



Smaregi, Inc.

Q3 FY2026 Financial Results Briefing

March 16, 2026

Event Summary

[Company Name]	Smaregi, Inc.	
[Company ID]	4431-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q3 FY2026 Financial Results Briefing	
[Fiscal Period]	FY2026 Q3	
[Date]	March 16, 2026	
[Number of Pages]	28	
[Time]	10:30 – 11:30 (Total: 60 minutes, Presentation: 16 minutes, Q&A: 44 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	4	
	Ryuhei Miyazaki	Representative Director
	Kohei Takamadate	Director
	Tetsuya Takahashi	Director
	Megumi Shikichi	General Manager of Administration

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Presentation

Shikichi: Hello everyone, it's time to start the meeting. Thank you for participating in the financial results briefing for Q3 of the fiscal year ending April 30, 2026, of Smaregi Inc.

As a quick reminder, here is today's agenda. The meeting begins with the report on the revised full-year earnings forecast. We will then move on to an overview of the Q3 financial results, and finally, we will discuss the third medium-term management plan, which was disclosed along with the financial results. After that, we will move on to a Q&A session and answer any questions you may have.

I will now introduce the speakers. Today's speakers include Mr. Miyazaki, Representative Director, as well as Mr. Takahashi, Director and General Manager of the Sales Division, who will be speaking for the first time.

Mr. Takahashi has been a driving force of the movements in the cashless payment industry. He spearheaded the AirPAY launch when he worked with Recruit. He enabled Apple Pay compatibility for the smartphone payment system for the first time in Japan. After joining us in 2023, he led the PMI of the payment processing business, which resulted in its return to profitability.

Currently, he oversees the entire sales department to vigorously promote cross-selling initiatives that encompass multiple products. He is in charge of the payment processing business, which is the growth engine of the Company. He will join us during the Q&A session to address questions from the audience.

First, Mr. Miyazaki will discuss an overview of the financial results. Mr. Miyazaki, please proceed.

Miyazaki: Thank you very much for joining us today for our financial results briefing. I am Miyazaki, Representative Director of Smaregi, Inc.

Late last week, in addition to our Q3 financial results presentation, we disclosed matters related to our growth potential, including our medium-term management plan, which outlines a new direction for our company.

Today, in order to make the most of your valuable time, I will limit my explanation to the first 20 minutes or less, focusing on key points. The remaining 40 minutes will then be reserved for Q&A and discussion. During today's Q&A session, as introduced earlier, Mr. Takahashi will be present, as well as Mr. Takamadate and me.

Please send us your lively questions not only about the direction of the business, but also about the momentum on the front lines of sales and the payment processing business. I expect to proceed to the question-and-answer session at approximately 10:50 AM.

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Notes

Transition to Consolidated Financial Reporting and Retrospective Restatement of Prior Periods

Smaregi, Inc. consolidated Netshop Supporters Co., Ltd. in December 2024, initiating consolidated financial reporting from Q3 FY2025 (January 2025). The Purchase Price Allocation (PPA) related to the acquisition has been finalized, necessitating a retrospective restatement of prior period figures. Consequently, certain figures in this material covering Q3 FY2025 through Q1 FY2026 differ in part from previously disclosed documents.

Definitions as noted in this document

Figures: Rounded down to the nearest unit of display
Ratios: Rounded to the second decimal place



Let me begin by discussing the revised forecast for this fiscal year, its background, highlights of the settlement, and our growth strategy for the third medium-term management plan.

Consolidated Forecast of the FY2026 (Plan)

Forecast of the FY2026 (Plan) 3

Conversion from outright sales of peripheral POS devices (Sales of products and others) to a subscription model (Monthly fees and others) is progressing faster than initially expected, leading to a revision of the full-year earnings forecast. Stock revenue is projected to expand by YoY +29.9%.

FY2026 Full-Year Consolidated Earnings Forecast

(May 2025 - Apr. 2026)

(Yen in millions)	Results FY2025	Plan FY2026	YoY	Previous Forecast	Change
Net sales	11,066	13,149	+18.8%	13,859	-709
Sales of products and others *2	3,048	2,763	-9.4%	3,518	-755
Monthly fees and others *2	7,663	9,957	+29.9%	9,911	+45
Operating profit	2,380	2,954	+24.1%	2,954	±0
Ordinary profit	2,362	2,954	+25.0%	2,954	±0
Profit	1,645	2,016	+22.6%	2,016	±0

Dividend Forecast

(Year-end Dividend)

	Results FY2025	Plan FY2026
Record Date	Apr. 30, 2025	Apr. 30, 2026
Profit per Share	85.46 yen	104.69 yen
Dividend per Share	15.00 yen	20.00 yen
Dividend Policy	17.6%	19.1%
Total Dividend Amount	288 million yen	

*1 A subscription service that provides POS peripheral devices on a monthly basis.

*2 The results for FY2025 differ from previously disclosed figures due to the retroactive restatement of past results following a change in the classification of Smaregi maintenance service fees. Note: Since the breakdown of net sales only shows "sales of products and others" and "monthly fees and others", the total of these two figures does not match the total net sales.



Please refer to page three of the financial results presentation.

We have revised our full-year sales forecast to JPY13.149 billion. This is because our business model is shifting to a stock-type business. Specifically, in sales of cash register peripherals, the shift from traditional buy-out to equipment subscriptions is progressing at a faster pace than planned.

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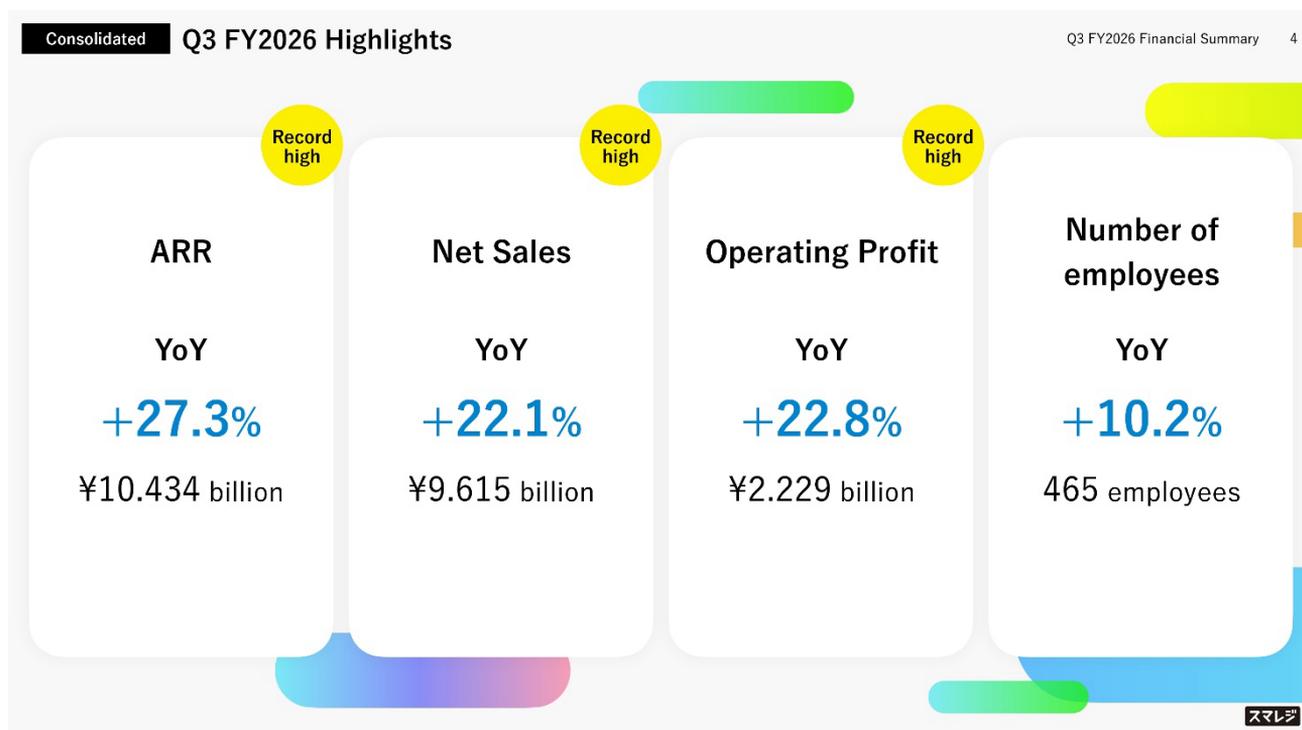
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As a result, equipment sales revenue, one of the flow-type businesses, will temporarily decline; however, we expect the stock revenue, such as monthly usage fees, to expand significantly, up 29.9% YoY. Please be aware that extremely positive changes are taking place in terms of the stability of the earnings base and the improvement of profit margins over the medium to long term.

