



ProjectHoldings, Inc.

Financial Results Briefing for the Second Quarter of the Fiscal Year Ending December 2024

August 14, 2024

Event Summary

[Company Name]	ProjectHoldings, Inc.	
[Company ID]	9246-QCODE	
[Event Language]	JPN	
[Event Name]	Financial Results Briefing for the Second Quarter of the Fiscal Year Ending December 2024	
[Date]	August 14, 2024	
[Time]	13:00 – 13:21	
[Number of Speakers]	2	
	Yunosuke Doi	Representative Director, President and CEO
	Ryo Matsumura	Managing Director and CFO

Presentation

Doi: The time has come, and we will now begin the presentation for the Q2 financial results of ProjectHoldings, Inc. for the fiscal year ending December 31, 2024.

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

Matsumura: I am Matsumura, Managing Director and CFO.

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

Executive Summary

Q2 FY2024 Financial Results

Net Sales	Operating Profit	EBITDA ¹	EBITDA Margin
¥1,249 million (-23.6% YoY)	¥-127 million (- YoY)	¥-63 million (- YoY)	-5.0% (-19.6pts YoY)

- Net sales decreased QoQ as the Company restrained acquisition of projects to prioritize the acceptance and development of the 37 new graduates who joined the Company in the Digital transformation business in April, and as ProjectHRsolutions Inc. was excluded from the scope of the consolidation due to the transfer of its shares.
- Operating profit decreased QoQ (operating loss of ¥127 million) mainly due to a decrease in gross profit margin in Digital transformation business as a result of an increase in the number of employees.
- We expect a shift to an upward trend in sales and profits from the next quarter, when the employees hired this quarter start to work.

Situation for the Digital Transformation Business

Net Sales per Client	Number of Employees at the end of the period ²
¥25.1 million/HY (+ 13.6% YoY)	148 people (+38.3% QoQ)

- Turning existing customers into large-scale customers progressed well, and net sales per client rose 13.6% YoY in Q2 (cumulative).
- Amid a declining trend in attrition rate, the number of employees at the end of the period due to the addition of new graduates in April and the favorable performance in mid-career recruitment.

Situation for the DX x Technology Business

- In April 2024, ProjectTechnologies Inc. and artwize inc. were integrated and the organizational environment is expected to improve this quarter.
- Steady progress in hiring of engineers. As of the end of June, we plan to hire 14 new engineers in Q3. We will continue hiring and assigning engineers.

Progress toward Financial Results Forecast for FY2024

- H1 progress rate for consolidated net sales is approximately 45%, and approximately 80% of the deficit of the full-year forecast was recorded for operating profit and ordinary profit.
- Earnings in the Digital transformation business are expected to improve in H2, and the full-year forecast is expected to be achieved.

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

² Figures compiled for only those engaged in Digital transformation business. Retirees at period-end are included.

Here is a summary of today's presentation.

For Q2 of the fiscal year ending December 31, 2024, the Company reported net sales of JPY1,249 million and an operating profit of minus JPY127 million.

In the mainstay digital transformation business, 37 new graduates joined the Company in April, and we curbed project wins in order to prioritize the acceptance and preparation of these new graduates. In addition, the transfer of shares of ProjectHRsolutions, Inc. in May resulted in the removal of the company from the scope of consolidation. Mainly due to these reasons, net sales decreased QoQ.

In addition, the aforementioned new graduates are mainly in the post-employment training stage, and the number of consultants, who have not actually started working as consultants, increased. Consequently, the gross profit margin of the digital transformation business declined, which led to a decrease in operating profit QoQ.

Since demand for projects continues to be strong, we anticipate a shift to a sales and profit growth trend from Q3 onward, when the consultants who joined the Company in this quarter will be in operation.

1. Overview of ProjectHoldings, Inc.	··· p. 4
2. Q2 FY2024 Financial Results	··· p. 11
3. Situation of the Digital Transformation Business	··· p. 17
4. Situation of the DX x Technology Business	··· p. 21
5. Progress toward Financial Results Forecast for FY2024	··· p. 23
Appendix (i) Overview of Digital Transformation Business	··· p. 26
Appendix (ii) Other Reference Information	··· p. 32

After this, I will first give a brief overview of our group, followed by an overview of our performance in Q2 of FY2024, then the situations of our digital transformation business and DX x technology business, and finally our progress toward the forecast for FY2024 announced at the time of our Q1 financial results announcement in May.

1. Overview of ProjectHoldings, Inc.

Let me now give you an overview of ProjectHoldings.

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.

