

3. Forecast for the fiscal year ending December 2026 (January 1, 2026 - December 31, 2026)

(Percentage figures represent year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	18,300	7.0	1,600	34.9	1,615	24.8	1,050	50.8	238.47

(Note) Revisions to the most recently announced earnings forecast: No

* Notice

(1) Material changes in the scope of consolidation during the period: Yes

New consolidations: 1 company (ies) (Company name(s)) LTS Strategy Pte.Ltd.

Exclusions: – company (ies) (Company name(s)) –

(Note) For details, please refer to "Additional Information" on page 8 of the accompanying materials.

(2) Application of accounting treatment specific to the preparation of the quarterly consolidated financial statements: No

(3) Changes in accounting policies, accounting estimates, and restatements

(a) Changes in accounting policies due to revision of accounting standards: No

(b) Changes in accounting policies other than those in (a): No

(c) Changes in accounting estimates: No

(d) Restatements: No

(4) Number of shares outstanding (common shares)

(a) Shares outstanding (including treasury shares) at end of period

Q1 of year ending December 2026	4,725,085 shares	Year ended December 2025	4,725,085 shares
Q1 of year ending December 2026	321,962 shares	Year ended December 2025	321,962shares
Q1 of year ending December 2026	4,403,123 shares	Q1 of year ended December 2025	4,567,236 shares

(b) Treasury shares at end of period

(c) Average number of shares during period

* Review of accompanying quarterly consolidated financial statements by certified public accountant or auditing firm: No

* Cautionary statement regarding business results forecasts and special notes

The financial forecasts and other forward-looking statements herein are based on currently available information and assumptions considered by the Company to be reasonable and do not represent a commitment from the Company that they will be achieved.

Actual results may differ substantially due to various factors.

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1. Analysis of Operating Performance and Financial Position

(1) Overview of Quarterly Operating Performance

During the first three months of the current fiscal year (January 1 - March 31, 2026), the Japanese economy showed a gradual recovery trend as the employment and income environment continued to improve. On the other hand, risks of a downturn in the economy remain due to the impact on personal consumption from factors such as weakening consumer sentiment caused by continued price increases and geopolitical risks. Attention is also required with regard to the effects of fluctuations in the financial and capital markets, and the situation remains uncertain.

In the information services industry, which is the main business domain of our Group, demand for digital transformation (DX) to respond to changes in the social environment remains robust, and system-related investments, including AI transformation (AX), remained steady.

Under these business circumstances, the Group sought to become the "Best Partner for the Digital Era" by not only supporting individual projects but also acting as a partner in co-creating the transformations, businesses, and organizations that respond to change and pave the way for the future. We have been providing one-stop support and solutions based on an understanding of corporate structures by working closely with customers at their operational sites to support management, business, and organizational operations. Specifically, for large domestic companies, we focused on conducting study groups to develop "business architects"—human resources who design company-wide transformations and lead DX to success—and providing operational labor-saving support for ITOCHU Corporation to build a sales platform with a view toward AI utilization. We also focused on providing support services that address a wide range of challenges faced by customers, particularly at the CXO level, and contribute to enhancing corporate value, leveraging expertise in strategy, data, AI, and macroeconomic analysis. We also continued proactive hiring and human resource development activities and promoted initiatives to further expand our stable service delivery capabilities, such as starting to adjust our human resource portfolio in anticipation of a shift to business operations based on generative AI.

As a result of the above, during the first three months of the current fiscal year, we achieved net sales of 4,391 million yen (down 0.7% year on year), operating profit of 496 million yen (up 17.3% year on year), ordinary profit of 528 million yen (up 16.0% year on year), and profit attributable to owners of parent of 419 million yen (up 26.0% year on year).

The Group previously had two reporting segments, the "Professional Services Business" and the "Platform Business," but from the first quarter of the current fiscal year, this has been changed to a single segment, the "Transformation Services Business." Details are as described in "2. Quarterly Consolidated Financial Statements and Main Notes (3) Notes to the Quarterly Consolidated Financial Statements (Segment Information)."

(2) Overview of Quarterly Financial Position

Total assets at the end of the first quarter of the current fiscal year were 10,049 million yen, an increase of 17 million yen from the end of the previous fiscal year. This was primarily due to a 330 million yen increase in accounts receivable and contract assets, offset by decreases of 194 million yen in cash and deposits and 113 million yen in income taxes receivable.

Liabilities came to 5,024 million yen, down 244 million yen from the end of the previous fiscal year. This was primarily due to a 403 million yen decrease in accounts payable – other.

Net assets amounted to 5,025 million yen, an increase of 261 million yen from the end of the previous fiscal year. This was primarily due to a 265 million yen increase in retained earnings. The equity ratio was 48.8%.

