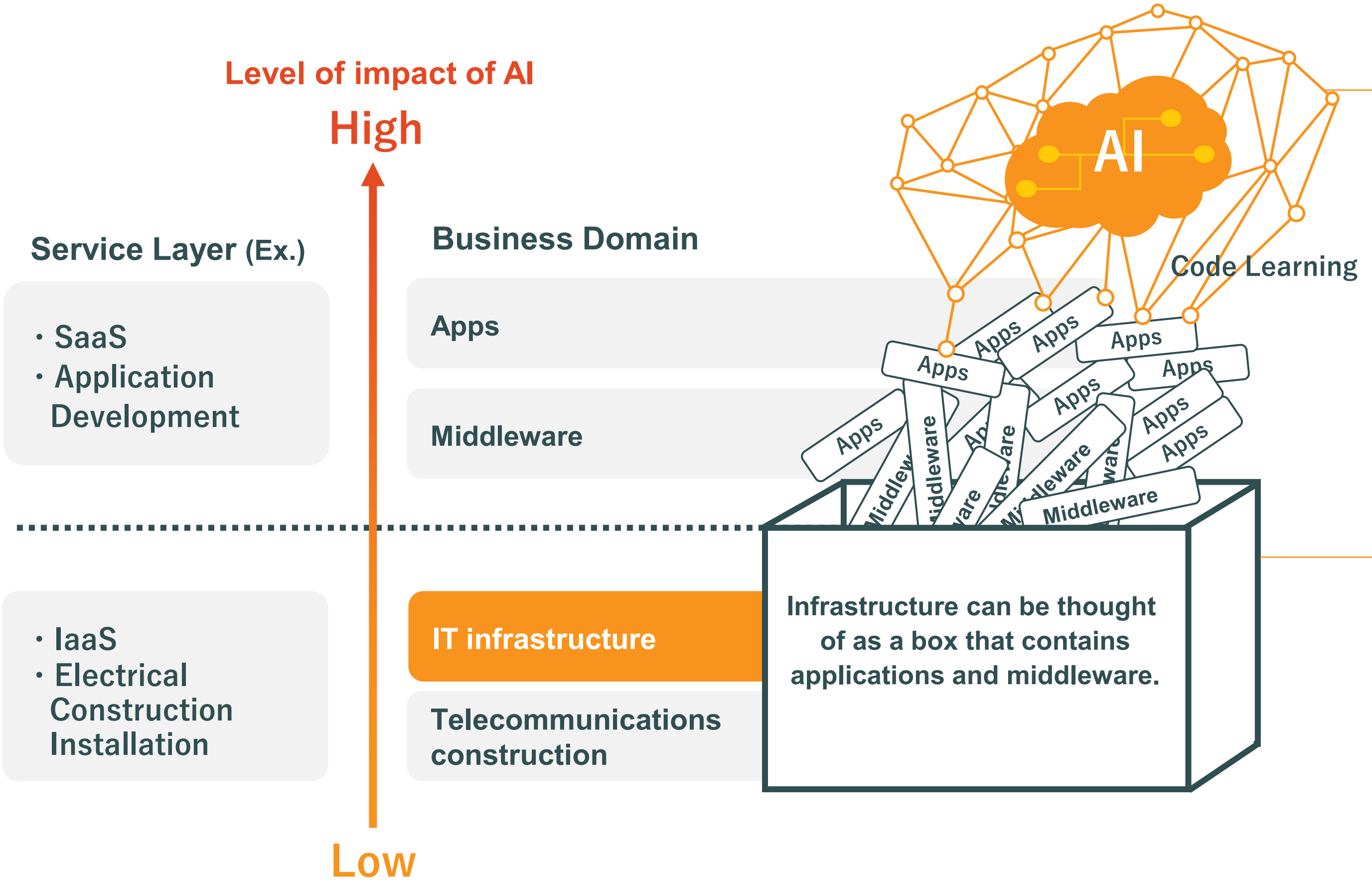
baudroie inc.

Financial Results Briefing Material for the First Quarter of Fiscal Year Ending February 2027

Stock code：4413
July 2026

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.



Level of impact of AI

High

Low

Service Layer (Ex.)

- SaaS
- Application Development

- IaaS
- Electrical Construction Installation

Business Domain

Apps

Middleware

IT infrastructure

Telecommunications construction

Infrastructure can be thought of as a box that contains applications and middleware.

System Development Domain

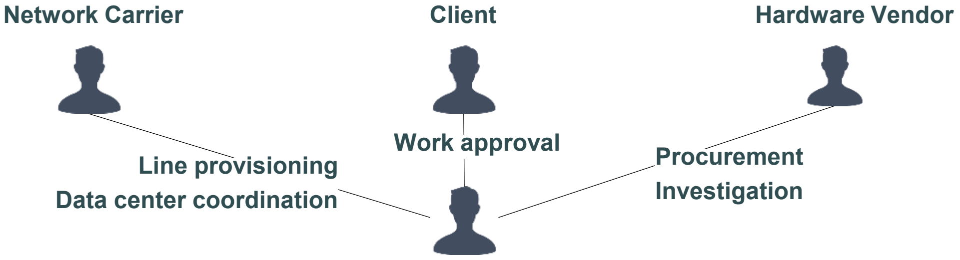
- AI excels at learning from vast amounts of code, identifying patterns, and generating or modifying code accordingly.
- Since source code is written based on formal and logical rules, it is relatively easy for AI to learn.

Infrastructure Domain

- The infrastructure domain can be seen as building The box for data. Since its deliverables are not data themselves, it is not something that can be replaced by AI, but rather an area where AI is used as a supplementary tool.

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.



Irreplaceable by AI

AI-Applicable

← Each step requires approval, coordination, and decision-making with all relevant stakeholders. →

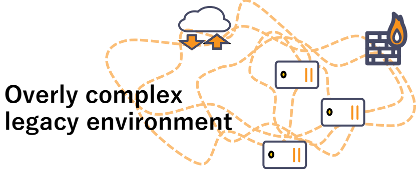
← Phases involving physical tasks that are difficult for AI to learn. →

Requirements Definition → Architecture Design → Implementation → Verification → Maintenance

Requirements Definition

- Analysis of existing design identification of issues

Understanding the current environment by reconciling the actual equipment with a complex network configuration that has been built up over years of operation.



Designing around data center layouts, rack capacity, power supply constraints, lead times, and regulations is a highly complex puzzle, even for AI.

Architecture Design

- Basic Design
- Detailed Design
- Documentation

There is high potential for AI to be utilized in tasks such as creating simple management tables based on parameters.

- Configuration Creation

Due to the combination of equipment from multiple vendors, whose specifications are generally not open-source, AI's role remains at a supplementary level.

Implementation

- Configuration Implementation
- Hardware Installation
- Hardware Replacement
- Connectivity Work
- Migration

Verification

- Unit Testing
- Integration Testing
- Performance and Load Testing
- Failure Testing

Maintenance

- Configuration Change
- Capacity Upgrade
- Replacement
- Troubleshooting

On-site work at data centers or client machine rooms.

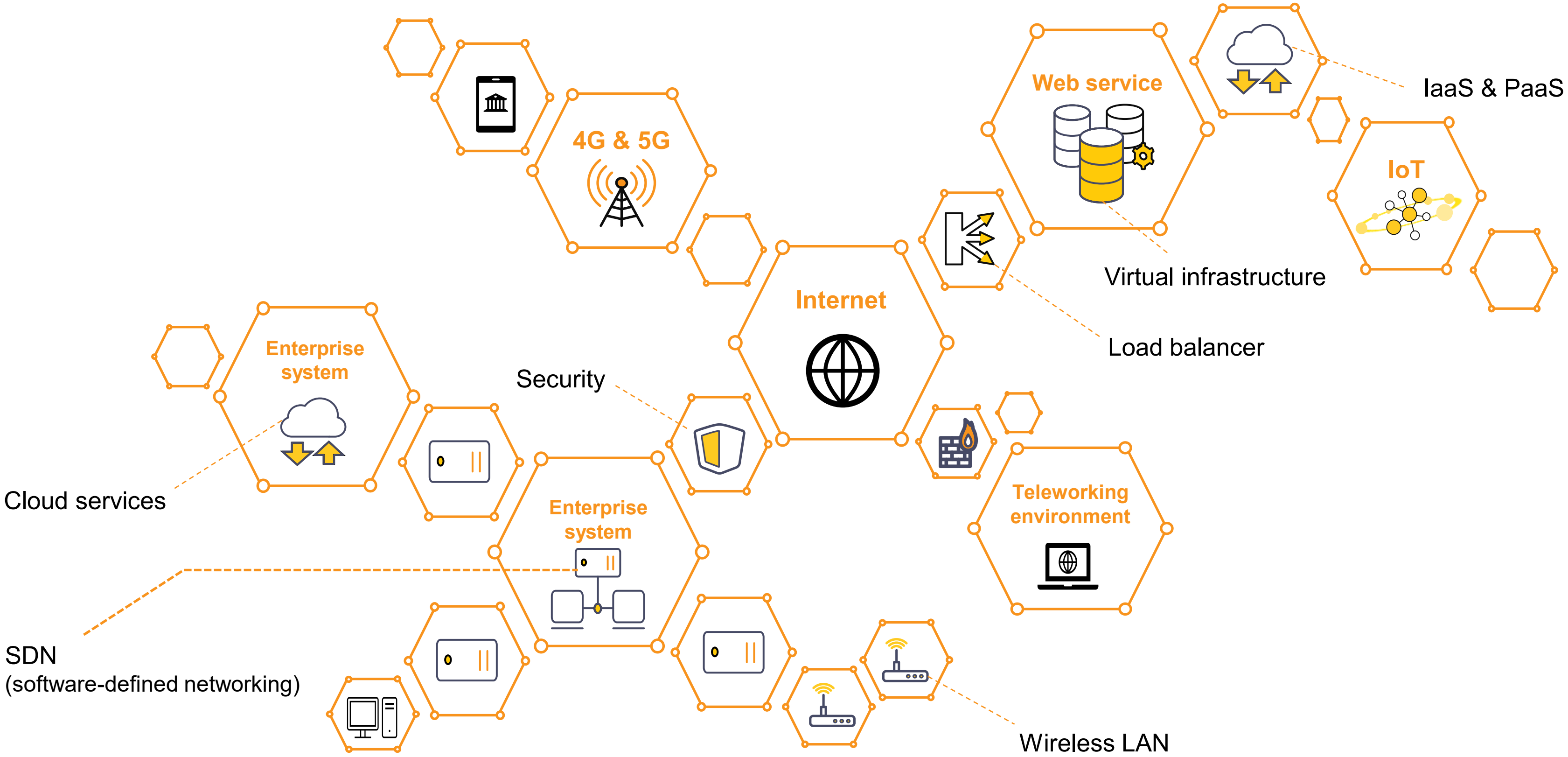
Business Overview

Company Overview

Company name	baudroie inc.
Directors	**President and Chief Executive Officer** Shigehiro Tominaga **Representative Director** Kazuya Fujii **Director** Yoshiaki Hodoshima **Director (Audit and Supervisory Committee Member)** Toshio Okamoto Kiyoko Yagami Anna Seo
Established	April 2007
Fiscal year-end	February
Listing Segment	TSE Prime Market
No. of employees	1466 (including full-time and contract employees) *As of May 2026
Line of business	IT infrastructure business
Major clients	SoftBank Corp. NTT DOCOMO BUSINESS, Inc. NTT EAST, Inc. KDDI CORPORATION Mitsubishi Research Institute, Inc. Nomura Research Institute, Ltd. SQUARE ENIX CO., LTD.
Major Subsidiaries	actias Inc. FunClock Inc. RIKSOL Inc. SPIN TECHNOLOGY Inc.
Head office	Azabudai Hills Mori JP Tower 17F, 1-3-1 Azabudai, Minato-ku, Tokyo
Second office	BPR Place Kamiyacho 5F, 1-11-9 Azabudai, Minato-ku, Tokyo

What Are IT Infrastructure Services?

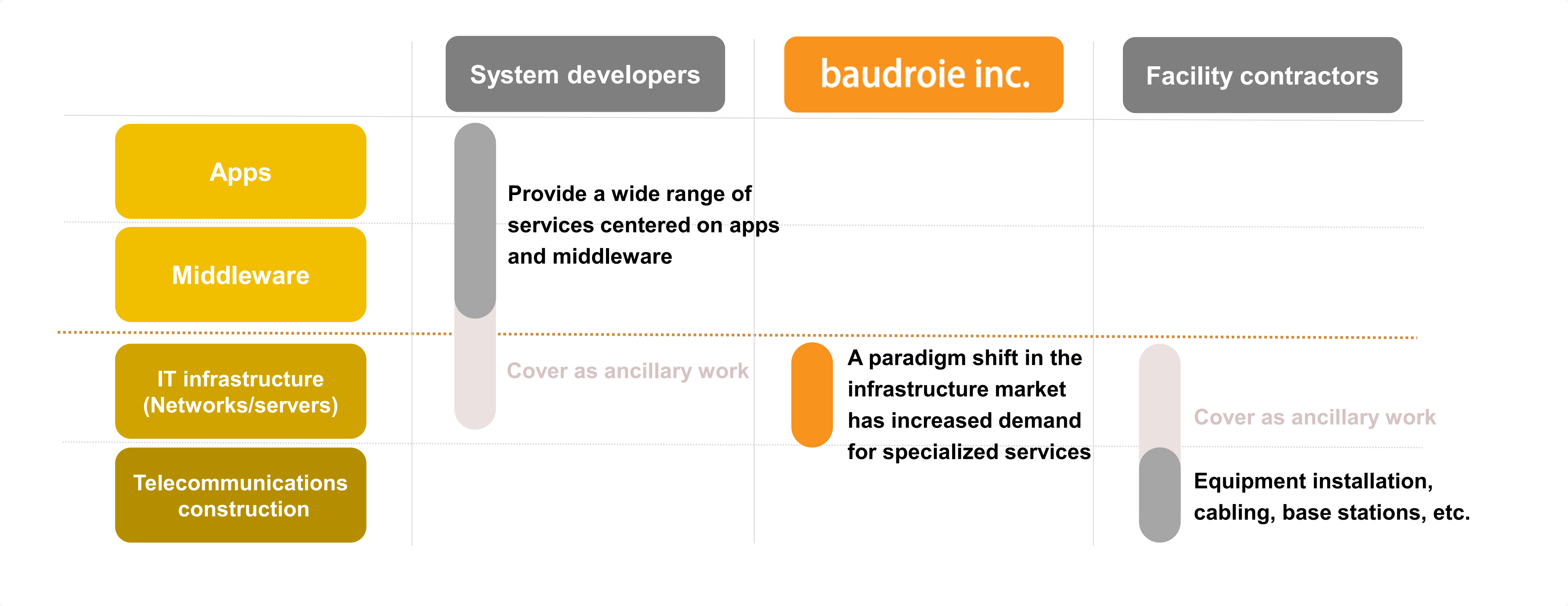
IT infrastructure services refer to designing and constructing complex IT infrastructure, including servers that operate systems, networks that connect devices to systems, and security solutions that protect secure communications and information, as well as conducting their operation and maintenance so that a variety of applications and systems can be utilized.
These components constitute the IT infrastructure, which has become part of the infrastructure for living.



