

(Note) Revisions to the most recently announced dividend forecast: None

3. Forecast of Consolidated Financial Results for FY2025 (April 1, 2025 to March 31, 2026)

(%: YoY changes)

	Net sales		Operating profit		Ordinary profit		Net income		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	139,450	1.5	6,000	-14.5	5,800	-13.8	3,400	-14.2	36.85

(Note) Revisions to the most recently announced earnings forecast: None

(Notes)

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in changes in the scope of consolidation): None

(2) Adoption of special accounting methods for preparation of consolidated statements: Yes

(Note) Please refer to "2. Quarterly Consolidated Financial Statements and Supplementary Notes (4) Notes to Quarterly Consolidated Statements (Notes on Special Accounting Methods for Preparation of Quarterly Consolidated Statements)" in P.8 of the Attached Material.

(3) Changes in accounting policies and changes or restatement of accounting estimates

- (i) Changes in accounting policies due to revision of accounting standards: None
- (ii) Changes in accounting policies other than the (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement of revisions: None

(4) Number of shares outstanding (common shares)

(i) Number of shares outstanding at the end of the period, including treasury stock	FY2025 Q1	94,741,793 shares	FY2024	94,741,793 shares
(ii) Number of treasury stock at the end of the period	FY2025 Q1	2,492,764 Shares	FY2024	2,482,666 shares
(iii) Average number of shares during the period (quarterly cumulative)	FY2025 Q1	92,258,461 Shares	FY2024 Q1	92,205,860 shares

*Review of the accompanying quarterly consolidated financial statements by a certified public accountant or auditing firm: None

* Explanations and other special notes concerning the appropriate use of business performance forecasts

(1) The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute guarantees by the Company of future performance. Actual results may differ materially from the forecast depending on a range of factors. Please refer to "1. Analysis of Operating Results and Financial Position (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements" in P.4 of the Attached Materials for the assumptions on which the forecasts are based and notes for using the forecasts.

(2) Supplementary materials for financial results and materials for the financial results briefing (live distribution, language available in Japanese only) for institutional investors and analysts scheduled to be held on August 13, 2025 are scheduled to be posted on our website before the briefing on August 13.

(Company website URL)

<https://www.solasto.co.jp/en/ir/>

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating results

During the first quarter under review (April - June 2025), net sales of the Group increased 2.4% year on year, to 34,926 million yen, a new record-high quarterly net sales result. This primarily reflected the good start made by the Medical Business due to the effect of price revisions, which exceeded the forecast, as well as the solid performance of both the Elderly Care Business and the Children Business. Operating profit decreased 4.1% year on year, to 1,643 million yen, mainly due to the improvement in employee treatment made as planned and new IT investments, including the introduction of a next-generation IT platform, partially offset by higher profits from the sales increase. Ordinary profit increased 2.1% year on year, to 1,630 million yen. Net income increased 34.5% year on year, to 1,148 million yen.

Results in the first quarter of FY2025

(Million yen)

	FY2024 Q1	FY2025 Q1	YoY Change	YoY(%)	(Reference) FY2024
Net sales	34,101	34,926	+824	+2.4%	137,435
Operating profit (Margin)	1,714 (5.0%)	1,643 (4.7%)	-70	-4.1%	7,017 (5.1%)
Ordinary profit (Margin)	1,596 (4.7%)	1,630 (4.7%)	+33	+2.1%	6,726 (4.9%)
Net income (Margin)	853 (2.5%)	1,148 (3.3%)	+294	+34.5%	3,960 (2.9%)

Business Segment Information

In addition, the "Smart Hospital Business," which was previously included in the "Other" category, is included in the "Medical Business" segment of the reportable segment. The figures for net sales and operating income by business segment in the table below are year-on-year comparisons using reference figures that reflect the segment changes in FY2025 based on the results for FY2024.

Medical Business

Net sales increased 3.0% year on year, to 18,310 million yen, mainly because progress in negotiations for price revisions in existing contracted services exceeded expectations. Operating profit decreased 11.4% year on year, to 1,001 million yen. While progress in price revisions for existing contracted services exceeded expectations, the result reflected the enhancement of measures to improve the treatment with the aim of improving employee satisfaction, which was implemented as planned.

Elderly Care Business

Net sales increased 1.2% year on year, to 13,925 million yen, as the recovery from the COVID-19 pandemic continued from the previous fiscal year. Operating profit grew significantly to 706 million yen, up 33.5% year on year, reflecting an increase in sales and the reduction of various selling, general and administrative expenses.

