



Members Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2022

May 11, 2022

Presentation

Moderator: Okay, now it is time to begin. Good morning to all participants. Thank you very much for taking time out of your busy schedule today to participate in the financial results briefing for the fiscal year ended March 31, 2022, of Members Co., Ltd.

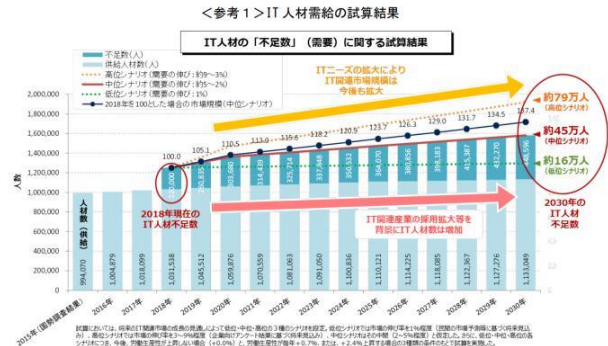
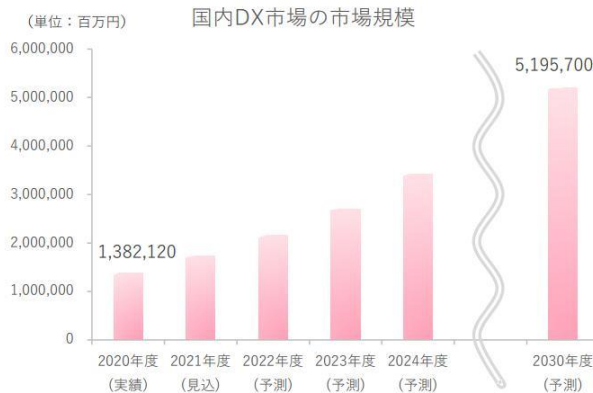
At today's briefing, Mr. Kenmochi, Representative Director and President, will begin by explaining the financial results in accordance with the presentation materials. Then a question-and-answer session will follow, including answering questions that we already have received.

A video stream and transcript of today's presentation will be available at a later date. Please note that this briefing will be recorded for distribution purpose on our website and other media. Now, President Kenmochi, please start.

Kenmochi: Thank you all very much for joining us today. I am now pleased to present the financial results for the fiscal year ending March 31, 2022. Thank you for your cooperation.

外部環境：急拡大するDX市場・DX推進を阻む人材不足

国内DX市場は、2020年度1兆3,821億円実績から**2030年度には5兆1,957億円**に拡大する見通し。一方で、2030年のIT人材は、**最大79万人が不足**すると試算されるように、DXを推進する人材は不足している。



DX市場：富士カメラ総研『2022 デジタルトランスフォーメーション市場の将来展望「市場編」』

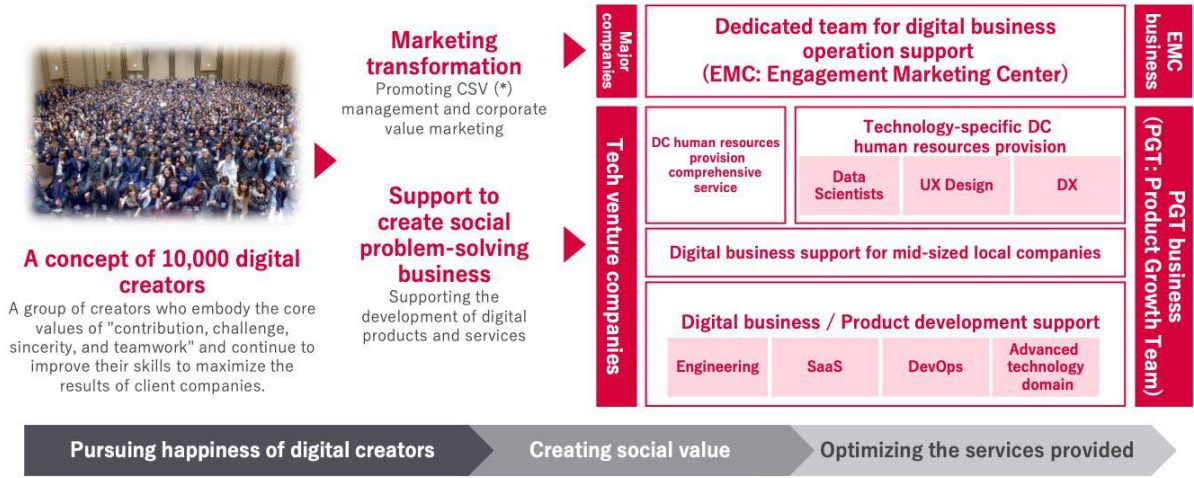
人材需給：経済産業省 | IT人材需給に関する調査(概要) https://www.meti.go.jp/policy/it_policy/jinzai/gaiyou.pdf

First of all, the external environments we are focusing on are the domestic DX and digital-related market. This area is expected to grow rapidly in the near future and there is a quite bit of shortage in human resources with digital skills. We put these as the theme of the external environments while running the business.

Management Policy and Service Features

Members is a platform on which **digital creators (DCs)**, who play a leading role in value creation in the rapidly expanding digital economy, can grow and play an active role.

We develop and provide optimal digital business operation services that meet social needs in order to realize a prosperous society.



* CSV (Creating Shared Value: A management method that simultaneously realizes economic and social value)

First of all, we are a group of digital creators, and in the future, we would like to increase our number of employees to 10,000. This group of digital creators are not just running a business but are oriented to conduct business toward solving social issues. We are developing a business called the EMC business to change the way the market works, and we are targeting larger corporations.

Another one is PGT business, which is aimed at venture companies, with the hope of increasing the number of them that solve social issues. Broadly speaking, we are engaged in these two businesses.

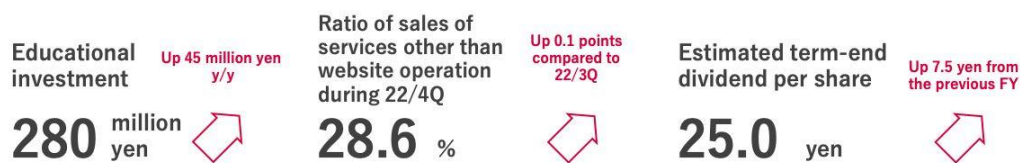
FY 2022 Overview

Both sales and operating income reached record highs for the ninth consecutive term. As a result of companies conducting vigorous digital investments, the service of supporting high-value-added specialized domains continues to perform well, especially in domains such as engineering, data, and UX. The number of new customers acquired has also increased significantly.

Consolidated results



Business situation



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Now, here are the consolidated results for the full year.

Sales revenue increased 23.6% YoY to JPY14,938 million, and operating profit came to JPY1,876 million. In particular, cost containment was effective, resulting in significant 48% increase in operating profit YoY. We would like to increase our value-added sales by 25% per year, but we fell slightly short, increasing 24.2% to JPY13,961 million.

The EMC business remained strong, growing 14.2% YoY. The PGT business continued to grow at a very high rate, growing 48.6% YoY. The number of EMC companies has finally started to increase, and we are now able to increase the number of EMC companies to 54, an increase of seven companies from the end of the previous fiscal year. Details will be explained in the following sections.

Income Statement Summary

Both sales and operating income have increased for the ninth consecutive term. Although there were some unprofitable projects in the second quarter, the performance was as planned, and it will not impact the next term. The recruitment of mid-career workers got behind the initial forecast, reducing expenses and securing a significant profit.

