



Members

Financial Results for 2Q FY2023

Members Co., Ltd. (TSE 2130)

October 31, 2022

Company Profile



Representative Director and President Tadashi Kenmochi

Members is the internet business partner that aims to create a spiritually rich society through “MEMBERSHIP” by supporting digital business with digital creators.



Corporate name	Members Co., Ltd.
Date of establishment	June 26, 1995
Mission (VISION2030)	Create a spiritually rich society through “MEMBERSHIP”
Locations	Headquarters (Tokyo), Web Garden Sendai, Web Garden Kitakyushu, Web Garden Kobe, Sapporo Office
Capital	1,016 million yen (as of September 30, 2022)
Sales revenue	14,938 million yen (fiscal year ended March 31, 2022) (IFRS)
Securities code	2130; Prime Section of Tokyo Stock Exchange
No. of employees (consolidated)	2,290 (as of September 30, 2022)



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.

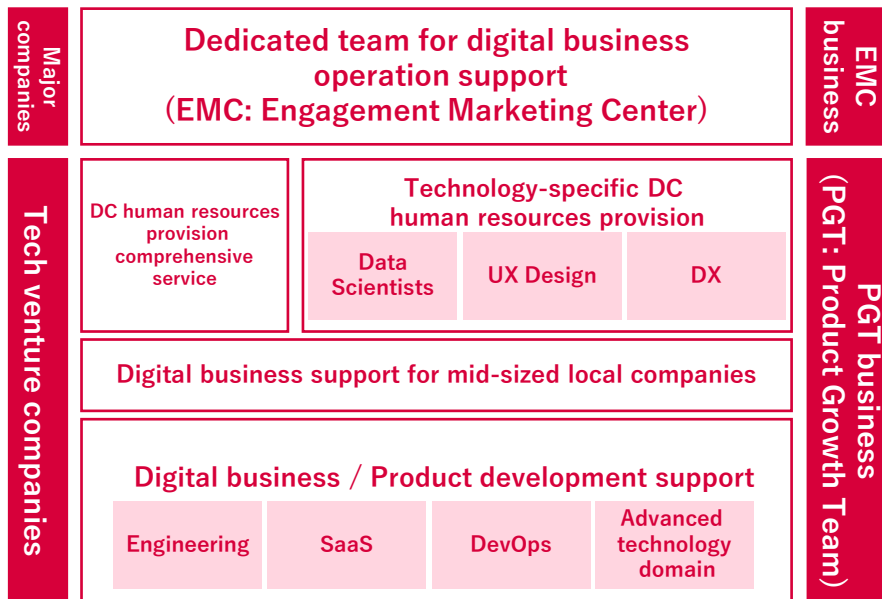


An initiative to achieve 10,000 digital creators

A group of creators who embody the core values of "contribution, challenge, sincerity, and teamwork" and continue to improve their skills to maximize the results of client companies.

Marketing transformation
Promoting CSV (*) management and corporate value marketing

Support to create social problem-solving business
Supporting the development of digital products and services



Pursuing happiness of digital creators

Creating social value

Optimizing the services provided

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

2Q FY 2023 Overview

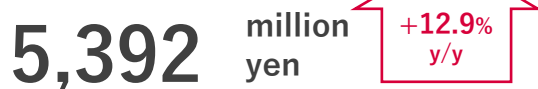
Consolidated sales revenue grew 20.9% year on year, indicating healthy performance compared with the average growth rate of 19% in the past 3 terms. The PGT business has secured operations thanks to the success of the operating structure that separates production and sales. In addition, the shift to 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

