COMPANY RESEARCH AND ANALYSIS REPORT

Globe-ing Inc.

277A

Tokyo Stock Exchange Prime Market

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Summary

Achieved record highs for revenue and all profit levels in FY5/26. Decided to issue first dividend

Globe-ing Inc. <277A> (hereafter, also "the Company") engages in Consulting Business that assists enterprises with various activities ranging from formulation to implementation of management and business strategies. It also pursues AI Business, which develops cloud products that embody its expertise and develops and provides AI agents that take over key tasks performed by consultants.

1. Overview of FY5/26 results

In FY5/26, the Company achieved significant increases in revenue and profits, with revenue of ¥11,512mn (up 39.4% year on year [YoY]), operating profit of ¥4,142mn (up 47.9%), ordinary profit of ¥4,111mn (up 47.7%), and profit attributable to owners of parent of ¥3,051mn (up 72.6%). Revenue and all profit levels reached record highs, with operating profit exceeding the initial plan by 17.0% and profit attributable to owners of parent by 34.7%. On the revenue front, demand for DX investment, operational implementation of AI, and new business development was solid, driving growth in consulting demand. The joint initiative (JI) type approach, in which the Company embeds itself within client companies and dispatches management talent, gained traction, lifting JI revenue to ¥6.89bn and the JI revenue ratio to 60%. AI-related revenue expanded to ¥5.66bn and the AI-related revenue ratio to 49%, while the number of clients generating annual revenue of ¥1.0bn or more rose from 1 to 2 and the adjusted number of consultants increased by 25 to 203. On the profit front, the operating profit margin rose 2.1 percentage points (pp) to 36.0%, reflecting the maintenance of project profitability and the assignment of AI talent to joint development projects. In 4Q, the margin fell to 26% due to a change in business conditions at one client, AI-PF* development, and the reacceleration of recruitment, but growth investment was also a major factor. We at FISCO consider it positive that the Company maintained high profitability while expanding its client base and AI implementation capabilities.

* An AI platform that incorporates company-specific data, operational knowledge, and tacit knowledge.

2. FY5/27 forecasts

For FY5/27, the Company forecasts revenue of ¥16,100mn (up 39.8% YoY), operating profit of ¥4,830mn (up 20.6%), profit before tax of ¥4,830mn (up 22.2%), and profit attributable to owners of parent of ¥3,381mn (up 17.6%).* In the Consulting Business, it will increase the adjusted number of consultants by around 15 each quarter while maintaining an average annual income of consultants of around ¥20.00mn. It targets a JI revenue ratio of 60% to 70% and an AI-related revenue ratio of 55% to 65% by year-end, aiming for revenue growth that outpaces headcount expansion through the use of AI and DX. In the AI Business, it will focus on joint development and plans revenue of around ¥400mn. Excluding additional growth investment, it assumes operating profit of ¥5,630mn and an operating profit margin of 35.0%; however, as it will invest ¥400mn in additional recruitment and ¥400mn in AI-PF development and the establishment of an M&A framework, the operating profit margin in the initial forecasts is 30.0%. The Company intends to adjust these investments in line with results, so there appears to be room for profit to exceed the forecasts.

* The FY5/27 forecasts are prepared under International Financial Reporting Standards (IFRS). YoY comparisons are against the actual FY5/26 results under IFRS.

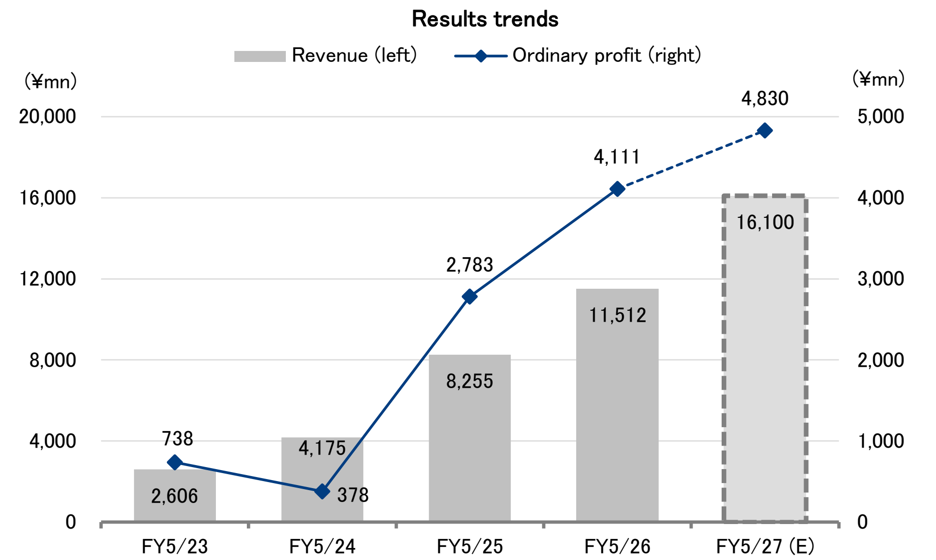
The Company also decided to issue its first dividend in FY5/26, setting the dividend at ¥16.1 per share, above the initial plan of ¥15.0. For FY5/27, it plans a dividend of ¥35.6 per share (¥14.2 at the interim and ¥21.4 at year-end), up ¥19.5 YoY, with a dividend payout ratio of 30.0%. Going forward, it will pay dividends twice a year as a general rule and aims for progressive dividends in line with profit growth.

