



FY2024 Q3 Financial Results

November 14, 2024

**Unite &
Grow**

TSE:4486 / Growth Market

Agenda

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Company Profile

Company Name Unite and Grow Inc.

Establishment February 2005

President & CEO Kiichiro Suda

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

Business Segment Corporate IT Shared Service
Corporate IT System Development

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

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

Business Description

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

The main features are as follows:

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

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

1. FY2024 Q3 Financial Results

Financial Highlights of 3Q FY2024/12

Quarterly Net sales reached a record high due to growth in Shared IT Professionals and higher utilization rates. Steady growth in the number of actively supported companies.

Net sales	Operating profit	Quarterly net income
<p>2,158 million yen</p> <p>YoY Change*1 +12.3%</p>	<p>277 million yen</p> <p>YoY Change *1 +9.8%</p>	<p>304 million yen</p> <p>YoY Change*1 +64.9%</p>

Business Highlights

Shared Corporate IT Services

- The number of Shared IT Professionals increased by 16 from the end of the previous fiscal year to 225.
- The number of Client Companies Affiliated with Active Members (excl.) *2 was 366, up 37 from the end of the previous fiscal year

Headquarters-related

- Certified as a Great Place to Work® for four consecutive years.
- Our employee growth initiative, "Forum," received the Encouragement Award at the 13th Japan HR Challenge Awards. (Sponsors: Ministry of Health, Labour and Welfare; Organization for Small & Medium Enterprises and Regional Innovation; Business Publishing; HR Research Institute (ProFuture))." Consider placing the sponsors in a footnote instead of parentheses.

Shared Corporate IT Development

- The number of Shared IT Professionals was 11, up 5 from the end of the previous fiscal year
- Personnel expenses increased due to the strengthening of the system in anticipation of expansion.

※1. (Reference) Comparison with the Consolidated Financial Results for the Previous Period

※2. (Reference) Client Companies Affiliated with Active Members, currently Utilizing Our Shared IT Professionals (Not included in the active member count).

P/L

- Net sales increased 12% due to an increase in Shared IT Professionals and higher utilization rate; operating profit increased 10%.

	FY2023/12		FY2024/12			
	Q3 YTD (Consolidated)		Q3 YTD (Non-consolidated)			
	Results (million yen)	Net sales (%)	Results (million yen)	Net sales (%)	Year-on-year change * 1 (%)	Progress against plan (%)
Net sales	1,923	100.0	2,158	100.0	12.3	70.3
Cost of sales	988	51.4	1,152	53.4	16.6	74.6
Gross profit	934	48.6	1,006	46.6	7.7	65.9
Selling and administrative expenses	682	35.5	729	33.8	6.9	70.2
Operating profit	252	13.1	277	12.8	9.8	56.7
Ordinary profit	252	13.1	293	13.6	16.2	58.3
Quarterly net income	184	9.6	304	14.1	64.9	66.2

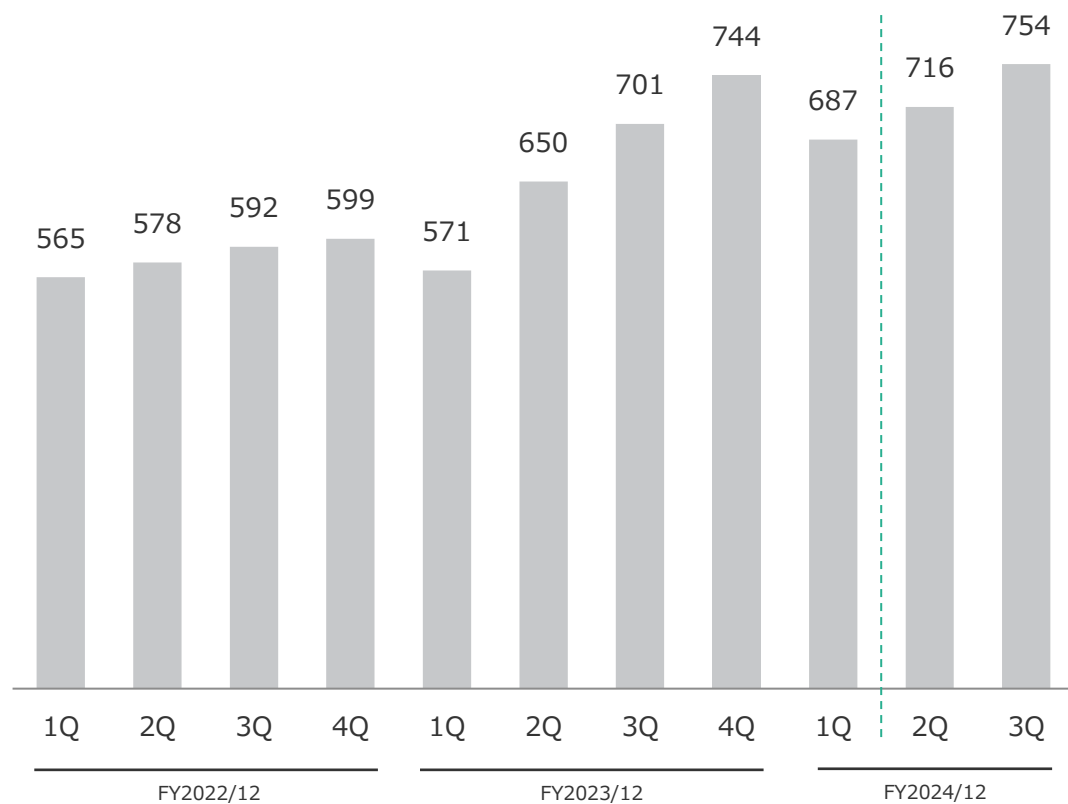
※1 (Reference) Comparison with the previous year's consolidated results

Quarterly Trends in Net Sales and Operating Profit

- Net sales increased by 5.3% from 2Q. Record high on a quarterly basis.
- Operating Margin increased by 7.6 points from Q2 due to higher utilization rates and average billing rates.

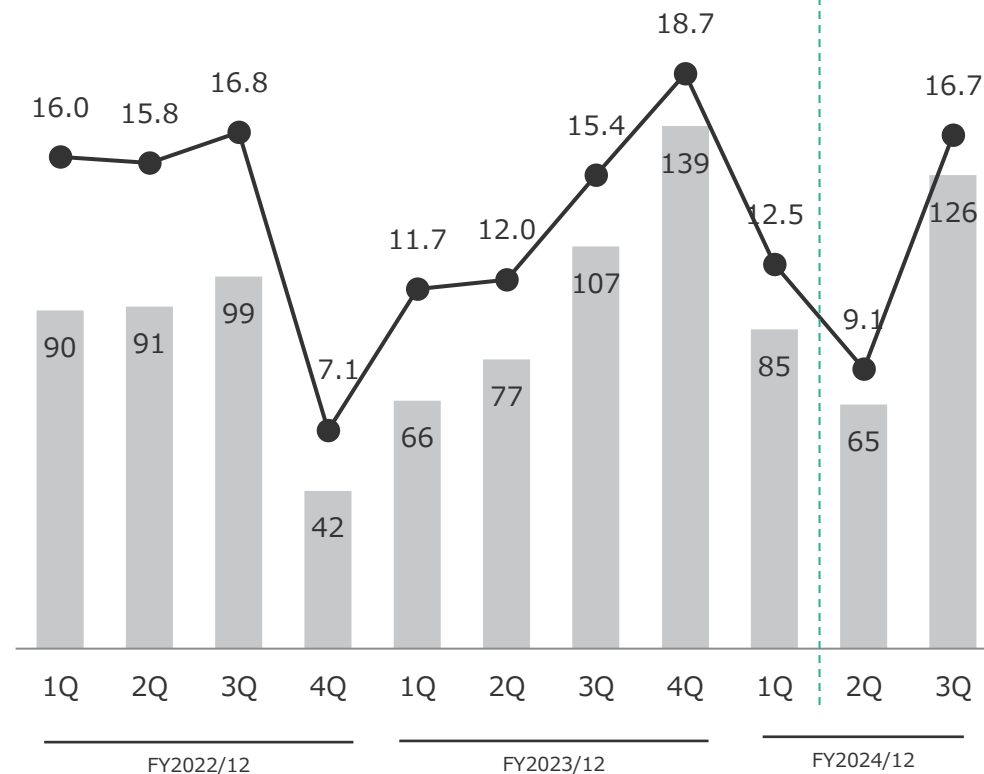
Quarterly Net sales Trend *

(Units: million yen)



Quarterly Operating Income and Margin Trends*

(Units: million yen,%)

