Translation

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Main Questions and Answers on the Q3 FY2026 Financial Results

We would like to thank you for your ongoing interest in our business activities.
Following the announcement of our financial results for the Q3 FY2026 on October 6, 2026, we are publishing the main questions and answers below from the viewpoint of fair disclosure. These questions were gathered from our meetings with institutional investors and through inquiries from shareholders and other investors.
Please note that to promote a deeper understanding, the questions have been edited or rephrased without altering their original intent. Furthermore, please be aware that the answers provided reflect the Company's judgments and views as of the date of this disclosure, and that actual results may differ due to future events or other factors.

Q. How does the Company evaluate its financial results for Q3 FY2026.11?
A. In the third quarter, net sales were ¥1,453 million (up 35.1% year on year), adjusted EBITDA was ¥338 million (up 193.4%), operating profit was ¥310 million (up 199.5%), and profit was ¥334 million (up 135.9%), representing a significant increase in both sales and profit. Net sales reached a record high for a quarter, following the record set in the second quarter.

The increase in net sales was due to steady performance in our core note business and note pro business, as well as growth in sales from the AI-related business. On the profit side, higher sales in the platform businesses, which have a high marginal profit ratio, drove profit growth, and productivity gains from the company-wide use of AI kept cost increases down. As a result, both adjusted EBITDA and operating profit were approximately three times the level of the same period of the previous fiscal year. The KPIs of each business are also growing steadily, and we evaluate our performance as being on track.

This significant increase in both sales and profit was driven mainly by two factors: net sales expanded thanks to the steady growth of our core businesses—note, note pro, and Corporate services—together with the start of revenue contribution from the AI-related business this fiscal year, while at the same time company-wide adoption of AI improved productivity and helped contain the increase in costs such as personnel expenses.
In light of this strong progress, we announced an upward revision to our full-year earnings forecast alongside the second-quarter results, and we assess that the business is progressing very favorably.

Summary of Consolidated Financial Results for Q3 FY2026

Significant revenue and profit growth due to the steady growth of each business. Productivity improved through the active promotion of AI utilization, and each level of profit is progressing at a pace exceeding the full-year forecast.

Unit: Millions of yen	FY2026 Q3	FY2025 Q3	YoY	FY2026 Q3 Cumulative	FY2025 Q3 Cumulative	YoY	FY2026 Full-Year Forecast	Progress rate
Net sales	1,453	1,075	+35.1%	4,058	3,046	+33.2%	5,650	71.8%
Gross profit	1,243	1,004	+23.8%	3,610	2,855	+26.4%	4,900	73.7%
Adjusted EBITDA	338	115	+193.4%	923	167	+452.0%	1,220	75.7%
Operating profit	310	103	+199.5%	849	127	+567.0%	1,100	77.2%
Ordinary profit	328	104	+215.3%	858	139	+513.6%	1,130	76.0%
Profit attributable to owners of parent	334	141	+135.9%	994	212	+368.1%	1,200	82.9%

Net sales and Gross profit
In addition to the steady performance of the note and note pro businesses, sales in the AI-Related Business expanded, leading to significant revenue growth.

Adjusted EBITDA, Operating profit, and Ordinary profit
In addition to the above, we promoted efficient business operations through the active utilization of AI, leading to significant profit growth.

Profit attributable to owners of parent
Adjusted the recorded amount of deferred tax assets against the backdrop of strong business performance.

* Adjusted EBITDA = Operating profit + Depreciation + Stock compensation expense + Other one-time expenses / * The FY2026 full-year forecast is based on figures announced on July 7, 2026.

<u>Q. How do you evaluate progress toward the full-year earnings forecast as of the third quarter? What is your outlook for the full-year results?</u>

A. For the nine months through the third quarter, net sales were ¥4,058 million, adjusted EBITDA was ¥923 million, and operating profit was ¥849 million. Against the full-year forecast, which we revised upward when we announced our second-quarter results, progress was 71.8% for net sales, 75.7% for adjusted EBITDA, and 77.2% for operating profit. Our results are progressing in line with our plan, and profit at each level is running ahead of the pace of the full-year forecast.

