

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended February 28, 2026

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from to

Commission file number: 001-43279

Micware Co., Ltd.

(Exact name of Registrant as specified in its charter)

Japan

(Jurisdiction of incorporation or organization)

Kobe Asahi Building 25th Floor

59 Naniwa-machi, Chuo-ku

Kobe, Hyogo 650-0035

(Address of principal executive offices)

Takuma Segawa, Chief Financial Officer

Telephone: +81-36-699-9899

Email: mic_ir@micware.co.jp

At the address of the Registrant set forth above

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American depositary shares, each representing one ordinary share	MWC	The Nasdaq Stock Market LLC
Ordinary shares*		The Nasdaq Stock Market LLC

* Not for trading, but only in connection with the listing of the American depositary shares on The NASDAQ Stock Market LLC. Each American depositary share represents one ordinary share.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report: 56,141,914 ordinary shares as of February 28, 2026. This number of ordinary shares is presented to give effect to the 241-for-1 share split of the issued and outstanding ordinary shares which became effective on March 31, 2026.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

* If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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INTRODUCTION

In this annual report on Form 20-F, unless the context otherwise requires, references to:

- “3D” are to three-dimensional;
- “AI” are to artificial intelligence;
- “ADS” are to American depositary share;
- “B2B” are to business-to-business;
- “B2C” are to business-to-consumer;
- “Companies Act” are to the Companies Act of Japan (Act No. 86 of 2005, as amended);
- “Denso” are to Denso Corporation (TYO:6902), a joint-stock corporation with limited liability organized under Japanese law;
- “Denso Group” are to Denso and other entities under common control with Denso;
- “GPS” are to Global Positioning System;
- “Honda” are to Honda Motor Co., Ltd. (NYSE: HMC, TYO: 7267), a joint-stock corporation with limited liability organized under Japanese law;
- “Honda Group” are to Honda and other entities under common control with Honda;
- “IT” are to information technology;
- “LBS” are to location-based service;
- “MCU” are to microprocessor;
- “Micware,” “we,” “us,” “our,” “our Company,” or the “Company” are to Micware Co., Ltd., a joint-stock corporation with limited liability organized under Japanese law and its subsidiaries, as the case may be;
- “Micware Asia Pacific” are to Micware Asia Pacific Co., Ltd., a limited company incorporated under Thai laws and a subsidiary of Micware;
- “Micware Automotive” are to Micware Automotive Co., Ltd., a joint-stock corporation with limited liability organized under Japanese law and a wholly owned subsidiary of Micware;
- “Micware Create” are to Micware Create Co., Ltd., previously known as Micware Challenged Co., Ltd. (“Micware Challenged”), a joint-stock corporation with limited liability organized under Japanese law and a wholly owned subsidiary of Micware;

- “Micware Europe” are to Micware Europe GmbH, a registered limited liability company organize under German law and a wholly owned subsidiary of Micware;
- “Micware Group” are to Micware and other entities under common control with Micware;
- “Micware Mobility” are to Micware Mobility Co., Ltd., a joint-stock corporation with limited liability organized under Japanese law and a wholly owned subsidiary of Micware;
- “Micware Navigations” are to Micware Navigations Co., Ltd., a joint-stock corporation with limited liability organized under Japanese law and a wholly owned subsidiary of Micware;
- “Micware North America” are to Micware North America, Inc., a corporation incorporated under the state of California and a subsidiary of Micware;
- “Micware Operation” are to Micware Operation Co., Ltd., a joint-stock corporation with limited liability organized under Japanese law and a wholly owned subsidiary of Micware;
- “ML” are to machine learning;
- “NEV” are to New Energy Vehicle;
- “O-Well” are to O-Well Corporation (TYO: 7670), a joint-stock corporation with limited liability organized under Japanese law;
- “Ordinary Share” are to the Company’s ordinary share;
- “R&D” are to research and development;
- “SDV” are to software-defined vehicles;
- “SEC” are to the U.S. Securities and Exchange Commission;
- “Toyota” are to Toyota Motor Corporation (NYSE: TM, TYO: 7203, LSE: TYT), a joint-stock corporation with limited liability organized under Japanese law;
- “Toyota Group” are to Toyota and entities under common control with Toyota;
- “UI” are to user interface;
- “Uni Electronics” are to Uni Electronics Inc., a joint-stock corporation with limited liability organized under Japanese law and a wholly owned subsidiary of O-Well; and
- “UX” are to user experience.

Glossary of Technical Terms

This glossary contains explanations of certain terms used in this annual report. Unless we indicate otherwise, references in this annual report to:

- “Advanced Driver Assistance Systems” or “ADAS” are to technologies that assist drivers with the safe operation of a vehicle;
- “analog broadcasting” are to a traditional method of transmitting audio signals using electromagnetic waves;
- “Android” are to an open-source operating system for mobile devices developed by Google;
- “application programming interface” or “API” are to a way for two or more computer programs or components to communicate with each other;
- “application-specific integrated circuit” or “ASIC” are to an integrated circuit chip customized for a particular use;
- “augmented reality” or “AR” are to a technology that overlays digital information onto the real world, altering a user’s perception of reality rather than replacing it, using devices like smartphones and smart glasses to capture the physical world and integrate digital content, like 3D models, images, or videos, into the scene;
- “autonomous driving” or “AD” are to an automobile technology where vehicles can operate without human input;
- “automated testing” are to a software testing technique that uses software tools and scripts to execute tests on software applications without human intervention;
- “beacon sensing algorithm” are to a system that allows a mobile app to detect and interpret signals from Bluetooth beacons installed in indoor environments;
- “Blind Spot Information System” or “BSI” are to a driver-assistance feature that uses sensors to detect vehicles in the driver’s blind spot and alerts the driver;
- “board support package” or “BSP” are to the collection of software components containing hardware-specific routine allowing a given embedded operating system to function in a given hardware environment;
- “central processing unit” or “CPU” are to the primary processor in a computer;
- “Cross Traffic Monitoring” or “CTM” are to a driver-assistance feature that alerts the driver when other vehicles are detected near or in the driver’s backing path;
- “Dedicated Short-Range Communications” or “DSRC” are to a wireless communication technology that allows cars to exchange information with roadside infrastructure over short distances;
- “Dynamic Street Map & Market Place” or “DSMM,” or “DynaPlanet” effective July 1, 2026, are to a new geospatial information framework that reconstructs and updates wide-area spatial data using limited visual inputs collected from everyday devices (for instance, dashcams), such as images and videos;
- “edge sources” are to data sources that originate from devices or sensors located at or near the physical location where data is generated;
- “field programmable gate array” or “FGPA” are to a type of configurable integrated circuit that can be repeatedly programmed after manufacturing;
- “graphics processing unit” or “GPU” are to a specialized circuit designed for digital image processing and to accelerate computer graphics;

- “Google Automotive Services” or “GAS” are to a suite of Google applications and services that car manufacturers can license and integrate into their IVI systems;
- “Hardware Abstraction Layer” or “HAL” are to a software layer situated between hardware components—such as the CPU, motherboard, and peripheral devices—and high-level software like the operating system, the primary function of which is to abstract (standardize) specific technical differences of various hardware, allowing the system to communicate with them through a single, unified interface;
- “human machine interface” or “HMI” are to a user interface that allows a person to interact with a machine, system, or device;
- “indoor routing system” are to a software system that uses the position data from beacons and digital indoor map data to calculate and display a navigation path from the user’s current location to a selected destination within the building;
- “in-vehicle infotainment system” or “IVI system” are to the integrated hardware and software in vehicles that provide entertainment, information, and communication features to drivers and passengers;
- “Linux OS” are to a family of open source operating systems based on the Linux kernel, which is the core component of an operating system;
- “Low Power Wide Area” or “LPWA” are to a type of telecommunications technology that transmits data with low power consumption and covers large geographic areas;
- “LTE-M” or “Cat. M1” are to a type of LPWA designed specifically for purpose-built devices, like trackers or water meters, that transmit small to medium amounts of data over wide ranges;
- “middleware” are to a type of computer software program that provides services to software applications beyond those available from the operating system;
- “Multi-access Edge Computing” or “MEC” are to a network architecture that brings computing and storage resources closer to the edge of the network, near mobile devices and users;
- “Natural Language Processing” or “NLP” are to a machine learning technology that enables computers to interpret, process, and understand human language, including vocabulary, grammar, and even intonation in text and speech;
- “Neural Radiance Fields” or “NeRF” are to algorithms that reconstruct volumetric scenes from multi-angle 2D images;
- “Operating System” or “OS” are to a software program that manages a computer’s hardware and software resources, acting as a bridge between the user and the computer’s core functions;
- “Original Equipment Manufacturer” or “OEM” are to automobile manufacturers in the automobile industry;
- “Over-the-Air” or “OTA” are to a form of wireless software update;
- “person-months” are to a measurement of time and resources needed to complete a project or task (for example, 2,000 person-months means that one person would need to work for 2,000 months to complete the project);
- “Printed Circuit Board” or “PCB” are to a foundational component used to mount and interconnect electronic parts, consisting of an insulating substrate with conductive pathways, or traces, etched from copper foil to form the electrical circuit patterns;

- “proof-of-concept project” or “PoC project” are to preliminary project designed to test the feasibility of an idea or concept before committing significant resources to a full-scale development;
- “Retrieval-Augmented Generation” or “RAG” are to a method in which generative AI systems retrieve relevant documents from an external source to ground and enhance the output;
- “software development kit” or “SDK” are to a comprehensive set of development tools designed to help creators build applications for a specific platform or system, packaging everything a developer needs into a single bundle, including compilers (to translate code), debuggers (to find errors), APIs and libraries (pre-written code shortcuts), and technical documentation;
- “Stable Diffusion” are to an AI model used for converting text to images;
- “scalable service-oriented middleware over IP” or “SOME/IP” are to a vehicle network protocol for communication between in-vehicle functions such as navigation and cameras;
- “telematics” are to a technology system that monitors and manages vehicle data such as location, speed, engine performance, and driver behavior;
- “Tier 1 Software Supplier” are to a company that directly supplies software to OEMs;
- “Tier 1 Supplier” are to a company that directly supplies products, including hardware or integration of hardware and software, to OEMs;
- “Transformer models” are to a deep learning architecture introduced by Google in 2017; and
- “Vehicle Information and Communication System WIDE” or “VICS WIDE” are to a system that uses broadcast methods (radio waves) to provide real-time traffic information to in-car navigation systems.

On January 22, 2024, the Company’s board of directors approved (i) a 130-for-1 share split of its issued and outstanding Ordinary Shares, and (ii) the increase of the number of authorized shares from 4,000 to 520,000. The record date of such share split was February 29, 2024. Such share split and increase of the number of authorized shares became effective on March 1, 2024.

On February 16, 2026, the Company’s board of directors approved (i) a 241-for-1 share split of its issued and outstanding Ordinary Shares, and (ii) the increase of the number of authorized shares from 520,000 to 125,320,000. Such share split and increase of the number of authorized shares became effective on March 31, 2026.

Unless otherwise indicated, all share amounts and per share amounts in this annual report have been presented to give effect to (i) the 130-for-1 share split of our Ordinary Shares which became effective on March 1, 2024, and (ii) the 241-for-1 share split of our issued and outstanding Ordinary Shares which became effective on March 31, 2026.

This annual report on Form 20-F includes our audited consolidated financial statements for the fiscal years ended February 28, 2026 and 2025, and February 29, 2024. Our functional currency and reporting currency are the Japanese yen (“JPY” or “¥”), the legal currency of Japan. The terms “dollar,” “US\$,” or “\$” refer to U.S. dollars, the legal currency of the United States. Convenience translations with respect to financial information as of February 28, 2026 included in this annual report are based on the exchange rate of JPY to U.S. dollars of ¥156.05=\$1.00, which was the foreign exchange rate on February 27, 2026, the last business day in fiscal year ended February 28, 2026, as published on the website of the United States Federal Reserve Board.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that reflect our current expectations and views of future events, all of which are subject to risks and uncertainties. You can identify these statements by the fact that they do not relate strictly to historical or current facts. You can find many (but not all) of these statements by the use of words such as “approximates,” “believes,” “hopes,” “expects,” “anticipates,” “estimates,” “projects,” “intends,” “plans,” “will,” “would,” “should,” “could,” “may,” or other similar expressions in this annual report. These statements are likely to address our growth strategy, financial results, and future development programs. You must carefully consider any such statements and should understand that many factors could cause actual results to differ from our forward-looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- assumptions about our future financial and operating results, including revenue, income, expenditures, cash balances, and other financial items;
- our ability to execute our growth and expansion plan, including our ability to meet our goals;
- current and future economic and political conditions;
- our ability to compete in our industry;
- our capital requirements and our ability to raise any additional financing which we may require;
- our ability to attract customers and further enhance our brand awareness;
- our ability to hire and retain qualified management personnel and key employees in order to enable us to develop our business;
- trends in our industry; and
- other assumptions described in this annual report underlying or relating to any forward-looking statements.

We describe certain material risks, uncertainties and assumptions that could affect our business, including our financial condition and results of operations, under “Item 3. Key Information—D. Risk Factors.” We base our forward-looking statements on our management’s beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that actual outcomes and results may, and are likely to, differ materially from what is expressed, implied, or forecast by our forward-looking statements. Accordingly, you should be careful about relying on any forward-looking statements. Except as required under the federal securities laws, we do not have any intention or obligation to update publicly any forward-looking statements after the distribution of this annual report, whether as a result of new information, future events, changes in assumptions, or otherwise.

Part I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

Item 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business and Industry

We are a holding company and depend upon our operating subsidiaries for our cash flows.

As a holding company incorporated under Japanese law with no material operations of its own, Micware's operations have been conducted primarily in Japan by its subsidiaries. Consequently, our cash flow and our ability to meet our obligations depend upon the cash flow of our operating subsidiaries and the payment of funds by these operating subsidiaries to us in the form of dividends, distributions or otherwise. The ability of our operating subsidiaries to make any payments to us depends on their earnings, the terms of their indebtedness, including the terms of any credit facilities and legal restrictions. Any failure to receive dividends or distributions from our operating subsidiaries when needed could have a material adverse effect on our business, results of operations, or financial condition.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be adversely affected.

The automotive software industry is characterized by fragmented global competition, diverse technological approaches, and varying regional leaders. We face competition from a wide range of players across several categories. In software development services, we compete with SCSK Corporation, SKY Corporation, and Panasonic Corporation in Japan, and with TATA Consultancy Services Limited, KPIT Technologies Limited, and Wipro Limited from India. In software licensing, our peers include Aisin Corporation, Pioneer Corporation, ZENRIN DataCom Co., Ltd., and Panasonic Corporation. In digital map and software maintenance services, we compete with companies with established global presence such as HERE Technologies, TomTom N.V., Google (Alphabet) LLC, Environmental Systems Research Institute, Inc (ESRI), and Mapbox Inc.

Complicating this environment is the fact that many of the Company's customers, primarily automotive OEMs, possess strong in-house software development capabilities, making them both clients and potential competitors. These competitors are large companies and have significant brand recognition, long operating histories, large marketing budgets, and substantial resources. These companies, as well as other competitors, may offer products and services on a stand-alone basis at a low price or bundled as part of a larger product sale. In order to take advantage of customer demand for their products and services, they may have greater capacity to expand their products and services through acquisitions and organic development.

Many of our competitors are able to devote significant resources to the development, promotion, and sale of their products and services. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition. In addition, many of our competitors have established marketing relationships, access to large customer bases and major distribution agreements with Tier 1 Suppliers and OEMs. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. If our competitors' products, services, or technologies become more accepted than our products or services, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, then our revenue could be adversely affected. In addition, some of our competitors may offer their products and services at a lower price. If we are unable to achieve our target pricing levels, our operating results would be negatively affected. Pricing pressures and increased competition could result in reduced sales, reduced margins, losses or a failure to maintain or improve our competitive market position, any of which could adversely affect our business.

We have experienced steady growth since our establishment. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service, or adequately address competitive challenges.

Since the establishment of Micware in 2003, we have accumulated over 20 years of experience in software development in the automotive industry, which has translated into significant business growth in terms of business scope and client base. Starting from 2013, with the introduction of Linux OS into our products, we have started to act as a Tier 1 Software Supplier. In 2020 and 2022, the OEMs Toyota and Honda, respectively, who are also our customers, became our shareholders, testifying as to our brand reputation in the industry. As of the date of this annual report, our business is operated across Japan through six operating entities and 12 branch offices. We have also established subsidiaries in the U.S., Thailand, and Germany, for our operations overseas.

We anticipate that we will significantly expand our operations and headcount in the near term. See “Item 4. Information on the Company—B. Business Overview—Growth Strategies—Accelerate Talent Acquisition and Retention Through Geographic and Industry Expansion.” This growth has placed, and future growth will place, a significant strain on our management, administrative, operational, and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial, and management controls and our reporting systems and procedures. Failure to effectively manage growth could result in difficulty or delays in deploying customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties, and any of these difficulties could adversely impact our business performance and results of operations.

For the fiscal years ended February 28, 2026 and 2025 and February 29, 2024, revenue generated from software development services was JPY17,521.6 million (approximately \$112.3 million), JPY17,178.2 million and JPY13,429.1 million, respectively, constituting 80.0%, 81.4% and 76.7% of our total revenue. We cannot assure you that the software development services will generate a similar amount of revenue for us in the future as they have done in the last three fiscal years. We cannot guarantee that the software development services will continue to grow at historical rates or at all, or that software development services, our other existing businesses, or any new businesses we may acquire will experience rapid or significant growth. In the event that we experience a decline in the software development services or other lines of business due to any reason, our results of operations and financial position may be materially and adversely affected.

Many of the factors discussed below could materially and adversely affect our business, prospects and future performance, including:

- our ability to maintain, expand, and further develop our relationships with consumers and businesses to meet their increasing demands;
- our ability to introduce and manage the development of new lines of service;
- the continued growth and development of the industry in which we operate;
- our ability to keep up with the technological developments or new business models of the rapidly evolving software and automotive industries, particularly in relation to SDV; and
- our ability to attract and retain qualified and skilled employees.

We may not be successful in addressing the risks and uncertainties listed above, among others, which may materially and adversely affect our business, results of operations, financial condition, and prospects.

If we fail to execute our strategies and plans effectively, we may not be able to take advantage of market opportunities or meet the demands of customers.

We believe that a key feature of the automotive software industry is the significant buying power held by OEMs, and without careful management, there is a risk of becoming relegated to a subcontractor role. To mitigate this risk, we are pursuing business domains that do not rely on revenue from OEMs. Our current DynaPlanet project represents a concrete initiative under this strategy. For this reason, we are also actively developing and monetizing our other location-based software products and services that directly target consumers, in an effort to expand our revenue streams. For a detailed discussion of these initiatives, see “B2C services—Navigation” and “B2C services—Other than navigation” in “Item 4. Information on the Company—B. Business Overview—Our Products and Services.”

Any factor adversely affecting sales of these products and services, including market acceptance, product competition, performance and reliability, reputation, price competition, and economic and market conditions, could adversely affect our business and operating results. Our participation in the markets for the products and services we are developing or have just launched is relatively new, and it is uncertain whether these areas will ever result in significant revenue for us. Further, the introduction of new products and services beyond these markets may not be successful.

In addition, such expansion will increase the complexity of our operations and may cause strain on managerial, operational, and financial resources. We must continue to hire, train, and effectively manage new employees. If our new hires perform poorly or if we are unsuccessful in hiring, training, managing and integrating new employees, our business, financial condition and results of operations may be materially harmed. These expansions will also require us to maintain the consistency of our product and service offerings to ensure that our market reputation does not suffer because of any deviations, whether actual or perceived, in the quality of our products and services.

Our future results of operations depend largely on our ability to execute our plans successfully. In particular, our continued growth may subject us to the following additional challenges and constraints:

- we face challenges in ensuring the productivity of a large employee base and recruiting, training and retaining highly skilled personnel, including in the areas of sales and marketing, technical development operations, and customer service for their growing operations;
- we face challenges in responding to evolving industry standards and government regulation that impact our business and the automotive software industry in general, such as laws and regulations on data protection and the use of AI;
- we may have limited experience for certain new service offerings, and our expansion into these new service offerings may not achieve broad acceptance among target customers;
- technological or operational challenges may arise from new services;
- the execution of our current business plans will be subject to the availability of funds to support the relevant capital investment and expenditures; and
- the successful execution of our strategies is subject to factors beyond our control, such as general market conditions and economic and political developments in Japan and globally.

All of these endeavors involve risks and will require significant management, financial, and human resources. We cannot assure you that we will be able to implement these strategies successfully. Besides, there is no assurance that the investment to be made by us, as contemplated by our business plans, will be successful and generate the expected return. If we are not able to execute our strategies effectively, or at all, our business, results of operations, and prospects may be materially and adversely affected.

Our business and sales are subject to the business strategies of the brand owners.

For the fiscal years ended February 28, 2026 and 2025 and February 29, 2024, the majority of our revenue was attributed to our software development services, where we help customers, OEMs or Tier 1 suppliers, develop certain software based on specific requirements or agile development methodology. See “Item 4. Information on the Company—B. Business Overview—Our Business Model—Revenue and Pricing Model—Software Development Services.” The software is developed at the request of our customers, often but not always with our recommendation, inputs, or in partnership in the design process of the software. In addition, we may agree that intellectual property rights arising from the course of performing the software development belong to our customers. Our business and sales are heavily dependent on the market receptiveness of, and demand for, the products offered by our OEMs or Tier 1 suppliers. The overall business strategies and product development plans adopted by these customers and their ability to maintain and develop their brands are therefore essential to our business.

As we have limited influence on the decisions made by the OEMs or Tier 1 suppliers in relation to their business strategies, in particular, the production of their existing products and development of new products, we cannot assure that the customers will be able to maintain and further develop their brands and/or products, or that our customers will continue to show preferences to their brands and/or products. If the strategies of our customers turn out to be unsuccessful or due to any other reasons the marketability of the brands falls substantially, the profitability of our business would be materially and adversely affected.

If we are not able to provide successful enhancements, new features, and modifications to our software products, our business could be adversely affected.

If we are unable to provide enhancements and new features to our software products, our current services, or new products and services we may develop in the future that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. For example, in order to continually provide software development services to OEMs, we must be able to continually achieve technological advancements and provide upgraded software for new vehicle models. We are also focused on enhancing the capability of our development platform, micAuto-PF. We must also regularly update our proprietary navigation algorithm, “Navi Core,” for our navigation software, with major updates being performed around every two years, and minor updates two to three times every year.

The success of enhancements, new features, and products depends on several factors, including the timely completion, introduction, and market acceptance of the enhancements or new features or products. Failure in this regard may significantly impair our revenue growth. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. Furthermore, uncertainties about the trends in digital transformation and AI, the timing and nature of new software platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development expenses. Any failure of our products and services to operate effectively with future digital transformation trends, software platforms or technologies could reduce the demand for our products and services, result in user dissatisfaction and adversely affect our business.

If we fail to continue innovating and keeping pace with technological developments, our business may be materially and adversely affected.

The technology landscape is constantly evolving. To remain competitive, we must adapt and migrate to new technologies, applications, and processes. The use of more advanced technologies and infrastructure is critical to the development of our products and services, and the scaling of our business for future growth. We may not be able to leverage new technologies effectively or adapt our products to meet customers’ needs or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions, whether for technical, legal, financial or other reasons, our business may be materially and adversely affected. Moreover, our success will depend partially on our ability to continuously identify, develop, acquire, protect or license advanced and new technologies that are valuable to our products and services. Failure to do so could render our existing products and services obsolete and unappealing, thereby adversely affecting our business prospects.

In addition, because our services are designed to be accessed through various networks, across numerous mobile devices, operating systems, and hardware and software platforms, we will need to continuously modify and enhance our services to keep pace with changes in internet-related hardware, software, communication, browser, application software development platform and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to the market in a timely manner. Moreover, uncertainties regarding the timing and nature of the development in network platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development or service delivery expenses. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our products and services, result in customer dissatisfaction, and adversely affect our business, financial condition, results of operations and prospects.

Our failure to adequately maintain and update our digital map database and minimize errors in our navigation and location-based solutions could harm our reputation and subject us to liability claims, which could result in loss of customers, decreased revenue and unexpected expenses.

Our digital map database requires constant maintenance and updating, which is a complex process and subject to error. There is no assurance that our controls and procedures for maintaining and updating our digital map database will be adequate to keep pace with the rapidly changing road systems in Japan and other parts of the world. If there are errors in our solutions due to actual or perceived database deficiencies, our reputation could be harmed and our customers may cease to buy our solutions.

Moreover, we could be subject to liability claims and the associated adverse publicity. Claims could be made by our customers if errors in our solutions result in the failure of their products or services, or by end-users of those products or services or others alleging loss or harm as a result of actual or perceived errors in our digital map data. Some of our license agreements include disclaimers, limitations of liability and similar provisions, which, however, may not be effective barriers to potential claims. Any associated adverse publicity may reduce our customers' willingness to incorporate our map data and related applications into their products, which would adversely affect our revenue.

Liability claims present a risk of protracted litigation, substantial monetary damages, attorneys' fees, costs and expenses, and diversion of management's attention from the operation of our business. In some circumstances, we are contractually obligated to indemnify our customers for liabilities, costs and expenses arising out of liability claims. We may incur additional costs and expenses providing indemnification or contesting our customers' indemnification claims. In addition, we may also have to recall our digital map data or offer to provide replacement, either involuntarily by mandate of our customers or a regulatory agency, or voluntarily in order to preserve our reputation and maintain good customer relations. Recalls or replacements can be costly and divert management's attention from the operation of our business.

Our ability to operate and grow our business depends on our ability to obtain and maintain access to certain data, and our efforts to obtain such data ourselves rather than relying on external suppliers may be unsuccessful or may subject us to significant costs, delays, and risks.

Although we have traditionally procured map data from external suppliers, we plan to increase our internal data acquisition capabilities by collecting spatial information for DynaPlanet ourselves. See "Item 4. Information on the Company—B. Business Overview—Growth Strategies—Expand and Monetize Digital Mapping Software Services." Building and maintaining these capabilities may require significant investment in technology, personnel, and infrastructure, and we may encounter challenges with scale, timeliness, coverage, and data quality. If we fail to obtain sufficient, reliable data on acceptable terms and within expected timelines, our products may perform worse than expected, our ability to innovate may be limited, and our operating costs may increase, which could materially and adversely affect our business, financial condition, and results of operations.

In addition, obtaining data directly may increase our legal, regulatory, cybersecurity, and reputational risks. Our data collection and use are subject to evolving privacy, data protection, cybersecurity, consumer protection, and intellectual property laws and regulations that vary across jurisdictions. As a result, compliance may require additional disclosures, consents, and controls, and any actual or alleged failure to comply could result in investigations, litigation, fines, penalties, remediation costs, or orders limiting our ability to collect or use data. Greater handling of data may also increase exposure to security incidents, which could disrupt operations and harm our reputation. If our self-sourcing initiative does not succeed, we may need to continue relying on third-party suppliers, potentially on less favorable terms, or may be unable to obtain certain data at all, either of which could adversely affect our business. As a result, our failure to source data ourselves as planned could materially adversely affect our business, financial condition, results of operations, and prospects.

We may be unable to manage risks associated with our potential expansion into international markets.

We have established subsidiaries in the U.S., Thailand, and Germany, for our operations overseas, and may further expand our business into international markets in the future. In our international expansion, we may face economic, regulatory, legal and political risks inherent in having relationships, operations and sales in other jurisdictions, including challenges caused by distance and linguistic and cultural differences, the potential for longer collection periods and for difficulty in collecting accounts receivable and enforcing contractual obligations, fluctuations in currency exchange rates, unanticipated changes in laws or regulatory requirements, including tariffs or other barriers to trade, and the potential for political, legal and economic instability. Any of these or other factors could have an adverse effect on our sales or costs, on the market acceptance of our solutions or on our ability to compete in one or more jurisdictions, which could have a material adverse effect on our business, results of operations or financial condition.

Expansion into international markets may place significant additional burdens on our senior management and our sales and marketing teams. We also may not be able to process and make available to our customers navigation and location-based solutions for a new geographic market in a timely or commercially favorable manner, in the native language or without substantial errors. Moreover, our ability to expand successfully depends in part on our establishment of sufficient operational resources and infrastructure. Our sales and marketing efforts in a new geographic market may fail to establish a viable distribution network or our solutions may not gain market acceptance or brand recognition sufficient to offset the costs of geographic expansion. If we fail to properly manage these risks, we may incur higher expenses and lower revenue, and any geographic expansion we undertake could have a material adverse effect on our business, results of operations, or financial condition.

In addition, if we expand more into international markets, our operations will be more influenced by currency rate fluctuations. Our consolidated financial statements are presented in JPY, which is our reporting currency, and our operations are conducted predominantly in JPY. However, we generate a portion of our revenue and incur a portion of our expenses through our subsidiaries in the United States, Thailand, and Germany, whose functional currencies are the US\$, the Thai baht (“THB”), and the euro (“EUR”), respectively. As a result, we are exposed to foreign exchange risk arising from (i) the remeasurement of foreign-currency-denominated monetary assets and liabilities (including both third-party and intercompany balances), and (ii) the translation of the results of operations and net assets of our overseas subsidiaries into JPY for the purposes of preparing our consolidated financial statements. Because our overseas subsidiaries currently represent a relatively modest portion of our overall business, the direct impact of foreign currency fluctuations on our financial results has historically been limited; however, fluctuations in exchange rates between JPY and US\$, THB, and EUR may still affect our reported revenue, expenses, assets, liabilities, and equity. As a result, a negative impact resulting from fluctuations in foreign currency exchange rates may adversely affect our financial condition, results of operations, cash flows and prospects, particularly if we expand more into international markets. For a further discussion of currency, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Risk.”

Interruptions, performance issues or security issues associated with our products and platform could materially and adversely affect our business, financial condition, results of operations, and prospects.

In providing our software services to clients, we rely on information technology infrastructure that is managed internally along with placing reliance on third-party service providers, including cloud server providers, providers of map data and camera footage, and licensors of social media contents. We and these third-party service providers are potentially vulnerable to damage or interruption from human error, cyber-attacks, natural disasters, power loss, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. If our systems fail to perform, we could experience unanticipated disruptions in operations, slower response times, or decreased customer service and customer satisfaction. As we increase our reliance on third-party systems, our exposure to damages from service disruptions may increase, and we may incur additional costs to remedy damages caused by these disruptions. Any service interruptions or other performance issues could negatively impact our relationship with existing customers and harm our ability to attract new customers, and as a result could materially adversely affect our business, financial condition, results of operations, and prospects.

Additionally, our products and platform are inherently complex and may, from time to time, contain material defects or errors, particularly when new products or new features or capabilities are released. Any real or perceived errors, failures, vulnerabilities, or bugs in our products or platform could result in negative publicity or lead to data security, access, retention, or performance issues, all of which could harm our business and reputation. In addition, the costs incurred in correcting such defects or errors may be substantial. Any of these risks could materially adversely affect our business, financial condition, results of operations, and prospects.

If our security measures are breached or unauthorized access to user data is otherwise obtained, our software may be perceived as not being secure, customers may reduce the use of or stop using our products and services and we may incur significant liabilities.

Our location-based software services involve the use, storage, and transmission of licensed information, including social media contents and camera footages, for which we have entered into confidentiality agreements with the suppliers of such information. As a result, unauthorized access or security breaches could result in the loss of information, litigation, indemnity obligations, and other liability. Although we have security measures in place to protect sensitive information and prevent data loss and other security breaches, if these measures are breached as a result of third-party actions, employee errors, malfeasance or otherwise, and someone obtains unauthorized access to such data, our reputation could be damaged, our business may suffer and we could incur significant liability.

Because the techniques used to obtain unauthorized access to proprietary data or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any or all of these issues could negatively affect our ability to attract new customers, result in reputational damage or subject us to third-party lawsuits, regulatory fines or other action or liability, which could adversely affect our operating results.

Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of our products and services and could adversely affect our business.

We collect live video and location data from taxis which have installed our Mvcube for Taxi software, to utilize for the development of our other location-based software products. While we enter into agreements with taxi operators to limit the use of such data to our development efforts, privacy concerns that such data will be improperly handled, whether or not valid, may inhibit market adoption of our products and services. In addition, IVI systems enable users to collect, use, and store personal or identifying information. Furthermore, concerns have been raised with respect to the possibility that GPS-based navigation products could be used to violate personal privacy by making available a record of a person's geographical location to others. While we do not directly collect data on the location of individual end-users, our location-based solutions could enable our mobile operator customers to collect such data if they chose to do so. We also plan to increase our internal data acquisition capabilities by collecting spatial information for DynaPlanet ourselves. See "Item 4. Information on the Company—B. Business Overview—Growth Strategies—Expand and Monetize Digital Mapping Software Services." The technological potential of our current or future solutions may create privacy concerns in the general public. If these or other problems with public opinion arise in connection with our solutions or the navigation and located-based services industry in general, or if new laws or regulations are passed relating to privacy concerns, our reputation, results of operations or financial condition could be materially and adversely affected.

Japanese government bodies and agencies have adopted laws and regulations regarding the collection, use, storage and disclosure of personal information obtained from consumers and individuals. Currently, the Act on the Protection of Personal Information (Act No. 57 of May 30, 2003, as amended) and its related guidelines impose various requirements on businesses, including us, that use databases containing personal information. See "Item 4. Information on the Company—B. Business Overview—Regulations." The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to the businesses of our customers may limit the use and adoption of our products and services and reduce overall demand, or lead to significant fines, penalties or liabilities for any noncompliance with such privacy laws.

All of these domestic and international legislative and regulatory initiatives may adversely affect our customers' ability to process, handle, store, use and transmit demographic and personal information from their employees, customers and suppliers, which could reduce demand for our products and services. In addition to government activity, privacy advocacy groups and the technology industry and other sectors are considering various new, additional or different self-regulatory standards that may place additional burdens on us. If the processing of personal information were to be curtailed in this manner, our products would be less effective, which may reduce demand for our products and adversely affect our business.

We depend on a cloud storage service provider to operate our software and any disruption in the operation of the cloud storage service provider could adversely affect our business.

We have built extensive expertise not only in in-vehicle software but also in smartphone app development and cloud platform integration. Since 2018, we have developed and provided communication protocols that connect smartphones to the cloud, connect the cloud to vehicles, and connect smartphones directly to vehicles (for instance, for remote control or keyless entry).

While we control and have access to our files and data that are located in Amazon Web Services (AWS), we do not control the operation of these facilities. Since the cloud server is located at our cloud storage service provider's facilities, we fully rely on the provider's service support to maintain the server and its infrastructure, including cybersecurity protection and recovery resulting from server failure. The server performance may also temporarily deteriorate since hosting infrastructure is also employed to serve the significant number of our cloud storage service provider's users. Our cloud storage service provider has no obligation to renew a cloud storage service agreement with us on commercially reasonable terms, or at all. If we are unable to renew the agreement on commercially reasonable terms, or if our cloud storage service provider is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Any problems faced by our cloud storage service provider, with the telecommunications network providers with whom we or they contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the experience of our customers. Our cloud storage service provider may decide to terminate their service without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by our cloud storage service provider or any of the service providers with whom we or it contract may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our cloud storage service provider is unable to keep up with our growing needs for capacity, this could have an adverse effect on our business. Any changes in third-party service levels at our cloud storage service provider's server or any errors, defects, disruptions, or other performance problems with our products could adversely affect our reputation and may damage customers' stored files or result in lengthy interruptions in our services. Interruptions in our services might reduce our revenue, subject us to potential liability, or adversely affect our future sales.

We have incorporated AI technologies into some of our products and services, which presents operational and reputational risks.

Our BeatMap app uses NLP tools powered by Transformer models, a deep learning architecture introduced by Google in 2017, to analyze public contents on social media platforms licensed to us and uses a proprietary AI filtering algorithm that refines answers by referencing a curated internal dataset. Our work in this domain has resulted in several critical patents (for instance, Patent No. 6788637 and Patent No. 7023821) protecting our methods of location inference and data generation using AI. Our DynaPlanet also uses AI to generate 3D reconstructions of urban space in our DynaPlanet project. See "Item 4. Information on the Company—B. Business Overview—Our Competitive Strengths—Technical Strength in Advanced Generative AI Technology" and "Item 4. Information on the Company—B. Business Overview—Our Products and Services—Beatmap." Although we view AI-enabled features as an important component of certain of our technologies and product development initiatives, these features remain at an early stage of commercialization and have made only a limited contribution to our revenue to date.

As with many innovations, there are associated risks involved in utilizing AI technology. Although we believe that overall testing results of our current product and development efforts show promise, no assurance can be provided that our use of such AI will produce the intended results in the future. Even if it could produce such intended results, we cannot guarantee that such AI will not produce errors going forward. AI, particularly generative AI, has been known to produce false or "hallucinatory" inferences or outputs. AI can also present ethical issues and may subject us to new or heightened legal, regulatory, ethical, or other challenges. Inappropriate or controversial data practices by developers and end-users, or other factors adversely affecting public opinion of AI, could impair the acceptance of AI solutions, including those incorporated in our products and services. If the AI tools that we use are deficient, inaccurate, or controversial, we could incur operational inefficiencies, competitive harm, legal liability, brand or reputational harm, or other adverse impacts on our business and financial results.

Additionally, we have incorporated machine learning models into our AI tools. If the machine learning models are incorrectly designed, the data we use to train them is incomplete, inadequate, or biased in some way, or we do not have sufficient rights to use the data on which its machine learning models rely, the performance of our software that uses AI could suffer.

In addition, regulation of AI is rapidly evolving worldwide, as legislators and regulators are increasingly focused on these powerful emerging technologies. The technologies underlying AI and its uses are subject to a variety of laws and regulations, including intellectual property, data privacy and security, customer protection, competition, and equal opportunity laws, and are expected to be subject to increased regulation and new laws or new applications of existing laws and regulations. For example, Japan enacted the Act on Promotion of Research and Development, and Utilization of Artificial Intelligence-related Technology (Act No. 53 of June 4, 2025), which establishes a basic framework for promoting the research and development and utilization of AI-related technology, including basic principles, responsibilities of the national and local governments, research and development institutions, and business operators utilizing AI-related technology, and the establishment of the AI Strategy Headquarters. In addition, in May 2024, the Japanese government embarked on drafting bills to regulate large AI developers. On April 10, 2024, Ministry of Economy, Trade, and Industry and Ministry of Internal Affairs and Communications published AI Guidelines for Business version 1.0 by compiling existing AI guidelines released by these two ministries. The guidelines were subsequently updated to version 1.2 in March 2026. In July 2025, President Trump announced an “AI Action Plan” through three executive orders. The plan mandates “truth-seeking” and “ideological neutrality” for federal use of large language models, requiring all procurement contracts to comply by November 20, 2025. It streamlines federal permitting for high-power data centers by overriding environmental reviews and encourages financing and fast-tracking of AI infrastructure. A third order promotes global exports of the U.S. “AI technology stack,” including chips, models, and security tools. The Office of Management and Budget (OMB) implemented this through memos M-25-21 and M-25-22, embedding AI governance across federal systems and requiring transparency in public AI use cases, while prioritizing domestic AI suppliers under “buy American” provisions. Subsequently, on June 2, 2026, President Trump signed another executive order titled “Promoting Advanced Artificial Intelligence Innovation and Securities” including measures to address emerging cybersecurity risks presented by advanced AI models by directing the Secretaries of the Treasury, War, and Homeland Securities and relevant components to develop (i) a classified benchmarking process to assess the advanced cyber capabilities of AI models and determine the threshold at which they should be designated a “covered frontier model” for the purposes of the order, and (ii) a voluntary framework for AI developers to (x) engage with the federal government to determine whether models meet the threshold for designation, and (y) grant agencies access to covered frontier models for 30 days prior to release to wider audiences.

Since these regulatory frameworks rapidly evolve, we may become subject to new laws and regulations in Japan, the United States, Germany, or Thailand, which may affect the legality, profitability, or sustainability of our businesses, and we may be unable to predict all the legal, operational, or technological risks that may arise relating to the use of AI. The failure to comply with recommended guidelines, such as the AI Guidelines for Business version 1.0, may also negatively affect our reputation. Because AI technology itself is highly complex and rapidly developing, it is not possible to predict all the legal, operational, or technological risks that may arise relating to the use of AI. Failure to appropriately respond to this evolving landscape may result in legal liability, regulatory action, or brand and reputational harm.

The successful continued integration of AI technologies in our product may be dependent on our access to specific third-party software and infrastructure, and our business may be adversely impacted if we are unable to access such third-party software and infrastructure.

We use NLP tools powered by Transformer models, a deep learning architecture introduced by Google in 2017. We also employ other AI technologies, including third-party generative AI tools, in our current products. Our ability to continue to use such technologies at the scale we need may be dependent on access to such specific third-party software and infrastructure. We cannot control the availability or pricing of such third-party AI technologies, especially in a highly competitive environment, and we may be unable to negotiate favorable economic terms with the applicable providers. If any third-party AI technologies become incompatible with our solutions, become unavailable for use, or the providers of such models unfavorably change the terms on which their AI technologies are offered or terminate their relationship with us, our products and services may become less appealing to our customers, and our business will be harmed. In addition, to the extent any third-party AI technologies are used as a hosted service, any disruption, outage, or loss of information through such hosted services could disrupt our operations or solutions, damage our reputation, cause a loss of confidence in our solutions, or result in legal claims or proceedings, for which we may be unable to recover damages from such affected provider.

We may also make our products that employ AI technologies available via license agreements to third parties, who can use our products in their own operations. We may not have insight into, or control over, the practices of third parties who may utilize such products. As such, we cannot guarantee that such third parties will not use such AI technologies for improper purposes, including through the dissemination of illegal, inaccurate, defamatory, or harmful content, intellectual property infringement or misappropriation, furthering bias or discrimination, cybersecurity attacks, data privacy violations, or to develop competing technologies, or that the measures we implement to prevent such improper use will be effective. Such improper use by any third party could adversely affect our business, financial condition, reputation (and the reputations of our customers), and/or subject us to legal liability.

We use certain open source software in our business, which could expose us to information security vulnerabilities, result in failures, errors, and defects, or subject us to possible litigation or to certain unfavorable conditions, including requirements that we offer our products that incorporate the open source software for no cost or that we make publicly available our confidential, proprietary source code, and any other intellectual property that we developed using or derived from such open source software.

We use open source software in connection with certain of our technologies. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification, or other contractual protections regarding infringement claims or the quality of the code. Accordingly, we cannot assure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance. In addition, the public availability of such software may make it easier for others to compromise our technology. Many of the risks associated with the use of open source software cannot be eliminated, and could, if not properly addressed, negatively affect our business, our intellectual property, and the security of our systems, products, and services. To the extent that our systems depend upon the successful operation of the open source software they use, any undetected errors or defects in such open source software could prevent the deployment or impair the functionality of our systems or applications, delay the introduction of new solutions, result in a failure of our systems, products or services, and injure our reputation. For example, undetected errors or defects in open source software could render it vulnerable to breaches or security attacks and make our systems more vulnerable to data breaches.

Furthermore, some open source software licenses require users who distribute open source software as part of their proprietary software, or derive proprietary software from or based on open source software, or link proprietary code to open source software, to publicly disclose all or part of the source code to such proprietary software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. In some circumstances, distribution of our software that is derived from open source software or incorporating or linking to or otherwise in connection with open source software could require that we disclose and license some or all of our proprietary source code in that software, as well as distribute our products that use particular open source software at no cost to the user. We generally try to use open source software in a manner that will not require the disclosure of the source code to our proprietary software or prevent us from charging fees to our customers or passengers for the use of our proprietary software. However, we cannot guarantee that these efforts will be successful, and thus, there is a risk that the use of open source may ultimately preclude us from charging fees for the use of certain software, require us to replace certain code used in our products and/or services, pay a royalty to use some open source code, make the source code publicly available, or discontinue certain software. The release of the source code of our proprietary software could substantially help our competitors develop products that are similar to or better than ours with lower development effort and time and ultimately could result in a loss of our competitive advantage.

Open source license terms are often ambiguous and there is little legal precedent governing their interpretation. Accordingly, there is a risk that these licenses could be construed in a way that could impose unanticipated obligations, conditions, or restrictions regarding our ability to provide or distribute our products and technologies. Companies that incorporate open source software into their products have, in the past, faced claims seeking enforcement of open source license provisions and claims asserting ownership of open source software incorporated into their product. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software or claiming non-compliance with the terms and conditions of an open source license, and we could incur significant legal costs defending ourselves against such allegations. If we were held to have breached or to have failed to fully comply with such terms and conditions, we could face infringement claims or other liability, or could be required to seek costly licenses from third parties to continue providing our technology on terms that are not economically feasible, to re-engineer our system, or to make generally available, in source code form our proprietary code, any of which could adversely affect our business, financial condition, and operating results.

Our business could be adversely affected if our customers are not satisfied with the deployment services provided by us.

In our SDV and LBS businesses, we develop in-vehicle software per the requirements of our customers. Our business depends on our ability to satisfy our customers, both with respect to the quality and features of the end product and communications with the customers during the development process. Despite the fact that customers are involved in the development process, there is no assurance that a customer will not sue us for damages they experience arising from the use of our product and services, if a customer is not satisfied with the development services we provided.

Disputes and legal and other proceedings may require substantial time and expense to resolve, which could divert valuable resources, such as management time and working capital, delay our planned projects, and increase our costs. There is no assurance that courts will not enter into judgments against us. In such events, our business operations, financial condition, and reputation may be materially and adversely affected. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

A significant portion of our total revenue was derived from a few major customers. A high concentration of our revenue from a few major customers means that loss of business from any of them may have a significant negative impact on our business and financial performance.

During the fiscal year ended February 28, 2026, we had three significant customers who accounted for more than 10% of our revenue: Honda Group, Toyota Group, and Uni Electronics, representing 50.6%, 16.3%, and 11.4% of our revenue, respectively. During the fiscal year ended February 28, 2025, we had three significant customers who accounted for more than 10% of our revenue: Honda Group, Toyota Group, and Uni Electronics representing 51.5%, 14.3%, and 14.0% of our revenue, respectively. During the fiscal year ended February 29, 2024, we had two significant customers who accounted for more than 10% of our revenue: Honda Group and Uni Electronics, representing 48.1% and 24.2% of our revenue, respectively. For purposes of the above disclosure, customers that are under common control are aggregated and presented on a combined basis.

There is no guarantee that we will not have a concentration of customers in the future. Having several significant customers may make us vulnerable to the risk of financial impact if we are unable to secure new revenue-generating customer contracts. Such customers are independent entities with their own operational and financial risks that are beyond our control. The major customer may not continue using our services in the future, because it (i) may not need such services; (ii) may not have the budget for purchasing these services; (iii) may choose to purchase these services from our competitors instead of us; or (iv) may determine not to use our services for other reasons. A high concentration of revenue from a few major customers means that loss of business from any of them may have a significant negative impact on our business and financial performance. If any of these customers breach or terminate their contracts with us, or experience significant disruptions to their operations, we will be required to find and enter into contracts with one or more customers as replacement. It could be costly and time-consuming to find alternative customers, and these customers may not be available at reasonable terms or at all. As a result, this could harm our business and financial results and result in lost or deferred revenue.

Two of our major customers are also our major suppliers. If we are unable to maintain our relationship with these suppliers-customers, our business could suffer significant disruption.

Among our major customers, Uni Electronics also acted as our major supplier for the fiscal years ended February 29, 2024. In addition, another major customer, Toyota, including its wholly owned subsidiary Toyota Mapmaster Incorporated (“TMI”), also acted as our major suppliers for the fiscal year ended February 28, 2025 and February 29, 2024. Any deterioration in our relationship with these parties, whether as a supplier or customer, could disrupt our supply chain, reduce revenue, or negatively impact pricing and contractual terms. For example, unfavorable changes in the commercial terms of one side of the relationship may influence or pressure negotiations on the other side, potentially reducing our ability to operate at arm’s length.

Moreover, a conflict of interest or competing strategic priorities on the part of these counterparties could lead to reduced commitments, delayed orders, supply interruptions, or termination of business arrangements. We may also face difficulties in enforcing our contractual rights due to the interdependence of the relationships, or in finding suitable alternative suppliers or customers on acceptable terms or within required timeframes in the event that our relationship with these parties is terminated. As a result, if we are unable to maintain a stable and mutually beneficial relationship with these suppliers-customers, or if they experience financial or operational difficulties, our business could suffer significant disruption.

Our significant customers are also our shareholders. This could create potential conflicts of interest and adversely affect our business operations.

Our significant customers during the fiscal years ended February 28, 2026 and 2025 and February 29, 2024, Honda, Uni Electronics, and Toyota, are also our shareholders. Among them, Honda, Toyota, and O-Well, a parent company of Uni Electronics, respectively, are beneficial owners of 5% or more of our Ordinary Shares as of the date of this annual report (See “Item 6. Directors, Senior Management and Employees—E. Share Ownership”). The dual role of these companies as both significant customer and significant shareholder creates the potential for actual or perceived conflicts of interest that could adversely affect our business operations, strategic direction, or the interests of our other shareholders.

For example, any of these customers may seek to influence decisions related to price terms, contract terms, allocation of resources, or strategic initiatives in a manner that favors its commercial interests as a customer over the interests of the Company or our broader shareholder base. In addition, our management and Board of Directors may face increased complexity or pressure in negotiating or evaluating agreements or business terms involving such customers, as any perception of preferential treatment or non-arm’s-length dealings could lead to reputational damage, shareholder litigation, or regulatory scrutiny.

This relationship could also raise questions about the objectivity and independence of our corporate governance processes. For instance, the customer-shareholder may exert informal influence over management or attempt to sway corporate actions, such as strategic partnerships, capital allocation, or decisions related to the customer’s contracts or competitive positioning. Even if such influence is not exerted, the mere perception of it could undermine investor confidence and raise concerns about the fairness and transparency of our decision-making.

We cannot assure investors that this dual relationship will not influence our corporate decisions or lead to circumstances in which our obligations to the customer are prioritized over our fiduciary duties to other shareholders. Additionally, if our relationship with such customers were to deteriorate, whether due to a dispute, change in business strategy, or competitive conflict, we could face a material loss of revenue, and the customers could seek to use their shareholder position to exert pressure or influence corporate outcomes, including through voting or shareholder proposals.

Furthermore, the loss or reduction of business from these customers could have a material adverse effect on our financial condition and results of operations. Given such customers’ significant ownership stake, any deterioration in our relationship could also negatively affect investor perception, potentially leading to stock price volatility or reputational harm. We cannot guarantee that our relationship with customer-shareholders will continue or that any future dealings will be free from the appearance or risk of conflict.

Any failure to offer high-quality technical support services may adversely affect our relationships with our customers and our financial results.

Customers of our software services depend on our support team to resolve technical issues relating to services rendered. We may be unable to respond quickly enough to accommodate short-term increases in user demand for support services. In addition, our sales process is highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, our ability to effectively sell our SDV software development and other services to customers and other future products to existing and prospective customers, and may adversely impact our business, operating results and financial position.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on relationships with third parties, such as suppliers of traffic and map data, OEMs, and trading companies. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce purchases of our services. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our products and services by potential customers.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our products or increased revenue.

If our products fail to perform properly, our reputation could be adversely affected, our market share could decline, and we could be subject to liability claims.

Our primary products and services, such as our IVI software system and navigation software, are internet-based and complex, and may contain material defects or errors. The costs incurred in correcting any material defects or errors might be substantial and could adversely affect our operating results. Any defects in functionality or that cause interruptions in the availability of our service could result in:

- loss or delayed market acceptance and sales;
- breach of warranty claims;
- contractual disputes with customers with whom we enter into agreements;
- loss of customers;
- diversion of development and user service resources; and
- injury to our reputation.

Due to the complex and data-intensive nature of our IVI and navigation software systems, there is a risk that hardware failures, software bugs, or system errors could lead to data corruption, loss, or inaccuracies in critical information—such as map data, vehicle diagnostics, media content, or real-time traffic updates. These inaccuracies may be considered material by end users, particularly in navigation use cases where reliability and precision are paramount. Moreover, the performance and availability of our IVI and navigation products may be adversely impacted by several factors beyond our control, including hardware limitations in end-user vehicles, intermittent or unavailable GPS or network signals, cyberattacks or security breaches, and fluctuations in data traffic volume or user behavior. These issues may prevent our systems from functioning as expected, or may cause degraded user experience, which could in turn damage user trust and brand reputation. We may be held responsible for damages that users experience in connection with service disruptions, errors, or data inaccuracies, particularly if such issues are perceived to impact vehicle safety, navigation accuracy, or regulatory compliance.

Additionally, our reliance on third-party connectivity providers, such as mobile networks, cloud platforms, and GPS satellite services, means that any interruptions or degradation in those services could disrupt the functioning of our software. For example, if a vehicle loses connectivity or GPS signal, users may be unable to access navigation, media streaming, or over-the-air updates, which may lead to user dissatisfaction and reduced confidence in our systems. In the event of prolonged service outages or critical errors, our reputation could suffer significantly, potentially resulting in loss of customers, diminished future sales, and harm to our relationships with OEM partners and fleet operators.

Our future success depends on our ability to retain our key executives and to attract and retain qualified personnel.

We are highly dependent on our executive officers, as well as the other principal members of our management team. We also depend on our ability to retain and motivate key employees and attract qualified new employees, especially technical personnel and engineers who contribute to our product development. See “Item 4. Information on the Company—B. Business Overview—Our Competitive Strengths—Experienced Technical Workforce and Long-Term Development Capacity.” We may be unable to replace key members of our management team or key employees if we lose their services. Integrating new employees into our team could prove disruptive to our operations, require substantial resources and management attention, and ultimately prove unsuccessful. Any inability to attract and retain sufficient managerial personnel who have critical industry experience and relationships could limit or delay our strategic efforts, which could have a material adverse effect on our business, financial condition, and results of operations.

The loss of the services of any of these persons could impede the achievement of our growth, development, and commercialization objectives. The unexpected loss of the services of one or more of our directors or executive officers and/or advisors, including due to disease, disability, or death, could have a detrimental effect on us.

Our business depends on the continued success of our brands, and if we fail to maintain and enhance the recognition of our brands, we may face difficulty increasing our network of business partners and customers, and our reputation and operating results may be harmed.

We believe that market awareness of our brands, such as “naviAZ,” “micAuto,” “Beatrip,” and “Inner Tourism,” under which we promote and sell our software products and services, have contributed significantly to the success of our business. Maintaining and enhancing our brands is critical to our efforts to increase our network of business partners and customers.

Our ability to attract business partners and customers depends not only on investment in our brands, our marketing efforts, and the success of our products and services, but also on the perceived value of our products and services versus competing alternatives among our customer bases. In addition, a failure by our customers to distinguish between our brands and the different products and services provided by our competitors may result in a reduction in revenue, profit, and margins. If our marketing initiatives are not successful or become less effective, or if we are unable to further enhance our brand recognition, or if we incur excessive marketing and promotion expenses, we may not be able to attract new customers successfully or efficiently, and our business and results of operations may be materially and adversely affected.

In addition, negative publicity about our business, products, services, shareholders, affiliates, directors, officers, and other employees, and the industry in which we operate, can harm the recognition of our brands or reputation. Negative publicity, regardless of merits, concerning the foregoing, could be related to a wide variety of matters, including, but not limited to:

- alleged misconduct or other improper activities committed by our directors, officers, other employees, and business partners, including misrepresentation made by our employees to potential business partners and customers during sales and marketing activities, and other fraudulent activities to artificially inflate the popularity of our products and services offerings;
- false or malicious allegations or rumors about us or our directors, shareholders, affiliates, officers, other employees and business partners;
- complaints by customers, or business partners about our products, services and sales, and marketing activities;

- security breaches of confidential business partners, customer, or employee information;
- employment-related claims relating to alleged employment discrimination, wage, and hour violations; and
- governmental and regulatory investigations or penalties resulting from our failure to comply with applicable laws and regulations.

In addition to traditional media, there has been increasing use of social media platforms and similar devices in Japan, including instant messaging applications, social media websites, and other forms of internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability of information on instant messaging applications and social media platforms is virtually immediate, as is its impact, without affording us an opportunity for redress or correction. The opportunity for dissemination of information, including inaccurate information, is readily available. Information concerning our Company, shareholders, affiliates, directors, officers, other employees, and business partners, may be posted on such platforms at any time. The risks associated with any such negative publicity or incorrect information cannot be completely eliminated by our strategies to maintain our brand integrity and may materially harm the recognition of our brand, our reputation, business, financial condition, and results of operations.

We could be adversely affected by a failure to protect our intellectual property or the intellectual property of our business partners.

As of June 11, 2026, we had 307 registered patents in Japan, 45 registered patents in the U.S., 12 registered patents in European countries, two registered patents in China, one registered patent in Taiwan, and one registered patent in Thailand. We also had 154 registered trademarks in Japan, 12 registered trademarks in the U.S., 10 registered trademarks in the United Kingdom, 14 registered trademarks in European Union, 10 registered trademarks in Thailand, and 40 registered trademarks in 16 other countries, including Hong Kong and Taiwan. In addition, we had one registered design in the U.S. See “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

We regard our intellectual property as critical to our success, and we depend, to a large extent, on our ability to develop and maintain our intellectual property rights. To do so, we rely upon a combination of confidential policies, nondisclosure, and other contractual arrangements and copyrights, software copyrights, trademarks, and other intellectual property laws. We also make use of the intellectual property rights from business partners to monetize the services we provide. Despite our efforts to protect our or our business partners’ intellectual property rights, the steps we take in this regard might not be adequate to prevent, or deter, infringement or other misappropriation of our or our business partners’ intellectual property by competitors, former employees, or other third parties.

Monitoring and preventing any unauthorized use of our or our business partners’ intellectual property is difficult and costly, and any of our or our business partners’ intellectual property rights could be challenged, invalidated, circumvented, or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. Litigation or proceedings before governmental authorities, or administrative and judicial bodies may be necessary to enforce our intellectual property rights and to determine the validity and scope of our rights. Our efforts to protect our intellectual property in such litigation and proceedings may be ineffective and could result in substantial costs and diversion of resources and management time, each of which could substantially harm our operating results. Any failure in protecting or enforcing our or our business partners’ intellectual property rights could have a material adverse effect on our business, results of operations, financial condition, or prospects.

We may be subject to intellectual property claims that create uncertainty about ownership or use of intellectual property essential to our business and divert our managerial and other resources.

Our success depends, in part, on our ability to operate without infringing the intellectual property rights of others. Third parties may, in the future, claim our or our business partners' current or future copyrights, patents, trademarks, technologies, business methods, or processes infringe on their intellectual property rights or challenge the validity of our or our business partners' intellectual property rights. We may be subject to intellectual property infringement claims that would be costly to defend and could limit our ability to use certain critical copyrights, trademarks, or business methods.

The defense and prosecution, if necessary, of intellectual property suits, interference proceedings, and related legal and administrative proceedings can become very costly and may divert our management personnel from their normal responsibilities. We may not prevail in any of these suits or proceedings. An adverse determination of any litigation or defense proceedings could require us to pay substantial compensatory and punitive damages, could restrain us from using critical copyrights, patents, trademarks, business methods, or processes, and could result in us losing or not gaining valuable intellectual property rights.

Furthermore, due to the voluminous amount of discovery frequently conducted in connection with intellectual property litigation, some of our confidential information could be disclosed to competitors during this type of litigation. In addition, public announcements of the results of hearings, motions, or other interim proceedings or developments in the litigation could be perceived negatively by investors and thus have an adverse effect on the trading price of the ADSs.

Because intellectual property we develop under development service agreements may be owned by our customers, we may not be able to realize future benefits from such work, which could adversely affect our growth prospects.

A significant portion of our business involves developing customized software and related technology solutions pursuant to development service agreements with our customers, including OEMs or Tier 1 suppliers. See "Item 4. Information on the Company—B. Business Overview—Our Business Model—Revenue and Pricing Model—Software Development Services." Under the terms of certain agreements, we have agreed with certain customers that intellectual property rights arising from our service performance are assigned to, and owned by, the customers. As a result, we do not retain rights to use, commercialize, or further develop certain intellectual property for our own business purposes or for use with other customers.

This arrangement limits our ability to build a portfolio of proprietary technology assets from our software development services, which may constrain the scalability of our business and reduce opportunities to generate recurring revenue from licensing or re-use of our work product. In addition, our reliance on customer-owned intellectual property may make it more difficult to differentiate ourselves from competitors that have developed their own proprietary platforms or solutions. Furthermore, disputes could arise with customers regarding the scope of rights granted or retained under our agreements, which could lead to costly litigation, damage customer relationships, or result in restrictions on our ability to use technology we believe to be part of our proprietary know-how.

If we are unable to balance customer demands for ownership of developed intellectual property with our strategic objective of developing reusable and proprietary technologies, our ability to grow our business and improve our financial performance could be materially and adversely affected.

Our operations are subject to natural disasters, adverse weather conditions, operating hazards, and labor disputes.

Our operations are subject to natural disasters, adverse weather conditions, operating hazards, and labor disputes. We may experience earthquakes, floods, typhoons, power outages, labor disputes, or similar events beyond our control that could materially and adversely affect our operations. In the event of uncontrollable circumstances, including operating hazards, fires, and explosions, natural disasters, adverse weather conditions, and major equipment failures, for which we may not be able to obtain insurance at a reasonable cost, there could be a material and adverse effect on our business.

In addition, since a significant portion of our research and development activities and operations and our business partners' activities occur at specific locations, the occurrence of any natural disaster, unanticipated catastrophic event, or unexpected accident at these locations could result in disruptions or shutdowns, which could significantly disrupt our business operations, cause us to incur additional costs, and affect our ability to deliver services and conduct courses as scheduled, thereby materially and adversely affecting our business, financial condition, and results of operations.

We are currently operating in a period of economic uncertainty and capital markets disruption, significantly impacted by geopolitical instability due to the ongoing military conflict involving Iran, military actions in the Middle East, and the war in Ukraine. Our business, financial condition, and results of operations could be materially adversely affected by any negative impact on the global economy and capital markets resulting from these conflicts or any other geopolitical tensions.

The heightened military conflict involving the United States, Israel, and Iran, which escalated significantly in February 2026, has led to profound instability in global financial and energy markets. These events, including the closure of strategic airspaces and critical maritime routes such as the Strait of Hormuz and the Red Sea, have contributed to a dramatic increase in the price of oil and gas and created widespread market uncertainty. The ongoing disruptions caused by these military actions, and the potential for further escalation, could result in protracted and severe damage to the global economy and investment climate.

Furthermore, the continuing war in Ukraine and the resulting sanctions levied by the United States, the European Union (the "EU"), and other nations including Japan against Russia continue to impact global financial markets. The extent and duration of these military actions in the Middle East and Eastern Europe, as well as the resulting sanctions and market disruptions, are impossible to predict but are expected to remain substantial.

Such geopolitical instability may further exacerbate volatility in global energy prices, increasing our facility operating costs, including utilities and event hosting expenses, and contributing to broader economic fluctuations in Japan. If Japan becomes actively involved in these conflicts or extends support to any involved parties, it could face sanctions and penalties by the United States, the EU, and other countries. While our business has not been materially impacted by these geopolitical events as of the date of this annual report, the extent to which our operations or those of our business partners will be affected in the future, or the ways in which the conflicts may impact our business, including sanctions and penalties, is unpredictable. The extent and duration of the military actions, sanctions, and resulting market disruptions could be substantial. Any such disruptions may also amplify the impact of other risks described in this annual report.

Recent changes in the U.S. tariff policies may adversely affect our business, financial condition, and results of operations.

In recent years, and particularly in 2025, the U.S. government has taken steps to reassess its trade policies with a number of countries. We cannot guarantee that we will remain unaffected by changes in these tariff policies. If U.S. tariff policies negatively impact our business, our operating costs could rise significantly. If we are unable to successfully pass these increased costs on to our customers, our business, financial condition, and results of operations could be materially and adversely affected.

In addition, evolving U.S. tariff policies may reduce the willingness of foreign enterprises to invest in Japan, where we operate. These policies may also adversely affect our customers, which could, in turn, indirectly impact our business. Our overseas customers could incur greater costs by sourcing from us as a result of such policies. If we lose customers as a result of changes in tariff policies, our operating results could be materially and adversely affected.

We have engaged in transactions with related parties, and such transactions present possible conflicts of interest that could have an adverse effect on our business and results of operations.

We have entered into a number of transactions with related parties. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions” and “—Our significant customers are also our shareholders. This could create potential conflicts of interest and adversely affect our business operations.” We may, in the future, enter into additional transactions with entities in which members of our board of directors and other related parties hold ownership interests. Transactions with the entities in which related parties hold ownership interests present potential for conflicts of interest, as the interests of these entities and their shareholders may not align with the interests of the Company and our unaffiliated shareholders with respect to the negotiation of, and certain other matters related to, our purchases from and other transactions with such entities. Conflicts of interest may also arise in connection with the exercise of contractual remedies under these transactions, such as default.

Nevertheless, we may have achieved more favorable terms if such transactions had not been entered into with related parties. These transactions, individually or in the aggregate, may have an adverse effect on our business and results of operations or may result in government enforcement actions and other litigation.

Risks Relating to the Trading Market

Share ownership is concentrated in the hands of our directors and major shareholders, who will continue to be able to exercise a direct or indirect controlling influence on us.

Our directors, executive officers, and major shareholders together beneficially own approximately 27.6% of our Ordinary Shares issued and outstanding. As a result, they are able to determine the outcome of all matters that require approval by our shareholders, including the election of directors and approval of significant corporate transactions. Corporate action might be taken even if other shareholders, including those who purchased ADSs in our initial public offering (“IPO”) or in the public market, oppose them.

Future issuances of the ADSs or Ordinary Shares or securities convertible into, or exercisable or exchangeable for, ADSs or Ordinary Shares, or the expiration of lock-up agreements that restrict the issuance of new ADSs or Ordinary Shares or the trading of outstanding ADSs or Ordinary Shares, could cause the market price of the ADSs to decline and would result in the dilution of your holdings.

Future issuances of the ADSs or our Ordinary Shares or securities convertible into, or exercisable or exchangeable for, ADSs or our Ordinary Shares, or the expiration of lock-up agreements that restrict the issuance of new ADSs or Ordinary Shares or the trading of outstanding ADSs or Ordinary Shares, could cause the market price of the ADSs to decline. We cannot predict the effect, if any, of future issuances of our securities, or the future expirations of lock-up agreements, on the price of the ADSs. In all events, future issuances of the ADSs or our Ordinary Shares would result in the dilution of your holdings. In addition, the perception that new issuances of our securities could occur, or the perception that locked-up parties will sell their securities when the lock-ups expire, could adversely affect the market price of the ADSs. Pursuant to the underwriting agreement (the “Underwriting Agreement”) between the Company and A.G.P./Alliance Global Partners, the sole underwriter of the IPO (the “Underwriter”), the Company agreed not to, for a period of six months from the closing of the IPO, among others, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares, ADSs, or any securities convertible into or exercisable or exchangeable for Ordinary Shares of the Company, without prior consent of the Underwriter. In connection with the IPO, on May 13, 2026 our directors, corporate auditors, executive officer, and 5% or greater shareholders entered into lock-up agreements and agreed, subject to certain exceptions, not to offer, issue, sell, contract to sell, encumber, grant any option for the sale of, or otherwise dispose of any securities of the Company without the Underwriter’s prior written consent of for up to six months from the effective date of the registration statement on Form F-1 (No. 333-294081) on May 13, 2026. In addition to any adverse effects that may arise upon the expiration of these lock-up periods, the lock-up provisions in these agreements may be waived at any time. If the restrictions under the Underwriting Agreement or the lock-up agreements are waived, the ADSs or our Ordinary Shares may become available for resale, subject to applicable law, including without notice, which could reduce the market price for the ADSs.

The sale or availability for sale of substantial amounts of the ADSs could adversely affect their market price.

Sales of substantial amounts of the ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of the ADSs and could materially impair our ability to raise capital through equity offerings in the future. As of the date of this annual report, 59,419,414 of our Ordinary Shares were issued and outstanding. Among these shares, according to The Bank of New York Mellon, 6,959,980 were in the form of ADSs. All of the ADSs are freely tradable without restriction or additional registration under the Securities Act. The remaining Ordinary Shares outstanding are available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of the ADSs.

If securities or industry analysts do not publish research or reports about our business, or if they publish a negative report regarding the ADSs, the price of the ADSs and trading volume could decline.

Any trading market for the ADSs may depend in part on the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade us, the price of the ADSs would likely decline. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the price of the ADSs and the trading volume to decline.

The market price of the ADSs may be volatile or may decline regardless of our operating performance.

The market price of the ADSs may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant products, technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- the trading volume of the ADSs on Nasdaq Global Market (“Nasdaq”);
- sales of the ADSs or Ordinary Shares by us, our executive officers and directors, or our shareholders or the anticipation that such sales may occur in the future;
- rumors and market speculation involving us or other companies in our industry;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in tax laws and regulations as well as accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

If we fail to implement and maintain an effective system of internal control over financial reporting or fail to remediate the material weaknesses in our internal control over financial reporting that have been identified, we may fail to meet our reporting obligations or be unable to accurately report our results of operations or prevent fraud, and investor confidence and the market price of the ADSs may be materially and adversely affected.

We are a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”) requires that we include a report of management on our internal control over financial reporting in our annual report on Form 20-F beginning with our second annual report following the completion of our IPO. In addition, once we cease to be an “emerging growth company,” as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated, or reviewed, or if it interprets the relevant requirements differently from us. In addition, as we are a public company, our reporting obligations place a significant strain on our management, operational, and financial resources and systems for the foreseeable future. We may be unable to complete our evaluation testing and any required remediation in a timely manner.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented, or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could, in turn, limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of the ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations, and civil or criminal sanctions. We may also be required to restate our financial statements for prior periods.

We have identified a material weakness in our internal control over financial reporting and, as a result, management has concluded that our internal control over financial reporting and our disclosure controls and procedures were not effective as of February 28, 2026. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified as of the date of this annual report relates to the lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and the reporting requirements set forth by the SEC to properly address complex technical accounting issues and to prepare and review the financial statements and related disclosures in accordance with U.S. GAAP and financial reporting requirements set forth by the SEC.

Following the identification of the material weakness described above, we are in the process of implementing measures to improve our internal control over financial reporting, including: (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework; (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel; and (iii) setting up an internal audit function as well as engaging an external consulting firm to assist us with the assessment of Sarbanes-Oxley compliance requirements and improvement of overall internal control. We also plan to implement additional measures to improve our internal control over financial reporting, including creating U.S. GAAP accounting policies and procedures manual, which will be maintained, reviewed and updated, on a regular basis, to the latest U.S. GAAP accounting standards, and strengthening corporate governance. With the implementation of these measures, we aim to become fully compliant with the relevant U.S. GAAP and SEC reporting requirements.

However, the implementation of these measures may not fully address the material weakness in our internal control over financial reporting.

As of the date of this annual report, we have not undertaken a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any other weaknesses in our internal control over financial reporting. Our failure to correct the material weaknesses we have already identified or our failure to discover and address any other material weaknesses or control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations, and prospects, as well as the trading price of the ADSs, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud.

We incur significant costs as a result of being a public company.

As a public company, we incur significant legal, accounting, and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and Nasdaq, impose various requirements on the corporate governance practices of public companies.

Compliance with these rules and regulations increases our legal and financial compliance costs and makes some corporate activities more time-consuming and costlier. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers.

We are an “emerging growth company,” as defined in the JOBS Act and will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of our IPO, (b) in which we have total annual gross revenue of at least \$1.235 billion, or (c) in which we are deemed to be a large accelerated filer, which means our public float equals or exceeds \$700 million as of the prior August 31, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

After we are no longer an “emerging growth company,” or until five years following the completion of our IPO, whichever is earlier, we expect to incur significant additional expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 and the other rules and regulations of the SEC. For example, as a public company, we will be required to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. In addition, investors may find the ADSs less attractive if we rely on the exemptions and relief granted by the JOBS Act. If some investors find the ADSs less attractive as a result, there may be a less active trading market for the ADSs and our stock price may decline and/or become more volatile.

We continue to evaluate and monitor developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

We may experience extreme stock price volatility unrelated to our actual or expected operating performance, financial condition, or prospects, making it difficult for prospective investors to assess the rapidly changing value of the ADSs.

Recently, there have been instances of extreme stock price run-ups followed by rapid price declines and high stock price volatility with a number of recent IPOs, especially among companies with relatively smaller public floats. As a relatively small-capitalization company with relatively small public float, we may experience greater stock price volatility, extreme price run-ups, lower trading volume, and less liquidity than large-capitalization companies. In particular, the ADSs may be subject to immediate and substantial price volatility, low volumes of trades, and large spreads in bid and ask prices. Such volatility, including any stock-run up, may be unrelated to our actual or expected operating performance, financial condition, or prospects, making it difficult for prospective investors to assess the rapidly changing value of the ADSs.

In addition, if the trading volumes of the ADSs are low, persons buying or selling in relatively small quantities may easily influence prices of the ADSs. This low volume of trades could also cause the price of the ADSs to fluctuate greatly, with large percentage changes in price occurring in any trading day session. Holders of the ADSs may also not be able to readily liquidate their investment or may be forced to sell at depressed prices due to low volume trading. Broad market fluctuations and general economic and political conditions may also adversely affect the market price of the ADSs. As a result of this volatility, investors may experience losses on their investment in the ADSs. A decline in the market price of the ADSs also could adversely affect our ability to issue additional ADSs or Ordinary Shares or other securities and our ability to obtain additional financing in the future. No assurance can be given that an active market in the ADSs will develop or be sustained. If an active market does not develop, holders of the ADSs may be unable to readily sell the ADSs they hold or may not be able to sell their ADSs at all.

We do not intend to pay dividends for the foreseeable future.

We currently intend to retain all of our available funds and any future earnings to fund the operation, development, and growth of our business and, as a result, we do not expect to declare or pay any dividends in the foreseeable future. Therefore, you should not rely on an investment in the ADSs as a source for any future dividend income. Accordingly, the return on your investment in the ADSs will likely depend entirely upon any future price appreciation of the ADSs. There is no guarantee that the ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in the ADSs and you may even lose your entire investment in the ADSs.

Rights of shareholders under Japanese law may be different from rights of shareholders in other jurisdictions.

Our articles of incorporation and the Companies Act of Japan (Act No. 86 of 2005, as amended) (the “Companies Act”), govern our corporate affairs. Legal principles relating to matters such as the validity of corporate procedures, directors’ and executive officers’ fiduciary duties, and obligations and shareholders’ rights under Japanese law may be different from, or less clearly defined than, those that would apply to a company incorporated in any other jurisdiction. Shareholders’ rights under Japanese law may not be as extensive as shareholders’ rights under the law of other countries. For example, under the Companies Act, only holders of 3% or more of our total voting rights or our outstanding shares are entitled to examine our accounting books and records. Furthermore, there is a degree of uncertainty as to what duties the directors of a Japanese joint-stock corporation may have in response to an unsolicited takeover bid, and such uncertainty may be more pronounced than in other jurisdictions.

As holders of ADSs, you may have fewer rights than holders of our Ordinary Shares and must act through the depositary to exercise those rights.

The rights of shareholders under the Companies Act, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records, and exercising appraisal rights, are available only to shareholders of record. Because the depositary, through its custodian, is the record holder of our Ordinary Shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. ADS holders will not be able to, for example, perform shareholders' rights under the Companies Act, such as bringing a derivative action, examining our accounting books and records, or exercising appraisal rights through the depositary.

Holders of ADSs may exercise their voting rights only in accordance with the provisions of the deposit agreement. Holders of ADSs will have a right to instruct the depositary how to vote the Ordinary Shares represented by their ADSs. Otherwise, you will not be able to exercise your right to vote unless you surrender your ADSs and withdraw the underlying Ordinary Shares represented by the ADSs. However, you may not know of the meeting sufficiently in advance to withdraw the Ordinary Shares. If we ask for instructions from ADS holders, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. We cannot assure you that you will receive voting materials in time to instruct the depositary to vote, and it is possible that you, including persons who hold their ADSs through brokers, dealers, or other third parties, will not have the opportunity to exercise a right to vote.

By agreeing to the provisions of the deposit agreement, it will not be deemed that you have waived the right to our compliance with the federal securities laws and the rules and regulations thereunder.

Direct acquisition of our Ordinary Shares is subject to a prior filing requirement under recent amendments to the Japanese Foreign Exchange and Foreign Trade Act and related regulations.

Because we are engaged in certain businesses designated by the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended, "FEFTA"), and its related cabinet orders and ministerial ordinances (collectively, the "Foreign Exchange Regulations") such as a software business and information processing business, if a foreign investor, as defined under the FEFTA, intends to consummate an acquisition of our Ordinary Shares that constitutes an "inward direct investment" ("IDI") under the Foreign Exchange Regulations, the foreign investor, in general, must file prior notification of such inward direct investment with the Minister of Finance and any other competent minister ("Ministers"). IDI includes an acquisition by a foreign investor of one or more of our Ordinary Shares. If such prior notification is filed, the proposed acquisition may not be consummated until the prescribed screening period, normally 30 days, expires. In some cases, the Ministers may extend the screening period, and may recommend or order a modification or abandonment of such acquisition. In addition, if certain conditions, including those prescribed in light of national security of Japan under the Foreign Exchange Regulations are met, the Ministers may order the disposal of the shares acquired or take other measures. Consequently, any foreign investor seeking to acquire our Ordinary Shares that constitutes an IDI may not consummate such acquisition on the expected timeframe, in accordance with an intended plan, or at all.

Additionally, if a foreign investor holds one or more voting rights and, at a general meeting of shareholders, consents to certain proposals having a material influence on our management such as the (i) election of such foreign investor or any of its related persons (as defined in the Foreign Exchange Regulations) as our directors or (ii) transfer or discontinuation of our business, such consent, subject to certain exemptions, also constitutes an IDI requiring prior notification. If such prior notification is filed, such consent may not be given until the prescribed screening period expires. As a result, such foreign investors may have difficulties giving such consent in accordance with an intended plan, or at all. Since the depositary is considered a foreign investor for purposes of FEFTA, the depositary would not be able to carry out instructions to vote deposited Ordinary Shares as to the matters described in the preceding sentence unless it filed prior notification and the relevant waiting period has expired without action by the relevant Ministers prior to the shareholders' meeting. See "Item 4. Information on the Company—B. Business Overview—Regulations—Export Control and Cross-Border Transfers" and "Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Regulations."

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our Ordinary Shares provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial for any claim they may have against us or the depositary arising out of or relating to our Ordinary Shares, the ADSs, or the deposit agreement, which may include any claim under the U.S. federal securities laws. The waiver continues to apply to claims that arise during the period when a holder holds the ADSs, whether the ADS holder purchased the ADSs in our initial public offering or secondary transactions, even if the ADS holder subsequently withdraws the underlying Ordinary Shares.

If we or the depositary were to oppose a jury trial based on this waiver, the court would have to determine whether the waiver was enforceable based on the facts and circumstances of the case in accordance with applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. We believe, however, that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, or by a federal or state court in the City of New York, which has non-exclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver, courts will generally consider whether a party knowingly, intelligently, and voluntarily waived the right to a jury trial. We believe that this would be the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before investing in the ADSs.

This jury trial waiver provision can discourage claims or limit shareholders' ability to bring and successfully prosecute a claim in a judicial forum. If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have, including outcomes that could be less favorable to the plaintiff(s) in any such action. Nevertheless, if this jury trial waiver is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation, or provision of the deposit agreement or the ADSs serves as a waiver by any holder or beneficial owner of ADSs (including purchasers of the ADSs in the secondary market) or by us or the depositary of compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Holders of ADSs may not receive distributions on our Ordinary Shares or any value for them if it is illegal or impractical to make them available to such holders.

The depositary for the ADS facility will agree to pay holders of ADSs any cash dividends or other distributions it or its custodian receives on the Ordinary Shares or other deposited securities after deducting its fees and expenses. Holders of ADSs will receive these distributions in proportion to the number of our Ordinary Shares that such ADSs represent. However, the depositary will not be responsible for making such payments or distributions if it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act, but that are not properly registered or distributed pursuant to an applicable exemption from registration. The depositary is not responsible for making a distribution available to any holders of ADSs if any government approval or registration required for such distribution is not obtained by us. We have no obligation to file for any approval or registration or take any other action to permit distributions on our Ordinary Shares to holders of ADSs. This means that holders of ADSs may not receive the distributions we make on our Ordinary Shares if it is illegal or impractical to make them available to such holders. These restrictions may materially reduce the value of the ADSs.

Holders of ADSs may be subject to limitations on transfer of their ADSs.

ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer, or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

We and the depositary may agree to amend the deposit agreement without consent from holders of ADSs and, if such holders disagree with our amendments, their choices will be limited to selling the ADSs or withdrawing the underlying Ordinary Shares.

We may agree with the depositary to amend the deposit agreement without consent from holders of ADSs. If an amendment increases fees to be charged to ADS holders or prejudices a material right of ADS holders, it will not become effective until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, ADS holders are considered, by continuing to hold their ADSs, to have agreed to the amendment and to be bound by the amended deposit agreement. If holders of ADSs do not agree with an amendment to the deposit agreement, their choices will be limited to selling the ADSs or withdrawing the underlying Ordinary Shares. No assurance can be given that a sale of ADSs could be made at a price satisfactory to the holder in such circumstances.

We are incorporated in Japan, and it may be more difficult to enforce judgments obtained in courts outside Japan.

We are incorporated in Japan as a joint-stock corporation with limited liability. All of our directors are non-U.S. residents, and our assets and the personal assets of our directors and executive officers are located outside the United States. As a result, when compared to a U.S. company, it may be more difficult for investors in the U.S. to effect service of process upon us or to enforce against us, our directors or executive officers, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal or state securities laws of the U.S. or similar judgments obtained in other courts outside Japan. There may be doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the United States.

Dividend payments and the amount you may realize upon a sale of our Ordinary Shares or the ADSs that you hold will be affected by fluctuations in the exchange rate between the U.S. dollar and JPY.

Cash dividends, if any, in respect of our Ordinary Shares represented by the ADSs will be paid to the depositary in JPY and then converted by the depositary into U.S. dollars, subject to certain conditions and terms of the deposit agreement. Accordingly, fluctuations in the exchange rate between JPY and the U.S. dollar will affect, among other things, the amounts a holder of ADSs will receive from the depositary in respect of dividends, the U.S. dollar value of the proceeds that a holder of ADSs would receive upon sale in Japan of our Ordinary Shares obtained upon surrender of ADSs and the secondary market price of ADSs. Such fluctuations will also affect the U.S. dollar value of dividends and sales proceeds received by holders of our Ordinary Shares.

If we cease to qualify as a foreign private issuer, we would be required to comply fully with the reporting requirements of the Exchange Act applicable to U.S. domestic issuers, and we would incur significant additional legal, accounting, and other expenses that we would not incur as a foreign private issuer.

We qualify as a foreign private issuer. As a foreign private issuer, we will be exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our executive officers, directors, and principal shareholders are exempt from the short-swing profit recovery provisions contained in Section 16 of the Exchange Act. Our executive officers and directors are required, pursuant to the Holding Foreign Insiders Accountable Act, to file Section 16(a) reports with the SEC to disclose their beneficial ownership of our securities. Our principal shareholders who are not officers or directors, however, remain exempt from Section 16(a) reporting requirements. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as United States domestic issuers, and we are not required to disclose in our periodic reports all of the information that United States domestic issuers are required to disclose. While we currently qualify as a foreign private issuer, we may cease to qualify as a foreign private issuer in the future, in which case we would incur significant additional expenses that could have a material adverse effect on our results of operations.

Because we are a foreign private issuer and have taken advantage of exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, you will have less protection than you would have if we were a domestic issuer.

Nasdaq listing rules require listed companies to have, among other things, a majority of its board members be independent. As a foreign private issuer, however, we are permitted to follow home country practice in lieu of the above requirements. The corporate governance practice in our home country, Japan, does not require a majority of our board to consist of independent directors. Thus, although a director must act in the best interests of the Company, it is possible that fewer board members will be exercising independent judgment and the level of board oversight on the management of our Company may decrease as a result. In addition, Nasdaq listing rules require U.S. domestic issuers to have an audit committee, a compensation committee and a nominating/corporate governance committee composed entirely of independent directors, and an audit committee with a minimum of three members. We intend to follow home country practice, as permitted by Nasdaq. See “Item 16G. Corporate Governance.” Accordingly, you would not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

If we cannot continue to satisfy the continued listing requirements and other rules of Nasdaq, the ADSs may be delisted, which could negatively impact the price of the ADSs and your ability to sell them.

To maintain our listing on Nasdaq, we are required to comply with certain rules of Nasdaq, including those regarding minimum stockholders’ equity, minimum share price, minimum market value of publicly held shares, and various additional requirements. Although we currently meet the listing requirements and other applicable rules of Nasdaq, we may not be able to continue to satisfy these requirements and applicable rules. If we are unable to satisfy Nasdaq criteria for maintaining our listing, the ADSs could be subject to delisting.

If the ADSs are delisted from Nasdaq, we could face significant consequences, including:

- a limited availability for market quotations for the ADSs;
- reduced liquidity with respect to the ADSs;
- a determination that the ADS is a “penny stock,” which will require brokers trading in the ADSs to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for the ADSs;
- limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

We are an “emerging growth company” within the meaning of the Securities Act, and we have taken advantage of certain exemptions from disclosure requirements available to emerging growth companies, which will make it more difficult to compare our performance with other public companies.

We are an “emerging growth company” within the meaning of the Securities Act, as modified by the JOBS Act. Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such an election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This will make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Because we are an “emerging growth company,” we may not be subject to requirements that other public companies are subject to, which could affect investor confidence in us and the ADSs.

For as long as we remain an “emerging growth company,” as defined in the JOBS Act, we will elect to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of shareholder approval of any golden parachute payments not previously approved. Because of these lessened regulatory requirements, our shareholders would be left without information or rights available to shareholders of other public companies. If some investors find the ADSs less attractive as a result, there may be a less active trading market for the ADSs and the ADS price may be more volatile.

If we are classified as a passive foreign investment company, United States taxpayers who own the ADSs or our Ordinary Shares may have adverse United States federal income tax consequences.

A non-U.S. corporation such as ourselves will be classified as a passive foreign investment company (“PFIC”) for any taxable year if, for such year, either:

- at least 75% of our gross income for the year is passive income; or
- the average percentage of our assets (determined at the end of each quarter) during the taxable year which produce passive income or which are held for the production of passive income is at least 50%.

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business), and gains from the disposition of passive assets.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. taxpayer who holds the ADSs or our Ordinary Shares, the U.S. taxpayer may be subject to increased U.S. federal income tax liability and may be subject to additional reporting requirements.

Depending on the amount of cash we raise in subsequent offerings, together with any other assets held for the production of passive income, it is possible that, for our 2026 taxable year or for any subsequent year, more than 50% of our assets may be assets which produce passive income, in which case we would be deemed a PFIC, which could have adverse U.S. federal income tax consequences for U.S. taxpayers who are shareholders. We will make this determination following the end of any particular tax year. Accordingly, our U.S. counsel expresses no opinion with respect to our PFIC status and also expresses no opinion with regard to our expectations regarding our PFIC status. Prospective U.S. Holders should note that, if we are determined to be a PFIC for any taxable year, we do not currently intend to prepare or provide the information that would enable investors to make a qualified electing fund election which, if available, would result in different (and generally, less adverse) U.S. federal income tax consequences under the PFIC rules.

The classification of certain of our income as active or passive, and certain of our assets as producing active or passive income, and hence whether we are or will become a PFIC, depends on the interpretation of certain United States Treasury Regulations as well as certain IRS guidance relating to the classification of assets as producing active or passive income. Such regulations and guidance are potentially subject to different interpretations. If due to different interpretations of such regulations and guidance the percentage of our passive income or the percentage of our assets treated as producing passive income increases, we may be a PFIC in one or more taxable years.

For a more detailed discussion of the application of the PFIC rules to us and the consequences to U.S. taxpayers if we were or are determined to be a PFIC, see “Item 10. Additional Information—E. Taxation—Material Income Tax Consideration—United States Federal Income Taxation—PFIC.”

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS ABOUT THE PFIC RULES, THE POTENTIAL APPLICABILITY OF THESE RULES TO THE COMPANY CURRENTLY AND IN THE FUTURE, AND THEIR FILING OBLIGATIONS IF THE COMPANY IS A PFIC.

Item 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Corporate History

Micware was incorporated as a joint-stock corporation (*kabushiki kaisha*) with limited liability under Japanese law on March 3, 2003, in Hyogo, Japan. Micware completed its reorganization in March 2024 and since then has become a holding company, conducting substantially all of its businesses through subsidiaries. See “—Holding Company Reorganization.” As a holding company, our future operating revenue is dependent on our subsidiaries and the distribution of those earnings to us. See also “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We are a holding company and depend upon our operating subsidiaries for our cash flows.” Below is the list of Micware’s subsidiaries:

- Micware Navigations (formerly known as Databroad Co., Ltd., “Databroad”) is engaged in development and sales of certain software and smartphone applications related to IVI and GPS services, including “naviAZ,” “PinnAR” and “BeatMap,” and broadcasting systems, as well as provision of cloud server. Micware Navigation was incorporated on May 2, 2008;
- Micware Automotive (formerly known as HI Corporation) is engaged in development and sales of certain software services related to total Android-IVI solutions and Internet of Things (“IoT”)-based logistic tracking services, such as “micAuto,” “Wariate-kun,” and “CARE SUITE.” Micware Automotive was incorporated on April 17, 1989;
- Micware Mobility is engaged in development and sales software related to mobility, such as taxi dispatch system, and provision of software validation services and video data collection and search engine platform “Mvcube.” Micware Mobility was established on March 4, 2024;
- Micware Operation provides support to Micware and its subsidiaries relating to human resources, general affairs, corporate planning, procurement, intellectual property management, legal affairs, and other administrative tasks. Micware Operations was established on March 4, 2024;
- Micware Create, formally known as Micware Challenged, was established as a special subsidiary under Article 44 of the Law for Employment Promotion of Persons with Disabilities. Micware Create provides assistance in software development and other clerical works to Micware and its subsidiaries. Micware Create was established on March 1, 2024;
- Micware North America is engaged in sales of IVI related software and quality verification in the North America region. Micware North America was established on June 3, 2014;
- Micware Asia Pacific serves as an offshore software development base for Micware Group and is engaged in sales of mobility-related software in the Asia Pacific region. Micware Asia Pacific was established on October 3, 2016; and
- Micware Europe (formerly known as O-Well Germany GmbH) is engaged in sales of IVI related software in Europe and other region. Micware Europe was acquired by Micware on March 28, 2025.

Acquisition of Micware’s Wholly Owned Subsidiaries

Databroad

On June 28, 2019, Micware and Yoshiki Matsubara and Chikako Matsubara entered into a share transfer agreement, whereby Yoshiki Matsubara and Chikako Matsubara agreed to transfer all 700 ordinary shares of Databroad, a company focusing on the development of media systems, including data and text broadcasting on televisions, video on demand, and live streaming, for an aggregate consideration of JPY159 million. The purpose of the acquisition was to diversify our portfolio as well as to employ Databroad’s know-how in broadcasting systems and expand our business into the broadcasting industry. The transfer became effective on July 16, 2019.

HI Corporation

On February 12, 2021, Micware entered into a share transfer agreement with Candra Japan Co., Ltd. and its parent company, ArtSpark HD Inc. (merged into CELYSYS Inc. (TYO:3663) in September 2022), whereby Candra agreed to transfer all 30,974 shares of HI Corporation, a joint-stock corporation with limited liability organized under Japanese law focusing on middleware development, licensing, and sales, to Micware for an aggregate consideration of JPY450 million. The transfer became effective on March 1, 2021. The purpose of the acquisition was to increase Micware’s software development capacity.

Micware Europe

On March 28, 2024, Micware and O-Well entered into a share purchase and assignment agreement, whereby O-Well agreed to sell one and only share of O-Well Germany GmbH, a then wholly owned subsidiary of O-Well, to Micware for the consideration of EUR1. The transfer became effective on March 28, 2024. The purpose of the acquisition was to establish Micware’s base in Germany. O-Well Germany GmbH’s name was changed to “Micware Europe GmbH” on the same day.

Holding Company Reorganization

On January 22, 2024, the board of directors approved the following organizational changes to split Micware’s internal companies into Micware’s wholly owned subsidiaries, causing Micware to be a holding company (the “Reorganization Plan”): (i) the execution of absorption-type company split agreement between Micware and Databroad, splitting Micware’s micNexus internal company and merging it with Databroad; (ii) the execution of absorption-type company split agreement between Micware and HI Corporation, splitting Micware’s micAuto internal company and merging it with HI Corporation; (iii) the implementation of incorporation-type company split plan, according to Article 763 of the Companies Act, splitting two of Micware’s an internal companies, micMobility and micHoldings, into two different joint-stock corporations with limited liability, namely Micware Mobility and Micware Operation; and (iv) the establishment of Micware Challenged.

On January 22, 2024, Micware entered into such absorption-type company split agreements with Databroad and HI Corporation, respectively. The splits were made free of consideration. The absorption-type company splits became effective on March 1, 2024. On the same day, the names of Databroad and HI Corporation were changed to “Micware Navigations Co., Ltd.” and “Micware Automotive Co., Ltd.,” respectively.

On March 1, 2024, Micware Challenged was established. Micware Challenged was renamed to “Micware Create Co., Ltd.” on May 26, 2025.

On March 4, 2024, the incorporation-type company split plan was implemented, and Micware Mobility and Micware Operation were established.

Share Split

On January 22, 2024, Micware’s board of directors approved a 130-for-1 share split of its issued and outstanding Ordinary Shares, which was based on a record date of February 29, 2024. On March 1, 2024, Micware effected the 130-for-1 share split of its issued and outstanding Ordinary Shares.

On February 16, 2026, the Company’s board of directors approved (i) a 241-for-1 share split of its issued and outstanding Ordinary Shares, and (ii) the increase of the number of authorized shares from 520,000 to 125,320,000. Such share split and increase of the number of authorized shares became effective on March 31, 2026.

Recent Business Acquisitions

On February 17, 2023, Micware entered into a software transfer agreement with Telecom Square Inc., a Japanese mobile telecommunication company (“Telecom Square”), to purchase “PinnAR,” a navigation mobile application with augmented reality technology incorporated, for a purchase price of JPY140 million, excluding consumption tax. According to the agreement, four employees were transferred from Telecom Square to Micware. Micware has agreed to cooperate in facilitating the transferred employees to continue working at Micware. The software was transferred to Micware on February 24, 2023.

On April 26, 2024, Micware Mobility entered into a business transfer agreement with DENSO Corporation (TYO: 6902, “Denso”). Under this agreement, Denso agreed to transfer its businesses related to smartphone applications that enable users to send locations selected on their smartphones to compatible car navigation systems. The applications are known as “NaviCon” in the Japanese market and “NaviBridge” in the international market. The transfer included certain software, contents, technical documentation, operational information, business information, intellectual properties, and contracts. The consideration for this transfer was JPY165 million, including consumption tax. The transfer became effective on March 31, 2025.

On January 31, 2025, Micware Mobility entered into a business transfer agreement with DENSO TEN Limited (“Denso Ten”). Under this agreement, Denso Ten agreed to transfer its business relating to the provision, development, and maintenance of taxi dispatch system to Micware Mobility. The transfer included certain assets and contracts. The consideration for this transfer was JPY60.5 million, including consumption tax. The transfer became effective on April 1, 2025.

Our IPO

On May 13, 2026, we entered into the Underwriting Agreement with the Underwriter, relating to our IPO of 2,850,000 ADSs. Each ADS represents one Ordinary Share. We had also granted the Underwriter a 45-day option to purchase up to an additional 427,500 ADSs at the public offering price of \$8.00 per ADS (the “Over-Allotment ADSs”) to cover over-allotments (the “Over-Allotment Option”).

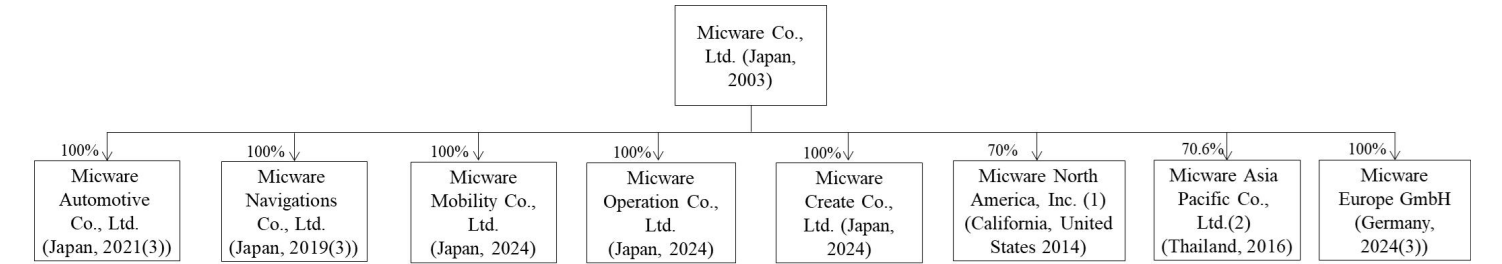
On May 15, 2026, we closed the IPO. We completed the IPO pursuant to (i) our registration statement on Form F-1 (File No. 333-294081), as amended, which was initially filed with the SEC on March 6, 2026 and declared effective by the SEC on May 13, 2026, and (ii) our registration statement on Form F-1 (File No. 333-295864), which was filed pursuant to Rule 462(b) of the Securities Act of 1933, as amended, with the SEC and became effective on May 13, 2026 (collectively, the “Registration Statements”). The ADSs were priced at \$8.00 per ADS, and the offering was conducted on a firm commitment basis. The ADSs were approved for listing on Nasdaq and commenced trading under the ticker symbol “MWC” on May 14, 2026.

On May 20, 2026, the Underwriter exercised the Over-Allotment Option in full to purchase the additional 427,500 ADSs. The closing for the offering and sale of the Over-Allotment ADSs took place on May 27, 2026, resulting in additional gross proceeds of \$3,420,000, before underwriting discounts and offering expenses. As a result, we issued and sold an aggregate of 3,277,500 ADSs and raised aggregate gross proceeds of approximately \$26,220,000 in the IPO, including the full exercise of the Over-Allotment Option, prior to deducting underwriting discounts and offering expenses payable by us.

See “Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds—Use of Proceeds” for details on the use of proceeds.

Our Corporate Structure

The following chart illustrates our corporate structure as of the date of this annual report.



- (1) Uni Electronics and O-Well each holds a half of the remaining 30% of the Micware North America’s shares of common stock.
- (2) The shares of Micware Asia Pacific’s common stocks are held by the following shareholders: (i) 23,997 shares by Micware, (ii) 5,000 shares by O-Well, (iii) 5,000 shares by Uni Electronics, (iv) one share by Kenji Narushima, (v) one share by Nobuyuki Yamashita, and (vi) one share by Yukihiro Yamashita.
- (3) The years of acquisition.

For details of our principal shareholders’ ownership, please refer to the beneficial ownership table in “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

Corporate Information

Our headquarters are located at Kobe Asahi Building 25th Floor, 59 Naniwa-machi, Chuo-ku, Kobe, Hyogo 650-0035 and our phone number is +81-36-699-9899. Our website address is <https://micware.co.jp>. The information contained in, or accessible from, our website or any other website does not constitute a part of this annual report. Our agent for service of process in the United States is Cogency Global Inc. at 122 East 42nd Street, 18th Floor New York, NY 10168.

The SEC maintains a website at www.sec.gov that contains reports, proxy, and information statements, and other information regarding issuers that file electronically with the SEC using its EDGAR system.

For information regarding our principal capital expenditures, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.”

B. Business Overview

Overview

We are a Japan-based provider of software development services and innovative IT solutions mainly focused on the automotive and mobility sectors. Our main focus is the development and sale of IVI systems that cover a broad range of modern car functionality from multimedia to navigation, human machine interface, telematics, and driver assistance. We also specialize in the development of navigation software and location information-based smartphone applications. Since the establishment of Micware in 2003, we have accumulated over 20 years of experience in software development in the automotive industry, which has translated into significant business growth. As of the date of this annual report, our business is operated across Japan through six operating entities and 13 branch offices. We have also established subsidiaries in the U.S., Thailand, and Germany, for our operations overseas.

We present our results of operations by three categories:

- SDV: relates to the development and sale of software systems designed for SDV, including IVI system software and other mobility-enhancing software products, conducted by Japanese subsidiaries.
- LBS: relates to the development and licensing of in-vehicle navigation software systems, and other geographic data-based services for B2B customers, mainly serving end users.
- Other: primarily comprises software development services conducted by overseas subsidiaries designed for SDV, and B2C mobile app services unrelated to in-vehicle navigation.

