

Financial Results for the First Two Quarters of the Fiscal Year Ending December 31, 2023

ProjectCompany, Inc. [TSE Growth: 9246]
August 14, 2023



ProjectCompany
Group

Q2 FY2023 Financial Results

Net Sales	Operating Profit	EBITDA ^{*1}	EBITDA Margin
<p>¥1,634 million</p> <p>(+77.8% YoY)</p>	<p>¥193 million</p> <p>(+5.0% YoY)</p>	<p>¥245 million</p> <p>(+28.5% YoY)</p>	<p>15.0%</p>
<ul style="list-style-type: none"> Net sales and operating profit increased on a year-on-year basis, and EBITDA excluding the impact of non-cash expenses also grew. On a quarter-on-quarter basis, despite an increase in net sales, operating profit decreased due to larger investments including hiring expenses and rent expenses. In the Digital transformation business, net sales decreased quarter on quarter mainly due to the impact of season-specific orders won in Q1 and our focus on fostering new graduate employees joining the Company in April, while gross profit margin improved as progress was made in replacing partners with our employees. 			

Major Numerical Information ^{*2}

Net Sales per Client	Partner Ratio
<p>¥22.1 million</p> <p>/Q2 (cumulative)</p>	<p>0.73 partners</p> <p>/employee</p>
<ul style="list-style-type: none"> Worked to expand transactions with existing clients to turn them to large-scale customers, resulting in net sales per client at ¥22.1 million for Q2 (cumulative). Promoted substitution of partners in line with new graduate employees joining the Company, with the partner ratio (number of partners per employee) in Q2 declined from 1.18 in Q1 to 0.73, contributing to an improvement in gross profit margin. 	

Revisions to Earnings Forecasts

Overview
<ul style="list-style-type: none"> Conducted downward revisions to the earnings outlook for FY2023 of the Digital transformation business, considering its current situations.
Backgrounds of the Revisions
<ul style="list-style-type: none"> With the number of employees, mainly new graduate employees, increasing largely, differences in the ability to foster members have become apparent among managers, who have spent more man-hours than initially anticipated for fostering them. Reviewed requirements for managers, and plan to curb hiring and winning of projects to a certain extent, assuming that man-hours will continuously be spent for fostering employees.

^{*1} EBITDA represents operating profit plus depreciation, amortization of leasehold deposits and share-based payment expenses.

^{*2} Indicates results of the Digital transformation business only.

Contents

1. Group Overview	p. 4
2. Q2 FY2023 Financial Results	p. 11
3. Revisions to Earnings Forecast	p. 21
Appendix (i) Outline of Digital Transformation Business	p. 27
Appendix (ii) Future Growth Strategies	p. 35
Appendix (iii) Other Reference Information	p. 41

1. Group Overview

∞ ProjectCompany Group

Group Management Philosophy

Creating a Project-based Society

The Japanese economy remains stagnant and is feared to keep declining going forward if no change is made to the situation.

We believe that the only way for the Japanese economy and, by extension, the Japanese society to regain vitality is for Japanese companies to break out of their conventional organization structure that is vertical, top-down and “task-based,” and transform it into a “project-based” structure where talents with the ability to promote projects on their capacity are organically connected around their missions and work together as a team toward their goals. Based on this management philosophy, we work together to expand our businesses for creating a “project-based society.”

Company History

Period of multi-faceted growth through integrated group management

July 2023: Merged ProjectPartners Co., Inc. into ProjectCompany, Inc. in an absorption-type merger

April 2023: Consolidated Dr.KENKO KEIEI Inc. and artwize inc. Into the Group

October 2022: Consolidated cuatro technologies Inc. (currently ProjectTechnologies Inc.) into the Group

July 2022: Established ProjectDigitalMarketing Inc. (currently DCXforce, Inc.) and ProjectPartners, Inc., shifting to an integrated group management system

April 2022: Consolidated uloqo Co., Ltd. (currently ProjectHRsolutions, Inc.) into the Group

Period of business expansion

September 2021: Listed on the TSE Mothers (currently TSE Growth)

June 2019: Relocated Head Office

June 2018: Acquired Uiscope business

June 2017: Relocated Head Office

January 2016: Established the Company



Business Domains of the Group

- ❑ In FY2022, attempted an integrated group management system through M&As and spin-offs, resulting in a **generally favorable** assessment.
- ❑ Going forward, aim for multi-faceted growth through an integrated group management system, with an eye on expanding **business domains with DX as our core competence.**

Since Oct. 2022

DX x Technology business

Domains where we support client's business evolution from a technological perspective through system development and testing, etc.



Since Apr. 2022

DX x HR business

Domains where we provide a variety of services mainly to the human resources and labor departments of clients



DX x new business domains

Domains where we work on further business expansion through M&As and new business creation with DX as our core competence



Digital transformation business

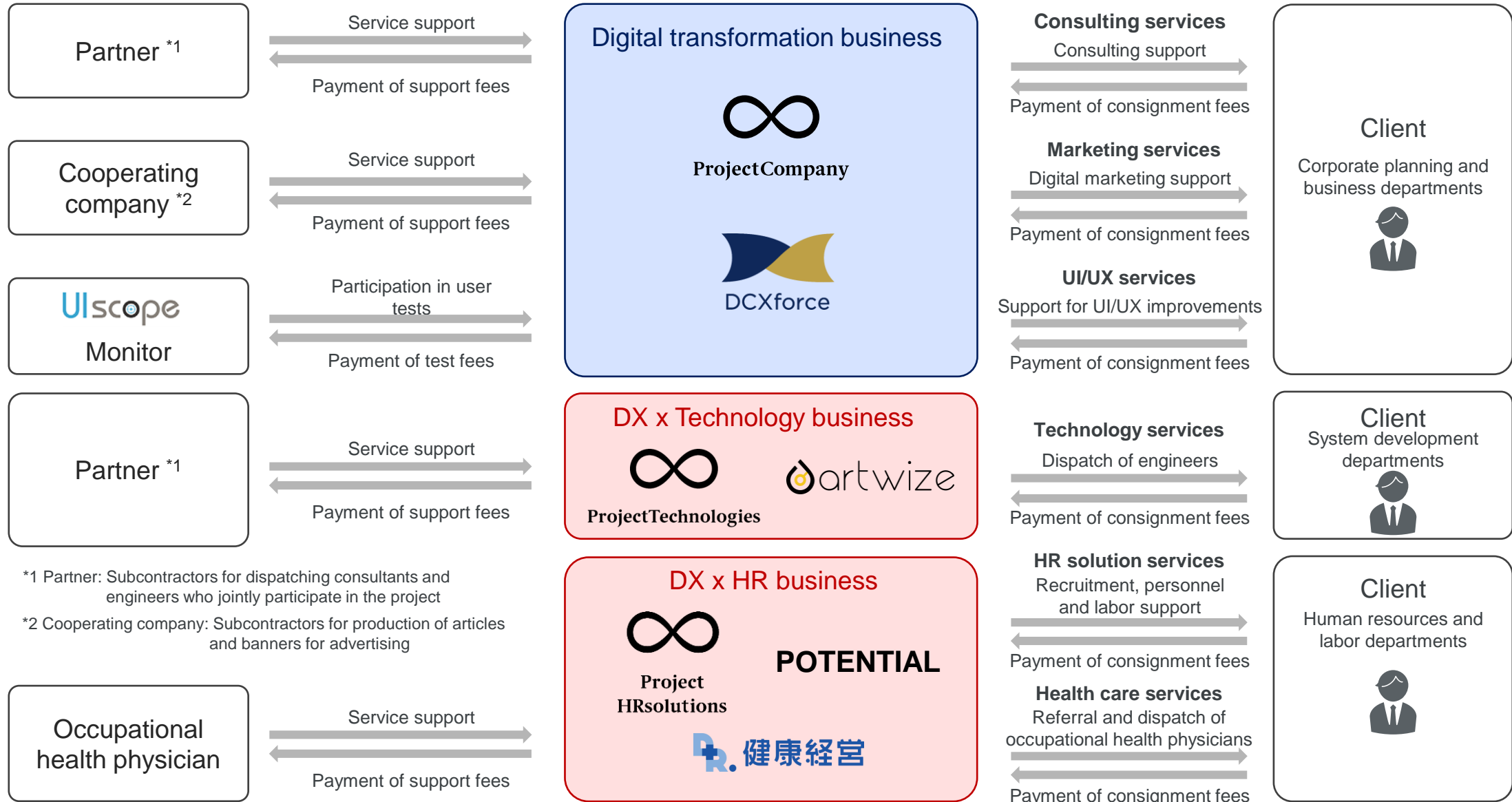
- Consulting, marketing, and UI/UX -



Domains where we lay the foundation for business development based on the knowledge accumulated since the Company's inception

Business Structure Diagram

□ The Group's business structure is shown below.



*1 Partner: Subcontractors for dispatching consultants and engineers who jointly participate in the project

*2 Cooperating company: Subcontractors for production of articles and banners for advertising

Case Studies

SBI NEOMOBILE SECURITIES



Support for launching a stock purchase service using T-points

- ▶ Supported a project to launch a new service that enables transactions through smartphones to attract young people and investment beginners. Acquired around 300,000 accounts in one year after launching the service.
- ▶ Launched a joint venture and reviewed a service design utilizing such technologies as robo-advisors and chatbots.
- ▶ Developed and implemented digital marketing strategies to demonstrate the services.
- ▶ Utilized user tests (UIScope) to produce a service LP.

Area of support Consulting (new business development), marketing (marketing consultation), UI/UX

Shimane Bank



Support for setting up a smartphone branch

- ▶ The project called for establishing a "Smartphone Branch," a virtual branch with no passbook, no cash card, and no seal.
- ▶ Supported the release of the service symbolizing the bank's DX, where account opening and use are conducted with smartphones only, allowing the bank to acquire over ¥5 billion in deposits in four months since release.
- ▶ Worked on a wide range of activities, including identification of various discussion points and implementation of measures before release, as well as producing a service LP and establishing promotion strategies in cooperation with external business operators.
- ▶ After release, supported study of additional measures and establishment of customer management.

Area of support Consulting (new business development), marketing (marketing consultation)

transcosmos

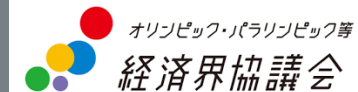


Joint DX support by combining know-how of both companies

- ▶ Supporting more than 600 DX projects a year, transcosmos provides cross-channel one-stop services for CX improvement, with special strengths in building e-commerce/call centers.
- ▶ Jointly provide wide-ranging support for clients' digital marketing and business transformation by combining the areas of expertise of both companies.
- ▶ Have supported multiple projects, including concept studies of global CRM systems and review and implementation of one-to-one marketing strategies.

Area of support Consulting (transformation of existing businesses and operational improvement)

Olympic and Paralympic Games Business Council



2020 Tokyo Games momentum building project

- ▶ A major project for the business circle to support momentum building for 2020 Tokyo Games in cooperation with IOC, the government and local governments.
- ▶ Held more than 1,000 events in regional cities by the end of February 2020, utilizing corporate assets across Japan, with more than 650 companies participating and 430 local governments cooperating.
- ▶ Supported a wide range of branding and public relations activities for the project by utilizing digital channels.

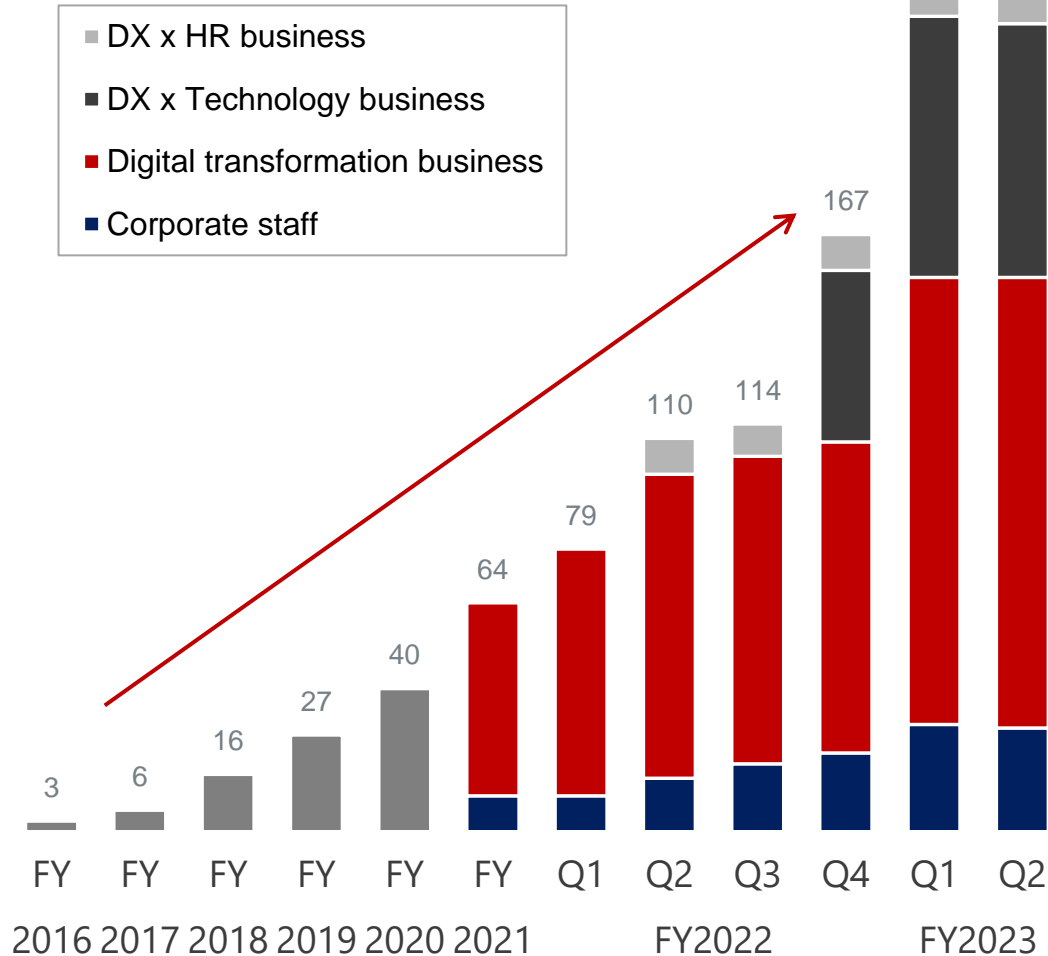
Area of support Marketing (social media operation and marketing consultation)

