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 Listing: Tokyo Stock Exchange
 Securities code: 4414
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Matters Expected to Attract Strong Interest Q3 Financial Results
for the Fiscal Year Ending March 2026

We have outlined below matters that we expect will be of high interest to investors regarding our results for the third quarter of the fiscal year ending March 2026.

Q1. How should we view the performance for the third quarter?

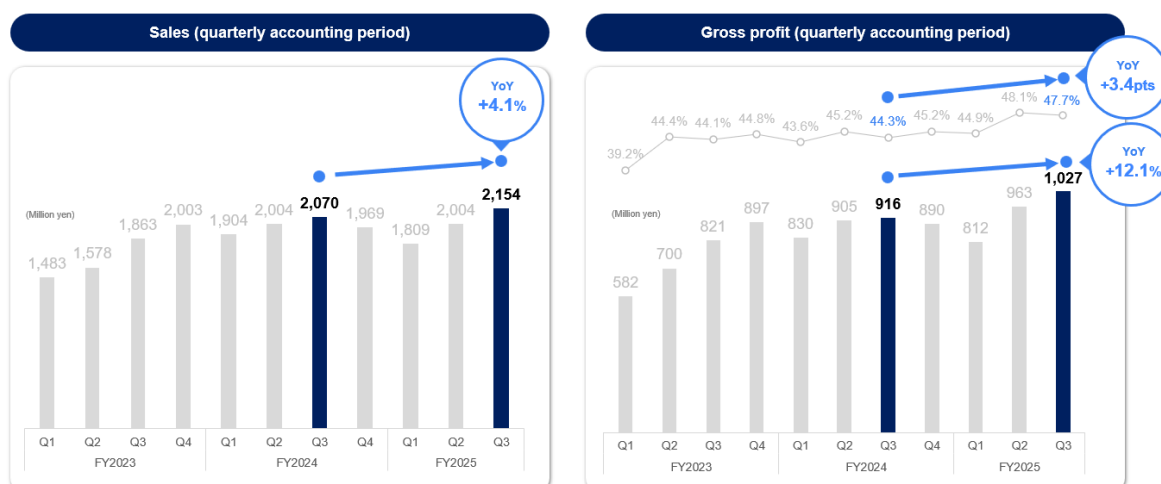
A1. Achieved record-high net sales and operating profit; sales have continued to grow since the first quarter (Earnings presentation materials page. 6, 12).

Net sales for the third quarter increased to JPY 2,154 million (+4.1% YoY), reaching a record high, as initiatives to strengthen our proposal structure contributed to expanded transactions with certain existing customers. In addition, through sound project execution driven by rigorous operational control and optimized engineer assignments, gross profit margin rose to 47.7% (+3.4 pp YoY), a high level, and operating profit also reached a record high of JPY 376 million (+9.8% YoY).

Excluding the third quarter of the fiscal year ended March 2024, when we received a large additional order from an existing customer, sales growth in the current third quarter was in line with prior years. Since the first quarter, sales have continued to grow steadily.

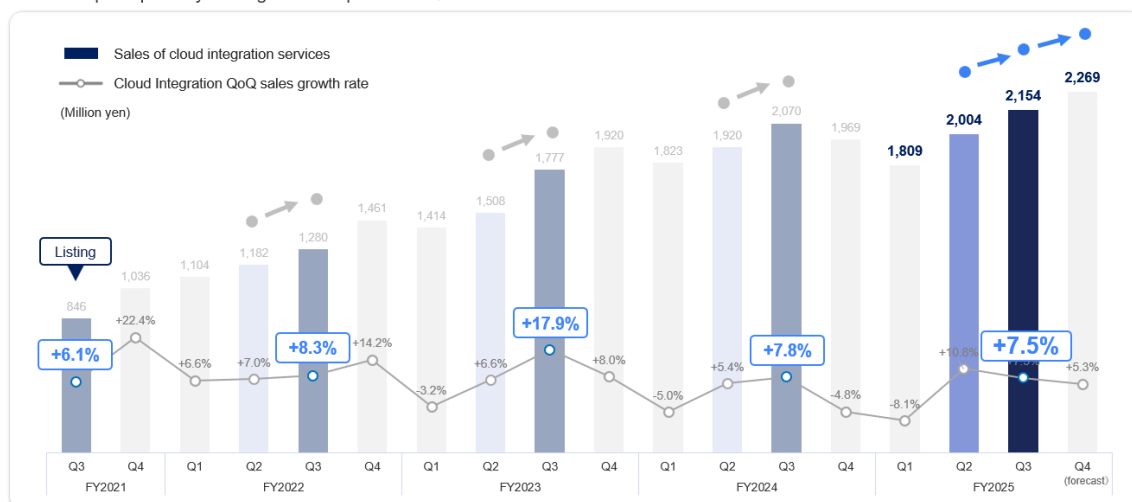
(3rd Quarter, Fiscal Year Ending March 2026) Results Trends

Net sales totaled 2,154 million yen (up 4.1% year on year). Our efforts to strengthen our proposal organization led to expanded transactions with certain existing customers, resulting in record-high net sales for the 3Q fiscal period. In addition, disciplined operations—through sound project execution, optimized engineer assignments, and the use of in-house AI—enabled us to achieve a high gross profit margin of 47.7% (up 3.4 pts year on year). Gross profit reached a record high of 1,027 million yen (up 12.1% year on year).



