



Smaregi, Inc.

Q4 FY2026 Financial Results Briefing

June 15, 2026

Event Summary

[Company Name]	Smaregi, Inc.	
[Company ID]	4431-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q4 FY2026 Financial Results Briefing	
[Fiscal Period]	FY2026 Annual	
[Date]	June 15, 2026	
[Number of Pages]	26	
[Time]	10:30 – 11:23 (Total: 53 minutes, Presentation: 14 minutes, Q&A: 39 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Ryuhei Miyazaki	Representative Director
	Kohei Takamadate	Director
	Tetsuya Takahashi	Director

Presentation

Moderator: The scheduled time has come, so let us begin. Thank you very much for participating in the Q4 FY2026 financial results briefing of Smaregi, Inc.

Let me start by outlining today's agenda. First, we will explain the summary of our full-year financial results. Next, we will discuss our earnings outlook, followed by a Q&A session.

Mr. Miyazaki, you may now have the floor.

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

Late last week, we announced our full-year financial results for the fiscal year ended April 2026. To make the most of your valuable time today, I will focus my presentation on the highlights and keep the first half of this briefing to just under 20 minutes. I will skip the details regarding our specific business operations and KPIs and instead focus on our financial results for the fiscal year ended April 2026, the changes in our earnings structure, and our earnings outlook for the fiscal year ending April 2027.

We will use the remaining time for the Q&A session and discussion. Three members of our Board of Directors will be available to answer questions today. Please feel free to ask a wide range of questions, not only about our overall business strategy, but also about the situation on the ground and our payment sector strategy. We expect to move on to the Q&A session at around 10:50 AM.

All right, I will now explain our financial results for the fiscal year ended April 2026 and our business plan for the fiscal year ending April 2027.

P3	FY2026 Financial Summary
P20	Business Summary
P35	Business Plan for FY2027
P39	Appendix

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

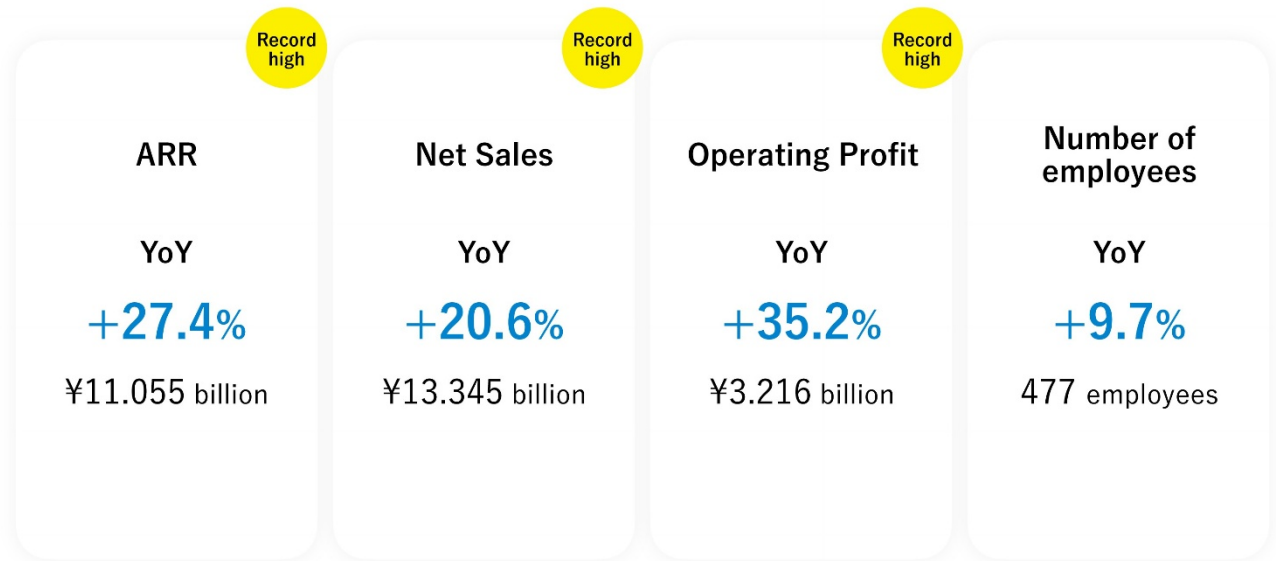
Ratios: Rounded to the second decimal place



First, please turn to page two of the presentation material.

Following the acquisition of Netshop Supporters Co., Ltd. as a subsidiary, we have transitioned to consolidated financial reporting starting Q3 of the fiscal year ended April 2025.

In addition, as the accounting treatment associated with the acquisition of the subsidiary has been finalized, we have retroactively adjusted certain past figures. Please keep this in mind as you read the subsequent explanations.



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Continuing on, please turn to the highlights of our financial results on page three.

For the fiscal year ended April 2026, ARR, which is our most important metric, reached JPY11,055 million, up 27.4% YoY.

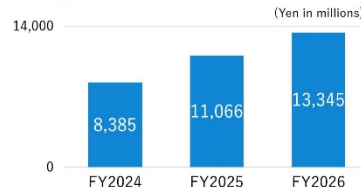
Both net sales and operating profit grew significantly, with both figures reaching all-time highs.

The number of our employees also increased, as we continued to strengthen our organization to support future growth.

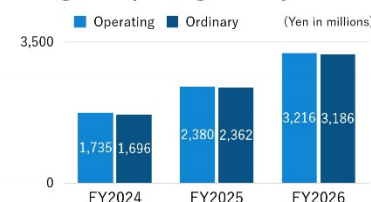
With 13 consecutive years of revenue growth and 4 years of profit growth, FY2026 hit another record high. Monthly recurring revenue (MRR) expanded by +31.7%, driven by our strategic shift to a hardware subscription model.

(Yen in millions)	FY2026 May 2025 - Apr. 2026	FY2025 May 2024 - Apr. 2025	YoY	FY2026 Plan	FY2026 % achieved
Net sales	13,345	11,066	+20.6%	13,149	101.5%
Sales of products and others *2	2,823	3,049	-7.4%	2,763	102.2%
Monthly fees and others *2	10,090	7,664	+31.7%	9,957	101.3%
Operating profit	3,216	2,380	+35.2%	2,954	108.9%
Ordinary profit	3,186	2,362	+34.9%	2,954	107.9%
Profit attributable to owners of parent	2,228	1,645	+35.5%	2,016	110.5%

Changes in Net Sales (Yen in millions)



Changes in Operating/Ordinary Profit (Yen in millions)



*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.



