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Consolidated Financial Results for the Six Months Ended February 28, 2026 [Japanese GAAP]

April 14, 2026

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 Stock exchange listing: Tokyo Stock Exchange Code number: 3697
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 Financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended February 28, 2026 (September 1, 2025 to February 28, 2026)

(1) Consolidated Operating Results (cumulative) (Percentages indicate rates of year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended February 28, 2026	72,035	16.8	6,907	(14.3)	6,609	(16.0)	4,011	(10.7)
February 28, 2025	61,688	17.9	8,058	72.1	7,868	62.9	4,493	50.7

(Note) Comprehensive income: For the six months ended February 28, 2026: ¥3,853 million (-16.0%)
 For the six months ended February 28, 2025: ¥4,586 million (60.2%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended February 28, 2026	15.32		15.30	
February 28, 2025	17.06		17.06	

- (Notes) 1. In calculating the average number of shares of the Company's common stock during the period, which is used to determine the basic earnings per share and diluted earnings per share, the Company excludes the treasury share count that includes the average number of the Company shares held in the stock benefit-type ESOP trust account during the period.
2. The Company conducted a 15-for-1 stock split of its common stock, effective January 24, 2025. Basic earnings per share and diluted earnings per share have been calculated on the assumption that the stock split had taken effect at the beginning of the previous fiscal year.

(Percentages indicate rates of year-on-year change)

	Adjusted operating profit		Adjusted ordinary profit		Adjusted profit attributable to owners of parent		Adjusted basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	
Six months ended February 28, 2026	7,951	(12.5)	7,653	(14.0)	5,055	(8.5)	19.30
February 28, 2025	9,088	—	8,897	—	5,523	—	20.97

- (Notes) 1. From the fiscal year ending August 2026, the Company has decided to disclose actual results for adjusted metrics, including adjusted operating profit.
- Adjusted operating profit: Operating profit + goodwill amortization + amortization of customer-related assets + M&A-related expenses
 - Adjusted ordinary profit: Ordinary profit + goodwill amortization + amortization of customer-related assets + M&A-related expenses
 - Adjusted profit attributable to owners of parent: Profit attributable to owners of parent + goodwill amortization + amortization of customer-related assets + M&A-related expenses
 - Adjusted basic earnings per share: Adjusted profit attributable to owners of parent / average number of shares of common stock during the period
2. For adjusted metrics, including adjusted operating profit, these metrics have been calculated since the previous consolidated fiscal year; therefore, no year-on-year change for the six months ended February 28, 2025 is presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 28, 2026	80,389	38,574	47.5
As of August 31, 2025	77,001	41,037	52.7

(Reference) Shareholders' equity: As of February 28, 2026: ¥38,210 million
As of August 31, 2025: ¥40,598 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2025	—	0.00	—	0.00	0.00
Fiscal year ending August 31, 2026	—	0.00			
Fiscal year ending August 31, 2026 (Forecast)			—	0.00	0.00

(Note) Changes in dividend forecast from the most recent announcement: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2026 (September 1, 2025 to August 31, 2026)

(Percentages indicate rates of year-on-year change)

	Net sales		Adjusted operating profit		Adjusted ordinary profit		Adjusted profit attributable to owners of parent		Adjusted basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	150,000	15.5	20,000	13.4	20,000	16.3	13,500	24.3	51.27

	Basic earnings per share
	Yen
Full year	43.67

(Notes) 1. Changes in financial results forecast from the most recent announcement: None

2. From the fiscal year ending August 2026, the Company has decided to disclose forecast figures for adjusted metrics, including adjusted operating profit.
- Adjusted operating profit: Operating profit + goodwill amortization + amortization of customer-related assets + M&A-related expenses
 - Adjusted ordinary profit: Ordinary profit + goodwill amortization + amortization of customer-related assets + M&A-related expenses
 - Adjusted profit attributable to owners of parent: Profit attributable to owners of parent + goodwill amortization + amortization of customer-related assets + M&A-related expenses
 - Adjusted basic earnings per share: Adjusted profit attributable to owners of parent / average number of shares of common stock during the period

Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: None

Excluded: None

(2) Application of special accounting treatment in preparing the semi-annual financial statements: Yes

(Note) For details, please see the attached materials on page 12, "2. Semi-Annual Consolidated Financial Statements and Primary Notes (4) Notes to Semi-Annual Consolidated Financial Statements (Application of special accounting treatment in preparing the semi-annual financial statements)."