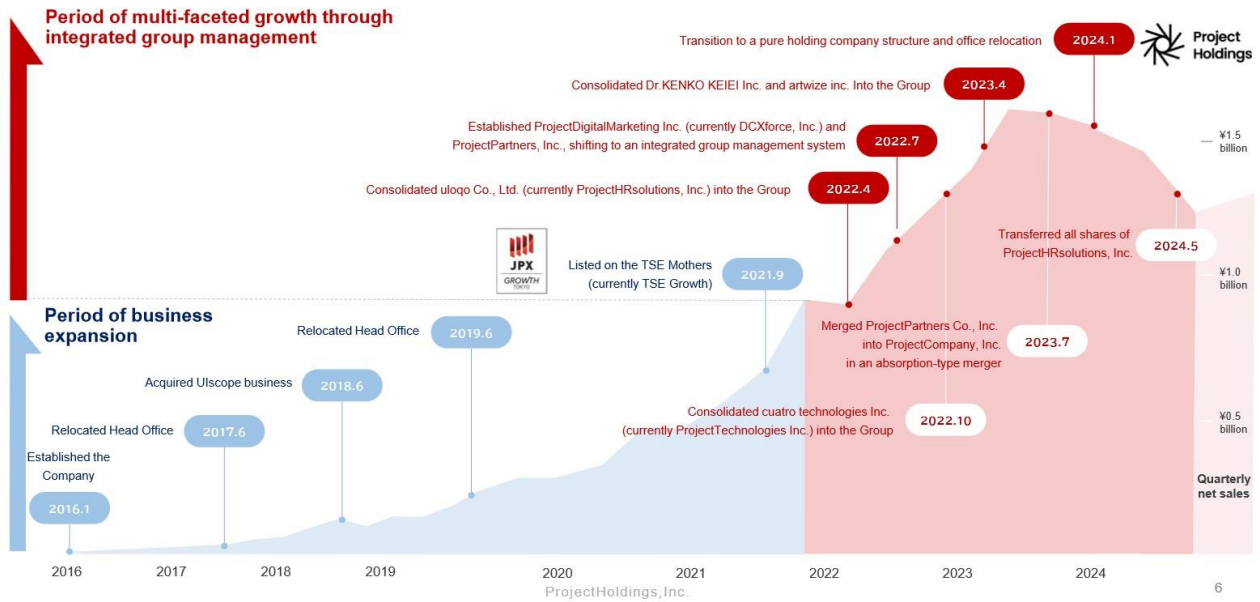
Our group management philosophy is creating a project-based society.

The Japanese economy has been stagnant for a long time since the bubble period. The world is shifting from an industrial capitalist society to an information capitalist society, and the quality of human resources required is changing from task-oriented personnel who do exactly what they are told to project-oriented personnel who can promote projects on their own to achieve their objectives and goals.

Even so, Japanese companies have not made very much progress in reforming the organizational structure. We believe that is a major bottleneck.

Our goal is to restore the vitality of the Japanese economy and society by developing and producing professionals who embody project-oriented human resources and by transforming Japanese companies to a project-based business model through our business.

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 since then, we have steadily expanded our business.

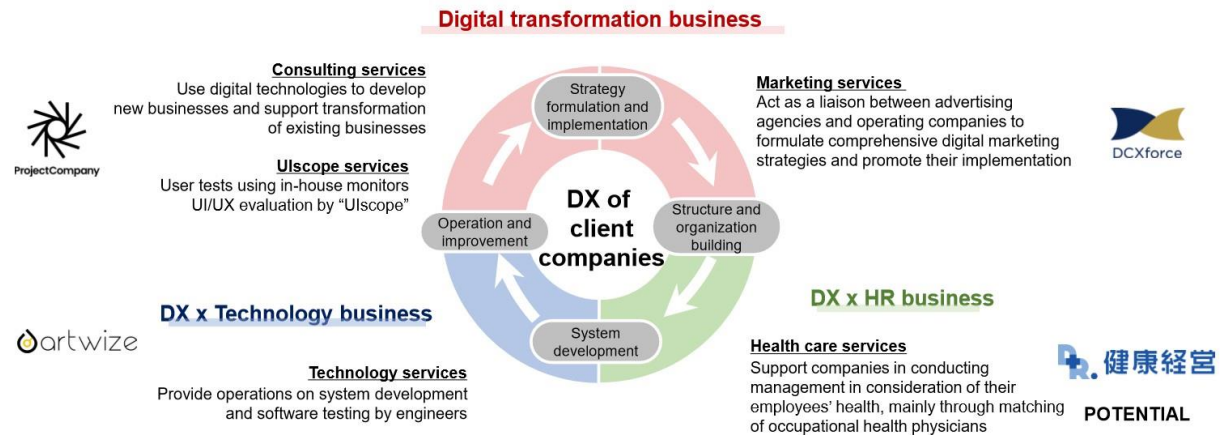
With our listing on the then Tokyo Stock Exchange Mothers market in September 2021, we were able to achieve our mid-term goal of going public from the time of our founding.

Since listing on the stock exchange, the Company has been planning for multi-faceted growth through integrated group management. We launched new businesses on our own, as well as through mergers and acquisitions, cuatro technologies Inc. and artwize inc., which are technology services companies, and Dr. KENKO KEIEI Inc., a healthcare services company, joined the Group.

In January 2024, the Company transitioned to a holding company structure and change its trade name to ProjectHoldings, Inc. for the purpose of continuously improving the corporate value of the entire group through the new acquisition of shares 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.



We define digital transformation 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, structure building, system development to operation and improvement.

Against this background, we have divided our business into three segments.

