DISCLAIMER: This document was prepared using our machine translation, and no manual modification has been made to the translated contents. This document is to be used solely as a reference and in cases where any differences occur between English version and the original Japanese version, the Japanese version shall prevail. The consolidated financial statements in this document are unaudited.

Consolidated Financial Results for the Second Quarter (Interim Period) of the Fiscal Year Ending February 28, 2026 (Japanese GAAP)

October 15, 2025

Company name	MetaReal Corp.			Listing Market TSE
Stock Code	6182	URL https://www.metareal.jp		
Representative	(Title)	Representative Director and CEO	(Name) Junichi Goishi	
Contact	(Title)	Executive Officer, General Manager of Administration Division, CFO	(Name) Takayuki Kamaya	TEL 03-6685-9570
Scheduled date of filing of semi-annual report		October 15, 2025	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, 2026 (March 1 to August 31, 2025)

(1) Consolidated Results of Operation (Cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
H1 FY2/26	2,204	3.7	△26	-	△38	-	△68	-
H1 FY2/25	2,124	0.6	291	△25.4	282	△32.7	198	△14.6

(Note) Comprehensive income H1 FY2/26 △67Millions of yen (-%) H1 FY2/25 197Millions of yen (△15.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
H1 FY2/26	△6.34	-
H1 FY2/25	18.43	18.29

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

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
H1 FY2/26	4,584	1,888	41.2
FY2/25	4,919	1,956	39.8

(Reference) Shareholders' equity H1 FY2/26 1,888Millions of yen FY2/25 1,956Millions 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
FY2/25	-	0.00	-	0.00	0.00
FY2/26	-	0.00			
FY2/26 (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, 2026 (March 1, 2025 to February 28, 2026)

(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	4,500	10.2	130	10.8	100	△11.4	10	△96.7	0.92

(Note) 1. Revisions to the most recently announced business forecasts: Yes.

2. For details on revisions to the consolidated business forecasts, please refer to the [Notice Regarding Revisions to Consolidated Business Forecasts] announced on October 15, 2025.

◆Consolidated Business Forecasts by Segment

(Percentages indicate year-on-year changes.)

	Net sales		Operating income	
Full year	Millions of yen	%	Millions of yen	%
AI business	2,800	△9.3	255	△48.4
HT business	700	△20.8	100	12.7
Metaverse business	200	75.4	△62	-
AI/MV Marketing business	800	-	20	-
Other corporate expenses	-	-	△183	-

(Note) 1. Metareal AI related sales projects, which are future growth strategies, include consigned development-type projects, performance-based quasi-delegation, and licensing as usage rights. The recording of sales varies significantly depending on the delivery of products, the timing of acceptance inspections, and the timing of licensing (and various conditions in licensing). Accordingly, there is a difference in the recording of sales between quarterly periods. Our annual business forecasts are based on the difference between quarterly figures for each fiscal year, and there is a possibility that there will be changes in the timing of bookings before and after the quarter due to differences in the timing of acceptance inspections.

2. We will newly add AI/MV Marketing business from the fiscal year ending February 28, 2026. In AI/MV Marketing business, we will M&A companies in the field of specialized technology, which is expected to grow by utilizing AI (Artificial Intelligence)/MV (Metaverse), and expand AI/MV Marketing business while leveraging its client base and business know-how.

※ Notes

(1) Significant changes in the scope of consolidation during the current interim period: Yes

New: ― (Company name: ―), Excluded: 1 (Company name: Xtra Co., Ltd.)

(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 Interim Consolidated Financial Statements)] on page 9 of the Appendix.

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

① Changes in accounting policies due to revisions of accounting standards, etc.: Yes

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Restatements: None

(Note) For details, please refer to [2. Interim Consolidated Financial Statements, (4) Notes on Interim Consolidated Financial Statements (Notes on Changes in Accounting Policies)] on page 9 of the Appendix.

(4) Number of shares outstanding (common stock)

① Number of shares outstanding at the end of the period (including treasury stock)	H1 FY2/26	10,888,060 shares	FY2/25	10,888,060 shares
② Treasury shares at the end of the year	H1 FY2/26	490 shares	FY2/25	490 shares
③ Average number of shares outstanding during the period (interim period)	H1 FY2/26	10,887,570 shares	H1 FY2/25	10,795,917 shares

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

※ Explanation of the proper use of financial forecasts and other special notes

(Notes on 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. Overview of Results of Operation, (4) 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.

