Members Co., Ltd.

2Q Financial Results Briefing for the Fiscal Year Ending March 2025

November 4, 2025

Presentation

Takano: Hello, everyone. I am Takano, representative director and president of Members Co., Ltd. Thank you very much for taking time out of your busy schedule to join us today.

I would like to begin FY2026 2Q financial results briefing of Members Co., Ltd.

First of all, this year Members marked its 30th anniversary. Our slogan is creating a history of new challenges so that we can continue to grow for the next 10 to 20 years, without resting on our past achievements of the past 30 years.

The direction of the challenges is defined by our mission article "Creating a spiritually rich society through 'MEMBERSHIP'" and VISION 2030, "With the power of creators across Japan, we will contribute to solving social issues centered on climate change and population decline and lead the transformation to a sustainable society." We will continue to work toward becoming a company and an entity that can provide greater value to society than ever before.

Highlights of FY2026 1H results

- Value-added sales growth rate was +11.1% YoY due to the shift to a DX field support position progressing well. Operating profit improved significantly, 263million yen +742million yen YoY.

2Q Results

Due to the merger of subsidiaries in November 2024, the figures were changed to non-consolidated from 3Q2025.
As the impact of the merger was negligible, year-on-year comparisons are provided with the previous year's consolidated figures for reference purposes.

Revenue	Value-added sales[*1]	Operating profit	Number of Digital creators (DC) (End of 2Q)
11,448 million yen	11,070 million yen	263 million yen	2,534 People
YoY+10.3%	YoY+11.1%	YoY +742 millon yen	Prior Year-end -93 people

Accelerate transformation to DX field support position

DX domain ratio (1H)
52.1% (YoY+9.3pt)

DX domain growth rate (1H)
+35.2%

DX talent ratio (end of 2Q)
58.6%

Number of clients with annual sales of at least 100 million yen (2Q)
47 clients (YoY-3clients)

Unit sales(1H)
924 thousand yen (YoY+6.2%)

Number of PMO[*2] staffs (end of 2Q)
686 staffs (Prior Year-end+328 staffs)

Enhanced profitability

Occupancy rate of DCs excluding first and second year new graduates (2Q)
83.2% (YoY+0.4pt)

Gross margin (1H)
22.7% (YoY+6.1pt)

SG&A expense ratio (1H)
20.4% (YoY-0.8pt)

*1 Value-added sales = revenue from revenue - subcontracting and purchases = sales from internal resources.
*2 PMO (Project Management Office): refers to a department or system that oversees project management across the boundaries of departments in order to facilitate the smooth implementation of projects in a company or individual organization. While the PM (Project Manager) oversees the project and is responsible for various decisions, the PMO supports the PM's project management by collecting information and coordinating with all relevant parties to enable the PM to make decisions smoothly.

Today, we are pleased to report on the current progress of this initiative. First, I will explain FY2026 Q2 results.

We believe that FY2026 2Q results were basically in line with our expectations. Value-added sales, the balance of subcontracting and purchases-deducted revenue, increased YoY by 11.1% to JPY11.07 billion. Operating profit increased YoY by JPY742 million to JPY263 million. We saw a negative operating profit of nearly JPY500 million in the previous year. Other KPIs will be explained later.

FY2026 2Q P/L

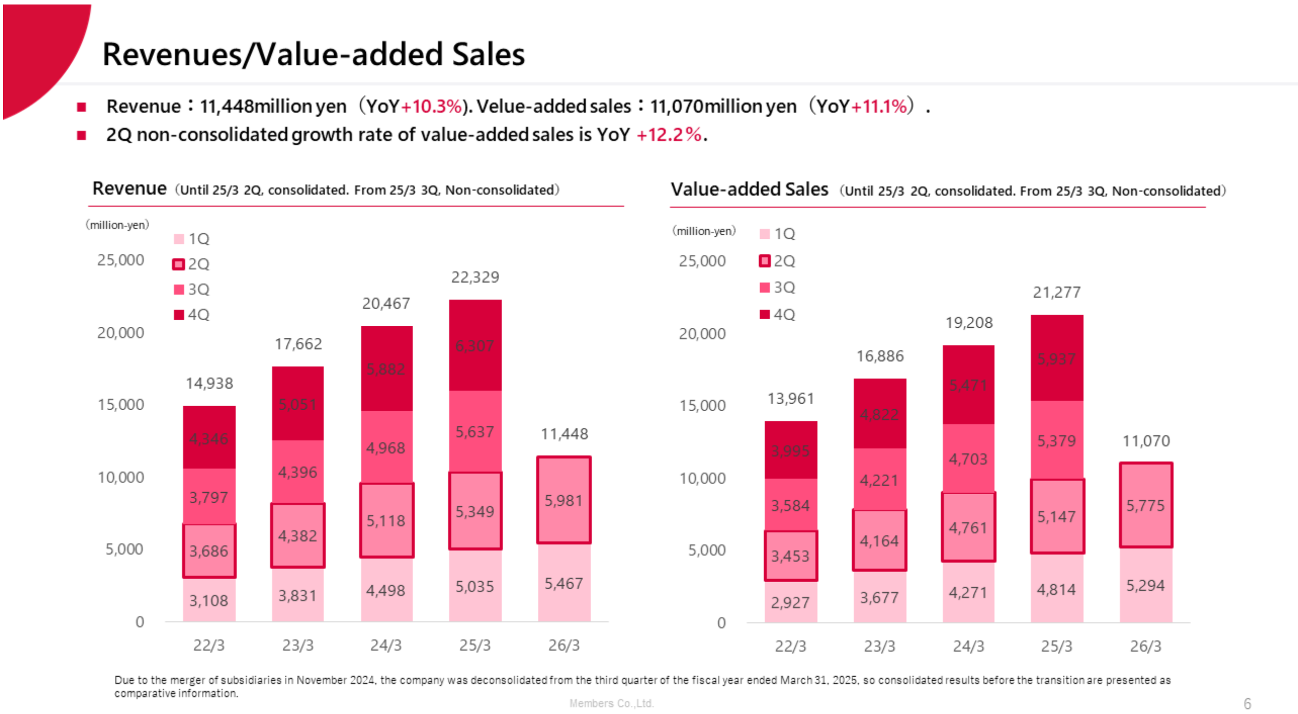
- Both sales revenue and value-added sales achieved the 1H plan.
- Gross profit was +50.6% YoY, and the gross profit margin improved to 22.7% (+6.1 pt YoY), right on target.
- Revised full-year plan in light of progress in 1H. Raised full-year operating profit forecast to 1,400 million yen.

(unit：million yen)	FY2025 2Q	FY2026 2Q Results		FY2026 1H Cumulative Forecast		FY2026 2H Cumulative Forecast		
	Consolidated	Non-Consolidated	YoY	Non-Consolidated	Rate of Achievement	(Non-Consolidated) Before revision	(Non-Consolidated) After revision	Rate of Achievement
Revenue	10,384	11,448	+10.3%	11,366	100.7%	24,318	24,400	46.9%
Value added sales	9,961	11,070	+11.1%	11,057	100.1%	23,620	23,620	46.9%
Gross profit	1,724	2,597	+50.6%	—	—	—	—	—
Gross profit margin ratio (%)	16.6%	22.7%	+6.1pt	—	—	—	—	—
S.G.&A. expense	2,205	2,333	+5.8%	—	—	—	—	—
S.G.&A. expense ratio (%)	21.2%	20.4%	▲0.8pt	—	—	—	—	—
Operating profit	▲479	263	(increase)	100	263.2%	1,214	1,400	18.8%
Operating profit ratio (%)	▲4.6%	2.3%	—	0.9%	—	5.0%	5.7%	—
Profit before tax	▲464	316	(increase)	90	351.4%	1,194	1,390	22.8%
Profit	▲321	195	(increase)	60	324.3%	800	930	21.0%

Due to the merger of subsidiaries in November 2024, the company has been deconsolidated from the third quarter of the fiscal year ended March 31, 2025; therefore, consolidated results for the first quarter of the fiscal year ended March 31, 2025 are presented as comparative information.

Then, I would like to explain the details of P/L and comparison with forecast. Gross profit increased YoY by 50.6%, and the gross profit margin ratio improved significantly by 6.1 percentage points to 22.7%. This is mainly due to improved utilization ratio. On the other hand, SG&A expenses were well controlled despite the revenue growth and improved YoY by 0.8 percentage points.

As a result of these efforts, as I mentioned earlier, operating profit increased YoY significantly and is now in the black. Compared to the forecast, revenue and value-added sales were almost in line with the forecast, but operating profit was much higher than the forecast. In light of this progress, we have upwardly revised our full-year forecast for revenue, operating profit, and other profit items below operating profit, taking into account the surplus made in 1H.

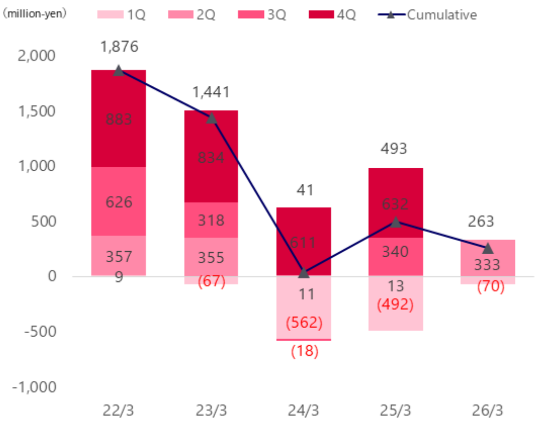


This shows revenue and value-added sales on a quarterly basis. The growth rate of value-added sales in 1Q was positive 10%. 2Q growth rate improved to positive 12.2%.

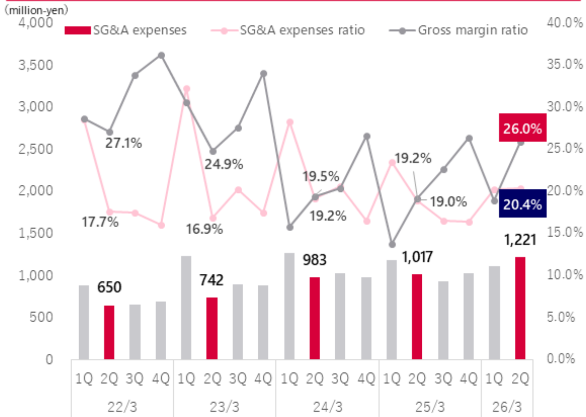
Operating profit /SG&A expenses/ratio/gross margin ratio

- Operating profit：263million yen (+742million yen YoY). Landed well the plan.
- Gross profit margin in the 2Q was +6.8pt YoY due to an improvement in the utilization ratio and curbs on hiring of new graduates. SG&A ratio increased by 1.4 pt YoY due to strengthened investment in education and sales/marketing.

Operating profit (Until 25/3 2Q, consolidated. From 25/3 3Q, Non-consolidated)



SG&A expenses/ratio/gross margin ratio
(consolidated until 25/3 2Q, Non-consolidated from 25/3 3Q onwards)



Due to the merger of subsidiaries in November 2024, the company was deconsolidated from the third quarter of the fiscal year ended March 31, 2025, so consolidated results before the transition are presented as comparative information.

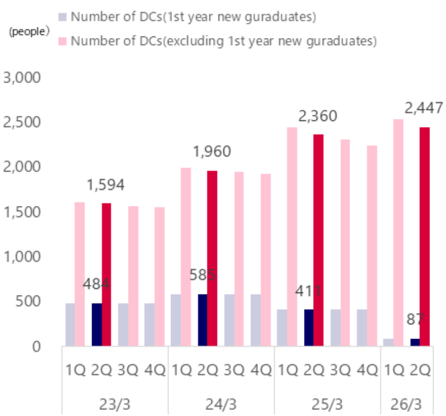
This shows operating profit changes on a quarterly basis. In FY2024 and FY2025, 2Q alone was slightly profitable with operating profit of around JPY10 million. FY2026 2Q was profitable with operating profit of JPY330 million.

This progress is similar to that of FY2022 with the record-high profits and that of FY2023 before the sharp decline in profits. The gross margin ratio for 2Q alone was 26.0%, much higher than FY2025 2Q with 19.2%, and has recovered to a level close to that for FY2022 and FY2023.

