



Smaregi, Inc.

Q1FY2027 Financial Results Briefing

September 15, 2026

Event Summary

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

Presentation

Moderator: Since it is now the scheduled time, let's begin. Thank you very much for joining us today for Smaregi, Inc.'s Q1 financial results briefing for the fiscal year ending April 30, 2027.

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Consolidated Results:

These are consolidated results, including a subsidiary established in anticipation of the expansion of the payment-related business.

Regarding Retrospective Restatement of Prior-period Figures:

In FY2026 2Q, the PPA (purchase price allocation) associated with the consolidation of Netshop Supporters Co., Ltd. as a subsidiary was finalized, and prior-period figures have been retrospectively restated accordingly. Figures for FY2025 3Q through FY2026 1Q in this material therefore differ in part from previously disclosed materials.

Definitions as noted in this document

Figures: Rounded down to the nearest unit of display

Ratios: Rounded to the second decimal place

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Without further ado, let me walk you through today's agenda.

First, I will provide an overview of the financial results for Q1. Next, we will provide an overview of our business performance and ARR progress, followed by a Q&A session.

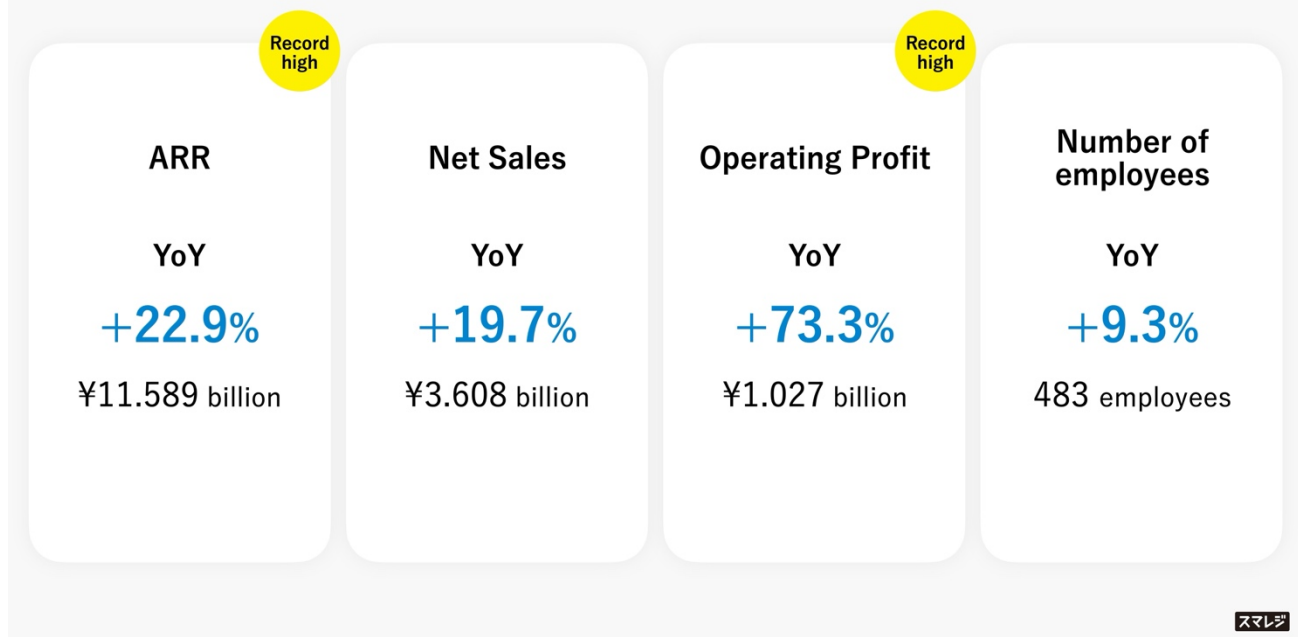
Now, Mr. Miyazaki, please.

Miyazaki: Thank you for attending today's financial results briefing. I am Miyazaki, Representative Director.

Yesterday, we announced our financial results for Q1 of the fiscal year ending April 30, 2027. Today, I'll keep my commentary brief and focus on just a few key points, limiting it to the first 20 minutes or so. In addition to our Q1 financial results, I will explain the progress of our businesses, with a focus on POS and payment services, as well as how the various initiatives are proceeding in this first year of our Third Mid-Term Management Plan.

I will skip some of the details regarding the specific business KPIs and devote the remaining time to a Q&A session. Today's Q&A session will be handled by Director Takamadate and myself. Please feel free to ask questions not only about our overall business strategy, but also about our M&A strategy, marketing, and the progress of our medium-term management plan. We plan to begin the question-and-answer session at approximately 10:50 AM.

Now, I would like to explain our performance for the fiscal year ending April 30, 2027.



The highlights of our performance on page three.

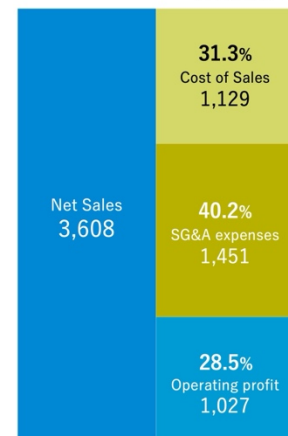
In Q1 of the fiscal year ending April 30, 2027, ARR, our most important metric, rose 22.9% YoY to JPY11.589 billion. Net sales increased by 19.7% YoY, and operating profit rose by 73.3%, with both ARR and operating profit reaching all-time highs. Amid continued sales growth, operating profit rose significantly, making this a quarter marked by improved profitability. The number of employees also increased by 9.3% YoY to 483, and we are continuing to strengthen our organizational structure to support future growth.

Solid performance centered on recurring revenue drove net sales growth of +19.7% YoY. Operating profit expanded significantly, up +73.3% YoY, on improved gross margin and a lower SG&A ratio.

(Yen in millions)	FY2027 1Q May - Jul. 2026	FY2026 1Q May - Jul. 2025	YoY	FY2027 plan	FY2027 1Q progress rate
Net sales	3,608	3,013	+19.7%	15,387	23.4%
Cost of sales	1,129	1,029	+9.7%	-	-
Gross profit	2,478	1,984	+24.9%	-	-
SG&A expenses	1,451	1,391	+4.3%	-	-
Operating profit	1,027	592	+73.3%	4,004	25.7%
Ordinary profit	1,022	595	+71.8%	4,004	25.5%
Profit attributable to owners of parent	683	385	+77.4%	2,781	24.6%

Earnings structure

(Yen in millions)



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This is the income statement on page four.

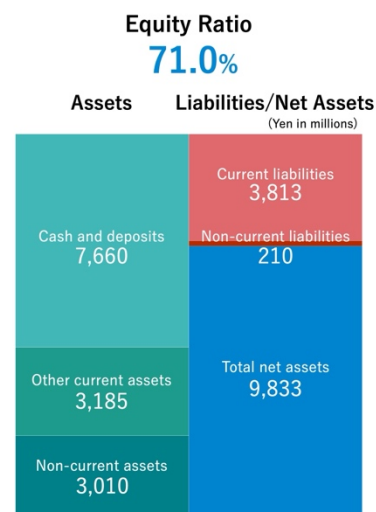
Q1 net sales rose 19.7% YoY to JPY3.608 billion, driven by the accumulation of recurring revenue. The increase in cost of sales was limited to 9.7%, while gross profit rose 24.9% YoY, outpacing the growth in net sales. On the other hand, selling, general, and administrative expenses rose by only 4.3% YoY; as a result, operating profit increased by 73.3% YoY to JPY1.027 billion, and the operating margin reached 28.5%. The significant increase in profits was driven not only by sales growth and an improvement in the gross profit margin but also by the containment of selling, general, and administrative expenses.

Since we had invested heavily in advertising and promotional expenses during Q1 of the previous year, this significant increase in profit also reflects a rebound from that. As gross profit is growing at a faster rate than net sales, the company's earnings structure is continuing to improve due to the accumulation of recurring revenue.

I will explain the changes in profit margins in more detail later.

Continued accumulation of profit has secured financial capacity for growth investment while maintaining a high equity ratio of 71.0%.

