Translation

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Main Questions and Answers on the Q2 FY2026 Financial Results

We would like to thank you for your ongoing interest in our business activities.
Following the announcement of our financial results for the Q2 FY2026 on July 7, 2026, we are publishing the main questions and answers below from the viewpoint of fair disclosure. These questions were gathered from our meetings with institutional investors and through inquiries from shareholders and other investors.
Please note that to promote a deeper understanding, the questions have been edited or rephrased without altering their original intent. Furthermore, please be aware that the answers provided reflect the Company's judgments and views as of the date of this disclosure, and that actual results may differ due to future events or other factors.

Q. How does the company assess its second-quarter results for the fiscal year ending November 2026?
A. As shown in the chart below, second-quarter net sales reached ¥1,385 million (+36.8% year on year), setting a new quarterly record in both growth rate and absolute amount. On the profit side as well, Adjusted EBITDA was ¥328 million (+890.3% year on year) and operating profit was ¥303 million (+1,570.6% year on year), both showing substantial growth.

Summary of Consolidated Financial Results for Q2 FY2026

Revenue growth rate accelerated further to YoY +36.8%. In addition to revenue expansion, initiatives for productivity improvement through AI are also progressing, and due to the containment of personnel and other costs, **profit has seen significant revenue and profit growth across all items**.

Unit: Millions of yen	FY2026 Q2	FY2025 Q2	YoY change	FY2026 Cumulative Q2	FY2025 Cumulative Q2	YoY change YoY change	FY2026 full-year earnings forecast (Published on January 13, 2026)	Progress rate
Net sales	1,385	1,013	+36.8%	2,604	1,970	+32.2%	5,600	46.5%
Gross profit	1,229	946	+30.0%	2,366	1,851	+27.8%	4,800	49.3%
Adjusted EBITDA	328	33	+890.3%	584	51	+1,028.0%	810	72.2%
Operating profit	303	18	+1,570.6%	538	23	+2,176.1%	700	77.0%
Ordinary profit	298	29	+904.7%	530	35	+1,383.4%	700	75.7%
Profit attributable to owners of parent	369	65	+459.7%	660	70	+831.7%	850	77.7%

* Adjusted EBITDA = Operating profit + Depreciation + Stock compensation expense + Other one-time expenses

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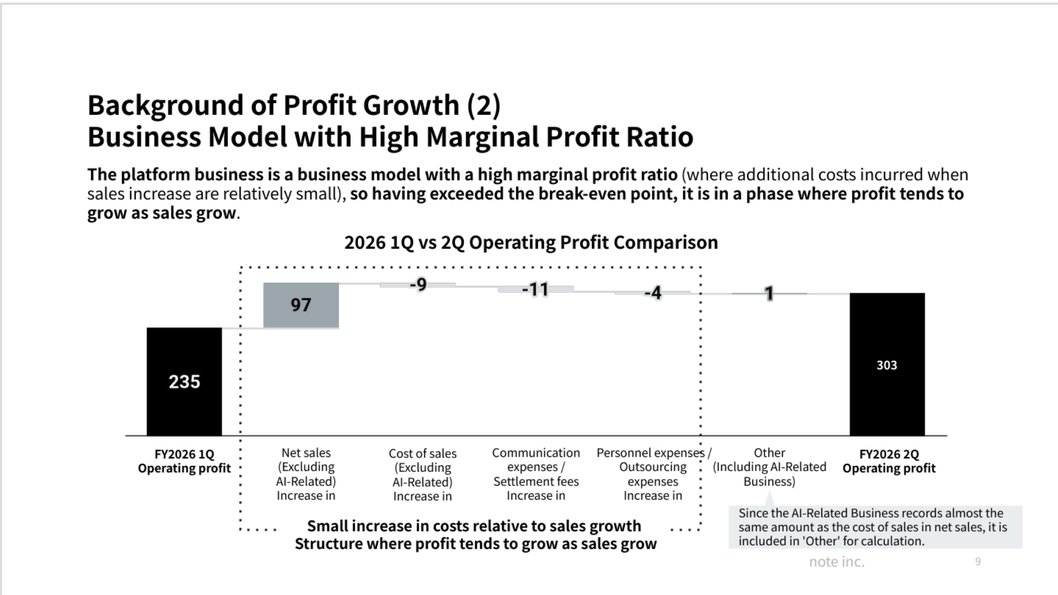
This significant increase in both sales and profit was driven mainly by two factors: net sales expanded thanks to the

steady growth of our core businesses—note, note pro, and Corporate services—together with the start of revenue contribution from the AI-related business this fiscal year, while at the same time company-wide adoption of AI improved productivity and helped contain the increase in costs such as personnel expenses.
In light of this strong progress, we announced an upward revision to our full-year earnings forecast alongside the second-quarter results, and we assess that the business is progressing very favorably.