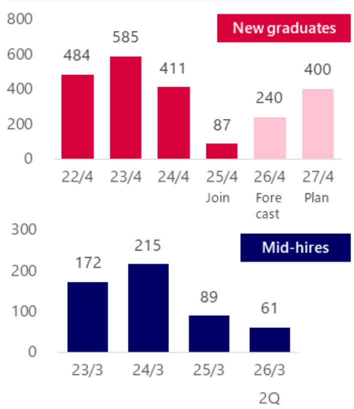
Number of DCs/Number of New graduates & Mid-career Recruits/Turnover rate

- The number of DCs at the end of 2Q was 2,534, a decrease of 93 from the end of the previous period. With 2,447 DCs in their second year or more (+210 from the end of the previous year), the staffing base for short-term growth continues to be secured.
- Aiming to accelerate the shift to DX field support positions, we plans to increase the number of new graduates it hires in the next fiscal year and beyond. 240 new employees are expected to join us in April 2026.
- 2Q total turnover rate: +0.3 pt YoY to 5.8%. 2Q alone: moderate improvement of -0.1 pt YoY。

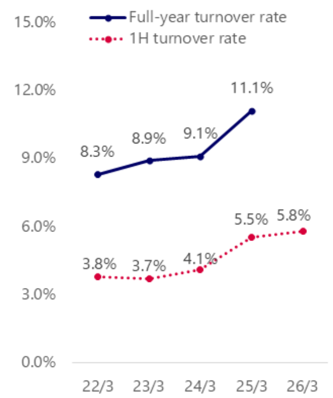
Trends in the number of DCs



Number of Recruits (unit：people)

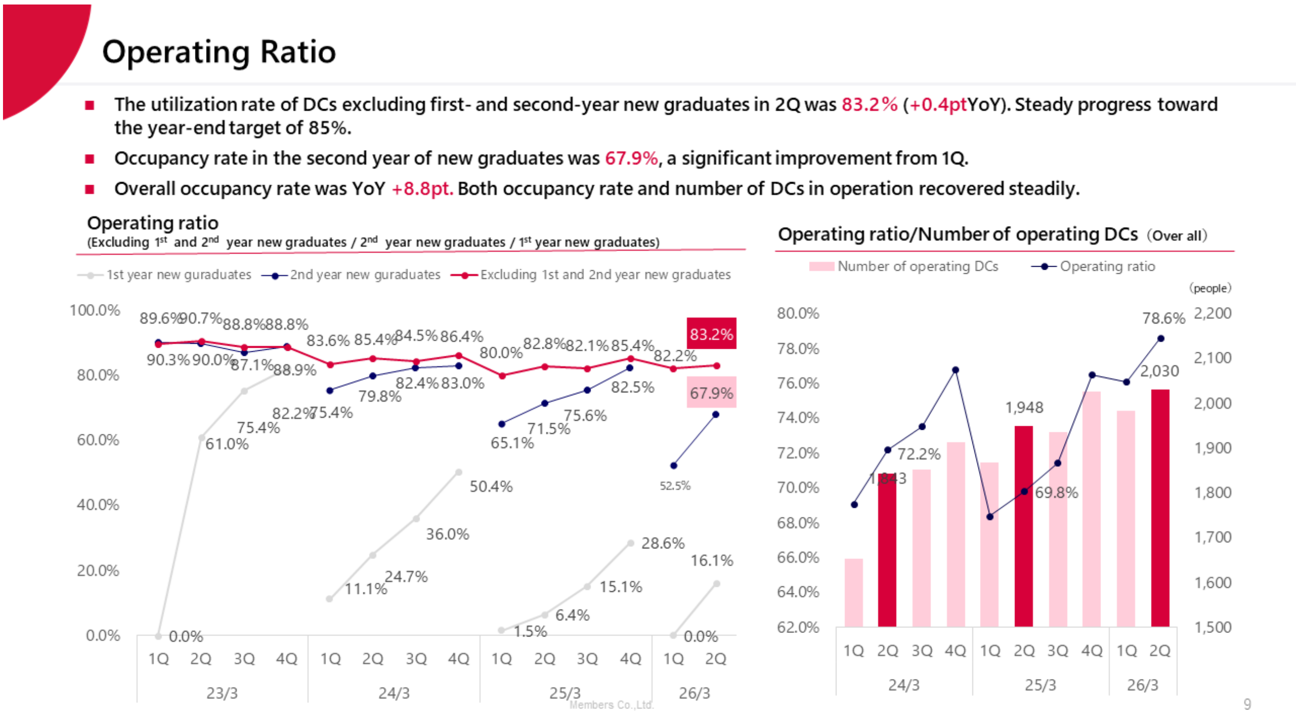


Turnover rate



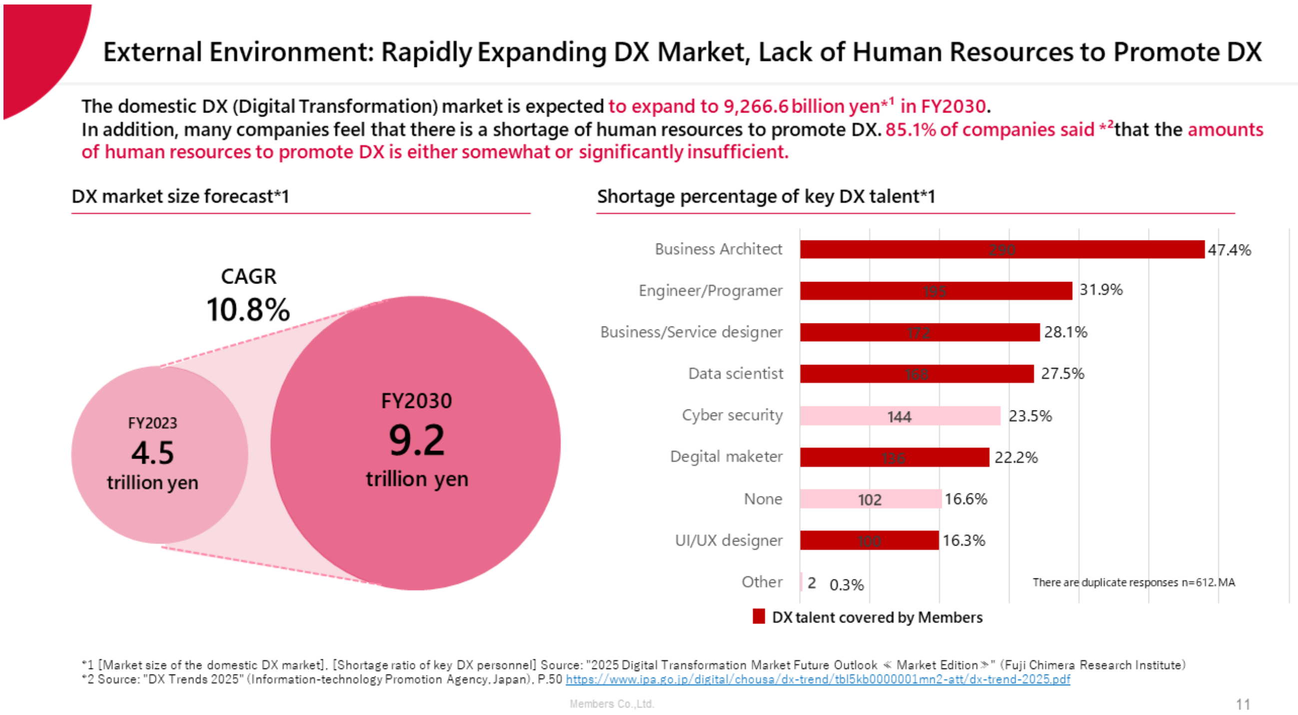
The number of digital creators at the end of 2Q was 2,534, down 93 from the end of the previous year. As we have held off hiring since last year until the utilization ratio returns to an appropriate level, it is as expected that the number will decrease in FY2026. However, we believe that the improvement in the utilization ratio will be made this fiscal year, and we will increase hiring from the next fiscal year onward in line with the speed of growth.

On the other hand, we are aware that the turnover rate worsened and that it is an issue, but it decreased YoY by 0.1 percentage point in 2Q alone, so we do not think that the situation will continue to worsen unilaterally, but we will continue to monitor the situation closely.



Concerning the operating ratio, the graph on the right shows that the overall operating ratio improved significantly YoY by 8.8 points to 78.6%. We believe that we are making steady progress toward our goal of 85%, with a YoY increase of 0.4 percentage points to 83.2% for the operating ratio, excluding first and second year new graduates.

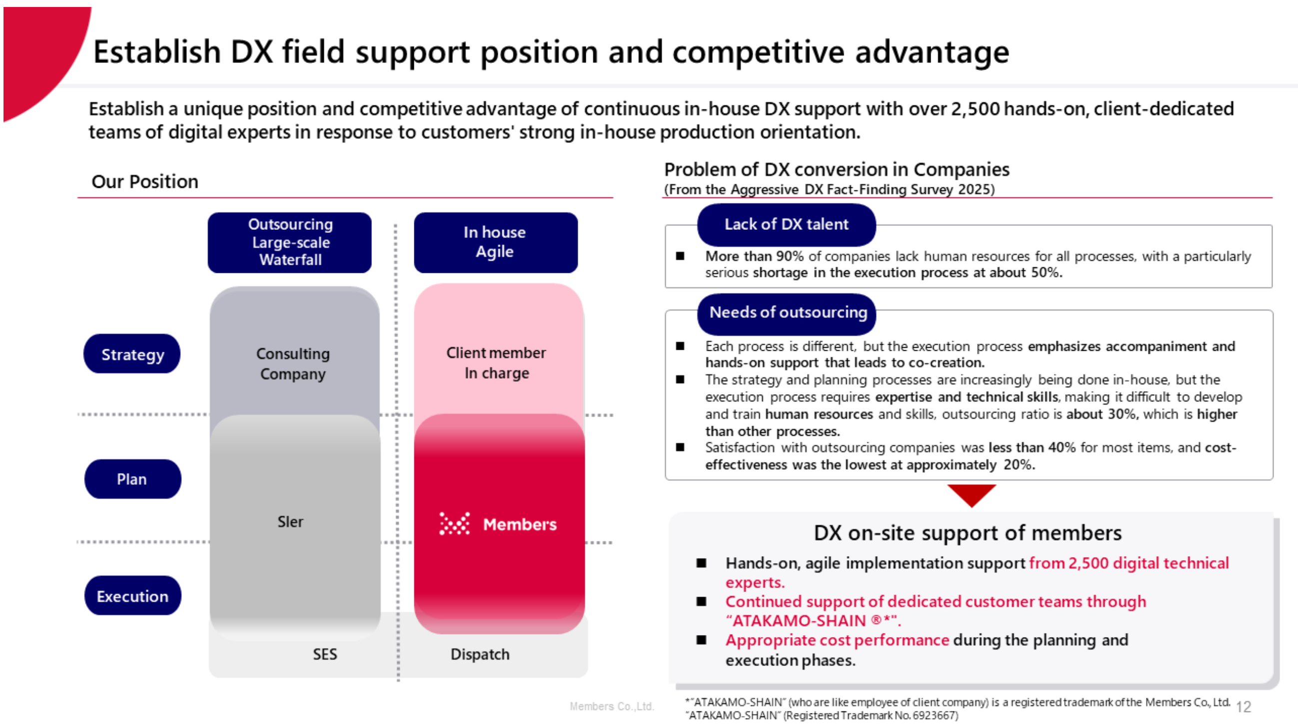
As for the second-year new graduates operating ratio, it was 67.9%, a significant improvement of more than 15 percentage points from 1Q. We believe that once this exceeds the previous year's level, we can say that the low internal utilization situation has almost been addressed. On the other hand, we believe that there is still room for a little more improvement in this operating ratio.



I have discussed 2Q financial results. From here, I will explain FY2026 policy, goals and progress.

First of all, I would like to explain the market environment although you know about it very well.

First, the domestic DX business continues to grow steadily and over 10% of CAGR is expected. In addition to the steady market expansion, we believe that the shortage of DX talent is becoming more and more serious, as client companies are increasingly looking for in-house production.

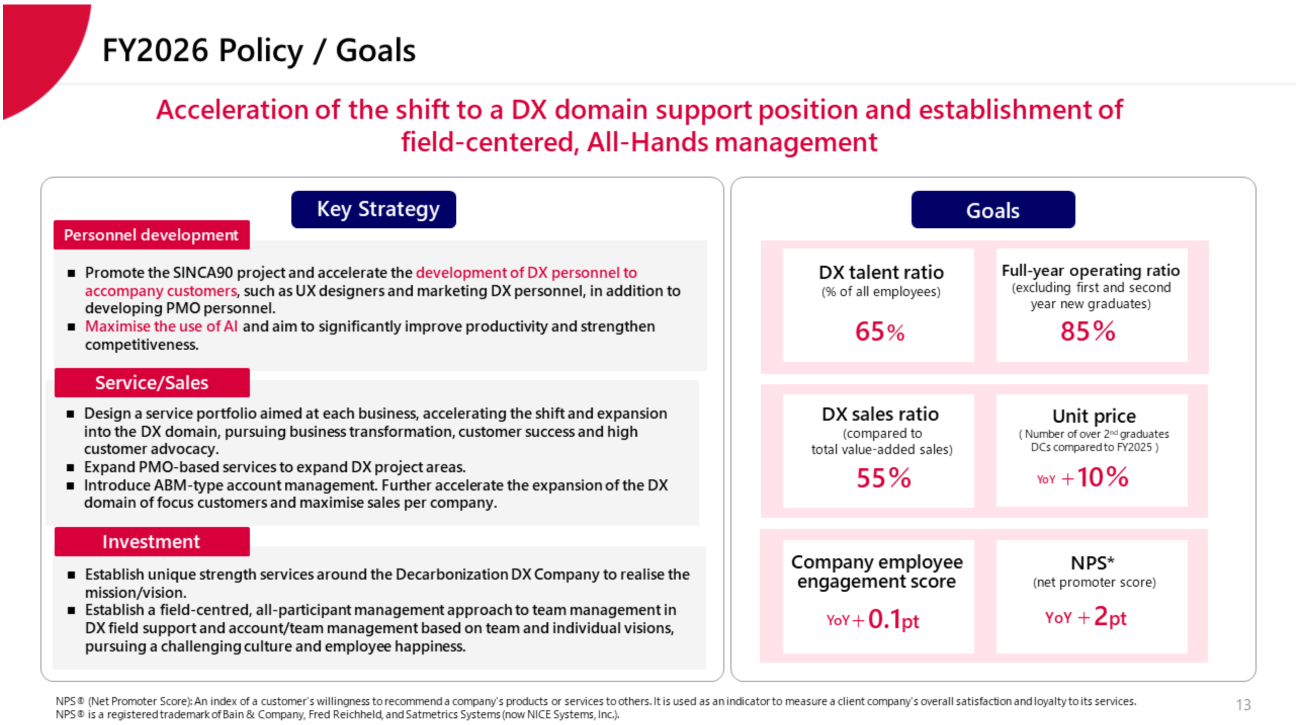


In the DX market, there are naturally many large consulting firms, SIers, and other, many competitors so we believe that we need a unique position and clear strengths to compete among them.

