



FY August 2023

Full Year Financial Results

(Business Plan and Growth Projections)

Disclaimer

The opinions and forecasts contained in this material are based on our judgment at the time the material was prepared, and we do not guarantee the accuracy of such information. Please be aware that actual performance and results may differ significantly due to changes in various factors. In addition, any information in this document that pertains to companies other than the Company is quoted from publicly available information and other sources, and the Company does not guarantee the accuracy of such information or any other aspect of it.



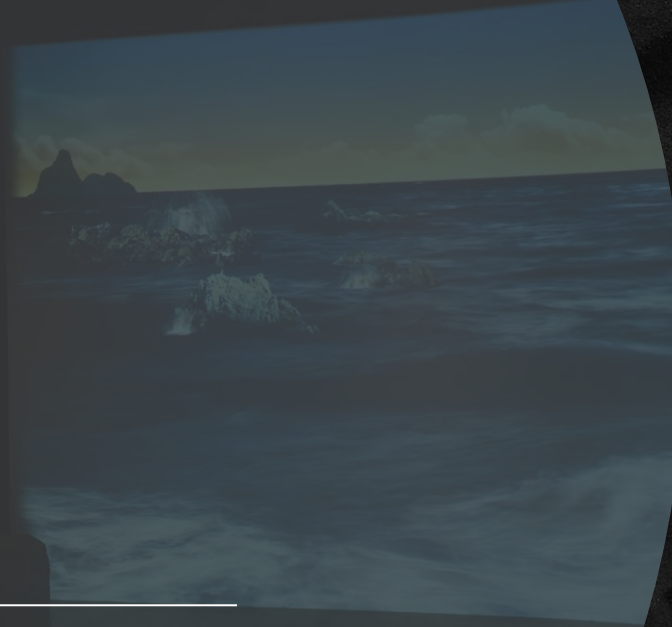
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TWOSTONE & SONS



1. Executive Summary

Executive Summary ①

FY August 2023 Full Year Results

- Full year sales were JPY 10,056 million (+JPY 3,186 million YoY, or +46.4%)
Sales exceeded JPY 10.0 billion for the first time.
We revised our numbers upwards for the 3rd consecutive year since listing.
Sales and gross margins have surpassed records.
- With a view to mid-long term growth, the company made its largest ever investment, focusing on human resources. We increased the number of employees hired by 56 and the amount of investment on recruiting by 55.3% YoY.
- As result of our aggressive investment, SG&A rose JPY 515 million YoY, but operating profits increased to JPY 319 million (+63.5% YoY)

Executive Summary ②

4th Quarter, FY Aug. 2023 Results

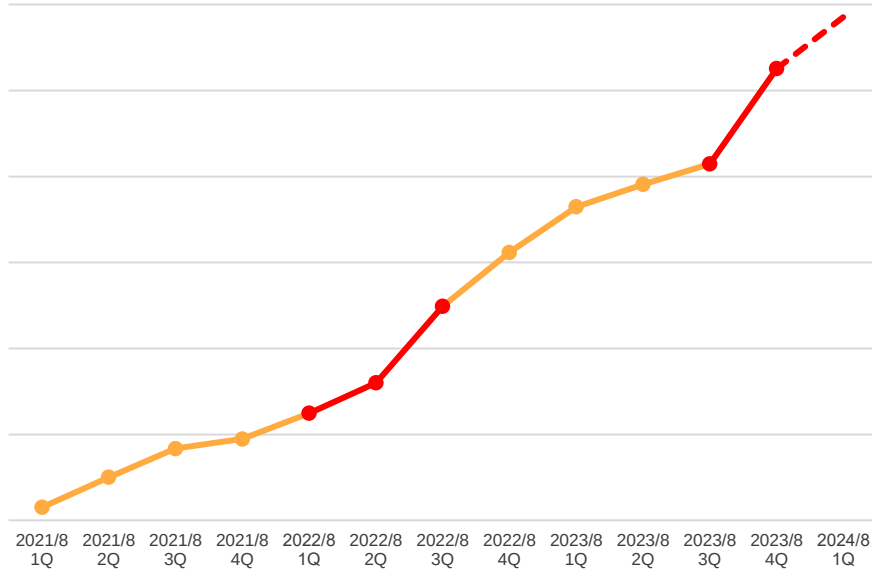
- 4Q sales were JPY 2,928 million (+JPY 842 million, or +40.4% YoY)
Sales and gross profits have increased for the 12th successive quarter, reaching record highs.
- As profits exceeded full year forecasts after 3Q, the company made a large investment in 4Q using the profits as a source of funding without much regard to operating profits. But as a result of strong profits, quarterly operating profit for 4Q was JPY 29 million.
- We plan to execute aggressive management in FY Aug. 2024 to target medium- to long-term growth. We plan to achieve year-on-year sales growth of more than 30% and operating profit growth of more than 40%. We aim for a further dramatic leap by combining growth in existing businesses with intermittent growth through M&A.

Executive Summary ③

Bolstering the organization

As a result of the organizational reinforcement conducted throughout the year, the number of working engineers has dramatically increased. We aim to make a further leap by hiring more executives next year.

No. of working engineers



With FY Aug. 2023 being a **year of strategic investment to bolster the organization**, the company **aggressively recruited employees and made them work-ready as early as possible** in order to ensure medium-to long-term growth.

As with 3Q, we will focus on recruitment and training, bolstering the organization, conducting M&A and increasing the number of working engineers.

We plan to bring on new employees next year and to make them work-ready as early as possible. We will take advantage of the hiring delays and spill over effects from the current year. We will hire more executives and **bolster the organization.**

Executive Summary ④

Features of FY Aug 2023

Organizational Restructuring (creation of a holding company)

Through consolidation via a holding company, we will improve the mobility and flexibility of group management, and **accelerate growth of the entire group.**

Transitioned to a holding company structure on June 1, 2023

While bolstering governance in FY Aug. 2024, we will strengthen collaboration among group companies, leading to group-wide growth

☆ Continued Investments (advertising & human resources)

Continued investments to accelerate corporate growth.

Since 1Q, we have invested in advertising to acquire engineers, and in human resources to boost mid- to long term growth of the company.

To obtain more engineers, we made record investments in advertisement and recruitment throughout the financial year. Working engineers have increased 51.6% and total employees have risen 88.9% YoY.

We plan to bolster the organization and increase the number of working engineers in FY Aug. 2024.

☆ M&A

To raise the growth curve, we plan to execute strategic M&A and look for **synergy effects and intermittent growth** in the engineering platform service business.

Acquired TSR in June 2023. It was the 4th acquisition this financial year. We made good on our word and carried out an aggressive M&A strategy.

We will maintain our aggressive M&A strategy in FY Aug. 2024.

Note: TSR's sales and profits will be consolidated from 1Q of FY Aug. 2024.

The background of the slide features a semi-transparent circular image of three people in a meeting. Two women are seated at a wooden table with laptops, smiling and looking at each other. A third person, partially visible on the left, is also looking towards them. The setting appears to be a modern office or meeting room. The text 'Mars' is visible in the upper left background, and '03' is visible in the lower left background.

2. Financial Results Full Year and 4Q FY August 2023

Full Year Financials (vs. FY Aug. 2022 and Forecast YoY)

Full year sales and profits were **the highest in company history.**

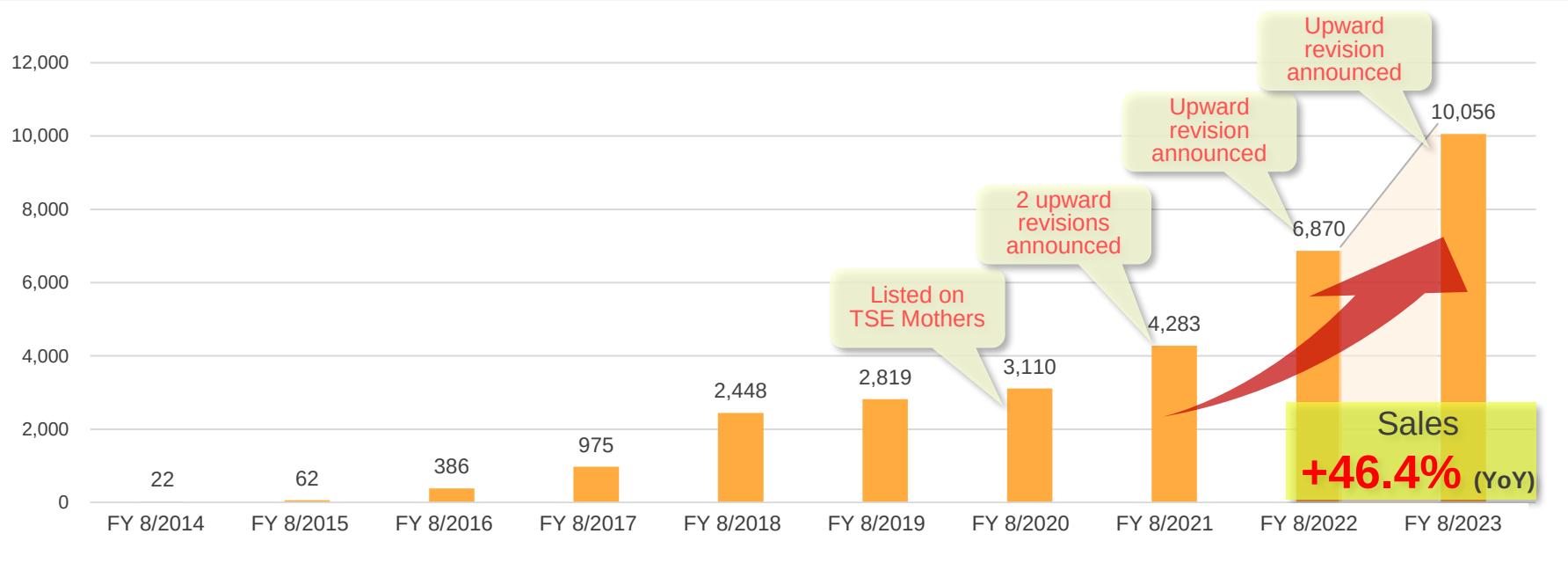
Sales were up **46.4%** YoY, and operating profits were up **63.5%** YoY.

	FY Aug. 2023	FY Aug. 2022	Change	Change (%)	FY Aug. 2023 forecast	Change	Change (%)
Sales	10,056	6,870	3,186	+46.4%	9,029	1,026	+11.4%
Gross margin	2,714	2,074	640	+30.9%	2,505	209	+8.3%
SG&A	2,394	1,878	515	+27.5%	2,250	143	+6.4%
Operating profit	319	195	124	+63.5%	254	65	+25.6%
Net profit	170	134	35	+26.3%	168	1	+0.9%

Unit: JPY million

Full Year Financials (Sales)

Sales increased by **JPY 3,186 million to JPY 10,056 million (+46.4% YoY)**. It is the highest percentage gain since listing, and the **10th consecutive increase in sales** since the founding of the company.



Financials - YoY comparisons

Quarterly sales were **+40.4% YoY**, gross margins were **+36.4% YoY**.

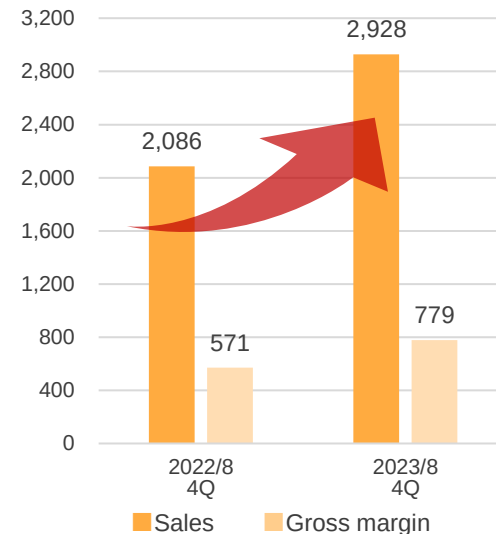
A great leap in profits for the full year. **Full year operating profits were +63.5% YoY.**

	FY 8/2023 4Q	FY 8/2022 4Q		FY 8/2023 Full year	FY 8/2022 Full year	
	Actual	Actual	Change	Actual	Actual	Change
Sales	2,928	2,086	+40.4%	10,056	6,870	+46.4%
Gross margin	779	571	+36.4%	2,714	2,074	+30.9%
Operating profit	29	21	+40.4%	319	195	+63.5%
Net profit	△29	12	—	170	134	+26.3%

The fall in net profit was due to an extraordinary loss (see slide 13)

Unit: JPY million

Quarterly sales and gross margin (YoY)



Financials - YoY comparisons (Adjusted operating profit)

As result of dramatic business growth, EBITDA reached **JPY 400 million** for the **first time**. Full year operating profits grew **+63.5%**, EBITDA grew **+69.8%**.

	FY 8/2023 4Q	FY 8/2022 4Q			FY 8/2023 Full year	FY 8/2022 Full year	
	Actual	Actual	Change		Actual	Actual	Change
Operating profit	29	21	+40.4%		319	195	+63.5%
Depreciation, amortization of goodwill	30	17	+76.0%		91	46	+96.3%
EBITDA	59	38	+56.4%		410	241	+69.8%
Office relocation expenses	—	0	—		0	27	△99.1%
M&A expenses	2	7	△69.8%		10	33	△67.7%
Adjusted operating profit	61	46	+33.7%		421	302	+39.3%

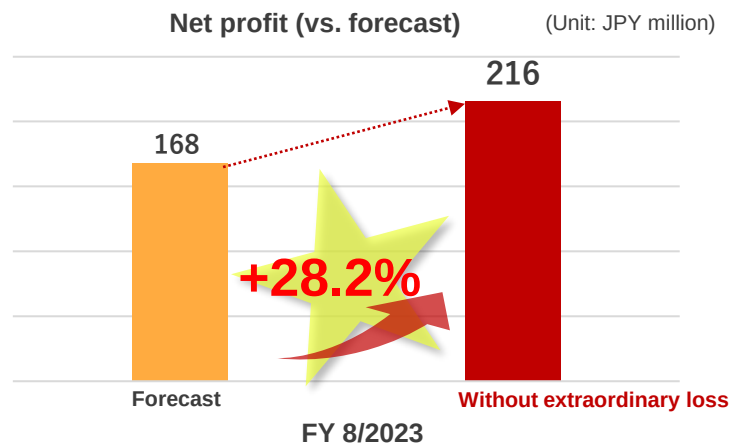
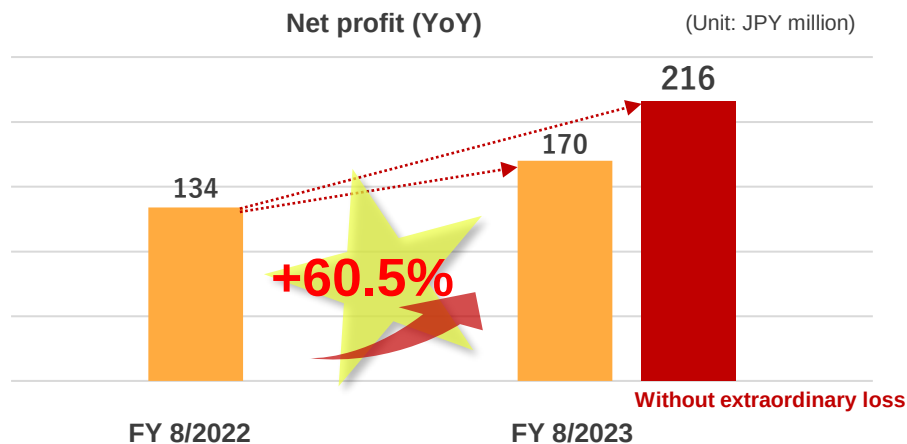
Note: For details on SG&A, please see slide 17.

(Unit: JPY million)

Financials - YoY comparisons (Net profit)

Net profit was **+26.3%** after taking into account an extraordinary loss from the TSS Fund which invests in start up companies.

Excluding the one-time extraordinary loss, **net profit for the full year was JPY 216 million, or +60.5% YoY, 28.2% above forecast.**

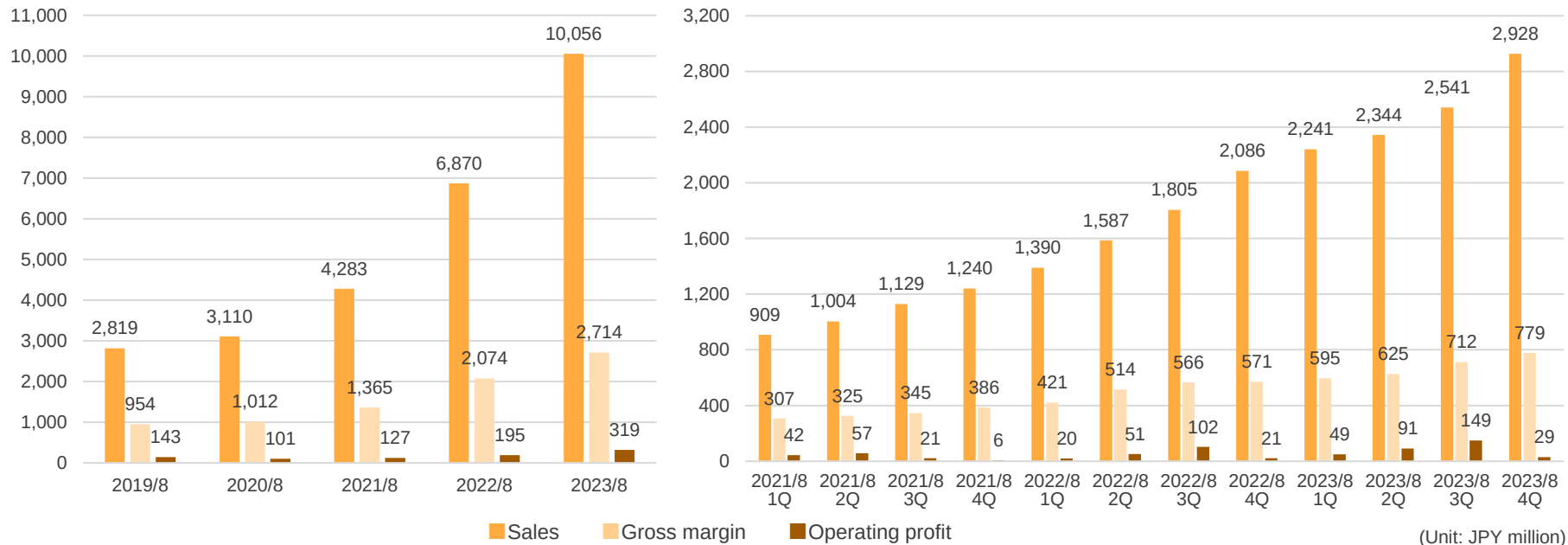


Note: The extraordinary loss was due to a loss on shares held and not from our core business. It does not impact profits from our mainstay business.

