COMPANY RESEARCH AND ANALYSIS REPORT

S-Pool, Inc.

2471

Tokyo Stock Exchange Prime Market

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Contents

Summary

Aims to expand revenue with special needs employment services as driver

S-Pool, Inc. <2471> (hereafter, also "the Company") is developing the Business Solutions Segment, which is centered on special needs employment services, and the Human Resources Solutions Segment, which operates mainly temporary staffing services for call centers. Except for new businesses, each service is made into a subsidiary and operated independently, which is a distinctive feature.

1. Overview of FY11/25 results

For FY11/25 consolidated results, revenue increased 1.9% year on year (YoY) to ¥26,029mn and operating profit decreased 13.1% to ¥2,418mn. The mainstay special needs employment services steadily expanded to achieve double-digit revenue and profit growth. On the other hand, declines in revenue and profit in the Human Resources Solutions Segment centered on call center dispatches were compounded by the recording of one-time expenses (¥178mn) associated with the withdrawal of the Shinagawa Center in e-commerce shipment agency services. Furthermore, the downsizing or deferral of national policy projects in wide-area administrative BPO services, delivery timing mismatches and the incurring of temporary personnel expenses in employment support services, and other factors contributed to an overall decline in profit. The Company also fell short of its initial plan (revenue ¥26,828mn and operating profit ¥3,074mn). Most of this shortfall was attributable to underperformance in e-commerce shipment agency, wide-area administrative BPO, and employment support services.

2. FY11/26 forecasts

For its FY11/26 consolidated results, the Company is forecasting increased revenue and profit, with revenue to increase 3.1% YoY to ¥26,844mn and operating profit to increase 13.0% to ¥2,733mn. Although the Human Resources Solutions Segment continues to see decreases in revenue and profit, the factors behind the forecasts are continued growth in special needs employment services and the fact that e-commerce shipment agency, wide-area administrative BPO, and employment support services, which had contributed negatively to profit in the previous fiscal year, all shifted to profit growth. However, as revenue plans for wide-area administrative BPO and environmental management support services are weighted to 2H, those services are expected to post decreases in revenue and profit in 1H, then turn to increases in revenue and profit from 2H.

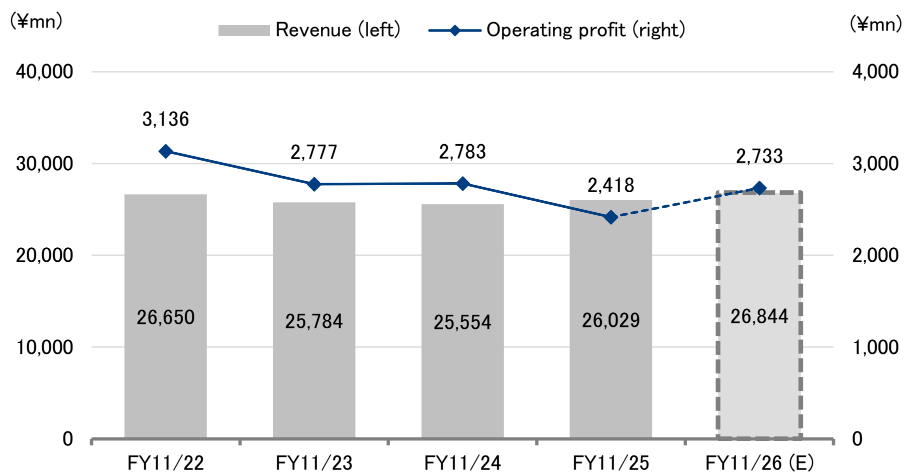
3. Medium-term management plan

Having committed itself to "Further Strengthening the Management Foundations for the Next Decade" under its 5-year medium-term management plan, which commenced in FY11/25, the Company has set out earnings targets for revenue of ¥36.0bn (CAGR of 7.1%) and operating profit of ¥4.5bn (CAGR of 10.5%). Although the first year of the plan fell short of the target. However, at the current stage, the operating profit target remains unchanged at ¥4.5bn. In the Company's mainstay special needs employment services, in addition to sustained growth of the farm services, the Company aims for sustained growth while promoting initiatives geared towards job domain expansion beyond farm work and expansion into the support domain for people with disabilities. With regards to farms, while the Company had previously been operating in the Tokyo-Nagoya-Osaka area, from FY11/27 onward, it will also consider entry into other regional cities as it aims to build up the number of sales plots. Additionally, for wide-area administrative BPO services, the Company's strategy is to build a stable revenue base by focusing on joint BPO operations that can be expected to generate recurring revenue. In joint BPO operations, the Company will aim to increase the number of local governments to which it provides services from 70 as of November 2025 (revenue of ¥58mn per month) to 300 by November 2026 (¥170mn per month). With regard to its shareholder returns policy, the Company maintains, as it has before, a consolidated dividend payout ratio of 30% or higher (even if a decline in profit is recorded, the policy is to not decrease the dividend as long as the ratio remains less than 60%), and the forecast for FY11/26 is for a dividend of ¥10.0 per share (dividend payout ratio 47.2%), on par with the previous fiscal year.

Key Points

- Due to the impact of incurring one-time expenses and other factors, FY11/25 results ended with increased revenue but decreased profit
- FY11/26 results are expected to turn to double-digit profit growth driven by the Business Solutions Segment
- Special needs employment services business will also tackle job / domain expansion and other endeavors as it aims for further growth
- The Company promotes its five-year medium-term management plan, aiming for operating profit of ¥4.5bn in FY11/29

Results trends



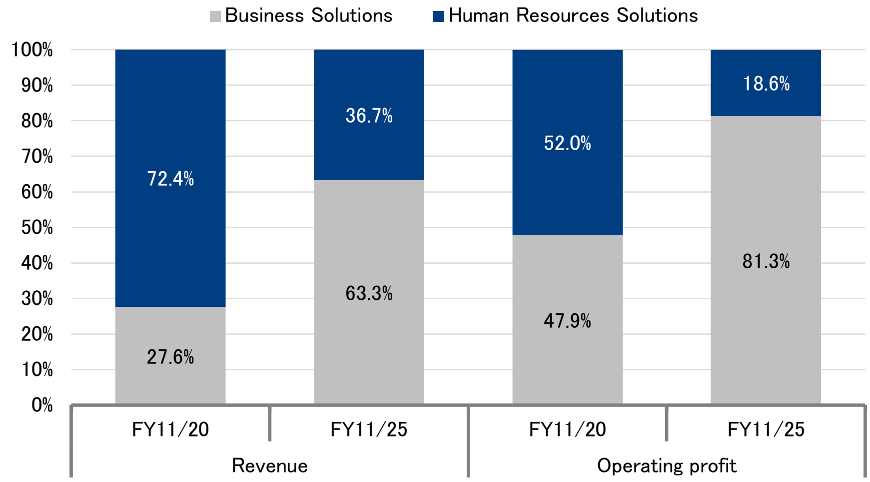
Note: IFRS standards have been adopted from FY11/23. Results presented under IFRS for FY11/22 as well.
Source: Prepared by FISCO from the Company's financial results

Business overview

Developing the Business Solutions Segment and Human Resources Solutions Segment

The Company has two business segments, the Business Solutions Segment and Human Resources Solutions Segment. Looking at the composition of results by business segment in FY11/25, the Business Solutions Segment provided the majority of revenue, 63.3%, and operating profit, 81.3%. Five fiscal years ago in FY11/20, the Company's Human Resources Solutions Business provided the majority of revenue, 72.4%, and operating profit, 52.0%. It is evident how special needs employment services have expanded in the Business Solutions Segment and how new businesses in the form of wide-area administrative BPO services and environmental management support services have achieved growth. On the other hand, the Human Resources Solutions Segment experienced a downturn, mainly due to the end of a temporary surge in call center staffing services demand from 2020 driven by COVID-19 and a decrease in demand for operators due to the spread of generative AI. This will pose a management challenge going forward.