(3) Explanation of Consolidated Earnings Forecasts and Other Future Projections

In regard to the consolidated earnings forecast for the fiscal year ending December 2026, no changes have been made to the full-year earnings forecast announced in the financial results summary on February 13, 2026.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Previous consolidated fiscal year (ended December 31, 2025)	First quarter of the current fiscal year (ended March 31, 2026)
Assets		
Current assets		
Cash and deposits	3,376	3,182
Accounts receivable and contract assets	2,845	3,175
Electronically recorded monetary claims - operating	160	157
Work in process	23	18
Income taxes receivable	156	42
Other	317	313
Allowance for doubtful accounts	(1)	(1)
Total current assets	6,877	6,889
Non-current assets		
Property, plant and equipment		
Land	645	645
Other	644	651
Total property, plant and equipment	1,289	1,296
Intangible fixed assets		
Goodwill	488	475
Customer-related assets	166	158
Software	90	78
Software in progress	2	2
Other	0	0
Total intangible fixed assets	747	716
Investments and other assets		
Leasehold and guarantee deposits	323	319
Deferred tax assets	53	103
Investment securities	551	541
Other	188	182
Total investments and other assets	1,117	1,146
Total non-current assets	3,154	3,159
Total assets	10,031	10,049

(Millions of yen)

	Previous consolidated fiscal year (ended December 31, 2025)	First quarter of the current fiscal year (ended March 31, 2026)
Liabilities		
Current liabilities		
Accounts payable - trade	777	824
Current portion of long-term borrowings	958	952
Accounts payable - other	734	331
Income taxes payable	51	60
Provision for bonuses	288	263
Provision for bonuses for directors (and other officers)	4	0
Contract liabilities	24	26
Provision for loss on order received	0	1
Other	263	657
Total current liabilities	3,102	3,118
Non-current liabilities		
Long-term borrowings	1,959	1,711
Retirement benefit liabilities	151	154
Deferred tax liabilities	40	33
Other	14	6
Total non-current liabilities	2,166	1,905
Total liabilities	5,268	5,024
Net assets		
Shareholders' equity		
Share capital	839	839
Capital surplus	1,092	1,092
Retained earnings	3,504	3,769
Treasury shares	(793)	(793)
Total shareholders' equity	4,642	4,908
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	(2)
Foreign currency translation adjustment	1	2
Total accumulated other comprehensive income	5	(0)
Subscription rights to shares	115	117
Non-controlling interests	—	0
Total net assets	4,763	5,025
Total liabilities and net assets	10,031	10,049

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

Quarterly consolidated statement of income

First three months of the fiscal year

(Millions of yen)

	First three months of the previous fiscal year (January 1 - March 31, 2025)	First three months of the current fiscal year (January 1 - March 31, 2026)
Net sales	4,421	4,391
Cost of sales	3,086	2,984
Gross profit	1,335	1,406
Selling, general and administrative expenses	912	910
Operating profit	423	496
Non-operating income		
Subsidy income	12	5
Share of profit of entities accounted for using equity method	24	28
Rent on real estate	15	15
Other	5	4
Total non-operating income	58	54
Non-operating expenses		
Interest expenses	12	10
Real estate rental expense	11	11
Other	2	0
Total non-operating expenses	26	22
Ordinary profit	455	528
Extraordinary income		
Gain on sale of investment securities	—	62
Gain on change in equity	10	—
Total extraordinary income	10	62
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	0	—
Loss on sale of investment securities	9	—
Total extraordinary losses	9	—
Profit before income taxes	456	590
Income taxes-current	147	224
Income taxes-deferred	(23)	(54)
Total income taxes	123	170
Profit	332	419
Profit (loss) attributable to non-controlling interests	(0)	0
Profit attributable to owners of parent	332	419

Quarterly consolidated statement of comprehensive income

First three months of the fiscal year

(Millions of yen)

	First three months of the previous fiscal year (January 1 - March 31, 2025)	First three months of the current fiscal year (January 1 - March 31, 2026)
Profit	332	419
Other comprehensive income		
Valuation difference on available-for-sale securities	(20)	(6)
Foreign currency translation adjustment	(0)	0
Total other comprehensive income	(21)	(5)
Comprehensive income	311	413
(Breakdown)		
Comprehensive income attributable to owners of parent	311	413
Comprehensive income attributable to non-controlling interests	(0)	0

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes Related to Going Concern Assumptions)

Not applicable.