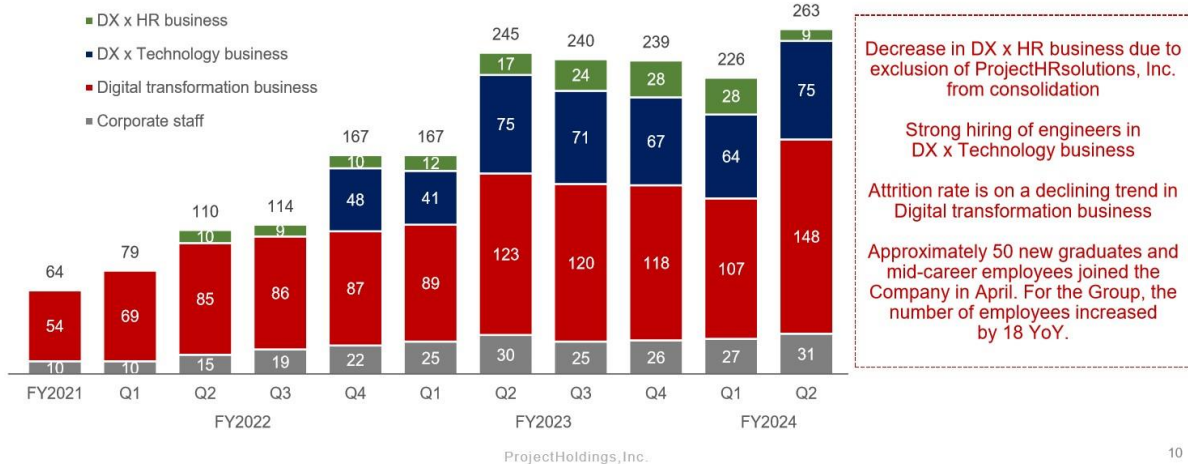
In the digital transformation business, we provide consulting services for new business development and existing business transformation, Ulscope services to evaluate the UI and UX of websites and applications through user tests using in-house monitors, and marketing services to support the formulation and implementation of overall strategies in the digital marketing domain between advertising agencies and business companies.

The DX x HR business, launched in April 2022, provides healthcare services to support corporate health management based on an industrial physician matching service, which we took over, while the DX x technology business, launched in October 2022, provides system development and software testing services using engineering personnel.

Situation of Employees

- Although the number of employees in DX x HR business decreased by about 20 due to the transfer of shares in ProjectHRsolutions, Inc., the number of employees increased YoY by 18 to 263 for the entire Group due to 50 new employees in April and the declining attrition rate in the Digital transformation business.

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



Here is the employee situation.

The number of employees had steadily increased since our establishment but declined from Q3 of FY2023 until Q1 of 2024 due to a decrease in the number of mid-career employees in H2 of the last fiscal year and a high attrition rate. This situation is also affecting the decrease in recent net sales, which Mr. Matsumura will explain later.

On the other hand, while about 20 people left the Group due to the exclusion of ProjectHRsolutions from consolidation, the number of employees increased to 263 at the end of June, as the attrition rate in the digital transformation business turned to a downward trend and more than 60 people joined the Group in this quarter.

Of this total, 148 employees, or slightly less than 60% of the total, are engaged in the digital transformation business.

Recognizing that the number of employees is an important leading indicator of our business, we are giving priority this quarter to accepting and preparing the aforementioned newly hired employees.

2. Q2 FY2024 Financial Results

ProjectHoldings, Inc.

11

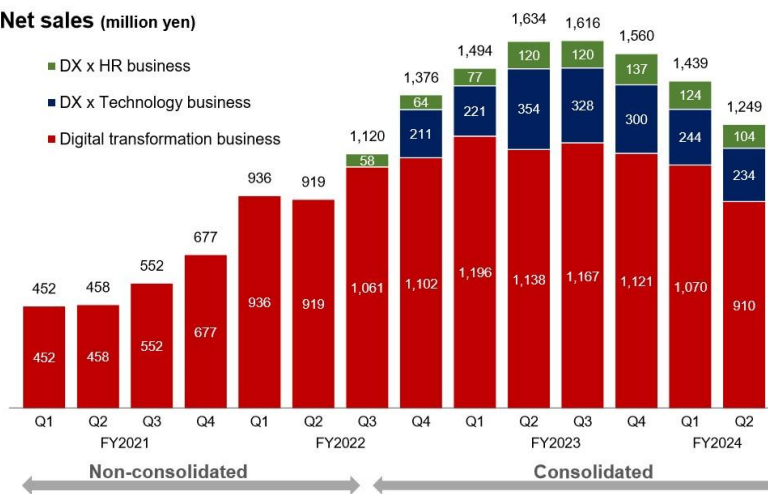
Matsumura: From here, I will explain our performance for Q2 of FY2024.

2. Q2 FY2024 Financial Results

Financial Results – Net Sales

- Achieved net sales of **¥1,249 million** in Q2 FY2024, **down 13.2% QoQ** and **down 23.6% YoY**.
- The main reason for the decrease in net sales was that **priority was given to the acceptance and preparation of new graduates and the development of existing employees** in Digital transformation business.
(Basically in line with the forecast announced on May 15)

Net sales (million yen)



DX x HR business

Net sales decreased for the entire segment as ProjectHRsolutions, Inc. was deconsolidated due to the transfer of its shares.

DX x Technology business

Focused on improving the organizational environment by integrating ProjectTechnologies Inc. and artwize inc. in April.

Recruitment is progressing smoothly (p.22). Continue to aim for performance growth by expanding the organization.

Digital transformation business

Net sales decreased as priority was given to the acceptance and preparation of new graduates who joined the Company in April and the development of existing employees.
(Basically in line with the forecast)

Attrition rate is on a declining trend, and earnings are expected to recover from the next quarter as the assignment of new graduates goes into full swing.

