



ProjectHoldings, Inc.

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

November 15, 2024

Presentation

Matsumura: We will now begin the financial results briefing for Q3 of the fiscal year ending December 2024. I am Matsumura, Managing Director and CFO of ProjectHoldings, Inc. Thank you very much for taking time out of your busy schedule to attend our financial results briefing today.

Executive Summary

Q3 FY2024 Financial Results

Net Sales	Operating Profit	EBITDA ^{*1}	EBITDA Margin
¥1,234 million (-23.6% YoY)	¥-49 million (- YoY)	¥7 million (-97.6% YoY)	0.6% (-17.7pts YoY)
<ul style="list-style-type: none"> Net sales decreased QoQ due to the exclusion of ProjectHR Solutions Inc. from the scope of consolidation following the transfer of its shares. Operating loss narrowed QoQ in the Digital transformation business (Q2: Operating loss of ¥127 million ⇒ Q3: Operating loss of ¥49 million) due to improvement in the gross profit margin as a result of higher-than-planned assignment of new graduate employees to projects. 			

Situation for the Digital Transformation Business

Net Sales per Client	Number of Employees at the end of the period ^{*2}
¥32.1 million/Q3 (+5.6% YoY)	147 people (-0.1% QoQ)
<ul style="list-style-type: none"> Turning existing customers into large-scale customers progressed well, and net sales per client rose 5.6% YoY in Q3 (cumulative). While attrition rate is on a declining trend, we are aiming to shift to an increasing trend for the number of year-end employees in Q4. 	

Situation for the DX x Technology Business

<ul style="list-style-type: none"> After the integration of ProjectTechnologies Inc. and artwize inc. in April 2024, engineer turnover has been virtually eliminated. The recruitment target for this fiscal year was achieved ahead of schedule due to steady progress in the hiring of engineers, and the focus is on next fiscal year's recruitment.

Progress toward Financial Results Forecast for FY2024 (announced on September 17)

<ul style="list-style-type: none"> The Q3 progress rate for consolidated net sales is approximately 68%. More than 100% of the deficit of the full-year forecast has been recorded for operating profit and ordinary profit, however, the deficit is decreasing. We aim to achieve the full-year profit forecast by returning to operating profit in Q4.
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^{*1} EBITDA represents operating profit plus depreciation, amortization of leasehold deposits and share based payment expenses.

^{*2} Figures compiled for only those engaged in the Digital transformation business. Resignations at period -end are included.

Here is a summary of today's briefing. As for the financial results of Q3 of FY2024 ending December 2024, the Company reported net sales of JPY1,234 million and operating profit of minus JPY49 million.

The net sales decreased from the previous quarter due to the removal of ProjectHR Solutions, Inc. from the Company's scope of consolidation, following the transfer of its shares in May, but excluding this factor, all the three business domains, of digital transformation, DX x Technology and DX x HR, saw their revenue increase QoQ.

In the digital transformation business, the assignment of new graduate employees to projects progressed better than expected, resulting in improved gross profit margins, and companywide operating profit improved, from an operating loss of JPY127 million as of Q1, to an operating loss of JPY49 million in Q3.

We will aim to generate operating profit in Q4, so that the operating loss for the full fiscal year will be within JPY190 million, which is the target of operating profit for the full year earnings forecast after revision. This will be realized through even more progress in the new graduate employees' project assignment and lower turnovers in digital transformation, as well as the DX x Technology business.

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Next, I will move on to the topics I will cover in today's presentation. First, I will give a brief overview of our group, followed by a presentation about our Q3 results, a detailed look at our digital transformation business, and the status of our other businesses.

Finally, I would like to explain the progress to date against the full year earnings forecast, which was announced at the time of announcing Q1 earnings in May and revised only for net profit due to the recording of an extraordinary gain from the sale of stock investments in September.

Group Management Philosophy



ProjectHoldings

ProjectHoldings group

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.

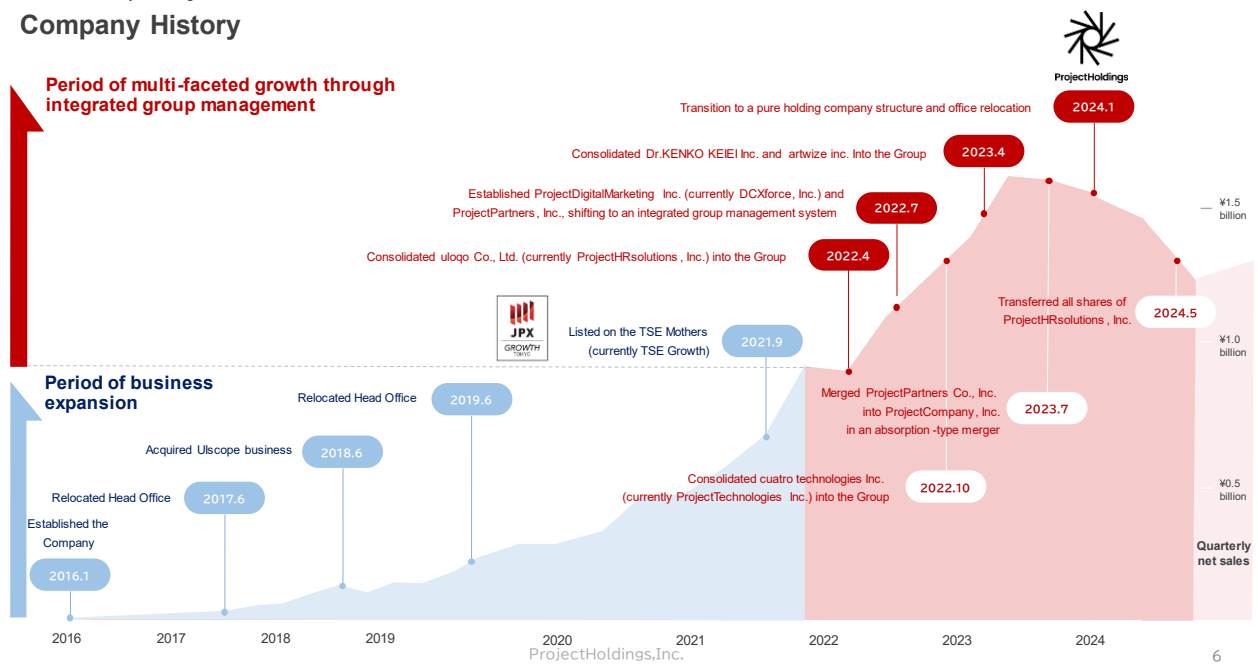
First, let me present an overview of our company, ProjectHoldings. Our group's management philosophy is to create a project-based society.

