

Excerpt from

Annual Securities Report for the fiscal year ended June 30, 2023

I Overview of Business

II Risk of business, etc.

III Management's Discussion and Analysis of Financial
Condition and Results of Operations

Open Up Group Inc.

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I Overview of Business

1. Management Policy, Business Environment, and Issues to be Addressed

The matters concerning the future in the text are based on the judgment of our group as of the end of the current consolidated fiscal year.

During the current consolidated fiscal year, while we are in a phase of recovery from the impact of the COVID-19 infection on the global and Japanese economies, the instability of the world situation, such as the situation in Ukraine, has become apparent. The situation where we cannot let our guard down continues to prevail in manufacturing, services, and overall consumption. In this situation, there is a strong demand from client companies, especially in the technical field in Japan, for our group's business such as dispatch and subcontracting. We anticipate the sustainable growth of our group through business strategies and appropriate financial strategies in response to changes in the market environment.

(1) Basic Policy for Company Management

As the significance of our group's business and as the criteria for decision-making and value in business execution, we have set a purpose. In our subsidiary companies, we conduct management based on business philosophies and visions that align with the direction indicated by this purpose and match the characteristics of each business.

As each individual has a different idea of "happiness," I believe that there are diverse concepts of "a rewarding work" for each working person. Our role is to continuously create many opportunities and open doors for each individual to find their "rewarding work". These doors symbolize possibilities and serve as guideposts to a "rewarding work".

For example:

For some people, it may be taking on a new job challenge.

For others, it may be improving skills through training and development.

And for some, it may be having dedicated time to discuss their future career plans.

When someone is unsure which door to open or finds a door too heavy to open on their own, we stand by the side of working individuals and give them the push they need to open the door. We believe that every time a new door is opened, individuals grow and become a driving force for societal progress.

By increasing the number of individuals who open doors and move towards a "rewarding work," we aim to make society more diverse and prosperous. The Group is committed to creating such a future.



(2) Objective indicators for evaluating the achievement status of management goals

In our company group, we place importance on evaluating the growth and profitability of each business segment or subsidiary as indicators to judge the achievement status of financial goals. Specifically, we set sales revenue and its growth rate, as well as operating profit and its growth rate, as internal targets and evaluation criteria. We also emphasize these items in our consolidated financial statements through continuous disclosure and explanation. The increase in the number of employees and the utilization rate are also important objective non-financial indicators, which we also disclose.

Furthermore, as part of our medium-term management plan, we have set the "BY25" plan as the planning period until the end of June 2025. As of the end of June 2023, the progress of the initial plan of the "BY25" medium-term management plan is exceeding expectations, and the achievement of the "BY25" commitment is considered certain. Therefore, we plan to develop a new medium-term management plan and disclose it by the end of June 2024.

(3) Business Strategy, etc.

Our company group places great emphasis on sustainable growth. We control the allocation of resources with strategic and agile resource management for areas where we can foresee growth in sales revenue and improvement in profitability. We leverage our group's strengths in continuous recruitment of mid-career and new graduates, training programs that contribute to the development of inexperienced individuals, and skill enhancement. We particularly prioritize the dispatch of domestic engineers and allocate management resources accordingly.

Furthermore, our growth strategy focuses on self-sustaining growth through an increase in the number of operational employees and improvement in profitability within the current business segments. We also actively pursue synergies and integration within the same segments through M&A and the integration of subsidiary companies, which are expected to contribute to growth.

(4) Business Environment and Challenges to be Addressed

The market for dispatching engineers in the domestic Machinery, Electricity & IT field and construction field, which are the main businesses of our company group, has been experiencing a shortage of talent for some time. After the slowdown in the economy due to the spread of the novel coronavirus, although there is uncertainty in the global situation, the demand for talent has been recovering along with the recovery of activities by client companies. However, we believe that structural social issues such as rigid employment systems and low mobility of talent in growing technological fields will continue to persist.

In particular, with the decline in the domestic labor force and the increasing trend of students moving away from STEM fields, the competitive environment in the recruitment market is expected to become more challenging in the long run.

In this situation, we recognize the following items as challenges that our company group needs to address, and we will continue to address them through sustainable initiatives.

① Employee Recruitment

For the sustainable expansion of our company group, increasing the number of employees is a crucial element, and particularly the recruitment of technical professionals is considered a significant challenge.

Despite the instability of the global situation, the market for recruiting technical professionals is highly competitive, and our recruitment capabilities will determine our superiority or inferiority to other

companies in the same industry. Our company group actively recruits candidates, both new graduates and experienced professionals, and we promote recruitment through various channels that are suitable for different technical fields and characteristics of our business companies. We constantly adapt our recruitment strategy and ensure appropriate operation of recruitment costs by closely monitoring the changing conditions of the recruitment market and employing flexible approaches such as attracting candidates through our website, utilizing various job listing media, recruitment agencies, employee referrals, conducting online interviews, and consolidating or closing recruitment bases as needed.

Furthermore, we accumulate and analyze data related to recruitment to accurately understand the skills and career aspirations of the recruitment pool we have secured. By utilizing statistics and AI, we strive to further enhance recruitment efficiency and increase the number of successful hires.

② Employee Development

In order to achieve sustainable business growth within our company group, it is crucial for each and every employee to demonstrate and improve their abilities such as trusted technical knowledge, collaboration, and other skills valued by our client companies. Establishing a support system for such skills is an important challenge.

