



ProjectCompany, Inc.

Q1 Financial Results Briefing for the Fiscal Year Ending December 2023

May 15, 2023

Event Summary

[Company Name]	ProjectCompany,Inc.	
[Company ID]	9246-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q1 Financial Results Briefing for the Fiscal Year Ending December 2023	
[Fiscal Period]	FY2023 Q1	
[Date]	May 15, 2023	
[Number of Pages]	28	
[Time]	17:00 – 17:37 (Total: 37 minutes, Presentation: 22 minutes, Q&A: 15 minutes)	
[Venue]	Webcast	
[Number of Speakers]	1	
	Ryo Matsumura	Senior Managing Director, Group CFO
[Analyst Names]*	Masao Yoshida	Ichiyoshi Research Institute

*Analysts that our company was able to identify from the audio who spoke during Q&A.

Presentation

Matsumura: Now that it is time, we will begin ProjectCompany, Inc.'s financial results presentation for Q1 of the fiscal year ending December 2023.

Executive Summary

FY2023 Q1 Financial Results			
Net Sales	Operating Income	EBITDA *1	EBITDA Margin
¥1,494 million (+59.6% YoY)	¥228 million (+1.8% YoY)	¥271 million (+17.3% YoY)	18.2%
<ul style="list-style-type: none">Net sales and operating income increased year on year, EBITDA excluding the impact of non-cash expenses also increased, and progress was generally in line with the initial plan.Although net sales increased quarter on quarter, operating income decreased due to increased investment in recruiting expenses and other areas.The decline in gross profit margin in the Digital transformation business was partly due to an increase in subcontracting expenses as a result of prioritizing the acquisition of projects. It is expected to improve in line with a decrease in the ratio of partners due to progress in the hiring of employees.			
Major Numerical Information *2		Topics	
Net Sales per Client	Partner Ratio	M&A	
¥12.3 million/quarter	1.03 partners/employee	<ul style="list-style-type: none">Two M&As announced in Q1 were completed in April 2023.As for ProjectTechnologies, which joined the group last year, further growth is expected through the rollup of artwise, which is in the same industry.	
<ul style="list-style-type: none">As a result of expanding existing clients and turning them into large-scale customers, the net sales per client in the first quarter of this fiscal year was ¥12.3 million. (target for the end of FY2024: ¥43 million/year)By taking advantage of joint participation partners to execute projects flexibly, partner ratio (number of partners per employee) for the first quarter was 1.03. (target for the end of FY2024: 0.69)		Organizational development and management system	
		<ul style="list-style-type: none">Formalizing organization building methods and improving the efficiency of manager development.With a view to transition to a pure holding company structure by January 2024, we will absorb ProjectPartners, a group company.	

*1 EBITDA is operating income plus depreciation, security deposit amortization and stock compensation expenses.

*2 Results for the digital transformation business only.

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2

Once again, my name is Matsumura, Senior Managing Director and Group CFO of ProjectCompany, Inc. Thank you very much for participating in our financial results presentation today.

First of all, here is a summary of today's explanation.

For the performance regarding Q1 of the fiscal year ending December 2023, net sales were JPY1.494 billion and operating profit was JPY228 million.

Revenue and profit increased YoY and EBITDA excluding the effect of expense items that don't incur cash outs also grew, generally resulting in progress that goes in line with the plan at the beginning of the period.

On the other hand, despite the QonQ increase in revenue, profit decreased due to increased investment in hiring and other costs.

That explains the summary.

Contents

1. Group Overview	p. 4
2. FY2023 Q1 Financial Results	p. 11
3. Progress and Forecasts for Major Numerical Information, etc.	p. 17
4. Topics	p. 24
Appendix 1 Outline of Digital Transformation Business	p. 30
Appendix 2 Future Growth Strategies	p. 38
Appendix 3 Other Reference Information	p. 45

I will continue with the flow of today's explanation and explain based on the table of contents.

First, I would like to give you an overview of our group and then explain our performance for Q1 of the fiscal year ending December 2023, along with the progress and outlook regarding key numerical information. Finally, I would like to explain some major topics.

∞ ProjectCompany Group

Group Management Philosophy

Creating a Project-based Society

The Japanese economy has continued to stagnate. If the situation remains unchanged, it is feared that it will continue to decline in the future.

We believe that the only way for the Japanese economy and society to regain their vitality is for Japanese companies to break away from their old, vertical, top-down “task-based” organizational structure and transform themselves into a “project-based” structure, where human resources who can proactively promote projects are organically connected based on their missions and work together as a team toward their goals. Based on this management philosophy, we will work together to develop our business toward creating a project-based society.

Now, I would like to provide an overview of our group. For those of you who have attended in the past, please understand that there may be some overlap.

First, our group management concept is “Creating a Project-based Society”.

I would discuss the thoughts behind this management concept and the recognition of issues that it is based on.

The Japanese economy has been stagnant for a long time since the bubble period and there are fears that it will continue to decline in this situation. We believe that this is due to the fact that the Japanese system is based on developing human resources on the premise of industrial capitalism, which is a phase before shifting to the information industry.

In an industrial capitalist society, value was placed on creating things with high specifications, such as making a safe car or an intricate and high-tech product. And people who perform a predetermined task in a factory or did a job properly as they were told were evaluated as good human resources.

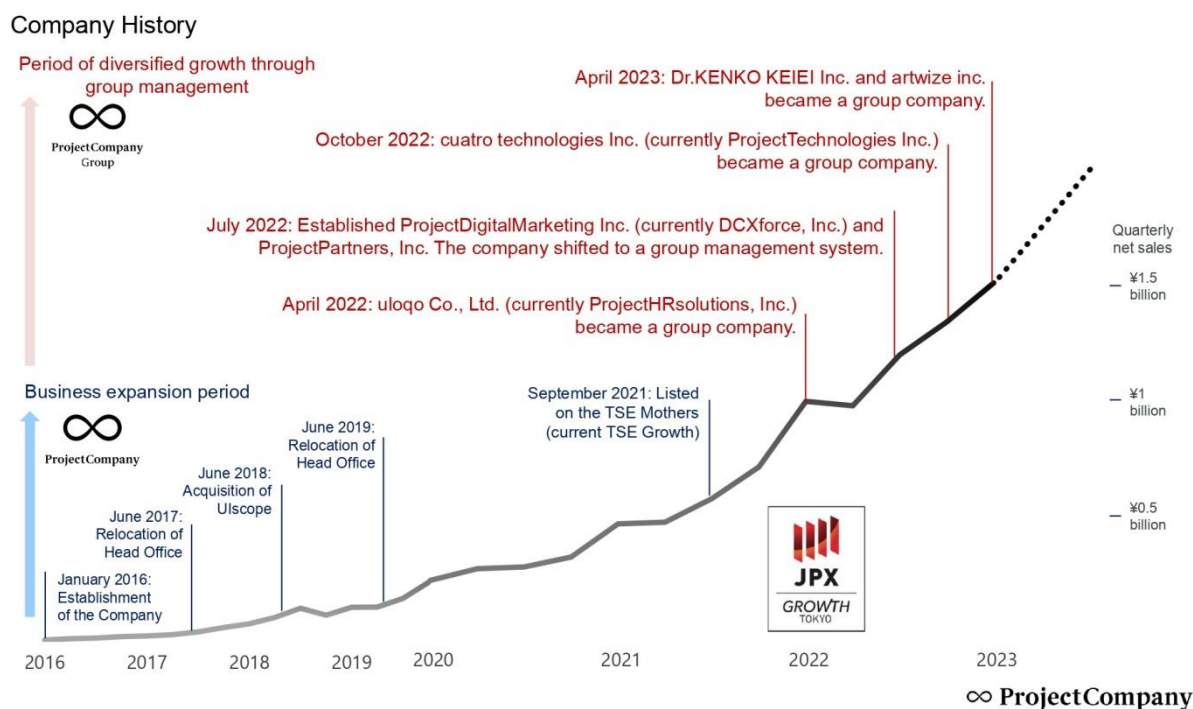
However, the world is shifting from an industrial capitalist society to an information capitalist society nowadays, and the quality regarding expected human resources is shifting from task-oriented human resources that do exactly as they are told, to project-oriented human resources that can carry on projects on their own initiative.