3. Future growth strategy

The Company intends to accelerate growth by using JI-type consulting as its earnings base and combining it with AI transformation (AI-X), AI-PF, and investment and M&A. Under its new medium- to long-term plan GoFor2031/Vision2040, it has organized its operations into three pillars: JI × AI-X, AI-PF, and investment and M&A. The concept is to acquire management and industry expertise through JI × AI-X, turn it into products through AI-PF, and expand business scale through M&A. For FY5/31, it is aiming for consolidated revenue of ¥120.0bn and an AI-related revenue ratio of 70% or more. Its targets are a revenue CAGR of 35% and an operating profit margin of 35% for JI × AI-X, revenue of ¥4.0bn and an operating profit margin of 50% for AI-PF, and revenue of ¥60.0bn for investment and M&A. In AI-PF, it will build a Management OS comprising JI talent, decision-making AI, and a tacit knowledge platform that incorporates company-specific skills and decision criteria. It aims to shift from a joint development model to a recurring revenue model that accumulates AI-PF usage fees. Effective December 1, 2026, it will transition to a holding company structure, balancing agile M&A with autonomous management at acquired companies. It will first bring domestic AI companies into the group and improve their profitability by leveraging its client development capabilities and its expertise in running talent businesses. Achieving these targets will require talent recruitment, the monetization of AI-PF, and multiple acquisitions along with post-merger integration; however, the fact that the Company has JI talent, AI implementation capabilities, and a technology platform for accumulating tacit knowledge as an integrated whole could serve as a differentiating factor. We at FISCO will be watching to see whether the Company can leverage these strengths to achieve sustained improvement in corporate value.

Key Points

- In FY5/26, revenue and all profit levels reached record highs, and the operating profit margin rose to 36.0%
- The JI revenue ratio rose to 60%, and the AI-related revenue ratio to 49%, while the AI Business returned to profitability
- For FY5/27, forecasts revenue growth of around 40% and double-digit profit growth, and will fully launch its three-pillar growth strategy
- Will expand shareholder returns with a target dividend payout ratio of 30%. Issued first dividend in FY5/26 and plans a substantial increase to ¥35.6 per share in FY5/27



Note: The Company adopted IFRS from FY5/26; however, FY5/26 figures in this chart are based on Japanese GAAP. Ordinary profit for FY5/27 (E) refers to profit before tax under IFRS.
Source: Prepared by FISCO from the Company's financial results and securities registration statement

Company profile

A strategic consulting business offering hands-on support to enterprises

1. Company profile

The Company is engaged in Consulting Business, which assists enterprises with various activities ranging from formulation to implementation of management and business strategies, and AI Business, which develops cloud products that embody the expertise it has accumulated in the Consulting Business and develops and provides AI agents that take over key tasks performed by consultants.

The consulting services provided by the Company are distinguished by stationing consultants within client companies to drive business transformation from within, thereby delivering results such as sales growth and cost reductions while the Company works alongside clients. Typically, consulting companies receive consideration from clients for offering external advice. The Company conducts business from the client's perspective and offers hands-on support to clients. Additionally, the Company has been promoting the use of AI tools for simple tasks such as preparing meeting minutes and conducting desk research. By reducing man-hours on these tasks, the Company has succeeded in delivering consulting services more efficiently.

The Company's name is a coined combination of the word "Globe," representing the Earth, the world, and the global community, and the suffix "-ing," implying a driving force toward a specific goal or direction. The name conveys a message of developing people, companies, and a society capable of thriving on the global stage. The Company plans to transition to a holding company structure effective December 1, 2026 and change its trade name to WAO Holdings (details below). The new name embodies values that are both distinctly Japanese and universal: harmony, connection, and wonder (WOW).

2. History

The Company was established in 2017 by Sosuke Wajima, currently Director and Head of the AI Business Division. It began its Consulting Business in earnest after being awarded a DX strategy project contract from Mitsubishi Materials Corporation <5711> in March 2021. Thereafter, in November 2022, the Company entered into a capital and business alliance in the DX and IoT areas with PERSOL PROFESSIONAL OUTSOURCING CO., LTD. (currently PERSOL CROSS TECHNOLOGY CO., LTD.), which excels in engineering in the technology sector, and increased collaboration with this partner primarily in the Cloud Product Business (PERSOL CROSS TECHNOLOGY's shareholding ratio: 6.58% as of the end of May 2026). In February 2023, the Company made SoGuu Inc.—an app development business run as a personal venture by Kohei Tanaka, currently Director and CSO—a subsidiary in order to incorporate its business and human capital, then absorbed it via a merger in May of the same year. Furthermore, in October of the same year, the Company made AVALANCHE Ltd. a subsidiary to expand its capabilities and services in the creative, marketing, and service design fields. These capabilities and services are essential to creating businesses, formulating and implementing branding strategies, and providing related services to client companies. In January 2024, the Company established Shanghai Juqiu Xieying Information Technology Co., Ltd. as an offshore base for IT systems implementation. In May 2024, the Company and Laboro.AI Inc. <5586> established X-AI.Labo Inc. as a joint venture for the social implementation of AI-X. Subsequently, the Company made X-AI.Labo a wholly owned subsidiary in September 2025, then absorbed it via a merger in December 2025. The Company listed on the Growth Market of the Tokyo Stock Exchange (TSE) in November 2024 then moved to the TSE Prime Market in April 2026.

The adjusted number of consultants affiliated with the Company was 203 as of the end of May 2026. The Company is working to primarily recruit immediately effective talent with backgrounds in strategic consulting firms, with the goal of driving business expansion.

Business overview

Deploys AI-PF that leverages company-specific knowledge, built on a foundation of JI-type consulting