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 push projects forward on their own to achieve their objectives and goals. We believe that a major bottleneck is the lack of reform in the organizational structure among Japanese companies.

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

1. Overview of ProjectHoldings, Inc.

Company History



Next, I would like to talk about our history. Our company was founded in January 2016 as ProjectCompany, Inc., and since then has steadily expanded its business. It was listed on the then TSE Mothers in September 2021.

After listing on the stock exchange, we intended to realize diversified growth through the management of the Group, including launching new business and executing multiple M&As. However, we are now in the midst of a growth plateau and are currently making strenuous preparation and management efforts for future re-growth.

Group Overview



ProjectHoldings

Project Holdings Co., Ltd.

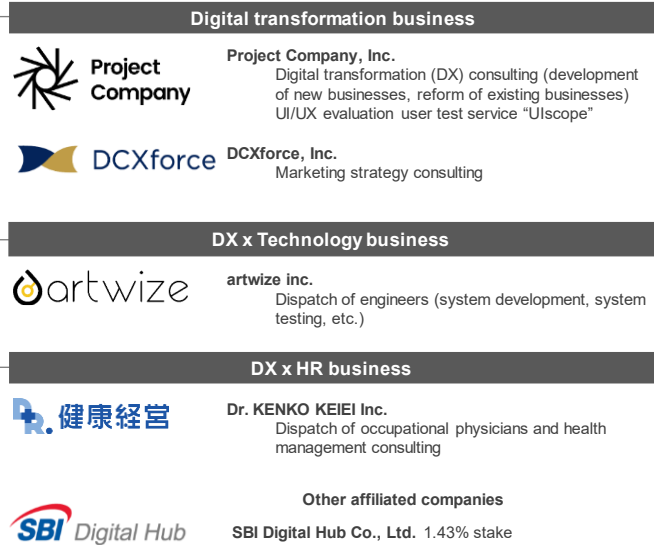
- Establishment **January 2016**
- Stock market **TSE Growth (9246)**
- Share capital **¥50 million**
- Consolidated employees **268 people**
(As of the end of September 2024)
- Composition of Directors

Representative Director **Yunosuke Doi**

Directors **Ryo Matsumura**

Outside Directors **Yuki Matsumoto**
Kazumasa Yanagisawa

Outside Directors (Audit and Supervisory Committee Members) **Aiko Yuki**
Akiko Hashiguchi
Yuji Momosaki
Jo Kawazoe



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Next is an overview of our group's business. Our business is divided into three segments.

First, our core business is the digital transformation business. Among the group companies, ProjectCompany, Inc., which operates services called DX consulting and Ulscope, and DCXforce, Inc., which provides digital marketing consulting, fall under this category.

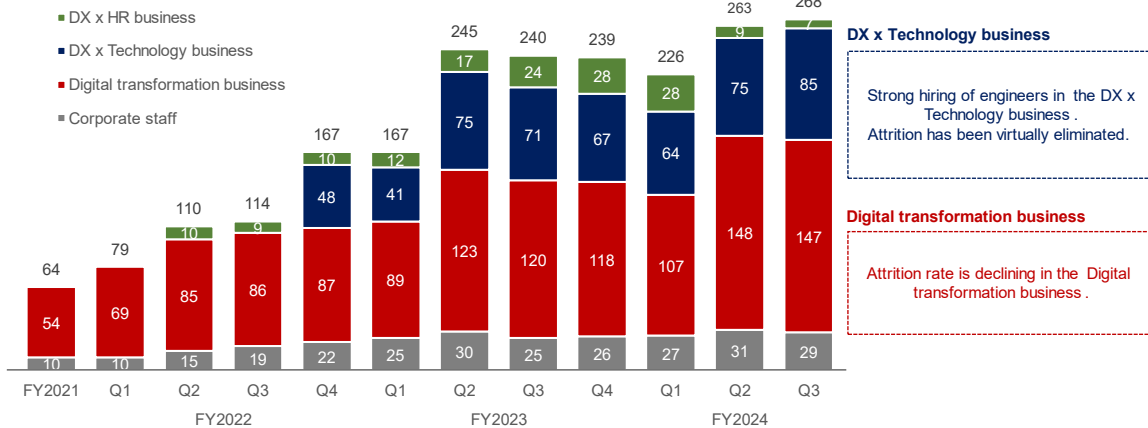
In the DX x Technology business, a company called, artwize, inc., is promoting an engineer dispatch business.