We expect net sales in the fourth quarter to increase from the third quarter, mainly due to growth in the AI-related business as the GENIAC project progresses. This is broadly in line with our assumptions for the full-year forecast. We expect adjusted EBITDA, operating profit, and ordinary profit to be at broadly the same level as in the third quarter. This is because, while profit growth from higher sales and productivity gains from the use of AI will continue, we expect personnel expenses and recruiting expenses to increase as hiring progresses for business expansion in the next fiscal year and beyond. We do not expect to record any particular one-time expenses in the fourth quarter.
We expect profit in the fourth quarter to be smaller than in the third quarter. This is because our strong results have reduced our tax loss carryforwards, which reduces the amount of deferred tax assets we expect to record. This was already factored in at the time of the upward revision.

Based on these assumptions, we expect profit at each level to exceed the full-year forecast. However, we have judged that the difference is not at a level that meets the criteria for revising the earnings forecast, and at this point we have left the full-year forecast announced on July 7 unchanged. We will not be satisfied with simply achieving the forecast, and we would like to add to our results as much as we can.

Q4 Outlook and Landing Forecast

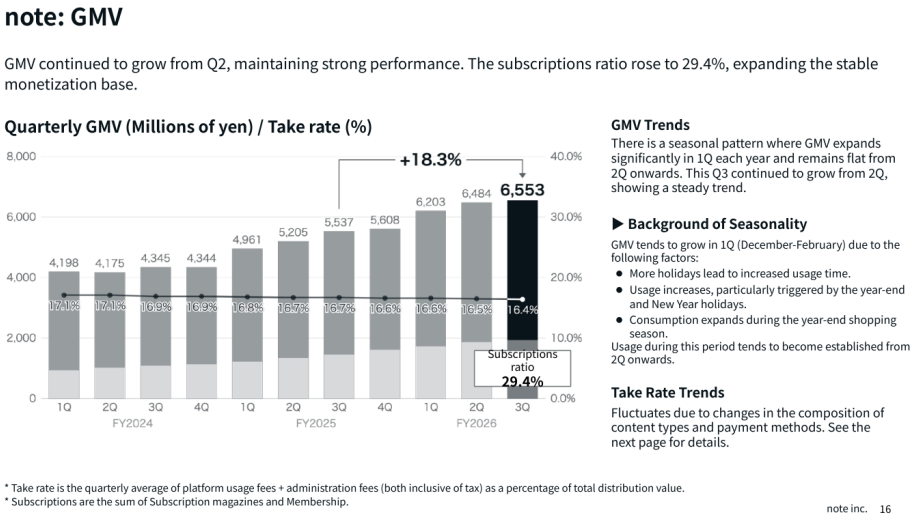
All major indicators are progressing steadily, and we expect each level of profit to land above the full-year forecast.

	Q3 (million yen)	Q3 Cumulative (million yen)	Full-Year Forecast (million yen)	Progress rate	Q4 Outlook		Landing Forecast
Net sales	1,453	4,058	5,650	71.8%	Expansion from Q3	Assuming growth in each business, centered on the expansion of the AI-Related Business due to the progress of the GENIAC project	As expected
Gross profit	1,243	3,610	4,900	73.7%			
Adjusted EBITDA	338	923	1,220	75.7%	On par with Q3	While we expect profit expansion due to sales growth and productivity improvement through AI utilization, we also anticipate an increase in personnel and recruiting expenses due to the progress in hiring	Anticipated upward deviation
Operating profit	310	849	1,100	77.2%			
Ordinary profit	328	858	1,130	76.0%			
Profit attributable to owners of parent	334	994	1,200	82.9%	Reduction from Q3	Due to strong business performance, tax loss carryforwards have decreased, leading to a reduction in the estimated amount of deferred tax assets to be recorded	Anticipated upward deviation

Q. The year-on-year growth rate of note's GMV (gross merchandise value) was +18%, which appears to be a slowdown from growth rates of around 25% in the first and second quarters. What is the reason?