1. Consulting Business

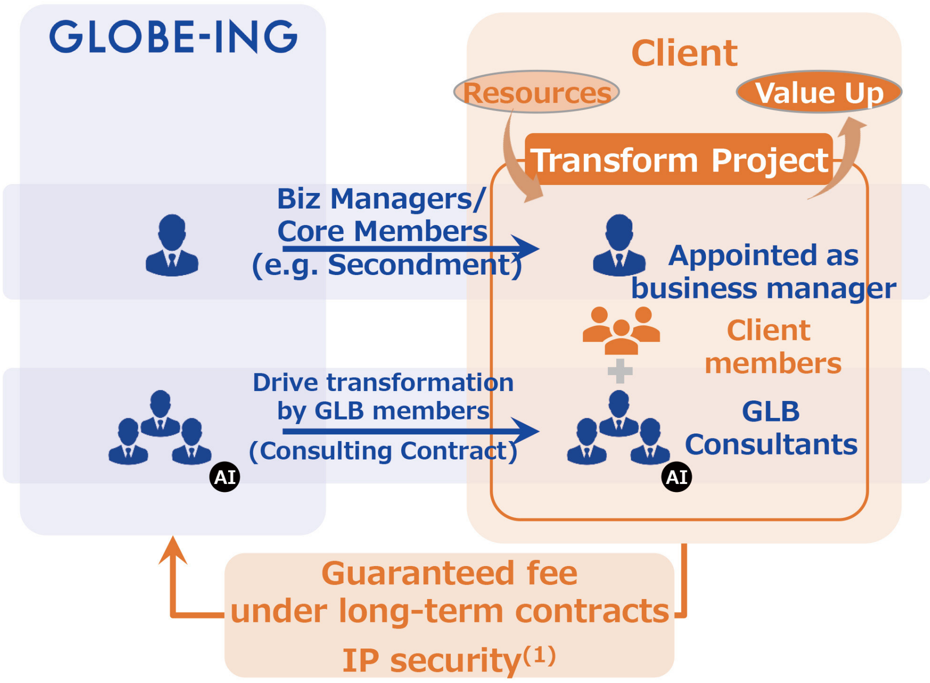
The Company provides consulting services in management strategy, new business launches, M&A strategy, and formulation and implementation support for DX and digital strategy frameworks. It is distinguished by its support style, which embeds consultants within client companies as "insiders with an external perspective." Specifically, consultants provide hands-on support as partners to CxOs (short for Chief x Officer, where "x" refers to the relevant area of responsibility) and project leaders, thereby promoting transformation via projects. Insiders with an external perspective refers to consultants who remain objective and logical while supporting the client's decision-making after first understanding its internal circumstances and culture. They do not simply give advice; they play a role in bringing projects to completion and fostering autonomy, enabling clients to continue pursuing transformation on their own in the future.

The Company refers to this as JI-type consulting. In contrast to the conventional consulting practices of ordinary consulting firms, which provide external skills/expertise and offer advice, JI-type consulting builds a strong relationship with the client, then provides it with resources tailored to its transformation needs, including the secondment of talent. A joint project team is formed that combines the client's employees and funds with the Company's expertise and talent. This team plays a role in co-creating business transformation, new business, products, etc. The Company therefore has a unique business model in which its consultants drive business in the position of business supervisors and generate results at clients in the role of partners.

The Company, which puts this kind of implementation support at its core, distinguishes itself from conventional man-month-based consulting models by adopting a model that provides integrated support from structuring issues to designing operations premised on the use of AI, including implementing and establishing it at sites. It is characterized by the fact that it does not simply provide analysis and guidance; it translates transformation topics into concrete business processes and provides hands-on support until clients reach a point where they can implement them independently across their organization. While the development of generative AI is increasing the efficiency of secondary tasks such as research and material creation, the importance of consulting roles that take a structured approach to identifying management issues, redesign them in actionable ways, and embed the changes in the organization is actually increasing. Based on this changing environment, the Company is creating added value by combining AI-driven business enhancement with implementation support from consultants.

The Company has established an in-house team called GLB Intelligence (Globe-ing Intelligence), which specializes in improving business efficiency and is advancing the development and use of unique AI tools. The Company has developed a structure in which AI takes over and refines routine tasks such as preparing meeting minutes and conducting preliminary research, while consultants concentrate on high-added-value areas such as supporting issue definition and decision-making and implementing solutions at client sites. As a result, it has achieved productivity improvements that do not rely simply on increasing the workforce and continued to grow its business while maintaining and enhancing the quality of its transformation support.

Overview of JI-type consulting scheme



Note: Regarding item (1) in the diagram above, "Guaranteed fee under long-term contracts" refers to securing annual or multi-year contracts from clients in exchange for dispatching and retaining talent over the long term. "IP security" refers to the joint ownership of intellectual property (IP) for solutions codeveloped with clients.
Source: The Company's results briefing materials

2. KPIs for Consulting Business

The Company's KPIs in the Consulting Business are: (1) adjusted number of consultants, (2) average annual income of consultants, (3) JI revenue ratio, and (4) AI-related revenue ratio.

(1) Adjusted number of consultants

Since the continuous recruitment of consultants is essential to winning projects from clients and executing them, the Company emphasizes the number of consultants as an indicator of business soundness. "Adjusted" means that the working hours of consultants involved in GLB Intelligence, who do not contribute directly to revenue, have been deducted to accurately reflect utilization conditions.

(2) Average annual income of consultants

To achieve sound business growth, the Company believes it is crucial to improve the added value provided to customers, offer a high level of remuneration to professionals, and recruit highly skilled talent in a well-balanced manner. As a key indicator for these priorities, the average annual income of consultants has been established as a KPI, which the Company continuously strives to improve. This figure represents an average that includes directors' remuneration for officers engaged in the Company's consulting work and excludes consultants assigned to GLB Intelligence.

(3) JI revenue ratio

In the Consulting Business, the Company positions the shift from conventional consulting to JI-type consulting as a key growth strategy and has established the JI revenue ratio as a KPI for judging the Company's progress in this area. JI revenue represents revenue related to consulting projects where the Company is involved in the client's internal processes, reports directly to CxO-level executives, and is involved in formulating the budget.

(4) AI-related revenue ratio

The Company has established the AI-related revenue ratio as a KPI. It is a crucial indicator for judging progress toward the Company's vision of "transforming clients' businesses through AI." AI-related revenue covers revenue from cases where proposals refer to AI as an item for consideration, or projects that involve consideration of AI in reports and other documents. Expertise acquired through developing and providing products in the AI Business is also applied to Consulting Business sites, supporting growth in orders for AI-related projects.

3. AI Business

In the AI Business, the Company develops and provides cloud products that embody the expertise it has accumulated in consulting—such as strategy formulation, business transformation, and DX—as well as AI agents that take over or complement key tasks performed by consultants. Under its latest policy, in addition to providing individual products, the Company has shifted its focus to a vertical AI-PF that combines company-specific data, operational knowledge, and tacit knowledge. Anticipating that general-purpose AI platforms will become increasingly commoditized, the Company will flexibly use external models from OpenAI, Anthropic, Google, Microsoft, and others while establishing its own distinctive quality in the upper layer, where it implements each company's knowledge assets and decision criteria.

