



**Members Co., Ltd.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2022

November 2, 2021

## Presentation

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**Moderator:** The time has now come to start. Good morning to all the participants.

Thank you very much for taking time out of your busy schedules to participate in today's financial results briefing of Members Co., Ltd. for Q2 of the fiscal year ending March 2022.

In today's briefing, Kenmochi, Representative Director, will present the financial results presentation materials. This will be followed by a question and answer session. If you have any questions, please use the Q&A function to send them. In addition, please note that today's briefing will be recorded as we will be rolling out video feeds and transcription at a later date.

President Kenmochi, please go ahead.

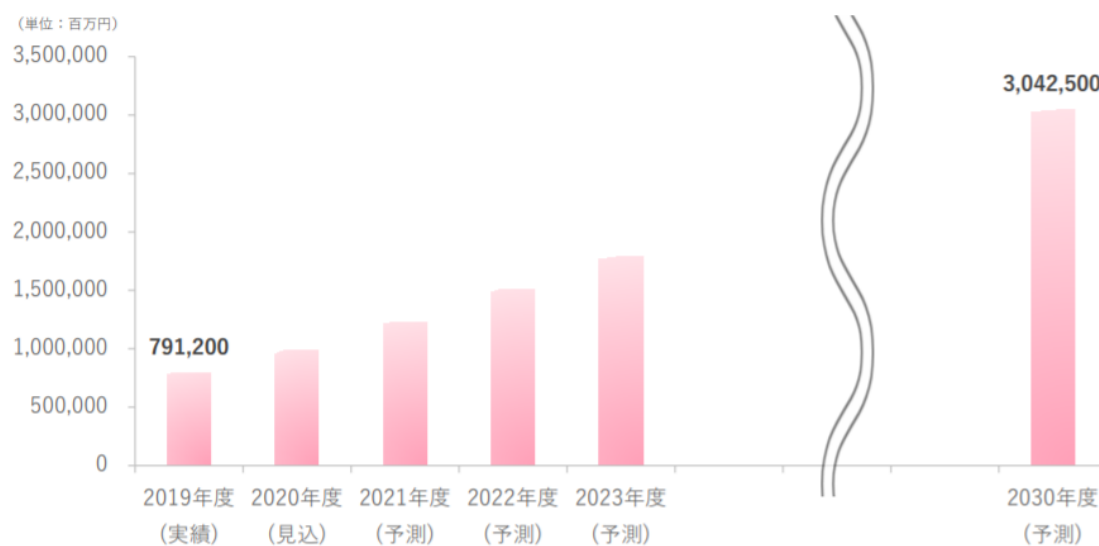
**Kenmochi:** I am Kenmochi, the representative of the Company. Thank you for joining us today.

Now, let me start the presentation. First of all, I would like to give you a brief introduction of our company and our growth story, although I know some of you have already heard it.

## 外部環境：急拡大するDX市場

### 国内DX市場の市場規模

2019年度7,912億円実績から**2030年度には3兆425億円に拡大**する見通し



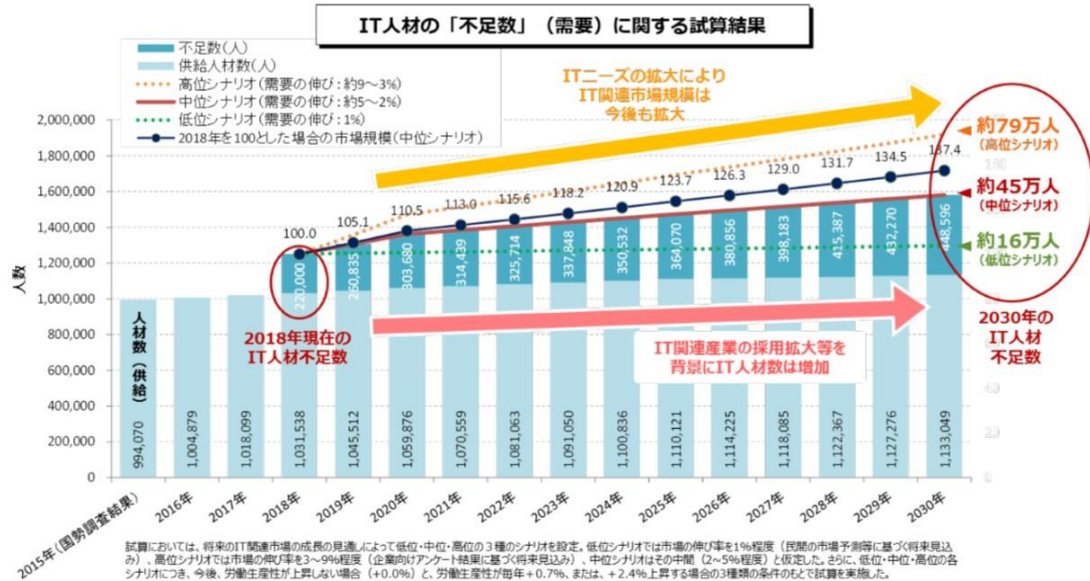
富士キメラ総研『2020 デジタルトランスフォーメーション市場の将来展望』

Regarding the external environment that we are focusing on the most, we believe that the market for digital marketing and DX will continue to expand.

## 外部環境：DX推進を阻む人材不足

### 2030年のIT人材は最大79万人不足。企業の人材確保は難航

<参考1> IT人材需給の試算結果



経済産業省 | IT人材需給に関する調査(概要)

[https://www.meti.go.jp/policy/it\\_policy/jinzai/gaiyou.pdf](https://www.meti.go.jp/policy/it_policy/jinzai/gaiyou.pdf)

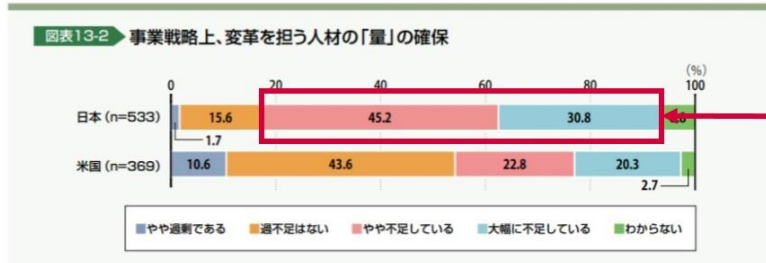
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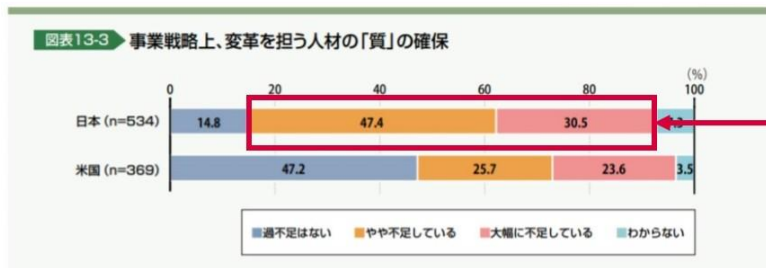
In spite of this, the shortage of IT personnel to carry out this task is very high, and we believe that it will become more and more serious in the future, rather than weakening.

## 外部環境：DX推進を阻む人材不足

### 日本企業における事業戦略上の変革を担う人材は 質・量ともに不足している



人材の「量」の不足：76%  
・やや不足している  
・大幅に不足している



人材の「質」の不足：77.9%  
・やや不足している  
・大幅に不足している

独立行政法人 情報処理推進機構 DX白書2021  
<https://www.ipa.go.jp/files/000093706.pdf>

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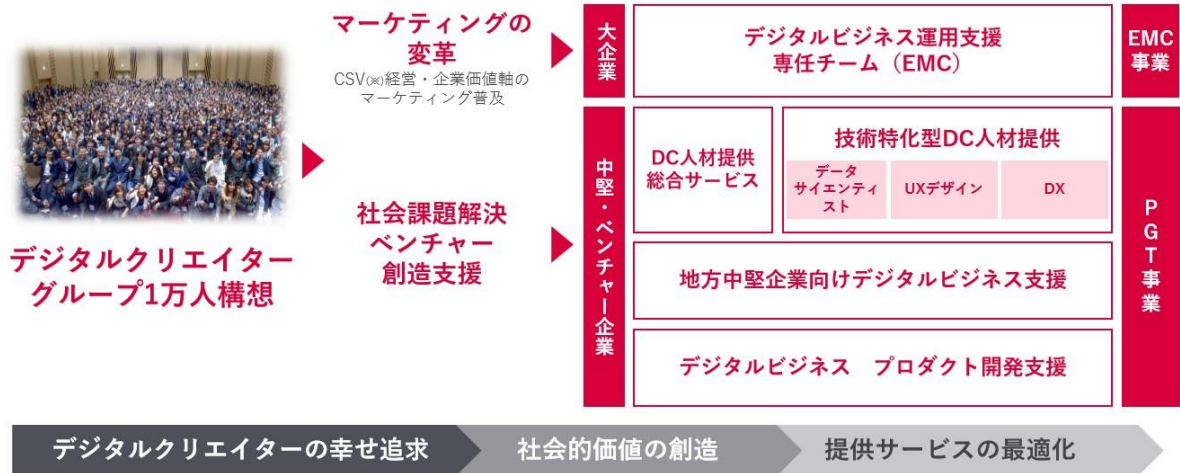
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The shortage of IT personnel is becoming more and more serious not only in volume but also in quality, and this is the external environment we are most concerned about.

## 当社グループの経営方針及び事業紹介

メンバーズは急速に拡大するデジタル経済における価値創出の主役である  
**デジタルクリエイター（DC）**が成長・活躍するプラットフォーム。

心豊かな社会の実現に向け、社会ニーズに合わせた最適な  
 デジタルビジネス運用サービスを開発・提供する。



※ CSV(Creating Shared Value…経済価値と社会的価値を同時実現する経営手法)

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We are developing the EMC business to revolutionize marketing for large companies, and the PGT business to support the creative activities of medium-sized venture companies to solve social issues.

## Service Features

### EMC business

(Engagement Marketing Center business)

#### Outline

##### Digital business operation support service

Websites, EC, SNS, apps, marketing automation (MA), digital transformation (DX), etc.

#### Features

- **Dedicated teams of digital creators for the client companies**, which deeply understand the management strategies, goals, products, and services of the clients, **drive the digital business.**
- **Methodization of the operation know-how by the dedicated teams**  
①Improvement in outcomes ②Enhancement of productivity ③Quality and security  
④Promotion of CSV marketing ⑤Team building ⑥Account plan ⑦Shift of cutting-edge technology fields
- **Specializing in large client companies, large-scale transactions, and continuous projects**

#### Major clients

Shiseido Co., Ltd., SKY Perfect JSAT Corporation, Daikyo Inc., Trend Micro Inc., Panasonic Corporation, Benesse Corporation, Mizuho Bank, Ltd., Sumitomo Mitsui Card Co., Ltd., etc.