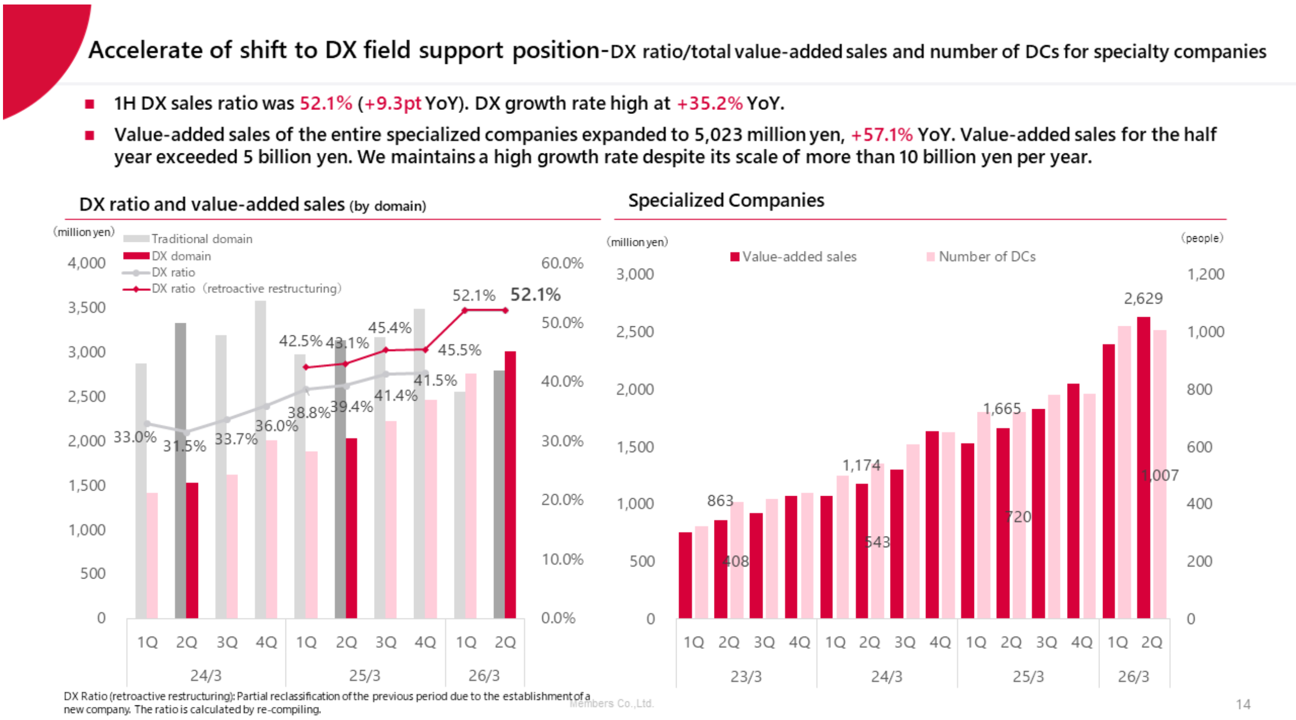
We call it DX field support position. While other major players basically take on large-scale outsourced projects, we serve as a partner company for technical personnel in the planning and execution phases of our clients' in-house production and strong in-house orientation.

Basically, in order to promote successful DX at client companies, it is not enough to implement a single major DX project, such as installing a system or infrastructure. It is necessary to make continuous efforts, such as reforming business models, new businesses, and continuously improving digital contact points for clients. Toward that end, client companies are trying to have a digital capability.

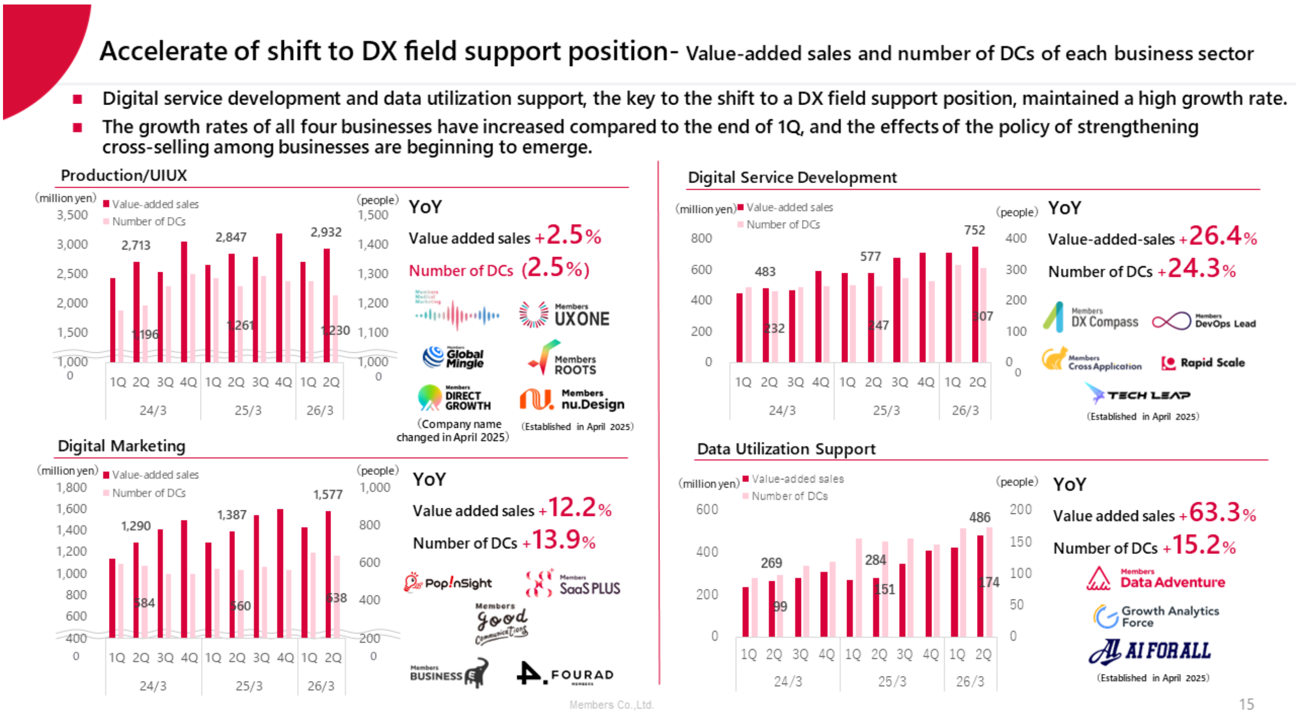
However, in a situation where there is a complete lack of human resources, our position is to support the planning and execution phases with technical human resources, such as DX field support, to promote in-house production in cooperation with client companies. Hands-on, agile implementation support from 2,500 digital technical experts, we call them "ATAKAMO-SHAIN,"(we registered a trademark) and they work as one team to provide ongoing support, as if they were employees of the client company. In addition, appropriate cost performance is a feature and strength of our DX field support.



Toward the goal of making DX field support position clearly [inaudible], our FY2026 policy is to accelerate the shift from our traditional web operation position to DX field support position, and to further solidify our all-hands management that is the hallmark of our company. I will explain our policy and goals regarding personnel and resource services/sales for that end.

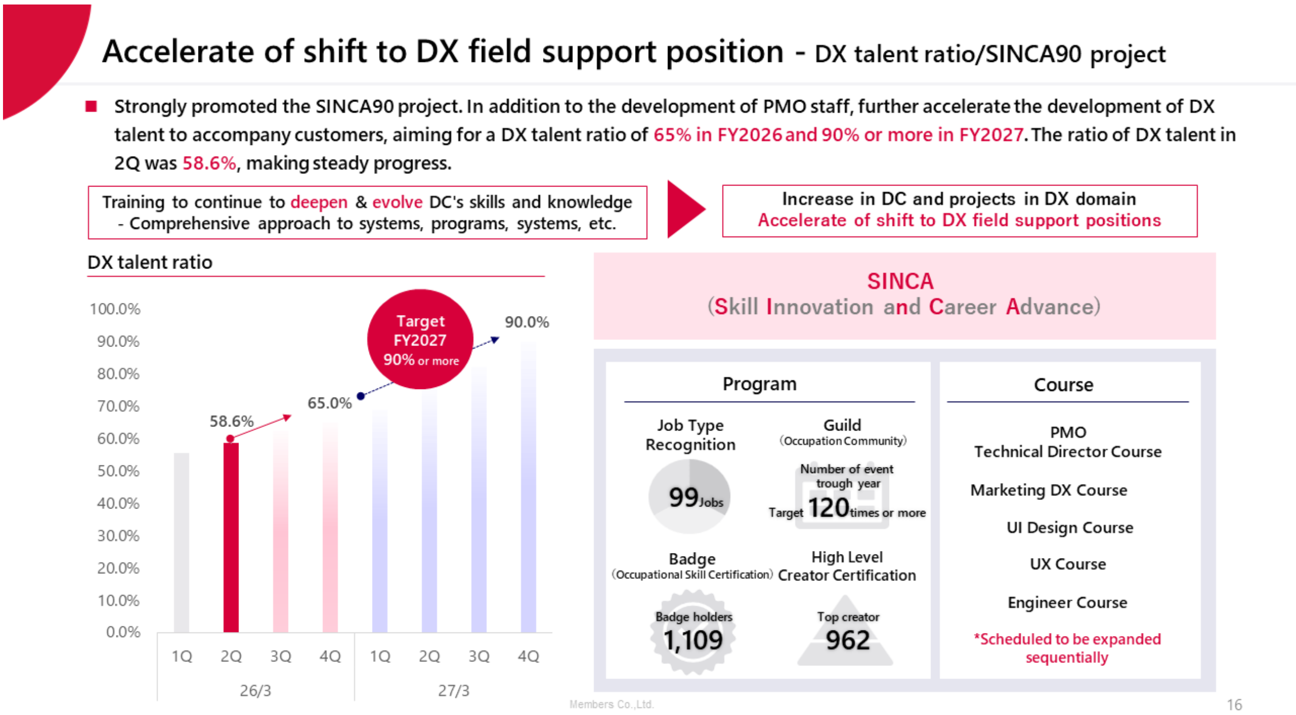


First, in terms of service, we believe that the shift from the conventional Web operation domain to the DX domain is progressing very well. DX sales ratio was 52.1%. It has already exceeded 50% since Q1. The growth rate is positive 35.2%, which we consider to be very steady.



The efforts to expand the DX domain are centered on specialized companies including digital specialty company, SaaS company, agile development company, UX company, data company, and AI company. About 20 specialized companies are driving growth, with value-added sales exceeding JPY5 billion in 1H, and maintaining an extremely high growth rate at a pace of over JPY10 billion a year.

Concerning the situation of the four major business sectors, the digital service development and the data utilization support businesses continue to grow steadily. In the UIUX and the digital marketing businesses, where the focus has been on traditional web operations, we are seeing a gradual recovery in the growth rate, thanks to the growth of specialized companies in the DX field, as well as cross-selling.

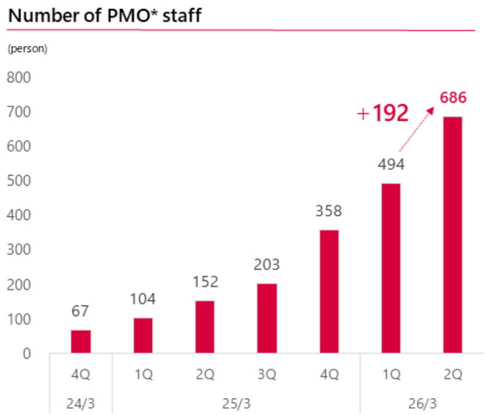


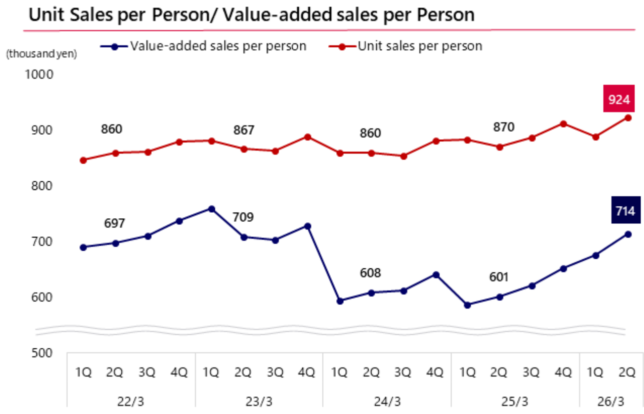
And now, I would like to talk about personnel development, which is what we are working on most intensively. We have promoted SINCA90 project, in which we are working to convert more than 90% of all digital creators to DX talent. We have established and implemented a company-wide personnel development program to develop DX talent, and DX talent ratio has steadily increased.

As of FY2026 2Q, the ratio was 58.6%. We aim to raise this to 65% by the end of FY2026 and to 90% by the end of FY2027.

Accelerate of shift to DX field support position - PMO staff development / Increase in unit sales per person

- PMO personnel: 686 at the end of 2Q (+192 from the end of 1Q) against the target of 1,000. Company-wide efforts were successful and the number of PMO personnel increased at an accelerated pace.
- In line with the growth of the high-value-added DX domain and specialized companies, sales per capita steadily progressed to 924 thousand yen (+6.2 pt YoY). Value-added sales per worker improved steadily to +18.8% YoY.



