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Key Points of Interest Expected in the Financial Results for the 2nd Quarter of the Fiscal Year Ending January 31, 2026

The Company has published a list of anticipated questions and answers in relation to the “Consolidated Financial Results for the Six Months Ended July 31, 2025” and other information announced today. Please see attached a list of expected questions and answers.

Key Points of Interest Expected in the Financial Results for the 2nd Quarter of the Fiscal Year Ending January 31, 2026

■ Financial Results for the Second Quarter and Progress toward Forecasts

Q1: Could you please provide more detailed information regarding the revision of the full-year earnings forecast?

Firstly, with regard to the current earnings forecast revision, the volatility of sales, operating profit and ordinary profit does not fall under the disclosure standards stipulated by the TSE, but the earnings forecast has been revised in light of the impact of the withdrawal from Media Contents business and strong interest from shareholders and investors.

One of the factors behind the revision of the full-year earnings forecast is the withdrawal from the Media Contents business, which resulted in the removal of ¥3.543 billion in revenue and ¥181 million in operating profit that had been originally planned for the second half of the fiscal year.

Domestic Solutions has been revised downward for full-year sales based on H1 performance and H2 order status. For the full-year operating profit, H1 has greatly exceeded the forecast, but we have conservatively revised the forecast upward for H2 as SG&A expenses are expected to be consumed as planned.

In Overseas Solutions business, although we expect an increase in sales in H2 due to the postponement of projects from H1, we have revised the full-year sales and operating profit downward based on the actual results of H1. The operating profit margin for H2 is 5.4%, which is a well achievable ratio even when compared to past figures.

In 2Q, an impairment loss of ¥150 million on a game joint development project for which recovery of the investment is not expected, and a -¥317 million in deferred income taxes associated with the recording of deferred tax assets due to the sale and determination of a loss on HIKE Inc. ("HIKE") were recorded, which are also reflected in the full-year earnings forecast.

Revisions to earnings forecasts by business are as follows.

● Effect on sales and operating profit by business

		(Millions of yen)				
		Revised forecast	Initial forecast	Difference	(Of which, H1 difference)	(Of which, H2 difference)
Domestic Solutions	Net sales	26,598	26,860	-262	-158	-103
	Operating profit	1,500	1,179	+320	+347	-27
Overseas Solutions	Net sales	20,961	21,350	-388	-1,069	+680
	Operating profit	20	844	-824	-850	+25
Media Contents	Net sales	2,169	6,841	-4,672	-1,128	-3,543
	Operating profit	-133	-430	+297	+478	-181
Company-wide	Operating profit	-262	-390	+128	+53	+74
Consolidated Total	Net sales	49,729	55,052	-5,322	-2,356	-2,966
	Operating profit	1,124	1,202	-78	+29	-107

Q2: Please provide the profit and loss impact related to the sale of HIKE and AQUAPLUS.

As a result of the sale of HIKE, we recorded a special gain of ¥86 million from the sale of affiliated company shares in 2Q. The special gain from the sale of AQUAPLUS is currently under review, but we expect to record approximately ¥40 million in 3Q.

Q3: Will there be no sales from Media Contents business in H2? Also, please provide information about Palabra

As a result of the sale of HIKE and AQUAPLUS, only Palabra Inc. remains in the Media Contents business segment. In H2, Media Contents business will consist solely of this company's performance. From the next fiscal year, Palabra will be integrated into Domestic Solutions, and Media Contents business category will be discontinued.

Palabra is a company specializing in the production of barrier-free subtitles and audio guides for films and visual media. With growing interest in creating a more inclusive and enriched society—driven by legal reforms and shifts in public awareness, such as the enforcement of the amended Act for Eliminating Discrimination Against Persons with Disabilities on April 1, 2024, which mandates the provision of reasonable accommodation by businesses—Palabra is actively engaged in barrier-free consulting for cultural and artistic fields such as theater and events. The company also provides 'UDCast', a barrier-free service focused on visual content. Furthermore, in 2020, Palabra received the Minister of State Commendation (Excellence Award) under the Cabinet Office's Barrier-Free and Universal Design Promotion Awards.

Palabra's sales for FY1/2025 amounted to ¥176 million, accounting for 0.3% of consolidated sales. Supported by the enforcement of the amended Act for Eliminating Discrimination Against Persons with Disabilities, Palabra has been steadily growing. For more details, please refer to Palabra's official website.

For details, please refer to Palabra website. <https://palabra-i.co.jp/>

Q4: Although exchange rates continue to fluctuate significantly, we would like to know the impact on the current financial results.

