

Notice: This document has been translated from the Japanese original for reference purposes. In the event of any discrepancy between this translated document and the Japanese original, the latter shall prevail.

baudroie inc.

Financial Results Briefing for the Second Quarter of Fiscal Year Ended February 2026

April 15, 2026

[Speaker]

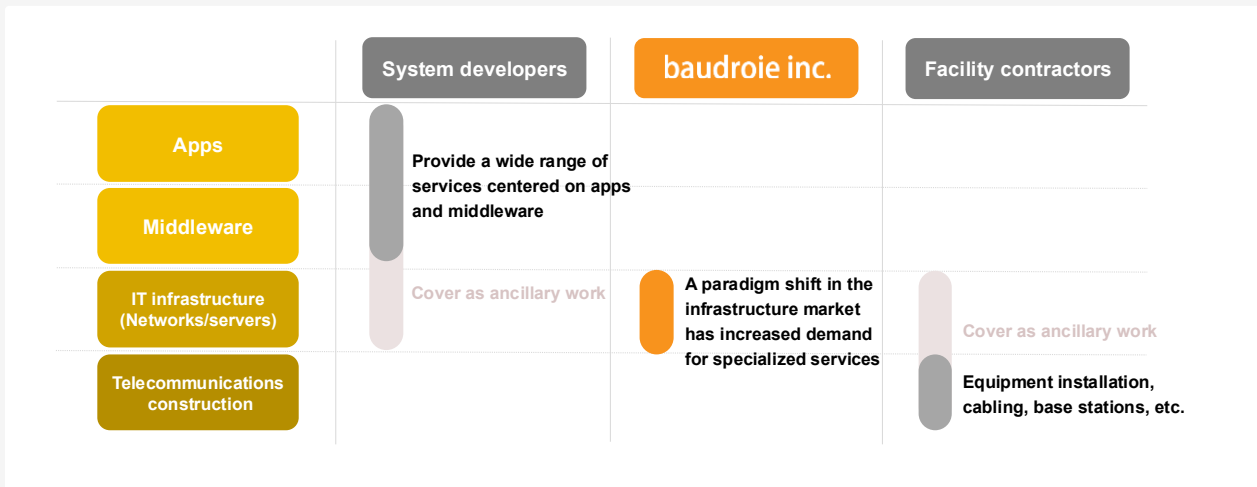
President and CEO, Shigehiro Tominaga

MC : Thank you for your continued support. We would now like to begin the financial results briefing for the fiscal year ended February 2026. We sincerely appreciate your participation in this briefing despite your busy schedule.

Now, I would like to invite our President and CEO, Shigehiro Tominaga, to report on the financial results.

What Differentiates Us from System Developers and Facilities Contractors

Due to diversifying social needs, IT systems command advanced knowledge and technologies in broader and deeper areas. As the era evolves in this way, attention is being paid to IT system companies with distinctive features, not covering the entire system. Given this trend, we differentiate ourselves as a company specializing in IT infrastructure.



*Apps (applications): refer to such programs as mission-critical systems (for enterprise resource planning), programs operated by users such as web and smartphone applications, groupware (like Microsoft Office 365), and AI and machine learning. These programs are developed using programming languages like Java, C, and Python.

*Middleware: refers to software that runs between applications and the operating system and includes Oracle Database, WebLogic, and Apache HTTP Server.

*Telecommunications construction: LAN wiring, construction of base station facilities, equipment installation, etc.

6

Tominaga : Thank you very much for taking the time to join us today. I am Shigehiro Tominaga, President and CEO of baudroie inc.

Now, I would like to move directly into the presentation of our financial results for the fiscal year ended February 2026.

First, I will address the potential for Generative AI to replace our business operations. However, as a prerequisite to that discussion, I would like to explain our company's positioning.

The IT system industry can be broadly categorized into four layers. From top to bottom, these are: "Applications," "Middleware," "IT Infrastructure," and "Telecommunications Construction".

These can be divided into two distinct categories: the "IT environment itself" and "the elements that run on top of it".

In other words, they can be visualized as the "box" and its "contents".

The "box" refers to the environment itself, which corresponds to the bottom two layers of the diagram: "Telecommunications Construction" and "IT Infrastructure".

On the other hand, the "contents" that go inside that box are the top two layers: namely, "Middleware" and "Applications".

Although the "IT Infrastructure" layer we belong to is classified under the "Information and Communication" sector in the stock market, in practice, our company can be seen as an extension of facility construction firms.

In reality, telecommunications construction companies generate approximately 30% of their revenue from the ICT field in addition to construction, yet they are categorized under the "Construction" sector.

Since we do not perform the physical construction itself and focus solely on the IT portion of infrastructure, we are classified under "Information and Communication," placing us in the same category as typical System Integrators

However, within the "Information and Communication" sector, we consider ourselves a company that is extremely close to the classification of telecommunications construction firms.

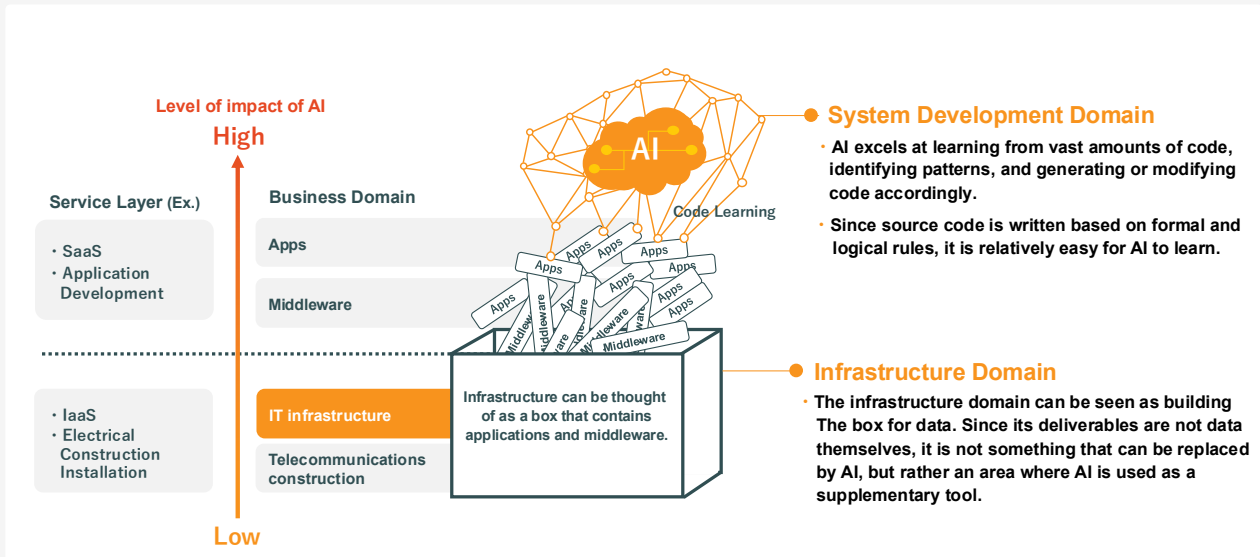
While current stock market trends often involve buying and selling at the sector level, the actual impact of AI varies from company to company.