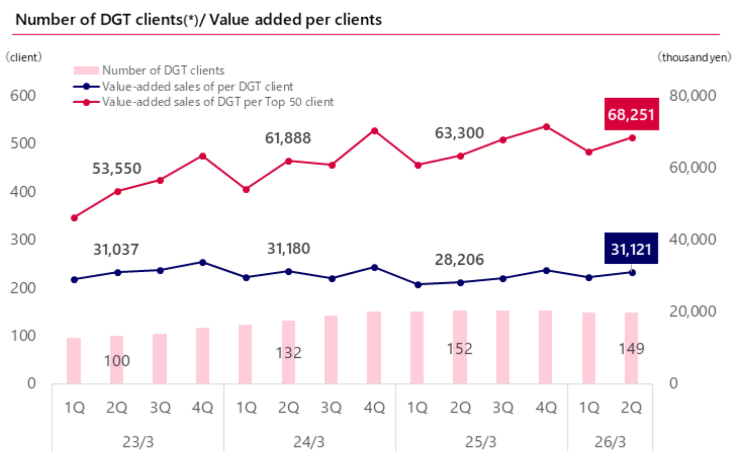


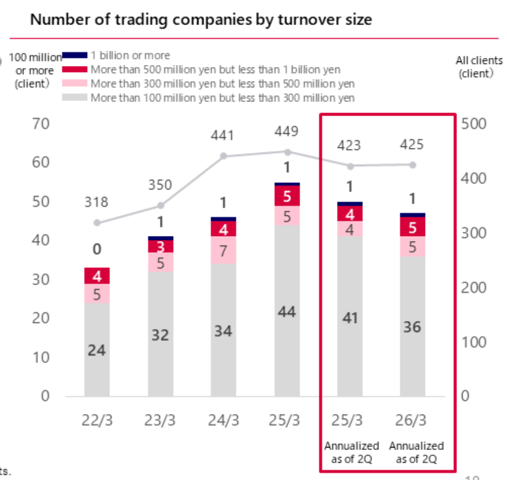
*PMO (Project Management Office): A department or system that oversees project management across the board, beyond the boundaries of departments, in order to facilitate the smooth execution of projects in a company or organization. While the PM (Project Manager) is in charge of overseeing the project and making various decisions, the PMO supports the PM's project management by collecting information and coordinating with related parties to enable the PM to make decisions smoothly.

At the center of this effort is the development of PMO staff. We are on track to reach our goal of 1,000 PMO staff, with 686 at this time. By promoting the shift to the DX field support position through this kind of personnel development, the unit sales price has also increased by shifting from the Web domain to the DX domain, and steadily rose to JPY924,000, a YoY increase of 6.2pt.

Accelerate of shift to DX field support position -Maximize revenue per client

- The number of companies with transactions of 100 million yen or more -3 clients YoY to 47. The decrease in the number of companies is temporary. On the other hand, the trend toward larger scale sales progressed, with total sales of target clients with 100 million yen or more was +3.5% YoY, and sales per client also expanding steadily, +10.2% YoY.
- The number of DGT clients was 149 (+1 from the end of 1Q). The number of all trading companies also remained flat YoY, but in line with expectations. Value-added sales per company was +7.8% YoY due to the promotion of ABM-type account management.

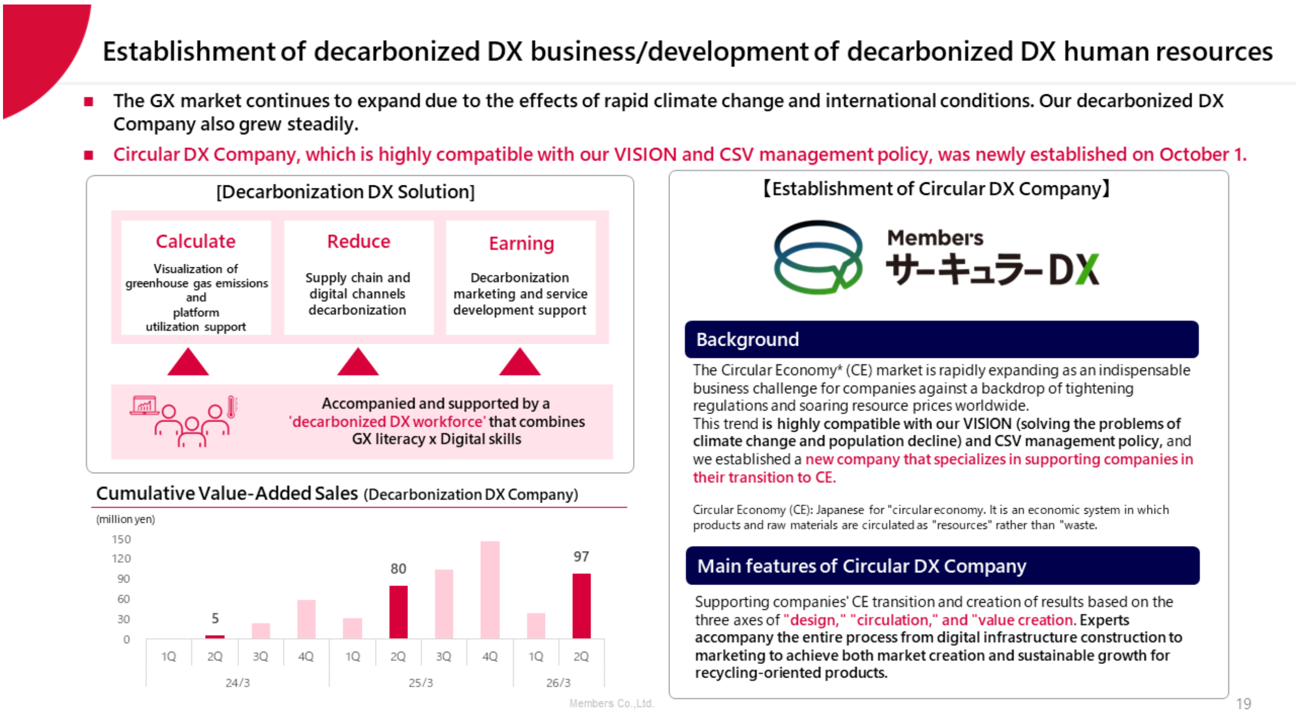




* Number of DGT companies is the number of customers served by a team of three or more DCs dedicated to the customer in pursuit of results.

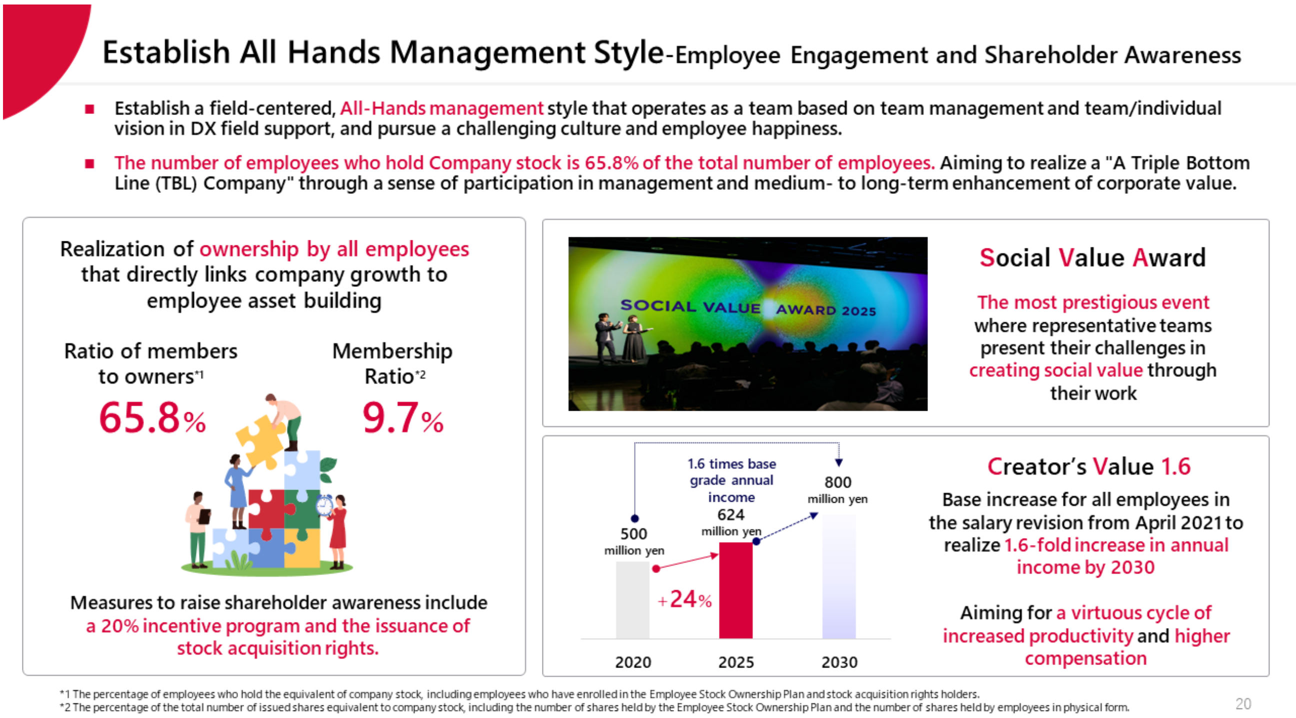
In terms of sales, we are working to increase value-added sales per client through account-based management, which we call ABM-type account management. The number of large clients with transactions of JPY100 million or more decreased by 3 due to the loss of a few large-spot project clients which we got last year, but we view this as temporary.

As the number of clients with transactions of JPY300 million or more and transactions of JPY500 million or more increased, sales per client increased. We do not see this as a major problem and will continue to work on expanding sales per client.



To establish our unique competitive advantage, we are investing in our decarbonized DX business for future growth. We are still in the trial-and-error stage, but this October we launched Circular DX Company to promote the shift of client companies to the circular economy.

This will allow us to make a stronger contribution to the business transformation of our major clients, especially in the areas of business transformation using digital technology and business transformation in the area of sustainability.

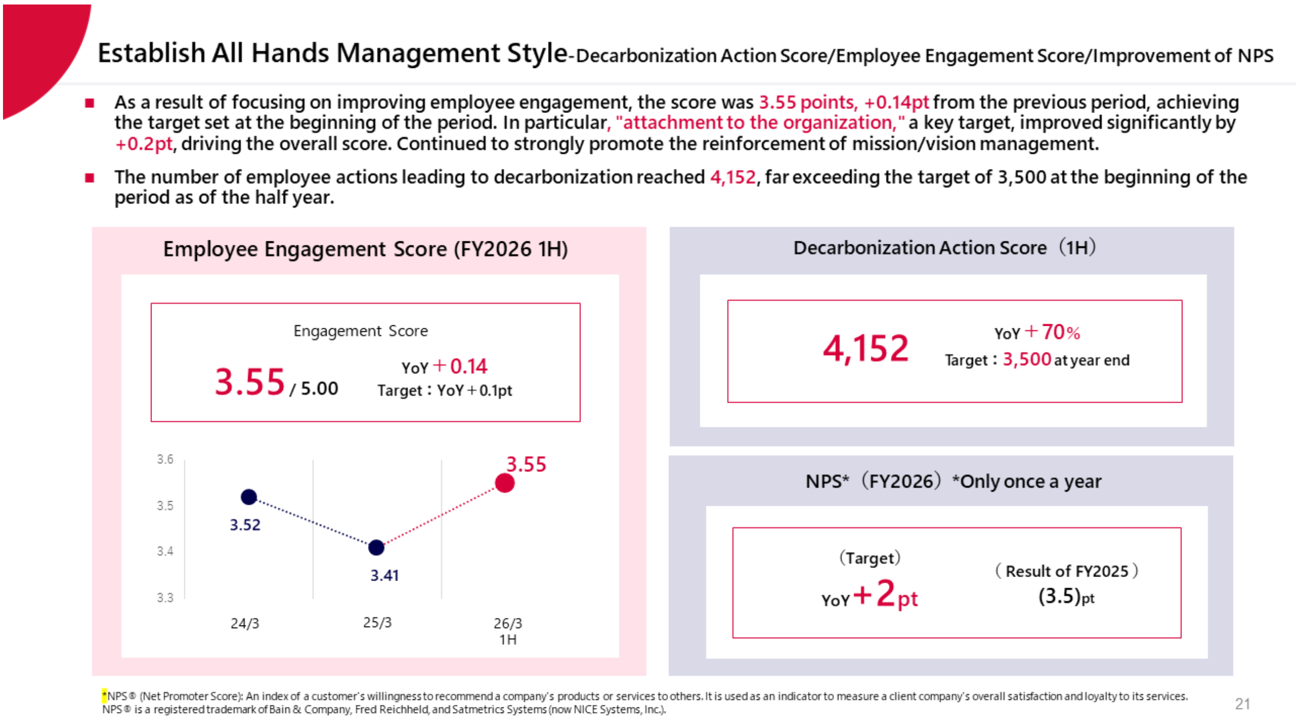


Now, to enhance our all-hands management style, we have an initiative shown in the lower right-hand corner, where improvements in company productivity directly link to higher wages for employees. This is our CV1.6 initiative to increase the base annual salary by 1.6 times over 10 years from that of FY2020. The base annual salary increased in April this year by 24% from that of FY2020.

We are still about halfway, or about a year behind, but we will continue our efforts where productivity improvement directly has an impact on salary increase for our employees with the goal of 1.6 times by 2030.