Revenue and operating profit by segment



Notes: 1. The percentages are before internal eliminations.
2. FY11/20 results are presented in accordance with JGAAP, while FY11/25 results are presented in accordance with IFRS.
Source: Prepared by FISCO from the Company's financial results

1. Business Solutions Segment

In the Business Solutions Segment, the subsidiaries provide various services, including special needs employment services, wide-area administrative BPO services, environmental management support services, e-commerce shipment agency services, employment support services, and sales promotion support services. In addition, the Company handles the development of other new businesses under this segment. In terms of the composition of FY11/25 results, special needs employment services accounted for 55% of revenue and 84% of operating profit, making them the mainstay business.

(1) Special needs employment services

The special needs employment services operated by S-Pool Plus, Inc. install hydroponic equipment on land or in buildings it has leased, and then lease the facility to companies as a "Work Happiness Farm," (hydroponic equipment is sold), and also obtain fees for the referrals of people with disabilities (primarily people with intellectual disabilities) engaging in work and their managers at the relevant farm. This hybrid business model combines flow revenue (equipment sales and human resource referral fees) and recurring revenue (farm management fees). Since starting this business in 2010, the Company has opened a total of 59 farms in Tokyo metropolitan area, Aichi, and Osaka Prefectures as of November 2025, and has created employment for 4,942 people with disabilities at 722 contracting companies. Initially, the Company had only opened outdoor farms, but it began promoting indoor farms from 2020 onward after taking into consideration countermeasure against severe heat and other factors (19 indoor farms as of November 30, 2025). It also opened farms through collaboration agreements with local governments in some cases. Collaborations with local governments have merits that include being able to efficiently facilitate activities to secure candidate sites and recruit people with disabilities as prospective workers.

In principle, the Company sells 6 plots (3 people with disabilities; 1 manager) as one package. Hydroponic equipment costs approximately ¥1.6mn per plot for outdoor plots and approximately ¥1.9mn per plot for indoor plots. Human resource referral fees average approximately ¥600,000 for people with disabilities and approximately ¥500,000 for managers. Operations management fees vary by location, averaging approximately ¥50,000/month/plot (¥65,000/month/plot for indoor plots). Supposing that at the beginning of the fiscal year one outdoor farm (150 plots) is sold, revenue for that fiscal year would total ¥390mn, comprised of hydroponic equipment sales of ¥240mn, human resource referral fees of ¥60mn, and operations management fees of ¥90mn. Conversely, the amount invested in equipment would be approximately ¥250mn to ¥350mn (such as the vinyl greenhouse and vehicles; depreciation periods range from 4–14 years). In the first fiscal year sales, transactional revenue, which has a high profit margin, is recorded, so the contribution to profit is high. But, from the second fiscal year onwards, the profit margin lowers because transactional sales end, but depreciation and amortization costs and maintenance costs remain. The operating profit margin for FY11/25 was approximately 33%, but when the proportion of recurring sales goes up, the profit margin goes down. Additionally, in the case of indoor farms, capital expenditure is around ¥350mn–450mn, while fixed costs such as electricity charges and lease fees are higher than outdoor farms. There is therefore a risk that the profit margin can be low for the short term depending on the progress of sales after the farm opens.

The employment retention rate is higher than general companies at approximately 92% (one year after recruitment), which is one of the advantages of the Company's services. The Company works to provide a working environment where employees can work comfortably, and it is highly rated by customer companies, employees and their families. Fifteen companies canceled their contracts in FY11/25, but in all cases, the reasons were due to the customer (poor business performance, change in operating structure, etc.). For plots made empty by the canceled contracts where the hydroponic equipment is in good condition, the Company resells it at a discounted price from the regular price to new customer companies. Human resource referral fees are not collected due to the employees who worked at the companies canceling contracts being referred to the new customer companies to continue working. Note that competitors for special needs employment services utilizing farms include JSH Co.,Ltd. <150A> and Startline CO.,LTD. <477A>, among others.

(2) Wide-area administrative BPO services

The wide-area administrative BPO services operated by the subsidiary S-Pool Glocal, Inc., are shared services, targeting small local governments with populations of 200,000 or less. S-Pool Glocal undertakes resident services (including handling inquiries and processing services for payments and My Number Card applications, etc.), which have previously been conducted separately by each local government, from multiple local governments in bulk. S-Pool Glocal establishes administrative satellite counters in convenient locations such as large-scale shopping centers, and offers both in-person and online responses by installing information terminals. It launched services in FY11/21. Initially, spot projects under national policies, including those related to COVID-19 countermeasures, accounted for the majority of revenue. However, as these projects ended or were scaled down, going forward, the subsidiary will focus on securing contracts for local governments' routine operations that can be expected to generate recurring revenue. As of the end of FY11/25, it had opened 22 BPO centers nationwide.

(3) Environmental management support services

The environmental management support services operated by the subsidiary S-Pool Blue Dot Green, Inc., include consulting services for carbon offset support and CO_2 emission calculation and credit brokerage services. In 2020, at the time when S-Pool Blue Dot Green was made a subsidiary, carbon credit* brokerage services accounted for the majority of sales. However, with the subsequent introduction of a requirement for listed companies to disclose information regarding their SDGs initiatives, the subsidiary saw a surge in demand for consulting services, such as support for responding to the Carbon Disclosure Project (CDP), and consulting services grew to make up the majority of sales.

* Carbon credit is a mechanism in which credits are purchased from the markets by companies whose CO_2 emissions reductions are insufficient to make up for their reduction shortfall by creating the right to emit a certain volume of greenhouse gases (GHGs) in the form of a non-fossil certificate.

CDP is a non-profit organization based in the United Kingdom that surveys and evaluates companies' environmental activities (GHG emissions reduction and climate change initiatives, etc.), then publishes the data for stakeholders. Many of the world's investors utilize CDP information when investing in ESG-related stocks. CDP sends out an annual questionnaire to companies that it surveys on themes such as climate change, water security, and forests, then scores the responses and publishes them. In Japan, the questionnaire was sent to 500 listed companies in 2021, after which the target for sending questionnaires was expanded to all Prime Market companies in 2022 and also to small and medium-sized enterprises from 2024. In FY11/25, response support results for CDP response support services numbered over 300 cases spread across more than 200 companies.