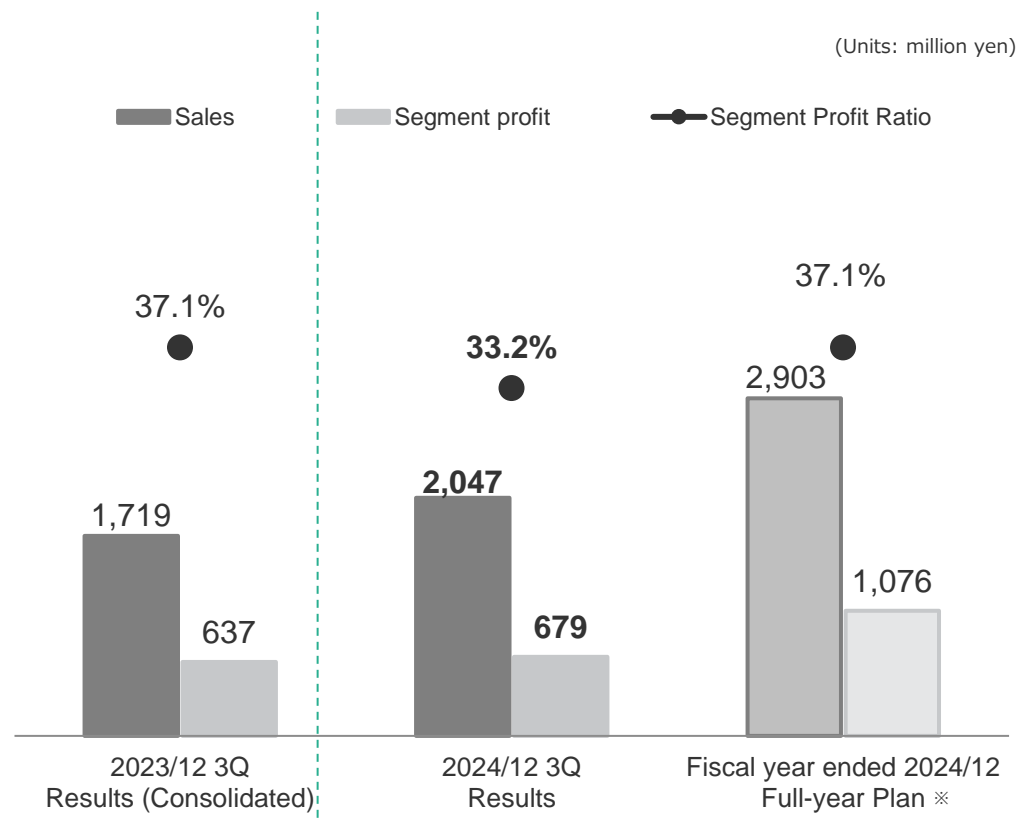


※ Consolidated figures through Q1 FY2024

Results by Segment

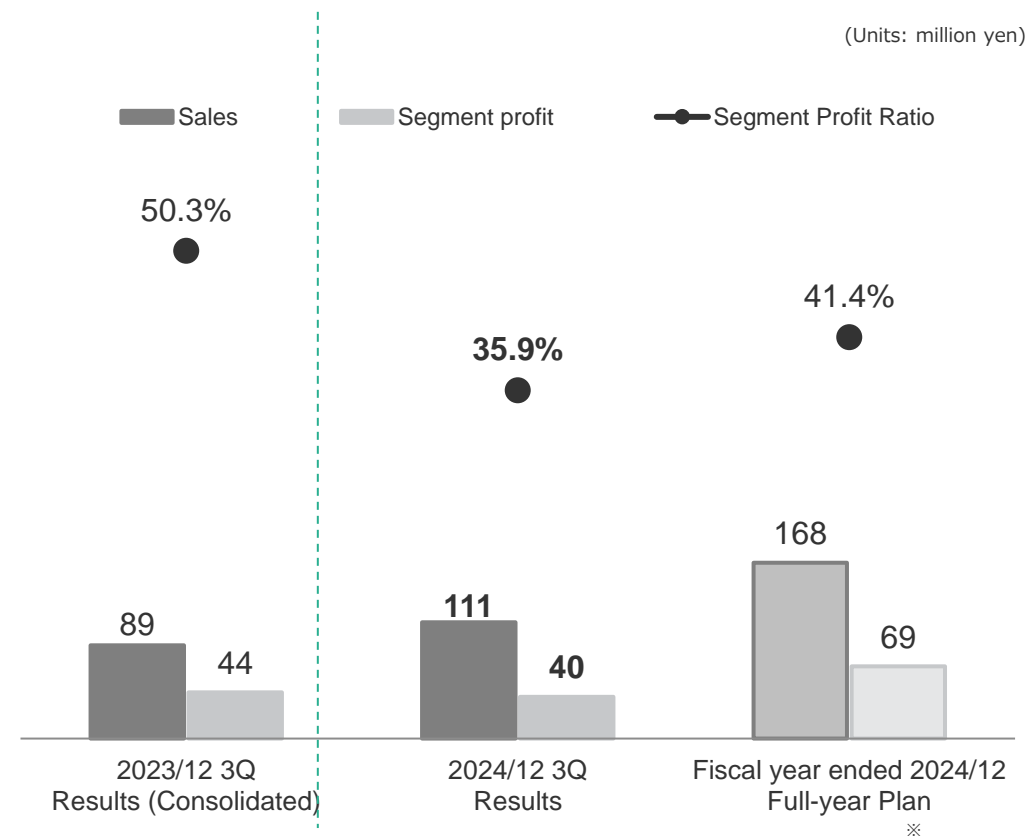
Shared Corporate IT Services

- Progress against full-year plan is 70.5% of net sales and 63.1% of segment profit.
- Segment sales showed solid growth, driven by increases in both Shared IT Professionals and the number of actively supported companies.
- The YoY decrease in segment profit margin was primarily due to increased depreciation expenses related to core system upgrades.



Shared Corporate IT Development

- Full-year plan progress ratio is 66.4% of net sales and 57.6% of segment profit.
- Segment sales remained steady, driven by an increase in both Shared IT Professionals and projects undertaken.
- Segment decreased YoY due to higher personnel expenses, which were incurred as part of strengthening our organization for future expansion.



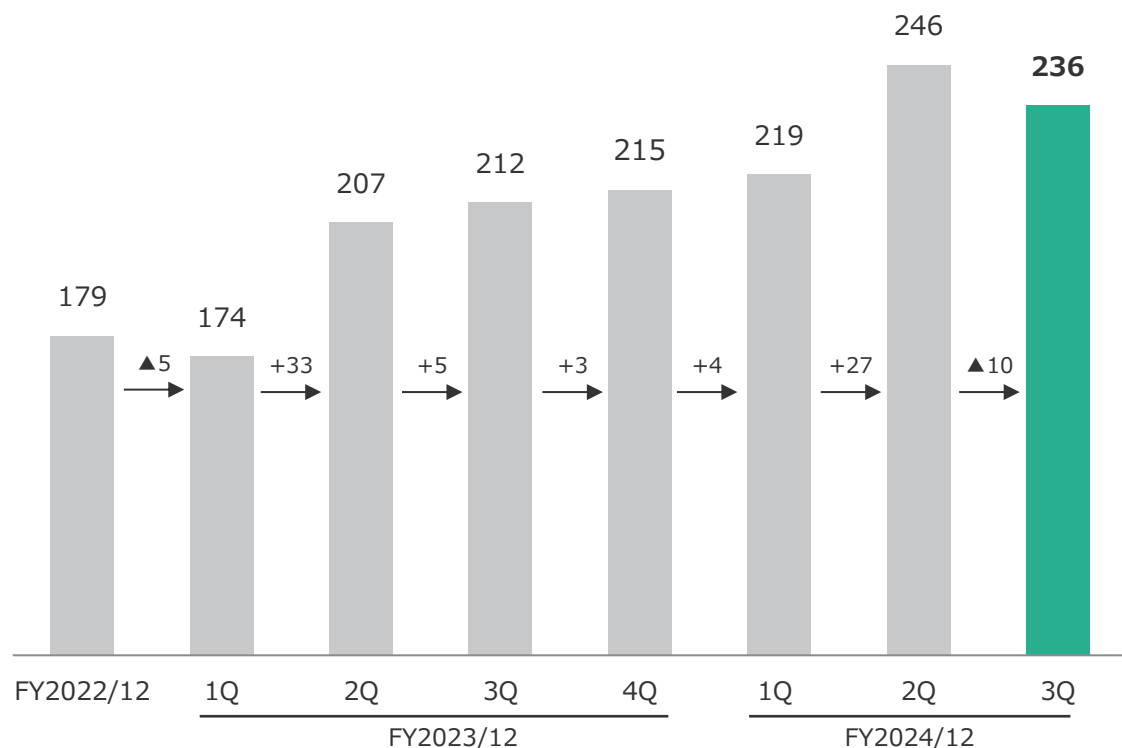
※ (Reference) Comparison with consolidated financial results for the previous fiscal year
 ※ Revised full-year plan due to transition to non-consolidation

Business KPI (1)

- The number of Shared IT Professionals increased by 21 from 4Q of the previous fiscal year. The number of employees decreased by 10 from 2Q due to maternity leave and childcare leave.
- The number of sharing companies increased steadily. The number of active members increased by 13 from you and by 3 from the 4Q of the previous fiscal year, but the number of client companies affiliated with active members (excl.)* increased by 37.

