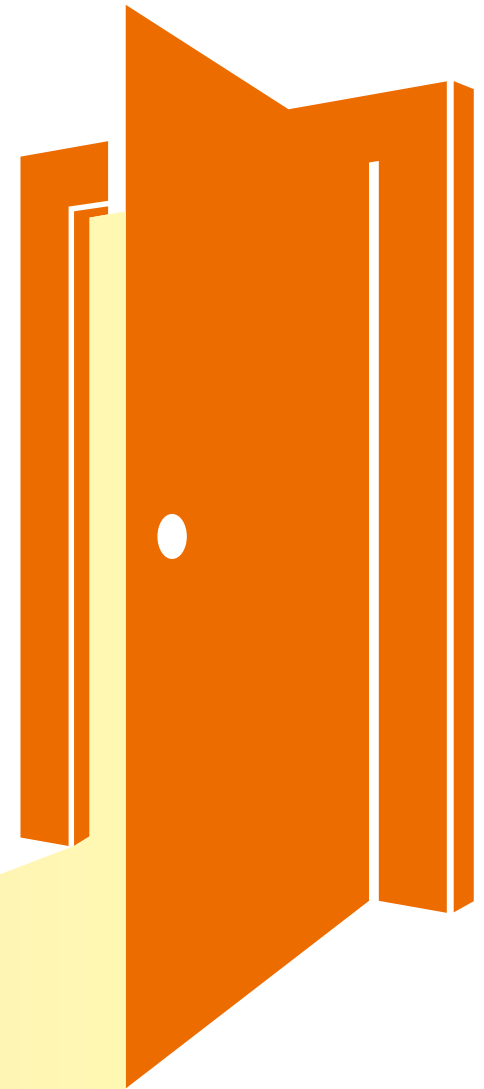




INTEGRATED REPORT 2023

Open Up Group Inc.
(Abridged Version)





Yutaka Nishida
Chairman and Representative Director, CEO

Message from the CEO

We will strive to satisfy workers and unlock their true potential, creating medium- to long-term value as their employer of choice.

Connecting People with Rewarding Work to Help Realize a Sustainable Society

Open Up Group Inc's Purpose—its reason for being—is to “open up individual potential through rewarding work.” We believe that “rewarding work” is the kind that allows each individual to demonstrate their strengths and expand their potential.

Work is one of the most important aspects of life in modern society besides the need for food, water, and shelter, but in reality, not many people are able to find the jobs that they want. In particular, only a handful of people are able to find the jobs they are looking for right after graduation, and the majority of people find themselves hindered by various gaps when they actually start working. These gaps can appear in the form of missing skills and qualifications, a lack of opportunities and experience, or simply a difference between expectations and reality. Our role in society as a personnel staffing business is to bridge these gaps and connect people with rewarding work.

We will achieve growth as a Group by supporting the career development of our employees, creating opportunities for people to do work they are passionate about and increase the value of the work in their lives. I believe this means no less than helping realize a diverse and prosperous society where people can fulfil their potential.

Message from the CEO

Focusing on Worker Experience to Embed Our Purpose

In fiscal 2023, the fiscal year ended June 30, 2023, the Group completed its framework for promoting sustainable management, with our Purpose positioned at the top. In conjunction with the development of BY25, our medium-term management plan covering the four-year period from fiscal 2022 through fiscal 2025, we established the Open Up Purpose Index, a series of five indicators that allow us to measure our progress in achieving our Purpose. Additionally, we have identified material issues, which are issues that could impact our efforts to promote business strategies, create value over the medium to long-term, and ultimately affect our ability to realize our Purpose. More recently, we have formulated specific action plans to address these material issues and are incorporating our Purpose and material issues into the strategies of each operating company.

However, the truth is there is still a great deal of work to do in terms of how much employees empathize with concepts such as our Purpose, material issues, and the Open Up Purpose Index, and whether they apply them in their work. I believe that for our Purpose to become embedded throughout the Group, we must help our employees get a better understanding of what our Purpose is trying to achieve. The key to this understanding is in the work experience of each individual employee.

Therefore, to help employees get a real sense that their efforts are bringing us closer to achieving our Purpose, we focus on sharing information within the Group. More

specifically, we use our intranet to share achievements throughout the Group, such as the case where a former food factory employee changed career and became engineer with our support, and the fact that we have helped produce the greatest number of people with global cloud service platform qualifications in Japan. Another important aspect of this initiative is that we treat these achievements not only as the achievements of the individual companies our employees belong to but also as achievements for the entire Group. This type of information not only inspires engineers and technicians to try to advance their own careers but also prompts employees in sales, recruiting, planning, and administration departments to think of ways they can support this career advancement.

In this same vein, I believe that our material issues and Open Up Purpose Index tell us what we need to address to achieve our Purpose, give us a means to measure our progress in achieving our Purpose, and provide targets to reach along the way. At the same time, they give us an opportunity to reflect upon what we are trying to achieve by promoting initiatives to address these issues and reach these targets, and on our very reason for being.

Unlocking Potential Through Career Advancement and Change

To continue to grow in Japan, a country faced with a shrinking workforce, we must continue to be the employer of choice for workers. As I mentioned previously, there are many people with gaps in their work experience. If we offer services that help employees cross these gaps and thereby

find the jobs best suited to them, we will increase the number of employees invested in their duties. As a result, the companies they are dispatched to will be more satisfied with their work, which will elevate the Group in the eyes of society. This virtuous cycle will help increase the Group's corporate value and help realize our Purpose.

Previously, the Group built a solid position in the market by focusing on the early stages of an employee's career, or the "career-launching" stage, by hiring inexperienced people, training them as engineers, and dispatching them to companies. We are proud to count our deep well of knowledge of hiring and training inexperienced people among our strengths, and it is a strength we intend to maintain and build in the future. At the same time, I would like us to increase our support for career advancement and career chances for more experienced engineers so that we remain the employer of choice among job seekers and employees alike.

This is driven by the desire to unlock the potential of workers. Even if you strive to build up your career, you limit your possibilities if your work remains the same for years on end. Social trends change, as do the knowledge, technological capabilities, and skills required of engineers. To unlock worker potential, we need to provide opportunities for continued learning—reskilling—and create a stage beyond career-launching that ensures that employees with motivation and skills can flourish.

Enhancing Management Capital to Become the Employer of Choice

An employer of choice must do more than provide basic advice along the lines of "Try this job," or "Try that job." It must provide constructive advice, training, education, and a wide range of support services that give workers the resources they need to develop their careers over the medium to long term. In addition to recruiting, training, and

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Message from the CEO

dispatching human resources to meet the needs of our client companies, we also try to learn what type of people a company needs in light of its medium- to long-term human resource strategy, and prove ourselves to be a capable part of resolving their issues. Put another way, we must improve consulting both for workers and for client companies.

To that end, we are working diligently to convert information into knowledge. For example, when making a proposal to a client company, it goes without saying that we need to be well-versed in the industry and technology trends that apply to that company. This has required the knowledge and experience of veteran employees familiar with the industry. In the future, we would like to build a system that allows us to extract knowledge from an internal database without having to rely on individual people. If we can use this database to match client companies with engineers and technicians with fitting experience, qualifications, and future career plans, our proposals will be much more compelling to workers and client companies alike.

When we take a close look at our current work, we find tasks that are legitimately difficult, as well as those that seem difficult on the surface but that in reality can be performed by anyone if we take advantage of digitalization and automation. If digitalization and automation reduce the time it takes to perform these latter tasks, employees in sales, recruiting, planning, and administration departments will be free to take on more difficult tasks, allowing them to display their abilities and improve their productivity considerably. If increasing their capabilities through taking on challenges leads to higher evaluations, improved compensation, and better benefits, employees will have a greater sense of fulfillment and engagement with their work. To create these conditions, we will make the investments necessary to digitalize information and convert it into knowledge while working to enhance our management capital, which is one of the key sources of the Group's competitiveness.

