



FY2024 Q1

Explanatory Material for Financial Results

May 2024 TSE Growth Market 4486

**Unite &
Grow**

Agenda

| | | | | |
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Company Profile

Company Name Unite and Grow Inc.

Establishment February 2005

President & CEO Kiichiro Suda

Capital Stock 346 million yen (as of December 31, 2023)

Business Segment Corporate IT Shared Service
Corporate IT System Development

Number of employees 258 (as of December 31, 2023)

Address 3F, Shin-Ochanomizu Bldg, 4-3 Kandasurugadai, Chiyoda-ku, Tokyo

Business Description

Unite and Grow Inc. offers a time-sharing service of corporate engineers under the product name “SHARED SHAIN”. (Shared Corporate Engineer)

The main features are as follows:

- Targeting medium and small enterprises in the Tokyo metropolitan area (growing companies with 50 to 1,000 employees)
- The service is provided only by our internal full-time employees with long-term employment (without using partner companies)
- We do not sell hardware or software (completely neutral to IT vendors)
- Standardizing services and prices through our unique “membership-based quasi-delegation contract”.
- By not setting up sales or staffing departments and involving all employees in indirect operations, including recruitment and training, we increase organizational strength and nurture proactive individuals

Through these initiatives, we have achieved differentiation that can be said to be the only one in the industry, and by aggregating knowledge and experience, we are increasing profitability.

1. FY24 Q1 Result



FY24 Q1 Key Takeaways

Revenue increased by 20% and operating profit rose by 29%, in line with our plan

The Shared Engineer count experienced steady growth, contributing to renewed expansion

| Net Sales | Operating Profit | Net Income Attributable to Parent |
|-------------------------------|------------------------------|-----------------------------------|
| 687 MJPY YoY +20.5% | 85 MJPY YoY +28.8% | 64 MJPY YoY +32.4% |

Business Highlight

Corporate IT Shared Service

- The shared engineer count was 219, reflecting an increase of 4 compared to last year-end figures
- The number of companies actually supported was 343, reflecting an increase of 14 compared to last year-end figures

Corporate IT System Development

- Net sales increased steady due to the increase in shared engineer count and number of projects
- Personnel costs have increased due to organizational strengthening in anticipation of business expansion

Corporate

- Absorption of wholly owned subsidiary (effective 1 June)
- 20th anniversary of foundation this financial year

P/L

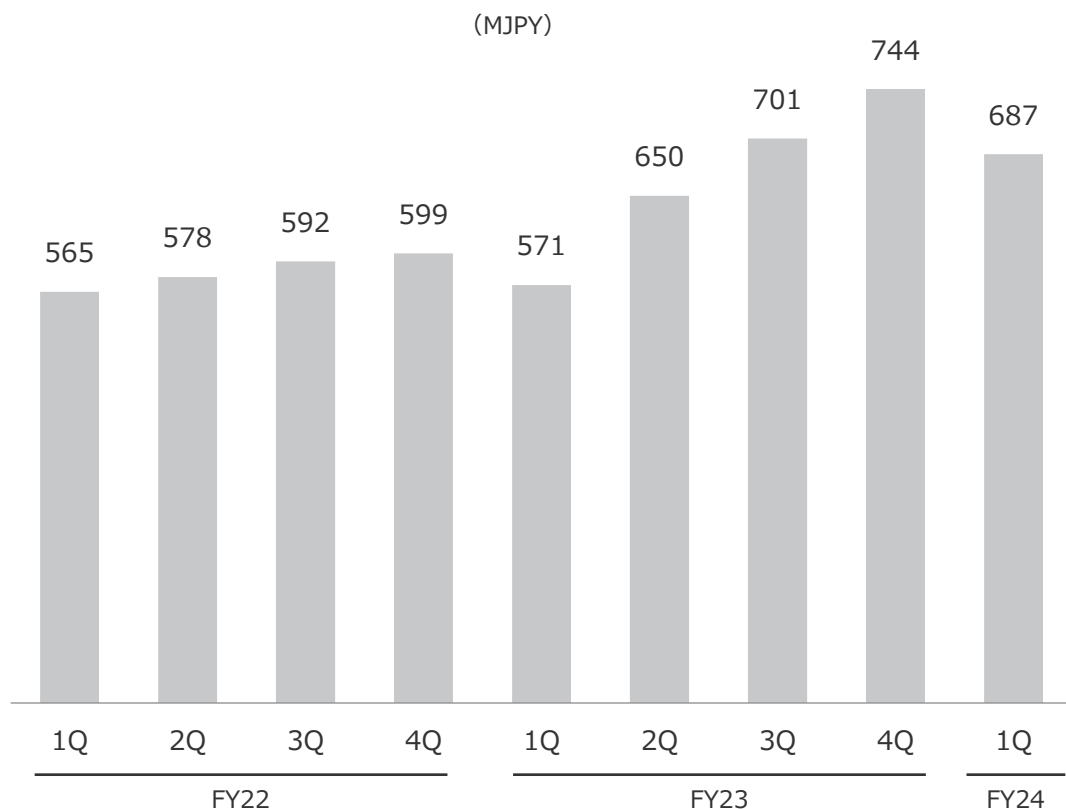
- Net sales increased by 20% due to an increase in the number of shared engineers and higher unit operating costs resulting from last year's price revisions
- Operating profit and below increased by approximately 30% year-on-year, driven partly by unutilized SG&A expenses resulting from the rescheduling of updates to the corporate and recruitment website pages

| | FY23 | | FY24 | | | |
|---|------------------|--------------------|------------------|--------------------|-------------------|---------------------------------|
| | Q1 | | Q1 | | | |
| | Actual (MJPY) | Sales Ratio (%) | Actual (MJPY) | Sales Ratio (%) | YoY Change (%) | Progress Rate to Plan (%) |
| Net Sales | 571 | 100.0 | 687 | 100.0 | 20.5 | 21.8 |
| Cost of Sales | 298 | 52.3 | 351 | 51.0 | 17.5 | 22.5 |
| Gross Profit | 272 | 47.7 | 336 | 49.0 | 23.7 | 21.2 |
| Selling, General and Administrative Expenses | 205 | 36.0 | 250 | 36.5 | 22.0 | 22.6 |
| Operating Profit | 66 | 11.7 | 85 | 12.5 | 28.8 | 17.8 |
| Ordinary Profit | 66 | 11.7 | 86 | 12.6 | 29.9 | 18.0 |
| Net Income Attributable to Parent | 48 | 8.5 | 64 | 9.3 | 32.4 | 18.5 |

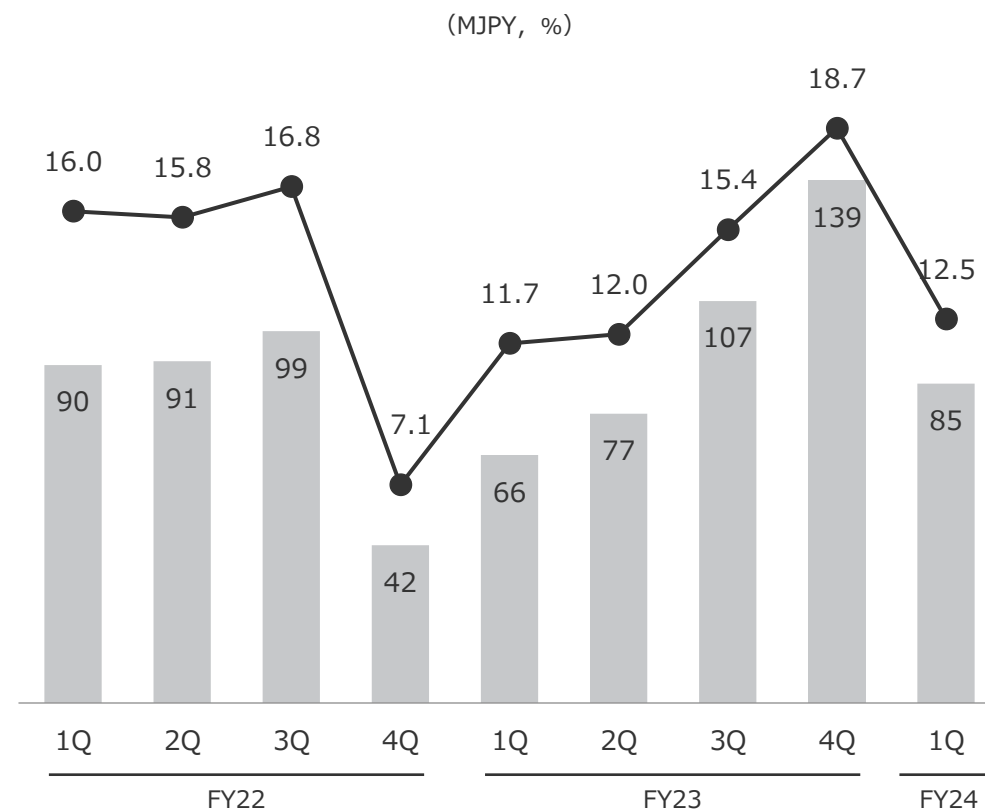
Quarterly Financial Performance

- Sales increased by 20% compared to the same period last year. Operating profit increased by approximately 30% year-on-year, including the unutilized SG&A expenses due to the rescheduling of updates to the corporate and recruitment website pages
- Sales typically decrease in the first quarter of each year compared to the fourth quarter of the previous fiscal year due to fewer operating days (business days)