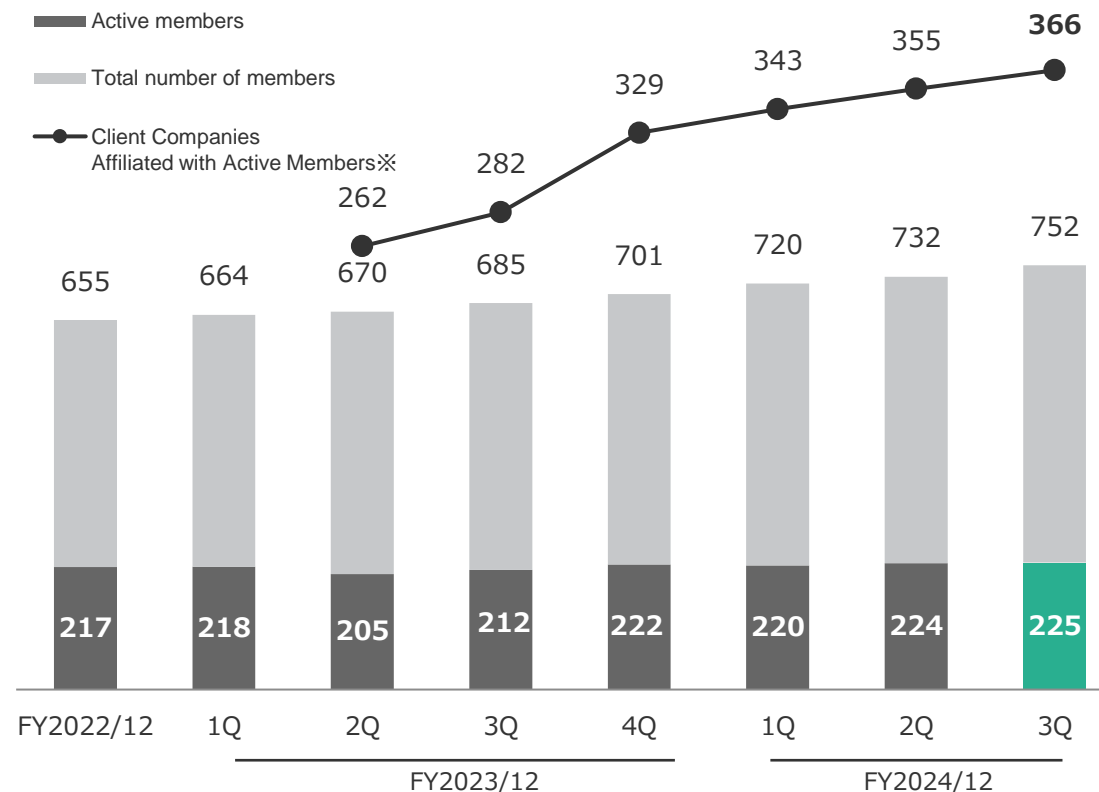
Number of Shared IT Professionals

(Units: Persons)



Number of Sharing Companies

(Units: Companies)



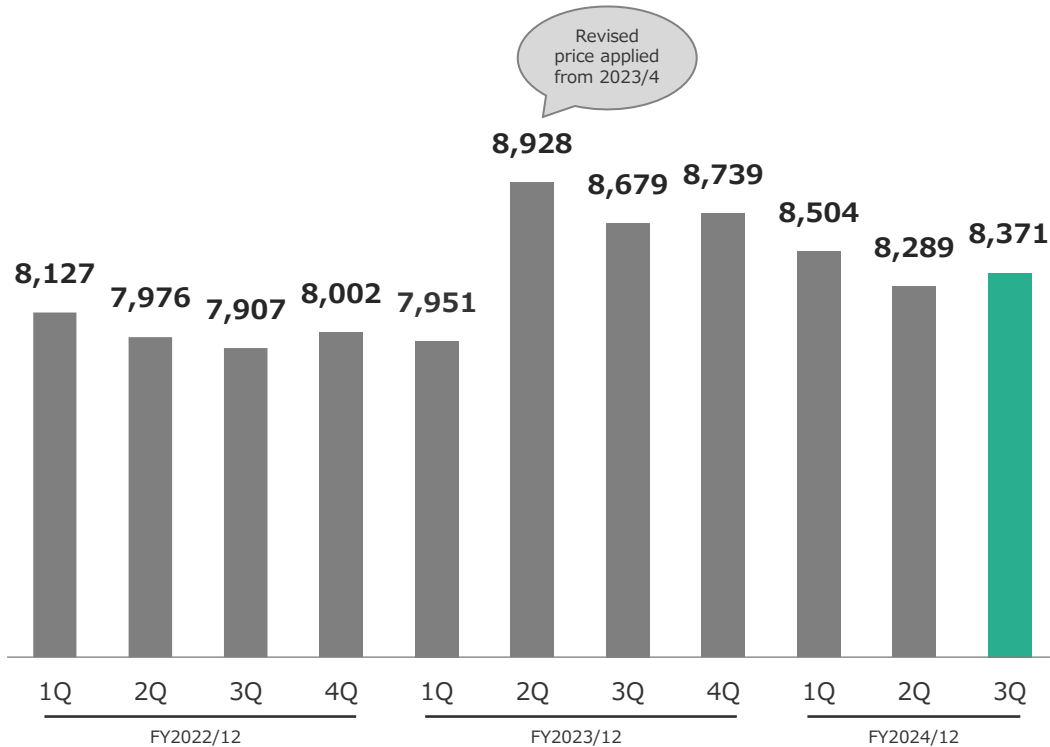
* Client Companies Affiliated with Active Members, currently Utilizing Our Shared IT Professionals (Not included in the active member count).

Business KPIs (2)

- Average hourly revenue per Shared IT Professional increased from 2Q due to the increased workforce of newly graduated employees.
- Utilization rate increased from 2Q due to the steady progress of new graduates.
- The average number of Shared IT Professionals per supported company increased YoY due to the growth in the number of client companies affiliated with active members.

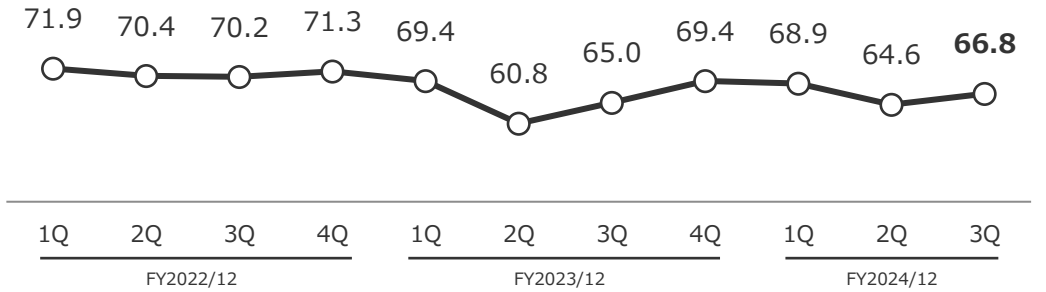
Sales per hour of operation by Shared IT Professionals

(Units: yen)



Utilization Rate

(Units: %)



Sharing Metrics (FY2024.3Q)

Average Number of Shared IT Professionals per Client Company



Shared IT Professionals

3.56 persons
(+ 0.13 YoY)

Average Number of Client Companies per Shared IT Professionals

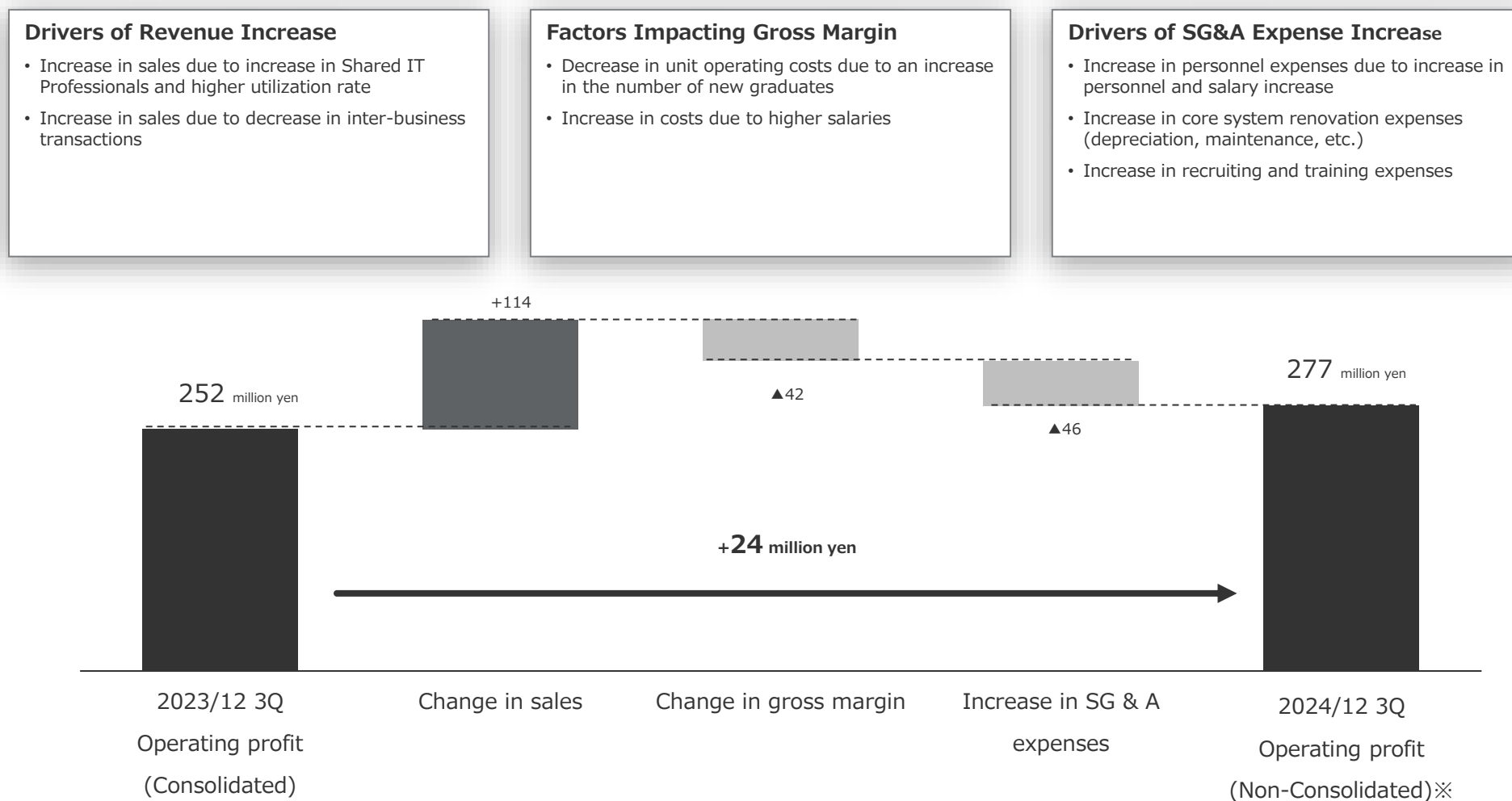


Member Companies

3.35 companies
(▲ 0.02 YoY)

Factors of Increase/Decrease in Operating Profit

- Net sales increased due to an increase in Shared IT Professionals and higher utilization rates, which contributed to profit.
- Gross margin was affected by two opposing factors: (1) a lower average hourly billing rate for new graduates and (2) increased total personnel costs due to salary adjustments.
- Despite increased SG&A expenses related to strengthened recruitment and core systems, profit increased by 24 million yen due to higher revenue.