Children Business

Net sales increased 5.4% year on year, to 2,678 million yen, mainly due to a rise in unit prices that resulted from the revision of official prices. On the profit and loss front, an operating loss of 66 million yen was posted, mainly attributable to improvements in the treatment of child care workers, increased recruitment costs to strengthen staffing, and higher facility expenses such as utilities.

Net sales

(Million yen)

	FY2024 Q1	FY2025 Q1	YoY Change	YoY(%)	(Reference) FY2024
Medical Business	17,785	18,310	+524	+3.0%	71,214
Elderly Care Business	13,763	13,925	+162	+1.2%	55,337
Children Business	2,540	2,678	+138	+5.4%	10,836
Other	11	11	-0	-3.9%	46
Total	34,101	34,926	+824	+2.4%	137,435

Operating profit

(Million yen)

	FY2024 Q1	FY2025 Q1	YoY Change	YoY(%)	(Reference) FY2024
Medical Business	1,130 (6.4%)	1,001 (5.5%)	-129	-11.4%	4,388 (6.2%)
Elderly Care Business	529 (3.8%)	706 (5.1%)	+177	+33.5%	2,218 (4.0%)
Children Business	52 (2.1%)	-66 (-)	-118	-	401 (3.7%)
Other	2 (18.5%)	1 (15.8%)	-0	-18.1%	9 (19.2%)
Total	1,714 (5.0%)	1,643 (4.7%)	-70	-4.1 %	7,017 (5.1%)

(Note) "Net sales" in "Business Segment Information" above is "Sales to Customers" in "2. Quarterly Consolidated Financial Statements and Supplementary Notes (4) Notes to Quarterly Consolidated Statements (Segment Information)."

Numbers of elderly care centers and childcare centers

	End of June 2024	End of March 2025	End of June 2025
Number of Elderly care centers	715	709	698
Number of Childcare centers	67	67	67

(2) Analysis of Financial Position

Assets

Current assets as of the end of the first quarter were 29,977 million yen, a decrease of 1,188 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits of 1,827 million yen. Fixed assets were 38,288 million yen, a decrease of 642 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in goodwill of 410 million yen.

As a result, total assets amounted to 68,265 million yen, a decrease of 1,831 million yen compared to the end of the previous fiscal year.

Liabilities

Current liabilities at the end of the first quarter were 21,692 million yen, a decrease of 669 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 950 million yen in provision for bonuses. Long-term liabilities were 23,668 million yen, a decrease of 1,382 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 1,320 million yen in long-term debt.

As a result, total liabilities amounted to 45,360 million yen, a decrease of 2,052 million yen compared to the end of the previous fiscal year.

Net assets

Net assets at the end of the first quarter were 22,905 million yen, an increase of 221 million yen compared to the end of the previous fiscal year. This was mainly due to net income attributable to owners of parent of 1,148 million yen and dividends paid of 922 million yen.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

There are no changes to the earnings forecast announced on May 12, 2025 for the fiscal year ending March 31, 2026.

2. Quarterly Consolidated Financial Statements and Supplementary Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2025	As of June 30, 2025
Assets		
Current assets		
Cash and deposits	14,004	12,177
Accounts receivable	14,983	15,410
Inventory	142	154
Others	2,064	2,261
Allowance for doubtful accounts	-28	-25
Total current assets	31,166	29,977
Fixed assets		
Property, plant, and equipment		
Buildings and structures, net	8,881	8,747
Land	5,672	5,672
Others, net	2,459	2,433
Property asset, plant and equipment	17,013	16,853
Intangible assets		
Goodwill	13,625	13,215
Others	1,190	1,152
Total intangible assets	14,816	14,367
Investment and other assets		
Investment and other assets	7,120	7,086
Allowance for doubtful accounts	-19	-19
Total investments and other assets	7,100	7,067
Total fixed assets	38,930	38,288
Total assets	70,097	68,265
Liabilities		
Current liabilities		
Current portion of long-term borrowings	4,782	4,782
Accounts payable-other	9,942	10,118
Income taxes payable	1,662	988
Provision for bonuses	2,348	1,397
Provision for directors' bonuses	16	5
Others	3,609	4,399
Total current liabilities	22,362	21,692
Long-term liabilities		
Long-term borrowinga	15,160	13,840
Provision for loss on compensation for damages	377	377
Obligations for retirement pay	2,150	2,181
Asset retirement obligations	1,648	1,651
Others	5,713	5,617
Total long-term liabilities	25,050	23,668
Total liabilities	47,412	45,360
Net assets		
Shareholders' equity		
Capital	686	686
Capital surplus	5,575	5,575
Retained earnings	17,745	17,971
Treasury Stock	-1,444	-1,444
Total shareholders' equity	22,563	22,789
Other accumulated comprehensive income		
Remeasurements of defined benefit plans	115	110
Total other accumulated comprehensive income	115	110
Stock acquisition rights	5	5
Total net assets	22,684	22,905
Total liabilities and net assets	70,097	68,265