We disaggregate our revenue into three categories: (i) software development services, (ii) licensing, and (iii) other software-related services.

- (i) We provide software development services that include the design and delivery of custom automotive software based on our proprietary IVI platform. Our platform supports a wide range of functions such as navigation, multimedia, and connectivity across Android- and Linux-based environments, and enables efficient, modular development to meet a variety of customer requirements.
- (ii) We generate licensing revenue primarily by granting customers rights to use our proprietary software modules, such as navigation engines, under licensing arrangements. These modules are generally integrated into in-vehicle systems by Tier 1 suppliers and are licensed on a per-unit basis.
- (iii) We also provide other software-related services, which include after-sales maintenance and support services to customers who have licensed or developed software with us, as well as B2C mobile app services unrelated to in-vehicle navigation.

For the fiscal years ended February 28, 2026 and 2025 and February 29, 2024, we had total revenue of JPY21,895.8 million (approximately US\$140.3 million), JPY21,119.3 million and JPY17,516.7 million, respectively. For the fiscal year ended February 28, 2026, revenue generated from software development services, licensing, and other software-related services was JPY17,521.6 million (approximately US\$112.3 million), JPY3,228.8 million (approximately US\$20.7 million), and JPY1,145.4 million (approximately US\$7.3 million), respectively, constituting 80.0%, 14.8%, and 5.2% of our total revenue, respectively. For the fiscal year ended February 28, 2025, revenue generated from software development services, licensing, and other software-related services was JPY17,178.2 million, JPY3,175.1 million, and JPY766.0 million, respectively, constituting 81.4%, 15.0%, and 3.6% of our total revenue, respectively. For the fiscal year ended February 29, 2024, revenue generated from software development services, licensing, and other software-related services was JPY13,429.1 million, JPY3,364.6 million, and JPY723.1 million, respectively, constituting 76.7%, 19.2%, and 4.1% of our total revenue, respectively.

For the fiscal years ended February 28, 2026 and 2025 and February 29, 2024, we had net income of JPY1,602.6 million (approximately US\$10.3 million), JPY1,330.6 million, and JPY1,370.6 million, respectively. Unless otherwise indicated, references to net income in this section refer to net income attributable to the Company's ordinary shareholders.

Our Competitive Strengths

Proprietary IVI Platform and Scalable Development Framework

We have developed a proprietary IVI software platform, micAuto-PF, which serves as the foundation for delivering customized IVI solutions across a wide range of client requirements and vehicle types. The platform utilizes Google Automotive Services to support the efficient launch and termination of Android-based applications. The platform is designed to be modular, enabling reuse of software components, such as navigation engines, multimedia functionality, and connectivity protocols, across multiple projects. This modular structure allows for greater development efficiency and faster adaptation to new client specifications. The platform is compatible with a variety of operating systems, including Android and Linux-based environments, and supports a range of input/output devices, cloud-based features, and automotive interface standards. By utilizing this platform, we reduce duplicated engineering effort across projects and achieve economies of scope, which contribute to more predictable development timelines and improved cost structure.

Our proprietary software platform has been central to our IVI software development services and, by enabling us to deliver products to the satisfaction of our customers, serves as the foundation for our ability to maintain long-term collaborative relationships with OEMs. In this way, the development and operation of the platform also incorporate our expertise gained through close development collaboration with the OEMs. In addition, it has evolved throughout the years through iterative updates informed by operational feedback, client requests, and technological advancements.

Experienced Technical Workforce and Long-Term Development Capacity

Our engineering staff includes approximately 800 developers, including our full-time employees as well as our contractors as of February 28, 2026, with long-standing experience in embedded systems, IVI software, and automotive technology. Many of our engineers have engaged in multi-year, co-development programs with OEM clients, which has enabled them to build strong familiarity with automotive software development lifecycles, testing protocols, and regulatory compliance requirements. Since 2017, our development organization has led Android IVI system development projects with OEM partners, managing teams of up to 650 engineers. Through collaboration with global OEMs and Tier 1 suppliers, we have consistently executed large-scale development initiatives and contributed to the advancement of next-generation in-car user experiences.

Our large engineering development capacity enables us to support high-complexity projects that require parallel development, testing, and integration efforts. Our engineers cover a wide range of competencies, including platform architecture, UI/UX design, middleware integration, and diagnostics support. We also manage an internal training pipeline to maintain skill levels in our technologies. Our strong development capacity is demonstrated by our capability of delivering all SDV IVI platform components entirely in-house.

Pioneer Status in Mobile Connectivity Services

We have proactively anticipated the needs of OEMs and Tier 1 suppliers, engaging in proof-of-concept projects to accumulate valuable insights and technical expertise, allowing us to quickly deliver solutions that adapt to the latest customer needs. Since 2014, we have provided differential OTA map update technology, which minimizes data transmission by updating only the parts of a map that have changed, using mobile network connectivity and cloud infrastructure. Building on this foundation, in 2018, we introduced in-car Wi-Fi services, allowing vehicles to act as mobile hotspots using cellular data. In 2019 and 2021, we deployed Multi-access Edge Computing centers, which place computing resources closer to vehicles to reduce communication latency, a network architecture critical for technologies like cellular Vehicle-to-Everything (“V2X”), which enables real-time communication between vehicles, infrastructure, pedestrians, and networks. In 2022, we launched online navigation systems that use live cloud data instead of static onboard maps, improving routing accuracy, and efficiency. In 2023, we deployed large-scale center infrastructure to support the high data demands of connected and autonomous vehicles.

These developments form the backbone of a robust cloud-based ecosystem for connected cars and SDVs. This ecosystem supports not just OTA updates, but also critical services such as account management, authentication and authorization (verifying user identities and access rights), app stores for in-car applications, and digital payment systems for services like tolling or charging. This end-to-end platform reduces the initial development burden for OEMs and Tier 1 suppliers, accelerates the implementation of next-generation features, and provides us with sustainable revenue through royalties and intellectual property rights.

Through years of PoC-driven innovation, we have built extensive expertise not only in in-vehicle software but also in smartphone app development and cloud platform integration. Since 2018, we have developed and provided communication protocols that connect smartphones to the cloud, connect the cloud to vehicles, and connect smartphones directly to vehicles (for instance, for remote control or keyless entry).

Our proven capabilities span across all three domains of vehicle, cloud, and mobile, which, we believe, position us strongly for the connected and software-defined future of mobility.

Technical Strength in Advanced Generative AI Technology

Although we view AI-enabled features as an important component of certain of our technologies and product development initiatives, these features remain at an early stage of commercialization and have made only a limited contribution to our revenue to date. We do not currently sell AI technologies on a standalone basis. For the fiscal year ended February 28, 2026, revenue from products and services incorporating AI-enabled features was not material to our total revenue. Our core customized software development services for OEM customers are not treated as revenue from AI-enabled products or services unless AI-enabled features are incorporated into products or services delivered to the customer.

In 2018, we launched our proprietary software BeatMap, which identifies real-time trending locations by analyzing social media posts, particularly from platforms like X (formerly Twitter). Even when posts lack explicit geolocation data, BeatMap can estimate geographic coordinates based on the content and context of the posts, then visualize these inferred locations on a map. This is made possible by a sophisticated natural language analysis (or language processing (NLP)) system powered by Transformer models, a deep learning architecture introduced by Google in 2017. Transformers are now the foundation of most NLP systems, including large language models. To generate accurate insights, BeatMap uses a proprietary AI filtering algorithm that refines answers by referencing a curated internal dataset. This process mirrors what is now known as RAG, a method in which generative AI systems retrieve relevant documents from an external source to ground and enhance the output. While the term “RAG” only became common in 2021, we had already implemented a similar architecture as early as 2017 to 2018, showcasing the forward-thinking and innovative nature of our AI development. Our work in this domain has resulted in several critical patents (for instance, Patent No. 6788637 and Patent No. 7023821) protecting our methods of location inference and data generation using AI. BeatMap’s technology has also been integrated into our mobile app Tama-musubi, and the expertise developed through the BeatMap project has been fed back into our collaborative work with OEMs and Tier 1 suppliers, in projects related to SDVs.

Recognizing that traditional geospatial data cannot keep pace with rapidly evolving urban environments, we developed a cutting-edge solution using images and videos with embedded location information from networked drive recorders and smartphones to deliver real-time, high-accuracy 3D geospatial data, as part of our DynaPlanet project (See “—Growth Strategies—Expand and Monetize Digital Mapping Software Services” and “—Research and Development”). We first launched the Mvcube service to collect and organize drive recorder videos. Currently, we collect live video and location data from 1,300 taxis which have installed our Mvcube for Taxi software across Tokyo, a city known for its dense and complex road infrastructure. In addition to vehicle footage, we incorporate visual inputs from AR navigation apps (for instance, our PinnAR app) and collaborate with the Institute of Science Tokyo to generate initial AI-driven 3D reconstructions, which are then polished by our in-house designers. Our commercial DynaPlanet-based service, Dynamic Share Map, was launched in March 2026, after the end of the fiscal year ended February 28, 2026.

Our 3D modeling relies on video sources that offer limited perspectives tied to vehicle movement. To address this constraint, we have developed proprietary image correction and occlusion removal techniques that cleanly extract geospatial data even amidst obstructing vehicles. Our system integrates advanced AI tools, including NeRF and Stable Diffusion, to produce accurate, view-consistent 3D maps. Underpinning this innovation are several patents we own or have applied for: Patent No. 7036783, PCT/JP2023/003445, and Japanese Patent Application No. 2025-084236, covering our methods in image processing, reconstruction, and positioning.

For a discussion of the risks related with the use of AI, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We have incorporated AI technologies into some of our products and services, which present operational and reputational risks,” “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—The successful continued integration of AI technologies in our products may be dependent on our access to specific third-party software and infrastructure and our business may be adversely impacted if we are unable to access such third-party software and infrastructure,” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Some aspects of our future products and services may incorporate open-source AI technology, and our future use of open-source AI technology could negatively affect our business, results of operations, financial condition, and prospects.”

Proprietary Large-Scale Development Environment CARE-SUITE

In addition to software development, we provide an environment specifically optimized for large-scale SDV-related development. Our solution, CARE-SUITE, was created based on the real-world needs and insights gained through close collaboration with Japanese OEMs and Tier 1 suppliers. Whereas traditional development environments often rely on a fragmented set of tools, such as for account management, task tracking, and knowledge sharing, CARE-SUITE integrates these functions into a single unified platform. This holistic approach reduces the setup time for new projects from approximately six months to as little as one week, while also enabling continuous updates and efficient environment maintenance. CARE-SUITE is already in active use by many OEMs, including for recruitment, training, and trial deployment purposes. Its adoption has helped strengthen collaborative relationships between engineering teams and project stakeholders, fostering faster, more scalable development in the SDV ecosystem.

Stable OEM Relationships and Structured Project Ecosystem

We maintain multi-year, recurring relationships with well-established OEMs, including Toyota, Honda, and Daihatsu, which has contributed to a stable and repeatable project pipeline. For details, see “—Revenue and Pricing Model,” as well as “In-Vehicle Platform Software” and “Navigation Software” in “—Our Products and Services” below. These relationships are typically characterized by deep technical integration, early-stage project involvement, and strong mutual dependency due to the complexity and long-term nature of IVI system development.

In addition to OEM clients, we work closely with a range of third-party collaborators, whom we classify into two categories:

- Suppliers, which provide enabling technologies such as cloud infrastructure, navigation data, digital maps, and security modules; and
- Business partners, which contribute to engineering capacity, typically through staffing or subcontracting models.

This structured supplier/partner ecosystem allows us to retain control over core intellectual property and strategic direction, while scaling development throughput as required. Our internal management processes include tools for partner coordination, quality assurance, milestone tracking, and customer reporting.

We have also established capital and operational alliances with certain customers and partners, which further solidify our role as a long-term technology contributor within the automotive ecosystem. For example, Honda and Toyota each holds around 12% of our equity interests. We believe that such alliance with major OEMs reflects the strong trust and expectations placed in us by these customers and, at the same time, serves as a significant barrier to entry for potential competitors. We also partner with Vizzion Enterprises, Inc. (“Vizzion”) in our R&D efforts, as discussed in “—Growth Strategies—Expand and Monetize Location-Based Software Services” below.

Growth Strategies

Evolving from IVI Tier 1 Software Supplier to SDV Tier 1 Software Supplier

We plan to drive our growth from an IVI Tier 1 software supplier toward a broader role as an SDV Tier 1 software supplier, where we would directly supply software to OEMs with respect to all aspects of SDV. Accordingly, we are pursuing the following strategic initiatives:

Strengthen and Deepen Long-Term Partnerships with OEMs and Tier 1 Suppliers

We aim to further solidify and expand our collaborative frameworks with OEMs and Tier 1 suppliers. We intend to expand our participation in upstream development phases with existing OEM clients. This includes earlier involvement in requirement definition, system architecture planning, and platform design. By engaging earlier in the development lifecycle, we expect to increase our influence on system-level decisions, improve alignment with customer objectives, and expand the scope of our development responsibility.

We plan to expand our customer base by pursuing new OEM engagements in Japan and potentially internationally. Our strategy will focus on showcasing our delivery track record, engineering capabilities, and the adaptability of our micAuto-PF platform to new client environments. We intend to pursue OEMs that are expanding their SDV capabilities and seeking long-term software development partners. To support this effort, we plan to invest in technical presales, including proposal engineering, platform demonstrations, and pilot deployments. We will also allocate resources to onboarding support and customer integration teams to ensure timely and smooth project launches for new clients. This expansion strategy is intended to reduce our dependency on our current core client base, increase revenue diversity, and leverage our existing technology assets in new commercial relationships.

In parallel, we plan to further enhance the micAuto-PF platform by expanding its codebase and accelerating its development cycle. As modern IVI systems require significant development investment, OEMs are increasingly demanding a cross-OEM IVI ecosystem to share costs and reduce duplication. In response, we developed micAuto-PF to meet this industry-wide need. To drive the evolution of micAuto-PF, we aim to deliver cost-effective performance by open-sourcing select components and functionalities of the platform. This will allow external developers, partners, and other OEMs to contribute improvements, bug fixes, and new features. In addition, we are working to integrate autonomous driving and ADAS features into micAuto-PF in order to further evolve it into a next-generation SDV development environment. We expect to offer this upgraded platform to OEMs that face financial or operational constraints in developing and continuously investing in such environments in-house, including domestic OEMs beyond our current major clients as well as overseas OEMs that are seeking scalable and cost-effective SDV development platforms.

These efforts are intended to enhance our ability to scale projects efficiently, reduce labor requirements per engagement, and increase gross margin over time. This strategy aligns with the industry trend toward SDVs, where software plays a central role in delivering vehicle functionality and value. By strengthening both our upstream engagement and our internal platform capabilities, we aim to remain a competitive software and technology partner and provider for OEMs.

Approximately 44% of the proceeds from the IPO are planned to be used for the DynaPlanet project and micAuto-PF, together with a portion of the approximately 8% allocated to marketing and advertising.

Accelerate Talent Acquisition and Retention Through Geographic and Industry Expansion

We will continue expanding our presence in key Japanese cities and explore international talent hubs to attract highly skilled engineers. Particular focus will be placed on mid-career professionals from adjacent sectors, such as electronics, robotics, or aerospace, who bring fresh perspectives and complementary skills. Our long-term objective is to become the top destination for engineers looking to grow professionally while contributing to the advancement of future mobility technologies.

Strengthen Business and Technical Development Capabilities

To increase our value to clients, we are broadening our technical capabilities. Targeted areas include new navigation systems, advanced Human-Machine Interfaces, emerging Operating System platforms, and the establishment of evaluation teams to support growing quality and safety requirements in modern vehicle software development.

We will continue to invest in developing all key IVI software components in-house, positioning ourselves as the only Japan-based supplier able to deliver comprehensive IVI solutions independently. Unlike competitors reliant on short-term staffing models, we are focused on building stable, long-term engineering teams that can be integrated directly into OEM and Tier 1 development processes. This approach allows us to offer consistency, expertise, and agility in adapting to the evolving needs of business partners.

Transition Toward ADAS/AD Integration and Software Packaging

Our forward-looking strategy includes entering the ADAS and AD domains, leveraging our IVI foundation to create integrated cockpit-to-driving system solutions. In parallel, we are developing software packaging strategies, which are modular, reusable software bundles that can be licensed or adapted across multiple vehicle platforms, to enhance scalability and operational efficiency.

A large part of the approximately 36% of the IPO proceeds allocated to general corporate purposes, including working capital and operating expenses, together with the approximately 12% allocated to strategic investments, is expected to be used to accelerate our strategy of evolving from an IVI Tier 1 software supplier to an SDV Tier 1 software supplier.

Transition Toward Standardized and Scalable Navigation Software Offerings

We expect the Japanese navigation market, as part of the IVI market, to continue developing while gradually maturing. As the competitive landscape evolves in line with this transition, we aim to capture the resulting long-term survivor benefits by leveraging our long-standing technical capabilities and customer relationships.

In addition, although we have historically provided fully customized navigation software in the Japanese market, we expect OEMs to increasingly seek more standardized and configurable navigation platforms rather than fully bespoke solutions for each OEM. Accordingly, based on the expertise we have accumulated to date, we are considering expanding our market share through the provision of more standardized and general-purpose navigation software.

In overseas markets, for certain vehicle models sold outside Japan by our existing OEM customers, we provide navigation software and license our technology through collaboration with local partner companies. As our existing OEM customers continue to expand their model lineups in overseas markets, we believe there will be additional business opportunities for us in those overseas models, supported by the trusted relationships we have built with OEMs in Japan.

Expand and Monetize Digital Mapping Software Services

In Dynamic Street Map & Market Place (DSMM) project, the name of which is scheduled to change to “DynaPlanet” effective July 1, 2026, we have developed Dynamic Share Map, the first product from our DynaPlanet project, a consumer-facing digital platform that aggregates, curates, and monetizes location-based multimedia content. The platform collects visual and spatial data from edge sources, including our Mvcube service, ADAS cameras, and user-contributed content, and processes it into a dynamic 3D street map. DynaPlanet aims to support a marketplace where individuals or organizations can upload, sell, and purchase digital assets related to specific geographic locations. Our monetization plan includes transaction commissions and licensing fees for third-party use (for instance, navigation, tourism, or advertising). Dynamic Share Map is currently available in Microsoft Store and Google Play Store with limited features. We exhibited the software product at MWC Barcelona 2025, a trade show dedicated to the mobile communications industry, and at Osaka Expo in July 2025. We subsequently launched Dynamic Share Map for the business-to-business market as well as showcased the platform capabilities at MWC Barcelona 2026 in March 2026. To expand content availability, we are collaborating with partners such as Vizzion, which specializes in collecting and distributing vehicle-mounted camera data in more than 30 countries outside Japan. Per our agreements with Vizzion, we have a worldwide, non-exclusive license to use traffic data sourced by Vizzion in all our products. This collaboration is expected to enhance our global content footprint and diversify our content supply base.

In addition, building on the technology developed for Dynamic Share Map, we have developed PreSpot, an indoor digital-twin experience service for stadiums and large event venues, scheduled to launch on July 1, 2026. Delivered as a smartphone web application, PreSpot allows visitors to preview the view from their seats, navigate within the venue, and access pre- and post-visit guidance in a single service. We intend to offer PreSpot to stadium and event operators to support digitalized visitor guidance and improve foot-traffic flow and congestion mitigation. We plan to expand its functionality and adoption across sports, concerts, exhibitions, and community events as part of our broader strategy to monetize DynaPlanet-based location services beyond the automotive market.

We believe that a key feature of the automotive software industry is the significant buying power held by OEMs, and without careful management, there is a risk of becoming relegated to a subcontractor role. To mitigate this risk, we are pursuing business domains that do not rely on revenue from OEMs. DynaPlanet represents a concrete initiative under this strategy. For this reason, we are also actively developing and monetizing our other digital mapping software products and services that directly target consumers, in an effort to expand our revenue streams. For a detailed discussion of these initiatives, see “B2C services—Navigation” and “B2C services—Other than navigation” in “—Our Products and Services” below.

Going forward, through our new service offerings, we aim to transform our digital mapping business into recurring revenue models. As OEMs face growing pressure to maximize the value of vehicle-generated data and move away from traditional one-time sales, we are proactively developing services that capitalize on data utilization. By launching these services ahead of OEM timelines, we position ourselves to lead the shift from royalty-based revenue to a recurring business model, such as subscriptions or usage-based pricing. In contrast to one-time licensing or royalties, recurring models provide stable, ongoing income through periodic payments tied to continued service use. Furthermore, OEMs today face challenges in terms of high software development costs and difficulty recovering those investments solely through upfront vehicle sales. We aim to provide both strategic planning and technical implementation support to OEMs through service-based models. These models offer long-term sustainability by monetizing software and services over the entire vehicle lifecycle, rather than relying solely on the initial vehicle purchase.

In addition to consumer-oriented mapping services, we intend to pursue B2B and Business-to-Government opportunities for DynaPlanet in both new and overseas markets, where demand for advanced spatial-information-based services is expected to grow.

Furthermore, although we have traditionally procured map data from external suppliers, we plan to increase our internal data acquisition capabilities by collecting spatial information for DynaPlanet ourselves. By incorporating such internally acquired data into our navigation software, we aim to raise our level of in-house data acquisition and reduce reliance on third-party map providers over the long term. However, if we fail to source data ourselves as planned, it could materially adversely affect our business, financial condition, results of operations, and prospects. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Our ability to operate and grow our business depends on our ability to obtain and maintain access to certain data, and our efforts to obtain such data ourselves rather than relying on external suppliers may be unsuccessful or may subject us to significant costs, delays, and risks.”

Approximately 44% of the proceeds from the IPO are planned to be used for the DynaPlanet project and micAuto-PF, together with a portion of the approximately 8% allocated to marketing and advertising.

Our Business Model

We present our results of operations by three categories:

- SDV: relates to the development and sale of software systems designed for SDV, including IVI system software and other mobility-enhancing software products, conducted by Japanese subsidiaries.
- LBS: relates to the development and licensing of in-vehicle navigation software systems, and other geographic data-based services for B2B customers, mainly serving end users.
- Other: primarily comprises software development services conducted by overseas subsidiaries designed for SDV, and B2C mobile app services unrelated to in-vehicle navigation.

Revenue and Pricing Model

We generate revenue through three revenue streams: software development services, licensing, and other software-related services. For the fiscal year ended February 28, 2026, revenue generated from software development services, licensing, and other software-related services was JPY17,521.6 million (approximately \$112.3 million), JPY3,228.8 million (approximately \$20.7 million), and JPY1,145.4 million (approximately \$7.3 million), respectively, constituting 80.0%, 14.8%, and 5.2% of our total revenue, respectively. For the fiscal year ended February 28, 2025, revenue generated from software development service, licensing, and other software-related services was JPY17,178.2 million, JPY3,175.1 million, and JPY766.0 million, respectively, constituting 81.4%, 15.0%, and 3.6% of our total revenue, respectively. For the fiscal year ended February 29, 2024, revenue generated from software development services, licensing, and other software-related services was JPY13,429.1 million, JPY3,364.6 million, and JPY723.1 million, respectively, constituting 76.7%, 19.2%, and 4.1% of our total revenue, respectively.

Software Development Services

Traditional Contract-based Development

Under this model, the customer contracts us to develop a specific software product according to the customer's specific requirements for a fixed price. Depending on the customer and project structure, payments are generally made periodically during the development term in accordance with contractual provisions, which may specify monthly, quarterly, or other regular billing schedules. In the case of certain long-term collaborations, such as annual development roadmaps, customers issue multiple purchase orders within a fiscal year that are aligned under a single integrated plan, with billing typically structured on a quarterly basis. We typically encounter this type of business model in the development of IVI software and in-vehicle navigation software.

Development Outsourcing under Quasi-Delegation

We engage in software development projects under quasi-delegation contracts, particularly in cases where an agile development methodology is applied. Instead of a single long-term agreement with a fixed scope, the work is performed through a series of short-term contracts that align with iterative development cycles. These contracts are structured to allow flexibility, with evolving scopes and modular deliverables that are not fully defined at the outset. Customers are billed based on actual working hours and pre-agreed unit rates, typically on a monthly basis.

Under both traditional contract-based development and quasi-delegation arrangements, customers are provided with ownership or usage rights to deliverables that are specifically developed for their projects. Such rights are conveyed progressively throughout the development process in accordance with the terms of each contract. Micware retains ownership of its underlying proprietary technologies, reusable modules, development tools, and frameworks (such as internal navigation engines or platform components) that are not specifically customized for individual clients. Accordingly, customers obtain rights only to project-specific outputs, while Micware reserves the ability to reuse general-purpose components across other customer engagements.

Licensing

Licensing revenue primarily arises from licensing agreements with Tier 1 suppliers, such as Uni Electronics, Denso, and Visteon Japan Ltd. Under these agreements, Micware grants the right to use its navigation engine or related software modules, which are typically integrated by the Tier 1 suppliers into in-vehicle systems ultimately delivered to automotive OEMs. Micware receives ongoing sales-based royalties on a per-unit basis, calculated according to the volume of shipments from the Tier 1 suppliers to the OEMs.

As a business model, particularly in our LBS, customers who initially engage us for software development services (often navigation software) subsequently enter into licensing agreements with us. Under these arrangements, once development is completed, we grant the customer a right to use the software and charge separate licensing fees. This approach enables us to first establish a relationship with customers through software development projects and then generate recurring licensing revenue over time.

Other Software-related Services

B2C (Business-to-Consumer) Business

Under this consumer-facing business model, we directly monetize our proprietary software by offering them as services to end-users. This applies to our location information-based smartphone applications. We typically generate revenue under this business model from advertisements displayed in-app using Google AdMob (a mobile advertising platform by Google). Depending on the functions of the app, we also generate revenue from commerce commissions, such as from digital ticket sales and credit card payments. For example, for our app Tama-musubi, we generate such commerce commissions from local railway companies and destination marketing organizations (organizations which promote a location as an attractive travel destination) in Japan.

After-sales services

We offer support and maintenance services to customers after the completion of software development for them or licensing our proprietary software to them. We typically enter a separate contract with customers for such after-sales services and charge monthly for different types of services, such as system maintenance.

Our Products and Services

In-Vehicle Platform Software

Since 2013, we have been acting as a Tier 1 software supplier in the automotive industry. We develop and implement large-scale software with a wide range of components, which operates on IVI systems on the Android OS platform (an open-source operating system for mobile devices). We provide our IVI software to automotive OEMs, including Honda and Toyota. For example, in recent years, we completed the development of Honda’s IVI system for the 2023 models (H23M), with development finalized in November 2022 and the first product launched in February 2023. We are currently working on the next series of models (H26M), with development scheduled for completion around the second half of 2026 and the first product launch also expected around the second half of 2026. In addition, we are concurrently pursuing additional development projects and commercial discussions with other OEMs.

Our software has the following structure:

Application Layer (Topmost functional features) This layer contains the visible services and features a user interacts with in the car’s infotainment system.	
Media Player	Audio/video playback via USB
	Support for connecting and playing music from iPods
Tuner	Analog (AM/FM) and Digital Audio Broadcasting radio systems
Smart Phone	Smartphone projection systems allowing phone UI and apps on IVI screen
	Synchronization of apps and data between smartphone and IVI
Navigation	Electronic toll collection / Dedicated Short-Range Communications (DSRC)
	Compass and GPS-based positioning
	Coordination with ADAS (for instance, lane assist and cruise control)
Telematics	Telematics Service Unit: provides connectivity to external networks (cloud server, OEM servers, or third-party services)
	OTA Updates: remotely delivers and installs firmware or software updates to a vehicle via a wireless connection
	Network connectivity for telematics (cellular/Wi-Fi)
	Integration with Amazon Alexa voice assistant
	Manufacturer-specific service applications: Custom apps by OEMs for remote diagnostics, concierge services, etc.

Vehicle	Vehicle configuration/Meter synchronization: Ensures consistency of information and settings across different screens and modules in the vehicle.
	Navigation map shown in digital instrument cluster
	Climate control, fuel/energy tracking, power usage display
	User comfort features supported or controlled via the IVI system: wireless charger, customizable ambient lighting
	SOME/IP communication: Vehicle network protocol for communication between in-vehicle functions such as navigation and cameras
Diagnostics	Diagnostic tools used during manufacturing or servicing
TV	Digital TV reception feature
Connectivity	Bluetooth/Wi-Fi: Wireless connections for phones and networks
	Bluetooth Audio/Phone: Hands-free calling and music streaming
Camera	Rear, multi-view, and left/right wide-angle cameras BSI CTM: Blind Spot Information, Cross Traffic Monitoring Parking Sensor/Auto Parking: Sensor-based and automated parking support

User Interface (UI) Framework + Design Defines how content and interactions appear on the screen.	
Soft Keyboard: On-screen typing interface	
3D drawing tool Kanzi: Kanzi is a commercial UI design tool for 3D user interfaces.	
UI Library/System UI/Home: Core elements and layout of the infotainment interface	
System Layer System-level services that support all higher functions	
Boot Shutdown: Startup/shutdown procedures	
Sound/Display/Key input/Voice recognition: Core interfaces for input/output	
Mode management: Switching between different vehicle or system modes (for instance, Eco and Sport).	
Car parameters/Logging/Backup: Vehicle data tracking, error logging, and settings backup	
Anti-Theft/Clock/Settings: Security, timekeeping, and configuration functions	
Android + BSP / HAL (Bottom Layer)	
Android: Operating system core	
BSP (Board Support Package): Hardware-specific code enabling Android to run on specific vehicle hardware	
HAL (Hardware Abstraction Layer): Middleware that bridges Android OS and hardware drivers	

We offer a comprehensive one-stop service using our proprietary IVI development platform for Android systems, covering everything from development environment setup to automated testing of software, optimizing efficient system start-up and power-down performance.

Our development process typically begins with requirement definition, followed by software development, implementation, software evaluation, and functional evaluation. During the requirement definition phase, we create the Software Requirements Specification (“SRS”) documents based on the customer’s needs. In the software development phase, we develop the software according to the specifications outlined in the SRS. The implementation phase involves combining the developed software components and installing the software into the IVI device to ensure it functions properly. In the software evaluation phase, we verify that the implemented software behaves as designed. Finally, in the functional evaluation phase, we assess whether the software meets the requirements defined in the original SRS.

The adoption of Linux OS in our IVI systems since 2013 enables multi-task processing and supports the integration of diverse functions within a single platform. Linux provides a rich, sophisticated, and modular environment that allows multiple applications to run simultaneously and efficiently, such as navigation, media playback, connectivity, and voice control. This functional integration transforms previously separate hardware-based features (for instance, TV and radio) into software modules that can be managed centrally. As a result, Linux facilitates greater scalability, flexibility, and efficiency in IVI development, supporting larger and more complex system architectures and enhancing the overall user experience.

We play a highly involved role throughout each stage. In terms of decision-making, while the OEM retains final authority, we work closely with them in the development effort, actively proposing alternative features and development options. As a result, we are able to offer a comprehensive one-stop solution. Unlike competitors who focus only on standard software development, implementation, and evaluation, we also provide requirement definition, custom development tools, and project management capabilities, enabling us to deliver broader support across the development process.

Navigation Software

Since 2009, we have specialized in the development and sale of our proprietary in-vehicle navigation software under the brand naviAZ. We commenced the development of our first navigation engine as a product in 2008 under the name “MR-NAVI,” made a market release in 2009, and subsequently changed its name to “naviAZ.” For the fiscal years ended February 28, 2026 and 2025 and February 29, 2024, we sold 480,030 units, 493,869 units, and 461,702 units of our navigation software, respectively. As of the date of this annual report, we have sold around five million units of our software product in total. According to industry sources (see, for example, “Global Demand Trends for AV & IT Equipment: Global Demand Outlook through 2028” released by Japan Electronics and Information Technology Industries Association in Japanese on February 29, 2024), our naviAZ brand accounts for 15% of the Japanese car navigation market share.

Product Types

The navigation software products can be categorized based on how they are delivered to end-users, including DOP, MOP, and retail. DOP navigations are installed or offered by the car dealer at the point of sale. MOP navigations are integrated at the factory level by the car manufacturer before the vehicle is shipped. Retail navigations are available for purchase by consumers through automotive goods retailers, separate from the vehicle purchase process.

The navigation software we develop for different customers is largely similar in terms of core functionality, as it is all based on our proprietary navigation algorithm called “Navi Core.” Navi Core is regularly updated, with major updates being performed around every two years, and minor updates two to three times every year. As a result, the version provided to a customer depends on the timing of their order. While the underlying software remains largely consistent across customers, we customize the UI/UX based on each customer’s specific requirements.

Below are some of the navigation products which we have developed for our OEM customers:



Features

Our navigation software offers a wide range of features, over 180 in total, designed to enhance usability and improve the overall user experience. Based on our industry data, naviAZ is one of the most feature-rich navigation software products on the Japanese market as of the date of this annual report. These features are organized into several key categories:

- Map display features include scaling, scrolling, 2D/3D views, and dual-screen support;
- Route searching features allow users to perform route calculations while considering traffic conditions and also offer options such as a no-highway mode. POI searching features support free word input and address-based searches;
- Guiding features include a highway exit list, enlarged images of intersections, and voice guidance; and
- Traffic information features utilize systems like VICS WIDE and DSRC to provide real-time traffic data.

One of the notable capabilities of our navigation software is its connectivity feature, which allows the navigation system to link with other electronic devices. For example, the mobile phone synchronization feature enables users to continue receiving navigation or travel-related information even after exiting the vehicle. This is achieved through the integration of the in-car navigation device with a dedicated smartphone app. Once the vehicle is registered within the app, it can access data from the car via a cloud server where the navigation information is stored. This seamless data sharing between the car and smartphone ensures a consistent user experience both inside and outside the vehicle.

Other useful features of naviAZ include differential map updates, intelligent functions such as voice recognition, and multilingual support, which allows users to switch between different languages, an essential feature for commercial and international use. The differential map update system is made possible through a combination of embedded software and cloud server technology. The system checks the current status of the embedded map data. When outdated map data is detected, the software initiates an update process that downloads only the necessary changes (differential data), ensuring efficiency in both time and data usage. For voice recognition, we collaborate with a specialized technology partner that provides advanced voice recognition capabilities. While integrating this functionality into automotive environments is particularly challenging due to limited computing resources and the presence of background noise, we have successfully implemented voice control features that enhance the user experience.

NaviAZ is designed to enhance the user's travel experience by providing navigation that seamlessly connects the user to the latest information at any time. The software maintains a real-time link with cloud servers to access and retrieve up-to-date data. This ensures that users always receive the most current content, including automatic monthly updates of map data, newly added POIs (such as facility names or store locations), live traffic information, and real-time route suggestions. This monthly map update capability is made possible through Micware's proprietary map authoring technology, which enables efficient and accurate creation, maintenance, and distribution of updated map content. This technology ensures the reliability and timeliness of the navigation data provided by naviAZ.

Adoption

The use of naviAZ extends far beyond traditional in-car navigation. It has been adopted by leading manufacturers both in Japan and internationally as a versatile navigation solution across a wide range of mobility applications, including walking, cycling, motorcycles, and even marine vessels. For example, PinnAR is our walking navigation application that utilizes naviAZ technology. We provide a map display feature for digital cameras, enabling location-based tagging and visual navigation. We are also developing navigation software for a bicycle demonstration project and have created software for demonstration experiments involving map viewing on boats and water vehicles.

This broad adaptability is made possible by naviAZ's modular architecture. The system allows developers to selectively combine only the required modules to build navigation solutions optimized for specific use cases, such as traffic information (through VICS), route calculation, map display, search, mapping, guidance, map-matching (aligning GPS data to actual roads or paths), and location services.

Other Mobility Software

Entertainment stick

Our in-car entertainment stick is a compact device designed to enhance a vehicle's infotainment system by enabling access to various multimedia content. It connects to the car's display primarily via HDMI ports and offers functionalities such as video streaming, music playback, and app integration with platforms like Netflix, YouTube, and more. Our product also supports USB interfaces. However, since most in-car displays do not accept USB-C input, HDMI remains the standard for automotive use.

We develop the software for the entertainment stick, source the hardware from suppliers, and install our proprietary software on the device. The product is sold to business customers, such as car dealers. Customization can also be made for clients requesting tailored features or integrations at a fee, such as the various apps to be accessed through the entertainment stick.

Wariate-kun logistics IoT system

We have developed and released a logistics IoT system called Wariate-kun, which provides comprehensive support for order receipt, delivery planning, and vehicle movement management in the logistics industry. The industry often faces challenges such as outdated communication methods (for instance, telephone and fax), resulting in inefficiencies due to paper-based, non-updated information. Additionally, many logistics systems require costly specialized terminals, creating a financial barrier to adoption. Wariate-kun addresses these issues by offering a simple and cost-effective system that is easy to deploy and operate. It runs entirely through a standard web browser, requiring no dedicated software installation on office computers.

On the vehicle side, Wariate-kun uses LPWA (Low Power Wide Area) communication technology, a type of telecommunications technology that transmits data with low power consumption and covers large geographic areas, which is ideal for IoT devices to send small data packets at regular intervals over long distances with minimal power. Specifically, it uses cellular LPWA (LTE-M / Cat. M1) to collect and transmit vehicle location data in real time at a low cost. Key features of Wariate-kun include:

- Real-time vehicle location is shown on-screen with a minor delay of one to two minutes due to network conditions;

- Based on GPS data, the system detects where a vehicle stops, creates travel segments, and generates a daily report with location history;
- Many logistics companies still receive shipment details via fax slips (printed or handwritten forms). Using high-precision optical character recognition, Wariate-kun reads these scanned slips and automatically converts them into digital orders, eliminating manual entry;
- Orders can be assigned to vehicles with a mouse click. The system supports evening loading and sudden delivery changes;
- The system can help ensure legal compliance and balanced driver workloads by analyzing work hours; and
- Notifications of changes to delivery plans are instantly sent from Wariate-kun to drivers' smartphones.

Wariate-kun can also be tailored to fit each company's operations and integrated with existing systems, ensuring smooth and effective implementation.

Mvcube for Taxi

Mvcube for Taxi is a real-time data management service tailored for taxi operators. The software collects video footage and data from onboard drive recorders of registered vehicles and uses this information to support fleet operations and improve safety, contributing to the digital transformation of taxi businesses. Key features include:

- Immediate incident response: In the event of an accident or emergency, video can be retrieved via remote communication for instant situational awareness; and
- Driver performance analysis: Tools for assessing driving behavior and identifying risk points help ensure safer taxi operations.

As of June 11, 2026, Mvcube for Taxi had been implemented in 1,311 vehicles in Tokyo and a total of 2,308 vehicles across Japan, including in regions such as Fukuoka and Okayama.

ITS Connect retrofit onboard unit

Our ITS Connect retrofit onboard unit is a communication device for emergency vehicles that can be installed regardless of vehicle manufacturer or model. By equipping emergency vehicles such as fire trucks and ambulances, it encourages surrounding vehicles to yield during emergency runs, enabling faster and safer passages. We sell the device as a complete product. The business model involves purchasing the hardware from a supplier, then installing our proprietary software onto the device.

ITS Connect is one of Japan's practical implementations of a V2X communication system, which enables wireless data exchange between vehicles, vehicles and infrastructure, vehicles and networks, and vehicles and pedestrians. This data sharing enhances traffic safety and efficiency by preventing accidents and improving traffic flow. Vehicles equipped with ITS Connect receive real-time alerts about approaching emergency vehicles. When an emergency siren sounds, the system notifies drivers of the emergency vehicle's position, direction, and distance. At ITS Connect-enabled intersections, the system integrates with traffic signals to provide warnings for red-light violations and assists with safe right turns.

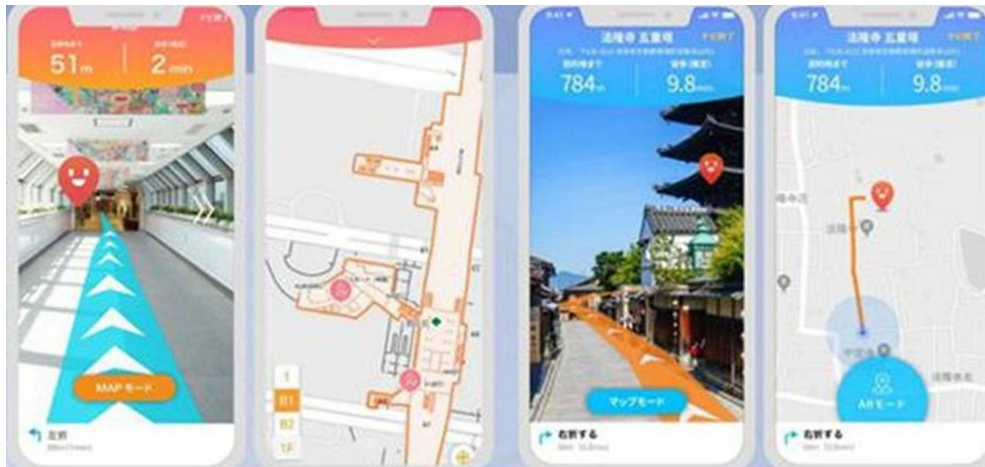
B2C services – Navigation

PinnAR

PinnAR is a navigation app that uses augmented reality to display route directions over real-world images captured by a smartphone camera. Since its launch in July 2023, the app has been downloaded over 1.91 million times globally.

To support indoor navigation, we developed a beacon sensing algorithm and an indoor routing system. The app uses indoor maps, which are either created in-house or obtained externally, to enable navigation across different floors of a building. For outdoor use, the app utilizes Google Map data and overlays the navigation path onto the real world through AR.

PinnAR allows users to search for nearby facilities in 15 categories and shows facility details, user reviews, and videos posted by users in the app, such as for trains, restaurants, shopping centers, hospitals, hotels, museums, and nightclubs. PinnAR offers digital coupons that users can display at participating stores to receive services or discounts. The app supports five languages: Japanese, English, Traditional Chinese, Simplified Chinese, and Korean, and includes text, voice, and camera translation features.



Images show the indoor and outdoor navigation interfaces of PinnAR.

Beatmap

Beatmap is designed to help users instantly discover the latest trending spots and provide navigation to those locations. It leverages self-developed AI technology to perform linguistic analysis on public social media content. Beatmap uses this technology to extract and analyze POI information from social posts. The AI identifies likely categories by analyzing keywords. For example, if it detects terms like “eat” or “delicious,” it infers that the location is a restaurant.

Many social media posts lack location data, so Beatmap employs its proprietary AI algorithm to estimate the location based on context. Once a probable location is identified, the system cross-references it with geographic data sources, such as Google Maps, to verify and enhance the information. Based on this layered analysis, Beatmap identifies businesses and venues that are trending in real time. These are presented on a map as “spot info,” often alongside details about limited-time promotions and events.

Public data is sourced from platforms like X and Retty, with license agreements in place to allow the use of the platform contents. Spot recommendations appear dynamically as users scroll across the map (currently limited to Japan). The density of visible spots depends on the population density of each region, meaning urban areas display more detailed information than rural ones. The AI continuously evaluates various parameters to determine whether a spot is “trendy” enough to be featured, such as how recently a post was made or the number of retweets. At any given time, the app displays around 700,000 POIs. Social media-derived information is updated every two hours, while more static sources (for instance, local event websites or Wikipedia) are updated monthly.



Interface of BeatMap mobile app

B2C services –Other than navigation

Tama-musubi

Tama-musubi is a travel application designed to help users explore local myths and folklore, providing information about regional stories and traditions. Folklore-related sites are displayed on interactive maps, supported by features such as transportation route recommendations, guidance, ticket purchasing, and quest-based activities. As of the date of this annual report, the app covered all 47 prefectures in Japan.

PicLive

PicLive is a social media platform that displays live video footage on a map, allowing users to intuitively access real-time information. Users can livestream or upload videos and images, and the app showcases the most recent content posted within the last 12 hours. Additionally, the app displays relevant images and footage collected from contracted security cameras and YouTube. Through the app, users can access up-to-date information on live shows, exhibitions, and other events. The platform is also useful for obtaining situational updates from areas affected by disasters.

Overseas Operations

We provide software development services to Japanese OEMs outside Japan, with most of these services currently conducted by Micware North America. We sell all our software products to OEMs overseas, including IVI and navigation software. In addition, our overseas subsidiaries develop products independently, such as the Handy Tracking Life vehicle tracking system developed by Micware Asia Pacific for fleet management in logistics operations. As of the date of this annual report, we have offices in the U.S, Thailand, and Germany. As of the date of this annual report, we do not consider our overseas operations significant.

Suppliers

We recognize the following types of suppliers: providers of map data (data of geographic features, locations, and routes) and tourism information, cloud server providers, providers of GPS navigation software, providers of camera footage and other video materials, hardware suppliers (including dashcam, SD card, and ITS-Connect device), trading companies, and product HMI and design service providers. The major factors that we evaluate when selecting suppliers are product performance (including features, capabilities, and overall functionality), financial performance of the supplier company, price competitiveness, and quality and adequacy of technical support.

There was no supplier whose revenue from us individually represented more than 10% of our total purchases for the fiscal year ended February 28, 2026.

Below are the lists of our suppliers whose revenue from us individually represented more than 10% of our total purchases for the fiscal years ended February 28, 2025 and February 29, 2024, respectively. For purposes of the disclosure, vendors that are under common control are aggregated and presented on a combined basis.

Fiscal year ended February 28, 2025:

Supplier	Amount (JPY); Percentage of Total Purchase
Toyota Group*	JPY1,006,420,767; 10.1%
Telenav Inc.	JPY1,001,765,364; 10.0%

* Includes purchases the Company made from other entities under common control of Toyota.

Fiscal year ended February 29, 2024:

Supplier	Amount (JPY); Percentage of Total Purchase
Toyota Group*	JPY1,143,012,652; 14.1%
Uni Electronics	JPY1,023,257,927; 12.6%

* Includes purchases the Company made from other entities under common control of Toyota.

Material Agreements with Toyota Group and Uni Electronics

Toyota Group and Uni Electronics accounted for more than 10% of our total purchases in the fiscal years ended February 28, 2025 and February 29, 2024. Toyota and O-Well, a parent company of Uni Electronics, are also beneficial owners of 5% or more of our Ordinary Shares. For additional details on the transactions with the parties, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

Toyota Group

The Company’s direct contractual counterparty within the Toyota Group is TMI, a supplier of map data. We entered into a copyright license agreement with the TMI on November 30, 2011, which was renewed annually, under which we entered into individual license agreements for the use of specific copyrighted works. According to the agreement, TMI granted us a non-exclusive, non-transferable copyright license of certain copyrighted works used in our products that we license to certain permitted third parties. The specific content of the works, their scope of use, and licensing fee are to be negotiated by a memorandum of understanding on a case-by-case basis. TMI has also allowed us to sublicense the use of such works to certain designated third parties only for the purpose of achieving the objectives of the permitted scope of use specified under the applicable memorandum of understanding. Either party may terminate the agreement upon material breach of the agreement, suspension of payment, merger, dissolution or transfers of all or part of its business to a third party, and bankruptcy, among others. Either party may also terminate the agreement after giving the other party a reasonable period of notice if the other party is found to have violated the terms of the agreement and is unable to achieve the purpose of the agreement.

Uni Electronics

We entered into a master outsourcing agreement with Uni Electronics on January 1, 2023. Under the agreement, an individual agreement shall be established by the parties executing the individual agreement or by us issuing individual purchase orders and Uni Electronics accepting such orders. The agreement is automatically renewed for successive one-year terms unless either party provides a written notice two months before the end of term. Either party may terminate the agreement or its individual agreement, in whole or in part, upon the other party’s seizure, suspension of payment, dissolution or transfers of all of its business, and bankruptcy, among others, by providing a notice to the other party. Either party may also terminate the agreement or its individual agreement, in whole or in part, if the other party commits a breach or causes a material issue that hinders performance. Termination is permitted if the breaching party fails to cure the breach within 14 days after receiving written notice.

Customers, Sales, and Marketing

We recognize the following types of customers: automotive OEMs, automotive consortiums, and their suppliers, telecommunications service providers, mobility-as-a-service providers, and other firms with demand for location information-related software.

We have a sales and marketing team of 18 persons as of the date of this annual report. We regularly participate in industry events, such as conferences, conventions, and exhibitions, to promote our brand, including those held by Linux Foundation, Japan Automotive Software Platform and Architecture, Japan Embedded Systems Association, and Software Association of Japan.

During fiscal years ended February 28, 2026 and 2025 and February 29, 2024, we had 180, 158, and 135 customers, respectively. Below are the lists of our customers whose purchases made individually with us represented more than 10% of our total revenue for the fiscal years ended February 28, 2026 and 2025 and February 29, 2024, respectively. For purposes of the disclosure, customers that are under common control are aggregated and presented on a combined basis.

Fiscal year ended February 28, 2026:

Customer	Amount (JPY); Percentage of Total Revenue
Honda Group*	JPY11,084,024,587 (approximately \$71,028,674); 50.6%
Toyota Group*	JPY3,560,496,898 (approximately \$22,816,385); 16.3%
Uni Electronics	JPY2,494,654,842 (approximately \$15,986,253); 11.4%

* Include revenue earned from other entities under common control of Toyota or Honda, as the case may be.

Fiscal year ended February 28, 2025:

Customer	Amount (JPY); Percentage of Total Revenue
Honda Group*	JPY10,870,306,245; 51.5%
Uni Electronics	JPY2,946,938,712; 14.0%
Toyota Group*	JPY3,019,880,329; 14.3%

* Include revenue earned from other entities under common control of Toyota or Honda, as the case may be.

Fiscal year ended February 29, 2024:

Customer	Amount (JPY); Percentage of Total Revenue
Honda Group*	JPY8,431,141,751; 48.1%
Uni Electronics	JPY4,246,176,746; 24.2%

* Include revenue earned from other entities under common control of Honda.

In certain development service agreements with our customers, such as OEMs or Tier 1 suppliers, we have agreed with certain customers that intellectual property rights arising from our service performance are assigned to, and owned by, the customers. As a result, we do not retain rights to use, commercialize, or further develop certain intellectual property for our own business purposes or for use with other customers. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Because intellectual property we develop under development service agreements may be owned by our customers, we may not be able to realize future benefits from such work, which could adversely affect our growth prospects.”

Material Agreements with Honda Group, Uni Electronics, and Toyota Group

Honda Group, Uni Electronics, and Toyota Group each accounted for more than 10% of our revenue in the fiscal years ended February 28, 2026 and 2025. Honda Group and Uni Electronics each accounted for more than 10% of our revenue in the fiscal year ended February 29, 2024. Honda, Toyota, and O-Well, a parent company of Uni Electronics, are also beneficial owners of 5% or more of our Ordinary Shares. For additional details on the transactions with the parties, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

Honda Group

Among the Honda Group, our most significant contractual counterparty is Honda, an automotive OEM.

On February 6, 2025, Micware Automotive entered into an amendment memorandum (the “Honda Amendment”) with Honda to amend the Basic Agreement for Long-Term Development Commission (the “Honda Development Agreement”) between the Company and Honda R&D Co., Ltd. dated September 24, 2019. Based on the Honda Amendment, we have agreed to develop Honda’s IVI system for certain models upon an individual agreement to be executed between Honda and us pursuant to the Honda Development Agreement. The Honda Development Agreement will terminate on December 31, 2026, subject to extension conditions. Either party may immediately terminate the Honda Development Agreement or its individual agreement, in whole or in part, in the event of the other party’s gross negligence, breach of trust, suspension of payment, or tax delinquency, among others. Honda may also terminate the Honda Development Agreement by providing a six-month prior written notice. We may terminate the Honda Development Agreement by providing a six-month prior written notice if there is no effective individual agreement pursuant to the Development Agreement at the time we provide the notice.

Uni Electronics

We entered into a master outsourcing agreement with Uni Electronics on August 18, 2003, which is renewed for one-year terms each year, unless either party provides a written notice two months before the end of the term. Under the agreement, Uni Electronics makes an individual software-development order with us, and an individual agreement is established when we accept such order. Uni Electronics may terminate the master outsourcing agreement or its individual agreement, in whole or in part, in the event of Micware’s technical incapacities to perform services as confirmed by Uni Electronics, performance difficulty due to Micware’s labor issue, suspension of payment, bankruptcy, change of management resulting in performance difficulty, or breach of agreement despite Uni Electronics’ notice and demand. We may terminate the master outsourcing agreement or its individual agreement, in whole or in part, in the event of Uni Electronics’ breach of agreement despite our notice and demand.

Toyota Group

Among the Toyota Group, our most significant contractual counterparty is Toyota, an automotive OEM. On August 20, 2024, we entered into a basic system development agreement with Toyota to develop certain IT systems for it. Under the agreement, Toyota makes an individual order with us, and an individual agreement is established when we accept such order. The agreement has an initial term of one year and shall be automatically renewed for subsequent one-year terms, unless it is terminated by either party by providing notice 30 days before the end of the term.

Competition

The automotive and software industries are characterized by fragmented global competition, diverse technological approaches, and varying regional leaders. Complicating this environment is the fact that many of the Company’s customers, primarily automotive OEMs, possess strong in-house software development capabilities, making them both clients and potential competitors.

Despite this challenging landscape, we have established our brand as a Tier 1 software provider in Japan. Over the years, we have built long-term, cooperative relationships with major OEMs. A key indicator of this trust and integration is the capital participation of both Toyota and Honda, two of the world’s largest and most competitive car manufacturers. To our knowledge, we are the only company globally with both as shareholders, highlighting the depth of our partnerships and the unique value we bring. These long-standing relationships position us as an integral part of Japan’s automotive software ecosystem.

Our business remains primarily Japan-focused, with 98.5% of revenue in fiscal year ended February 28, 2026 coming from the Japan domestic market. We are, however, actively expanding internationally. The United States accounted for 1.4% of our revenue, and Thailand for 0.1%. The establishment of Micware Europe in March 2025 marks the beginning of our strategic entry into the European market, and the revenue from Europe accounted for 0.0% of our revenue for the fiscal year ended February 28, 2026.

We face competition from a wide range of players across several categories:

- In software development services, we compete with SCSK, SKY, and Panasonic in Japan, and with TATA Consultancy Services, KPIT, and Wipro from India;
- In software licensing, our peers include Aisin, Pioneer, ZENRIN DataCom, and Panasonic; and
- In digital map and maintenance services, we compete with global leaders such as HERE Technologies, TomTom, Google (Alphabet), ESRI, and Mapbox.

Depending on the business area, we compete in multiple dimensions.

In software development, our key competitive strengths are:

- High product quality that meets rigorous OEM standards;
- Reliable, on-time delivery aligned with complex automotive production schedules;
- Engineering flexibility to adapt quickly to customer changes and effectively manage subcontractors; and
- Unique UX/UI designs and customization, tailored to meet specific OEM needs.

In licensing, we offer competitive pricing and value-added features that enhance system performance and user experience.

In digital map and maintenance services, our focus is on:

- Wide coverage and up-to-date data;
- Fast and accurate 3D map generation; and
- API scalability and reliability to support diverse enterprise applications.

We recognize three core elements as critical to our continued success:

- The optimization and scalability of our common software platform;
- Our strategic position as a trusted software partner to OEMs; and
- Our ability to coexist with large and influential technology companies by delivering differentiated value through UX/UI and tailored features.

We believe that these strengths allow us to compete effectively across markets and lay the foundation for our continued growth, both in Japan and globally.

Research and Development

Our R&D team plays a central role in advancing our technology roadmap. As of the date of this annual report, the team consists of approximately 50 staff members, including a core group of 15 specialists who lead major development efforts and oversee the strategic direction of our R&D initiatives. Our R&D expenditure totaled JPY1,536.7 million (\$9.8 million) for the fiscal year ended February 28, 2026, JPY1,057.7 million for the fiscal year ended February 28, 2025, and JPY960.9 million for the fiscal year ended February 29, 2024, respectively.

In recent years, our R&D activities have focused primarily on the development of automatic 3D modeling technology from dashcam video footage, under the DynaPlanet project. Our goal is to generate accurate 3D spatial data from dashcam inputs, enabling advanced mapping and analysis capabilities.

Current geospatial information systems are struggling to keep pace with the rapid transformation of urban and transportation environments. Traditional map providers face significant limitations both in cost and timeliness. Updates relying on satellite imagery or dedicated mapping vehicles are not only expensive but also inherently delayed, making them ill-suited for dynamic cityscapes. Further complicating matters are the growing complexities of modern cities, including vertical expansion (for instance, high-rise buildings), underground infrastructure, and legal and national security restrictions that limit the use of drones for wide-scale data acquisition in urban areas.

To address these challenges, we have initiated and invested in the development of a new geospatial framework, the DynaPlanet. Unlike conventional maps, DynaPlanet reconstructs and updates wide-area spatial data using limited visual inputs, such as images and videos collected from everyday devices. This allows for real-time, low-cost, and scalable acquisition of urban geospatial information.

Looking ahead to a future where vehicles and drones operate autonomously in complex urban environments, DynaPlanet is positioned to serve as the core infrastructure for navigation, spatial awareness, and control. We have already established systems capable of dynamically delivering and updating DynaPlanet-based spatial data and software to vehicles and smartphones, demonstrating a strong foundation for practical, real-world deployment of this next-generation technology.

This direction aligns closely with our business focus, as many of our customers are mobility OEMs, and we have established experience in both map development and dashcam integration. With access to large volumes of video and image data through connected dashcam solutions, we are well positioned to lead innovation in this area. Progress on this project has been steady and is proceeding according to our development plan.

We launched the first DynaPlanet-based service, Dynamic Share Map, in March 2026. Following the initial release, we aim to expand geographic coverage and continuously improve the accuracy and quality of the 3D models generated, thereby enhancing the value we can offer to OEMs and other mobility-related partners.

To protect the outcomes of our R&D efforts, we have registered patents, trademarks, and design in key markets, including Japan, the United States, Germany, and Thailand. These measures are part of our strategy to secure and protect intellectual property on a global scale.

We, from time to time, do joint research and development with universities in Japan. In the past ten years, we entered into joint research and development agreements with Tokyo Institute of Technology (currently known as Institute of Science Tokyo), University of Hyogo, and Kwansei Gakuin University, where we jointly researched on, for example, construction of experimental environment for capturing and collecting images using in-vehicles cameras or smartphones, development of deep learning algorithms employing geographic information metadata to recommend relevant topics to application or software users, and developing data processing methods for acquiring and processing and distributing mobile data collected from moving vehicles. As of the date of this annual report, all joint research and development agreements with universities have expired, except for the joint research development agreement with Institute of Science Tokyo and Kwansei Gakuin University.

Insurance

We currently maintain fire insurance and life insurance. There are certain types of losses, such as losses from natural disasters, terrorist attacks, construction delays, and business interruptions, for which insurance is either not available or not available at a reasonable cost. We believe our practice is consistent with the customary industry practice in Japan.

Employees

We had 483, 452, and 426 full-time employees as of February 28, 2026, February 28, 2025, and February 29, 2024, respectively. As of February 28, 2026, we do not have any part-time employees. We have 316 contract workers as of February 28, 2025. The following table sets forth the number of our full-time employees employed by each of our operating entities as of February 28, 2026:

Entity	Number
Micware	26
Micware Navigations	153
Micware Automotive	142
Micware Mobility	109
Micware Operation	46
Micware Create	7
Total	483

We enter into employment agreements with our full-time employees. The employment agreements have an indefinite term and may be terminated by the employee with a one-month advance notice. If, upon evaluation, an employee's work attitude is extremely poor or if misconduct is repeated, the Company may proceed with dismissal. We also enter into a confidentiality agreement with each employee.

We believe that we maintain a good working relationship with our employees, and we have not experienced material labor disputes in the past. None of our employees are represented by labor unions.

Intellectual Property

As of June 11 2026, we had 18 registered domain names.

We had 307 registered patents in Japan, 45 registered patents in the U.S., 12 registered patents in European countries, two registered patents in China, one registered patent in Taiwan, and one registered patent in Thailand.

We also had 154 registered trademarks in Japan, 12 registered trademarks in the U.S., 10 registered trademarks in the United Kingdom, 14 registered trademarks in European Union, 10 registered trademarks in Thailand, and 40 registered trademarks in 16 other countries, including Hong Kong and Taiwan.

In addition, we had one registered design in the U.S.

As of June 11, 2026, our pending intellectual property applications in Japan included 39 patents and 4 trademarks.

Properties

As of the date of this annual report, we own one property in Japan and lease an aggregate of 13 offices in Japan, two offices in the U.S, one office in Germany, and one office in Thailand. The owned property is being used as a recreational facility and accommodation for employees on long-term business trips. The areas of owned and leased premises are based on the figures specified in the land use certificates or the corresponding lease agreements. The following table shows notable information for the properties we lease as of the date of this annual report:

Location (Japan)	Size (Square Feet)	Current Use	Term of Use	Annual Rent (JPY)
Kobe (Kobe Asahi Building)	13,185	Office	April 1, 2026 to March 31, 2028 Automatically renewed every two years	66,126,264
Kobe (Kobe Crystal Tower)	26,581	Office	April 1, 2025 to March 31, 2027 Automatically renewed every two years	105,544,932
Shinagawa, Tokyo*	16,744	Office	June 1, 2023 to May 31, 2028	176,413,560
Osaka	37,492	Office	August 1, 2024 to July 31, 2027	351,000,000
Kobe (Kobe Kyukyoryuchi No.91)	14,160	Office	July 1, 2025 to June 30, 2030	108,286,224
Sapporo	13,837	Office	September 1, 2024 to August 31, 2029	108,196,620
Yokohama		Office	4 th and 5 th floors: October 1, 2023 to September 30, 2026 6 th floor: January 1, 2017 to December 31, 2026 Automatically renewed every two years	46,124,880
Toyama	11,725	Office	August 1, 2024 to July 31, 2026 Automatically renewed every two years	37,722,360
Nagoya	8,537	Office	September 1, 2022 to August 31, 2027	90,778,584
Hakata	9,508	Office	November 1, 2024 to October 31, 2026 Automatically renewed every two years	23,885,136
Nogizaka, Tokyo	5,321	Office	August 1, 2024 to September 30, 2026 Automatically renewed every two years	34,519,200
Utsunomiya, Tochigi	5,077	Office	April 15, 2026 to April 14, 2028	3,492,180
Ashiya, Hyogo	710	Residence	Obtained on September 30, 2015	Owned property
	14,718			

* There are two offices in Shinagawa, Tokyo.

Location (overseas)	Size (Square Feet)	Current Use	Term of Use	Annual Rent
Columbus, Ohio, USA	6,250	Office	July 1, 2019 to June 30, 2027	\$ 80,460
New York, USA	325	Office	December 1, 2025 to November 30, 2026	\$ 24,240
Bangkok, Thailand	4,162	Office	April 16, 2026 to April 15, 2029	Baht 2,125,028
Düsseldorf, Germany	Not ascertainable	Office	April 1, 2026 to March 31, 2027	€ 53,520

We believe that our existing facilities are sufficient for our near-term needs.

Seasonality

Our business is not subject to seasonal fluctuations.

Legal Proceedings

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property infringement, breach of contract, and labor and employment claims. We are currently not a party to, and we are not aware of any threat of, any legal or administrative proceedings that, in the opinion of our management, are likely to have any material and adverse effect on our business, financial condition, cash flow, or results of operations.

Regulations

We are subject to a variety of laws and regulations in Japan that affect our operations. These include, but are not limited to, laws governing software development and information technology, telecommunications and network connectivity, automotive industry requirements, data privacy and protection, consumer protection, cybersecurity, AI, and export controls. As we continue to expand our operations globally, including in the United States, Germany, and Thailand, we anticipate that we will become subject to additional regulations in those jurisdictions as well.

Software Development and Information Technology Regulations

Our core business activities in Japan involve the development of embedded software for IVI systems, navigation software, and mobile applications. These activities are subject to the following laws and regulations:

- Act on the Prohibition of Unauthorized Computer Access (Act No. 128 of August 13, 1999, as amended) governs unauthorized access to computer systems;
- Copyright Act protects our proprietary software assets, such as micAuto-PF and Navi Core;
- Act against Unjustifiable Premiums and Misleading Representations (Act No. 134 of May 15, 1962, as amended) regulates the promotion and advertisement of our consumer-facing applications; and
- Act on the Development of an Environment that Provides Safe and Secure Internet Use for Young People (Act No. 79 of June 18, 2008, as amended) applies to mobile applications accessible by minors.

We also follow industry norms and customer guidelines in software development practices and intellectual property protection.

Telecommunications and Network Connectivity

We provide OTA updates, telematics, in-car Wi-Fi, and cloud-based services that rely on third-party telecommunications providers. While we are not classified as a telecommunications carrier under Japanese law, our use of telecommunications infrastructure renders us indirectly subject to the Telecommunications Business Act (Act No. 86 of December 25, 1984, as amended) and the Radio Act (Act No. 131 of May 2, 1950, as amended), particularly with respect to connected vehicle devices and LPWA communications, such as LTE-M.

Automotive Industry and Vehicle Software Regulations

As a provider of embedded software for vehicles, we must comply with safety and technical standards required by our OEM customers. These standards incorporate Japanese domestic law and international automotive norms, including:

- Road Transport Vehicle Act (Act No. 185 of June 1, 1951, as amended), concerning vehicle safety;

- ISO 26262, standardized by International Organization for Standardization in November 2011 and amended in December 2018, describing a framework for functional safety to assist the development of safety-related electrical and/or electronic systems (“E/E system”) that are installed in series production road vehicles, excluding mopeds; and
- AUTOSAR (AUTomotive Open System ARchitecture), a global partnership of leading companies in the automotive and software industry to develop and establish standardized software framework and open E/E system architecture for intelligent mobility, and Automotive SPICE (ASPICE) standards, published and established worldwide by the Automotive Special Interest Group (AUTOSIG) and employed by leading OEMs and suppliers to evaluate development processes of software-based systems in and around the vehicle, both being followed by our internal development and quality assurance systems, such as CARE-SUITE.

Although we do not manufacture hardware, our software must be tested and validated under OEM-mandated automotive safety compliance frameworks.

Data Privacy and Protection

We collect, store, and process user data, including personal and geolocation data, through various services, such as BeatMap, PinnAR, and connected vehicle platforms. As such, we are subject to Japan’s Act on the Protection of Personal Information (“APPI”) (Act No. 57 of May 30, 2003, as amended), which imposes obligations on:

- Obtaining user consent;
- Proper use and disclosure of personal data;
- Cross-border data transfers; and
- Implementing technical and organizational security measures.

Under APPI, we are required to lawfully use personal information we have obtained within the purposes of use we have specified and take appropriate measures to maintain security of such information. We are also restricted from providing personal information to third parties without obtaining prior consent of the corresponding individual, except for (i) cases based on laws and regulations, (ii) cases in which there is a need to protect human life, body or fortune, and when it is difficult to obtain a principal’s consent, (iii) cases in which there is a special need to enhance public hygiene or promote fostering healthy children, and when it is difficult to obtain a principal’s consent, or (iv) cases in which there is a need to cooperate in regard to a central government organization or a local government, or a person entrusted by them performing affairs prescribed by laws and regulations, and when there is a possibility that obtaining a principal’s consent would interfere with the performance of the said affairs.

Non-compliance with any order issued by the Personal Information Protection Commission or any other relevant authorities to take necessary measures to comply with the law could subject us to criminal and/or administrative sanctions. Anonymously processed information (*tokumei kako joho*), pseudonymized information (*kamei kako joho*), and individual-related information (*kojin kanren joho*) are subject to the Personal Information Protection Act.

We maintain a privacy policy that reflects our commitment to protecting personal data and our obligation to manage such data in accordance with applicable laws and internal corporate rules. Our policy requires us to implement appropriate security measures, ensure the accuracy of personal data, promptly delete unnecessary data, and conduct regular training for employees on privacy protection.

Artificial Intelligence and Content Regulation

We incorporate AI into several of our products, including BeatMap and DynaPlanet, which involve natural language processing and geospatial estimation. Japan enacted the Act on Promotion of Research and Development, and Utilization of Artificial Intelligence-related Technology (Act No. 53 of June 4, 2025), which establishes a basic framework for promoting the research and development and utilization of AI-related technology, including basic principles, responsibilities of the national and local governments, research and development institutions, and business operators utilizing AI-related technology, and the establishment of the AI Strategy Headquarters. In addition, the Japanese government has issued AI Guidelines for Business version 1.0 on April 19, 2024, which we voluntarily observe. The guidelines are established by Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry, and the latest version, version 1.2, was published on March 31, 2026. These guidelines outline fundamental concepts necessary for the development, provision, and use of AI. The ten “Common Guiding Principles” outline (i) seven certain principles AI business actors should consider when doing their business activities, including (1) human-centric, (2) safety, (3) fairness, (4) privacy protection, (5) ensuring security, (6) transparency, and (7) accountability) and (ii) three certain principles AI business actors are expected to collaborate with general society, including (1) education/literacy, (2) ensuring fair competition, and (3) innovation.

We also follow the Act on Responses to Rights Infringement, etc. Arising from the Distribution of Information by Specified Telecommunications (Act No. 137 of November 30, 2001, as amended), which governs intermediary liability for content on our user-facing applications, such as PicLive, and implement content moderation tools for user-generated content.

Export Control and Cross-Border Transfers

We export proprietary software and technical know-how from Japan to our overseas subsidiaries and customers. Accordingly, we are subject to the FEFTA (Act No. 228 of December 1, 1949, as amended), which governs the export of cryptographic and dual-use technologies. We believe that we comply with Japanese export screening procedures and obtain licenses when required.

Cross-border transfers of personal data are also subject to APPI requirements. Japan has received adequacy recognition from the European Commission under GDPR, facilitating compliant data transfer with our EU operations.

Company Laws

The formation, organization, operation, and management of companies are governed by the Companies Act and other related laws. Our Company is categorized as “Company with a Board of Corporate Auditors” provided by the Companies Act.

According to our Japanese legal counsel, as of the date of this annual report, we comply with these laws and regulations.

Intellectual Property Protection Laws

There are various intellectual property laws in Japan, including the Patent Act (Act No. 121 of April 13, 1959, as amended), the Utility Model Act (Act No. 123 of April 13, 1959, as amended), the Design Act (Act No. 125 of April 13, 1959, as amended), the Trademark Act (Act No. 127 of April 13, 1959, as amended), and the Copyright Act (Act No. 48 of May 6, 1970, as amended). The Patent Act provides patent right and regulates protection and utilization of inventions. The Utility Model Act provides utility model right and regulates protection and utilization of devices. The Design Act provides design rights. The Trademark Act provides trademark rights. The Copyright Act provides for authors’ rights and neighboring rights.

For details about our patents and trademarks, see “—Intellectual Property.”

Labor Laws

There are various labor-related laws in Japan, including the Labor Standards Act (Act No. 49 of April 7, 1947, as amended), the Industrial Safety and Health Act (Act No. 57 of June 8, 1972, as amended), and the Labor Contracts Act (Act No. 128 of December 5, 2007). The Labor Standards Act regulates, among others, minimum standards for working conditions such as working hours, leave period, and leave days. The Industrial Safety and Health Act requires, among others, the implementation of measures to secure employee safety and protect the health of workers in the workplace. The Labor Contracts Act regulates, among others, the change of terms of employment contracts and working rules, and dismissal and disciplinary action.

According to our Japanese legal counsel, as of the date of this annual report, we comply with these laws and regulations.

Regulations under the Antimonopoly Act

Japan has antitrust laws that protect consumers and regulate how companies operate their businesses. Among the various Japanese antitrust laws, the seminal antitrust law is the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended) (the “Antimonopoly Act”). The Antimonopoly Act prohibits private monopolization, unreasonable restraint of trade, and certain unfair trade practices, and regulates business combinations and other conduct that may substantially restrain competition.

The Japan Fair Trade Commission (the “JFTC”) enforces the Antimonopoly Act and other Japanese antitrust laws.

If the JFTC finds conduct that violates the Antimonopoly Act, it may issue cease and desist orders, impose administrative surcharge payment orders in certain cases, or require other measures necessary to eliminate such violations.

In the event the JFTC suspects any violation of the Antimonopoly Act or determines that we have violated the Antimonopoly Act, we could be exposed to risks, including governmental action against us.

Regulations regarding Customer Protection

We are subject to laws and regulations regarding customer protection, which could affect us in jurisdictions in which we sell our products.

In Japan, Consumer Contract Act (Act No. 61 of May 12, 2000, as amended) mainly regulates the customer protection. The Consumer Contract Act invalidates certain provisions in contracts with consumers, such as exemption of compensation for damages to consumers and restrictions of termination by consumers due to the seller’s breach of contract. We believe that we comply with these regulations.

Regulations on Advertising

The Act against Unjustifiable Premiums and Misleading Representations (Act No. 134 of May 15, 1962) stipulates the restricted methods and means of various advertisements, representations, and sales promotions, in a broad sense. When we advertise our products, we must provide appropriate information under this act, so as not to mislead our customers. We believe that we comply with these regulations.

Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors

In Japan, the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, which was revised from January 1, 2026 as the Act Against Delay in Payment of Fees, etc. to Small and Medium-sized Entrusted Business Operators in Manufacturing and Other Specified Fields, is the law regulating certain level of large companies subcontracting their jobs to protect subcontractors from exploitation. This act is applicable to a subcontracting of work if, among others, (i) the type of subcontracted work is creation of program, (ii) registered capital of the large procuring enterprise exceeds JPY300 million or the number of its employees is more than 300, and (iii) registered capital of the subcontractor is JPY300 million or less or number of its employees is 300 or less. In a case where this act is applied, a number of duties are imposed on the procuring enterprise. These duties include, among others: (i) duty to provide a document stating terms and conditions of order, such as the amount of subcontract fees; (ii) duty to retain the document; (iii) duty to specify a payment due, which must not exceed 60 days from receipt of the work; (iv) prohibition of unreasonable refusal of deliverable; (v) prohibition of delay in payment of subcontract fees; (vi) prohibition of setting subcontract proceeds at a level conspicuously lower than the price ordinarily paid for the same or similar content of work; (vii) prohibition of unreasonable request of rework; (viii) prohibition of unilateral determination of the amount of fees without consultation; and (ix) prohibition of payment by promissory notes or other payment methods that make it difficult for the entrusted business operator to receive the full amount of fees by the payment due date.

Other Legal and Compliance Matters

We are also subject to general commercial regulations in Japan, including:

- Act on the Prevention of Unjust Acts by Organized Crime Group Members (Act No. 77 of May 15, 1991, as amended); and
- Anti-bribery and unfair competition laws, including obligations under the Unfair Competition Prevention Act (Act No. 47 of May 19, 1993, as amended).

We have adopted internal compliance policies and provide training to employees on matters including anti-corruption, trade compliance, and ethical conduct. As we grow our overseas operations and pursue an international public offering, we are enhancing our global compliance infrastructure.

Material Regulations in the United States

Data Privacy and Cybersecurity

In the United States, we are subject to federal and state laws and regulations regarding data privacy and protection. U.S. rules and regulations governing data privacy and security include those promulgated under the authority of the Federal Trade Commission Act, the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, California's California Consumer Privacy Act of 2018 ("CCPA") and California Privacy Rights Act of 2020 ("CPRA"), and other state and federal laws relating to privacy, consumer protection, and data security. The CCPA and CPRA contain requirements regarding the handling of personal information of California consumers and households, including compliance and record keeping obligations, the right of individuals to request access to and deletion of their personal information, and the right to opt out of the sale and other uses of their personal information, and provides a private right of action and statutory damages for data breaches. State laws are changing rapidly as other states in the United States have adopted or are considering adopting similar laws. There is also discussion in Congress of a new comprehensive federal data protection law to which our U.S. operations would become subject if it were enacted.

All U.S. states have enacted legislation that addresses certain aspects of data privacy. Much of such legislation focuses on notification to data subjects and regulators in the event of a data breach, but as privacy becomes more of a focus for both regulators and the general public, many states have amended their original data-breach legislation to address a broader scope of personal information and to impose additional requirements on companies in the event of a data breach. This patchwork of legislation and regulations regarding security, privacy and data protection may give rise to conflicts or differing views of personal privacy rights. For example, certain state laws may be more stringent or broader in scope or offer greater individual rights with respect to personal data than federal or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts.

We adhere to certain cybersecurity and compliance guidelines when developing our products and services, including:

- Federal Information Security Management Act, mandating risk management and security standards for systems handling U.S. federal government information;
- Special Publication 800 Series, the guidelines by the National Institute of Standards and Technology (NIST), which are developed to address and support the security and privacy needs of the U.S. federal government information and information systems;
- cybersecurity best practices recommended by the U.S. Cybersecurity & Infrastructure Security Agency; and
- the Payment Card Industry Data Security Standard which regulates how entities store, process, and transmit cardholder data and/or sensitive authentication data.

Employment

We have employees in Ohio. Employees in Ohio are generally deemed to be employees at will, meaning they can be terminated, or the terms and conditions of their employment can be altered, for any reason or no reason, absent a contractual arrangement that alters the employment at-will status. Broadly, we are obligated to comply with applicable Ohio employment-related laws and regulations, including wage and hour standards, anti-discrimination, anti-harassment, and anti-retaliation prevention, whistleblower protection, and state laws on restrictive covenants on confidential information, invention assignment, non-competition and non-solicitation.

Material Regulations in European Union and Germany

Data Privacy and Cybersecurity

In the EU and Germany, we are also subject to laws and regulations regarding data privacy and protection. These include the EU General Data Protection Regulation (“GDPR”). In addition to our general privacy policy, we have also established a separate privacy policy specifically designed to comply with the requirements of the GDPR for customers located in the EU.

In Germany, we are also subject to the Federal Data Protection Act (the “BDSG”), which implements the provisions of the GDPR. The BDSG sets out specific regulations and guidelines concerning the collection, processing, and storage of personal data by both public and private entities operating within Germany’s jurisdiction. In addition to the BDSG, the Telecommunications-Digital-Services-Data Protection Act (or the “TDDDG”), provides data protection regulations specific to telecommunication and digital services providers.

The Network and Information Security (“NIS 2”) (EU 2022/2555, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972 and repealing Directive (EU) 2016/11), sets forth measures required to be implemented for a high common level of cyber security across the EU, has come into effect. EU member states must incorporate the provisions of the regulation into their national law by October 2024. In response, Germany enacted Implementation Act for the NIS2 on network and information security in November 2025.

The Cybersecurity Act (EU 2019/881) sets out the framework for the voluntary EU common criteria (“EUCC”) cybersecurity certification scheme. The adoption measures are laid out in the EUCC Implementing Regulation, which took effect on February 27, 2025. The Cybersecurity Act applies to any organization that manufactures or provides information technology and computer products and services in the EU.

The Cyber Resilience Act (EU 2024/2847, “CRA”) imposes a range of cybersecurity obligations on manufacturers, importers and distributors of products with digital elements. It creates a uniform regulatory framework for cybersecurity across the EU, addressing the increasing risks associated with connected devices and digital products. The CRA imposes binding minimum cybersecurity standards for hardware and software products with digital components, thereby enhancing the overall security posture of the European union market. The CRA was entered into force on December 10, 2024, but most provisions will become applicable 36 months later, while reporting requirements will become effective 21 months after the entry into force.

The German IT Security Act 2.0, enacted in 2021, strengthens Germany’s cybersecurity framework by expanding the definition of critical infrastructure and imposing stricter security requirements on operators, companies of special public interest, and manufacturers of IT components used in critical infrastructure. It enhances the authority of the Federal Office for Information Security (BSI), mandates IT security standards, incident reporting, and certification for critical components (especially in 5G networks).

Employment

German labor and employment relations are regulated by a number of different laws and regulations, for example, Act on Protection against Unfair Dismissal, Act on Working Hours, Federal Vacation Act, Act on Continued Remuneration with regard to sick pay, Minimum Wage Act, Act on Temporary Employment, Works Constitution Act, Act on Collective Bargaining Agreements, case law, collective bargaining agreements, works agreements and individual employment contracts. In general, in Germany, in business units with more than 10 employees, the requirements for a valid notice and restrictions on terminations are governed by the Act on Protection Against Unfair Dismissal. The employer must observe certain form requirements for terminations.

Material Regulations in Thailand

Foreign Investment in Thailand

The laws and regulations in Thailand place restrictions on foreign investment in and ownership of entities engaged in a number of business activities. The Thai Foreign Business Act B.E. 2542 (1999 (“FBA”) requires foreigners to obtain approval under the FBA in order to engage in most service businesses. A company registered in Thailand will be considered a foreigner under the FBA if foreigners hold 50% or more of the shares in the company. Micware Asia Pacific, our subsidiary in Thailand, is considered a foreigner under the FBA, and it has obtained an approval under the FBA necessary for its operation.

Board of Investment of Thailand

Under Investment Promotion Act B.E. 2520 (“IPA”), an investor may apply for investment incentives, such as tax benefits, with the Board of Investment of Thailand (“BOI”). Micware Asia Pacific has been granted various privileges from BOI, such as the right to employ foreign experts and certain tax exemptions. Such incentives are granted to us by way of a BOI certificate which contains conditions which must be complied with to maintain the grant. The failure to do so will result in the revocation, in total or in part, of the BOI certificate and certain penalties related to such revocation, such as it shall be treated as if the investor had never been granted an exemption or reduction of taxes and duties and shall be required to pay taxes and duties computed on the basis of the condition and price of the items and the rate of taxes and duties thereof, as existed on the date of the relevant import or export. As for the reduction of the granted taxes and duties, the outstanding balance of the full amount of taxes and duties as computed above shall be paid.

Data Privacy and Cybersecurity

Thai regulations governing data privacy and cybersecurity include those promulgated under the authority of the Personal Data Protection Act B.E. 2562 (2019) (the “Personal Data Protection Act”), the Computer Crime Act B.E. 2550 (2007), as amended (the “Computer Crime Act”), the Cybersecurity Act B.E. 2562 (2019), and the Electronic Transactions Act B.E. 2544 (the “Electronic Transactions Act”).

Personal data collected from our conduct of businesses fall within the scope of the Personal Data Protection Act. The Personal Data Protection Act applies to the collection and processing of personal data, including but not limited to the collection, use, disclosure or transfer by a data controller or a data processor. As the law has extraterritorial enforcement, data controllers and data processors both in and outside of Thailand may be subject to this regulation. Cross-border transfer of personal data is subject to those criteria and methods as prescribed by the Personal Data Committee Notifications pursuant to Section 28 and Section 29 of the Personal Data Protection Act. In addition, data controllers are required to inform data subjects of the purpose of their collection and subsequent processing of the personal data collected, and obtain consent for such collection or processing, unless otherwise provided in the Personal Data Protection Act or the regulations or announcements issued by the Personal Data Protection Commission.

The Computer Crime Act regulates computer-related offenses. It criminalizes unauthorized access to computer systems, interception of data, and alteration or destruction of computer data, with penalties ranging from fines to imprisonment. The act also addresses the distribution of malware and the posting of false or harmful information online. Amendments in 2017 expanded its scope to include stricter content regulation, empowered authorities to block illegal content, and required service providers to retain traffic data, though these changes have raised concerns about freedom of expression.

The Cybersecurity Act applies to both public and private sector entities that own information and communication infrastructure essential for maintaining vital societal functions, known as Critical Information Infrastructure (“CII”), and to those engaged in services such as information technology and telecommunications. Under this Act, these organizations are required to establish internal guidelines for managing cybersecurity issues, ensuring that these guidelines align with the national cybersecurity master plan. Thailand’s National Cyber Security Committee (“NCSC”) sets out general cybersecurity policies and action plans and minimum standards for computer systems used in both government agencies and CII entities, according to the national cybersecurity master plan.

The Electronic Transactions Act is foundational for e-commerce business in Thailand, providing businesses with the legal assurance needed to conduct transactions online. It mandates that businesses adopt measures to ensure the integrity and security of electronic records. For B2C online businesses in Thailand, the act guarantees that electronic contracts and records are legally valid as long as they meet standards of reliability and accessibility. We are required to comply with these standards when obtaining users’ electronic consent for terms of service for our application.

Employment

Labor matters are mainly governed by the Thai Civil and Commercial Code and the Thai Labor Protection Act, B.E. 2541 (1998), as amended, and its subsequent notifications. The laws stipulate the relationship between the employer and the employees in essential aspects, including working hours, leaves, wages, entitlements, employment termination and severance payment, etc. The employment arrangement can be made verbally and is not required in writing.

Under the Thai Labor Protection Act, it is mandatory for employers to establish work rules when 10 or more employees are hired and it shall cover the following issues: (i) working days, normal working hours and rest period; (ii) holidays and rules governing the taking of holidays; (iii) rules governing overtime and holiday work; (iv) the day and place where wages, overtime pay, holiday pay and holiday overtime pay are to be made; (v) leave and rules governing the taking of leave; (vi) discipline and disciplinary measures; (vii) lodging of grievances; and (viii) termination of employment, severance pay and special severance pay. In addition, all employees of businesses with more than 10 employees shall be members of the Employee Welfare Fund. Employers are required to make a deduction from the employees’ wage to pay for contributions, and the employer shall pay supplementary contributions to the Employee Welfare Fund at a rate of 0.25% of the wages effective from October 1, 2025 until September 30, 2030. The 0.25% rate will increase to 0.50% from October 1, 2030.

C. Organizational Structure

See “—A. History and Development of the Company.”

D. Property, Plants and Equipment

See “—B. Business Overview—Facilities.”

Item 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis is designed to provide readers of our financial statements with a narrative from the perspective of Company's management. You should read the following discussion and analysis of our results of operations and financial condition in conjunction with our financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information—D. Risk Factors," "Forward-Looking Statements," and elsewhere in this annual report.

Overview

We are a Japan-based provider of software development services and innovative IT solutions mainly focused on the automotive and mobility sectors. Our main focus is the development and sale of IVI systems that cover a broad range of modern car functionality from multimedia to navigation, human machine interface, telematics, and driver assistance. We also specialize in the development of navigation software and location information-based smartphone applications. Since the establishment of Micware in 2003, we have accumulated over 20 years of experience in software development in the automotive industry, which has translated into significant business growth. As of the date of this annual report, our business is operated across Japan through 6 operating entities and 12 branch offices. We have also established subsidiaries in the U.S., Thailand, and Germany, for our operations overseas.

We present our results of operations by three categories:

- SDV: relates to the development and sale of software systems designed for SDV, including IVI system software and other mobility-enhancing software products, conducted by Japanese subsidiaries.
- LBS: relates to the development and licensing of in-vehicle navigation software systems, and other geographic data-based services for B2B customers, mainly serving end users.
- Other: primarily comprises software development services conducted by overseas subsidiaries designed for SDV, and B2C mobile app services unrelated to in-vehicle navigation.

We disaggregate our revenue into three categories: (i) software development services, (ii) licensing, and (iii) other software-related services.

- (i) We provide software development services that include the design and delivery of custom automotive software based on our proprietary IVI platform. Our platform supports a wide range of functions such as navigation, multimedia, and connectivity across Android-based and Linux-based environments, and enables efficient, modular development to meet a variety of customer requirements.
- (ii) We generate licensing revenue primarily by granting customers rights to use our proprietary software modules, such as navigation engines, under licensing arrangements. These modules are generally integrated into in-vehicle systems by Tier 1 suppliers and are licensed on a per-unit basis.
- (iii) We also provide other software-related services, which include after-sales maintenance and support services to customers who have licensed or developed software with us, as well as B2C mobile app services unrelated to in-vehicle navigation.

For the fiscal years ended February 29, 2024 and February 28, 2025 and 2026, we had total revenue of JPY17,516.7 million, JPY21,119.3 million and JPY21,895.8 million (approximately US\$140.3 million), respectively. For the fiscal year ended February 29, 2024, revenue generated from software development services, licensing, and other software-related services was JPY13,429.1 million, JPY3,364.6 million, and JPY723.1 million, respectively, constituting 76.7%, 19.2%, and 4.1% of our total revenue, respectively. For the fiscal year ended February 28, 2025, revenue generated from software development services, licensing, and other software-related services was JPY17,178.2 million, JPY3,175.1 million, and JPY766.0 million, respectively, constituting 81.4%, 15.0%, and 3.6% of our total revenue, respectively. For the fiscal year ended February 28, 2026, revenue generated from software development services, licensing, and other software-related services was JPY17,521.6 million (approximately US\$112.3 million), JPY3,228.8 million (approximately US\$20.7 million), and JPY1,145.4 million (approximately US\$7.3 million), respectively, constituting 80.0%, 14.8%, and 5.2% of our total revenue, respectively.

For the fiscal years ended February 29, 2024 and February 28, 2025 and 2026, we had net income of JPY1,370.6 million, JPY1,330.6 million, and JPY1,602.6 million (approximately US\$10.3 million), respectively. Unless otherwise indicated, references to net income in this section refer to net income attributable to the Company's ordinary shareholders.

For recent developments regarding our IPO, see "Item 4. Information on the Company—A. History and Development of the Company—Corporate History—Our IPO" and "Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds—Use of Proceeds."

Key Factors Affecting Results of Operations

We operate in a highly competitive automotive software industry, and increased competition could adversely affect our revenue and profitability.

Many companies in the IVI industry are large-scale enterprises with abundant capital and human resources, and competition is becoming increasingly intense. In both the SDV and LBS domains, it is common to engage customers by first engaging in software development, which is later monetized through license income and licensing-related services. Because large-scale software development typically requires substantial resources, such large-scale enterprises are often in a more advantageous position when bidding for such projects, and thus represent a significant competitive threat. Indirectly, we also compete with the in-house development initiatives of OEMs, who are our customers in the IVI contract development space. Intensified competition may exert pressure on pricing and development schedules, which could materially and adversely affect our customer base, project unit prices, revenue, and profit margins. Heightened competition may also lead to a decrease in average revenue per customer and an increase in selling and recruiting expenses, which could negatively impact our profitability and cash flows.

We are highly dependent on a limited number of major customers, who are large OEMs with significant buying power, and this concentration poses risks to our business.

A substantial portion of our revenue is derived from a limited number of major customers, most of whom are large-scale OEMs in the automotive industry. These OEMs possess significant bargaining power due to their size, procurement scale, and internal technical capabilities. As a result, they are often able to demand favorable terms, including lower pricing, extended payment terms, and compressed development schedules, which can adversely affect our profit margins and cash flows. In addition, the high concentration of revenue among a few key customers exposes us to increased risk in the event of a loss, delay, or reduction in orders from any of these customers. Strategic decisions by such OEMs, including shifting to in-house development of IVI systems or changing suppliers due to cost, technical, or strategic considerations, could materially impact our revenue. Furthermore, because these OEMs often engage in long and complex product development cycles, any changes in their vehicle programs, volume forecasts, or launch timelines can directly influence the timing and amount of our recognized revenue. As competition in the IVI and SDV markets continues to intensify, these dynamics may become more pronounced, increasing the uncertainty of our business performance and operational planning.

The performance and retention of engineers are critical to our project execution capabilities and profitability.

Our business is highly dependent on the productivity and retention of skilled engineers with advanced technical capabilities. A significant portion of our workforce consists of experienced professionals with deep domain expertise and hands-on experience in areas such as SDVs and LBS. These engineers play a central role in ensuring project quality, on-time delivery, and customer satisfaction. The loss or departure of such experienced engineers could materially impair our development capacity, hinder our ability to meet project deadlines, and reduce our chances of securing new contracts or expanding existing ones. Furthermore, competition for engineering talent in the automotive software industry has been intensifying year by year, and the recruitment and retention of top-tier engineers remain critical and ongoing challenges for us. If we are unable to maintain a stable and highly capable engineering team, it may negatively impact our ability to secure projects and execute them efficiently. In such cases, we may become increasingly reliant on subcontractors and external partners, which could lead to higher costs, diminished quality control, and adverse effects on our profitability and cash flows. To maintain our competitive advantage and support sustainable growth, we intend to continue investing in talent acquisition, development, and retention.

We are highly dependent on the Japanese market, and any deterioration in the economic, social, or regulatory environment in Japan could materially and adversely affect our performance. At the same time, we believe our technology has demonstrated a certain level of competitiveness in the global market.

A substantial majority of our revenue is generated from customers located in Japan, and most of our personnel are also based in Japan. While we have established subsidiaries in North America, the EU, and Southeast Asia, revenue contributions from these overseas regions have remained limited on a consolidated basis to date. This geographic concentration makes us vulnerable to risks specific to the Japanese market. For example, a downturn in the Japanese economy, inflationary pressure, labor shortages, or changes in government policies and regulatory frameworks could materially and adversely affect our business operations, financial condition, and results of operations. In addition, region-specific disruptions such as natural disasters, public health emergencies, or geopolitical tensions could negatively impact our business continuity and our ability to provide services to customers. Our current dependency on the Japanese market also limits the regional diversification of our revenue base. If we are unable to expand our overseas operations and customer base in a timely and effective manner, it may become difficult to mitigate the risks of domestic market saturation or economic downturns, and our long-term growth prospects and resilience to external shocks could be adversely affected. On the other hand, our major customers—Japanese OEMs—have secured a significant share in the global automotive market. As our technologies are integrated into their products, this indicates that our solutions are being adopted and accepted by consumers worldwide. We view this as a positive factor that demonstrates the quality and global competitiveness of our technology and provides a potential foundation for our future international expansion. We intend to leverage this advantage to strengthen our business platform as we pursue growth opportunities beyond Japan.

Our recent group reorganization aimed at enhancing operational efficiency and business synergy may not achieve its intended results and could lead to increased complexity and operating costs.

In March 2024, we implemented a group reorganization to better integrate overlapping business operations and pursue synergies across the organization. Prior to the reorganization, our parent company operated three business units internally, while several businesses acquired externally—although partially overlapping in function—continued to operate as separate legal entities. As part of the reorganization, we consolidated these overlapping businesses by integrating the acquired companies with the relevant business units, aligning them more directly along functional lines. This restructuring was based on our belief that concentrating talent and operations under a unified structure would enhance management efficiency and organizational effectiveness. However, despite the time elapsed since the original acquisitions, integration of previously independent companies carries inherent risks. Post-merger integration challenges, such as cultural differences, system misalignment, inconsistent processes, and personnel attrition, may arise and could hinder the realization of expected synergies and operational improvements. Moreover, as part of the reorganization, we established new subsidiaries through company split processes, resulting in an increase in the number of legal entities within the group. This may lead to greater administrative and compliance costs, as well as increased complexity in group-level management and financial reporting. If we fail to successfully execute the reorganization or manage the expanded group structure effectively, our anticipated benefits may not materialize, and we may experience operational inefficiencies, increased costs, or disruption to our business activities, all of which could adversely affect our business, financial condition, and results of operations.

Key Components of Our Results of Operations

Revenue

We disaggregate revenue into the following major categories:

Software development services

The Company generates revenue from software development services. This includes the design and delivery of custom automotive software based on the Company's proprietary IVI platform. The platform supports a range of functions such as navigation, multimedia, and connectivity across Android- and Linux-based environments, and enables efficient, modular development for a variety of customer requirements.

Licensing

The Company grants customers rights to use its software modules, such as navigation engines, under licensing arrangements for a fixed term, in most cases between a three- and five-year time frame. These modules are generally integrated into in-vehicle systems by Tier 1 suppliers and licensed on a per-unit basis.

Other Software-Related Services

The Company generates other software-related revenue primarily from after-sales maintenance and support services provided to customers who have licensed or developed software with the Company. The Company also earns revenue from bundled equipment-and-software arrangements, primarily through the Company's Mvcube service, which is classified as sales-type leases.

Cost of revenue and gross profit

Cost of revenue consists primarily of employee-related expenses, material costs, outsourcing expenses, license fees, project-related transportation costs, rental fees, communication costs, and allocated overhead. Employee-related expenses include salaries, bonuses, accrued vacation expenses, and fringe benefits.

Our ability to lower our cost of revenue depends on our capability to improve engineer utilization and productivity, enhance customer acquisition and retention, increase our share of spend within OEM customers, increase unit pricing per customer or project, and achieve cost reductions in outsourcing as well as procurement from our suppliers.

Our employees are a critical asset, necessary for our continued success. Therefore, we expect to continue hiring talented employees and providing them with competitive compensation programs. We manage the utilization levels of our delivery professionals through strategic hiring practices, dynamic management of staff, and efficient staffing of projects. Some of these professionals are hired and trained to work for specific customers or on specific projects. Our staff utilization also depends on the general economy and its effect on our customers and their business decisions regarding the use of our services.

Selling, general, and administrative expenses

Selling, general, and administrative expenses include all operating costs of the Company, except cost of revenue, as described above. These primarily consist of directors' and staff costs, recruitment costs, promotion fees, professional fees, commission fees, rental fees, depreciation, transportation costs, and advertisement fees. Since we do not operate separate sales departments, our operating costs related to selling activities are managed together with administrative costs, as they serve similar functions and pertain to the same aspects of the business. Accordingly, the Company has consolidated them into a single line item under this title.

After the completion of this offering, we expect to incur on an ongoing basis certain new cost related to the requirements of being a publicly traded company, including insurance, accounting, legal, and other professional services costs, which could be material.

Research and development expenses

Research and development expenses include costs attributable to the conduct of research and development programs, including employee-related expenses, rental fees, utility costs, professional service costs, and material costs used for research and development activities, and related transportation expenses.

Interest expenses, net

Interest expenses consist primarily of interest on loans and finance leases. Interest income consists primarily of interest received on cash and cash equivalents.

Other income (expenses), net

Other income (expenses), net consists of one-time gains and losses and other miscellaneous income and expense items unrelated to our core operations, including gains or losses from foreign currency exchange, and gains or losses from change in fair market value of equity securities.

Income taxes expenses

We account for income taxes using the asset and liability method under U.S. GAAP, whereby deferred income taxes are recognized for the tax consequences of temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Income tax expenses reflect income earned and taxed, in jurisdictions in which we conduct business.

A. Operating Results

The following tables set forth our selected profit or loss data, both in absolute amount and as a percentage of total revenue for the fiscal years ended February 29, 2024 and February 28, 2025 and 2026, respectively. This information should be read together with our financial statements and related notes included elsewhere in this annual report. The results of operations in any year are not necessarily indicative of the results that may be expected for any future year.