In the US, many companies like GAFAM have emerged where they change society from a single project. But unfortunately, this has not been the case with Japan. We believe that it is not an industrial structure, but rather that the premise of layers or quality and attitude of human resources are task-oriented, which is what prevents innovation.

We believe that the only way to revitalize the Japanese economy, or rather Japanese society, is for Japanese companies to break away from the old vertically top-down task-oriented organizational structure and transform into a project-oriented structure where human resources proactively carry on projects and interact

with each other in an organized manner based on corporate mission and work together as a team toward a goal.

Based on the recognition of these issues, we are developing our business based on the management concept of “Creating a Project-based Society”.



Next, I will explain our corporate development.

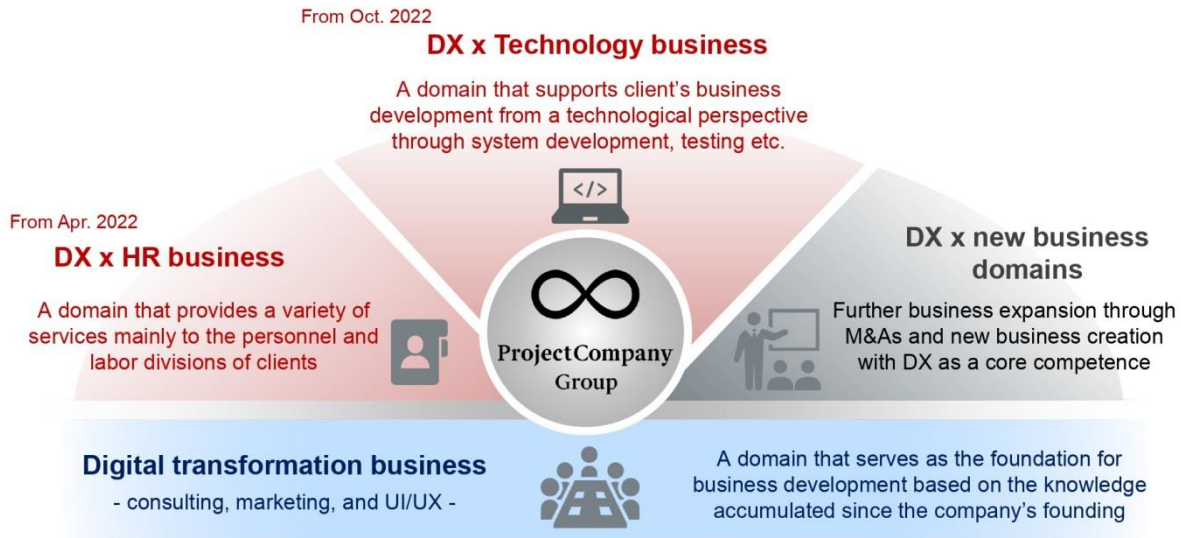
To reiterate, ProjectCompany, Inc. was founded in January 2016 by our Representative Director Doi, and Chairman of the Board Ito. Thanks to your support, we have steadily expanded our business since our founding. And with our listing on the Mothers market in September 2021, we managed to achieve our mid-term goal since our founding of being listed in 2021.

After being listed, uloqo Co., Ltd., with its HR solution business, currently ProjectHRsolutions, Inc., joined the Group in April of last year. cuatro technologies Inc., with its technology services, currently ProjectTechnologies Inc., joined the Group in October. This has allowed us to pursue diversified growth through group management.

In April of this year, Dr. KENKO KEIEI Inc., with its healthcare services, and artwize inc., with its technology services, were newly incorporated as group companies and the group structure is expanding.

Our Group's Business Domains

- In FY2022, we tested our group management system through M&As and spin-offs, and the results were **generally favorable**.
- In the future, we will **further accelerate the expansion of business domains with DX as our core competence** and aim for diversified growth through a group management system.

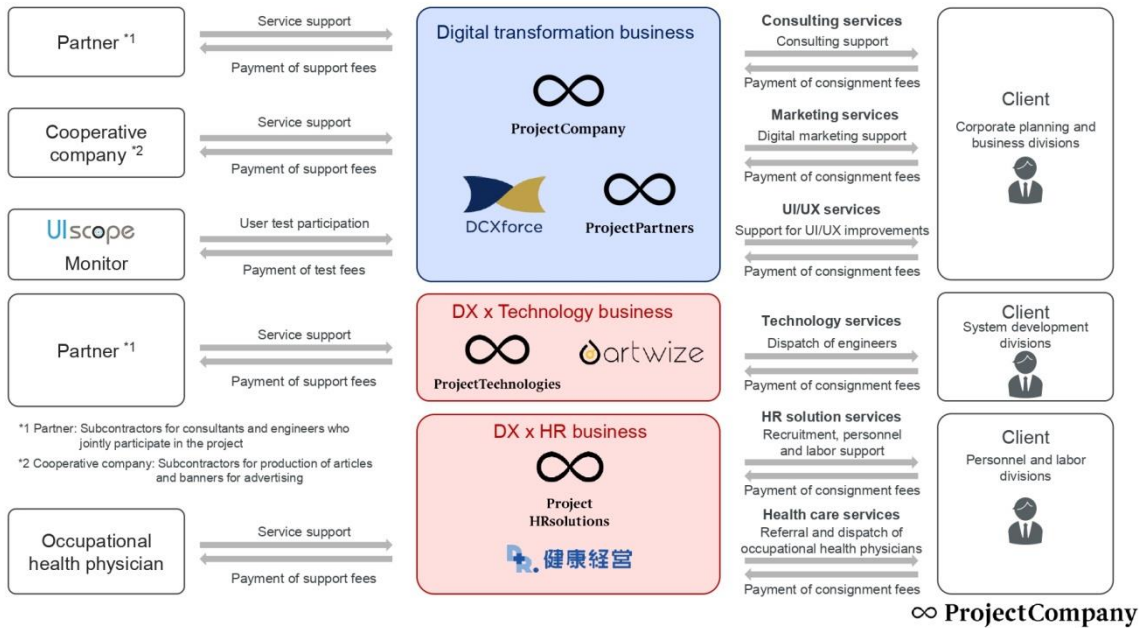


While we base our business strategy on consulting, marketing UI/UX, and several DX support areas where we have accumulated knowledge since our founding, we also aim to diversify growth based on DX, such as entering the DX x HR business and DX x technology business through M&A in the last fiscal year.

We seek to continue expanding our business domain based on DX through M&A and new business creation.

Diagram of the Business Structure

□ The Group's business structure is shown below.



Case Studies

SBI NEOMOBILE SECURITIES  **SBI ネオモバイル証券**

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 technologies such as a robo-advisor and chatbot.
- Developed and implemented digital marketing strategies to promote services.
- Utilized user testers (UIscope) to produce a service LP.

Area of support: Consulting (new business development), Marketing (marketing consulting), UI/UX

Shimane Bank  **島根銀行**

Support for setting up smartphone branches

- Project to establish 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 that can be applied for and used just with smartphones and acquired over ¥5 billion in deposits in four months upon release.
- Identified various discussion points and implemented measures before release. Worked on a range of activities, including producing a service LP and promotion strategies in cooperation with external business operators.
- After release, support for consideration of additional measures and establishment of customer management was provided.

Area of support: Consulting (new business development), Marketing (marketing consulting)

transcosmos  **transcosmos**

Joint DX support by combining know-how of both companies

- Transcosmos supports more than 600 DX projects per year, provides a cross-channel one stop service for CX improvement, especially strong in building e-commerce/call centers.
- Combining the areas of expertise of both companies to jointly provide wide-ranging support for customer's digital marketing and business transformation. Supported multiple projects, including consideration of the concept of a global CRM system and consideration and implementation of one-to-one marketing strategies.

