



**Members**

# Financial Results for 3Q FY2023

Members Co., Ltd. (TSE 2130)

December 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)	<b>Create a spiritually rich society through “MEMBERSHIP”</b>
Locations	Headquarters (Tokyo), Web Garden Sendai, Web Garden Kitakyushu, Web Garden Kobe, Sapporo Office
Capital	1,016 million yen (as of December 31, 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)	2,281 (as of December 31, 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.



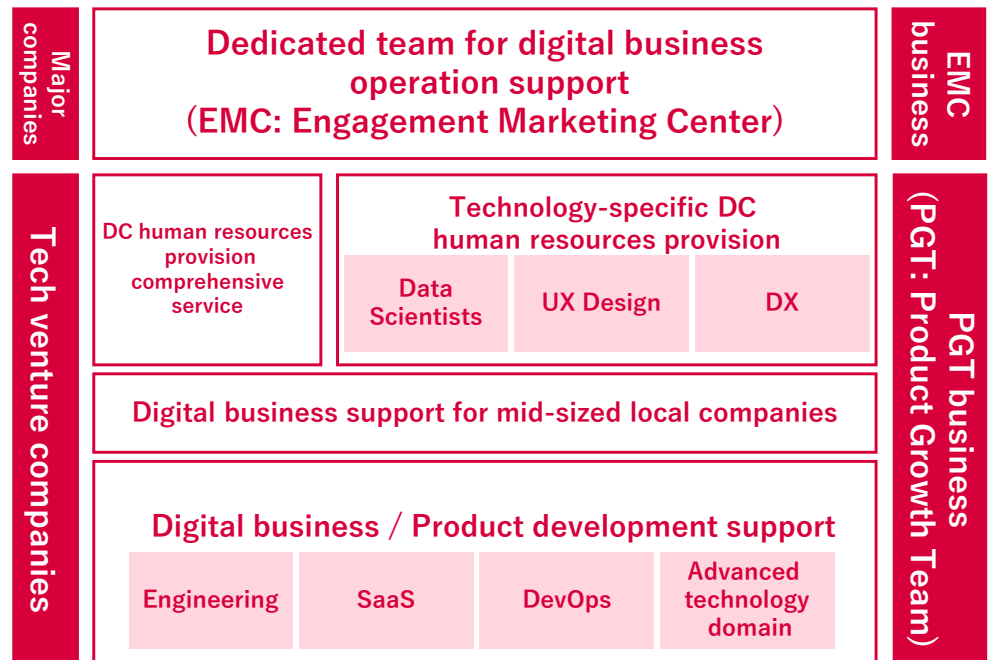
## An initiative to achieve 10,000 digital creators

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

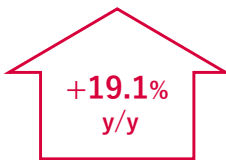
Optimizing the services provided

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

# 3Q FY 2023 Overview

Consolidated sales revenue increased by 19.1%, and added-value sales(\*1) increased by 21.0%, marking a record high for the cumulative 3<sup>rd</sup> quarter. On the other hand, it was not enough to cover upfront investment, and operating profit dropped year on year. Sales revenue of the PGT business, centered on specialized companies, maintained a high growth rate of +35.9% year-on-year, and the sales ratio of non-web operations increased by 7.1 points from the previous fiscal year.

## Consolidated results


Sales revenue  
**12,610** million yen  +19.1% y/y

Operating profit  
**607** million yen  (38.8%) y/y


Added-value sales  
**12,063** million yen  +21.0% y/y

## Business situation

EMC business  
Sales revenue  
**8,046** million yen  +8.3% y/y

PGT business  
Sales revenue  
**5,000** million yen  +35.9% y/y

No. of companies we offer the result-based team model(\*2) **103** +28 from the end of the previous FY

Operation rate during 23/3Q  Down 4.3 points y/y  
**80.7** %

Ratio of sales of services other than website operation during 23/3Q  Up 7.1 points compared to the end of the previous FY  
**35.7** %

No. of consolidated digital creators (DCs) **2,020** +397, +24.5% from the end of the previous FY

\*1 Added value sales = Sales revenue — Outsourcing and procurement costs = Sales from in-house resources

\*2 No. of companies we offer the result-based team model is counted if the customer was provided services by EMC and PGT as a dedicated team of 3 or more DCs.