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Strengthening Governance

In September 2023, we transitioned from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee, with the goals of speeding up decision-making and making our governance system more effective. Under the holding company structure, one of the major roles of Open Up Group Inc's Board of Directors is supervising and monitoring the business status of the Group's operating companies. Members of the previous Audit & Supervisory Board did not have voting rights within the Board of Directors, whereas members of the Audit & Supervisory Committee are also directors on the Board of Directors and can be more deeply involved in management-related decision making. I believe that this is a highly significant step toward stronger supervision and monitoring.

The Board of Directors is a platform to discuss not only current management but also management for the next fiscal year, the year after, and beyond. To achieve our Purpose, I would like the Board of Directors to spearhead future-facing management, with a sharp focus on determining which matters are important and what types of initiatives and results we need to pursue.

The Group positions strict compliance with laws and regulations and information management as key prerequisites for management, and we are promoting initiatives that emphasize employee education on these topics. This is a

necessary step, because no matter how thorough the rules are, we need to consider the possibility that mistakes will occur, and having employees who can notice these mistakes is essential for dealing with problems should they appear. I believe that raising awareness of compliance among employees boils down to two ideas: "Treat others as you would like others to treat you," and "If you think something is wrong, speak up."

Increasing Worker Satisfaction and Creating Value

There is the belief that higher job satisfaction leads to higher retention rates. As a result, much attention is given to turnover rates and the reasons people leave their jobs. However, I also think it is important to focus on the fact that there are employees who are satisfied with their jobs.

We must ensure that more of our 22,000-plus engineers and technicians are more satisfied with their jobs. We must give them the means to embark upon the next stages of their careers, charged with a sense of fulfillment and accomplishment. We are determined to realize our Purpose by pursuing employee satisfaction, the source of the value we create as a personnel staffing business.

Competitive Advantages of the Open Up Group

01

A Willingness to Hire Inexperienced People Coupled with a Strong Engineer Training Model

Our model for training engineers is our greatest strength. Under this model, we hire inexperienced people and help them gain practical knowledge and skills, ensuring that they are ready to start work at the companies they are dispatched to.

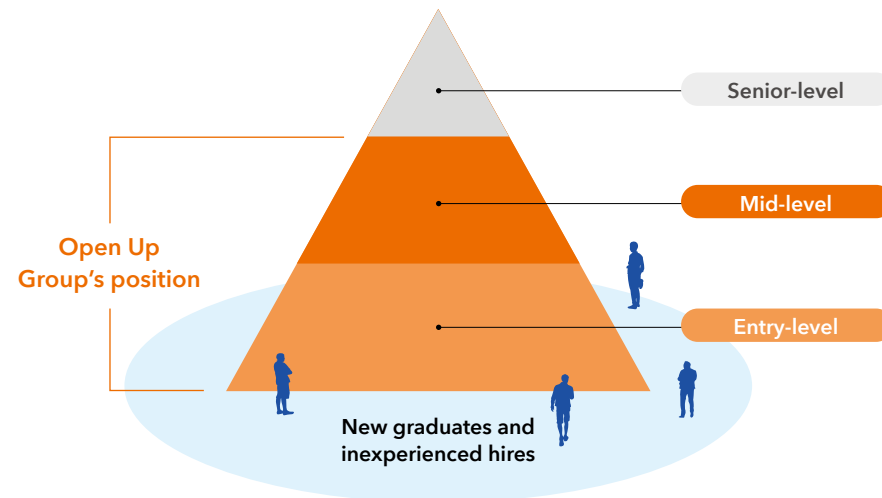
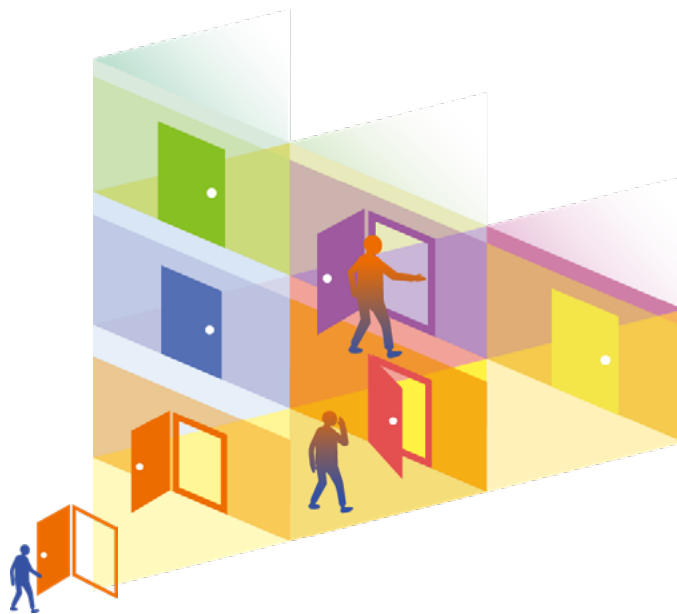
The number of people who study engineering at universities and other institutions and then go straight into the workplace constitutes only a handful of the engineers and technicians that companies actually need. At the same time, there is a pool of potential candidates who are interested in positions with these

companies but who feel that they have not had the chance to learn the necessary skills, or that they are unable to take the first step on their career path without any technical work experience.

These are the candidates we are willing to hire—people who have the desire to work as engineers but who may not have experience. We give them the opportunity to gain the knowledge and skills they need to succeed through extensive training and follow-ups.

In Japan, where the labor force is on the decline, there is already a shortage of engineers; this is particularly

noticeable in IT fields. Additionally, as technology evolves and the need for in-house technology development increases, companies are increasingly interested in using engineers with entry- to mid-level knowledge and skills. Accordingly, this segment of entry- to mid-level engineers is the largest in the engineer dispatch market. We have responded to this demand by hiring inexperienced people and training them through our engineer training model, which has enabled us to build a solid position in the dispatch market for engineers and technicians.



02 Our System for Supporting Career Advancement for Engineers

Our method of hiring inexperienced people and training them through our engineer training model is underpinned by comprehensive training programs and follow-up systems for our engineers and technicians.

The Open Up Group has operating companies working in areas that include Machinery and electronics, IT, and Construction management. These companies have developed a thorough understanding of technology trends, market-recognized qualifications, and customer needs, as well as extensive expertise in encouraging trainees in their pursuit of learning. By taking advantage of this understanding and expertise in the development

and management of our training program, we can facilitate a smooth and efficient learning process.

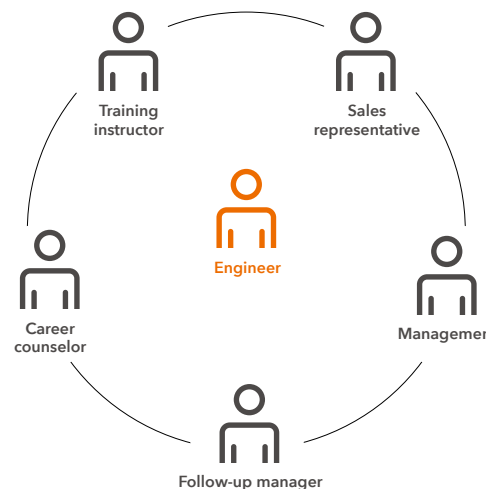
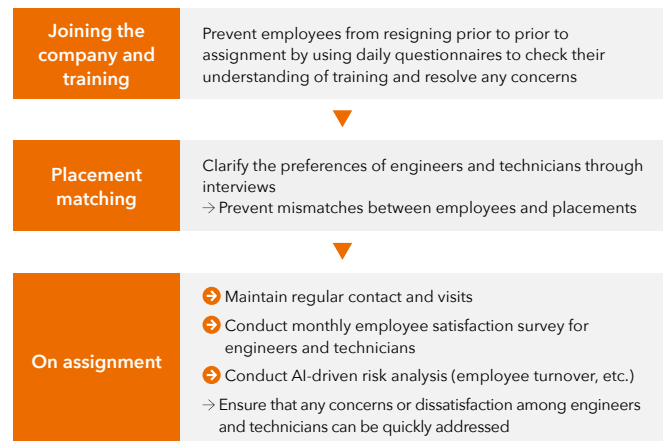
We also help our employees gain qualifications, which allows us to measure the skills and technical level of our engineers. This form of support extends beyond inexperienced workers to include engineers who already have basic knowledge, skills, and qualifications and want to achieve a new level of success by acquiring more specialized knowledge and advanced technical skills. These engineers are given ongoing opportunities to reskill.