Even within SaaS, companies like Adobe and Salesforce, or Oracle and ServiceNow, are quite different in reality.

Similarly, among System Integrators, the inherent impact of the "AI replacement" theme should differ between companies that employ a large number of programmers and those that handle a broader range of operations.

The possibility of jobs being replaced by generative AI

The risk of generative AI replacing tasks in the infrastructure field is low, as there is fundamentally no development work involving programming.

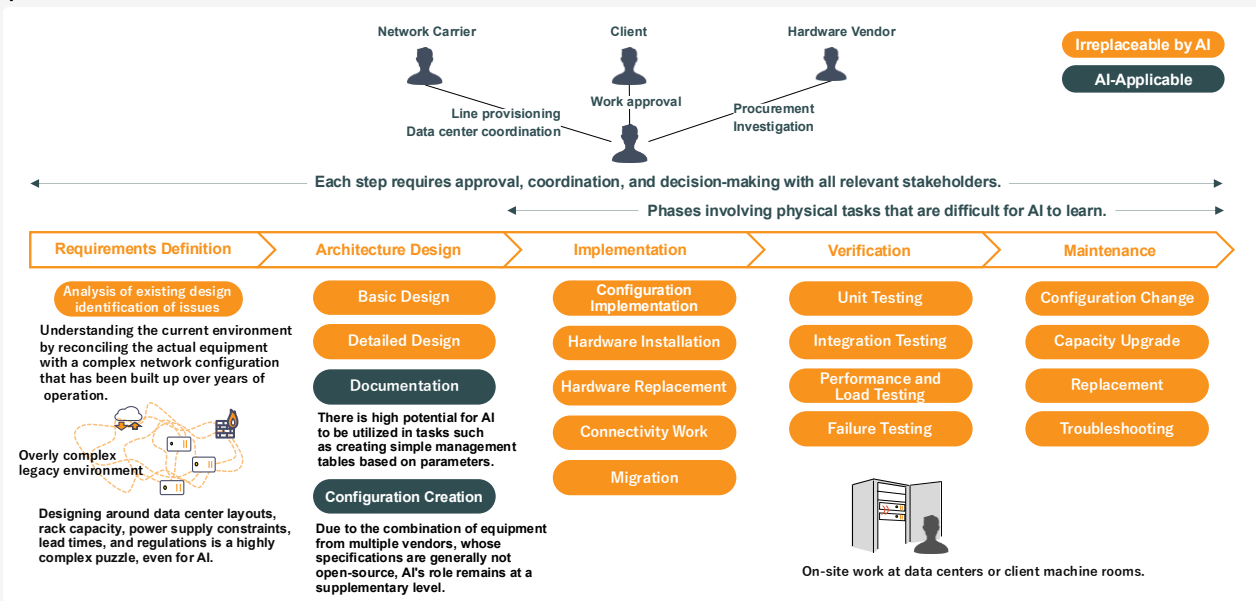


In the field of application development, the primary task is writing source code—an area where AI excels—and the deliverables are "data". In contrast, our deliverables are not "data" or "source code" as seen in the application development domain. They are not something that can be attached to an email in units like packets or kilobytes; rather, our deliverable is the IT "environment" itself.

Our business domain does not consist of writing source code, but rather the work of designing and building those environments. For this reason, we recognize that our business is not of a nature that can be directly replaced by AI; instead, we view it as a field where we can increase productivity by utilizing AI in a supplementary role.

AI Substitutability Across Project Phases

The IT infrastructure domain is mission-critical for every business, requiring meticulous decision-making and approval at every phase. Compared to the application domain, the scope of tasks that AI can replace is limited to a very small portion of the design phase.



Specific areas within the IT infrastructure domain where AI utilization is expected to advance include assistance in document creation and "configuration creation," which involves generating setup information.

Document creation involves generating materials based on equipment parameters, and we envision using AI in a supplementary capacity, similar to its use in general business operations.

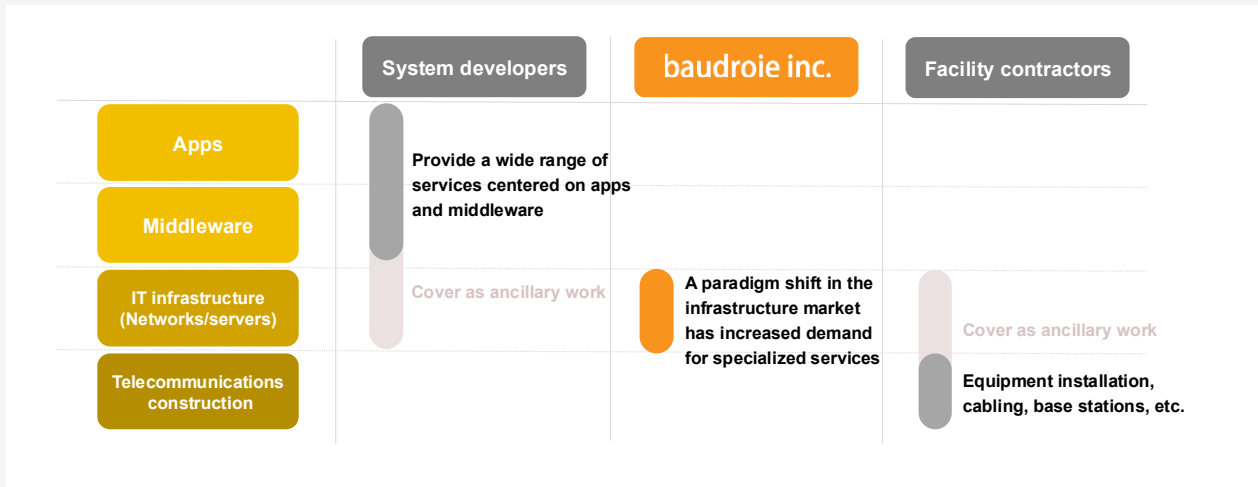
Unlike programming in the development domain, configuration creation in infrastructure is a field that has not yet been open-sourced. Therefore, while only a small portion is currently in full practical use, we expect this to be an area where AI adoption will advance significantly in the future.

That said, these tasks represent only about 10% of our overall work processes.

If "replacement" were to mean that everything shown in this table is produced by AI, our current view is that, in our case, it will not be a replacement but rather the utilization of AI as a supportive tool, much like in general business operations.

What Differentiates Us from System Developers and Facilities Contractors

Due to diversifying social needs, IT systems command advanced knowledge and technologies in broader and deeper areas. As the era evolves in this way, attention is being paid to IT system companies with distinctive features, not covering the entire system. Given this trend, we differentiate ourselves as a company specializing in IT infrastructure.



*Apps (applications): refer to such programs as mission-critical systems (for enterprise resource planning), programs operated by users such as web and smartphone applications, groupware (like Microsoft Office 365), and AI and machine learning. These programs are developed using programming languages like Java, C, and Python.