Finally, with regard to the DX x HR business, there is now only one company, Dr. KENKO KEIEI, Inc., which dispatches industrial physicians, following the sale of shares of a company called, ProjectHRsolutions, during this fiscal year.

Situation of Employees (FY2024 Q3)

- The number of Group employees increased by 28 YoY to 268 people due to the declining attrition rate and steady progress in hiring.
- The number of Group employees is increasing, even outside of Q2, when new graduates joined the Group.

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



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At the end of this section, I would also like to touch upon the employee situation. The Company has been strengthening its hiring of new graduates since FY2023, resulting in a structure whereby the number of employees increases significantly in Q2 each year.

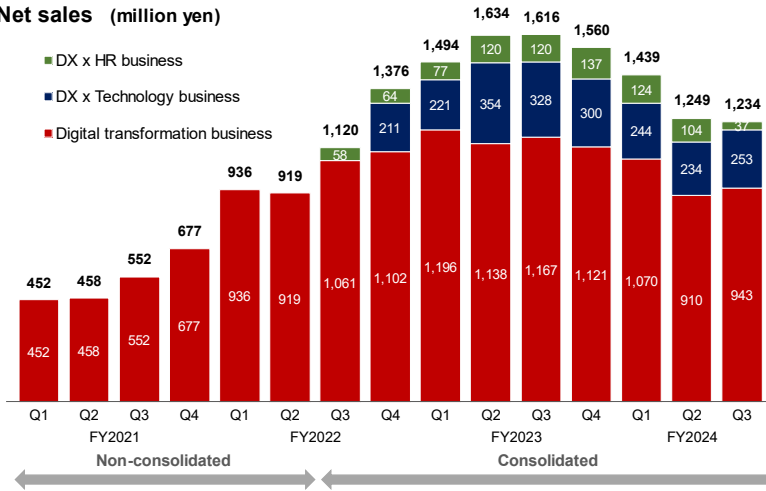
However, in H2 of FY2023, the number of employees had a declining tendency, except in Q2, due to factors such as increased burden of the organization and scandals.

In the most recent quarter of Q3 this year, the number of mid-career hires has genuinely exceeded the number of people who quit, not due to the addition of new graduate employees, and the number of employees has started to increase after a long period of time.

Financial Results - Net Sales

- Achieved net sales of ¥1,234 million in Q3 of FY2024, down 1.2% QoQ and down 23.6% YoY.
- The Digital transformation business and the DX x Technology business net sales shifted to an upward trend QoQ.

Net sales (million yen)



DX x HR business

Net sales decreased for the entire segment as ProjectHR Solutions Inc. was excluded from the scope of consolidation following the transfer of its shares.

DX x Technology business

In addition to steady progress in hiring, following the successful integration of ProjectTechnologies Inc. and artwize inc., the attrition rate was low.

Net sales shifted to an upward trend QoQ. Continue to aim for performance growth by expanding the organization.

Digital transformation business

In addition to the declining trend in the attrition rate, the utilization rate of new graduate employees was higher than planned (p.18).

Net sales shifted to an upward trend QoQ.

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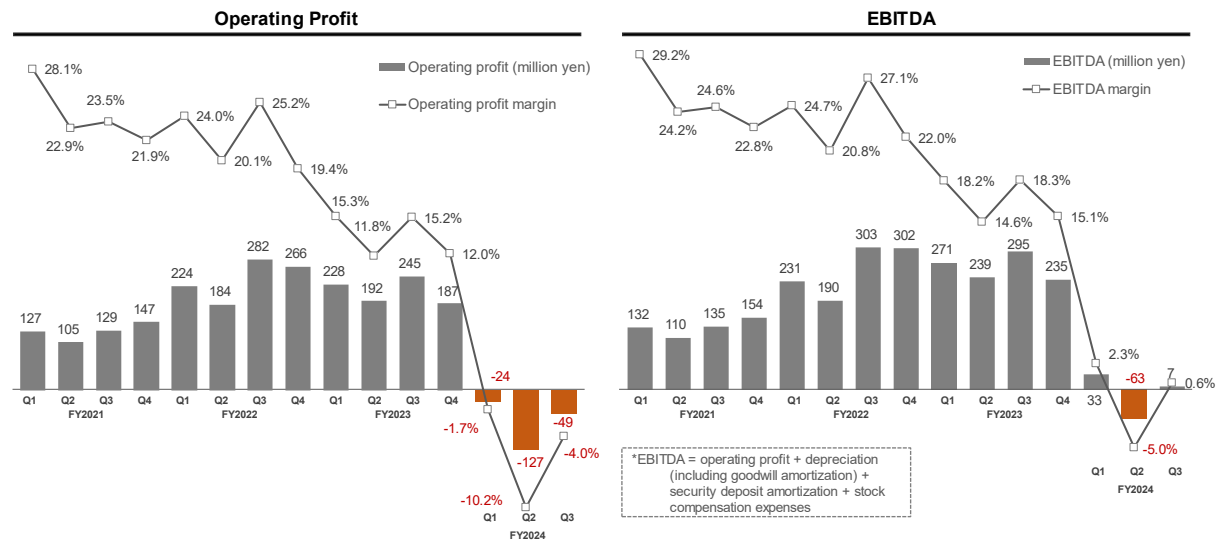
From here, I will explain our performance in Q3 of the fiscal year ending December 2024.