*Cloud services (IaaS/PaaS): mainly refer to cloud computing services.
*SDN: a technology for creating a virtual network environment using software, allowing flexible setting of network configuration free from physical restrictions.
*Virtual infrastructure: a mechanism for operating multiple hosts and operating systems on a single physical device.
*Load balancer: a mechanism for appropriately distributing communication from terminals for each resource (such as CPUs and memories) when a group of servers is used.
*Security solutions: refers to firewall, IPS (intrusion prevention system) / IDS (intrusion detection system), sandbox, web filtering, etc.

What Differentiates Us from System Developers and Facilities Contractors

In Japan, it is standard practice to outsource IT system operations. As systems become increasingly complex, attention is shifting toward specialized firms that focus on specific domains, rather than system developers who cover the entire system. Following this trend, we have established ourselves as a company specializing in IT infrastructure.



System developers

baudroie inc.

Facility contractors

Apps

Middleware

IT infrastructure (Networks/servers)

Telecommunications construction

Provide a wide range of services centered on apps and middleware

Cover as ancillary work

A paradigm shift in the infrastructure market has increased demand for specialized services

Cover as ancillary work

Equipment installation, cabling, base stations, etc.

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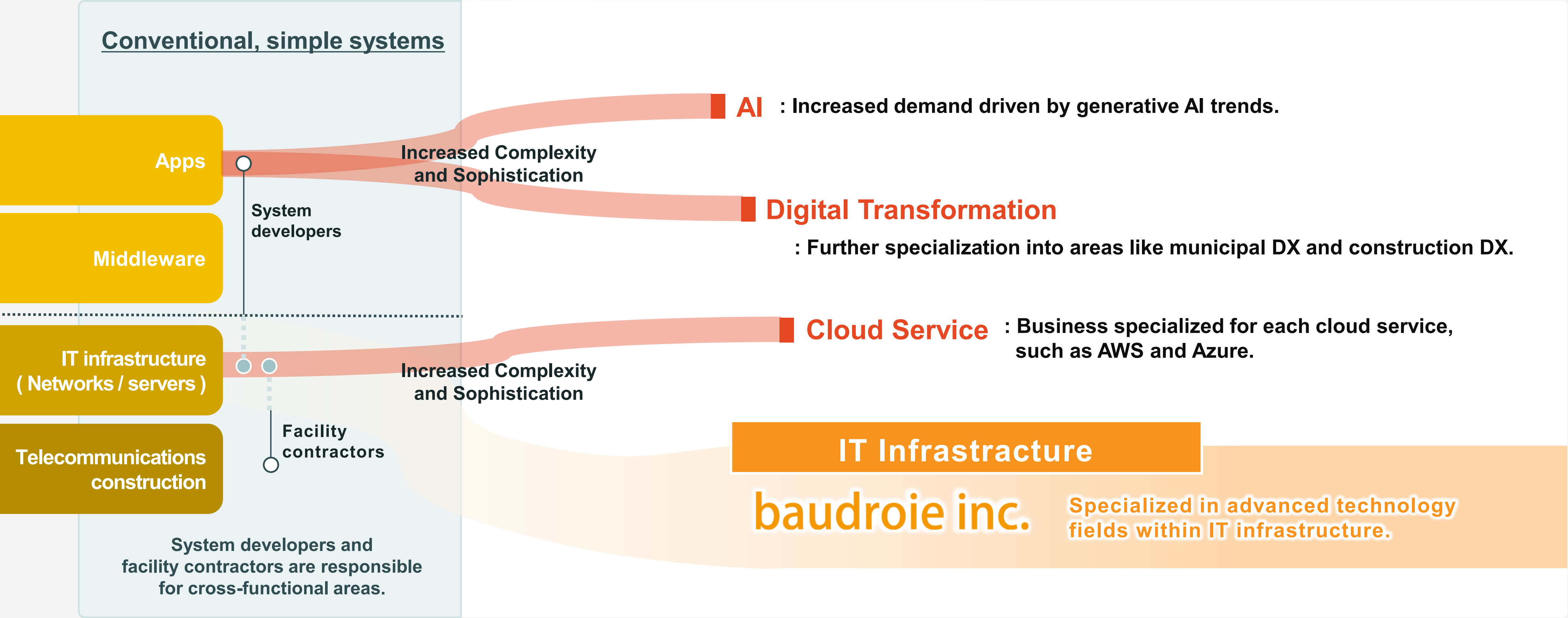
*Apps (applications): refer to such programs as mission-critical systems (for enterprise resource planning), programs operated by users such as web and smartphone applications, groupware (like Microsoft Office 365), and AI and machine learning. These programs are developed using programming languages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

Specialized Systems Companies

Due to the diversification of societal demands for IT, technologies in various IT fields have become more complex and advanced. System companies specialized in each field have been gaining increasing attention.



Conventional, simple systems

Apps

Middleware

IT infrastructure (Networks / servers)

Telecommunications construction

System developers

Facility contractors

System developers and facility contractors are responsible for cross-functional areas.

Increased Complexity and Sophistication

AI : Increased demand driven by generative AI trends.

Digital Transformation : Further specialization into areas like municipal DX and construction DX.

Increased Complexity and Sophistication

Cloud Service : Business specialized for each cloud service, such as AWS and Azure.

IT Infrastructure

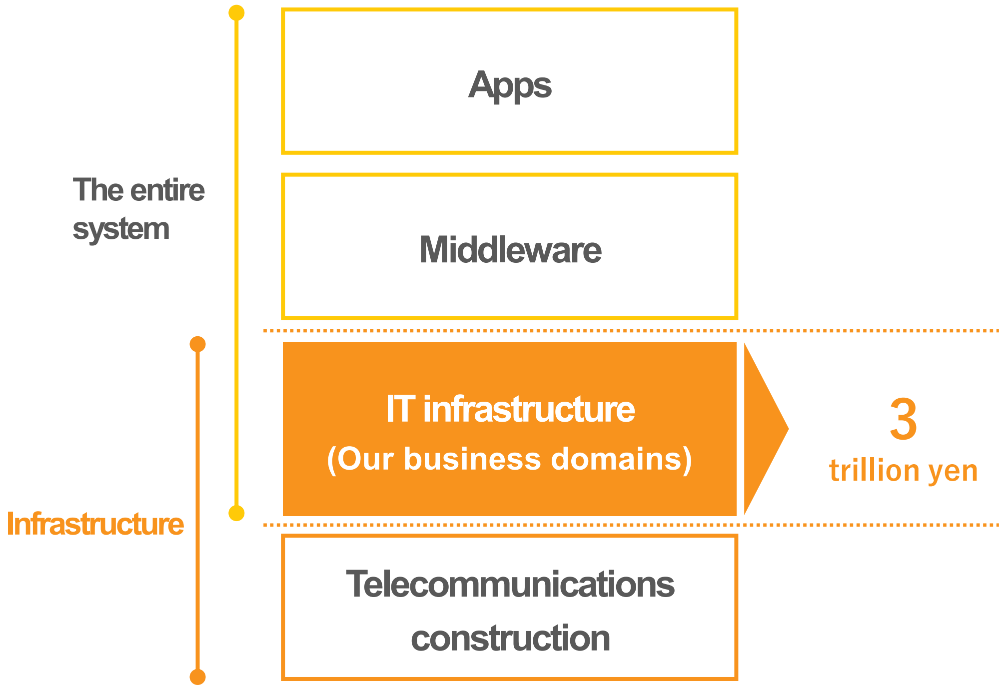
baudroie inc. Specialized in advanced technology fields within IT infrastructure.

Business Domains

We are a professional operator specializing in IT infrastructure services, especially in advanced technology areas.

Where the IT infrastructure services market is positioned

In 2029, the entire Japanese IT market amounted to 33 trillion yen,
of which the IT infrastructure services market accounted for 3 trillion yen.



The entire system

Apps

Middleware

Infrastructure

IT infrastructure
(Our business domains)

3
trillion yen

Telecommunications construction

Advanced technology areas that are growing prominently in the IT infrastructure area

Cloud

Security

Wireless LAN

SDN
(Software-Defined Networking)

Virtual infrastructure

Load balancer

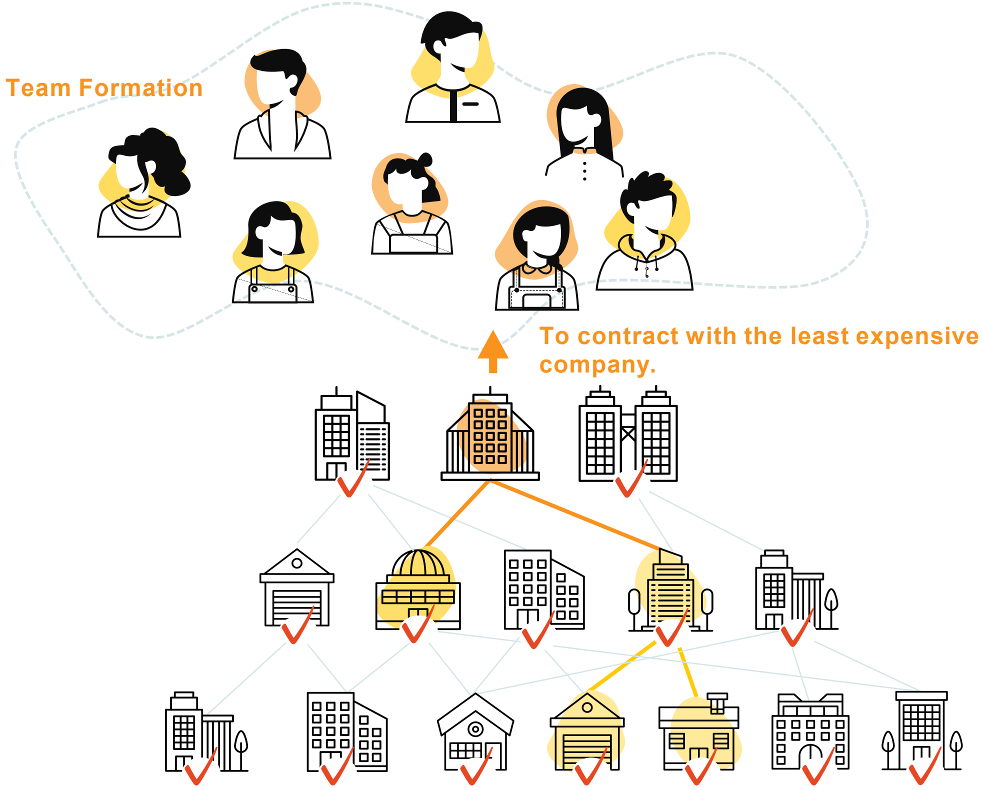
*Source: Press release by IDC Japan, "Latest 2025 Japan IT Market Forecast: Analysis by Industry Vertical, Employee Size, and Region" (May 29, 2025)
*Source: Press release by IDC Japan, "Latest Forecast for the Japan IT Infrastructure Services Market" (May 19, 2025)

Our Competitive Advantage

A typical case of team formation in general system companies.

A system based on conventional technology

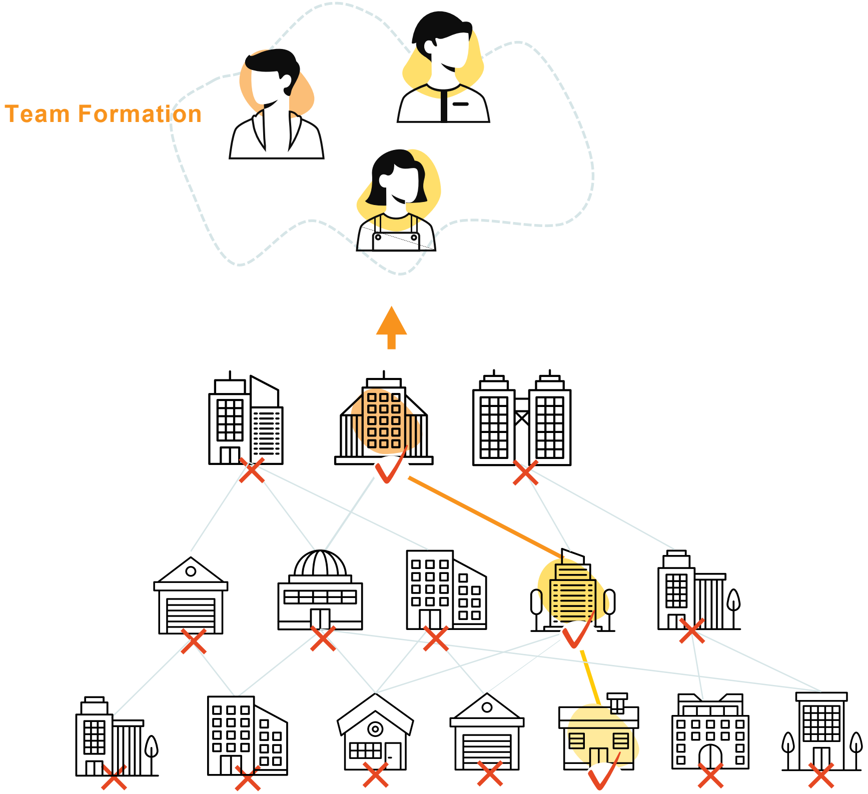
Since many companies have engineers, it is easier to gather people.
→ The project will involve hiring the most affordable company,
resulting in a team composed of multiple firms.



To contract with the least expensive company.

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.



Our Competitive Advantage

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

baudroie inc.

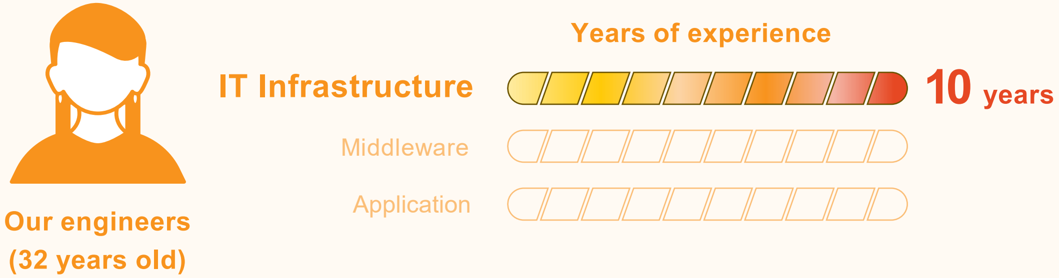
We can form a team using only our company.