Area of support: Consulting (transformation of existing businesses and improvement of operations)

Olympic and Paralympic Games Business Council  **オリンピック・パラリンピック 経済界協議会**

2020 Tokyo Games momentum building project

- Major project to support momentum building for 2020 Tokyo Games in business circles in cooperation with IOC, the government and local governments.
- By the end of February 2020, more than 1,000 events were held in rural areas, utilizing corporate assets across Japan. More than 650 participating companies and 430 cooperating local governments.
- Supported a wide range of branding and public relations activities for projects that utilize digital channels.

Area of support: Marketing (SNS operation and marketing consulting)

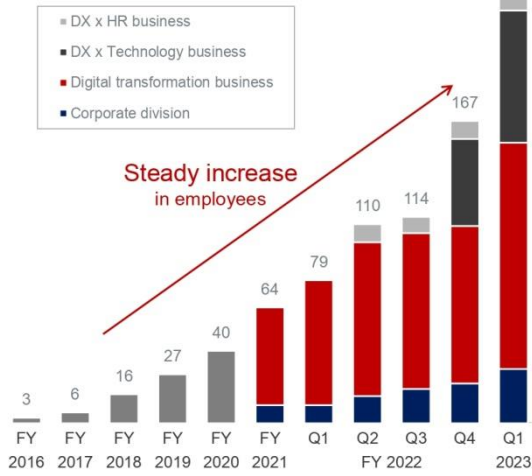
Although I will not explain the business structure chart and project case studies today, I will discuss the status of employees at the end of this section.

Status of Employees

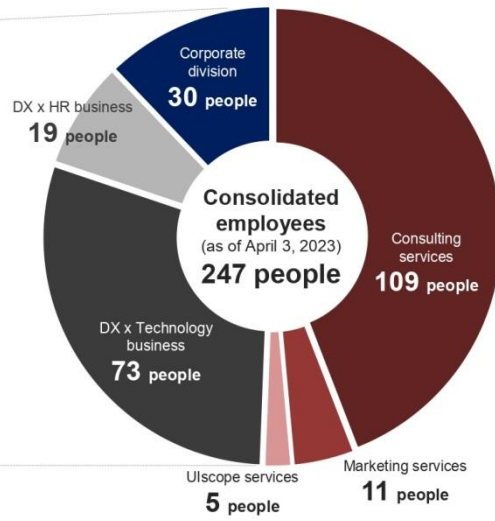
As of April 3, 2023, the number of employees increased steadily to 247, driving growth in net sales.

Number of Employees

*FY2023 Q1 employee data as of April 3



Composition of Employees



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Page 10, shown here is the employment situation.

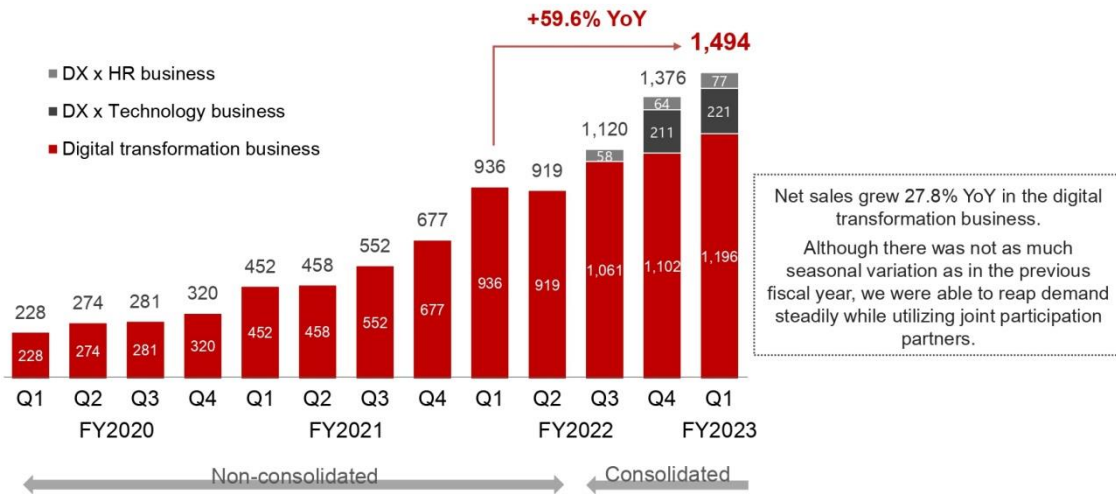
The number of employees has been steadily increasing since the Company's founding. And in April 2023, with the addition of new graduate employees and M&A, the number of employees reached 247 as of April 3, as shown here.

Among these, approximately half, or 125 employees, belong to the DX business.

Quarterly Consolidated Financial Results - Net Sales

- Net sales in FY2023 Q1 achieved ¥1,494 million, +8.6% QoQ and +59.6% YoY.
- Net sales in the digital transformation business alone were ¥1,196 million, +8.9% QoQ, +27.8% YoY.

Net sales (million yen)



Next, I will explain the financial results for Q1 of the fiscal year ending December 2023.

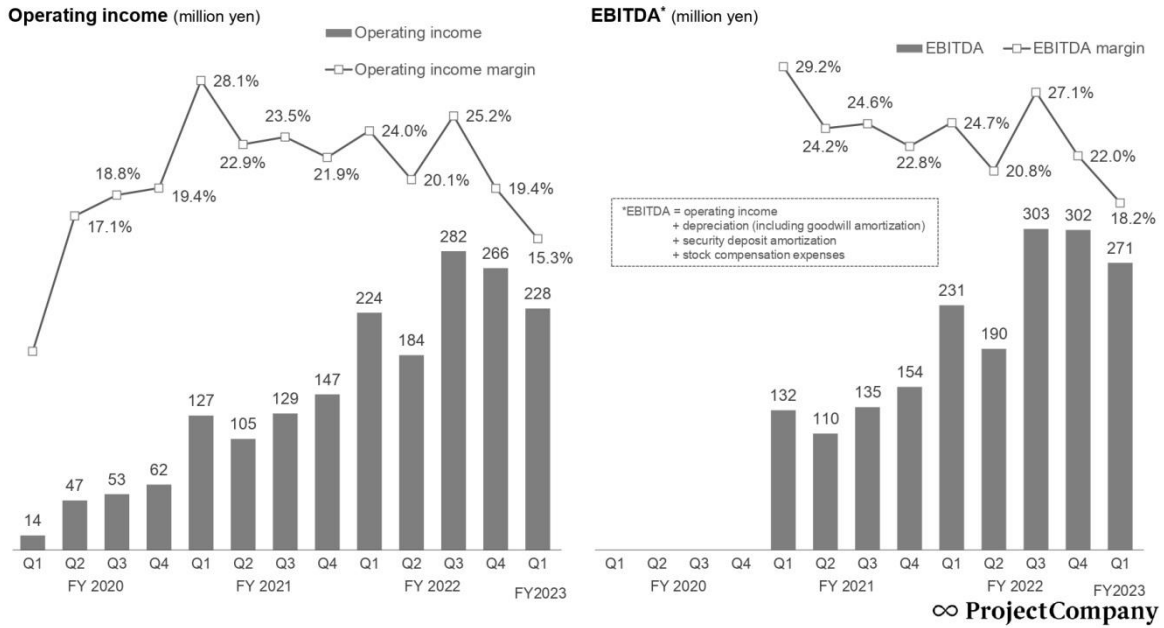
Net sales for Q1 increased by 59.6% YoY to JPY1.494 billion.

About 80% of this amount, or JPY1.196 billion, was accounted for by the DX business, which achieved high growth in net sales of 27.8% YoY.

Although we did not see as much seasonality as we did in Q1 of last year, we gained success to a certain extent in firmly gaining demand while utilizing joint participation partners.

Quarterly Consolidated Financial Results - Operating Income & EBITDA

Operating income fell QoQ. EBITDA excluding the impact of non-cash expenses was ¥271 million.

