

# **Financial Results**

for the First Three Quarters of the Fiscal Year  
Ending December 31, 2023

ProjectCompany, Inc. [TSE Growth: 9246]

November 14, 2023

**ProjectCompany**  
Group

# Executive Summary

## Q3 FY2023 Financial Results

Net Sales	Operating Profit	EBITDA*1	EBITDA Margin
¥1,616 million (+44.3% YoY)	¥246 million (-12.8% YoY)	¥295 million (-2.6% YoY)	18.3%

- ❑ **On a year-on-year basis**, despite an increase in net sales, operating profit decreased due to the impact of the larger burdens of rent expenses associated with the use of a temporary office.
- ❑ **On a quarter-on-quarter basis, net sales remained flat** but **operating profit increased** mainly because of **lower-than-planned expenses**, such as a decrease in hiring expenses from a temporary completion of hiring of 2024 graduates.
- ❑ In the **Digital transformation business**, net sales grew slightly but **gross profit margin declined** quarter on quarter. This is because **the number of employees decreased** as efforts were made to foster existing employees in Q1 and Q2 while curbing new employment, and the attrition rate rose in accordance with the expansion of the organization.

### Major Numerical Information

Net Sales per Client	Partner ratio
¥30.4 million /Q3 (cumulative)	0.93 partners /employee
<ul style="list-style-type: none"> <li>❑ Worked to expand transactions with existing clients to turn them into large-scale customers, resulting in net sales per client at <b>¥30.4 million for Q3 (cumulative)</b>.</li> <li>❑ The <b>partner ratio</b> (number of partners per employee) <b>rose from Q2</b> to 0.93 in accordance with the decrease in the number of employees and the completion of one-time project works that utilized the group company workforce and back office employees.</li> </ul>	

### Issues and Countermeasures for the Digital Transformation Business

Recognized challenges
<ul style="list-style-type: none"> <li>❑ Many man-hours are spent in fostering members, mainly new graduate employees, causing a slowdown in performance growth, while the attrition rate is rising due to such man-hours making workload heavier.</li> </ul>
Countermeasures taken
<ul style="list-style-type: none"> <li>❑ Fostering new graduate employees is generally advancing steadily due to measures taken since Q2.</li> <li>❑ To foster managers in a more sophisticated manner, organizational changes and revisions to the employee evaluation system are under way, anticipating that they will exert effects in 2024 and thereafter.</li> <li>❑ Efforts are being made to reinforce governance by involving outside experts, given the incident in which the former Executive Vice President resigned in September 2023.</li> </ul>

\*1 EBITDA represents operating profit plus depreciation, amortization of leasehold deposits and share based payment expenses.

## Special Remarks

### (i) How the Former Executive Vice President Resigned the Company

#### Handling of the matter by the Company

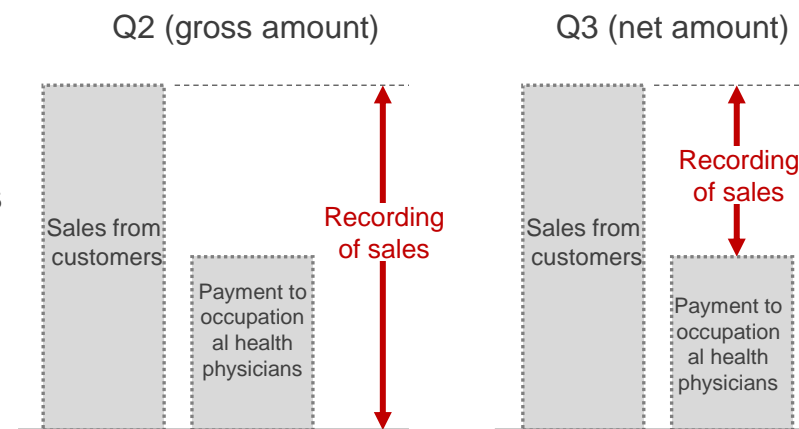
- ❑ As announced in the "Report on the Change (Resignation) of Representative Director and Director" (Japanese) dated September 13, 2023, we are investigating the facts and examining measures to prevent recurrence and reinforce governance, with outside experts also involved.
- ❑ Tentative measures to prevent the occurrence of such incidents have already been prepared internally. The findings of the examination by outside experts, etc. are to be compiled in late November to early December 2023.

#### Handling of the Company's shares held by Mr. Ito, former Executive Vice President

- ❑ With regard to the policy on the disposition of the Company's shares held by Mr. Ito, there is no information to be disclosed as of the date of announcement of this material, as we are discussing and negotiating with him, selecting possible measures allowed in accordance with the Companies Act, Financial Instruments and Exchange Act, and other laws and regulations.
- ❑ We will promptly announce the specific disposition method as soon as we reach an agreement with Mr. Ito.

### (ii) Changes in Sales Recording Standard at Dr.KENKO KEIEI Inc.

- ❑ With regard to Dr.KENKO KEIEI Inc., which was newly consolidated in Q2 FY2023, the Company has decided to change the sales recording standard so that sales are recorded in net amount instead of gross amount.
- ❑ The impact of this change on the Company's earnings forecast for FY2023 is immaterial.
- ❑ In this financial results presentation, the portion corresponding to the change in sales (revenue) for Q2 FY2023 of the DX x HR business segment (healthcare services) to which Dr. KENKO KEIEI belongs is indicated as a reference value.



## Contents

1. Group Overview	p. 5
2. Q3 FY2023 Financial Results	p. 12
3. Recognized Issues and Countermeasures for the Digital Transformation Business	p. 22
Appendix (i) Outline of Digital Transformation Business	p. 26
Appendix (ii) Future Growth Strategies	p. 34
Appendix (iii) Other Reference Information	p. 40

# 1. Group Overview

# Project Company 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



Period of business expansion



January 2016: Established the Company

June 2017: Relocated Head Office

June 2018: Acquired Ulscope business

June 2019: Relocated Head Office

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

2016 2017 2018 2019 2020 2021 2022 2023

January 2024: Transition to a pure holding company structure and office relocation (planned)

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



Quarterly net sales  
 ¥1.5 billion  
 ¥1.0 billion  
 ¥0.5 billion

## 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.
- ❑ Over the medium to long term, 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.



ProjectCompany  
Group



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 domains

### Digital transformation business

- Consulting, marketing, and UI/UX -

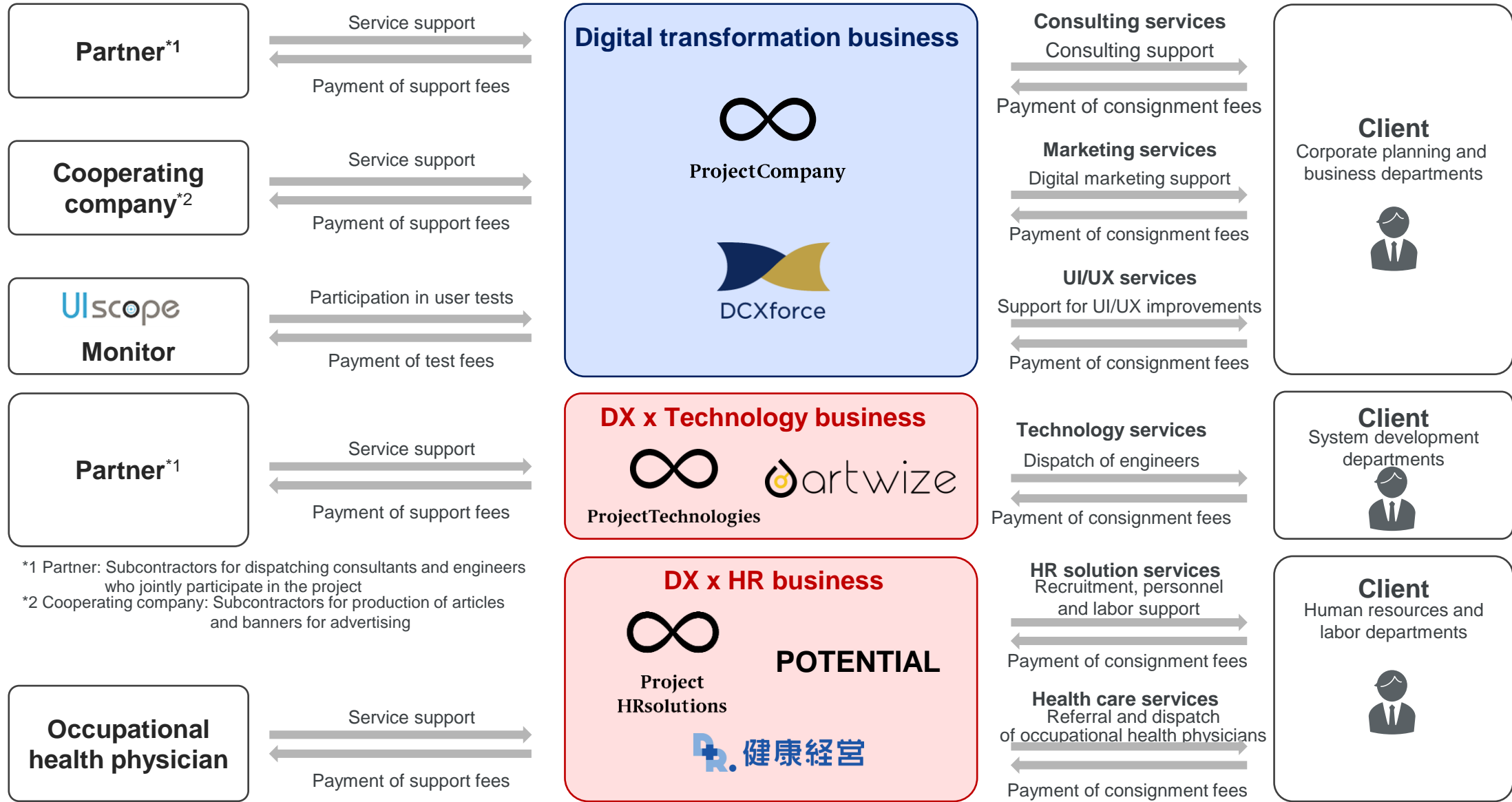


Domains where we lay the foundation for business development based on the knowledge accumulated since the Company's inception



# 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

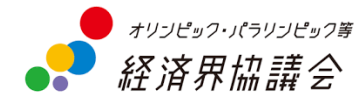


### Joint DX support by combining know-how of both companies

- ▶ 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.

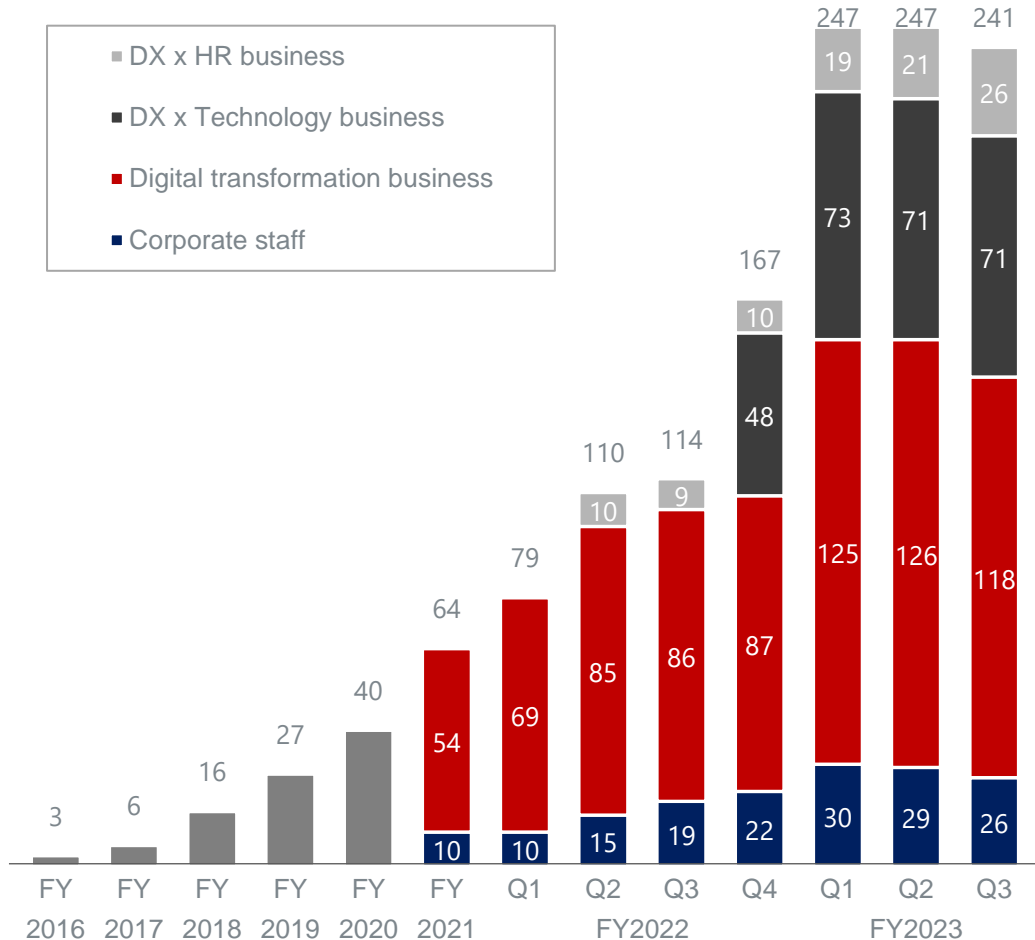
Area of support Marketing (social media operation and marketing consultation)