Comparison of Results of Operations for the Fiscal Years Ended February 29, 2024 and February 28, 2025

	For the Fiscal Years Ended					Fluctuation	
	February 29, 2024		February 28, 2025	February 28, 2025			
	JPY	%	JPY	US\$	%	JPY	%
REVENUE							
Software Development Services	13,429,070	76.7%	17,178,200	114,034	81.4%	3,749,130	27.9%
Licensing	3,364,605	19.2%	3,175,130	21,078	15.0%	(189,475)	(5.6)%
Software-related Services	723,056	4.1%	765,974	5,085	3.6%	42,918	5.9%
TOTAL REVENUE	17,516,731	100.0%	21,119,304	140,197	100.0%	3,602,573	20.6%
COST OF REVENUE	12,193,425	69.6%	13,729,851	91,143	65.0%	1,536,426	12.6%
GROSS PROFIT	5,323,306	30.4%	7,389,453	49,054	35.0%	2,066,147	38.8%
OPERATING EXPENSES							
Selling, general, and administrative expenses	2,469,969	14.1%	4,171,455	27,692	19.8%	1,701,486	68.9%
Research and development expenses	960,940	5.5%	1,057,697	7,021	5.0%	96,757	10.1%
TOTAL OPERATING EXPENSES	3,430,909	19.6%	5,229,152	34,713	24.8%	1,798,243	52.4%
OPERATING PROFIT	1,892,397	10.8%	2,160,301	14,341	10.2%	267,904	14.2%
OTHER INCOME (EXPENSE), NET	46,672	0.3%	(123,754)	(821)	(0.6)%	(170,426)	(365.2)%
INCOME BEFORE INCOME TAX PROVISION	1,939,069	11.1%	2,036,547	13,520	9.6%	97,478	5.0%
PROVISION (BENEFIT) FOR INCOME TAXES							
Current	703,501	4.0%	953,843	6,332	4.5%	250,342	35.6%
Deferred	(163,968)	(0.9)%	(271,623)	(1,803)	(1.3)%	(107,655)	65.7%
TOTAL PROVISION FOR INCOME TAXES	539,533	3.1%	682,220	4,529	3.2%	142,687	26.4%
NET INCOME	1,399,536	8.0%	1,354,327	8,991	6.4%	(45,209)	(3.2)%
Less: net income attributable to non-controlling interests	(28,902)	(0.2)%	(23,709)	(157)	(0.1)%	5,193	(18.0)%
NET INCOME ATTRIBUTABLE TO THE COMPANY'S ORDINARY SHAREHOLDERS	1,370,634	7.8%	1,330,618	8,834	6.3%	(40,016)	(2.9)%

Comparison of Results of Operations for the Fiscal Years Ended February 28, 2025 and 2026

	For the Fiscal Years Ended February 28,					Fluctuation	
	2025		2026	2026		JPY	
	JPY		JPY	US\$			
REVENUE							
Software Development Services	17,178,200	81.4%	17,521,554	112,282	80.0%	343,354	2.0%
Licensing	3,175,130	15.0%	3,228,798	20,691	14.8%	53,668	1.7%
Software-related Services	765,974	3.6%	1,145,438	7,340	5.2%	379,464	49.5%
TOTAL REVENUE	21,119,304	100.0%	21,895,790	140,313	100.0%	776,486	3.7%
COST OF REVENUE	13,729,851	65.0%	13,845,797	88,727	63.2%	115,946	0.8%
GROSS PROFIT	7,389,453	35.0%	8,049,993	51,586	36.8%	660,540	8.9%
OPERATING EXPENSES							
Selling, general, and administrative expenses	4,171,455	19.8%	4,149,281	26,589	19.0%	(22,174)	(0.5)%
Research and development expenses	1,057,697	5.0%	1,536,704	9,848	7.0%	479,007	45.3%
TOTAL OPERATING EXPENSES	5,229,152	24.8%	5,685,985	36,437	26.0%	456,833	8.7%
OPERATING PROFIT	2,160,301	10.2%	2,364,008	15,149	10.8%	203,707	9.4%
OTHER INCOME (EXPENSE), NET	(123,754)	(0.6)%	(41,717)	(267)	(0.2)%	82,037	(66.3)%
INCOME BEFORE INCOME TAX PROVISION	2,036,547	9.6%	2,322,291	14,882	10.6%	285,744	14.0%
PROVISION (BENEFIT) FOR INCOME TAXES							
Current	953,843	4.5%	1,030,260	6,602	4.7%	76,417	8.0%
Deferred	(271,623)	(1.3)%	(327,464)	(2,098)	(1.5)%	(55,841)	20.6%
TOTAL PROVISION FOR INCOME TAXES	682,220	3.2%	702,796	4,504	3.2%	20,576	3.0%
NET INCOME	1,354,327	6.4%	1,619,495	10,378	7.4%	265,168	19.6%
Less: net income attributable to non-controlling interests	(23,709)	(0.1)%	(16,895)	(108)	(0.1)%	6,814	(28.7)%
NET INCOME ATTRIBUTABLE TO THE COMPANY'S ORDINARY SHAREHOLDERS	1,330,618	6.3%	1,602,600	10,270	7.3%	271,982	20.4%

The following discussion presents segment-level changes in revenue, cost of revenue, selling, general, and administrative expenses, and research and development expenses on a gross basis (before intersegment eliminations). “Other” includes both minor business operations and intersegment eliminations. The sum of segment-level increases and decreases reconciles to the consolidated changes in revenue, cost of revenue, selling, general, and administrative expenses, and research and development expenses.

Revenue

Total revenue was JPY21,119.3 million for the fiscal year ended February 28, 2025, an increase of JPY3,602.6 million, or 20.6%, from JPY17,516.7 million for the fiscal year ended February 29, 2024.

Revenue—Software Development Services

Revenue from software development services was JPY17,178.2 million for the fiscal year ended February 28, 2025, an increase of JPY3,749.1 million, or 27.9%, from JPY13,429.1 million for the fiscal year ended February 29, 2024. This increase was primarily attributable to (i) a JPY3,842.0 million increase in sales in the SDV segment, driven by the expansion of SDV-related projects for existing related party customers (See “Related Party Transactions”), and (ii) a JPY1,025.1 million increase in sales in the LBS segment, primarily attributable to higher sales to existing related party customers for in-vehicle navigation software systems and the addition of a new OEM customer. These increases were partially offset by (iii) a JPY1,118.0 million decrease in sales in the Other segment, mainly due to increased intersegment eliminations, which grew in line with higher revenue, including intersegment transactions, in the SDV and LBS segments.

Revenue—Licensing

Revenue from licensing was JPY3,175.1 million for the fiscal year ended February 28, 2025, a decrease of JPY189.5 million, or 5.6%, from JPY3,364.6 million for the fiscal year ended February 29, 2024. This decrease in revenue was primarily attributable to a JPY262.1 million decrease in the LBS segment, which resulted from a change in the transaction structure with our supplier. Until December 2023, during the fiscal year ended February 29, 2024, we procured SD cards, preloaded them with our navigation software and map data, and then delivered the SD cards to customers. For the fiscal year ended February 28, 2025, while we continued to provide the navigation software and map data to the supplier, the procurement of SD cards and preloading were transferred to the supplier. This change resulted in lower costs primarily associated with SD cards and, consequently, lower transaction prices of our licensing agreements and accordingly lower revenue. The remainder of the net change was primarily due to a JPY72.4 million increase in sales in the SDV segment, and a JPY0.2 million increase in sales in the Other segment.

Revenue—Software-related Services

Revenue from software-related services was JPY766.0 million for the fiscal year ended February 28, 2025, an increase of JPY42.9 million, or 5.9%, from JPY723.1 million for the fiscal year ended February 29, 2024, reflecting (i) a JPY99.9 million increase in the SDV segment, mainly attributable to higher demand for Android OS support services from IVI system manufacturer customers, (ii) a JPY33.9 million increase in the LBS segment, primarily due to increased demand for our cloud services provided to OEM customers, and (iii) a JPY90.8 million decrease in the Other segment, mainly attributable to higher intersegment eliminations driven by the revenue growth in the SDV and LBS segments described in (i) and (ii).

Total revenue was JPY21,895.8 million for the fiscal year ended February 28, 2026, an increase of JPY776.5 million, or 3.7%, from JPY21,119.3 million for the fiscal year ended February 28, 2025.

Revenue—Software Development Services

Revenue from software development services was JPY17,521.6 million for the fiscal year ended February 28, 2026, an increase of JPY343.4 million, or 2.0%, from JPY17,178.2 million for the fiscal year ended February 28, 2025.

This increase was primarily attributable to: (i) a JPY417.7 million increase in sales in the SDV segment, driven mainly by an increase in revenue from one of our existing related party customers as development activities shifted from the previous vehicle model development project to its successor vehicle model development project, which was partially offset by a decrease in revenue from the previous vehicle model development project as it moved into later-stage activities, and (ii) a JPY89.8 million increase in sales in the LBS segment, mainly due to a JPY568.3 million increase in sales attributable to higher sales to an existing related party customer, for connected mobility services linking vehicles and smartphones as well as a JPY89.4 million increase attributable to progress in a next-generation development project for an existing OEM customer outside of four-wheeled vehicle applications, partially offset by a JPY566.9 million decrease primarily due to certain customer projects reaching completion or transitioning from main development phases to following phase, such as version upgrade and evaluation support activities. These increases were partially offset by (iii) a JPY164.1 million decrease in sales in the Other segment, mainly due to a JPY210.8 million increase in intersegment eliminations resulting from higher intercompany transactions associated with revenue growth in the SDV and LBS segments, partially offset by a net JPY43.3 million increase in revenue from our overseas subsidiaries.

Revenue—Licensing

Revenue from licensing was JPY3,228.8 million for the fiscal year ended February 28, 2026, an increase of JPY53.7 million, or 1.7%, from JPY3,175.1 million for the fiscal year ended February 28, 2025. This increase was primarily attributable to a JPY209.3 million increase in the LBS segment, driven mainly by higher license fee revenue from multiple OEM customers, newly launched models for existing customers and the acquisition of a new customer, partially offset by lower license fees for multiple OEM vehicle models that had been in the market for a longer period. This increase was also partially offset by a JPY155.5 million decrease in sales in the SDV segment, primarily due to lower revenue from connected services for a related party customer.

Revenue—Software-related Services

Revenue from software-related services was JPY1,145.4 million for the fiscal year ended February 28, 2026, an increase of JPY379.5 million, or 49.5%, from JPY766.0 million for the fiscal year ended February 28, 2025, primarily due to a JPY367.2 million increase in sales in the SDV segment, including JPY245.1 million in revenue contributions from the business acquired through business combinations during the current period as well as JPY181.2 million in revenue from ad hoc development projects for non-OEM customers, partially offset by a JPY110.6 million decrease in sales in the SDV segment mainly due to the completion of technical support services for an existing customer.

Cost of revenue and gross profit

Cost of revenue was JPY13,729.9 million for the fiscal year ended February 28, 2025, an increase of JPY1,536.4 million, or 12.6%, from JPY12,193.4 million for the fiscal year ended February 29, 2024. This increase was primarily attributable to higher revenue for the fiscal year ended February 28, 2025, which resulted in an overall increase in cost of revenue of approximately JPY2,271.5 million, consisting of (i) an increase of approximately JPY2,205.2 million in outsourcing costs and personnel expenses driven by the expansion of SDV-related projects for existing OEM customers that are related parties, and (ii) an increase of approximately JPY66.3 million in outsourcing costs and personnel expenses attributable to the acquisition of new OEM customers of LBS-related projects. This increase was partially offset by a further reduction of approximately JPY732.6 million related to SD card procurement and preloading following the transfer of quality control responsibility to the supplier.

Although cost of revenue increased, overall gross margins improved primarily due to a shift in the composition of license fee revenue toward higher-margin services for an existing OEM customer, and the discontinuation of the low-margin SD card procurement and preloading business, as described under “—Revenue—Licensing,” which further contributed to profitability. This positive impact was partly offset by lower margins, largely resulting from an increased reliance on subcontracting to secure capacity in response to the expansion of software development projects for an existing OEM customer. As a result, the rate of increase in cost of revenue was lower than the rate of revenue growth. Consequently, our gross profit increased by JPY2,066.1 million, from JPY5,323.3 million for the fiscal year ended February 29, 2024 to JPY7,389.5 million for the fiscal year ended February 28, 2025, and our gross profit margin improved by 4.6 percentage points, from 30.4% to 35.0% over the same period.

Cost of revenue was JPY13,845.8 million for the fiscal year ended February 28, 2026, an increase of JPY115.9 million, or 0.8%, from JPY13,729.9 million for the fiscal year ended February 28, 2025. Our gross profit increased by JPY660.5 million, from JPY7,389.5 million for the fiscal year ended February 28, 2025 to JPY8,050.0 million for the fiscal year ended February 28, 2026, and our gross profit margin improved by 1.8 percentage points, from 35.0% to 36.8% over the same period.

Cost of revenue increased primarily due to increases in personnel costs and outsourcing costs associated with the expansion of certain SDV- and LBS-related development activities, including a JPY446.8 million increase for an LBS-related project due to a significant increase in project orders from an OEM related party customer and a JPY64.6 million increase for an SDV-related project due to the expansion of development activities for a second OEM related party customer. These increases were partially offset by a JPY500.2 million decrease in cost of revenue associated with another related party customer, primarily because higher value-added upstream processes, such as design and development work, represented a larger proportion of the overall project activities for that customer. As a result, cost of revenue increased at a lower rate than revenue, and gross profit margin improved.

Upon the consummation of the IPO, we recognized the remaining unrecognized share-based compensation expense related to share option awards that vest upon completion of the IPO. Based on the fair value of the outstanding share options as of February 28, 2026, we recognized a one-time non-cash expense of approximately JPY92.9 million within cost of revenue for the fiscal year ending February 28, 2027, when the IPO was completed. The recognition of this expense temporarily increased cost of revenue and reduced gross profit and operating profit for that period.

Selling, general, and administrative expenses

Selling, general, and administrative expenses were JPY4,171.5 million for the fiscal year ended February 28, 2025, an increase of JPY1,701.5 million, or 68.9%, from JPY2,470.0 million for the fiscal year ended February 29, 2024.

This increase was primarily attributable to:

- (i) Personnel expenses, which increased by JPY894.1 million in total, including JPY249.1 million, mainly due to headcount growth and higher compensation in line with the expansion of operations, as well as the addition of executive personnel and higher executive compensation.
- (ii) Rental fees, which increased by JPY306.1 million, primarily due to the rent commencement of an innovation lab in Osaka in August 2024 and relocations of a couple of existing offices to larger offices to accommodate headcount growth, resulting in higher rental obligations.
- (iii) Professional fees, which increased by JPY239.5 million, primarily due to higher professional service fees related to the initial public offering, including audit fees and accounting advisory fees, that were expensed as incurred rather than capitalized as deferred offering costs, as well as real estate brokerage fees related to the opening of the Osaka innovation lab.

Selling, general, and administrative expenses were JPY4,149.3 million for the fiscal year ended February 28, 2026, a decrease of JPY22.2 million, or 0.5%, from JPY4,171.5 million for the fiscal year ended February 28, 2025.

This decrease was primarily attributable to the following factors:

- (i) Professional fees and license fees, on a combined basis, decreased by JPY94.3 million, from JPY712.0 million for the fiscal year ended February 28, 2025 to JPY617.7 million for the fiscal year ended February 28, 2026. This decrease was primarily attributable to an increase in professional service fees directly related to our IPO that were capitalized more as deferred offering costs rather than expensed as incurred, as our IPO process progressed during the fiscal year ended February 28, 2026. Management analyzes professional fees and license fees together because, beginning in the fiscal year ended February 28, 2026, certain license-related costs were presented as license fees rather than professional fees.
- (ii) Advertising expenses increased by JPY71.9 million, primarily due to an increase of JPY53.0 million in brand promotion and sponsorship-related expenses and an increase of JPY28.0 million in expenses related to industry exhibitions and related marketing services.
- (iii) Personnel expenses decreased by JPY47.8 million, primarily due to a decrease of JPY270.6 million in management compensation, mainly reflecting lower performance-based compensation resulting from management's lower achievement rate under more challenging performance targets, partially offset by an increase of JPY222.8 million in salaries and related personnel costs, mainly due to headcount growth and higher compensation levels as we expanded our operations.
- (iv) The remaining net change was primarily attributable to increases of JPY28.2 million in travel expenses and JPY25.2 million in non-income tax expenses.

Consistent with the discussion under "Cost of revenue and gross profit" on page 72, based on the fair value of the outstanding share options as of February 28, 2026, we recognized a one-time non-cash expense of approximately JPY190.9 million within selling, general and administrative expenses for the fiscal year ending February 28, 2027, when the IPO was completed. The recognition of this expense temporarily increased in operating expenses and reduced operating profit for that period.

Research and development expenses

Research and development expenses were JPY1,057.7 million for the fiscal year ended February 28, 2025, an increase of JPY96.8 million, or 10.1%, from JPY960.9 million for the fiscal year ended February 29, 2024. This increase was primarily attributable to an increased expenditures related to the DynaPlanet project, as discussed in the "Item4. Information on the Company—B. Business Overview."

Research and development expenses were JPY1,536.7 million for the fiscal year ended February 28, 2026, an increase of JPY479.0 million, or 45.3%, from JPY1,057.7 million for the fiscal year ended February 28, 2025. This increase was primarily attributable to an increased expenditures related to the DynaPlanet project.

Our research and development expenses are expected to increase continuously, primarily driven by DynaPlanet-related activities. The level of DynaPlanet-related research and development activities are expected to increase further during the fiscal years ending February 28, 2026 and February 28, 2027. Key risks and uncertainties with respect to our future research and development expenses that are reasonably likely to have a material effect on our revenue, income from continuing operations, profitability, liquidity, or capital resources include (i) delays and underperformance of our research and development activities, (ii) technical challenges found in the research and development process and regulatory changes, resulting in higher research and development expenses, and (iii) delays in expanding data sources, such as Mvcube, necessary for the development of our 3D mapping database, affecting the development of new services.

Our research and development efforts have followed a clear multi-year roadmap. For the fiscal year ended February 28, 2023, we primarily conducted foundational research on DynaPlanet and MvCube, which provides the underlying data source for DynaPlanet. For the fiscal year ended February 29, 2024, our focus was on the conceptual design of DynaPlanet. For the fiscal year ended February 28, 2025, we established the development framework and commenced foundational technology development of DynaPlanet. For the fiscal year ended February 28, 2026, we advanced both foundational and service-level development, and patent applications and licenses related to DynaPlanet. For the fiscal year ending February 28, 2027, we plan to begin full-scale service and platform development based on DynaPlanet, followed by service enhancement and global expansion for the fiscal year ending February 29, 2028, and beyond. Consequently, no material revenue contribution was generated through the fiscal year ended February 28, 2026, while commercialization effects are anticipated from the fiscal year ending February 28, 2027, though the scale remains uncertain.

Consistent with the discussion under “Cost of revenue and gross profit” on page 72, based on the fair value of the outstanding share options as of February 28, 2026, we recognized a one-time non-cash expense of approximately JPY8.5 million within research and development expenses for the fiscal year ending February 28, 2027, when the IPO was completed. The recognition of this expense temporarily increased in operating expenses and reduced operating profit for that period.

Other income (expense), net

Other income (expense), net was a net expense of JPY123.8 million for the fiscal year ended February 28, 2025, compared to net income of JPY46.7 million for the fiscal year ended February 29, 2024, representing a deterioration of JPY170.4 million. This change was primarily attributable to: (i) JPY44.4 million in losses from the change in fair market value of equity securities, whereas the fiscal year ended February 29, 2024 included JPY71.2 million of valuation gains, resulting in a deterioration of JPY115.6 million, (ii) JPY34.5 million in losses from foreign currency exchanges, whereas a JPY8.9 million gain was recorded for the fiscal year ended February 29, 2024, and (iii) an increase in interest expenses, net of JPY12.5 million as a result of an increase in the average loan balance for the fiscal year ended February 28, 2025.

Other income (expense), net was a net expense of JPY41.7 million for the fiscal year ended February 28, 2026, compared to a net expense of JPY123.8 million for the fiscal year ended February 28, 2025, representing a decrease in net expense of JPY82.1 million. This decrease in net expense was primarily attributable to: (i) a JPY106.8 million gain on bargain purchase recognized in connection with a business acquisition, reflecting the excess of the fair value of certain acquired receivables and software over the fixed purchase consideration, (ii) JPY12.7 million in foreign currency exchange gains, compared to JPY34.5 million in foreign currency exchange losses for the fiscal year ended February 28, 2025, and (iii) a JPY77.6 million increase in other income, net. These favorable factors were partially offset by (i) JPY91.0 million in impairment loss on investments for the fiscal year ended February 28, 2026, and (ii) JPY112.1 million in losses from changes in the fair market value of equity securities, compared to JPY44.4 million in valuation losses for the fiscal year ended February 28, 2025, resulting in an unfavorable change of JPY67.7 million, together with changes in other income and expense items.

Provision for income taxes

Provision for income taxes was JPY682.2 million for the fiscal year ended February 28, 2025, an increase of JPY142.7 million, or 26.4%, from JPY539.5 million for the fiscal year ended February 29, 2024. Our effective tax rate increased from 27.8% in the fiscal year ended February 29, 2024 to 33.5% in the fiscal year ended February 28, 2025. The current portion of provision for income taxes increased by JPY250.3 million, primarily due to higher non-deductible executive compensation and a reduction in available tax credits. This increase was partially offset by a JPY107.7 million increase in the deferred portion of benefit for income taxes, mainly due to a reduction in valuation allowance following the reorganization, which enabled the scheduling of certain deductible temporary differences.

Provision for income taxes was JPY702.8 million for the fiscal year ended February 28, 2026, an increase of JPY20.6 million, or 3.0%, from JPY682.2 million for the fiscal year ended February 28, 2025. The increase was primarily due to an increase in income before provision for income taxes, partially offset by a decrease in our effective tax rate.

Our effective tax rate decreased from 33.5% for the fiscal year ended February 28, 2025 to 30.3% for the fiscal year ended February 28, 2026. The decrease in our effective tax rate was primarily due to a decrease in non-deductible executive compensation, an increase in available tax credits, and the tax effect of deferred IPO costs, as a greater portion of IPO-related professional service costs became directly attributable to the offering and qualified for capitalization as our IPO process advanced, partially offset by an increase in valuation allowance.

Net income attributable to non-controlling interests

Net income attributable to non-controlling interests was JPY23.7 million for the fiscal year ended February 28, 2025, a decrease of JPY5.2 million, or 18.0%, from JPY28.9 million for the fiscal year ended February 29, 2024. The decrease in net income attributable to non-controlling interests was primarily due to lower net income generated by Micware North America and Micware Asia Pacific with non-controlling shareholders, which in turn resulted in an increase in net income attributable to our ordinary shareholders.

Net income attributable to non-controlling interests was JPY16.9 million for the fiscal year ended February 28, 2026, a decrease of JPY6.8 million, or 28.7%, from JPY23.7 million for the fiscal year ended February 28, 2025. The decrease in net income attributable to non-controlling interests was primarily due to lower net income generated by Micware North America, partially offset by higher net income generated by Micware Asia Pacific, each of which has non-controlling shareholders.

Adjusted income from operations

As a result of the foregoing reasons, we reported adjusted operating profit of JPY2,426.9 million for the fiscal year ended February 28, 2026, as compared to adjusted operating profit of JPY2,310.0 million for the fiscal year ended February 28, 2025. See “Non-GAAP Financial Measures and Reconciliation” below.

Non-GAAP Financial Measures and Reconciliation

In this annual report, we discuss key financial measures that are not calculated in accordance with GAAP to supplement our consolidated financial statements presented on a GAAP basis. This non-GAAP financial measure is reconciled from its most directly comparable financial measure determined in accordance with GAAP as follows:

	For the Fiscal Years Ended			
	February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
	JPY	JPY	JPY	US\$
OPERATING PROFIT	1,892,397	2,160,301	2,364,008	15,149
Plus: listing-related and transformational expenses ^(a)	126,165	149,685	62,934	403
Adjusted OPERATING PROFIT	2,018,562	2,309,986	2,426,942	15,552

(a) Represents listing-related and other transformational expenses incurred in connection with our IPO and corporate transformation initiatives for the fiscal years ended February 29, 2024 and February 28, 2025 and 2026. These costs were recognized as expenses in the statement of operations and were not recorded as direct deductions from equity.

Adjusted income from operations is a financial measure that is not calculated in accordance with GAAP (collectively referred to as the “non-GAAP financial measures”), and the use of the terms adjusted income from operations may differ from similar measures reported by other companies and may not be comparable to other similarly titled measures. We believe the non-GAAP financial measure provides investors with useful information with respect to our historical operations. We present the non-GAAP financial measure as supplemental performance measures because we believe it facilitates a comparative assessment of our operating performance relative to our performance based on our results under GAAP, while isolating the effects of some items that vary from period to period. Specifically, adjusted income from operations allows us to assess our performance without the impact of the specifically identified items that we believe do not directly reflect our core operations, including non-recurring costs, such as listing-related and transformational expenses, other non-recurring income, such as litigation-related reimbursement. The non-GAAP financial measure also functions as key performance indicator used to evaluate our operating performance internally, and it is used in connection with the determination of incentive compensation for management, including executive officers.

Adjusted income from operations is not a measurement of our financial performance under GAAP and should not be considered in isolation or as an alternative to income from operations or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with GAAP. Consequently, our non-GAAP financial measure should be considered together with our consolidated financial statements, which are prepared in accordance with GAAP and included in Item 8 of this annual report. We understand that although adjusted income from operations is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as analytical tools, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- adjusted income from operations does not fully reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- adjusted income from operations does not reflect changes in, or cash requirements for, our working capital needs; and
- adjusted income from operations does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on debt.

Because of these limitations, adjusted income from operations should not be considered as discretionary cash available to us to reinvest in the growth of our business or as measure of cash that will be available to us to meet our obligations.

B. Liquidity and Capital Resources

Our primary source of liquidity historically has been cash generated from our business operations, bank loans, and equity contributions from our shareholders, which have historically been sufficient to meet our working capital and capital expenditure requirements.

As of February 29, 2024 and February 28, 2025, our cash and cash equivalents were JPY4,189.6 million and JPY7,670.5 million, respectively. Our cash and cash equivalents consist of cash in bank and cash on hand.

The following table sets forth the breakdown and terms of our outstanding borrowings as of February 29, 2024 and February 28, 2025.

Short-term borrowings consisted of the following:

	<u>Maturity</u>	<u>Effective Interest Rate</u>	<u>As of February 29, 2024 JPY</u>	<u>As of February 28, 2025 JPY</u>	<u>As of February 28, 2025 US\$</u>
(In thousands)					
The Awaji Shinkin Bank ⁽¹⁾	July 2024	0.60%	220,000	-	-

(1) The borrowings were guaranteed by Credit Guarantee Association, a Japanese governmental affiliate agency which supplements private companies with credit.

Long-term borrowings consisted of the following:

	<u>Maturity</u>	<u>Effective Interest Rate</u>	<u>As of February 29, 2024 JPY</u>	<u>As of February 28, 2025 JPY</u>	<u>As of February 28, 2025 US\$</u>
(In thousands)					
The Awaji Shinkin Bank ⁽¹⁾	April 2025 - April 2030	0.60% - 0.95%	1,296,172	1,369,156	9,089
Sumitomo Mitsui Banking Corporation ⁽²⁾	March 2025 - January 2030	0.53% - 1.19%	593,344	1,974,026	13,104
The Iyo Bank, Ltd.	June 2025 - March 2026	1.20% - 1.28%	183,335	83,339	553
The Bank of Fukuoka, Ltd.	September 2025	0.86%	158,339	58,343	387
MUFG Bank, Ltd.	March 2026 - March 2029	0.30% - 0.79%	875,005	1,591,683	10,566
The Minato Bank, Ltd.	December 2025 - June 2028	0.68% - 0.98%	617,136	417,540	2,772
The Hiroshima Bank, Ltd.	April 2026	1.00%	216,660	116,652	774
The San-in Godo Bank, Ltd.	November 2026	0.80%	274,998	174,990	1,162
The Kiyo Bank, Ltd.	January 2028	1.05%	391,671	291,675	1,937
Total long-term borrowings			<u>4,606,660</u>	<u>6,077,404</u>	<u>40,344</u>
Current portion of long-term borrowings			1,376,204	1,804,164	11,977
Non-current portion of long-term borrowings			3,230,456	4,273,240	28,367

(1) As of February 29, 2024 and February 28, 2025, JPY98.6 million and JPY82.6 million (\$0.5 million) were guaranteed by Credit Guarantee Association, a Japanese governmental affiliate agency which supplements private companies with credit, respectively.

(2) As of February 29, 2024 and February 28, 2025, JPY60.0 million and JPY60.0 million (\$0.4 million) were guaranteed by Credit Guarantee Association, a Japanese governmental affiliate agency which supplements private companies with credit, respectively.

Interest expenses for the fiscal years ended February 29, 2024 and February 28, 2025 amounted to JPY36.4 million and JPY52.3 million (\$0.3 million), respectively.

As of February 28, 2025, the Company's future loan obligations according to the terms of the loan agreement were as follows:

	JPY	US\$
	(In thousands)	
Fiscal year		
2026	1,804,164	11,977
2027	1,956,369	12,987
2028	1,238,876	8,224
2029	823,555	5,467
2030	251,852	1,672
Thereafter	2,588	17
Total long-term borrowings	6,077,404	40,344

The Company's loan agreements contain covenants, which require compliance with financial ratios. As of February 29, 2024 and February 28, 2025, the Company was in compliance with all the financial covenants under its existing loan agreements.

As of February 28, 2025 and 2026, our cash and cash equivalents were JPY7,670.5 million and JPY8,259.7 million, respectively. Our cash and cash equivalents consist of cash in bank and cash on hand.

The following table sets forth the breakdown and terms of our outstanding borrowings as of February 28, 2025 and 2026.

Short-term borrowings consisted of the following:

	Maturity	Effective Interest Rate	As of February 28, 2025 JPY	As of February 28, 2026 JPY (In thousands)	As of February 28, 2026 US\$
Sumitomo Mitsui Banking Corporation ⁽¹⁾	March 2026	1.45%	-	300,000	1,922
MUFG Bank, Ltd. ⁽²⁾	April 2026	1.51%	-	500,000	3,204
Total short-term borrowings			-	800,000	5,126

(1) On October 31, 2025, the Company entered into a commitment line agreement with Sumitomo Mitsui Banking Corporation with a maximum commitment of JPY 2,500.0 million. The facility's commitment period commences on October 31, 2025, and terminates on October 31, 2026. Pursuant to the agreement, the maximum borrowing limit for this period is JPY 2,500.0 million. The borrowings are primarily used for working capital purposes. As of February 28, 2026, the unused credit line balance was JPY2,200 million (\$14.1 million).

(2) On February 25, 2025, the Company entered into a revolving credit facility agreement with MUFG Bank, Ltd. with a maximum commitment of JPY3,000.0 million.

The facility's commitment period commences on February 28, 2025, and terminates on February 25, 2028.

Pursuant to the agreement, the maximum borrowing limits for the respective periods are as follows:

- JPY2,000.0 million for the period from February 28, 2025, to February 27, 2026;
- JPY2,500.0 million for the period from February 28, 2026, to February 27, 2027; and
- JPY3,000.0 million for the period from February 28, 2027, to the commitment termination date (February 25, 2028).

The borrowings are primarily used for working capital purposes. As of February 28, 2026, the unused credit line balance was JPY2,000 million (\$12.8 million).

The short-term borrowings outstanding for the fiscal years ended February 29, 2024 and February 28, 2025 and 2026 carried a weighted average interest rate of approximately 0.87%, 0.42%, and 0.03% per annum, respectively.

Long-term borrowings consisted of the following:

	<u>Maturity</u>	<u>Effective Interest Rate</u>	<u>As of February 28, 2025 JPY</u>	<u>As of February 28, 2026 JPY</u>	<u>As of February 28, 2026 US\$</u>
(In thousands)					
The Awaji Shinkin Bank ⁽¹⁾	September 2027 - September 2030	0.60% - 1.25%	1,369,156	1,220,620	7,823
Sumitomo Mitsui Banking Corporation ⁽²⁾	November 2026 - January 2030	0.54% - 1.19%	1,974,026	1,538,700	9,860
The Iyo Bank, Ltd.	March 2026	1.28%	83,339	11,130	71
The Bank of Fukuoka, Ltd.	September 2025	0.86%	58,343	-	-
MUFG Bank, Ltd.	March 2026 - March 2029	0.30% - 0.79%	1,591,683	1,291,695	8,277
The Minato Bank, Ltd.	June 2028	0.68%	417,540	241,677	1,549
The Hiroshima Bank, Ltd.	April 2026	1.00%	116,652	16,644	107
The San-in Godo Bank, Ltd.	November 2026	0.80%	174,990	74,982	480
The Kiyo Bank, Ltd.	January 2028	1.05%	291,675	191,679	1,228
Total long-term borrowings			<u>6,077,404</u>	<u>4,587,127</u>	<u>29,395</u>
Current portion of long-term borrowings			1,804,164	2,021,924	12,957
Non-current portion of long-term borrowings			4,273,240	2,565,203	16,438

(1) As of February 28, 2025 and February 28, 2026, JPY82.6 million and JPY66.6 million (\$0.4 million) were guaranteed by Credit Guarantee Association, a Japanese governmental affiliate agency which supplements private companies with credit, respectively.

(2) As of February 28, 2025 and February 28, 2026, JPY60.0 million and JPY60.0 million (\$0.4 million) were guaranteed by Credit Guarantee Association, a Japanese governmental affiliate agency which supplements private companies with credit, respectively.

The long-term borrowings outstanding for the fiscal years ended February 29, 2024 and February 28, 2025 and 2026 carried a weighted average interest rate of approximately 0.84%, 0.97%, and 0.93% per annum, respectively.

As of February 28, 2026, the Company had an aggregate credit line of JPY5,000.0 million (\$32.0 million) and JPY800.0 million (\$5.1 million) was used for the borrowing balance.

Interest expenses for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026 amounted to JPY36.4 million, JPY52.3 million and JPY49.5 million (\$0.3 million), respectively.

As of February 28, 2026, the Company's future loan obligations according to the terms of the loan agreement were as follows:

	JPY	US\$
	(In thousands)	
Fiscal year		
2027	2,021,924	12,957
2028	1,332,208	8,537
2029	883,555	5,662
2030	311,852	1,998
2031	37,588	241
Thereafter	-	-
Total long-term borrowings	<u>4,587,127</u>	<u>29,395</u>

The Company's loan agreements contain covenants, which require compliance with financial ratios. As of February 28, 2025 and February 28, 2026, the Company was in compliance with all the financial covenants under its existing loan agreements.

The Company made repayments of the abovementioned bank borrowings upon maturity in the subsequent period.

We believe that our current cash and cash equivalents from operations and borrowings from banks will be sufficient to meet our working capital needs for at least the next 12 months.

However, the exact amount of proceeds we use for our operations and expansion plans will depend on the amount of cash generated from our operations and any strategic decisions we may make that could alter our expansion plans and the amount of cash necessary to fund these plans. We may, however, decide to enhance our liquidity position or increase our cash reserve for future investments through additional capital and finance funding. We may need additional cash resources in the future if we experience changes in business conditions or other developments, or if we find and wish to pursue opportunities for investments, acquisitions, capital expenditures, or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue equity or debt securities or obtain credit facilities. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

Our ability to manage our working capital, including receivables and other assets and liabilities, and accrued liabilities, may materially affect our financial condition and results of operations.

The following table sets forth our selected cash flow data for the fiscal years ended February 29, 2024 and February 28, 2025 and 2026:

	For the Fiscal Years Ended			
	February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
	JPY	JPY	JPY	US\$
	(In thousands)			
Net cash provided by operating activities	403,053	2,229,239	2,074,457	13,294
Net cash used in investing activities	(219,002)	(633,089)	(794,603)	(5,092)
Net cash provided in financing activities	38,959	1,885,321	(746,456)	(4,783)
Effect of foreign exchange rate changes on cash and cash equivalents	38,742	(644)	55,799	357
Cash and cash equivalents at the beginning of the fiscal year	3,927,884	4,189,636	7,670,463	49,154
Cash and cash equivalents at the end of the fiscal year	<u>4,189,636</u>	<u>7,670,463</u>	<u>8,259,660</u>	<u>52,930</u>

Operating Activities

Net cash provided by operating activities for the fiscal year ended February 29, 2024 was JPY403.1 million, which primarily reflected our net income of JPY1,399.5 million as mainly adjusted for: (i) amortization of operating lease right-of-use assets of 651.6 million, (ii) depreciation and amortization expenses of JPY423.6 million, and (iii) deferred tax benefit of JPY164.0 million.

Adjustment for changes in working capital primarily consisted of: (i) a JPY1,948.5 million increase in contract assets, (ii) a JPY1,218.0 million decrease in accounts receivable, (iii) a JPY658.6 million decrease in operating lease liabilities, (iv) a JPY489.6 million decrease in accrued expenses and other liabilities, (v) a JPY347.7 million increase in prepayments and other assets, (vi) a JPY208.8 million increase in contract liabilities, and (vii) a JPY147.3 million increase in accounts payable.

Net cash provided by operating activities for the fiscal year ended February 28, 2025 was JPY2,229.2 million, which primarily reflected our net income of JPY1,354.3 million as mainly adjusted for: (i) amortization of operating lease right-of-use assets of JPY929.7 million, (ii) depreciation and amortization expenses of JPY441.9 million, and (iii) deferred tax benefit of JPY271.6 million.

Adjustment for changes in working capital primarily consisted of: (i) a JPY1,636.2 million decrease in contract assets, (ii) a JPY1,448.1 million increase in prepayments and other assets, (iii) a JPY704.1 million increase in accounts receivable, (iv) a JPY705.0 million decrease in operating lease liabilities, (v) a JPY545.9 million increase in accrued expenses and other liabilities, (vi) a JPY470.6 million increase in income tax payable, (vii) a JPY340.6 million increase in tax receivables, and (viii) a JPY170.0 million increase in contract liabilities.

Net cash provided by operating activities for the fiscal year ended February 28, 2026 was JPY2,074.5 million, which primarily reflected our net income of JPY1,619.5 million as mainly adjusted for: (i) amortization of operating lease right-of-use assets of JPY1,156.3 million, (ii) depreciation and amortization expenses of JPY429.1 million, (iii) deferred tax benefit of JPY327.5 million, (iv) losses from changes in the fair market value of equity securities of JPY112.1 million, and (iv) a bargain purchase gain of JPY106.8 million.

Adjustment for changes in working capital primarily consisted of: (i) a JPY1,340.2 million increase in contract assets, (ii) a JPY1,091.7 million decrease in operating lease liabilities, (iii) a JPY856.5 million increase in contract liabilities, (iv) a JPY878.7 million decrease in accounts receivable, (v) a JPY391.7 million decrease in taxes payable, and (vi) a JPY339.9 million decrease in tax receivables.

Investing Activities

Net cash used in investing activities for the fiscal year ended February 29, 2024 was JPY219.0 million, mainly attributable to: (i) payment for purchase of property and equipment of JPY180.7 million and (ii) payment for investment of JPY50.0 million.

Net cash used in investing activities for the fiscal year ended February 28, 2025 was JPY633.1 million, mainly attributable to payment for purchase of property and equipment of JPY595.0 million.

Net cash used in investing activities for the fiscal year ended February 28, 2026 was JPY794.6 million, mainly attributable to: (i) payment for investment of JPY300.5 million, (ii) purchase of property and equipment of JPY268.7 million, and (iii) cash paid for acquisitions of JPY205.0 million.

Financing Activities

Net cash provided by financing activities for the fiscal year ended February 29, 2024 was JPY39.0 million, attributable to: (i) proceeds from bank loans in the amount of JPY5,300.0 million, (ii) repayment of bank loans of JPY4,278.0 million, (iii) purchase of treasury shares of JPY2,618.6 million, and (iv) reissuance of treasury shares of JPY1,618.5 million.

Net cash provided by financing activities for the fiscal year ended February 28, 2025 was JPY1,885.3 million, attributable to: (i) proceeds from bank loans in the amount of JPY3,260.0 million, (ii) repayment of bank loans of JPY2,009.3 million, and (iii) reissuance of treasury shares of JPY776.0 million.

Net cash used in financing activities for the fiscal year ended February 28, 2026 was JPY746.5 million, primarily attributable to: (i) repayment of bank loans of JPY1,890.3 million and (ii) proceeds from bank loans in the amount of JPY1,200.0 million.

Off Balance Sheet Commitments and Arrangements

We have not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity, or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk, or credit support to us or engages in leasing, hedging, or product development services with us.

C. Research and Development, Patents and Licenses, etc.

See “—A. Operating Results —Research and development expenses.”

D. Trend Information

We are not aware of any trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on our net revenue, income from continuing operations, profitability, liquidity, or capital resources, or that would cause reported financial information not necessarily to be indicative of future results of operations or financial condition.

E. Critical Accounting Estimates

Our consolidated financial statements and accompanying notes are prepared in accordance with U.S. GAAP. Preparing consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Critical accounting estimates are those estimates that involve a significant level of estimation uncertainty and could have a material impact on our financial condition or results of operations. We have critical accounting estimates in the area of revenue recognition.

Revenue recognition

Measurement of Progress and Revenue Recognition in Software Development Contracts

In our software development contracts, each arrangement is generally accounted for as a single performance obligation, and revenue is recognized over time using an input method based on the ratio of direct costs incurred to total estimated direct costs. The costs included in the measure of progress consist primarily of internal labor and subcontracted development services that directly contribute to performance.

For complex projects, risks and uncertainties inherent in the estimation of total direct costs, as well as changes in underlying assumptions, may cause actual progress to differ from our original expectations. Revisions to estimated total direct costs are reflected in the period in which the circumstances giving rise to such revisions become known, and accordingly, revenue recognized to date may be adjusted as the project progresses toward completion. Significant deviations between estimated and actual direct costs could affect the measure of progress, and, consequently, the amount of revenue recognized and overall project profitability. However, for the periods presented, we have not experienced significant changes to our estimates or judgments regarding the satisfaction of performance obligations related to our software development services.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our board of directors and our senior management as of the date of this annual report.

Name	Age	Position(s)
Kenji Narushima	61	Representative Director, President, Chairman, and Chief Executive Officer.
Masahide Shigeno	53	Representative Director, Deputy President, Chief Technology Officer, and Member of the Nominating and Compensation Committee
Takuma Segawa	53	Chief Financial Officer
Kazunori Mori	48	Director
Kazuyuki Kawabata	74	Independent Director and Member of the Nominating and Compensation Committee
Asami Sadoi	67	Independent Director and Member of the Nominating and Compensation Committee
Yuko Osumi	50	Independent Director and Member of the Nominating and Compensation Committee
Rieko Okada	54	Independent Director and Member of the Nominating and Compensation Committee
Jerzy Marek Rudzinski	68	Independent Director
Hiroaki Fujita*	68	Full-time Corporate Auditor
Mitsunori Yabe*	48	Outside Corporate Auditor
Wakako Isaka (Yaguchi)*	46	Outside Corporate Auditor

* Corporate auditors are not members of our board of directors.

Mr. Kenji Narushima is our founder and currently serves as our representative director, president, chairman, and chief executive officer. Before founding Micware in March 2003, Mr. Narushima worked for Step One Limited, a Kobe-based software and hardware developer (“Step One”), from April 1990 to February 2003. Mr. Narushima also served as an independent outside director of O-Well from June 2023 to May 2024. He was also a representative director of Narushima Hongo Co., Ltd., his special purpose acquisition corporations, from November 2017 to October 2018. In March 1985, Mr. Narushima obtained a diploma in information processing from the College of Computing, Kobe Institute of Computing in Kobe, Hyogo.

Mr. Masahide Shigeno currently serves as our representative director, deputy president, and chief technology officer. He is one of the founding employees of Micware. He has been primarily responsible for the technology of the entire Micware group. Mr. Shigeno has also served as a director at sdtech Inc., a Japanese software developer and software engineering and design solution service provider, since September 2021, where he is responsible for management. Before joining Micware, Mr. Shigeno was a software engineer at Step One from April 1993 to February 2003. In March 1993, Mr. Shigeno obtained a diploma in software from the College of Computing, Kobe Institute of Computing in Kobe, Hyogo.

Mr. Takuma Segawa has been our chief financial officer since September 2024. Mr. Segawa was also our director from May 2020 to May 2025 and our executive officer from April 2016 to May 2020. He was one of the founding employees of Micware. Before joining Micware, he was a software engineer at Step One from April 1996 to February 2003. Mr. Segawa obtained a bachelor’s degree in engineering from Osaka Electro-Communication University in Neyagawa City, Osaka, in March 1996.

Mr. Kazunori Mori has been our director since May 2026. He joined Micware in April 2026 and served as an executive officer responsible for marketing until June 2026. He has also been serving as a director at our five Japanese subsidiaries since April 2026. Mr. Mori began his career at Toyota Tsusho Corporation (TYO: 8015, “Toyota Tsusho”) in April 2000. His final position at Toyota Tsusho was a general manager at its Advanced Mobility Services Division, where he served from April 2024 to March 2026. Prior to joining Micware, Mr. Mori was a representative director and chief executive officer at NEXTY Electronics Corporation, a subsidiary of Toyota Tsusho and a trading company focusing on semiconductors, from April 2025 to June 2025. He also founded Resheed Inc., a consulting firm focusing on management consulting across industries, including the automotive sector, in September 2025, and has been its representative director and chief executive officer since then. Mr. Mori obtained a bachelor’s degree in business administration from Kobe University in March 2000.

Mr. Kazuyuki Kawabata has been our independent director since May 2020. Before becoming our director, Mr. Kawabata spent 46 years working at Awaji Shinkin Bank, a cooperative financial institution headquartered in Sumoto City, Hyogo. From April 2014 to March 2019, he was a director and general manager at the bank. Mr. Kawabata graduated from Hyogo Prefectural Sumoto Industrial Senior High School in Sumoto City, Hyogo in March 1970.

Ms. Asami Sadoi has been our independent director since June 2023. In April 1981, Ms. Sadoi started her career as a software developer at Fujitsu Limited (TYO: 6702, “Fujitsu”). From June 2015 to March 2021, Ms. Sadoi served as a representative director and president at Fujitsu Middleware Limited, a Japanese company focusing on the sales of middleware and system development and a subsidiary of Fujitsu, before it became a part of Fujitsu, its parent company, in October 2021. Ms. Sadoi has served as a president of Office muMore, where she provides consulting services regarding woman employees’ career development, since April 2021. She has also been an independent outside director at O-Well since July 2024. Ms. Sadoi obtained a bachelor’s degree in international relations from Tsuda University in Tokyo in March 1981.

Ms. Yuko Osumi has been our independent director since May 2025. Ms. Osumi has approximately 24 years of experience in the automobile industry. She has been a global customer manager at Bose Automotive G.K., where she is responsible for sales and customer management for automotive sound systems. From August 2014 to June 2021, she was a managing director at Desay SV Automotive Japan Co., Ltd., a Japanese entity of Desay SV, a Chinese automotive IVI system provider, where she served as a representative of such entity. Ms. Osumi obtained a bachelor’s degree in international relations from Tsuda University in Tokyo in March 1998.

Ms. Rieko Okada has been our independent director since May 2025. She is a certified public accountant in Japan. Ms. Okada also has 19 years of experience serving as a chief financial officer at Japanese technology companies, including Spectronix Corporation, an Osaka-based company which develops, manufactures, and sells short-wavelength and ultra-short pulsed laser oscillators, from September 2006 to June 2020, and Vitaars Inc. (formerly known as T-ICU Co., Ltd.), a remote emergency and intensive care service system provider, from February 2021 to July 2025. While serving at Micware, Ms. Okada has been an outside corporate auditor at Arcadia Inc., an internet service provider, since June 2025. Ms. Okada obtained an associate degree in American and English Studies from Kansai Gaidai Junior College in Hirakata, Osaka, in March 1992, the Bachelor of Arts in Industry and Technology from the Open University of Japan in March 2012, and the master’s degree in business administration from Kobe University in March 2022.

Mr. Jerzy Marek Rudzinski has been our independent director since September 2023. Before serving at Micware, Mr. Rudzinski was a president of the board of directors of FQS Poland Limited (“FQS”), a Poland-based software developer which is a wholly owned subsidiary of Fujitsu Limited, from January 1998 to June 2023, where he oversaw sales and business development. He has served as an advisor to the FQS’s board of directors since July 2023. Mr. Rudzinski was also a supervisory board member of Makolab SA (WSE: MLB), an IT solution and services provider and software developer, since March 2008. From April 2017 to March 2020, Mr. Rudzinski served as a member of the board of directors of Fujitsu Greenhouse Technology Finland, a joint venture between Fujitsu and Finland’s Robbe’s Little Garden operating an automated vegetable growing factory, where he was responsible for managing the company. Mr. Rudzinski obtained a Master of Science in Chemistry from University of Wroclaw, Poland, in September 1982, and a Doctor of Science in Computational Chemistry from Hokkaido University in March 1990.

Mr. Hiroaki Fujita has been our full-time corporate auditor since May 2023. Mr. Fujita joined Micware in July 2022, where he served as an advisor at the Administration Department from July 2022 to April 2023. In April 1982, he started his career at Dupont Far East Co., Ltd., now known as Dupont Japan Co. Ltd., a Japanese subsidiary of DuPont de Nemours, Inc. (NYSE:DD), where he was responsible for accounting. In June 2001, he joined Access Co., Ltd. (TYO: 4813), an operating system provider for network equipment used by telecommunication carriers and data center operators, where he was responsible for accounting. He then joined Morpho, Inc. in April 2011, a Japanese company focusing on the development of image processing and AI technology, where he was a head of Administration Department. From May 2015 to March 2016, he was a manager for the Administrative Department at HI Corporation and then became a director responsible for the same from March 2016 to March 2017. From March 2016 to March 2022, he was also a director at ArtSpark Holdings Inc. (currently known as CELYSYS Inc. (TYO:3663)), HI Corporation's then parent company, responsible for managing human resources and general affairs matters, and subsequently served as its advisor from April 2022 to June 2022. He obtained a bachelor's degree in commerce from Keio University in March 1982.

Mr. Mitsunori Yabe has been our outside corporate auditor since September 2021. He has been a certified public accountant in Japan since March 2010. From August 2009 to October 2018, he worked at Ernst & Young ShinNihon LLC, where he provided audit and accounting consulting services as well as served as a manager. He established Yabe Certified Public Accountant Office in November 2019, where he has served as its representative since then. While serving at Micware, Mr. Yabe served as an outside director at Naigai Trans Line Ltd., a freight forwarding company (TYO: 9384), from March 2023 to July 2025, and has served as an advisor at the same company since July 2025. Mr. Yabe obtained a bachelor's degree in commerce from Waseda University in March 2003.

Ms. Wakako Isaka (Yaguchi) has been our outside corporate auditor since May 2024. Ms. Isaka has been an attorney-at-law admitted in Japan since October 2005, specializing in labor law. She started her career at Asahi Koma Law Offices (now known as Nishimura & Asahi (Gaikokuho Kyodo Jigyō)) in October 2005, before serving as an associate at TMI Associates from April 2007 to March 2011. Ms. Isaka was also an associate at Ohmizu & Partners from April 2011 to June 2018, before moving back to TMI Associates in June 2018. She has been serving as a counsel at TMI Associates since January 2020. Ms. Isaka obtained an LL.M. from the University of Tokyo in March 2004 and an LL.B. from the University of Tokyo in March 2002.

Relationships

There is no family relationship among directors and officers. There is no arrangement or understanding among any of our directors or any other person under which our directors are appointed.

B. Compensation

Compensation of Directors, Corporate Auditor, and Executive Officers

In accordance with the Companies Act and our articles of incorporation, the amount of compensation for our directors and corporate auditors is decided by first setting the maximum amount of total compensation for all of our directors and corporate auditors through a resolution adopted by our shareholders at a shareholders meeting. Our board of directors then decides on the amount of compensation for each director based on certain criteria established by the Company, and the amount of compensation for each corporate auditor is decided through discussions among the corporate auditors. In accordance with the Companies Act and our articles of incorporation, the amount of compensation for our corporate auditor shall be decided by a resolution adopted by resolution of shareholders meeting. The following table summarizes the total amount of remuneration paid to each category of our directors, corporate auditor, and executive officers in the fiscal year ended February 28, 2026, including by the type of remuneration and the number of persons in each category.

Categories of directors, corporate auditor, and executive officers	Total amount of remuneration			Base compensation			Number of persons in category
Executive directors ⁽¹⁾	JPY	269,221,000	\$ (1,832,682)	JPY	99,240,000	\$ (675,562)	5
Outside directors ⁽²⁾	JPY	20,040,000	\$ (136,419)	JPY	20,040,000	\$ (136,419)	7
Full-time corporate auditor ⁽³⁾	JPY	8,400,000	\$ (57,182)	JPY	8,400,000	\$ (57,182)	1
Outside corporate auditors ⁽⁴⁾	JPY	7,200,000	\$ (49,013)	JPY	7,200,000	\$ (49,013)	2

(1) Includes Mr. Kenji Narushima, Mr. Masahide Shigeno, Mr. Hideaki Tokuhara*, Mr. Takuma Segawa*, and Mr. Teruaki Koshiba*.

(2) Includes Mr. Kazuyuki Kawabata, Mr. Kazuhisa Shitanaka**, Ms. Asami Sadoi, Mr. Jerzy Marek Rudzinski, Mr. Kotaro Seike**, Ms. Yuko Osumi, and Ms. Rieko Okada.

(3) Includes Mr. Hiroaki Fujita.

(4) Includes Mr. Mitsunori Yabe and Ms. Wakako Isaka.

* Mr. Hideaki Tokuhara, Mr. Takuma Segawa, and Mr. Teruaki Koshiba served as our directors until May 2025.

** Mr. Kazuhisa Shitanaka and Mr. Kotaro Seike served as our directors until February 28, 2026.

We have not set aside or accrued any amount to provide pension, retirement, or other similar benefits to our directors, corporate auditor, and executive officers.

Stock Options

We have granted stock options to purchase our Ordinary Shares, as authorized by our shareholders in February 2018 and October 2020. Each option granted in February 2018 and October 2020 can be exercised for 31,330 Ordinary Shares. The number of shares has been retroactively restated to account for the 130-for-1 forward share split that became effective on March 1, 2024 and the 241-for-1 forward share split that became effective on March 31, 2026.

The purpose of these grants is to enable our directors, employees, and advisors to share in our success and to reinforce a corporate culture that aligns interests with those of our shareholders. Our stock option grants generally prohibit transfers of options. As a condition of exercising the stock options, each holder of such stock options must be, at the time of exercising the options, in a position of director, corporate auditor, or employee of us or our subsidiary, unless the holder ceases to hold such position due to expiration of his or her term or due to retirement by age, or otherwise has a good reason. The options cannot be exercised until there is a public offering of our Ordinary Shares.

The following table summarizes the stock options we have issued since the inception of the Company.

Name of Issuance	Issuance Date	Exercise Period	Exercise Price (per share) ⁽¹⁾			Number of Ordinary Shares to be Granted ⁽¹⁾
First Series	02/23/2018	02/24/2020-02/23/2028	JPY	28.73	\$ (0.18)	6,861,270
Second Series	10/30/2020	10/31/2022-02/23/2028	JPY	54.90	\$ (0.35)	4,104,230

(1) The share numbers and exercise price have been retroactively restated to account for the 130-for-1 forward share split that became effective on March 1, 2024 and the 241-for-1 forward share split that became effective on March 31, 2026.

Of the stock options granted pursuant to the above-mentioned grants, 50 stock options to acquire an aggregate of 1,566,500 of our Ordinary Shares have been forfeited due to stock option holders' resignation, and 300 stock options to acquire an aggregate of 9,399,000 of our Ordinary Shares remain outstanding as of the date of this annual report. For additional details, see note 13 to our audited consolidated financial statements as of and for the fiscal years ended February 28, 2026 and 2025 and February 29, 2024, appearing elsewhere in this annual report.

The following table summarizes the outstanding stock options with respect to our Ordinary Shares that we have granted to our officers, directors and corporate auditors:

Name	Grant Date	Exercise Period	Exercise Price (per share) ⁽¹⁾			Total Number of Stock Options Granted	Total Number of Ordinary Shares Underlying Stock Options ⁽¹⁾
Kenji Narushima	10/30/2020	10/31/2022- 02/23/2028	JPY	54.90	\$ (0.35)	35	1,096,550
Masahide Shigeno	10/30/2020	10/31/2022- 02/23/2028	JPY	54.90	\$ (0.35)	24	751,920
Takuma Segawa	10/30/2020	10/31/2022- 02/23/2028	JPY	54.90	\$ (0.35)	20	626,600

(1) The share numbers and exercise price have been retroactively restated to account for the 130-for-1 forward share split that became effective on March 1, 2024 and the 241-for-1 forward share split that became effective on March 31, 2026.

The stock options granted pursuant to the above-mentioned grants were granted pursuant to Stock Acquisitions Rights Agreements. Pursuant to the Series One Stock Acquisitions Rights Agreements, the holder may not make payment for the exercise of stock options in an amount exceeding JPY12 million per calendar year. The stock options may not be transferred to third parties or used as collateral. Upon the death of the holder, the stock options can be succeeded by the holder's successors. Further, the Series One Stock Acquisitions Rights Agreements provide that the holder may not exercise the stock options if (i) the holder or its successor violates the provisions in the Series One Stock Acquisitions Rights Agreement, (ii) the holder loses its position as a director, officer, or employee at the Company or its subsidiaries, unless the holder ceases to hold such position due to expiration of his or her term or due to retirement by age, or otherwise has a good reason, (iii) the Company determines that there are grounds for deeming it inappropriate for the holder of its successors to continue holding the stock options, (iv) the holder dies and has no successors, (v) in case there is a successor, the successor dies prior to commencement of the exercise period or fails to exercise the stock options prior to the expiration of exercise period, (vi) the holder or its successor receives a judgment for the commencement of guardianship, curatorship, or assistance, or (vii) the holder or its successor receives a decision to commence bankruptcy proceedings or civil rehabilitation. The terms of the Series Two Stock Acquisition Rights Agreements are substantially the same as the terms of the Series One Stock Acquisition Rights Agreements.

C. Board Practices

Board of Directors

Our board of directors has the main responsibility for the administration of our affairs. Under the Companies Act and our articles of incorporation, our Company shall have no less than three directors on our board of directors. The term of office of any director expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within two years after such director's election to office. Our directors may, however, serve any number of consecutive terms.

Our board of directors appoints from among its members one or more representative directors, who serve as head administrator(s) over the Company's affairs and represent the Company in accordance with the resolutions of our board of directors. Our board of directors may appoint from among its members a chairman, a president or one or more deputy presidents, senior managing directors, or managing directors.

Our board of directors is currently comprised of seven directors, including five outside directors. Our board of directors has determined that Mr. Kazuyuki Kawabata, Ms. Asami Sadoi, Ms. Yuko Osumi, Ms. Rieko Okada, and Mr. Jerzy Marek Rudzinski satisfy the "independence" requirements of the Nasdaq corporate governance rules and the rules and regulations of the SEC.

Board of Corporate Auditors

With respect to the requirements of Rule 10A-3 under the Exchange Act and Nasdaq Rule 5600 relating to listed company audit committees, we chose to rely on exemptions under these rules that are available to foreign private issuers with a board of corporate auditors meeting certain requirements. As permitted under the Companies Act, we have elected to structure our corporate governance system as a company with a separate board of corporate auditors instead of an audit committee of our board of directors. Our articles of incorporation provide for no less than three corporate auditors. Under the Companies Act, nomination of corporate auditors by the board of directors is subject to the approval of the board of corporate auditors, which also has the right to require the board of directors to nominate designated candidates (including the incumbent corporate auditors) for the position of corporate auditors, and corporate auditors are elected at general meetings of shareholders by a majority of shareholders entitled to vote, where a quorum is established by shareholders holding one-third or more of the voting rights of those who are entitled to vote are present at the shareholders' meeting. The normal term of office of any corporate auditor expires at the close of the annual general meeting of shareholders held with respect to the last fiscal year ended within four years after such corporate auditor's election to office. Our corporate auditors may, however, serve any number of consecutive terms. Corporate auditors may be removed by a special resolution of a general meeting of shareholders.

Our corporate auditors are not required to be certified public accountants. Our corporate auditors may not concurrently serve as directors, employees or accounting advisors (kaikai sanyo) of our Company or any of our subsidiaries or serve as corporate officers of our subsidiaries. Under the Companies Act, at least one-half of the corporate auditors of a company must be persons who satisfy the requirements for an outside corporate auditor set forth in the Companies Act, and at least one of the corporate auditors must be a full-time corporate auditor.

The function of our board of corporate auditors and each corporate auditor is similar to that of independent directors, including those who are members of the audit committee of a U.S. public company. Each corporate auditor has a statutory duty to supervise the administration by the directors of our affairs, to examine our financial statements and business reports to be submitted by a representative director at the general meetings of shareholders, and to prepare an audit report. Our corporate auditors are obligated to participate in meetings of our board of directors and, if necessary, to express their opinion at such meetings, but are not entitled to vote. Our corporate auditors must inspect the proposals, documents, and any other materials to be submitted by our board of directors to the shareholders at the shareholders' meeting. If a corporate auditor finds a violation of statutory regulations or our articles of incorporation, or another significant improper matter, such auditor must report those findings to the shareholders at the shareholders' meeting.

Furthermore, if a corporate auditor believes that a director has engaged in, or is likely to engage in, misconduct or acts that are significantly improper, or that there has been a violation of statutory regulations or our articles of incorporation, the corporate auditor: (i) must report that fact to our board of directors; (ii) can demand that a director convene a meeting of our board of directors; and (iii) if no such meeting is convened in response to the demand, can convene the meeting under the corporate auditor's own authority. If a director engages in, or is likely to engage in, an activity outside the scope of the objectives of the Company or otherwise in violation of laws or regulations or our articles of incorporation, and such act is likely to cause significant damage to the Company, then a corporate auditor can demand that the director cease such activity.

Our board of corporate auditors has a statutory duty to prepare an audit report based on the audit reports issued by the individual corporate auditors and submit such audit reports to a relevant director. A corporate auditor may note an opinion in an audit report issued by our board of corporate auditors, if the opinion expressed in such corporate auditor's individual audit report is different from the opinion expressed in the audit report issued by our board of corporate auditors. Our board of corporate auditors is empowered to establish the audit principles, the method of examination by our corporate auditors of our affairs and financial position, and any other matters relating to the performance of our corporate auditors' duties.

Additionally, our corporate auditors must represent the Company in: (i) any litigation between the Company and a director; (ii) dealing with shareholders' demands seeking a director's liability to the Company; and (iii) dealing with notices of litigation and settlement in a derivative suit seeking a director's liability to the Company. A corporate auditor can file court actions relating to the Company within the authority of our corporate auditors, such as an action to nullify the incorporation of the Company, the issuance of shares, or a merger, or to cancel a resolution at a shareholders' meeting.

Nominating and Compensation Committee

While we will not have a compensation committee or a nominating and corporate governance committee that satisfies the requirements set out under Nasdaq Rule 5600 because we are a "foreign private issuer," our board of directors had opted to, as permitted within the scope of the Companies Act, establish an advisory nominating and compensation committee to assist it to:

- recommend to our board of directors with respect to the appointment and dismissal of Micware Group's directors, senior managing executive officers and Micware's Nominating and Compensation Committee members;
- review and recommend to our board of directors with respect to the compensation of Micware Group's directors; and
- recommend to our board of directors with respect to other important matters deemed necessary by our board of directors.

Under the charter of the Nominating and Compensation Committee, the Nominating and Compensation Committee shall consist of at least at least three directors, a majority of whom are directors who meet the independence standards required for listed companies by the Tokyo Stock Exchange. As of the date of this annual report, the Nominating and Compensation Committee consists of Mr. Masahide Shigeno, the representative director, and Mr. Kazuyuki Kawabata, Ms. Asami Sadoi, Ms. Yuko Osumi, and Ms. Rieko Okada, the independent directors.

Limitation of Liability of Directors and Corporate Auditors

In accordance with our articles of incorporation and pursuant to the provisions of Article 427 of the Companies Act, we are authorized to enter into agreements with non-executive directors (as defined under the Companies Act, for which our independent directors are qualified) and corporate auditors to limit his or her liability to the Company for any losses or damages arising from the conduct specified under Article 423 of the Companies Act; provided, that, the amount of such limited liability is the amount stipulated in applicable laws and regulations, whichever is higher. As of the date of this annual report, we have entered into limited liability agreements with Mr. Kazuyuki Kawabata, Ms. Asami Sadoi, Ms. Yuko Osumi, Ms. Rieko Okada, Mr. Jerzy Marek Ruzinski, Mr. Mitsunori Yabe, and Ms. Wakako Isaka.

D. Employees

See "Item 4. Information on the Company—B. Business Overview—Employees."

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our Ordinary Shares, based on information known to the Company or that can be ascertained from public filings, as of the date of this annual report for:

- each of our directors, corporate auditors, and senior management;
- all directors and senior management as a group; and
- each person known to us to own beneficially more than 5% of our Ordinary Shares.

Beneficial ownership includes voting or investment power with respect to the Ordinary Shares. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all Ordinary Shares shown as beneficially owned by them. Percentage of beneficial ownership of each listed person is based on 59,419,414 Ordinary Shares outstanding as of the date of this annual report.

Information with respect to beneficial ownership has been furnished by each director, senior management, or beneficial owner of 5% or more of our Ordinary Shares. Beneficial ownership is determined in accordance with the rules of the SEC and generally requires that such person have voting or investment power with respect to securities. In computing the number of Ordinary Shares beneficially owned by a person listed below and the percentage ownership of such person, Ordinary Shares underlying options, warrants, or convertible securities held by each such person that are exercisable or convertible within 60 days of the date of this annual report are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. As of the date of this annual report, we had 52 shareholders of record, two of whom are located in the United States.

	Ordinary Shares Beneficially Owned	
	Number	Percent
Directors, Corporate Auditors, and Executive Officers⁽¹⁾:		
Kenji Narushima ⁽²⁾	7,362,550	12.3%
Masahide Shigeno ⁽³⁾	5,451,420	9.2%
Takuma Segawa ⁽⁴⁾	4,292,210	7.2%
Kazuyuki Kawabata	-	-
Asami Sadoi	-	-
Yuko Osumi	-	-
Rieko Okada	-	-
Jerzy Marek Rudzinski	-	-
Kazunori Mori	-	-
Hiroaki Fujita	-	-
Mitsunori Yabe	-	-
Wakako Isaka (Yaguchi)	-	-
All directors, corporate auditors, and executive officers as a group (12 individuals):	17,106,180	28.0%
5% Shareholders:		
Toyota ⁽⁵⁾	6,861,270	11.7%
Honda ⁽⁶⁾	6,861,270	11.7%
Hideaki Tokuhara	3,446,300	5.9%
O-Well ⁽⁷⁾	3,414,970	5.8%

Notes:

- (1) Unless otherwise indicated, the business address of each of the individuals is Kobe Asahi Building 25th Floor, 59 Naniwa-machi, Chuo-ku, Kobe, Hyogo 650-0035.
- (2) The aggregate number of Ordinary Shares beneficially owned by Mr. Kenji Narushima reflects (i) 6,266,000 Ordinary Shares, and (ii) an aggregate of 1,096,550 Ordinary Shares that may be issued upon exercise of stock options held by Mr. Narushima.
- (3) The aggregate number of Ordinary Shares beneficially owned by Mr. Masahide Shigeno reflects (i) 4,699,500 Ordinary Shares, and (ii) an aggregate of 751,920 Ordinary Shares that may be issued upon exercise of stock options held by Mr. Shigeno.
- (4) The aggregate number of Ordinary Shares beneficially owned by Mr. Takuma Segawa reflects (i) 3,665,610 Ordinary Shares, and (ii) an aggregate of 626,600 Ordinary Shares that may be issued upon exercise of stock options held by Mr. Segawa.
- (5) Represents an aggregate of 6,861,270 Ordinary Shares held directly by Toyota. The registered address of Toyota is 1 Toyota-Cho, Toyota City, Aichi Prefecture 471-8571, Japan. Toyota is listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange, and the London Stock Exchange. Toyota is also a reporting company under the Exchange Act and is listed on the New York Stock Exchange.
- (6) Represents an aggregate of 6,861,270 Ordinary Shares held directly by Honda. The registered address of Honda is TORANOMON ALCEA TOWER 2-2-3 Toranomon, Minato-ku, Tokyo. Honda is listed on the Tokyo Stock Exchange. Honda is also a reporting company under the Exchange Act and is listed on the New York Stock Exchange.
- (7) Represents an aggregate of 3,414,970 Ordinary Shares, 2,224,430 of which are held directly by O-Well and 1,190,540 of which are held by Uni Electronics, a wholly owned subsidiary of O-Well. The registered address of O-Well is 5-13-9 Mitejima, Nishiyodogawa-ku, Osaka 555-0012, Japan. O-Well is listed on the Tokyo Stock Exchange.

As of the date of this annual report, 7,022,640 of our Ordinary Shares are held by two holders of record in the United States, 6,959,980 of which are held by The Bank of New York Mellon, the depository for our ADSs.

To our knowledge, the Company is not directly or indirectly owned or controlled by another corporation(s), by any foreign government, or by any other natural or legal person(s) severally or jointly.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

The Company’s relationships with related parties who had transactions with the Company are summarized as follows:

Name of entity or individual	Relationship to the Company
Honda Motor Co., Ltd.	Significant shareholder of the Company with an ownership interest exceeding 10%
Toyota Motor Corporation	Significant shareholder of the Company with an ownership interest exceeding 10%
Daihatsu Motor Co., Ltd.	A subsidiary of Toyota Motor Corporation
Toyota Mapmaster Incorporated	A subsidiary of Toyota Motor Corporation
Honda Access Corporation	A subsidiary of Honda Motor Co., Ltd.
Honda Development and Manufacturing of America, LLC.	A subsidiary of Honda Motor Co., Ltd.
Mr. Kenji Narushima	Mr. Kenji Narushima is the Company’s representative director and Chief Executive Officer
Mr. Masahide Shigeno	Mr. Masahide Shigeno is the Company’s representative director and Chief Technology Officer

Prices for services provided to or by related parties are determined based on negotiations with the other party involved.

We established a Related Party Transaction Management Policy in June 2021, which governs the identification, approval, and disclosure of related party transactions. Under this policy, the commencement of any transaction with a related party requires prior approval by the board of directors with respect to the implementation, terms, and conditions of such transaction. Any material changes to the terms of an approved transaction are subject to the same approval requirement. For continuing transactions, the appropriateness of the transaction terms and the continued business rationale are reviewed and reported to the board of directors on an ongoing basis. As a Japanese company, we have established a board of corporate auditors in lieu of an audit committee, which oversees the legality and appropriateness of our business operations, including related party transactions, pursuant to its statutory duties under the Companies Act.

a. Accounts receivable from related parties

Accounts receivable from related parties consisted of the following:

Name of related party	Nature of transactions	As of February 28, 2025 JPY	As of February 28, 2026 JPY (In thousands)	As of February 28, 2026 US\$
Honda Motor Co., Ltd.	Provided contracted software development services to a related party	958,698	660	4
Toyota Motor Corporation	Provided contracted software development services to a related party	-	16,719	107
Toyota Mapmaster Incorporated	Provided contracted software development services to a related party	2,993	634	4
Honda Access Corporation	Provided contracted software development services to a related party	17,685	48,566	311
Honda Development and Manufacturing of America, LLC.	Provided contracted software development services to a related party	39,981	20,355	131
	Total	1,019,357	86,934	557

b. Contract assets from related parties

Contract assets from related parties consisted of the following:

Name of related party	Nature of transactions	As of February 28, 2025	As of February 28, 2026	As of February 28, 2026
		JPY	JPY (In thousands)	US\$
Honda Motor Co., Ltd.	Provided contracted software development services to a related party	1,046,854	2,377,328	15,234
Toyota Motor Corporation	Provided contracted software development services to a related party	387,242	365,020	2,339
Daihatsu Motor Co., Ltd.	Provided contracted software development services to a related party	139,293	304,357	1,950
Honda Development and Manufacturing of America, LLC.	Provided contracted software development services to a related party	-	79,519	510
	Total	1,573,389	3,126,224	20,033

c. Other receivable from related parties

Other receivable consisted of the following:

Name of related party	Nature of transactions	As of February 28, 2025	As of February 28, 2026	As of February 28, 2026
		JPY	JPY (In thousands)	US\$
Honda Motor Co., Ltd.	Reimbursements receivable for personnel expenses of employees seconded to a related party	5,728	2,617	17
Toyota Motor Corporation	Reimbursements receivable for personnel expenses of employees seconded to a related party	11,646	5,246	34
Daihatsu Motor Co., Ltd.	Reimbursements receivable for personnel expenses of employees seconded to a related party	-	1,926	12
Toyota Mapmaster Incorporated	Receivables related to the unsettled portion of annual server operating expenses for connected navigation systems	-	3,285	21
Mr. Kenji Narushima	Rental payments by a director for use of the Company-owned property	1,320	-	-
	Total	18,694	13,074	84

d. Accounts payable to a related party

Accounts payable to a related party consisted of the following:

Name of related party	Nature of transactions	As of February 28, 2025	As of February 28, 2026	As of February 28, 2026
		JPY	JPY (In thousands)	US\$
Toyota Mapmaster Incorporated	License fee payable	288,205	188,264	1,206
	Total	288,205	188,264	1,206

e. Contract liabilities to a related party

Contract liabilities to a related party consisted of the following:

Name of related party	Nature of transactions	As of February 28, 2025	As of February 28, 2026	As of February 28, 2026
		JPY	JPY	US\$
Honda Motor Co., Ltd.	Provided contracted software development services to a related party	-	646,603	4,144
	Total	-	646,603	4,144

f. Other payable to related parties

Other payable to related parties consisted of the following:

Name of related party	Nature of transactions	As of February 28, 2025	As of February 28, 2026	As of February 28, 2026
		JPY	JPY (In thousands)	US\$
Honda Motor Co., Ltd.	Reimbursements receivable for personnel expenses of employees seconded to a related party	686	873	6
Toyota Motor Corporation	Reimbursements receivable for personnel expenses of employees seconded to a related party	861	-	-
	Total	1,547	873	6

g. Revenue from related parties

Revenue from related parties consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
(In thousands)					
Honda Motor Co., Ltd.	Contracted software development revenue	8,027,680	10,123,402	10,620,176	68,056
Toyota Motor Corporation	Contracted software development revenue	1,063,292	2,257,986	2,234,568	14,320
Daihatsu Motor Co., Ltd.	Contracted software development revenue	548,346	746,075	1,307,279	8,377
Toyota Mapmaster Incorporated	Contracted software development revenue	12,794	14,094	18,550	119
Honda Access Corporation	Contracted software development revenue	67,050	213,263	162,340	1,040
Honda Development and Manufacturing of America, LLC.	Contracted software development revenue	321,004	488,005	295,659	1,895
	Total	10,040,166	13,842,825	14,638,572	93,807

h. Other income from related parties

Other income from related parties consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
(In thousands)					
Mr. Kenji Narushima	Rental payments by a director for use of the Company-owned property	-	2,182	2,400	15
Mr. Masahide Shigeno	Rental payments by a director for use of the Company-owned property	-	2,000	2,200	14
	Total	-	4,182	4,600	29

i. Reimbursement of personnel costs from related parties

Reimbursement of personnel costs from related parties consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
		(In thousands)			
Honda Motor Co., Ltd	Receivables for personnel cost reimbursements from a related party for seconded employees	20,474	31,677	16,542	106
Toyota Motor Corporation	Receivables for personnel cost reimbursements from a related party for seconded employees	116,301	39,519	37,270	239
Daihatsu Motor Co., Ltd.	Receivables for personnel cost reimbursements from a related party for seconded employees	-	-	13,275	85
	Total	136,775	71,196	67,087	430

j. Reimbursement of personnel costs to a related party

Reimbursement of personnel costs to a related party consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
		(In thousands)			
Honda Motor Co., Ltd	Personnel costs incurred for seconded employees from a related party	3,354	8,418	17,253	111
	Total	3,354	8,418	17,253	111

k. License fees to a related party

License fees to a related party consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
		(In thousands)			
Toyota Mapmaster Incorporated	Payment of license fees	1,176,289	1,015,686	976,048	6,255
	Total	1,176,289	1,015,686	976,048	6,255

l. Other fee payments to a related party

Other fee payments to a related party consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
		(In thousands)			
Toyota Motor Corporation	Payment of data usage fees	750	-	-	-
	Total	750	-	-	-

C. Interests of Experts and Counsel

Not applicable.

Item 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report. See “Item 18. Financial Statements.”

Legal Proceedings

See “Item 4. Information on the Company—B. Business Overview—Legal Proceedings.”

Dividend Policy

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of the Companies Act. Under the Companies Act, the distribution of dividends takes the form of distribution of surplus, and a distribution of surplus may be made in cash and/or in kind, with no restrictions on the timing and frequency of such distributions. The Companies Act generally requires a joint-stock corporation to make distributions of surplus authorized by a resolution of a general meeting of shareholders. Even if our board of directors decides to pay dividends, the form, frequency, and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, general business conditions, contractual restrictions, and other factors that the board of directors may deem relevant.

If declared, holders of our outstanding shares on a dividend record date will be entitled to the full dividend declared without regard to the date of issuance of the shares or any subsequent transfer of the shares. Payment of declared annual dividends in respect of a particular year, if any, will be made in the following year after approval by our shareholders at the annual general meeting of shareholders, subject to certain provisions of our articles of incorporation and the Companies Act.

Subject to the terms of the deposit agreement for the ADSs, you will be entitled to receive dividends on our Ordinary Shares represented by ADSs to the same extent as the holders of our Ordinary Shares, less the fees and expenses payable under the deposit agreement in respect of, and any Japanese tax applicable to, such dividends. See “Item 10. Additional Information—E. Taxation—Japanese Taxation” and “Item 12. Description of Securities Other Than Equity Securities—D. American Depositary Shares.” The depositary will generally convert the Japanese yen it receives into U.S. dollars and distribute the U.S. dollar amounts to holders of ADSs. Cash dividends on our Ordinary Shares, if any, will be paid in JPY.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

For information as to Japanese taxes on dividends, please refer to “Item 10. Additional Information—E. Taxation—Japanese Taxation.”

Item 9. THE OFFER AND LISTING

A. Offer and Listing Details

The ADSs have been listed on Nasdaq since May 14, 2026 under the symbol “MWC.”

B. Plan of Distribution

Not applicable.

C. Markets

The ADSs have been listed on Nasdaq since May 14, 2026 under the symbol “MWC.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our articles of incorporation as currently in effect is included as Exhibit 1.1 to this annual report.

We incorporate by reference into this annual report the description of certain key provisions of our articles of incorporation as currently in effect, which is filed as Exhibit 2.3 to this annual report, and the description of differences in corporate laws contained in our registration statement on Form F-1 (File No. 333-294081), as amended, initially filed with the SEC on March 6, 2026.

C. Material Contracts

For the two years immediately preceding the date of this annual report, we have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report.

D. Exchange Controls

Foreign Exchange Regulations

The FEFTA, and its related cabinet orders and ministerial ordinances, or collectively, the Foreign Exchange Regulations, govern certain aspects relating to the acquisition and holding of shares by “exchange non-residents” and by “foreign investors” (as these terms are defined below). It also applies in some cases to the acquisition and holding of ADSs representing our Ordinary Shares acquired and held by exchange non-residents of Japan and by foreign investors. In general, the Foreign Exchange Regulations currently in effect do not affect transactions between exchange non-residents to purchase or sell shares or ADSs outside Japan using currencies other than JPY.

Exchange residents are defined in the Foreign Exchange Regulations as:

- (i) individuals who reside within Japan; or
- (ii) corporations whose principal offices are located within Japan.

Exchange non-residents are defined in the Foreign Exchange Regulations as:

- (i) individuals who do not reside in Japan; or
- (ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are defined in the Foreign Exchange Regulations as:

- (i) individuals who do not reside in Japan;
- (ii) corporations or other entities organized under the laws of foreign countries or whose principal offices are located outside Japan (excluding partnerships falling within (iv));
- (iii) corporations of which 50% or more of the total voting rights are held, directly or indirectly, by individuals and/or corporations falling within (i) and/or (ii) above;
- (iv) general partnerships or limited partnerships under Japanese law or any similar partnerships under the laws of foreign countries, where either: (A) 50% or more of the capital contributions to those entities are made by individuals who do not reside in Japan or certain other foreign investors or (B) a majority of the general partners of such entities are individuals who do not reside in Japan or certain other foreign investors; or
- (v) corporations or other entities of which a majority of either (A) directors or other persons equivalent thereto or (B) directors or other persons equivalent thereto having the power of representation are individuals who do not reside in Japan.

Acquisition of Shares

Acquisition by an exchange non-resident of shares of a Japanese corporation from an exchange resident requires post facto reporting by the exchange resident to the Minister of Finance of Japan through the Bank of Japan. No such reporting requirement is imposed, however, if:

- (i) the aggregate purchase price of the relevant shares is ¥100 million or less;
- (ii) the acquisition is effected through any bank, financial instruments business operator, or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary; or
- (iii) the acquisition constitutes an “inward direct investment” described below.

Inward Direct Investment in Shares of Not Listed Corporations

Inward Direct Investment

If a foreign investor acquires shares or equity of a Japanese corporation that is not listed on a Japanese stock exchange and that is not traded on the over-the-counter market in Japan, including our Ordinary Shares to be acquired, other than through a transfer from foreign investors, such acquisition constitutes an “inward direct investment” under the FEFTA (shares or equity of the relevant corporation to be acquired are collectively referred to as the “Inward Direct Investment Shares”).

Prior Notification

In general, any foreign investor intending to make an inward direct investment by the acquisition of the Inward Direct Investment Shares is not subject to the prior notification requirement, unless the businesses in which such corporation engages fall within any of the business sectors designated by the Foreign Exchange Regulations (the “Designated Business Sectors,” *Shitei-Gyoshu*). Our businesses currently fall within the Designated Business Sectors, as we are engaged in software business and information processing business. Accordingly, a foreign investor intending to acquire the Inward Direct Investment Shares is, in general, required to file a prior notification of such acquisition with the Minister of Finance of Japan and any other competent Ministers, unless an exemption from the prior notification requirements is available. See “—Exemption for Prior Notification Requirements” below. In addition, even if a corporation is not engaged in any of the Designated Business Sectors, however, the foreign investor must file a prior notification of the acquisition with the Minister of Finance of Japan and any other competent Ministers in limited circumstances, such as where the foreign investor is in a country that is not listed on the exemption schedule under the Foreign Exchange Regulations. Upon filing of such prior notification, the Ministers may recommend a modification or abandonment of the proposed acquisition and, if such recommendation is not accepted, they may order the modification or abandonment of such acquisition.

Foreign investors acquiring the Inward Direct Investment Shares by way of a share split are not subject to these notification requirements.

Exemption for Prior Notification Requirements

Under the FEFTA, certain foreign investors may be exempt from the prior notification requirements for an IDI, even if the investee Japanese corporation engages in the Designated Business Sectors, provided that such foreign investors and their related persons comply with certain “Exemption Conditions.” These conditions generally include: (i) the foreign investor and its related persons will not become directors or corporate auditors of the investee corporation; (ii) the foreign investor will not propose, at the general meeting of shareholders, the transfer or discontinuation of the investee corporation’s business activities in the Designated Business Sectors; and (iii) the foreign investor will not access non-public technical information related to the investee corporation’s business in the Designated Business Sectors. While the Ordinary Shares will be held of record by the depositary, for purposes of the FEFTA, the prior notification requirement and the availability of exemptions are determined based on the attributes and shareholding levels of the beneficial owners. Because the Company’s business activities are expected to fall within the “Core Sectors” under the FEFTA, the exemption is subject to stricter scrutiny. Specifically, while foreign financial institutions may be broadly exempt, other general investors must comply with “Supplementary Criteria”—such as restrictions on attending board meetings and making certain written proposals—to qualify for an exemption for acquisitions of 1% or more but less than 10% of the voting rights. Furthermore, under the FEFTA amendments effective as of May 19, 2025, certain investors, including “Specified Foreign Investors,” are strictly prohibited from utilizing any exemptions and must file a prior notification if their beneficial ownership reaches 1% or more. While ADS holders would not, in principle, be required to submit a prior notification to the relevant authorities, investors should consult their own legal counsel to determine the specific impact of these requirements on their investment through ADSs.

Consent at General Meeting of Shareholders

In addition to the acquisition of shares mentioned above, if a foreign investor who holds one or more voting rights of a Japanese corporation that engages in the Designated Business Sectors intends to consent, at the general meeting of shareholders, to certain proposals having material influence on the management of such corporation, such as (i) election of such foreign investor or its related persons as directors or corporate auditors of the investee corporation or (ii) transfer or discontinuation of its business activities in the Designated Business Sectors, such consent also constitutes an IDI that generally requires the filing of a prior notification with the Ministers; provided, however, that in the case of proposal (ii), the prior notification is required only where such proposal is made by such foreign investor by itself or through other shareholders. In such cases, the exemptions from the prior notification requirements described in “—Exemption for Prior Notification Requirements” above are not available.

Post Investment Report

If a foreign investor acquires the Inward Direct Investment Shares which are not subject to the prior notification as stated in the “Prior Notification” section above, and, as a result of the acquisition, the Inward Direct Investment Shares, in combination with any existing direct holdings of the shares of the foreign investor and the direct holdings of shares of its closely-related persons, reach 10% or more of the total issued shares, the foreign investor in general is required to file a post investment report (the “Post Investment Report”) with the Minister of Finance of Japan and any other competent Ministers having jurisdiction over that Japanese corporation within 45 days after such acquisition.

A foreign investor who has acquired the Inward Direct Investment Shares in reliance on an exemption from prior notification, must also, in principle, file a Post Investment Report within 45 days after such acquisition.

Foreign investors acquiring the Inward Direct Investment Shares by way of a share split are not subject to the Post Investment Report requirements.

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds from sales in Japan of, shares held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad. However, under the Foreign Exchange Regulations, certain procedures may be required for the transfer of funds out of Japan or such transfer of funds may be prohibited, depending on the location of the recipient, the purpose of such fund transfer and other factors.

Acquisition of ADSs and Surrender of ADSs

Regarding the acquisition of ADSs, the Minister of Finance has expressed its view that, provided that it should be judged in accordance with the actual situation on a case-by-case basis, in general, in the case where a Japanese corporation that is not listed on any Japanese stock exchange, such as us, lists depositary receipts issued by a foreign depository bank backed by the shares of such Japanese corporation on any foreign stock exchange, it is considered that, while such a foreign depository bank needs to submit a prior notification of IDI upon acquiring the shares, non-residents or foreign corporations that acquire such depositary receipts do not need to submit any prior notification of IDI because the foreign depository bank that will acquire the shares of such Japanese corporation is required to submit a prior notification. However, there is no guarantee that the Minister of Finance will maintain this view in the future. See “Item 3. Key Information—D. Risk Factors—Risks Relating to the Trading Market—Direct acquisition of our Ordinary Shares is subject to a prior filing requirement under recent amendments to the Japanese Foreign Exchange and Foreign Trade Act and related regulations.”

Foreign investors that intend to surrender the ADSs and thereby acquire the underlying Ordinary Shares will be required to submit a prior notification to the Ministers.

E. Taxation

Japanese Taxation

The following is a general summary of the principal Japanese tax consequences (limited to national tax) to owners of our Ordinary Shares, in the form of Ordinary Shares or ADSs, who are non-resident individuals of Japan or who are non-Japanese corporations without a permanent establishment in Japan, collectively referred to in this section as non-resident holders. The statements below regarding Japanese tax laws are based on the laws and treaties in force and as interpreted by the Japanese tax authorities as of the date of this annual report, and are subject to changes in applicable Japanese laws, tax treaties, conventions, or agreements, or in the interpretation of them, occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership, and disposition of our Ordinary Shares, including, specifically, the tax consequences under Japanese law, under the laws of the jurisdiction of which they are resident and under any tax treaty, convention, or agreement between Japan and their country of residence, by consulting their own tax advisors.

For the purpose of Japanese tax law and the tax treaty between the United States and Japan, a U.S. holder of ADSs will generally be treated as the owner of the Ordinary Shares underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder of Ordinary Shares or ADSs will be subject to Japanese income tax collected by way of withholding on dividends (meaning in this section distributions made from our retained earnings for the Companies Act purposes) we pay with respect to our Ordinary Shares and such tax will be withheld prior to payment of dividends. Share splits generally are not subject to Japanese income or corporation taxes.

In the absence of any applicable tax treaty, convention, or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of the Japanese withholding tax applicable to dividends paid by Japanese corporations on their Ordinary Shares to non-resident holders is generally 20.42% (or 20% for dividends due and payable on or after January 1, 2038) under Japanese tax law. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as Ordinary Shares or ADSs) to non-resident holders, other than any individual shareholder who holds 3% or more of the total number of shares issued by the relevant Japanese corporation (to whom the aforementioned withholding tax rate will still apply), the aforementioned withholding tax rate is reduced to (i) 15.315% for dividends due and payable up to and including December 31, 2037 and (ii) 15% for dividends due and payable on or after January 1, 2038. The withholding tax rates described above include the special reconstruction surtax (2.1% multiplied by the original applicable withholding tax rate, i.e., 15% or 20%, as the case may be), which is imposed during the period from and including January 1, 2013 to and including December 31, 2037, to fund the reconstruction from the Great East Japan Earthquake.

If distributions were made from our capital surplus, rather than retained earnings, for the Companies Act purposes, the portion of such distributions in excess of the amount corresponding to a pro rata portion of return of capital as determined under Japanese tax laws would be deemed dividends for Japanese tax purposes, while the rest would be treated as return of capital for Japanese tax purposes. The deemed dividend portion, if any, would generally be subject to the same tax treatment as dividends as described above, and the return of capital portion would generally be treated as proceeds derived from the sale of Ordinary Shares and subject to the same tax treatment as sale of our Ordinary Shares as described below. Distributions made in consideration of repurchase by us of our own shares or in connection with certain reorganization transactions will be treated substantially in the same manner.

Japan has income tax treaties whereby the withholding tax rate (including the special reconstruction surtax) may be reduced, generally to 15%, for portfolio investors, with, among others, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, and Singapore, while the income tax treaties with, among others, Australia, Belgium, France, Hong Kong, the Netherlands, Portugal, Sweden, Switzerland, the United Kingdom, and the United States generally reduce the withholding tax rate to 10% for portfolio investors and the income tax treaties with, among others, Spain, generally reduce the withholding tax rate to 5% for portfolio investors. In addition, under the income tax treaty between Japan and the United States, dividends paid to pension funds which are qualified U.S. residents eligible to enjoy treaty benefits are exempt from Japanese income taxation by way of withholding or otherwise unless the dividends are derived from the carrying on of a business, directly or indirectly, by the pension funds. Similar treatment is applicable to dividends paid to pension funds under the income tax treaties between Japan and, among others, Belgium, Denmark, Spain, the United Kingdom, the Netherlands, and Switzerland. Under Japanese tax law, any reduced maximum rate applicable under a tax treaty shall be available when such maximum rate is below the rate otherwise applicable under the Japanese tax law referred to in the second preceding paragraph with respect to the dividends to be paid by us on our Ordinary Shares or the ADSs.

Non-resident holders of our Ordinary Shares or ADSs who are entitled under an applicable tax treaty to a reduced rate of, or exemption from, Japanese withholding tax on any dividends on our Ordinary Shares or ADSs, in general, are required to submit, through the withholding agent to the relevant tax authority prior to the payment of dividends, an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends together with any required forms and documents. A standing proxy for a non-resident holder of our Ordinary Shares or the ADSs may be used in order to submit the application on a non-resident holder's behalf. In this regard, a certain simplified special filing procedure is available for non-resident holders to claim treaty benefits of reduction of or exemption from Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stock, together with any required forms or documents. If the depositary needs investigation to identify whether any non-resident holders of ADSs are entitled to claim treaty benefits of exemption from or reduction of Japanese withholding tax the depositary or its agent submits an application form before payment of dividends so that the withholding cannot be made in connection with such holders for eight months after the record date concerning such payment of dividends. If it is proved that such holders are entitled to

claim treaty benefits of exemption from or reduction of Japanese withholding tax within the foregoing eight-month period, the depositary or its agent submits another application form together with certain other documents so that such holder can be subject to exemption from or reduction of Japanese withholding tax. To claim this reduced rate or exemption, such non-resident holder of ADSs will be required to file a proof of taxpayer status, residence, and beneficial ownership, as applicable, and to provide other information or documents as may be required by the depositary. Non-resident holders who are entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax below the rate otherwise applicable under Japanese tax law, or exemption therefrom, as the case may be, but fail to submit the required application in advance may nevertheless be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident holders are entitled to a reduced treaty rate under the applicable tax treaty) or the full amount of tax withheld (if such non-resident holders are entitled to an exemption under the applicable tax treaty), as the case may be, by complying with a certain subsequent filing procedure. We do not assume any responsibility to ensure withholding at the reduced treaty rate, or exemption therefrom, for shareholders who would be eligible under an applicable tax treaty but who do not follow the required procedures as stated above.

Gains derived from the sale of our Ordinary Shares or the ADSs outside Japan by a non-resident holder that is a portfolio investor will generally not be subject to Japanese income or corporation taxes. Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired from another individual our Ordinary Shares or the ADSs as a legatee, heir, or donee, even if none of the acquiring individual, the decedent, or the donor is a Japanese resident.

United States Federal Income Taxation

WE URGE POTENTIAL PURCHASERS OF THE ADSS OR OUR ORDINARY SHARES TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING, AND DISPOSING OF THE ADSS OR OUR ORDINARY SHARES.

The following brief summary does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- persons that elect to mark their securities to market;
- U.S. expatriates or former long-term residents of the U.S.;
- governments or agencies or instrumentalities thereof;
- tax-exempt entities;

- persons liable for alternative minimum tax;
- persons holding our Ordinary Shares or the ADSs as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting power or value (including by reason of owning our Ordinary Shares or the ADSs);
- persons who acquired our Ordinary Shares or the ADSs pursuant to the exercise of any employee share option or otherwise as compensation;
- persons holding our Ordinary Shares or the ADSs through partnerships or other pass-through entities;
- beneficiaries of a Trust holding our Ordinary Shares or the ADSs; or
- persons holding our Ordinary Shares or the ADSs through a trust.

The discussion set forth below is addressed only to U.S. Holders (defined below) that purchase Ordinary Shares or ADSs. Prospective purchasers are urged to consult their own tax advisors about the application of the U.S. federal income tax rules to their particular circumstances as well as the state, local, foreign and other tax consequences to them of the purchase, ownership and disposition of our Ordinary Shares or the ADSs.

Material Tax Consequences Applicable to U.S. Holders of the ADSs or Ordinary Shares

The following sets forth a brief summary of the material U.S. federal income tax consequences related to the ownership and disposition of the ADSs or our Ordinary Shares. This brief description does not deal with all possible tax consequences relating to ownership and disposition of the ADSs or our Ordinary Shares or U.S. tax laws, other than the U.S. federal income tax laws, such as the tax consequences under non-U.S. tax laws, state, local, and other tax laws.

The following brief description applies only to U.S. Holders (defined below) that hold ADSs or Ordinary Shares as capital assets and that have the U.S. dollar as their functional currency. This brief description is based on the federal income tax laws of the United States in effect as of the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date, and the income tax treaty between the United States and Japan (the “Tax Convention”). All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The brief description below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of ADSs or Ordinary Shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or other entities treated as a partnership for United States federal income tax purposes) is a beneficial owner of the ADSs or our Ordinary Shares, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. Partnerships and partners of a partnership holding the ADSs or our Ordinary Shares are urged to consult their tax advisors regarding an investment in the ADSs or our Ordinary Shares.

An individual is considered a resident of the U.S. for federal income tax purposes if he or she meets either the “Green Card Test” or the “Substantial Presence Test” described as follows:

The Green Card Test: You are a lawful permanent resident of the United States, at any time, if you have been given the privilege, according to the immigration laws of the United States, of residing permanently in the United States as an immigrant. You generally have this status if the U.S. Citizenship and Immigration Services issued you an alien registration card, Form I-551, also known as a “green card.”

The Substantial Presence Test: If an alien is present in the United States on at least 31 days of the current calendar year, he or she will (absent an applicable exception) be classified as a resident alien if the sum of the following equals 183 days or more (*See* §7701(b)(3)(A) of the Internal Revenue Code and related Treasury Regulations):

1. The actual days in the United States in the current year; plus
2. One-third of his or her days in the United States in the immediately preceding year; plus
3. One-sixth of his or her days in the United States in the second preceding year.

This summary is based, in part, upon the representations made by the depositary to us and assumes that the deposit agreement for the ADSs, and all other related agreements, will be performed in accordance with their terms.

Treatment of the ADSs

U.S. Holders of ADSs generally will be treated for U.S. federal income tax purposes as holding our Ordinary Shares represented by the ADSs. No gain or loss will be recognized on an exchange of our Ordinary Shares for ADSs or an exchange of ADSs for our Ordinary Shares if the depositary has not taken any action inconsistent with the material terms of the deposit agreement for the ADSs or the U.S. Holder’s ownership of the underlying Ordinary Shares. A U.S. Holder’s tax basis in the Ordinary Shares received in exchange for ADSs will be the same as its tax basis in the ADSs, and the holding period in the shares will include the holding period in the ADSs.

Taxation of Dividends and Other Distributions on the ADSs or Our Ordinary Shares

Subject to the application of the PFIC rules discussed below, a U.S. Holder generally will recognize ordinary dividend income in an amount equal to the amount of any cash and the value of any property we distribute as a distribution (including the amount of any taxes withheld therefrom) with respect to the U.S. Holder’s Ordinary Shares (or ADSs), to the extent that the distribution is paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, when the distribution is received (or when received by the depositary in the case of ADSs). We do not intend to maintain calculations of earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that distributions paid with respect to our Ordinary Shares or the ADSs generally will be treated as dividends. Dividends will not be eligible for the dividends received deduction generally allowable to U.S. corporations. Dividends paid on our Ordinary Shares or the ADSs will be treated as “qualified dividends” taxable at preferential rates, if (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules, (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a PFIC, and (iii) the U.S. Holder satisfies certain holding period and other requirements. The Tax Convention has been approved for the purposes of the qualified dividend rules and we believe we will be eligible for the benefits of the Tax Convention.

Dividend income will include any amounts withheld in respect of Japanese taxes and will be treated as foreign-source income for foreign tax credit purposes. Subject to applicable limitations, some of which vary depending upon the U.S. Holder's circumstances, Japanese taxes withheld from dividends on our Ordinary Shares or the ADSs generally will be creditable against the U.S. Holder's U.S. federal income tax liability to the extent such taxes do not exceed any reduced withholding rate available under the Tax Convention. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisors regarding the creditability of foreign taxes in their particular circumstances. In lieu of claiming a foreign tax credit, a U.S. Holder may, at its election, deduct creditable foreign taxes, including Japanese taxes, in computing its taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued by the U.S. Holder in the taxable year.

Dividends paid in a currency other than U.S. dollars will be includable in income in a U.S. dollar amount based on the exchange rate in effect on the date of receipt (or the date of the depository's receipt in the case of ADSs), whether or not the payment is converted into U.S. dollars at that time. A U.S. Holder should not recognize any foreign currency gain or loss in respect of the distribution if the foreign currency is converted into U.S. dollars on the date the distribution is received. If the foreign currency is not converted into U.S. dollars on the date of receipt, however, gain or loss may be recognized upon a subsequent sale or other disposition of the foreign currency. The foreign currency gain or loss (if any) generally will be treated as ordinary income or loss to the U.S. Holder and generally will be treated as U.S.-source income or loss, which may be relevant in calculating the U.S. Holder's foreign tax credit limitation.

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your Ordinary Shares or ADSs, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. As stated, we do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Taxation of Dispositions of ADSs or Ordinary Shares

Subject to the PFIC rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a share equal to the difference between the amount realized (in U.S. dollars) for the share and your tax basis (in U.S. dollars) in the ADSs or Ordinary Shares. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the ADSs or Ordinary Shares for more than one year, you will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as United States source income or loss for foreign tax credit limitation purposes which will generally limit the availability of foreign tax credits.

Passive Foreign Investment Company (PFIC) Consequences

A non-U.S. corporation is considered a PFIC, as defined in Section 1297(a) of the US Internal Revenue Code, for any taxable year if either:

- at least 75% of its gross income for such taxable year is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the "asset test").

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock. In determining the value and composition of our assets for purposes of the PFIC asset test, (1) the cash we raise in the initial public offering will generally be considered to be held for the production of passive income and (2) the value of our assets must be determined based on the market value of the ADSs or our Ordinary Shares from time to time, which could cause the value of our non-passive assets to be less than 50% of the value of all of our assets (including the cash raised in the initial public offering) on any particular quarterly testing date for purposes of the asset test.

Based on our operations and the composition of our assets, we do not expect to be treated as a PFIC under the current PFIC rules. We must make a separate determination each year as to whether we are a PFIC, however, and there can be no assurance with respect to our status as a PFIC for our current taxable year or any future taxable year. Depending on our assets held for the production of passive income, it is possible that, for our current taxable year or for any subsequent taxable year, more than 50% of our assets may be assets held for the production of passive income. We will make this determination following the end of any particular tax year. In addition, because the value of our assets for purposes of the asset test will generally be determined based on the market price of the ADSs or our Ordinary Shares and because cash is generally considered to be an asset held for the production of passive income, our PFIC status will depend in large part on the market price of the ADSs or our Ordinary Shares and the amount of cash we raise in the initial public offering. Accordingly, fluctuations in the market price of the ADSs or Ordinary Shares may cause us to become a PFIC. In addition, the application of the PFIC rules is subject to uncertainty in several respects and the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in the initial public offering. We are under no obligation to take steps to reduce the risk of our being classified as a PFIC, and as stated above, the determination of the value of our assets will depend upon material facts (including the market price of the ADSs or our Ordinary Shares from time to time and the amount of cash we raise in the initial public offering) that may not be within our control. If we are a PFIC for any year during which you hold ADSs or Ordinary Shares, we will continue to be treated as a PFIC for all succeeding years during which you hold ADSs or Ordinary Shares. If we cease to be a PFIC and you did not previously make a timely “mark-to-market” election as described below, however, you may avoid some of the adverse effects of the PFIC regime by making a “purging election” (as described below) with respect to the ADSs or Ordinary Shares.