### PGT business (\*)

(Product Growth Team business)

#### Outline

##### Provision of personnel for supporting the growth of digital products of clients

DX producers, UX designers, data scientists, marketing planners, data engineers, website directors, website designers, engineers, and others

#### Features

- **Provision of autonomous teams of digital creators**
- **To support growth in the cutting-edge technology fields**  
To support the growth of digital products of clients by using **the skills in the cutting-edge technology field** with high added value
- **Creators first**  
System of appointing creators as executive officers, remote work, and development of a sound working environment

#### Major clients

- **Internet-related enterprises** with great growth potential
- **Social innovation ventures** for solving social issues
- **Local medium-sized enterprises**

\* In April 2021, "Digital Personnel business" was renamed "Product Growth Team (PGT) business."

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The EMC business is targeted at large corporations. We provide teams of digital business operation support services dedicated to client companies. We also provide teams of digital creators that are dedicated for client companies in the form of a team that undertakes the entirety of their digital marketing and, in the future, DX support. These are the main services.

PGT is a product growth team business, or for venture companies. We provide human resources and teams to support the growth of services and products that use digital technology, rather than digital marketing for venture companies. This is the business to provide teams of engineers and creators.

## 当社グループのミッション・VISION2030

### メンバーズグループ ミッション

“MEMBERSHIP”で、心豊かな社会を創る

### VISION2030

日本中のクリエイターの力で、  
気候変動・人口減少を中心とした  
社会課題解決へ貢献し、  
持続可能社会への変革をリードする

2021年6月18日開催の第26期定時株主総会において  
定款変更を決議し「ミッション」及び  
「気候変動・人口減少等の社会課題への取り組み」  
を定款に明記。

<https://www.members.co.jp/company/news/2021/0618.html>

### グループ共通戦略

Web運用支援から  
デジタルビジネス全般の運用支援へ。  
顧客企業にCSV経営を広め  
持続可能社会への変革をリードする。



We hire and train a large number of human resources and provide them to our clients through our service. The most important thing for us in having a large number of employees is the mission and vision management. We are promoting this very strongly. As a resolution was passed at the General Shareholders' Meeting held in June, we amended our Articles of Incorporation to set as our mission to address social issues such as climate change and population decline through our core business, and to this end, we are managing the Company through the businesses mentioned earlier.



## メンバーズグループの成長ストーリー

メンバーズの事業モデルは、顧客に高い価値を提供し社会への貢献を目指すデジタルクリエイター（DC）が成長・活躍するプラットフォーム。

「社会への貢献」と「社員の幸せ」、「会社の発展」を同時に実現することを目指す『超会社』コンセプトに従い企業を運営し、DCが最も活躍する会社を作ることによって長期的な企業成長を実現する。

### 成長モデル

デジタル  
クリエイター(DC)数

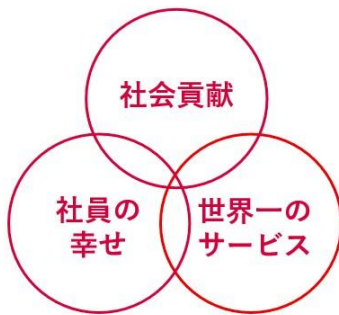
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一人あたり  
付加価値売上高

⇒

営業利益  
最大化

### 超会社コンセプト



### 2030年目標値

DC数  
1,133名  
営業利益  
12億円

2020年

DC数  
10,000名  
営業利益  
100億円

2030年

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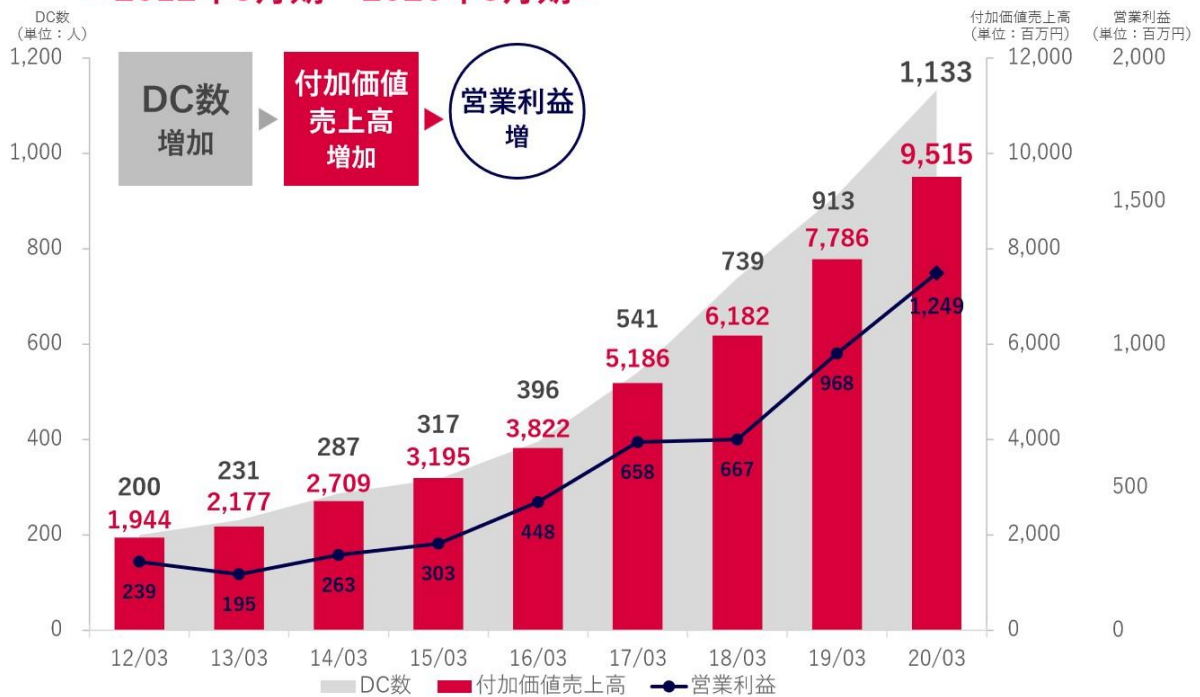
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Our growth story is very simple. The number of digital creators and value-added sales per employee lead to the maximization of operating profit.

We have a growth story in which we aim to increase operating income from JPY1 billion with 1,000 employees in 2020 to JPY10 billion with 10,000 employees over the next 10 years.

## メンバーズグループの成長ストーリー：DC数、業績推移実績

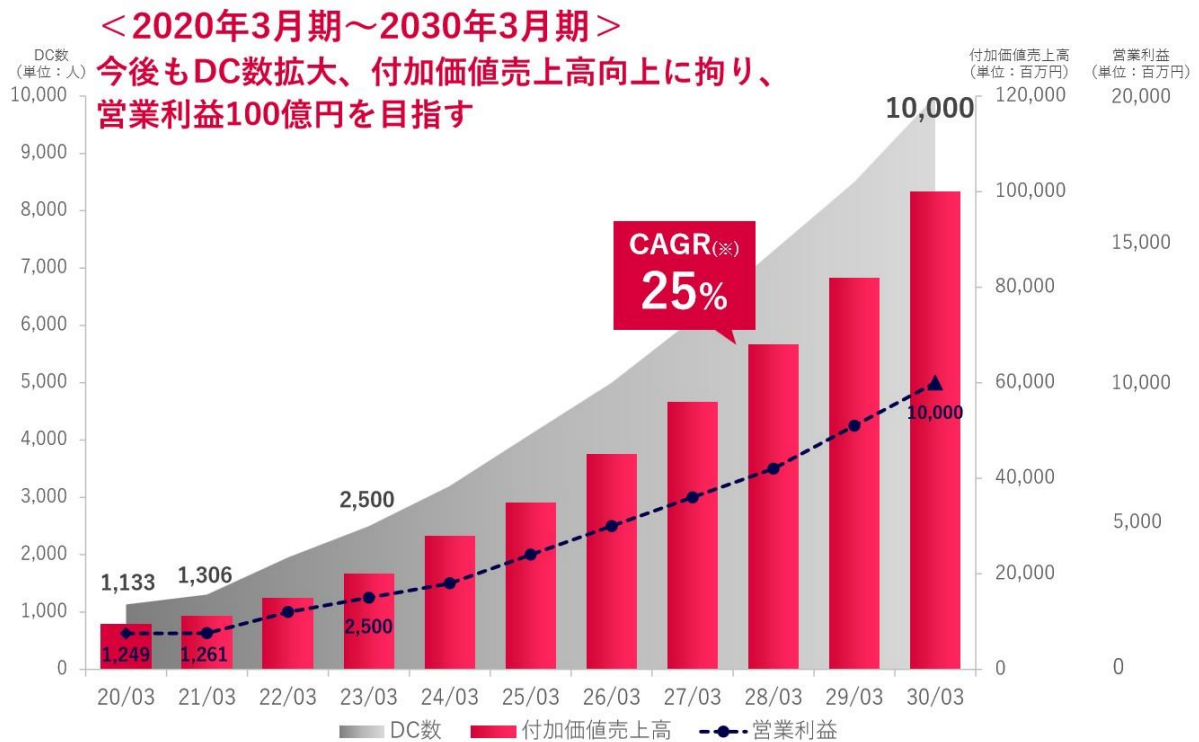
<2012年3月期～2020年3月期>



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In the past, there was a strong correlation among the increase in the number of digital creators, the increase in value-added sales, and the increase in operating income.

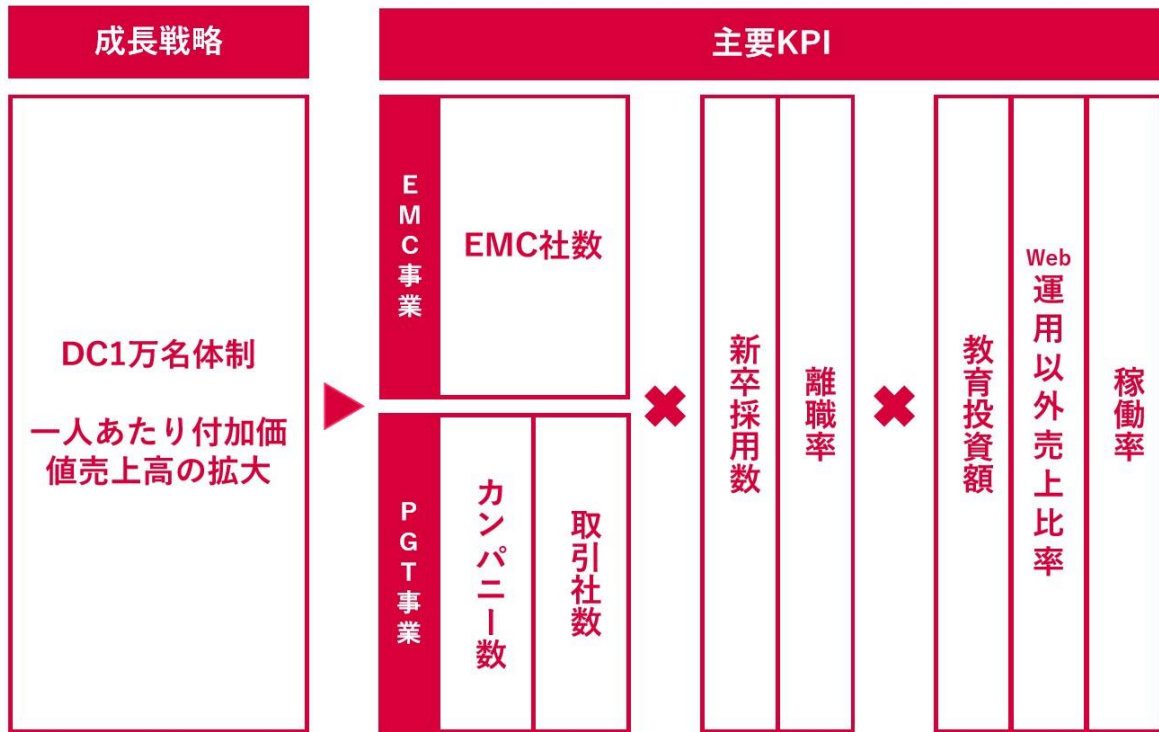
## メンバーズグループの成長ストーリー：DC数、業績推移計画



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We are planning to expand our business to 10,000 employees and JPY10 billion keeping this correlation.