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):

February 28, 2026: 267,500,670 shares

August 31, 2025: 267,500,670 shares

2) Total number of treasury shares at the end of the period:

February 28, 2026: 11,895,562 shares

August 31, 2025: 4,215,507 shares

3) Average number of shares outstanding during the period:

Six months ended February 28, 2026: 261,906,307 shares

Six months ended February 28, 2025: 263,386,883 shares

- (Notes) 1. The total number of treasury shares at the end of the period includes shares in the Company held in the stock benefit-type ESOP trust account (3,218,250 shares as of February 28, 2026; 3,298,500 shares as of August 31, 2025). In calculating the average number of shares outstanding during the period, the Company excludes the treasury share count, which includes the average number of Company shares held in the subject ESOP trust account during the period (3,276,220 shares in the six months ended February 28, 2026; 3,396,769 shares in the six months ended February 28, 2025).
2. The Company conducted a 15-for-1 stock split of its common stock, effective January 24, 2025. Total number of issued shares at the end of the period, total number of treasury shares at the end of the period, and average number of shares outstanding during the period have been calculated on the assumption that the stock split had taken effect at the beginning of the previous fiscal year.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

(Cautionary note on forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company and are not intended to be construed as assurance that they will be accomplished in the future. Actual results may differ significantly from the forecasts due to a wide range of factors.

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1. Summary of Business Results

All matters relating to the future in the sections below reflect the current views of the SHIFT Group as of February 28, 2026.

(1) Explanation of Business Results

1) Results for the six months ended February 28, 2026

During the six months ended February 28, 2026, the Japanese economy continued to recover gradually as various initiatives to reinvigorate the economy bore fruit amid improving employment and incomes, despite some impact from U.S. trade policies. However, the economic outlooks in Japan and overseas remain clouded due to volatility in financial and capital markets and downside risks in overseas economies.

In the software market the SHIFT Group serves, in addition to initiatives toward digital transformation (DX), the implementation of new technologies such as generative AI in real business is rapidly advancing.

Recognizing this change in the business environment as a strong tailwind, the Group is evolving its existing business model and is dramatically accelerating its efforts as a “generative AI-native company.” During the six months ended February 28, 2026, the Group launched a series of generative AI-related services, including the provision of an “AI Test Agent” that significantly shortens test execution periods through autonomous operation, as well as the visualization of system specifications through AI (reverse engineering).

In system development settings, as functionality becomes more complex and development cycles accelerate, we believe that social demand for specialized quality assurance and testing services to prevent critical system failures and ensure the safety and reliability of software will continue to increase.

In this business environment, the SHIFT Group has set forth its “SHIFT3000” growth strategy, targeting annual net sales of ¥300 billion (¥3,000 *oku* in Japanese). We believe that combining the strengths the Group has cultivated since its founding—including its sales capabilities, high-quality services, expertise in recruitment and human resources, and proficiency in M&A and post-merger integration (PMI)—will drive business expansion and growth, thereby supporting the safety and reliability of IT infrastructure and contributing to a dramatic improvement in the productivity of client companies.

Our results in the six months ended February 28, 2026 were as follows.

Six months ended	(Millions of yen)			
	February 28, 2025	February 28, 2026	Change	Change (%)
Net sales	61,688	72,035	10,347	16.8 %
Operating profit	8,058	6,907	(1,150)	(14.3) %
EBITDA*	9,651	8,590	(1,061)	(11.0) %
Profit attributable to owners of parent	4,493	4,011	(481)	(10.7) %

* EBITDA is calculated by adding depreciation on non-current assets, including intangible assets excluding goodwill, and goodwill amortization to operating profit. The SHIFT Group monitors EBITDA as we believe it to be a useful indicator of cash generation ability, which is the source of investments for our future growth.

2) Progress versus earnings forecast and major KPIs

Based on the corporate philosophy of “We seek out new value concepts and work sincerely to provide value to the world,” the SHIFT Group aims to become a company that continuously resolves social issues. We have set sales targets as milestones toward realizing this vision and will strive to fulfill our corporate philosophy and maximize corporate value. The progress rates for the six months ended February 28, 2026, versus the full-year earnings forecast are as follows.

(Millions of yen)