*Middleware: refers to software that runs between applications and the operating system and includes Oracle Database, WebLogic, and Apache HTTP Server.

*Telecommunications construction: LAN wiring, construction of base station facilities, equipment installation, etc.

6

Next, I would like to provide a brief explanation of our business.

While it is common for user companies overseas to employ their own engineers in-house, Japan has traditionally had a structure of outsourcing systems, a role that system integrators have long fulfilled. In the IT industry, system integrators that cover a broad range of areas, with a focus on applications, have been the mainstream. In recent years, however, systems have become increasingly complex, leading to the emergence of companies specializing in specific fields.

We are seeing a situation where, so to speak, "specialists" are emerging alongside "general hospitals".

Specifically, "boutique" firms are appearing that narrow their focus to areas such as AI-specialization, DX-specialization, or even narrower segments like local government DX and construction DX.

For example, in the field of AI, while a general system integrator might list AI services on their website, one might imagine that an AI-specialized company would be more competitive.

Although it may be less visible from the outside, the field of IT infrastructure has also become highly complex, and our specialization in this area has created a distinct competitive advantage.

That is not to say that we are the only company in Japan capable of operating in this field. I believe the same can be said for the aforementioned AI-specialized or DX-specialized companies.

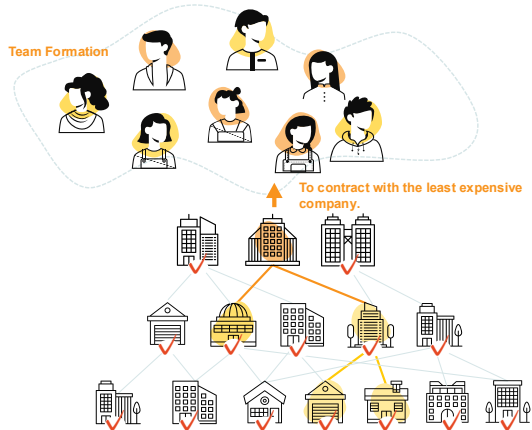
Our Competitive Advantage

A typical case of team formation in general system companies.

A system based on conventional technology

Since many companies have engineers, it is easier to gather people.

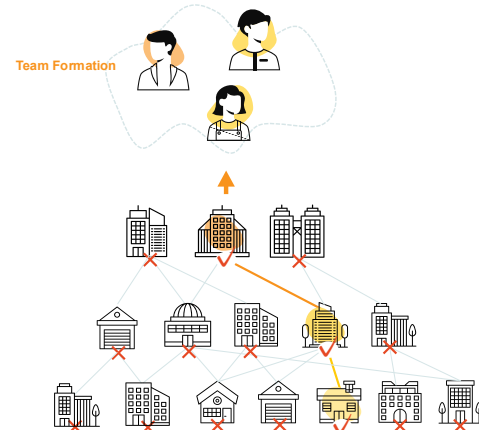
→ The project will involve hiring the most affordable company, resulting in a team composed of multiple firms.



A system incorporating advanced technology

Since there are few engineers with advanced technical skills, the difficulty of gathering people and forming a team increases.

→ The rarer the skills, the more time and cost it takes to form a team.



Let me explain the specific advantages that come from our specialization.

For general projects, many companies are capable of handling them, so if you reach out to ten firms, all ten will likely raise their hands, making the difficulty of gathering personnel quite low. To use a Pokémon analogy, it is like the image of collecting common Pokémon.

However, for complex and high-difficulty projects—including those in advanced technology fields—finding capable personnel becomes extremely difficult. It is like trying to collect rare Pokémon, which significantly increases the difficulty of finding the right talent.

We specialize exclusively in the narrow field of IT infrastructure, which means we do not handle other areas. However, we hire individuals with no prior experience and provide them with intensive training focused solely on this narrow IT infrastructure domain. Furthermore, all the projects they experience are concentrated within this same specialized field.

As a result, our company is composed entirely of "rare Pokémon," with no "common Pokémon" to be found.

Our Competitive Advantage

Efficient team formation is possible through specialization and the development of young talent.

baudroie inc.

We can form a team using only our company.

So we can create teams with consideration of the compatibility of the members.



Our engineers build their experience solely in IT infrastructure, from training through project assignments, which enables them to learn various technologies related to IT infrastructure.

→ **The number of people forming the team becomes relatively small.**

Our engineers specialize in building experience in IT infrastructure, so even engineers with the same skills as those from other companies tend to have a lower average age.



Our engineers
(32 years old)



General engineers*1
(40 years old)



Compared to our company, general engineers tend to have a higher average age, leading to higher costs.
Inefficient team composition.

*1 Years of experience for a typical engineer is just a guess.

12

There is one more advantage to our business specialization.

Our engineers accumulate experience within a narrow field, whereas general engineers often cover a much broader range. As shown in the diagram on the bottom right, a wider business domain tends to lead to each technician acquiring broader knowledge. Consequently, when other companies struggle to assemble a team, there is a possibility that the average age of that team will become higher.

If a team from another company were composed of members with an average age of 40, we could handle the same operations with a team of 30-year-olds.

In the accounting industry, this is similar to the difference between a firm specializing in IFRS and a general accounting firm; the idea is that an IFRS-specialized firm is more likely to have younger professionals who are deeply familiar with the IFRS domain.

Due to this advantage, the demand environment for our services is very favorable, and the key point becomes the supply side—specifically, how many capable engineers we can develop.

Executive Summary

FY2026 Full-year Results

Revenue	Operating profit
17.42 billion yen (up 49.6% YoY)	3.39 billion yen (up 37.8% YoY)

✓ Acquired four subsidiaries in FY2026.

- SPIN TECHNOLOGY, GOKU TECHNOLOGIES and ONE-TECH were consolidated starting in Q2.
- RIKSOL was consolidated in Q4, beginning in January.

→ While profit margins declined this year due to the accelerated pace of M&A, they are expected to trend upward as Post-Merger Integration progresses.

(Please refer to page 31 for an overview of the PMI process.)

FY2027 Full-year Forecast

Revenue	Operating profit
23.5 billion yen (up 34.9% YoY)	4.41 billion yen (up 30.0% YoY)

✓ We will focus on the PMI of the subsidiaries consolidated in FY2026 to drive growth across the entire Group.

✓ In preparation for the AI era, a new subsidiary has been launched for new business ventures.

Launching new AI businesses while simultaneously driving other new ventures that leverage IT infrastructure synergies to accelerate existing business growth.

✓ Dividend

The dividend per share is expected to increase from 7.58 yen in FY2026 to 10.1 yen.

Next, I would like to explain our business performance.

Revenue increased by 49% year-on-year, and profit grew by 37.8%. While the profit margin has declined due to the acceleration of M&A, it is expected to trend upward as PMI progresses.

PMI Overview

Through PMI, we aim to raise the subsidiaries' profit margins to the level of baudroie inc.
Enhancing each subsidiary's competitive advantages to achieve overall group growth.



