



**Members Co., Ltd.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2023

November 1, 2022

## Presentation

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**Moderator:** Well, it is now 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 Members Co., Ltd. financial results meeting for Q2 of the fiscal year ending March 31, 2023.

At today's briefing, Kenmochi, Representative Director of the Company, will begin with an explanation of the financial results in accordance with the presentation materials. This will be followed by answers to advance questions and a question-and-answer period. During the question-and-answer period, we will be happy to take your questions.

Please note that today's briefing is being recorded. Video distribution and transcribed materials will be deployed later. Please note that this information will be made public on our website and other media.

Now then, President Kenmochi, please.

**Kenmochi:** I am Kenmochi, the Representative Director.

Without further ado, I would like to present the financial results for Q2 of the fiscal year ending March 31, 2023. Thank you.

## 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、デジタルトランスフォーメーション（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](https://www.meti.go.jp/policy/it_policy/jinzai/gaiyou.pdf)

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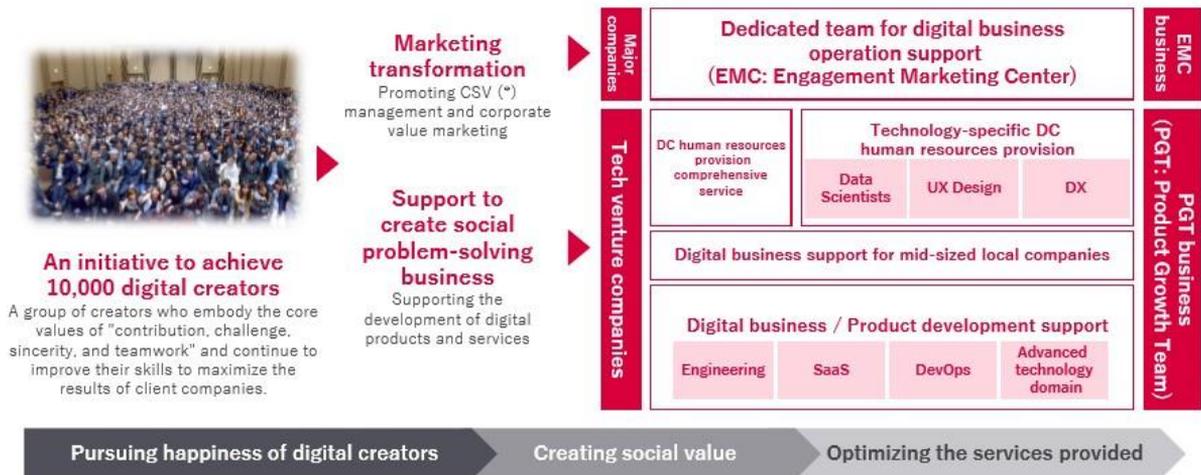
First, I would like to discuss the market environment we are focusing on.

As I have always explained, our management is paying the most attention to the fact that the size of the digital market will continue to expand and that there will be a significant shortage of digital and IT personnel to fill these roles in the future.

## 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)

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We have two businesses: the EMC business, which provides digital marketing support to large corporations; and the PGT business, or the product growth team business, which provides teams of digital human resources to venture companies.

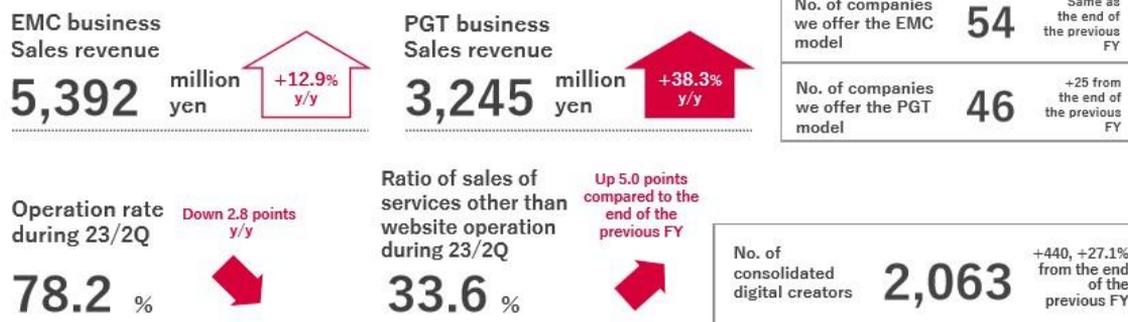
## 2Q FY 2023 Overview

Consolidated sales revenue grew 20.9% year on year, indicating healthy performance compared with the average growth rate of 19% in the past 3 terms. The PGT business has secured operations thanks to the success of the operating structure that separates production and sales. In addition, the shift to a team-based operation improved the unit price and maintained a high growth rate. Overall recruitment is going well. We have secured a sufficient number of DCs, including over 480 new graduates, who were assigned to projects in 2Q. On the other hand, in the EMC business, the number of clients was unchanged affecting operating rates, and consolidated operating profit decreased year on year.

### Consolidated results



### Business situation



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Without further ado, I will now explain our Q2 results.

First, sales grew 20.9% YoY to JPY8,213 million. Originally, we have been growing at about 19% for the past three years, but in line with VISION2030, we have been working to achieve 25% growth. Unfortunately, we were not able to reach 25%, coming in at 20.9%, but we were able to exceed, albeit slightly, the average of the past three years.

Operating profit unfortunately fell short of the previous year's level by 21.2% to JPY288 million, for reasons I will explain later.

The PGT business continued to perform very well, with solid and steady growth, thanks to the successful implementation of a sales structure that separates production and sales, as well as a shift to a team-oriented approach, which led to an improvement in unit prices.

On the other hand, in the EMC business, the growth rate of sales was only 12.9%, and the number of companies we offer the EMC model remained unchanged from the end of the previous year at 54, resulting in a lower-than-planned operating profit YoY.

## Income Statement Summary

Operating profit in the 1<sup>st</sup> half fell below the forecast, due to the decline in operation rate caused by the shortage of new projects, the delay in assignment of new graduates, and some unprofitable projects (completed in 2Q). There are some issues with the sales strategy and skill development of the EMC business, and we will strongly promote the integration of sales functions of each internal company into one department and skill training in specialized fields for employees belonging to the EMC business.

[Unit : million yen]	Result in the 1 <sup>st</sup> half year in:			1 <sup>st</sup> half year in FY3/2023		Full year in FY3/2023	
	FY3/2022	FY3/2023	y/y	Forecast	Progress rate toward the forecast	Forecast	Progress rate toward the forecast
Sales revenue	6,795	8,213	+20.9%	8,280	99.2%	18,200	45.1%
Added value sales	6,381	7,842	+22.9%	—	—	—	—
Gross profit	1,890	2,265	+19.9%	—	—	—	—
(Gross profit margin)	27.8%	27.6%	—	—	—	—	—
SGA	1,539	1,981	+28.7%	—	—	—	—
Operating profit	366	288	-21.2%	450	64.1%	2,200	13.1%
(Operating profit margin)	5.4%	3.5%	—	—	—	—	—
Pretax profit	364	237	-34.9%	445	53.3%	2,185	10.9%
Net profit	259	157	-39.5%	320	49.1%	1,573	10.0%

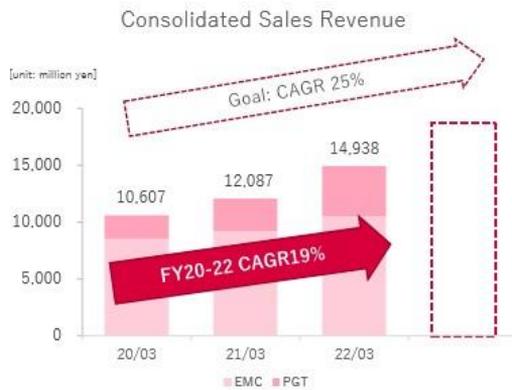
\* Added value sales = Sales revenue — Outsourcing and procurement costs — Sales from in-house resources

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Here are the performance highlights.