In addition, we are also working to increase employees' shareholdings in an initiative to return the company's growth to employees' asset formation. 65.8% of our employees own some shares in our company at present. Our employee share ownership is 9.7% of total issued shares, and we will raise this percentage further. Through these initiatives, we would like to establish a unique all-hands management style where the growth of our employees is the growth of our company, which in turn is returned to our employees.

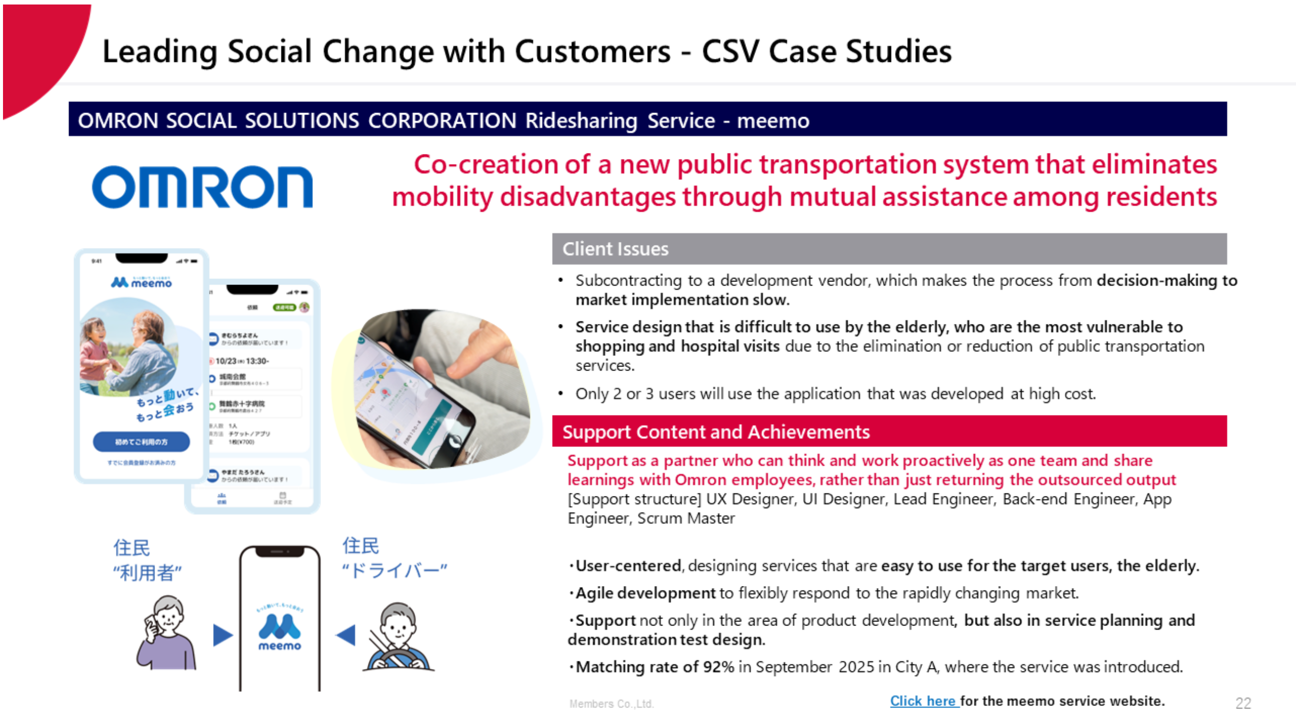
In addition, we have the Social Value Award in the upper right corner. We promote company-wide efforts to create value for society through personal growth of employees in the field, service improvement and customer success through the improvement.



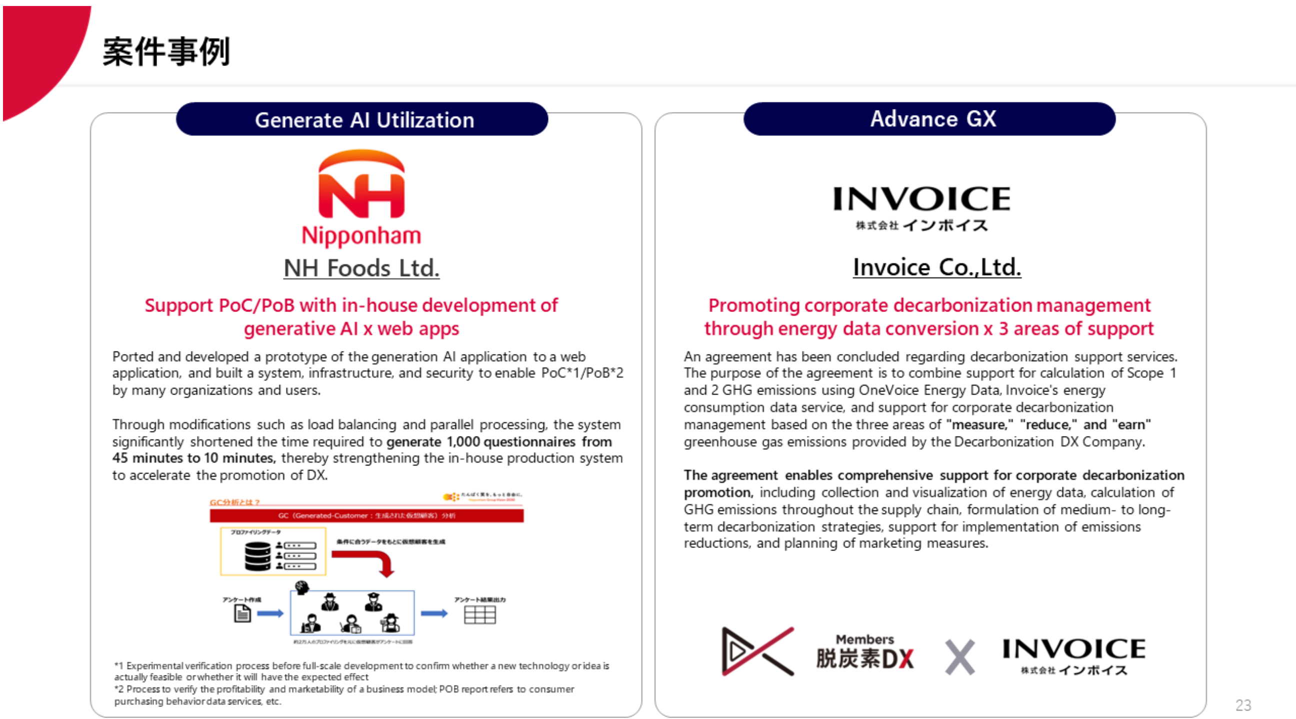
We will further increase awareness of employee engagement and all-hands management style through events such as the annual Social Value Award and company-wide mission and vision workshops.

Through such efforts, employee engagement scores declined slightly in the previous fiscal year was recovered in this fiscal year more than the decline. The score is 3.55, a YoY increase of 0.14 points. 3.5% or more is considered very high, however, we would like to raise this score even higher, aiming for a score of 4. We would like to be a group of highly engaged employees.

Our employees are working on decarbonization in their everyday work. In 1H of FY2026, our decarbonization action score increased YoY by 70%, already exceeding our FY2026 full-year target. This means that our employees are proactively working to realize our mission and vision. We believe that this is one of the reasons for the high level of engagement.



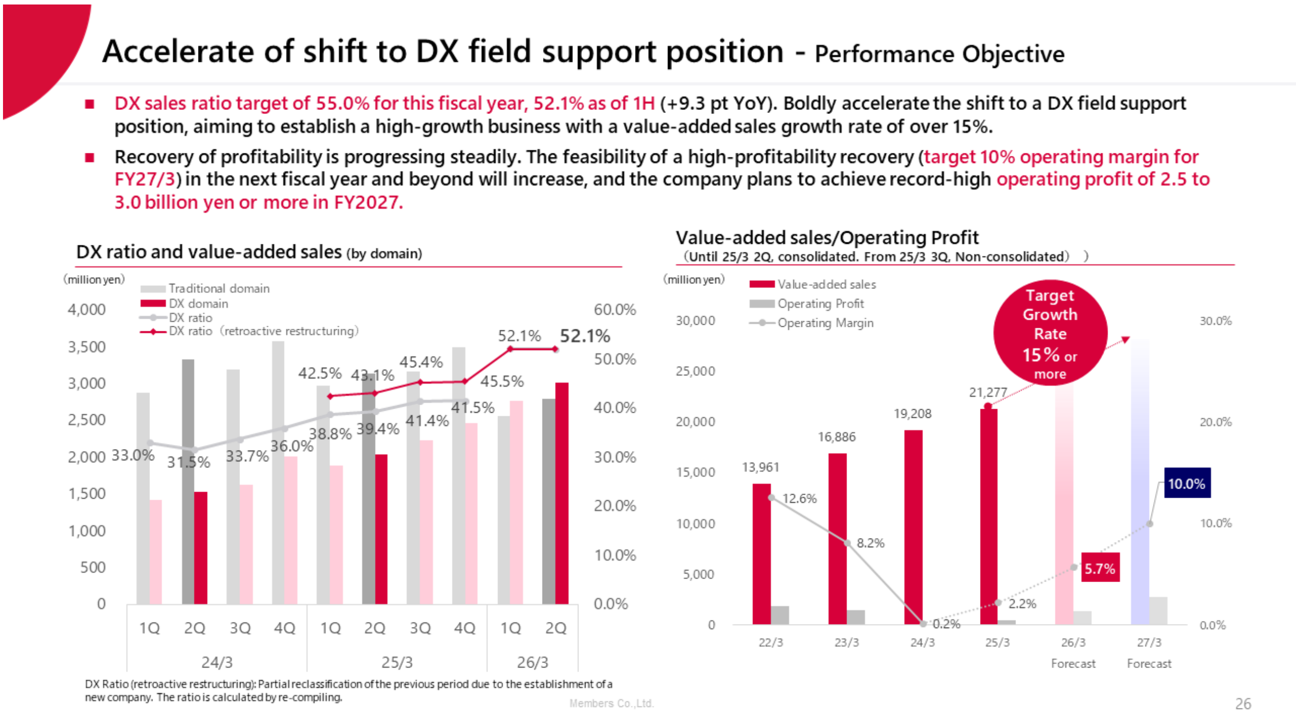
I would like to introduce a few projects. A regional rideshare service, "meemo" byOMRON SOLUTIONS CORPORATION. In a rural area where the transport network has become extremely inaccessible, they are working to create a new public transport system as a kind of peer service among residents. By bringing in our team, the user experience has been greatly improved, and agile development has been progressed, resulting in a significant increase in the use of the service.



NH Foods Ltd.has been able to speed up its in-house DX initiative to utilize generative AI for internal business innovation by having our digital creators join its in-house team.

We are also working with Invoice Co., Ltd to expand the market in the decarbonization DX business.

Here is another example. I would like to introduce our strong relationship with our clients. Our slogan is to lead social change together with our clients, and we have a networking event to make friends to promote such social change and to introduce examples of social change initiatives. We also organize a visit to other regions with our client companies to build strong relationships with our clients, and to take on the challenges of digital transformation and social change together with them.



So far, I have discussed our progress toward our policy and goals for FY2026.

From here, I would like to talk about performance targets and shareholder returns.

Through the shift to DX field support position, which we have been working on since last year, we will raise the growth rate and recover profitability in three years, which was slightly damaged.

The shift to the DX domain is the main initiative to turn the growth rate from low to high. The high growth rate will improve the entire company’s growth. As I mentioned earlier that we are making steady progress in the shift to the DX domain.

On the other hand, the growth rate of the traditional domain is a little difficult to read. Our company growth rate, as I mentioned at the beginning, is now 11%, but we would like to raise this to15% or more, or to 20% or more in the future.

As for improvement in profitability, as I mentioned in the summary of financial results, we believe that we are making steady progress. Originally, we were aiming for an operating margin of 5% in FY2026, the second year of the three-year plan, and due to the upward revision, the plan for the current fiscal year is 5.7%. We believe that progress in this area has been very much in line with our target, and we would like to work toward our target of 10%in the next fiscal year.

If we achieve sales of JPY25 billion or more in FY2027, operating profit will be JPY2.5 billion or more with operating margin of 10%.

FY2026 Policy/Performance Goals

- The shift to the high-growth DX domain is progressing steadily. Continue to boldly accelerate the transformation and aim to establish high-growth businesses.
- 2Q operating profit was +163 million yen from the initial plan. Revised full-year sales revenue and profit plan, based on the initial plan for the second half of the fiscal year.
- We are targeting an operating profit margin of 5.7% for the fiscal year ending March 31, 2026, +900 million yen YoY, a significant increase in profit.

(Unit: million yen)	FY2025		FY2026					
	Result		Before revision		After revision		Differences	
	Full-year	YoY Percentage change	Full-year	YoY Percentage change	Full-year	YoY Percentage change	increase/ decrease	Rate of change
Revenue	22,329	9.1%	24,318	8.9%	24,400	9.3%	+82	0.3%
Value-added sales	21,277	10.8%	23,620	11.0%	23,620	11.0%	-	-
Operating profit	493	1082.0%	1,214	146.2%	1,400	183.9%	+186	15.3%
Operating profit margin	2.2%	-	5.0%	-	5.7%	-	+0.7%	-

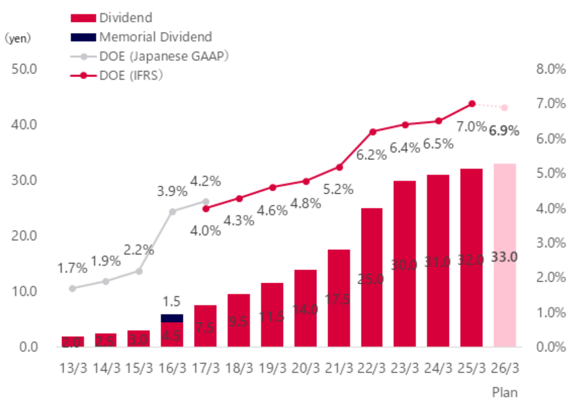
Members Co.,Ltd. 27

Then, there are our performance goals. As I mentioned at the beginning of this presentation, we have revised our goals upward to JPY24.4 billion, with value-added sales of JPY23.62 billion, a YoY increase of 11%, and operating profit of JPY1.4 billion, a significant YoY increase.