*CCNA and CCNP ... Certification programs offered by Cisco Systems, a leading network equipment vendor.

31

I would like to provide some additional details regarding our M&A strategy.

Since the subsidiaries we acquire generally have lower profit margins than ours, our consolidated profit margin decreases immediately following an acquisition. However, by improving the profit margins of each company through the PMI process, we aim to increase our consolidated operating margin over the medium to long term.

The company on the far right of this diagram is us. Despite hiring inexperienced individuals, we maintain an operating margin of approximately 24% to 26%.

On the other hand, the acquired companies are on the left; they initially start from a low-margin position, primarily performing low-margin tasks such as IT support.

First, by eliminating wasteful costs and improving efficiency, the operating margin is improved to around 8%. Following that, we plan to bring them up to our level by implementing our basic network training and corporate culture building, establishing post-assignment educational systems, and gradually increasing the sophistication of project content.

We will also shift the customer composition of our subsidiaries from small and medium-sized businesses to enterprise-level clients.

The reason such PMI is possible lies in our own growth process.

Generally, in many cases, companies that were built by technical experts who went independent and expanded their scale find it difficult to acquire companies like the one on the left of the diagram. This is because the gap between them is too large, and they do not know how to bring the acquired company closer to their own level.

In our case, we started out as a company similar to those on the left and expanded from there. Since our founding, we have never engaged in mid-career hiring; instead, we have expanded our business solely by cultivating inexperienced talent. As a result, we have a first-hand understanding of exactly what needs to be done at each stage of growth.

We apply a similar philosophy to our recruitment strategy. While the IT industry is characterized by intense competition for talent, with many companies focusing their efforts on hiring experienced professionals who can be immediately productive, we do not participate in that recruitment race. Instead, our strength lies in our ability to transform inexperienced individuals into a capable workforce to drive growth. As a result, we believe that the reproducibility of our growth and the feasibility of our medium-term recruitment plans are significantly higher compared to companies that depend on mid-career hiring.

We apply the same principle to our M&A strategy. While other companies may feel they cannot train inexperienced individuals and therefore only seek firms with immediate assets, we are able to acquire companies that others cannot—specifically those with less experienced staff—and grow them ourselves. Consequently, we believe that creating future growth through M&A is one of our core strengths.

Summary of Consolidated Financial Results

- ✓ As in previous years, both revenue and profit increased quarter-over-quarter.
- ✓ Final results exceeded all figures in the full-year earnings forecast that was revised upward in May 2025.

(Thousands of yen)	FY2025 Full-year Results	FY2026 Full-year Results	YoY	FY2026 Full-year Forecast (Revised)	YoY (Full year)
Revenue	11,649,705	17,423,340	+49.6%	17,100,000	+46.8%
Operating profit	2,460,813	3,391,334	+37.8%	3,250,000	+32.1%
Profit before tax	2,461,226	3,371,702	+37.0%	3,234,890	+31.4%
Profit	1,799,365	2,457,800	+36.6%	2,345,295	+30.3%

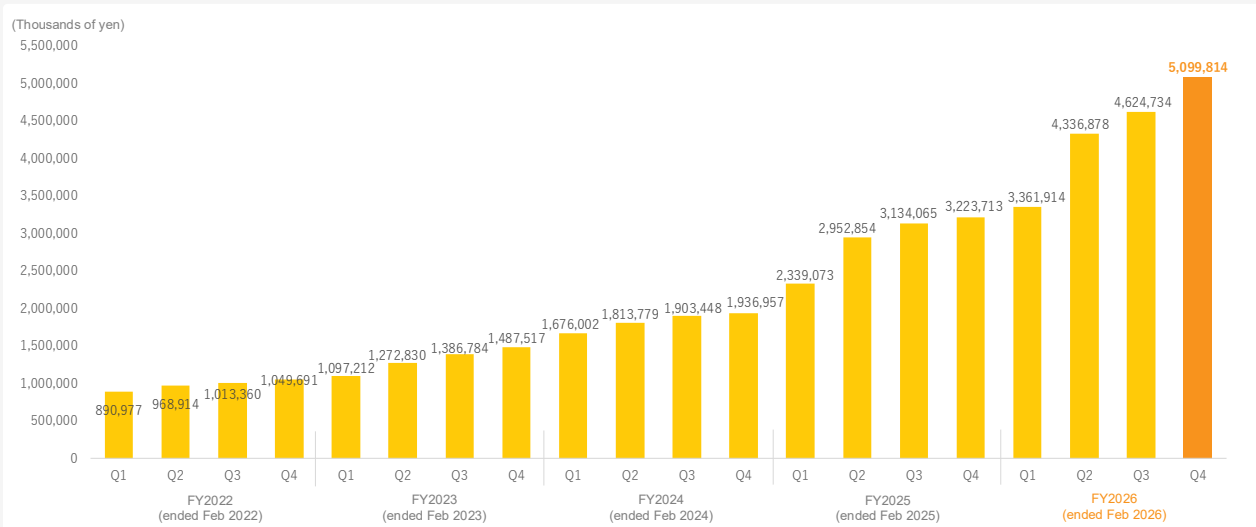
15

The following table shows the profit at each stage compared to the previous year, and you can see that the company has grown by a full scale.

Trends in Quarterly Consolidated Revenue

✓ As before, revenue are expected to increase gradually in the remaining quarters of FY2026 for the following reasons.

- The number of acceptance inspections will further rise in Q2 through the end of the fiscal year.
- With engineers (new graduate employees in the second or more year of employment) becoming capable of conducting actual work, reassignment of specialized talents (new graduate employees in the third or more year of employment) and highly specialized talents will be conducted in Q2 through the end of the fiscal year.