(Notes on Shareholders' Equity)

First quarter of the previous fiscal year (January 1 - March 31, 2025)

(1) Dividends paid

Resolution	Type of shares	Source of dividends	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 25, 2025	Common shares	Retained earnings	137	30.00	December 31, 2024	March 26, 2025

(2) Dividends with a record date in the first quarter of the current fiscal year and an effective date after the end of the first quarter of the current fiscal year

Not applicable.

First quarter of the current fiscal year (January 1 - March 31, 2026)

(1) Dividends paid

Resolution	Type of shares	Source of dividends	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 24, 2026	Common shares	Retained earnings	154	35.00	December 31, 2025	March 25, 2026

(2) Dividends with a record date in the first quarter of the current fiscal year and an effective date after the end of the first quarter of the current fiscal year

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Additional Information)

First three months of the current fiscal year (January 1 - March 31, 2026)

(Important Changes in Scope of Consolidation)

LTS Strategy Pte. Ltd., which was a non-consolidated subsidiary in the previous fiscal year, has been included in the scope of consolidation from the first quarter of the current fiscal year due to its increased importance.

(Changes in Presentation)

Certain personnel expenses of the Company, which were previously recorded as selling, general and administrative expenses, are included in cost of sales from the first quarter of the current fiscal year. This change was implemented to more appropriately reflect the actual state of the business by reviewing the classification of personnel expenses, triggered by the review of service domains and performance management units described in (Notes to Segment Information). To reflect this change in presentation, the quarterly consolidated statement of income for the first three months of the previous fiscal year has been reclassified.

As a result, 222 million yen of personnel expenses previously recorded in "selling, general and administrative expenses" in the quarterly consolidated statement of income for the first three months of the previous fiscal year has been reclassified to "cost of sales." Consequently, "cost of sales" increased from 2,863 million yen to 3,086 million yen, and "selling, general and administrative expenses" decreased from 1,135 million yen to 912 million yen.

(Segment Information)

[Segment Information]

I First quarter of the previous fiscal year (January 1 - March 31, 2025)

This information is as described in "II First quarter of the current fiscal year (Matters related to changes in reporting segments, etc.)."

II First quarter of the current fiscal year (January 1 - March 31, 2026)

The Group has a single segment, the "Transformation Services Business," and therefore this information is omitted.

(Matters related to changes in reporting segments, etc.)

The Group previously classified its operations into two reporting segments: the "Professional Services Business" and the "Platform Business." However, in light of the growth of multiple service areas with different revenue and growth models within the "Professional Services Business," and the decline in the "Platform Business" as a proportion of overall performance due to the high growth of the "Professional Services Business," we have reviewed our service domains and performance management units to achieve further business growth. Accordingly, from the perspective of the actual decision-making process for business development and management resource allocation, the Group has changed its reporting segment to a single segment, the "Transformation Services Business," effective from the first quarter of the current fiscal year.

Due to this change, segment information for the first quarter of the previous fiscal year and the first quarter of the current fiscal year has been omitted.

(Notes on Consolidated Statement of Cash Flows)

A quarterly consolidated cash flow statement has not been prepared for the first three months of the current fiscal year. Additionally, the depreciation and amortization (including amortization of intangible fixed assets other than goodwill and customer-related assets) for the first three months of the fiscal year, amortization of goodwill, and amortization of customer-related assets are as follows.

	First three months of the previous fiscal year (January 1 - March 31, 2025)	First three months of the current fiscal year (January 1 - March 31, 2026)
Depreciation and amortization	44 million yen	40 million yen
Amortization of goodwill	18 million yen	12 million yen
Amortization of customer-related assets	7 million yen	7 million yen

(Revenue Recognition)

(Millions of yen)

	First three months of the previous fiscal year (January 1 - March 31, 2025)	First three months of the current fiscal year (January 1 - March 31, 2026)
Strategy Consulting	302	287
DX Consulting	1,941	2,136
DX Engineering	1,315	1,219
Platform & Agent	863	747
Revenue from contracts with customers	4,421	4,391
Net sales to unaffiliated customers	4,421	4,391

(Note) In line with the redefinition of service domains for further business growth, the method of presenting information on the breakdown of revenue from contracts with customers has been changed from the first quarter of the current fiscal year. Accordingly, the information on the breakdown of revenue from contracts with customers for the first three months of the previous fiscal year is presented based on the revised categories. The revised categories are as follows.

New Classification	Details of New Classification (Main Services)	Old Classification
Strategy Consulting	Decision-making support under uncertainty	Strategy & Innovation
DX Consulting	Structural design for companies where transformation is becoming routine	Business Process & Technology Social & Public
DX Engineering	Support for building evolving digital foundations	Business Process & Technology Social & Public
Platform & Agent	Supply of transformation-promoting human resources	Business Process & Technology Assign Navi Professional Hub Growth Company Club