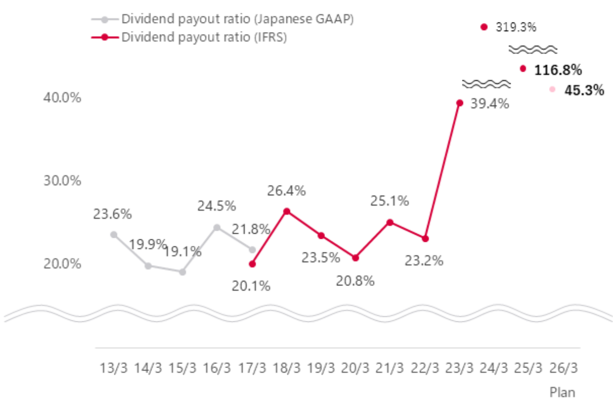
Shareholder Return

- Dividend for the FY 2026: 33.0 yen, with plans to increase the dividend for 14 consecutive fiscal years since the initial dividend payment. Plans to increase dividend by 1 yen per share in accordance with the policy of continuous dividend increase.
- Continues to pay a dividend of at least 5% DOE. Dividend payout ratio is a temporary outlier; target is 25%.

Dividend and DOE



Dividend payout ratio



Finally, with regard to shareholder returns, our policy is to increase dividends on an ongoing basis. Although there was some damage to profitability, we are confident that we will be able to achieve this for future growth, and we will continue to increase dividends. However, since profitability has not fully recovered, we plan to increase the dividend by JPY1, and for FY2026, we plan to pay a dividend of JPY33.

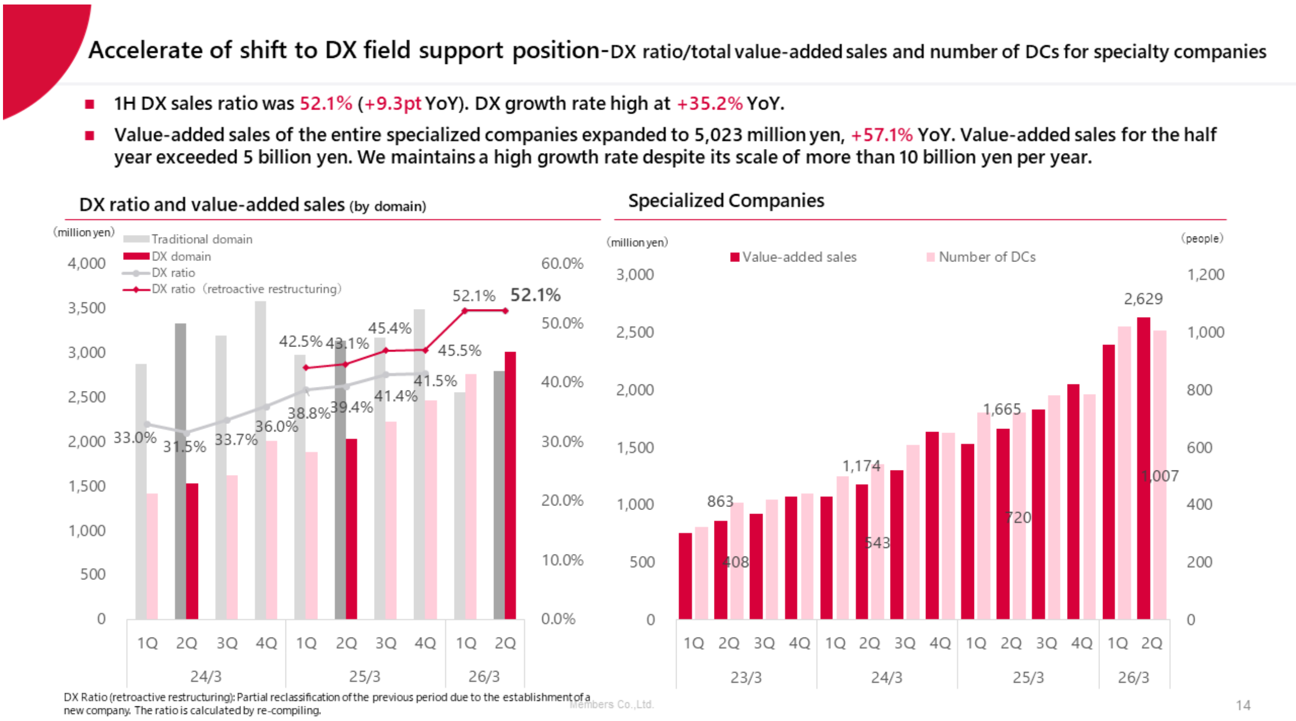
I have explained FY2026 2Q financial results of Members Co., Ltd., FY2026 policy, goals and progress, and performance goals.

I am looking forward to your questions. Thank you.

Question & Answer

Moderator [M]: Thank you, Mr. Takano. We will now move on to the question-and-answer session. We would like to introduce questions asked in advance and during the briefing.

First, a question asked in advance.



Questioner [Q]: How will the projects, drivers of your performance change from FY2026 to FY2027?

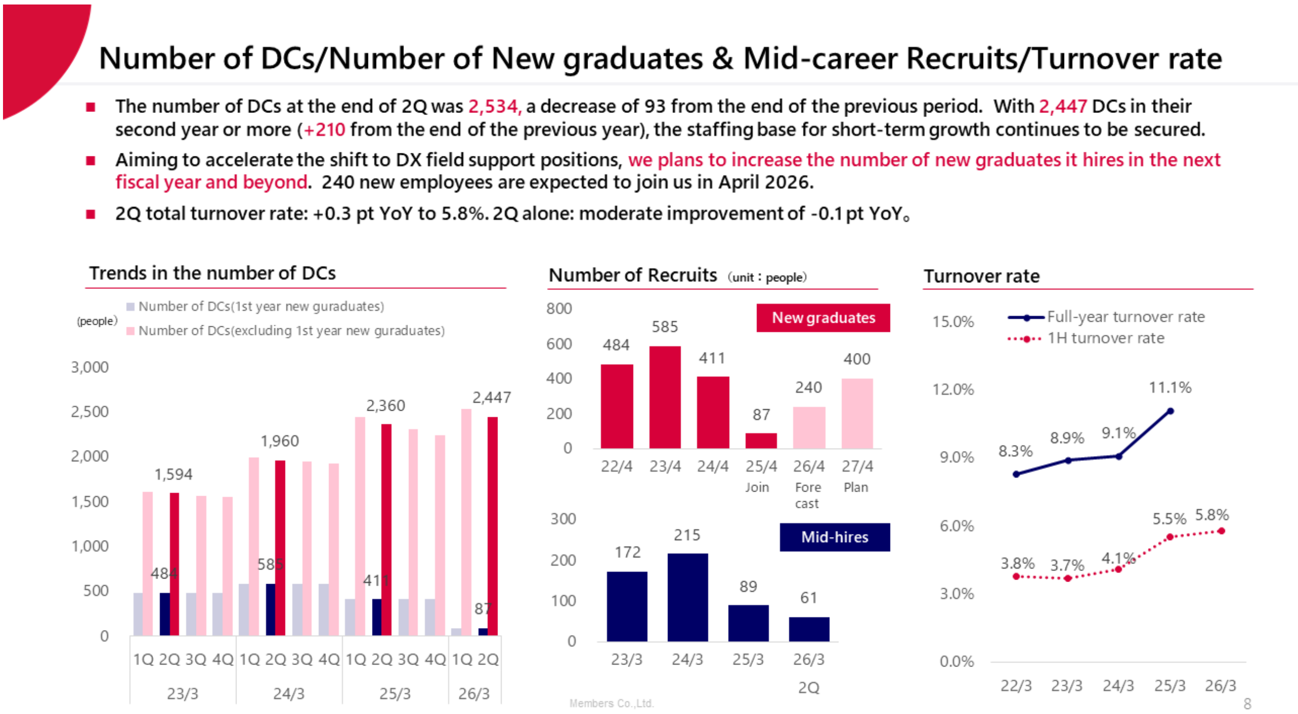
Takano [A]: Thank you for your question. In terms of performance drivers, we are intensively working to shift from the traditional Web operation area to DX domain, and we are already fully engaged in this area.

Therefore, I strongly focus on that we will grow DX domain. If the traditional Web operation area gets out of the slump, we will be lucky.

In this context, moreover, about the service in PMOarea. This is an area where there is a growing shortage of human resources among our client companies who can take charge of the strategy phase and execution phase, or who can bridge the gap between business and digital human resources. We would like to focus our efforts on this area, although this is currently growing.

In addition, AI domain, we established generative AI specialized company in April, and the business is also expanding steadily more than planned. The company has more projects related to generative AI. We focus on generative AI related businesses across our company.

In this context, I think that AI-related projects are also very promising, from this period, and beyond the next period.

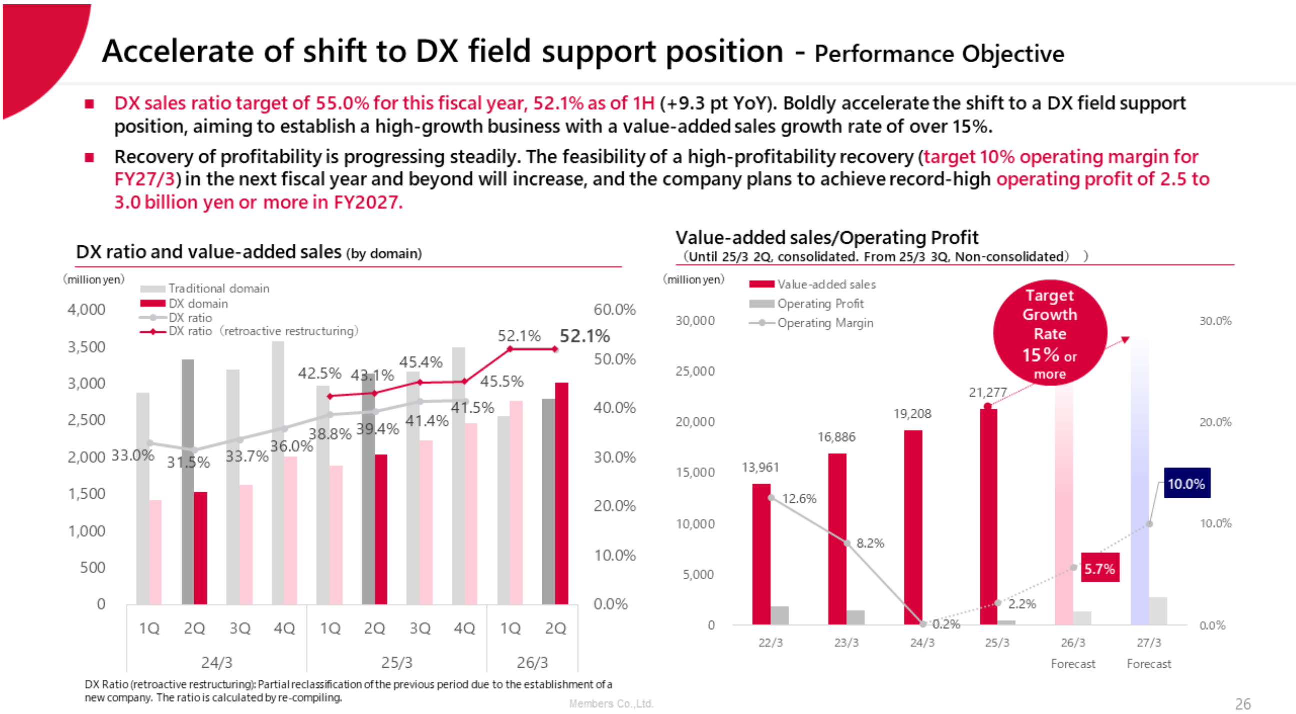


Moderator [M]: Thank you very much. Next question.

Questioner [Q]: What is your approach to hiring new graduates for the spring of 2027?

Takano [A]: The next fiscal year is 2026. For April 2026, we are planning about 240 to 250 hiring new graduates However, I think this is not enough because we believe that the entire company will grow by more than 10% and the turnover rate is about 10%, so we would have to increase the number of employees by 20% as the pace of increase.

Our current plan for new graduate employment for April 2027 is 400. However, we will also look at the pace of growth to decide the number of new graduates to hire. We will see whether we will be able to achieve the 15% growth target I mentioned earlier or whether we will be able to stay at the current 11% growth rate.



Moderator [M]: Thank you very much. Next question.

Questioner [Q]: What is your approach to FY2027 performance targets?

