



**BrainPad Inc.**

Financial Results Briefing for Q3 FY2021

May 18, 2021

## Event Summary

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<b>[Company Name]</b>	BrainPad Inc.
<b>[Company ID]</b>	3655-QCODE
<b>[Event Language]</b>	JPN
<b>[Event Type]</b>	Earnings Announcement
<b>[Event Name]</b>	Financial Results Briefing for Q3 FY2021
<b>[Fiscal Period]</b>	FY2020 Q3
<b>[Date]</b>	May 18, 2021
<b>[Number of Pages]</b>	25
<b>[Time]</b>	14:00 – 14:35 (Total: 35 minutes, Presentation: 27 minutes, Q&A: 8 minutes)
<b>[Venue]</b>	Webcast
<b>[Venue Size]</b>	
<b>[Participants]</b>	
<b>[Number of Speakers]</b>	2
	Takafumi Kusano                      CEO and Representative Director
	Ko Ishikawa                              Director

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## Presentation

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**Moderator:** It's time, we will now begin the presentation of the financial results for 3Q of the fiscal year ending June 30, 2021 of BrainPad inc.

Mr. Takafumi Kusano, President and CEO, and Mr. Ko Ishikawa, Director and CFO, are present today from BrainPad Inc.

First, Mr. Kusano, our representative, will give an overview of the financial results. After that, we will take your questions. The materials used today are the same as the supplementary explanatory materials for 3Q of the fiscal year ending June 30, 2021 posted on our IR website.

If you have any questions, please post them in the Q&A section of the ZOOM webinar. We will select and answer your questions from among those submitted. Please be assured that the questions you submit will not be showed to the viewers on the screen.

President Kusano, please explain.

**Kusano:** Hello, my name is Mr. Kusano, and I am the Representative Director. Thank you for your cooperation today. I will now explain the financial results for 3Q based on the materials. The first part of the document is the same as before, so I will skip that part.

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## (1) 中期経営計画について

現中期経営計画の最終年度（2023年6月期）の計画は、変更なし。  
3つの基本方針に対する、前期（2020年6月期）までの進捗は以下の通り。

現・中期経営計画			
	2019年6月期実績	現・中計最終年度 (2023年6月期)	成長率
売上高	5,676	11,500	CAGR 19.3%
経常利益	1,213	2,000	CAGR 13.3%
経常利益率	21.4%	17.4%	—
ROE	前・中計4年間の平均ROE 21.2%	新・中計4年間の平均ROE 20%程度	—
従業員数	306名	580～650名	4年間で約2倍の規模を目指す

### 変更なし

変わらず、2023年6月期に  
・連結売上高 **115億円**  
・連結経常利益 **20億円** を目指す。

#### 基本方針

1

ビジネスにインパクトを与える、先進的で実践的なデータ活用の実績を増やすため、データ活用に必要な総合力を提供・発揮していく体制（事業間連携）の強化



総合力を提供・発揮するためのステップとして、同種の機能・職種を同一部門に集約する大規模な組織再編とその定着化を実施。2021年6月期より、「総合力」発揮のステージへ。

2

データ活用に不可欠となる人的サービス、ソリューション提供需要に応えるための多様な人材の採用・育成を含む組織規模の拡大



2020年6月期は、期初目標を上回る66名（前期比+21.8%）の増員に成功。2021年6月期はその育成とさらなる採用を進める。また、デジタルマーケティング領域の強化として、㈱電通グループと合弁会社「㈱電通クロスプレイン」を設立。

3

先進的な技術を用いたデータ活用を加速するために、自社でのR&Dは当然として、国内外Tech企業との業務提携・投資等による連携の強化



監視カメラシステムや入室システム等のセキュリティソリューションを提供する株式会社セキュアにマイナー出資するなど、Tech企業との連携を進めている。

2020年6月期の進捗状況



I would like to begin by explaining the revision of the medium-term management plan and earnings forecast.

There are no changes to the medium-term management plan. This is the same contents in the previous announcement.