## 成長戦略と主要KPI



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The major KPIs are as described here.

## 成長ストーリー：EMC事業

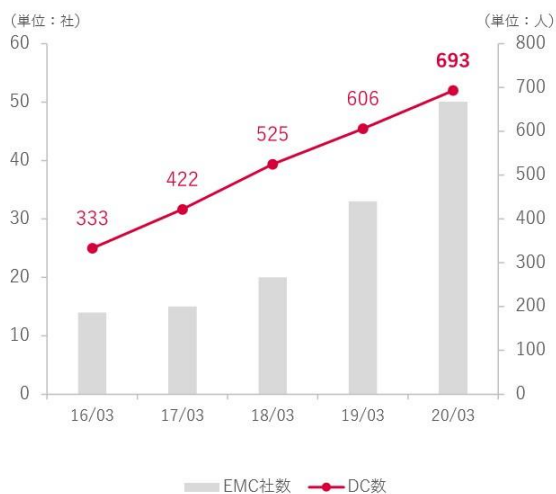
### EMC事業

DX領域を中心とした高付加価値領域へ進出し、取引社数とDC数を大幅に増加させる

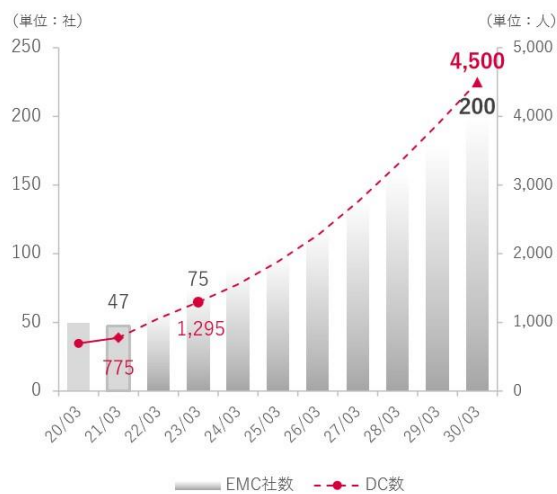
### 2030年目標値

EMC社数	DC数
200社	4,500名

<2016年3月期～2020年3月期>



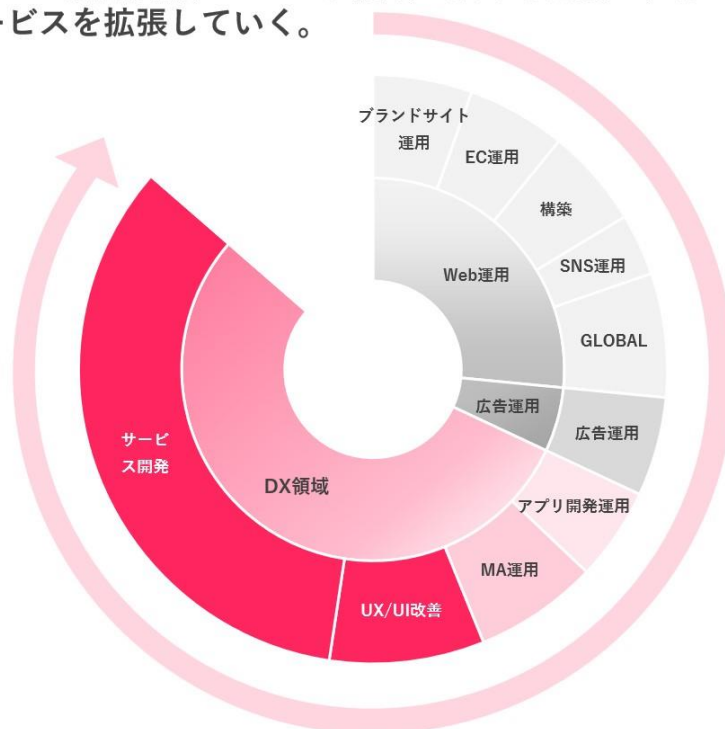
<2020年3月期～2030年3月期>



For the EMC business, the plan is to increase the number of DCs to 4,500 and the number of companies providing services for to 200 in 10 years.

## EMC事業 売上拡大方針

Web制作運用での顧客接点、フロント領域の強みを起点に、伸びしろの大きいDX領域にサービスを拡張していく。



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One of the most important points is that our company is not only in the traditional digital marketing field but is also moving into the DX field, which is to support the development of products and services using digital technologies of our clients.

We are aware that this market is very large and grows faster, and we would like to expand by making more inroads into this market.

## 成長ストーリー：PGT事業

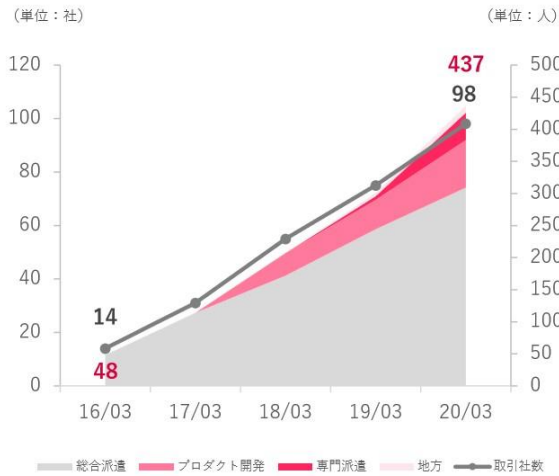
### PGT事業

付加価値の高い先端技術領域のスキルを用いて  
顧客のデジタルプロダクトのグロースを  
チーム型で支援し、DC数と取引社数を拡大する

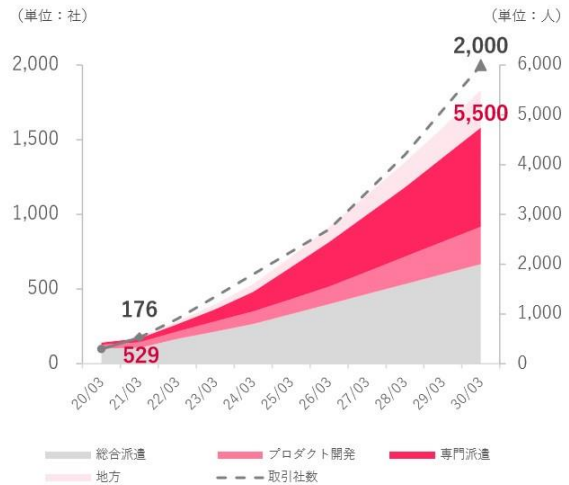
### 2030年目標値

DC数	取引社数
5,500名	2,000社

<2016年3月期～2020年3月期>



<2020年3月期～2030年3月期>



In the PGT business, we would like to increase the number of DCs by increasing the number of companies we have business with to achieve 5,500 employees and 2,000 companies of clients.

## PGT事業 売上拡大方針



### 2030年目標値

カンパニー数

50社

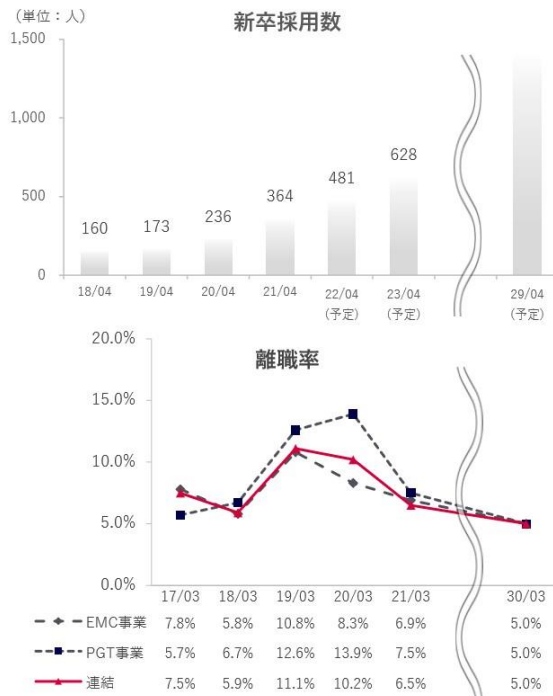
- 高付加価値の先端技術領域特化型カンパニーを引き続き立ち上げる。
- 総合デジタルクリエイターチーム提供カンパニーで育成し、先端技術領域特化型カンパニーにキャリアアップ、単価向上を図る。

As an intermediate KPI, the plan is to create many companies specializing in technology, and to increase the number of such companies to 50 by 2030.



## DC数の拡大

新卒採用を継続強化。離職率5%以内を実現し、DC拡大を図る



- 2022年4月新卒社員の採用は計画通り481名入社予定。
- ミッション、ビジョン採用強化
- 地方人材、クリエイティブ人材、女性採用強化
- リモートワークの推進／働き方改革
- 教育体制の充実化
- MEMBERSWAY委員会など全員参加型経営の推進
- CV1.6プロジェクト(※)の推進

※ CV1.6(Creator's Value 1.6)プロジェクト…IT人材の正当な評価・報酬を実現するため、2030年までに基準年収を欧米並みの1.6倍に引き上げるプロジェクト。

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When expanding the number of DCs, the most important thing we are considering is hiring new graduates. Of course, we can hire mid-career workers, but we want to contribute to the net increase in the number of engineers and creators in Japan as a whole, so we have established a model of hiring and training our own workers.

We have successfully welcomed 364 employees this spring and have secured 481 employees to join us next spring. We are operating with the goal of reducing the turnover rate to 5%.