In addition to our training programs, we also place emphasis on our system for following up on employees.

Under our “workers first” policy, we support the growth and career advancement of our engineers.

This support begins at the time that employees join the Group, when we use interviews and comprehensive assessments to understand their abilities, qualities, and aspirations, and it continues post-training when we match and assign employees to their positions. This support extends further, after they get acclimated to their positions, at which time we follow up on their progress. We also help them with advancing their careers once they have gained more experience.

Our one-on-one support system, with a dedicated follow-up manager



Supporting improvement of employee skills by promoting reskilling



Competitive Advantages of the Open Up Group

03 A Portfolio that Leverages Open Up Group's Industry-Leading Scale and Positioning

Japan's engineer dispatch market is valued at approximately ¥4.0 trillion. We have built up an impressive track record to become one of the largest players in this market, with over 22,000 engineers and technicians in our employ and a customer base of over 3,400 client companies.

The scale of our operations is attractive to job seekers, since it allows us to offer a wide selection of workplace options and plethora of opportunities for career advancement. In addition, our strong sales team and their work with client companies and our follow-up system for engineers and technicians ensure we can

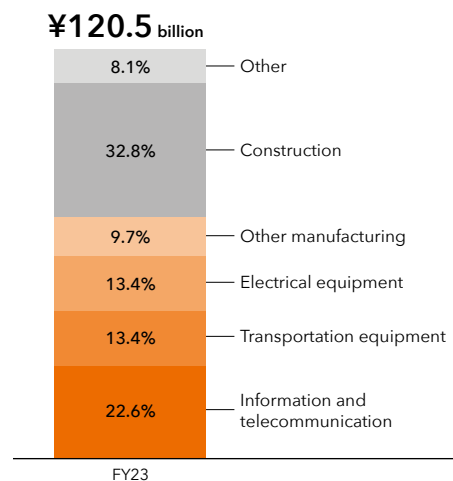
provide these client companies with the appropriate services in a timely manner while also avoiding mismatches with between new employees and the client companies they are assigned to. These qualities help improve customer satisfaction.

This industry-leading scale has also helped us build a business portfolio that balances profitability and growth. The Open Up Group has worked continuously to improve operations in our Machinery and electronics and Construction management segments—areas in which we have become industry leaders—and we have

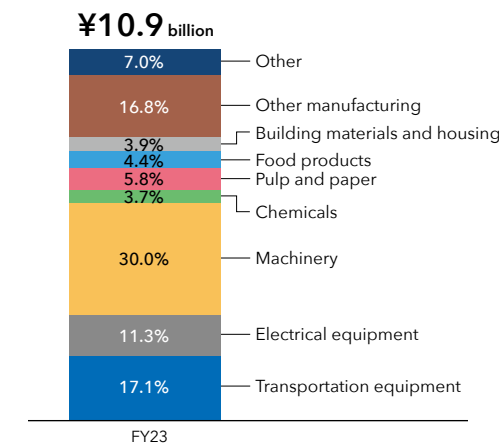
seen high profitability as result. In order to continue growing and expanding our business base, we intend to ramp up hiring in engineering domains, which include the two previously mentioned segments as well as IT, a segment that is expected to see medium-term market growth. In addition, we have built a customer base across a wide range of industries, including the manufacturing domain, which has resulted in a highly resilient business portfolio that does not rely on economic trends in any particular industry.

<p>Number of engineers and technicians</p> <p>22,105</p> <p>(As of June 2023)</p>	<p>Number of client companies</p> <p>Over 3,400</p> <p>(As of June 2023)</p>
<p>Cumulative number of employees hired by client companies</p> <p>669</p> <p>(Total as of June 2023)</p>	<p>Operating profit</p> <p>¥12.8 billion</p> <p>(Fiscal 2023)</p>