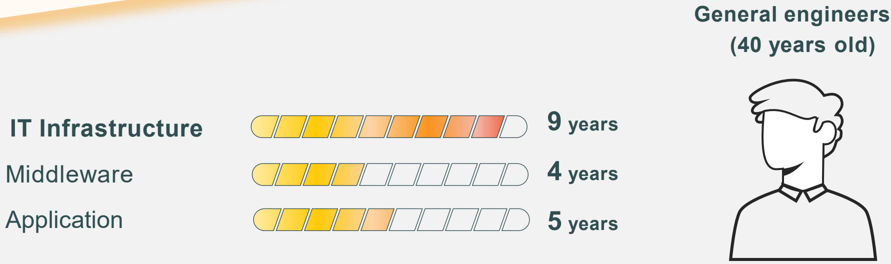
So we can create teams with consideration of the compatibility of the members.

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.





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

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

Highlights of Consolidated Financial Results

Executive Summary

Revenue

5.41 billion yen (up 60.8% YoY)

Operating profit

846 million yen (up 39.4% YoY)

✓ **Financial results for Q1 are off to a solid start and generally progressing in line with the full-year forecast.**

→Due to the impact of subsidiaries consolidated during the previous fiscal year (which were not yet included in the previous Q1), the year-on-year growth rate of revenue temporarily appears high.

→Since Q1 operating profit is typically the lowest of the full year, the YoY growth rate tends to fluctuate easily.

✓ **While we forecast a YoY increase of over 30% in operating profit for the first half, further upside potential relative to the full-year forecast is expected in the second half.**

Summary of Consolidated Financial Results

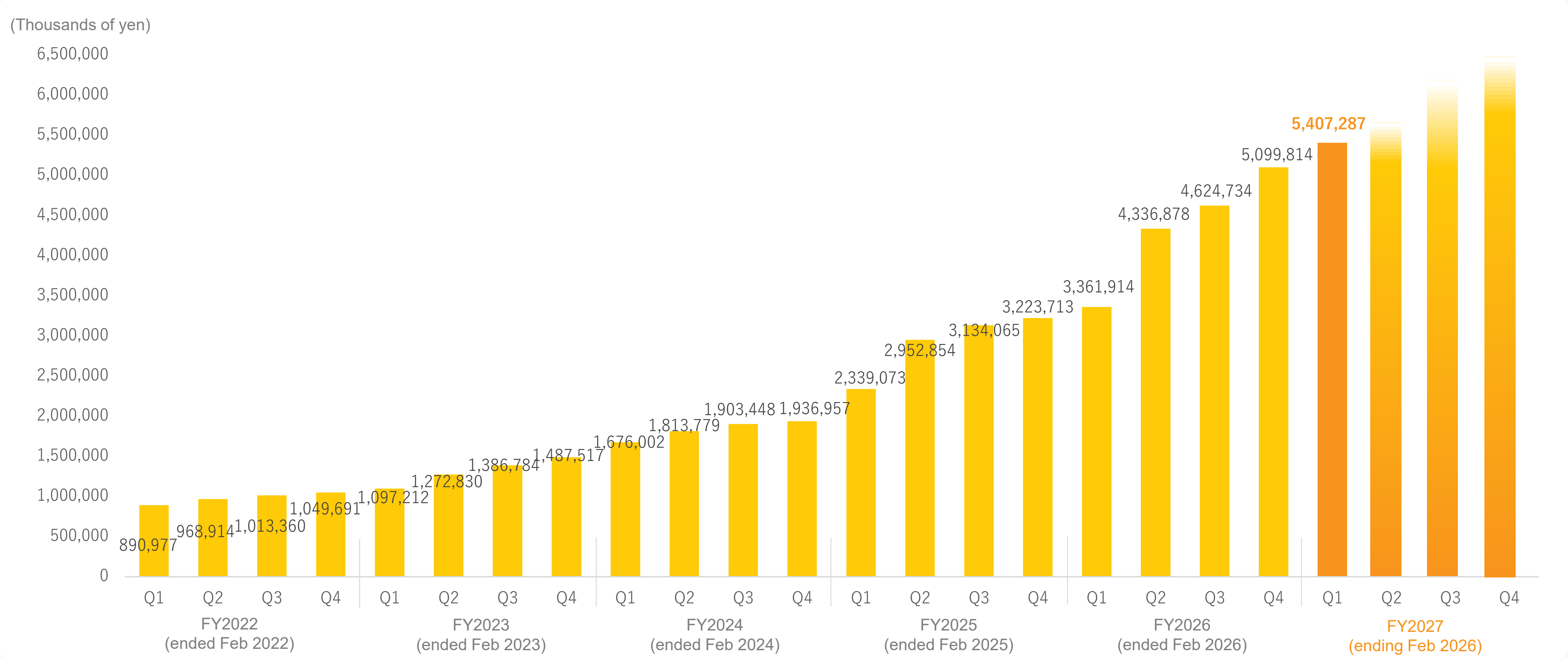
√ Due to the impact of subsidiaries consolidated mid-way through the previous fiscal year, the YoY growth rate of revenue appears high; however, results are generally progressing in line with the full-year forecast.

(Thousands of yen)	Q1 (Mar - May) FY2026 Result (ended Feb 2026)	Q1 (Mar - May) FY2027 Result (ending Feb 2027)	YoY	FY2027 Full-year Forecast	YoY
Revenue	3,361,914	5,407,287	+60.8%	23,500,000	+34.9%
Operating profit	607,124	846,431	+39.4%	4,409,000	+30.0%
Profit before tax	602,351	835,762	+38.7%	4,383,000	+30.0%
Profit	437,427	593,421	+35.7%	3,134,000	+27.5%

Trends in Quarterly Consolidated Revenue

✓ **As before, revenue are expected to increase gradually in the remaining quarters of FY2027 for the following reasons.**

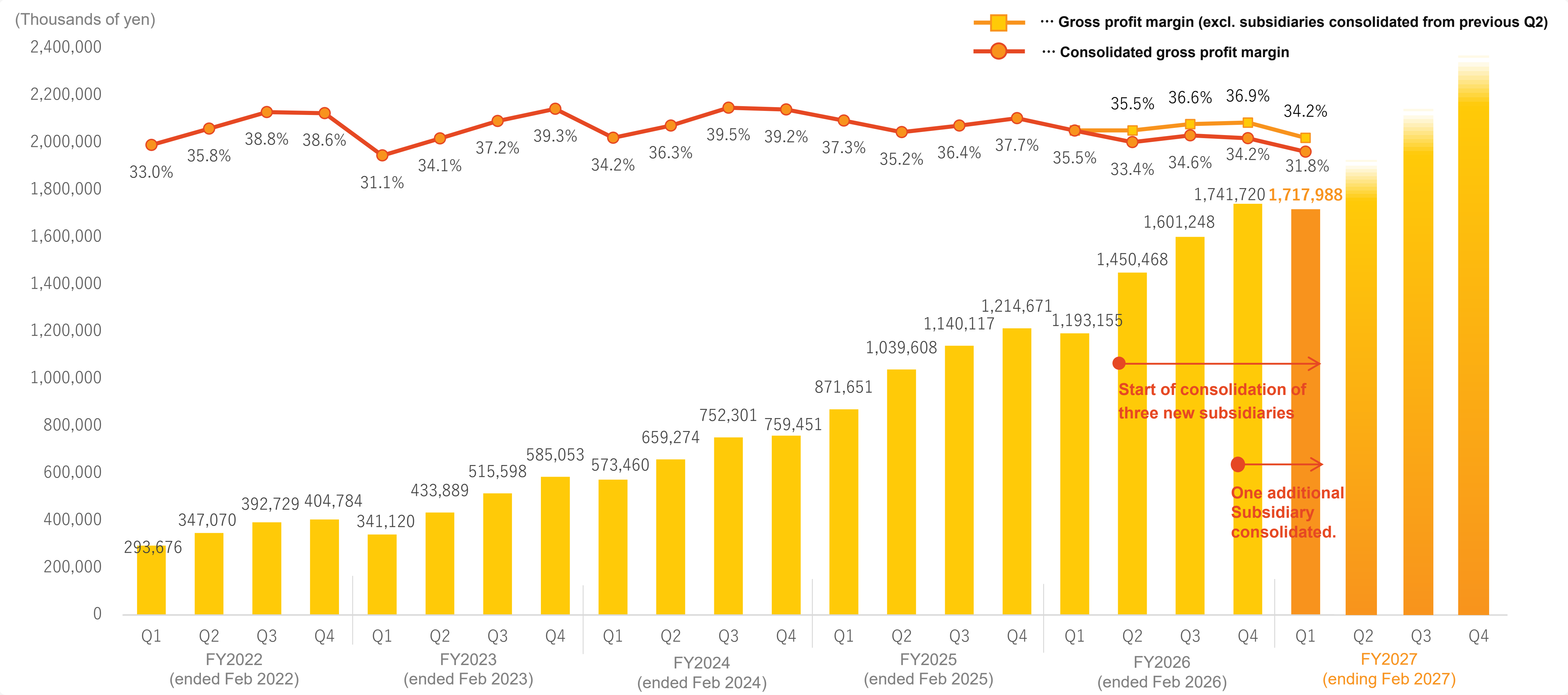
- **The number of acceptance inspections will further rise in Q2 through the end of the fiscal year.**
- **With engineers (new graduate employees in the second or more year of employment) becoming capable of conducting actual work, reassignment of specialized talents (new graduate employees in the third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



Trends in Quarterly Consolidated Gross Profit

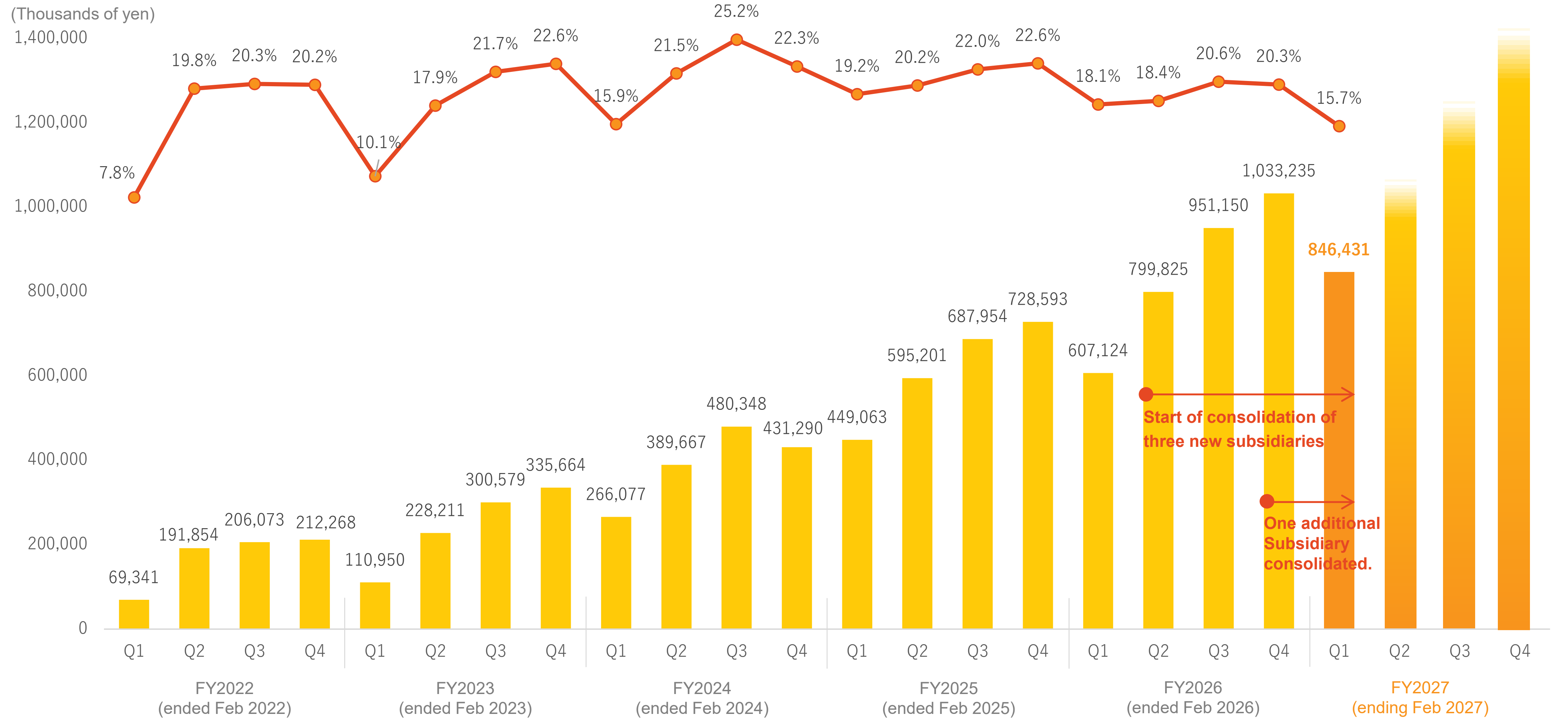
✓ **Although the gross profit margin decreases in Q1 because hiring usually increases during this period and new hires are recorded as costs from their first day, it is projected to improve from Q2 to Q4.**

→Compared to the previous year, the margin is expected to be on par in Q2 and surpass it during the second half.



Trends in Quarterly Consolidated Operating Profit

✓ **While the Q1 profit margin temporarily declines due to a seasonal increase in hiring costs and newly consolidated subsidiaries, it is projected to trend slightly higher than the previous year in Q4, supported by revenue seasonality and profit recovery at subsidiaries.**



Start of consolidation of three new subsidiaries

One additional Subsidiary consolidated.