As for the line items on the profit statement, we will not change the forecast we announced at the beginning of the period, and we will continue to maintain high profitability.



Performance highlights on page four.

ARR, which we position as our most important indicator, is placed at the leftmost position. The ARR grew strongly by 27.3% YoY, resulting in record-high sales and operating profit in Q3.

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Quarterly Net Sales hit a record high for the third quarter in a row, with YoY growth of +22.1%. Gross Profit expanded by YoY +31.4%, and Operating Profit grew by YoY +22.8%, absorbing the increase in SG&A Expenses.

(Yen in millions)	Q3 FY2026 May 2025 - Jan. 2026	Q3 FY2025 May 2024 - Jan. 2025	YoY	FY2026 Plan	Q3 FY2026 % achieved
Net sales	9,615	7,876	+22.1%	13,149	73.1%
Cost of sales	3,258	3,037	+7.3%	-	-
Gross profit	6,356	4,839	+31.4%	-	-
SG&A expenses	4,127	3,024	+36.5%	-	-
Operating profit	2,229	1,815	+22.8%	2,954	75.4%
Ordinary profit	2,238	1,802	+24.2%	2,954	75.8%
Profit attributable to owners of parent	1,530	1,222	+25.2%	2,016	75.9%

Earnings structure



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For more information, see the profit statement on page six.

In addition to the growth in sales, a noteworthy feature is gross profit, which is at 31.4%, growing at a stronger pace than sales growth. The increase in the subscription-sales ratio contributed to offsetting the increase in SG&A expenses.

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The optimization of the payment business led to an increase in current liabilities (accounts payable) and current assets (accounts receivable). Strong performance resulted in Net Assets increasing by YoY +23.0%, forming a stable financial base with an Equity Ratio of 69.2%.

(Yen in millions)	Q3 FY2026	Q3 FY2025	YoY	Q2 FY2026	QoQ
Current assets	9,784	7,400	+32.2%	9,251	+5.8%
Cash and deposits	7,209	5,688	+26.7%	6,806	+5.9%
Non-current assets	3,093	2,969	+4.2%	3,035	+1.9%
Total assets	12,877	10,369	+24.2%	12,287	+4.8%
Current liabilities	3,549	2,748	+29.2%	3,599	-1.4%
Non-current liabilities	413	371	+11.4%	416	-0.6%
Total liabilities	3,963	3,119	+27.0%	4,015	-1.3%
Total net assets	8,914	7,250	+23.0%	8,271	+7.8%
Total liabilities and net assets	12,877	10,369	+24.2%	12,287	+4.8%



Next is the balance sheet on page seven.

Total assets amounted to JPY12.877 billion. Current liabilities increased, but this was not due to borrowing; it was mainly due to an increase in accounts payable—other and other liabilities as a result of optimizing business operations, such as optimizing the timing of sales recognition in the settlement business.

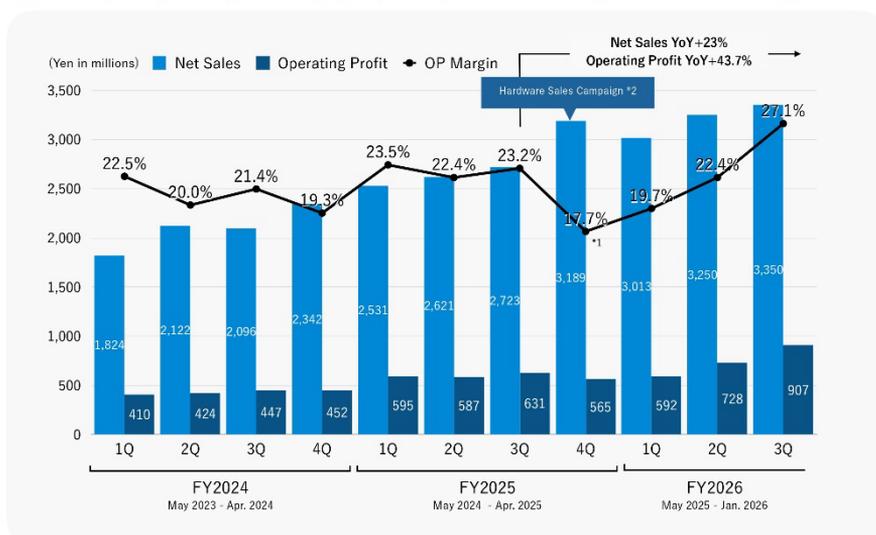
The equity ratio remained stable at 69.2%, indicating that we maintain a stable financial base.

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Quarterly Net Sales and Operating profit both renewed record highs for the second consecutive quarter!
Operating Margin improved by QoQ +4.7pt to 27.1%, despite continued aggressive S&M investment.



FY2026 3Q

OP Margin

27.1%

YoY
↑ 3.8ptQoQ
↑ 4.7pt

^{*1} The Q4 FY2025 saw a temporary deterioration primarily due to the combined impact of non-recurring expenses totaling approximately ¥74 million. These included ¥42 million for the transfer fees related to acquiring customers from a discontinued third-party POS service and approximately ¥32 million for the disposal costs of legacy payment terminals.

^{*2} In Q4 FY2025, we conducted a device sales campaign for existing customers, offering cash recyclers at special pricing.

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Next, please go to page nine.

Despite continuously aggressive marketing investments, the operating margin improved by 4.7 percentage points from the previous quarter to a high level of 27.1%. As in the previous quarter, both quarterly net sales and operating profit reached record highs in Q3.

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Subscription revenue grew by YoY +30.6% due to the stable growth of POS fee-paying store counts and cashless payment services. The shift from equipment sales to subscription (hardware subscription service) progressed, resulting in Sales of products and others revenue being YoY -0.1%.