Additionally, in FY11/24, S-Pool Blue Dot Green utilized its knowledge in the environmental consulting field to launch a decarbonization support service for local governments. The service provides support for local governments in calculating their greenhouse gas emissions and drafting and executing road maps for reducing them as well as promotes the popularization of environmental activities among local residents and business operators. The subsidiary enters comprehensive cooperation agreements and so forth with local governments while working to realize a decarbonized society and to resolve social issues facing local communities.

(4) Other services

The e-commerce shipment agency services operated by the subsidiary S-Pool Logistics, Inc., operate product shipment agency services, mainly for e-commerce businesses, at two locations: the Shinagawa Center (Minato Ward, Tokyo; opened February 2018; 7,273 m^2), and the Nagareyama Center (Nagareyama City, Chiba Prefecture; opened August 2023; 11,620 m^2). For the purpose of reinforcing profitability, the subsidiary has decided to close the Shinagawa Center at the end of May 2026 and consolidate operations at the Nagareyama Center.

The employment support services operated by the subsidiary S-Pool Link, Inc., provide OMUSUBI agency services, including receiving applications and arranging interviews primarily for part-time workers, mainly for the restaurant, retail, and delivery industries. In October 2017, the subsidiary began a business cooperative agreement with TSUNAGU SOLUTIONS Inc. (currently TSUNAGU GROUP HOLDINGS Inc. <6551>). In this agreement, TSUNAGU SOLUTIONS is mainly responsible for recruitment agency services, and part-time job application reception services are conducted at S-Pool Link's call centers (five locations). Service fees are results-based (number of interviews arranged × fee). Customer companies become able to reduce their help wanted advertising costs compared to the past and improve their employment efficiency. There is also a web interview agency service as well as health checkup reservation and data entry agency services that began in FY11/25.

The subsidiary S-Pool Sales Support Co., Ltd., provides face-to-face sales promotion support for credit cards and home-delivered water at commercial facilities and other venues as well as operational support for promotional efforts. It also provides TAKUWIL, a professional talent placement service that connects individuals with experience as executives at listed companies and specialized professionals with small and medium-sized enterprises and startups. In addition, S-Pool Sales Support is focusing on new business development as well.

2. Human Resources Solutions Segment

In the Human Resources Solutions Segment, the subsidiary S-Pool Human Solutions, Inc., mainly provides temporary staffing services for the call center business and over-the-counter sales support business, such as that for mobile phones and consumer electronic appliances. For the composition of the segment's revenues in FY11/25, the call center business provided approximately 79% and over-the-counter sales support services around 8%, while the remainder was provided by other temporary staffing services (dispatches of construction, hotel, and airport staff). S-Pool Human Solutions has opened 8 offices in major cities in Japan, from Hokkaido to Okinawa (as of the end of December 2025).

Its main customers include Bellsystem 24 Holdings, Inc. <6183>, Relia, Inc., and transcosmos inc. <9715> for the call center business, and CONEXIO Corporation and YAMADA HOLDINGS CO., LTD. <9831> for the sales support business.

Results trends

Due to the impact of incurring one-time expenses and other factors, FY11/25 results ended with increased revenue but decreased profit

1. Overview of FY11/25 results

In consolidated results for FY11/25, revenue was up 1.9% YoY to ¥26,029mn, operating profit was down 13.1% to ¥2,418mn, profit before tax was down 17.4% to ¥2,123mn, and profit attributable to owners of parent was down 31.2% to ¥1,444mn. Revenue reached a record high as higher revenue in the Business Solutions Segment compensated lower revenue in the Human Resources Solutions Segment. However, operating profit spilled into negative territory due to reduced profit in the Human Resources Solutions Segment plus a temporary loss in the Business Solutions Segment. The significant decrease in profit attributable to owners of parent was mainly due to the absence of the corporate tax benefit associated with deferred tax assets (approximately ¥400mn) that was recorded in the previous fiscal year.

Consolidated results for FY11/25 (IFRS)

(¥mn)

	FY11/24		FY11/25				
	Results	vs. revenue	Company's plan	Results	vs. revenue	YoY	vs. forecast
Revenue	25,554	-	26,828	26,029	-	1.9%	-3.0%
Gross profit	9,454	37.0%	10,306	9,735	37.4%	3.0%	-5.5%
SG&A expenses	6,709	26.3%	7,322	7,252	27.9%	8.1%	-1.0%
Operating profit	2,783	10.9%	3,074	2,418	9.3%	-13.1%	-21.3%
Profit before tax	2,569	10.1%	2,804	2,123	8.2%	-17.4%	-24.3%
Profit attributable to owners of parent	2,099	8.2%	1,907	1,444	5.5%	-31.2%	-24.3%

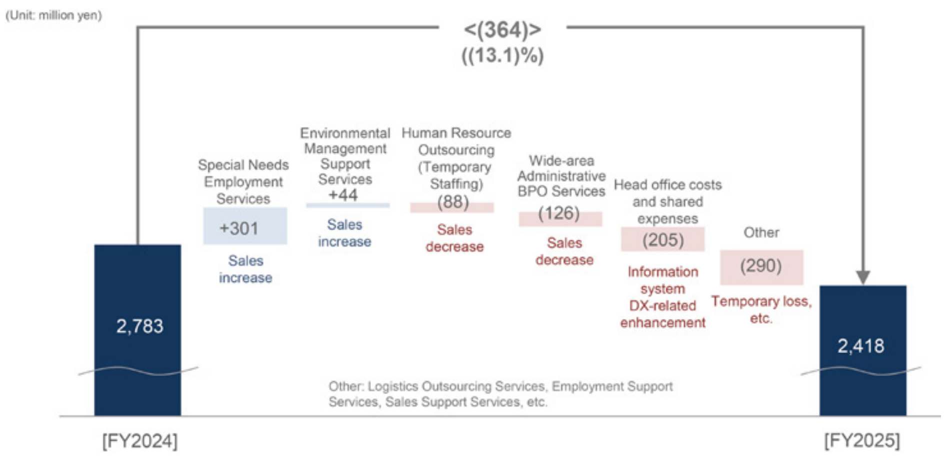
Source: Prepared by FISCO from the Company's financial results

Revenue was ¥798mn below the plan due to sluggish performance in human resources outsourcing and wide-area administrative BPO services. Accompanying this, operating profit also fell short by ¥655mn. This breaks down as follows: a profit shortfall of ¥292mn in wide-area administrative BPO services, a one-time loss of ¥178mn associated with the withdrawal of the Shinagawa Center in e-commerce shipment agency services, and an impact of ¥130mn from upfront personnel expenses and the carryover of deliveries to the next fiscal year in employment support services.

The gross profit margin increased from 37.0% in the previous fiscal year to 37.4% due to an increase in the revenue composition ratio of the highly profitable special needs employment services. On the other hand, the SG&A expense ratio also increased from 26.3% to 27.9%, with those expenses rising by ¥543mn on an amount basis as well. Personnel expenses, costs for information security measures, and various IT tool costs were the main factors behind this increase.