# Situation of Employees

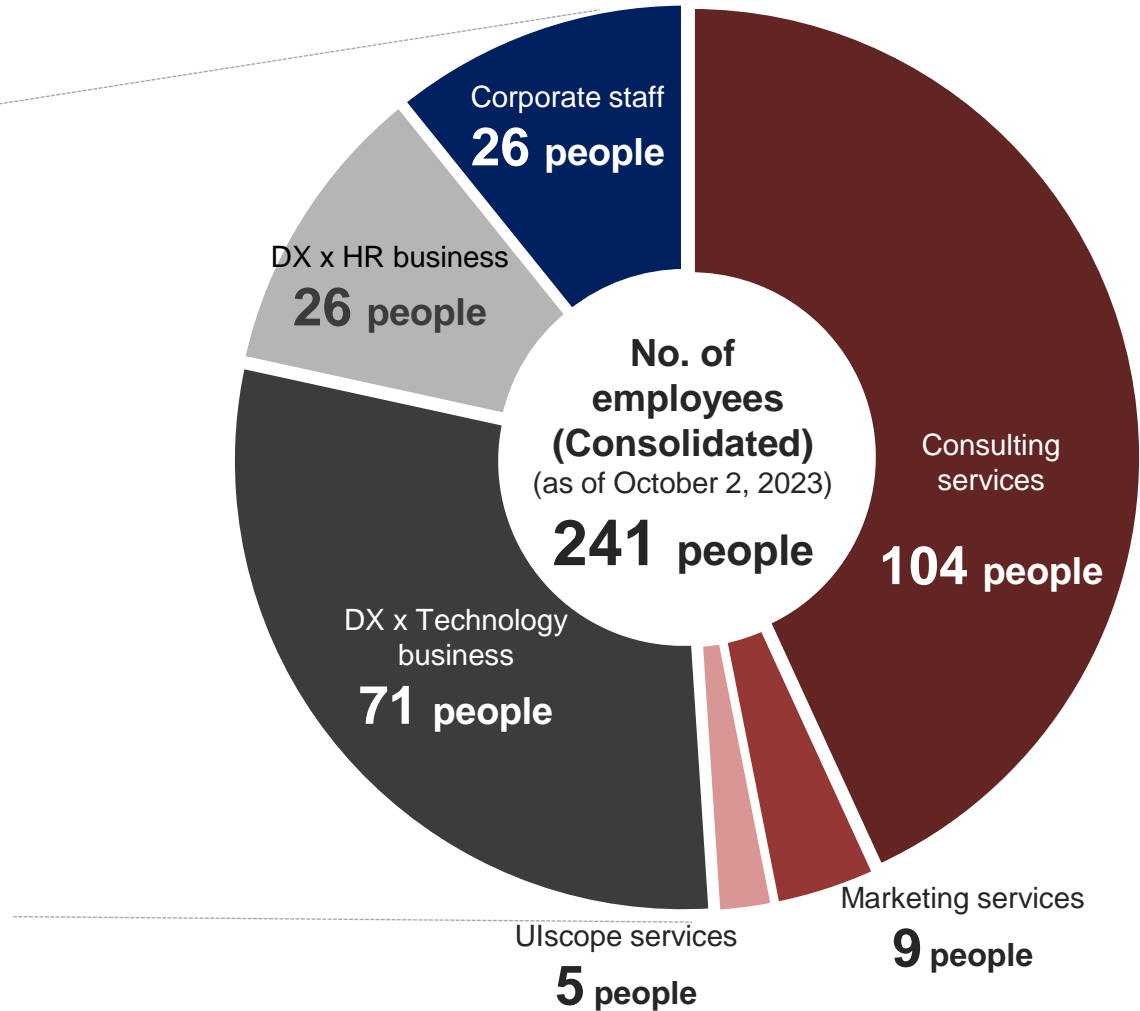
□ The number of employees was 241 as of October 2, 2023, **decreasing slightly from Q2**. In the current fiscal year, a focus is being made on fostering employees who have most recently joined the Company.

## Trends in the number of employees (people)

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



## Composition of employees

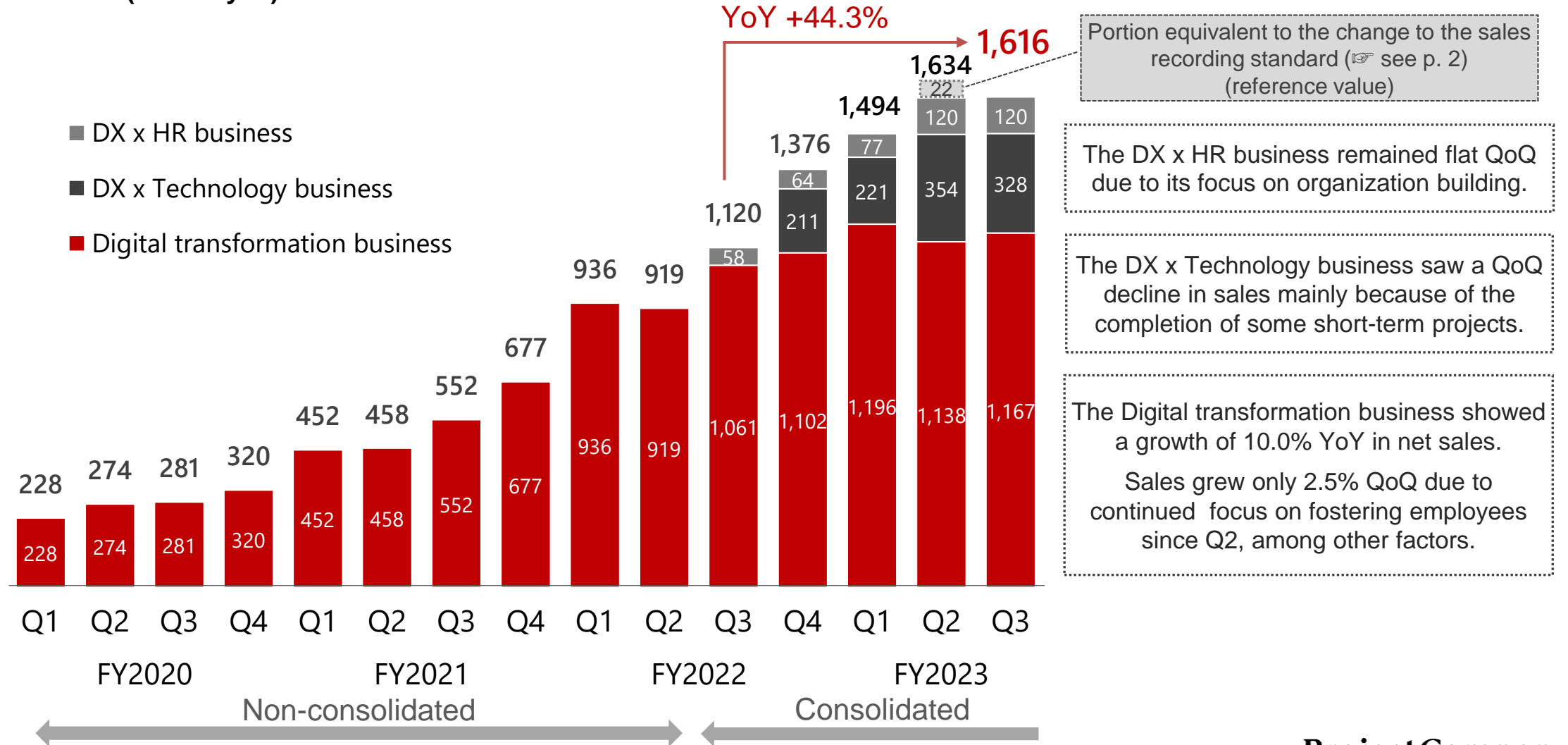


## **2. Q3 FY2023 Financial Results**

# Quarterly Consolidated Financial Results - Net Sales

- ❑ Achieved net sales of 1,616 million in Q3 FY2023, down 1.1% QoQ and up 44.3% YoY.
- ❑ Net sales of the Digital transformation business totaled 1,167 million, up 2.5% QoQ and up 10.0% YoY.

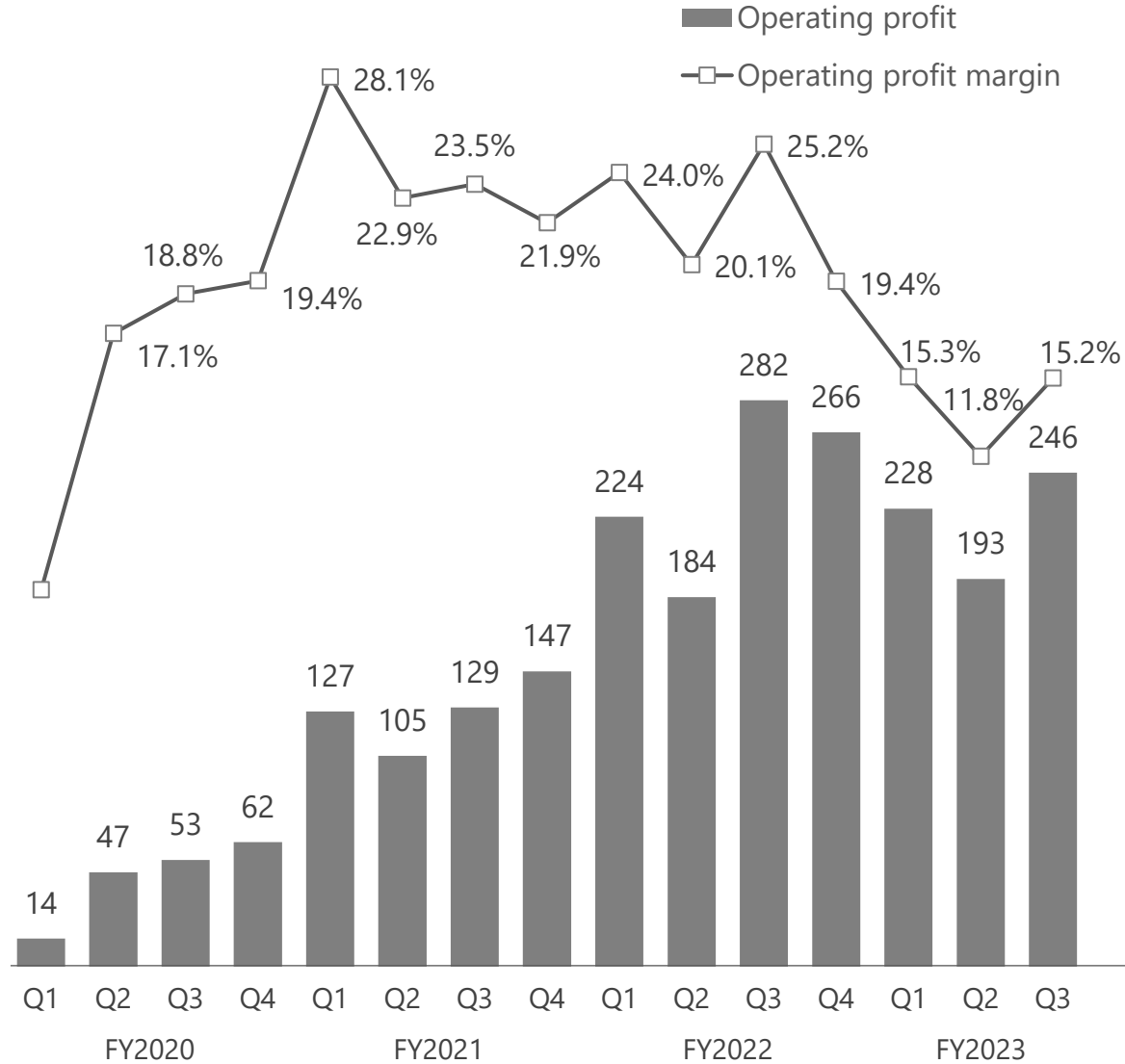
## Net sales (million yen)



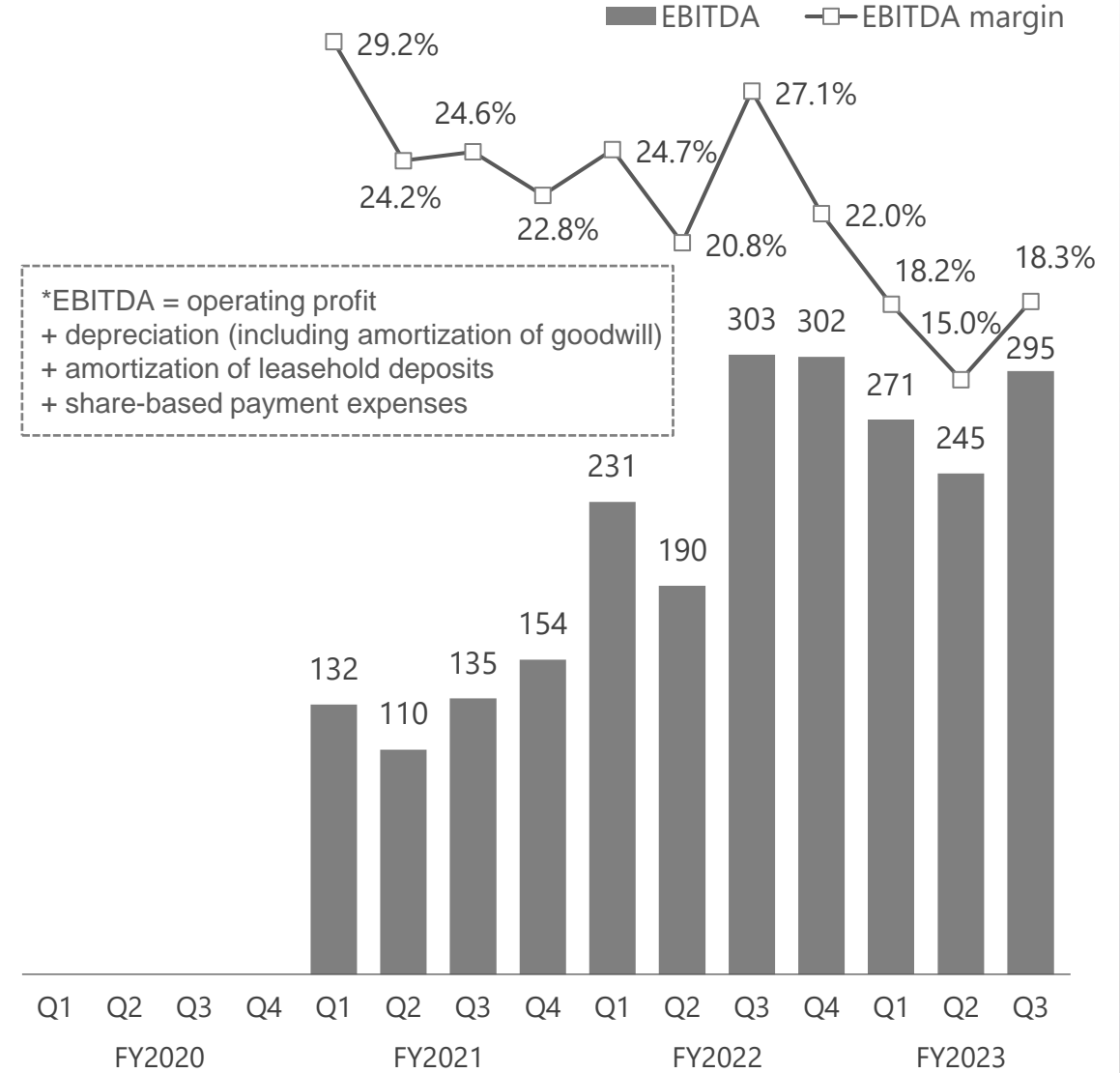
# Quarterly Consolidated Financial Results - Operating Profit & EBITDA

Operating profit and EBITDA resulted in a QoQ increase mainly due to the temporary completion of investments in human resources, centered on hiring expenses.