[Unit : million yen]	Results in 4Q			Cumulative results until 4Q		
	FY3/2021	FY3/2022	y/y	FY3/2021	FY3/2022	y/y
Sales revenue	3,650	4,346	+19.1%	12,087	14,938	+23.6%
Added value sales	3,396	3,995	+17.6%	11,240	13,961	+24.2%
Gross profit	1,306	1,578	+20.8%	3,855	4,756	+23.4%
(Gross profit margin)	35.8%	36.3%	—	31.9%	31.8%	—
SGA	589	698	+18.6%	2,557	2,901	+13.4%
Operating profit	697	883	+26.7%	1,261	1,876	+48.7%
(Operating profit margin)	19.1%	20.3%	—	10.4%	12.6%	—
Pretax profit	691	907	+31.2%	1,248	1,896	+52.0%
Net profit	488	717	+47.0%	896	1,404	+56.7%

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

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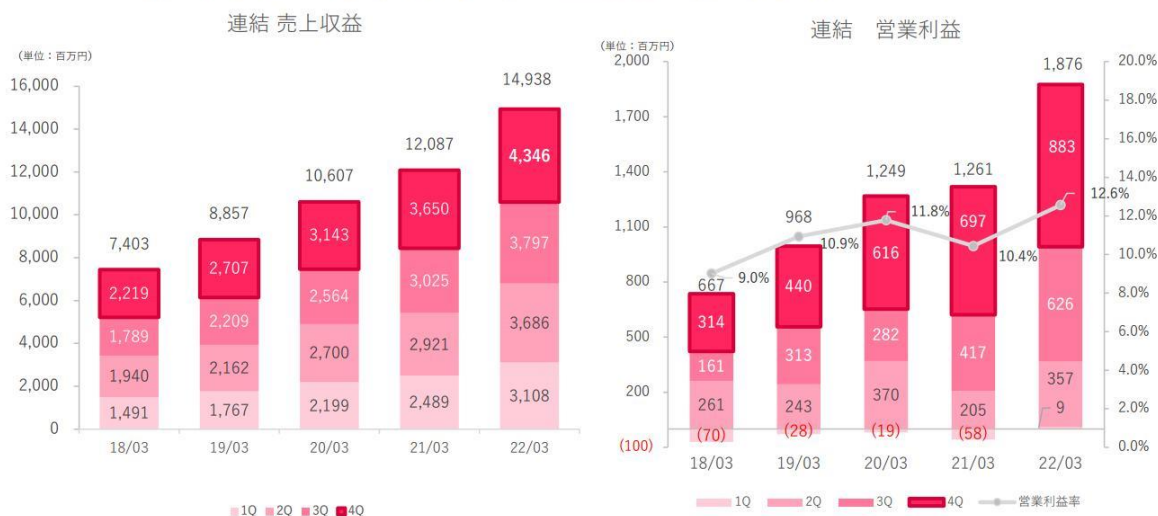
As I mentioned earlier, Q4 cumulative figures are as follows. The operating profit margin was 12.6%, which is higher than usual with the cost containment.

Unprofitable projects occurred in the first half of the fiscal year, and we revised downward our initial forecasts by JPY400 million in sales and JPY200 million in operating profit. However, operating profit cleared the JPY1,800 million level before the initial revision to JPY1,876 million as a result.

The growth rate of results for only Q4 was lower than that for the full year. This is because the operation of unprofitable projects was concentrated in Q4, resulting in a large opportunity loss, which was the reason for the sluggish growth in sales revenue and operating profit. We think that without that lost opportunity, the growth would have been steady, but we are not sure about that.

業績と主要指標-連結

通期の売上収益は**14,938百万円**(前年同期比+23.6%)、4Q単独では**4,346百万円**(前年同期比+19.1%)と順調に拡大。営業利益は通期で**1,876百万円**(前年同期比+48.7%)と業績予想を上回り大幅増益。PGT事業の高単価化が寄与。一方で、中途採用の遅れにより経費が抑制され、営業利益率は**12.6%**と高く着地。



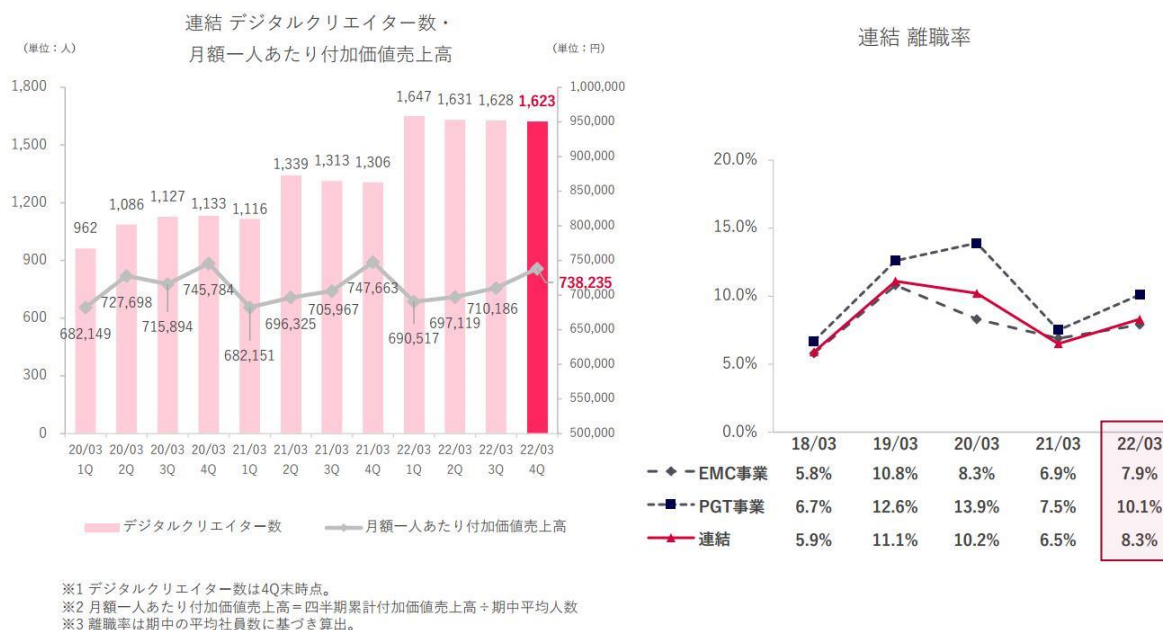
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As I said, the consolidated figures are as follows.

The operating profit margin has increased to 12.6% through cost containment, and we have been able to record the highest record of JPY1,876 million.

業績と主要指標-連結

連結DC数は1,623名(前期末比+317人、+24.3%)。前年同期比でデジタルクリエイター数は2割以上増加しているが、一人当たり付加価値売上高は微減。離職率は前年度比増加したものの、コロナ禍以前と比較して低水準に推移。



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The number of consolidated digital creators has steadily increased to 1,623.

We hire new graduates, and we assign them to the workforce after training in either June or August, which is usually in August, but this year we made it earlier to June. After placing them to the workforce, we count them as a digital creator, so the number goes up sharply at that time, then gradually declines. We hire mid-career workers to fill positions, but there is a gradual decline due to turnover. We steadily expanded the number of digital creators to 1,623, increase of 317.

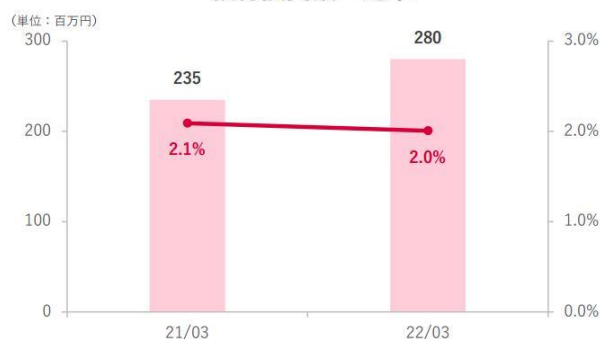
Value-added sales per capita, another important indicator, have decreased slightly. As I have already explained before, the EMC business had an unprofitable project, which resulted in lost opportunities and many employees were working on it. The sales amount that would have been obtained if they had been engaged in profitable projects was lost because they were engaged in these projects, although this has already been settled. So, the number has declined slightly to JPY730,000 comparing to the same term last year.