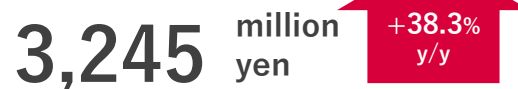


Business situation

EMC business
Sales revenue



PGT business
Sales revenue



No. of companies we offer the EMC model

54

Same as the end of the previous FY

No. of companies we offer the PGT model

46

+25 from the end of the previous FY

Operation rate during 23/2Q

78.2 %

Down 2.8 points y/y

Ratio of sales of services other than website operation during 23/2Q

33.6 %

Up 5.0 points compared to the end of the previous FY

No. of consolidated digital creators

2,063

+440, +27.1% from the end of the previous FY

Income Statement Summary

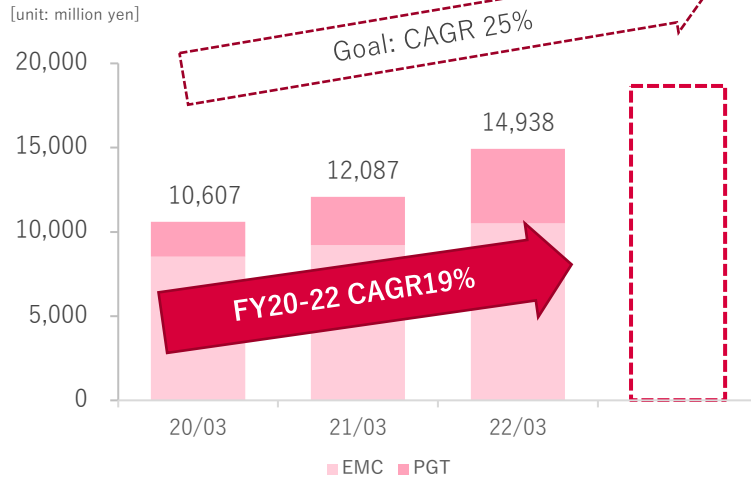
Operating profit in the 1st half fell below the forecast, due to the decline in operation rate caused by the shortage of new projects, the delay in assignment of new graduates, and some unprofitable projects (completed in 2Q). There are some issues with the sales strategy and skill development of the 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 st half year in:			1 st 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

Execution of strategy for 25% growth

Consolidated Sales Revenue



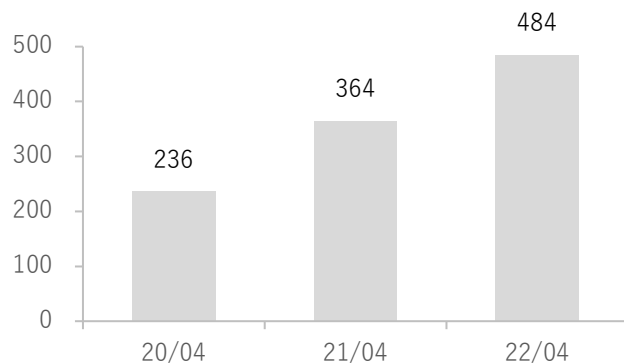
The target sales CAGR* is 25% while the CAGR in the past 3 years was 19%. In order to fill the gap of 6%, we will continue to secure the number of DCs and expand the PGT business this term.

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.)