While operating profit declined by ¥364mn, looking at influencing factors for operating profit, the increase factors were ¥301mn in special needs employment services and ¥44mn in environmental management support services. On the other hand, decreasing factors were ¥88mn in human resource outsourcing services, ¥126mn in wide-area administrative BPO services, ¥205mn in head office shared costs, and ¥290mn in other businesses.

Influencing factors for operating profit



Source: The Company's results briefing materials

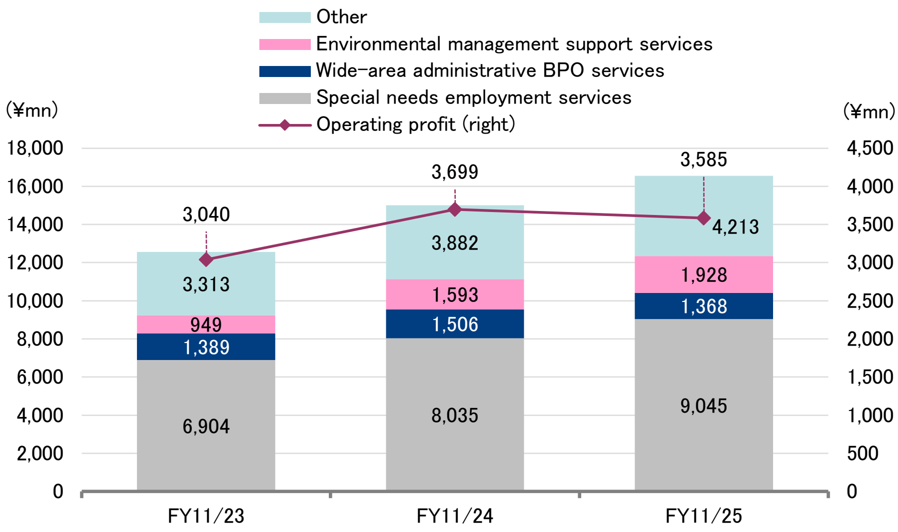
Special needs employment services continue double-digit revenue and profit growth

2. Trends by business segment

(1) Business Solutions Segment

Revenue in the Business Solutions Segment was ¥16,554mn (up 10.2% YoY), and operating profit was ¥3,585mn (down 3.1%). With regard to revenue, growth in special needs employment services and environmental management support services led to double-digit revenue growth for 13 consecutive fiscal years. However, on the profit side, the impact of incurring one-time losses in other businesses and other factors resulted in a decline in profit.

Results in the Business Solutions Segment



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

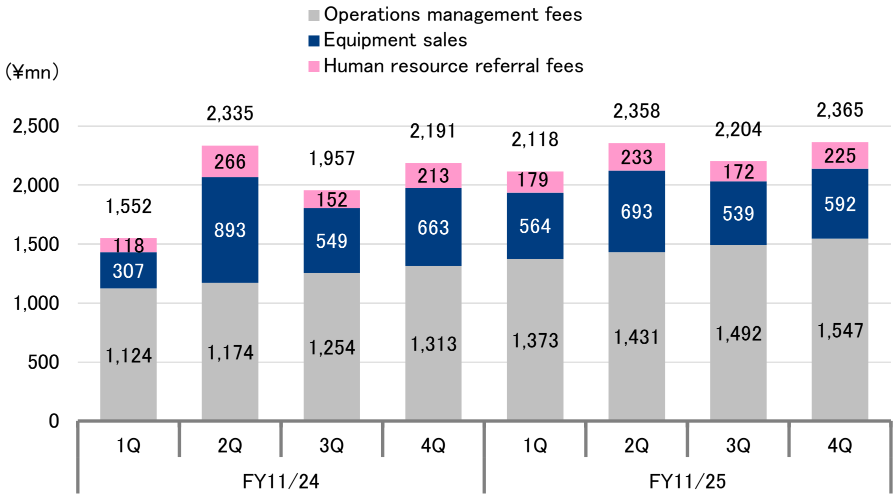
a) Special needs employment services

Special needs employment service revenue continued double-digit growth, increasing 12.6% YoY to ¥9,045mn, while operating profit also increased 11%, reaching approximately ¥3.0bn on an amount basis. The operating profit margin declined slightly from 34% in the previous fiscal year to 33% mainly due to changes in the compositional ratio of revenue (increase in the compositional ratio of operations management fees, which constitute recurring revenue) and an increase in depreciation expense (up approximately ¥400mn). However, both revenue and operating profit met target, keeping up their double-digit growth pace.

Breaking down revenue, equipment sales are forecast to decrease 1.0% YoY to ¥2,389mn, operations management fees to increase 20.1% to ¥5,844mn, and human resource referral fees to increase 7.9% to ¥810mn. In special needs employment services, 6 new farms (1 outdoor / 5 indoor) were opened, and the number of sales plots halted at 1,308 plots, a decrease of 6.4% YoY. However, the sales composition ratio of higher-priced indoor types increased, causing equipment sales to decrease only slightly. Although cancellations totaled 15 companies (an increase of 2 companies YoY), success in continuously acquiring new contracts lifted the number of contracting companies at the end of the fiscal year to 722, up 58 from the end of the previous fiscal year.

The number of operations management plots at the end of the fiscal year increased 12.2% YoY to 9,883 plots. The unit sales amount for operations management fees was increased by approximately 7%, reflecting an increase in the ratio of indoor farms, which have a high unit price, as well as fee revisions implemented at existing farms in line with inflation. Note that at the end of the fiscal year, the backlog of orders had built up to a record-high level of approximately 620 plots (approximately 570 plots at the end of the previous fiscal year). Demand for the Company's services remains robust at present. In 1H, prioritizing the filling of positions vacated by employees with disabilities who retired led to cases where new sales were sluggish. However, diversifying the regions where farms were opened caused hiring to progress smoothly and supply-side challenges to be resolved. In FY11/25, 2 farms were opened in Kanagawa and Osaka each and 1 farm was opened in Tokyo and Saitama each.

Revenue of special needs employment services



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

b) Wide-area administrative BPO services

In wide-area administrative BPO services, revenue and operating profit fell under the Company's plan by ¥382mn and ¥292mn, respectively, with revenue decreasing 9.2% YoY to ¥1,368mn and operating profit of approximately ¥20mn (compared with approximately ¥150mn in the previous fiscal year). This was mainly due to a decrease in national policy projects, which had been expected to increase in 2H, due to reductions in scale, postponements, and other factors. Note that one new BPO center (Ube City, Yamaguchi Prefecture) was opened, bringing the total to 22 locations as of the end of the fiscal year.

c) Environmental management support services

In environmental management support services, revenue increased 21.1% YoY to ¥1,928mn and operating profit increased ¥44mn to approximately ¥750mn, falling by and large in line with the Company's plan. Of the revenue, sales to companies increased 26.2% YoY to ¥1,652mn. Orders for CDP response support services for listed companies increased steadily, and growth in carbon credit sales also positively contributed to revenue. Additionally, as for sales to local governments, revenue decreased 2.5% to ¥276mn due to one-off consulting projects such as the formulation of Zero Carbon City plans declined.

d) Other

Revenue in e-commerce shipment agency services was ¥1,331mn, flat YoY, and operating loss was ¥170mn (compared with operating profit of ¥20mn in the previous fiscal year). The operating loss was mainly due to the lump-sum recognition of ¥178mn in provision for business structure improvement and other items associated with the closure of the Shinagawa Center (scheduled for end of May 2026) and its consolidation into the Nagareyama Center in order to fundamentally improve earnings. Excluding this one-time expense, the underlying profit level is estimated to have been on par with that of the previous fiscal year.