If we are a PFIC for your taxable year(s) during which you hold ADSs or Ordinary Shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ADSs or Ordinary Shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or Ordinary Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or Ordinary Shares;
- the amount allocated to your current taxable year, and any amount allocated to any of your taxable year(s) in your holding period prior to the first taxable year in which we were a PFIC, will be treated as ordinary income;
- the amount allocated to each of your other taxable year(s) will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or Ordinary Shares cannot be treated as capital, even if you hold the ADSs or Ordinary Shares as capital assets.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election under Section 1296 of the US Internal Revenue Code for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for first taxable year which you hold (or are deemed to hold) ADSs or Ordinary Shares and for which we are determined to be a PFIC, you will include in your income each year an amount equal to the excess, if any, of the fair market value of the ADSs or Ordinary Shares as of the close of such taxable year over your adjusted basis in such ADSs or Ordinary Shares, which excess will be treated as ordinary income and not capital gain. You are allowed an ordinary loss for the excess, if any, of the adjusted basis of the ADSs or Ordinary Shares over their fair market value as of the close of the taxable year. Such ordinary loss, however, is allowable only to the extent of any net mark-to-market gains on the ADSs or Ordinary Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or Ordinary Shares, are treated as ordinary income. Ordinary loss treatment also applies to any loss realized on the actual sale or disposition of the ADSs or Ordinary Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or Ordinary Shares. Your basis in the ADSs or Ordinary Shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate for qualified dividend income discussed above under “—Taxation of Dividends and Other Distributions on the ADSs or our Ordinary Shares” generally would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market (as defined in applicable U.S. Treasury regulations), including Nasdaq. If the ADSs or Ordinary Shares are regularly traded on Nasdaq and if you are a holder of ADSs or Ordinary Shares, the mark-to-market election would be available to you were we to be or become a PFIC.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” election under Section 1295(b) of the US Internal Revenue Code with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s pro rata share of the corporation’s earnings and profits for the taxable year. The qualified electing fund election, however, is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election. If you hold ADSs or Ordinary Shares in any taxable year in which we are a PFIC, you will be required to file U.S. Internal Revenue Service Form 8621 in each such year and provide certain annual information regarding such ADSs or Ordinary Shares, including regarding distributions received on the ADSs or Ordinary Shares and any gain realized on the disposition of the ADSs or Ordinary Shares.

If you do not make a timely “mark-to-market” election (as described above), and if we were a PFIC at any time during the period you hold the ADSs or our Ordinary Shares, then such ADSs or Ordinary Shares will continue to be treated as stock of a PFIC with respect to you even if we cease to be a PFIC in a future year, unless you make a “purging election” for the year we cease to be a PFIC. A “purging election” creates a deemed sale of such ADSs or Ordinary Shares at their fair market value on the last day of the last year in which we are treated as a PFIC. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, you will have a new basis (equal to the fair market value of the ADSs or Ordinary Shares on the last day of the last year in which we are treated as a PFIC) and holding period (which new holding period will begin the day after such last day) in your ADSs or Ordinary Shares for tax purposes.

If you hold ADSs or our Ordinary Shares in any taxable year in which we are a PFIC (regardless of whether you make a mark-to-market election as described above), you will be required to file U.S. Internal Revenue Service Form 8621 in each such year and provide certain annual information regarding such ADSs or Ordinary Shares, including regarding distributions received on the ADSs or Ordinary Shares and any gain realized on the disposition of the ADSs or Ordinary Shares. The failure to file IRS Form 8621 could result in the imposition of penalties and the extension of the statute of limitations with respect to U.S. federal income tax.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in the ADSs or our Ordinary Shares and the elections discussed above.

Information Reporting and Backup Withholding

Dividend payments with respect to the ADSs or our Ordinary Shares and proceeds from the sale, exchange or redemption of the ADSs or our Ordinary Shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding at a current flat rate of 24%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information. We do not intend to withhold taxes for individual shareholders. Transactions effected through certain brokers or other intermediaries, however, may be subject to withholding taxes (including backup withholding), and such brokers or intermediaries may be required by law to withhold such taxes.

Certain U.S. Holders are required to report information relating to the ADSs or our Ordinary Shares, subject to certain exceptions (including an exception for ADSs or Ordinary Shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold ADSs or Ordinary Shares. In addition, certain U.S. Holders must file a U.S. Internal Revenue Service Form 926 to report the contribution of property (including cash) to a foreign corporation.

The foregoing description of reporting requirements is not exhaustive, and failure to report such information could result in substantial penalties. You should consult your own tax advisor regarding your obligation to file a Form 8938, Form 926 or other applicable forms as a result of an investment in our ADSs or Ordinary Shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We have previously filed with the SEC the Registration Statements.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing, among other things, the furnishing and content of proxy statements to shareholders. Our executive officers and directors are required, pursuant to the Holding Foreign Insiders Accountable Act, to file Section 16(a) reports with the SEC to disclose their beneficial ownership of our securities. Our principal shareholders who are not officers or directors, however, remain exempt from Section 16(a) reporting requirements. Our executive officers, directors and principal shareholders are exempt from the short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

I. Subsidiary Information

For information about our subsidiary, see “Item 4. Information on the Company—A. History and Development of the Company.”

J. Annual Report to Security Holders

If we are required to provide an annual report to security holders in response to the requirements of Form 6-K, we will submit the annual report to security holders in electronic format in accordance with the EDGAR Filer Manual.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks in the ordinary course of our business, primarily foreign exchange risk, credit risk, interest rate risk and inflation risk. Our principal objective in managing these risks is to limit the adverse impact of market volatility on our financial condition and results of operations. We do not enter into derivative financial instruments or other financial instruments for trading or speculative purposes.

Foreign Exchange Risk

Our consolidated financial statements are presented in JPY, which is our reporting currency, and our operations are conducted predominantly in JPY. However, we generate a portion of our revenue and incur a portion of our expenses through our subsidiaries in the United States, Thailand, and Germany, whose functional currencies are the US\$, THB, and the EUR, respectively. As a result, we are exposed to foreign exchange risk arising from (i) the remeasurement of foreign-currency-denominated monetary assets and liabilities (including both third-party and intercompany balances), and (ii) the translation of the results of operations and net assets of our overseas subsidiaries into JPY for the purposes of preparing our consolidated financial statements. Because our overseas subsidiaries currently represent a relatively modest portion of our overall business, the direct impact of foreign currency fluctuations on our financial results has historically been limited; however, fluctuations in exchange rates between JPY and US\$, THB, and EUR may still affect our reported revenue, expenses, assets, liabilities, and equity. For the fiscal year ended February 28, 2026, a 10% appreciation or depreciation of the JPY against the US\$, THB, and EUR, with all other variables held constant, would have changed our income before income taxes by approximately JPY9,730 thousand and our total equity by approximately JPY107,151 thousand. The foregoing sensitivity analysis is based on our foreign-currency exposures as of the balance sheet date and is provided for illustrative purposes only; it does not reflect the effect of any management actions that we may take in response to exchange rate movements. We currently do not use foreign exchange forward contracts or other hedging instruments to manage our foreign exchange risk. We monitor our foreign currency exposures on an ongoing basis and may consider the use of hedging arrangements in the future should our exposures increase materially. In addition, holders of the ADSs are subject to foreign exchange risk because dividends, if any, on our Ordinary Shares are declared in JPY, and the US\$ value of dividends and of the proceeds from any sale of the Ordinary Shares underlying the ADSs will be affected by fluctuations in the JPY/US\$ exchange rate.

Credit Risk

Credit risk is the risk of financial loss to us if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Our credit risk arises principally from cash and cash equivalents held at financial institutions and from trade and other receivables. We hold our cash and cash equivalents with financial institutions that we believe to be of high credit quality. Because our business focuses on automotive software (such as navigation and IVI solutions), our customer base is largely comprised of a small number of major automotive manufacturers (OEMs) and their affiliated entities, which results in a concentration of credit risk. For the fiscal year ended February 28, 2026, customers belonging to the Toyota Group and the Honda Group accounted for approximately 66.9% of our total revenue. We manage credit risk by assessing the creditworthiness of our customers, monitoring outstanding receivable balances and recording an allowance for expected credit losses where appropriate. Historically, we have not experienced significant credit losses on our trade receivables.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to interest rate risk relates primarily to our interest-bearing borrowings (bank loans) and our interest-bearing deposits. Interest rate risk related to our interest-bearing deposits is immaterial because ordinary deposit rates are negligible. As of February 28, 2026, we had total interest-bearing liabilities of JPY 5,387,127 thousand, of which JPY 2,670,480 thousand, or 49.6%, bore interest at variable rates and JPY 2,716,647 thousand, or 50.4%, bore interest at fixed rates. A substantial portion of our borrowings bears interest at fixed rates, and accordingly we consider our exposure to interest rate risk on such fixed-rate borrowings to be limited. Using a sensitivity analysis, a hypothetical 100 basis point increase in market interest rates as of February 28, 2026 would increase our annual interest expense by approximately JPY 26,705 thousand, based on our variable-rate borrowings outstanding as of that date. We do not currently use interest rate swaps or other derivative instruments to manage interest rate risk.

Inflation Risk

Inflation may affect us by increasing our costs of labor, purchased components and services, and other operating expenses. To date, inflation in the principal markets in which we operate (primarily Japan) has not had a material effect on our business, financial condition, or results of operations. We monitor inflationary pressures closely and seek to mitigate their effect through pricing adjustments, cost management measures, and operational efficiencies; however, there can be no assurance that inflation will not have a material adverse effect on us in the future.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**A. Debt Securities**

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

The Bank of New York Mellon, as depositary, registers and delivers ADSs. Each ADS represents one Ordinary Share (or a right to receive one Ordinary Share) deposited with MUFG Bank Co., Ltd., as custodian for the depositary in Japan. Each ADS also represents any other securities, cash, or other property that may be held by the depositary under the deposit agreement. The deposited Ordinary Shares together with any other securities, cash, or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs are administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

The form of deposit agreement for the ADSs and the form of ADRs that represents an ADS have been incorporated by reference as exhibits to this annual report.

Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:

\$10.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.10 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

Fees assessed from time to time, but not exceeding \$0.10 per ADS during any calendar year

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

For:

Issuance of ADSs, including issuances resulting from a distribution of Ordinary Shares or rights or other property or in relation to a change in the number of Ordinary Shares represented by one ADS

Surrender of ADSs for the purpose of withdrawal or cancellation of ADSs, including if the deposit agreement terminates or in relation to a change in the number of Ordinary Share represented by one ADS

Any cash distribution to ADS holders

Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders

Depositary services

Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to U.S. dollars

As necessary

As necessary

The depositary collects its fees for delivery, surrender and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from whom ADSs are cancelled or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. While aggregate fees for depositary services will not exceed \$0.10 per ADS in a calendar year, an investor may be charged more than one such fee in a consecutive 12-month period. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary, or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers, or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads, or commissions.

The depositary may convert currency itself or through any of its affiliates, or the custodian or we may convert currency and pay U.S. dollars to the depositary. Where the depositary converts currency itself or through any of its affiliates, the depositary acts as principal for its own account and not as agent, advisor, broker, or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained by it or its affiliate in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligation to act without negligence or bad faith. The methodology used to determine exchange rates used in currency conversions made by the depositary is available upon request. Where the custodian converts currency, the custodian has no obligation to obtain the most favorable rate that could be obtained at the time or to ensure that the method by which that rate will be determined will be the most favorable to ADS holders, and the depositary makes no representation that the rate is the most favorable rate and will not be liable for any direct or indirect losses associated with the rate. In certain instances, the depositary may receive dividends or other distributions from us in U.S. dollars that represent the proceeds of a conversion of foreign currency or translation from foreign currency at a rate that was obtained or determined by us and, in such cases, the depositary will not engage in, or be responsible for, any foreign currency transactions and neither it nor we make any representation that the rate obtained or determined by us is the most favorable rate and neither it nor we will be liable for any direct or indirect losses associated with the rate.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

For additional information on the description of ADSs, see Exhibit 2.3 attached to this annual report.

Part II

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following “Use of Proceeds” information relates to the Registration Statements for our initial public offering, which became effective on May 13, 2026. See also “Item 4. Information on the Company—A. History and Development of the Company—Our IPO.”

On May 15, 2026, we completed our initial public offering in which we issued and sold 2,850,000 ADSs at a price of \$8.00 per ADS for aggregate gross proceeds of \$22,800,000. On May 27, 2026, we completed the issuance and sale of an additional 427,500 ADSs upon the full exercise of the Over-Allotment Option, increasing the aggregate number of ADSs issued and sold to 3,277,500 and the aggregate gross proceeds to \$26,220,000. A.G.P./Alliance Global Partners was the sole underwriter of our initial public offering.

We incurred approximately \$6.5 million in expenses in connection with our initial public offering, which included approximately \$1.9 million in underwriting discounts, approximately \$0.4 million in expenses paid to or for underwriters, and approximately \$4.2 million in other expenses. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities, or our affiliates. None of the net proceeds we received from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

The net proceeds raised from the initial public offering were \$23.9 million after deducting underwriting discounts and the offering expenses payable by us. As of the date of this annual report, we have used a portion of the net proceeds for (i) joint research and development expenses with a Japanese educational institution in connection with our DynaPlanet project, and (ii) general corporate purposes, including expenses incurred to promote the utilization of AI by our employees. The actual use of proceeds does not represent a material change in the use of proceeds described in the Registration Statements.

We intend to use the remaining proceeds from our initial public offering in the manner disclosed in the Registration Statements.

Item 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, which are defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act, as of February 28, 2026.

Based on this evaluation, our management has concluded that, as of February 28, 2026, our disclosure controls and procedures were not effective due to the following material weaknesses in internal control over financial reporting described below:

The material weakness identified as of the date of this annual report relate to the lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and the reporting requirements set forth by the SEC to properly address complex technical accounting issues and to prepare and review the financial statements and related disclosures in accordance with U.S. GAAP and financial reporting requirements set forth by the SEC.

Our management is in the process of implementing measures to improve our internal control over financial reporting, including: (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework; (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel; and (iii) setting up an internal audit function as well as engaging an external consulting firm to assist us with the assessment of Sarbanes-Oxley compliance requirements and improvement of overall internal control. We also plan to implement additional measures to improve our internal control over financial reporting, including creating U.S. GAAP accounting policies and procedures manual, which will be maintained, reviewed and updated, on a regular basis, to the latest U.S. GAAP accounting standards, and strengthening corporate governance. While we are currently implementing these remediation measures, they have not yet been fully implemented and assessed, and therefore the material weaknesses remain.

Management's Annual Report on Internal Control over Financial Reporting

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of our registered public accounting firm. For as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm is not required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [RESERVED]

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Under the Companies Act, we have elected to structure our corporate governance system as a company with a separate board of corporate auditors and therefore do not have an audit committee. The function of our board of corporate auditors and each corporate auditor is similar to that of independent directors, including those who are members of the audit committee of a U.S. public company. We have a three-member board of corporate auditors, which meet the requirements for general exemptions of Rule 10A-3(c)(3) under the Exchange Act.

Item 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics, which is applicable to all of our directors, senior management, and employees. Our code of business conduct and ethics is publicly available on our website.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered and billed by Marcum Asia CPAs LLP, our independent registered public accounting firm since 2025, for the periods indicated.

	For the Fiscal Years Ended,		
	February 28, 2026	February 28, 2025	February 29, 2024
Audit fees ⁽¹⁾	\$ 463,262	\$ 420,400	\$ 379,200
Audit-Related fees	-	-	-
Tax fees	-	-	-
All other fees	-	-	-
Total	\$ 463,262	\$ 420,400	\$ 379,200

(1) Audit fees include the aggregate fees billed for each of the fiscal years for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements or for the audits of our financial statements and review of the interim financial statements.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Please refer to “Item 3. Key Information—D. Risk Factors—Risks Relating to the Trading Market—Because we are a foreign private issuer and have taken advantage of exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, you will have less protection than you would have if we were a domestic issuer.”

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

Item 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

Item 16G. CORPORATE GOVERNANCE

We are a “foreign private issuer” under the federal securities laws of the United States and the Nasdaq listing standards. Under the federal securities laws of the United States, foreign private issuers are subject to different disclosure requirements than U.S.-domiciled public companies. Under the SEC rules and the Nasdaq listing standards, a foreign private issuer is subject to less stringent corporate governance requirements. Subject to certain exceptions, the SEC and Nasdaq permit a foreign private issuer to follow its home country practice in lieu of their respective rules and listing standards. In general, our articles of incorporation and the Companies Act govern our corporate affairs.

In particular, as a foreign private issuer, we follow Japanese law and corporate practice in lieu of the corporate governance provisions set out under Nasdaq Rule 5600. Of particular note, the following rules under Nasdaq Rule 5600 differ from Japanese law requirements:

- Nasdaq Listing Rule 5605(b)(1) requires that at least a majority of a listed company's board of directors be independent directors, and Nasdaq Listing Rule 5605(b)(2) requires that independent directors regularly meet in executive session, where only independent directors are present. Under our current corporate structure, the Companies Act does not require independent directors. However, our board of directors is currently comprised of eight directors, five of whom are considered "independent," as determined in accordance with the applicable Nasdaq rules. We expect our independent directors to regularly meet in executive sessions, where only the independent directors are present;
- Nasdaq Listing Rule 5605(c)(2)(A) requires a listed company to have an audit committee composed entirely of not less than three directors, each of whom must be independent. Under Japanese law, a company may have a statutory auditor (referred to as the corporate auditor) or a statutory board of corporate auditors. We have a three-member board of corporate auditors, which will meet the requirements for general exemptions of Rule 10A-3(c)(3) under the Exchange Act. See "Item 6. Director, Senior Management and Employees—C. Board Practices—Board of Corporate Auditors" below for additional information;
- Nasdaq Listing Rule 5605(d) requires, among other things, that a listed company's compensation committee be comprised of at least two members, each of whom is an independent director as defined under such rule. Under Japanese law, companies with a board of corporate auditors are not required to establish an audit committee, a nominating committee, or a compensation committee. However, in accordance with generally accepted practices for companies listed in Japan (not a requirement under Japanese law), our board of directors has established the Nominating and Compensation Committee comprised of at least three directors, a majority of whom are directors who meet the independence standards required for listed companies by the Tokyo Stock Exchange, that is, a director who is unlikely to have conflicts of interest with general shareholders, to advise our board of directors, when consulted, with respect to the compensation of our directors and senior managing executive officers. Our board of directors collectively participates in the discussion and determination of compensation for our directors and senior managing executive officers (subject to the maximum aggregate compensation amount resolved by our shareholders meetings) and other compensation related matters, and the Nominating and Compensation Committee will provide advice on this matter when consulted by the board of directors. In addition, our corporate auditors discuss and determine the compensation of each corporate auditor (subject to the maximum aggregate compensation amount resolved by our shareholders meetings) without the involvement of our board of directors;
- Nasdaq Listing Rule 5605(e) requires that a listed company's nomination and corporate governance committee be comprised solely of independent directors. Under Japanese law, companies with a board of corporate auditors are not required to establish an audit committee, a nominating committee, or a compensation committee. However, in accordance with generally accepted practices for companies listed in Japan (not a requirement under Japanese law), our board of directors has established the Nominating and Compensation Committee to advise our board of directors, when consulted, with respect to nominees for election or re-election to our board of directors or for appointment to fill any vacancy, as well as recommend to our board of directors with respect to the appointment of our senior managing executive officers. Our board of directors collectively participates in the nomination process of potential directors and senior managing executive officers and oversees our corporate governance practices, and the Nominating and Compensation Committee will provide advice for the nomination of directors when consulted by the board of directors;

- Nasdaq Listing Rule 5620(c) sets out a quorum requirement of 33-1/3% applicable to meetings of shareholders. In accordance with Japanese law and generally accepted business practices, our articles of incorporation provide that there is no quorum requirement for a general resolution of our shareholders. However, under the Companies Act and our articles of incorporation, a quorum of not less than one-third of the total number of voting rights is required in connection with the election of directors, statutory auditors, and certain other matters; and
- Nasdaq Listing Rule 5635 requires shareholder approval for certain dilutive events, including (i) certain acquisition of the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) transactions other than public offerings. In accordance with Japanese laws and generally accepted business practices, our articles of incorporation do not require shareholder approval for these matters in all cases. Under the Companies Act, the board of directors may be authorized to determine the terms of the issuance of shares or stock acquisition rights, including the subscription price, except in certain cases such as where the issuance is at a specially favorable price. Furthermore, while the issuance of equity-based compensation to directors requires shareholder approval as part of their remuneration, the specific terms of such issuance are often delegated to the board of directors. We follow home country practices with respect to any requirement to obtain shareholder approval in connection with these matters.

As a foreign private issuer, Nasdaq corporate governance rules allow us to follow corporate governance practice in our home country, Japan, with respect to appointments to our board of directors and committees. We intend to comply with Nasdaq listing rules regarding the independence of the majority of our board members. Nevertheless, we intend to follow home country practice regarding the audit committee, compensation committee, nominating/corporate governance committee, and voting quorum. Accordingly, you would not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq. See “Item 3. Key Information—D. Risk Factors—Risks Relating to the Trading Market—Because we are a foreign private issuer and have taken advantage of exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, you will have less protection than you would have if we were a domestic issuer.”

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

Item 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

Item 16J. INSIDER TRADING POLICIES

Our board of directors has adopted insider trading policies and procedures governing the purchase, sale, and other dispositions of our securities by directors, senior management, and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules, and regulations, and any listing standards applicable to us.

Item 16K. CYBERSECURITY

Risk Management and Strategy

We recognize the importance of safeguarding the security of our computer systems, software, networks, and other technology assets. We have implemented cybersecurity measures and protocols for assessing, identifying, and managing material risks from cybersecurity threats, which are integrated into our overall risk management framework. We aim to ensure a comprehensive and proactive approach to safeguarding our assets and operations.

The Company's board of directors is collectively responsible for oversight of risks from cybersecurity threats. The Company's executive officers oversee the overall processes to safeguard data and comply with relevant regulations and will report material cybersecurity incidents to the board. The Company's executive officers have limited experience in the area of cybersecurity, but where necessary in the view of the Company's executive officers, the Company will consult with external advisers to manage and remediate any cybersecurity incidents. For material cybersecurity incidents, the Company's executive officers will promptly inform, update, and seek the instructions of the board.

In the fiscal year ended February 28, 2026, we did not detect any cybersecurity incidents that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition.

Governance

Our board of directors has general oversight power over cybersecurity issues and delegates the primary responsibility for day-to-day assessment and management of cybersecurity risks to our information technology personnel. When cybersecurity incidents occur, our information technology personnel will collect the relevant information, prepare solutions to mitigate the incidents, and report the incidents to our board of directors to take appropriate and timely measures in response to the incidents.

Part III**Item 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

Item 18. FINANCIAL STATEMENTS

The consolidated financial statements of our Company are included at the end of this annual report.

Item 19. EXHIBITS**EXHIBIT INDEX**

Exhibit No.	Description
1.1*	Articles of Incorporation of the Registrant (English translation)
2.1*	Deposit Agreement among the Registrant, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of ADSs issued thereunder, dated May 13, 2026
2.2*	Form of the American depositary receipt (included in Exhibit 2.1)
2.3*	Description of the rights of each class of securities registered
4.1	Form of Limitation of Liability Agreement by and between the Registrant and its outside director or outside corporate auditor (English translation) (incorporated by reference to Exhibit 10.1 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on March 6, 2026)
4.2	Form of Series One Stock Acquisition Rights Allotment Agreement by and between the Registrant and its employees (English translation) (incorporated by reference to Exhibit 10.2 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on March 6, 2026)
4.3	Form of Series Two Stock Acquisition Rights Allotment Agreement by and between the Registrant and its employees (English translation) (incorporated by reference to Exhibit 10.3 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on March 6, 2026)
4.4†#	Copyright License Agreement between the Registrant and Toyota Mapmaster Incorporated, dated November 30, 2011 (English translation) (incorporated by reference to Exhibit 10.4 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on March 6, 2026)
4.5#	Master Outsourcing Agreement between the Registrant and Uni Electronics Inc., dated January 1, 2023, pursuant to which the Registrant outsources certain works to Uni Electronics Inc. (English translation) (incorporated by reference to Exhibit 10.5 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on March 6, 2026)
4.6†#	Basic Agreement for Long-Term Development Commission between the Registrant and Honda R&D Co., Ltd., dated September 24, 2019 (English translation) (incorporated by reference to Exhibit 10.6 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on March 6, 2026)
4.7#	Amendment Memorandum between the Micware Automotive Co., Ltd. and Honda Motor Co., Ltd., dated February 6, 2025 (English translation) (incorporated by reference to Exhibit 10.7 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on March 6, 2026)
4.8#	Master Outsourcing Agreement between the Registrant and Uni Electronics Inc., dated August 18, 2003, pursuant to which Uni Electronics Inc. outsources certain works to the Registrant (English translation) (incorporated by reference to Exhibit 10.8 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on March 6, 2026)

Exhibit No.	Description
4.9†#	Basic System Development Agreement between the Registrant and Toyota Motor Corporation, dated August 20, 2024 (English translation) (incorporated by reference to Exhibit 10.9 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on March 6, 2026)
4.10*+	Underwriting Agreement between the Registrant and A.G.P./Alliance Global Partners, dated May 13, 2026
4.11**	Revolving Credit Facility Agreement between the Registrant and MUFG Bank, Ltd., dated February 25, 2025 (English Translation)
4.12*+	Commitment Line Agreement between the Registrant and Sumitomo Mitsui Banking Corporation, dated October 31, 2025 (English Translation)
8.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on March 6, 2026)
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 of our Registration Statement on Form F-1 (File No. 333-294081) initially filed with the U.S. Securities and Exchange Commission on April 2, 2026)
11.2*	Insider Trading Policy of the Registrant
12.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1*	Compensation Recovery Policy of the Registrant
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed with this annual report on Form 20-F

** Furnished with this annual report on Form 20-F

† Pursuant to Item 601(a)(5) of Regulation S-K, certain schedules and attachments have been omitted. A copy of any omitted schedule or attachment will be furnished supplementally to the Securities and Exchange Commission upon request.

+ Certain portion of this Exhibit was redacted pursuant to Item 601(a)(6) of Regulation S-K and marked by means of brackets and asterisks (“[****]”).

Certain portions of this Exhibit were redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K. The Company hereby agrees to furnish a copy of any omitted portion to the Securities and Exchange Commission upon request.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Micware Co., Ltd.

By: /s/ Kenji Narushima
Mr. Kenji Narushima
Representative Director, President, Chairman, and Chief Executive Officer

Date: June 30, 2026

MICWARE CO., LTD.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
MICWARE CO., LTD.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of MICWARE CO., LTD. (the “Company”) as of February 28, 2025 and 2026, the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the three years in the period ended February 28, 2026, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2025 and 2026, and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2026, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP

We have served as the Company’s auditor since 2025

New York, New York
June 30, 2026

NEW YORK OFFICE • 7 Penn Plaza • Suite 830 • New York, New York • 10001
Phone 646.442.4845 • Fax 646.349.5200 • www.marcumasia.com

MICWARE CO., LTD.
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Japanese yen (“JPY”), and in thousands of U.S. Dollars (“US\$”), except for number of shares and per share data)

	As of February 28, 2025 JPY	As of February 28, 2026 JPY	As of February 28, 2026 US\$
ASSETS			
Current Assets			
Cash and cash equivalents	7,670,463	8,259,660	52,930
Accounts receivable, net	1,518,878	1,758,584	11,269
Accounts receivable due from related parties, net	1,019,357	86,934	557
Contract assets	436,167	223,490	1,432
Contract assets due from related parties	1,573,389	3,126,224	20,033
Inventories	48,629	18,902	121
Tax receivable	344,813	4,929	32
Prepayments and other current assets	1,427,733	1,026,648	6,579
Prepayments and other current assets due from related parties	18,694	13,074	84
Total current assets	14,058,123	14,518,445	93,037
Non-current Assets			
Property and equipment, net	1,878,472	1,849,599	11,853
Operating lease right-of-use assets, net	3,909,012	3,834,503	24,572
Intangible assets, net	87,768	206,920	1,326
Long-term investments	219,649	317,000	2,031
Goodwill	197,650	239,228	1,533
Deferred offering costs	86,174	231,986	1,487
Deferred tax assets, net	687,365	1,028,394	6,590
Long-term prepayments and other non-current assets	1,848,634	2,213,137	14,182
Total non-current assets	8,914,724	9,920,767	63,574
TOTAL ASSETS	22,972,847	24,439,212	156,611
LIABILITIES, MEZZANINE EQUITY, AND EQUITY			
Current liabilities			
Short-term borrowings	-	800,000	5,127
Current portion of long-term borrowings	1,804,164	2,021,924	12,957
Accounts payable	1,362,985	1,217,573	7,802
Accounts payable due to a related party	288,205	188,264	1,206
Current portion of contract liabilities	708,035	763,650	4,894
Current portion of contract liabilities due to a related party	-	646,603	4,144
Operating lease liabilities, current	881,838	1,206,136	7,729
Taxes payable	922,102	530,424	3,399
Accrued expenses and other current liabilities	1,350,327	1,388,559	8,898
Accrued expenses and other current liabilities due to related parties	1,547	873	6
Total current liabilities	7,319,203	8,764,006	56,162
Non-current liabilities			
Long-term borrowings	4,273,240	2,565,203	16,438
Contract liabilities, non-current	723,188	877,430	5,623
Operating lease liabilities, non-current	3,214,665	2,880,319	18,458
Deferred tax liabilities, net	-	61,513	394
Other non-current liabilities	660,003	678,073	4,345
Total non-current liabilities	8,871,096	7,062,538	45,258
TOTAL LIABILITIES	16,190,299	15,826,544	101,420
COMMITMENTS AND CONTINGENCIES			
Mezzanine equity			
Redeemable ordinary shares (313,300 shares issued and outstanding as of February 28, 2025 and February 28, 2026)*	71,500	391,124	2,506
TOTAL MEZZANINE EQUITY	71,500	391,124	2,506
Equity			
Ordinary shares, 125,320,000 shares authorized; 58,054,490 shares issued and 55,403,490 shares outstanding as of February 28, 2025, and 58,054,490 shares issued and 55,828,614 shares outstanding as of February 28, 2026*	480,000	480,000	3,076
Treasury shares, 2,337,700 and 1,912,576 shares as of February 28, 2025 and February 28, 2026, respectively*	(489,121)	(410,683)	(2,632)
Additional paid-in capital	926,301	997,803	6,394
Retained earnings	5,540,108	6,823,084	43,724

Accumulated other comprehensive income	69,722	118,474	759
Total equity attributable to shareholders of the Company	6,527,010	8,008,678	51,321
Non-controlling interests	184,038	212,866	1,364
TOTAL EQUITY	6,711,048	8,221,544	52,685
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	22,972,847	24,439,212	156,611

* The shares and per share information are presented on a retroactive basis to reflect the share split from 1 to 130, which became effective on March 1, 2024, and reflect the share split from 1 to 241, which became effective on March 31, 2026 (Note 12).

The accompanying notes are an integral part of these consolidated financial statements.

MICWARE CO., LTD.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Amounts in thousands of JPY, and in thousands of US\$, except for number of shares and per share data)

	For the Fiscal Years Ended			
	February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
	JPY	JPY	JPY	US\$
Revenue – third parties	7,476,565	7,276,479	7,257,218	46,506
Revenue – related parties	10,040,166	13,842,825	14,638,572	93,807
Total Revenue	17,516,731	21,119,304	21,895,790	140,313
Cost of revenue	12,193,425	13,729,851	13,845,797	88,727
Gross profit	5,323,306	7,389,453	8,049,993	51,586
Operating expenses				
Selling, general, and administrative expenses	2,469,969	4,171,455	4,149,281	26,589
Research and development expenses	960,940	1,057,697	1,536,704	9,848
Total operating expenses	3,430,909	5,229,152	5,685,985	36,437
Operating profit	1,892,397	2,160,301	2,364,008	15,149
Other income (expense)				
Interest expenses, net	(36,978)	(49,498)	(42,785)	(274)
(Loss) gain from disposal of long-lived assets	(154)	(1,370)	1,092	7
Gain (loss) from change in fair market value of equity securities	71,165	(44,352)	(112,100)	(718)
Gain (loss) from foreign currency exchange	8,904	(34,515)	12,735	82
Impairment loss on long-term investment	-	-	(91,021)	(583)
Gain on bargain purchase	-	-	106,805	684
Other income, net	3,735	5,981	83,557	535
Total other income (expense), net	46,672	(123,754)	(41,717)	(267)
INCOME BEFORE INCOME TAX PROVISION	1,939,069	2,036,547	2,322,291	14,882
PROVISION (BENEFIT) FOR INCOME TAXES				
Current	703,501	953,843	1,030,260	6,602
Deferred	(163,968)	(271,623)	(327,464)	(2,098)
Total provision for income taxes	539,533	682,220	702,796	4,504
Net income	1,399,536	1,354,327	1,619,495	10,378
Less: net income attributable to non-controlling interests	(28,902)	(23,709)	(16,895)	(108)
Net income attributable to the Company's ordinary shareholders	1,370,634	1,330,618	1,602,600	10,270
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	44,105	248	60,685	389
Total comprehensive income	1,443,641	1,354,575	1,680,180	10,767
Less: comprehensive income attributable to non-controlling interests	(42,137)	(23,572)	(28,828)	(185)
Comprehensive income attributable to the Company	1,401,504	1,331,003	1,651,352	10,582
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES				
Basic*	53,040,492	52,192,776	56,070,866	56,070,866
Diluted*	53,040,492	52,192,776	56,070,866	56,070,866
EARNINGS PER SHARE				
Basic*	25.84	25.49	28.58	0.18
Diluted*	25.84	25.49	28.58	0.18

* The shares and per share information are presented on a retroactive basis to reflect the share split from 1 to 130, which became effective on March 1, 2024, and reflect the share split from 1 to 241, which became effective on March 31, 2026 (Note 12).

The accompanying notes are an integral part of these consolidated financial statements.

MICWARE CO., LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands of JPY, and in thousands of US\$, except for number of shares and per share data)

	Attributable to shareholders of the Company						Accumulated Other Comprehensive Income JPY	Non- controlling interests JPY	Total Equity JPY
	Ordinary shares		Treasury shares		Additional Paid-in Capital JPY	Retained Earnings JPY			
	No. of Shares*	Amount JPY	No. of Shares*	Amount JPY					
Balance as of February 28, 2023	58,054,490	480,000	-	-	661,271	2,845,356	38,467	118,329	4,143,423
Net income	-	-	-	-	-	1,370,634	-	28,902	1,399,536
Foreign currency translation adjustment	-	-	-	-	-	-	30,870	13,235	44,105
Purchase of treasury shares	-	-	14,192,490	(2,618,591)	-	-	-	-	(2,618,591)
Reissuance of treasury shares	-	-	(7,801,170)	1,439,358	179,142	-	-	-	1,618,500
Issuance of redeemable ordinary shares	-	-	(313,300)	-	-	-	-	-	-
Adjustments to redeemable ordinary shares	-	-	-	-	-	-	-	-	-
fair value measurement	-	-	-	-	-	(3,290)	-	-	(3,290)
Balance as of February 29, 2024	58,054,490	480,000	6,078,020	(1,179,233)	840,413	4,212,700	69,337	160,466	4,583,683
Net income	-	-	-	-	-	1,330,618	-	23,709	1,354,327
Foreign currency translation adjustment	-	-	-	-	-	-	385	(137)	248
Reissuance of treasury shares	-	-	(3,740,320)	690,112	85,888	-	-	-	776,000
Adjustments to redeemable ordinary shares	-	-	-	-	-	-	-	-	-
fair value measurement	-	-	-	-	-	(3,210)	-	-	(3,210)
Balance as of February 28, 2025	58,054,490	480,000	2,337,700	(489,121)	926,301	5,540,108	69,722	184,038	6,711,048
Net income	-	-	-	-	-	1,602,600	-	16,895	1,619,495
Foreign currency translation adjustment	-	-	-	-	-	-	48,752	11,933	60,685
Reissuance of treasury shares	-	-	(425,124)	78,438	71,502	-	-	-	149,940
Adjustments to redeemable ordinary shares	-	-	-	-	-	-	-	-	-
fair value measurement	-	-	-	-	-	(319,624)	-	-	(319,624)
Balance as of February 28, 2026	58,054,490	480,000	1,912,576	(410,683)	997,803	6,823,084	118,474	212,866	8,221,544
Balance as of February 28, 2026 (US\$)		3,076		(2,632)	6,394	43,724	759	1,364	52,685

* The shares and per share information are presented on a retroactive basis to reflect the share split from 1 to 130, which became effective on March 1, 2024, and reflect the share split from 1 to 241, which became effective on March 31, 2026 (Note 12).

The accompanying notes are an integral part of these consolidated financial statements.

MICWARE CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands of JPY, and in thousands of US\$)

	For the Fiscal Years Ended			
	February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
	JPY	JPY	JPY	US\$
Cash flows from operating activities				
Net income	1,399,536	1,354,327	1,619,495	10,378
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization expense	423,597	441,932	429,103	2,750
Amortization of operating lease right-of-use assets	651,593	929,705	1,156,300	7,409
Provisions for inventory valuation losses	-	-	30,688	197
Loss (gain) on disposal of property and equipment	154	(219)	(1,092)	(7)
Loss on disposal of intangible assets	-	1,589	-	-
Change in fair value of marketable securities	(71,165)	44,352	112,100	718
Impairment loss on long- term investment	-	-	91,021	583
Gain on bargain purchase	-	-	(106,805)	(684)
Deferred tax benefit	(163,968)	(271,623)	(327,464)	(2,098)
Changes in operating assets and liabilities:				
Accounts receivable	(26,098)	114,708	(53,770)	(345)
Accounts receivable due from related parties	1,244,049	(818,844)	932,423	5,975
Contract assets	(48,148)	(209,309)	212,677	1,363
Contract assets due from related parties	(1,900,379)	1,845,516	(1,552,835)	(9,951)
Inventories	(2,292)	(43,697)	(961)	(6)
Tax receivables	(4,244)	(340,569)	339,884	2,178
Prepayments and other assets	(363,437)	(1,441,012)	66,390	425
Prepayments and other assets due from related parties	15,752	(7,097)	5,620	36
Accounts payable	244,732	178,164	(145,412)	(932)
Accounts payable due to a related party	(97,431)	(30,206)	(99,941)	(640)
Contract liabilities	216,753	170,141	209,857	1,345
Contract liabilities due to a related party	(7,978)	(92)	646,603	4,144
Accrued expenses and other liabilities	(488,192)	544,889	(5,335)	(34)
Accrued expenses and other liabilities due to related parties	(1,426)	1,052	(674)	(4)
Operating lease liabilities	(658,615)	(705,040)	(1,091,737)	(6,996)
Taxes payable	40,260	470,572	(391,678)	(2,510)
Net cash provided by operating activities	403,053	2,229,239	2,074,457	13,294
Cash flows from investing activities				
Payment for investment	(50,000)	(500)	(300,472)	(1,925)
Proceeds from sale of investment	26,191	-	-	-
Purchase of property and equipment	(180,738)	(594,987)	(268,727)	(1,722)
Proceeds from sale of property and equipment	254	1,108	2,308	15
Purchase of intangible assets	(14,709)	(38,710)	(22,712)	(146)
Acquisitions	-	-	(205,000)	(1,314)
Net cash used in investing activities	(219,002)	(633,089)	(794,603)	(5,092)
Cash flows from financing activities				
Proceeds from borrowings	5,300,000	3,260,000	1,200,000	7,690
Repayment of borrowings	(4,278,044)	(2,009,256)	(1,890,277)	(12,113)
Payments on deferred offering costs	-	(86,174)	(142,368)	(912)
Repayments of finance lease obligation	(47,906)	(55,249)	(63,751)	(409)
Purchase of treasury shares	(2,618,591)	-	-	-
Reissuance of treasury shares	1,618,500	776,000	149,940	961
Proceeds from issuance of redeemable ordinary shares	65,000	-	-	-
Net cash provided by (used in) financing activities	38,959	1,885,321	(746,456)	(4,783)
Effect of foreign exchange rate changes on cash and cash equivalents	38,742	(644)	55,799	357
Net increase in cash and cash equivalents	261,752	3,480,827	589,197	3,776
Cash and cash equivalents at the beginning of the year	3,927,884	4,189,636	7,670,463	49,154
Cash and cash equivalents at the end of the year	4,189,636	7,670,463	8,259,660	52,930
Supplementary cash flow information				
Cash paid for income taxes	677,119	816,763	1,084,760	6,951
Cash paid for interest expenses	36,731	53,499	71,698	459
Non-cash financing and investing activities				
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	126,623	3,127,334	1,081,311	6,929

Finance lease right-of-use assets obtained in exchange for finance lease liabilities	94,994	25,629	117,164	751
Remeasurement of operating lease liabilities and right-of-use assets due to modifications	8,092	-	7,674	49
Remeasurement of finance lease liabilities and right-of-use assets due to modifications	-	-	13,529	87
Adjustments to redeemable ordinary shares fair value measurement	3,290	3,210	319,624	2,048

The accompanying notes are an integral part of these consolidated financial statements.

MICWARE CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — NATURE OF BUSINESS AND COMPANY

Micware Co., Ltd. (“MICWARE,” or the “Company,” and where appropriate, the term “Company” also refers to its subsidiaries as a whole) was incorporated in Kobe city, Japan, on March 3, 2003. The Company is engaged in the planning, development, production, and sales of computer systems, with a particular focus on navigation systems for the automotive industry.

On March 1, 2024 (the “Reorganization Date”), the Company redistributed business operations across newly established and existing subsidiaries in order to optimize resource allocation and enhance business synergy (the “Reorganization”). As the shareholding in the Company immediately before the Reorganization was identical to the shareholding in the Company immediately after the Reorganization, the Reorganization was accounted for as a transaction between entities under common ownership, in a manner similar to a pooling of interests. The accompanying consolidated financial statements were prepared as if the corporate structure of the Company had been in existence since the beginning of the periods presented.

As of February 28, 2026, the details of the Company’s subsidiaries are as follows:

Name	Date of incorporation / acquisition	Place of incorporation	Percentage of ownership	Principal activities
Micware Automotive Co., Ltd. (MAC) ⁽¹⁾	Acquired on March 1, 2021	Japan	100%	Provide the one-stop solution of in-vehicle infotainment (“IVI”) software development. Development environment, software and automatic quality test.
Micware Mobility Co., Ltd. (MMC)	Incorporated on March 4, 2024	Japan	100%	Provide the IVI related software, service of telephony embedded dashcam solution and software quality validation service.
Micware Navigations Co., Ltd. (MNC) ⁽²⁾	Acquired on July 16, 2019	Japan	100%	Provide the Software to Mobility market. GPS software, cloud server service, IVI related software and smart phone app.
Micware Operation Co., Ltd. (MOP)	Incorporated on March 4, 2024	Japan	100%	Contracted human resources, general affairs, corporate planning, procurement/purchasing, intellectual property management, legal affairs, and other administrative tasks for group companies.
Micware Create Co., Ltd. (MCC)	Incorporated on March 1, 2024	Japan	100%	Assistance in software development for group companies and other clerical work on behalf of the company.
Micware North America, Inc. (MNA)	Incorporated on June 3, 2014	California, United States	70%	Provide the IVI related software and quality verification serve in North America.
Micware Asia Pacific Co., Ltd. (MAP)	Incorporated on October 3, 2016	Thailand	70.59%	Provide the mobility related software to Asia Pacific region and offshore base of software development in the Micware group.
Micware Europe GmbH (MEU) ⁽³⁾	Acquired on March 28, 2024	Germany	100%	Provide the Mobility related software and services to EU and other regions.

(1) On March 1, 2021, the Company acquired 100% of the equity interests in HI Corporation (HI), a company engages in middleware and content development. On March 1, 2024, upon Reorganization, the Company renamed HI to MAC.

(2) On July 16, 2019, the Company acquired 100% of the equity interests in Databroad Co., Ltd. (DB), a company engages in broadcasting and on-demand media services. On March 1, 2024, upon Reorganization, the Company renamed DB to MNC.

(3) On March 28, 2024, the Company acquired 100% of the equity interests in O-WELL GERMANY GmbH from O-WELL corporation in order to provide mobility-related software and services to the EU and other international markets.

MICWARE CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the U.S. Securities Exchange Commission (the “SEC”).

Segment Information

The Company operates in three operating segments. Operating segments are determined in accordance with ASC 280, Segment Reporting (“ASC 280”) and are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker (“CODM”) to allocate resources and assess performance. The CODM reviews segment profit or loss as the measure of profitability, which is presented on an operating segment level for purposes of allocating resources and evaluating operating and financial performance.

The Company operates and manages its business units in the following three operating segments:

- Software Defined Vehicles (“SDV”): relates to the development and sale of software systems designed for SDV, including IVI system software and other mobility-enhancing software products, conducted by Japanese subsidiaries.
- Location-Based Services (“LBS”): relates to the development and licensing of in-vehicle navigation software systems, and other geographic data-based services for Business-to-Business (“B2B”) customers, mainly serving end users.
- Other: primarily comprises software development services conducted by overseas subsidiaries designed for SDV, and Business-to-Consumer (“B2C”) mobile app services unrelated to in-vehicle navigation.

For more information regarding segment reporting, see Note 16 - Segment Information.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to appoint or remove the majority of the members of the board of directors; and has the power to cast majority of votes at the meeting of the board or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders. All inter-company transactions have been eliminated upon consolidation.

Use of estimates and assumptions

In preparing the consolidated financial statements in conformity with the U.S. GAAP, the management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are based on information available as of the date of the consolidated financial statements. Significant estimates include the progress rate under the input method for revenue recognition, and the allocation of standalone selling price (“SSP”) in multiple-obligation agreements. Actual results could differ from those estimates.

MICWARE CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations

The Company accounts for all business combinations using the acquisition method of accounting. The fair value of consideration transferred in a business combination is allocated between tangible and intangible assets acquired and liabilities assumed from the acquired business based on their estimated fair values, with the residual of the purchase price recorded as goodwill. If the fair value of the consideration transferred is less than the fair value of the net identifiable assets acquired, the difference is recognized as a gain on bargain purchase. Transaction costs associated with business combinations are expensed as incurred and are included in general and administrative expenses in the Company's consolidated statements of income and comprehensive income. The results of operations of the acquired business are included in the Company's results of operations from the date of acquisition.

During the fiscal year ended February 28, 2026, the Company completed two business acquisitions. On March 31, 2025, the Company acquired the NaviCon business from Denso Co., Ltd. pursuant to an acquisition agreement dated April 26, 2024. The acquired business is a smartphone-to-car navigation connectivity application with related operations and is intended to enhance the Company's mobility service portfolio by integrating the platform. The total consideration for the acquisition was JPY150.0 million (\$1.0 million), which was paid in cash on March 31, 2025. Acquisition-related costs of JPY2.0 million (\$12.8 thousand) were recognized as expenses when incurred. The fair value of the identifiable net assets acquired was JPY256.8 million (\$1.6 million). As such amount exceeded the purchase consideration, the acquisition resulted in a bargain purchase and the Company recognized a gain of JPY106.8 million (\$0.7 million).

On April 1, 2025, the Company acquired a business relating to taxi dispatch system from Denso Ten Co., Ltd. pursuant to an acquisition agreement dated January 31, 2025. The acquired business is associated with the development, provision, and maintenance of taxi dispatch systems, and is intended to accelerate the Company's existing business targeting at taxi companies under MMC. The total consideration for the acquisition was JPY55.0 million (\$0.4 million), which was paid in cash on April 1, 2025. Acquisition-related costs of JPY6.5 million (\$41.7 thousand) were recognized as expenses when incurred. The fair value of the identifiable net assets acquired was JPY13.5 million (\$0.1 million). The excess of the purchase consideration over such net assets resulted in the recognition of goodwill of JPY41.5 million (\$0.3 million), which has been assigned to the SDV reporting unit.

Non-controlling Interests

Non-controlling interests are classified as a separate component of equity in the consolidated balance sheets and consolidated statements of changes in equity. Additionally, net income attributable to non-controlling interests is reflected separately from consolidated net income in the consolidated statements of income and comprehensive income and changes in equity.

Currency Translation for Financial Statements Presentation

Translations of amounts from Japanese yen ("JPY") into U.S. dollars ("US\$") for the convenience of the reader have been calculated at the exchange rate of JPY156.05 per US\$1.00 on February 27, 2026, the last business day in fiscal year 2026, as published on the website of the United States Federal Reserve Board. No representation is made that the JPY amounts could have been, or could be, converted into US\$ at such rate.

Foreign Currency

The Company maintains its books and records in its local currency, JPY, which is a functional currency as being the primary currency of the economic environment in which its operation is conducted. The Company's subsidiaries in Thailand, the United States, and the Germany use their respective currencies Thailand Bhat ("THB"), US\$, and Euro ("EUR"). The Company uses the JPY as its reporting currency.

MICWARE CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Transactions denominated in foreign currencies are measured into the functional currency at the exchange rates at the end of the month preceding the transaction date. Monetary assets and liabilities denominated in foreign currencies are re-measured at the exchange rates prevailing at the balance sheet date. Exchange gains and losses resulting from remeasurement are included in the consolidated statements of income and comprehensive income.

The Company uses the average exchange rate for the fiscal year and the exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive income, a component of equity.

Revenue Recognition

The Company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company applies a five-step model that requires entities to exercise judgment when considering the terms of the contract(s), which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (vi) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied.

In accordance with ASC Topic 606, Revenue from Contracts with Customers, the Company accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable that the Company will collect substantially all of the consideration to which they are entitled. The Company evaluates its contracts with customers to identify the promised goods or services and recognizes revenue for the identified performance obligations at the amount the Company expects to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. Revenue is recognized when, or as, performance obligations are satisfied, and control has transferred to the customer.

The Company disaggregates its revenue into three categories: (i) software development services, (ii) licensing, and (iii) other software-related services.

Software development services

The Company generates revenue from software development services. This includes the design and delivery of custom automotive software based on the Company's proprietary IVI platform. The platform supports a range of functions, such as navigation, multimedia, and connectivity across Android- and Linux-based environments, and enables efficient, modular development for a variety of customer requirements.

Contracts are entered into for the development of defined software modules or functionalities in accordance with customer specifications. Development activities are primarily performed by internal engineering teams, with certain components or tasks subcontracted to third-party service providers when necessary. Contract durations are generally within one year.

Each contract is accounted for as a single performance obligation, with the transaction price fixed and stated in the contract.

Aside from individual contracts, the Company also engages in a long-term collaboration with a particular customer. While this collaboration spans multiple years, the customer's procurement process follows an annual cycle. Within the same fiscal year, multiple purchase orders are issued under the umbrella of a broader development roadmap. These orders are scoped, reviewed, and approved within a limited timeframe, generally at the beginning of the fiscal year, and are aligned with a common commercial objective. Although formalized as separate purchase orders, these engagements are substantively designed and managed as an integrated delivery. Each fiscal year's development plan is therefore accounted for as a single performance obligation, as the work is structured and executed as a complete package under a framework contract with corresponding quarterly payments.

MICWARE CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue is recognized over time using an input method based on the ratio of direct costs incurred to total direct costs. Development activities are carried out in accordance with contractually defined specifications and executed through continuous engineering efforts without interim transfers. The nature of the work includes iterative coding, integration, and system implementation, through which value is conveyed to the customer as services are performed. The costs included in the measure of progress consist primarily of internal labor and subcontracted development services that directly contribute to performance. The software being developed has no alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date.

Licensing

Under licensing arrangements, the Company grants customers rights to use its software modules, such as navigation engines, for a fixed term, which is in most cases between a three- and five-year time frame. These modules are generally integrated into in-vehicle systems by Tier 1 suppliers and licensed on a per-unit basis.

For contracts that bundle software licenses with map update service, the Company identifies each as a separate performance obligation and allocates the transaction price based on their respective SSP. The SSP for the software license is estimated using a cost-plus margin approach, applying a representative mark-up ratio. The SSP for the map update service is determined by reference to observable prices from similar standalone contracts with the same or comparable customers.

Revenue allocated to the software license is recognized at a point in time, under a sales-based royalty arrangement, calculated by applying a fixed per-unit rate multiplied by shipment volumes to original equipment manufacturers (“OEMs”) as reported by Tier 1 suppliers. Revenue allocated to map update services is recognized over time as the updates are provided throughout the license term.

Other Software-Related Services

The Company generates other software-related revenue primarily from after-sales maintenance and support services provided to customers who have licensed or developed software with the Company. Revenue from maintenance and support services is recognized over time, typically on a straight-line basis over the contractual service period, which is generally within one year, as the services are provided continuously and the customer receives the benefit of the services throughout the term.

The Company also earns revenue from bundled equipment-and-software arrangements, primarily through the Company’s Mvcube service. These arrangements are classified as sales-type leases, generally with five-year terms and monthly payments, with revenue recognized upon equipment delivery.

MICWARE CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Disaggregation of Revenue

The following table presents the Company's revenue from contracts with customers by reportable segment, including a reconciliation of the disaggregated revenue with the Company's reportable segments (see Note 16 – Segment Information) and disaggregated by major product and service lines, timing of revenue recognition, and geographical markets for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026:

	For the Fiscal Year Ended February 29, 2024			
	SDV JPY	LBS JPY	Other and Eliminations JPY	Total JPY
	(In thousands)			
<i>Major Product/Service Lines</i>				
Software Development Services	10,913,762	2,428,725	86,583	13,429,070
Licensing	392,256	2,972,349	-	3,364,605
Software-related Services	76,390	645,898	768	723,056
Total	11,382,408	6,046,972	87,351	17,516,731
<i>Timing of Revenue Recognition</i>				
Transferred over time	10,938,081	2,763,825	87,351	13,789,257
Transferred at a point in time	444,327	3,283,147	-	3,727,474
Total	11,382,408	6,046,972	87,351	17,516,731
<i>Geographical Markets</i>				
Japan	11,097,057	5,992,720	(830)	17,088,947
International	285,351	54,252	88,181	427,784
Total	11,382,408	6,046,972	87,351	17,516,731

	For the Fiscal Year Ended February 28, 2025			
	SDV JPY	LBS JPY	Other and Eliminations JPY	Total JPY
	(In thousands)			
<i>Major Product/Service Lines</i>				
Software Development Services	14,755,755	3,453,861	(1,031,416)	17,178,200
Licensing	464,661	2,710,267	202	3,175,130
Software-related Services	176,243	679,789	(90,058)	765,974
Total	15,396,659	6,843,917	(1,121,272)	21,119,304
<i>Timing of Revenue Recognition</i>				
Transferred over time	14,865,657	3,972,526	(1,106,274)	17,731,909
Transferred at a point in time	531,002	2,871,391	(14,998)	3,387,395
Total	15,396,659	6,843,917	(1,121,272)	21,119,304
<i>Geographical Markets</i>				
Japan	15,082,036	6,836,111	(1,348,229)	20,569,918
International	314,623	7,806	226,957	549,386
Total	15,396,659	6,843,917	(1,121,272)	21,119,304

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	For the Fiscal Year Ended February 28, 2026				
	SDV	LBS	Other and	Total	Total
	JPY	JPY	Eliminations	JPY	US\$
			JPY		
			(In thousands)		
<i>Major Product/Service Lines</i>					
Software Development Services	15,173,481	3,543,672	(1,195,599)	17,521,554	112,282
Licensing	309,193	2,919,605	-	3,228,798	20,691
Software-related Services	543,464	656,367	(54,393)	1,145,438	7,340
Total	16,026,138	7,119,644	(1,249,992)	21,895,790	140,313
<i>Timing of Revenue Recognition</i>					
Transferred over time	15,576,537	5,004,325	(1,158,558)	19,422,304	124,462
Transferred at a point in time	449,601	2,115,319	(91,434)	2,473,486	15,851
Total	16,026,138	7,119,644	(1,249,992)	21,895,790	140,313
<i>Geographical Markets</i>					
Japan	15,871,110	7,118,444	(1,430,756)	21,558,798	138,153
International	155,028	1,200	180,764	336,992	2,160
Total	16,026,138	7,119,644	(1,249,992)	21,895,790	140,313

Contract Assets and Contract Liabilities

Timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets are generated when contractual billing schedules differ from revenue recognition timing. An unbilled receivable is recorded in instances when revenue is recognized prior to invoicing, and amounts collected in advance of services being provided are recorded as contract liability.

Payment terms and conditions vary by contract type although standard billing terms are that payment is due upon receipt of invoice, generally payable within 30 to 60 days. The Company does not offer return rights for its products and services in the ordinary course of business, and contracts generally do not include customer acceptance clauses. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that contracts generally do not include a significant financing component if the period between when the payment is received and when the Company transfers the promised goods or services to the customer will be one year or less.

(a) Contract balances

Information about receivables and contract liabilities from contracts with customers is as follows:

	As of February 28, 2025 JPY	As of February 28, 2026 JPY	As of February 28, 2026 US\$
		(In thousands)	
<i>Receivables from contracts with customers:</i>			
Accounts receivable, net	2,538,235	1,845,518	11,826
Contract assets	2,009,556	3,349,714	21,465
<i>Contract liabilities:</i>			
Current portion of contract liabilities	708,035	1,410,253	9,038
Contract liabilities, non-current	723,188	877,430	5,623

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The contract assets are subject to credit risk and reviewed in accordance with ASC 326, Financial Instruments-Credit Losses. An allowance for expected credit losses reflects losses expected over the remaining term of the contract asset and is determined based upon historical losses, customer-specific factors, and current economic conditions. The potential impact of credit losses on contract assets was nil as of February 28, 2025 and February 28, 2026.

Changes in the Company's contract liabilities for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026 are as follows:

	For the Fiscal Years Ended			
	February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
	JPY	JPY	JPY	US\$
(In thousands)				
Balance at beginning of year	1,052,398	1,261,174	1,431,223	9,172
Cash received in advance	1,112,136	1,448,855	2,137,401	13,697
Revenue recognized from opening balance of contract liabilities	(573,855)	(666,401)	(708,035)	(4,537)
Revenue recognized from contract liabilities arising during current year	(330,136)	(612,412)	(572,949)	(3,671)
Foreign exchange impact on ending balance	631	7	43	-
Balance at end of year	<u>1,261,174</u>	<u>1,431,223</u>	<u>2,287,683</u>	<u>14,661</u>

(b) Remaining performance obligations

Estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied as of February 28, 2026 is as follows:

	February 28, 2026	February 28, 2026
	JPY	US\$
(In thousands)		
Within One Year	2,989,155	19,155
Two to Five Years	859,861	5,510
Greater than Five Years	77,785	498
	<u>3,926,801</u>	<u>25,163</u>

Warranty liability

Warranty liability provided to customers is accrued in accordance with management's estimate. No claims were incurred for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026.

As of February 28, 2025 and February 28, 2026, the warranty liability amounts were nil.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its bank accounts primarily in Japan. The Company's cash and cash equivalents accounts may exceed Japanese government insured limits, up to JPY10,000 thousand, from time to time and could be negatively impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. As of February 28, 2025 and February 28, 2026, the Company's cash equivalents, including time deposit with an initial maturity date of three months, amounted to JPY100.0 million and JPY101.3 million (\$0.6 million), respectively.

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Accounts receivable, net

The Company's accounts receivable consist primarily of receivables from automotive OEMs and Tier 1 suppliers, and receivables resulting from the implementation of Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606"). The balance is presented net of an allowance for expected credit losses (that is, doubtful accounts).

The Company monitors the financial condition of its customers and records provisions for estimated credit losses on receivables when it believes customers are unable to make their required payments based on factors such as delinquencies and aging trends. The allowance for expected credit losses is the Company's best estimate of the amount of probable credit losses incurred related to existing accounts receivable. The allowance for expected credit losses related to accounts receivable was nil as of February 28, 2025 and February 28, 2026.

Inventories, net

Inventories, net are comprised of finished goods, and raw materials, and are stated at the lower of cost or estimated net realizable value using the weighted-average method. Costs include mainly the cost of merchandise inventories such as intelligent transport systems connect onboard units. Any excess of the cost over the net realizable value of each item of merchandise inventories is recognized as a provision for diminution in the value of merchandise inventories. Net realizable value is the estimated selling price in the normal course of business less any costs to sell products. The Company periodically evaluates merchandise inventories for their net realizable value adjustments and reduces the carrying value of those merchandise inventories that are obsolete or in excess of the forecasted usage to their estimated net realizable value based on various factors including aging and expiration dates, as applicable, taking into consideration historical and expected future product sales. For the fiscal years ended February 29, 2024, February 28, 2025, and February 28, 2026, the Company recognized provisions for inventory valuation losses of nil, nil and JPY30.7 million (\$0.2 million), respectively, which were included in cost of revenue.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation. Except for assets that are not subject to depreciation, such as land, depreciation and amortization of property and equipment are mainly provided using the straight-line method, which allocates an asset's cost over the periods during which the Company benefits from the use of the asset. The expected economic useful lives of the Company's assets are as follows:

	Useful Life
Buildings	15 – 47 years
Leasehold improvements	Lesser of estimated useful life or the remaining lease term
Vehicle	3 – 6 years
Tools and equipment	2 – 15 years

Land has infinite useful life and is not subjected to amortization. Management reviews for impairment accordance with the accounting policy stated under impairment of long-lived assets.

Expenditures for maintenance and repair, which do not materially extend the useful lives of the assets, are charged to expenses as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the consolidated statements of income and comprehensive income in other income or expenses.

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Intangible assets, net

Intangible assets with finite lives are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives of the respective assets. Acquired intangible assets from a business combination are recognized and measured at fair value at the time of acquisition. Those assets represent assets with finite lives and are further amortized on a straight-line basis over the estimated economic useful lives of the respective assets. The estimated useful life for the intangible assets is as follows:

	<u>Useful Life</u>
Software	3 – 10 years
Customer relationships	4 years

Impairment for long-lived assets

Long-lived assets, including property and equipment, intangible assets, and operating lease right-of-use assets with finite lives, are reviewed for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be recoverable. The Company assesses the recoverability of the assets based on the undiscounted future cash flows the assets are expected to generate and recognizes an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. If an impairment is identified, the Company will reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values. For the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026, no impairment of long-lived assets was recognized.

Leases

The Company accounts for lease in accordance with ASC 842. The Company considers whether a contract is a lease or if it contains a lease element when a contract is executed. If a contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration, such contract is determined to contain a lease element. When the contract contains a lease element, a lease is either classified as operating lease or finance lease when the Company is a lessee, and a sales-type lease or direct financing lease when the Company is a lessor.

*1) Lease as a lessee*Operating leases

The Company leases offices, employee dormitories, vehicles, and facilities under operating lease arrangements. The Company determines whether an arrangement is, or contains, a lease at contract inception. An arrangement contains a lease if the Company has the right to direct the use of and obtain substantially all of the economic benefits of an identified asset. Right-of-use assets and lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recognized on the consolidated balance sheets and are recorded as short-term lease expense. The discount rate used to calculate present value is the Company's incremental borrowing rate based on the lease term and the economic environment.

Certain leases have renewal options or options to terminate prior to lease expiration, which are included in the measurement of right-of-use assets and lease liabilities when it is reasonably certain they will be exercised. The Company has elected to account for lease and non-lease components as a single lease component for its office facilities. The fixed portion of these payments is included in the measurement of right-of-use assets and lease liabilities at lease commencement, while the variable portion is recorded as variable lease expense. The Company's leases do not contain material residual value guarantees or restrictive covenants. The Company recognizes sublease income on a gross basis over the sublease term in its consolidated statements of income and comprehensive income, as the Company remains the primary obligor.

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Finance leases

The Company also has a limited number of equipment leases that qualify as financing leases. Finance lease assets are subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the Company or the Company is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the finance lease assets are amortized over the useful life of the underlying asset. Accordingly, the assets leased under the finance leases are included in property and equipment, and depreciation thereon is recognized in operating expenses in the consolidated financial statements. When the Company makes its contractually required payments under finance leases, the Company allocates a portion to reduce the finance lease obligation and a portion is recognized as interest expenses.

2) *Lease as a lessor*

The Company leases hardware products to some of its customers. The Company determines the existence of a lease when the customer controls the use of the identified hardware for a period of time defined in the lease agreement. The Company's lease agreements typically have a duration of five years, with payments generally made in equal monthly installments. The Company's leases do not include termination rights or variable pricing, and they typically do not include purchase rights at the end of the lease term. The Company classifies its leases as sales-type leases, with revenue and cost of sales recognized at the time of hardware delivery. As of February 28, 2025 and February 28, 2026, the gross lease receivables from sales-type leases were JPY39.9 million and JPY55.0 million (\$0.4 million), respectively, and the net investment in sales-type leases, after deducting unearned interest income, was JPY39.1 million and JPY54.4 million (\$0.3 million), respectively, recorded under prepayments and other assets on the consolidated balance sheets.

Asset retirement obligations

The Company accounts for asset retirement obligations in accordance with ASC 410-20, Asset Retirement Obligations. ASC 410-20 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs an obligation associated with the retirement of tangible long-lived assets that result from the operation use of the leased assets. Asset retirement obligations consist of estimated restoration costs to be incurred by the Company in the future once the economic life of its leased assets is reached. The estimated fair value of the asset retirement obligation is based on the current cost escalated discounted at a credit adjusted risk-free rate. This liability is capitalized as part of the cost of the related asset and amortized over its useful life. The liability is accreted until the Company settles the obligation.

Long-term investments

The Company's long-term investments consist of equity investments with readily determinable fair value and equity investments without readily determinable fair value. The accompanying shareholding is less than 20% of the voting rights.

For equity securities without readily determinable fair value and do not qualify for the net asset value ("NAV") practical expedient, the Company elects to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. Significant judgments are required to determine (i) whether observable price changes are orderly transactions and identical or similar to an investment held by the Company; and (ii) the selection of appropriate valuation methodologies and underlying assumptions, including expected volatility and the probability of exit events as it relates to liquidation and redemption features used to measure the price adjustments for the difference in rights and obligations between instruments. Equity securities with readily determinable fair values are measured at fair value, and any changes in fair value are recognized in the consolidated statements of income and comprehensive income.

For equity investments measured at fair value with changes in fair value recorded in earnings, the Company does not assess whether those securities are impaired. For equity investments that the Company elects to use the measurement alternative, the Company makes a qualitative assessment considering impairment indicators to evaluate whether investments are impaired at each reporting date. Impairment indicators considered include, but are not limited to, a significant deterioration in the earnings performance or business prospects of the investee, including factors that raise significant concerns about the investee's ability to continue as a going concern, a significant adverse change in the regulatory, economic, or technologic environment of the investee and a significant adverse change in the general market condition of either the geographical area or the industry in which the investee operates. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the Company recognizes an impairment loss in earnings equal to the difference between the carrying value and fair value.

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As of February 28, 2025 and February 28, 2026, the initial cost basis of investments without readily determinable fair value was JPY451.2 million and JPY501.2 million (\$3.2 million), respectively. Accumulated impairment losses recognized on such investments amounted to JPY363.7 million and JPY454.8 million (\$2.9 million), respectively. As a result, the total carrying value of such investments was JPY87.5 million and JPY46.5 million (\$0.3 million), respectively.

The Company did not recognize any additional impairment losses or observable price changes during the fiscal years ended February 29, 2024 and February 28, 2025. During the fiscal year ended February 28, 2026, however, the Company recognized an impairment loss of JPY91.0 million (\$0.6 million) related to its investment in Tomody Co., Ltd (“Tomody”).

In assessing the recoverability of its investment in Tomody, the Company considered a number of factors, including Tomody’s deteriorating operating performance, the loss of significant business opportunities, uncertainty regarding the commercialization of its products and services, unsuccessful financing efforts, and its constrained liquidity position.

Based on these factors and the deterioration in Tomody’s overall financial condition and outlook, the Company determined that the decline in the value of the investment was other-than-temporary. Accordingly, the carrying amount of the investment was written down to its estimated fair value as of February 28, 2026, resulting in the recognition of an impairment loss of JPY91.0 million (\$0.6 million).

Goodwill

Goodwill represents the excess of cost over fair value of identifiable net assets acquired and assumed in business combinations. The Company assesses goodwill for impairment in accordance with ASC Subtopic 350-20, Intangibles—Goodwill and Other: Goodwill (“ASC 350-20”), which requires goodwill to be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20. Goodwill impairment assessments are performed at the reporting unit level, which is the same as the Company’s operating segments.

The Company has the option to assess qualitative factors first to determine whether step one of the goodwill impairment analysis is necessary. If a step one test is considered necessary based on the qualitative factors, the Company compares the estimated fair value of a reporting unit to its carrying value. The carrying value of each reporting unit is based on the assets and liabilities associated with the operations of the reporting unit. The Company calculates estimated fair values of the reporting units based on discounted future cash flows utilizing estimates in annual revenue, gross margins, fixed expense rates, allocated corporate overhead, and long-term growth rates for determining terminal value. If the carrying amount of a reporting unit exceeds its fair value, a loss will be recorded for the excess of the carrying value of the reporting unit over the fair value of the reporting unit.

As of February 28, 2025, the goodwill balances for the SDV and LBS reporting units were JPY69.8 million and JPY127.9 million, respectively. As of February 28, 2026, the goodwill balances for the SDV and LBS reporting units were JPY111.3 million and JPY127.9 million, respectively. For the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026, the Company did not identify any triggering events or impairment indicators, primarily due to stable operating performance and no significant adverse changes in market conditions. Accordingly, no goodwill impairment was recognized.

Deferred offering costs

Pursuant to ASC 340-10-S99-1, initial public offering (“IPO”) costs directly attributable to an offering of equity securities are deferred and would be charged against the gross proceeds of the offering as a reduction of additional paid-in capital. These costs include legal fees related to the registration drafting and counsel, consulting fees related to the registration preparation, and the SEC filing and print related costs. During the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026, the Company recorded a charge of nil, JPY86.2 million and JPY145.8 million (\$0.9 million) related to the IPO. As of February 28, 2025 and February 28, 2026, the Company had capitalized deferred offering costs of JPY86.2 million and JPY232.0 million (\$1.5 million), respectively.

Costs to fulfill contracts

The Company capitalizes costs incurred to fulfill customer contracts when such costs relate directly to a contract, generate or enhance resources that will be used in satisfying future performance obligations, and are expected to be recovered. Capitalized fulfillment costs are amortized on a straight-line basis over the expected period of benefit, which generally corresponds to the contractual period over which the related revenue is recognized.

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Fair value measurement

The accounting standard regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company.

The accounting standards define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement, and enhance disclosure requirements for fair value measures. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments; and
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

The Company utilizes fair value measurements to account for certain items and account balances within the consolidated financial statements. Fair value measurements may also be utilized on a non-recurring basis, such as for the impairment of long-lived assets. The fair value of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and certain accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments. The Company's Level 1 assets consist of cash and cash equivalents and investments in marketable securities in the accompanying consolidated balance sheets. The carrying value of the Company's long-term debt and operating lease liabilities approximates fair value at each balance sheet date because the stated rate of interest of the debt approximates the market interest rate at which the Company can borrow similar debt, and the discount rates used for the lease liabilities approximate market interest rates.

As of February 28, 2025, the Company's Level 3 assets included mezzanine equity, for which fair value is determined using EBITDA multiples from comparable companies with management's judgment in selecting the appropriate point within the observed range, which represents an unobservable input, and outstanding share options, for which fair value is determined using the binomial option pricing model incorporating some unobservable inputs. These inputs include expected exercise behavior of award holders, employee and director's turnover rates, and the probability of satisfying performance conditions (e.g., completion of an initial public offering). Other assumptions used in the model include the fair value of our ordinary share, expected volatility, expected dividend yield, and risk-free interest rates. The fair value of the Company's mezzanine equity is primarily sensitive to the selected EBITDA multiple. A significant increase (decrease) in the selected EBITDA multiple, in isolation, would result in a significantly higher (lower) fair value measurement.

As of February 28, 2026, the fair value of the Company's mezzanine equity was determined based on the anticipated IPO price derived from the Company's ongoing discussions with its underwriter, which was equal to the actual IPO price. Management concluded that the anticipated IPO price, which was determined based on observable market inputs including comparable company valuations and institutional investor indications, represented the best available evidence of the fair value of the Company's mezzanine equity. No discount for lack of marketability or other adjustments were applied given the proximity of the valuation date to the IPO (approximately two months) and the absence of material changes in the Company's business or financial condition during the intervening period. The anticipated IPO price involved significant management judgment and represented a significant unobservable input as of the valuation date. Accordingly, the fair value measurement remained classified within Level 3 of the fair value hierarchy. The fair value of the Company's mezzanine equity is primarily sensitive to the anticipated IPO price. A significant increase (decrease) in the anticipated IPO price, in isolation, would result in a significantly higher (lower) fair value measurement.

Refer to Note 11 and 13 for additional information on fair value measurements. As of February 28, 2025 and February 28, 2026, the Company did not have any assets or liabilities measured at fair value classified as Level 2.

Cost of revenue

Cost of revenue mainly consists of personnel expenses, license fees, material costs, outsourcing costs, depreciation expenses, and other related expenses directly used in the provision of services to customers.

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Selling, general, and administrative expenses

Selling, general, and administrative expenses include all operating costs of the Company, except cost of revenue, as described above. As a result, the majority of the cost of directors and employee compensation, commission fees, depreciation, office supplies, travelling fees, advertisement and membership promotion fees, and operating lease expenses are included in selling, general, and administrative expenses. Since these expenses serve similar functions and pertain to the same aspects of the business, the Company has consolidated them into a single line item under this title.

Research and development (R&D) expenses

Research and development expenses include costs directly attributable to the conduct of research and development programs, including employee compensation and related expenses of employees involved, office rent, utilities, travel expenses, professional service fees, and raw materials or other supplies consumed in the course of research and development activities. All costs associated with research and development are expensed as incurred.

Income taxes

The Company accounts for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as a component of selling, general, and administrative expenses in the period incurred. No significant penalties or interest relating to income taxes was incurred during the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026, and there was no uncertain tax provision as of February 28, 2025 and February 28, 2026.

Mezzanine equity

Where equity interests are determined to be conditionally redeemable upon the occurrence of certain events that are not solely within the control of the Company, and upon such event, the shares would become redeemable at the option of the holders, they are classified as mezzanine equity (temporary equity). The purpose of this classification is to convey that such a security may not be permanently part of equity and could result in a demand for cash or other assets of the entity in the future. This redeemable ordinary share was historically recorded at its fair value in the mezzanine equity section of the consolidated balance sheets and changes in fair value were recorded in retained earnings.

Historically, the fair value of an ordinary share was determined by management using an industry-appropriate EBITDA multiples approach. Guideline public companies were selected based on business and financial similarity through a multi-step screening process that considered both qualitative and quantitative factors such as revenue growth, profitability, and market capitalization.

Multiples were derived from this peer group and applied to the Company’s actual EBITDA to estimate enterprise value. Equity value was calculated by adjusting for non-operating assets and interest-bearing liabilities, followed by a 30% illiquidity discount reflecting the Company’s non-listed status. An increase in the selected EBITDA multiple would increase the fair value of the redeemable ordinary shares. The categorization of the framework used to price this temporary equity was considered a Level 3, due to the reliance on observable market inputs derived from comparable publicly traded companies and management’s judgment in selecting the appropriate point within the observed range.

The redemption feature of the redeemable ordinary share, allowing the holder to put its shares to the Company for cash, was in effect prior to the IPO. As a result, the redeemable ordinary share was recorded as mezzanine equity at fair value on the consolidated balance sheets, and changes in fair value were recorded in retained earnings during that period. Refer to Note 11 for further information.

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Treasury shares

The Company accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury shares account in shareholders' equity.

When a treasury share is reissued at an amount higher than its cost, the difference is recorded as a component of capital in excess of par in the consolidated statements of changes in equity. When a treasury share is reissued at an amount lower than its cost, the difference is recorded as a component of capital in excess of par to the extent that gains exist to offset the losses. For the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026, the treasury shares were reissued at an amount higher than their acquisition cost, and the difference of JPY179.1 million, JPY85.9 million and JPY71.5 million (\$0.5 million) was recorded as additional paid-in capital.

Earnings per share

The Company computes earnings per share ("EPS") in accordance with ASC 260, "Earnings per Share." ASC 260 requires companies to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average ordinary share outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of the potential ordinary shares (for instance, convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential ordinary shares that have an anti-dilutive effect (that is, those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. For the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026, there were nil dilutive shares.

Prior to the effective date of the IPO, the Company's redeemable ordinary share was included in the weighted-average number of common shares outstanding for calculating basic and diluted net income per share. For the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026, there were 313,300 redeemable ordinary shares.

Share-based compensation

The Company grants share options to members of the board of directors, and employees based on the estimated fair values of the awards at grant date using the binomial option pricing model. This model requires the Company to use certain estimates and assumptions such as:

- fair value of the Company's ordinary share;
- expected volatility of its ordinary shares – based on the volatility of comparative publicly traded companies;
- expected dividend yield;
- risk-free interest rates based on the Japanese Government Bond yields; and
- expected exercise behavior, which reflects management's estimates of when awards will be exercised.

If any of the assumptions used in the binomial option pricing model changes significantly, share options for future awards may differ materially compared with the awards granted previously.

The share option awards contain both service and performance conditions. The service condition will be satisfied upon the continuous employment, or continuous service as a member of the board of directors at exercise date. The performance condition will be satisfied upon the occurrence of an IPO. Expense related to awards which contain both service and performance conditions is recognized using the accelerated attribution method. No expense will be recorded related to these awards until the performance condition becomes probable of occurring which is upon consummation of the IPO.

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Related parties

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence, such as a family member or relative, a shareholder, or a related corporation.

Commitments and contingencies

In the ordinary course of business, the Company is subject to contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, such as government investigations and tax matters. The Company recognizes a liability for such a contingency if it determines it is probable that a loss has occurred, and a reasonable estimate of the loss can be made. The Company may consider many factors in making these assessments including historical and the specific facts and circumstances of each matter.

Risks and uncertainties

Concentration of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with financial institutions with high credit ratings and quality.

Accounts receivable primarily comprise of amounts receivable from the service customers. To reduce credit risk, the Company performs ongoing credit evaluations of the financial condition of these service customers. The Company establishes a provision for expected credit loss based upon estimates, factors surrounding the credit risk of specific service customers and other information.

Concentration of customers

For purposes of the following disclosure, customers that are under common control are aggregated and presented on a combined basis.

As of February 28, 2025, Honda Group², Uni Electronics Inc. (“Uni Electronics”), and Denso Group¹ accounted for 40.1%, 28.8%, and 13.0% of the Company’s total accounts receivable, respectively. As of February 28, 2026, Uni Electronics, Denso Group, and Yamaha Group⁴ accounted for 27.1%, 15.7%, and 14.9% of the Company’s total accounts receivable, respectively. There was no other customer that accounted for more than 10% of the Company’s total accounts receivable.

As of February 28, 2025, Honda Group and Toyota Group³ accounted for 52.1% and 26.2% of the Company’s total contract assets, respectively. As of February 28, 2026, Honda Group and Toyota Group accounted for 73.4% and 20.0% of the Company’s total contract assets, respectively. There was no other customer that accounted for more than 10% of the Company’s total contract assets.

For the fiscal year ended February 29, 2024, Honda Group and Uni Electronics accounted for 48.1% and 24.2% of the Company’s total revenue, respectively. For the fiscal year ended February 28, 2025, Honda Group, Toyota Group, and Uni Electronics accounted for 51.5%, 14.3%, and 14.0% of the Company’s total revenue, respectively. For the fiscal year ended February 28, 2026, Honda Group, Toyota Group, and Uni Electronics accounted for 50.6%, 16.3%, and 11.4% of the Company’s total revenue, respectively. There was no other customer that accounted for more than 10% of the Company’s total revenue.

¹ Including other entities under common control with Denso Corporation and with which the Company has transactions.

² Including other entities under common control with Honda Motor Co., Ltd. and with which the Company has transactions.

³ Including other entities under common control with Toyota Motor Corporation and with which the Company has transactions.

⁴ Including other entities under common control with Yamaha Motor Corporation and with which the Company has transactions.

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Concentration of vendors

For purposes of the following disclosure, vendors that are under common control are aggregated and presented on a combined basis.

As of February 28, 2025, Toyota Group accounted for 14.7% of the total balance of accounts payable. As of February 28, 2026, Toyota Group and Telenav Inc. accounted for 11.2% and 10.1% of the total balance of accounts payable, respectively. There was no other vendor that accounted for more than 10% of the Company's total accounts payable.

For the fiscal year ended February 29, 2024, Toyota Group and Uni Electronics accounted for 14.1% and 12.6% of the Company's total purchases, respectively. For the fiscal year ended February 28, 2025, Toyota Group and Telenav Inc. accounted for 10.1% and 10.0% of the Company's total purchases, respectively. There was no other vendor that accounted for more than 10% of the Company's total purchases.

Foreign currency risk

The Company's global operations are conducted predominantly in JPY. Other than JPY, the Company generates revenue and incurs expenditures principally in US\$, THB, and EUR. The Company's international operations expose it to risk of adverse fluctuations in foreign currency exchange rates through the remeasurement of foreign currency denominated assets and liabilities (both third-party and intercompany) and translation of earnings and cash flows into JPY.

Recently Announced Accounting Standards

The Company considers the applicability and impact of all accounting standards updates ("ASUs"). Management periodically reviews new accounting standards that are issued. Under the JOBS Act, the Company meets the definition of an emerging growth company and has elected the extended transition period for complying with new or revised accounting standards, which delays the adoption of these accounting standards until they apply to private companies.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU enhances the transparency and decision usefulness of income tax disclosures to provide investors information to better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. This new guidance is effective for the Company for its fiscal years beginning after December 15, 2025, since the Company is an emerging growth company. The Company is currently evaluating the impact of adoption of the new standard on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03—Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40) to improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales, selling, general, and administrative, and research and development). This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's consolidated financial statements.

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In January 2025, the FASB issued ASU 2025-01—Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40) to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of this new standard on the Company’s consolidated financial statements.

In November 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270), which requires entities to disclose events occurring since the end of the last annual reporting period that have a material impact on the entity and clarifies the applicability, form, and content of interim financial reporting under U.S. GAAP. The guidance is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted, and the amendments may be applied either prospectively or retrospectively. The Company is currently evaluating the impact of this new standard on the Company’s consolidated financial statements.

In December 2025, the FASB issued ASU 2025-12, Codification Improvements, which contains amendments to the Accounting Standards Codification intended to clarify guidance, correct errors, and make minor improvements. The amendments are effective for annual reporting periods beginning after December 15, 2026, including interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact of this new standard on the Company’s consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the Company’s consolidated balance sheets, consolidated statements of income, and consolidated statements of cash flows.

Note 3 — PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets consisted of the following:

	As of February 28, 2025 JPY	As of February 28, 2026 JPY (In thousands)	As of February 28, 2026 US\$
Prepaid expenses	216,761	237,315	1,521
Deposits	1,024,975	1,111,801	7,125
Deferred costs	1,027,921	1,356,509	8,693
Insurance reserve	221,912	256,727	1,645
Consumption tax receivable	648,644	181,626	1,164
Others	154,848	108,881	697
Total	<u>3,295,061</u>	<u>3,252,859</u>	<u>20,845</u>
Current	1,446,427	1,039,722	6,663
Non-current	1,848,634	2,213,137	14,182

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Note 4 — PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	As of February 28, 2025 JPY	As of February 28, 2026 JPY	As of February 28, 2026 US\$
	(In thousands)		
Land	295,496	295,496	1,894
Buildings	616,595	620,453	3,976
Leasehold improvements	1,371,345	1,353,483	8,673
Vehicle	52,520	48,211	309
Tools and equipment	998,867	1,169,727	7,496
Subtotal	3,334,823	3,487,370	22,348
Less: accumulated depreciation	(1,456,351)	(1,637,771)	(10,495)
Property and equipment, net	<u>1,878,472</u>	<u>1,849,599</u>	<u>11,853</u>

Depreciation expenses recognized for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026 amounted to JPY371.2 million, JPY387.1 million and JPY393.2 million (\$2.5 million), respectively.

Note 5 — INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the followings:

	As of February 28, 2025 JPY	As of February 28, 2026 JPY	As of February 28, 2026 US\$
	(In thousands)		
Software	110,942	254,493	1,631
Customer relationships	181,482	181,482	1,163
Subtotal	292,424	435,975	2,794
Less: accumulated amortization	(204,656)	(229,055)	(1,468)
Intangible assets, net	<u>87,768</u>	<u>206,920</u>	<u>1,326</u>

Amortization expenses recognized for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026 amounted to JPY52.4 million, JPY54.9 million and JPY35.9 million (\$0.2 million), respectively.

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Note 6 — BORROWINGS

Short-term borrowings consisted of the following:

	<u>Maturity</u>	<u>Effective Interest Rate</u>	<u>As of February 28, 2025 JPY</u>	<u>As of February 28, 2026 JPY</u>	<u>As of February 28, 2026 US\$</u>
(In thousands)					
Sumitomo Mitsui Banking Corporation ⁽¹⁾	March 2026	1.45%	-	300,000	1,922
MUFG Bank, Ltd. ⁽²⁾	April 2026	1.51%	-	500,000	3,204
Total short-term borrowings			-	800,000	5,126

(1) On October 31, 2025, the Company entered into a commitment line agreement with Sumitomo Mitsui Banking Corporation with a maximum commitment of JPY 2,500.0 million. The facility's commitment period commences on October 31, 2025, and terminates on October 31, 2026. Pursuant to the agreement, the maximum borrowing limit for this period is JPY 2,500.0 million. The borrowings are primarily used for working capital purposes. As of February 28, 2026, the unused credit line balance was JPY2,200 million (\$14.1 million).

(2) On February 25, 2025, the Company entered into a revolving credit facility agreement with MUFG Bank, Ltd. with a maximum commitment of JPY3,000.0 million. The facility's commitment period commences on February 28, 2025, and terminates on February 25, 2028.

Pursuant to the agreement, the maximum borrowing limits for the respective periods are as follows:

- JPY2,000.0 million for the period from February 28, 2025, to February 27, 2026;
- JPY2,500.0 million for the period from February 28, 2026, to February 27, 2027; and
- JPY3,000.0 million for the period from February 28, 2027, to the commitment termination date (February 25, 2028).

The borrowings are primarily used for working capital purposes. As of February 28, 2026, the unused credit line balance was JPY2,000 million (\$12.8 million).

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The short-term borrowings outstanding for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026 carried a weighted average interest rate of approximately 0.87%, 0.42%, and 0.03% per annum, respectively.

Long-term borrowings consisted of the following:

	<u>Maturity</u>	<u>Effective Interest Rate</u>	<u>As of February 28, 2025 JPY</u>	<u>As of February 28, 2026 JPY</u>	<u>As of February 28, 2026 US\$</u>
(In thousands)					
The Awaji Shinkin Bank ⁽¹⁾	September 2027 - September 2030	0.60% - 1.25%	1,369,156	1,220,620	7,823
Sumitomo Mitsui Banking Corporation ⁽²⁾	November 2026 - January 2030	0.54% - 1.19%	1,974,026	1,538,700	9,860
The Iyo Bank, Ltd.	March 2026	1.28%	83,339	11,130	71
The Bank of Fukuoka, Ltd.	September 2025	0.86%	58,343	-	-
MUFG Bank, Ltd.	March 2026 - March 2029	0.30% - 0.79%	1,591,683	1,291,695	8,277
The Minato Bank, Ltd.	June 2028	0.68%	417,540	241,677	1,549
The Hiroshima Bank, Ltd.	April 2026	1.00%	116,652	16,644	107
The San-in Godo Bank, Ltd.	November 2026	0.80%	174,990	74,982	480
The Kiyo Bank, Ltd.	January 2028	1.05%	291,675	191,679	1,228
Total long-term borrowings			<u>6,077,404</u>	<u>4,587,127</u>	<u>29,395</u>
Current portion of long-term borrowings			1,804,164	2,021,924	12,957
Non-current portion of long-term borrowings			4,273,240	2,565,203	16,438

(1) As of February 28, 2025 and February 28, 2026, JPY82.6 million and JPY66.6 million (\$0.4 million) were guaranteed by Credit Guarantee Association, a Japanese governmental affiliate agency which supplements private companies with credit, respectively.

(2) As of February 28, 2025 and February 28, 2026, JPY60.0 million and JPY60.0 million (\$0.4 million) were guaranteed by Credit Guarantee Association, a Japanese governmental affiliate agency which supplements private companies with credit, respectively.

The long-term borrowings outstanding for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026 carried a weighted average interest rate of approximately 0.84%, 0.97%, and 0.93% per annum, respectively.

As of February 28, 2026, the Company had an aggregate credit line of JPY5,000.0 million (\$32.0 million) and JPY800.0 million (\$5.1 million) was used for the borrowing balance.

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Interest expenses for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026 amounted to JPY36.4 million, JPY52.3 million and JPY49.5 million (\$0.3 million), respectively.

As of February 28, 2026, the Company's future loan obligations according to the terms of the loan agreement were as follows:

	JPY	US\$
	(In thousands)	
Fiscal year		
2027	2,021,924	12,957
2028	1,332,208	8,537
2029	883,555	5,662
2030	311,852	1,998
2031	37,588	241
Thereafter	-	-
Total long-term borrowings	<u>4,587,127</u>	<u>29,395</u>

The Company's loan agreements contain covenants, which require compliance with financial ratios. As of February 28, 2025 and February 28, 2026, the Company was in compliance with all the financial covenants under its existing loan agreements.

The Company made repayments of the above-mentioned bank borrowings upon maturity in the subsequent period.

Note 7 — ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following:

	As of February 28, 2025 JPY	As of February 28, 2026 JPY (In thousands)	As of February 28, 2026 US\$
Payroll payable	277,988	451,776	2,895
Accrued vacation liability*	331,136	325,303	2,084
Accrued operating expenses	241,082	244,277	1,565
Asset retirement obligation	560,260	481,668	3,087
Finance lease liabilities	107,594	157,523	1,010
Consumption tax payables	418,181	392,211	2,513
Payables for purchasing long-lived assets	63,800	5,234	34
Employee reimbursement payables	11,836	9,513	61
Total	<u>2,011,877</u>	<u>2,067,505</u>	<u>13,249</u>
Current	1,351,874	1,389,432	8,904
Non-current	660,003	678,073	4,345

* Accrued vacation liability represents the Company's obligation for vested paid vacation benefits earned by employees and remaining unused.

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Note 8 — SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The Company's selling, general, and administrative expenses consisted of the following:

	For the Fiscal Years Ended			
	February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
	JPY	JPY	JPY	US\$
	(In thousands)			
Salaries and welfare expenses	1,208,909	1,980,084	1,932,287	12,382
Professional fee - non-offering related	472,452	711,934	524,873	3,363
Non-income tax expenses	137,536	156,924	182,107	1,167
Rental expenses	145,640	451,725	471,353	3,021
Depreciation and amortization expenses	140,410	251,340	273,172	1,751
Travel expenses	76,790	133,921	162,094	1,039
Advertising expenses	48,364	91,881	163,742	1,049
Others*	239,868	393,646	439,653	2,817
Total	2,469,969	4,171,455	4,149,281	26,589

* Others primarily consist of selling, general, and administrative expenses that are not individually material to the Company's financial performance, including but not limited to entertainment fees, utilities, and administrative expenses.

Note 9 — TAXES

The Company generates taxable income primarily in Japan. Income taxes in Japan applicable to the Company are imposed by the national, prefectural, and municipal governments, and in the aggregate resulted in a statutory rate of approximately 30.6% for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted, significantly amending U.S. federal tax law, including changes to international tax provisions, expensing of research and experimental expenditures, depreciation, and interest deduction rules. The Company does not expect the OBBBA to have a material impact on its effective tax rate.

The components of provision (benefit) for income taxes were as follows:

	For the Fiscal Years Ended			
	February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
	JPY	JPY	JPY	US\$
	(In thousands)			
Current	703,501	953,843	1,030,260	6,602
Deferred	(163,968)	(271,623)	(327,464)	(2,098)
Income tax provisions	539,533	682,220	702,796	4,504

A reconciliation of the effective income tax rates reflected in the accompanying consolidated statements of income and comprehensive income and Japanese statutory tax rate for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026 were as follows:

	For the Fiscal Years Ended		
	February 29, 2024	February 28, 2025	February 28, 2026
Japanese statutory tax rate	30.6%	30.6%	30.6%
Non-deductible executive compensation	3.3%	7.2%	3.7%
Changes in valuation allowance	(1.7)%	(2.7)%	1.2%
Tax credits	(4.0)%	(0.2)%	(3.1)%
Tax rate differences by jurisdiction	(0.6)%	(0.4)%	(0.3)%
Other non-deductible expenses	0.2%	0.0%	0.2%
Effect of true-up on NOL	0.0%	0.0%	0.0%
Deferred offering costs	0.0%	(1.3)%	(2.2)%
Others	0.0%	0.3%	0.2%
Effective tax rate	27.8%	33.5%	30.3%

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The statutory tax rate in effect for the fiscal year in which the temporary differences are expected to reverse are used to calculate the tax effects of temporary differences that are expected to reverse in the future years.

The tax effects of temporary differences that give rise to the deferred income tax assets and liabilities as of February 28, 2025 and February 28, 2026 are presented below:

	As of February 28, 2025 JPY	As of February 28, 2026 JPY	As of February 28, 2026 US\$
	(In thousands)		
Deferred tax assets			
Net operating loss carry forward	42,664	-	-
Reserves and accruals	103,206	102,018	654
Investments	114,471	143,115	917
Property and equipment	324,129	645,383	4,136
Leases	1,440,267	1,485,057	9,517
Contract liabilities	426,987	482,804	3,094
Others	63,539	40,708	261
Valuation allowance	(116,210)	(145,120)	(931)
Total deferred tax assets	2,399,053	2,753,965	17,648
Net off against deferred tax liabilities	(1,711,688)	(1,725,571)	(11,058)
Net deferred tax assets	687,365	1,028,394	6,590
Deferred tax liabilities			
Prepayments and other assets	(69,827)	(77,878)	(499)
Deferred costs	(314,337)	(414,821)	(2,658)
Leases	(1,279,764)	(1,248,060)	(7,998)
Others	(47,760)	(46,325)	(297)
Total deferred tax liabilities	(1,711,688)	(1,787,084)	(11,452)
Net off against deferred tax assets	1,711,688	1,725,571	11,058
Net deferred tax liabilities	-	(61,513)	(394)

The Company recorded net deferred tax assets of JPY687.4 million and JPY1,028.4 million (\$6.6 million) as of February 28, 2025 and February 28, 2026, respectively. In valuing deferred tax assets, the Company uses judgment, considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence is commensurate with the extent to which it can be objectively verified. Based on the weight of evidence, management has provided a valuation allowance on deferred tax assets in the amount of JPY116.2 million and JPY145.1 million (\$0.9 million) as of February 28, 2025 and February 28, 2026, respectively, since it was determined that it was more likely than not that deferred tax assets would not be utilized in the foreseeable future. Based on the level of historical taxable income and projections for the future taxable income over the periods in which the deferred tax assets become deductible, management believes all remaining deferred tax assets as of February 28, 2025 and February 28, 2026, were fully realizable.

Interest and penalties related to income tax matters are recognized as a component of selling, general, and administrative expenses in the consolidated statements of income and comprehensive income, if applicable. The Company did not have any uncertain tax benefits, interest, or penalties associated with uncertain tax benefits that have been accrued or recognized as of and for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026.

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Changes to valuation allowance for deferred tax assets were as follows for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026:

	For the Fiscal Years Ended			
	February 29, 2024 JPY	February 28, 2025 JPY	February 28, 2026 JPY	February 28, 2026 US\$
	(In thousands)			
Valuation allowance, beginning of year	240,934	213,318	116,210	745
Additions	5,484	2,047	28,659	184
Reversals	(33,592)	(99,120)	-	-
Foreign exchange translation adjustments	492	(35)	251	2
Valuation allowance, end of year	<u>213,318</u>	<u>116,210</u>	<u>145,120</u>	<u>931</u>

As of February 28, 2026, the Company had no loss carryforwards in Japan.

The Company is subject to taxation and files income tax returns in Japan and several foreign jurisdictions. As of February 28, 2026, tax years from February 28, 2022 through February 28, 2026 remained open to examination by the Japanese tax authorities. In foreign jurisdictions, including but not limited to the United States, Thailand, and Germany, tax years generally remain subject to examination for a period of three to five years, depending on local statutory requirements. No material tax examinations are currently ongoing in any jurisdiction.

Note 10 — LEASE

A. Lessee arrangements

As a lessee, the Company leases buildings, and other equipment to support operations. These leases can be categorized into operating and finance leases.

The balances for the operating leases and finance leases where the Company is the lessee are presented as follows:

		As of February 28, 2025	As of February 28, 2026	As of February 28, 2026
Classification		JPY	JPY	US\$
(In thousands)				
Assets				
Operating lease assets	Operating lease right-of-use assets	3,909,012	3,834,503	24,572
Finance lease assets	Property and equipment, net	102,045	151,091	968
Total lease assets		4,011,057	3,985,594	25,540
Liabilities				
Current				
Operating	Operating lease liabilities, current	881,838	1,206,136	7,729
Finance	Accrued expenses and other current liabilities	49,423	61,779	396
Noncurrent				
Operating	Operating lease liabilities, non-current	3,214,665	2,880,319	18,458
Finance	Other non-current liabilities	58,171	95,744	614
Total lease liabilities		4,204,097	4,243,978	27,197

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The components of lease costs were as follows:

	For the Fiscal Years Ended			
	February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
	JPY	JPY	JPY	US\$
	(In thousands)			
Finance lease costs				
Amortization of right-of-use assets	48,943	55,910	64,634	414
Interest on lease liabilities	900	1,019	1,193	8
Total finance lease costs	49,843	56,929	65,827	422
Operating lease costs	666,229	953,253	1,190,465	7,629
Short-term lease costs	12,641	13,565	13,897	89
Total lease costs	728,713	1,023,747	1,270,189	8,140

Other supplemental information related to lease were as follows:

	For the Fiscal Years Ended			
	February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
	JPY	JPY	JPY	US\$
	(In thousands)			
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cashflows from operating leases	671,453	715,265	1,091,334	6,993
Financing cashflows from finance leases	48,807	56,267	65,158	418
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	126,623	3,127,334	1,081,311	6,929
Finance lease right-of-use assets obtained in exchange for finance lease liabilities	94,994	25,629	117,164	751
Remeasurement of operating lease liabilities and right-of-use assets due to modifications	8,092	-	7,674	49
Remeasurement of finance lease liabilities and right-of-use assets due to modifications	-	-	13,529	87
Weighted average remaining lease term (years)				
Operating leases	3.18	5.07	4.19	4.19
Finance leases	2.88	2.41	2.81	2.81
Weighted average discount rate (per annum)				
Operating leases	0.76%	0.75%	0.79%	0.79%
Finance leases	0.84%	0.86%	0.82%	0.82%

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As of February 28, 2026, future minimum lease payments under finance lease liabilities and operating lease liabilities were as follows:

	Operating Lease	Finance Lease	Operating Lease	Finance Lease
	JPY	JPY	US\$	US\$
	(In thousands)			
Fiscal year				
2027	1,233,886	62,786	7,907	402
2028	1,033,576	48,989	6,623	314
2029	726,336	34,155	4,655	219
2030	575,550	13,396	3,688	86
2031	441,231	-	2,827	-
Thereafter	143,317	-	918	-
Total lease payments	4,153,896	159,326	26,618	1,021
Less: Imputed Interest	(67,441)	(1,803)	(431)	(11)
Present value of lease liabilities	4,086,455	157,523	26,187	1,010

Note 11 — MEZZANINE EQUITY

On December 15, 2023, the Company entered into a share purchase agreement with third-party investors, under which it issued ordinary shares that are legally classified as equity but carry redemption rights upon the occurrence of events not within the Company's control. The Company received total investment proceeds of JPY65 million (\$0.4 million). These redeemable ordinary shareholders possess the same rights as non-redeemable ordinary shareholders of the Company, including voting rights, dividend rights, and the right to access financial statements.

The Company classified the redeemable ordinary shares as mezzanine equity in the consolidated balance sheets. At issuance the fair value of these redeemable ordinary shares was JPY65 million (\$0.4 million), equal to the total investment proceeds received. As of February 28, 2025 and February 28, 2026, the mezzanine equity measured at fair value was JPY71.5 million and JPY391.1 million (\$2.5 million), respectively representing redeemable ordinary shares. Refer to Note 2 for the assumptions applied in estimating these fair values.

During the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026, the Company recognized fair value measurement adjustments of these redeemable ordinary shares into retained earnings of JPY3.3 million, JPY3.2 million and JPY319.6 million (\$2.0 million), respectively.

Note 12 — EQUITY

Ordinary shares

The total number of authorized shares of the Company's ordinary shares was 125,320,000 as of February 28, 2025 and February 28, 2026.

On January 22, 2024, the Company's board of directors approved a share split of the Company's outstanding ordinary shares at a ratio of 1-to-130, which became effective on March 1, 2024, resulting in 240,890 ordinary shares issued as of February 28, 2025 and February 28, 2026 giving effect of the share split. The Company believes it is appropriate to reflect the above transactions on a retroactive basis similar to a share split pursuant to ASC 260. All references made to share numbers or share values in the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the 1-to-130 share split.