Net sales in engineering domains by industry

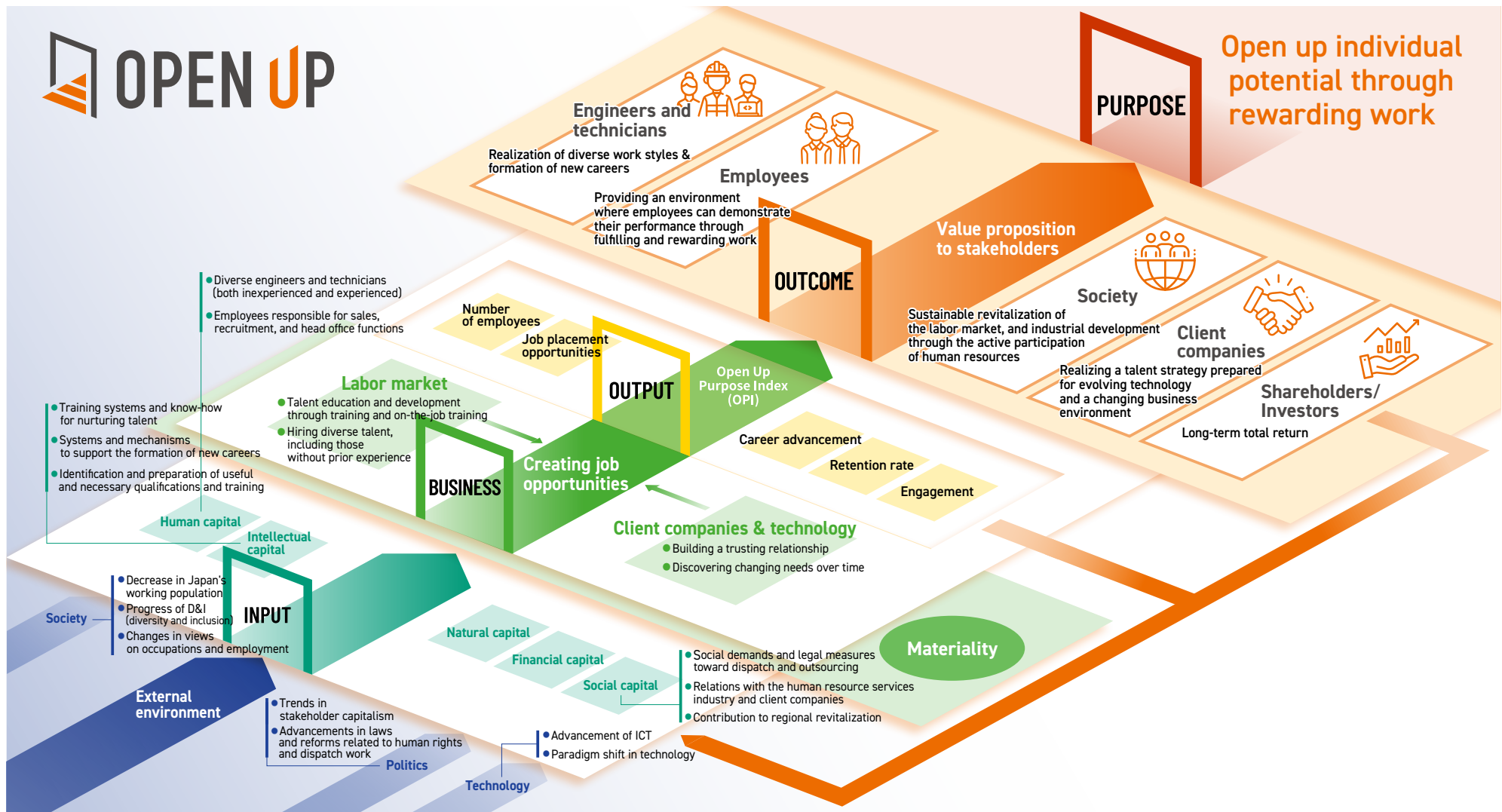


Net sales in manufacturing domains by industry



Value Creation Model

We believe that initiatives aimed at realizing Our Purpose will create medium- to long-term value and contribute to the sustainable development of society. With this belief in mind, we have developed a value creation model that shows the relationship between Our Purpose and the external environment, input, business, output, and outcome. By maximizing output, we create outcomes that produce value for a variety of stakeholders, and we aim to realize Our Purpose by expanding and building up the positive effects of these outcomes.



We aim to increase the value of the Group to engineers, achieve sustainable growth, and realize our Purpose.

Daio Sato

President and Representative Director, COO

Results that Exceeded Expectations, with Significant Progress in the Open Up Purpose Index

Looking at our consolidated results for fiscal 2023, the fiscal year ended June 30, 2023, revenue, business profit (a proprietary indicator), operating profit, and profit attributable to owners of parent increased compared with the previous fiscal year. Revenue increased in the Machinery, electronics, and IT segment, the Construction management segment, and the Manufacturing segment, which offset an overall decrease in the Overseas segment. On the profit side, profit margins improved overall, overcoming a rise in recruiting costs due to the tight supply and demand for human resources in the wake of the COVID-19 pandemic. This positive result comes thanks to higher staffing rates and improved productivity, and the fact that segments with high profit margins comprised a larger proportion of revenue. I believe this puts us on a steady track toward the financial goals put forth in BY25, our four-year medium-term management plan which came into effect in fiscal 2022.

The Open Up Purpose Index is a set of five indicators used to assess the degree to which we have achieved our Purpose, which is to “open up individual potential through rewarding work.” Of these indicators, figures for retention rate and engagement remained relatively unchanged compared with the previous fiscal year, but we made progress as expected in regard to the remaining indicators—number of employees, job placement opportunities, and career advancement.

In particular, we positioned fiscal 2023 as a year for increasing the number of employees, and as a result of our efforts to enhance recruiting, the biggest growth driver for



Message from the COO

Message from the COO

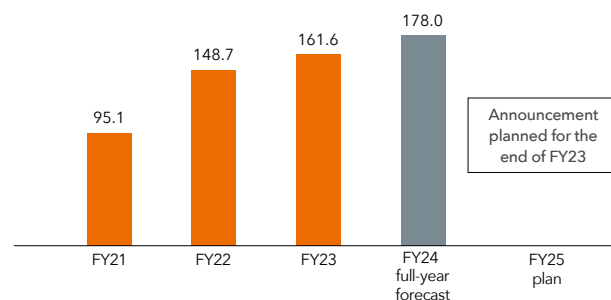
the personnel staffing business, we achieved a net increase of approximately 2,500 employees. There were concerns over whether this accelerated recruitment would match the number of assignments, but we exceeded expectations here as well. This favorable performance extended to Machinery and electronics, which was believed to be the segment with the most difficult-to-reach targets. This tells me that the executive capabilities of our operating companies are on the rise.

Fiscal 2024—A Year for Building Further

I would like fiscal 2024 to be a year in which we build steadily upon the operational achievements we achieved in fiscal 2023. I anticipate that the business environment will remain in our favor for the time being and expect that we will comfortably reach our goals, even if we set them higher than in the previous fiscal year. Bearing this in mind, we plan to achieve revenue of ¥178.0 billion, operating profit of ¥14.3 billion, and an operating profit margin of 8.0% on the back of continued efforts to actively recruit workers and achieve growth, focusing on the engineering domains where we excel—Machinery and electronics, IT, and Construction management.

Revenue

(¥ billion)



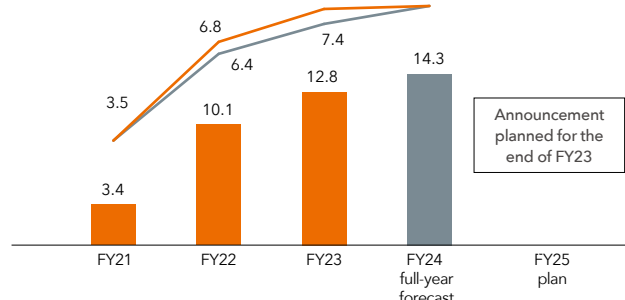
Note: The figure for FY2021 is based on JGAAP.

On the point of recruitment, we aim to recruit 3,000 people, an increase from approximately 2,500 people in the previous fiscal year. We will also work to improve the value added by our engineers, thereby increasing the level of fees client companies are willing to pay for their services. Regular price increases are essential for raising employees' salaries and offering them greater benefits. Therefore, we will emphasize communication via our sales representatives to help client companies understand just how much value is created by the human resources we dispatch.

As the hurdles that hinder us from securing human resources are becoming higher and higher, we recognize retention rate as an issue we will need to address over the medium term. In my personal opinion, we will need to keep working at the essentials, like supporting the careers of our engineers and technicians and helping them solve their day-to-day problems. As a first step, we will build up a series of initiatives at each of the Group's operating companies to raise their retention rates, using successful examples to guide the development of measures and investments for the Group as a whole. From there, we will continue to implement and improve upon said measures and investments.

Operating profit

(¥ billion)



Note: The figure for FY2021 is based on JGAAP.

Integrated Management to Stimulate Group Company Growth

Earlier I alluded to an increase in the Group's executive capabilities, which is due to the sharing of best practices among its operating companies. After the management integration in 2021 following the merger of BeNEXT Group and the Yumeshin Group, the holding company led this initiative by providing a platform for operating companies to amalgamate their respective collections of best practices built up through their recruitment and sales activities. Fast forward two years to today, and information is now actively shared thanks to person-to-person networks set up between recruitment departments, sales departments, and other related departments at each operating company. This has created a snowball effect, leading these companies to reconsider the notion of "our way, our rules" and adopt the best practices shared within the Group and improving the capacity and efficiency of their recruitment and sales activities.

I believe another contributing factor—one that cannot be evaluated quantitatively—is the Group's organizational culture. Pre-integration, both companies had a strong belief in respecting each other's methods and cultures. This was rooted in the fact that each company had grown through repeated organizational changes and therefore was not inclined to cling to its own way of doing things. We have not merged the cultures of the two former companies, nor have we been reborn as a new organization. Rather, I believe that preserving the original cultures of each company helped us complete a post-merger integration (PMI) swiftly.

During this process, I drew a great deal of encouragement from the passion exuded by employees working in sales, recruiting, planning, and administration departments to overcome the issues at hand and improve the newly-formed Company in any way possible. In some cases, people have been able to break through operational barriers they were struggling with because they could see the methods used by others down to the finest detail, inspiring

Message from the COO

them to incorporate the positives and try to make changes. When we share stories of success, we create a virtuous cycle that motivates us to take on new challenges. I believe that management integration has strengthened the Group’s “invisible capital,” a kind of capital that supports growth and has brought growth to a new level.