# Income Statement Summary

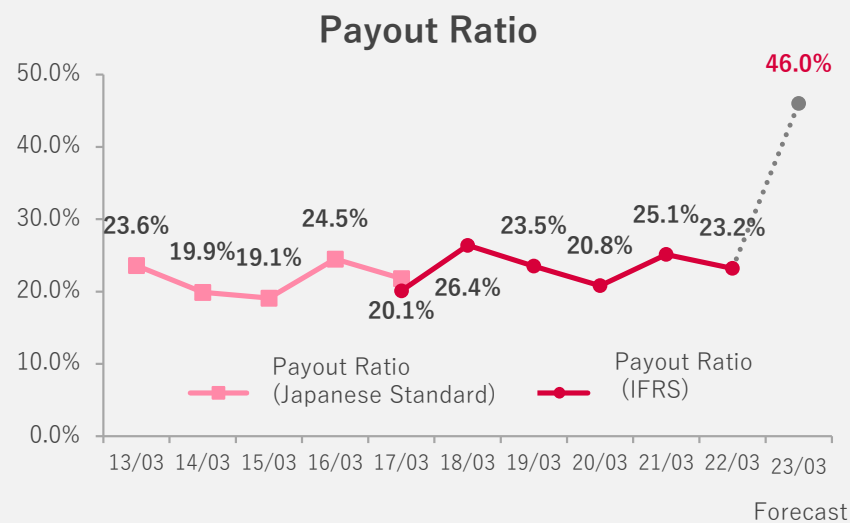
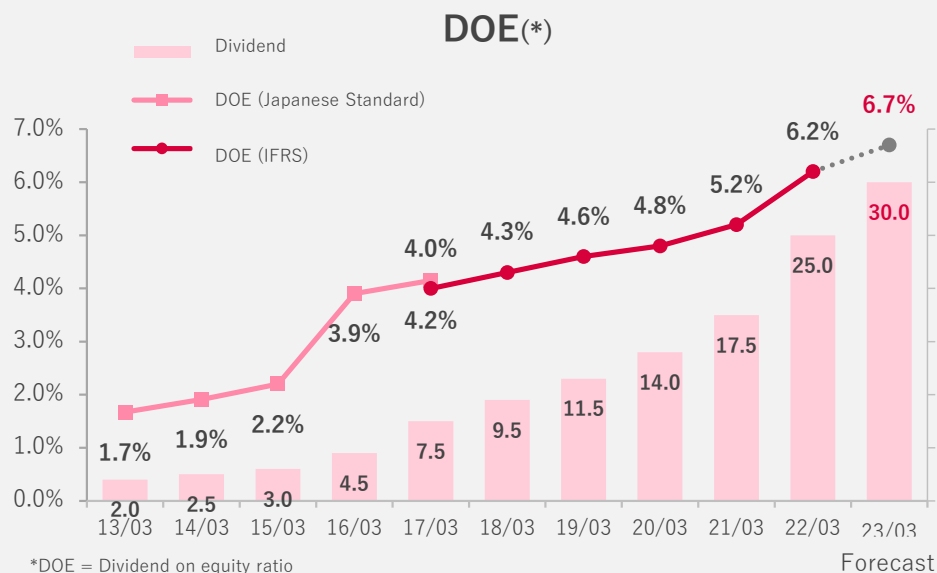
Customer acquisition was delayed compared to the number of DCs that were steadily secured, then, the operation rate declined. This made the gross profit margin also declined by 2.4 points year-on-year. SGA expenses increased significantly due to aggressive sales investment aiming for 25% growth and expansion of investment in mid-career recruitment, and the operating profit margin decreased by 4.6 points year-on-year.