Continuing on, please turn to page four.

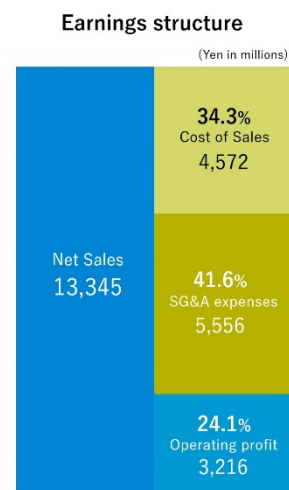
For the fiscal year ended April 2026, we achieved our 13th consecutive year of revenue growth and our fourth consecutive year of profit increase, with both net sales and profits exceeding our full-year targets.

The highlight of our financial results is that, in addition to the surge in sales, profit growth driven by the change in our earnings structure exceeded revenue growth.

With regard to POS peripheral devices, the shift from onetime sales to a subscription-based model gained momentum, resulting in significant growth in monthly recurring revenue. This shift will lead to improvements in the gross profit margin and operating profit margin going forward.

Driven by the expansion of recurring revenue, net sales continued to grow, up 20.6% YoY. Due to a shifting revenue mix and improved gross profit margin, profit growth reached +35.2% YoY—outpacing revenue growth and demonstrating enhanced profitability.

(Yen in millions)	FY2026 May 2025 - Apr. 2026					FY2025 May 2024 - Apr. 2025	YoY
	1Q	2Q	3Q	4Q	Total		
Net sales	3,013	3,250	3,350	3,730	13,345	11,066	+20.6%
Cost of sales	1,029	1,134	1,095	1,313	4,572	4,305	+6.2%
Gross profit	1,984	2,116	2,255	2,416	8,772	6,760	+29.8%
SG&A expenses	1,391	1,387	1,347	1,428	5,556	4,380	+26.8%
Operating profit	592	728	907	987	3,216	2,380	+35.2%
Ordinary profit	595	739	903	947	3,186	2,362	+34.9%
Profit attributable to owners of parent	385	502	642	697	2,228	1,645	+35.5%



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Page five shows our statement of income.

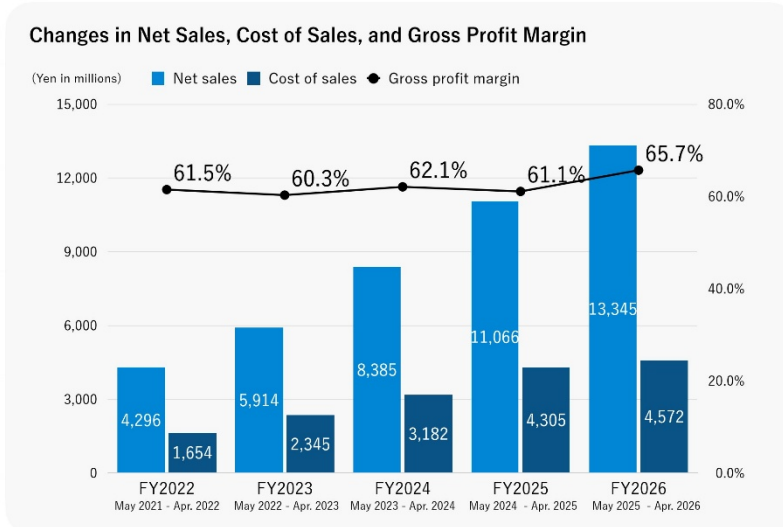
Net sales increased by 20.6% YoY to JPY13,345 million, driven by growth in recurring revenue.

Surge in cost of sales was limited to 6.2%, while gross profit rose 29.8% YoY, outpacing revenue growth.

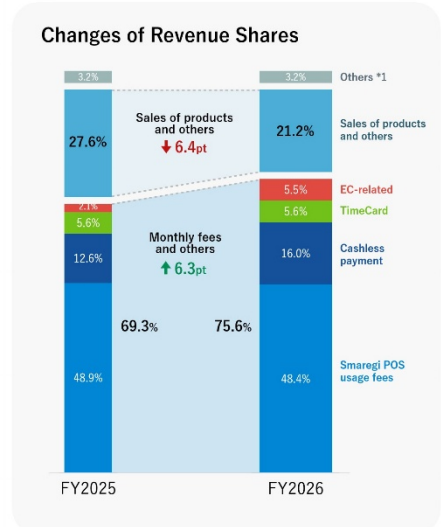
Although SG&A expenses went up due to expanded hiring and marketing investments, these were offset by growth in gross profit, resulting in a 35.2% YoY jump in operating profit.

In other words, we view this as a year in which we were able to achieve profit growth through improved profitability, even as we continued to invest in growth.

Increased adoption of hardware subscriptions accelerated the shift from upfront equipment sales to monthly recurring revenue. Cost of sales was contained to +6.2% YoY, lifting the gross profit margin to 65.7%.



Note: Cost of sales primarily consists of hardware procurement, server infrastructure, development labor, transaction processing (including SIM connectivity), and maintenance costs.



*1 Customization, system development, SES (Smaregi TechFarm).

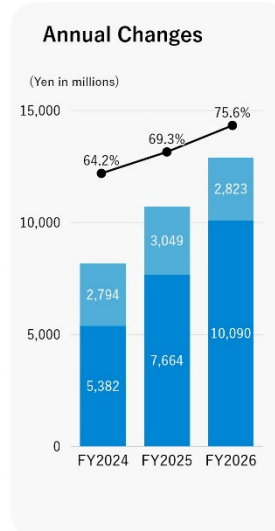
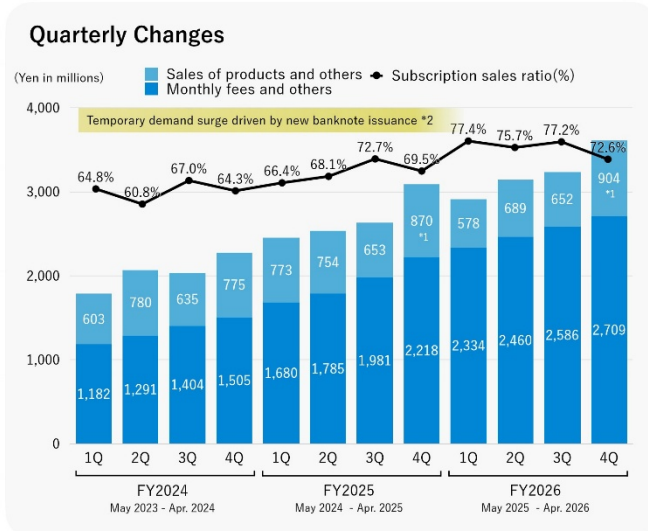


I will provide additional details regarding the changes in cost of sales and gross profit margin on page six.