○ Table of Contents of the Appendix

1. Results of Operations and Financial Position

(1) Overview of Results of Operation for the Current Interim Period

During the interim fiscal year under review (March 1 to August 31, 2025), while net sales and operating income in the AI business decreased compared to the same period of the previous fiscal year, operating income in the HT business increased and the amount of loss was reduced in the Metaverse business.

As a result, our group posted net sales of 2,204,048 thousand yen (up 3.7% year on year), an operating loss of 26,833 thousand yen (operating income of 291,507 thousand yen in the same period of the previous fiscal year), an ordinary loss of 38,600 thousand yen (ordinary income of 282,507 thousand yen in the same period of the previous fiscal year), and an interim loss attributable to owners of parent of 68,985 thousand yen (interim profit attributable to owners of parent of 198,940 thousand yen in the same period of the previous fiscal year) for the current interim consolidated accounting period.

The performance of each business segment is as follows: During the fourth quarter of the previous consolidated fiscal year, out of the businesses of STUDIO55 Co., Ltd. included in the scope of consolidation, business results related to the VR business are classified into the Metaverse business segment and business results related to businesses other than VR are classified into AI/MV Marketing business segment. AI/MV Marketing business segment is not compared with the same period of the previous fiscal year because there is no results for the same period of the previous fiscal year, including this business.

① AI business

As for the AI business, orders received were 1,512,355 thousand yen (down 6.9% year on year). Net sales were 1,402,731 thousand yen (down 15.6% year on year), due to a decrease in orders received from the previous fiscal year. Segment income was 53,473 thousand yen (down 88.2% year on year), mainly due to advertising activities to acquire new projects and improve brand recognition, and investments to reconstruct the management structure. We will position pharmaceutical AI (Rakuyaku AI) as our first focus field, and promote strengthening of our organizational capabilities to accelerate development and acquire orders. We will continue to implement forward-looking investments leveraging customer value creation, such as aggressive investment in mainstay T-4OO, and proposal activities that contribute to promoting use of generative AI by major and medium-sized companies, to improve quality and profitability, and promote a medium-to long-term recovery in business performance.

② HT business

As for the HT business, sales were 358,454 thousand yen (down 22.5% year on year) and segment income was 60,235 thousand yen (up 58.1% year on year) due to the liquidation of Xtra Co., Ltd.

③ Metaverse business

As for the Metaverse business, sales were 69,810 thousand yen (compared to 669 thousand yen in the same period of the previous fiscal year), and segment loss was 39,882 thousand yen (segment loss of 97,173 thousand yen in the same period of the previous fiscal year), as a result of including the VR business in the Metaverse business of STUDIO55 Co., Ltd. in the Group, shifting short- to medium-term growth measures to the [Metareal AI] project, and reducing the amount of investment in the Metaverse business from a long-term perspective of 10±5 years.

④ AI/MV Marketing business

As for AI/MV Marketing business, sales were 373,051 thousand yen and segment loss was 44,334 thousand yen. This was due to the inclusion of businesses other than the VRs in AI/MV Marketing business by Group-in of STUDIO55 Co., Ltd.

(2) Overview of Financial Position for the Period under Review

(Assets)

Current assets at the end of the interim fiscal year under review decreased by 239,042 thousand yen from the end of the previous fiscal year to 3,406,622 thousand yen. This was due mainly to a decrease of 146,951 thousand yen in cash and deposits, a decrease of 87,412 thousand yen in other current assets due to a decrease in taxes receivable, and a decrease of 25,380 thousand yen in inventories. Non-current assets decreased by 95,992 thousand yen from the end of the previous consolidated fiscal year to 1,178,002 thousand yen. This was due mainly to a decrease of 45,480 thousand yen in property, plant and equipment and a decrease of 45,175 thousand yen in intangible assets.

(Liabilities)

Current liabilities decreased by 29,753 thousand yen from the end of the previous fiscal year to 2,091,126 thousand yen at the end of the interim consolidated fiscal year under review. This was due mainly to a decrease of 116,163 thousand yen in short-term loans payable, despite an increase of 102,079 thousand yen in advances received. Non-current liabilities decreased by 237,447 thousand yen from the end of the previous consolidated fiscal year to 605,036 thousand yen. This was mainly due to a decrease of 162,447 thousand yen in long-term debt and a decrease of 75,000 thousand yen in bonds payable.