## Operating profit (million yen)



## EBITDA\* (million yen)



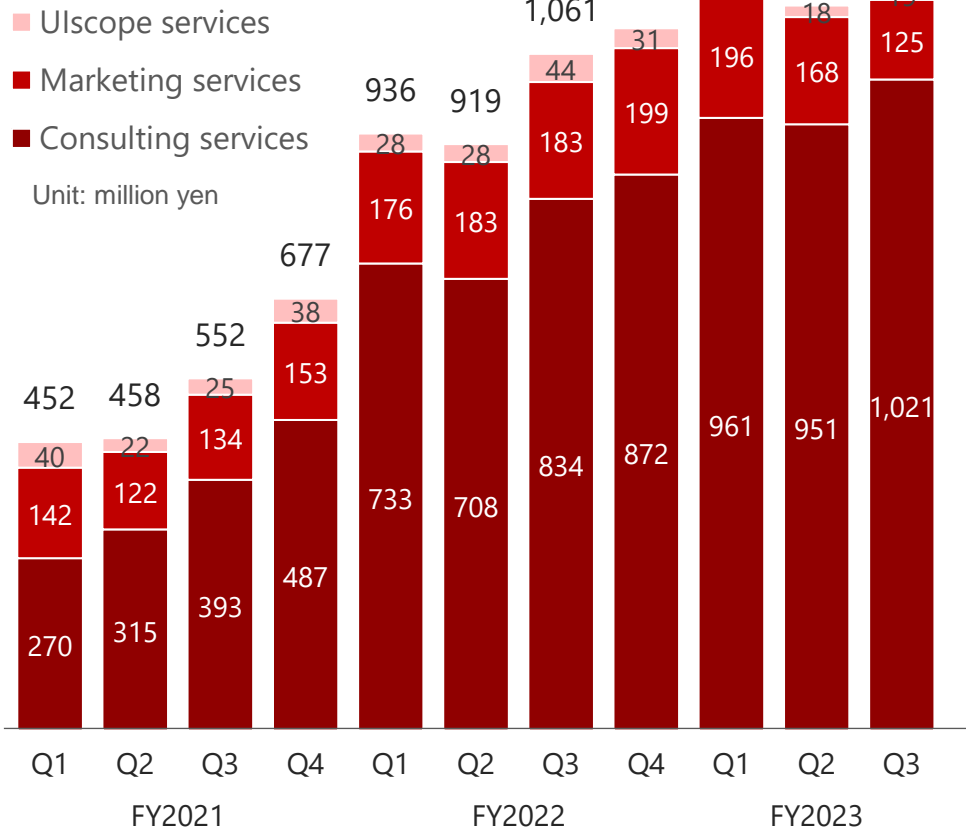
# Results by Segment - Net Sales

□ Net sales by segment are as follows.

## Digital transformation business

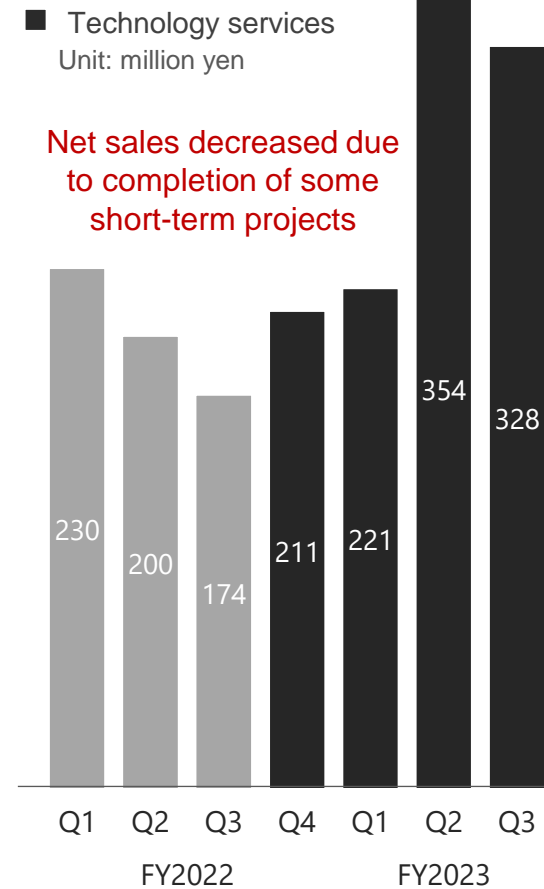
\*The aggregation standards for marketing services were partially changed in Q1 FY2023, and projects involving many consulting aspects were transferred to consulting services.

\*Starting with the Q1 FY2023 disclosures, the Ulscope service counts Ulscope projects only. Accordingly, the figures have been recalculated retroactively through FY2021.



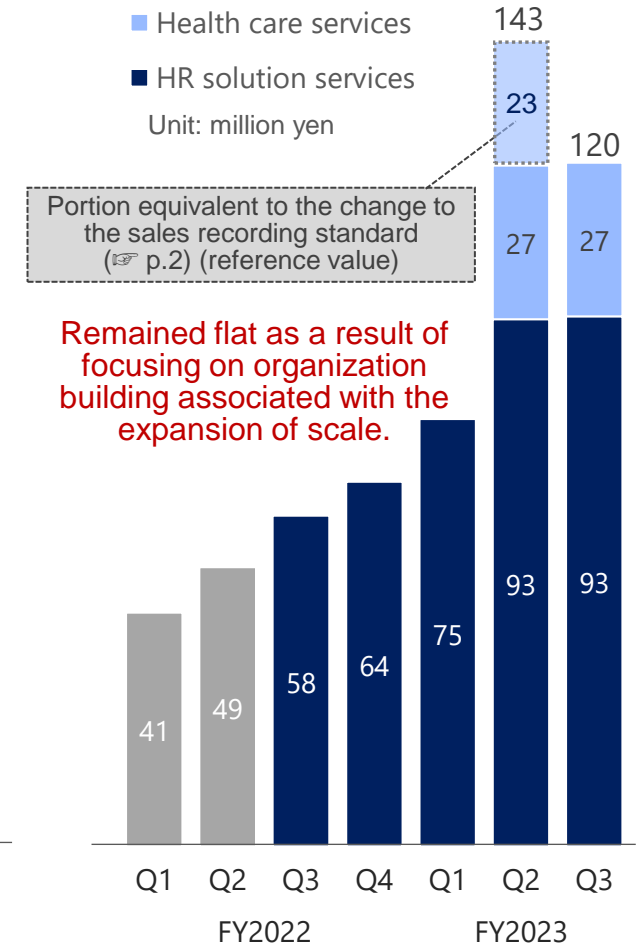
## DX x Technology business

\*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

- In the Digital transformation business, gross profit margin decreased slightly QoQ, mainly due to an increase in personnel expenses and outsourcing expenses.
- In the DX x Technology business, gross profit decreased due to lower sales resulting from the completion of some short-term projects.



	Digital transformation business		DX x Technology business		DX x HR business	
	Results [million yen]	QoQ	Results [million yen]	QoQ	Results [million yen]	QoQ
Net sales	1,167	+2.5%	328	-7.3%	120	+0.0%
Personnel expenses (cost of sales)	187	+11.3%	70	-1.4%	20	+0.0%
Outsourcing expenses (cost of sales)	492	+3.6%	178	-9.6%	8	+33.3%
Other costs	3	+0.0%	0	-	0	-
Gross profit*	484	-1.4%	78	-8.2%	90	-3.2%
Gross profit margin	41.5%	-1.6pts	23.8%	-0.2pt	75.0%	-9.5pts
SG&A expenses			407			-14.3% QoQ
Operating profit			246			+27.5% QoQ
Operating profit margin			15.2%			+3.4pts 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.



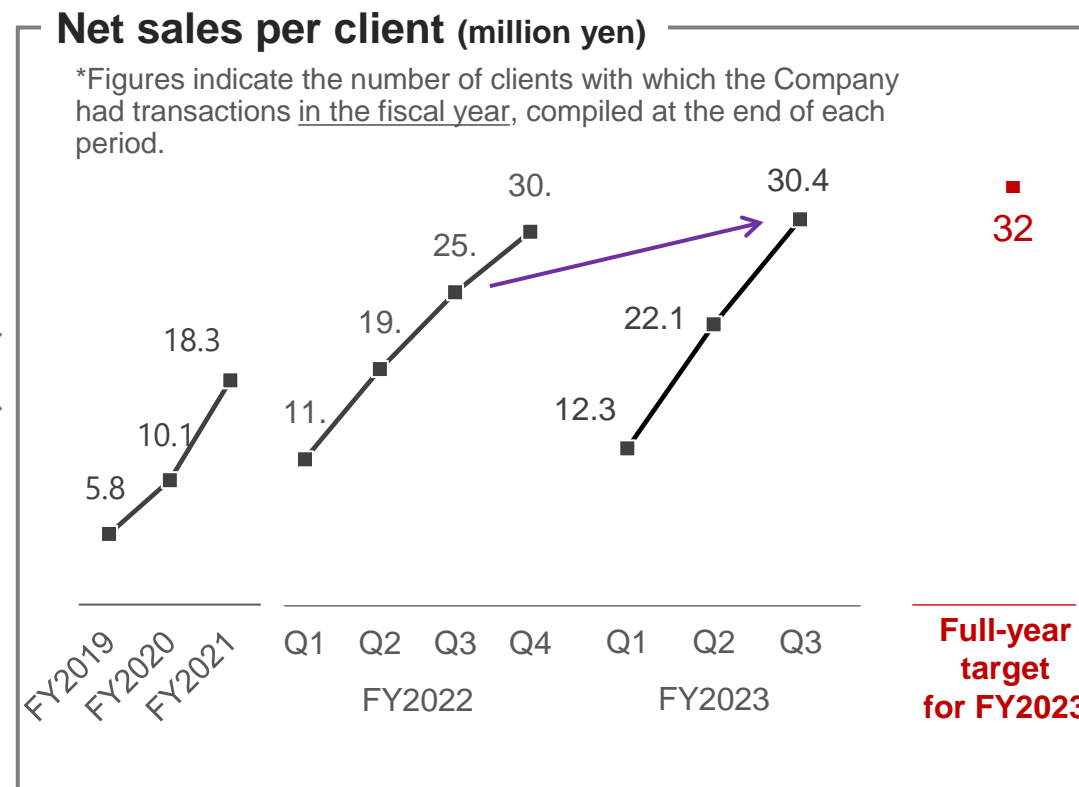
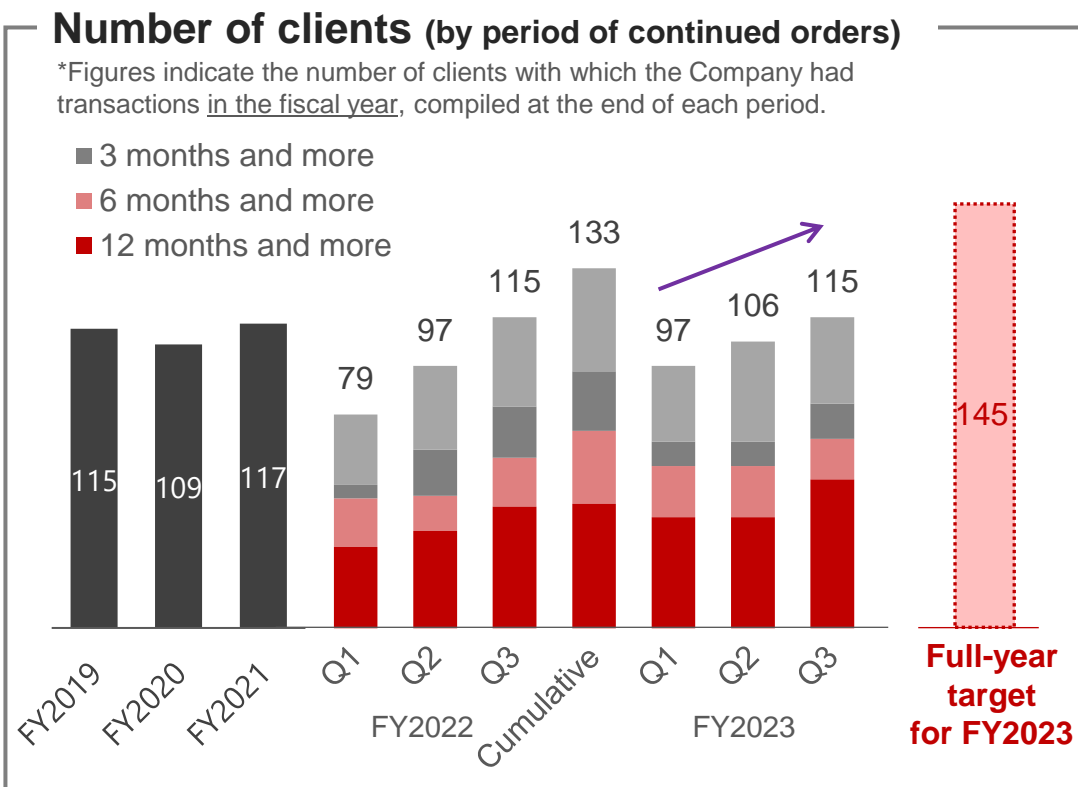
## Breakdown of SG&A Expenses

- While **hiring expenses significantly decreased QoQ** as **2024 graduates' acceptance of job offers peaked out for the moment**, rent expenses increased in line with the use of the temporary office in preparation for the head office relocation.
- Other SG&A expenses also decreased QoQ, mainly because of not recording brokerage fees, etc. due to the absence of M&A execution in Q3.