(Yen in millions)	FY2027 1Q	FY2026 1Q	YoY	FY2026 4Q	QoQ
Current assets	10,845	7,763	+39.7% ^{*1}	11,020	-1.6%
Cash and deposits	7,660	5,496	+39.4%	8,138	-5.9%
Non-current assets	3,010	3,087	-2.5%	3,060	-1.6%
Total assets	13,856	10,851	+27.7%	14,080	-1.6%
Current liabilities	3,813	2,657	+43.5% ^{*1}	4,034	-5.5%
Non-current liabilities	210	424	-50.5%	433	-51.5%
Total liabilities	4,023	3,081	+30.6%	4,467	-9.9%
Total net assets	9,833	7,769	+26.6%	9,612	+2.3%
Total liabilities and net assets	13,856	10,851	+27.7%	14,080	-1.6%

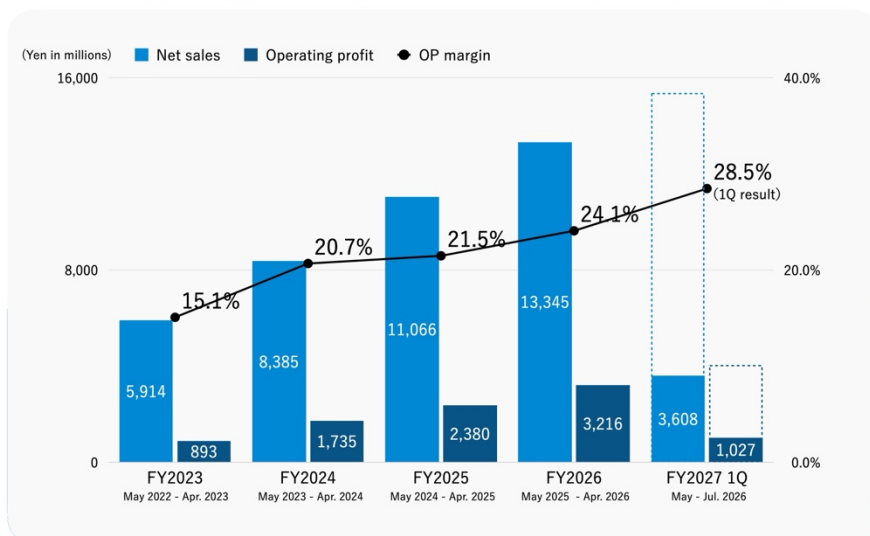


*1 Current assets (accounts receivable - other) and current liabilities (accounts payable - other) increased due to the normalization of revenue recognition timing in the payment business implemented in FY2026 2Q. **スプレッド**

This is the balance sheet on page five.

Total assets amounted to JPY13.856 billion, and net assets amounted to JPY9.833 billion. Thanks to our consistent accumulation of profits, our equity ratio remains at a high level of 71%. Current assets and current liabilities have increased compared to the same period last year; this is primarily due to an increase in accounts receivable and accounts payable resulting from the in-house processing of settlement operations within the payment services business. We have secured JPY7.66 billion in cash and deposits, and we continue to maintain sufficient financial flexibility for growth investments.

Both net sales and operating profit are progressing steadily against the full-year plan. While continuing growth investment, operating profit margin rose to 28.5% on improved gross margin and a lower SG&A ratio.



FY2027 1Q

May - Jul. 2026

Net sales progress rate

23.4%

¥3,608 mm / ¥15,387 mm

Operating profit progress rate

25.7%

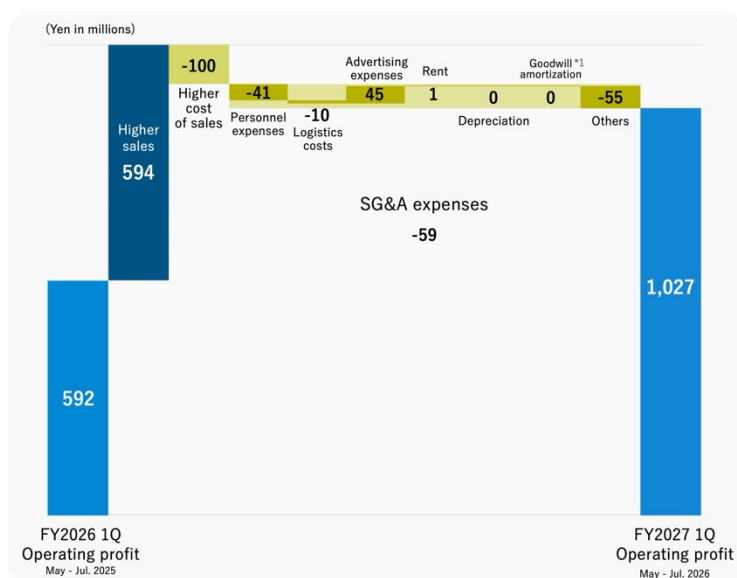
¥1,027 mm / ¥4,004 mm

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See page six.

The Q1 net sales progress rate stands at 23.4%, and the operating profit progress rate stands at 25.7%. While our financial performance typically tends to be stronger in H2, we are currently making steady progress toward our full-year targets. The operating profit margin stands at 28.5%.

This was due not only to an improvement in gross profit margins resulting from the accumulation of recurring revenue, but also to the fact that the increase in selling, general, and administrative expenses was limited. Since we had invested heavily in advertising expenses during Q1 of the previous year, this improvement in profit margins also reflects the impact of comparisons with the same period last year.



Higher sales

- Number of new fee-paying contracts increased.
- Growth of consistent sales(monthly fees) due to low churn rate.
- Expansion of payment-related business.

Higher cost of sales

- Increase in cost of production including labor costs.
- Cost reduction from in-housing the payments business.
- Lower cost of sales from higher recurring revenue.

Higher SG&A expenses

- Higher personal expenses due to the increased of employees.
- Lower ad spend from optimized TV commercial airtime.
- Higher costs from outsourcing fees and AI adoption.

*1 As the impact of M&A on results, the combined value of "goodwill" and "amortization of customer-related intangible assets" is presented as "goodwill amortization."

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See page eight. Factors contributing to the YoY change in operating profit.

First, the increase in sales, amounting to JPY594 million, served as a positive factor and was a major driver of the growth in operating profit.

On the other hand, the increase in cost of sales was limited to JPY100 million. This is due not only to the increased proportion of recurring revenue but also to the continued improvement in the gross profit margin of the payment business itself.

With regard to selling, general, and administrative expenses, personnel costs have increased as a result of strengthening our workforce. In addition, other expenses, primarily outsourcing fees, have also increased. Advertising expenses decreased compared to the same period last year. As I mentioned earlier, I believe the results for Q1 of the previous year were affected by the high level of advertising spending we carried out during that period.

As a result, the positive impact of sales growth and improved gross profit margins significantly outweighed the increase in costs, leading to a substantial YoY increase in operating profit.

Business growth centered on POS and cashless payment services drove monthly fees and others up +22.7% YoY, expanding the recurring revenue ratio to 79.4%. The gross margin on sales of products and others was down -6.2pt QoQ, partly impacted*1 by inventory secured in preparation for a semiconductor shortage.

FY2027 1Q

May - Jul. 2026

Recurring revenue ratio

79.4%

Sales of products
and others
gross margin

17.8%

QoQ

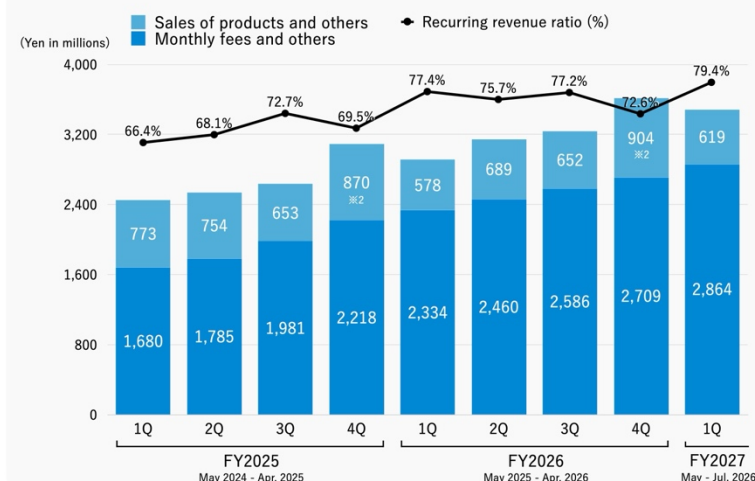
↓6.2pt

Monthly fees
and others
gross margin

81.2%

QoQ

↑1.7pt



*1 Inventory volume increased in preparation for a semiconductor shortage. A write-down of inventory under the lower-of-cost-or-market method had a negative impact on the gross margin of product sales. This is not due to an increase in slow-moving or obsolete inventory. *2 An automatic change machine campaign was conducted for existing customers.