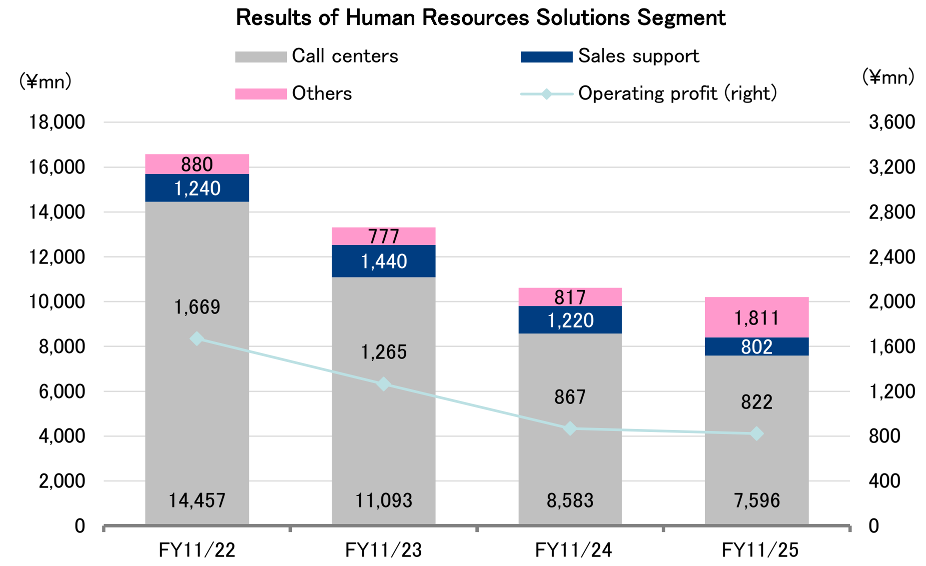
Revenue in employment support services increased 2.1% YoY to ¥804mn while operating profit was ¥20mn (compared to ¥130mn in the previous fiscal year), resulting in an increase in revenue but a decrease in profit. Part-time job application reception services, the core services in Other, saw a slight decline in revenue due to the advancement of internalization and an increase in cancellations at some client companies. However, favorable inquiries for the newly launched health checkup reservation agency and data entry agency services led to sales of approximately ¥60mn, contributing to revenue growth. Meanwhile, on the profit side, costs increased more than expected due largely to the Company temporarily bolstering personnel to resolve delivery delays on a large project received for a new service. This contributed negatively to profit. Note that the same project (¥71mn in revenue) was delivered in 1Q FY11/26, and the temporary increase in expenses has also been resolved.

Revenue in sales promotion support service increased 21.2% YoY to ¥1,414mn, and operating profit also increased from approximately ¥100mn in the previous fiscal year to approximately ¥140mn to reach a historical high. The high level of the Company's service quality was recognized, and business with existing national clients continued to expand. Moreover, the introduction of AI-based customer service training improved staff's customer service quality and operational efficiency, leading to higher profitability.

(2) Human Resources Solutions Segment

Revenue in the Human Resources Solutions Segment was ¥9,579mn (down 9.8% YoY), and operating profit was ¥822mn (down 5.2%), marking four consecutive years of revenue and profit declines. Relative to the Company's plan (revenue of ¥10,100mn; operating profit of ¥795mn), while revenue fell short due to hiring challenges, a focus on high value-added projects improved the gross profit margin, which helped profit settle slightly above the plan.

As for a breakdown of revenue, the core temporary staffing services for call centers declined 10.2% YoY to ¥7,596mn due to factors that included the scaling back of standardized work staffed with large numbers of personnel, while the sales support business also remained sluggish, down 33.4% to ¥802mn, particularly in its core operation of temporary staffing services for mobile phone shops. Meanwhile, temporary staffing services for the construction industry (construction managers, construction CAD operators, etc.), which the Company initiated in 4Q FY11/24, expanded steadily, causing revenue in Others to increase 44.6% YoY to ¥1,181mn.



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

Interest-bearing liabilities decreased; financial position slightly improved

3. Financial position and management indicators

Looking at the financial position at the end of FY11/25, total assets were up ¥1,953mn compared to the end of the previous fiscal year to ¥41,667mn. Examining the main influencing factors, in current assets, cash and cash equivalents decreased by ¥231mn while trade and other receivables decreased by ¥436mn. In addition, in non-current assets, property, plant and equipment increased ¥1,483mn, and right-of-use assets increased ¥733mn, mainly due to the opening of new farms and the expansion of existing farms.

Total liabilities increased ¥1,576mn compared to the end of the previous fiscal year to ¥31,463mn. While interest-bearing liabilities decreased ¥390mn, trade and other payables increased ¥1,244mn, and non-current lease liabilities increased ¥903mn due to leasing of land and buildings associated with the opening of new farms. Total equity increased ¥378mn from the end of the previous fiscal year to ¥10,204mn. Retained earnings increased due to the recording of profit attributable to owners of parent of ¥1,444mn, despite payment of dividends of ¥789mn and purchase of treasury shares of ¥274mn.

For management indicators, the ratio of equity attributable to owners of parent to total assets, an indicator of management stability, declined slightly from 24.8% at the end of the previous fiscal year to 24.5%. The Company's financial position slightly improved, with the interest-bearing liabilities ratio declining from 94.1% to 86.8%. Net cash (cash and cash equivalents less interest-bearing liabilities) also improved ¥159mn YoY to negative ¥5,278mn. While the Company plans to continue pursuing the opening of new farms going forward, the amount of associated capital expenditure is expected to be covered within the scope of cash flows from operating activities. FISCO expects that, if solid earnings growth continues into the future, the Company's financial position will further improve.

With regard to profitability, the operating profit margin fell from 10.9% in the previous fiscal year to 9.3%, with ROE falling from 22.9% to 14.4%. Despite special needs employment services expanding steadily, the Human Resources Solutions Segment performed sluggishly, and there was an incurring of one-time expenses in other businesses. These are representative of the main factors behind the above decrease. From FY11/26 onward, as one-time expenses will no longer be incurred, profitability is expected to start recovering.

