Consolidated Financial Statements and Primary Notes

Consolidated Balance Sheet

(Thousands of yen)

| | As of February 28, 2025 | As of February 28, 2026 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,957,158 | 2,883,045 |
| Notes and accounts receivable - trade | 856,965 | 1,097,780 |
| Contract assets | 356,636 | 398,097 |
| Merchandise and finished goods | 727,437 | 338,788 |
| Work in process | 179,837 | 41,627 |
| Raw materials | 280,940 | 183,584 |
| Advance payments to suppliers | 350,253 | 704,335 |
| Other | 321,461 | 356,338 |
| Allowance for doubtful accounts | (805) | (242) |
| Total current assets | 6,029,885 | 6,003,355 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 180,376 | 131,704 |
| Vehicles, net | 306 | 243 |
| Furniture and fixtures, net | 60,717 | 52,704 |
| Construction in progress | 649 | 649 |
| Total property, plant and equipment | 242,049 | 185,302 |
| Intangible assets | | |
| Software | 524,034 | 546,506 |
| Software in progress | 355,411 | 863,868 |
| Goodwill | 1,379,279 | 1,229,213 |
| Other | 10,257 | 14,566 |
| Total intangible assets | 2,268,982 | 2,654,155 |
| Investments and other assets | | |
| Investment securities | 799,594 | 759,916 |
| Shares of subsidiaries and associates | 29,998 | 3,004 |
| Investments in capital | 715,901 | 571,836 |
| Deferred tax assets | 245,111 | 197,189 |
| Guarantee deposits | 234,030 | 220,023 |
| Other | 7,332 | 16,842 |
| Total investments and other assets | 2,031,968 | 1,768,812 |
| Total non-current assets | 4,543,000 | 4,608,270 |
| Total assets | 10,572,886 | 10,611,626 |

(Thousands of yen)

| | As of February 28, 2025 | As of February 28, 2026 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 523,937 | 446,547 |
| Short-term borrowings | - | 400,000 |
| Current portion of long-term borrowings | 1,435,751 | 671,602 |
| Income taxes payable | 128,306 | 33,371 |
| Contract liabilities | 195,340 | 149,739 |
| Provision for bonuses | 221,290 | 227,457 |
| Provision for loss on construction contracts | 2,924 | - |
| Provision for business restructuring | 35,280 | 16,426 |
| Other | 546,013 | 586,905 |
| Total current liabilities | 3,088,845 | 2,532,049 |
| Non-current liabilities | | |
| Long-term borrowings | 1,317,888 | 1,942,328 |
| Deferred tax liabilities | - | 10,785 |
| Asset retirement obligations | 40,599 | 41,023 |
| Other | 1,331 | 39,279 |
| Total non-current liabilities | 1,359,819 | 2,033,417 |
| Total liabilities | 4,448,665 | 4,565,467 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,420,475 | 2,458,058 |
| Capital surplus | 2,250,224 | 2,268,212 |
| Retained earnings | 1,433,707 | 1,313,217 |
| Treasury shares | (297,166) | (262,558) |
| Total shareholders' equity | 5,807,240 | 5,776,930 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 77,468 | 67,600 |
| Deferred gains or losses on hedges | (14,805) | 36,934 |
| Foreign currency translation adjustment | 185,418 | 159,213 |
| Total accumulated other comprehensive income | 248,081 | 263,749 |
| Share acquisition rights | 68,898 | - |
| Non-controlling interests | - | 5,480 |
| Total net assets | 6,124,221 | 6,046,159 |
| Total liabilities and net assets | 10,572,886 | 10,611,626 |

Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

| | For the fiscal year ended February 28, 2025 | For the fiscal year ended February 28, 2026 |
|---|---|---|
| Net sales | 11,165,530 | 10,405,091 |
| Cost of sales | 7,375,343 | 6,591,967 |
| Gross profit | 3,790,187 | 3,813,124 |
| Selling, general and administrative expenses | 3,698,801 | 3,739,747 |
| Operating profit | 91,385 | 73,376 |
| Non-operating income | | |
| Interest income | 14,949 | 7,652 |
| Foreign exchange gains | 21,098 | 54,794 |
| Gain on sale of investment securities | 6,409 | 945 |
| Other | 8,631 | 7,546 |
| Total non-operating income | 51,088 | 70,937 |
| Non-operating expenses | | |
| Interest expenses | 23,792 | 37,147 |
| Loss on investments in investment partnerships | 7,951 | 13,192 |
| Other | 8,152 | 861 |
| Total non-operating expenses | 39,897 | 51,202 |
| Ordinary profit | 102,576 | 93,112 |
| Extraordinary income | | |
| Gain on sale of non-current assets | - | 11,151 |
| Reversal of foreign currency translation adjustment | 29,826 | - |
| Gain on reversal of share acquisition rights | 627 | - |
| Total extraordinary income | 30,454 | 11,151 |
| Extraordinary losses | | |
| Loss on valuation of investment securities | 87,425 | 7,776 |
| Impairment losses | 64,992 | 44,809 |
| Business restructuring expenses | 39,314 | 15,880 |
| Loss on sale and retirement of non-current assets | 2,436 | - |
| Office relocation expenses | 2,482 | - |
| Settlement payments | 14,500 | - |
| Total extraordinary losses | 211,152 | 68,465 |
| Profit (loss) before income taxes | (78,120) | 35,798 |
| Income taxes - current | 119,621 | 44,033 |
| Income taxes - deferred | (51,128) | 25,514 |
| Total income taxes | 68,493 | 69,547 |
| Loss | (146,613) | (33,749) |
| Profit (loss) attributable to non-controlling interests | (6,083) | 25,036 |
| Loss attributable to owners of parent | (140,530) | (58,785) |