The Management OS the Company is aiming for consists of JI talent, who serve as the right hand of management, decision-making AI by industry and function, and a tacit knowledge platform that converts corporate philosophy and expertise into AI. AI-PF collects and integrates data from core systems, meetings, documents, and other sources, assigns meaning to it, and then supports everything from decision-making to execution. Covering areas such as management control, sales, procurement, manufacturing, logistics, and talent, it integrates task-specific AI agents, retrieval-augmented generation (RAG) that references internal knowledge, analysis and optimization, workflow integration, and access control. Consultants and FDEs* identify client issues and requirements and rapidly implement AI-PF at client sites. The Company also plans to broaden its revenue model from one in which joint development fees are the main source of income to a recurring model based on usage fees.

* Forward Deployed Engineer: an engineer who works on site at the client, understands its operational issues, and then implements and improves AI and systems.

The Company offers Sales Suite as an existing cloud product. Sales Suite analyzes sales statement data to determine customer priorities, contact timing, churn risk, and business growth potential, thereby optimizing sales activities. Meanwhile, under its latest AI-PF strategy, the Company positions AI Giji-Con, Globe-ing-kun, and AI Spend Intelligence as leading applications and is pursuing joint development with major companies. AI Giji-Con treats meetings as an important source of information, streamlining minutes creation and task management while also supporting evaluation of meetings themselves, analysis of the causes of waste, and talent development. Globe-ing-kun oversees multiple specialized AIs and handles planning tasks such as organizing agenda items, creating materials, and conducting reviews. Verification of their effectiveness has progressed through joint development, and both products have now been patented. Spend Intelligence Suite is positioned as a strategic product offering "AI Spend Intelligence" with a primary focus on direct materials to optimize companies' external spending. It incorporates internal data such as unit price revisions and purchase requests along with external data including market conditions, supporting everything from visualizing spending and formulating procurement strategies to requesting and comparing estimates and coordinating with and selecting suppliers. A distinguishing feature is that it analyzes cost drivers and the competitive environment by cost category to inform decisions on price negotiations and share allocation. Going forward, the Company will accumulate horizontally deployable expertise and IP from each product and rapidly develop decision-making AI by industry and function on the tacit knowledge platform. This will enable it to propose measures that reflect a company's value criteria, business history, and on-site experiential knowledge, with the aim of taking over white-collar planning and management tasks and enhancing decision-making.

Balancing high productivity and high utilization rates through AI use and JI-type consulting

4. Competitors

The Company's main competitors are strategic consulting firms such as McKinsey & Company, Boston Consulting Group, and Kearney (formerly A.T. Kearney).

While the Company has a high share of high-value-added senior-level consultants, it is reducing the man-hours of junior consultants through means such as the use of AI tools, thereby improving service quality and productivity per consultant. Additionally, with the consulting services offered by competitors, there can be standby days varying from several weeks to around one month between project renewals and the start of the next contract, which introduces the risk of losses in the consultant utilization rate. However, because JI-type consulting is involved in clients' internal processes, the risk of a decrease in the consultant utilization rate is relatively lower, allowing for more efficient deployment of consultants.

Results trends

Profit growth in FY5/26 substantially exceeded the initial plan. Revenue and all profit levels reached record highs

1. Overview of FY5/26 results

In the FY5/26 results, revenue was ¥11,512mn (up 39.4% YoY), operating profit was ¥4,142mn (up 47.9%), ordinary profit was ¥4,111mn (up 47.7%), and profit attributable to owners of parent was ¥3,051mn (up 72.6%). Revenue and all profit levels reached record highs, with operating profit exceeding the initial plan by 17.0% and profit attributable to owners of parent by 34.7%.

On the revenue front, demand for corporate DX investment, AI utilization, and new business development continued, driving growth in demand for consulting on everything from strategy formulation to execution. In particular, JI-type consulting became firmly established, with expansion in project sizes and support areas at existing clients. The number of strategic accounts generating revenue of ¥1.0bn or more increased from 1 in the previous fiscal year to 2, while those generating from ¥0.5bn to less than ¥1.0bn increased from 3 to 4, and those generating from ¥0.1bn to less than ¥0.5bn increased from 12 to 16. One client that generated ¥1.0bn or more in the previous fiscal year moved into the ¥0.5bn to less than ¥1.0bn range due to a deterioration in its business conditions, but two other clients exceeded ¥1.0bn. The adjusted number of consultants also rose by 25 from the end of the previous fiscal year to 203, strengthening the structure for meeting growing demand.

On the profit front, the Company maintained appropriate profitability on a per-project basis and limited the burden of R&D expenses by assigning AI Business talent to joint development JI projects. Due to the effect of higher revenue and a lower SG&A expense ratio, the operating profit margin rose 2.1pp YoY to 36.0%. As the impact of the tax on retained earnings disappeared, the margin on profit attributable to owners of parent also improved, rising 5.1pp YoY to 26.5%. In 4Q, the operating profit margin declined 4pp YoY to 26%, reflecting a reduction in business volume due to a change in business conditions at one major client as well as the assignment of talent to AI-PF development and the reacceleration of recruitment. That said, the reduction in business volume was an issue specific to one major client, and business with other clients remained solid. For the full year, the client base also continued to expand, with the number of clients generating revenue of ¥1.0bn or more rising from one in the previous fiscal year to two. The operating profit margin came in at 36.0% for the full year, and the decline in 4Q partly reflects the prioritization of development and recruitment investment with a view to future growth. We at FISCO will be watching to see whether the Company can translate its expanded client base and growth investment into revenue growth.

FY5/26 results

(¥mn)

	FY5/25		FY5/26		YoY	
	Results	vs. revenue	Results	vs. revenue	Change	% change
Revenue	8,255	-	11,512	-	3,256	39.4%
Cost of sales	2,653	32.1%	3,776	32.8%	1,122	42.3%
Gross profit	5,602	67.9%	7,736	67.2%	2,134	38.1%
SG&A expenses	2,801	33.9%	3,594	31.2%	792	28.3%
Operating profit	2,800	33.9%	4,142	36.0%	1,341	47.9%
Ordinary profit	2,783	33.7%	4,111	35.7%	1,328	47.7%
Profit attributable to owners of parent	1,768	21.4%	3,051	26.5%	1,283	72.6%

Source: Prepared by FISCO from the Company's financial results

Both businesses grew revenue on expansion of JI-type support and AI joint development, with the AI Business returning to profitability

2. Results trends by business for FY5/26

(1) Consulting Business

In the Consulting Business, revenue expanded to ¥11,107mn (up 35.2% YoY) and segment profit to ¥5,051mn (up 34.6%), as the Company won new projects related to strategy formulation, DX promotion, and AI utilization and increased the scale of existing support. It made progress in both developing new clients and deepening relationships with existing ones, increasing the number of engagements covering multiple themes over long periods. The spread of JI-type support, which involves deep engagement with clients' businesses and organizations, led to greater contract continuity and increased the value of business with clients.

