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## Human Capital Management

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Note: Indicators and targets can be found in Chapter 1.

The Group has established a governance system that monitors management decision-making and execution on priority issues including sustainability. It is enhancing the effectiveness of human capital management by **tracking Group-wide issues and risks, and ensuring a timely and appropriate response.**

Meets monthly

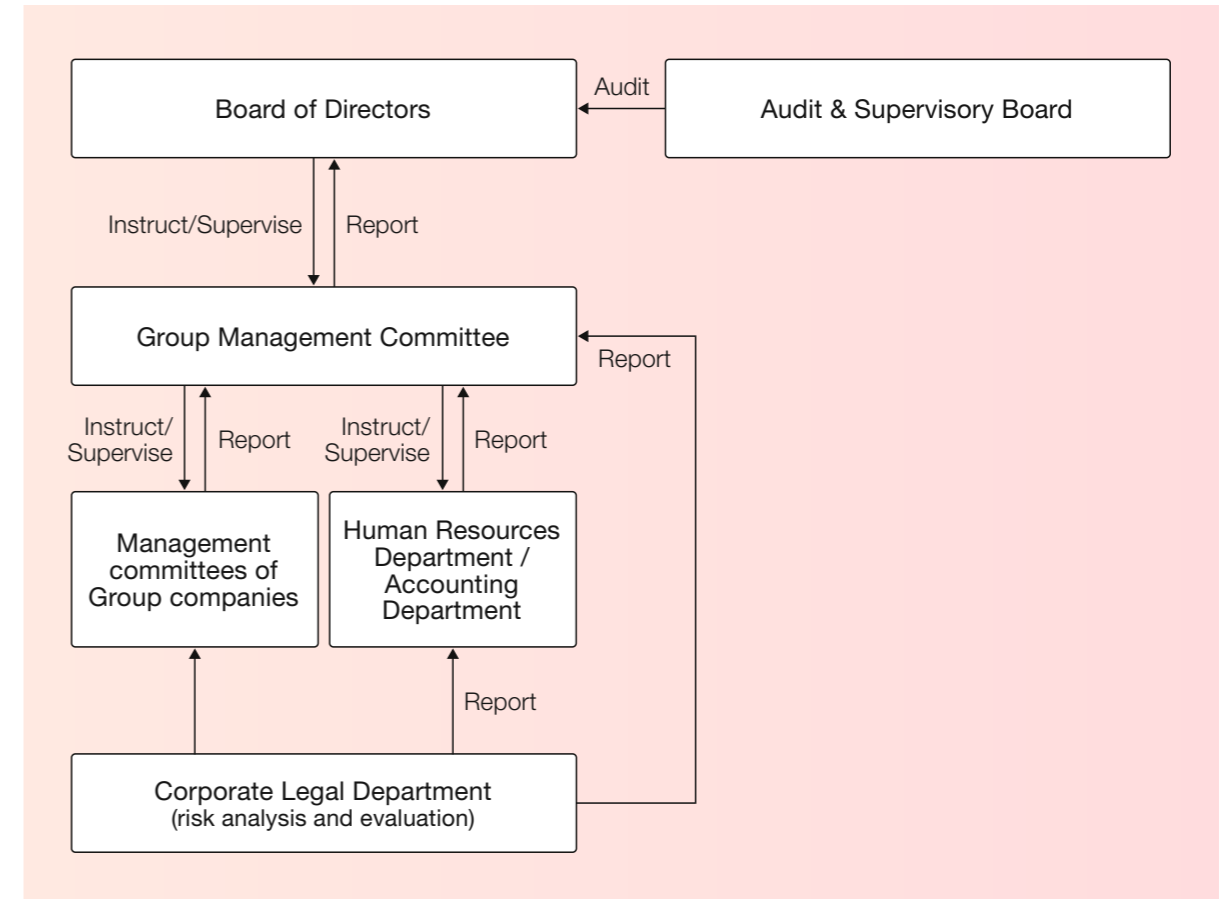
## Board of Directors

The Board of Directors has ultimate authority for determining the Group’s fundamental management policies, key issues, and other matters required by law, and meets once a month in principle. At Board meetings, management strategies, including major policies related to sustainability, are discussed and resolved to ensure the sustainable enhancement of corporate value.