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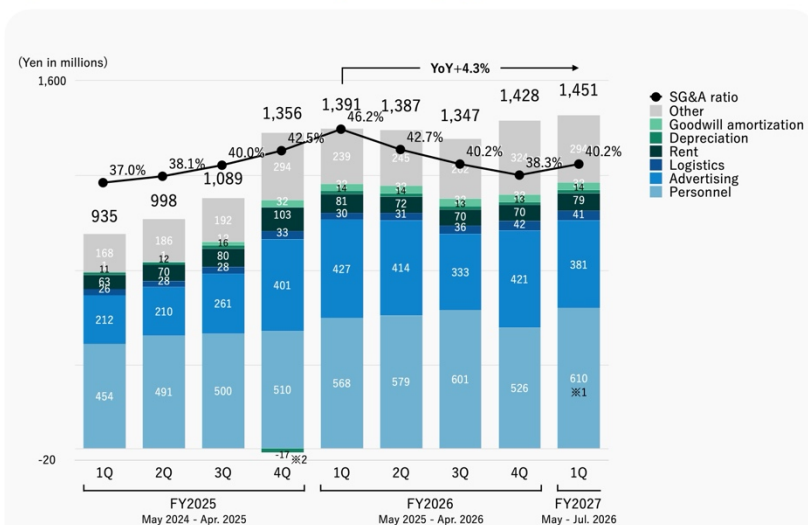
See page nine.

Monthly service fees and other revenue continued to show strong growth, rising 22.7% YoY, driven by business growth centered on POS and cashless payments. As a result, the ratio of recurring revenue has risen to 79.4%. The gross profit margin for monthly subscription fees and other items stands at 81.2%, and the accumulation of recurring revenue is contributing to an overall improvement in profitability. The gross profit margin for equipment sales and related items decreased by 6.2 percentage points from the previous quarter to 17.8%.

The main reason for this was that we recorded an impairment loss on equipment inventory that we had held in greater quantities than usual to ensure a stable supply. It wasn't that our inventory sales had deteriorated; rather, due to factors such as the semiconductor shortage, we decided it would be better to make a bulk purchase, and that had a significant impact.

While this figure may fluctuate depending on future inventory levels and procurement conditions, this decline is not expected to continue indefinitely. We will continue to focus on expanding recurring revenue as the cornerstone of our efforts to improve overall profitability.

While expenses associated with business growth increased, advertising expenses declined -9.5% QoQ, and 1Q SG&A expenses were ¥1,451 million, up +1.6% QoQ.



FY2027 1Q
May - Jul. 2026

SG&A expenses

¥1,451 mm

YoY
+4.3%

QoQ
+1.6%

*1 FY2026 4Q personnel expenses decreased QoQ due to the reversal of bonus provisions and a decrease in stock-based compensation expenses.*2 Depreciation expense in FY2025 4Q was temporarily negative. While depreciation expense increased due to the addition and relocation of offices and showrooms, this was offset by a gain arising from the settlement of asset retirement obligations.

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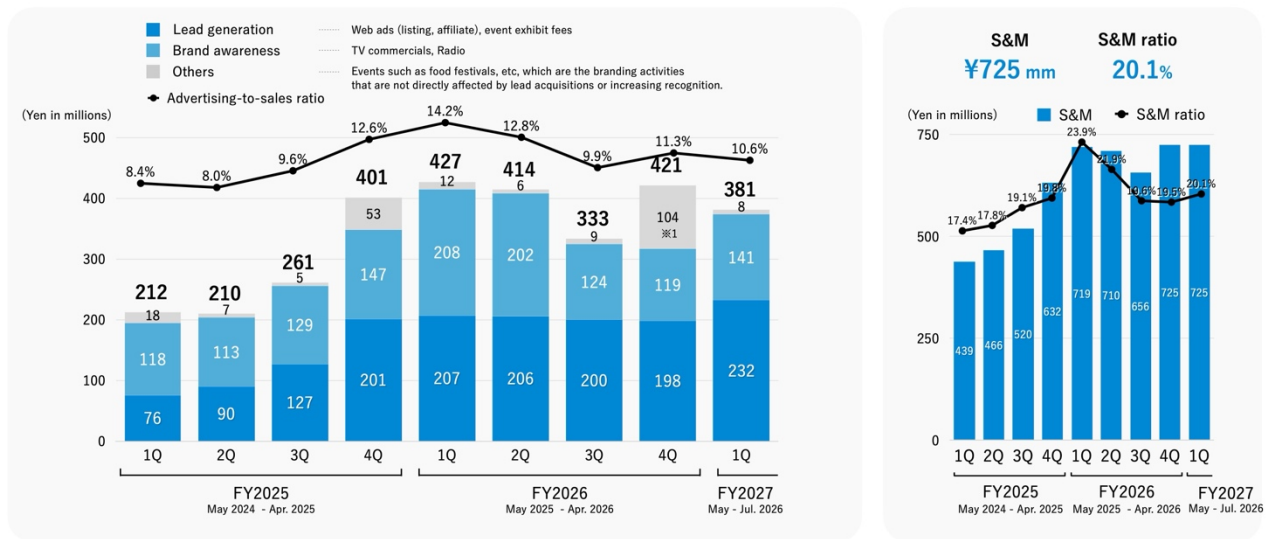
Selling, general and administrative expenses on page 10.

Selling, general, and administrative expenses for Q1 totaled JPY1,451 million, representing a 4.3% increase compared to the same period last year and a 1.6% increase compared to the previous quarter.

Compared to the same period last year, we have kept overall expenses in check by reducing advertising and promotional expenses following a review of selling, general, and administrative expenses, which were at a high level in Q1 of the previous fiscal year.

Labor costs have increased YoY due to organizational expansion. Compared to the previous quarter, personnel expenses, which had temporarily decreased due to the reversal of the provision for bonuses, have returned to normal levels, and the SG&A ratio has risen from 38.3% to 40.2%. Selling, general, and administrative expenses continue to show a trend of being kept in check relative to sales growth.

S&M expense was flat QoQ. With no impact from major events in 1Q, advertising expenses were down -9.5% QoQ. Continues to make efficiency-focused, active investments, balancing awareness- and lead-generation objectives while remaining mindful of CPA.



*1 FY2026 4Q expenses increased QoQ due to hosting our annual food festival and a dedicated conference for merchant operators.

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See page 11. Advertising and promotional expenses for Q1 totaled JPY381 million, a 9.5% decrease from the previous quarter.

Although our marketing investment has decreased due to the cancellation of large-scale events and the impact of increased brand awareness advertising compared to the same period last year, this does not mean we are scaling back our marketing investment aimed at growth. While continuing to invest in lead generation and brand awareness, we are reviewing our operations with a focus on CPA. Total S&M expenses amounted to JPY725 million, remaining at the same level as the previous quarter, and we plan to actively invest in growth areas.



May 2026 - July 2026

- Launch of the "Store OS Fund" to advance strategic investment toward realizing the "Store OS" concept
- Unification of management, organizational, and development structures in the EC domain following completion of the absorption-type merger of Netshop Supporters
- Cumulative GMV handled by Smaregi (POS) surpassed ¥15 trillion
- Certification of Smaregi services as eligible tools under the "Digitalization and AI Adoption Subsidy 2026," with cloud POS registers subject to priority selection
- Participation in working-level meetings and events hosted by the Ministry of Economy, Trade and Industry (METI) and the Small and Medium Enterprise Agency to promote the spread of mobile POS systems
- Bankruptcy of credit payment agency Zentoshin; commencement of bankruptcy proceedings affected payment and settlement operations for its member merchants
- Held the 5th large-scale food festival "Harapeko CIRCUS," drawing 260,000 attendees; cumulative event attendance surpassed 1 million
- Sponsorship of "STAFF OF THE YEAR 2026," hosted by STAFF START, as main sponsor

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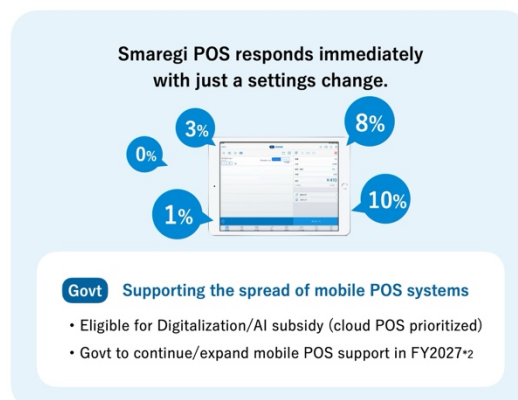
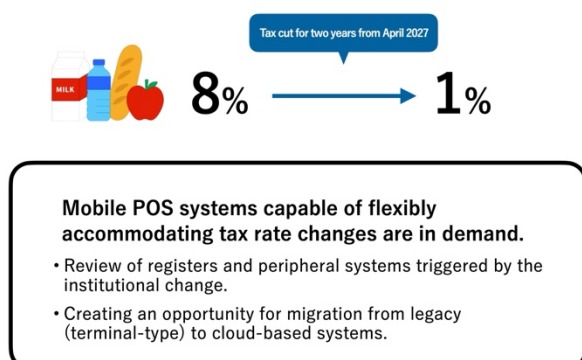
Next, I will explain the status of our business.