## グループ経営方針

1

### 脱炭素DXの推進

脱炭素社会における企業の持続的成長と、心豊かな社会の実現を両立させるためにDXを推進する。Webサイトの制作運用領域に留まらず、デジタルを用いて行う事業やサービスの企画・構築・運用を担うことで、「業務プロセス」「企業と顧客の関係性」「ビジネスモデル」を変革していく。

2

### PGT事業へ転換・エンジニア領域拡大

デジタル人材事業は「PGT事業」へ名称変更。先端技術領域のスキルを用いて顧客企業のデジタルプロダクトのグロースを自律型チームで支援する。DXを実現するために肝となるプロダクト開発などのエンジニアリング領域を拡大していく。

→PGT事業の業績は本資料32～33ページ

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### 高単価化の推進、新卒モデルの確立

DXの推進に伴ってWeb運用領域からデジタルビジネス運用、DX支援に領域を拡大。先端技術領域や新しいグロース支援領域の職種を創造することで高単価を実現。サービス領域の拡充及び新卒の早期育成／早期稼働を通して収益性を高め、採用・育成を中心とした投資を強化していく。

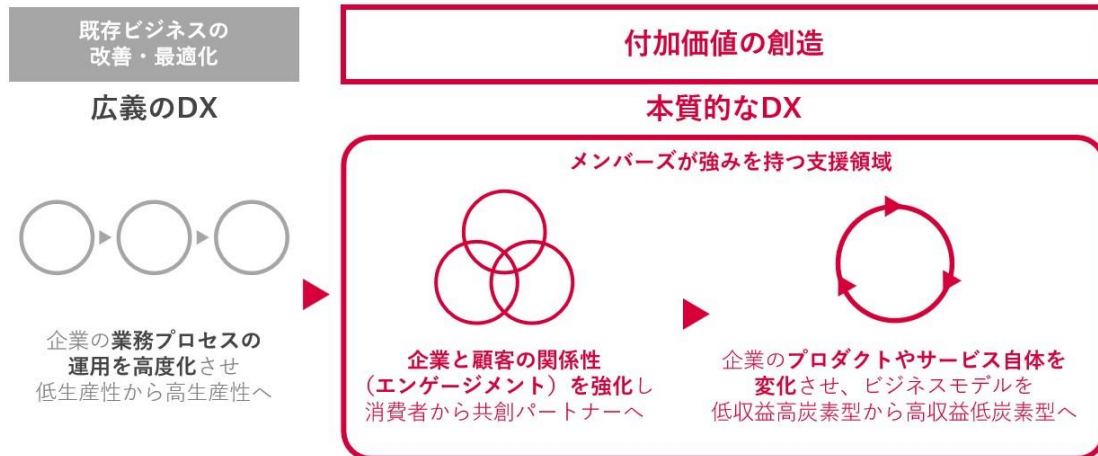
→連結業績は本資料26～29ページ

Our policy for this fiscal year is to aggressively expand and advance into the DX domain, and to change our business model from simply providing human resources to venture companies under the name of Digital Human Resources business to PGT, which means to grow the product itself and support its growth with a team. We are also focusing on expanding the engineering field.

In addition, our policy for this fiscal year is to create a number of new companies specializing in technologies and to advance into the DX domain in order to increase unit prices.

## DXは脱炭素社会実現のための手段である

DXを手段として顧客企業のビジネスモデルに変革を起こす脱炭素DXを推進し、持続可能なビジネス成長と脱炭素社会を実現させる



デジタルビジネス運用支援で培ってきたスキルやノウハウをもとに、顧客のビジネスを本質的に理解し、デジタルにおける専門性の高いDXプロデューサーやクリエイターが、企画設計段階から施策実行まで顧客企業のDXを支援する。

As for DX, we have been advocating that DX should be used to create a decarbonized society, and we have published a book to educate our clients.

## 2022年3月期方針②PGT事業・エンジニア領域拡大

### PGT事業を始動しエンジニア領域を拡大

従来のデジタルクリエイター人材の提供から、**先端技術領域のスキルを有するデジタルクリエイターチーム**による**顧客企業のプロダクトグロス支援サービス**の提供へ転換する先端技術領域として、今期は**エンジニア領域を強化・拡大**させていく

従来	EMC事業	デジタル人材事業		27Y以降	EMC事業	PGT事業
クライアント	大企業	ベンチャー		クライアント	大企業	ベンチャー
支援領域	マーケティング	プロダクト、 マーケティング	▶	支援領域	マーケティング、 <b>プロダクト</b>	プロダクト、 マーケティング
支援方法	自律型グロス 支援	人材提供		支援方法	自律型グロス 支援	<b>自律型グロス 支援</b>

- 1H進捗：エンジニア領域において、従来のメンバーズエッジカンパニーに加え、新たに2社カンパニーを設立。メンバーズデータアドベンチャーカンパニーでもデータエンジニア分野をスタート。Web以外運用領域の比率が高まる。（PGT事業の業績は本資料32～33ページ）



Webアプリケーション開発  
をご支援（2017年4月設立）  
<https://www.membersedge.co.jp/>



SaaS活用型グロスチーム  
事業カンパニーを設立  
（2021年4月）  
<https://www.members.co.jp/company/news/2021/0407.html>



DevOps(※) 推進支援カンパ  
ニーを設立（2021年7月）  
<https://www.members.co.jp/company/news/2021/0715.html>



データエンジニアに特化  
したプロフェッショナル  
人材常駐サービス開始  
<https://www.members.co.jp/company/news/2021/0810.html>

※ DevOps（デブオプス）：開発手法やツールを使って開発者（Development）と運用者（Operations）が密接に連携することにより、迅速かつ柔軟なサービス提供を行うための考え方や仕組みのこと。

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We have changed the concept of the PGT business, and the expansion of the engineering field is also going well. As you can see, the EMC business has always been autonomous growth, and we are also going to shift PGT and the former Digital Human Resources to autonomous growth. The EMC business focused on digital marketing but is going to shift to DX, i.e., product development support. These are our policies.

With regard to the expansion of the engineering field, we have established a series of new companies centered on an in-house company called Members EDGE and are steadily expanding.

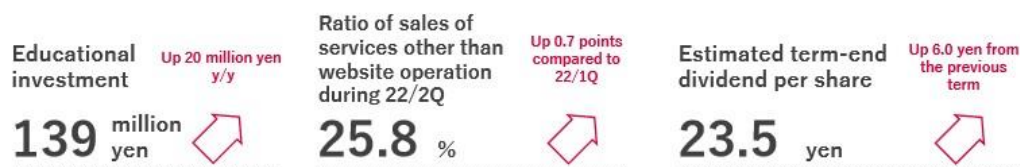
## 2Q FY 2022 Overview

We received many business inquiries from existing customers in the digital marketing field, and the specialized business domain with high added value kept growing year on year. On the other hand, a valuation loss of inventory assets of 92 million yen and an allowance of 78 million yen were posted due to the emergence of unprofitable transactions in the EMC business. In addition, plans for acquiring new customers were delayed somewhat, so sales revenue and operating profit fell below the forecasted amounts for the cumulative second quarter.

### Consolidated results



### Business situation



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Now, let's talk about the consolidated business results for H1.

Consolidated sales increased 25.6% YoY to JPY6.795 billion. Operating income increased 149.3% to JPY366 million. Value-added sales increased 28% to JPY6.381 billion. In H1 of the fiscal year, we achieved record highs in both sales and profits.

However, we originally forecasted sales revenue of JPY7 billion and operating income of over JPY0.5 billion for H1 of the year, but due to the occurrence of some unprofitable projects, we had to post a total of JPY170 million in write-down and reserve. Unfortunately, both sales revenue and operating income were lower than the figures announced for H1 of the fiscal year, but as I mentioned earlier, we achieved a new record high.

As for topics, our PGT business and venture business have been very strong, and we have been able to achieve rapid expansion with a 48.8% increase in sales YoY.

## Income Statement Summary

Both sales revenue and operating profit were healthy compared with those in the same period of the previous year. Gross profit margin declined year on year, as a valuation loss of inventory assets of 92 million yen and an allowance of 78 million yen were posted due to the emergence of unprofitable transactions.

[Unit : million yen]	Results in 2Q			Cumulative results in 1H		
	FY3/2021	FY3/2022	y/y	FY3/2021	FY3/2022	y/y
Sales revenue	2,921	3,686	+26.2%	5,411	6,795	+25.6%
Added value sales	2,707	3,453	+27.6%	4,984	6,381	+28.0%
Gross profit	859	997	+16.1%	1,580	1,890	+19.6%
(Gross profit margin)	29.4%	27.1%	—	29.2%	27.8%	—
SGA	613	650	+6.1%	1,414	1,539	+8.9%
Operating profit	205	357	+74.3%	146	366	+149.3%
(Operating profit margin)	7.0%	9.7%	—	2.7%	5.4%	—
Pretax profit	202	356	+76.5%	142	364	+156.2%
Net profit	131	241	+84.5%	119	259	+117.3%

\* Added value sales = Sales revenue — Outsourcing and procurement costs — Sales from in-house resources

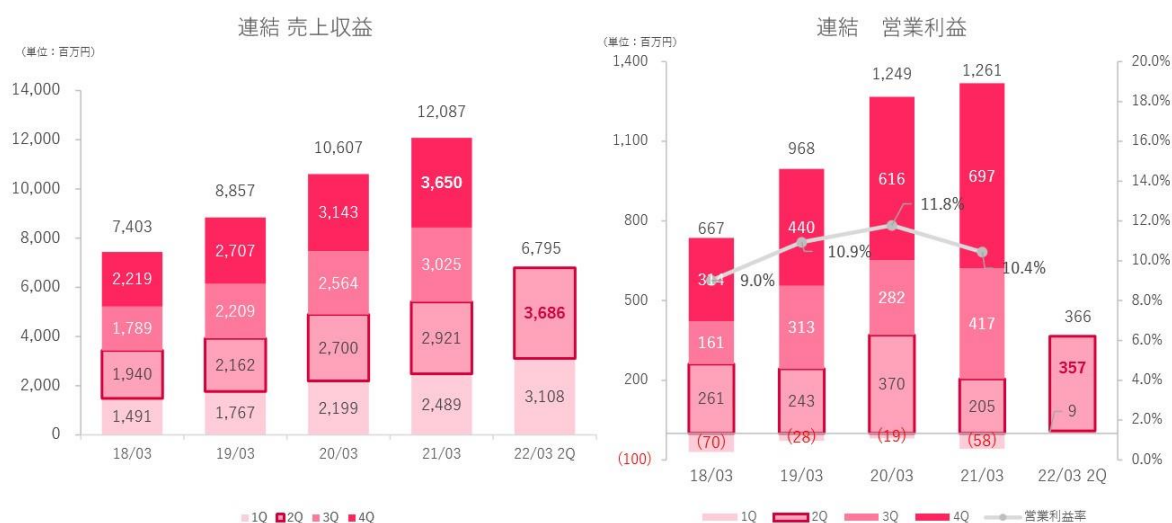
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The gross profit margin in H1 of the year, and in Q2 alone, was down from the previous year. This is because the write-down and reserve mentioned earlier was included in the cost of sales. Without it, the gross profit margin would have been the same as or higher than the previous year. In other words, the reason for the decline is this write-down and reserve.