Meets twice monthly

## Group Management Committee

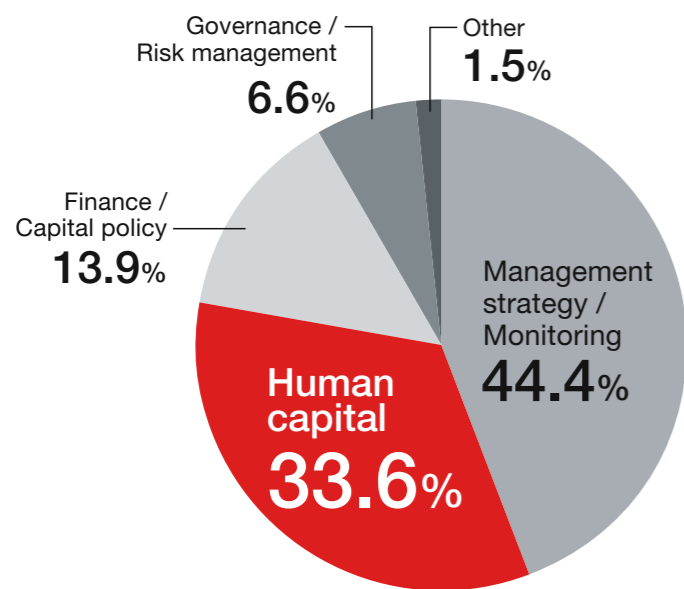
To enable swift decision-making and flexible organizational responses, the Group Management Committee, composed of directors, full-time Audit & Supervisory Board members, executive officers and business heads, meets twice a month in principle. In an effort to maximize human capital, the Corporate Legal Department conducts cross-functional risk analysis and evaluation, and regularly submits reports to be discussed at meetings of the Group Management Committee, with the Board of Directors supervising related business execution.



The Group places business strategy that maximizes customer value and organizational strategy that maximizes human capital on an equal footing, and promotes management that links both. The content of proposals at the various meetings and the composition of the Board of Directors are based on that approach.

## Board of Directors and Group Management Committee Agendas (2025)

Given the nature of the Group’s business, we consider human capital to be the source of value creation across diverse forms of capital. As such, discussions related to human capital represent a significant proportion of agenda items at both Board of Directors and Group Management Committee meetings.



## Composition of the Board of Directors and Skill Matrix

The Chief Executive Officer (CEO) concurrently serves as the Chief Human Resources Officer (CHRO). Moreover, members of the Board of Directors have extensive experience in organizational and personnel matters, enabling them to make informed management decisions that effectively link business strategy with organizational strategy.

Name	Current Position	Corporate Management		Expertise					
		Managerial Experience	Organizational and Personnel Matters	Industry Knowledge	Finance & Accounting	Legal & Risk Management	Research & Development	DX & IT	Sales & Marketing
Ozasa Yoshihisa	Chairman and Representative Director	○	○	○			○		
Sakashita Hideki	President and Representative Director	○	○	○					○
Ohno Shunichi	Director		○		○	○		○	
Nakamura Yuri	Outside Director	○		○					○
Hara Yukari	Outside Director	○	○	○					
Kuriyama Hiromi	Audit & Supervisory Board Member				○	○			
Tominaga Kenji	Outside Audit & Supervisory Board Member	○	○	○					
Matsuoka Yasumasa	Outside Audit & Supervisory Board Member	○	○	○					○

Note: Up to four areas of expertise or experience are listed for each individual. The above table does not represent all the knowledge or experience possessed by each person.

**We conducted a scenario analysis to assess the medium- to long-term risks and opportunities that human capital may present to our business.**