FY2026 3Q

May 2025 - Jan. 2026

Subscription sales ratio

77.2%

Initial expense gross margin

Sales of products and others

24.6%

QoQ

↑0.9pt

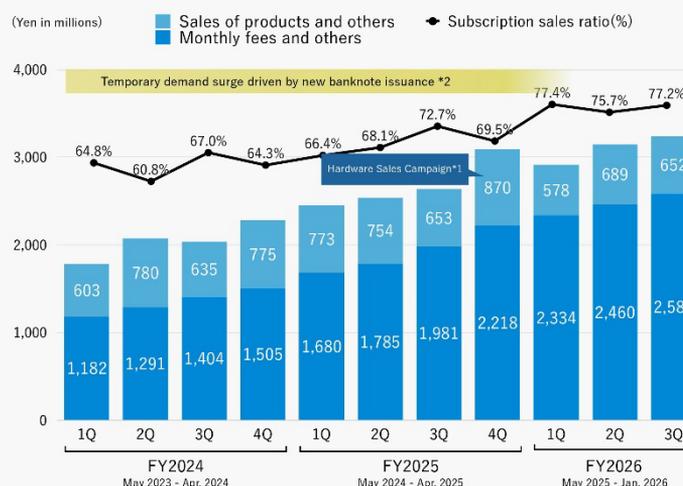
SaaS gross margin

Monthly fees and others

79.6%

QoQ

↑1.7pt



*In Q4 FY2025, we conducted a device sales campaign for existing customers, offering cash recyclers at special pricing. *2 Impact from the issuance of new banknotes (FY2024: approx. ¥200 mm; FY2025: approx. ¥150 mm). Note: "Smaregi maintenance service fees" will be reclassified to "Monthly fees and others" starting from Q1 FY2026. All figures in this document, including prior periods, have been retrospectively restated to apply this consistent definition.

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The factors supporting this high profitability are shown in the sales breakdown on page 11.

As mentioned earlier, the shift to equipment subscriptions and the steady rise in cashless payments have increased the subscription sales ratio to 77.2%.

As a result of our concerted efforts to transition to a leaner profit structure, I have one announcement to make.

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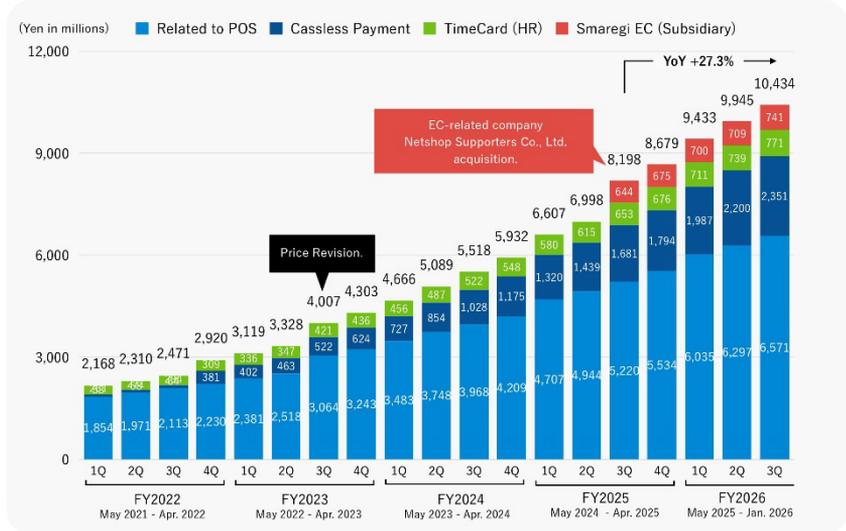
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ARR exceeded ¥10 billion! (As of end of November 2025).

Following the accumulation from M&A, cross-selling of POS x Payments drove steady growth of YoY +27.3%.

ARR※
¥10.43 bn

YoY **+27.3%**
 QoQ **+4.9%**



Note: Effective from the Q1 FY2026 earnings materials, "Smaregi maintenance service fees," which were previously recorded under "sales and products and others" have been reclassified as subscription fees to reflect their true nature as a continuous fixed-rate maintenance service. The ARR for "related-to-POS" in Q1 FY2026 included an impact of approximately ¥270 million resulting from this definition change. No retrospective restatement has been performed for prior periods. Retrospectively restated data is provided in the Appendix as a reference.

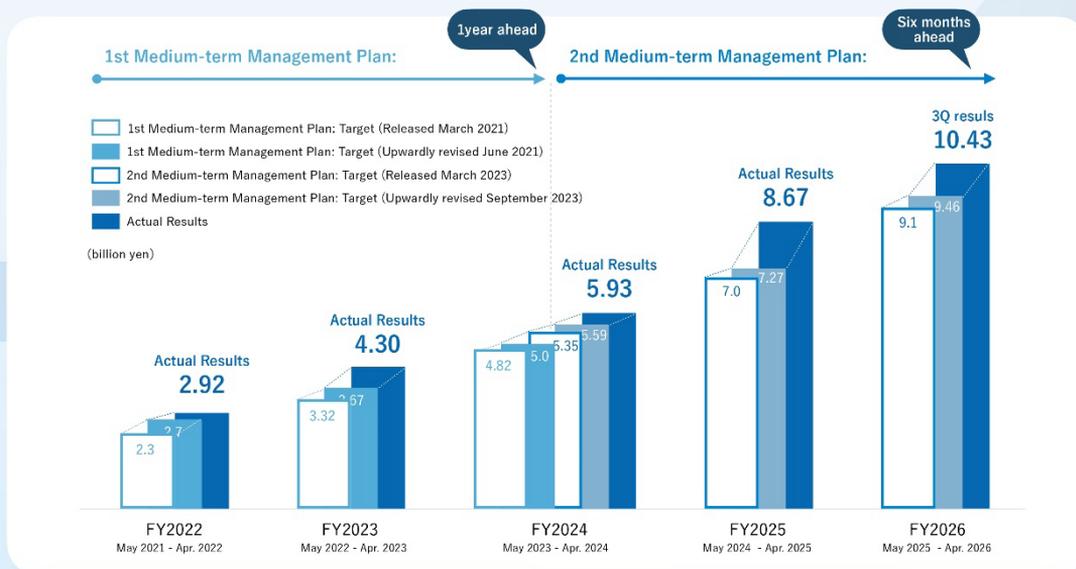


Please refer to the business status section, page 17.

Our most important performance indicator, ARR, has finally surpassed JPY10 billion as of the end of November 2025, Q3. Growth has been driven by strong cross-selling of POS and payment processing services, along with additional contributions from M&A, bringing ARR to JPY10.43 billion—an increase of 27.3% YoY.

Review of the 2nd Medium-term Management Plan (FY2024 - FY2026)

Achieved the final-year ARR target of ¥9.46 billion six months ahead of schedule, following consecutive upward revisions.



I would now like to talk about the outlook to reach our long-term vision of JPY30 billion in ARR, using some data and growth potential. Please refer to page seven of the third medium-term management plan: Growth Potential.

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The Company made multiple upward revisions in its first and second medium-term management plans and achieved the final-year target of JPY9.46 billion in ARR for the second medium-term plan six months ahead of schedule. We will maintain this momentum as we move into a new phase of growth.

Long-term Vision - VISION 2031 Targeting ¥30 Billion in ARR by 2031 4

VISION 2031

Targeting ARR of ¥30 billion by the fiscal year ending April 2031.

Having achieved our First and Second Medium-term Management Plans ahead of schedule—following two upward revisions—we have now launched our Third Medium-term Management Plan to drive the realization of our ¥30 billion ARR target.

ARR : Annual Recurring Revenue

Track Record and Future Roadmap

Plan for Increasing ARR

Fiscal Year	ARR (Billion JPY)
FY4/21	2.07
FY4/22	2.92
FY4/23	4.30
FY4/24	5.93
FY4/25	8.67
FY4/26	10.43
FY4/27	-
FY4/28	-
FY4/29	-
FY4/30	-
FY4/31	¥30 billion (Target)

Approximately 5x

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Please turn to page four of the document.

