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Consolidated Financial Results for the Second Quarter (Interim Period) of the Fiscal Year Ending February 28, 2027 (Japanese GAAP)

October 15, 2026

Company name  MetaReal Corp.

Listing Market TSE

Stock Code 6182 URL <https://www.metareal.jp>

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Scheduled date of filing of semi-annual report October 15, 2026
Scheduled date of commencement of dividend payment -

Preparation of supplementary materials for financial results: Yes

Holding of financial results briefing: Yes

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter (Interim Period) of the Fiscal Year Ending February 28, 2027 (March 1 to August 31, 2026)

(1) Consolidated Results of Operation (Cumulative) (Percentages indicate changes from the interim period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Interim net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
H1 FY2/27	1,883	(14.5)	(107)	-	(126)	-	(116)	-
H1 FY2/26	2,204	3.7	(26)	-	(38)	-	(68)	-

(Note) Comprehensive income H1 FY2/27 (115) Millions of yen (-%) H1 FY2/26 (67) Millions of yen (-%)

	Interim net income per share	Diluted interim net income per share
	Yen	Yen
H1 FY2/27	(10.67)	-
H1 FY2/26	(6.34)	-

(Note) Diluted interim net income per share for the interim period of the fiscal year ended February 28, 2026 is not presented because an interim net loss per share was recorded and there were no dilutive shares. Diluted interim net income per share for the interim period of the fiscal year ending February 28, 2027 is not presented because an interim net loss per share was recorded despite the existence of potential shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
H1 FY2/27	4,771	1,892	39.7
FY2/26	4,676	2,007	42.9

(Reference) Shareholders' equity H1 FY2/27 1,892 Millions of yen FY2/26 2,007 Millions of yen

2. Dividend payment

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/26	-	0.00	-	0.00	0.00
FY2/27	-	0.00	-	-	-
FY2/27 (Forecast)	-	-	-	0.00	0.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Consolidated Business Forecasts for the Fiscal Year Ending February 28, 2027 (March 1, 2026 to February 28, 2027)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	4,600	2.5	330	54.2	290	58.8	160	231.9	14.70

(Note) 1. Revisions to the most recently announced business forecasts: None

2. Regarding the business forecast, no changes have been made because it is difficult to reasonably calculate the impact on this fiscal year's business results of the new service (Fully Automatic Translations AI) that began being offered in October 2026.

◆ Consolidated Business Forecasts by Segment

(Percentages indicate year-on-year changes.)

	Net sales		Operating income	
	Millions of yen	%	Millions of yen	%
Full year				
AI business	2,910	3.1	338	23.8
HT business	712	0.5	115	(7.6)
Metaverse business	98	(13.0)	(32)	-
AI/MV Marketing business	880	4.4	(11)	-
Other corporate expenses	-	-	(80)	-

* Notes

(1) Significant changes in scope of consolidation during the interim period: None

(2) Adoption of special accounting methods for presenting interim consolidated financial statements: Yes

(Note) For details, please refer to "2. Interim Consolidated Financial Statements and Major Notes, (4) Notes on Interim Consolidated Financial Statements (Notes on Accounting Procedures Specific to Preparation of the Interim Consolidated Financial Statements)" on page 9 of the Appendix.

(3) Changes in accounting policies, changes in accounting estimates and restatements

(a) Changes in accounting policies due to revisions of accounting standards, etc.: None

(b) Changes in accounting policies other than (a): None

(c) Changes in accounting estimates: Yes

(d) Restatements: None

(Note) For details, please refer to "2. Interim Consolidated Financial Statements and Major Notes, (4) Notes on Interim Consolidated Financial Statements (Notes on Changes in Accounting Estimates)" on page 9 of the Appendix.

(4) Number of shares outstanding (common stock)

(a) Number of shares outstanding at the end of the period (including treasury stock)

(b) Treasury shares at the end of the year

(c) Average number of shares outstanding during the period (interim period)

H1 FY2/27	10,888,060shares	FY2/26	10,888,060shares
H1 FY2/27	491shares	FY2/26	490shares
H1 FY2/27	10,887,570shares	H1 FY2/26	10,887,570shares

* This financial report for the second quarter (interim period) is not subject to review by a certified public accountant or an auditing firm.