First, here are the sales trends. The net sales for Q3 were JPY1,234 million, down 1.2% QoQ and down 23.6% YoY.

However, the reason why the companywide net sales declined is because ProjectHR Solutions is no longer included in the scope of consolidation. The revenues have started to increase QoQ for the first time in Q3 of the previous year for the digital transformation business and in Q2 of the previous year for the DX x Technology business.

Financial Results – Operating Profit and EBITDA

- In the Digital transformation business, the assignment of new graduate employees progressed better than planned. As a result, operating loss decreased, and EBITDA turned positive.



*EBITDA = operating profit + depreciation (including goodwill amortization) + security deposit amortization + stock compensation expenses

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Next is profitability. In the digital transformation business, the profit ratio improved due to better-than-forecast progress in assigning projects to new graduate employees.

As a result, the deficit in operating profit shrank QoQ, from an operating loss of JPY127 million in Q2, to an operating loss of JPY49 million in Q3.

As for EBITDA shown on the right side, we were in the black in Q3.

2. Q2 FY2024 Financial Results

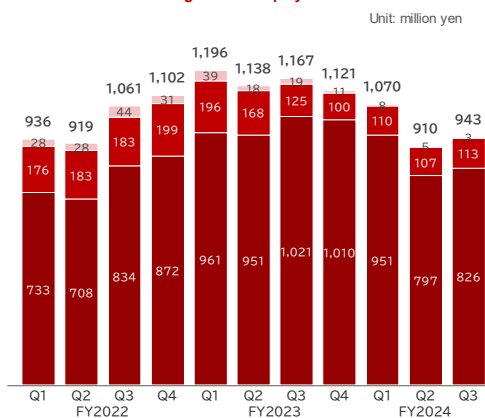
Results by Segment - Net Sales

- 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.

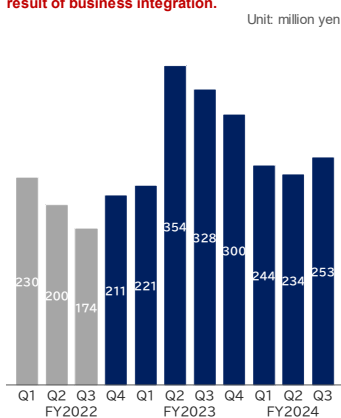
Shift to an upward trend due to a higher-than-planned utilization rate of new graduate employees.



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.

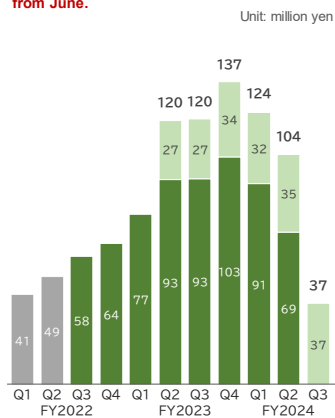
Shift to an upward trend due to steady progress in recruitment and a decline in attrition rate as a result of business integration.



DX x HR business

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

Net sales decreased as HR Solution Services was excluded from the scope of consolidation from June.



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Next is the development of net sales by segment and service. First, with regard to the digital transformation business, both consulting and marketing services achieved higher revenue. The Ulscope service continues to have a slightly declining trend.

As I mentioned earlier, the DX x Technology business had higher revenue. As for the DX x HR business, the healthcare services of Dr. KENKO KEIEI, Inc. continues to increase its revenue QoQ.

Results by Segment - Cost of Sales & Gross Profit

- Gross profit margin in the Digital transformation business improved due to steady assignment of new graduate employees to projects and a decrease in the ratio of outsourcing partners.

	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	943	+3.6%	253	+8.1%	37	-64.4%
Personnel expenses (cost of sales)	265	+6.4%	85	+16.4%	0	-
Outsourcing expenses (cost of sales)	289	-21.3%	105	-0.9%	0	-
Other costs	3	-	0	-	0	-
Gross profit *	385	+32.8%	61	+15.1%	37	-50.7%
Gross profit margin	40.8%	+8.9 pt	24.1%	+1.5 pt	100.0%	+27.9 pt
SG&A expenses	534				QoQ -2.2%	
Operating profit	-49					
Operating profit margin	-4.0%					

*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.

*Dr. KENKO KEIEI in DX x HR business has recorded the net amount obtained by deducting the payment to the industrial physician, etc. from the revenue to customers as sales, and there are no personnel to be recorded in cost of sales.

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Next is gross profit. You should be able to see a significant improvement in the gross profit margin of the digital transformation business currently.

Other factors that contributed to the improved gross profit margin are the steady progress of the assignment of new graduate employees, who had been nonoperating cost personnel in Q2, as I mentioned earlier, and lower outsourcing costs due to decreased ratio of external partners. The gross profit margin is higher than that of Q1 before the new graduates joined the Company.

The gross profit margin is also improving in the DX x Technology business.

Breakdown of SG&A Expenses

- Hiring expenses that had increased at the timing of job offers for new graduate employees joining the Company in April 2025 have eased for now.