ProjectHoldings, Inc.

12

Net sales for Q2 of FY2024 landed at JPY1,249 million, minus 13.2% QoQ and minus 23.6% YoY.

In the digital transformation business, our core business, the traditional seasonal factor is that orders, including short-term projects, tend to be strong in Q1, with some falling off in Q2. As a result, sales in Q1 tend to be strong.

In addition, although the size of the organization expanded with approximately 50 new hires, including 37 new graduates in April, many of these new employees have not yet started operations and do not contribute to sales.

On the other hand, since a certain amount of labor in the Company was spent on the acceptance and preparation of new employees and development of existing employees, a large decline in net sales QoQ resulted.

Recently, the number of employees leaving the Company has been on a downward trend, and the assignment of new graduates has been in full swing since Q3, so the Company is on track for a recovery in earnings from Q3 onward.

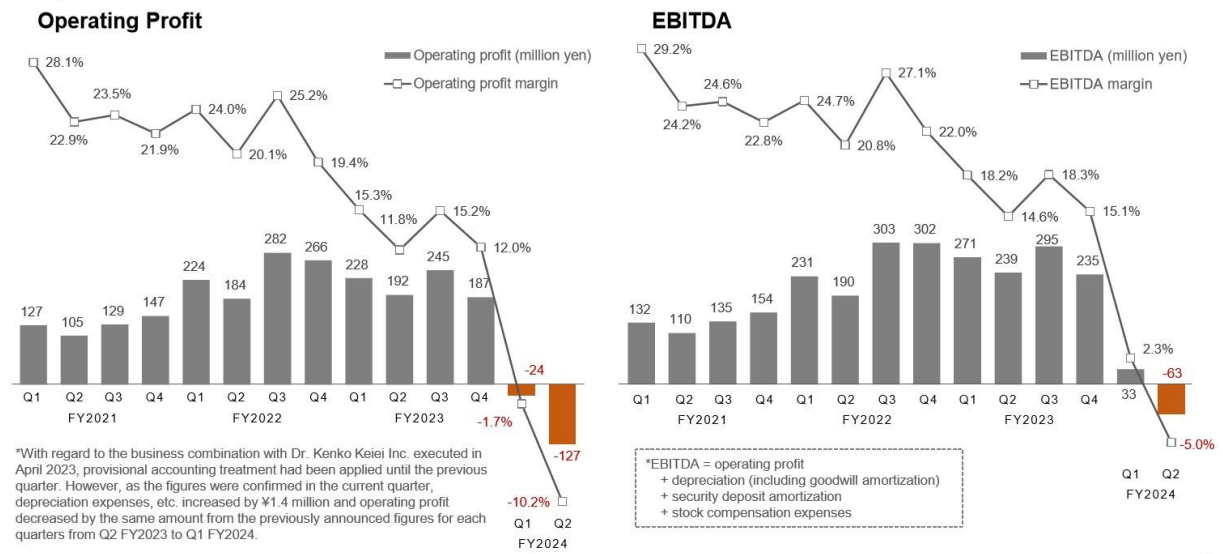
In the DX x technology business, sales declined slightly QoQ in Q2, but since the integration of ProjectTechnologies and artwize in April, we have been focusing on improving the organizational environment. In fact, with almost no turnover and steady progress in hiring, the number of engineers has begun to increase as a result, and we can expect an increase in net sales through expansion of the size of the organization.

The DX x HR business segment as a whole saw a decline in net sales due to the deconsolidation of ProjectHRsolutions from June following the transfer of shares of ProjectHRsolutions.

2. Q2 FY2024 Financial Results

Financial Results – Operating Profit and EBITDA

- Operating profit and EBITDA decreased mainly due to a decrease in revenue resulting from prioritizing human resource development in Digital transformation business.



ProjectHoldings, Inc.

13

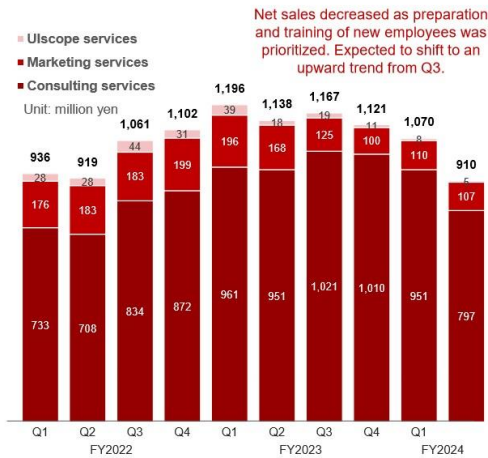
Operating profit and EBITDA decreased by approximately JPY100 million QoQ, mainly due to a decrease in net sales resulting from the prioritization of human resources development in the digital transformation business and a net increase in costs caused by new hires being non-operating employees.

Results by Segment - Net Sales

- Net sales by segment are as follows.