	Results [million yen]	SG&A expenses to net sales	QoQ	Description
Personnel expenses/ outsourcing expenses (SG&A expenses)	145	9.0%	-8.8%	Remuneration for directors and officers, salaries for back office employees and outsourcing expenses, etc.
Hiring expenses	54	3.3%	 -46.5%	Agent fees and event expenses, etc.
Rent expenses	85	5.3%	+11.8%	Office rent, etc.
Depreciation, etc. (including amortization of goodwill)	49	3.0%	+6.5%	Amortization of goodwill, depreciation of other non-current assets and share-based payment expenses, etc.
Other SG&A expenses	73	4.5%	-20.7%	Fee expenses, etc.
<b>Total SG&amp;A expenses</b>	<b>407</b>	<b>25.2%</b>	 <b>-14.3%</b>	

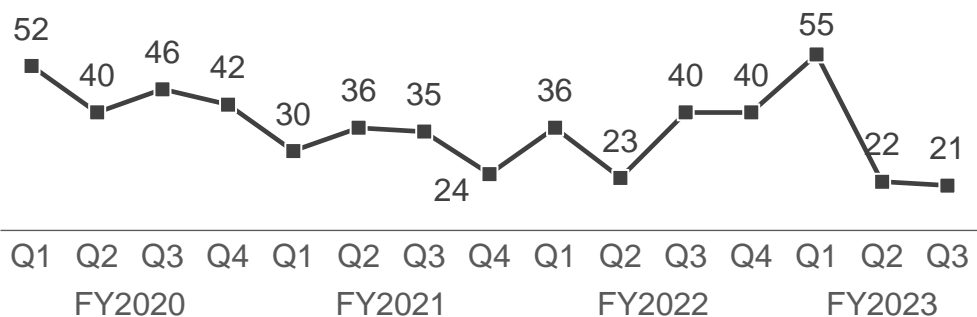
# Digital Transformation Business | Number of Clients & Net Sales per Client

Expansion in the number of clients was slowed as priority was placed on reinforcing the organization, but net sales per client grew steadily.



## Number of Ulscope projects

Ulscope helps attract new clients efficiently



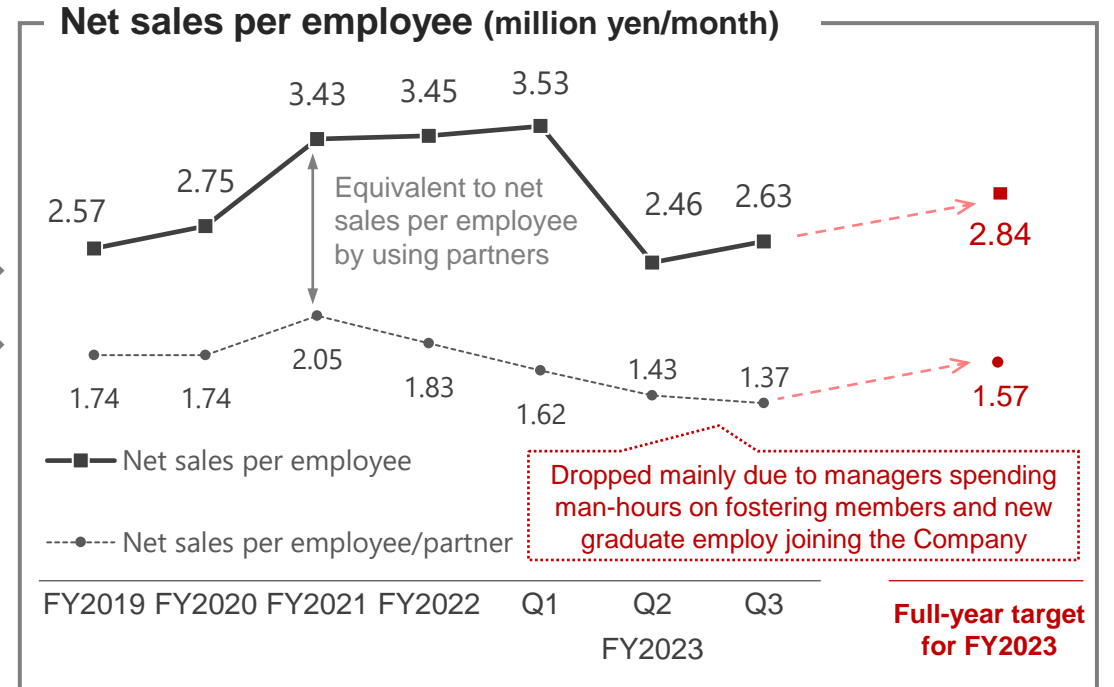
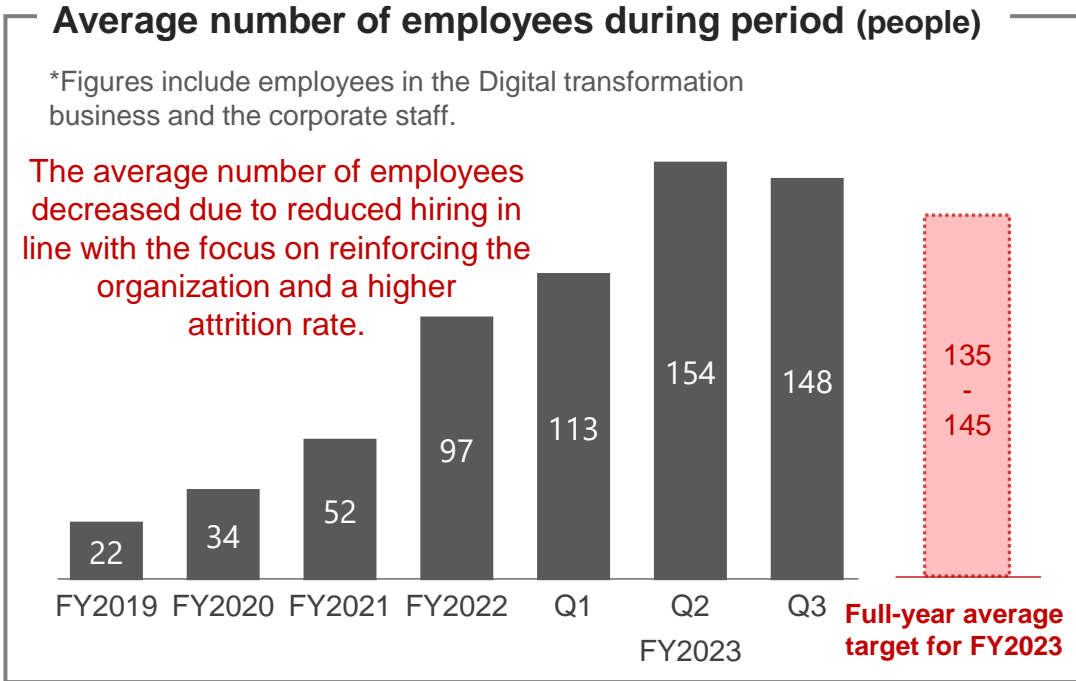
## Number of clients by net sales per client

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	98 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

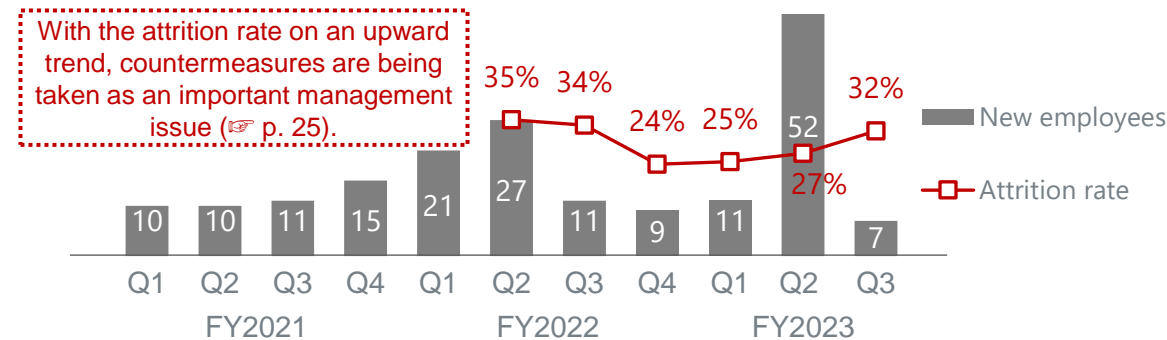
# Digital Transformation Business Business | Number of Employees & Net Sales per Employee

While the average number of employees during the period decreased due to reduced hiring in line with the focus on fostering existing employees, net sales per employee increased.

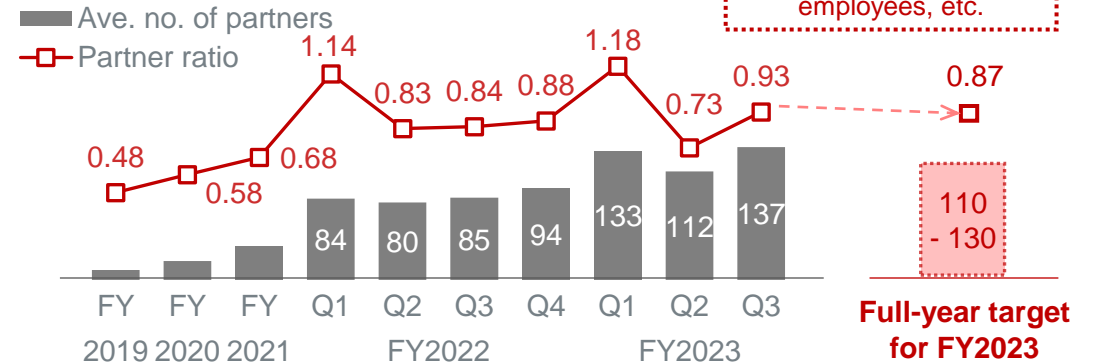


## Number of new employees and attrition rate (Digital transformation business only)

\*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.



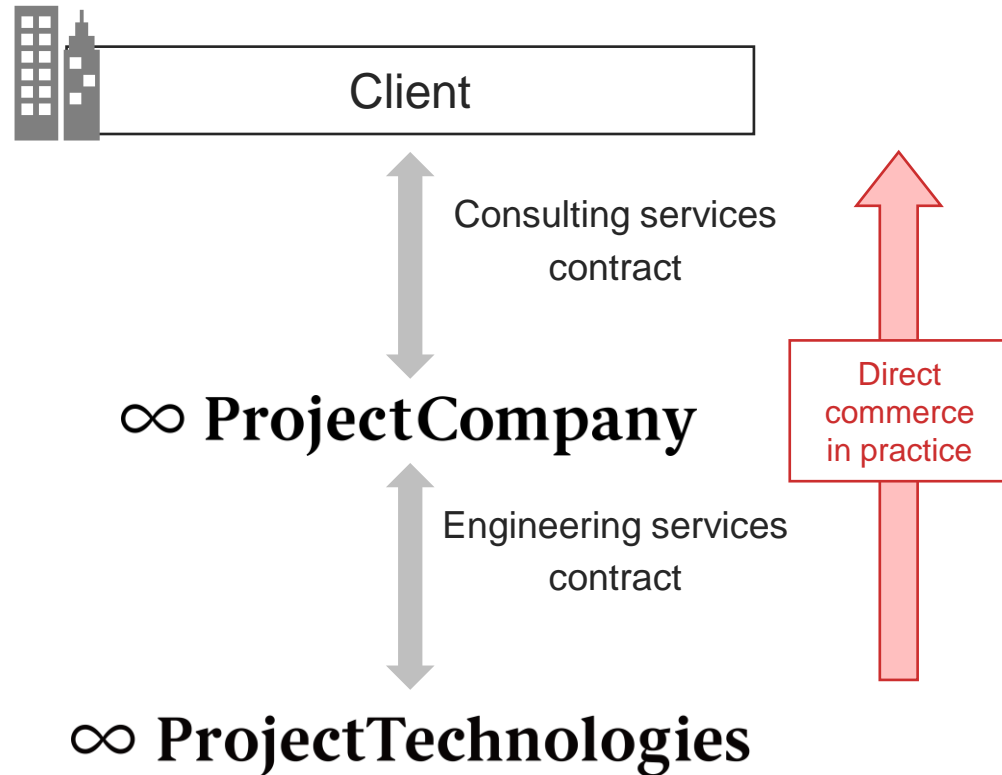
## Average number of partners & partner ratio during period