Quarterly earnings

Quarterly sales surpassed **JPY 2,900 million (+40.4% YoY)**

Record sales and gross margins for the 12th successive quarter.



SG&A - YoY comparisons

Focused on bolstering the organization, including new hires and employee training, with a view to mid- to long-term growth throughout the year. Using excess profits from the first 3 quarters, made largest-ever investment in advertising to acquire engineers in 4Q. In FY Aug. 2024, we will **continue to bolster our organization by training personnel hired in 4Q and by hiring executives.**

	FY 8/2023 4Q	FY 8/2022 4Q			FY 8/2023 Full year	FY 8/2022 Full year	
	Actual	Actual	Change		Actual	Actual	Change
Wages	332	214	+55.3%		1,101	812	+35.5%
Advertising	156	133	+16.8%		459	442	+3.7%
Rent	19	21	△11.2%		73	95	△23.1%
Commissions	122	91	+33.2%		363	251	+44.5%
Recruitment fees	44	29	+50.6%		158	102	+55.3%
Others	75	59	+26.5%		237	172	+36.9%
Total	750	550	+36.3%		2,394	1,878	+27.5%

(Unit: JPY million)

Continued investments in growth, human resources and advertisements

Investment in human resources

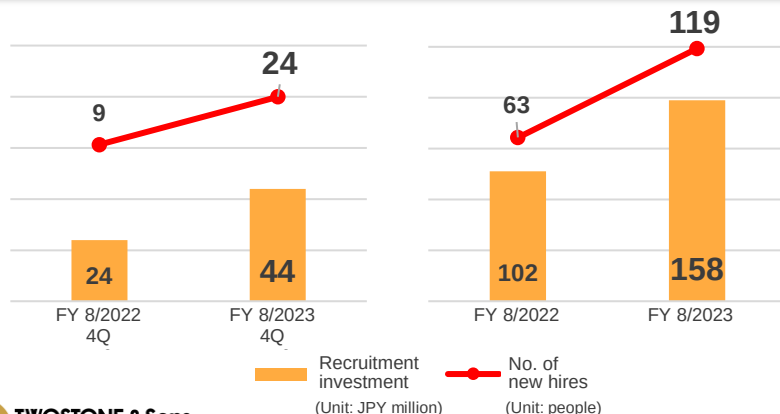
With FY Aug. 2023 as **the year for strategic investment**, the company focused on Midworks (its core business), recruiting, making new hires work-ready, and reorganizing the sales force.

Recruitment-related investments increased by

JPY 56 million (+55.3% YoY) for the full year.

Continue to bolster the organization in FY Aug. 2024.

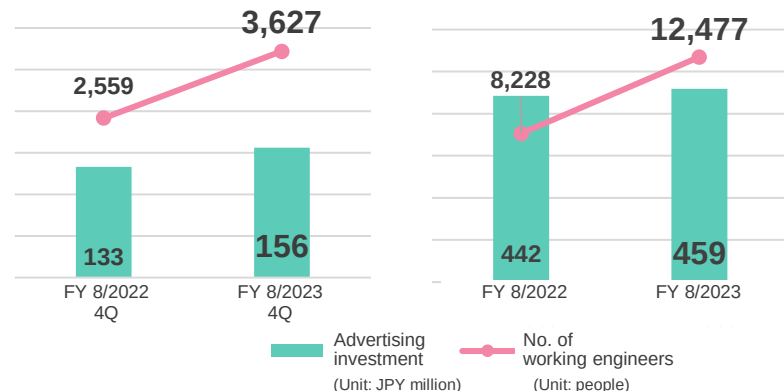
HR investment and the number of new hires



Investment in advertisement

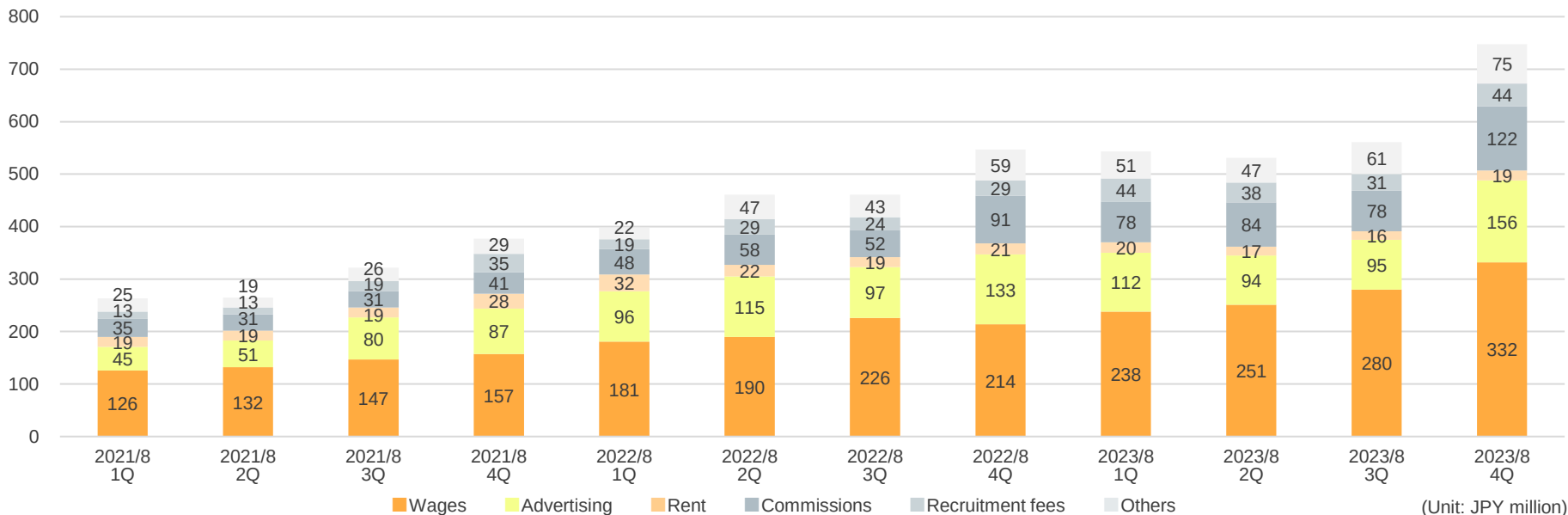
Advertisement investment was on par with last year as the company focused on bolstering the organization. On the other hand, by taking advantage of its recurring business, the number of working engineers increased by **51.6%** during the year. Despite reduced investment in advertisement, we managed to hire engineers. We made upfront investments in 4Q. And we will continue to invest in advertisement in FY Aug. 2024.

Advertising investment and the number of working engineers



SG&A - by quarter

Since listing, we have continued to make aggressive investments with a view to medium- to long-term growth. The invested amount is at record highs. From 1Q FY Aug. 2023, **we have made aggressive investments centered on recruiting.** In the 4Q, using excess profits from 3Q, we invested in advertisement for future business expansion. Newly hired engineers are expected to contribute to recurring profits over the mid- to long-term.



TSR acquisition



Company profile



Company name	TSR Co., Ltd.
Head office	2-3-6 Shiba-daimon, Minato-ku, Tokyo-to
Established	1 st April 2009
Paid-up capital	JPY 30 million (including capital reserves)
Type of business	IT solution
No. of employees	Approx. 81
Sales (forecast)	Approx. JPY 616 million (FY March 2023)
Registration/ licenses	Approved by the Minister of Health, Labor and Welfare - General Worker Dispatching Agency license: Ha 13-306574 Approved by the Minister of Health, Labor and Welfare - Fee-charging Employment Placement Business license: 13-Yu-306303
Main clients	Fujitsu, Hitachi Solutions, Uniadex
Expected synergies	Synergies from similar client base and technology areas with TSR Solutions acquired in Feb. 2022

Note: TSR's sales and profits will be consolidated from 1Q FY Aug. 2024.

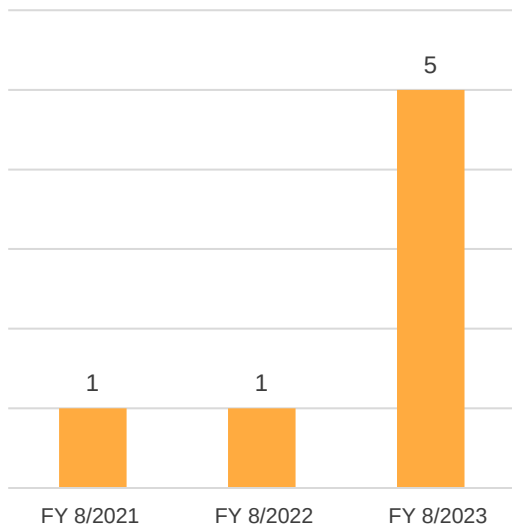
Strategic M&A

In FY Aug. 2023, we acquired 4 companies and 1 business division.

In FY Aug. 2024, led by our M&A team, we will continue to be active in M&A.

We should see **dramatic expansion** through the growth of our existing businesses and synergies through strategic M&A.

M&A deals completed



Acquisitions since public listing

II Hundred

Acquired Jan. 2021



Acquired Feb. 2022

DeProp

Acquired Sept. 2022



Acquired Mar. 2023



UPTORY

Acquired April 2023



Acquired June 2023

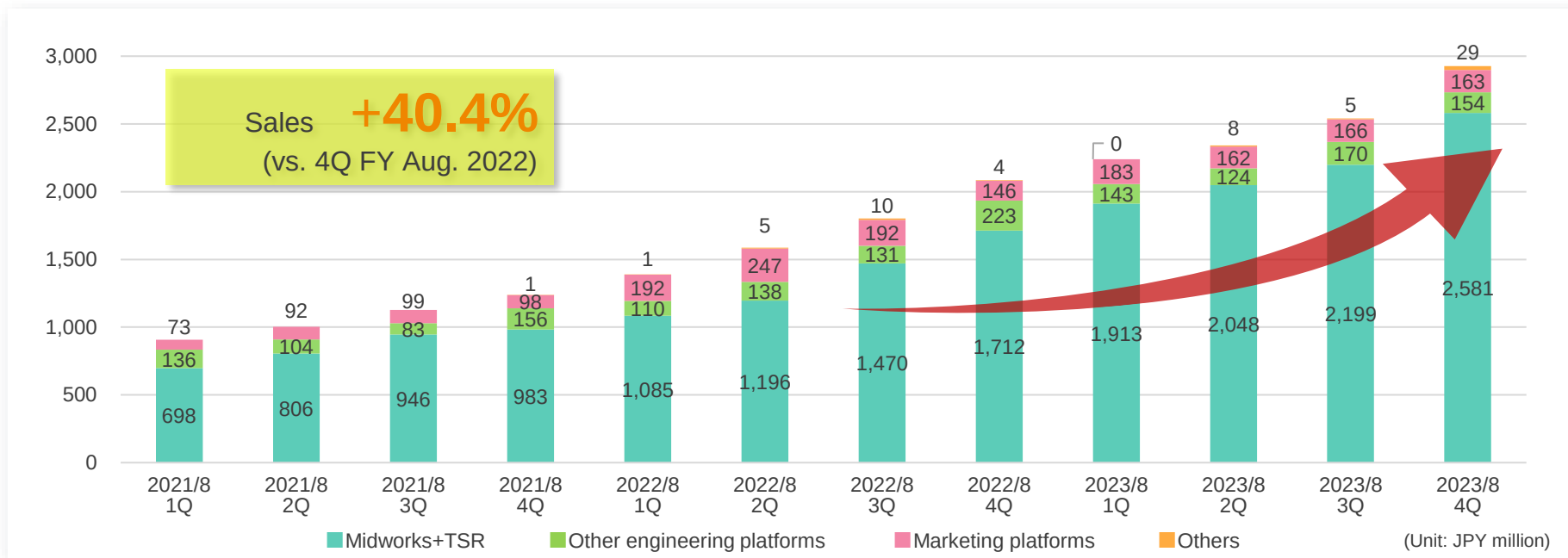
Note: TSR's sales and profits will be consolidated from 1Q FY Aug. 2024.

3. Results by Segment

Quarterly sales by segment

Our engineering platform, led by Midworks, drove sales higher.

4Q sales for the group were **+40.4% YoY**



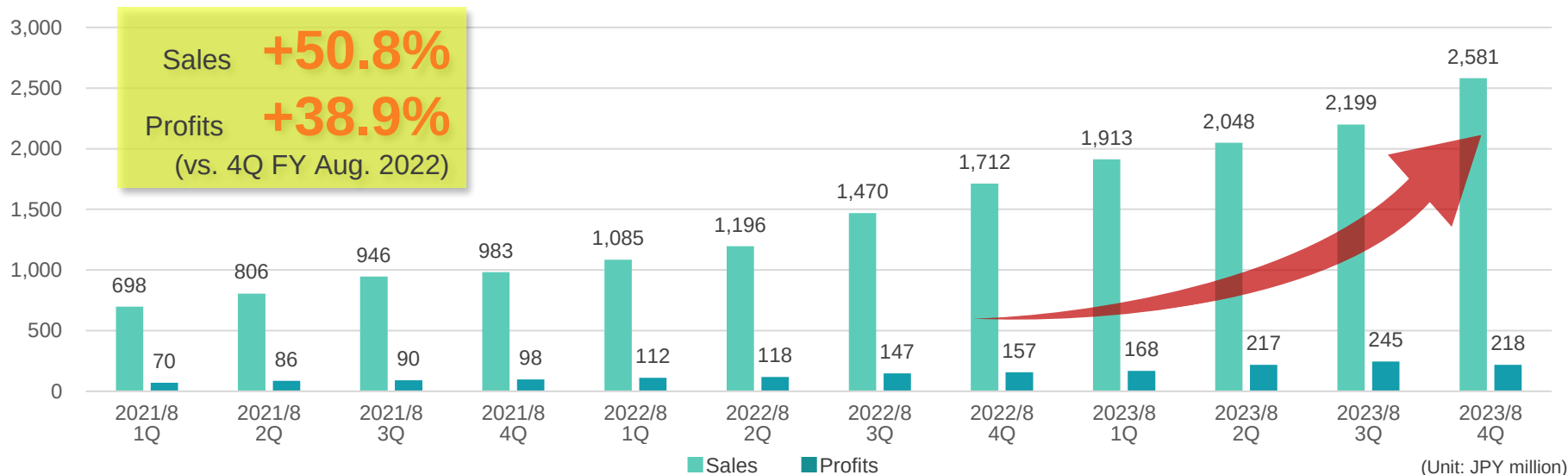
Note: The collective name of Midworks, TSR Solutions, DeProp, Jin Earth and UPTORY will be Midworks (engineer matching) from 4Q FY 8/2023.

Midworks (Engineer matching)

Reinforcement of the organization and M&A led to record 4Q sales of **JPY 2,581 million**.

Strategic investments in hiring and advertisement led to lower profits QoQ.

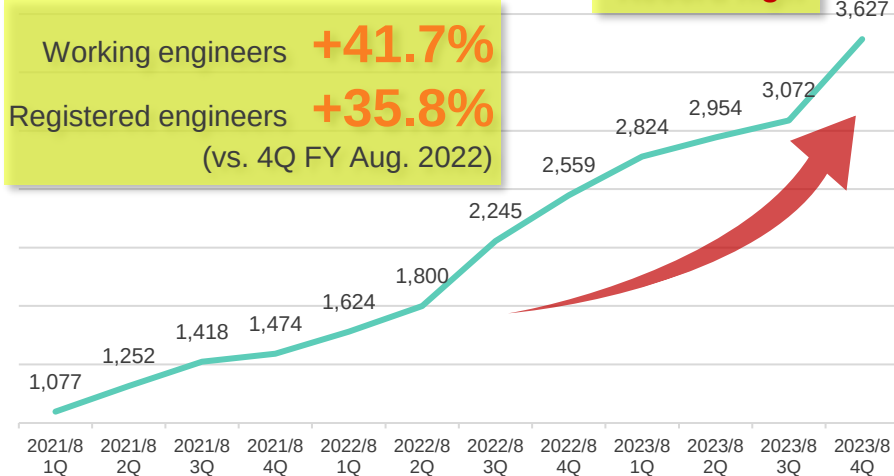
We plan to continue to bolster our organization and hire personnel in FY Aug. 2024.



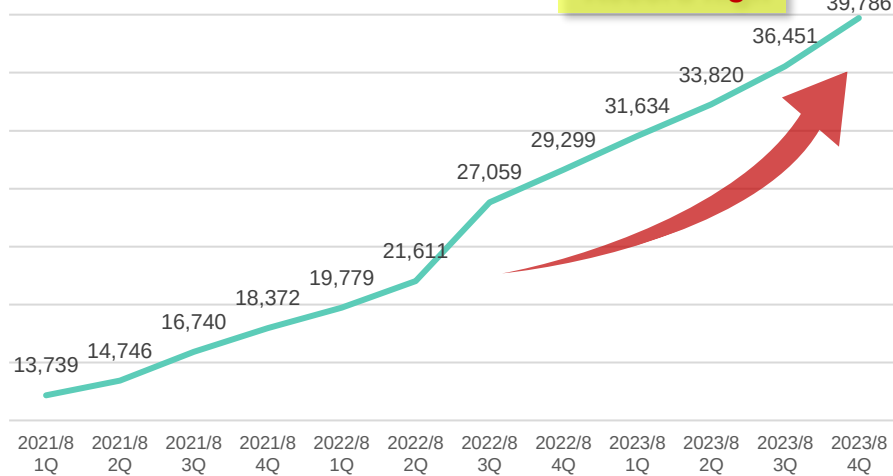
Midworks (Engineer matching)

We continue to surpass records in the number of working engineers. The number of registered engineers remained steady. By further bolstering the organization and through M&A, **we increased the number of working engineers by 41.7% YoY in 4Q.** Investment in advertisement remained steady, but further recognition of Midworks has led to the number of **registered engineers rising by 35.8% YoY.**

No. of working engineers
(consolidated basis)



No. of registered engineers
(consolidated basis)





4. Forecast for FY August 2024

Key features of FY Aug. 2024

Continued aggressive investment in hiring

Continued aggressive growth investments planned for FY Aug. 2024, centered on recruiting-related investments and advertising investments to acquire engineers. On the recruiting side, we will bolster our organization by aggressively investing in external personnel hires as executive candidates, and we will also continue to hire sales personnel to boost our sales capabilities to target higher growth for the entire group.