<u>Q. Operating profit has surged approximately 17-fold year on year. What is behind this substantial profit growth? Is it one-time in nature, or structural?</u>

A. The largest factor is that sales themselves are growing steadily. note grows through network effects: as creators and content increase, more readers gather, which in turn attracts new creators. In recent years, the spread of AI has supported this cycle and accelerated growth.

On top of this, our core platform business has the characteristic that even as sales grow, the associated costs increase only slightly (a high marginal profit ratio). Due to upfront investment in building the mechanisms for creation and monetization, the business was in the red until around 2023, but now that it has passed the break-even point, it has entered a phase where sales growth tends to translate directly into profit expansion. As shown in the chart below, while sales increased compared with the previous quarter, costs barely rose.

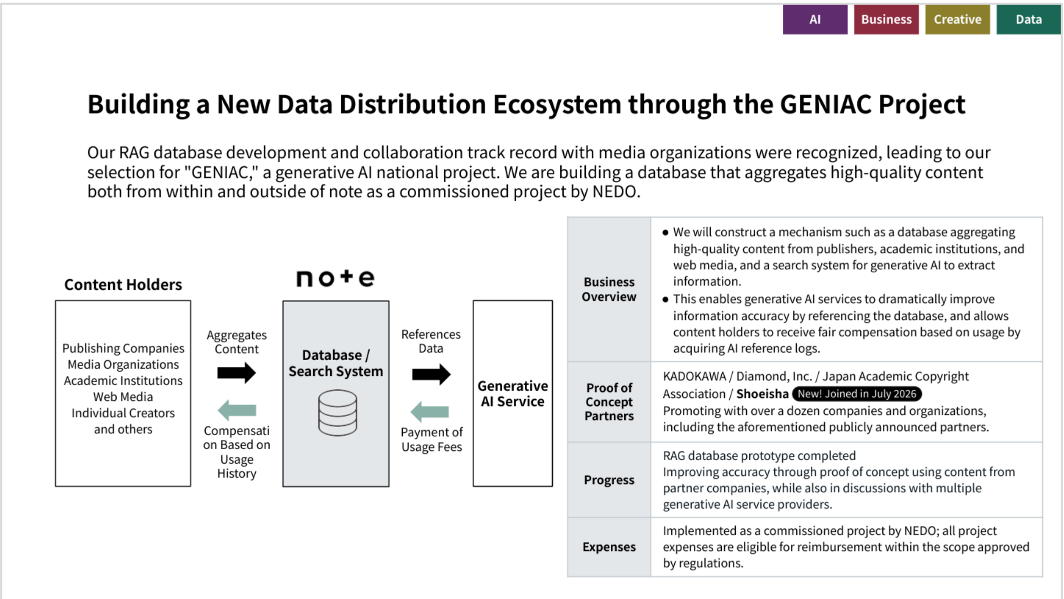


Furthermore, company-wide use of AI has enabled us to contain costs—centered on personnel expenses—which is also pushing up profit. While sales expand each quarter, headcount has remained flat, resulting in a significant improvement in productivity.
We should note that part of the large growth rate reflects the fact that the absolute amount of profit is still small. However, the main drivers of the profit surge are structural, as described above, and we believe they are not one-time in nature.

<u>Q. AI-related business sales are growing starting this period. What is this business? What is the status of the GENIAC project and the outlook for monetization?</u>

A. Within our AI-related business, we are working on the "GENIAC project," which was selected for the generative AI development program run by the Ministry of Economy, Trade and Industry (METI) and NEDO. As this project has progressed, second-quarter sales from the AI-related business expanded to ¥85 million (versus ¥14 million in the first quarter), as shown in the chart below. The increase in cost of sales is also an effect of this project. Because this project is carried out as a commissioned project from NEDO, and we record as sales an amount roughly equal to the expenses incurred for development and other activities in return for the commissioning fee, we do not expect this project on its own to contribute to profit.