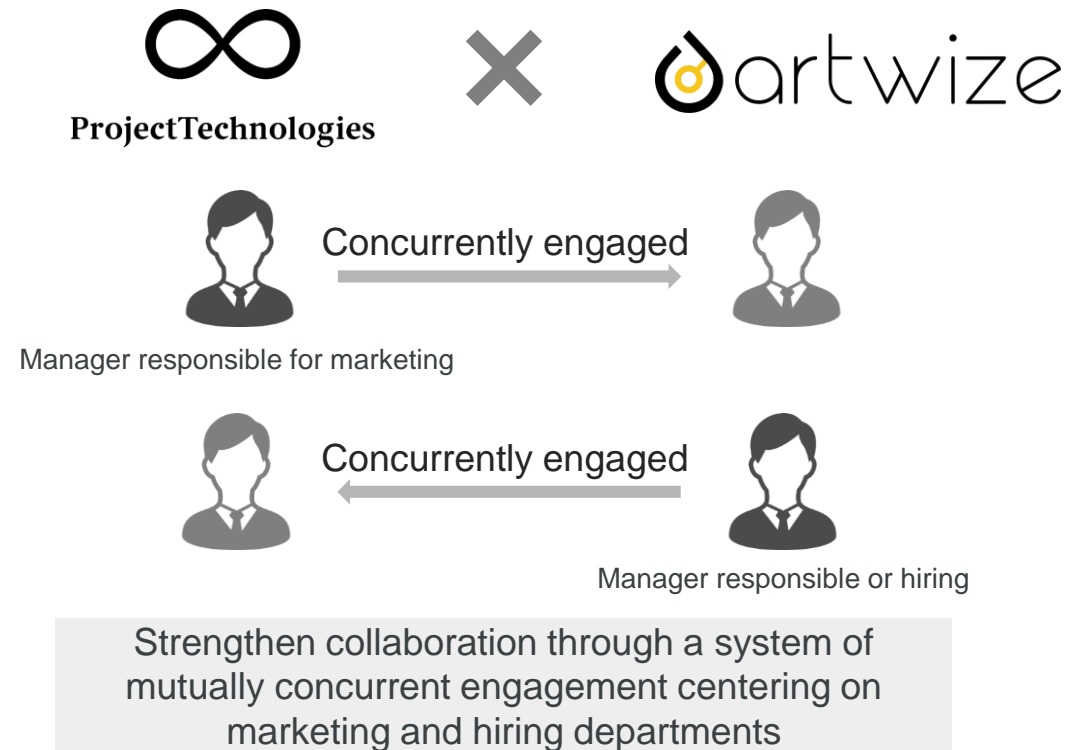
# DX x Technology Business | Overview of Operations

- ❑ 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

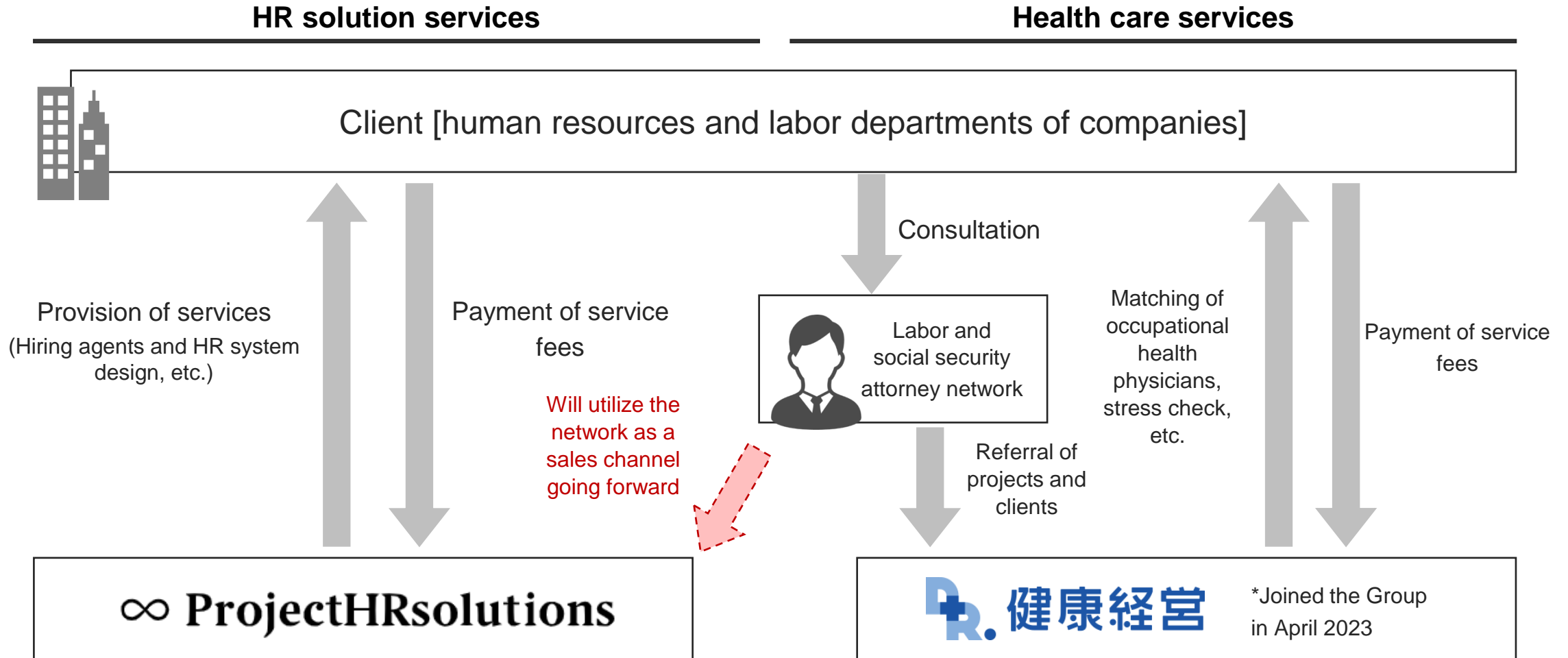


## Strengthened collaboration within the DX x Technology business



# DX x HR Business | Overview of Operations

- Steady growth in business performance has been seen at ulogo 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.



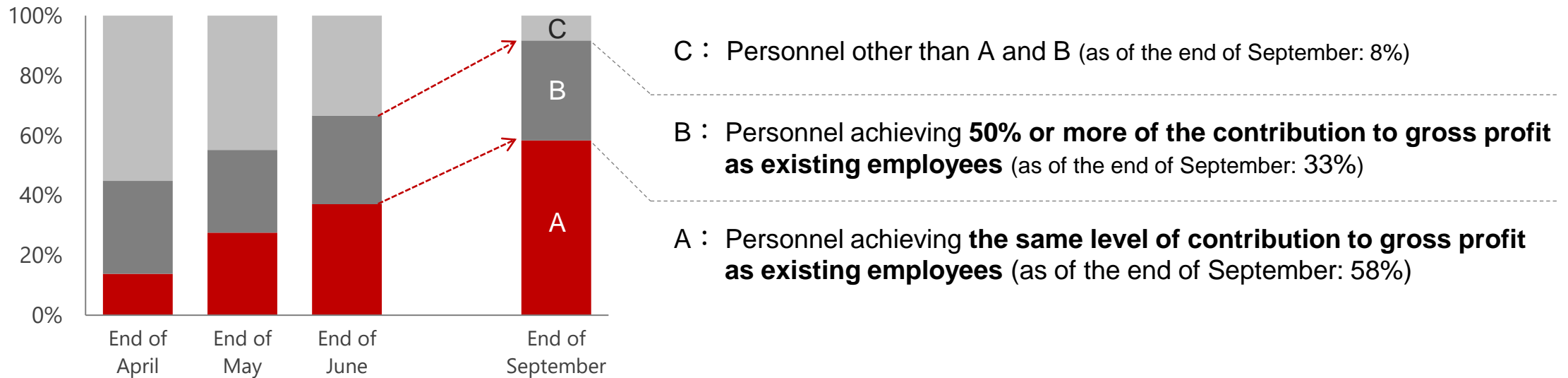
### **3. Recognized Challenges and Countermeasures for the Digital Transformation Business**

# Recognized Challenges (1): Delay in Training and Fostering New Graduate Employees and Other Members

- ❑ Since Q2, managers have spent more man-hours than initially anticipated for training and fostering 2023 graduate employees to make them ready for work.
- ❑ Focus has been placed on their fostering to be completed by the end of the year. **Approx. 60% of them made similar contributions as existing employees to gross profit as of the end of September.**

## 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



### Countermeasures for the challenges

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.

### Status of initiatives taken in Q3

As of the end of September, approx. 60% of new graduate employees were as ready for specific assignments as existing employees (in contrast to approx. 40% at the end of June), **generally making good progress in training to be completed by the end of this year.**

# Recognized Challenges (2): Shortage of Managers and Candidates for Managers Who Can Foster Members

- ❑ After reviewing requirements for managers in Q2 from the viewpoint of fostering members, efforts were made in Q3 to **build an organization structure based on the new requirements for managers and verbalize and systematize such requirements.**
- ❑ Revised the target figures for the number of managers for the current fiscal year in light of the current manager training situation.

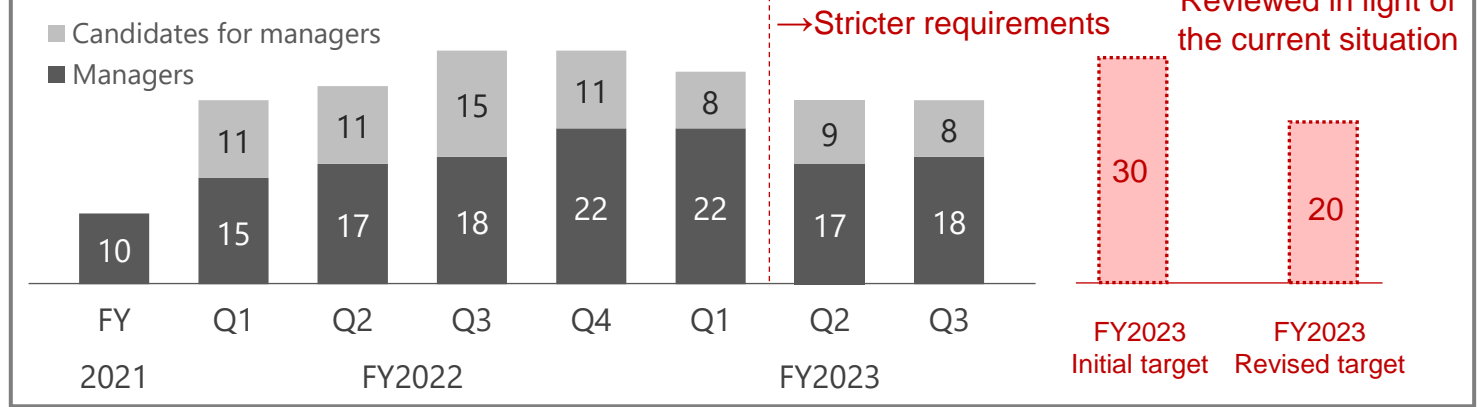
## Requirements for managers

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



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

## No. of managers



## Countermeasures for the challenges

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.

## Status of initiatives taken in Q3

Shift from a pyramid-type, monolithic organization to an organizational structure comprising units of a small group led by managers with a certain degree of discretion.

Conduct verbalization and systematization of “behavioral characteristics” (competency) as a manager.

Follow-up is underway on how the measures are being taken, anticipating that they will be effective in 2024 and thereafter.

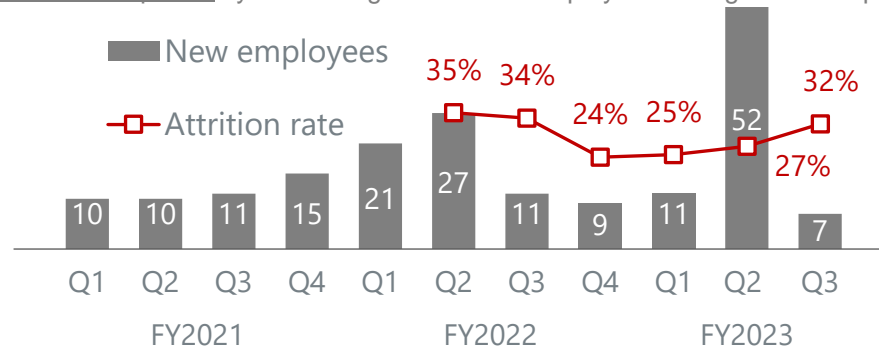


## Recognized Challenges (3): Upward Trend of Employee Attrition Rate

- Mainly due to the heavier workload from the man-hours spent fostering members in line with the organizational expansion in Q1 and Q2, performance growth has slowed down while the attrition rate is on the rise.
- While close attention should be paid to the resignation of the former Executive Vice President in September 2023 as a future organizational risk, efforts are being made to reinforce governance involving outside experts and review the HR system with more focus on enhancing capabilities and fostering members.

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

\*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.



In Q1 and Q2 FY2023, workload was concentrated on some people, mainly due to the man-hours spent fostering members in line with the rapid expansion of the organization.

- Man-hours to be spent promoting projects and marketing are restricted, causing performance growth to slow.
- The attrition rate has risen mainly among employees most recently joining the Company due to lower performance and a heavier workload.

\*Although there have not been many attritions directly due to the incident involving the resignation of the former Executive Vice President in September 2023, attention is being paid as a future organizational risk.