	Results [million yen]	SG&A expenses to net sales	QoQ	Description
Personnel expenses (SG&A expenses)	105	8.5%	+14.1%	Salaries for back-office employees and executive compensation, etc.
Outsourcing expenses (SG&A expenses)	58	4.7%	+9.4%	Use of external human resources and training costs, etc. for strengthening development
Hiring expenses	55	4.5%	-26.7%	Agent fees and event expenses, etc.
Rent expenses	169	13.7%	-6.1%	Office rent, etc.
Depreciation etc. (including amortization of goodwill)	57	4.6%	-9.5%	Amortization of goodwill and depreciation of other non-current assets etc.
Other SG&A expenses	88	7.1%	+11.4%	
Total SG&A expenses	534	43.3%	-2.2%	

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We move on to SG&A expenses. Overall, costs were reduced, albeit slightly, by 2.2% QoQ.

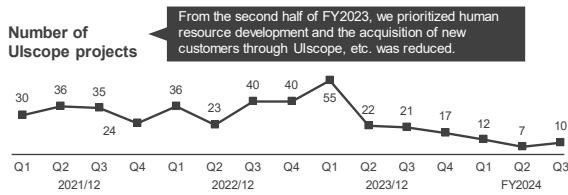
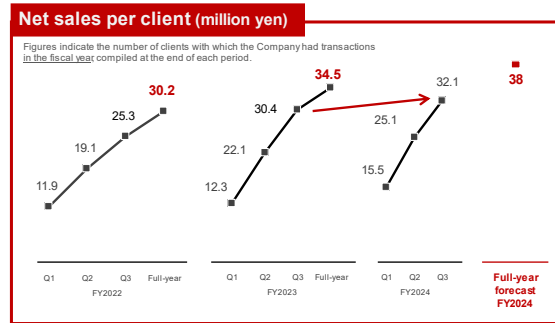
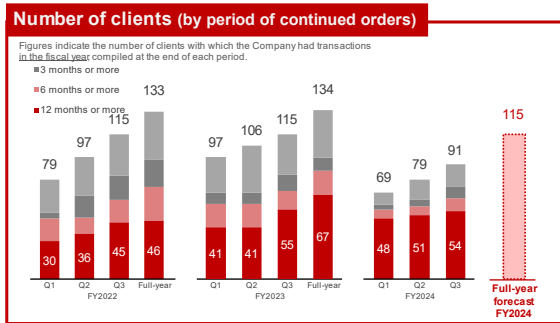
In addition, it can be seen that hiring expenses have decreased significantly from the previous quarter. The decrease does not signify sluggish hiring. This is rather due to the lack of seasonal factor that contributed to higher hiring expenses in the previous quarter, because it was when job offers were given and accepted by new graduates, who will join the Company in April 2025.

In addition, we can see an increase in personnel and other SG&A expenses, but this is largely due to a onetime increase caused by special factors.

3. Situation of the 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.



Number of clients by net sales (full-year) per client

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

	Up to ¥30 million	Up to ¥100 million	Up to ¥300 million	Over ¥300 million
2020/12	98 companies	8 companies	2 companies	0 companies
2021/12	103 companies	11 companies	2 companies	1 company
2022/12	103 companies	23 companies	5 companies	2 companies
2023/12	101 companies	22 companies	9 companies	2 companies

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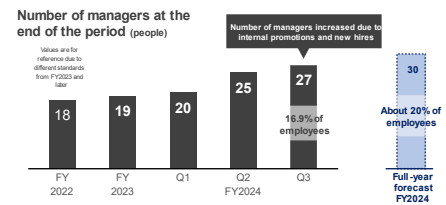
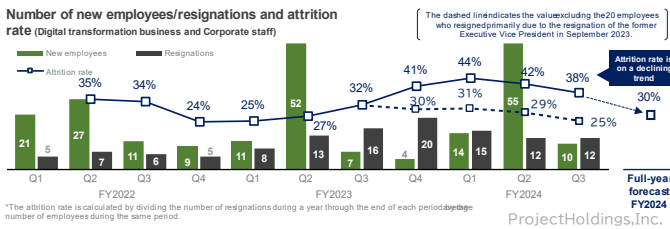
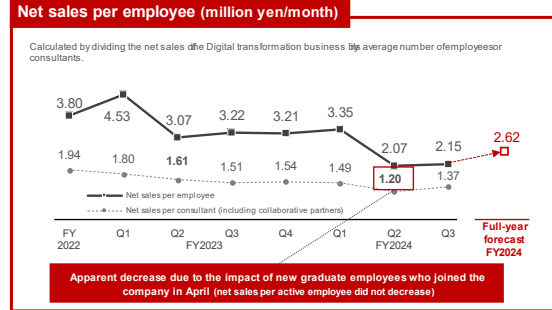
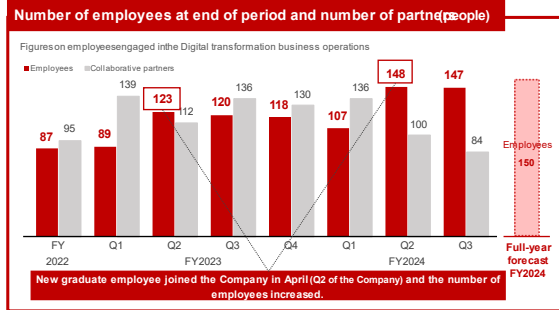
I will now explain the status of our core digital transformation business.

First, the development of the number of clients and cost per client, the number of clients is lower than the same period of the previous year, and this is due to the continued decline in the number of projects and clients of the Ulscope services, which have predominantly short-term clients.

On the other hand, some of our clients have been increasing their order quantity since the beginning of this year, and in terms of consulting projects, the demand is very strong and sufficient due to demand from those clients and other existing major customers. If anything, the lack of resources has not been resolved.