Client companies continue to demand experienced and knowledgeable technicians. In response, our company group has a unique and strong model for developing employees who can work as technicians, even without prior experience such as new graduates. For example, we offer training programs that lead to highly sought-after certifications in the IT field, which are valued as immediate assets. We also provide support systems for obtaining qualifications related to quality assurance and construction.

Furthermore, we have implemented a flexible approach that combines the human support system provided by dedicated departments with talent management systems, allowing us to accurately assess employee skills, evaluations at their workplace, and their motivation. Based on understanding the career aspirations and work preferences of our employees, we promote reskilling and actively support their skill development.

③ Employee Retention

For the sustainable growth of our company group, employee retention is an important factor. We believe that it is crucial for employees to be able to work with a sense of fulfillment, based on a foundation of safety and security. It is an important challenge for us.

Our company group focuses on compliance with laws such as the Dispatch Law, and also places

emphasis on proper operation and internal education related to long working hours, health, and safety. We actively collaborate with client companies as needed, so that employees can work with peace of mind and demonstrate their abilities. In order to have employees choose our company group as a place to grow themselves, it is necessary to establish mechanisms and systems that enhance the work experience of employees. Therefore, we need to create many opportunities such as appropriate matching, reskilling, and career support, starting with "people," and through careful support that considers each employee's life events. Our company group is committed to improving the quantity and speed of these efforts through further utilization of DX and sharing knowledge throughout the organization. By doing so, we strive to increase work engagement and improve employee retention in our company group.

④ M&A (Mergers and Acquisitions)

We consider that for the sustainable expansion of our company group, growth through M&A is an important challenge, in addition to independent growth.

There is a tendency for a high investment amount in M&A related to engineer dispatch, especially for companies that require IT software engineers. Therefore, we believe that setting accurate investment criteria and operating policies are important.

As a principle, our M&A is conducted within the existing business portfolio. We verify the management methods of our company group, synergy with sales and recruitment, and the potential for skill improvement and career advancement for engineers on a case-by-case basis. Additionally, we carefully consider scenarios to ensure that the profitability exceeds the cost of capital, and thoroughly deliberate on business, finance, legal, and personnel matters in the Investment Evaluation Committee, which consists of executive directors and executive officers. The final decision is made by the Board of Directors.

Furthermore, we periodically verify the performance of past M&A transactions and use them as comparisons and references in considering new M&A and post-M&A integration activities (PMI). Through these efforts, we are working to conduct M&A that is suitable for our company group and consistently yields results.

⑤ Prioritized Business and Financial Issues to Address

We consider the "Machinery, Electricity & IT fields" as the priority among our four business segments: "Machinery, Electricity & IT fields," "Construction field," "Manufacturing field," and "Overseas field."

Especially in the context of customer companies and government agencies investing in DX (Digital Transformation), we anticipate that the market for dispatching IT engineers will further expand to meet the growing demand for digital talent, which is currently in short supply. The challenge is to quickly develop new customer companies and secure a market share.

Currently, it is very challenging to secure stable mid-career hires with experience and skills in IT engineering. It is necessary to smoothly transition from hiring and nurturing young and inexperienced engineers to facilitating their smooth employment. Each IT-related subsidiary within our group has its own strengths and technical expertise. By strengthening collaboration and covering project assignments and career paths based on the skills and experience of the engineers within the group, as well as consolidating and streamlining training, we believe we can leverage our strengths. Additionally, we believe that this will contribute to improving the efficiency of recruitment by expanding the range of potential candidates.

2. Thoughts and Initiatives on Sustainability

The matters regarding the future mentioned in the text are determined by our company group as of the end of the current consolidated fiscal year.

Our company group's fundamental understanding in promoting sustainability activities is to engage in business activities that are in harmony with human society and the natural environment over the long term. Based on this understanding, we have established the "Purpose," which is the most important principle of our company group, and set forth the following "Sustainability Basic Policy."

Sustainability Basic Policy:

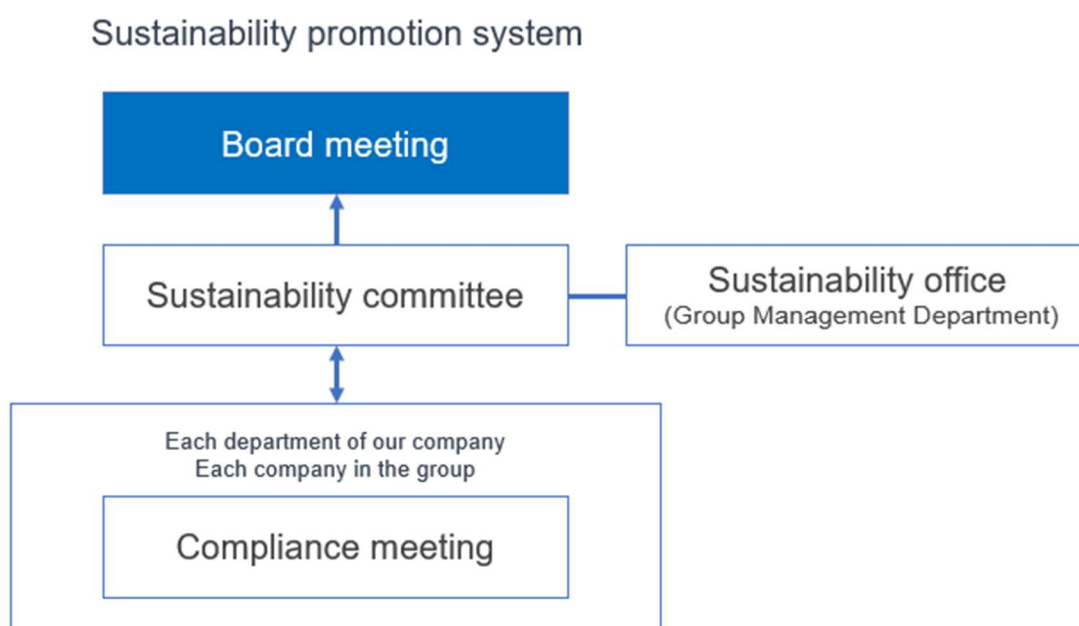
Based on our Purpose of "creating a society where individuals can open up their potential through rewarding work," our company group aims to collaborate and cooperate with not only employees (job seekers) and business partners but also all stakeholders. We strive to promote the resolution of social issues through our business activities, with the goal of realizing a sustainable society and the growth of our company group.