The consolidated turnover rate was 8.3%, which is worse than the 6.5% in the previous period. The previous period was in the midst of the pandemic, and we consider this was a special circumstance, so we recognize the rate of 8.3% is a normal value.

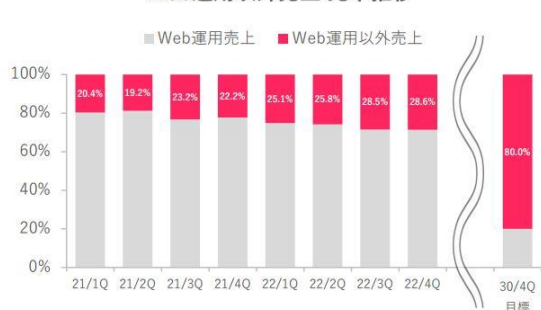
業績と主要指標-連結

- 連結付加価値売上高の2.0%を教育に投資。DCの専門領域への教育に注力。
- 4Qの稼働率は前年同期比で1.2ポイント低下。3Qまでの新規顧客獲得数が伸び悩んだことが影響。
- 4Q単独のWeb運用以外売上比率(※)は、前四半期比0.1ポイント増の28.6%。2030年に向けて計画通り推移。

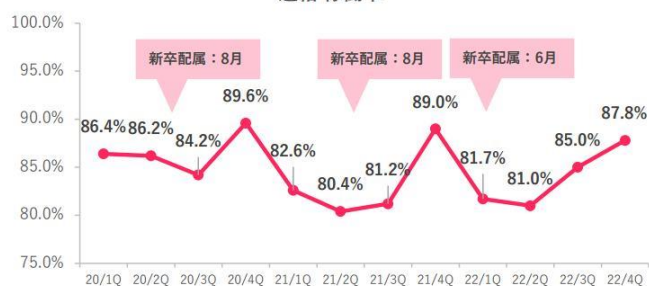
教育投資額・比率



Web運用以外売上 比率推移



連結 稼働率



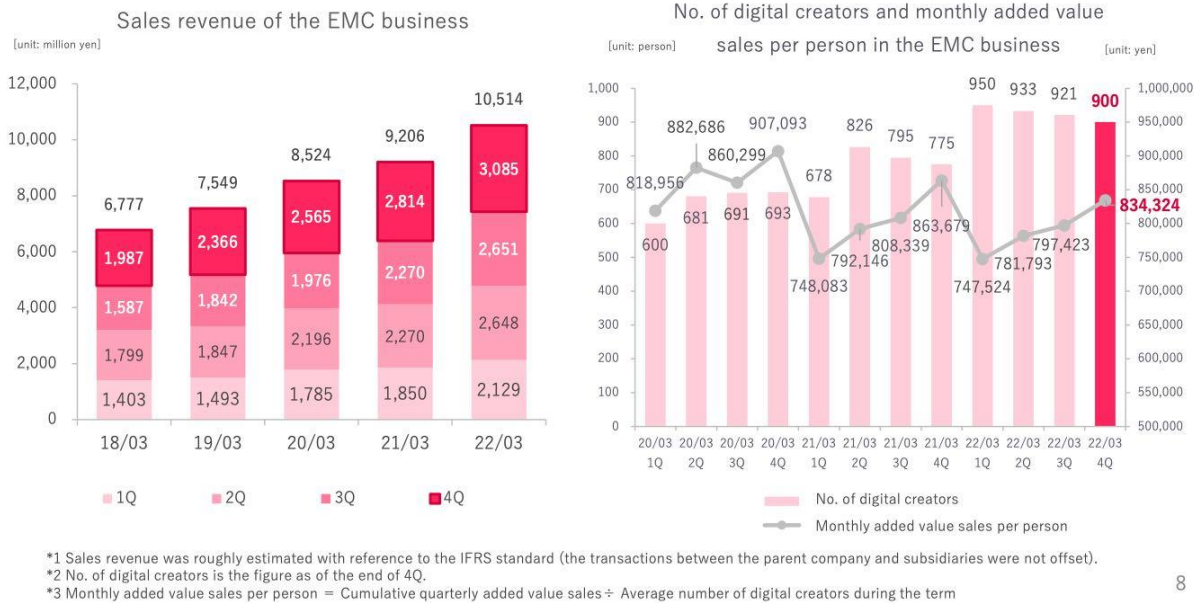
※前期までの比率は日本基準に基づき算出しておりましたが、今期よりIFRSに基づいて算出しております。それに伴い、前四半期比率もIFRSに統一しております。

The amount invested in education is above and we are making good progress in increasing the ratio of sales outside of web operations.

As for the operation ratio, sales and profits are usually concentrated in Q4, so the operation ratio is high in the quarter. This quarter is slightly lower at 87.8% compared to 89% in the previous quarter but progressing without big problems.

Sales by Segment-EMC Business

In EMC business, sales revenue(*1) was **10,514 million yen** (+14.2% year on year) and the number of digital creators (DCs) was **900** (+125 from the end of the previous term). The service of supporting existing customers in digital marketing performed well. Value-added sales per person decreased year on year because the acquisition of new customers was delayed longer than expected while the number of DCs increased.

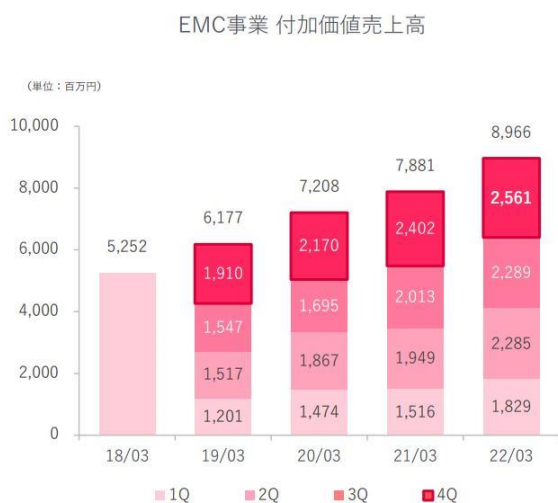


As for EMC business, there was an unprofitable project that led to downward revision of JPY400 million in sales and JPY200 million in operating profit as of the end of the first half of the fiscal year. Due to the impact of this project, the growth rate was somewhat weak, especially in Q4, but the business is growing steadily.

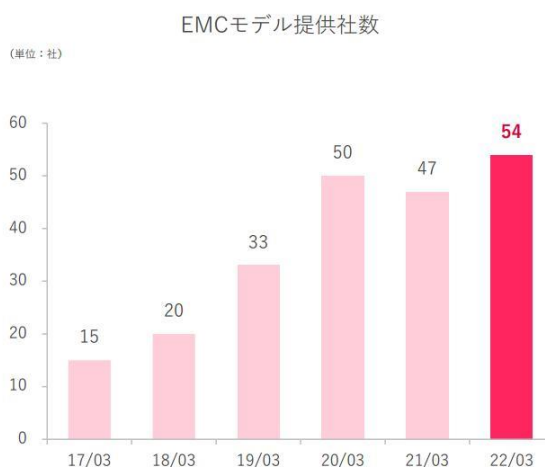
As I mentioned earlier, value-added sales per capita have declined, but this is largely due to lost opportunities. We believe that the overall trend is toward steady growth.

業績と主要指標-EMC事業

EMC事業の付加価値売上高(※)は**8,966百万円**(前年同期比**+13.8%**)で引き続き伸長。下半期より新規獲得に注力した結果、EMCモデル提供社数は4Q期間中の新規獲得により3Q末比**+8社の54社**と大幅に増加。



※ 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4社減少、3社契約終了、14社新規獲得。

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Regarding value-added sales, I just mentioned about that.