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Million yen)

	Three months ended June 30, 2024	Three months ended June 30, 2025
Net sales	34,101	34,926
Cost of sales	28,491	29,306
Gross profit	5,610	5,619
Selling, general and administrative expenses	3,895	3,976
Operating profit	1,714	1,643
Non-operating profit		
Subsidy income	30	37
Gain on donation of goods	-	31
Others	24	27
Total non-operating profit	54	97
Non-operating expenses		
Interest expenses	74	67
Others	97	43
Total non-operating expenses	172	110
Ordinary profit	1,596	1,630
Extraordinary gains		
Gain on redemption of investment securities	-	309
Total extraordinary profit	-	309
Income before income taxes	1,596	1,940
Income taxes	742	791
Net income	853	1,148
Net income attributable to owners of parent	853	1,148

(Quarterly Consolidated Statements of Comprehensive Income)

(Million yen)

	Three months ended June 30, 2024	Three months ended June 30, 2025
Net income	853	1,148
Other comprehensive income		
Remeasurements of defined benefit plans	-6	-4
Total other comprehensive income	-6	-4
Comprehensive income	847	1,143
(Breakdown)		
Comprehensive income attributable to owners of the parent	847	1,143
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	Three months ended June 30, 2024	Three months ended June 30, 2025
Net cash provided by (used in) operating activities		
Income before income taxes	1,596	1,940
Depreciation and amortization	350	354
Amortization of goodwill	413	410
Loss (gain) on redemption of investment securities	-	-309
Increase (decrease) in provision for bonuses	-934	-950
Increase (decrease) in provision for directors' bonuses	-9	-10
Increase (decrease) in liability for defined benefit plans	17	30
Interest expenses	74	67
Decrease (Increase) in trade receivables	-337	-427
Decrease (Increase) in inventory	1	-11
Decrease (Increase) in prepaid expenses	-81	-82
Increase (decrease) in accounts payable - other	244	211
Increase (decrease) in accrued consumption taxes	-83	425
Increase (decrease) in deposits received	155	735
Others	-406	-716
Subtotal	999	1,666
Interest expenses paid	-78	-70
Income taxes paid	-1,008	-1,271
Payment of levy for employment of persons with disabilities	-91	-
Payments for restructuring charges	-143	-
Others	13	18
Net cash provided by (used in) operating activities	-309	343
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-145	-55
Proceeds from sales of property, plant and equipment	0	-
Purchase of intangible assets	-192	-124
Proceeds from cancellation of monetary held in trust	1,107	-
Payments of lease and guarantee deposits	-24	-7
Proceeds from refund of leasehold and guarantee deposits	146	17
Proceeds from redemption of investment securities	-	310
Others	-5	-19
Net cash provided by (used in) investing activities	887	121
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	-500	-
Repayment of long-term borrowings	-1,320	-1,320
Dividends paid	-916	-918
Repayments of finance lease liabilities	-50	-53
Others	-0	-0
Net cash provided by (used in) financing activities	-2,786	-2,291
Net increase (decrease) in cash and cash equivalents	-2,208	-1,827
Cash and cash equivalents, beginning of year	15,115	14,004
Cash and cash equivalents, end of year	12,907	12,177

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Special Accounting Methods for Preparation of Consolidated Statements)

(Calculation of tax expense)

Tax expenses are calculated by multiplying income before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated Income before income taxes for the fiscal year ending March 31, 2026, including the period for the three months ended June 30, 2025.

(Segment information)

I Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

1. Information on net sales, income or loss, assets, and other items by reportable segment and breakdown of revenue

(Million yen)

	Reportable segments				Other (Note) 1	Consolidated (Note) 2
	Medical Business	Elderly Care Business	Children Business	Total		
Net sales						
Medical: Contracted service	15,648	-	-	15,648	-	15,648
Medical: Worker dispatching	1,730	-	-	1,730	-	1,730
Elderly Care	-	13,720	-	13,720	-	13,720
Children	-	-	2,540	2,540	-	2,540
Others	406	41	-	448	0	448
Income from contracts with customers	17,785	13,761	2,540	34,088	0	34,088
Other income	-	1	-	1	11	13
Sales to customers	17,785	13,763	2,540	34,089	11	34,101
Intersegment sales	-	-	-	-	-	-
Total	17,785	13,763	2,540	34,089	11	34,101
Segment profit	1,130	529	52	1,712	2	1,714

(Note) 1. The "Others" category includes real estate leasing and non-life insurance agency operations that are not included in the reportable segments.

