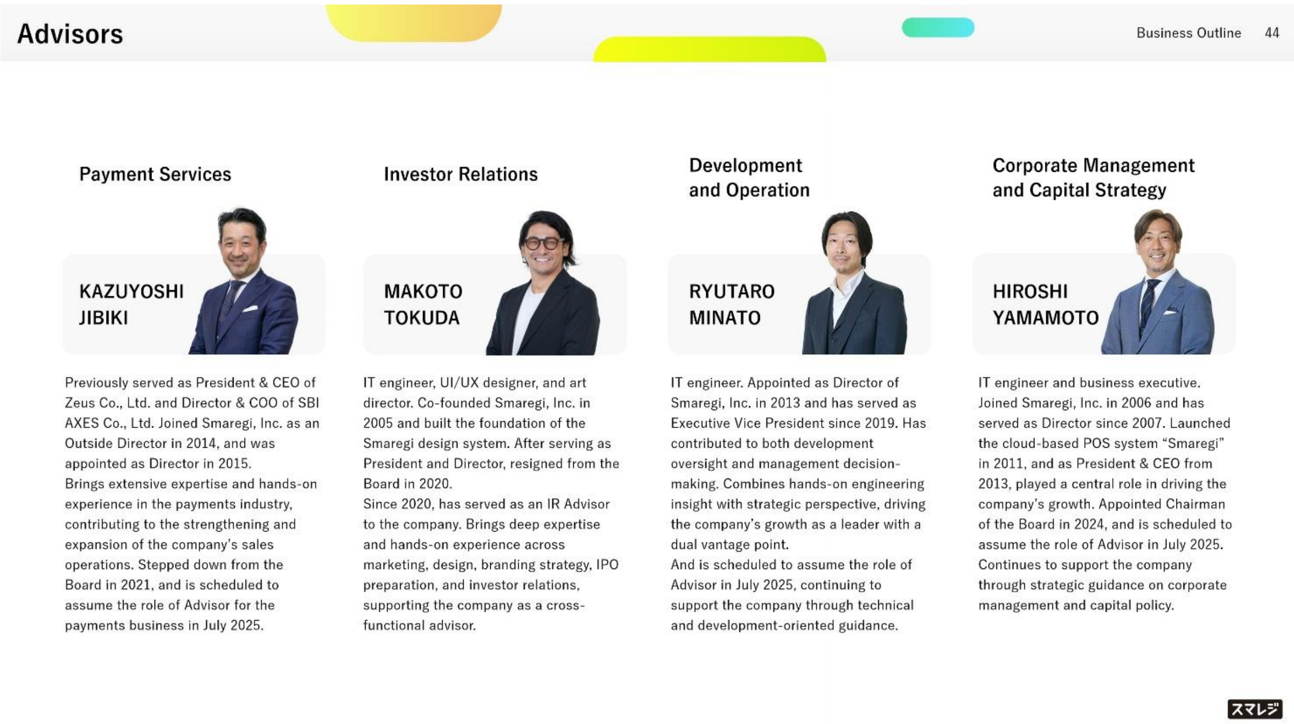
At the conclusion of the 20th Annual General Meeting of Shareholders scheduled for July 29, 2025, Chairman Yamamoto and Vice President Minato are scheduled to retire from the Board of Directors, and Smaregi will transition to a new management structure.

Mr. Yamamoto and Mr. Minato launched our flagship POS cash register in 2011 and have been involved in management as directors of our company for over 10 years, contributing to the enhancement of our corporate value.

I have taken the baton from Mr. Yamamoto to the next generation, and together with Director Takamadate, newly appointed Director Takahashi, and other members of the executive board, we are moving into a new phase as a company.

This June, Mr. Okada joined us as a new member of the executive board. Starting in 2019, Mr. Okada has taken over the role of CTO, a role I had held for six years, and has taken over the development work of the Smaregi app from Vice President Minato, ensuring both the quality and speed of our apps at a high level. In 2021, the CTO office was established, and he is a key member in driving problem solving across the development department and is trusted within the Company.

As for Mr. Takahashi, a candidate for membership of the Board of Directors, he joined the Company in 2023, starting in the payment solution department, and currently unites it as the head of the entire sales department. With Mr. Takahashi at the helm, we will clearly set a cross-selling-first policy to raise the level of our proposal capabilities.



In order to facilitate the transition to the new management structure, we have appointed members of the advisory board, including Mr. Yamamoto and Mr. Minato, who are scheduled to retire from the Board of Directors, as well as members who have been with the Company since its inception.

Under the new management structure, we intend to strengthen business areas that will be growth drivers and evolve our corporate foundation for the next 10 years.