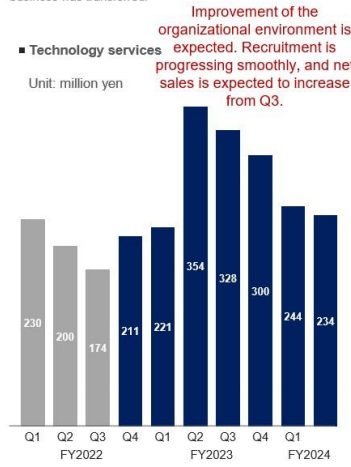
Digital transformation business

*The aggregation standards for marketing services were partially changed in FY2023, and projects involving many consulting aspects were transferred to consulting services.
 *Starting with the FY2023 disclosures, the Ulscope service counts Ulscope projects only. Accordingly, the figures have been recalculated retroactively through FY2021.



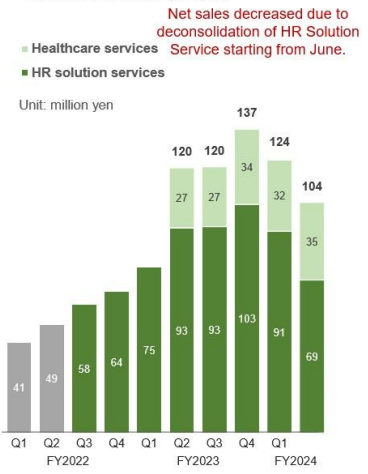
DX x Technology business

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



DX x HR business

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



ProjectHoldings, Inc.

14

Here are net sales by segment.

The decline in net sales in the digital transformation business was mainly due to the priority given to the preparation and development of new employees, as explained earlier, and the decline in net sales from consulting services, which accepts many new employees, was larger.

In the DX x technology business, the net sales decline that began in H2 of the previous fiscal year is continuing, but the decline is much smaller than in the past at minus JPY10 million. As I mentioned earlier, since the number of engineers has already started to increase recently, we are in a situation where we can expect to see an increase in net sales from Q3 onward.

In the DX x HR business, net sales declined because HR solution services was deconsolidated during Q2, but net sales increased for healthcare services.

Results by Segment - Cost of Sales & Gross Profit

- Operating loss for Q2 was ¥127 million mainly due to the decrease in net sales and gross profit margin (p.20) in Digital transformation business.
- Financial results forecast for FY2024, announced on May 15, is progressing as planned.

	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	910	-15.0%	234	-4.1%	104	-16.1%
Personnel expenses (cost of sales)	249	+35.3%	73	+14.1%	22	-21.4%
Outsourcing expenses (cost of sales)	367	-22.9%	106	-13.1%	5	-44.4%
Other costs	3	+50.0%	1	-	0	-
Gross profit *	290	-28.6%	53	-5.4%	85	-11.8%
Gross profit margin	31.9%	-6.0 pt	22.6%	-0.4 pt	72.1%	+3.6 pt
SG&A expenses			546			-4.4% QoQ
Operating profit			-127			
Operating profit margin			-10.2%			

*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.

ProjectHoldings, Inc.

15

Continuing on, here are profits by segment.

As we have explained, in the digital transformation business, the absolute amount of gross profit decreased, mainly due to a decline in the gross profit margin caused by a decrease in net sales and an increase in personnel expenses, resulting in a loss of JPY127 million in the operating profit level in Q2.

Breakdown of SG&A Expenses

- Hiring expenses increased mainly in agent fees due to the favorable progress in mid-career recruitment and the timing of making unofficial job offers to new graduates for 2025.

	Results [million yen]	SG&A expenses to net sales	QoQ	Description
Personnel expenses (SG&A expenses)	92	7.4%	-21.4%	Salaries for back-office employees and executive compensation, etc.
Outsourcing expenses (SG&A expenses)	53	4.2%	-24.3%	Use of external human resources and training costs, etc. for strengthening development
Hiring expenses	75	6.0%	+44.2%	Agent fees and event expenses, etc.
Rent expenses	180	14.4%	+0.0%	Office rent, etc.
Depreciation etc. (including amortization of goodwill)	63	5.0%	+10.5%	Amortization of goodwill and depreciation of other non-current assets etc.
Other SG&A expenses	79	6.3%	-16.0%	
Total SG&A expenses	546	43.7%	-4.4%	

ProjectHoldings, Inc.

16

Continuing on, here is a breakdown of SG&A expenses.

Although hiring expenses increased, mainly in recruiting agent fees, due to the strong progress in mid-career recruitment and the timing of the acceptance of job offers by new graduates to join the Company in 2025 in Q1, overall SG&A expenses were limited to JPY546 million, minus 4.4% QoQ, and costs were controlled to a certain degree.

