

ZIGExN INTEGRATED REPORT 2023

ZIGExN Co., Ltd. | Integrated Report 2023



Welcome to ZIGExN INTEGRATED REPORT 2023

Guide to ZIGExN INTEGRATED REPORT

Introduction

Creation and the key point of ZIGExN Integrated Report 2023	3
ZIGExN Group at a glance	4
History of ZIGExN	5
CEO Message	6
Board of Directors Message	8
ZIGExN's Value Creation Model	9
Matching Technology	10
Medium- and Long-Term Policies	11

Sources of Value Creation

① Management Strategies to Enhance Customer Value	13
Second Mid-Term Management Plan	14
Vertical HR	
-Delivering Unique Value through Sector Specialization-	16
Vertical HR -Evolution of the business model-	17
Living Tech -Layering of value proposition-	18
Ties: Clients' Feedback	19
Value provided to clients and users	21
② Investment Strategies to Accelerate Growth	23
Expansion and Reproduction through M&A	24
Refined Original PMI methodology "ZVI"	25
Maximizing upside through market expansion	26
Enhancing customer value proposition through M&A	27
③ Human Resource Strategies Connected with Various Strategies	28
"UPDATERS" innovating society	29
Robust cycle to support the creation of UPDATERS	30
HR Themes and Challenges for Realization	31
Introducing Initiatives	32
List of Key Human Resources Indicators	35
④ Financial Strategies to Support Discontinuous Growth	36
Optimization of Capital Structure Through Leverage Utilization	37
Capital Allocation Policy as a Growing Company	38
Maintenance and Assurance of a Strong Financial Foundation	39

Mechanisms Supporting Value Creation

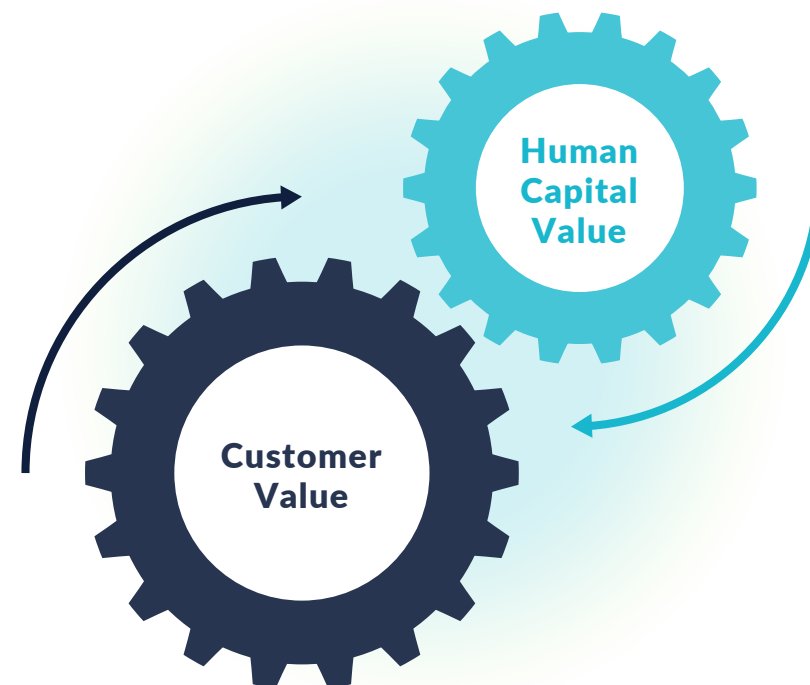
① To Become a Sustainable Company	41
Basic Principles of Sustainability Activities and Progress in	
Materiality	42
Examples of Materiality Initiatives	43
ESG Data	45
② Corporate Governance Structure	46
Promotion of sound corporate management	47
Effective operation of the Board of Directors	48
Strengthening the Offense and the Defense:	
Outside Director Interview	49
③ Risk Analysis	51
Comprehensive Overview of the Internal and	
External Environment	52
Visualization of importance through heat map analysis	53
Group Risk Assessment and Handling	54
④ IR Activities	55
IR Activities	56

Business Portfolio

Life Service Platform Business	57
Vertical HR – REJOB, Ties	58
Living Tech – Chintai SMOCCA, Reshop Navi	59
Life Service – Apple World/ Gallant Tour/ Rikisha/ Travelist	61
	63

Data section

Employees	64
Key Indicators	65
[IFRS] Consolidated Statement of Financial Position	66
[IFRS] Consolidated Statement of Income	68
[IFRS] Consolidated Statement of Cash Flow	69
	70



Feedback

If you have any feedback on the Integrated Report, please contact us at below. We will use it for future reference.

Email: ir@zigexn.co.jp

Integrated Reports (ZIGExN's first Integrated Report 2022) can be found below.
https://zigexn.co.jp/en/ir/integrated_report/





Introduction

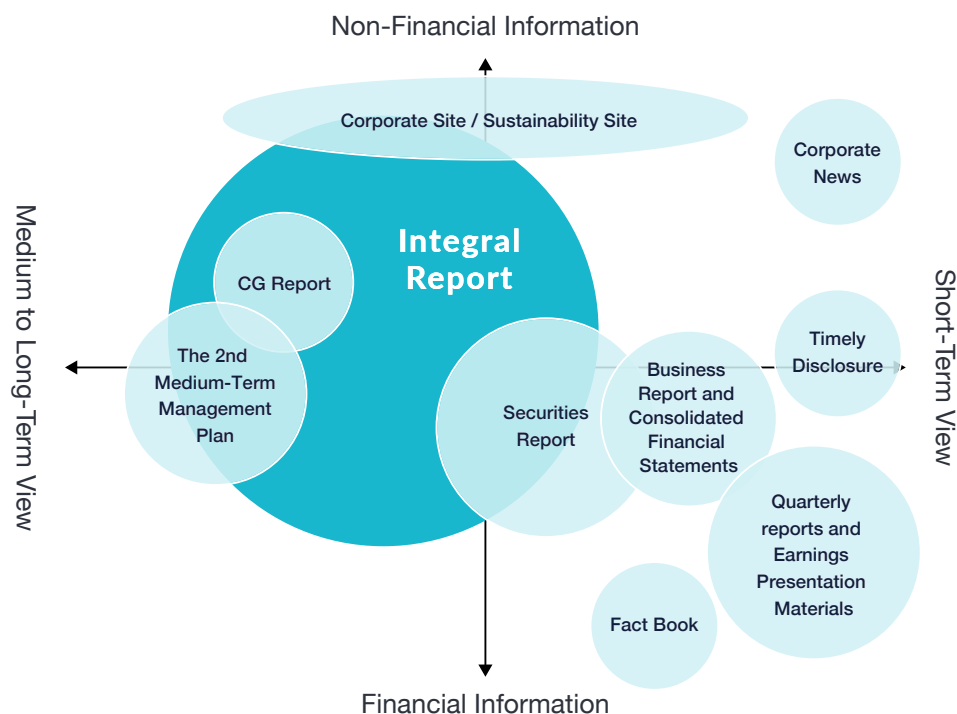
Creation and the key point of ZIGExN Integrated Report 2023

Creation Policy

Since 2021, ZIGExN has been publishing an integrated annual report every year with the aim of enabling all stakeholders, including shareholders, to gain a deeper understanding of the company from both financial and non-financial perspectives.

Furthermore, in the process of creating the report, we refer to frameworks such as the IIRC's International Integrated Reporting Framework.

The positioning of each communication tool



ZIGExN's IR webpage

▶ <https://zigexn.co.jp/ir/>

Sustainability webpage

▶ <https://zigexn.co.jp/sustainability/>

Key point of Integrated Report 2023

We published our first integrated annual report in 2021, and this marks the third issuance with the release. In the 2021 integrated annual report, we focused on creating a comprehensible presentation of fundamental information about our company. In the integrated annual report for 2022, we significantly updated our approach with the theme of “Ambidexterity”. We focused on how we perceive and address various dichotomies in our management.

And in this year's integrated report for 2023, we have crafted the content around two major themes: “Value Provided to Customers” and “Human Capital Value”.

“Value Provided to Customers” is the most important theme for our company group's continuous growth, and we are committed to enhancing the value we provide in each of our businesses. This report also includes actual feedback from customers and users regarding our services.

Regarding the “Human Capital Value”, we recognize that our personnel, including business leaders driving each business and the professionals supporting active M&A through PMI, constitute our “Human Capital”, which we consider to be one of the sources driving our company's growth. We believe that maximizing the potential of each individual contributes to our medium to long-term growth.

In this report, we have significantly updated our human resource strategy part from the previous year by transitioning from valuing an “entrepreneurial group” since our foundation to the evolution into “UPDATERS” who drive societal change. We have also introduced KPI specific to our unique talent approach.

This integrated report, which combines financial and non-financial aspects, systematically organizes the company's strategies, commitments, strengths, and distinctive features. We invite you to read it and gain insight into our comprehensive perspective.

ZIGExN Group at a glance

Consolidated Revenue

3/2023
18,709
millions of yen
3/2022: 15,272
3/2021: 12,564

Consolidated Operating Income

3/2023
4,180
millions of yen
3/2022: 3,314
3/2021: -1,062

Consolidated EBITDA

3/2023
5,334
millions of yen
3/2022: 4,265
3/2021: 3,808

Recurring Revenue

3/2023
10,981
millions of yen
3/2022: 9,415
3/2021: 8,415

ROE

3/2023
18.9
%
3/2022: 16.2
3/2021: -13.4

Goodwill-to-Capital Ratio

3/2023
0.6
X
3/2022: 0.6
3/2021: 0.5

Cash and Cash Equivalents

3/2023
9,953
millions of yen
3/2022: 8,588
3/2021: 7,420

Market Cap

3/2023
53.8
billions of yen
3/2022: 336
3/2021: 488

Cumulative M&A

3/2023
25
deals
3/2022: 20
3/2021: 19

Number of Group Companies

3/2023
24
companies
3/2022: 16
3/2021: 15

Number of Employees

3/2023
857
*Excluding temporary employees
3/2022: 704
3/2021: 772

ESG Rating

6/2023
2.4
*using FTSE ESG rating
6/2022: 2.3
6/2021: 2.1

Strategic Business Units

3/2023
18
units
3/2022: 12
3/2021: 12

Number of domestic and overseas offices

3/2023
29
offices
3/2022: 21
3/2021: 19

Number of corporate clients

3/2023
21,589
companies
3/2022: 20,491
3/2021: 18,968

Business offices posting Ads on platforms

3/2023
102,630
(Vertical HR + Living Tech)
3/2022: 90,434
3/2021: 81,582

Basic Principle

ZIGExN aims at “Maximizing Opportunities in Life” and seeks harmony and sustainable development with society by providing a platform to connect to the world through the internet.

Management Principle

OVER the DIMENSION!

Reverse common sense and values in society through overwhelmingly unusual services and establishment of an overwhelmingly unusual company.

Purpose

Update Your Story

Update Your Story For a Better Future

Update the future of everyone at the crossroads of life.

Company name	ZIGExN Co., Ltd.
Listing Market	Prime Market of TSE (code: 3679)
Date of Establishment	June 1, 2006
Consolidated Capital	125 million yen (as of March 31, 2023)

History of ZIGExN



- **2006** Established in Ebisu, Shibuya-ku, Tokyo.
- **2008** Launched the Life Media Platform Business.
- **2009** Changed company name to ZIGExN Co., Ltd.
Moved headquarters to Shinjuku, Shinjuku-ku, Tokyo. 
- **2010** Began providing "SMOCCA", a real estate rental media. 
- **2013** Listed on the TSE Mothers Market.
- **2014** REJOB Co., Ltd. joined our group. 
- **2017** Moved headquarters to Toranomon, Minato-ku, Tokyo.
- **2018** Changed market listing to the First Section of the TSE.
- **2020** Current Renovation Business joined our Group. 
- **2021** 15th anniversary of establishment. Released 2nd Medium-Term Management Plan "Z CORE".
- **2022** Changed from the First Section of the TSE Market to the Prime Market.
Ties Co., Ltd. joined our group. 
- **2023** Achieved the group's highest ever revenue and profit.

CEO Message –Value provided to customers and Human Capital Value–



Representative Director, Operating Officer and CEO

Joe Hirao

Proceed with Human Capital Management with ambition.

Having a growth-oriented M&A strategy as a pillar for business expansion.

Our mid-term business plan set for a 5-year span is showing signs of achieving its goals as we conclude the second year. The main factor for this successful achievement is M&A. Starting from MIRAxS, we acquired four HR companies. Especially companies like Ties have experienced significant growth and I believe they will become a core part of ZIGExN's future business.

Given that our initial M&A may not have been an unequivocal success, there were various opinions when it came to pursuing the second and third M&A deals. Nevertheless, I believe that our commitment to making M&A a pillar for business expansion has contributed to the growth we have witnessed this fiscal year.

Since introducing VHR, I have had the opportunity to meet with over 20 companies. Previously, we used intermediaries, but this fiscal year we made a significant shift in our M&A approach by directly negotiating with sellers or potential sellers. This transition has been successful, and we are meeting with various outstanding companies. We are evaluating the specialized expertise of each company and what exactly we are acquiring from them. Since we are asking for companies that have been nurtured with care, we are engaging in discussions with utmost sincerity. I believe that the factor behind our success is reaching agreements after presenting post-M&A business plans and growth prospects.

On the other hand, we are still working on creating the “Z CORE” plan to achieve a revenue of 10 billion. However, there are 3 to 4 candidate companies, including Ties which I mentioned earlier, that could potentially contribute to achieving this plan. We consider these companies could potentially become part of the “Z CORE”.

In order to further expand these businesses, we believe that achieving Product Market Fit⁽¹⁾ is crucial. ZIGExN has a strong marketing expertise and is proficient in utilizing advertisements, which can sometimes lead to relying heavily on the power of advertising for generating profits. While this is indeed one of our strengths, we believe that in order to achieve profits at the 10 billion level, we need to focus on refining the product itself and achieving differentiation.

To achieve growth on a different scale, it is essential for us to increasingly prioritize customer-centric Product Market Fit in the future. In this regard, we are working on product improvements with the valuable and insightful advice from outside director Mr.Sakaki, who nurtured the company “Ikyu”.

CEO Message –Value provided to customers and Human Capital Value–

Increase “UPDATERS” with Human Capital Management

In this year's Integrated Report, we put additional emphasis on our “Human Capital Management”. While we have previously promoted ourselves as “entrepreneurial group”, we aim to further advance this concept and transform ZIGExN into a company that can cultivate talents capable of driving societal change. How many impactful entrepreneurs who can contribute to society can we nurture? We aspire to place this goal at the core of our human capital management.

It has been 17 years since ZIGExN has been established. I believe that in the future, we will see more and more alumni who once worked for us, establishing a similar or even greater company than ZIGExN. And they will be a generation younger than me. Creating an environment where the young people of that generation can thrive and make a positive impact on Japanese society has been my aspiration since the founding of the company.

The purpose of ZIGExN is “Update Your Story”. Additionally, we are also operating a 3 on 3 professional basketball team called “ZIGExN Updaters”. As the name suggests, we aim to increase the number of Updaters. Although we have held this aspiration close to our hearts all along, after 17 years, I finally feel that the necessary preparations are now in place.

According to employee reviews on Openwork, ZIGExN has been ranked in the top 20 of the “Companies Where You Can Grow in Your 20s” ^{(*)2}.

These sorts of rankings tend to decline as companies grow larger. I believe that whether ZIGExN can continue to grow and remain an emerging company depends on whether the members who come together are motivated by the desire for growth.

In this era of diversity, this doesn't necessarily pertain only to the younger generation, but the important thing will be to foster an environment where individuals in their 20s and 30s can collaborate and grow while tackling challenges. We aspire to create a company that enables this kind of growth within the framework of human capital management.

I hear people say that “ZIGExN is, for better or for worse, Mr. Hirao's company”. However, it is no longer practical for me to be fully committed to managing all of the nearly 25 subsidiary companies within the group. Especially with the presidents and executive officers of the group companies, I entrust many decisions to them, and I often take a back seat and support in those roles.

Being a company with a diverse portfolio, the growth of human capital in each subsidiary company directly correlates with the growth of the businesses. In the future, we plan to release several strategic pieces of information related to human capital management. We hope you look forward to our talent development plan, which aims to achieve rapid growth by overcoming challenging tasks.



(*)1 Product Market Fit: The state where a company can provide a product that satisfies customers in the optimal market.

(*)2 Blue-chip companies uncovered through 13 Million Reviews: Ratings Based on '20s Growth Environment' by Young Contributors (Authored by Yoki Osawa), Limited to Evaluations Posted by Individuals in Their 20s, Collected on Japan's Largest Job Change and Employment Website.

Board of Directors Message – Update further from Regrowth –

Director, Operating Officer
Sachiko Hatano



Through dialogues with investors and shareholders

We place great importance on engaging in dialogue with the stock market. In the fiscal year 2022, we organized a total of four briefing sessions targeting individual investors, featuring presentations from six executives including President Hirao and the presidents of our group companies. These sessions provided an opportunity for us to receive a variety of questions and opinions, and we have noticed an increase in interest from institutional investors, particularly since the full-year financial results announcement for the fiscal year ending March 2023. This has led to more opportunities for media coverage and interviews. Through these conversations, we have received positive evaluations for our recovery from the temporary performance decline during the COVID-19 pandemic, and we believe that we are gradually regaining trust. Among domestic institutional investors, we have had the opportunity to engage with individuals who have granted interviews after several years, as well as first-time investors. Some of them have expressed surprise, saying “I’m amazed by how ZIGExN has significantly changed its business and achieved a regrowth from its past”. While there have been limitations in terms of liquidity and trading volume for international investors in the past, we are committed to making efforts to increase opportunities for them to take interest in our company.

On the other hand, as our expanding businesses continue to grow, there are various challenges such as reducing uncertainty, increasing predictability, and providing clear and concise explanations. We also need to effectively connect individual businesses with capital efficiency in our management.

We will continue to engage in ongoing dialogue with investors and shareholders, striving to meet expectations and build steady trust.

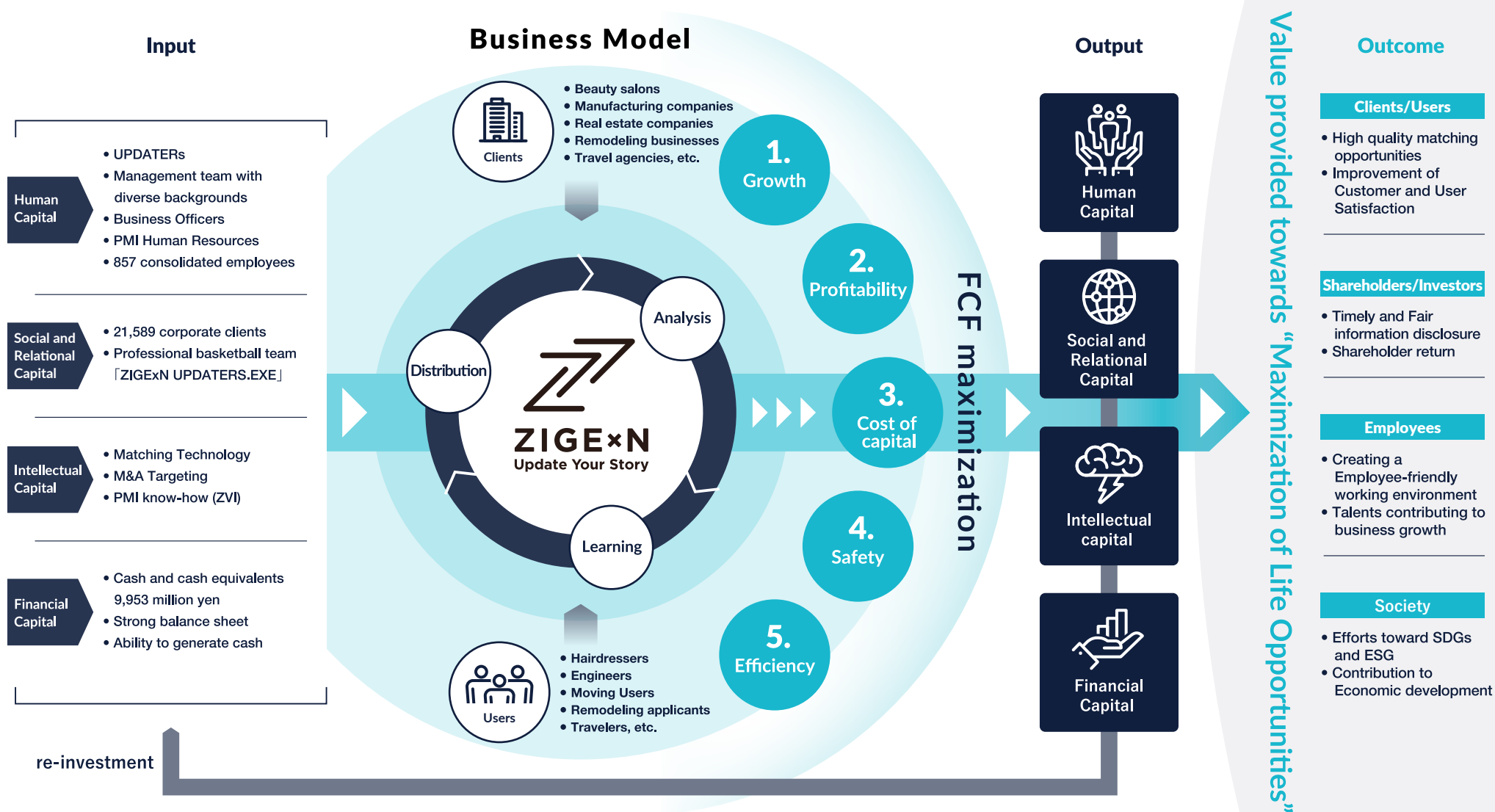
Looking back on the Second year of the Medium-Term Management Plan

The second year of the mid-term management plan, covering the fiscal year ending in March 2023, was a year of significant changes. Under the robust leadership of the Corporate Strategy Division, we successfully executed a total of five M&A transactions amounting to 4.32 billion JPY within the year. Our travel business entered a phase of recovery, and our revenue reached 18,709 million JPY (a YoY 22.5% increase), EBITDA was at 5,334 million JPY (a 25.1% increase), and operating profit reached 4,180 million JPY (a 26.1% increase), all of which marked record highs in the company’s history. Particularly, the execution of four M&A transactions in our core Vertical HR sector was a significant advancement towards achieving the main strategy of our mid-term business plan, the creation of Z CORE (our core business with over 10 billion JPY in revenue). From a financial perspective, we conducted share buybacks totaling 1.4 billion JPY, and with the impetus of M&A, we leveraged borrowing while maintaining a solid financial foundation.

The ratio of equity attributable to owners of the parent company (\div equity ratio) remained above 40%, and the good-will-to-capital ratio was maintained at less than around 1.0 times, which indicates ample room for safety. This fiscal year was marked by a robust financial foundation that proved its strength.

On the other hand, due to significant changes in the business portfolio within the group, there are certain businesses that face productivity and profit margin challenges in the short term. As part of the PMI process, we are determined to enhance these aspects moving forward. We believe that enhancing customer value and human capital value, which are central themes of this integrated report, will ultimately lead to improved productivity and profit margins. In addition, as the number of group companies has increased, the need to establish an effective and efficient risk management system has become more crucial. We are committed to successfully implementing these measures to further strengthen our group management structure.

ZIGExN's Value Creation Model



Source of Value Creation

① ② ④ ⑤

P.13-22 (1) Investment Strategies to enhance customer value
P.23-27 (2) Investment Strategies to Accelerate Growth

P.28-35 (3) Human Resources Strategy Aligned with Various Strategies
P.36-39 (4) Financial strategy to support discontinuous growth

Mechanisms to Support Value Creation

③

P.41-45 (1) To Become a Sustainable Company
P.46-50 (2) Corporate Governance Structure

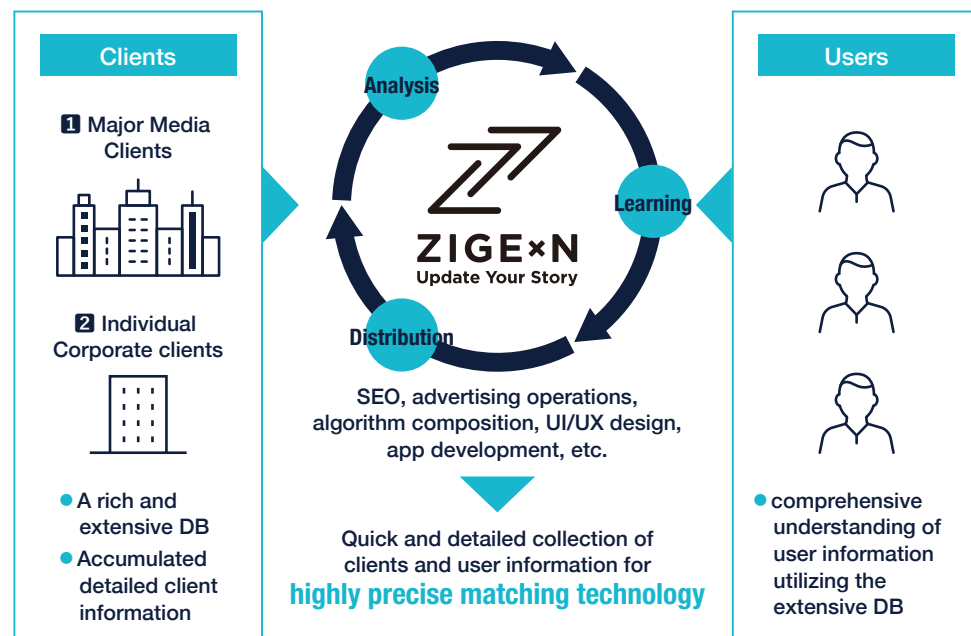
P.51-54 (3) Risk Analysis
P.55-56 (4) IR Activities

Matching Technology

Analyze, Learn, and Distribute the collected data using our unique technology

We consider that the role in internet media can be broadly categorized into two main aspects. The first is to gather users, and the second is to engage and influence the gathered users. The company has excelled in operating online platforms that are particularly skilled at engaging and influencing users, which has contributed to our business growth. Since our founding, we've cultivated a technology for influencing users, which we refer to as "Matching Technology". Leveraging this high-precision Matching Technology as a strength, we have continued to accumulate expertise by analyzing, learning, and delivering user data and client company data. This has positioned us as a company with unique technology in Japan.

The analysis, learning, and delivery of data and algorithms related to matching, born from our extensive database(DB) form the foundation of our core technology. For nearly 15 years since our inception, we have been collecting and analyzing information from both clients and users, which has laid the groundwork for realizing our core technology. This strength that we have honed over many years is not easily replicable, which is why we consider it a significant differentiating factor from other companies.



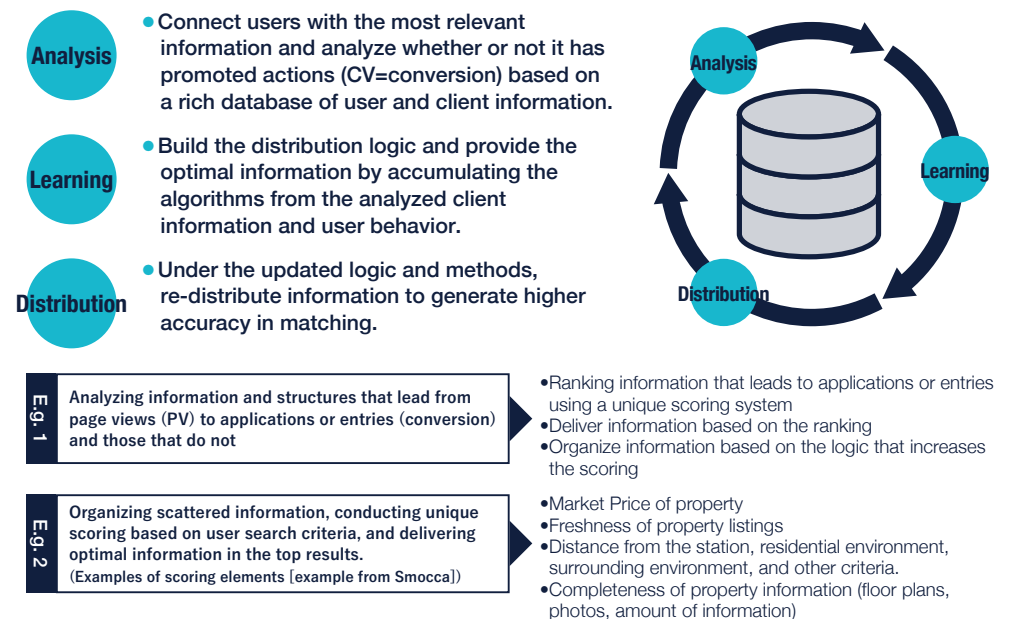
Example 1

Beauty Industry



Example 2

The power to motivate and drive user's actions, and provide optimal information for one's seeking them.