Looking at KPIs, the adjusted number of consultants increased to 203. Although the Company restrained recruitment from 2Q through 3Q, it reaccelerated hiring in 4Q, targeting mainly JI and AI talent. The average annual income of consultants was ¥20.04mn, roughly in line with the ¥20.12mn recorded in the previous fiscal year. While increasing headcount, the Company continued its involvement in high-value projects, seeking to balance supply capacity with productivity.

The JI revenue ratio, a growth driver, rose from 44% in the previous fiscal year to 60%, while the AI-related revenue ratio climbed from 30% to 49%. Of AI-related revenue of ¥5,662mn in FY5/26, joint development of AI products accounted for ¥2,382mn, or 42%. By product, Globe-ing-kun accounted for ¥1,681mn, AI Giji-Con for ¥584mn, and Spend Intelligence Suite and Sales Suite for ¥116mn. AI-related revenue is a management indicator that covers not only the AI Business but also AI-themed initiatives and joint development handled in the Consulting Business. Projects combining JI-type support with AI technology increased, forming an earnings base that will lead to longer client relationships and additional orders.

KPI performance

	FY5/24	FY5/25	FY5/26
Adjusted number of consultants	119	178	203
Average annual income of consultants	¥19.74mn	¥20.12mn	¥20.04mn
JI revenue ratio	30%	44%	60%
Amount	¥1.24bn	¥3.60bn	¥6.89bn
AI-related revenue ratio	11%	30%	49%
Amount	¥0.47bn	¥2.47bn	¥5.66bn

Source: Prepared by FISCO from the Company's results briefing materials

(2) AI Business

In the AI Business, revenue was ¥405mn (up 856.8% YoY) and segment profit was ¥234mn (loss of ¥101mn in the previous fiscal year), returning to profitability. Joint development of AI agents with major companies contributed to earnings. Development progressed beyond one-off verification to work premised on use in clients' actual operations, and joint development became one of the pillars supporting company-wide AI-related revenue.

In joint development with a major automaker, the Company advanced the implementation of Globe-ing-kun, an AI agent that supports planning, and AI Giji-Con, which supports meeting and project management. By combining the client's on-site expertise with the Company's planning capabilities and the skills of its AI engineers, the Company is building a framework in which AI complements key tasks such as planning, material creation, and meeting management. For Spend Intelligence Suite, which it is developing with the procurement subsidiary of a major electronics manufacturer, the Company has built functions such as centralized management of spending data, formulation of procurement strategies, and estimate requests and comparisons, supporting more sophisticated procurement decisions.

In 4Q, in light of the rapid evolution of generative AI, the Company reviewed its business model and, in addition to developing individual products, invested in AI-PF, which supports decision-making and the use of tacit knowledge. Although the development burden increased, the AI Business returned to profitability and revenue from joint development also grew. Since profit in the AI Business also reflects the effect of assigning talent to JI projects, the standalone earnings power of its products and the breadth of its customer base will need to be monitored going forward. That said, joint development is already contributing to revenue, and the Company is accumulating expertise rooted in clients' actual operations. If it can incorporate this expertise into AI-PF and roll it out to multiple clients, growth in usage fee income can also be expected. The AI Business can be said to be emerging from the upfront investment phase and entering a stage of broadening monetization.

3. Financial position and management indicators

Looking at the Company's financial position at the end of FY5/26, total assets increased ¥2,182mn from the end of the previous fiscal year to ¥10,949mn. Current assets rose ¥1,451mn to ¥9,283mn, reflecting increases in cash and deposits, contract assets, and prepaid expenses. Non-current assets increased ¥730mn to ¥1,666mn, as property, plant and equipment and deposits grew in line with office expansion. Total liabilities edged up ¥6mn to ¥2,904mn, roughly unchanged from the end of the previous fiscal year. Current liabilities decreased ¥98mn to ¥2,682mn due to a decline in income taxes payable, while non-current liabilities increased ¥104mn to ¥222mn on higher asset retirement obligations and other items. Total net assets increased ¥2,175mn to ¥8,045mn. Although the Company acquired treasury stock, and capital surplus declined, retained earnings accumulated substantially on the recording of profit attributable to owners of parent.

From a financial soundness perspective, the equity ratio climbed 7.9pp from the end of the previous fiscal year to 73.5%, further enhancing the stability of the Company's financial base. The current ratio also remained high, at 346.1%, leaving ample room in terms of short-term payment capabilities. Return on equity (ROE) also reached 44.2%, indicating that the Company is achieving high capital efficiency at the same time. With ample cash on hand and the ability to generate operating cash flow, the Company can make agile growth investments in areas such as AI development and M&A, and we at FISCO believe it has a solid financial structure in place to support its growth strategy.