As part of these efforts, we have nominated Mr. Okada of ABEJA, Inc. as a candidate for outside director.

Our AI strategy is also disclosed in this growth potential material. ABEJA, Inc. is characterized by its early commitment to AI and SaaS, and its focus on developing products by combining software and AI and solving various customer issues.

With Mr. Okada's knowledge and advice, we hope to grow our AI strategy together.

This concludes my explanation of the summary of the fiscal year ended April 30, 2025.

Question & Answer

Moderator [M]: We would like to start the question-and-answer session. We will try to answer as many questions as time permits.

Mr. Miyazaki and Mr. Takamadate, please begin.

Takamadate [M]: Yes, hello. I am Takamadate, Business Strategy Division Director. I would like to join you from here and answer your questions. I would like to start by answering the questions that you have pre-registered.

First, we have received questions regarding Netshop Supporters Co., Ltd.

Participant [Q]: Why did you decide to acquire Netshop Supporters Co., Ltd.? Also, please tell us how the PMI and post-merger integration synergies are progressing.

Takamadate [M]: Mr. Miyazaki, please explain the purpose of the acquisition.

Miyazaki [A]: The purpose of acquiring Netshop Supporters Co., Ltd. was to accelerate our e-commerce strategy, which we felt would give us a competitive advantage. We were aiming to strengthen the e-commerce function of Smaregi and increase its competitive advantage by acquiring Netshop Supporters Co., Ltd., which develops inventory and order management systems specialized for both e-commerce and offline, stores, in particular.

In addition, by providing a solution that links stores and e-commerce, we wanted to respond to the needs of store operators looking to strengthen e-commerce and the need for omni-channeling. In addition, we believe that by selling the POS system as a set, we can offer high-unit-price proposals that incorporate order receipt, inventory management, and CRM functions.

Takamadate [A]: I will explain the PMI and post-merger integration synergies.

Last December, we made Netshop Supporters Co., Ltd. a wholly owned subsidiary, and the PMI is progressing smoothly, with phases being implemented in stages.

Integration and optimization of systems and data infrastructure are underway, as is the development of marketing and sales strategies. Specifically, we are planning to finish the minimal linkage in the system and actually start sales and rebranding from this fiscal year.

As for the synergy part, we are already contributing to the ARR buildup, and in fact, the ARR for FY2025 reached JPY8.67 billion, far exceeding our target. Of that amount, the portion contributed by M&A was JPY670 million.

As for the future outlook, as stated in the materials, we will divide the business into two phases, and as for Phase II, which will start in H2 of the current fiscal year, we will aim to further enhance various functions and increase the unit price per customer through cross-selling and up-selling with POS. The basic perspective is the same as for payments, but if we increase the number of products offered to the POS customer base, cross-selling will probably become the axis.

In our business design plan for this fiscal year, we will actually start cross-selling and looking at the synergies. We expect the top-line growth to be enough to exceed the growth rate of the entire group.

Now, I would like to read out the next question.

Participant [Q]: In the financial results material, it says consolidated financial reporting began from FY2025 Q3. See page two for details.

Takamadate [M]: We have received a question as to which material you are referring to for details. Mr. Miyazaki, could you answer?

Miyazaki [A]: Yes. It refers to the notes in the table of contents on page two of the financial results material, in the boxed area. The M&A was announced at the timing of our Q2 financial results in December 2024, and consolidation began at the end of December. If you would like to trace the history of the Company from the past in more detail, please refer to the materials for Q2 and Q3 as well for a better understanding.

Takamadate [M]: Thank you very much. We will move on to the next question.

Participant [Q]: Could you tell us about the prospect of changing the listing market classification to the prime market?

Takamadate [M]: Mr. Miyazaki, could you answer this as well?

Miyazaki [A]: Yes. We are considering changing the market to prime, but the specific timing and other details are yet to be determined.

Takamadate [M]: Yes, thank you for your concise answer. Here is the next question we received via Zoom.

Participant [Q]: What has been the pace of increase in the number of merchants for the payment so far? What percentage of stores that become new POS register paying members will use your payment services? Could you also give us some clues about the future growth of payment ARPU?

Takamadate [A]: Regarding the pace of increase, our PAYGATE system has been steadily introduced over the past several years since its launch, and we have announced a figure of just over 14,000 companies by the end of FY2025.

The number of member companies is increasing steadily, and the acquisition of new customers, especially through cross-selling with POS services, has been a major growth driver. It may not be considered an increase, but as for acquisition, we have had more acquisitions that go over the growth rate of the business as a whole.

