



ProjectHoldings, Inc.

Financial Results Briefing for the Fiscal Year Ended December 2023

February 15, 2024

Event Summary

[Company Name]	ProjectHoldings, Inc.	
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[Event Name]	Financial Results Briefing for the Fiscal Year Ended December 2023	
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[Time]	13:00 – 13:30 (Total: 30 minutes, Presentation: 22 minutes, Q&A: 8 minutes)	
[Number of Speakers]	2	
	Yunosuke Doi	Representative Director, President and CEO
	Ryo Matsumura	Senior Director, Managing Executive Officer and CFO
[Analyst Names]*	Masao Yoshida	Ichiyoshi Research Institute

*Analysts that the Company was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Doi: Now that it is time to start, we will begin the financial results presentation of ProjectHoldings, Inc. for the fiscal year ending December 31, 2023.

Once again, I am Doi, Representative Director, President and CEO of ProjectHoldings, Inc.

Matsumura: I am Matsumura, Senior Director, Managing Executive Officer and CFO.

Executive Summary

Q4 FY2023 Financial Results

Net Sales	Operating Profit	EBITDA ^{*1}	EBITDA Margin
¥1,560 million (+13.3% YoY)	¥189 million (-28.9% YoY)	¥235 million (-22.2% YoY)	15.1% (-6.9 pts YoY)
<ul style="list-style-type: none"> Despite the YoY increase in net sales, the Digital transformation business grew only by 1.3% YoY due to the focus on fostering existing employees. Operating profit decreased mainly due to an increase in SG&A expenses such as rent expenses associated with office relocation and attorneys' fees. 			

Major Numerical Information^{*2}

Net Sales per Client	Net Sales per Employee
¥34.5 million/year	¥2.77 million/ person/month
<ul style="list-style-type: none"> Net sales per client for FY2023 rose 14.2% YoY, with generally good progress made in turning existing clients into large-scale customers Net sales per employee fell 19.7% YoY, due to hiring approx. 40 new graduates in April 2023 (6 in 2022), among other factors. 	

Issues and Countermeasures for the Digital Transformation Business

- Fostering existing employees** centered on new graduate employees, as focused on in 2H of FY2023, **made generally good progress**, but the year-end number of managers fell short of the target. Took measures such as **establishing a new organization with the mission of fostering employees**.
- Approx. 15 people left the Company**, with the main reason being **the way the former Executive Vice President resigned** in September 2023, keeping the attrition rate high. Measures are being taken, such as reinforcing HR functions.

Performance Outlook for FY2024

Net sales: ¥6,100 million	Operating profit: ¥250 million
<ul style="list-style-type: none"> In FY2024, focus on rebuilding the organization and structuring the fostering of people for the future, and plan to return to a growth path of 30% YoY in FY2025 and onward. 	

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

^{*2} Figures compiled for the Digital transformation business.

Doi: Thank you very much for taking time out of your busy schedules today to attend our financial results briefing.

As a quick reminder, here is a summary of today's explanation.

For Q4 of the fiscal year ending December 31, 2023, the Company reported net sales of JPY1,560 million and operating income of JPY189 million. Although revenue increased from the same period of the previous year, operating income declined against the backdrop of higher SG&A expenses, such as rent and legal fees associated with office relocation.

In the mainstay digital transformation business, the training of existing employees, particularly new graduates, which had been an issue for some time, generally progressed favorably.

On the other hand, the target for the number of managers at the end of the fiscal year has not been reached, and the turnover rate has remained high, with approximately 15 employees resigning mainly due to the circumstances leading to the resignation of the Company's former Executive Vice President in September 2023.

We will also explain today the status of measures to address these issues, as well as our outlook for the fiscal year ending December 31, 2024.

After this, we will begin with a brief overview of our group and then discuss Q4 and full year results for FY2023 and the status of our digital transformation business. Finally, I would like to explain our financial outlook for the fiscal year ending December 31, 2024, and our medium-term management plan.

1. Overview of ProjectHoldings, Inc.

Group Management Philosophy

Mission

Creating a Project-based Society

Vision

Our vision is to foster and develop a large number of professionals
who will lead the next generation
and provide a variety of solutions that transform companies.
By doing so, we aim to guide each of our client companies to become enterprises
that represent the next generation
and contribute to the revitalization of Japanese society.

ProjectHoldings, Inc.

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Let me now give you an overview of ProjectHoldings.

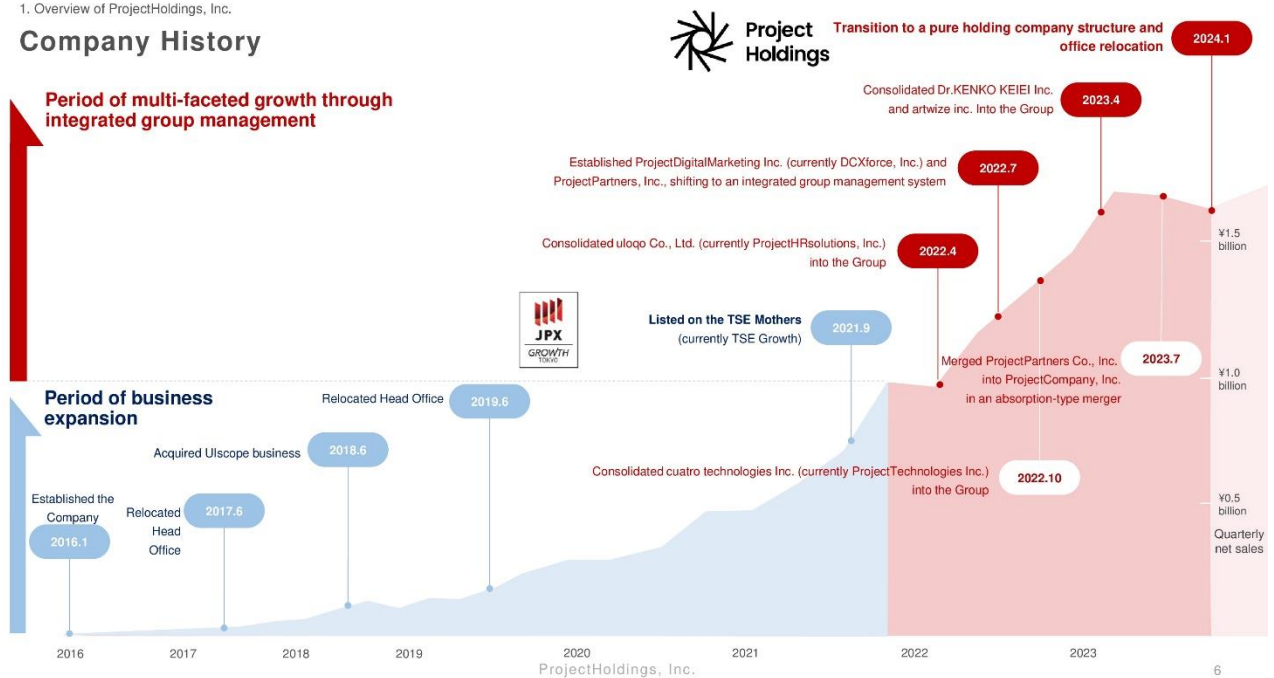
Our group management philosophy is "Creating a project-based society." The Japanese economy has been stagnant for a long time since the bubble period. As the world shifts from an industrial capitalist society to an information capitalist society, the quality of human resources required is shifting from task-oriented personnel who do exactly what they are told, to project-oriented personnel who can promote projects on their own.

We believe that Japanese companies should break away from the traditional task-based stovepipe organizational structure ruled by superiors, and transform themselves into a project-based structure in which people who can promote projects on their own are organically linked based on their mission, and come together as a team to achieve their goals.

We believe that this is the only way for the Japanese economy and society to regain its vitality, and we will work as one to develop our business based on our management philosophy of creating a project-based society.

We will discuss this management philosophy again later in the explanation of our medium-term management plan.

Company History



Next, I would like to give you a brief history of our company.