In Q1, we continued to implement initiatives aimed at expanding our business foundation and fostering future growth, in line with our store OS strategy. In May, we launched our store's OS Fund and established a framework for growth investments, including M&A and equity investments. In addition, we have completed the merger with the Online Store Support Division and are moving forward with the integration of our management and development structures in the e-commerce sector. Our business foundation continues to expand, as evidenced by the cumulative POS transaction volume surpassing JPY15 trillion.

From among these, I would like to explain the topics that are currently attracting the most attention.

In response to the planned change in the consumption tax rate, attention is turning to mobile POS systems for their ability to flexibly accommodate regulatory changes, and the government is promoting the spread of such systems. The importance of cloud POS registers is increasing.

Plan to reduce the consumption tax rate on foodstuffs from the current 8% to 1% for a limited two-year period starting April 1, 2027*1.



*1 Basic policy approved by Cabinet decision on August 5, 2026. Subject to change depending on future legislation and system design.

Note: Mobile POS systems — referred to in Japan as "smart register systems" — turn general-purpose devices such as tablets and smartphones into a register and centrally manage sales, inventory, and customer data in the cloud.

*2 Source: "¥443.5 billion for Smaregi adoption and business succession subsidies — METI's FY2027 budget request" (Nikkei, August 27, 2026)

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Page 15. This is regarding the much-discussed change in the consumption tax rate.

The government has announced its plan to lower the consumption tax rate on food items to 1% for a two-year period starting in April 2027. When tax rates change, adjustments will be required for store cash registers and related systems.

Smaregi supports multiple tax rates as standard and is essentially a system that can flexibly accommodate changes through configuration adjustments. In addition, the government has indicated its intention to promote the adoption of smart register systems through subsidies and other measures. We view this not only as a change to the system itself, but also as an opportunity to review our store systems and accelerate our transition to the cloud.

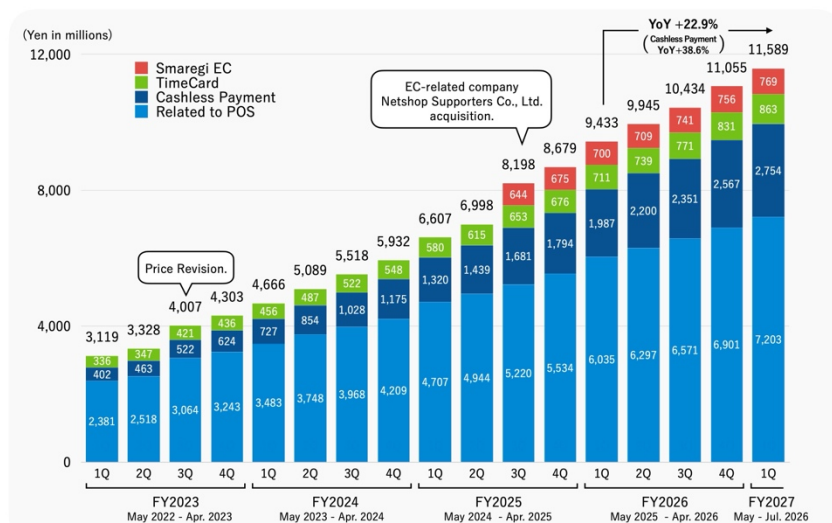
Next, I'll explain our current business growth using KPIs.

Supported by strong growth in cashless payments, POS x Payments is driving business growth.
ARR grew +22.9% YoY to ¥11,580 million.

ARR
¥11.58 bn

YoY
+22.9%

QoQ
+4.8%



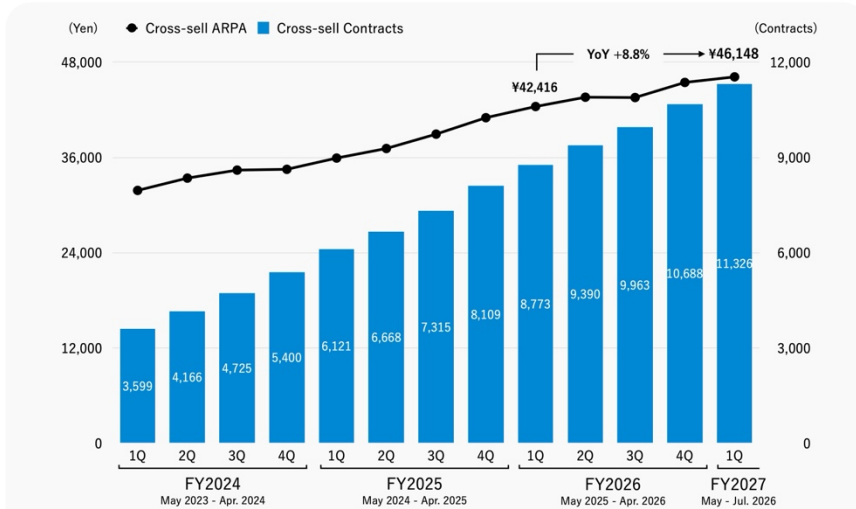
Note: Starting with the FY2026 1Q results presentation, the "Smaregi maintenance service fee," previously recorded under "sales of products and others," has been reclassified to "monthly fees and others" to reflect its nature as a continuing fixed-fee service. Prior-period figures have not been retrospectively restated. (Reference: As of FY2026 1Q, the impact of this definitional change on "Smaregi POS-related" ARR was approximately ¥270 million.)

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Please see the ARR trend on page 16. ARR at the end of Q1 was JPY11.589 billion, up 22.9% YoY and up 4.8% QoQ.

While POS sales are supporting the overall revenue, cashless payments, up 38.6% YoY, and cross-selling are driving growth. Recurring revenue, including from timecards and e-commerce, is expanding, and we are making steady progress in line with the strategy outlined in our Third Mid-Term Management Plan to establish the payments sector as our second growth engine.

Cross-sell ARPA, the monthly fee per contract for customers using Smaregi POS together with other Smaregi-branded services, expanded +8.8% YoY to ¥46,148. Higher per-customer revenue driven by the cross-sell strategy is supporting ARR growth.



Cross-Sell ARPA

FY2027 1Q
(May - Jul. 2026)

46,148

YoY +8.8% QoQ +1.5%

Cross-sell contracts: The number of contracts using a fee-paying Smaregi POS plan together with other Smaregi-branded services (excluding contracts that use Smaregi POS alone).
Cross-sell ARPA: The monthly fee per contract for customers using a fee-paying POS plan together with other Smaregi-branded services (a contract using multiple applicable services is counted once; contracts using POS only are excluded). Calculated by dividing the total monthly fees and others for Smaregi POS and the services used together by the number of applicable contracts. Applicable services: device subscriptions, App Market, TimeCard, cashless payments, Smaregi EC, and other services.