New graduates



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

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

Growth points in the cumulative 2nd quarter

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

Measures for achieving the full-year plan

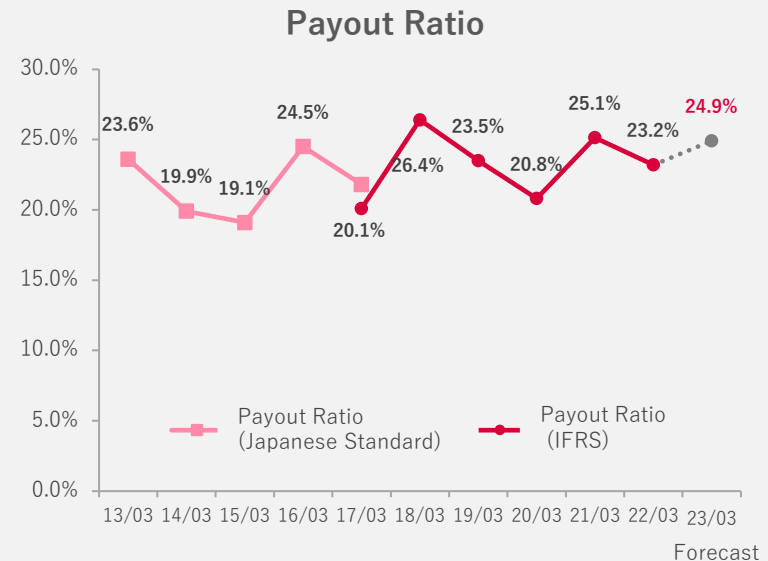
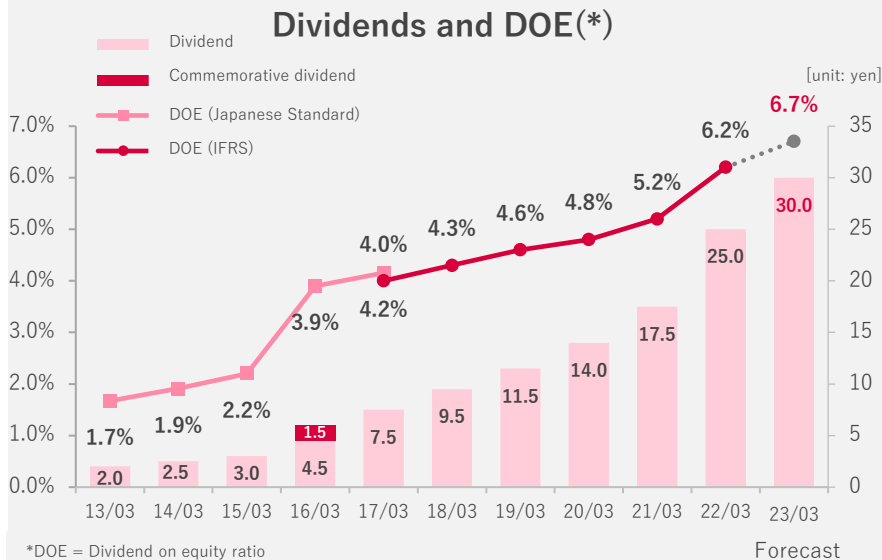
<p><u>Drastic reform of the sales system</u></p> <ul style="list-style-type: none"> • Clients: Leading companies that are developing digital organizations in house • Concentrate on the digital product growth support domain, which has growth potential in the large market • Integrate the EMC and PGT businesses, separate the production and sales divisions, and form a company-wide sales organization
<p><u>Enhance the development of technical skills and expand specialized companies</u></p> <ul style="list-style-type: none"> • Further brush up the technical skills of 2nd-4th-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)