Consolidated balance sheets and major management indicators

(¥mn)

	End-FY5/24	End-FY5/25	End-FY5/26	Change
Current assets	2,061	7,831	9,283	1,451
Cash and deposits	1,388	6,612	7,693	1,081
Accounts receivable - trade, electronically recorded monetary claims, and contract assets	603	1,122	1,339	216
Non-current assets	532	935	1,666	730
Property, plant and equipment	99	180	400	220
Intangible assets	209	381	443	61
Investments and other assets	223	373	821	448
Total assets	2,593	8,767	10,949	2,182
Current liabilities	947	2,780	2,682	-98
Income taxes payable	9	1,080	656	-423
Accrued consumption taxes	122	425	330	-94
Provision for bonuses	270	441	588	147
Non-current liabilities	93	117	222	104
Asset retirement obligations	41	46	133	87
Total liabilities	1,041	2,897	2,904	6
Total net assets	1,551	5,869	8,045	2,175
Retained earnings	936	2,705	5,756	3,051
Total liabilities and net assets	2,593	8,767	10,949	2,182
<Management indicators>				
Equity ratio	57.5%	65.6%	73.5%	7.9pp
Current ratio	217.5%	281.7%	346.1%	64.4pp

Source: Prepared by FISCO from the Company's financial results

Outlook

For FY5/27, forecasts revenue growth of around 40% and double-digit profit growth, and will fully launch its three-pillar growth strategy

For FY5/27, the Company forecasts revenue of ¥16,100mn (up 39.8% YoY), operating profit of ¥4,830mn (up 20.6%), profit before tax of ¥4,830mn (up 22.2%), and profit attributable to owners of parent of ¥3,381mn (up 17.6%).* The FY5/26 IFRS results used as the basis for comparison are revenue of ¥11,512mn, operating profit of ¥4,003mn, and profit attributable to owners of parent of ¥2,875mn. Even after increasing growth investment, it expects revenue growth of around 40% and double-digit profit growth.

* YoY comparisons are against the actual FY5/26 results under IFRS.

In the Consulting Business, the Company plans to increase the adjusted number of consultants by around 15 each quarter while maintaining an average annual income of consultants of around ¥20.00mn. It will broaden the range of clients targeted for JI and aims for a JI revenue ratio of 60% to 70% and an AI-related revenue ratio of 55% to 65% by year-end. It will maintain its existing accounts generating revenue of ¥1.0bn or more, and it has two clients whose transactions could expand to a similar scale. By introducing AI and DX into internal operations, it will raise productivity per person and seek revenue growth that outpaces the net increase in headcount. As for recruitment costs, it will keep the share of referral hiring (recruitment through introductions from employees and other associates) at around 60% to hold costs within an appropriate range.

In the AI Business, it will focus on joint development of AI agents and cloud products and plans revenue of around ¥400mn. This is roughly the same level as the previous fiscal year, but company-wide AI-related revenue also includes AI-themed initiatives and joint development handled in the Consulting Business. For this reason, the rise in the AI-related revenue ratio and revenue in the AI Business need to be viewed separately. The Company intends to generate earnings from joint development while advancing the commercialization of vertical AI-PF and its tacit knowledge platform, linking these to future usage fee income.

Excluding additional growth investment, it assumes operating profit of ¥5,630mn and an operating profit margin of 35.0%. From this, it will allocate ¥400mn to additional recruitment for growth from FY5/28 onward and ¥400mn to AI-PF development and the establishment of an M&A framework, bringing operating profit in the initial forecasts to ¥4,830mn. The Company plans to adjust these investments while monitoring the progress of results, so depending on revenue growth and the timing of expenditure, there appears to be room for profit to exceed the forecasts. A structure in which the highly profitable Consulting Business generates funds that are then channeled into AI and M&A has been taking shape, and we at FISCO view FY5/27 as an important year in which the Company will step into its next growth areas while securing a certain level of profit growth.

Outlook for FY5/27

(¥mn)

	FY5/26		FY5/27		YoY	
	Results	vs. revenue	Forecast	vs. revenue	Change	% change
Revenue	11,512	-	16,100	-	4,588	39.8%
Operating profit	4,003	34.8%	4,830	30.0%	827	20.6%
Profit before tax	3,952	34.3%	4,830	30.0%	877	22.2%
Profit attributable to owners of parent	2,875	25.0%	3,381	21.0%	505	17.6%

Note: FY5/26 figures are the actual results under IFRS.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Medium- to long-term growth strategy

Aims for discontinuous growth via three pillars, combining AI-PF and investment and M&A on a foundation of JI × AI-X

1. Conceptual overview of future growth

The Company intends to continue using JI-type consulting as its earnings base and to combine it with AI-X, AI-PF, and investment and M&A to accelerate growth while reducing its dependence on human resources. Under its new medium- to long-term plan GoFor2031/Vision2040, it has organized its operations into three pillars: JI × AI-X, AI-PF, and investment and M&A. It will implement a Management OS at client companies through JI × AI-X and AI-PF, and build a cycle in which the funds and industry expertise gained are also used to enhance the value of acquired companies.

Toward FY5/31, it aims to expand consolidated revenue from ¥11.5bn in FY5/26 to ¥120.0bn, targeting growth of around 60% per year. It plans for AI-related business to account for 70% or more of revenue. For JI × AI-X, its foundational business, it targets a revenue CAGR of 35% and an operating profit margin of 35% through FY5/31, while for AI-PF it assumes revenue of ¥4.0bn and an operating profit margin of 50% in that fiscal year. In investment and M&A, it will pursue a roll-up strategy of successively acquiring, integrating, and growing AI-related companies, targeting revenue of ¥60.0bn in FY5/31. From FY5/32 onward, it intends to increase the weighting of AI-PF and its investment business and broaden its scope to areas such as Japanese manufacturing, traditional crafts, food and agriculture, and tourism and hospitality.

The AI Digital Ecosystem Concept advocated by the Company involves using AI to pass on the technologies, master craftsmanship, corporate philosophies, and on-site wisdom accumulated by Japanese companies, and combining management talent and capital to enhance business value. Ultimately, it aims to roll out this model overseas and deliver Japanese value to the world. As recurring revenue such as AI-PF usage fees and investment returns from enhancing the value of acquired companies are added to an earnings structure centered on consulting fees, the source of growth is expected to shift from headcount expansion to the combined use of knowledge, software, and capital.

2. Management structure

Following approval at the annual general meeting of shareholders held on August 27, 2026, the Company plans to transition to a holding company structure effective December 1, 2026. The current entity will change its trade name to WAO Holdings, and the Consulting Business and AI Business will be succeeded by a new operating company. That operating company will take over the Company's current trade name. The holding company will handle group strategy, allocation of management resources, and governance, while each operating company will be structured to make decisions quickly in response to changes in the environment.