We are now starting our third medium-term management plan phase to achieve our long-term vision, VISION2031, targeting JPY30 billion in ARR by the fiscal year ending April 30, 2031.

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Medium-term Target
ARR
¥22.2billion

Aiming for 25%+ CAGR over the three-year period starting from FY4/2027.



ARR : Annual Recurring Revenue (年間経常収益)

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The three-year plan on page six is a concrete milestone. The plan is to maintain a high average annual growth rate of more than 25% over the three years starting in the fiscal year April 2027, aiming for an ARR of JPY22.2 billion in the fiscal year ending April 2029.

Growth Strategy: Four Growth Engines

"Operating System for Stores" Platform Strategy: Leveraging commerce data to expand into payment and financial services.

1 Expansion of Customer Base

Expanding active contracts | Increasing ARPU

External Environment

- Promoting Smaregi systems in response to potential consumption tax reductions
- Accelerating cloud adoption and digitalization
- Increasing labor shortages and rising investment in labor-saving solutions (Kiosks, Mobile Ordering)

Key strategic initiatives

- Expansion of target markets
- Promotion of industry-specific POS solutions
- Strengthening labor-saving and automation solutions (Kiosks, Mobile Ordering)
- Continuous enhancement of Sales & Marketing (S&M) investment
- "Operating System for Stores" strategy

2 Strengthening Payments and Fintech

Improving profit margins | Increasing ARPU

External Environment

- Promotion of cashless payments
- Expansion of inbound tourist consumption
- Transition of the tax-free system to a refund-based model
- Expansion of B2B cashless transactions
- Growing demand for complementary financing and fundraising support

Key strategic initiatives

- Strengthening integrated POS and payment offerings
- Establishing new revenue models (Tax-free refunds, Factoring)
- Improving take rates through optimization of the payment value chain
- Strengthening non-face-to-face (online) payment solutions

3 AI Strategy

Increasing ARPU | Enhancing productivity

External Environment

- Rapid evolution and adoption of Generative AI and AI agents
- Expansion of AI adoption and lowering of implementation barriers
- Progress of AI integration into social infrastructure and business operations

Key strategic initiatives

- Establishment of a company-wide AI promotion framework
- Product enhancement through advanced API integration and other measures
- Creation of products leveraging commerce data
- Strengthening AI talent and organizational development

4 Capital Allocation Strategy to Accelerate Growth

Accelerating growth pace | Enhancing capital efficiency

External Environment

- Acceleration of industry consolidation within store-facing solutions
- Management structure focused on capital efficiency

Key strategic initiatives

- Priority allocation of capital toward strategic M&A
- Capital discipline and shareholder returns targeting an operating margin of approximately 20%
- Commencement of preparations for transitioning to the Prime Market

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The strategy to realize this goal is the four growth engines described on page 9. We are evolving from a simple POS provider into a full store operating system: one that starts with commercial transaction data and extends across payment processing and financial services.

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Leveraging product enhancements aligned with policy and social issues as growth drivers to achieve sustainable growth as essential social infrastructure.

The second Ms.Takaichi Cabinet, established in February 2026, identified the promotion of Smaregi systems—capable of flexibly handling tax rate changes (e.g., grocery tax cuts)—as a key priority.

Response to Government Policies

Providing Smaregi systems compatible with multiple tax rate settings

Leveraging our strength in flexible tax rate management, we aim to capture replacement demand from legacy systems that cannot handle multiple tax rates, driving the shift to cloud-based POS.



Addressing Social Issues: Labor Shortages

Providing solutions to alleviate labor shortages

As labor shortages intensify, the shift toward labor-saving operations is accelerating. We provide solutions that enhance productivity through automation and efficiency.



Our growth is supported by current changes in the social environment. Please refer to page 10.

Currently, a change in the consumption tax rate is a priority item on the national agenda. Demand is rapidly increasing to replace on-premises POS with cloud POS like ours, which can flexibly handle multiple tax rates.

Driving the Mid-to-Large Scale Strategy (Target Expansion) and Market Segmentation (Industry-Specific POS).



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.

1. Mid-to-Large Scale Strategy

Expanding the primary target to businesses with up to 2-300 stores, aligned with market conditions and sales strategies. Improved development efficiency through AI enables us to address the strong demand for customization among mid-to-large scale customers.

Promoting industry-specific POS solutions through a segmentation strategy highly compatible with customization to proactively approach mid-to-large scale customers.

2. Market Segmentation Strategy: Promoting Industry-Specific POS

Aiming to provide continuous value-add and expand our customer base by addressing industry-specific challenges.



In order to leverage these tailwinds to achieve solid growth, we will increase the upper limit of the target market from the current 99 to 300 stores, as described on page 11.

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In addition, as already announced, we will secure new clients in the market with strong demand for customization. We will achieve this by promoting an industry-specific strategy to solve their unique challenges. One example is Shiseido and other cosmetics specialty merchandisers.

As a background, we believe that the environment is becoming increasingly favorable for us to meet the needs of individual companies and special industries, as the cost of development is decreasing significantly due to more efficient development using generative AI. Thus, after expanding the customer base, the payment processing and financing services will further increase profitability per customer.

Launch of Tax-Free Refund Business

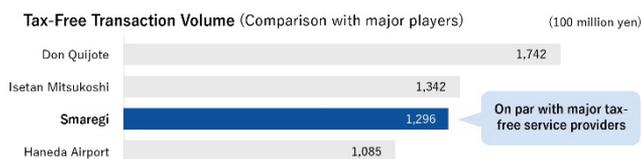
Strengthening Payments and Fintech Strategy 15

Launching tax-free solutions as a refund service provider, leveraging payment infrastructure in line with the introduction of the new refund-based system.

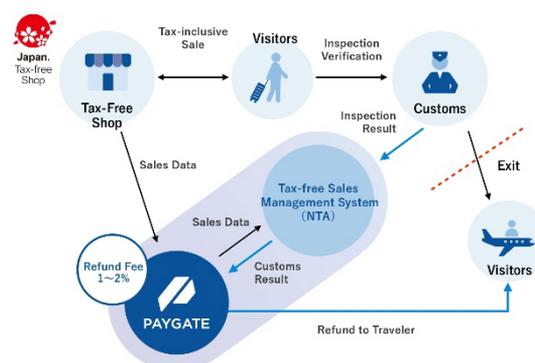
Japan's tax-free system changing to a refund model (Starting November 2026). In 2026, Japan's tax-free system is scheduled to shift from "tax exemption at the point of sale" to a "refund model" (international standard). Inbound payment and refund processing will be digitized.

- Launch refund operations as a Tax-Free Refund Service Provider.
- Provide tax-free application features (to improve operational efficiency for tax-free shops).

- Expansion of Gross Payment Volume (GPV)
- Revenue growth through increased refund service fees



*Don Quijote (FY ending June 2025), Isetan Mitsukoshi, Haneda Airport (FY ending March 2025)
 *Smaregi (Total from August 2024 to July 2025)
 *The government's "Tourism Nation Promotion Basic Plan" targets for 2030 are 60 million inbound visitors and 15 trillion yen in consumption.



Jumping to page 15, starting in November 2026, Japan's duty-free shopping scheme will shift to the internationally standard refund model.

In line with this change, our company plans to launch a new duty-free shopping solution as a certified refund operator. The total volume of duty-free transactions we have processed so far has reached approximately JPY130 billion, the same level as the major players in the duty-free market.

In response to this future inbound demand, the Company aims to further expand settlement transaction volume and create a new revenue base in the form of refunds and commissions.