* Explanations and other special notes concerning the appropriate use of business forecasts

(Cautionary Statement with Respect to Forward-Looking Statements)

Forecasts of future performance and other forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company makes no promises concerning their achievement. Actual results may differ significantly from the forecasts due to various factors. Please refer to "1. Results of Operations and Financial Position, (4) Explanation of Forward-Looking Information such as Consolidated Business Forecasts" on page 4 of the Appendix for the assumptions underlying the forecasts and cautions concerning the use thereof.

(Method of Obtaining Financial Results Briefing Materials)

Supplementary materials for financial results were disclosed on the TDnet on the same date.

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1. Results of Operations and Financial Position

(1) Overview of Results of Operations for the Interim Period

During the interim consolidated accounting period (March 1 to August 31, 2026), net sales and operating income in the AI business decreased from the same period of the previous fiscal year, the HT business posted decreases in both revenue and income, the loss in the metaverse business narrowed, and the AI/MV Marketing business recorded a segment loss.

As a result, the Group recorded net sales of 1,883,406 thousand yen (down 14.5% year on year), an operating loss of 107,752 thousand yen (an operating loss of 26,833 thousand yen in the same period of the previous fiscal year), an ordinary loss of 126,932 thousand yen (an ordinary loss of 38,600 thousand yen in the same period of the previous fiscal year), and an interim net loss attributable to owners of parent of 116,175 thousand yen (an interim net loss attributable to owners of parent of 68,985 thousand yen in the same period of the previous fiscal year) for the interim consolidated accounting period.

The performance of each business segment is as follows:

(a) AI business

In the AI business, orders received were 1,163,275 thousand yen (down 23.1% year on year). Net sales were 1,142,360 thousand yen (down 18.6% year on year) due to lower orders received from the previous fiscal year. Although structural reforms since the previous fiscal year reduced expenses, a one-time increase in generative AI-related expenses resulted in a segment loss of 44,988 thousand yen (segment income of 53,473 thousand yen a year earlier). Going forward, under a policy of concentrating management resources on businesses with growth potential proven by actual results, we position “Fully Automatic Translation AI (Autonomous AI)” as the highest-priority area within the AI business. From October 2026, we began offering the “Highest-Accuracy (Full Auto) mode,” which completes translation without human checking. We will also renew our flagship product “T-400” under the new brand “MetaRozetta” and strengthen sales measures. Beyond operating companies, we will also provide our services to translation companies and translators nationwide and advance the shift to SaS. We also intend to combine STUDIO55 Inc.’s specialized architectural know-how with the Group’s AI technology to expand orders in the “Architectural BIM DX/AX” field. Through these measures, we aim to recover business performance over the medium to long term.

(b) HT business

In the HT business, due to a decrease in orders received, net sales were 293,952 thousand yen (down 18.0% year on year) and segment income was 33,336 thousand yen (down 44.7% year on year).

(c) Metaverse business

In for the metaverse business, as a result of reducing the amount of investment by adopting a long-term perspective of 10±5 years, net sales were 47,724 thousand yen (down 31.6% year on year) and segment loss was 18,871 thousand yen (segment loss of 39,882 thousand yen in the same period of the previous fiscal year).

(d) AI/MV Marketing business

In the AI/MV Marketing business, on strong orders at STUDIO55 Inc., net sales were 399,368 thousand yen (up 7.1% year on year) and segment loss was 26,130 thousand yen (44,334 thousand yen in the same period of the previous fiscal year).

(2) Overview of Financial Position for the Interim Period

(Assets)

Current assets increased by 103,305 thousand yen from the end of the previous fiscal year to 3,696,069 thousand yen at the end of the interim consolidated accounting period. This was due mainly to increases of 181,179 thousand yen in cash and deposits and 54,467 thousand yen in other current assets from higher taxes receivable, etc., despite a decrease of 137,920 thousand yen in notes receivable, accounts receivable, and contract assets. Non-current assets decreased by 8,029 thousand yen from the end of the previous fiscal year to 1,075,335 thousand yen. This was due to decreases of 15,853 thousand yen in intangible assets and 3,568 thousand yen in property, plant and equipment, despite an increase of 11,392 thousand yen in investments and other assets.