Situation of Employees

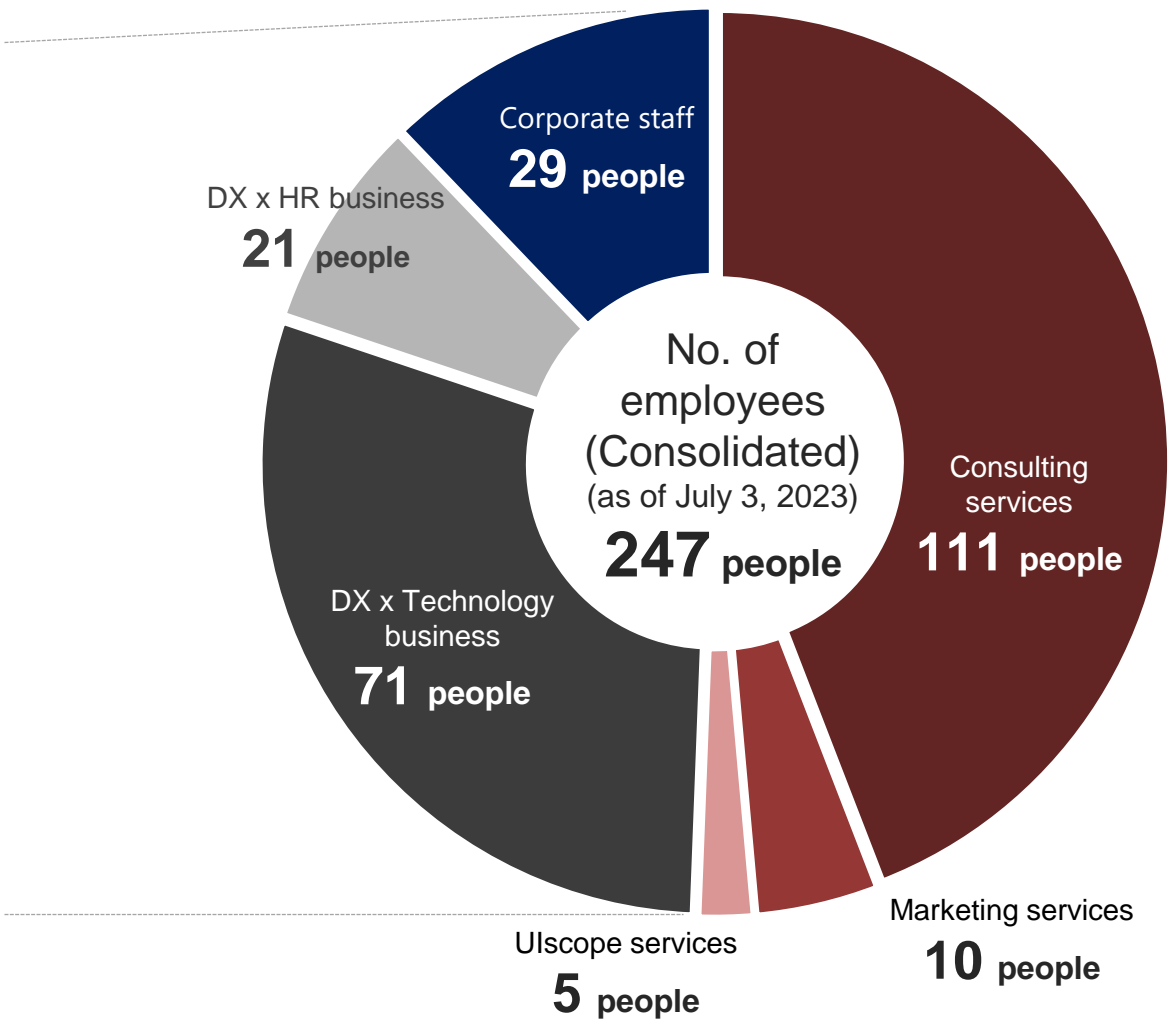
- ❑ The number of employees was 247 as of July 3, 2023, remaining **flat from the previous quarter**. Focus is placed on training new graduate employees to make them ready for work.

Trends in the Number of Employees

*Starting with Q1 FY2023, the number of employees as of the business day following the end of each period is indicated.



Composition of Employees

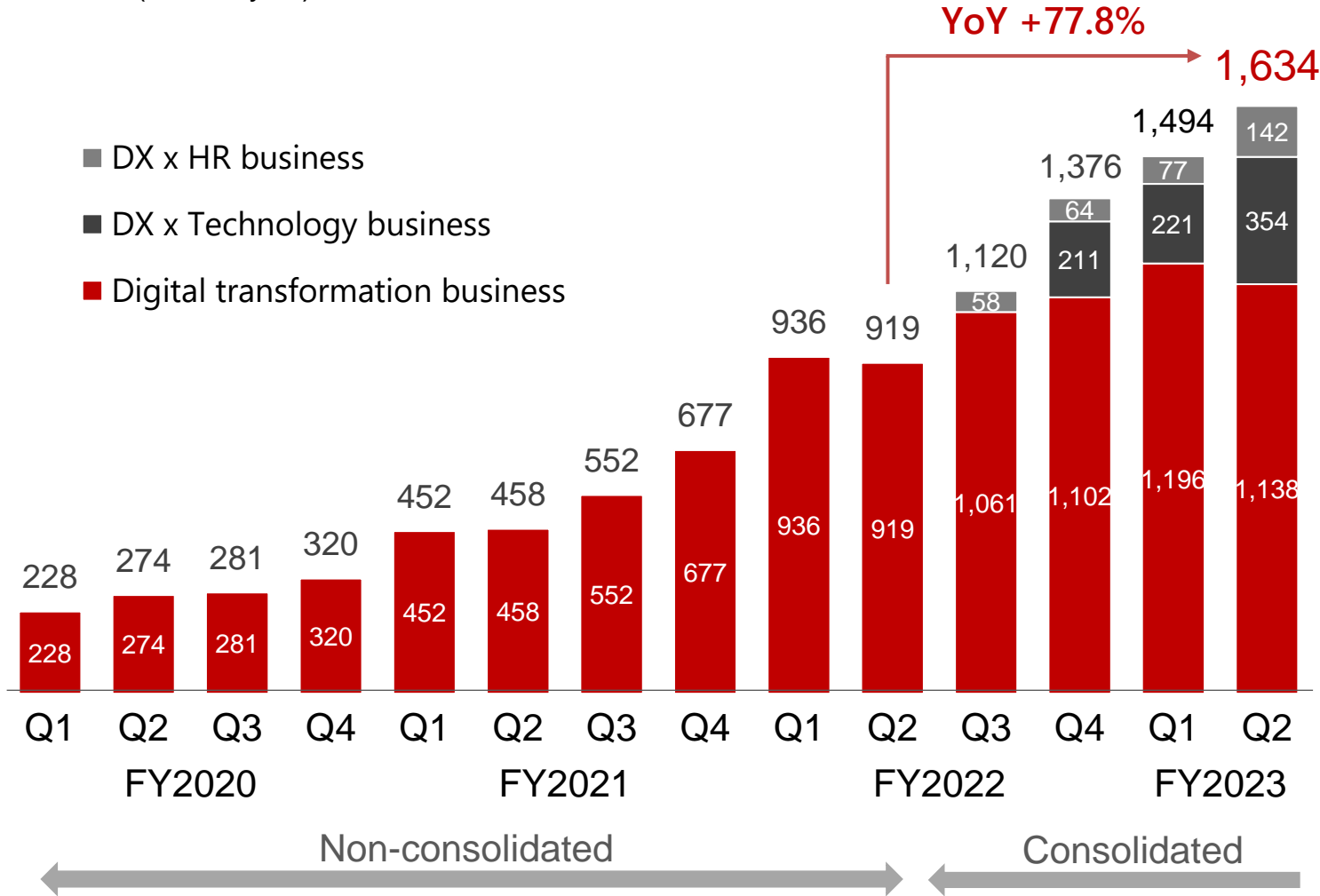


2. Q2 FY2023 Financial Results

Quarterly Consolidated Financial Results - Net Sales

- ☐ Achieved net sales of **¥1,634 million** in Q2 FY2023, **up 9.4% QoQ and up 77.8% YoY**.
- ☐ Net sales of the Digital transformation business alone totaled ¥1,138 million, down 4.8% QoQ and up 23.8% YoY.

Net sales (million yen)



Net sales grew in the DX x Technology business and the DX x HR business mainly due to the effect of the M&As conducted in April.

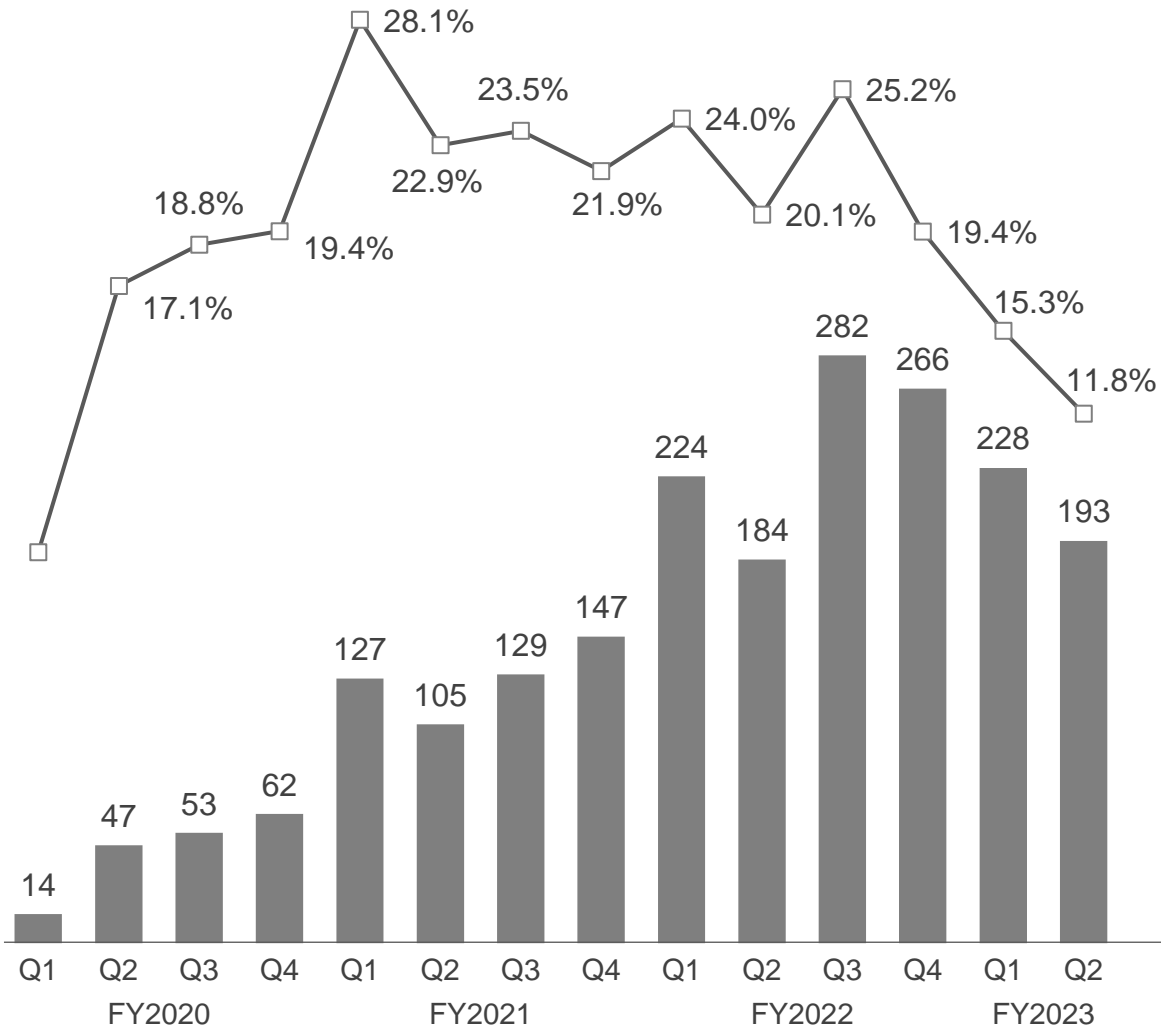
Net sales of the Digital transformation business increased by 23.8% YoY, but resulted in a QoQ decrease due to the impact of seasonable factors and our focus on fostering new graduate employees, etc.

Quarterly Consolidated Financial Results - Operating Profit & EBITDA

Operating profit resulted in a QoQ decrease. EBITDA excluding the impact of non-cash expenses amounted to ¥245 million.

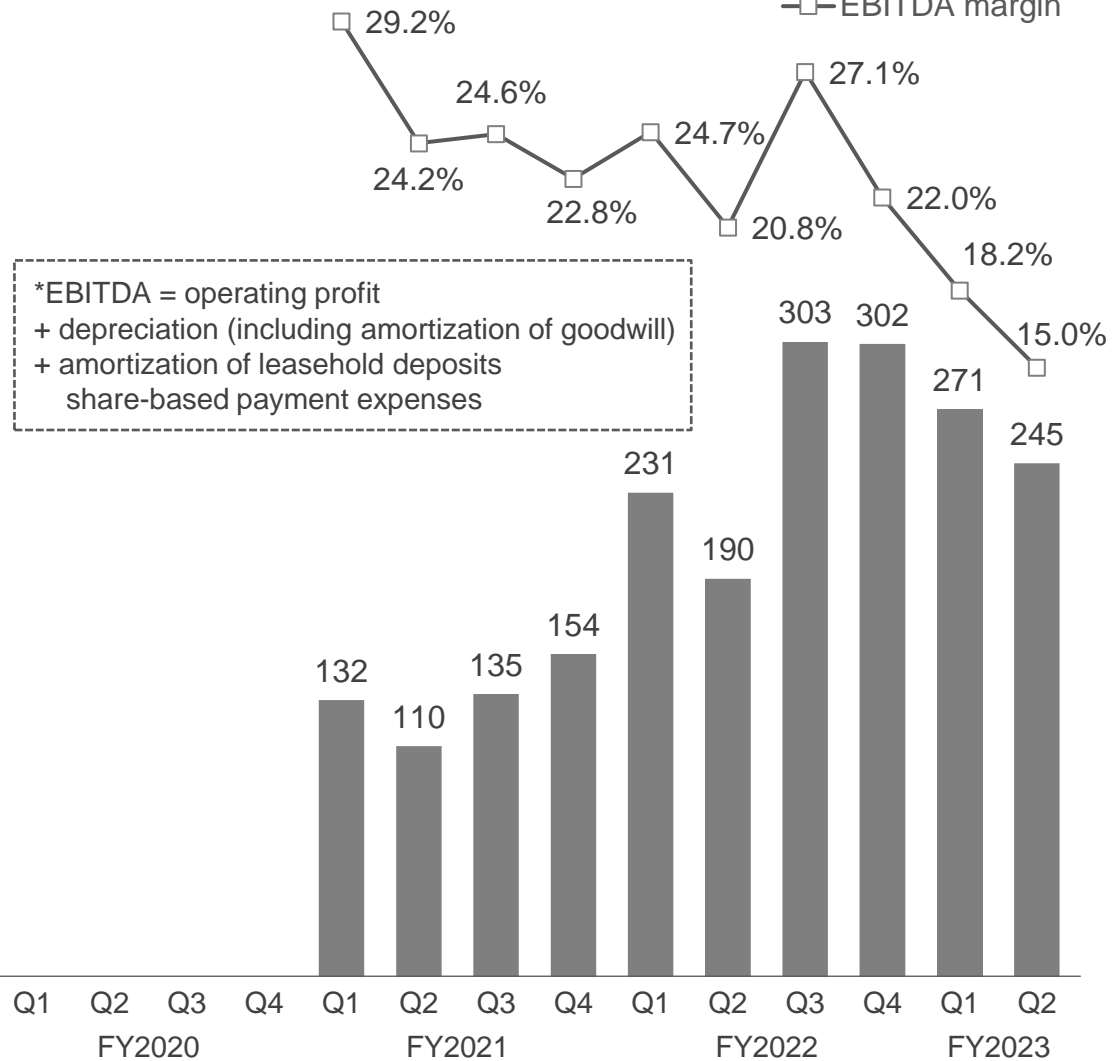
Operating profit (million yen)

■ Operatin profit
□ Operating profit margin



EBITDA* (million yen)

■ EBITDA
□ EBITDA margin



*EBITDA = operating profit
+ depreciation (including amortization of goodwill)
+ amortization of leasehold deposits
share-based payment expenses