Quarterly Revenue



Quarterly Operating Profit/Margin

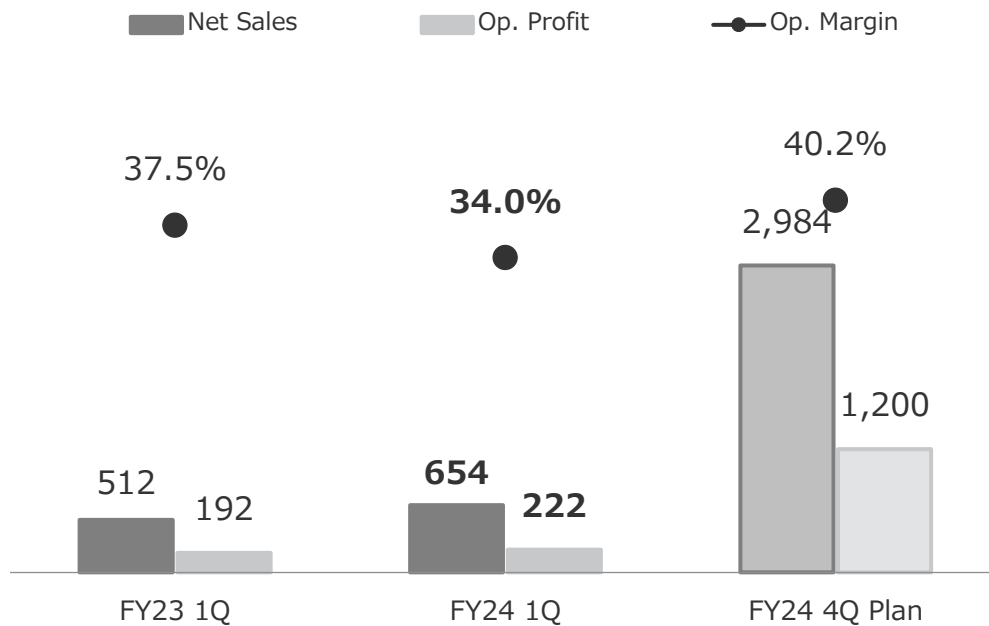


Segment Performance

Corporate IT Shared Service

- Full-year plan progressed at 21.9% of net sales and 18.6% of operating profit
- Segment sales remained steady due to an increase in shared engineers and the number of companies actually supported
- Segment profit margin declined year-on-year due to an increase in depreciation and amortization from the core system renewal

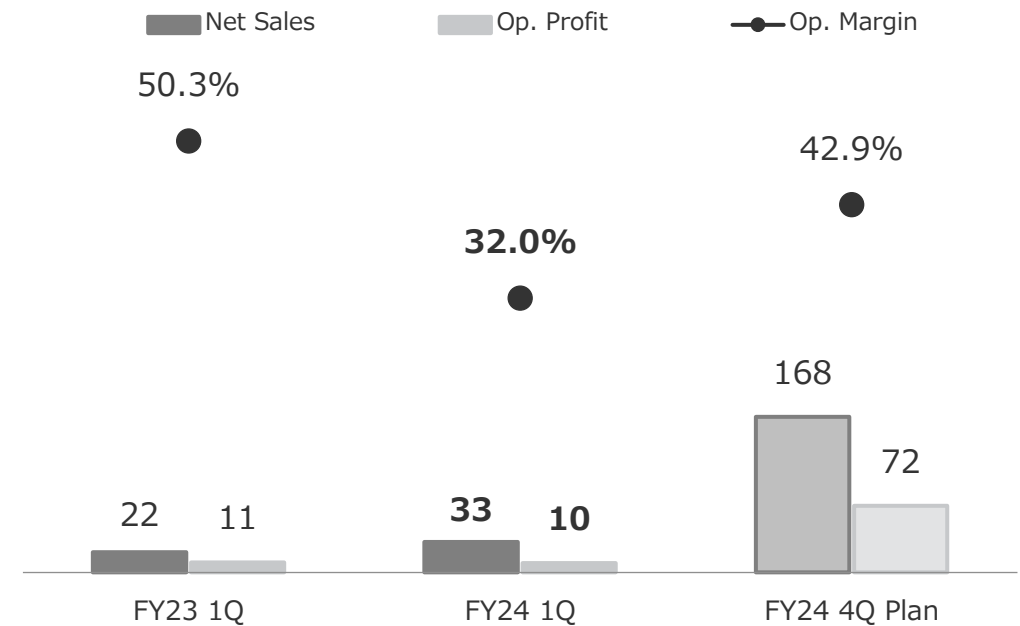
(MJPY)



Corporate IT System Development

- Full-year plan progressed to 19.8% of net sales and 14.7% of operating profit
- Net sales remained steady due to an increase in shared engineers and projects
- Operating margin declined year-on-year due to increased personnel costs incurred from organizational strengthening in anticipation of business expansion

(MJPY)

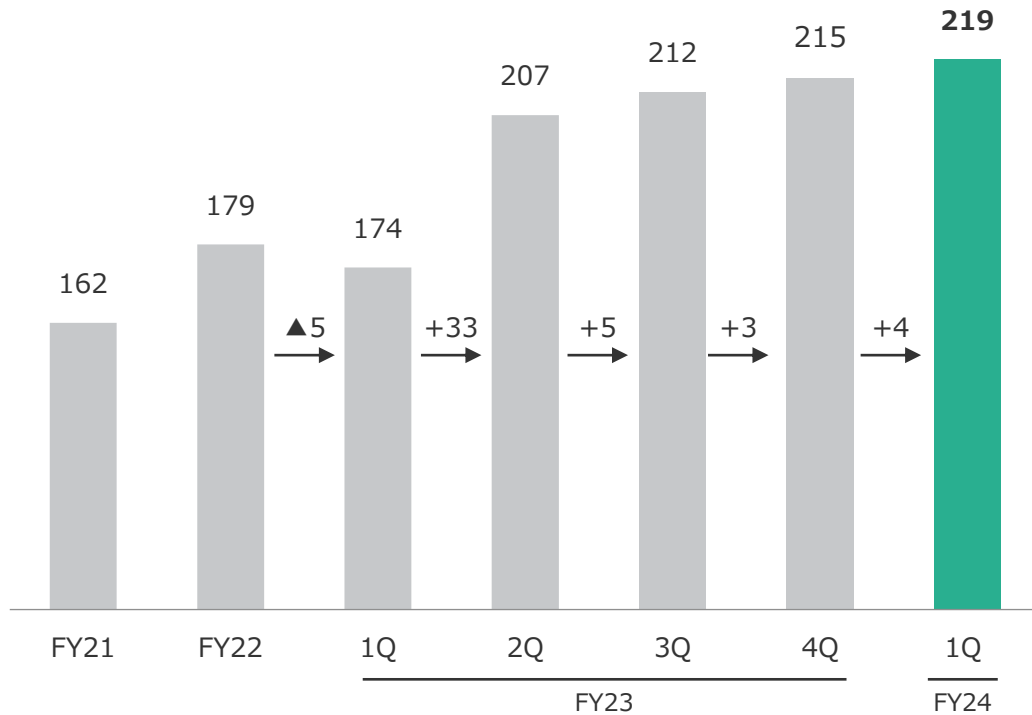


KPI①

- The number of shared engineers increased steadily, rising by 4 from the previous quarter
- The number of sharing companies (clients) also increased steadily. Although the number of member companies decreased from the previous quarter, the number of companies actually supported* increased by 14. There is an expansion in inquiries from existing customers' group companies

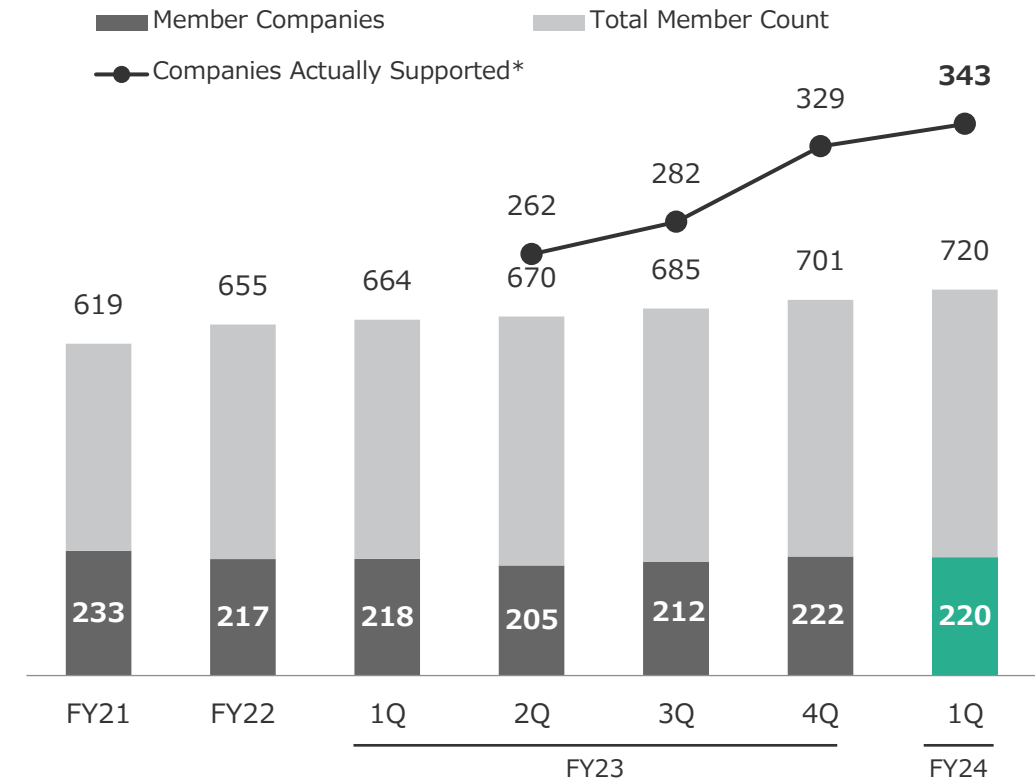
Shared engineer count

(Year-End figures)



Sharing companies (Client) count

(Year-End figures)