2. Segment profit is reconciled to operating profit in the Consolidated Statements of income.

2. Information on impairment losses on fixed assets or goodwill, etc. by reportable segment
Not applicable.

II Three months ended June 30, 2025 (April 1, 2025 to June 30, 2025)

1. Information on net sales, income or loss, assets, and other items by reportable segment and breakdown of revenue

(Million yen)

	Reportable segments				Other (Note) 1	Consolidated (Note) 2
	Medical Business	Elderly Care Business	Children Business	Total		
Net sales						
Medical: Contracted service	16,253	-	-	16,253	-	16,253
Medical: Worker dispatching	1,589	-	-	1,589	-	1,589
Elderly Care	-	13,891	-	13,891	-	13,891
Children	-	-	2,678	2,678	-	2,678
Other	467	31	-	498	0	499
Income from contracts with customers	18,310	13,923	2,678	34,912	0	34,912
Other income	-	2	-	2	10	13
Sales to customers	18,310	13,925	2,678	34,914	11	34,926
Intersegment sales	-	-	-	-	-	-
Total	18,310	13,925	2,678	34,914	11	34,926
Segment profit	1,001	706	-66	1,641	1	1,643

(Note) 1. The "Others" category includes real estate leasing and non-life insurance agency operations that are not included in the reportable segments.

2. Segment profit (loss) is reconciled to operating profit in the Consolidated Statements of income..

2. Matters related to changes in the reportable segments, etc.

In addition, the "Smart Hospital Business," which was previously included in the "Other" category, will be included in the "Medical Business" segment of the reportable segment. The figures for net sales and operating income by business segment in the table below are year-on-year comparisons using reference figures that reflect the segment changes in FY2025 based on the results for FY2024. The segment information for the previous Q1 is disclosed based on the measurement method after the change.

3. Information on Impairment Loss on Fixed Assets and Goodwill by the reportable segment
Not applicable.

(Notes in the Event of Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Subsequent Events)

1. Transactions under common control (Establishment of subsidiary and company split)

Solasto Corporation announced that at a meeting of its Board of Directors held on July 8, 2025, it resolved to proceed with a company split of the Company's Children Business effective as of April 1, 2026, and to establish a preparatory company in connection with the split.

The company split will be a simplified absorption-type company split (the "absorption-type company split"), in which a newly established wholly owned subsidiary of the Company (the "preparatory company") will be the successor company. Also, the company split will be carried out subject to the acquisition of necessary approvals and licenses from the relevant authorities.

(1) Summary of the transaction

(i) Name and description of the business

Name: Children Business

Description: Operation of licensed childcare facilities and certified childcare facilities

(ii) Date of business combination

April 1, 2026 (scheduled)

(iii) Legal form of the business combination

An absorption-type company split with the Company as the splitting company and the Preparatory Company as the successor company.

(iv) Name of the combined entity

Solasto KIDS NEXT Corporation

(v) Others related to summary of the transaction

In recent years, the environment surrounding the childcare business has undergone significant changes due to factors such as declining birthrates, diversifying childcare needs, and challenges in securing and retaining qualified childcare staff. To respond flexibly and swiftly to these changes and to continue to meet the expectations of local communities and guardians, we have determined that it is essential to establish a structure that enables the Children Business to make autonomous decisions and implement site-specific initiatives promptly. Accordingly, we have decided to proceed with an absorption-type company split.

(2) Summary of Accounting Procedures

Accounting treatment is scheduled to be conducted as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures, etc." (ASBJ Guidance No. 10, January 16, 2019).

2. Stock Buy-back

Solasto Corporation announced the status of the buy-back of its shares of common stock which was announced on August 12, 2025, and to be executed in pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act.

(1) Reasons for stock buy-back

Under the Medium-term Business Plan FY2025–2029, the Company has set a shareholder return policy of improving capital efficiency and enhancing shareholder returns to achieve sustainable growth. As part of these initiatives, the Company has decided to conduct a stock buyback.

The Company will cancel the repurchased shares at an appropriate time if they are not expected to be used.

(2) Details of stock buy-back

- | | |
|--|---|
| (i) Type of shares to be repurchased: | Common stock |
| (ii) Total number of shares to be repurchased: | Up to 4,400,000 shares |
| (iii) Aggregate repurchase amount: | Up to 1,400 million yen |
| (iv) Period of repurchase: | August 13, 2025 to May 31, 2026 |
| (v) Method of repurchase: | Market purchases through the Tokyo Stock Exchange |