(3rd Quarter, Fiscal Year Ending March 2026) Quarterly Sales Growth Rate (QoQ) of Cloud Integration Services

The quarterly sales growth rate (QoQ) for Cloud Integration Services in Q3 was up 7.5%. Excluding Q3 of FY2024, when we received large additional orders from existing customers, the growth rate has remained consistent with previous years. Sales have continued to grow since Q1, and we expect quarterly sales growth of up 5.3% in Q4.



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Q2. Background to the revision of the full-year forecast and outlook going forward

A2. While we achieved expanded transactions with certain existing customers, net sales are not expected to reach JPY 9,600 million, and we have revised our sales forecast downward. That said, we expect record-high net sales in the fourth quarter (Earnings presentation materials page. 10,11).

Amid strong demand for DX support, we achieved record-high third-quarter net sales.

However, although we expanded transactions with existing customers, the increase was not enough to make up for the slower sales progress since the first quarter. As we do not expect full-year net sales to reach our forecast of JPY 9,600 million, we have revised our sales outlook downward. While we maintained a high gross profit margin and restrained SG&A expenses to some extent, this was not sufficient to offset the decline in net sales, and we have revised our operating profit outlook downward as well. In the fourth quarter, we have also factored in an extraordinary loss of JPY 102 million, as we expect to record a valuation loss on shares in affiliated companies held by the Company.

That said, following the third quarter, we also expect record-high net sales and operating profit in the fourth quarter. We will continue to pursue sustainable growth in our performance from the next fiscal year onward.

(Full year, fiscal year ending March 2026) Revision of the Earnings Forecasts

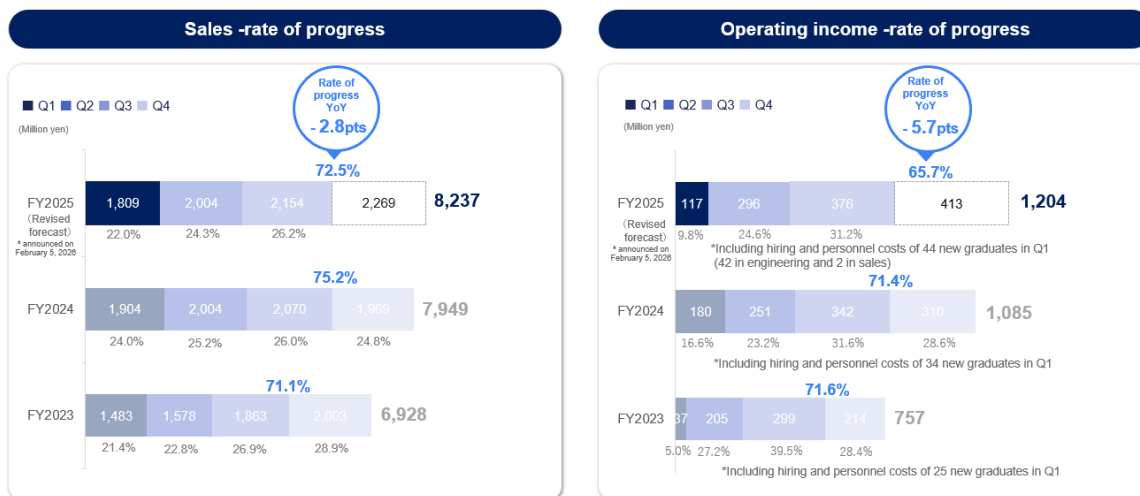
We revised net sales downwards to 8,237 million yen (down 14.2% from the initial forecast), gross profit downwards to 3,885 million yen (down 8.5% from the initial forecast), operating income downwards to 1,204 million yen (down 15.7% from the initial forecast), and net income downwards to 644 million yen (down 25.4% from the initial forecast).