(Net Assets)

Net assets decreased by 67,833 thousand yen from the end of the previous fiscal year to 1,888,462 thousand yen at the end of the interim consolidated fiscal year under review. This was due mainly to a decrease of 68,985 thousand yen in retained earnings as a result of recording a loss attributable to owners of the parent.

(3) Overview of Cash Flows for the Period under Review

Cash and cash equivalents at the end of the interim consolidated fiscal year under review decreased by 146,951 thousand yen from the end of the previous consolidated fiscal year to 2,756,881 thousand yen.

The status of each type of cash flow and related factors during the interim consolidated fiscal year under review are reviewed below.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was 332,998 thousand yen (compared to 639,464 thousand yen provided in the same period of the previous fiscal year).

This was due mainly to the recording of a loss before income taxes of 50,899 thousand yen, the recording of depreciation and amortization of 128,018 thousand yen, an increase in advances received of 102,079 thousand yen, an increase in accrued expenses of 70,038 thousand yen, and a refund of income taxes of 54,281 thousand yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities was 65,885 thousand yen (compared to 247,838 thousand yen used in the same period of the previous fiscal year).

This was mainly due to purchase of intangible assets of 63,384 thousand yen, loan disbursements of 14,978 thousand yen, and collection of loans receivable of 12,477 thousand yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities was 414,064 thousand yen (compared to 149,712 thousand yen provided in the same period of the previous fiscal year).

This was due mainly to repayments of long-term debt of 189,356 thousand yen, net increase or decrease in short-term debt of 116,163 thousand yen, and redemption of bonds of 97,000 thousand yen.

(4) Consolidated Business Forecasts

The four management themes for achieving further acceleration of growth are:

① Renovation of management and management integration of MetaReal and Rozetta

Recognizing that the fundamental reason for the slump in business performance since the previous fiscal year is [the failure of the delegation stage in Rozetta management], we, as a countermeasure, implemented the management integration of MetaReal & Rozetta, including the return to the field of Goishi, our founder.

We also saw the weakness of our headquarters functions as a major task, and revamped the management team on the part of our headquarters. We have invited outstanding management teams and staff from outside the Company to strengthen the management base of the Group as a whole. This includes reinforcing executive officers such as CSO (Strategy) and CMO (Marketing), and other functions such as M&A, IR, sales, business execution, and logistics support.

In addition, Group management will be directly involved in the management of Rozetta, and we will establish a responsibility management system with multiple, talented chief operating officers (COOs), and once again take on the challenge of achieving the transfer stage of authority. Through this structure, we will transform our business structure by balancing the profitability and cooperation of each business, aiming to reconstruct our earnings structure and expand to the next growth phase.

We also take seriously the loss of organizational capabilities, which had been Rozetta's strength in the age of high growth, and reiterate our mission of [liberate humanity from its location, time, language, and physical constraints]. We have clearly defined values in business strategies, actions, communication, and the personnel system, and we are enforcing them thoroughly among all employees. In addition to improving cohesiveness and regaining the spirit of innovation by returning our founder to the workplace, we are developing an organizational structure to reconstruct our organizational culture and foster a sense of unity as a group as a whole, and thereby accelerate the pace of growth.

② Shift from [Translation AI] specializing in industries to [Vertically Integrated AI Agent]

We will expand our business domain from the narrow domain of translation such as [T-4OO] highly valued by customers as AI translation for [industry-specific specialized documents] to the peripheral and application fields for document preparation and shift to [vertically integrated AI agents].

We will resolve issues such as speed and artificial numbers in customers' business processes in the form of consigned development, joint development, and SaaS products.

③Commenced provision of consigned development solutions utilizing AI technology that automatically generates digital twins in the Metaverse business

As a long-term growth strategy aiming to achieve results in 10±5 years or longer, the Metaverse business is addressing the task of the [Metaverser] concept and its method [Metaverse×AI], and in particular we are focusing on providing consigned development solutions using AI-technology that automatically generates digital twins. Previous methods of digital twin-building included [3D Laser Scan] and [Combination of Plane Capture Images]. However, there were issues such as trouble and cost in the former and limitations on viewpoints and perspectives in the latter. Accordingly, we will provide consigned AI-development solutions that automatically generate photo digital twins from videos taken on a smartphone without special equipment or work by using the next-generation 3D spatial configuration technique [Gaussian Splatting]. Use cases are assumed for industries centered on the construction, real estate, and manufacturing industries.