## 業績と主要指標-連結

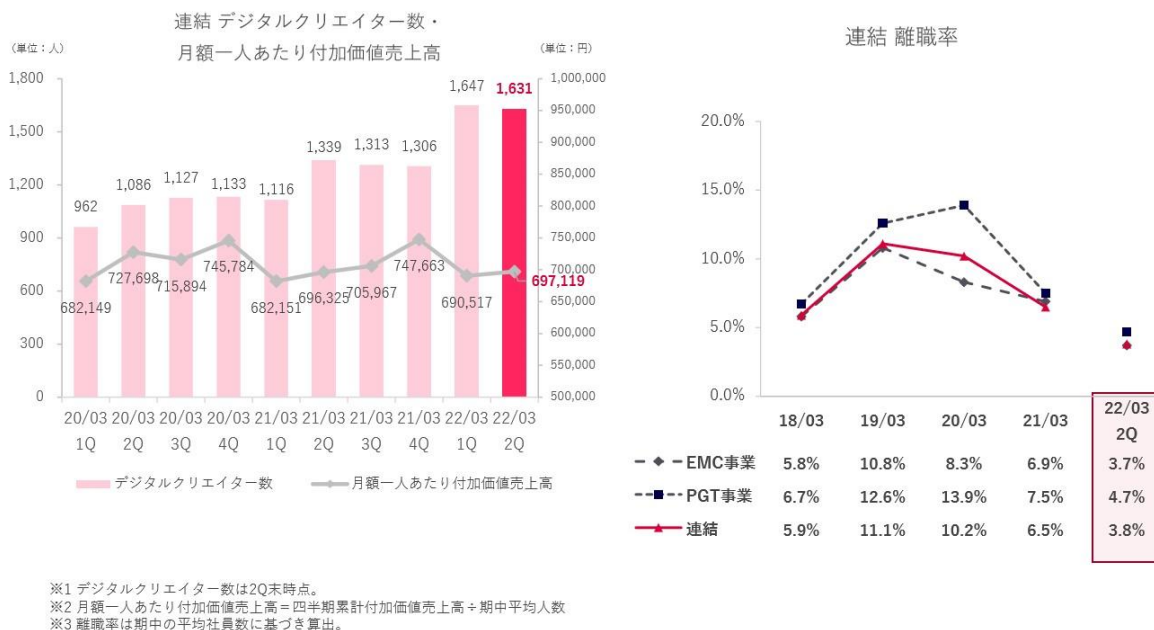
売上収益は**6,795百万円**(前年同期比+25.6%)と順調に拡大し、四半期単独では過去最高を記録。営業利益は不採算案件の評価減(92百万円)、引当金(78百万円)計上も**366百万円**(前年同期比+149.3%)と昨対比で大きく成長。エンジニアリング領域および高付加価値領域が拡大し、全体を牽引。



The figures for sales and operating income are as mentioned earlier.

## 業績と主要指標-連結

連結DC数は1,631名(前期末比+325人、+24.9%)。2021年新卒が全社員の約2割を占める中、一人当たり付加価値売上高は前年同期比で上昇。離職率はコロナ禍前より低水準に推移。



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As for the number of digital creators on a consolidated basis, as I mentioned earlier, more than 360 new graduates joined us in April, so the number of digital creators at the moment is 1,631, up 24.9% from the end of the previous fiscal year.

We are expanding our hiring of new graduates very rapidly, and in this case, about 20% of our employees are less than 1 year old. It is not easy for new graduates to operate in H1 of the year. Even under such circumstances, value-added sales per DC employee were able to increase slightly compared to last year.

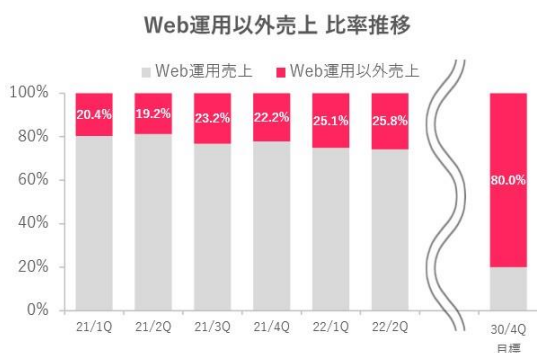
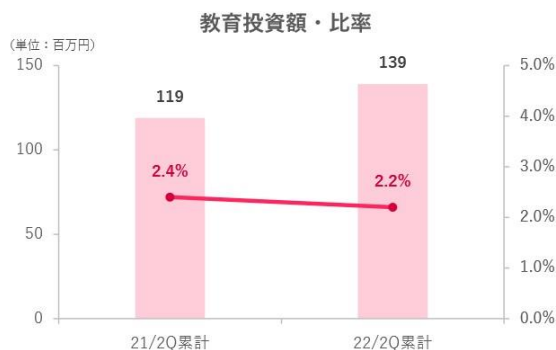
The turnover rate is currently 3.8% on a consolidated basis, but there are still 6 months left until the end of the fiscal year. After 6 months, I think that we will probably finish the year with the rate higher than the fiscal year ended March 2021, but lower than the fiscal year ended March 2020.

Resignations were very low last fiscal year, partly due to the impact of the coronavirus. It was a big decrease, so we are seeing some movement this year, but we would like to finish this fiscal year with below the 10.2% mark.



## 業績と主要指標-連結

- 連結付加価値売上高の2.2%を教育に投資。2HはDCの専門領域への教育を強化。
- 1H累計稼働率は、前年同期比横ばいで推移。
- 2Q単独のWeb運用以外売上比率(※)は、プロダクト開発やデータ関連等が増加し前四半期比0.7ポイント増の25.8%。



※前期までの比率は日本基準に基づき算出しておりましたが、今期よりIFRSに基づいて算出しております。それに伴い、前四半期比率もIFRSに統一しております。

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We have been able to increase the DX ratio, or the ratio of non-web-based operations, to 25.8%, or about a quarter of the total, and we hope to increase it further to 80% in 10 years, by 2030.

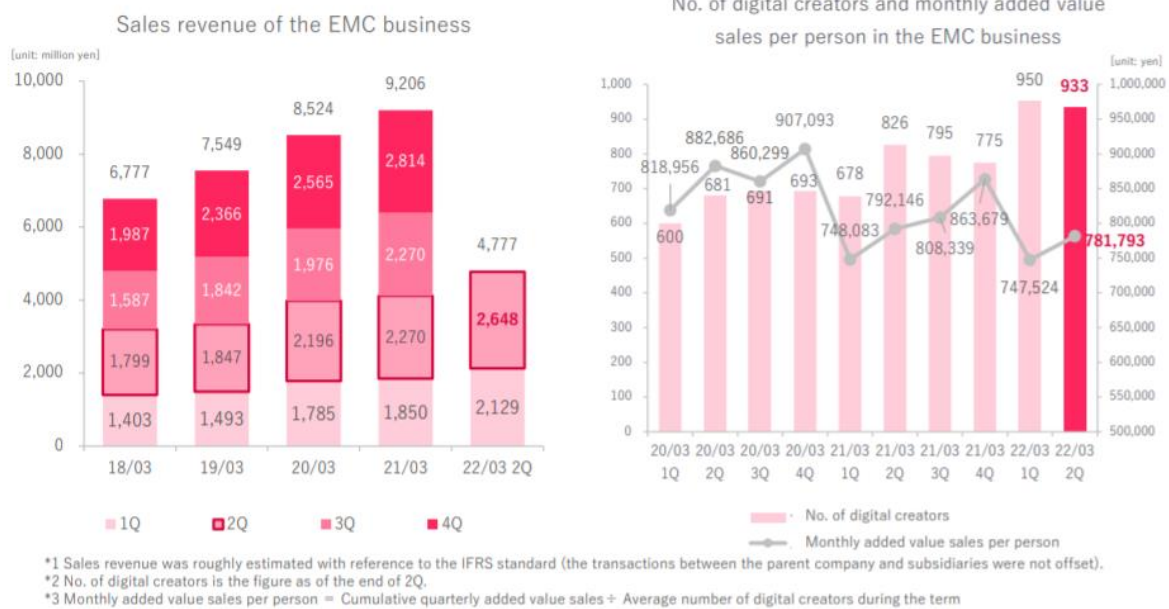
The operating rate increased only slightly by 0.6% from 80.4% in the Q2 of the previous fiscal year. One of the reasons, and this was also the case in Q1, is that we started assigning new graduates earlier than in FY2021. Especially in H1 of the year, the operating rate of new graduates is lower than the operating rate of those that are not new graduates, so speeding up the assignment of new graduates has the effect of pushing down the overall operating rate, but this has had an impact.

We also drastically increased the percentage of new graduates assigned to PGT, which is still in the process of converting to a new graduate model, and although this was in line with our plan it also pushed down the overall operating rate, which was only slightly higher than the previous year.

However, the operating rate of existing employees or employees that are not new graduates has increased by about 3 pp or 4 pp compared to last year, so there are no major issues there. If you only look at this, new graduates are also included, so you might think that not much is coming back, but that's what it is.

## Sales by Segment-EMC Business

The sales revenue\*<sup>1</sup> and the number of digital creators in the EMC business were **4,777 million yen** (up 15.9% year on year) and **933** (up 158 from the end of the previous term), respectively. Digital marketing-related sales from existing customers increased, but the acquisition of new customers was delayed a little compared with the plan and added value sales per person decreased slightly year on year.



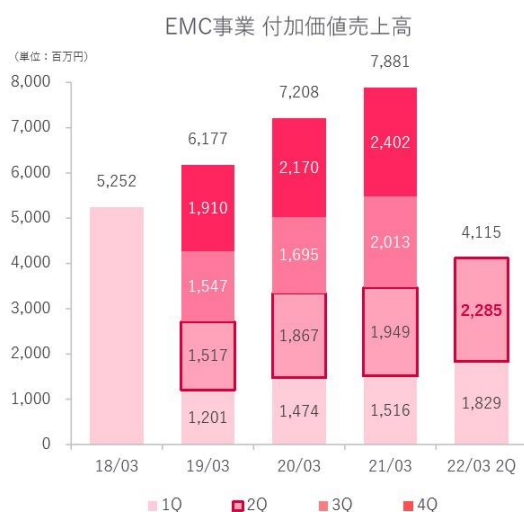
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Next is about the EMC business.

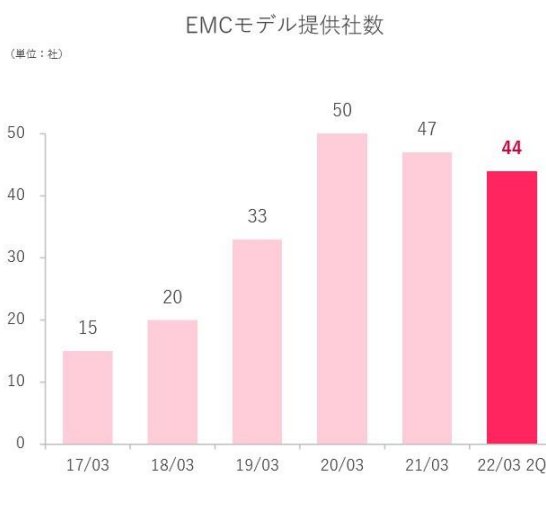
Sales are up 15.9%, and the number of DCs is up 158. Value-added sales per employee decreased slightly, partly due to the new graduates I mentioned earlier, but also unprofitable projects I mentioned earlier had a slight impact on this EMC business. This will be discussed later. As the number of companies we provide services of EMC for grew slower than expected, the value-added sales per employee has been sluggish.