As I mentioned, we have been working to achieve 25% sales growth, with a commensurate increase in the number of DCs, or digital creators, but unfortunately, we have fallen short of 25% in sales revenue. There was only a growth of 20.9% in sales, and the lower operating rate resulted in a gross profit margin of only 27.6%.

## Execution of strategy for 25% growth

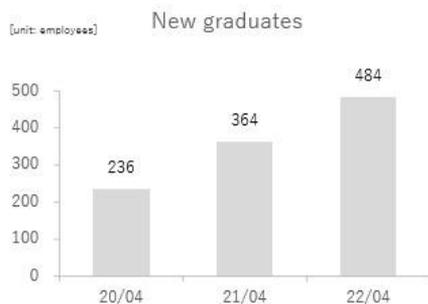


The target sales CAGR\* is 25% while the CAGR in the past 3 years was 19%. In order to fill the gap of 6%, we will continue to secure the number of DCs and expand the PGT business this term.

### 1) Expansion of digital product growth support areas

**EMC business that provides a dedicated digital marketing team**  
(Average sales growth rate of 12% over the past 5 years, exceeding the market growth rate.)

**PGT business that dispatches personnel for supporting the development of digital products**  
(Average sales growth rate of 49% over the past 5 years.)



### 2) Secure the number of DCs necessary for achieving the 25% growth of sales

Hire a large number of new graduates to increase **the number of DCs by over 25%**.

Enhance working environment to keep **low turnover rate**.

\* CAGR: Compound Annual Growth Rate

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As I mentioned, there are two policies that we have taken to raise sales growth from a three-year average of 19% to 25%.

We are planning to strongly expand this digital product development support business, the PGT business, and to increase the number of digital creators and employees to ensure this 25% growth. We have been focusing on hiring a large number of new graduates, reducing the turnover rate, and mid-career hiring.

As a result, sales did not reach that level, and the operating rate declined, leading to lower profits.

So, although we were not able to achieve the results we had hoped for in H1, there were several very good points, and we will use these points to recover in H2.

## Policies/measures for achieving the annual plan for FY 3/2023

### Growth points in the cumulative 2nd quarter

<p><b>Successful sales of the PGT business</b>  <b>Achieved the target operation rate of DCs, including new graduates.</b></p>	<ul style="list-style-type: none"> <li>• Production and sales separation</li> <li>• High operation rate due to effective sales by dispatching a team of DCs</li> </ul>
<p><b>Unit price increased by a team-based operation in PGT business</b>  <b>Transition from single personnel to a team</b></p>	<ul style="list-style-type: none"> <li>• Average monthly unit price: up about 110,000 yen by team type</li> <li>• Average monthly unit price: up 6% year on year</li> </ul>
<p><b>Growth of specialized internal companies</b>  <b>Expansion into new technical fields</b></p>	<p>Specialized companies*</p> <ul style="list-style-type: none"> <li>• Accounting for 20% of sales</li> <li>• Growth rate: 80.2%</li> <li>• Added value sales per DC: +40,000 yen compared with major companies*</li> </ul>
<p><b>Strong hiring of new graduates</b>  <b>Securing the number of DCs</b></p>	<ul style="list-style-type: none"> <li>• 484 new graduates joined in April 2022.</li> <li>• 628 new graduates to be joined in April 2023.</li> </ul>

### Measures for achieving the full-year plan

#### Drastic reform of the sales system

- Clients: Leading companies that are developing digital organizations in house
- Concentrate on the digital product growth support domain, which has growth potential in the large market
- Integrate the EMC and PGT businesses, separate the production and sales divisions, and form a company-wide sales organization

#### Enhance the development of technical skills and expand specialized companies

- Further brush up the technical skills of 2<sup>nd</sup>-4<sup>th</sup>-year employees fresh out of college in 3 major companies
- Promote the establishment of companies specializing in next-generation technologies
- Enhance the recruitment of mid-career DCs with advanced skills

\*Specialized companies: Internal companies mainly in the PGT business, specializing in data, UX, EC, SaaS, DX, AI, XR, DevOps, etc. There are a total of 12 specialized companies as of September 30, 2022.

Major companies: 3 internal companies that are EMC company (EMC business), Members Career company and Members Edge Company (PGT business)

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Here are the good points.

One is that, as I mentioned earlier, sales in the PGT business are very strong. In the past, the PGT business was centered on mid-career employees, but in the past year or two, we have tried to shift to a new-graduate model and have assigned more new graduates to this business. The fact that we were able to absorb this and maintain an extremely high operating rate indicates that this sales system of separating production and sales was highly effective.

In the EMC business, we call it solution selling. We listen to the customer's issues, propose solutions to those issues, propose solution plans, and then receive the order. That's the way we undertake it as a team. In the case of the PGT business, the skills of the digital creators themselves are prepared in the form of skill sheets, and the client buys the talent or a team of talent. This is the sales style.

In the latter case, the sales style of the PGT business is based on the separation of production and sales. In other words, the sales force is separated from the production team of digital creators, and the sales force alone can conduct sales activities. However, in the case of selling solutions to large companies, this separation was not possible, and the on-site units, which include many DCs, and the sales force work in unison to create proposals.

The separation of production and sales has advantages, such as speed and the difficulty of competition, and the PGT business has been very effective under a system that separates production and sales.

The PGT business used to be called the digital human resources business and was centered on the temporary staffing business, providing clients with digital creator human resources as temporary staffing. Therefore,

each creator had to provide services according to the client's instructions, but in the last fiscal year, we changed the concept to the PGT business and started working as a team.

We have also shifted from dispatch to quasi-mandate contracts, where we are autonomously contributing to the improvement of the client's results, such as marketing and product growth support, as part of a team service. By making this conversion, we found that the average monthly per-creator billing cost increased by JPY110,000, and then by 6% per year. This is the second good point we found in H1.

Therefore, we were able to conclude that, if we continue this trend, the value-added sales per creator will continue to increase and should reach the same level as the EMC business.

The third good point is the breakthrough of specialized companies. We have established a number of in-house companies specializing in technology, mostly in the PGT business. We have 12 specialized companies here now, 12 PGT and EMC businesses combined.

Rather than these 12 specialized companies, we have other three in-house companies so-called the main companies, that deal with comprehensive technical areas. Compared to these three main companies, the sales ratio of the specialized area companies is still only 20% of the total; however, the total growth rate of the specialized companies was 180% YoY, and also the unit price, value-added sales per DC, was JPY40,000 higher than those of the three main companies.

Therefore, we have gained the knowledge that we can expect significant growth by increasing and expanding the number of specialized companies in the periphery of the PGT business, where the growth rate is higher than in the EMC business.

The fourth point is that the market for new graduates is becoming more difficult, but our recruitment methods and manner of mission and vision management have been very effective, and the recruitment of new graduates is continuing to be favorable.

These are four very good points that we have gained in H1. Based on these four points, we intend to manage the Company from H2 onward.