In this project, we are building a database that aggregates high-quality content held by publishers, academic organizations, web media, and others, together with a search system that allows generative AI to extract information from it. This enables generative AI services to greatly improve the accuracy of their answers by referencing this database. On the other hand, content holders can grasp a record of how often their content has been referenced by AI, allowing them to receive fair compensation based on actual usage. This is one of the initiatives aimed at developing our company into "content distribution infrastructure for the AI era"—one that handles the distribution not only of content within note, but also of content outside note, such as that of publishers and media.



The database and search system built through this project will remain as our assets even after the commissioned period ends. Aiming to realize a revenue model that connects content holders and generative AI service providers by leveraging these assets, we are already collaborating with more than ten content holders and are also advancing discussions with generative AI service providers. The specific timing and scale of concrete revenue contribution are undetermined at this point, but we intend to grow this into one of our core businesses for the AI era.

Q. What is the background to the upward revision of the full-year earnings forecast? The revised profit figures look conservative—is there room for upside?

A. As shown in the chart below, in light of the strong progress across each business, we revised our full-year earnings forecast upward. We set net sales at ¥5,650 million, and on the profit side raised Adjusted EBITDA to ¥1,220 million, operating profit to ¥1,100 million, and profit for the period to ¥1,200 million—roughly 1.5 times the levels of the initial forecast.

Upward Revision to Full-Year Earnings Forecast for FY2026

In addition to each business progressing very favorably, exceeding expectations, we anticipate a decrease in various expenses against the backdrop of productivity improvement through AI utilization, and have **upwardly revised our full-year earnings forecast**. Each level of profit has jumped up significantly, exceeding 1 billion yen.

Unit: Millions of yen	FY2026 Current Forecast	FY2026 Previous Forecast	Change in Forecast	FY2025 Results	YoY change YoY change	FY2026 Cumulative Q2	Progress against current forecast Progress rate
Net sales	**5,650**	5,600	+50	4,141	+36.4%	2,604	46.1%
Gross profit	**4,900**	4,800	+100	3,876	+26.4%	2,366	48.3%
Adjusted EBITDA	**1,220**	810	+410	314	+287.5%	584	47.9%
Operating profit	**1,100**	700	+400	256	+329.4%	538	49.0%
Ordinary profit	**1,130**	700	+430	262	+330.2%	530	46.9%
Profit attributable to owners of parent	**1,200**	850	+350	440	+172.3%	660	55.1%

Reasons for Upward Revision

- **Net sales**
  Each business is progressing steadily
- **COGS and SG&A**
  Through the active promotion of AI utilization, productivity has improved, and various expenses such as personnel expenses have decreased more than expected
- **Non-operating income/expenses**
  Balance has improved due to a decrease in interest payments from loan repayments and an increase in deposit interest rates
- **Income Taxes Adjustment**
  Due to the decrease in deferred tax losses resulting from strong business performance, the estimated amount of tax loss carryforwards to be recorded has been adjusted