[Unit : million yen]	Result in 3Q			Full year in FY3/2023	
	FY3/2022	FY3/2023	y/y	Revised Forecast	Progress rate toward the revised forecast
Sales revenue	10,592	12,610	+19.1%	17,300	72.9%
Added value sales	9,966	12,063	+21.0%	—	—
Gross profit	3,178	3,479	+9.5%	—	—
(Gross profit margin)	30.0%	27.6%	—	—	—
SGA	2,202	2,876	+30.6%	—	—
Operating profit	992	607	(38.8%)	1,200	50.6%
(Operating profit margin)	9.4%	4.8%	—	—	—
Pretax profit	989	558	(43.6%)	1,180	47.3%
Net profit	687	379	(44.8%)	850	44.6%

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

Based on trends in the consolidated cumulative period by the 3<sup>rd</sup> quarter of Fiscal Year ending March 31, 2023, we have revised the full-year consolidated earnings forecast (Analysis on profit decrease on next page). We will continue to invest in anticipation of growth from the next fiscal year onwards. Dividend forecast has not been revised in light of the financial situation and future growth prospects. In addition, we will implement share buybacks as a flexible capital policy.

	Full-year results for FY 2022 (IFRS)		Forecast for FY2023 (IFRS)			
	Full year	y/y increase/ decrease rate	Before revision		After revision	
			Full year	y/y increase/ decrease rate	Full year	y/y increase/ decrease rate
Sales revenue (million yen)	14,938	23.6%	18,200	21.8%	17,300	15.8%
Operating profit (million yen)	1,876	48.7%	2,200	17.3%	1,200	(36.0%)
Pretax profit (million yen)	1,896	52.0%	2,185	15.2%	1,180	(37.8%)
Net profit (million yen)	1,404	56.7%	1,573	12.0%	850	(39.5%)
Profit attributable to owners of parent (million yen)	1,404	56.7%	1,573	12.0%	850	(39.5%)



# Factors in Decline in Profit in 3Q FY 2023

Against the background of the expansion of the digital economy and the shortage of IT human resources, the growth rate target for our Vision2030 is 25%. The number of DCs is growing relatively smoothly against the target. In the past, the number of DCs was basically the key to growth, and we were able to secure high operating rate of DCs.