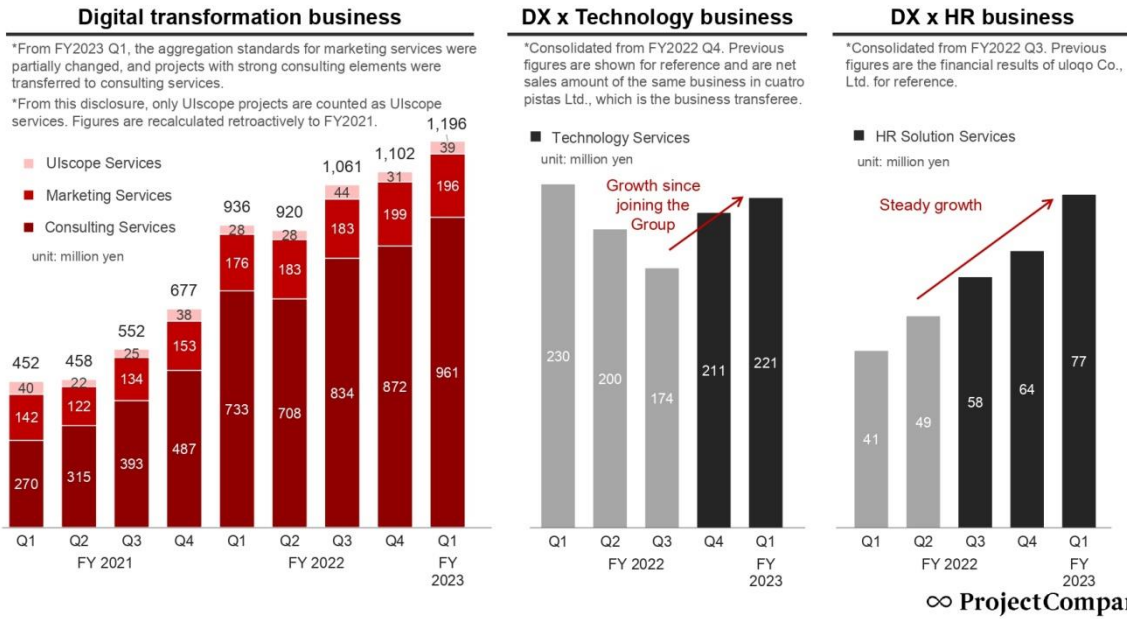


I will now explain profits, where operating profit has decreased QoQ.

EBITDA was JPY271 million, excluding the effects of expenses that didn't incur cash outs, which also incurred a minus on a QoQ basis.

Results by Segment - Net Sales

Net sales by segment are as follows. Net sales in each business grew QoQ.



Net sales trends by segment are shown here, with net sales in all businesses growing QoQ.

Moreover, other than transferring part of the marketing services of the DX business to consulting services from this quarter, we changed the aggregation guideline for UI/UX services and disclosed Ulscope services as only one-off research services by Ulscope. So we have retroactively recalculated and presented these figures.

Results by Segment - Cost of Sales & Gross Profit

□ Cost of sales and gross profit by segment were as follows. In the Digital transformation business and DX x Technology business, the growth rate of subcontracting expenses was higher than that of net sales, lowering the gross profit margin.

	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	1,196	+8.5%	221	+4.7%	77	+20.3%
Personnel expenses (cost of sales)	137	+0.8%	39	(2.7%)	15	+12.3%
Subcontracting expenses (cost of sales)	568	+20.5%	141	+12.2%	5	+12.5%
Other costs	2	+39.0%	0	(11.5%)	0	+184.9%
Gross profit	488	(0.9%)	39	(7.7%)	55	+23.4%
Gross profit margin	40.8%	-	18.0%	-	71.9%	-
SG&A expenses			353		QoQ +13.2%	
Operating income			228		QoQ (14.3%)	
Operating income margin			15.3%			

*Figures are before allocation of SG&A expenses, such as office rents, etc., to cost of sales, so do not match gross profit stated in Financial Results, Quarterly Reports, etc.

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15

Cost of sales and gross profit by segment results are shown here.

Although the cost of sales and gross profit by segment are shown, the increase rate of subcontracting costs are higher compared to the growth of net sales for the DX business and DX x Technology business, which resulted in pushing down the gross profit margin.

We recognize this as an issue where we must raise the profit margin by increasing the share of in-house production in the future.

SG&A Expenses

□ Selling, general and administrative expenses (SG&A expenses) were as follows. Recruiting expenses increased significantly QoQ.

	Results (million yen)	SGA vs. net sales	QoQ	Description
Personnel expenses / subcontracting expenses (SG&A expenses)	139	9.3%	+10.8%	Executive compensation, back-office employee salaries, subcontracting expenses, etc.
Recruiting expenses	72	4.8%	+41.9%	Agent fees, event expenses, etc.
Office rents	33	2.2%	(8.6%)	Office rent, etc.
Depreciation, etc. (including goodwill amortization)	43	2.9%	+15.9%	Goodwill amortization and depreciation of other non-current assets, security deposit amortization, etc.
Other SG&A expenses	66	4.5%	+1.4%	
Total SG&A expenses	353	23.7%	+13.2%	

Total SG&A expenses increased 13.2% QoQ to ¥353 million
mainly due to an increase of ¥21 million in recruiting expenses (+41.8% QoQ)

The breakdown of SG&A expenses is shown on page 16.

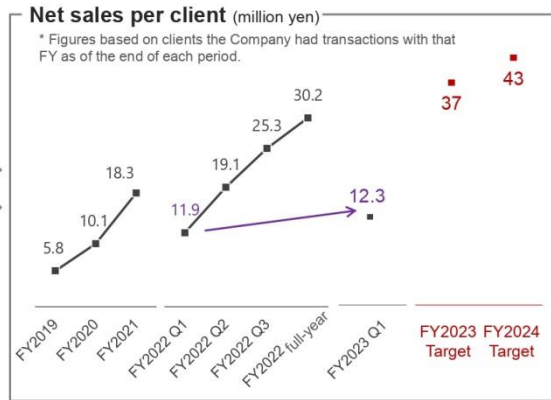
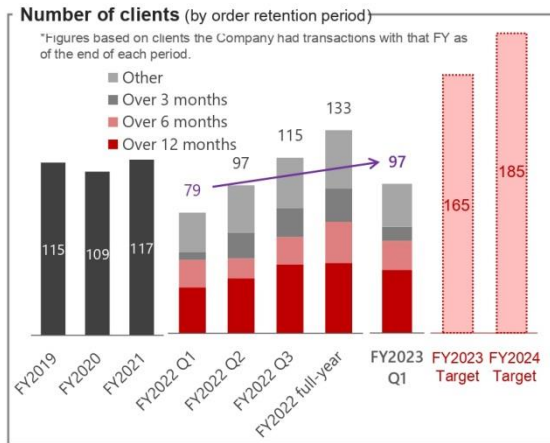
In terms of QoQ, there was a significant increase in hiring costs, amounting to JPY21 million. In terms of ratio, it was a 40% increase over the previous quarter.

As I have explained in our previous forecast, this result is due to the arrival of the hiring season for new graduates.

In addition, an increase in amortization and other costs contributed to a 13.2% QoQ increase in total SG&A expenses to JPY353 million.

Digital Transformation Business | Number of Clients & Per-client Sales

Number of clients and net sales per client grew compared to FY2022 Q1.



Number of clients by per-client sales Expanding existing customers and turning 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 companies
FY2021	103 companies	11 companies	2 companies	1 company
FY2022	103 companies	23 companies	5 companies	2 companies

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Next, I would like to explain the progress and outlook regarding key numerical information and other things.

From here, I would like to focus on the DX business. First, we have broken down the net sales of the DX business by the number of clients and the sales per client, which are shown here.