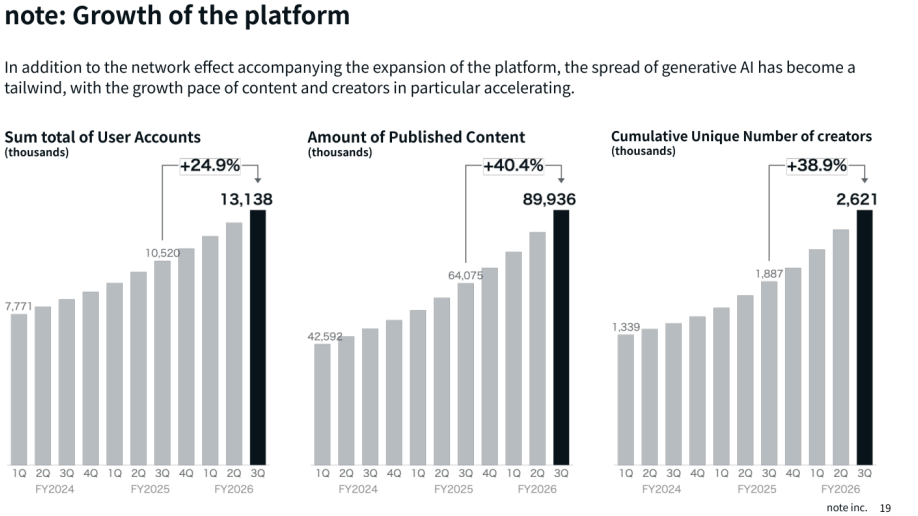
A. GMV in the third quarter was ¥6,553 million (up 18.3% year on year), continuing to grow from the second quarter and reaching a record high for a quarter. The main reason the growth rate appears lower than the 20% range seen through the second quarter is that growth in the third quarter of the previous fiscal year was particularly strong, making the basis for comparison high. We understand that GMV is expanding steadily.

As background, note's GMV has a seasonal pattern: it expands significantly in the first quarter (December to February), when usage increases around holidays and the year-end and New Year period, and then remains flat from the second quarter onward. Taking this seasonality into account, GMV has grown steadily each quarter this fiscal year as well, and we understand that it is on track. In particular, the subscriptions ratio, which reflects subscription magazines and memberships, has risen to 29.4%, and our stable revenue base is also expanding. We believe that GMV can continue to grow over the medium to long term, supported for the time being by network effects from the expansion of the platform and by the spread of generative AI.



Q. The amount of published content and the number of creators grew by about 40% year on year, while GMV grew by only +18%. How do you view this gap?

A. As you point out, the amount of published content and the cumulative number of creators increased by about 40% year on year, well above the growth in GMV. This is because the spread of generative AI has made writing articles more efficient and lowered the barrier to writing, so the supply side, meaning content and creators, has grown significantly.

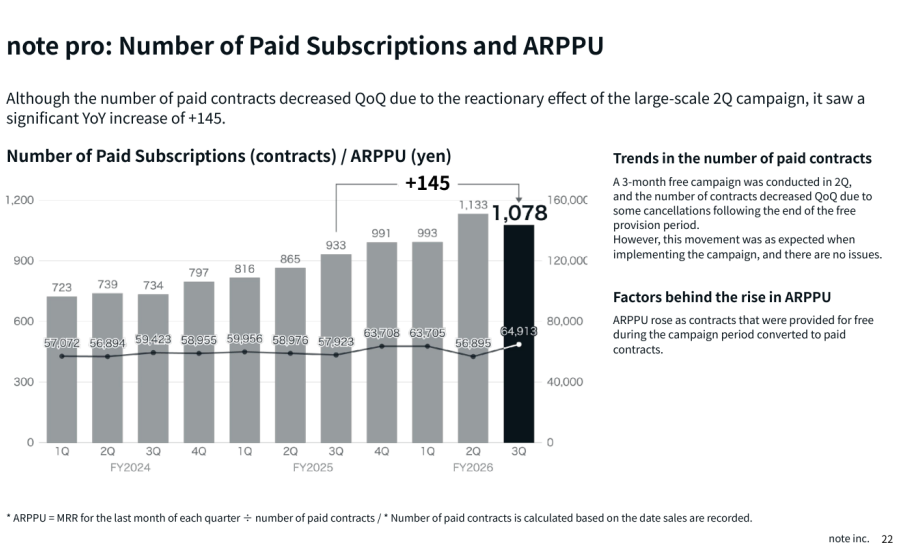


We understand that the demand side, meaning readers and subscribers, has not yet caught up with this growth in supply. On a platform, supply grows first and purchases catch up later. This is the order in which platforms grow, and we see the current gap as room for future GMV growth.