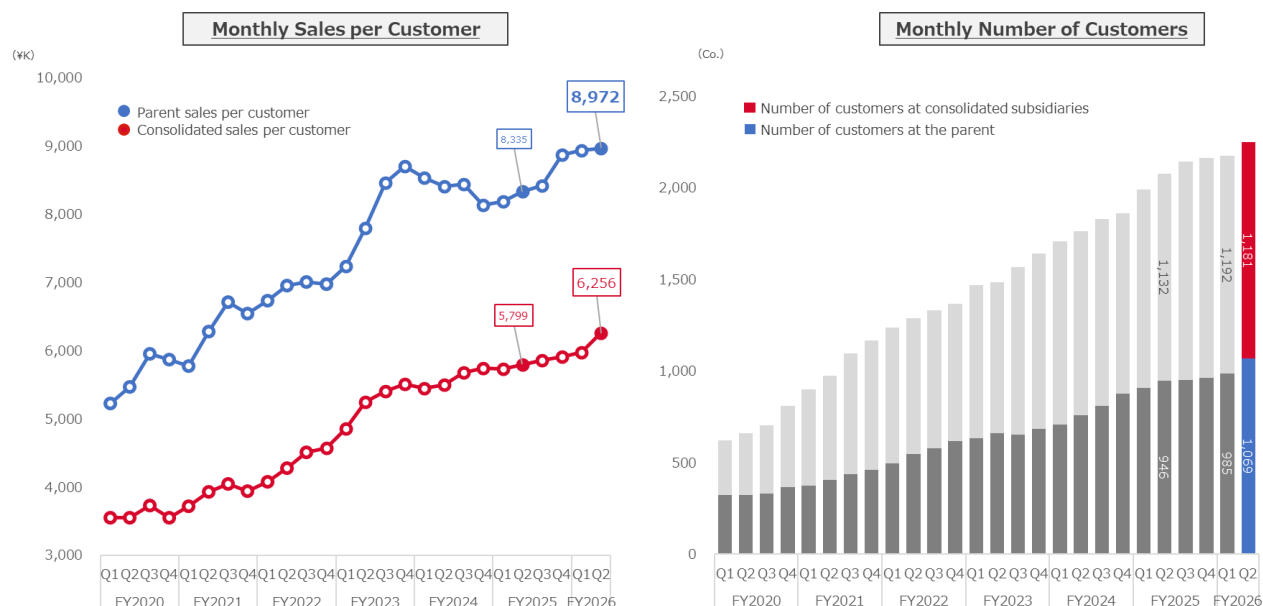
	Forecast for the fiscal year ending August 31, 2026	Results for the six months ended February 28, 2026	Progress rates
Net sales	150,000	72,035	48.0 %
Adjusted operating profit*	20,000	7,951	39.8 %
Adjusted ordinary profit*	20,000	7,653	38.3 %
Adjusted profit attributable to owners of parent*	13,500	5,055	37.4 %

* The calculation methods for each adjusted indicator, including adjusted operating profit, are as follows.

- Adjusted operating profit:
Operating profit + goodwill amortization + amortization of customer-related assets + M&A-related expenses
- Adjusted ordinary profit:
Ordinary profit + goodwill amortization + amortization of customer-related assets + M&A-related expenses
- Adjusted profit attributable to owners of parent:
Profit attributable to owners of parent + goodwill amortization + amortization of customer-related assets + M&A-related expenses

In the six months ended February 28, 2026, net sales continued to grow steadily. However, operating profit, ordinary profit, and profit attributable to owners of parent did not grow to the same extent as net sales. This was due to the upfront execution of AI-related investments and is considered temporary. Orders for AI services have already begun to materialize, and these services are transitioning into core revenue-generating growth drivers. Accordingly, a recovery in performance is expected in the second half of the fiscal year.

In addition, alongside the strengthening of sales activities and the promotion of AI utilization backed by AI investments, KPIs, including sales per customer and number of customers, are continuing to rise. Going forward, in addition to our existing services, the launch and expansion of AI-related services have already shifted the Company onto a discontinuous growth trajectory. Actual figures for these indicators for the six months ended February 28, 2026 and quarterly trend since the fiscal year ended August 31, 2020 are provided below.



(a) Monthly sales per customer (parent)

$$\text{Monthly sales per customer (parent)} = \frac{\text{Parent sales}}{\text{Number of customers at the parent (sum)}}$$

Parent sales	Three-month sum (for the corresponding quarter) of monthly sales and expected sales (projects started but at pre-acceptance stage, to be recorded in future) based on actual results during the corresponding three months
Number of customers at the parent (sum)	Three-month sum (for the corresponding quarter) of the monthly number of customers that were active (but from whom no sales were recorded) and from whom sales were recorded during the corresponding three months

(b) Monthly sales per customer (consolidated)

$$\text{Monthly sales per customer (consolidated)} = \frac{\text{Parent sales} + \text{sales of consolidated subsidiaries}}{\text{Number of customers at the parent (sum)} + \text{number of customers at consolidated subsidiaries (sum)}}$$

Parent sales	As noted in (a) above
Sales of consolidated subsidiaries	Quarterly sales obtained by adding up monthly sales for the corresponding three months
Number of customers at the parent (sum)	As noted in (a) above
Number of customers at consolidated subsidiaries (sum)	Quarterly number of customers obtained by adding up the monthly number of customers from whom sales were recorded on a monthly basis during the corresponding three months

(c) Monthly number of customers

$$\text{Monthly number of customers} = \text{Number of customers at the parent (average)} + \text{Number of customers at consolidated subsidiaries (average)}$$

Number of customers at the parent (average)	Three-month average of the number of customers who were active (but from whom no sales were recorded) and from whom sales were recorded on a monthly basis during the corresponding three months
Number of customers at consolidated subsidiaries (average)	Three-month average of the number of customers from whom sales were recorded on a monthly basis during the corresponding three months

3) Segment results

Segment results are as follows.