First, we are trying to recover from the weak and sluggish sales in the EMC business, where the number of EMC companies remained flat, with the sales approach that we have cultivated in this PGT business. To this end, we would like to establish a single sales headquarters for both PGT and EMC and switch all sales methods of the EMC business to those of the PGT business.

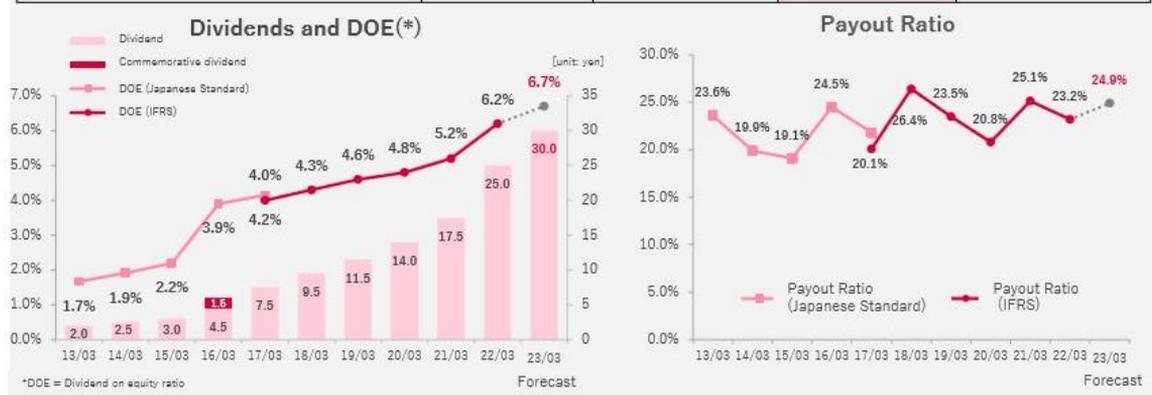
Also, as I mentioned earlier, our specialized technology companies are doing very well, so we need to increase the number of these companies. We will also increase the number of assignments in those companies, and since it is in the rapid growth stage, we will assign a larger number of people to this stage to expand the companies.

Another is to transfer employees in the three main companies with rather general-purpose jobs to the specialized technology companies, and by shifting their skills to the specialized technology companies, we believe we can improve the overall unit price and operating rate. I would like to pursue this policy.

## Consolidated Earnings and Dividend Forecasts for the Term Ending March 2023

We implement the active measures for completing the full-year plan and aim to achieve the full-year forecast without revising it.

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



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This is the full-year forecast for the current fiscal year.

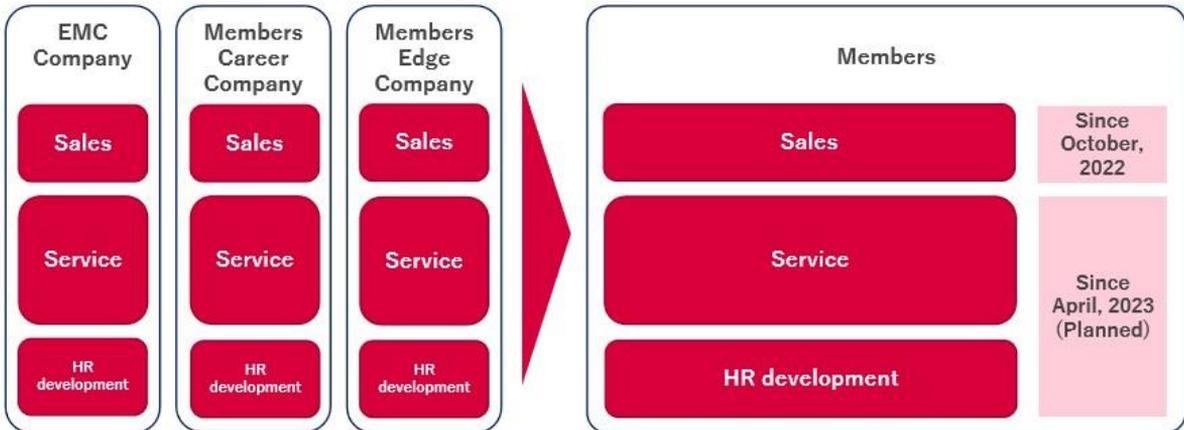
We believe that we will be able to recover sufficiently in H2 of the fiscal year through recovery measures based on the good points I have just mentioned. At this point, we would like to leave our full-year forecasts unchanged at JPY18.2 billion in sales and JPY2.2 billion in operating profit.

# Members group integration strategy launched

In April 2023, we will integrate the three major internal companies: EMC, Members Career, and Members Edge, and optimize and strengthen the investment in sales and human resources development, which has been conducted in respective companies.

By upgrading the models for recruiting and training new graduates, we will realize a management model with high added value, a high operation rate, and mid/long-term growth.

- **Sales strategy** “Sales & Marketing Dept.” for the entire group was established in Oct. 2022. We will concentrate on sales with a structure in which the production and sales divisions are separated and enhance our activities for increasing new customers and expanding existing projects.
- **HR development strategy** We will invest for improving the skills of young creators and enhance the shift to skills in the field with high added value other than website operation. We will recruit more mid-career DCs throughout our corporate group.



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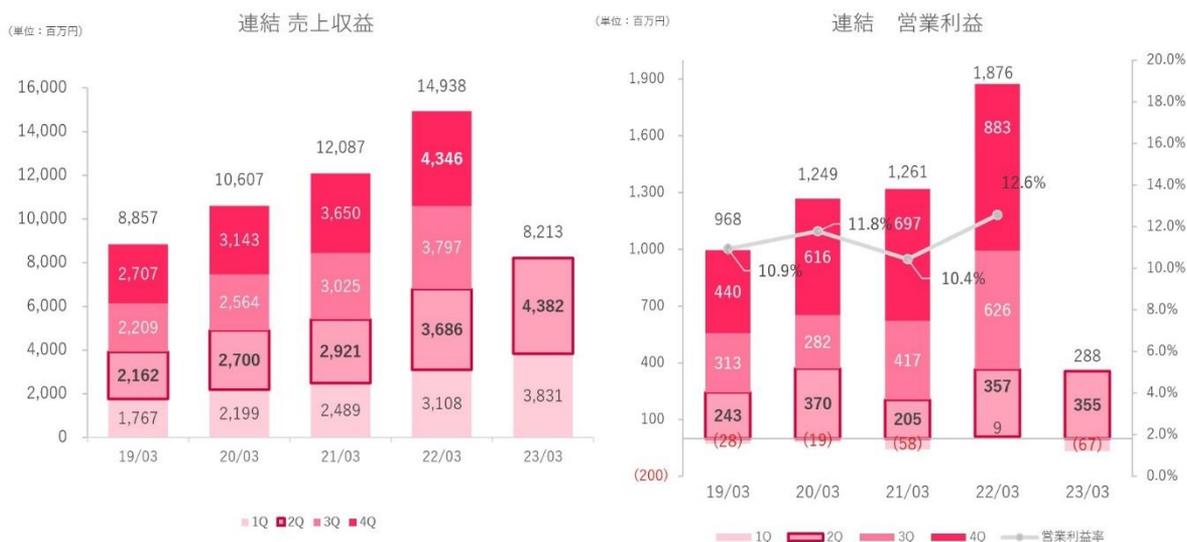
As I explained earlier, based on the four good points, we are implementing policies, drastically reviewing our sales structure and strengthening the development of specialized skills, to expand specialized in-house companies. In implementing these two policies, we will merge our three main companies next spring.