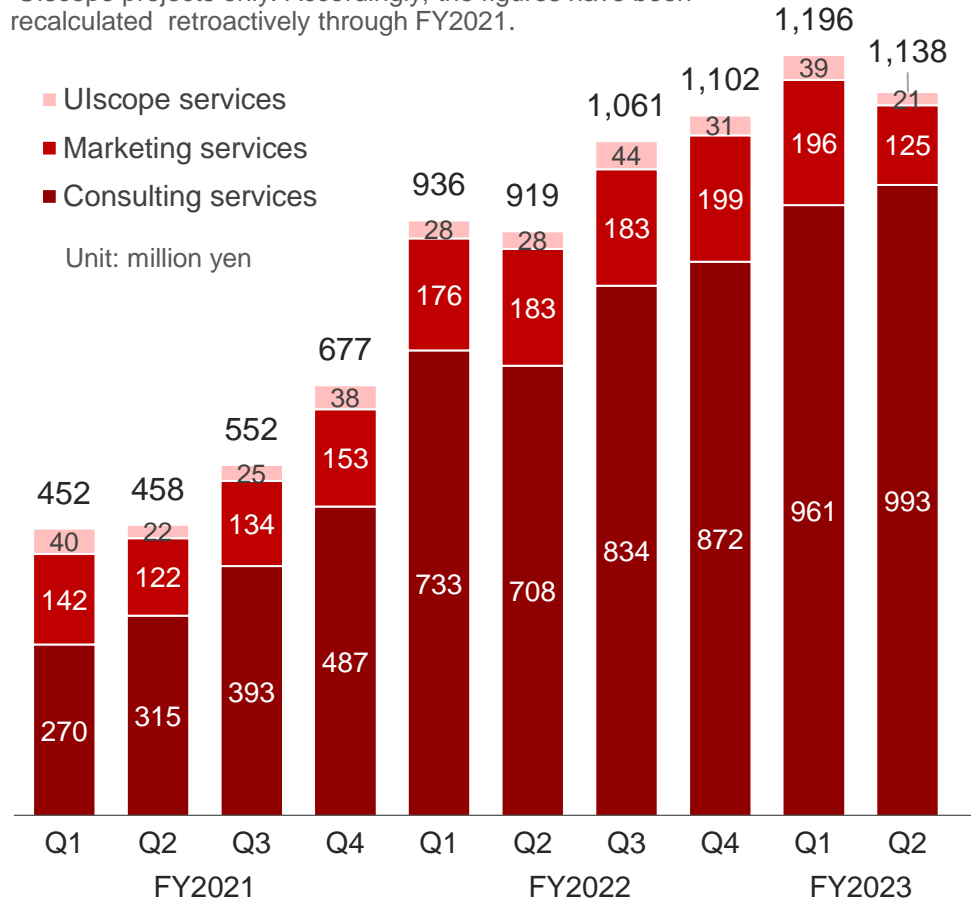
Results by Segment - Net Sales

□ Net sales by segment are as follows.

Digital transformation business

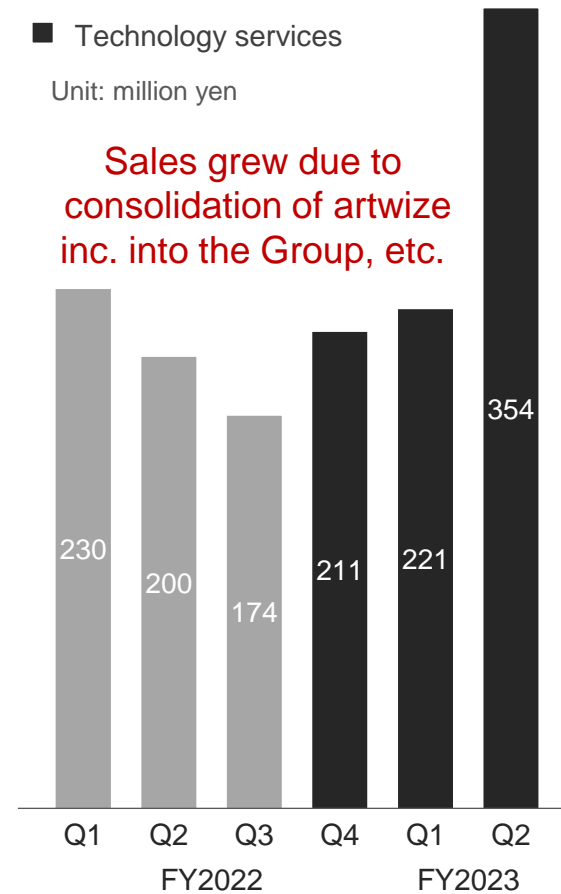
*The aggregation standards for marketing services were partially changed in Q1 FY2023, and projects involving many consulting aspects were transferred to consulting services.

*Starting with the Q1 disclosures, the Ulscope service counts Ulscope projects only. Accordingly, the figures have been recalculated retroactively through FY2021.



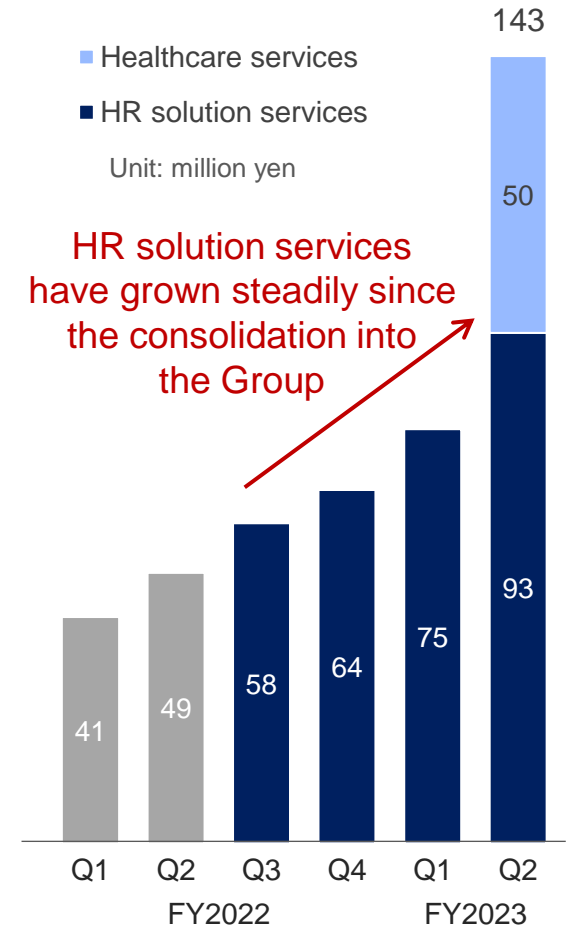
DX x Technology business

*The business was consolidated in Q4 FY2022. Previous figures are shown for reference, indicating net sales of the relevant business of cuatro pistas Ltd. from which the business was transferred.



DX x HR business

*The business was consolidated in Q3 FY2022. Previous figures are shown for reference, indicating the financial results of uloqo Co., Ltd.



Results by Segment - Cost of Sales & Gross Profit



- Cost of sales and gross profit by segment are as follows. In the Digital transformation business and DX x Technology business, gross profit margin rose in line with the increase in the number of regular employees, etc.

	Digital transformation business		DX x Technology business		DX x HR business	
	Results (million yen)	QoQ	Results (million yen)	QoQ	Results (million yen)	QnQ
Net sales	1,138	-4.8%	354	+60.0%	142	+84.4%
Personnel expenses (cost of sales)	168	+22.6%	71	+83.1%	20	+33.3%
Outsourcing expenses (cost of sales)	475	-16.4%	197	+39.7%	28	+460%
Other costs	3	+50.0%	1	-	0	-
Gross profit*	491	+6.1%	85	+117.9%	93	+72.5%
Gross profit margin	43.1%	+2.3pts	24.0%	+6.0pts	65.5%	-6.4pts
SG&A expenses			475			+34.6% QoQ
Operating profit			193			-15.4% QoQ
Operating profit margin			11.8%			-3.5pts QoQ

*The figures are before allocation of SG&A expenses such as rent expenses to cost of sales, and accordingly do not correspond to gross profit as stated in the summary of financial results and quarterly report, etc.

Breakdown of SG&A Expenses

- The breakdown of selling, general and administrative expenses (SG&A expenses) is as follows. On a quarter-on-quarter basis, **hiring expenses and rent expenses increased significantly.**

	Results (million yen)	SG&A expenses to net sales	QoQ	Description
Personnel expenses / outsourcing expenses (SG&A expenses)	159	9.7%	+14.4%	Remuneration for directors and officers, salaries for back-office employees and outsourcing expenses, etc.
Hiring expenses	101	6.2%	 +40.3%	Agent fees and event expenses, etc.
Rent expenses	76	4.7%	 +166.7%	Office rent, etc.
Depreciation, etc. (including amortization of goodwill)	46	2.8%	+18.6%	Amortization of goodwill, depreciation of other non-current assets and share-based payment expenses, etc.
Other SG&A expenses	92	5.6%	+39.4%	M&A-related expenses (brokerage fees), etc.
Total SG&A expenses	475	29.1%	+34.6%	

Hiring expenses rose by approximately 40% QoQ as 2024 graduates' acceptance of job offers peaked, while rent expenses increased significantly in line with the start of move-in to the temporary office in preparation for the office relocation in January 2024.

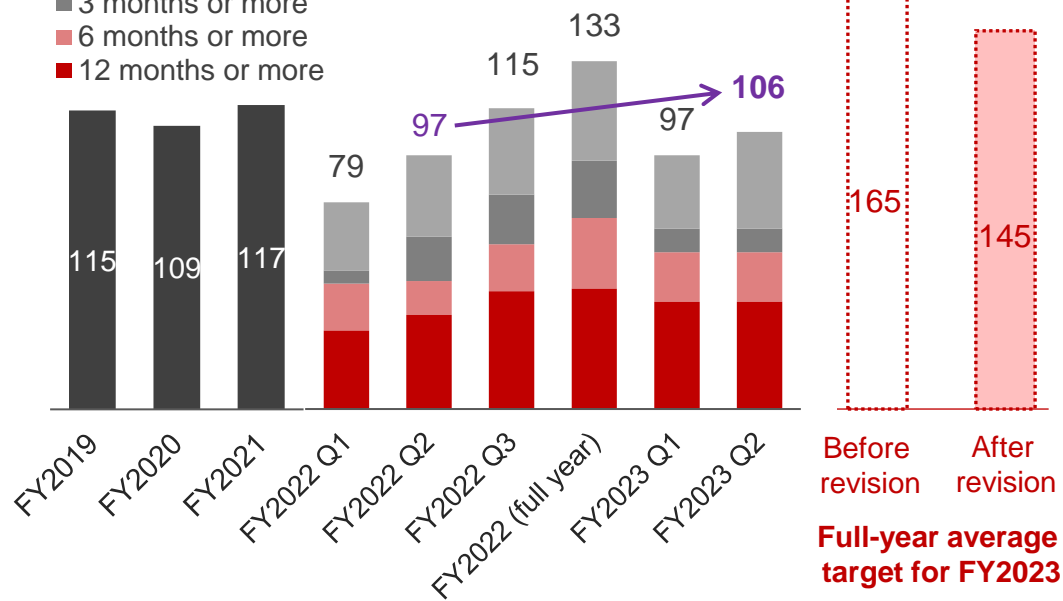
Digital Transformation Business | Number of Clients & Net Sales per Client

□ The number of clients and net sales per client grew compared to Q1 FY2022.

Number of clients (by period of continued orders)

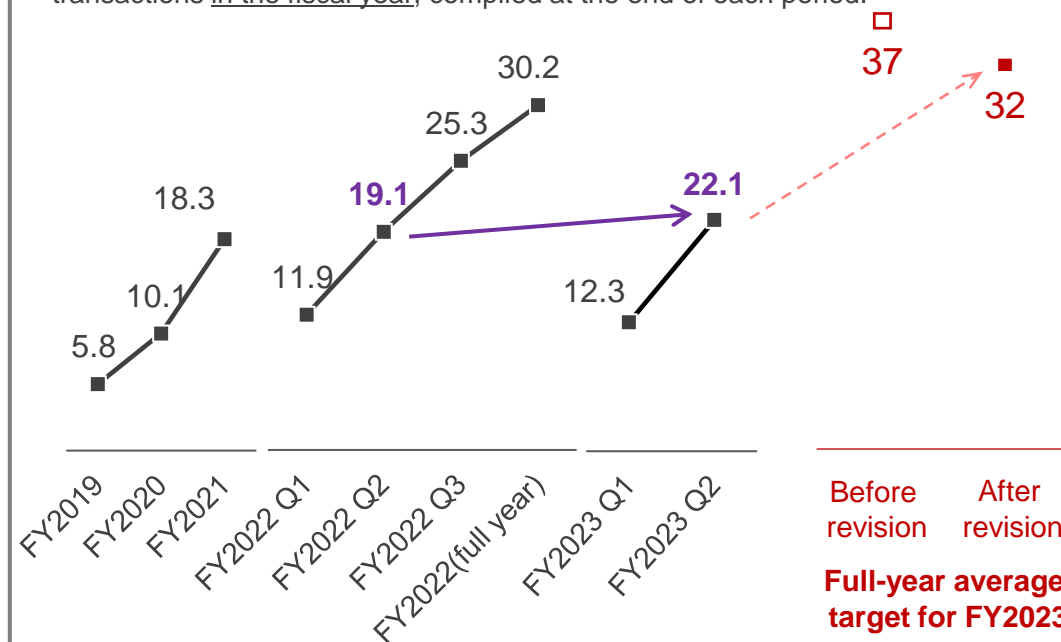
*Figures indicate the number of clients with which the Company had transactions in the fiscal year, compiled at the end of each period.

- Other
- 3 months or more
- 6 months or more
- 12 months or more



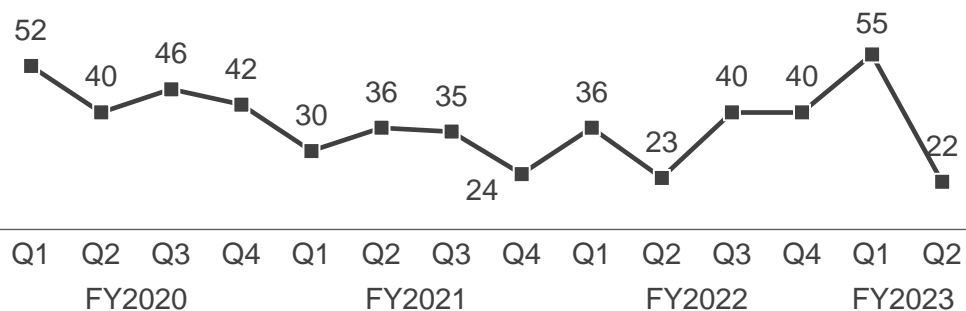
Net sales per client (million yen)

* Figures cover the clients with which the Company had transactions in the fiscal year, compiled at the end of each period.