(Liabilities)

Current liabilities decreased by 43,362 thousand yen from the end of the previous fiscal year to 1,646,418 thousand yen at the end of the interim consolidated accounting period. This was due mainly to a decrease of 66,002 thousand yen in other current liabilities accompanying factors such as a decrease in accounts payable-other and a decrease of 28,803 thousand yen in income taxes payable, despite an increase of 64,447 thousand yen in advances received and an increase of 34,420 thousand yen in the current portion of long-term loans payable. Non-current liabilities increased by 254,416 thousand yen from the end of the previous fiscal year to 1,232,795 thousand yen. This was due to an increase of 299,994 thousand yen in long-term debt and an increase of 14,422 thousand yen in asset retirement obligations, despite a decrease of 60,000 thousand yen in corporate bonds.

(Net assets)

Net assets decreased by 115,778 thousand yen from the end of the previous fiscal year to 1,892,191 thousand yen at the end of the interim consolidated accounting period. This was due mainly to a decrease of 452,943 thousand yen in capital surplus and an increase of 452,943 thousand yen in retained earnings resulting from the elimination of the deficit, as well as a decrease of 116,175 thousand yen in retained earnings as a result of recording an interim net loss attributable to owners of parent.

(3) Overview of Cash Flows for the Interim Period

Cash and cash equivalents at the end of the interim consolidated accounting period increased by 181,179 thousand yen from the end of the previous fiscal year to 3,085,656 thousand yen.

Each of the cash flows and related factors during the interim consolidated accounting period are as follows.

(Cash flows from operating activities)

Cash flows from operating activities were an inflow of 28,077 thousand yen (332,998 thousand yen provided in the same period of the previous fiscal year).

This was due mainly to an interim net loss before income taxes of 140,558 thousand yen, a decrease in notes and accounts receivable-trade and contract assets of 133,817 thousand yen, depreciation of 93,441 thousand yen, an increase in advances received of 64,447 thousand yen, an increase or decrease in accrued consumption taxes of (49,450) thousand yen, and income taxes paid of 41,344 thousand yen.

(Cash flows from investing activities)

Cash flows from investing activities were an outflow of 106,312 thousand yen (65,885 thousand yen used in the same period of the previous fiscal year).

This was due mainly to payments for intangible assets of 86,030 thousand yen, payment for loans receivable of 24,760 thousand yen, and proceeds from loans receivable of 16,227 thousand yen.

(Cash flows from financing activities)

Cash flows from financing activities were an inflow of 259,413 thousand yen (414,064 thousand yen used in the same period of the previous fiscal year).

This was due mainly to proceeds from long-term debt of 590,000 thousand yen, repayment of long-term debt of 255,585 thousand yen, and redemption of bonds of 75,000 thousand yen.

(4) Explanation of Forward-Looking Information such as Consolidated Business Forecasts

The Group's three key management themes for accelerating growth going forward are as follows:

(a) "Two structural reforms" to adapt to the era of task-executing AI

Due to the rapid evolution of generative AI, the market environment surrounding the Company is changing dramatically, including the decline of the conventional SaaS model in which "only tools are provided to customers and the customers themselves perform the work" (the death of SaaS), the decline of the software development business as end users become able to create programs themselves using AI (the death of software), and a shift in organizational concepts as the entity performing work moves from humans to AI. The "era of task-executing AI," in which AI directly performs work, has arrived.

Under these circumstances, in order to adapt to this dramatic change in the market environment, the Group has embarked on two structural reforms: "business reform" and "organizational reform."

In business reform, we will shift from the conventional "SaaS + consigned development" model to SaS (Service as Software: a model for delivering results through task-executing AI), which provides the outcome of completed work, and FDE (Forward Deployed Engineer: an on-site AI implementation service), which works closely with customers' operational front lines to support the design, implementation, and establishment of AI-driven operations. In this business reform, the Group will leverage as a strength its rare positioning of having both an AI business (Rozetta) and a contract services business (GLOVA and STUDIO55). By first implementing the latest AI in our own Group operations and verifying the results, we intend to enhance the reproducibility of the value we provide to client companies and link this to the sustainable growth of the Group.

In organizational reform, effective July 1, 2026, MetaReal Corp. and Rozetta Corp. were reorganized into a "select few + AI" organization optimized for the era of task-executing AI. Task-executing AI will automate and accelerate all in-house work, while people concentrate on setting objectives, making decisions, and creating customer value that directly contribute to improved performance, thereby achieving swift decision-making and higher profitability.