Prior to that, we are moving forward with what we can, and one of them is the establishment of a sales headquarters. By consolidating the disparate sales activities of the three main companies into a single sales headquarters and integrating all sales methods with the separation of production and sales, as I explained earlier, which the Members Career Company has been doing, I believe that EMC will be able to greatly expand and further regrow.

Then, starting next spring, we will work on integrating service and human resources development as well. We have been working in pieces, but we are now trying to integrate them into a unified effort.

## 業績と主要指標-連結

- **売上収益：8,213百万円**(前年同期比+20.9%)
- **営業利益：288百万円**(前年同期比▲21.2%)。  
主にEMC事業で新規案件が不足し、粗利率が低下した一方で、今後の成長に向けて採用や営業、育成等への投資は継続。  
また、クリエイター増加に伴うオフィス拡張等のコスト増により営業利益は前年同期比減益。



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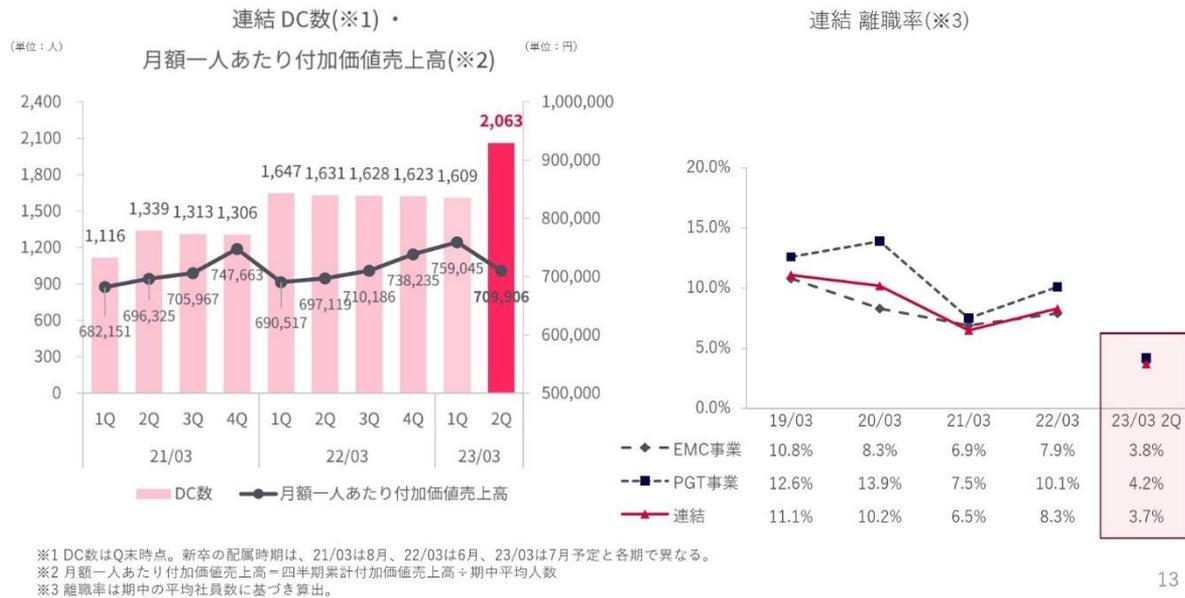
These are the performance and key indicators.

As I explained earlier, on a consolidated basis, sales growth was only 20.9% YoY. Operating profit was minus 21.2% YoY.

Sales were sluggish in the EMC business, resulting in a lack of new projects. At the same time, however, the number of DCs increased at a rate higher than the 25% YoY, which resulted in a decline in the operating rate and a decrease in operating profit.

## 業績と主要指標-連結

- DC数：**2,063名**(前期末比+440人、+27.1%)
- 一人あたり付加価値売上高：**709,906円**(前年同期比+12,787円、+1.8%)  
2Qより新卒が稼働開始したため、1Q比減。単価上昇により前年同期比上昇。
- 連結離職率：**3.7%**(前年同期比▲0.1%)



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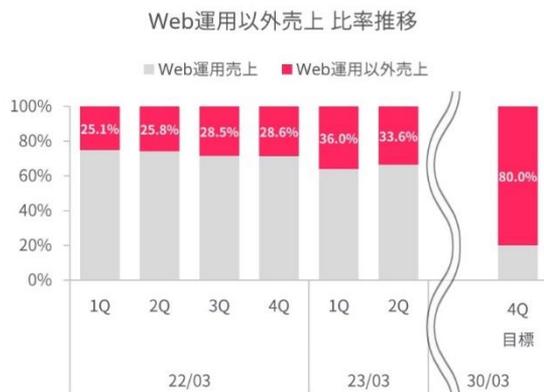
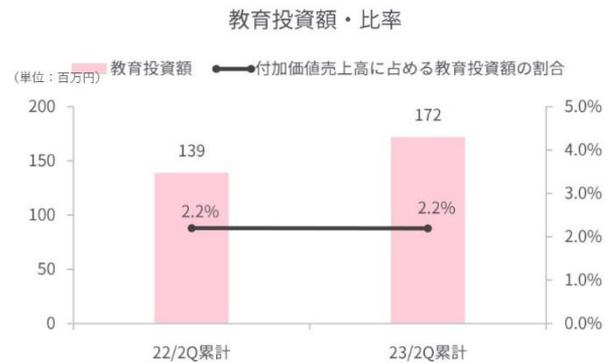
As I mentioned, the number of DCs grew by 27.1% YoY, and we were unable to absorb that growth.

However, we are trying to increase our workforce by such a large amount that we could increase value-added sales per DC by 1.8%, an increase of JPY12,000 YoY.

In addition, the consolidated turnover rate has been slightly lower than the previous year, in the better direction, which is also a good thing.

## 業績と主要指標-連結

- 教育投資比率：  
連結付加価値売上高の**2.2%**を投資
- 稼働率：  
2Q単独 **78.2%**(前年同期比▲**2.8ポイント**)  
新卒の稼働を前年比1か月遅らせている。
- Web運用以外売上比率：  
2Q単独 **33.6%**(前期末比+**5.0ポイント**)



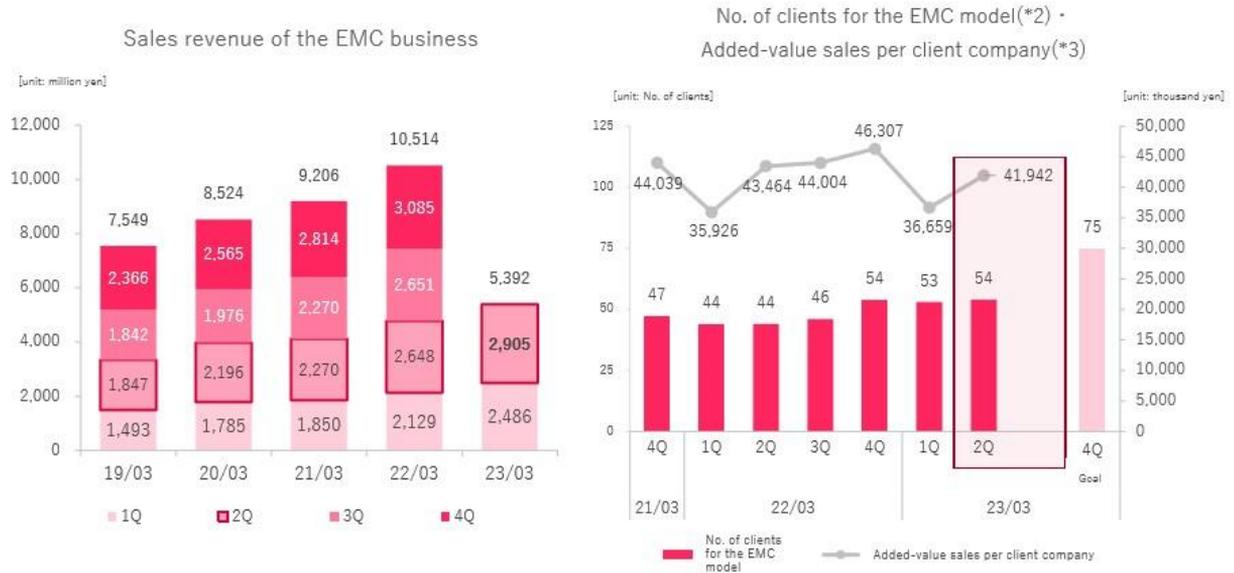
The amount of investment in training to DCs is shown above.