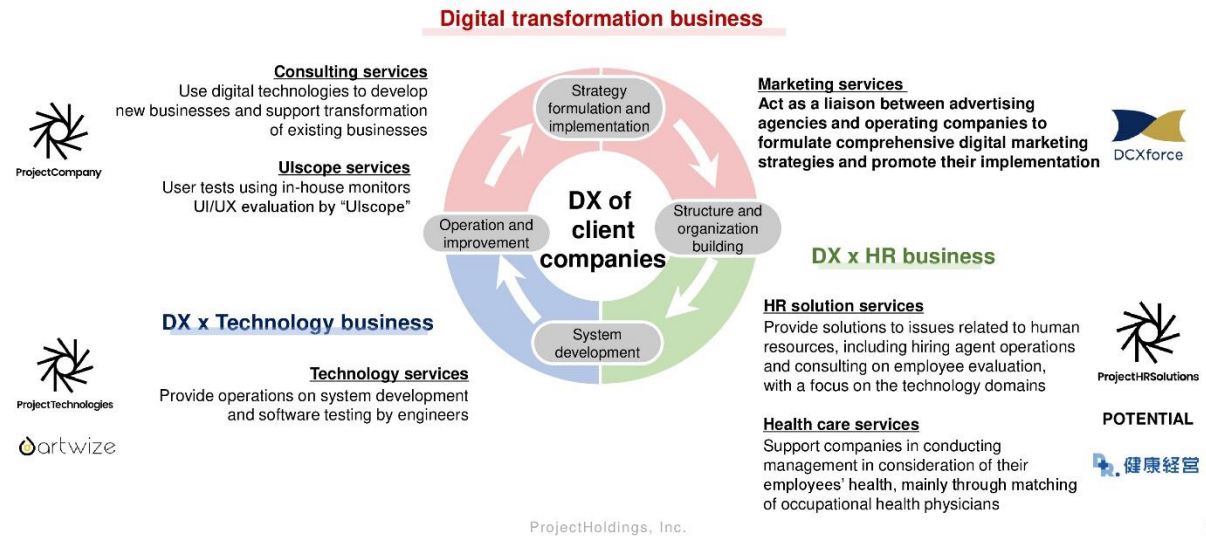
Our company was founded in January 2016 as ProjectCompany, Inc. and has been steadily expanding its business ever since. By listing on the then TSE Mothers market in September 2021, we were able to achieve our mid-term goal from the time of our founding to our going public in 2021.

Since going public, the Company has also planned for diversified growth through group management, with ulogo Co., Ltd. (HR solutions), Cuatro Technologies Co., Ltd., and artwize Inc. (technology services), and Dr. KENKO KEIEI Inc. (health care services) joining the Group through mergers and acquisitions.

In January 2024, the Company transitioned to a holding company structure and changed its trade name to ProjectHoldings Inc. in order to continuously improve the corporate value of the entire Group through new share acquisitions and the launch of new businesses.

Business Domains of the Group

- We define “digital transformation” (DX) as the expansion of businesses at operating companies through the use of digital technologies to develop new businesses and improve operations. With this understanding, we provide one-stop support for our client companies’ DX strategies, from planning to implementation and improvement.



The Group considers the expansion of business through business development and operational improvement utilizing digital technology as digital transformation, and provides comprehensive support to its clients from the formulation of DX strategies to system construction, system development, and operational improvement.

Within this segment, the business is divided into three business sections. The digital transformation business provides consulting services for new business development and existing business transformation. Ulscope services evaluate the UI/UX of websites and apps through user testing using in-house monitors. And, in addition, we are involved in marketing services that support the development and execution of overall strategies in the area of digital marketing between advertising agencies and business companies.

Additionally, the DX x HR business, which entered the market in April 2022, provides HR solution services, including recruitment agency services, mainly in the technology industry, and health care services that support corporate health management, mainly through industrial physician matching services.

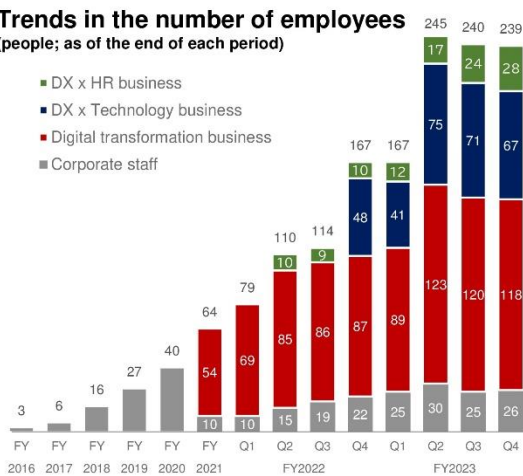
The DX x technology business, launched in October 2022, provides system development and software testing services by engineering personnel.

The following business chart and specific case studies will not be explained today.

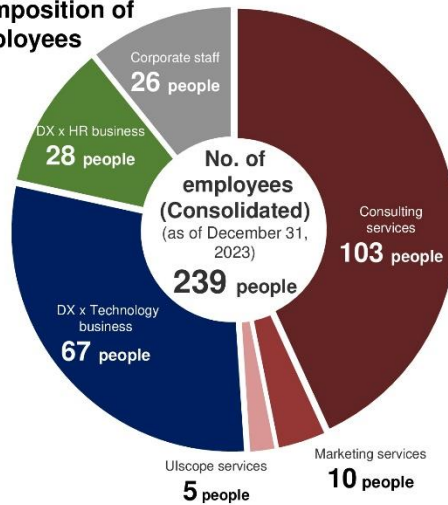
Situation of Employees

- The number of employees was 239 as of December 31, 2023, **decreasing slightly from Q3**.
- The decrease was mainly due to curbs on mid-career hiring in the Digital transformation business and a high attrition rate (see p. 23).

Trends in the number of employees
(people; as of the end of each period)



Composition of employees



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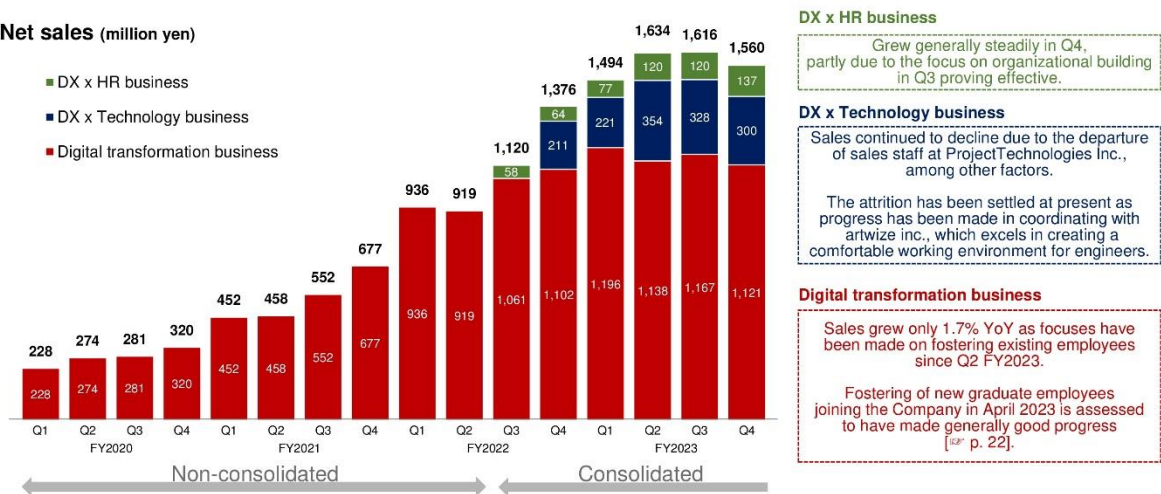
Here is the situation of employees.

The number of employees had been increasing steadily since the Company's establishment, but declined slightly to 239 at the end of December due to a decrease in the number of mid-career hires since H2 of the previous fiscal year along with a high turnover rate that has remained high. Of these, 118 employees, or about half, are engaged in the digital transformation business.

Quarterly | Financial Results - Net Sales

- Achieved net sales of **1,560 million** in Q4 FY2023, **down 3.5% QoQ** and **up 13.4% YoY**.
- Net sales of the Digital transformation business totaled **1,121 million**, **down 3.9% QoQ** and **up 1.7% YoY**.

Net sales (million yen)



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Matsumura: From here, I will explain our Q4 and full-year performance for FY2023.

Sales for Q4 of the fiscal year ended December 31, 2023 landed at JPY1.56 billion, down 3.5% QoQ and up 13.4% YoY.