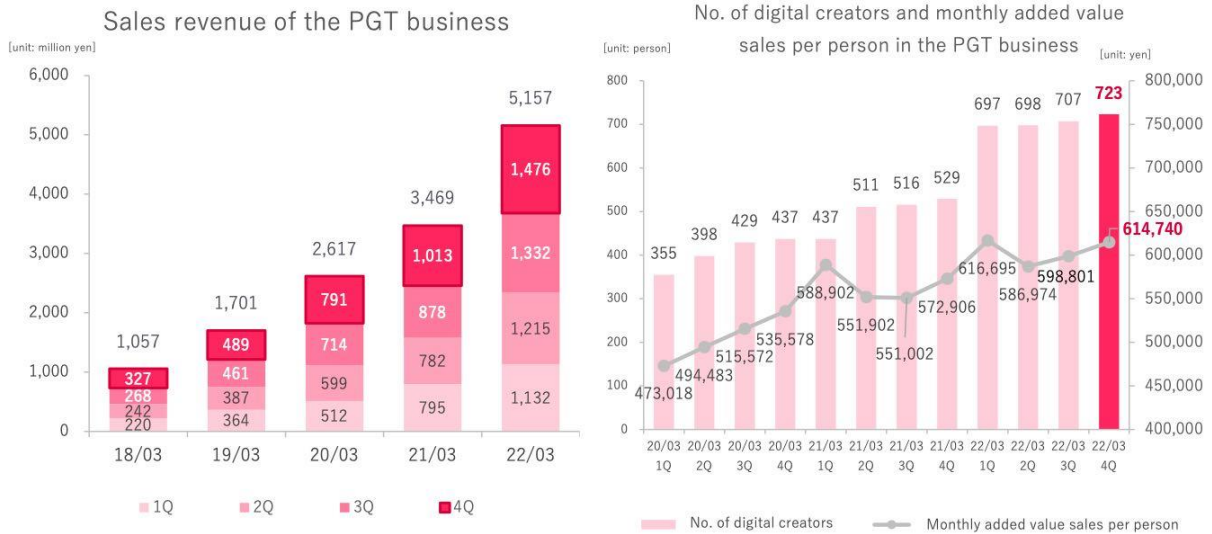
We have finally started to increase the number of companies served by EMC. In the amid of pandemic, working and meeting with customers remotely became mainstream, which increased business efficiency, but it was very difficult to get new orders, and we had been stagnant for quite some time.

As you can see here, some of them have been transferred to the PGT business, which were 4 companies, and the contracts of 3 companies have been terminated, for one year. We acquired 14 new companies and were able to increase the number of companies by 7 to 54 at last. In particular, we were able to add 10 new customers in Q4, which is a very significant increase and a character of Q4. EMC clients start with three or five creators per company, so there is not much of an impact on sales.

We will gradually increase the number of creators to 5, 10, and 20, so the sales impact will not be very large as of Q4, but the fact that we were able to add 10 new EMCs in the single quarter of Q4 alone was a big plus for the current fiscal year ending March 2023.

Sales by Segment-PGT Business(*1)

In PGT business, sales revenue(*2) was **5,157 million yen** (+48.6% year on year) and the number of digital creators (DCs) was **723** (+194 from the end of the previous term). The high value-added domains, mainly engineering, expanded steadily, and added value sales per person rose **7.3%** year on year.



*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 4Q.

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

Continuing on, we have PGT project. There is no particular impact from unprofitable projects here, so all indicators are expanding steadily. Sales have grown by 48.6% and the number of DCs has also increased. Value-added sales per worker also increased by 7.3%, progressed with high unit price.

業績と主要指標-PGT事業

カンパニー数は、前期末と変わらず10社。エンジニアリング・データ・UXといった分野を筆頭に付加価値の高い専門領域支援サービスの収益性が高く好調。新規顧客開拓も進み、累計取引社数が大幅に増加。

(単位：社) PGT事業 カンパニー数



(単位：社) PGT事業 各期累計取引社数



We have set a goal of increasing the number of companies to 50. Although the number of companies seem leveled off, new companies have been launched steadily, and we would like to further increase the number of companies to 50 in the future. We have launched new companies in the high-unit-price field, which has enabled us to expand into the high-unit-price technology field by launching new companies and has contributed significantly to the 7% or more annual increase in value-added sales per worker mentioned earlier.

The number of new customers is also increasing steadily.

PGT事例紹介：デジタルプロダクト/サービス拡大に向けた支援を開始

データドリブン経営の土台構築事例：株式会社トラストバンクさま



URL

データ基盤を構築し、データドリブンな組織へ 引き続き今期はデータ分析結果を元に事業をご支援

データドリブンな組織作りに向けて

- ・データの重要性や価値への意識改革を促し、全社データドリブン文化を醸成。
- ・データ分析に関するナレッジを全事業部に展開。

データドリブン経営の土台を構築

- ・データ基盤を構築しデータの一元管理を実現。
- ・定性×定量分析手法の確立と運用。
- ・データカタログを作成。

データ
ドリブン

プロダクト開発支援事例：株式会社ランドネットさま

不動産顧客とのデジタル接点拡大をアジャイル開発チームが継続的に支援

ビジネス成長を実現するアジャイルなチームづくり

- ・ウォーターフォール開発からアジャイル開発へ移行。
- ・ビジネス×開発一体型チームでプロダクトの目的や方向性を定義し、スピーディーなリリースと継続的な改善ができるチームを顧客と共に構築。
- ・不動産顧客との契約手続きのWeb化からスタートし、今後は顧客とのオンラインプラットフォームとして成長を続ける予定。



エンジ
アリング

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As described here with our customers, we have provided case studies of the establishment of the foundation for data-driven management and support for the development of products using digital technology for venture companies. We are offering these types of service in PGT business.

This is the results of the previous fiscal year. Now I would like to explain future strategies.

戦略全体像

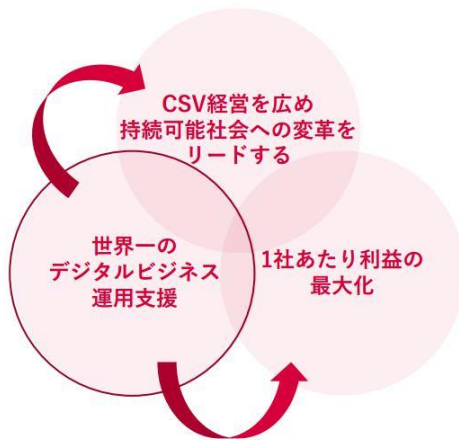
グループ ミッション	“MEMBERSHIP”で、心豊かな社会を創る		
ビジョン2030	日本中のクリエイターの中で、気候変動・人口減少を中心とした社会課題解決へ貢献し、持続可能社会への変革をリードする		
事業戦略	世界一のデジタル ビジネス運用支援	顧客1社あたり 利益の最大化	CSV経営を広め持続可能 社会への変革をリードする
サービス戦略	顧客企業のデジタル組織の内製化支援サービス 顧客企業専任の3名以上のDCがチームでサービスを提供		
	EMC事業	PGT事業	
	デジタルマーケティング領域	プロダクトグロス領域	
営業戦略	大企業マーケ部門に加え、DX部門やデジタル系ベンチャー企業、 地方中堅企業にターゲットを拡大し、新規顧客開拓を加速		
人材戦略	新卒／地方中心採用	高付加価値領域のスキル育成	
	DCの報酬アップ（CV1.6※）	多様な働き方で活躍	

※ 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。 16

This one sheet shows the overall picture, but I will explain the details later, so I won't go into it on this page. The whole process is organized in a series of steps, and as a storyline like; a vision for realizing mission, a management strategy policy, service strategy, sales strategy, and human resource strategy for realizing the vision. We are promoting day-to-day management while thinking about these things.