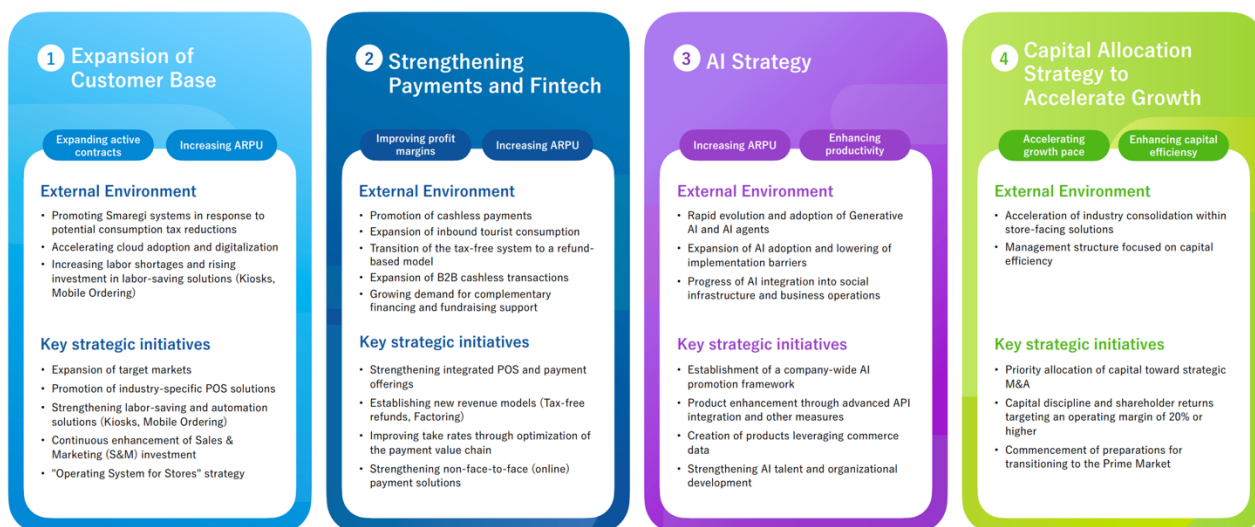
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Next on page 21. Starting with this report, we have begun disclosing cross-sell ARPA, which reflects the number of contracts combining POS with other services, as well as the monthly service fee per contract.

As part of our ARR growth strategy, we are focusing on introducing multiple services, including payment solutions, hardware subscriptions, the App Market, and time-clock systems, to our existing POS customers, in addition to our POS offerings.

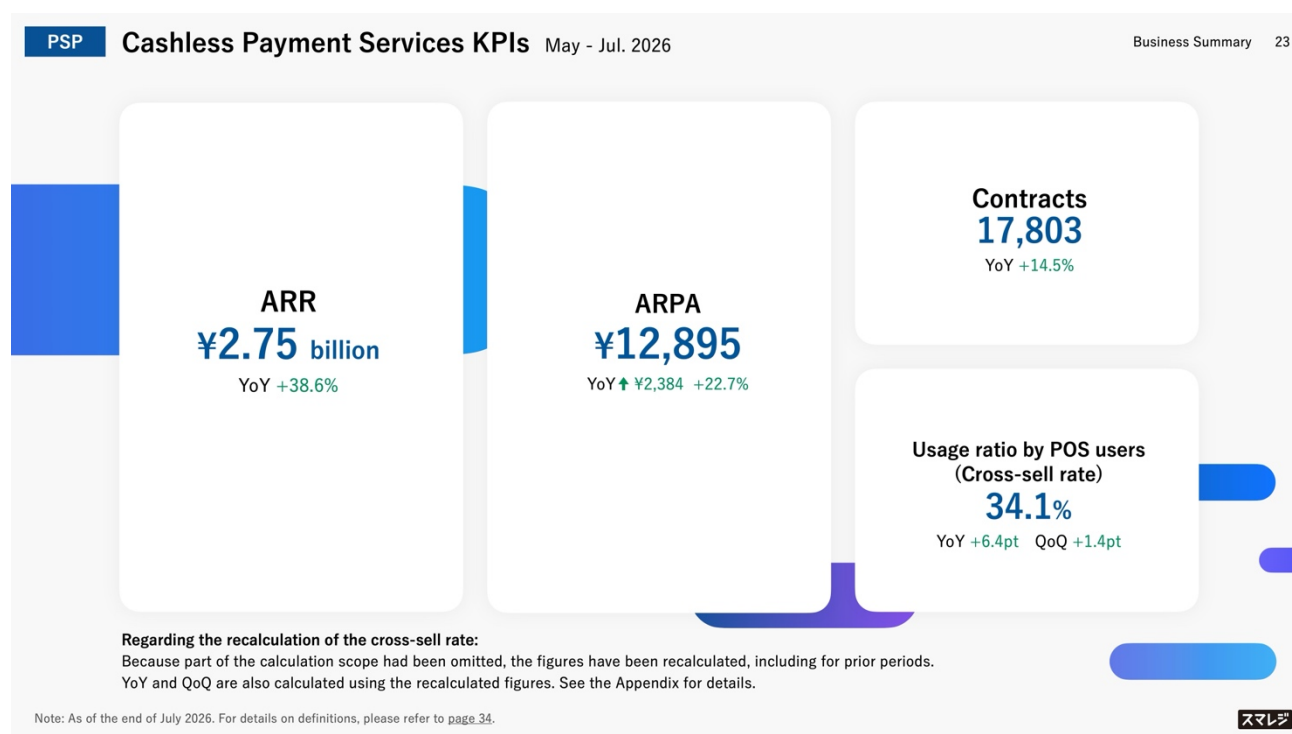
The number of cross-sell contracts in Q1 was 11,326, and the cross-sell ARPA was JPY46,148, an increase of 8.8% compared to the same period last year. Thanks to the expansion of our customer base and the diversification of services used by each company, we are steadily increasing our ARR.

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



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Next, I will explain the KPIs for payments and fintech, which are the pillars of growth in our Third Mid-Term Management Plan.



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See page 23.

At the end of Q1, the number of active contracts stood at 17,803, representing a 14.5% increase compared to the same period last year, while ARPA rose 22.7% to JPY12,895, indicating growth in both the number of contracts and the average revenue per account. The cross-selling rate for POS users has risen to 34.1%, indicating that implementation is progressing steadily.

Correction of Usage ratio by POS users (Cross-sell rates)

Appendix 32

There was an error in the calculation conditions for the cross-sell rate of the services below, so the figures have been recalculated, including for prior periods. Even after the recalculation, there is no change to the upward trend in the cross-sell rate.

Cross-Sell Rate for Cashless Payment

Reason for correction:

Some paid plans had been omitted from the calculation scope.



Cross-Sell Rate for Smaregi TimeCard

Reason for correction:

The calculation scope of POS users had included unnecessary plans.



Note on before/after comparison:

As FY2027 1Q reflects the latest figures calculated this time, there is no "before correction" figure for that period.

	FY2025 4Q	FY2026 1Q	FY2026 2Q	FY2026 3Q	FY2026 4Q
After	25.5%	27.7%	29.0%	30.5%	32.7%
Before	14.9%	15.1%	16.0%	16.6%	17.6%

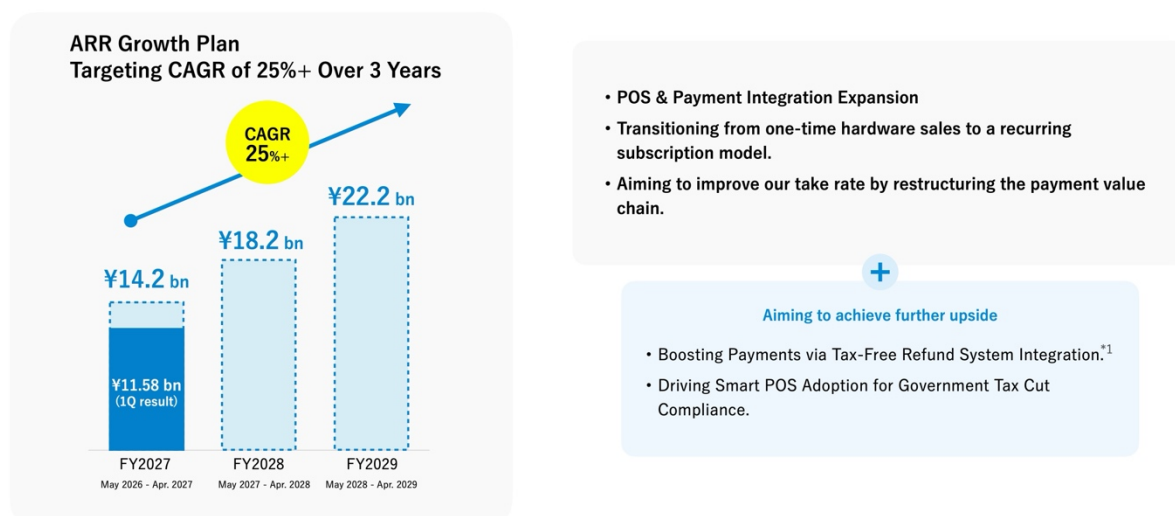
	FY2025 4Q	FY2026 1Q	FY2026 2Q	FY2026 3Q	FY2026 4Q
After	14.0%	14.1%	14.1%	14.2%	14.3%
Before	12.6%	12.9%	12.9%	13.0%	13.1%

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Please note that due to omissions in the data used for calculation, we have recalculated the cross-sell rate, including historical data. Since this revision has no impact on the overall trend, please refer to the Appendix for details.