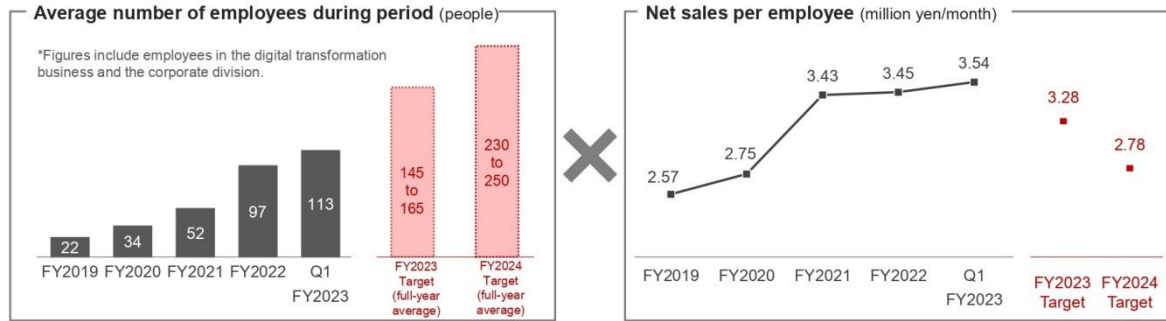
In Q1 of fiscal year 2023, compared to Q1 of fiscal year 2022, you can see growth in the number of clients and net sales per client. We have achieved steady progress for both the number of clients and amount per client.

As shown on the lower left for Ulscope, the number of projects has increased slightly recently and we managed to efficiently acquire new clients through Ulscope.

On the other hand, the amount per client is shown in the lower right-hand corner with the number of clients for each amount range. In the previous fiscal year, we saw an increase in clients with the amount per client ranging from JPY100 million to JPY300 million and over JPY300 million. We managed to turn existing clients into repeat customers.

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

Number of employees increased steadily. Net sales per employee is expected to decline in the medium- to long-term due to a reduction in the ratio of partners in line with progress in hiring.



Number of new employees and turnover (Digital transformation business only)

*The turnover rate is calculated by dividing the number of retirees during the year up to each year-end date by the average number of employees for the same period.



Average number of partners & Partner ratio



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Next, we have broken down the sales for the same DX business in terms of the number of employees to show the net sales per employee.

First, the number of employees has generally increased steadily over time.

However, as shown on the lower left, the pace of hiring has slowed down a bit since H2 of last fiscal year.

In Q2 of this fiscal year and thereafter, more than 40 new graduates have joined our company. So while we expect to avoid a significant shortage of employees, we are now in the process of intensifying our hiring efforts by expanding our structure to hire mid-career employees from Q1.

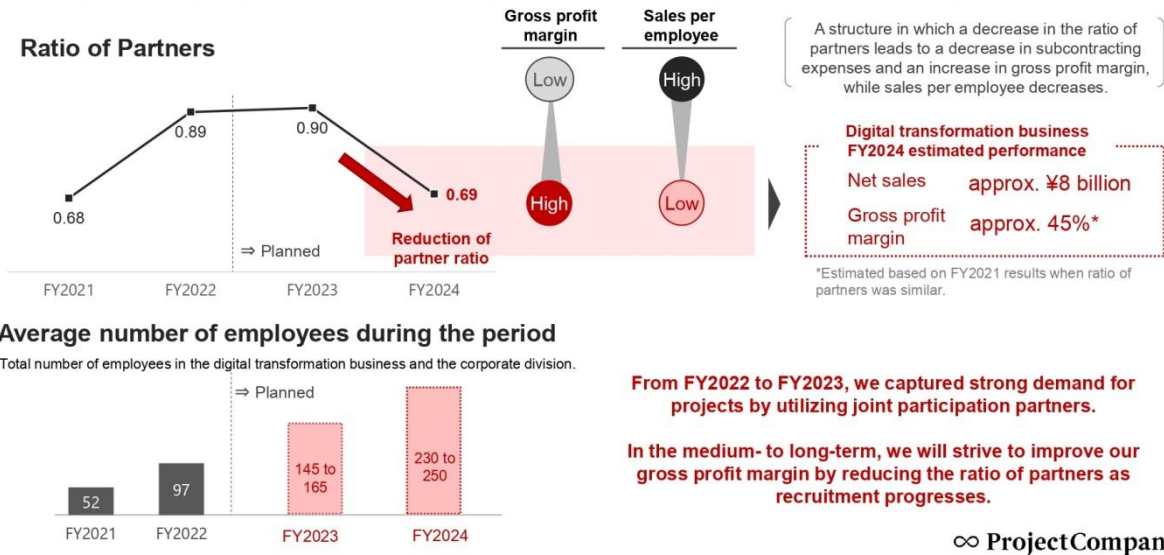
The net sales per employee are shown in the upper right-hand corner and net sales per employee have been growing steadily in the past.

However, this is not only due to the growth in net sales per employee in a true sense, but can also be attributed to an increase in the ratio of partners.

Our goal for the current and next fiscal year is to increase the absolute number of partners while increasing the number of employees at a faster pace to slightly lower the ratio of partners.

Digital Transformation Business | Ratio of Partners

- Currently, we will focus on securing strong demand for projects by utilizing our partners. In the medium- to long-term, we will reduce our partner ratio and improve our profit margin.
- However, in consideration of the hiring situation and acquisition of projects, we may aim for further growth of the top line by increasing the partner ratio on the assumption that the absolute profits will be secured as planned.



I would like to reiterate my explanation of the concept behind this partner ratio.

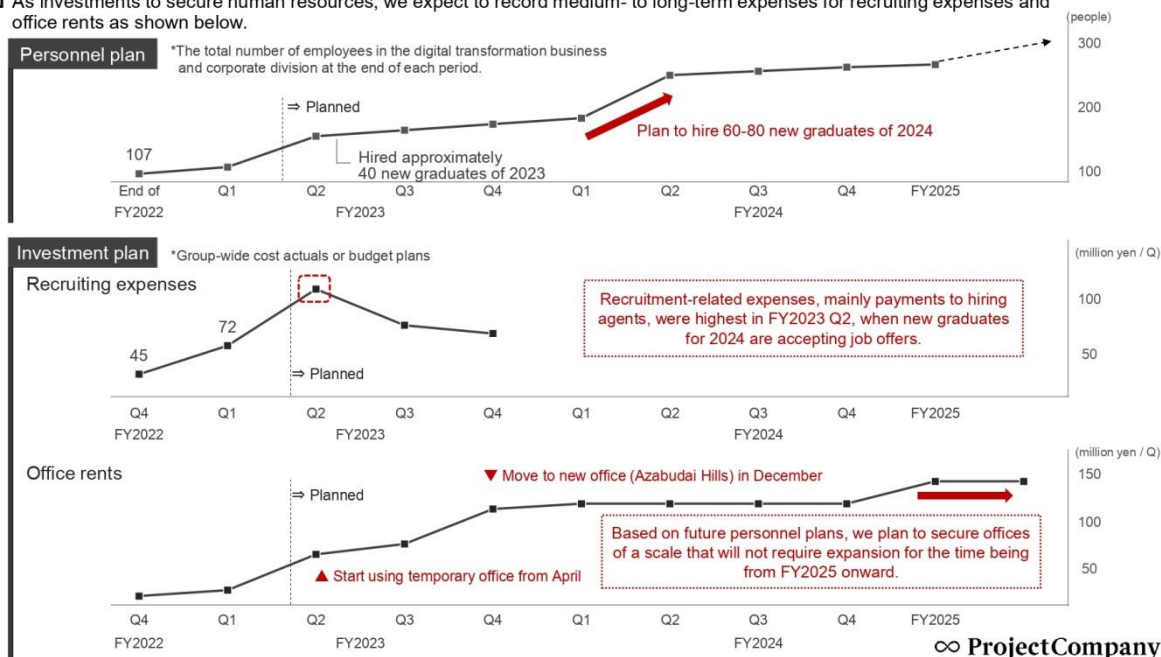
In terms of the current situation, although we are focusing on firmly acquiring the growing project demand by utilizing partners, the partner ratio with a decrease in the future for the medium to long term.

This does not mean we will reduce the absolute number of partners but expect to reduce the partner ratio by increasing the rate for the number of employees more than that for partners, thereby improving the profit margin, as I mentioned on the previous page.

On the other hand, although we weigh the options with the situation of hiring and project acquisition, we believe it is possible to achieve further growth of the top line by further increasing or maintaining the partner ratio under the premise of securing the absolute amount of profit as planned, which I am now indicating. So we understand that there's a need to develop a strategy to adopt both as options.