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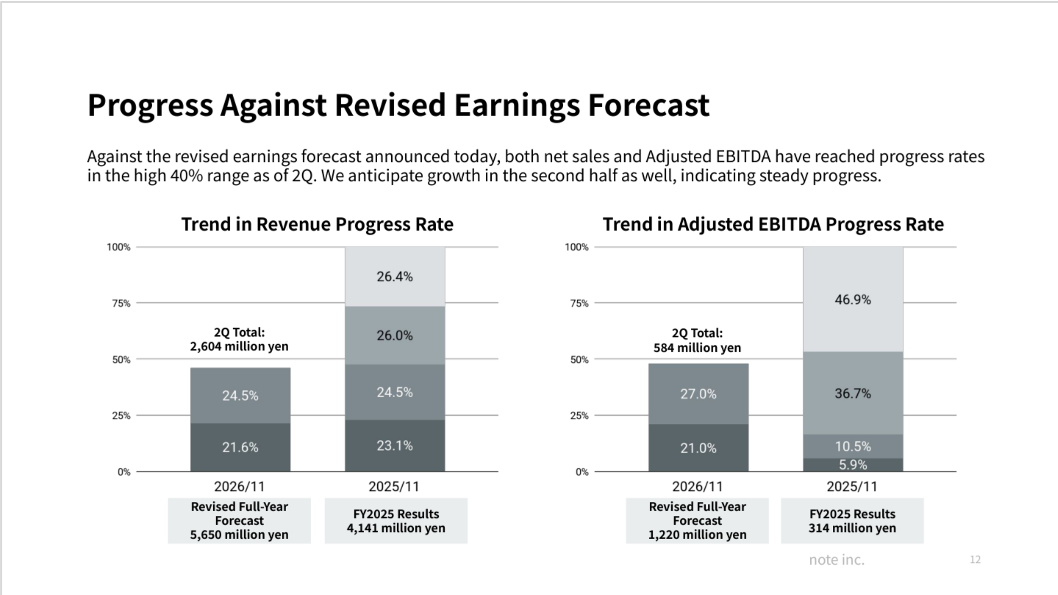
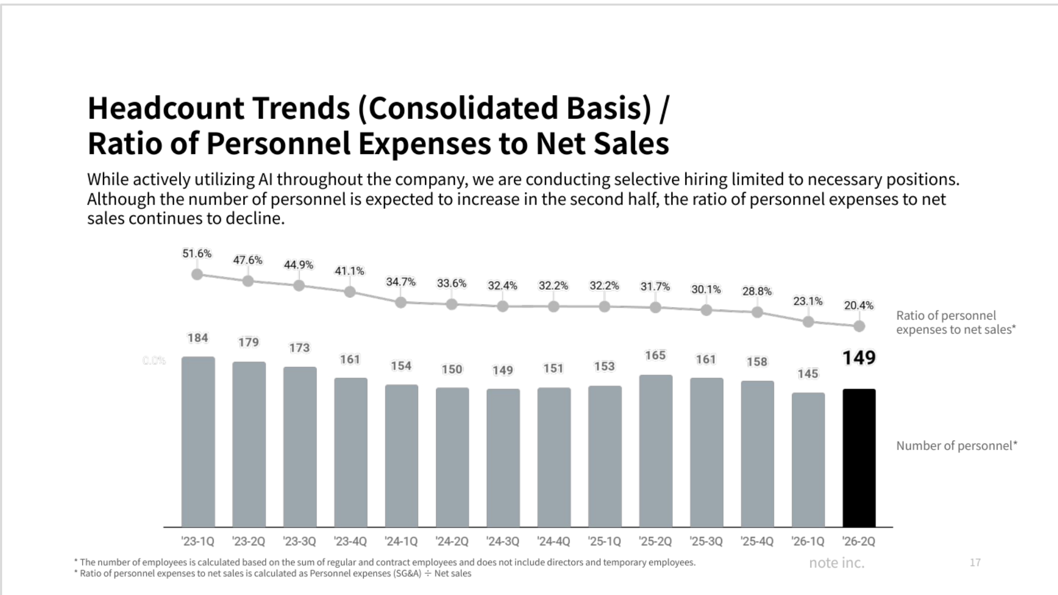
Regarding net sales, the commissioned scale of the AI-related business (the GENIAC project) is expected to be somewhat below our initial assumption, and accordingly sales from that business will fall somewhat short of the initial plan of ¥500 million. On the other hand, our core businesses—note, note pro, and Corporate services—are performing well, resulting in a net increase of ¥50 million. Note that because GENIAC has a structure in which an amount roughly equal to expenses is recorded as sales, this fluctuation has no impact on profit. On the profit side, taking into account both the strong business progress through the first half and our ability to contain costs through productivity gains from AI adoption, we reviewed our second-half outlook, resulting in an expectation of a substantial profit increase.

For reference, first-half Adjusted EBITDA represents 48% progress against the revised full-year forecast, and we plan for the second half to deliver profit exceeding this level. The earnings forecast we have presented is a level we consider appropriate at this point—neither optimistic nor overly conservative. While we will continue to work on improving productivity through AI adoption, we will also proceed with hiring, so personnel expenses are expected to increase in the second half. We are committed to further business growth so as to add even a little more, and should a situation arise that requires a revision of the earnings forecast, we will disclose it in a timely and appropriate manner after carefully assessing progress.



Q. It appears the company is achieving sales growth even as headcount declines through AI adoption. What is the outlook for headcount going forward?