Payment ARR stood at JPY2.754 billion, up 38.6% YoY and 7.3% QoQ. In addition to increased cross-selling at the POS, our monthly fixed revenue and payment processing fees are growing steadily. Partly due to the increase in payment transaction volume during Golden Week, the growth model outlined in our mid-term management plan, which focuses on expanding payment usage based on our POS customer base, is yielding significant results.

Under the growth strategy based on the "Store OS" concept, ARR for FY2027 is planned at ¥14,200 million, up +28.4% YoY. With external conditions as a tailwind, aiming to build further upside on top of this plan.



*1 From November 1, 2026, Japan's tax-exemption system will shift from the point-of-sale exemption method to the internationally standard refund method (refund after purchase). Smaregi is developing a tax-exemption solution that leverages its payment infrastructure. See "Launch of Tax-Free Refund Business" on p.15 of "Materials about Business Plan and Growth Potential (3rd Medium-term Management Plan)" (announced June 12, 2026) for details.

Finally, here is the ARR progress and guidance on page 29.

We are projecting ARR for the fiscal year ending April 2027 to be JPY14.2 billion, a 28.4% increase from the same period last year, and as of the end of Q1, it had reached JPY11.589 billion.

This fiscal year, we intend to continue focusing on expanding cross-selling through the integrated provision of POS and payment solutions, while also adapting to environmental changes such as equipment subscription models, reforms in the payment value chain, changes in the consumption tax rate, and tax-free refunds. First, we will build up our ARR to reach JPY14.2 billion this fiscal year and then work toward our medium-term target of JPY22.2 billion.

Now, I have explained our performance for the fiscal year ending April 30, 2027. To ensure we have as much time as possible for discussion with all of you today, I have limited my presentation to the key points. Regarding the business KPIs, specific initiatives, and any other matters of interest that we were unable to cover fully in the presentation, we will address them during the question-and-answer session that follows.

Question & Answer

Moderator [M]: Okay, we will now go to the question-and-answer session. Today's session is handled by Representative Director Miyazaki and Director Takamadate. Please note that we may provide a consolidated response to similar questions. We'll do our best to answer as many of your questions as possible within the time we have, so thank you for your cooperation.

Now, Mr. Miyazaki and Mr. Takamadate, please.

Takamadate [M]: Well then, I, Takamadate, will join the discussion from here on and answer your questions. First, I'd like to answer the questions we received through the pre-registration form.

Participant [Q]: First, I'd like to ask about the impact of the consumption tax cut on business performance. To what extent do you estimate the consumption tax revision will boost demand?

Miyazaki [A]: This has not been factored into the earnings forecast for the fiscal year ending April 30, 2027. While there was a surge in demand following the introduction of the reduced tax rate in 2019, we believe that many businesses have already completed the transition to cash registers capable of handling multiple tax rates.

Therefore, we do not assume that the market as a whole will suddenly see a widespread replacement of cash registers solely due to this change in the tax system. Of course, I imagine there are customers who didn't replace their registers when the reduced tax rate was in effect, so I expect there will be some increase, but I don't think it will be as massive a surge in demand as there was with the reduced tax rate.

Takamadate [M]: Thank you very much. Next question.

Participant [Q]: In light of the recent bankruptcy of Zentoshin, the impact was already explained at the shareholders' meeting as being minor, but I would like to ask this question again. Please tell us about the screening process for PAYGATE, Smaregi, and "Pay Later" users, as well as the stability of their working capital.

Miyazaki [A]: It is said that one of the factors contributing to Zentoshin's bankruptcy was an "early payment service" that prioritized disbursements to merchants over receiving payments from credit card companies; however, our company does not employ such a practice. Since we process both incoming and outgoing payments on the same day, this does not place a burden on our finances.

On the other hand, I believe there are concerns that [Smaregi RBF](#) is equivalent to such services. While we have launched this service, we are operating it through a business partnership with BASE, so we at Smaregi do not bear any risk of bad debt. Therefore, even if unpaid bills were to accumulate, I believe the impact would be virtually nonexistent.

Takamadate [M]: Thank you very much. Next question.

Participant [Q]: Regarding stores that have adopted the system, please tell me what percentage of them are small and medium-sized businesses.

Miyazaki [A]: As for the definition of small and medium-sized businesses, if we were to set the range from two to 300 stores, the majority of our active stores would fall under that category.

Takamadate [M]: Thank you very much. Since one of the questions I just received in real time asked for a breakdown of the businesses, the answer we just provided answered those questions.

Participant [Q]: We've seen a series of instances where the Smaregi system's foresight has paid off, such as the changes to the consumption tax rate and the tax-exempt system. Are there any other developments planned or likely to occur in the future?

Miyazaki [A]: While maintaining the flexibility of our systems, we have been serving a wide range of industries, including food service, retail, and apparel. I believe that the fact that our management team has an engineering background, which enabled us to build systems that are both robust and highly flexible, was the key factor in securing this opportunity. Similarly, since we handle everything in-house, from development and sales to customer use and support, we are well-positioned to respond quickly to changes even in the age of AI. We intend to continue maintaining a structure that will allow us to adapt to future changes in the external environment.

Takamadate [M]: Thank you very much.

Participant [Q]: It has been six months since we began preparations for the transition to the Tokyo Stock Exchange Prime Market. Could you please provide the schedule for the formal application?

Takamadate [A]: I will answer your question. We have begun full-scale preparations starting this fiscal year, but since we announced this as part of our medium-term plan, we would like you to consider it as a project that will span the duration of the medium-term plan.

Participant [Q]: I understand that your advertising strategy prioritizes efficiency, is it correct to assume that the phase of significantly increasing advertising spend to build brand awareness is over?

Takamadate [A]: I will also answer this question. With regard to lead generation, we will continue to prioritize lead conversion efficiency in our operations. As for cognition, I plan to continue monitoring performance and proceed accordingly.

As for whether we will significantly increase our advertising budget, I expect there will be some fluctuations from QtoQ. On page 11, there is a slide showing advertising and promotional expenses and S&M costs. As you can see, we typically record slightly higher figures for Q4.

Sponsorship opportunities for large-scale food festivals tend to come in during Q4 of each year, and as Mr. Miyazaki mentioned in the overview presentation earlier, there were periods during Q1 and Q2 of the previous fiscal year when we could secure ad placements at very low costs.

As a result, we have significantly increased our inventory in that area, and as a consequence, when looking at Q1 of this fiscal year on a YoY basis, we are seeing a significant decline. While we don't anticipate any significant increases or decreases, since we have set an annual budget, we plan to manage our ad spending while monitoring the ratios of sales, SG&A expenses, and advertising expenses.

Participant [Q]: My understanding is that, for Q1 of the fiscal year ending April 30, 2027, a shift in revenue composition toward monthly subscription fees and other charges, along with cost reductions resulting from in-house development of the cashless payment business, contributed to an improvement in the gross profit margin. In order to understand this improvement, which of the two factors do you think should be considered more important as a structural and ongoing factor?

Takamadate [A]: I will answer your question. I believe that none of these effects are temporary; rather, they will continue to have an impact. As we have been explaining for some time now, the shift toward monthly

subscription fees and other revenue streams is continuing to accelerate; as recurring revenue grows, the proportion of revenue from equipment sales and other sources will conversely decline. We are in the process of in-house development for our cashless payment business, and we expect that the cost reductions resulting from handling payment settlement in-house will continue as before; since we began this initiative this year, we anticipate it will become firmly established.

As for importance, we recognize that both factors, not just one, are contributing to improved profit margins. However, as you have seen, equipment sales tend to increase significantly in Q4, so please keep in mind that the composition ratio may fluctuate on a quarterly basis.

Takamadata [M]: Continuing question from the same participant.

Participant [Q]: While advertising and promotional expenses for Q1 are expected to decrease by 9.5% QoQ, the company states that it will continue to make proactive investments with a focus on efficiency. When determining whether to increase or decrease advertising spend, could you please tell me which metrics or approaches, such as CPA, lead conversion rate, and closing rate, are considered particularly important?

Takamadata [A]: I will also answer this question. CPA, lead conversion rate, and close rate are all key metrics for measuring ad effectiveness, so our team tracks each of them individually and reviews the data daily. If you're a marketing professional actually running ad campaigns, you naturally prioritize CPA. Inside sales teams, which handle the initial response to inquiries, place a high priority on the deal conversion rate.