In the digital transformation business, our core business, sales growth in Q4 was limited to plus 1.7% YoY, as we have been focusing on training existing employees since Q2 of 2023, when about 40 new graduates joined the Company.

As we will explain later, we have assessed that the training of new graduates who joined the Company in April 2023 has generally progressed well.

In the DX x technology business, sales continued to decline at ProjectTechnologies, one of the two companies in the Group in this area, due to the departure of a sales representative.

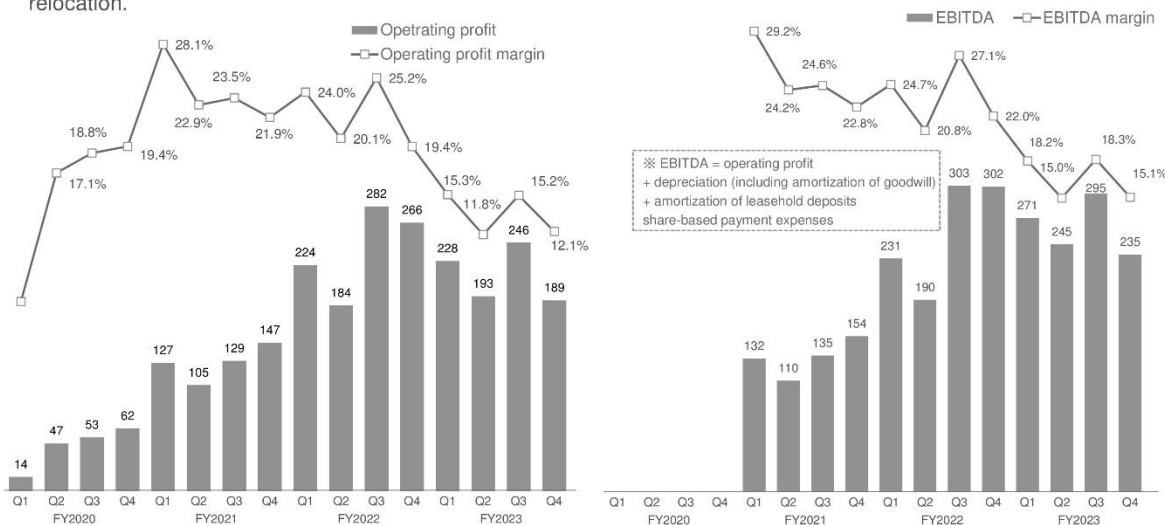
By joining forces with artwize, another company in the same field that excels in creating a comfortable working environment for engineers, we have been able to calm the current wave of retirements, and we intend to make a comeback in the future.

The DX x HR business has also benefited from the focus on organization building in Q3, and its performance grew steadily in Q4 of this fiscal year.

2. Q4 FY2023 and Full Year Financial Results

Quarterly | Financial Results - Operating Profit & EBITDA

- Operating profit and EBITDA decreased QoQ, mainly due to an increase in rent expenses associated with the office relocation.



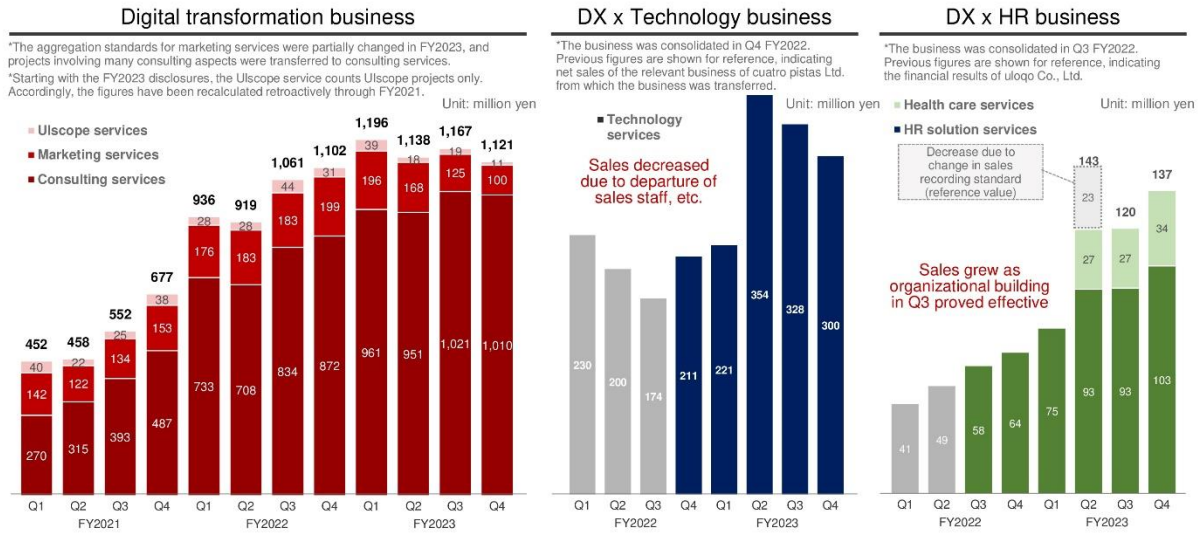
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Operating EBITDA was lower QoQ, mainly due to an increase in ground rent resulting from double rental payments in December in connection with the relocation of the new office starting in January 2024.

Quarterly | Results by Segment - Net Sales

- Net sales by segment are as follows.



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Segment performance.

In terms of sales by service within the digital transformation business, consulting services remained generally flat, while marketing services saw a decline in sales of about 20% QoQ. Ulscope services saw revenues decline by about 40% QoQ.

In the DX x technology business, sales declined by about 10% QoQ due to the departure of sales personnel and other factors. In the DX x HR business, sales of both HR solution services and health care services grew, resulting in an overall revenue increase of approximately 15%.

Quarterly | Results by Segment - Cost of Sales & Gross Profit

- In the Digital transformation business and DX x Technology business, although gross profit margin improved, the amount of gross profit decreased in association with the decrease in net sales.

	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	1,121	-3.9%	300	-8.5%	137	+14.2%
Personnel expenses (cost of sales)	186	-0.5%	68	-2.9%	29	+45.0%
Outsourcing expenses (cost of sales)	450	-8.5%	154	-13.5%	12	+50.0%
Other costs	2	-33.3%	0	-	0	-
Gross profit*	481	-0.6%	75	-3.8%	94	+4.4%
Gross profit margin	42.9%	+1.4 pts	25.0%	+1.2 pts	68.6%	-6.4 pts
SG&A expenses			463		+13.8% QoQ	
Operating profit			189		-23.2% QoQ	
Operating profit margin			12.1%		-3.1 pts 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.

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Next, I would like to discuss the profit side of the segment performance.

In the digital transformation business, the training of new graduates generally progressed well. The gross profit margin improved due to a slight decrease in the partner ratio and an increase in the in-house production ratio. On the other hand, the amount of gross profit landed lower due to a decrease in net sales.

Similarly, in the DX x technology business, in addition to synergies with the digital transformation business, the gross profit margin improved since some partner projects were stripped out due to the departure of sales personnel, and the ratio of proprietary employee projects increased. On the other hand, the amount of gross profit landed lower due to a decrease in net sales.

Quarterly | Breakdown of SG&A Expenses

- SG&A expenses increased 13.8% QoQ due to an increase in rent expenses associated with the office relocation as well as an increase in attorneys' fees and entertainment expenses, etc.
- As part of the expenses were not spent, mainly in hiring expenses, SG&A expenses were lower than planned.