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On February 16, 2026, in connection with the filing of the registration statement for an IPO, of which these financial statements are a part of, the Company's board of directors approved a share split of the Company's outstanding ordinary shares at a ratio of 1-to-241, which became effective on March 31, 2026, resulting in 58,054,490 ordinary shares issued as of February 28, 2025 and February 28, 2026 giving effect of the share split. The Company believes it is appropriate to reflect the above transactions on a retroactive basis similar to a share split pursuant to ASC 260. All references made to share numbers or share values in the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the 1-to-241 share split.

For the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026, the Company did not declare any dividend.

Increases/decreases and transfer of ordinary shares, reserve, and surplus

The Companies Act of Japan (the "Companies Act") requires that an amount equal to 10% of dividends must be appropriated as legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of ordinary shares. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that ordinary shares, legal reserve, additional paid-in capital, and other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

Dividends

Under the Companies Act, companies can pay dividends at any time during the year in addition to the year-end dividends, provided that the Company's articles of incorporation authorize such distributions, upon resolution at the shareholders' meeting. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to certain limitations and additional requirements. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury shares. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than JPY3 million.

Treasury shares

The treasury shares account included 2,337,700 and 1,912,576 ordinary shares repurchased from certain shareholders as of February 28, 2025 and February 28, 2026, respectively.

On September 15, 2023, the Company repurchased 14,098,500 ordinary shares (equivalent to 450 ordinary shares prior to the share split) from a specific shareholder, RISA Corporate Solution Fund No. 4 L.P., for a total consideration of JPY2,601,249,750. In connection with this transaction, and pursuant to the Companies Act, the Company also repurchased an additional 93,990 ordinary shares (equivalent to three ordinary shares prior to the share split) from an individual shareholder on November 10, 2023, for a total consideration of JPY17,341,665, in response to a statutory sell-out request. These transactions were approved by the board of directors. All repurchased shares were recorded as treasury shares.

During the fiscal years ended February 29, 2024 and February 28, 2025, the Company reissued 8,114,470 and 3,740,320 treasury shares, respectively, to multiple investors at a price of approximately JPY207 per share (equivalent to JPY6,500,000 per share prior to the share split). During the fiscal year ended February 28, 2026, the Company reissued 425,124 treasury shares, respectively, to an investor at a price of approximately JPY353 per share (equivalent to JPY85,000 per share prior to the share split). The excess of the reissuance price over the repurchase cost was recorded as additional paid-in capital, except for 313,300 treasury shares reissued during the fiscal year ended February 29, 2024, which were classified as mezzanine equity pursuant to the redemption rights described in Note 11.

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Note 13 — SHARE-BASED COMPENSATION

Pre-IPO share option schemes

The Company adopted an Incentive Stock Plan on February 23, 2018. This plan is intended to provide incentives which will attract and retain highly competent persons at all levels as directors and employees of the Company by providing them opportunities to acquire the Company's ordinary shares. While the plan terminates 10 years after the adoption date, issued options have their own schedule of termination. Options to acquire ordinary shares may be granted at no less than fair market value on the date of grant. Upon exercise, new ordinary shares are issued by the Company. The performance condition will be satisfied upon a liquidity event defined as a successful IPO on any of the financial exchanges.

The Company adopted an Incentive Stock Plan on October 20, 2020. This plan is intended to provide incentives which will attract and retain highly competent persons at all levels as directors and employees of the Company by providing them opportunities to acquire the Company's ordinary shares. While the plan terminates eight years after the adoption date, issued options have their own schedule of termination. Options to acquire ordinary shares may be granted at no less than the fair market value on the date of grant. Upon exercise, new ordinary shares are issued by the Company. The performance condition will be satisfied upon a liquidity event defined as a successful IPO on any of the financial exchanges.

The share option awards contain both service and performance conditions. The service condition is satisfied upon the continuous employment, or continuous service as a member of the board of at exercise date. The performance condition is satisfied upon the occurrence of an IPO. Expense related to awards which contain both service and performance conditions is recognized using the accelerated attribution method. No expense will be recorded related to these awards until the performance condition becomes probable of occurring which is upon consummation of the IPO. As a result, no share-based compensation expenses were recognized for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026.

The total fair value of these share options at the grant date was JPY340,179,000. The total fair value of the outstanding share options as of February 28, 2025 and February 28, 2026 was JPY292,284,000 and JPY292,284,000 (\$1,873,015), respectively, which also represents the amount of unrecognized share-based compensation expense as of those dates. Such unrecognized compensation expense will be recognized in full upon consummation of the IPO.

The following table summarizes the share option activities and related information for the fiscal years ended February 29, 2024, February 28, 2025 and February 28, 2026:

	Number (shares)*	Weighted Average Exercise Price* JPY	Weighted Average Exercise Price* US\$	Weighted Average Remaining Contractual Term Years
Outstanding as of March 1, 2023	9,962,940	39.35	0.25	5.00
Granted	-	-	-	-
Forfeited/cancelled	(313,300)	-	-	-
Exercised	-	-	-	-
Outstanding as of February 29, 2024	9,649,640	38.84	0.25	4.00
Granted	-	-	-	-
Forfeited/cancelled	(250,640)	-	-	-
Exercised	-	-	-	-
Outstanding as of February 28, 2025	9,399,000	38.85	0.25	3.00
Granted	-	-	-	-
Forfeited/cancelled	-	-	-	-
Exercised	-	-	-	-
Outstanding as of February 28, 2026	9,399,000	38.85	0.25	2.00
Options exercisable as of February 28, 2026	-	-	-	-

* The information is presented on a retroactive basis to reflect the share split from 1 to 130, which become effective on March 1, 2024, and reflect the share split from 1 to 241, which became effective on March 31, 2026 (Note 12).

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The Company uses a binomial option pricing model to estimate the fair value of its share option awards. The calculation of the fair value of the awards using the binomial option pricing model is affected by the Company's share price on the date of grant as well as assumptions regarding the following:

	February 23, 2018	October 30, 2020
Expected volatility	42.90%	42.90%
Expected term	7.00 years	4.33 years
Risk-free interest rate	0.05%	(0.07)%
Forfeiture rate	9.2%	2.2%
Expected dividend yield	0.0%	0.0%

The expected volatility is calculated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable companies. The risk-free interest rate is estimated based on the yield to maturity of Japanese treasury bonds based on the expected term of the incentive shares. The forfeiture rate is estimated at the time of option issuance based on the historical turnover rates of directors and employees.

Note 14 — RELATED PARTY BALANCES AND TRANSACTIONS

The Company's relationships with related parties who had transactions with the Company are summarized as follows:

Name of entity or individual	Relationship to the Company
Honda Motor Co., Ltd.	Significant shareholder of the Company with an ownership interest exceeding 10%
Toyota Motor Corporation	Significant shareholder of the Company with an ownership interest exceeding 10%
Daihatsu Motor Co., Ltd.	A subsidiary of Toyota Motor Corporation
Toyota Mapmaster Incorporated	A subsidiary of Toyota Motor Corporation
Honda Access Corporation	A subsidiary of Honda Motor Co., Ltd.
Honda Development and Manufacturing of America, LLC.	A subsidiary of Honda Motor Co., Ltd.
Mr. Kenji Narushima	Mr. Kenji Narushima is the Company's representative director and Chief Executive Officer
Mr. Masahide Shigeno	Mr. Masahide Shigeno is the Company's representative director and Chief Technology Officer

a. Accounts receivable from related parties

Accounts receivable from related parties consisted of the following:

Name of related party	Nature of transactions	As of February 28, 2025 JPY	As of February 28, 2026 JPY	As of February 28, 2026 US\$
(In thousands)				
Honda Motor Co., Ltd.	Provided contracted software development services to a related party	958,698	660	4
Toyota Motor Corporation	Provided contracted software development services to a related party	-	16,719	107
Toyota Mapmaster Incorporated	Provided contracted software development services to a related party	2,993	634	4
Honda Access Corporation	Provided contracted software development services to a related party	17,685	48,566	311
Honda Development and Manufacturing of America, LLC.	Provided contracted software development services to a related party	39,981	20,355	131
	Total	1,019,357	86,934	557

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b. Contract assets from related parties

Contract assets from related parties consisted of the following:

Name of related party	Nature of transactions	As of February 28, 2025	As of February 28, 2026	As of February 28, 2026
		JPY	JPY (In thousands)	US\$
Honda Motor Co., Ltd.	Provided contracted software development services to a related party	1,046,854	2,377,328	15,234
Toyota Motor Corporation	Provided contracted software development services to a related party	387,242	365,020	2,339
Daihatsu Motor Co., Ltd.	Provided contracted software development services to a related party	139,293	304,357	1,950
Honda Development and Manufacturing of America, LLC.	Provided contracted software development services to a related party	-	79,519	510
	Total	1,573,389	3,126,224	20,033

c. Other receivable from related parties

Other receivable consisted of the following:

Name of related party	Nature of transactions	As of February 28, 2025	As of February 28, 2026	As of February 28, 2026
		JPY	JPY (In thousands)	US\$
Honda Motor Co., Ltd.	Reimbursements receivable for personnel expenses of employees seconded to a related party	5,728	2,617	17
Toyota Motor Corporation	Reimbursements receivable for personnel expenses of employees seconded to a related party	11,646	5,246	34
Daihatsu Motor Co., Ltd.	Reimbursements receivable for personnel expenses of employees seconded to a related party	-	1,926	12
Toyota Mapmaster Incorporated	Receivables related to the unsettled portion of annual server operating expenses for connected navigation systems	-	3,285	21
Mr. Kenji Narushima	Rental payments by a director for use of the Company-owned property	1,320	-	-
	Total	18,694	13,074	84

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d. Accounts payable to a related party

Accounts payable to a related party consisted of the following:

Name of related party	Nature of transactions	As of	As of	As of
		February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	US\$
(In thousands)				
Toyota Mapmaster Incorporated	License fee payable	288,205	188,264	1,206
	Total	288,205	188,264	1,206

e. Contract liabilities to a related party

Contract liabilities to a related party consisted of the following:

Name of related party	Nature of transactions	As of February 28, 2025	As of February 28, 2026	As of February 28, 2026
		JPY	JPY	US\$
Honda Motor Co., Ltd.	Provided contracted software development services to a related party	-	646,603	4,144
	Total	-	646,603	4,144

f. Other payable to related parties

Other payable to related parties consisted of the following:

Name of related party	Nature of transactions	As of	As of	As of
		February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	US\$
(In thousands)				
Honda Motor Co., Ltd.	Reimbursements receivable for personnel expenses of employees seconded to a related party	686	873	6
Toyota Motor Corporation	Reimbursements receivable for personnel expenses of employees seconded to a related party	861	-	-
	Total	1,547	873	6

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g. Revenue from related parties

Revenue from related parties consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
(In thousands)					
Honda Motor Co., Ltd.	Contracted software development revenue	8,027,680	10,123,402	10,620,176	68,056
Toyota Motor Corporation	Contracted software development revenue	1,063,292	2,257,986	2,234,568	14,320
Daihatsu Motor Co., Ltd.	Contracted software development revenue	548,346	746,075	1,307,279	8,377
Toyota Mapmaster Incorporated	Contracted software development revenue	12,794	14,094	18,550	119
Honda Access Corporation	Contracted software development revenue	67,050	213,263	162,340	1,040
Honda Development and Manufacturing of America, LLC.	Contracted software development revenue	321,004	488,005	295,659	1,895
	Total	10,040,166	13,842,825	14,638,572	93,807

h. Other income from related parties

Other income from related parties consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
(In thousands)					
Mr. Kenji Narushima	Rental payments by a director for use of the Company-owned property	-	2,182	2,400	15
Mr. Masahide Shigeno	Rental payments by a director for use of the Company-owned property	-	2,000	2,200	14
	Total	-	4,182	4,600	29

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i. Reimbursement of personnel costs from related parties

Reimbursement of personnel costs from related parties consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
		(In thousands)			
Honda Motor Co., Ltd	Receivables for personnel cost reimbursements from a related party for seconded employees	20,474	31,677	16,542	106
Toyota Motor Corporation	Receivables for personnel cost reimbursements from a related party for seconded employees	116,301	39,519	37,270	239
Daihatsu Motor Co., Ltd.	Receivables for personnel cost reimbursements from a related party for seconded employees	-	-	13,275	85
	Total	136,775	71,196	67,087	430

j. Reimbursement of personnel costs to a related party

Reimbursement of personnel costs to a related party consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
		(In thousands)			
Honda Motor Co., Ltd	Personnel costs incurred for seconded employees from a related party	3,354	8,418	17,253	111
	Total	3,354	8,418	17,253	111

k. License fees to a related party

License fees to a related party consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
		(In thousands)			
Toyota Mapmaster Incorporated	Payment of license fees	1,176,289	1,015,686	976,048	6,255
	Total	1,176,289	1,015,686	976,048	6,255

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1. Other fee payments to a related party

Other fee payments to a related party consisted of the following:

Name of related party	Nature of transactions	For the Fiscal Years Ended			
		February 29, 2024	February 28, 2025	February 28, 2026	February 28, 2026
		JPY	JPY	JPY	US\$
		(In thousands)			
Toyota Motor Corporation	Payment of data usage fees	750	-	-	-
	Total	750	-	-	-

Note 15 — COMMITMENTS AND CONTINGENCIES

Contingencies

From time to time, the Company is a party to various legal actions arising in the ordinary course of business. The Company accrues costs associated with these matters when they become probable and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

In the opinion of management, there were no pending or threatened claims and litigation as of February 28, 2026 and up through the issuance date of these consolidated financial statements.

Note 16 — SEGMENT REPORTING

The Company identifies reportable operating segments based on the structure of its operations and the financial information reviewed regularly by the Chief Operating Decision Maker (“CODM”), who is the Chief Executive Officer, to evaluate performance and allocate resources. The Company’s three reportable operating segments are as follows, all segments include software development services, licensing, and software-related service revenue, and intersegment revenue is recorded at cost and is eliminated in the consolidated statements of income and comprehensive income:

- SDV: relates to the development and sale of software systems designed for SDV, including IVI system software and other mobility-enhancing software products, conducted by Japanese subsidiaries.
- LBS: relates to the development and licensing of in-vehicle navigation software systems, and other geographic data-based services for B2B customers, mainly serving end users.
- Other: primarily comprises software development services conducted by overseas subsidiaries designed for SDV, and B2C mobile app services unrelated to in-vehicle navigation.

The CODM assesses segment performances and allocates resources based on profitability. The CODM evaluates operating performance and decides how to allocate resources based on segment profit or loss, which is equivalent to segment income from operations. Expenses included in segment operating profit consist principally of certain costs, such as purchases, personnel expenses, and R&D expenses, as well as direct selling and delivery costs and an allocation of certain shared services expenses. The CODM uses segment operating income (loss) to allocate resources to the Company’s segments in the Company’s annual planning process and to assess the performance of the Company’s segments, primarily by monitoring actual results versus the annual plan. From time to time, the Company may revise the measurement of each segment’s operating income, including any corporate overhead allocations, and presentation of significant segment expenses, as determined by the information regularly reviewed by its CODM.

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Certain corporate expenses are not allocated to specific segments as these expenses are not controllable at the segment level. Such expenses include certain types of professional fees, and compensation to non-employee directors. These unallocated amounts are combined with total segment operating income to arrive at consolidated operating income as reported below in the reconciliation of segment operating income. Additionally, management has determined that it is not practical to allocate identifiable assets by segment since such assets are used interchangeably among the segments.

The below tables contain revenue and certain expenses regularly presented to the CODM in order to make decisions regarding the Company's business, including resource allocation and performance assessments, as well as the current focus in compliance with ASC 280, Segment Reporting, for the periods presented:

	For the Fiscal Year Ended February 29, 2024			
	SDV	LBS	Other⁽¹⁾	Total
	JPY	JPY	JPY	JPY
	(In thousands)			
Revenue from external customers	11,382,408	6,046,972	87,351	17,516,731
Intersegment revenue	-	-	513,779	513,779
Total revenue	11,382,408	6,046,972	601,130	18,030,510
Elimination of intersegment revenue				(513,779)
Total consolidated revenue				17,516,731
Less:				
Purchases ⁽²⁾	4,962,845	3,134,693	-	8,097,538
Personnel expenses ⁽²⁾	2,107,744	1,348,837	854,846	4,311,427
R&D expenses ⁽²⁾	557,557	157,897	245,486	960,940
Other costs and expenses ⁽³⁾	663,785	468,784	798,447	1,931,016
Intersegment costs and expenses ⁽⁴⁾	317,454	196,325	-	513,779
Total costs and expenses	8,609,385	5,306,536	1,898,779	15,814,700
Elimination of intersegment costs and expenses				(513,779)
Total consolidated costs and expenses				15,300,921
Segment operating income	2,773,023	740,436	(1,297,649)	2,215,810
Corporate expenses ⁽⁵⁾				(323,413)
Total operating income				1,892,397
Interest expenses, net				(36,978)
Loss from disposal of long-lived assets				(154)
Gain from change in fair market value of equity securities				71,165
Gain from foreign currency exchange				8,904
Other income, net				3,735
Income before income tax provision				1,939,069

- (1) Revenue and profit or loss from segments below the quantitative thresholds. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.
- (2) Represents the significant expense categories and amounts for each reportable operating segment that are regularly provided to the chief operating decision maker.
- (3) Other costs and expenses include depreciation and amortization, rental fees, communication costs, and other administrative segment costs and expenses.
- (4) Intersegment costs and expenses primarily arise from transactions between segments for the provision of software development services, R&D activities, and advertising and promotional services, and are eliminated in consolidation.
- (5) Comprised primarily of expenses not allocated to reportable segments.

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	For the Fiscal Year Ended February 28, 2025			
	SDV	LBS	Other ⁽¹⁾	Total
	JPY	JPY	JPY	JPY
	(In thousands)			
Revenue from external customers	14,685,172	6,168,720	265,412	21,119,304
Intersegment revenue	711,487	675,197	3,796,576	5,183,260
Total revenue	15,396,659	6,843,917	4,061,988	26,302,564
Elimination of intersegment revenue				(5,183,260)
Total consolidated revenue				21,119,304
Less:				
Purchases ⁽²⁾	7,117,127	2,763,637	132,095	10,012,859
Personnel expenses ⁽²⁾	2,240,713	1,386,309	1,141,557	4,768,579
R&D expenses ⁽²⁾	722,948	226,056	108,693	1,057,697
Other costs and expenses ⁽³⁾	762,192	386,530	1,266,854	2,415,576
Intersegment costs and expenses ⁽⁴⁾	2,885,792	1,542,697	754,610	5,183,099
Total costs and expenses	13,728,772	6,305,229	3,403,809	23,437,810
Elimination of intersegment costs and expenses				(5,183,099)
Total consolidated costs and expenses				18,254,711
Segment operating income	1,667,887	538,688	658,179	2,864,593
Corporate expenses ⁽⁵⁾				(704,292)
Total operating income				2,160,301
Interest expenses, net				(49,498)
Loss from disposal of long-lived assets				(1,370)
Loss from change in fair market value of equity securities				(44,352)
Loss from foreign currency exchange				(34,515)
Other income, net				5,981
Income before income tax provision				2,036,547

- (1) Revenue and profit or loss from segments below the quantitative thresholds. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.
- (2) Represents the significant expense categories and amounts for each reportable operating segment that are regularly provided to the chief operating decision maker.
- (3) Other costs and expenses include depreciation and amortization, rental fees, communication costs, and other administrative segment costs and expenses.
- (4) Intersegment costs and expenses primarily arise from transactions between segments for the provision of software development services, R&D activities, and advertising and promotional services, and are eliminated in consolidation.
- (5) Comprised primarily of expenses not allocated to reportable segments.

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	For the Fiscal Year Ended February 28, 2026				
	SDV	LBS	Other ⁽¹⁾	Total	Total
	JPY	JPY	JPY	JPY	US\$
	(In thousands)				
Revenue from external customers	15,297,402	6,411,121	187,267	21,895,790	140,313
Intersegment revenue	728,736	708,523	4,999,853	6,437,112	41,250
Total revenue	16,026,138	7,119,644	5,187,120	28,332,902	181,563
Elimination of intersegment revenue				(6,437,112)	(41,250)
Total consolidated revenue				21,895,790	140,313
Less:					
Purchases ⁽²⁾	7,246,955	2,799,773	937,765	10,984,493	70,391
Personnel expenses ⁽²⁾	2,392,731	1,389,956	1,623,960	5,406,647	34,647
R&D expenses ⁽²⁾	804,612	526,684	205,408	1,536,704	9,848
Other costs and expenses ⁽³⁾	528,416	193,148	474,639	1,196,203	7,666
Intersegment costs and expenses ⁽⁴⁾	3,758,250	1,735,058	944,123	6,437,431	41,252
Total costs and expenses	14,730,964	6,644,619	4,185,895	25,561,478	163,804
Elimination of intersegment costs and expenses				(6,437,431)	(41,252)
Total consolidated costs and expenses				19,124,047	122,552
Segment operating income	1,295,174	475,025	1,001,225	2,771,743	17,761
Corporate expenses ⁽⁵⁾				(407,735)	(2,612)
Total operating income				2,364,008	15,149
Interest expenses, net				(42,785)	(274)
Gain from disposal of long-lived assets				1,092	7
Loss from change in fair market value of equity securities				(112,100)	(718)
Gain from foreign currency exchange				12,735	82
Impairment loss on long- term investment				(91,021)	(583)
Gain on bargain purchase				106,805	684
Other income, net				83,557	535
Income before income tax provision				2,322,291	14,882

- (1) Revenue and profit or loss from segments below the quantitative thresholds. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.
- (2) Represents the significant expense categories and amounts for each reportable operating segment that are regularly provided to the chief operating decision maker.
- (3) Other costs and expenses include depreciation and amortization, rental fees, communication costs, and other administrative segment costs and expenses.
- (4) Intersegment costs and expenses primarily arise from transactions between segments for the provision of software development services, R&D activities, and advertising and promotional services, and are eliminated in consolidation.
- (5) Comprised primarily of expenses not allocated to reportable segments.

MICWARE CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Geographic Area Information

The Company operates primarily in Japan. All material revenue of the Company is derived from Japan. See Note 2 for information relating to revenue by geography.

Long-lived assets include property and equipment, net and operating lease assets, and management has determined that it is not practical to allocate these assets by segment since such assets are used interchangeably among the segments. Physical locations and values of the Company's long-lived assets are presented below:

	As of February 28, 2025 JPY	As of February 28, 2026 JPY (In thousands)	As of February 28, 2026 US\$
Long-lived assets:			
Japan	5,605,494	5,488,460	35,171
International	181,990	195,642	1,254
Total long-lived assets	<u>5,787,484</u>	<u>5,684,102</u>	<u>36,425</u>

Note 17 — SUBSEQUENT EVENTS

IPO

Subsequent to February 28, 2026, the Company consummated its IPO on May 15, 2026, pursuant to which the Company issued 2,850,000 American Depositary Shares ("ADSs"), each representing one ordinary share, at a public offering price of \$8.00 per ADS. The IPO generated gross proceeds of approximately JPY3,557.9 million (\$22.8 million) and net proceeds of approximately JPY3,245.8 million (\$20.8 million), after deducting underwriting discounts, non-accountable expense allowance and offering expenses payable by the Company.

Full Exercise of Over-Allotment Option

On May 20, 2026, A.G.P./Alliance Global Partners, as the underwriter, fully exercised its over-allotment option to purchase an additional 427,500 ADSs, each representing one ordinary share, at the public offering price of \$8.00 per ADS. The sale of the additional ADSs closed on May 27, 2026 and generated additional gross proceeds of approximately JPY530.6 million (\$3.4 million) and additional net proceeds of approximately JPY483.8 million (\$3.1 million), after deducting underwriting discounts, non-accountable expenses and other amounts payable at closing.

Following the full exercise of the over-allotment option, the Company issued and sold an aggregate of 3,277,500 ADSs in the IPO, resulting in aggregate gross proceeds of approximately JPY4,088.5 million (\$26.2 million) and aggregate net proceeds of approximately JPY3,729.6 million (\$23.9 million), after deducting underwriting discounts, non-accountable expense allowance, offering expenses payable by the Company and other amounts payable at closing.

The Company evaluated all events and transactions from February 28, 2026 up through June 30, 2026, which is the date that these consolidated financial statements are available to be issued. Other than the event disclosed above and in Note 12, no other subsequent events have occurred that would require recognition or disclosure in the Company's consolidated financial statements.

Articles of Incorporation

(Amended as of May 14, 2026)

Micware Co., Ltd

Chapter 1 General Provisions

Article 1 (Trade Name)

The name of the Company shall be **Kabushiki Kaisha Micware**, and in English it shall be expressed as **Micware Co., Ltd.**

Article 2 (Purpose)

The purpose of the Company shall be to engage in the following businesses and to control and manage the business activities of companies (including foreign companies) or other entities equivalent thereto by owning shares or equity interests therein:

1. Planning, development, manufacture, and sale of computer systems
2. Consulting services related to the planning and manufacture of computer systems
3. Contracted information processing services using computers and services incidental thereto
4. Sale, export, and import of computer peripheral devices and components
5. Publishing activities related to computer systems
6. Planning and production of computer graphics
7. Education, training, and support for suppliers and users of computers and computer systems
8. Telecommunications business, information provision services, and contracted services related thereto
9. Consulting services related to telecommunications business
10. Planning, production, management, operation, sale, and production of various applications and web services using the Internet
11. Planning, design, production, sale, operation, maintenance, and management of websites, web content, and web applications
12. Planning, production, development, sale, operation, and management of applications for smartphones and tablet devices
13. Planning, development, design, production, sale, management, and maintenance of social applications
14. Planning, development, production, sale, maintenance, and management of digital content and application software
15. Agency sales of software
16. Ownership, management, and leasing of real estate
17. Travel agency business pursuant to the Travel Agency Act
18. Management and business guidance for subsidiaries and affiliated companies
19. All businesses incidental or related to the foregoing items

Article 3 (Location of Head Office)

The head office of the Company shall be located in **Chuo-ku, Kobe City**.

Article 4 (Method of Public Notice)

1. Public notices of the Company shall be given by electronic public notice. Notices of the Company's financial results shall be made by electronic public notice, and all other public notices shall be published in the Nikkan Kogyo Shimbun.
2. If the Company is unable to give an electronic public notice due to an accident or any other unavoidable reason, such notice shall be published in the Nikkan Kogyo Shimbun.

Chapter 2 Shares**Article 5 (Total Number of Authorized Shares)**

The total number of authorized shares of the Company shall be **125,320,000 shares**.

Article 6 (Non-Issuance of Share Certificates)

The Company shall not issue share certificates for the shares it issues.

Article 7 (Shareholder Registry Administrator)

1. The Company shall appoint a shareholder registry administrator.
2. The shareholder registry administrator and its place of business shall be determined by resolution of the Board of Directors.
3. The preparation and maintenance of the shareholder registry and the stock acquisition rights registry, as well as all other administrative matters relating thereto, shall be entrusted to the shareholder registry administrator, and the Company shall not handle such matters directly.

Article 8 (Demand for Sale of Shares from Heirs, etc.)

The Company may demand that any person who acquires shares of the Company through inheritance or other general succession sell such shares to the Company.

Article 9 (Granting Rights to Receive Allocation of Shares, etc.)

When the Company grants shareholders the right to receive an allocation of shares (including treasury shares) or stock acquisition rights in connection with the solicitation of persons to subscribe for such shares or stock acquisition rights, the determination of the offering terms, the granting of such rights, and the subscription period may be made by resolution of the Board of Directors.

Article 10 (Regulations on Handling of Shares)

Matters concerning the handling of shares of the Company and related fees shall be governed by laws and regulations, these Articles of Incorporation, and the regulations on the handling of shares established by the Board of Directors.

Chapter 3 Shareholders' Meetings**Article 11 (Record Date)**

The record date for the exercise of voting rights at the annual shareholders' meeting shall be the last day of February each year.

Article 12 (Convocation and Convener)

1. The annual shareholders' meeting shall be convened within three months after the day following the end of each business year, and extraordinary shareholders' meetings shall be convened as necessary.
2. Except as otherwise provided by laws and regulations, shareholders' meetings shall be convened by the Representative Director.

Article 13 (Notice of Convocation)

Notice of convocation of a shareholders' meeting shall be given to shareholders entitled to exercise voting rights with respect to the matters to be resolved at such shareholders' meeting no later than two (2) weeks prior to the date of the meeting.

Article 14 (Chairperson)

1. The chairperson of a shareholders' meeting shall be the Representative Director. In the event of an accident or inability of the Representative Director, another Director shall act as chairperson in the order determined in advance by the Board of Directors.
2. The chairperson shall maintain order at the meeting and conduct the proceedings.

Article 15 (Resolutions)

1. Except as otherwise provided by laws, regulations, or these Articles of Incorporation, resolutions of a shareholders' meeting shall be adopted by a majority of the voting rights of shareholders present.
2. Resolutions as provided in Article 309, Paragraph 2 of the Companies Act shall be adopted by shareholders holding at least one-third of the voting rights of all shareholders entitled to exercise voting rights, with approval by at least two-thirds of the voting rights of the shareholders present.

Article 16 (Exercise of Voting Rights by Proxy)

1. A shareholder may exercise its voting rights by proxy by appointing one other shareholder of the Company who holds voting rights.
2. A shareholder or proxy shall submit to the Company a document evidencing such proxy authority for each shareholders' meeting.

Article 17 (Minutes)

Minutes of shareholders' meetings shall be prepared stating the date and time, place, officers present, an outline of the proceedings and results thereof, and other matters prescribed by Ordinance of the Ministry of Justice, and shall be signed and sealed by the chairperson and the Directors present, and kept by the Company for ten (10) years from the date of the meeting.

Chapter 4 Directors and Board of Directors**Article 18 (Establishment of Board of Directors)**

The Company shall establish a Board of Directors.

Article 19 (Number of Directors)

The Company shall have **three (3) or more Directors**.

Article 20 (Resolution for Appointment)

Directors shall be appointed at a shareholders' meeting by shareholders holding at least one-third of the total voting rights of all shareholders, by a majority of the voting rights represented at the meeting.

Article 21 (Term of Office)

The term of office of Directors shall expire at the conclusion of the annual shareholders' meeting for the final business year ending within two (2) years after their appointment. The term of office of any Director appointed as a substitute or additional Director shall be the remaining term of the other Directors.

Article 22 (Representative Director)

The Representative Director(s) of the Company shall be determined by resolution of the Board of Directors.

Article 23 (Convener and Chairperson of Board of Directors)

Except as otherwise provided by laws and regulations, the Board of Directors shall be convened and chaired by the Representative Director. In the event of an accident or inability of the Representative Director, another Director shall act in the order determined in advance by the Board of Directors.

Article 24 (Notice of Convocation)

Notice of convocation of a Board of Directors meeting shall be given at least three (3) days prior to the meeting date; provided, however, that this period may be shortened in case of urgent necessity.

Article 25 (Resolutions)

1. Resolutions of the Board of Directors shall be adopted by a majority of the Directors present, provided that a majority of all Directors entitled to vote are present. A Director having a special interest in a resolution shall not exercise voting rights thereon.
2. When the requirements of Article 370 of the Companies Act are satisfied, the Company shall deem that a resolution of the Board of Directors has been adopted.

Article 26 (Minutes)

Minutes of meetings of the Board of Directors shall be prepared stating an outline of the proceedings and results thereof and other matters prescribed by Ordinance of the Ministry of Justice, and shall be signed and sealed by the chairperson, Directors present, and Corporate Auditors, and kept by the Company for ten (10) years.

Article 27 (Remuneration)

The remuneration, bonuses, and other economic benefits received from the Company as consideration for execution of duties by Directors (hereinafter referred to as "Remuneration, etc.") shall be determined by resolution of the shareholders' meeting.

Article 28 (Limitation or Partial Exemption of Directors' Liability)

1. With respect to the liability of a Director prescribed in Article 423, Paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt such Director from liability within the scope permitted under Article 425, Paragraph 1 of the Companies Act, if the Director acted in good faith and without gross negligence in the performance of his or her duties, and if the requirements prescribed by applicable laws and regulations are satisfied, including where such exemption is deemed particularly necessary in light of the circumstances giving rise to the liability, the manner in which the Director performed his or her duties, and other relevant circumstances.
2. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may enter into agreements with Directors (excluding executive Directors, etc.) to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of such liability shall be the amount prescribed by laws and regulations.

Chapter 5 Corporate Auditors and Board of Corporate Auditors**Article 29 (Establishment of Board of Corporate Auditors)**

The Company shall establish a Board of Corporate Auditors.

Article 30 (Number of Corporate Auditors)

The Company shall have **three (3) or more Corporate Auditors**.

Article 31 (Resolution for Appointment)

Corporate Auditors shall be appointed at a shareholders' meeting by shareholders holding at least one-third of the total voting rights of all shareholders, by a majority of the voting rights represented at the meeting.

Article 32 (Term of Office)

The term of office of Corporate Auditors shall expire at the conclusion of the annual shareholders' meeting for the final business year ending within four (4) years after their appointment. The term of office of a substitute Corporate Auditor shall be until the expiration of the term of the replaced Corporate Auditor.

Article 33 (Full-Time Corporate Auditor)

The Board of Corporate Auditors shall select one or more full-time Corporate Auditors from among its members by resolution.

Article 34 (Notice of Convocation)

1. Notice of convocation of a Board of Corporate Auditors meeting shall be given at least three (3) days prior to the meeting date; provided, however, that this period may be shortened in case of urgent necessity.
2. A Board of Corporate Auditors meeting may be held without following convocation procedures if all Corporate Auditors consent thereto.

Article 35 (Method of Resolution)

Except as otherwise provided by laws and regulations, resolutions of the Board of Corporate Auditors shall be adopted by a majority of the Corporate Auditors.

Article 36 (Minutes)

Minutes of meetings of the Board of Corporate Auditors shall be prepared or recorded stating an outline of the proceedings and results thereof and other matters prescribed by laws and regulations, and shall be signed and sealed or electronically signed by the Corporate Auditors present.

Article 37 (Regulations of Board of Corporate Auditors)

Matters concerning the Board of Corporate Auditors shall be governed by laws, regulations, these Articles of Incorporation, and the regulations of the Board of Corporate Auditors established by the Board of Corporate Auditors.

Article 38 (Remuneration)

The Remuneration, etc. of Corporate Auditors shall be determined by resolution of the shareholders' meeting.

Article 39 (Limitation or Partial Exemption of Corporate Auditors' Liability)

1. With respect to the liability of a Corporate Auditor prescribed in Article 423, Paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt such Corporate Auditor from liability within the scope permitted under Article 425, Paragraph 1 of the Companies Act, if the Corporate Auditor acted in good faith and without gross negligence in the performance of his or her duties, and if the requirements prescribed by applicable laws and regulations are satisfied, including where such exemption is deemed particularly necessary in light of the circumstances giving rise to the liability, the manner in which the Corporate Auditor performed his or her duties, and other relevant circumstances.
2. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may enter into agreements with Corporate Auditors to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of such liability shall be the amount prescribed by laws and regulations.

Chapter 6 Accounting**Article 40 (Business Year)**

The business year of the Company shall commence on **March 1** of each year and end on the last day of **February** of the following year.

Article 41 (Dividends of Surplus)

1. Dividends of surplus shall be paid to shareholders or registered pledgees of shares recorded or registered in the final shareholder registry as of the end of each business year.
2. If dividends of surplus are not claimed within three (3) years from the date on which payment is made available, the Company shall be released from its obligation to pay such dividends, and no interest shall accrue on unpaid dividends.

MICWARE CO., LTD.

AND

THE BANK OF NEW YORK MELLON

As Depositary

AND

OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

Deposit Agreement

May 13, 2026

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DEPOSIT AGREEMENT

DEPOSIT AGREEMENT dated as of May 13, 2026 among MICWARE CO., LTD., a joint-stock corporation with limited liability incorporated under the laws of Japan (herein called the Company), THE BANK OF NEW YORK MELLON, a New York banking corporation (herein called the Depositary), and all Owners and Holders (each as hereinafter defined) from time to time of American Depositary Shares issued hereunder.

WITNESSETH:

WHEREAS, the Company desires to provide, as set forth in this Deposit Agreement, for the deposit of Shares (as hereinafter defined) of the Company from time to time with the Depositary or with the Custodian (as hereinafter defined) under this Deposit Agreement, for the creation of American Depositary Shares representing the Shares so deposited and for the execution and delivery of American Depositary Receipts evidencing the American Depositary Shares; and

WHEREAS, the American Depositary Receipts are to be substantially in the form of Exhibit A annexed to this Deposit Agreement, with appropriate insertions, modifications and omissions, as set forth in this Deposit Agreement;

NOW, THEREFORE, in consideration of the premises, it is agreed by and between the parties hereto as follows:

ARTICLE 1 DEFINITIONS

The following definitions shall for all purposes, unless otherwise clearly indicated, apply to the respective terms used in this Deposit Agreement:

SECTION 1.1. American Depositary Shares.

The term “American Depositary Shares” shall mean the securities created under this Deposit Agreement representing rights with respect to the Deposited Securities. American Depositary Shares may be certificated securities evidenced by Receipts or uncertificated securities. The form of Receipt annexed as Exhibit A to this Deposit Agreement shall be the prospectus required under the Securities Act of 1933 for sales of both certificated and uncertificated American Depositary Shares. Except for those provisions of this Deposit Agreement that refer specifically to Receipts, all the provisions of this Deposit Agreement shall apply to both certificated and uncertificated American Depositary Shares.

Each American Depositary Share shall represent the number of Shares specified in Exhibit A to this Deposit Agreement, except that, if there is a distribution upon Deposited Securities covered by Section 4.3, a change in Deposited Securities covered by Section 4.8 with respect to which additional American Depositary Shares are not delivered or a sale of Deposited Securities under Section 3.2 or 4.8, each American Depositary Share shall thereafter represent the amount of Shares or other Deposited Securities that are then on deposit per American Depositary Share after giving effect to that distribution, change or sale.

SECTION 1.2. Commission.

The term “Commission” shall mean the Securities and Exchange Commission of the United States or any successor governmental agency in the United States.

SECTION 1.3. Company.

The term “Company” shall mean Micware Co., Ltd., a joint-stock corporation with limited liability incorporated under the laws of Japan, and its successors.

SECTION 1.4. Custodian.

The term “Custodian” shall mean MUFG Bank Ltd., as custodian for the Depositary in Japan for the purposes of this Deposit Agreement, and any other firm or corporation the Depositary appoints under Section 5.5 as a substitute or additional custodian under this Deposit Agreement, and shall also mean all of them collectively.

SECTION 1.5. Deliver; Surrender.

(a) The term “deliver”, or its noun form, when used with respect to Shares or other Deposited Securities, shall mean (i) book-entry transfer of those Shares or other Deposited Securities to an account maintained by an institution authorized under applicable law to effect transfers of such securities designated by the person entitled to that delivery or (ii) physical transfer of certificates evidencing those Shares or other Deposited Securities registered in the name of, or duly endorsed or accompanied by proper instruments of transfer to, the person entitled to that delivery.

(b) The term “deliver”, or its noun form, when used with respect to American Depositary Shares, shall mean (i) registration of those American Depositary Shares in the name of DTC or its nominee and book-entry transfer of those American Depositary Shares to an account at DTC designated by the person entitled to that delivery, (ii) registration of those American Depositary Shares not evidenced by a Receipt on the books of the Depositary in the name requested by the person entitled to that delivery and mailing to that person of a statement confirming that registration or (iii) if requested by the person entitled to that delivery, execution and delivery at the Depositary’s Office to the person entitled to that delivery of one or more Receipts evidencing those American Depositary Shares registered in the name requested by that person.

(c) The term “surrender”, when used with respect to American Depositary Shares, shall mean (i) one or more book-entry transfers of American Depositary Shares to the DTC account of the Depositary, (ii) delivery to the Depositary at its Office of an instruction to surrender American Depositary Shares not evidenced by a Receipt or (iii) surrender to the Depositary at its Office of one or more Receipts evidencing American Depositary Shares.

SECTION 1.6. Deposit Agreement.

The term “Deposit Agreement” shall mean this Deposit Agreement, as it may be amended from time to time in accordance with the provisions of this Deposit Agreement.

SECTION 1.7. Depository; Depository's Office.

The term “Depository” shall mean The Bank of New York Mellon, a New York banking corporation, and any successor as depository under this Deposit Agreement. The term “Office”, when used with respect to the Depository, shall mean the office at which its depository receipts business is administered, which, at the date of this Deposit Agreement, is located at 240 Greenwich Street, New York, New York 10286.

SECTION 1.8. Deposited Securities.

The term “Deposited Securities” as of any time shall mean Shares at such time deposited or deemed to be deposited under this Deposit Agreement, including without limitation, Shares that have not been successfully delivered upon surrender of American Depositary Shares, and any and all other securities, property and cash received by the Depository or the Custodian in respect of Deposited Securities and at that time held under this Deposit Agreement.

SECTION 1.9. Disseminate.

The term “Disseminate,” when referring to a notice or other information to be sent by the Depository to Owners, shall mean (i) sending that information to Owners in paper form by mail or another means or (ii) with the consent of Owners, another procedure that has the effect of making the information available to Owners, which may include (A) sending the information by electronic mail or electronic messaging or (B) sending in paper form or by electronic mail or messaging a statement that the information is available and may be accessed by the Owner on an Internet website and that it will be sent in paper form upon request by the Owner, when that information is so available and is sent in paper form as promptly as practicable upon request.

SECTION 1.10. Dollars.

The term “Dollars” shall mean United States dollars.

SECTION 1.11. DTC.

The term “DTC” shall mean The Depository Trust Company or its successor.

SECTION 1.12. FEFTA; FEFTA Covered Entities; FEFTA Designated Business; Foreign Investor.

The term “FEFTA” shall mean the Japanese Foreign Exchange and Foreign Trade Act and related regulations.

The term “FEFTA Covered Entities” shall mean (i) the Company, (ii) its subsidiaries formed under Japanese law or having primary place of business in Japan, and (iii) any other entities with respect to which the Company and its subsidiaries collectively hold 50% or more of voting rights.

The term “FEFTA Designated Business” shall mean any business which would, if not utilizing the “prior notification exemption system” (*jizen todokede menjo seido*), require a Foreign Investor to submit a notification to the applicable Japanese governmental authorities prior to its “inward direct investment, etc.” (*tainai chokusetsu toshi tou*) or “specific acquisition” (*tokutei shutoku*), each as defined in the FEFTA, relating to the Company pursuant to Article 27, Paragraph 1 of FEFTA or Article 28, Paragraph 1 of FEFTA.

The term “Foreign Investor” shall mean a foreign investor (*gaikoku toshika*) as defined in FEFTA.

SECTION 1.13. Foreign Registrar.

The term “Foreign Registrar” shall mean the entity that carries out the duties of registrar for the Shares and any other agent of the Company for the transfer and registration of Shares, including, without limitation, any securities depository for the Shares.

SECTION 1.14. Holder.

The term “Holder” shall mean any person holding a Receipt or a security entitlement or other interest in American Depositary Shares, whether for its own account or for the account of another person, but that is not the Owner of that Receipt or those American Depositary Shares.

SECTION 1.15. Owner.

The term “Owner” shall mean the person in whose name American Depositary Shares are registered on the books of the Depository maintained for that purpose.

SECTION 1.16. Receipts.

The term “Receipts” shall mean the American Depositary Receipts issued under this Deposit Agreement evidencing certificated American Depositary Shares, as the same may be amended from time to time in accordance with the provisions of this Deposit Agreement.

SECTION 1.17. Registrar.

The term “Registrar” shall mean any corporation or other entity that is appointed by the Depository to register American Depositary Shares and transfers of American Depositary Shares as provided in this Deposit Agreement.

SECTION 1.18. Replacement.

The term “Replacement” shall have the meaning assigned to it in Section 4.8.

SECTION 1.19. Restricted Securities.

The term “Restricted Securities” shall mean Shares that (i) are “restricted securities,” as defined in Rule 144 under the Securities Act of 1933, except for Shares that could be resold in reliance on Rule 144 without any conditions, (ii) are beneficially owned by an officer, director (or person performing similar functions) or other affiliate of the Company, (iii) otherwise would require registration under the Securities Act of 1933 in connection with the public offer and sale thereof in the United States or (iv) are subject to other restrictions on sale or deposit under the laws of Japan, a shareholder agreement or the articles of incorporation or similar document of the Company.

SECTION 1.20. Securities Act of 1933.

The term “Securities Act of 1933” shall mean the United States Securities Act of 1933, as from time to time amended.

SECTION 1.21. Shares.

The term “Shares” shall mean ordinary shares of the Company that are validly issued and outstanding, fully paid and nonassessable and that were not issued in violation of any pre-emptive or similar rights of the holders of outstanding securities of the Company; provided, however, that, if there shall occur any change in nominal or par value, a split-up or consolidation or any other reclassification or, upon the occurrence of an event described in Section 4.8, an exchange or conversion in respect of the Shares of the Company, the term “Shares” shall thereafter also mean the successor securities resulting from such change in nominal value, split-up or consolidation or such other reclassification or such exchange or conversion.

SECTION 1.22. SWIFT.

The term “SWIFT” shall mean the financial messaging network operated by the Society for Worldwide Interbank Financial Telecommunication, or its successor.

SECTION 1.23. Termination Option Event.

The term “Termination Option Event” shall mean any of the following events or conditions:

(i) the Company institutes proceedings to be adjudicated as bankrupt or insolvent, consents to the institution of bankruptcy or insolvency proceedings against it, files a petition or answer or consent seeking reorganization or relief under any applicable law in respect of bankruptcy or insolvency, consents to the filing of any petition of that kind or to the appointment of a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of it or any substantial part of its property or makes an assignment for the benefit of creditors, or if information becomes publicly available indicating that unsecured claims against the Company are not expected to be paid;

(ii) *[Intentionally Omitted]*;

(iii) the American Depositary Shares are delisted from a stock exchange in the United States on which the American Depositary Shares were listed and, 30 days after that delisting, the American Depositary Shares have not been listed on another stock exchange in the United States, nor is there a symbol available for over-the-counter trading of the American Depositary Shares in the United States;

(iv) the Depositary has received notice of facts that indicate, or otherwise has reason to believe, that the American Depositary Shares have become, or with the passage of time will become, ineligible for registration on Form F-6 under the Securities Act of 1933; or

(v) an event or condition that is defined as a Termination Option Event in Section 4.1, 4.2 or 4.8.

ARTICLE 2 FORM OF RECEIPTS, DEPOSIT OF SHARES, DELIVERY, TRANSFER AND SURRENDER OF AMERICAN DEPOSITARY SHARES

SECTION 2.1. Form of Receipts; Registration and Transferability of American Depositary Shares.

Definitive Receipts shall be substantially in the form set forth in Exhibit A to this Deposit Agreement, with appropriate insertions, modifications and omissions, as permitted under this Deposit Agreement. No Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose, unless that Receipt has been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or the Registrar or a co-registrar. The Depositary shall maintain books on which (x) each Receipt so executed and delivered as provided in this Deposit Agreement and each transfer of that Receipt and (y) all American Depositary Shares delivered as provided in this Deposit Agreement and all registrations of transfer of American Depositary Shares, shall be registered. A Receipt bearing the facsimile signature of a person that was at any time a proper officer of the Depositary shall, subject to the other provisions of this paragraph, bind the Depositary, even if that person was not a proper officer of the Depositary on the date of issuance of that Receipt.

The Receipts and statements confirming registration of American Depositary Shares may have incorporated in or attached to them such legends or recitals or modifications not inconsistent with the provisions of this Deposit Agreement as may be required by the Depositary or required to comply with any applicable law or regulations thereunder or with the rules and regulations of any securities exchange upon which American Depositary Shares may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts and American Depositary Shares are subject by reason of the date of issuance of the underlying Deposited Securities or otherwise.

American Depositary Shares evidenced by a Receipt, when the Receipt is properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of the State of New York. American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of the State of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under this Deposit Agreement to any Holder of American Depositary Shares (but only to the Owner of those American Depositary Shares).

SECTION 2.2. Deposit of Shares.

(a) Subject to the terms and conditions of this Deposit Agreement, Shares or evidence of rights to receive Shares may be deposited under this Deposit Agreement by delivery thereof to any Custodian, accompanied by any appropriate instruments or instructions for transfer, or endorsement, in form satisfactory to the Custodian.

As conditions of accepting Shares for deposit, the Depositary may require (i) any certification required by the Depositary or the Custodian in accordance with the provisions of this Deposit Agreement, (ii) a written order directing the Depositary to deliver to, or upon the written order of, the person or persons stated in that order American Depositary Shares representing those deposited Shares, (iii) evidence satisfactory to the Depositary that those Shares have been re-registered in the books of the Company or the Foreign Registrar in the name of the Depositary, a Custodian or a nominee of the Depositary or a Custodian, (iv) evidence satisfactory to the Depositary that any necessary approval for the transfer or deposit has been granted by any governmental body in each applicable jurisdiction and (v) an agreement or assignment, or other instrument satisfactory to the Depositary, that provides for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional Shares or to receive other property, that any person in whose name those Shares are or have been recorded may thereafter receive upon or in respect of those Shares, or, in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depositary.

At the request and risk and expense of a person proposing to deposit Shares, and for the account of that person, the Depositary may receive certificates for Shares to be deposited, together with the other instruments specified in this Section, for the purpose of forwarding those Share certificates to the Custodian for deposit under this Deposit Agreement.

(b) The Company shall notify the Depositary of any FEFTA Designated Business in which any FEFTA Covered Entity engages or has a plan to engage as of the date of this Deposit Agreement and shall notify the Depositary promptly of any change or anticipated change in the FEFTA Designated Businesses, if any, in which any FEFTA Covered Entity is engaged and shall warrant to the Depositary that the information in any notice of that kind is complete and correct. Accordingly, persons wishing to deposit Shares shall contact the Depositary to find out if a FEFTA pre-notification requirement applies.

If the Depositary has received notice from the Company that any FEFTA Covered Entity is engaging, or has a plan to engage, in any FEFTA Designated Business, the following provisions shall apply to deposits of Shares:

The Depositary shall be required to submit a pre-notification to the applicable Japanese governmental authorities to accept the Shares for deposit, and the Depositary must not accept the Shares for deposit unless the statutory waiting period of 30 days (subject to acceleration or extension up to 5 months) following the pre-notification has expired in accordance with FEFTA without the applicable Japanese governmental authorities having issued any recommendation or order requesting or ordering suspension of, or amendment to the terms of, the acceptance of the Shares for deposit (such expiry of the statutory waiting period, the “FEFTA Clearance”). Further, if the Depositary submits a pre-notification, secures the FEFTA Clearance and accepts the Shares for deposit, the Depositary shall be required to report that acceptance to the applicable Japanese governmental authorities within 45 days of the acceptance.

If the Depositary has received notice from the Company that no FEFTA Covered Entity is engaging, or has a plan to engage, in any FEFTA Designated Business, the following provisions shall apply to deposits of Shares:

The Depositary shall be required to report to the applicable Japanese governmental authorities within 45 days after accepting Shares for deposit if, after giving effect to such deposit, the Depositary, together with its closely related parties, would hold ten percent or more of the Company's share capital or voting rights.

Accordingly, the Company shall notify the Depositary, as of the date of a notice to the effect that no FEFTA Covered Entity is engaging, or has a plan to engage, in any FEFTA Designated Business, as to the number of Shares that would constitute ten percent of the Company's share capital or voting rights and, thereafter, shall notify the Depositary of any change in that number.

(c) The Company agrees to reimburse the Depositary for its expenses, including fees and expenses of counsel, for making any required pre-notifications or reports to Japanese governmental authorities before or after accepting any deposit of Shares.

(d) The Depositary shall instruct each Custodian that, upon each delivery to a Custodian of a certificate or certificates for Shares to be deposited under this Deposit Agreement, together with the other documents specified in this Section, that Custodian shall, as soon as transfer and recordation can be accomplished, present that certificate or those certificates to the Company or the Foreign Registrar, if applicable, for transfer and recordation of the Shares being deposited in the name of the Depositary or its nominee or that Custodian or its nominee.

(e) Deposited Securities shall be held by the Depositary or by a Custodian for the account and to the order of the Depositary or at such other place or places as the Depositary shall determine.

(f) The Depositary shall use reasonable efforts to comply with written instructions of the Company to not accept for deposit under this Deposit Agreement any Shares identified in such instructions at such time and under such circumstances as may reasonably be specified in such instructions in order to facilitate the Company's compliance with the securities laws in the United States or other applicable jurisdiction.

SECTION 2.3. Delivery of American Depositary Shares.

The Depositary shall instruct each Custodian that, upon receipt by that Custodian of any deposit pursuant to Section 2.2, together with the other documents or evidence required under that Section, that Custodian shall notify the Depositary of that deposit and the person or persons to whom or upon whose written order American Depositary Shares are deliverable in respect thereof. Upon receiving a notice of a deposit from a Custodian, or upon the receipt of Shares or evidence of the right to receive Shares by the Depositary, or to the extent there are insufficient outstanding American Depositary Shares in respect of the amount of Shares on deposit with the Custodian as a result of a decrease in the number of Shares represented by one American Depositary Share, the Depositary, subject to the terms and conditions of this Deposit Agreement, shall deliver, to or upon the order of the person or persons entitled thereto, the number of American Depositary Shares issuable in respect of that deposit or change in the ratio of Shares per American Depositary Share, but only upon payment to the Depositary of the fees and expenses of the Depositary for the delivery of those American Depositary Shares as provided in Section 5.9, and of all taxes and governmental charges and fees payable in connection with that deposit and the transfer of the deposited Shares. However, the Depositary shall deliver only whole numbers of American Depositary Shares.

SECTION 2.4. Registration of Transfer of American Depositary Shares; Combination and Split-up of Receipts; Interchange of Certificated and Uncertificated American Depositary Shares.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall register a transfer of American Depositary Shares on its transfer books upon (i) in the case of certificated American Depositary Shares, surrender of the Receipt evidencing those American Depositary Shares, by the Owner or by a duly authorized attorney, properly endorsed or accompanied by proper instruments of transfer or (ii) in the case of uncertificated American Depositary Shares, receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 5.9), and, in either case, duly stamped as may be required by the laws of the State of New York and of the United States of America. Upon registration of a transfer, the Depositary shall deliver the transferred American Depositary Shares to or upon the order of the person entitled thereto.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts, execute and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel the Receipt evidencing those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.9) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and register and deliver to the Owner a Receipt evidencing the same number of certificated American Depositary Shares.

The Depositary may appoint one or more co-transfer agents for the purpose of effecting registration of transfers of American Depositary Shares and combinations and split-ups of Receipts at designated transfer offices on behalf of the Depositary, and the Depositary shall notify the Company as promptly as practicable if it makes an appointment of that kind. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by Owners or persons entitled to American Depositary Shares and will be entitled to protection and indemnity to the same extent as the Depositary.

SECTION 2.5. Surrender of American Depositary Shares and Withdrawal of Deposited Securities.

(a) Upon surrender of American Depositary Shares for the purpose of withdrawal of the Deposited Securities represented thereby and payment of the fee of the Depositary for the surrender of American Depositary Shares as provided in Section 5.9 and payment of all taxes and governmental charges payable in connection with that surrender and withdrawal of the Deposited Securities, and subject to the terms and conditions of this Deposit Agreement, the Owner of those American Depositary Shares shall be entitled to delivery (to the extent delivery can then be lawfully and practicably made), to or as instructed by that Owner, of the amount of Deposited Securities at the time represented by those American Depositary Shares, but not any money or other property as to which a record date for distribution to Owners has passed (since money or other property of that kind will be delivered or paid on the scheduled payment date to the Owner as of that record date), and except that the Depositary shall not be required to accept surrender of American Depositary Shares for the purpose of withdrawal to the extent it would require delivery of a fraction of a Deposited Security. That delivery shall be made, as provided in this Section, without unreasonable delay.

(b) If any FEFTA Covered Entity is engaging or has a plan to engage in any FEFTA Designated Business relating to “specific acquisition” (*tokutei shutoku*), as defined under FEFTA, any Foreign Investor expecting to receive delivery of Shares upon surrender of American Depositary Shares shall, unless it utilized the prior notification exemption system, be required to submit a pre-notification to the applicable Japanese governmental authorities and could not accept delivery of those Shares unless the FEFTA Clearance (as defined in Section 2.2) is secured. Accordingly, Owners wishing to surrender American Depositary Shares for the purpose of withdrawing Shares should contact the Depositary to find out if the requirement of pre-notification or use of the prior notification exemption system applies and, if that requirement applies and the person to whom the Owner intends to direct delivery of Shares cannot or chooses not to utilize the prior notification exemption system, must timely submit or advise the person to whom they intend to direct delivery of Shares to timely submit a pre-notification such that the FEFTA Clearance is obtained before the delivery of Shares and, if such pre-notification is submitted or the prior notification exemption system is used, the person to whom the Shares are delivered must report the acquisition to the applicable Japanese governmental authorities within 45 days following that delivery. The Depositary shall not accept surrender of American Depositary Shares for the purpose of withdrawal of Shares until it receives assurances satisfactory to it that any required pre-notification has been made to the applicable Japanese governmental authorities and that the FEFTA Clearance has been secured or the prior notification exemption system is used. Further, the Depositary shall be required to report to the applicable Japanese governmental authorities within 45 days after it delivers deposited Shares upon a surrender of American Depositary Shares if the Depositary ever submitted a pre-notification and secured a FEFTA Clearance with respect to any deposit of Shares under this Deposit Agreement.

(c) The Company agrees to reimburse the Depositary for its expenses, including fees and expenses of counsel, for making any reports required under paragraph (b) above.

(d) As a condition of accepting a surrender of American Depositary Shares for the purpose of withdrawal of Deposited Securities, the Depositary may require (i) that each surrendered Receipt be properly endorsed in blank or accompanied by proper instruments of transfer in blank and (ii) that the surrendering Owner execute and deliver to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be delivered to or upon the written order of a person or persons designated in that order.

(e) Thereupon, the Depositary shall direct the Custodian to deliver, subject to Sections 2.6, 3.1 and 3.2, the other terms and conditions of this Deposit Agreement and local market rules and practices, to the surrendering Owner or to or upon the written order of the person or persons designated in the order delivered to the Depositary as above provided, the amount of Deposited Securities represented by the surrendered American Depositary Shares, and the Depositary may charge the surrendering Owner a fee and its expenses for giving that direction by cable (including SWIFT) or facsimile transmission. The Company agrees not to prevent, hinder or unreasonably delay any lawful delivery or registration of transfer of Deposited Securities upon surrender of American Depositary Shares for the purpose of withdrawal.

(f) If Deposited Securities are delivered physically upon surrender of American Depositary Shares for the purpose of withdrawal, that delivery will be made at the Custodian's office, except that, at the request, risk and expense of an Owner surrendering American Depositary Shares for withdrawal of Deposited Securities, and for the account of that Owner, the Depositary shall direct the Custodian to forward any cash or other property comprising, and forward a certificate or certificates, if applicable, and other proper documents of title, if any, for, the Deposited Securities represented by the surrendered American Depositary Shares to the Depositary for delivery at the Depositary's Office or to another address specified in the order received from the surrendering Owner.

SECTION 2.6. Limitations on Delivery, Registration of Transfer and Surrender of American Depositary Shares.

As a condition precedent to the delivery, registration of transfer or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, Custodian or Registrar may require payment from the depositor of Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as provided in this Deposit Agreement, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of this Deposit Agreement, including, without limitation, this Section 2.6.

The Depositary may refuse to accept deposits of Shares for delivery of American Depositary Shares or to register transfers of American Depositary Shares in particular instances, or may suspend deposits of Shares or registration of transfer generally, whenever it or the Company considers it necessary or advisable to do so. The Depositary may refuse surrenders of American Depositary Shares for the purpose of withdrawal of Deposited Securities in particular instances, or may suspend surrenders for the purpose of withdrawal generally, but, notwithstanding anything to the contrary in this Deposit Agreement, only for (i) temporary delays caused by closing of the Depositary's register or the register of holders of Shares maintained by the Company or the Foreign Registrar, or the deposit of Shares, in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities or (iv) any other reason that, at the time, is permitted under paragraph I(A)(1) of the General Instructions to Form F-6 under the Securities Act of 1933 or any successor to that provision.

The Depositary shall not knowingly accept for deposit under this Deposit Agreement any Shares that, at the time of deposit, are Restricted Securities.

The Depositary shall notify the Company, as promptly as practicable, of any suspension or refusal under this Section that is outside the ordinary course of business.

SECTION 2.7. Lost Receipts, etc.

If a Receipt is mutilated, destroyed, lost or stolen, the Depositary shall deliver to the Owner the American Depositary Shares evidenced by that Receipt in uncertificated form or, if requested by the Owner, execute and deliver a new Receipt of like tenor in exchange and substitution for such mutilated Receipt, upon surrender and cancellation of that mutilated Receipt, or in lieu of and in substitution for that destroyed, lost or stolen Receipt. However, before the Depositary will deliver American Depositary Shares in uncertificated form or execute and deliver a new Receipt, in substitution for a destroyed, lost or stolen Receipt, the Owner must (a) file with the Depositary (i) a request for that replacement before the Depositary has notice that the Receipt has been acquired by a bona fide purchaser and (ii) a sufficient indemnity bond and (b) satisfy any other reasonable requirements imposed by the Depositary.

SECTION 2.8. Cancellation and Destruction of Surrendered Receipts; Cancellation of American Depositary Shares.

The Depositary shall cancel all Receipts surrendered to it. The Depositary may destroy cancelled Receipts. The Depositary agrees to maintain records of all Receipts surrendered and Deposited Securities withdrawn under Section 2.5, of substitute Receipts delivered under Section 2.7 and of cancelled or destroyed Receipts under this Section, in keeping with procedures ordinarily followed by stock transfer agents located in the United States. The Depositary may cancel American Depositary Shares, upon notice to the Owners, in accordance with Section 4.8 or to the extent there are insufficient deposited Shares in respect of the outstanding American Depositary Shares as a result of an increase in the number of Shares each American Depositary Share represents. If the Depositary cancels American Depositary Shares under the preceding sentence, it shall also call for surrender of the outstanding Receipts to be replaced with new Receipts evidencing the numbers of American Depositary Shares held by the Owners after that cancellation. Surrenders and cancellations of American Depositary Shares shall incur fees of the Depositary as provided in Section 5.9, and the Depositary may also require Owners or former Owners to pay taxes and governmental charges payable in connection therewith.

SECTION 2.9. DTC Direct Registration System and Profile Modification System.

(a) Notwithstanding the provisions of Section 2.4, the parties acknowledge that DTC's Direct Registration System ("DRS") and Profile Modification System ("Profile") apply to the American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC that facilitates interchange between registered holding of uncertificated securities and holding of security entitlements in those securities through DTC and a DTC participant. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of an Owner of American Depositary Shares, to direct the Depositary to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the Owner to register that transfer.

(b) In connection with DRS/Profile, the parties acknowledge that the Depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an Owner in requesting a registration of transfer and delivery as described in paragraph (a) above has the actual authority to act on behalf of that Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.3 and 5.8 apply to the matters arising from the use of the DRS/Profile. The parties agree that the Depositary's reliance on and compliance with instructions received by the Depositary through the DRS/Profile system and otherwise in accordance with this Deposit Agreement shall not constitute negligence or bad faith on the part of the Depositary.

ARTICLE 3 CERTAIN OBLIGATIONS OF OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

SECTION 3.1. Filing Proofs, Certificates and Other Information.

Any person presenting Shares for deposit or any Owner or Holder may be required from time to time to file with the Depositary or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem necessary or proper. The Depositary may withhold the delivery or registration of transfer of American Depositary Shares, the distribution of any dividend or other distribution or of the proceeds thereof or the delivery of any Deposited Securities until that proof or other information is filed or those certificates are executed or those representations and warranties are made.

SECTION 3.2. Liability of Owner for Taxes.

If any tax or other governmental charge shall become payable by the Custodian or the Depositary with respect to or in connection with any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares or in connection with a transaction to which Section 4.8 applies, that tax or other governmental charge shall be payable by the Owner of those American Depositary Shares to the Depositary. The Depositary may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until that payment is made, and may withhold any dividends or other distributions or the proceeds thereof, or may sell for the account of the Owner any part or all of the Deposited Securities represented by those American Depositary Shares and apply those dividends or other distributions or the net proceeds of any sale of that kind in payment of that tax or other governmental charge but, even after a sale of that kind, the Owner of those American Depositary Shares shall remain liable for any deficiency. The Depositary shall distribute any net proceeds of a sale made under this Section that are not used to pay taxes or governmental charges to the Owners entitled to them in accordance with Section 4.1. If the number of Shares represented by each American Depositary Share decreases as a result of a sale of Deposited Securities under this Section, the Depositary may call for surrender of the American Depositary Shares to be exchanged on a mandatory basis for a lesser number of American Depositary Shares and may sell American Depositary Shares to the extent necessary to avoid distributing fractions of American Depositary Shares in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

SECTION 3.3. Warranties on Deposit of Shares.

Every person depositing Shares under this Deposit Agreement shall be deemed thereby to represent and warrant that those Shares and each certificate therefor, if applicable, are validly issued, fully paid and nonassessable and were not issued in violation of any preemptive or similar rights of the holders of outstanding securities of the Company and that the person making that deposit is duly authorized so to do. Every depositing person shall also be deemed to represent that the Shares, at the time of deposit, are not Restricted Securities. All representations and warranties deemed made under this Section shall survive the deposit of Shares and delivery of American Depositary Shares.

SECTION 3.4. Disclosure of Interests.

When required in order to comply with applicable laws and regulations or the articles of incorporation or similar document of the Company, the Company may from time to time request each Owner and Holder to provide to the Depositary information relating to: (a) the capacity in which it holds American Depositary Shares, (b) the identity of any Holders or other persons or entities then or previously interested in those American Depositary Shares and the nature of those interests and (c) any other matter where disclosure of such matter is required for that compliance. Each Owner and Holder agrees to provide all information known to it in response to a request made pursuant to this Section. Each Holder consents to the disclosure by the Depositary and the Owner or any other Holder through which it holds American Depositary Shares, directly or indirectly, of all information responsive to a request made pursuant to this Section relating to that Holder that is known to that Owner or other Holder. The Depositary agrees to use reasonable efforts to comply with written instructions requesting that the Depositary forward any request authorized under this Section to the Owners and to forward to the Company any responses it receives in response to that request. The Depositary may charge the Company a fee and its expenses for complying with requests under this Section 3.4.

SECTION 4.1. Cash Distributions.

Whenever the Depositary receives any cash dividend or other cash distribution on Deposited Securities, the Depositary shall, subject to the provisions of Section 4.5, convert that dividend or other distribution into Dollars and distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Section 5.9) to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing those Deposited Securities held by them respectively; provided, however, that if the Custodian or the Depositary shall be required to withhold and does withhold from that cash dividend or other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the Owners of the American Depositary Shares representing those Deposited Securities shall be reduced accordingly. However, the Depositary will not pay any Owner a fraction of one cent, but will round each Owner's entitlement to the nearest whole cent.

The Company or its agent will remit to the appropriate governmental agency in each applicable jurisdiction all amounts withheld and owing to such agency.

If a cash distribution would represent a return of all or substantially all the value of the Deposited Securities underlying American Depositary Shares, the Depositary may:

(i) require payment of or deduct the fee for surrender of American Depositary Shares (whether or not it is also requiring surrender of American Depositary Shares) as a condition of making that cash distribution; or

(ii) sell all Deposited Securities other than the subject cash distribution and add any net cash proceeds of that sale to the cash distribution, call for surrender of all those American Depositary Shares and require that surrender as a condition of making that cash distribution.

If the Depositary acts under this paragraph, that action shall also be a Termination Option Event.

SECTION 4.2. Distributions Other Than Cash, Shares or Rights.

Subject to the provisions of Sections 4.11 and 5.9, whenever the Depositary receives any distribution other than a distribution described in Section 4.1, 4.3 or 4.4 on Deposited Securities (but not in exchange for or in conversion or in lieu of Deposited Securities), the Depositary shall cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary and any taxes or other governmental charges, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, in any manner that the Depositary may reasonably deem equitable and practicable for accomplishing that distribution (which may be a distribution of depositary shares representing the securities received); provided, however, that if in the opinion of the Depositary, after consultation with the Company to the extent practicable, such distribution cannot be made proportionately among the Owners entitled thereto, or if for any other reason (including, but not limited to, any requirement that the Company or the Depositary withhold an amount on account of taxes or other governmental charges or that securities received must be registered under the

Securities Act of 1933 in order to be distributed to Owners or Holders) the Depositary deems such distribution not to be lawful and feasible, the Depositary may, after consultation with the Company to the extent practicable, adopt such other method as it may reasonably deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and distribution of the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Section 5.9) to the Owners entitled thereto, all in the manner and subject to the conditions set forth in Section 4.1. The Depositary may withhold any distribution of securities under this Section 4.2 if it has not received reasonably satisfactory assurances from the Company that the distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Section 4.2 that is sufficient to pay its fees and expenses in respect of that distribution.

If a distribution to be made under this Section 4.2 would represent a return of all or substantially all the value of the Deposited Securities underlying American Depositary Shares, the Depositary may, after consultation with the Company to the extent practicable:

(i) require payment of or deduct the fee for surrender of American Depositary Shares (whether or not it is also requiring surrender of American Depositary Shares) as a condition of making that distribution; or

(ii) sell all Deposited Securities other than the subject distribution and add any net cash proceeds of that sale to the distribution, call for surrender of all those American Depositary Shares and require that surrender as a condition of making that distribution.

If the Depositary acts under this paragraph, that action shall also be a Termination Option Event.

SECTION 4.3. Distributions in Shares.

Whenever the Depositary receives any distribution on Deposited Securities consisting of a dividend in, or free distribution of, Shares, the Depositary may deliver to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing those Deposited Securities held by them respectively, an aggregate number of American Depositary Shares representing the amount of Shares received as that dividend or free distribution, subject to the terms and conditions of this Deposit Agreement with respect to the deposit of Shares and issuance of American Depositary Shares, including withholding of any tax or governmental charge as provided in Section 4.11 and payment of the fees and expenses of the Depositary as provided in Section 5.9 (and the Depositary may sell, by public or private sale, an amount of the Shares received (or American Depositary Shares representing those Shares) sufficient to pay its fees and expenses in respect of that distribution). In lieu of delivering fractional American Depositary Shares, the Depositary may sell the amount of Shares represented by the aggregate of those fractions (or American Depositary Shares representing those Shares) and distribute the net proceeds, all in the manner and subject to the conditions described in Section 4.1. If and to the extent that additional American Depositary Shares are not delivered and Shares or American Depositary Shares are not sold, each American Depositary Share shall thenceforth also represent the additional Shares distributed on the Deposited Securities represented thereby.

If the Company declares a distribution in which holders of Deposited Securities have a right to elect whether to receive cash, Shares or other securities or a combination of those things, or a right to elect to have a distribution sold on their behalf, the Depositary may, after consultation with the Company, make that right of election available for exercise by Owners in any manner the Depositary considers to be lawful and practical. As a condition of making a distribution election right available to Owners, the Depositary may require reasonably satisfactory assurances from the Company that doing so does not require registration of any securities under the Securities Act of 1933 that has not been effected.

SECTION 4.4. Rights.

(a) If rights are granted to the Depositary in respect of deposited Shares to purchase additional Shares or other securities, the Company and the Depositary shall endeavor to consult as to the actions, if any, the Depositary should take in connection with that grant of rights. The Depositary shall, to the extent deemed by it to be lawful and practical (i) if requested in writing by the Company, grant to all or certain Owners rights to instruct the Depositary to purchase the securities to which the rights relate and deliver those securities or American Depositary Shares representing those securities to Owners, (ii) if requested in writing by the Company, deliver the rights to or to the order of certain Owners, or (iii) sell the rights to the extent practicable and distribute the net proceeds of that sale to Owners entitled to those proceeds. To the extent rights are not exercised, delivered or disposed of under (i), (ii) or (iii) above, the Depositary shall permit the rights to lapse unexercised.

(b) If the Depositary will act under (a)(i) above, the Company and the Depositary will enter into a separate agreement setting forth the conditions and procedures applicable to the particular offering. Upon instruction from an applicable Owner in the form the Depositary specified and upon payment by that Owner to the Depositary of an amount equal to the purchase price of the securities to be received upon the exercise of the rights, the Depositary shall, on behalf of that Owner, exercise the rights and purchase the securities. The purchased securities shall be delivered to, or as instructed by, the Depositary. The Depositary shall (i) deposit the purchased Shares under this Deposit Agreement and deliver American Depositary Shares representing those Shares to that Owner or (ii) deliver or cause the purchased Shares or other securities to be delivered to or to the order of that Owner. The Depositary will not act under (a)(i) above unless the offer and sale of the securities to which the rights relate are registered under the Securities Act of 1933 or the Depositary has received an opinion of United States counsel that is reasonably satisfactory to it to the effect that those securities may be sold and delivered to the applicable Owners without registration under the Securities Act of 1933. For the avoidance of doubt, nothing in this Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to rights or the underlying securities or to endeavor to have such a registration statement declared effective.

(c) If the Depositary will act under (a)(ii) above, the Company and the Depositary will enter into a separate agreement setting forth the conditions and procedures applicable to the particular offering. Upon (i) the request of an applicable Owner to deliver the rights allocable to the American Depositary Shares of that Owner to an account specified by that Owner to which the rights can be delivered and (ii) receipt of such documents as the Company and the Depositary agreed to require to comply with applicable law, the Depositary will deliver those rights as requested by that Owner.

(d) If the Depositary will act under (a)(iii) above, the Depositary will use reasonable efforts to sell the rights in proportion to the number of American Depositary Shares held by the applicable Owners and pay the net proceeds to the Owners otherwise entitled to the rights that were sold, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise.

(e) Payment or deduction of the fees of the Depositary as provided in Section 5.9 and payment or deduction of the expenses of the Depositary and any applicable taxes or other governmental charges shall be conditions of any delivery of securities or payment of cash proceeds under this Section 4.4.

(f) The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make rights available to or exercise rights on behalf of Owners in general or any Owner in particular, or to sell rights.

SECTION 4.5. Conversion of Foreign Currency.

Whenever the Depositary or the Custodian receives foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the judgment of the Depositary be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depositary or one of its agents or affiliates or the Custodian shall convert or cause to be converted by sale or in any other manner that it may determine that foreign currency into Dollars, and those Dollars shall be distributed as promptly as reasonably practicable to the Owners entitled thereto. A cash distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners based on exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.9.

If a conversion of foreign currency or the repatriation or distribution of Dollars can be effected only with the approval or license of any government or agency thereof, the Depositary may, but will not be required to, file an application for that approval or license.

If the Depositary determines that in its judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof that is required for such conversion is not filed or sought by the Depositary or is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute the foreign currency received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make that conversion and distribution in Dollars to the extent practicable and permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold that balance uninvested and without liability for interest thereon for the account of, the Owners entitled thereto.

The Depositary may convert currency itself or through any of its affiliates, or the Custodian or the Company may convert currency and pay Dollars to the Depositary. Where the Depositary converts currency itself or through any of its affiliates, the Depositary acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under this Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained by it or its affiliate in any currency conversion under this Deposit Agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to Owners, subject to the Depositary's obligations under Section 5.3. The methodology used to determine exchange rates used in currency conversions made by the Depositary is available upon request. Where the Custodian converts currency, the Custodian has no obligation to obtain the most favorable rate that could be obtained at the time or to ensure that the method by which that rate will be determined will be the most favorable to Owners, and the Depositary makes no representation that the rate is the most favorable rate and will not be liable for any direct or indirect losses associated with the rate. In certain instances, the Depositary may receive dividends or other distributions from the Company in Dollars that represent the proceeds of a conversion of foreign currency or translation from foreign currency at a rate that was obtained or determined by or on behalf of the Company and, in such cases, the Depositary will not engage in, or be responsible for, any foreign currency transactions and neither it nor the Company makes any representation that the rate obtained or determined by the Company is the most favorable rate and neither it nor the Company will be liable for any direct or indirect losses associated with the rate.

SECTION 4.6. Fixing of Record Date.

Whenever a cash dividend, cash distribution or any other distribution is made on Deposited Securities or rights to purchase Shares or other securities are issued with respect to Deposited Securities (which rights will be delivered to or exercised or sold on behalf of Owners in accordance with Section 4.4) or the Depositary receives notice that a distribution or issuance of that kind will be made, or whenever the Depositary receives notice that a meeting of holders of Shares will be held in respect of which the Company has requested the Depositary to send a notice under Section 4.7, or whenever the Depositary will assess a fee or charge against the Owners, or whenever the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary otherwise finds it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date set by the Company with respect to Shares, (a) for the determination of the Owners (i) who shall be entitled to receive the benefit of that dividend or other distribution or those rights, (ii) who shall be entitled to give instructions for the exercise of voting rights at that meeting, (iii) who shall be responsible for that fee or charge or (iv) for any other purpose for which the record date was set, or (b) on or after which each American Depositary Share will represent the changed number of Shares. Subject to the provisions of Sections 4.1 through 4.5 and to the other terms and conditions of this Deposit Agreement, the Owners on a record date fixed by the Depositary shall be entitled to receive the amount distributable by the Depositary with respect to that dividend or other distribution or those rights or the net proceeds of sale thereof in proportion to the number of American Depositary Shares held by them respectively, to give voting instructions or to act in respect of the other matter for which that record date was fixed, or be responsible for that fee or charge, as the case may be.

SECTION 4.7. Voting of Deposited Shares.

(a) Upon receipt of notice of any meeting of holders of Shares at which holders of Shares will be entitled to vote, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, Disseminate to the Owners a notice, the form of which shall be in the sole discretion of the Depositary, that shall contain (i) the information contained in the notice of meeting received by the Depositary, (ii) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Japanese law and of the articles of incorporation or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Shares represented by their respective American Depositary Shares, (iii) a statement as to the manner in which those instructions may be given and (iv) the last date on which the Depositary will accept instructions (the "Instruction Cutoff Date").

(b) Upon the written request of an Owner of American Depositary Shares, as of the date of the request or, if a record date was specified by the Depositary, as of that record date, received on or before any Instruction Cutoff Date established by the Depositary, the Depositary may, and if the Depositary sent a notice under the preceding paragraph shall, endeavor, in so far as practicable, to vote or cause to be voted the amount of deposited Shares represented by those American Depositary Shares in accordance with the instructions set forth in that request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the deposited Shares other than in accordance with instructions given by Owners and received by the Depositary.

(c) There can be no assurance that Owners generally or any Owner in particular will receive the notice described in paragraph (a) above in time to enable Owners to give instructions to the Depositary prior to the Instruction Cutoff Date.

(d) In order to give Owners a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Shares, if the Company will request the Depositary to Disseminate a notice under paragraph (a) above, the Company shall give the Depositary notice of the meeting, details concerning the matters to be voted upon and copies of materials to be made available to holders of Shares in connection with the meeting not less than 45 days prior to the meeting date.

(e) The Depositary shall be required to submit a pre-notification to the applicable Japanese governmental authorities and secure a FEFTA Clearance in order to be able to vote deposited Shares as to certain matters that might be voted upon at a shareholders' meeting of the Company (which matters could include an addition of any FEFTA Designated Business to the Company's business purposes in its Articles of Incorporation and appointment of a person closely related with the Depositary as director or corporate auditor of the Company). Accordingly, it is possible the Depositary may be prevented from carrying out the instructions of Owners to vote deposited Shares with respect to certain matters that may be submitted to a vote at a shareholders' meeting. If any matter is placed on the agenda for voting at a shareholders' meeting for which the Depositary may be required to submit a pre-notification, the Company shall give the Depositary specific notice of that fact, including details and materials not less than 45 days prior to the meeting date.

(f) Notwithstanding anything in this Section 4.7 to the contrary, the Depositary and the Company may modify, amend or adopt additional procedures relating to voting of Deposited Securities from time to time as they determine may be necessary or appropriate to comply with applicable law or regulation.

SECTION 4.8. Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities.

(a) The Depositary shall not tender any Deposited Securities in response to any voluntary cash tender offer, exchange offer or similar offer made to holders of Deposited Securities, except when instructed in writing to do so by an Owner surrendering American Depositary Shares and subject to any conditions or procedures the Depositary may require.

(b) If the Depositary receives a written notice that Deposited Securities have been redeemed for cash or otherwise purchased for cash in a transaction that is mandatory and binding on the Depositary as a holder of those Deposited Securities (a "Redemption"), the Depositary, at the expense of the Company, shall (i) if required, surrender Deposited Securities that have been redeemed to the issuer of those securities or its agent on the redemption date, (ii) Disseminate a notice to Owners (A) notifying them of that Redemption, (B) calling for surrender of a corresponding number of American Depositary Shares and (C) notifying them that the called American Depositary Shares have been converted into a right only to receive the money received by the Depositary upon that Redemption and those net proceeds shall be the Deposited Securities to which Owners of those converted American Depositary Shares shall be entitled upon surrenders of those American Depositary Shares in accordance with Section 2.5 or 6.2 and (iii) distribute the money received upon that Redemption to the Owners entitled to it upon surrender by them of called American Depositary Shares in accordance with Section 2.5 (and, for the avoidance of doubt, Owners shall not be entitled to receive that money under Section 4.1). If the Redemption affects less than all the Deposited Securities, the Depositary shall call for surrender a corresponding portion of the outstanding American Depositary Shares and only those American Depositary Shares will automatically be converted into a right to receive the net proceeds of the Redemption. The Depositary shall allocate the American Depositary Shares converted under the preceding sentence among the Owners pro-rata to their respective holdings of American Depositary Shares immediately prior to the Redemption, except that the allocations may be adjusted so that no fraction of a converted American Depositary Share is allocated to any Owner. A Redemption of all or substantially all of the Deposited Securities shall be a Termination Option Event.

(c) If the Depositary is notified of or there occurs any change in nominal value or any subdivision, consolidation, conversion, combination or any other reclassification of the Deposited Securities or any recapitalization, reorganization, sale of assets substantially as an entirety, merger or consolidation affecting the issuer of the Deposited Securities or to which it is a party that is mandatory and binding on the Depositary as a holder of Deposited Securities and, as a result, securities or other property have been or will be delivered in exchange, conversion, replacement or in lieu of, Deposited Securities (a “Replacement”), the Depositary shall, if required, surrender the old Deposited Securities affected by that Replacement of Shares and hold, as new Deposited Securities under this Deposit Agreement, the new securities or other property delivered to it in that Replacement. However, the Depositary may elect to sell those new Deposited Securities if in the opinion of the Depositary, after consultation with the Company to the extent practicable, it is not lawful or not practical for it to hold those new Deposited Securities under this Deposit Agreement because those new Deposited Securities may not be distributed to Owners without registration under the Securities Act of 1933 or for any other reason, at public or private sale, at such places and on such terms as it deems proper and proceed as if those new Deposited Securities had been Redeemed under paragraph (b) above. A Replacement shall be a Termination Option Event.

(d) In the case of a Replacement where the new Deposited Securities will continue to be held under this Deposit Agreement, after consultation with the Company to the extent practicable, the Depositary may call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing the new Deposited Securities and the number of those new Deposited Securities represented by each American Depositary Share. If the number of Shares represented by each American Depositary Share decreases as a result of a Replacement, the Depositary may call for surrender of the American Depositary Shares to be exchanged on a mandatory basis for a lesser number of American Depositary Shares and may sell American Depositary Shares to the extent necessary to avoid distributing fractions of American Depositary Shares in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

(e) If there are no Deposited Securities with respect to American Depositary Shares, including if the Deposited Securities are cancelled, or the Deposited Securities with respect to American Depositary Shares have become apparently worthless, the Depositary may call for surrender of those American Depositary Shares or may cancel those American Depositary Shares, upon notice to Owners, and that condition shall be a Termination Option Event.

SECTION 4.9. Reports.

The Depositary shall make available for inspection by Owners at its Office any reports and communications, including any proxy solicitation material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of those Deposited Securities by the Company. The Company shall furnish reports and communications, including any proxy soliciting material to which this Section applies, to the Depositary in English, to the extent those materials are required to be translated into English pursuant to any regulations of the Commission.

SECTION 4.10. Lists of Owners.

As promptly as practicable upon written request by the Company, the Depositary shall, at the expense of the Company, furnish to it a list, as of a recent date, of the names, addresses and American Depositary Share holdings of all Owners.

SECTION 4.11. Withholding.

If the Depositary determines that any distribution received or to be made by the Depositary (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge that the Depositary is obligated to withhold, the Depositary may sell, by public or private sale, all or a portion of the distributed property (including Shares and rights to subscribe therefor) in the amounts and manner the Depositary deems necessary and practicable to pay those taxes or charges, and the Depositary shall distribute the net proceeds of that sale, after deduction of those taxes or charges, to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

Services for Owners and Holders that may permit them to obtain reduced rates of tax withholding at source or reclaim excess tax withheld, and the fees and costs associated with using services of that kind, are not provided under, and are outside the scope of, this Deposit Agreement.

Each Owner and Holder agrees to indemnify the Company, the Depositary, the Custodian and their respective directors, employees, agents and affiliates for, and hold each of them harmless against, any claim by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced withholding at source or other tax benefit received by it. The obligations of Owners and Holders under the preceding sentence shall survive any transfer of American Depositary Shares or surrender of American Depositary Shares and withdrawal of Deposited Securities and the termination of this Deposit Agreement.

ARTICLE 5 THE DEPOSITARY, THE CUSTODIANS AND THE COMPANY

SECTION 5.1. Maintenance of Office and Register by the Depositary.

Until termination of this Deposit Agreement in accordance with its terms, the Depositary shall maintain facilities for the delivery, registration of transfers and surrender of American Depositary Shares in accordance with the provisions of this Deposit Agreement.

The Depositary shall keep a register of all Owners and all outstanding American Depositary Shares, which shall be open for inspection by the Owners at the Depositary's Office during regular business hours, but only for the purpose of communicating with Owners regarding the business of the Company or a matter related to this Deposit Agreement or the American Depositary Shares.

The Depositary may close the register for delivery, registration of transfer or surrender for the purpose of withdrawal from time to time as provided in Section 2.6.

If any American Depositary Shares are listed on one or more stock exchanges, the Depositary shall act as Registrar or appoint a Registrar or one or more co registrars for registration of those American Depositary Shares in accordance with any requirements of that exchange or those exchanges.

SECTION 5.2. Prevention or Delay of Performance by the Company or the Depositary.

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or Holder:

(i) if by reason of (A) any provision of any present or future law or regulation or other act or action of the government of the United States, any State of the United States, Japan, or any other state or jurisdiction, or of any governmental or regulatory authority or stock exchange; (B) (in the case of the Depositary only) any provision, present or future, of the articles of incorporation or similar document of the Company, or any provision of any securities issued or distributed by the Company, or any offering or distribution thereof; or (C) any event or circumstance, whether natural or caused by a person or persons, that is beyond the ability of the Depositary or the Company, as the case may be, to prevent or counteract by reasonable care or effort (including, but not limited to, earthquakes, floods, severe storms, fires, explosions, war, terrorism, civil unrest, labor disputes, criminal acts or outbreaks of infectious disease; interruptions or malfunctions of utility services, Internet or other communications lines or systems; unauthorized access to or attacks on computer systems or websites; or other failures or malfunctions of computer hardware or software or other systems or equipment), the Depositary or the Company is, directly or indirectly, prevented from, forbidden to or delayed in, or could be subject to any civil or criminal penalty on account of doing or performing and therefore does not do or perform, any act or thing that, by the terms of this Deposit Agreement or the Deposited Securities, it is provided shall be done or performed;

(ii) for any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement (including any determination by the Depositary to take, or not take, any action that this Deposit Agreement provides the Depositary may take);

(iii) for the inability of any Owner or Holder to benefit from any distribution, offering, right or other benefit that is made available to holders of Deposited Securities but is not, under the terms of this Deposit Agreement, made available to Owners or Holders; or

(iv) for any special, consequential, indirect or punitive damages for any breach of the terms of this Deposit Agreement.

Where, by the terms of a distribution to which Section 4.1, 4.2 or 4.3 applies, or an offering to which Section 4.4 applies, or for any other reason, that distribution or offering may not be made available to Owners, and the Depositary may not dispose of that distribution or offering on behalf of Owners and make the net proceeds available to Owners, then the Depositary shall not make that distribution or offering available to Owners, and shall allow any rights, if applicable, to lapse.

SECTION 5.3. Obligations of the Depositary and the Company.

The Company assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder, except that the Company agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

The Depositary assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder (including, without limitation, liability with respect to the validity or worth of the Deposited Securities), except that the Depositary agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith, and the Depositary shall not be a fiduciary or have any fiduciary duty to Owners or Holders.

Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares on behalf of any Owner or Holder or any other person.

Each of the Depositary and the Company may rely, and shall be protected in relying upon, any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the Depositary nor the Company shall be liable for any action or non-action by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or any other person believed by it in good faith to be competent to give such advice or information.

Neither the Depositary nor the Company shall be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

The Depositary shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of American Depositary Shares or Deposited Securities or otherwise.

In the absence of bad faith on its part, the Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote.

The Depositary shall have no duty to make any determination or provide any information as to the tax status of the Company. Neither the Depositary nor the Company shall have any liability for any tax consequences that may be incurred by Owners or Holders as a result of owning or holding American Depositary Shares. Neither the Depositary nor the Company shall be liable for the inability or failure of an Owner or Holder to obtain the benefit of a foreign tax credit, reduced rate of withholding or refund of amounts withheld in respect of tax or any other tax benefit.

SECTION 5.4. Resignation and Removal of the Depositary.

The Depositary may at any time resign as Depositary hereunder by written notice of its election so to do delivered to the Company, to become effective upon the appointment of a successor depositary and its acceptance of that appointment as provided in this Section. The effect of resignation if a successor depositary is not appointed is provided for in Section 6.2.

The Depositary may at any time be removed by the Company by 120 days' prior written notice of that removal, to become effective upon the later of (i) the 120th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depositary and its acceptance of its appointment as provided in this Section.

If the Depositary resigns or is removed, the Company shall use its commercially reasonable efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, The City of New York. Every successor depositary shall execute and deliver to the Company an instrument in writing accepting its appointment under this Deposit Agreement. If the Depositary receives notice from the Company that a successor depositary has been appointed following its resignation or removal, the Depositary, upon payment of all sums due it from the Company, shall deliver to its successor a register listing all the Owners and their respective holdings of outstanding American Depositary Shares and shall deliver the Deposited Securities to or to the order of its successor. When the Depositary has taken the actions specified in the preceding sentence (i) the successor shall become the Depositary and shall have all the rights and shall assume all the duties of the Depositary under this Deposit Agreement and (ii) the predecessor depositary shall cease to be the Depositary and shall be discharged and released from all obligations under this Deposit Agreement, except for its duties under Section 5.8 with respect to the time before that discharge. A successor Depositary shall notify the Owners of its appointment as soon as practical after assuming the duties of Depositary.

Any corporation or other entity into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

SECTION 5.5. The Custodians.

The Custodian shall be subject at all times and in all respects to the directions of the Depositary and shall be responsible solely to it. The Depositary in its discretion may at any time appoint a substitute or additional custodian or custodians, each of which shall thereafter be one of the Custodians under this Deposit Agreement. If the Depositary receives notice that a Custodian is resigning and, upon the effectiveness of that resignation there would be no Custodian acting under this Deposit Agreement, the Depositary shall, as promptly as practicable after receiving that notice, appoint a substitute custodian or custodians, each of which shall thereafter be a Custodian under this Deposit Agreement. The Depositary shall notify the Company of any change in the Custodian as promptly as practicable. The Depositary shall require any Custodian that resigns or is removed to deliver all Deposited Securities held by it to another Custodian.

SECTION 5.6. Notices and Reports.

If the Company takes or decides to take any corporate action of a kind that is addressed in Sections 4.1 to 4.4, or 4.6 to 4.8, or that effects or will effect a change of the name or legal structure of the Company, or that effects or will effect a change to the Shares, the Company shall notify the Depositary and the Custodian of that action or decision as soon as it is lawful and practical to give that notice. The notice shall be in English and shall include all details that the Company is required to include in any notice to any governmental or regulatory authority or securities exchange or is required to make available generally to holders of Shares by publication or otherwise.

The Company will arrange for the translation into English, if not already in English, to the extent required pursuant to any regulations of the Commission, and the prompt transmittal by the Company to the Depositary and the Custodian of all notices and any other reports and communications which are made generally available by the Company to holders of its Shares. If requested in writing by the Company, the Depositary will Disseminate, at the Company's expense, those notices, reports and communications to all Owners or otherwise make them available to Owners in a manner that the Company specifies as substantially equivalent to the manner in which those communications are made available to holders of Shares and compliant with the requirements of any securities exchange on which the American Depositary Shares are listed. The Company will timely provide the Depositary with the quantity of such notices, reports, and communications, as requested by the Depositary from time to time, in order for the Depositary to effect that Dissemination.

The Company represents, as of the date of this Deposit Agreement and continuously thereafter until its termination, that the statements in first paragraph of Article 11 of the form of Receipt appearing as Exhibit A to this Deposit Agreement or, if applicable, most recently filed with the Commission pursuant to Rule 424(b) under the Securities Act of 1933 (in each case to the extent not superseded by a notice given to the Depositary under this Section 5.6 and Section 7.5 of this Deposit Agreement) with respect to the Company's obligation to file periodic reports under the United States Securities Exchange Act of 1934, as amended, or its qualification for exemption from registration under that Act pursuant to Rule 12g3-2(b) under that Act, as the case may be, are true and correct. The Company agrees to promptly notify the Depositary upon becoming aware of any change in the truth of any of those statements or if there is any change in the Company's status regarding those reporting obligations or that qualification.

SECTION 5.7. Distribution of Additional Shares, Rights, etc.

If the Company or any affiliate of the Company determines to make any issuance or distribution of (1) additional Shares, (2) rights to subscribe for Shares, (3) securities convertible into Shares, or (4) rights to subscribe for such securities (each a "Distribution"), the Company shall notify the Depositary in writing in English as promptly as practicable and in any event before the Distribution starts and, if requested in writing by the Depositary, the Company shall promptly furnish to the Depositary either (i) evidence reasonably satisfactory to the Depositary that the Distribution is registered under the Securities Act of 1933 or (ii) a written opinion from U.S. counsel for the Company that is reasonably satisfactory to the Depositary, stating that the Distribution does not require, or, if made in the United States, would not require, registration under the Securities Act of 1933. However, the Company shall not be required to notify the Depositary when the Company makes a Distribution if the Distribution is part of a standing compensation plan of the Company and the Company has previously notified the Depositary of the existence and terms of that plan.

Nothing in this Section 5.7 or elsewhere in this Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to a Distribution or to endeavor to have such a registration statement declared effective.

The Company agrees with the Depositary that neither the Company nor any company controlled by, controlling or under common control with the Company will at any time deposit any Shares that, at the time of deposit, are Restricted Securities.

SECTION 5.8. Indemnification.

The Company agrees to indemnify the Depositary, its directors, officers, employees, agents and affiliates and each Custodian against, and hold each of them harmless from, any liability or documented expense (including, but not limited to any fees and expenses incurred in seeking, enforcing or collecting such indemnity and the reasonable and documented fees and expenses of counsel) that may arise out of or in connection with (a) any registration with the Commission of American Depositary Shares or Deposited Securities or the offer or sale thereof or (b) acts performed or omitted, pursuant to the provisions of or in connection with this Deposit Agreement and the American Depositary Shares, as the same may be amended, modified or supplemented from time to time, (i) by either the Depositary or a Custodian or their respective directors, employees, agents and affiliates, except for any liability or expense arising out of the negligence or bad faith of either of them, or (ii) by the Company or any of its directors, employees, agents and affiliates.

The Depositary agrees to indemnify the Company, its directors, officers, employees, agents and affiliates and hold them harmless from any liability or documented expense (including, but not limited to any fees and expenses incurred in seeking, enforcing or collecting such indemnity and the reasonable and documented fees and expenses of counsel) that may arise out of acts performed or omitted by the Depositary or any Custodian or their respective directors, employees, agents and affiliates due to their negligence or bad faith.

SECTION 5.9. Charges of Depositary.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom or from whom American Depositary Shares are delivered or cancelled (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.3), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable (including SWIFT) and facsimile transmission fees and expenses as are expressly provided in this Deposit Agreement, (4) such expenses as are incurred by

the Depositary in the conversion of foreign currency pursuant to Section 4.5, (5) a fee of \$10.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.3, 4.3 or 4.4 or the cancellation or surrender of American Depositary Shares pursuant to Section 2.5, 2.8, 4.8 or 6.2, (6) a fee of \$.10 or less per American Depositary Share for any cash distribution made pursuant to this Deposit Agreement, including, but not limited to Sections 4.1 through 4.4 and Section 4.8, (7) a fee for the distribution of securities pursuant to Section 4.2 or of rights pursuant to Section 4.4 (where the Depositary will not exercise or sell those rights on behalf of Owners), such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities under this Deposit Agreement (for purposes of this item 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under item 6 above, fees for depositary services, which (i) may be assessed against Owners from time to time, (ii) in the aggregate shall not exceed \$.10 per American Depositary Share during any calendar year, and (iii) shall be payable as provided in item 9 below, and (9) any other charges payable by the Depositary or the Custodian, any of the Depositary's or Custodian's agents or the agents of the Depositary's or Custodian's agents, in connection with the servicing of Shares or other Deposited Securities (which charges shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.6 and shall be payable at the sole discretion of the Depositary by billing those Owners for those charges or by deducting those charges from one or more cash dividends or other cash distributions).

The Depositary may collect any of its fees by deduction from any cash distribution payable, or by selling a portion of any securities to be distributed, to Owners that are obligated to pay those fees.

In performing its duties under this Deposit Agreement, the Depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the Depositary and that may earn or share fees, spreads or commissions.

The Depositary may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

SECTION 5.10. Retention of Depositary Documents.

The Depositary is authorized to destroy those documents, records, bills and other data compiled during the term of this Deposit Agreement at the times permitted by the laws or regulations governing the Depositary.

SECTION 5.11. Exclusivity.

Without prejudice to the Company's rights under Section 5.4, the Company agrees not to appoint any other depositary for issuance of depositary shares, depositary receipts or any similar securities or instruments so long as The Bank of New York Mellon is acting as Depositary under this Deposit Agreement.

SECTION 5.12. Information for Regulatory Compliance.

Each of the Company and the Depositary shall provide to the other, as promptly as practicable, information from its records or otherwise available to it that is reasonably requested by the other to permit the other to comply with applicable law or requirements of governmental or regulatory authorities.

ARTICLE 6 AMENDMENT AND TERMINATION

SECTION 6.1. Amendment.

The form of the Receipts and any provisions of this Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or Holders in any respect that they may deem necessary or desirable. Any amendment that would impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable (including SWIFT) or facsimile transmission costs, delivery costs or other such expenses), or that would otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of 30 days after notice of that amendment has been Disseminated to the Owners of outstanding American Depositary Shares. Every Owner and Holder, at the time any amendment so becomes effective, shall be deemed, by continuing to hold American Depositary Shares or any interest therein, to consent and agree to that amendment and to be bound by this Deposit Agreement as amended thereby. Upon the effectiveness of an amendment to the form of Receipt, including a change in the number of Shares represented by each American Depositary Share, the Depositary may call for surrender of Receipts to be replaced with new Receipts in the amended form or call for surrender of American Depositary Shares to effect that change of ratio. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive delivery of the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

SECTION 6.2. Termination.

(a) The Company may initiate termination of this Deposit Agreement by notice to the Depositary. The Depositary may initiate termination of this Deposit Agreement if (i) at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and a successor depositary has not been appointed and accepted its appointment as provided in Section 5.4 or (ii) a Termination Option Event has occurred. If termination of this Deposit Agreement is initiated, the Depositary shall Disseminate a notice of termination to the Owners of all American Depositary Shares then outstanding setting a date for termination (the "Termination Date"), which shall be at least 90 days after the date of that notice, and this Deposit Agreement shall terminate on that Termination Date.

(b) After the Termination Date, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary under Sections 5.8 and 5.9.

(c) At any time after the Termination Date, the Depositary may sell the Deposited Securities then held under this Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that remain outstanding, and those Owners will be general creditors of the Depositary with respect to those net proceeds and that other cash. After making that sale, the Depositary shall be discharged from all obligations under this Deposit Agreement, except (i) to account for the net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement and any applicable taxes or governmental charges), (ii) for its obligations under Section 5.8 and (iii) to act as provided in paragraph (d) below.