(a) Software Testing Related Services

Six months ended	(Millions of yen)			
	February 28, 2025	February 28, 2026	Change	Change (%)
Net sales	39,606	47,331	7,725	19.5 %
Gross profit	14,585	16,589	2,003	13.7 %
Selling, general and administrative expenses	4,069	6,857	2,788	68.5 %
Of which, acquisition-related expenses	23	21	(2)	(9.8) %
Of which, goodwill amortization	1	16	15	— %
Of which, amortization of customer-related intangible assets	—	—	—	— %
Operating profit	10,516	9,731	(784)	(7.5) %
EBITDA	10,610	9,895	(715)	(6.7) %

In Software Testing Related Services, the SHIFT Group mainly provides services such as software testing and quality assurance, consulting and PMO, customer support, and security.

In the six months ended February 28, 2026, net sales in Software Testing Related Services increased as a result of

thorough customer-focused proposals, coming in at ¥47,331 million (+19.5% year-on-year). Operating profit, however, declined to ¥9,731 million (-7.5% year-on-year), due to increased hiring expenses resulting from the normalization of recruitment activities that had been strategically restrained in the six months ended February 28, 2025.

Acquisition-related expenses associated with M&A activities, which are included in the Software Testing Related Services segment's selling, general and administrative expenses, came to ¥21 million (-9.8% year-on-year).

Of the selling, general and administrative expenses, ¥4,687 million (¥4,309 million in the six months ended February 28, 2025) was recorded as corporate expenses and not allocated to the Software Testing Related Services segment.

(b) Software Development Related Services

(Millions of yen)				
Six months ended	February 28, 2025	February 28, 2026	Change	Change (%)
Net sales	19,733	21,313	1,579	8.0 %
Gross profit	5,096	5,468	372	7.3 %
Selling, general and administrative expenses	3,514	4,264	750	21.3 %
Of which, acquisition-related expenses	2	43	41	— %
Of which, goodwill amortization	424	424	(0)	(0.1) %
Of which, amortization of customer-related intangible assets	41	40	(1)	(3.2) %
Operating profit	1,581	1,204	(377)	(23.9) %
EBITDA	2,114	1,744	(370)	(17.5) %

In Software Development Related Services, the SHIFT Group mainly provides services directly involved in the software development process, including system development, system performance enhancement, IT strategy formulation, system planning and design, engineer matching platform, and data analysis.

In the six months ended February 28, 2026, net sales in Software Development Related Services increased as a result of the normalization of recruitment activities that had been strategically restrained in the six months ended February 28, 2025, while operating profit declined due to the impact of upfront hiring investments, with net sales in Software Development Related Services of ¥21,313 million (+8.0% year-on-year) and operating profit of ¥1,204 million (-23.9% year-on-year). Acquisition-related expenses associated with M&A activities included in the segment's selling, general and administrative expenses amounted to ¥43 million (20.5x the amount recorded in the six months ended February 28, 2025).

(c) Other Proximate Services

(Millions of yen)				
Six months ended	February 28, 2025	February 28, 2026	Change	Change (%)
Net sales	4,881	6,450	1,569	32.1 %
Gross profit	2,238	2,853	615	27.5 %
Selling, general and administrative expenses	1,994	2,297	303	15.2 %
Of which, acquisition-related expenses	95	93	(1)	(1.8) %
Of which, goodwill amortization	284	242	(41)	(14.7) %
Of which, amortization of customer-related intangible assets	150	135	(14)	(9.8) %
Operating profit	244	556	311	127.8 %
EBITDA	904	1,277	372	41.2 %

In Other Proximate Services, the SHIFT Group mainly provides services in adjacent markets to software testing and software development, such as web planning and production, marketing, kitting, cloud services, localization, and M&A/PMI, using a business model distinct from SHIFT's existing businesses.

In the six months ended February 28, 2026, sales in Other Proximate Services increased to ¥6,450 million (+32.1%

year-on-year), while operating profit totaled ¥556 million (+127.8% year-on-year), driven in part by strong performance at certain group companies, primarily supported by replacement demand for PCs equipped with Windows 11. Acquisition-related expenses associated with M&A activities included in the segment's selling, general and administrative expenses came to ¥93 million (-1.8% year-on-year).

Note that segments are generally classified by individual company. However, in response to the diversification of services provided by the SHIFT Group in recent years, net sales information by individual company's service category is disclosed separately from segment information for reference purposes. The information for the six months ended February 28, 2026 is as follows.

(Millions of yen)

	Consulting	Development	Testing	BPaaS	Other	Adjustments	Total
Consolidated net sales	8,206	25,379	31,419	1,892	5,177	(39)	72,035
Of which, AI-related ¹	1,145	2,687	1,935	33	9	—	5,812
Non-consolidated net sales	6,825	7,866	30,466	1,568	173	(10)	46,890

(Notes)

1. AI-related refers to projects in which the Company participates in customers' AI projects or initiatives where AI is utilized in the delivery process.
2. Adjustment consists of adjustments to the cost recovery method and principal-agent considerations, among other items for certain sales.
3. Services included in each category are as below.