Consolidated balance sheet

(¥mn)

	End-FY11/22	End-FY11/23	End-FY11/24	End-FY11/25	Change
Current assets	7,056	7,125	8,777	8,198	-579
Cash and cash equivalents	3,212	3,378	3,814	3,583	-231
Non-current assets	9,973	26,254	30,937	33,469	2,532
Total assets	17,030	33,379	39,714	41,667	1,953
Total liabilities	9,601	24,885	29,887	31,463	1,576
Interest-bearing liabilities	4,637	7,517	9,251	8,861	-390
Total equity	7,429	8,494	9,826	10,204	378

Note: IFRS applies from FY11/23 onward. Due to the recognition of right-of-use assets and the corresponding lease liabilities, the total amount is larger than under the previous accounting standards.
Source: Prepared by FISCO from the Company's financial results

Cash flow statements

(¥mn)

	FY11/22	FY11/23	FY11/24	FY11/25	Change
Cash flows from operating activities	2,862	4,097	5,071	5,620	549
Cash flows from investing activities	-2,839	-4,572	-3,393	-2,096	-1,297
Free cash flow	23	-475	1,678	3,524	1,846
Cash flows from financing activities	-748	640	-1,242	-3,755	-2,513
Cash and cash equivalents at end of fiscal year	3,212	3,378	3,814	3,583	-231

Note: FY11/22 is in accordance with JGAAP. IFRS applies from FY11/23 onward.
Source: Prepared by FISCO from the Company's financial results

Management indicators

	FY11/22	FY11/23	FY11/24	FY11/25	Change
Ratio of equity attributable to owners of parent to total assets	43.7%	25.5%	24.8%	24.5%	0.9pp
Interest-bearing liabilities ratio	62.4%	88.4%	94.1%	86.8%	-7.3pp
Net cash (¥mn)	-1,425	-4,139	-5,437	-5,278	159
ROE	26.8%	21.7%	22.9%	14.4%	-8.5pp
Revenue and operating profit margin	11.6%	10.8%	10.9%	9.3%	-1.6pp

Note: FY11/22 is in accordance with JGAAP. IFRS applies from FY11/23 onward.
Source: Prepared by FISCO from the Company's financial results

Outlook

FY11/26 results are expected to turn to double-digit profit growth driven by the Business Solutions Segment

1. FY11/26 forecasts

In its outlook for the FY11/26 consolidated results, the Company is expecting revenue to increase 3.1% YoY to ¥26,844mn, operating profit to increase 13.0% to ¥2,733mn, profit before tax to increase 14.7% to ¥2,436mn, and profit attributable to owners of parent to increase 14.9% to ¥1,659mn. By business segment, although the Human Resources Solutions Segment will continue to experience drops in revenue and profit, the expansion of the Business Solutions Segment centered on special needs employment services will drive results. In addition, the absence of the one-time expenses incurred in the previous fiscal year for e-commerce shipment agency services and employment support services will positively influence profit.

On a half-year basis, the Company anticipates that 1H revenue will decrease 1.0% YoY to ¥12,369mn and operating profit to decrease 45.5% to ¥439mn, resulting in a lower revenue and profit forecast. It expects a recovery from 2H. The primary reason is that revenue in wide-area administrative BPO services and environmental management support services is skewed toward 2H. In particular, with wide-area administrative BPO services, the proposed joint BPO operations are expected to enter full-scale operation from 2H, resulting in substantial revenue growth.

Forecasts for consolidated results for FY11/26 (IFRS)

(¥mn)

	FY11/25	FY11/26 (E)	YoY
Revenue	26,029	26,844	3.1%
Business Solutions Segment	16,554	18,124	9.5%
Human Resources Solutions Segment	9,579	8,900	-7.1%
Adjustment amount	-104	-180	-
Gross profit	9735	10,324	6.0%
SG&A expenses	7252	7,591	4.7%
Operating profit	2418	2,733	13.0%
Business Solutions Segment	3585	4,295	19.8%
Human Resources Solutions Segment	822	690	-16.1%
Adjustment amount	-1989	-2,252	-
Profit before tax	2123	2,436	14.7%
Profit attributable to owners of parent	1444	1,659	14.9%
Earnings per share (yen)	18.44	21.24	

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

FY11/26 forecasts (half-year)

(¥mn)

	FY11/25		FY11/26 (E)			
	1H	2H	1H	YoY	2H	YoY
Revenue	12,499	13,530	12,369	-1.0%	14,475	7.0%
Gross profit	4,424	5,310	4,264	-3.6%	6,060	14.1%
SG&A expenses	3,694	3,557	3,825	3.5%	3,766	5.9%
Operating profit	806	1,612	439	-45.5%	2,294	42.3%
Profit before tax	670	1,453	291	-56.6%	2,145	47.6%
Profit attributable to owners of parent	410	1,033	194	-52.7%	1,465	41.8%

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

Business Solutions Segment expected to turn to double-digit profit growth of 19% YoY

2. Outlook by business segment

(1) Business Solutions Segment

The Business Solutions Segment is predicted to record new record high results for the first time in two fiscal years with revenue increasing 9.5% YoY to ¥18,124mn and operating profit increasing 19.8% to ¥4,295mn.

Revenue breakdown in Business Solutions Segment

(¥mn)

	FY11/23	FY11/24	FY11/25	FY11/26 (E)	YoY
Business Solutions Segment	12,555	15,016	16,554	18,124	9.5%
Special needs employment services	6,903	8,035	9,045	10,029	10.9%
Wide-area administrative BPO services	1,389	1,506	1,368	1,575	15.1%
Environmental management support services	949	1,593	1,928	1,913	-0.8%
E-commerce shipment agency services	1,470	1,331	1,331	1,169	-12.2%
Employment support services	716	787	804	1,030	28.0%
Sales promotion support services	805	1,166	1,414	1,600	13.1%
Other	323	598	664	808	21.7%

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

a) Special needs employment services

Special needs employment service revenue is expected to increase 10.9% YoY to ¥10,029mn, with operating profit increasing by a single digit to approximately ¥3.1bn. The forecast drop in the operating profit margin from approximately 33% to approximately 31% is due to sales composition changes. Breaking down revenue, equipment sales are forecast to increase 4.8% YoY to ¥2,503mn, operations management fees to increase 18.5% to ¥6,924mn, and human resource referral fees and others to decrease 25.9% to ¥600mn. Estimates for human resource referral fees and the like tend to be conservative. FISCO believes there is ample upside potential.

With regard to equipment sales, the Company plans to open 6 new farms (2 outdoor / 4 indoor), and the number of sales plots is forecast to increase 3.2% YoY to 1,350 plots. The opening of new farms has been confirmed for 3 sites in Kanagawa and 1 site each in Tokyo and Osaka, with the remaining 1 site scheduled to open in Tokyo or Saitama. There is considerable expansion into new areas, and the hiring of people with disabilities is also expected to proceed smoothly. With the Company carrying a backlog of orders of approximately 620 plots at the end of the previous fiscal year and the statutory rate for employees with disabilities set to be raised from the previous 2.5% to 2.7% from July 2026, demand, including repeat orders from existing clients, is expected to remain active. For this reason, the likelihood that the Company will achieve its plan is high.