	Results [million yen]	SG&A expenses to net sales	QoQ	Description
Personnel expenses (SG&A expenses)	100	6.4%	-8.3%	Remuneration for directors and officers and salaries for back office employees, etc.
Outsourcing expenses (SG&A expenses)	32	2.1%	-11.1%	Expenses required cross-sectionally for projects
Hiring expenses	47	3.0%	-13.8%	Agent fees and event expenses, etc.
Rent expenses	85	8.4%	+54.1%	Office rent, etc.
Depreciation, etc. (including amortization of goodwill)	46	2.9%	-6.1%	Amortization of goodwill, depreciation of other non-current assets and share-based payment expenses, etc.
Other SG&A expenses	106	6.8%	+45.2%	Attorneys' fees and entertainment expenses, etc.
Total SG&A expenses	463	29.7%	+13.8%	

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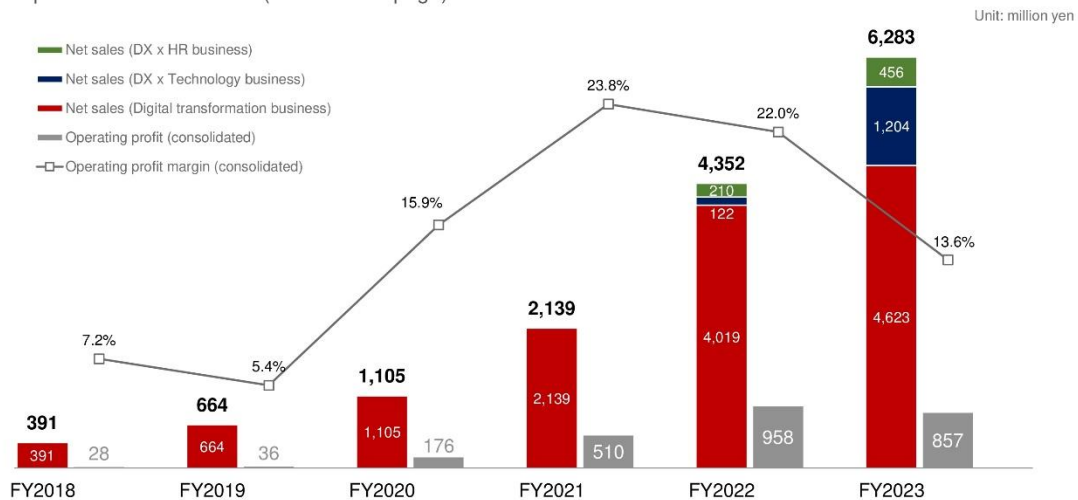
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SG&A expenses increased by 13.8% QoQ, mainly due to an increase in rents resulting from double rents incurred in December following relocation to the new office.

On the other hand, the Company did not spend some programmed expenses, mainly recruiting expenses, due to the effect of cost reductions and other factors, resulting in a downward revision compared to the plan.

Full Year | Financial Results - Net Sales and Operating Profit

- For the full year of FY2023, net sales grew by 44.4% YoY to 6,283 million yen, while operating profit decreased by 10.5% YoY to 857 million yen mainly due to slower growth of the Digital transformation business and increases in hiring expenses, rent expenses and other costs (see the next page).



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Based on these Q4 results, I would like to discuss the full-year results.

The full-year revenue for FY12/2023 is the sum of the results of Project HR Solutions and Project Technologies -- which entered the Group through M&A in FY12/2022 -- for the full year beginning this fiscal year.

Sales growth in the DX x technology segment and DX x HR segment due to the M&A effect of artwize and Dr. KENKO KEIEI joining the Group in April 2023, which falls during the current term, also contributed to a 44.4% YoY increase to JPY6,283 million.

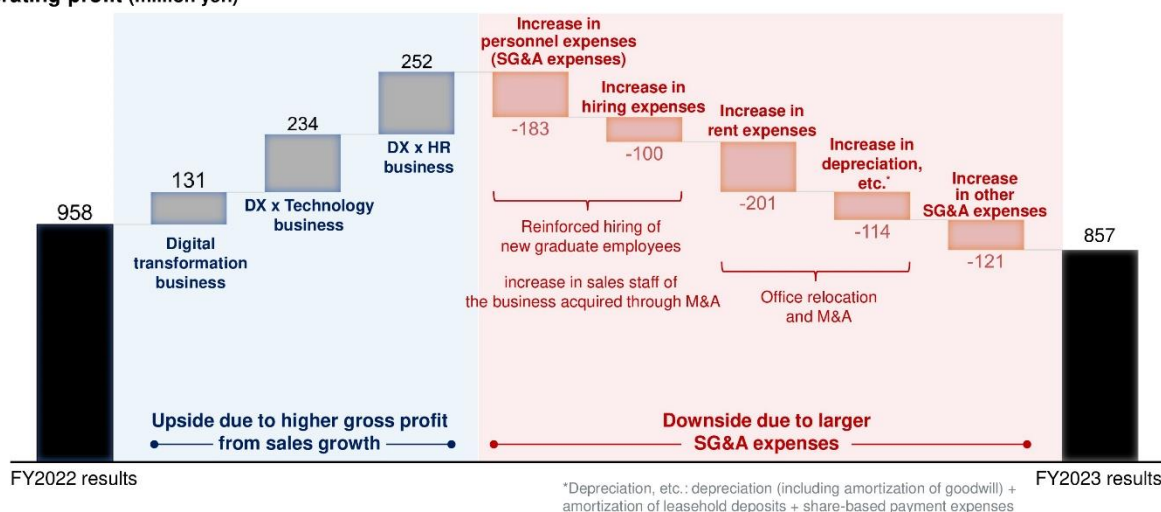
On the other hand, operating income was JPY857 million, down 10.5% YoY, mainly due to slower growth of the digital transformation business (plus 15% YoY) and an increase in expenses, such as for recruitment and rent.

2. Q4 FY2023 and Full Year Financial Results

Full Year | Financial Results - Change Factors in Operating Profit (Year-on-Year Comparison)

- Operating profit decreased in FY2023 mainly due to an increase in personnel expenses (SG&A expenses) and hiring expenses associated with reinforced hiring of new graduate employees and a rise in rent expenses associated with the office relocation.

Operating profit (million yen)



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Here is an analysis of the factors contributing to the decrease in profit for the year ending December 31, 2023.

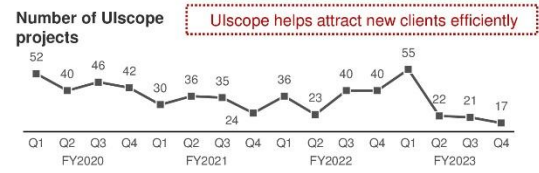
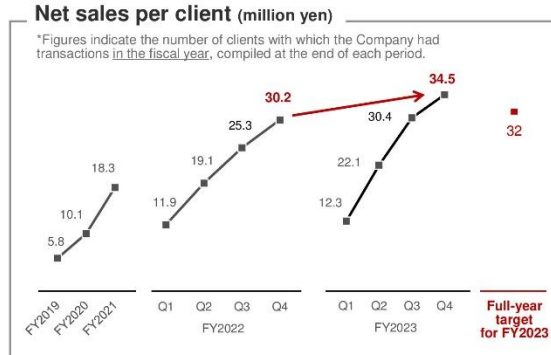
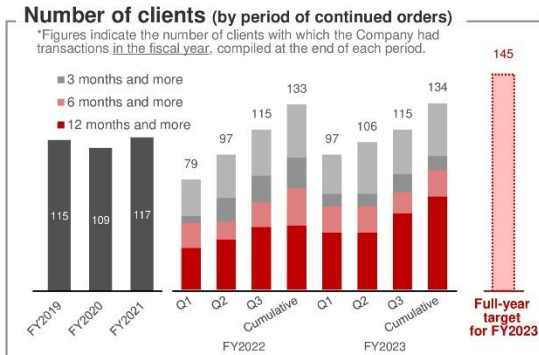
At the gross profit level, the digital transformation business contributed an increase of JPY131 million, the DX x technology business contributed an increase of JPY234 million, and the DX x HR business accounted for an increase of JPY252 million.

On the other hand, the cost of sales personnel in businesses that had recently joined the Group via M&A was a factor in the increase in personnel expenses.

Operating income decreased mainly due to an increase in recruiting and hiring department personnel expenses as a result of the enhanced hiring of new graduates, as well as an increase in rent due to moving into an office with higher rent in April following the office relocation and double rent payments made in December.

Business KPI Trends | Number of Clients & Net Sales per Client

- The number of clients fell short of the target as priority was placed on organization strengthening, but net sales per client of existing clients grew generally steadily.