Category	Service description
Consulting	Consulting services related to strategy, operational improvement, and digital transformation
Development	Services such as system development and package software implementation
Testing	Quality assurance services
BPaaS	Customer success, help desk, and various back office support operations
Other	Services not included in the categories above

(2) Explanation of Financial Condition

(Assets)

Total assets as of February 28, 2026 were ¥80,389 million, increasing by ¥3,388 million compared to total assets as of August 31, 2025. This mainly reflected an increase of ¥1,865 million in notes and accounts receivable-trade, and contract assets due to higher net sales, as well as an increase of ¥714 million in cash and deposits due to borrowings.

(Liabilities)

Total liabilities as of February 28, 2026 were ¥41,815 million, increasing by ¥5,852 million compared to total liabilities as of August 31, 2025. This was mainly due to an increase of ¥10,000 million in short-term borrowings reflecting new loans to secure working capital and other purposes, despite a ¥1,976 million decrease in long-term borrowings (including the current portion of long-term borrowings) due to scheduled repayments.

(Net assets)

Net assets as of February 28, 2026 were ¥38,574 million, decreasing by ¥2,463 million compared to net assets as of August 31, 2025. This mainly reflected an increase of ¥6,341 million in treasury shares deducted from net assets due to the purchase of treasury shares. On the other hand, retained earnings increased by ¥4,011 million owing to the recording of profit attributable to owners of parent.

(Cash flows)

Cash and cash equivalents (hereinafter, "cash") amounted to ¥24,315 million as of February 28, 2026, increasing by ¥715 million from August 31, 2025. The cash flows affecting this figure are outlined below.

(Cash flows from operating activities)

During the six months ended February 28, 2026, net cash provided by operating activities was ¥1,129 million (versus ¥4,043 million provided during the same period of the previous fiscal year). This was mainly due to factors decreasing cash, including a ¥1,797 million increase in trade receivables and ¥3,077 million in income taxes paid, despite factors increasing cash, including the recording of ¥6,118 million in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities during the six months ended February 28, 2026 was ¥1,808 million (versus ¥1,465 million used during the same period of the previous fiscal year). This was mainly due to factors decreasing cash, including ¥824 million in purchase of shares of subsidiaries resulting in a change in the scope of consolidation and ¥549 million in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities during the six months ended February 28, 2026 was ¥1,371 million (versus ¥1,478 million provided during the same period of the previous fiscal year). This was mainly due to factors decreasing cash, including ¥6,547 million in purchase of treasury shares and ¥1,976 million in repayments of long-term borrowings due to scheduled repayments, while factors increasing cash included a net increase of ¥10,000 million in short-term borrowings to secure working capital and other purposes.

(3) Explanation of Financial Results Forecast and Other Forward-Looking Information

The consolidated earnings forecast for the fiscal year ending August 31, 2026 remains unchanged from the forecast announced on October 14, 2025.

2. Semi-Annual Consolidated Financial Statements and Primary Notes

(1) Semi-Annual Consolidated Balance Sheets

(Millions of yen)

	As of August 31, 2025	As of February 28, 2026
Assets		
Current assets		
Cash and deposits	23,726	24,440
Notes and accounts receivable - trade, and contract assets	15,400	17,266
Inventories	1,626	2,733
Other	2,390	2,611
Allowance for doubtful accounts	(20)	(58)
Total current assets	43,123	46,993
Non-current assets		
Property, plant and equipment	7,923	8,191
Intangible assets		
Goodwill	7,866	7,458
Other	4,321	4,215
Total intangible assets	12,188	11,673
Investments and other assets		
Investment securities	9,583	9,352
Other	4,316	4,235
Allowance for doubtful accounts	(134)	(56)
Total investments and other assets	13,765	13,531
Total non-current assets	33,877	33,396
Total assets	77,001	80,389
Liabilities		
Current liabilities		
Accounts payable - trade	2,054	1,970
Short-term borrowings	—	10,000
Current portion of long-term borrowings	3,532	3,405
Accrued expenses	7,308	7,347
Income taxes payable	3,158	2,160
Provision for bonuses	423	538
Provision for share-based payments	80	30
Other provisions	16	—
Other	8,453	7,376
Total current liabilities	25,028	32,829
Non-current liabilities		
Long-term borrowings	8,504	6,653
Retirement benefit liability	136	131
Asset retirement obligations	705	710
Other	1,589	1,490
Total non-current liabilities	10,935	8,985
Total liabilities	35,963	41,815
Net assets		
Shareholders' equity		
Share capital	21	21
Capital surplus	14,365	14,466
Retained earnings	31,964	35,976
Treasury shares	(5,834)	(12,176)
Total shareholders' equity	40,516	38,287
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	71	(99)
Foreign currency translation adjustment	10	22
Total accumulated other comprehensive income	81	(77)
Share award rights	413	312
Share acquisition rights	25	50
Total net assets	41,037	38,574
Total liabilities and net assets	77,001	80,389