※ (Reference) Comparison with consolidated financial results for the previous fiscal year

B/S

- Contract liabilities and cash and deposits increased due to an increase in the number of companies actually supported.
- Capital adequacy ratio increased from 70.7% at the end of the previous fiscal year to 71.3% due to increase in retained earnings.

(Units: million yen)

Items	End of FY2023/12 (Consolidated)	End of 3Q of FY2024/12 [*] (Non-consolidated)	Difference from previous fiscal year-end
Assets			
Current Assets			
Cash and Cash Equivalents	2,267	2,405	+ 138
Accounts Receivable	1	1	+ 0
Total Current Assets	2,293	2,446	+ 153
Fixed Assets			
Property, Plant, and Equipment	74	67	▲ 7
Intangible Fixed Assets	177	151	▲ 25
Investments and Other Assets	67	83	+ 16
Total Fixed Assets	319	302	▲ 16
Total Assets	2,612	2,748	+ 136

(Units: million yen)

Items	End of FY2023/12 (Consolidated)	End of 3Q of FY2024/12 [*] (Non-consolidated)	Difference from previous fiscal year-end
Liabilities			
Current Liabilities			
Accrued Expenses	118	54	▲ 63
Contract Liabilities	438	530	+ 91
Total Current Liabilities	735	755	+ 19
Fixed Liabilities			
Total Fixed Liabilities	30	34	+ 3
Total Liabilities	765	789	+ 23
Net Assets			
Total Shareholders' Equity	1,846	1,959	+ 113
Total Net Assets	1,846	1,959	+ 113
Total Liabilities and Net Assets	2,612	2,748	+ 136

※ (Reference) Comparison with consolidated financial results for the previous fiscal year

2. FY2024 Full Year Forecast

Forecast for FY2024/12

- The forecast remains unchanged from Q2.
- Focus on improving profitability by concentrating management resources and streamlining operations.
- Extraordinary income of ¥96 million was recognized due to the absorption-type merger.

	Reference: FY2023/12 (non-consolidated)		Reference: FY2024/12 (consolidated)		FY2024/12 (non-consolidated)	
	Results (million yen)	Sales ratio (%)	Forecast (million yen)	Sales ratio (%)	Forecast (million yen)	Sales ratio (%)
Net sales	2,552	100.0	3,152	100.0	3,071	100.0
Cost of sales	1,314	51.5	1,561	49.5	1,544	50.3
Gross Profit	1,237	48.5	1,591	50.5	1,527	49.7
SG&A Expenses	867	34.0	1,108	35.2	1,038	33.8
Operating profit	370	14.5	482	15.3	488	15.9
Ordinary profit	376	14.7	482	15.3	503	16.4
Net income per Share	279	11.0	346	11.0	460	15.0

※ Comparison with the previous fiscal year, etc. is not stated due to differences in comparables

Forecast by Segment

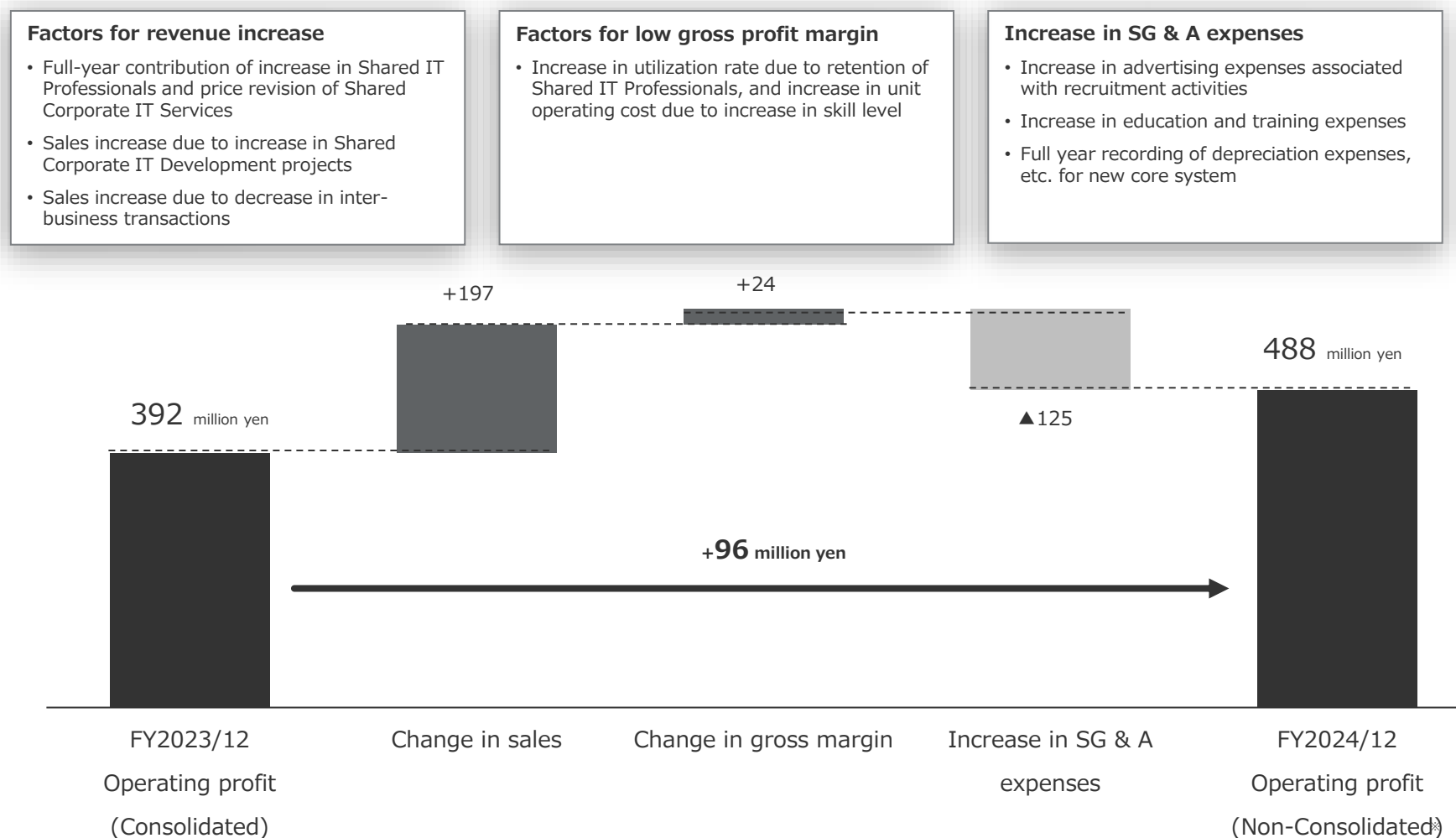
- The forecast remains unchanged from Q2.
- Shared Corporate IT Services revenue and income are projected to increase due to growth in the number of Shared IT Professionals and the full impact of price revisions.
- Shared Corporate IT Development revenue and income are projected to increase by expanding the number and scale of projects.

	Reference: FY2023/12 (consolidated) Results		Reference: FY2024/12 (Consolidated) Forecast		FY2024/12 (Non-consolidated) Forecast	
(million yen)	Shared Corporate IT Services	Shared Corporate IT Development	Shared Corporate IT Services	Shared Corporate IT Development	Shared Corporate IT Services	Shared Corporate IT Development
Sales	2,407	123	2,984	168	2,903	168
Segment Profit	911	60	1,200	72	1,076	69
Profit Margin	37.9%	49.1%	40.2%	42.9%	37.1%	41.4%

※ Comparison with the previous fiscal year, etc. is not stated due to differences in comparables

Forecast of Factors of Increase/Decrease in Operating Profit

- Sales growth is expected, driven by an increase in the number of Shared Professionals and higher utilization rates, leading to improved gross margin.
- SG&A expenses are projected to increase due to higher recruiting, training, and new core system depreciation expenses associated with our strengthened recruitment efforts.