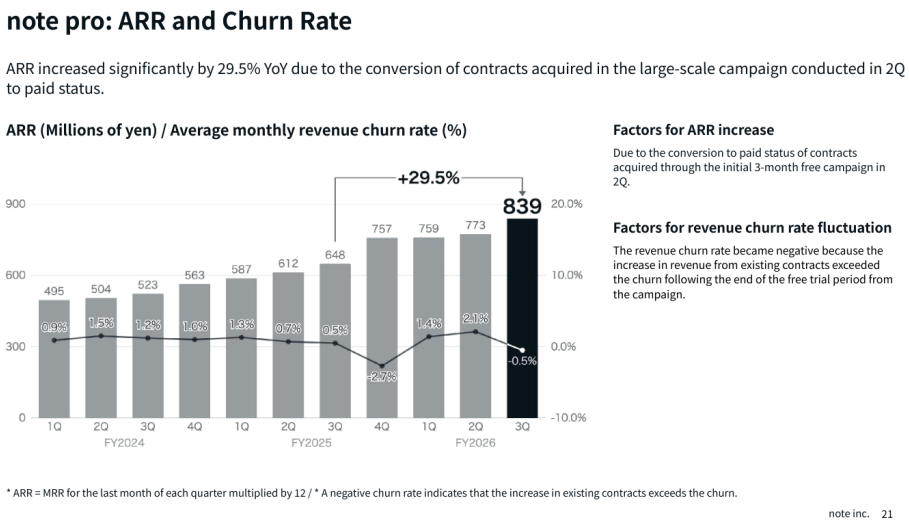
The most important thing for the demand side to catch up is to further improve the accuracy with which the ever-growing volume of content is matched with readers. We continue to use generative AI to refine the tagging of content and creators, and to strengthen the recommendation engine that delivers articles matching readers' interests. In addition, through the AI Context Network, which brings together review articles and official information for each work or product, we will increase the opportunities for articles to be read in the first place. By building up these continuous improvements, we intend to connect them to medium- to long-term growth in GMV.

Q. Why did the number of paid subscriptions for note pro decrease quarter on quarter? What is the outlook for ARR?

A. The number of paid subscriptions for note pro decreased quarter on quarter, from 1,133 at the end of the second quarter to 1,078 at the end of the third quarter. This was because some of the subscriptions acquired through the three-month free campaign in the second quarter were cancelled when the free period ended. This is in line with what we assumed when we ran the campaign.



The number of paid subscriptions increased significantly by 145 year on year. In addition, as subscriptions acquired through the three-month free campaign converted to paid plans, ARR grew to ¥839 million, up 29.5% year on year, and is on track. Cancellations in reaction to the campaigns run this fiscal year had largely run their course by the end of the third quarter.

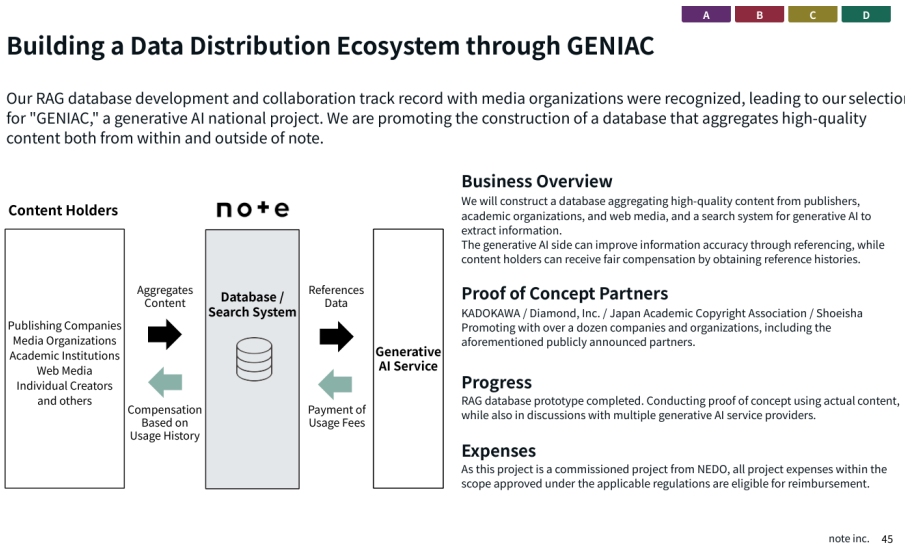


Recently, inquiries from corporations have been increasing against the backdrop of a growing need to communicate information in the AI era. We will continue to improve features and expand our optional plans, while also using campaigns effectively, and we aim to keep growing ARR by around 20% to 30%.