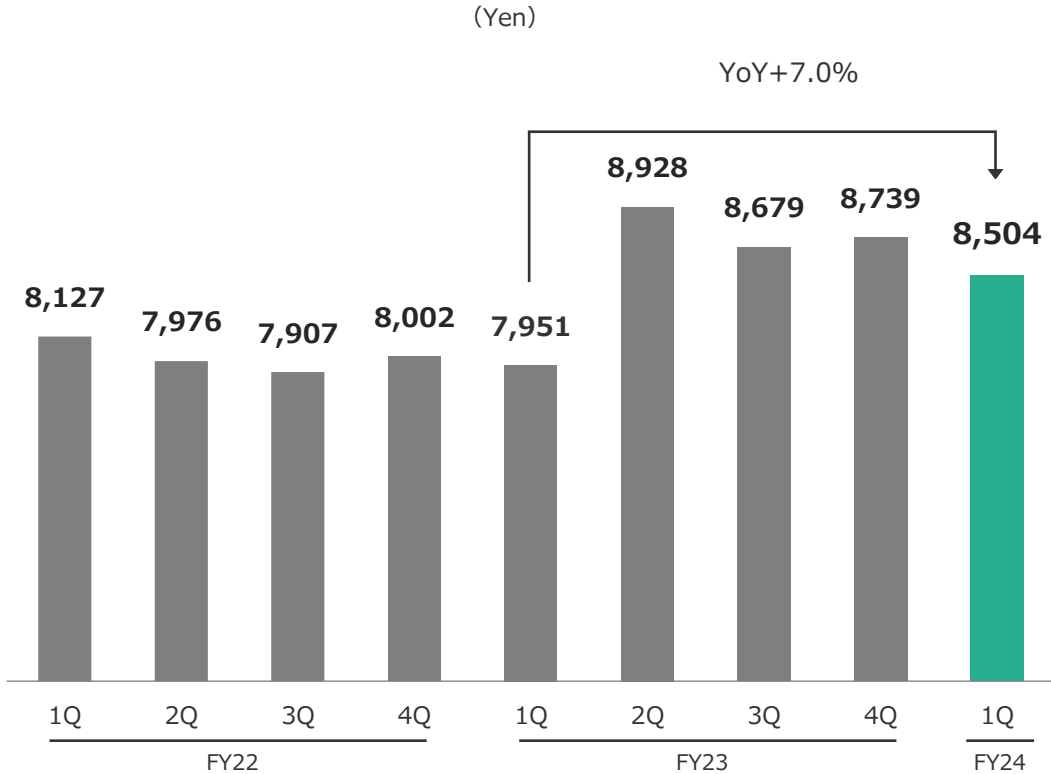


* Affiliates of an member companies which were served by us (not included in the number of members or member companies)

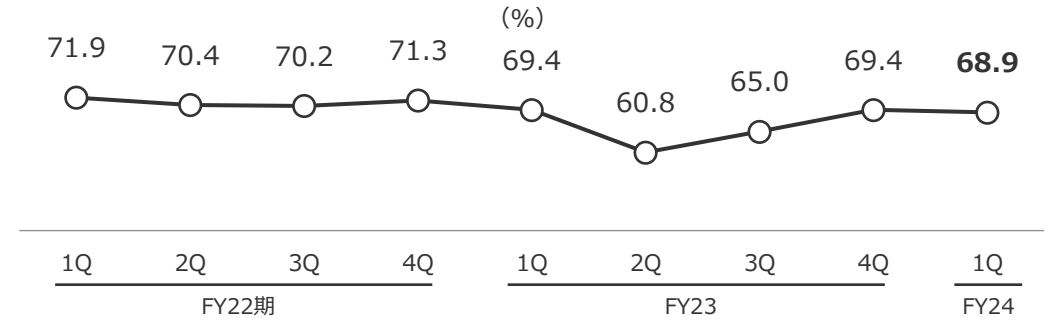
KPI②

- Net Sales per a shared engineer per hour increased by 7% compared to the same period last year, attributed to the price revision in the second quarter of the previous fiscal year. Compared to the fourth quarter of the previous fiscal year, operating costs decreased due to the completion of short-term projects at the year's end and the early hiring of some new graduates
- Utilization rate remains steady at around 70%

Net Sales per a shared engineer per hour



Utilization Rate



Sharing Indicators (FY24Q1)

Average number of people in charge per company

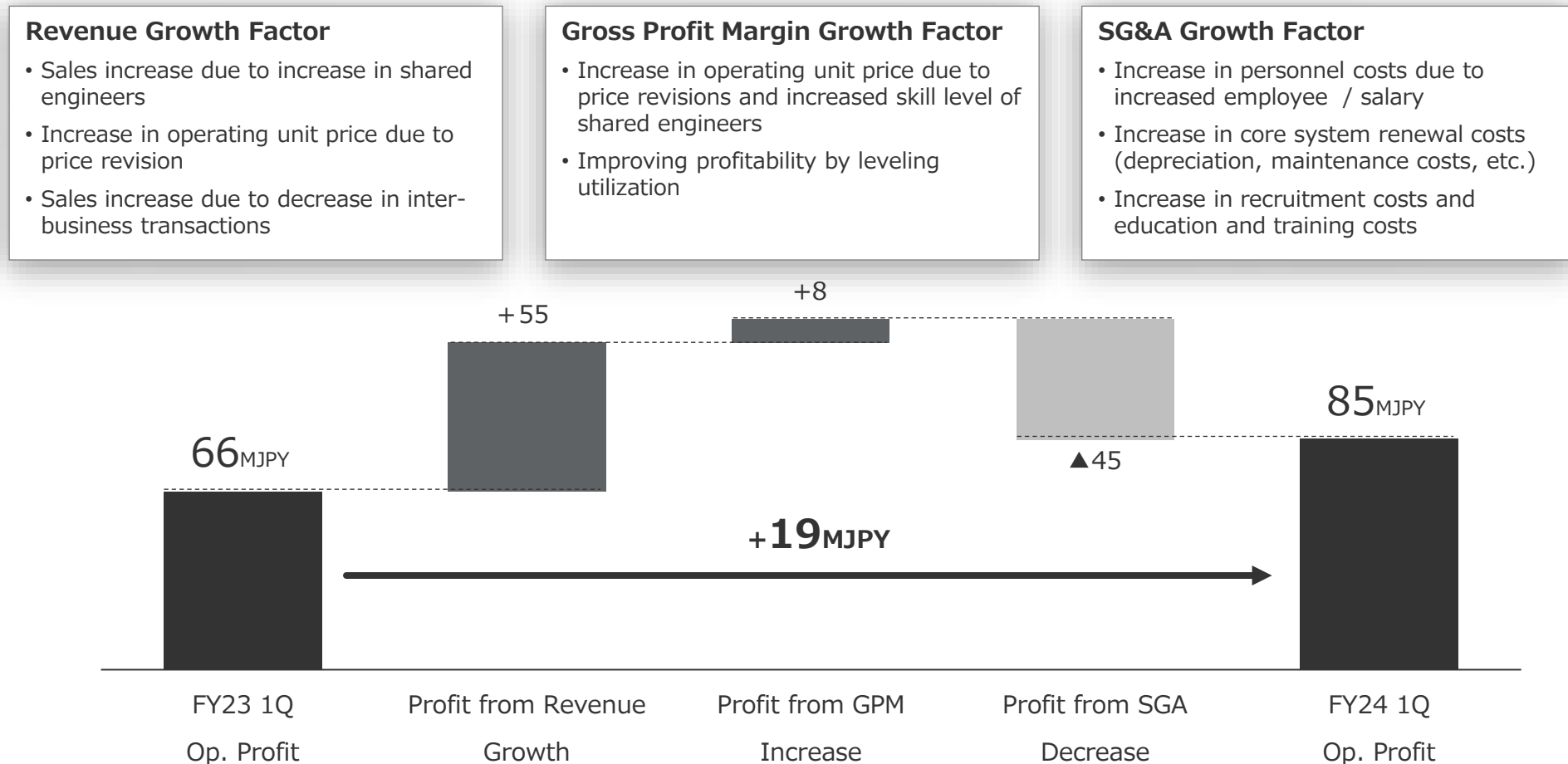
Shared Engineer
3.57
(YoY ▲0.20人)

Average number of companies per person

Member Company
3.52
(YoY ▲0.25)

Operating Profit Bridge

- Net sales increased due to a rise in the number of shared engineers and price revisions, contributing to higher profits
- Gross profit margin increased due to higher service rates from price revisions and improvements in employee skill levels
- Achieved a profit increase of 19 million JPY by offsetting the rise in SG&A expenses attributed to strengthened recruitment activities and new core system-related expenses



B/S

- The contract liabilities increased due to an increase in the number of Companies Actually Supported
- The cash and deposits, accounts payable, and shareholders' equity decreased due to the payment of year-end bonuses and dividends

(MJPY)

| | Mar. 31 2023 | Mar. 31 2024 | Diff. |
|-------------------------------|--------------|--------------|-------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Deposits | 2,267 | 2,234 | ▲ 32 |
| Account Receivable | 1 | 1 | +0 |
| Total Current Assets | 2,293 | 2,269 | ▲ 23 |
| Fixed Assets | | | |
| Property, Plant and Equipment | 74 | 72 | ▲ 2 |
| Intangible Asset | 177 | 167 | ▲ 9 |
| Investment and Other Assets | 67 | 61 | ▲ 5 |
| Total Non-Current Assets | 319 | 301 | ▲ 17 |
| Total Assets | 2,612 | 2,571 | ▲ 41 |

(MJPY)

| | Mar. 31 2023 | Mar. 31 2024 | Diff. |
|---|--------------|--------------|-------------|
| Liabilities and Equity | | | |
| Current Liabilities | | | |
| Account Payable | 118 | 87 | ▲ 30 |
| Contract Liabilities | 438 | 485 | + 46 |
| Total Current Liabilities | 735 | 715 | ▲ 19 |
| Non-Current Liabilities | | | |
| Total Non-Current Liabilities | 30 | 31 | + 1 |
| Total Liabilities | 765 | 747 | ▲ 18 |
| Net Assets | | | |
| Total Shareholder Equity | 1,846 | 1,823 | ▲ 22 |
| Total Net Assets | 1,846 | 1,823 | ▲ 22 |
| Total Liabilities and Net Assets | 2,612 | 2,571 | ▲ 41 |