The ratio of sales outside of web operations is 33.6% and is gradually and progressively increasing. Our long-term goal is to raise this to 80% by 2030. Compared to the previous quarter, it was down about 2.5 points, but the major trend has always been expansion, and we do not see any major problems.

As for the operation rate, it was 86% in Q1 and 78.2% in Q2. We were not able to absorb the assignment of new graduates, as I mentioned earlier, and the operating rate is now lower than last year and even the year before last. Of course, we believe that this operating rate can be recovered for Q3 and Q4, but in H1, the operating rate fell because these 464 new graduate assignments were not easily absorbed.

## Sales by Segment-EMC Business

- Sales revenue in EMC business (\*1) : **5,392 million yen** [+12.9% year on year]
- The number of client companies for the EMC model: **54** [Same as the end of the previous term]
- Added-value sales per client: **41,942 thousand yen** [-3.0% year on year]



\*1 Sales revenue was roughly estimated with reference to the IFRS standard (the transactions between the parent company and subsidiaries were not offset).  
 \*2 The number of clients for the service provided by a team composed of 3 or more DCs is defined and counted as the number of clients for the EMC and PGT models.  
 \*3 Added-value sales per client company [thousand yen] = Quarterly added-value sales ÷ Quarterly average number of clients

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For the EMC business, as shown earlier, there was only 12.9% growth.

The first major reason is that the number of companies we offer the EMC model remained unchanged YoY, at 54.

Second, there was a major unprofitable project that occurred in the previous fiscal year, which has been resolved, and since then we have been working to prevent such unprofitable projects from occurring, but one rather large unprofitable project did occur. This was settled at the end of Q2, and there is absolutely no possibility of expansion in the future, but such unprofitable projects have occurred.

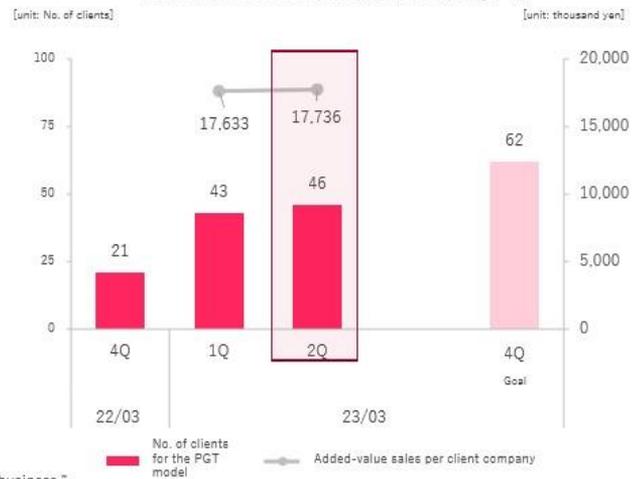
## Sales by Segment-PGT Business(\*1)

- Sales revenue in PGT business (\*2) : **3,245 million yen** [+38.3% year on year]
- The number of client companies for the EMC model: **46** [+25 from the end of the previous term]
- Added-value sales per client: **17,736 thousand yen** [Recording started this term]

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



No. of clients for the PGT model(\*3) · Added-value sales per client company(\*4)



\*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 The number of clients for the service provided by a team composed of 3 or more DCs is defined and counted as the number of clients for the EMC and PGT models.

\*4 Added-value sales per client company [thousand yen] = Quarterly added-value sales ÷ Quarterly average number of clients

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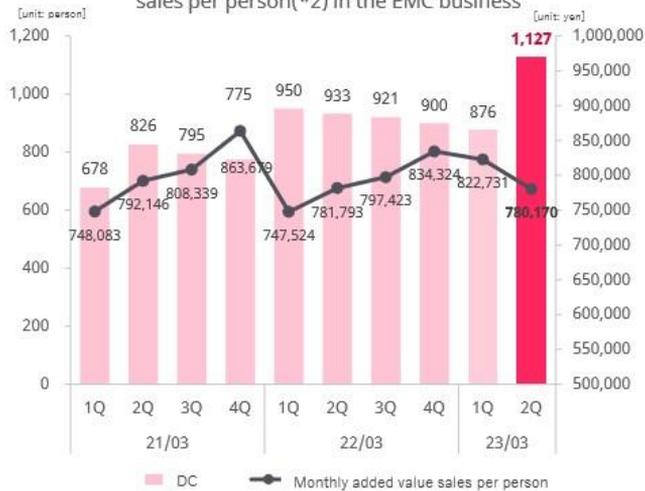
The PGT business continued to grow at a high rate of 38.3%.

We are working to increase the number of PGT companies to 62, and as of Q2, we had 46 companies, a steady increase, and we believe that we will be able to reach 62 at this steady pace.

## No. of DC and Added Value Sales per Person by Segment

- The number of DCs in EMC business : **1,127** [+227 or +25.2% from the end of the PY]  
Added value sales per person: **780,170 yen** [-1,623 yen, down 0.2% y/y]
- The number of DCs in PGT business: **936** [+213 or +29.5% from the end of the PY]  
Added value sales per person: **629,479 yen** [+42,505 yen, up 7.2% y/y]

No. of digital creators(\*1) and monthly added value sales per person(\*2) in the EMC business



No. of digital creators(\*1) and monthly added value sales per person(\*2) in the PGT business



\*1 No. of digital creators is the figure as of the end of Q. New graduates were assigned to tasks in Aug. in FY 3/21 and Jun. in FY 3/22, and will be assigned in Jul. in FY 3/23. 14  
\*2 Monthly added value sales per person = Cumulative quarterly added value sales ÷ Average number of digital creators during the term

For the number of DCs, and this is where we are doing the very best. In the EMC business, we grew 25.2% to 1,127. In the PGT business, we were able to grow by 29.5% and come to an organization of 936.

We are currently struggling a bit in terms of the operation rate, as we are unable to absorb the rapid growth in the number of DCs and employees. We believe that this is a prior investment, as it will surely be converted into operation and revenue. We will continue to promote our policy of expansion toward 10,000 people as mentioned in VISION2030.