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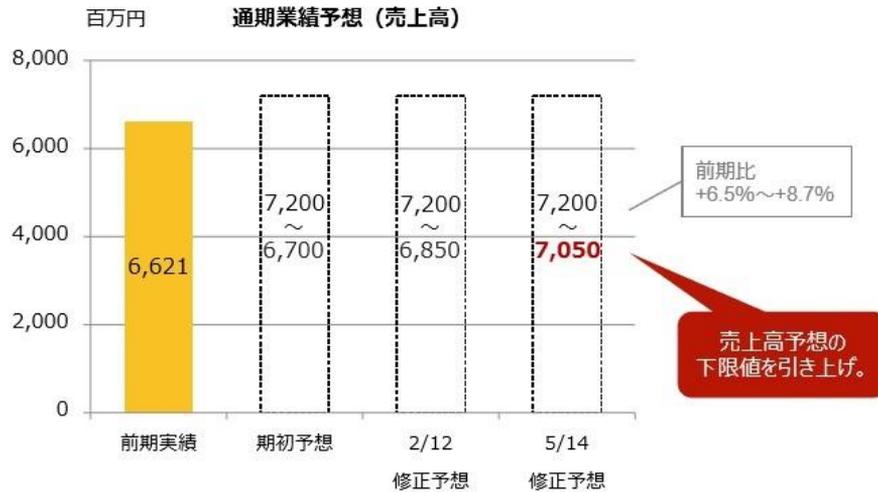
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## (2) 連結業績予想（売上高）について

期初予想では、コロナ影響により、売上高が前期並みに留まる場合をワーストケースとしていたが、**2Q以降の受注活動の活発化により、3Q以降の売上増・売上成長トレンドの復調を見込める**状態となっており、売上高予想の下限値を引き上げ。

なお、案件の大型化に伴い、一部の売上高に期ずれリスクが残るため、70.5億円～72億円のレンジ予想とする。



With regard to the forecast of consolidated business results, in the initial forecast of the fiscal year, the worst case scenario was that sales would remain at the same level as the previous fiscal year due to the impact of COVID-19, but as order activities have become more active since 2Q, we are now in a situation where we can expect sales to increase and the sales growth trend to recover from 3Q.

Therefore, in response to this, we have raised the lower limit of our sales forecast, which was disclosed in the range. We have raised the lower limit of our sales forecast from JPY6.85 billion to JPY7.2 billion to a range between JPY7.05 billion and JPY7.2 billion.

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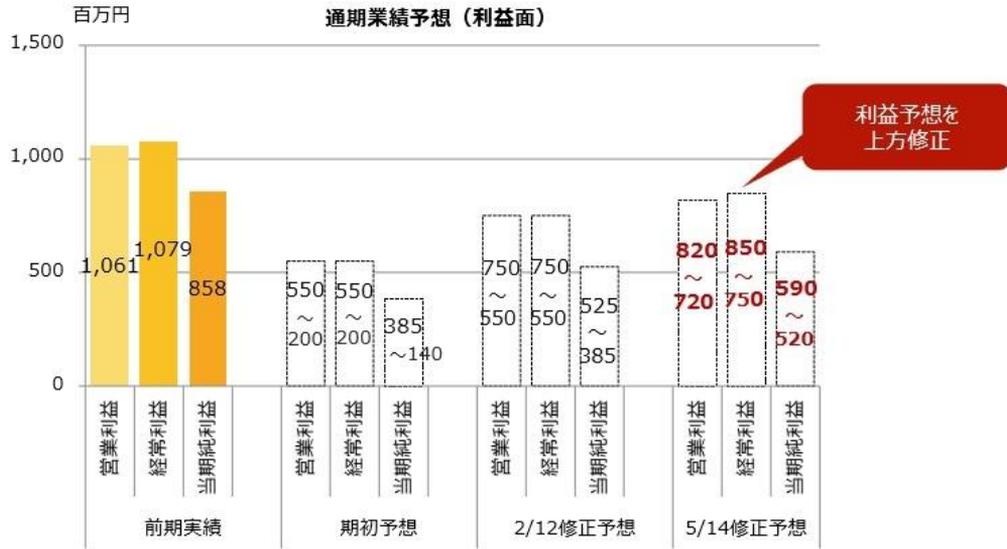
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### (3) 連結業績予想（利益面）について

当期1Qからコストの節減・適正化が進んだ結果、利益面は期初予想を上回って推移。受注活動の活発化による売上増も、利益増に寄与。

期末従業員数が目標に到達しない見込みであるため、その影響も利益予想に反映。

(従業員数の推移は、次頁参照)



In terms of profits, as a result of progress in cost reduction and optimization since 1Q of the current fiscal year, profits have exceeded the initial forecast.