(2) Semi-Annual Consolidated Statements of Income and Semi-Annual Consolidated Statements of Comprehensive Income

Semi-Annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended February 28, 2025	For the six months ended February 28, 2026
Net sales	61,688	72,035
Cost of sales	40,483	47,936
Gross profit	21,205	24,099
Selling, general and administrative expenses	13,146	17,191
Operating profit	8,058	6,907
Non-operating income		
Interest income	7	18
Dividend income	0	1
Subsidy income	53	86
Reversal of allowance for doubtful accounts	1	46
Other	29	38
Total non-operating income	92	190
Non-operating expenses		
Interest expenses	40	97
Foreign exchange losses	7	15
Commission expenses	2	9
Share of loss of entities accounted for using equity method	—	122
Loss on investments in capital	227	241
Other	4	2
Total non-operating expenses	282	488
Ordinary profit	7,868	6,609
Extraordinary income		
Gain on change in equity	—	10
Gain on sale of investment securities	54	—
Total extraordinary income	54	10
Extraordinary losses		
Impairment losses	573	501
Loss on valuation of investment securities	163	—
Total extraordinary losses	736	501
Profit before income taxes	7,185	6,118
Income taxes	2,622	2,106
Profit	4,563	4,011
Profit attributable to non-controlling interests	69	—
Profit attributable to owners of parent	4,493	4,011

Semi-Annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended February 28, 2025	For the six months ended February 28, 2026
Profit	4,563	4,011
Other comprehensive income		
Valuation difference on available-for-sale securities	22	(170)
Foreign currency translation adjustment	0	11
Total other comprehensive income	23	(158)
Comprehensive income	4,586	3,853
(Breakdown)		
Comprehensive income attributable to owners of parent	4,516	3,853
Comprehensive income attributable to non-controlling interests	69	—

(3) Semi-Annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended February 28, 2025	For the six months ended February 28, 2026
Cash flows from operating activities		
Profit before income taxes	7,185	6,118
Depreciation	883	999
Impairment losses	573	501
Amortization of goodwill	710	683
Increase (decrease) in allowance for doubtful accounts	(12)	(40)
Increase (decrease) in provision for bonuses	78	110
Interest and dividend income	(8)	(19)
Interest expenses	40	97
Subsidy income	(53)	(86)
Foreign exchange losses (gains)	0	(19)
Share of loss (profit) of entities accounted for using equity method	—	122
Loss (gain) on valuation of investment securities	163	—
Loss (gain) on sale of investment securities	(54)	—
Loss (gain) on investments in capital	227	241
Decrease (increase) in trade receivables	(327)	(1,797)
Decrease (increase) in inventories	(642)	(1,044)
Decrease (increase) in prepaid expenses	(384)	(94)
Increase (decrease) in trade payables	44	(89)
Increase (decrease) in accrued consumption taxes	(61)	(1,110)
Increase (decrease) in accounts payable - other, and accrued expenses	(1,948)	108
Increase (decrease) in deposits received	(346)	(364)
Other	77	(102)
Subtotal	6,146	4,212
Interest and dividends received	7	21
Interest paid	(40)	(114)
Subsidies received	53	88
Income taxes paid	(2,124)	(3,077)
Net cash provided by (used in) operating activities	4,043	1,129
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	5	—
Purchase of property, plant and equipment	(555)	(549)
Purchase of intangible assets	(82)	(165)
Purchase of investment securities	—	(18)
Proceeds from sale of investment securities	54	—
Payments for investments in capital	(376)	(5)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(272)	(824)
Payments of leasehold and guarantee deposits	(271)	(161)
Proceeds from refund of leasehold and guarantee deposits	18	24
Other	14	(107)
Net cash provided by (used in) investing activities	(1,465)	(1,808)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,600	10,000
Repayments of long-term borrowings	(1,510)	(1,976)
Repayments of finance lease liabilities	(3)	(115)
Purchase of treasury shares	(999)	(6,547)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,600)	—
Other	(7)	10
Net cash provided by (used in) financing activities	1,478	1,371
Effect of exchange rate change on cash and cash equivalents	0	23
Net increase (decrease) in cash and cash equivalents	4,056	715
Cash and cash equivalents at beginning of period	20,844	23,600
Cash and cash equivalents at end of period	24,901	24,315

(4) Notes to Semi-Annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

The Company acquired 7,900,000 shares of its own stock based on a resolution of the Board of Directors dated January 14, 2026. As a result, treasury shares increased by ¥6,341 million during the six months ended February 28, 2026, bringing the total to ¥12,176 million as of February 28, 2026.