Each unit uses KPIs to track leads, but we consider what is the actual MRR, or monthly revenue, generated after those leads progress through sales meetings, closed deals, and conversion rates. We take all of that into account and measure unit economics by considering factors such as the cancellation rate and gross profit. We're looking at this by advertising medium. We examine in considerable detail whether the project meets the target unit economics and exercise control by either scaling back or increasing the budget accordingly.

Participant [Q]: For cashless payments, ARR, ARPA, the number of contracts, and the cross-sell rate are each disclosed. In order to understand the growth in revenue and profit for the payment business, could you please tell me which KPIs among these should be given particular attention, and why, to the extent that you feel comfortable sharing this information? This is not intended to request the disclosure of unpublished forward-looking information.

Miyazaki [A]: I believe that ARR, ARPA, the number of contracts, and the cross-sell rate are all important; ARR is calculated as ARPA multiplied by the number of contracts, and the number of contracts depends on the cross-sell rate. Therefore, since all of these are metrics that define business growth, we disclose them as KPIs. It should be noted that, since ARPA is linked to a merchant's payment processing volume, it may fluctuate depending on sales trends at existing locations, even if the number of contracts is increasing.

Takamadata [M]: Next question. The last of the questions we received in advance.

Participant [Q]: This time, due to in-house payment processing and the internalization of sales revenue settlement, profit growth has significantly outpaced sales growth. Can we consider this improvement in profit margins to be a structural trend that will continue in the future? Also, is it your understanding that we have entered a phase where profit growth will outpace revenue growth over the next two or three years, allowing us to benefit from operating leverage?

Miyazaki [A]: The improvement in gross profit margin is structural in nature, driven by a shift in product mix and an increase in in-house production. On a full-year basis, I believe profit margins will continue to improve gradually going forward. However, since our top priority is not to continuously increase our operating profit margin but rather to prioritize investments aimed at achieving the ARR target of JPY22.2 billion set out in our

medium-term plan, we are not assuming that the operating profit margin will rise above the level factored into our full-year forecast. I believe this could include goodwill amortization resulting from M&A transactions, costs associated with launching new businesses, and increased personnel expenses due to organizational expansion.

Takamadate [M]: Thank you very much. Next question.

Participant [Q]: The headcount stands at 483, and the pace of growth, at about 10%, has continued since Q3 of the previous fiscal year. I believe the use of AI to improve operational efficiency is gaining momentum, but do you think this growth rate of about 10% will continue?

Miyazaki [A]: We're not doing this with the intention of keeping it at 10%; rather, productivity has improved across all departments through the use of AI and other measures, so this is simply the result. On the other hand, as I mentioned earlier, if there are situations where performance won't improve unless we increase our workforce, rather than relying on AI, or where we should increase our workforce, I'd like to actively invest in human resources, or rather, in labor costs.

Takamadate [M]: Thank you very much. Since I've received a lot of questions today, I'd like to answer them as they come in.

Participant [Q]: The gross profit margin for monthly service fees improved significantly to 81.8%. Were there any special factors involved?

Takamadate [A]: The gross margin is 81.2%, which is up 1.7% QoQ. While this isn't a significant improvement, since this is a monthly subscription service, the change is due to fluctuations in depreciation expenses. However, I think this is within the margin of variance.

Participant [Q]: The gross profit margin on equipment sales has declined to 17.8%. You mentioned that the inventory write-down was due to the lower-of-cost-or-market method, but how much was the write-down?

Takamadate [A]: Sorry. Although we haven't disclosed this information, not all of the 6% QoQ change is attributable to write-downs. I believe it's safe to think of this as a cost variance resulting from cost fluctuations and the lower-of-cost-or-market method.

By the way, regarding this write-down, as briefly mentioned in the notes, it is due to the fact that equipment prices have continued to rise due to semiconductor shortages and other factors, and we significantly increased our inventory to mitigate the impact of those price increases. Therefore, as noted in the remarks section, since this is not due to an increase in slow-moving or obsolete inventory, I do not believe this is a cause for concern. I do think this content could potentially lead to some confusion.

Takamadate [M]: Next, we have a question about AI.

Participant [Q]: It says that promoting AI adoption is helping to curb rising costs, but will the use of AI agents lead to increased work efficiency in the future? In that case, would it be possible to provide specific figures regarding the expected rate of growth in top-line revenue and the expected increase in the operating profit margin?

Miyazaki [A]: While work efficiency varies depending on the degree to which the system is utilized, I believe that top-level executives, senior management, and the heads of each department likely achieved several times the usual level of productivity. As for the acceleration of the top line, since it involves elements of uncertainty, I am unable to answer that question. Sorry.

Takamadate [M]: Continuing question about the same AI.

Participant [Q]: While some are claiming that the evolution of AI spells the death of SaaS, I believe that SaaS services will be divided into those that will be replaced and those that will evolve. I tend to think of services that are being replaced as ones that gradually see their average revenue per customer decline and eventually fade away, but since Smaregi's average revenue per customer is actually increasing, I believe it's a service that's evolving. In your core business areas of POS and payment services, how do you think the ongoing evolution of AI will impact your operations going forward? I'd like to hear your thoughts on how to grow your business in an AI-driven society.

Miyazaki [A]: The unit price of services that can be replaced gradually decreases. As for unit prices, I don't think that's the case at all. In my view, the only reason certain SaaS services have declined is that their unit prices were simply too high. If our service costs between JPY5,000 and JPY15,000 per store for a cash register, and someone asked me, "Should we use AI for this?" I'd say no.

On the other hand, if you say JPY100,000, that will amount to JPY200,000 or JPY300,000 if you owned two or three stores. If we're talking about JPY2 million or JPY3 million a year, I think we'd start considering hiring someone full-time to handle it. So, it comes down to price and value, I think it depends on that. Therefore, I believe the definition of a service that can be replaced is based on the exact opposite way of thinking: whether or not it's priced reasonably is what determines whether it will decline or not.

Takamadate [A]: That could lead to more rational pricing across the SaaS industry as a whole.

Miyazaki [A]: You said you would like to hear our thoughts on how the evolution of AI will impact our business going forward and how we can grow our business in an AI-driven society. While this is really just the store's operating system, the POS system is, after all, the first point of entry for inputting sales data. Since we're covering that entry point, I believe we'll be able to handle payments, manage inventory, and, ultimately, expand into e-commerce-related areas as well.

We're also increasing the average revenue per customer, but this isn't due to price hikes, it's because the value we provide is expanding. Since we've secured a foothold in this market, AI will continue to accelerate our development speed, which I believe will lead to a steady increase in the value we can provide. Therefore, we plan to pursue this strategy.

Takamadate [M]: Thank you very much. Next question.

Participant [Q]: What specific initiatives are you envisioning as part of the payment value chain reform? Do you have any progress recently?

Miyazaki [A]: When it comes to payment methods, which, of course, include credit cards, as well as QR codes, various "Pay" services, and so on, the GMV processed through these channels is extremely important in our industry. A high GMV can lead to direct contracts, and I believe we can reduce costs to a certain extent by leveraging the economies of scale that come with it.

Takamadate [M]: Thank you very much.

Participant [Q]: You mentioned that the cross-sell rate for payment terminals and POS systems is 34.1%. What are the main reasons why the remaining 65% of stores have not achieved cross-selling? Also, please tell us about the measures you are currently implementing and those you plan to implement in the future to increase this cross-sell rate. In addition, how do you assess the current level of 34.1%? Also, by 2031, the final year of the medium-term business plan, what is your target for the cross-sell rate?

Miyazaki [A]: The cross-sell rate is 34.1%, but the cumulative cross-sell rate is 34.1%. In other words, the cross-sell rate for new customers is even higher. Specifically, it exceeds 50%, and our assessment is that it can be raised even further at this point.

In terms of new business sales right now, the rate exceeds 50%, and we're planning to increase it to 60% and 70%, but when it comes to the cumulative total, I think it will still be difficult to reach 60% or 70%. As for why the new cross-sell rate is 60% or 70%, it's because there are large stores and shopping centers that have implemented a unified payment system, which creates some physical challenges. Ultimately, I think the rate will likely peak at around 70% or 80%.

Takamadate [M]: Thank you very much.

Participant [Q]: Is it accurate to say that the barriers to entry for other companies in the cloud POS system business are high?

Miyazaki [A]: This is a difficult question, but I think it depends on who's doing it. When people hear POS, they don't really have a clear picture of what it is, but I think many of them mistakenly think it's just a calculator. While there are various types of POS systems, some of which are like simple calculators, I think that's a bit too simplistic.