3. Situation of the Digital Transformation Business

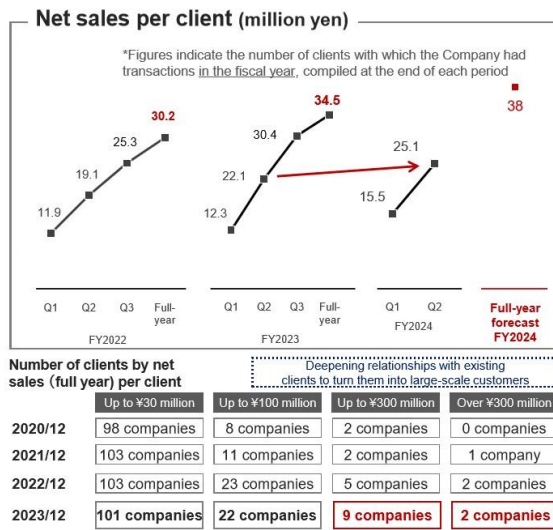
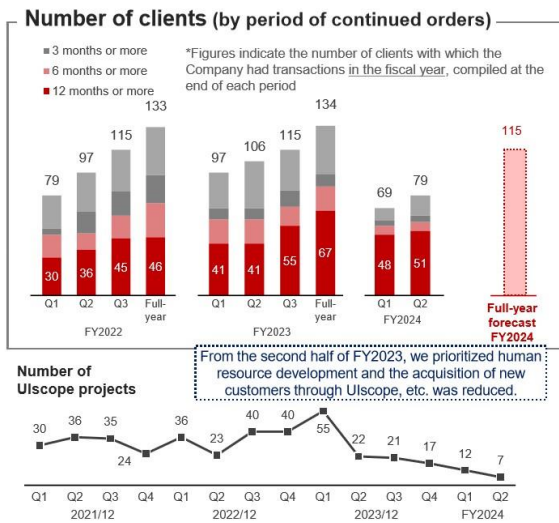
ProjectHoldings, Inc.

17

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

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

- The number of Ulscope projects and number of clients remained weak due to careful assignment with priority given to human resource development.
- Net sales per client remained steady, and demand continued to be strong amid efforts to expand existing clients.



ProjectHoldings, Inc.

18

First, the number of clients and net sales per client.

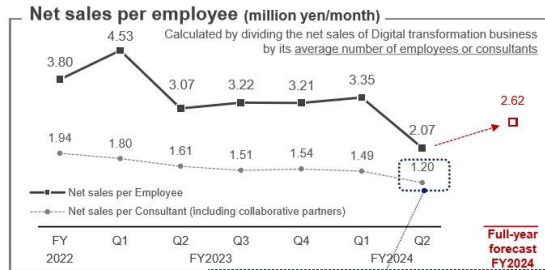
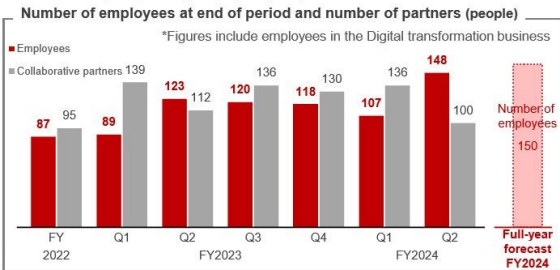
The number of clients in Q2 totaled 79, down 27 from the same period last year. This is mainly due to a decline in the number of Ulscope projects, which have a large number of short-term clients and have a large impact on the number of clients, as shown in the lower left-hand corner.

The number of Ulscope projects continues to decline as new client acquisition is being restrained in the short term, but we intend to focus on project acquisition again by replacing the management structure.

Net sales per client for existing customers have generally improved well, and demand remains strong as the Company continues to promote larger orders from existing customers.

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

- The number of employees at the end of the period increased to 148 due to the steady progress of recruitment and the declining trend in attrition rate.
- Although the net sales per employee apparently declined due to the impact of new graduate employees who joined the company in April, but there was no significant change in net sales per operating employee (p.20).



Number of new employees/resignations and attrition rate (Digital transformation business and Corporate staff)

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



Number of managers at the end of the period

Declined due to the impact of new graduate employees who joined the company in April, but no significant change in net sales per operating employee. (*p. 20)



Next are the number of employees and net sales per employee.

The attrition rate, which has been an issue, has begun to decline due to the recent downward trend in the number of resignations as a result of the effects of the strengthening of human resources functions since January. The number of resignations in July and August has been controlled to two to three per month, and we expect the attrition rate to continue to decline in the future.

Regarding the number of new employees, mid-career hires are performing well compared to plan.

Net sales per employee also declined significantly from JPY3.35 million per month in Q1 to JPY2.07 million per month in Q2 due to a significant decrease in the number of partners, by 36 partners, QoQ, as the number of projects utilizing partners declined, while priority was placed on the preparation and development of new employees.

Net sales per consultant, the sum of employees and partners, decreased from JPY1.49 million per month in Q1 to JPY1.2 million per month in Q2, but this was largely due to the impact of non-operating personnel, mainly new graduates who joined in April.

As shown on the next page, there was no significant change in net sales per operating employee.

Topics | Factors behind Declining Profit Margins (QoQ)

- The decrease in gross profit margin in Digital transformation business was mainly due to a decrease in net sales due to the completion of short-term projects and an increase in personnel expenses due to an increase in new employees, mainly new graduates. It is expected to recover in the next quarter or later as personnel not placed in operation yet will start to operate.