(1) Governance

In our company group, we have established a structure centered around the Sustainability Committee to promote sustainable business expansion and address societal challenges. The Sustainability Committee manages the review and update of value creation processes and materiality, while discussing risk management related to medium to long-term sustainability. This risk management includes issues related to human rights and the environment, and also considers the framework of the TCFD recommendations. The Sustainability Committee functions as one of the executive bodies, with the Chairman and CEO serving as the committee head, and is composed of the President and COO, the

CFO, the presidents of major business companies, and company group staff nominated by the chairman. Additionally, in the monthly compliance meetings (reports) conducted by each business company, the Sustainability Committee oversees the occurrence and management of items related to sustainability. The same management department (Group Management Department) operates the secretariat for both the Sustainability Committee and the compliance meetings, promoting the operation of the sustainability system throughout the year.

I hope this translation helps! If you have any further questions or need additional translations, please let me know.

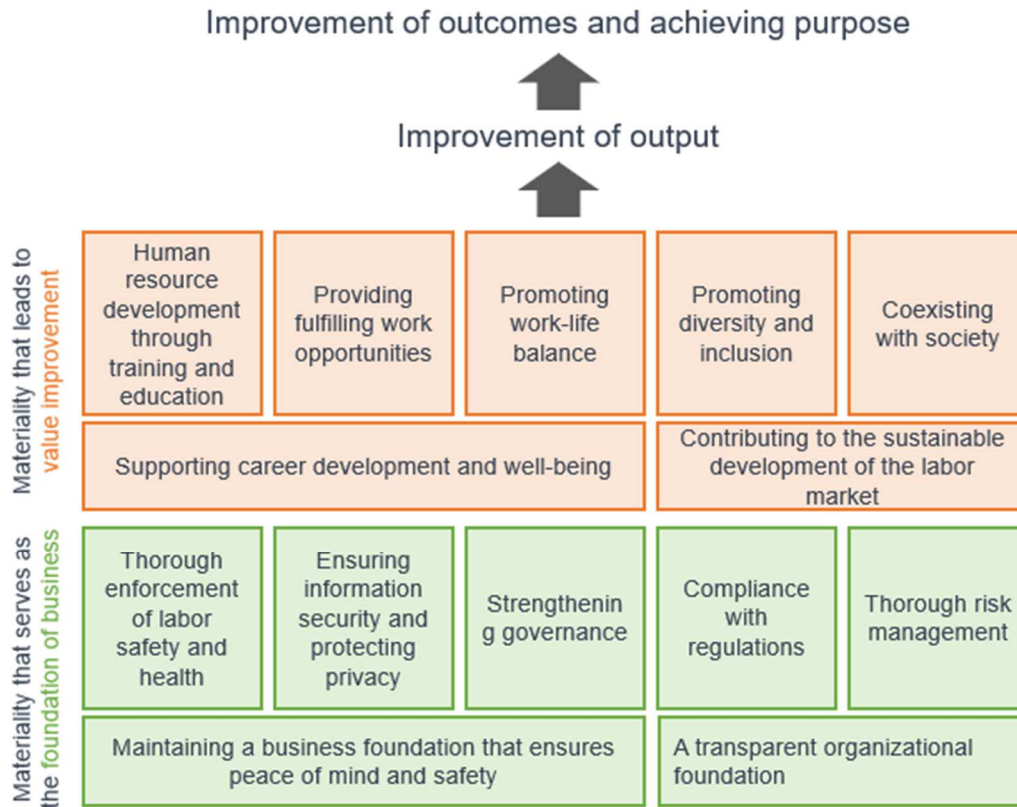


(2) Strategy

(i) Materiality

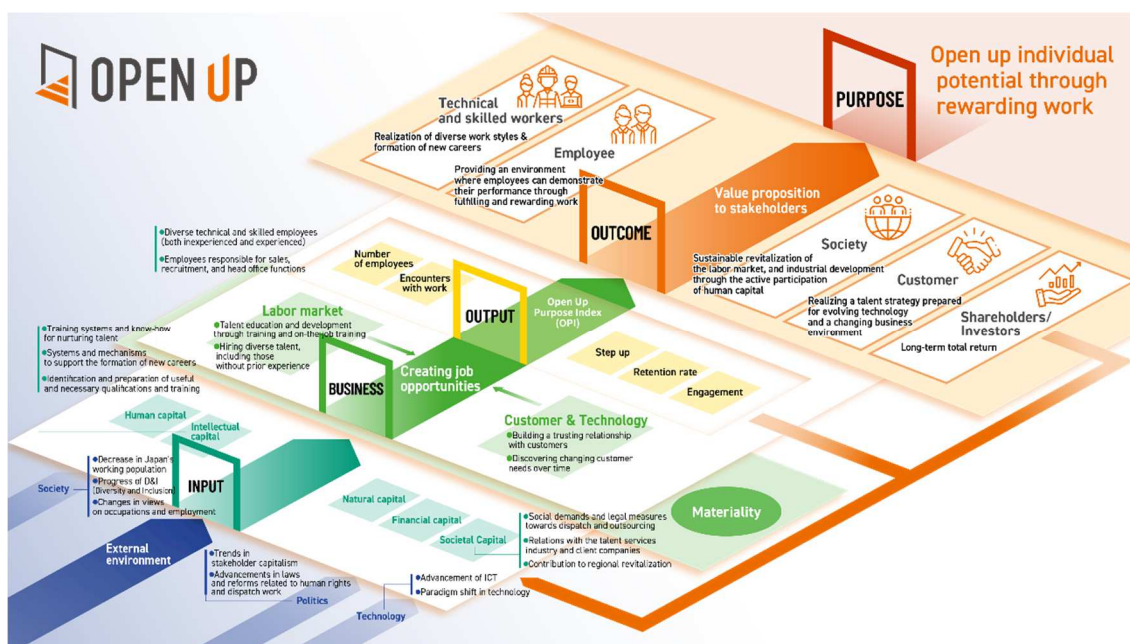
Our group has identified materiality as an important issue that has a significant impact on the long-term value creation of the company, in line with our purpose and business strategy. We have also linked the identified 10 materiality issues to thematic areas, emphasizing our commitment to both opportunity creation and risk management, and have structured them as follows:

The materiality is divided into two parts, with materiality related to "ensuring safety and security in business foundations" and "organizational foundations with high transparency" forming the basis of our business. By addressing materiality related to "career development and well-being support" and "contributing to the sustainable development of the labor market," we aim to create value.



(ii) Value Creation Model for Achieving Purpose

Our company group has formulated a value creation model with the aim of achieving our purpose, which we believe will create long-term value and contribute to the sustainable development of society. In formulating this model, we conducted an analysis of benchmark companies and interviews with top management in the sustainability department to create a draft. We then held executive workshops based on the draft to further discuss and consider it, and finally, we finalized it taking into account the opinions of the board of directors. Based on the integrated framework of IFRS, our group's value creation model is summarized along the flow of "external environmental changes," "inputs," "business activities," "outputs," and "outcomes." We believe that through these outputs, outcomes, and their positive impacts, our purpose will be achieved.



(iii) Response to Climate Change

Our company group, in order to realize a sustainably developing society and always considering the impact on the natural environment and biodiversity, has established an environmental policy that all officers and employees of our company and our group companies must adhere to in the course of their duties. We are committed to contributing to the preservation of the global environment in all our business activities.