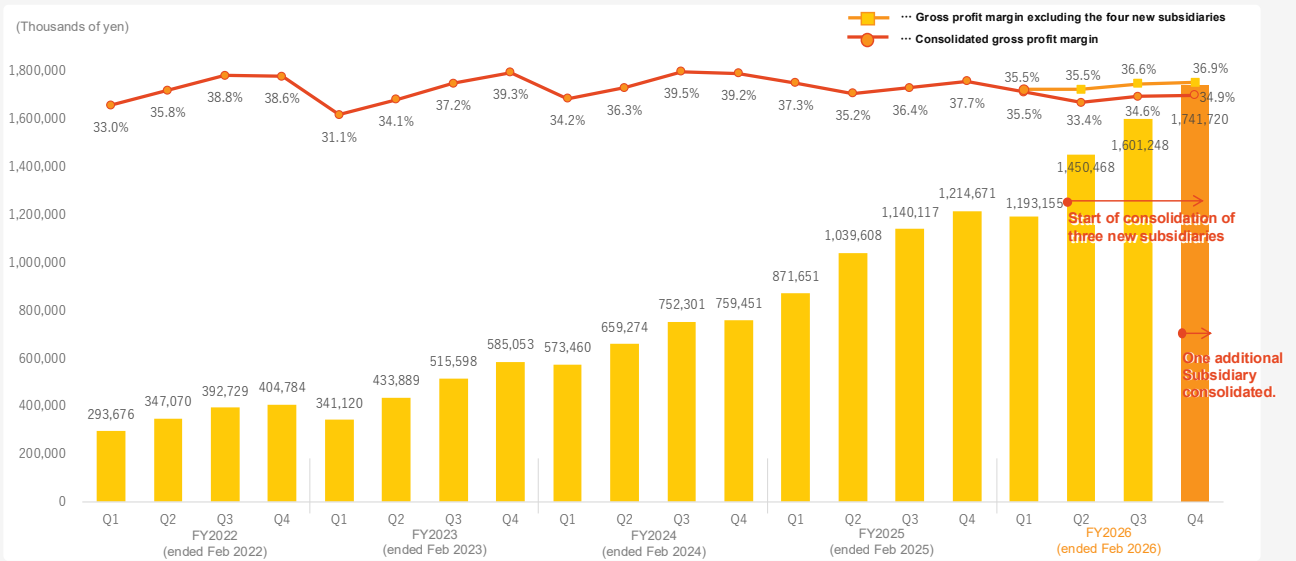
16

Regarding revenue, this table shows our quarterly figures since we went public, and our quarterly results have never once fallen below the previous quarter since the IPO. While I cannot say for certain regarding the pre-listing figures as they were not audited, to the best of my memory, we have almost never fallen below previous levels even since our founding.

Regarding our track record from further back, we plan to provide that as reference material during the next financial results announcement.

Trends in Quarterly Consolidated Gross Profit

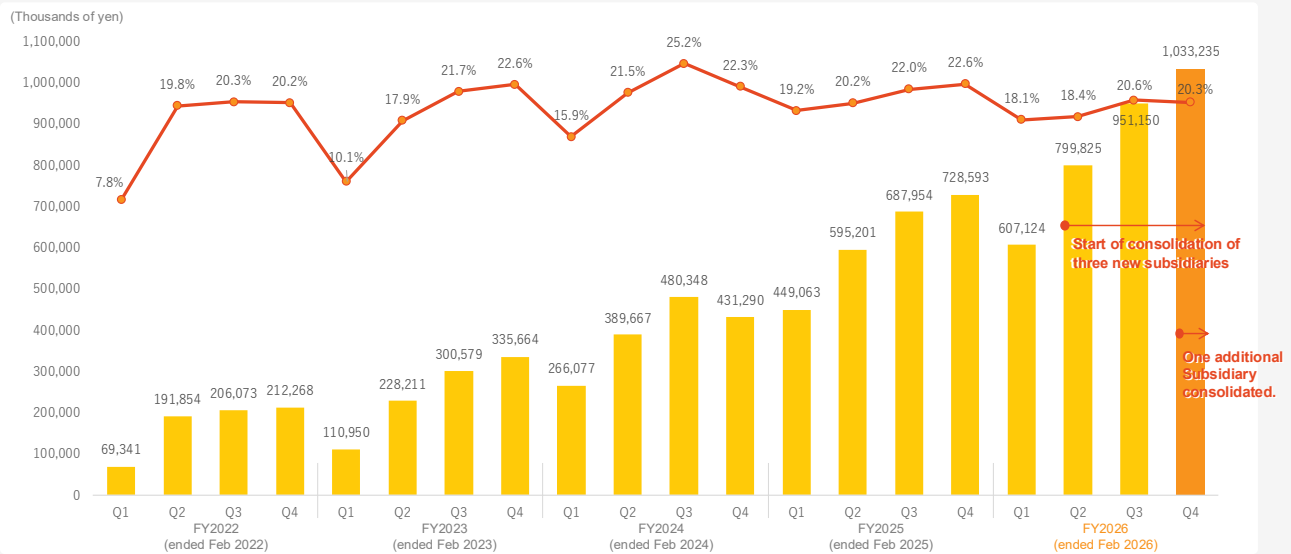
- ✓ Along with the usual pattern of increasing quarterly profits, our profit margin showed a gradual upward trend over the course of the year.
- ✓ The subsidiary acquired in 4Q achieved a rapid ramp-up; despite being in the red at the time of acquisition, it reached profitability within just two months.



Gross profit tends to be at its lowest in the first quarter. It is generally at the same level as or slightly lower than the preceding fourth quarter. This is because the first quarter is the period when the largest number of inexperienced employees, such as new graduates, join the company, and the associated costs are recorded upfront.

Trends in Quarterly Consolidated Operating Profit

✓ While our profit margin is currently affected by the accelerated pace of M&A, we expect the margins of each company to rise as the PMI process progresses



18

Operating profit basically increases gradually from Q1 to Q4, showing an upward trend. The results for the fiscal year ended February 2026 followed this same pattern. The reason Q1 is the lowest overlaps with the point mentioned earlier: it is the quarter with the highest number of new hires during the year, resulting in a large amount of recruitment agency fees being recorded as SG&A expenses on April 1st.

The decrease in profit in the fourth quarter of the fiscal year ended February 2024—the only time it fell below the third quarter—was due to planned forward-looking investments. Since profit was trending well ahead of schedule, we strategically conducted investments during the fourth quarter. Naturally, this was carried out after making an announcement in the preceding quarter. We expect a clean upward trend again this fiscal year; should we decide to make any planned investments that might alter this trend, we will ensure an announcement is made by the quarter prior to the investment.

FY2027 Full-year Earnings Forecast

✓ We will continue to aim for high growth of 30% or more.

	FY2026 Full-year Results	FY2027 Full-year Forecast	YoY
(Thousands of yen)			
Revenue	17,423,340	23,500,000	+34.9%
Operating profit	3,391,334	4,409,000	+30.0%
Profit before tax	3,371,702	4,383,000	+30.0%
Profit	2,457,800	3,134,000	+27.5%

Dividend Forecast

✓ The dividend will be increased by 2.52 yen, up from 7.58 yen in FY2026.