Digital transformation business		Q1 FY2024	Q2 FY2024	QoQ	
Net sales	Net sales in consulting services [million yen]	951	797	-16.2%	*Personnel expenses (cost of sales) are total of salaries, allowances, bonuses, and legal welfare expenses
	Net sales from own employees [million yen]	394	387	-1.8%	
	Average number of consultants during the period [people]	93.3	133.3	+42.9%	
	Average number of operating employees during the period [people]	88.0	87.7	-0.3%	
	Net sales per operating employee [million yen /person, month]	1.50	1.47	-2.0%	
	Net sales from collaborative partners [million yen]	556	410	-26.3%	
Cost of sales	Net sales in marketing services and UIscope services [million yen]	118	112	-5.1%	No significant change in net sales per operating employee
	Personnel expenses (cost of sales) [million yen]	184	249	+35.3%	Decrease in net sales due to the completion of short-term projects, which usually increase from January to March.
	Outsourcing expenses (cost of sales) [million yen]	476	367	-22.9%	Increase in personnel expenses due to increase in the number of employees, mainly 37 new graduates.
	Other costs [million yen]	2	3	+50.0%	Expected to recover as personnel not placed in operation yet, such as new graduates, will start to operate.
Gross profit [million yen]		406	290	-28.6%	
(Gross profit margin)		(37.9%)	(31.9%)	(-6.0 pt)	

ProjectHoldings, Inc.

20

At the end of the explanation for the digital transformation business, we will provide details on the factors contributing to the decline in the profit margin.

First, in terms of net sales, of the three services that comprise the digital transformation business, consulting services declined and reported minus 16.2% QoQ. This is due to the fact that the impact of short-term projects, which usually increase from January to March, fell off in Q2, and that the number of projects utilizing partners decreased as priority was placed on the preparation and development of new employees.

Next, with regard to the cost of sales, personnel expenses increased 35.3% QoQ due to an increase in the number of employees, mainly 37 new graduates. As evidenced by the fact that the average number of operating personnel during the period did not increase, the increased personnel costs are largely attributable to the increase of new graduates and other non-operating personnel as of Q2, who did not contribute to sales.

As a result, although outsourcing expenses decreased due to a decline in the number of partners, the overall decline in sales was larger than the increase in the cost of sales, resulting in a lower profit margin.

From Q3 onward, the profit margin is expected to recover, as the start of operation of new graduates and other non-operating personnel will contribute to profits in sales.

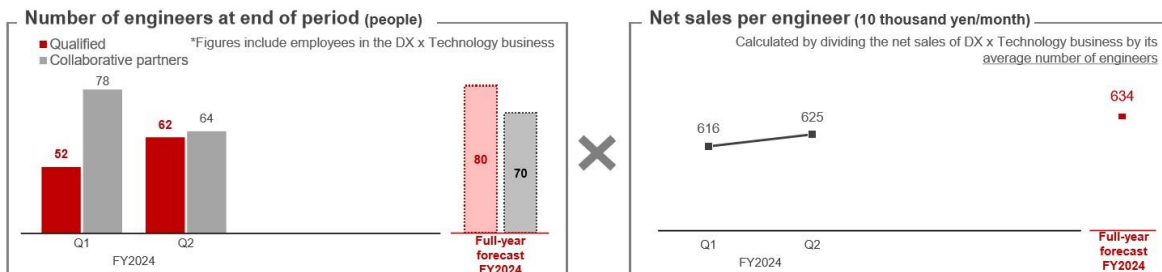
4. Situation of the DX x Technology Business

Next, we will briefly explain our DX x technology business, which provides system development and software testing services by engineers.

4. Situation of the DX x Technology Business

Business KPI Trends | Number of Engineers and Net sales per Engineer

- Since the integration of ProjectTechnologies Inc. and artwize inc. in April 2024, we have made good progress in hiring engineers.
- Since the assignment of qualified engineers is more profitable than collaborative partners, we plan to prioritize the hiring and assignment of qualified engineers.



By creating a comfortable working environment for engineers, which is a strength of artwize inc., we have made good progress in recruiting engineers.

We will prioritize the hiring and assignment of qualified engineers who are more profitable than collaborative partners.

The DX x technology business had been under a two-company structure, ProjectTechnologies and artwize, since April last year. However, mainly based on the performance and organizational status of the two companies, the two companies were integrated into artwize in April 2024.

Since the integration, we have made good progress in hiring engineers, and only one engineer has left the company during the quarter. Steady expansion of the organization can be seen.

Based on these results, the Company's policy is to continue to prioritize the hiring and assignment of qualified engineers with superior profitability compared to collaborative partners, with the aim of achieving business growth and improving profit margins.

5. Progress toward Financial Results Forecast for FY2024

Doi: Next, I will explain the progress made in H1 of the fiscal year against the forecast for FY2024, which was announced in May.

Progress toward forecast

- Although the H1 progress rate for consolidated net sales is lower than 50%, mainly because the progress rate for the Digital transformation business is only 45%, we expect to achieve the full-year forecast as employees who joined the Company in Q2 will be able to contribute to profits (assignment to projects) in H2.
- Although approximately 80% of the deficit in forecast has already been recorded in operating profit and ordinary profit, the deficit is expected to decrease in the H2 due to the above-mentioned improvement in profitability.

Unit: million yen	Forecast (Announced May 15)	Q2 results (cumulative)	Progress rate	Current Situation and Outlook
Consolidated net sales	5,750	2,689	46.8%	✓ Although the progress rate of the Digital transformation business is only 45%, it is expected to be achieved as the employees who joined the company in Q2 will be able to contribute to profits in H2. ✓ Steady progress in other operations.
Digital transformation business	4,390	1,981	45.1%	
Other operations	1,360	707	52.0%	
Consolidated operating profit (operating profit margin)	-190 (-%)	-151 (-%)	79.5%	✓ Approximately 80% of the deficit of the full-year forecast was recorded for operating profit and ordinary profit. ✓ The deficit is expected to decrease in H2 due to the improvement of profitability in the Digital transformation business (p. 25).
Consolidated ordinary profit (ordinary profit rate)	-220 (-%)	-183 (-%)	83.2%	
Profit attributable to owners of parent (profit rate)	-120 (-%)	-64 (-%)	53.3%	✓ Progress of about 50% in H1.