(b) Focus on high-growth businesses

We will narrow the Group's areas of focus to businesses whose growth potential has become evident through actual results rather than through growth expectations. Specifically, we will concentrate on the two fields of "Fully Automatic Translation AI (Autonomous AI)" and "Architectural BIM DX/AX."

In "Fully Automatic Translation AI (Autonomous AI)," along with increased use of the "Ultra-Accuracy" mode released in April 2026, the number of words used by the core needs segment, a leading indicator, continues to grow. In addition, from October 2026, we began offering the "Highest-Accuracy (Full Auto) mode," which achieves "Fully Automatic Translation" capable of completing the translation flow without human checking. In addition, "T-400," the high-precision industrial translation AI that has been the flagship product of this business, will be renewed under the new brand "MetaRozetta," and we will aim for medium- to long-term business growth by strengthening marketing and sales measures. In addition, going forward, beyond the deployment to operating companies undertaken to date, we will promote the provision of fully automatic translation AI to translation companies and translators nationwide and advance the shift to SaS. Furthermore, by eliminating manual revision work in translation operations and achieving full automation through AI, we aim to realize the next stage that will revolutionize the productivity of industrial translation.

"Architectural BIM DX/AX" is a field in which STUDIO55 possesses unique strengths and continues to achieve high growth at present. Going forward, by integrating Metareal's AI development and implementation know-how, the Company intends to pursue further business growth through the expansion of orders for competitive services such as customer-specific plug-in development and drawing-review AI.

As a medium-term strategy, the Company positions "Pharmaceutical-specific Agentic AI" as a business to be cultivated, and aims to contribute to the "Early Launch of New Drugs" by eliminating inefficiencies in document preparation in the pharmaceutical industry and accelerating the speed of new drug approvals. In addition, as a long-term strategy, the Company positions "Business-creation Agentic AI" and "Reality Metaverse x AI" as priority areas, and will advance development and verification making full use of the Group's cutting-edge AI technologies.

(c) Promotion of an M&A strategy centered on the SaS strategy

To drive the Group's medium- to long-term growth and accelerate growth in "Fully Automatic Translation AI (Autonomous AI)," "Construction-specific Agentic AI," "Pharmaceutical-specific Agentic AI," and "Management-support Agentic AI," the Company intends to pursue M&A mainly targeting companies handling specialized documents and design in these areas (manual and instruction manual/financial and accounting document companies, architectural document and design companies, pharmaceutical document companies, community-based management, DX and marketing support companies, etc.).

In selecting target companies, the Company will carefully select companies that satisfy the three requirements of "trust and track record from customers with respect to work results," "high expertise requiring evaluation and correction by specialists," and "substantial room for gross margin improvement through AI," and intends to achieve an early improvement in gross profit margins after acquisition and a shift to high-value-added businesses through SaS conversion.

2. Interim Consolidated Financial Statements and Major Notes

(1) Interim Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (February 28, 2026)	Current interim consolidated period (August 31, 2026)
Assets		
Current assets		
Cash and deposits	2,904,477	3,085,656
Notes, accounts receivable and contract assets	528,303	390,383
Inventories	29,340	31,776
Other	142,974	197,441
Allowance for doubtful accounts	(12,330)	(9,188)
Total current assets	3,592,764	3,696,069
Non-current assets		
Property, plant and equipment	127,799	124,231
Intangible assets		
Goodwill	376,596	360,684
Software	208,900	288,782
Software in progress	117,387	37,453
Other	2,956	3,069
Total intangible assets	705,842	689,989
Investments and other assets		
Investment securities	57,887	58,468
Other	227,787	249,515
Allowance for doubtful accounts	(35,953)	(46,869)
Total investments and other assets	249,721	261,114
Total non-current assets	1,083,364	1,075,335
Total assets	4,676,128	4,771,404
Liabilities		
Current liabilities		
Notes and accounts payable-trade	98,543	73,654
Current portion of long-term loans payable	380,765	415,185
Current portion of corporate bonds	150,000	135,000
Income taxes payable	40,651	11,847
Provision for bonuses	31,565	24,279
Advances received	676,103	740,551
Provision for loss on orders received	250	-
Other	311,901	245,898
Total current liabilities	1,689,780	1,646,418
Non-current liabilities		
Corporate bonds	150,000	90,000
Long-term debt	828,378	1,128,373
Asset retirement obligations	-	14,422
Total non-current liabilities	978,378	1,232,795
Total liabilities	2,668,159	2,879,213
Net assets		
Shareholders' equity		
Common stock	802,289	802,289
Capital surplus	1,776,235	1,323,291
Retained earnings	(571,460)	(234,691)
Treasury stock	(986)	(986)
Total shareholders' equity	2,006,078	1,889,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,889	2,286
Total accumulated other comprehensive income	1,889	2,286
Share subscription rights	1	1
Total net assets	2,007,969	1,892,191
Total liabilities and net assets	4,676,128	4,771,404