We have just acquired the Royal Gate business, and the customers from the Royal Gate days are being shifted to the current package plans. Although we are acquiring more companies than we have already acquired, the rate of growth in the number of companies itself is not as high as it should be.

This is the first time we have disclosed payment-related KPIs in this document, but we would like to gradually disclose appropriate KPIs in the future, and we are in the process of organizing them within the Company.

In terms of new acquisitions and the percentage of stores that become paying members of POS cash registers, we are thoroughly promoting a set of POS and payment proposals, and we have been able to cross-sell a significant percentage of these products.

As mentioned in the financial results material, in reality, the percentage of PAYGATE users who have used PAYGATE is about 15% of total POS users, and we expect this percentage to continue to increase.

Lastly, regarding ARPU, we do not believe that ARPU will increase significantly from the current level. For example, it will not double but will improve gradually, just like POS.

Next is the question received via Zoom.

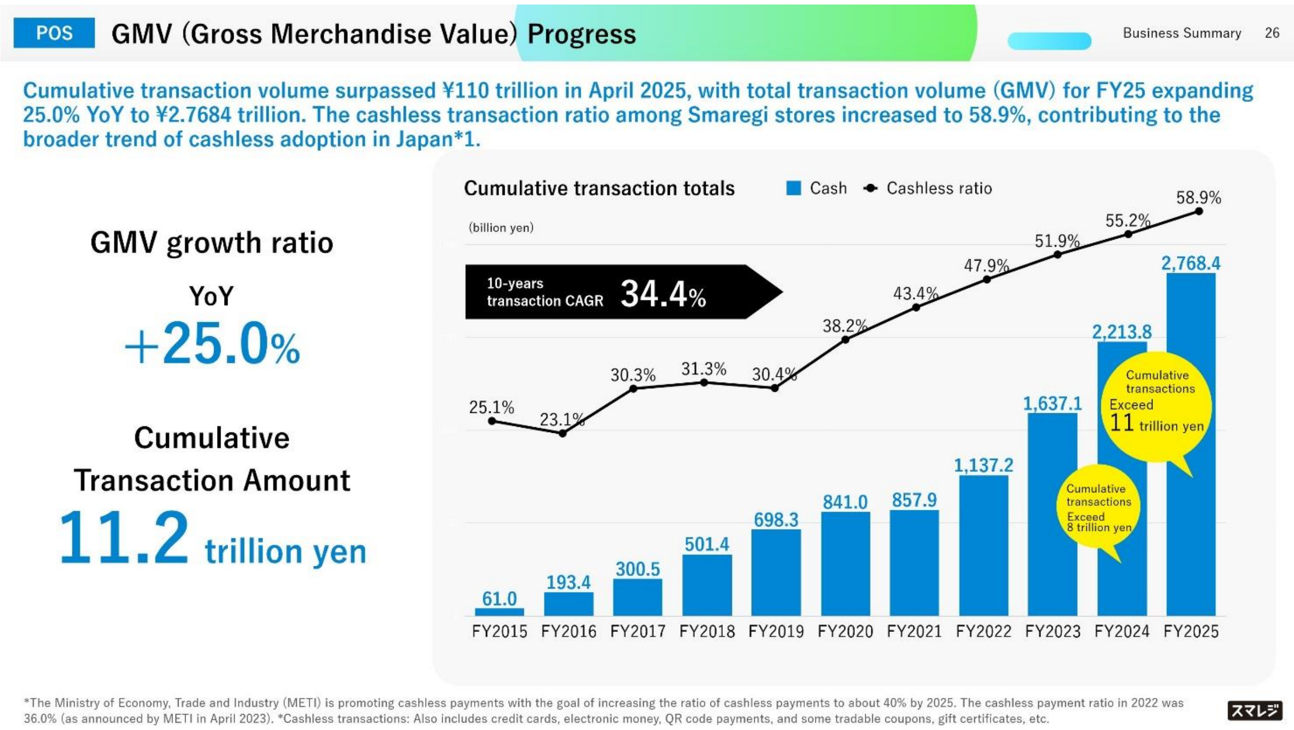
Participant [Q]: What are the reasons for Chairman Yamamoto's and Vice President Minato's resignations?

Takamadate [M]: Mr. Miyazaki, please.

Miyazaki [A]: Yes. It is difficult to explain. It has been 14 years since Mr. Yamamoto assumed the position of representative, and he has been saying for several years that it is time for a generational change. Mr. Yamamoto told us that management needs challenges.

I am about 10 years younger than him, but I am entrusted with the baton because he believes that I can take on many challenges, and he is looking forward to that. We plan to continue to ask for his support as an advisory board member. I don't know all the reasons for his stepping down, since I am not Mr. Yamamoto himself, the person who made the decision, so please allow me to respond in this way.