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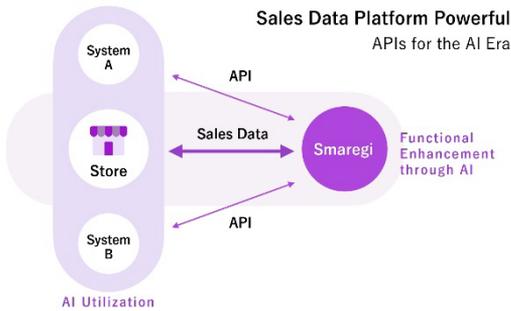


Continuously launching products that fully utilize sales data and generative AI to directly support the business growth of our customers.

Innovation of Product Value through AI Utilization

Product Enhancement for Store Management

In addition to enhancing the AI functions of the core Smaregi platform, we will provide a foundation for AI utilization by external partners through the Smaregi API, including the development of MCP, CLI, and other essential tools.



List of Key AI Features

AI Chat for Customer Success (CS)	Enabling 24/7/365 instant response	Sep. 2025
AI Report	Automated summarization and analysis of store data	Dec. 2025
BI Tool with AI	Providing an advanced analysis environment via natural language processing	Planned for First Half of 2026
Cross-Store Analysis (AI Report Extension)	Identifying success factors and providing improvement suggestions through cross-	2026 onwards
AI Voice Response for CS Phone Support	Automating phone inquiries and eliminating wait times	2026 onwards
Data Analysis AI	Analyzing accumulated big data	2026 onwards

Purpose

- **Enhanced Product Competitiveness:** Increasing ARPU by providing new added value
- **Automated Customer Support:** Optimizing support costs and ensuring consistent quality
- **Accelerated Development Cycles:** Reducing lead times through the use of AI agents
- **Expanded Customer Targeting:** Significantly increasing customization capabilities through improved development efficiency



AI-Native Organizational Development

We aim to improve productivity by evolving our engineering organization, grounded in company-wide AI talent and organizational development.

AI Talent and Organizational Development

Fostering an AI-Native Corporate Culture

Strengthening Investment in "People" and "Organizations" to Utilize AI Safely and Effectively

Hands-on Support by Specialized Teams

We have established an internal specialized AI team to provide hands-on support for implementing AI into the operations of each department. Beyond mere tool deployment, we focus on cultivating "operational leaders" within each team who can leverage AI to deliver tangible results.

Company-wide Literacy and Risk Education

In addition to sharing the latest AI use cases, we hold regular study sessions on risks such as security and intellectual property infringement. This ensures all employees have a proper understanding of these risks, creating an environment where AI can be utilized safely.

Evolution of the Engineering Organization

Establishment of an AI Agent Co-creation Model

Development speed has dramatically increased through the use of AI agents such as Claude Code. By shifting away from traditional coding-centric operations and refocusing on customer insights and solution design, we are building a product development framework with superior market competitiveness.

Our Vision

AI Agents	Autonomously executing coding, testing, and routine tasks
Engineers	Committed to identifying customer issues, architecture design, and enhancing User Experience (UX)

- Impact**
- **Reduced Development Lead Time:** Faster development cycles through the utilization of AI agents.
 - **Improved Company-wide Productivity:** Operational efficiency gained by standardizing AI utilization skills across all employees.



Next, I will discuss our AI strategy.

We have been steadily promoting the use of AI, including the release of an AI reporting function last year. We are also using AI outside of the engineering realm, such as labor-saving customer support and sales negotiation evaluation, by sending a special team to the divisions.

We have been working for quite a long time to build a highly functional API platform. Our affinity with generative AI is extremely high. We are capable of developing an API-based BI tool in about an hour. We will

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further strive to develop a fully autonomous retail operation system that is enabled by the power of AI that thinks and makes proposals.

This is possible by combining the API assets with the data infrastructure we have accumulated across a wide range of our products for POS, payment processing, e-commerce, timecard management, and so on.

Regarding the Transition to the Prime Market

Capital Allocation Strategy 22

We aim to attract a broad range of investors, enhance liquidity, and expand our shareholder base.

Commencement of Preparations for Application to Change Market Segment to the Prime Market

Smaregi, Inc. has been selected as a constituent of the "JPX Startup 100 Index," which comprises 100 of Japan's leading high-growth startups and is scheduled for launch in March 2026.

To maintain a virtuous cycle of investment and growth, we have commenced preparations to apply for a market segment change to the Prime Market. Through these initiatives, we aim to expand our investor base and strengthen our shareholder foundation, driving sustainable growth and enhancing corporate value over the medium to long term.



Listing Criteria Already Met

Revenue Base	✓ Aggregate ordinary profit of ¥2.5 billion or more for the last two years
Financial Condition	✓ Net assets of ¥5.0 billion or more

Objectives

- Expansion of the Investor Base (Prime Market and Dividend-paying Stocks)
- Market Revitalization through Enhanced Liquidity
- Positive Impact of Inclusion in the TOPIX Index
- Maximizing Credibility, Brand Strength, and Corporate Value



Finally, in order to accelerate future growth from a capital perspective, we have begun preparations to apply for reclassification to the prime market, as described on page 22. We will strive to maximize corporate value by attracting a wide range of investors.

I have discussed the current business situation for Q3 and the growth story for the third medium-term management plan.

We are presenting a great deal of information in this financial results presentation, together with materials on the financial results and the growth potential of the medium-term management plan. In order to maximize the use of your valuable time for dialogue, I have limited my explanation to highlights only.

I would be happy to follow up with you during the Q&A session to answer detailed questions about the progress of business KPIs and specific measures for each strategy that I skipped during my presentation.

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Question & Answer

Shikichi [M]: Now we will begin the Q&A session. We will do our best to answer as many questions as time permits. Please note that we may group together similar questions when providing our answers.

Now, Mr. Miyazaki and Mr. Takahashi, please proceed.

Miyazaki [M]: Okay, we will now have time for questions and answers. As mentioned at the start of today's briefing, Mr. Takamadate is here with us for the Q&A session, although he is not currently visible on the screen. Mr. Takahashi, our director, is also present.

As the former head of Recruit Payments, he spearheaded the launch of AirPAY and drove its early growth. Since joining Smaregi in 2023, he has led the PMI of our payment business to profitability and now oversees the front line of our payments operations as the general manager of the sales division.

For today's Q&A, I will address questions related to overall management, Mr. Takamadate will respond to marketing-related topics, and Mr. Takahashi will take questions regarding sales and payment services.

With that, I would like to invite Mr. Takahashi to say a few words.

Takahashi [M]: My name is Takahashi, Director and General Manager of the Sales Division. I assumed the position of the general manager of the sales division about a year ago; since then, I have been focusing on striking the optimal balance between the growth of the business and the growth of the organization.

To achieve an ARR of JPY30 billion, it is essential that we build a well-designed organizational structure. Simply adding more headcount would make it difficult for the organization to function effectively. Thank you for this opportunity.

Miyazaki [M]: I would like to start addressing questions posted by the participants. Let us begin with the questions submitted via the pre-registration form. We received several questions in advance, and I will read them aloud.

Participant [Q]: Question one: With the rise of AI agents for business use, what impact do you expect on your company? Please provide both positive and negative aspects.

Miyazaki [A]: I would like to take this question.

Let me start with a positive factor. Accurate business data is essential for AI agents to demonstrate their power. We accumulate commercial transaction data across a wide range of products, which include POS, payment processing, e-commerce, and time-and-attendance record management. We have also long maintained a well-developed API platform.

Because of this, our data infrastructure is highly compatible with AI agents, and we believe our position as an integration partner will only strengthen going forward.