Medium- and Long-Term Policies

Our long-term policy is to maximize free cash flow, which is the primary source of corporate value. The medium-term policy is to achieve sustainable growth in operating cash flow, which represents the earning power of the core business. We will focus on achieving this goal through the achievement of the Second Medium-Term Management Plan.

Formula	Corporate Value	=	$\frac{\text{FCF}}{\text{Cost of Capital} - \text{Growth Rate}}$

Long-term Policy

**Maximizing
Free cash flow**

Mid-term Policy

**Sustainable growth
in operating cash
flow**

The 2nd Medium-Term Management Plan “Z CORE”

In FY3/2026

CAGR
30%

We aim to achieve a five-year CAGR (FY3/22-FY3/26) of **30%** in revenue for our core businesses overall

Z CORE

Through the creation of **Z CORE** (a group of core businesses with revenues in excess of 10 billion yen)

Consolidated Revenue
over **35B** yen

Focus on achieving consolidated revenue of over **35** billion yen and EBITDA of over **10** billion yen.



Sources of Value Creation

- 1 Management Strategies to Enhance Customer Value
- 2 Investment Strategies to Accelerate Growth
- 3 Human Resource Strategies Connected with Various Strategies
- 4 Financial Strategies to Support Discontinuous Growth

2

Sources of Value Creation

-
- 1 Management Strategies to
Enhance Customer Value

1 Management Strategies to Enhance Customer Value

Second Mid-Term Management Plan –Overall Review–

Purpose

Update Your Story – For a Better Future
Update the future of everyone at the crossroads of life.

Management Plan

In FY3/2026,
 ●Achieve revenue exceeding **35 billion JPY** and EBITDA surpassing **10 billion JPY**.
 ●Create **Z CORE** (a flagship business with revenue exceeding **10 billion JPY**)

KPI

Achieve a Compound Annual Growth Rate (CAGR) of 30% in total revenue for the core business over the 5-year period (FY3/2022 - FY3/2026)

Review of the 2nd Year of the 2nd Mid-Term Management Plan and Future Direction

In May 2021, the Group announced its 2nd medium-term management plan which the Company aims to achieve consolidated revenue of over 35 billion yen and EBITDA of over 10 billion yen in the fiscal year ending March 31, 2026, through the creation of Z CORE, a core business with revenue exceeding 10 billion yen.

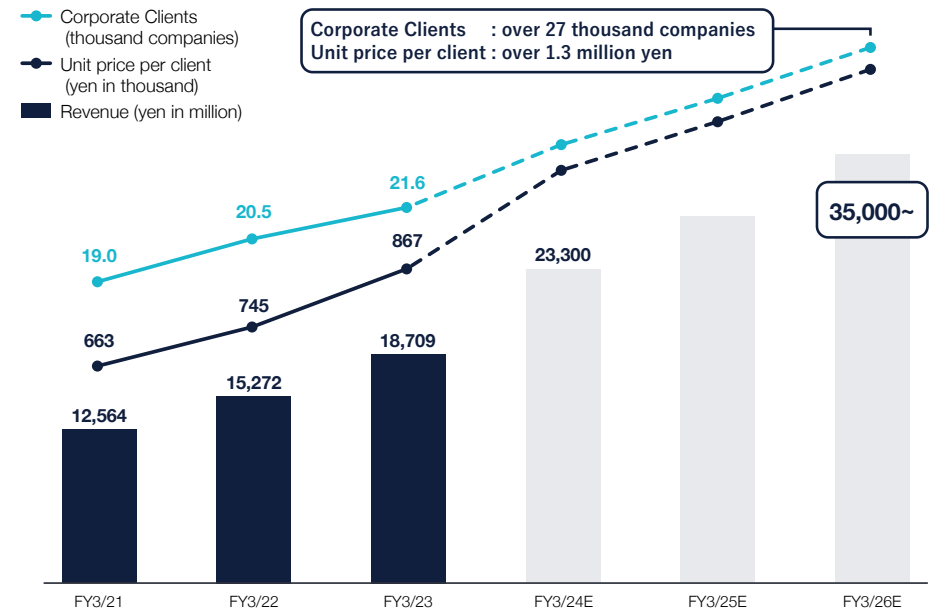
During the second year of our mid-term management plan, the fiscal year ending in March 2023, we achieved substantial growth in our existing businesses, and alongside this, we executed the largest strategic investments in our history. As a result, we were able to make significant strides towards the creation of our “Z CORE,” a cornerstone of the plan, and enhance the likelihood of achieving the performance targets set for the final year of the plan in March 2026. This progress stands as a major achievement for us.

In particular, our Vertical HR sector has been progressing well, and achieving the 10 billion JPY revenue milestone ahead of schedule is now within our sights. Within the Life Service segment, despite the significant setback caused by the COVID-19 pandemic on our travel business, its recovery has driven overall performance growth, showcasing a high growth rate. On the other hand, within the Living Tech domain, challenges were evident this year due to factors such as delays in acquiring new end customers in the leasing sector, although there has been steady growth overall. From the perspective of realizing our “Z CORE,” this presented us with insights and challenges in this area during the year.

For the future, we believe that a key factor for achieving our goal of creating the “Z CORE” and reaching our performance targets lies in the combination of number of corporate clients and unit price per client. In recent times, through strategic M&A activities primarily centered around Vertical HR, such as the acquisition of Ties, we have significantly narrowed the supply-demand gap by entering industries with higher unit prices and embracing business models with higher unit prices. This has led to an increasing trend in unit price per client. Furthermore, moving forward, we will continue to steadily expand our client base among small and medium-sized businesses. Simultaneously, we will focus on penetrating the enterprise market and catering to their specific needs, aiming to enhance customer loyalty by delivering layered value propositions and pursuing PMF through the improvement of existing products. This approach is intended to further elevate unit price per client.

Considering these current trends and strategies, our goal for the fiscal year ending March 2026 is to achieve more than 27,000 corporate clients and unit price per client exceeding 1.3 million yen. We believe that these objectives will contribute to enhancing the likelihood of surpassing the revenue target of over 35 billion yen. Moreover, while we remain committed to achieving the goals set forth in this mid-term management plan, we are also focusing on preparing for the future concurrently. By doing so, we aim to ensure sustained growth and ultimately enhance the overall value of the company.

Revenue and EBITDA trend



1 Management Strategies to Enhance Customer Value

Second Mid-Term Management Plan –Progress of Flagship Businesses–

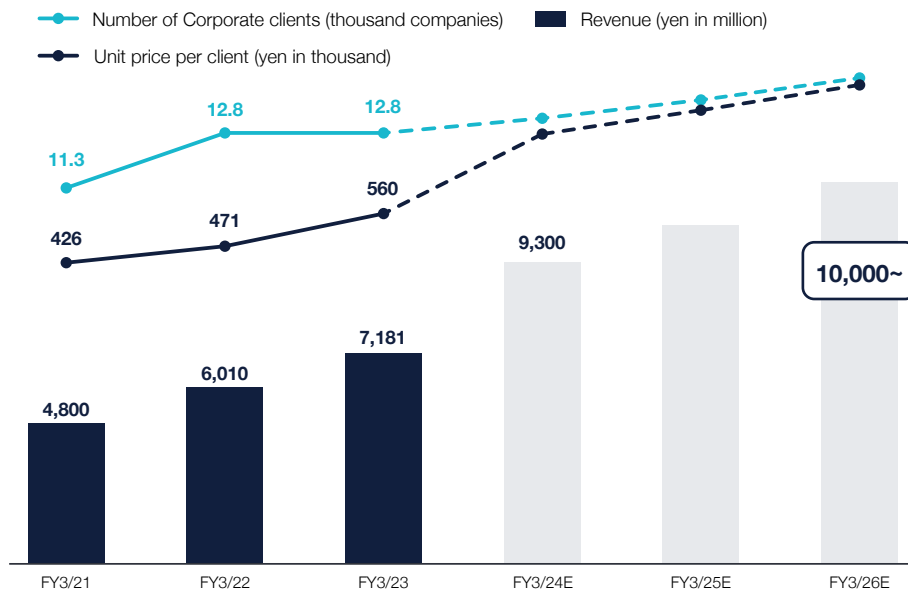
Vertical HR: Aiming for early realization of “Z CORE”

As we aim to create a leading business “Z CORE” with revenue exceeding 10 billion yen in our 2nd mid-term business plan, and “Vertical HR” is the closest to realizing it. As the name suggests, Vertical HR is composed of a group of specialized human resource services focused on specific areas. In the fiscal year ending in March 2023, we aggressively pursued strategic investments, which enabled us to significantly expand our domains. In addition to the traditional beauty and healthcare, and caregiving sectors, we have ventured into new domains including manufacturing, construction, real estate, and logistics, greatly broadening our scope.

Within Vertical HR, we anticipate the full-year contributions from these new group-in businesses, along with the effects of PMI, and steady growth in existing operations. With these factors in mind, we are aiming to achieve a revenue target of 9.3 billion yen for the fiscal year ending in March 2024. This goal serves as a short-term milestone and aligns with our broader objective of achieving the early realization of our flagship business, “Z CORE,” which aims to surpass 10 billion yen in sales revenue.

As detailed in the following pages, we will be driving the advancement of our business model through specific strategies, specific domain specialization, and the utilization of expertise from our largest and industry-leading service, REJOB.

Vertical HR

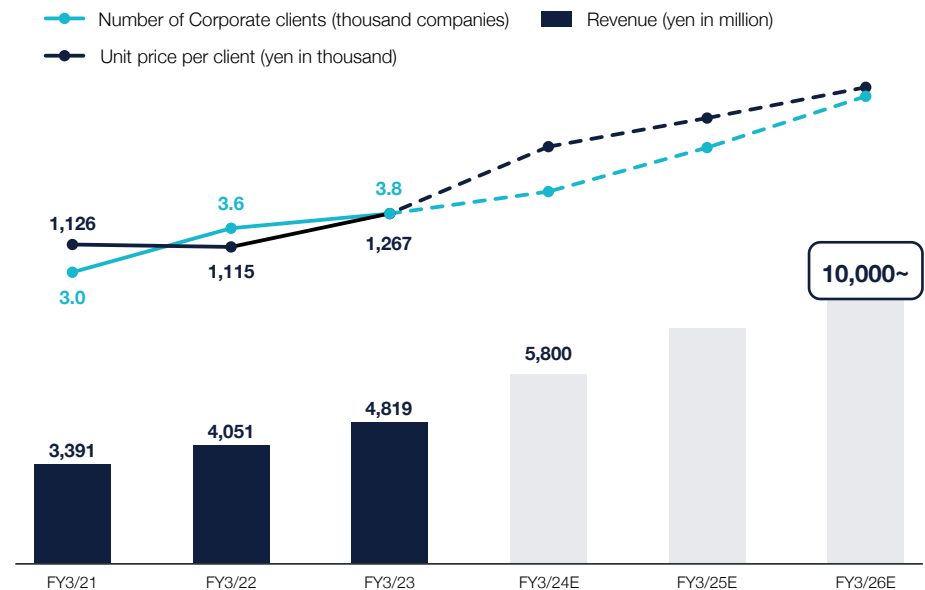


Living Tech: Making Comeback by Strengthening Value Proposition

While the progress of Vertical HR is on track, we recognize the need to elevate the growth trajectory for Living Tech. Living Tech is comprised of businesses within the real estate sector, and our in-house startup business “Smocca” has demonstrated steady growth despite facing significant competition from major players in the industry. The remodeling-related businesses, including “Reshop-Navi”, were integrated into the group in February 2020. Leveraging favorable macroeconomic factors like increased demand due to staying at home, as well as the PMI effect driven by the matching technology, we have been able to achieve a high growth. Furthermore, in the FY3/2023, we acquired “SEKAI PROPERTY,” a cross-border real estate investment search platform.

Thanks to these contributions, we were able to make a steady growth in the FY3/2023, with revenue reaching 4.8 billion yen, marking a solid 119% increase compared to the previous year. However, in our pursuit of “Z CORE,” we recognize the need to achieve a scale that is more than double our current size. As a strategy to realize “Z CORE,” we will aim to achieve further growth by promoting PMI of “SEKAI PROPERTY,” which is a new Group company and has a wide range of value to offer due to its characteristics as it is a business for upper class clients. By expanding the product lineup and strengthening products in existing businesses, we aim to turn the company around and achieve further growth, adding multiple layers of value.

Living Tech



1 Management Strategies to Enhance Customer Value

Vertical HR –Delivering Unique Value through Sector Specialization–

Human Capital Market

Industry Segments

Hair Salon	Care Service	Manufacturing
Construction	Real Estate	Logistics
Automobile	Precision machinery	chemistry
Medical	restaurants	retail
Finance	Nursing	Apparel
IT	medicine	resources
+α	+α	+α

Occupation Segments

SE	Construction Management	Consultation
PM	Engineer	Human resources
Sales	Business Planning	R&D
Accounting	Marketing	Designer
Financial Specialist	Legal Affairs	Risk and Audit
+α	+α	+α



Target Market Size of
Vertical HR

About **300B**yen

Assuming an obtainable
potential market share of
being 15-20%:

About **45-60B**yen

Current Revenue for
Vertical HR:

about **7B**yen
(2% of share)

Note 1: The talent business market primarily consists of the market size within the temporary staffing and job placement businesses.
Note 2: The Vertical HR market is calculated by excluding professions other than specialized roles in the temporary staffing industry (such as office work, transportation, cleaning, and packaging) from the overall Human Capital business market.
Note 3: Based on survey content by Yano Research Institute Ltd.; Ministry of Internal Affairs and Communications, Basic Tabulation of Labor Force Survey; and Ministry of Health, Labour and Welfare, "Survey of Employment Trends".

“Sector Specialization Strategy” in a Rich and Fragmented Market

The HR market is a competitive market, encompassing a wide range of players, from traditional corporations to emerging startups. In the midst of this dynamic landscape, our Vertical HR stands out by specializing in specific sectors. While larger players often offer more generalized services that span across industries, our approach for Vertical HR involves focusing on six distinct sectors such as beauty and healthcare, caregiving, manufacturing, construction, real estate, and logistics.

From the perspective of service providers, offering generalized services can have the advantage of reaching a wide range of users and clients. However, in the context of the HR market, which consists of fragmented and specialized segments, we believe that a one-size-fits-all approach might not always be optimal for users and clients. While applying for a different job can occur, job seekers often consider career moves that directly leverage their current knowledge and experience. In these cases, transitioning within the same industry or occupation is more common, and information related to other sectors might be of lower relevance. Furthermore, even when job seekers aspire to transition into roles that align with their specific skills and experiences, standardized services can hinder their ability to effectively present themselves, potentially leading to ineffective appeals and mismatches in job placements. From a client perspective, the lack of detailed information about candidates due to the standardized nature of services can result in inefficient hiring processes, especially when aiming

to hiring candidates with industry-specific skills and experiences. By deliberately segmenting into “Vertical,” we can address industry-specific needs and challenges that often escape the attention of more generalized “Horizontal” approaches. This deliberate division allows us to tailor our approach and effectively target industries with unique requirements, resulting in the ability to offer distinct and customized value that sets us apart from other players in the market.

Segmenting into a “Vertical” approach does indeed mean narrowing down to specific industries or sectors, which naturally reduces the market size. However, the HR business market is a vast industry, estimated at almost 10 trillion yen. Even within the Vertical HR market alone, it’s reasonable to estimate a multi-billion yen scale, with our target market accounting for around 300 billion yen. If we anticipate obtaining a future market share of 15-20% within this segment, it would translate to a market of approximately 45-60 billion yen. Considering that Vertical HR’s revenue for the FY3/2023 is around 7 billion yen (with a 2% share), there is still substantial room for growth. Furthermore, considering the accumulation of industry-specific detailed information and databases of clients and users, there is additional growth potential stemming from further business expansion and cross-selling opportunities for new services. This presents an avenue for even more growth potential.

1 Management Strategies to Enhance Customer Value

Vertical HR – Evolution of the business model –

Improvement of Value Proposition through Business Model Evolution

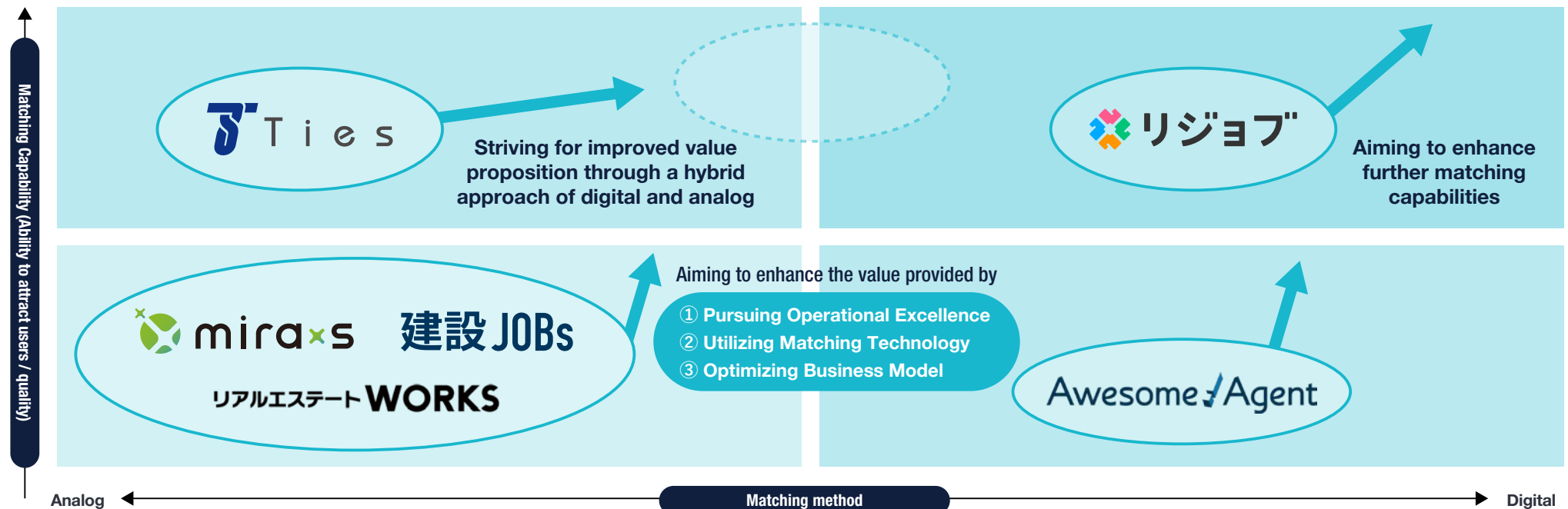
Vertical HR is primarily focused on 6 specialized businesses: REJOB (Specialized in beauty and healthcare), MIRaXS (Specialized in caregiving), Ties (Specialized in manufacturing), Kensetsu Jobs (Specialized in construction), Awesome Agent (Specialized in logistics), and Real Estate Works operated by Beyond Borders (Specialized in real estate). We categorize each business phase as “1.0,” “2.0,” and “3.0,” with the aim of progressively advancing each phase.

Specifically, “reference 1.0” refers to a phase where we specialize in specific domains while adhering to the most common business model of Job placement business. During this phase, the focus is on refining our consulting capabilities and operational efficiency, often involving talent consulting professionals known as Career Advisors (CA). Maximizing individual productivity becomes a growth driver and at this stage, user attraction methods primarily revolve around methods such as listing advertisements. In the “2.0” phase, we build upon the foundation of “1.0” while enhancing user attraction through leveraging the power of our brand, implementing SEO, and utilizing various social media platforms for marketing purposes.

This phase marks an improvement in user attraction strategies. The combination of enhanced user attraction and operational excellence allows us to elevate both the quantity and quality of value provided, exceeding the standards of conventional job placement businesses.

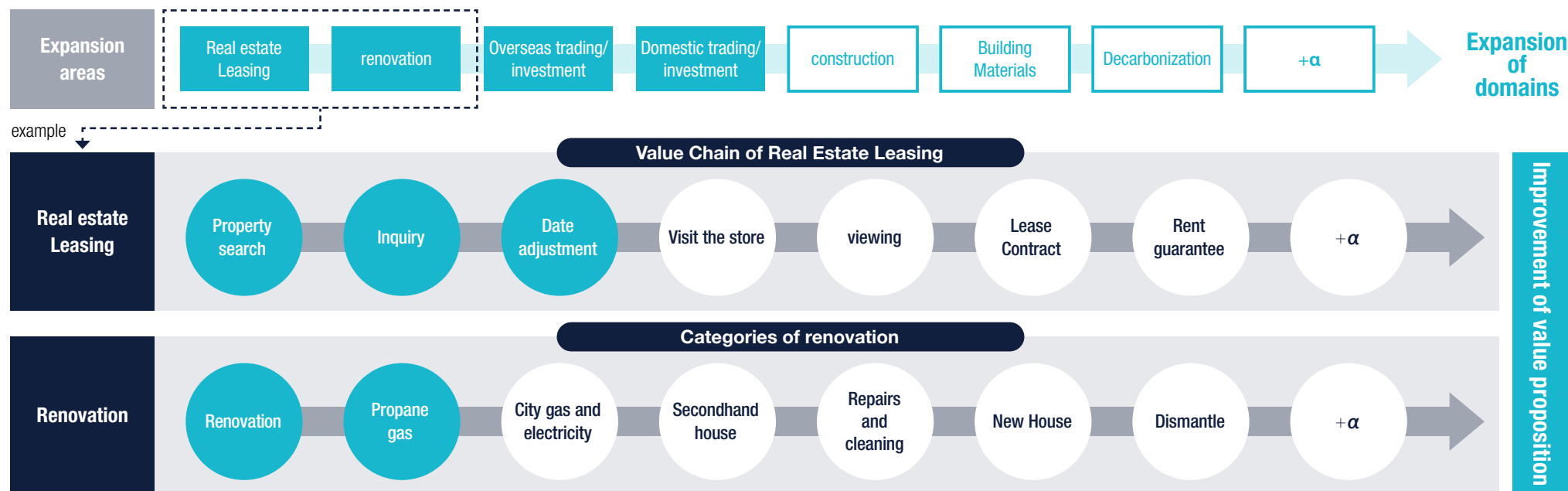
In the “3.0” phase, there is a slight departure from the approaches of “1.0” and “2.0,” as it involves a more platform-oriented business model. In this phase, we leverage the industry-specific client and user database accumulated during “1.0” and “2.0” to create a platform that enables automatic or semi-automatic matching. This phase leverages the quality of the database inherent to domain specialization. It aims to provide the most suitable environment for clients and users within that industry, fostering a structure for repeat engagement and elevating the client’s lifetime value (LTV). With the progression of this business model, we emphasize maximizing customer value by enhancing the “quantity” and improving the “quality” of the value provided.

Current status and future direction of each business in Vertical HR



1 Management Strategies to Enhance Customer Value

Living Tech –Layering of value proposition–



Aim to accelerate growth through “Layering of value proposition” and “Expansion of Sectors”

Living Tech’s core businesses include its in-house launched real-estate leasing website, the remodeling business integrated into the group in February 2020, and the newly added cross-border real estate business, integrated in March 2023. While the previous year’s M&A of Beyond Borders led to our expansion into overseas trading/investment domain, the real estate market remains vast and analog, harboring various inefficiencies. This underscores the substantial potential for digitization. With multiple M&A activities completed in the Vertical HR sector during the previous fiscal year, we plan to allocate even more effort within Living Tech in the current and subsequent periods. We will intensify our focus on deal sourcing and exploring opportunities for new ventures, aiming to further expand our business domains.

To achieve “Z CORE” and drive further growth as Living Tech, it is imperative to not only expand into new domains but also simultaneously elevate the value proposition in each area, such as remodeling and leasing. In the remodeling sector, we currently cover outdoor renovations like roofs and exteriors, as well as indoor renovations encompassing plumbing areas, living spaces, and entrances. Expanding the scope of potential remodeling areas is essential, and beyond that, we aim to leverage the user engagement established through our remodeling business to address other user concerns and issues that are closely aligned, such as city gas and electricity, cleaning, and unwanted item disposal. This way, we intend to advance into these related areas while maintaining high user affinity, alongside our expansion efforts into new domains.

In the real estate leasing sector, similarly, we currently offer services through the leasing website that cover processes like property search, inquiries, and scheduling. While it’s important to continue improving client and user satisfaction within these processes, achieving further growth necessitates a comprehensive approach. We believe that to elevate the value proposition, it’s crucial to consider the convenience of our clients and users. This involves extending our services to cover the entire process seamlessly, from visiting properties and conducting viewings to signing contracts and offering rental guarantees. Regarding SEKAI PROPERTY, as it was recently integrated into the group, our initial priority is to establish a repeat structure by enhancing the value of existing services through PMI. In the medium to long term, we plan to drive the diversification of value proposition by combining it with other products and services to create layered offerings.

By pursuing business expansion through both the enhancement of Living Tech’s domains and the broadening of service offerings within each business, we strive to improve the scope and quality of value provided to our clients and users. This approach will lead to an elevation of our growth trajectory and contribute to achieving “Z CORE.” Through these efforts, we aim to make a comeback and work towards the realization of our goals.

① Management Strategies to
Enhance Customer Value

Ties: Clients' Feedback ①

–Panasonic Group–

Panasonic

A comprehensive electronics manufacturer that provides products and services for household appliances, residential facilities, and commercial establishments such as stores and offices



Panasonic Group
Recruitment Team Representative

Based on the characteristics of each business division, we are perceiving more of an analog matching rather than keyword matching

Our group has been experiencing a year-on-year increase in demand for career recruitment, coupled with high expectations for career-entry candidates. This has led to a growing trend in seeking candidates who can contribute immediately, resulting in increased difficulty in recruitment.

Furthermore, each business division has its own recruitment needs, and for Ties, I appreciate that they've been considering the specific recruitment backgrounds, location, and characteristics of each business for both technical specialists and staff member positions, rather than relying solely on keyword matching but rather employing a more analog approach.

Additionally, their frequent presence on-site, swift follow-up on selection processes, and progress updates are greatly appreciated. We are truly thankful for their efforts. In fact, our recruitment success rate has been growing annually, so we look forward to achieving even more remarkable results in the future.



We have received the Best Agent Award in recognition of our contributions to Panasonic Group's career recruitment in the fiscal year 2022.

① Management Strategies to
Enhance Customer Value

Ties: Clients' Feedback ②

– DAIKIN INDUSTRIES / Murata Manufacturing –



A global air conditioning and chemical products manufacturer headquartered in Osaka Prefecture, with business operations in approximately 170 countries and a presence in 42 countries across the world's five continents



Daikin Industries, Ltd.
Human Resources Department,
Recruitment Team Representative



A global leader in electronic components and specializing in electronic components, headquartered in Kyoto Prefecture



Murata Manufacturing Co., Ltd.
Human Resources Department,
Recruitment Division Representative

They have a deep understanding of our company and demonstrate strength in job placement and support throughout the onboarding process.

We believe that the current era is not solely about increasing headcount through career recruitment. For this reason, it is important for us that job placement agencies not only match candidates based on their experience but also deeply understand our company's strategy, culture, values, and unique characteristics before referring potential candidates. In this regard, our longstanding partnership with Ties is quite significant. It's not just about the length of our collaboration, but also the fact that Ties consistently introduces candidates who align well with our company, beyond their professional backgrounds.

Furthermore, as we engage in year-round recruitment, there are instances where the ideal candidate profile evolves in response to the business landscape. TYZ has consistently shown flexibility in adapting to these changes. When multiple positions within our company share similar candidate profiles or requirements, we have observed that Ties thoroughly evaluates which position aligns best before making introductions.

We find reassurance in the “precise introductions based on understanding the job requirements” and the “timely and close candidate follow-up” that they provide.