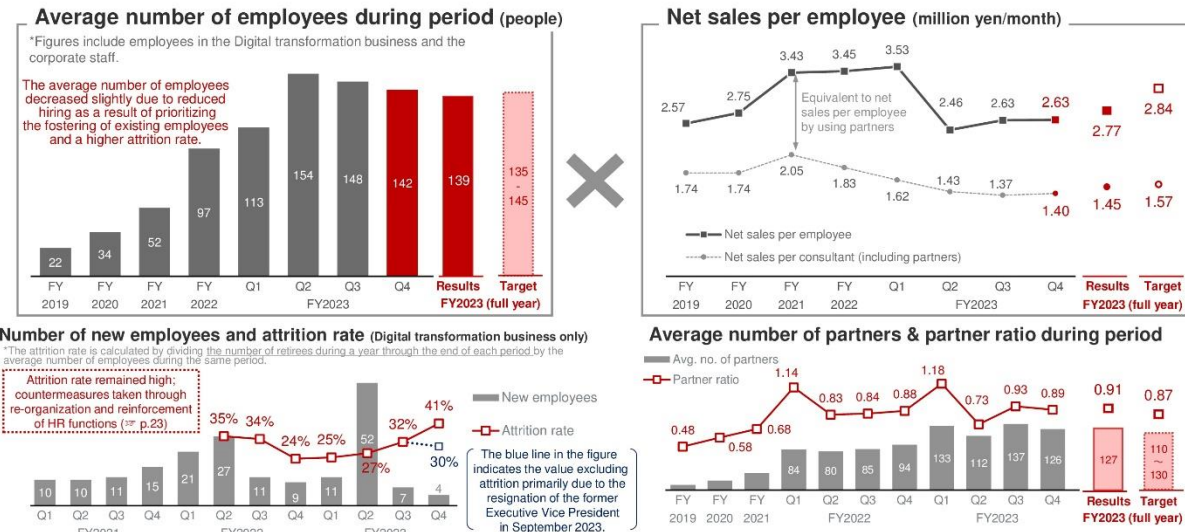
Next, I will explain the status of our core digital transformation business.

First, the number of clients and cost per client.

Although the number of clients fell short of the target due to the priority placed on strengthening the organization, the improvement of unit prices for existing clients is generally progressing well, and the number of large clients with annual sales of JPY100 million or more has increased, from five in FY12/2022 to nine in FY12/2023.

Business KPI Trends | Number of Employees and Net Sales per Employee

The attrition rate continued to stay at a high level, partly impacted by the resignation of the former Executive Vice President. Countermeasures have been taken by reinforcing the HR functions, etc. (p. 23)



Next is the number of employees and sales per employee.

The turnover rate, which has been an issue for some time, remained high due in part to the resignation of the Company's former executive vice president. We view this as an important issue that needs to be improved, and as explained later, we are implementing measures, such as strengthening our human resource function.

Note that the number of new hires for the fiscal year ending December 31, 2023 remains low at only four, although this is an issue as well. There are signs of improvement in this regard, with eight new employees joining the Company in January 2024.

As a result, the average number of employees during the fiscal year ended December 31, 2023 was 139, generally in line with the revised plan. However, 15 employees had resigned by the end of December 2023, and this figure is included in the calculation of the turnover rate, a point that will also affect the forecast for the fiscal year ending December 2024, which will be explained later in this report.

On the other hand, we would appreciate it if you would note that the number of employees as of the end of December is included in the enrollment as of the end of December, and therefore does not affect the mid-term total of the number of employees at the end of the period or the average number of employees during the period, as explained on page 10.

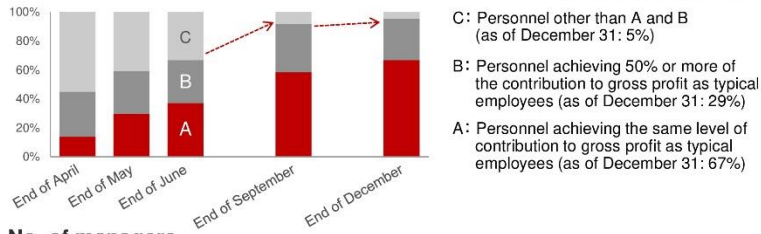
In addition, the sales per employee target was not achieved due to the departure of an employee with a certain level of experience.

Topics | 1 | Fostering Situation of New Graduate Employees Joining in April 2023 and Managers/Candidates

- Almost all new graduate employees joining the Company in April 2023, on whom focus was placed to make them ready for work, reached the level of 50% or more of typical existing employees in terms of contribution to gross profit.
- Fostering managers and candidates failed to reach the target due to the resignation of some managers in December.

Ratio of New Graduate Employees by Charge Rank

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

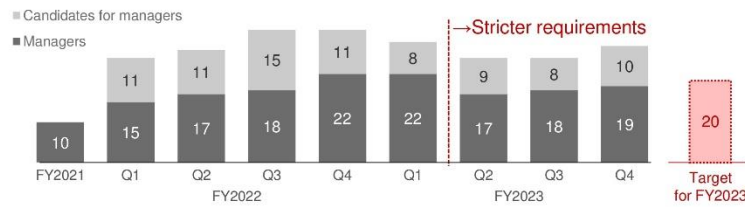


- C: Personnel other than A and B (as of December 31: 5%)
- B: Personnel achieving 50% or more of the contribution to gross profit as typical employees (as of December 31: 29%)
- A: Personnel achieving the same level of contribution to gross profit as typical employees (as of December 31: 67%)

Assessed to have made generally good progress in our focus on fostering existing employees centered on new graduate employees in FY2023 2H.

Further streamlined the process of making inexperienced personnel centered on new employees ready for work and incorporated the upgraded fostering of managers and candidates into the organization and internal systems (p. 29).

No. of managers



Failed to reach the target as some managers left the Company at the end of December partly due to the way the former Executive Vice President resigned.

Next, I would like to mention two topics related to the digital transformation business.

The first point is the respective development status of members who joined the Company as new graduates in April 2023 and managerial personnel.

For the April 2023 new graduate hires, who were focused on launching during the period, almost all of them, or 95% of the total, reached the 50% or more contribution to the gross profit line of standard existing employees, although there were delays during the period. As of the end of the fiscal year, the Company evaluates that it has generally made good progress in this regard.

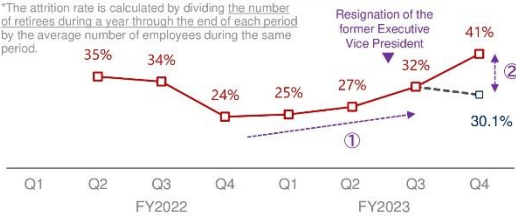
Meanwhile, the target for the development of managerial personnel has not been reached due to the retirement of some managers at the end of December, after requirements were reviewed and tightened in Q2.

Topics | 2 | Situation of Employee Attrition Rate

- Approximately 15 employees left the Company by December 31, 2023, with the main reason being the way the former Executive Vice President resigned in September 2023.
- Initial countermeasures have been taken by 1) implementing measures to prevent recurrence based on the results of a third-party investigation into the circumstances (disclosed on December 22, 2023) and 2) reinforcing the HR functions through reforming the evaluation system and payroll tables and newly establishing an HR department with an experienced HR manager hired.

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.



Factor 1): Upward trend seen from around Q1 FY2023

A gradual rise in the attrition rate as workload was concentrated on some people, mainly due to the fostering of members amid the rapid expansion of the organization (the factor that has been disclosed earlier).

Factor 2): Rise from the latter half of Q3 FY2023

The fact that **approx. 15 employees** left the Company by December 31, with the main reason being the way the former Executive Vice President came to resign in September 2023.

*The deemed attrition rate excluding the said leavers was 30.1%, down from Q3.

Reinforcing governance

- Implemented measures to prevent recurrence as described in the ["Notice Concerning Results of Investigation into Resignation of Former Executive Vice President"](#) disclosed on December 22, 2023.

Reinforcing HR (human resource) functions

- Fully revised the salary table (including pay rise) and internal systems by adding enhancement of one's own capabilities and fostering of others to the evaluation system on top of the achievement of numerical targets.
- Strengthened support for employee growth and careers by newly hiring and appointing as head of the HR and planning department a person with experience as HR manager at an operating company.

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The second point is the status of employee turnover and how it is being addressed.

As we have previously disclosed, turnover has been on the increase due to the rapid expansion of our organizational scale since Q1 of FY2023, which has concentrated the burden of member training on some personnel.

In addition, by the end of December 2023, there were approximately 15 employees who had left the Company, presumably triggered by the circumstances leading to the resignation of the former Executive Vice President in September 2023.