2. FY24 Guidance



FY24 Guidance

- There is no deviation from the initial guidance. We anticipate an 18% revenue growth driven by a consistent rise in the number of shared engineers. Furthermore, we expect growth to accelerate through increased selection and concentration on small and midsize companies
- While the SG&A-to-sales ratio is anticipated to increase due to elevated advertising and recruiting expenses resulting from aggressive hiring, we expect the cost of sales ratio to improve owing to a higher utilization ratio
- We anticipate a modest increase in net income of 13%, attributed to the absence of extraordinary gains from the sale of certain businesses recorded in the previous fiscal year

| | FY23 | | FY24 | | Changes in the same period | |
|--|---------------|-----------------|---------------|-----------------|----------------------------|--------------------------|
| | Actual (MJPY) | Sales Ratio (%) | Actual (MJPY) | Sales Ratio (%) | Diff. (%) | Diff in Sales Ratio (pt) |
| Net Sales | 2,667 | 100.0 | 3,152 | 100.0 | +18.2 | - |
| Cost of Sales | 1,362 | 51.1 | 1,561 | 49.5 | +14.6 | ▲1.6 |
| Gross Profit | 1,305 | 48.9 | 1,591 | 50.5 | +21.9 | +1.6 |
| Selling, General and Administrative Expenses | 913 | 34.2 | 1,108 | 35.2 | +21.3 | +1.0 |
| Operating Profit | 392 | 14.7 | 482 | 15.3 | +23.1 | +0.6 |
| Ordinary Profit | 392 | 14.7 | 482 | 15.3 | +23.0 | +0.6 |
| Net Income Attributable to Parent | 305 | 11.5 | 346 | 11.0 | +13.3 | ▲0.5 |

FY24 Guidance by Segment

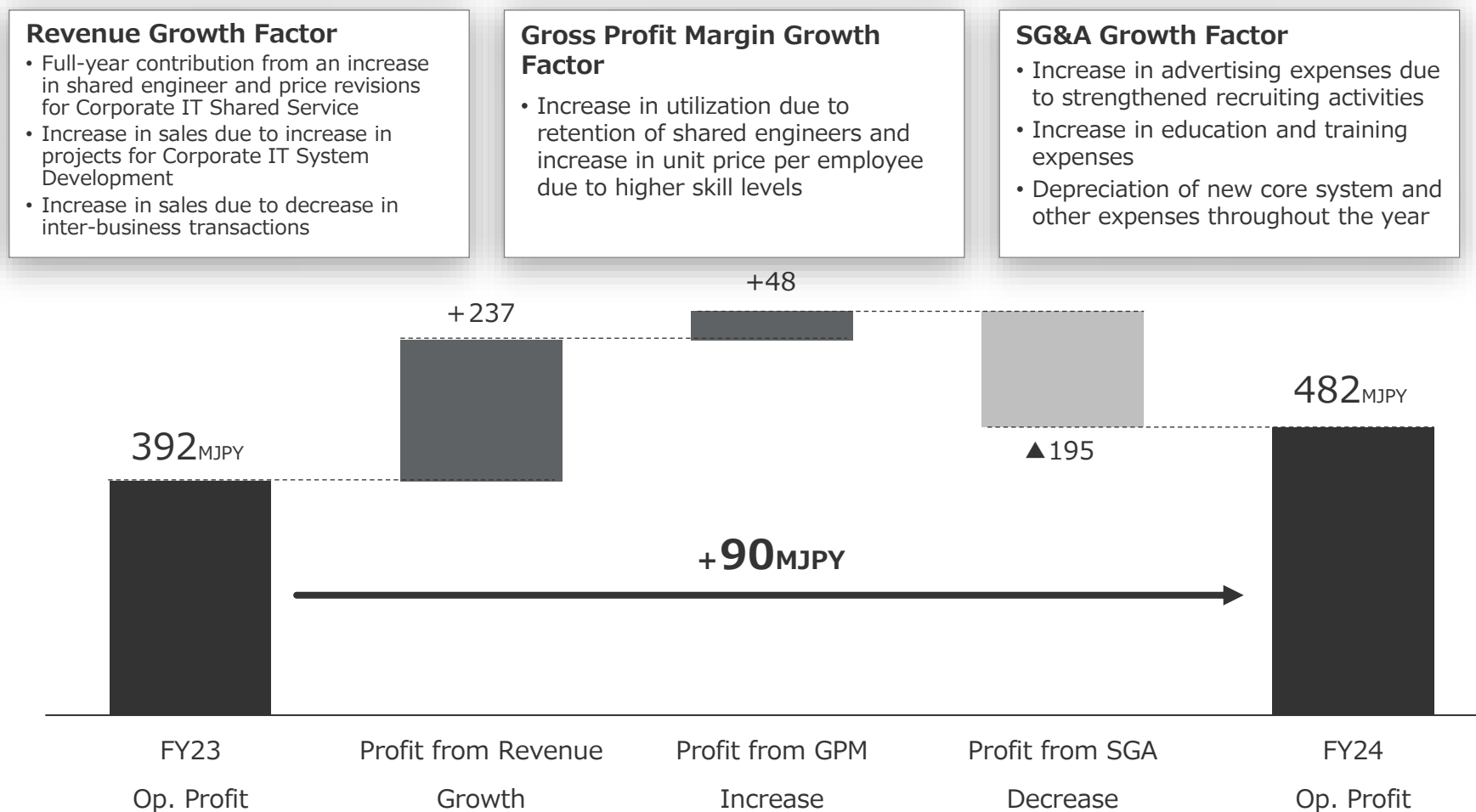
- The full-year growth is propelled by an expansion in shared engineers and price revisions for Corporate IT Shared Service
- The sales growth is driven by an increase in projects for Corporate IT System Development
- The sales increase is attributed to a decrease in inter-business transactions

| | FY23 | | | FY24 | | | |
|------------|-----------------------------|---------------------------------|--------------------------------|------------------------------|---------------|---------------------------------|---------------|
| | Corporate IT Shared Service | Corporate IT System Development | Cashless Security · Consulting | Corporate IT Shared Service※ | | Corporate IT System Development | |
| | Actual (MJPY) | Actual (MJPY) | Actual (MJPY) | Forecast (MJPY) | Diff. (%) | Forecast (MJPY) | Diff (%) |
| Net Sales | 2,407 | 123 | 137 | 2,984 | +24.0 | 168 | +36.6 |
| Op. Profit | 911 | 60 | 21 | 1,200 | +31.7 | 72 | +19.4 |
| Op. Margin | 37.9% | 49.1% | 16.0% | 40.2% | +2.3pt | 42.9% | ▲6.2pt |

※Includes part of former Cashless Security/Consulting

Forecast of Factors for Increase/Decrease in Operating Profit

- We anticipate an increase in the number of shared engineers and utilization, as well as growth in sales and an enhancement in gross profit margin
- We anticipate an increase in SG&A expenses due to various factors, including recruitment-related expenses resulting from strengthened recruitment activities, a rise in education and training expenses, and depreciation of the new core system