## コーポレート・ガバナンスの取り組み

2022年4月4日より新市場「プライム市場」へ移行。

### ● 取締役会体制

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 兼 社長執行役員			○	○			○
 高野 明彦 取締役 兼 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	優良品計画 代表取締役会長 兼 執行役員	○	○				○
 玉上 進一 取締役 監査等委員	胸プレスステージ・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	關カールビー 常務執行役員	○	○				○
 安岡 美佳 取締役 監査等委員	デンマーク・ ロスキレ大学 博識学 サステイナブル・ デジタルリゼーション 准教授	○		○			○

VISION2030達成に向けた非財務指標公開中  
コーポレート・ガバナンスコードの各原則を  
すべて実施

- 女性管理職割合**30%達成**（2022年4月時点）
- 2021年度の**男性育休取得率は64%**、政府目標の30%を大幅達成
- 英文開示の充実。外国人投資家の利便性向上。今後も一層の充実を図る。
- サステナビリティ開示。有価証券報告書においても**TCFD提言への取り組みおよび情報を開示**。

VISION2030達成に向けた非財務指標

<https://www.members.co.jp/it/performance/>

コーポレートガバナンス報告書

<https://www.members.co.jp/it/corporate/report20220929.pdf>

### 譲渡制限付株式報酬の導入

**譲渡制限付株式報酬（RS）を執行役員（取締役兼務者を含む）向けに導入。**  
さらなる中長期的な当社グループの企業価値の増大を目指す。

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Finally, I would like to discuss corporate governance.

The Company maintains a ratio of 71.4% of outside directors and 28.6% of female directors. Then, there is the newly disclosed information: the percentage of women in management positions is 30%. Then, one of our company's unique features is that 64% of our male employees have taken parental leave. The average duration is about 130 days, which is a very long period of time, and I believe this is one of the characteristics of our company.

## 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

#### 着目する社会課題

##### 地球温暖化および 気候変動による環境変化

- 経済活動が地球環境に及ぼす負荷は確実に増加
- このままの経済活動を続けた場合には、100年後に最大4.8度の気温上昇が予測され、過去類を見ない深刻な問題が起きると想定される。
- 持続可能で心豊かな社会の実現をミッションに掲げるメンバーズにとって、すべての生態系と社会・経済・人々の生活に多大な影響を及ぼす地球温暖化および気候変動の問題は、最も重要な社会課題として取り組むべきだと判断。

##### 人口減少による年金医療制度破綻 地方衰退による自治体の消滅/財政破綻

- 日本は環境問題や少子高齢化、地域の過疎化、年金医療費、エネルギー問題など、他の国がまだ直面していないレベルの問題をいくつも持つ課題先進国
- 地方での雇用創出、多様な働き方の実現を経営戦略の中心に据えているメンバーズにとって、特に「年金医療制度破綻」と「地方衰退による自治体の消滅/財政破綻」は、強い危機意識をもって取り組むべき社会課題

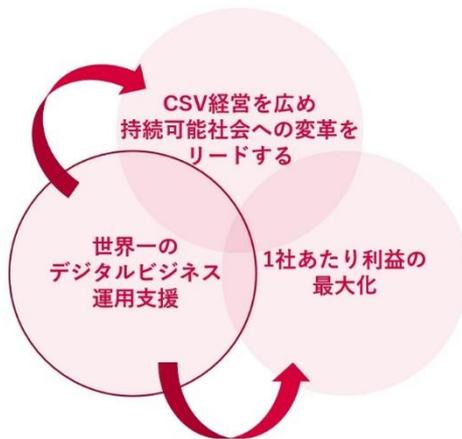
21

Regarding the mission and vision, here is another brief review.

As stated in our articles of incorporation, our mission, our raison d'etre, is to solve the problems of global warming and climate change, as well as social issues caused by population decline, through our core business. Many of our employees have joined us in support of this raison d'etre.

## ミッション実現に向けたグループ共通戦略

グループ ミッション	“MEMBERSHIP”で、心豊かな社会を創る		
VISION2030	日本中のクリエイターの方で、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DC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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For the business strategy to realize this mission, first, we will create the world's best digital business operation support service.

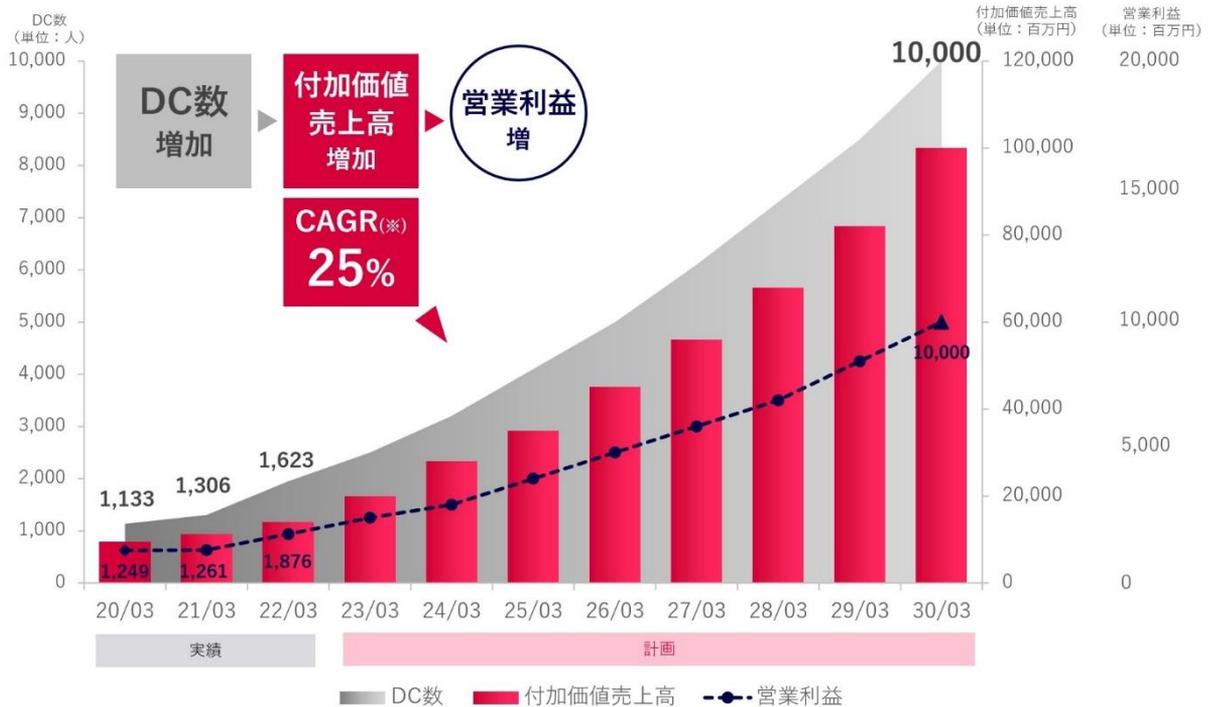
We do not want to provide this strong service to a large number of companies in a scattered and shallow manner, but rather to adopt a management policy that maximizes profit per company, even if the number of companies is not so large.

Through this, we are trying to increase our various influences on our customers and work with them to spread CSV management throughout the world.

## 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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We have this simple growth story. It is to increase the number of DCs, the number of creator employees, and link that to value-added sales, and operating profit will increase in line with those value-added sales.

We have a plan to increase the number of DCs to 10,000, increase value-added sales at an average of 25%, and increase operating income to JPY10 billion by 2030, and we are hiring more new graduates according to this plan.