(d) After the Termination Date, the Depositary shall continue to receive dividends and other distributions pertaining to Deposited Securities (that have not been sold), may sell rights and other property as provided in this Deposit Agreement and shall deliver Deposited Securities (or sale proceeds) upon surrender of American Depositary Shares (after payment or upon deduction, in each case, of the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of those American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement and any applicable taxes or governmental charges). After the Termination Date, the Depositary shall not accept deposits of Shares or deliver American Depositary Shares. After the Termination Date, (i) the Depositary may refuse to accept surrenders of American Depositary Shares for the purpose of withdrawal of Deposited Securities (that have not been sold) or reverse previously accepted surrenders of that kind that have not settled if in its judgment the requested withdrawal would interfere with its efforts to sell the Deposited Securities, (ii) the Depositary will not be required to deliver cash proceeds of the sale of Deposited Securities until all Deposited Securities have been sold and (iii) the Depositary may discontinue the registration of transfers of American Depositary Shares and suspend the distribution of dividends and other distributions on Deposited Securities to the Owners and need not give any further notices or perform any further acts under this Deposit Agreement except as provided in this Section.

ARTICLE 7 MISCELLANEOUS

SECTION 7.1. Counterparts; Signatures; Delivery; Electronic Records.

This Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of those counterparts shall constitute one and the same instrument. Copies of this Deposit Agreement shall be filed with the Depositary and shall be open to inspection by any Owner or Holder during regular business hours.

This Deposit Agreement may be executed by manual or electronic signatures, including images of manually executed signatures, DocuSign, AdobeSign or a similar agreed-upon electronic signature system, and may be delivered by exchange of copies of this Deposit Agreement by email including a pdf or similar bit-mapped image of the signature pages. The parties to this Deposit Agreement represent and agree that if it has been executed or delivered electronically as provided in the preceding sentence or subsequently stored in and retrieved from an electronic record-keeping system, it shall have the same legal effect, validity and enforceability as a manually executed agreement maintained in a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act and any other applicable law, and that they shall not argue to the contrary.

SECTION 7.2. No Third Party Beneficiaries.

This Deposit Agreement is for the exclusive benefit of the Company, the Depositary, the Owners and the Holders and their respective successors and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person.

SECTION 7.3. Severability.

In case any one or more of the provisions contained in this Deposit Agreement or in a Receipt should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Deposit Agreement or that Receipt shall in no way be affected, prejudiced or disturbed thereby.

SECTION 7.4. Owners and Holders as Parties; Binding Effect.

The Owners and Holders from time to time shall be parties to this Deposit Agreement and shall be bound by all of the terms and conditions of this Deposit Agreement and of the Receipts by acceptance of American Depositary Shares or any interest therein.

SECTION 7.5. Notices.

Any and all notices to be given to the Company shall be in writing and shall be deemed to have been duly given if personally delivered or sent by domestic first class or international air mail or air courier or sent by facsimile transmission or email attaching a pdf or similar bit-mapped image of a signed writing, addressed to Micware Co., Ltd., Kobe Asahi Building, 25th Floor, 59 Naniwa-machi, Chuo-ku, Kobe, Hyogo 650-0035, Japan, Attention: Corporate Planning Department, email: [****], or any other place to which the Company may have transferred its principal office, person or email, with notice to the Depositary.

Any and all notices to be given to the Depositary shall be in writing and shall be deemed to have been duly given if in English and personally delivered or sent by first class domestic or international air mail or air courier or sent by facsimile transmission or email attaching a pdf or similar bit-mapped image of a signed writing, addressed to The Bank of New York Mellon, 240 Greenwich Street, New York, New York 10286, Attention: Depositary Receipt Administration, email: [****] or any other place to which the Depositary may have transferred its Office, person or email, with notice to the Company.

Delivery of a notice to the Company or Depositary by mail or air courier shall be deemed effected when deposited, postage prepaid, in a post-office letter box or received by an air courier service. Delivery of a notice to the Company or Depositary sent by facsimile transmission or email shall be deemed effected when the recipient acknowledges receipt of that notice.

A notice to be given to an Owner shall be deemed to have been duly given when Disseminated to that Owner. Dissemination in paper form will be effective when personally delivered or sent by first class domestic or international air mail or air courier, addressed to that Owner at the address of that Owner as it appears on the transfer books for American Depositary Shares of the Depositary, or, if that Owner has filed with the Depositary a written request that notices intended for that Owner be mailed to some other address, at the address designated in that request. Dissemination in electronic form will be effective when sent in the manner consented to by the Owner to the electronic address most recently provided by the Owner for that purpose.

SECTION 7.6. Appointment of Agent for Service of Process; Submission to Jurisdiction; Jury Trial Waiver.

The Company hereby (i) designates and appoints the person named in Exhibit A to this Deposit Agreement as the Company's authorized agent in the United States upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Deposit Agreement (a "Proceeding"), (ii) consents and submits to the jurisdiction of any state or federal court in the State of New York in which any Proceeding may be instituted and (iii) agrees that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any Proceeding. The Company agrees to deliver to the Depositary, upon the execution and delivery of this Deposit Agreement, a written acceptance by the agent named in Exhibit A to this Deposit Agreement of its appointment as process agent. The Company further agrees to take any and all action, including the filing of any and all such documents and instruments, as may be necessary to continue that designation and appointment in full force and effect, or to appoint and maintain the appointment of another process agent located in the United States as required above, and to deliver to the Depositary a written acceptance by that agent of that appointment, for so long as any American Depositary Shares or Receipts remain outstanding or this Deposit Agreement remains in force. In the event the Company fails to maintain the designation and appointment of a process agent in the United States in full force and effect, the Company hereby waives personal service of process upon it and consents that a service of process in connection with a Proceeding may be made by certified or registered mail, return receipt requested, directed to the Company at its address last specified for notices under this Deposit Agreement, and service so made shall be deemed completed five (5) days after the same shall have been so mailed.

EACH PARTY TO THIS DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THIS DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING, WITHOUT LIMITATION, ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY) AND ANY CLAIM BASED ON U.S. FEDERAL SECURITIES LAWS.

No disclaimer of liability under the United States federal securities laws or the rules and regulations thereunder is intended by any provision of this Deposit Agreement, inasmuch as no person is able to effectively waive the duty of any other person to comply with its obligations under those laws, rules and regulations.

SECTION 7.7. Waiver of Immunities.

To the extent that the Company or any of its properties, assets or revenues may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any duty of performance under this Deposit Agreement, claim, legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Deposit Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any immunity of that kind and consents to relief and enforcement as provided above.

SECTION 7.8. Governing Law.

This Deposit Agreement and the Receipts shall be interpreted in accordance with and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by the internal laws of the State of New York, without giving effect to conflict of laws principles thereof.

IN WITNESS WHEREOF, MICWARE CO., LTD. and THE BANK OF NEW YORK MELLON have duly executed this Deposit Agreement as of the day and year first set forth above and all Owners and Holders shall become parties hereto upon acceptance by them of American Depositary Shares or any interest therein.

MICWARE CO., LTD.

By: /s/ Takuma Segawa

Name: Takuma Segawa

Title: Chief Financial Officer

THE BANK OF NEW YORK MELLON,
as Depositary

By:



Name: MAR MACHUGA

Title: Director

EXHIBIT A

AMERICAN DEPOSITARY SHARES
(Each American Depositary Share represents
one deposited Share)

THE BANK OF NEW YORK MELLON
AMERICAN DEPOSITARY RECEIPT
FOR ORDINARY SHARES OF
MICWARE CO., LTD.
(INCORPORATED UNDER THE LAWS OF JAPAN)

The Bank of New York Mellon, as depositary (hereinafter called the "Depositary"), hereby certifies that
_____, or registered assigns IS THE OWNER OF _____

AMERICAN DEPOSITARY SHARES

representing deposited ordinary shares (herein called "Shares") of Micware Co., Ltd., a joint-stock corporation with limited liability incorporated under the laws of Japan (herein called the "Company"). At the date hereof, each American Depositary Share represents one Share deposited or subject to deposit under the Deposit Agreement (as such term is hereinafter defined) with a custodian for the Depositary (herein called the "Custodian") that, as of the date of the Deposit Agreement, was MUFG Bank Ltd. located in Japan. The Depositary's Office and its principal executive office are located at 240 Greenwich Street, New York, N.Y. 10286.

THE DEPOSITARY'S OFFICE ADDRESS IS
240 GREENWICH STREET, NEW YORK, N.Y. 10286

1. THE DEPOSIT AGREEMENT.

This American Depositary Receipt is one of an issue (herein called “Receipts”), all issued and to be issued upon the terms and conditions set forth in the Deposit Agreement dated as of May 13, 2026 (herein called the “Deposit Agreement”) among the Company, the Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder, each of whom by accepting American Depositary Shares agrees to become a party thereto and become bound by all the terms and conditions thereof. The Deposit Agreement sets forth the rights of Owners and Holders and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time received in respect of those Shares and held thereunder (those Shares, securities, property, and cash are herein called “Deposited Securities”). Copies of the Deposit Agreement are on file at the Depositary’s Office in New York City and at the office of the Custodian.

The statements made on the face and reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and are qualified by and subject to the detailed provisions of the Deposit Agreement, to which reference is hereby made. Capitalized terms defined in the Deposit Agreement and not defined herein shall have the meanings set forth in the Deposit Agreement.

2. SURRENDER OF AMERICAN DEPOSITARY SHARES AND WITHDRAWAL OF SHARES; CANCELLATION OF AMERICAN DEPOSITARY SHARES.

Upon surrender of American Depositary Shares for the purpose of withdrawal of the Deposited Securities represented thereby and payment of the fee of the Depositary for the surrender of American Depositary Shares as provided in Section 5.9 of the Deposit Agreement and payment of all taxes and governmental charges payable in connection with that surrender and withdrawal of the Deposited Securities, and subject to the terms and conditions of the Deposit Agreement, the Owner of those American Depositary Shares shall be entitled to delivery (to the extent delivery can then be lawfully and practicably made), to or as instructed by that Owner, of the amount of Deposited Securities at the time represented by those American Depositary Shares, but not any money or other property as to which a record date for distribution to Owners has passed (since money or other property of that kind will be delivered or paid on the scheduled payment date to the Owner as of that record date), and except that the Depositary shall not be required to accept surrender of American Depositary Shares for the purpose of withdrawal to the extent it would require delivery of a fraction of a Deposited Security.

If any FEFTA Covered Entity is engaging or has a plan to engage in any FEFTA Designated Business relating to “specific acquisition” (*tokutei shutoku*), as defined under FEFTA, any Foreign Investor expecting to receive delivery of Shares upon surrender of American Depositary Shares shall, unless it utilized the prior notification exemption system, be required to submit a pre-notification to the applicable Japanese governmental authorities and could not accept delivery of those Shares unless the FEFTA Clearance (as defined in Section 2.2 of the Deposit Agreement) is secured. Accordingly, Owners wishing to surrender American Depositary Shares for the purpose of withdrawing Shares should contact the Depositary to find out if the requirement of pre-notification or use of the prior notification exemption system applies and, if that requirement applies and the person to whom the Owner intends to direct delivery of Shares cannot or chooses not to utilize the prior notification

exemption system, must timely submit or advise the person to whom they intend to direct delivery of Shares to timely submit a pre-notification such that the FEFTA Clearance is obtained before the delivery of Shares and, if such pre-notification is submitted or the prior notification exemption system is used, the person to whom the Shares are delivered must report the acquisition to the applicable Japanese governmental authorities within 45 days following that delivery. The Depositary shall not accept surrender of American Depositary Shares for the purpose of withdrawal of Shares until it receives assurances satisfactory to it that any required pre-notification has been made to the applicable Japanese governmental authorities and that the FEFTA Clearance has been secured or the prior notification exemption system is used. Further, the Depositary shall be required to report to the applicable Japanese governmental authorities within 45 days after it delivers deposited Shares upon a surrender of American Depositary Shares if the Depositary ever submitted a pre-notification and secured a FEFTA Clearance with respect to any deposit of Shares under the Deposit Agreement.

The Depositary shall direct the Custodian with respect to delivery of Deposited Securities and may charge the surrendering Owner a fee and its expenses for giving that direction by cable (including SWIFT) or facsimile transmission. The Depositary may cancel American Depositary Shares, upon notice to the Owners, in accordance with Section 4.8 of the Deposit Agreement, or to the extent there are insufficient deposited Shares in respect of the outstanding American Depositary Shares as a result of an increase in the number of Shares each American Depositary Share represents. Surrenders and cancellations of American Depositary Shares shall incur fees of the Depositary as provided in Section 5.9 of the Deposit Agreement and the Depositary may require Owners or former Owners to pay taxes and governmental charges payable in connection therewith. The Company agrees not to prevent, hinder or unreasonably delay any lawful delivery or registration of transfer of Deposited Securities upon surrender of American Depositary Shares for the purpose of withdrawal. If Deposited Securities are delivered physically upon surrender of American Depositary Shares for the purpose of withdrawal, that delivery will be made at the Custodian's office, except that, at the request, risk and expense of the surrendering Owner, and for the account of that Owner, the Depositary shall direct the Custodian to forward any cash or other property comprising, and forward a certificate or certificates, if applicable, and other proper documents of title, if any, for, the Deposited Securities represented by the surrendered American Depositary Shares to the Depositary for delivery at the Depositary's Office or to another address specified in the order received from the surrendering Owner.

3. REGISTRATION OF TRANSFER OF AMERICAN DEPOSITARY SHARES; COMBINATION AND SPLIT-UP OF RECEIPTS; INTERCHANGE OF CERTIFICATED AND UNCERTIFICATED AMERICAN DEPOSITARY SHARES.

The Depositary, subject to the terms and conditions of the Deposit Agreement, shall register a transfer of American Depositary Shares on its transfer books upon (i) in the case of certificated American Depositary Shares, surrender of the Receipt evidencing those American Depositary Shares, by the Owner or by a duly authorized attorney, properly endorsed or accompanied by proper instruments of transfer or (ii) in the case of uncertificated American Depositary Shares, receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.9 of that Agreement), and, in either case, duly stamped as may be required by the laws of the State of New York and of the United States of America. Upon registration of a transfer, the Depositary shall deliver the transferred American Depositary Shares to or upon the order of the person entitled thereto.

The Depositary, subject to the terms and conditions of the Deposit Agreement, shall upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts, execute and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel the Receipt evidencing those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.9 of the Deposit Agreement) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and register and deliver to the Owner a Receipt evidencing the same number of certificated American Depositary Shares.

As a condition precedent to the delivery, registration of transfer, or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, the Custodian, or Registrar may require payment from the depositor of the Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as provided in the Deposit Agreement, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of the Deposit Agreement.

The Depositary may refuse to accept deposits of Shares for delivery of American Depositary Shares or to register transfers of American Depositary Shares in particular instances, or may suspend deposits of Shares or registration of transfer generally, whenever it or the Company considers it necessary or advisable to do so. The Depositary may refuse surrenders of American Depositary Shares for the purpose of withdrawal of Deposited Securities in particular instances, or may suspend surrenders for the purpose of withdrawal generally, but, notwithstanding anything to the contrary in the Deposit Agreement, only for (i) temporary delays caused by closing of the Depositary's register or the register of holders of Shares maintained by the Company or the Foreign Registrar, or the deposit of Shares, in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities or (iv) any other reason that, at the time, is permitted under paragraph I(A)(1) of the General Instructions to Form F-6 under the Securities Act of 1933 or any successor to that provision.

The Depositary shall not knowingly accept for deposit under the Deposit Agreement any Shares that, at the time of deposit, are Restricted Securities.

The Company shall notify the Depositary as to whether or not, as of the date of the Deposit Agreement, any FEFTA Covered Entity engages or has a plan to engage in any FEFTA Designated Business and thereafter shall notify the Depositary promptly of any change or anticipated change in the FEFTA Designated Businesses, if any, in which any FEFTA Covered Entity is engaged and shall warrant to the Depositary that the information in each notice of that kind is complete and correct. Accordingly, persons wishing to deposit Shares shall contact the Depositary to find out if a FEFTA pre-notification requirement applies.

If the Depositary has received notice from the Company that any FEFTA Covered Entity is engaging, or has a plan to engage, in any FEFTA Designated Business, the following provisions shall apply to deposits of Shares:

The Depositary shall be required to submit a pre-notification to the applicable Japanese governmental authorities to accept the Shares for deposit, and the Depositary must not accept the Shares for deposit unless the statutory waiting period of 30 days (subject to acceleration or extension up to 5 months) following the pre-notification has expired in accordance with FEFTA without the applicable Japanese governmental authorities having issued any recommendation or order requesting or ordering suspension of, or amendment to the terms of, the acceptance of the Shares for deposit (such expiry of the statutory waiting period, the “FEFTA Clearance”).

4. LIABILITY OF OWNER FOR TAXES.

If any tax or other governmental charge shall become payable by the Custodian or the Depositary with respect to or in connection with any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares or in connection with a transaction to which Section 4.8 of the Deposit Agreement applies, that tax or other governmental charge shall be payable by the Owner of those American Depositary Shares to the Depositary. The Depositary may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until that payment is made, and may withhold any dividends or other distributions or the proceeds thereof, or may sell for the account of the Owner any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply those dividends or other distributions or the net proceeds of any sale of that kind in payment of that tax or other governmental charge but, even after a sale of that kind, the Owner shall remain liable for any deficiency. The Depositary shall distribute any net proceeds of a sale made under Section 3.2 of the Deposit Agreement that are not used to pay taxes or governmental charges to the Owners entitled to them in accordance with Section 4.1 of the Deposit Agreement. If the number of Shares represented by each American Depositary Share decreases as a result of a sale of Deposited Securities under Section 3.2 of the Deposit Agreement, the Depositary may call for surrender of the American Depositary Shares to be exchanged on a mandatory basis for a lesser number of American Depositary Shares and may sell American Depositary Shares to the extent necessary to avoid distributing fractions of American Depositary Shares in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

5. WARRANTIES ON DEPOSIT OF SHARES.

Every person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that those Shares and each certificate therefor, if applicable, are validly issued, fully paid and nonassessable and were not issued in violation of any preemptive or similar rights of the holders of outstanding securities of the Company and that the person making that deposit is duly authorized so to do. Every depositing person shall also be deemed to represent that the Shares, at the time of deposit, are not Restricted Securities. All representations and warranties deemed made under Section 3.3 of the Deposit Agreement shall survive the deposit of Shares and delivery of American Depositary Shares.

6. FILING PROOFS, CERTIFICATES, AND OTHER INFORMATION.

Any person presenting Shares for deposit or any Owner or Holder may be required from time to time to file with the Depositary or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem necessary or proper. The Depositary may withhold the delivery or registration of transfer of any American Depositary Shares, the distribution of any dividend or other distribution or of the proceeds thereof or the delivery of any Deposited Securities until that proof or other information is filed or those certificates are executed or those representations and warranties are made. As conditions of accepting Shares for deposit, the Depositary may require (i) any certification required by the Depositary or the Custodian in accordance with the provisions of the Deposit Agreement, (ii) a written order directing the Depositary to deliver to, or upon the written order of, the person or persons stated in that order, the number of American Depositary Shares representing those deposited Shares, (iii) evidence satisfactory to the Depositary that those Shares have been re-registered in the books of the Company or the Foreign Registrar in the name of the Depositary, a Custodian or a nominee of the Depositary or a Custodian, (iv) evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body in each applicable jurisdiction and (v) an agreement or assignment, or other instrument satisfactory to the Depositary, that provides for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional Shares or to receive other property, that any person in whose name those Shares are or have been recorded may thereafter receive upon or in respect of those Shares, or, in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depositary.

7. CHARGES OF DEPOSITARY.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom or from whom American Depositary Shares are delivered or cancelled (including, without limitation, delivery pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.3 of the Deposit Agreement), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable (including SWIFT) and facsimile transmission fees and expenses as are expressly provided in the Deposit Agreement, (4) such expenses as are incurred by

the Depositary in the conversion of foreign currency pursuant to Section 4.5 of the Deposit Agreement, (5) a fee of \$10.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.3, 4.3 or 4.4 of the Deposit Agreement or the cancellation or surrender of American Depositary Shares pursuant to Section 2.5, 2.8, 4.8 or 6.2 of the Deposit Agreement, (6) a fee of \$.10 or less per American Depositary Share for any cash distribution made pursuant to the Deposit Agreement, including, but not limited to Sections 4.1 through 4.4 and 4.8 of the Deposit Agreement, (7) a fee for the distribution of securities pursuant to Section 4.2 of the Deposit Agreement or of rights pursuant to Section 4.4 of that Agreement (where the Depositary will not exercise or sell those rights on behalf of Owners), such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities under the Deposit Agreement (for purposes of this item 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under item 6 above, fees for depositary services, which (i) may be assessed against Owners from time to time, (ii) in the aggregate shall not exceed \$.10 per American Depositary Share during any calendar year, and (iii) shall be payable as provided in item 9 below, and (9) any other charges payable by the Depositary or the Custodian, any of the Depositary's or Custodian's agents or the agents of the Depositary's or Custodian's agents, in connection with the servicing of Shares or other Deposited Securities (which charges shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.6 of the Deposit Agreement and shall be payable at the sole discretion of the Depositary by billing those Owners for those charges or by deducting those charges from one or more cash dividends or other cash distributions).

The Depositary may collect any of its fees by deduction from any cash distribution payable, or by selling a portion of any securities to be distributed, to Owners that are obligated to pay those fees.

The Depositary may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares and may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the Depositary and that may earn or share fees, spreads or commissions.

From time to time, the Depositary may make payments to the Company to reimburse the Company for costs and expenses generally arising out of establishment and maintenance of the American Depositary Shares program, waive fees and expenses for services provided by the Depositary or share revenue from the fees collected from Owners or Holders. In performing its duties under the Deposit Agreement, the Depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the Depositary and that may earn or share fees, spreads or commissions.

8. DISCLOSURE OF INTERESTS.

When required in order to comply with applicable laws and regulations or the articles of incorporation or similar document of the Company, the Company may from time to time request each Owner and Holder to provide to the Depositary information relating to: (a) the capacity in which it holds American Depositary Shares, (b) the identity of any Holders or other persons or entities then or previously interested in those American Depositary Shares and the nature of those interests and (c) any other matter where disclosure of such matter is required for that compliance. Each Owner and Holder agrees to provide all information known to it in response to a request made pursuant to Section 3.4 of the Deposit Agreement. Each Holder consents to the disclosure by the Depositary and the Owner or other Holder through which it holds American Depositary Shares, directly or indirectly, of all information responsive to a request made pursuant to that Section relating to that Holder that is known to that Owner or other Holder.

9. TITLE TO AMERICAN DEPOSITARY SHARES.

It is a condition of the American Depositary Shares, and every successive Owner and Holder of American Depositary Shares, by accepting or holding the same, consents and agrees that American Depositary Shares evidenced by a Receipt, when the Receipt is properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of the State of New York, and that American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of the State of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in the Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under the Deposit Agreement to any Holder of American Depositary Shares, but only to the Owner.

10. VALIDITY OF RECEIPT.

This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or the Registrar or a co-registrar.

11. REPORTS; INSPECTION OF TRANSFER BOOKS.

The Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, accordingly, files certain reports with the Securities and Exchange Commission. Those reports will be available for inspection and copying through the Commission's EDGAR system or at public reference facilities maintained by the Commission in Washington, D.C.

The Depositary will make available for inspection by Owners at its Office any reports, notices and other communications, including any proxy soliciting material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of those Deposited Securities by the Company. The Company shall furnish reports and communications, including any proxy soliciting material to which Section 4.9 of the Deposit Agreement applies, to the Depositary in English, to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

The Depositary will maintain a register of American Depositary Shares and transfers of American Depositary Shares, which shall be open for inspection by the Owners at the Depositary's Office during regular business hours, but only for the purpose of communicating with Owners regarding the business of the Company or a matter related to the Deposit Agreement or the American Depositary Shares.

12. DIVIDENDS AND DISTRIBUTIONS.

Whenever the Depositary receives any cash dividend or other cash distribution on Deposited Securities, the Depositary will, if at the time of receipt thereof any amounts received in a foreign currency can in the judgment of the Depositary be converted on a reasonable basis into Dollars transferable to the United States, and subject to the Deposit Agreement, convert that dividend or other cash distribution into Dollars and distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.9 of the Deposit Agreement) to the Owners entitled thereto; provided, however, that if the Custodian or the Depositary is required to withhold and does withhold from that cash dividend or other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the Owners of the American Depositary Shares representing those Deposited Securities shall be reduced accordingly.

If a cash distribution would represent a return of all or substantially all the value of the Deposited Securities underlying American Depositary Shares, the Depositary may:

(i) require payment of or deduct the fee for surrender of American Depositary Shares (whether or not it is also requiring surrender of American Depositary Shares) as a condition of making that cash distribution; or

(ii) sell all Deposited Securities other than the subject cash distribution and add any net cash proceeds of that sale to the cash distribution, call for surrender of all those American Depositary Shares and require that surrender as a condition of making that cash distribution.

If the Depositary acts under this paragraph, that action shall also be a Termination Option Event.

Subject to the provisions of Section 4.11 and 5.9 of the Deposit Agreement, whenever the Depositary receives any distribution other than a distribution described in Section 4.1, 4.3 or 4.4 of the Deposit Agreement on Deposited Securities (but not in exchange for or in conversion or in lieu of Deposited Securities), the Depositary will cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary and any taxes or other governmental charges, in any manner that the Depositary may reasonably deem equitable and practicable for accomplishing that distribution (which may be a distribution of depositary shares representing the securities received); provided, however, that if in the opinion of the Depositary, after consultation with the Company to the extent practicable, such distribution cannot be made proportionately among the Owners entitled thereto, or if for any other reason the Depositary deems such distribution not to be lawful and feasible, the Depositary may, after consultation with the Company to the extent practicable, adopt such other method as it may reasonably deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and distribution of the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.9 of the Deposit Agreement) to the Owners entitled thereto all in the manner and subject to the conditions set forth in Section 4.1 of the Deposit Agreement. The Depositary may withhold any distribution of securities under Section 4.2 of the Deposit Agreement if it has not received reasonably satisfactory assurances from the Company that the distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Article that is sufficient to pay its fees and expenses in respect of that distribution.

If a distribution to be made under Section 4.2 of the Deposit Agreement would represent a return of all or substantially all the value of the Deposited Securities underlying American Depositary Shares, the Depositary may, after consultation with the Company to the extent practicable:

(i) require payment of or deduct the fee for surrender of American Depositary Shares (whether or not it is also requiring surrender of American Depositary Shares) as a condition of making that distribution; or

(ii) sell all Deposited Securities other than the subject distribution and add any net cash proceeds of that sale to the distribution, call for surrender of all those American Depositary Shares and require that surrender as a condition of making that distribution.

If the Depositary acts under this paragraph, that action shall also be a Termination Option Event.

Whenever the Depositary receives any distribution consisting of a dividend in, or free distribution of, Shares, the Depositary may deliver to the Owners entitled thereto, an aggregate number of American Depositary Shares representing the amount of Shares received as that dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 of the Deposit Agreement and the payment of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.9 of the Deposit Agreement (and the Depositary may sell, by public or private sale, an amount of Shares received (or American Depositary Shares representing those Shares) sufficient to pay its fees and expenses in respect of that distribution). In lieu of delivering fractional American Depositary Shares, the Depositary may sell the amount of Shares represented by the aggregate of those fractions (or American Depositary Shares representing those Shares) and distribute the net proceeds, all in the manner and subject to the conditions described in Section 4.1 of the Deposit Agreement. If and to the extent that additional American Depositary Shares are not delivered and Shares or American Depositary Shares are not sold, each American Depositary Share shall thenceforth also represent the additional Shares distributed on the Deposited Securities represented thereby.

If the Company declares a distribution in which holders of Deposited Securities have a right to elect whether to receive cash, Shares or other securities or a combination of those things, or a right to elect to have a distribution sold on their behalf, the Depositary may, after consultation with the Company, make that right of election available for exercise by Owners in any manner the Depositary considers to be lawful and practical. As a condition of making a distribution election right available to Owners, the Depositary may require reasonably satisfactory assurances from the Company that doing so does not require registration of any securities under the Securities Act of 1933 that has not been effected.

If the Depositary determines that any distribution received or to be made by the Depositary (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge that the Depositary is obligated to withhold, the Depositary may sell, by public or private sale, all or a portion of the distributed property (including Shares and rights to subscribe therefor) in the amounts and manner the Depositary deems necessary and practicable to pay those taxes or charges, and the Depositary shall distribute the net proceeds of that sale, after deduction of those taxes or charges, to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

Each Owner and Holder agrees to indemnify the Company, the Depositary, the Custodian and their respective directors, employees, agents and affiliates for, and hold each of them harmless against, any claim by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced withholding at source or other tax benefit received by it. The obligations of Owners and Holders under the preceding sentence shall survive any transfer of American Depositary Shares or surrender of American Depositary Shares and withdrawal of Deposited Securities and the termination of the Deposit Agreement. Services for Owners and Holders that may permit them to obtain reduced rates of tax withholding at source or reclaim excess tax withheld, and the fees and costs associated with using services of that kind, are not provided under, and are outside the scope of, the Deposit Agreement.

13. RIGHTS.

(a) If rights are granted to the Depositary in respect of deposited Shares to purchase additional Shares or other securities, the Company and the Depositary shall endeavor to consult as to the actions, if any, the Depositary should take in connection with that grant of rights. The Depositary shall, to the extent deemed by it to be lawful and practical (i) if requested in writing by the Company, grant to all or certain Owners rights to instruct the Depositary to purchase the securities to which the rights relate and deliver those securities or American Depositary Shares representing those securities to Owners, (ii) if requested in writing by the Company, deliver the rights to or to the order of certain Owners, or (iii) sell the rights to the extent practicable and distribute the net proceeds of that sale to Owners entitled to those proceeds. To the extent rights are not exercised, delivered or disposed of under (i), (ii) or (iii) above, the Depositary shall permit the rights to lapse unexercised.

(b) If the Depositary will act under (a)(i) above, the Company and the Depositary will enter into a separate agreement setting forth the conditions and procedures applicable to the particular offering. Upon instruction from an applicable Owner in the form the Depositary specified and upon payment by that Owner to the Depositary of an amount equal to the purchase price of the securities to be received upon the exercise of the rights, the Depositary shall, on behalf of that Owner, exercise the rights and purchase the securities. The purchased securities shall be delivered to, or as instructed by, the Depositary. The Depositary shall (i) deposit the purchased Shares under the Deposit Agreement and deliver American Depositary Shares representing those Shares to that Owner or (ii) deliver or cause the purchased Shares or other securities to be delivered to or to the order of that Owner. The Depositary will not act under (a)(i) above unless the offer and sale of the securities to which the rights relate are registered under the Securities Act of 1933 or the Depositary has received an opinion of United States counsel that is reasonably satisfactory to it to the effect that those securities may be sold and delivered to the applicable Owners without registration under the Securities Act of 1933. For the avoidance of doubt, nothing in the Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to rights or the underlying securities or to endeavor to have such a registration statement declared effective.

(c) If the Depositary will act under (a)(ii) above, the Company and the Depositary will enter into a separate agreement setting forth the conditions and procedures applicable to the particular offering. Upon (i) the request of an applicable Owner to deliver the rights allocable to the American Depositary Shares of that Owner to an account specified by that Owner to which the rights can be delivered and (ii) receipt of such documents as the Company and the Depositary agreed to require to comply with applicable law, the Depositary will deliver those rights as requested by that Owner.

(d) If the Depositary will act under (a)(iii) above, the Depositary will use reasonable efforts to sell the rights in proportion to the number of American Depositary Shares held by the applicable Owners and pay the net proceeds to the Owners otherwise entitled to the rights that were sold, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise.

(e) Payment or deduction of the fees of the Depositary as provided in Section 5.9 of the Deposit Agreement and payment or deduction of the expenses of the Depositary and any applicable taxes or other governmental charges shall be conditions of any delivery of securities or payment of cash proceeds under Section 4.4 of the Deposit Agreement.

(f) The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make rights available to or exercise rights on behalf of Owners in general or any Owner in particular, or to sell rights.

14. CONVERSION OF FOREIGN CURRENCY.

Whenever the Depositary or the Custodian receives foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the judgment of the Depositary be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depositary or one of its agents or affiliates or the Custodian shall convert or cause to be converted by sale or in any other manner that it may determine that foreign currency into Dollars, and those Dollars shall be distributed as promptly as reasonably practicable to the Owners entitled thereto. A cash distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners based on exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.9 of the Deposit Agreement.

If a conversion of foreign currency or the repatriation or distribution of Dollars can be effected only with the approval or license of any government or agency thereof, the Depositary may, but will not be required to, file an application for that approval or license.

If the Depositary determines that in its judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof that is required for such conversion is not filed or sought by the Depositary or is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute the foreign currency received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make that conversion and distribution in Dollars to the extent practicable and permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold that balance uninvested and without liability for interest thereon for the account of, the Owners entitled thereto.

The Depositary may convert currency itself or through any of its affiliates, or the Custodian or the Company may convert currency and pay Dollars to the Depositary. Where the Depositary converts currency itself or through any of its affiliates, the Depositary acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained by it or its affiliate in any currency conversion under the Deposit Agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to Owners, subject to the Depositary's obligations under Section 5.3 of that Agreement. The methodology used to determine exchange rates used in currency conversions made by the Depositary is available upon request. Where the Custodian converts currency, the Custodian has no obligation to obtain the most favorable rate that could be obtained at the time or to ensure that the method by which that rate will be determined will be the most favorable to Owners, and the Depositary makes no representation that the rate is the most favorable rate and will not be liable for any direct or indirect losses associated with the rate. In certain instances, the Depositary may receive dividends or other distributions from the Company in Dollars that represent the proceeds of a conversion of foreign currency or translation from foreign currency at a rate that was obtained or determined by or on behalf of the Company and, in such cases, the Depositary will not engage in, or be responsible for, any foreign currency transactions and neither it nor the Company makes any representation that the rate obtained or determined by the Company is the most favorable rate and neither it nor the Company will be liable for any direct or indirect losses associated with the rate.

15. RECORD DATES.

Whenever a cash dividend, cash distribution or any other distribution is made on Deposited Securities or rights to purchase Shares or other securities are issued with respect to Deposited Securities (which rights will be delivered to or exercised or sold on behalf of Owners in accordance with Section 4.4 of the Deposit Agreement) or the Depositary receives notice that a distribution or issuance of that kind will be made, or whenever the Depositary receives notice that a meeting of holders of Shares will be held in respect of which the Company has requested the Depositary to send a notice under Section 4.7 of the Deposit Agreement, or whenever the Depositary will assess a fee or charge against the Owners, or whenever the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary otherwise finds it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date set by the Company with respect to Shares, (a) for the determination of the Owners (i) who shall be entitled to receive the benefit of that dividend or other distribution or those rights, (ii) who shall be entitled to give instructions for the exercise of voting rights at that meeting, (iii) who shall be responsible for that fee or charge or (iv) for any other purpose for which the record date was set, or (b) on or after which each American Depositary Share will represent the changed number of Shares. Subject to the provisions of Sections 4.1 through 4.5 of the Deposit Agreement and to the other terms and conditions of the Deposit Agreement, the Owners on a record date fixed by the Depositary shall be entitled to receive the amount distributable by the Depositary with respect to that dividend or other distribution or those rights or the net proceeds of sale thereof in proportion to the number of American Depositary Shares held by them respectively, to give voting instructions or to act in respect of the other matter for which that record date was fixed, or be responsible for that fee or charge, as the case may be.

16. VOTING OF DEPOSITED SHARES.

(a) Upon receipt of notice of any meeting of holders of Shares at which holders of Shares will be entitled to vote, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, Disseminate to the Owners a notice, the form of which shall be in the sole discretion of the Depositary, that shall contain (i) the information contained in the notice of meeting received by the Depositary, (ii) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Japanese law and of the articles of incorporation or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Shares represented by their respective American Depositary Shares, (iii) a statement as to the manner in which those instructions may be given and (iv) the last date on which the Depositary will accept instructions (the “Instruction Cutoff Date”).

(b) Upon the written request of an Owner of American Depositary Shares, as of the date of the request or, if a record date was specified by the Depositary, as of that record date, received on or before any Instruction Cutoff Date established by the Depositary, the Depositary may, and if the Depositary sent a notice under the preceding paragraph shall, endeavor, in so far as practicable, to vote or cause to be voted the amount of deposited Shares represented by those American Depositary Shares in accordance with the instructions set forth in that request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the deposited Shares other than in accordance with instructions given by Owners and received by the Depositary.

(c) There can be no assurance that Owners generally or any Owner in particular will receive the notice described in paragraph (a) above in time to enable Owners to give instructions to the Depositary prior to the Instruction Cutoff Date.

(d) In order to give Owners a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Shares, if the Company will request the Depositary to Disseminate a notice under paragraph (a) above, the Company shall give the Depositary notice of the meeting, details concerning the matters to be voted upon and copies of materials to be made available to holders of Shares in connection with the meeting not less than 45 days prior to the meeting date.

(e) The Depositary shall be required to submit a pre-notification to the applicable Japanese governmental authorities and secure a FEFTA Clearance in order to be able to vote deposited Shares as to certain matters that might be voted upon at a shareholders' meeting of the Company (which matters could include an addition of any FEFTA Designated Business to the Company's business purposes in its Articles of Incorporation and appointment of a person closely related with the Depositary as director or corporate auditor of the Company). Accordingly, it is possible the Depositary may be prevented from carrying out the instructions of Owners to vote deposited Shares with respect to certain matters that may be submitted to a vote at a shareholders' meeting. If any matter is placed on the agenda for voting at a shareholders' meeting for which the Depositary may be required to submit a pre-notification, the Company shall give the Depositary specific notice of that fact, including details and materials not less than 45 days prior to the meeting date.

(f) Notwithstanding anything in Section 4.7 of the Deposit Agreement to the contrary, the Depositary and the Company may modify, amend or adopt additional procedures relating to voting of Deposited Securities from time to time as they determine may be necessary or appropriate to comply with applicable law or regulation.

17. TENDER AND EXCHANGE OFFERS; REDEMPTION, REPLACEMENT OR CANCELLATION OF DEPOSITED SECURITIES.

(a) The Depositary shall not tender any Deposited Securities in response to any voluntary cash tender offer, exchange offer or similar offer made to holders of Deposited Securities, except when instructed in writing to do so by an Owner surrendering American Depositary Shares and subject to any conditions or procedures the Depositary may require.

(b) If the Depositary receives a written notice that Deposited Securities have been redeemed for cash or otherwise purchased for cash in a transaction that is mandatory and binding on the Depositary as a holder of those Deposited Securities (a “Redemption”), the Depositary, at the expense of the Company, shall (i) if required, surrender Deposited Securities that have been redeemed to the issuer of those securities or its agent on the redemption date, (ii) Disseminate a notice to Owners (A) notifying them of that Redemption, (B) calling for surrender of a corresponding number of American Depositary Shares and (C) notifying them that the called American Depositary Shares have been converted into a right only to receive the money received by the Depositary upon that Redemption and those net proceeds shall be the Deposited Securities to which Owners of those converted American Depositary Shares shall be entitled upon surrenders of those American Depositary Shares in accordance with Section 2.5 or 6.2 of the Deposit Agreement and (iii) distribute the money received upon that Redemption to the Owners entitled to it upon surrender by them of called American Depositary Shares in accordance with Section 2.5 of that Agreement (and, for the avoidance of doubt, Owners shall not be entitled to receive that money under Section 4.1 of that Agreement). If the Redemption affects less than all the Deposited Securities, the Depositary shall call for surrender a corresponding portion of the outstanding American Depositary Shares and only those American Depositary Shares will automatically be converted into a right to receive the net proceeds of the Redemption. The Depositary shall allocate the American Depositary Shares converted under the preceding sentence among the Owners pro-rata to their respective holdings of American Depositary Shares immediately prior to the Redemption, except that the allocations may be adjusted so that no fraction of a converted American Depositary Share is allocated to any Owner. A Redemption of all or substantially all of the Deposited Securities shall be a Termination Option Event.

(c) If the Depositary is notified of or there occurs any change in nominal value or any subdivision, consolidation, conversion, combination or any other reclassification of the Deposited Securities or any recapitalization, reorganization, sale of assets substantially as an entirety, merger or consolidation affecting the issuer of the Deposited Securities or to which it is a party that is mandatory and binding on the Depositary as a holder of Deposited Securities and, as a result, securities or other property have been or will be delivered in exchange, conversion, replacement or in lieu of, Deposited Securities (a “Replacement”), the Depositary shall, if required, surrender the old Deposited Securities affected by that Replacement of Shares and hold, as new Deposited Securities under the Deposit Agreement, the new securities or other property delivered to it in that Replacement. However, the Depositary may elect to sell those new Deposited Securities if in the opinion of the Depositary, after consultation with the Company to the extent practicable, it is not lawful or not practical for it to hold those new Deposited Securities under the Deposit Agreement because those new Deposited Securities may not be distributed to Owners without registration under the Securities Act of 1933 or for any other reason, at public or private sale, at such places and on such terms as it deems proper and proceed as if those new Deposited Securities had been Redeemed under paragraph (b) above. A Replacement shall be a Termination Option Event.

(d) In the case of a Replacement where the new Deposited Securities will continue to be held under the Deposit Agreement, after consultation with the Company to the extent practicable, the Depositary may call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing the new Deposited Securities and the number of those new Deposited Securities represented by each American Depositary Share. If the number of Shares represented by each American Depositary Share decreases as a result of a Replacement, the Depositary may call for surrender of the American Depositary Shares to be exchanged on a mandatory basis for a lesser number of American Depositary Shares and may sell American Depositary Shares to the extent necessary to avoid distributing fractions of American Depositary Shares in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

(e) If there are no Deposited Securities with respect to American Depositary Shares, including if the Deposited Securities are cancelled, or the Deposited Securities with respect to American Depositary Shares have become apparently worthless, the Depositary may call for surrender of those American Depositary Shares or may cancel those American Depositary Shares, upon notice to Owners, and that condition shall be a Termination Option Event.

18. LIABILITY OF THE COMPANY AND DEPOSITARY.

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or Holder:

(i) if by reason of (A) any provision of any present or future law or regulation or other act or action of the government of the United States, any State of the United States, Japan or any other state or jurisdiction, or of any governmental or regulatory authority or stock exchange; (B) (in the case of the Depositary only) any provision, present or future, of the articles of incorporation or similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof; or (C) any event or circumstance, whether natural or caused by a person or persons, that is beyond the ability of the Depositary or the Company, as the case may be, to prevent or counteract by reasonable care or effort (including, but not limited to earthquakes, floods, severe storms, fires, explosions, war, terrorism, civil unrest, labor disputes, criminal acts or outbreaks of infectious disease; interruptions or malfunctions of utility services, Internet or other communications lines or systems; unauthorized access to or attacks on computer systems or websites; or other failures or malfunctions of computer hardware or software or other systems or equipment), the Depositary or the Company is, directly or indirectly, prevented from, forbidden to or delayed in, or could be subject to any civil or criminal penalty on account of doing or performing and therefore does not do or perform, any act or thing that, by the terms of the Deposit Agreement or the Deposited Securities, it is provided shall be done or performed;

(ii) for any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement (including any determination by the Depositary to take, or not take, any action that the Deposit Agreement provides the Depositary may take);

(iii) for the inability of any Owner or Holder to benefit from any distribution, offering, right or other benefit that is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Owners or Holders; or

(iv) for any special, consequential, indirect or punitive damages for any breach of the terms of the Deposit Agreement.

Where, by the terms of a distribution to which Section 4.1, 4.2 or 4.3 of the Deposit Agreement applies, or an offering to which Section 4.4 of that Agreement applies, or for any other reason, that distribution or offering may not be made available to Owners, and the Depositary may not dispose of that distribution or offering on behalf of Owners and make the net proceeds available to Owners, then the Depositary shall not make that distribution or offering available to Owners, and shall allow any rights, if applicable, to lapse.

Neither the Company nor the Depositary assumes any obligation or shall be subject to any liability under the Deposit Agreement to Owners or Holders, except that they agree to perform their obligations specifically set forth in the Deposit Agreement without negligence or bad faith. The Depositary shall not be a fiduciary or have any fiduciary duty to Owners or Holders. The Depositary shall not be subject to any liability with respect to the validity or worth of the Deposited Securities. Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit, or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares, on behalf of any Owner or Holder or other person. Neither the Depositary nor the Company shall be liable for any action or non-action by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or Holder, or any other person believed by it in good faith to be competent to give such advice or information. Each of the Depositary and the Company may rely, and shall be protected in relying upon, any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Neither the Depositary nor the Company shall be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with a matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises, the Depositary performed its obligations without negligence or bad faith while it acted as Depositary. The Depositary shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of American Depositary Shares or Deposited Securities or otherwise. In the absence of bad faith on its part, the Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities or for the manner in which any such vote is cast or the effect of any such vote. The Depositary shall have no duty to make any determination or provide any information as to the tax status of the Company. Neither the Depositary nor the Company shall have any liability for any tax consequences that may be incurred by Owners or Holders as a result of owning or holding American Depositary Shares. The Depositary shall not be liable for the inability or failure of an Owner or Holder to obtain the benefit of a foreign tax credit, reduced rate of withholding or refund of amounts withheld in respect of tax or any other tax benefit.

19. RESIGNATION AND REMOVAL OF THE DEPOSITARY; APPOINTMENT OF SUCCESSOR CUSTODIAN.

The Depositary may at any time resign as Depositary under the Deposit Agreement by written notice of its election so to do delivered to the Company, to become effective upon the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by the Company by 120 days' prior written notice of that removal, to become effective upon the later of (i) the 120th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depositary and its acceptance of its appointment as provided in the Deposit Agreement. The Depositary in its discretion may at any time appoint a substitute or additional custodian or custodians.

20. AMENDMENT.

The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or Holders in any respect which they may deem necessary or desirable. Any amendment that would impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable (including SWIFT) or facsimile transmission costs, delivery costs or other such expenses), or that would otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of 30 days after notice of that amendment has been Disseminated to the Owners of outstanding American Depositary Shares. Every Owner and Holder, at the time any amendment so becomes effective, shall be deemed, by continuing to hold American Depositary Shares or any interest therein, to consent and agree to that amendment and to be bound by the Deposit Agreement as amended thereby. Upon the effectiveness of an amendment to the form of Receipt, including a change in the number of Shares represented by each American Depositary Share, the Depositary may call for surrender of Receipts to be replaced with new Receipts in the amended form or call for surrender of American Depositary Shares to effect that change of ratio. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive delivery of the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

21. TERMINATION OF DEPOSIT AGREEMENT.

(a) The Company may initiate termination of the Deposit Agreement by notice to the Depositary. The Depositary may initiate termination of the Deposit Agreement if (i) at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and a successor depositary has not been appointed and accepted its appointment as provided in Section 5.4 of that Agreement or (ii) a Termination Option Event has occurred. If termination of the Deposit Agreement is initiated, the Depositary shall Disseminate a notice of termination to the Owners of all American Depositary Shares then outstanding setting a date for termination (the "Termination Date"), which shall be at least 90 days after the date of that notice, and the Deposit Agreement shall terminate on that Termination Date.

(b) After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depositary under Sections 5.8 and 5.9 of that Agreement.

(c) At any time after the Termination Date, the Depositary may sell the Deposited Securities then held under the Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that remain outstanding, and those Owners will be general creditors of the Depositary with respect to those net proceeds and that other cash. After making that sale, the Depositary shall be discharged from all obligations under the Deposit Agreement, except (i) to account for the net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges), (ii) for its obligations under Section 5.8 of that Agreement and (iii) to act as provided in paragraph (d) below.

(d) After the Termination Date, the Depositary shall continue to receive dividends and other distributions pertaining to Deposited Securities (that have not been sold), may sell rights and other property as provided in the Deposit Agreement and shall deliver Deposited Securities (or sale proceeds) upon surrender of American Depositary Shares (after payment or upon deduction, in each case, of the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of those American Depositary Shares in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges). After the Termination Date, the Depositary shall not accept deposits of Shares or deliver American Depositary Shares. After the Termination Date, (i) the Depositary may refuse to accept surrenders of American Depositary Shares for the purpose of withdrawal of Deposited Securities (that have not been sold) or reverse previously accepted surrenders of that kind that have not settled if in its judgment the requested withdrawal would interfere with its efforts to sell the Deposited Securities, (ii) the Depositary will not be required to deliver cash proceeds of the sale of Deposited Securities until all Deposited Securities have been sold and (iii) the Depositary may discontinue the registration of transfers of American Depositary Shares and suspend the distribution of dividends and other distributions on Deposited Securities to the Owners and need not give any further notices or perform any further acts under the Deposit Agreement except as provided in Section 6.2 of that Agreement.

22. DTC DIRECT REGISTRATION SYSTEM AND PROFILE MODIFICATION SYSTEM.

(a) Notwithstanding the provisions of Section 2.4 of the Deposit Agreement, the parties acknowledge that DTC's Direct Registration System ("DRS") and Profile Modification System ("Profile") apply to the American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC that facilitates interchange between registered holding of uncertificated securities and holding of security entitlements in those securities through DTC and a DTC participant. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of an Owner of American Depositary Shares, to direct the Depositary to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the Owner to register that transfer.

(b) In connection with DRS/Profile, the parties acknowledge that the Depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an Owner in requesting registration of transfer and delivery as described in paragraph (a) above has the actual authority to act on behalf of that Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.3 and 5.8 of the Deposit Agreement apply to the matters arising from the use of the DRS/Profile. The parties agree that the Depositary's reliance on and compliance with instructions received by the Depositary through the DRS/Profile system and otherwise in accordance with the Deposit Agreement, shall not constitute negligence or bad faith on the part of the Depositary.

23. APPOINTMENT OF AGENT FOR SERVICE OF PROCESS; SUBMISSION TO JURISDICTION; JURY TRIAL WAIVER; WAIVER OF IMMUNITIES.

The Company has (i) appointed Cogency Global Inc., with an address as of the date of the Deposit Agreement at 122 East 42nd Street, 18th Floor, New York, New York 10168 as the Company's authorized agent in the United States upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or the Deposit Agreement, (ii) consented and submitted to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agreed that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding.

EACH PARTY TO THE DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) THEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THE DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING, WITHOUT LIMITATION, ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY) AND ANY CLAIM BASED ON U.S. FEDERAL SECURITIES LAWS.

No disclaimer of liability under the United States federal securities laws or the rules and regulations thereunder is intended by any provision of the Deposit Agreement, inasmuch as no person is able to effectively waive the duty of any other person to comply with its obligations under those laws, rules and regulations.

To the extent that the Company or any of its properties, assets or revenues may have or hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any duty of performance under the Deposit Agreement, claim, legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or the Deposit Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

Description of Rights of Each Class of Securities

Registered under Section 12 of the Securities Exchange Act of 1934, as Amended (the “Exchange Act”)

American depositary shares (“ADSs”) of Micware Co., Ltd. (“we,” “our,” “our Company,” or “us”) are listed and traded on the Nasdaq Global Market under the symbol “MWC” since May 14, 2026, and in connection with this listing (but not for trading), our ADSs are registered under Section 12(b) of the Exchange Act. Each ADS represents one of our ordinary shares (“Ordinary Shares”). This exhibit contains a description of the rights of the holders of Ordinary Shares and ADSs.

Description of Ordinary Shares

The following description is a summary of the material information concerning our Ordinary Shares, including brief summaries of the relevant provisions of our Articles of Incorporation and of the Companies Act relating to joint-stock corporation with limited liability (kabushiki kaisha), and certain related laws and legislation, each as currently in effect. Because it is a summary, this discussion should be read together with our Articles of Incorporation.

Pre-emptive Rights (Item 9.A.3 of Form 20-F)

Holders of Ordinary Shares have no pre-emptive rights under our Articles of Incorporation or the Companies Act.

Type and Class of Securities (Item 9.A.5 of Form 20-F)

We are a joint-stock corporation with limited liability organized in Japan under the Companies Act. The rights of our shareholders are represented by our Ordinary Shares as described below, and shareholders’ liability is limited to the amount of subscription for such Ordinary Shares.

As of February 28, 2026, our authorized share capital consisted of 125,320,000 Ordinary Shares, and 58,054,490 of our Ordinary Shares were issued, 56,141,914 of which were outstanding and 1,912,576 of which were held by us as treasury shares. As of the date of this annual report, our authorized share capital consists of 125,320,000 Ordinary Shares, and 61,331,990 of our Ordinary Shares were issued, 59,419,414 of which were outstanding and 1,912,576 of which were held by us as treasury shares.

The share numbers and exercise price have been retroactively restated to account for the 130-for-1 forward share split that became effective on March 1, 2024 and the 241-for-1 forward share split that became effective on March 31, 2026.

We are not a company that issues share certificates.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

Request by Controlling Shareholder to Sell All Shares

A shareholder holding 90% or more of our voting rights, directly or through a wholly controlled subsidiary, shall have a right to request that all other shareholders other than us (and all other holders of share acquisition rights other than us, as the case may be) sell all shares (and all share acquisition rights, as the case may be) held by them with our approval, which must be made by a resolution of the board of directors (*kabushiki tou uriwatashi seikyu*). In order to make a Share Sales Request, such controlling shareholder will be required to issue a prior notice to us. If we approve such request, we will be required to give notice to all selling shareholders and registered pledgees of shares (and share acquisition rights, as the case may be) not later than 20 days before the effective date of such sales. While notice to registered pledgees (and holders of share acquisition rights, as the case may be) may be replaced by public notice, notice to selling shareholders must be made individually.

Sale by Us of Shares Held by Shareholders Whose Addresses Are Unknown

Under the Companies Act, we are not required to send a notice or demand to a shareholder if notices or demands to such shareholder fail to arrive for a continuous period of five or more years at the registered address of such shareholder in our register of shareholders or at the address otherwise notified to us.

In addition, we may sell or otherwise dispose of the shares held by a shareholder whose location is unknown. Generally, if

- notices or demands to a shareholder fail to arrive for a continuous period of five or more years at the shareholder's registered address in our register of shareholders or at the address otherwise notified to us, and
- the shareholder fails to receive distribution of surplus on the shares for a continuous period of five or more years,

we may sell or otherwise dispose of the shareholder's shares (including by auction, sale at market price, or purchase by us) after giving at least three months' prior public and individual notices, and hold or deposit the proceeds of such sale or disposal for the shareholder.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Shareholders of our Ordinary Shares (Item 10.B.3 and 10.B.4 of Form 20-F)

General Meeting of Shareholders

Our ordinary general meeting of shareholders is usually held every May. The record date for an ordinary general meeting of shareholders is the last day of February of each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' prior notice to shareholders.

Under the Companies Act, a joint-stock corporation may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' prior notice to shareholders.

Generally, a notice of convocation of a general meeting of shareholders setting forth the time, place, purpose thereof, and certain other matters set forth in the Companies Act and relevant ordinances must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least two weeks prior to the date set for such meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders.

Any shareholder or group of shareholders holding at least 3% of our total voting rights for a period of six months or more may request, by giving us an individual shareholder notice, the convocation of a general meeting of shareholders for a particular purpose. Unless such general meeting of shareholders is convened without delay or a convocation notice of a general meeting of shareholders which is to be held not later than eight weeks from the day of such request is dispatched, the requesting shareholder may, upon obtaining a court approval, convene such general meeting of shareholders.

Any shareholder or group of shareholders holding at least 300 voting rights or 1% of our total voting rights for a period of six months or more may propose a matter to be included in the agenda of a general meeting of shareholders, and may request to include a summary of such matter in a convocation notice to our shareholders, by submitting a request to a director at least eight weeks prior to the date set for such meeting (provided that we are able to limit the number of such matters proposed by each shareholder to 10), with an individual shareholder notice.

The Companies Act enables a company to amend its articles of incorporation in order to lower the requirements for the number of shares held and shareholding period, as well as the period required for dispatching a convocation notice or submission of requests, all of which are required for any shareholder or group of shareholders to request the convocation of a general meeting of shareholders, to propose a matter to be included in the agenda of a general meeting of shareholders or to request to include a summary of such matter in a convocation notice.

Voting Rights

A shareholder of record is entitled to one vote per Ordinary Share, except that neither we nor any corporation, partnership or other similar entity no less than one-quarter of the voting rights of which are directly or indirectly owned by us shall have voting rights. Except as otherwise provided by law or by our articles of incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the voting rights represented at the meeting and eligible to vote. Shareholders may also exercise their voting rights through proxies, provided that the proxy is granted to one of our shareholders having voting rights. The Companies Act and our articles of incorporation provide that the quorum for the election of directors is one third of the total number of voting rights.

The Companies Act provides that a special resolution of the general meeting of shareholders is required for certain significant corporate transactions, including:

- any amendment to our articles of incorporation (except for amendments that may be made without the approval of shareholders under the Companies Act);
- a reduction of stated capital, subject to certain exceptions such as a reduction of stated capital for the purpose of replenishing capital deficiencies;
- a dissolution, merger, or consolidation, subject to certain exceptions under which a shareholders' resolution is not required;
- the transfer of the whole or a substantial part of our business, subject to certain exceptions under which a shareholders' resolution is not required;
- the transfer of the whole or a part of our equity interests in any of our subsidiaries requiring shareholders' resolution;
- the taking over of the whole of the business of any other corporation, subject to certain exceptions under which a shareholders' resolution is not required;
- a corporate split, subject to certain exceptions under which a shareholders' resolution is not required;
- share exchange (*kabushiki kokan*) or share transfer (*kabushiki iten*) for the purpose of establishing 100% parent-subsidiary relationships, subject to certain exceptions under which a shareholders' resolution is not required;
- a share delivery (*kabushiki kofu*) for the purpose of making another corporation a subsidiary, subject to certain exceptions under which a shareholders' resolution is not required;
- any issuance of new shares or transfer of existing shares held by us as treasury shares at a "specially favorable" price and any issuance of share acquisition rights or bonds with share acquisition rights at a "specially favorable" price or with "specially favorable" condition to any persons other than shareholders;
- any acquisition by us of our own shares from specific persons other than our subsidiaries (if any);
- a reverse split; or
- the removal of a corporate auditor.

Except as otherwise provided by law or in our articles of incorporation, a special resolution of the general meeting of shareholders requires the approval of the holders of at least two-thirds of the voting rights of all shareholders present or represented at a general meeting where a quorum is present. Our articles of incorporation provide that a quorum exists when one-third or more of the total number of voting rights is present or represented.

Liquidation Rights

If we are liquidated, the assets remaining after payment of all taxes, liquidation expenses, and debts will be distributed among holders of Ordinary Shares in proportion to the number of Ordinary Shares they hold.

Rights to Allotment of Shares

Holders of our Ordinary Shares have no pre-emptive rights. Authorized but unissued shares may be issued at such times and on such terms as our board of directors may determine, so long as the limitations described in “—Voting Rights” above with respect to the issuance of new shares at “specially favorable” prices are observed. Our board of directors may, however, determine that shareholders shall be given rights to allotment regarding a particular issue of new shares, in which case the rights must be given on uniform terms to all holders of shares as of a record date for which not less than two weeks’ prior public notice must be given. Each of the shareholders to whom the rights are given must also be given notice of the expiration date thereof at least two weeks prior to the date on which the rights expire. The rights to allotment of new shares may not be transferred. However, the Companies Act enables us to allot share acquisition rights to shareholders without consideration therefor, and such share acquisition rights are transferable. See “—Share Acquisition Rights” below.

In cases where a particular issuance of new shares violates laws and regulations or our articles of incorporation, or will be performed in a manner that is materially unfair, and shareholders may suffer disadvantages therefrom, such shareholders may file an injunction with a court of law to enjoin the issuance.

Share Acquisition Rights

Subject to certain conditions and to the limitations on issuances at a “specially favorable” price or on “specially favorable” conditions described in “—Voting Rights,” we may issue share acquisition rights (*shinkabu yoyakuken*) and bonds with share acquisition rights (*shinkabu yoyakuken-tsuki shasai*) by a resolution of our board of directors. Holders of share acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as set forth in the terms of their share acquisition rights. Upon exercise of share acquisition rights, we will be obligated either to issue the relevant number of new shares or, alternatively, to transfer the necessary number of shares of treasury shares held by us.

Record Date

The record date for year-end dividends, if any, and the determination of shareholders entitled to vote at the ordinary general meeting of our shareholders is the last day of February.

In addition, by a resolution of the board of directors, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks’ prior public notice.

Acquisition by Us of Our Own Shares

Under the Companies Act, we may acquire our own shares:

- by purchase from a specific party other than any of our subsidiaries, pursuant to a special resolution of a general meeting of shareholders; and
- by purchase from any of our subsidiaries, pursuant to a resolution of the board of directors subject to certain requirements.

Any shareholder may request that we include him or her as the seller of his or her shares in the proposed acquisition. Any such acquisition of shares must satisfy certain requirements, such as that we may only acquire our own shares in an aggregate amount up to the amount that we may distribute as surplus. See “—Distribution of Surplus” below for more details regarding this amount.

Shares acquired by us may be held by us as treasury shares for any period or may be cancelled by a resolution of our board of directors. We may also transfer the shares held by us to any person, subject to a resolution of our board of directors, and also subject to other requirements similar to those applicable to the issuance of new shares, as described in “—Rights to Allotment of Shares” above. We may also utilize our treasury shares (x) for the purpose of a transfer to any person upon exercise of share acquisition rights or (y) for the purpose of acquiring another company by way of merger, share exchange, share delivery or corporate split through exchange of treasury shares for shares or assets of the acquired company.

Distribution of Surplus

Under the Companies Act, the distribution of dividends takes the form of distribution of surplus (as described in “—Restriction on Distribution of Surplus” below), and we may make a distribution of surplus in cash and/or in kind, with no restrictions on the timing and frequency of such distributions. The Companies Act generally requires a joint stock corporation to make distributions of surplus authorized by a resolution of a general meeting of shareholders. However, the Company’s board of directors may decide to make distributions of surplus, if all of the following requirements are met:

- (a) the Company’s articles of incorporation provide that its board of directors has the authority to decide whether to make distributions of surplus (our articles of incorporation do not have provisions to this effect);
- (b) the Company has (i) an independent auditor and (ii) a board of corporate auditors, an audit and supervisory committee, or a nominating committee, etc. under the Companies Act, as the case may be (we do not have an independent auditor but have a board of corporate auditors);
- (c) the normal term of office of the Company’s directors terminates on or prior to the date of close of the general meeting of shareholders relating to the last fiscal year ending within one year of the election of the director (our articles of incorporation currently do not satisfy this requirement); and
- (d) the Company’s non-consolidated annual financial statements and certain documents for the latest fiscal year fairly present its assets and profit or loss, as required by the ordinances of the Ministry of Justice.

In an exception to the above rule, even if the requirements described in (a) through (d) are not met, the Company may be permitted to make distributions of surplus in cash to its shareholders by resolution of the board of directors once per fiscal year if its articles of incorporation so provide. Our articles of incorporation do not have provisions to that effect.

Distributions of surplus may be made in cash or in kind in proportion to the number of ordinary shares held by each shareholder. A resolution of a general meeting of shareholders or our board of directors authorizing a distribution of surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of the assets to shareholders and the effective date of the distribution. If a distribution of surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders, grant a right to shareholders to require us to make the distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders. See “—Voting Rights” for more details regarding a special resolution.

Restriction on Distribution of Surplus

In making a distribution of surplus, the Company must set aside in its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of surplus so distributed until the sum of such additional paid-in capital and legal reserve reaches one-quarter of its stated capital.

Under the Companies Act, we may distribute surplus up to the excess of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, as of the effective date of such distribution, if our net assets are not less than JPY3,000,000:

- (a) the amount of surplus, as described below;
- (b) in the event that extraordinary financial statements as of, or for a period from the beginning of the fiscal year to, the specified date are approved, the aggregate amount of (i) the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net income for such period described in the statement of income constituting the extraordinary financial statements, and (ii) the amount of consideration that we received for the treasury shares that we disposed of during such period;
- (c) the book value of our treasury shares;
- (d) in the event that we disposed of treasury shares after the end of the last fiscal year, the amount of consideration that we received for such treasury shares;
- (e) in the event described in (b) in this paragraph, the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net loss for such period described in the statement of income constituting the extraordinary financial statements; and
- (f) certain other amounts set forth in the ordinances of the Ministry of Justice, including (if the sum of one-half of our goodwill and the deferred assets exceeds the total of our stated capital, additional paid-in capital and legal reserve, each such amount as it appears on the balance sheet as of the end of the last fiscal year) all or a certain part of such excess amount as calculated in accordance with the ordinances of the Ministry of Justice.

For the purposes of this section, the amount of “surplus” is the excess of the aggregate of (I) through (IV) below, less the aggregate of (V) through (VII) below:

- (I) the aggregate of other capital surplus and other retained earnings at the end of the last fiscal year;
- (II) in the event that we disposed of treasury shares after the end of the last fiscal year, the difference between the book value of such treasury shares and the consideration that we received for such treasury shares;
- (III) in the event that we reduced our share capital after the end of the last fiscal year, the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital and/or legal reserve (if any);
- (IV) in the event that we reduced additional paid-in capital and/or legal reserve after the end of the last fiscal year, the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);
- (V) in the event that we cancelled treasury shares after the end of the last fiscal year, the book value of such treasury shares;

(VI) in the event that we distributed surplus after the end of the last fiscal year, the aggregate of the following amounts:

- (1) the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders but for their exercise of the right to receive distributions in cash instead of distributions in kind;
- (2) the aggregate amount of cash distributed to shareholders who exercised the right to receive distributions in cash instead of distributions in kind; and
- (3) the aggregate amount of cash paid to shareholders holding fewer shares than the shares that were required in order to receive distributions in kind;

(VII) the aggregate amounts of (1) through (4) below, less (5) and (8) below:

- (1) in the event that the amount of surplus was reduced and transferred to additional paid-in capital, legal reserve and/or stated capital after the end of the last fiscal year, the amount so transferred;
- (2) in the event that we distributed surplus after the end of the last fiscal year, the amount set aside in additional paid-in capital and/or legal reserve;
- (3) in the event that, after the end of the last fiscal year, we disposed of treasury shares in the process of (w) a merger in which we acquired all rights and obligations of a company, (x) a corporate split in which we acquired all or a part of the rights and obligations of a split company, (y) a share exchange in which we acquired all shares of a company, or (z) a share delivery in which we acquired shares, share acquisition rights or bonds with share acquisition rights of a company and delivered our shares to the transferor of them as a consideration for such acquisition, the difference between the consideration that we received for such treasury share and the book value of such treasury share;
- (4) in the event that the amount of surplus was reduced in the process of a corporate split in which we transferred all or a part of our rights and obligations after the end of the last fiscal year, the amount so reduced;
- (5) in the event that, after the end of the last fiscal year, we conducted any of (w) a merger in which we acquired all rights and obligations of a company, (x) a corporate split in which we acquired all or a part of the rights and obligations of a split company, (y) a share exchange in which we acquired all shares of a company, or (z) a share delivery in which we acquired shares, share acquisition rights or bonds with share acquisition rights of a company and delivered our shares to the transferor of them as a consideration for such acquisition, the aggregate amount of (i) the amount of our other capital surplus after such merger, corporate split, share exchange or share delivery, less the amount of our other capital surplus before such merger, corporate split, share exchange or share delivery, and (ii) the amount of our other retained earnings after such merger, corporate split, share exchange or share delivery, less the amount of our other retained earnings before such merger, corporate split, share exchange or share delivery;
- (6) in the event that an obligation to cover a deficiency, such as the obligation of a person who subscribed for newly issued shares with an unfair amount to be paid in, was fulfilled after the end of the last fiscal year, the amount of other capital surplus increased by such payment;

- (7) in the event that we allotted our shares to the directors in consideration of providing service after the end of the last fiscal year, the changes in other capital surplus by such allotment; and
- (8) in the event that we allotted our treasury shares to the directors in consideration of providing service and the directors transferred these shares to us for free after the end of the last fiscal year, the amount of increase in treasury shares by such transfer.

In Japan, the “ex-dividend” date and the record date for any distribution of surplus come before the date a company determines the amount of distribution of surplus to be paid.

Limitations on the Rights to Own Ordinary Shares (Item 10.B.6 of Form 20-F)

There are no restrictions with respect to non-residents of Japan or foreign shareholders holding our Ordinary Shares or on the exercise of voting rights, except that acquisitions of our Ordinary Shares by Foreign Investors may be subject to prior notification and review requirements under the Foreign Exchange and Foreign Trade Act of Japan and related regulations, which may delay or restrict such acquisitions. However, pursuant to a provision of our share handling regulations, a shareholder who does not have an address or residence in Japan is required to file with our transfer agent its temporary address to receive notices in Japan or that of a standing proxy having any address or residence in Japan.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

There are no provisions in our Articles of Incorporation that would have the effect of delaying, deferring or preventing a change in control that would operate only with respect to a merger, acquisition, or corporate restructuring involving us.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions in our Articles of Incorporation or other subordinated rules regarding an ownership threshold, above which shareholder ownership must be disclosed.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

With respect to Items 10.B.2 to 10.B.8, the Company has identified in the responses above where provisions of the Companies Act applicable to the Company are significantly different from the comparable Delaware law.

Changes in Capital (Item 10.B.10 of Form 20-F)

There are no provisions in our Articles of Incorporation governing changes in our Company’s capital more stringent than is required by law.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

The Bank of New York Mellon, as depositary, registers and delivers ADSs. Each ADS represents one Ordinary Share (or a right to receive one Ordinary Share) deposited with MUFG Bank Ltd., as custodian for the depositary in Japan. Each ADS also represents any other securities, cash, or other property that may be held by the depositary. The deposited Ordinary Shares together with any other securities, cash, or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs are administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the depositary confirming their holdings.

As an ADS holder, we do not treat you as one of our shareholders and you do not have shareholder rights. Japanese law governs shareholder rights. The depositary is the holder of the Ordinary Shares underlying your ADSs. As a registered holder of ADSs, you have ADS holder rights. A deposit agreement among us, the depositary, and ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR.

Dividends and Other Distributions

How will you receive dividends and other distributions on the Ordinary Shares?

The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on Ordinary Shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of Ordinary Shares your ADSs represent.

- **Cash.** The depositary will convert any cash dividend or other cash distribution we pay on the Ordinary Shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes or other governmental charges that must be paid will be deducted. See "Material Income Tax Considerations." The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the distribution.*

- **Ordinary Shares.** The depositary may distribute additional ADSs representing any Ordinary Shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell Ordinary Shares that would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new Ordinary Shares. The depositary may sell a portion of the distributed Ordinary Shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.

- ***Rights to purchase additional shares.*** If we offer holders of our securities any rights to subscribe for additional Ordinary Shares or any other rights, the depositary may (i) exercise those rights on behalf of ADS holders, (ii) distribute those rights to ADS holders, or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. In that case, you will receive no value for them. The depositary will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the depositary that it is legal to do so. If the depositary exercises rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of Ordinary Shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.
- ***Other distributions.*** The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair, and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash, or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. The depositary, however, is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights, or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights, or anything else to ADS holders. *This means that you may not receive the distributions we make on our Ordinary Shares or any value for them if it is illegal or impractical for us to make them available to you.*

Deposit, Withdrawal, and Cancellation

Your ability to deposit Ordinary Shares for delivery of ADSs or to surrender ADSs and receive delivery of the deposited Ordinary Shares may be subject to special pre-notification and preclearance requirements under Japanese law and regulations. See “Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Regulations” in the annual report for more information.

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposits Ordinary Shares or evidence of rights to receive Ordinary Shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs to the depositary for the purpose of withdrawal. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the Ordinary Shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk, and expense, the depositary will deliver the deposited securities at its office, if feasible. The depositary, however, is not required to accept surrender of ADSs to the extent it would require delivery of a fraction of a deposited Ordinary Share or other security. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

When can ADSs be cancelled by the depositary?

The depositary may cancel ADSs if there are no underlying deposited securities, or those deposited securities have become apparently worthless or to the extent there are insufficient underlying deposited securities because of an increase in the number of Ordinary Shares represented by one ADS.

What are the Requirements for Depositing and Withdrawing Shares under the Japanese Foreign Exchange and Foreign Trade Act and Related Regulations(“FEFTA”)?

We have informed the depositary that as of the date of this annual report, we fall within the business sectors designated by the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended), or the FEFTA, (the “Designated Business Sectors,” *Shitei-Gyoshu*). We have further advised the depositary bank that a proposed transferee of our Ordinary Shares who is a Foreign Investor (as defined under the FEFTA) is required to submit an application for pre-clearance to the applicable Japanese governmental authority prior to the transfer of our Ordinary Shares, which approval may take up to 30 days and could be subject to further extension. Therefore, prior to accepting Ordinary Shares for deposit in return for the issuance of ADSs, the depositary, which is considered a Foreign Investor for purposes of the FEFTA, is required to obtain pre-clearance from the applicable Japanese governmental authority. Accordingly, investors wishing to deposit Ordinary Shares with the depositary for the issuance of ADSs should notify the depositary bank well in advance of the proposed deposit to allow time for the depositary bank to apply for any required pre-clearance, if not already obtained. The depositary will not accept any Ordinary Shares for deposit until any required pre-clearance has been obtained (if the pre-clearance is required). The depositary has no contractual obligation under the deposit agreement to accept Ordinary Shares for deposit from any investor.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do you vote?

ADS holders may instruct the depositary how to vote the number of deposited Ordinary Shares their ADSs represent. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of a shareholders’ meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of Japan and the provisions of our articles of incorporation or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the depositary as described above, you will not be able to exercise voting rights unless you surrender your ADSs and withdraw the Ordinary Shares. However, you may not know about the meeting enough in advance to withdraw the Ordinary Shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the Ordinary Shares represented by your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise voting rights and there may be nothing you can do if the Ordinary Shares represented by your ADSs are not voted as you requested.*

The depositary may be required to obtain pre-clearance from the applicable Japanese government authority to vote deposited Ordinary Shares as to certain matters at a shareholders' meeting. The depositary would not be able to carry out your instructions to vote as to a matter of that kind if it does not receive the required pre-clearance prior to the date of the shareholders' meeting.

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we agree to give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 45 days in advance of the meeting date.

Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:

\$10.00 (or less) per 100 ADSs (or portion of 100 ADSs)

For:

Issuance of ADSs, including issuances resulting from a distribution of Ordinary Shares or rights or other property or in relation to a change in the number of Ordinary Shares represented by one ADS

Surrender of ADSs for the purpose of withdrawal or cancellation of ADSs, including if the deposit agreement terminates or in relation to a change in the number of Ordinary Shares represented by one ADS

\$0.10 (or less) per ADS

Any cash distribution to ADS holders

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders

Fees assessed from time to time, but not exceeding \$0.10 per ADS during any calendar year

Depositary services

Registration or transfer fees

Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Expenses of the depositary

Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to U.S. dollars

Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes

As necessary

Any charges incurred by the depositary or its agents for servicing the deposited securities

As necessary

The depositary collects its fees for delivery, surrender and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from whom ADSs are cancelled or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. While aggregate fees for depositary services will not exceed \$0.10 per ADS in a calendar year, an investor may be charged more than one such fee in a consecutive 12-month period. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary, or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers, or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads, or commissions.

The depositary may convert currency itself or through any of its affiliates, or the custodian or we may convert currency and pay U.S. dollars to the depositary. Where the depositary converts currency itself or through any of its affiliates, the depositary acts as principal for its own account and not as agent, advisor, broker, or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained by it or its affiliate in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligation to act without negligence or bad faith. The methodology used to determine exchange rates used in currency conversions made by the depositary is available upon request. Where the custodian converts currency, the custodian has no obligation to obtain the most favorable rate that could be obtained at the time or to ensure that the method by which that rate will be determined will be the most favorable to ADS holders, and the depositary makes no representation that the rate is the most favorable rate and will not be liable for any direct or indirect losses associated with the rate. In certain instances, the depositary may receive dividends or other distributions from us in U.S. dollars that represent the proceeds of a conversion of foreign currency or translation from foreign currency at a rate that was obtained or determined by us and, in such cases, the depositary will not engage in, or be responsible for, any foreign currency transactions and neither it nor we make any representation that the rate obtained or determined by us is the most favorable rate and neither it nor we will be liable for any direct or indirect losses associated with the rate.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Tender and Exchange Offers; Redemption, Replacement, or Cancellation of Deposited Securities

The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do so by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a sub-division, combination, or other reclassification, or any merger, consolidation, recapitalization, or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold those replacement securities as deposited securities under the deposit agreement. If the depositary, however, decides it would not be lawful and practical to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADSs in exchange for new ADSs identifying the new deposited securities.

If there are no deposited securities underlying ADSs, including if the deposited securities are cancelled, or if the deposited securities underlying ADSs have become apparently worthless, the depositary may call for surrender of those ADSs or cancel those ADSs upon notice to the ADS holders.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges, or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

How may the deposit agreement be terminated?

The depositary will initiate termination of the deposit agreement if we instruct it to do so. The depositary may initiate termination of the deposit agreement if

- 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist the ADSs from an exchange in the United States on which they were listed and do not list the ADSs on another exchange in the United States or make arrangements for trading of ADSs on the U.S. over-the-counter market;
- we delist our shares from an exchange outside the United States on which they were listed and do not list the shares on another exchange outside the United States;

- the depositary has reason to believe the ADSs have become, or will become, ineligible for registration on Form F-6 under the Securities Act of 1933;
- we appear to be insolvent or enter insolvency proceedings;
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depositary will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depositary may sell the deposited securities. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depositary will sell as soon as practicable after the termination date.

After the termination date and before the depositary sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depositary may refuse to accept a surrender for the purpose of withdrawing deposited securities or reverse previously accepted surrenders of that kind that have not settled if it would interfere with the selling process. The depositary may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depositary will continue to collect distributions on deposited securities, but, after the termination date, the depositary is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith, and the depositary will not be a fiduciary or have any fiduciary duty to holders of ADSs;
- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential, or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person;

- are not liable for the acts or omissions of any securities depository, clearing agency, or settlement system; and
- the depository has no duty to make any determination or provide any information as to our tax status, or any liability for any tax consequences that may be incurred by ADS holders as a result of owning or holding ADSs or be liable for the inability or failure of an ADS holder to obtain the benefit of a foreign tax credit, reduced rate of withholding, or refund of amounts withheld in respect of tax or any other tax benefit.

In the deposit agreement, we and the depository agree to indemnify each other under certain circumstances.

Requirements for Depository Actions

Before the depository will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the depository may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depository may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depository or our transfer books are closed or at any time if the depository or we think it advisable to do so.

Your Right to Receive the Shares Underlying Your ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the depository has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares;
- when you owe money to pay fees, taxes, and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Shareholder Communications; Inspection of Register of Holders of ADSs

The depository will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depository will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Jury Trial Waiver

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our Ordinary Shares, the ADSs, or the deposit agreement, including any claim under the U.S. federal securities laws. The waiver continues to apply to claims that arise during the period when a holder holds the ADSs, whether the ADS holder purchased the ADSs in this offering or secondary transactions, even if the ADS holder subsequently withdraws the underlying Ordinary Shares. If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law.

You will not, by agreeing to the terms of the deposit agreement, be deemed to have waived our or the depositary's compliance with U.S. federal securities laws or the rules and regulations promulgated thereunder.

UNDERWRITING AGREEMENT

New York, New York
May 13, 2026

A.G.P./Alliance Global Partners
The Sole Underwriter
590 Madison Avenue, 28th Floor
New York, New York 10022

Ladies and Gentlemen:

The undersigned, Micware Co., Ltd., a joint-stock corporation with limited liability incorporated under Japanese law (collectively with its subsidiaries and affiliates, including, without limitation, all entities disclosed or described in the Registration Statement (as hereinafter defined) as being subsidiaries or affiliates of Micware Co., Ltd., the “**Company**”), hereby confirms its agreement (this “**Agreement**”) with A.G.P./Alliance Global Partners (“**A.G.P.**”) (hereinafter referred to as “you” (including its correlatives) or the “**Underwriter**”) as follows:

1. **Purchase and Sale of Securities.**

1.1 **Firm ADSs.**

1.1.1. Nature and Purchase of Firm ADSs.

(i) On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell to the Underwriter, an aggregate of 2,850,000 American Depositary Shares (the “**ADSs**”), representing 2,850,000 ordinary shares (“**Firm Shares**”), with no par value (the “**Ordinary Shares**”), of the Company (the “**Firm ADSs**”). The Firm Shares and Optional Shares (as defined herein) are to be deposited pursuant to a deposit agreement, dated as of May 13, 2026 (the “**Deposit Agreement**”), among the Company, THE BANK OF NEW YORK MELLON, as depositary (the “**Depository**”), and all Owners and Holders (each as defined in the Deposit Agreement) from time to time of the American Depositary Receipts (the “**ADRs**”) issued by the Depository and evidencing the ADSs.

(ii) The Underwriter agrees to purchase from the Company the number of Firm ADSs, set forth on Schedule 1 attached hereto and made a part hereof at a purchase price of \$8.00 per ADS. The Firm ADSs are to be offered initially to the public at the offering price set forth on the cover page of the Prospectus (as defined in Section 2.1.1 hereof).

1.1.2. Firm ADSs Payment and Delivery.

(i) Delivery and payment for the Firm ADSs shall be made at 10:00 a.m., Eastern time, on the second (2nd) Business Day following the effective date (the “**Effective Date**”) of the Registration Statement (as defined in Section 2.1.1 below) (or the third (3rd) Business Day following the Effective Date if the Registration Statement is declared effective after 4:01 p.m., Eastern time) or at such other time as shall be agreed upon by the Underwriter and the Company, at the offices of Robinson & Cole LLP, 666 3rd Ave #20, New York, NY 10174 (“**Underwriter Counsel**”), or at such other place (or remotely by facsimile or other electronic transmission) as shall be agreed upon by the Underwriter and the Company. The hour and date of delivery and payment for the Firm ADSs is called the “**Closing Date**.”

(ii) Payment for the Firm ADSs shall be made on the Closing Date by wire transfer in federal (same day) funds, payable to the order of the Company upon delivery of the Firm ADSs, which shall be delivered through the facilities of the Depository Trust Company (“**DTC**”) for the account of the Underwriter. The Firm ADSs shall be registered in such name or names and in such authorized denominations as the Underwriter may request in writing. The Company shall not be obligated to sell or deliver the Firm ADSs except upon tender of payment by the Underwriter for all of the Firm ADSs. The term “**Business Day**” means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions are authorized or obligated by law to close in New York, New York.

1.2 Over-allotment Option.

1.2.1. Option ADSs. For the purposes of covering any over-allotments in connection with the distribution and sale of the Firm ADSs, the Company hereby grants to the Underwriter an option to purchase up to 427,500 additional ADSs, representing fifteen percent (15%) of the Firm ADSs sold in the offering, from the Company (the “**Over-allotment Option**”). Such 427,500 additional ADSs, the net proceeds of which will be deposited with the Company’s account, are hereinafter referred to as “**Option ADSs**.” The purchase price to be paid per Option ADS shall be equal to the price per Firm ADS set forth in Section 1.1.1 hereof. The Firm ADSs and the Option ADSs are hereinafter referred to together as the “**Public Securities**.” The offering and sale of the Public Securities is hereinafter referred to as the “**Offering**.”

1.2.2. Exercise of Option. The Over-allotment Option granted pursuant to Section 1.2.1 hereof may be exercised by the Underwriter as to all (at any time) or any part (from time to time) of the Option ADSs within forty-five (45) days after the Closing Date. The Underwriter shall not be under any obligation to purchase any Option ADSs prior to the exercise of the Over-allotment Option. The Over-allotment Option granted hereby may be exercised by the giving of oral notice to the Company from the Underwriter, which must be confirmed in writing by overnight mail or facsimile or other electronic transmission setting forth the number of Option ADSs to be purchased and the date and time for delivery of and payment for the Option ADSs (the “**Option Closing Date**”), which shall not be later than five (5) full Business Days after the date of the notice or such other time as shall be agreed upon by the Company and the Underwriter, at the offices of Underwriter Counsel or at such other place (including remotely by facsimile or other electronic transmission) as shall be agreed upon by the Company and the Underwriter. If such delivery and payment for the Option ADSs does not occur on the Closing Date, the Option Closing Date will be as set forth in the notice. Upon exercise of the Over-allotment Option with respect to all or any portion of the Option ADSs, subject to the terms and conditions set forth herein, (i) the Company shall become obligated to sell to the Underwriter the number of Option ADSs specified in such notice and (ii) the Underwriter shall purchase that portion of the total number of Option ADSs then being purchased as set forth in Schedule 1 opposite the name of such Underwriter.

1.2.3. Payment and Delivery. Payment for the Option ADSs shall be made on the Option Closing Date by wire transfer in federal (same day) funds, payable to the order of the Company upon delivery to you of certificates (in form and substance satisfactory to the Underwriter) representing the Option ADSs (or through the facilities of DTC) for the account of the Underwriter. The Option ADSs shall be registered in such name or names and in such authorized denominations as the Underwriter may request in writing at least two (2) full Business Days prior to the Option Closing Date. The Company shall not be obligated to sell or deliver the Option ADSs except upon tender of payment by the Underwriter for applicable Option ADSs.

2. Representations and Warranties of the Company. The Company represents and warrants to the Underwriter as of the Applicable Time (as defined below), as of the Closing Date and as of the Option Closing Date, if any, as follows:

2.1 Filing of Registration Statement.

2.1.1. Pursuant to the Securities Act. The Company has filed with the U.S. Securities and Exchange Commission (the “**Commission**”) a registration statement, and an amendment or amendments thereto, on Form F-1 (File No. 333-294081), including any related prospectus or prospectuses, for the registration of the Public Securities under the Securities Act of 1933, as amended (the “**Securities Act**”), which registration statement and amendment or amendments have been prepared by the Company in all material respects in conformity with the requirements of the Securities Act and the rules and regulations of the Commission under the Securities Act (the “**Securities Act Regulations**”) and will contain all material statements that are required to be stated therein in accordance with the Securities Act and the Securities Act Regulations. Except as the context may otherwise require, such registration statement, as amended, on file with the Commission at the time the

registration statement became effective (including the Preliminary Prospectus included in the registration statement, financial statements, schedules, exhibits and all other documents filed as a part thereof or incorporated therein and all information deemed to be a part thereof as of the Effective Date pursuant to paragraph (b) of Rule 430A of the Securities Act Regulations (the “**Rule 430A Information**”), is referred to herein as the “**Registration Statement**.” If the Company files any registration statement pursuant to Rule 462(b) of the Securities Act Regulations, then after such filing, the term “Registration Statement” shall include such registration statement filed pursuant to Rule 462(b). The Registration Statement has been declared effective by the Commission on or prior to the date hereof.

Each prospectus used prior to the effectiveness of the Registration Statement, and each prospectus that omitted the Rule 430A Information that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a “**Preliminary Prospectus**.” The Preliminary Prospectus, subject to completion, dated April 27, 2026, that was included in the Registration Statement immediately prior to the Applicable Time is hereinafter called the “**Pricing Prospectus**.” The final prospectus in the form first furnished to the Underwriter for use in the Offering is hereinafter called the “**Prospectus**.” Any reference to the “**most recent Preliminary Prospectus**” shall be deemed to refer to the latest Preliminary Prospectus included in the Registration Statement.

“**Applicable Time**” means 4:30 p.m., Eastern time, on the date of this Agreement.

“**Issuer Free Writing Prospectus**” means any “issuer free writing prospectus,” as defined in Rule 433 of the Securities Act Regulations (“**Rule 433**”), including without limitation any “free writing prospectus” (as defined in Rule 405 of the Securities Act Regulations) relating to the Public Securities that is (i) required to be filed with the Commission by the Company, (ii) a “road show that is a written communication” within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission, or (iii) exempt from filing with the Commission pursuant to Rule 433(d)(5)(i) because it contains a description of the Public Securities or of the Offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company’s records pursuant to Rule 433(g).

“**Issuer General Use Free Writing Prospectus**” means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors (other than a “*bona fide* electronic road show,” as defined in Rule 433 (the “**Bona Fide Electronic Road Show**”)), as evidenced by its being specified in Schedule 2-B hereto.

“**Issuer Limited Use Free Writing Prospectus**” means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

“**Pricing Disclosure Package**” means any Issuer General Use Free Writing Prospectus issued at or prior to the Applicable Time, the Pricing Prospectus and the information included on Schedule 2-A hereto, all considered together.

2.2 **Stock Exchange Listing.** The ADSs have been approved for listing and are listed on The Nasdaq Global Market (the “**Exchange**”), and the Company has taken no action designed to, or likely to have the effect of, delisting the ADSs from the Exchange, nor has the Company received any notification that the Exchange is contemplating terminating such listing except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

2.3 **No Stop Orders, etc.** Neither the Commission nor, to the Company’s knowledge, any state regulatory authority has issued any order preventing or suspending the use of the Registration Statement, any Preliminary Prospectus or the Prospectus or has instituted or, to the Company’s knowledge, threatened to institute, any proceedings with respect to such an order. The Company has complied with each request (if any) from the Commission for additional information.

2.4 Disclosures in Registration Statement.

2.4.1. Compliance with Securities Act and 10b-5 Representation.

(i) Each of the Registration Statement and any post-effective amendment thereto, at the time it became effective, complied in all material respects with the requirements of the Securities Act and the Securities Act Regulations. Each Preliminary Prospectus, including the prospectus filed as part of the Registration Statement as originally filed or as part of any amendment or supplement thereto, and the Prospectus, at the time each was filed with the Commission, complied in all material respects with the requirements of the Securities Act and the Securities Act Regulations. Each Preliminary Prospectus delivered to the Underwriter for use in connection with this Offering and the Prospectus was or will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T promulgated under the Securities Act (“**Regulation S-T**”).

(ii) Neither the Registration Statement nor any amendment thereto, at its effective time, as of the Applicable Time, at the Closing Date or at any Option Closing Date (if any), contained, contains or will contain an untrue statement of a material fact or omitted, omits or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to statements made or statements omitted in reliance upon and in conformity with the Underwriter’s Information (as defined in Section 2.4.1(iii) below).

(iii) The Pricing Disclosure Package, as of the Applicable Time, at the Closing Date or at any Option Closing Date (if any), did not, does not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Limited Use Free Writing Prospectus hereto does not conflict with the information contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, and each such Issuer Limited Use Free Writing Prospectus, as supplemented by and taken together with the Pricing Prospectus as of the Applicable Time, did not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to statements made or statements omitted in reliance upon and in conformity with written information furnished to the Company with respect to the Underwriter expressly for use in the Registration Statement, the Pricing Prospectus or the Prospectus or any amendment thereof or supplement thereto. The parties acknowledge and agree that such information provided by or on behalf of any Underwriter consists solely of the following disclosure contained in the “Underwriting” section of the Prospectus: (a) the first two sentences set forth under the sub-caption “Fees and Expense Reimbursement”, (b) the information set forth under the sub-captions “Price Stabilization, Short Positions, and Penalty Bids,” “Electronic Offer, Sale and Distribution of Securities,” “Relationships,” and “Selling Restrictions,” and (c) the table showing the number of securities to be purchased by the Underwriter (the “**Underwriter’s Information**”); and

(iv) Neither the Prospectus nor any amendment or supplement thereto (including any prospectus wrapper), as of its issue date, at the time of any filing with the Commission pursuant to Rule 424(b), at the Closing Date or at any Option Closing Date, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to the Underwriter’s Information.

2.4.2. Disclosure of Agreements. The agreements and documents described in the Registration Statement, the Pricing Disclosure Package and the Prospectus conform in all material respects to the descriptions thereof contained therein and there are no agreements or other documents required by the Securities Act and the Securities Act Regulations to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus or to be filed with the Commission as exhibits to the Registration Statement, that have not been so described or filed. Each agreement or other instrument (however characterized or described) to which the Company is a party or by which it is or may be bound or affected and (i) that is referred to in the Registration Statement, the Pricing Disclosure Package and the Prospectus, or (ii) is material to the Company’s business, has been duly authorized and validly executed by the Company, is in full force and effect in all material respects and is enforceable against the Company and, to the Company’s knowledge, the other parties thereto, in accordance with its terms,

except (x) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, (y) as enforceability of any indemnification or contribution provision may be limited under the federal and state securities laws, and (z) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. None of such agreements or instruments has been assigned by the Company, and neither the Company nor, to the Company's knowledge, any other party is in default thereunder and, to the Company's knowledge, no event has occurred that, with the lapse of time or the giving of notice, or both, would constitute a default thereunder except for a default or event which would not reasonably be expected to result in a Material Adverse Change (as such term is defined in Section 2.5.1 below) and except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus. To the Company's knowledge, performance by the Company of the material provisions of such agreements or instruments will not result in a violation of any existing applicable law, rule, regulation, judgment, order or decree of any governmental agency or court, domestic or foreign, having jurisdiction over the Company or any of its assets or businesses (each, a "**Governmental Entity**"), including, without limitation, those relating to environmental laws and regulations, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Change as defined in Section 2.5.1 below.

2.4.3. Prior Securities Transactions. During the period starting three (3) years prior to the date of this Agreement, no securities of the Company have been sold by the Company or by or on behalf of, or for the benefit of, any person or persons controlling, controlled by or under common control with the Company, except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Preliminary Prospectus.

2.4.4. Regulations. The disclosures in the Registration Statement, the Pricing Disclosure Package and the Prospectus concerning the effects of federal, state, local and all foreign regulation on the Offering and the Company's business as currently contemplated are correct in all material respects and no other such regulations are required to be disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus which are not so disclosed.

2.5 Changes After Dates in Registration Statement.

2.5.1. No Material Adverse Change. Since the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus, except as otherwise specifically stated therein and except in accordance with its ordinary business operations: (i) to the knowledge of the Company, there has been no material adverse change in the financial position or results of operations of the Company, nor any change or development that, singularly or in the aggregate, involves a material adverse change, in or affecting the condition (financial or otherwise), results of operations, business, assets or prospects of the Company (a "**Material Adverse Change**"); (ii) there have been no material transactions entered into by the Company, other than as contemplated pursuant to this Agreement; and (iii) no officer or director of the Company has resigned from any position with the Company.

2.5.2. Recent Securities Transactions, etc. Subsequent to the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus, and except as may otherwise be indicated or contemplated herein or disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has not: (i) issued any securities, other than upon exercise or conversion of outstanding securities described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, or incurred any liability or obligation, direct or contingent, for borrowed money except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus; or (ii) declared or paid any dividend or made any other distribution on or in respect to its share capital.

2.6 Independent Accountants. To the knowledge of the Company, Marcum Asia CPAs LLP (the "**Auditor**"), whose report is filed with the Commission as part of the Registration Statement, the Pricing Disclosure Package and the Prospectus, is an independent registered public accounting firm as required by the Securities Act and the Securities Act Regulations and the Public Company Accounting Oversight Board. The Auditor has not, during the periods covered by the financial statements included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, provided to the Company any non-audit services, as such term is used in Section 10A(g) of the Exchange Act.

2.7 Financial Statements, etc. The financial statements, including the notes thereto and supporting schedules included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, fairly present in all material respects the financial position and the results of operations of the Company at the dates and for the periods to which they apply; and such financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”), consistently applied throughout the periods involved (provided that unaudited interim financial statements are subject to year-end audit adjustments that are not expected to be material in the aggregate and do not contain all footnotes required by GAAP); and the supporting schedules, if any, included in the Registration Statement present fairly in all material respects the information required to be stated therein. Except as included therein, no historical or pro forma financial statements are required to be included in the Registration Statement, the Pricing Disclosure Package or the Prospectus under the Securities Act or the Securities Act Regulations. The pro forma and pro forma as adjusted financial information and the related notes, if any, included in the Registration Statement, the Pricing Disclosure Package and the Prospectus have been properly compiled and prepared in accordance with the applicable requirements of the Securities Act and the Securities Act Regulations and present fairly in all material aspects the information shown therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. All disclosures contained in the Registration Statement, the Pricing Disclosure Package or the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission), if any, comply in all material respects with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Securities Act, to the extent applicable. Each of the Registration Statement, the Pricing Disclosure Package and the Prospectus discloses all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that may have a material current or future effect on the Company’s financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (a) since the date of the last balance sheet included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, neither the Company nor any of its direct and indirect subsidiaries, including each entity disclosed or described in the Registration Statement, the Pricing Disclosure Package and the Prospectus as being a subsidiary of the Company (each, a “**Subsidiary**” and, collectively, the “**Subsidiaries**”), has incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions other than in the ordinary course of business, (b) the Company has not declared or paid any dividends or made any distribution of any kind with respect to its share capital, (c) there has not been any change in the share capital of the Company or any of its Subsidiaries, other than in the course of business or pursuant to any grants under any share compensation plan, and (d) there has not been any Material Adverse Change in the Company’s long-term or short-term debt.

2.8 Authorized Capital; Options, etc. The Company had, at the date or dates indicated in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the duly authorized, issued and outstanding Ordinary Shares as set forth therein. Based on the assumptions stated in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company will have on the Closing Date the adjusted Ordinary Shares set forth therein. Except as set forth in, or contemplated by, the Registration Statement, the Pricing Disclosure Package and the Prospectus, on the Effective Date, as of the Applicable Time and on the Closing Date and any Option Closing Date, there will be no stock options, warrants, or other rights to purchase or otherwise acquire any authorized, but unissued Ordinary Shares of the Company or any security convertible or exercisable into Ordinary Shares of the Company, or any contracts or commitments to issue or sell Ordinary Shares or any such options, warrants, rights or convertible securities.

2.9 Valid Issuance of Securities, etc.

2.9.1. Outstanding Securities. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, all issued and outstanding securities of the Company issued prior to the transactions contemplated by this Agreement have been duly authorized and validly issued and are fully paid and non-assessable; the holders thereof have no rights of rescission with respect thereto, and are not subject to personal liability by reason of being such holders; and none of such securities were issued in violation of the preemptive rights of any holders of any security of the Company or similar contractual rights granted by the Company. The authorized Ordinary Shares conform in all material respects to all statements relating thereto contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus. The offers and sales of the outstanding Ordinary Shares that were subject to the registration requirements of the Securities Act were at all relevant times either registered under the Securities Act and the applicable state securities or “blue sky” laws or, based in part on the representations and warranties of the purchasers of such Shares, exempt from such registration requirements.

2.9.2. Securities Sold Pursuant to this Agreement. The Public Securities have been duly authorized for issuance and sale. Upon the issuance, sale and payment for the Public Securities in accordance with the terms hereof and the due issuance by the Depositary of the ADRs evidencing the ADSs against the deposit of the underlying Ordinary Shares in respect thereof in accordance with the provisions of the Deposit Agreement, such ADSs and ADRs will be duly and validly issued, the Ordinary Shares represented by such ADSs will be fully paid and non-assessable, and free and clear of all liens imposed by the Company, and the persons in whose names the ADSs and ADRs are registered will be entitled to the rights specified therein, respectively, and in the Deposit Agreement, and will not be subject to personal liability by reason of being such holders. The issuance and sale of the Public Securities and the issuance and delivery or deposit of the underlying Ordinary Shares in respect thereof are not and will not be subject to the preemptive rights of any holders of any security of the Company or similar contractual rights granted by the Company. All corporate action required to be taken for the authorization, issuance and sale of the Public Securities, the authorization, issuance and delivery or deposit of the underlying Ordinary Shares in respect thereof, and the execution, delivery and performance of the Deposit Agreement has been duly and validly taken. The Public Securities conform in all material respects to all statements with respect thereto contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus. The Deposit Agreement and the ADRs conform in all material respect to the descriptions thereof contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

2.10 Registration Rights of Third Parties. Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, no holders of any securities of the Company or any rights exercisable for or convertible or exchangeable into securities of the Company have the right to require the Company to register any such securities of the Company under the Securities Act or to include any such securities in a registration statement to be filed by the Company.

2.11 Validity and Binding Effect of Agreements. This Agreement and the Deposit Agreement have been duly and validly authorized by the Company, and, when executed and delivered, will constitute, the valid and binding agreements of the Company, enforceable against the Company in accordance with its terms, except: (i) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally; (ii) as enforceability of any indemnification or contribution provision may be limited under the federal and state securities laws; and (iii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

2.12 No Conflicts, etc. The execution, delivery and performance by the Company of this Agreement, the Deposit Agreement, and all ancillary documents, the consummation by the Company of the transactions herein and therein contemplated and the compliance by the Company with the terms hereof and thereof do not and will not, with or without the giving of notice or the lapse of time or both: (i) result in a material breach of, or conflict with any of the terms and provisions of, or constitute a material default under, or result in the creation, modification, termination or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to the terms of any agreement or instrument to which the Company is a party, except breaches, conflicts or defaults that would not reasonably be expected to result in a Material Adverse Change; (ii) result in any violation of the provisions of the Company’s articles of incorporation (as the same may be amended or restated from time to time, the “**Charter**”); or (iii) violate any existing applicable law, rule, regulation, judgment, order or decree of any Governmental Entity as constituted as of the date hereof, except in the case of clause (iii) above, for such violations which would not reasonably be expected to result in a Material Adverse Change.