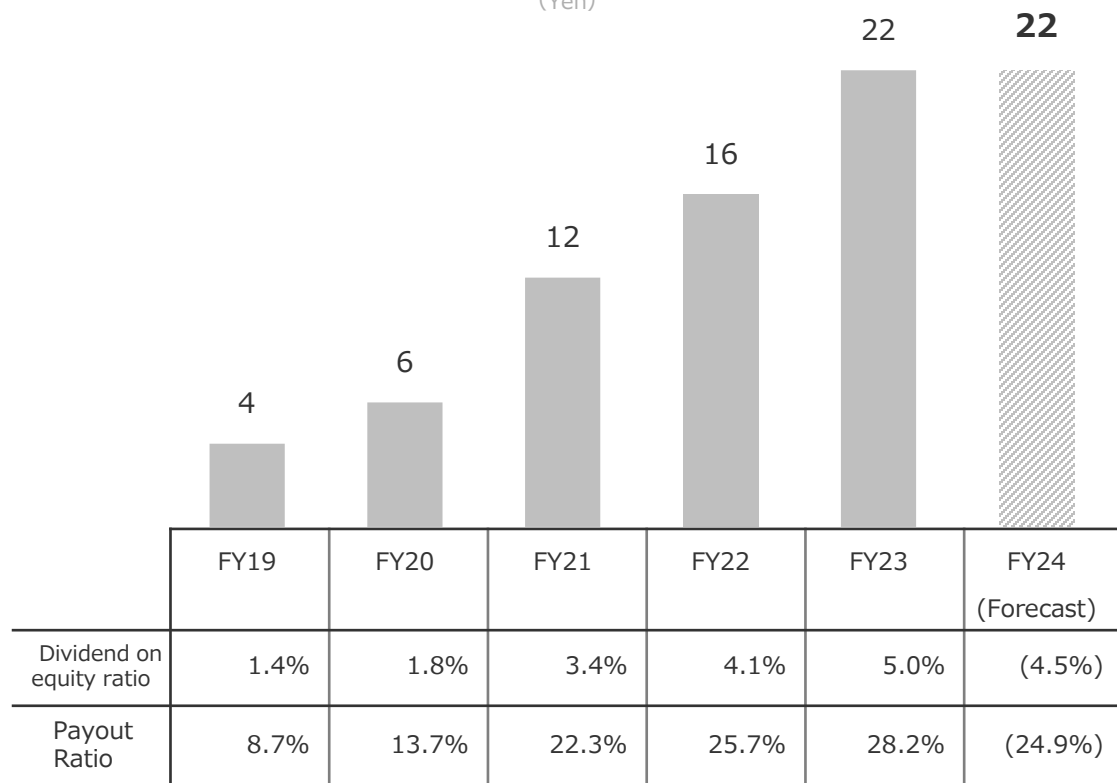


Shareholder returns and medium-term investment

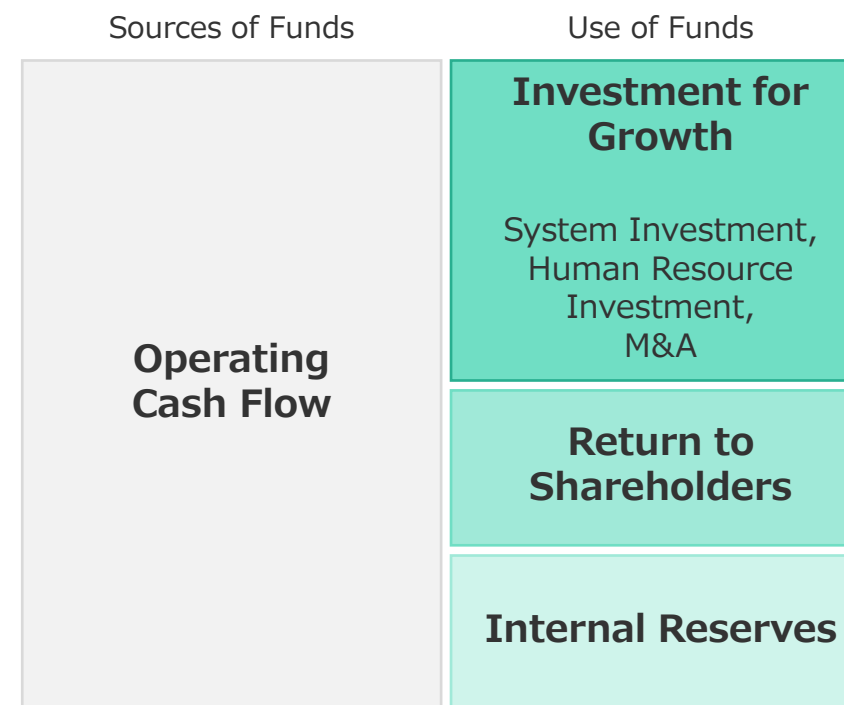
- In accordance with business performance, we will maintain stable dividends with a target payout ratio of 30%, while also securing internal reserves essential for future business development and investments in growth initiatives, such as the enhancement of our management system
- We will prioritize investments in growth, focusing primarily on system and human resource enhancements, while also maintaining flexibility in allocating generated cash for shareholder returns

Dividends History

(Yen)



Cash Allocation



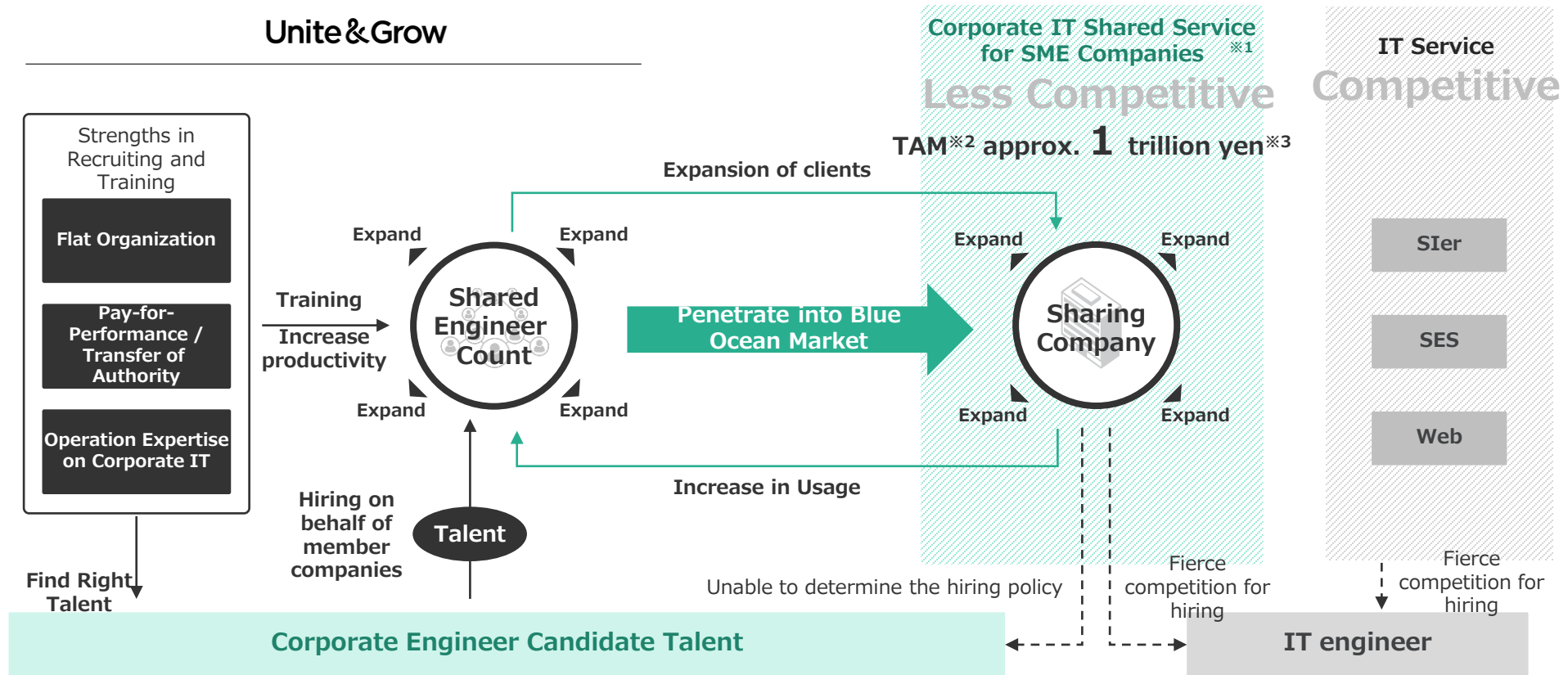
※ On September 1, 2020, a 2-for-1 stock split of shares of common stock was implemented.

3. Growth Strategy



Our growth model to penetrate blue ocean markets

- The market for Corporate IT Shared Services targeting small and medium-sized growing companies represents a blue ocean opportunity with minimal competition
- Our aim is to establish ourselves as the premier corporate IT sharing company by expanding our pool of skilled shared engineers and broadening our membership base among growing companies nationwide



(*1) A coined word by our company

(*2) TAM stands for Total Addressable Market

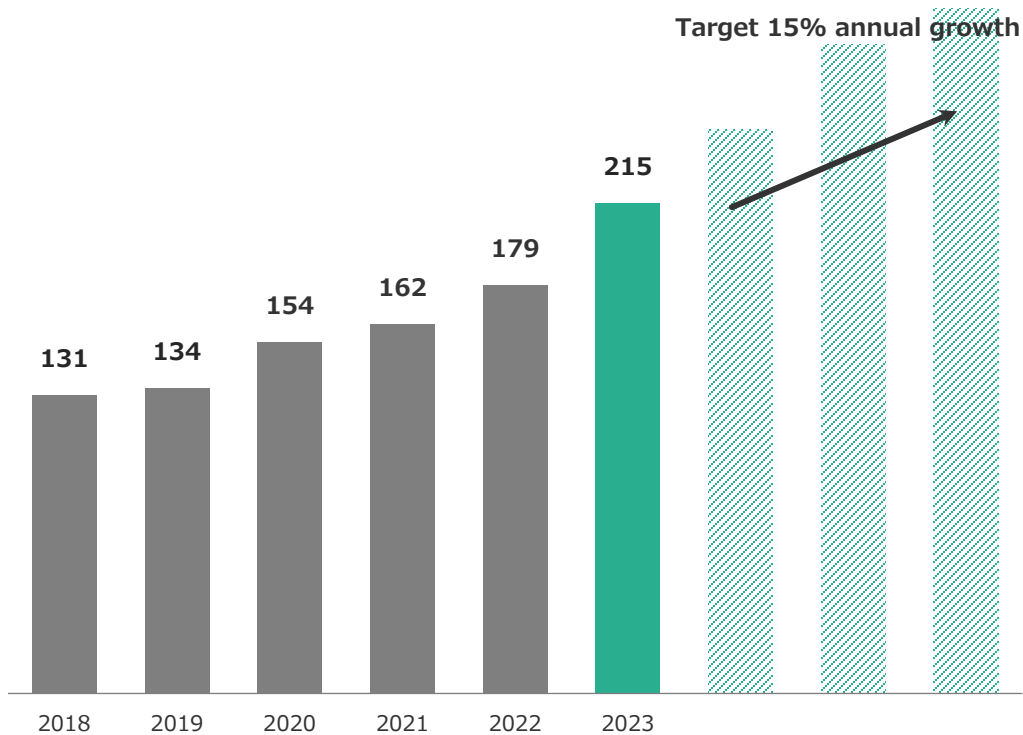
(*3) Estimated as of February 14, 2024. Calculated based on the number of customers covered by our services (Ministry of Internal Affairs and Communications: Economic Census of Japan, 2021) x sharing index x sales per shared employee. (98,000 companies x (3.77 employees / 3.77 companies) x 11.5 million yen ≈ 1.1 trillion yen)

Fundamentals of our Growth Strategy

- Our objective is to achieve a 15% annual growth rate in shared engineers. To efficiently expand our growth base, we will focus on both recruitment and training initiatives
- We will facilitate an increase in the number of sharing companies and expand transactions by bolstering support for existing clients and enhancing our competitiveness