Q. What is the progress of the AI-related business (GENIAC project)? What are the expected sales for this fiscal year and the next?

A. Within our AI-related business, we are working on the "GENIAC project," which was selected for the generative AI development project of the Ministry of Economy, Trade and Industry (METI) and NEDO. We are carrying out this project as a commissioned project from NEDO, and we record as net sales an amount roughly equal to the costs incurred for development and other activities, as consideration for the commission. For this reason, we do not expect the project on its own to contribute to profit.

At present, the prototype of the RAG database, which brings together high-quality content from publishers, academic organizations, and others, has been completed. We are conducting demonstration tests with more than ten companies and organizations, including KADOKAWA CORPORATION, Diamond, Inc., the Japan Academic Copyright Association, and Shoeisha, while holding discussions with several generative AI service providers.



As the project progressed, sales from the AI-related business in the third quarter grew to ¥150 million (¥14 million in the first quarter and ¥85 million in the second quarter). The increase in cost of sales is also due to this project. We expect to record around ¥400 million to ¥500 million for the full fiscal year, and for the next fiscal year (FY2027.11) we expect sales to exceed this fiscal year's level as the project continues. We expect a full-scale profit contribution as a data distribution business to come after the end of the project, from FY2028.11 onward.

Q. What is the progress of the IP/Content Creation business (Tales & Co.)?

A. We position the IP/Content Creation business as a medium- to long-term growth area. It is currently in an investment phase, in which we are discovering and developing our own IP works and expanding our lineup. Among the works we handle, more are now reaching commercial publication and serialization, so we would like to further expand our lineup of works and create hit titles.

We are also working on demonstration tests of a development platform that supports the adaptation of story IP into games. This has been selected for "IP360," METI's support program for the content industry, and we expect to receive a subsidy for part of the development costs.

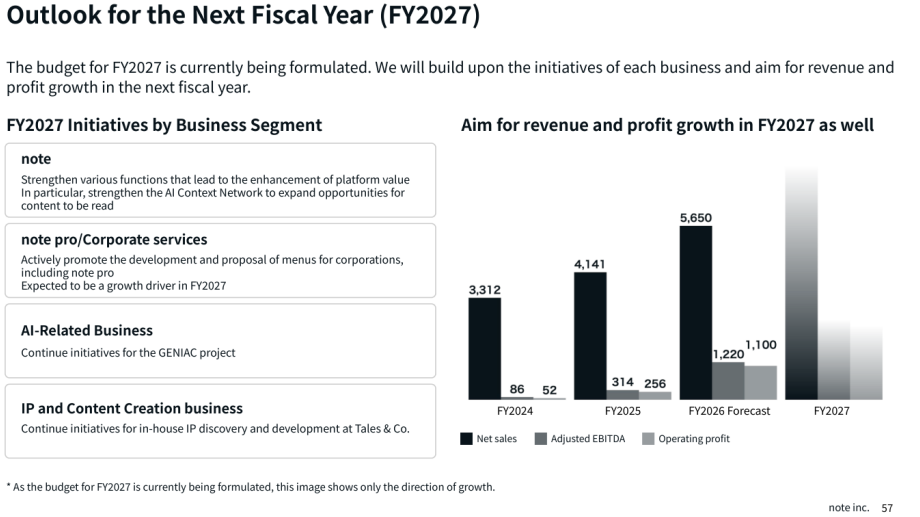


Q. How do you see growth in the next fiscal year (FY2027.11)? Please tell us the outlook for each business.

A. The budget for the next fiscal year is currently being prepared, and we intend to announce specific figures when we announce our full-year results in January 2027. By building up the initiatives of each business, we aim to increase both sales and profit in the next fiscal year as well.

Our current policy for each business is as follows.
For the note business, we expect continued growth in GMV, supported by network effects from the expansion of the platform. We will further increase the opportunities for articles to be read by strengthening the recommendation engine and through the AI Context Network.
For note pro and corporate services, we will actively build and propose a menu of services for corporations, including note pro, and move into full-scale paid offering of the AI Context Network to companies. We would like to grow this area significantly, and we expect it to be the growth driver for the next fiscal year.
For the AI-related business, as development in the GENIAC project moves into full swing, we expect sales to increase by several hundred million yen from around ¥400 million to ¥500 million this fiscal year. Due to the structure of the commissioned project, we continue not to expect a profit contribution.
For the IP/Content Creation business, we will continue to discover and develop our own IP as a medium- to long-term growth area.