The demand for electronic components, such as IoT and automotive electronics, continues to expand, and Murata's consolidated sales have doubled over the past decade. In order to meet the strong demand for components and consistently deliver new value to our customers, it's essential to further enhance our capabilities in new development and manufacturing. Leveraging Murata's core strength of an integrated production system that encompasses “materials, processes, design, production, analysis, and evaluation,” we aim to elevate these technologies alongside engineers with diverse experiences. We also want the employees to experience personal growth and a sense of accomplishment through this process.

Ties possess a high level of expertise and demonstrate a deep understanding of our business operations and the roles we are recruiting for. They excel at uncovering the talent we require from a broad job market. Ties not only maintain a high rate of document screening and interview success, but they also exhibit reliability through close communication with candidates to confirm their situation and thoroughly comprehend their feelings. We look forward to receiving even more support to ensure that the candidates who match our requirements will strongly consider joining our company.

1 Management Strategies to Enhance Customer Value

Value provided to clients and users -Vertical HR-

Client's (employer) feedback

Clients: Hair Salons etc.

Customer-first mindset and high-quality candidate referral capability

- The convenient scouting feature allows me to easily send messages during my free time.
- The sales representatives at REJOB provide thorough follow-up and deliver high-quality service.
- More applicants than other platforms.
- We can approach job seekers who show a strong inclination towards changing careers.
- The management screen is simple, user-friendly, and offers excellent operability.
- Compared to other platforms, the quality of job seekers is higher, leading to fewer gaps during interviews.
- The job seeker's criteria search feature is user-friendly.
- Specializes in the beauty industry and can receive many applications from candidates with industry experience.

Clients: Major/Mid-sized reputable manufacturers

Achieve highly accurate talent matching from human expertise + technological capabilities

- The quality of candidates is high, resulting in a high rate of document screening and interview success.
- The level of understanding of our company's values, business, strategic approach, and culture is higher compared to other agents, resulting in high-quality introductions that are based on a deep understanding of our company.
- Emphasizes not only visible skills and experience but also the best possible match.
- Comprehensive support including offering information about industry job trends and candidate trends, advice on offer letters and interview handling, proposing recruitment methods, suggesting hires for latent positions, assisting in candidate resignation negotiations, and providing pre- and post-employment follow-up.
- Provides introductions based on the talent needs of our business divisions.
- Offers speedy and flexible responses, and in addition to their deep understanding of our company, they also understand the job seekers well. This ensures accurate information and minimizes mismatches.

Vertical HR

Specialized focus on domains enables us to achieve highly accurate matching



REJOB:
Operation of a recruitment platform specialized
in the beauty and healthcare industry.



Ties:
Operation of a job placement business
specialized in manufacturers.

User's (job seeker) feedback

User: Hairdresser etc.

Maximizing user experience through a dedicated pursuit of usability

- The app is easy to navigate, has high searchability, and is user-friendly.
- It's great that the platform is specialized in the beauty industry and provides only relevant information.
- The scouting feature enables connections with companies eager to hire.
- It recommends job listings that match my profile.
- They offer recruitment and long-service bonuses.
- There's a wide range of job listings, not only in Tokyo but also in other regions.
- Even if you're not actively job hunting, you're compelled to check out the listings.
- The job postings are detailed and capture industry-specific insights.

Users: Job seekers interested in manufacturing fields

Examples: Technical engineers (mechanical, electrical, electronic, chemical, etc.), sales, management roles, etc.

Comprehensive and high-quality support for successful career change

- Given its specialization in manufacturing, they provide appropriate revisions to resumes and CVs, considering the distinctive features and key points of technical roles.
- They approach each application with great care instead of blindly sending out numerous applications.
- The representatives provide speedy and meticulous assistance, and their support is attentive.
- They don't hesitate to address weaknesses and provide sincere attention to each individual.
- They have a strong brand presence with a high share of placements in major Japanese manufacturers.
- Their advice on document creation and interview preparation is extremely accurate and useful.
- Their advice considers both short-term and long-term career paths.
- They possess extensive knowledge and stand out in terms of attentiveness and support, especially when compared to other agents.

1 Management Strategies to Enhance Customer Value

Value provided to clients and users -Living Tech-

Client's (employer) feedback

Clients: Real Estate Broker etc.

High lead generation capability and consistent cost-effectiveness

- The response rate is high in comparison to the initial cost, resulting in a cost-effective outcome.
- Their aftercare support is comprehensive, and the quality of the representatives is excellent.
- They are experiencing an increase in users, potentially due to promotions like cashback campaigns.
- Since it operates on a pay-per-response model, payments are based on results, ensuring a high level of transparency.
- They do not utilize a featured property system*, eliminating the need for operational efforts to secure featured properties and reducing the time required for property listings to appear on the website.

*Featured Property System: A mechanism where only the highest-rated ad (featured property) is displayed in the search results list when multiple real estate agencies have overlapping listings.

Clients: Building Contractors etc.

Accurate understanding of user needs and high-quality, stable lead generation capability

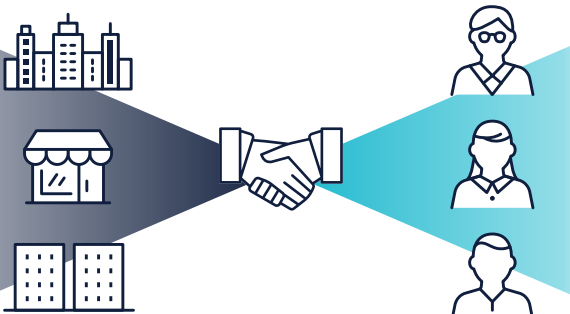
- They conduct user interviews through their call center, resulting in a strong sense of user interest and the ability to introduce highly matched candidates.
- Due to their strong lead generation capabilities, we can maintain consistent interactions with users even when unable to attract them through our own efforts.
- They provide users with explanations about the process of remodeling in advance, ensuring a smooth coordination with users.
- They offer a wide range of projects with various types of construction and price points.

Living Tech

Achieving high-precision matching for services related to housing.



SMOCCA:
Operation of a real estate leasing portal website



Reshop Navi:
Operation of a home renovation cost comparison website.

User's feedback

Users: Individuals considering moving

Realizing a cost-effective and optimal property discovery experience

- Offering an industry-leading cashback campaign that is attractive.
- Having excellent website and app design and search functionality.
- Frequently appearing in internet searches and advertisements.
- The service is well-known.
- There is a large amount of information and many properties available for comparison.
- Many properties offer reduced initial costs such as security deposits, key money, and agent fees.

Users: Individuals considering renovation

Realizing a Safe, Secure, and Speedy Renovation Experience

- From registration to interviewing, contractor introduction, and contact from renovation companies, the entire process flows swiftly.
- The customer service representatives at the call center provide attentive and courteous assistance.
- The assurance and trust derived from conducting membership assessments and rigorously selecting high-quality renovation companies.
- Being able to receive introductions from multiple companies at once allows for efficient and beneficial comparisons and considerations.

2

Sources of Value Creation

2 Investment Strategies to
Accelerate Growth

2 Investment Strategies to Accelerate Growth

Expansion and Reproduction through M&A

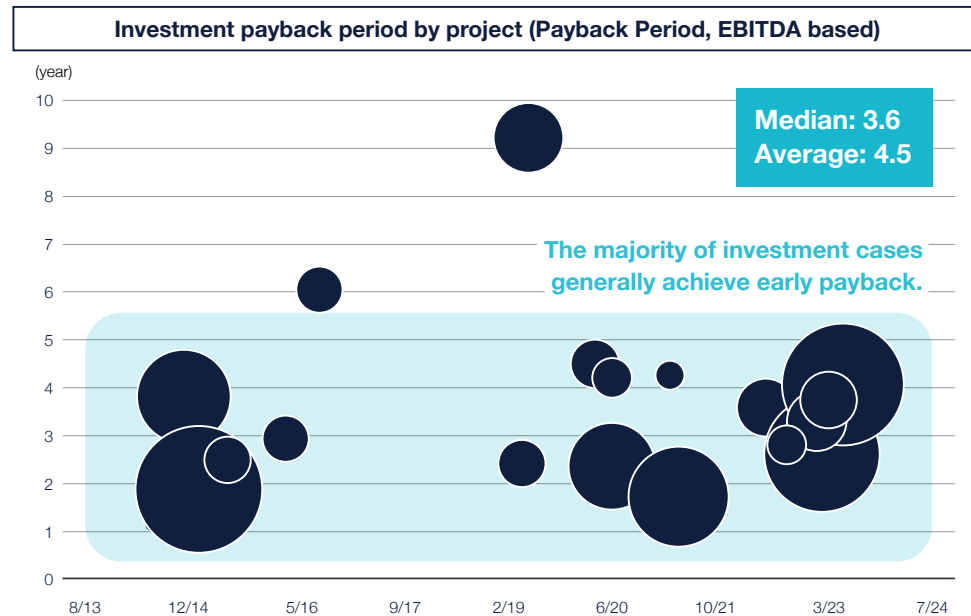
One of our strengths is our M&A strategy. Since going public, we have successfully executed a total of 25 M&A deals, accumulating expertise and experience over time. Particularly, leveraging our core strength of matching technology, we have developed our original PMI methodology, which enables us to achieve rapid performance improvements in each business area.

The investment payback period for our M&A deals is generally around 3-5 years, thanks in large part to our unique PMI methodology called ZVI (ZIGExN Value Integration), which is explained on the following page. ZVI has been highly successful in the majority of our investment cases, contributing to the early recovery of investments and significantly driving the overall growth of the group's performance. In our company, we generally assume that the PMI effects complete within about 3 years. Therefore, we define "Organic Growth" as the combined revenues of the business from the 4th year after M&A and our self-launched businesses. As evident from the substantial presence of this layer of organic Growth, it is clear that the overall performance expansion of the group isn't solely the result of

M&A addition. It signifies that each business is steadily growing within the group after the M&A integration. While aiming for the growth of our existing businesses is certainly important, we are also dedicated to enhancing the performance of the businesses that have been integrated through M&A. Through the process of PMI, we focus on improving their financial performance by reevaluating cost structures and enhancing marketing strategies. This has enabled us to transform these businesses into high-profit structures, generating strong cash flows as a result.

Moving forward, we maintain the understanding that strategic investments play a vital role in enhancing corporate value. We continue to follow a cycle of strategic investments, PMI for performance enhancement, generating cash flows, and achieving early investment recovery. This cycle enables us to steadily accumulate earnings and achieve sustained growth. By adhering to this cycle, we aim to establish a pattern of expanding and regenerating our businesses, resulting in continuous progress and sustainable growth.

Achieving early investment payback



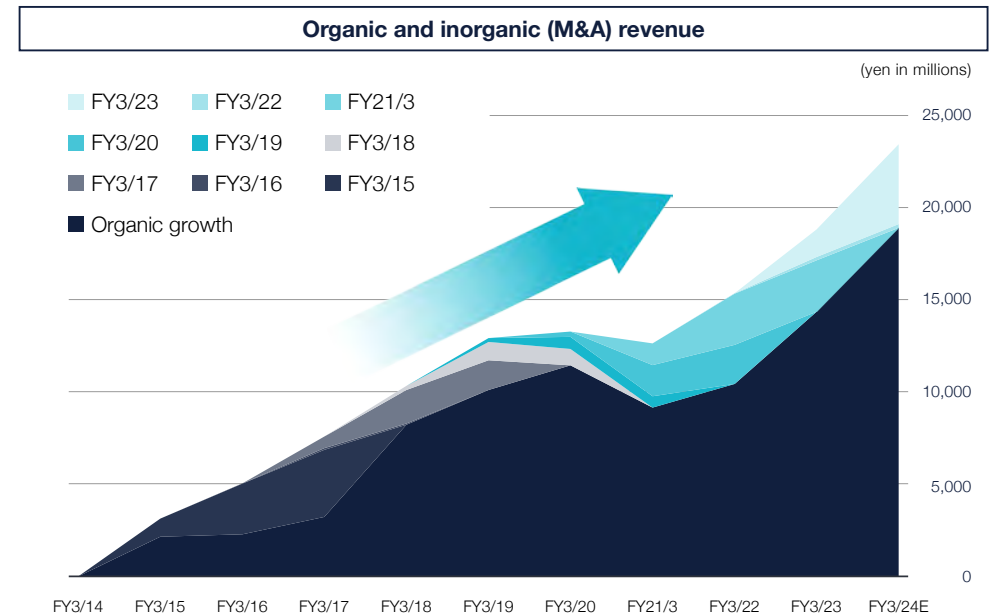
Note 1: Investment payback period is calculated as EV (Enterprise Value) at the time of M&A ÷ Cumulative EBITDA.

Note 2: Bubble size indicates the size of EV (Enterprise Value) at the time of M&A.

Note 3: The graph includes not only cases with completed investment payback but also cases calculated based on conservative assumptions.

Note 4: Excluding Sanko Ado and APW, which recorded impairment losses related to goodwill.

Expansion of the group's performance

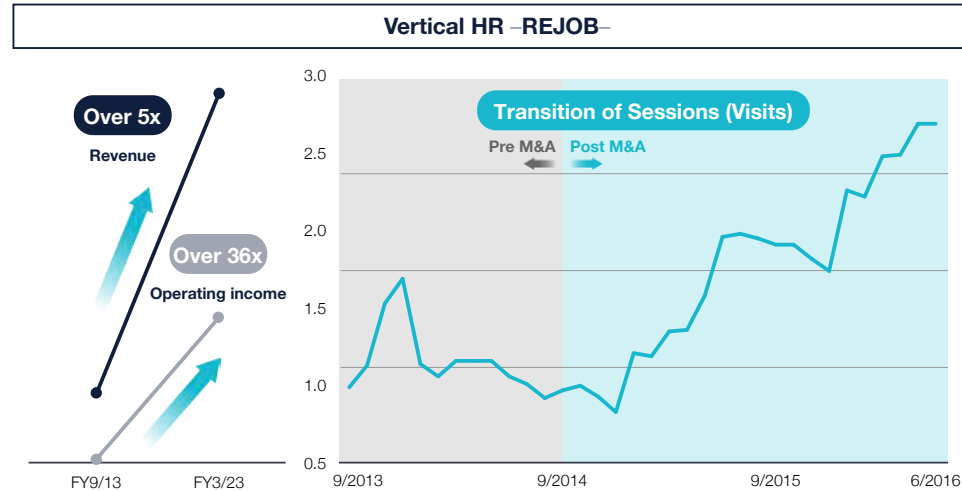


Note: Since it is generally assumed that the PMI effect completes within about 3 years, the revenue of businesses in the 4th year and beyond after the M&A implementation is combined with that of self-launched businesses, defining it as organic growth.

2 Investment Strategies to Accelerate Growth

Refined Original PMI methodology “ZVI”

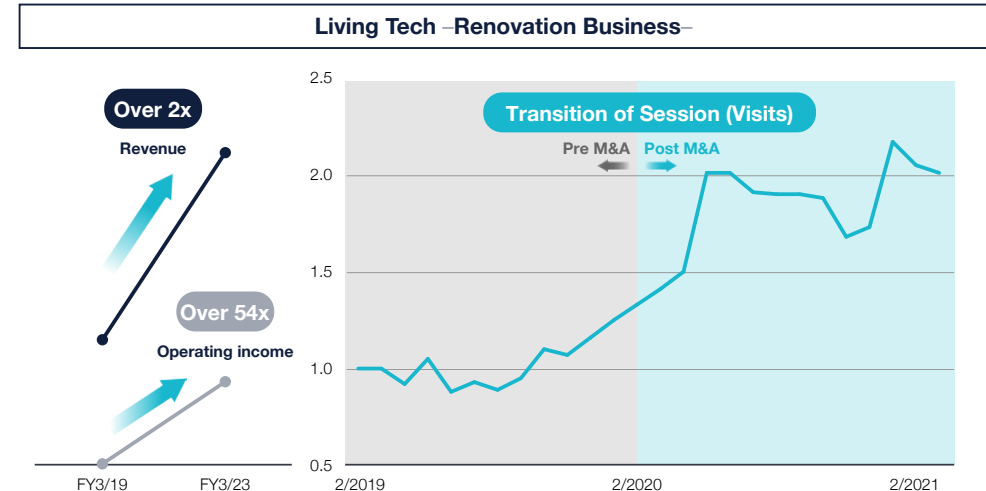
Before and After



At our company, we have adopted a proactive stance towards M&A to accelerate growth. As of March 2023, we have executed a total of 25 M&A transactions since going public. Throughout the entire process, from the Pre-M&A phase to deal execution and Post-M&A integration, we have accumulated a wealth of expertise, insights, and experiences internally.

In the Pre-M&A phase, we engage in activities such as formulating M&A strategies, creating long and short lists of potential targets, approaching target companies, and conducting initial analyses. One of our strengths lies in our own sourcing operation. Apart from receiving referrals from banks, venture capitalists, and M&A advisory firms, we also proactively approach potential targets directly. This enables us to establish a more direct and flexible transactional relationship, facilitating quicker and more adaptable execution of deals.

During the Deal Execution phase, we collaborate with both external and internal experts, focusing on areas such as business, finance, taxation, legal, and IT to conduct various due diligence processes. This allows us to comprehend the target company's risks, normal earnings capacity, potential for improvement, and other critical aspects. Our business and corporate divisions work together to formulate a business plan aligned with our PMI strategy. Based on the various scenarios outlined in the plan, we proceed to value the target company's business and stock, considering multiple factors. We then compare these valuations against our investment criteria to ensure alignment, and our final decision-making process encompasses both quantitative and qualitative aspects. We consider our strength lies in our ability to swiftly execute this comprehensive process.



In the Post M&A phase, we implement various strategies including the formulation of a 100-day plan, introduction of management governance, personnel support for key roles, and leveraging our core strength in matching technology. During our weekly Business Leadership Meetings, our company representatives and respective business officers come together to discuss current status, short-term priorities, as well as medium and long-term strategies to drive ongoing business improvements. Furthermore, during the execution phase, we leverage our distinctive Matching Technology to achieve relatively rapid performance improvements by addressing identified marketing enhancement opportunities within the target company. This original value integration process for M&A is known as ZVI (ZIGExN Value Integration) within our company.

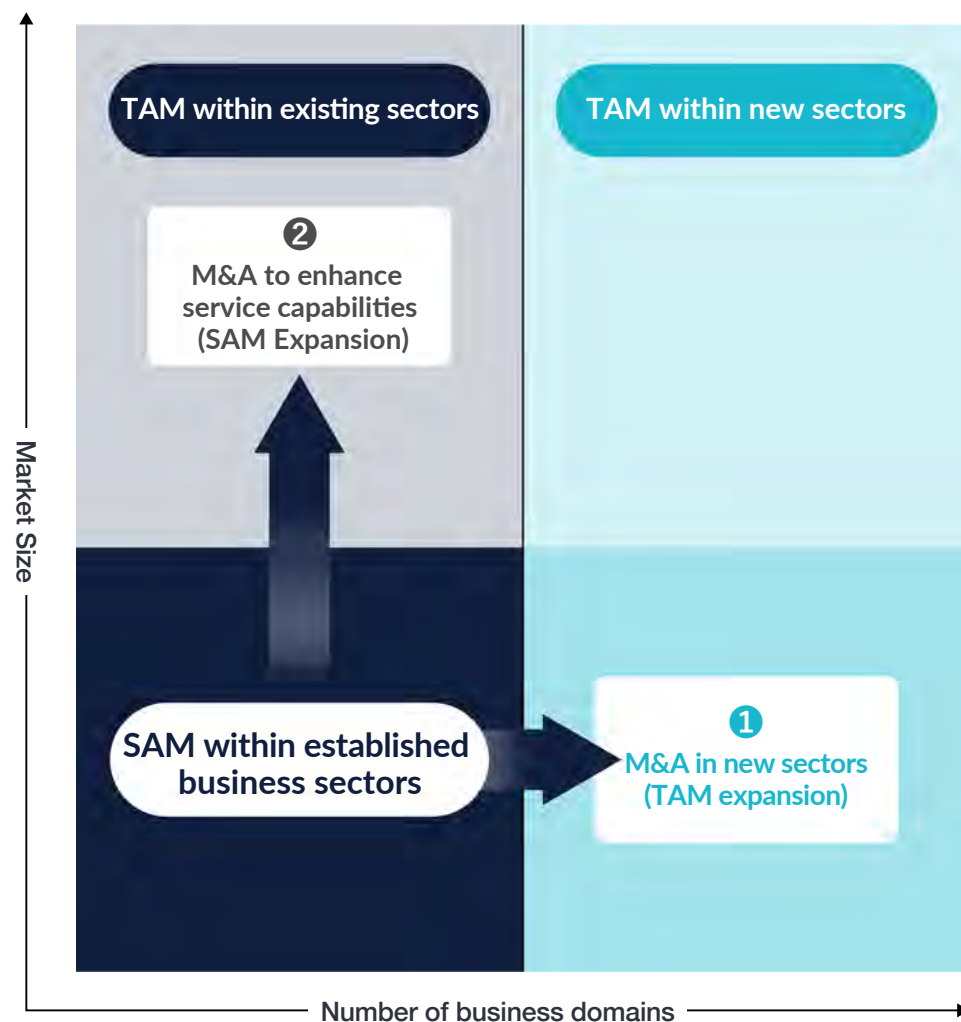
Here, we highlight specific instances of improvement within our core businesses, Vertical HR and Living Tech. We present examples of improvements made to our REJOB and Remodeling services. Comparing the period before and after joining our group, REJOB has experienced remarkable growth, with revenue and earnings expanding by over 5 times and 36 times, respectively. Similarly, in our Remodeling business, revenue has more than doubled, and earnings have grown by over 54 times. Furthermore, the changes in sessions(visits) before and after M&A demonstrate the significant impact of leveraging our core strength, the Matching Technology. This has led to a substantial enhancement in the user attraction and matching capabilities of the acquired companies.

Moving forward, we will continue our proactive approach towards M&A and focus on enhancing the value of the target companies. By doing so, we aim to elevate the value we provide to our customers and contribute to the overall improvement of our group's business value.

2 Investment Strategies to Accelerate Growth

Maximizing upside through market expansion

Focus on areas that impact people's lives and
aim to expand our TAM, SAM and SOM



Note: TAM → the total potential market size that can be acquired.
SAM → actual market size that can be provided.
SOM → the actual market share that can be acquired.

Expansion of TAM through entering new business sectors

Our group is committed to portfolio management focusing on sectors that directly impact people's lives. Through an active investment strategy, we are entering new business sectors and expanding the TAM for the entire group.

In the fiscal year ending in March 2023, we have successfully undertaken M&A activities in new sectors such as construction, real estate, logistics, manufacturing, human resources business, and cross-border real estate business. The addition of multiple sectors has significantly expanded the TAM for the entire ZIGExN Group.

This approach of not limiting ourselves to specific businesses or sectors but rather gaining access to new areas provides us with the ability to approach a wide and fertile range of markets. Our ability to continuously support this expansion through our M&A strategy is a significant strength of the company. As we move forward, we will maintain a focus on expanding our market share within existing TAM while also keeping an open mind toward new markets. If we identify attractive opportunities, we will proactively consider entering new areas.

Expansion of SAM/SOM through strengthening existing business sectors

Our group has embraced expansion into new domains as a growth strategy and has actively pursued diversification.

Especially since going public, we have been actively engaging in M&A activities to pursue expansion into new sectors. Additionally, we have not limited our M&A efforts solely to new areas but have also been acquiring companies in adjacent business domains to those already operated by our group, as well as products that enable upselling and cross-selling to our existing client base. These efforts have contributed to accelerating the growth of our existing businesses.

In the fiscal year ended March 2023, we carried out an M&A with TSD Inc, a competitor of our existing travel business, Apple World Inc. (APW). This strategic move aimed to enhance APW's offerings and complement its client base. Through these efforts, we are working on raising Take Rate, strengthening market share, and expanding the SAM. This approach has been consistent in the past as well, where we conducted M&A activities to expand the categories within the renovation sector and to provide additional services to the existing clients in the HR business. These initiatives are geared towards generating synergy with our existing businesses.

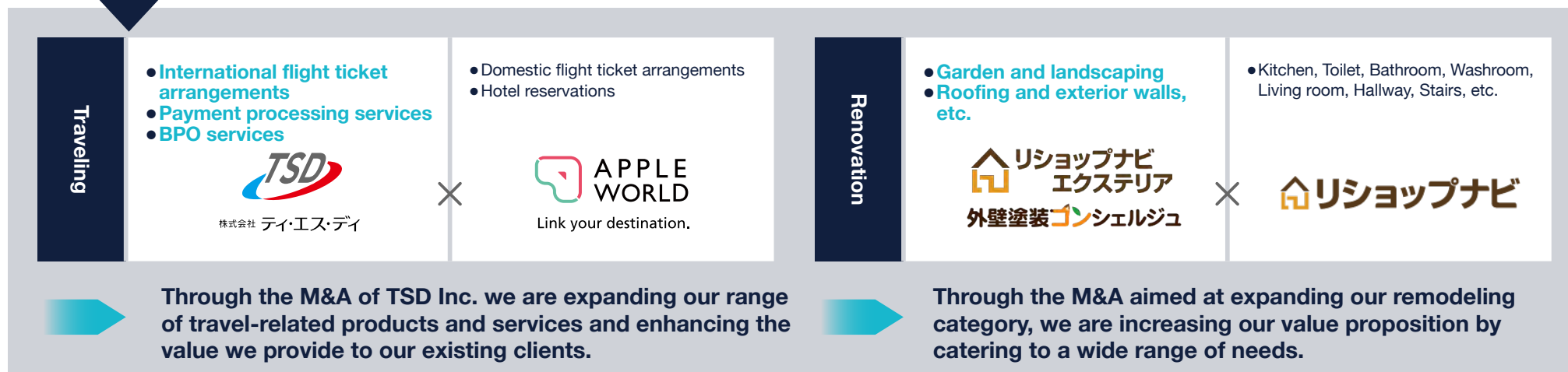
Moving forward, we will continue to pursue a dual investment strategy that involves not only expanding TAM through M&A activities in new business sectors but also concurrently focusing on investment strategies that lead to the expansion of SAM and SOM through M&A within our existing business sectors.

2 Investment Strategies to Accelerate Growth

Enhancing customer value proposition through M&A

		Services	
		New	Existing
Market	New	Diversification Providing new added value to new clients	Exploration of new markets Expanding into new areas and broadening client targets
	Existing	Providing new services Offering new upsell and cross-sell services	Increasing market penetration rate Improving the quality of existing services and increasing repeat rates

Example Enhancing customer value proposition through M&A



Enhancement of customer value proposition through M&A

Our company group is actively engaged in expanding into new areas through M&A efforts, while also simultaneously executing M&A activities within our existing sectors. Specifically, we pursue M&A deals that allow us to acquire products enabling upselling and cross-selling opportunities to our existing client base. Additionally, we undertake M&A transactions aimed at strengthening our existing client foundation.

In the fiscal year ending March 2023, we engaged in the M&A of TSD Inc., a competitor to our existing travel business, Apple World Inc. (APW). Through this merger, APW's range of offerings has expanded beyond domestic flight ticket arrangements and hotel reservations to include international flight ticket arrangements, payment processing services, and BPO services. This expansion has enhanced the value we provide to our clients, the travel agencies, by offering a more comprehensive suite of services. Furthermore, through the mutual complementing of client bases, we are able to serve a larger customer demographic, thus contributing to the reinforcement of our position within the market.

In the remodeling sector, our focus originally revolved around renovating sink areas such as kitchens, bathrooms, and toilets. This led to a challenge in meeting the needs of users who desired services like exterior wall renovations and landscaping, as our client base capable of fulfilling these requests was limited. However, through the M&A of a business that covers these specific areas, we were able to elevate the value we provide to customers and address this challenge effectively.

Moving forward, our strategy involves not only M&A in new sectors but also M&A aimed at strengthening our existing businesses. Through these efforts, we aim to enhance the value we deliver to our customers, ultimately providing services that are utilized by a broader range of customers.