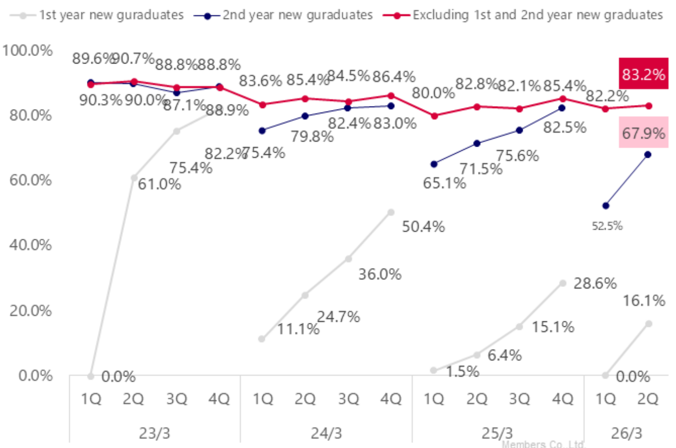
Takano [A]: Please look at P26 of presentation material, it is on the far-right side of this graph. FY2027 is the third yeaof our three-year plan to recover profitability to at least 10%. We would like to aim for an operating margin of 10%.

On the other hand, we have a target of increasing the value-added sales growth rate to 15% or more by expanding DX domain. Concerning this, we will make our final decision looking at the results of FY2026 growth rate.

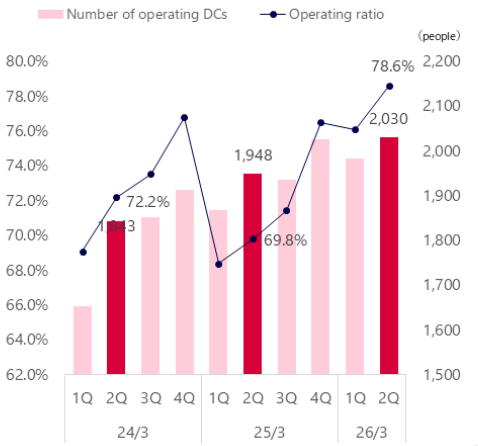
Operating Ratio

- The utilization rate of DCs excluding first- and second-year new graduates in 2Q was 83.2% (+0.4ptYoY). Steady progress toward the year-end target of 85%.
- Occupancy rate in the second year of new graduates was 67.9%, a significant improvement from 1Q.
- Overall occupancy rate was YoY +8.8pt. Both occupancy rate and number of DCs in operation recovered steadily.

Operating ratio
(Excluding 1st and 2nd year new graduates / 2nd year new graduates / 1st year new graduates)



Operating ratio/Number of operating DCs (Over all)



Members Co.,Ltd.

9

Questioner [Q]: What is your target or guideline for the operating ratio as you re-accelerate hiring?

Takano [A]: Look at the P9 of presentation material, the graph of the left-side shows FY2023 operating ratio, which is the level that does not cause any significant damage to profitability. We need to target this level.

In FY2024, the gap between the pace of recruitment and the pace of growth became greater, and the operating ratio of new graduates dropped significantly. So, we are aiming for the same level as in FY2023.

Moderator [M]: Thank you very much. Next question.

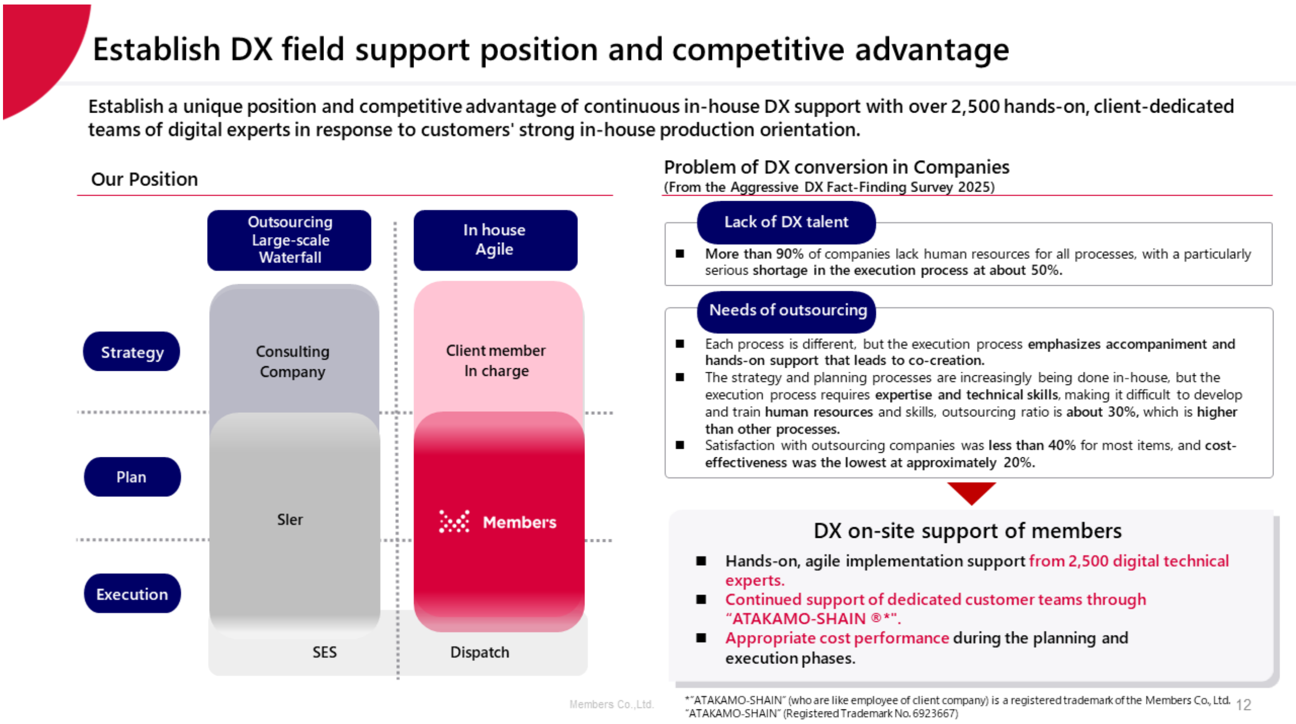
Questioner [Q]: Why did the operating ratio of 2nd year new graduates decrease from the previous year?

Takano [A]: This graph in the slide9 is also difficult to understand, but to explain in detail, the number of new graduates hired for FY2024 was 580, the largest number of new graduates we hired to date. The operating ratio for these employees reached 50% only in the first year.

The ratio for these employees increased to 82% in the second year. However, their ratio in the first year was 50% and the progress of 1st year new graduates for FY2025 was slow due to the low operating ratio of the previous year new graduates. Their start was delayed.

The gray line of last year is connected to the dark blue line of this year. The operating ratio of new graduates for FY2024 remained low in the first year, which still has an impact and delays the progress.

However, internally, even while we are moving forward with a company-wide hiring restraint, the pace of operational launches is accelerating. Therefore, we believe it is achievable to exceed the previous year's utilization rate at some point.



Moderator [M]: Thank you very much. Next question.

Questioner [Q]: Concerning page 12 of presentation material, please tell us if there are any competitors that are doing the same kind of business as your company.

Takano [A]: ~~A~~

It is widely recognized among many players that client companies have a strong inclination toward insourcing, and there is a growing demand to support this trend.

Specifically, we understand that many companies are working to support insourcing by taking initiatives such as laying the groundwork for operations (or establishing the operational foundation), developing the skills of client company employees (or talent development), and establishing rules and operation manuals.

On the other hand, there are not many companies that are in a position to provide ongoing support for in-house DX planning and execution in cooperation with client companies. As far as I can see, there are none.

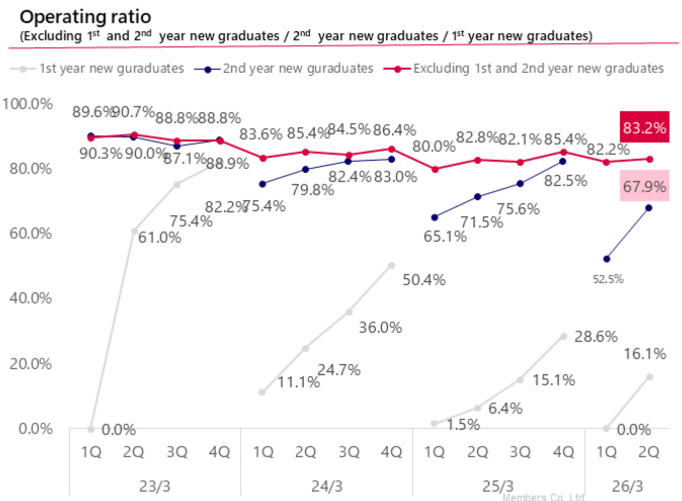
On the other hand, for example, in the upper right-hand corner of In-house Agile, it says client member in charge. I believe that companies like Baycurrent, for example, have a lot of positions here as well. However, we consider the business personnel here and the digital talent in the execution area below to be completely different, so I think we are making a good distinction between the two.

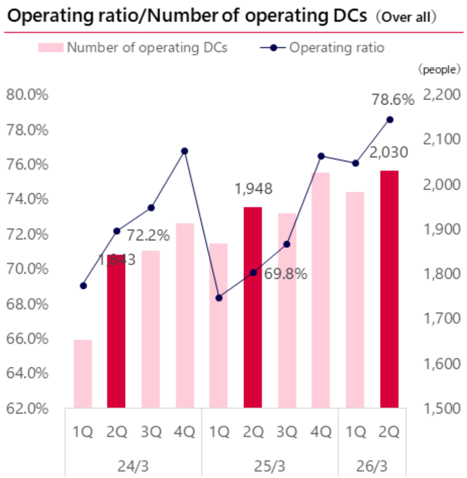
However, Baycurrent, for example, has a subsidiary to expand its digital engineering human resources, and we do not believe that they will continue to do so at a low consulting unit price, and if they were to do so, it would be as a large-scale outsourcing project on the left side.

While DX support companies may be doing similar things, I do not believe that there are any major DX support companies, consulting companies, or SIers that have a clear strategy to strengthen this position at this point. We believe that there may be a company that will come along in the future, but we do not think that there is any clear competition for this position at this time.

Operating Ratio

- The utilization rate of DCs excluding first- and second-year new graduates in 2Q was 83.2% (+0.4ptYoY). Steady progress toward the year-end target of 85%.
- Occupancy rate in the second year of new graduates was 67.9%, a significant improvement from 1Q.
- Overall occupancy rate was YoY +8.8pt. Both occupancy rate and number of DCs in operation recovered steadily.





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9

Moderator [M]: Thank you very much. Next question.

Questioner [Q]: Can you tell us more qualitatively about the improvement in operating ratio from year to year? Also, which range of improvements in overall operating ratio has been effective?

Takano [A]: Thank you very much.

First, the operating ratio, excluding first- and second-year new graduates, stood at 83.2% as of the second quarter.

The 580 employees who joined the company in the spring of 2023 represented our largest-ever cohort, and it took two years for their operating ratio to reach 82.5%. Since these employees are now entering their third year, the current operating ratio includes this largest cohort of junior staff, indicating that the rate is gradually being increasing.

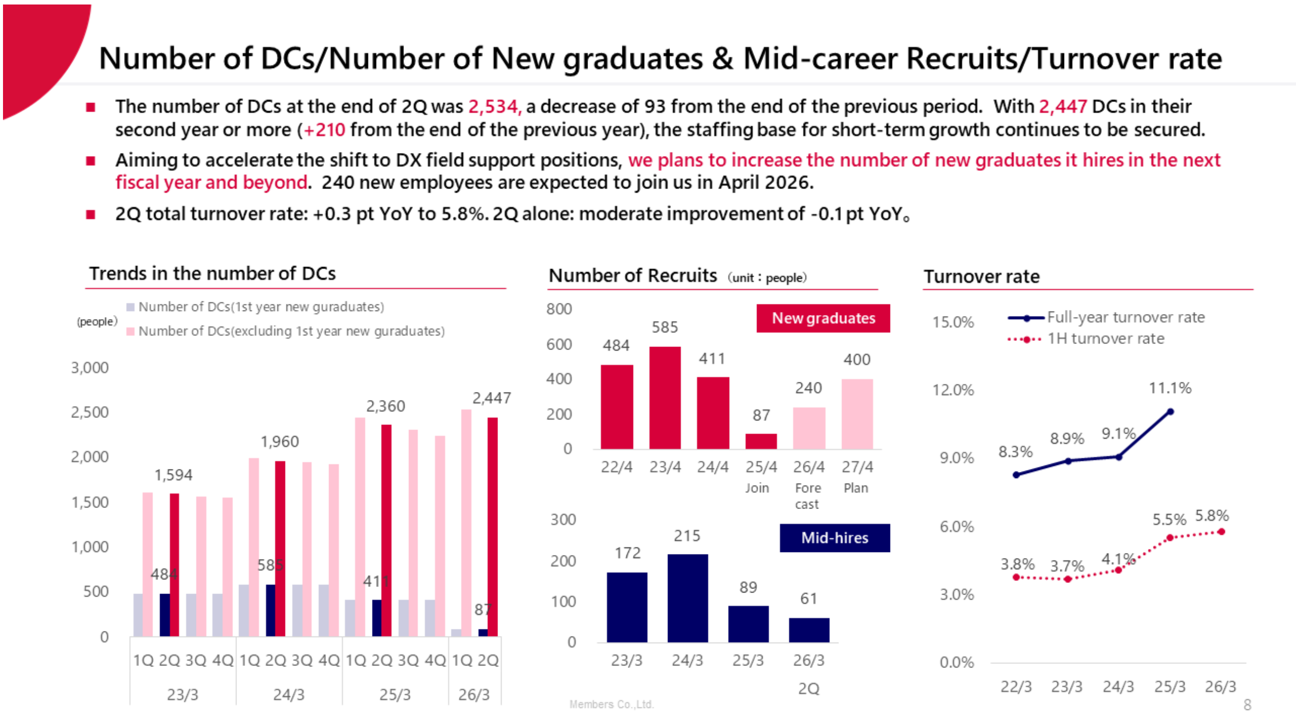
While the Spring 2024 intake was around 410 employees, the operational launch was initially delayed, largely influenced by the slower operating ratio ramp-up of the cohort hired in the previous year.

