Q&A Session on Financial Results Briefing for the 2Q of the Fiscal Year Ending March 2026

Date : Friday, November 7, 2025 10:00-10:45 (JST)
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Speakers : Yukihiro NISHIMURA - Representative Director, President and Chief Executive Officer
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(Note) The summary of the questions and answers are mainly provided as per below.

Q1: How do you evaluate the first half results in terms of what was within expectations and what differed from expectations?

A : We consider the first half results to have been favorable. The main factors were the PC renewal demand from the end of Windows 10 support and the second phase of the GIGA School, with PC orders for the GIGA School particularly exceeding expectations. We expect the second half to also perform well.

Q2: What is the profit margin of iKAZUCHI.

A : The gross profit margin for overall of the IT infrastructure distribution business is around 7%. Subscription businesses have relatively higher gross profit margins because contracts are on a service-by-service basis, unlike hardware contracts, which are negotiated on a project-by-project basis.

Q3: Regarding the upward revision for the second half, please separate it into corporate PC demand and the GIGA School demand, and also let us know if there are any other products that are performing well. Additionally, please disclose products and sales performance related to data centers.

A : The upward revision includes the favorable first half results. The full-year PC shipment forecast has been raised from 5.2 million to 6.4 million units, with corporate PC demand being mostly in line with the plan, and the increase is largely due to the GIGA School demand. Sales of cloud services, which are linked to the performance of "iKAZUCHI", have been strong, contributing to our result. For data center-related products, we are shipping servers, networks, and security-related products. Demand for products such as those equipped with GPU is increasing, and we will continue to focus on securing orders as this trend is expected to continue.

Q4: Is the improvement in the profit margin compared to the same period in previous fiscal year temporary? Please advise about measures and initiatives to permanently increase the profit margin.

A : The operating profit margin for the first half was 3.4%. Considering the trend over the past three years was in the 2% range, particularly 2.6% in the first half of the previous year, we recognize this as an improvement. Securing orders for medium- and small-sized projects, which tend to be more profitable compared to large projects, and reducing the SG&A to sales ratio contributed to the improvement. To improve the profit margins permanently, we will continue to build on the performance of such medium- and small-sized projects and focus on expanding cloud service contracts through iKAZUCHI. Furthermore, the core system currently being upgraded is scheduled to launch in January 2026, and we will continue to work on reducing the SG&A to sales ratio through productivity improvements, as well as streamlining operations at the logistics center.

Q5: What percentage of the total treasury shares are scheduled to be retired, and how much will the treasury shares holding ratio fall to after the retirement?

A : The shares to be retired amount to approximately 7.87 million shares, equivalent to 8.18%. Once the retirement is complete, it will be approximately 0.69% of the outstanding shares as of the end of October. But we are continuing

with the acquisition of treasury shares announced in June with an upper limit of 8 billion yen, and after acquisition, it will ultimately be around 1.7%.

Q6: Please advise the reason for the slight decline in the gross profit margin from the 1Q to the 2Q.

A : The gross profit margin slightly decreased as the proportion of the GIGA School shipments increased in the 2Q. The GIGA School involves bidding, making it difficult to secure profits, but we are focusing on securing orders considering the future expansion of business in the education sector.

Q7: Is the decrease in the gross profit margin from 7.6% in the 1Q to 7.0% in the 2Q largely due to the impact of the GIGA School? Of the approximately 1.91 million PCs shipped in three months period in the 2Q, how many were shipped to the GIGA Schools? Please also advise the reasons for the result exceeding expectations.

A: The decrease in the gross profit margin is largely due to the increased proportion of GIGA School. Of the PC shipments in the second quarter, approximately 600,000 units were for the GIGA School. Regarding market share, we need to wait for the final results at the end of the fiscal year, but it is possible that it exceeds our usual corporate PC share. We initially expected the proportion of PC types for the GIGA School to be about 60%, but the first half results showed an increase to about 70%, which explains why the number of PCs shipped to the GIGA School exceeded the plan.

Q8: In small-scale projects, what are the competitive environment, advantages, and challenges of the group?

A : Small-scale projects are mainly ordered by local sales partners, giving us an advantage with our nationwide sales network. Because they are small-scale, it is necessary to steadily build up performance, and we will continue to capture demand in collaboration with regional sales partners.

Q9: The operating income for the next fiscal year is expected to decrease compared to this fiscal year, but is there any concern that it will decrease further due to the upward revision of this fiscal year's performance? Also, is there a plan to update the medium-term management plan?

A : A pullback in demand the year after a temporary event with high demand is unavoidable. For the next fiscal year, the final year of the current medium-term management plan, the pullback has already been factored in, there is no change to the current forecast of 36 billion yen in operating income. We will continue to steadily capture corporate IT investment demand and focus more on IT fields where growth is expected, including cloud services.

Q10: Is there room to expand the PC shipment market share? What measures or initiatives are planned to achieve this expansion?

A : In addition to our nationwide sales network, we have the strength of sourcing power that we have cultivated through repeated appropriate negotiations with manufacturers. This solid sales and procurement system has differentiated us from other companies, and by gaining the trust of our business partners, we have been able to increase our market share. We will work to enable manufacturers who previously sold directly to end users to entrust the distribution channel to us.

Q11: Regarding IT infrastructure distribution business, could we understand that the improvement in the gross profit margin compared to the same period in previous year was mainly due to the quantity effect?

A : In the previous fiscal year, discounts were given when large quantities were ordered for major projects, which lowered the gross profit margin. However, such projects decreased this fiscal year, resulting in an improvement in the gross profit margin. In that sense, this can be attributed to the quantity effect. Due to the large scale of net sales, even a 0.1% improvement has a significant impact on operating income.