Takamadate [M]: Yes. Thank you very much.



Participant [Q]: I was wondering to what extent the disclosed GMV correlates with revenues. It's the GMV on page 26 of the financial results material.

Takamadate [M]: Could you take this question, Mr. Miyazaki?

Miyazaki [M]: By revenue, do you mean PAYGATE's revenue?

Participant [Q]: Yes, and how does it correlate to sales, including PAYGATE's revenue, and so on?

Miyazaki [A]: The GMV we disclose represents the total volume of transactions through the Smaregi POS, so there is a limited relationship with revenue.

On the other hand, the revenue generated from PAYGATE, our own payment service, is proportional to the GMV of the merchant. However, the GMV of this POS also includes many transactions from other companies' payment services.

Therefore, the GMV itself indicates the expansion of the scale of POS usage and is positioned only as a reference indicator, and we do not believe that there is a simple correlation, such as GMV growth equals payment sales growth.

On the other hand, the cashless ratio of stores using Smaregi is increasing year by year and currently stands at 58.9%. We intend to increase the degree of linkage with more profitable areas by further promoting the PAYGATE service and payment services.

Participant [Q]: Moving on to the next question, the growth in the number of paying stores seems to have weakened compared to the previous fiscal year. Could you tell us about your company's views and future measures?

Takamadate [A]: I will answer on this one.

The number of new subscriptions was relatively steady, but internal analysis showed that the net increase in subscriptions was slightly below the previous year's level, possibly due to a reaction to the increase in demand for the reopening in the previous fiscal year.

In the previous fiscal year, there was a full-fledged recovery in demand after COVID-19, and we believe that external factors, such as the temporary opening of new stores and active re-contracting, were significant factors. In addition, as a reaction from the relatively large sales we had in the previous fiscal year, we had slightly less sales in FY2025, especially for Q4.

On the other hand, the process of acquiring new customers itself has been favorable, and conversions from leads to contracts have been steady. Conversion rates have also improved considerably. There has been no major change in the churn rate as announced, so I think that the Company will continue to maintain a stable base.

Since the denominator is getting larger, the rate tends to decline, but we would like to continue to do our best to increase the number of new customers acquired.

Participant [Q]: Moving on to the next question, what percentage of new paying POS register customers per year are also engaged in the e-commerce business?

Takamadate [A]: I think the question here is how much synergy the acquisition of Netshop Supporters Co., Ltd. will have with that business. We were conducting a detailed investigation during the due diligence phase prior to the actual M&A, and we found that approximately 10% of our customers who had paid POS contracts were customers who could use e-commerce tools. In that sense, I think we have a considerable number of customers whom we can recommend and guide to the system of Netshop Supporters Co., Ltd.

We are planning to start full-scale cross-selling from this fiscal year, so we are now in the process of introducing the information to about 10% of the POS. As in the case of payment, we would like to make it a major growth driver by recommending new monthly POS contracts to new users and getting them to adopt the system.

Participant [Q]: Moving on to the next question, could you explain your opinion on the background of migration costs for customers from a third-party POS service?

Takamadate [M]: Mr. Miyazaki, could you answer?

Miyazaki [A]: About this, I apologize that the explanation was a little difficult to understand. To explain what a third-party POS is, I think there are several other companies that are developing their mobile POS business. We have received inquiries about what to do with the accounts following the withdrawal from the business, and we have purchased the accounts for those that we have decided to take over at Smaregi.

Takamadate [M]: Yes. Thank you very much. Now, I will continue with the next question.

Participant [Q]: Will the services of Netshop Supporters Co., Ltd. continue to be offered in the future, or will they be integrated into Smaregi?

Takamadate [A]: As we mentioned in the materials, we are considering rebranding, and we are planning to reexamine the service name and price range as well. Specifically, we are expecting to make some changes by the end of the current fiscal year.

However, what we are focusing on is how to make the system easy to use for Smaregi users, so we would like to set up the system to be as easy to use as possible, for example, in terms of the name and linkage among systems.

Participant [Q]: I understand that you did not win that many large projects in the last fiscal year, but have you set any targets for the year? I wonder if this is only a response to inbound leads.

Takamadate [M]: Mr. Miyazaki, could you answer?

Miyazaki [A]: The acquisition target is internal, but we are not allocating very much. This is because, by the time the contract is signed, the lead time for closing the deal will span about six months to five years. So, for the past year, we have been warming up leads and developing our internal organization in terms of how to close medium to large projects, and we think that we will gradually start to see results.