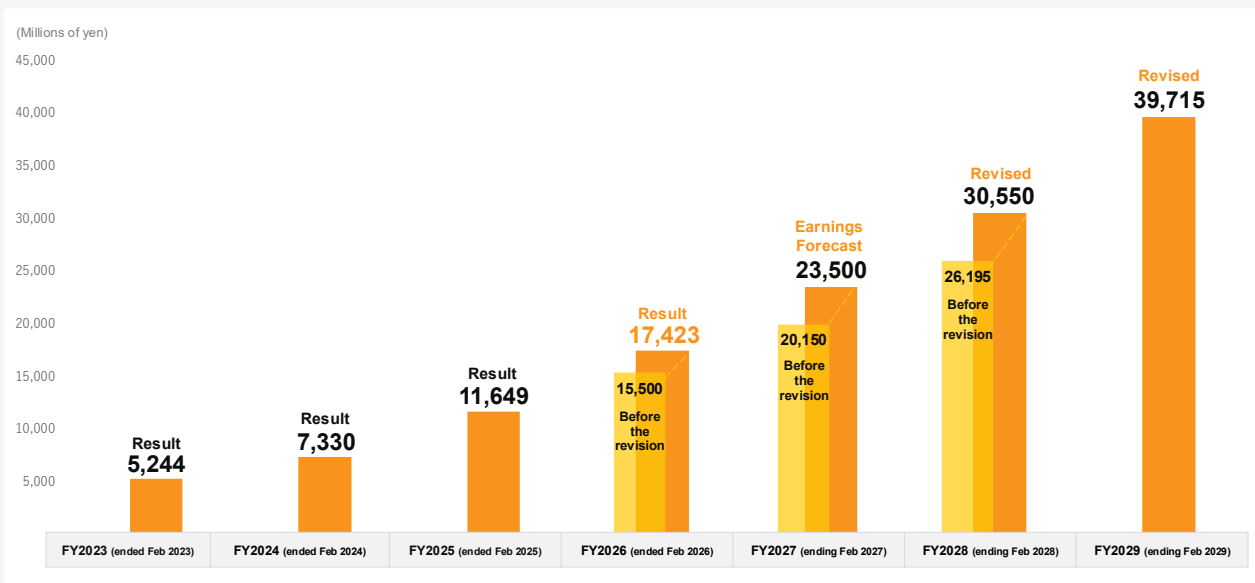
Dividend Payout Ratio **10%**

Annual Dividend **10.1 yen**
(+33.2%)

These are the earnings forecasts for the fiscal year ending February 2027. We expect our high level of growth to continue.

Medium-Term Business Plan: Revenue

✓ Performance has been trending above the initial plan set in the previous fiscal year, and we have now updated our long-term plan through FY2029.

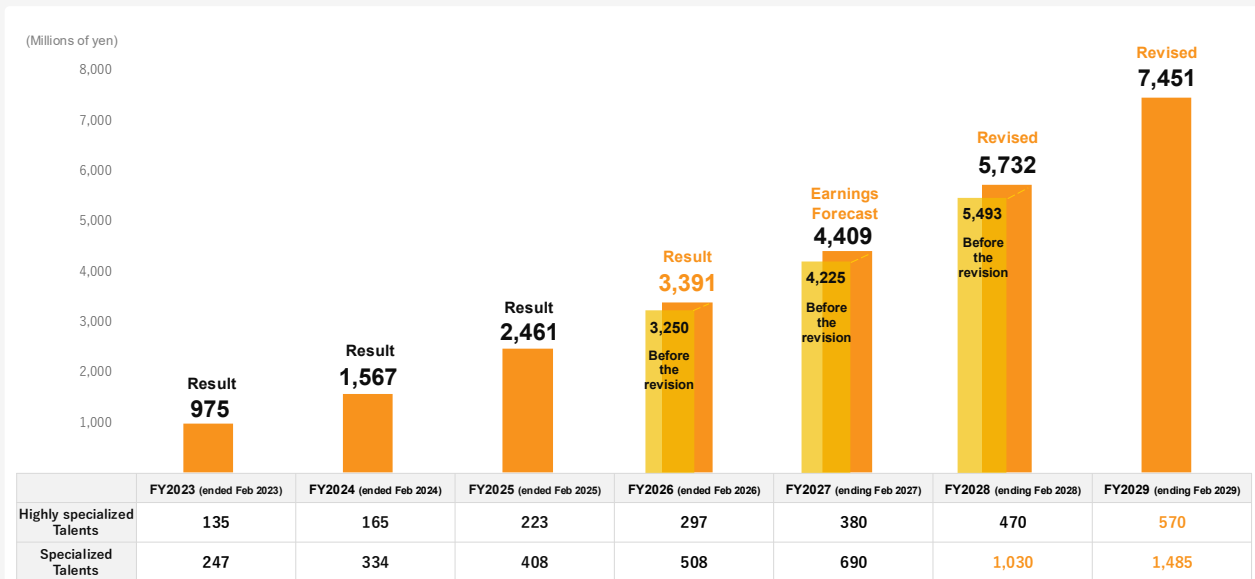


22

We have revised the Medium-Term Management Plan upward from the one released last fiscal year and rolled it forward by one year. Since our revenue forecast for the fiscal year ending February 2027 is 23.5 billion yen, our plan from that point onward targets an annual growth rate of +30%.

Medium-Term Business Plan: Operating Profit

✓ Even after the transition to the Prime Market, we aim to maintain strong growth.



* Subsidiary personnel are expected to be included in the specialized talents from FY2026 by sharing our skills with those who wish to do. Therefore, it already reflects the approximate number of people.

23

Operating profit has also been revised upward in line with revenue, and the plan has been rolled forward by one year. The figures listed in the bottom row represent the number of individuals who have reached a level where they can be called engineers within our company. Since we only hire inexperienced individuals, it takes a certain amount of time before they reach this professional level.

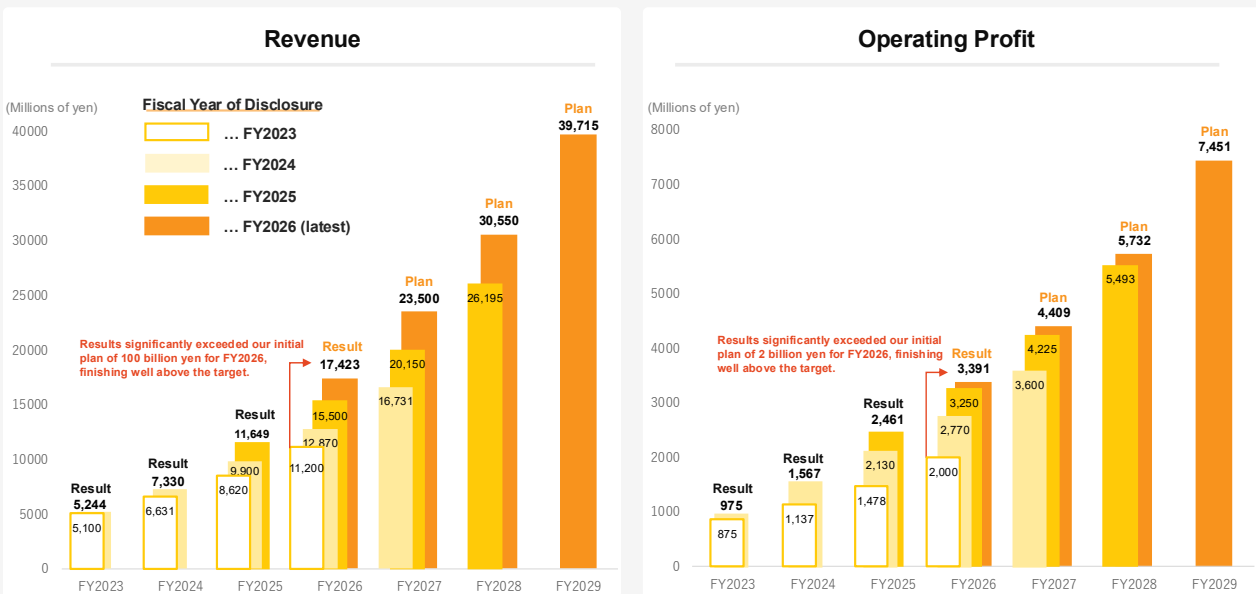
To give you an idea of the timeline, "Specialized talents" are generally those in their third year onwards, and "Highly Specialized talents" are typically those in their seventh year or beyond. These are the members driving our business performance and playing central roles in project acquisition and execution; therefore, they are a vital metric for achieving our profit targets.