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

- Since FY2022, the Company has been aiming for organizational expansion (increase in net sales and profits) by strengthening new graduate recruitment in addition to continuous mid-career recruitment.
- Net sales per employee slightly increased due to the assignment of new graduate employees progressing better than planned and a decrease in the number of partners.



Next is the development of the number of employees and net sales per person. As I mentioned earlier, the number of employees structurally increases in Q2, when new graduates join in April. However, the number of employees has remained flat rather than decreased in Q3.

In addition, while the number of employees continued to increase in Q2 and Q3 successively, compared to Q1 and before, the turnover is on a downward trend, with the number of people who quit going down.

On the other hand, the number of active personnel that are not employees, as well as outsourced collaborative partners, continued to be on a downward trend from the previous quarter.

In Q2, sales per person declined, partly due to the new graduates joining the Company, but the unit price per operating staff did not decline rapidly. In Q3, it is on a recovery track due to the increased operation of the new graduate employee.

As for the current unit price of JPY1.37 million per person, which is not per employee, but purely per personnel, we believe that there is ample room for it to return to the previous level of JPY1.5 million during Q4, since JPY1.37 million is a figure with an average operation rate of new graduates being 75% during Q3.

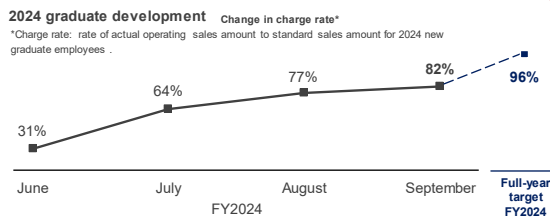
Topics: New Graduate Recruitment and Training

- The Company recruited new graduate employees, including those from top-level universities, and conducted practical training that emphasized basic strengths for business promotion.
- As of September, more than 80% of this fiscal year's new graduate employees were assigned, exceeding the plan.

Results of recruitment		New graduate training		
	2023 graduates (results)	2024 graduates (results)	2025 graduates (job offers)	
Former Imperial Universities, Hitotsubashi University, and the Tokyo Institute of Technology	14	16	8	
Waseda, Keio, and Sophia University	15	17	7	
Other	4	4	9	
Total	33	37	24	

Based on the size of the organization, the number of 2025 graduates been reduced. The company plans to increase the number of new hires again from 2026 graduation in consideration of the state of graduate development.

*Employees engaged in the Digital transformation business operations



Promoted the assignment of 2024 graduates through training and achieved more than 80% utilization as of September.

Higher-than-planned progress toward the full-year target of 96% for FY2024.

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As a final topic, I would like to explain the hiring and training of new graduate employees. We have been aggressively recruiting around 30 new graduates, including those in the top academic groups, starting in FY2023.

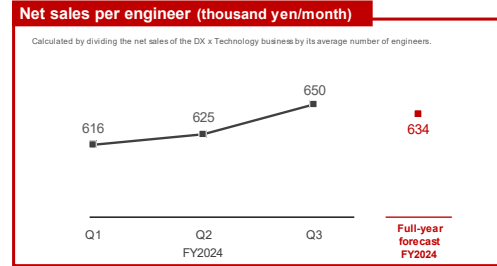
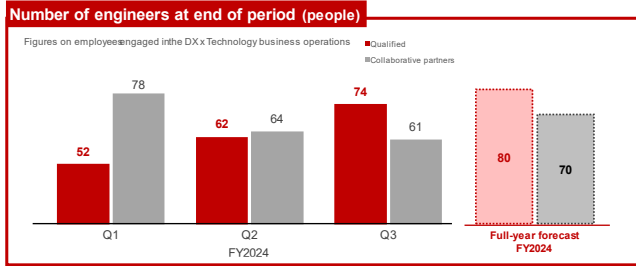
As for these newly graduated employees, we are working to nurture them by promoting training and practice that put importance on basic skills that we consider important, from the perspective of growing and promoting our business.

As a result, as shown in the lower left-hand corner, this year's new graduate employees have been starting up well, with an operation rate of over 80% through September and are making good progress toward a charge rate of 96% from Q4, which is around the same level as that of regular employees, excluding new graduates.

For FY2025, the number of new graduate employees was reduced slightly to 24, based on the current organizational situation and other factors, but they are planned to join the Company nevertheless.

DX x Technology Business | artwize

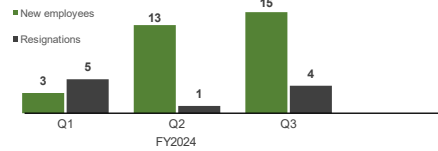
- Engineers at artwize inc. developed support services for system development and software testing.
- The company is making efforts to create a comfortable working environment for engineers. Recruitment has been steady due to unique initiatives, including the media coverage of the trial company trip.



Number of new employees/resignations (DX x Technology business)

*Until FY2024 Q1, the total number of artwize inc. and ProjectTechnologyInc.

The recruitment target for this fiscal year was achieved ahead of schedule due to steady progress in the hiring of engineers, and the focus is on recruitment in the next fiscal year.



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.

Media Coverage
 artwize inc.'s company trip was covered by ERA dot published by Asahi Shimbun Publications Inc.
 Are "company trips" a thing of the past? The forefront of Reiwera company trips enjoyed even by young people. [What I'd like to go to.](#) (Japanese only)

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I will also briefly explain our DX x Technology and DX x HR business.