The reason for the restrained growth in cost of sales is the shift in the revenue mix. As the shift from onetime sales to a subscription-based model in the area of POS peripheral devices progressed, the proportion of revenue obtained from MRR went up.

As a result, our gross profit margin improved to 65.7%. We are not only seeing higher sales, but we are also shifting toward a more profitable revenue mix.

Monthly recurring revenue (MRR) continued to grow strongly, up 31.7% YoY. Despite a temporary surge in sales of products and others in 4Q, the full-year average ratio of recurring revenue steadily improved to 75.6%.



FY2026
May 2025 - Apr. 2026

Subscription sales ratio
75.6%

Initial expense gross margin
Sales of products and others

24.3%

YoY
↓1.6pt

SaaS gross margin
Monthly fees and others

78.6%

YoY
↑1.7pt

^{*1} Device sales campaign offering cash recyclers to existing customers 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.



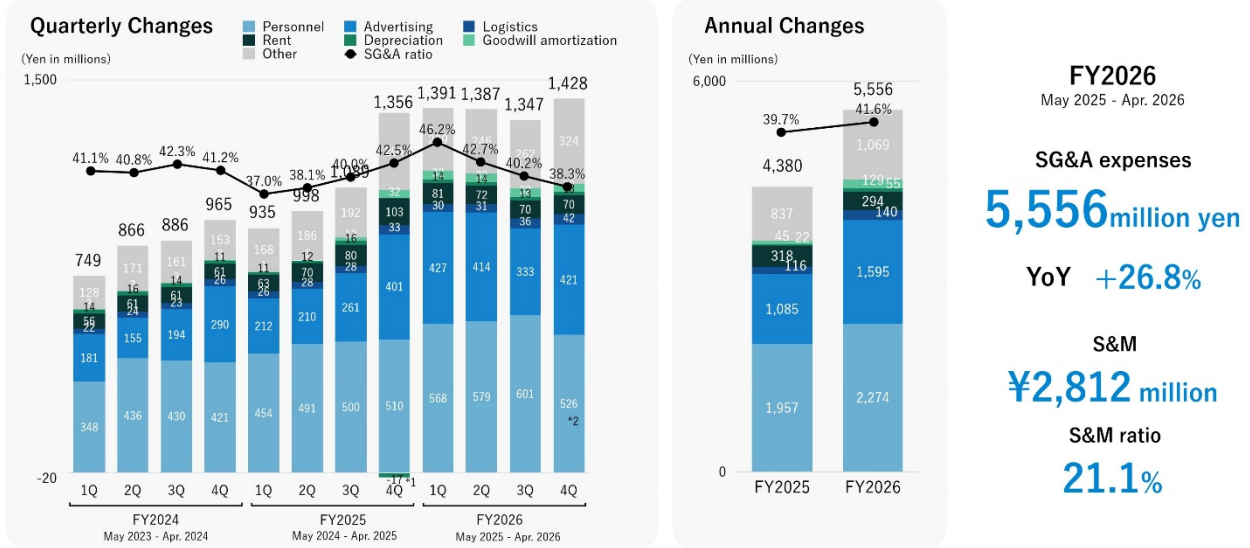
In relation to this, please turn to page 10.

MRR continued to grow at a high rate, rising 31.7% YoY.

Although the subscription sales ratio decreased from the previous quarter due to a temporary increase in hardware sales and other factors in Q4, the full-year average still climbed to 75.6%.

As shown on the right, the gross margin for MRR stood at 78.6%, higher than the sales of products and other items. The increase in the proportion of MRR also led to an improvement in our overall gross profit margin.

Full-year SG&A expenses landed at +26.8% YoY, driven by growth investments such as advertising, personnel, and amortization of goodwill. Consequently, the full-year SG&A ratio rose to 41.6%.



*1 Although depreciation expenses increased due to the expansion and relocation of offices and showrooms, a gain on the fulfillment of asset retirement obligations was recorded, resulting in a temporary net negative depreciation expense in Q4 FY2025. *2 Q4 FY2026 personnel expenses decreased QoQ, primarily due to the reversal of bonus provisions and a decrease in share-based compensation expenses.

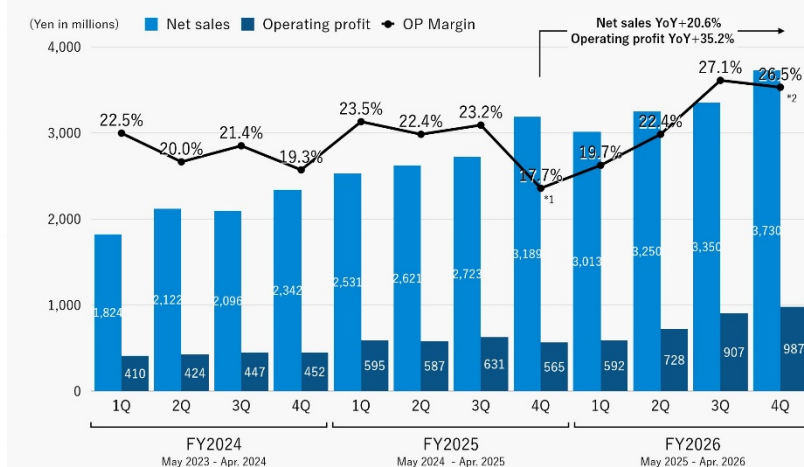


Page 11 shows the trends in SG&A expenses.

The full-year SG&A expenses jumped by 26.8% YoY due to advertising and promotional expenses, personnel costs, and amortization of goodwill. Although the SG&A ratio rose to 41.6%, it was the result of our continued investment in sales growth.

In Q4, SG&A expenses increased compared to the previous quarter owing to higher advertising and promotional expenses and other costs. However, this figure has decreased compared to the previous quarter owing to reductions in personnel expenses, bonuses, stock-based compensation, and recruitment and training costs.

Although the 4Q profit margin declined QoQ due to increased cost of sales associated with initiatives for existing customers, as well as higher advertising expenses, the full-year operating profit margin improved to 24.1%, driven by a higher ratio of recurring revenue.



FY2026

May 2025 - Apr. 2026

OP Margin

24.1%

YoY
↑ 2.6ptQoQ
↓ 0.6pt

^{*1} In Q4 FY2025, non-recurring expenses were incurred, including approximately ¥42 million in customer transfer fees resulting from the termination of a competitor's POS service, and approximately ¥32 million in disposal costs for old payment terminals.