Looking at the sales plan by quarter, the forecast is for 1Q: 210–260 plots, 2Q: 405–455 plots, 3Q: 280–330 plots, and 4Q: 355–405 plots. If there are no cancellations, the number of operations management plots at the end of the fiscal year is expected to increase 13.7% from the end of previous fiscal year to 11,233 plots. For average management fees, given that the proportion of indoor types is increasing and that fee revisions are being implemented for outdoor types at the time of contract renewals, fees are envisioned to rise by a few percent, similar to the previous fiscal year.

b) Wide-area administrative BPO services

In wide-area administrative BPO services, revenue is expected to increase 15.1% YoY to ¥1,575mn (¥625mn in 1H; ¥950mn in 2H) and operating profit to be approximately ¥230mn (compared to approximately ¥20mn in the previous fiscal year) for major profit growth. Based on lessons learned from the shortfall in the previous fiscal year, the sales plan was formulated without including unconfirmed national policy-related projects. To help stabilize earnings, the Company is strengthening efforts to win contracts for joint BPO operations, such as remote counter services and digital transformation (DX) call center services, which are expected to generate recurring revenue. In FY11/26, the Company is targeting ¥1,300mn from these joint BPO operations alone. This is 1.8 times the previous fiscal year's amount of ¥700mn. There are 170 local governments with proposals already submitted that are expected to be included in fiscal 2026 budgets for those local governments. In addition, the Company will expand the number of local governments served to 300 by the end of November 2026, up from 70 at the end of the previous fiscal year by securing orders from among the 420 local governments to which proposals have been submitted. Should this plan be achieved, revenues from joint BPO operations are expected to be ¥170mn per month in November 2026, with annual revenue of ¥2,000mn to come within range in FY11/27. Note that in regard to BPO centers, as the average utilization of the existing 22 centers is approximately 60%, which leaves ample capacity, new openings in FY11/26 are expected to be limited to 1–2 centers.

There has also been increasing recognition of the selection of the Company's remote counters and DX call center operations as a pioneering example to promote wide-area administrative reform as part of the Ministry of Internal Affairs and Communications' "Front Yard Reform Model Project." This example holds the promise of lateral deployment. In addition, in Beppu City, the Company is promoting a public ride-sharing initiative and it will proceed to expand the business while contributing to the local community.

c) Environmental management support services

In environmental management support services, revenue is expected to decrease 0.8% YoY to ¥1,913mn, and operating profit to be approximately ¥600mn (compared to approximately ¥750mn in the previous fiscal year) for a decline in profit. Of revenue, the Company is targeting sales to companies of ¥1,635mn, a decrease of 1.1%, and sales to local governments of ¥278mn, an increase of 0.5%. For sales to companies, although CDP response support services are performing steadily, the lack of expectation of carbon credit sales that contributed to revenue in the previous fiscal year will negatively influence revenue. On the profit side, the Company plans to substantially increase the number of consultants from over 40 at the end of the previous fiscal year to over 60. The accompanying increases in recruitment costs and personnel expenses will be the main factors behind the decline in profit. Amid accelerating corporate initiatives toward the SDGs, the Company will expand the scope of its consulting services to encompass sustainability as a whole, and, with the development of new recurring-revenue services, FY11/26 will be a period of upfront investment. Note that the Company is considering starting in 2H to charge fees for its new recurring-revenue services, such as providing sustainability-related information and handling inquiries that it currently offers for free to approximately 450 existing client companies.

d) Other

Revenue in e-commerce shipment agency services is expected to decrease 12.2% YoY to ¥1,169mn, and operating profit of approximately ¥100mn is targeted (compared to approximately ¥170mn in the previous fiscal year). Revenue will be negatively influenced by the closure of the Shinagawa Center at the end of May 2026. On the profit side, however, partly because related costs were recognized ahead of schedule in the previous fiscal year, these services are expected to return to profitability. The processing capacity of the Nagareyama Center is estimated at over ¥100mn per month. The Company's target in the immediate term target is an operating margin of 10%.

In employment support services, revenue is expected to increase 28.0% YoY to ¥1,030mn and operating profit to be approximately ¥180mn (compared to approximately ¥20mn in the previous fiscal year), making for a sizable increase in both revenue and profit. Health checkup reservation agency services are is expected to grow significantly, including carryover from the previous fiscal year due to timing differences. In part-time job application reception services as well, moves toward re-contracting are emerging among companies that canceled in the previous fiscal year, reflecting recognition of the services' high cost-effectiveness. These are expected to trend steadily.

In sales promotion support services, revenue is expected to increase 13.1% YoY to ¥1,600mn and operating profit to be approximately ¥160mn (compared to approximately ¥140mn in the previous fiscal year). This outlook reflects ongoing double-digit growth in both revenue and profit. The Company will continue to expand business with existing clients as well as pursue new customer development.

(2) Human Resources Solutions Segment

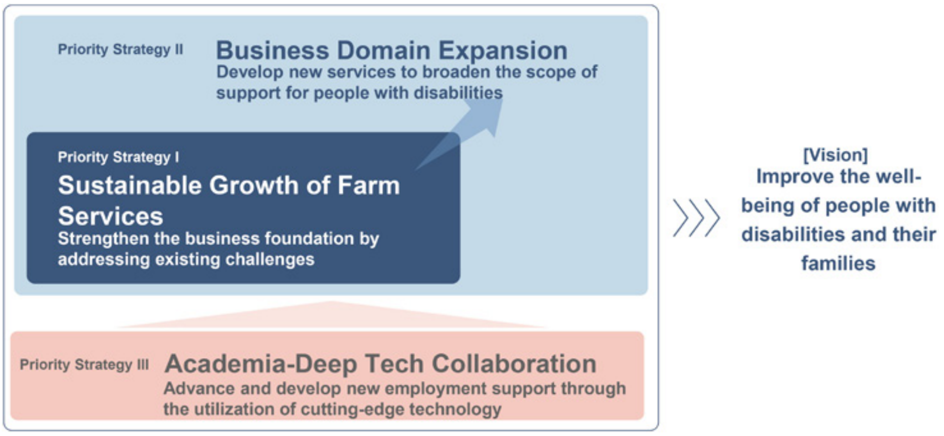
In the Human Resources Solutions Segment, revenue is expected to decrease 7.1% YoY to ¥8,900mn, and operating profit to decrease 16.1% to ¥690mn. Breaking down revenue, the call center business is expected to see a 11.8% decline to ¥6,700mn, the sales support business is expected to see a decrease of 0.2% to ¥800mn, and other is expected to increase 18.5% to ¥1,400mn. In the call center business, as substitution by AI progresses, the Company will tackle on high-skill projects where demand remains solid, and work to maintain and improve profitability. In the sales support business, the Company will rebuild its organizational structure, including making the sales department independent, as it attempts to regain ground. As for other, the Company expects to expand its construction engineer dispatch services, which enjoys continued robust demand. On the profit side, the Company plans to run social media advertising to strengthen its hiring capabilities. A decline in gross profit due to lower revenue and an increase in hiring expenses will be factors behind decreased profit.

Special needs employment services business will also tackle expansion of job types and domains to aim for further growth

3. Growth strategy for special needs employment services business

The Company announced the medium- to long-term growth strategy for its special needs employment services business, which has grown into its mainstay business, in January 2026. With the ongoing expansion of its core business of farm-based employment as its pillar, the Company promotes job domain expansion and expansion into the support domain for people with disabilities with the use of AI and advanced technologies. Through this strategy, the Company will contribute to improving the well-being of people with disabilities and their families while simultaneously achieve a balance of social and business value at a high level and aiming to enhance corporate value.