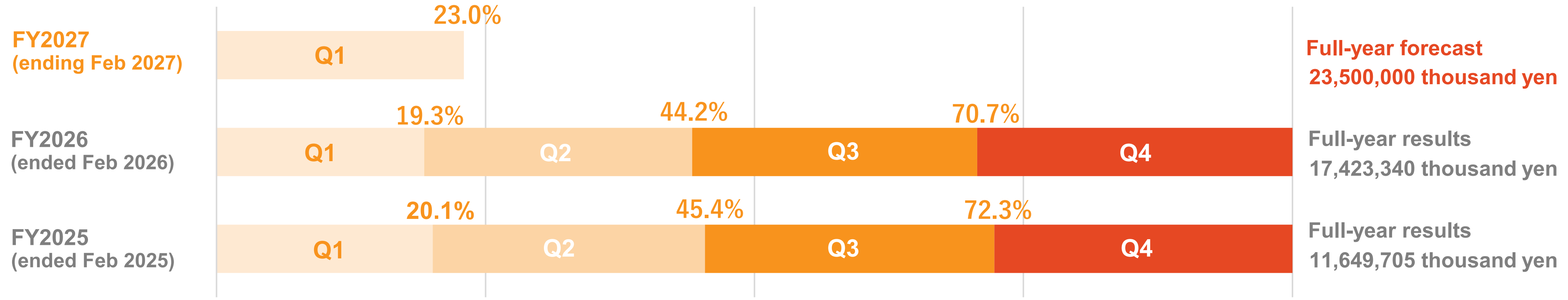
Status of Progress Against the Full-Year Consolidated Earnings Forecast

✓ Progress is on track toward achieving the full-year earnings forecast.

(Thousands of yen)	Q1 (Mar - May) FY2026 Result (ended Feb 2026)	FY2026 Full-year Results	Progress rate	Q1 (Mar - May) FY2027 Result (ending Feb 2027)	FY2027 Full-year Forecast	Progress rate
Revenue	3,361,914	17,423,340	19.3%	5,407,287	23,500,000	23.0%
Operating profit	607,124	3,391,334	17.9%	846,431	4,409,000	19.2%
Profit before tax	602,351	3,371,702	17.9%	835,762	4,383,000	19.1%
Profit	437,427	2,457,800	17.8%	593,421	3,134,000	18.9%

Status of Progress Against the Full-Year Consolidated Earnings Forecast

Revenue

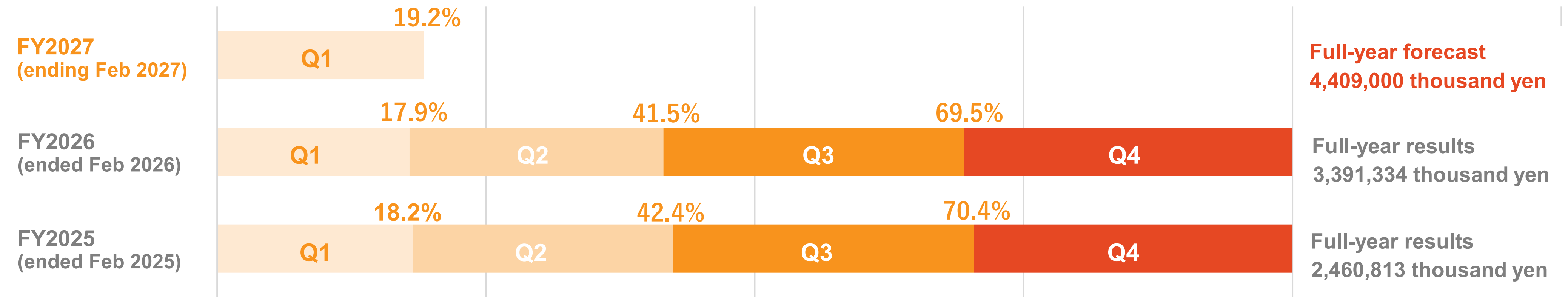


Full-year forecast
23,500,000 thousand yen

Full-year results
17,423,340 thousand yen

Full-year results
11,649,705 thousand yen

Operating profit



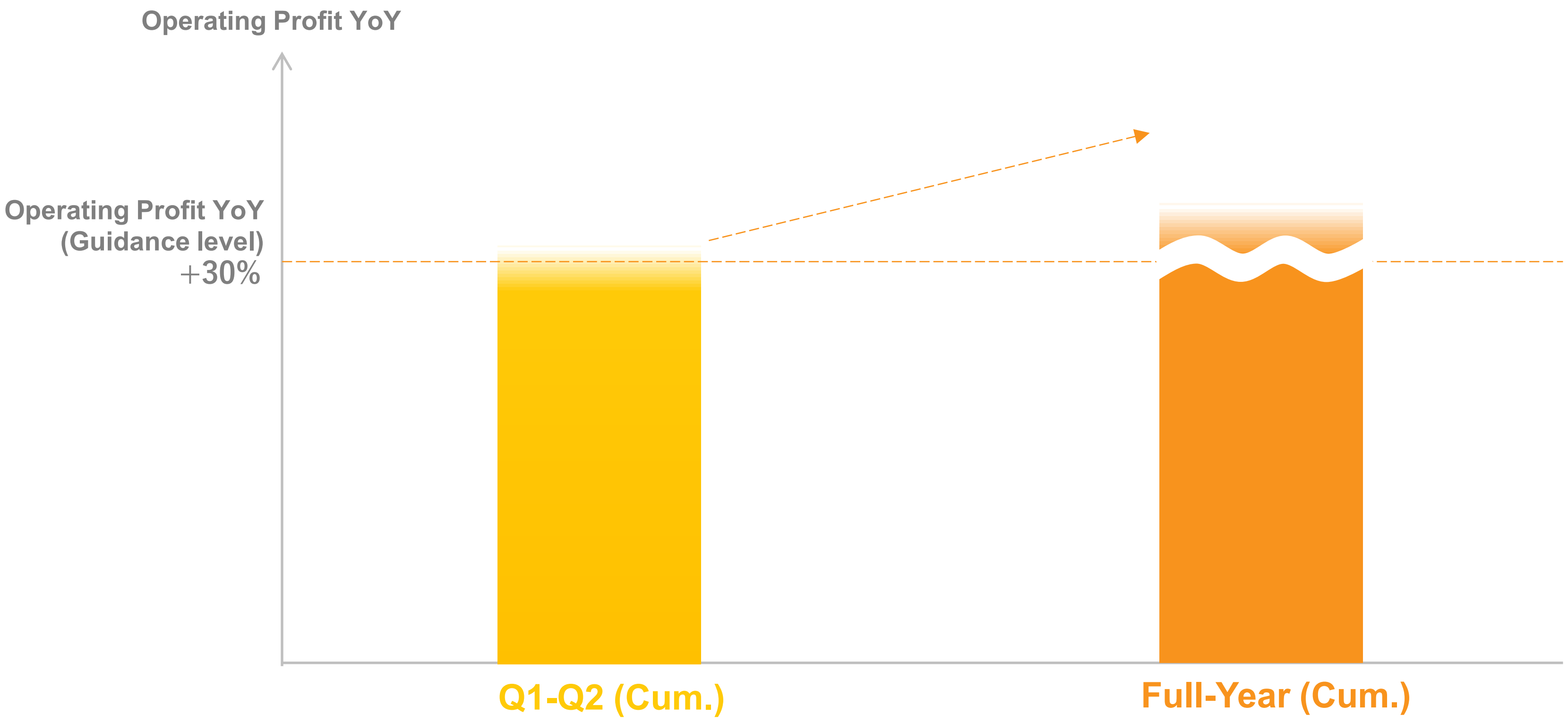
Full-year forecast
4,409,000 thousand yen

Full-year results
3,391,334 thousand yen

Full-year results
2,460,813 thousand yen

YoY Operating Profit Outlook for the Fiscal Year Ending February 2027

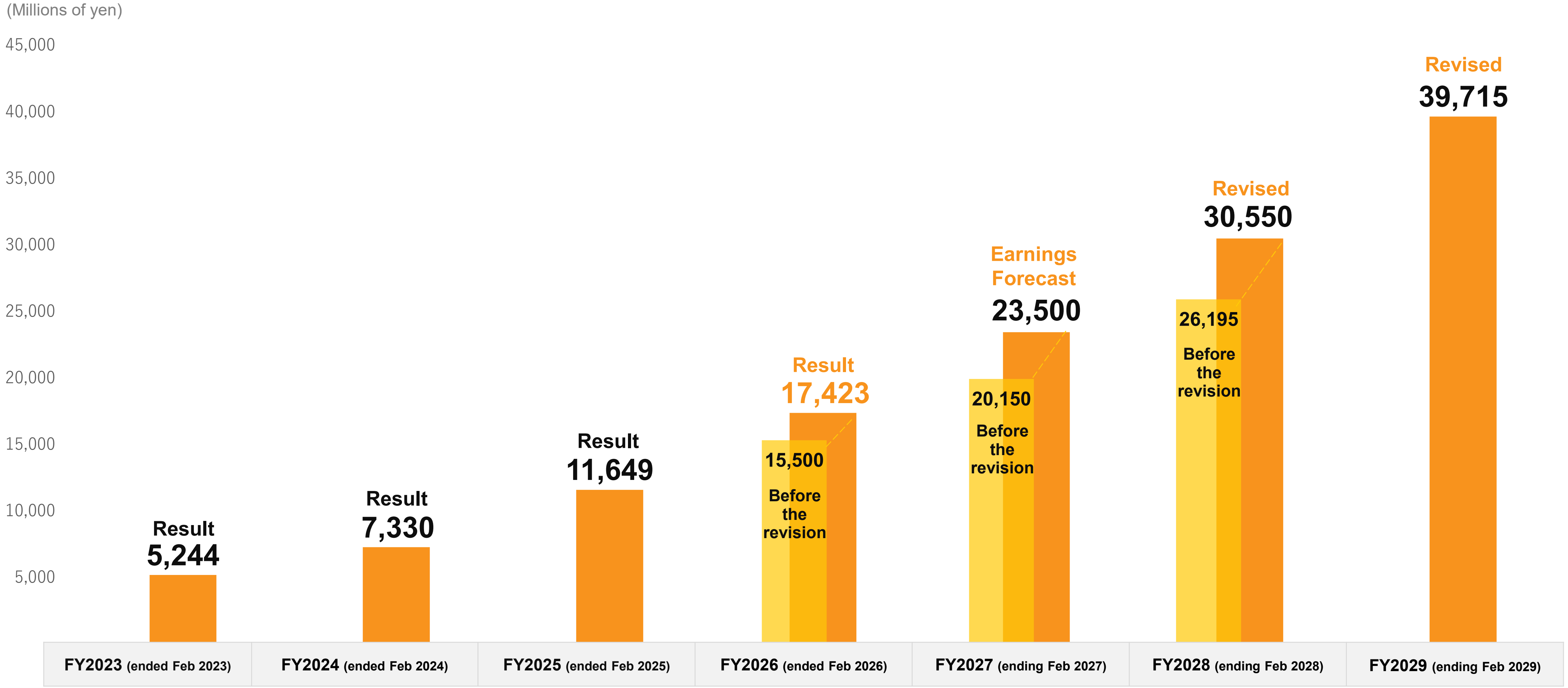
- ✓ Operating profit in the full-year earnings forecast is 4.41 billion yen, up 30% YoY.
- ✓ The Q1-Q2 cumulative total is expected to grow by more than 30% YoY. Any upside potential against the full-year forecast, should it occur, is anticipated to come from the second half onward.



Medium-Term Management Plan

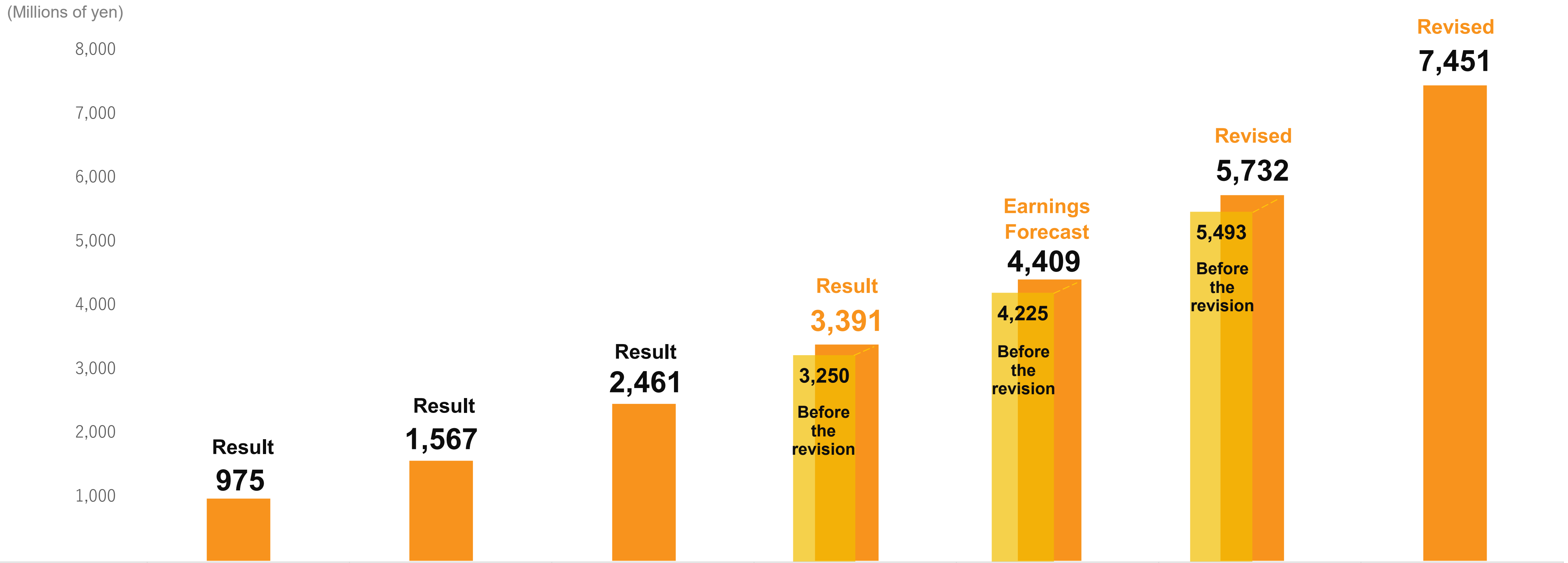
Medium-Term Business Plan: Revenue

✓ 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.