2

Sources of Value Creation

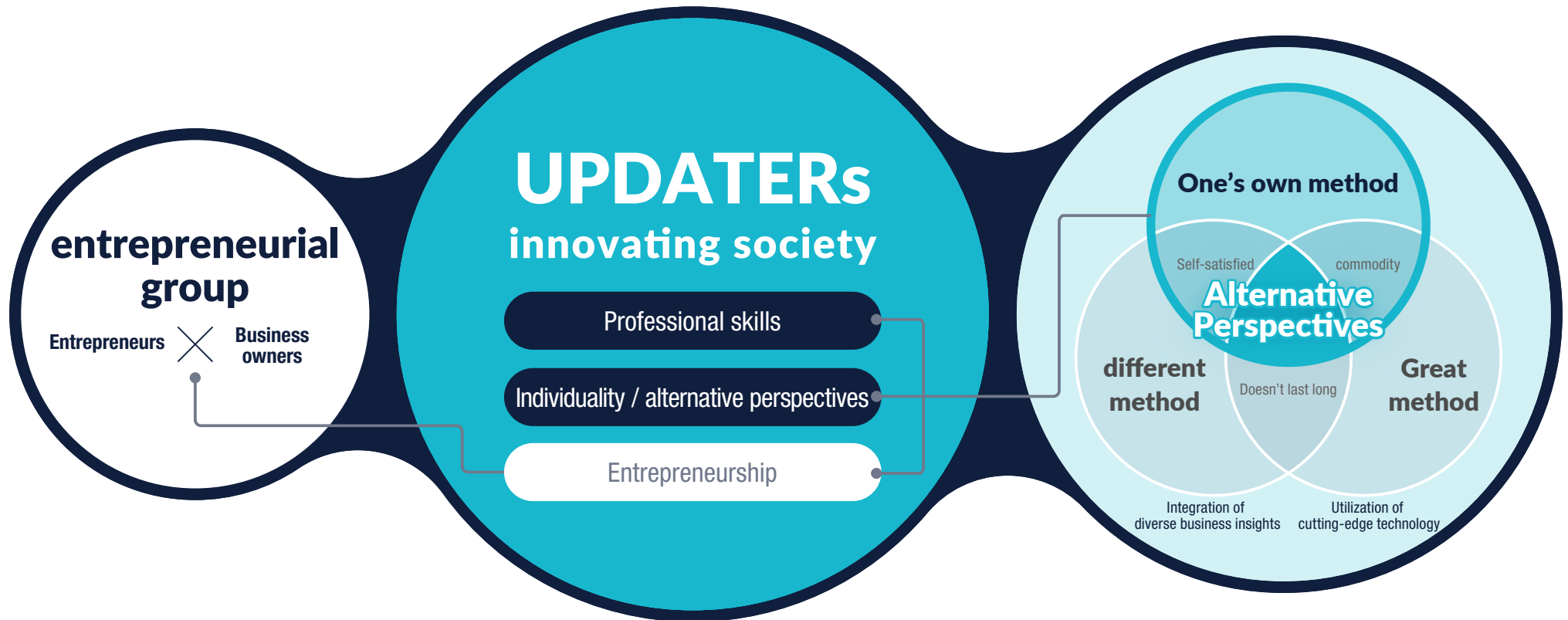
- 3 Human Resource Strategies
Connected with Various Strategies

“UPDATERs” innovating society

We established a new concept of “Purpose” for our company in 2022, defining the core reason for our existence as an organization.

「Update Your Story~For a Better Future.」

~Update the future of everyone at the crossroads of life.~



In an uncertain global landscape, with the emergence of new technologies like AI and the infiltration of diverse values, we find ourselves in an era where the future is unpredictable and the right path is unclear. To shape the future for all stakeholders navigating this era, we believe it is crucial to leverage the technologies we've honed and the insights we've gained from diversified business operations. This foundation, combined with a willingness to break free from conventional methods, will be essential as we collaboratively create innovative services/products that update the way we operate, without being constrained by the past.

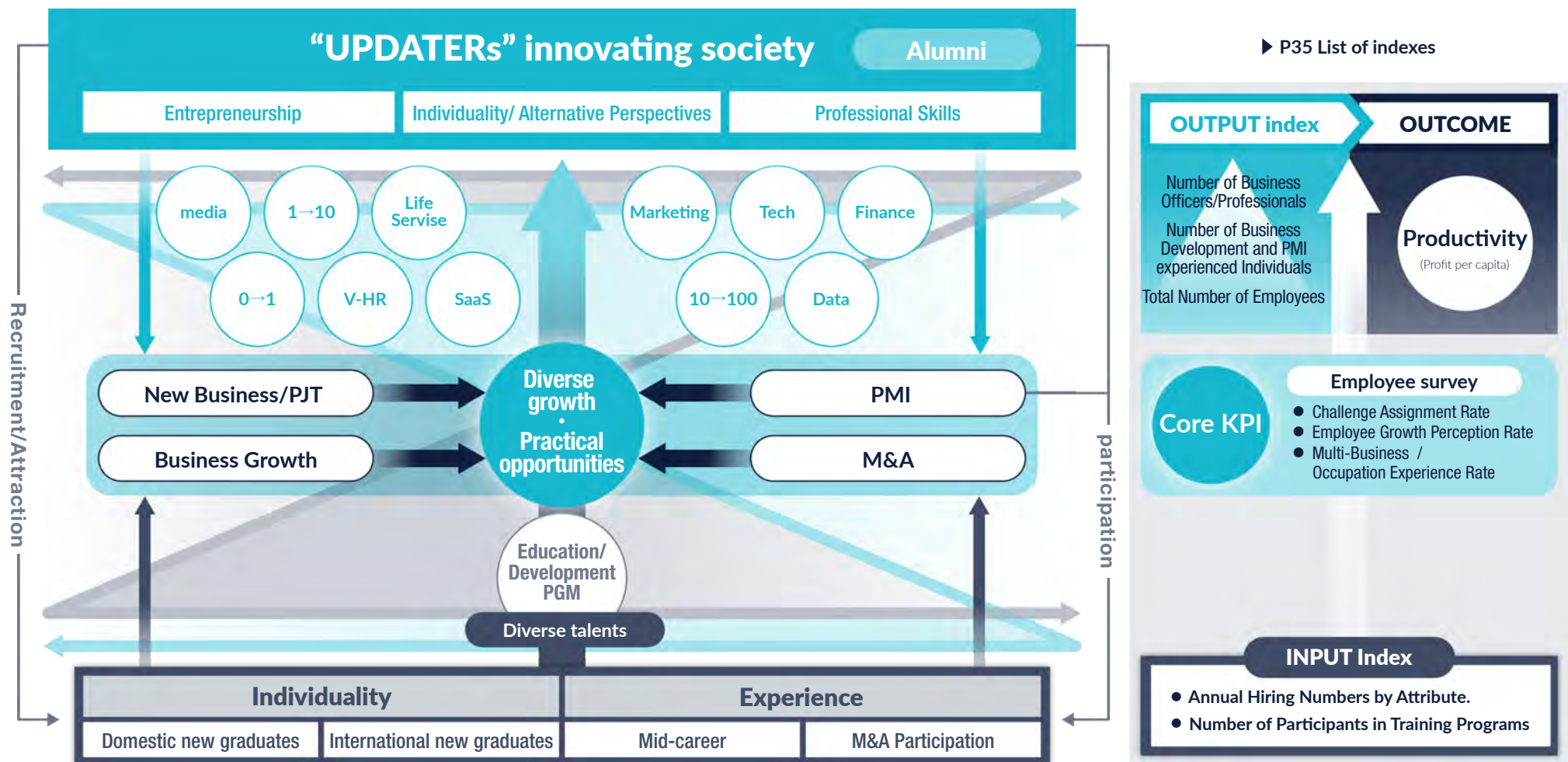
To adapt to these changes, we are re-evaluating our approach to delivering maximum value to our customers in this era. While preserving the spirit of being an “entrepreneurial group” that has been with us since our founding, we are also placing importance on a more diverse set of “professional skills.” Our goal is to bring together colleagues with versatile “individuality and alternative perspectives,” creating a team that transforms society. As a result, we are updating the vision and image our organization aims to achieve, all while remaining committed to our identity as a group of entrepreneurs.

3 Human Resource Strategies Connected with Various Strategies

Robust cycle to support the creation of UPDATERs

At ZIGExN, we view human capital as a fundamental pillar of corporate management, and we are committed to creating a system where the growth of individuals and the growth of the business are closely intertwined. We firmly believe that the greatest factor contributing to talent development is “opportunities for practical experience.” In this regard, we engage in business growth, new ventures, as well as M&A and PMI, and possess a strong advantage in generating such opportunities.

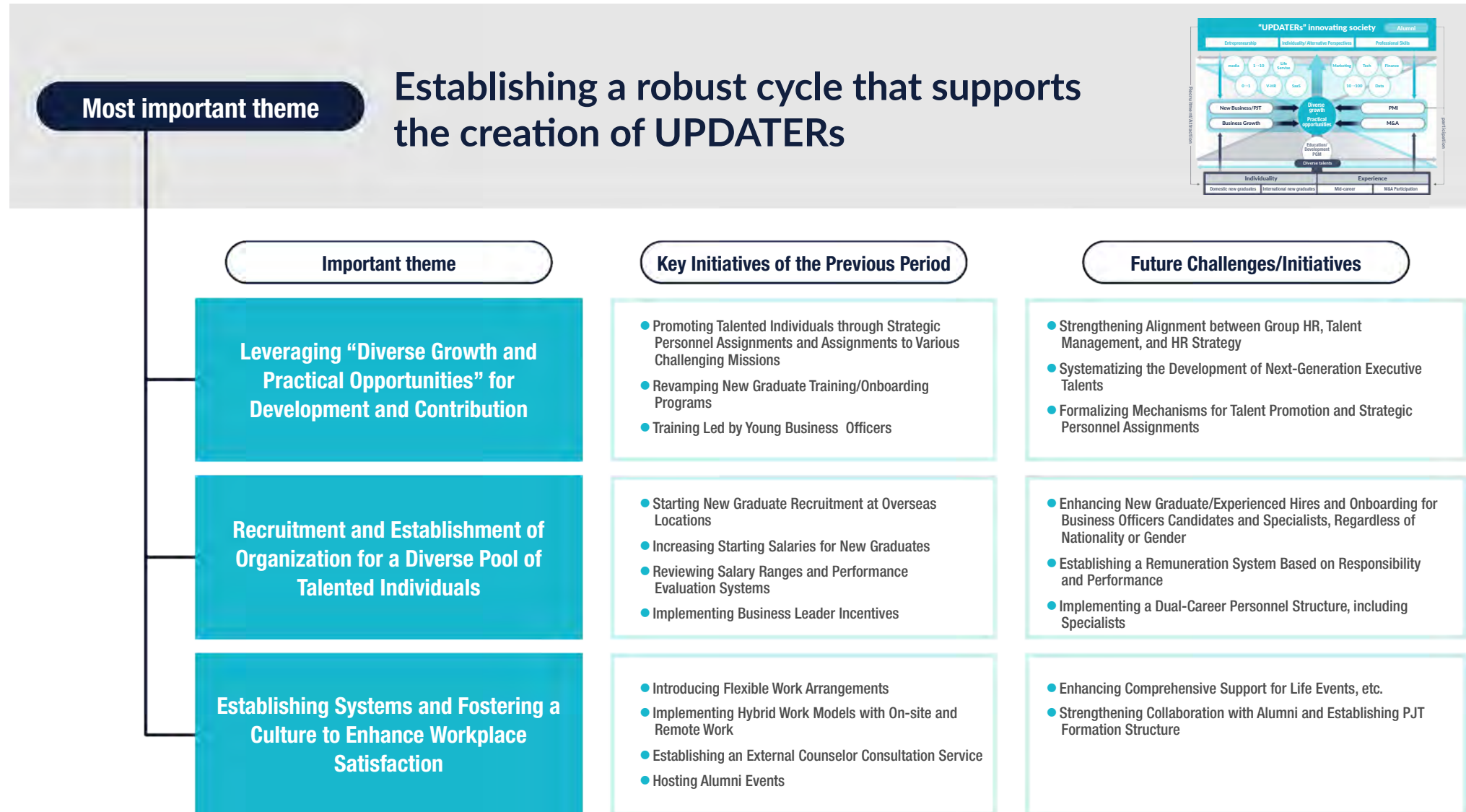
With a primary focus on providing practical opportunities, we are assembling a team of individuals with diverse backgrounds. This team, characterized by versatile personalities and alternative perspectives, will drive societal transformation through growth and practical experiences across multiple industries and fields, all within an educational framework. Furthermore, we will work diligently to establish a strong cycle and framework, closely monitoring its progress, wherein this team generates further business innovations and M&A activities, simultaneously creating a wider array of diverse opportunities.



3 Human Resource Strategies Connected with Various Strategies

HR Themes and Challenges for Realization

As mentioned above, building upon the firmly established cycle that intertwines business growth with the creation of UPDATERS. we aim to accelerate this cycle to maximize its impact. Our objective is to empower each individual to showcase their uniqueness and provide value to customers as a team.



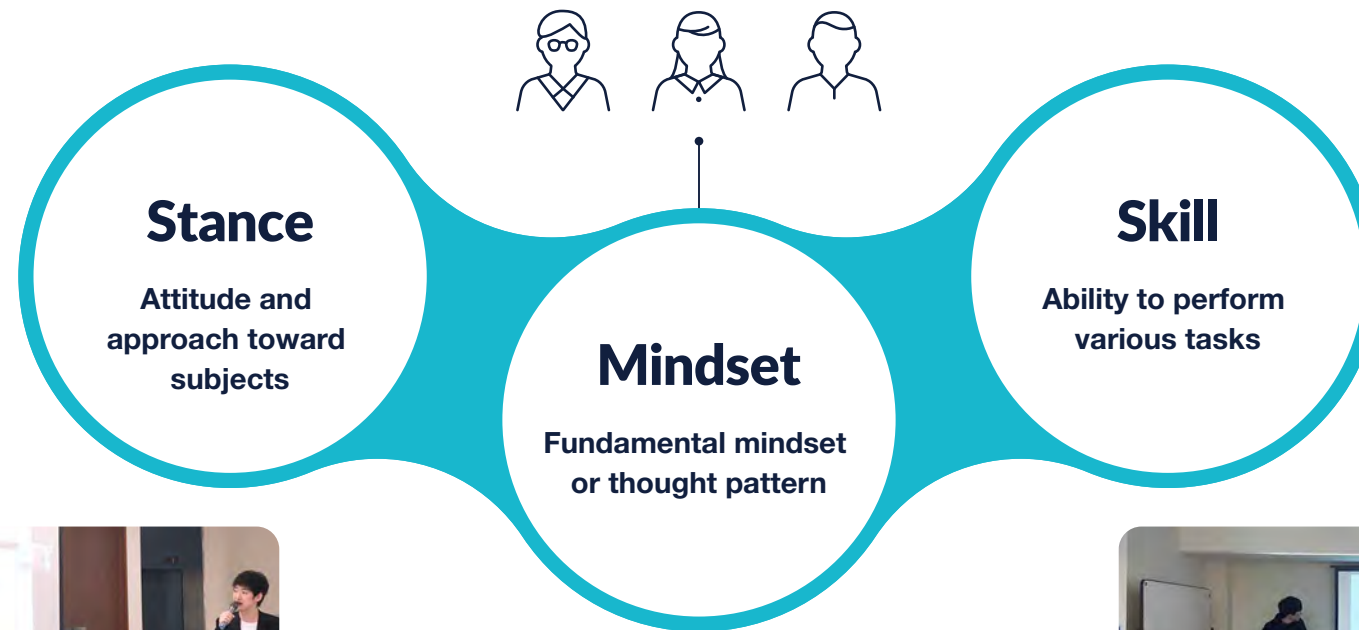
Direct Training Led by President and Young Business Officers

In April 2023, our company embarked on the renewal of our training system, updating the developmental environment to support employees' growth and skill enhancement. We have introduced a wide range of programs, including strengthened onboarding, role-specific skill training, and original workshops such as the lecture "ZIGExN Spirits" delivered by the CEO, Joe Hirao. These efforts aim to create an environment that fosters employees' success and development.

Furthermore, with the aim of continuing the legacy of "competence inheritance" and fostering and promoting "early development and selection of business officers"

from our founding, we have established a 3-year development plan for new graduates called the "ZIGExNIST Training." Young business Officer, drawing from their own experiences, develop training content for the development of younger talents and directly provide guidance. These programs are specifically focused on the three essential elements required of business leaders: "Skills," "Mindset," and "Approach." The focus is on acquiring these attributes early on, strategically nurturing individuals who can excel as business leaders in three years.

ZIGExNIST



the lecture "ZIGExN Spirits" delivered by the CEO, Joe Hirao



Career training led by young business leaders

3 Human Resource Strategies Connected with Various Strategies

Introducing Initiatives

Well-do-being

Our company is entering its second phase of growth and is aiming to become a more mature organization. To achieve this, we are implementing various systems and initiatives. Among these efforts, we are transitioning from a “Well-doing” organization that prioritizes creating opportunities for challenge and growth through work, which has been a cherished principle since our founding, to an environment where employ-

ees can comfortably strive for ambitious goals while maintaining a healthy state both physically and mentally, known as “Well-being.”

By promoting the concept of “Well-do-being,” which encompasses both the elements of “Well-doing” and “Well-being,” we are striving to create a more productive organizational culture.

Enhancing Workplace Satisfaction through Incentives and Skill Enhancement Programs

Business Officers Incentives (ZIGExN Entrepreneur Prize)

Coaching Training

Management Training (For Newly Promoted Managers)

Base Salary Increase for New Graduates

New Graduate Development Program (ZIGExNIST Training)

Revision of Salary Increase Range

Mentorship Program (Zmentor)

Career Advancement Support Program

Bonus System (P@Y)

MVP System (ZEUS)

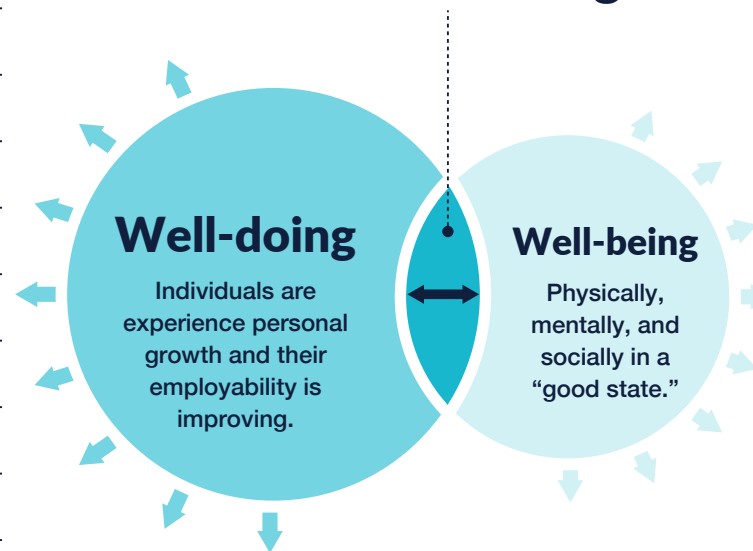
Hosting Study Sessions

Book Purchase Subsidy

Side Job System (ZET)

Employee Referral and Incentive System (ZIGEHUN)

Well-do-being



Enhancing Work-Life Balance through Flexible Work Arrangements and Leave Policies

Introduction of Flextime System

Remote Work System

Regularly monitor Organizational State through Employee Surveys

Family Support Special Leave (for Children's School, Kindergarten, and Daycare Events)

Communication Budget (Optimization for Welcome Parties, Follow-ups, etc.)

Club Activity Support System (Wakurabu)

Peer Bonus System (GAT)

Committee System (ZNOW)

Hourly paid leave system (Pday)

Birthday Present

Refreshing Support System (Napping Minutes-Fitness Hour)

Babysitter support System

Introduction of Benefit Station

Short-Time Regular Employee System

Maternity Leave, Postpartum Leave, and Maternal Health Management

Nursing care leave, child nursing care leave

Company-wide Event (Z Drinks)

3 Human Resource Strategies Connected with Various Strategies

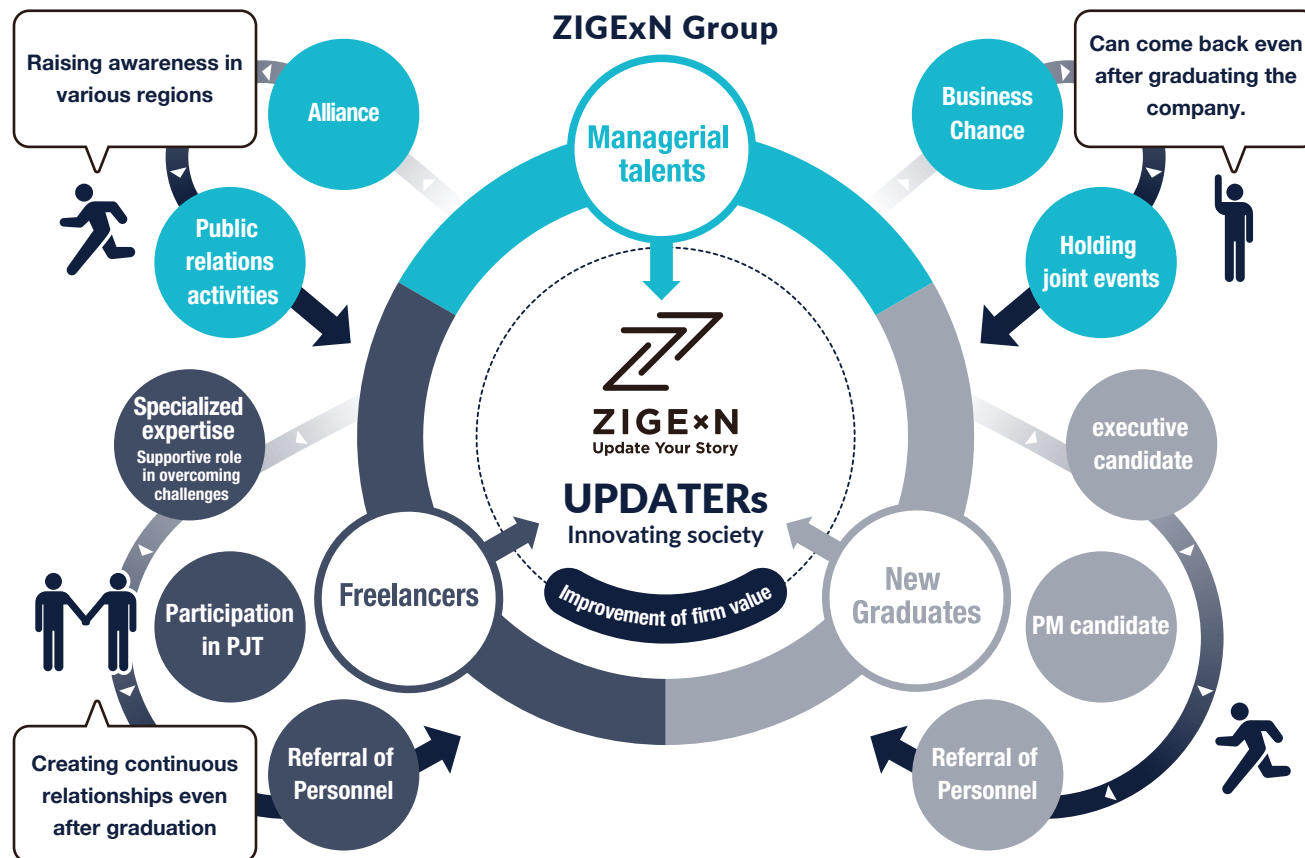
Introducing Initiatives

ZIGExN's Alumni

The company's purpose, "UPDATE YOUR STORY ~For a Better Future", embodies the sentiment of "You are the protagonist of your own life. We hope that your connection with ZIGExN serves as a catalyst for the evolution of your life." We view employees as integral stakeholders in our organization and strongly wish that each and every employee updates themselves through their employment opportunities within our company.

We not only expect our employees to excel within our company but also to continue thriving as a sought-after professional in society even after they leave our organization.











In recent years, we have been working to build continuous relationships with our graduates (alumni). We work towards providing career advice to current employees and creating business opportunities by mutually introducing diverse talents and contributing to the activation of innovation.



Conducting in-house seminars by alumni

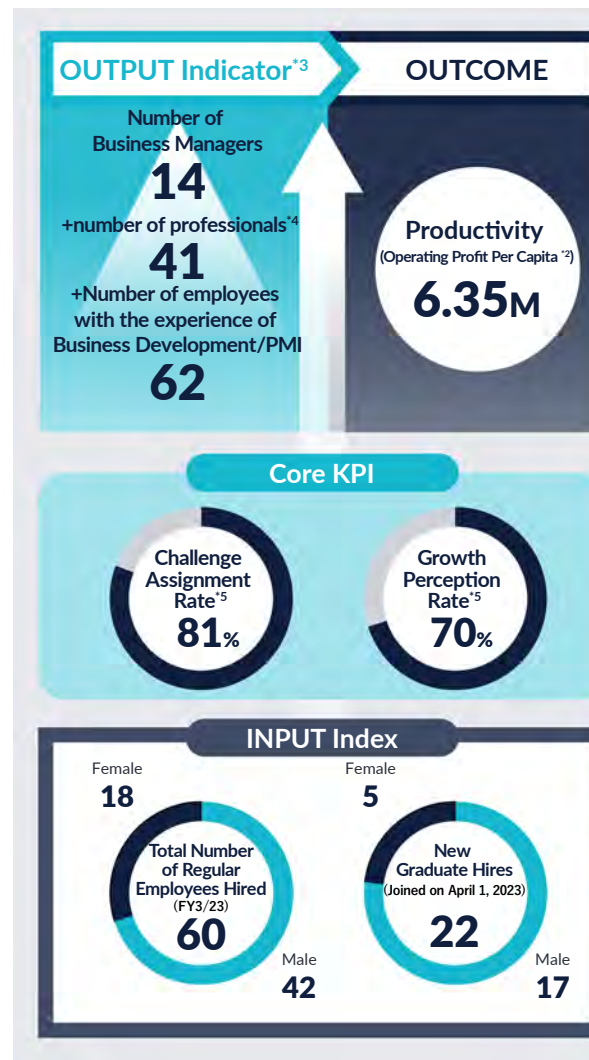
3 Human Resource Strategies Connected with Various Strategies







List of Key Human Resources Indicators

Basic Indicators (Individual)		Number of Individuals	Ratio
Full-time Employee	Combined	229	100%
	Male	150	66%
	Female	79	34%
Average age	Combined 	32.9 years old	
Average Length of Service	Combined 	2.9 years	
Annual Turnover Rate	Combined 	21.3%	
Average income	Combined 	5.22 M yen	
Paid Time Off Utilization Rate	Combined 	49%	
Parental Leave Utilization Rate	Male 	75%	
	Female 	100%	
Return Rate after Parental Leave	Male 	100%	
	Female 	100%	
Employment Rate of People with Disabilities	Combined 	0.5%	

*1 As of March 2023

► P30 UPDATERS Creation Cycle Indicators



OUTCOME Index			
Productivity (Operating Profit Per Capita ^{*2})		6.35 M	
OUTPUT Index ^{*3}		Number of people	
Business Officers		14	
+Number of Professionals ^{*4}		41	
+Number of employees with the experience of business development and PMI		62	
Core KPI		Ratio	
Challenge Assignment Rate ^{*5}		81%	
Growth Perception Rate ^{*5}		70%	
Total Number of Regular Employees Hired (FY3/23)	Combined 	60	100%
	Male 	42	70%
	Female 	18	30%
New Graduate Hires (Joined on April 1, 2023)	Combined 	22	100%
	Male 	17	77%
	Female 	5	23%

*2 Calculated based on regular employees excluding those on secondment and leave.

*3 "+Number of Professionals" includes the number of business leaders and "+Number of employees with the experience of business development and PMI" includes business leaders and professionals.

*4 Individuals who are assessed/classified as equivalent or higher to business leaders as professionals.

*5 Through internal surveys, the following metrics are questioned/measured every three months, providing the latest figures:

Number of respondents who answered "somewhat/very" to the question "Is your current goal/mission challenging for you?"

Number of respondents who answered "somewhat/very" to the question "Do you feel that your abilities have improved in this quarter?"

2

Sources of Value Creation

4 Financial Strategies to Support
Discontinuous Growth

4 Financial Strategies to Support Discontinuous Growth

Optimization of Capital Structure Through Leverage Utilization

Basic Policy on Fundraising and Capital Allocation

In most of our group's businesses, we operate with a focus on businesses that do not require large-scale capital investments or significant working capital. Our primary cost items include advertising and promotional expenses as well as personnel costs. By appropriately assessing cost-effectiveness, we maintain a certain degree of control internally. Furthermore, we emphasize efficient capital management in our business operations. As a result, there is a characteristic trend of overall cash accumulation. As of the end of the FY3/2023, the cash and cash equivalents increased from about 8.6 billion yen at the end of the previous fiscal year to about 10 billion yen, marking a rise of around 1.4 billion yen.