Growth of existing businesses + Aggressive M&A

We will continue to be aggressive in our M&A activities in FY Aug. 2024. We strive for rapid growth by further expanding our existing businesses combined with intermittent growth through M&A.

Bolstering governance

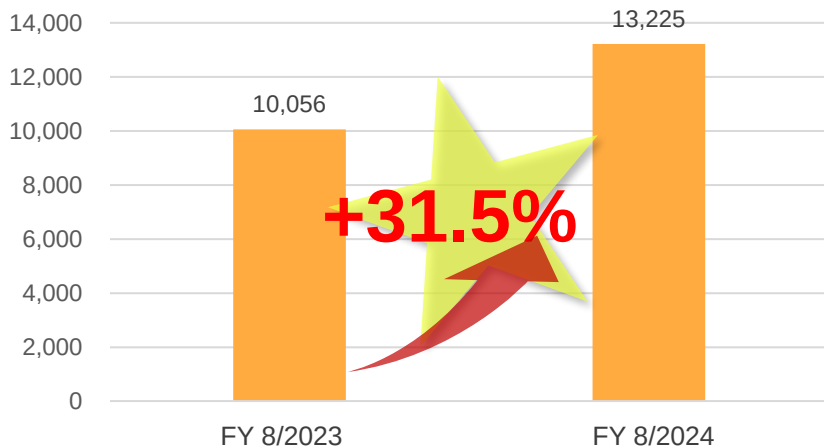
Bolstered governance after group expansion through a holdings structure. Create a flexible management system to accommodate the swift onboarding of acquired group companies whose number is expected to grow.

FY Aug. 2024 - Consolidated earnings forecast

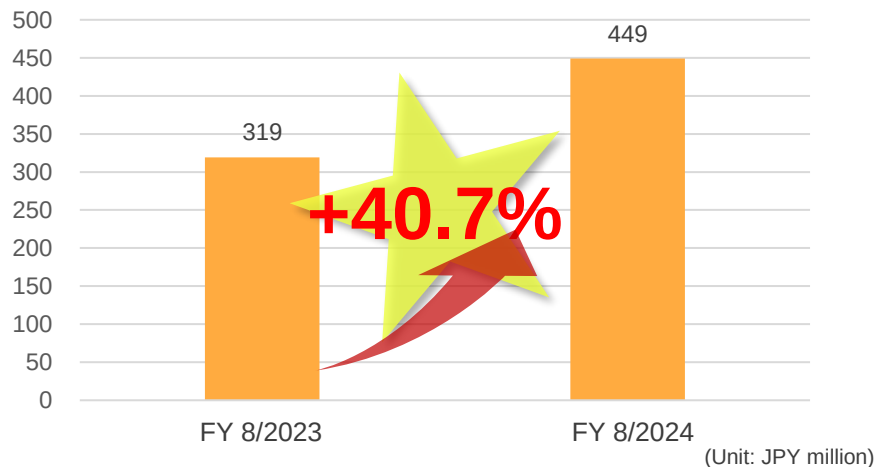
Significant growth in sales and operating profits expected.

Accelerate growth of our existing businesses and promote intermittent growth through M&A **to further expand growth** of the group.

Sales



Operating profit



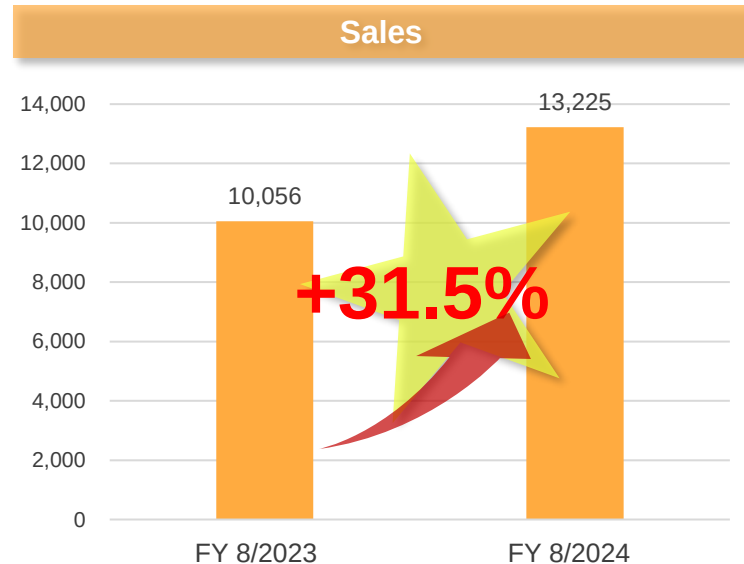
FY Aug. 2024 - Consolidated earnings forecast

We forecast sales growth of **JPY 3,168 million** for FY Aug. 2024.

We will continue to invest for the mid- to long-term surpassing last year's numbers, and are targeting **40%+ YoY** growth in operating profit and net profit, surpassing records.

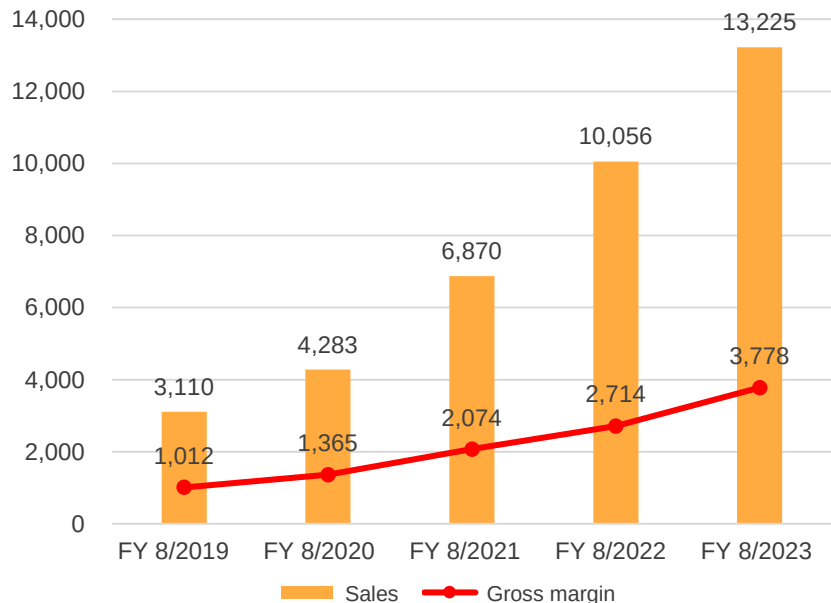
	FY Aug. 2024 forecast	FY Aug. 2023 actual	Change	Change (%)
Sales	13,225	10,056	3,168	+31.5%
Gross margin	3,778	2,714	1,063	+39.2%
SG&A	3,328	2,394	933	+39.0%
Operating profit	449	319	130	+40.7%
Net profit	240	170	70	+41.6%

(Unit: JPY million)

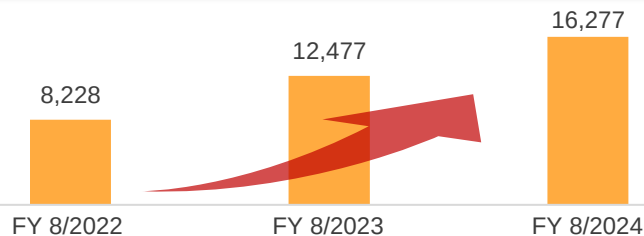


Sales and KPI

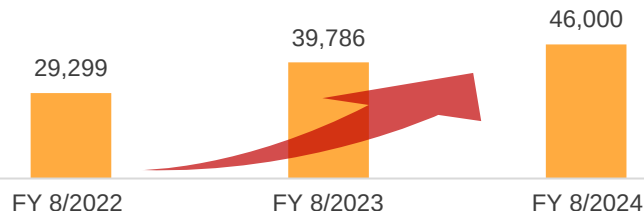
We forecast **record sales again** in FY Aug. 2024. An increase in the Working engineers to Registered engineers ratio, our main KPI, will drive sales.



No. of working engineers



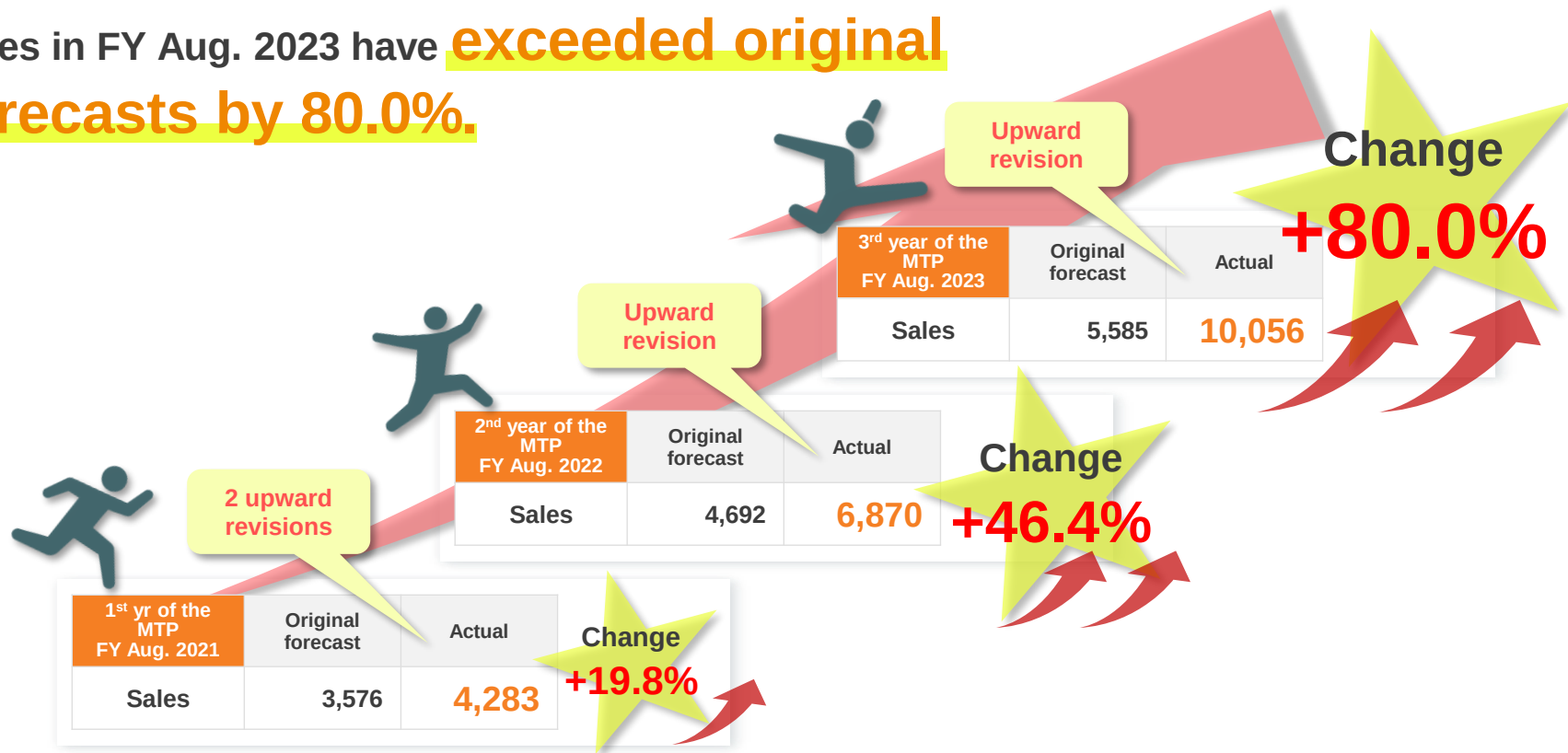
No. of registered engineers



Sales comparison with the Mid Term Plan issued at the time of listing

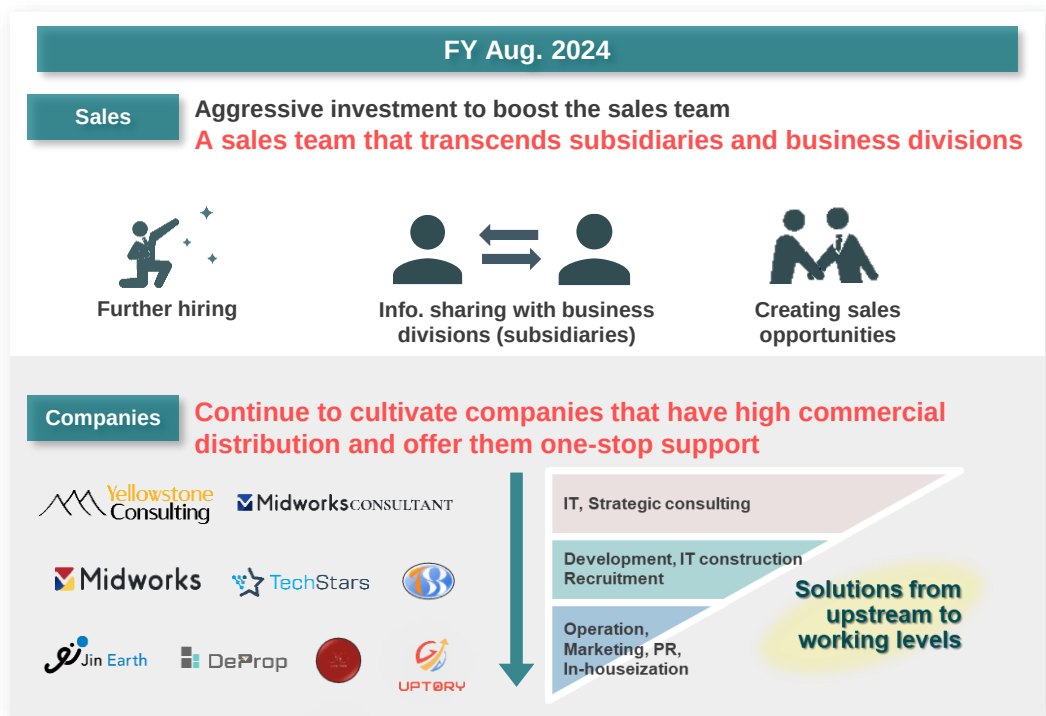
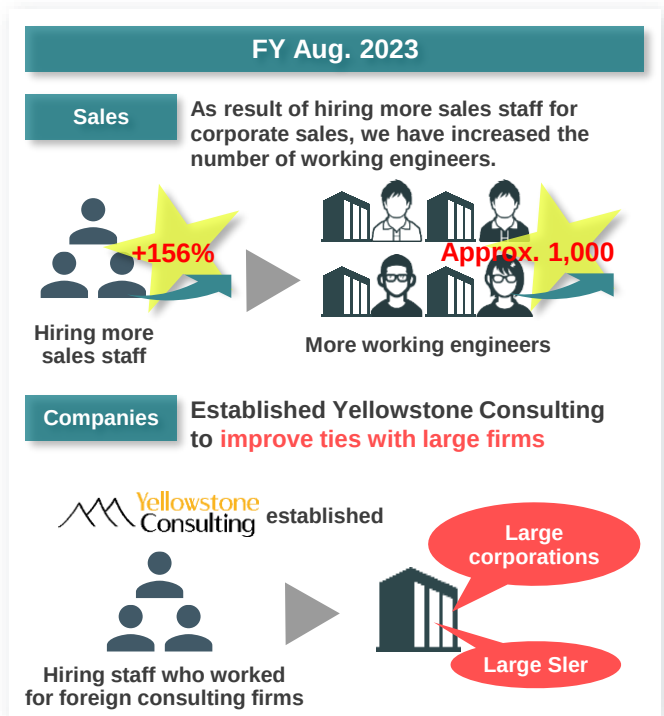
Sales have greatly exceeded the Mid Term Plan (MTP) forecast issued in July 2020.

Sales in FY Aug. 2023 have **exceeded original forecasts by 80.0%.**



Engineer Platform Services

Bolstering a one-stop support system that transcends the boundaries of subsidiaries and divisions, from upstream processes such as strategy formulation, to development sites.



Marketing Platform Service

Continue to engage in marketing consulting business expansion with a focus on advertising operation projects. Strengthen ties with engineering businesses.

FY Aug. 2023

Transitioned to the web advertisement market;
Steady acquisition of projects

WEB advertising



Start of the marketer matching business

EP Expert Partners Marketing



From FY Aug. 2024

Continue to engage in marketing consulting business expansion with a focus on advertising operation projects. Strengthen ties with engineering businesses.