We do not conduct any mid-career hiring, and since it takes about three years to become specialized talents, those hired within a given year will not reach that level within that same year. To maintain high growth, it is necessary to prepare several years in advance.

In other words, the specialized talents and highly specialized talents for the current and next fiscal years are already within the company and moving up the ranks, so these numbers are not affected by current recruitment. For this reason, while we do not expect significant upward swings, we believe the probability of achieving our targets is very high.

Past revisions to the medium-term management plan

✓ Third upward revision to the Medium-Term Plan; maintaining 30%+ annual growth.

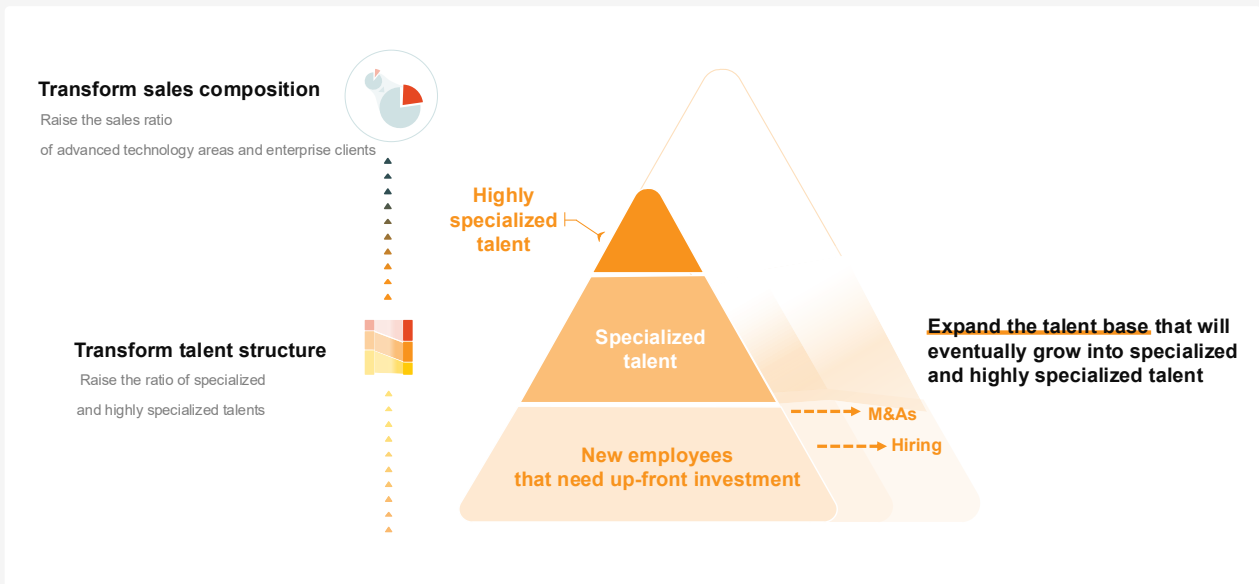


24

We have disclosed our Medium-Term Management Plan four times in the past, updating it every year. In the diagram, the initial plan is shown at the front, with the updated versions layered behind it. While we have significantly outperformed the original plan, and outperforming is certainly important, we place a high priority on high growth and its continuity. For example, a scenario where we grow by 69% one year and 0% the next, resulting in a two-year CAGR of 30%, is not ideal for us. We believe that maintaining 30% growth every single year is what holds high value for our company.

Illustrative Drawing of Our Strategy

Prepare for high growth to be achieved in FY2028 and onward.



30

Our strategic vision involves increasing the proportion of projects from major corporations and shifting our focus toward higher-level layers within IT infrastructure to enhance our competitive advantage. As this shift occurs, profit margins will evolve and unit prices can be raised, effectively raising the "ceiling" of this pyramid. In addition to that strategy, we aim to achieve high growth by increasing the number of professional and highly specialized personnel.

Summary of Highlights

- 
- 01
 - ✓ Raise the ratio of specialized talents and highly specialized talents
 - ✓ Expand and deepen projects in advanced technology areas and for enterprise clients.
 - ✓ M&A
 - 02
 - ✓ Maintain high growth rates
 - ✓ Medium-term business plan
 - 03
 - ✓ Transition to the TSE Prime market.
 - ✓ Start paying dividends.
 - 04
 - ✓ While enhancing baudroie's competitive advantage, we aim to drive growth for the entire group company.
 - ✓ Dividend Policy

32

This content is something we have included since shortly after our listing. With the implementation of our first dividend this time, we have finally reached stage 04.

It has been nearly five years since our IPO. We look forward to continuing our growth together with all of our shareholders and appreciate your ongoing support.

Q&A Session

Tominaga : Now, we will move on to the Q&A session.

[Q] : Why did both revenue and profit exceed the company's forecasts?

[A] : It was not due to any special factors; we believe it was the result of performing naturally against our guidance, which we had set somewhat conservatively.

[Q] : What is the reason for the projected surge in the number of specialized talents in the fiscal years ending February 2028 and February 2029?

[A] : We acquired three companies through M&A last year, and after a few years, specialized talents will begin to emerge from those firms. We are now entering a phase where the number of specialized talents will grow more significantly than that of highly specialized talents.

Since it takes approximately seven years or more to become highly specialized talents, none have emerged from our subsidiaries yet. It will take several more years to reach that level, and we are now entering a phase where the number of specialized talents will increase ahead of the highly specialized group. This trend is similar to what we observed immediately following our IPO (please refer to page 29).

We significantly ramped up recruitment about three years prior to our listing in 2021. At that point, the members hired then had not yet reached the level of highly specialized talents around 2021. Between 2021 and 2022, the number of highly specialized talents increased by only about 10 people per year. In comparison, the number of specialized talents grew considerably, and after another two to three years, the number of highly specialized talents began to increase as well.

Similarly, as we produce a large number of specialized talents through M&A this time, we are entering a phase where the number of specialized talents will first expand. According to our plan, the number of highly specialized talents will then increase with a lag of two to three years.

[Q] : What is the reason for the slight decline in the operating profit margin in the full-year forecast for the fiscal year ending February 2027?

[A] : One of the reasons is that recruitment across the entire group is projected to increase at a pace exceeding the growth of our business scale.

We plan to hire even more people than the number added in the previous fiscal year, even after factoring in our company's growth during that year.

