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To whom it may concern:

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Notice Regarding Investigation Results into Misconduct by Former Executives and the Recording of Extraordinary Losses

Management Solutions Co., Ltd. (the "Company") hereby announces that it has uncovered instances of inappropriate conduct (receipt of funds from external subcontractors) involving a former executive of the Company (hereinafter "Individual A") and a former executive of a consolidated subsidiary (hereinafter "Individual B"). In response, the Company established a Special Investigation Committee including external experts and has received their investigation report. Additionally, the Company will record an extraordinary loss related to this matter.

We deeply apologize to our shareholders, investors, and all stakeholders for the significant concern and inconvenience this has caused.

1. Background to the Establishment of the Special Investigation Committee

In March 2025, the Company identified a corporate registration using Individual B's home address as the head office, suggesting a business relationship between said entity and the Company's external subcontractors. An internal investigation team was formed, which revealed that both Individuals A and B may have received funds (kickbacks) from specific subcontractors, either personally or through companies they controlled. Consequently, at a Board of Directors meeting held on December 22, 2025, the Company resolved to establish a Special Investigation Committee, including external experts (lawyers and certified public accountants), to conduct a thorough investigation.

2. Composition of the Special Investigation Committee

- Chairman: Kunimasa Tamai (Executive Director and CFO of the Company)
- Member: Masaru Nagai (Attorney-at-Law, Uryu & Itoga Law Office)
- Member: Keita Umezawa (Attorney-at-Law, Uryu & Itoga Law Office)
- Member: Shigetsugu Yamada (Certified Public Accountant, Uryu & Itoga Law Office)

3. Purpose of the Special Investigation Committee

i. To clarify the facts of the matter (including verification of similar occurrences).
ii. To examine the impact on non-consolidated and consolidated financial statements.
iii. To analyze the root causes and propose measures to prevent recurrence.

4. Summary of Investigation Results

(1) Investigation Methodology

- Review of relevant documents (approval documents, etc.).
- Interviews with related parties.
- Digital forensic investigations (targeting the two former executives).
- Questionnaire surveys.

(2) Findings of Fact

- The investigation confirmed that the former executives personally received funds from the profits of specific subcontractors in connection with orders placed.
- It is inferred that Individual A received approximately 40 million yen between September 2019 and approximately September 2025.
- Individual B is inferred to have received at least 3 million yen between approximately April 2015 and November 2022.

(3) Impact on the Company

- Upon scrutiny of the appropriateness of transaction prices, no significant difference was found in the gross profit margins between projects using the specific subcontractors in question and those using other subcontractors.
- No evidence of inflated invoicing was found. Therefore, the Company suffered no direct financial damage from these transactions, and there is no impact on the financial statements.

(4) Organizational Involvement

- The investigation concluded that these acts were based on the individual judgment of the former executives. No organizational involvement by the Company, nor involvement by any other directors or employees, was found.

(5) Verification of Similar Incidents

- Verification was conducted by 4. (1); however, no traces of other misconduct or similar incidents were identified.

5. Cause Analysis

(1) Individual Factors

- Motivation: Personal financial difficulties.
- Opportunity: Excessive discretionary power in the selection process of external subcontractors.
- Rationalization: A belief that it was a "win-win" since the Company's profits were not directly harmed.

(2) Organizational Factors

- Corporate Culture: Dilution of compliance awareness due to an emphasis on revenue growth.
- Concentration of Authority: Authority regarding outsourcing was concentrated in a few individuals.
- Internal Controls: Inadequate subcontractor management and lack of continuous monitoring.

6. Measures to Prevent Recurrence

i. Mindset Reform: Explanatory meetings for all employees and continuous messaging from top management.
ii. Revision of Selection Process: Improving transparency and fairness by decentralizing authority.
iii. Strengthening Internal Controls: Enhancing management systems, enforcing risk management, and promoting the whistleblowing system.

7. Recording of Extraordinary Loss and Impact on Earnings

The Company has recorded an extraordinary loss of 88,784 thousand yen for the fiscal year ending December 31, 2025, as a provision for investigation expenses. As no direct damage occurred from the transactions themselves, there is no other material impact on business performance.

8. Disciplinary Actions

Regarding the former executives, one had already resigned, and the other has been dismissed in accordance with internal work rules.

We once again offer our deepest apologies for the concern caused to our shareholders, business partners, and all other stakeholders.