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%

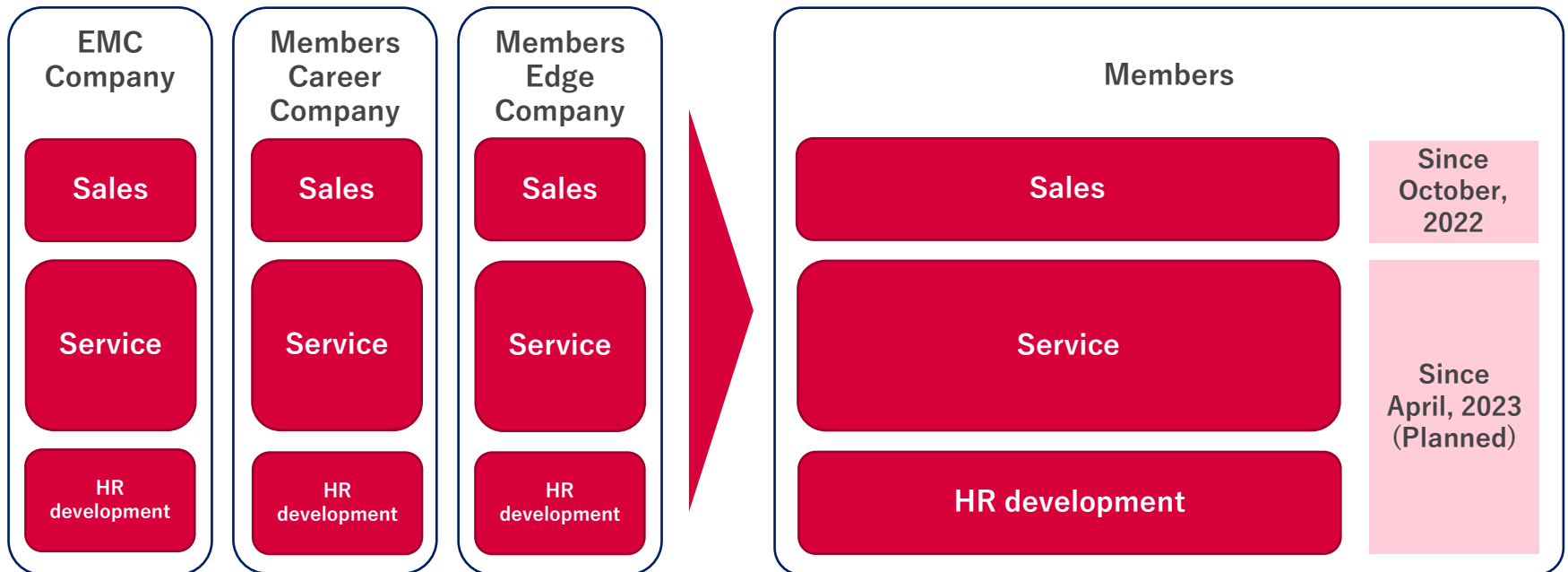


Members group integration strategy launched

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.



Balance Sheet Summary

[unit: thousand yen]	Previous consolidated accounting year (Mar. 31, 2022)	2 nd quarter of the current consolidated accounting year (Sep. 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	5,226,706	3,922,129
Trade receivables and other receivables	3,075,859	2,633,368
Inventory assets	48,632	51,514
Other current assets	224,303	238,112
Total current assets	8,575,502	6,845,124
Non-current assets		
Tangible fixed assets	237,803	351,916
Rights to use as assets	713,578	687,766
Goodwill	116,115	116,115
Intangible assets	12,425	11,214
Other financial assets	373,657	1,304,293
Deferred tax assets	375,346	380,870
Total non-current assets	1,828,927	2,852,177
Total assets	10,404,429	9,697,302