2.13 **No Defaults; Violations.** Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, no material default exists in the due performance and observance of any term, covenant or condition of any material license, contract, indenture, mortgage, deed of trust, note, loan or credit agreement, or any other agreement or instrument evidencing an obligation for borrowed money, or any other material agreement or instrument to which the Company is a party or by which the Company may be bound or to which any of the properties or assets of the Company is subject, except for any such default that would not be reasonably expected to result in a Material Adverse Change. The Company is not (i) in violation of any term or provision of its Charter, or (ii) in violation of any franchise, license, permit, applicable law, rule, regulation, judgment or decree of any Governmental Entity, except in the case of clause (ii) above, for such violations which would not reasonably be expected to result in a Material Adverse Change.

2.14 **Corporate Power; Licenses; Consents.**

2.14.1. **Conduct of Business.** Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has all requisite corporate power and authority, and has all necessary authorizations, approvals, orders, licenses, certificates and permits (collectively, “**Authorizations**”) of and from all Governmental Entities that it needs as of the date hereof to conduct its business purpose in all material respects as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, except for such Authorizations, the absence of which would not reasonably be expected to have a Material Adverse Change.

2.14.2. **Transactions Contemplated Herein.** The Company has all corporate power and authority to enter into this Agreement and the Deposit Agreement and to carry out the provisions and conditions hereof, and all consents, authorizations, approvals and orders required in connection therewith have been obtained. No consent, authorization or order of, and no filing with, any court, government agency or other body is required for the valid issuance, sale and delivery of the Public Securities and the consummation of the transactions and agreements contemplated by this Agreement and the Deposit Agreement and as contemplated by the Registration Statement, the Pricing Disclosure Package and the Prospectus, except with respect to applicable federal and state securities laws and the rules and regulations of the Financial Industry Regulatory Authority, Inc. (“**FINRA**”).

2.15 **D&O Questionnaires.** To the Company’s knowledge, all information contained in the questionnaires (the “**Questionnaires**”) completed by each of the Company’s directors and officers prior to the Offering (the “**Insiders**”) as supplemented by all information concerning the Company’s directors, officers and principal shareholders as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, as well as in the Lock-Up Agreement (as defined in Section 2.25 below), provided to the Underwriter, is true and correct in all material respects and the Company has not become aware of any information which would cause the information disclosed in the Questionnaires to become materially inaccurate and incorrect.

2.16 **Litigation; Governmental Proceedings.** There is no action, suit, proceeding, inquiry, arbitration, investigation, litigation or governmental proceeding pending or, to the Company’s knowledge, threatened against, or involving the Company or, to the Company’s knowledge, any executive officer or director which is required to be disclosed and has not been disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus or in connection with the Company’s listing application for the listing of the Public Securities on the Exchange.

2.17 **Good Standing.** The Company has been duly incorporated as a joint-stock corporation with limited liability and is validly existing and in good standing under Japanese laws as of the date hereof, and is duly qualified to do business and is in good standing in each other jurisdiction in which its ownership or lease of property or the conduct of business requires such qualification, except where the failure to qualify, singularly or in the aggregate, would not have or reasonably be expected to result in a Material Adverse Change.

2.18 **Insurance.** Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company carries or is entitled to the benefits of insurance, with reputable insurers, in such amounts and covering such risks which the Company believes are adequate, and all such insurance is in full force and effect. The Company has no reason to believe that it will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change.

2.19 **Transactions Affecting Disclosure to FINRA.**

2.19.1. **Finder's Fees.** Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no claims, payments, arrangements, agreements or understandings relating to the payment of a finder's, consulting or origination fee by the Company or any Insider with respect to the sale of the Public Securities hereunder or any other arrangements, agreements or understandings of the Company or, to the Company's knowledge, any of its shareholders that may affect the Underwriter's compensation, as determined by FINRA.

2.19.2. **Payments Within Twelve (12) Months.** Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has not made any direct or indirect payments (in cash, securities or otherwise) to: (i) any person, as a finder's fee, consulting fee or otherwise, in consideration of such person raising capital for the Company or introducing to the Company persons who raised or provided capital to the Company; (ii) any FINRA member; or (iii) any person or entity that has any direct or indirect affiliation or association with any FINRA member, within the twelve (12) months prior to the Effective Date, other than the payment to the Underwriter as provided hereunder in connection with the Offering.

2.19.3. **Use of Proceeds.** None of the net proceeds of the Offering will be paid by the Company to any participating FINRA member or its affiliates, except as specifically authorized herein.

2.19.4. **FINRA Affiliation.** To the Company's knowledge, and except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there is no (i) officer or director of the Company, (ii) beneficial owner of 10% or more of any class of the Company's securities or (iii) beneficial owner of the Company's unregistered equity securities which were acquired during the 180-day period immediately preceding the filing of the Registration Statement that is an affiliate or associated person of a FINRA member participating in the Offering (as determined in accordance with the rules and regulations of FINRA).

2.19.5. **Information.** All information provided by the Company in its FINRA questionnaire to Underwriter Counsel specifically for use by Underwriter Counsel in connection with its Public Offering System filings (and related disclosure) with FINRA is true, correct and complete in all material respects.

2.20 **Foreign Corrupt Practices Act.** None of the Company and its Subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company and its Subsidiaries or any other person acting on behalf of the Company and its Subsidiaries, has, directly or indirectly, given or agreed to give any money, gift or similar benefit (other than legal price concessions to customers in the ordinary course of business) to any customer, supplier, employee or agent of a customer or supplier, or official or employee of any governmental agency or instrumentality of any government (domestic or foreign) or any political party or candidate for office (domestic or foreign) or other person who was, is, or may be in a position to help or hinder the business of the Company (or assist it in connection with any actual or proposed transaction) that (i) might subject the Company to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (ii) if not given in the past, might have had a Material Adverse Change or (iii) if not continued in the future, might adversely affect the assets, business, operations or prospects of the Company. The Company has taken reasonable steps to ensure that its accounting controls and procedures are sufficient to cause the Company to comply in all material respects with the Foreign Corrupt Practices Act of 1977, as amended.

2.21 **Compliance with OFAC.** None of the Company or any of its Subsidiaries and, to the Company's knowledge, none of the director, officer, or employee of the Company or any of its Subsidiaries, has conducted or entered into a contract to conduct any transaction with the governments or any of subdivision thereof, residents of, or any entity based or resident in the countries that are currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); none of the Company or any of its Subsidiaries is currently subject to any U.S. sanctions administered by OFAC (including but not limited to the designation as a "specially designated national or blocked person" thereunder), the United Nations Security Council, or the European Union or is located, organized or resident in a country or territory that is the subject of OFAC-administered sanctions, including, without limitation, Burma/Myanmar, Cuba, Iran, North Korea, Sudan and Syria; and the Company will not knowingly directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

2.22 **Money Laundering Laws.** The operations of the Company and its Subsidiaries are and have been conducted, at all times, in all material respects in compliance with applicable financial recordkeeping and reporting requirements of money laundering statutes and the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and there is no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company, any of its Subsidiaries.

2.23 [*intentionally omitted*].

2.24 **Officers' Certificate.** Any certificate signed by any duly authorized officer of the Company and delivered to you or to Underwriter Counsel on the Closing Date or the Option Closing Date shall be deemed a representation and warranty by the Company to the Underwriter as to the matters covered thereby.

2.25 **Lock-Up Agreements.** Schedule 3 hereto contains a complete and accurate list of the Company's officers, directors and each holder of more than five percent (5.0%) of the Company's outstanding Ordinary Shares (or securities convertible or exercisable into Ordinary Shares) (collectively, the "Lock-Up Parties"). The Company has caused each of the Lock-Up Parties to deliver to the Underwriter an executed Lock-Up Agreement, in the form attached hereto as Exhibit A (the "Lock-Up Agreement"), prior to the execution of this Agreement.

2.26 **Subsidiaries.** Exhibit 21.1 of the Registration Statement lists each Subsidiary and consolidated entity of the Company and sets forth the ownership of all of the Subsidiaries. All direct and indirect Subsidiaries of the Company are duly organized or incorporated and in good standing under the laws of the place of organization or incorporation, and each Subsidiary is in good standing in each jurisdiction in which its ownership or lease of property or the conduct of business requires such qualification, except where the failure to qualify would not have a Material Adverse Change. The Company's ownership and control of each Subsidiary is as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus. The Company does not own or control, directly or indirectly, any corporation, company, association or entity, except as disclosed in the Registration Statement and the Prospectus. Each of the Company and its Subsidiaries has full corporate power and authority to own or lease, as the case may be, and to operate its properties and conduct its business as described in the Disclosure Materials and the Prospectus, and is duly qualified to do business under the laws of each jurisdiction which requires such qualification.

2.27 **Related Party Transactions.** There are no business relationships or related party transactions involving the Company or any other person required to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus that have not been described as required.

2.28 **Board of Directors.** The Board of Directors of the Company is comprised of the persons set forth under the heading of the Pricing Prospectus and the Prospectus captioned “Management.” The qualifications of the persons serving as board members and the overall composition of the board comply with the Exchange Act, the Exchange Act Regulations, the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder (the “**Sarbanes-Oxley Act**”) applicable to the Company and the listing rules of the Exchange. At least one member of the Audit Committee of the Board of Directors of the Company qualifies as an “audit committee financial expert,” as such term is defined under Regulation S-K and the listing rules of the Exchange. In addition, at least a majority of the persons serving on the Board of Directors qualify as “independent,” as defined under the listing rules of the Exchange.

2.29 **Sarbanes-Oxley Compliance.**

2.29.1. **Disclosure Controls.** Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has developed and currently maintains disclosure controls and procedures that will comply in all material respects with Rule 13a-15 or 15d-15 under the Exchange Act Regulations, and such controls and procedures are effective to ensure that all material information concerning the Company will be made known on a timely basis to the individuals responsible for the preparation of the Company’s Exchange Act filings and other public disclosure documents.

2.29.2. **Compliance.** Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company is, or at the Applicable Time and on the Closing Date will be, in material compliance with the provisions of the Sarbanes-Oxley Act applicable to it, and has implemented or will implement such programs and has taken reasonable steps to ensure the Company’s future compliance (not later than the relevant statutory and regulatory deadlines therefor) with all of the material provisions of the Sarbanes-Oxley Act.

2.30 **Accounting Controls.** Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company and its Subsidiaries maintain systems of “internal control over financial reporting” (as defined under Rules 13a-15 and 15d-15 under the Exchange Act Regulations) that comply with the requirements of the Exchange Act and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, including, but not limited to, internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company is not aware of any material weaknesses in its internal controls. The Company’s auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are known to the Company’s management and that have adversely affected or are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and (ii) any fraud known to the Company’s management, whether or not material, that involves management or other employees who have a significant role in the Company’s internal controls over financial reporting.

2.31 **No Investment Company Status.** The Company is not and, after giving effect to the Offering and the application of the proceeds thereof as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, will not be, required to register as an “investment company,” as defined in the Investment Company Act of 1940, as amended.

2.32 **No Labor Disputes.** No material labor dispute with the employees of the Company or any of its Subsidiaries exists or, to the knowledge of the Company, is imminent.

2.33 **Intellectual Property Rights.** Except as described in the Registration Statement and the Prospectus, the Company and each of its Subsidiaries owns or possesses or has valid rights to use all patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses, inventions, trade secrets and similar rights (“**Intellectual Property**”) necessary for the conduct of the business of the Company and its Subsidiaries as currently carried on and as described in the Registration Statement and the Prospectus, except for such Intellectual Property, the failure of which to own or possess, as the case may be, would not reasonably be expected to result in a Material Adverse Change. To the Company’s knowledge, no action or use by the Company or any of its Subsidiaries will involve or give rise to any infringement of, or material license or similar fees for, any Intellectual Property of others, that would reasonably be expected to have a Material Adverse Change on the Company and the Subsidiaries, taken as a whole, except as disclosed in the Registration Statement or the Prospectus. Neither the Company nor any of its Subsidiaries has received any notice alleging any such infringement or fee, except such infringement or fee that would not reasonably be expected to have a Material Adverse Change on the Company or the Subsidiaries, taken as a whole.

2.34 **Taxes.** Each of the Company and its Subsidiaries has filed all returns (as hereinafter defined) required to be filed with taxing authorities prior to the date hereof or has duly obtained extensions of time for the filing thereof. Each of the Company and its Subsidiaries has paid all taxes (as hereinafter defined) shown as due on such returns that were filed and has paid all taxes imposed on or assessed against the Company or such respective Subsidiary. The provisions for taxes payable, if any, shown on the financial statements filed with or as part of the Registration Statement are sufficient for all accrued and unpaid taxes, whether or not disputed, and for all periods to and including the dates of such consolidated financial statements. Except as disclosed in writing to the Underwriter, (i) no issues have been raised (and are currently pending) by any taxing authority in connection with any of the returns or taxes asserted as due from the Company or its Subsidiaries, and (ii) no waivers of statutes of limitation with respect to the returns or collection of taxes have been given by or requested from the Company or its Subsidiaries. The term “taxes” mean all federal, state, local, foreign and other net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, lease, service, service use, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profits, customs, duties or other taxes, fees, assessments or charges of any kind whatever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto. The term “returns” means all returns, declarations, reports, statements and other documents required to be filed in respect to taxes.

2.35 **No Integration.** Neither the Company nor any of the Subsidiaries has, prior to the date hereof, made any offer or sale of any securities which are required to be “integrated” pursuant to the Securities Act or the Regulations with the offer and sale of the Public Securities pursuant to the Registration Statement. Except as disclosed in the Registration Statement, neither the Company nor any of the Subsidiaries has sold or issued any Ordinary Shares or any securities convertible into, exercisable or exchangeable for Ordinary Shares, or other equity securities, or any rights to acquire any Ordinary Shares or other equity securities of the Company, during the six-month period preceding the date of the Prospectus, including but not limited to any sales pursuant to Rule 144A or Regulation D or S under the Act, other than Ordinary Shares issued pursuant to employee benefit plans, qualified share option plans or the employee compensation plans or pursuant to outstanding options, rights or warrants as described in the Registration Statement.

2.36 **Representation and Warranties relating to Subsidiaries.**

(i) **Organization.** The Company’s Subsidiaries have been duly organized and are validly existing as a company under the laws of the jurisdiction of its incorporation or organization, and in good standing under all applicable laws and regulations of such jurisdiction. Each Subsidiary has obtained and maintains in full force and effect all registrations, filings, licenses, permits, approvals, and certificates required under applicable laws for its due organization, valid existence, and lawful operation, including all requisite corporate registrations with the competent legal affairs bureau and all business registrations and tax filings required by applicable national and local governmental authorities. The equity interests of each Subsidiary held by the Company are as described in the Prospectus, and such equity interests as so described are beneficially and legally owned by the Company, free and clear of all liens, encumbrances, equities or claims. The bylaws, the business license and other constituent documents of the Company comply in all

material respects with the requirements of applicable laws of Japan and are in full force and effect. The Company has full power and authority (corporate and other) and all consents, approvals, authorizations, permits, licenses, orders, registrations, clearances and qualifications of or with any governmental agency having jurisdiction over the Company and the Subsidiaries or any of their properties required for the ownership or lease of property by it and the conduct of its business in accordance with its registered business scope except for such that would not reasonably be expected to have a Material Adverse Change and has the legal right and authority to own, use, lease and operate its assets and to conduct its business in the manner presently conducted and as described in the Prospectus.

Except as described in the Registration Statement or the Prospectus, each of the Company's Subsidiaries has legal and valid title to all of its properties and assets, free and clear of all liens, charges, encumbrances, equities, claims, options and restrictions that would, singly or in the aggregate, materially affect the value thereof or materially interfere with the use made or to be made thereof by them; each lease agreement to which it is a party is duly executed and legally binding; its leasehold interests are set forth in and governed by the terms of lease agreements, and, to the best of the Company's knowledge, such agreements are valid, binding and enforceable in accordance with their respective terms under the laws of the jurisdiction governing such agreements, except where the invalidity of such lease agreements would not reasonably be expected to have a Material Adverse Change on the Company or the Subsidiaries, taken as a whole; and, neither of the Company or the Subsidiaries owns, operates, manages or has any other right or interest in any other material real property of any kind, which would reasonably result in a Material Adverse Change to the Company and the Subsidiaries, taken as a whole, except as described in the Registration Statement and/or the Prospectus.

(ii) Japanese Taxes. Except as disclosed in the Registration Statement, the Disclosure Materials and Prospectus, no transaction, stamp, capital or other issuance, registration, transaction, transfer or withholding taxes or duties are payable in Japan to any Japanese taxing authority in connection with (A) the issuance, sale and delivery of the Public Securities to or for the account of the purchasers, and (B) the purchase from the Company and the sale and delivery of the Public Securities to purchasers thereof.

(iii) Dividends and Distributions. Except as disclosed in the Disclosure Materials, Registration Statement and the Prospectus, no Subsidiary of the Company is currently prohibited or restricted, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's shares or capital stock (in each case, to the extent that any such prohibition or restriction on dividends and/or distributions would have a material effect to the Company), from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's property or assets to the Company or any other Subsidiary of the Company.

(iv) No Immunity. None of the Company, its Subsidiaries or any of its or their properties or assets has any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) under the laws of Japan, the Kingdom of Thailand, the Federal Republic of Germany, the state of California, the state of New York or United States federal law; and, to the extent that the Company, its Subsidiaries or any of their respective properties, assets or revenues may have or may hereafter become entitled to any such right of immunity in any such court in which proceedings may at any time be commenced, each of the Company and its Subsidiaries waives or will waive such right to the extent permitted by law and has consented to such relief and enforcement under New York law as provided under this Agreement.

(v) Free Transferability of Dividends or Distributions. Except as disclosed in the Disclosure Materials, Registration Statement and Prospectus all dividends and other distributions declared and payable on the Ordinary Shares may under current Japanese law and regulations be paid to the holders of Securities in United States dollars and may be converted into foreign currency that may be transferred out of Japan in accordance with, and all such payments made to holders thereof or therein who are non-residents of Japan will not be subject to income, withholding or other taxes under, the laws and regulations of Japan, or any political subdivision or taxing authority thereof or therein and will otherwise be free and clear of any other tax, duty, withholding or deduction in Japan or any political subdivision or taxing authority thereof or therein and without the necessity of obtaining any governmental authorization in Japan or any political subdivision or taxing authority thereof or therein.

(vi) Not a PFIC. Except as disclosed in the Disclosure Materials, Registration Statement and Prospectus, the Company does not expect that it will be treated as a Passive Foreign Investment Company (“PFIC”) within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended, for its current taxable year. The Company has no plan or intention to operate in such a manner that would reasonably be expected to result in the Company becoming a PFIC in future taxable years.

2.37 **Foreign Private Issuer Status**. The Company is a “foreign private issuer” within the meaning of Rule 405 under the Act.

2.38 **MD&A**. The section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in the Preliminary Prospectus included in the Disclosure Materials and the Prospectus accurately and fully describes in all material respects (A) accounting policies that the Company believes are the most important in the portrayal of the Company’s financial condition and results of operations and that require management’s most difficult, subjective or complex judgments (“**Critical Accounting Policies**”); (B) judgments and uncertainties affecting the application of the Critical Accounting Policies; and (C) the likelihood that materially different amounts would be reported under different conditions or using different assumptions and an explanation thereof; and the Company’s management have reviewed and agreed with the selection, application and disclosure of the Critical Accounting Policies as described in the Disclosure Materials and the Prospectus and have consulted with its independent accountants with regard to such disclosure.

2.39 **Industry Data**. The statistical and market-related data included in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus are based on or derived from sources that the Company reasonably and in good faith believes are reliable and accurate or represent the Company’s good faith estimates that are made on the basis of data derived from such sources.

2.40 *[intentionally omitted]*.

2.41 **Testing-the-Waters Communications**. The Company has not (i) alone engaged in any Testing-the-Waters Communications, other than Testing-the-Waters Communications with the written consent of the Underwriter and with entities that are qualified institutional buyers within the meaning of Rule 144A under the Securities Act or institutions that are accredited investors within the meaning of Rule 501 under the Securities Act and (ii) authorized anyone other than the Underwriter to engage in Testing-the-Waters Communications. The Company confirms that the Underwriter has been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications other than those listed on Schedule 2-C hereto. “Written Testing-the-Waters Communication” means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act.

2.42 **Margin Rules**. Neither the issuance, sale and delivery of the Securities nor the application of the proceeds thereof by the Company as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus will violate Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

2.43 **Environmental Laws**. The Company and its Subsidiaries (i) are in material compliance with all material federal, state, local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, “**Hazardous Materials**”) into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder (“**Environmental Laws**”); (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws for their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval, where in each clause (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Change.

2.44 **Real Property.** Except as described or disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has valid rights to lease or otherwise use, all items of real or personal property which are material to the business of the Company, in each case free and clear of all liens, encumbrances, security interests, claims and defects except such as do not, singly or in the aggregate, materially interfere with the use made and proposed to be made of such property by the Company; and all of the leases and subleases material to the business of the Company, and under which the Company holds properties described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, are in full force and effect, and the Company has not received any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company to the continued possession of the leased or subleased premises under any such lease or sublease.

2.45 **Contracts Affecting Capital.** There are no transactions, arrangements or other relationships between and/or among the Company, any of its affiliates (as such term is defined in Rule 405 of the Securities Act Regulations) and any unconsolidated entity, including, but not limited to, any structured finance, special purpose or limited purpose entity that could reasonably be expected to materially affect the Company's liquidity or the availability of or requirements for their capital resources required to be described or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus which have not been described or incorporated by reference as required.

2.46 **Loans to Directors or Officers.** There are no outstanding loans, advances (except normal advances for business expenses in the ordinary course of business) or guarantees or indebtedness by the Company to or for the benefit of any of the officers or directors of the Company, or any of their respective family members, except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

2.47 **Electronic Road Show.** The Company has made available a Bona Fide Electronic Road Show in compliance with Rule 433 of the Securities Act Regulations such that no filing of any "road show" (as defined in Rule 433 of the Securities Act Regulations) is required in connection with the Offering.

2.48 **Minute Books.** The minute books of the Company have been made available to the Underwriter and counsel for the Underwriter, and such books (i) contain a complete summary of all material meetings and actions of the board of directors (including each board committee) and shareholders of the Company (or analogous governing bodies and interest holders, as applicable), since the time of its respective incorporation or organization through the date of the latest meeting and action, and (ii) accurately in all material respects reflect all material transactions referred to in such minutes. There are no material transactions, agreements, dispositions or other actions of the Company that are not properly approved and/or accurately and fairly recorded in the minute books of the Company, as applicable.

2.50 **Choice of Law.** Except as disclosed in the Disclosure Materials, Registration Statement and the Prospectus, the choice of law provision set forth in this Agreement and the Deposit Agreement constitutes a legal and valid choice of law under the laws of Japan and will be recognized and given effect to in any action brought before a court of competent jurisdiction in Japan, subject to applicable mandatory provisions of Japanese law, except for those laws (a) which such court considers to be procedural in nature, (b) which are revenue or penal laws or (c) the application of which would be inconsistent with public policy, as such term is interpreted under Japanese law. The Company has the power to submit, and pursuant to Section 9.6 of this Agreement and Section 7.6 of the Deposit Agreement, has legally, validly, effectively and submitted, to the personal jurisdiction of each of the New York Courts, and the Company has the power to designate, appoint and authorize, and pursuant to Section 9.6 of this Agreement and Section 7.6 of the Deposit Agreement, has legally, validly, effectively and irrevocably designated, appointed an authorized agent for service of process in any action arising out of or relating to this Agreement, or the Public Securities in any New York Court, and service of process effected on such authorized agent will be effective to confer valid personal jurisdiction over the Company as provided in Section 9.6 of this Agreement and Section 7.6 of the Deposit Agreement.

2.51 **Recognition of Judgments.** The courts of Japan would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the New York Courts against the Company based upon this Agreement and/or the Deposit Agreement expressed to be governed by the New York Laws under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an in personam judgment for non-monetary relief, and would give a judgment based thereon provided that (a) service of process was properly effected on the Company otherwise than by publication; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of Japan; and (e) there is a system of mutual guarantee between Japan and the State of New York as to the recognition and enforcement of foreign judgments.

3. **Covenants of the Company.** The Company covenants and agrees as follows:

3.1 **Amendments to Registration Statement.**

3.1.1. The Company shall deliver to the Underwriter, prior to filing, any amendment or supplement to the Registration Statement or Prospectus proposed to be filed after the Effective Date and not file any such amendment or supplement to which the Underwriter shall reasonably object in writing.

3.1.2. The Registration Statement and any amendments thereto have been declared effective, and if Rule 430A is used or the filing of the Prospectus is otherwise required under Rule 424(b), the Company will file the Prospectus (properly completed if Rule 430A has been used) pursuant to Rule 424(b) within the prescribed time period and will provide evidence satisfactory to the Underwriter of such timely filing.

3.2.3. During the period beginning on the date hereof and ending on the later of the Closing Date or such date as, in the reasonable opinion of Underwriter's Counsel, the Prospectus is no longer required by law to be delivered (or in lieu thereof the notice referred to in Rule 173(a) under the Act is no longer required to be provided) in connection with sales by an underwriter or dealer (the "**Prospectus Delivery Period**"), prior to amending or supplementing the Registration Statement, the Pricing Disclosure Package or the Prospectus, the Company shall furnish to the Underwriter and Underwriter's Counsel for review a copy of each such proposed amendment or supplement, and the Company shall not file any such proposed amendment or supplement to which the Underwriter reasonably objects within 36 hours of delivery thereof to Underwriter's Counsel.

3.2 **Federal Securities Laws.**

3.2.1. After the date of this Agreement, the Company shall promptly advise the Underwriter in writing of: (i) the receipt of any comments of, or requests for additional or supplemental information from, the Commission; (ii) the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any prospectus, the Pricing Disclosure Package or the Prospectus; (iii) the time and date that any post-effective amendment to the Registration Statement becomes effective; and (iv) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of any order preventing or suspending its use or the use of any prospectus, the Pricing Disclosure Package, the Prospectus or any Issuer Free Writing Prospectus, or the initiation of any proceedings to remove, suspend or terminate from listing the ADSs from any securities exchange upon which the ADSs are listed for trading, or of the threatening of initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use its reasonable efforts to obtain the lifting of such order at the earliest possible moment. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b), 430A and 430B, as applicable, under the Act and will use its reasonable efforts to confirm that any filings made by the Company under Rule 424(b) or Rule 433 were received in a timely manner by the Commission (without reliance on Rule 424(b)(8) or Rule 164(b)).

3.2.2. (i) During the Prospectus Delivery Period, the Company will comply in all material respects with all requirements imposed upon it by the Act as now in effect and as may be hereafter amended, and by the Regulations, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Securities as contemplated by the provisions hereof, the Pricing Disclosure Package, the Registration Statement and the Prospectus. If during such period any event or development occurs as a result of which the Prospectus (or if the Prospectus is not yet available to prospective purchasers, the Pricing Disclosure Package) would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances then existing, not misleading, or if during such period it is necessary or appropriate in the opinion of the Company or its counsel or the Underwriter or Underwriter's Counsel to amend the Registration Statement or supplement the Prospectus (or if the Prospectus is not yet available to prospective purchasers, the Pricing Disclosure Package) to comply with the Act, the Company will promptly notify the Underwriter and will promptly amend the Registration Statement or supplement the Prospectus (or if the Prospectus is not yet available to prospective purchasers, the Pricing Disclosure Package) or file such document (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(ii) If at any time following the issuance of an Issuer Free Writing Prospectus there occurs an event or development as a result of which such Issuer Free Writing Prospectus would conflict with the information contained in the Registration Statement or the Prospectus or would include an untrue statement of a material fact or would omit to state a material fact necessary in order to make the statements therein, in light of the circumstances there existing, not misleading, the Company will promptly notify the Underwriter and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

3.2.3. The Company consents to the use and delivery of the Preliminary Prospectus by the Underwriter in accordance with Rule 430 and Section 5(b) of the Act.

3.2.4. If the Company elects to rely on Rule 462(b) under the Act, the Company shall both file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by the earlier of: (i) 10:00 P.M., Eastern time, on the date of this Agreement, and (ii) the time that confirmations are given or sent, as specified by Rule 462(b)(2), and pay the applicable fees in accordance with Rule 111 of the Act.

3.2.5. The Company will use its commercially reasonable efforts, in cooperation with the Underwriter, at or prior to the time of effectiveness of the Registration Statement, to qualify the Securities for offering and sale under the securities laws relating to the Offering or sale of the Securities of such jurisdictions as the Underwriter may reasonably designate and to maintain such qualifications in effect for so long as required for the distribution thereof; except that in no event shall the Company be obligated in connection therewith to qualify as a foreign corporation or to execute a general consent to service of process or to subject itself to taxation if it is otherwise not so subject.

3.2.6 Except with respect to (i) securities of the Company which may be issued in connection with an acquisition of another entity (or the assets thereof), (ii) the issuance of securities of the Company intended to provide the Company with proceeds to acquire another entity (or the assets thereof), or (iii) the issuance of securities under the Company's share option plans with exercise or conversion prices at fair market value (as defined in such plans) in effect from time to time, during the three (3) months following the Closing Date, the Company or any successor to the Company shall not undertake any public or private offerings of any equity securities of the Company (including equity-linked securities) without the prior written consent of the Underwriter, which consent shall not be unreasonably withheld.

3.2.7. **Free Writing Prospectuses.** The Company agrees that, unless it obtains the prior written consent of the Underwriter, it shall not make any offer relating to the Public Securities that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a “free writing prospectus,” or a portion thereof, required to be filed by the Company with the Commission or retained by the Company under Rule 433; provided that the Underwriter shall be deemed to have consented to each Issuer General Use Free Writing Prospectus hereto and any “road show that is a written communication” within the meaning of Rule 433(d)(8)(i) that has been reviewed by the Underwriter. The Company represents that it has treated or agrees that it will treat each such free writing prospectus consented to, or deemed consented to, by the Underwriter as an “issuer free writing prospectus,” as defined in Rule 433, and that it has complied and will comply with the applicable requirements of Rule 433 with respect thereto, including timely filing with the Commission where required, legending and record keeping. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Underwriter and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

3.2.8. **Testing-the-Waters Communications.** If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company shall promptly notify the Underwriter and shall promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

3.3 **Delivery to the Underwriter of Registration Statements.** The Company has delivered or made available or shall deliver or make available to the Underwriter and counsel for the Underwriter, without charge, signed copies of the Registration Statement as originally filed and each amendment thereto (including exhibits filed therewith) and signed copies of all consents and certificates of experts, and will also deliver to the Underwriter, without charge, a conformed copy of the Registration Statement as originally filed and each amendment thereto (without exhibits) for each of the Underwriter. The copies of the Registration Statement and each amendment thereto furnished to the Underwriter will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

3.4 **Delivery to the Underwriter of Prospectuses.** The Company has delivered or made available or will deliver or make available to the Underwriter, without charge, as many copies of each Preliminary Prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the Securities Act. The Company will furnish the Underwriter, without charge, during the period when a prospectus relating to the Public Securities is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the Securities Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriter will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

3.5 **Review of Financial Statements.** For a period of two (2) years after the date of this Agreement, the Company, at its expense, shall cause its regularly engaged independent registered public accounting firm to review (but not audit) the Company’s financial statements for each of the three fiscal quarters immediately preceding the announcement of any quarterly financial information.

3.6 **Listing.** The Company shall use its commercially reasonable efforts to maintain the listing of the ADSs (including the Public Securities) on the Exchange for at least three (3) years from the date of this Agreement.

3.7 [*intentionally omitted*].

3.8 Reports to the Underwriter.

3.8.1. *[intentionally omitted]*.

3.8.2. Transfer Agent; Transfer Sheets. For a period of three (3) years after the date of this Agreement, the Company shall retain a transfer agent and registrar acceptable to the Underwriter (the “**Transfer Agent**”). Kenta Nobe at Atsumi Sakai Legal Professional Corporation is acceptable to the Underwriter to act as Transfer Agent for the Ordinary Shares.

3.8.3. Trading Reports. During such time as the Public Securities are listed on the Exchange, the Company shall provide to the Underwriter, at the Company’s expense, such reports published by Exchange relating to price trading of the Public Securities, as the Underwriter shall reasonably request.

3.9 Consideration; Payment of Expenses.

3.9.1 In consideration of the services to be provided for hereunder, the Company shall pay to the Underwriter or its designee(s) the following compensation (or pro rata portion thereof, if applicable) with respect to the Securities purchased from the Company in this Offering:

(i) an underwriting discount equal to seven percent (7.0%) of the aggregate gross proceeds (inclusive the Over-allotment Option to purchase the Option ADSs) raised in the Offering;

(ii) NAE (defined below) allowance of one percent (1.0%) of the gross proceeds of the Offering to the Underwriter; and

(iii) an actual, reasonable, documented out-of-pocket accountable expenses related to this Offering (including the fees and disbursements of Underwriter Counsel, the “**Accountable Expenses**”) of up to \$230,000, \$100,000 and \$100,000 of which were paid to the Underwriter as advances (collectively, “**Advances**”) upon signing of the engagement letter between the Company and the Underwriter dated November 25, 2025, as amended (the “**Engagement Letter**”), and public filing of the Registration Statement with the Commission, respectively.

3.9.2 *[Intentionally omitted]*.

3.9.3 The Company hereby agrees to pay on the Closing Date and the Option Closing Dates, if any, to the extent not paid at the Closing Date, and subject to the cap of the Accountable Expenses, all actual, reasonable, documented out-of-pocket accountable expenses incident to the performance of the obligations of the Company under this Agreement, including, but not limited to: (a) all filing fees and communication expenses relating to the registration of the ADSs to be sold in the Offering (including the Option ADSs) with the Commission; (b) all Public Filing System filing fees associated with the review of the Offering by FINRA; (c) all fees and expenses relating to the listing of such Public Securities on the Exchange and such other stock exchanges as the Company and the Underwriter together determine; (d) all fees, expenses and disbursements relating to the registration or qualification of the Public Securities under the “blue sky” securities laws of such states and other jurisdictions as the Underwriter may reasonably designate (including, without limitation, all filing and registration fees, and the reasonable fees and disbursements of “blue sky” counsel; (e) all fees, expenses and disbursements relating to the registration, qualification or exemption of the Public Securities under the securities laws of such foreign jurisdictions as the Underwriter may reasonably designate; (f) the costs of all mailing and printing of the underwriting documents (including, without limitation, the Underwriting Agreement, any Blue Sky Surveys, Selected Dealers’ Agreement, Underwriter’s Questionnaire and Power of Attorney), Registration Statements, Prospectuses and all amendments, supplements and exhibits thereto and as many preliminary and final Prospectuses as the Underwriter may reasonably deem necessary; (g) the costs and expenses of a public relations firm; (h) the costs of preparing, printing and delivering certificates representing the Public Securities; (i) fees and expenses of the transfer agent for the Ordinary Shares; (j) share transfer and/or stamp taxes, if any, payable upon the transfer of securities from the Company to the Underwriter; (k) the fees and expenses of the Company’s accountants; (kl) the fees and expenses of the Company’s legal counsel and other agents and representatives. The Company hereby agrees to pay on the Closing Date and the Option Closing Dates, if any, to the extent not paid at the Closing Date, to the Underwriter, from the gross proceeds of the Offering, for

remaining outstanding Accountable Expenses only to the extent that actually incurred by the Underwriter as well as non-accountable expenses (the “NAE”) including, but not limited to, background check(s), tombstones, marketing related expenses; i.e. roadshow, travel, et al. and any other expenses incurred by the Underwriter in connection with the transaction, (provided, however, that such reimbursement amount shall in no way limit or impair the indemnification and contribution provisions of this Agreement). The total NAE allowance shall be 1.0% of the gross proceeds raised in the Offering.

3.9.4 It is understood, however, that except as provided in this Section 3, and Sections 5, 8.3 and 8.4 hereof, the Underwriter will pay all of their own costs and expenses. Notwithstanding anything to the contrary in this Section 3, in the event that this Agreement is terminated pursuant to Section 8 hereof, or subsequent to a Material Adverse Change, the Company will pay the remaining outstanding Accountable Expenses only to the extent that actually incurred by the Underwriter. For the avoidance of doubt, all Accountable Expenses shall be limited to expenses which are actually incurred as allowed under FINRA Rule 5110 and in any event, the aggregate amount of such expenses to be reimbursed by the Company shall not exceed \$230,000, including the Advances. To the extent that the Underwriter’s out-of-pocket expenses are less than the Advances, the Underwriter will return to the Company that portion of the Advances not offset by actual expenses in accordance with FINRA Rule 5110(g)(4)(A).

3.9.5 The Underwriter reserves the right to reduce any item of compensation or adjust the terms thereof as specified herein in the event that a determination shall be made by FINRA to the effect that the Underwriter’s aggregate compensation is in excess of FINRA Rules or that the terms thereof require adjustment.

3.10 **Application of Net Proceeds.** The Company shall apply the net proceeds from the Offering received by it in a manner consistent with the application thereof described under the caption “Use of Proceeds” in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

3.11 **Delivery of Earnings Statements to Security Holders.** The Company will make generally available (within the meaning of Section 11(a) of the Securities Act) to its security holders and to the Underwriter as soon as practicable, but not later than 45 days after the end of its fiscal quarter in which the first anniversary date of the effective date of the Registration Statement occurs, an earnings statement (which need not be audited) (in form complying with the provisions of Rule 158 under the Securities Act) covering a period of at least twelve consecutive months beginning after the effective date of the Registration Statement.

3.12 **Stabilization.** Neither the Company nor, to its knowledge, any of its employees, directors or shareholders (without the consent of the Underwriter) has taken or shall take, directly or indirectly, any action designed to or that has constituted or that might reasonably be expected to cause or result in, under Regulation M of the Exchange Act, or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Public Securities.

3.13 **Internal Controls.** The Company shall maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management’s general or specific authorization; (ii) transactions are recorded as necessary in order to permit preparation of financial statements in accordance with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

3.14 **Accountants.** As of the date of this Agreement, the Company shall continue to retain a nationally recognized independent registered public accounting firm for a period of at least three (3) years after the date of this Agreement. The Underwriter acknowledges that the Auditor is acceptable to the Underwriter.

3.15 **FINRA.** The Company shall advise the Underwriter (who shall make an appropriate filing with FINRA) if it is or becomes aware that (i) any officer or director of the Company, (ii) any beneficial owner of 10% or more of any class of the Company's securities or (iii) any beneficial owner of the Company's unregistered equity securities which were acquired during the one hundred and eighty (180) days immediately preceding the filing of the Registration Statement is or becomes an affiliate or associated person of a FINRA member participating in the Offering (as determined in accordance with the rules and regulations of FINRA).

3.16 **No Fiduciary Duties.** The Company acknowledges and agrees that the Underwriter's responsibility to the Company is solely contractual in nature and that none of the Underwriter or their affiliates or any selling agent shall be deemed to be acting in a fiduciary capacity, or otherwise owes any fiduciary duty to the Company or any of its affiliates in connection with the Offering and the other transactions contemplated by this Agreement.

3.17 **Company Lock-Up Agreements.** The Company, on behalf of itself and any successor entity, agrees that, without the prior written consent of the Underwriter, it will not, for a period of six (6) months from the Closing Date (the "Lock-Up Period"), (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares, ADSs or ADRs of the Company or any securities convertible into or exercisable or exchangeable for Ordinary Shares of the Company; (ii) file or cause to be filed any registration statement with the Commission relating to the offering of any Ordinary Shares, ADSs or ADRs of the Company or any securities convertible into or exercisable or exchangeable for Ordinary Shares of the Company; (iii) complete any offering of debt securities of the Company, other than entering into a line of credit with a traditional bank; or (iv) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Ordinary Shares, ADSs or ADRs of the Company, whether any such transaction described in clause (i), (ii), (iii) or (iv) above is to be settled by delivery of Ordinary Shares, ADSs or ADRs of the Company or such other securities, in cash or otherwise.

The restrictions contained in this Section 3.17 shall not apply to (i) the ADSs to be sold hereunder, (ii) the filing of a registration statement on Form S-8 for registering an equity incentive plan, (iii) the issuance by the Company of Ordinary Shares to employees and/or consultants and/or commitment that exists at the time of the Engagement Letter, for securities to be issued in strategic transactions and/or transactions relating to the regular business activity of the Company; provided that, prior to the issuance of any such share options or Ordinary Shares of the Company that vest within the Lock-Up Period, each recipient thereof shall sign and deliver a Lock-Up Agreement.

3.18 **Release of D&O Lock-up Period.** If the Underwriter in its sole discretion, agrees to release or waive the restrictions set forth in the Lock-Up Agreements described in Section 2.25 hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three (3) Business Days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit B hereto through a major news service at least two (2) Business Days before the effective date of the release or waiver.

3.19 **Blue Sky Qualifications.** The Company shall use its commercially reasonable efforts, in cooperation with the Underwriter, if necessary, to qualify the Public Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Underwriter may designate with the consent of the Company and to maintain such qualifications in effect so long as required to complete the distribution of the Public Securities; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

3.20 **Reporting Requirements.** The Company, during the period when a prospectus relating to the Public Securities is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the Securities Act, will file all documents required to be filed with the Commission pursuant to the Exchange Act within the time periods required by the Exchange Act and Exchange Act Regulations. Additionally, the Company shall report the use of proceeds from the issuance of the Public Securities as may be required under Rule 463 under the Securities Act Regulations.

3.21 **Emerging Growth Company Status.** The Company shall promptly notify the Underwriter if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of the Public Securities within the meaning of the Securities Act and (ii) fifteen (15) days following the completion of the Lock-Up Period.

3.22 **Deposit Agreement.** The Company agrees, prior to the Closing Date and each Option Closing Date, to deposit Firm Shares or Option Shares, as applicable, with the Depositary in accordance with the provisions of the Deposit Agreement and otherwise to comply with the Deposit Agreement so that ADRs evidencing the applicable Firm ADSs or Option ADSs will be issued by the Depositary against receipt of such Firm Shares or Option Shares and delivered to the Underwriter at such Closing Date or Option Closing Date.

3.23 **Right of First Refusal.** The Company hereby grants the Underwriter the right of first refusal for a period of twelve (12) months after the closing of this Offering to act as sole investment banker, sole book-runner and/or sole placement agent, at the Underwriter's sole discretion, on any future public or private equity or debt offering, including all equity linked financings (each a "**Subject Transaction**"), undertaken by the Company or any successor to or current or future subsidiary of the Company, on terms customary to the Underwriter. The Company shall notify the Underwriter in writing of its intention to pursue a Subject Transaction. In such event, the Underwriter shall notify the Company of its election to pursue a Subject Transaction within fifteen (15) days of written notice by the Company.

3.24 **Tail Financing.** In the event that at any time within twelve (12) months following the expiration or termination of the Engagement Period, the Company, or any of its affiliates or Subsidiary shall enter into any public or private offering or other financing or capital-raising transaction (each a "**Tail Financing**"), to the extent that such Tail Financing is both (i) provided to the Company by an investor introduced by the Underwriter during the Engagement Period and prior to the end of the Engagement Period, and (ii) consummated within such twelve(12)-month period following the expiration or termination of the Engagement Period, the Underwriter will be paid a transaction fee, payable at the closing thereof, equal to seven percent (7.0%) of the consideration or value received by the Company and/or its shareholders. "**Engagement Period**" shall mean the period beginning on November 25, 2025, and ending on the earliest of (i) the Closing Date, or (ii) the date that either the Company or the Underwriter terminates the Engagement Letter pursuant to the terms therein. Notwithstanding anything to the contrary herein, the transaction fee due hereunder shall expressly not include any stock or equity of the Company issued to its officers, directors, employees, and consultants. In the event that this Offering is terminated for cause, in compliance with FINRA Rule 5110(g)(5)(B), the Company shall not be obligated to pay the Tail Financing fee provided herein.

Notwithstanding Sections 3.23 and 3.24, neither a Subject Transaction nor a Tail Financing shall include any merger, acquisition, consolidation, business combination, or similar change-of-control transaction in which the Company issues equity securities solely as consideration for the acquisition of another entity or its assets, and not for the purpose of raising capital (each, an "**M&A Transaction**"). For the further avoidance of doubt, no advisory, placement, or transaction fee shall be owed to the Underwriter under Sections 3.23 or 3.24 solely by reason of the Company consummating an M&A Transaction.

3.25 The Company will use its commercially reasonable efforts to do and perform all things required to be done or performed under this Agreement by the Company prior to the Closing Date, and to satisfy all conditions precedent to the delivery of the Securities.

3.26 The Company will not take, and will cause its affiliates not to take, directly or indirectly, any action which constitutes or is designed to cause or result in, or which could reasonably be expected to constitute, cause or result in, the stabilization or manipulation of the price of any security to facilitate the sale or resale of any of the Securities.

4. **Conditions of Underwriter's Obligations.** The obligations of the Underwriter to purchase and pay for the Public Securities, as provided herein, shall be subject to (i) the continuing accuracy in all material respects of the representations and warranties of the Company as of the date hereof and as of each of the Closing Date and the Option Closing Date, if any; (ii) the accuracy of the statements of officers of the Company made pursuant to the provisions hereof; (iii) the performance by the Company of its obligations hereunder; and (iv) the following conditions:

4.1 **Representations and Warranties of the Underwriter.**

The Underwriter represents and agrees that, unless they obtain the prior written consent of the Company, they have not made and will not make any offer relating to the Ordinary Shares, ADSs, or ADRs that would constitute a "free writing prospectus," as defined in Rule 405 under the Act, required to be filed with the Commission; *provided* that the prior written consent of the parties hereto shall be deemed to have been given in respect of the free writing prospectuses included in Schedule 2-B. Any such free writing prospectus consented to by the Underwriter is herein referred to as a "Permitted Free Writing Prospectus." The Underwriter represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely Commission filing where required, legending and record keeping.

4.2 **Regulatory Matters.**

4.2.1. **Effectiveness of Registration Statement; Rule 430A Information.** The Registration Statement has become effective not later than 5:30 p.m., Eastern time, on the date of this Agreement or such later date and time as shall be consented to in writing by you, and, at each of the Closing Date and any Option Closing Date, no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the Securities Act, no order preventing or suspending the use of any Preliminary Prospectus or the Prospectus has been issued and no proceedings for any of those purposes have been instituted or are pending or, to the Company's knowledge, contemplated by the Commission. The Company has complied with each request (if any) from the Commission for additional information. The Prospectus containing the Rule 430A Information shall have been filed with the Commission in the manner and within the time frame required by Rule 424(b) (without reliance on Rule 424(b)(8)) or a post-effective amendment providing such information shall have been filed with, and declared effective by, the Commission in accordance with the requirements of Rule 430A.

4.2.2. The Underwriter shall not have reasonably determined, and advised the Company, that the Registration Statement, the Pricing Disclosure Package or the Prospectus, or any amendment thereof or supplement thereto, or any Issuer Free Writing Prospectus, contains an untrue statement of fact which, in the Underwriter's reasonable opinion, is material, or omits to state a fact which, in the Underwriter's reasonable opinion, is material and is required to be stated therein or necessary to make the statements therein not misleading.

4.2.3. **FINRA Clearance.** On or before the date of this Agreement, the Underwriter shall have received clearance from FINRA as to the amount of compensation allowable or payable to the Underwriter as described in the Registration Statement.

4.2.4. **Exchange Stock Market Clearance.** On the Closing Date, the Company's ADSs, including the Firm ADSs, shall have been approved for listing on the Exchange, subject only to official notice of issuance. On the first Option Closing Date (if any), the Company's ADSs, including the Option ADSs, shall have been approved for listing on the Exchange, subject only to official notice of issuance.

4.3 **Company Counsel Matters.**

4.3.1. **Closing Date Opinion of Counsel.** On the Closing Date or Option Closing Date (as the case may be), the Underwriter shall have received the opinion and negative assurance letter of Hunter Taubman Fischer & Li LLC, the U.S. securities counsel for the Company, dated the Closing Date or the Option Closing Date (as the case may be) and addressed to the Underwriter, in form and substance reasonably satisfactory to the Underwriter.

4.3.2 Closing Date Opinion of Japanese Counsel. On the Closing Date or Option Closing Date (as the case may be), the Underwriter shall have received the opinion of City-Yuwa Partners, Japanese counsel to the Company, dated the Closing Date or the Option Closing Date (as the case may be) and addressed to the Underwriter, in form and substance reasonably satisfactory to the Underwriter.

4.3.3. [Intentionally Omitted].

4.4 Comfort Letters.

4.4.1. Cold Comfort Letter. At the time this Agreement is executed, the Underwriter shall have received a cold comfort letter from the Auditor containing statements and information of the type customarily included in accountants' comfort letters with respect to the financial statements and certain financial information contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus, addressed to the Underwriter and in form and substance satisfactory in all respects to the Underwriter and to the Auditor, dated as of the date of this Agreement.

4.4.2. Bring-down Comfort Letter. At each of the Closing Date and the Option Closing Date, if any, the Underwriter shall have received from the Auditor a letter, dated as of the Closing Date or the Option Closing Date, as applicable, to the effect that the Auditor reaffirms the statements made in the letter furnished pursuant to Section 4.3.1, except that the specified date referred to shall be a date not more than three (3) business days prior to the Closing Date or the Option Closing Date, as applicable.

4.5 Officers' Certificates.

4.5.1. Officers' Certificate. The Company shall have furnished to the Underwriter a certificate, dated the Closing Date and any Option Closing Date (if such date is other than the Closing Date), of its Chief Executive Officer and Chief Financial Officer stating on behalf of the Company and not in an individual capacity that (i) such officers have carefully examined the Registration Statement, the Pricing Disclosure Package, any Issuer Free Writing Prospectus and the Prospectus and, in their opinion, the Registration Statement and each amendment thereto, as of the Applicable Time and as of the Closing Date (or any Option Closing Date if such date is other than the Closing Date) did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Pricing Disclosure Package, as of the Applicable Time and as of the Closing Date (or any Option Closing Date if such date is other than the Closing Date), any Issuer Free Writing Prospectus as of its date and as of the Closing Date (or any Option Closing Date if such date is other than the Closing Date), the Prospectus and each amendment or supplement thereto, as of the respective date thereof and as of the Closing Date (or any Option Closing Date if such date is other than the Closing Date), did not include any untrue statement of a material fact and did not omit to state a material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading, (ii) since the effective date of the Registration Statement, no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement, the Pricing Disclosure Package or the Prospectus, (iii) to the best of their knowledge after reasonable investigation, as of the Closing Date (or any Option Closing Date if such date is other than the Closing Date), the representations and warranties of the Company in this Agreement are true and correct and the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date (or any Option Closing Date if such date is other than the Closing Date), and (iv) there has not been, subsequent to the date of the most recent audited financial statements included or incorporated by reference in the Pricing Disclosure Package, any Material Adverse Change in the financial position or results of operations of the Company, or any change or development that, singularly or in the aggregate, involves a Material Adverse Change in or affecting the condition (financial or otherwise), results of operations, business, assets or prospects of the Company, except as set forth in the Prospectus.

4.5.2. **Chief Financial Officer's Certificate.** At each of the Closing Date and any Option Closing Date (if such date is other than the Closing Date), the Underwriter shall have received a certificate of the Company signed by the Chief Financial Officer of the Company, dated the Closing Date or the Option Date (if such date is other than the Closing Date), as the case may be, respectively, certifying on behalf of the Company and not in an individual capacity: (i) that each of the Charter is true and complete, has not been modified and is in full force and effect; (ii) that the resolutions of the Company's Board of Directors relating to the Offering are in full force and effect and have not been modified; (iii) as to the incumbency of the officers of the Company. The documents referred to in such certificate shall be attached to such certificate.

4.5.3. **Chief Financial Officer's Certificate.** At each of the Closing Date and any Option Closing Date (if such date is other than the Closing Date), the Underwriter shall have received a certificate of the Company signed by the Chief Financial Officer of the Company, dated the Closing Date or the Option Date (if such date is other than the Closing Date), as the case may be, respectively, on behalf of the Company, with respect to certain financial data contained in the Registration Statement, Pricing Disclosure Package and the Prospectus, providing "management comfort" with respect to such information, in form and substance reasonably satisfactory to the Underwriter.

4.6 **No Material Changes.** Prior to and on each of the Closing Date and each Option Closing Date, if any: (i) there shall have been no Material Adverse Change in the condition or prospects or the business activities, financial or otherwise, of the Company or its Subsidiaries from the latest dates as of which such condition is set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus; (ii) no action, suit or proceeding, at law or in equity, shall have been pending or threatened against the Company or any Insider before or by any court or federal or state commission, board or other administrative agency wherein an unfavorable decision, ruling or finding may reasonably be expected to result in a Material Adverse Change, except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus; (iii) no stop order shall have been issued under the Securities Act and no proceedings therefor shall have been initiated or threatened by the Commission; and (iv) the Registration Statement, the Pricing Disclosure Package and the Prospectus and any amendments or supplements thereto shall contain all material statements which are required to be stated therein in accordance with the Securities Act and the Securities Act Regulations and shall conform in all material respects to the requirements of the Securities Act and the Securities Act Regulations, and neither the Registration Statement, the Pricing Disclosure Package nor the Prospectus nor any amendment or supplement thereto shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.7 **Delivery of Agreements.**

4.7.1. **Lock-Up Agreements.** On or before the date of this Agreement, the Company shall have delivered to the Underwriter executed copies of the Lock-Up Agreements from each of the persons listed in Schedule 3 hereto.

4.8 **Additional Documents.** At the Closing Date and at each Option Closing Date (if any) Underwriter Counsel shall have been furnished with such documents and opinions as they may require for the purpose of enabling Underwriter Counsel to deliver an opinion to the Underwriter, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Public Securities as herein contemplated shall be satisfactory in form and substance to the Underwriter and Underwriter Counsel.

4.9 **Depository Certificate.** The Depository shall have furnished or caused to be furnished to the Underwriter a certificate, satisfactory to the Underwriter, signed by an authorized officer or the Depository confirming the deposit with the Depository of the Firm Shares and Option Shares, the issuance of the ADRs evidencing such shares in the form of the ADSs, the execution, issuance, countersignature and delivery of the ADRs evidencing such shares delivered in the form of such ADSs pursuant to the Deposit Agreement and such other customary matters related thereto as the Underwriter may reasonably request.

4.10 **Closing Date Opinion of Underwriter Counsels.**

4.10.1 **Closing Date Opinion of Underwriter Counsel.** On the Closing Date or Option Closing Date (as the case may be), the Underwriter shall have received the opinion and negative assurance letter of Underwriter Counsel, dated the Closing Date or the Option Closing Date (as the case may be) and addressed to the Underwriter, in form and substance reasonably satisfactory to the Underwriter.

4.10.2 Closing Date Opinion of Underwriter's Japanese Counsel. On the Closing Date or Option Closing Date (as the case may be), the Underwriter shall have received the opinion of Anderson Mori & Tomotsune, Japanese counsel to the Underwriter, dated the Closing Date or the Option Closing Date (as the case may be) and addressed to the Underwriter, in form and substance reasonably satisfactory to the Underwriter.

5. Indemnification.

5.1 Indemnification of the Underwriter.

5.1.1. General. Subject to the conditions set forth below, the Company agrees to indemnify and hold harmless to the fullest extent permitted by applicable law each Underwriter, its affiliates (as defined in Rule 405 under the Securities Act), and each of its and their respective directors, officers, members, employees, representatives and agents and each person, if any, who controls any such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (collectively the "Underwriter Indemnified Parties," and each an "Underwriter Indemnified Party"), against any and all loss, liability, claim, damage and expense whatsoever (including but not limited to any and all legal or other expenses reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, whether arising out of any action between any of the Underwriter Indemnified Parties and the Company or between any of the Underwriter Indemnified Parties and any third party, or otherwise) to which they or any of them may become subject under the Securities Act, the Exchange Act or any other statute or at common law or otherwise or under the laws of foreign countries, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in (i) the Registration Statement, the Pricing Disclosure Package, the Preliminary Prospectus, the Prospectus, or in any Issuer Free Writing Prospectus or in any Written Testing-the-Waters Communication (as from time to time each may be amended and supplemented); (ii) any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the Offering, including any "road show" or investor presentations made to investors by the Company (whether in person or electronically); or (iii) any application or other document or written communication (in this Section 5, collectively called "application") executed by the Company or based upon written information furnished by the Company in any jurisdiction in order to qualify the Public Securities under the securities laws thereof or filed with the Commission, any state securities commission or agency, the Exchange or any other national securities exchange; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon, and in conformity with, the Underwriter's Information. With respect to any untrue statement or omission or alleged untrue statement or omission made in the Pricing Disclosure Package, the indemnity agreement contained in this Section 5.1.1 shall not inure to the benefit of any Underwriter Indemnified Party to the extent that any loss, liability, claim, damage or expense of such Underwriter Indemnified Party results from the fact that a copy of the Prospectus was not given or sent to the person asserting any such loss, liability, claim or damage at or prior to the written confirmation of sale of the Public Securities to such person as required by the Securities Act and the Securities Act Regulations, and if the untrue statement or omission has been corrected in the Prospectus, unless such failure to deliver the Prospectus was a result of non-compliance by the Company with its obligations under Section 3.3 hereof. The Company will not be liable to any Underwriter Indemnified Party under the foregoing indemnification and reimbursement provisions: (i) for any settlement by an Underwriter Indemnified Party effected without the prior written consent of the Company, as applicable, which shall not be unreasonably withheld; or (ii) to the extent that any loss, claim, damage or liability is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted primarily from the Underwriter Indemnified Party's fraud, bad faith, willful misconduct, or gross negligence. The Company also agrees that no Underwriter Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company or its security holders or creditors related to or arising out of the engagement of the Underwriters pursuant to, or the performance by the Underwriters of the services contemplated by, this Agreement except to the extent that any loss, claim, damage or liability is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Underwriter Indemnified Party's fraud, bad faith, willful misconduct, or gross negligence.

5.1.2. Procedure. If any action is brought against an Underwriter Indemnified Party in respect of which indemnity may be sought against the Company pursuant to Section 5.1.1, such Underwriter Indemnified Party shall promptly notify the Company in writing of the institution of such action and the Company shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense of such action, including the employment and fees of counsel (subject to the reasonable approval of such Underwriter Indemnified Party) and payment of actual expenses. Any failure or delay by an Underwriter Indemnified Party to give the notice referred to herein shall not affect such Underwriter Indemnified Party's right to be indemnified hereunder, except to the extent that such failure or delay causes actual material harm to the Company, or materially prejudices its ability to defend such action, suit or proceeding on behalf of such Underwriter Indemnified Party. If any such action is brought against any Underwriter Indemnified Party and such Underwriter Indemnified Party notifies the Company, of the commencement thereof, the Company may elect to assume the defense thereof, with counsel reasonably satisfactory to the Underwriter Indemnified Party, and such Underwriter Indemnified Party shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Underwriter Indemnified Party unless (i) the employment of such counsel at the expense of the Company shall have been authorized in writing by the Company in connection with the defense of such action, or (ii) the Company shall not have employed counsel reasonably satisfactory to the Underwriter Indemnified Party to have charge of the defense of such action within a reasonable time after receiving notice of the action, suit, or proceeding, or (iii) such indemnified party or parties shall have reasonably concluded (based upon advice of counsel to such indemnified party) that there may be legal defenses available to it or them which are different from or additional to those available to the Company, or that there exists a conflict or potential conflict of interest (based upon advice of counsel to such indemnified party) between such indemnified party and the Company that makes it impossible or inadvisable for counsel to the Company to conduct the defense of the indemnified party (in which case the Company shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events the reasonable fees and expenses of not more than one additional firm of attorneys selected by the Underwriter Indemnified Party who are party to such action (in addition to local counsel) shall be borne by the Company. Notwithstanding anything to the contrary contained herein, if any Underwriter Indemnified Party shall assume the defense of such action as provided above, the Company shall have the right to approve the terms of any settlement of such action, which approval shall not be unreasonably withheld.

5.2 Indemnification of the Company. The Underwriter agrees to indemnify and hold harmless the Company, its directors, its officers who signed the Registration Statement and persons who control the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act against any and all loss, liability, claim, damage and expense described in the foregoing indemnity from the Company to the Underwriter, as incurred, but only with respect to such losses, liabilities, claims, damages and expenses (or actions in respect thereof) which arise out of or are based upon untrue statements or omissions, or alleged untrue statements or omissions made in the Registration Statement, any Preliminary Prospectus, the Pricing Disclosure Package or Prospectus or any amendment or supplement thereto or in any application, in reliance upon, and in strict conformity with, the Underwriter's Information. In case any action shall be brought against the Company or any other person so indemnified based on any Preliminary Prospectus, the Registration Statement, the Pricing Disclosure Package or Prospectus or any amendment or supplement thereto or any application, and in respect of which indemnity may be sought against the Underwriter, the Underwriter shall have the rights and duties given to the Company, and the Company and each other person so indemnified shall have the rights and duties given to the Underwriter by the provisions of Section 5.1.2. The Company agrees promptly to notify the Underwriter of the commencement of any litigation or proceedings against the Company or any of its officers, directors or any person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, in connection with the issuance and sale of the Public Securities or in connection with the Registration Statement, the Pricing Disclosure Package, the Prospectus, or any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication.

5.3 Contribution

5.3.1. Contribution Rights. If the indemnification provided for in this Section 5 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 5.1 or 5.2 in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriter, on the other, from the Offering, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect

not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriter, on the other, with respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriter, on the other hand, with respect to such Offering shall be deemed to be in the same proportion as the total net proceeds from the Offering under this Agreement received by the Company, as set forth in the table on the cover page of the Prospectus, on the one hand, and the total underwriting discounts and commissions actually received by the Underwriter with respect to the ADSs purchased under this Agreement, as set forth in the cover page of the Prospectus, on the other hand. The relative fault of the Company, on the one hand, and the Underwriter, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or the Underwriter, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and the Underwriter agree that it would not be just and equitable if contributions pursuant to this Section 5.3.1 were to be determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 5.3.1 shall be deemed to include, for purposes of this Section 5.3.1, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5.3.1 in no event shall the Underwriter be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by the Underwriter with respect to the Offering of the Public Securities exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. Notwithstanding the above, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

5.3.2. Contribution Procedure. Within fifteen (15) days after receipt by any party to this Agreement (or its representative) of notice of the commencement of any action, suit or proceeding, such party will, if a claim for contribution in respect thereof is to be made against another party ("contributing party"), notify the contributing party of the commencement thereof, but the failure to so notify the contributing party will not relieve it from any liability which it may have to any other party other than for contribution hereunder. In case any such action, suit or proceeding is brought against any party, and such party notifies a contributing party or its representative of the commencement thereof within the aforesaid fifteen (15) days, the contributing party will be entitled to participate therein with the notifying party and any other contributing party similarly notified. Any such contributing party shall not be liable to any party seeking contribution on account of any settlement of any claim, action or proceeding affected by such party seeking contribution on account of any settlement of any claim, action or proceeding affected by such party seeking contribution without the written consent of such contributing party. The contribution provisions contained in this Section 5.3.2 are intended to supersede, to the extent permitted by law, any right to contribution under the Securities Act, the Exchange Act or otherwise available.

6. Default by the Underwriter.

6.1 Default by the Underwriter. In the event that the Underwriter shall default in its obligation to purchase all or any portion of the Firm ADSs or the Option ADSs, if the Over-Allotment Option is exercised hereunder, the Underwriter may in its discretion arrange for another party or parties to purchase such Firm ADSs or Option ADSs to which such default relates on the terms contained herein. If, within one (1) Business Day after such default, the Underwriter does not arrange for the purchase of such Firm ADSs or Option ADSs, then the Company shall be entitled to a further period of one (1) Business Day within which to procure another party or parties satisfactory to the Underwriter to purchase said Firm ADSs or Option ADSs on such terms. In the event that neither the Underwriter nor the Company arranges for the purchase of the Firm ADSs or Option ADSs to which a default relates as provided in this Section 6, this Agreement will automatically be terminated by the Underwriter or the Company without liability on the part of the Company (except as provided in Sections 3 and 8.3 hereof) or the Underwriter (except as provided in Section 5 hereof); provided, however, that if such default occurs with respect to the Option ADSs, this Agreement will not terminate as to the Firm ADSs; and provided, further, that nothing herein shall relieve the defaulting Underwriter of its liability, and to the Company for damages occasioned by its default hereunder.

6.2 **Postponement of Closing Date.** In the event that the Firm ADSs or Option ADSs to which the default relates are to be purchased by another party or parties as aforesaid, the Underwriter or the Company shall have the right to postpone the Closing Date or Option Closing Date for a reasonable period, but not in any event exceeding five (5) Business Days, in order to effect whatever changes may thereby be made necessary in the Registration Statement, the Pricing Disclosure Package or the Prospectus or in any other documents and arrangements, and the Company agrees to file promptly any amendment to the Registration Statement, the Pricing Disclosure Package or the Prospectus that in the opinion of Underwriter Counsel may thereby be made necessary. Any party substituted under this Section 6 shall have like effect as if it had originally been a party to this Agreement with respect to such Ordinary Shares and ADSs.

7. **Additional Covenants.**

7.1 **Board Composition and Board Designations.** The Company shall ensure that the qualifications of the persons serving as members of the Board of Directors and the overall composition of the Board comply, subject to any exemptions and transition rules applicable to foreign private issuers (within the meaning of Rule 405 under the Securities Act), with the Sarbanes-Oxley Act, with the Exchange Act and with the listing rules of the Exchange or any other national securities exchange, as the case may be, in the event the Company seeks to have its Public Securities listed on another exchange or quoted on an automated quotation system.

7.2 **Prohibition on Press Releases and Public Announcements.** For a period ending at 5:00 p.m., Eastern time, on the first (1st) Business Day following the fortieth (40th) day after the Closing Date, the Company shall not issue press releases or engage in any other publicity without the Underwriter's prior written consent, which consent shall not be unreasonably withheld or delayed; provided that the Underwriter's consent shall not be required with regard to any press release or other public disclosure that is required by law or any normal and customary press release or any other publicity issued in the ordinary course of the Company's business.

8. **Effective Date of this Agreement and Termination Thereof.**

8.1 **Effective Date.** This Agreement shall become effective when both the Company and the Underwriter have executed the same and delivered counterparts of such signatures to the other party.

8.2 **Termination.** The Underwriter shall have the right to terminate this Agreement in writing at any time prior to any Closing Date, (i) if any domestic or international event or act or occurrence has materially disrupted, or in the Underwriter's reasonable judgment will in the immediate future materially disrupt, general securities markets in the United States; or (ii) if trading on the Nasdaq Stock Market LLC shall have been suspended or materially limited, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required by FINRA or by order of the Commission or any other government authority having jurisdiction; or (iii) if the United States shall have become involved in a new war or an increase in major hostilities; or (iv) if a banking moratorium has been declared by a New York State or federal authority; or (v) if a moratorium on foreign exchange trading has been declared which materially adversely impacts the United States securities markets; or (vi) if the Company shall have sustained a material loss by fire, flood, accident, hurricane, earthquake, theft, sabotage or other calamity or malicious act which, whether or not such loss shall have been insured, will, in your reasonable judgment, make it inadvisable to proceed with the delivery of the Firm ADSs or Option ADSs; or (vii) if the Company is in material breach of any of its representations, warranties or covenants hereunder; or (viii) if the Underwriter shall have become aware after the date hereof of such a Material Adverse Change in the conditions of the Company, or such adverse material change in general market conditions as in the Underwriter's reasonable judgment would make it impracticable to proceed with the offering, sale and/or delivery of the Public Securities or to enforce contracts made by the Underwriter for the sale of the Public Securities.

8.3 **Expenses.** Notwithstanding anything to the contrary in this Agreement, except in the case of a default by the Underwriter, pursuant to Section 6.2 above, in the event that this Agreement shall be terminated for any reason whatsoever, within the time specified herein or any extensions thereof pursuant to the terms herein, the Company shall be obligated to pay to the Underwriter their actual and accountable out-of-pocket and documented expenses related to the transactions contemplated herein then due and payable (including the fees and disbursements of Underwriter Counsel) up to \$200,000, and upon demand the Company shall pay the full amount thereof to the Underwriter on behalf of the Underwriters; provided, however, that such expense cap in no way limits or impairs the indemnification and contribution provisions of this Agreement. Notwithstanding the foregoing, any advance received by the Underwriter will be reimbursed to the Company to the extent not actually incurred in compliance with FINRA Rule 5110(f)(2)(C).

8.4 **Indemnification.** Notwithstanding any contrary provision contained in this Agreement, any election hereunder or any termination of this Agreement, and whether or not this Agreement is otherwise carried out, the provisions of Section 5 shall remain in full force and effect and shall not be in any way affected by, such election or termination or failure to carry out the terms of this Agreement or any part hereof.

8.5 **Representations, Warranties, Agreements to Survive.** All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or its Affiliates or selling agents, any person controlling any Underwriter, its officers or directors or any person controlling the Company or (ii) delivery of and payment for the Public Securities.

9. **Miscellaneous.**

9.1 **Notices.** All communications hereunder, except as herein otherwise specifically provided, shall be in writing and shall be mailed (registered or certified mail, return receipt requested), personally delivered or sent by electronic mail and confirmed and shall be deemed given when so delivered or emailed and confirmed or if mailed, two (2) days after such mailing.

If to the Underwriter:

A.G.P./Alliance Global Partners
590 Madison Avenue, 28th Floor
New York, New York 10022
Attn: Mr. Thomas J Higgins, Managing Director
E-mail: [****]

with a copy (which shall not constitute notice) to:

Robinson & Cole LLP
Chrysler East Building
666 Third Avenue, 20th floor
New York, NY 10017
Attn: Arila Er Zhou, Esq.; Anna Wang, Esq.
Email: [****]

If to the Company:

Micware Co., Ltd.
Kobe Asahi Building 25th Floor
59 Naniwa-machi, Chuo-ku
Kobe, Hyogo 650-0035
Attention: Takuma Segawa, Dai Ogura
Email: [****]

with a copy (which shall not constitute notice) to:

Hunter Taubman Fischer & Li LLC
950 Third Avenue, 19th Floor
New York, NY 10022
Attn: Ying Li, Esq.; Warren Wang, Esq.
Email: [****]

9.2 **Headings.** The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

9.3 **Amendment.** This Agreement may only be amended by a written instrument executed by each of the parties hereto.

9.4 **Entire Agreement.** This Agreement (together with the other agreements and documents being delivered pursuant to or in connection with this Agreement) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and thereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.5 **Binding Effect.** This Agreement shall inure solely to the benefit of and shall be binding upon the Underwriter, the Company and the controlling persons, directors and officers referred to in Section 5 hereof, and their respective successors, legal representatives, heirs and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provisions herein contained. The term “successors and assigns” shall not include a purchaser, in its capacity as such, of securities from the Underwriter.

9.6 **Governing Law; Consent to Jurisdiction; Trial by Jury.** This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Agreement shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any such process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 9.1 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company agrees that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys’ fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its shareholders and affiliates) and the Underwriter hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.7 **No Fiduciary Relationship.** The Company hereby acknowledges that the A.G.P./Alliance Global Partners is acting solely as the Underwriter in connection with the offering of the Company’s Securities. The Company further acknowledges that the Underwriter is acting pursuant to a contractual relationship created solely by this Agreement entered into on an arm’s-length basis and in no event do the parties intend that the Underwriter act or be responsible as a fiduciary to the Company, its management, shareholders, creditors or any other person in connection with any activity that the Underwriter may undertake or have undertaken in furtherance of the offering of the Company’s Securities, either before or after the date hereof. The Underwriter hereby expressly disclaims any fiduciary or similar obligations to the Company, either

in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions, and the Company hereby confirms its understanding and agreement to that effect. The Company hereby further confirms its understanding that the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Company with respect to the Offering contemplated hereby or the process leading thereto, including, without limitation, any negotiation related to the pricing of the Securities; and the Company has consulted its own legal and financial advisors to the extent it has deemed appropriate in connection with this Agreement and the Offering. The Company and the Underwriter agree that they are each responsible for making their own independent judgments with respect to any such transactions, and that any opinions or views expressed by the Underwriter to the Company regarding such transactions, including but not limited to any opinions or views with respect to the price or market for the Company's securities, do not constitute advice or recommendations to the Company. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Underwriter with respect to any breach or alleged breach of any fiduciary or similar duty to the Company in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions.

9.8 **Execution in Counterparts.** This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto. Delivery of a signed counterpart of this Agreement by facsimile or email/pdf transmission shall constitute valid and sufficient delivery thereof.

9.9 **Waiver, etc.** The failure of any of the parties hereto to at any time enforce any of the provisions of this Agreement shall not be deemed or construed to be a waiver of any such provision, nor to in any way effect the validity of this Agreement or any provision hereof or the right of any of the parties hereto to thereafter enforce each and every provision of this Agreement. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Agreement shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

9.10 **Time is of the Essence.** Time shall be of the essence of this Agreement. As used herein, the term "Business Day" shall mean any day other than a Saturday, Sunday or any day on which any of the major U.S. stock exchanges are not open for business.

[Signature Page Follows]

If the foregoing correctly sets forth the understanding between the Underwriter and the Company, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between us.

Very truly yours,

MICWARE CO., LTD.

By: /s/ Takuma Segawa

Name: Takuma Segawa

Title: Chief Financial Officer

Confirmed as of the date first written
above mentioned, on behalf of itself and as
the Underwriter

A.G.P./ALLIANCE GLOBAL PARTNERS

By: /s/ Thomas J. Higgins

Name: Thomas J. Higgins

Title: Managing Director, Investment Banking

[*SIGNATURE PAGE*]

SCHEDULE 1

Underwriter	Total Number of Firm ADSs to be Purchased	Number of Option ADSs to be Purchased if the Over-Allotment Option is Fully Exercised
A.G.P./Alliance Global Partners	2,850,000	427,500
TOTAL	<u>2,850,000</u>	<u>427,500</u>

SCHEDULE 2-A

Pricing Information

Number of Firm ADSs: 2,850,000

Number of Option ADSs: 427,500

Public Offering Price per ADS: \$8.00

Underwriting Discount per ADS: \$0.56

Underwriting Non-accountable expense allowance per ADS: \$0.08

Proceeds to Company per ADS (before expenses): \$7.36

Sch. 2-A-1

SCHEDULE 2-B

Free Writing Prospectuses

Sch. 2-B-1

SCHEDULE 2-C

Written Testing-the-Waters Communications

Sch. 2-C-1

SCHEDULE 3

List of Lock-Up Parties

Kenji Narushima

Masahide Shigeno

Takuma Segawa

Kazuyuki Kawabata

Asami Sadoi

Yuko Osumi

Rieko Okada

Jerzy Marek Rudzinski

Hiroaki Fujita

Mitsunori Yabe

Wakako Isaka (Yaguchi)

Toyota Motor Corporation

Honda Motor Co., Ltd.

Hideaki Tokuhara

O-Well Corporation

EXHIBIT A

Form of Lock-Up Agreement

LOCK-UP AGREEMENT

, 2026

A.G.P./ALLIANCE GLOBAL PARTNERS
As the Sole Underwriter
590 Madison Avenue, 28th Floor
New York, NY 10022

Re: Micware Co., Ltd.

Ladies and Gentlemen:

This Lock-Up Agreement (this “**Agreement**”) is being delivered to you in connection with the proposed Underwriting Agreement (the “**Underwriting Agreement**”) between Micware Co., Ltd., a joint-stock corporation with limited liability incorporated under Japanese law (the “**Company**”), and the underwriter A.G.P./Alliance Global Partners (“**A.G.P.**” or the “**Underwriter**”), named on Schedule I to the Underwriting Agreement, relating to the proposed public offering (the “**Offering**”) of American Depositary Shares (the “**ADSs**”), each ADS representing one ordinary share, with no par value per share, of the Company (the “**Ordinary Shares**,” together with the ADSs, the “**Shares**”) in an amount and at a price to be finalized prior to consummation of the Offering (such ADSs being offered in the Offering, the “**Offered Securities**”). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Underwriting Agreement.

In order to induce the Underwriter to enter into the Underwriting Agreement, and in light of the benefits that the Offering will confer upon the undersigned in its capacity as a securityholder and/or an officer, director of the Company, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with the Underwriter that, during the period beginning on and including the date of this Agreement through and including the date that is the six (6) months from the closing date of the Offering (the “**Lock-Up Period**”), subject to the exceptions and other provisions of this Agreement, the undersigned will not, without the prior written consent of A.G.P., directly or indirectly, (i) offer, sell, contract to sell, encumber, grant any option for sale, or otherwise dispose of, or announce the intention to otherwise dispose of, any Shares or any outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any person any right to subscribe for or acquire, any Shares or any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Shares (including without limitation, any debt, preferred shares, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive Shares) whether now owed or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (including, without limitation, Shares which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations promulgated under the Securities Act of 1933, as amended, and as the same may be amended or supplemented on or after the date hereof from time to time (the “**Securities Act**”) (the “**Beneficially Owned Shares**”)) (all such securities referred to in this paragraph (i) to be collectively referred to as the “**Lock-Up Securities**”), (ii) enter into any swap, hedge or similar agreement or arrangement that transfers in whole or in part, the economic risk of ownership of the Lock-Up Securities, or (iii) engage in any short selling of the Lock-Up Securities.

The restrictions set forth in the second paragraph hereof shall not apply to the registration of the offer and sale of the Offered Securities as contemplated by the Underwriting Agreement and the sale of the Offered Securities to the Underwriter in the Offering and/or participation of the undersigned in the Offering, and shall furthermore not apply to:

(1) a bona fide gift;

(2) if the undersigned is a natural person, any transfers made by the undersigned for financial and/or estate planning purposes, including any such transfer to any member of the immediate family (as defined below) of the undersigned or to a trust the beneficiaries of which are exclusively the undersigned or members of the undersigned's immediate family;

(3) if the undersigned is a corporation, partnership, limited liability company or other business entity, any transfers to any direct or indirect shareholder, partner or member of, or owner of a similar equity interest in (including, with respect to trusts, beneficiaries), the undersigned, as the case may be, if, in any such case, such transfer is not for value;

(4) if the undersigned is a corporation, partnership, limited liability company or other business entity, any transfer made by the undersigned (a) in connection with the sale or other bona fide transfer in a single transaction of all or substantially all of the undersigned's share capital, partnership interests, membership interests or other similar equity interests, as the case may be, or all or substantially all of the undersigned's assets, in any such case not undertaken for the purpose of avoiding the restrictions imposed by this Agreement or (b) to another corporation, partnership, limited liability company or other business entity so long as the transferee is an affiliate (as defined below) of the undersigned and such transfer is not for value;

(5) the exercise by the undersigned of any share option(s) issued pursuant to the Company's existing share option plans and/or tradable options, including any exercise effected by the delivery of Ordinary Shares of the Company held by the undersigned; provided, that, the Ordinary Shares of the Company received upon such exercise (and, to the extent applicable, any ADSs and/or ADRs issued in respect thereof) shall remain subject to the restrictions provided for in this Agreement;

(6) the exercise by the undersigned of any warrant(s) issued by the Company prior to the date of this Agreement or the conversion or redemption of outstanding convertible securities, including any exercise effected by the delivery of Ordinary Shares of the Company held by the undersigned; provided, that, the Ordinary Shares (and, to the extent applicable, any ADSs and/or ADRs issued in respect thereof) of the Company received upon such exercise shall remain subject to the restrictions provided for in this Agreement;

(7) the occurrence after the date hereof of any of the following: (a) an acquisition by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) of effective control (whether through legal or beneficial ownership of the share capital of the Company, by contract or otherwise) of 100% of the voting securities of the Company, (b) the Company merges into or consolidates with any other entity, or any entity merges into or consolidates with the Company, or (c) the Company sells or transfers all or substantially all of its assets to another person, provided, that, the Ordinary Shares of the Company received upon any of the events set forth in clauses (a) through (c) above (and, to the extent applicable, any ADSs and/or ADRs issued in respect thereof) shall remain subject to the restrictions provided for in this Agreement;

(8) by will or intestate succession upon the death of the undersigned;

(9) transfers to the Company in connection with, and to the extent necessary to fund, the payment of taxes due with respect to the vesting of restricted shares, restricted share units, performance share units, equity appreciation rights or similar rights to purchase Shares or any securities convertible into or exercisable or exchangeable for Shares;

(10) transfers by operation of law or pursuant to an order of a court or regulatory agency;

(11) transactions relating to Shares or other securities acquired in the open market after the completion of the Offering, provided that no filing under Section 16(a) of the Exchange Act, shall be required or shall be voluntarily made in connection with such transfers; and

(12) transfers consented to, in writing by A.G.P.;

provided, however, that in the case of any transfer described in clause (1), (2), (3) or (4) above, it shall be a condition to the transfer that the transferee executes and delivers to A.G.P., acting on behalf of the Underwriter, not later than one business day prior to such transfer, a written agreement, in substantially the form of this Agreement (it being understood that any references to “immediate family” in the agreement executed by such transferee shall expressly refer only to the immediate family of the undersigned and not to the immediate family of the transferee) and otherwise satisfactory in form and substance to A.G.P.

In addition, the restrictions sets forth herein shall not prevent the undersigned from entering into a sales plan pursuant to Rule 10b5-1 under the Exchange Act after the date hereof, provided that (i) a copy of such plan is provided to A.G.P. promptly upon entering into the same and (ii) no sales or transfers may be made under such plan until the Lock-Up Period ends or this Agreement is terminated in accordance with its terms.

For purposes of this Agreement, “immediate family” shall mean a spouse, child, grandchild or other lineal descendant (including by adoption), father, mother, brother or sister of the undersigned; and “affiliate” shall have the meaning set forth in Rule 405 under the Securities Act.

The undersigned further agrees that (i) it will not, during the Lock-Up Period (as the same may be extended as described above), make any demand or request for or exercise any right with respect to the registration under the Securities Act of Lock-Up Securities, and (ii) the Company may, with respect to any Lock-Up Securities, cause the transfer agent or other registrar to enter stop transfer instructions and implement stop transfer procedures with respect to such securities during the Lock-Up Period (as the same may be extended as described above). In addition, the undersigned hereby waives, from the date hereof until the expiration of the 180 day period following the date of the Underwriting Agreement and any extension of such period pursuant to the terms hereof, any and all rights, if any, to request or demand registration pursuant to the Securities Act of any Shares of the Company that are registered in the name of the undersigned or that are Beneficially Owned Shares.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Agreement and that this Agreement has been duly authorized (if the undersigned is not a natural person), executed and delivered by the undersigned and is a valid and binding agreement of the undersigned. This Agreement and all authority herein conferred are irrevocable and shall survive the death or incapacity of the undersigned (if a natural person) and shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

This Agreement shall automatically terminate upon the earliest to occur, if any, of (i) either A.G.P. on the one hand, or the Company on the other hand, advising the other in writing, prior to the execution of the Underwriting Agreement, that they have determined to not proceed with the Offering, (ii) following execution of the Underwriting Agreement, the Underwriting Agreement terminates or is terminated before the sale of any Shares to the Underwriter, (iii) the withdrawal of the registration statement filed with the Securities and Exchange Commission with respect to the Offering or (iv) March 31, 2027 in the event that the Underwriting Agreement has not been executed by such date.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

The undersigned acknowledges and agrees that whether or not any Offering actually occurs depends on a number of factors, including market conditions. Any Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and A.G.P.

Very truly yours,

(Name of Shareholder - Please Print)

(Signature)

(Name of Signatory if Shareholder is an entity - Please Print)

(Title of Signatory if Shareholder is an entity - Please Print)

Address: _____

[SIGNATURE PAGE TO LOCK-UP AGREEMENT]

EXHIBIT B

Form of Press Release

Micware Co., Ltd.
[Date],

Micware Co., Ltd. (the “Company”) announced today that A.G.P./Alliance Global Partners, acting as the underwriter in the Company’s recent public offering of _____ American Depositary Shares (the “**ADSs**”), each ADS representing one ordinary share, with no par value per share, of the Company (the “**Ordinary Shares**”), is [waiving] [releasing] a lock-up restriction with respect to _____ Ordinary Shares represented by _____ ADS held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on _____, 20____, and the securities may be sold on or after such date.

This press release is not an offer or sale of the securities in the United States or in any other jurisdiction where such offer or sale is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act of 1933, as amended.

REVOLVING CREDIT FACILITY AGREEMENT
(JPY 3,000,000,000)

Borrower	Micware Co., Ltd.
Joint and Several Guarantor A	Micware Automotive Co., Ltd.
Joint and Several Guarantor B	Micware Navigations Co., Ltd.
Joint and Several Guarantor C	Micware Mobility Co., Ltd.
Joint and Several Guarantor D	Micware Operation Co., Ltd.
Joint and Several Guarantor E	Micware Challenged Co., Ltd.
Lender	MUFG Bank, Ltd.

February 25, 2025

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REVOLVING CREDIT FACILITY AGREEMENT

Micware Co., Ltd. (hereinafter “Borrower”), the following five companies (individually or collectively, “Joint and Several Guarantors”), and MUFG Bank, Ltd. (hereinafter “Lender”), having acknowledged the provisions of the Bank Transaction Agreement, hereby agree as follows as of February 25, 2025 (hereinafter “Agreement Date”) (hereinafter “this Agreement”, which shall take effect on the Agreement Date):

Micware Automotive Co., Ltd. (hereinafter “Guarantor A”)

Micware Navigations Co., Ltd. (hereinafter “Guarantor B”)

Micware Mobility Co., Ltd. (hereinafter “Guarantor C”)

Micware Operation Co., Ltd. (hereinafter “Guarantor D”)

Micware Challenged Co., Ltd. (hereinafter “Guarantor E”)

Article 1 (Definitions)

1. The following terms shall have the meanings set forth below in this Agreement, unless the context clearly indicates otherwise.

(1) “Business Day”	Any day other than a day on which banks are closed as a holiday under Japanese laws and regulations.
(2) “Loan Period”	The period from the Execution Date (inclusive) to the Maturity Date (inclusive).
(3) “Lending Obligation”	The obligation of the Lender to lend money to the Borrower, as stipulated in Article 2, Paragraph 1.
(4) “Lending Limit”	The following amounts: ① From the Commitment Start Date (inclusive) to February 27, 2026 (inclusive): JPY 2,000,000,000 (subject to change per this Agreement). ② From February 28, 2026 (inclusive) to February 27, 2027 (inclusive): JPY 2,500,000,000 (subject to change). ③ From February 28, 2027 (inclusive) to the Commitment Deadline (inclusive): JPY 3,000,000,000 (subject to change).
(5) “Non-Lending Period”	The period from the date (inclusive) on which the Borrower receives notice from the Lender that a Non-Lending Event has occurred, to the date (inclusive) on which the Borrower receives notice from the Lender that such Non-Lending Event has been resolved.
(6) “Non-Lending Event”	Any event beyond the Lender’s control that makes execution of individual loans impossible or significantly difficult, including natural disasters, wars, riots, terrorism, arson, disruptions to electricity/communications/settlement systems, inability to conduct yen interbank lending in the Tokyo Interbank Market, or other events not attributable to the Lender.
(7) “Loan Application”	An application in the form of attached Exhibit 1.
(8) “Event of Acceleration”	Individually or collectively, the events set forth in Article 24, Paragraphs 1 and 2, and events specified in the Bank Transaction Agreement as grounds for acceleration (including but not limited to those in Article 5, Paragraphs 1 and 2 thereof).
(9) “Base Rate”	The JPY interest rate published by the JBA TIBOR Administration on Reuters screen page 17097 (or successor page) for the corresponding interest calculation period, determined 2 Business Days before the Execution Date (first period) or 2 Business Days before the last day of the immediately preceding interest calculation period (subsequent periods). If no such rate is published or available, the rate reasonably determined by the Lender based on the offered rate for yen lending in financial markets for the relevant period. In either case, the rate shall not fall below 0.0%.

(10) “Bank Transaction Agreement”	The Bank Transaction Agreement separately concluded between the Borrower and the Lender.
(11) “Financial Statements, etc.”	Documents as set forth in items ① through ④ below: ① Financial statements, business reports, and their supplementary schedules for each fiscal year under Article 435(2) of the Companies Act ② Interim financial statements actually prepared under Article 441(1) of the Companies Act ③ Consolidated financial statements actually prepared under Article 444(1) or required under Article 444(3) of the Companies Act (including consolidated balance sheets, consolidated income statements, consolidated statements of changes in equity, and consolidated notes under Article 61 of the Ordinance on Corporate Accounting) ④ Consolidated and standalone balance sheets, income statements, statements of changes in equity, and notes actually prepared
(12) “Fiscal Period”	The period from the start date (inclusive) to the end date (inclusive) of each fiscal year.
(13) “Taxes and Public Charges”	All taxes and public charges that may be imposed in Japan, including income tax, corporate tax, and other taxes.
(14) “Subsidiary”, “Affiliate”	As defined in Article 8 of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements.
(15) “Individual Loan”	A loan executed based on each Loan Application.
(16) “Individual Loan Proceeds”; “Individual Loan Amount”	The money lent by the Lender to the Borrower pursuant to each Individual Loan; and the amount thereof, respectively.
(17) “Outstanding Amount of Individual Loan”	All amounts the Borrower is obligated to pay in connection with an Individual Loan under this Agreement, including principal, interest, damages, settlement amounts, and other amounts.
(18) “Commitment Start Date”	February 28, 2025.
(19) “Commitment Period”	The period from the Commitment Start Date (inclusive) to the date (inclusive) on which the Lender’s Lending Obligation terminates.
(20) “Commitment Deadline”	February 25, 2028 (or the immediately preceding Business Day if such date falls on a non-Business Day).
(21) “Desired Execution Date”	A Business Day within the Commitment Period specified by the Borrower in the Loan Application as the desired date for execution of an Individual Loan.
(22) “Execution Date”	The date on which an Individual Loan is executed.
(23) “Spread”	0.65% per annum.
(24) “Settlement Amount”	The amount calculated by the following formula (if the result is negative, no settlement amount arises): Early Repayment Amount × (Market Rate of Individual Loan (Note 1) – Market Rate at Time of Early Repayment (Note 2)) × Remaining Period at Time of Early Repayment (days) (Note 3) / 365 Note 1: Rate at which the Lender procures funds from the market Note 2: Rate at which the Lender can reinvest in the market for the remaining period Note 3: Period from the early repayment date to the next interest rate reset date (or Maturity Date if no reset date exists)
(25) “Applicable Rate”	Base Rate plus Spread, subject to any changes pursuant to this Agreement.

(26) “Facility Fee”	The fee paid by the Borrower to the Lender as consideration for the Lending Obligation.
(27) “Facility Fee Calculation Period”	① From the Commitment Start Date (inclusive) to February 27, 2026 (inclusive) ② From February 28, 2026 (inclusive) to February 27, 2027 (inclusive) ③ From February 28, 2027 (inclusive) to the Commitment Deadline (inclusive)
(28) “Facility Fee Rate”	0.1% per annum.
(29) “Repayment Date”	For principal: the Maturity Date; for interest: each Interest Payment Date; for facility fees: the date set forth in Article 12, Paragraph 1; for other amounts: the date determined under this Agreement.
(30) “Repayment Deposit Account”	The ordinary deposit account held by the Borrower at MUFG Bank, Ltd. [****] Branch (Account No. [****], Account Name: [****]), or any other account at MUFG Bank’s head office or branches opened by the Borrower and approved by the Lender.
(31) “Reports, etc.”	Annual securities reports, semi-annual reports, extraordinary reports, amended reports, and other reports.
(32) “Laws and Regulations”	Treaties, laws, cabinet orders, ministerial ordinances, municipal ordinances, rules, public notices, court decisions, arbitration awards, administrative notices, operational guidelines, and policies of relevant authorities.
(33) “This Loan”	The aggregate of all Individual Loans executed pursuant to Loan Applications.
(34) “Maturity Date”	The date set forth in Article 4, Paragraph 3.
(35) “Unused Lending Limit”	The Lending Limit less the aggregate outstanding principal of all Individual Loans.
(36) “Interest Calculation Period”	For each Individual Loan: for the first period, from the Execution Date (which is the first Interest Payment Date) to the second Interest Payment Date; for subsequent periods, from the day after each Interest Payment Date to the next Interest Payment Date (or Maturity Date if no next date exists).
(37) “Interest Payment Date”	For each Individual Loan: the Execution Date and the last day of each calendar month in the period from the day after the Execution Date to (but not including) the Maturity Date (if such date falls on a non-Business Day, the next Business Day, or the preceding Business Day if the next Business Day falls in the following month).

2. In this Agreement, a period of “one month” means a period beginning on the start date (inclusive) and ending on the corresponding date in the following calendar month (inclusive). If that date is not a Business Day, it ends on the next Business Day, or the preceding Business Day if the next Business Day falls in the following calendar month. If the start date is the last Business Day of a calendar month, the period ends on the last Business Day of the corresponding month. If no corresponding date exists, the period ends on the last Business Day of that month.

Article 2 (Rights and Obligations of the Lender)

1. Subject to satisfaction of all conditions in Article 5, the Lender shall lend money to the Borrower up to the Lending Limit in accordance with this Agreement.
2. If the Lender fails to execute an Individual Loan on a Desired Execution Date in breach of its Lending Obligation, the Lender shall promptly compensate the Borrower for all damages, losses, and costs upon demand. However, such compensation shall be capped at the excess of (i) the interest and other costs the Borrower would have paid from such Desired Execution Date to the next Interest Payment Date on an alternative loan obtained because the Individual Loan was not made, over (ii) the interest and other costs that would have been payable on the Individual Loan for the same period.
3. The Borrower may, during the Commitment Period, terminate the Lending Obligation in whole or reduce the Lending Limit in part (within the Unused Lending Limit) by notifying the Lender at least 10 Business Days in advance via Exhibit 2 sent by facsimile, email, or other electronic means approved by the Lender. Such notice is irrevocable, and the termination or reduction takes effect on the date specified in the notice. Any reduction of the Lending Limit for one period shall apply equally to all other periods defined in Article 1.

Article 3 (Purpose of Funds)

The Borrower shall use proceeds from This Loan solely for the Borrower's working capital or for on-lending to the Joint and Several Guarantors (hereinafter "On-Lending"). The Joint and Several Guarantors shall use On-Lending proceeds solely for their own working capital.

Article 4 (Application for Individual Loans)

1. To request an Individual Loan, the Borrower shall, by noon 3 Business Days before the Desired Execution Date: (1) send the Loan Application (i) by facsimile, email, or other electronic means if signed/sealed, or (ii) by the Lender's prescribed method if electronically signed; and (2) confirm by telephone that the Lender has received or acknowledged the application. The application takes effect upon such confirmation. If confirmation is not made, the Lender may treat the application as not having been made. Once received by the Lender, the application cannot be cancelled or modified for any reason.
2. The Individual Loan amount stated in the Loan Application must be JPY 1,000,000 or more in increments of JPY 1,000,000, and must not exceed the Unused Lending Limit on the Desired Execution Date (calculated assuming repayment of any loans maturing by that date and execution of any pending loan applications).
3. The Maturity Date stated in the Loan Application must be any Business Day within 3 months of the Desired Execution Date and may not exceed the Commitment Deadline. However, if the Maturity Date falls within 1 month after the Commitment Deadline, a Maturity Date beyond the Commitment Deadline may be specified.
4. Only one Individual Loan may be executed per Desired Execution Date.

Article 5 (Conditions Precedent to Individual Loan Execution)

During the Commitment Period, the Lender shall execute each Individual Loan on the Desired Execution Date, subject to satisfaction of all of the following conditions as of that date (as determined by the Lender):

- (1) The Loan Application satisfies the requirements of Article 4.
- (2) The Desired Execution Date does not fall during a Non-Lending Period.

- (3) All representations and warranties of the Borrower and Guarantors under Article 16 are true and accurate.
- (4) No Event of Acceleration has occurred or is likely to occur.
- (5) The Borrower and Guarantors are not in breach of this Agreement or any other agreement with the Lender, and no such breach is likely to occur on or after the Desired Execution Date.
- (6) The Lender has received from the Borrower on the Agreement Date and is satisfied with: ① the Medium-Term Business Plan (hereinafter 'Mid-Term Plan').
- (7) The Lender's Lending Obligation has not been terminated under this Agreement.

Article 6 (Execution of Individual Loans)

If the Lender receives a Loan Application pursuant to Article 4 and all conditions in Article 5 are satisfied on the Desired Execution Date, the Lender shall deposit the Individual Loan Amount into the Repayment Deposit Account on that date.

Article 7 (Non-execution of Individual Loans)

Except as provided in Article 2, Paragraph 2, if the Lender is unable to execute an Individual Loan and the Lender incurs any damages, losses, or costs as a result, the Borrower shall bear such amounts.

Article 8 (Termination of Lending Obligation)

The Lender's Lending Obligation shall be extinguished upon occurrence of any of the following events. The relevant provisions of this Agreement shall remain in effect until all of the Borrower's obligations under this Agreement are fully discharged.

- (1) The Commitment Deadline has passed.
- (2) The Borrower loses the benefit of the term under Article 24 or the Bank Transaction Agreement.
- (3) The Borrower terminates the Lending Obligation pursuant to Article 2, Paragraph 3.

Article 9 (Principal Repayment)

The Borrower shall repay the principal of each Individual Loan in a lump sum on its respective Maturity Date pursuant to Article 14.

Article 10 (Interest)

1. The Borrower shall pay, in advance pursuant to Article 14, the aggregate interest calculated by multiplying the outstanding principal amount of each Individual Loan (in units of JPY 100) for each interest calculation period by the Applicable Rate and the actual number of days: on the Execution Date for the first interest calculation period, and on the last Interest Payment Date of the immediately preceding interest calculation period for subsequent periods.
2. Interest shall be calculated on an actual/365 day basis (both-ends count), with division performed last and fractions below JPY 1 rounded down.

Article 11 (Early Repayment)

1. Except as provided in this Agreement, the Borrower may not repay all or part of the principal of This Loan before the Maturity Date ('Early Repayment').
2. The Borrower may make an Early Repayment with the Lender's prior consent obtained as follows:
 - (1) To request an Early Repayment, the Borrower shall notify the Lender in writing at least 5 Business Days before the desired early repayment date ('Desired Early Repayment Date'), using the form in Exhibit 3, specifying: (a) the Execution Date and Repayment Date of the relevant Individual Loan; (b) the principal amount to be repaid early (which must be the full outstanding principal or JPY 1,000,000 or more in increments of JPY 1,000,000); and (c) the Desired Early Repayment Date. The Lender shall notify the Borrower of its decision by 3 Business Days before the Desired Early Repayment Date.
 - (2) If the Lender consents, the Borrower shall pay the aggregate of the principal to be repaid early and the Settlement Amount on the Desired Early Repayment Date by the Lender's prescribed method.
3. If a Settlement Amount arises when Early Repayment is approved, the Lender shall notify the Borrower of the Settlement Amount by 2 Business Days before the Desired Early Repayment Date.
4. If the Borrower's ownership ratio in any Guarantor falls below 50% (note: if below 100%, the Borrower must obtain the Lender's prior consent pursuant to Article 19(5)), the Borrower shall promptly make an Early Repayment of the principal amount and Settlement Amount designated by the Lender.

Article 12 (Facility Fee)

1. The Borrower shall pay, pursuant to Article 14, on the first day of each Facility Fee Calculation Period (or the next Business Day if such day falls on a non-Business Day), the Facility Fee for such period, calculated as: $\text{Applicable Lending Limit} \times \text{Facility Fee Rate} \times \text{Actual Days} / 365$ (fractions below JPY 1 rounded down). The Lender shall not refund received Facility Fees except as provided in Paragraphs 2 through 4.
2. If a Non-Lending Event occurs, the Borrower is not required to pay the portion of the Facility Fee corresponding to the daily aggregate Unused Lending Limit during the Non-Lending Period $\times$ Facility Fee Rate / 365. If already received, the Lender shall refund such amount promptly after the Non-Lending Period ends.
3. If the Lending Obligation terminates under Article 8(2), the Borrower is not required to pay the portion of the Facility Fee corresponding to the daily aggregate Unused Lending Limit from the termination date (inclusive) to the Commitment Deadline (inclusive) $\times$ Facility Fee Rate / 365. If already received, the Lender shall refund such amount promptly after all obligations under this Agreement are fully discharged.
4. If the Borrower terminates the Lending Obligation in whole or reduces the Lending Limit pursuant to Article 2, Paragraph 3, the Borrower is not required to pay the portion of the Facility Fee corresponding to the Reduced/Terminated Amount $\times$ Actual Days from the date of termination/reduction (inclusive) to the Commitment Deadline (inclusive) $\times$ Facility Fee Rate / 365. ('Reduced/Terminated Amount' means the Lending Limit before termination/reduction less the greater of (i) the post-termination/reduction Lending Limit or (ii) the aggregate outstanding principal of Individual Loans assuming no early repayment before Maturity Date.) If already received, the Lender shall refund such amount promptly.
5. Facility Fees shall be calculated on an actual/365 day basis (both-ends count), division performed last, fractions below JPY 1 rounded down. Upon execution, repayment, or change of Lending Limit under Article 2(3), the outstanding principal and Lending Limit on the date of such change shall be the post-change amounts.