### Countermeasures for the challenges

Establish an appropriate governance structure in line with the expansion of the organizational structure, and shift the employee evaluation system, which has focused on the achievement of numerical targets, to a system that includes enhancing one's own capabilities and fostering others.

### Status of initiatives taken in Q3

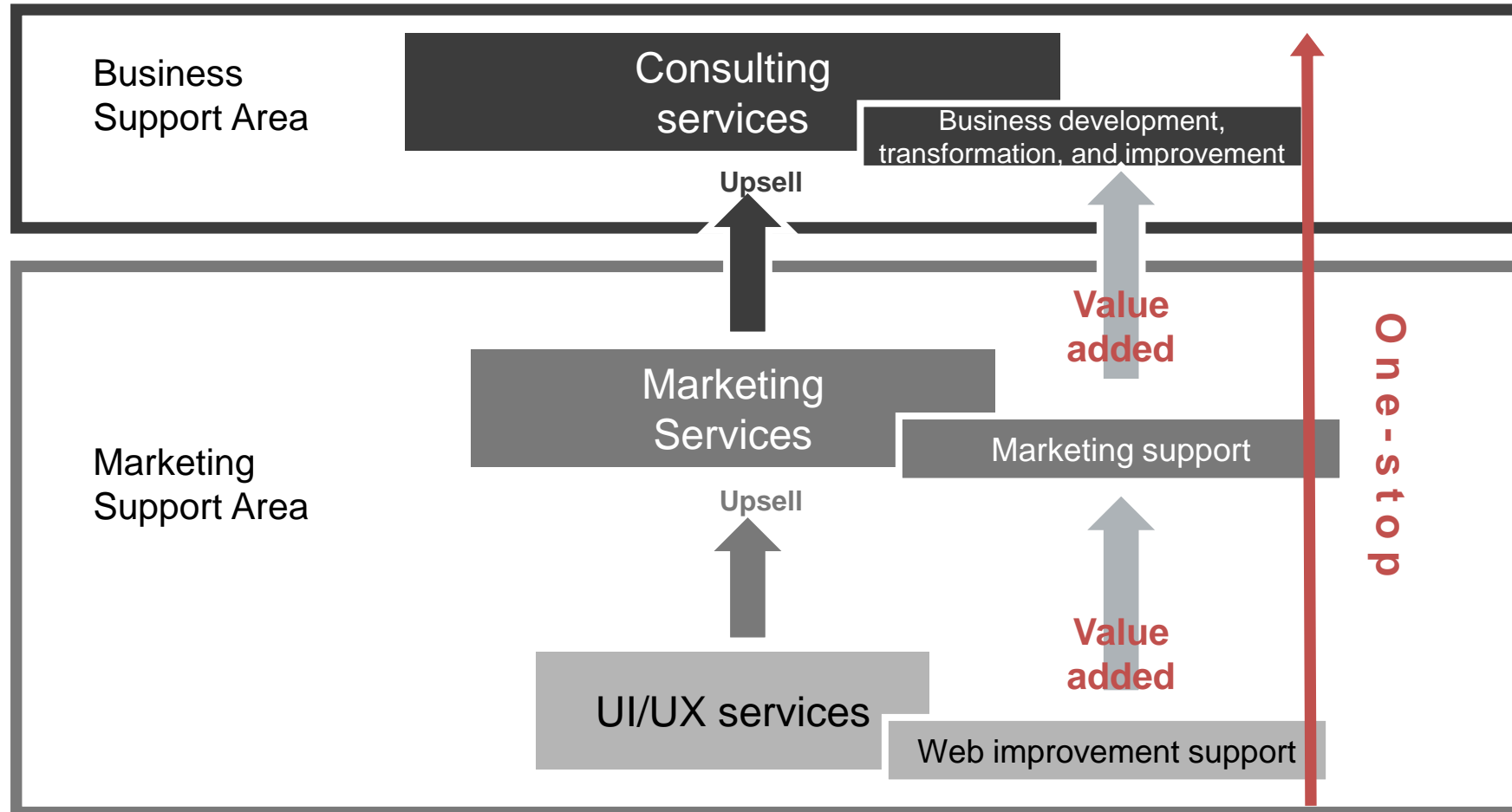
In addition to studying changes to the institutional design, a third-party investigation is underway (to be completed in early December) regarding how the former Executive Vice President resigned in September 2023.

Revised the salary table by adding enhancement of one's own capabilities and fostering of others to the evaluation criteria on top of the achievement of numerical targets (management by objectives).

## **Appendix (i) Outline of Digital Transformation Business**

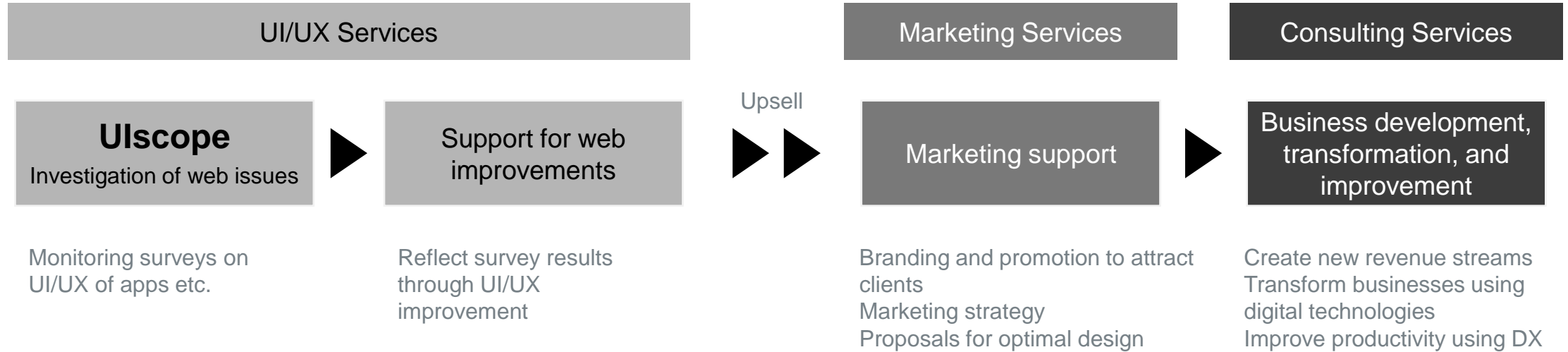
## Feature (1) | One-stop Digital Transformation (DX) Advisory System

- ❑ 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

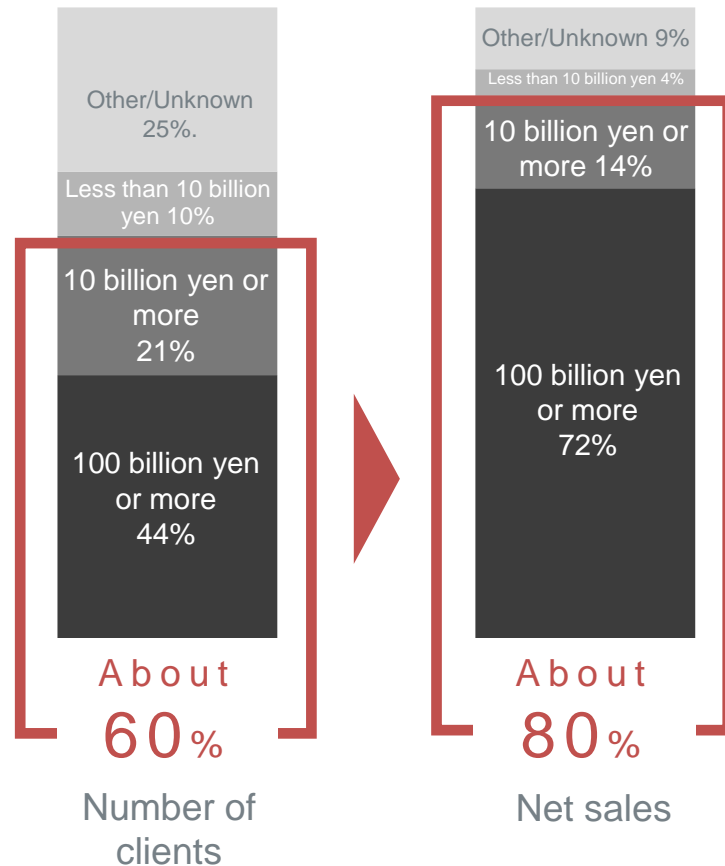


\*Inbound: Inquiries from clients that lead to orders, instead of making sales approaches to companies

## 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

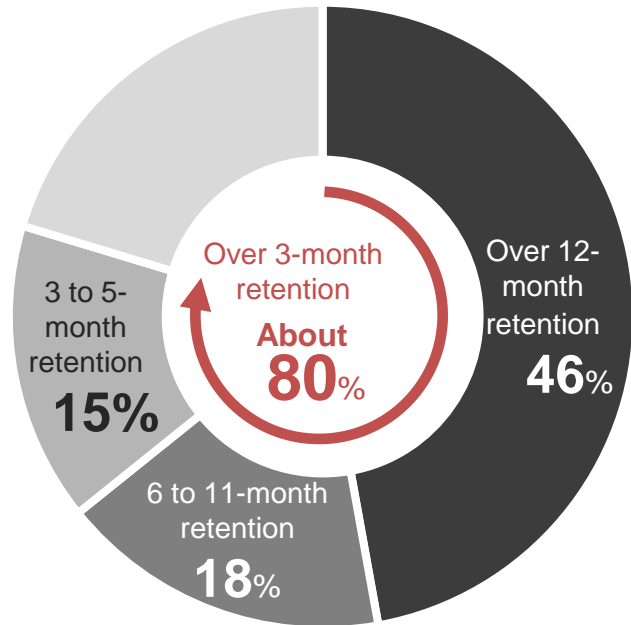


## Feature (4) | Accumulation of Long-term Customers through Recurring-type Business Model

- We recognize that consulting companies generally have a sales structure that emphasizes spot and flow projects.
- We have bolstered net sales by building a recurring-type business model that is predicated on continued support backed by integrated services. The recurring sales ratio for Q3 FY2023 was approx. 92% (total for Digital transformation business).

### Order retention ratio\* (%)

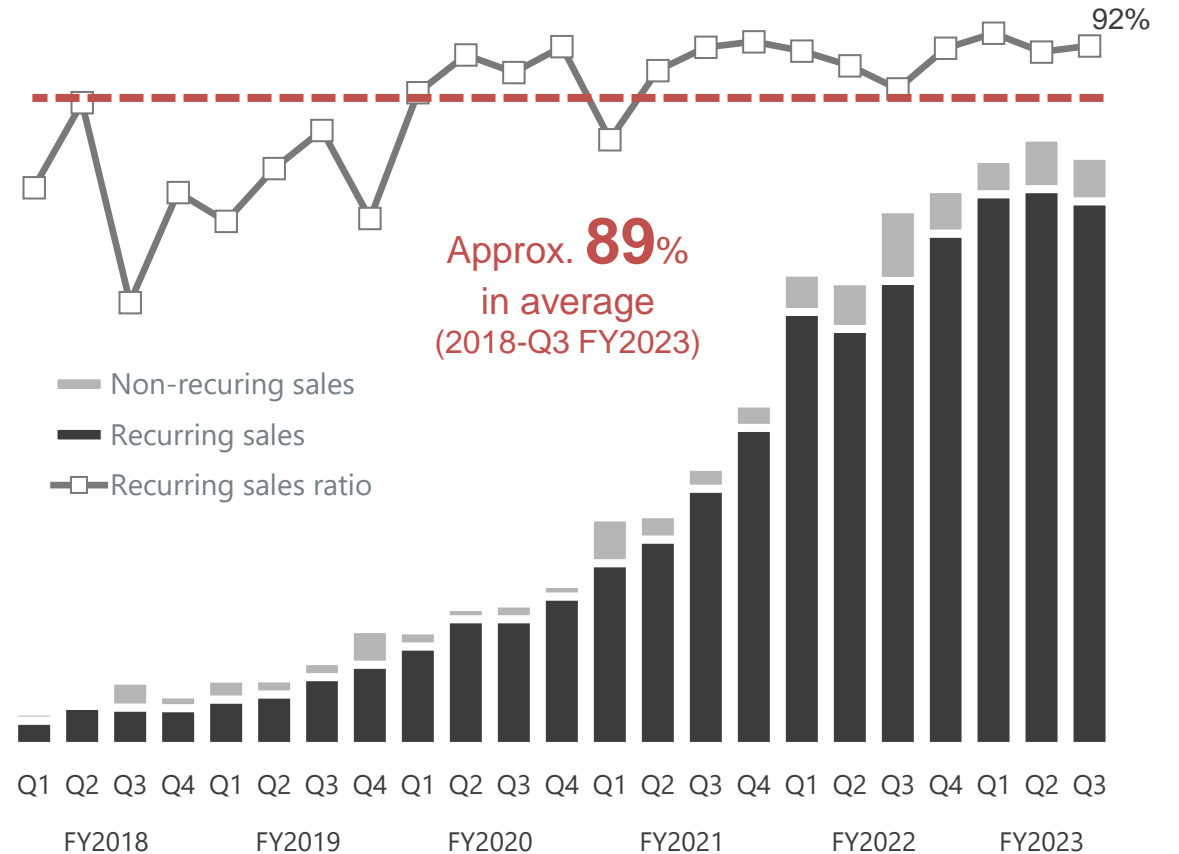
\*Percentage of clients with sales of 10 billion yen or more who signed contracts over multiple months between January 2018 and September 2023