Medium- to Long-Term Strategies Mindful of Social Changes

Since it seems all but certain that we will reach the targets we committed to under BY25, we are currently formulating a new medium-term management plan, which we expect to announce at the end of fiscal 2024. That being said, creating a plan should not be an end in itself—it is the underlying approach that is key. Accordingly, I would like to devote some space here to highlighting the strategies we should implement over the medium to long term for the Group to grow sustainably, increase corporate value, and realize our Purpose.

Although we are still in the early stages of consideration, I reckon that retention rate will be one of the major themes of

the next medium-term management plan. If we can increase our employee retention rate, we will be able to meet the strong demand from client companies, which will lead to better business results. I believe that the key to a higher retention rate is providing a more enriching work experience—a point we will return to later—and ultimately employee satisfaction.

As part of the formulation process for our new plan, we will also look into M&As, overseas business, and new business. Regarding overseas business, I believe we need to redefine our strategy going forward, despite the fact that the segment achieved a profit in fiscal 2023. Given that the Japanese domestic market is facing a medium- to long-term decline in the working population, withdrawing from overseas business is off the table. On the other hand, I believe that we must reexamine what kind of value we can provide as we expand our business overseas. We must also find a direction for M&As and new business, while finding methods to navigate shifts in the market, technological changes, and any potential risks.

Enhancing Work Experience for Further Group Growth

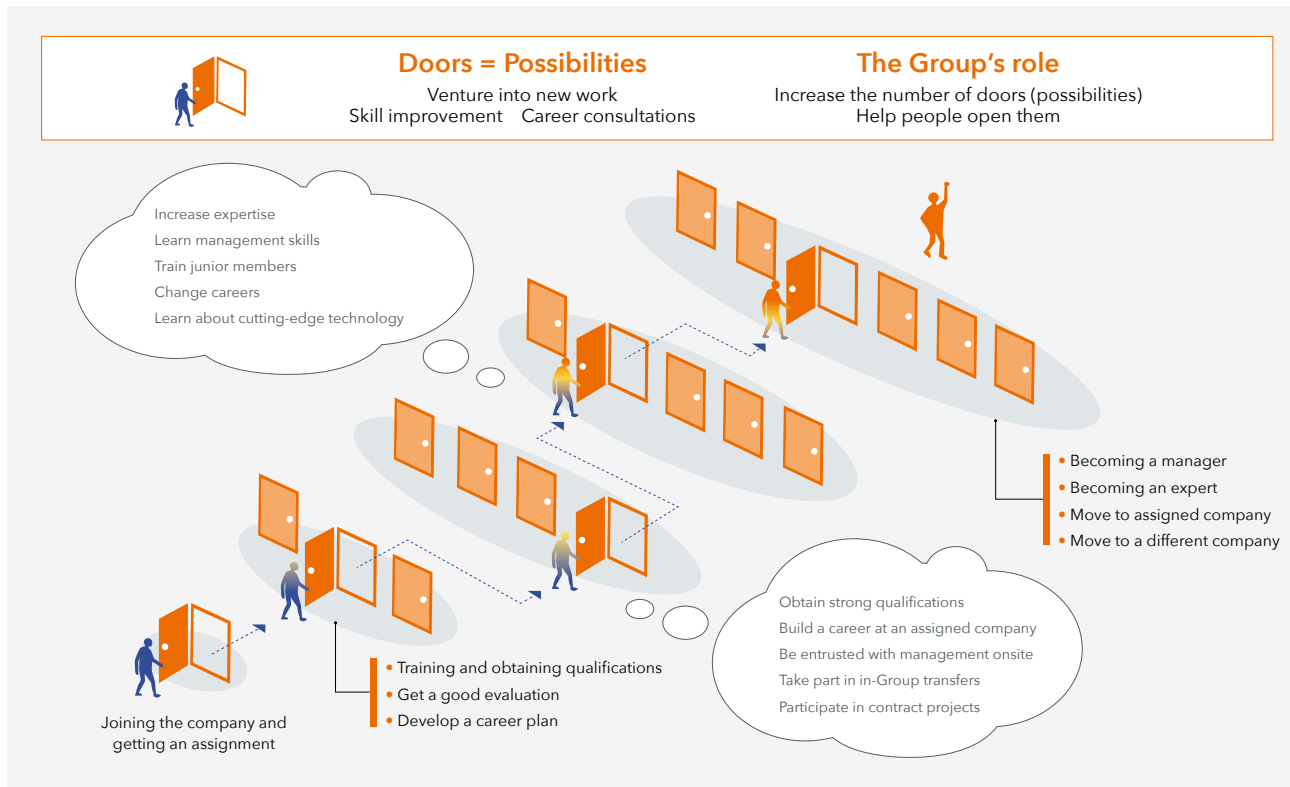
As it becomes increasingly difficult to secure human resources, we need to increase the level of job satisfaction among engineers and technicians and make sure that they feel glad to work for the Group, to ensure that we can continue to recruit employees and achieve growth. To be more specific, we need to make sure that employees feel that becoming a member of the Group increases their value as engineers and that their choice is helping them advance their careers. This means providing engineers with a more enriching work experience, and also to increase the value of the Group from an engineer’s point of view.

Up to this point, the Group has focused on the entry-level stage of employee careers, when inexperienced people set out on their new path as engineers. There is no doubt that our business model of hiring and training inexperienced workers has carved out a competitive advantage for us in Japan’s personnel staffing industry and has been the driver of our growth to this day. However, to achieve sustainable growth and realize our Purpose, I believe we need to go beyond supporting inexperienced employees at the start of their careers and support engineers and technicians with established careers in engineering by assisting them with career advancement and career changes. We will therefore focus on providing a more enriching work experience for engineers under our next medium-term management plan.

The services needed for engineers at the start of their careers—what I call the “career-launching” stage—are relatively unambiguous and straightforward. Good career-launching services develop and provide training programs that give people the knowledge and skills essential to being an engineer, encourage the acquisition of qualifications that hold weight with client companies, and help dissipate concerns that many people have at the early stages of their careers. While the specifics differ by segment, be it Machinery and



Message from the COO



electronics, IT, Construction management, or otherwise, the variation in services is not that large.

This, however, is not the case when we talk about mid-career engineers. The services they need are extremely diverse. Take, for example, an engineer who wants to increase their expertise and raise their value in a particular market; they may want reskilling opportunities related to cutting-edge technologies or support for obtaining advanced qualifications. Then again, an engineer whose career plan involves building a career with the company he or she has been assigned to and ultimately transferring to that company will want to acquire management skills, such as project management, and know-how related to training

junior members and people working under them. Or there may be an engineer who feels stifled by their current job and may be looking for someone to give them guidance on how to change careers in a way that uses their previous experience. In other words, to provide a more enriching work experience for engineers, the Group's services must also become more diverse and sophisticated.

We also need to enhance systems besides career support. It is extremely important to measure an engineer's skills objectively, give a fair assessment of their skills and performance, and increase their remuneration in step with career advancement. In addition to assessments and remuneration, there is also a need for systems to help employees continue

their careers, even alongside life events and responsibilities such as childbirth, childcare, and nursing care. We also need to provide them with information and success stories to keep them motivated to advance their careers and opportunities for networking with colleagues on the same career path.

To make our services more diverse and sophisticated in these ways, over the course of the next medium-term management plan I would like us to allocate a portion of our growth investment to areas that provide a more enriching work experience.

**Continued Growth in 10 Years' Time;
Continued Growth in 20 Years' Time**

The Group has continued to enjoy consistent growth centered on its engineering domains, adding the ever-growing IT segment to its tried and true Machinery and electronics and Construction management segments, both of which had been established by the two companies that would become Open Up Group Inc. prior to their management integration. However, we face the obstacle of a shrinking workforce, which could present a future where we are not able to increase recruitment levels, even if there is demand from client companies. This makes it important that we become the employer of choice for engineers, the place where they want to work above the others.