Regarding inbound leads, of course, there are many inbound leads, and in the past, we have been told that we cannot do this because of the customization, but if we can get a large number of inbound requests with a little customization, we will consider it, so we are now compiling a list.

We are also doing some outbound acquisitions at the same time, but we are still considering whether or not to take this step due to acquisition efficiency issues.

As mentioned in the medium-term management plan, we have begun to implement measures for medium- to large-scale projects from the previous fiscal year ended April 2025, and the pipeline for these projects itself is building up. However, it was difficult to reap the rewards during the previous fiscal year, the fiscal year ended April 2025. However, we are continuing to nurture that side of the business, and we expect to take it up at some point.

Participant [Q]: Continuing on, the Company will have support from an advisory board, but the Board of Directors will be a small elite. In your opinion, are there any areas of human resources that your company would like to strengthen? Is it your opinion that the current lineup is sufficient?

Takamadate [M]: Mr. Miyazaki, could you answer this?

Miyazaki [A]: Yes. There have been areas that Mr. Yamamoto and Mr. Minato would like to strengthen thus far. As for the newly added, or rather, newly appointed, area of payment service of Mr. Jibiki, it is the kind of area that we would like to strengthen, as we will have to work hard in the future.

At the same time, as another participant mentioned earlier, there was talk of a large-scale project. When we take on large projects, the bottleneck for our inbound sales force will be our sales force, so we would like to focus on this area.

Participant [Q]: Continuing on, what is the president's current vision for the area of AI?

Takamadate [M]: Mr. Miyazaki, please give us your current vision as the president.

Miyazaki [A]: As I mentioned in the growth potential material, we can easily divide it into two categories: internal efficiency improvement and reflection in products.

As for internal reflections, we have almost all of our own full-time employees providing customer support, and I think that streamlining and labor-saving in this area will be very effective. For example, I think it would be possible to create a system that would allow a new customer support person to quickly respond to a customer's request by having AI digest a record of 10,000 customer service calls. Until now, chatbots have been, how should I put it, not very good, creating a lot of branching and answering questions, but with the rise of generative AI, I think there will be a hundredfold difference in that area, and I think we can take advantage of that.

In the area of products, I believe that AI can currently cover sales forecasting, managing the operation, and other tasks that require a bit of thinking, such as those performed by restaurant and retail store managers, and I would like to enter this area in the near future.

In addition, the participation of Mr. Okada of ABEJA, Inc., a candidate for outside director, will provide us with new knowledge, and we will be able to share the latest case studies and keep up to date on such matters. With that in consideration, we would like to progress with the strategy that suits our company.

Takamadate [M]: Yes. Thank you very much. Now, moving on to the next question.

Participant [Q]: Would it be correct to assume the same ratio of advertising expenses for the next fiscal year as for the current fiscal year, 9.8% for the current fiscal year?

Takamadate [A]: As for the next fiscal year, I think there will be a slight increase. To explain the reason, as we are disclosing advertising expenses per every quarter, as you can see, advertising expenses have increased considerably, especially in H2 of the fiscal year ended April 2025.

I think advertising expenses are increasing, especially for the purpose of acquiring leads. As I have often said at this briefing, the improvement in the conversion rate from lead acquisition to conclusion has been progressing, and there is now much more room for investment in advertising and promotion.

Therefore, in H2 of the previous fiscal year, we stepped up advertising expenses for the purpose of acquiring leads, and although there was a busy season, we were able to acquire a large number of leads. This trend is expected to continue into the current fiscal year, and it will stay at that level in the current fiscal year, so the advertising expense ratio is expected to increase slightly, although I cannot say what percentage.

Participant [Q]: Moving on to the next question, it is regarding the cost structure. Can we assume that the basic cost structure of SG&A expenses will remain unchanged in the next fiscal year?

Takamadate [A]: This goes back to what I said earlier about advertising expenses. Although we mentioned that advertising expenses will slightly increase, we are, of course, not planning to double our advertising expenses, and I think it is safe to say that our basic cost structure will remain unchanged.

Okay, since there seem to be no more questions, I guess that's all for now.

This concludes the question-and-answer session. Thank you for your many questions.

Now, Mr. Miyazaki, may we have your closing remarks?

Miyazaki [M]: Yes. We had a successful first full fiscal year since I assumed the position of president. We appreciate your support. Please look forward to our continued growth.

Thank you very much for taking time out of your busy schedule to join us today.

Moderator [M]: Here is an announcement from IR. We also provide the latest IR information via our newsletter and LINE app. Please sign up for our monthly newsletter.

This concludes the presentation of the Q4 FY2025 financial results briefing. Thank you very much for watching to the end today. Thank you for your continued support.

[END]

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