On the cost side, we do not expect to record any large expenses, other than an increase in personnel expenses in our business divisions for the expansion of the corporate business. By keeping cost increases down relative to sales growth, we aim to achieve both net sales growth of around 30% and a further improvement in profitability in the next fiscal year as well.



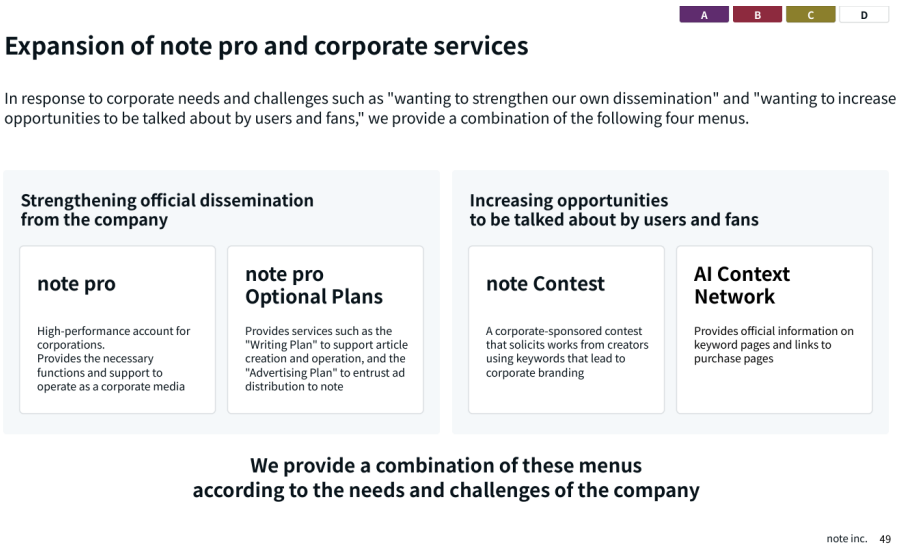
Q. What is the outlook for headcount and costs?
A. Headcount at the end of the third quarter was 151. While net sales have continued to grow, headcount has remained flat, and the ratio of personnel expenses to net sales has continued to decline. This is the result of actively using AI across the company and hiring selectively, only for the positions we need.

We will continue to improve productivity through the use of AI, while hiring the people we need, mainly in our business divisions, for the expansion of the corporate business in the next fiscal year and beyond. We expect a net increase of around 10 to 20 people in the next fiscal year, and we have no plan to increase headcount significantly.

Q. You say that note pro and corporate services will be the growth driver in the next fiscal year. Specifically, how will you grow them? When will the AI Context Network become a paid service?
A. note's net sales are still small relative to the scale of its platform, and we consider expanding sales from corporations in particular to be our top-priority issue.

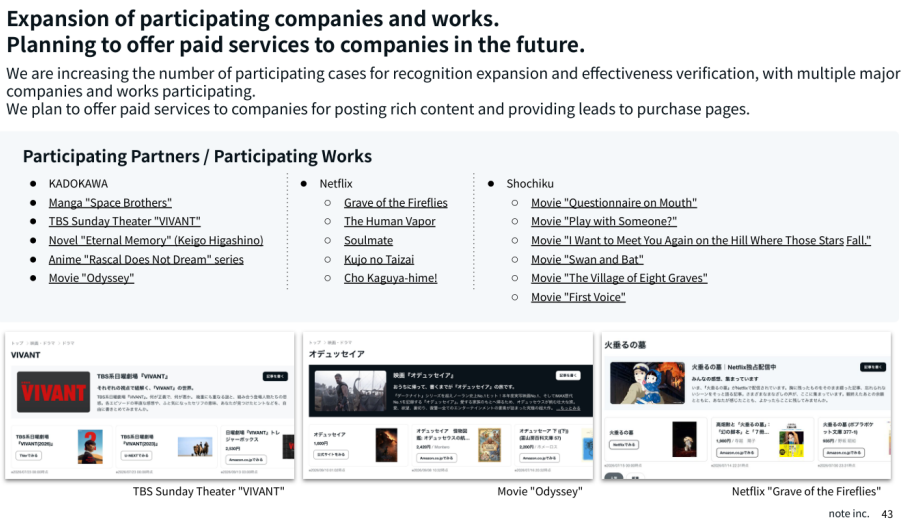
With the spread of AI, it has become difficult for companies to bring people to their own websites. Meanwhile, note is easily cited in AI search and has become a place that people come to from there. Its value to companies is rising as a place to "deliver their own messages" and to "have users and fans talk about them."