Number of Ulscope projects

Ulscope helps attract new clients efficiently



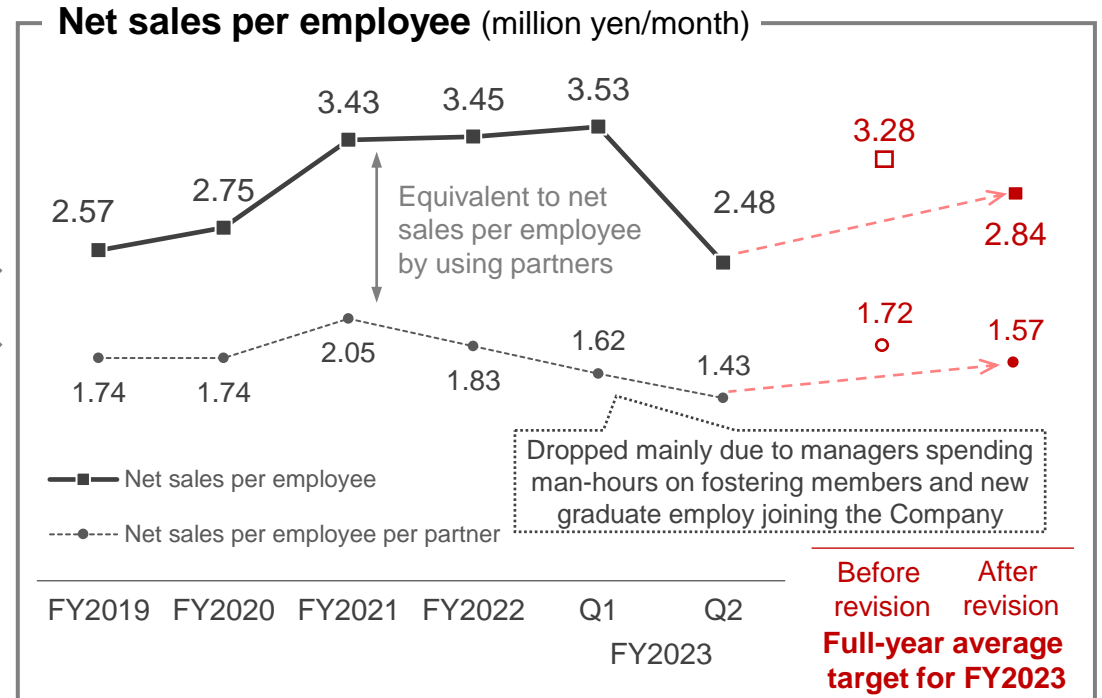
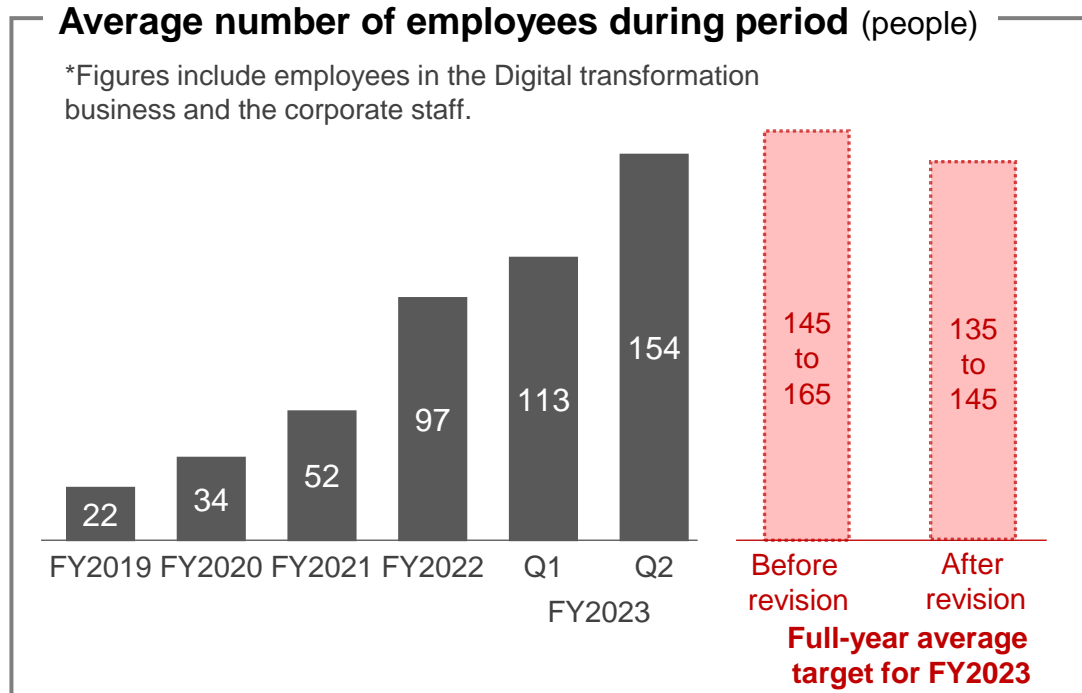
Number of clients by net sales per client

Deepening relationships with existing clients to turn them into large-scale customers

	Up to ¥30 million	Up to ¥100 million	Up to ¥300 million	Over ¥300 million
FY2020	9 companies	8 companies	2 companies	0 company
FY2021	103 companies	11 companies	2 companies	1 company
FY2022	103 companies	23 companies	5 companies	2 companies

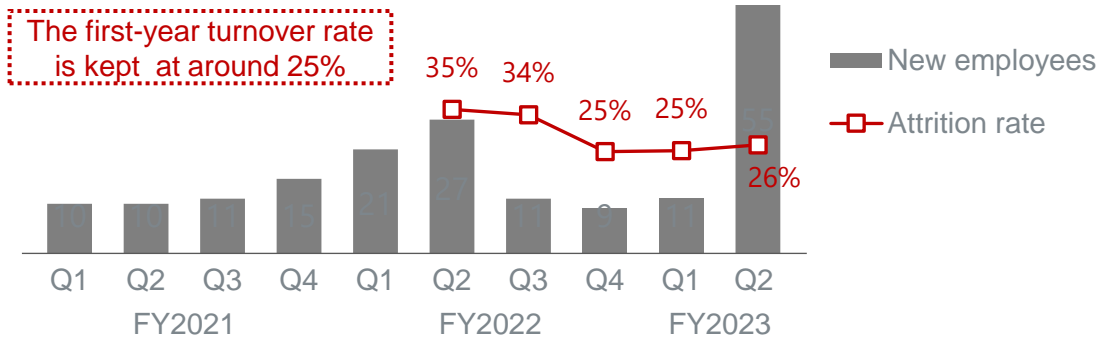
Digital Transformation Business | Number of Employees & Net Sales per Employee

□ The number of employees increased in line with new graduate employees joining the Company in April, while net sales per employee and the partner ratio dropped significantly.

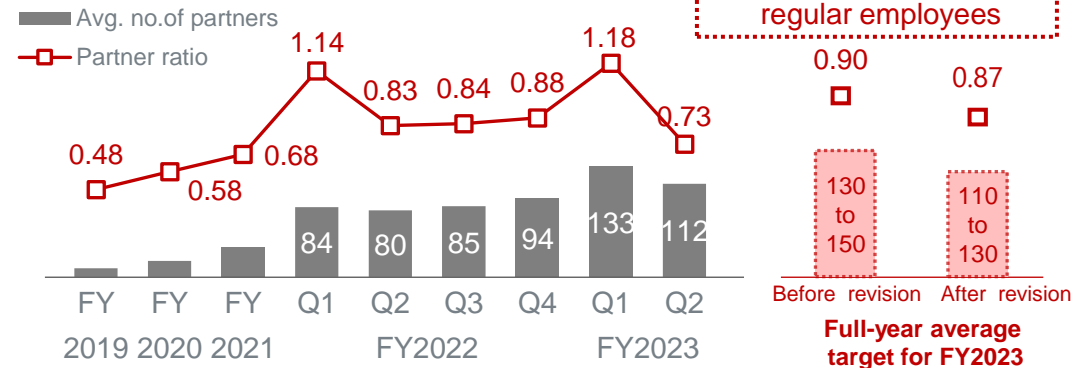


Number of new employees and attrition rate (Digital transformation business only)

*The attrition rate is calculated by dividing the number of retirees during a year through the end of each period by the average number of employees during the same period.



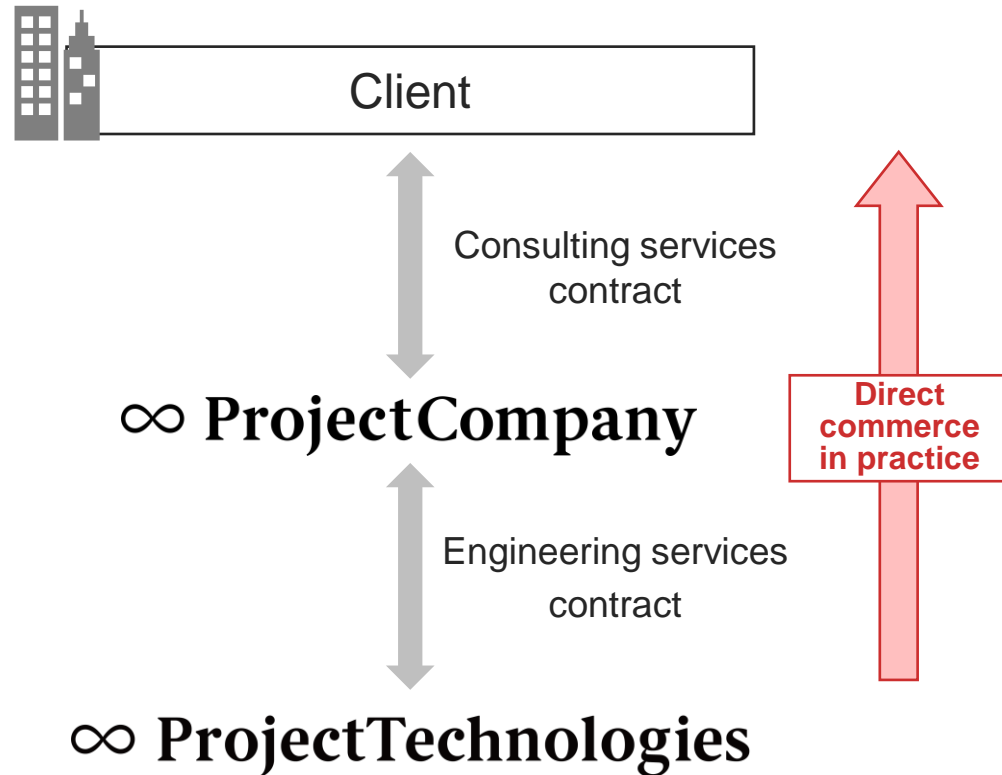
Average number of partners & partner ratio during period



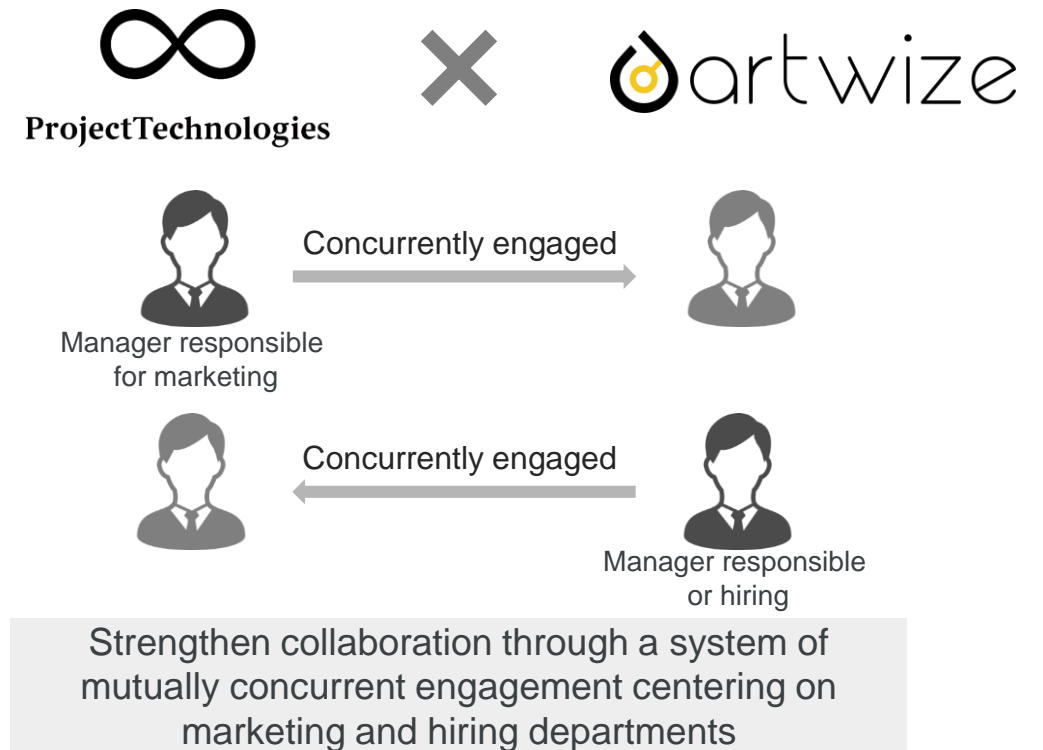
DX x Technology Business | Overview of Operations

- ❑ Gross profit margin of cuatro technologies, Inc. (currently ProjectTechnologies, Inc.), which joined the Group in October 2022, improved against the backdrop of a shift to a direct commerce format in practice due to winning of clients via ProjectCompany, Inc.
- ❑ At artwize inc., which joined the Group in April 2023, intra-group collaboration is being reinforced with ProjectTechnologies, Inc. mainly in terms of marketing and hiring.

Winning Clients via ProjectCompany

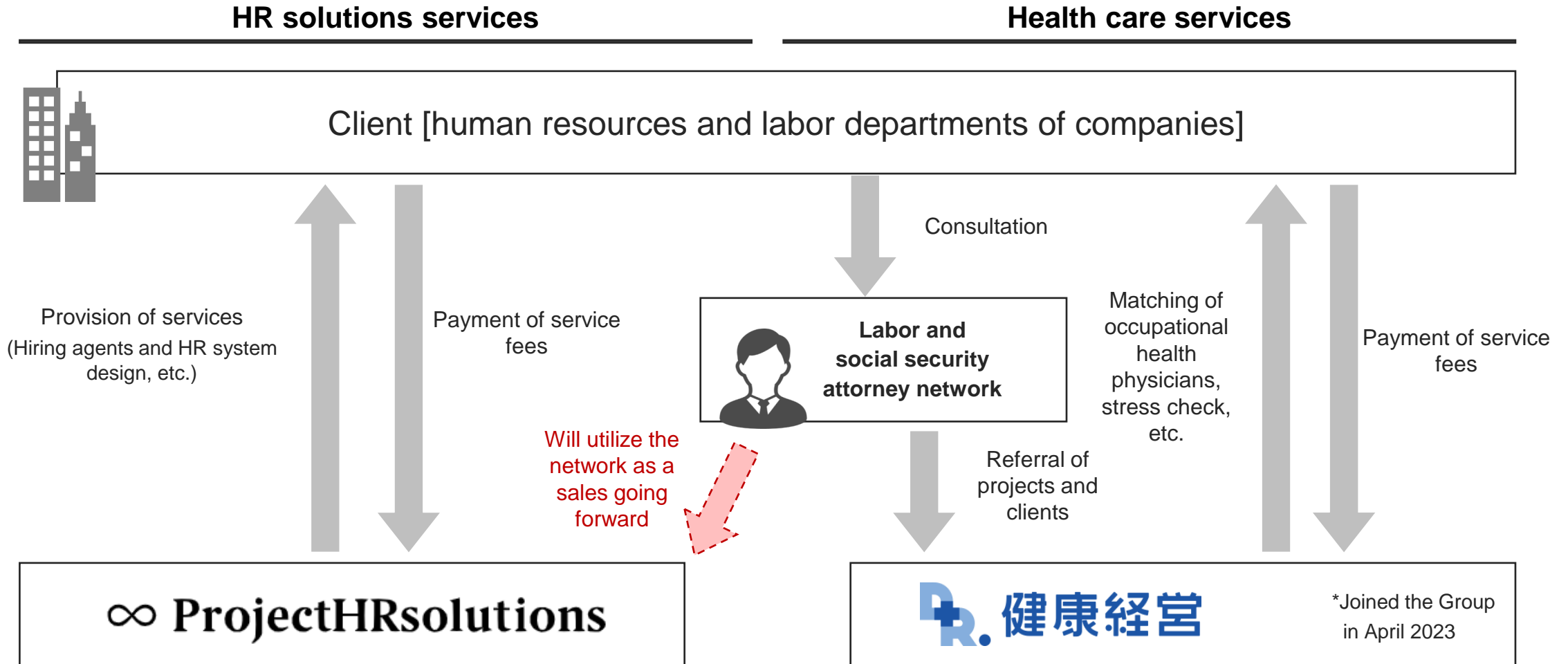


Strengthened Collaboration within the DX x Technology Business



DX x HR Business | Overview of Operations

- Steady growth in business performance was seen at uoloqo Co., Ltd. (currently ProjectHRsolutions, Inc.), which joined the Group in April 2022, as it utilized the Group's know-how with a focus on organization building.
- In April 2023, the Company acquired shares of Dr.KENKO KEIEI Inc., which mainly provides occupational health physician referral services, in an effort to expand the range of services it offers in the HR and labor areas and to enhance its sales channels by utilizing the labor and social security attorney network of Dr.KENKO KEIEI Inc.