In light of this situation, we will thoroughly implement measures to prevent a recurrence, as described in our timely disclosure dated December 22, 2023.

In addition to this, the Company will implement HR system reforms that include not only the achievement of numerical targets, but also the growth of individual abilities and fostering of others in the evaluation system; implement a complete revision of the salary table internal system, etc., including wage increases; and hire a new person with HR manager experience at a business company and appoint him as the head of the HR planning department, thus, enhancing employee growth and career support. Through these measures, the Company is taking steps to strengthen its human resource functions.

Performance Outlook for FY2024 - Overview

	Unit: million yen	FY2023 (Results)	FY2024 (Forecast)	Change	Change rate (%)
■ Net sales for FY2024 are projected to remain largely flat YoY.	Net sales	6,283	6,100	-183	-2.9
■ By segment, sales are expected to decline in the Digital transformation and DX x Technology businesses, which are seeing a certain level of attrition at the moment, while sales are anticipated to continue increasing in the DX x HR business.	Digital transformation	4,623	4,390	-233	-5.0
	DX x Technology	1,204	1,140	-64	-5.3
	DX x HR	456	570	+114	+25.0
■ Operating profit margin is forecast to decline significantly to 4.1% in FY2024, mainly due to an increase of rent expenses associated with the office relocation and higher depreciation costs.	Gross profit ^{*1} (Gross profit margin)	2,558 (40.7%)	2,450 (40.2%)	-108	-4.2
	Digital transformation	1,945 (42.1%)	1,790 (40.8%)	-155	-8.0
	DX x Technology	278 (23.1%)	260 (22.8%)	-18	-6.5
	DX x HR	335 (73.5%)	400 (70.2%)	+65	+19.4
■ In particular, operating profit margin will drop markedly in 1H of FY2024, mainly due to a temporary increase in personnel expenses with new graduate employees joining the Company in April.	Operating profit (Operating profit margin)	857 (13.6%)	250 (4.1%)	-607	-70.8
	EBITDA ^{*2} (EBITDA Margin)	1,047 (16.7%)	550 (9.0%)	-497	-47.5

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

^{*2} EBITDA represents operating profit plus depreciation (including amortization of goodwill), amortization of leasehold deposits and share-based payment expenses.

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I will then explain the outlook for the fiscal year ending December 31, 2024, followed by Mr. Doi's explanation of the medium-term management plan.

Sales for FY12/2024 will start from a negative base due to the recent downward trend in sales and the departure of 15 employees in the Digital transformation business at the end of December 2023.

Therefore, although we expect to return to a growth trajectory during the term by focusing on organizational restructuring, we expect YoY performance to remain largely unchanged compared to the previous year.

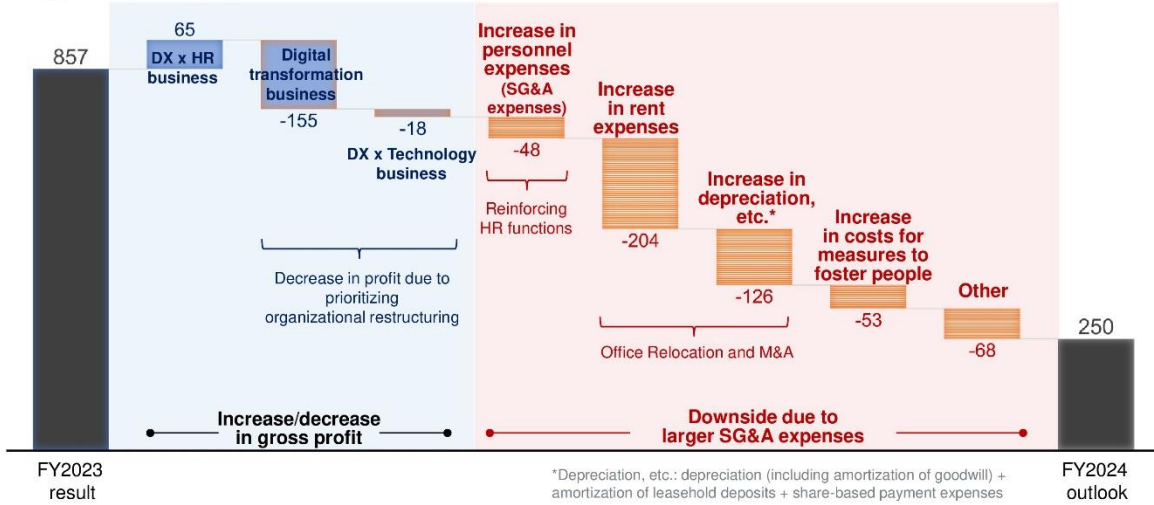
By segment, the digital transformation and DX x technology businesses, which have experienced a certain amount of turnover in the recent past, are expected to see a decline in revenue, while the DX x HR business is expected to continue to see an increase in revenue.

In terms of profit, the operating income margin for the fiscal year ending December 31, 2024 is expected to decline significantly to 4.1%, mainly due to an increase in rent and depreciation expenses associated with the office relocation. And, especially due to a temporary increase in personnel expenses not contributing to sales resulting from the hiring of new graduates in April, the operating income margin for H1 is expected to decline significantly.

Performance Outlook for FY2024 - Factors for Increase/Decrease in Operating Profit

- Operating profit is projected to decline in FY2024, mainly due to a decrease in gross profit as a result of prioritizing organizational restructuring and an increase in rent expenses, depreciation, and costs for measures to foster people.

Operating profit (million yen)



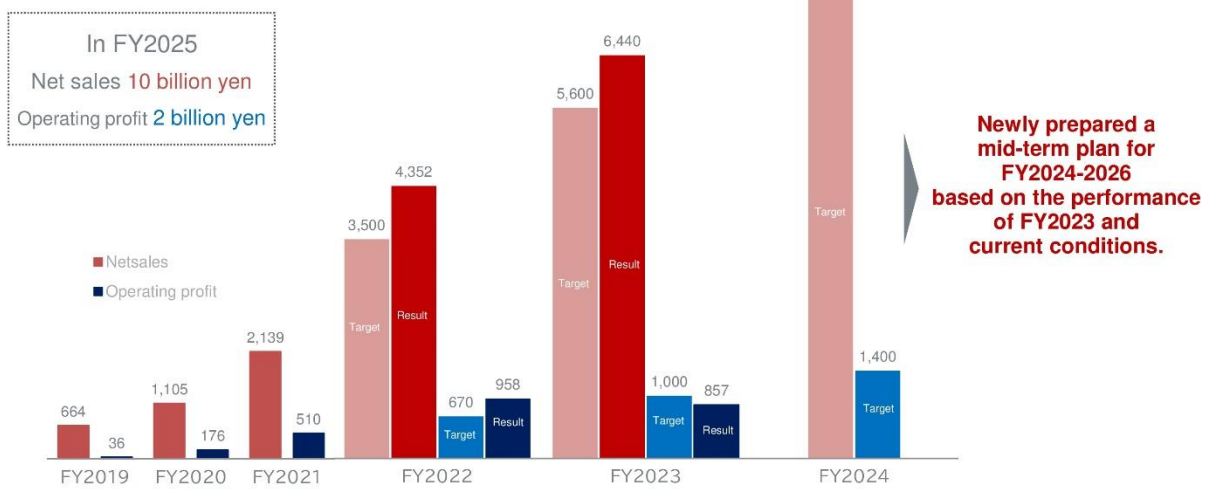
For an analysis of the factors that are expected to contribute to the increase or decrease in operating income, please click here.

To reiterate, we expect a decrease in profit for the fiscal year ending December 31, 2024, mainly due to lower gross profit in the digital transformation and DX x technology businesses as a result of prioritizing organizational restructuring in addition to higher rent, depreciation, and human resource development costs.

Progress Towards the Medium-term Target “TARGET100”

- Fully revised “TARGET100,” the medium-term goal announced in February 2022, in light of the extremely high hurdles to achieving it.