To connect this value to corporate sales, we would like to offer a combination of four menus: note pro, which has been the main offering so far; optional plans that support companies' communications; note Contest, where users talk about a company or product; and the AI Context Network, which brings together official information and review articles for each work or product.



Of these, the one we are focusing on most for the next fiscal year is the AI Context Network. The AI Context Network is a mechanism in which AI brings together the impressions and reviews gathered on note by unit, such as a work, automatically generates pages, and sends visitors from those pages to companies' sales pages and other destinations. We are rolling it out first for books, video, and games, and the number of keyword pages exceeded 1.17 million as of the end of September 2026.

At present, in order to raise awareness and verify its effectiveness, we are increasing the number of case examples with the participation of a variety of companies and works, including KADOKAWA CORPORATION, Netflix, and Shochiku. In the future, we intend to offer companies, for a fee, the opportunity to carry out PR and branding on the AI Context Network. Pricing and timing will be decided based on the results of this verification.



Q. The share price fell sharply after the earnings announcement. How does the Company view this?

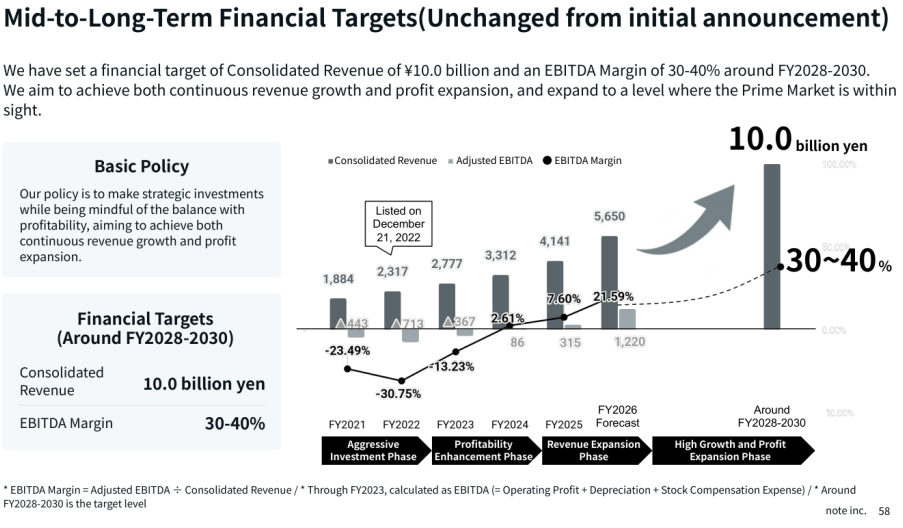
A. Our third-quarter results are progressing in line with our plan for both net sales and profit at each level, and we do not believe there were any negative factors. Profit at each level is running ahead of the pace of the full-year forecast, and we aim to increase both sales and profit in the next fiscal year as well.

At the same time, we recognize the large price movements of our shares as an issue for the Company. We believe that a broader base of shareholders and investors will lead to more stable share price movements. We will put even more effort into our IR activities, including expanding dialogue with institutional investors, increasing analyst coverage, and strengthening communication with individual investors.

Q. What is the aim of the change of market segment to the Prime Market, and when will you apply and transfer?

A. We have communicated a transfer to the Prime Market as a medium- to long-term goal. In light of the steady growth of our business, on October 20 our Board of Directors formally resolved to begin preparations for the transfer, and we announced this. We believe that transferring to the Prime Market will broaden the opportunities for a wide range of investors, including institutional investors, to hold our shares, and will lead to a more diverse shareholder base and improved liquidity of our shares.

The timing of the transfer has not been decided at this point. Of the continued listing criteria, we do not currently meet the profit criterion. We aim to meet it by further growing our results toward our mid-to-long-term financial targets of consolidated net sales of ¥10 billion and an EBITDA margin of 30% to 40% around 2028 to 2030.



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