In addition, STUDIO55 Inc., which we welcomed as a group company, will serve as the growth platform for the VR/digital twin business. While up to now our cutting-edge technological capabilities related to Gaussian Splatting and generative AI have been our strengths, our weakness was that we do not have a customer base because of the thin knowledge of the construction industry. STUDIO55 Inc. has a high level of expertise and a broad customer base in the VR/CG/BIM field of architectural design, and has established a solid track record and reliability in the industry. We aim to grow in this field through the synergy effect of combining our cutting-edge AI technology with the specialized skills and customer base of STUDIO55 Inc.

④ Promote M&A strategy to strengthen specialized fields

We will group companies with customer bases and technical know-how in fields of specialization through M&A to grow by integrating our cutting-edge AI/MV technologies. [AI/MV Marketing] segment will pursue M&A activities centered on the four domains of pharmaceuticals, construction, media, and finance, which are future focus fields.

2. Interim Consolidated Financial Statements and Main Notes

(1) Interim Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (February 28, 2025)	Current interim consolidated accounting period (August 31, 2025)
Assets		
Current assets		
Cash and deposits	2,903,833	2,756,881
Notes, accounts receivable and contract assets	429,783	449,582
Inventories	73,519	48,139
Other	247,057	159,644
Allowance for doubtful accounts	△8,529	△7,626
Total current assets	3,645,664	3,406,622
Non-current assets		
Property, plant and equipment	212,704	167,224
Intangible assets		
Goodwill	408,422	392,509
Software	307,176	235,124
Software in progress	40,419	86,116
Other	3,340	431
Total intangible assets	759,357	714,182
Investments and other assets		
Investment securities	53,030	54,559
Other	276,596	272,477
Allowance for doubtful accounts	△27,694	△30,440
Total investments and other assets	301,932	296,596
Total non-current assets	1,273,994	1,178,002
Total assets	4,919,659	4,584,625
Liabilities		
Current liabilities		
Notes and accounts payable-trade	107,109	84,842
Short-term borrowings	232,610	116,446
Current portion of long-term loans payable	402,114	375,205
Current portion of corporate bonds	194,000	172,000
Income taxes payable	24,352	31,769
Provision for bonuses	45,795	27,377
Advances received	783,716	885,795
Provision for loss on orders received	-	900
Other	331,179	396,789
Total current liabilities	2,120,879	2,091,126
Non-current liabilities		
Corporate bonds	300,000	225,000
Long-term debt	542,484	380,036
Total non-current liabilities	842,484	605,036
Total liabilities	2,963,364	2,696,162
Net assets		
Shareholders' equity		
Common stock	802,289	802,289
Capital surplus	1,776,235	1,776,235
Retained earnings	△619,662	△688,647
Treasury stock	△986	△986
Total shareholders' equity	1,957,876	1,888,891
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△1,581	△428
Total accumulated other comprehensive income	△1,581	△428
Total net assets	1,956,295	1,888,462
Total liabilities and net assets	4,919,659	4,584,625

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

(Interim Consolidated Statements of Income)

(Thousands of yen)

	Previous interim consolidated accounting period (From March 1, 2024 to August 31, 2024)	Current interim consolidated accounting period (From March 1, 2025 to August 31, 2025)
Net sales	2,124,642	2,204,048
Cost of sales	655,882	883,325
Gross profit	1,468,759	1,320,722
Selling, general and administrative expenses		
Salaries, allowances and bonuses	384,160	387,472
Research and development expenses	95,450	67,717
Provision for bonuses	3,372	1,218
Retirement benefit expenses	3,563	3,928
Other	690,705	887,218
Total selling, general and administrative expenses	1,177,252	1,347,556
Operating income or loss (△)	291,507	△26,833
Non-operating income		
Interest income	247	3,203
Gain on forgiveness of dividends payable	203	-
Cash-back income	184	-
Other	388	495
Total non-operating income	1,024	3,698
Non-operating expenses		
Interest expenses	4,225	12,616
Provision for doubtful receivables	-	2,174
Share of loss of investments accounted for using equity method	1,648	9
Bond issuance expenses	3,463	-
Foreign exchange loss	324	177
Other	362	488
Total non-operating expenses	10,024	15,465
Ordinary income or loss (△)	282,507	△38,600
Special income		
Income on sales of non-current assets	2,466	-
Gain on sale of investment securities	19,999	-
Gain on reversal of share subscription rights	41,146	-
Total special income	63,613	-
Special loss		
Loss on sales and retirement of noncurrent assets	930	0
Impairment loss	10,297	9,511
Office transfer expenses	-	2,788
Total special loss	11,228	12,299
Income or loss (△) before income taxes	334,891	△50,899
Income taxes	135,951	18,085
Interim net income or loss (△)	198,940	△68,985
Net income or loss (△) attributable to owners of parent	198,940	△68,985