Our fundamental fundraising policy is primarily based on the pecking order theory. This entails utilizing borrowing from financial institutions to a degree that does not compromise safety, all while enjoying the advantages of financial leverage such as debt-related tax benefits and improved ROE. However, we give priority to utilizing accumulated cash generated from our business operations.

Regarding the basic guidelines for usage of funds, our priority is directing funds toward business investments and M&A in order to pursue growth. When surplus capitals are available, our policy is to allocate them to shareholder return like share buybacks.



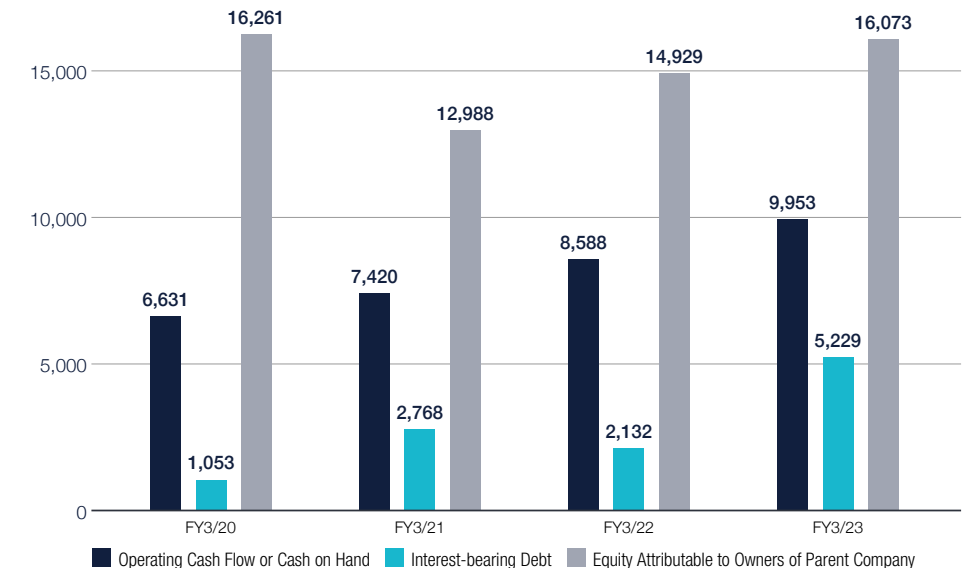
Optimization of Capital Structure through Utilization of Financial Leverage

Due to our proactive approach towards strategic investments, M&A activities represent the highest demand for funds. While prioritizing the utilization of available funds, we also make use of appropriate borrowings based on the scale of opportunities. In the fiscal year ending March 2023, we implemented strategic investments totaling approximately 4.3 billion yen, leading to an increase of about 3.1 billion yen in borrowings compared to the previous year-end. As a result, the DE ratio, which was 0.14 in the fiscal year ending March 2022, has increased to 0.33 in the fiscal year ending March 2023. This increase in the debt ratio contributes to the reduction of the WACC. Furthermore, while the debt ratio has risen, our parent company's attributable equity ownership ratio stands at 52.9%, ensuring financial soundness.

In March 2023, the Tokyo Stock Exchange released a statement regarding "Measures for Achieving Management Focused on Capital Costs and Stock Prices" aimed at listed companies. In line with this, our company is committed to responding to the expectations of stakeholders, including shareholders, by actively pursuing a management approach that is highly conscious of capital costs and capital profitability. Through this initiative, we aim to achieve sustainable growth and enhance long- and medium-term corporate value.

Indexes

(yen in millions)



4 Financial Strategies to Support Discontinuous Growth

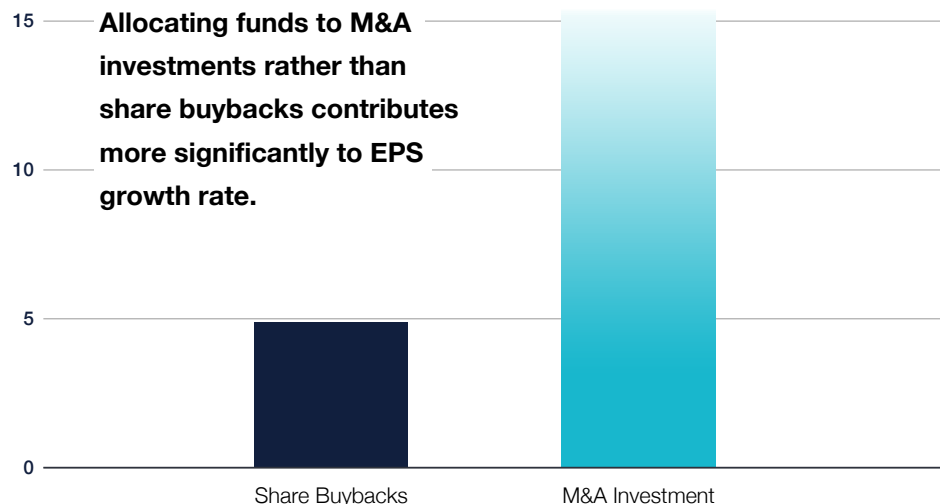
Capital Allocation Policy as a Growing Company

Basic Policy on Shareholder Returns

Policy on Share Buybacks	Dividend Policy
<p>Net Income Attributable to Owners of Parent Company -) Strategic Investment Amount (M&A, etc.) -) Total Dividend Amount</p> <hr/> <p>= Upper Limit for Share Buybacks in the Following Fiscal Year</p>	<p>Medium- to Long-term Dividend Payout Ratio</p> <p>12~20%</p>

Comparison of Returns between Share Buybacks and M&A Investments

(unit: %)



Note 1: Share Buyback Return: Calculating the number of shares repurchased based on the forecasted net income of 3.65 billion yen for FY3/24 divided by the latest closing stock price of 753 yen (as of June 16, 2023), and estimating the contribution to EPS.

Note 2: M&A Investment Return: Using the upper limit of the EV/EBITDA-based investment payback period median of 3.6, estimating the contribution to EPS if the forecasted net income of 3.65 billion yen for FY3/24 is allocated to M&A investments.

Shareholder Return Policy with a Focus on Capital Efficiency

Throughout our history, the company has prioritized the enhancement of “growth” as a key focus within our Life Services Platform business operations and has maintained an active stance towards investment activities primarily centered around M&A. Furthermore, since the fiscal year ended March 2020, we have introduced a new financial policy pertaining to shareholder returns, guided by the perspective of “efficiency” in capital, to further enhance shareholder value.

Specifically, our approach involves setting the upper limit of the share buyback amount for the next fiscal year (n+1) based on the net income attributable to the owners of the parent company for fiscal year “n”, after subtracting the strategic investment amount ^(Note) and the total dividend amount. Ultimately, this upper limit for share buybacks will serve as a foundation, taking into account current stock price levels, ROE, stock liquidity, and other relevant factors, to guide our execution of share buyback activities.

Furthermore, we recognize the importance of providing shareholders with stable returns through dividends. As part of our mid- to long-term dividend policy, we have set a dividend payout ratio target of 12-20%.

Note: Strategic Investment Amount refers to the funds allocated for investments aimed at acquiring valuable operational resources such as M&A or capital partnerships.

Capital Allocation Policy as a Growing Company

Since our listing, the company has maintained a proactive stance toward M&A activities. As of the end of the fiscal year in March 2023, we have executed a total of 25 transactions, amounting to 17.5 billion yen, excluding 6 M&As divested or conducted within a year. For the remaining 19 transactions, the annual return based on EBITDA-to-EV ratio for the FY3/2023 is 28.6%, with a cumulative return of 189.2%, and we believe these figures reflect a relatively high level of returns achieved. Moreover, the EBITDA-based investment payback period, aided by successful PMI, stands at approximately 3-5 years, contributing to a relatively short-term recovery.

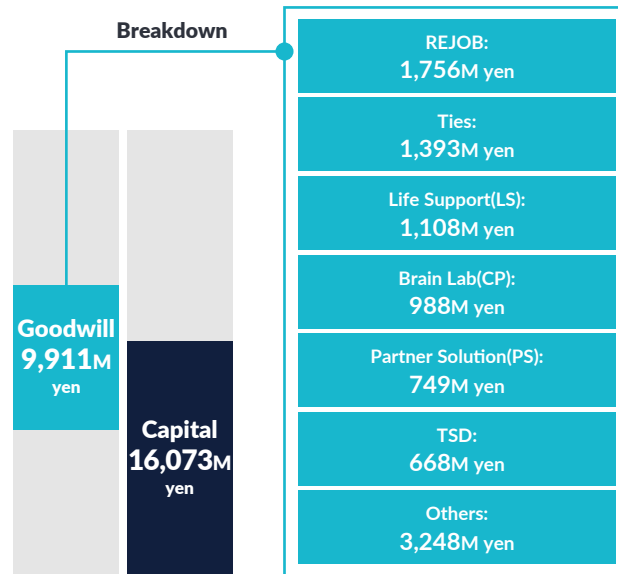
Our company has established a clear policy for shareholder returns, and based on past performances, we believe that prioritizing capital allocation towards M&A activities contributes to enhancing corporate value.

With a projected net income of 3.65 billion yen for the fiscal year ending March 2024, under certain assumptions, when comparing scenarios of allocating the entire amount to share buybacks and allocating the entire amount to M&A investments, we estimate that M&A investments would yield approximately 2-3 times higher returns.

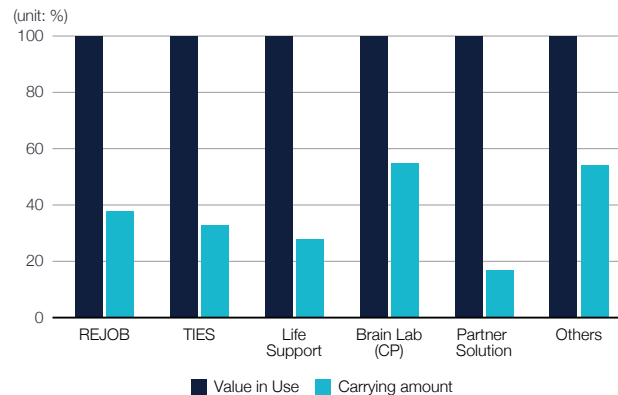
We will continue to maintain a proactive stance towards strategic investments, primarily centered around M&A activities, and prioritize capital allocation, aiming to enhance long-term corporate value.

4 Financial Strategies to Support Discontinuous Growth

Maintenance and Assurance of a Strong Financial Foundation



Goodwill Impairment Test



Note 1: In the impairment test, the recoverable amount is determined by comparing the higher value in use, based on projected future cash flows derived from business plans, and the fair value less costs to sell. This note explains the comparison between the value in use and the carrying amount.

Note 2: The ratio of carrying amount to value in use when value in use is considered as 1 for each CGU.

Note 3: The impairment test reference date is December 31, 2022, and as the acquisition of TSD's shares occurred in February 2023, it is excluded from the graph and the test.

A Robust Financial Foundation Supporting the Investment Strategy

As a result of our proactive investment strategy, the proportion of Goodwill in the total assets, which is 30,393 million yen in the consolidated balance sheet (B/S) as of the end of the FY3/2023, is approximately 33% (9,911 million yen), making it the second largest component after Cash and Cash Equivalents, which stands at 9,953 million yen.

The main components of our Goodwill consist of prominent entities within our company group, such as REJOB, the largest and industry-leading Vertical HR service, along with Ties, the company that joined our group in October 2022 holding the No.1 or top position in recruitment shares in major manufacturers.

We conduct impairment tests annually in accordance with IFRS (International Financial Reporting Standards).

However, for all the Cash Generating Units (CGUs) that constitute the Goodwill, the value in use, which represents the present value of future cash flows, significantly exceeds the carrying amount. Currently, there are no indications of impairment in our Goodwill.

Furthermore, as of the fiscal year ending March 2023, we hold approximately 10 billion yen in cash and cash equivalents. While we have undertaken significant investments amounting to approximately 4.3 billion yen during the same period, which marks a historic high, we consider our cash position not to be at an excessive level. Rather, we maintain a prudent level to ensure that we do not miss attractive investment opportunities and incur opportunity losses.

Ensuring Safety through Transparent Financial Standards

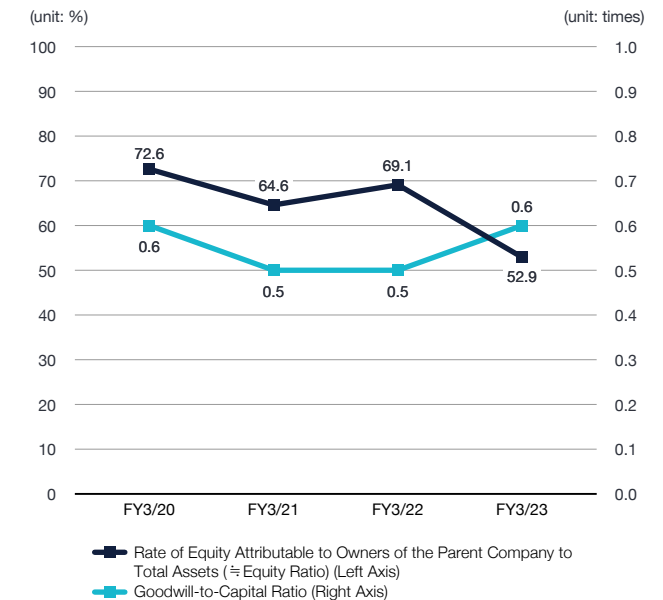
To ensure financial safety, the company has established a financial policy related to "safety", which includes maintaining a rate of equity attributable to owners of the parent company to total assets (=equity ratio) of 40% or more and a Goodwill-to-Capital Ratio of 1.0 times or less.

The parent company's attributable equity ownership ratio has decreased to 52.9% due to the utilization of financial leverage accompanying M&A activities. However, this remains within the scope of our company's financial standards, and there are no safety concerns.

Furthermore, while actively promoting M&A, we have also managed to steadily accumulate capital. As a result, the Goodwill-to-Capital Ratio has remained at around 0.5 to 0.6 times, staying well within the range of our financial discipline. As of the end of March 2023, we have the potential for further M&A activities with a capacity of around 6 billion yen in Goodwill. With the accumulation of capital through factors such as recording net income, we anticipate further expansion of investment capacity.

In the future as well, we will continue to secure a solid financial foundation capable of withstanding our proactive investment strategy. By ensuring this foundation, we aim to support ongoing growth investments, contributing to the enhancement of corporate value.

Rate of Equity Attributable to Owners of the Parent Company to Total Assets/Goodwill-to-Capital Ratio





Mechanisms Supporting Value Creation

- 1 To Become a Sustainable Company
- 2 Corporate Governance Structure
- 3 Risk Analysis
- 4 IR Activities

3 Mechanisms Supporting Value Creation

1 To Become a Sustainable Company

1 To Become a Sustainable Company

Basic Principles of Sustainability Activities and Progress in Materiality

Aiming to maximize life opportunities, which is our basic philosophy, the Company, as a listed company in the prime market and a public institution of society, regards addressing social issues as an important management issue and contributes to the realization of a sustainable society. The Sustainability Promotion Office, established in April 2021, plays a central role in promoting sustainability activities at the Company,

referring to international guidelines such as the Sustainable Development Goals (SDGs) adopted by the United Nations and collaborating with other divisions as necessary. We will continue to focus on creating social value through our business activities.

ZIGExN's ESG Basic Policy



Environment

We conduct measurement and periodic observation of CO₂ emissions within the group, and after setting medium to long-term goals for reducing CO₂ emissions, we work towards achieving those goals.



Social













We are actively promoting women's empowerment, improving the ratio of managerial positions held by women, and fostering the next generation of management talent. Concurrently, we are working on creating a fulfilling work environment while ensuring the 'well-being' of our employees.



Governance

We are establishing a corporate governance structure that ensures high transparency in management and effective monitoring functions, aiming to enhance corporate value.

ESG page published on our corporate website:
URL: <https://zigexn.co.jp/ir/esg/>

Materiality	Key Actions	Outcome	Evaluation
Update society and industry through DX  	<ul style="list-style-type: none"> •DX support for various industries and small- and medium-sized corporate clients through the provision of services 	<ul style="list-style-type: none"> •BrainLab, a provider of core systems for staffing/job placement businesses, adds new features to support business operations •Living Tech, offering DX tools such as SMOCCA CRM and LeadCloud 	△
Fostering SDGs engagement through media 	<ul style="list-style-type: none"> •Promoting SDG activities in a way that is linked to business activities by utilizing the media's characteristics 	Implementation of initiatives to enhance the understanding and integration of sustainability and SDGs within the industry. Awards to recognize businesses that are advancing SDGs actions. The awards include: <ul style="list-style-type: none"> •Reshop Navi Award •REJOB Award •TCV Best Seller Award •Reshop Navi Good Renovation Contest 	△
A rewarding work environment 	<ul style="list-style-type: none"> •Selection and training of candidates for next-generation business officers •Expansion of training content for employees •Implementation of surveys to visualize engagement 	Promotion of the establishment of working environments through systems and training. <ul style="list-style-type: none"> •Business Officers incentives •New graduate development program (ZIGExNIST training) •Base salary increase for new graduates •Updating the training system and mentorship program 	○
Creation of community  	<ul style="list-style-type: none"> •Establishment of regional offices (Oita and Kyoto) •Establishment of new sports teams based in Kyoto •Strengthening of cooperation with government and educational institutions •Establishment of regional offices (Oita, Kyoto, and Manazuru) 	<ul style="list-style-type: none"> •Enhancement of recruitment and organizing events for students through our various Sustainability Offices Kyoto Office: 3 hires in FY3/22 and 11 hires in FY3/23. •Implementation of career events for students by Joe Hirao. Oita Office: 12 hires in FY3/22 and 4 hires in FY3/23. •Lectures by Joe Hirao at APU (Ritsumeikan Asia Pacific University). •Manazuru Satellite Office and Manazuru Children's Future College 	○
Equal employment opportunities 	<ul style="list-style-type: none"> •Creating opportunities for lectures and talks leading to vocational education •Promoting acceptance of student internships, etc. •Cultivation and support activities for entrepreneurs 	<ul style="list-style-type: none"> •Lectures for students and young businessperson: 23 times •Strengthening the acceptance of student interns •The publication of CEO Joe Hirao's book "Entrepreneurial Thinking" and the donation of royalties to a non-profit organization 	○
Diverse workforce 	<ul style="list-style-type: none"> •Promoting the Advancement of Women •Creating a workplace free of gender discrimination 	<ul style="list-style-type: none"> •Ratio of female managers: 11.3%(target by FY3/25: 20%) •Increase ratio of women in new graduate recruitment 10%⇒23% 	△
Environmentally friendly Business activities   	<ul style="list-style-type: none"> •Disclosure of CO₂ emissions •Collection of plastic bottles and caps, elimination of paper cups, reduction of copy paper, and improve 	<ul style="list-style-type: none"> •Purchase of Green Products for Internal Supplies OA / PC: 93%, stationery and office supplies: 53% 	○
Strengthening Governance and Ensuring Transparency 	<ul style="list-style-type: none"> •Consideration of institutional design, including compensation committee, nominating committee, etc. •Expanding disclosure to investors, shareholders, and other stakeholders 	<ul style="list-style-type: none"> •Appointment of a New Outside Director •Appointment of Substitute Corporate Auditor •Expansion of information meetings for individual investors and voluntary disclosures 	○

**① To Become a
Sustainable Company**

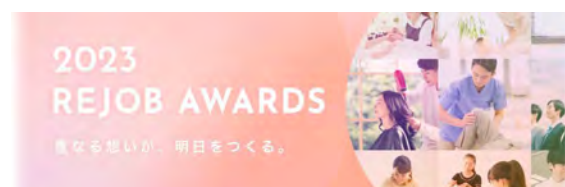
Examples of Materiality Initiatives ①

Social and Industrial Update through DX / Fostering SDGs Engagement through Media

Date	Service	Content
Jun. 14, 2022	Reshop Navi	ReShop Navi Award 2022
Aug. 23, 2022	REJOB	REJOB Award 2022
Feb. 8, 2023	TCV	Best Seller Award
Feb. to Mar. 2023	Reshop Navi	Good Renovation Contest



The Good Renovation Contest is a renovation case contest organized by “Reshop Navi”, which aims to create the next generation of renovation experiences. It selects and awards appealing renovation cases that enhance the quality of life.



The initiative, based on the product vision “Connecting Hearts”, of our job recruitment website REJOB, comprises three categories: “Connecting Knots (Hiring) Department”, “Staff Engagement Department”, and “Diversity in Work Styles Department”. We aim to honor and recognize the aspirations of those in the beauty industry in each of these categories.

A rewarding work environment

Next Leader Project

Led by our new graduate members, we conducted an analysis of historical and current data regarding the entry and departure of new graduate members, as well as their performance. This analysis helped us identify organizational challenges and formulate strategies. We verbalized the concept of “Talent Thriving at ZIGExN” and significantly revamped our approach to new graduate career development, including introducing updated training programs.

Examples of Initiatives

Major improvement in new graduate training, Development of a 3-Year Training Program, Formulation of Development Policies, Creation of Skill Maps, etc.



Equal employment opportunities

Special Lecture by President Hirao

At Ritsumeikan Asia Pacific University, President Hirao conducted a lecture on “Entrepreneurship”, which was attended by approximately 200 students. This initiative also contributed to our recruitment activities, including internship applications and new graduate hiring.



1 To Become a Sustainable Company

Examples of Materiality Initiatives ②

Creation of local communities

Initiatives in Kyoto Prefecture

In April 2022, our newly established 3x3 basketball professional team “ZIGExN UPDATERS.EXE” hosted its inaugural event, the “3x3WEST” tournament. Student interns from our Kyoto office were involved in the planning and execution, and the event attracted approximately 200 attendees. In addition, through initiatives such as hosting clinics for students, we are fostering greater community engagement and interaction with local residents.



Exposure in Local Media, Including Kyoto City and Other Areas

Example Featured in Local Media such as Kyoto Shimbun, KBS Kyoto, JCOM, Nihon Keizai Shimbun, 3x3.EXE PREMIER, Rasanka, etc.

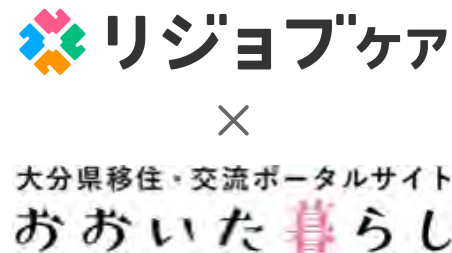


Initiatives in Oita Prefecture

As an initiative utilizing the business model, the Oita Prefecture Migration Project was introduced through the medium of REJOB.

Migration and Exchange Portal Site “Oita Kurashi”

<https://www.iju-oita.jp/>



Initiatives in Manazuru City, Kanagawa Prefecture

At the “Manazuru Children’s Future College”, hosted by REJOB in its satellite office in Manazuru Town, Kanagawa Prefecture, an event was held where children could experience being a hairstylist, with the aim of expanding their future career options. Active hairdressers and beauty school students served as instructors, and the event saw participation from local elementary and middle school students as well as their parents.



To Become a Sustainable Company

ESG Data

Environment

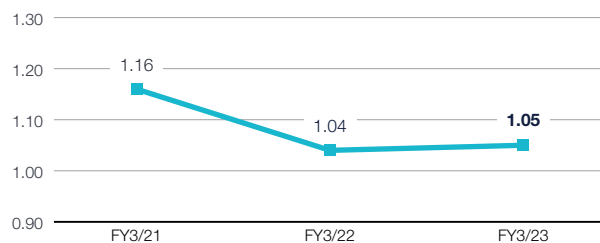
Environmental Indicators	FY3/21	FY3/22	FY3/23
Electricity consumption and CO₂ emissions			
SCOPE1	0kg-CO ₂	0kg-CO ₂	0kg-CO ₂
SCOPE2	195.9kg-CO ₂	208.8kg-CO ₂	226.5kg-CO ₂
Total	195.9kg-CO₂	208.8kg-CO₂	226.5kg-CO₂
Electricity Consumption	445,737kwh	475,727kwh	495,949kwh

*SCOPE1 is CO₂ emissions from direct gas use in offices

*SCOPE2 is the carbon dioxide emissions associated with electricity use in offices

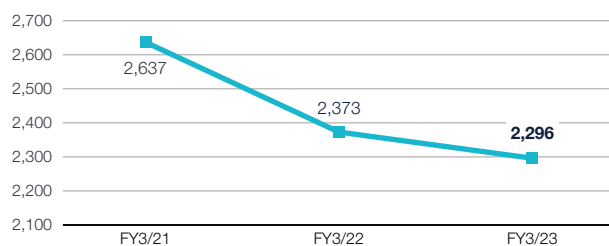
CO₂ emissions per person

(Unit: kg)



Electricity consumption per employee

(Unit: kwh)



*Per person figures are calculated using the average number of regular employees as the denominator

Social

Social Indicators	FY3/21	FY3/22	FY3/23
Number of Employees			
Number of Employees (total)	198	203	229
Number of Temporary Employees (total)	51	58	79
Number of Managers			
Number (total)	37	47	62
Male	32	42	55
Female	5	5	7
Number of business officers			
Number (total)	9	13	14
Average age			
Male	33	33	32
Female	32	33	33
Average Length of Service			
Male	2.25 years	2.67 years	2.92 years
Female	2.33 years	2.50 years	2.83 years

*All figures are for ZIGExN alone.

*The average length of service for employees acquired through M&A has not been retained.

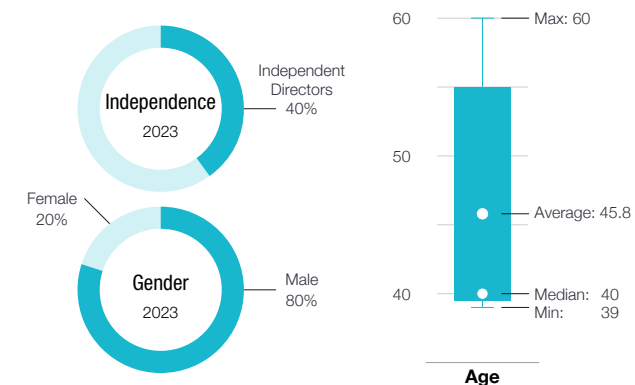
*The number of temporary employees is calculated based on the annual average personnel.

*Starting from FY3/23, the counting method has been changed to include contract employees in the number of temporary employees.

Governance

Board of Directors	FY3/21	FY3/22	FY3/23
Board of Directors			
Number of directors (total)	4	5	5
Number of female directors (total)	1	1	1
Number of outside directors (total)	2	2	2
Number of independent directors (total)	2	2	2
Auditors			
Number of auditors (total)	3	3	3
Number of outside auditors (total)	3	3	3
Number of independent auditors (total)	2	2	2
Attendance Rate at Board of Directors Meetings			
Total	100%	100%	100%
Board of Directors	100%	100%	100%
Auditors	100%	100%	100%

Board of Directors Diversity



*Director Composition and Ages are aggregated as of June 26, 2023, Annual General Meeting.

*Independent Directors and Independent Auditors are the numbers of individuals registered as independent officers with the Tokyo Stock Exchange

3 Mechanisms Supporting Value Creation

2 Corporate Governance Structure

2 Corporate Governance Structure

Promotion of sound corporate management

Our Basic Approach to Corporate Governance

Our Company has established our Basic Philosophy, Management Philosophy, and Purpose as the core of its corporate activities and as the values and principles of conduct to be shared by each of our officers and employees. We will make appropriate management decisions promptly to achieve sustainable growth and enhance our corporate value over the medium to long term, thereby gaining the confidence of our shareholders and other stakeholders.

Corporate Governance Structure

We have established a Board of Directors and an Audit and Supervisory Board consisting of directors and auditors elected at the Annual General Meeting as required by law. In addition to these statutory bodies, we have established a Compliance Committee, a Harassment Prevention Committee, and an Internal Audit Office to strengthen our corporate governance. Furthermore, we have introduced an executive officer system in the business execution divisions to execute specific responsibilities in their respective areas.

Business Management Committee / Investment Management Committee

As a critical executive body, we have established the “Business Oversight Conference” and the “Investment Oversight Conference” to execute our operations.

Business Oversight Conference

Members: Operating officers, including full-time directors, business officers responsible for each business domain and subsidiary, and full-time outside auditors.