Client



WEB
advertising



Engineering
business

Market
size

With the creation of the WEB
ad market, the market has
expanded **approx. 7-fold**



Approx. JPY
390 billion

Contents production market

**Approx. JPY
2.705 trillion**

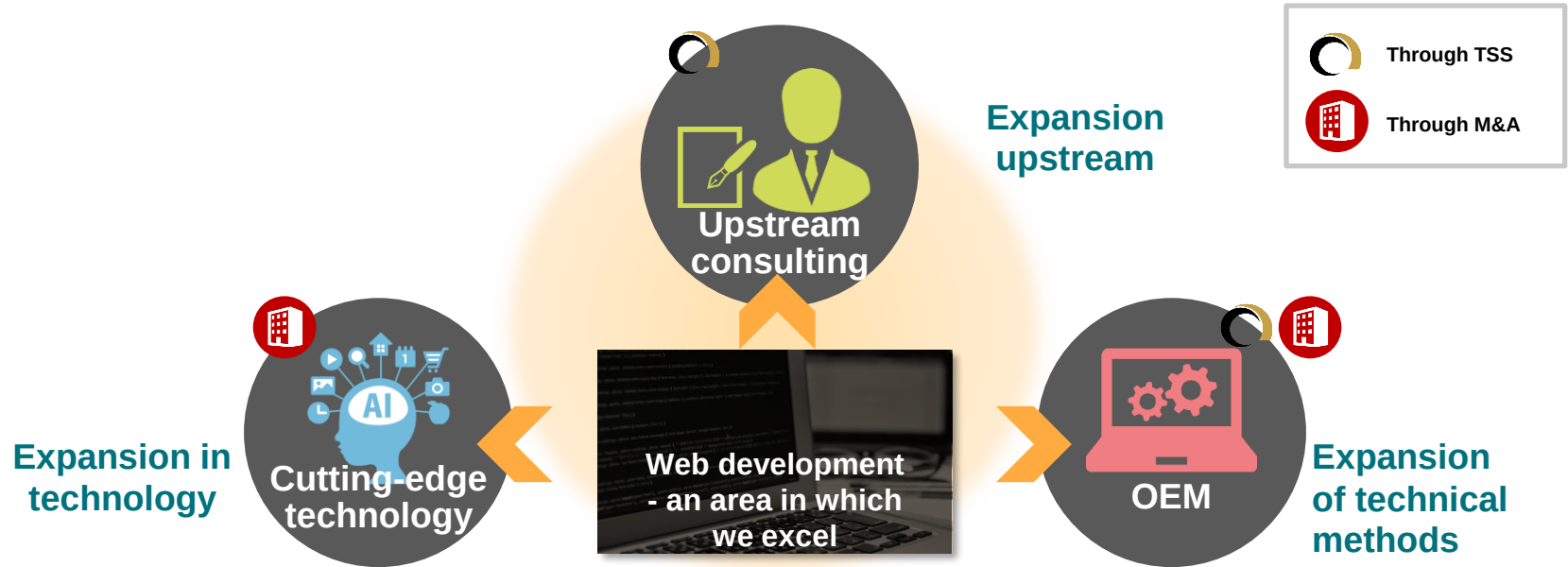
Web advertising market

Source: Dentsu Co., Ltd., "2021 Japan's Advertisement Expenses"

Expansion through organic growth and M&A

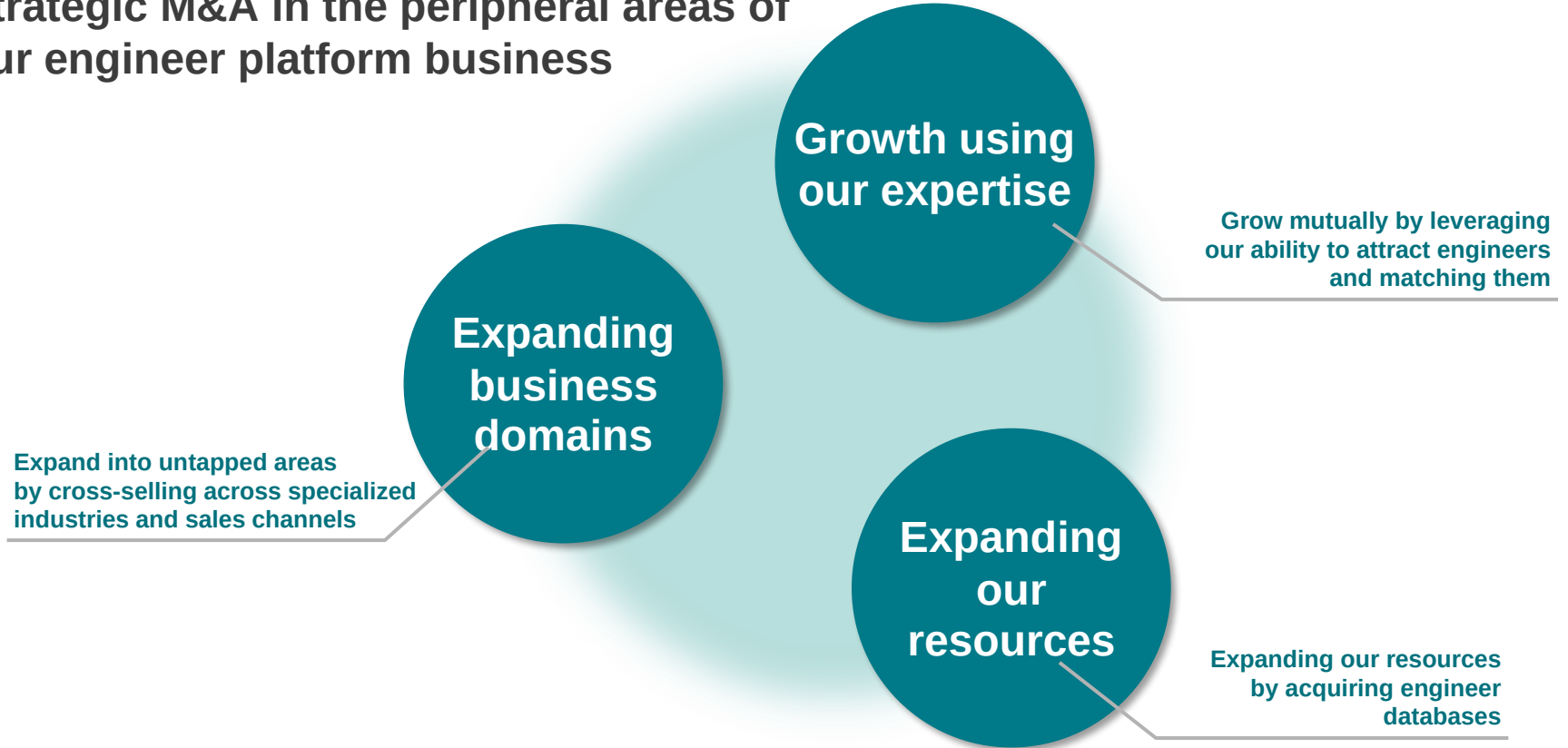
Achieve dramatic growth by combining organic growth with synergies from M&A.

Expanding business from web development engineering resources, an area in which we excel, to upstream process development and cutting-edge technology businesses.



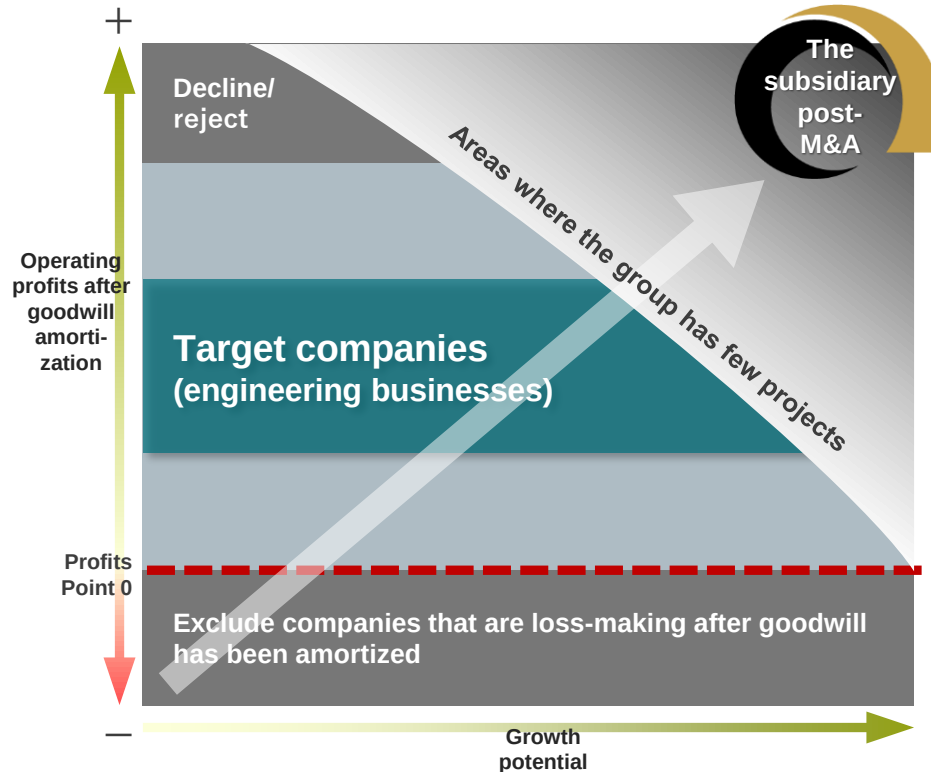
M&A strategy

Strategic M&A in the peripheral areas of our engineer platform business



M&A target strategy

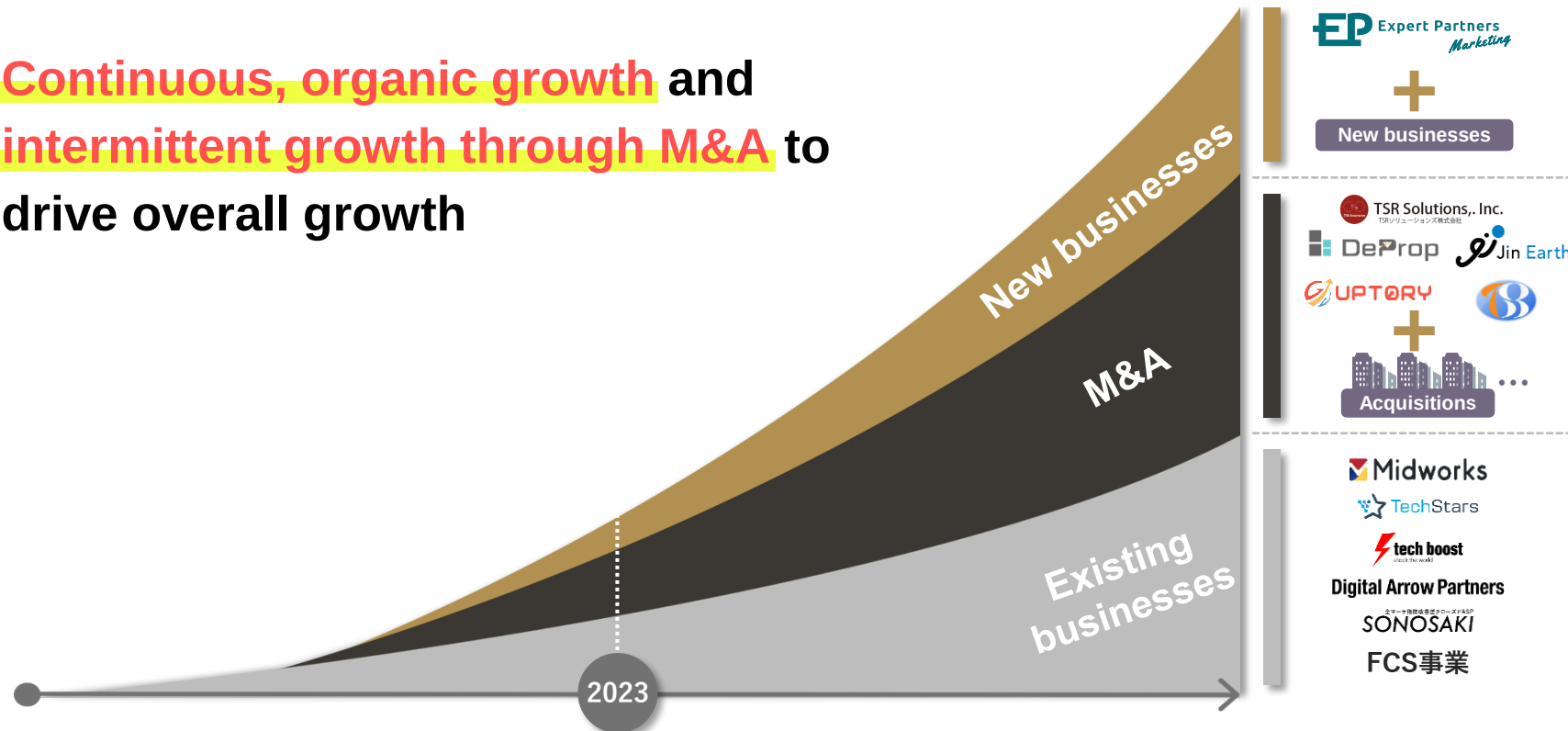
Strive for rapid growth by applying an M&A strategy with a clear target



- Limit the target to our area of expertise**
 Focus on M&A of engineering businesses. Expand our business domain and resources by focusing on M&A of companies that can attract customers and utilize our matching capabilities.
- M&A of companies exceeding the value of goodwill**
 Set appropriate EBITDA targets. Avoid companies that show losses after amortization of goodwill.
- Effective PMI using our expertise**
 Determine appropriate unit price of engineers (and judge if there is room for an increase)
 Affinity with our clients, bolstering internal staff, and conducting PMI by leveraging our group expertise.

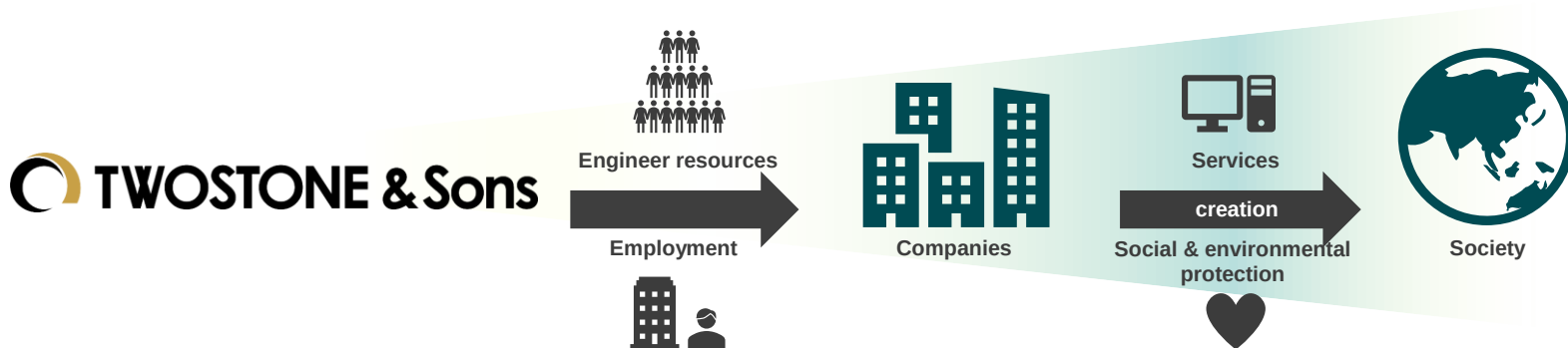
Our group's mid- to long-term management vision

Continuous, organic growth and
intermittent growth through M&A to
drive overall growth



5. ESG Initiatives

Eliminate IT staffing shortages by matching companies with IT engineers
 Promote DX in society and support for freelancers the creation of new services
 New services increase environmental protection and boost social revitalization



Social & Environment	Governance
- Propose new ways of work for engineers, including support for freelancers - Provide engineering resources to companies and create new services - Creating services to enrich people's lives and revitalize society	- Enhancing corporate governance - Compliance with the relevant laws and regulations

Grow together with society by proactively promoting ESG

Environmental protection through creative services

- ◆ Reduce resource costs by going paperless
- ◆ Efficient waste disposal associated with DX
- ◆ Promote remote work to reduce carbon gas emissions

E nvironment



Social revitalization through our services

- ◆ Promoting diverse work styles including more freelance IT engineers
- ◆ Eliminating the shortage of IT engineers in Japan; produce more IT engineers

Social revitalization through creative services

- ◆ Provide engineering resources to create new value and services
- ◆ Create services to enrich people's lives and revitalize society

S ocial



Enhancement of Corporate Governance

- ◆ Compliance with the relevant laws & regulations
- ◆ Build an appropriate escalation process & organization
- ◆ Implementing regular compliance training

G overnance



Environment

Indirectly contribute to carbon reduction by providing engineers to companies promoting DX. There are **numerous examples of carbon dioxide reduction through DX** at all types of companies.

Case ①

Digitization of documents stored and managed on servers



CO² reduction

Before: 571 tonnes/annum
After: 100 tonnes/annum

Case ②

On-line web-based meetings



CO² reduction

Before: 275.8 tonnes/annum
After: 4.3 tonnes/annum

Case ③

Collecting and analyzing information on agricultural land through remote sensing



CO² reduction

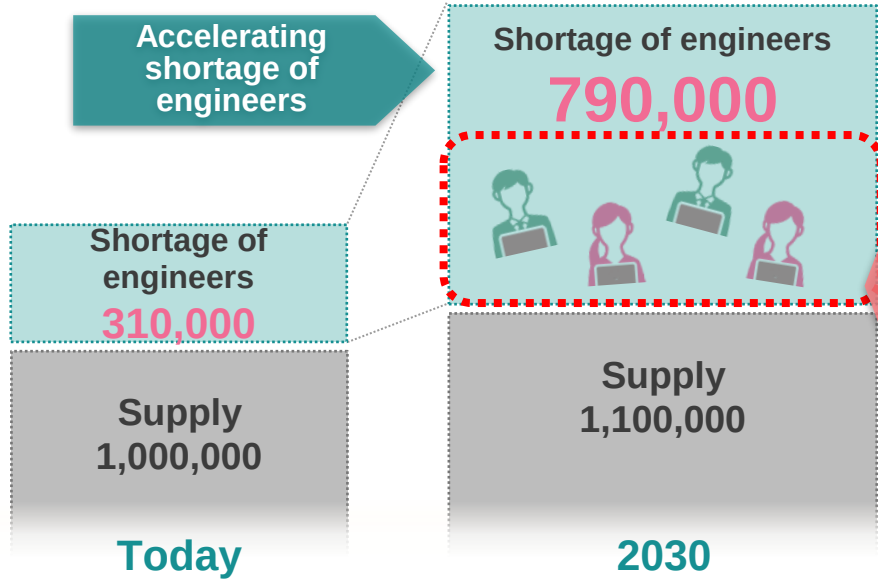
Before: 2.03 tonnes/annum
After: 0.11 tonnes/annum

Source: Report by the Study Group on ICT Policy addressing Global Warming Issues

Social

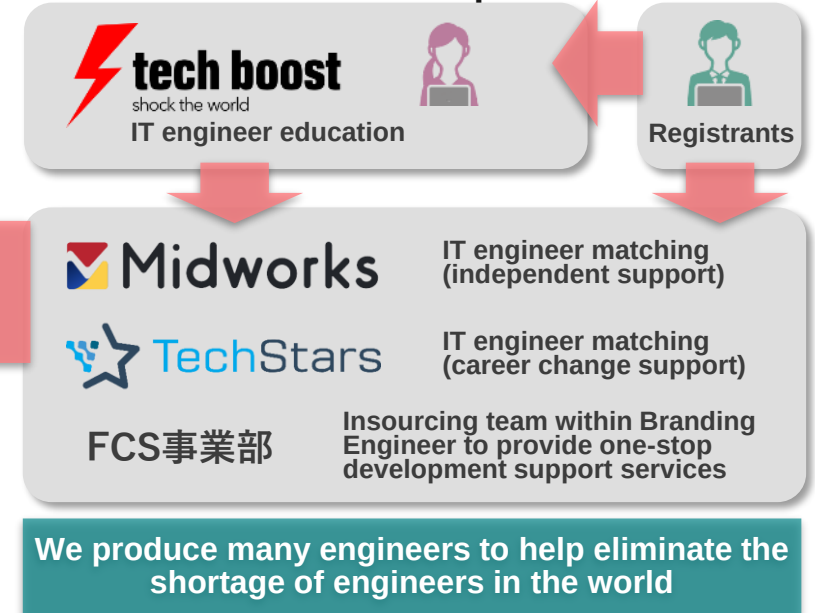
In response to the shortage of IT engineers, which is expected to become a serious issue in Japan in the future, we train **a large number of engineers** and ensure their mobility by providing freelance and career change support.