## 業績と主要指標-EMC事業

EMC事業の付加価値売上高(※)は**4,115百万円**(前年同期比+18.7%)。新規顧客獲得の一方で一部顧客を他カンパニーへ移管し、EMCモデル提供社数は前期末比▲3社の44社。下期は改めて新規開拓に注力。



※ 付加価値売上高=売上収益-外注・仕入=社内リソースによる売上



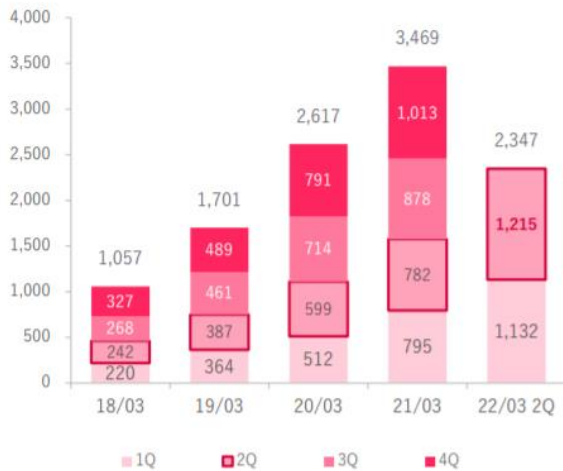
※ EMCモデル提供社数は、21/03以降、PGT事業へ移管のため3社減少、2社契約終了、2社新規獲得。

The EMC business is for large corporations, but there is a seasonal factor that usually makes H1 of the year a little weak and H1 strong. We expected that tail wind would have blown strongly after April this year when it was much recovered from the impacts of the coronavirus. However, due to our internal issues, the number of new clients of EMC business was sluggish, and as I mentioned earlier, the value-added sales per employee decreased slightly.

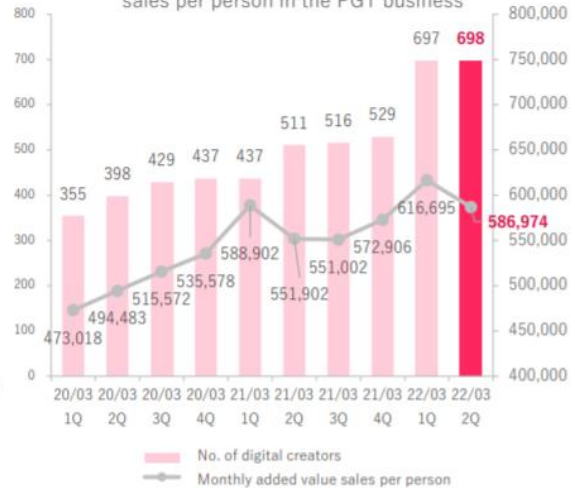
## Sales by Segment-PGT Business(※1)

The sales revenue\*2 and the number of digital creators in the PGT business were **2,347 million yen** (up 48.8% year on year) and **698** (up 169 from the end of the previous term), respectively. The business domain with high added value grew, and added value sales per person increased 6.4% year on year. In order to increase creators in the specialized business domain, in which average spending is high, we enhanced investment in education for honing their skills.

[unit: million yen] Sales revenue of the PGT business



[unit: yen] No. of digital creators and monthly added value sales per person in the PGT business



\*1 In April 2021, "Digital Personnel business" was renamed "Product Growth Team (PGT) business."

\*2 Sales revenue was roughly estimated with reference to the IFRS standard (the transactions between the parent company and subsidiaries were not offset).

\*3 No. of digital creators is the figure as of the end of 2Q.

\*4 Monthly added value sales per person = Cumulative quarterly added value sales ÷ Average number of digital creators during the term

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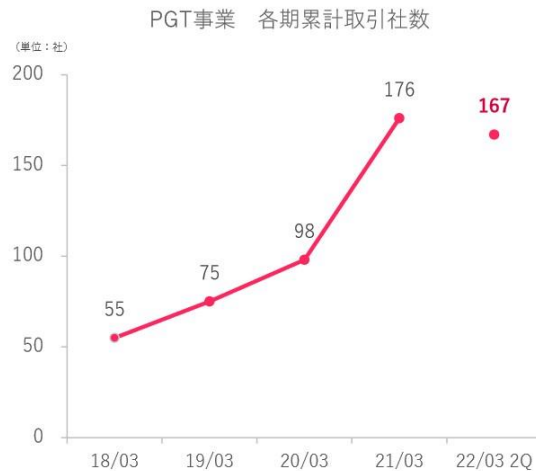
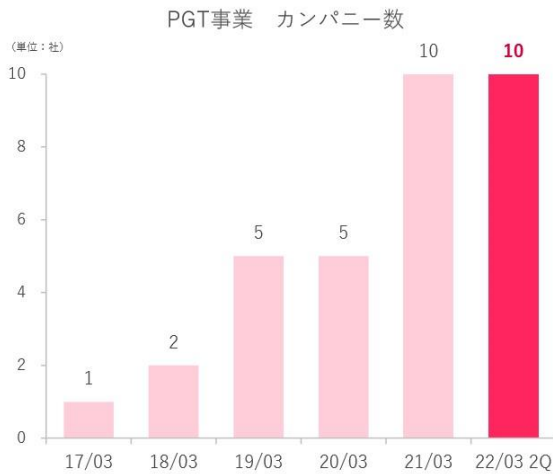
Next is the PGT business. As I mentioned earlier, we have been expanding very steadily with a 48.8% increase, and since we have assigned a large number of new graduates here, the number of employees has been growing rapidly to 169. Nonetheless, we were able to increase our value-added sales per employee by 6.4% YoY.

This is because we are launching new companies one after another that specialize in the high-technology areas with high unit prices, as I mentioned earlier. Also, starting this fiscal year, we have changed the concept of our service and have raised the unit price with the aim to grow the product rather than just providing human resources. As a result, we have been able to improve our value-added sales per employee.

However, the absolute value point of the value-added sales per employee is still higher for EMC. In order to catch up with EMC, we would like to try to raise the value-added sales per employee and the unit price of sales more and more in the PGT business.

## 業績と主要指標-PGT事業

DevOps領域の人材提供カンパニーを新規に設立し、当四半期末時点のカンパニー数は前期末と同じ10社。PGT事業の今期2Q段階における累計取引社数は167社となり、前年同四半期比で38社増加。



The number of technology-focused companies is 5x and 10. The companies we established in the previous fiscal year have been achieving very good results, and we would like to continue to launch new companies one after another in the future.

The number of companies we do business with is also expanding. Although the number of companies appears to have dropped from 176 to 167, this is the number of companies at the end of H1 of the year. So if we compare with the same quarter of the previous year, we are on pace to have 38 more companies than the previous year. By the end of this fiscal year, we expect to have more companies than last year, which was 176, and we are steadily expanding.

## Consolidated earnings and dividend forecasts for the term ending March 2022

A valuation loss of 92 million yen and an allowance of 78 million yen were posted due to the emergence of unprofitable transactions in the EMC business, and plans for acquiring new customers were delayed somewhat, so the results fell below the earnings forecast for the cumulative second quarter. Therefore, we have revised the full-year consolidated earnings forecast while considering the trend, etc. in the consolidated cumulative second quarter. There is no revision to the dividend forecast.

	Full-year results for FY 2021 (IFRS)		Full-year forecast for FY 2022 (IFRS)			
	Full year	y/y increase/ decrease rate	[Before revision]		[After revision]	
			Full year	y/y increase/ decrease rate	Full year	y/y increase/ decrease rate
Sales revenue (million yen)	12,087	13.9%	15,200	25.8%	14,800	22.4%
Operating profit (million yen)	1,261	1.0%	1,800	42.6%	1,600	26.8%
Pretax profit (million yen)	1,248	0.6%	1,790	43.4%	1,590	27.4%
Net profit (million yen)	896	2.6%	1,199	33.8%	1,065	18.8%
Profit attributable to owners of parent (million yen)	896	4.0%	1,199	33.8%	1,065	18.8%



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Due to unprofitable projects that occurred in H1 of the year, we have revised our full-year forecasts.

It is with great regret that we had to make a downward revision of JPY0.4 billion for sales and JPY0.2 billion for operating income. However, of course, both sales and operating income have increased significantly from the previous year, and the figures are well above the record highs, so we are still in a state of growth.

We plan to leave the dividend unchanged without revision.

## コーポレート・ガバナンス体制の強化

2022年4月以降の新市場「**プライム市場**」の選択を決定。  
6月株主総会において社外取締役2名が新たに選任され、新取締役会体制が発足。



**武田雅子氏**  
社外取締役監査等委員  
カルビー(株)執行役員

- 長年にわたる人事・労務における経験と幅広い見識。
- 経営の監督・監査等および当社のクリエイターが活躍することによる長期的な企業価値の向上の拡大に期待。



**安岡美佳氏**  
社外取締役監査等委員  
デンマーク・ロスキレ大学  
情報学 サステイナブル・デジ  
タリゼーション 准教授

- 北欧のデザイン手法およびITやIoTなどの先端技術をベースとした社会イノベーションを支援するプロジェクトについて多数の実績。
- 経営の監督・監査等およびVISION2030の達成、並びにCSV経営推進への貢献に期待。

### トピックス・Members Story改訂

#### メンバーズ基本方針 Members Storyを改訂

当社の基本方針であるMembers Storyを取締役会で決議。ミッション・VISION2030の他、事業戦略、人材戦略、企業運営といった当社の根幹となる方針を紹介。

[<Members Story>](#)

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In June, 2 new directors were appointed to the Board.

And I am pleased to announce that we have decided to select the prime market after next April.

## コーポレート・ガバナンス体制の強化

社外役員比率71.4%、女性役員比率28.6%。取締役の多様な経営経験およびスキルにより、プライム市場に相応しいコーポレート・ガバナンス体制を構築。

氏名	重要な兼職の状況等	社外役員	スキル・マトリックス				
			経営/CSV	テクノロジー/IT	財務/会計/法務/コンプライアンス	人材/組織開発	グローバル経験
 剣持 忠 代表取締役 社長執行役員			○	○		○	
 高野 明彦 取締役 専務執行役員			○		○	○	
 甘粕 潔 取締役 監査等委員	公認不正検査士 企業リスク管理コンサルタント	○			○		○
 金井 政明 取締役 監査等委員	(株)良品計画 代表取締役会長 兼 執行役員	○	○				○
 玉上 進一 取締役 監査等委員	(株)プレステージ・インターナ ショナル 代表取締役	○	○				○
 武田 雅子 取締役 監査等委員	(株)カルビー 執行役員	○	○			○	
 安岡 美佳 取締役 監査等委員	デンマーク・ロスキレ大学 情報学 サステイナブル・ デジタルイノベーション 准教授	○		○			○

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For more information on the skill matrix of directors, please look at this.

That's all I have to say for now.

**Moderator:** Thank you very much.



## Question & Answer

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**Moderator:** We'd now like to move on to the question and answer session.

First of all, we have received 3 preliminary questions, and we are presenting these now.

**The first question. Please clarify and explain your company's unique strengths regarding growth in the DX domain. Please answer to this question.**

**Kenmochi:** First, let's talk about what the DX domain is. In the DX domain, we want to help companies digitize their products and services and transform them digitally. Traditionally, we have been supporting the digitalization of digital marketing, advertising, sales promotion, and other areas, which are of course very close to it.

In addition to advertising, we would like to provide support for the development of products and services that utilize digital technology, which we call the DX domain.

As for that area, even at this point in time, a significant portion of the PGT business is being conducted for DX. The venture companies have more services and products that use digital technology, and we provided human resources to them, so we had very high sales for DX. For venture companies, we are thinking of growing provision of human resources on behalf of PGT. For EMC, or large enterprise, most businesses are in the digital marketing area at the moment. However, we are using that foothold to expand into the DX domain for large companies as well. This is the pre-condition.