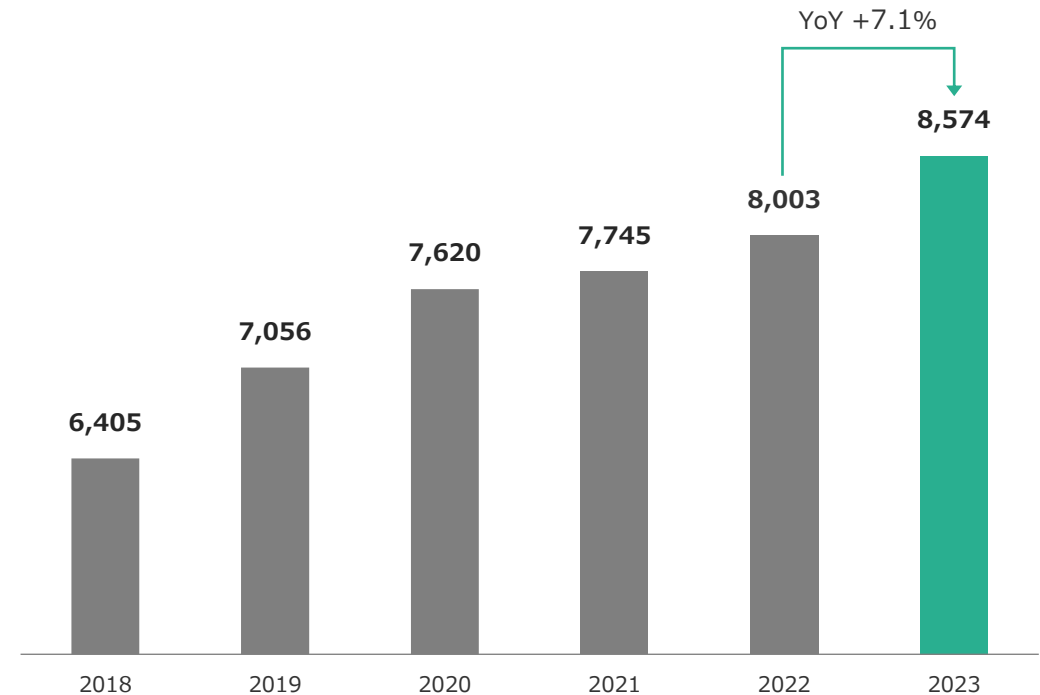
Shared Engineer Trends

(End-Term Figure, Shared Engineer Count)



Net Sales per a shared engineer per hour

(Yen)



Growth Strategy Highlights

Generate revenue in the market for Corporate IT Shared Service for SMEs

01 | Selection and Concentration : Targeting growing companies in the Tokyo metropolitan area

02 | Divide and Multiply: Maintain corporate culture and strength

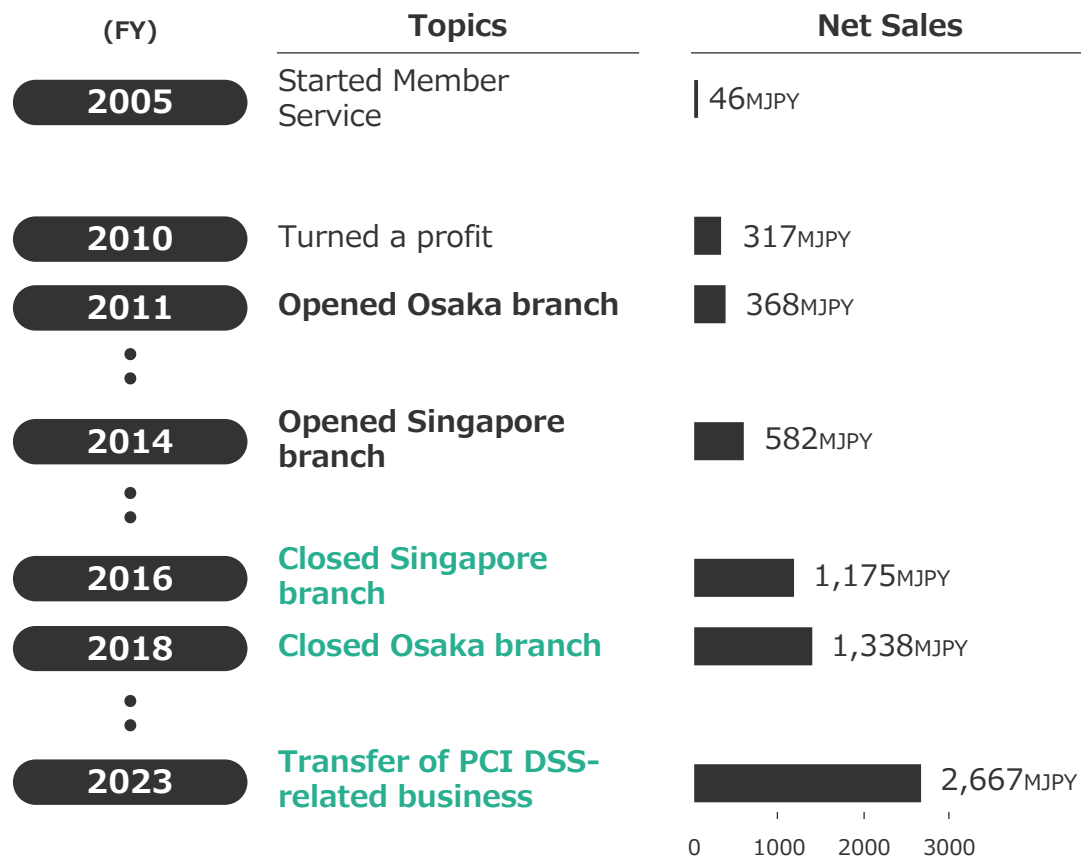
03 | Deepening Know-How: Developing customer experience into internal training

04 | Development of Specialized Services : Enhance the Group's overall strength

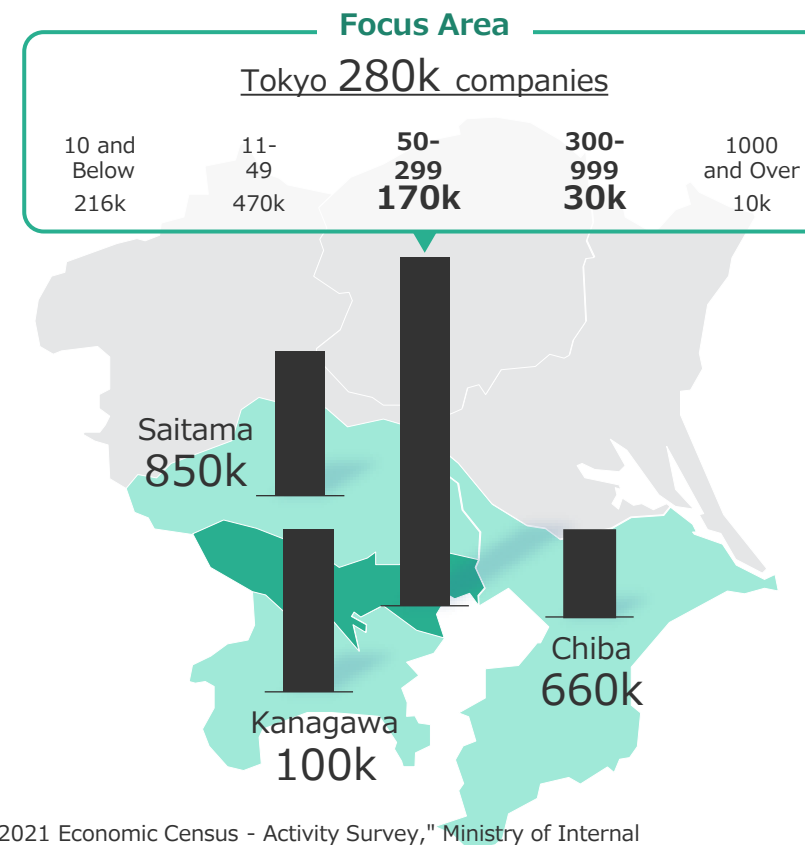
Selection and Concentration : Targeting growing companies in the Tokyo metropolitan area

- We aim for rapid expansion of our business base by targeting growing companies with 50 to 1,000 employees
- The potential for acquiring clients in the Tokyo metropolitan area is particularly large, and we will accelerate growth by focusing on this area for the time being

Concentration of our resources



Number of SMEs in the Tokyo metropolitan area

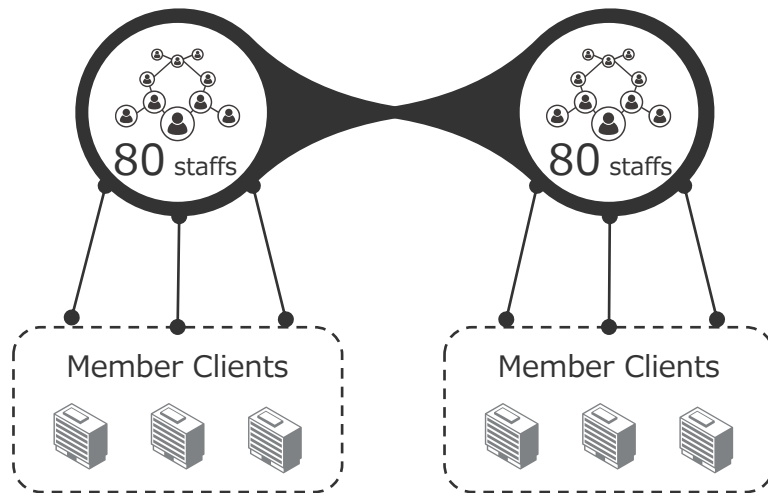


Source: "2021 Economic Census - Activity Survey," Ministry of Internal Affairs and Communications