Environmental Policy of OpenUp Group

<https://www.openupgroup.co.jp/sustainability/environment-policy/>

Furthermore, we are committed to disclosing information based on the four components of the TCFD recommendations: "Governance," "Strategy," "Risk Management," and "Metrics and Targets." We have completed scenario analysis and have disclosed it. Regarding metrics and targets, we are currently considering how to properly calculate and control our greenhouse gas emissions and will specify our approach once this is finalized.

OpenUp Group's TCFD Initiatives

<https://www.openupgroup.co.jp/sustainability/tcfd/>

Philosophy on Human Resource Development

Our company group believes that our role is to continuously create numerous opportunities for each individual to find a "rewarding work." We consider talent development and diverse training opportunities as one of these opportunities. Among our strengths and characteristics, a distinctive feature of our group is the specialized training system that allows even fresh graduates or those without

prior experience to be trained and work as technical professionals.

Regardless of age or professional experience, leveraging skills acquired through training to enhance contributions to clients ensures that individuals can access higher-level tasks and benefits, which in turn enhances long-term job satisfaction. Each of our business entities, leveraging their specific expertise, has established training programs and qualification acquisition systems necessary for technicians. Even for those without prior experience, we have prepared an environment where they can thrive and grow in the future. By understanding each individual's career turning points and work preferences, we support continuous challenges in their jobs by providing opportunities for transfers to new tasks or training, allowing them to develop their careers towards the future they envision.

Furthermore, for our administrative staff, we have formulated a "Human Resources Policy" across the entire group. We are advancing the construction and appropriate operation of personnel systems in line with this HR policy. Just like our technical staff, we are also preparing an environment where our administrative staff can thrive and grow.

Promotion of Diversity and Inclusion

Our company group believes that the essence of our human resource service business lies in each individual "working person." We believe that when every individual thrives in a diverse work environment where mutual respect and understanding are fostered, it leads to both personal job satisfaction and improved services to our client companies, ultimately contributing to the value of our business. Based on our "Corporate Ethics on Society, Human Rights, and the Environment," we ensure that employment conditions are not determined by factors such as gender or nationality. Regardless of age or the presence of disabilities, we are committed to creating a work environment where everyone can achieve decent work and work-life balance. We have set forth a policy to promote diversity and inclusion through the recruitment, training, and promotion of diverse talents.