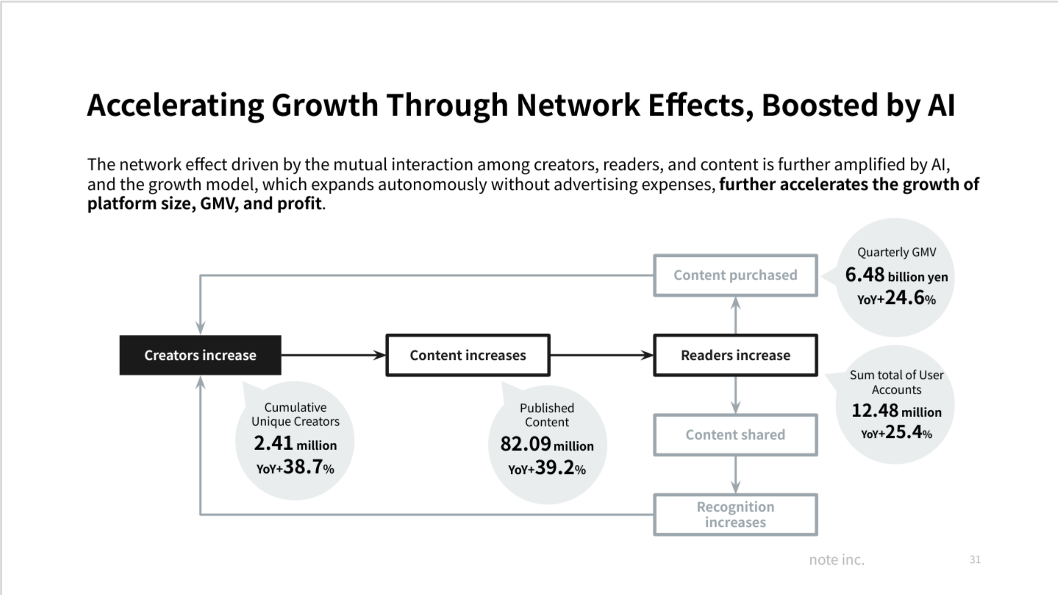
A. As shown in the chart below, while sales are growing, headcount is on a gradual downward trend, and productivity is improving. This does not mean we are holding back on investment in people; rather, it reflects the fact that when a vacancy arises, instead of simply filling it, we use AI to review our operations from the ground up.



Going forward, while we will continue to work on improving productivity through AI adoption, we will also actively invest in talent in our growth areas. In particular, because we believe the corporate business has substantial room to grow relative to the scale of the note platform, we are proceeding with the recruitment of excellent talent—centered on people who will handle business development and enterprise sales. As a result, we expect headcount to increase in the second half, but we will continue to work on improving productivity as well, so as to achieve both sales growth and profit expansion.

Q. How is the growth of note's GMV (gross merchandise value) trending? How do you plan to grow it going forward?

A. As shown in the chart below, note's second-quarter GMV (gross merchandise value) reached ¥6.48 billion, a record high.

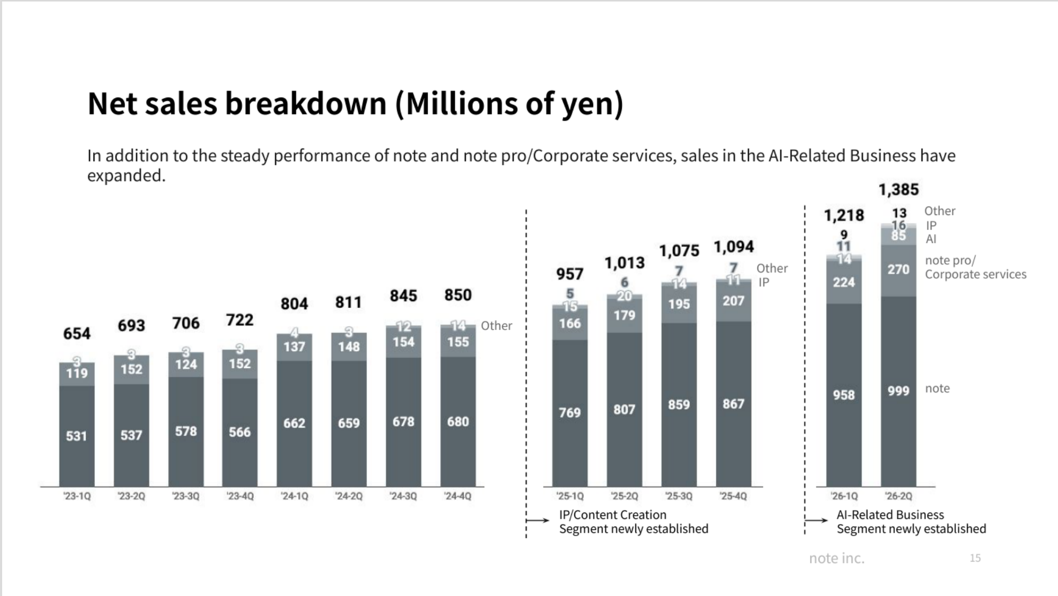


In addition to AI lowering the hurdles to creation, a growing number of individuals and companies are newly starting to publish in order to use note as a place to be referenced by AI. As a result, the number of unique creators reached 2.41 million (+38.7% year on year) and the amount of published content reached 82.09 million (+39.2% year on year), with growth accelerating. As network effects take hold and the platform expands in this way, GMV is expanding as well.