## トピックス

### AIスペシャリストによる顧客事業の成長を伴奏する社内カンパニー

#### 「メンバーズAI Reachカンパニー」を設立

- AIスペシャリストが顧客企業に常駐
- AIプラットフォームの選定・導入から、AI活用における課題の策定・運用までを支援
- 社長公募制度により、2021年新卒入社社員がカンパニー社長を務める

<https://www.members.co.jp/company/news/2022/0701.html>

### 企業のサーキュラーエコノミーを推進支援する新サービス「サーキュラー・ストラテジー・ソリューション」の提供開始

- 企業の脱炭素と持続的なビジネス成長の同時実現を支援
- 企業が既に展開している製品サービスやビジネスモデルをサーキュラーエコノミーに移行する上で採用すべき戦術を検討し、移行によるビジネスチャンスを模索できる戦略スキーム『サーキュラー・ストラテジー・ソリューション』を独自に開発
- 脱炭素と持続的なビジネス成長の同時実現を目指す企業向けに提供開始

<https://www.members.co.jp/company/news/2022/0712.html>

### XR(※)クリエイターによるビジネスグロース支援事業を行う社内カンパニー

#### 「メンバーズXR BOOSTERカンパニー」を設立

- XRクリエイターによるビジネスグロース支援事業
- XRスキルとマーケティングスキルを持つ人材が顧客企業のXRを活用したマーケティング活動として、企画から3Dモデリング、360度映像加工/制作、XRコンテンツ制作、Unity開発、分析までを支援
- 社長公募制度により、2020年新卒社員がカンパニー社長を務める

<https://www.members.co.jp/company/news/2022/0801.html>

### Social Good Action +100プロジェクト 社会に対して良いインパクトをもたらす取り組みを 2030年までに100個実現

- VISION2030の一施策としてメンバーズグループ全社員が参画。
- CSV経営（経済価値と社会的価値を同時に実現する経営手法）を実践・推進することで、ビジネスを通じて社会課題の解決に貢献し、心豊かな社会の実現を目指す
- 100個のSGA実現に向けた道のりをサイトで紹介
- 2022年10月末時点で27個のSGAを公開中

<https://sga100.members.co.jp/>



※XR（クロスリアリティ）：「VR（仮想現実）」「AR（拡張現実）」「MR（複合現実）」の総称。

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Also, as a topic for H1 of this fiscal year, we established two in-house companies specializing in technology.

One is the AI Reach Company, which trains and provides AI specialists to clients. The other is the XR BOOSTER Company, which provides customers with VR or XR creators. These two companies are newly established. Currently, there are 12 specialized technology companies.

That is all for now, but I would be happy to answer any questions you may have.

**Moderator:** Thank you.

## Question & Answer

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**Moderator [Q]:** Now, we would like to move on to the question-and-answer session.

First, we have received three advance questions.

First, is mid-career hiring going well?

**Kenmochi [A]:** Thank you.

We have a policy of focusing on mid-career hiring. This means that in the fiscal year ended March 31, 2022, the Company was able to reduce expenses and will post a higher-than-expected operating profit margin. This was because mid-career hiring was not going well, which buoyed expenses, which in turn led to higher-than-expected profits.

Therefore, while an increase in profit is a good thing, it is not a good thing in terms of proper upfront investment. We plan to hire 1.3 times in the fiscal year ending March 31, 2023 as many mid-career creators as in the fiscal year ended March 31, 2022.

First, for H1 of the fiscal year, we have been trying to strengthen our mid-career recruitment efforts. It's not something that can be done quickly. It took some time for the engine to get going, and frankly speaking, the engine finally started to rev up around Q2.

So, it is in H2 of the year that the effect will be significant. As I have explained earlier, the operating rate has been very stagnant, which will appear largely in Q3 and Q4. If we do not achieve a recovery in this area, it will have a significant negative impact on profit generation, so we will increase mid-career hiring if the operating rate is favorable, while keeping an eye on the timing of the recovery. The Company may take the direction of securing revenue by maintaining a decent operating rate while curtailing mid-career hiring itself a little.

Therefore, since the engine has been revved up, we believe that if we step on the accelerator, we will be able to hire a considerable number of mid-career creators in H2 of this fiscal year and the next fiscal year, but we will manage our business in H2 of this fiscal year while keeping a close eye on the operating rate.

I'm afraid my answer is a bit half-hearted.

**Moderator [Q]:** The second question, I would be happy to know the impact amount of the unprofitable projects you mentioned.

**Kenmochi [A]:** I will refrain from disclosing the amount of money itself since we have not disclosed it. Compared to the large unprofitable project in the previous fiscal year ended March 31, 2022, it's only a fraction of that, but of course it's a big negative. I will just tell you that the amount is different from in the previous period, a fraction of the amount.

**Moderator [Q]:** This is the third advance question.

I feel that the growth in the number of customers has been sluggish in H1 of the fiscal year compared to the full-year target. Is there a bias toward H2 from the original plan, or are differences arising from the plan? If the latter is the case, we would appreciate it if you could provide some background information, it says.

**Kenmochi [A]:** Regarding the number of EMC companies, we are not doing very well, and it is slow. However, it is also true that it has been heavily weighted toward H2 in the past, so we would like to make up as much ground as possible in H2 and increase the number of EMC companies.

The number of PGT companies appears to have remained almost flat and sluggish when compared to Q1 and Q2 alone, but we believe that we are making steady progress toward our full-year target, and if we can further increase the number of companies in Q3 and Q4 and achieve our target, we will be on track.

**Moderator [Q]:** Thank you very much. Those were the advance questions.

We will then move on to the question-and-answer session for those attending today. Please note that today's briefing is being recorded. Video distribution and transcribed materials will be deployed later. Please note that this information will be made public on our website and other media.

Now, we have some questions that were entered into the Q&A function today, so we will start with those.

Regarding the competitive environment, it asks which firms would compete in terms of hiring and project orders.

**Kenmochi [A]:** There is a wide variety, but in the EMC business, there are also cases of small-scale web production companies. This is on the order side. For production companies, there are cases of Accenture plc, Dentsu Digital Inc., and other consulting firms, and there are also cases such as transcosmos inc.

However, we do not believe that there is an excessive competition for orders because we believe that customers tend to choose the type they want, or the type of quality they are looking for, rather than a fierce competition for the best price.

The PGT business is still sometimes compared to temporary staffing agencies because we started out in the temporary staffing business. However, we have been making efforts to avoid comparisons by converting to team service, so I don't think we are being compared directly with others.

In terms of recruitment, I feel that many of them are consulting firms.

**Moderator [M]:** Thank you.

Next, Mr. Naya, please go ahead. Please unmute and ask your question.

**Naya [M]:** Naya from Ichiyoshi Research Institute. I have four questions, if I may.

**Kenmochi [M]:** Yes. One by one, please.

**Naya [Q]:** First question. I heard you talk about 12 specialized companies, 20% of total sales, with a growth rate of 80%, and a unit price increase of JPY40,000. I think EMC offers solution in this.

What is the division between EMC and PGT? I was also a little curious about the compatibility there.

**Kenmochi [A]:** There are two specialized companies in EMC and 10 in PGT.

**Naya [Q]:** What about compatibility and the like?

**Kenmochi [M]:** Compatibility?

**Naya [Q]:** Yes. Is it growing, is it working?

**Kenmochi [A]:** I mentioned earlier that we are merging the three companies, but we are stepping on the assumption that the need for PGT will be very strong, mainly among large companies, and we have decided that the best way to make this most effective is to merge them.

Therefore, we believe that PGT's services, or more specifically, the services of the 10 companies on the PGT side of this specialization, will be very much needed by the large companies that are EMC's customers, and we have determined that they are a great match in this respect.