^{*2} In Q4 FY2026, cost of sales and SG&A expenses, such as advertising expenses, increased QoQ due to initiatives for existing customers and multi-store projects.

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Please turn back a few pages and look at page eight.

As explained earlier, this chart shows the quarterly trends in net sales, operating profit, and operating profit margin, taking into account changes in the revenue mix and movements in SG&A expenses.

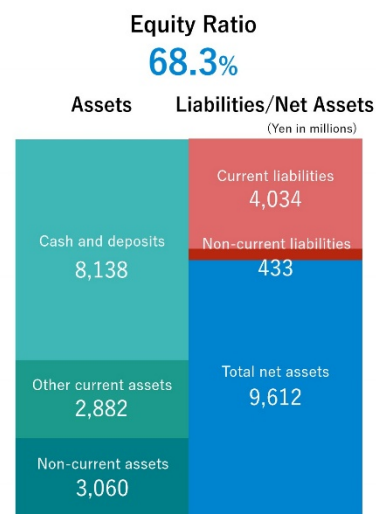
Net sales grew steadily in each quarter, while operating profit also enjoyed an upward trend.

The operating profit margin for Q4 declined slightly on a QoQ basis owing to increases in cost of sales and advertising expenses associated with initiatives targeting existing customers. The full-year operating profit margin stood at 24.1%, an improvement from the previous year.

Furthermore, the expansion in recurring revenue led to even higher profitability on a full-year basis.

Although current assets and current liabilities increased due to the optimization of the payment structure, a high equity ratio of 68.3% and robust financial health were maintained, driven by continuous profit accumulation.

(Yen in millions)	Q4 FY2026	Q4 FY2025	YoY	Q3 FY2026	QoQ
Current assets	11,020	7,825	+40.8%	9,784	+12.6%
Cash and deposits	8,138	5,912	+37.6%	7,209	+12.9%
Non-current assets	3,060	3,092	-1.0%	3,093	-1.1%
Total assets	14,080	10,917	+29.0%	12,877	+9.3%
Current liabilities	4,034	2,805	+43.8%	3,549	+13.7%
Non-current liabilities	433	438	-1.2%	413	+4.8%
Total liabilities	4,467	3,244	+37.7%	3,963	+12.7%
Total net assets	9,612	7,672	+25.3%	8,914	+7.8%
Total liabilities and net assets	14,080	10,917	+29.0%	12,877	+9.3%



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Page 14 shows our balance sheet.

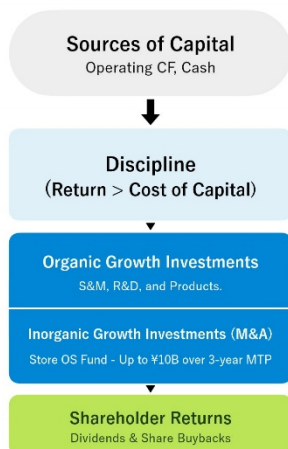
Although current assets and current liabilities increased due to changes in the operating structure of our payment business, this is attributable to the flow of funds arising from operations.

Thanks to our consistent accumulation of profits, we kept our equity ratio at a high 68.3% level.

We believe that we have maintained a sound financial foundation.

Funded by operating cash flows and a robust balance sheet, we will prioritize growth investments guided by profitability that exceeds our cost of capital, while balancing disciplined shareholder returns.

Allocation Priorities



Capital Efficiency Discipline

Guided by profitability exceeding our cost of capital, M&A is executed with strict discipline: an investment ceiling of up to approx. ¥10B under the 3rd Mid-Term Plan and an ARR multiple of 2x or lower.

ROE
25.8%

OP Margin
24.1%
Targeting 20% or higher

Actively responding to the TSE's request for Prime and Standard Market listed companies: "Action to Implement Management Conscious of Cost of Capital and Share Price."

Shareholder Returns

Total Dividend Amount	¥462 million
Dividend Payout Ratio	20.7%

Dividend: Targeting approx. 20%.

Share Buybacks: Track Record: Executed 2 times / Totaling approx. ¥0.76B (Currently holding 2.3% in treasury stock).

Total Return Ratio: Flexible Execution: Managed dynamically based on share price and PBR (Price-to-Book Ratio) levels.

Cash Allocation

Cash Generation Liquidity on Hand Financial Health

OCF
¥3,120
million

Cash deposit
¥8,138
million

Equity Ratio
68.3%

Cash and cash equivalents will be held as capital for businesses with growing funding needs depending on their development stage, and will be allocated with strict discipline.

1. Capital for M&A
2. Working Capital and Settlement Funds for Fintech & Payment Business
3. Flexible Liquidity for Shareholder Returns (Opportunistic share buybacks based on stock price levels, etc.)

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Please turn to page 16.

Leveraging our operating cash flow and sound balance sheet, our policy is to prioritize growth investments while also ensuring disciplined shareholder returns.

Operating cash flow stood at JPY3,120 million, and cash and cash equivalents totaled JPY8,138 million, enabling us to secure sufficient liquidity on hand to support future growth investments.

When making investment decisions, we put importance on profitability that exceeds the cost of capital. In addition to investing in organic growth, we will also consider M&A opportunities in accordance with the guidelines outlined in our third medium-term management plan, targeting a budget of up to approximately JPY10 billion and an ARR multiple of 2 times or less.

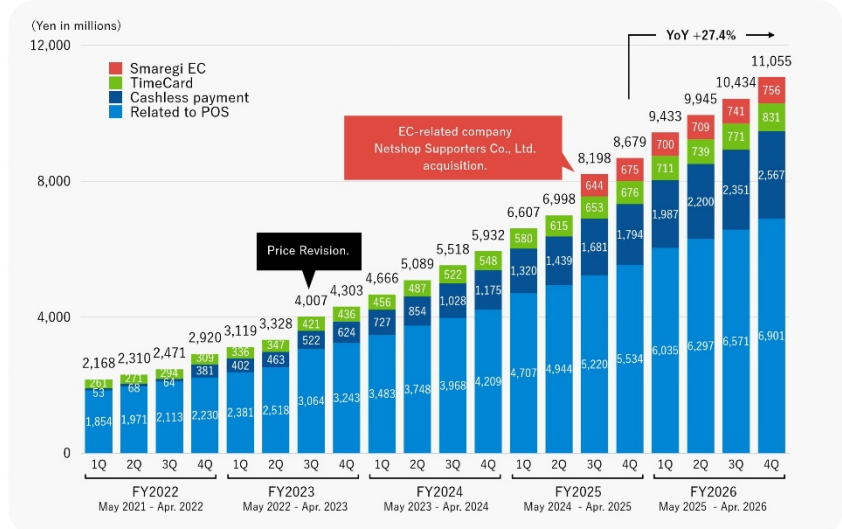
With regard to shareholder returns, while aiming for a dividend payout ratio of around 20%, we also intend to flexibly consider share buybacks, taking into account stock price levels and capital efficiency.