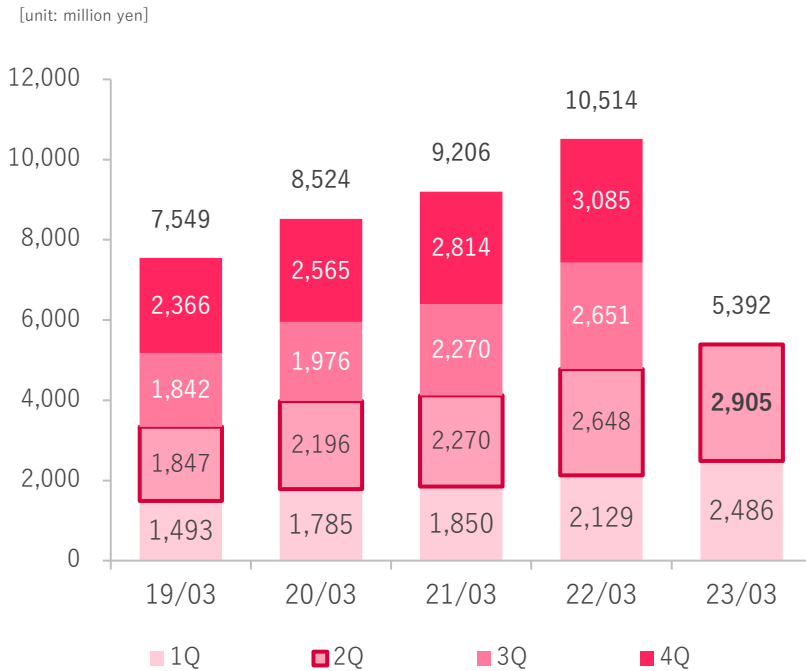
Balance Sheet Summary

[unit: thousand yen]	Previous consolidated accounting year (Mar. 31, 2022)	2 nd quarter of the current consolidated accounting year (Sep. 30, 2022)
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Lease liabilities	400,434	334,628
Trade payables and other payables	1,068,471	707,877
Income taxes payable	370,219	145,156
Contract liabilities	30,200	10,754
Other current liabilities	2,326,547	2,328,543
Total current liabilities	4,195,872	3,526,960
Non-current liabilities		
Lease liabilities	197,817	155,569
Allowance	115,362	194,455
Total non-current liabilities	313,180	350,024
Total liabilities	4,509,052	3,876,985
Shareholders' equity		
Capital stock	963,358	1,016,065
Capital surplus	281,704	335,567
Treasury shares	(8,477)	(7,628)
Other components of equity	52,190	40,656
Retained earnings	4,606,602	4,435,656
Total equity attributable to owners of the parent	5,895,377	5,820,316
Total shareholders' equity	5,895,377	5,820,316
Total liabilities and equity	10,404,429	9,697,302

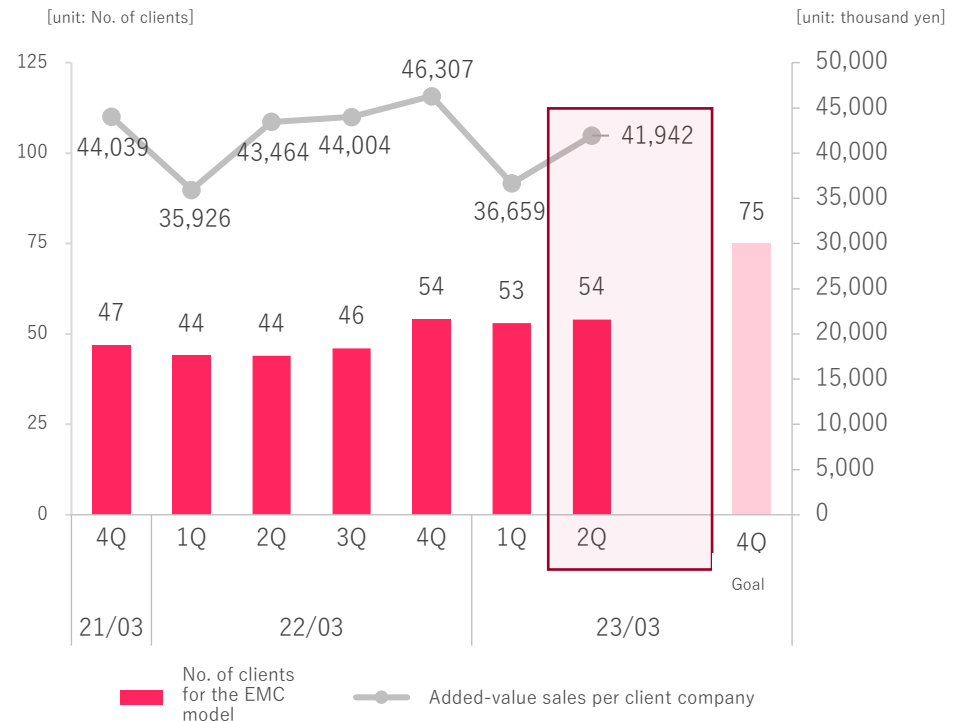
Sales by Segment-EMC Business

- 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]

Sales revenue of the EMC business



No. of clients for the EMC model(*2) ·
Added-value sales per client company(*3)



*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.