I am convinced that there is more that we as a Group can do to help each employee thrive, including expanding initiatives to support workers, such as training, employment support, reskilling, and career advancement consulting. If we can do this, we will be able to maintain and strengthen our market position even in a changing business environment, and our Group will be able to grow in a sustainable way. I am determined to lead the Group closer to realizing our Purpose over the next 10 to 20 years and I would appreciate your support on this journey.

Message from the CFO



Achievement of Both Improved Growth and Quality of Operations

Beginning with consolidated results for fiscal 2023, the fiscal year ended June 30, 2023, revenue and profit increased across the board, with revenue increasing 8.8% year on year, to ¥161.6 billion, business profit* increasing 25.7%, to ¥12.0 billion, operating profit increasing 26.3%, to ¥12.8 billion, and profit attributable to owners of parent increasing 36.7%, to ¥9.5 billion. The post-merger integration (PMI) that gave birth to Open Up Group Inc. in April 2021 has since settled, and, from the beginning of fiscal 2023, we were able to put ourselves back on a growth trajectory, with higher revenue and profit to show for it.

This fits the overall theme for fiscal 2023, namely figuring out how to get back on track toward growth, while maintaining utilization and turnover rates for dispatched employees

through the pursuit of operational excellence. In the personnel staffing business, utilization rate serves as an indicator for operational performance. To address operating companies with room for improvement, we implemented measures in fiscal 2022 to raise the quality of Group management, and these measures are close to full coverage. These measures include sharing best practices among companies to bring operations to a certain benchmark or higher. The effect of these efforts was to bring the quality of operations at operating companies up to a similar level, specifically improving utilization and turnover rates, and helping improve business performance.

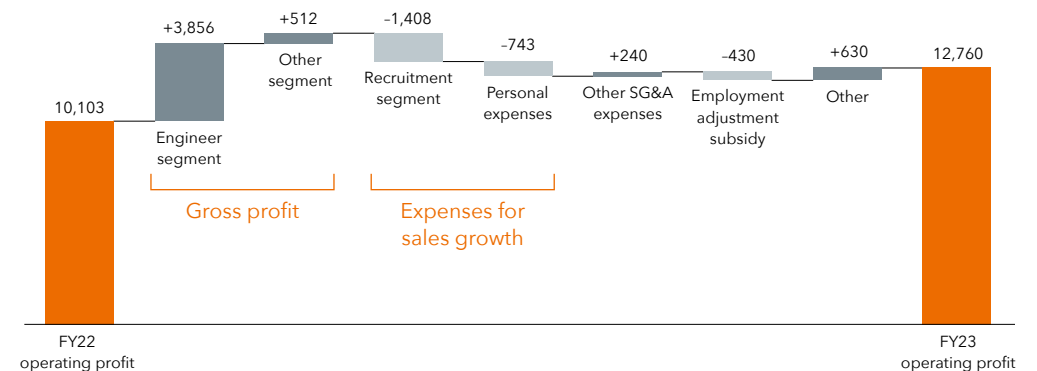
* Business profit is a unique profit indicator of our company, which is derived by subtracting "selling expenses and general administrative expenses" from "gross sales profit" and excludes the effects of special items (such as employment adjustment subsidies and impairment losses) recorded in "other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

We will practice meticulous, scientific management within the Group to improve ROE and corporate value.

Hiroshi Sato
Director and CFO

Analysis of factors for changes in operating profit

(¥ million)



Message from the CFO

Increasing Profitability by Enhancing Recruitment and Capacity

For fiscal 2024, we anticipate a 10.1% year on year increase in revenue, to ¥178.0 billion, a 19.0% increase in business profit, to ¥14.3 billion, a 12.1% increase in operating profit, also to ¥14.3 billion, and a 4.9% increase in profit attributable to owners of parent, to ¥10.0 billion.

One point of action toward reaching these targets is strengthening recruitment, our driver of business growth. Competitors who hire experienced engineers are constrained by the limited number of job seekers. To avoid this pitfall, we target new graduates and people without experience, which opens up a much greater number of potential employees to us. We believe that by continuing our current efforts, we will be able to increase recruitment for the immediate future, and we will therefore continue investment along this path in fiscal 2024.

Fiscal 2024 consolidated business forecasts

(¥ billion)

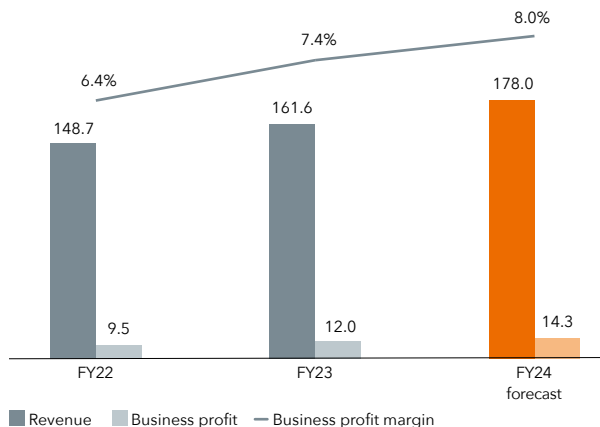
	FY23 full-year total	FY24 forecast	YoY
Revenue	161.7	178.0	+10.1%
Gross profit	38.8	44.5	+14.7%
Margin	24.0%	25.0%	
SGA cost	26.8	30.2	+12.7%
Margin	16.6%	17.0%	
Business profit	12.0	14.3	+19.0%
Margin	7.4%	8.0%	
Operating profit	12.8	14.3	+12.1%
Margin	7.9%	8.0%	
Net income	9.5	10.0	+4.9%
Margin	5.9%	5.6%	

There is another point of action—increasing profitability. For the Group to improve profitability further, we must first improve utilization rates. In the second half of fiscal 2023, we ramped up recruitment to drive growth, and a larger number of employees, both new graduates and mid-career professionals, joined the Group than ever before. Although the assignment of these hires progressed more smoothly than we had originally anticipated, a decline in utilization rates was inevitable, particularly in the fourth quarter. This is an issue we must improve upon in fiscal 2024.

A detailed analysis of the operational data for our operating companies reveals that productivity is increasing rather than declining. The fact that utilization rates decreased despite an increase in productivity suggests that there is a lack of capacity within the Group for supporting the growing number of engineers and technicians while also engaging in sales, running training programs and executing all the other functions our businesses need to operate fully. To be clear, this does not mean that there is a lack of capacity in all of our

Forecast of sales and operating profit (margin)

(¥ billion)



operating companies. In order to avoid the decline in utilization rates that occurred in fiscal 2023, we will conduct meticulous, scientific management within the Group. This includes increasing capacity based on productivity per employee.

Management integration has enabled the Group to build an efficient management structure. When merging operating companies in the same segment, we bring together the best systems from each of the original companies and adapt them for the resulting company. In fiscal 2024, we plan to finalize the integration of back-office systems and infrastructure for two operating companies in the IT infrastructure sector, which were merged in July 2023. While making a certain level of investment, such as centralizing IT systems that support operations, we will manage selling, general and administrative expenses efficiently, and strengthen productivity over the medium term.

A Growth-Oriented Financial Strategy

We have set the following three policies for our financial strategy, which aims to increase corporate value. The first is to bring ROE back to approximately 20%. ROE temporarily fell to 2.7% under Japanese GAAP following the post-integration expansion of the balance sheet, but with the transition to International Financial Reporting Standards (IFRS) we have carried out retroactive impairment accounting which returned ROE to a provisional value approaching 15% for the first half of fiscal 2024. We aim to raise this number back to 20% over the medium term by continuing to improve profitability and utilizing debt to finance M&As.