グループ共通戦略

グループ ミッション	“MEMBERSHIP”で、心豊かな社会を創る		
ビジョン2030	日本中のクリエイターの中で、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		
事業戦略	世界一のデジタル ビジネス運用支援	顧客1社あたり 利益の最大化	CSV経営を広め持続可能 社会への変革をリードする



1. 顧客企業のデジタル組織の内製化支援サービスへ

- デジタルビジネス運用支援を「顧客企業のデジタル組織の内製化支援」と改めて定義。
- 引き続きデジタルビジネス運用の世界一を目指す。

2. カスタマーサクセスを追求する顧客専任型チームにより顧客深耕を図り高付加価値サービスを実現

- 広く浅く多くの会社と取引はせず、大口を対象に1社深耕を図る。
- EMC/PGT顧客専任チーム型支援で、カスタマーサクセスを追求しデジタルクリエイターは、高付加価値領域スキル習得も継続する。

3. 顧客ビジネスの成果向上と社会課題解決を同時に実現させ、CSV経営による持続可能社会へ

- サービス提供を通じ、顧客と深い信頼関係を構築。
- CSVや脱炭素化の提案および事例化により、持続可能社会への変革をリードする。

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We are a group of digital creators who share the same view and gather to realize our vision and mission. We believe that the only way to solve the problems climate change into decarbonization is through CSV management for all companies that have impacts on society; so that, we are trying to figure out how to spread, educate, and promote CSV management.

For this purpose, we ourselves need to have strong services. This is the world's best digital business operation. We have this strong service and provide it to our customers. If they are fully satisfied with the service, we can increase the sales of customers, enhance the relationship with them, and use that relationship to promote this kind of CSV management. We will support them to realize our mission.

世界一のデジタルビジネス運用支援

企業のデジタル部門は内製化へ

- デジタル社会が加速度的に進展する中、各社、製品やサービスのデジタル化が必須。
- 企業はデジタル化を担う部門を内製化することにより、変化に対する迅速な対応が可能に。

顧客企業専任のデジタルクリエイターチームが企業のデジタル組織内製化を支援

- 3名以上のデジタルクリエイターがチームで、顧客企業と一丸となってサービスを提供。
- デジタル化の企画や初回の構築／導入のみならず、長期的な運用が可能な組織化を支援。

サービス戦略	顧客企業のデジタル組織の内製化支援サービス 顧客企業専任の3名以上のDCがチームでサービスを提供	
	EMC事業	PGT事業
	デジタルマーケティング領域	プロダクトグロース領域
営業戦略	大企業マーケティング部門に加え、DX部門やデジタル系ベンチャー企業、地方中堅企業にターゲットを拡大し、新規顧客開拓を加速	
KPI	DC3名以上のチームを提供する顧客数・顧客1社当たり売上高	
	EMCモデル提供顧客	PGTモデル提供顧客

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Continuing on, this strong service. Our future policy is to create the best service in the world in digital business operations and placing support for customers' in-house production is as our theme.

As I will talk later, I believe that in order for companies to make more and more use of digital technology in the future, which is still the case, they should have in-house own digital technicians and digital creators, and it should essentially be done by their own employees. I believe that the ideal situation is to develop more and more digital products and digital marketing on their own, rather than having them outsourced and delivered months later after inspection.

However, for companies that are unable to do so because they do not have the manpower, cannot train their own staff, or hire their own, we will provide teams in a way that makes it seem as if they can be produced in-house and support in-house production. This is our policy from the current fiscal year onward.

So, we are going to aim to become the best service in the world in digital business operations, with the theme of helping digital departments bring their operations in-house. The EMC business was previously for large companies and PGT business for venture companies, but we will no longer make that distinction and we will promote PGT business to large companies as well.

We would rather provide digital marketing and product development support to both large companies and venture companies.

In the PGT business, we had placed the number of companies we do business with as our main KPI, but instead of doing so, we decided to track the number of large customers, let's say the number of PGT companies or

PGT model providers, that we can support with a team of three or more creators, just as EMC does. We are changing our major KPIs showing from the next quarter.

As I mentioned earlier, our story is not just to increase the number of companies we do business with, but to increase the number of customers in large companies, enhance relationships, and support the promotion of CSV. So for the PGT business, as with EMC, we will concentrate on large companies. Then, in terms of performance, we will try to increase the unit price and aim for good performance.

This is for EMC as well, however, we have internal standards to certify that the service model of PGT is being provided, and we will count the companies that meet these standards as PGT companies, not those trading with more than three clients. We would like to announce the number of PGT companies for each quarter.

顧客専任デジタルクリエイターチームを提供

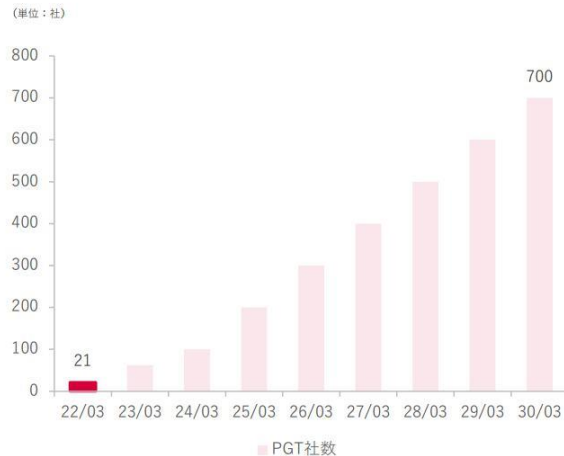
EMCモデル提供顧客数／PGTモデル提供顧客数

- EMC事業、PGT事業ごとに、**3名以上のデジタルクリエイターが顧客専任のチームとしてサービスを提供する顧客数および平均売上をKPI設定。**
- 顧客数を拡大することにより多くの企業の内製化を支援。

< EMCモデル提供顧客数推移 >



< PGTモデル提供顧客数(※)推移 >



※ PGTモデル提供顧客数は**DC3名以上のチームを提供している顧客数のみをカウント。**

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Currently, as of the end of the fiscal year ended March, 2022, there are 54 EMC, as I mentioned earlier. Our original policy was to increase this number to 200 in line with the VISION 2030 plan.

In the PGT business, we have also changed the KPI to the number of PGT companies. As I mentioned, the number of certified PGT companies is currently 21, but we intend to increase this number to 700 by the fiscal year ending March 31, 2030.

You may feel a quite lot more on PGT when comparing numbers of 200 to 700, however, EMC will continue to focus on large companies, so the number of teams per company and the size are to be larger. After all, PGT is still venture-centered, so the number is much smaller per company than EMC, which has larger companies, 200 versus 700.

In terms of the number of our digital creator employees, EMC plans to have about 4,500 employees in 2030, and PGT plans to have about 5,500 employees. We plan to have about the same number in 2030, but the number of customers will be 200 and 700.

人材戦略・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経営し、**DCが最も活躍する会社を作ること**で
長期的な企業成長を実現。



※ 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。 20

Our basic growth story and model is to increase the number of digital creators as employees. Then, each individual's skills should increase and the value-added sales per digital creator should rise. Our story is simple, the increase in these two will result in an increase in operating profit.

Therefore, we need to have a lot of digital creators participate properly, work lively, and have little turnover. We have adopted a management model that put importance to create a working environment in which the skills of each employee are constantly increasing and the value-added sales per creator is rising.