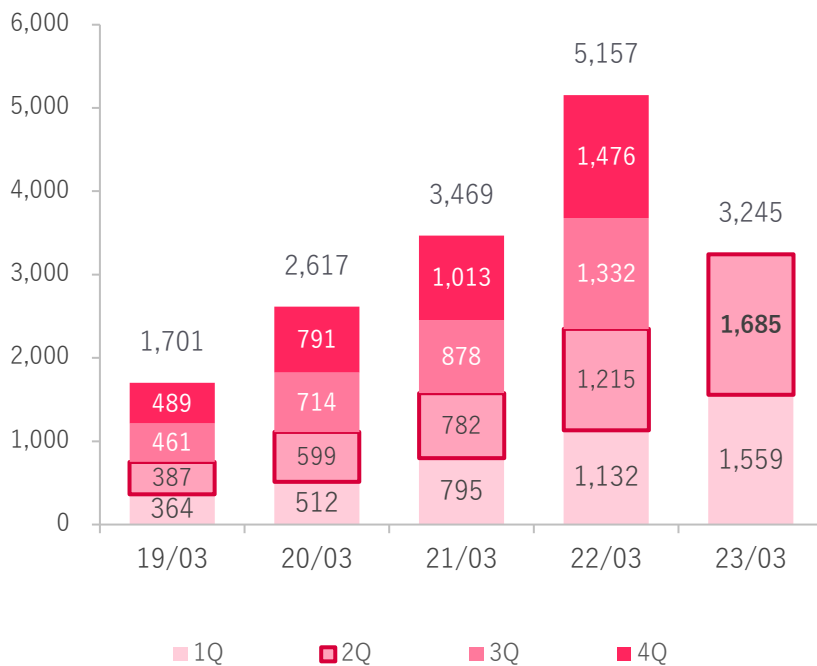
*3 Added-value sales per client company [thousand yen] = Quarterly added-value sales ÷ Quarterly average number of clients

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

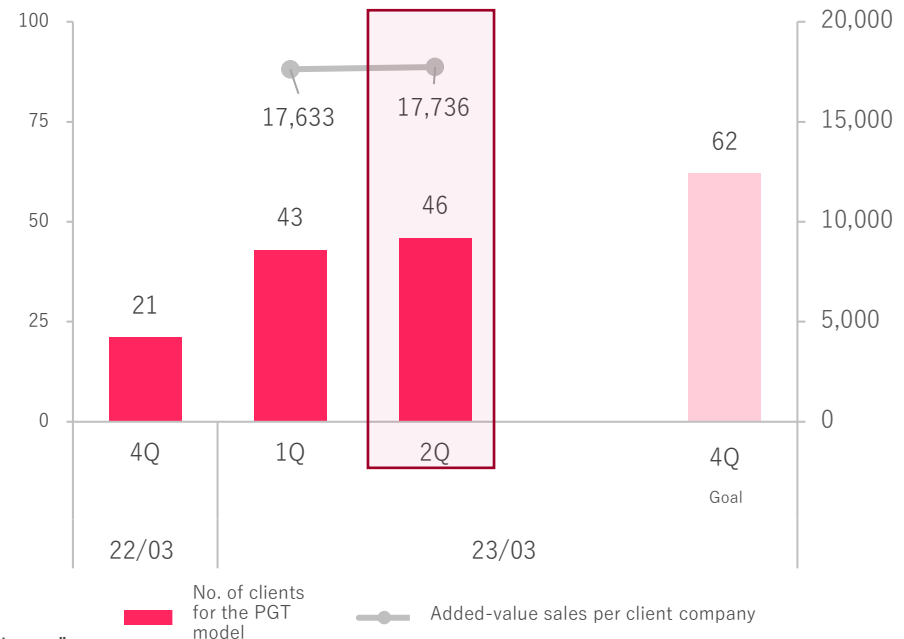


No. of clients for the PGT model(*3) ·

Added-value sales per client company(*4)

[unit: No. of clients]

[unit: thousand yen]



*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).