**Naya [Q]:** I understand. Thank you.

Second question. I understand that the strategy of separating production and sales through the integration of the three companies is very effective, but I wonder if there are any disadvantages to the integration, or if good parts up to now will be lost. If there is one, I would like to know about that area, if there is one, and how you can overcome it.

**Kenmochi [A]:** Thank you.

There are three businesses, PGT and EMC, and organizationally, PGT operates in two separate internal organizations. We call them PGT1 and PGT2, but EMC and PGT1 and PGT2 had separate organizations and separate directors in charge of management, and now we are going to unify them.

Therefore, each main company had its own color, and we had a lot of freedom and discretion in our management policy, so I think there will be some disadvantages, such as the loss of that freedom and the fading of their color. However, I don't feel they are much of a disadvantage because I think the benefits of integration are much greater than its disadvantages.

From the point of view of the employees who belong to the companies, when the systems of the companies that had very unique management practices are integrated and fused together, there may be some cases where they say, "I liked this system, so why did it go away?" However, by integrating the three companies and making the EMC and PGT businesses into a single business, it will be easier for employees to improve their skills in various specialized fields.

Until now, the PGT and EMC businesses were separate, so EMC employees were able to transfer to specialized positions in PGT, but this will make it easier for them to do so in the future. If options to reskill broaden, and all employees understand the advantages of this, the disadvantages I mentioned earlier, such as the fading of their unique color, can be resolved over time.

**Naya [Q]:** I understand.

Third question. I asked earlier about EMC's unprofitable projects being less in amount than last year, but I was wondering if the factors that caused the occurrence last year were almost the same as the factors that caused the occurrence this time, or if they came out in slightly different areas and factors. How would you consider the analysis compared to last year?

**Kenmochi [A]:** It is really frustrating that we had a big loss last year, and we were doing everything we could to prevent a recurrence. While the scale is totally different, I really regret that it happened again and am sorry. I believe the essential cause is the same.

The causes on the surface are different, but essentially, the market as a whole is running out of experienced personnel who can handle the ever-increasing difficulty of the projects. There is a shortage of experienced creators in our company. I believe that is the essential point.

**Naya [Q]:** So, you are saying that we should be prepared for a few more of these things to happen in the future, albeit on different scales?

**Kenmochi [A]:** Therefore, we believe that the measures to prevent recurrence based on the lessons learned from last year's unprofitable project problems are not sufficient.

In the end, I think it is not good that a lot of the responsibility for this way of working lies with the contractor, who has to commit in advance to a batch of highly difficult projects themselves, in short, projects that we do not know how many worker hours they will take. So, we can only change the way we receive orders so that we can mitigate that risk together with our customers.

One is agile development, and I wanted to change everything to agile, but I have come to understand that it is not easy for large companies to do so. So, we are trying not to do it in one bundle, not in a long-term contract, but by dividing it properly into several phases and making sure to look back on them, but I don't think even that is enough.

Therefore, it is important to have a contract in advance that if the worker hours are more than expected, we will bill the customer properly. More specifically, we will be offering teams on a quasi-mandate contract basis, rather than 100% contracting or outsourcing contracts. We must be creative to that extent, or we will continue to face a very high risk in the future. Since this has happened twice, we will take the measures I just mentioned to avoid risk.

**Naya [Q]:** Thank you.

Final question. I understand that the number of projects other than web operations is increasing, and I think it will continue to increase, but I would like to understand a little more about the content of these projects, the variety and types of clients, requirements, and areas of technology, and how much they differ from the past. I would appreciate an explanation.

**Kenmochi [A]:** Thank you.

Traditionally, we have grown in the EMC business, focusing on the operation of large corporate website productions.

We have been trying to expand into peripheral areas based on the operational base of the production. For example, we can plan and operate marketing automation on behalf of our clients, and then develop digital products for large companies and provide support for growth. We have also focused on areas other than website production and operation for marketing purposes, such as data analysis and support for platforms such as that of Salesforce, Inc., and have made efforts to increase the number of large companies in this area as well.

On the other hand, we have also provided services to venture companies, mainly in the PGT business, but in the case of venture companies, not all of them, but most are developing, producing, operating, and supporting digital in-house products and the like, rather than producing and operating information-dissemination websites.

Therefore, the larger the PGT business, the higher the ratio of non-website operations, though not all of them, so we are promoting such an increase in the ratio.

This, the PGT that I just mentioned, has more of that. Although not equal, the largest number of companies are the 12 specialized technology companies I mentioned earlier, and we believe that expanding these companies will increase the ratio of non-website operations as well. The division has become a bit complicated, and I would like to organize it properly for the next fiscal year.

**Naya [M]:** I understand. I understand very well. Thank you.

**Moderator [Q]:** Thank you very much, Mr. Naya.

Next, we would like to introduce the question that was entered in the Q&A function.

Your company seems to have a higher unit price than other temporary engineer staffing agencies. Is this because you do a lot of contracting? What is the ratio of temporary staffing, contracting, and quasi-mandate contracts, as well as the difference in profitability?

**Kenmochi [A]:** Thank you.

First, regarding the EMC business for large companies, this was originally done on a contracted basis. We have done almost no dispatching and the like. Therefore, we believe that the unit price is high. However, in the future, the EMC business will be combined with the PGT business, and we will be increasing the number of quasi-mandate contracts as well. When we engage in or receive orders for high-risk projects, such as the one I just mentioned, we will take more avoidance measures such as using quasi-mandate contracts, and we believe that quasi-mandate contracts will also increase.

On the other hand, the PGT business originally started as a temporary staffing service. We are in the process of switching more of that to quasi-mandate contracts. This is also the reason the unit price has been rising.

Our overall service concept is to provide human resources in both businesses not only individually, but also as a team, not only under the direction of customers, but also actively and autonomously to improve results and support growth. We believe that this is appreciated and why fees are higher than those of temporary engineer staffing agencies and so on, and we will continue to refine the concept further in the future to lead the unit price to a higher level.

**Moderator [M]:** Thank you.

These are the questions we have received. Do you have any other questions?

That concludes our questions.

**Kenmochi [M]:** Thank you for today.

We had a disappointing H1, but with the good points I mentioned earlier, we believe we can adequately get on track to 25% growth again.

If we are going to take it slowly the whole time and grow at 20%, I believe that if we adjust the growth rate of DCs to match the 20% growth, we will be able to generate 10% or more profit, which is fine, but we still want to take on the challenge of 25% or 30% growth.

We will continue to expand the number of DCs at full throttle to achieve this goal. As a result, I believe that while we have achieved disappointing results when viewed over a six-month period, over the long term, I believe that we are more than capable of achieving operating profit of JPY10 billion and 10,000 employees by 2030.

It is obvious that it will be more efficient to merge the three companies and treat the EMC and PGT businesses as one, so the entire company works together to conduct sales, recruit, and develop services. Therefore, we believe that we can make a great leap forward by implementing such measures, adopting the sales methods of the PGT business, which has been performing well, shifting from selling solutions to selling human resources

and teams, and fully developing specialized positions while establishing the Company fully in order to improve the unit price.

We look forward to your continued guidance and support.

**Moderator [M]:** That concludes the presentation of the financial results of Members for Q2 of the fiscal year ending March 31, 2023. Thank you very much for your participation today.

This is the end of the online seminar session. Goodbye.

[END]

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**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 document has been translated by SCRIPTS Asia.*