First is DX x Technology. This business was originally established through M&A to meet the needs for engineers in the consulting services provided by ProjectCompany, Inc.

The company, artwize, inc., focuses on creating an easy environment for engineers to work and has created a unique culture that has enabled the company to hire a significant number of engineers in a highly competitive hiring environment.

In particular, the number of engineers has been growing steadily, with the number of newly hired people significantly exceeding the number of departing employees in Q2 and Q3 in a row. In addition, as shown in the upper right-hand corner, unit prices are also improving.

DX x HR Business | 健康経営

- Dr. KENKO KEIEI Inc. provides services to support corporate health management centered on an occupational physician matching services.
- Since joining the Group in April 2023, the company has been working to acquire large-scale projects by strengthening its sales capabilities and through cross-selling operations. In addition, it has recently expanded its support menu with the release of a human resources support service by public health nurses.

Expanding sales of existing services

Strengthen marketing capabilities by leveraging the Group's assets and increase the size of cross-selling to acquire new projects

Customer composition upon joining the Group

Mainly companies with 50 or so employees that are required to have an occupational physician by law.

Current situation

Continue to work with companies with around 50 employees while accumulating large-scale projects through proposal-based sales centered on large companies with multiple business locations.

Expanding service menu

Development of a new support menu for corporate human resource and labor divisions issues

1. **Public health nurse dispatch service**
Reduce the burden on human resource and labor departments by sending public health nurses to client companies and taking the first step toward consultation regarding occupational physicians.
2. **Service to improve employee engagement through collaboration with major human resources companies (undergoing verification testing)**

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Next is the DX x HR business. Dr. KENKO KEIEI, Inc. provides services to support the healthy management of companies, centered on a matching service of industrial physicians.

Since they joined the Group last April, we have been working on acquiring projects for enterprises, which we have not had many of in the past.

We are also expanding our service menu to include new business, such as the new service of dispatching not only industrial physicians, but also public health nurses and services, for improving employee engagement through collaboration with major human resource companies.

Progress toward Financial Results Forecast

- Although the Q3 progress rate for consolidated net sales is lower than 75%, mainly because the progress rate for the Digital transformation business is only 66%, the assignment of new graduate employees was higher than planned. However, the achievement of the full-year net sales forecast is somewhat uncertain due to the decrease in partner projects.
- Although losses in operating income and ordinary profit that are larger than those in forecast have already been recorded, we aim to achieve the full-year profit forecasts by returning to profitability in Q4.

	Unit: million yen	Forecast (Announced September 17)	Q3 results (cumulative)	Progress rate	Current Situation and Outlook
Consolidated net sales		5,750	3,923	68.2%	✓ The progress rate in the Digital transformation business is only 66%, however, the assignment of new graduate employees is progressing faster than planned. The achievement of the full-year net sales forecast is somewhat uncertain due to the decrease in partner projects. ✓ Steady progress in other businesses.
Digital transformation business		4,390	2,924	66.6%	
Other operations		1,360	998	73.3%	
Consolidated operating profit (operating profit margin)		-190 (-%)	-201 (-%)	100.6%	✓ More than 100% of the deficit of the forecast has already been recorded for operating profit and ordinary profit.
Consolidated ordinary profit (ordinary profit rate)		-220 (-%)	-239 (-%)	108.6%	✓ By returning to profitability in Q4, we aim to achieve the full-year profit forecasts.
Profit attributable to owners of parent (profit rate)		20 (-%)	-17 (-%)	-	✓ Loss of ¥17 million in Q3.

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Finally, I would like to explain our progress against the most recent full year forecasts. This is the result against the earnings forecast.

As for net sales, the current ratio is 68.2% as of the end of Q3. In the digital transformation business, in particular, it is somewhat unclear if we will be able to reach the full year forecast figure or not due to the declining number of projects utilizing outsourced collaborative partners, while new graduates and others are starting up smoothly.

As for profit, we recognize we are now well in a position to achieve our full year forecast by restoring profitability in Q4. Therefore, we will focus our efforts on it and proceed with sales activities.

That is all for today's presentation. If you have any questions, we would be happy to hear them after this. Thank you in advance for your cooperation.

Question & Answer

Matsumura [M]: I have received some questions, so I would like read them out and answer them after that.

Participant [Q]: There is a question asking why we are in the red at the moment.

Matsumura [A]: In SG&A expenses, we believe that there are two major reasons for the current fiscal year being in the red. One is that the SG&A expenses, especially the rent, have become quite large in proportion against net sales.

The Company moved to a new office in January this year, and this is where there was a slight discrepancy in terms of the business plan and the headcount increase, between the timing of taking the decision to relocate and that of the actual relocation. As a result, the office space is somewhat oversized in terms of floor space, and frankly, the rent is too high.

The second is new graduates joining the Company. Regarding the hiring of new graduates, we have been able to recruit and hire promising staff. This has been our focus since 2023, and we would like to continue to focus on this area.

On the other hand, compared to the current scale of the organization, we have hired a considerable number of people, and it is difficult for them to achieve a near 100% operation rate, matching the level of other employees in Q2 and Q3 after they join in April. Therefore, they end up being cost personnel that cannot produce revenue, which is another reason for the deficit.

Participant [Q]: Another question is about the declining number of outsourced partners, which is the background of the poor progress in net sales. They want to know the background.