In Overseas Solutions, revenue increased from ¥9.02 billion in 2Q of the previous fiscal year to ¥9.75 billion in the current 2Q, representing a ¥720 million increase. Of this, the impact of exchange rates was -¥210 million, meaning the increase excluding currency effects was ¥930 million. The average exchange rate applied in the 2Q financial results was ¥152.31 per US dollar in the previous fiscal year and ¥149.01 in the current fiscal year. The assumed exchange rate is ¥145 per US dollar.

Q5: Foreign exchange losses (non-operating expenses) are significant—could you explain the reasons?

Within our group, the parent company holds foreign currency-denominated intercompany loans to overseas subsidiaries in Overseas Solutions segment. Due to the appreciation of the yen—from ¥154.43 per US dollar at the end of the previous fiscal year to ¥149.39 at the end of the current second quarter—a foreign exchange loss of ¥134 million was incurred on these loans. These loans are subject to foreign exchange gains or losses depending on currency fluctuations.

■ Business Environment and Strategies for Each Operation

Q6: Regarding Domestic Solutions, profit margins have been significantly lower recently compared to the past. Do you expect them to recover in the future? What is your growth strategy going forward?

We have completed the withdrawal from Media Contents and plan to use the management resources we have invested in this area for the domestic Tech sector (software testing and development), which will be a future growth driver, as well as for overseas markets. We have established a leading domestic market share in the field of game debugging and monitoring. Going forward, we will leverage this expertise to focus our management resources on developing BPO operations in the large-scale Tech sector, aiming to capture top market share and accelerate both investment and returns.

Regarding the performance for the current fiscal period in Domestic Solutions, although we are planning for an increase in revenue compared to the previous period, selling, general and administrative (SG&A) expenses are also expected to rise significantly, resulting in a projected decline in profit. Specifically, SG&A expenses are increasing due

to initiatives such as hiring talent to expand our Tech domain, advertising and promotional activities to enhance brand awareness, strengthening our sales structure, recruiting AI specialists, and investing in systems. Additionally, we are continuing efforts to consolidate and improve our office locations, with the aim of enhancing the working environment and improving operational efficiency. With regard to office consolidation, we have already seen tangible results such as improved employee satisfaction (ES), reduced turnover rates, and more efficient recruitment. We will continue to promote this initiative as part of our human capital investment strategy, with a view toward future cost reduction. In addition, to advance talent development and the AI- and DX-driven transformation of operations, we have established an Advanced Technology Laboratory led by a former Microsoft employee, where we are fostering highly skilled engineers and developing automation tools using AI.

While these initiatives will temporarily increase one-time expenses and lead to a decline in profit for Domestic Solutions business, we view them as essential growth investments that will enable us to respond quickly to customer needs and expand our business scale. We believe these investments will be recoverable through future growth in both revenue and profit.

Q7: Will Overseas Solutions become profitable from the next fiscal year onward? Please also tell us your future growth policy.

Similar to Domestic Solutions, Overseas Solutions is making its operations more efficient through the use of AI. In addition, demand for game-related BPO continues to expand amid continuing growth in the global population, we will continue to pursue cost benefits by conducting labor-required tasks at offshore locations with lower labor costs. In addition to developing AI in-house, we will leverage business alliances with leading partners to increase efficiencies and gain market shares in these industries. These include the world's first hybrid-playtest AI based debug solution (Razer Cortex: Playtest Program-Powered by Side) with Razer, for which we released news releases in August and recorded 799 million unique views. In addition, as a new market, we have concluded a MoU in July for a business alliance with Savvy Games Group of Saudi Arabia, and we are considering expanding into the Middle East and North Africa, which have high growth potential.

Although performance has temporarily declined this period due to upfront costs for newly established offshore sites and project timing shifts, we are continuing to grow over the medium to long term. We are also advancing the necessary investments and business expansion for this growth, and therefore expect profitability to become established from the second half of the fiscal year onward.

■ Future Management Policies

Q8: Following the withdrawal from Media Contents business, we are interested in learning more about the company's vision for future growth.

Previously, we had set targets of ¥100 billion in sales and a 10% operating profit margin for FY 1/2029. However, we have revised our strategy following our withdrawal from Media Contents business. Our new targets are to maintain a CAGR exceeding 10% for sales and achieve an EBITDA margin of 10% by balancing investment in growth with ensuring profitability. We are making concerted efforts to achieve the ¥100 billion sales target as soon as possible and establish a stable profit structure.

[Disclaimer]

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