ProjectHoldings, Inc.

24

Here are the forecast announced in May and the actual results as of the end of Q2.

The H1 progress rate for consolidated net sales is slightly below 50%, but this is mainly due to the fact that the progress rate of the digital transformation business is only about 45%, which is expected to be achieved as new graduates and other employees will be able to contribute to profits in H2, as explained by Mr. Matsumura.

We see the DX x technology and DX x HR businesses as generally making steady progress.

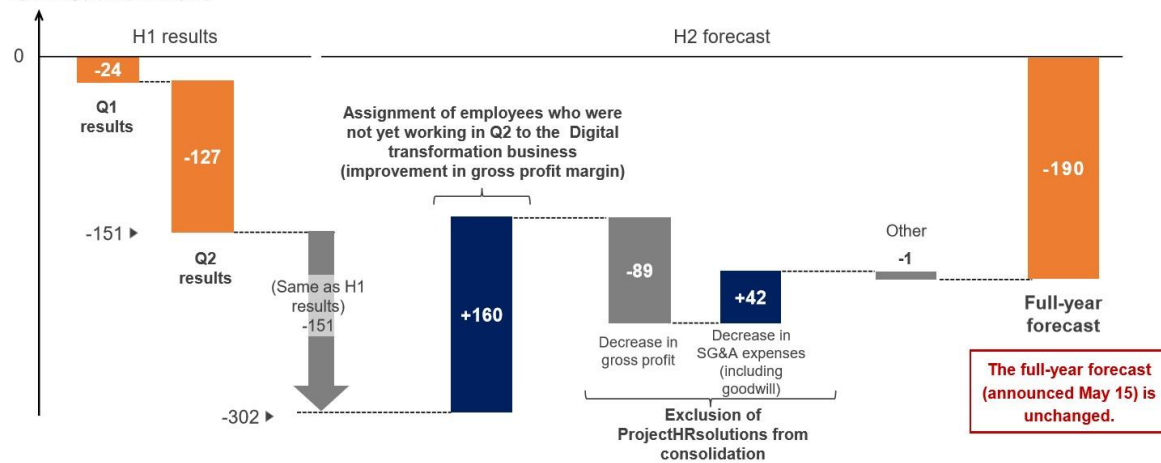
In terms of operating profit and ordinary profit, approximately 80% of the full-year forecast deficit has already been posted. However, we expect a significant reduction in the deficit in H2 of the fiscal year, as sales and the gross profit margin improve in the digital transformation business, and we maintain our full-year forecast.

This point is explained in more detail on the next page.

Progress and forecast for operating profit

- At the operating profit level, we have already recorded around 80% of the deficit in the full-year results forecast, but in Q2, there was a significant impact from the number of employees in the Digital transformation business who were not working, mainly those who joined as new graduates.
- The deficit is expected to decrease in H2, as the number of employees who were not yet working in Q2 will gradually contribute to profits (assignment to projects) from Q3 onward.

Operating profit (million yen)



ProjectHoldings, Inc.

25

Here are the details of the H1 progress and the H2 forecast at the operating profit level.

The left-hand side shows actual results through H1. Assuming that H2 is the same as H1, we calculate a loss of about JPY300 million for the full year.

On the other hand, H1 was significantly affected by the large number of non-operating human resources, mainly new graduates, in the digital transformation business, and since human resources will be sequentially assigned to projects in full scale from Q3 onward, the gross profit margin is expected to improve in H2.

This is expected to lift profits by JPY160 million, and after taking into account the decrease in operating profit due to the removal of ProjectHRsolutions from the scope of consolidation at the end of May, a loss of JPY190 million is projected for the full year as forecast.

Although we continue to forecast a loss, we expect sales and profits to increase again in H2, and we will work to return to profitability in the next fiscal year and beyond.

Finally, I would like to report on the current situation of the Group's governance reforms, which we disclosed yesterday at the same time as the financial results announcement.

In response to the incident that occurred last year, the Audit and Supervisory Board clarified the responsibilities of the two current executive directors, including myself, who failed in their duty to monitor and supervise other directors.

On this basis, we have established a voluntary nominating and compensation committee, revised the basic policy for determining individual compensation, shifted to a performance-linked compensation system in line with the concept of the corporate governance code, increased the number of outside directors through the transition to a company with an audit and supervisory committee, and strengthened communication at board of directors meetings, etc. Through these measures, the Company has been working to build a governance structure.

In particular, with regard to the process of determining the nomination and compensation of directors and officers, which can be called the basis of corporate governance, since the establishment of a voluntary nominating and compensation committee in December 2023, the Nominating and Compensation Committee and the Board of Directors have repeatedly discussed the process that should be in place.

We intend to further strengthen corporate governance by introducing three new measures: improving the process of nominating directors and officers, strengthening monitoring and awareness of norms during their tenure, and introducing a third-party evaluation of the effectiveness of the Board of Directors.

This concludes our explanation. Thank you very much for your time today.