(3) Risk Management

Our company group recognizes that for the five identified materialities that lead to value creation, there are both "opportunities" that can be gained through our initiatives and "risks" if we do not address them. We manage these aspects through our Sustainability Office.

Opportunities and risks of materiality

	Materiality	SDGs	Opportunities from Initiatives	Risks from Not Taking Action
Supporting Career Formation and Life Planning	Promoting Work-Life Balance		By improving the work environment, employees can work with peace of mind, which can lead to reduced negative turnover rates and improved reputation.	Not adequately caring for employees can lead to decreased satisfaction, increased negative turnover rates, and decreased hiring ability.
	Providing Rewarding Work		Offering rewarding work can improve performance and contribute to employee growth and customer satisfaction.	
	Human Resource Development through Training and Education		Supporting skill improvement can lead to longer employment durations, broader career options, and opportunities for increased compensation.	
Contributing to the Sustainability of the Labor Market	Coexistence with Society		As an industry-leading company, it can contribute to the labor market and industry while also ensuring continued business with customers and securing talent.	There's a risk of brand image damage from a social impact perspective, termination of business with customers, and difficulty in securing talent.
	Promoting Diversity & Inclusion		Can acquire employees from diverse backgrounds (age, gender, nationality, etc.) and provide value to a diverse customer base.	There's a risk of difficulty in acquiring talent from the labor market.

(4) Indicators and Goals

Our company group captures the degree of realization of the purpose through various factors and has set five indices called the "Open Up Purpose Index (OPI)" to measure its extent. We believe that achieving progress in the OPI and expanding business capacity together will lead to the improvement of sustainable corporate value.

<https://www.openupgroup.co.jp/sustainability/non-financial/>

Progress status of OPI

Item	FY2020.6	FY2023.6	FY2025.6	Explanation
1. Number of Employees	End of June 2022 19,448 people	End of June 2023 22,105 people	30,000 people	Number of employees at the end of the month, including domestic and overseas staff.
2. Encounters with Work	Cumulative until June 2022 13,172 cases 55 people	Cumulative until June 2023 29,948 people 69 people	50,000 cases -	Number of new employments, including domestic and overseas staff. (Note) Transfers within the group
3. Step-Up	Cumulative until June 2022 1,617 people 842,769 hours 22,406 people 1,419 million yen	Cumulative until June 2023 3,184 people 2,089,380 hours 56,431 people 3,175 million yen	6,000 people - - -	Number of mid-level engineers reached according to each designated technical company, including domestic and overseas staff. (Note) Total training hours (Note) Number of training participants (Note) Total investment in education and training
4. Retention Rate	0.826 Cumulative until June 2022 319 people 98.00%	0.827 Cumulative until June 2023 669 people 98.70%	85% - -	100% - resignation rate (excluding retirement at the age limit for domestic and overseas employees) (Note) Cumulative number of career changes to client companies (Note) Voluntary retirement rate
5. Engagement		1 year performance x1.0	3 year performance x1.2	NPS analysis - Ratio of passives and promoters to be 1.2 times or more, including domestic and overseas staff

II Risk of business, etc.

The main risks that the management recognizes as having the potential to significantly impact the financial condition, operating results, and cash flow of the consolidated company among the matters related to the status of the business and accounting are as follows, as stated in the securities report. In the Group, we will continue to make efforts to avoid the impact of these risks as much as possible and to respond appropriately in the event they occur. Please note that the future matters mentioned in the text are determined by our Group at the end of the consolidated accounting period.

① Novel Coronavirus Infection (COVID-19)

Regarding the impact of the novel coronavirus infection, we have steadily implemented infection prevention measures such as the adoption of telework, online meetings using WEB tools, and a follow-up system for employees. In addition to reducing the direct impact of the novel coronavirus infection on our group's business activities, the current situation has almost no impact on our business activities due to the downgrade to a category 5 infectious disease. Our core businesses, such as domestic manufacturing, IT, and construction industry dispatch and contract work, show solid demand against the backdrop of structural labor shortages and needs in new fields. We believe that the market for our group's business is steadily recovering, and in some areas, the growth phase continues. As mentioned above, although the impact of the novel coronavirus infection has subsided, if a situation arises that affects the activities of our client companies or restricts the economic activities of our employees, it may affect our group's operating results and financial condition.

② The international societal situation, including the situation in Ukraine and economic security, etc. Our company group does not have a global supply chain or resources for parts procurement in its business structure, so there are few direct impacts. However, we need to be aware of the potential impact through changes in the demand for personnel due to our clients' response to the international situation. For example, if there are significant changes in the operation of our clients' development or production bases, including relocation, it could potentially affect our group's business performance and financial condition.

④ Natural disasters

Our company's business bases are widely spread both domestically and internationally, and there is a possibility that business activities may be halted in certain areas due to natural disasters such as earthquakes, tsunamis, and typhoons, or that our customers' facilities may be damaged and work cannot be carried out. We are continuously updating our system, including digitization and backup at other locations, to minimize the impact. However, in the event of a large-scale disaster, there is a possibility that it may affect our group's financial performance and financial situation.