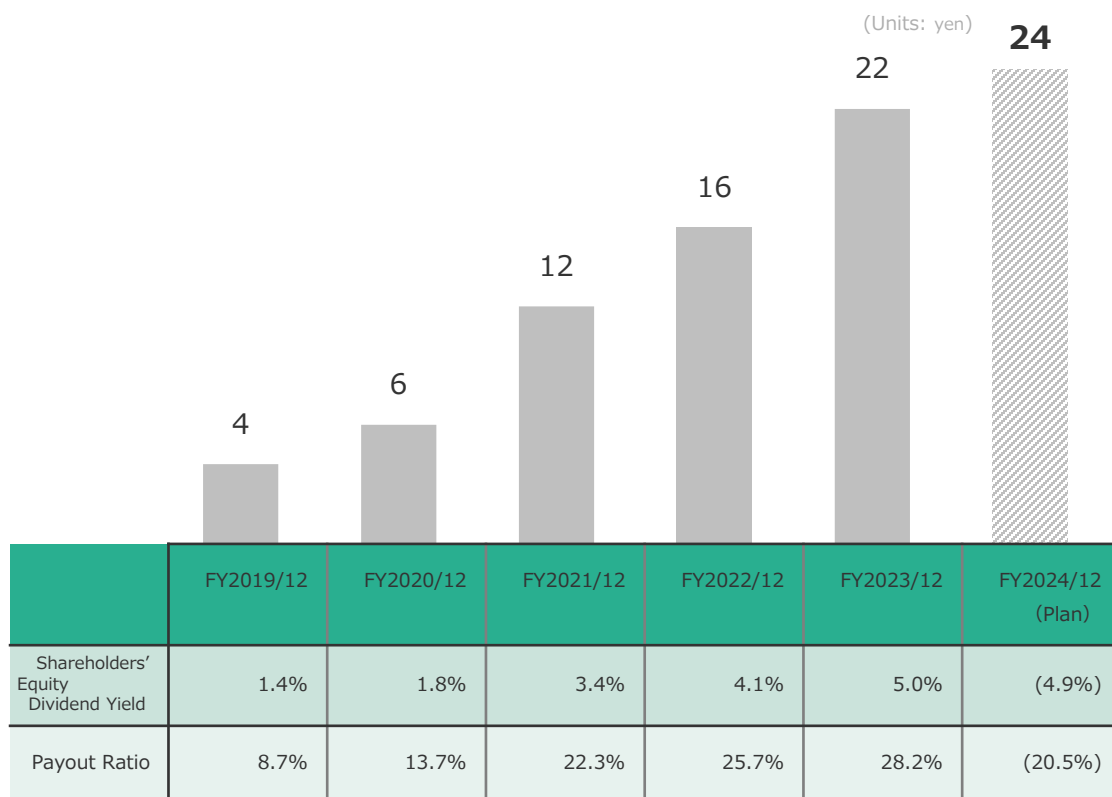


※ ((Reference) Comparison with consolidated financial results for the previous fiscal year

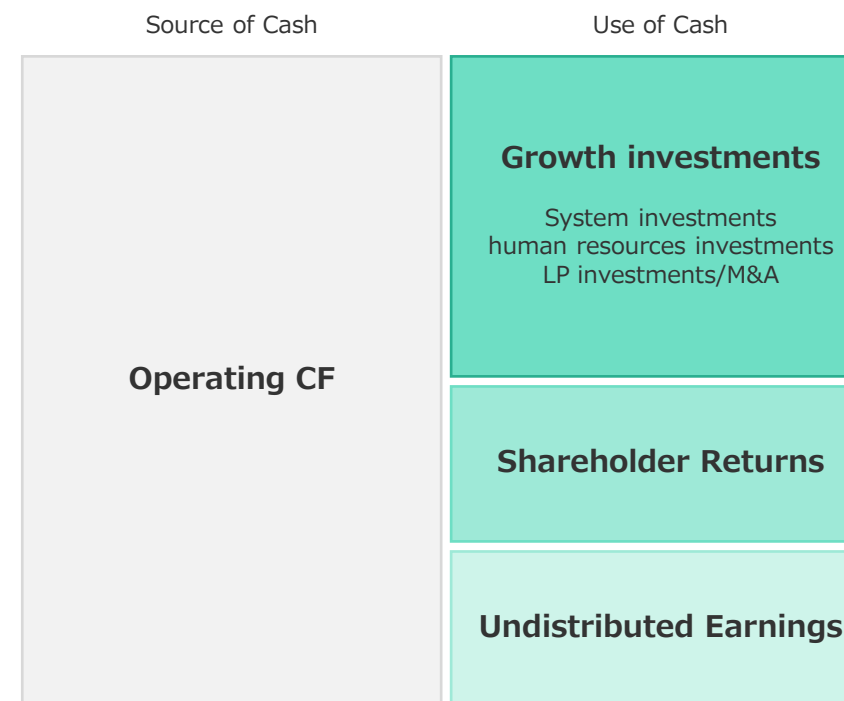
Approach to Shareholder Returns and Medium-Term Investment

- The projected dividend for FY2024 is ¥24 per share, a ¥2 increase from the initial forecast.
- Our policy is to provide stable dividends with a target payout ratio of 30%, based on profits and business performance. This approach enables us to secure internal reserves for future business development, growth investments, and strengthen our management foundation.
- Generated cash will be prioritized for growth investments, primarily in systems and human resources, while shareholder returns will be allocated flexibly.

Dividends



Cash Allocation

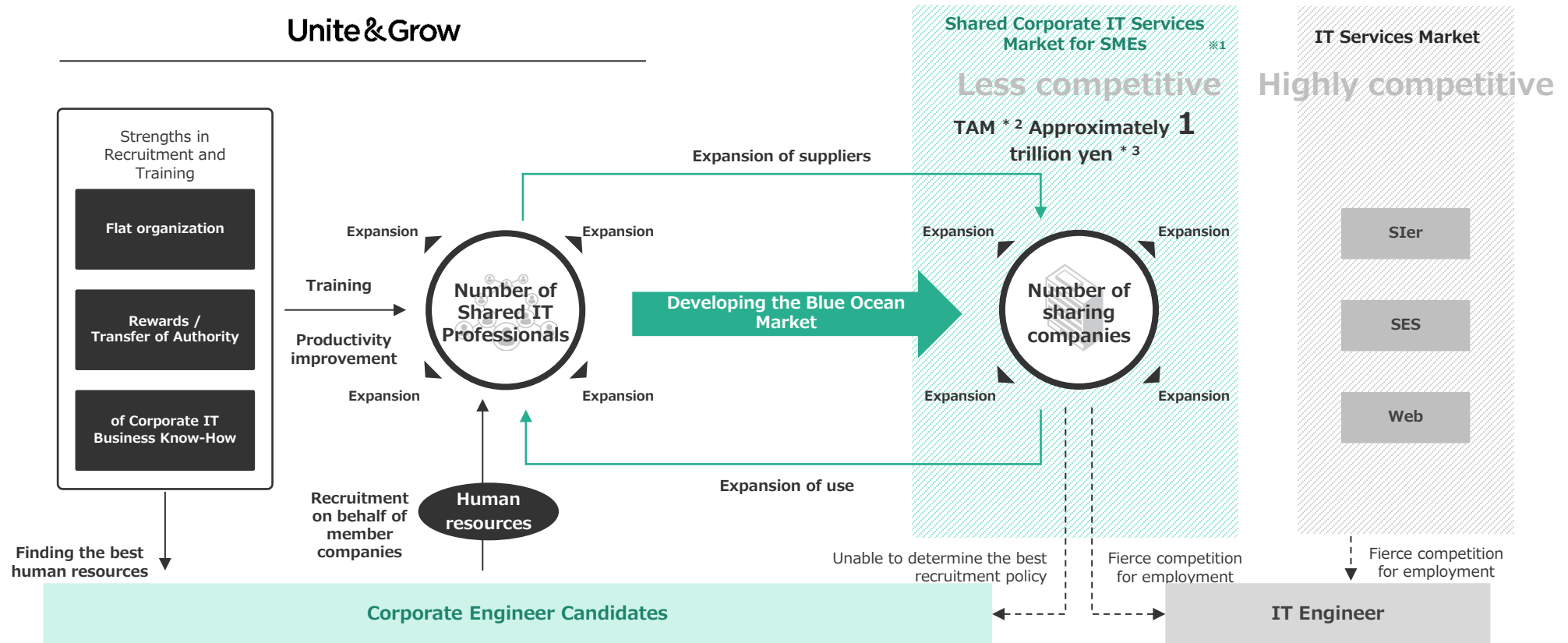


3. Growth Strategies



Our Growth Model for Developing the Blue Ocean Market

- The shared corporate IT services market for small and medium-sized growth companies is a blue ocean with limited competition.
- Our goal is to become the leading provider of shared corporate IT services by expanding the number of skilled Shared IT Professionals and growing our membership of growth companies nationwide.



(※1) A term coined by our company.

(※2) TAM is an abbreviation of Total Addressable Market.

(※3) Estimated as of February 14, 2024.

Calculated based on the number of customers covered by Our Company service (three-year economic census conducted by Ministry of Internal Affairs and Communications) x Sharing index x sales per Shared IT Professional.

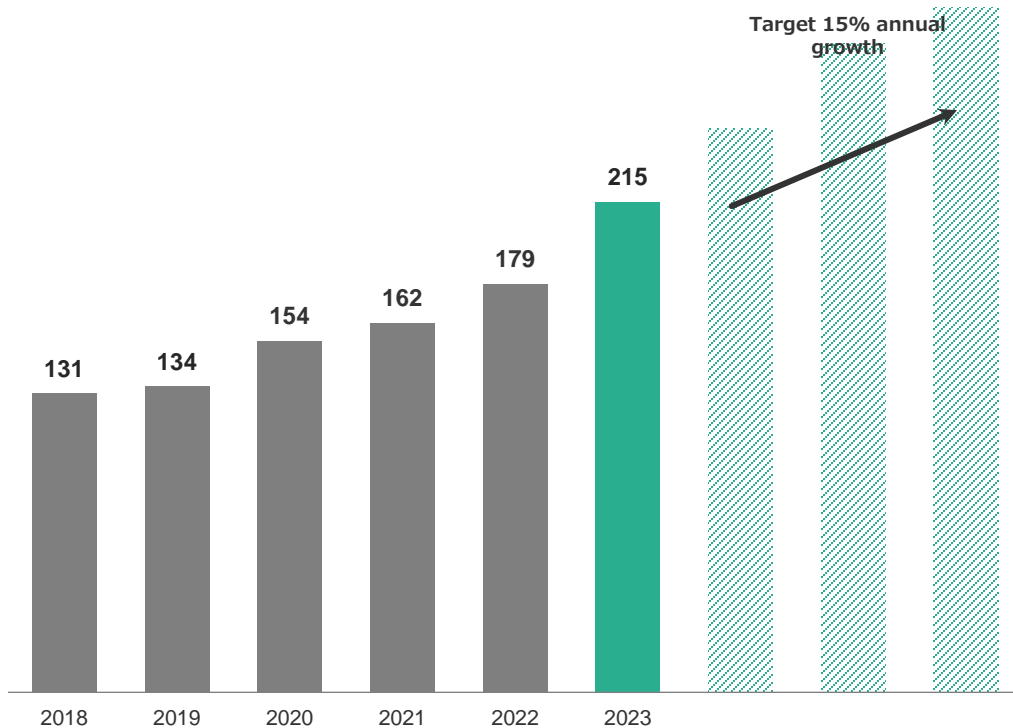
(98000 companies x (3.77 people divided by 3.77 companies) x 11.5 million yen ≈ 1.1 trillion yen.)