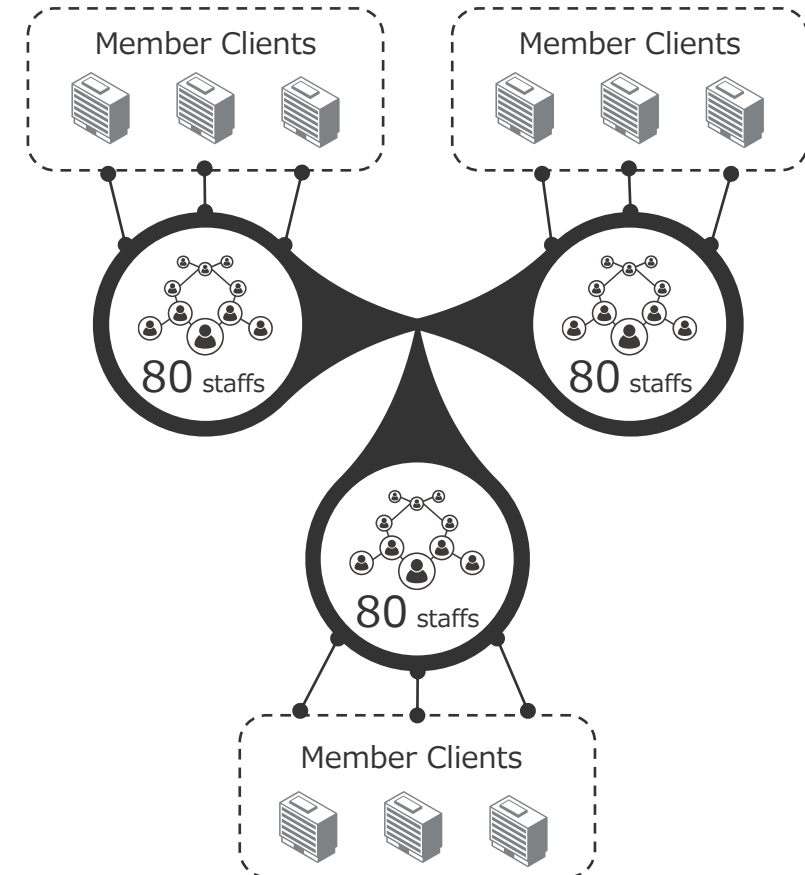
Divide and Multiply: Maintain corporate culture and strength

- We will maintain and increase sharing density by organizing business units consisting of 70 to 150 individuals
- We will grow the business through a flat organizational structure that enables flexible staffing and fosters the development of individual strengths

FY2018~2021

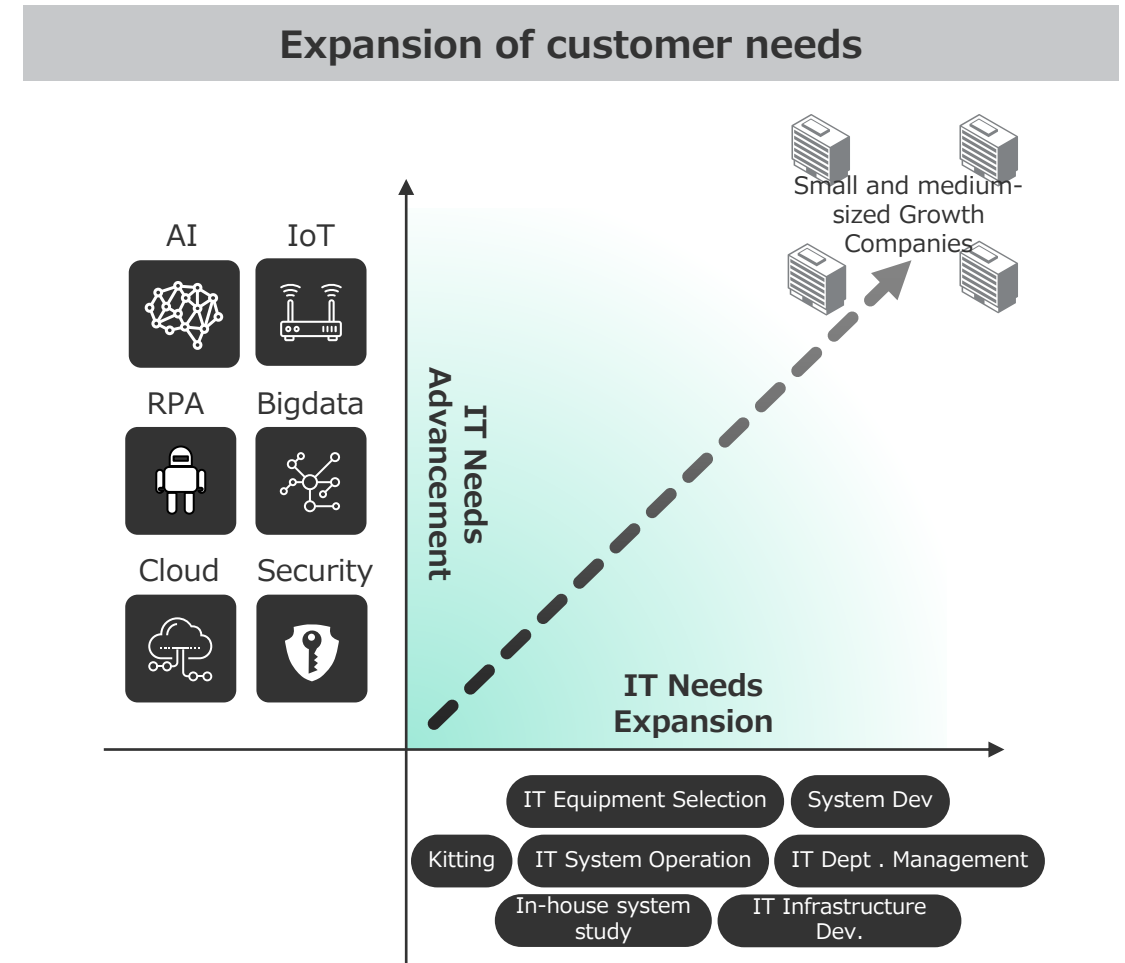
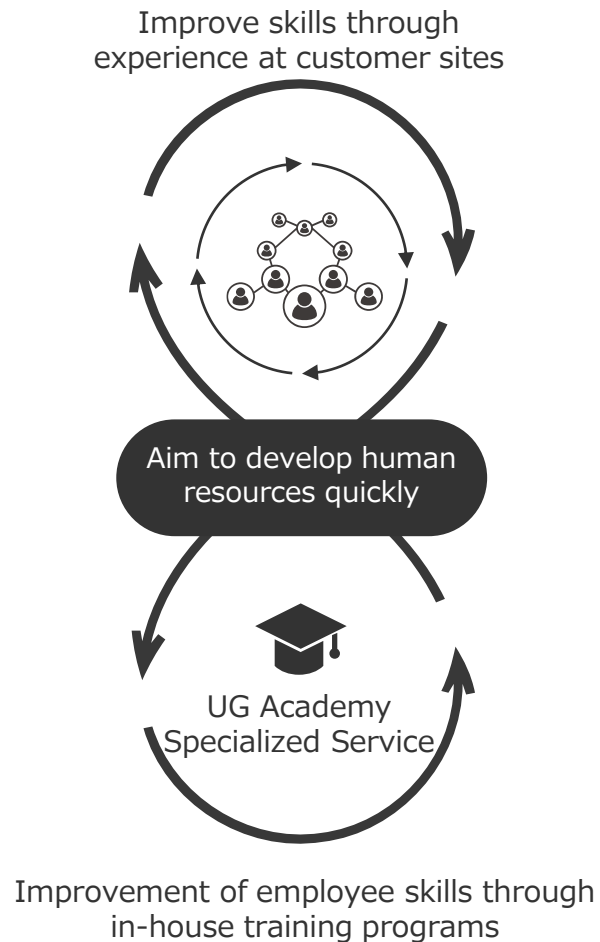


FY2022~2023



Deepening Know-How: Developing customer experience into internal training

- We will deeply understand and address diversifying customer needs, accumulate problem-solving experience, and refine both individual and organizational expertise and know-how
- We will foster individual and organizational growth by sharing experiences within the group through the UG Academy and specialized services



Deepening Know-How: Employee Training

- In FY2023, the upgrade of skills from L3 to L4 increased as a result of continuous in-house training
- The systematization of UG Academy, our corporate engineer training institute, has progressed, accelerating the development of essential know-how for corporate engineers

Achievements of skill level changes ※1 (FY2023)

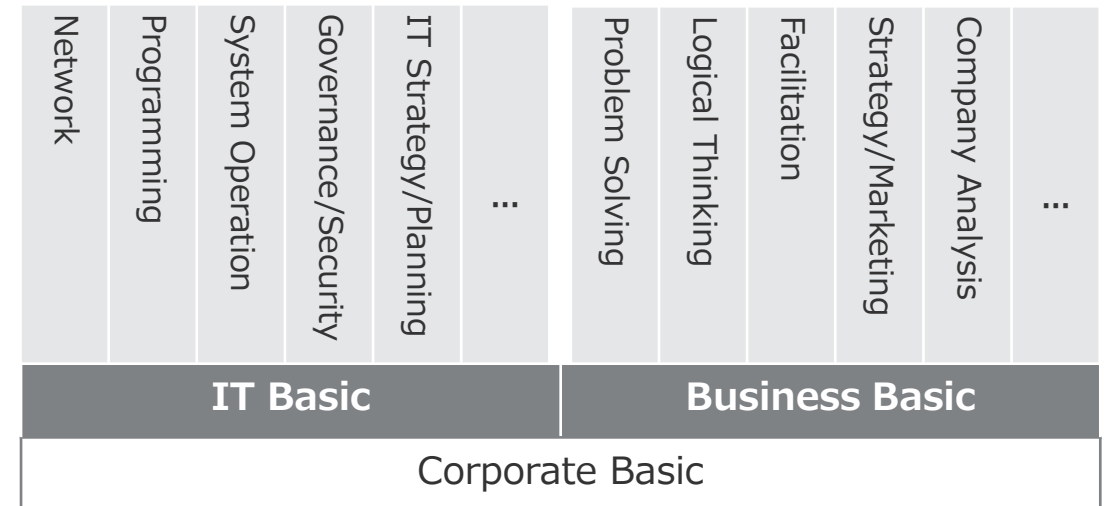
| Skill Level | Percentage of employees | | Change Rate |
|-------------|-------------------------|-----------|-------------|
| | As of Jan | As of Dec | |
| L1 | 14.3% | 5.1% | ▲9.2 |
| L2 | 38.8% | 40.0% | +1.2 |
| L3 | 30.3% | 35.4% | +5.1 |
| L4 | 13.1% | 15.4% | +2.3 |
| L5 | 2.9% | 2.9% | — |
| L6 | 0.6% | 1.2% | +0.6 |

Significant Increase

(*1) Skill level of the employee enrolled as of January compared to the composition of the same employee's skill level as of December.