The main aim of the shift to a holding company structure is to establish a vehicle for M&A and to advance integration while granting autonomy to acquired companies. Through FY5/31, it will mainly target domestic AI companies that have advanced technology but face challenges in monetization and client development, and it plans to bring several companies with market capitalizations in the billions of yen into the group. It will transplant its relationships with CxOs, its ability to win upstream projects, its management of billing rates and utilization rates, and its recruitment and development systems in order to improve revenue and profit margins at acquired companies. In selecting investment targets, it will draw on the business model analysis capabilities it has cultivated in strategy consulting, the due diligence capabilities (acquisition audits that scrutinize a target's business, finances, legal affairs, and other areas) it has accumulated through support for foreign private equity (PE) funds, and its expertise in running talent businesses.

From FY5/32 onward, it intends to expand its acquisition scope to areas such as talent services, marketing and branding, and BPO (business process outsourcing), and also to target manufacturing and businesses related to Japanese culture, where converting tacit knowledge into AI can readily enhance competitiveness. The concept is for a consulting company to evolve beyond supporting the management of other companies into an operating and investment company that holds its investees over the long term and runs them itself, with the holding company structure serving as the organizational foundation for this.

3. Strategic growth plan for the Consulting Business

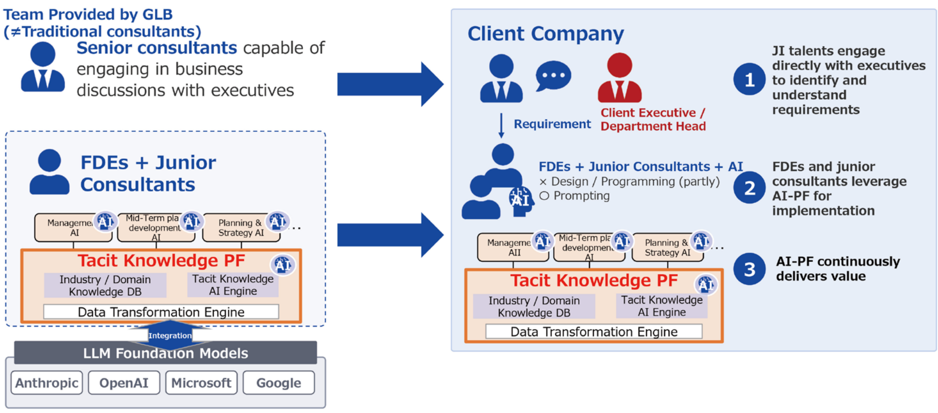
While the Company assumes that the market for headcount-supplementing consulting, which is readily replaced by AI, will shrink, it believes that the value of JI talent who serve as the right hand of management and of expertise deeply rooted in industries and operations will remain. It will therefore develop its foundational business from conventional consulting into JI × AI-X. By providing JI, which covers everything from setting management issues to execution, together with AI-X, which redesigns operations and organizations on the premise of AI, it targets a revenue CAGR of 35% and an operating profit margin of 35% through FY5/31. From FY5/32 to FY5/40, it targets a CAGR of 20%, including overseas expansion, and an operating profit margin of 35%.

In FY5/26, the Consulting Business posted revenue of ¥11,107mn (up 35.2% YoY) and segment profit of ¥5,051mn (up 34.6%). JI revenue within consolidated revenue was ¥6.89bn and the JI revenue ratio rose to 60%, reaching 69% in 4Q. Accounts also grew larger, with two clients generating annual revenue of ¥1.0bn or more, four generating ¥0.5bn to less than ¥1.0bn, and 16 generating ¥0.1bn to less than ¥0.5bn. For FY5/27, in addition to maintaining its existing large clients, it has two new clients that have secured budgets approaching ¥1.0bn. The nature of JI, in which the Company participates as a party to the client's business, is leading to longer contracts and a broader scope of transactions.

Its proprietary delivery model will be important in providing services going forward. In the first stage, senior-level consultants who understand both business and operations engage as JI talent in dialogue with executives and department heads to identify transformation requirements. In the second stage, FDEs and junior consultants use AI to handle design, programming as necessary, and prompt design, implementing decision-making AI and the tacit knowledge platform at client companies. In the third stage, the implemented AI-PF takes in data and knowledge and generates value on an ongoing basis. The design does not lock foundation models into the technology of any single company, instead working with Anthropic, OpenAI, Microsoft, Google, and others. Combining the management dialogue skills of senior talent, the implementation capabilities of FDEs, and advances in external AI is what differentiates the Company from conventional consulting.

It will also change its talent structure to match this model. Around FY5/31, including global expansion, it aims to strengthen the partner, director, senior manager, and manager ranks and increase FDEs from 30 to 300, targeting a total of 800 people and revenue of ¥50.0bn. The plan is to increase its talent base roughly 3.7-fold and revenue roughly 4.6-fold, and it also factors in improved productivity per person. In FY5/27, it will increase the adjusted number of consultants by around 15 per quarter while maintaining an average annual income of around ¥20.00mn, and it will prioritize recruiting partner-class talent with client relationships as well as JI and AI talent, building a structure capable of delivering both high billing rates and high productivity.

Delivery model for advancing JI × AI-X



Source: The Company's results briefing materials

Converting company-specific knowledge into competitiveness by integrating vertical AI-PF and Dynamic Equilibrium management

4. Expansion of the AI platform business

Rather than focusing on general-purpose foundation models, which require enormous development investment, as its main battleground, the Company will concentrate management resources on vertical AI, which sits above them. Its view is that while general-purpose AI is becoming both more powerful and more commoditized, there is considerable room for differentiation in the area of incorporating company-specific data, operational knowledge, corporate philosophy, and the tacit knowledge of experts. Using external foundation models flexibly, FDEs will rapidly implement decision-making AI by industry and function along with the tacit knowledge platform. The Company aims to shift from its current model of receiving joint development fees to a recurring model based on AI-PF usage fees.

The Management OS envisioned by the Company consists of three elements: JI talent, who serve as the right hand of management, decision-making AI, which supports areas such as management control, medium-term planning, corporate planning, sales, and procurement, and a tacit knowledge platform, which converts company-specific wisdom into AI. The tacit knowledge platform is equipped with a database that stores expertise by industry and operational area, an engine that captures into AI the key points of judgment that are difficult to articulate, and a conversion engine that integrates data scattered across internal systems and harmonizes its meaning. By having AI-PF convert on-site data into the form required for management decisions, the Company aims for management operations that reduce the intermediate tasks of conveying information and creating materials, allowing people to concentrate on issue identification, creation, dialogue, and final judgment.

