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PRESS RELEASE

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 (Securities code: 7034, TSE Prime Market)
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Plan for compliance with the criteria for maintaining listing

We hereby announce that we have prepared the following plan to comply with the criteria for maintaining listing on the prime market, as we do not meet the listing maintenance standards as of the base date (October 31, 2022).

Details

1. Status of compliance with the criteria for maintaining listing

The Company's status of compliance with the criteria for maintaining listing on the prime market as of the base date is as follows, and the Company does not meet the criteria for market capitalization of shares in circulation. The Company will take various measures regarding the market capitalization of shares in circulation to meet the criteria for maintaining listing by the fiscal year ending October 31, 2025.

	Number of shareholders (Persons)	Number of shares in circulation (Unit)	Market capitalization of shares in circulation (Million yen)	Percentage of shares in circulation (%)
Status of the Company (as of the base date)	3,264	40,715	2,117	36.3
Criteria for maintaining listing	800	20,000	10,000	35.0
Items described in the plan			✓	

*The Company's status of compliance is calculated based on the distribution of the Company's share certificates, etc. as understood by the Tokyo Stock Exchange as of the base date.

2. Basic policy, challenges, and details of initiatives toward compliance with the criteria for maintaining listing

(1) Basic policy

The market capitalization of shares in circulation is composed of market capitalization and percentage of shares in circulation, and because the percentage of shares in circulation meets the criteria, we recognize the need to improve market capitalization.

The Company will work to improve market capitalization by rebuilding its performance-based consulting services, which are facing headwinds from the effects of inflation, and by growing its business through the expansion of its fixed-fee consulting services. These efforts may require time to establish sales methods for fixed-fee consulting services, rebuild the consultant structure, and review personnel assignments. Therefore, we will use the fiscal year ending October 31, 2023 as a preparatory period, and move forward to meet the criteria for maintaining listing by the fiscal year ending October 31, 2025 by returning net sales and operating income to a growth trajectory starting from the fiscal year ending October 31, 2024.

(2) Challenges

We recognize that the reason why we have not achieved the market capitalization of shares in circulation is due to the following factors:

- (1) The contraction of net sales and consolidated operating income related to performance-based consulting services due to the manifestation of the impact of the coronavirus in the fiscal year ended October 31, 2021
- (2) Further contraction of net sales and loss of consolidated operating income related to performance-based consulting services due to the impact of inflation in the fiscal year ended October 31, 2022

(3) Details of initiatives

The Company will strive to increase its market capitalization and meet the criteria for maintaining its listing on the prime market by promoting the following initiatives (1) through (3).

The currently disclosed Medium-term Management Plan will be revised by the announcement of financial results for the fiscal year ending October 31, 2023, based on the progress of the following measures and current market conditions.

(1) Expansion of fixed-fee consulting services

Although we will continue to provide performance-based consulting services, there are aspects of the business that do not fit well under inflationary conditions. On the other hand, demand for cost management and various types of support for corporate activities that are difficult to provide in the performance-based model remains high, and we are expanding our fixed-fee consulting services in the belief that responding to these demands will contribute to our business growth.

As of the end of October 2022, we have begun offering the following fixed-fee consulting services, which are in particularly high demand.

- Business improvement consulting that goes beyond cost management
- PMO (Note 1) consulting for system introduction
- Hands-on corporate support consulting for funds
- Logistics consulting through optimization of 3PL (Note 2), supply chain improvements, and productivity improvements
- Environmental consulting through collaboration with our subsidiary, Knowledge Management Research & Institute

Starting from the fiscal year ending October 31, 2023, we will continue to expand our fixed-fee consulting services in order to transform our service portfolio to one that can withstand increasingly complex needs and rapid changes in market conditions, and to improve corporate performance. Although the percentage of net sales of performance-based consulting services and fixed-fee consulting services for the fiscal year ending October 31, 2023 and beyond has not yet been determined, it will be disclosed in conjunction with the expansion of sales of fixed-fee consulting services.

(Note 1) PMO: Abbreviation for project management office

It is a department or structural system that provides support for project management across the organization.

(Note 2) 3PL: Abbreviation for third party logistics

Generally, a third party proposes logistics reforms to shippers and undertakes comprehensive logistics operations on behalf of the shipper.

A business type in which a third party undertakes the entire planning, design, and operation of logistics operations on behalf of the shipper company.

(2) Reexamination of Pro-Sign's future approach

Pro-Sign is a SaaS in the BSM (business spend management) domain, and although it began fee-based services in the fiscal year ended October 31, 2022, the number of companies charged fees has been sluggish. This is due to the following factors, despite the fact that the concept of managing purchasing in a single system is well accepted by customers.

- The system is viewed as a mission-critical system, and the introduction of the system is perceived as a significant burden.
- The current purchasing management system is not causing any problems, and therefore, the priority has been lowered.

Therefore, we are reexamining our future approach, including redefining the value provided by Pro-Sign and narrowing down its functions.

We will proceed so that we can present our future approach by the announcement of financial results for the second quarter of the fiscal year ending October 31, 2023.

(3) Cost optimization through review of cost structure

We will strive to optimize expenses by reviewing our cost structure through the following measures.

- Restructuring of consultant structure in conjunction with reduced hiring due to shrinking sales of performance-based consulting services and increased hiring due to expansion of fixed-fee consulting services
- Review of personnel allocation in sales and administrative divisions
- Continuous review of company-wide expenses

End