## (1) Acquiring new customers, expanding team models

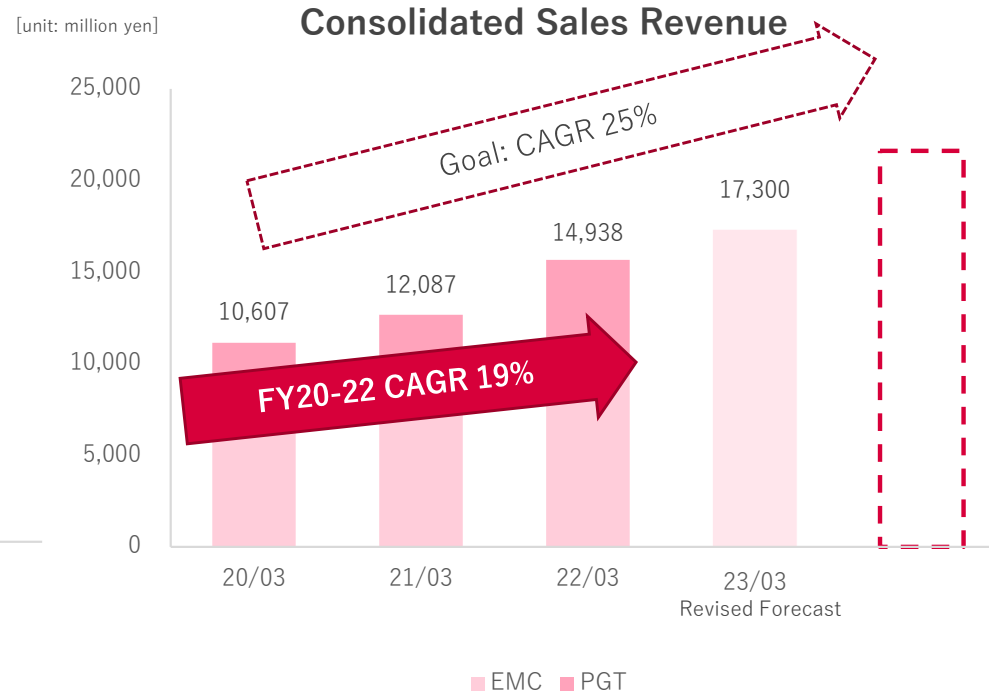
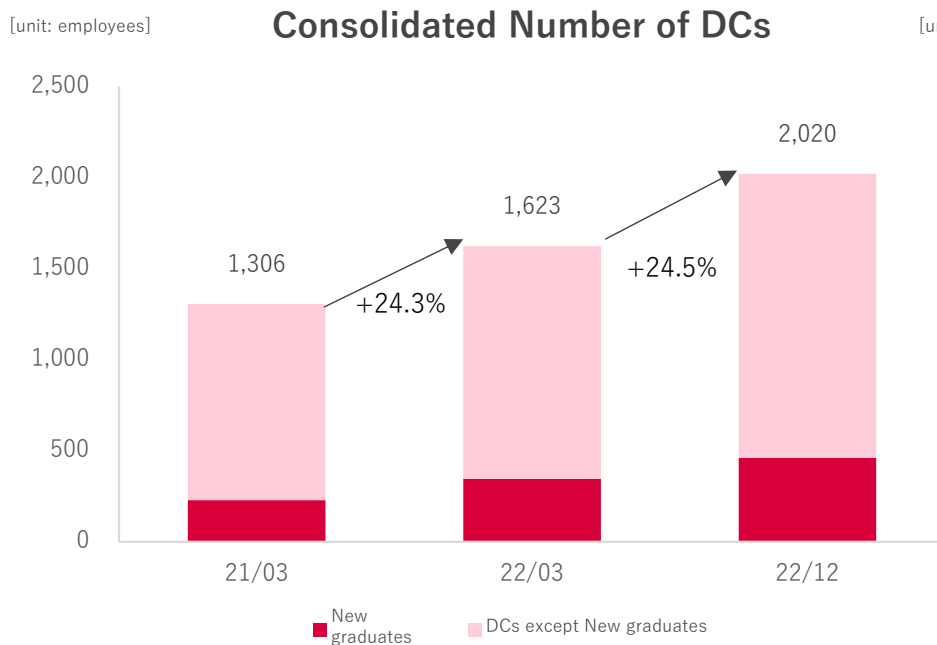
In the mainstay EMC business, the increase of new customers is sluggish. We are shifting from the existing customers-dependent marketing system to a system in which the production division and the marketing division function separately.

## (2) Expanding non-web operation fields

The promising non-web operation domain for large clients in the EMC business is being cultivated.

## (3) Improving the human resources portfolio

Since FY 3/2021, we have not recruited a planned number of mid-career workers. As a result, the ratio of new graduates, whose initial training period is long, increased, thereby decreasing the ratio of employees in service and the capacity of offering services.



\*CAGR = compound average growth rate

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

## Growth points in the cumulative 3<sup>rd</sup> quarter

## Measures for achieving the full-year plan

<p><b>Strong sales growth in 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>• The number of client companies to which we offer the PGT model*1 increased by 29 from the end of the previous term.</li> <li>• Average monthly unit price: up 5% year on year</li> </ul>
<p><b>Growth of specialized internal companies</b>  <b>Expansion into new technical fields</b></p>	<p>Specialized companies*2</p> <ul style="list-style-type: none"> <li>• Accounting for 20% of sales</li> <li>• Growth rate: 95.5%</li> <li>• Added value sales per DC: +38,000 yen compared with major companies*3</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>• 600 new graduates to be joined in April 2023.</li> <li>• In recent years, we have recruited 200 mid-career workers per year.</li> </ul>

**Improvement policy (1)**  
**Strengthen sales structure by separating production and sales**

**Improvement policy (2)**  
**Further expansion of specialized companies in non-website operation fields**

**Improvement policy (3)**  
**Improving the human resources portfolio by expanding investment in mid-career recruitment and fundamentally strengthening training**

\*1 PGT model is a team-based operation rather than a single creator.