3. Revisions to Earnings Forecast

Overview of Revisions to Earnings Forecasts

❑ Made downward revisions to forecasts of net sales and profits mainly in the Digital transformation business.

Unit: million yen	FY2022 (actual)	Forecast at beginning of period	Latest revisions		Major backgrounds of the revisions
Net sales	4,352	7,470	6,420	-14.1%	<ul style="list-style-type: none"> ✓ Reviewed the personnel plan based on the current status of the Digital transformation business (described later) ✓ Included artwize inc., which joined the Group in April, into the earnings forecast
Digital transformation business	4,019	6,100	4,660	-23.6%	
DX× Technology business	210	890	1,270	+42.7%	
DX×HR business	122	480	490	+2.1%	
Gross profit*¹ (Gross profit margin)	1,939 (44.6%)	3,110 (41.6%)	2,530 (39.4%)	-18.6% (-2.2pts)	<ul style="list-style-type: none"> ✓ Revised the estimated gross profit margin of the Digital transformation business based on the status of new graduate employees, etc. (how ready they are for specific assignments)
Digital transformation business	1,814 (45.1%)	2,710 (44.4%)	1,950 (41.8%)	-28.0% (-2.6pts)	
DX× Technology business	43 (20.5%)	140 (15.7%)	280 (22.0%)	+100.0% (+6.3pts)	
DX×HR business	82 (67.2%)	260 (54.2%)	300 (61.2%)	+15.4% (+7.0pts)	
Operating profit (Operating profit margin)	958 (22.0%)	1,270 (17.0%)	720 (11.2%)	-43.3% (-5.8pts)	<ul style="list-style-type: none"> ✓ Operating margin declined due to the impact of fixed costs in SG&A expenses in line with the revisions to net sales and gross profit margin
EBITDA*² (EBITDA margin)	1,016 (23.4%)	1,470 (19.7%)	920 (14.3%)	-37.4% (-5.4pts)	

*1 The figures are before allocation of SG&A expenses to cost of sales, and accordingly do not correspond to gross profit as stated in the consolidated financial statements.

*2 EBITDA represents operating profit plus depreciation, amortization of leasehold deposits and share-based payment expenses.

Background (1) | Tightening Requirements for Managers

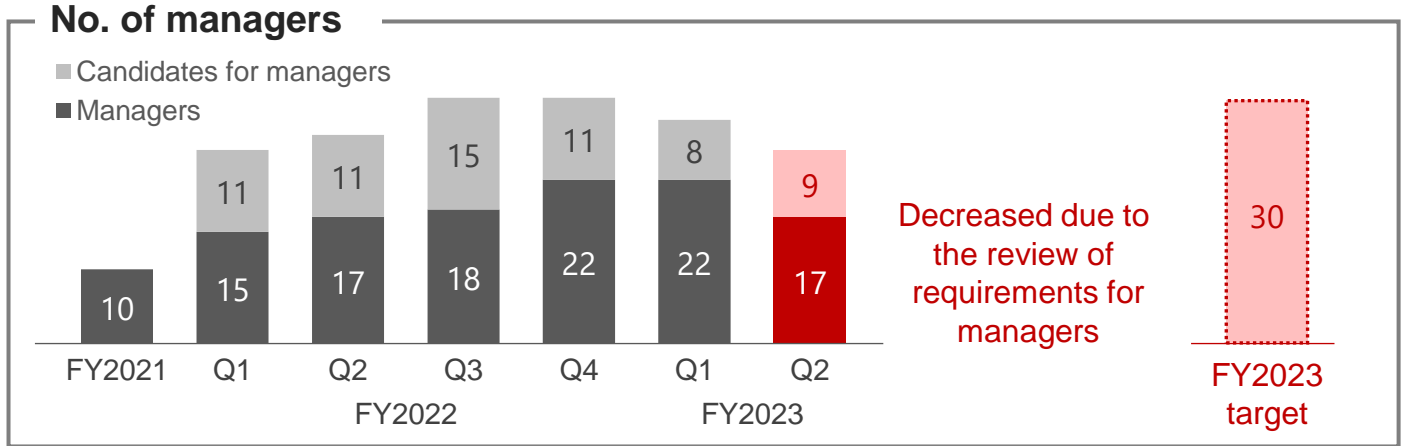
- ❑ With many new employees joining the Company in April, **differences in the ability to foster members have become apparent among managers.**
- ❑ Added the organization building aspects to the requirements for managers, and **reviewed the hiring plan** by assuming “how many people managers can fully foster.”

Requirements for managers

- ❑ Negotiations with clients
- ❑ Partner management
- ❑ Risk management and service quality management

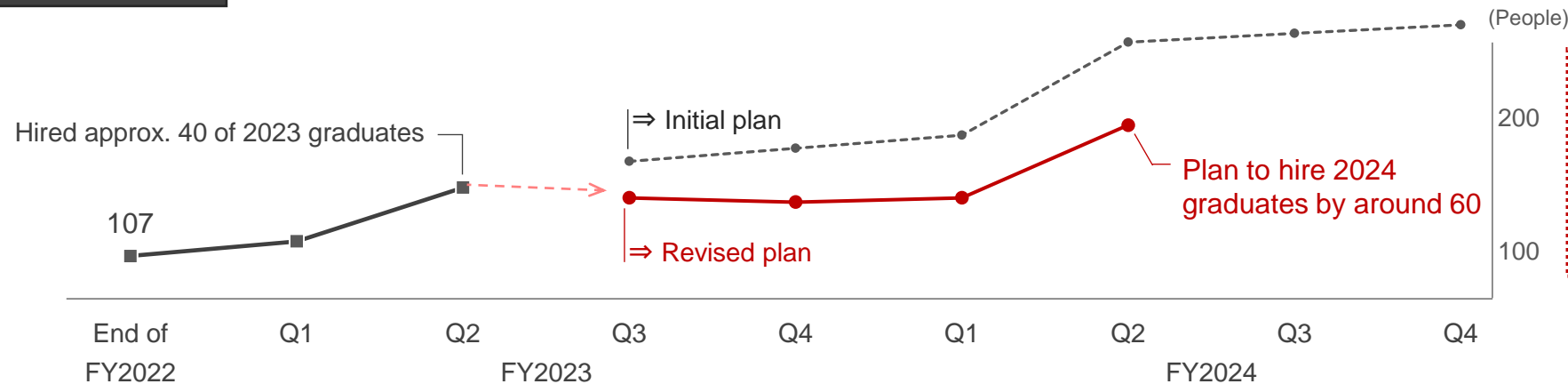


- ❑ **Organization building and fostering of members**



Personnel plan

*Total number of employees in the Digital transformation business and corporate staff at end of each period



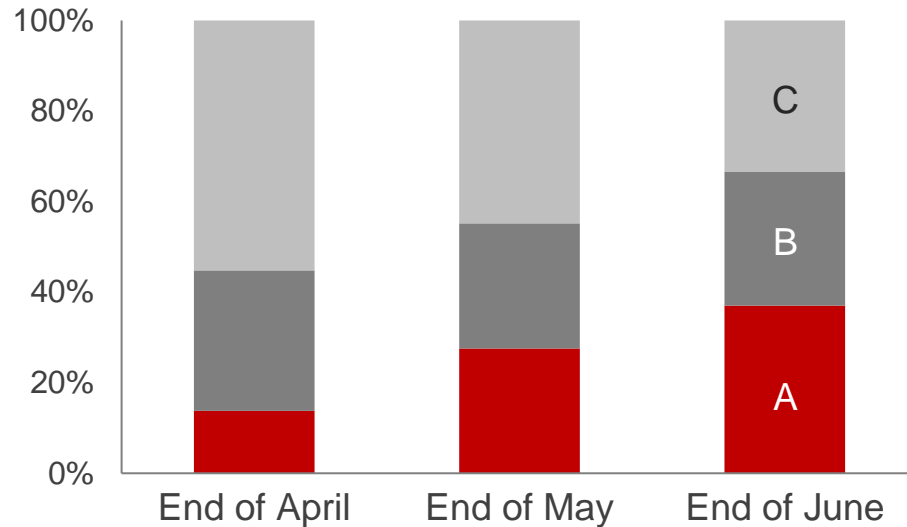
Reviewed the hiring plan by assuming “how many people managers can fully foster”

Background (2) | Focus on Training New Graduate Employees to Make Them Ready for Work

- ❑ In light of the background on the previous page, **managers have spent more man-hours than initially anticipated for training 2023 graduate employees to make them ready for work.**
- ❑ **Plan to curb the winning of projects to a certain extent**, assuming that man-hours will continuously be spent for fostering new employees in FY2023

Ratio of New Graduate Employees by Charge Rank

*Compiled the graduate employees who joined the Company in April 2023 and were assigned to the Digital transformation business



C : Personnel other than A and B (as of the end of June: 33%)

B : Personnel achieving **50% or more of the contribution to gross profit as existing employees** (as of the end of June: 30%)



A : Personnel achieving **the same level of contribution to gross profit as existing employees** (as of the end of June: 37%)

As of the end of June, approximately 40% of new graduate employees became as capable as existing employees. For the rest, however, managers will presumably have to continuously spend man-hours to foster them.

Plan to prioritize training and fostering of new employees through the end of FY2023, curbing winning of projects to a certain extent

Initiatives for the Years Ahead

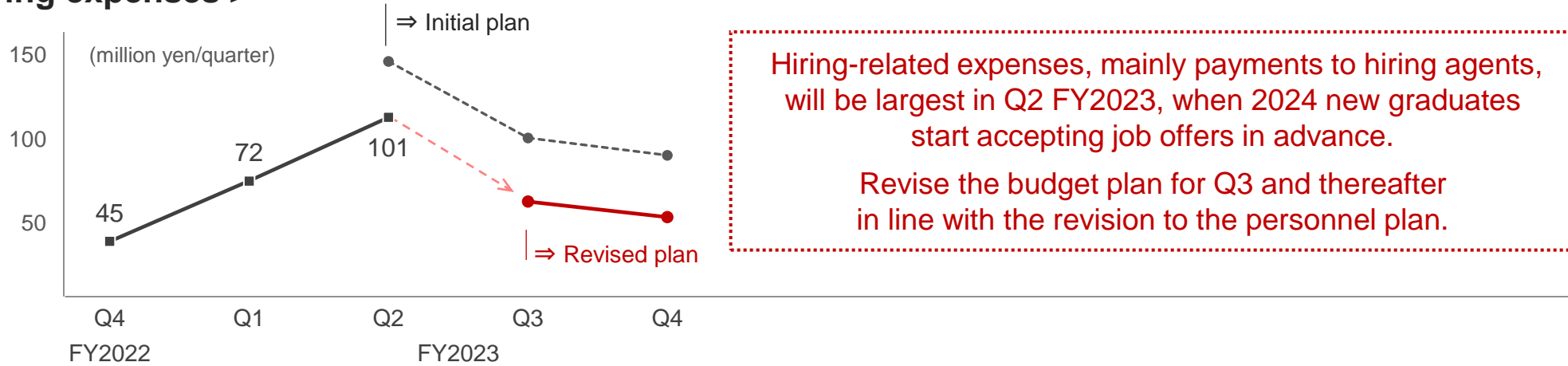
- ❑ In the short term, plan to **partly entrust fostering of members to those who used to be managers** by the end of 2023 as a target, and continuously monitor the situation based on the ratio of 2023 new graduate employees by charge rank (see p.24).
- ❑ As a medium- to long-term initiative, will introduce a system in which units of a small group of newly selected managers with a certain degree of discretion will closely coordinate with the executive team to achieve results in both budget progress management and organizational management, thereby **fostering such managers in a more sophisticated manner for the next fiscal year and thereafter**.

	Details of Initiatives	Follow-up of Results
<p>In the short term</p> <p>To be done by the end of 2023</p>	<p>Employees who had experienced the role of managers at ProjectCompany and have been reassigned to back-office operations or group companies will partly be engaged in fostering the members including new graduate employees</p>	<p>Rate of 2023 new graduate employees by charge rank [ p. 24]</p>
<p>In the medium to long term</p> <p>Exert effects in 2024 and thereafter</p>	<p>Foster managers in a more sophisticated manner by introducing a system in which units of a small group of managers, who are selected under new requirements for managers and are given a certain degree of discretion, will closely coordinate with the executive team to achieve results in both budget progress management and organizational management</p>	<p>Number of managers and candidates for managers [ p. 23]</p>

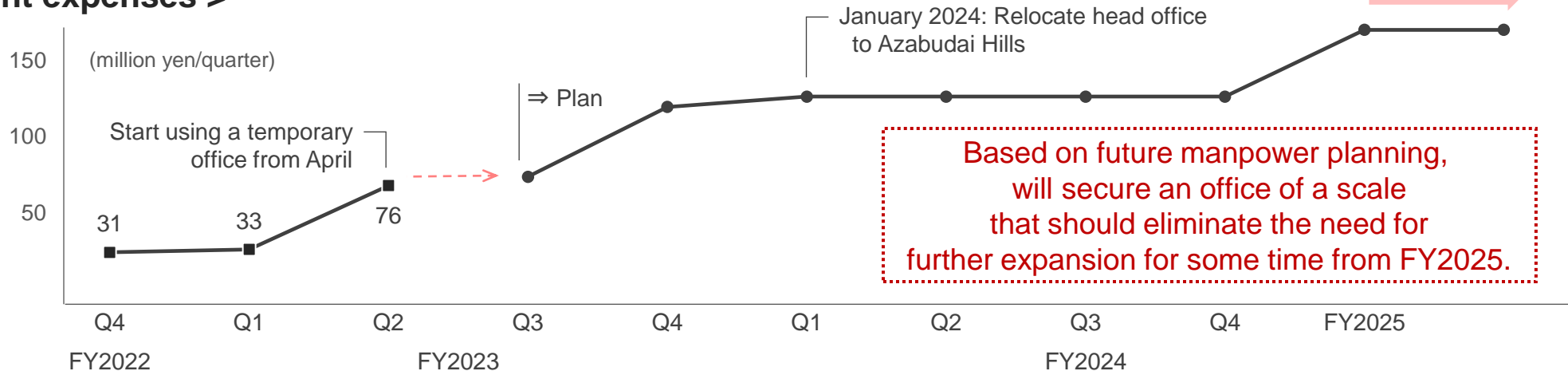
Investment Plan for Securing Human Resources

- ❑ Assume the following hiring and rent expenses to be recorded in the medium to long term as investments to secure human resources.
- ❑ Revise the budget plan for hiring expenses for the current fiscal year in line with the revision to the personnel plan.