Purpose : To report on the progress of the management plan and facilitate the sharing of strategies. Additionally, discussions will be conducted regarding the business strategies of our company group.

Investment Oversight Conference

Members: Operating officers, including full-time directors, candidates for business Officers of investment projects, and full-time outside auditors.

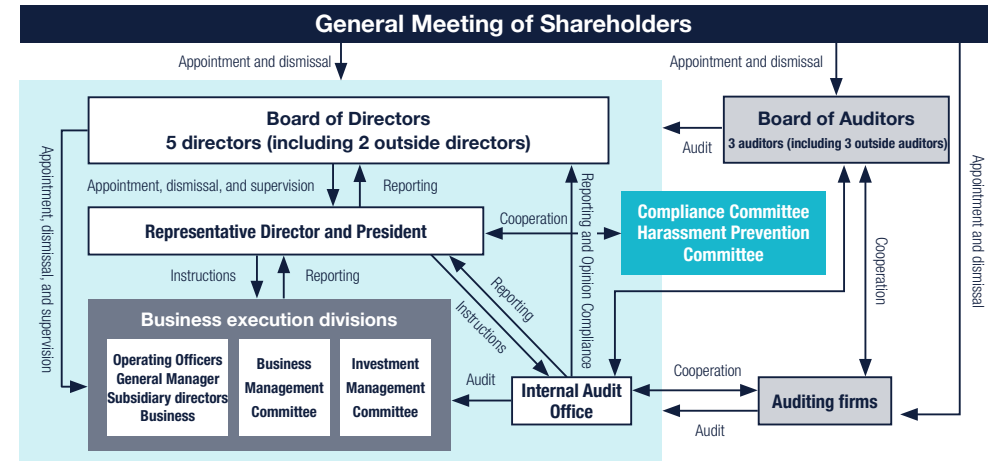
Purpose : To share the results of due diligence and valuation regarding M&A cases and other investment matters. The goal is to make informed decisions related to investments.

Compliance Committee/Harassment Prevention Committee

Our company has established the Compliance Committee and Harassment Prevention Committee, composed of various key individuals, including Joe Hirao, CEO and President, who is an executive director, as well as other executive directors responsible for different aspects of our operations, the Internal Audit Chief, legal representatives, and observers such as Mari Yajima and Takashi Miyazaki, who are audit directors. The two committees are positioned as subordinate bodies to the Board of Directors, and they are responsible for driving and verifying initiatives related to compliance and harassment prevention.

★Other matters related to corporate governance are documented in the “Corporate Governance Report.”
<https://contents.xj-storage.jp/xcontents/AS80135/04eea77e/1f70/4dad/b4ee/2ce96e69f8e7/140120230518576216.pdf>

Governance Structure



Structures supporting other Corporate Governances

Internal Reporting System

A full-time outside corporate auditor and one outside corporate auditor serve as contact points, and any reports will be handled in accordance with laws and regulations while giving due consideration to the privacy of the whistleblower. In addition, anyone who works for the Company, regardless of employment status, can report a violation of the law. The Company's internal rules prohibit any disadvantageous treatment of the person who reports. In this way, we strive to ensure compliance by detecting and preventing violations of laws and regulations at an early stage. We are also committed to compliance with laws and ordinances.

HR Consultation Desk

HR consultation services have been established for the purpose of improving the workplace environment and productivity, and are posted on the portal sites of each Group company and other locations. Personnel and Several employees who are well versed in human resources and labor affairs serve as consultation counsellors and perform consultation regarding various types of harassment in the workplace, childcare and nursing care, and support for equal opportunity and goal attainment. This enables us to prevent and respond to problems as early as possible, and to support employees in their efforts to work in a better way.

Information security measures and incident management

We have obtained the Privacy Mark certification to establish a robust personal information management system. Additionally, we have established a System Security Management Division to handle cybersecurity matters, including guideline development, monitoring, and CSIRT activities. Furthermore, to effectively address various incidents that may arise during our company group's business activities, we have developed guidelines. An Incident Management Office, led by the legal department, takes the lead in responding promptly to incidents and minimizing their impact. We are dedicated to preventing recurrences while swiftly addressing incidents that occur.

Director Training

We regularly conduct training sessions focusing on “Directors’ Duties and Responsibilities” for the directors of the Company and group subsidiaries. Additionally, we organize annual compliance training sessions for employees and others within our company and group and foster a strong sense of compliance awareness and responsibility among our team members.

2 Corporate Governance Structure

Effective operation of the Board of Directors

Board of Directors Meeting Operations Status

Our company's Board of Directors Meeting is chaired by Mr. Joe Hirao, our Representative Director, Operating Officer, and CEO. In addition to the regular monthly board meetings, we also hold special board meetings as needed. In the Board of Directors Meeting, in addition to directors and auditors, operating officers also attend as observers. After providing necessary information, the board engages in vital decision-making concerning management and oversees the execution of duties by each director. These meetings typically last about 2 hours each and encompass comprehensive deliberations covering various aspects of our operations.



Directors, Auditors, and Operating Officers at the 17th Regular Shareholders' Meeting (held on June 26, 2023)

Effectiveness Assessment of the Board of Directors

In June 2023, a survey was conducted among all 8 directors and auditors, consisting of 20 questions, each scored on a scale of 5 points (average score of 4.09). The results have been reported to the Board of Directors, and discussions are underway regarding areas with particularly low scores, focusing on identifying challenges and formulating improvement strategies.

Good Point

Constructive Discussions and Exchange of Opinions (4.75) / Meeting Frequency (4.75) / Appropriateness of Agenda Items (4.63) / Supervision of Management Team (4.63) / Deliberation Time (4.63)

Problem

Successor Planning (2.50) / Officer Training (2.88) / Internal Controls and Risk Management (3.38) / Timing of Document Distribution (3.63) / Director Compensation Determination Policy (3.63)

Director Diversity and Skill Matrix

Position/Name	Independence	Gender	Age	Business Management/Strategy	Marketing Technology	Organization/HR	Accounting/Finance	M&A/PMI	ESG/SDGs
Representative Director Joe Hirao		Male	40	●	●	●		●	●
Director Sachiko Hatano		Female	40	●		●	●	●	●
Director Shinji Sato		Male	39	●		●		●	●
Outside Director Yasuo Usuba	●	Male	60	●	●	●	●		
Outside Director Jun Sakaki	●	Male	50	●	●	●			

Note 1: Ages are as of the date of the shareholders' meeting on June 26, 2023.

Note 2: Independence is indicated as '●' for individuals meeting the criteria for 'Independence Standards for Outside Directors'.

List of Board of Directors Meeting Agendas

Number of Meetings Held	FY3/2023: Total of 17 Meetings (Directors' and Auditors' Attendance Rate: 100%)
Key Resolutions	<ul style="list-style-type: none"> Medium to Large-scale M&A Formulation of Annual Budget Finance-related Matters (Share Buyback, Borrowings, Dividends, Issuance of Stock Options, etc.) Nomination of Officer Candidates, Officer Compensation Appointment of Executive Officers Employee Bonuses, Incentives
Key Reporting Topics (including deliberated, discussed Topics)	<ul style="list-style-type: none"> Monthly Regular Reports (Performance, Overtime Hours, Contracts) Small-scale M&A Post-M&A Integration (PMI) 100-Day Progress Report Auditor's Board Audit Plan, Internal Control Evaluation Internal Audit Activity Report, Security Management Unit Activity Report Effectiveness Assessment of the Board of Directors Significant Personnel Matters in Group Companies

Auditors

Position/Name	Independence	Gender	Age	Attribute
Full-time Outside Corporate Auditor Mari Yajima	●	Female	39	From Another Company CPA
Outside Corporate Auditor Takashi Miyazaki	●	Male	44	Lawyer
Outside Corporate Auditor Kengo Wada	●	Male	45	CPA

Appointment of Substitute Auditor

The Company has appointed one Substitute Auditor pursuant to Article 329, Paragraph 3 of the Companies Act in preparation for a shortage in the number of Corporate Auditors stipulated by law.

Position/Name	Gender	Age
Substitute Auditor Mayumi Suzuki	Female	37

Strengthening the Offense and the Defense: Outside Director Interview

UPDATERs with Two Strengths: Science and Talent



The Remarkable Success Rate in M&A is a Clear Strength.

Usuba When I first saw the medium-term business plan, I thought the goals were quite ambitious. However, with only two and a half years left, it's becoming much more realistic. I'm particularly impressed with the way M&A is being executed. M&A isn't just about "acquiring companies", but the real challenge comes with managing and growing them afterward. Yet, at ZIGExN, the growth strategy post-M&A is well-structured as a process.

Sakaki Absolutely, they have a well-defined business plan for post-integration. It's often said that even after a successful acquisition, a company's performance might improve by around 35% at best. However, I believe ZIGExN has probably achieved a success rate of around 85% or even higher.

Usuba They have a comprehensive range of evaluation materials before making an acquisition, and I've never seen a company with such a high success rate in M&A.

Sakaki It's clear that ZIGExN's management excels in the scientific aspects. Considering that they've evaluated around 100 companies in this quarter, it implies that they're practically

reviewing the possibility of acquiring about 2 companies every day.

They rigorously manage and expand the profitable aspects of the business. It's like driving a Mercedes on a highway and pressing the autopilot button to stay on course. ZIGExN's system is managed to function automatically in a similar way which is a remarkable talent.

On the other hand, expanding the core business tenfold remains a challenge to be tackled in the future. When growing a business, it's not only about science but also about embracing a slightly artistic approach, like envisioning the value you want to provide to customers. While science is important, incorporating a more creative mindset is necessary for such expansion.

Usuba M&A can indeed be viewed as a step-by-step process, making sure each item on the checklist is checked off. ZIGExN's strength lies in the exceptional accuracy of that checklist. However, as you mentioned, the concept of "providing value to customers", doesn't come with a checklist.

Sakaki Exactly, it's not about a simple yes or no answer, but it's about how deeply you've thought about it. Often, when one is asked if they have thought about their customer, everyone would say, "Yes, we've thought about them carefully." However, the difference lies in how far they've truly thought about them. One person might have thought up to level 10, while another might have gone up to level 100.

Usuba I feel that since the time you joined us in the company, the depth of consideration for the "customer perspective" has significantly increased.

Sakaki In the recent board meeting, when a member mentioned "going after customer acquisition," Mr. Hirao responded with questions like "What is the value proposition of that service?" and "Is there something we can learn from this service in the U.S.?" Rather than focusing on "what ZIGExN wants to do," there seems to be an increasing emphasis on considering the customer perspective, thinking about "what the users want."

2 Corporate Governance Structure

Strengthening the Offense and the Defense: Outside Director Interview

The value of ZIGExN lies in its “Talent”

Usuba When I look at the medium to long-term perspective, what I’m genuinely excited about is the exceptional capability of the executives within this company. While ZIGExN might be perceived as a company with strong leadership under Mr. Hirao, the work quality of individuals in their 30s in the executive layer is remarkably high. We’ve talked about the outstanding quality of M&A evaluation materials, but beyond that, there’s meticulous handling of various operational aspects of business management. This might be an aspect not widely known even among shareholders.

Sakaki Yes, there was a report today about the improvement in search volumes for certain regions for REJOB.

Usuba It’s truly astonishing to see such detailed explanations about improvements even while managing five or six different

businesses. The attention to detail is remarkable, and it must be a nurturing environment for talent to flourish. It seems like Mr. Hirao encourages stretching boundaries. While most would celebrate when a business goes from 800 million to 1 billion in a year, Mr. Hirao sets the bar higher, saying “Let’s think about how to reach 1.5 billion next year.” He consistently raises the bar.

Sakaki It seems that such organic growth will indeed be necessary as we move forward.

Usuba Exactly. Companies that excel in M&A can generate profits quickly, which sometimes leads them to neglect organic growth. Mr. Hirao, however, is striving to excel in that aspect as well.

Sakaki Mr. Hirao seems to think in terms of “AND” rather than “OR”. However, finding someone who can excel in both areas

might be quite rare. Personally, I’m still working on M&A, and I have a long way to go.

Usuba Perhaps that’s why having someone like you, an outside director with an artistic perspective, alongside Mr. Hirao, who excels in science, could be a valuable combination.

Sakaki I’ll do my best to support the company.

Usuba Mr. Hirao’s remarkable talent is his ability to avoid making decisions forcefully. “What are your thoughts, Mr. Sakaki? And Mr. Usuba?” – I’m sure you’re often asked these questions, and the same applies to the team members. It’s not a one-person show, and that’s why the younger generation is empowered to take charge.

I have high hopes for the emergence of a succession of talents following in Mr. Hirao’s footsteps in the future.



3 Mechanisms Supporting Value Creation

3 Risk Analysis

Comprehensive Overview of the Internal and External Environment

External Environment Example

Lack of HR/Increased Liquidity

Revolution of AI/ Advanced
Technology

Inflation/Financial Crisis

Geopolitical Crisis

Escalation of Cyber Attacks

Deterioration of living
environment

Internal Environment Example

Governance	Business/Service	Organization/HR	System/Data
Increased Administrative Workload Due to Expansion of Group Companies	Expansion of Client Base	Increased Difficulty in Recruitment	Legacy Systems
Comprehensive Establishment of Risk Management Framework Spanning the Entire Group, Including Overseas Operations	Optimal Allocation of Management Resources Due to Group Expansion	High liquidity in HR	Expansion of Information Security Scope
Cultivation of Organizational Culture as the ZIGExN Group	Increased Societal Attention	Concentration of Responsibilities on Specific Individuals	System Fragmentation / Data Silos

Basic Policy on Risk Management

In recent years, the business environment surrounding the Company group has been rapidly changing, bringing with it a complex array of risks. These risks range from natural disasters and man-made incidents to external attacks like cyber threats due to the advancement of digitalization. We believe that effectively and sustainably addressing such diverse risks can contribute significantly to both the company and society's interests, ultimately leading to the enhancement of corporate value.

In the Company, we consider that a critical role within internal control is not only risk management but also swift response to identified risks. Therefore, we have established a "Crisis Management Regulations" framework to document and ensure appropriate responses to risks such as natural disasters, intellectual property infringement, and information leaks. This framework allows for quick response and management, aiming to effectively address and mitigate these risks. Additionally, our Corporate Management Division collaborates with various business divisions, constantly collecting and sharing information to enhance early detection and prevention of risks.

Aligned with the Company's risk management policy, we promote effective management at the executive level by considering the impact and likelihood of risks. This approach aims to prevent any deterioration in corporate value due to the manifestation of risks.

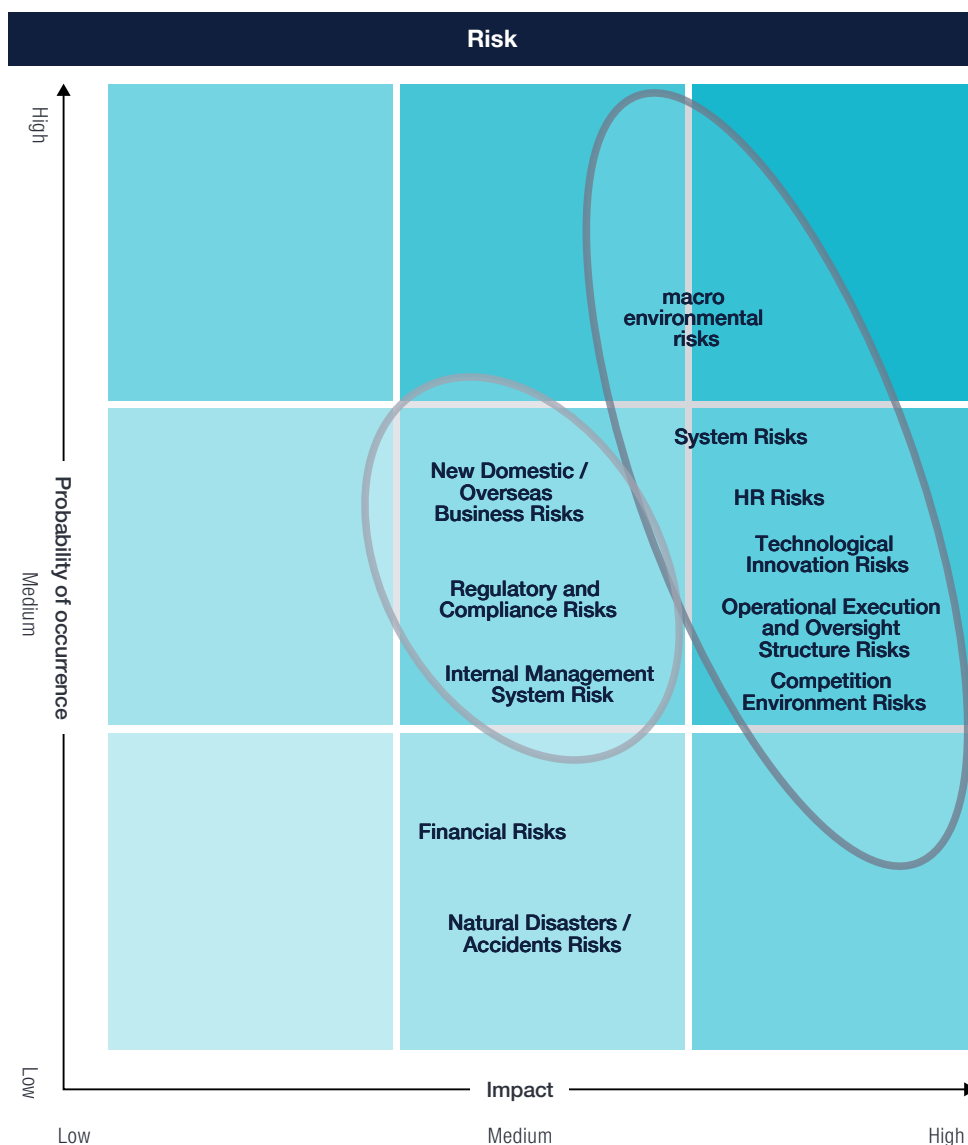
Organizing the External and Internal Environment

In terms of the external environment, factors such as changes in the business landscape, including trends in the internet market and emerging new players, intensifying competition with major corporations, declining working-age population leading to heightened competition for talent acquisition and increased labor market mobility, shifts in existing concepts and frameworks due to technological innovations including those related to AI, regulatory revisions affecting the Company's operations, changes in inflation and associated monetary policies, geopolitical risks such as the Russia-Ukraine conflict, rising cyber attacks due to the advancement of DX, changes in consumer behavior due to inflationary pressures, and the occurrence of natural disasters influenced by factors like climate change can all be considered as contributing factors.

In terms of the internal environment, we have categorized it into four aspects: Governance, Business & Services, Organization & Human Resources, and Systems & Data. Under Governance, we consider the complexities arising from the active M&A strategy leading to an increased number of group companies and the need for enhanced integrated risk management across the group. In the aspect of Business & Services, factors such as effective communication and management with newly acquired group companies and overseas subsidiaries due to the growing number of M&A targets are relevant. Regarding Organization & Human Resources, challenges like the rising difficulty in recruitment due to improved hiring capabilities of emerging companies need to be addressed. As for Systems & Data, the expansion of security measures in response to the growing prevalence of cyber attacks is a key consideration.

3 Risk Analysis

Visualization of importance through heat map analysis



Impact: Low = Minor damage, Medium = Limited but significant damage (around a few million yen), High = Major damage (around tens of millions of yen)
 Probability of occurrence: Low = Occurs once every few years to years, Medium = Occurs multiple times a year, High = Occurs consistently throughout the year

Understanding the Current Situation through Visualizing Key Risks

Here, we are visualizing the importance of major risks that could impact the Company group, based on two dimensions: the likelihood of occurrence and the impact level of each risk.

Some of the high-importance risk categories include macroeconomic risks, system-related risks, HR risks, technological innovation, operational execution and oversight structure risks, and competition environment risks. Concerning risks associated with the macro environment, there is an escalation of concerns about economic downturn due to rapid inflation and tightening monetary policies by central banks in various countries. Such uncertainties about the future may impact clients' hiring needs and system investment demands. However, on a positive note, there are changes in the macro environment, such as the recovery of overseas travel demand in the post-pandemic era. While navigating through such macro conditions, we will strive to minimize risks and maximize opportunities.

Regarding system-related risks, we are aware of the increasing momentum in DX and the widespread use of ICT, which has contributed to the growing number of cyberattacks. In response to this, the Company is taking measures under the leadership of the Security Management Unit, and we are establishing guidelines and promoting awareness among employees to mitigate these risks.

In terms of HR risks, the rising recruitment capabilities of emerging companies and others may impact recruitment difficulty and turnover rates. To address these challenges, we have implemented measures such as expanding employee benefits, raising compensation structures, and ensuring fulfilling work environments. Additionally, there is a risk associated with the dependency on Mr. Joe Hirao, the CEO and President who has been leading our company since its establishment. To mitigate this risk, we are working on proper delegation of authority, sharing management expertise and methodologies, and focusing on leadership development. In the future, we will also consider developing more concrete succession plans.

For technological innovation, there is a growing prevalence of AI services like ChatGPT provided by OpenAI, a company specializing in AI research and development. These emerging technologies and services have the potential to impact existing business models and user behaviors. We must closely monitor how these new technologies and services may affect our operations. However, it's important to note that our approach is not only about addressing potential negative impacts on existing services, but also about harnessing these technologies appropriately to enhance value and provide additional benefits.

Other important risk factors include the complexity of management due to the increase in the number of group companies resulting from active M&A activities, as well as intensifying competition in certain sectors.

To address such risks, the management team and various relevant departments collaborate effectively and conduct regular risk analysis to comprehend and prevent potential risks across the entire group. In the event that these risks become apparent, swift and appropriate decisions and measures will be taken to mitigate the impact and ensure sustainable growth of the company.

3 Risk Analysis

Group Risk Assessment and Handling

In the Company, we evaluate the importance of risks based on a two-dimensional analysis of risk occurrence probability and impact severity. We prioritize addressing high-importance items and proactively implementing measures. Considering changes in the external environment, we aim to comprehensively identify the risks that need to be addressed as a priority. By effectively utilizing our limited management resources, we work towards preventing the manifestation of risks and avoiding any deterioration in corporate value.

Identifying Risks		Examples of Risk Control	Current Trend
Risks	Risk Content	Examples	
Macro Environmental Risks	<ul style="list-style-type: none"> Economic Downturn Risk: Economic downturn risk due to factors such as rising interest rates. 	<ul style="list-style-type: none"> Collecting relevant information about the economic trends and financial policies of major countries and preparing for worst-case scenarios in business operations. 	↑
Competition Environment Risks	<ul style="list-style-type: none"> Intensified Competition Risk: Risk of worsening competition in certain sectors such as caregiving and beauty, driven by the emergence of new entrants and other factors. 	<ul style="list-style-type: none"> Gathering information through competitor analysis and implementing strategies based on their trends and movements. 	↑
Technological Innovation Risks	<ul style="list-style-type: none"> Emergence of New Technology Risk: Risk of disruption caused by the rise of new technologies like AI, which could impact existing business models and user behavior. 	<ul style="list-style-type: none"> Collecting information about new technologies, evaluating their potential for utilization, and understanding their impact on existing business operations. 	↑
Regulatory and Compliance Risks	<ul style="list-style-type: none"> Legal/Contractual Violation Risk: Risk related to various legal or contractual breaches. Compliance Risk: Risk of violating social norms and standards. Information Leakage Risk: Risk associated with information leaks or breaches. 	<ul style="list-style-type: none"> Thorough legal checks based on the importance of issues, including enhancing understanding of regulations such as the Prize Act that pertain to business operations. Promoting understanding through compliance training and regular testing. Updating guidelines through the Information Security Committee and raising awareness among employees. 	↔
HR Risks	<ul style="list-style-type: none"> Resignment/Recruitment Risk: Risk related to resignation and challenges in recruitment, affecting talent acquisition. Labor Risk: Risk associated with labor issues and various forms of harassment. Person Dependency Risk: Risk related to dependency on CEO Joe Hirao. 	<ul style="list-style-type: none"> Improvements in the personnel system, such as raising the compensation table and expanding employee benefits, to ensure job satisfaction. Promoting understanding of labor standards and various forms of harassment, along with regular monitoring by the Health and Safety Committee and establishing consultation points. Appropriate delegation of authority and grooming of next-generation business leaders. 	↑
System Risks	<ul style="list-style-type: none"> Cyber Attack Risk: Risk of unauthorized access and other cyber attacks. System Failure/Legacy Risk: Risk of system failures due to high loads, data overload. 	<ul style="list-style-type: none"> Development of guidelines led by the Security Management Unit and raising awareness among employees. Maintaining processing capacity through load distribution, regular vulnerability assessments, phased replacement of systems, executing updates, regular backups, adopting the latest security software, and Utilization of cloud services. 	↑
Operational Execution and Oversight Structure Risks	<ul style="list-style-type: none"> Governance Risk: Risk related to overall group direction, control, and governance. Business Strategy Risk: Risk related to the execution and judgment of various business strategies. Operational Risk: Risk related to operational processes and business operations. 	<ul style="list-style-type: none"> Increasing the secondment of personnel from ZIGExN to the management department, and partial consolidation of management tasks. Establishing decision-making flows through diverse discussions involving members with various skills, and leveraging the expertise of specialists. Promoting business standardization and enhancing customer satisfaction through CS efforts. 	↑
Internal Management System Risks	<ul style="list-style-type: none"> Financial Fraud and Misstatement Risk: Risk related to inappropriate accounting practices and financial misstatements. 	<ul style="list-style-type: none"> Implementing preventive controls such as multi-level approval processes, Utilizing internal audits for the purpose of discovering issues and maintaining controls. 	↔
New Domestic/Overseas Business Risks	<ul style="list-style-type: none"> New Business Ventures Risk: Risk associated with new business initiatives, including those involving international expansion. 	<ul style="list-style-type: none"> Thorough understanding and analysis of industry-specific regulations, business practices, industry trends, etc. 	↔
Financial Risks	<ul style="list-style-type: none"> Impairment Risk: Risk of recognizing impairment losses due to poor performance or other factors affecting the value of intangible assets. Debt Recovery Risk: Risk associated with long-standing or bad debts that may not be recoverable. Dilution Risk: Risk of dilution of existing shareholders' ownership due to the exercise of new share subscription rights. 	<ul style="list-style-type: none"> Thorough DD and performance improvement initiatives, Enhanced performance through PMI, Monitoring of Goodwill-to-equity ratios, ratio of equity attributable to owners of the parent company. Encouraging debt collection through the Delinquent Accounts Management and Collections Department. Designing exercise conditions with consideration for shareholder value to mitigate dilution impact. 	↔
Natural Disasters/Accidents Risks	<ul style="list-style-type: none"> Climate Change and Geographical Risk: Risk associated with periodic natural disasters caused by climate change and geographical factors. 	<ul style="list-style-type: none"> Regular system backups and monitoring of operational status, Mitigating the risk of centralization through decentralization of facilities. 	↔
Other Risks	<ul style="list-style-type: none"> Reputational Risk: Risk related to the deterioration of reputation. Partner Risk: Risk of issues arising from business outsourcing or partnerships. 	<ul style="list-style-type: none"> Raising awareness about the risks associated with social media through cautionary messages and training. Thorough pre-screening of business partners and regular assessment of business quality. 	↔

3 Mechanisms Supporting Value Creation

4 IR Activities

4 IR Activities

IR Activities

Basic Policy

In addition to striving to disclose information in accordance with the Financial Instruments and Exchange Law and the timely disclosure rules stipulated by the Tokyo Stock Exchange, we will actively and fairly disclose information that, in the Company's judgment, is useful to its shareholders and investors.

Investor Meetings

We actively engage in dialogues with institutional investors. Our 1-on-1 meetings are primarily conducted with domestic institutional investors and led by the Director and Operating Officer, Ms. Hatano. For international institutional investors, Mr. Hayakawa, the Head of Corporate Strategy Division, serves as the speaker. These interactions provide opportunities for discussions with other members of the executive team and our IR personnel as well.