We will continue to manage our business with an awareness of capital efficiency and shareholder returns, even as we prioritize investments.

Strong cross-selling between our core POS and payment businesses drove robust momentum. Fueled by the steady accumulation of recurring revenue, ARR reached JPY 11.05 billion (+27.4% YoY), continuing to anchor our long-term growth.

ARR
¥11.05 bn

YoY **+27.4%** QoQ **+6.0%**



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 includes 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 turn to the page 22, ARR trends.

ARR is a metric that indicates the growth potential of recurring revenue, and it is the KPI we prioritize above all else.

ARR at the end of the fiscal year ended April 2026 reached JPY11,055 million, up 27.4% YoY.

With our POS system as the foundation, cross-selling of payment services is gaining momentum, and the number of customers using our other services is steadily increasing.

As the initial year of the 3rd Medium-Term Management Plan, we project growth in both revenue and profit, driven by our growth strategy rooted in the "Store OS" vision. Furthermore, as the expanding ratio of high-margin recurring revenue deepens our financial foundation, this shift is expected to ensure highly stable, high-level profit growth moving forward.

Consolidated Financial Forecast *1

(Yen in millions)	FY2027 May 2026 - Apr. 2027		FY2026 May 2025 - Apr. 2026
	Plan	YoY	Results
Net sales	15,387	+15.3%	13,345
ARR	14,200	+28.4%	11,055
Operating profit	4,004	+24.5%	3,216
Ordinary profit	4,004	+25.7%	3,186
Profit	2,781	+24.8%	2,228

Dividend forecast

	FY2026 Results	FY2027 Plan
Record Date	April 30, 2026	April 30, 2027
Profit per share	¥115.71	¥144.38
Dividend per share	¥24.00	¥29.00
Dividend Policy	20.7%	20.1%
Total Dividend Amount	¥462millions	-

*1 Financial forecasts for FY2027 are presented on a consolidated basis, reflecting the new subsidiary established for payment business expansion.

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Now, I will explain our full-year earnings forecast for the fiscal year ending April 2027. Please turn to page 36.

The fiscal year ending April 2027 will mark the first year of our third medium-term management plan.

We are projecting a 15.3% YoY increase in net sales and a 24.5% YoY jump in operating profit.

By continuing to implement our growth strategy based on the "Store OS" concept, we anticipate growth in both revenue and profit.

As I have explained thus far, our earnings structure is steadily improving thanks to the increase in the proportion of recurring revenue. We intend to maintain this trend into the next fiscal year and envision strong growth in terms of operating profit as well.

Furthermore, we expect a dividend of JPY29 per share, with a dividend payout ratio of 20.1%.

Driven by our growth strategy rooted in the “Store OS” vision, we project ARR of JPY 14.2 billion for the fiscal year ending April 2027, representing YoY growth of 28.4%. Leveraging favorable external tailwinds, we will also seek to achieve further upside.

(Yen in millions)	FY2027 May 2026 - Apr. 2027		FY2026 May 2025 - Apr. 2026
	Plan	YoY Growth	Results
ARR	14,200	+28.4%	11,055

- POS & Payment Integration Expansion
- Transitioning from one-time hardware sales to a recurring subscription model.
- Aiming to improve our take rate by restructuring the payment value chain.



Aiming to achieve further upside

- Boosting Payments via Tax-Free Refund System Integration.
- Driving Smart POS Adoption for Government Tax Cut Compliance.



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Page 37 shows our ARR guidance.

For the fiscal year ending April 2027, we project ARR to reach JPY14,200 million, up 28.4% YoY.

Growth will continue to be driven by the integrated provision of post-payment services. We will further accelerate our shift from onetime hardware sales to recurring revenue from equipment subscriptions.

In the payments sector, we are also working to improve the value chain and increase our take rate.

Furthermore, we view changes in the external environment, such as the transition to a tax-free refund system and revisions to consumption tax, as opportunities for positive growth.

We will steadily build on our growth from the very first fiscal year to achieve the target ARR of JPY22.2 billion set forth in our third medium-term management plan.

That concludes my presentation of our financial results for the fiscal year ended April 2026 and our business plan for the fiscal year ending April 2027.

To make sure we have as much time as possible for our discussion today, I have limited my presentation to the highlights. We will address any business KPIs, specific initiatives, or other topics of interest that we were unable to cover in our presentation during the Q&A session that follows.

Question & Answer

Moderator [M]: Okay, we will now begin the Q&A session.

Today, three officers from our company will be answering your questions. We have Mr. Miyazaki, Representative Director; Mr. Takamadate, Director; and Mr. Takahashi, Director.

Please note that we may provide a consolidated response to similar questions. We will do our best to answer as many of your questions as possible within the time we have, so thank you for your cooperation.

All right, without further ado, Mr. Miyazaki, please proceed.

Miyazaki [M]: We will now begin to answer your questions. First, we would like to address the questions we received through the advance registration form.

Participant [Q]: Stock prices have been sluggish. While the impact of the overall SaaS sector may be a factor, I also believe that a lack of transparency when it comes to information is contributing to this situation. Please disclose key KPI trends, such as ARR on a YoY basis, on a monthly basis using preliminary data.

Miyazaki [A]: Let me answer that question.

We acknowledge your point. However, we believe that monthly figures are heavily influenced by seasonal and temporary fluctuations and that short-term noise can actually obscure the underlying trends of the business. Our company's policy is to standardize our disclosures to a quarterly basis, and through those disclosures, we will consistently report on key KPIs, including ARR.

Participant [Q]: Despite such strong business performance, your stock price continues to drift lower. What do you think is causing investor anxiety? Also, are there any discussions on a solution to this problem?

Miyazaki [A]: Let me answer that question.

We view the current stock price as a reflection of the overall market sentiment toward the SaaS and software sectors rather than being driven by factors specific to our company. Even within the same SaaS segment, performance varies significantly from company to company, and we recognize that the industry as a whole has entered a correction phase. Given that there is little our company can control in terms of broader market sentiment, we intend to focus on the aspects of our performance that we can control and deliver results accordingly.