The second policy is to maintain a debt-to-equity ratio (D/E ratio) below 1.0. Return on equity attributable to owners of parent was high at 64.0% as of June 30, 2023, which was indicative of an extremely sound financial base. On the other hand, given that goodwill accounts for approximately ¥45.0 billion in assets, our policy is to keep the D/E ratio below 1.0 based on the net assets after deducting goodwill and risk assets.

Message from the CFO

The third policy is cash allocation. Generally speaking, the Group's policy is to generate ¥10.0 billion each year in free cash flow and then allocate half of this amount to shareholder returns and the other half toward growth investment. Regarding shareholder returns, we have increased these for 11 consecutive years leading to fiscal 2023 based on our basic stance of increasing dividends in proportion to our increase in profit. The personnel staffing industry follows a cash-generating business model that does not involve large-scale capital investments, so I believe that there is almost no logical reason to increase internal reserves.

Regarding investing in growth, we plan to shift the approach we took in fiscal 2022 and fiscal 2023. During that period, PMI was our priority, so we focused on acquiring treasury stock instead of conducting M&As. From fiscal 2024, however, we will invest in growth, including through M&As. We can frame M&As as an alternative means of ramping up recruitment. Considering the existing strong demand from client companies, it may be more efficient to conduct M&As than taking time to recruit new hires. However, M&As depend on opportunity and acquisition prices are trending upward as other companies enter the

market. In this sort of market environment, we need to make sure that we remain disciplined with our investments, so we have set an 8% return on invested capital (ROIC) as a hurdle rate. In addition, while we will primarily use debt to procure the funds for M&As as mentioned above, we will also consider raising capital from the capital market for M&As above a certain size.

Looking Beyond BY25 to a 10% Operating Profit Margin

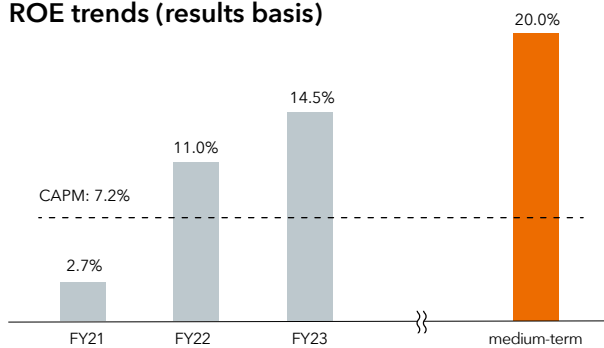
Given that we are close to achieving the commitments laid out in BY25, our medium-term management plan, we are currently formulating a new medium-term management plan for growth beyond fiscal 2025. From a financial management perspective, the next plan targets an operating profit margin of 10% or more. I believe that this is the minimum rate needed to compete with other companies in the same industry. This is crucial if we are to be seen as the "employer of choice" for employees and job seekers, and for our efforts to improve corporate value to be held in high regard by shareholders and investors.

Another theme of the new plan is reviewing our overseas businesses. This does not mean, however, that we are planning to pull out of overseas operations, since expansion overseas is one of the most promising businesses strategies for continued growth, considering the expected decline in the domestic working population. Based on our overseas business strategy, which we will clarify after thorough discussion, we will consider ways to promote our business strategy, such as M&As.

As a Capital Market Intermediary

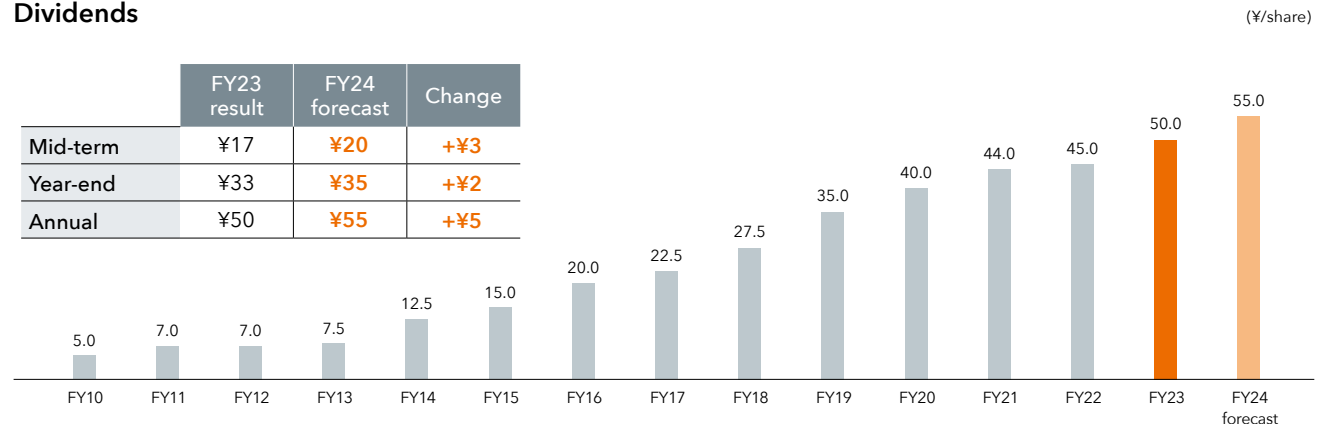
My role as CFO is to act as an intermediary between management and the capital market. In this role, I intend to communicate the Group's path toward increasing its corporate value to the capital market. At the same time, I also intend to provide objective assessments from the perspective of the capital market during Group discussions of management strategy, and work toward resolving management issues. I am determined to guide the Group as it strives to grow and create value in an effort to realize its Purpose.

ROE trends (results basis)



- The figure for FY2021 is based on JGAAP. The figures after FY2022 onward are based on IFRS.
- ROE = Net income at the end of the period ÷ Equity
- CAPM as of the end of FY2023 (our calculation)

Dividends



Corporate Governance

Basic Stance and Policy

The Group considers the objective of corporate management as the improvement of corporate value in a sustainable and stable manner based on its Purpose, which is to “open up individual potential through rewarding work,” and it will promote efficient management that enables profitability and growth while ensuring sound management.

Furthermore, the Group treats the strengthening of its corporate governance system as one of its most important management issues, with the aim of ensuring transparent management and forming positive relationships with its stakeholders, which include shareholders, investors, business partners, employees, local communities and the broader society, and it provides accurate and timely disclosure of management-related information to these ends. The Group’s efforts to strengthen its system for corporate governance enable it to conduct corporate activities with full awareness of its corporate responsibility.

The Group has adopted a holding company structure under which the holding company supervises the proper execution of business by the operating companies, and it flexibly designs meeting bodies and reporting lines in keeping with business expansion and changes in the business environment to ensure that labor and human rights issues, which are important to the human resource services industry, are fully controlled. The Group also ensures transparent and objective management through its Board of Directors and Audit & Supervisory Committee.



We implement every principle of the Japan’s Corporate Governance Code. Please refer to the Company’s corporate governance report for the latest disclosure in relation to each principle.

Structure

In September 2023, the Company transitioned to a Company with an Audit & Supervisory Committee. Under this structure, the Audit & Supervisory Committee members, who are responsible for auditing and supervising the execution of duties by directors, are also included as members of the Board of Directors. This change will enhance the supervisory function of the Board and enhance corporate governance. In addition, as the Board of Directors of a Company with an Audit & Supervisory Committee, the Board will appropriately delegate decisions on business execution to executive directors, separate business execution and supervision to speed up management decision-making. The Company believes that this, as well as further expansion of its business operations, will lead to increased corporate value.

The Company has also appointed seven outside directors among its ten directors in order to strengthen its system for monitoring management, which includes supervision to ensure the appropriate execution of duties by directors. Furthermore, to ensure the effectiveness of audits, the Company has appointed three independent outside directors as the three members

of the Audit & Supervisory Committee, which works in cooperation with the accounting auditor and the Internal Audit Department at all times.