(2) Interim Consolidated Statements of Income and Interim Consolidated Statements of Comprehensive Income
(Interim Consolidated Statements of Income)

(Thousands of yen)

	Previous interim consolidated period (From March 1, 2025 to August 31, 2025)	Current interim consolidated period (From March 1, 2026 to August 31, 2026)
Net sales	2,204,048	1,883,406
Cost of sales	883,325	849,919
Gross profit	1,320,722	1,033,486
Selling, general and administrative expenses		
Salaries, allowances and bonuses	387,472	370,768
Research and development expenses	67,717	40,693
Provision for bonuses	1,218	945
Retirement benefit expenses	3,928	3,883
Other	887,218	724,949
Total selling, general and administrative expenses	1,347,556	1,141,239
Operating income (loss)	(26,833)	(107,752)
Non-operating income		
Interest income	3,203	5,113
Other	495	98
Total non-operating income	3,698	5,212
Non-operating expenses		
Interest expenses	12,616	12,558
Provision for doubtful receivables	2,174	6,814
Share of loss of investments accounted for using equity method	9	1,466
Foreign exchange loss	177	3,002
Other	488	551
Total non-operating expenses	15,465	24,392
Ordinary income (loss)	(38,600)	(126,932)
Special income		
Income on sales of non-current assets	-	3,377
Total special income	-	3,377
Special loss		
Loss on sales and retirement of noncurrent assets	0	0
Impairment loss	9,511	17,003
Office transfer expenses	2,788	-
Total special loss	12,299	17,003
Interim income (loss) before income taxes	(50,899)	(140,558)
Income taxes	18,085	(24,383)
Interim net income (loss)	(68,985)	(116,175)
Interim income (loss) attributable to owners of parent company	(68,985)	(116,175)

(Interim Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous interim consolidated accounting period (From March 1, 2025 to August 31, 2025)	Current interim consolidated accounting period (From March 1, 2026 to August 31, 2026)
Interim net income (loss)	(68,985)	(116,175)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,152	397
Total other comprehensive income	1,152	397
Interim comprehensive income	(67,833)	(115,777)
(Breakdown)		
Interim comprehensive income attributable to owners of parent	(67,833)	(115,777)
Interim comprehensive income attributable to non- controlling interests	-	-