Basic Growth Strategy

- We aim for 15% annual growth in our Shared IT Professional team, ensuring a steady expansion of our talent base through robust recruitment and training programs.
- By providing enhanced support, we will expand our client base and deepen existing relationships, strengthening our competitive advantage.

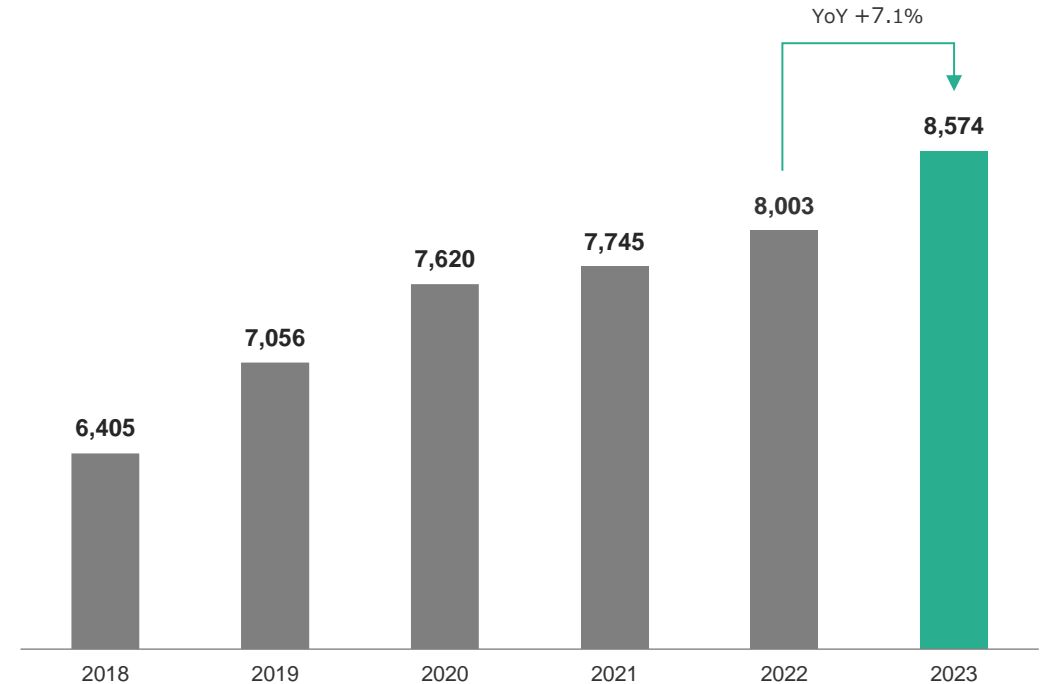
Growth of Shared IT Professionals

(Units: Persons)



Hourly Revenue per Shared IT Professional

(Units: Yen)



Growth Strategy Highlights

**Monetizing the Shared
Corporate IT Services Market
for SMEs**

01 | Focus on Growing Companies in the Greater Tokyo Area

02 | Scalable Growth While Maintaining Strengths

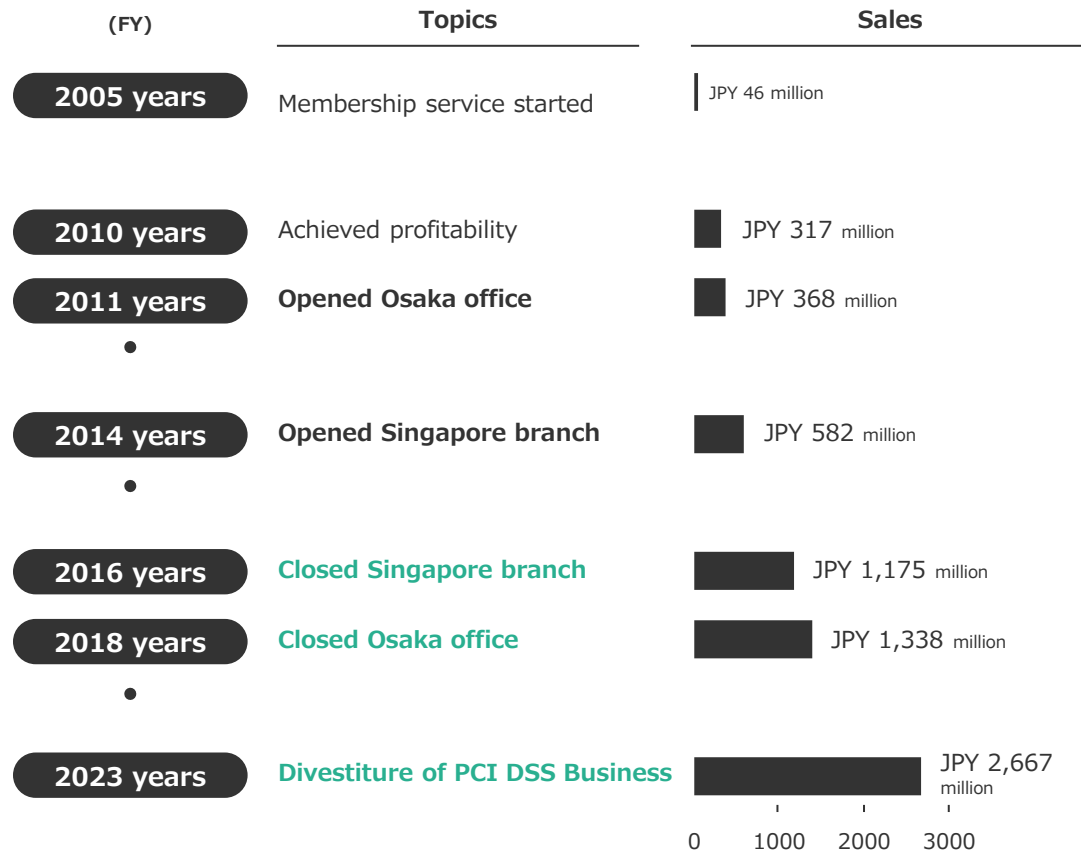
03 | Leveraging Client Experience for Internal Training and Development

04 | Developing Specialized Service Offerings

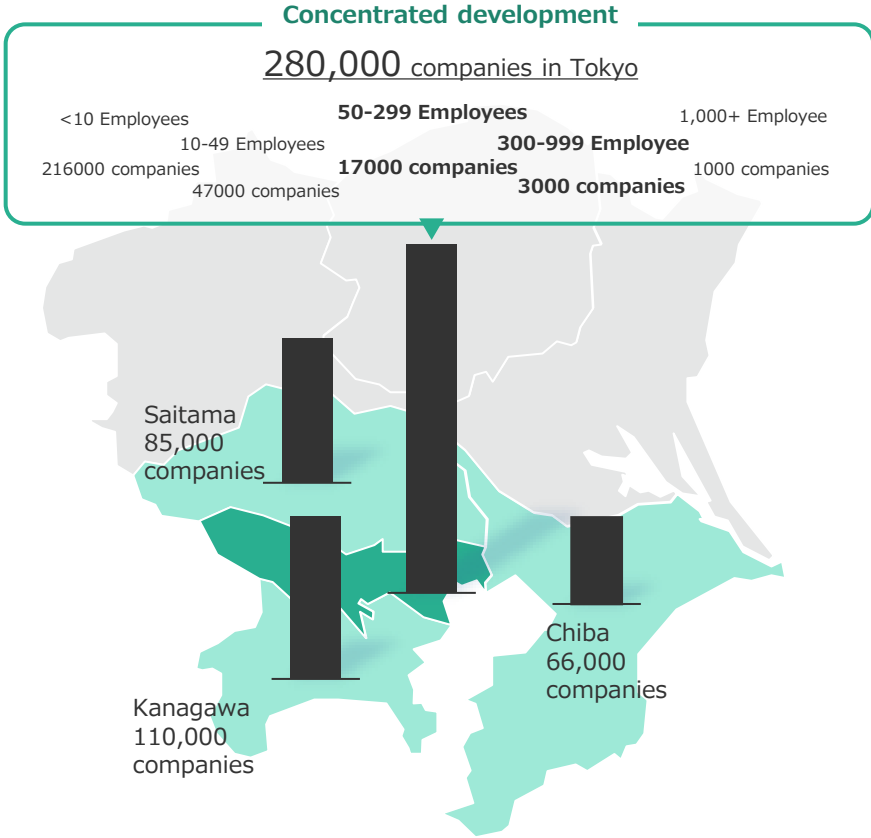
01. Focus on Growing Companies in the Greater Tokyo Area

- Targeting companies with 50-1,000 employees to accelerate growth.
- The Greater Tokyo Area offers substantial customer acquisition potential, and we will concentrate our efforts there for near-term growth.