IT staff demand



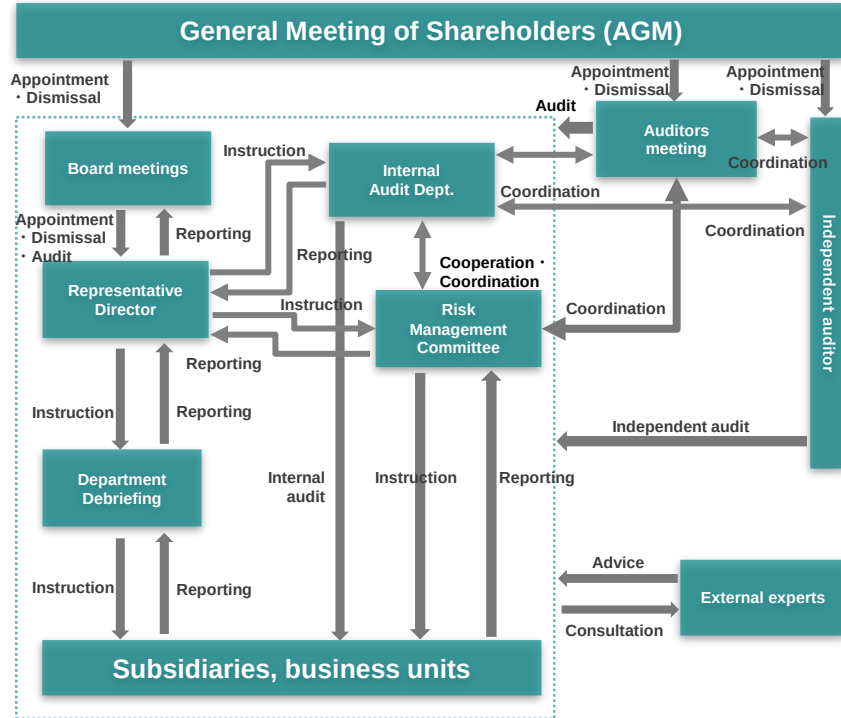
Source: Survey Results on the Latest Trends and Future Estimates of IT Human Resources, METI (2019 edition)

TWOSTONE & Sons Group's businesses



Governance

Management based on robust organizational structure,
risk management and labor protection measures.



Management Structure

The Company has set up a General Meeting of Shareholders, Board of Directors, Board of Corporate Auditors and Accounting Auditors as stipulated under the Companies Act. The Representative Director appoints the head of the Internal Audit Office which conducts internal audits. In addition, a business unit meeting is held at the beginning of each month. A structure has been set up to quickly grasp the performance and prospects of each business unit and to make efficient decisions.

Implementation of management measures

A Risk Management Committee has been established to minimize losses by preventing the occurrence of risk events and responding to them appropriately. We have implemented measures for risk management, including periodic training (i.e. insider trading prevention, personal information protection, compliance training) In addition, a work environment protection system has been established through periodic employee surveys and the establishment of a whistle-blowing and internal/external consultation service.

Human Capital Management

We consider not only our group employees but all those concerned (especially engineers) as human capital. We are committed to creating an environment that increases utilization of our staff and duration to maximize LTV.



No. of service users

No. of our service users who form the basis of our sales

Key KPI

Maximize no. of service users

- No. of newly registered users
- Monthly terminations
- Monthly utilization
- Partner companies and no. of active (working) staff



Duration

Duration of use by our registered service users

Key KPI

Maximize average number of continuous months

- User satisfaction
- Declining termination rate
- Repeat users

Components of LTV



Total value creation

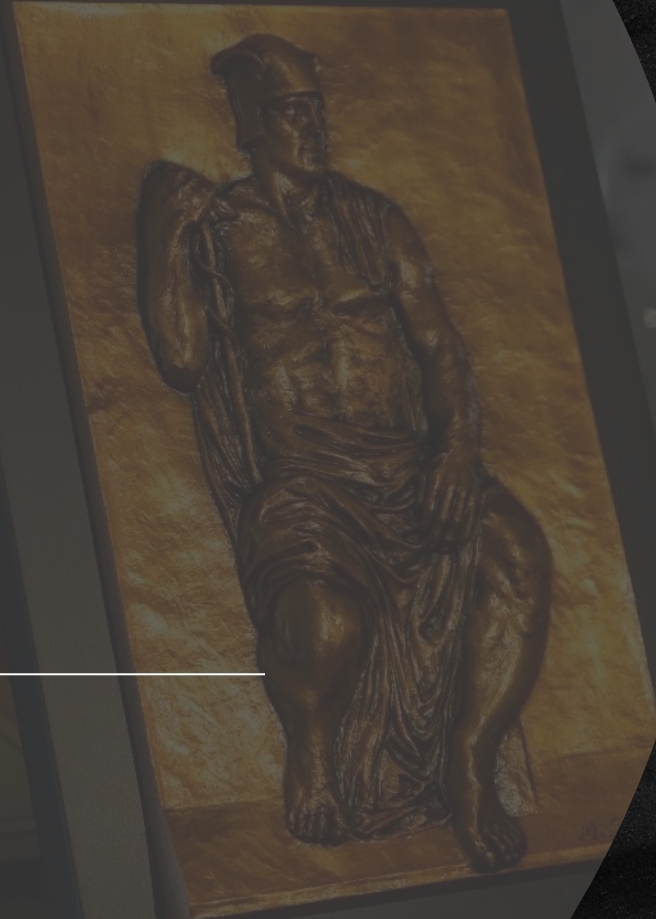
Value created per user

Key KPI

Maximize gross margins

- Higher unit price per use
- Higher indirect costs
- Additional orders through customer satisfaction

6. Appendix

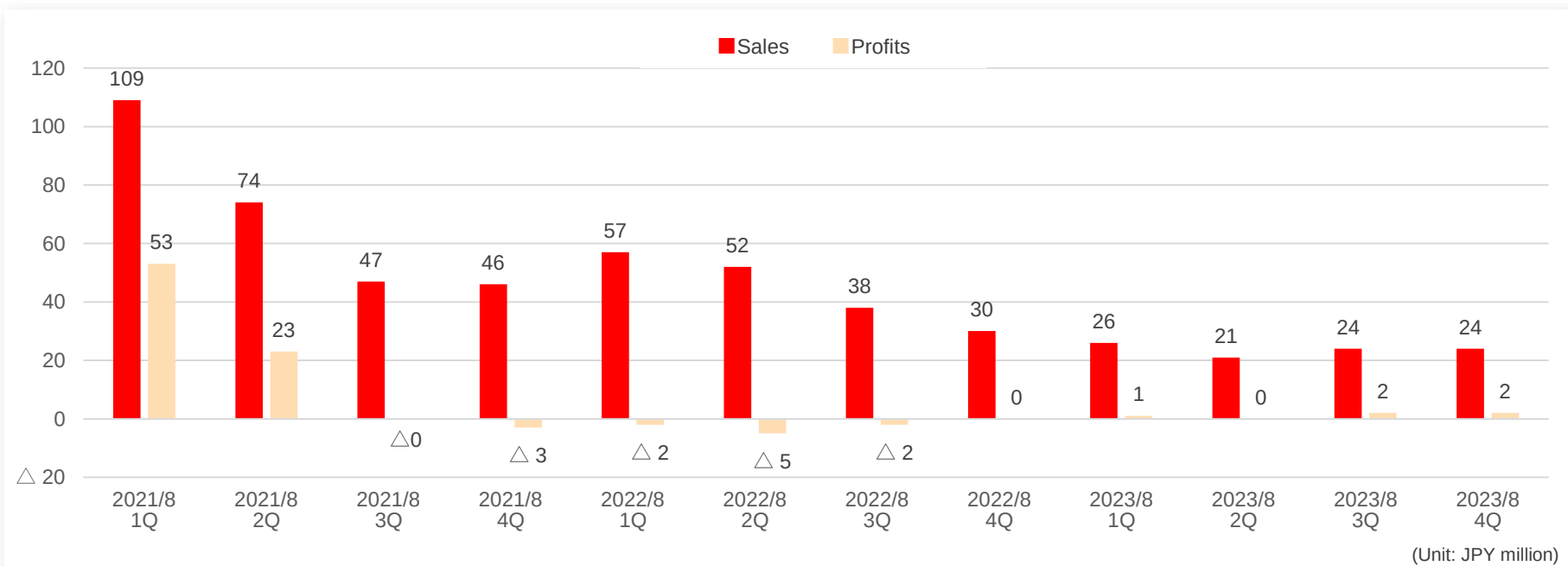


FY Aug. 2022 4Q results - additional info.

Quarterly results - tech boost

In FY Aug. 2023, the Ministry of Health, Labor and Welfare (MHLW) designated several courses as part of its education and training program.

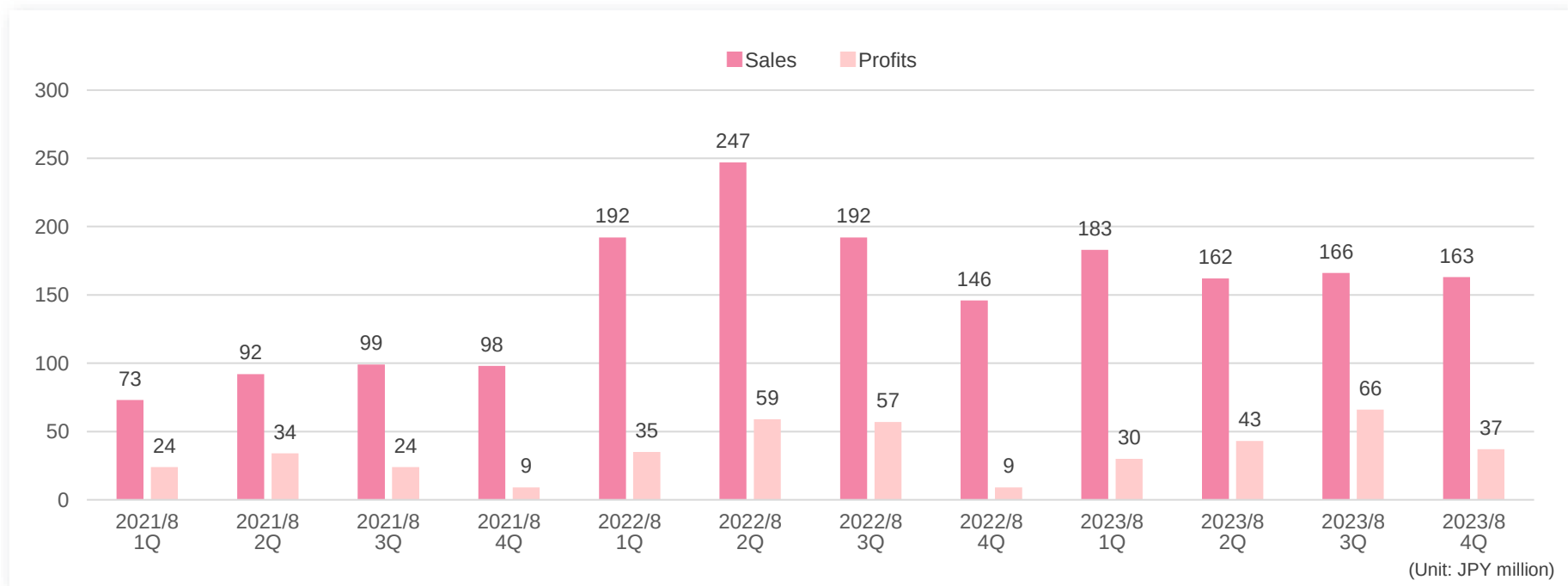
We are promoting reskilling as a programming school of engineering companies.



Quarterly results - Marketing platform services

The web marketing consulting business has seen solid growth in FY Aug. 2023.

In 4Q, sales were **JPY 163 million** and profits were **JPY 37 million**.



Annual results - Consolidated balance sheet

Along with business growth, we have seen solid growth in net assets.
Our fixed assets and fixed liabilities grew as result of M&A.

	FY 8/2023	FY 8/2022	
	Actual	Actual	Change
Current assets	2,851	1,947	+46.4%
Cash & deposits	1,289	874	+47.4%
Fixed assets	1,234	561	+119.8%
Total assets	4,086	2,511	+62.7%
Current liabilities	1,954	1,127	+73.3%
Fixed liabilities	1,234	646	+90.9%
Net assets	897	736	+21.7%

(Unit: JPY million)

Growth Potential: Progress on Existing Businesses

Engineer Platform

Last year

Look for more companies with high commercial flow, **propose a team-based plan** and **bolster recruitment to search for more companies.**

Results

In addition to increasing Midworks' sales force, we established Yellowstone Consulting to strengthen the company's approach to major clients.
Sales headcount up 156% over last year

This year

Bolstering a one-stop support system that transcends the boundaries of subsidiaries and divisions, from upstream processes such as strategy formulation, to development.

Note: See slide 28 for details on FY Aug. 2023.

Marketing Platform

Last year

Continue to **expand the scope of web marketing consulting**

Results

The increase in advertised management projects have contributed to sales.
We have also started a marketer matching business.

This year

We will continue to **expand our web marketing consulting business centered on advertised management projects.**
Bolster ties with engineer businesses.

Note: See slide 31 for details on FY Aug. 2024.

Growth Potential: Progress on New Businesses and M&A

New Businesses

2 New Businesses



Offering freelance marketer matching services as part of the web market consulting business expansion.



Offering business strategy consulting transcending from the very upstream to downstream, by consultants who worked at foreign consulting firms

全マーケ指標改善型クローズドASP
SONOSAKI

Web marketing consulting

Steadily expanding



X Investors
Real estate

Withdrew from
the business
30th June 2023

M&A

Acquisition of 4 engineering-related businesses



Acquired in Sept. 2022



Acquired in March 2023



Acquired in April 2023



Acquired in June 2023

- ◆ Sales opportunities through cross-selling
- ◆ Make high value-added proposals through a team of engineers with various specialties

The formation of an M&A team has made it possible for smooth acquisitions.

On the Holdings Structure

Branding Engineer has adopted a holding company structure

From June 1st, 2023,
we have adopted a holding company structure and changed our name.

 **BRANDING
ENGINEER**



 **TWOSTONE & Sons**

Two Visions and Values Meet

V **+** **V**
Visions **+** Values



A Strong Will is Built

W
Will
||
Purpose (Stone)

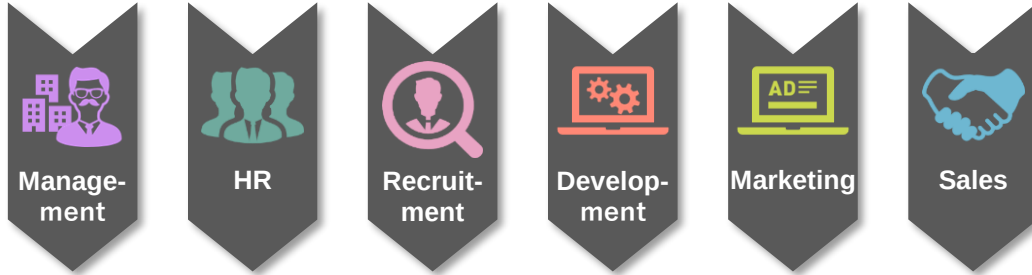
Note: The Japanese word for "purpose (or will)" (意志) is "ishi",
and the word "stone" (石) is also "ishi" (They are homonyms.)
We want to have a sense of purpose that is as hard and strong (determined) as a stone.

Increase **“Sons”** who have a strong will and believe in each other

Aim of the holding company structure (① 6 areas to support growth)

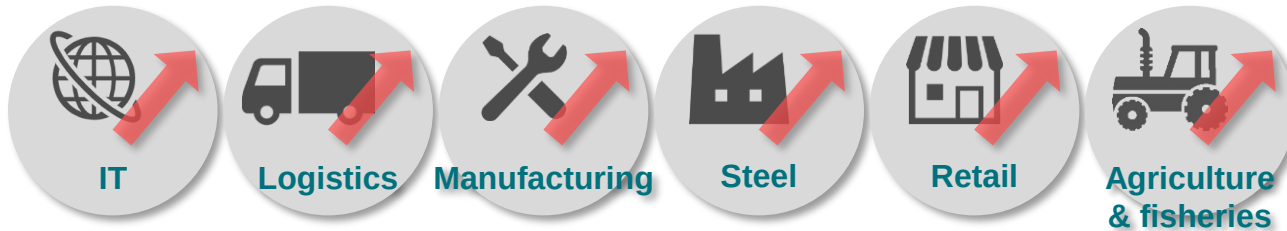
The following six areas are important factors for the growth of all industries (companies)
Through our holding company structure, we will provide support in these areas to promote growth.

TWOSTONE & Sons



Solutions from upstream to working levels

Each area contributing the corporate sales growth



etc...

Growth of the 6 areas each contribute to corporate sales growth

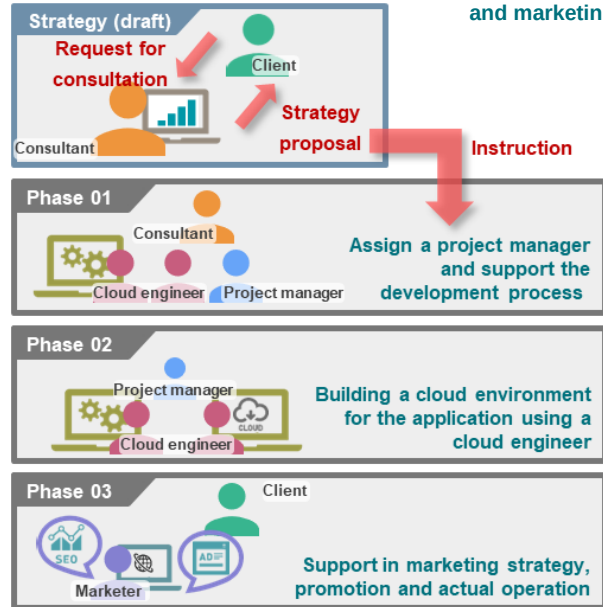
The Group's TAM (Total Addressable Market) is all global industries and its growth

Aim of the holding company structure (② Value provided by our group)

Procure from the market, human resources and knowledge that can extend the expertise in each area.
Create synergies by combining our proprietary solution building capabilities, and provide value to companies.