⑤ Legal regulations

The businesses of dispatching workers and job placement are subject to regulations under not only the Labor Standards Act but also the Worker Dispatching Act and the Employment Security Act in Japan. In our company group, we ensure that there are no actions or events that violate these laws by conducting confirmation and restraint in our business flow, and we are committed to regular monitoring and preventive measures through compliance meetings. However, there is a risk of receiving penalties such as revocation of permission or suspension of business if the strengthened guidance policy of the supervisory authority or our group's efforts are not sufficiently reflected at the dispatched workplaces.

Furthermore, if there are future revisions to relevant laws or a tightening of the supervisory authority's guidance policy, causing client companies to reassess the utilization of dispatching or subcontracting, there is a possibility that it may negatively impact the management performance and financial situation of our company group. Additionally, in overseas businesses, there may be similar possibilities due to regulations and laws specific to each country.

⑥ Customer information management

Our company employees have opportunities to access highly confidential information at client companies where they work. Therefore, we provide training and education on handling confidential information to all employees during the onboarding process and periodically. However, in the event of a leak or unauthorized use of a client company's confidential information, it could potentially impact our company group's financial performance and financial status due to claims for damages or damage to our social reputation.

⑦ Personal Information Management

Our company group handles a large amount of personal information, and to ensure proper management, we have established regulations and related provisions regarding personal information protection. We have also obtained the Privacy Mark and conduct employee training. In addition, we implement access control and leak prevention measures for IT equipment handling personal information. However, in the event of a personal information leak or unauthorized use, there is a possibility that it may impact our company group's business performance and financial status through damage claims and loss of social credibility.

⑧ Work-related accidents

Our employees in the company group work in various workplaces of client companies through dispatch and subcontracting. Therefore, we make efforts to prevent work-related accidents by conducting safety and health education and training in cooperation with client companies at the time of assignment, etc. However, if employees of our company group encounter unforeseen situations, there is a possibility that it may affect the management performance and financial situation of our company group due to

damage claims and loss of social credibility.

⑨ Business Outsourcing (Entrusted, etc.)

In our company group, we provide services based on outsourcing contracts in addition to dispatching. In outsourcing, unlike dispatching, we give instructions for executing the work and take responsibility for its management and supervision. Therefore, we carefully consider and prepare for the risks that may arise from outsourcing before providing the services. However, if there are any issues such as a decrease in quality, delays in delivery, or defects in deliverables that lead to a situation such as suspension of transactions or claims for damages from client companies, it may have an impact on the management performance and financial situation of our company group.

⑩ M&A, Business or Capital Alliance, etc.

Our company group actively pursues M&A (including alliances, etc.) as a management strategy. When investing, we carefully examine the business content, contractual relationships, and financial information of the target company, and assess the investment effect cautiously. However, if we cannot achieve the expected results initially, it may lead to impairment of goodwill and potentially affect the management performance and financial situation of our company group.

III Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Overview of Business Performance, etc.

The overview of the financial condition, business performance, and cash flow (hereinafter referred to as "business performance, etc.") of our group (the company, consolidated subsidiaries, and equity method affiliates) for this consolidated fiscal year is as follows:

① Situation of Business Performance

The sales revenue for this consolidated fiscal year amounted to 161,689 million yen (an increase of 8.8% compared to the previous year). This increase in revenue is attributed to the growth in performance in the fields of Machinery, Electricity & IT, construction, and manufacturing, which offset the decline in overseas areas. In terms of profit, although there was an increase in hiring costs in each area due to the tight supply and demand for human resources after the coronavirus, the rise in dispatch unit prices, improvements in business productivity, and an increase in the sales revenue composition ratio of high-profit-margin areas led to an overall improvement in the profit margin. As a result, business profit was 12,013 million yen (an increase of 25.7% compared to the previous year), operating profit was 12,760 million yen (an increase of 26.3% compared to the previous year), pre-tax profit for the period was 13,103 million yen (an increase of 28.0% compared to the previous year), and net profit for the period was 9,544 million yen (an increase of 35.4% compared to the previous year).

*Note: Business profit is a unique profit indicator of our company, which is derived by subtracting "selling expenses and general administrative expenses" from "gross sales profit" and excludes the effects of special items (such as employment adjustment subsidies and impairment losses) recorded in "other revenues" and "other expenses."

The overview of performance by segment is as follows. Please note that the sales figures for each segment are based on sales to external customers.

[Machinery, Electricity & IT segment] (Dispatch, contract, and entrusted business for the development, design, and operation/maintenance sectors in the machinery, Machinery, Electricity & IT fields)

In this consolidated fiscal year, due to aggressive hiring investments from the previous consolidated fiscal year and the recovery of business sentiment across a wide range of industries, as well as an increase in demand for human resources, the number of employees increased by more than 10% from the beginning of the period. The operation rate, excluding the period after April when there was a temporary increase in non-operation due to training for new graduates, remained stable at a level generally exceeding 95%. In terms of profit, although hiring costs significantly increased due to the

tight supply and demand for human resources, the profit margin slightly improved due to the expansion of advanced training, improvement in dispatch unit prices through project shifts, and the suppression of selling expenses and general administrative expenses through improvements in business efficiency.