We have revised our profit forecast upward as well, since the increased order activity has contributed to the increase in sales and profit

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## 従業員数の推移（単体）

現在も積極的な採用活動を継続しているが、本年5月14日現在の従業員数は**425名**であり、期末時点でも同程度に留まる見込み。

退職率は、前期の水準（10%弱）に比べ、やや低めに推移している。



As for the number of employees, we are still actively recruiting. As of today, May 14, we have 425 employees, which is a little short of our goal of 455 employees by the end of this fiscal year that we set last year. Even if we try, we feel that it will remain at the same level of 425 people by the end of the fiscal year.

The retirement rate is at the same level as the previous fiscal year. In the first half of the fiscal year, the percentage was just under 10%, but compared to that, the percentage is slightly lower.

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## 【新指標】案件規模別の売上構成（期末のみ更新）

再掲

データ活用の総合力を発揮して案件の大型化を進める、という当社グループの成長方針をふまえ、その進捗を測る新指標として、案件規模別の顧客数、売上構成の公表を開始。

以下の通り、直近2年で、年間売上高1億円以上の顧客の売上が増加。この中計期間は、引き続き1億円以上の顧客数の増加に注力。そのためには総合提案の推進が重要。



The sales composition by project size here is disclosed once a year, so there is no change from the previous announcement.

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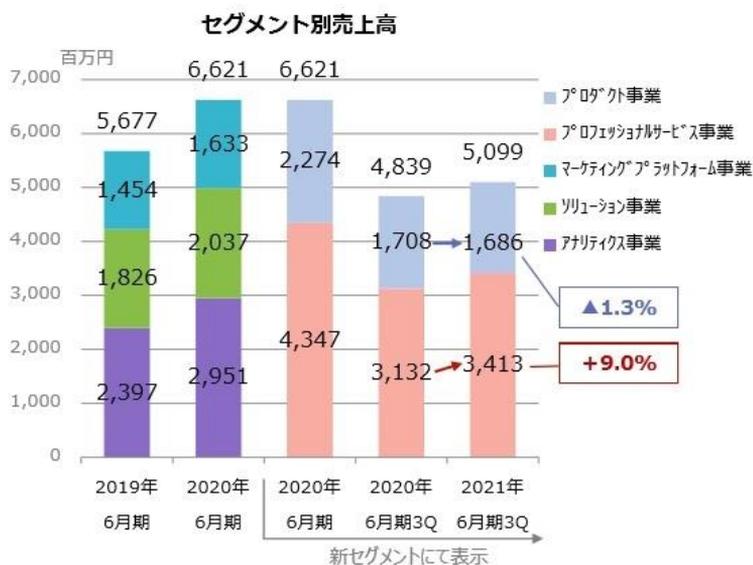
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### 3期比較（連結売上高：四半期別／セグメント別）

売上高は、上期までは、受注リードタイムの長期化や案件開始時期の遅れ等の影響があったが、2Q以降の受注活動の活発化が、3Q以降の売上高の伸長に繋がっている。

前期3Qと当期3Qの3カ月間の比較では、前期比+15.0%の水準にまで回復してきている。



Now, let me move on to the highlights of the consolidated financial results for 3Q.

In the first half of the fiscal year, sales were affected by prolonged order lead times and delays in the start of projects, but the increase in order activity from 2Q led to sales growth from 3Q.

Comparing 3Q of the previous fiscal year with 3Q of the current fiscal year, we have recovered to a level of a 15% increase.

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### 3期比較（連結営業利益：四半期別／セグメント別）

営業利益も、前期3Qと当期3Qの3カ月間の比較では、前期比+24.3%と改善。  
 当期3Q（3カ月間）の営業利益率は16.7%であり、目指すべき水準に回復してきている。



Consolidated operating income has also improved by 24.3% compared to the previous 3Q.