In addition, we are implementing various reforms to maximize profits across the entire group. For example, the parent company will handle sales for our subsidiaries; while we had about 15 sales personnel a year ago, that number has now exceeded 30. We are also expanding our HR department, with the parent company taking over recruitment for the subsidiaries as well.

The other reason is that we have established a new company to prepare for the AI era. We expect to be able to provide further details regarding this in the next quarter.

Since our founding, we have focused exclusively on IT infrastructure. Therefore, in the case of projects such as IT infrastructure for AI-related projects, having personnel who are well-versed in AI allows for a much smoother implementation. We expect synergy between AI and IT infrastructure.

In addition, we believe that development work will change significantly with the evolution of AI, so we are envisioning a new business that can capture those domains. In the industry, this is referred to as FDE (Forward Deployed Engineer).

This new company will focus on these two areas. Since we have allocated a certain amount of SG&A expenses to this initiative, the plan reflects a slight decrease in the operating profit margin as a result.

[Q] : What are the reasons behind the successful PMI (Post-Merger Integration) of RIKSOL Inc.?

[A] : RIKSOL was in the red at the time of the acquisition. In reality, there were many costs unique to unlisted companies, so we have made some adjustments and the company has already reached the break-even point. Our true objective is to produce specialized talents from RIKSOL to enhance our competitive advantage, but that will take a little more time.

[Q] : A breakdown of the number of specialized talents from the parent company and those from subsidiaries.

[A] : The upward revision of the number of specialized talents for the fiscal year ending February 2028 is due to the addition of 120 people from the three companies acquired as subsidiaries last year—SPIN TECHNOLOGY, GOKU TECHNOLOGIES and ONE-TECH—while the headcount for the parent company alone remains as previously projected.

[Q] : Outlook for the IT Infrastructure Market Demand

[A] : From our perspective, within the overall IT infrastructure market, demand for new technical fields such as network virtualization and the cloud is growing significantly. Conversely, our impression is that demand for what we call basic, legacy IT infrastructure is declining slightly.

However, since we focus on the emerging and growing sectors within IT infrastructure, we consider the current environment to be favorable.

Recently, demand has been rising for projects such as the infrastructure required to build AI environments. While the outlook is positive even without AI, we recognize that demand will continue to increase even further driven by the growth of AI.

[Q] : Is there any difference in the quality of specialized talents between in-house recruitment and M&A? Additionally, is there a difference in the time it takes for them to become specialized talents?

[A] : When developing specialized talents from scratch through in-house recruitment, it takes about three years since they start with absolutely no prior experience. In our case, we have a high success rate in developing these individuals.

However, when it comes to producing specialized talents from companies acquired through M&A, the probability of success is slightly lower. This is because these employees are already immersed in the subsidiary's existing culture and have already been working as engineers for several years; consequently, they may lack the motivation to acquire new skills, or there are cases where our "Baudroie College" curriculum does not resonate effectively with them. These factors lead to a lower success rate.

However, among those individuals, highly motivated members tend to reach the level of specialized talents slightly faster than our typical inexperienced hires, given that they already have some exposure to IT. Having conducted M&A for about four years now, the accuracy of our predictions regarding how many specialized talents we can produce from a particular company, and by when, has significantly improved.

Unlike other companies, we have historically specialized in training individuals who are typically difficult to develop—such as those who were previously unemployed or working part-time jobs—and turning them into engineers. We used to start with the absolute basics, like teaching them not to be late for work.

Naturally, that required a significant amount of effort. Nowadays, since we are able to recruit fresh graduates, we focus on building a talent pool from that demographic for our hiring process.

Accordingly, their starting salaries are not high; however, compared to other companies, our compensation structure is designed to increase steeply once they reach the level of specialized talent or highly specialized talent.

It is important to note that one does not automatically become a specialized talent simply by reaching their third year. In reality, we have a specific scoring system within our personnel evaluations, and an employee becomes a specialized talent only after achieving those scores. On average, this transition begins from the third year.

Once employees reach the level of highly specialized talents, they become less likely to leave the company. This is because our compensation structure is designed to increase steeply, and we are also very adept at designing packages that combine salary with capital gains through the strategic use of stock options and other incentives.

[Q] : How to approach the constant operating profit margin in the Mid-term Management Plan ?

[A] : We have set the growth rates for both net sales and operating profit at 30% in our mid-term management plan. This "30%" is a keyword we have always valued and consistently prefer to use.

The plan does not explicitly reflect a potential rise in the operating profit margin—for

instance, through increased competitiveness in the future. Instead, it is a plan designed to demonstrate high growth and its continuity.

While there is a high probability of achievement, given that we will have the necessary specialized and highly specialized talents in place by then, we have not performed strictly granular calculations for every detail. The table is simply intended to represent our commitment to that high growth rate of 30% and its sustained continuity.

[Q] : Do you plan to continue pursuing M&As for the purpose of acquiring young IT talent in the future?

[A] : We always work backward from our high-growth targets for two to three years down the line, hiring based on whether we have sufficient resources to meet those goals. In some cases, we utilize M&A to supplement our workforce while calculating our growth for the next few years.

Therefore, we will continue to pursue M&A in the future; however, since we have been moving at a significantly accelerated pace until now, we expect to decelerate slightly. Rather, if we have the opportunity to acquire companies with higher technical capabilities or unique characteristics, we intend to pursue them proactively.

[Q] : Regarding the upside and demand related to AI.

[A] : Projects involving infrastructure construction for AI environments have been increasing significantly recently.

Earlier, I mentioned the question of whether our business is "AI negative," and I stated that we are neutral; however, in this context, I believe we should be recognized as an AI-positive company.

[Q] : Do you have any fields where you can claim the number one market share?

[A] : While we might not hold what you would call a "number one market share," I believe that among the 4,000 listed companies, we are the only one—to the best of our knowledge—that focuses so exclusively on such a specific field, particularly in prioritizing advanced technology within the IT infrastructure domain.

If we were to look at companies that operate across a broader business domain than ours, there are a few that come to mind.

However, if the business scope is expanded, it would include companies that engage in hardware sales, which creates a clear distinction from our company, as we focus solely on providing professional services and do not sell hardware.

Our understanding is that once the scope is broadened to include physical communication cabling, telecommunications construction companies emerge. Furthermore, there are firms that handle traditional network projects, and if the scope is expanded even further, you encounter what are known as System Integrators.

While companies with a broad business scope may encompass the specific niche we focus on, the fundamental difference lies in whether or not they are truly specialized.

MC : Now that the time has come, we will conclude the financial results briefing for the second quarter of fiscal year ended February 2026. Thank you very much for your participation today.

Disclaimer

This transcript contains certain statements regarding future performance. Such statements do not guarantee future results and involve risks and uncertainties. Please be aware that future performance may differ from actual results due to changes in circumstances.

While we take great care in preparing this transcript, we do not accept any responsibility for any errors in the content or for any disruptions caused by data tampering or downloading by third parties, regardless of the cause. Additionally, in the event of errors in this transcript, we may make changes to the content without prior notice.