Medium-Term Business Plan: Operating Profit

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



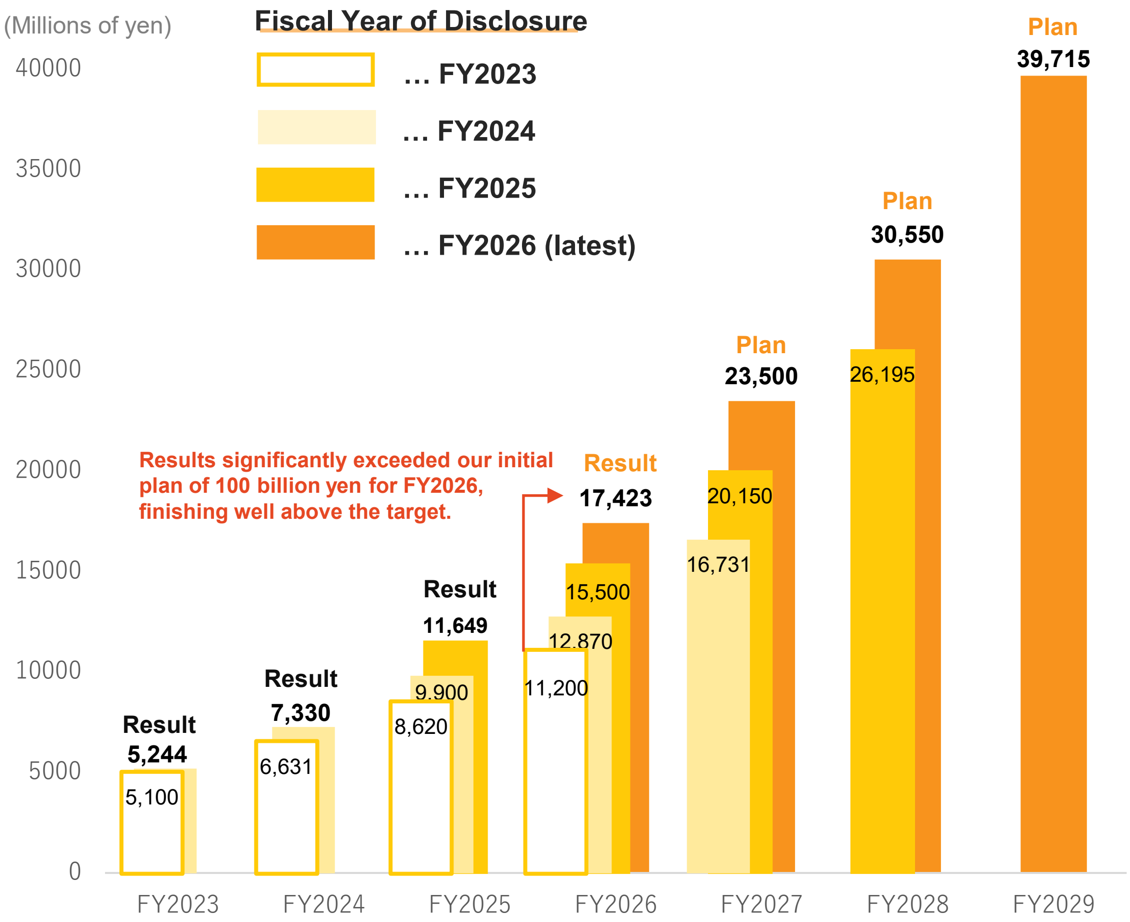
	FY2023 (ended Feb 2023)	**FY2024** (ended Feb 2024)	**FY2025** (ended Feb 2025)	**FY2026** (ended Feb 2026)	**FY2027** (ending Feb 2027)	**FY2028** (ending Feb 2028)	**FY2029** (ending Feb 2029)
Highly specialized Talents	135	165	223	297	380	470	570
Specialized Talents	247	334	408	508	690	1,030	1,485

* 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.

Past revisions to the medium-term management plan

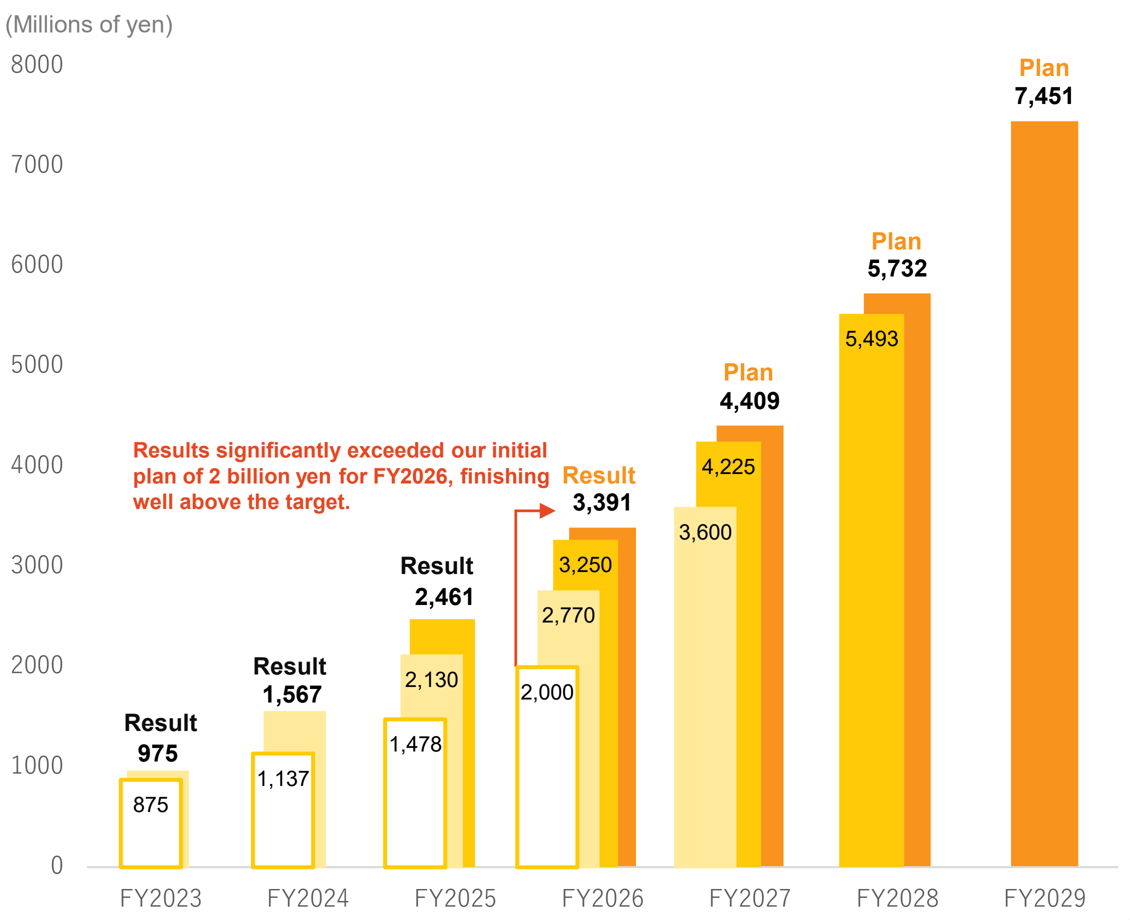
✓ **Third upward revision to the Medium-Term Plan; maintaining 30%+ annual growth.**

Revenue



Results significantly exceeded our initial plan of 100 billion yen for FY2026, finishing well above the target.

Operating Profit



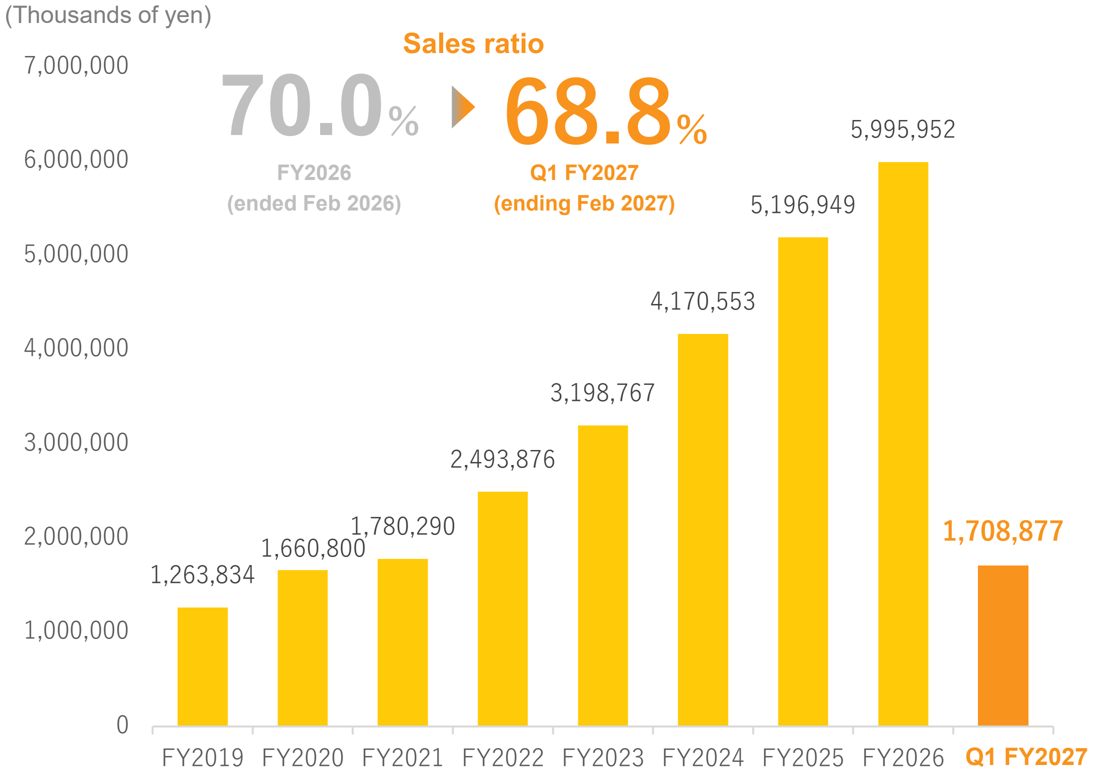
Results significantly exceeded our initial plan of 2 billion yen for FY2026, finishing well above the target.

Growth Strategy

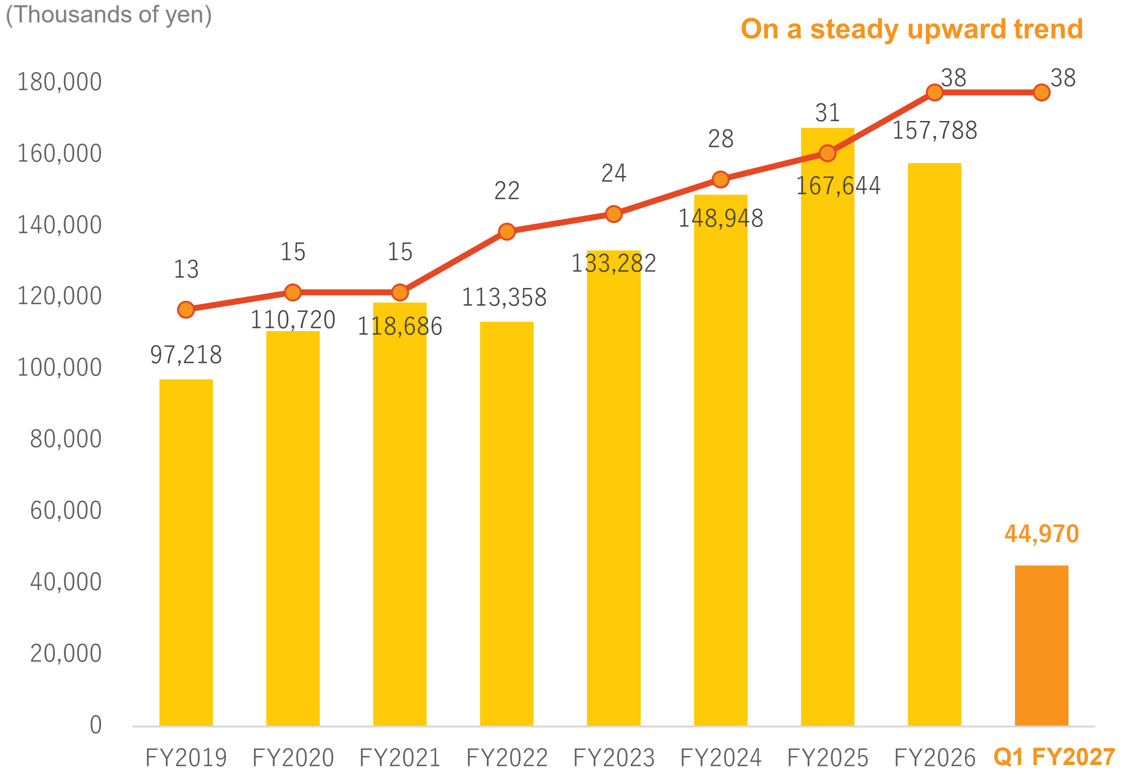
Sales to Enterprise Clients (Non-consolidated)

✓ **Driven by group management, SMB customer sales are trending upward this fiscal year. From the current fiscal year, we plan to shift our focus back to increasing the proportion of sales from enterprise customers.**

Total sales to enterprise clients



Average sales per company and the number of enterprise clients



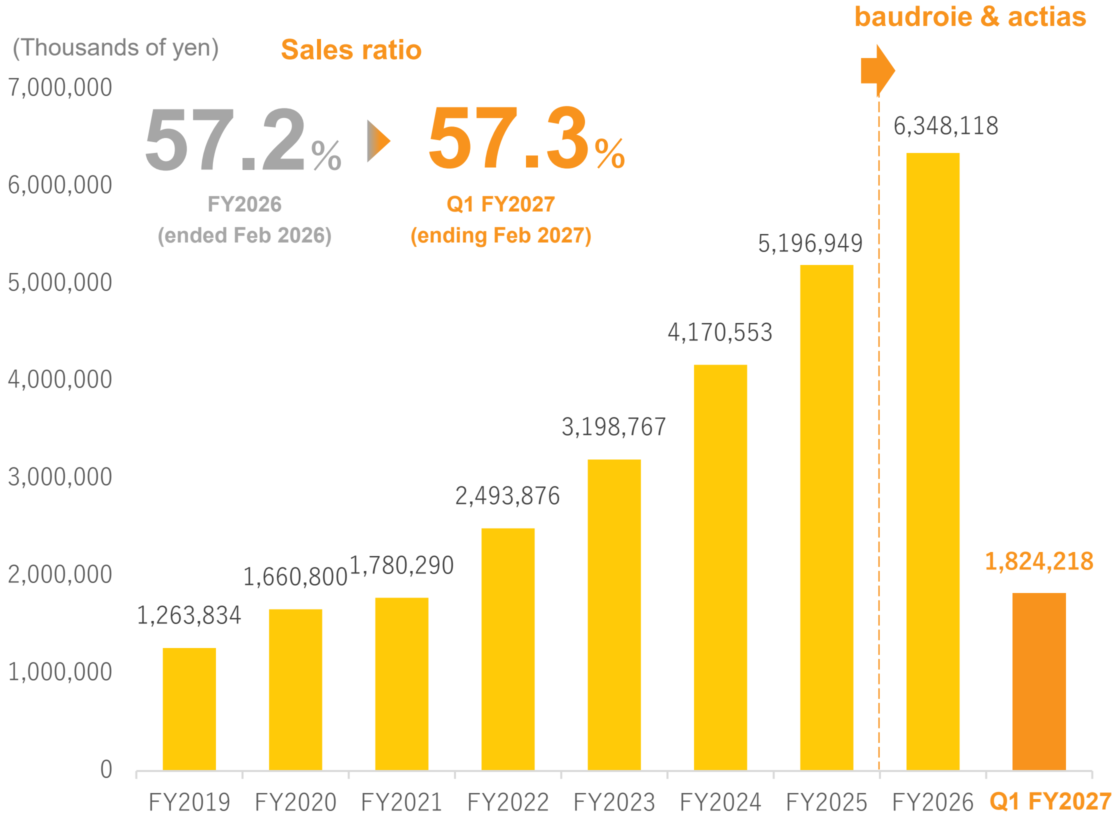
*Enterprise clients are defined as companies selected for either the Nikkei 225, Nikkei 400, or Nikkei 500, or companies with sales of 50 billion yen or more.