(3) Interim Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous interim consolidated period (From March 1, 2025 to August 31, 2025)	Current interim consolidated period (From March 1, 2026 to August 31, 2026)
Cash flows from operating activities		
Interim income (loss) before income taxes	(50,899)	(140,558)
Depreciation	128,018	93,441
Amortization of goodwill	15,912	15,912
Impairment loss	9,511	17,003
Increase (decrease) in allowance for doubtful accounts	1,843	7,773
Increase (decrease) in accrued bonuses	(18,418)	(7,285)
Increase (decrease) in provision for loss on orders received	900	(250)
Interest and dividend income	(3,203)	(5,113)
Interest expenses	12,616	12,558
Loss (gain) on equity method investments	9	1,466
Loss (gain) on sales and retirement of noncurrent assets	0	(3,377)
Increase (decrease) in advances received	102,079	64,447
Decrease (increase) in notes and accounts receivable and contract assets	(20,371)	133,817
Decrease (increase) in inventories	25,380	(2,435)
Increase (decrease) in trade payables	(22,266)	(24,888)
Increase (decrease) in accounts payable-other	(22,789)	(28,736)
Increase (decrease) in accrued expenses	70,038	-
Increase (decrease) in accrued consumption taxes	52,182	(49,450)
Other	19,962	(6,093)
Sub-total	300,505	78,232
Interest and dividends received	3,203	5,113
Interest paid	(11,524)	(14,774)
Income taxes paid	(13,467)	(41,344)
Income taxes refund	54,281	851
Cash flows from operating activities	332,998	28,077
Cash flows from investing activities		
Payments for property, plant and equipment	-	(14,041)
Proceeds from sale of property, plant and equipment	-	3,635
Payments for intangible assets	(63,384)	(86,030)
Payment for loans receivable	(14,978)	(24,760)
Proceeds from loans receivable	12,477	16,227
Payments for lease and guarantee deposits	-	(1,342)
Cash flows from investing activities	(65,885)	(106,312)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(116,163)	-
Redemption of bonds	(97,000)	(75,000)
Proceeds from long-term debt	-	590,000
Repayment of long-term debt	(189,356)	(255,585)
Repayment of lease obligations	(11,543)	-
Purchase of treasury stock	-	(0)
Cash flows from financing activities	(414,064)	259,413
Net increase (decrease) in cash and cash equivalents	(146,951)	181,179
Cash and cash equivalents at beginning of the year	2,903,833	2,904,477
Cash and cash equivalents at the end of the interim period	2,756,881	3,085,656

(4) Notes on Interim Consolidated Financial Statements

(Notes on Changes in Accounting Estimates)

(Change in Estimates of Asset Retirement Obligations)

During the interim consolidated accounting period under review, as a result of obtaining new information in connection with the floor renovation of the Company's head office, the Company changed its estimates regarding the restoration costs and the expected period of use related to the head office.

As a result of this change in estimates, the estimated restoration costs related to the head office came to exceed the amount of the lease deposit associated with the lease agreement. Consequently, the method of reasonably estimating the amount of the lease deposit associated with the lease agreement that is deemed ultimately unrecoverable and recognizing as an expense the amount attributable to the current period, in lieu of recognizing a liability for asset retirement obligations as previously applied (hereinafter referred to as the "simplified treatment"), is no longer permitted. Accordingly, with respect to this property, the Company has changed to the treatment under the principle method from the interim consolidated accounting period under review.

As a result of this change in estimates and the change from the simplified treatment to the principle treatment, in the interim consolidated balance sheets as of the end of the interim consolidated accounting period under review, lease and guarantee deposits included in "Other" under investments and other assets increased by 7,198 thousand yen, and "Asset retirement obligations" under non-current liabilities increased by 14,422 thousand yen.

The impact of this change in estimates on profit or loss for the interim consolidated accounting period under review is immaterial.

(Notes on Accounting Procedures Specific to Preparation of the Interim Consolidated Financial Statements)

Income taxes are calculated by reasonably estimating the effective tax rate after application of tax effect accounting to income before income taxes for the consolidated fiscal year including the interim consolidated accounting period under review, and multiplying the interim income before income taxes by such estimated effective tax rate.

However, if the calculation of tax expenses using the estimated effective tax rate yields a highly unreasonable result, then the statutory tax rate is used.

(Notes on Segment Information, etc.)

I. Previous interim consolidated accounting period (From March 1, 2025 to August 31, 2025)

1. Information on the amount of net sales and income (loss) by reportable segments and breakdown of income

(Thousands of yen)

	Reportable Segments					Adjustments (Note 1)	Amount recorded in the interim consolidated statements of income (Note 2)
	AI business (Note 3)	HT business	Metaverse business	AI/MV Marketing business	Total		
By type of goods or services							
Machine translation	1,251,948	-	-	-	1,251,948	-	1,251,948
Human translation	22,052	358,454	-	-	380,507	-	380,507
metaverse	-	-	69,810	-	69,810	-	69,810
Consigned development	128,729	-	-	373,051	501,781	-	501,781
Revenue from contracts with customers	1,402,731	358,454	69,810	373,051	2,204,048	-	2,204,048
Revenue recognition by period							
Goods or services that are transferred at one time	117,913	309,772	69,492	373,051	870,229	-	870,229
Goods or services that are transferred over a period of time	1,284,818	48,681	318	-	1,333,818	-	1,333,818
Revenue from contracts with customers	1,402,731	358,454	69,810	373,051	2,204,048	-	2,204,048
Net sales to unaffiliated customers	1,402,731	358,454	69,810	373,051	2,204,048	-	2,204,048
Intersegment sales or transfer	3,881	14,643	12,766	-	31,291	(31,291)	-
Total	1,406,613	373,098	82,576	373,051	2,235,339	(31,291)	2,204,048
Segment income (loss)	53,473	60,235	(39,882)	(44,334)	29,491	(56,325)	(26,833)