Article 13 (Structuring Fee, Expenses, Taxes, and Settlement Amount)

1. On the Execution Date of the first Individual Loan, the Borrower shall pay the Lender a structuring fee ('Structuring Fee') of JPY 22,000,000 (including consumption tax and local consumption tax at the rate as of the Agreement Date; if tax rates differ between the Agreement Date and such Execution Date, the Structuring Fee shall be JPY 20,000,000 plus consumption tax and local consumption tax at the rate as of the Execution Date), pursuant to Article 14.
2. The Lender shall not refund received Structuring Fees, provided that the Lender may refund all or part at its discretion.
3. All costs related to the preparation, amendment, or modification of this Agreement or the execution of This Loan (including stamp duties, attorney's fees, and other costs not limited thereto), and all reasonable costs for the Lender to protect, confirm, and exercise its rights under this Agreement (including attorney's fees), shall be borne by the Borrower. If the Lender bears such costs on the Borrower's behalf, the Borrower shall reimburse the Lender immediately upon demand.
4. If Individual Loan principal is repaid or offset before the Repayment Date for reasons not attributable to the Lender, the Borrower shall pay the Settlement Amount for such repaid/offset principal on the same day, by the Lender's prescribed method.
5. Upon Early Repayment under Article 11, repayment or offset before the Repayment Date for reasons not attributable to the Lender, or acceleration under this Agreement or the Bank Transaction Agreement, the Borrower shall immediately pay the Lender the Settlement Amount and other costs deemed necessary by the Lender, by the Lender's prescribed method.
6. If an Early Repayment is made or principal is repaid/offset before the Repayment Date, and the Lender has already received interest for the relevant Individual Loan, the Lender shall promptly refund the portion of interest corresponding to the period from the day after the Early Repayment or repayment/offset date (inclusive) onward.

Article 14 (Automatic Payment of Borrower's Obligations)

1. The Borrower authorizes the Lender to withdraw the payment amounts from the Repayment Deposit Account on each Repayment Date without requiring submission of a bankbook, withdrawal request, or check.
2. If the balance of the Repayment Deposit Account is insufficient on any Repayment Date, the Borrower shall not object if the Lender applies the available balance to some or none of the payments at its discretion.
3. If the Borrower fails to make payment on a Repayment Date and pays later, the Lender may withdraw the payment amount plus default damages from the Repayment Deposit Account pursuant to Paragraph 1.
4. Upon occurrence of any Event of Acceleration, the Borrower hereby authorizes the Lender to withdraw any amount from the Repayment Deposit Account regardless of any deposit terms. Such funds may be applied at the Lender's discretion to repay This Loan and all other obligations of the Borrower to the Lender.

Article 15 (Joint and Several Guarantee)

1. Each Joint and Several Guarantor, at the Borrower's request, shall assume joint and several guarantee obligations ('Joint and Several Guarantee Obligations') for all obligations of the Borrower to the Lender under this Agreement. The Joint and Several Guarantee Obligations shall be governed by this Agreement and the Bank Transaction Agreement.

2. The Joint and Several Guarantee Obligations shall not be altered or affected by any collateral or other guarantee for the Borrower's obligations. The Guarantors may not claim discharge of their obligations due to the Lender changing or releasing collateral or other guarantees.
3. The Lender may set off the Joint and Several Guarantee Obligations against deposits or other claims of the Guarantors against the Lender at any time, regardless of whether such claims are due.
4. If a Guarantor subrogates to the Lender's rights against the Borrower upon performance, the Guarantor shall not exercise such subrogated rights until all of the Borrower's obligations to the Lender are fully discharged. Upon the Lender's request, the Guarantor shall assign such subrogated rights or priority to the Lender at no charge. Similarly, any right of reimbursement against the Borrower acquired by the Guarantor upon performance shall not be exercised until all obligations are discharged.
5. The Joint and Several Guarantee under this Agreement does not alter or affect any other guarantee for the Borrower's obligations. If a Guarantor provides or will provide additional guarantees, the total guarantee amount shall be the sum of all guarantees unless otherwise agreed.
6. A demand for performance made by the Lender against a Guarantor shall also take effect against the Borrower and other Guarantors (if any).

Article 16 (Representations and Warranties of Borrower and Guarantors)

The Borrower and Joint and Several Guarantors represent and warrant to the Lender, as of the Agreement Date and each Execution Date, that all of the following matters are true and accurate, and shall jointly indemnify the Lender for all damages, losses, and costs if any matter proves to be untrue or inaccurate.

- (1) Execution and performance of this Agreement, and transactions thereunder, do not (a) violate any laws applicable to the Borrower or Guarantors, (b) violate the Borrower's or Guarantors' articles of incorporation or internal regulations, or (c) violate any agreement with third parties binding the Borrower, Guarantors, or their assets.
- (2) This Agreement constitutes a legal, valid, and enforceable obligation of the Borrower and Guarantors.
- (3) All Financial Statements, etc. prepared by the Borrower and Guarantors (audited if required or actually audited, including Reports where applicable) have been prepared accurately and lawfully in accordance with generally accepted accounting principles in Japan.
- (4) Since the end of the Borrower's February 2024 fiscal period, no facts have occurred that materially adversely affect, or may materially adversely affect, the Borrower's performance of obligations under this Agreement, including deterioration of the Borrower's or its subsidiaries'/affiliates' business, assets, or financial condition. Similarly for each Guarantor (for Guarantors C, D, and E, since their respective establishment dates).
- (5) No litigation, provisional disposition, enforcement, mediation, arbitration, administrative proceedings, or other disputes that materially adversely affect, or may materially adversely affect, the Borrower's or Guarantors' performance of obligations under this Agreement have commenced or are likely to commence.
- (6) The Borrower and Guarantors do not bear any obligations that materially adversely affect, or may materially adversely affect, performance of obligations under this Agreement.

- (7) All information in documents submitted to the Lender by the Borrower and Guarantors is true and accurate in all material respects, contains no misleading statements, and does not omit information necessary to prevent misunderstanding in connection with the conclusion of this Agreement or execution decisions for Individual Loans. Forward-looking statements are based on reasonable methods, and no material adverse facts have occurred since submission.
- (8) The Borrower and Guarantors maintain all licenses and permits necessary for their principal businesses and continue to operate in compliance with all applicable laws.

Article 17 (Compliance Obligations of Borrower and Guarantors)

Until all obligations to the Lender under this Agreement are fully discharged, the Borrower and Guarantors shall comply with the following:

- (1) The Borrower and Guarantors shall not change the nature of their principal businesses.
- (2) The Borrower shall maintain the Repayment Deposit Account at its own expense.
- (3) The Borrower and Guarantors shall prepare Financial Statements, etc. accurately and lawfully in accordance with generally accepted accounting principles in Japan.

Article 18 (Reporting Obligations of Borrower and Guarantors)

Until all obligations to the Lender under this Agreement are fully discharged, the Borrower and Guarantors shall report to the Lender at their own expense as follows:

- (1) Immediately notify the Lender in writing if an Event of Acceleration has occurred or is likely to occur in respect of any obligation of the Borrower or Guarantors.
- (2) Upon the Lender's request, immediately report in writing and provide inspection access regarding the assets, management, and business conditions of the Borrower, Guarantors, and their subsidiaries and affiliates.
- (3) Immediately notify the Lender in writing if a material change has occurred or is likely to occur in the assets, management, or business conditions of the Borrower, Guarantors, and their subsidiaries and affiliates.
- (4) Submit to the Lender, by the end of the month that is 3 months after the month containing the last day of each fiscal period (starting with the Borrower's February 2025 fiscal period), a Compliance Status Report in the form of Exhibit 4.
- (5) The Borrower shall submit to the Lender, by the end of the month that is 3 months after the month containing the last day of each fiscal period (starting with the February 2025 period), copies of Financial Statements, etc., Reports, and tax returns. If the content changes or is likely to change, the Borrower shall immediately notify the Lender in writing. Electronic disclosure via EDINET shall be deemed equivalent to submission.
- (6) Each Guarantor shall submit to the Lender, by the end of the month that is 3 months after the month containing the last day of each fiscal period (starting with its February 2025 period), copies of its Financial Statements, etc., Reports, and tax returns. If the content changes or is likely to change, the Guarantor shall immediately notify the Lender in writing. Electronic disclosure via EDINET shall be deemed equivalent to submission.

- (7) The Borrower shall submit to the Lender, in a format satisfactory to the Lender and by the end of the month that is 3 months after the month containing the reference date, the following documents as of the reference date (the corresponding date in February, May, August, and November of each year, starting from February 2025). The reference date may be changed with the Lender's consent if the fiscal period end date changes.
- ① Standalone trial balance or consolidated trial balance of the Borrower and all Guarantors
 - ② Statement of borrowings by financial institution broken down by purpose (not required if both short-term and long-term borrowings are zero as of the reference date)
- (8) Each Guarantor shall submit to the Lender, in a format satisfactory to the Lender and by the end of the month that is 3 months after the month containing the reference date, the following documents for each Guarantor as of the reference date. The reference date may be changed with the Lender's consent.
- ① Trial balance (not required if the Borrower's consolidated trial balance covering all Guarantors has been submitted)
 - ② Statement of borrowings by financial institution broken down by purpose (not required if both short-term and long-term borrowings for that Guarantor are zero as of the reference date)
- (9) If the Mid-Term Plan is materially revised, the Borrower shall promptly submit the revised plan to the Lender. If Article 19(4) applies, the Borrower must first obtain the Lender's prior consent. Once submitted pursuant to this paragraph, the revised plan shall constitute the 'Mid-Term Plan' under this Agreement.

Article 19 (Prior Consent Obligations of Borrower and Guarantors)

Until all obligations to the Lender under this Agreement are fully discharged, the Borrower and Guarantors shall obtain the Lender's prior consent before taking any of the following actions:

- (1) Material amendment to the articles of incorporation of the Borrower or any Guarantor.
- (2) Merger, company split, share exchange, share transfer, share delivery, corporate reorganization, transfer or acquisition of all or part of the business or material assets, lease of all or part of the business or delegation of management to a third party, reduction of capital or reserves, in each case that materially adversely affects or may materially adversely affect performance of obligations under this Agreement.
- (3) Execution, amendment, or termination of any contract that materially adversely affects or may materially adversely affect performance of obligations under this Agreement.
- (4) Material revision to the Mid-Term Plan.
- (5) The Borrower's ownership ratio in any Guarantor falling below 100%.

Article 20 (Financial Covenants)

Until all obligations to the Lender under this Agreement are fully discharged, the Borrower and Guarantors shall comply with the following financial covenants:

- (1) As of the last day of each fiscal period (starting with the February 2025 fiscal period), maintain the simple aggregate of total net assets in the standalone balance sheets of the Borrower and all Guarantors at no less than 75% of the greater of: (a) the simple aggregate of total net assets as of the last day of the February 2024 fiscal period; or (b) the simple aggregate of total net assets as of the last day of the preceding fiscal period.
- (2) As of the last day of each fiscal period (starting with the February 2025 fiscal period), maintain the simple aggregate of ordinary income/loss in the standalone income statements of the Borrower and all Guarantors at JPY 0 or above.

Article 21 (Effect of Financial Covenant Breach)

If the Borrower and Guarantors breach the financial covenants in Article 20, the following shall apply:

- (1) If one or more items in Article 20(1) or (2) are breached, (a) the Borrower shall submit to the Lender an improved Mid-Term Plan satisfactory to the Lender by the date designated by the Lender (once submitted and accepted, such plan shall constitute the 'Mid-Term Plan' under this Agreement), and (b) the Applicable Rate shall be increased by +0.2% (i.e., Base Rate + Spread + 0.2%) for the period from the day after the first Interest Payment Date following the end of the month that is 3 months after the month of the fiscal period end of the relevant breach, to the first Interest Payment Date (inclusive) following the end of the month that is 3 months after the month of the next fiscal period end. This rate change applies only for the specified period with respect to the applicable breach.
- (2) If the same item under Article 20(1) or (2) is breached for two consecutive fiscal periods, upon the Lender's demand, the Borrower shall immediately lose the benefit of the term for all obligations under this Agreement and repay all such obligations immediately.

Article 22 (Non-Financial Covenants)

Until all obligations to the Lender under this Agreement are fully discharged, the Borrower and Guarantors shall maintain compliance with the following non-financial covenant. Assessment shall be based on (a) trial balances submitted pursuant to Article 18(7)① and Article 18(8)① (or the consolidated trial balance if submitted), and (b) statements of borrowings by financial institution submitted pursuant to Article 18(7)② and Article 18(8)②.

As of the last day of each quarter (starting from the May 2025 quarter), the simple aggregate of working capital borrowings of the Borrower and all Guarantors shall not exceed the simple aggregate of their respective reference amounts (or the consolidated trial balance amount if submitted).

Note 1: Working capital borrowings = aggregate outstanding balance of borrowings classified as working capital in the statement of borrowings by financial institution

Note 2: Reference amount = Required working capital (contract assets + trade receivables + accrued receivables + notes receivable (excluding discounted/endorsed notes) + inventories – contract liabilities – trade payables – accrued payables – notes payable (excluding equipment payment notes)) + cash and deposits

Article 23 (Effect of Non-Financial Covenant Breach)

If the Borrower and Guarantors breach the non-financial covenant in Article 22, the following shall apply:

- (1) If breached, (a) the Borrower shall make an Early Repayment of the excess amount on the next Interest Payment Date, and (b) new Individual Loan drawdowns shall be suspended until the breach is cured in subsequent assessments.
- (2) If breached for two consecutive assessments, upon the Lender's demand, the Borrower shall immediately lose the benefit of the term for all obligations under this Agreement and repay all such obligations immediately.

Article 24 (Events of Acceleration)

1. Upon occurrence of any event specified in Article 5, Paragraph 1 of the Bank Transaction Agreement, the Borrower shall automatically and immediately lose the benefit of the term for all obligations under this Agreement without any notice or demand from the Lender, and shall immediately pay all principal, interest, settlement amounts, and other amounts payable to the Lender under this Agreement by the Lender's prescribed method.

2. Upon occurrence of any event specified in Article 5, Paragraph 2 of the Bank Transaction Agreement (including any additional acceleration events therein), or upon occurrence of any of the following events, the Borrower shall, upon the Lender's demand, lose the benefit of the term for all obligations under this Agreement and immediately pay all such amounts:

- (1) Any representation or warranty of the Borrower or Guarantors under Article 16 proves to have been false or inaccurate at the time it was made.
- (2) The Borrower or any Guarantor breaches any provision of this Agreement. (This item does not apply if the breach of Article 20 is being remedied pursuant to Article 21(1), or the breach of Article 22 is being remedied pursuant to Article 23(1), for the applicable breach.)
- (3) An order or notice of provisional attachment, protective attachment, attachment, provisional injunction, or seizure for tax delinquency is issued, or auction or public sale proceedings commence, with respect to collateral provided by the Borrower to the Lender.
- (4) The Borrower or any Guarantor defaults on any monetary obligation other than obligations under this Agreement (including guarantee obligations), or loses the benefit of the term thereunder.
- (5) The Borrower or any Guarantor issues a first dishonored bill or check, or an electronic record of a claim against the Borrower or any Guarantor is registered as unpayable by Zengin Electronic Claims Network or subject to equivalent measures by another electronic claim registry.
- (6) The Borrower or any Guarantor violates laws or regulations, ceases business, or receives a business suspension or prohibition order from a competent government authority, or the Lender reasonably determines that any of the foregoing is likely to occur.
- (7) The Borrower or any Guarantor resolves to dissolve or receives a dissolution order (excluding dissolution due to merger).
- (8) Article 21(2) or Article 23(2) becomes applicable.
- (9) The business or financial condition of the Borrower or any Guarantor has deteriorated or is likely to deteriorate, and protection of claims is deemed necessary.

3. In cases under Paragraph 2, if the Lender's notice or documents are delayed or undelivered due to the Borrower's failure to report an address change or refusal to accept delivery, the notice shall be deemed to have been delivered at the time it would normally have arrived, and the benefit of the term shall be deemed to have been lost at that time.

4. Even if the Borrower loses the benefit of the term under Paragraphs 1, 2, or 3, Settlement Amounts shall still be payable. Upon acceleration, the Borrower shall immediately pay all principal, interest, settlement amounts, and other amounts by the Lender's prescribed method, and the Lender's Lending Obligation shall be extinguished.

Article 25 (Amendment of Agreement)

This Agreement may not be amended without the written agreement of the Borrower, all Guarantors, and the Lender.

Article 26 (Preparation of Notarial Deed)

Upon the Lender's request, the Borrower and Guarantors shall cooperate in the preparation of a notarial deed containing acknowledgment of obligations and consent to enforcement under this Agreement. Costs for this procedure shall be borne by the Borrower and Guarantors.

Article 27 (Priority over Other Agreements)

The relationship between this Agreement and the Bank Transaction Agreement and other comprehensive agreements relating to financial transactions (collectively "Transaction Agreements") shall be as follows:

- (1) If any provision of this Agreement conflicts with or is inconsistent with any provision of the Transaction Agreements, this Agreement shall prevail.
- (2) Matters not provided for in this Agreement shall be governed by the Transaction Agreements.
- (3) Matters not provided for in this Agreement or the Transaction Agreements shall be determined by consultation among the Borrower, Guarantors, and Lender.

Article 28 (Consultation)

If any matter is not covered by this Agreement or any question arises regarding the interpretation of this Agreement, the Borrower, Joint and Several Guarantors, and Lender shall consult in good faith to determine the appropriate response.

In witness whereof, one original of this Agreement has been prepared, signed or sealed by the representatives or their proxies of the Borrower, Joint and Several Guarantors, and the Lender, and shall be kept by the Lender (with the Borrower and Guarantors each receiving a copy). If this Agreement is concluded by electronic means, an electromagnetic record of this Agreement shall be created with electronic signatures by the representatives or their proxies of the Borrower, Guarantors, and the Lender, and such electromagnetic record shall be retained.

February 25, 2025

Borrower:
Micware Co., Ltd.

Joint and Several Guarantor A:
Micware Automotive Co., Ltd.

Joint and Several Guarantor B:
Micware Navigations Co., Ltd.

Joint and Several Guarantor C:
Micware Mobility Co., Ltd.

Joint and Several Guarantor D:
Micware Operation Co., Ltd.

Joint and Several Guarantor E:
Micware Challenged Co., Ltd.

Lender:
MUFG Bank, Ltd.

(For Bank Use Only)

Review	Seal Verification	Executed

LOAN APPLICATION

To: MUFG Bank, Ltd. (Lender)

Re: Micware Co., Ltd. Revolving Credit Facility Agreement

Pursuant to Article 4 of the Revolving Credit Facility Agreement dated February 25, 2025 (the ‘Agreement’) concluded between the Borrower, Micware Co., Ltd., the Joint and Several Guarantors (Micware Automotive Co., Ltd., Micware Navigations Co., Ltd., Micware Mobility Co., Ltd., Micware Operation Co., Ltd., and Micware Challenged Co., Ltd.), and MUFG Bank, Ltd. (the ‘Lender’), the Borrower hereby applies for execution of an Individual Loan on the following terms.

Desired Execution Date	Year ____ / Month ____ / Day ____
Individual Loan Amount	JPY ____
Maturity Date	Year ____ / Month ____ / Day ____

The Borrower represents and warrants that, as of the Desired Execution Date stated in this application: (i) all matters set forth in Article 16 of the Agreement are true and correct; and (ii) no Event of Acceleration, or event that would constitute an Event of Acceleration upon notice or passage of time or both, has occurred, and no such event would arise from the execution of this Individual Loan.

Terms used but not defined in this application shall have the meanings given in the Agreement.

(For Bank Use Only)

Art. 5 Conditions Precedent Review	Art. 5 Conditions Precedent Executed	Review	Seal Verification	Executed

NOTICE OF REDUCTION OF LENDING LIMIT / TERMINATION OF LENDING OBLIGATION

To: MUFG Bank, Ltd. (Lender)

Re: Micware Co., Ltd. Revolving Credit Facility Agreement

Pursuant to Article 2, Paragraph 3 of the Revolving Credit Facility Agreement dated February 25, 2025 (the ‘Agreement’) concluded between the Borrower, Micware Co., Ltd., the Joint and Several Guarantors, and MUFG Bank, Ltd. (the ‘Lender’), the Borrower hereby notifies the Lender of [TERMINATION OF THE ENTIRE LENDING OBLIGATION / REDUCTION OF THE LENDING LIMIT] as follows:

Date of Termination/Reduction	Year ____ / Month ____ / Day ____
Amount of Reduction (if applicable)	JPY _____

Terms used but not defined in this notice shall have the meanings given in the Agreement.

(For Bank Use Only)

Review	Seal Verification	Executed

NOTICE OF DESIRED EARLY REPAYMENT

To: MUFG Bank, Ltd. (Lender)

Re: Micware Co., Ltd. Revolving Credit Facility Agreement

Pursuant to Article 11, Paragraph 2 of the Revolving Credit Facility Agreement dated February 25, 2025 (the ‘Agreement’), the Borrower hereby requests early repayment as follows. Any Settlement Amount shall be paid together with the principal on the Desired Early Repayment Date.

Principal Amount for Early Repayment	JPY _____
Desired Early Repayment Date	Year _____ / Month _____ / Day _____
Execution Date of Relevant Individual Loan	Year _____ / Month _____ / Day _____
Maturity Date of Relevant Individual Loan	Year _____ / Month _____ / Day _____

Terms used but not defined in this notice shall have the meanings given in the Agreement.

To: Borrower

MUFG Bank, Ltd. (Lender) hereby:

() CONSENTS to the above Early Repayment. The Settlement Amount will be communicated separately.

() DOES NOT CONSENT to the above Early Repayment.

MUFG Bank, Ltd. (Lender) _____ [Seal]

COMPLIANCE STATUS REPORT

To: MUFG Bank, Ltd. (Lender)

Re: Micware Co., Ltd. Revolving Credit Facility Agreement

Pursuant to Article 18(4) of the Revolving Credit Facility Agreement dated February 25, 2025 (the ‘Agreement’) concluded between the Borrower and Guarantors (collectively ‘Obligors’) and MUFG Bank, Ltd. (the ‘Lender’), the Obligors hereby report that they are in compliance with all provisions of the Agreement, except for any provisions currently in breach (as determined by the Lender or reported by the Obligors to the Lender).

Borrower	Micware Co., Ltd. [Seal]
Guarantor A	Micware Automotive Co., Ltd. [Seal]
Guarantor B	Micware Navigations Co., Ltd. [Seal]
Guarantor C	Micware Mobility Co., Ltd. [Seal]
Guarantor D	Micware Operation Co., Ltd. [Seal]
Guarantor E	Micware Challenged Co., Ltd. [Seal]

(For Bank Use Only)

Review	Compliance Confirmation	Seal Verification	Executed

COMMITMENT LINE AGREEMENT

Micware Co., Ltd. (hereinafter referred to as “Borrower”) and Sumitomo Mitsui Banking Corporation (hereinafter referred to as “Lender”) hereby agree, in addition to the provisions of the “Bank Transaction Agreement” separately agreed between the Borrower and Lender, to the following terms and conditions, and have entered into this Commitment Line Agreement (hereinafter referred to as “this Agreement”) as of October 31, 2025.

Article 1 (Definitions)

The following terms shall have the meanings set forth below in this Agreement.

1	“Business Day”	Any day other than a bank holiday in Japan.
2	“Each Loan”	A loan executed (or to be executed) based on a single loan application submitted by the Borrower pursuant to Article 3. The funds lent (or to be lent) under each loan are referred to as “each loan amount.”
3	“Outstanding Amount of Each Loan”	All amounts the Borrower is obligated to pay for each loan under this Agreement, including principal, interest, default interest, settlement amount, and any other amounts.
4	“Loan Application”	An application submitted or sent by facsimile by the Borrower to the Lender in the format of the attached separate form.
5	“Refinanced Old Loan”	An already-executed loan whose maturity date is the desired execution date of a refinancing new loan.
6	“Refinancing New Loan”	A loan whose desired execution date is the maturity date of an already-executed loan.
7	“Commitment Amount”	The amount of the lending facility authorized by the Lender to the Borrower under this Agreement.
8	“Desired Execution Date”	A business day within the commitment period specified by the Borrower in the loan application as the desired date for execution of each loan.
9	“Execution Date”	The date on which each loan is executed.
10	“Payment Date”	For principal and interest of each loan: the maturity date; for commitment fees: the date stipulated in Article 2-1; for other amounts: the date determined as the payment date under this Agreement.
11	“Settlement Amount”	(i) If principal of a loan is repaid or offset before maturity, (ii) if the Borrower cancels the loan agreement after application but before execution pursuant to Article 587-2, Paragraph 2, Item 2 of the Civil Code, (iii) if each loan is not executed because some or all of the preconditions for the lending obligation are not met, or (iv) if the reinvestment rate falls below the applicable rate when the Borrower loses the benefit of the term—the amount to be settled, calculated by multiplying the difference between the reinvestment rate and the applicable rate by the settlement principal and the number of remaining days. (Reinvestment rate means the rate reasonably determined by the Lender as the rate at which the settlement principal could be reinvested for the remaining period in the Tokyo Interbank Market, etc.)
12	“Laws and Regulations”	Laws, statutes, ordinances, government orders, ministerial ordinances, rules, public notices, court decisions, arbitration awards, notices, operational guidelines, administrative guidance, and relevant authority policies applicable to this Agreement, transactions based thereon, or parties hereto.
13	“Unused Commitment Amount”	The Commitment Amount less the aggregate outstanding principal of each loan at any given time under this Agreement.

Article 2-1 (Key Commitment Terms)

(1) Lending Obligation

The Lender, in accordance with the terms of this Agreement, shall be obligated to execute each loan to the Borrower during the commitment period upon the Borrower’s application, and in consideration of such lending obligation, the Borrower shall pay a commitment fee to the Lender.

Commitment Start Date	October 31, 2025
Commitment Period	From the Commitment Start Date (inclusive) to the Commitment Period Expiration Date (inclusive).
Commitment Period Expiration Date	October 31, 2026
Commitment Amount	JPY 2,500,000,000
Commitment Fee Rate	0.2% per annum (365-day basis)
Commitment Fee Calculation Method	(1) Payment of Commitment Fee: Payable 2 business days after the end of each calculation period. (2) Calculation Method: The Borrower shall pay the Lender the sum of the daily unused commitment amounts during the calculation period multiplied by the commitment fee rate, divided by the base number of days (fractions below JPY 1 rounded down). If the commitment period ends before the Commitment Period Expiration Date pursuant to Article 6 or Article 10, the Borrower shall pay the commitment fee accrued up to the date of termination within 2 business days of the end of such calculation period, and no further commitment fees shall be required. (3) Calculation Periods: As shown in the table below (both start and end dates inclusive).

	Calculation Period Start Date	Calculation Period End Date
1st Period	Commitment Start Date	January 31, 2026
2nd Period	Day after 1st Period End Date	April 30, 2026
3rd Period	Day after 2nd Period End Date	July 31, 2026
4th Period	Day after 3rd Period End Date	Commitment Period Expiration Date

(2) Each Loan

The Borrower may apply for the execution of each loan on the following terms in accordance with this Agreement.

Application Deadline	By 10:00 AM, 3 business days prior to the desired execution date
Minimum Loan Unit	JPY 10,000,000 or more, in increments of JPY 1
Currency	Japanese Yen
Repayment Method	Lump-sum repayment of principal on the maturity date of each loan
Early Repayment	As separately stipulated in this Agreement
Base Rate	The annual rate reasonably determined by the Lender as the offered rate for interbank yen lending in the Tokyo Interbank Market for the period corresponding to each loan, 2 business days prior to the desired execution date.
Purpose of Funds	Working capital
Spread	0.6% per annum
Applicable Rate	Base Rate plus Spread
Maturity Date	1 month, 3 months, or 6 months after the desired execution date (if the desired execution date is the last business day of a month, either the corresponding date or the last business day of the relevant period, as selected by the Borrower; if no corresponding date exists in that month, the last business day of that month).
Interest Calculation Method	Calculated on actual days from Execution Date to (but not including) Maturity Date, on a 365-day basis. Calculated at the end; fractions below JPY 1 are rounded down.
Interest Payment Method	Lump-sum payment on the maturity date of each loan
Holiday Treatment	If the maturity date falls on a non-business day, the next business day becomes the maturity date; however, if that next business day falls in the following month, the immediately preceding business day becomes the maturity date.

(3) Other

Settlement Account: The following account held by the Borrower with the Lender.

Branch: [****] / Account Type: [****]/ Account Number: [****]

Article 2-2 (Preconditions for Lending Obligation)

The preconditions for the lending obligation are as follows:

- (1) The loan amount shall not exceed the unused commitment amount.
- (2) The commitment period has not expired.
- (3) The Lender's lending obligation under Article 2-1 has not been excused pursuant to Article 7.
- (4) All representations in Article 9 are true and accurate.

- (5) None of the events listed in Article 5, Paragraph 1 or 2 of the Bank Transaction Agreement have occurred or are likely to occur on or after the desired execution date.
- (6) The Borrower is not in breach of any provision of this Agreement, and no such breach is likely to occur on or after the desired execution date.
- (7) The loan agreement relating to each loan applied for has not been cancelled pursuant to Article 587-2, Paragraph 2, Item 2 of the Civil Code.

Article 3 (Provisions Regarding Execution of Each Loan)

- (1) When the Borrower wishes to execute a loan, the Borrower shall submit a loan application signed or sealed in advance with the Lender, or transmit it by facsimile, by the application deadline.
- (2) A loan application becomes effective when the Lender receives or confirms receipt. Once received or confirmed, the Borrower may not cancel, rescind, or modify the application or the related loan agreement, except as permitted by law. If the Lender executes a loan in response to such application, the Borrower shall be obligated to repay the loan obligations as legally enforceable debts.
- (3) When submitting loan applications by facsimile: (i) the Borrower shall allow inspection of the original or provide a certified copy at the Lender's reasonable request during normal business hours; (ii) the Borrower shall retain the original with due care as long as any obligations remain outstanding; (iii) the Borrower shall promptly confirm receipt by telephone after transmission; (iv) the Borrower shall promptly respond to any inquiry from the Lender regarding the application; (v) if the Lender's received copy differs from the Borrower's retained original, the Borrower's obligations shall be governed by the received copy.
- (4) The Lender shall execute each loan by depositing the loan amount into the settlement account on the desired execution date only if all preconditions are satisfied. For refinancing loans, the Lender shall offset the outstanding principal of the old loan against the new loan amount.
- (5) The Borrower shall bear all losses, costs, and damages incurred by the Lender in cases where: (i) the Borrower fails to fulfill the confirmation obligation under Paragraph 3(3); (ii) the received facsimile differs from the retained original; or (iii) the application was made using forged or altered documents.
- (6) The Borrower and Lender confirm that no receipt needs to be created even when a loan is executed.
- (7) If the Lender does not execute a loan due to unmet preconditions, the Borrower shall pay a settlement amount. This does not apply if failure to execute constitutes a breach of the Lender's lending obligation.
- (8) If the Borrower cancels the loan agreement before execution pursuant to Article 587-2, Paragraph 2 of the Civil Code, the Borrower shall notify the Lender in writing and pay a settlement amount.
- (9) In the cases above, the Lender shall notify the Borrower of the settlement amount within 3 business days of the calculation start date, and the Borrower shall pay it within 4 business days of that date.

Article 4 (Early Repayment)

- (1) The Borrower may repay all or part of the principal of each loan before its maturity date ("Early Repayment") only with the prior written consent of the Lender.
- (2) When making an early repayment, the Borrower shall pay, in addition to the early repayment amount, interest accrued from the execution date to (but not including) the early repayment date, in a lump sum on the early repayment date.
- (3) In addition, the Borrower shall pay a settlement amount together with the early repayment amount and accrued interest on the early repayment date.

Article 5 (Payments by the Borrower)

- (1) Payments by the Borrower under this Agreement shall be made by direct debit from the settlement account on each payment date, without requiring the issuance of a check, bankbook, or withdrawal request.
- (2) If the Borrower fails to meet a payment obligation, the Lender may debit the unpaid amount and default interest from the settlement account at a later date.
- (3) The Borrower shall not object if, when making such payment, the settlement account balance is insufficient to cover the full repayment and interest, and such amounts are treated as unpaid.

Article 6 (Changes in Laws and Other Conditions)

- (1) If changes in laws, regulations, or accounting standards significantly increase the Lender's costs of maintaining this Agreement and fulfilling its obligations (excluding increases due to changes in the Lender's income tax rates), the Lender may request consultations regarding continuation or amendment of this Agreement. If no agreement is reached within 15 business days of commencing consultations, the commitment period shall end at that time.
- (2) Even if the commitment period ends under this article, already-executed loans shall be repaid at their respective maturity dates (unless the Borrower has lost the benefit of the term). This Agreement shall remain in effect to the extent necessary until all obligations are fulfilled.

Article 7 (Lender's Exemption from Liability)

- (1) If a situation arises making it impossible for the Lender to execute loans due to reasons beyond the Lender's control—such as inability of banks to generally conduct yen lending in the Tokyo Interbank Market, natural disasters, wars, disruptions to electricity, communications, or settlement systems, or other force majeure events ("Inability to Lend")—the Lender shall promptly notify the Borrower in writing.
- (2) Once the Inability to Lend is resolved, the Lender shall promptly notify the Borrower in writing.
- (3) During the period from notification under Paragraph 1 to notification under Paragraph 2 ("Exemption Period"), the Lender shall be exempt from its lending obligations, and any pending loan applications during this period shall be void. The Borrower shall not be required to pay commitment fees during the Exemption Period.

Article 8 (Obligations of the Borrower)

The Borrower undertakes to fulfill the following obligations at its own expense from the date of this Agreement, and such obligations shall remain in effect regardless of whether the commitment period has ended, until all obligations owed to the Lender are discharged.

- (1) Promptly provide copies of financial reports (balance sheets, income statements, statements of changes in equity, individual notes, and business reports, collectively "Reports") when prepared, and in any event within 3 months of the fiscal year end.
- (2) Promptly notify the Lender in writing if any event listed in Article 5, Paragraph 1 or 2 of the Bank Transaction Agreement occurs or is likely to occur.
- (3) Upon reasonable request by the Lender, promptly notify and provide inspection access regarding the financial condition, management, and business of the Borrower and its subsidiaries and affiliates.
- (4) Immediately notify the Lender in writing if any material adverse change occurs or is likely to occur in the business of the Borrower or its subsidiaries or affiliates.

- (5) Immediately notify the Lender in writing if any representation in Article 9 becomes or is likely to become false.
- (6) Comply with the following covenants and immediately notify the Lender in writing if a breach occurs or is likely to occur:
 - (i) Net Assets Maintenance Covenant: The Borrower shall maintain the total net assets on the consolidated balance sheet as of the end of each fiscal year from February 2026 onwards at no less than 75% of the net assets as of February 2025, or 75% of the most recent fiscal year-end net assets, whichever is higher.
 - (ii) Profit Level Maintenance Covenant: The Borrower shall not incur ordinary losses for two consecutive periods on the consolidated income statement from the fiscal year ending February 2025 onwards.

Article 9 (Representations and Warranties of the Borrower)

The Borrower represents and warrants to the Lender that the following matters are true and accurate as of the date of this Agreement and the execution date of each loan (with respect to item (4), as of the time Reports are submitted to the Lender). If any representation is found to be untrue or inaccurate, the Borrower shall immediately notify the Lender in writing and bear all resulting losses, costs, and damages. These representations shall survive the termination of this Agreement until all obligations are discharged.

- (1) Execution and performance of this Agreement does not (i) conflict with any other contractual obligation of the Borrower, or (ii) violate any law applicable to the Borrower or its assets.
- (2) The Borrower has full legal capacity to undertake all obligations under this Agreement and to comply with its terms, and this Agreement validly binds the Borrower.
- (3) The Borrower is a corporation duly incorporated and validly existing under Japanese law, and all internal approval procedures necessary for execution and performance of this Agreement have been lawfully completed.
- (4) The Reports are complete and accurate in accordance with generally accepted accounting principles in Japan.
- (5) The Borrower is a corporation with capital of JPY 480,000,000 as of the date of this Agreement and satisfies the requirements of Article 2 of the Act on Special Measures for Commitment Line Agreements.
- (6) There are no pending or threatened lawsuits, disputes, or administrative actions that would materially affect the Borrower's obligations under this Agreement.
- (7) None of the events listed in Article 5, Paragraph 1 or 2 of the Bank Transaction Agreement have occurred or are likely to occur.

Article 10 (Termination of Commitment Period)

- (1) The commitment period shall automatically terminate upon occurrence of any of the following:
 - (i) The commitment period expires.
 - (ii) The Borrower loses the benefit of the term with respect to obligations under this Agreement.
- (2) The Borrower may terminate the commitment period at any time by providing written notice to the Lender. The termination date shall be a business day at least 10 business days after the date of such notice.
- (3) Even if the commitment period terminates under this article, the principal and interest of outstanding loans shall be repaid on the respective maturity dates of each loan, unless the Borrower has lost the benefit of the term.

- (4) Notwithstanding termination of the commitment period, this Agreement shall remain in effect and binding on the Borrower and Lender until all obligations owed to the Lender are discharged.

Article 11 (General Provisions)

- (1) Amendment: This Agreement may not be amended except by written agreement between the Borrower and the Lender.
- (2) Assignment: (i) Neither the Borrower nor the Lender may assign or transfer any or all of their rights and obligations under this Agreement to a third party without prior written consent of the other party. (ii) Notwithstanding the above, the Lender may assign loan claims provided that the assignee agrees to be bound by the terms of this Agreement, and the Borrower hereby consents thereto in advance. (iii) This Agreement shall be binding on successors and assignees of both parties.
- (3) Losses and Expenses: The Borrower shall bear all losses, costs, and damages incurred by the Lender due to the Borrower's failure to perform obligations or breach of any provision of this Agreement.
- (4) Governing Law: This Agreement shall be governed by the laws of Japan.
- (5) Relationship with Bank Transaction Agreement: In the event of any conflict between the Bank Transaction Agreement and this Agreement, this Agreement shall prevail. For matters not expressly provided in this Agreement, the Bank Transaction Agreement shall apply.

As evidence of the conclusion of this Agreement, two originals have been prepared, with each of the Borrower and Lender retaining one original with their signatures and seals affixed.

October 31, 2025

Borrower: Micware Co., Ltd.
〒650-0035 59 Nanikamachi, Chuo-ku, Kobe, Hyogo
Micware Co., Ltd.
Representative Director: Kenji Narushima

Lender: Sumitomo Mitsui Banking Corporation
56 Nanikamachi, Chuo-ku, Kobe, Hyogo
Sumitomo Mitsui Banking Corporation
Kobe Business Division, Division Manager: Koji Yamada

To: Sumitomo Mitsui Banking Corporation

LOAN APPLICATION

Pursuant to Article 3 of the Commitment Line Agreement dated October 31, 2025 (Commitment Amount: JPY 2.5 billion) concluded between us (the “Agreement”; terms used herein have the meanings defined in the Agreement), we hereby apply for execution of each loan as set forth below. We hereby confirm that, as of the date of this application and as of the desired execution date indicated below, all conditions in Article 2-2 of the Agreement are satisfied, all obligations in Article 8 are being fulfilled, and all representations in Article 9 are true and accurate, and agree to bear all losses, costs, and damages incurred by you if such confirmation proves to be untrue.

Amount	JPY _____
Desired Execution Date	20____/____/____()
Maturity Date	20____/____/____()
Purpose of Funds	Working capital

INSIDER TRADING COMPLIANCE MANUAL
Micware Co., Ltd.
Adopted April 20th, 2026

In order to take on an active role in the prevention of insider trading violations by its officers, directors, employees, consultants, advisors, and other related individuals, the Board of Directors (the “**Board**”) of Micware Co., Ltd., a joint-stock corporation with limited liability incorporated pursuant to the laws of Japan (the “**Company**”), has adopted the policies and procedures described in this Insider Trading Compliance Manual.

I. Adoption of Insider Trading Policy.

Effective as of the date written above, the Company has adopted the Insider Trading Policy (the “**Policy**”), attached hereto as Exhibit A, which prohibits trading based on material, non-public information regarding the Company and its subsidiaries (“**Inside Information**”). The Policy covers all officers and directors of the Company and its subsidiaries, all other employees of the Company and its subsidiaries, all secretaries and assistants supporting such officers, directors, or employees and consultants or advisors to the Company or its subsidiaries who have or may have access to Inside Information and members of the immediate family or household of any such person. The Policy (and/or a summary thereof) is to be delivered to all new officers, directors, employees, consultants, advisors and related individuals who are within the categories of covered persons upon the commencement of their relationships with the Company and is to be circulated to all covered personnel at least annually.

II. Designation of Certain Persons.

A. Insiders. All directors and executive officers of the Company, and any direct or indirect beneficial owner of 10% or more of any of the Company’s registered equity security of any class are deemed to be “**Insiders**” of the Company. Among such Insiders, the directors and executive officers of the Company are required to comply with the Section 16(a) reporting requirements of the Securities Exchange Act of 1934 (the “**Exchange Act**”). Attached hereto as Exhibit B is a separate memorandum which discusses the relevant terms of Section 16 of the Exchange Act.

Under Sections 13(d) and 13(g) of the Exchange Act, and the U.S. Securities and Exchange Commission (“**SEC**”) related rules, subject to certain exemptions, any person who after acquiring, directly or indirectly the beneficial ownership of the Company’s registered securities of any class, becomes, either directly or indirectly, the beneficial owner of more than 5% of such class (the “**Section 13(d) Individuals**”) must deliver a statement to the issuer of the security and to each exchange where the security is traded. Delivery to each exchange can be satisfied by making a filing on EDGAR (as defined below). In addition, Section 13(d) Individuals must file with the SEC a statement containing certain information, as well as any additional information that the SEC may deem necessary or appropriate in the public interest or for the protection of investors. Attached hereto as Exhibit C is a separate memorandum which discusses the relevant terms of Section 13 of the Exchange Act.

B. Other Persons Subject to Policy. In addition, certain employees, consultants, and advisors of the Company as described in Section I above have, or are likely to have, from time to time access to Inside Information and together with the Insiders, are subject to the Policy.

III. Appointment of Chief Compliance Officer.

The Company has appointed the Head of Legal as the Company’s Chief Compliance Officer (the “**Compliance Officer**”).

IV. Duties of the Compliance Officer.

The Compliance Officer has been designated by the Board to handle any and all matters relating to the Company's Insider Trading Compliance Program. Certain duties may be delegated to outside counsel with special expertise in securities issues and relevant law. The duties of the Compliance Officer shall include the following:

A. Pre-clearing all transactions involving the Company's securities by the Insiders and those individuals having regular access to Inside Information, defined for these purposes to include all officers, directors, and employees of the Company and its subsidiaries and members of the immediate family or household of any such person, in order to determine compliance with the Policy, insider trading laws, Section 13 and Section 16 of the Exchange Act and Rule 144 promulgated under the Securities Act of 1933, as amended. Attached hereto as Exhibit D is a Pre-Clearance Checklist to assist the Compliance Officer in the performance of his or her duties hereunder.

B. Assisting in the preparation and filing of Section 13(d) reports for all Section 13(d) Individuals although the filings are their individual obligations.

C. Serving as the designated recipient at the Company of copies of reports filed with the SEC by Section 13(d) Individuals under Section 13(d) of the Exchange Act.

D. Ensuring that all directors and officers of the Company have obtained the necessary EDGAR filing credentials (CIK, CCC, and password codes) to file Section 16(a) reports with the SEC.

E. Assisting in the preparation and filing of Section 16(a) reports for all directors and officers of the Company. The Compliance Officer shall maintain a system to track all transactions by directors and officers and assist with Form 4 filings.

F. Performing periodic reviews of available materials, which may include Schedule 13D, Schedule 13G, Form 3/4/5, Form 144, director and officer questionnaires, as applicable, and reports received from the Company's stock administrator and transfer agent, to determine trading activity by officers, directors and others who have, or may have, access to Inside Information.

G. Circulating the Policy (and/or a summary thereof) to all covered employees, including the Insiders, on an annual basis, and providing the Policy and other appropriate materials to new officers, directors and others who have, or may have, access to Inside Information.

H. Assisting the Board in implementing the Policy and Sections I and II of this memorandum.

I. Coordinating with Company counsel regarding all securities compliance matters.

J. Retaining copies of all appropriate securities reports, and maintaining records of his or her activities as Compliance Officer.

Exhibit A

MICWARE CO., LTD.

INSIDER TRADING POLICY

and Guidelines with Respect to Certain Transactions in the Company's Securities

**SECTION I
APPLICABILITY OF POLICY**

This Policy applies to all transactions in the Company's securities, including American depositary shares, ordinary shares, options and warrants to purchase American depositary shares or ordinary shares, and any other securities the Company may issue from time to time, such as preferred shares, and convertible debentures, as well as derivative securities relating to the Company's shares, whether issued by the Company, such as exchange-traded options. It applies to all officers and directors of the Company, all other employees of the Company and its subsidiaries, all secretaries and assistants supporting such directors, officers, and employees, and consultants or advisors to the Company or its subsidiaries who have or may have access to Material Non-public Information (as defined below) regarding the Company and members of the immediate family or household of any such person. This group of people is sometimes referred to in this Policy as "Insiders." This Policy also applies to any person who receives Material Non-public Information from any Insider.

Any person who possesses Material Non-public Information regarding the Company is an Insider for so long as such information is not publicly known.

**SECTION II
DEFINITION OF MATERIAL NON-PUBLIC INFORMATION**

It is not possible to define all categories of material information. However, information should be regarded as "material" if there is a reasonable likelihood that it would be considered important to an investor in making an investment decision regarding the purchase or sale of the Company's securities. Material information may be positive or negative. "Non-public Information" is information that has not been previously disclosed to the general public and is otherwise not available to the general public.

While it may be difficult to determine whether any particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information may include:

- Financial results;
- Entry into a material agreement or discussions regarding entry into a material agreement;
- Projections of future earnings or losses;
- Major contract awards, cancellations or write-offs;
- Joint ventures or commercial ventures with third parties;
- News of a pending or proposed merger or acquisition;
- News of the disposition of material assets;
- Impending bankruptcy or financial liquidity problems;

- Gain or loss of a significant line of credit;
- Significant breach of a material agreement;
- New business or services announcements of a significant nature;
- Share splits;
- New equity or debt offerings;
- Significant litigation exposure due to actual or threatened litigation;
- Changes in senior management or the Board;
- Capital investment plans; and
- Changes in dividend policy.

All of the foregoing categories of information and any similar information should be considered “Material Non-public Information” for purposes of this Policy. **If there are any questions regarding whether a particular item of information is Material Non-public Information, please consult the Compliance Officer or the Company’s legal counsel before taking any action with respect to such information.**

SECTION III CERTAIN EXCEPTIONS

For purposes of this Policy, the Company considers that the exercise of stock options under the Company’s stock option plan (but not the sale of any such shares) is exempt from this Policy, since the other party to the transaction is the Company and the price does not vary with the market but is fixed by the terms of the option agreement or the plan.

SECTION IV STATEMENT OF POLICY General Policy

It is the policy of the Company to prohibit the unauthorized disclosure of any non-public information acquired in the workplace and the misuse of Material Non-public Information in securities trading.

Specific Policies

1. Trading on Material Non-public Information. With certain exceptions, no officer or director of the Company, no employee of the Company or its subsidiaries and no consultant or advisor to the Company or any of its subsidiaries and no members of the immediate family or household of any such person, shall engage in any transaction involving a purchase or sale of the Company’s securities, including any offer to purchase or offer to sell, during any period commencing with the date that he or she possesses Material Non-public Information concerning the Company, and ending at the close of business on the second Trading Day (as defined below) following the date of public disclosure of that information, or at such time as such non-public information is no longer material. However, see “Permitted Trading Period” below for a full discussion of trading pursuant to a pre-established plan or by delegation.

As used herein, the term “Trading Day” shall mean a day on which national stock exchanges are open for trading.

2. Tipping. No Insider shall disclose (“tip”) Material Non-public Information to any other person (including family members) where such information may be used by such person to his or her profit by trading in the securities of companies to which such information relates, nor shall such Insider or related person make recommendations or express opinions on the basis of Material Non-public Information as to trading in the Company’s securities.

It is the Company’s policy that all communications with the press be handled through our investor/public relations department. Please refer all press, analyst or similar requests for information to the Company’s investor/public relations department and do not respond to any inquiries without prior authorization from an authorized representative of the investor/public relations department.

3. Confidentiality of Non-public Information. Non-public information relating to the Company is the property of the Company and the unauthorized disclosure of such information (including, without limitation, via email or by posting on Internet message boards or blogs, anonymously or otherwise) is strictly forbidden.

4. Duty to Report Inappropriate and Irregular Conduct. All employees, and particularly executives, managers and/or supervisors, have a responsibility for maintaining financial integrity within the Company, and being consistent with generally accepted accounting principles and both federal and state securities laws. Any employee who becomes aware of any incidents involving financial or accounting manipulation or irregularities, whether by witnessing the incident or being told of it, must report it to their immediate supervisor and to the Chairperson of the Company’s Board of Statutory Auditors, which serves an oversight function similar to an audit committee under Japanese law. For a more complete understanding of this issue, employees should consult their employee manual or seek the advice of the Company’s general counsel or outside counsel.

SECTION V POTENTIAL CRIMINAL AND CIVIL LIABILITY AND/OR DISCIPLINARY ACTION

1. Liability for Insider Trading. Insiders may be subject to penalties of up to \$5,000,000 and up to twenty (20) years in jail for engaging in transactions in the Company’s securities at a time when they possess Material Non-public Information regarding the Company, regardless of whether such transactions were profitable. In addition, the SEC has the authority to seek a civil monetary penalty of up to three times the amount of profit gained or loss avoided by illegal insider trading. “Profit gained” or “loss avoided” generally means the difference between the purchase or sale price of the Company’s shares and its value as measured by the trading price of the shares a reasonable period after public dissemination of the non-public information.

2. Liability for Tipping. Insiders may also be liable for improper transactions by any person (commonly referred to as a “tippee”) to whom they have disclosed Material Non-public Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company’s securities. The SEC has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges and the Financial Industry Regulatory Authority, Inc. use sophisticated electronic surveillance techniques to monitor *all trades* and uncover insider trading.

3. Possible Disciplinary Actions. Individuals subject to the Policy who violate this Policy shall also be subject to disciplinary action by the Company, which may include suspension, forfeiture of perquisites and ineligibility for future participation in the Company’s equity incentive plans and/or termination of employment.

SECTION VI PERMITTED TRADING PERIOD

1. Black-Out Period and Trading Window.

To ensure compliance with this Policy and applicable federal and state securities laws, the Company requires that all officers, directors, employees, and all members of the immediate family or household of any such person refrain from conducting any transactions involving the purchase or sale of the Company's securities, other than during the period in any half year commencing at the close of business on the second Trading Day following the date of public disclosure of the financial results for the prior interim period or fiscal year and ending on the twenty-fifth day of the sixth month of the half year (the "**Trading Window**"). Notwithstanding the foregoing, persons subject to this Policy may submit a request to the Company to purchase or sell the Company's securities outside the Trading Window on the basis that they do not possess any Material Non-public Information. The Compliance Officer shall review all such requests and may grant such requests on a case-by-case basis if he or she determines that the person making such request does not possess any Material Non-public Information at that time.

If such public disclosure occurs on a Trading Day before the markets close, then such date of disclosure shall be considered the first Trading Day following such public disclosure. For example, if such public disclosure occurs at 1:00 p.m. EST on June 10, then June 10 shall be considered the first Trading Day following such disclosure.

Please be advised that these guidelines are merely estimates. The actual trading window may be different because the Company's interim report or annual report may be filed earlier or later. The filing date of an interim report or annual report may fall on a weekend or the Company may delay filing an annual report due to an extension. Please check with the Compliance Officer to confirm whether the trading window is open.

The safest period for trading in the Company's securities, assuming the absence of Material Non-public Information, is generally the first ten Trading Days of the Trading Window. It is the Company's policy that the period when the Trading Window is "closed" is a particularly sensitive period of time for transactions in the Company's securities from the perspective of compliance with applicable securities laws. This is because the officers, directors and certain other employees are, as any half-year period progresses, increasingly likely to possess Material Non-public Information about the expected financial results for the period. The purpose of the Trading Window is to avoid any unlawful or improper transactions or even the appearance of any such transactions.

It should be noted that even during the Trading Window any person possessing Material Non-public Information concerning the Company shall not engage in any transactions involving the Company's securities until such information has been known publicly for at least two Trading Days. The Company has adopted the policy of delaying trading for "at least two Trading Days" because the securities laws require that the public be informed effectively of previously undisclosed material information before Insiders trade in the Company's shares. Public disclosure may occur through a widely disseminated press release or through filings, such as Form 6-K, with the SEC. Furthermore, in order for the public to be effectively informed, the public must be given time to evaluate the information disclosed by the Company. Although the amount of time necessary for the public to evaluate the information may vary depending on the complexity of the information, generally two Trading Days is sufficient.

From time to time, the Company may also require that directors, officers, selected employees, and others suspend trading because of developments known to the Company and not yet disclosed to the public. In such event, such persons may not engage in any transaction involving the purchase or sale of the Company's securities during such period and may not disclose to others the fact of such suspension of trading.

Although the Company may from time to time require during a Trading Window that directors, officers, selected employees, and others suspend trading because of developments known to the Company and not yet disclosed to the public, *each person is individually responsible at all times for compliance with the prohibitions against insider trading. Trading in the Company's securities during the Trading Window should not be considered a "safe harbor," and all directors, officers and other persons should use good judgment at all times.*

Notwithstanding these general rules, Insiders may trade outside of the Trading Window provided that such trades are made pursuant to a pre-established plan or by delegation. These alternatives are discussed in the next section.

2. Trading According to a Pre-established Plan or by Delegation.

Trading which is not "on the basis of" Material Non-public Information may not give rise to insider trading liability. The SEC has adopted Rule 10b5-1 under which insider trading liability can be avoided if Insiders follow very specific procedures. In general, such procedures involve trading according to pre-established instructions (a "**Pre-established Trade**").

Pre-established Trades must:

(a) Be documented by a contract, written plan, or formal instruction which provides that the trade take place in the future. For example, an Insider can contract to sell his or her shares on a specific date, or simply delegate such decisions to an investment manager, 401(k) plan administrator or a similar third party. This documentation must be provided to the Compliance Officer;

(b) Include in its documentation the specific amount, price and timing of the trade, or the formula for determining the amount, price and timing. For example, the Insider can buy or sell shares in a specific amount and on a specific date each month, or according to a pre-established percentage (of the Insider's salary, for example) each time that the share price falls or rises to pre-established levels. In the case where trading decisions have been delegated, the specific amount, price and timing need not be provided;

(c) Include additional representation in its documentation for Directors and Officers. If the person who entered into the pre-established contract, written plan, or formal instruction (discussed in Section VI.2(a) above) is a director or officer of the Company, such director or officer shall include a representation certifying that, on the date of adoption of the pre-established contract, plan, or instruction, (i) he or she is not aware of any material nonpublic information about the Company or its securities, and (ii) he or she is adopting the pre-established contract, plan, or instruction in good faith and not as part of a plan or scheme to evade prohibitions on inside trading;

(d) Be implemented at a time when the Insider does not possess Material Non-public Information and Upon the Expiration of a Cooling-Off Period. As a practical matter, this means that the Insider may set up Pre-established Trades, or delegate trading discretion, only during a "Trading Window" (discussed in Section VI.1 above); *provided that* (i) any director or officer of the Company may not conduct a Pre-established Trade until the expiration of a cooling-off period, consisting of the later of (A) 90 days after the adoption or modification of the pre-established contract, plan, or instruction, and (B) two business days following the disclosure of the Company's financial results in a Form 20-F or Form 6-K (but, in any event, this required cooling period is subject to a maximum of 120 days after adoption of the pre-established contract, plan, or instruction), and (ii) any other persons, who are covered by the Policy (as discussed in Section I above) and are not directors or officers, may not conduct a Pre-established Trade until the expiration of a cooling-off period that is 30 days after the adoption of the pre-established contract, plan, or instruction; and,

(e) Remain beyond the scope of the Insider's influence after implementation. In general, the Insider must allow the Pre-established Trade to be executed without changes to the accompanying instructions, and the Insider cannot later execute a hedge transaction that modifies the effect of the Pre-established Trade. An Insider wishing to change the amount, price or timing of a Pre-established Trade, or terminate a Pre-established Trade, can do so only during a "Trading Window" (discussed in Section 1, above). If the Insider has delegated decision-making authority to a third party, the Insider cannot subsequently influence the third party in any way and such third party must not possess material non-public information at the time of any of the trades.

Prior to implementing a pre-established plan for trading, all officers and directors must receive the approval for such plan from the Compliance Officer. In addition, Insiders are generally prohibited from having more than one pre-established contract, plan, or instruction covering the same time period for open market purchases or sales of the Company's securities, unless one of the exceptions under 17 C.F.R. 240.10b5-1(c)(1)(ii)(D) is met. Furthermore, Insiders are prohibited from entering into more than one pre-established contract, plan, or instruction, which is designed to effect open-market purchase or sale of the Company's securities as a single transaction, for any given 12-month period.

3. Pre-Clearance of Trades.

Even during a Trading Window, all officers, directors, employees, as well as members of the immediate family or household of such individuals, must comply with the Company's "pre-clearance" process prior to trading in the Company's securities, implementing a pre-established plan for trading, or delegating decision-making authority over the Insider's trades. To do so, each officer and director must contact the Compliance Officer prior to initiating any of these actions. Trades executed pursuant to a properly implemented Pre-Established Trade approved by the Compliance Officer do not need to be pre-cleared. The Company may also find it necessary, from time to time, to require compliance with the pre-clearance process from certain individuals other than those mentioned above.

4. Individual Responsibility.

As Insiders, every person subject to this Policy has the individual responsibility to comply with this Policy against insider trading, regardless of whether the Company has established a Trading Window applicable to that Insider or any other Insiders of the Company. Each individual, and not necessarily the Company, is responsible for his or her own actions and will be individually responsible for the consequences of their actions. Therefore, appropriate judgment, diligence and caution should be exercised in connection with any trade in the Company's securities. An Insider may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning of the Material Non-public Information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

5. Exceptions to the Policy.

Any exceptions to this Policy may only be made by advance written approval of each of: (i) the Chief Executive Officer, (ii) the Compliance Officer and (iii) the Chairperson of the Company's Board of Statutory Auditors. Any such exceptions shall be immediately reported to the remaining members of the Board.

SECTION VII
APPLICABILITY OF POLICY TO INSIDE INFORMATION
REGARDING OTHER COMPANIES

This Policy and the guidelines described herein also apply to Material Non-public Information relating to other companies, including the Company's customers, vendors or suppliers or potential acquisition targets ("**business partners**"), when that information is obtained in the course of employment or performance of other services on behalf of the Company. Civil and criminal penalties, as well as the termination of employment, may result from trading on inside information regarding the Company's business partners. All employees should treat Material Non-public Information about the Company's business partners with the same care as is required with respect to the information relating directly to the Company.

SECTION VIII
PROHIBITION AGAINST BUYING AND SELLING
COMPANY ORDINARY SHARES WITHIN A SIX-MONTH PERIOD
Insiders

Generally, purchases and sales (or sales and purchases) of Company ordinary shares occurring within any six-month period in which a mathematical profit is realized result in illegal "short-swing profits". The prohibition against short-swing profits is found in Section 16 of the Exchange Act. Section 16 was drafted as a prohibition against profitable "insider trading" in a company's securities within any six-month period regardless of the presence or absence of Material Non-public Information that may affect the market price of those securities. Each executive officer, director and 10% or greater shareholder of the Company is subject to the prohibition against short-swing profits under Section 16. The measure of damages is the profit computed from any purchase and sale or any sale and purchase within the short-swing (i.e., six-month) period, without regard to any setoffs for losses, any first-in or first-out rules, or the identity of the ordinary shares. This approach sometimes has been called the "lowest price in, highest price out" rule and can result in a realization of "profits" for Section 16 purposes even when the Insider has suffered a net loss on his or her trades. Historically, Rule 3a12-3 under the Exchange Act exempted securities registered by a foreign private issuer ("FPI") from Section 16 of the Exchange Act. However, effective March 18, 2026, pursuant to the Holding Foreign Insiders Accountable Act (HFIAA), directors and officers of FPIs are required to comply with the reporting requirements of Section 16(a) of the Exchange Act. Notwithstanding the foregoing, directors and officers of FPIs remain exempt from Section 16(b) (short-swing profit liability) and Section 16(c) (short sale prohibitions), and therefore are not subject to the prohibition against short-swing profits described above. Additionally, beneficial owners of 10% or more of the Company's equity securities who are not also directors or officers remain entirely exempt from Section 16.

SECTION IX
INQUIRIES

Please direct your questions as to any of the matters discussed in this Policy to the Compliance Officer.

Exhibit B

MEMORANDUM REGARDING SECTION 16 REPORTING REQUIREMENTS FOR DIRECTORS AND OFFICERS OF FOREIGN PRIVATE ISSUERS

SECTION I INTRODUCTION

This memorandum summarizes the Section 16(a) reporting requirements of the Exchange Act, as they apply to directors and officers of the Company, following the enactment of the Holding Foreign Insiders Accountable Act (HFIAA).

SECTION II PERSONS SUBJECT TO SECTION 16(A) REPORTING

Directors and officers are required to comply with Section 16(a) reporting requirements. For purposes of Section 16, “officer” means the Company’s president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Notably, directors and officers of FPIs are exempt from Section 16(b) (short-swing profit liability) and Section 16(c) (short sale prohibitions). Additionally, beneficial owners of 10% or more of the Company’s equity securities who are not also directors or officers are entirely exempt from Section 16.

SECTION III REPORTING OBLIGATIONS

Form 3 – Initial Statement of Beneficial Ownership. Each director and officer must file a Form 3 with the SEC via EDGAR within ten (10) days of becoming a director or officer of the Company. In the case of an initial public offering or other registration of the Company’s equity securities under the Exchange Act, directors and officers who are serving as such at the time the registration becomes effective are required to file a Form 3 within ten (10) days following the effective date of such registration.

Form 4 – Statement of Changes in Beneficial Ownership. Each director and officer must file a Form 4 with the SEC via EDGAR within two (2) business days following any change in beneficial ownership of the Company’s equity securities. Reportable transactions include, but are not limited to: (i) open market purchases and sales; (ii) acquisitions or dispositions pursuant to employee benefit plans; (iii) gifts; (iv) exercises of stock options; and (v) acquisitions of securities pursuant to equity compensation awards.

Form 5 – Annual Statement of Changes in Beneficial Ownership. Each director and officer must file a Form 5 with the SEC via EDGAR within forty-five (45) days after the end of the Company’s fiscal year to report all transactions that occurred during the previous fiscal year that are specifically permitted to be reported on a Form 5 or should have been reported on a Form 3 or Form 4 but were not.

SECTION IV BENEFICIAL OWNERSHIP

For purposes of Section 16(a) reporting, a person is deemed to be the beneficial owner of securities if that person has or shares a direct or indirect pecuniary interest in the securities. Pecuniary interest means the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the securities. Beneficial ownership includes securities held by: (i) immediate family members sharing the same household; (ii) partnerships in which the reporting person is a general partner; (iii) corporations in which the reporting person is a controlling shareholder; and (iv) trusts of which the reporting person is a trustee or beneficiary.

SECTION V
EDGAR FILING REQUIREMENTS

All Section 16(a) reports must be filed electronically with the SEC via EDGAR. Each director and officer must obtain EDGAR filing credentials, including a Central Index Key (“CIK”), EDGAR access codes, and a password, prior to filing. The Company’s Compliance Officer will assist directors and officers in obtaining the necessary EDGAR credentials.

SECTION VI
PENALTIES FOR NON-COMPLIANCE

The SEC may bring enforcement actions against individuals who fail to comply with Section 16(a) reporting requirements, which may result in civil monetary penalties.

SECTION VII
COMPANY ASSISTANCE

The Company’s Compliance Officer will assist directors and officers in complying with Section 16(a) reporting requirements, including: (i) providing reminders of filing deadlines; (ii) assisting in the preparation of Forms 3, 4, and 5; (iii) coordinating with the Company’s stock administrator or transfer agent to track transactions; and (iv) facilitating the EDGAR filing process. Notwithstanding such assistance, each director and officer remains individually responsible for ensuring timely and accurate compliance with Section 16(a) reporting requirements.

SECTION XIII
QUESTIONS

Any questions regarding Section 16(a) reporting requirements should be directed to the Company’s Compliance Officer.

Exhibit C

Section 13 Memorandum

To: Beneficial owners of more than 5% of the Company's registered equity securities

Re: Overview of Section 13 under the Exchange Act of 1934, as amended

A. Introduction.

This Memorandum provides an overview of Section 13 of the Exchange Act of 1934, as amended (the “**Exchange Act**”), and the related rules promulgated by the SEC.

Each beneficial owner of more than 5% of the Company's voting securities (including any Executive Officer or Director who reaches this threshold) (“Section 13 Reporting Persons”) of Micware Co., Ltd. (the “Company”) is personally responsible for complying with the provisions of Section 13, and failure by a Section 13 Reporting Person to comply strictly with his or her reporting requirements will result in an obligation by the Company to publicly disclose such failure. Moreover, Congress has granted the SEC authority to seek monetary court-imposed fines on Section 13 Reporting Persons who fail to timely comply with their reporting obligations.

Under Section 13 of the Exchange Act, reports made to the SEC are filed on Schedule 13D, Schedule 13G, Form 13F, and Form 13H. A securities firm (and, in some cases, its parent company or other control persons) generally will have a Section 13 reporting obligation if the firm directly or indirectly:

- beneficially owns, in the aggregate, more than 5% of a class of the voting, equity securities (the “**Section 13(d) Securities**”);
- registered under Section 12 of the Exchange Act,
- issued by any closed-end investment company registered under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), or
- issued by any insurance company that would have been required to register its securities under Section 12 of the Exchange Act but for the exemption under Section 12(g)(2)(G) thereof (see Schedules 13D and 13G: Reporting Significant Acquisition and Ownership Positions below);
- manages discretionary accounts that, in the aggregate, hold equity securities trading on a national securities exchange with an aggregate fair market value of \$100 million or more; or
- manages discretionary accounts that, in the aggregate, purchase or sell any NMS securities (generally exchange-listed equity securities and standardized options) in an aggregate amount equal to or greater than (i) 2 million shares or shares with a fair market value of over \$20 million during a day, or (ii) 20 million shares or shares with a fair market value of over \$200 million during a calendar month.

B. Reporting Requirements Under Section 13(d) and 13(g).

1. **General.** Sections 13(d) and 13(g) of the Exchange Act require any person or group of persons¹ who directly or indirectly acquires or has beneficial ownership² of more than 5% of a class of an issuer's Section 13(d) Securities (the "**5% threshold**") to report such beneficial ownership on Schedule 13D or Schedule 13G, as appropriate. Both Schedule 13D and Schedule 13G require background information about the reporting persons and the Section 13(d) Securities listed on the schedule, including the name, address, and citizenship or place of organization of each reporting person, the amount of the securities beneficially owned and aggregate beneficial ownership percentage, and whether voting and investment power is held solely by the reporting persons or shared with others. Reporting persons that must report on Schedule 13D are also required to disclose a significant amount of additional information, including certain disciplinary events, the source and amount of funds or other consideration used to purchase the Section 13(d) Securities, the purpose of the acquisition, any plans to change or influence the control of the issuer, and a list of any transactions in the securities effected in the last 60 days. A reporting person may use the less burdensome Schedule 13G if it meets certain criteria described below.

In general, Schedule 13G is available to any reporting person that falls within one of the following three categories:

- **Exempt Investors.** A reporting person is an "Exempt Investor" if the reporting person beneficially owns more than 5% of a class of an issuer's Section 13(d) Securities at the end of a calendar quarter, but its acquisition of the securities is exempt under Section 13(d)(6) of the Exchange Act. For example, a person that acquired all of its Section 13(d) Securities prior to the issuer's registration of such securities (or class of securities) under the Exchange Act, or acquired no more than 2% of the Section 13(d) Securities within a 12-month period, is considered to be an Exempt Investor and would be eligible to file reports on Schedule 13G.
- **Qualified Institutions.** Along with certain other institutions listed under the Exchange Act³, a reporting person that is a registered investment adviser or broker-dealer may file a Schedule 13G as a "Qualified Institution" if it (a) acquired its position in a class of an issuer's Section 13(d) Securities in the ordinary course of its business, (b) did not acquire such securities with the purpose or effect of changing or influencing control of the issuer, nor in connection with any transaction with such purpose or effect (such purpose or effect, an "**activist intent**"), and (c) promptly notifies any discretionary account owner on whose behalf the firm holds more than 5% of the Section 13(d) Securities of such account owner's potential reporting obligation.

¹ A "group" is defined in Rule 13d-5 as "two or more persons [that] agree to act together for the purpose of acquiring, holding, voting or disposing of equity securities of an issuer." See, for example, the persons described above in *Reporting Obligations of "Control Persons"*. An agreement to act together does not need to be in writing and may be inferred by the SEC or a court from the concerted actions or common objective of the group members.

² Under Rule 13d-3, "**beneficial ownership**" of a security exists if a person, directly or indirectly, through any contract, arrangement, understanding, or relationship or otherwise, has or shares voting power and/or investment power over a security. "**Voting power**" means the power to vote or direct the voting of a security. "**Investment power**" means the power to dispose of or direct the disposition of a security. Under current SEC rules, a person holding securities-based swaps or other derivative contracts may be deemed to beneficially own the underlying securities if the swap or derivative contract provides the holder with voting or investment power over the underlying securities. Please contact us if you would like guidance regarding the application of Section 13 to securities-based swaps or other derivative contracts.

³ Under Rule 13d-1, a reporting person also qualifies as a Qualified Institution if it is a bank as defined in Section 3(a)(6) of the Exchange Act, an insurance company as defined in Section 3(a)(19) of the Exchange Act, an investment company registered under the Investment Company Act, or an employee benefit plan, savings association, or church plan. The term "Qualified Institution" also includes a non-U.S. institution that is the functional equivalent of any of the foregoing entities and the control persons and parent holding companies of an entity that qualifies as a Qualified Institution.

- *Passive Investors.* A reporting person is a “Passive Investor” if it beneficially owns more than 5% but less than 20% of a class of an issuer’s Section 13(d) Securities and (a) the securities were not acquired or held with an activist intent, and (b) the securities were not acquired in connection with any transaction having an activist intent. There is no requirement that a Passive Investor limit its acquisition of Section 13(d) Securities to purchases made in the ordinary course of its business. In addition, a Passive Investor does not have an obligation to notify discretionary account owners on whose behalf the firm holds more than 5% of such Section 13(d) Securities of such account owner’s potential reporting obligation.

2. Method of Filing.

(a) A Section 13 Reporting Person must file Section 13 schedules in electronic format via the Commission’s Electronic Data Gathering Analysis and Retrieval System (“**EDGAR**”) in accordance with EDGAR rules set forth in Regulation S-T.

(b) Filing Date. Schedules are deemed filed with the SEC or the applicable exchange on the date recognized by EDGAR. For Section 13 purposes, filings may be made up to 10 p.m. EST. In the event that a due date falls on a weekend or SEC holiday, the filing will be deemed timely filed if it is filed on EDGAR by the next business day after such weekend or holiday. A Section 13 Reporting Person must first obtain several different identification codes from the SEC before the filings can be submitted. In order to receive such filing codes, the Section 13 Reporting Person first submits a Form ID to the SEC. The Form ID must be signed, notarized, and submitted electronically through the SEC’s Filer Management website, which can be accessed at <https://www.filermanagement.edgarfiling.sec.gov>. The Section 13 Reporting Person is required to retain a manually signed hard copy of all EDGAR filings (and related documents like powers of attorney) in its records available for SEC inspection for a period of five years after the date of filing.

(c) Company. In addition, the rules under Section 13 require that a copy of the applicable filing be sent to the issuer of the security at its principal executive office by registered or certified mail. A copy of Schedules filed pursuant to §§ 240.13d-1(a) and 240.13d-2(a) shall also be sent to each national securities exchange where the security is traded.

(d) Securities to be Reported. A person who is subject to Section 13 must only report as beneficially owned those securities in which he or she has a pecuniary interest. See the discussion of “beneficial ownership” below at Section D.

3. Initial Report of Ownership – Schedule 13D or 13G. Under Section 13, Section 13 Reporting Persons are required to make an initial report on Schedule 13D or Schedule 13G to the SEC of their holdings of all equity securities of the corporation (whether or not such equity securities are registered under the Exchange Act). This would include all traditional types of securities, such as ordinary shares, preferred shares and junior shares, as well as all types of derivative securities, such as warrants to purchase shares, options to purchase shares, puts and calls. Even Section 13 Reporting Persons who do not beneficially own any equity securities of the Company must file a report to that effect.

(a) Initial Filing Deadline. A Section 13 Reporting Person who is not eligible to use Schedule 13G must file a Schedule 13D within five business days of such reporting person’s direct or indirect acquisition of beneficial ownership of more than 5% of a class of an issuer’s Section 13(d) Securities.

- A reporting person that is an Exempt Investor is required to file its initial Schedule 13G within 45 days after the calendar quarter-end in which the person exceeds the 5% threshold.

- A reporting person that is a Qualified Institution also is required to file its initial Schedule 13G within 45 days after the calendar quarter-end in which the person exceeds the 5% threshold. However, a Qualified Institution that acquires direct or indirect beneficial ownership of more than 10% of a class of an issuer's Section 13(d) Securities must file an initial Schedule 13G within five business days after the first month in which the person exceeds the 10% threshold.
- A reporting person that is a Passive Investor must file its initial Schedule 13G within five business days of the date on which it exceeds the 5% threshold.

(b) Switching from Schedule 13G to Schedule 13D. If a Section 13 Reporting Person that previously filed a Schedule 13G no longer satisfies the conditions to be an Exempt Investor, Qualified Institution, or Passive Investor, the person must switch to reporting its beneficial ownership of a class of an issuer's Section 13(d) Securities on a Schedule 13D (assuming that the person continues to exceed the 5% threshold). This could occur in the case of (1) a Section 13 Reporting Person that changes from acquiring or holding Section 13(d) Securities for passive investment to acquiring or holding such securities with an activist intent, (2) a Section 13 Reporting Person that is a Qualified Institution that deregisters as an investment adviser pursuant to an exemption under the Investment Advisers Act of 1940, as amended, or applicable state law, or (3) a Section 13 Reporting Person that is a Passive Investor that acquires 20% or more of a class of an issuer's Section 13(d) Securities. In each case, the Section 13 Reporting Person must file a Schedule 13D within five business days of the event that caused it to no longer satisfy the necessary conditions.

A Section 13 Reporting Person who is required to switch to reporting on a Schedule 13D will be subject to a "cooling off" period from the date of the event giving rise to a Schedule 13D obligation (such as the change to an activist intent or acquiring 20% of a class of an issuer's Section 13(d) Securities) until 10 calendar days after the filing of Schedule 13D. During the "cooling off" period, the reporting person may not vote or direct the voting of the Section 13(d) Securities or acquire additional beneficial ownership of such securities. Consequently, a person should file a Schedule 13D as soon as possible once he is obligated to switch from a Schedule 13G to reduce the duration of the "cooling off" period.

The Section 13 Reporting Person will thereafter be subject to the Schedule 13D reporting requirements with respect to the Section 13(d) Securities until such time as the former Schedule 13G reporting person once again qualifies as a Qualified Institution or Passive Investor with respect to the Section 13(d) Securities or has reduced its beneficial ownership interest below the 5% threshold. However, only a reporting person that was originally eligible to file a Schedule 13G and was later required to file a Schedule 13D may switch to reporting on Schedule 13G.⁴

4. Changes in Ownership – Amendments to Schedule 13D or 13G.

Amendments to Schedule 13D. If there has been any material change to the information in a Schedule 13D previously filed by a Section 13 Reporting Person⁵, the person must file an amendment to such Schedule 13D within two business days. A material change includes, without limitation, a reporting person's acquisition or disposition of 1% or more of a class of the issuer's Section 13(d) Securities, including as a result of an issuer's repurchase of its securities. An acquisition or disposition of less than 1% may be considered a material change depending on the circumstances. A disposition that reduces a reporting person's beneficial ownership interest below the 5% threshold, but is less than a 1% reduction, is not necessarily a material change that triggers an amendment to Schedule 13D. However, an amendment in such a circumstance is recommended to eliminate the reporting person's filing obligations if the reporting person does not in the near term again expect to increase its ownership above 5%.

⁴ See Question 103.07 (September 14, 2009), Regulation 13D-G C&DIs.

⁵ This includes a change in the previously reported ownership percentage of a reporting person even if such change results solely from an increase or decrease in the aggregate number of outstanding securities of the issuer.

- **Quarterly.** If a reporting person previously filed a Schedule 13G and there has been any material change to the information reported in such Schedule 13G as of the end of a calendar quarter, then an amendment to such Schedule 13G must be filed within 45 days of the calendar quarter end. A reporting person is not required to make a quarterly amendment to Schedule 13G if there has been no change since the previously filed Schedule 13G or if the only change results from a change in the person's ownership percentage as a result of a change in the aggregate number of Section 13(d) Securities outstanding (e.g., due to an issuer's repurchase of its securities).
- **Other than Quarterly (Qualified Institutions).** A reporting person that previously filed a Schedule 13G as a Qualified Institution reporting beneficial ownership of less than 10% of a class of an issuer's Section 13(d) Securities, must file an amendment to its Schedule 13G within five business days of the end of the first month such Qualified Institution is the direct or indirect beneficial owner of more than 10% of a class of the issuer's Section 13(d) Securities. Thereafter, within five business days after the end of any month in which the person's direct or indirect beneficial ownership of such securities increases or decreases by more than 5% of the class of securities (computed as of the end of the month), the person must file an amendment to Schedule 13G.
- **Other than Quarterly (Passive Investors).** A reporting person that previously filed a Schedule 13G as a Passive Investor must file an amendment within two business days after it directly or indirectly acquires more than 10% of a class of an issuer's Section 13(d) Securities. Thereafter, the reporting person must file an amendment to Schedule 13G within two business days after its direct or indirect beneficial ownership of such securities increases or decreases by more than 5%.

5. Reporting Identifying Information for Large Traders - Form 13H. Rule 13h-1 of the Exchange Act requires a Form 13H to be filed with the SEC by any individual or entity (each, a "**Large Trader**") that, directly or indirectly, exercises investment discretion over one or more accounts and effects transactions in NMS Securities (as defined below) for those accounts through one or more registered broker-dealers that, in the aggregate, equal or exceed (a) 2 million shares or \$20 million in fair market value during any calendar day, or (b) 20 million shares or \$200 million in fair market value during any calendar month (each, an "**identifying activity level**"). Under Regulation NMS, an "NMS Security" is defined to include any U.S. exchange-listed equity securities and any standardized options, but does not include any exchange-listed debt securities, securities futures, or shares of open-end mutual funds that are not currently reported pursuant to an effective transaction reporting plan under the Exchange Act. A Large Trader must file an initial Form 13H promptly after effecting aggregate transactions equal to or greater than one of the identifying activity levels. The SEC has indicated that filing within 10 days will be deemed a prompt filing. Amendments to Form 13H must be filed within 45 days after the end of each full calendar year and then promptly following the end of a calendar quarter if any of the information on Form 13H becomes inaccurate.

Form 13H requires that a Large Trader, reporting for itself and for any affiliate that exercises investment discretion over NMS securities, list the broker-dealers at which the Large Trader and its affiliates have accounts and designate each broker-dealer as a "prime broker," an "executing broker," and/or a "clearing broker." Form 13H filings with the SEC are confidential and exempt from disclosure under the United States Freedom of Information Act. The information is, however, subject to disclosure to Congress and other federal agencies and when ordered by a court. If a securities firm has multiple affiliates in its organization that qualify as Large Traders, Rule 13h-1 permits the Large Traders to delegate their reporting obligation to a control person that would file a consolidated Form 13H for all of the Large Traders it controls. Otherwise, each Large Trader in the organization will be required to file a separate Form 13H.

6. Reporting Obligations of Control Persons and Clients.

The Firm's Obligations. As discussed above, a securities firm is deemed to be the beneficial owner of Section 13(d) Securities in all accounts over which it exercises voting and/or investment power. Therefore, a firm will be a reporting person if it directly or indirectly acquires or has beneficial ownership of more than 5% of a class of an issuer's Section 13(d) Securities. Unless a securities firm has an activist intent with respect to the issuer of the Section 13(d) Securities, the firm generally will be able to report on Schedule 13G as either a Qualified Institution or as a Passive Investor.

Obligations of a Firm's Control Persons. Any control person (as defined below) of a securities firm, by virtue of its ability to direct the voting and/or investment power exercised by the firm, may be considered an indirect beneficial owner of the Section 13(d) Securities. Consequently, the direct or indirect control persons of a securities firm may also be reporting persons with respect to a class of an issuer's Section 13(d) Securities. The following persons are likely to be considered "control persons" of a firm:

- any general partner, managing member, trustee, or controlling shareholder of the firm; and
- the direct or indirect parent company of the firm and any other person that indirectly controls the firm (e.g., a general partner, managing member, trustee, or controlling shareholder of the direct or indirect parent company).

If a securities firm (or parent company) is directly or indirectly owned by two partners, members, trustees, or shareholders, generally each such partner, member, trustee, or shareholder is deemed to be a control person. For example, if a private fund that beneficially owns more than 5% of a class of an issuer's Section 13(d) Securities is managed by a securities firm that is a limited partnership, the general partner of which is a limited liability company that in turn is owned in roughly equal proportions by two managing members, then each of the private fund, the securities firm, the firm's general partner, and the two managing members of the general partner likely will have an independent Section 13 reporting obligation.

Availability of Filing on Schedule 13G by Control Persons. Any direct and indirect control person of a securities firm may file a Schedule 13G as an Exempt Investor, a Qualified Institution or as a Passive Investor to the same extent as any other reporting person as described above. In order for a control person to file a Schedule 13G as a Qualified Institution, however, no more than 1% of a class of an issuer's Section 13(d) Securities may be held (i) directly by the control person or (ii) directly or indirectly by any of its subsidiaries or affiliates that are not Qualified Institutions. For example, a direct or indirect control person of a securities firm will not qualify as a Qualified Institution if more than 1% of a class of an issuer's Section 13(d) Securities is held by a private fund managed by the firm or other affiliate because a private fund is not among the institutions listed as a Qualified Institution under the Exchange Act.

A securities firm that has one of its control persons serving on an issuer's board of directors may not be eligible to qualify as a Passive Investor with respect to such issuer. Even though the securities firm may not otherwise have an activist intent, the staff of the SEC has stated "the fact that officers and directors have the ability to directly or indirectly influence the management and policies of an issuer will generally render officers and directors unable to certify to the requirements" necessary to file as a Passive Investor.⁶

Obligations of a Firm's Clients. If a client of a securities firm (including a private or registered fund or a separate account client) by itself beneficially owns more than 5% of a class of an issuer's Section 13(d) Securities, the client has its own independent Section 13 reporting obligation.

⁶ See Question 103.04 (September 14, 2009), Exchange Act Sections 13(d) and 13(g) and Regulation 13D-G Beneficial Ownership Reporting Compliance and Disclosure Interpretations of the Division of Corporation Finance of the SEC (the "Regulation 13D-G C&DIs").

Availability of Joint Filings by Reporting Persons. As discussed above, each reporting person has an independent reporting obligation under Section 13 of the Exchange Act. The direct and indirect beneficial owners of the same Section 13(d) Securities may satisfy their reporting obligations by making a joint Schedule 13D or Schedule 13G filing, provided that:

- each reporting person is eligible to file on the Schedule used to make the Section 13 report (e.g., each person filing on a Schedule 13G is a Qualified Institution, Exempt Investor, or Passive Investor);
- each reporting person is responsible for the timely filing of the Schedule 13D or Schedule 13G and for the completeness and accuracy of its information in such filing⁷; and
- the Schedule 13D or Schedule 13G filed with the SEC (i) contains all of the required information with respect to each reporting person; (ii) is signed by each reporting person in his, her, or its individual capacity (including through a power of attorney); and (iii) has a joint filing agreement attached.

C. Determining Beneficial Ownership.

In determining whether a securities firm has crossed the 5% threshold with respect to a class of an issuer's Section 13(d) Securities⁸, it must include the positions held in any proprietary accounts and the positions held in all discretionary client accounts that it manages (including any private or registered funds, accounts managed by or for principals and employees, and accounts managed for no compensation), and positions held in any accounts managed by the firm's control persons (which may include certain officers and directors) for themselves, their spouses, and dependent children (including IRA and most trust accounts).

1. Determining Who is a Five Percent Holder. Beneficial ownership in the Section 13 context is determined by reference to Rule 13d-3, which provides that a person is the beneficial owner of securities if that person has or shares voting or disposition power with respect to such securities, or can acquire such power within 60 days through the exercise or conversion of derivative securities.

2. Determining Beneficial Ownership for Reporting and Short-Swing Profit Liability. For all Section 13 purposes other than determining who is a five percent holder, beneficial ownership means a direct or indirect pecuniary interest in the subject securities through any contract, arrangement, understanding, relationship or otherwise. "Pecuniary interest" means the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the subject securities. Discussed below are several of the situations that may give rise to an indirect pecuniary interest.

(a) **Family Holdings.** A Section 13 Reporting Person is deemed to have an indirect pecuniary interest in securities held by members of the Section 13 Reporting Person's immediate family sharing the same household. Immediate family includes grandparents, parents (and step-parents), spouses, siblings, children (and step-children) and grandchildren, as well as parents-in-laws, siblings-in-laws, children-in-law and all adoptive relationships. A Section 13 Reporting Person may disclaim beneficial ownership of shares held by members of his or her immediate family, but the burden of proof will be on the Section 13 Reporting Person to uphold the lack of a pecuniary interest.

⁷ If the reporting persons are eligible to file jointly on Schedule 13G under separate categories (e.g., a private fund as a Passive Investor and its control persons as Qualified Institutions), then the reporting persons must comply with the earliest filing deadlines applicable to the group in filing any joint Schedule 13G.

⁸ In calculating the 5% test, a person is permitted to rely upon the issuer's most recent interim or annual report for purposes of determining the amount of outstanding voting securities of the issuer, unless the person knows or has reason to believe that such information is inaccurate.

(b) Partnership Holdings. Beneficial ownership of a partnership's securities is attributed to the general partner of a limited partnership in proportion of such person's partnership interest. Such interest is measured by the greater of the general partner's share of partnership profits or of the general partner's capital account (including any limited partnership interest held by the general partner).

(c) Corporate Holdings. Beneficial ownership of securities held by a corporation will not be attributed to its shareholders who are not controlling shareholders and who do not have or share investment control over the corporation's portfolio securities.

(d) Derivative Securities. Ownership of derivative securities (warrants, share appreciation rights, convertible securities, options and the like) is treated as indirect ownership of the underlying equity securities. Acquisition of derivative securities must be reported. If the derivative securities are acquired pursuant to an employee plan, the timing of such reporting depends upon the Rule 16b-3 status of the employee plan under which the grant was made.

D. Delinquent Filings.

1. Correcting Late Filings. In the case of a Section 13 Reporting Person that has failed to make required amendments to its Schedule 13D or Schedule 13G in a timely manner (i.e., any material changes), the Section 13 Reporting Person must immediately amend its schedule to disclose the required information. The SEC Staff has explained that, "[r]egardless of the approach taken, the security holder must ensure that the filings contain the information that it should have disclosed in each required amendment, including the dates and details of each event that necessitated a required amendment." However, the SEC Staff has also affirmed that, irrespective of whether a security holder takes any of these actions, a security holder may still face liability under the federal securities laws for failing to promptly file a required amendment to a Schedule 13D or Schedule 13G.

2. Potential Liability. The SEC may bring an enforcement action, in the context of a Schedule 13D or Schedule 13G filing, for violations of Section 13(d), Section 13(g), Rule 10b-5 and Section 10(b), provided that the SEC specifically shows: (1) a material misrepresentation or omission made by the defendant; (2) scienter on the part of the defendant; and (3) a connection between a misrepresentation or omission and purchase or sale of a security regarding the Rule 10b-5 claim it brings. The SEC may seek civil remedies in the form of injunctive relief, a cease-and-desist order, monetary penalties, and other forms of equitable relief (e.g., disgorgement of profits). Under Section 32 of the Exchange Act, criminal sanctions may also extend to the willful violation of Section 13(d) and Section 13(g). The U.S. Department of Justice, which prosecutes criminal offenses under the Exchange Act, may seek numerous penalties against any person that violates the Exchange Act and any rules thereunder, including a monetary fine of up to \$5,000,000, imprisonment for up to 20 years and/or disgorgement.

Exhibit D

MICWARE CO., LTD.

INSIDER TRADING COMPLIANCE PROGRAM - PRE-CLEARANCE CHECKLIST

Individual Proposing to Trade: _____

Number of Shares covered by Proposed Trade: _____

Date: _____

- ☐ Trading Window. Confirm that the trade will be made during the Company's "trading window."
- ☐ Section 13 and Section 16 Compliance. Confirm, if the individual is subject to Section 13, that the proposed trade will not give rise to any potential liability under Section 13 as a result of matched past (or intended future) transactions. Also, ensure that an amendment to Schedule 13D or 13G has been or will be completed and will be timely filed. If the individual is a director or officer, confirm that a Form 4 will be filed within two (2) business days of the transaction.
- ☐ Prohibited Trades. Confirm, if the individual is subject to Section 13, that the proposed transaction is not a "short sale," put, call or other prohibited or strongly discouraged transaction.
- ☐ Rule 144 Compliance. Confirm that:
- ☐ Current public information requirement has been met;
 - ☐ Shares are not restricted or, if restricted, the six-month holding period has been met;
 - ☐ Volume limitations are not exceeded (confirm that the individual is not part of an aggregated group);
 - ☐ The manner of sale requirements has been met; and
 - ☐ The Notice of Form 144 Sale has been completed and filed.
- ☐ Rule 10b-5 Concerns. Confirm that (i) the individual has been reminded that trading is prohibited when in possession of any material information regarding the Company that has not been adequately disclosed to the public, and (ii) the Compliance Officer has discussed with the individual any information known to the individual or the Compliance Officer which might be considered material, so that the individual has made an informed judgment as to the presence of inside information.

Signature of Compliance Officer

Transactions Report

Officer or Director: _____

I. TRANSACTIONS:

☐ No transactions. ☐ The transactions described below.

Owner of Record	Transaction Date ⁽¹⁾	Transaction Code ⁽²⁾	Security (Common, Preferred)	Number of Securities Acquired	Number of Securities Disposed of	Purchase/ Sale Unit Price
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

- (1) (a) Brokerage transactions - trade date
 - (b) Other purchases and sales date firm commitment is made
 - (c) Option and SAR exercises date of exercise
 - (d) Acquisitions under stock bonus plan date of grant
 - (e) Conversion date of surrender of convertible security
 - (f) Gifts date on which gift is made
- (2) Transaction Codes:
- (P) Pre-established Purchase or Sale
 - (Q) Transfer pursuant to marital settlement
 - (N) Purchase or Sale (not "Pre-established")
 - (U) Tender of shares
 - (G) Gift
 - (W) Acquisition or disposition of will
 - (M) Option exercise (in the money option)
 - (J) Other acquisition or disposition (specify)

II. SECURITIES OWNERSHIP FOLLOWING TRANSACTION

A. Company Securities Directly or Indirectly Owned (other than stock options noted below):

Title of Security (e.g., Preferred, Common, etc.)	Number of Shares/Units	Record Holder (if not Reporting Person)	Relationship to Reporting Person

B. Stock Option Ownership:

Date of Grant	Number of Shares	Exercise Price	Vesting Dates	Expiration Date	Exercises to Date (Date, No. of Shares)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenji Narushima, certify that:

1. I have reviewed this annual report on Form 20-F of Micware Co., Ltd. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 30, 2026

/s/ Kenji Narushima

Name: Kenji Narushima

Title: Representative Director, President, Chairman, and Chief
Executive Officer (*Principal Executive Officer*)

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Takuma Segawa, certify that:

1. I have reviewed this annual report on Form 20-F of Micware Co., Ltd. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 30, 2026

/s/ Takuma Segawa

Name: Takuma Segawa

Title: Chief Financial Officer (*Principal Financial Officer*)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Micware Co., Ltd. (the “Company”) on Form 20-F for the fiscal year ended February 28, 2026, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, Kenji Narushima, the Representative Director, President, Chairman, and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 30, 2026

/s/ Kenji Narushima

Kenji Narushima

Representative Director, President, Chairman, and

Chief Executive Officer (*Principal Executive Officer*)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Micware Co., Ltd. (the “Company”) on Form 20-F for the fiscal year ended February 28, 2026, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, Takuma Segawa, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 30, 2026

/s/ Takuma Segawa

Takuma Segawa

Chief Financial Officer (*Principal Financial Officer*)

MICWRE CO., LTD.
COMPENSATION RECOVERY POLICY

Effective June 22, 2026

In accordance with Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Exchange Act Rule 10D-1, and the listing standards of the national securities exchange (the “**Exchange**”) on which the securities of Micware Co., Ltd. (the “**Company**”) are listed, the Company’s Board of Directors (the “**Board**”) has adopted this Compensation Recovery Policy (the “**Policy**”).

Capitalized terms used in the Policy are defined in Section I below. The application of the Policy to Executives is not discretionary, except to the limited extent provided in Section G below, and applies without regard to whether an Executive was at fault.

A. Persons Covered by the Policy

The Policy is binding and enforceable against all Executives to the extent permitted under Japanese law. Each Executive will be required to sign and return to the Company an acknowledgement that such Executive will be bound by the terms and comply with the Policy to the extent permitted under Japanese law. The failure to obtain such acknowledgement will have no impact on the applicability or enforceability of the Policy.

B. Administration of the Policy

The Board of the Company has authority to administer the Policy.

C. Accounting Restatements Requiring Application of the Policy

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (an “**Accounting Restatement**”), then the Board must determine the excess compensation, if any, that must be recovered (the “**Excess Compensation**”). The Company’s obligation to recover Excess Compensation is not dependent on if or when the restated financial statements are filed.

D. Compensation Covered by the Policy

The Policy applies to all Incentive-Based Compensation Received by an Executive:

- (a) after beginning service as an Executive;
 - (b) who served as an Executive at any time during the performance period for that Incentive-Based Compensation;
 - (c) while the Company has a class of securities listed on the Exchange; and
 - (d) during the three completed fiscal years immediately preceding the Accounting Restatement Determination Date. In addition to these last three completed fiscal years, the Policy must apply to any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of the Company’s new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year.
-

E. Excess Compensation Subject to Recovery of the Policy

Excess Compensation is the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had such Incentive-Based Compensation been determined based on the restated amounts (this is referred to in the listings standards as “erroneously awarded incentive-based compensation”) and must be computed without regard to any taxes paid.

To determine the amount of Excess Compensation for Incentive-Based Compensation based on stock price or total shareholder return, where it is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the amount must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received and the Company must maintain documentation of the determination of that reasonable estimate and provide the documentation to the Exchange.

F. Repayment of Excess Compensation

The Company must recover Excess Compensation reasonably promptly and Executives are required to repay Excess Compensation to the Company. Subject to applicable law, the Company may recover Excess Compensation by requiring the Executive to repay such amount to the Company by direct payment to the Company or such other means or combination of means as the Board determines to be appropriate (these determinations do not need to be identical as to each Executive). These means may include:

- (a) requiring reimbursement of cash Incentive-Based Compensation previously paid;
- (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- (c) offsetting the amount to be recovered from any unpaid or future compensation to be paid by the Company or any affiliate of the Company to the Executive to the extent permitted under Japanese law;
- (d) cancelling outstanding vested or unvested equity awards; and/or
- (e) taking any other remedial and recovery action permitted by law, as determined by the Board.

The repayment of Excess Compensation must be made by an Executive notwithstanding any Executive’s belief (whether or not legitimate) that the Excess Compensation had been previously earned under applicable law and therefore is not subject to recovery.

In addition to its rights to recovery under the Policy, the Company or any affiliate of the Company may take any legal actions it determines appropriate to enforce an Executive’s obligations to the Company or its affiliate or to discipline an Executive, including (without limitation) termination of employment or service contract, institution of civil proceedings, reporting of misconduct to appropriate governmental authorities, reduction of future compensation opportunities, or change in role. The decision to take any actions described in the preceding sentence will not be subject to the approval of the Board and can be made by the Board, any committee of the Board, or any duly authorized officer of the Company or of any applicable affiliate of the Company.

G. Limited Exceptions to the Policy

The Company must recover Excess Compensation in accordance with the Policy except to the limited extent that any of the conditions set forth below are met, and the Board determines that recovery of the Excess Compensation would be impracticable:

- (a) The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before reaching this conclusion, the Company must make a reasonable attempt to recover the Excess Compensation, document the reasonable attempt(s) taken to so recover, and provide that documentation to the Exchange; or
- (b) Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before reaching this conclusion, the Company must obtain an opinion of home country counsel, which counsel is reasonably acceptable to the Exchange, that recovery would likely result in such a violation, and must provide such opinion to the Exchange;

H. Other Important Information in the Policy

Notwithstanding the terms of any of the Company's organizational documents (including, but not limited to, the Company's articles of incorporation), any corporate policy or any contract (including, but not limited to, any indemnification agreement), neither the Company nor any affiliate of the Company will indemnify or provide advancement for any Executive against any loss of Excess Compensation, or any claims relating to the Company's enforcement of its rights under the Policy. Neither the Company nor any affiliate of the Company will pay for or reimburse insurance premiums for an insurance policy that covers potential recovery obligations. In the event that pursuant to the Policy the Company is required to recover Excess Compensation from an Executive who is no longer an employee or officer, the Company will be entitled to seek recovery in order to comply with applicable law, regardless of the terms of any release of claims or separation agreement such individual may have signed. Neither the Company nor any affiliate of the Company will enter into any agreement that exempts any Incentive-Based Compensation that is granted, paid, or awarded to an Executive from the application of the Policy or that waives the Company's right to recovery of any Excess Compensation, and the Policy shall supersede any such agreement (whether entered into before, on, or after the adoption of the Policy).

The Board may review and modify the Policy from time to time.

If any provision of the Policy or the application of any such provision to any Executive is adjudicated to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provisions of the Policy or the application of such provision to another Executive, and the invalid, illegal or unenforceable provisions will be deemed amended to the minimum extent necessary to render any such provision or application enforceable.

The Policy will terminate and no longer be enforceable when the Company ceases to be a listed issuer within the meaning of Section 10D of the Exchange Act.

I. Definitions

“Accounting Restatement Determination Date” means the earlier to occur of: (a) the date the Board, a committee of the Board, or one or more of the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; and (b) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

“Executive” means each individual who is or was ever designated as (i) an “officer” by the Board in accordance with Exchange Act Rule 16a-1(f), including chief executive officer, (ii) members of the Board, and (iii) managing officers (KEIEIYAKUIN) of the Company.

“Financial Reporting Measures” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission.

“Incentive-Based Compensation” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure (for the avoidance of doubt, no compensation that is potentially subject to recovery under the Policy will be earned until the Company’s right to recover under the Policy has lapsed) and excludes the following: salaries, bonuses paid solely at the discretion of the Board that are not paid from a bonus pool that is determined by satisfying a Financial Reporting Measure, bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment or service period, non-equity incentive plan awards earned solely upon satisfying one or more strategic measures or operational measures, and equity awards for which the grant is not contingent upon achieving any Financial Reporting Measure performance goal and vesting is contingent solely upon completion of a specified employment or service period (e.g., time-based vesting equity awards) and/or attaining one or more non-Financial Reporting Measures.

“Received” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-Based Compensation is “Received” under the Policy in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.