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

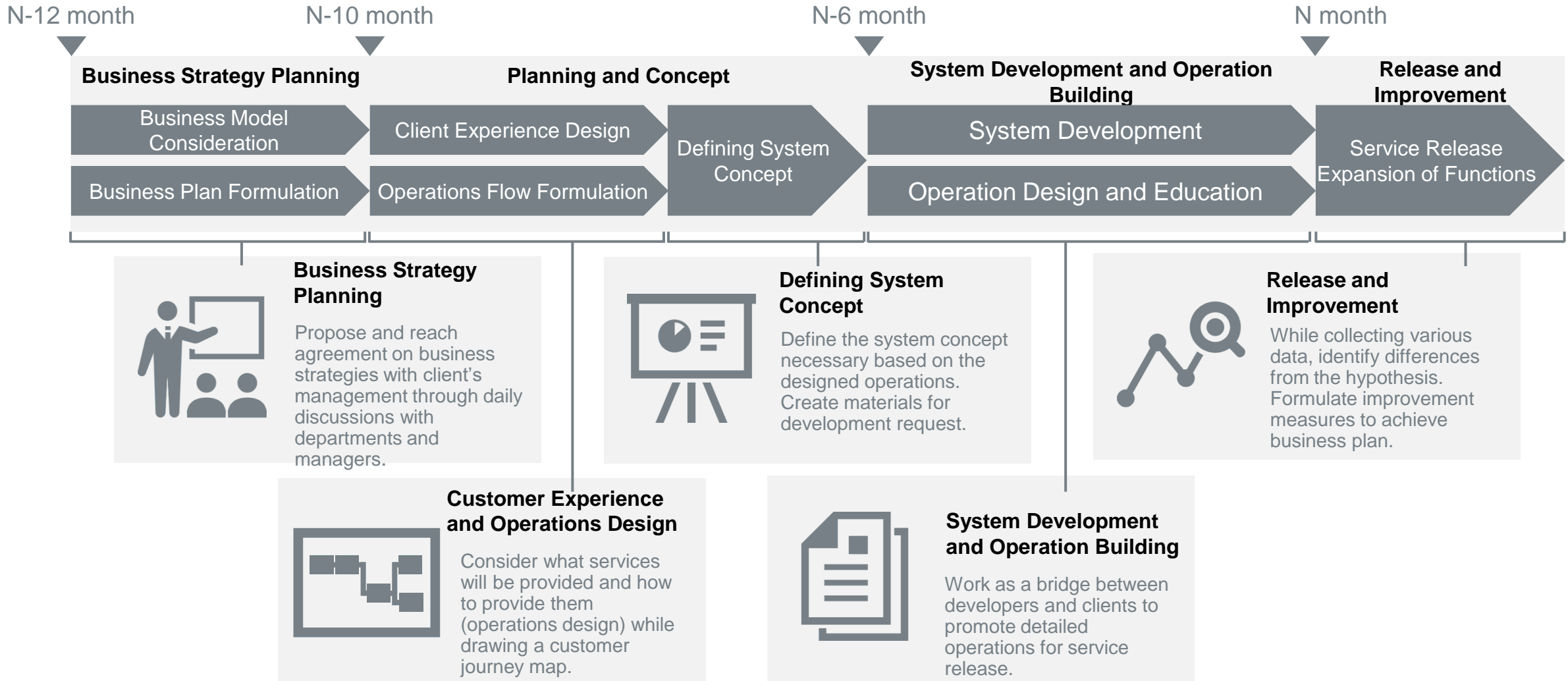
### Recurring sales\* ratio

\* 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.



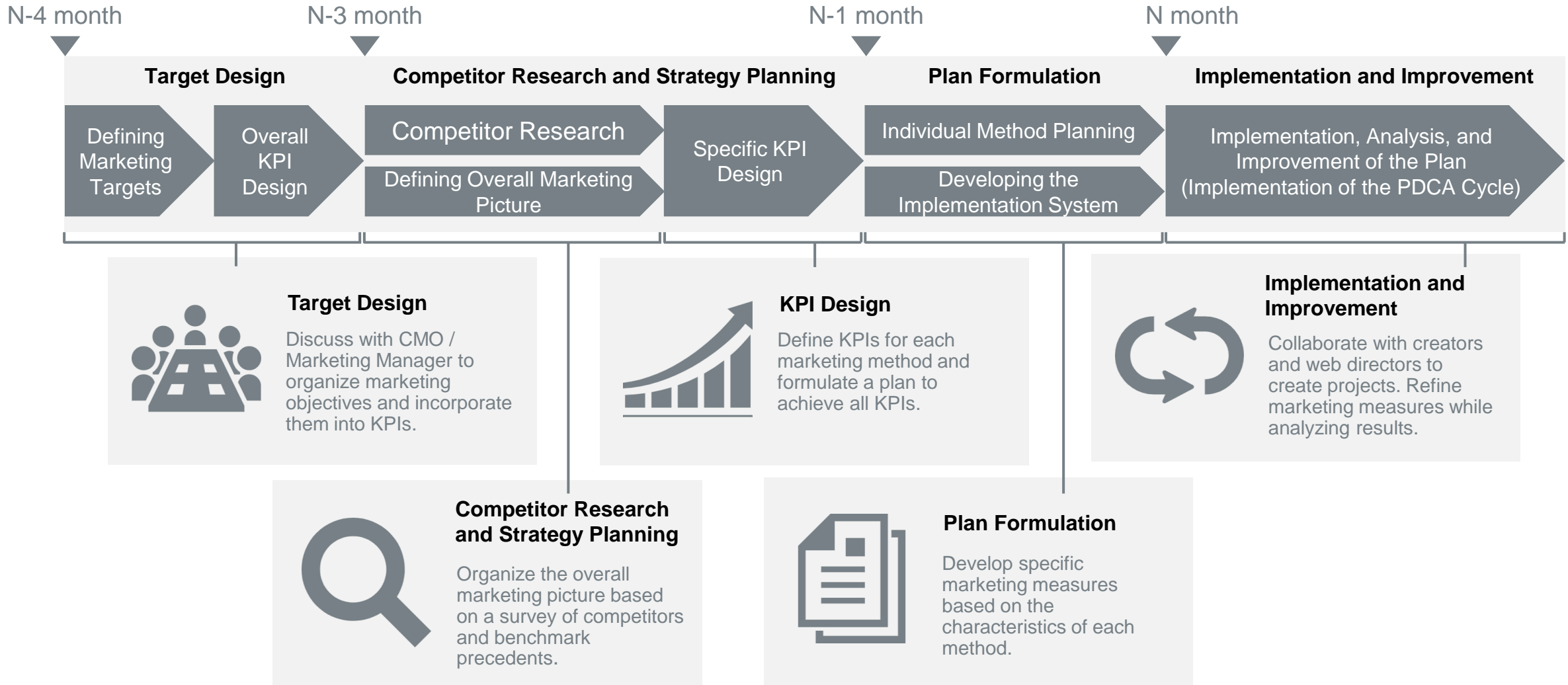
# Case Introduction | Consulting Services (New Business Development)

- ❑ 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)

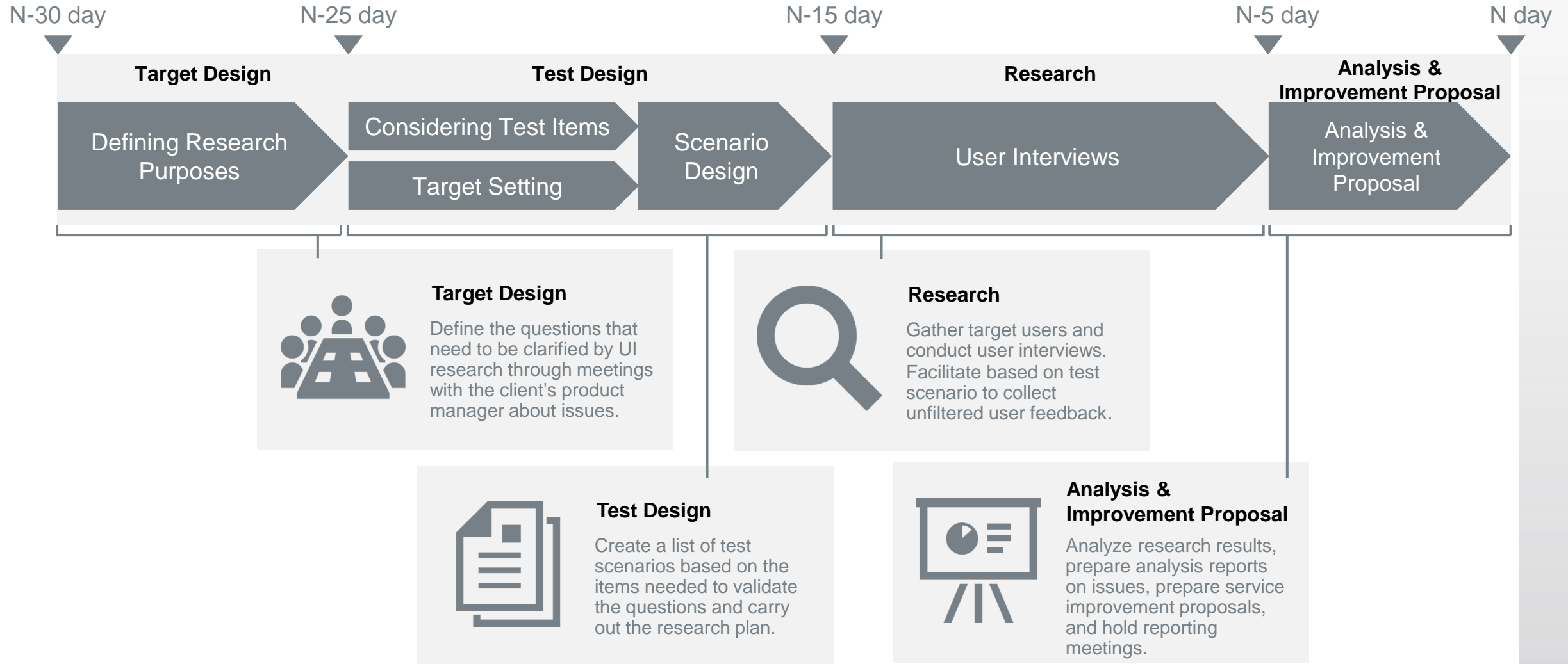
- ❑ In planning a marketing strategy, it is important to clarify the purpose of marketing by defining specific targets.
- ❑ Furthermore, the value of our marketing support is not only in strategy planning but also in achieving tangible results through repeated PDCA cycles.





## Case Introduction | UI/UX Services (UI research)

- ❑ In UI research, we collect unfiltered feedback 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.

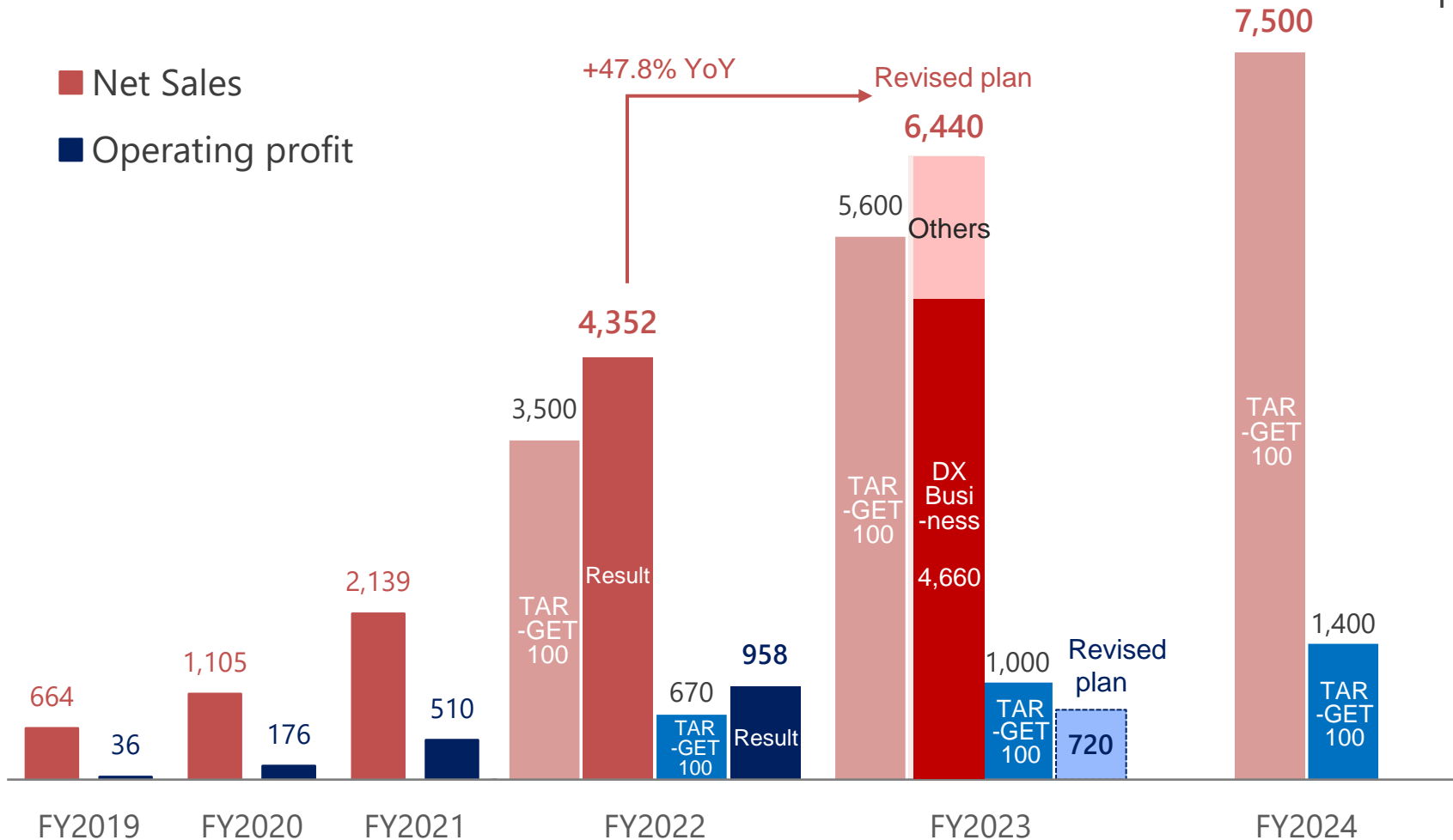


## **Appendix (ii) Future Growth Strategies**

# 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

## Action plan

1

Continued organic growth in digital transformation business

- 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.