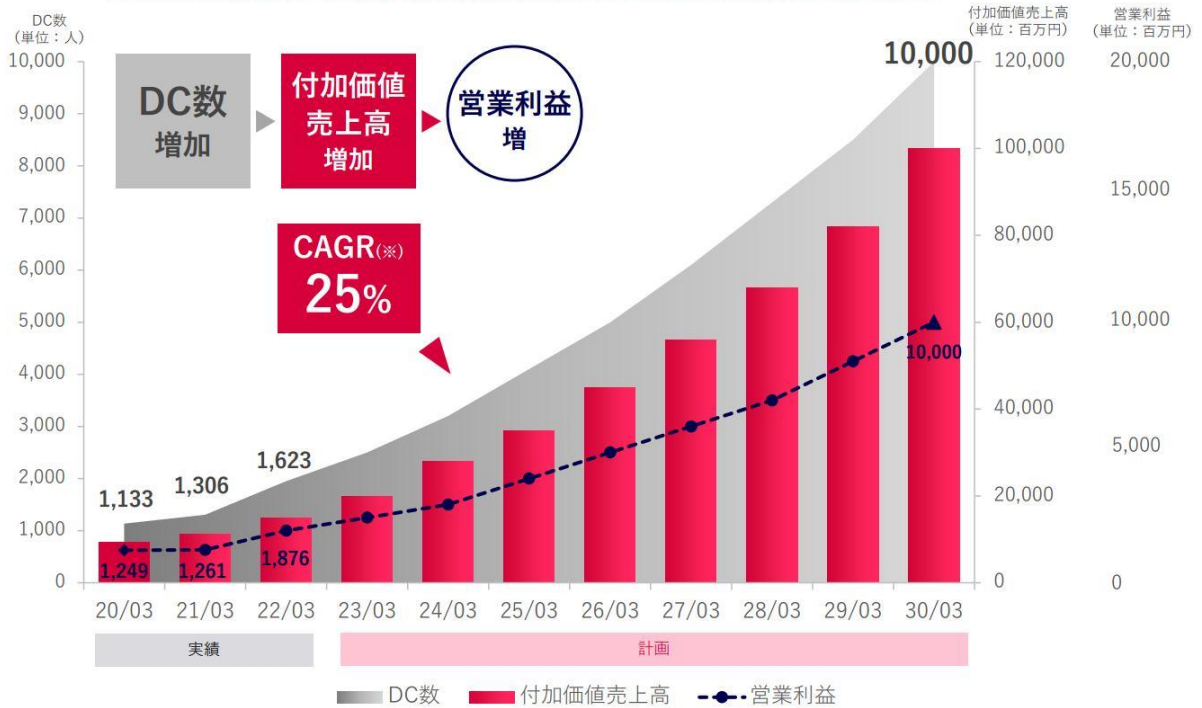
We will invest in new hiring and mid-career hiring, and measures for the low turnover rate, and education. We will also invest in training to shift skills in the direction of strong future demand, which can be resulting in a higher ratio of KPI in non-website operations and the operation ratio.

We will continue to recruit, develop skills, increase compensation, and create an environment in which people can work with enthusiasm to achieve this plan.

メンバーズグループの成長ストーリー：DC数、業績推移

<2020年3月期～2030年3月期>

今後もDC数拡大、付加価値売上高向上に拘り、営業利益100億円を目指す



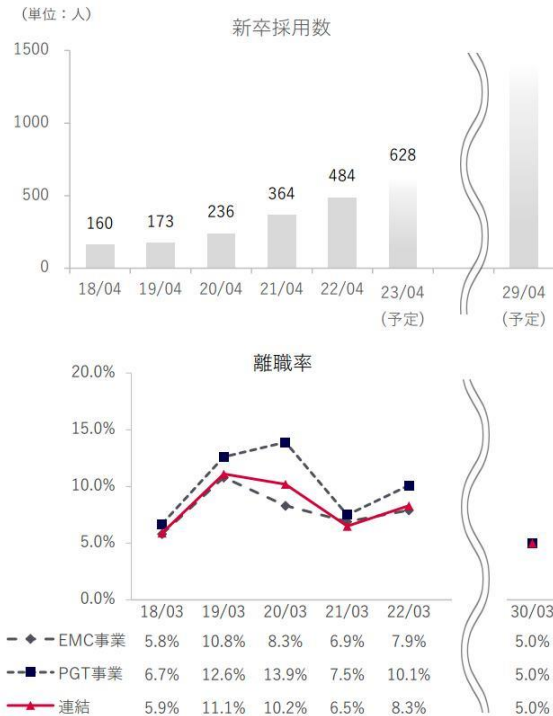
※ CAGR…年平均成長率

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As a result, as we have always done, we would like to increase the number of these DCs, digital creators, who are our employees. We also would like to increase our operating profit, achieve 10,000 employees and DCs and an operating profit of JPY10 billion 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、新卒社員は484名入社。**
- 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

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We are also expanding new graduates hiring. We welcomed 484 new graduates in this April 2022 as planned, and we are currently in the process of training them. Next spring, we will take on the challenge of recruiting 628 new graduates, and we are currently in the midst of an intense recruiting process.

As for the turnover rate, I mentioned it earlier.

2023年3月期グループ経営方針

グループ経営方針

カスタマーサクセスに注力し、顧客企業のデジタル組織の内製化を支援する。

	2022年4月期より	内製支援対象企業	サービス内容
EMC 事業	顧客企業の デジタル組織 内製化支援 サービス として昇華	消費者影響力大 主に大企業の マーケティング 部門	主にデジタルマーケティング 領域において顧客専任DC チームによる長期運用支援 CSV/脱炭素事例を創出
PGT 事業		社会影響力大 デジタルサービス 企業及び大企業	デジタルプロダクト（製品・ サービス）開発支援 Product Growth Studio 新サービス提供開始

24

As I mentioned earlier, our management policy for the fiscal year ending March 31, 2023, will be based on the theme of supporting in-house production of customers. We are not going to completely change our existing services, but we are going to commit ourselves more to supporting in-house production. If in-house production progressed to 100%, it would mean the trading amount with us becomes zero. As the labor shortage intensifies and the use of digital technology increases, the need for in-house production is sure to increase, but we have a feeling that it will be difficult for all companies to achieve 100% in-house production. If that is the case, we will take the plunge and allow a few companies to become 100% in-house, and it would be fine if we lost business with them.

That is why we believe it is so extremely important for Japanese companies to increase the in-house production of their digital departments, and that is why we are taking the lead in supporting in-house production at our client companies. We would like to provide support for in-house production, not only by providing human resources, but also by training our clients' employees on their behalf, and so on.

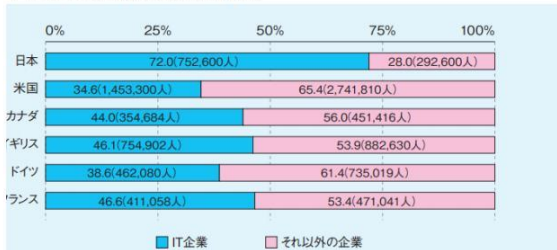
For both EMC and PGT, we will increase the number of large customers for which we provide three or more digital creators per customer. EMC client shall be mainly large corporations, while PGT client be digital services, venture related companies, and large corporations.

PGT will mainly support the development of digital products, while EMC will mainly support digital marketing.

なぜ内製支援に注力するのか

デジタル社会が進む中で、各社、成長し続けるためには 攻めのデジタル部門の内製化が必須

IT企業とそれ以外の企業に所属する情報処理・通信に携わる人材の割合（日本、米国、イギリス、ドイツ、フランス：2015年、カナダ：2014年）³



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IT人材

- ・ 欧米：半数以上が事業会社に所属
- ・ 日本：約7割がベンダーに所属



ベンダーの請負型でIT/システムの中身がブラックボックス化する受託では、攻めのデジタル化対応は不可

あたかも顧客企業の社員のような専任チームを提供する
内製化を支援するサービスが必要



メンバーズの顧客専任デジタルクリエイターのチームは
顧客企業と一丸となって、デジタル組織内製化を実現

デジタル化の企画や初回の構築／導入のみならず、長期的な運用が可能な組織化を支援

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So, the reason of why we support in-house production. As many of you know, most of the digital human resources are located on the business company side in Europe and the US, but more than 70% are on the vendor side in Japan, including us as one of the vendors. I think this is one of the main reasons why digitalization is not progressing well in Japan.

Therefore, it is necessary for business companies to have a large number of digital personnel in the future, and our clients are also actively recruiting digital personnel. We believe that outsourcing services such as ours, which focus on supporting in-house production, will become more and more necessary since it is not enough to support it by their own employees even with a good amount of education.