The operating income ratio for 3Q of the current fiscal year was 16.7%, which is the level we should be aiming for.

Ordinary income and net income are also trending in the same manner as the aforementioned operating income.

I don't think there is anything special to mention about the consolidated profit and loss situation. As you can see.

Next, non-consolidated results. I will now move on to the highlights of non-consolidated segment results.

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## プロフェッショナルサービス事業（単体）2期比較

上期は、コロナ影響を強く受ける業界からの既存のデータ分析案件の売上高が縮小したが、2Q以降の受注活動の活発化に伴い、3Qでは前年同四半期を上回る水準に回復。

前期3Qと当期3Qの3カ月間の比較では、売上・セグメント利益ともに前期比+25%程度となった。



We are developing our professional services business and product services business, but first, let's talk about the professional services business.

In the first half of the fiscal year, sales of existing data analysis projects from industries that are strongly affected by COVID-19 shrank, but in 3Q, sales recovered to a level higher than the same quarter of the previous year due to increased order activity from 2Q.

When compared to the previous 3Q, both net sales and segment income were up 25% from the previous fiscal year.

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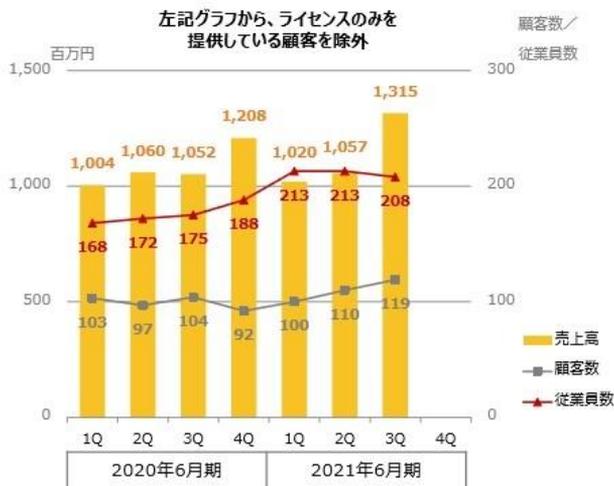
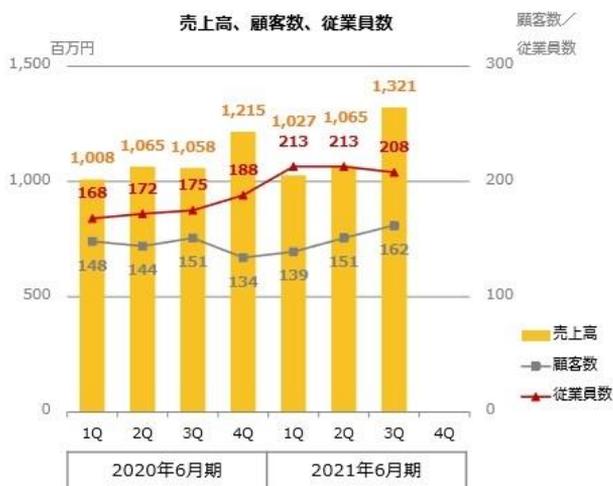
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## プロフェッショナルサービス事業（単体）売上高、顧客数、従業員数

売上伸長に伴い、従業員1人あたり売上高、顧客1社あたり売上高ともに、前期4Q並みの過去最高水準に回復。

一方、他社への出向者の増加もあり、従業員数は微減。  
DX支援に関する強い引き合いに対応するため、より一層の採用強化が急務。



In terms of sales, number of customers, and number of employees, both sales per employee and sales per customer have recovered to record high levels, on par with the previous 4Q, due to sales growth.

On the other hand, the number of employees decreased slightly, partly due to an increase in the number of employees being on loan to other companies.

In order to respond to the strong demand for DX support, we urgently need to further strengthen our recruitment.