Sales to Enterprise Clients (baudroie & actias)

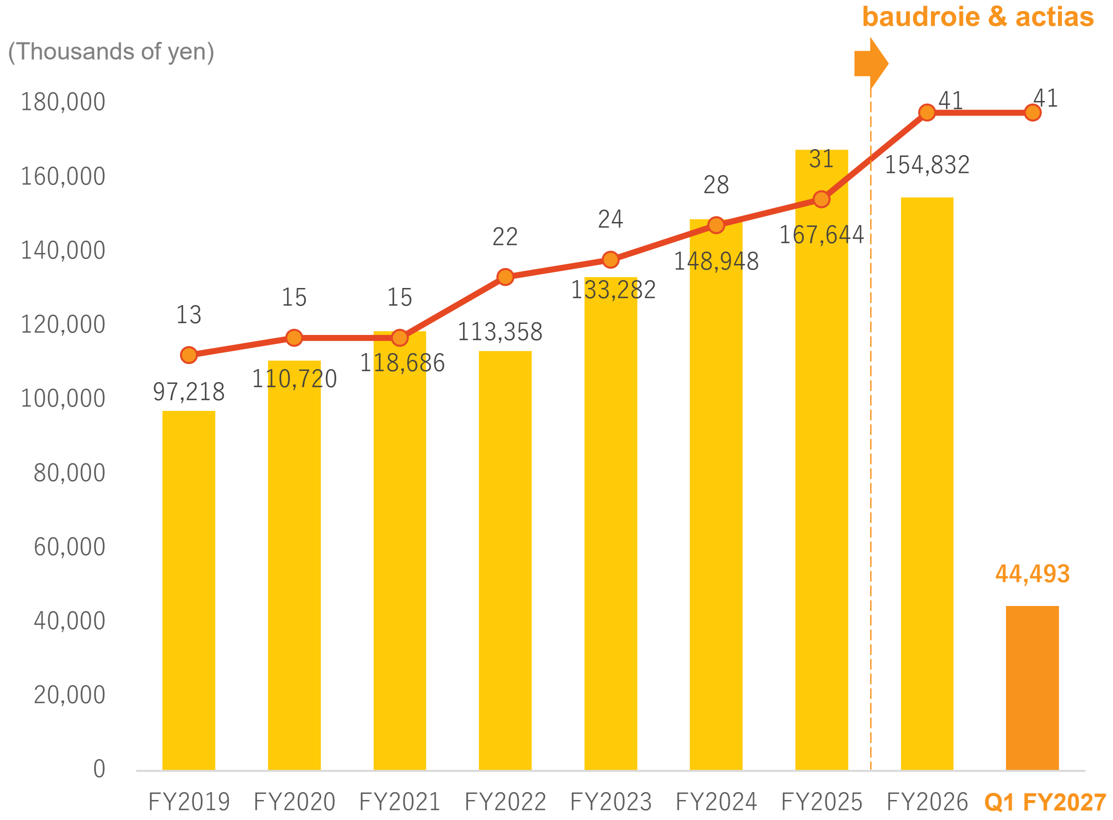
√ **Enterprise customer revenues for baudroie inc. and actias inc. have been aggregated since FY2026.**

√ **In the medium to long term, we aim to increase the combined enterprise customer sales ratio of the two companies.**

Total sales to enterprise clients



Average sales per company and the number of enterprise clients



※ From FY2026, the number of companies excludes customers that overlap between baudroie and actias.

Sales in Advanced Technology Areas (Non-consolidated)

✓ **We are proactively securing security-related projects, with a recent increase in cloud security engagements driven by SASE implementation.**

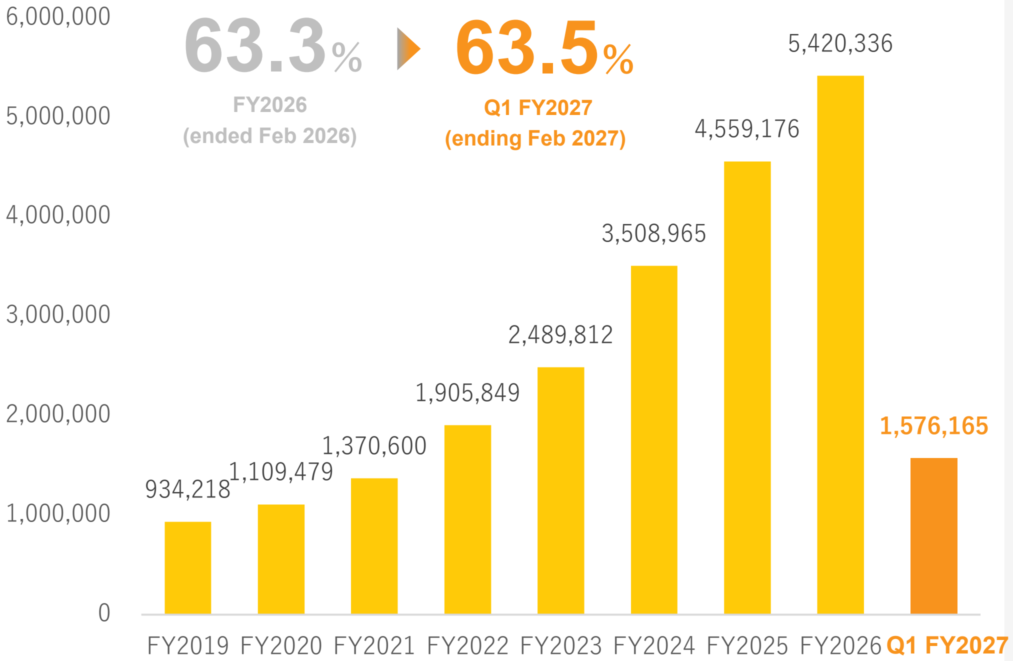
Sales trends in the advanced technology areas

(Thousands of yen)

Sales ratio

63.3% ▶ **63.5%**

FY2026 (ended Feb 2026) → Q1 FY2027 (ending Feb 2027)



Advanced technology areas expected to have high growth potential

Forecasted market size		CAGR of the market	Our sales ratio *7
Wireless (global market)	US$236.6 billion (2031)*1	13%	19% → 0p
Load balancer (global market)	US$16.1 billion (2030)*2	13%	21% → 0p
Network virtualization (global market)	US$38.1 billion (2026) *3	3%	11% ↑ 1p
Cloud ※6 (domestic market)	¥10.1 trillion (2030)※4	21%	21% ↓ 2p
Security (Domestic market: software, appliances)	¥531.7 billion (2026) *5	4%	22% ↑ 1p

*Advanced technology areas: technology areas where we are deemed to have high specialty and that are related to any of the wireless, load balancer, SDN, cloud, security, or server virtualization technologies.

*1 Source: "Global Wireless Connectivity Market" by KBV Research (provided by Global Information, Inc. as agent)
*2 Source: "Load Balancer Market Size, Share, and Trends Analysis Report" by Grand View Research (provided by Global Information, Inc. as agent)
*3 Source: "Network Function Virtualization Global Market Report" by The Business Research Company (provided by Global Information, Inc. as agent)
*4 Source: Press release by IDC Japan, "IDC Announces Japan Public Cloud Services Market Forecast" (March 12, 2026)
*5 Source: Press release by IDC Japan, "Announcement of Latest Domestic Information Security Market Forecasts" (May 26, 2022)
*6 Market size forecasts include public cloud only, whereas our sales ratios include both public and private clouds.
*7 The changes in "our sales ratio" (indicated by arrows) show comparison with FY2026 results and include overlapping sales in two or more areas.

Development of Specialized and Highly Specialized Talent

- ✓ **Develop highly specialized talents based on our education and training systems dedicated to IT infrastructure.**
- ✓ **The increase in the number of highly specialized talents are becoming larger as a result of intensified recruitment prior to the listing.**

	Specialized talents	Highly specialized talents
FY2021 (ended Feb 2021)	122	97
FY2022 (ended Feb 2022)	174	109
FY2023 (ended Feb 2023)	247	135
FY2024 (ended Feb 2024)	334	165
FY2025 (ended Feb 2025)	408	223
FY2026 (ended Feb 2026)	508	297
Q1 FY2027 (ending Feb 2027)	**559**	**350**

*For the definition of specialized and highly specialized talents, refer to the Appendix.

Illustrative Drawing of Our Strategy

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

Transform sales composition

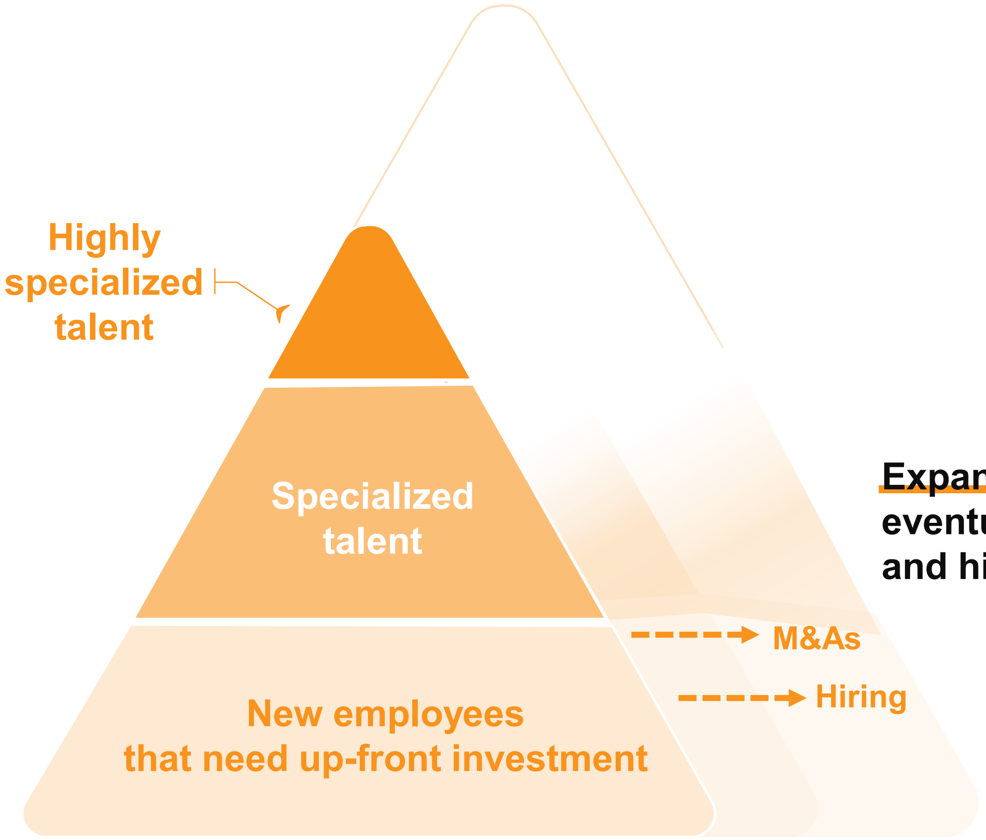
Raise the sales ratio

of advanced technology areas and enterprise clients

Transform talent structure

Raise the ratio of specialized

and highly specialized talents



Highly specialized talent

Specialized talent

New employees that need up-front investment

M&As

Hiring

Expand the talent base that will eventually grow into specialized and highly specialized talent

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.

SPIN TECHNOLOGY
GOKU TECHNOLOGIES
ONE-TECH
RIKSOL

Operating profit margin
8～10%

ZOSTEC
ALJOY

FunClock

actias

baudroie

Operating profit margin
24～26%

Training and development of engineers

- CCNA* Training
- Follower Training for Junior & Mid-level Staff
- Recreation & Awards for Organizational Culture

Building a highly engaged engineering group

Development of specialized talents and future leaders

- baudroie College & CCNP* Training Sharing
- Team Leader Training for PL Development
- Collaborative Team Projects for PL Experience

Developing highly specialized talents with even higher engagement

Developing Highly specialized talents and future managers

- Advanced Training (Virtualization, Cloud, Security)
- Manager Training (Business & Org Management Skills)
- Large-Scale Projects for PM Experience
- Dining with officers
  (Broadening Perspective with Management)

Producing highly specialized talens who embody the group’s DNA

Enhancing Competitive Advantage

Project transfer

- Transferring baudroie’s SMB projects to the subsidiary.