UG Academy Curriculum

Systematically learn the skills needed to become a Corporate Engineer



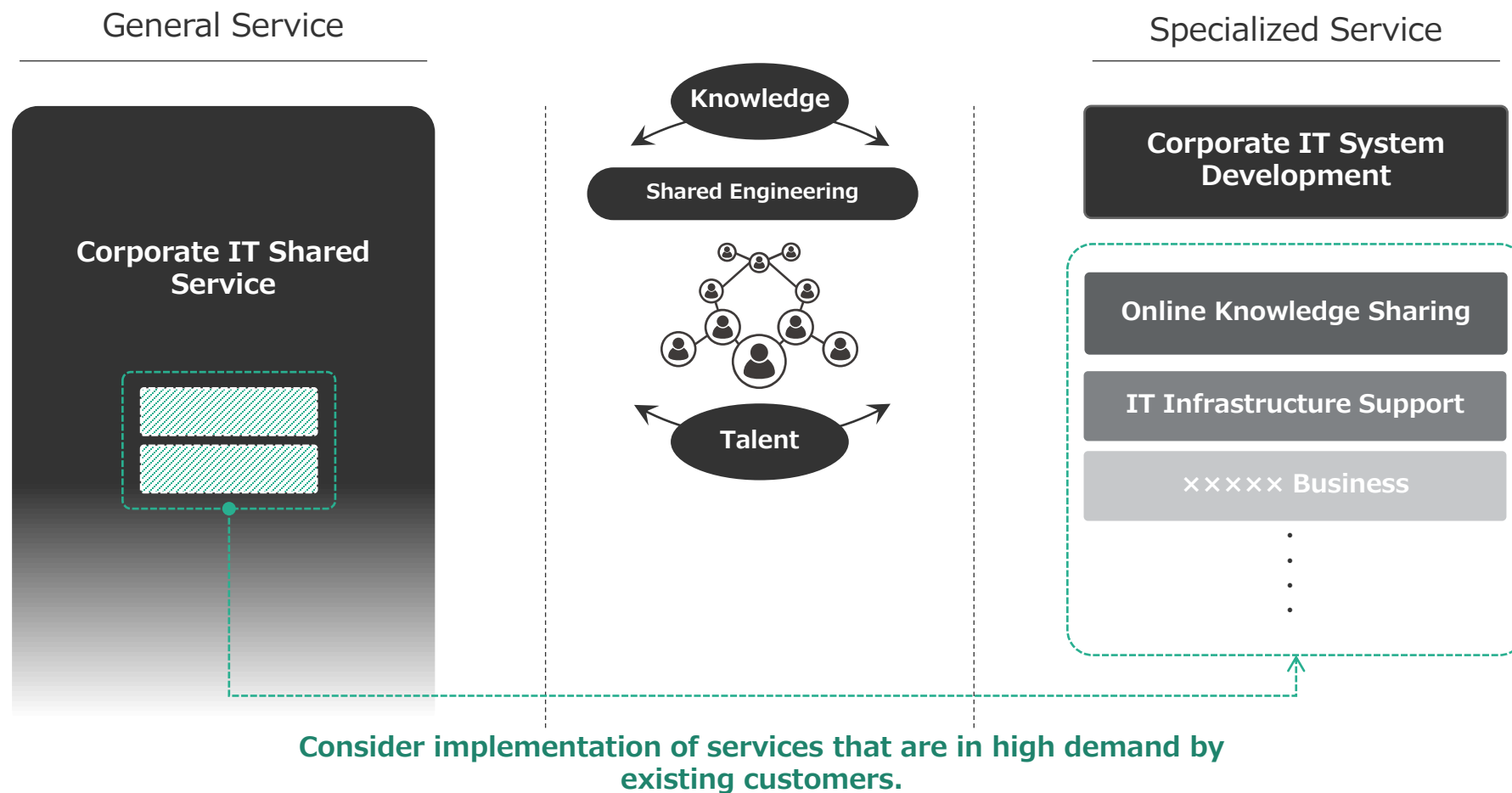
Course Details (Selected)

| Network | System Operation | Logical Thinking | Company Analysis |
|---|--|--|---|
| Provides programs by level, from lecture-style courses for basic knowledge to practical courses using simulation software | Learn the principles of operating an internal system and how to gather information to understand the customer's environment. | Reinforces the ability to think logically about issues using frameworks such as logic trees and pyramid structures | Deepen understanding of the company through corporate research and other research activities on the theme of corporate activities in their own areas of interest. |

*Taken from our corporate website: UG Academy <https://www.ug-inc.net/ug-academy>

Development of Specialized Services : Enhance the Group's overall strength

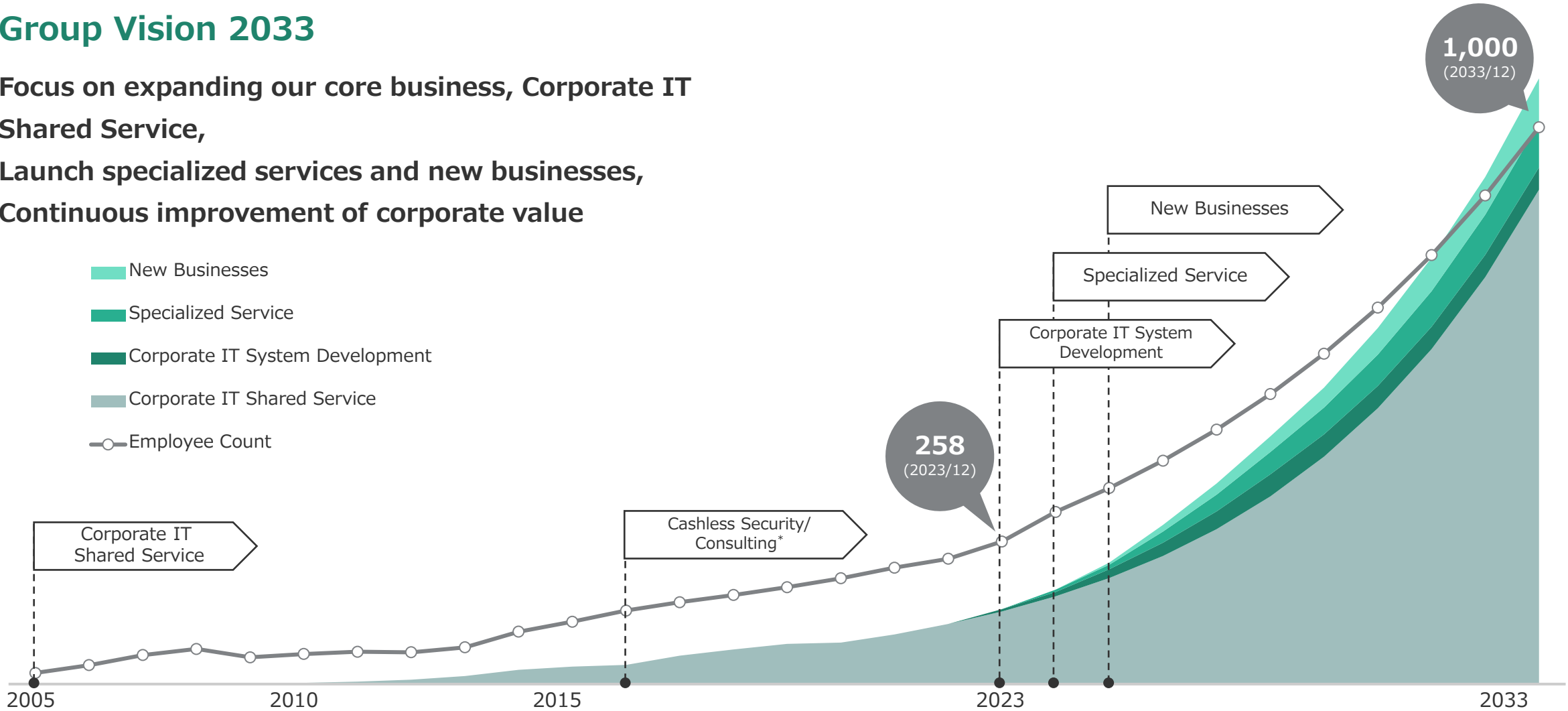
- We will further promote high value-added services by launching specialized services with a high degree of expertise
- We will strengthen the group by developing each individual's expertise and organically integrating their skills



Medium- to Long-Term Sales Growth

Group Vision 2033

Focus on expanding our core business, Corporate IT Shared Service,
 Launch specialized services and new businesses,
 Continuous improvement of corporate value



*Part of the business was transferred in November 2023.
 The surviving business was integrated into Corporate IT General Support

Disclaimer

This document also contains forward-looking statements about industry trends and business activities of Unite & Grow Corporation that are based on current plans, estimates, estimates or projections by Unite & Grow Corporation.

These forward-looking statements involve a number of risks and uncertainties.

Known or unknown risks, uncertainties, and other factors could cause results to differ materially from those contained in forward-looking statements.

Unite & Grow's actual future operations and financial results may differ materially from those discussed in the forward-looking statements contained in this document.

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