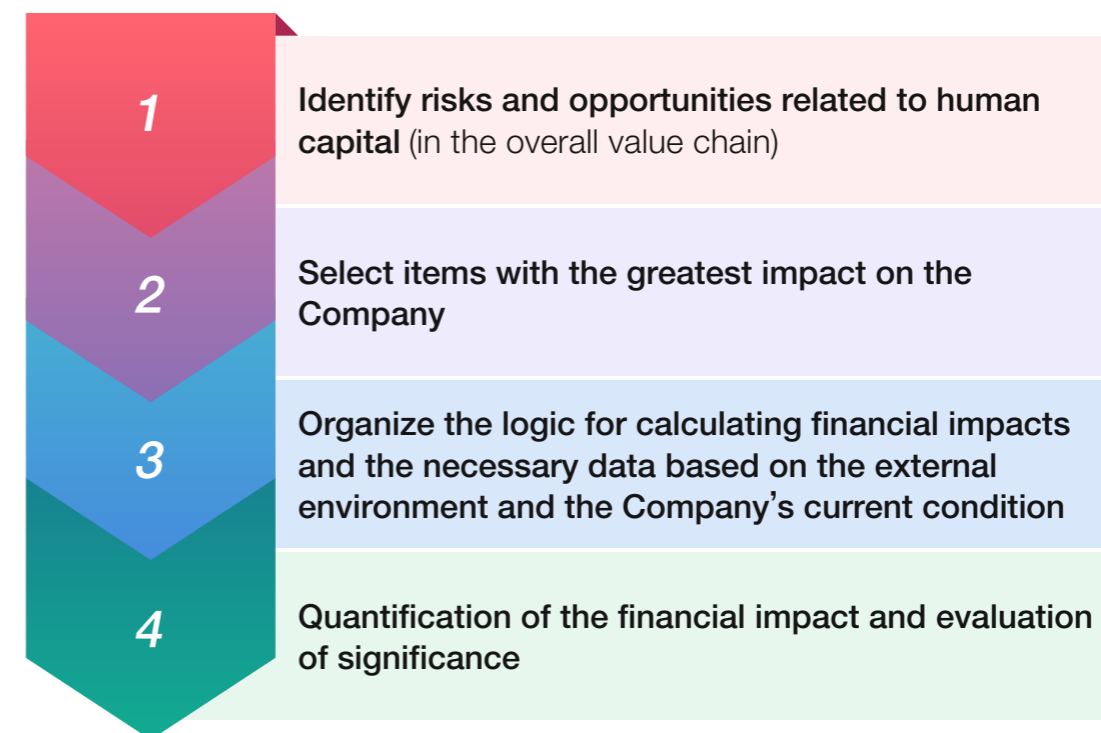
For the current fiscal year, we targeted all domestic Group companies, identifying risks and opportunities expected to affect future operations and estimating their potential financial impacts in 2028 and 2035.

## Scenario Analysis Process

### Scenario Analysis Assumptions

<b>Scope</b>	All domestic Group companies
<b>Time frame</b>	Short term: 2028; Medium term: 2035
<b>Reference scenario</b>	Based on Japan's projected future population
<b>Source</b>	<i>Population Projections for Japan (2023 revision)</i> , National Institute of Population and Social Security Research

As part of the scenario analysis, we first identified the human capital-related risks and opportunities expected to arise across our entire value chain, and then selected those considered to have the greatest impact on the Link and Motivation Group. Next, we examined each risk and opportunity by referring to external environmental assumptions and the Group's circumstances, organizing the logic for calculating financial impacts and the internal and external data required for estimation. We then quantified the financial impact using the data and evaluated the significance of each item to the Group.



Going forward, we will continue to conduct scenario analyses to further improve accuracy and incorporate future projections into our management strategy deliberation process, thereby enhancing **our resilience in the face of an uncertain future.**

Risks

Declining Working Population	Short-term impact	High
	Medium-term impact	High

**Impact on the Group**  
A decrease in the labor force may lead to the relaxation of hiring standards to meet planned recruitment targets, resulting in lower engagement and reduced human resource capabilities.

**Response**

- Engagement** Regular organizational assessments and improvements using Motivation Cloud Engagement
- Human Resource Capabilities** Regular 360-degree survey and training improvements using Motivation Cloud Role Development
- Recruiting** Recruitment of personnel who share our philosophy

Declining Working Population	Short-term impact	Moderate
	Medium-term impact	Moderate

**Impact on the Group**  
A decrease in the labor force may increase recruitment difficulty, leading to higher recruitment costs and fewer hires.

**Response**

- Recruiting** Utilization of recruitment consulting expertise (Japanese only)
- Systems** Introduction of a student loan support system (Japanese only)

Increasing Labor Mobility	Short-term impact	Moderate
	Medium-term impact	Moderate

**Impact on the Group**  
As the labor market becomes more fluid and active, turnover increases beyond what new graduate recruitment can offset, leading to stagnation in business activities.

**Response**

- Engagement** Regular organizational assessments and improvements using Motivation Cloud Engagement
- Human Resource Capabilities** Regular 360-degree survey and training improvements using Motivation Cloud Role Development

Diversification of Human Resources	Short-term impact	Low
	Medium-term impact	Moderate

**Impact on the Group**  
As the labor force becomes increasingly diverse, insufficient recruitment of diverse talent may slow innovation and business development.

**Response**

- Systems** Enhancement of support for life events, including the expansion of reduced working hour systems
- Recruiting** Promotion of diversity among outside directors and strengthening of mid-career employee recruitment

Digital Transformation (DX)	Short-term impact	Low
	Medium-term impact	Low

**Impact on the Group**  
With the acceleration of DX, demand for highly skilled engineers is rising, which may increase recruitment difficulty, raise hiring costs, and slow development due to reduced hiring volumes.