Company

Example: Cloud-based business application development and marketing



TWOSTONE & Sons

Business growth platform

Solution building



Resource database



Add value

Deliver

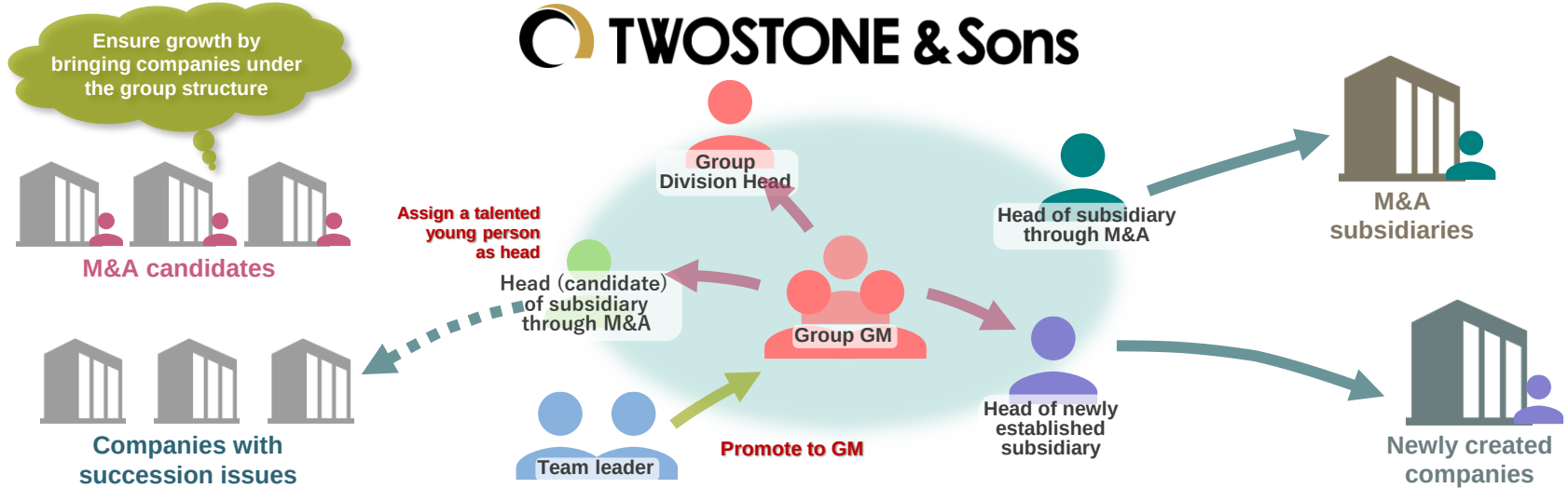
Market



Aim of the holding company structure (③ Internal effects of the structure)

Activate M&A strategy through the holding company structure

Create new positions, opportunities for young staff, improve hiring and organizational development.



Activate M&A

- More companies considering M&A (for stability and growth potential)
- Provide managers to companies with succession issues

Activate hiring & training

- Diversify discretionary authority through the establishment of new subsidiaries
- Branding to recruit talented young workers

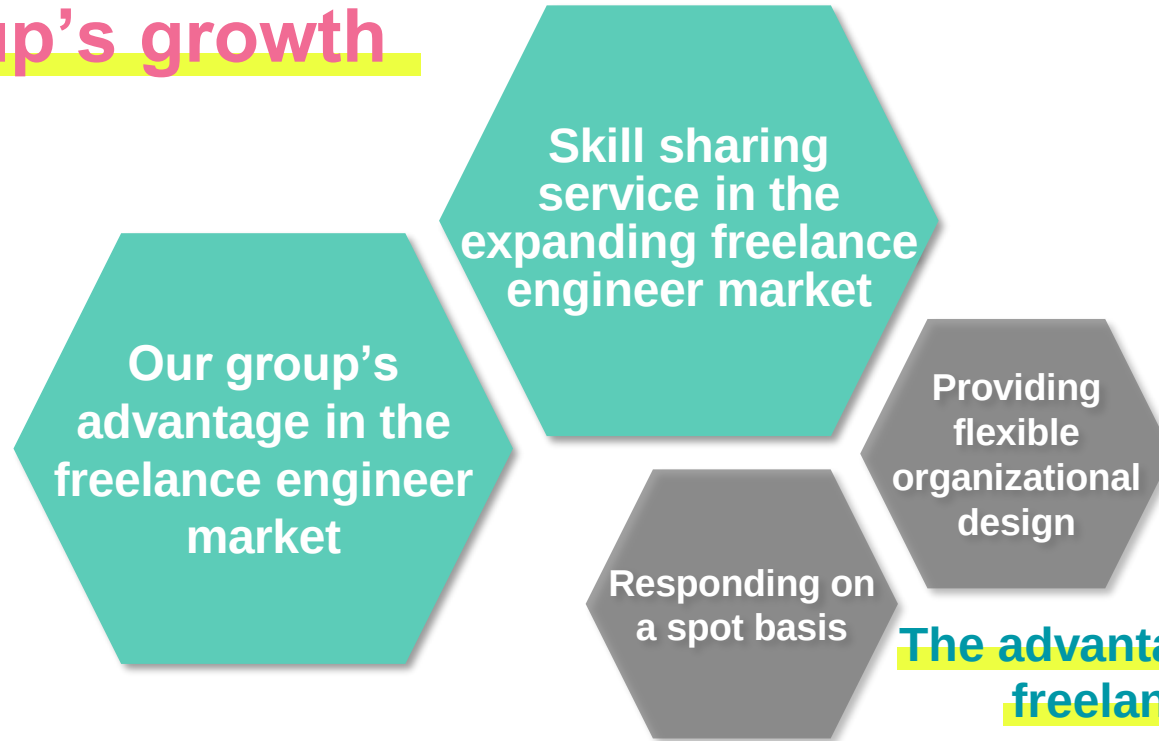
- Motivate young members to achieve results
- Growth of human resources by having them track business results



Market trends and our competitive edge

Market trends and our edge

2 factors behind our group's growth

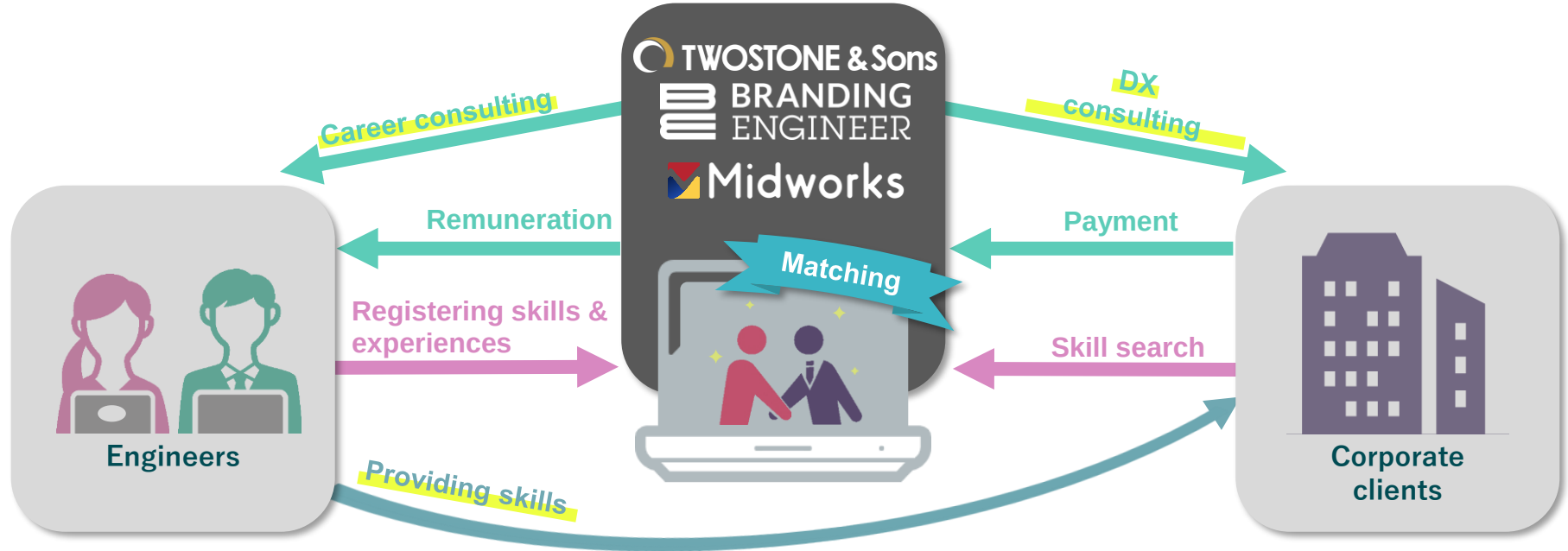


**The advantages of using
freelance engineers**

Our Business Model

We provide comprehensive **DX consulting services** to companies.

Midworks, our core business, provides freelance engineer **skill-sharing services** to companies in the expanding freelance engineer market.



What is Midworks?

Connecting freelance engineers with companies

Matching service (skill sharing service)

We offer a wide variety of package plans to remove your fears of becoming independent.

Large number of projects

Guarantees of a full-time employee

Follow-up by consultants with extensive knowledge of the industry

Midworks Package plan

- Business transportation allowance
- Career advancement support expenses
- Accounting support system expenses
- Free membership to freelance association
- Use of welfare services
- Co-payment (50%) of life insurance premiums

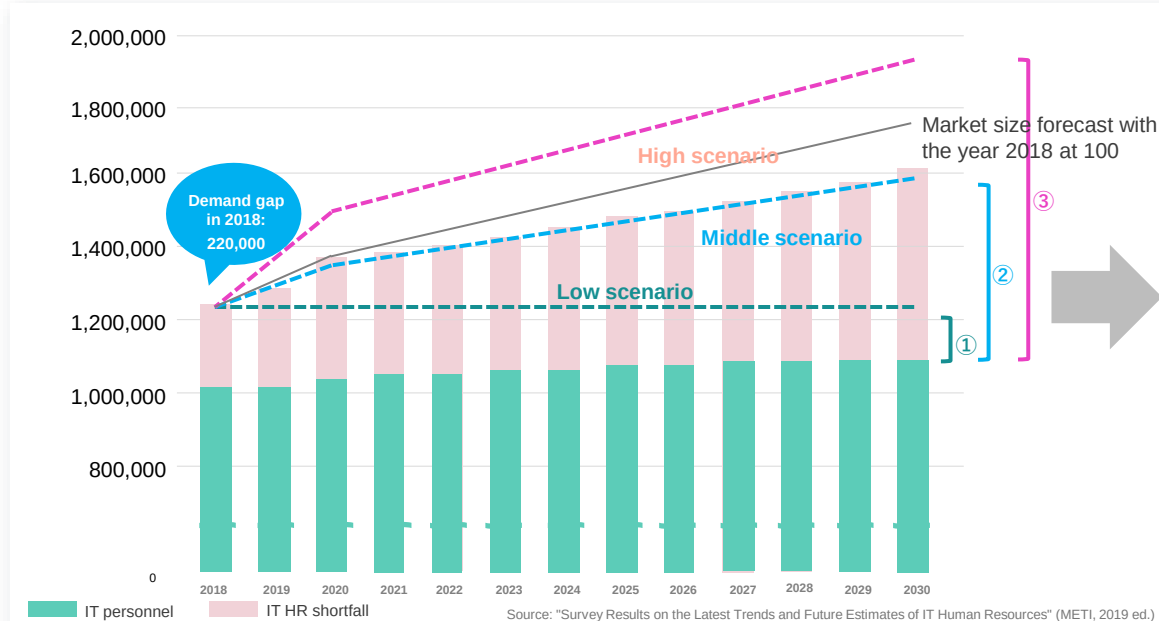


The expanding freelance engineer market

Reason ①

IT engineer job demand remains steady despite COVID

- IT personnel are in short supply due to strong demand stemming from digitalization and higher IT budgets at major corporations
- 60% of major corporations are willing to hire outsourced engineers (according to our survey)



IT personnel demand gap in 2030

Between 160,000-790,000

- ① low scenario
- ② middle scenario
- ③ high scenario

IT HR trends

The demand for IT personnel outstrips supply. By 2030 there will be a shortage of up to 790,000 people. We believe that the shortage of engineers will increase, and that **the value of our company, which offers various engineering services such as training and freelance engineer matching services, will rise.**

The expanding freelance engineer market

Reason ②

A rising number of freelance engineers

Diversification of workstyles

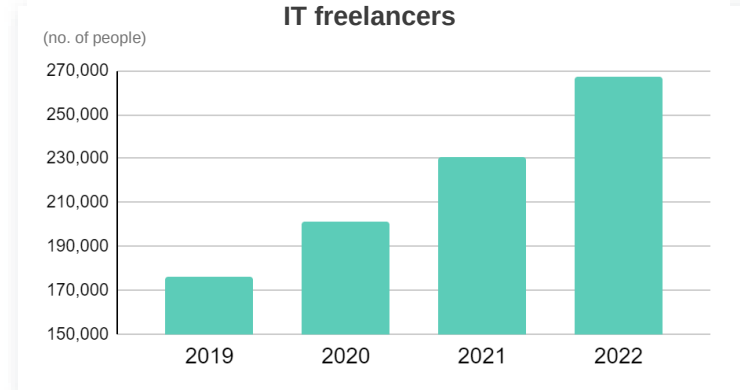
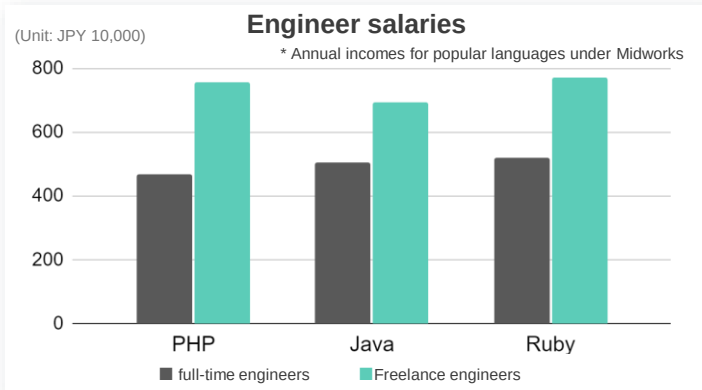
Higher pay than full-time employees

Ability to acquire a variety of skills

- In response to **the reform of work styles** promoted by the Ministry of Health, Labour and Welfare of Japan, an increasing number of engineers are choosing to **work without being tied down by time or location**.

- **Average compensation** for freelance engineers is **higher** than that of full-time engineers (according to our research)
- **The psychological hurdle to independence is low** because the risk of losing one's job is low due to the high job-to-employment ratio.

- Freelancers are not tied to one workplace, **allowing them to acquire skills and languages**.
- Freelancers can **participate in various phases of any company**, allowing them to improve their skills.



Full-time employees: (Reference) TECH Street, "2020 Annual Income ranking by Programming Language", data among those in their 30's. Freelance: Annual salaries calculated from monthly pay at Midworks (2021-07-01-2021-09-30)

Source: Brocante Inc., "IT Freelance Human Resources and IT Freelance Agent Market Research 2021"

Our advantage in the freelance engineer market

Advantage ①

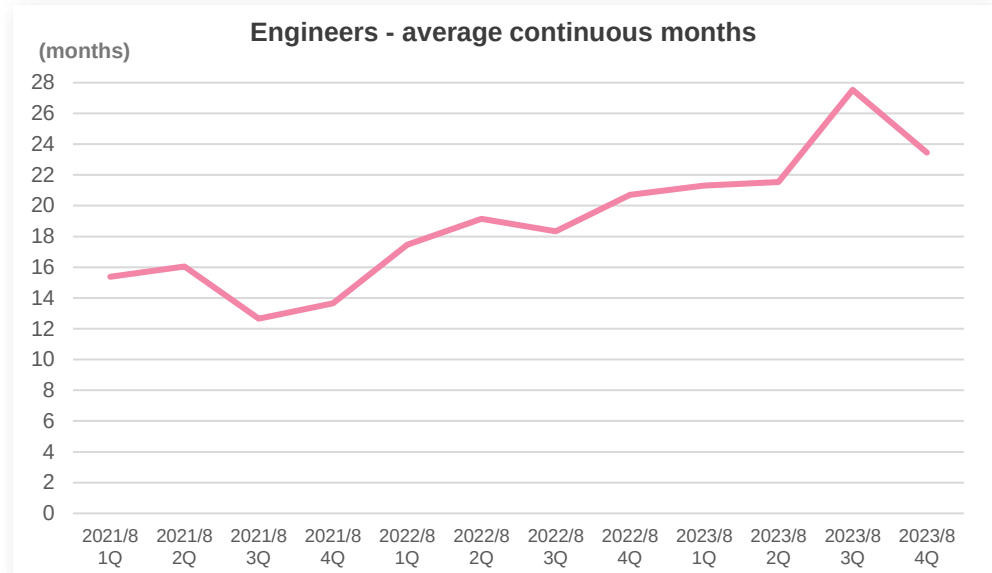
A high level of satisfaction and number of months of continuous service due to services designed from an engineer's point of view

- Branding Engineer's founder is a former engineer who has **provided services from an engineer's point of view** from day one.
- **Midworks** offers a package of benefits and salary guarantees to freelance engineers who sign up for our service. **This eradicates any feelings of uncertainty that freelancers may have.**



As a result.....

We maintain a high level of satisfaction and a high average number of months of continuous service



We have established an advantage in a business model where LTV (Life Time Value) is measured by the unit price x no. of continuous months

Our advantage in the freelance engineer market

Advantage ②

Efficient acquisition of freelance engineers through marketing

- Visualize the return on investment for each advertising medium until a contract is signed, and **reinforcing the placement of ads with the highest returns on investment.**
- Promote engineers who register, **the advantages of Midworks**, such as its benefit programs, low commissions and guaranteed salaries.

