

## Main Questions about the FY03/2026 Results and the FY03/27 Financial Forecast

Q1. Isn't it true that contracts for the fiscal year ended March 2026 fell short of the forecast due to a decline in competitiveness?

A. It's true that contracts related to the GIGA School Concept, which account for a large proportion of contracts planned in the fiscal year ended March 2026, fell short of the initial plan, and this is something we are taking seriously.

However, as we have transitioned from Phase 1 of the GIGA School Concept to Phase 2 of the GIGA School Concept, our market share has risen from 53% to 70%, and the unit price per order has also increased by around 30%. We believe this indicates continued appreciation of aspects such as the quality of filtering we provide, our operational track record in educational settings, and our support structure.

It is, therefore, our understanding that our failure to achieve the forecast on this occasion is not attributable to the erosion of our product competitiveness as such but rather reflects a combination of factors, including greater-than-anticipated price competitiveness for certain contracts, changes in contractual terms and conditions, and the impact of the timing of contract renewals.

We believe that the quality of filtering we provide, our operational track record in educational settings, and our support structure will continue being highly rated, and our customer base in the education market is solid. Going forward, we will continue aiming for further improvement in our share of the education market by strengthening cooperation with our sales partners and also further strengthening contact points with local governments, boards of education and other relevant parties, and by taking more care in promoting the value of our products.

Q2. Surely you should take action on prices in response to your competitors' low-price offensive?

A. For some contracts, price competition was greater than anticipated; however, our response was not to simply lower prices in pursuit of orders but rather to trust in the brand value we have built up over many years in the education market and the quality of our products and attach importance to a stable operational support structure.

We believe that important criteria for security products used in educational settings are not only price but also filtering accuracy, operational stability, the quality of support, and long-term peace of mind. We decided, therefore, not to get swept up in the excessive low-price competition but rather to maintain price levels commensurate with product value and profitability in the medium and long term.

However, in light of our recent results, in the fiscal year ending March 2027, we will leverage our strong customer base in the education market and implement a range of measures aimed at getting our market share back up to 90% or higher.

While contracts were impacted to some extent in the short term, we intend to maintain a price strategy that does not erode our brand value while at the same time strengthening customer contact points and enhancing our proposal activities, with the aim of achieving both expansion in market share and medium-to-long-term improvement in corporate value.

Q3. Your net sales forecast for the fiscal year ending March 2027 looks bearish. Have you lost confidence in your growth potential?

A. The net sales forecast for the fiscal year ending March 2027 takes into account the buildup of contracts, while at the same time carefully factoring in changes in the duration of contracts, the timing of recognition of net sales, the timing of renewal of public sector contracts, and shifting demand related to the GIGA School Concept. This does not signal a pessimistic attitude towards growth. Rather, in view of our failure to achieve the forecast in the fiscal year ended March 2026, our priority was to present shareholders and investors with a forecast we are more certain of achieving. However, if we make progress with expanding our share in contracts related to the GIGA School Concept, with cross-selling and upselling to existing customers, and with winning contracts for new products such as Z-FILTER, we believe there is scope for additional growth.

Q4. Growth in the enterprise sector market is slower than anticipated and cannot drive growth in the medium term, right?

A. It's true that early growth momentum in the enterprise sector market has been more modest than initially expected and we recognize that this is an important issue to be addressed in the future. On the other hand, it is our understanding that needs for integrated provision of web security, mail security, and authentication and access control continue to expand against a backdrop of expanded use of cloud and AI, increasingly sophisticated cyber attacks, zero trust security requirements and other developments.

Going forward, we will continue to expand sales of our mainstay i-FILTER and m-FILTER products and work to increase sales of Z-FILTER and other new and related products. Additionally, we will strengthen our contact points with end users while continuing to collaborate with sales partners. By doing this, we will build sales teams that will propose solutions based on a firsthand understanding of the issues and on-site needs of customers. This will result in improvement in the ratio of orders received, higher unit prices per order, and cross-selling and upselling to existing customers and lead to further acceleration of growth in the enterprise sector market.

Q5. Surely, your revisions to the Medium-Term Management Plan mean you are downscaling your growth scenario?

A. The revisions to the Medium-Term Management Plan take into consideration our results in the fiscal year ended March 2026 and the recent business environment and set new targets with greater emphasis on achievability.

Our plans to branch out into growth areas such as security solutions for the enterprise sector, cloud products and zero trust systems remain unchanged. If anything, the latest revisions are not based on overly optimistic assumptions but rather increase the certainty of achieving targets in line with our purpose of achieving steady growth.

In view of uncertainty in the short term, our aim is to achieve an improvement in corporate value in the medium

and long term through the high market share and customer base achieved via contracts related to the GIGA School Concept, the scope for growth in the enterprise sector market, and the cultivation of new products such as Z-FILTER.