Consolidated Statement of Comprehensive Income

(Thousands of yen)

| | For the fiscal year ended February 28, 2025 | For the fiscal year ended February 28, 2026 |
|---|---|---|
| Loss | (146,613) | (33,749) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 47,579 | (9,866) |
| Deferred gains or losses on hedges | (23,339) | 57,416 |
| Foreign currency translation adjustment | 37,503 | (27,185) |
| Total other comprehensive income | 61,743 | 20,364 |
| Comprehensive income | (84,869) | (13,384) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (78,786) | (43,118) |
| Comprehensive income attributable to non-controlling interests | (6,083) | 29,733 |

Consolidated Statement of Changes in Equity

For the fiscal year ended February 28, 2025

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 2,410,273 | 2,339,982 | 1,633,298 | (297,166) | 6,086,388 |
| Changes during period | | | | | |
| Issuance of new shares | 10,201 | 10,201 | | | 20,403 |
| Dividends of surplus | | | (59,060) | | (59,060) |
| Loss attributable to owners of parent | | | (140,530) | | (140,530) |
| Purchase of treasury shares | | | | | - |
| Disposal of treasury shares | | | | | - |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (99,960) | | | (99,960) |
| Change in scope of consolidation | | | | | - |
| Increase (decrease) by merger | | | | | - |
| Net changes in items other than shareholders' equity | | | | | - |
| Total changes during period | 10,201 | (89,758) | (199,590) | - | (279,147) |
| Balance at end of period | 2,420,475 | 2,250,224 | 1,433,707 | (297,166) | 5,807,240 |

| | Accumulated other comprehensive income | | | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 29,889 | 8,533 | 147,915 | 186,338 | 64,289 | 6,083 | 6,343,099 |
| Changes during period | | | | | | | |
| Issuance of new shares | | | | | | | 20,403 |
| Dividends of surplus | | | | | | | (59,060) |
| Loss attributable to owners of parent | | | | | | | (140,530) |
| Purchase of treasury shares | | | | | | | - |
| Disposal of treasury shares | | | | | | | - |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | (99,960) |
| Change in scope of consolidation | | | | | | | - |
| Increase (decrease) by merger | | | | | | | - |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net changes in items other than shareholders' equity | 47,579 | (23,339) | 37,503 | 61,743 | 4,608 | (6,083) | 60,269 |
| Total changes during period | 47,579 | (23,339) | 37,503 | 61,743 | 4,608 | (6,083) | (218,878) |
| Balance at end of period | 77,468 | (14,805) | 185,418 | 248,081 | 68,898 | - | 6,124,221 |

For the fiscal year ended February 28, 2026

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 2,420,475 | 2,250,224 | 1,433,707 | (297,166) | 5,807,240 |
| Changes during period | | | | | |
| Issuance of new shares | 37,583 | 37,583 | | | 75,166 |
| Dividends of surplus | | | (59,665) | | (59,665) |
| Loss attributable to owners of parent | | | (58,785) | | (58,785) |
| Purchase of treasury shares | | | | (100,012) | (100,012) |
| Disposal of treasury shares | | (49,920) | | 134,620 | 84,700 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (5,000) | | | (5,000) |
| Change in scope of consolidation | | 33,326 | (38) | | 33,287 |
| Increase (decrease) by merger | | 2,000 | (2,000) | | - |
| Net changes in items other than shareholders' equity | | | | | - |
| Total changes during period | 37,583 | 17,988 | (120,489) | 34,607 | (30,310) |
| Balance at end of period | 2,458,058 | 2,268,212 | 1,313,217 | (262,558) | 5,776,930 |

| | Accumulated other comprehensive income | | | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 77,468 | (14,805) | 185,418 | 248,081 | 68,898 | - | 6,124,221 |
| Changes during period | | | | | | | |
| Issuance of new shares | | | | | | | 75,166 |
| Dividends of surplus | | | | | | | (59,665) |
| Loss attributable to owners of parent | | | | | | | (58,785) |
| Purchase of treasury shares | | | | | | | (100,012) |
| Disposal of treasury shares | | | | | | | 84,700 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | (5,000) |
| Change in scope of consolidation | | | | | | 5,480 | 38,767 |
| Increase (decrease) by merger | | | | | | | - |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net changes in items other than shareholders' equity | (9,867) | 51,740 | (26,205) | 15,667 | (68,898) | - | (53,231) |
| Total changes during period | (9,867) | 51,740 | (26,205) | 15,667 | (68,898) | 5,480 | (78,061) |
| Balance at end of period | 67,600 | 36,934 | 159,213 | 263,749 | - | 5,480 | 6,046,159 |