Advantage ③

Efficiency through **Branding Engineer's unique matching system**

- As an organization with its own engineers and expertise, we have developed a platform that achieves **efficient matching.**
- With our time efficient matching system based on the needs of the company and engineers, we have **prevented lost opportunities on both sides.**

The advantages of employing freelance engineers

With the changing social landscape and scaling of projects, having flexible freelance engineers can bring **many benefits to companies.**

Enabling flexible business design

- **Create a composite organization** comprising full-time engineers and freelance engineers.
- Flexible cost adjustment which **reduces the risk of cost overruns.**



Availability on a spot basis

- Assign engineers **with the necessary skills, only when necessary**
- **Assign engineers** with the skills required for each phase of the project



The advantages of becoming a freelance engineer

With new trends and change of the times, there are

many advantages to becoming a freelance engineer.

Unbounded workstyle

- Workstyles that enable work **from anywhere at anytime**



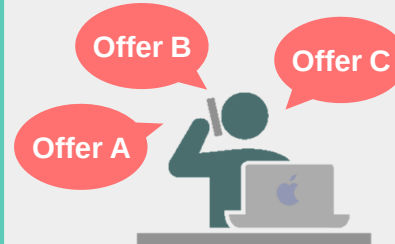
Higher pay than full time employees

- **Average compensation** tends to be higher for freelance engineers than for full-time engineers



Lower hurdles to independence

- **The psychological hurdle to independence** is low due to a higher number of job offers



Comprehensive skill development

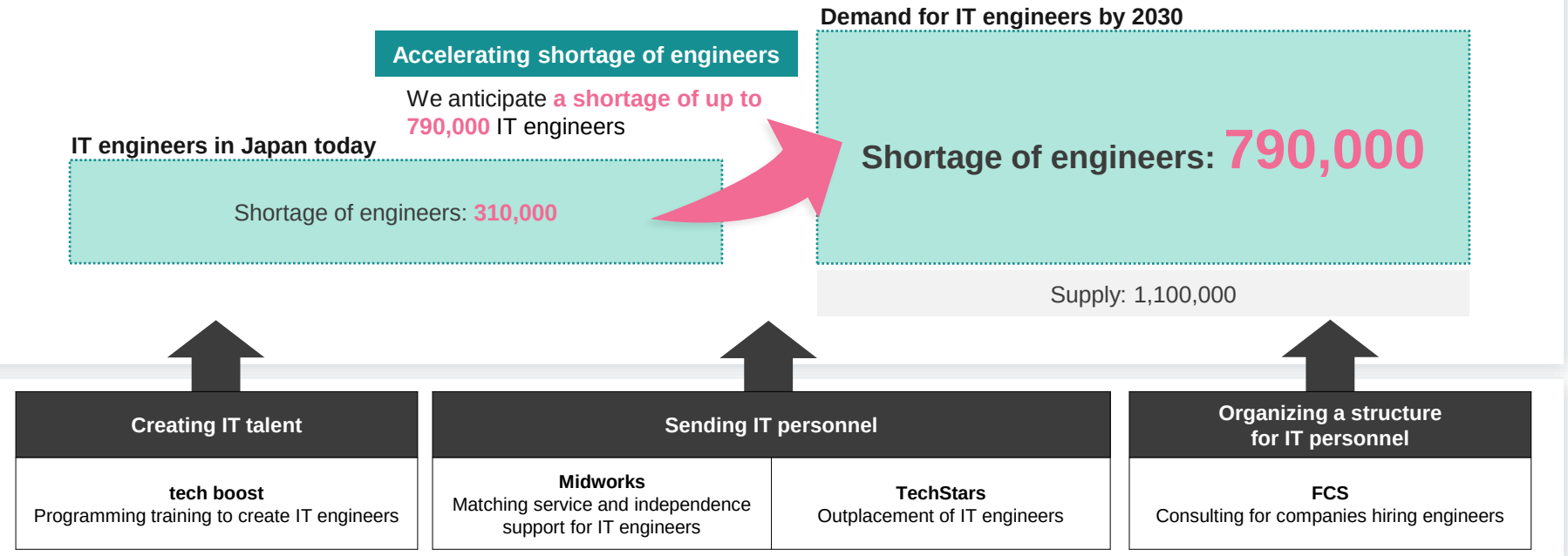
- Compared to full-time engineers, freelance engineers can work in different sites/phases, and it is easier to **acquire various languages and skills**



The Market for Engineering Platform Services

The market for engineer training and employment support is expanding due to the shortage of engineers. Demand for consulting services using engineers is also expected to increase.

Source: Ministry of Economy, Trade and Industry, "Survey on the Latest Trends and Future Estimates of IT Human Resources" (2019)

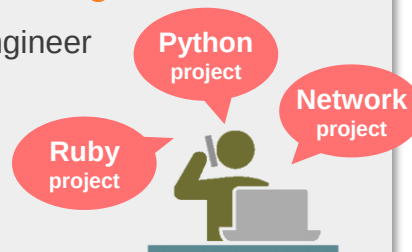


Our advantages from a macro viewpoint

The mobility of human resources is further expanding the engineer market

Rapid expansion of the engineer market

We are already in the engineer market which is about to expand rapidly



Advantage **01** Business in a growth market

Government to promote work style reform

As with the government, our group also promotes freelance work.



Advantage **02** The growing market is a tailwind for the Group

Recognition as a listed company

We are one of the top firms in the expanding freelance market.



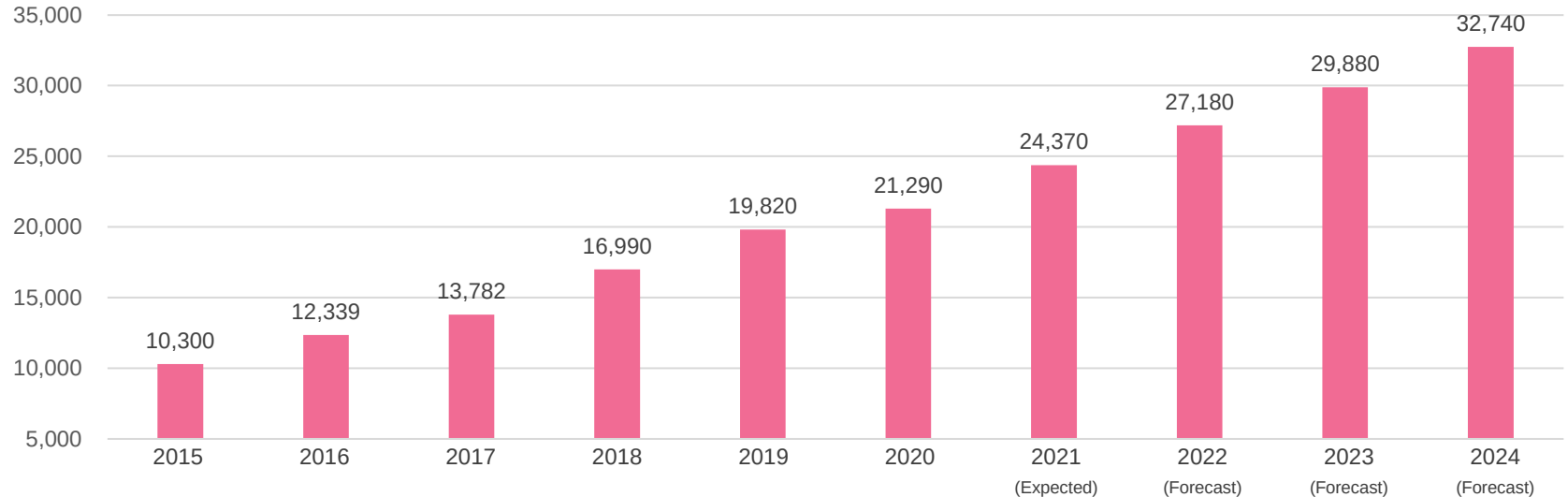
Advantage **03** Favorable market cycle

The Market for Marketing Platform Services

The internet advertising market is expanding every year and should reach JPY 3.2 trillion by 2024. Web marketing methods are diversifying and demand for web marketing consulting is expected to grow.

Internet advertising market

(Unit: JPY billion)



Source: Yano Research Institute, "2019 Internet Advertising Market Facts and Outlook"

A dark, semi-transparent circular frame containing a photograph of two men. The man on the left is wearing a dark blazer over a white shirt. The man on the right is wearing a dark blazer over a dark shirt. They are both looking towards the camera with slight smiles.

Company profile



BREAK THE RULES

Breaking irrational rules

Breaking irrational rules to create new values

A strong entrepreneurial spirit that continues to surprise the world with new services

Company description

Company: TWOSTONES&Sons Inc. (TSE code: 7352)
(Changed the name from Branding Engineer Co., Ltd. on June 1, 2023.)

Established: October 2013

Representatives: Yasushi Kawabata (CEO)
Katsuya Takahara (COO)

Capital: JPY 144,886 million
(as of Aug. 31st, 2023)

No. of employees: 368 (consolidated; as of Aug. 31st, 2023)

Business: 1) Engineer platform service
2) Marketing platform service
3) Others

Permits: General Worker Dispatching Co. [Ha 13-306090]
Employment Agency Business Permit [13-Yu-307261]

Offices:

< Head Office >

6th floor, Shibuya Higashi-guchi Bldg. 2-22-3 Shibuya
Shibuya-ku, Tokyo-to 150-0002 Japan

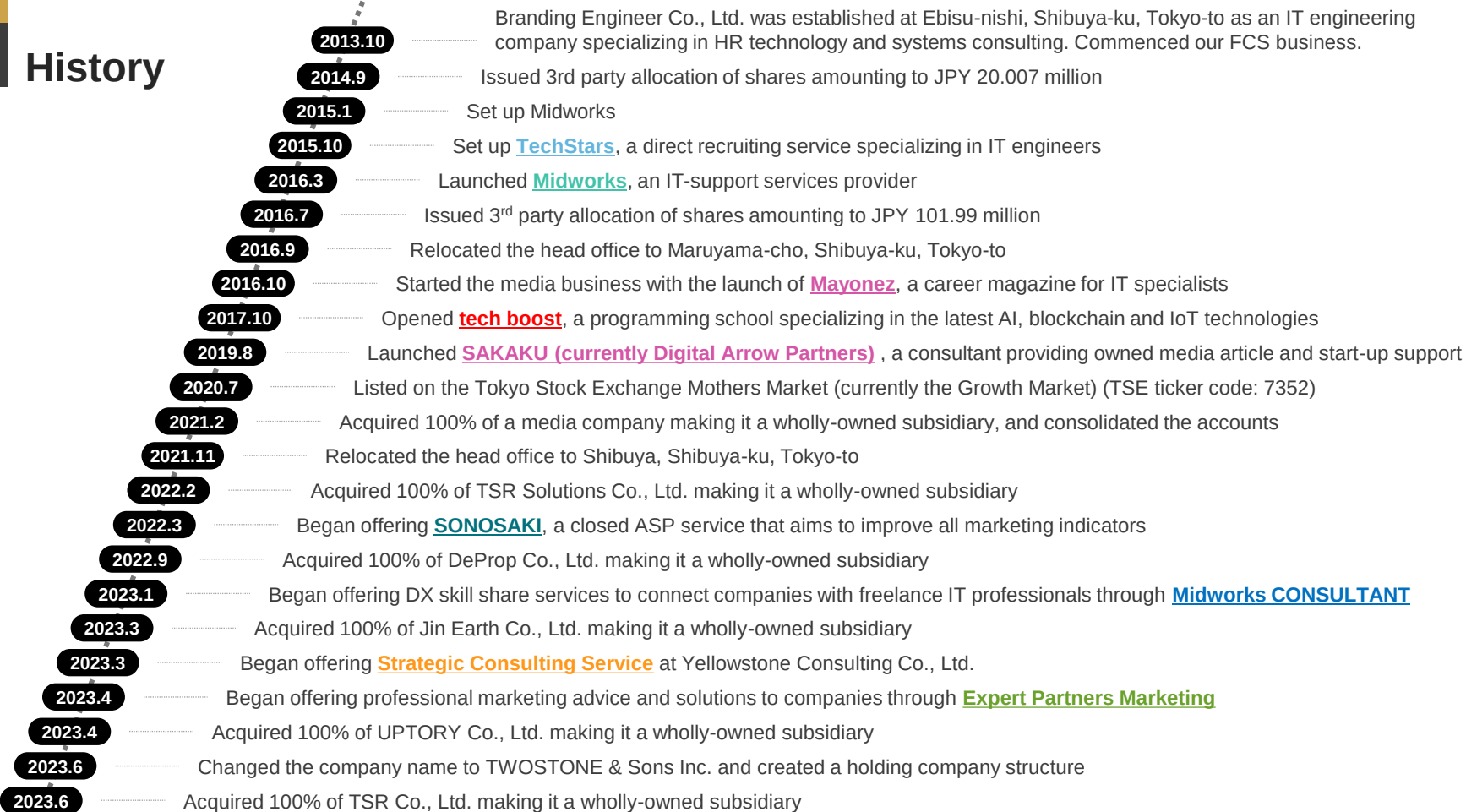
<Shibuya Satellite Office>

4th floor, Aioi Nissay Dowa Insurance Shibuya Building
2-14-18 Shibuya, Shibuya-ku, Tokyo-to 150-0002 Japan

<Osaka Office>

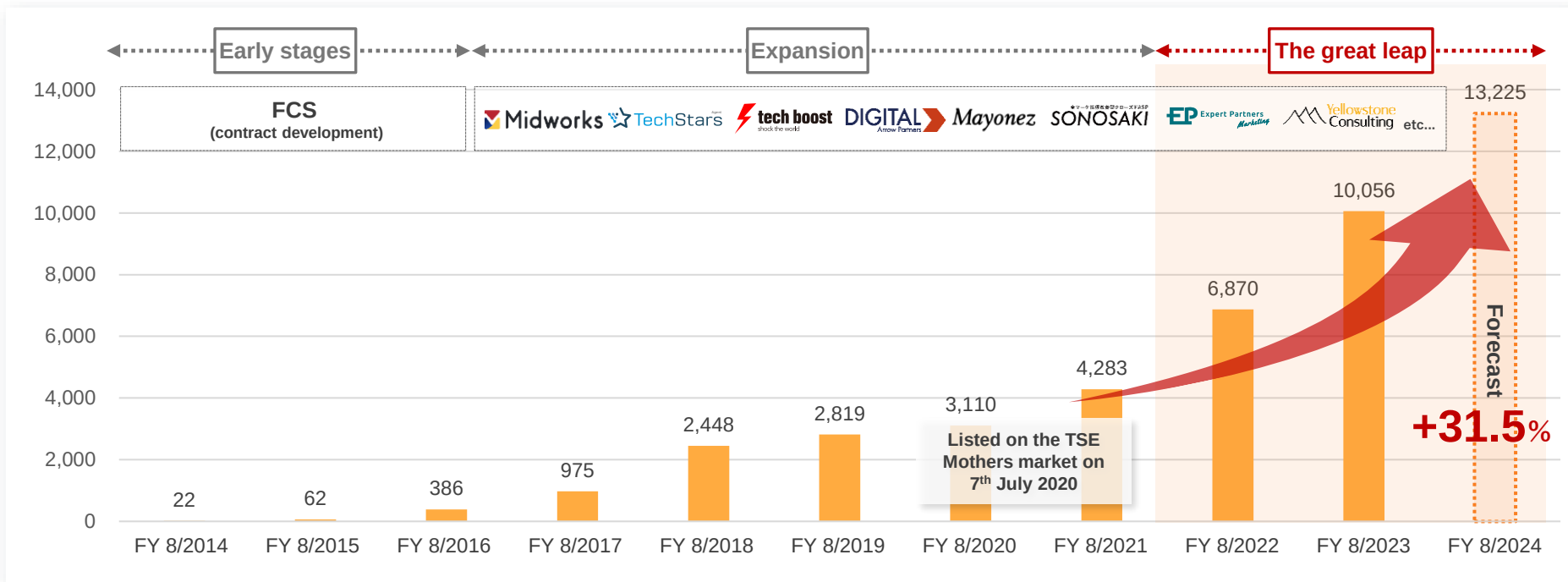
Room A, 6th floor, Chiyoda Building West Wing, 2-5-4 Umeda
Kita-ku, Osaka-shi, Osaka-fu 530-0001 Japan

History



Historical earnings

10 successive years of higher sales since the company was founded in 2013. Sales set to grow **31.5% this year**. Years 5 to 7 saw management reinforcement. Listed in July 2020.



TWOSTONE&Sons Group's businesses

Engineer platform service and Marketing platform service are the two main services that we offer.