デジタルプロダクト開発の内製化支援サービス

Product Growth Studio

デジタルプロダクト（※）をつくり、グロースしていくために必要な能力を備えた**機能横断型（クロスファンクショナル）チーム**を顧客と共に構築する新サービス

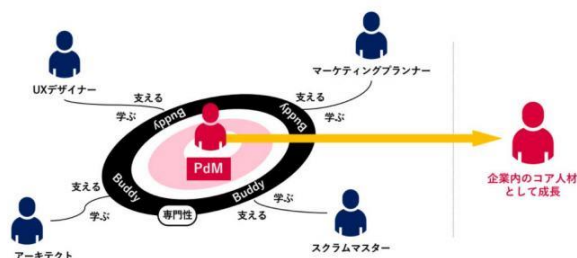
※ デジタルプロダクト：デジタルを用いた製品やサービスの総称。

<顧客企業のデジタルプロダクト開発>

顧客企業	従来	今後
ビジネスモデル (開発手法)	プロダクトを作ってから売る (製販分離・ウォーターフォール)	プロダクトを売りながら作る (アジャイル)
開発者	外部委託	自社員（内製化） ※市場変化に迅速に対応するため

Product Growth Studioの特徴

- ・ **アジャイル型**人材チームを提供。
- ・ 様々な職種の**クリエイターチーム**がクロスファンクションで顧客のDXを支援。
- ・ 顧客企業の**コア人材（PdMなど）**に対し必要な**専門性・専門要素**を支援し**内製化**を推進。
- ・ **プロダクト全体の最適化**を考慮したモダンテクノロジー／アーキテクチャを選定、採用。



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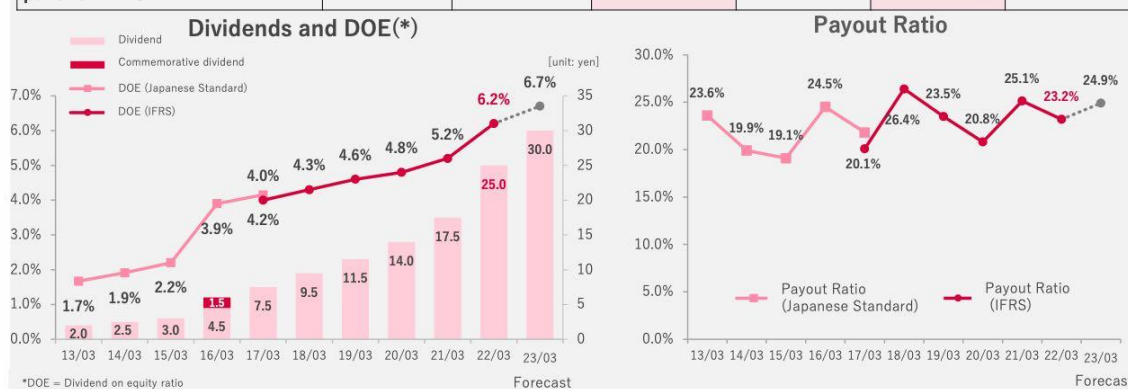
As one of the main services of the PGT business, we will expand by developing this service called Product Growth Studio. We will provide a product development support team, led by our engineers for customer's in-house production.

The service will be in the form of our digital creators who work as if they were the employees of the client, and we will be responsible for how the client's product is accepted by consumers and how it grows, together with the client.

Consolidated Earnings and Dividend Forecasts for the Term Ending March 2023

By supporting client companies in digitization and forming a digital organization in house, we aim to keep increasing sales by over 20%. For further accelerating growth, we will actively invest in the recruitment of mid-career workers, personnel training, and sales and marketing in this term, and aim to continue increasing sales and profit.

	Full-year results for FY 2022 (IFRS)		Forecast for FY2023(IFRS)			
	Full year	y/y increase/decrease rate	First half year	y/y increase/decrease rate	Full year	y/y increase/decrease rate
Sales revenue (million yen)	14,938	23.6%	8,280	21.9%	18,200	21.8%
Operating profit (million yen)	1,876	48.7%	450	22.8%	2,200	17.3%
Pretax profit (million yen)	1,896	52.0%	445	22.2%	2,185	15.2%
Net profit (million yen)	1,404	56.7%	320	23.2%	1,573	12.0%
Profit attributable to owners of parent (million yen)	1,404	56.7%	320	23.2%	1,573	12.0%



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We have developed such a business, we have set a goal of sales increased by 21.8% to JPY18.2 billion as a result in the fiscal year ending March 31, 2023. Operating profit is expected to increase by 17.3% to JPY2.2 billion, and dividends, DOE, and payout ratio are as stated.

Thank you for your attention.

Moderator: Thank you very much.

Question & Answer

[Q]: First, we have received one question in advance. What is the nature of the upfront investment for fiscal year ending March 2023 and how much do you expect to invest in mid-career recruitment? The forecast for fiscal year ending March 2023 is shown on page 27.

Kenmochi [A]: Can I ask you to take a look at the material again? We are making various investments for fiscal year ending March 2023.

It also says here that the Company will invest aggressively in mid-career hiring, human resource development, and sales marketing in the current fiscal year to accelerate future growth. I think this is what you are asking about, but we do not disclose the specific amount of upfront investment. However, I would comment that the mid-career hiring did not go well for fiscal year ended March 2022.

The market for mid-career hiring has been heating up, and we have not been able to make as much progress as we would have like. So, in 2023, we would like to strengthen our mid-career hiring efforts and make sure that we are hiring the right number of mid-career workers. We would like to hire about 1.3 times as many mid-career workers as the number of DCs for fiscal year ending March 2023.

In addition to that, training. Strengthen investments in skills training. As for sales marketing, in order to increase the number of new PGT and EMC clients, we will increase the number of sales and marketing staff and marketing expenses.

I would like to make aggressive investments in these areas and expand toward 10,000-person workforce and JPY10 billion in operating profit. I'm not sure I have a straight answer to your question, but I hope you understand.

[Q]: I thought the impact of unprofitable projects had run its course in Q3 of the previous fiscal year, but is it still dragging on in Q4 in terms of operation and business opportunities? When will these converge completely?

Kenmochi [A]: Yes, thank you. There was one unprofitable project, and there are always small ones, but the one I am talking about was a very large unprofitable project and it took until Q4. At the end of Q4, we have completed the convergence. It gave the impact on the operating environment and opportunity losses in Q4. As I mentioned earlier, it had an impact.

This matter was completely settled at the end of the previous quarter. However, there is no guarantee that this will not happen in the future. So, as I said before, we will divide it up and take the orders properly so that we do not receive these large and long-term projects.

We also believe that the essential improvement measure is to change large development projects that take one or two years to agile projects, after consulting with the client.

[Q]: I understand that there is an increase in dispatching on a team basis in PGT. Could you tell me the background? Can this trend be accelerated in the future?

Kenmochi [A]: Regarding the team-based dispatch and increasing clients in PGT, while there are requests from our clients, we ourselves are more interested in teaming up. As I mentioned earlier, our policy was to focus on large clients, which would be more effective in realizing our mission, and to differentiate ourselves

from other creator dispatch agencies in the same industry by working on a team basis. We are weighting a little bit more on our policy as we develop.

As the shortage of digital human resources increases in the future, the provision of human resources by ordinary temporary staffing agencies is expected to become more and more vigorous. We would like to provide services with the strong will, not only by high labor price who works as you instructed, so that our clients can understand that we should develop products along with it. We would like to deliver the meaningful service with that as well.

Otherwise, it would be hard to raise employee compensation by 1.6 times, I think. So in this question, the customer's needs are also a factor, but our will is stronger.

[Q]: You continue to increase the number of new graduates hiring significantly, but in order to pursue quality and quantity, I think you need to be very creative in how you hire.

Kenmochi [A]: Yes, thank you. As you mentioned, hiring new graduates is becoming as difficult as hiring mid-career workers every year, so it is not easy, but we are doing well after all. That is the biggest thing, the recruitment activities that are properly centered on this mission and vision management.