(Application of special accounting treatment in preparing the semi-annual financial statements)

Tax expenses are estimated using a rational effective tax rate on profit before income taxes for the fiscal year including the first six months ended February 28, 2026 after the application of tax-effect accounting. Tax expenses are calculated by multiplying profit before income taxes by this estimated effective tax rate.

(Segment information, etc.)

Segment information

I. Six months ended February 28, 2025 (From September 1, 2024 to February 28, 2025)

1. Sales and profit by reportable segment

	Reportable segments				Adjustments (Note 1)	Amount recorded in the semi- annual consolidated statements of income (Note 2)
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Total		
Net sales						
Net sales to external customers	39,092	18,432	4,163	61,688	—	61,688
Intersegment net sales and transfers	513	1,301	717	2,532	(2,532)	—
Total	39,606	19,733	4,881	64,221	(2,532)	61,688
Segment profit	10,516	1,581	244	12,342	(4,284)	8,058

(Notes)

1. The adjustment of ¥(4,284) million to segment profit mainly comprises corporate expenses not attributable to reportable segments, such as general and administrative expenses.
2. Segment profit is adjusted to operating profit in the semi-annual consolidated statements of income.

2. Assets by reportable segment

Not applicable.

3. Impairment loss on non-current assets and goodwill, etc., by reportable segment

	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Corporate/ eliminations	Total
Impairment losses	—	—	573	—	573

(Note) Goodwill and other intangible assets related to certain consolidated subsidiaries engaged in Other Proximate Services were written down to their recoverable amounts, as those subsidiaries are no longer expected to generate excess earnings based on future business plans. The resulting decrease in value has been recognized as an impairment loss.

II. Six months ended February 28, 2026 (From September 1, 2025 to February 28, 2026)

1. Sales and profit by reportable segment

(Millions of yen)

	Reportable segments				Adjustments (Note 1)	Amount recorded in the semi- annual consolidated statements of income (Note 2)
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Total		
Net sales						
Net sales to external customers	47,011	19,410	5,614	72,035	—	72,035
Intersegment net sales and transfers	320	1,903	836	3,060	(3,060)	—
Total	47,331	21,313	6,450	75,095	(3,060)	72,035
Segment profit	9,731	1,204	556	11,492	(4,584)	6,907

(Notes)

1. The adjustment of ¥(4,584) million to segment profit mainly comprises corporate expenses not attributable to reportable segments, such as general and administrative expenses.
2. Segment profit is adjusted to operating profit in the semi-annual consolidated statements of income.

2. Assets by reportable segment

Not applicable.

3. Impairment loss on non-current assets and goodwill, etc., by reportable segment

	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Corporate/ eliminations	Total
Impairment losses	—	—	501	—	501

(Note) Business assets of certain consolidated subsidiaries engaged in Other Proximate Services were written down to their recoverable amounts, as those subsidiaries are no longer expected to generate excess earnings based on future business plans, and the resulting decrease in value has been recognized as an impairment loss.

(Revenue recognition)

Information on the disaggregation of revenue from contracts with customers

Six months ended February 28, 2025 (From September 1, 2024 to February 28, 2025)

I. Revenue breakdown by customer

(Millions of yen)

	Reportable segments			Total
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	
End-user companies	28,729	6,692	3,973	39,395
Partner companies	10,363	11,739	189	22,293
Revenue from contracts with customers	39,092	18,432	4,163	61,688
Net sales to external customers	39,092	18,432	4,163	61,688

(Note) Revenue from end-user companies for Software Testing Related Services and Other Proximate Services includes revenue not arising from contracts with customers. However, as the amount of such revenue is immaterial, it is presented as revenue from contracts with customers.

II. Revenue breakdown by recognition timing

(Millions of yen)

	Reportable segments			
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Total
Goods or services transferred at a point in time	3,451	3,338	2,765	9,555
Goods or services transferred over time	35,641	15,093	1,397	52,132
Revenue from contracts with customers	39,092	18,432	4,163	61,688
Net sales to external customers	39,092	18,432	4,163	61,688

(Note) Revenue from end-user companies for Software Testing Related Services and Other Proximate Services includes revenue not arising from contracts with customers. However, as the amount of such revenue is immaterial, it is presented as revenue from contracts with customers.

Six months ended February 28, 2026 (From September 1, 2025 to February 28, 2026)

I. Revenue breakdown by customer

(Millions of yen)

	Reportable segments			Total
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	
End-user companies	34,941	6,247	5,330	46,518
Partner companies	12,070	13,162	283	25,517
Revenue from contracts with customers	47,011	19,410	5,614	72,035
Net sales to external customers	47,011	19,410	5,614	72,035

(Note) Revenue from end-user companies for Software Testing Related Services and Other Proximate Services includes revenue not arising from contracts with customers. However, as the amount of such revenue is immaterial, it is presented as revenue from contracts with customers.