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## プロダクト事業（単体）2期比較

コロナ影響を強く受ける業界からの売上高縮小を、新規受注、既存顧客へのアップセルで補ったが、前期3Qには受託開発に伴う単発のフロー型売上高の計上があったこともあり、前年同四半期並みの売上高に留まる。

主要プロダクトへのリソース集中や、各種コストの適正化が進んだことで、前期の人員増などによるコスト増を吸収し、セグメント利益は前年同四半期並みを維持。



Next is a comparison of the 2 periods of the product business.

Although we compensated for the contraction in sales from industries strongly affected by COVID-19 by taking new orders and up-selling to existing customers, sales remained at the same level as the same quarter of the previous year due to the fact that there were one-off flow-type sales associated with contract development in the previous 3Q.

As a result of the concentration of resources on major products and the optimization of various costs, we were able to absorb cost increases such as the increase in the number of personnel in the previous fiscal year and maintain segment income at the same level as the same quarter of the previous year.

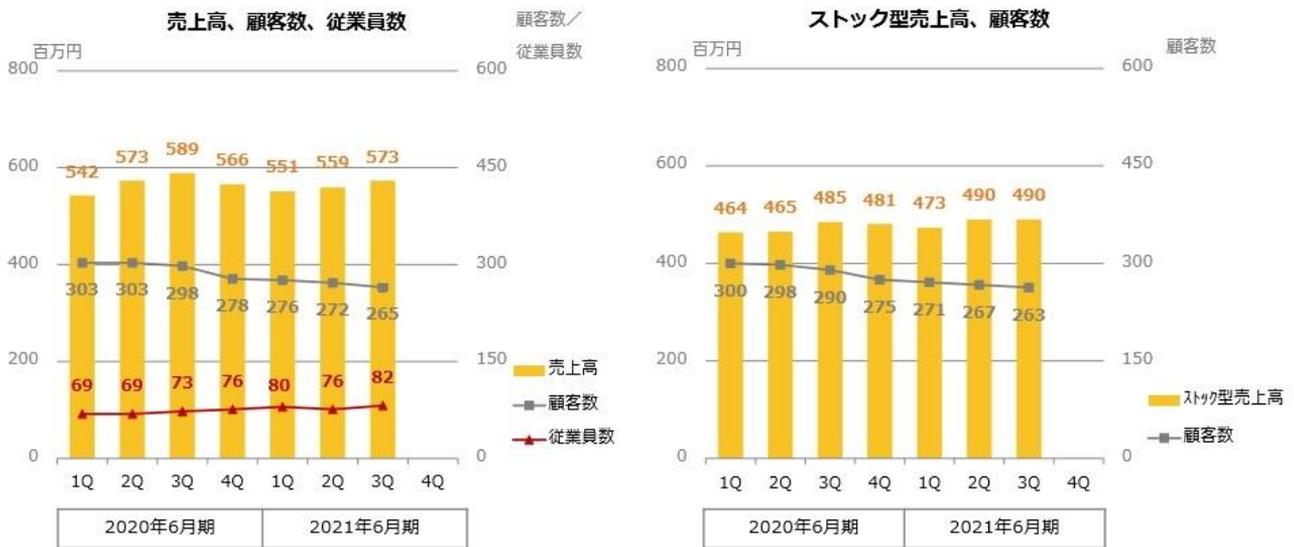
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## プロダクト事業（単体）顧客数、従業員数、ストック型売上高

主力プロダクトへの注力により、それ以外の単価の小さいプロダクトの顧客数が徐々に減少。マーケティングツール関連市場の競争環境の激化の中、より大型の案件へ注力しており、1顧客あたりのストック型売上高は増加している。



Due to our focus on major products, the number of customers for other products with smaller unit prices has been gradually decreasing, and due to the intensifying competitive environment in the marketing tool-related market, we have been concentrating our efforts on larger projects, but stock-type sales per customer have been increasing.

That's all.

If you have time, please take a look at our latest press release.

As for the direction of the next fiscal year, we have made a new announcement, which I would like to explain to you.