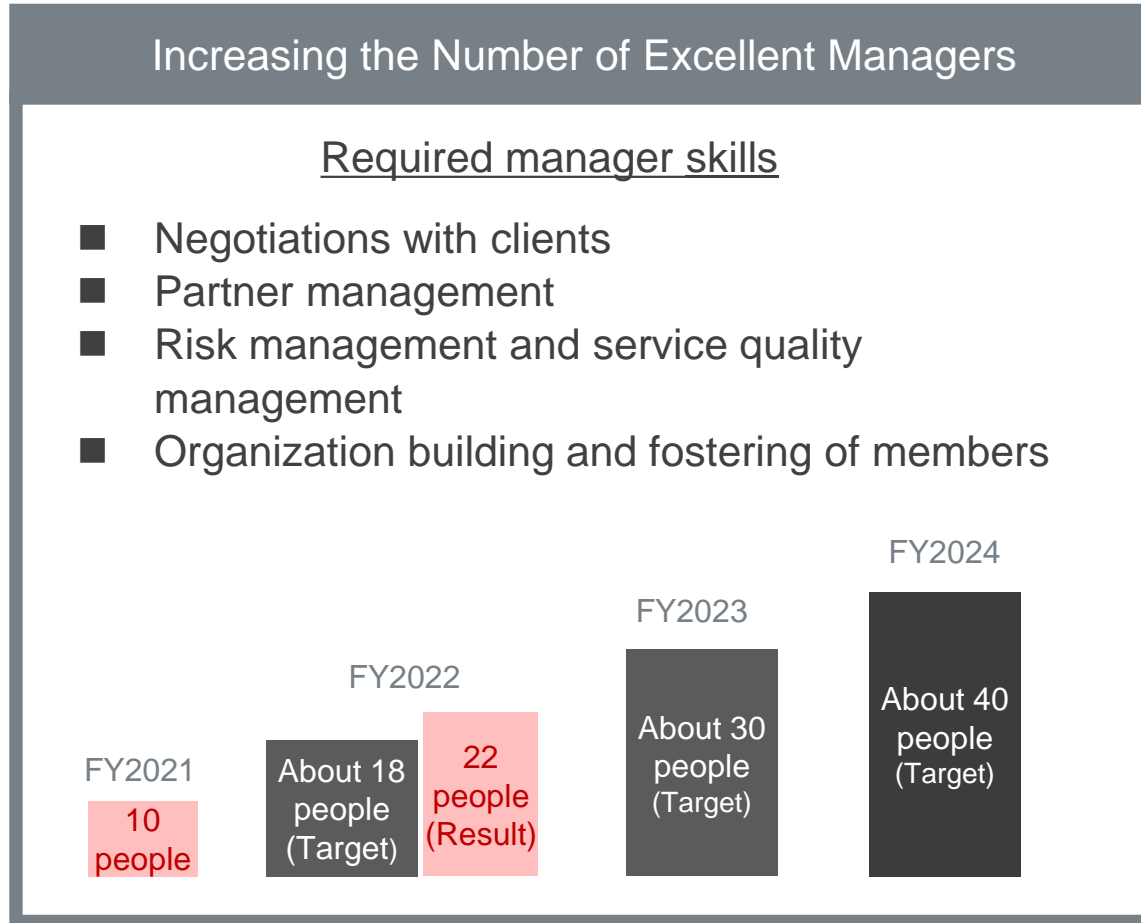
2

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

- 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."

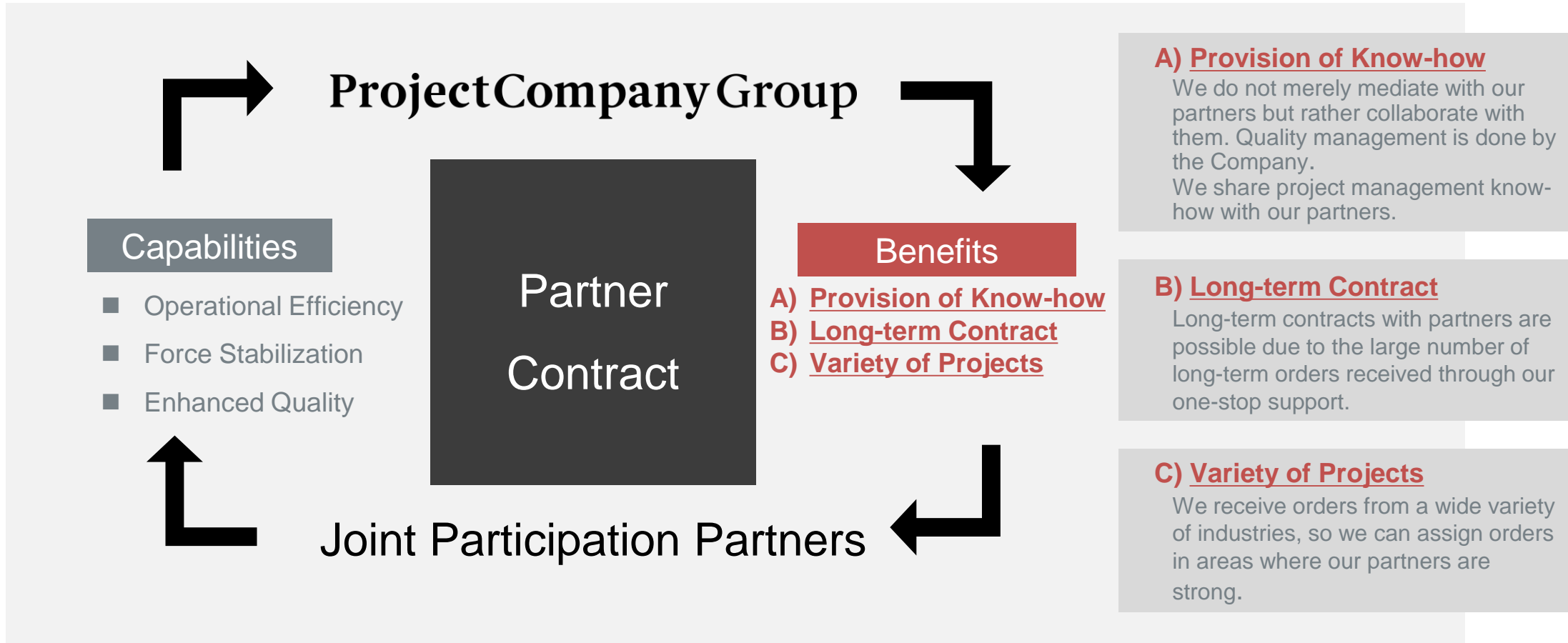


## Building an Organizational Structure Suitable for a Recurring-type Business



## (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 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

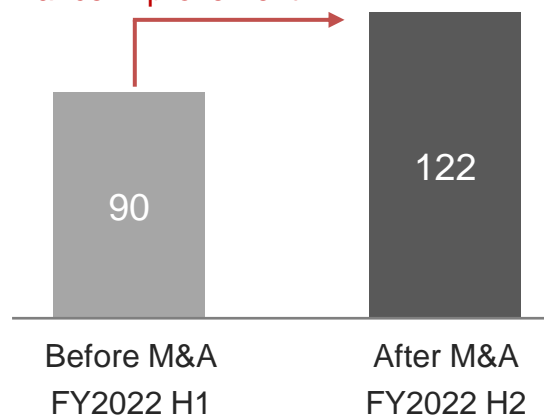
Uloqo Co., Ltd. (currently ProjectHRsolutions, Inc.), which became a consolidated subsidiary in Q3 FY2022, realized synergies through PMI implementation.

Half year net sales [million yen]

Project Summary

Main PMI Items

Performance improvement



Scheme	Full acquisition of shares
Run Date	April 28, 2022
Acquisition cost	Approximately 200 million yen
Recorded amount of 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.

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, Tokyo			
Establishment	January 2016			
Share Capital	1,016,366 thousand yen (as of September 30, 2023)			
Board Composition	Representative Director and President, Group CEO	Yunosuke Doi	Full-time Corporate Auditor	Aiko Yuki
	Senior Managing Director, Group CFO	Ryo Matsumura	Auditor	Yuji Momosaki
	Outside Director	Yuki Matsumoto	Auditor	Jo Kawazoe
	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 Project Company, Inc.)			
Employees	Non-consolidated: 137 Consolidated: 241 (as of September 30, 2023)			

## Financial Data

Fiscal period		1st 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 2017	December 2020	December 2021	December 2020	Q3 FY2023 (cumulative)
Net sales	(thousand yen)	40,533	132,676	391,446	664,066	1,104,923	2,139,581	4,352,418	4,723,636
Ordinary profit	(thousand yen)	10,072	15,161	24,374	31,380	170,405	502,223	948,727	660,372
Profit (attributable to owners of the parent)	(thousand yen)	7,495	10,299	16,224	19,645	113,998	359,744	676,809	402,276
Share capital	(thousand yen)	900	16,500	98,000	150,700	311,950	945,522	970,984	1,016,366
Total number of issued shares	(shares)	401,000	411,350	445,390	461,590	504,590	5,637,150	5,736,950	5,829,450
Net assets	(thousand yen)	8,895	34,795	135,619	203,865	479,114	2,088,220	2,805,803	3,282,236
Total assets	(thousand yen)	36,210	86,799	380,343	555,776	1,061,676	2,784,773	4,285,852	5,503,285
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	69.63
Equity ratio	(%)	24.6	40.1	35.7	36.7	45.1	75.0	65.1	59.5
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	—
Cash flows from investing activities	(thousand yen)	—	—	—	-36,658	-83,170	-26,564	-1,218,189	—
Cash flows from financing activities	(thousand yen)	—	—	—	85,239	307,264	1,135,506	407,808	—
Cash and cash equivalents at end of period	(thousand yen)	—	—	—	330,693	710,407	2,248,013	2,220,324	2,577,770
Number of employees	(people)	3	6	16	27	40	64	167	241

\*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.

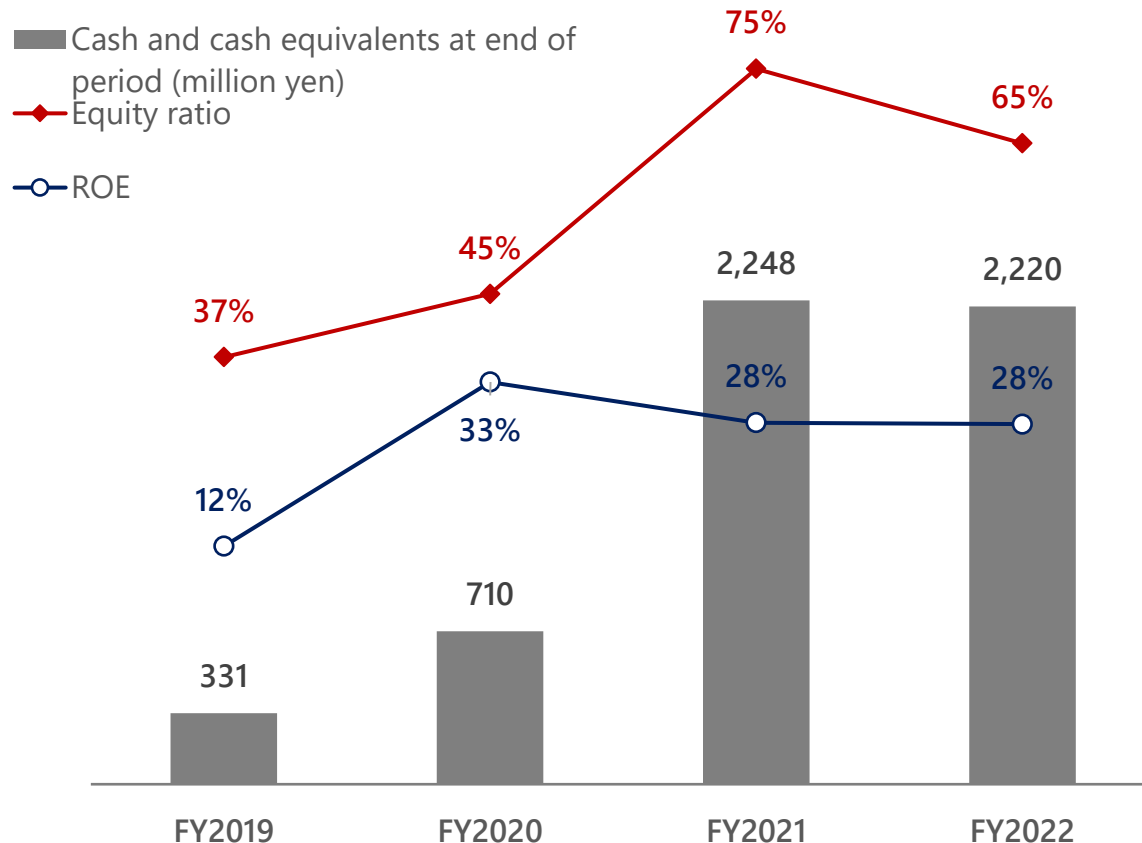
# Financial Strategy

- 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.

# Initiatives Related to Environmental, Social and Governance Issues

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

**E**nvironment

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. Moved into new office that received a preliminary platinum rank certification under the green building certification program "LEED."



**S**ocial

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.

**G**overnance

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.
- ▶ The Company's actual future business and performance may differ from the forward-looking statements contained in this document.