(Note) 1. Adjustments to segment income (loss) of (56,325) thousand yen include an elimination of intersegment transactions of 233,242 thousand yen and corporate expenses not attributable to reportable segments of (289,567) thousand yen. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company's head office that are not attributable to reportable segments.

2. Segment income or loss is adjusted with operating loss in the interim consolidated statements of income.

3. Sales related to generative AI are included in [Machine translation] for platform-type sales, and sales related to consigned development are included in [Consigned development].

2. Information on impairment loss on noncurrent assets or goodwill by reportable segment

(Significant impairment loss on non-current assets)

This information is omitted because it is not material.

II Current interim consolidated accounting period (from March 1, 2026 to August 31, 2026)

1. Information on the amounts of net sales and income (loss) by reportable segments and breakdown of income

(Thousands of yen)

	Reportable Segments					Adjustments (Note 1)	Amount recorded in the interim consolidated statements of income (Note 2)
	AI business (Note 3)	HT business	Metaverse business	AI/MV Marketing business	Total		
By type of goods or services							
Machine translation	1,054,669	-	-	-	1,054,669	-	1,054,669
Human translation	11,992	293,952	-	-	305,945	-	305,945
metaverse	-	-	47,724	-	47,724	-	47,724
Consigned development	75,698	-	-	399,368	475,066	-	475,066
Revenue from contracts with customers	1,142,360	293,952	47,724	399,368	1,883,406	-	1,883,406
Revenue recognition by period							
Goods or services that are transferred at one time	98,207	245,061	28,568	324,258	696,096	-	696,096
Goods or services that are transferred over a period of time	1,044,153	48,891	19,156	75,109	1,187,310	-	1,187,310
Revenue from contracts with customers	1,142,360	293,952	47,724	399,368	1,883,406	-	1,883,406
Net sales to unaffiliated customers	1,142,360	293,952	47,724	399,368	1,883,406	-	1,883,406
Intersegment sales or transfer	637	7,547	2,025	-	10,210	(10,210)	-
Total	1,142,998	301,500	49,749	399,368	1,893,616	(10,210)	1,883,406
Segment income (loss)	(44,988)	33,336	(18,871)	(26,130)	(56,654)	(51,097)	(107,752)

(Note) 1. Adjustments to segment income (loss) of (51,097) thousand yen include an elimination of intersegment transactions of 259,558 thousand yen and corporate expenses not attributable to reportable segments of (310,655) thousand yen. Corporate expenses mainly consist of expenses related to the administrative departments at the head office of the parent company that are not attributable to reportable segments.

2. Segment income or loss is adjusted with operating loss in the interim consolidated statements of income.

3. Sales related to generative AI are included in [Machine translation] for platform-type sales, and sales related to consigned development are included in [Consigned development].

2. Information on impairment loss on noncurrent assets or goodwill, etc. by reportable segments

(Significant impairment loss on non-current assets)

During the current interim consolidated accounting period, as a result of a review of development priorities regarding the development of certain additional functions for T-400, a machine translation service in the [AI business] segment, the Company decided to discontinue the development. Accordingly, for software in progress that is no longer expected to be used in the future, the book value was reduced to the recoverable amount, and the reduction of 17,003 thousand yen was recorded as impairment loss.

(Notes in the Event of Significant Changes in the Amount of Shareholders' Equity)

At the Annual General Meeting of Shareholders held on May 28, 2026, the Company resolved on the appropriation of other capital surplus, which became effective on the same date. As a result, the Company covered its deficit by transferring 452,943 thousand yen of other capital surplus to retained earnings brought forward.

Consequently, as of the end of the current interim consolidated accounting period, capital surplus amounted to 1,323,291 thousand yen and retained earnings amounted to (234,691) thousand yen. There was no significant change in the total amount of shareholders' equity.

(Notes on Going Concern Assumption)

Not applicable.