FY3/2023				FY3/2024
1Q	2Q	3Q	4Q	1Q
27meetings	21meetings	30meetings	25meetings	45meetings

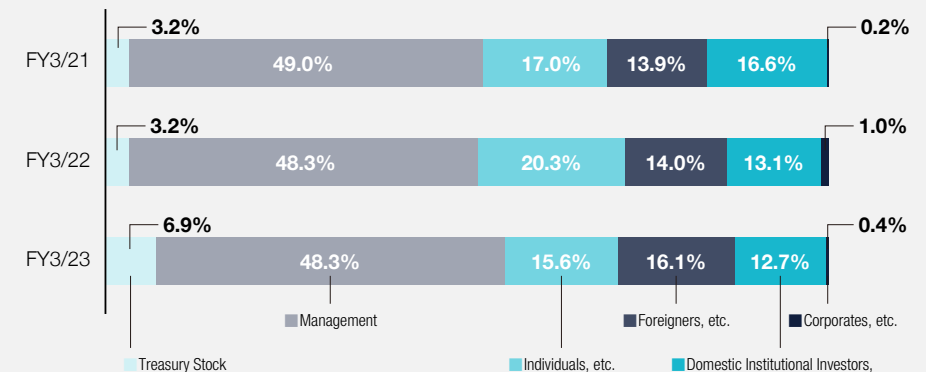
Diverse Presenters

In the company, not only the CEO and the IR department but also members of the management team, business officers, and presidents of group companies participate in individual investor briefings. By having them present, we aim to provide shareholders and investors with a more comprehensive understanding of our company from various perspectives.

Presenter	Positions and Responsibilities	Briefings for individual Investors	Briefings for Institutional Investors
Joe Hirao	Representative Director, Operating Officer and CEO	4	6
Sachiko Hanatano	Director Operating Officer / Corporate Management Division	1	6
Shinji Sato	Director Operating Officer / Life Support	1	-
Ryosuke Imai	Operating Officer / Housing, Ties	2	1
Ippei Suzuki	Operating Officer / REJOB	1	1
Takeshi Fukada	APW-TSD President and CEO	1	-

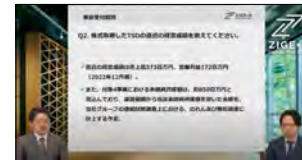
Note: The individual investor briefing and institutional investor briefing are aggregated within the FY3/2023 period. Additionally, the institutional investor briefing includes small meetings organized by securities firms.

Shareholding Distribution Status



Examples of IR measures

Disclosure of information for new investors, expansion of factbook disclosure, enhancement of English translation disclosure (translation of convocation notices and web disclosures, translation of financial statements), video streaming of investor presentations, and disclosure of scripts in both Japanese and English for investor briefings.



Director and Operating Officer, Mr. Sato (on the right), along with President and CEO of APW-TSD, Mr. Fukuda (on the left), presenting at the investor briefing for individual investors.



For more details, please refer to our company's IR website.
<https://zigexn.co.jp/en/ir/>



Integrated Report 2022
https://zigexn.co.jp/en/ir/integrated_report/



Business Portfolio



Life Service Platform Business

Overcoming “Information Asymmetry” through Diverse Business Expansion

We are focused on overcoming “information asymmetry” across a diverse range of business endeavors. Our particular emphasis lies in addressing the issue of “information asymmetry”, and we are committed to conquering this challenge within our business operations. Specifically, we are engaged in a broad spectrum of businesses, centered around areas that impact people’s lives such as beauty and healthcare, caregiving and childcare, real estate, renovations, and travel.

Our business portfolio is categorized into three main segments. Vertical HR, which is our flagship business specializing in HR business for specific sectors, and Living Tech, which focuses on real estate

leasing and renovation.

Lastly, we have Life Service, which operates in the travel sector, provides system development solutions, and manages various media platforms.

In the fiscal year ended in March 2023, we have completed five new M&A transactions (25 in total), and we remain committed to reducing the disparity in “information asymmetry.” Our goal is to leverage our platform to address the lives of people worldwide, striving to achieve our corporate mission of “maximizing life opportunities”.

Life Service Platform Revenue **18,709M yen (FY3/2023)**

Vertical HR

7,181 M yen

Comprised of our flagship business in the HR sector, specializing in specific domains.

38.4%

REJOB Co., Ltd.

Operates job search platforms specializing in the beauty and healthcare industries.



<https://relax-job.com/>

Ties Co., Ltd.

Operates a manufacturer-focused Job Placement business.



<https://www.ee-ties.com/>

MIRAxS CO., Ltd.

Operates a job placement and temporary staffing business specializing in the nursing care and childcare industries.



<https://kaigo.miraxs.co.jp/>

Living Tech

4,819 M yen

Comprised of our main businesses in the real estate sector.

25.8%

Housing Business

Operates a Real estate information search website.



<https://smocca.jp/>

Life Support Business

Operates renovation comparison website, propane gas comparison website, etc.



<https://rehome-navi.com/>



<https://enepi.jp/>

Overseas real estate investment agency business

Primarily introducing properties in South-east Asia to affluent domestic clientele.



<https://ja.sekaiproperty.com/>

Life Service

6,709 M yen

Comprised of businesses that generate stable cash flows.

35.9%

Apple World Inc./TSD

Operates a hotel reservation website for travel agencies and an airline ticket comparison and reservation website.



Link your destination.

<https://appleworld.com/agt/>



株式会社 ティ・エス・ディ

<https://travelsupportdesk.jp/>

Brain Lab Inc.

Provides systems for a job placement and temporary staffing business



<https://www.matchingood.co.jp/>



<https://www.career-plus.co.jp/>

Partner Solution Business

Operates franchise comparison websites.



<https://www.fc-hikaku.net/>

REJOB

REJOB, a job search website specializing in the beauty and healthcare industries



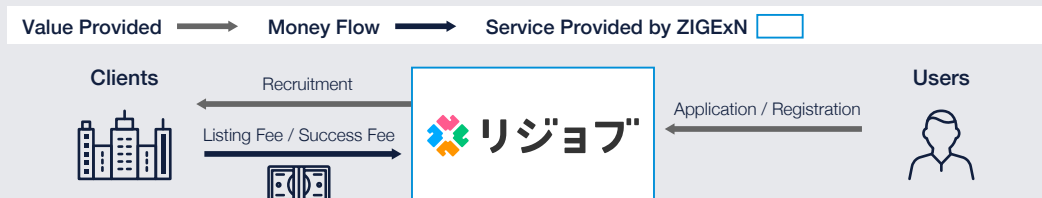
Vertical HR

Joined the Group in 2014



REJOB Business Officer

Ippei Suzuki



Strengths

- Only active offices engage in recruitment activities
- Leveraging industry specialization to achieve swift and precise matching.

Challenges

- Rising difficulty in acquiring businesses and job seekers due to increased competition
- Continued establishment of relationships with job seekers



What aspects do you focus on when providing value to “clients (beauty salons, etc.)” using REJOB?

First and foremost, we focus on the ability to hire individuals that clients are seeking. REJOB is a specialized job search platform tailored to the beauty industry, which enables more detailed criteria settings compared to other platforms. In other words, we leverage specific data about applicants’ experiences and skills unique to the beauty salon field, such as skills in perming, coloring, and years of experience. This effort aims to enhance the accuracy of matching between job seekers and employers.

Secondly, we place a strong emphasis on expediting the hiring process. Beauty salons rely heavily on their staff, and sudden staff turnover can result in missed opportunities and become a critical issue for salon businesses. To address this, REJOB offers services designed to accelerate the speed of decision-making in the hiring process.

Moving forward, we will continue to develop our services with the goal of maximizing value for both parties involved.



Looking back on the 2nd year of our mid-term plan, please provide details about the focus areas and accomplishments of the FY3/2023.

In the FY3/2023, we made system enhancements that allow for the expansion of information handling capacity for both our offices and job seekers. Previously, there were cases where opportunities were missed due to insufficient information, leading to situations where mutual understanding was lacking or matches couldn’t be made. However, with these

improvements, a foundation has been established to efficiently accumulate the necessary information for both parties.

Moving forward, our focus will be on taking actions to actually expand the amount of information available. We aim to diversify and improve the accuracy of matching opportunities by leveraging the increased information and the behavioral data of both parties.



As you move further with your growth, what is your policy and mission for the future?

Amid the significant challenge of high turnover rates in the beauty industry, we believe that contributing to the industry’s growth involves creating environments where employees can work for the long term.

For instance, the recent trend of diversified work styles in conventional companies applies to the beauty industry as well. We are not confined to the traditional 5-day full-time work model. Instead, we are fostering a range of work options, such as part-time or 3-day work weeks. By doing so, we aim to offer fresh opportunities for both businesses and job seekers. Through continued efforts in the areas mentioned earlier and ongoing service development, we are dedicated to facilitating optimal matches for both parties involved.

Ties

“Ties” Job Placement specialized in manufacturers



Vertical HR

Joined the group in 2022



Ties Business Officer

Ryota Aoki



Strengths

Recruitment orders based on the high satisfaction levels we've achieved from clients, including major companies in the industry

Challenges

- Creating Business Models Utilizing Digital Innovation
- Dependency on Other Companies' Platforms for User Attraction



What aspects do you focus on when providing value to “clients” using Ties?

First and foremost, we prioritize the pursuit of the best matching. To reduce hiring mismatches, we conduct thorough and detailed interviews with the hiring personnel of our clients. We gather information about the company's values, business policies, corporate culture, and internal dynamics. Our approach to matching goes beyond mechanical criteria such as job listings, qualifications, age, job category, location, and salary. We are committed to a human-involved matching process, ensuring that human expertise plays a key role in the process rather than relying solely on automated algorithms.

Secondly, we place great emphasis on having a team of highly specialized consultants and sales professionals. In the hiring of manufacturing industries, skills required are often highly specialized, and job seekers are particular about aligning with their desired roles. Effective matching cannot occur without consultants and salespeople possessing the necessary domain expertise. Since our establishment in 2005, we have focused on specialization within the manufacturing sector, enabling us to achieve precise talent matching. As a result, we have achieved a remarkable success rate and secured the top position in terms of recruitment share for mid-career hiring with various major manufacturing companies.

Thirdly, we possess a specialized candidate database focused on the manufacturing sector. With a strong emphasis on online marketing, we have been able to gather daily registrations from individuals working within the manufacturing industry through our service website. What sets us apart and encourages candidates to choose our services amidst numerous job placement options is our deep knowledge of the manufacturing sector.

Our consultants and sales professionals thoroughly explain companies

and provide insights from job seekers who have transitioned, addressing concerns and queries that manufacturing professionals have during job changes.

Furthermore, we regularly facilitate real-world networking opportunities for those employed in manufacturing, cultivating strong connections not only online but also in person.

As a result of these efforts, we can offer a pool of job seekers tailored to the diverse recruitment needs of various clients.



Please tell us about the changes before and after you joined the group.

There have been significant changes in marketing efficiency.

Firstly, there has been an improvement in profit margins through the shift to managing Return on Advertising Spend (ROAS). Previously, the focus was on maximizing the number of leads and conversions, with less emphasis on cost-effectiveness. However, after the integration into the group, a thorough evaluation of various channels, revising the campaign design, and optimizing budgets led to a shift towards ROAS-centric operations. As a result, there was a successful improvement in various KPIs.

Secondly, the speed of evaluating the effectiveness of the measures has improved due to the availability of expertise and consultations both internally and externally for web marketing and advertising operations. In the past, web marketing and advertising operations were primarily handled by external consultants or advertising agencies. However, after joining the group, access to the latest expertise from the ZIGExN Group and the ability to engage in detailed consultations became possible. This led to an acceleration in the pace of validating marketing strategies.

Housing

“CHINTAI SMOCCA,” the integrated search platform for real estate rental information.

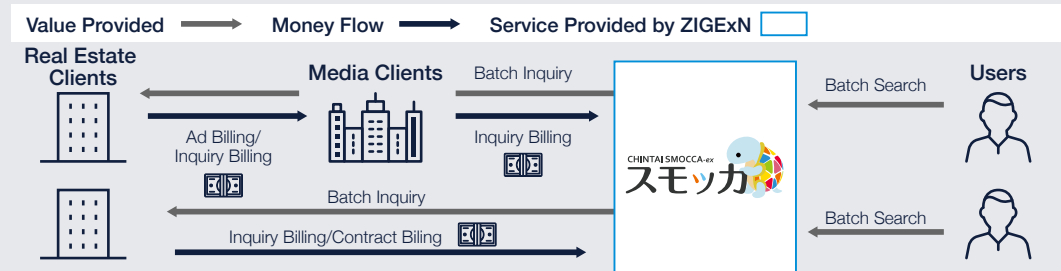


Living Tech

Launched the Business
in 2010



Housing Operating
Officer
Mirai Ogura



Strengths

With an extensive selection of over four million properties and a B2B development ability to focus on enhancing response quality.

Challenges

Development of product distinctiveness exceeding the scope of congratulatory cashbacks.



What aspects do you focus on when providing value to “clients” using CHINTAI SMOCCA?

For the real estate companies who are clients of “CHINTAI SMOCCA”, the value proposition lies in providing high-quality leads and business support services to enhance efficiency.

The measurement of value to these clients is seen through GMV (Gross Merchandise Value) generated via transactions facilitated through the platform. The goal is to maximize GMV, and achieving that involves two key strategies: maximizing the number of responsive users and maximizing conversion rates.

To increase the number of responsive users and maximize conversion rates, we are further refining our matching technology that leverages ZIGExN’s vast database and links it to user needs. Simultaneously, we are committed to providing an optimal user experience for home seekers.

In addition, from a separate perspective than GMV, we also place importance on streamlining operational efficiency by minimizing the operational resources of real estate companies to generate GMV. We are conscious of enhancing product deployment for the processes where we should intervene from user inquiries to transactions. Through expanding our product offerings, we aim to further support DX and operational efficiency improvements.



What aspects do you focus on when providing value to “users” using CHINTAI SMOCCA?

Our service offers the ability to find properties that match individual preferences from an extensive database, along with industry-leading congratulatory cashbacks for successful deals, ensuring cost-effective relocations.

To further enhance value for our users, we’re leveraging the wealth of behavioral data accumulated during our operations to personalize home searches. We’re also focused on generating additional benefits beyond affordability, aiming to provide an optimal moving experience tailored to each user. Our commitment to personalization is ongoing, driven by a dedicated development approach.



What is your mission for the future?

We aspire to evolve our service into the primary choice for individuals during the moving process by expanding our collection of distinctive content, refining the search experience using behavioral data, and designing benefits aligned with each user’s characteristics. Our goal is to create a state where inquiring through “CHINTAI SMOCCA” leads to a cost-effective and optimal moving solution in the shortest time possible. Furthermore, as a result of this evolution, our clients’ GMV will be maximized. However, rather than a direct proportionate increase in clients’ burden, we are also focused on enhancing client operational efficiency. By directing attention toward streamlining real estate professionals’ workflows, we aim to generate more time for them to engage with prospective tenants. This approach not only maximizes our company’s GMV but also concentrates on improving the user’s opportunity to choose their ideal residence.

Renovation

“Reshop Navi” a platform for comparing information and quotations from various renovation companies

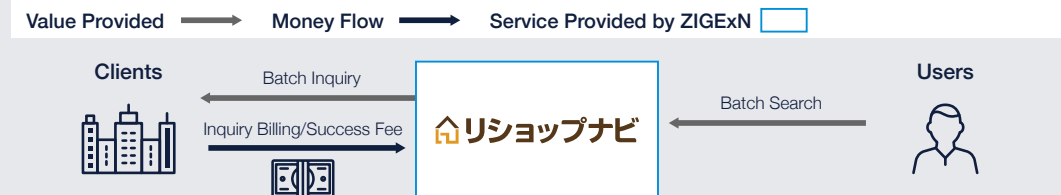


Living Tech

Joined the group in 2020



Life Support
Operating Officer
Yu Ishizuka



Strengths

- The leading remodeling matching site in Japan, boasting a track record of usage and accumulation of unique user data
- Possesses a network of 3,800 remodeling companies nationwide

Challenges

- Market recognition
- Distinctive differentiation from competitors



What aspects do you focus on when providing value to “clients (Building Contractors)” using Reshop Navi?

The core of our platform strategy is enhancing the ability to attract users with a high level of consideration, particularly those who are valuable to construction companies. This approach directly contributes to improving the sales productivity from the clients’ perspective. I have been involved in the operation of “Reshop Navi” even before joining the “ZIGExN Group”, but especially after becoming a part of the group, I have noticed a substantial improvement in our marketing capabilities. This improvement has translated into a significant increase in our ability to bring in users, ultimately leading to enhanced value delivery to our clients.



What aspects do you focus on when providing value to “users (people considering house renovation)” using Reshop Navi?

In addition to introducing reputable remodeling companies that have successfully passed our unique membership screening process, we have a call center where we provide added value through advice from knowledgeable concierges specialized in remodeling. Each user’s home is of utmost importance, and since remodeling is generally not something done frequently, many individuals might hesitate. Recognizing that some users might feel uncertain relying solely on online platforms, we strive to offer personalized guidance to align with their concerns, and optimize the remodeling experience.

As a result, we have achieved the top position in terms of the number of estimation requests within the remodeling-related website.



Please provide a reflection on the second year of your mid-term plan and share your upcoming missions.

In the FY3/2023, we were able to gain membership from numerous building contractors and generate a multitude of renovation experiences as a renovation matching service. Although it’s only a small part, we successfully expanded our matching services into areas such as housing demolition, enabling us to comprehensively support house renovation and demolition projects. Moreover, by focusing on content dissemination through videos and social media, we believe we have been able to enhance service awareness among our target users.

Moving forward, our aim is to build even deeper relationships with building contractors while ensuring appropriate offerings for users involved in decisions related to all aspects of housing, not just renovation. Our first step will be to work towards the e-commerce transformation of house renovation, making renovation experiences more accessible and convenient for everyone.

Traveling

Hotel and Airline ticket reservation system for travel agencies “Apple World” “Gallant Tour” “Rikisha” and Airline ticket reservation website “TRAVELIST”



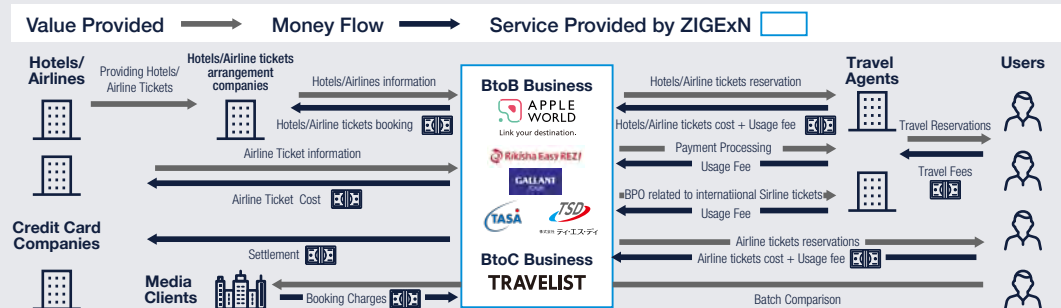
Life Service

“Apple World”
Joined the group in 2018

“TSD”
Joined the group in 2023



Apple World/TSD
Operating Officer
Takeshi Fukada



Strengths

Providing value through digital product development and concierge professionals in the traveling sector

Challenges

Establishing individuality in the BtoC Sector

Q Please share us the business model of APW and TSD.

As for APW, the core business revolves around what is commonly known as wholesale operations in the BtoB travel sector. We primarily offer reservation services for international airline tickets and hotels to domestic travel agencies. Operating under the name APW, we have positioned ourselves as a major player in this business, boasting the largest scale of operations among companies engaged in similar domestic businesses. Our platform facilitates travel agencies to make hotel and flight reservations, and APW manages the reservation services in this process. In doing so, a service fee is added to the cost price of hotels and airline tickets. We then remit the cost portion to the hotels and airlines. Additionally, in the BtoC sector, we operate an OTA business called TRAVELIST, providing online reservation services for domestic hotels and airline tickets to individual travelers. Similar to our BtoB operations, we list hotels and airline tickets. However, with TRAVELIST, we offer reservation services directly to individual travelers. We apply a service fee to the cost price of hotels and airline tickets, and in return for this service, we remit the cost portion to the hotels and airlines.

TSD operates four businesses, all within the BtoB sector. The first is called “Gallant Tour”, which involves the procurement, issuance, and settlement of international airline tickets for travel agencies. The second is “Rikisha”, a hotel reservation service provided to travel agencies. Both of these businesses share a similar business model to APW’s.

The third business is the TASA business, which provides comprehensive credit card membership and various payment processing services to travel agencies. The fourth is the BPO business, which is also directed towards travel agencies. In emergency situations that occur with a certain probability, this service acts on behalf of travel agencies to provide ticket issuance services for international and overseas flights.

Q What is the aim of the acquisition of TSD and What is your vision for the future?

Originally, APW and TSD were in a competitive relationship within the same business sector. Through the acquisition of TSD’s shares, we are not only strengthening our position in the BtoB sector but also expanding the scope of solutions beyond hotels and airline tickets, including payment and business systems. Our goal is to provide comprehensive solutions to travel agencies, catering to their needs holistically. Additionally, by complementing APW’s relative weakness in the airline ticket sector through TSD’s assets, we have accelerated the development of overseas airline ticket services in the BtoC sector. Moving forward, both companies will continue to focus on delivering solutions that directly enhance clients productivity and service quality.

5

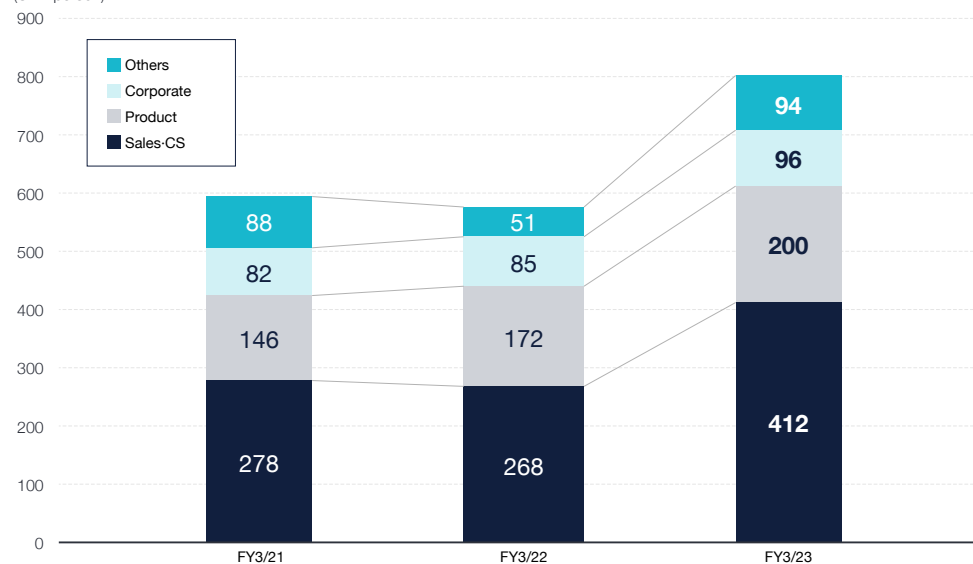
Data section

Employees

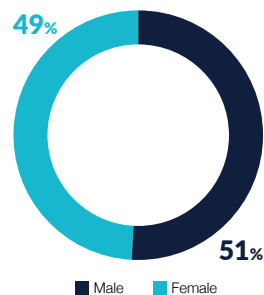
Consolidated

Composition of Employees (note1, 2, 3)

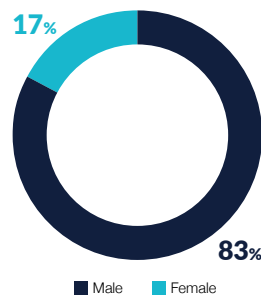
(Unit: person)



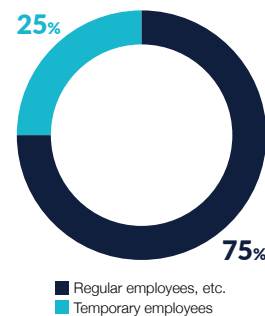
Ratio of male to female employees (note4)



Ratio of managers



Ratio of employment status (note5)



Note 1: Temporary employees of MIRAXS' temporary staffing business are excluded.

Note 2: Product consists of marketing, engineers and designers. Others consist of business officers, managers, etc. Sales/CS includes sales management.

Note 3: From FY3/23 onward, sales management is transferred from "Other" to "Sales-CS" for further refinement.

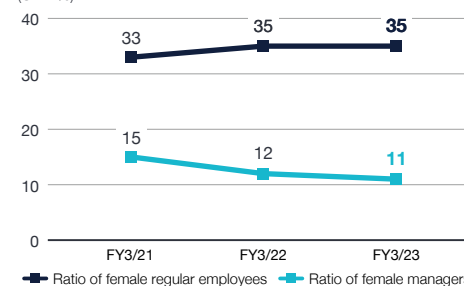
Note 4: Temporary employees of MIRAXS' temporary staffing business are included.

Note 5: Temporary employees are the annual average number of contract employees, temporary employees, and part-time employees.

Non-consolidated

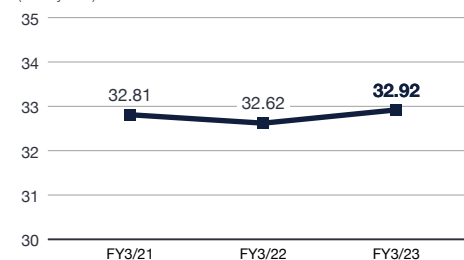
Ratio of female regular employees and female managers

(Unit: %)



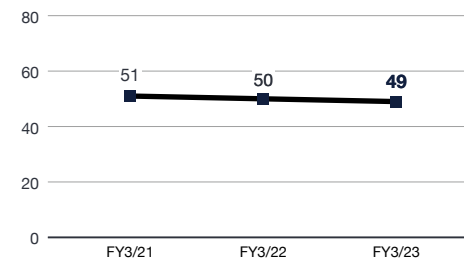
Average age (Note 6)

(Unit: years)



Percentage of paid leave taken (Note 7)

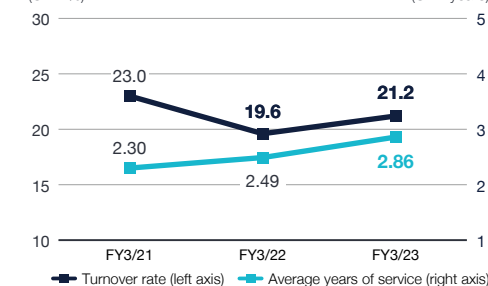
(Unit: %)



Turnover rate and average years of service (Note 6)

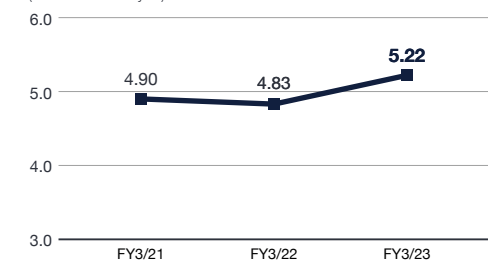
(Unit: %)

(Unit: years)



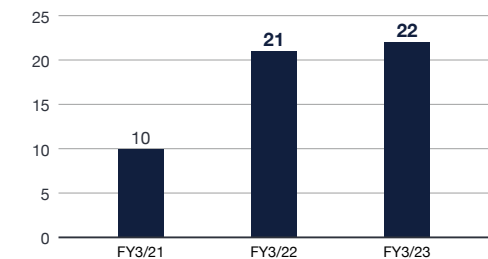
Average annual salary (Note 6)

(Unit: millions of yen)



Number of new graduates hired (Note 8)

(Unit: person)



Note 6: Until FY3/22, including contract employees in addition to regular employees; FY3/23, only regular employees.

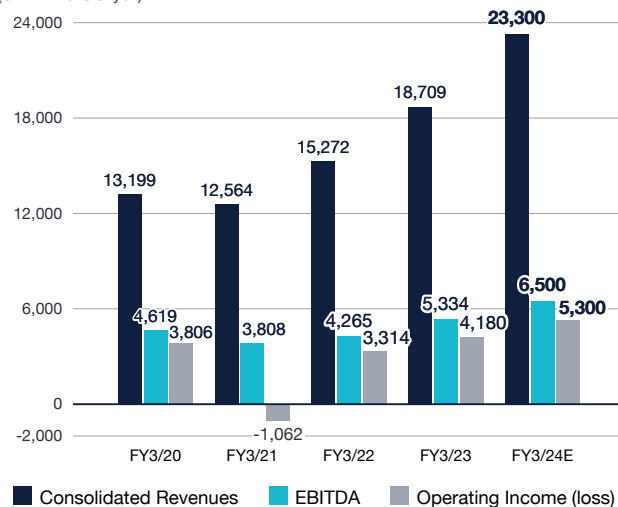
Note 7: Includes full-time employees and excludes contract employees, temporary employees, and part-time employees.