As a result, the sales revenue for this segment in this consolidated fiscal year was 80,342 million yen (an increase of 13.7% compared to the previous year), and the segment profit was 8,609 million yen (an increase of 20.9% compared to the previous year).

[Construction segment] (Dispatch business for construction management engineers and CAD operators to the construction industry)

In this consolidated fiscal year, as a result of strengthening and improving recruitment channels and employee retention measures that were initiated in the previous consolidated fiscal year, the number of employees increased. Additionally, due to the robust demand for human resources in the construction industry, the operation rate remained at a high level. Furthermore, the profit improved due to the absence of amortization expenses for intangible assets from PPA and stock compensation expenses that were recorded in the previous consolidated fiscal year.

As a result, the sales revenue for this segment in this consolidated fiscal year was 40,121 million yen (an increase of 8.7% compared to the previous year), and the segment profit was 6,271 million yen (an increase of 17.7% compared to the previous year).

[Manufacturing segment] (Dispatch, contract, and entrusted business in the manufacturing processes of client companies)

In this consolidated fiscal year, the company continued to diversify its business areas and major clients, expanding the demand for human resources across various sales areas. At the same time, efforts were made to maintain and improve profitability through unit price negotiations. As a result, in the dispatch business, the number of active employees increased in industries such as materials, electronics/precision machinery, and logistics warehouses. However, in the contract business, there was a reduction in staff due to decreased production related to semiconductors. While the cost rate remained stable or showed an improving trend, recruitment costs and personnel expenses increased, leading to a slight decrease in the profit margin.

As a result, the sales revenue for this segment in this consolidated fiscal year was 10,992 million yen (an increase of 13.5% compared to the previous year), and the segment profit was 556 million yen (a decrease of 0.8% compared to the previous year).

[Overseas segment] (Human resource services such as dispatch and contract in the technical and manufacturing fields outside Japan, and paid job introductions)

In this consolidated fiscal year, in the UK, there was a temporary recovery in labor demand after the containment of COVID-19. However, towards the end of the year, economic activity slowed down due to rising prices, interest rate hikes, and a slump in trade. As a result, dispatch sales during the busy season before Christmas were sluggish. Despite the effects of a weaker yen, sales decreased. In terms of profit, the overall profit margin of the business remained almost flat, but the end of public subsidies for COVID-19 measures became a factor in the decrease in profit. On the other hand, the impairment loss of approximately 744 million yen recorded in the previous consolidated fiscal year for a British subsidiary was eliminated.

As a result, the sales revenue for this segment in this consolidated fiscal year was 28,959 million yen (a decrease of 3.7% compared to the previous year), and the segment profit was 398 million yen (compared to a segment loss of 417 million yen in the previous year).

[Others]

Outside the reporting segments, SAMURAI Co., Ltd. offers online programming learning services, and Open Up With Co., Ltd. (formerly Be Next With Co., Ltd.), a special subsidiary of our group, provides various services within the group through the employment of people with disabilities.

The online programming learning service maintained roughly flat sales revenue due to a profitability-focused policy, but profitability improved. Additionally, various services within the group, such as flower arrangements, saw a significant recovery in sales within the group due to the relaxation of restrictions related to COVID-19.

As a result, the sales revenue for this segment in this consolidated fiscal year, including internal transactions, was 1,919 million yen (an increase of 26.0% compared to the previous year), and the segment profit was 38 million yen (compared to a segment loss of 317 million yen in the previous year).

② Financial Position

Assets, Liabilities, and Equity

Assets:

The total assets at the end of this consolidated fiscal year increased by 4,969 million yen (an increase of 5.1%) compared to the end of the previous consolidated fiscal year, amounting to 101,491 million yen. The main factors for this change include an increase of 3,672 million yen in cash and cash

equivalents, an increase of 2,245 million yen in trade and other receivables, an increase of 832 million yen in other current assets, and a decrease of 1,395 million yen in other non-current financial assets.

Liabilities:

The total liabilities at the end of this consolidated fiscal year increased by 3,298 million yen (an increase of 9.9%) compared to the end of the previous consolidated fiscal year, amounting to 36,475 million yen. The main factors for this change include an increase of 2,968 million yen in other current liabilities, an increase of 508 million yen in unpaid corporate income taxes, an increase of 386 million yen in other current financial liabilities, a decrease of 471 million yen in non-current bonds and borrowings, and a decrease of 168 million yen in trade and other payables.

Equity:

The total equity at the end of this consolidated fiscal year increased by 1,670 million yen (an increase of 2.6%) compared to the end of the previous consolidated fiscal year, amounting to 65,016 million yen. The main factors for this change include a net profit attributable to the owners of the parent company of 9,533 million yen, dividends from retained earnings of 3,965 million yen, leading to an increase in retained earnings of 5,965 million yen, an increase of 3,962 million yen in treasury shares, and a decrease of 666 million yen in other components of equity.