Acquisition of enterprise and advanced technology projects

- Optimization of sales personnel allocation
- Sharing and referral of customer information
- Promotion of joint proposals and generation of projects

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

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

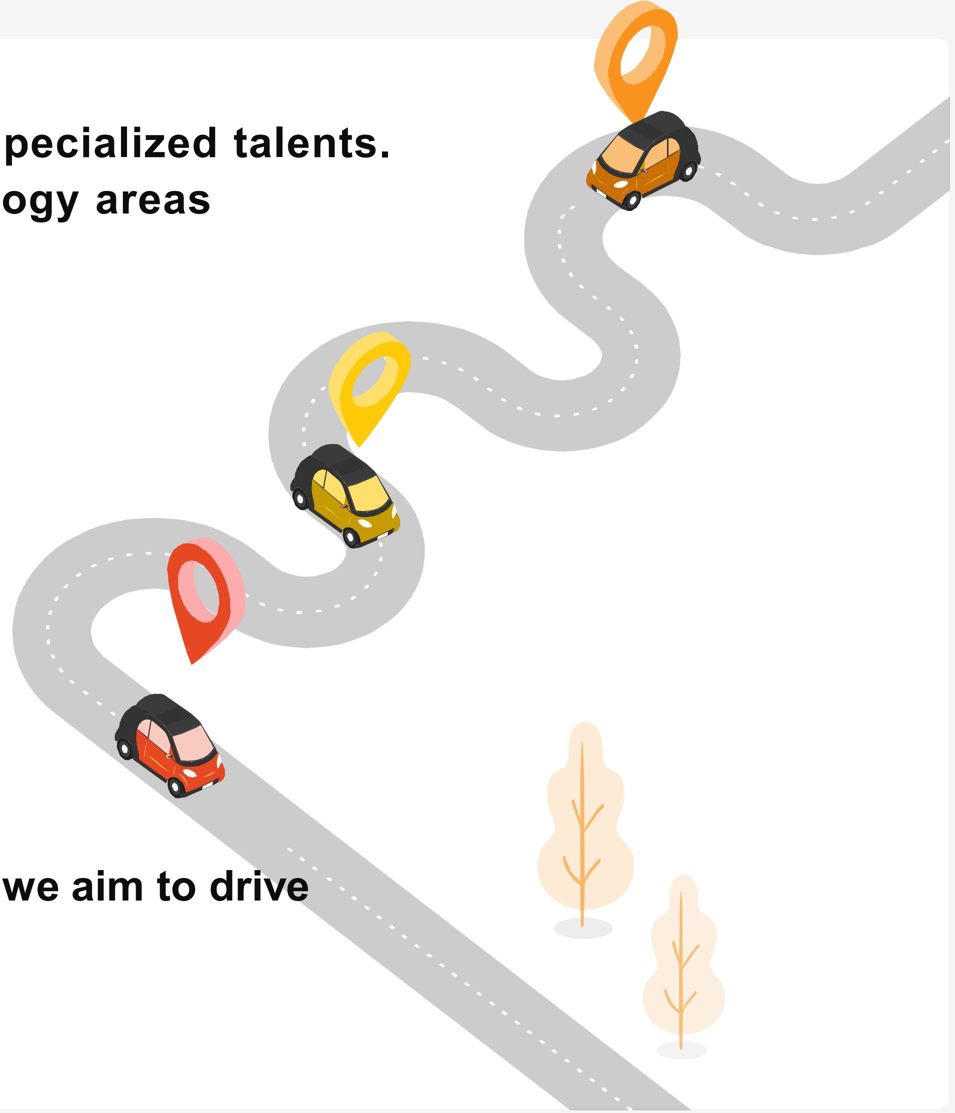
- ✓ Maintain high growth rates
- ✓ Medium-term business plan

03

- ✓ Transition to the TSE Prime market.
- ✓ Start paying dividends.

04

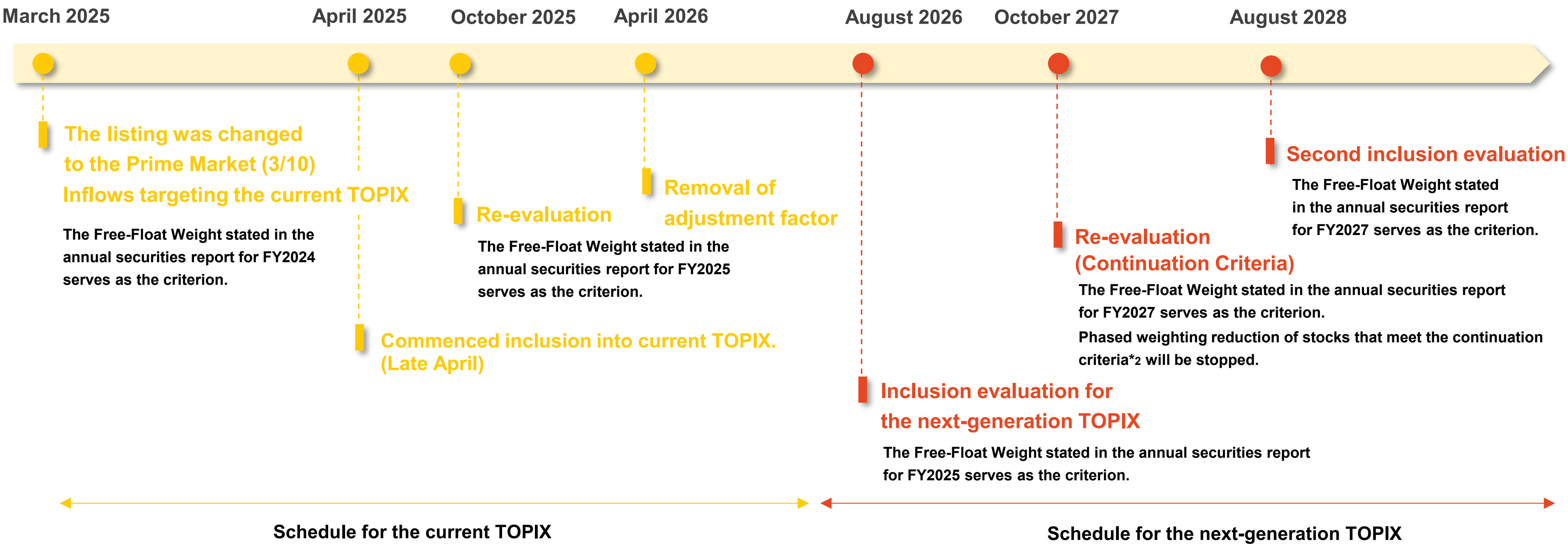
- ✓ While enhancing baudroie's competitive advantage, we aim to drive growth for the entire group company.
- ✓ Dividend Policy



Appendix

Inclusion evaluation and revision schedule for the Next-Generation TOPIX

✓ **Taking into account upcoming inclusion evaluations and re-evaluation for the next-generation TOPIX, we aim to achieve a free-float market capitalization of 40 to 50 billion*1 yen at an early stage.**



March 2025

The listing was changed to the Prime Market (3/10)

Inflows targeting the current TOPIX

The Free-Float Weight stated in the annual securities report for FY2024 serves as the criterion.

April 2025

Commenced inclusion into current TOPIX. (Late April)

October 2025

Re-evaluation

The Free-Float Weight stated in the annual securities report for FY2025 serves as the criterion.

April 2026

Removal of adjustment factor

August 2026

Inclusion evaluation for the next-generation TOPIX

The Free-Float Weight stated in the annual securities report for FY2025 serves as the criterion.

October 2027

Re-evaluation (Continuation Criteria)

The Free-Float Weight stated in the annual securities report for FY2027 serves as the criterion.

Phased weighting reduction of stocks that meet the continuation criteria*2 will be stopped.

August 2028

Second inclusion evaluation

The Free-Float Weight stated in the annual securities report for FY2027 serves as the criterion.

Schedule for the current TOPIX

Schedule for the next-generation TOPIX

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*1 These figures are current estimates based on our internal projections for the inclusion in the next-generation TOPIX, and are subject to change depending on future institutional revisions or market conditions.

*2 Annual Traded Value Ratio ; 0.14 or more, Percentage of Cumulative Free-Float Adjusted Market Capitalization ; In the top 97%

Regarding the Dividend Initiated in FY2026

✓ **According to the material on the right, it appears that transitioning from no dividend paying to dividend paying may lead to a decrease in volatility.**

Dividend

As previously communicated, we have initiated dividend payments from FY2026, coinciding with our transition to the Prime Market.

▼
▼
▼

Purpose

To encourage investment from investors who focus solely on dividend-paying companies, thereby broadening our investor base.

By transitioning from no dividends to dividend payments, there is a possibility of reduced volatility, and we are optimistic about the potential impact of this effect.

The Effect of Dividends on Volatility	Number of companies	90-day volatility median	Dividend payout ratio median
Group 1 total (The highest dividend payout ratio)	303	21.24	101.2%
Group 2 total	303	22.84	56.8%
Group 3 total	303	23.80	46.1%
Group 4 total	303	24.63	39.5%
Group 5 total	303	24.78	34.4%
Group 6 total	303	27.25	30.6%
Group 7 total	304	25.11	27.2%
Group 8 total	304	26.49	22.8%
Group 9 total	304	26.75	18.1%
Group 10 total (The lowest dividend payout ratio)	304	29.33	10.6%
The total number of companies with a positive dividend payout ratio	3034	25.07	32.2%
Non-dividend paying companies	721	45.66	0.0%
The total number of companies with a negative dividend payout ratio	181	26.40	-25.4%

The difference in value is the largest when transitioning from no dividends to dividend payments.

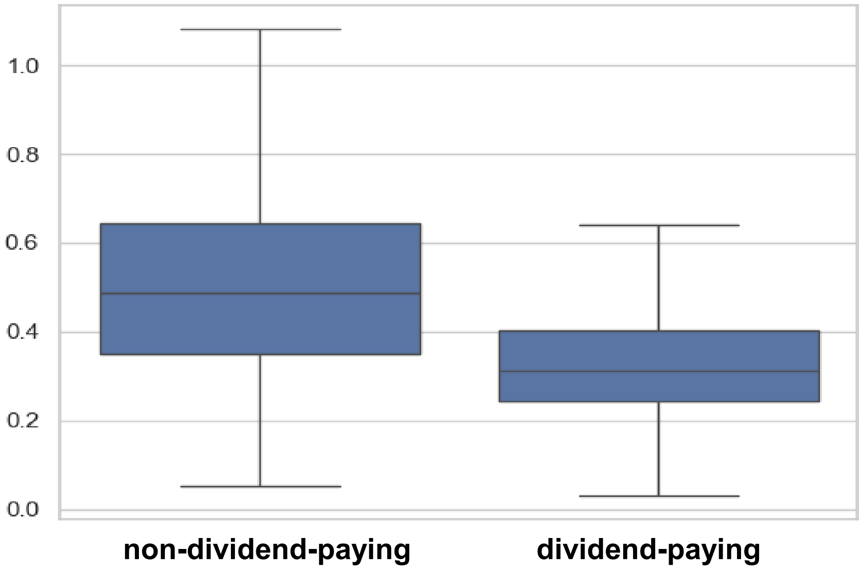
* Reference: Data from Nezu Asia Capital Limited's report as of December 2024.

Approach to Dividends

- ✓ **There is a tendency for stock price volatility to decrease when a company transitions from being non-dividend-paying to dividend-paying.**
- ✓ **Accordingly, we are initiating dividend payments as a management initiative with an awareness of the capital markets.**

Comparison of non-dividend-paying and dividend-paying companies

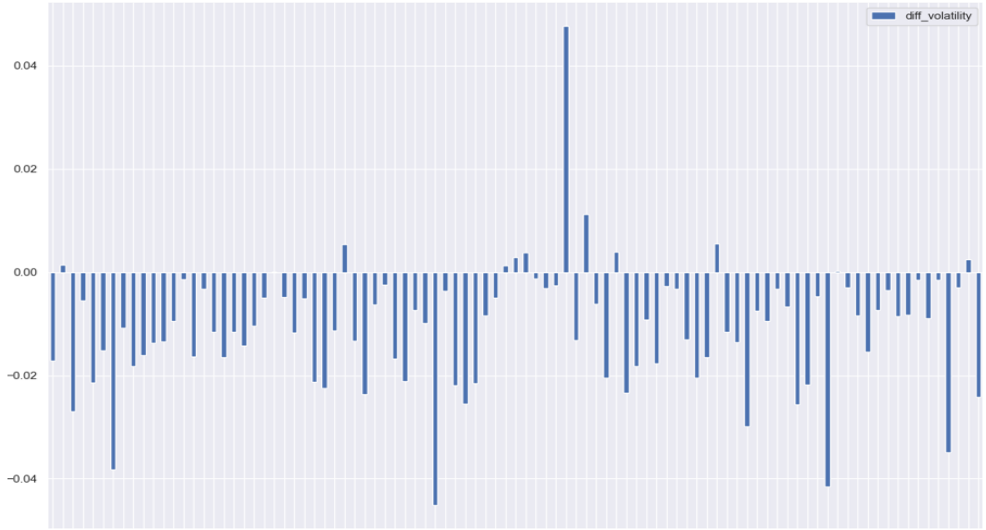
Dividend-paying stocks tend to have lower volatility.



* Daily volatility (annualized) was calculated for the 250 trading days following the forecast dividend announcement date, and aggregated separately for non-dividend and dividend-paying stocks. The analysis covers the period from 2009 to 2024. In the chart, the black line in the center represents the average, while the other lines indicate the maximum, minimum, and quartile values.

The relationship between dividend initiation and stock price volatility

After the initiation of dividends, approximately 90% of the stocks experienced a decrease in volatility.



* Among the non-dividend-paying stocks as of 2015, those that issued dividends five or more times by 2024 were selected. For each, the daily volatility (annualized) was calculated for the 250 trading days before and after the first dividend announcement, and the difference was computed. The results were sorted by stock code.

* Reference: Data from Acropolis Advisors, Inc’s report as of December 2024.

Past M&A Results and Future M&As Utilizing Treasury Shares

Company Name	ZOSTEC Inc.	ALJOY Inc.	FunClock Inc.	actias Inc.
Business Description	Network and Server Integration	Network and Server Integration	Testing and Validation	Network and Server Integration
Revenue Operating Profit	224 million yen -8 million yen (At the time of acquisition)	389 million yen 6 million yen (At the time of acquisition)	1 billion yen 50 million yen (FY2023 ended in June)	1.7 billion yen -30 million yen (FY2024 ended in January)
Acquisition Date	April 2022	March 2023	March 2024	June 2024

Revenue and Operating Profit Trends of ZOSTEC and ALJOY (Combined Total for Both Companies)

	At the time of acquisition	FY2024 results (full-year)	FY2025 results (full-year)
Net sales	613,703 thousand yen	1,339,199 thousand yen	1,693,779 thousand yen
Operating profit	-2,136 thousand yen	135,273 thousand yen	236,001 thousand yen

Post-merger integration (PMI) is sufficiently conducted even now, but we will achieve more effective PMI by using the following method.

Going forward, we will use part of our treasury shares to acquire companies. By retaining their ownership not only at the management team of the parent company but also at the management team of the acquired companies, we will build an organizational structure that can generate further added value.

Our Stance for Implementing Future M&As

As an acquisition scheme to deepen group synergy, we intend to provide incentives for the target company's president to remain committed to expanding the group's corporate value from a founder's perspective.
This is achieved by using our own shares as part of the acquisition consideration to maintain their ownership or by implementing earn-out structures.