However, as the steepening slope of the line graph on the right side of this slide demonstrates, a significant recovery is now progressing. This recovery is particularly evident because the operating ratio of the previous year's employees has now achieved a sufficient level of stability.

Regarding overall operating ratio, the largest increase in operation ratio is seen in 2nd year new graduates. Since they showed improvement, 1st year new graduates also showed good progress in their operating ratio in line with 2nd year new graduates.

In any case, while the increased operating ratio of second-year new graduates remains the largest contributor to the overall operating ratio, the operating ratio for the group excluding first- and second-year new graduates has also not declined, even with the addition of the 580 employees, and is gradually improving.

We view the maintenance of a consistent level of operating ratio within this segment as another contributing factor to the enhanced overall operating ratio.



Moderator [M]: Thank you very much. Next question.

Questioner [Q]: Can you tell us about your plan for mid-career hiring for FY2026 and FY2027?

Takano [A]: Thank you very much. As I mentioned earlier, we will curb hiring until the utilization rate improves. We have no plan to accelerate our mid-career hiring to raise our growth rate at present.

However, some divisions and companies are facing a tight operating schedule, and we are in the process of switching to aggressive hiring for such companies.

-We expect to resolve the operating ratio issue in FY2027, so we will shift to a more aggressive recruitment plan. I hope you understand that this is a qualitative answer, as I do not have a concrete figure to give you right now.

FY2026 2Q P/L

- Both sales revenue and value-added sales achieved the 1H plan.
- Gross profit was +50.6% YoY, and the gross profit margin improved to 22.7% (+6.1 pt YoY), right on target.
- Revised full-year plan in light of progress in 1H. Raised full-year operating profit forecast to 1,400 million yen.

(unit：million yen)	FY2025 2Q	FY2026 2Q Results		FY2026 1H Cumulative Forecast		FY2026 2H Cumulative Forecast		
	Consolidated	Non-Consolidated	YoY	Non-Consolidated	Rate of Achievement	(Non-Consolidated) Before revision	(Non-Consolidated) After revision	Rate of Achievement
Revenue	10,384	11,448	+10.3%	11,366	100.7%	24,318	24,400	46.9%
Value added sales	9,961	11,070	+11.1%	11,057	100.1%	23,620	23,620	46.9%
Gross profit	1,724	2,597	+50.6%	—	—	—	—	—
Gross profit margin ratio (%)	16.6%	22.7%	+6.1pt	—	—	—	—	—
S.G.&A. expense	2,205	2,333	+5.8%	—	—	—	—	—
S.G.&A. expense ratio (%)	21.2%	20.4%	▲0.8pt	—	—	—	—	—
Operating profit	▲479	263	(increase)	100	263.2%	1,214	1,400	18.8%
Operating profit ratio (%)	▲4.6%	2.3%	—	0.9%	—	5.0%	5.7%	—
Profit before tax	▲464	316	(increase)	90	351.4%	1,194	1,390	22.8%
Profit	▲321	195	(increase)	60	324.3%	800	930	21.0%

Due to the merger of subsidiaries in November 2024, the company has been deconsolidated from the third quarter of the fiscal year ended March 31, 2025; therefore, consolidated results for the first quarter of the fiscal year ended March 31, 2025 are presented as comparative information.

5

Moderator [M]: Thank you very much. Next question.

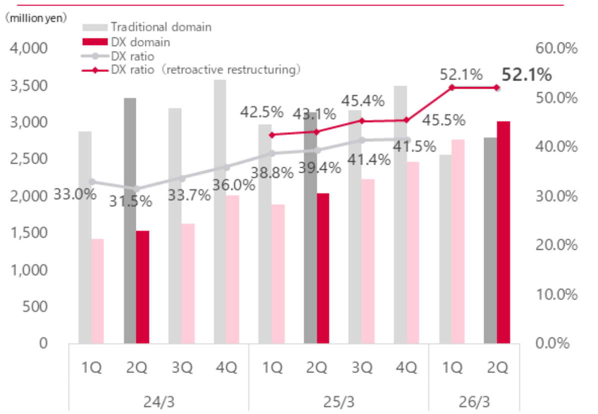
Questioner [Q]: This is about the revision of your full-year forecast. Could you tell us about the background behind the upward revision of revenue and profits, but leaving value-added sales unchanged?

Takano [A]: Thank you for your question. Basically, we are planning our internal activities with the pace of growth in value-added sales in mind. In this context, we believe that 1H result of value-added sales was almost in line with the plan. The upward revision reflects the slight increase in revenue. Sorry, my answer is a bit vague.

Accelerate of shift to DX field support position - Performance Objective

- DX sales ratio target of 55.0% for this fiscal year, 52.1% as of 1H (+9.3 pt YoY). Boldly accelerate the shift to a DX field support position, aiming to establish a high-growth business with a value-added sales growth rate of over 15%.
- Recovery of profitability is progressing steadily. The feasibility of a high-profitability recovery (target 10% operating margin for FY27/3) in the next fiscal year and beyond will increase, and the company plans to achieve record-high operating profit of 2.5 to 3.0 billion yen or more in FY2027.

DX ratio and value-added sales (by domain)



DX Ratio (retroactive restructuring): Partial reclassification of the previous period due to the establishment of a new company. The ratio is calculated by re-compiling.

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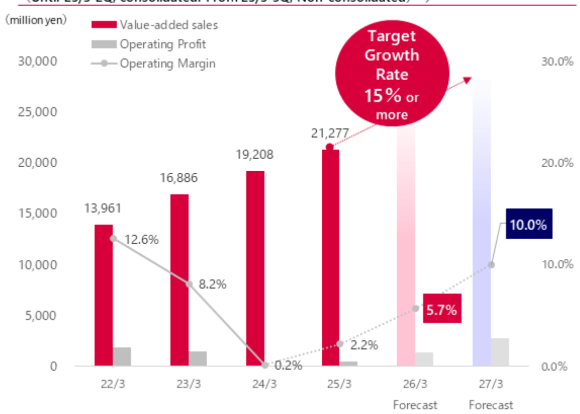
Value-added sales/Operating Profit

(Until 25/3 2Q, consolidated. From 25/3 3Q, Non-consolidated)



26

Moderator [M]: Thank you very much. Next question.

Questioner [Q]: Please tell us how you plan to achieve an operating margin of 10% in FY2027. Also, what are the risks in achieving FY2027 targets?

Takano [A]: Thank you very much. Basically, Achieving an operating margin of 10% in FY2027 is almost entirely up to the operating ratio

For example, in the right side of graph on P26 of presentation material shows an operating margin of 12.6% for compare with FY2022, but there was no evidence for a decline in profitability of business or projects. This means operating margin depends almost entirely on overall operating ratio Of course, SG&A expenses will have some impact, but it has become almost entirely a matter of operating ratio

Since last year, we have maintained a policy of restraining hiring until the operating ratio reaches an appropriate level. Simultaneously, our value-added sales growth continues to exceed 10 percent annually.

Therefore, the mathematical theory dictates that the operating ratio will naturally improve if hiring is restrained. Since the profitability per project (or per case) remains unchanged, we believe that achieving an appropriate operating ratio will, as a result, enable us to reach a 10 percent operating margin in the next fiscal year.

The primary risk to achieving next year's performance targets lies more on the side of growth than profitability.

Earlier, we mentioned our intention to "aggressively pursue mid-career hiring in the next fiscal year and beyond, depending on the status of our operating ratio." However, due to issues such as employee turnover rate, the number of Digital Creators (DCs) could significantly fall short of our targeted level.

This shortfall could, as a result, lead to a further deceleration in the growth rate of value-added sales.

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Regarding the operating margin, there is a possibility that it could exceed 10 percent as the operating ratio tightens (or improves). However, there is a risk that sufficient profit may not be generated due to the deceleration of growth.

These factors are considered to be the primary risks.

Moderator [M]: Thank you very much. Next question.

Questioner [Q]: How do you calculate value-added sales per person and unit sales price per person?

Takano [A]: Value-added sales per person is simply value-added sales divided by the number of digital creators. On the other hand, the unit sales per person is calculated by dividing the total by the man-months of operation, not by the simple headcount. Therefore, we calculate the unit price for actual operations, excluding non-operating times.

Moderator [M]: Thank you very much. Next question.

Questioner [Q]: Can you tell us about the characteristics of your company's human resources compared to other companies in your industry? Also, can you give us some background on how you are able to provide support to clients at a competitive unit price compared to companies that handle outsourcing large scale waterfall projects?

Takano [A]: Thank you very much.

First, one major characteristic of our company is the presence of approximately 2,500 employees who possess specialized digital technology skills, as opposed to general business professionals.

**Furthermore, though this is a qualitative aspect, our employees are distinguished by their strong Customer Orientation, Peer Orientation, and Growth Orientation, as emphasized by our motto, "ATAKAMO-SHAIN."

The factor enabling this achievement is that a large number of employees join our company because they empathize with our challenging and socially contributing vision: "Leveraging the power of creators across Japan to contribute to solving social issues, primarily climate change and population decline, and to lead the transformation toward a sustainable society."

As a result, we have a workforce composed of highly motivated individuals who possess strong Customer Orientation, Contribution Orientation, and Growth Orientation.

Furthermore, we believe we have the talent equipped to consistently connect new technologies to client business outcomes, especially in the rapidly evolving digital industry where new technologies are constantly emerging. These individuals possess the capability to gain hands-on experience with such technologies themselves.

Next, we will discuss our competitive unit price compared to companies that execute large-scale, outsourced waterfall projects. Our firm originated as a web production and web marketing company. Historically, when viewed across the industry, our unit prices and compensation levels have been characterized as being lower compared to those of consulting firms and major SIers.

Against this backdrop, while our unit prices were high within the Web industry, our entry into the DX (Digital Transformation) domain has drastically shifted our competitive landscape. In the DX market, we recognize that it is challenging to maintain our previous lower pricing position.

Therefore, we intend to achieve a certain level of competitiveness in our compensation standards by implementing the aforementioned CV1.6. This strategy aims to drive wage increases through enhancements in both unit price and operating ratio.

However, the current situation across the Japanese industry is that the compensation level for technical professionals remains lower compared to the top tier compensation for general business professionals globally.

This disparity is part of the background driving our efforts on "CV1.6." We aim for the unit prices of our technical professionals to become equivalent to the unit prices of business professionals, or even comparable to the compensation standards for technical professionals overseas.

From a different perspective, large-scale waterfall projects are often considered strategic initiatives closely aligned with management objectives. Specifically, these situations often involve consulting firms drawing up a grand DX strategy, followed by large-scale projects proceeding as the execution phase.

Since these are businesses operating at the management layer, a high unit price is attainable, which we recognize directly translates into high compensation.

Conversely, our approach involves collaborating closely with our clients to jointly promote their internal DX (insourcing). We position our personnel on par with client employees for the continuous execution of the client's business, while proactively advancing wage increases with an awareness of compensation standards.

For this reason, we recognize that there is a fundamental difference in this respect between client companies and consulting firms.

Moreover, we recognize that there are few companies in this industry where digital talent is the core focus, which is another characteristic of our firm, as evidenced by the large number of employees who voluntarily join us because they resonate with our mission.

Consequently, we are able to secure talent at a consistent level without excessively relying on financial incentives for recruitment.

However, we reiterate that we will continue to implement wage increases. In addition, we aim to link the company's growth to the asset formation of our employees. Through these measures, we believe we are achieving holistic employee returns.

Moderator [M]: Thank you very much. Time is running out. The next question is the last question.

Questioner [Q]: I see reports of layoffs in large companies as the use of AI increases. In this context, please tell us, if possible, why you continue to recruit people without slowing down the pace, as efficiency improvement through the use of AI is accelerating across society.

Takano [A]: Thank you very much.

This is an extremely critical point for our company as well: we believe that there are several areas where tasks and employment will be clearly reduced by AI. Firstly, our firm was originally involved in Web operations, but we anticipate a significant reduction in constant operational areas, BPO (Business Process Outsourcing), and fixed tasks such as those in call centers.

Additionally, we expect a substantial decrease in areas involving white-collar expertise and business operations.

In addition,

we project that generative domains, such as programming and design—fields closely related to the aforementioned expertise—will also face a downward trend (or see a decrease). Consequently, we anticipate a potential decline in the demand for such human resources, particularly in the programming sector of large-scale system development.

Conversely, initiatives by client companies to promote insourcing and secure digital capabilities internally have just begun, resulting in a severe shortage of human resources.

The demand is for personnel who can advance the client's internal DX initiatives, rather than those focused on building large-scale engineer teams.

We anticipate that there will continue to be a large number of ongoing initiatives involving: transforming business operations into an AI-driven model; shifting customer touchpoints to be AI-centric; and launching new businesses and projects that are predicated on the use of AI.

For example, Accenture is also restructuring, while things like AI-type projects will increase greatly

Therefore, we believe that large-scale digital projects will continue to advance significantly for another five to ten years—not in the areas of simple operations or generic white-collar expertise. Given this trend, we do not consider our current workforce of 2,500 employees to be sufficient, and anticipate that the expansion of our talent pool must align with the growth of our client companies' internal DX initiatives.

Moderator [M]: Thank you very much. This concludes the question-and-answer session. This concludes Q2 Financial Results Briefing for the Fiscal Year Ending March 2026 of Members Co., Ltd. Thank you very much for your participation today.

Takano [M]: Thank you very much.

[END]