On the other hand, for us, with payment processing, inventory management, and, in the restaurant industry, handheld terminals and mobile ordering, as well as handling large-scale data across multiple locations. Or, even if you have a large volume of data, when you consider integrating it with core systems via APIs, and figuring out how to handle traffic, such as through an API load balancer, there's an overwhelming amount to do.

In addition, when you consider the control of hardware such as change dispensers and printers, while each component isn't particularly difficult on its own, I do think that controlling the entry point and having a comprehensive solution do act as barriers to entry.

Takamadate [M]: Thank you very much. Next question.

Participant [Q]: Will the rising cost of hardware purchases due to soaring memory prices contribute to a shift toward device subscriptions? We understand that mid-sized customers still tend to make one-time purchases.

Miyazaki [A]: I think it's possible that the costs could be passed on to equipment subscription plans. On the other hand, if we pass on too many costs, the benefits of the subscription will be lost to our customers, so we hope to move forward while striking the right balance. You are correct in noting that mid-sized customers still tend to opt for one-time purchases; the reality is that customers who are able to pay, and are quite willing to pay, a certain amount or more in initial costs do tend to choose one-time purchases.

Takamadate [M]: Thank you very much.

Participant [Q]: Should the upward revision of the payment cross-sell rate be viewed as merely a superficial figure? Actually, things are going well, should I consider this a pleasant surprise? I don't think there has been any fundamental change in the business strategy of increasing the cross-sell rate.

Miyazaki [A]: We mentioned in the IR presentation that the cross-sell rate was over 50%, so actually, it's going well, or rather, it had been going well. I'll do my best to achieve even better results from now on.

Takamadate [M]: Thank you very much.

Participant [Q]: Following up on the progress of ARR against the mid-term plan, could you please share your views on the potential for the current quarter to exceed expectations and on the possibility of achieving the mid-term plan targets ahead of schedule?

Miyazaki [A]: We're steadily working toward our goal of completing the project ahead of schedule. Since this is our first year, our goal is to make sure we meet our targets for this first year, so we plan to work steadily toward that.

Takamadate [M]: Thank you very much.

Participant [Q]: To what extent do you expect the ratio of recurring revenue to increase?

Takamadate [A]: Looking at page nine of the slide, I believe the ratio of recurring revenue has been gradually increasing, so I will respond to this question. As you can see from this, I think it's over 80%. As for how far this will go, as I mentioned in my earlier response, I believe that sales of inventory will continue to increase, while the proportion of equipment sales will continue to decline. Therefore, while it may exceed 90% in some cases, there may be M&A activity or other changes in the coming years that could alter the sales mix, so I cannot say with certainty that it will exceed 90%; however, I believe it will almost certainly exceed 80%.

Participant [Q]: What is the ratio of stores among your customers that are implementing a new POS system for the first time versus those that have switched from an existing system to Smaregi? Also, what are the recent trends?

Takamadate [A]: I will answer this question. I believe I mentioned somewhere in the publicly available data the ratio of new to existing users, and it's actually split pretty evenly, about half and half. I do believe that the data was based on leads, but since inquiries account for about half of the total, I think the ratio is roughly the same for closed deals as well.

Participant [Q]: For individual investors, could you explain what sets your company's Smaregi apart from other smart register systems?

Miyazaki [A]: Since discussing other companies involves their own perspectives, let me focus on our key points: We serve a wide range of industries, with a focus on retail, apparel, and the food and beverage sector. Since we've been in business for 15 years now, we're able to accommodate a wide range of industries, as well as the unique sales and discount structures specific to each one. Furthermore, we've been rolling out the system across a range of locations, from a single store up to about 600 or 700 stores, so naturally, we've integrated it with that large core system as well. As for how the integration with our core systems works, since we've made our APIs publicly available, third-party system integrators can use them to integrate with our core systems with just a few minor modifications.

For that reason, even with companies of a certain size, we have the flexibility to handle a wide range of industries and company sizes, and I believe our strength lies in our ability to provide comprehensive support across the board. As I mentioned earlier, what makes this possible is that we handle everything in-house, from manufacturing to sales to customer support. Therefore, I believe that's where we really stand out from the competition.

Takamadate [M]: Thank you very much.

Participant [Q]: You provided a specific number of stores to indicate the projected number of stores to be acquired through our collaboration with the All-Japan Beauty Salon Association. Are all 1,100 stores included in this fiscal year's plan?

Miyazaki [A]: Of the number of stores that had been finalized at the time the budget was disclosed, about half or less are included in this fiscal year's plan.

Participant [Q]: Regarding the Smaregi service, could you tell me which aspects you think are likely to be replaced by AI and which you think are less likely to be replaced?

Miyazaki [A]: In terms of areas that are likely to be replaced, I think it's the programming aspect, but I believe AI can handle a lot of it. We make full use of AI company-wide. Ultimately, those areas are easily replaced, but since we're an engineering firm at heart, I believe we're already making better use of our resources than other companies, so I don't really have any strong feelings about it.

When it comes to aspects that are difficult to replace, I believe that the process of buying products in-store will not disappear, even as AI advances. Our point-of-sale systems are where transaction data is generated and serve as a data source for AI. Since we handle funds, such as for payments and tax-free purchases, and also conduct merchant screening and licensing operations, we believe these functions are unlikely to be replaced.

Takamadate [M]: Thank you very much. Now, moving on, we have a new question.

Participant [Q]: A question to Mr. Takamadate. Regarding the store's OS Fund, is the purpose of this fund to make equity investments aimed at future M&A or group integration, and are financial returns from an IPO or M&A not a consideration?

Takamadate [A]: I'll answer this. Basically, I suppose you could say these are not considered. The reason is that, with the goal of expanding or strengthening aspects of the store's OS that we don't currently have, even though this fund isn't actually structured as a fund, we are providing investment as part of this initiative. For that reason, we're focusing on business synergies, and, in fact, our rapidly growing payments business is itself a business we acquired through M&A, and we're actively seeking out services, products, and companies that can contribute to our "Store OS" vision in this way.

Therefore, while it would be ideal if that led to an IPO or a merger or acquisition, thereby generating a financial return, our basic vision is for the business to thrive as a key component of the group.

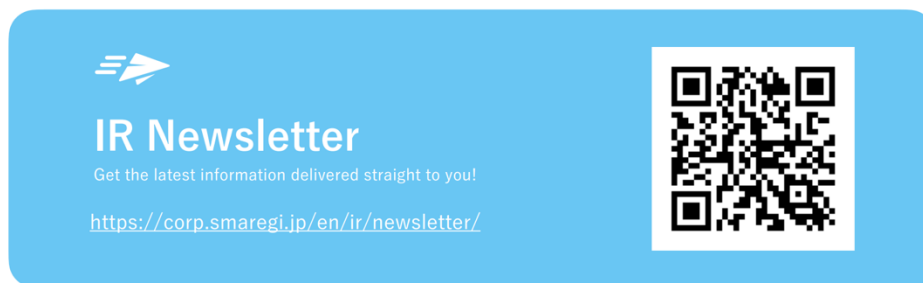
Takamadate [M]: Thank you very much for many questions. I believe that covers everything, so I would like to conclude the question-and-answer session. Thank you for asking many questions. Now, Mr. Miyazaki, please give us the closing remarks.

Miyazaki [M]: Next week, on September 21, it will be 15 years since we released Smaregi. We started with a single iPhone point-of-sale system, and by the end of July this year, we had processed a cumulative total of JPY15 trillion in store sales. From POS to OS, I believe the theme we set forth in this medium-term plan is gradually taking shape.

We are currently in the midst of a major transformation driven by AI, and while it is a time when it is difficult to see what the future holds, that is precisely why we intend to avoid making a big splash, stay grounded in our stores, and, with our employees and the company working as one, continue to steadily support our stores.

Thank you very much for your continuous cooperation.

Thank you for taking time out of your busy schedule to attend today's briefing.



The latest information is also available on our corporate website.
Please take a moment to visit.

Corporate Website

<https://corp.smaregi.jp/en/>

IR information

<https://corp.smaregi.jp/en/ir/>

A small black square logo with the white Japanese text "スマレジ" (Smaregi).

Moderator [M]: Here is an announcement from IR. We also share the latest IR information via our newsletter and LINE. We send out a newsletter every month, so please be sure to subscribe.

This concludes the presentation of financial results for the fiscal year ending April 30, 2027.

Thank you for watching until the end today.

Thank you also for your continuous support.

[END]

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