Digital Transformation Business | Future Investment Plans Based on Personnel Plans

As investments to secure human resources, we expect to record medium- to long-term expenses for recruiting expenses and office rents as shown below.



Next is the investment plan based on the future workforce plan.

We expect to consider hiring costs and rent as investment costs to secure human resources and also expect them to increase.

First, hiring costs are expected to significantly increase in Q2 compared to Q1, as it is the peak season for the hiring of new graduates.

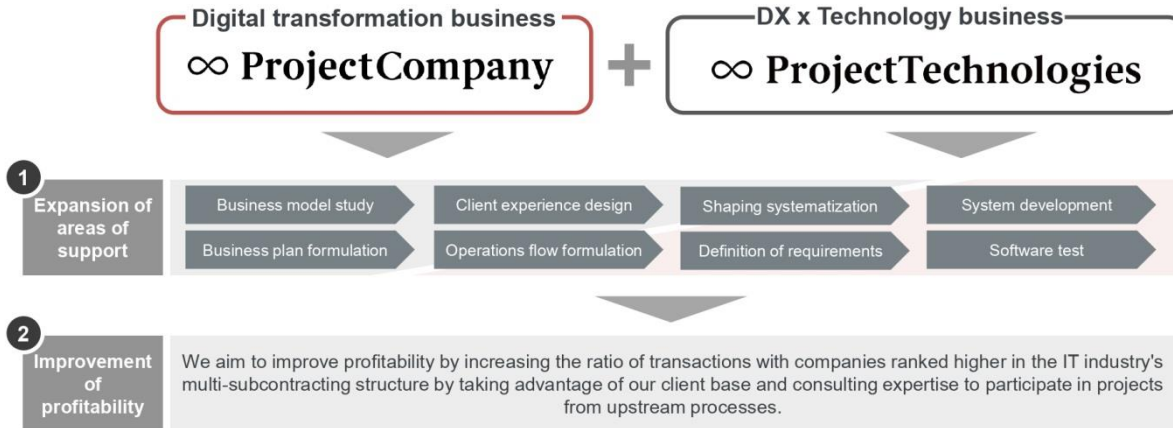
Hiring costs are seasonal, and although we have not yet decided on plans for the next fiscal year, we expect the costs to decrease in H2 of the current fiscal year once the hiring of new graduates settles down.

For Office rents, as we have already started using temporary office space since April last month, we expect it to increase for Q2 or Q3 compared to Q1.

Afterward, we will relocate to new offices mainly in the next fiscal year, which will further increase the cost. But we have secured office space that will not require expansion for a fairly long period for fiscal year 2025 and thereafter. Cost remains flat, and if the top line grows steadily, we expect the profit margin to increase.

DX x Technology Business | Operations

- Expanded the Group's support domain to include technology areas such as system development and software testing using engineer dispatch services acquired in October 2022.
- Aim to improve profitability by expanding the ratio of transactions with top companies in the IT industry's multi-subcontracting structure by utilizing our customer base, etc.



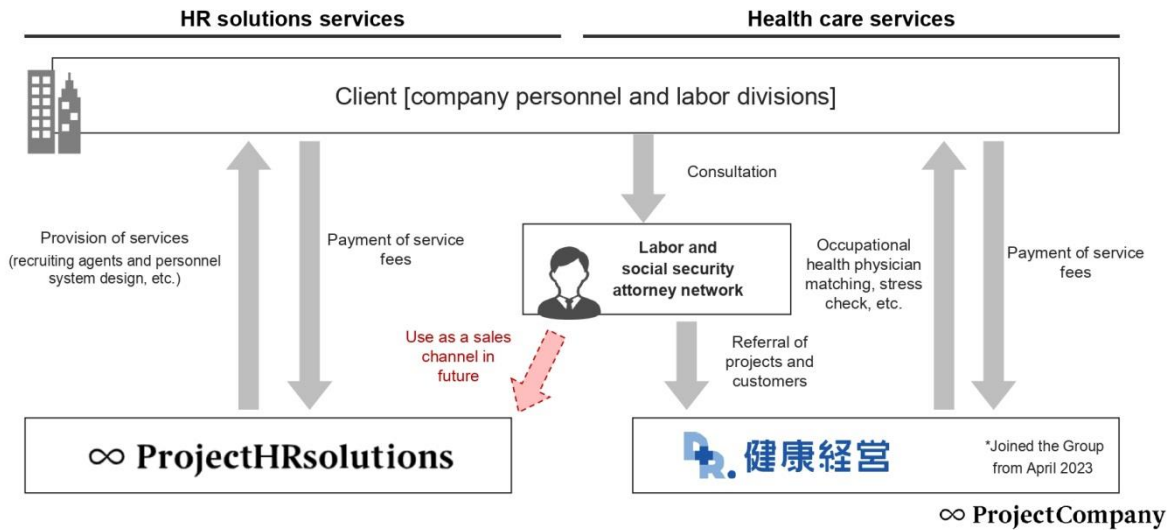
I described our DX business up to now, I would also like to briefly mention our other businesses.

As I have explained many times, in October 2022, we acquired an engineer dispatching business for the DX x Technology business. And through this acquisition, we are expanding the scope of our group's support to include system development, software, and other areas of technology.

We haven't always managed to do business with high-level companies, where multi-level subcontracting structures exist in the IT Industry. By utilizing our client base, we would like to improve our profitability by expanding the ratio of transactions with companies of higher levels in the technology business and DX business through direct business contracts.

DX x HR Business | Operations

- uloqo Co., Ltd. (currently ProjectHRsolutions, Inc.), which joined the Group in April 2022, steadily expanded its business performance using the Group's know-how with a focus on organization building.
- In April 2023, the company acquired shares in Dr.KENKO KEIEI Inc., which mainly provides occupational health physician referral services, and is working to expand the range of services it offers in the personnel and labor fields and to expand its sales channels by utilizing the labor and social security attorney network Dr.KENKO KEIEI Inc. has.





Then there is the DX x HR business.

For ProjectHRsolutions, Inc., which joined our group in April 2022, we applied our group's know-how, mainly in terms of organization structuring and gradually established an organization from the starting phase of a very small organization scale, whose business performance is growing steadily.

In addition, we acquired a stake in Dr. KENKO KEIEI Inc., an industrial physician referral service, in April. Although the nature of the service is slightly different, we would like to expand our business through synergy by expanding our spectrum of offerings and promoting cross-selling in the area of corporate human resources and labor affairs to other companies.

M&A | Dr. KENKO KEIEI & artwize join the Group

Two new M&As were completed in April 2023.

	Dr.KENKO KEIEI Inc.	artwize inc.
		
Company overview	Dr.KENKO KEIEI is developing businesses related to employee health and mental health care for corporate customers, with a focus on "Occupational Health Physician Concierge," an occupational health physician referral service. The scale of business is expanding with the mandated stress check system and the enforcement of work-style reform laws.	As with ProjectTechnologies, Inc., artwize mainly develops SES business. Due to the impact of the spread of COVID-19, the company posted an operating loss in the fiscal year ended June 2022, but it is expected to return to the black in the current period and earnings are on a recovery track.
Aim of M&A	<ul style="list-style-type: none"> □ Cross-selling to existing clients of the Group by expanding the support menu in the HR field. □ Dr.KENKO KEIEI has a labor and social security attorney network as a source of projects, so we will expand our group's sales channels mainly through ProjectHRsolutions. 	<ul style="list-style-type: none"> □ Accelerate acquisition of projects by utilizing the resources of artwize, which has multiple engineers with expertise in Java, AWS, etc. □ Strengthen competitiveness in the recruitment market by infusing artwize's know-how on organization building to make it easier for engineers to work.
Acquisition cost	¥0.50 billion (goodwill amortization: 10 years)	¥0.22 billion (goodwill amortization: 7 years)
Date of consolidation	April 3, 2023 (Consolidated from FY2023 Q2)	

Finally, I will explain the topics. There are a few things I would like to briefly mention, albeit each one separately, rather than going through their relevance.