The three products leading the way in commercialization are AI Giji-Con, Globe-ing-kun, and Spend Intelligence. AI Giji-Con is expected to reduce meeting time by 30%, minutes creation and task management by 50%, and unnecessary meetings by 20%. Globe-ing-kun targets a 50% reduction in the man-hours needed to prepare management materials. Both products have been patented and are beginning to show results in joint development projects with clients. Spend Intelligence embeds into AI the procurement cost optimization expertise accumulated in manufacturing and consulting, supporting the visualization of spending, comparison of estimates, selection of suppliers, and formulation of negotiation scenarios. For companies with revenue on the scale of ¥1tn, there may be room for savings of tens of billions of yen, and completion is scheduled for the end of FY5/27. The Company also plans to develop and begin providing the tacit knowledge platform during FY5/27.

For FY5/31, for a lower-bound case that assumes only Spend Intelligence, the Company plans to achieve revenue of ¥4.0bn and an operating profit margin of 50%. From FY5/32 onward, it targets a revenue CAGR of 70% and an operating profit margin of 50%, intending for this to drive the entire Company as a high-growth, high-margin business.

5. Promotion of Dynamic Equilibrium management

In contrast to Western-style management, which assigns people around organizations, functions, and standardized operations, the Company advocates Dynamic Equilibrium management, which places people at the center. This approach applies the dynamic equilibrium of life advocated by biologist Shinichi Fukuoka to corporate management, likening a company to a living organism and its people to cells. The aim is a state in which employees empathize with the corporate philosophy and develop “intersubjectivity” by overlaying their individual perspectives, exercising autonomy in a complementary manner so that the organization continues to evolve even as its environment changes. In addition to Shinichi Fukuoka, the Company has appointed Kazuo Ichijo, a specialist in knowledge creation theory, as an advisor, and is systematizing the methodology and disseminating it in Japan and overseas.

As AI-X progresses, some conventional business processes and middle management tasks will become unnecessary, making the redeployment of talent a management issue. At that point, rather than moving people solely through rules and organizational charts, an environment will be needed in which each person understands the objective, exercises judgment, and can work together with AI. The Company will implement corporate philosophies and the decision criteria of experts in its tacit knowledge platform and design AI that reinforces human capabilities. At the same time, based on its people-centered philosophy, it will create an environment in which each person understands the objective and can work together with AI, providing support that extends to organizational restructuring and talent development. Dynamic Equilibrium management is more than a philosophy; it serves as a management methodology for embedding JI × AI-X and AI-PF at client companies.

The master craftsmanship and corporate philosophies held by Japanese companies are difficult to articulate but can be a source of competitive advantage. The Company intends to capture the relationship between people and organizations through Dynamic Equilibrium management and to accumulate methods for converting tacit knowledge into AI obtained through joint development, thereby transforming uniquely Japanese management knowledge into reusable assets. It plans to incorporate this methodology into its AI Digital Ecosystem Concept, use it to enhance the value of Japanese manufacturing and traditional industries, and eventually roll it out overseas.

6. FISCO's view

In assessing the Company's medium- to long-term growth potential, the first focus is whether it can implement the management issues and industry expertise gained through JI in AI-PF and convert them into recurring revenue. The second focus is whether it can inject the funds, talent, and expertise accumulated in consulting and AI into acquired companies and raise their billing rates, utilization rates, recruiting capabilities, and profit margins. If the structure works in such a way that JI generates client contact points and development themes, AI-PF turns expertise into reusable products, and investment and M&A expand business scale and coverage, the three businesses can form a virtuous cycle in which each drives the growth of the others.

On the other hand, revenue of ¥120.0bn in FY5/31 is a challenging target, and achieving it will require the Company to simultaneously pursue continued expansion of large clients, recruitment of FDEs and senior talent, productization of AI-PF, and multiple acquisitions along with post-merger integration. In particular, it will be important for the Company to elevate the client-specific expertise gained through joint development into a versatile AI-PF and accumulate usage fee revenue. As for M&A, the Company will need not only to expand its scale but also to transplant its technological capabilities and client base in order to continuously improve profitability at acquired companies.

On this point, the Company holds as an integrated whole JI talent with access to executives, FDEs who implement AI-PF at client companies, and a technology platform for accumulating company-specific tacit knowledge. This combination could serve as a differentiating factor versus AI product specialists and conventional consulting firms. The transition to a holding company structure is also expected to strengthen group management functions and speed up decision-making in each business. We at FISCO will be watching how the Company leverages this business foundation and management structure to enhance corporate value over the medium to long term.

Shareholder return policy

Will expand shareholder returns with a target dividend payout ratio of 30%. Plans a substantial dividend increase to ¥35.6 per share in FY5/27

The Company decided to issue its first dividend in FY5/26, setting the dividend at ¥16.1 per share, above the initial plan of ¥15.0, for a dividend payout ratio of 15.9%. For FY5/27, it plans a dividend of ¥35.6 per share (¥14.2 at the interim and ¥21.4 at year-end), up ¥19.5 YoY, with a dividend payout ratio of 30.0%. Going forward, it will pay dividends twice a year as a general rule and aims for progressive dividends in line with profit growth.

The Company was able to move ahead with shareholder returns because it made steady progress in expanding its business and improving its earnings structure. In FY5/26, joint development-style JI consulting originating with the AI Business expanded, and operating profit rose 47.9% YoY while the operating profit margin climbed to 36.0%. The equity ratio at year-end was also high, at 73.5%, and the Company maintains the financial capacity to pursue growth investment and shareholder returns in parallel.

At the same time, while securing high returns on capital, the Company regards the possibility that accumulating internal reserves could weigh on capital efficiency as a management issue. It has therefore set out a capital allocation policy that emphasizes a balance among growth investment, financial soundness, and shareholder returns. It plans to allocate funds remaining after dividends flexibly to measures that contribute to enhancing corporate value, such as AI Business development, M&A, expansion of human capital, and share buybacks. A management approach that pursues high growth while also expanding shareholder returns can be expected to lead to sustained improvement in shareholder value.

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