We are not just talking about a good working environment, salary, or the ability to acquire skills, but we are asking people who are interested in changing society together with us through daily work, to apply. The messaging that we will do the training resonated very well, and I believe that today's young people are much better than you supposed.

I really don't think society can continue as it is, and I am quite concerned about it. We believe that the fact that these young people have chosen to work with us in a way that is very close to nomination is the reason why we are doing so well in the recruitment of new graduates.

[Q]: Regarding the earnings forecast, I would like to know the impact of each of the two factors. The positive factor of being released from unprofitable projects and the negative factor due to upfront investments in the current term.

Kenmochi [A]: First of all, what do you mean by the positive factor of being released from unprofitable projects? It is already over at the end of March, so we have released already. The unprofitable projects had the negative impact of JPY400 million in sales revenue and JPY200 million in profit, which was announced at the end of the first half of the previous fiscal year, so the impact has disappeared. We are announcing the forecast and budget based on normal circumstances without factoring unprofitable projects and such.

As for the upfront investments, it is not upfront investments but regular investments, and I would like to make stronger investments this fiscal year, but I am not disclosing the amount. As I mentioned earlier, we do not disclose this information, but we do not think it is a good idea to float expenses. Office rent will float due to the impact of COVID-19, and if mid-career hiring does not proceed as expected, it will be a positive factor on a temporary basis, but that will cause the growth rate to drop from the next year onward.

We would like to make proper mid-career hiring and invest in training, and we intend to increase these investments this fiscal year compared to previous years. Please understand that we do not disclose the specific amount.

[Q]: Thank you for your explanation. How effective was the decision to have new graduates from the previous fiscal year start working in June? Also, in about a year, do you have any awareness of any challenges to the early issues of new graduates? Please let us know.

Kenmochi [A]: Regarding the training of new graduates and early deployment, we have been continuing trial and error for a long time now. Of course, we are getting a pretty good idea of what we should do, but since the new graduates coming at 1.3 times every year, we think we cannot keep doing things the same way. We are always experimenting and doing things by trial and error. We are experiencing cycles that things are going really well, then not so well. But in general, I think it's going well.

I said early deployment, but it does not mean that we want to have them ready to work as soon as possible. It is also true that the unit price will be higher if you start working after your skills are properly developed. Therefore, it is also important to brush your skills before starting to work.

However, it is not easy to improve skills just by continuing classroom training all the time, and it is also important to engage in real projects. Recently, we have been offering free of charge service, providing services to customers without incurring any fees to the customer. We are also allowing customers quite a bit to participate as a member of the team for free while they learn skills through practice, and then get paid after improving their skills.

So, June operation was good, but that does not mean that May would be better, or April would be better. We will continue to work on with experiments.

[Q]: You mentioned that PGT will also provide services to large enterprises, but are there any differences in customer characteristics between EMC and PGT, even within the large enterprise category? Do you provide both EMC and PGT to the same company sometimes? I would like to have a more specific image of your customers and the services you provide in regard to PGT services for large companies,

Kenmochi [A]: Yes. Thank you very much. PGT's features for large companies are not that different. I think it will be the same kind of large company. However, I believe that BtoB will also increase.

EMC is digital marketing, so we are more interested in customers who have a large amount of marketing expenses, and as a result, BtoC, not directly BtoC, but BtoBtoC would fit, but EMC was almost always a company that deals with consumer-oriented products.

PGT has some of those customers, but I think there will be a normal increase in the number of customers dealing with BtoB products. Other than that, there isn't much difference between the two.

PGT's service is a digital product. We will help customer launch a digital service together, and then help them to improve and expand the service.

EMC's digital marketing is still a bit different from launching the product of the service itself, since it is about advertising, promotion, and sales promotion activities digitally. I think we have different departments and different budgets, so there is a separation there.

I believe that the number of large companies, to which we can offer both services will increase, and I would like to see more and more of them. I hope that I answer to your question.

[Q]: Last year, you worked on early operation of new graduates, but can you tell us about your evaluation after one year?

Kenmochi [A]: Yes. As I mentioned earlier, it is always in the process of trial and error, so there are challenges and many good successes. In general, I think we have done well enough to train a large number of new graduates, over 360, get them up and running, and have them land in the field working for our clients. I believe that we have achieved a satisfactory score, not the perfect score, but close.

We are currently working with the next 484 graduates. If you ask how we are doing it for them, we are changing our policy slightly, but we will do it right. When the number of employees reaches 600, the approach for 300 employees will no longer work. So, it will be necessary to try a different approach through trial and error, but I believe we have been at a passable level for a long time regarding the operation of new graduates.

[Q]: This is the last question that we have received in the Q&A function. Can you give us an idea of the number of new graduates to be hired after April 2024?

Kenmochi [A]: Yes. We hope to expand the number of employees to 10,000 by the fiscal year ending March 31, 2030. The most pillar recruitment for this expansion will be hiring new graduates rather than mid-career workers.

Therefore, we have not disclosed the specific number of employees, but since our current 2,000 employees will increase to 10,000 and we will hire 8,000 in the future, we will need to be able to hire more than 1,000 new graduates per year, especially the last five years towards to 2030. So, we have a vision of hiring 1,000 new graduates per year as a part of this recruiting activity.

[Q]: I have one question. I am aware that you incurred approximately JPY200 million in unprofitable losses in the previous fiscal year. If that had not been the case, I am not sure if this calculation is correct or not, but you would have generated nearly JPY2 billion in profit, not the JPY1,876 million in the previous fiscal year.

If that is the case, I would calculate that sales for the previous year were just under JPY3 billion, and that profits increased by nearly JPY800 million.

From this point of view, it seems that this fiscal year's sales will grow quite a bit, but profits will be suppressed considerably. I would like to know more about the factors behind the extremely high profits of the previous year, excluding the loss, whether it's from added value or cost control. I would like to know more about the factors.

Does this mean that a considerable amount of money will be spent on upfront investments this fiscal year? Or do you have to keep investing upfront in basically this way for a while, all the time? I wanted to understand the feel of that area.

Kenmochi [A]: Yes, thank you. There was a reduction of costs more than we expected in the previous fiscal year. Some of them that are greater than our expectation, which were commuting expenses and office rent that is mainly replaced by remote and teleworking. We also budgeted mid-career hiring in especially the second half, but it didn't progress as we planned.

Or, we should have been more serious about it, but we didn't make much progress, which meant that we were able to save a lot of money in labor and hiring costs and resulted in more profit than we had planned. We believe that the profit margin was more than 12%, which would have been more than JPY2 billion if there had been no losses, but it is safe to say that there were some unexpected profits. However, we do not see this as positive factor and we do not make our current budget based on it.

We have also decided that, as the DX market grows in the future, we should invest more than 2% of our value-added sales in employee training, that we set as the standard. We have set our budget based on our decision to spend abundantly on strengthening sales and investment in employee training, as well as on mid-career hiring, which we plan to increase by 1.3 times.

Therefore, while these are upfront investments, they are also said that as normal investments, and I would like to follow the same policy for the next fiscal year and beyond. I believe that somewhere along the way,

this will run its course and lead to higher unit prices, which in turn will lead to a further increase in the rate of sales. So that the ratio, or rather the ratio of upfront investment or expenses will decrease. In retrospect, this can be said as upfront investments, but I believe that we should continue this kind of investments.

[Q]: In the area of mid-career recruiting, by changing the way of doing things in the areas that did not go well in the previous year, are you confident that you can achieve considerable results and recruit a large number of good people?

Kenmochi [A]: I can't go as far as our goal, but the competition is quite fierce, so we expect to get about 1.3 times as much if we focus our efforts.

Moderator [M]: Thank you very much. That is all for your questions. We would like to end the presentation of the financial results of Members for the fiscal year ended March 31, 2022. Thank you for your participation. This is the end of the webinar session.

[END]

Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
2. *This transcript was edited from the transcript translated and provided by SCRIPTS Asia, Inc.*