We believe there is also significant room for future growth. The number of monthly subscribers is approximately 775,000, which remains a small proportion relative to our 12.48 million user accounts and 91.23 million MAU. We believe this is because the hurdle to paying for online content is still high for readers, and there are many people who "have seen note but have never bought anything on it." By continuing to further expand the platform, as well as improving recommendation accuracy using AI and creating an environment that makes it easier to pay, we aim to increase the number of subscribers and achieve further expansion of GMV.

Q. Sales from note pro and Corporate services are growing significantly. What is the reason?

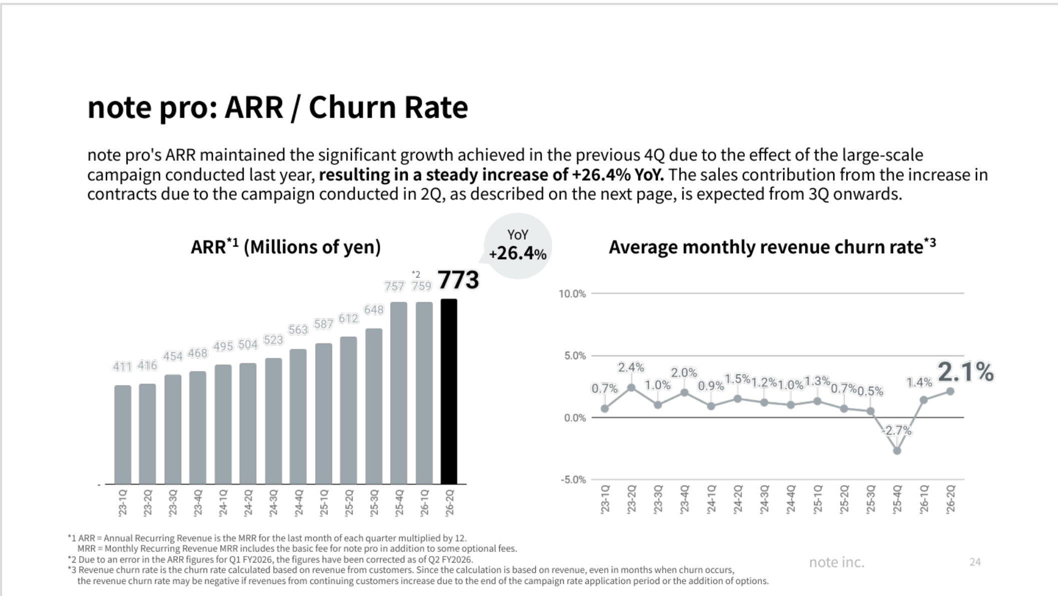
A. As shown in the chart below, second-quarter sales from note pro and Corporate services expanded from ¥224 million in the previous quarter to ¥270 million. note pro is also performing well, but this quarter's growth was driven mainly by Corporate services.