< Hiring expenses >



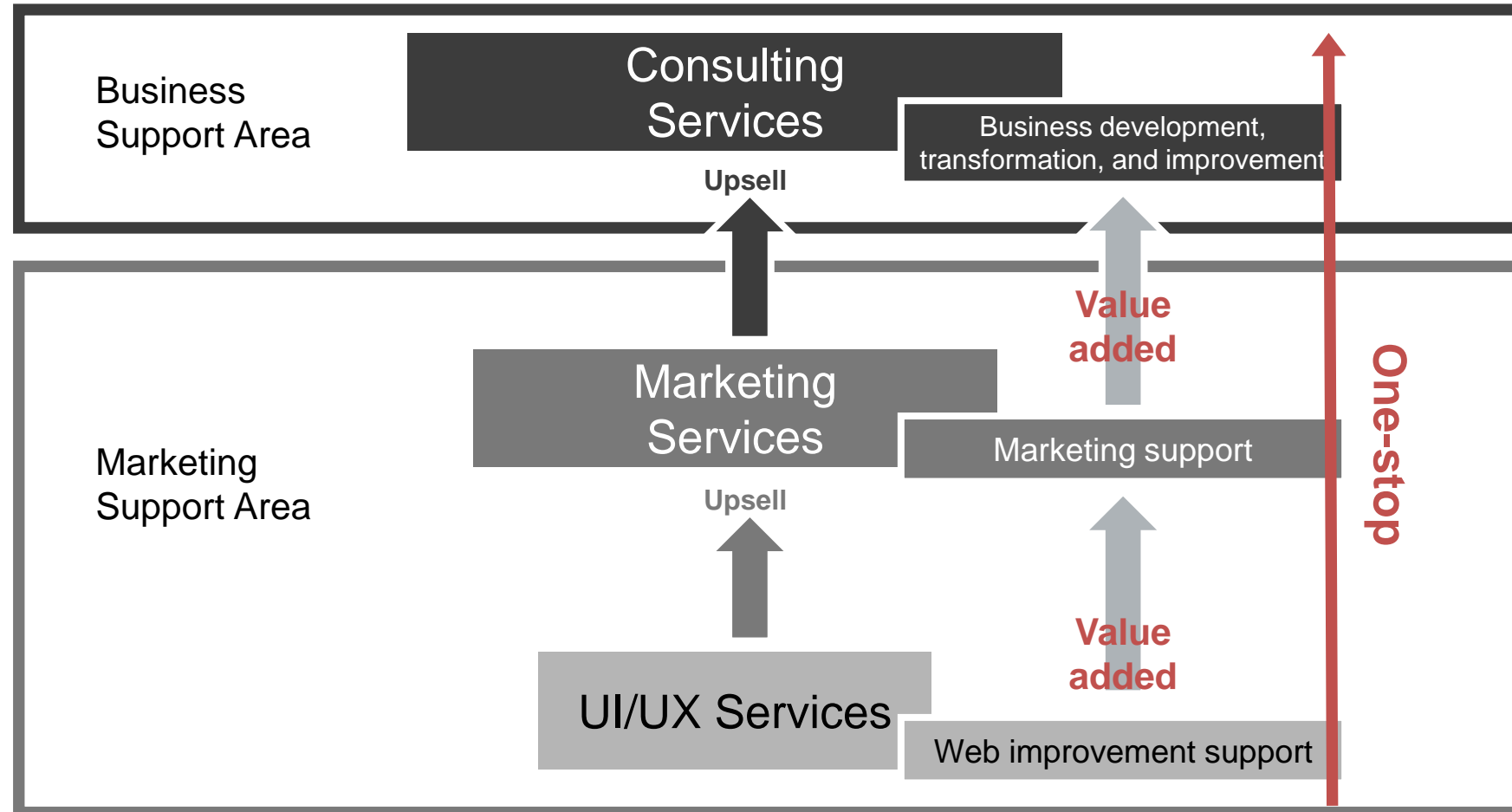
< Rent expenses >



Appendix (i) Overview of Digital Transformation Business

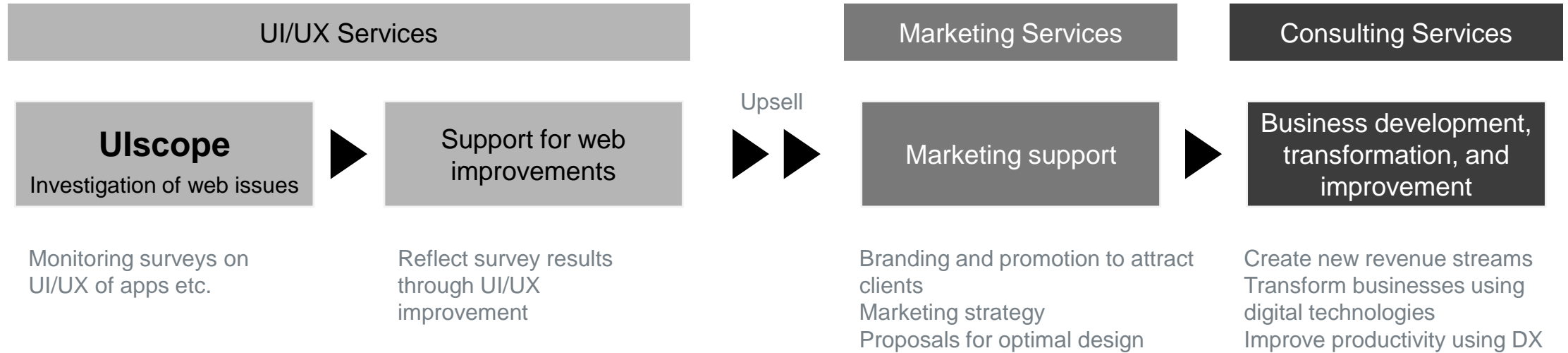
Feature (1) | One-stop Digital Transformation (DX) Advisory System

- ❑ Provide a comprehensive one-stop service that includes user interface web improvement support, marketing support and business support including new business development.
- ❑ Convenient access to all services customers need in one place leads to efficient and effective DX.
- ❑ There are many competitors in each of our services, but only a select few offer a comprehensive, one-stop service.



Feature (2) | Ulscope as a Starting Point of One-stop Support

- ❑ The usability testing and improvement of Ulscope supports objective and comprehensive app/web improvements through UI/UX surveys, using registered monitors.
- ❑ **Ulscope is highly recognized in the UI/UX field**, with inbound* orders accounting for 82% of all UI/UX service projects in FY2022.



Ulscope

Reasonable, Fast, and Simple High-Quality User Tests

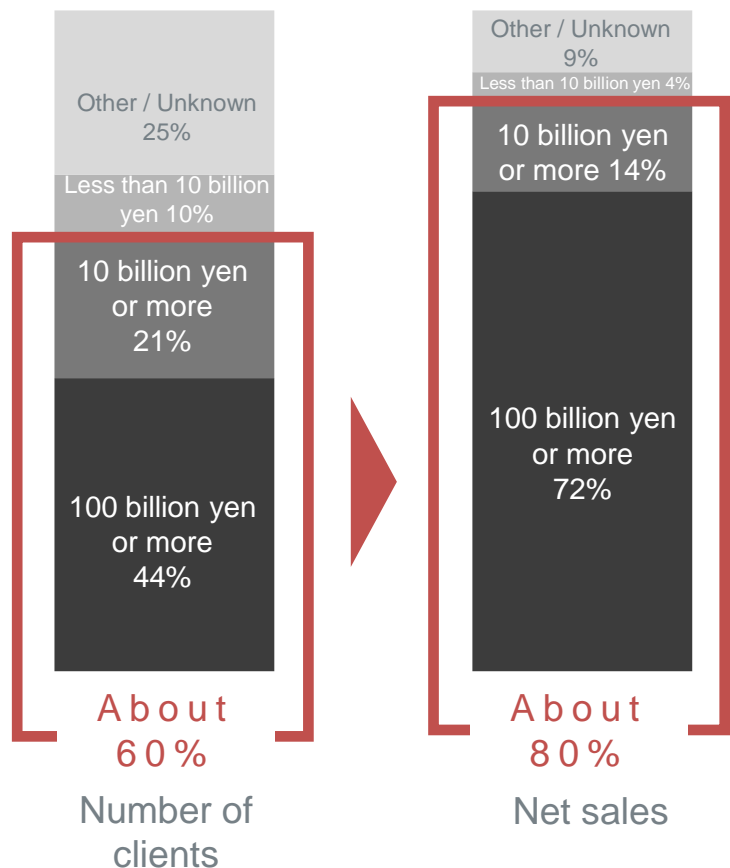
- Videos
- Audio
- Surveys

*Inbound: Inquiries from clients that lead to orders, instead of making sales approaches to companies

Feature (3) | Strong Customer Base Centered on Major Companies

- About 60% of all clients are large companies with sales of 100 billion yen or more, accounting for about 80% of our total net sales.
- **We do business with a wide range of major companies** in IT, communications, finance and other industries.

Customer Sales Breakdown by Size (FY2022 results)



Trading Performance

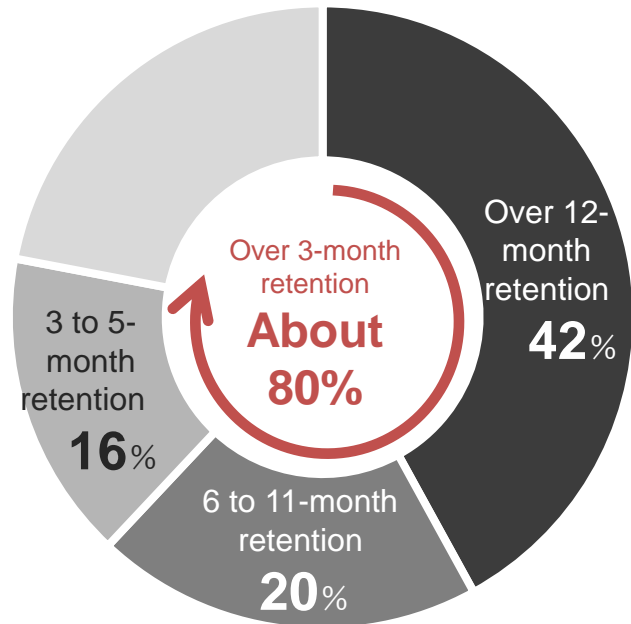


Feature (4) | Accumulation of Long-term Customers through Stock-type Business Model

- We recognize that consulting companies generally have a sales structure that emphasizes spot and flow projects.
- We have bolstered net sales by building a stock-type business model that is predicated on continued support backed by integrated services. The recurring sales ratio for Q2 FY2023 was approximately 92% (total for Digital transformation business).

Order Retention Ratio* (%)

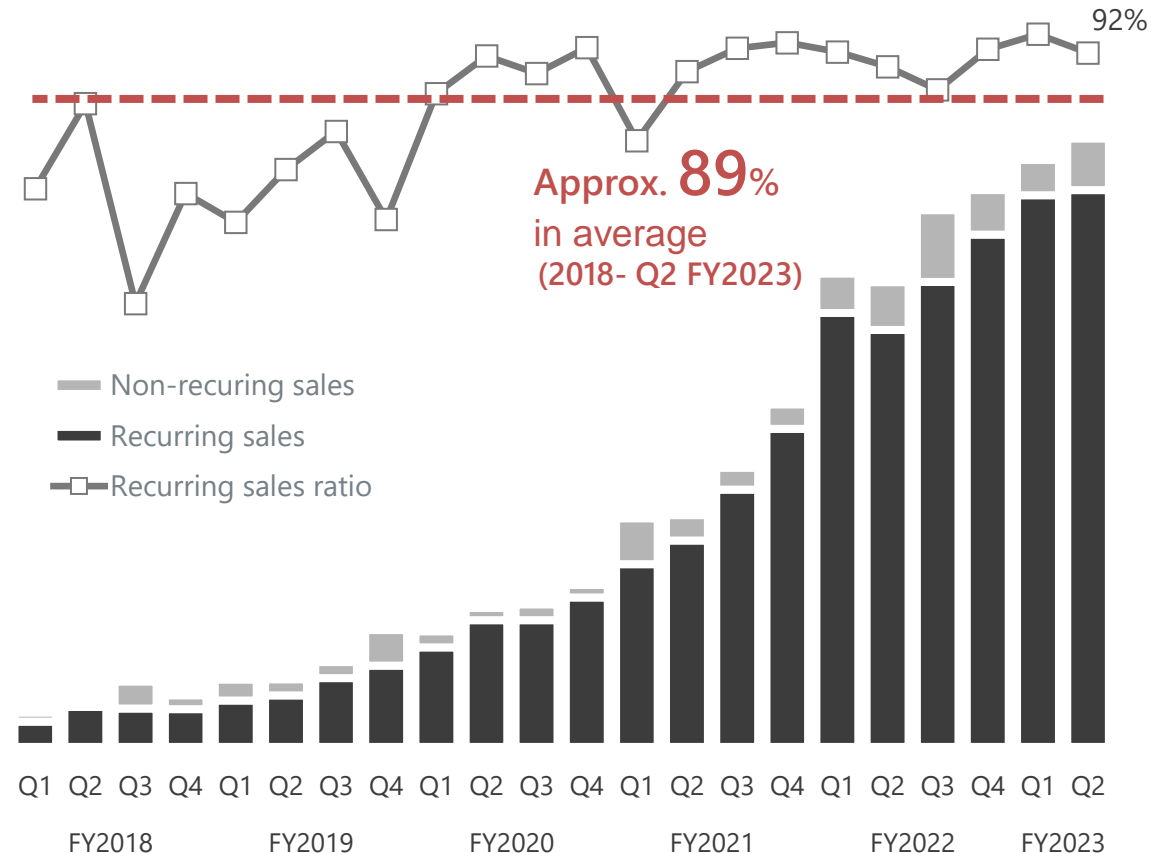
*Percentage of clients with sales of 10 billion yen or more who signed contracts over multiple months between January 2018 and June 2023



* Figures are only for digital transformation business and exclude Ulscope spot project clients.

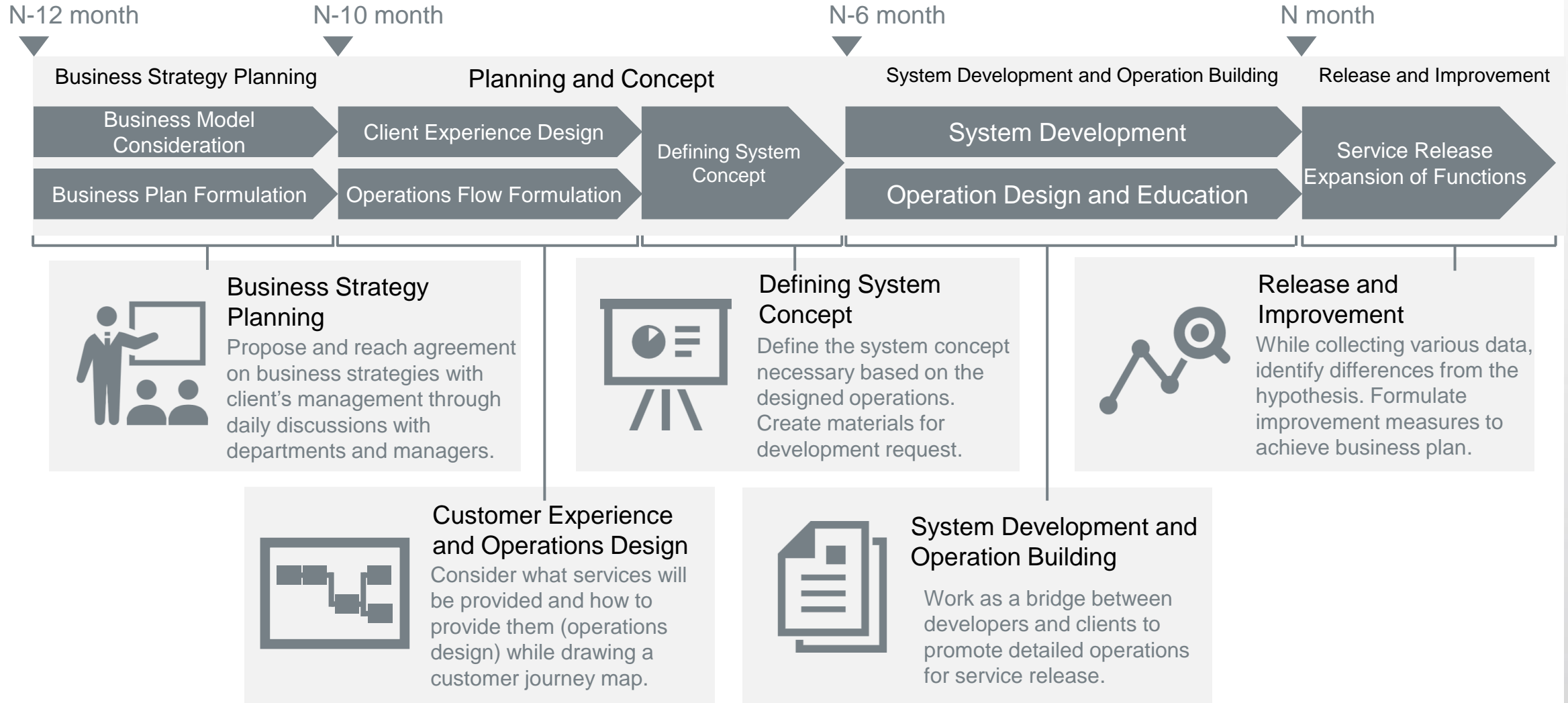
Recurring Sales* Ratio

* Recurring sales: Sales from clients with an order retention of over 6 months, excluding ad placement and user testing etc. which have strong spot characteristics.