Focus of Management Resources



Number of SMEs in Greater Tokyo Area

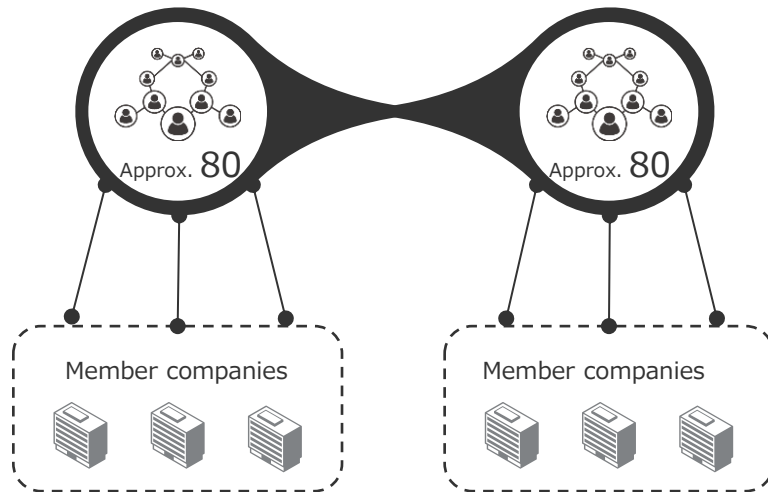


Source: Ministry of Internal Affairs and Communications, 2021 Economic Census - Activity Survey

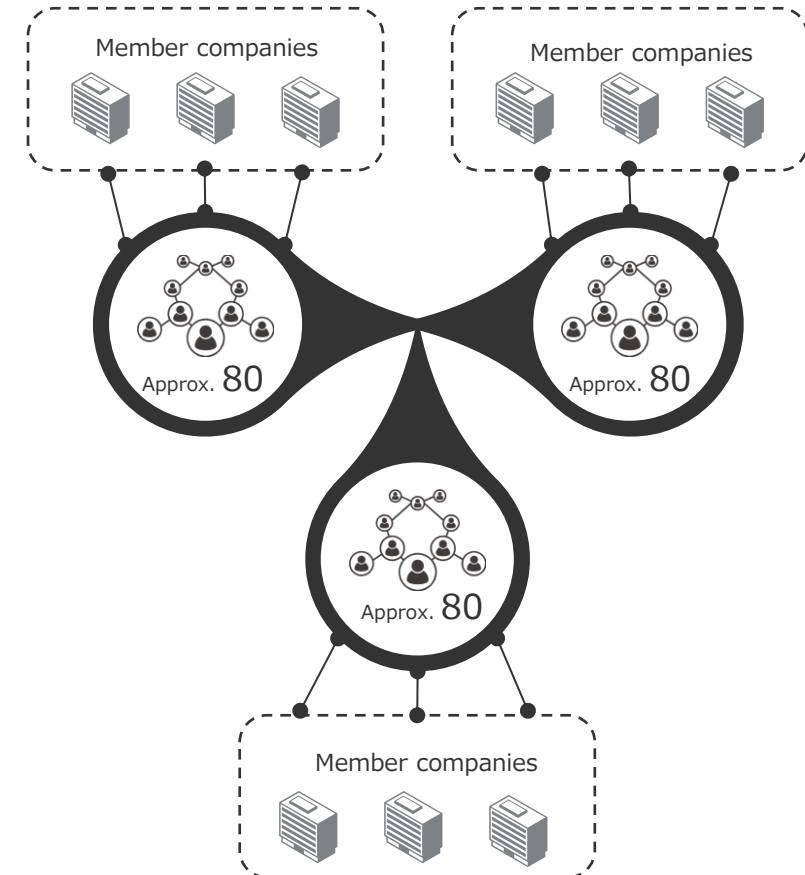
02. Scalable Growth While Maintaining Strengths

- Maintain and enhance sharing density by structuring divisions with 70-150 employees.
- Grow business through a flat organizational structure that allows for flexible staffing while developing the strengths of individuals.

FY2018~2021



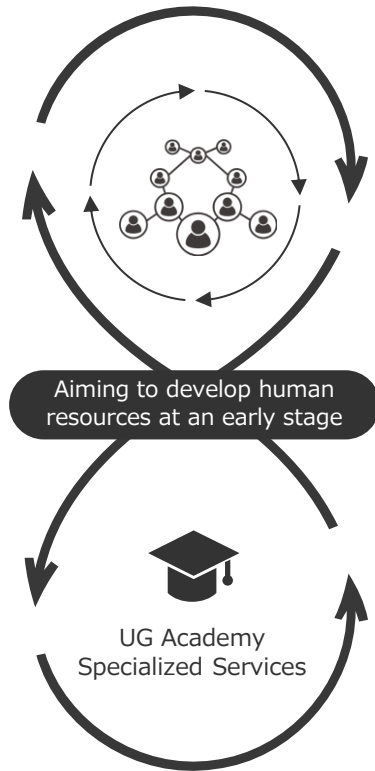
FY2022~2023



03-1. Leveraging Client Experience for Internal Training and Development

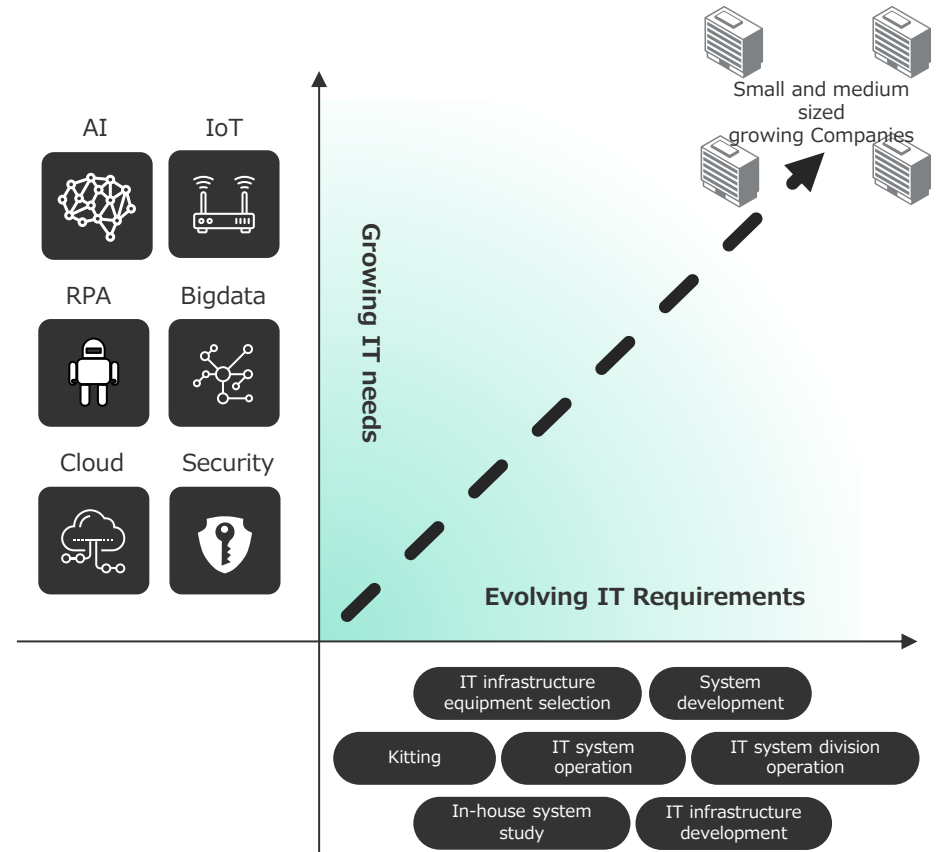
- We deepen our expertise across diverse client needs, accumulating problem-solving experience to enhance individual and organizational knowledge.
- Promote growth by sharing experiences through UG Academy and specialized services.

Skill Enhancement through Client Interaction



Improvement of employee skills through in-house training programs

Expanding Client Needs



03-2. Leveraging Client Experience for Internal Training and Development

- Significant growth in L3 to L4 skill level upgrades in FY2023 due to continuous in-house training.
- UG Academy, a training institution for corporate engineers, has been systematized, accelerating the development of necessary know-how as a corporate engineer.

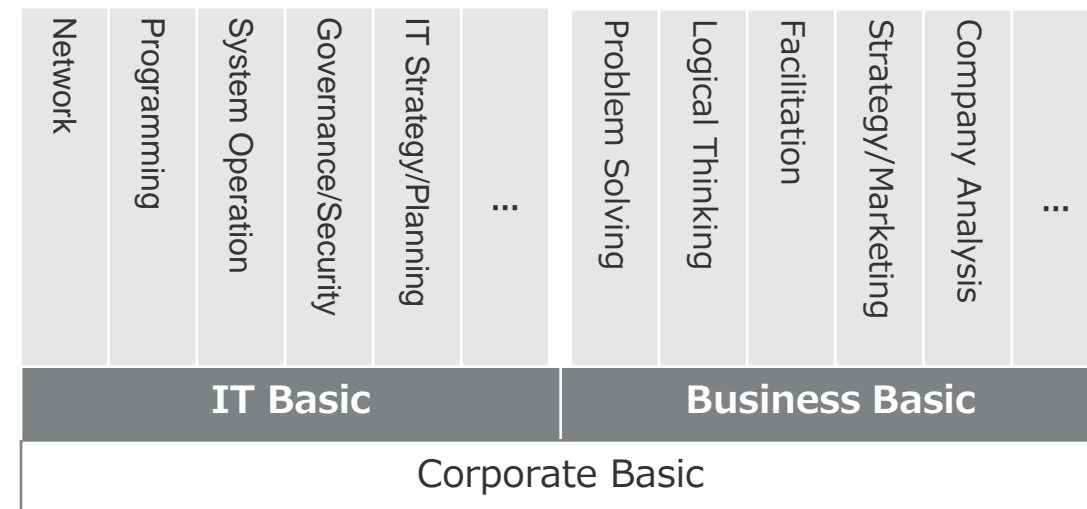
Skill Level Progression* 1 (FY 2023)

Skill level	Percentage of employees		Percentage change
	As of January	As of December	
L1	14.3%	5.1%	▲9.2
L2	38.8%	40.0%	+1.2
L3	30.3%	35.4%	+5.1
L4	13.1%	15.4%	+2.3
L5	2.9%	2.9%	—
L6	0.6%	1.2%	+0.6

Significant Increase

UG Academy Curriculum

Systematically learn the skills required for a corporate engineer



Course Details (Selected)

Network

Provides programs by level, from lecture-style courses for basic knowledge to practical courses using simulation software

System Operation

Learn the principles of operating an internal system and how to gather information to understand the customer's environment.