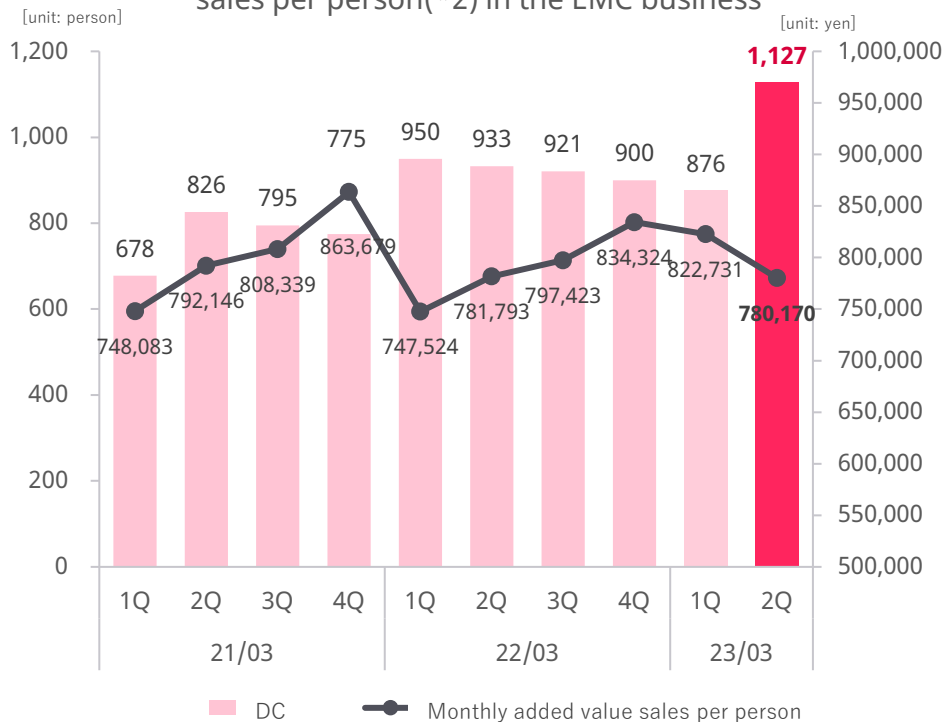
*3 The number of clients for the service provided by a team composed of 3 or more DCs is defined and counted as the number of clients for the EMC and PGT models.

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

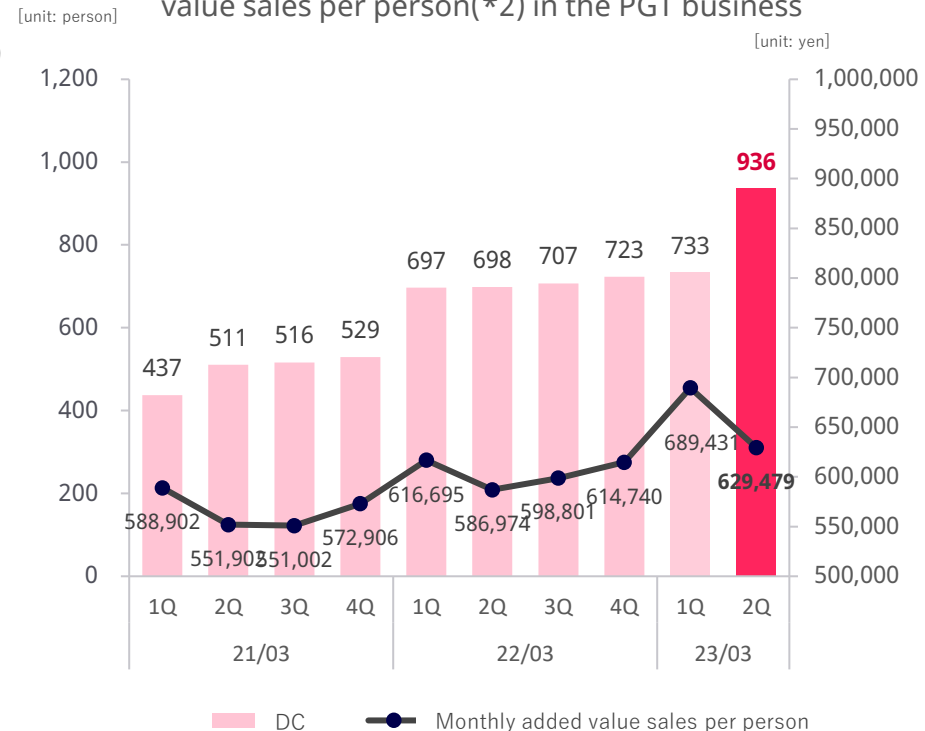
No. of DC and Added Value Sales per Person by Segment

- 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: **629,470 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.
*2 Monthly added value sales per person = Cumulative quarterly added value sales ÷ Average number of digital creators during the term

Cautionary Statement

This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

For IR inquiries

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