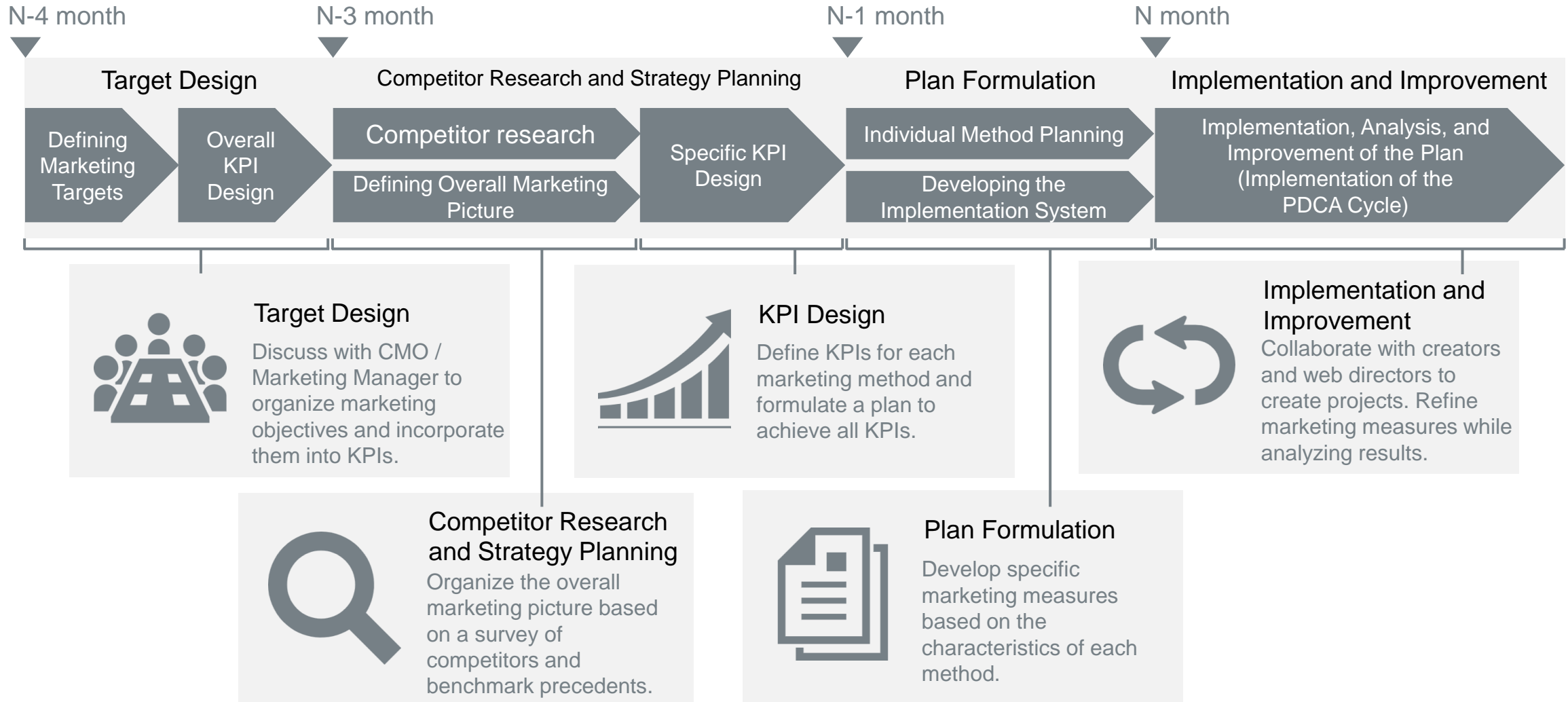
Case Introduction | Consulting Services (New Business Development)

- ❑ Business Strategy Planning provides support for new business development projects, such as considering business models and formulating business plans
- ❑ We develop and manage the overall schedule until the service release and take charge, leading problem solving and meeting facilitation.



Case Introduction | Marketing Services (Marketing Strategy Planning to Implementation Support)

- ❑ In planning a marketing strategy, it is important to clarify the purpose of marketing by defining specific targets.
- ❑ Furthermore, the value of our marketing support is not only in strategy planning but also in achieving tangible results through repeated PDCA cycles.



Case Introduction | UI/UX Services (UI research)

- ❑ In UI research, we collect unfiltered opinions from target users regarding the usability of applications and websites.
- ❑ By identifying bottlenecks that cannot be fully understood through quantitative data alone, we develop effective proposals for improvement.

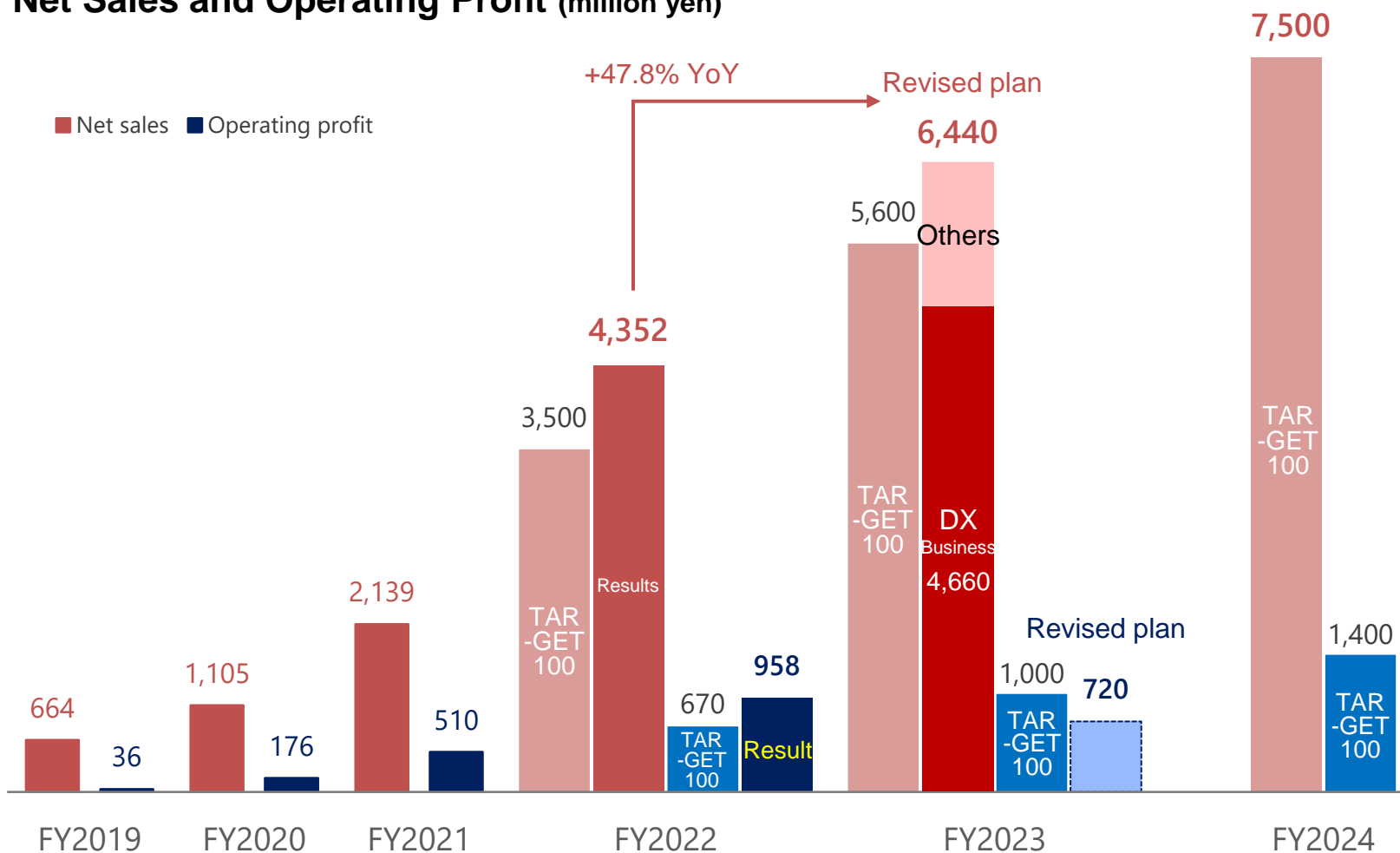


Appendix (ii) Future Growth Strategies

Progress Towards the Medium-term Target "TARGET100"

- With regard to the medium-term goal "TARGET100," announced in February 2022, which is to achieve 10 billion yen in net sales and 2 billion yen in operating profit in FY2025, we have worked to achieve net sales of 10 billion yen even one year ahead of schedule, but hurdles are high for us to achieve this goal.
- Will continue to focus on achieving "TARGET100" with net sales of ¥10 billion in FY2025, while carefully examining the outcome in consideration of financial results for FY2023.

Net Sales and Operating Profit (million yen)



The medium-term goal "TARGET100"

In FY2025
 Net sales 10 billion yen
 Operating profit 2 billion yen

Have worked to achieve net sales of 10 billion yen even one year ahead of schedule, but hurdles are extremely high to achieve this goal.

Will continue to focus on achieving TARGET 100, while closely examining the performance goals in consideration of financial results for FY2023

Policies to Achieve Performance Targets

- Aiming to achieve “TARGET 100” with net sales of 10 billion yen for FY2025, strive to achieve both (1) growth in existing businesses and (2) non-sequential growth through M&A.

Aiming to achieve “TARGET 100” with net sales of 10 billion yen for FY2025

Policy

1

Continued organic growth in digital transformation business

2

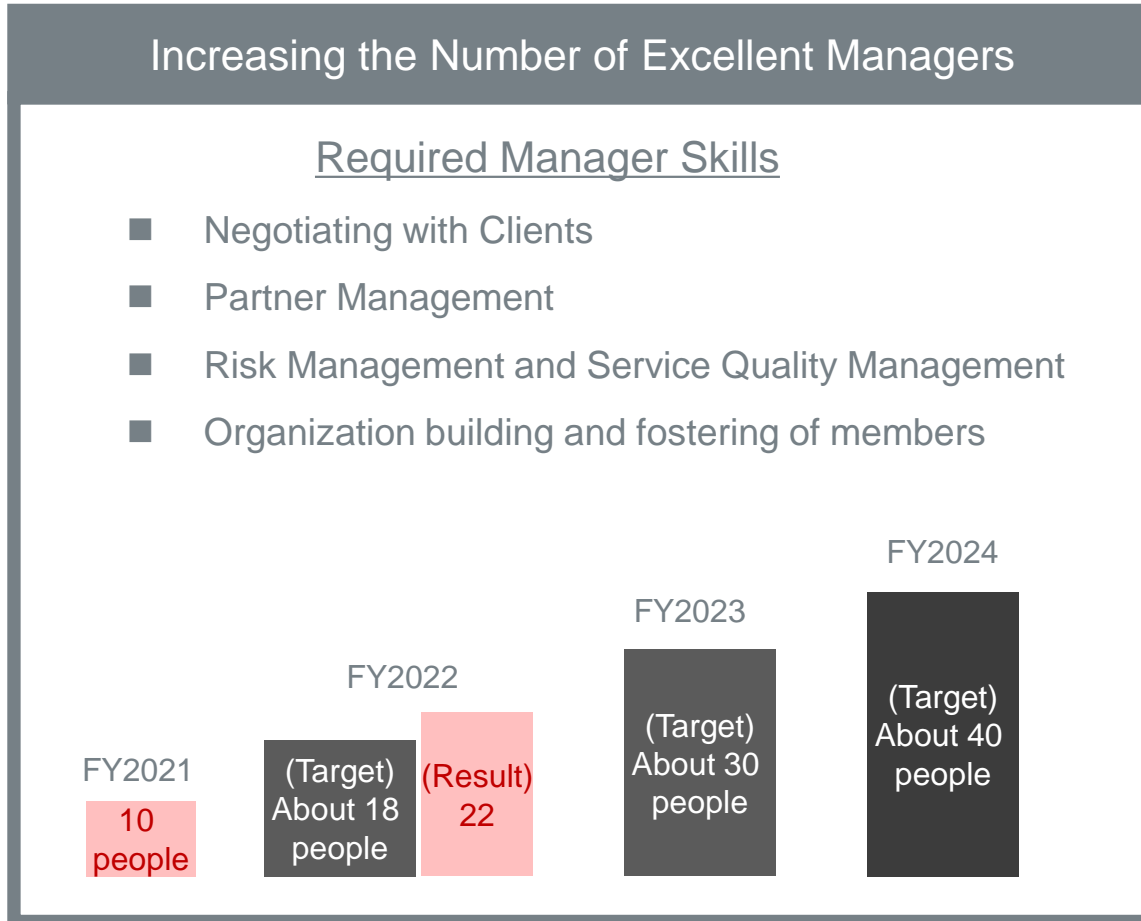
Acceleration of non-sequential growth through M&A and new business development

Action Plan

- Aiming for "Profitable Hypergrowth" by proactively investing in necessary resources for future growth while ensuring we secure a certain level of operating income.
 - Specifically, plan to increase hiring expenses and office expenses by approximately ¥300 million in total for FY2023 from the previous fiscal year, based on our view that these expenses are growth investments to acquire human resources that are the source of sales and profits.
-
- Based on the successful progress of the group management system, implemented on a trial basis in fiscal 2022, we will pursue diversified expansion as a corporate group through M&As and new business creation.
 - Actively consider and implement M&As that can generate synergies with existing businesses, and leverage the business development and growth capabilities cultivated in the digital transformation business to promote “ProjectCompany-style PMI.”

(1) Organic Growth Strategies | Manager Development

- ❑ Develop managers in line with sales targets and drive growth.
- ❑ In order to maximize the use of human resources within the organization, we need to expand the number of employees in the member class through increased recruitment of staff and enhanced training.
- ❑ Continue efforts to improve management skills in three areas: "Individual challenge," "Equalization" and "Mindset."