③ Cash Flow Situation

The cash and cash equivalents (hereinafter referred to as "funds") at the end of this consolidated fiscal year increased by 3,672 million yen compared to the end of the previous consolidated fiscal year, amounting to 16,077 million yen. The situation of each cash flow during the consolidated fiscal year and its factors are as follows:

Cash Flows from Operating Activities:

The cash flows from operating activities resulted in an income of 15,598 million yen (compared to an income of 15,501 million yen in the previous period). The main factors include an income of 13,103 million yen due to the recording of pre-tax current profit, an adjustment amount of profit and loss of 2,242 million yen for non-cash items such as depreciation and amortization, an increase of 1,441 million yen in unpaid personnel expenses, an income of 1,289 million yen from other cash flows from operating activities, a decrease of 1,235 million yen in lease receivables, and a decrease of 1,198 million yen in prepaid expenses. These factors exceeded the expenditure of 4,021 million yen for corporate income tax payments and an increase of 1,408 million yen in trade and other receivables.

Cash Flows from Investing Activities:

The cash flows from investing activities resulted in an income of 611 million yen (compared to an expenditure of 2,161 million yen in the previous period). The main factors for the income include 878

million yen from the sale of investment securities, 553 million yen from other cash flows from investing activities, an expenditure of 427 million yen for the acquisition of tangible fixed assets, and an expenditure of 300 million yen for the acquisition of intangible assets.

Cash Flows from Financing Activities:

The cash flows from financing activities resulted in an expenditure of 12,667 million yen (compared to an expenditure of 22,046 million yen in the previous period). The main reasons for the expenditure include 4,054 million yen for the repayment of lease liabilities, 4,039 million yen for the acquisition of treasury shares, and 3,968 million yen for dividend payments.

④ Production, Orders, and Sales Performance

a. Production and Order Performance

The main businesses of our Group, which are dispatch and contract work, lack significance in terms of production and order performance, so we have omitted the details.

b. Sales Performance

The sales performance for this consolidated fiscal year, broken down by segment, is as follows:

Segment Name	Current Consolidated Fiscal Year (From July 1, 2022 to June 30, 2023)		YoY
	Sales (million yen)	Composition (%)	
Machinery, Electricity & IT Segment	80,342	49.7	13.7
Construction Segment	40,121	24.8	8.7
Manufacturing Segment	10,992	6.8	13.5
Overseas Segment	28,959	17.9	-3.7
Total for Reported Segments	160,415	99.2	8.9
Others	1,273	0.8	4.8
Total	161,689	100	8.8

(Note)

1. The proportion of sales performance by major counterparties to the total sales performance is less than 1/10th of a percent, so it has been omitted.
2. Inter-segment transactions have been offset and eliminated.

(2) Analysis and Consideration of the State of Business Performance from the Management's Perspective

The management's perception, analysis, and consideration of the state of the business performance of our group are as follows. Please note that any future-related matters mentioned in the text are based on judgments made as of the end of the current consolidated fiscal year.

① Important Accounting Estimates and Assumptions Used for Such Estimates

Among the accounting estimates and the assumptions used for such estimates in preparing the consolidated financial statements, the important ones are described in "Section 5: Accounting Status, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 4. Important Accounting Estimates and Judgments Involving Estimates."

② Recognition, Analysis, and Consideration of Business Performance in the Current Consolidated Fiscal Year

a. Business Performance in the Current Consolidated Fiscal Year

As described in "Overview of Business Performance ① Business Performance".

b. Factors Significantly Affecting Business Performance

Our business is exposed to various risk factors that can significantly impact our business performance, such as economic fluctuations affecting the size of the human resources market, the situation of competitors, legal regulations, etc. For details, please refer to "Section 2: Business Status, 3: Risks in Business".

c. Analysis and Consideration of Cash Flow Situation and Information on Capital Resources and Liquidity

Cash Flow Situation

As of the end of the current consolidated fiscal year, cash and cash equivalents (hereinafter referred to as "funds") increased by 3,672 million yen compared to the end of the previous consolidated fiscal year, reaching 16,077 million yen. For the situation and factors of each cash flow during the current consolidated fiscal year, please refer to "Overview of Business Performance ③ Cash Flow Situation".

Regarding Capital Resources and Liquidity

Our working capital is primarily covered by the collection of trade receivables. However, we plan to use direct and indirect financing as needed. Regarding liquidity, our company and some of our consolidated subsidiaries have introduced a Cash Management System (CMS) to centralize surplus funds to our company and manage them centrally, aiming to optimize surplus funds. We also have procurement methods such as overdraft facilities and commitment line contracts to ensure liquidity on hand.

d. Objective Indicators to Judge the Achievement of Management Policies, Strategies, and Management Goals

Our group emphasizes indicators to evaluate the growth and profitability of each business segment or company to judge the achievement of financial goals. Specifically, we set sales revenue, its growth rate, operating profit, and its growth rate as internal goals and evaluations, and we continuously disclose and

explain these items in consolidated financial statements. Also, the increase in the number of active employees and the operation rate are important non-financial objective indicators, and we disclose them as well. We have set the medium-term management plan "BY25" for the period up to June 2025 in August 2021. As of June 2023, we are progressing faster than the initial plan of the medium-term management plan "BY25", and it is certain to achieve the "BY25" commitment goals. Therefore, we plan to formulate a new medium-term management plan and disclose it at the end of June 2024.

e. Management's Recognition of Issues and Future Policies

Our group believes that continuous efforts in corporate governance, growth of the business centered on technical dispatch, improvement in the number of employees hired and retention rate, and strengthening efforts to improve employee skills are necessary for sustained corporate growth and further expansion of business scale. For our recognition of these issues and future policies, please refer to "Business Status, 1: Management Policies, Business Environment, and Issues to Address" and "Business Status, Risks in Business".