The first one is the status of M&A involving Dr. KENKO KEIEI Inc. which I just mentioned, and artwize inc., a technology business. These two companies joined the Group on April 3 and are scheduled to be consolidated in Q2.

The details for Dr. KENKO KEIEI Inc. are as mentioned, I would like to explain artwize inc. on the next page.

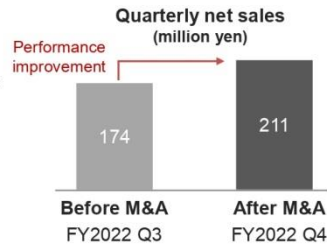
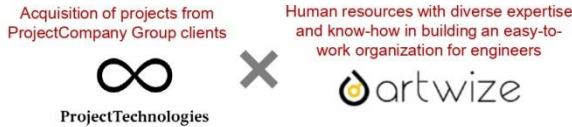
M&A | PMI of ProjectTechnologies

- ❑ Cuatro technologies, Inc. (currently ProjectTechnologies, Inc.), which has been a group company since October 2022, has made a generally favorable start.
- ❑ PMI focuses on organization building, hiring and back-office operations.

Status of cuatro technologies, Inc. (currently ProjectTechnologies, Inc.)

- ✓ Joined the group in October 2022. Earnings increased before and after M&A.
- ✓ In April 2023, artwize inc. became a group company. Artwize employs engineers with diverse expertise, and has strengths in building organizations that are easy for engineers to work in. We are aiming to achieve synergy between these two companies.

Future outlook based on artwize inc. joining the Group



Main PMI implementation items

Organization building	<ul style="list-style-type: none"> ✓ Focusing on business management and sales activities by deploying professional human resources with successful results in ProjectCompany. ✓ Strengthen management by building an organizational structure which consists of personnel below board members; directors, managers, and members.
Hiring	<ul style="list-style-type: none"> ✓ Strengthen human resources recruitment by utilizing the Group's recruitment know-how and the listed company Group's brand.
Back-office	<ul style="list-style-type: none"> ✓ Reduce indirect costs by consolidating back office operations, mainly accounting and legal affairs.

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First, under the premise that ProjectTechnologies, Inc.' sales are also growing, we consider it showing generally favorable movement.

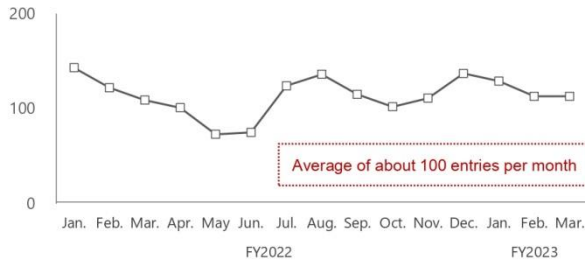
We are working on PMI, which focuses on back-office operations for organization structuring and hiring. With ProjectTechnologies, Inc. and artwize inc., a company in the same field, joining our group, and by utilizing artwize inc.'s human resources that have the know-how of structuring organizations by offering ease of working for engineers and diverse expertise, we are currently making efforts to improve performance in the future with the synergy of these two companies.

Organizational Development | Recruitment Situation

- Changes in the total number of applications and the number of new employees are as follows. It is recognized that a certain level of quality can be used as collateral.

Mid-career recruitment

〈Number of entries*〉 *Candidates who had at least one interview with our employees are counted as entered candidate.



〈Hiring results〉
 Jan.-Dec. 2022 total **64** people
 (Candidates who had their first interview in 2022)

Carefully hired at a hiring rate of 4.7% against 1,384 entries in 2022

New graduate recruitment

〈Results for new graduates of 2023〉

No. of first interviews conducted	824
No. of hires	42 people

For new graduates, only upper ranked candidates were hired at a hiring rate of 5.1%.

And although this is a little off-topic, I would like to discuss the status of organizational development. First, let us look at the status of human resource hiring.

This shows the situation with mid-career and new graduate hiring, each one indicates the status of applications and the actual hiring numbers. The number of hiring is based on the number of entries when the first interview was conducted and does not necessarily match the number of hires in the previous fiscal year. With an approximate hiring rate of 5% for the 1,384 interviews, I believe we managed to hire after careful selection.

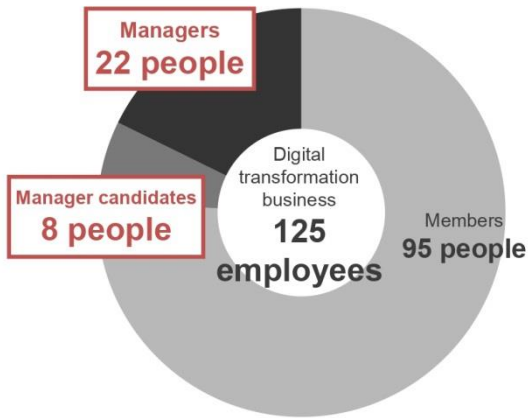
For new graduates, the interview pass rate is about the same with 42 people being hired among the 824 first-stage interviews conducted. As we are confident that we can select and hire the best personnel, we believe that we can secure a certain degree of quality in the future, as well as the ability to improve.

Organizational Development | Development of Managers

- Steady progress in developing human resources for managers, which are key points in the Project Company-style organization building.
- Using the accumulated know-how as a guideline to formalize human resources development.

Breakdown of Employees by Title

* Only Digital transformation business employees as of April 3, 2023 are included.



Building the Project Company style organization

- Selection system and challenge culture
 - ✓ At the time of joining the company, all members are assigned to projects as members. Those who achieve results here are promoted to "manager candidates" regardless of the month they join the company.
 - ✓ "Manager candidates" assume the same responsibilities as managers, and when they achieve results, they are formally appointed as managers.
 - ✓ Even if results are not good, employees are welcome to try again.

- Formalization of human resources development guidelines
 - ✓ We have written down our accumulated know-how on mindsets and skill sets related to project-type work and distributed it to all Group employees in a booklet.
 - ✓ It is used as a guideline not only for the execution of duties by employees but also for the feedback from managers.

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28

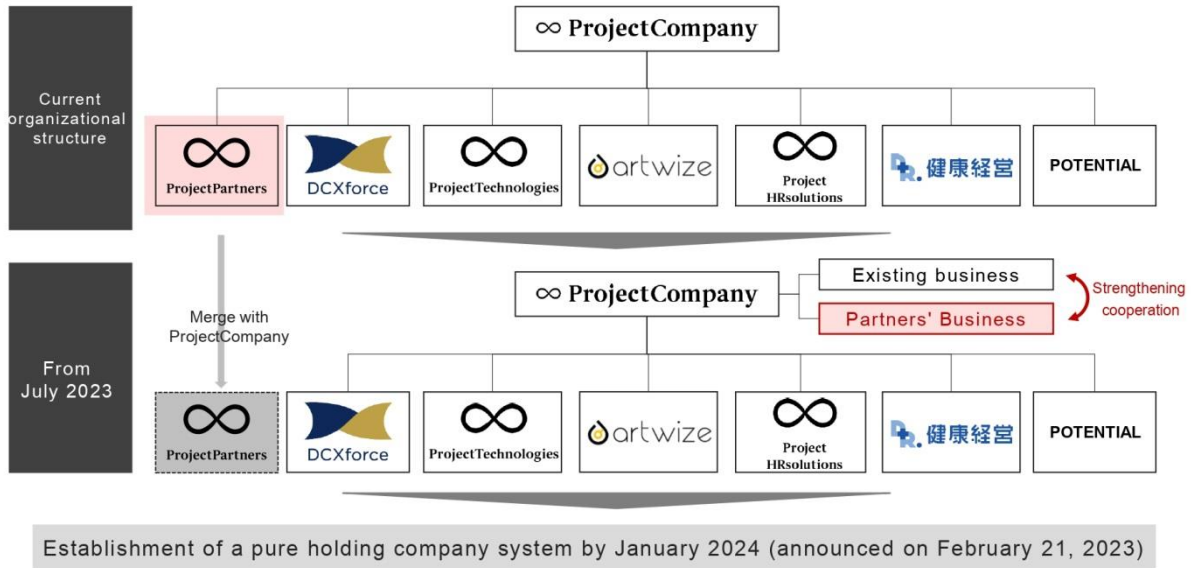
As development follows the subject of hiring, I would like to describe the development situation of managerial personnel, which we always explain.