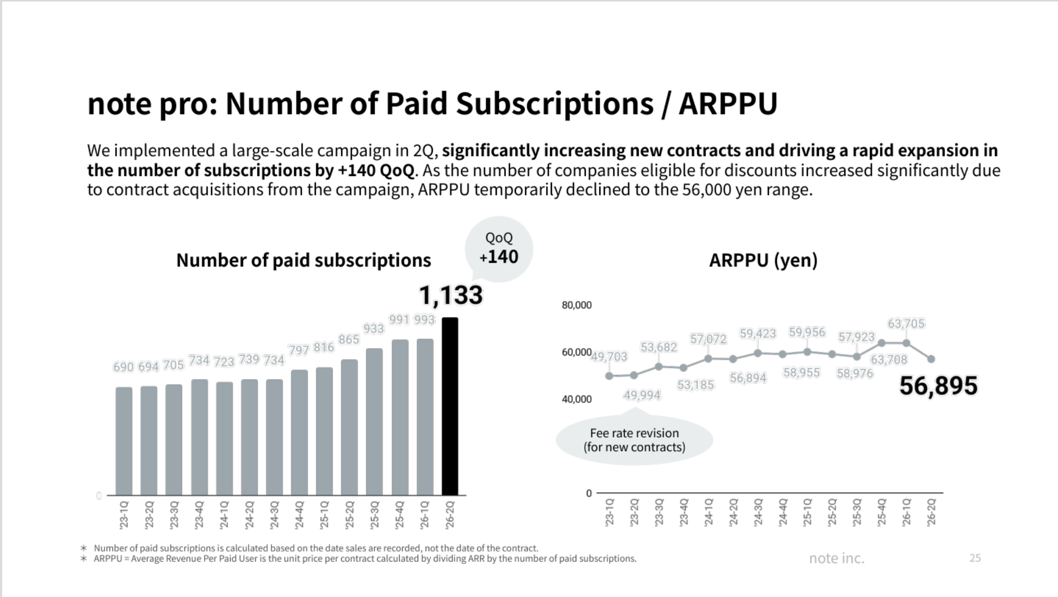


As more and more people gather on note, demand has expanded beyond corporate information dissemination using note pro to include note Contests (company-sponsored posting contests) and Writing plans (a support menu that helps plan and write articles for companies using note pro). We recognize that there is still substantial room to grow the corporate revenue we earn relative to the scale of the note platform. We intend to keep growing corporate revenue by meeting companies' needs through the two wheels of note pro and Corporate services.

Q. note pro's ARR (annual recurring revenue) appears roughly flat from the previous quarter. Is there a problem with sales activities? What is the outlook?

A. As shown in the chart below, note pro's second-quarter ARR was ¥773 million (+26.4% year on year), which appears roughly flat from the previous quarter. However, the number of paid subscriptions increased by 140, from 993 in the first quarter to 1,133, so there is no problem with sales activities.

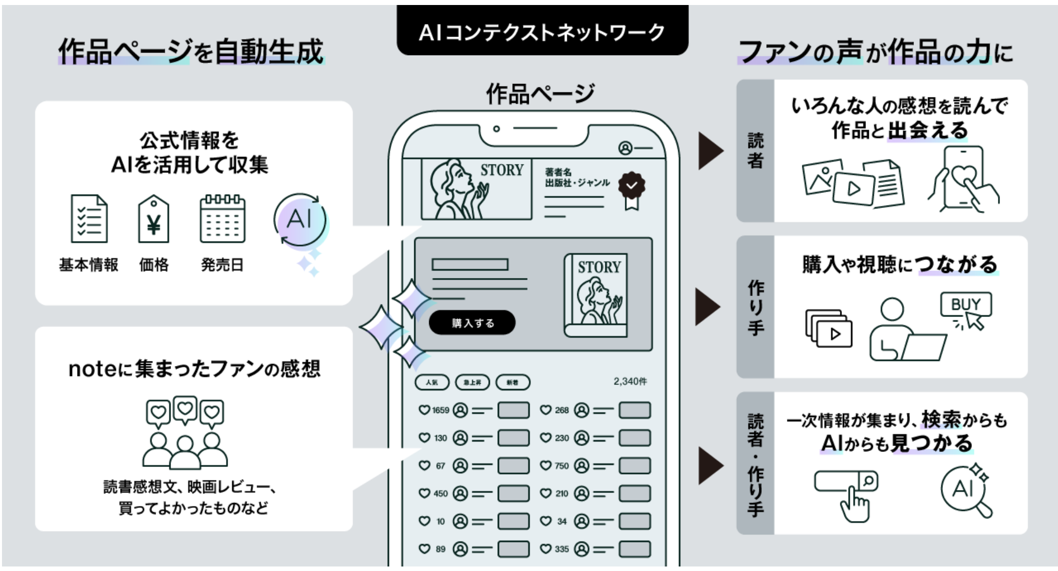




ARR appears flat because we ran a large promotional campaign in the second quarter. Companies that signed up during the campaign period are using note pro free of charge for the first three months, and this portion is not reflected in ARR for the current quarter. Contracts acquired during this period will be reflected in ARR from the third quarter onward, when the free period ends and they transition to the regular price, and ARR is expected to grow significantly again.