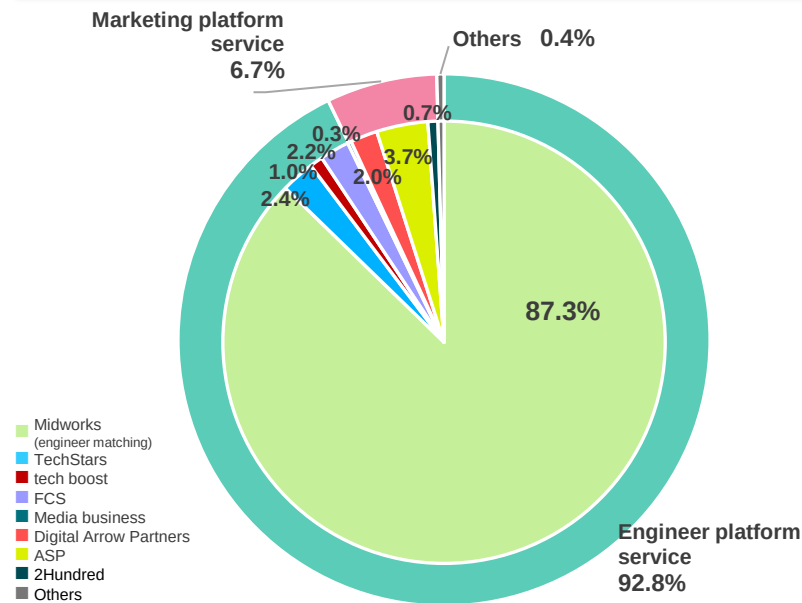
Engineering platform service

Midworks	Support for independence for IT engineers Matching service for freelance engineers
tech boost	Programming school
FCS	DX consulting and development contracts
TechStars	IT engineer outplacement and career support services

Marketing platform service

Media business	More than 10 media companies including Mayonez and Tap-biz
Digital Arrow Partners	Web marketing consulting service
SONOSAKI	Closed ASP service
2Hundred	B-to-C platform

Sales by segment (FY Aug. 2023)



TWOSTONE&Sons - holdings structure



TWOSTONE & Sons

• a holding company

**BRANDING
ENGINEER**

- Engineer matching service
- Engineer employment agency
- Programming education
- In-house IT production consulting



TSR
Solutions

- Engineer matching service



DeProp

- Engineer matching service



TSR

- Engineer matching service



- Engineer matching service



Jin Earth

- Engineer matching service

Engineer platform service

DIGITAL
Arrow Partners

- Web marketing consulting
- Marketer matching
- Closed ASP

II Hundred

- B-to-C platform
- Web media business

Marketing platform service

**Yellowstone
Consulting**

- Strategic consulting
- IT consulting



M&A 承継機構
M&A SUCCESSION GROUP INC

- M&A brokerage

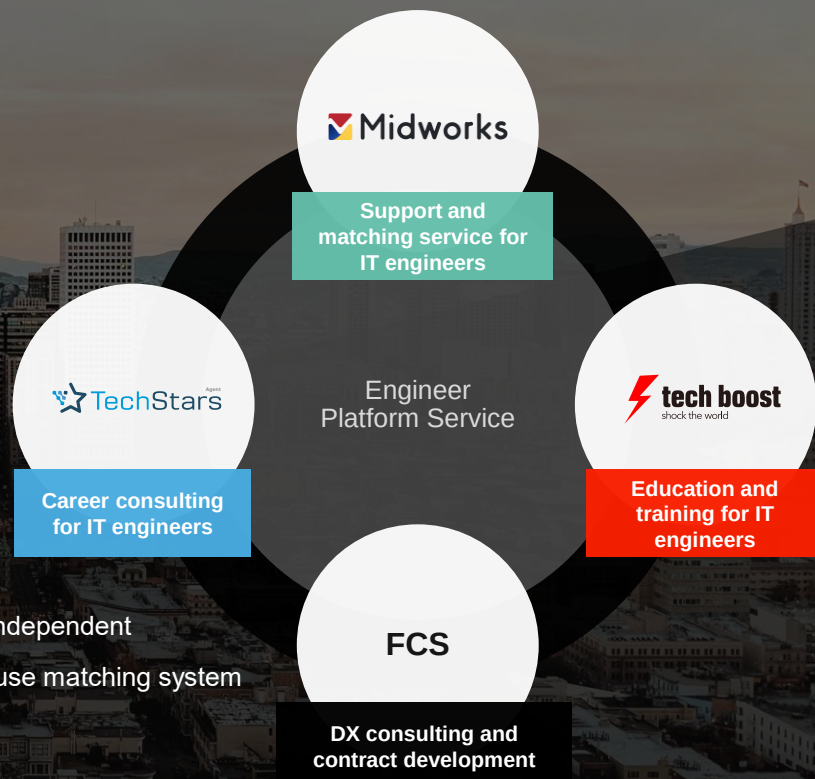
Other businesses

Platform service for engineers

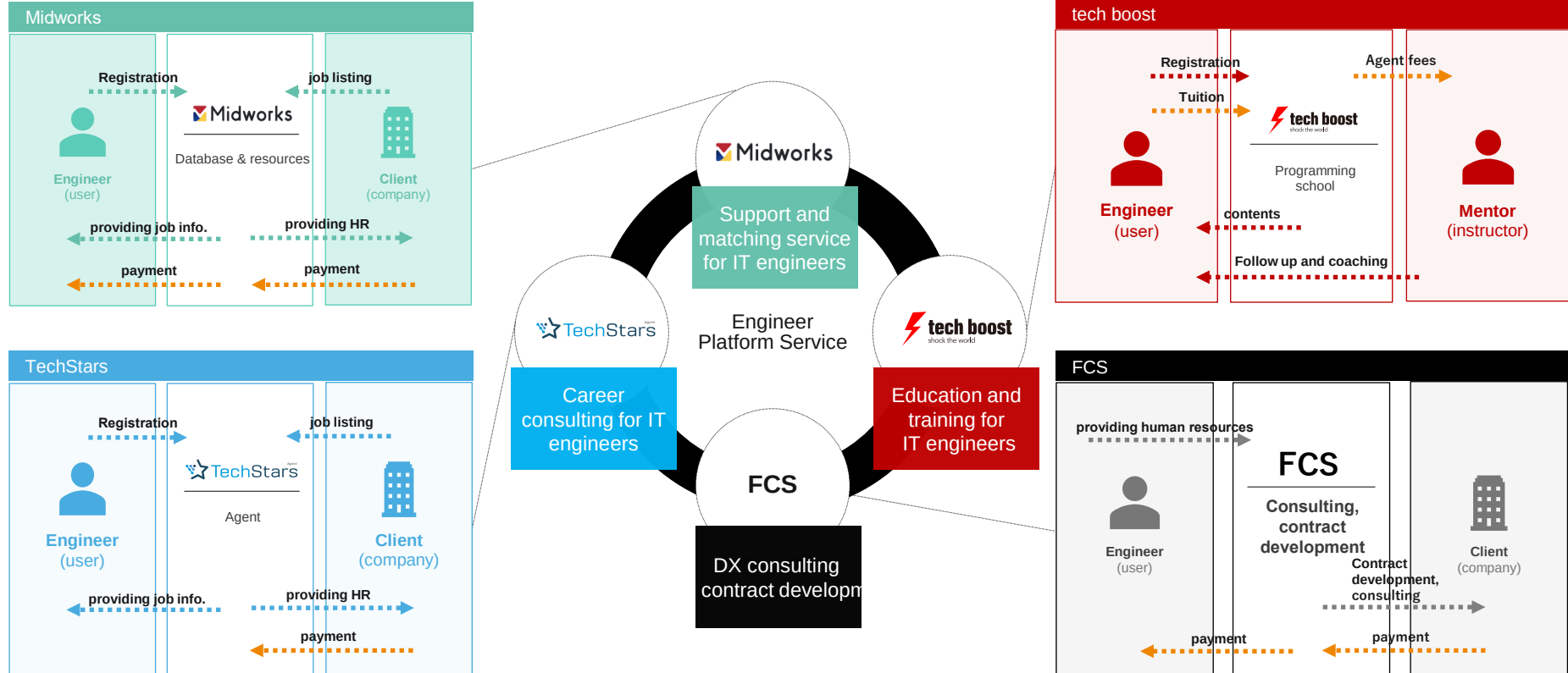
Career cycle

Platform

- ▶ Providing services tailored to all work styles, needs and values of IT engineers
- ▶ Covering and supporting the entire career cycle from education/training to going independent
- ▶ Propose and introduce engineers suitable to the company's needs using an in-house matching system
- ▶ Match IT engineers with a variety of company projects



Platform service for engineers - summary



Platform business for engineers - list of businesses



Midworks

Freelance engineer matching service. Database of over 32,000 freelance IT professionals (as of May 2023)
Provide IT engineer human resources and DX support for companies
Receive a variety of projects from companies and promote new ways of working with IT professionals



FCS

Provide various consulting services to companies on DX, ranging from contracted system development to providing recruitment consulting services to set up systems development divisions.



tech boost

Programming education for freelance engineers is offered in both classroom and online formats.
Engineers with practical experience act as instructors and provide practical IT training necessary for business people to cope with DX. We offer a wide range of training programs to meet the needs of our customers.



TechStars

Job search service for IT engineers
By having a single consultant in charge of both the company and the job seeker, we are able to provide positions that match the values and needs of each individual job seeker from a wide variety of job openings.

Platform business for engineers - scope of business

Our in-house engineer database

×

Marketing prowess to source a variety of engineers

...are our competitive strengths. We provide a wide variety of services to meet client needs.

		Branding Engineer	Company A	Company B	Company C	Company D
		-		-	-	
Sending human resources, organization building	Strategy formulation	-		-	-	
	Defining requirements	FCS		-	-	
	Team design	Midworks		-		
	System design					
	Development					-
	Operations, maintenance	TechStars	-		-	-
HR creation	Testing		-		-	-
	Programming school	tech boost	-	-		-
	(B-to-B)		-	-	-	-
	(B-to-C)		-	-		-

Our main business (Midworks) - the business model

Midworks' sales equals **no. of working engineers × unit price**

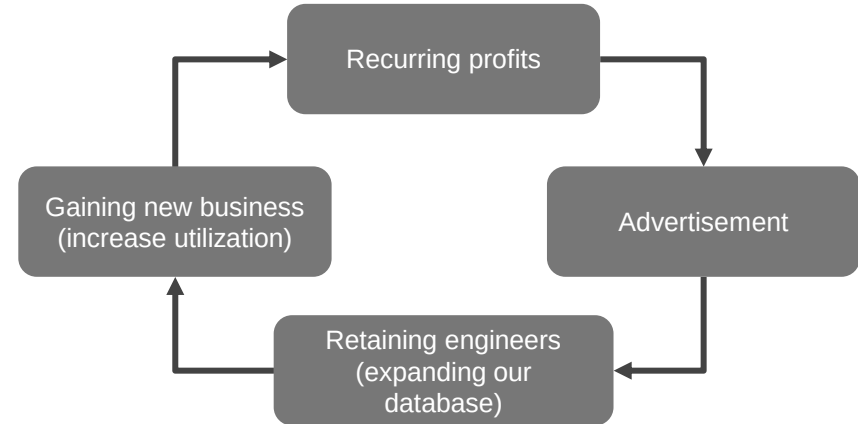
By increasing the number of clients (projects) and engineers, we have achieved stable sales growth. To leverage the Group's strength in attracting engineers, we focus on the following:

- Strengthen our sales force

- Increase the number of working engineers through M&A

- Investment in advertisement to secure engineers for future growth

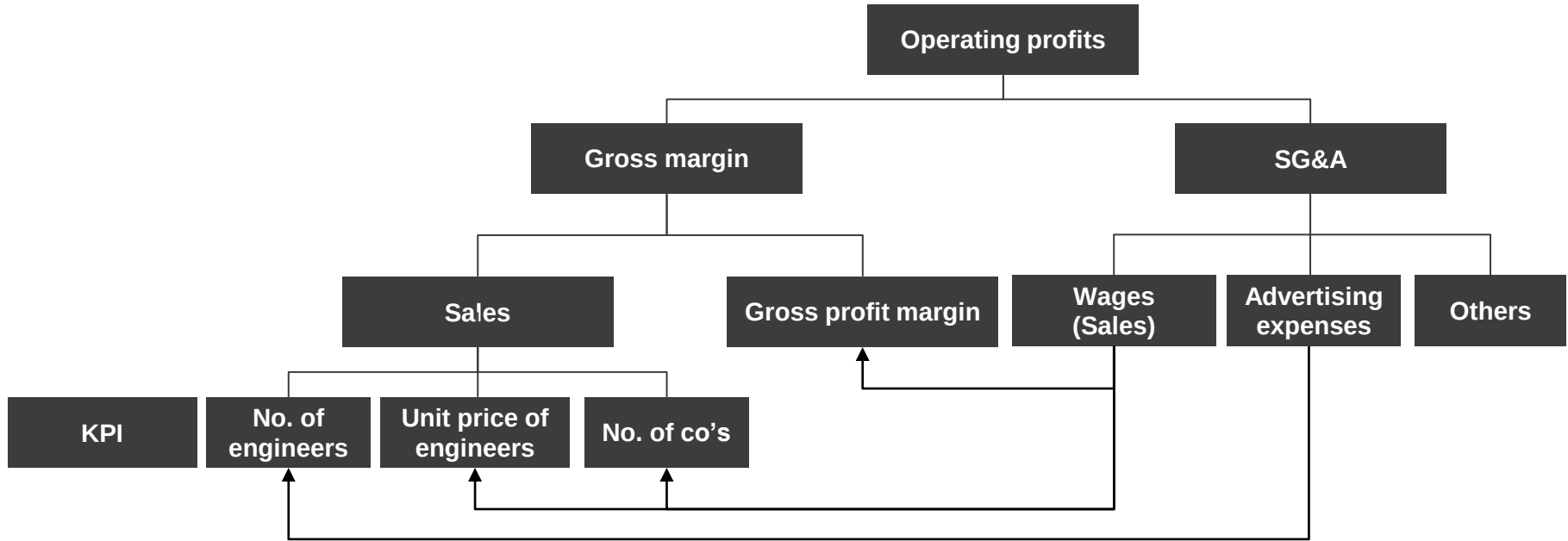
The Business Cycle



Engineer platform business (Midworks) - the business model

Advertising has contributed to the higher number of engineers.

Higher wages (sales) have contributed to a higher number of companies (projects) and have supported the unit price of engineers.



Platform service for engineers

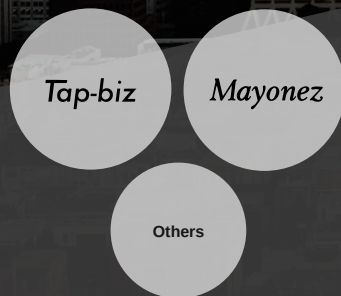
Based on our knowledge of web marketing

Expand into new areas

- ▶ We operate over 10 media companies including Mayonez and Tap-biz
- ▶ Using our web marketing know-how gained through the operation of media companies, we provide companies with our web market consulting services, “Digital Arrow Partners”, and SONOSAKI as a closed ASP service.

Web Marketing/Client Solutions

Our media companies



Using our web marketing know-how

Web marketing consulting services



Marketing platform service - business divisions



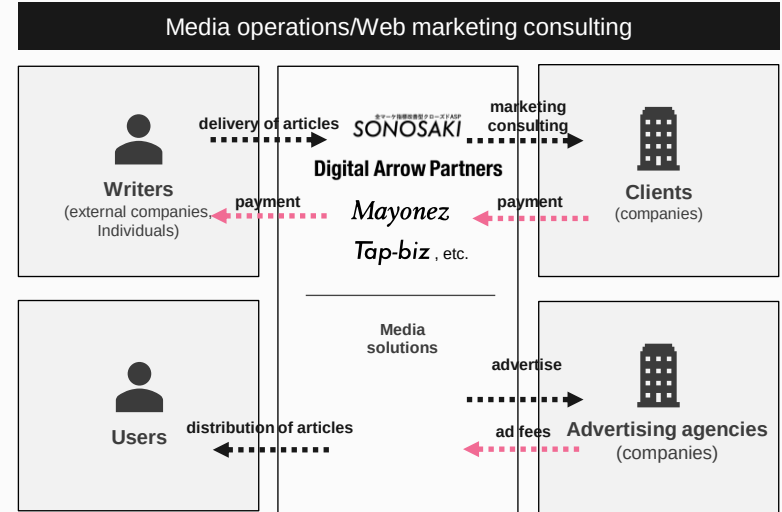
Media operations

We operate over 10 media companies including Mayonez, a lifestyle magazine for IT professionals, and Tap-biz, which provides information and knowledge to business people.



Web marketing consulting

Using our web marketing expertise through the operation of media companies, we provide web market consulting services that include SEO consulting, media start-up and publishing articles.





Major business risks and countermeasures

Major business risks and countermeasures (1)

Below are the major risks we have identified that could have a significant impact on our ability to achieve growth and execute our business plan. For other risks, please refer to "Business and Other Risks" in the Annual Securities Report.

Securing freelance and employee engineers	Probability of occurring	Impact	Countermeasures against major risks
At Midworks, the Group's main business, IT engineers, employee engineers, and freelance engineers from external partner companies are stationed at our clients as part of their human resources. Since the IT market is expected to continue to grow and corporate investment needs are projected to rise in the future, we believe that competition will intensify in securing IT engineers. In this environment, if we are unable to respond to changes and secure sufficient IT engineers, including those from outside contractors, and if our competitors provide more effective services than we do, our business and earnings could be severely affected.	low to medium	medium to high	We will strive to secure a stable supply of IT engineers by providing independent support services to freelance engineers, and by offering a full range of employee benefits to our employee engineers.

Major business risks and countermeasures (2)

Competitors entering the internet advertising market	Probability of occurring	Impact	Countermeasures against major risks
The internet advertising market, the main source of revenue for the Group's media business, has relatively low barriers to entry. Therefore, should the competitive environment intensify due to the emergence of new competitors, there is the risk that our sales maybe adversely impacted due to a decline in the unit price of advertisements.	low to medium	medium	Maximize advertising revenues through the operation of our own media, in addition to securing new services such as consulting for media management and publishing articles for other media companies.

Investing in new businesses	Probability of occurring	Impact	Countermeasures against major risks
Our Group is aggressively developing new businesses but a certain amount of investment is required before stable earnings can be generated, which may hinder our profit margins. In addition, our earnings may be affected if the new business does not develop as planned and we are unable to fully recover our investment.	medium	low to medium	We will make our decisions on new businesses only after observing and analyzing market trends and carefully examining business plans. In addition, we will take into account the balance with other existing businesses and make our decisions based on all acceptable risks.

Major business risks and countermeasures (3)

Business expansion through M&A	Probability of occurring	Impact	Countermeasures against major risks
Our Group will pursue strategic M&A as an effective means of accelerating business expansion. Such M&A will be decided by the Board of Directors after conducting detailed due diligence on the target company's business operations, financial position and contractual relationships. However, if there are contingent or unrecognized liabilities identified during the due diligence process, or if the integration or development of the business does not proceed as planned after the M&A, we may be forced to write down the goodwill which may adversely affect the group's business performance.	low to medium	high	We will reduce the risk by conducting due diligence not only internally, but also through an external organization, before the Board of Directors makes the final decision. In addition, we will consider acceptable risks based on the balance with earnings from existing businesses as well as the level of debt.

Disclaimer



This document contains forward-looking statements, plans and management objectives related to TWOSTONE & Sons (“the Company”)

These forward-looking statements are based on current assumptions about future events and trends, and do not guarantee that such assumptions will prove accurate, and may involve risks and uncertainties. Please note that actual results may differ materially from these forward-looking statements due to changes in the business environment and other factors.

Unless otherwise indicated, the financial data presented in this document are presented in accordance with accounting principles generally accepted in Japan.

Information concerning companies other than the Company is based on publicly available information. The Company has not verified and does not guarantee the accuracy or appropriateness of such information.

This document does not constitute or form the basis of any contract or obligation to make any solicitation or offer to sell or to solicit an offer to buy any securities (hereinafter referred to as “solicitation”)

Future Disclosure

Updates to this document will be disclosed in the future, around the time of the announcement of our financial results.

The next update is scheduled for October 2024, at the time of the announcement of the financial results for the full fiscal year ending August 31, 2024.

We will endeavor to disclose information by actively engaging in IR activities, including the disclosure of information on the status of our business.