Participant [Q]: In the most recent revision to your earnings forecast, you announced an increase in recurring revenue and a corresponding decline in sales. Will this have an impact on your financial results for the fiscal year ending in 2027? If so, to what extent do you expect the impact to be?

Also, regarding the guidance, net sales appear to be lower than the target ARR. Is it correct to say that we are seeing an acceleration in the shift from hardware sales to a subscription-based model?

Miyazaki [M]: Mr. Takamadate, please respond.

Takamadate [A]: Yes. In our earnings forecast, we announced that sales would decline due to an increase in recurring revenue. As to whether or not this will affect our financial results for the fiscal year ending April 2027, as indicated in our guidance, we believe that as recurring revenue rises, we will see growth in net sales

appear relatively modest compared to growth in ARR and profit. This is a result of the ongoing shift toward an earnings structure centered on recurring revenue, and we believe profit growth will remain robust, as it has in the past.

Specifically, we expect the proportion of subscription plans within closed deals to increase compared to the previous fiscal year. Although we are not disclosing the breakdown, we expect revenue from initial hardware sales and net sales from hardware sales to decline compared to the previous fiscal year. As a result, I believe we will see a situation where net sales growth appears weak compared to ARR growth.

Participant [Q]: How do you view the current competitive landscape and the improvement in advertising efficiency?

Miyazaki [M]: Mr. Takamadate, please go ahead.

Takamadate [A]: With regard to advertising, companies are still aggressive, and that is making the competitive environment quite intense. While we get that, we manage each individual ad placement in great detail, measuring and controlling cost-effectiveness through unit economics. Within that framework, we undertake payments and other cross-selling initiatives.

We believe that our unit economics, or the profitability per customer, are superior compared to those of our competitors. As cross-selling of payment and other products increases, advertising efficiency also improves. Therefore, we intend to continue monitoring and managing our cost-effectiveness while leveraging this structure.

Participant [Q]: I have two questions.

First, regarding your future growth strategy, could you please explain the current contribution of increasing average revenue per existing customer and acquiring new customers, as well as your key priorities for each aspect moving forward?

Please also tell us about the potential for expansion in terms of sales structure and marketing, as you work to attract new customers.

Takahashi [A]: Let me, Takahashi, answer that.

In our future growth strategy, we consider both new customer acquisition and upselling and cross-selling to existing customers to be crucial. We believe that, in addition to increasing the number of customers, boosting ARPU is even more important for our growth. On top of POS payments, we deem it important to increase the average revenue per customer by cross-selling store-related services, such as TimeCard, reservation management, and CRM, as well as financial services.

We started out as a POS business, but we have since expanded our operations to cover a wide range of areas, including payment processing, reservation management, and time and attendance management. However, some of our long-standing customers who have been with us for several years are not yet aware of these new services.

While this is partly due to our own shortcomings, we intend to raise the average revenue per customer by making a wide range of proposals to our existing customers and encouraging them to use many of our new services. To that end, we are currently working to expand and strengthen our customer support department.

Miyazaki [M]: We have finished all the questions that were submitted in advance. So, we are now going to read out the questions we have received via Zoom.

Participant [Q]: Regarding the Takaichi administration's campaign pledge to reduce the consumption tax on food, I believe the government has recently been promoting the adoption of smart registers because traditional POS systems take too long to adjust to changes in tax rates.

Just recently, on April 30, the Ministry of Economy, Trade and Industry released an overview of initiatives to promote the adoption of smart register systems, which can be viewed on its website. It states that, starting May, the government will kick off full-scale promotional initiatives toward the adoption of smart register systems in collaboration with industry organizations.

First, have you factored this government initiative into your earnings forecast for the current fiscal year to some extent? Also, is that initiative actually moving forward, and will this have any impact on your company's sales?

Takahashi [A]: To put it simply, we have not explicitly factored this into our financial results forecast for the current fiscal year ending April 2027. When the reduced tax rate was introduced in 2019, many businesses had already completed the replacement of cash registers to those that support multiple tax rates.

Therefore, given the fact that it is difficult for us to predict how much demand for upgrades this change will generate, we have not factored it into our earnings forecast. However, we do expect some stimulation of demand, so we are hopeful that this will serve as a positive factor.

Participant [Q]: I will go to the next question. Looking at the YoY quarterly trends in subscription revenue on page 10, we see that the growth rate was 37.8% in Q2, 30.5% in Q3, and 22.1% in Q4, so it looks like it is suffering from a sharp deceleration. Could you explain the situation and the underlying factors?

Also, how will this growth rate trend in the future? Looking at the annualized QoQ growth rate, the rate has declined from 47.9% in Q4 of the fiscal year before last to around 10% since Q1 of the previous fiscal year. Were there any changes in Q1 of the previous fiscal year?

Takamadate [A]: On page 10, we show the breakdown of net sales between subscription revenue, such as MRR, and hardware sales. In the previous fiscal year, Netshop Supporters became a subsidiary, and monthly revenue related to e-commerce got included in our consolidated results from Q3 and beyond, resulting in growth. Therefore, Q3 and Q4 of the current fiscal year are being compared against exceptionally high benchmarks from the previous year, so the YoY growth rate may appear lower.

I apologize. I am afraid I am not sure which fiscal year your second question refers to, so we will take the time to analyze it and send you a separate response later. The amount of subscription revenue, such as MRR, has been steadily rising each quarter from Q1 through Q4.

Participant [Q]: Why did you introduce shareholder returns at this point? Considering the scale and yield, it does not appear to be sufficient. If anything, we would prefer that you reinvest the funds into growth to boost the stock price, but did you determine that shareholder returns are more effective at raising the stock price than business investments? Or is it simply because your policy is not to place much emphasis on the steady rise in stock price?

Takamadate [A]: I will answer that question.

We receive feedback supporting both sides, so this is quite a tricky issue. However, in the presentation, we have included slide 16 to show our capital allocation, stating our priorities for allocating capital, including cash.

While maintaining strong profitability is, of course, our top priority, we have established clear internal criteria for determining how much cash to allocate to business growth. Although shareholder returns are at the

bottom, we ensure that we prioritize business growth and growth investments before providing returns to shareholders through dividends or share buybacks.

We are operating at a level where we believe we have more than enough financial flexibility to make solid investments in S&M, R&D, and, of course, M&A while also returning value to shareholders through dividends. Please understand that this does not mean we are prioritizing this over business growth.