On the negative side, there could be arguments such as AI replacing POS. However, POS is very tightly coupled with payment terminals, automatic change machines, printers, cash drawers, and other hardware. Furthermore, the connection to the payment network requires merchant screening, VISA, MasterCard, or other brand screening, and contracts. These are areas that cannot be replaced by software alone.

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The monthly churn is 0.47%. Switching costs are extremely high. For these reasons, we are not in the group that can be replaced by AI; rather, our platform provides exceedingly high potential that can be leveraged through the use of AI.

Participant [Q]: Second question: I would like to understand the impact of Anthropic’s latest generative AI on your business. In particular, how do you assess the risk that large enterprise clients may internalize SaaS functions, and how do you plan to differentiate yourself from major competitors such as Recruit Holdings, given the current competitive market environment?

Miyazaki [A]: This is Miyazaki, and I would like to continue addressing questions.

Regarding such in-house production risk, I want to note that POS is not simply software. As mentioned earlier, it is a product that is connected to various hardware and is associated with payment processing. We are talking about the tax rate, which may or may not be updated soon. POS is a product that covers tax handling, which allows no margin for error. It also supports hundreds of different industries and unique requirements.

If one compares the cost of developing such products in-house and continuously updating them against the cost of a monthly subscription of tens to hundreds of thousands of Japanese yen, I believe the incentive to develop POS on their own is quite low.

I would rather think that the more organizations utilize AI in their business, the higher the likelihood of these organizations choosing a platform that is preloaded with a data set that has been accumulated over time.

When it comes to differentiating ourselves from major competitors, I believe that our strengths lie in our ability to support multi-store operations and medium-to-large-scale retailers, as well as in the end-to-end integration of our platform. We provide POS, payment processing, e-commerce, and time-and-attendance data management solutions seamlessly on an integrated platform.

By leveraging our highly extensible APIs, which are well-suited for the use of AI, we can support retail operations at the scale of several hundred stores. This positions us differently from major players that offer free, general-purpose POS systems.

Participant [Q]: Third question: On March 13th, you announced that the Company will begin preparations to apply for an updated market classification in the Tokyo Stock Exchange Prime Market.

Under the Prime Market standards, companies are required to maintain a ratio of shares in circulation of at least 35%. I presume that, with your organization, the likelihood of conducting public offerings to comply with the standards is structurally high.

Miyazaki [M]: I would like to ask Mr. Takamadate to answer this question. Please note that he is not visible on the screen while he provides answers.

Takamadate [A]: Please allow me to participate without appearing on screen. This is Takamadate, and I will address the question regarding the Prime Market’s formal listing criteria.

In our case, although we have many founding shareholders, they are no longer on the board of directors, and holdings of 10% or less are not excluded from the calculation. As a result, our free float share ratio currently meets the Prime Market requirement.

We have received your comments regarding the PO, and we would like to make a decision accordingly, depending on the business situation.

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That's all from me.

Miyazaki [M]: Next, I would like to go through questions, as we received quite a lot through Zoom.

Participant [Q]: I assume you are envisioning business growth associated with the change in the tax exemption method, but can you give us an idea of the actual scale and timing of the business's impact?

Miyazaki [M]: I would like to ask Mr. Takahashi to answer this question, please.

Takahashi [A]: Hello, this is Takahashi. Let me address the question.

As Mr. Miyazaki mentioned earlier, the total volume of our duty-free transactions through Smaregi POS is approximately JPY130 billion a year.

The taxation method updates to accommodate the new refund method are scheduled to begin in November of this year. The commission for tax exemption is roughly the same as the commission applicable to the traditional method (before the refund method), and our research indicates that it is approximately 1% to 2%.

Hypothetically speaking, if we were to handle the entire JPY130 billion of transactions using the refund method, we would expect to generate potential sales of JPY1.3 to JPY2.6 billion. We will do our best to capture the entire share of JPY130 billion.

Participant [Q]: JPYC, the Japanese yen stable coin, is now fully operational and will be offering services for businesses starting next month. In addition, SBI Holdings is aiming to introduce JPYSC. How could your business be affected if stable coin payments are widely accepted?

Miyazaki [M]: Mr. Takahashi, could you take this question?

Takahashi [A]: At this point, we have not yet come up with a concrete plan for how to incorporate this factor into our business, and we are still in the research and study stage.

I think there are several advantages to using stable coin. In our business, PAYGATE sales generate tens of thousands of bank transfers with merchants every month. It may be possible to speed up the process and lower the cost. However, on the other hand, the recipients will also need to manage stable coin. We are still researching how we can incorporate this into our business scheme.

Participant [Q]: Often, we see online companies that make large investments in the first year of a medium-term plan and then plan for a large increase in sales but a decrease in profit. Does your company plan to incur any major upfront expenses in the next fiscal year to accelerate sales during the terms covered by the medium-term management plan?

These could include expenses for new and expanded initiatives, management of enterprise-scale clients, accommodation of industry-specific requirements, and preparation for updated duty-free shopping processing. How will these affect the cost factors in the first year of the medium-term management plan?

Miyazaki [A]: This is Miyazaki. Let me take this question.

As you can see from corporate history, we have not made any investments that would reduce profits to the point of digging into the red. As is evident from recent profit efficiency, we are entering a phase where both sales and profits will continue to increase. Therefore, I believe that the operating profit margin will remain stable, regardless of some upfront investment.

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On the other hand, if no major investment is made, the operating margin will increase structurally. We offer a variety of products: cash registers, payment processing, e-commerce, and so on. Since the scale of our business has grown, we have internally begun a detailed evaluation of business profits by segment.

The trend toward higher profit margins is particularly evident in the payment processing business. It is possible that we can aim for a higher profit contribution in this domain if we take the upcoming initiatives and secure solid profits.

You mentioned that you often see companies that have increased sales but no profit. Our KPI is ARR, not sales, so we have no intention of making such a pretense, and I don't think you need to worry.

Participant [Q]: I assume the increase in profit in Q3 is due to the decrease in advertising expenses. Is this temporary or ongoing? You mentioned last time that you were looking at the ROI of advertising effectiveness. How is that progressing?

Miyazaki [M]: I would like to ask Mr. Takamadate to answer this question.

Takamadate [A]: The question was about marketing and advertising.

Profit increased in Q3, while advertising expenses decreased slightly. If you're asking whether this is temporary, I would say the opposite: Q1 and Q2 actually contained many one-off factors. I hope you can understand this in that context.

The expenses in Q3 are normal compared to our standard. Please note that every year we allocate a high amount for sponsorship expenses for food festivals in Q4. I expect that to be the case this year as well.

We examine and validate advertising effectiveness in extreme detail. As for the return on the cost spent, we calculate the [inaudible] "enomics" for each of them and adjust cost-effectiveness appropriately. Recently, we have been taking a wide range of measures to promote awareness, and we are working to validate cost-effectiveness as well. I believe we should have 100% visibility starting next fiscal year.

Participant [Q]: You mentioned that this fiscal year was an investment period. How do you position the next fiscal term?

Miyazaki [M]: Did you write anywhere that this year is for investment?

Takamadate [M]: Active investment, maybe?

Miyazaki [A]: Active investment. What we are planning for the next fiscal year.

This is Miyazaki. Let me take this question.

We have used the term "active investment" in many different places. Compared to SG&A expenses for S&M from several years ago, we wrote about active investment, but our stance has not changed much since then. We expect SG&A expenses to increase at this level, or even slightly, in the next fiscal year and beyond, but we do not expect profits to decline at all.