Medium-term goal “TARGET100” (announced in February 2022)



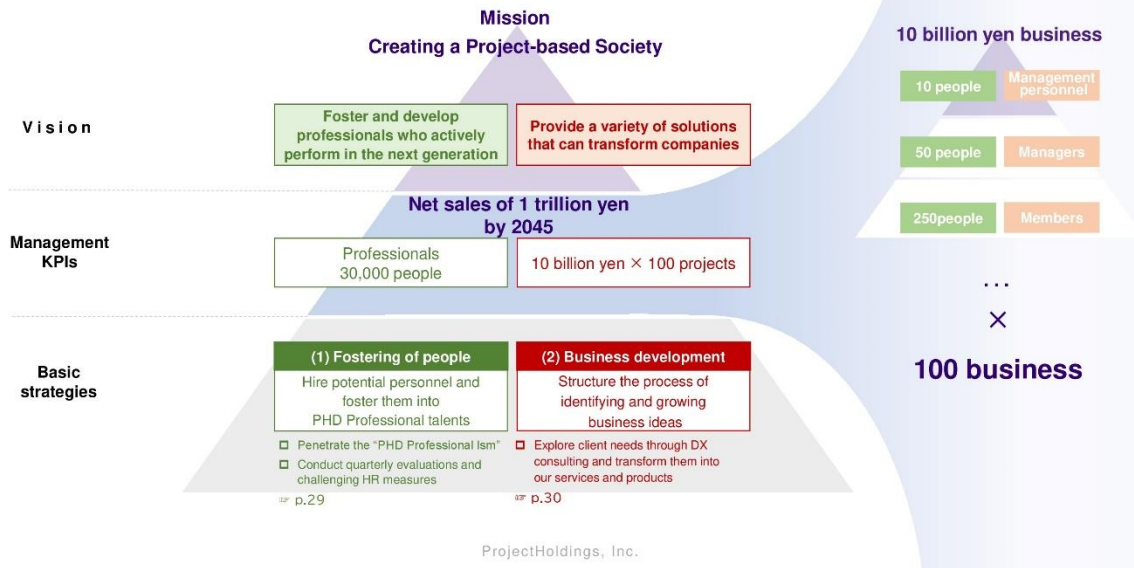
Doi: From here, I would like to explain our medium-term management plan.

In February 2022, we announced our mid-term performance target called "TARGET 100". As Matsumura explained earlier, the hurdle for achieving this goal is extremely high, given our performance for the fiscal year ending December 31, 2023, and the current situation. Therefore, we have decided to formulate a new mid-term plan for the period from 2024 to 2026.

4. Performance Outlook for FY2024 and Medium-Term Business Plan

Growth Strategy - The Whole Picture

- Set "fostering of people" and "business development" as the basic strategies for realizing our mission.



Here, we present our overall growth strategy based on our mission/vision.

To achieve our mission of "creating a project-based society," our basic strategy is to take a dual approach: one from the perspective of human resource development to produce the next generation of professionals, and the other from business development to provide diverse solutions to transform our client companies.

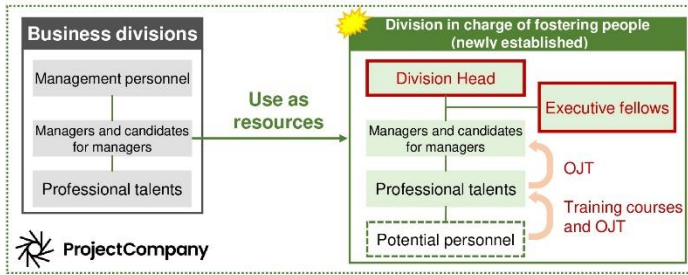
Growth Strategies - (1) Fostering of People

- Establish "PHD Professional," a new definition in light of the growth strategies shown on the previous page, and create a new organization with the mission of fostering "potential personnel," centered on new graduate employees and those with a few years of work experience after graduation, into "managers and candidates for managers."
- Promote the incorporation of past knowledge into the organization and systems by appointing personnel with extensive experience in training as general managers and executive fellows, etc.

Overview of "PHD Professional Ism," a new definition of human resources

Level 3	Management personnel	Personnel capable of taking on the role of a board member of the business	Level 0	Potential personnel	New employees centered on new graduate employees and those with a few years of work experience after graduation
Level 2	Managers and candidates for managers	Personnel able to manage each unit of projects and negotiate with clients			
Level 1	Professional talents	Personnel able to thoroughly take fundamental actions in business operations as "professionals"			

Newly establish an organization in ProjectCompany, Inc. to take charge of fostering people as a common task for the Group



- The newly established division in charge of fostering people is responsible for making "potential personnel," centered on unexperienced people including new graduate employees and those with a few years of work experience after graduation, ready for work, and foster "managers and candidate for managers."
- Appointment of personnel with extensive experience in fostering people as head and executive fellows of the division.
- The system allows business divisions to utilize the personnel of the people-fostering division as business resources.

ProjectHoldings, Inc.

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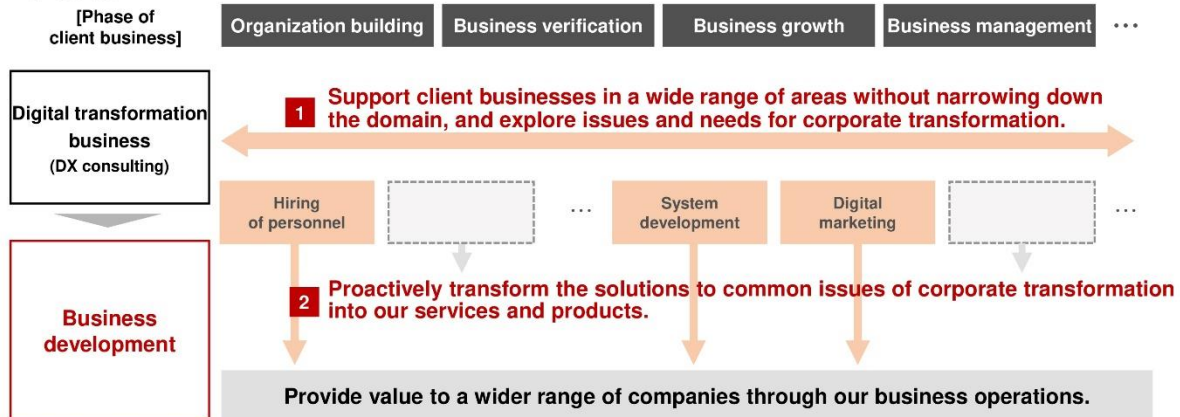
First, from the perspective of human resource development.

In addition to formulating a new definition of human resources and incorporating it into the evaluation system, an organization with a mission of human resources development will be newly established in ProjectCompany Inc., which will be responsible for launching potential human resources, mainly new and inexperienced graduates, and for training managerial personnel.

We will continue to strengthen our human resource development efforts by establishing an organization with a clear training mission -- whereas in the past, sales, deal promotion, and training had been sought in a generalized manner -- and by appointing people with a proven track record in the area of training as general managers and executive fellows.

Growth Strategies - (2) Business Development

- Broaden the frontiers of DX consulting services and explore the issues and needs of corporate transformation through supporting clients' businesses.
- For the issues and needs that have many common aspects, proactively consider transforming them into our services and products.

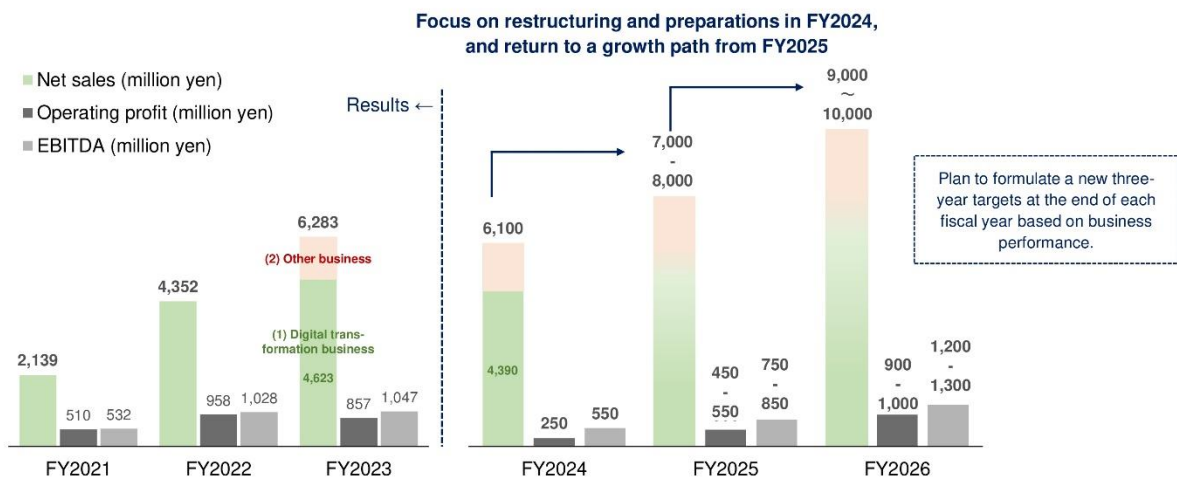


Then, from the second perspective of business development, through its core business of DX consulting, the Company will search for needs for corporate transformation issues while supporting a wide range of client businesses, without narrowing down the business domain.