\*2 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 December 31, 2022.

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



# Summary of Improvement Policies and Goals from Next FY

We will continue upfront investment for recruitment in the next fiscal year expecting temporary decline in profit margin. However, **we will increase human capital with the mid/long-term perspective.**

**To increase quarterly added value sales by 25% by the end of FY 3/2024 and realize a 25% growth and an operating income margin of 10% from FY 3/2025**

<b>Improvement policy</b>	<p>1</p> <p>Strengthen our sales capabilities by separating sales from production</p>	<p>2</p> <p>Further expansion of specialized companies in the non-website operation fields</p>	<p>3</p> <p>Improvement of the human resources portfolio</p>
<b>Mid/long-term goals</b>	<p>In the Q4 of FY 3/2024:</p> <ul style="list-style-type: none"> <li>the no. of digital creators in service increased 250, and</li> <li>added value sales grew 25% Q on Q.</li> </ul>	<p>To establish 4 or more specialized companies every term</p>	<p><b>New graduates:</b> In the next term, 600 new graduates will join our company. For several years from the FY 3/2025, we will decrease the no. of new graduates to employ.</p>
	<p>From FY 3/2025:</p> <p>To increase added value sales by 25% or over annually</p>	<p>To increase the no. of digital creators of specialized companies by 65% or over to become 700 creators.</p>	<p><b>Mid-career workers:</b> In the next term, we will recruit 248 mid-career workers, so that the no. of mid-career workers will be equal to the no. of new graduates several years later.</p>

# Balance Sheet Summary

[unit: thousand yen]	Previous consolidated accounting year (Mar. 31, 2022)	3 <sup>rd</sup> quarter of the current consolidated accounting year (Dec. 31, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,226,706	3,882,944
Trade receivables and other receivables	3,075,859	3,155,597
Inventory assets	48,632	96,014
Other current assets	224,303	441,690
<b>Total current assets</b>	<b>8,575,502</b>	<b>7,576,247</b>
<b>Non-current assets</b>		
Tangible fixed assets	237,803	344,070
Rights to use as assets	713,578	608,557
Goodwill	116,115	116,115
Intangible assets	12,425	10,488
Other financial assets	373,657	1,309,153
Deferred tax assets	375,346	209,566
<b>Total non-current assets</b>	<b>1,828,927</b>	<b>2,597,951</b>
<b>Total assets</b>	<b>10,404,429</b>	<b>10,174,198</b>

# Balance Sheet Summary

[unit: thousand yen]	Previous consolidated accounting year (Mar. 31, 2022)	3 <sup>rd</sup> quarter of the current consolidated accounting year (Dec. 31, 2022)
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Lease liabilities	400,434	284,083
Trade payables and other payables	1,068,471	1,117,498
Income taxes payable	370,219	3,810
Contract liabilities	30,200	12,650
Other current liabilities	2,326,547	2,387,223
<b>Total current liabilities</b>	<b>4,195,872</b>	<b>3,805,266</b>
<b>Non-current liabilities</b>		
Lease liabilities	197,817	127,566
Allowance	115,362	194,924
<b>Total non-current liabilities</b>	<b>313,180</b>	<b>322,491</b>
<b>Total liabilities</b>	<b>4,509,052</b>	<b>4,127,757</b>
<b>Shareholders' equity</b>		
Capital stock	963,358	1,016,922
Capital surplus	281,704	339,256
Treasury shares	(8,477)	(7,750)
Other components of equity	52,190	40,477
Retained earnings	4,606,602	4,657,535
<b>Total equity attributable to owners of the parent</b>	<b>5,895,377</b>	<b>6,046,440</b>
<b>Total shareholders' equity</b>	<b>5,895,377</b>	<b>6,046,440</b>
<b>Total liabilities and equity</b>	<b>10,404,429</b>	<b>10,174,198</b>

# Cautionary Statement

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**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**

**Members Co., Ltd.**

**Corporate Planning Office IR Team**

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