Participant [Q]: It appears that the revenue growth rate has slightly slowed down. Is it correct to assume that this is due to changes in the revenue mix? How do you envision advertising and promotional expenses this fiscal year, and do you have a target range for the ratio going forward?

Takamadate [A]: With regard to the slight 15% drop in the revenue growth rate, as I mentioned earlier, this is due to changes in our revenue mix.

As for how we envision our advertising and promotional expenses for the current fiscal year in the latter part of your question, we have not disclosed our outlook in terms of future ratio. However, for the fiscal year ended April 2026, the ratio settled at over 10%.

At this point, we do not plan to significantly increase that amount or raise the ratio substantially, so we intend to continue investing efficiently while ensuring cost-effectiveness.

Participant [Q]: It seems that the number of high-performing POS stores increased to a certain extent in Q4. Was this due to any major acquisitions or similar factors? Given that you anticipate even stronger growth in the 22nd fiscal year, how do you plan to expand your POS network, which serves as the foundation for organic growth?

Mr. Takahashi, could you please explain your initiatives and plans?

Takahashi [A]: Let me, Takahashi, answer that.

Q4 is a period when POS leads increase every fiscal year, and we believe this contributed to the steady growth. With regard to whether we secured any particularly large merchants in Q4, that was not really the case. The growth was driven, as usual, by the acquisition of SMBs, primarily a handful of stores.

In particular, for the fiscal year ended April 2026, we focused intently on lead conversion and closing rates in the determination of our area of activity. This resulted in a significant increase in productivity and a rise in Q4 performance, and we believe that contributed to the growth in the number of high-performing stores.

Moving on to growth in the 22nd fiscal year, as you mentioned, POS growth is the most critical factor. We have already announced this, so I believe we are on the right track.

Regarding the demand for POS system replacements from the Japan Cosmetic Industry Association, though, we are currently promoting our system as one of the recommended options. That is where we believe we can aim to service a major contract in face.

That is all.

Participant [Q]: It seems like you have a small handpicked team with just three people in the management team. I assume you have plans to reinforce your team, as you aim for Prime Market listing. What kind of talent and skills are you looking to add?

Miyazaki [A]: We do not have any particular plans to bolster our team. To explain the backgrounds of our current board members, I oversee product development, Mr. Takahashi handles sales, and Mr. Takamadate

takes charge of M&A. Each of us has experienced serving as president or CEO of an operating company, so I believe we have a relatively deep understanding of each business area.

In addition, we are gradually developing executive officers to complement our Board of Directors, so while we do have a shortage of personnel, we do not view that as a major problem at this time.

Participant [Q]: I have two questions regarding the transition from hardware sales to hardware subscription plans.

First, regarding the reason the subscription model is chosen, I understand the benefits of keeping initial costs low, but I also suspect that in many cases, the total amount paid under a subscription model actually exceeds that of the onetime purchase model. In addition, there are many instances where competitors provide equipment for free or at a significant discount. Given this market environment, could you please explain, to the extent possible, why customers are choosing your company's subscription plan and what sets it apart from the competition?

Second, regarding barriers to entry in the provision of equipment subscription services, it appears that few other companies currently offer such equipment subscription services. Are there any barriers to entry associated with providing equipment on a subscription basis, such as licensing requirements, registration as a leasing business, or credit assessment schemes? I would like to know if there are any factors that you consider to be the source of your company's competitive advantage.

Takahashi [A]: Let me, Takahashi, answer that.

As for why the subscription model is chosen, I do agree with your point that, when looking at the total cost over five years, for example, a onetime purchase often ends up being cheaper than a subscription. However, since about half of our new business inquiries come from customers who are just starting their businesses, they are about to open their stores and want to keep them running for years to come but also face the uncertainty of not knowing exactly how things will turn out.

Given that, even though subscription involves a monthly payment plan with an annual contract, we believe that more customers are still deciding to go with the subscription model because they have concluded that it offers a better balance of risk and return.

On the other hand, since our enterprise customers with dozens or even hundreds of stores are already well-established as companies and businesses, we believe most of them in this segment prefer onetime purchases over subscriptions.

Therefore, we are seeing growth by allowing customers to choose the option that best suits their situation and by making appropriate recommendations.

As for differentiation and barriers to entry, this business does not require any specific licenses or leasing business registration, and our credit assessment process is not particularly unique either. Costs are incurred upfront all at once, so while revenue comes in on a monthly basis, this is not something small businesses can easily undertake, nor does it qualify as a viable business for them.

However, since we provide POS systems, we believe this gives us an advantage in terms of credit assessment, as it allows us to better monitor a customer's operating conditions in real time than, say, a leasing company.

That is all.

Participant [Q]: With the transition to the Prime Market, what is the current status of the 35% free-float ratio? As an existing shareholder, I am concerned about capital increases and public offerings aimed at reaching 50%.

Takamadate [A]: Regarding the transition to the Prime Market, you mentioned the free-float ratio, but you might actually be referring to the tradable share ratio. Therefore, let me talk about that briefly.

We received a similar question at the previous financial results briefing, and we responded that we meet the requirements. We have not explicitly disclosed which items are eligible for deduction, so it means that, for now, we are meeting the requirements.

We do intend to consider capital increases or POs as appropriate, but as of now, nothing has been decided. We will evaluate the situation as it develops and aim to proceed in a way that causes as little inconvenience as possible to our shareholders.

Participant [Q]: To what extent do you expect the tax-free refund business and replacement demand resulting from the consumption tax cut to contribute to next fiscal year's budget?

Takahashi [A]: Let me, Takahashi, answer that.

Regarding the tax-free refund business, we have factored in a certain level of revenue in relation to customers who use both Smaregi's approval transmission service and PAYGATE. However, as stated in the financial results presentation material, the adoption rate of PAYGATE among POS merchants is still only 17%, which is not particularly high. Consequently, the majority of our customers are using terminals from other companies, and we have not factored this portion into our financial results and forecast.

As for the contribution of the replacement demand brought about by the consumption tax cut, as I mentioned in my response to the previous question, it is difficult to predict this at this point in time, so we have not factored this into our earnings forecast.

That is all.

Participant [Q]: What are your hiring plans for the new fiscal year? As noted in your medium-term management plan material, efficiency is improving thanks to AI. However, will the rate of increase in hiring change compared to the previous fiscal year?

Miyazaki [A]: Yes. We believe that AI will eventually take over tasks that are not particularly complex, but I don't think the overall number of hires will change much.

However, I think the breakdown is changing significantly, as when it comes to software engineers, we will likely reach a point where we will only hire senior-level engineers.