	No participation in the Group	Participation in the Group (100% share transfer)	Participation in the Group (Partial share exchange or Earn-out)
Consideration for acquisition	**No consideration**	**Consideration in money only** ▶ **No ownership** With a weak sense of unity in the Group, it is difficult to conduct PMI for deeper collaboration.	**Cash + Treasury shares** ▸ **Retain ownership** **Cash + Performance-based additional consideration** ▸ **Enhancing motivation** With a strong sense of unity in the Group, it is possible to conduct PMI for deeper collaboration.
Company growth	**Realistic and achievable growth** ⇨	**Growth through PMI** ⬀	**Accelerated growth through PMI** ⇧

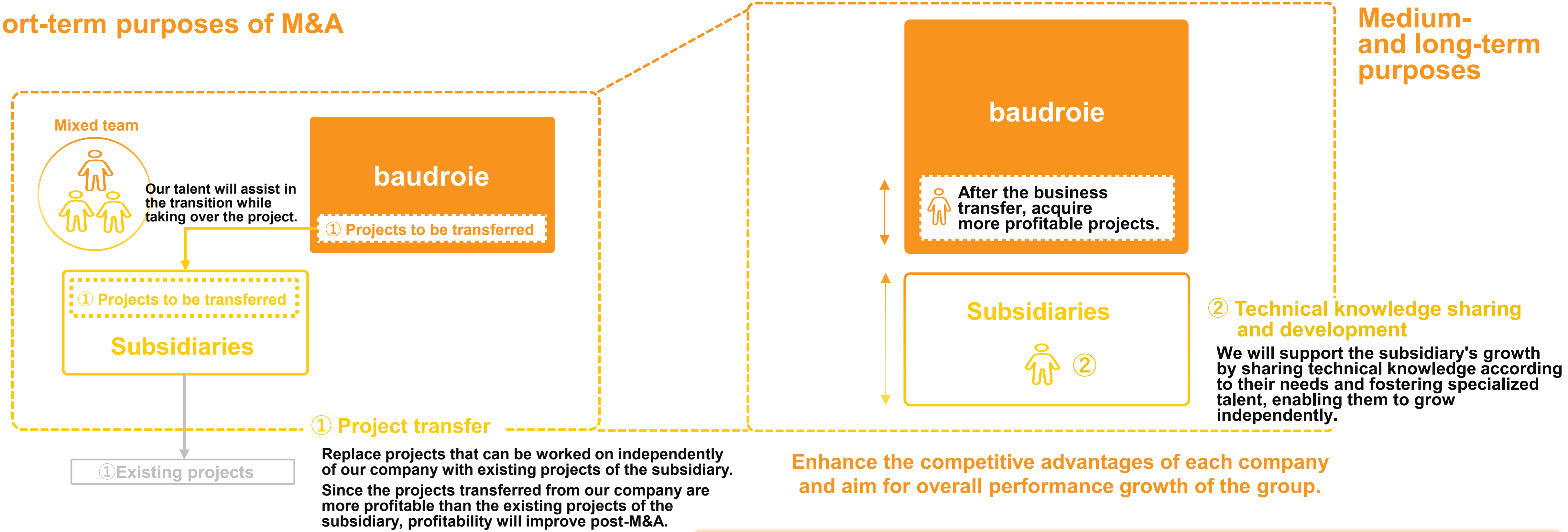
Image of M&A Strategy

As M&A targets, 1–3 are included, with the three subsidiaries consolidated from Q2 FY2026 classified as Category 1.

1. **M&A of Companies mainly staffed by young employees**
   → Companies primarily composed of young employees and engaged in comprehensive IT support services are easier to reskill.
2. Companies that are not primarily composed of young employees, but already possess advanced expertise in a specific field.
   → Since it is difficult to reskill them, their business domain needs to be closely aligned with ours.
3. Companies operating in areas closely aligned with IT infrastructure, including AI, IoT, and DX.

Short-term purposes of M&A

Medium- and long-term purposes



① Project transfer

Replace projects that can be worked on independently of our company with existing projects of the subsidiary.
Since the projects transferred from our company are more profitable than the existing projects of the subsidiary, profitability will improve post-M&A.

② Technical knowledge sharing and development

We will support the subsidiary's growth by sharing technical knowledge according to their needs and fostering specialized talent, enabling them to grow independently.

Enhance the competitive advantages of each company and aim for overall performance growth of the group.

ZOSTEC Inc.and ALJOY Inc, which were previously acquired through M&A, have improved their profitability post-acquisition due to factor ① from FY2024.

- Since the previous fiscal year (FY2025), ZOSTEC Inc.and ALJOY Inc. have also experienced growth driven by factor ②.
- actias Inc. is expected to develop approximately 50 specialized talents starting from FY2027.

Effective Utilization of Shares

Maximize the benefits of direct financing to increase corporate value

✓ **Acquisition of treasury stock**

December 2024～April 2025, acquired treasury shares

Number of treasury shares acquired	**610,400**

✓ **Three companies were newly made subsidiaries through the use of treasury shares.**

- **SPIN TECHNOLOGY Inc.**

  2,300 shares out of 4,000 shares issued were acquired through a share exchange.

Number of treasury shares delivered	**115,000**

- **GOKU TECHNOLOGIES INC.**

  1,150 shares out of 2,000 shares issued were acquired through a share exchange.

Number of treasury shares delivered	**116,150**

- **ONE-TECH Inc.**

  1,100 shares out of 4,000 shares issued were acquired through a share exchange.

Number of treasury shares delivered	**36,300**

✓ **Share-based compensation**

Regularly grant share-based compensation to employees

+

✓ **Call options from major shareholders**

Employees purchases call options

Number of eligible allottees of the share	Unrealized profit per person(approximation)※
499	**8.1 million yen**
(As of June 30, 2026)	(Calculated based on the closing price as of July 14, 2026)

* Includes unexercised stock options and call options; does not take into account sales after exercise.

* Call options are traded relative to major shareholders. And are different from share-based compensation plans implemented by the Company itself.

* 3.61% residual potential shares from share acquisition rights; 231,200 call options from major shareholders.

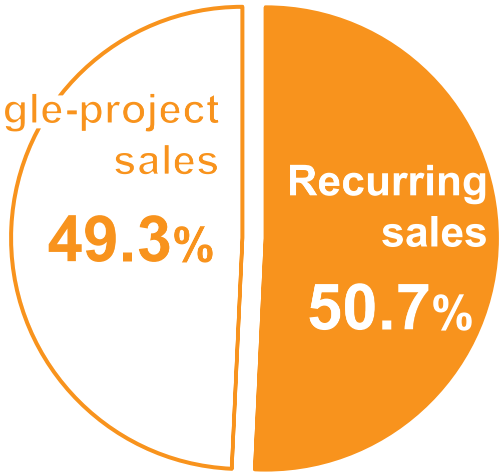
Trends in Financial Results

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
(Thousands of yen)	10th period	11th period	12th period	13th period	14th period	15th period	16th period	17th period	18th period	19th period
									※Transitioned to IFRS	
Revenue	**1,626,968**	**2,087,013**	**2,261,561**	**2,648,008**	**3,084,973**	**3,922,944**	**5,244,343**	**7,330,186**	**11,649,705**	**17,423,340**
Operating profit	131,471	230,012	274,696	409,339	509,439	679,536	975,404	1,567,382	2,460,813	3,391,334
Ordinary profit	116,255	217,992	237,982	395,841	542,494	688,011	1,033,662	1,558,439	—	—
Profit*	79,757	135,544	162,557	278,824	415,711	542,774	793,970	1,171,690	1,799,365	2,457,800
Operating profit margin	**8.1%**	**11.0%**	**12.1%**	**15.5%**	**16.5%**	**17.3%**	**18.6%**	**21.4%**	**21.1%**	**19.5%**
Ordinary profit margin(%)	7.1%	10.4%	10.5%	14.9%	17.6%	17.5%	19.7%	21.3%	—	—
Net sales growth rate (%)	-	28.3%	8.4%	17.1%	16.5%	27.2%	33.7%	39.8%	58.9%	49.6%
Operating profit growth rate (%)	-	75.0%	19.4%	49.0%	24.5%	33.4%	43.5%	60.7%	55.2%	37.8%

Recurring Sales through Continuous Services with Retained Clients (Non-consolidated)

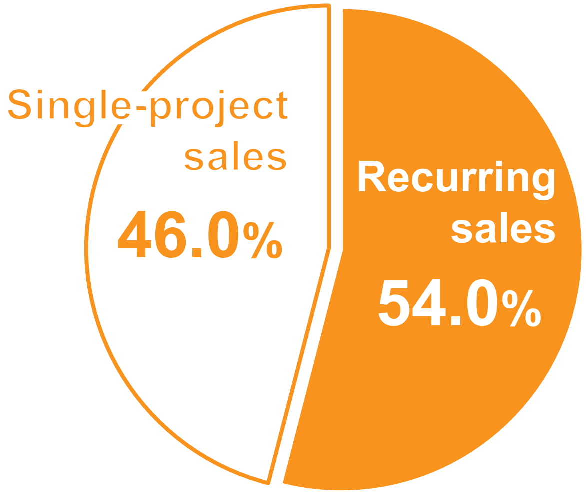
✓ **Continued stable earnings from recurring sales.**

FY2026 (ended Feb 2026)



Recurring sales: 4,345,907 thousand yen

Q1 FY2027 (ending Feb 2027)



Recurring sales: 1,341,607 thousand yen

Definitions of Specialized and Highly Specialized Talents

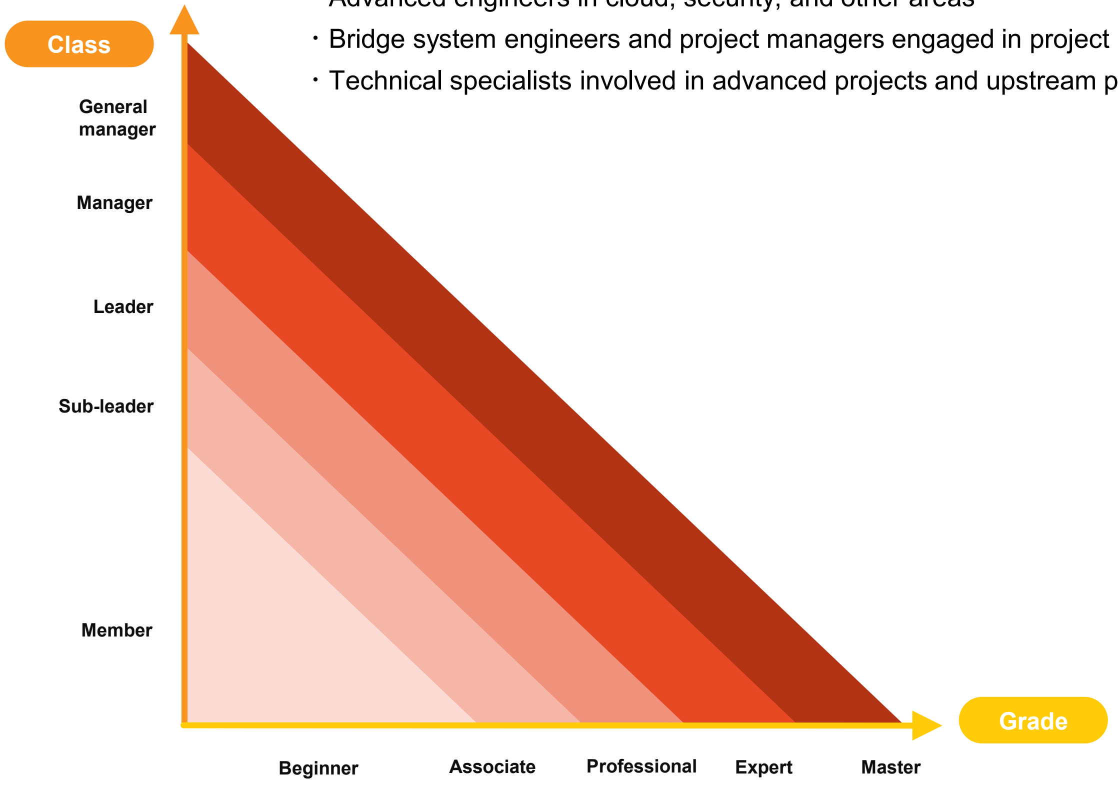
Specialized talents

Employees at sub-leader or higher levels in comprehensive capabilities, which are rated by class, or associate or higher levels in technical capabilities, which are rated by grade, in our personnel assessment and who are certified as CCNP or have passed the in-house certification exam Level 2 or above. (excluding highly specialized talents)

Highly specialized talents

Employees in our personnel assessment at leader or higher levels in comprehensive capabilities, which are rated by class, or professional or higher levels in technical capabilities, which are rated by grade, and who fall under any of the following categories:

- IT consultants, system architects
- Advanced engineers in cloud, security, and other areas
- Bridge system engineers and project managers engaged in project management
- Technical specialists involved in advanced projects and upstream processes



Class

Comprehensive capabilities as a generalist, including such aspects as business improvement, client coordination, guidance, and development of talents.
(classified into 5 levels of member, sub-leader, leader, manager, and general manager)
Leader: can understand the plan for the project in which he or she is engaged, execute it, produce results, and give accurate guidance to juniors.

Grade

Technical capabilities as a player, including knowledge, experience and skills
(classified into 5 levels of beginner, associate, professional, expert and master)
Professional: has basic knowledge and experience in his or her job domain and can handle routine work by himself or herself.

Corporate Social Responsibility

SUSTAINABLE DEVELOPMENT GOALS

4 QUALITY EDUCATION

We believe that developing young people who are capable of creating new IT industry areas and down-to-earth young people with advanced IT skills should lead to the development of a sustainable society.

The Company not only conducts education and training for its employees but also provides training for general university students, who will play an active role in society, to acquire IT qualifications.

(More than 150 such university students acquire the qualification annually.)

7 AFFORDABLE AND CLEAN ENERGY

We propose to our clients that they adopt virtualization of servers and storage devices, etc., and promote the use of such services.

Enhancing the use efficiency of IT infrastructure equipment should lead to consolidation of servers and storage devices in terms of their unit numbers, and fewer such units will reduce the amount of heat generated from them and the power required for the equipment to cool them.

We will contribute to energy savings in IT infrastructure equipment with such virtualization technologies.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

IT, which has brought convenience to people, is now beginning to play a more important role in protecting people, securing people’s lives, and other aspects.

With new IT services being created on a daily basis and gradually becoming a reality all around the world, we want to make the most of the power of IT to create a better future.

Disclaimer

This material contains forward-looking statements.These statements are based only on information available to the Company at the time they were prepared.

Moreover, such statements do not guarantee the future outcomes, and involve risks and uncertainties.

Please note that actual results may differ materially from future projections due to changes in the business environment and other factors.

Such factors that may affect the actual results include, but are not limited to, domestic and overseas economic conditions and trends in industries that are related to the Company.

We assume no obligation to update or revise any forward-looking statements contained in this material if new information arises or any event occurs in the future.

In addition, the information contained in this material with respect to anything other than the Company has been cited from public information, and we have not verified or guaranteed the accuracy or appropriateness of such information.

baudroie inc.