Logical Thinking

Reinforces the ability to think logically about issues using frameworks such as logic trees and pyramid structures

Company Analysis

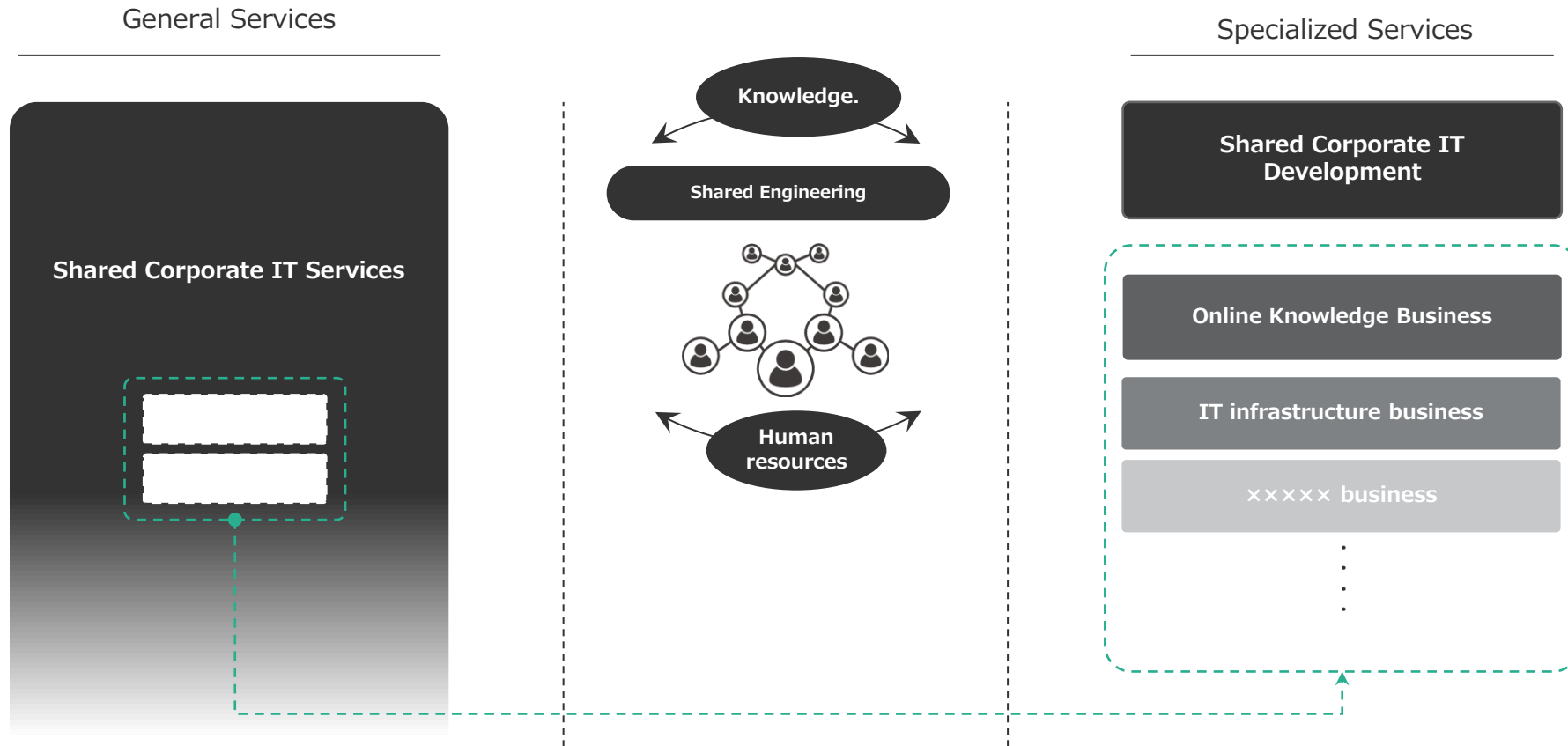
Deepen understanding of the company through corporate research and other research activities on the theme of corporate activities in their own areas of interest.

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

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

04. Developing Specialized Service Offerings

- Enhance value proposition through specialized, high-expertise services.
- Enhance overall business strength by developing and integrating individual expertise.

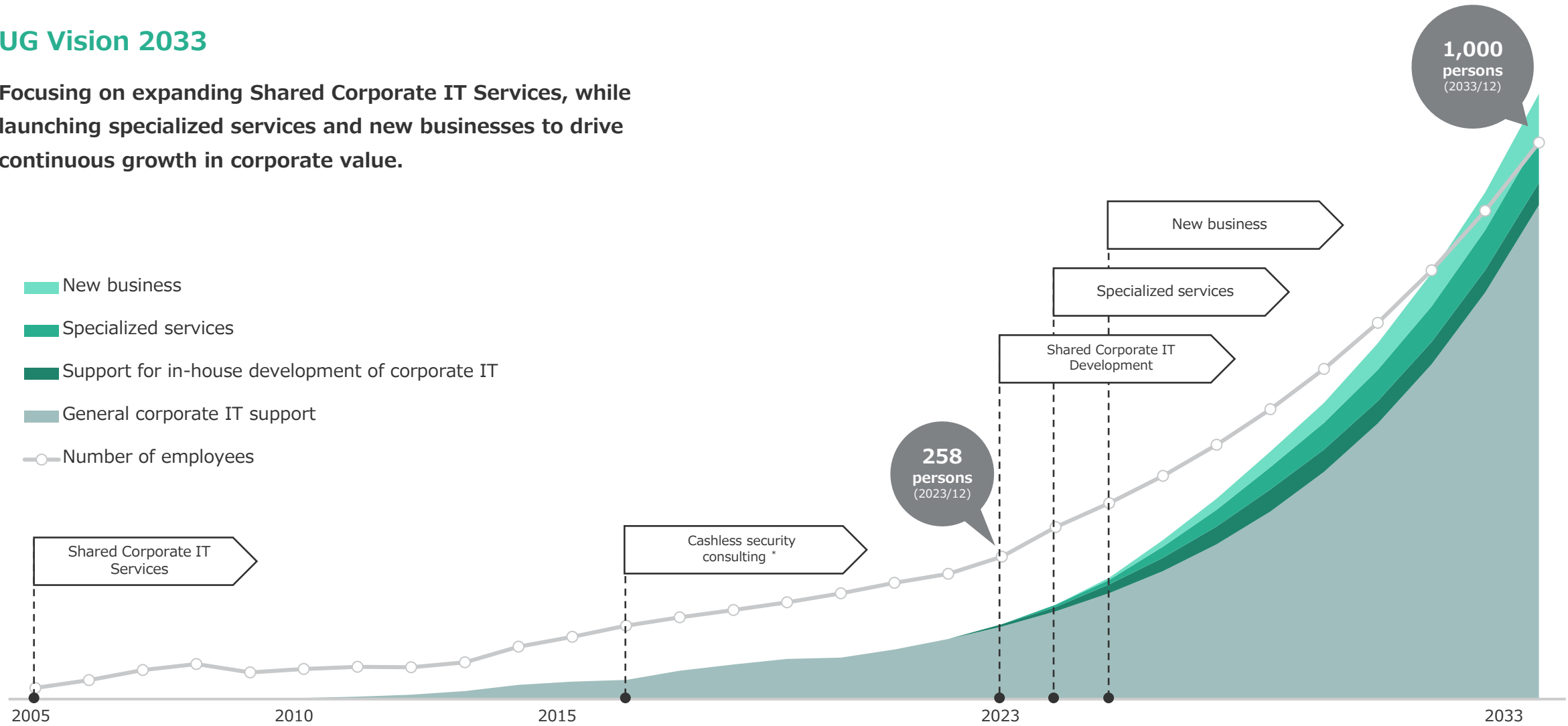


Exploring services within existing business lines based on high customer demand.

Medium- to Long-term Growth Image of Net Sales

UG Vision 2033

Focusing on expanding Shared Corporate IT Services, while launching specialized services and new businesses to drive continuous growth in corporate value.



※ Part of the business was transferred in November 2023. The surviving business will be integrated into Shared Corporate IT Services

Note

This document is an English translation of a portion of the original Japanese financial results presentation for reference purposes only. In the event of any discrepancy, the Japanese original shall prevail.

This document contains forward-looking statements regarding Unite and Grow Inc.'s business plans, industry trends, and forecasts. Such statements involve risks and uncertainties, and actual results may differ materially from those projected due to various factors. Additionally, future business and operating results may differ from these forward-looking statements.

This information is accurate as of November 14, 2024. Unite and Grow Inc. disclaims any obligation to update any forward-looking statement based on new information or future events.