Similarly, when it comes to customer support, we intend to limit hiring by using such technologies as automated voice response systems.

On the other hand, in sales areas where a unique approach is required, or where human interaction is essential, we do anticipate hiring personnel to some extent.

That is the gist of it, but does anyone have anything to add?

Takamadate [A]: As for next fiscal year's hiring plans, while we have incorporated recruitment and training costs as well as referral fees in our budget, as Mr. Miyazaki mentioned, we intend to proceed by making the most of our existing resources so that we can avoid increasing our workforce as much as possible.

Participant [Q]: It seems that hardware subscriptions are one of the factors contributing to the shift in the proportion of recurring revenue. What is the current adoption rate of this model in new deals? Is further expansion expected beyond the current levels?

Takahashi [A]: Let me, Takahashi, answer that.

We estimate that the current level is around 40% and believe there is still room for growth. Our forecast reflects our expectation that we will continue to increase the proportion of subscription revenue this fiscal year beyond the current levels.

Participant [Q]: Could you please share your scenarios for future medium- to long-term stock price increases, as well as any key factors to consider?

Miyazaki [A]: I cannot disclose all the key factors to consider, but in terms of how our stock is likely to rise, speaking strictly in macro terms, as I am sure you are all generally aware, SaaS stocks were trading at a P/R of around the 30-to-40 range. As things stand, I believe the figure is between 20 and 30.

However, in the context of the SaaS-is-dead narrative, companies tend to have a short-term mind-set, or in cases where companies lack data, I believe the figure is actually below 20.

From that perspective, our medium-term management plan is designed to generate robust profits while continuing to invest, so management believes this will likely result in profits driving up our stock price.

Participant [Q]: Given the intensifying competition, if you achieve a CAGR of above 25% over the medium term, what level of operating profit do you anticipate relative to current levels? Also, what are your thoughts on the risk of price competition from competitors?

Takamadate [A]: Regarding this fiscal year's operating profit margin, as noted in the capital allocation slide on page 16, our base will be 24%, and management is actively focused on maintaining an operating profit margin of 20% or higher. We plan to proceed in a way that ensures we do not fall below that level.

However, as a business model, while the ratio of subscription revenue continues to naturally increase, it is not a model where personnel costs, as mentioned earlier, and other expenses rise at the same rate as recurring revenue grows. Therefore, in theory, our operating profit margin should gradually go up. As mentioned in the section on capital allocation, events such as M&A can have a certain impact on our operating profit margin. Even taking these factors into account, we are committed to maintaining an operating profit margin of at least 20%.

Regarding price competition, Smaregi did adjust its prices a few years ago. I assume your question is whether this was due to AI or because competitors entered the market and offered cheaper plans, but as of now, we have not reached a point where we really need to take action. When Smaregi revised prices a few years ago, some competitors followed suit, so I think we need to be careful not to make any missteps in our response. In terms of risk, though, we believe it varies significantly depending on the industry.

From the perspective of required functional specifications, it goes without saying that the lower the price, the greater the risk of getting caught up in price competition. To avoid that, we believe we need to develop our product strategy by enhancing our functional specifications and capabilities so that we can effectively communicate that our products offer value commensurate with their prices.

Participant [Q]: I am aware that you aired TV commercials throughout the 21st fiscal year. Could you tell us what kind of results you have seen, such as increased brand awareness?

Takamadate [A]: We did air commercials. Thank you very much for watching them.

We conduct brand awareness surveys on a regular basis. We prepare a large number of very detailed questions to measure awareness from multiple angles. For example, when we see an increase in the percentage of people who are familiar with the keyword “Smaregi,” we attribute that, in a sense, to the effectiveness of our TV commercials.

At Smaregi, we link our capital investment in those TV commercials with the quantitative data from our awareness surveys and use that to determine our next steps toward improvement in those areas. To be honest, more and more people are telling us they saw our TV commercial.

Participant [Q]: Are there any plans to expand your showrooms? Since you have already opened them in major cities, do you recognize that further expansion is not necessary anymore?

Takahashi [A]: Let me, Takahashi, answer that.

Although we have not decided on specific locations or timelines yet, we plan to continue expanding our network of showrooms in response to population growth and the resulting increase in the number of stores.

We opened our Okinawa showroom a year ago, and since then, we have seen positive results in terms of lead generation and the number of sales deals. Given that we expect similar results in other cities, we are considering expanding to new locations in the future.

Participant [Q]: By what percentage has the revenue of your subsidiary Netshop Supporters increased compared to before the acquisition? In addition, what are your plans for growth in the coming fiscal year?

Takamadate [A]: We do not disclose individual figures, so my answer may be a bit vague, but growth is roughly on par with the rate seen prior to the acquisition. However, we do not place much emphasis on net sales, just like what we do at Smaregi. We prioritize ARR over net sales, so it is only natural that ARR should grow at a rate comparable to Smaregi’s.

Given our scale, I believe we need to achieve an ARR growth rate that exceeds Smaregi’s YoY growth, so we are currently focusing our efforts on strengthening that area and are also in the process of conducting PMI.

Participant [Q]: Regarding your company’s hiring activities, to what extent are you considering hiring recent graduates? Hiring mid-career employees for senior positions is also something your competitors are doing, so isn't it necessary to secure resources through new graduates?

Miyazaki [A]: It is as you said. The situation is becoming such that companies are hardly hiring mid-level or senior staff at all, so I think it’s a tough market. On the other hand, we have been recruiting new graduates through our internship program for several years now, and I think that has contributed to some extent. While it may not be a radical solution, we will take it into consideration when we hire employees.

Thank you.

We will now conclude the Q&A session. Thank you very much for your many questions.

Finally, I would like to offer some closing remarks.

We started with a single POS register, but we hope to continue evolving into a store OS that integrates inventory, staff, and finances. Our theme is to transform from POS to OS, and we aim to develop fintech, starting with payment services, into our second pillar of business. We intend to evolve from being a provider of software that supports stores into a company that manages the finances of stores themselves.

Our goal remains the same, and that is: Dynamic stores bring about dynamic towns. We are determined to give it our all over the next three years of our medium-term management plan.

Thank you very much for your participation today despite your busy schedules.

Moderator [M]: We have an announcement from IR. Our company also shares our latest IR information via our newsletter and LINE. We send them out every month, so please be sure to register.

And so, with that, we now conclude our financial results briefing for the fiscal year ended April 2026. Thank you very much for your participation today until the end.

We look forward to your continued support.

[END]

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