**Response**

- Recruiting** Implementation of new graduate recruiting for engineers
- Corporate Culture** Implementation of organizational measures to improve retention rates

Policy and Regulations	Short-term impact	Low
	Medium-term impact	Low

**Impact on the Group**  
With growing legal and social demands for respect for human rights, delays in addressing these issues amid business expansion and value chain growth, such as overseas operations, may harm the Company's social brand.

**Response**

- Training** Implementation of compliance training
- Systems** Regular updates and dissemination of the Group's internal rules, the "Six Codes of LM"

Opportunities

<b>Changes in Industrial Structure</b>	Short-term impact	Moderate
	Medium-term impact	High

**Impact on the Group**

As attention to human capital management increases, accumulating hands-on experience within LMG expands opportunities to deliver value to clients.

**Response**

- Corporate Culture**: Sharing organizational transformation achievements through recognition of individuals, projects and teams at Group-wide events
- Corporate Culture**: Information sharing through newsletters and other media using Motivation Cloud Sharing

<b>Changes in Industrial Structure</b>	Short-term impact	Moderate
	Medium-term impact	Moderate

**Impact on the Group**

As industry restructuring progresses, accelerating M&As through the use of PMI expertise cultivated to date enables the early realization of business synergies.

**Response**

- Corporate Culture**: Promotion of PMI utilizing organizational consulting know-how

<b>Policy and Regulations</b>	Short-term impact	Moderate
	Medium-term impact	Moderate

**Impact on the Group**

By proactively practicing and disclosing human capital management initiatives ahead of tightening labor-related regulations, the LMG social brand will be strengthened.

**Response**

- Disclosure**: Continuous acquisition of ISO 30414 certification
- Disclosure**: Enhanced disclosure in securities reports (Japanese only)
- Disclosure**: Release of the Human Capital Report

<b>Digital Transformation (DX)</b>	Short-term impact	Moderate
	Medium-term impact	Moderate

**Impact on the Group**

With the advancement of generative AI technology, actively leveraging AI together with highly engaged employees improves productivity and drives new innovation.

**Response**

- Productivity**: Enhancing the AI utilization level of Group company employees (Japanese only)

<b>Declining Working Population</b>	Short-term impact	Moderate
	Medium-term impact	Moderate

**Impact on the Group**

As the labor force shrinks and successor shortages become more pronounced, leveraging consulting expertise to foster successors enhances the readiness rate of future management candidates and accelerates corporate growth.

**Response**

- Training**: Implementation of the selective, job level-based program "Top Gun Selection"

<b>Diversification of Human Resources</b>	Short-term impact	Low
	Medium-term impact	Low

**Impact on the Group**

By continuing to offer flexible work styles amid the growing diversification of work styles, employee retention rates improve.

**Response**

- Systems**: Enhancement of systems such as hybrid work (compatible work) and life event support

<b>Diversification of Human Resources</b>	Short-term impact	Low
	Medium-term impact	Low

**Impact on the Group**

As employee awareness of career development increases, providing proactive career support opportunities improves employee retention.

**Response**

- Training**: Creating opportunities for transfers and proposals through i-Company Branding Support

<b>Policy and Regulations</b>	Short-term impact	Low
	Medium-term impact	Low

**Impact on the Group**

As wage levels rise throughout society, ongoing implementation of base salary increases improves employee retention.

**Response**

- Systems**: Ongoing implementation of base salary increases (Japanese only)



## Group Risk Management Framework

To facilitate deliberation on various risks and opportunities related to Group management, we **regularly monitor, evaluate and analyze the status of major risks and opportunities**. We also work to provide necessary instructions and supervision to each Group company, and **have established a system for regularly reporting relevant matters to the Board of Directors**.



## Human Capital Risk Management Framework

The processes for identifying, evaluating and managing human capital risks and opportunities are **integrated into the Group's overall risk and opportunity management framework**, and are **managed and reported in the same manner as strategic and financial risks and opportunities**.



## Evaluating and Responding to Human Capital Risk

For risks and opportunities related to human capital, we assess materiality by considering the scope of impact and the scale of related businesses, identifying relevant risks and opportunities, and evaluating them while also accounting for current and future policy trends. These risks and opportunities are **prioritized based on their level of impact and likelihood of materialization, and responses are formulated and implemented in coordination with relevant divisions**.