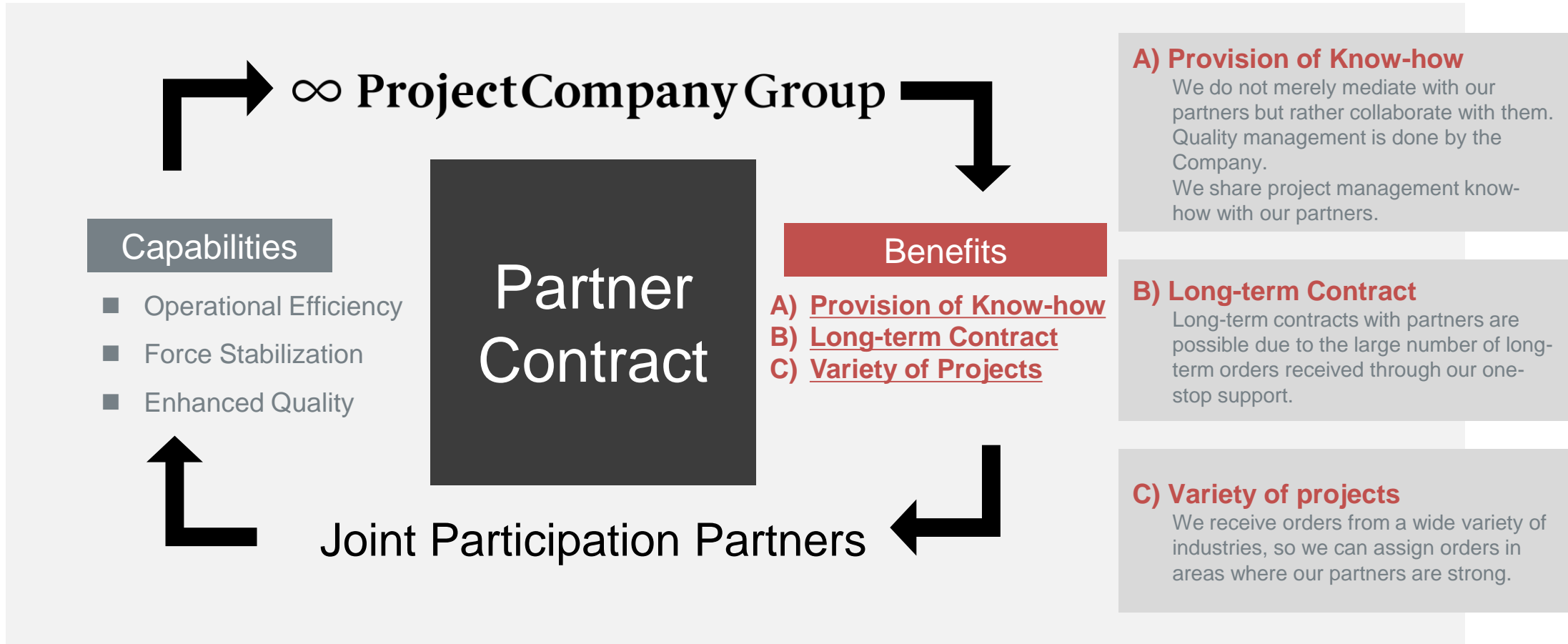


Building an Organizational Structure Suitable for a Stock-type Business



(1) Organic Growth Strategies | Expansion of Joint Participation Partners

- By collaborating on projects with partners and providing project management know-how and other benefits to such partners, we will expand the number of partners and establish a system capable of flexibly receiving orders.
- The average number of partners during FY2022 was 85.8. With our ongoing plans for network expansion, we anticipate increasing this number going forward.



(2) M&A Strategies | Investment Policy and PMI

- ❑ For M&A, actively consider projects with potential synergies with an EV/EBITDA ratio of around 5 times, while continuously sourcing projects.
- ❑ After executing M&A, achieve PMI results that exceed amortization of goodwill through knowledge injection and cross-selling.

M&A Investment

Continuous Project Sourcing

Continuously obtain information on proposals from networks of directors and employees and M&A intermediaries and compare and them with corporate information memoranda.

Investment Decisions Made Based on Certain Investment Criteria.

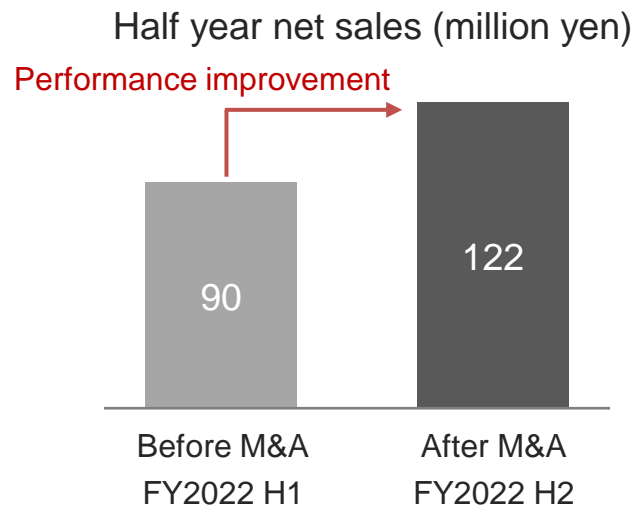
Execute investment that secures governance in accordance with internal investment principles.

<Investment Principles>

- EV/EBITDA ratio of around 5 times
- Limited possibility of damage to consolidated PL due to loss in goodwill
- Synergy creation and high business growth prospects by PMI etc.

PMI after M&A

Uloqo Co., Ltd. (currently ProjectHRsolutions, Inc.), which became a consolidated subsidiary in Q3 FY2022, realized synergies through PMI implementation.



Project Summary

Scheme	Full acquisition of shares
Run Date	April 28, 2022
Acquisition cost	Approximately 200 million yen
Amount recorded goodwill	Approximately 140 million yen (5-year amortization)

* For ProjectHRsolutions, Inc., the fiscal year ended in October until FY2022. Therefore, the period from November 2021 to April 2022 is counted as the first half and the period from May 2022 to October 2022 as the second half.

Main PMI Items

Organization building	Managers are dispatched (treated as secondment) to build an organizational structure that can handle the acquisition.
Adoption	Strengthen hiring of talents by utilizing the recruitment know-how of ProjectCompany.
Back office	Reduce indirect costs and improve operational efficiency by consolidating back-office operations, mainly accounting and legal affairs.

- ▶ Accumulating know-how as "ProjectCompany-style PMI"

Appendix (iii) Other Reference Information

Company Overview

Company Name	ProjectCompany, Inc.			
Head Office Location	Izumi Garden Tower 39F, 1-6-1 Roppongi, Minato-ku			
Establishment	January 2016			
Share Capital	10,001,691 yen (as of June 30, 2023)			
Board Composition	Representative Director and President, Group CEO	Yunosuke Doi	Full-time Corporate Auditor	Aiko Yuki
	Chairman of Board of Directors	Shota Ito	Auditor	Yuji Momosaki
	Senior Managing Director, Group CFO	Ryo Matsumura	Auditor	Jo Kawazoe
	Outside Director	Yuki Matsumoto		
	Outside Director	Kazumasa Yanagisawa		
Business Description	Digital transformation business (consulting services, marketing services, UI/UX services) DX x Technology business (technology services) DX x HR business (HR solutions services, healthcare services)			
Affiliated Companies	DCXforce, Inc., ProjectTechnologies Inc., artwize inc., ProjectHRsolutions Inc., Dr.KENKO KEIEI Inc., and Potential Inc. (all wholly owned by ProjectCompany, Inc.)			
Employees	Non-consolidated: 134 Consolidated: 246 (as of July 3, 2023)			

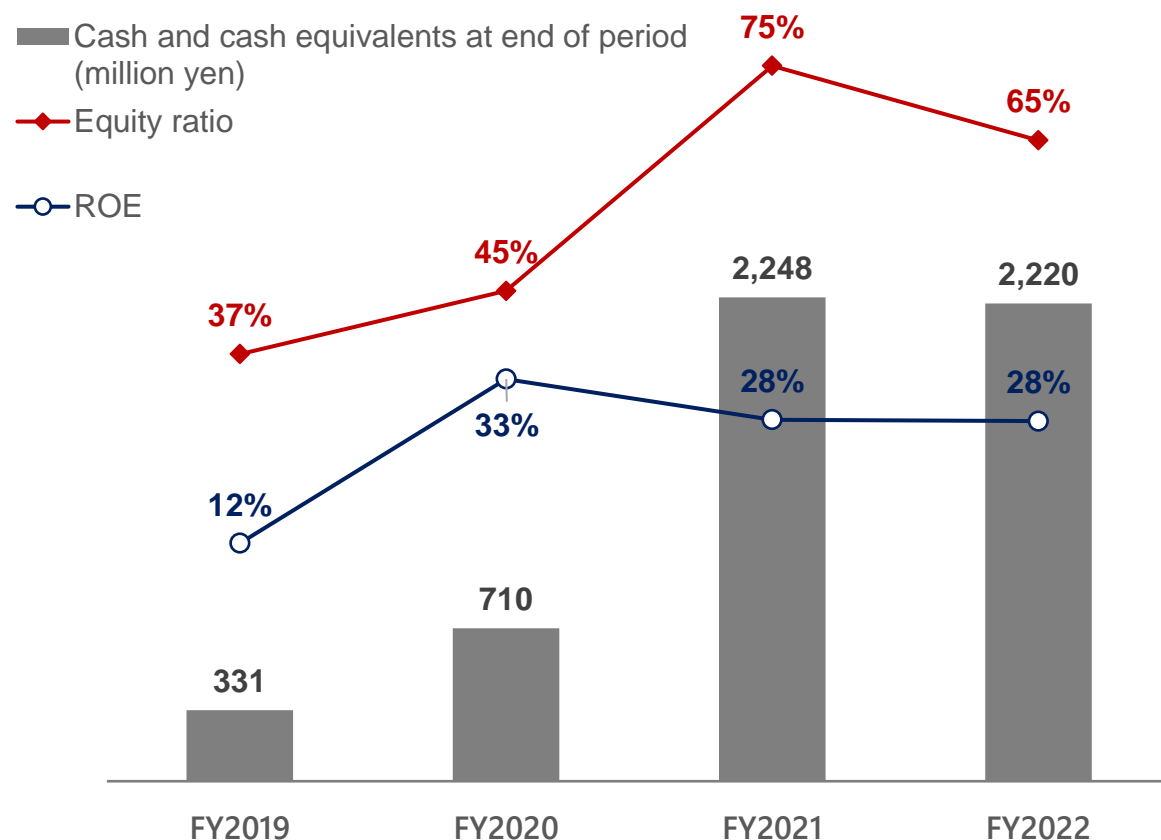
Financial strategy

- Aim for "Profitable Hypergrowth" through sustainable EBITDA growth, leveraging on existing businesses, and financing capacity backed by a strong financial base, and by actively investing in businesses and pursuing M&As for growth.

Current Situation Recognition

Equity ratio is high enough to be safe.

With high profitability, ROE is 28%, well above the average in Japan.



Financial Strategy Basic Policy

Capital Allocation Policy

At present, we believe that prioritizing investments in organic and inorganic growth, such as M&A and new businesses, is the most effective way to increase corporate value.

We will strive to invest in future growth and strengthen our financial base. As for shareholder returns, we will consider them after ensuring sufficient internal reserves for investment necessary for future growth, taking into account capital efficiency.

Procurement Policy

We aim to leverage our stable EBITDA and strong financial base to actively utilize interest-bearing debt.

*A total commitment line of 500 million yen has been secured.

Based on retained earnings and interest-bearing liabilities, we will flexibly consider the means that will contribute most to increasing our corporate value depending on investment scale and market environment.

Financial Data

Fiscal period		11st period	2nd period	3rd period	4th period	5th period	6th period	7th period	8th period
Fiscal year end		December 2016	December 2017	December 2018	December 2019	December 2020	December 2021	December 2022	Q2 FY2023 (cumulative)
Net sales	(thousand yen)	40,533	132,676	391,446	664,066	1,104,923	2,139,581	4,352,418	3,129,202
Ordinary profit	(thousand yen)	10,072	15,161	24,374	31,380	170,405	502,223	948,727	424,221
Profit (attributable to owners of the parent)	(thousand yen)	7,495	10,299	16,224	19,645	113,998	359,744	676,809	244,426
Share capital	(thousand yen)	900	16,500	98,000	150,700	311,950	945,522	970,984	1,001,691
Total number of issued shares	(shares)	401,000	411,350	445,390	461,590	504,590	5,637,150	5,736,950	5,779,200
Net assets	(thousand yen)	8,895	34,795	135,619	203,865	479,114	2,088,220	2,805,803	3,109,696
Total assets	(thousand yen)	36,210	86,799	380,343	555,776	1,061,676	2,784,773	4,285,852	5,396,521
Net assets per share	(yen)	22.18	84.59	304.63	44.19	94.99	370.44	489.08	—
Basic earnings per share	(yen)	18.73	25.33	38.07	4.35	23.96	69.58	119.17	42.40
Equity ratio	(%)	24.6	40.1	35.7	36.7	45.1	75.0	65.1	57.5
Return on equity	(%)	161.3	47.1	19.0	11.6	33.4	28.0	27.8	—
Cash flows from operating activities	(thousand yen)	—	—	—	17,231	155,620	428,698	782,657	195,284
Cash flows from investing activities	(thousand yen)	—	—	—	-36,658	-83,170	-26,564	-1,218,189	-513,717
Cash flows from financing activities	(thousand yen)	—	—	—	85,239	307,264	1,135,506	407,808	626,922
Cash and cash equivalents at end of period	(thousand yen)	—	—	—	330,693	710,407	2,248,013	2,220,324	2,605,761
Number of employees	(people)	3	6	16	27	40	64	167	247

*The Company conducted a 10-for-1 stock split as of June 2, 2021 based on a resolution of the Board of Directors held on May 14, 2021. Net assets per share and basic earnings per share are calculated on the assumption that the split was carried out at the beginning of the fourth fiscal period.

Initiatives Related to Environmental, Social and Governance Issues

- Actively addressing ESG issues and aiming for medium- to long-term increases in our corporate value

Environment

Initiatives related to environmental issues

Relocation to a new environmentally-friendly Office

- ✓ Office relocation to Azabudai Hills, which boasts about 2.4ha of greenery.
- ✓ New office will supply 100% renewable energy power to meet RE100 (Renewable Energy 100%) requirements.
- ✓ New office received a preliminary platinum rank certification under the green building certification program "LEED".



Social

Initiatives related to social issues

Regional Revitalization (i) Partnership with Shimane Bank, Ltd.

- ✓ Utilizing Shimane Bank's network in the San'in region to develop our expertise in digital transformation (DX).

Regional Revitalization (ii) Joint venture established as part of Osaka Prefecture and Osaka City's plan to become an International Financial City

- ✓ Jointly established SBI Digital Hub Co., Ltd. with SBI Holdings, Inc.
- ✓ Promoting local economic activities through Web3-related projects.

Governance

Initiatives related to corporate governance

Election of outside directors

- ✓ Two of the five directors are outside directors (outside director ratio of 40%).
- ✓ Promoting the creation of a mechanism for transparent and fair decision-making.

Formulation of general business operator action plan based on "Act on the Promotion of Women's Active Engagement in Professional Life"

- ✓ Creating an environment where women with a desire to work can work long-term.

Points to Note

- ▶ Information in this document other than information on the Company is derived from publicly available information, and the Company makes no representations or warranties regarding its authenticity, accuracy or completeness.
- ▶ This document also refers to the future prospects of the Company's industry trends and business contents based on current plans, estimates, prospects or forecasts. There are various risks and uncertainties inherent in these forward-looking statements. Known or unknown risks and uncertainties or other factors may cause results to differ from those contained in the forward-looking statements.
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