(Interim Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous interim consolidated accounting period (From March 1, 2024 to August 31, 2024)	Current interim consolidated accounting period (From March 1, 2025 to August 31, 2025)
Interim net income or loss (△)	198,940	△68,985
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,262	1,152
Total other comprehensive income	△1,262	1,152
Comprehensive income	197,677	△67,833
Comprehensive income (loss) attributable to:		
Owners of the parent company	197,677	△67,833
Non-controlling interests	-	-

(3) Interim Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated accounting period (From March 1, 2024 to August 31, 2024)	Current consolidated accounting period (From March 1, 2025 to August 31, 2025)
Cash flows from operating activities		
Income or loss (△) before income taxes	334,891	△50,899
Depreciation	125,214	128,018
Amortization of goodwill	-	15,912
Impairment loss	10,297	9,511
Increase or decrease in allowance for doubtful accounts (△ indicates decrease)	△8,069	1,843
Increase or decrease in accrued bonuses (△ indicates decrease)	1,727	△18,418
Increase or decrease in provision for loss on orders received (△ indicates decrease)	-	900
Interest and dividend income	△247	△3,203
Interest expenses	4,225	12,616
Loss or gain on equity method investments (△ indicates gain)	1,648	9
Loss on sales and retirement of noncurrent assets (△ indicates gain)	△1,535	0
Loss or gain on sales of investment securities (△ indicates gain)	△19,999	-
Gain on reversal of share subscription rights	△41,146	-
Bond issuance expenses	3,463	-
Increase or decrease in advances received (△ indicates decrease)	87,980	102,079
Increase or decrease in notes and accounts receivable and contract assets (△ indicates increase)	△171,710	△20,371
Increase or decrease in inventories (△ indicates increase)	△3,660	25,380
Increase or decrease in trade payables (△ indicates decrease)	△11,344	△22,266
Increase or decrease in accounts payable-other (△ indicates decrease)	274,707	△22,789
Increase or decrease in accrued expenses (△ indicates decrease)	80,090	70,038
Increase or decrease in accrued consumption taxes	△47,972	52,182
Other	18,647	19,962
Sub-total	637,207	300,505
Interest and dividends received	247	3,203
Interest paid	△4,225	△11,524
Income taxes paid	△79,360	△13,467
Income taxes refund	85,594	54,281
Cash flows from operating activities	639,464	332,998
Cash flows from investing activities		
Payments for property, plant and equipment	△193,864	-
Proceeds from sale of property, plant and equipment	2,066	-
Payments for intangible assets	△76,096	△63,384
Proceeds from sale of intangible assets	400	-
Proceeds from sales of investment securities	20,000	-
Payment for loans receivable	△708	△14,978
Proceeds from loans receivable	364	12,477
Cash flows from investing activities	△247,838	△65,885
Cash flows from financing activities		
Increase in short-term borrowings (△ indicates decrease)	△100,000	△116,163
Proceeds from issuance of bonds	146,536	-
Redemption of bonds	△82,000	△97,000
Proceeds from long-term debt	350,000	-
Repayment of long-term debt	△172,996	△189,356
Repayment of lease obligations	△11,322	△11,543
Proceeds from issuance of common stock upon exercise of share subscription rights	19,494	-
Purchase of investments in subsidiaries that does not result in change in scope of consolidation	△0	-
Cash flows from financing activities	149,712	△414,064
Effect of exchange rate change on cash and cash equivalents	144	-
Net increase or decrease in cash and cash equivalents (△ indicates decrease)	541,483	△146,951
Cash and cash equivalents at beginning of the year	3,078,464	2,903,833
Cash and cash equivalents at the end of the period	3,619,948	2,756,881

(4) Notes on Interim Consolidated Financial Statements

(Notes on Changes in Accounting Policies)

(Application of [Accounting Standard for Income Taxes, Inhabitant Taxes, and Business Taxes])

The [Accounting Standard for Income Taxes, Inhabitant Taxes, and Business Taxes] (Accounting Standard No. 27, issued on October 28, 2022; hereinafter referred to as the [Amended Accounting Standard for 2022]), the [Accounting Standard for Presentation of Comprehensive Income] (Accounting Standard No. 25, issued on October 28, 2022), and the [Implementation Guidance on Accounting Standard for Tax Effect Accounting] (Accounting Standard Implementation Guidance No. 28, issued on October 28, 2022; hereinafter referred to as the [Amended Implementation Guidance for 2022]) have been applied from the beginning of the current interim consolidated accounting period.