	(Million yen)		Compared with initial forecast	
	FY2025 (Fiscal year ending March 2026) forecast (Initial forecast)	FY2025 (Fiscal year ending March 2026) forecast (Revised forecast)	Change in amount	Rate of change
Sales	9,600	8,237	△1,362	△14.2%
Gross profit	4,243	3,885	△358	△8.5%
(%)	44.2%	47.2%	+3.0pt	
SG&A	2,814	2,680	△134	△4.8%
(%)	29.3%	32.5%	+3.2pt	
Operating income	1,429	1,204	△224	△15.7%
(%)	14.9%	14.6%	△0.3pt	
Net income	863	644	△219	△25.4%
(%)	9.0%	7.8%	△1.2pt	

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(3rd Quarter, Fiscal Year Ending March 2026) Results Progress

The sales progress rate is at 72.5%, and the operating profit progress rate is at 65.7%.



Q3. Background to the share repurchase

A3. Intended to eliminate accumulated earnings tax (Earnings presentation materials page. 5)

We have been considering the resolution of our accumulated earnings tax issue as an important management matter, and we approached KURO LLC. regarding the potential sale of a portion of our shares held by KURO LLC. As a result, we confirmed KURO LLC's intention to sell part of such shares. Although this acquisition of treasury shares alone will not satisfy the requirement that the controlling shareholder's voting rights ratio be reduced to 50% or less, which is necessary to resolve the accumulated earning tax issue, after considering our stock price, financial condition, and market trends, etc., we decided to acquire such shares as treasury shares. We believe that this acquisition of treasury shares will lead to an increase in the value per share, improved capital efficiency, and enhanced governance through the reduction of the controlling shareholder's ownership ratio.

We may utilize the treasury shares acquired through this acquisition in the future for M&A and capital and business alliances using shares as consideration, or for stock compensation plans.

Class of shares to be acquired	Common stock
Total number of shares to be acquired	860,000 shares (upper limit) (13.99% of total number of issued shares (excluding treasury shares))
Total amount of share acquisition costs	¥1.2 billion (upper limit)
Acquisition period	From February 6, 2026 to February 27, 2026
Method of acquisition	Purchase through off-auction treasury share repurchase trading system (ToSTNeT-3) of the Tokyo Stock Exchange

(3rd Quarter, Fiscal Year Ending March 2026) Topics -2

We are certified to ISO 9001, the international standard for quality management systems, and have also resolved to conduct a share buyback.

Certified to ISO 9001, the international standard for quality management systems

—Further strengthening our quality foundation to support customer experience in the AI era—

As the use of AI accelerates, opportunities to import and utilize companies' valuable data in systems are rapidly increasing, and the importance of "safety" in data handling and the "quality" of proper operations is higher than ever.

With this ISO 9001 certification, we have established a framework to operate our quality management system in an integrated manner with the information security and personal data protection initiatives we have cultivated to date. This will further strengthen the safe handling of data—indispensable for AI utilization—from both security and quality perspectives.

[Scope of Registration]

Registration Type: Quality Management System
Applicable Standard: JIS Q 9001:2025 (ISO 9001:2015 + Amd 1:2024)
Registration Number: JUSE-PA-2298
Registered Organization: FLECT Co., Ltd. Cloud Integration Division, 1st Department
Scope of Registration: Planning, design, development, and operation of systems utilizing cloud services
Location: Head Office (Minato-ku, Tokyo), Osaka Branch (Osaka City, Osaka Prefecture)
Certification Body: Union of Japanese Scientists and Engineers ISO Center
Date of Registration: November 26, 2025

Decision on Acquisition of Treasury Shares

—Aiming to Resolve the Accumulated Earnings Tax Issue—

We have been considering the resolution of our accumulated earnings tax issue as an important management matter, and we approached KURO LLC regarding the potential sale of a portion of our shares held by KURO LLC. As a result, we confirmed KURO LLC's intention to sell part of such shares. Although this acquisition of treasury shares alone will not satisfy the requirement that the controlling shareholder's voting rights ratio be reduced to 50% or less, which is necessary to resolve the accumulated earnings tax issue, after considering our stock price, financial condition, and market trends, etc., we decided to acquire such shares as treasury shares. We believe that this acquisition of treasury shares will lead to an increase in the value per share, improved capital efficiency, and enhanced governance through the reduction of the controlling shareholder's ownership ratio.

We may utilize the treasury shares acquired through this acquisition in the future for M&A and capital and business alliances using shares as consideration, or for stock compensation plans.

[Details of the Acquisition of Treasury Shares]

Type of shares: We will acquire our common stock
Total number of shares to be acquired (maximum): 860,000 shares (up to 13.99% of total number of shares issued and outstanding (excluding treasury stock))
Total acquisition amount (maximum): 1.2 billion yen
Period: From February 6, 2026 to February 27, 2026
Method: Purchase through Off-Auction Own Share Repurchase Trading System (ToSTNet-3)