Matsumura [A]: Here, we are focusing on the assignments and human resource development of the employees that joined our company as new graduates, rather than partner assignments. This slightly relates to the new graduates joining the Company that I mentioned earlier, as a reason for a deficit. In my understanding, our current personnel pyramid is rather short of management and managers.

In such a situation, when a project is assigned to an outsourced partner or a nonmanagerial employee, a manager has to go and put in man-hours to control quality. Since we have a number of new graduates who have joined us, we are focusing the managerial resources on the human resource development of these people, making the partners' priority a little lower.

In this context, we have less partners, and I would appreciate it very much if you could understand that this does not mean the demand for our services is going down.

Participant [Q]: There is a question about the composition ratio of the current top clients in the net sales.

Matsumura [A]: The number of clients with annual sales of JPY100 million or more was 11 for the last fiscal year, as shown here. In terms of the top 10 clients, these are almost all. I think the 10 companies account for a significant portion. They not only make up majority, but also are the main source of sales.

Participant [Q]: You mentioned that large-quantity projects were going up and demand was strong, but what type of projects are most common?

Matsumura [A]: Regarding projects, of course, many of them are in the DX and IT fields, but within those fields, there is quite a variety.

Although the nature of projects varies, recently, we have been receiving quite a few inquiries about AI application support, an area in which many of you are interested. Since we have just launched a service this year, we have been adding personnel successively and expanding the scale of the organization to respond to inquiries.

Participant [Q]: There is an additional question asking for explanation based on actual cases.

Matsumura [A]: This is at the very end of the slides. Here is a small sample of the projects we are supporting.

For example, SBI NEOMOBILE SECURITIES Co., Ltd., originally, SBI and CCC, who provides T-Points, had decided to launch a new service for young people together, and we supported them in the process of moving forward.

To be more specific, with this case, we supported the launch of a joint venture, the design and study of services applying technology, and the planning and execution of digital marketing strategies to promote the service, since marketing and the UI are also included in the business portfolio. We also supported them with carrying out tests, utilizing a service called, Ulscope, for the landing page of the actual services.

The industries from which we receive relatively many inquiries, are finance, as you can see in the case of Shimane Bank Ltd at the bottom, telecommunications, as in the case of au Commerce & Life, Inc. at the right, top, and BPO, as in the case of transcocosmos inc.

Participant [Q]: There is a question asking about the clients' industries that we are currently focusing on.

Matsumura [A]: We do not focus on specific industries or customers. It is more about the scale. In principle, our policy is the same as the consulting style I described earlier, which is to focus on the middle layer of large-sized companies.

Among them, of course, there are many companies who are our end clients.

However, to date, there have been many successful cases where we have been able to work on projects in a relationship that resembles alliance, and we could go inside the clients of our clients, resulting in very large transactions. Therefore, we believe there is room to expand DX support through collaboration with such companies in the future.

Participant [Q]: There is a question about if we have any examples of value we provide to manufacturing clients.

Matsumura [A]: We also have clients in the manufacturing industry. In terms of the ratio, I would say that there are not so many. I don't think we have worked on DXs in manufacturing sites, such as factories, much, but there are some cases.

Participant [Q]: There is a question asking if it is correct to assume that the use of outsourcing will decrease in the future.

Matsumura [A]: We are now discussing how to utilize partners in the medium to long term as a management strategy. It is difficult to say that the number of partners will definitely decrease in the medium to long term, but in the short term, please understand that it is possible the number of partners will not increase much or decrease as a result of the considerable focus on training.

When utilizing partners, it is just more difficult to gain profit than using employees. Also, they don't become the Company's medium- to long-term asset easily since they come and go. Therefore, given the current constraints on management capacity, please understand that it is our short-term policy to invest resources through the development of internal human resources.

Participant [Q]: There is another question about the use of outsourcing partners. The question is about the deviation of net sales from the Company's projection and specifically what is deviating from the assumptions when it comes to the utilization of outsourcing.

Matsumura [A]: I think one of the reasons for this is recruitment and the steady decrease of turnover. However, against this background, one of the things we are doing is focusing our manager resources on internal personnel, to make sure they are well developed.

Another is that we receive a lot of demand for projects from our clients, and this may be a coincidence, but among the currently growing clients, we receive rather a lot of demand for assigning our employees, rather than partners. In this context, we understand that the fact that the partner assignments are not going as smoothly as expected could also be a factor.

Participant [Q]: Please tell us about your competitors and benchmark companies. Please also describe your advantages over those companies.

Matsumura [A]: In terms of competitors and benchmarks, if I were to name some very large companies, I would say, Accenture Japan Ltd and BayCurrent Inc, for example. In terms of our advantage over those companies and the characteristics of our services, we are quite focused on helping our clients' middle layer.

Since our founding, we have been providing consulting services to our clients, and we have come to recognize that the middle layer of our large-sized corporate clients has recently become a bottleneck and the capacity is rather tight to develop new projects, services, and business.

Our characteristic is that we focus on supporting this part and provide diligent help on the field.

As a result, I believe that we have characteristic structure also in this style of support. I understand that general consulting firms mainly support project managers of client companies by establishing a structure within the consulting firm itself.

However, we are unique due to the fact that we get into the client's structure very deeply and commit to their business growth.

Participant [Q]: There is a question about our relationship with SBI Group.

Matsumura [A]: We have disclosed a capital and business partnership agreement, and there has been no change in the relationship since then. They also continue to be an important client for us.

That concludes today's financial results briefing. Thank you for your participation today.

[END]