Growth strategy for special needs employment services business



Source: The Company's IR news, "Business Strategy for Future Special Needs Employment Services"

(1) Sustainable Growth of Farm Services

For existing farm services, the current challenges identified are 1) No direct revenue generation from vegetables, 2) Limited career advancement opportunities, 3) Operational limitations due to summer heat, and 4) Enhancement of information dissemination and contribution to the industry. By resolving these challenges, the Company will establish a widely supported farm model and accelerate further business expansion.

To address the challenge of summer heat in outdoor farms, measures will include introducing technologies to reduce temperatures inside greenhouses and making effective use of downtime (providing opportunities for revenue-generating tasks and learning opportunities that lead to career advancement into other roles). Moreover, the Company will accurately communicate the initiatives and focus on fostering trust through collaboration with the industry. In January 2026, the Company also joined the Japan Business Association for Employment Accelerator of Persons with Disabilities.

While Company had previously limited the opening of farms to the Tokyo metropolitan area, Aichi Prefecture, and Osaka Prefecture, starting from FY11/27, it plans to expand into regional cities such as Fukuoka. The Company aims for further growth, with the number of plots sold also accelerating from the conventional annual pace of 1,300–1,400 plots to 1,400–1,500 plots. It is highly likely that the statutory rate for employees with disabilities will be raised further going forward, and demand for farm-based services is expected to keep expanding.

(2) Business Domain Expansion

The Company will also promote the expansion of its business domains. In the short term, the Company promotes job domain expansion in special needs employment services. In the medium to long term, it intends to leverage M&A to expand into the support domain for people with disabilities. For job domain expansion, the Company began a trial in December 2025 using AI technology for positions involved in operating owned media such as social media within corporations. Going forward, the Company will continue to leverage these advanced technologies to identify job tasks that people with disabilities can perform in line with their aptitudes, and propose them to companies as new employment options.

For expansion into the support domain for people with disabilities, the Company's plan is to expand support services in stages to meet needs at each life stage of people with disabilities, with a rollout over the medium to long term. For example, for minors, there are after-school day services, while for adults, there are employment transition support and return-to-work support services.

(3) Academia-Deep Tech Collaboration

To create new employment models, the Company is currently advancing research that leverages AI and cutting-edge technologies in collaboration with multiple universities. The research themes being tackled are comprised of the development of communication support technologies that facilitate smooth workplace communication, the development of monitoring and follow-up systems to support job retention, and the development of technologies that support employment and task execution, as well as career advancement and learning. The Company aims to enhance employment for people with disabilities through technology. Practical implementation of those technologies is anticipated going forward.

Aiming for operating profit of ¥4.5bn in FY11/29

4. Progress in medium-term management plan

The Company, in its five-year medium-term management plan that started in FY11/25, set forth revenue of ¥36.0bn and operating profit of ¥4.5bn as performance targets for the final fiscal year of the plan (FY11/29), In the plan's initial year, FY11/25, results came in under target. However, at the current stage, the Company is maintaining its targets. The Company has adopted "Further Strengthening the Management Foundations for the Next Decade" as the basic policy under the plan, and expects annual growth of over 10% in both revenue and profit in the Business Solutions Segment. While the Human Resources Solutions Segment may fall short of the initial plan, the Company will continue to grow the segment, with the shortfall absorbed and covered by special needs employment services, wide-area administrative BPO services, and environmental management support services. The medium-term calls for average annual sales growth rates of 10.6% for special needs employment services, 14.0% for wide-area administrative BPO services, and 8.5% for environmental management support services. FISCO believes potential demand is strong across all markets, and that the Company's sales targets are at an achievable level.

Medium-term management plan

(¥bn)

	FY11/24	FY11/25		FY11/26	FY11/29	
	Results	Plan	Results	Plan	Plan	CAGR*
Revenue	25.55	26.82	26.02	26.84	36.0	7.1%
Operating profit	2.78	3.07	2.41	2.73	4.5	10.1%
Profit margin	10.9%	11.5%	9.3%	10.2%	12.5%	
Business Solutions Segment						
Revenue	15.01	16.9	16.55	18.12	25.0	10.7%
Operating profit	3.69	4.22	3.58	4.29	6.2	10.9%
Profit margin	24.6%	25.0%	21.7%	23.7%	24.8%	
Human Resources Solutions Segment						
Revenue	10.62	10.1	9.57	8.9	11.0	0.7%
Operating profit	0.86	0.79	0.82	0.69	0.9	0.9%
Profit margin	8.2%	7.9%	8.6%	7.8%	8.2%	

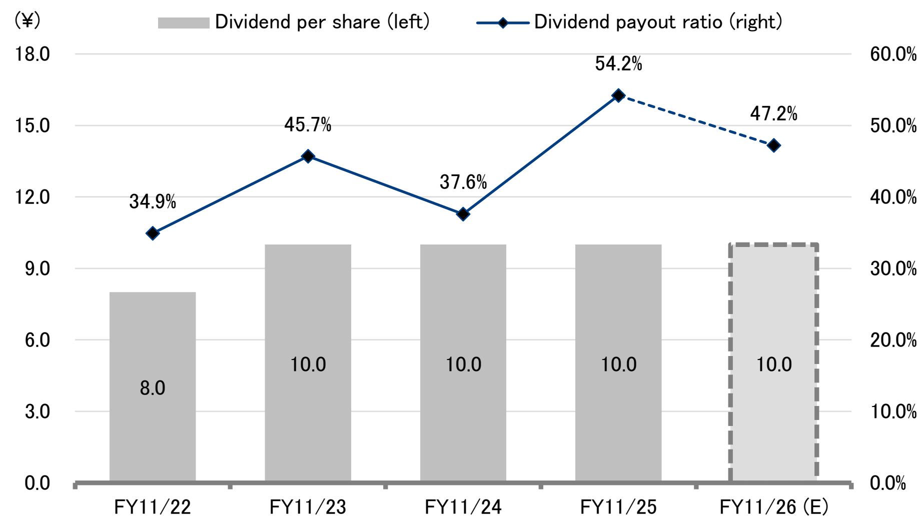
* CAGR is the average annual growth rate from FY11/24 (the starting point) to FY11/29.
Source: Prepared by FISCO from the Company's financial results/IR news and hearings with the Company

Shareholder return policy

Policy of maintaining and increasing stable dividends; aims for consolidated dividend payout ratio of 30% or higher

As before, the Company continues to maintain a dividend policy of a consolidated dividend payout ratio of 30% or higher (even if a decline in profits is recorded, the policy is not to decrease the dividend as long as the ratio remains less than 60%). Based on the policy, the Company has decided to pay a dividend of ¥10.0 per share (consolidated dividend payout ratio of 54.2%) for FY11/25, unchanged from the previous fiscal year. For FY11/26, the Company plans to pay the same amount, ¥10.0 (consolidated dividend payout ratio of 47.2%). Looking ahead, the Company can be expected to increase the dividend if the consolidated payout ratio falls below 30%.

Dividend per share and dividend payout ratio



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

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