The question was how to demonstrate our unique strengths in the DX domain. Based on this premise, the unique concept that we have always had, which is the same for both PGT and EMC, is dedicated teams to support our clients' in-house production. Both PGT and EMC are going to shift more and more to a team approach to growth support.

We provide teams of digital engineers and digital creators dedicated to support our clients' in-house productions. This is our very unique concept. We believe that by having this stand out when entering into the DX domain, we will be able to position ourselves without conflicts and overlaps with many [SIers], consulting partners, and advertising agencies in the market.

To add a little more, as I'm sure you already know, but the majority of engineers in Japan are on the vendors' side, not the operating companies' side. However, in countries where digitalization has progressed, the majority of engineers are employed by operating companies, and the percentage of engineers on the vendor side is smaller. What I'm trying to say is that in order for Japan as a whole and for companies as a whole to advance digitally, I think it is absolutely essential to have more and more engineers in-house.

That's why we are supporting the clients to promote DX with regular employees, rather than having vendors like us take it and make it a black box. With this concept, we will provide support where there are shortages. That can be resources or in-house development support we provide, and we believe that emphasizing this concept will lead to our unique strength.

**Moderator: Next question. I would like to ask you about the situation and issues after the change of policy in the PGT business.**

**Kenmochi:** The shift from providing human resources to working with a team to grow the product is a change in policy for the PGT business. At the same time, we are launching more and more companies that specialize in technology to improve unit prices and expand our volume.

From the beginning, we understand and plan that the shift to the PGT concept cannot be done in a flash but will be done gradually over several years. We are steadily shifting from providing human resources to providing growth support through our team, but that has not made a significant contribution to increasing unit prices in the short 6 months. If anything, the unit price is increasing due to the fact that we are launching a series of technology-specific companies.

In any case, the PGT business is steadily expanding, unit prices are increasing, and profitability is improving, but in the future we will further launch new companies to increase unit prices and shift to the product growth team business concept, which will be more effective and increase unit prices. We believe that the shift to this direction will lead to higher unit prices and higher profitability. So, as for the questions, we are doing well, but I think there is plenty of room for more progress in the future.

**Moderator: This will be the last preliminary question. Please answer if the unprofitable projects are temporary or if they have happened in the past, why they occurred and how to deal with them.**

**Kenmochi:** In order to prevent unprofitable projects from occurring, we have set up a function to manage such projects, such as audits, so it does not happen often, but naturally it has happened in the past. However, it does not happen regularly or frequently, and in our experience, it has happened about once every few years.

The reasons for its occurrence and the reasons for dealing with it are the same as in the past. Project management skills do not function well, resulting in inaccurate estimates, triggering unreasonable deadlines, which cause quality problems and more troubles. This is the same every time, and this time it was also the same.

In the past, we tried to strengthen our audits, but once every few years there has been a huge loss like this. In the future, we will try to avoid taking orders for long-term projects.

This project was also a long-term project that lasted more than a year, and in this digital DX and digital marketing industry where technology changes rapidly, we believe that it is no longer appropriate to predict every situation, calculate the cost, and absolutely defend that cost a year later or further.

We will shift from waterfall to agile or stop taking orders for long-term bundle projects and start taking short-term repeated orders so that we will consequently have intermediate checking functions. We are thinking of switching to such a system.

We also believe that agile development is the most effective way to support our clients' in-house production rather than waterfall development. I believe that a complete shift to agile development is essential to prevent recurrence.

We have some waterfall projects in progress, so we cannot start tomorrow. But, essentially, we would like to take measures to shift to agile as soon as possible, and we would like to put in place a system to structurally prevent such large losses from occurring.

**Moderator:** Next, I would like to introduce the questions we received today. As for the first question, it is about the occurrence of unprofitable projects, and I think this is what we just answered, so we will skip this one.

**Kenmochi:** The way to deal with and prevent this is as I just said. Our main focus is to provide a dedicated team and bill the client in a month, so we don't get into the waterfall large-scale development. In addition to the monthly services provided by the dedicated team, there are also many small waterfall projects, although the number varies greatly. That's the reality of the EMC business. Most of the configuration costs are for the dedicated teams, but there are also projects that have variable deadlines and that's where the problem occurred this time.

**Moderator:** The turnover rate in Q2 seems to be higher than that of the previous year. Is there an increase in headhunting?

**Kenmochi:** As for the turnover rate, it was lower than expected last year, 6.5%. Of course, we are aiming at 5%, but the sudden drop from 11.1% and 10.2% to 6.5% is not due to our efforts but rather due to the impact of the coronavirus and the stagnation of the job market. As a reaction to this, I understand that there has been some movement in job changes since Q1 and Q2 of this year. We don't see it as a critical deterioration that will exceed 10% for the year, so we expect to keep enough numbers in the future, but you are right about the increase in turnover compared to last year.

**Moderator:** Could you please explain more about unprofitable projects? What kind of case was it? Has a similar case occurred in the past? Have there been multiple cases? Is there a possibility of recurrence in the future?

**Kenmochi:** I'll refrain from going into details, but as I mentioned earlier it was a large-scale development project that took over a year. We have had similar problems in the past, but this time the scale was much larger than in the past.

It's not multiple occurrences, but a single one. The possibility of recurrence cannot be denied, of course, so we will try to prevent it from happening again. Until now, the measures to prevent recurrence were, as I mentioned earlier, to strengthen the checking function by audits and other means. For the future, we are taking measures to prevent recurrence by not accepting orders for such large, bundle, and long-term projects.

Even if there are costs for damages or troubles physically, we will change it to something that can be dealt at earlier timings and change the way we do things. We would like to deal with the problem essentially by changing the structure to minimize the damage even if a problem occurs and by shifting to an agile approach.

Regarding the decline in quality due to the early operation of new graduates, of course it is true that an increase in the ratio of new graduates means a temporary decline in the average quality. However, this problem is completely unrelated to that problem.

In the future, there will be a great shortage of human resources that can lead the project management of large-scale and difficult projects over a long period of time, not only for us but for the entire industry. We, or the entire industry, believes that depleting human resources will be even more reduced rather than rapidly increase.

Therefore, I believe that it is becoming very difficult to take on the risk of receiving orders for long-term projects, not only for us but for all of us. We believe that this is where we need to address structurally.

**Moderator: A question about the operation status of new graduate employees. Can you tell us about the actual operating rate at the end of June and September? Also, can you tell us of any changes about the current operation status compared to your initial forecast?**

**Kenmochi:** We do not disclose the operating rate for new graduates only, so I will refrain from doing so at the moment. We significantly increased the number last year and accepted 360 new graduates, so we are on par with the previous fiscal year. In the situation of getting that large number of new graduates up and running, mainly remotely, to maintain proper operation and get a large number of new graduates up and running while repetition of State of Emergency, we of course have very high internal targets. There are many issues to be addressed, but from my point of view, we are operating well within our expectations.

**Moderator: Next question is about new clients in the EMC business. What are the reasons for the delay, and what are the internal issues that you mentioned? Also, is there any intensification of the competitive environment or changes in client demand? I would like to ask you about the target number of companies for this fiscal year after the downward revision and the target number of companies for the mid-term management plan.**

**Kenmochi:** I thought this question would come up, so I didn't explain it in-depth earlier. The downward revision was a direct result of the unprofitable projects that occurred this time, and of course we would have achieved the target without them. It would have been nice if we could have made up for that, but we couldn't, and it turned out to be a downward revision.

The reason was that the part for EMC, for large companies, was on a weak note, but the reason for the weak note was that there was no increase in new EMC clients. More importantly, the number has not increased since last year. Those that became EMC about 6 months or a year ago continue to expand and contribute to our business performance. So, I think the fact that we were not able to increase the number of EMC in H2 of last year and also in H1 of the year has resulted in a weakening of EMC.

As for why it weakened, we regret that we could have done better in this area. With the advent of the DX era and the market being larger in that area, we decided to shift our focus from digital marketing and mainstay EMC to products, corporate services, and digital products. And we almost completely shifted the development of new EMC clients to that end.

We did, but because of the longevity it didn't really lead to new EMC businesses. In fact, the reason was because we were unable to recover from the major unprofitable project. So, there is a lot of potential for DX to expand. Of course, we will focus on it, and we are doing that now. I think we put too much weight or rather expectation, the current performance of the Company, on that.

From H2 of the fiscal year onward, I would like to shift the policy back to digital marketing, which is our forte and can make good figures and results. At the same time, try to steadily make inroads into DX for EMC.

Without making any changes to the number of EMC companies, of course, we were slow in H1 of the year, so the difficulty level will be higher, but I believe that such change in policy will be good enough to make up for it. We would like to keep the targets of 60 companies at the end of this fiscal year unchanged, 75 companies in the mid-term plan, and 200 companies in the future, and we don't think we are at the level where we need to make changes to that yet. So, we would like to focus on making up for it.

**Moderator: Please tell us about the unit price of the PGT project. In Q1, unit prices increased in the 3 areas of data, UX, and engineering, but do you see this trend continuing in Q2?**

**Kenmochi:** Yes. This trend is continuing. The data, UX, and engineering fields are still very active as they are the areas of corporate product services. Demand is strong, and unit prices have been transitioning very favorably.

**Moderator: Regarding the internal issues of sluggish growth of EMC. What has been impacting? Also, regarding PGT, what are some of the issues that have emerged after the change in strategy?**

**Kenmochi:** I would like to skip H1 because it is a duplicate of what I just said.

Regarding PGT in the latter half, issues after the change in strategy, well, I don't see it as an issue but more as a potential for growth and missed opportunities. PGT has a policy of increasing unit prices by creating more companies, and it is working very well. However, each company has its own clients. Even though we work on it like co-sales activities, the clients are basically different as the companies are all different.

We have a basic profit model to increase profits and revenues by increasing the amount of transactions per client, but of course this is difficult to do because there are so many companies and there are many missed opportunities. I think there is enough room for further growth if we can get it right.

In addition to PGT, we think there are many opportunities where we can accelerate client's entry into the DX area by utilizing the resources and new technological area of PGT for EMC for large corporations, which could result in further increase in client satisfaction. Our efforts to create various companies, both for large corporations and for venture companies, have been successful, but if we take measures to expand sales per company in a more horizontal manner, we can see a lot of room for growth that will make it easier to increase profits.

At this point in time, we cannot talk about how we are going to do this, but we are currently discussing these things, and we hope to deal with them in some way in the future.

**Moderator: Could you please explain in detail the background and facts behind the unprofitable project? Do you mean that the system you created for the client is not being accepted or has become worthless, and you are making reserve for it? Thank you.**

**Kenmochi:** Yes, thank you. I can't go into details because of the client, but it's not like they won't accept it or some kind of dispute or lawsuit. As I mentioned earlier, due to insufficient project management, delays in delivery, quality problems, et cetera, caused extra number of man-hours spent on the project from the expectation. It will be delivered over H2 of the year, so it's not over yet.