Note 8: The number of new graduates hired is the number of new hires on April 1 of each fiscal year.

Key Indicators 1

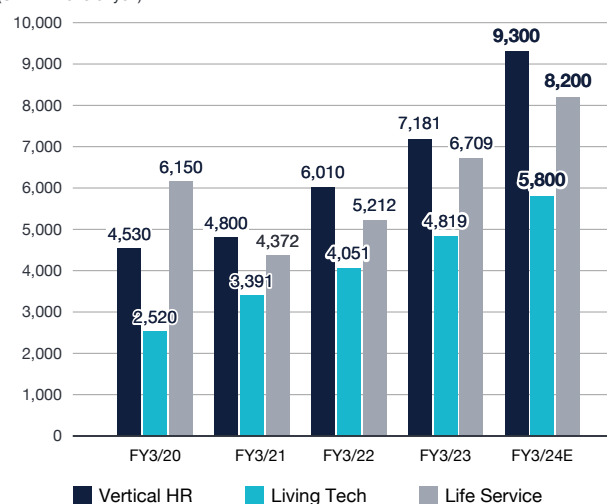
Consolidated Revenue, EBITDA, and Operating Income (loss)

(Unit: millions of yen)



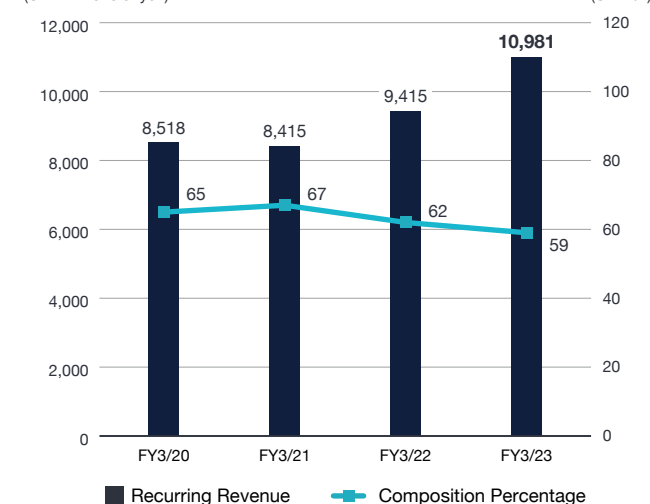
Revenue by segment

(Unit: millions of yen)



Recurring Revenue

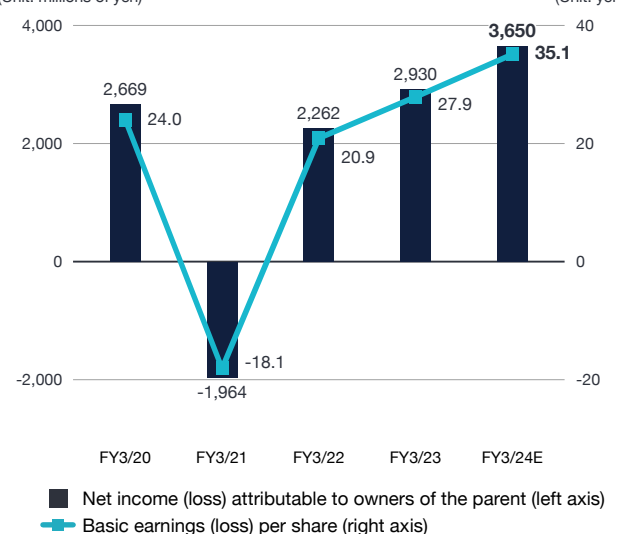
(Unit: millions of yen)



Net Income Attributable to Owners of the Parent / EPS

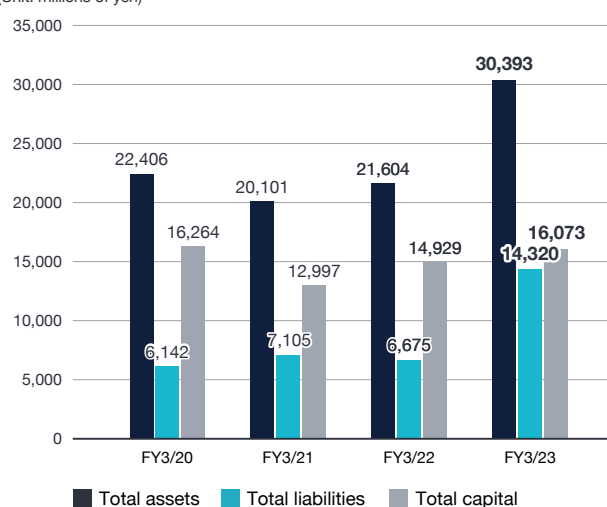
(Unit: millions of yen)

(Unit: yen)



Total Assets, Liabilities, and Capital

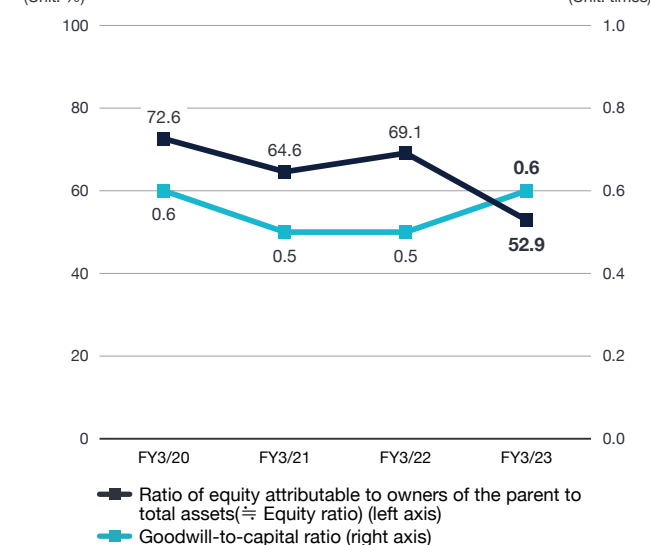
(Unit: millions of yen)



Equity Ratio Attributable to Owners of the Parent / Goodwill-to-Capital Ratio

(Unit: %)

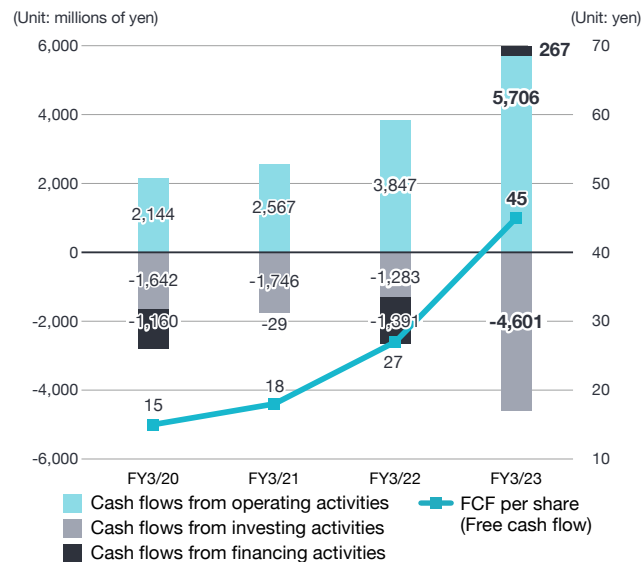
(Unit: times)



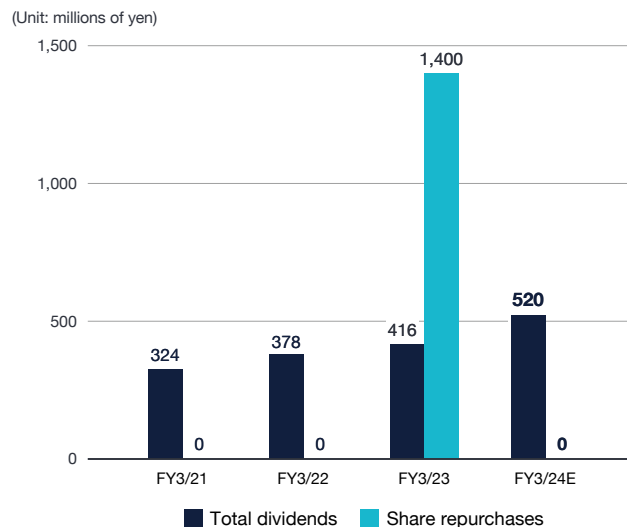
Note: In the second quarter of the fiscal year ending March 31, 2021, the Company recorded an impairment loss of 4,030 million yen on goodwill and other assets.

Key Indicators 2

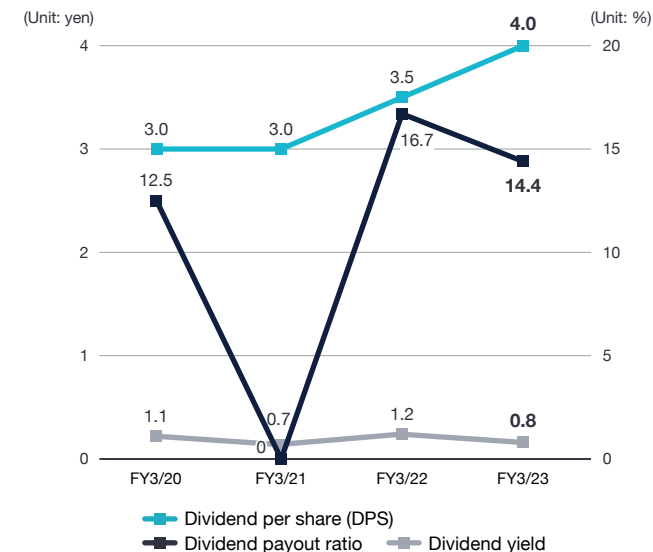
Operating, investing, and financing CF and FCF per share



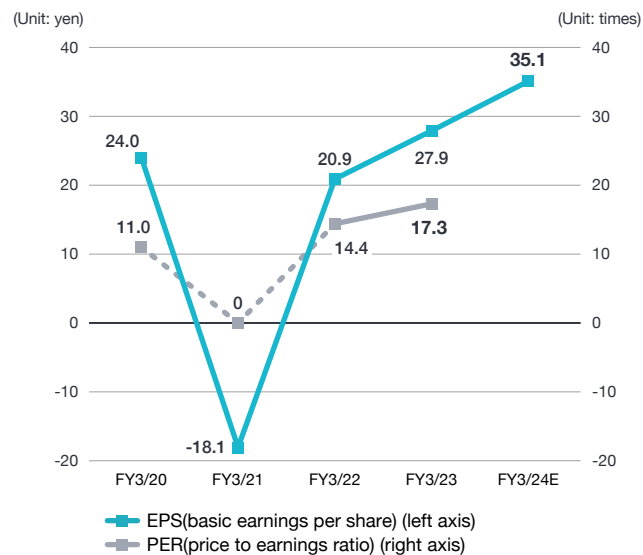
Total dividend and share repurchases



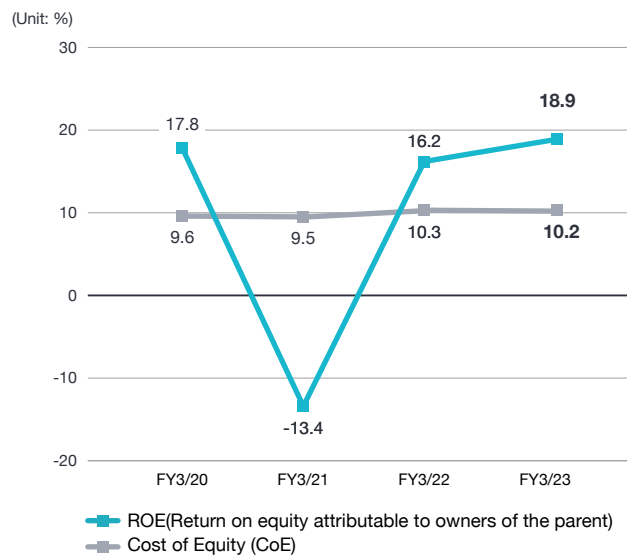
Dividend per share (DPS), dividend payout ratio, dividend yield



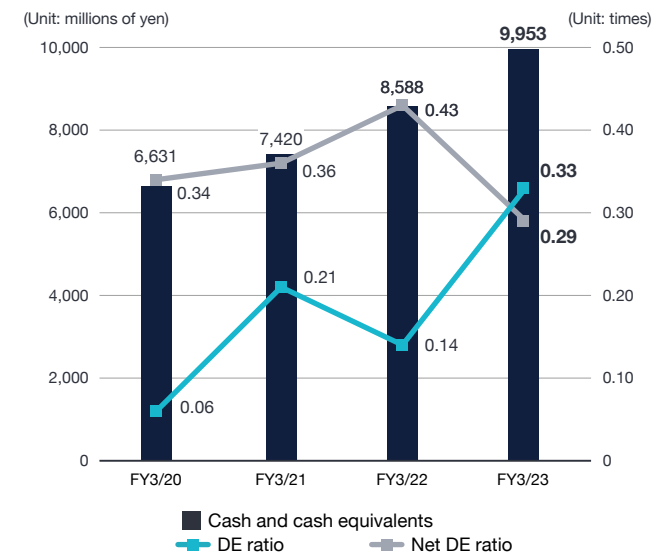
EPS-PER



ROE-Cost of Equity



Cash and cash equivalents, DE ratio, Net DE ratio



[IFRS] Consolidated Statement of Financial Position

(Unit: yen in millions)

	FY3/2021				FY3/2022				FY3/2023				FY3/2021	FY3/2022	FY3/2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Assets															
Current assets															
Cash and cash equivalents	6,324	7,062	6,924	7,420	7,910	8,650	8,630	8,588	8,186	8,155	7,815	9,953	7,420	8,588	9,953
Trade and other receivables	1,582	1,755	1,709	1,976	1,833	1,901	1,694	1,950	2,011	2,363	2,401	3,378	1,976	1,950	3,378
Other current assets	26	59	29	1	1	0	10	11	243	125	82	44	1	11	44
Other financial assets	626	272	494	563	476	231	285	349	711	737	729	933	563	349	933
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total current assets	8,559	9,148	9,156	9,960	10,219	10,783	10,619	10,897	11,152	11,380	11,026	14,308	9,960	10,897	14,308
Non-current assets															
Tangible fixed assets	134	119	112	101	93	98	92	86	88	89	115	142	101	86	142
Right-of-use assets	1,134	1,051	1,019	926	823	745	677	787	730	641	573	1,408	926	787	1,408
Goodwill	9,428	5,815	6,655	6,655	6,655	6,655	6,655	6,934	7,107	7,556	9,227	9,911	6,655	6,934	9,911
Intangible assets	1,384	1,023	1,206	1,251	1,334	1,447	1,530	1,600	1,713	1,836	2,004	2,419	1,251	1,600	2,419
Other financial assets	471	451	450	444	439	444	443	455	433	442	716	897	444	455	897
Deferred tax assets	409	540	830	763	807	817	785	843	960	980	1,019	1,307	763	843	1,307
Other non-current assets	0	0	1	1	1	1	1	3	3	5	4	3	1	3	3
Total non-current assets	12,960	8,999	10,273	10,141	10,152	10,207	10,183	10,707	11,034	11,548	13,657	16,086	10,141	10,707	16,086
Total Assets	21,519	18,147	19,429	20,101	20,371	20,989	20,802	21,604	22,186	22,928	24,683	30,393	20,101	21,604	30,393
Total liabilities and net assets															
Liabilities															
Current liabilities															
Short-term loans	337	231	647	637	637	637	637	637	2,040	2,057	2,632	3,051	637	637	3,051
Trade and other payables	517	711	729	841	873	937	854	898	1,166	1,507	1,248	1,872	841	898	1,872
Other financial liabilities	1,125	1,080	1,112	1,189	1,396	1,399	1,261	1,338	1,489	1,579	1,447	3,099	1,189	1,338	3,099
Income taxes payable	257	501	266	423	338	599	373	449	399	697	543	817	423	449	817
Allowance	160	130	106	118	126	121	116	129	118	103	120	126	118	129	126
Lease liabilities	412	412	409	410	408	416	436	382	345	304	264	464	410	382	464
Other current liabilities	665	768	780	653	694	698	742	795	965	1,119	1,318	1,608	653	795	1,608
Total current liabilities	3,473	3,832	4,049	4,271	4,473	4,807	4,419	4,627	6,522	7,366	7,572	11,037	4,271	4,627	11,037
Non-current liabilities															
Long-term loans	1,467	1,412	2,191	2,132	1,972	1,813	1,654	1,495	448	415	1,461	2,178	2,132	1,495	2,178
Allowance	131	157	157	157	157	156	156	149	154	156	164	184	157	149	184
Lease liabilities	693	614	591	500	401	312	227	383	361	310	274	900	500	383	900
Other non-current liabilities	29	48	45	32	36	39	33	20	19	22	24	20	32	20	20
Deferred tax liabilities	34	73	26	13	11	3	2	0	0	1	0	0	13	0	0
Non-current liabilities	2,354	2,304	3,009	2,834	2,578	2,324	2,071	2,047	983	903	1,922	3,283	2,834	2,047	3,283
Total Liabilities	5,827	6,136	7,058	7,105	7,051	7,130	6,490	6,675	7,504	8,269	9,494	14,320	7,105	6,675	14,320
Net assets															
Share capital	2,552	2,552	2,552	2,552	2,552	2,552	2,552	2,552	2,552	125	125	125	2,552	2,552	125
Capital premium	2,538	2,538	2,538	2,538	2,540	2,542	2,542	2,542	2,542	4,969	4,969	4,969	2,538	2,542	4,969
Retained earnings	11,668	8,232	8,669	9,281	9,614	10,155	10,607	11,224	11,540	12,216	12,884	13,776	9,281	11,224	13,776
Treasury shares	(1,075)	(1,319)	(1,399)	(1,399)	(1,399)	(1,399)	(1,399)	(1,399)	(1,967)	(2,673)	(2,801)	(2,801)	(1,399)	(1,399)	(2,801)
Other components of equity	9	7	5	16	4	9	10	10	14	22	12	4	16	10	4
Total equity attributable to owners of the parent company	15,692	12,009	12,366	12,988	13,311	13,859	14,312	14,929	14,682	14,659	15,189	16,073	12,988	14,929	16,073
Non-controlling interests	1	2	5	8	10	0	0	0	0	0	0	0	8	0	0
Total Net Assets	15,693	12,011	12,371	12,997	13,320	13,859	14,312	14,929	14,682	14,659	15,189	16,073	12,997	14,929	16,073
Total Liabilities and Equity	21,519	18,147	19,429	20,101	20,371	20,989	20,802	21,604	22,186	22,928	24,683	30,393	20,101	21,604	30,393

[IFRS] Consolidated Statement of Income

(Unit: yen in millions)

	FY3/2021				FY3/2022				FY3/2023				FY3/2021	FY3/2022	FY3/2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Revenue	2,807	2,768	3,267	3,723	3,823	3,770	3,632	4,047	4,105	4,319	4,695	5,590	12,564	15,272	18,709
YoY growth (%)	-19.6%	-11.8%	5.9%	6.7%	36.2%	36.2%	11.2%	8.7%	7.4%	14.5%	29.3%	38.1%	-4.8%	21.6%	22.5%
Cost of goods sold	(468)	(454)	(573)	(586)	(598)	(625)	(617)	(653)	(686)	(703)	(842)	(928)	(2,081)	(2,493)	(3,158)
Gross profit	2,339	2,314	2,694	3,137	3,224	3,145	3,016	3,394	3,419	3,616	3,853	4,662	10,484	12,779	15,550
Gross profit margin (%)	83.3%	83.6%	82.5%	84.3%	84.3%	83.4%	83.0%	83.9%	83.3%	83.7%	82.1%	83.4%	83.4%	83.7%	83.1%
SG&A	(1,753)	(1,689)	(1,983)	(2,235)	(2,308)	(2,395)	(2,372)	(2,458)	(2,456)	(2,687)	(2,895)	(3,243)	(7,661)	(9,533)	(11,282)
Other revenue	15	88	4	25	15	20	14	25	10	10	11	23	131	74	54
Other expense	(1)	(4,002)	(4)	(8)	0	0	(1)	(4)	(1)	(5)	(8)	(129)	(4,016)	(5)	(143)
Operating income (loss)	599	(3,290)	711	918	931	769	656	958	972	934	961	1,313	(1,062)	3,314	4,180
Operating income margin (%)	21.3%	-118.9%	21.8%	24.7%	24.4%	20.4%	18.1%	23.7%	23.7%	21.6%	20.5%	23.5%	-8.5%	21.7%	22.3%
Financial revenue	0	0	0	0	0	0	0	0	0	0	0	31	0	1	32
Financial expense	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(2)	(2)	(13)	6	(7)	(6)	(10)
of profit of investments accounted for using the equity method (loss)	0	0	0	0	0	0	0	0	0	0	0	(3)	0	0	(3)
Income (loss) before income taxes	597	(3,291)	709	916	929	768	655	957	971	933	948	1,348	(1,069)	3,309	4,199
Margin (%)	21.3%	-118.9%	21.7%	24.6%	24.3%	20.4%	18.0%	23.6%	23.6%	21.6%	20.2%	24.1%	-8.5%	21.7%	22.4%
Income tax expenses	(176)	(144)	(268)	(302)	(271)	(225)	(203)	(345)	(276)	(256)	(280)	(456)	(889)	(1,043)	(1,269)
Net income (loss)	421	(3,435)	441	615	659	543	452	612	694	676	667	892	(1,958)	2,266	2,930
Margin (%)	15.0%	-124.1%	13.5%	16.5%	17.2%	14.4%	12.4%	15.1%	16.9%	15.7%	14.2%	16.0%	-15.6%	14.8%	15.7%
Net income (loss) attributable to:															
Owners of the parent company	423	(3,437)	438	612	657	541	452	612	694	676	667	892	(1,964)	2,262	2,930
Non-controlling interests	(2)	1	4	3	2	2	0	0	0	0	0	0	6	4	0

[IFRS] Consolidated Statement of Cash Flow

(Unit: yen in millions)

	FY3/2021				FY3/2022				FY3/2023				FY3/2021	FY3/2022	FY3/2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Cash flows from operating activities															
Income (loss) before income taxes	597	(3,291)	709	916	929	768	655	957	971	933	948	1,348	(1,069)	3,309	4,199
Depreciation and amortization	235	242	211	217	220	231	242	237	232	242	252	299	905	930	1,025
Gain on bargain purchase	0	(76)	0	0	0	0	0	0	0	0	0	0	(76)	0	0
Impairment loss	0	3,986	0	4	0	0	0	0	0	0	0	0	3,991	0	0
Financial revenue and expenses	1	1	2	2	2	1	1	1	1	1	12	(37)	6	6	(22)
Stock compensation expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Decrease (increase) in trade and other receivables	436	38	46	(216)	178	(100)	200	(245)	2	(177)	169	(561)	304	32	(567)
(increase) in advance payments to suppliers	0	0	0	0	0	0	0	0	0	0	0	(559)	0	0	(559)
Increase (decrease) in trade and other payables	(381)	88	17	112	28	67	(83)	44	244	309	(318)	309	(164)	56	543
(decrease) in advances received	0	0	0	0	0	0	0	0	0	0	0	208	0	0	208
(decrease) in deposits	0	0	0	0	0	0	0	0	0	0	0	1,720	0	0	1,720
Increase (decrease) in guarantee deposits	(47)	11	22	8	18	15	9	9	12	15	(2)	(13)	(6)	51	11
Increase (decrease) in sales promotion expenses	0	0	0	(52)	0	0	0	5	0	0	0	3	(52)	5	3
Increase (decrease) in accrued consumption taxes	179	(55)	(118)	(16)	212	3	34	0	(39)	(32)	(34)	55	(11)	250	(50)
Others	(137)	(102)	(33)	149	61	21	(196)	144	(83)	(30)	(160)	299	(123)	31	26
Subtotal	885	842	856	1,123	1,648	1,006	862	1,153	1,340	1,261	866	3,070	3,705	4,670	6,536
Interest and dividend received	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
Interest paid	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(2)	(2)	(3)	(4)	(7)	(6)	(10)
Income taxes paid	(733)	(7)	(538)	(276)	(380)	5	(400)	(299)	(429)	(1)	(461)	(37)	(1,553)	(1,073)	(927)
Income taxes return	5	415	2	0	1	258	0	(2)	2	105	(1)	0	421	256	106
Cash flows from operating activities	155	1,248	318	846	1,268	1,267	461	851	911	1,364	402	3,030	2,567	3,847	5,706
Cash flows from investing activities															
Proceeds from withdrawal of time deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of tangible fixes assets	(10)	(3)	(6)	(7)	(3)	(17)	(8)	(8)	(11)	(13)	(9)	(55)	(26)	(36)	(88)
Proceeds from sales of tangible fixed assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of intangible assets	(146)	(153)	(137)	(148)	(187)	(225)	(202)	(204)	(230)	(247)	(232)	(226)	(584)	(817)	(935)
Proceeds from the sale of investment securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment due to deposit of deposit / security deposit	0	0	0	(3)	0	0	0	(23)	0	0	0	(15)	(3)	(23)	(15)
Proceeds from deposit of deposit / security deposit	0	4	0	28	2	0	0	2	24	0	3	2	40	5	28
Payment due to assets retirement obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of money held in trust	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from cancellation of money held in trust	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of investments accounted for by the equity method	0	0	0	0	0	0	0	0	0	0	(54)	0	0	0	(54)
Proceeds from purchase of subsidiaries resulting in change in scope of consolidation	0	155	0	0	0	0	0	0	0	0	0	0	155	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	0	0	0	0	0	0	0	0	(164)	(271)	(1,508)	(1,650)	0	0	(3,592)
Payment for transfer of business	0	0	(1,321)	0	0	0	0	(400)	0	0	0	0	(1,321)	(400)	0
Net increase (decrease) in short-term loans receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	(6)	(3)	(6)	(11)	9	(1)	5	29	23	(6)	(11)	56
Cash flows from investing activities	(149)	2	(1,463)	(136)	(191)	(248)	(221)	(623)	(383)	(527)	(1,771)	(1,921)	(1,746)	(1,283)	(4,601)
Cash flows from financing activities															
Repayment of lease liabilities	(109)	(108)	(108)	(103)	(105)	(105)	(106)	(107)	(103)	(103)	(109)	(99)	(428)	(423)	(414)
Net increase (decrease) in short-term borrowings	10	0	0	(10)	0	0	0	0	500	0	(1)	0	0	0	500
Proceeds from long-term borrowings	900	0	1,250	100	0	0	0	0	0	0	1,774	1,774	2,250	0	3,474
Repayment of long-term borrowings	(159)	(161)	(55)	(159)	(159)	(159)	(159)	(159)	(159)	(168)	(545)	(637)	(535)	(637)	(1,510)
Proceeds from issuance of shares by exercising stock acquisition rights	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment of new shares issue expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from issuance of stock acquisition rights	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid	(296)	(4)	(1)	(32)	(321)	(3)	0	0	(373)	(5)	0	0	(333)	(324)	(378)
Purchase of treasury stocks	(675)	(245)	(80)	0	0	0	0	0	(568)	(707)	(128)	0	(999)	0	(1,403)
(increase) in deposits for purchase of treasury shares	0	0	0	0	0	0	0	0	(232)	107	125	0	0	0	0
Others	15	0	0	0	0	(7)	0	0	0	(1)	0	0	15	(7)	(1)
Cash flows from financing activities	(314)	(517)	1,006	(204)	(585)	(275)	(265)	(266)	(935)	(878)	1,042	1,038	(29)	(1,391)	267
Effects of exchange rate changes on cash and cash equivalents	0	5	2	(9)	(3)	(4)	5	(4)	5	9	(13)	(8)	(2)	(5)	(7)
Increase (decrease) in cash and cash equivalents	(307)	431	293	790	489	1,230	1,209	1,168	(402)	(433)	(773)	1,365	790	1,168	1,365
Cash and cash equivalents at the beginning of the period	6,631	6,631	6,631	6,631	7,420	7,420	7,420	7,420	8,588	8,588	8,588	8,588	6,631	7,420	8,588
Cash and cash equivalents at the end of the period	6,324	7,062	6,924	7,420	7,910	8,650	8,630	8,588	8,186	8,155	7,815	9,953	7,420	8,588	9,953