Consolidated Statement of Cash Flows

(Thousands of yen)

| | For the fiscal year ended February 28, 2025 | For the fiscal year ended February 28, 2026 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | (78,120) | 35,798 |
| Depreciation | 616,135 | 326,265 |
| Impairment losses | 64,992 | 44,809 |
| Amortization of goodwill | 121,387 | 150,066 |
| Reversal of foreign currency translation adjustment | (29,826) | - |
| Increase (decrease) in allowance for doubtful accounts | (145) | (562) |
| Increase (decrease) in provision for bonuses | 10,045 | 6,167 |
| Increase (decrease) in provision for loss on construction contracts | (5,415) | (2,924) |
| Increase (decrease) in provision for product warranties | (427) | (37,709) |
| Increase (decrease) in provision for business restructuring | 35,280 | 10,300 |
| Loss (gain) on sale of investment securities | (6,409) | (945) |
| Loss (gain) on valuation of investment securities | 87,425 | 7,776 |
| Loss (gain) on sale and retirement of non-current assets | 2,436 | (11,151) |
| Loss (gain) on investments in investment partnerships | 7,951 | 13,192 |
| Business restructuring expenses | 39,314 | 15,880 |
| Office relocation expenses | 2,482 | - |
| Settlement payments | 14,500 | - |
| Decrease (increase) in accounts receivable - trade, and contract assets | 639,328 | (240,529) |
| Decrease (increase) in inventories | (433,814) | 620,585 |
| Increase (decrease) in trade payables | 34,753 | (83,813) |
| Increase (decrease) in contract liabilities | 53,629 | (52,965) |
| Decrease (increase) in advance payments to suppliers | 11,213 | (352,450) |
| Gain on reversal of share acquisition rights | (627) | - |
| Other, net | 173,484 | 136,011 |
| Subtotal | 1,359,574 | 583,801 |
| Interest and dividends received | 16,688 | 10,305 |
| Interest paid | (28,515) | (36,565) |
| Payments for business restructuring | (5,067) | - |
| Payments of relocation expenses | (2,482) | - |
| Settlement paid | (9,434) | - |
| Income taxes paid | (28,086) | (181,595) |
| Income taxes refund | 66,942 | 10,722 |
| Net cash provided by (used in) operating activities | 1,369,618 | 386,669 |

(Thousands of yen)

| | For the fiscal year ended February 28, 2025 | For the fiscal year ended February 28, 2026 |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (79,097) | (17,495) |
| Proceeds from sale of property, plant and equipment | 1,829 | 11,123 |
| Purchase of intangible assets | (510,004) | (766,080) |
| Purchase of investment securities | (117,350) | (10,000) |
| Proceeds from sale of investment securities | - | 1,020 |
| Proceeds from redemption of investment securities | - | 14,985 |
| Purchase of shares of subsidiaries and associates | (99,960) | (3,000) |
| Payments of guarantee deposits | (54,374) | (507) |
| Proceeds from refund of guarantee deposits | 21,392 | 3,668 |
| Income from refund of investment | - | 130,000 |
| Payments for investments in capital | (250,000) | - |
| Proceeds from refund of leasehold and guarantee deposits | - | 3,234 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (96,592) | - |
| Net cash provided by (used in) investing activities | (1,184,157) | (633,050) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 700,000 | (400,000) |
| Proceeds from long-term borrowings | 500,000 | 1,450,000 |
| Repayments of long-term borrowings | (1,070,809) | (789,709) |
| Proceeds from issuance of shares | 10,768 | 809 |
| Purchase of treasury shares | - | (100,012) |
| Repayments of lease liabilities | (1,505) | (1,609) |
| Dividends paid | (58,755) | (53,828) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | - | (126,016) |
| Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation | - | 205,700 |
| Net cash provided by (used in) financing activities | 79,697 | 185,332 |
| Effect of exchange rate change on cash and cash equivalents | 29,615 | (13,064) |
| Net increase (decrease) in cash and cash equivalents | 294,773 | (74,112) |
| Cash and cash equivalents at beginning of period | 2,662,384 | 2,957,158 |
| Cash and cash equivalents at end of period | 2,957,158 | 2,883,045 |