Participant [Q]: What are your thoughts on AI disruption? What will happen to Smaregi? I would like to hear the president's thoughts on the strategy for Smaregi.

Miyazaki [A]: As addressed in the first question, there are multiple positives and negatives, but in terms of compatibility between AI and operating systems, I believe that Smaregi is probably quite far ahead of the game.

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Everyone in this industry tends to want to monopolize data. Some companies won't let customers download reservation data or transaction data at all. In our case, in contrast, all data is accessible. We have been building our data infrastructure for many years, and we already offer more than 100 APIs.

As a result, many of our multi-store clients extract and synchronize Smaregi data into their core systems to be used across their operations.

With AI, the kinds of tasks that used to cost tens of millions of Japanese yen to build into a core system will probably be achievable for around one million, which is essentially a hundredth of the cost. This will accelerate the trend dramatically. The initiatives we outlined in our medium-term management plan for mid- to large-scale retailers are exactly aligned with this acceleration.

To put it more concretely: suppose AI makes it easy to build certain systems, and someone wants to run a store. If Smaregi can handle everything for JPY5,000 or JPY10,000 a month, I would personally choose Smaregi.

On the other hand, if the system costs JPY100,000 a month or several million a year, people might try to build something with AI. But there are very few customers in that layer. So even if someone uses AI to create a POS system, I believe customers will still choose us.

Participant [Q]: Do you have a breakdown of the ARR targets per business domain for the FY2029 ARR of JPY22.2 billion? If not, how do you envision the growth of each business? Also, if possible, what are your goals for the next three years for the currently disclosed KPIs?

Miyazaki [M]: I would like to ask Mr. Takamadate to answer this question.

Takamadate [A]: The question was about the medium-term management plan.

Yes, we do have a breakdown of the ARR of JPY22.2 billion per business domain that we use internally. The figures are an accumulation of subset factors; that said, we don't disclose these numbers.

Overall, our plan is based on organic business growth. I hope you will anticipate that we aim to add to the growth elements that Mr. Takahashi noted earlier: duty-free business transactions, funds, and the expansion of AI functions.

As for the currently disclosed KPI targets for the next three years, I am sorry, but the only information we are disclosing now is the ARR of JPY22.2 billion. Any additional information that can be disclosed will be provided on a case-by-case basis.

Participant [Q]: I anticipate you have different competitors for different business domains. Can you name them?

Miyazaki [M]: Can I ask Mr. Takahashi to cover this one?

Takahashi [A]: This is Takahashi. Let me take this question.

For the POS domain, I have the impression that AirREGI by Recruit is most often mentioned during business meetings with customers when they compare services. On the other hand, I believe that cloud POS is a growing field. Recruit is our competitor and also a key player with whom I expect to work together to expand the industry further.

As for the payment processing business domain, AirPAY, which I developed, as well as other credit card companies, can sometimes be colleagues to work with, while at other times they can be our competitors with whom we compete in friendly rivalry. I think it is tough to say who is an enemy or a friend.

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That is all from me.

Participant [Q]: You made a downward revision to the sales forecast. Is this temporary? Are there any changes taking place that could affect the next fiscal year and beyond?

Miyazaki [M]: I would like to ask Mr. Takamadate to answer this question.

Takamadate [M]: The question was about the sales revision that I announced at the beginning of this presentation, and I have another similar question that I would like to answer as well.

Participant [Q]: The other thing is that, in the revision of the full-year forecast, I believe the sales forecast was revised downward due to a decrease in buyouts as the subscription ratio increased. In this case, I thought operating profit would go up, but is it simply because you have a conservative viewpoint that you left the profit plan unchanged?

Takamadate [A]: I would like to address these two questions regarding the revision of the sales forecast.

First, regarding the question of whether this is temporary, as noted in the second question, please note that there has been a significant shift in the ratio from equipment purchases to subscription services. I would evaluate that this is not a temporary movement, but a trend.

In our originally announced fiscal targets, we had assumed that sales would be made through subscriptions, but the ratio of subscriptions to total sales was almost double the ratio we had assumed at the beginning of the fiscal year. This movement resulted in a decline in sales of POS equipment. I estimate that this trend will continue. We hope that our clients enjoy the advantages of the new plan with enhanced ease of use.

As for the revision of the forecast, we only adjusted net sales and not profit. As I mentioned earlier, the only major deviation from our assumptions was in sales. The ratio of revision falls under the criteria that require us to publish a revised forecast. Nonetheless, we decided to disclose exactly where and by how much we deviated from our original forecast.

We did not revise the profit forecast because it is within our expectations, and the trend has not changed in any way, so there is no need to revise it.

Participant [Q]: I have a question for Mr. Takahashi.

As general manager of the sales division, you are in charge of the entire sales department. Please share some of the activities you have been engaged in since you assumed the position. Also, your organization is trending toward expansion; do you have any plans to update the number of recruits, for example, due to the rise of AI?

Takahashi [A]: This is Takahashi. Let me take this question.

A year ago, I began to manage the entire sales division and have been focusing on two main things. One is to enhance cross-selling. We call it “cross-sell first” internally. Our sales measures reflect this policy. The other is to strengthen the management system.

To boost our cross-selling capability, as noted in the report on the financial results and the medium-term management plan, enhancing the unit price per customer is one of our key strategies to help us reach our goal of JPY30 billion. As Mr. Takamadate discussed earlier, I believe that the major shift from the purchase model to the subscription model is evident here.

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The second focus is to strengthen the management system. As of now, approximately 180 management members serve in the sales division. It is indeed not possible for me alone, even with a few upper-level managers, to oversee everyone. That said, I believe it is essential to elevate section chiefs or managers, who work closely with staff in the field, in order to cultivate the organization toward the goal of JPY30 billion.

Lastly, if you ask whether the rise of AI impacts the number of hires, of course, we probably don't plan on hiring as many people as we have in the past. We are currently reviewing our hiring policy, and we aim to proceed carefully.

AI is already in use, for example, in the sales field, in preparation for business meetings, and in many other areas. Since productivity per worker has been rising considerably, considering that fact, I would like to proceed with appropriate hiring.

Participant [Q]: I understand that AI is saving manpower, but do you expect to revise the number of people you employ? If so, when and to what extent do you anticipate manpower savings?

Miyazaki [A]: This is Miyazaki. Let me take this question. The question was about the number of new employees.

In the current fiscal year, we stopped hiring almost all junior and middle management in development and other areas. However, performance has not dropped at all; in fact, it seems to have gone up.

On the other hand, as for what will happen in the next fiscal year and beyond, as I mentioned in the AI strategy section of the medium-term management plan, we are making good progress in reducing the number of employees, especially in the area of customer support.

ARR is increasing by about 30% in YoY, and I think that means that the number of clients is increasing by that much. I anticipate we will only need to hire a small number of people.

In particular, to be specific, we use email, chat functions, and phone for customer support. As for email, productivity has increased about fivefold by using so-called "lag" to feed customer interaction history and other data. I expect this area to be close to zero. The same goes for chat. Pretty much the whole process can be eliminated since the correspondence history is available.

To be honest, I want the phone route to disappear. That said, AI and systems cannot fully replace it. Some clients don't have a high level of literacy in these areas, so I would say half of the phone calls will remain.

Overall, we believe that while the Company is growing, we will be able to keep hiring at a relatively low level.

Participant [Q]: You did not specifically mention this in the presentation, but I have a question about the OS fund for retailers that was described in the reference for the medium-term management plan.

In the medium-term management plan covering Q2, as presented at the past financial results meeting, you stated that M&A was an important measure. I expect that this "fund" applies to that. Are the results of these funds taken into account in the ARR plan that you presented to us?