In addition, we would like to promote the development of solutions as services and products for issues that have been identified as common denominators in the process.

Three-year Performance Targets (FY2024-FY2026)

- Based on the growth strategies outlined in the previous pages, the mid-term business plan targets net sales of approx. 10 billion yen for FY2026, and it will be re-formulated at the end of each fiscal year based on business performance.
- Focus on restructuring and preparations in FY2024, and return to a growth path in FY2025 and beyond.



Based on the growth strategy explained thus far, we present our three-year forecast for fiscal years 2024 through 2026.

As Matsumura mentioned earlier, in FY2024, we plan to focus on rebuilding the current organization and preparing for the year 2025 and beyond, and thereafter, we plan to get the Company back on a growth trajectory.

For the year ending December 31, 2025, we expect a top line of JPY7 billion to JPY8 billion and EBITDA of JPY750 to JPY850 million. And for the year ending December 31, 2026, we expect a top line of JPY9 billion to JPY10 billion and EBITDA of JPY1.2 billion to JPY1.3 billion.

To Our Investors and Shareholders



To those of you who hold our shares as shareholders or are considering holding our shares, we always appreciate your warm support.

As a company in the venture phase, we have undeniably followed the path of expansion and growth, and our management awareness has been extremely focused on performance targets.

However, while performance targets are an important aspect of management, we need to renew our understanding that, for realizing our vision of "Creating a Project-based Society," which we have held since our founding, we must firmly provide value to our many stakeholders, including shareholders, clients who use our services on a daily basis, employees, and business partners, and that the results are translated as our performance. We believe it is extremely important for us to quickly change our management structure and internal corporate culture to reflect this understanding.

We also believe that, in order for us to continue growing as a corporate group and transform Japanese society into a project-based one, it is very important to foster and develop a large number of "professionals" who will lead the next generation. Our new corporate logo represents this thinking. Internally, we are also promoting efforts such as summarizing the guidelines for professional behaviors as "PHD Professionalism."

Now, as a corporate group, we see ourselves standing at the turning point for a phase in which we aim for long-term, sustainable growth. While cherishing the assets we have built up to date, we will commit to business management with new aspirations.

We will do our utmost to repay our shareholders with a return in the form of enhanced corporate value, and we ask for your continued support in this endeavor.

Yunosuke Doi, President and CEO, ProjectHoldings, Inc.

ProjectHoldings, Inc.

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Finally, as a venture company in the venture phase, we have undeniably pursued expansion and growth, and our management awareness has been extremely focused on performance targets.

However, while performance targets are an important aspect of management, in order to realize our vision of creating a project-based society, which we have held since our founding, we must also realize the value we provide to our many stakeholders, including shareholders, customers who use our services every day, employees, and business partners. By providing solid value to all of them, we will be able to achieve this result in the form of business performance.

We believe that it is extremely important to recognize this and to quickly change our management structure and internal culture to reflect this recognition.

In order for us to continue to grow as a corporate group and transform Japanese society into a project-based society, we believe that it is extremely important to nurture and produce the next generation of professionals who will lead the next generation.

In addition, we have summarized our professional code of conduct as "PHD Professionalism" and are working to create a system to ensure that it permeates throughout the Company.

Although we have forecast lower sales and profits for FY2024, we see this as a turning point in our efforts to achieve sustainable growth, and we intend to manage the Company by focusing first of all on the solid development of our internal organization, while valuing the assets we have cultivated over the years.

We will continue to do our utmost to repay you with returns in the form of increased corporate value, and we ask for your continued support in this endeavor.

That is all for today's explanation.

Question & Answer

Doi [M]: From here, we would like to take your questions.

Mr. Yoshida, thank you for your time.

Yoshida [Q]: Thanks for your help. This is Yoshida from Ichiyoshi Research Institute. Thank you for your explanation. I would like to know better about some of them.

First, I would like to ask a little more about the 15 employees who left the Company due to the resignation of the former Executive Vice President.

I would like to know more about the reason for the resignations, whether their resignation was due to dissatisfaction with the Company because of what happened, or whether the resignations were due to a close friendship and relationship with the vice president who had resigned.

Or, could you tell me more about the requirements for managerial personnel, or whether they became more demanding, or whether they left because of some dissatisfaction?

Matsumura [A]: Two things first. I would say, in terms of whether it was friendship or dissatisfaction with the Company's situation, I believe this was 100% the latter. Of course, we have not exactly conducted interviews, but we are aware that there is no one in the former category.

In addition, if you ask me whether or not this was the only reason, it is quite possible that dissatisfaction toward the Company was increasing, regardless of the vice president's resignation or the circumstances leading up to it. We understand that this was individual thinking and a therefore a different situation.

Yoshida [Q]: I understand. Do you think other people will also quit in the future after a certain number of such people decide to quit?

Matsumura [A]: In this Q1, we expect a certain amount of turnover for similar reasons. Actually, it is a fact that such offers have already been made. On the other hand, we don't know the exact reasons for the departures that occurred after that time, of course. To a certain extent, I understand that the current management's measures were inadequate.

Yoshida [Q]: I understand. I also understand that of these 15 people, the managerial personnel also quit. I think it is difficult to classify them by sentiment, but I have the impression that some people who wanted to stay also quit, and some quit as part of their metabolism, so I am not sure how to describe it. Can you also give us a breakdown of these 15 people?

Matsumura [A]: First, one executive officer retired. In other areas, it is a little difficult to draw a clear line, but I am aware that two or three managers have also quit.

Yoshida [Q]: I understand. I would also like to know a little bit about the KPIs in your forecast for this fiscal year. Could you tell us about the number of people you are planning to hire, the number of new graduates, the number of new graduates and mid-career workers you are planning to hire, and the number of employees you are expecting?

This year, you are just trying to get a foothold in the market. I would like to know what your plans are, just to be sure.

Matsumura [A]: Right now, the number of new graduates coming in this 2024 is approximately 39. In terms of the number of mid-career hires ProjectCompany plans to hire for this year, it is a little over 40. When other Group companies are included, we plan to hire around 50 to 60 mid-career workers. Therefore, in total, we expect nearly 100 new employees to join the Group.

Yoshida [Q]: I understand. Thank you very much.

And lastly, on page 31, in terms of the three-year forecast, I'd like to talk about future growth.

I think it is inevitable that sales and profits will decline to some extent in H1 of this fiscal year, since some of your employees will retire. As we rebuild from here, the level of operating income also appears to be a bit lower than before, and this is for the fiscal year ending December 31, 2025. Can you tell us a little more about the part where sales are higher than before, but profits are not so high?

Matsumura [A]: First of all, SG&A expenses are expected to rise, and we expect office rents to continue to rise over the next three years, especially in the current and next fiscal years. In concrete terms, the cost is expected to rise by about JPY200 million each, so there is one point that the cost is heavy.

In terms of gross profit, we have revised the wage table for the digital transformation business, and we have already raised wages since January in an effort to return profit to employees. We believe there is a certain degree of profit impact there as well.

Doi [A]: In terms of growth, in our business as a whole, how many employees do you hire, and how long do you expect them to work there, and how much do you expect them to grow and become managers, I think these three things are very important, and we hope to gradually and firmly expand the number of recruits as we have in the past.

If we can take firm steps to reduce the turnover rate, which has been an issue up to now, and to develop managerial personnel, if we can take solid steps to address these two issues, I believe that this growth rate will become a feasible line.

Yoshida [M]: I understand. Thank you very much. That is all.

Doi [M]: With that, I would like to conclude the financial results presentation.

Thank you for your time and participation.

[END]