In building a ProjectCompany-style organization structure, it is important to develop managerial personnel. Although the number of managers did not particularly increase from the one disclosed at the end of the previous fiscal year, there were some transfers of business division managers to back-office positions, resulting in the birth of new managers.

To develop managers, as mentioned on the right, we have already been working on the selection system, the culture of challenges, and the framework of human resource development. I expect manager development will continue to make good progress and believe we should continue to address this issue as an important management issue.

Management Structure | Merger of ProjectPartners

□ In preparation for the establishment of a pure holding company structure in January 2024, ProjectCompany will absorb ProjectPartners and transfer it to ProjectCompany Co., Ltd. in July 2023 to strengthen cooperation among consulting businesses within the Group.



Lastly, for the management structure, we have already disclosed that we will transition to a purely holding company structure from January 2024.

As part of a major reorganization, ProjectPartners, Inc., which started in July of last year, was separated from ProjectCompany, Inc. at its inception and we have been trying to promote its growth independently.

In consideration of the progress of our performance and various issues being discussed, ProjectPartners, Inc. develops a consulting business same as ProjectCompany, Inc. and it would be better to work together. By merging and transferring to ProjectCompany, Inc., we will be able to continue smooth and seamless cooperation between the consulting businesses within the Group. As we aim to restrengthen, we disclosed it today.

Although my explanation got slightly complicated at the end, this concludes my explanation.

Question & Answer

Matsumura [M]: I would be happy to receive any questions.

Yoshida [Q]: I have several questions. Thank you.

Referring to page 12 of the slide, as explained by Mr. Matsumura, the performance for Q1 did not show the same seasonality as last year.

I think net sales were somewhat lower than I expected. Could you please first describe the demand trends in this area, such as whether this is a matter of concern or not?

Matsumura [A]: Thank you. Okay, let's see.

First, regarding the matter of concern, we are concerned about it to a reasonable level. However, as I mentioned at the beginning of this presentation, the progress is not so bad in terms of comparing it to the plan.

First, if we are to look at the nature of the situation, we do not see demand trends weakening that much. In fact, we see this as an internal problem.

Specifically, as shown in the lower left-hand corner of the slide on page 19, we have been saying since H2 of last year that hiring has been slowing down a bit.

As a result of this, I am afraid that we have not been able to capture the same level of growth as in the past. In that sense, we recognize such an issue. On the other hand, the issue was recognized to some extent at the beginning of the fiscal year. So our performance isn't as sluggish when compared to the plan.

Yoshida [Q]: I understand. I think you are hiring more aggressively than ever before. How do you manage quality control? For example, some companies have hired personnel, but the assignments don't go as planned. What's the case with your company?

Matsumura [A]: I am not aware of any assignment not going smoothly at this moment.

Quality can be referred to as the quality of the projects or the quality of the human resources.

First of all, there were no problems with the quality of projects in Q1. From Q2 thereafter, a large number of new graduates will join the Company and I think it is very important to control the quality of projects.

We are in the process of assigning a specialized person in quality control and taking steps to prevent negative feedback from clients relating to poor quality in projects.

If I am to mention the quality of the human resources that we managed to hire. First, in terms of whom we selected, I would say that we have been able to select them properly. In the process of accelerating mid-career hiring again in the future, we expect to improve our recruiting resources a little more. Therefore, I don't feel that quality will decline too much.

I am rather concerned about the short-term cost-increasing factor of assigning a person to that hiring process, even though it is an unavoidable part of the process.

Yoshida [Q]: Is this a situation where the costs are as high as planned?

Matsumura [A]: We have been able to control the hiring costs within the scope of the plan and it was slightly lower than planned in Q1.

The reason for this is that at the beginning of the fiscal year, we set a budget for hiring costs that were based on the premise of a considerably aggressive plan to recruit 100 new graduates in the next fiscal year. Now that we have lowered the target number of new graduates to 80, or that cost control is in place, we do not anticipate a large fluctuation in the budget for hiring costs.

However, as we have decided that we need to put more of that effort into mid-career hiring as well, we are allocating more of that cost to mid-career hiring and we will probably make a management decision not to use the cost of new graduate recruitment that was projected at the beginning of the fiscal year.

Yoshida [Q]: I understand. Thank you.

I will go on to the next subject. In terms of profit, I think Q1 started slowly, as you have explained before. But looking at the profit margin growth for the fiscal year, it seems you may need to raise it at some point. Are you still at a low point as of Q2? Do you envision it going up significantly in Q3 and Q4?

Matsumura [A]: Yes. Your understanding is correct.

Regarding factors for Q2, we had originally incorporated office costs. Considering that the higher office costs and the hiring costs will reach their peak within the fiscal year, we do not expect them to improve much.

In H2, although rent will go up in Q4 as well, we will manage to control it to some extent. And in terms of the organization, new graduate resources are already assigned and we expect them to gradually develop into fully-skilled consultants. I'm not sure if I can say fully skilled. But the original plan estimates an increase in the profit margin from H2 under the premise of these employees developing half the skills.

Yoshida [Q]: I understand. Thank you.

Last but not least, I wanted to mention artwize inc. I understand that you are planning to turn it into a subsidiary. Should we consider that these numbers aren't included in the plan?

Matsumura [A]: No, they aren't explicitly included. Although they have a certain degree of visibility, we devised the plan without including them.

Yoshida [Q]: Even though this will contribute to sales, will it negatively affect profits for this fiscal year?

Matsumura [A]: It should be flat.

Yoshida [Q]: I understand.

Also, artwize inc.'s sales and profits over the past three years seem to have worsened. Why is this?

Matsumura [A]: artwize inc. closes its books at the end of June, and we have been looking at the figures for the progressive period and we expect to achieve firm profits here in terms of progress.

The deficit is due to several factors, including the launch of another new business.

Yoshida [M]: I understand. That's all. Thank you.

Matsumura [A]: We have received a question via chat and I will read it out loud and then answer it.

First, you said the partner ratio was a factor relating to the increase in outsourcing costs, and was there an increase in the unit amount for each partner?

Also, we have received a question regarding if we can tell if we are working on partner M&A and other things, due to the inability of receiving orders arising from the lack of human resources or incurring too many costs.

Let's answer the first question. I interpreted your question on the assumption that our partners' purchase price has gone up. If not, I would appreciate it if you could please let us know. In that sense, I don't have that much of an impression that our partners' purchase prices go up significantly.

In fact, the absolute number of partners has increased. We were not able to secure human resources within the Company at the pace we hoped for. Originally, in Q1 there are more projects seasonally, with many new employees being hired in April. Therefore, the partner ratio increased in part due to this transition period, which we also experienced in the past. Although these are internal factors for this fiscal year, the fact that they contributed to the increase in the partner ratio also increased the subcontracting costs.

Regarding the possibility of taking partner companies through M&As or otherwise, it is possible. We are eager to do it whenever we are presented with such an offer. In the past, although the area doesn't necessarily fall under consulting, ProjectTechnologies, Inc., formerly cuatro technologies Inc., was an example of an M&A of a company with which we had a relationship as a partner.

Another thing is, there is a question if the intention of switching to a holding company can mean strengthening M&A or otherwise. The answer is yes.

The transition to a holding company structure means that we had the intention to create a structure that would allow them to join the Group through M&As without necessarily being affiliated with ProjectCompany, Inc.

As for specific M&A plans, although I don't have much to say at this point, basically, we are always open to expanding our existing business areas while also targeting new ones.

That is all. If there are no further questions, I would like to conclude the presentation of ProjectCompany's financial results for Q1 of the fiscal year ending December 2023.

Thank you very much for participating today.

[END]