Miyazaki [A]: This is Miyazaki. Let me take this question.

As you said, we implemented the CVC investment called Smareji Ventures. We renamed it because the contents are mostly M&A or business transfers. That is why we labeled it as the "OS fund for the store." This is partially because the main theme of the medium-term management plan has changed.

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The question is whether the ARR plan includes this outcome, but it does not. As Mr. Takamadate discussed earlier, I think we can aim for organic growth of a CAGR of up to 25% or higher. If we can add M&A, I think it will be 27, 30, or something like that.

Participant [Q]: Your organization has been focusing on medium-sized clients, but recently, medium- or large-scale clients have been increasing. In this case, is it necessary to review your current sales style? Are there any examples of AI-based services that other companies are offering ahead of you in the market?

Miyazaki [M]: Since this is sales-related, I would like to turn to Mr. Takahashi for the answer, please.

Takahashi [A]: This is Takahashi. Let me take this question.

Regarding your first question, sales style, and whether we need to review our current direction as we aim to capture more medium/large clients, yes, I believe we need to revise our sales style. However, to be more accurate, I would like to phrase it as that we need to increase the number of sales reps strategically targeting medium/large-scale clients, rather than instructing all the sales reps to target medium/large-scale clients.

When it comes to medium/large-scale clients, they naturally have more complex requirements. Various requests will increase, such as increased connection requirements for their unique core systems. I believe that understanding of the existing system is critical, and the sales approach should be customized because of that aspect.

Currently, we have a dedicated scheme to address this issue; however, we want to develop it further.

The second question was this: Are there any examples of AI-based services that other companies are offering ahead of you in the market?

I'm unsure if the question is related to services we offer or our sales activities that leverage the power of AI. Allow me to rephrase your question as how we can enhance our sales activities by integrating the power of AI. I have the impression that, at this moment, AI is versatile enough to increase productivity in sales operations.

Outside of sales activity, there is a case of implementing AI in hiring interviews, so perhaps there will be cases in the future where AI is used for business negotiations. On the other hand, customer requirements, especially with regard to POS, vary considerably depending on the type of industry and type of business. We still need to work to retrieve deep information, so I believe AI has some limitations.

That is all from me.

Participant [Q]: You mentioned that customers are shifting from equipment purchase to subscription. How many customers are choosing the subscription model? Has the subscription model become the main type now?

Miyazaki [M]: Mr. Takahashi, could you take this question as well?

Takahashi [A]: This is Takahashi. Let me take this question.

We have not disclosed specific figures, and I would like to refrain from doing so. If you are asking whether the subscription model is a majority, no, it has not yet reached the 50% level.

For your reference only, roughly half of our new business negotiations are with new business owners. We believe that new business owners have a strong affinity for the subscription model, as they tend to keep initial investment as low as possible when compared to existing customers who want to add another retail location.

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That's all from me.

Participant [Q]: Please provide additional details on the reasons for the downward sales revision. You mentioned the growth of SaaS; do you see any impact from AI?

Miyazaki [M]: We have addressed a similar question. Mr. Takamadate, can you cover this, please?

Takamadate [A]: The reason for the downward revision is a shift from a purchase model to a subscription model, as I discussed earlier. There is absolutely no impact from AI, as you noted.

Although currently I see no evidence of impact from AI, and I understand that our products are hard to replace, that said, as the external environment is dramatically changing with the rise of AI, we, the management team, will proceed with a medium- to long-term perspective, paying sufficient attention to the situation.

Participant [Q]: Regarding the consumption tax reduction, you mentioned that compliance with multiple tax rates is progressing, but I assume that demand will not pick up particularly significantly.

Miyazaki [A]: In terms of special demand last time, there was the reduced tax rate, but I think the aspect of supporting the introduction of cash registers for stores that had not yet installed them was very significant.

On the other hand, this time the cash registers are in place to some extent, so, as you say, I am not sure if demand will get a big boost.

The government is still concerned about multiple tax rates and flexible tax handling, so I think we will see some kind of movement toward the widespread use of cloud POS cash registers. Therefore, since we are in the middle of the market, we would like to catch such a trend and ride it.

Participant [Q]: When do you plan to apply to the Prime Market? Do you have a specific timeline?

Miyazaki [M]: I would like to ask Mr. Takamadate to answer this question.

Takamadate [A]: Thank you for your question, which is difficult to answer.

This information is included in the medium-term management plan. What we have announced is that we will make preparations, but I am sorry, I hope you can use an analogy, because we will start preparations when we enter the period stipulated by the medium-term management plan. Thank you.

Participant [Q]: What exactly is your store's OS strategy, and what is your business model? What kind of product do you envision? What are the benefits for the retailers?

Miyazaki [A]: Thank you.

The OS strategy for the store was something I had brought up for a while in my financial briefings, starting about a year or two ago. When people outside describe us, we are pretty much the "cash register company." But as I mentioned, we handle cash registers, payment processing, e-commerce, timekeeping cards, and more.

For example, there are 150 to 200 mini apps that our clients can use on our API, such as ice inventory management, CRM, and other applications available on the app market.

In other words, we have almost a full set of retail operation systems necessary to run a store. We take all available systems in a single package, and with the emergence of AI, the speed accelerates.

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For example, the dashboard will show the sales of the smart cash register. E-commerce sales will be provided. Payroll is calculated by timecard, and labor costs are paid. Cash flow will be generated. CPA for ads and that kind of performance is presented. That's what I envision. After all, a cash register cannot be replaced, and that is why we used the phrase "OS strategy for the store" wherever we can.

Since we already have almost the entire lineup of business systems for stores, we wrote the store's OS as a worldview that we could handle if we took advantage of the abundance of these products and added a smart cash register.

That's all from me.

Participant [Q]: You think that you do not see that much demand from the consumption tax cut, but is it included in the budget for the next fiscal year?

Miyazaki [M]: I would like to ask Mr. Takamadate to answer this question.

Takamadate [A]: Page 10 of the mid-term budget, or I think it is what we have included in one slide, but it is not included in the budget for the next fiscal year to a large extent. This is because there are still some uncertainties in the situation.

It is not that we are adding significantly this time. However, what is expected to happen is that retailers who are still using cash registers that cannot easily handle tax rate updates and so on will accelerate their switch to a cloud POS system like ours.

With that, I would say that the main focus could be on existing large accounts. We expect that a certain number of user replacements will occur, but we have not factored this into the medium-term management plan to a large extent.

Miyazaki [A]: We have already included almost nothing in the budget for the next fiscal year.

Takamadate [M]: Yes, that's right.

Miyazaki [A]: I didn't include it at all because it is an uncertain factor.

Thank you for all your questions. The question-and-answer session is now concluded. Thank you for your many questions.

Finally, I would like to offer a few words. Today, we are pleased to announce our third medium-term management plan. We will do our utmost to achieve an ARR of JPY22.2 billion over the next three years.

Smaregi is clearly transforming from a simple POS register provider to a retail operating system provider. We will establish the store's operating system as a commercial transaction database that utilizes AI, and we will aim for an ARR of JPY30 billion as an extension of this base. We look forward to your continued support.

Thank you very much for taking the time out of your busy schedule to participate.

Shikichi [M]: We have an announcement from the IR department. We provide the latest IR information via our newsletter and online. Please subscribe to our monthly newsletter.

This concludes the financial results briefing for Q3 of the fiscal year ending April 30th, 2026. Thank you very much for watching until the end today. We look forward to your continued support.

[END]

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