Q. What is the current status of the AI Context Network, and what is the outlook for monetization?

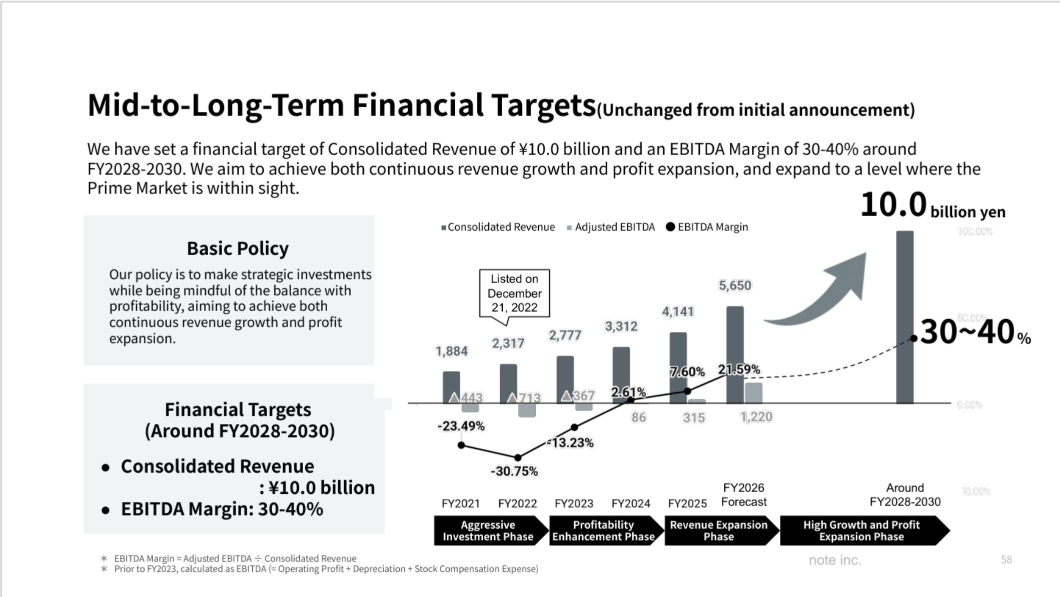
A. The AI Context Network is a mechanism in which AI aggregates the impressions and reviews that gather on note by unit such as individual works, automatically generates pages, and directs traffic from there to companies' sales pages and the like. Readers who visit can encounter their next work while reading a variety of people's impressions. For creators, fans' voices become a push toward purchase or viewing. Because note has the characteristic of being easily cited and referenced by AI, the automatically generated pages are also expected to function as an entry point for AI search. Through this mechanism, we want to create a state in which fans' voices become the strength of a work. We started with KADOKAWA's works as the first phase, and are gradually expanding the scope to books, games, movies, and more, with over 630,000 work pages already generated (as of the end of June 2026).



Going forward, on top of this foundation, we aim to prepare an official partner menu (adding information, providing analytical reports, promotional support, and so on) that incorporates companies' PR and marketing needs, so that a variety of companies can use it as a place to promote their products and works. As note expands, companies' desire to promote on note is increasing, and we see companies' desire to be found by AI growing as well. At present we are building up case studies, and we are at the stage of considering specific service menus and pricing while observing companies' needs and the effects. We aim for full-scale revenue contribution from next fiscal year onward. Positioning it as one of our core initiatives for expanding corporate revenue, we will steadily nurture it.

Q. What is the progress toward the mid-to-long-term financial targets, and how do you aim to achieve them?

A. As shown in the chart below, our mid-to-long-term financial targets are consolidated net sales of ¥10 billion and an EBITDA margin of 30–40%, around 2028 to 2030.



These targets were announced at the beginning of this fiscal year, and we believe we are making steady progress toward achieving them. Second-quarter net sales growth was +36.8%, a record high for a quarter. The EBITDA margin, thanks to the advance of AI adoption, has already risen to a level exceeding 20% at present.

We believe these targets are fully achievable by growing each of the following: the platform business centered on note and note pro; the AI-related business, including the GENIAC project; and the IP and content creation business. In addition, as with our past capital and business alliances with Google, NAVER, and KADOKAWA, we will also pursue discontinuous growth through M&A and alliances while carefully assessing synergies with our existing businesses, and we aim to achieve the targets as early as possible.

＜Inquiries regarding this matter＞
note inc. IR inquiry desk: https://ir.note.jp/inquiry