So, if you ask me if there are still risks, there are still risks, but we have already elaborated them considerably and taken all possible measures. So, of course, we will be well prepared going forward to prevent any more losses. However, regarding whether or not this will continue to occur in the future, as I mentioned earlier, we will take structural measures to resolve this issue.

**Moderator: Please tell us about the details of unprofitable projects, including future measures. You also mentioned that the number of model clients was sluggish due to internal issues. What are the reasons and countermeasures for it?**

**Kenmochi:** This is the same as what I answered earlier. I just told you the details of the unprofitable project. The EMC model was sluggish due to internal factors, as I just explained.

**Moderator: The number of clients of the EMC model has been decreasing over the past 2 years, and it appears that it is not supported by large corporate clients. What are your views on that?**

**Kenmochi:** It looks like it, and so, we will do our best. The number of existing clients has decreased for these 3 companies, but 3 companies have moved to the PGT business, 2 have terminated their contracts, and 2 are new ones.

The 2 companies that terminated their contracts were the ones we practically withdrew because of their poor business performance and the fact that there was very little room for expansion from our point of view. The rest of our clients have been with us for a long time and have been expanding gradually, so we have not lost the trust of our existing clients. No such cases that they left us due to a decline in their evaluation of us and have moved on to other companies that provide services similar to ours.

We have very strong business relationships with them. However, it is true that we have not been able to increase the number of new clients, so as I explained earlier, we would like to change our policy and make up for it.

**Moderator: What is the status of new graduate assignments at PGT? What is working and what is not working? Also, there will be an even greater number of new graduates next year, so please let me know if you have any measures for that.**

**Kenmochi:** PGT is different from EMC in 2 ways. First, it has not yet become a team. Even if 1 or 3 or 5 people are engaged to a client, it is not a team. and each person is providing a service to the client like staffing service.

The degree of making teams is low, for example, 5 people are required, but they are not working in a team. Also, there are several different companies in PGT, but more than half of them are still in the staffing business. Staffing service tends to be about providing human resources rather than providing value as a team.

So, EMC is a contract business, not a staffing business. We consult with our clients about assigning new graduates to the teams dedicated to the projects we are entrusted with, but we can basically do it at our own discretion. In the case of PGT, we cannot assign new graduates at our own discretion. We can't make assignments without the permission and approval of the client, so that aspect is difficult to begin with.

New graduate assignment is very challenging for PGT. Based on this premise, we are still trying to shift to a new graduate model. Therefore, we are still in the process of converting to a new graduate model compared to EMC, so the operating rate of new graduates is lower than EMC's. However, we are still steadily increasing the number of new graduates assigned within the range of plan.

To the question, what is working and what is not working? I think it takes a lot of time to team up and assign new graduates, so if you ask me if it's going better than we expected, no, it's going about as well as can be expected.

The other thing we do is what we call ball-busting. For example, we propose to the client that we would like to have a new graduate work on this particular task. If they insist having the same person do the same task, we propose to raise the unit price because that person has already learnt and gained skills. To do such negotiation, we propose to the clients that is possible to shift to new graduate. This has been working very well, and PGT is struggling to get new graduates to work as early as possible through such efforts.

It's very difficult, and there is no magic solution. So we are trying to figure out how to do it properly while doing various things, as we did with EMC, but so far things are going well.

**Moderator: Please explain the details of the unprofitable project; when it is planned to complete, whether there is a possibility that the impact will be prolonged, and will the impact be possibly on the business performance in the next fiscal year and beyond?**

**Kenmochi:** We are currently working on a plan to finish the project by the end of this fiscal year. If you ask me if there is a possibility that this will become even more prolonged, of course there is a possibility. However, we are taking steps to prevent this from happening. So, we think we will be fine.

We have not made any assumptions about the impact on the next fiscal year at this time, but there are many possibilities. We are not in a situation where we are going to get into more trouble with the client, have a lawsuit, stop doing business with them, or have other projects canceled. The relationship is good because we are just trying to do our best to complete the project. It's possible that it will get worse, but we don't think it's something we should consider now.

**Moderator: In terms of the skills of your company's creators, do you think they will be able to handle expansion into the DX domain soon?**

**Kenmochi:** There are some areas that can be addressed immediately and others that cannot be, but we have a plan to make 80% of our workforce engineers and creators rather than producers by 2030 that's 8,000 out of 10,000 people. This is the first step in our rapid transformation into a company that focuses on engineers. We are promoting this plan because we believe that we can adequately cope with the situation if we focus on that, but of course there are many things that are lacking.

However, there are no other companies that have a surplus of experienced DX engineers and creators who can handle this. Every company is struggling. We are doing very well in hiring new graduates, and even though the number of people is increasing, the quality is improving rather than decreasing. We believe that we can fully respond to the DX domain by taking advantage of our strengths here.

**Moderator: How many long-term projects do you have left at the moment?**

**Kenmochi:** We won't disclose such details, but it's not much to begin with. It's not much. So, it's not a large number of projects, and there are only a few large, long-term projects. The fact that there are large orders and that they are increasing can be seen as a good thing, but from a risk perspective, problems like this one can happen. In the future, we will refrain from accepting large bundle orders. In any case, it's not that many, only a handful.

**Moderator: Since it was affected by the coronavirus last year, what is the status of the operating rate compared to 2 years ago, excluding new graduates?**

**Kenmochi:** We don't disclose the operating rate except for new graduates. I won't go into details, but you can assume it's about the same level as before the coronavirus.

**Moderator: Please explain whether there is a cause-and-effect relationship between unprofitable projects and delays in acquiring new projects. Also, if new projects are delayed due to resources being allocated to unprofitable projects, then the risk of unprofitable projects per EMC business must be considered larger in the future. What is your view on that?**

**Kenmochi:** Almost none, about that. The best PMs will be deployed to solve the problems of unprofitable projects, though. As for new EMCs themselves, it is rare for a large long-term development project to come along at first, so there is a slight cause-and-effect relationship there, but I believe it is almost non-existent.

**Moderator: Regarding the background of the downward revision in H2, existing businesses should have been strong. The number of new graduates joining the Company in Q1 was so good that the Company was able to turn a loss in the previous year into a profit. If that momentum had been strong, the delay of about JPY0.2 billion in operating profit could have been covered by the sales from existing customers and the Company could have aimed to achieve its guidance before the revision. The downward revision in H1 of the fiscal year, rather than in Q3, could be seen as a bearish signal from the Company that it has given up on achieving H2 surplus. Once again, I would like to know the background of the revision.**

**Kenmochi:** We debated ourselves if we should, but we made a decision to go for it this time. If it is taken as weakness, it may be so, but as you said, there is enough room to get back about JPY0.2 billion. As I mentioned earlier, new orders were a little weak, but orders from EMC's existing clients are very active right now.

So, with those orders, we could make it up with a wide margin. Under the situation with the coronavirus, we raised about JPY1.1 billion through H2, with JPY697 million and JPY400 million. The revised figure is about JPY1.2 billion with the environment that is calming down about the coronavirus, which is only a 10% increase. If you ask me if it would be possible to add another JPY0.2 billion, I might say so, but we estimated it conservatively. We wanted to make a proper recovery. That's all. We are sorry.

**Moderator: Is it easy to convert to the agile model?**

**Kenmochi:** In the PGT business, we have a company called Members EDGE, which is a group of engineers. This company is already doing 100% agile development and is a group of very talented and high-growth engineers. We think the key is how to put the knowledge of this company into the other companies and then into the EMC business. I don't think it's an easy thing to do, and especially for large companies the client-side strongly demands the waterfall type. On the other hand, there are more and more large companies that are definitely thinking about going in-house.

So, rather than dealing with clients who won't place orders unless we use the waterfall approach and rather than dealing with large corporate clients, I think it would be better to shift our focus more and more to clients who really want to do in-house production and ask for help and support. I think it would be better to focus on that. It is not easy for us to shift ourselves, and there are differences in the conditions of our clients as I mentioned.



In Japan, where digitalization is so far behind, how to catch up with the lagging digitalization of large corporations, which are the representatives of that to the level of countries with advanced digitalization? I think there is almost no way to do it except through in-house IT units, especially if they want to do DX.

Therefore, I think that supporting in-house production is something that we should do with a sense of mission. Although it is difficult, I think that the demand for it is great and there is a lot of room for growth.

**Moderator: Is there a risk that orders themselves will be sluggish if the Company refrains from taking on long-term projects?**

**Kenmochi:** As you said, that concern makes sense. However, we want to make sure that we take the right steps in the short term to do it over the long term.

We believe that it is in steps with time to shift our focus from clients with a strong belief in waterfall to clients who want to do in-house production and build agile development teams together, as I mentioned. We would like to work on this, thinking that it is a mission that we should take on, including the entire country. Maybe that's not quite the answer, but that's what we think.

**Moderator: I understand that unprofitable projects occur every few years, but is it possible to understand that the problem of project management capability was easily manifested because of the long-term projects that occurred individually and that there were individual reasons for this? Weren't there any issues in the business model, itself, that needed to be addressed?**

**Kenmochi:** Problems with project management skills occurred individually, that's true. Because it was a long-term project, it kept becoming bigger until it became big enough to be found out. You are right that it was easier to manifest because of larger amounts.

As for the business model itself, the core of the EMC business is that we provide in-house digital marketing support teams for large corporations. If there is competition for a project-type development with a deadline where we cannot provide an in-house support team, we will not accept it. Only risk is too high, and we don't want to do it because what we want to do is provide an in-house support team.

If a client who we provide with an in-house support team nominates us and asks us to join them about a competition because they feel reassured if we join its management, we accept the invitation. That's the main reason why we sometimes have orders of waterfall-mode even though our main business is in-house support teams. We'd like to deal with this by splitting the terms or by making it agile. It's not an easy thing to do, but we'd like to shift it in that direction.

Therefore, the business model itself is to provide in-house support teams in the first place, and we will not change that concept for DX. It does not mean that the business model itself has been damaged by this unprofitable project, or that the business model itself or the business concept itself will be changed.

**Moderator: The last question we received for today. Do you think product projects are more difficult than marketing projects?**

**Kenmochi:** As for whether it is difficult or not, some of the digital marketing we are doing now is also difficult. To explain it a little differently, we need to become a group of engineers, IT engineers, and web engineers. Up

until now, EMCs have been more like web directors, digital marketing planners, and web designers. This is the goal that we originally set in VISION 2030, to change and shift EMC to an engineer-centered approach. If asked it is difficult, it is not so easy.

There is a huge shortage of engineers in the world. Training engineers and making them full-fledged is very difficult. In that sense, if asked if product projects are difficult, yes it is difficult. As I mentioned earlier, there are no companies in Japan that have a large surplus of engineers who can do such things compared to other companies in the same industry. If we take the stance of properly training new graduates, I think we will be able to catch up sufficiently. In fact, Members EDGE has grown by having new graduates trained. Although we still have a large percentage of mid-career workers, we have also succeeded in training new graduates. We would like to expand the product area properly in the entire Company by utilizing such experience.

**Moderator:** That's all for questions. This concludes the financial results briefing for Q2 of Members Co., Ltd. for the fiscal year ending March 2022. Thank you for your participation. We will end the webinar session here. Thank you.

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**Document Notes**

1. *This document has been translated by SCRIPTS Asia.*