Revisions to the classification of income taxes (taxation on other comprehensive income) are made in accordance with the transitional handling stipulated in the proviso to Paragraph 20-3 of the Amended Accounting Standard for 2022 and the transitional handling stipulated in the proviso to Paragraph 65-2 (2) of the Amended Implementation Guidance for 2022. This change in accounting policy has had no impact on the interim consolidated financial statements.

In addition, we have applied the Amended Implementation Guidance for 2022 from the beginning of the interim period under review for revisions to the handling of sales gains and losses on sales resulting from the sale of investments in subsidiaries and other securities in intercompany entities that are deferred for tax purposes. This change in accounting policy has had no impact on the interim consolidated financial statements for the previous interim fiscal year or on the consolidated financial statements for the previous fiscal year.

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

Tax expenses are calculated by multiplying the income before income taxes by the forecasted effective tax rate, which is computed by matching the forecasted yearly income taxes with the forecasted yearly income before taxes.

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)

I Previous interim consolidated accounting period (From March 1, 2024 to August 31, 2024)

1. Information on net sales and income or loss by reportable segment and breakdown of income

(Thousands of yen)

	Reportable Segments				Adjustments (Note 1)	Amounts on the consolidated financial statements (Note 2)
	AI business (Note 3)	HT business	Metaverse business	Total		
By type of goods or services						
Machine translation	1,354,145	13,125	-	1,367,271	-	1,367,271
Human translation	32,544	449,186	-	481,731	-	481,731
Metaverse	-	-	669	669	-	669
Consigned development	274,970	-	-	274,970	-	274,970
Revenue from contracts with customers	1,661,660	462,312	669	2,124,642	-	2,124,642
Revenue recognition by period						
Goods or services that are transferred at one time	259,542	400,570	103	660,215	-	660,215
Goods or services that are transferred over a period of time	1,402,118	61,741	566	1,464,426	-	1,464,426
Revenue from contracts with customers	1,661,660	462,312	669	2,124,642	-	2,124,642
Net sales to unaffiliated customers	1,661,660	462,312	669	2,124,642	-	2,124,642
Intersegment sales or transfer	2,299	35,110	8,344	45,754	△45,754	-
Total	1,663,960	497,422	9,013	2,170,396	△45,754	2,124,642
Segment income or loss (△)	451,391	38,088	△97,173	392,305	△100,798	291,507

(Note) 1. The adjustment of segment profit (loss) of △100,798 thousand yen includes elimination of intersegment transactions of 120,415 thousand yen and corporate expenses not attributable to any reportable segments of △221,213 thousand yen. Corporate expenses mainly consist of costs related to the administrative departments of the parent company’s headquarters, which are not attributable to any reportable segments.

2. Segment income or loss (△) is adjusted with operating income 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 and goodwill by reportable segment

(Significant impairment loss on noncurrent assets)

This information is omitted because it is not material.

II Current interim fiscal year (From March 1, 2025 to August 31, 2025)

1. Information on net sales and income or loss by reportable segment and breakdown of income

(Thousands of yen)

	Reportable Segments					Adjustments (Note 1)	Amounts on the consolidated financial statements (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 or loss (△)	53,473	60,235	△39,882	△44,334	29,491	△56,325	△26,833

(Note) 1. The adjustment of segment profit (loss) of △56,325 thousand yen includes elimination of intersegment transactions of 233,242 thousand yen and corporate expenses not attributable to any reportable segments of △289,567 thousand yen. Corporate expenses mainly consist of costs related to the administrative departments of the parent company’s headquarters, which are not attributable to any 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 Non-current Assets or Goodwill, etc.

(Significant Impairment Loss on Non-current Assets)

This information is omitted because it is not material.

3. Changes in reportable segments

(Changes in reportable segments)

During the fourth quarter of the previous fiscal year, STUDIO55 Co., Ltd. was converted into a consolidated subsidiary. As a result, [AI/MV Marketing business] has been added as a new reportable segment from the beginning of the interim fiscal year under review.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Notes on Going Concern Assumption)

Not applicable.