For business execution, we have established the Management Meeting, a meeting body aimed at prompt and efficient decision making, which comprises the person serving as representative director, chairman, and CEO, the person serving as representative director, president, and COO, and the person serving as director and CFO, all three of whom are executive directors, as well as other executive officers. Regarding other meeting bodies, the Company has established the Internal Controls Committee and the Sustainability Committee to support business execution and established a risk management system that includes checks on business operations and compliance with social ethics, the statuses of which are reported to the Board of Directors in a timely manner.

Message from Chair of the Audit & Supervisory Committee



Hiroaki Rokugawa
Outside Director
(Chair of the Audit &
Supervisory Committee)

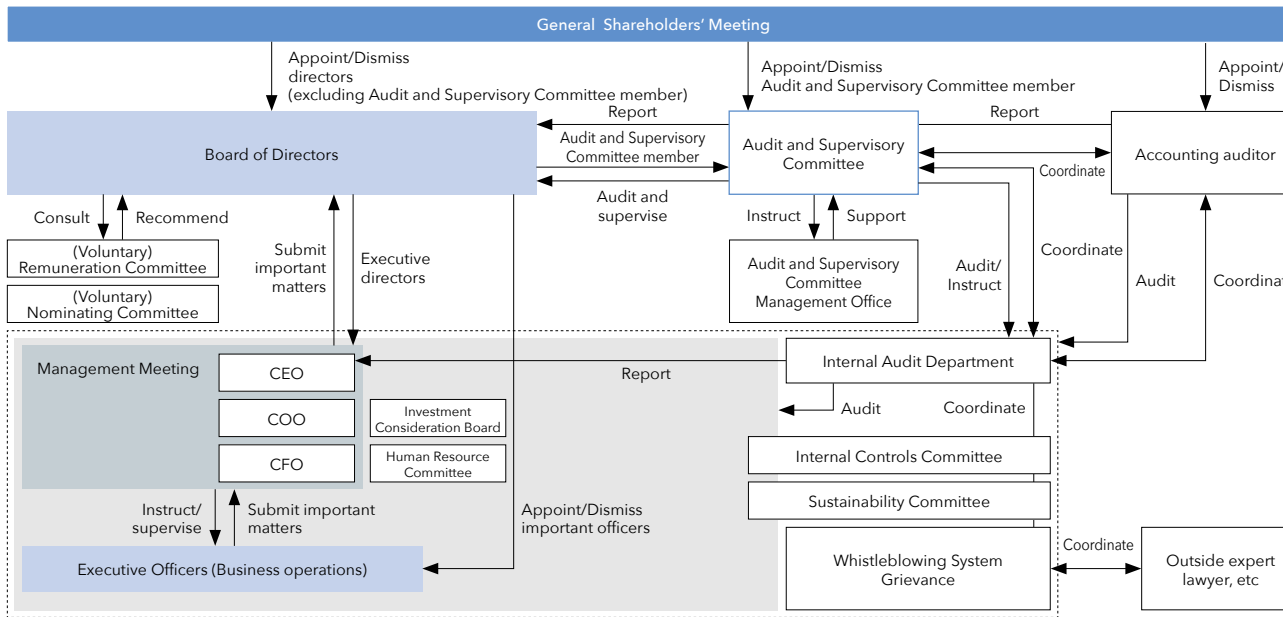
Open Up Group Inc. has transitioned to a Company with an Audit & Supervisory Committee in September 2023. A problem that existed under its previous structure as a Company with an Audit & Supervisory Board was that Audit & Supervisory Board members did not have voting rights, even when compliance-related matters were on the agenda. This stemmed from restrictions under Japan’s Companies Act, under which Audit & Supervisory Board members are not considered members of the Board of Directors and therefore do not have voting rights at Board meetings. With the shift to a Company with an Audit & Supervisory Committee, all committee members have voting rights as directors, which I believe has made the Company’s governance even more robust.

The two companies that would form the current Group were both actively working to increase their number of outside directors prior to the merger, and following the conclusion of the General Shareholders’ Meeting on September 26, 2023, the Board of Directors currently consists of 70% independent outside directors. In addition, 30% of the Board’s members are women. As a result, I can say that the Company has made steady progress toward strengthening governance and increasing the diversity of its Board of Directors.

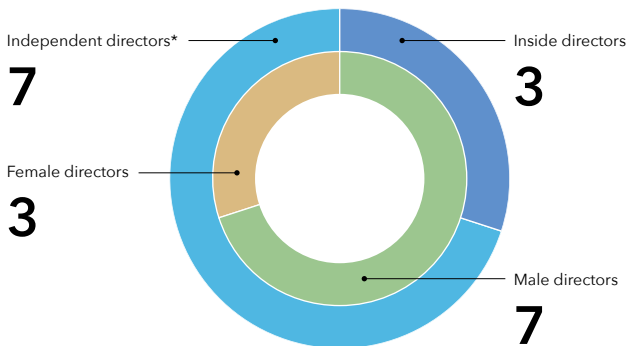
Going forward, I and the other members of the Audit & Supervisory Committee will work to fulfill the committee’s responsibility to audit business plans and measures aimed at increasing corporate value that management is currently implementing, or plans to implement in the future, and confirm whether these plans and measures are compliant with the most up-to-date laws and regulations and the rules put forth by the Tokyo Stock Exchange, including Japan’s Corporate Governance Code. Furthermore, as a member of the Board of Directors, I aim to improve corporate value and meet the expectations of the Company’s shareholders, investors, and other stakeholders.

Corporate Governance

Corporate Governance Structure



Composition of the Board of Directors
(As of September 30, 2023)



* The Company's independent directors have adopted the independence requirements of the Tokyo Stock Exchange

Directors/Board of Directors

The Company's Board of Directors is composed of 10 directors (including seven outside directors). As a general rule, regular Board meetings are held once a month and extraordinary Board meetings are held as needed. The Board decides matters stipulated by law and other important management matters in addition to monitoring directors' execution of duties. The Company appoints two representative directors, and in July 2021 we gave these positions the titles of CEO and COO and divided responsibilities between the two roles in order to establish a system of checks and balances.

The Nominating Committee, the majority of whom are outside directors, discusses and selects candidates to ensure the Board maintains a good balance of knowledge, experience, and ability. At the same time, committee also considers factors such as gender diversity. The committee then reports its decisions to the Board of Directors.

Audit & Supervisory Committee

The Company transitioned from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee by resolution at the 19th Ordinary General Shareholders' Meeting. The committee is composed of three independent outside directors and works in cooperation with the accounting auditor and the Internal Audit Department.

Nominating Committee/Remuneration Committee

Although the Company is not a Company with a Nominating Committee, etc. as stipulated in Japan's Companies Act, it has established its Remuneration Committee and Nominating Committee to ensure transparent and objective management. Members of both committees are appointed by a resolution of the Board of Directors and, in order to ensure objective decision-making, a majority of members must be outside directors who are not directly involved in business operations, and the committees are chaired by outside directors.

The Nominating Committee selects director candidates on the basis of skill, gender, and diversity and reports to the Board of Directors. It also discusses topics such as succession planning and communicates with internal employees as appropriate.

The Remuneration Committee discusses the remuneration system for directors, who are tasked with contributing to the Company's sustainable growth and increase of its corporate value, and reports to the Board of Directors regarding policies and other matters related to determining remuneration. The committee also provides the Board of Directors with reports regarding remuneration amounts for individual directors. For the latest information, please refer to the Company's corporate governance report under the section titled "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods."

In fiscal 2023, the Nominating Committee met twice, with all members in attendance. The Remuneration Committee met twice, with all members in attendance.