II. Revenue breakdown by recognition timing

(Millions of yen)

	Reportable segments			
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Total
Goods or services transferred at a point in time	3,719	2,787	3,798	10,306
Goods or services transferred over time	43,291	16,622	1,815	61,729
Revenue from contracts with customers	47,011	19,410	5,614	72,035
Net sales to external customers	47,011	19,410	5,614	72,035

(Note) Revenue from end-user companies for Software Testing Related Services and Other Proximate Services includes revenue not arising from contracts with customers. However, as the amount of such revenue is immaterial, it is presented as revenue from contracts with customers.

(Significant subsequent events)

(Business combination through acquisition of shares in STEP Co., Ltd.)

SHIFT Growth Capital Inc., a consolidated subsidiary of the Company, resolved by a majority vote of its Board of Directors on March 27, 2026 that SGC 1 Investment Limited Partnership, which it manages, would establish SHIFT STEP Holdings Inc. and, through the newly established company, acquire all shares of STEP Co., Ltd., and on the same date entered into a share transfer agreement with the transferor.

(1) Overview of business combination

I. Name and business of the acquired company

Name: STEP Co., Ltd.

Business: System development, maintenance, infrastructure construction, and IT education businesses

II. Main reason for business combination

STEP Co., Ltd., with three bases in Sendai, Tokyo, and Osaka, has extensive experience in large-scale system development in social infrastructure fields such as aviation, defense, medical care, finance, and telecommunications, where extremely high reliability is required. Furthermore, the company generates stable sales and profits by providing advanced technologies to a wide range of industries.

Through this share acquisition, the SHIFT Group will utilize the strong technological foundation and customer base built by STEP Co., Ltd. as management resources to further stabilize and enhance its development system. In addition, by incorporating STEP Co., Ltd.'s capabilities in recruiting and training experienced management and engineering personnel in the Tohoku region, as well as its ability to build strong project structures for development projects across a wide range of regions, the SHIFT Group will further enhance its development capabilities.

III. Date of business combination

June 1, 2026 (planned)

IV. Legal form of business combination

Share acquisition in exchange for cash

V. Name of the company after business combination

Unchanged

VI. Percentage of voting rights acquired

100% (planned)

VII. Main grounds for determining the acquiring company

A consolidated subsidiary of the Company will acquire 100% of the shares of STEP Co., Ltd. in exchange for cash.

(2) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration paid	Cash	6,000 million yen (planned)
Acquisition cost		6,000 million yen (planned)

(3) Details and amount of major acquisition-related expenses

Advisory fees and commissions, etc. 217 million yen (planned)

(4) Amount of goodwill, reason for its recognition, and the method and period of amortization

To be determined

(5) Amount of assets acquired and liabilities assumed on the date of business combination, and major breakdown thereof

To be determined

(Business combination through acquisition of shares in Nisseicom, Limited)

SHIFT Growth Capital Inc., a consolidated subsidiary of the Company, decided on January 14, 2026 to make Nisseicom, Limited a subsidiary, entered into a share transfer agreement with the transferor on the same date, and acquired all shares on April 1, 2026.

(1) Overview of business combination

I. Name and business of the acquired company

Name: Nisseicom, Limited

Business: System development, etc.

II. Main reason for business combination

Nisseicom, Limited has a high proportion of sales from system development and maintenance, particularly in services for the industrial and distribution sectors, where its strength lies in its deep understanding of customer operations. In the public sector, the company specializes in solutions for national and public universities and health insurance associations, and provides its own proprietary packages featuring a wide range of functions and high usability.

Through this share acquisition, the SHIFT Group will strongly promote the strengthening and expansion of its customer base in the health insurance field, where the company has a high market share, and in regions outside the Tokyo metropolitan area, thereby further enhancing the value of services provided by the Group as a whole.

III. Date of business combination

April 1, 2026

IV. Legal form of business combination

Share acquisition in exchange for cash

V. Name of the company after business combination

Unchanged

VI. Percentage of voting rights acquired

100%

VII. Main grounds for determining the acquiring company

A consolidated subsidiary of the Company acquired 100% of the shares of Nisseicom, Limited in exchange for cash.

(2) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration paid	Cash	17,792 million yen
Acquisition cost		17,792 million yen

(3) Details and amount of major acquisition-related expenses

Advisory fees and commissions, etc. 106 million yen (planned)

(4) Amount of goodwill, reason for its recognition, and the method and period of amortization

To be determined

(5) Amount of assets acquired and liabilities assumed on the date of business combination, and major breakdown thereof

To be determined

(Significant borrowings of funds)

On March 31, 2026, the Company borrowed funds for the acquisition of shares of Nisseicom, Limited under a special overdraft agreement with Mizuho Bank, Ltd.

Lender	Mizuho Bank, Ltd.
Borrowing amount	17,700 million yen
Interest rate	Base interest rate + spread
Borrowing date	March 31, 2026
Repayment date	March 31, 2027
Repayment method	Lump-sum repayment on maturity
Collateral	No
Guarantee	No