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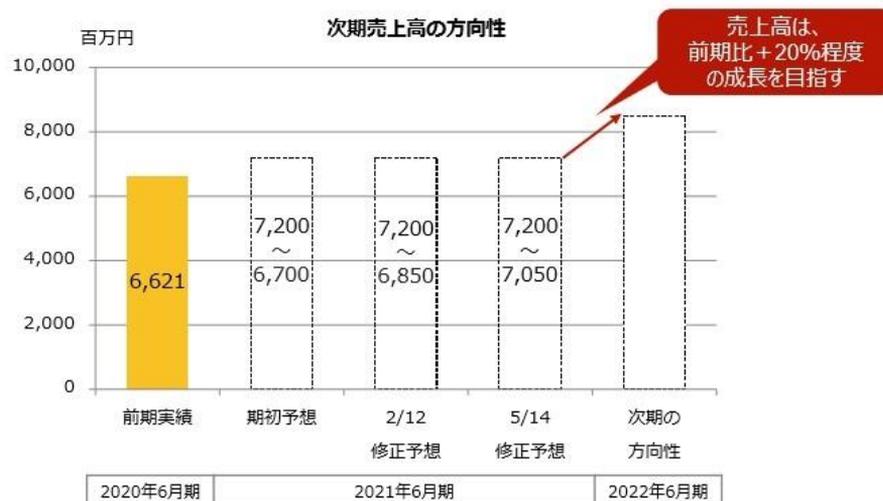
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## 次期（2022年6月期）の方向性

次期は、売上成長を年率20%程度（中期経営計画にて目指している成長速度）に回復させていく方針。

利益面は、当期に採用しきれなかった人員数を次期の採用計画に盛り込むことや、プロダクト事業の再成長のための支出などを検討しているため、精査中。

これらを加味した次期業績予想は、本年8月の本決算発表時に公表予定。



For the next fiscal year ending June 30, 2022, our policy is to recover to an annual sales growth rate of about 20%, which is the growth rate we are aiming for in our medium-term management plan.

The profit side is still under scrutiny as we are considering how to incorporate the number of employees we were unable to hire in the current fiscal year into the hiring plan for the next fiscal year, and how to spend for the renewed growth of the product business.

We will announce the earnings forecast for the next fiscal year, taking these factors into consideration, when we announce our financial results in August of this year.

Also, we usually disclose our vision for the next year around this time, so we announced our current thinking at this stage.

This is the end of my explanation.

**Moderator:** Thank you very much, President Kusano.

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## Question & Answer

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**Moderator:** We will now move on to the question-and-answer session.

Once again, if you have any questions, please post your name and question in the Q & A section in the ZOOM webinar. We will select and answer your questions from among the submissions we receive. Please be assured that your question will not be shown to the viewers on the screen.

Now, please fill out the form.

**Kusano:** While we are waiting for questions, I would like to make a brief announcement.

Last year, we had a conference called DOORS in March. At that time, it was just before Corona was in full swing, so it was a real offline event. This year, we are planning to hold an online event in June.

It's online, but it's a time-limited online conference in a form that can only be viewed during a 3-hour period from 1:00 PM to 4:00 PM on June 16. This is a recording type, so we have already finished recording and are now editing the contents. We have our client companies on the stage to talk about their experiences.

I am also participating in the dialogue, but I think it may be difficult to make the content of the work we are doing understood. Especially the professional business. We had the opportunity to have top management from our customers in our professional business, as well as CDOs and DX promotion leaders, come and talk with us. If you watch the video, you will be able to understand what kind of evaluation we have received from our clients and what kind of support we provide to our clients, so if you have time, please watch it. Since advance registration is required, Please register in advance at [doors.brainpad.co.jp](https://doors.brainpad.co.jp).

Itochu, Yamato Transport, Yahoo, Resona Holdings, and Orbis are among our clients.

Each client has a different style. Orbis is promoting a top-down approach to DX in which the top management itself is the leader of change. The story was told.

Resona Holdings has more like a bottom-up leadership style, where applications developed from the bottom up gradually became the core of the company's DX.

Yamato Transport has invited Mr. Nakabayashi, as the head of data, from outside the company to provide key, core functions in the promotion of DX.

Itochu has more like a middle-up leadership style. The president himself was committed to the project, but it took a middle-up style.

I thought it would be a good reference for other types of DX. In that sense, I hope that the content will give some kind of insight or learning for everyone.

Now, we have questions, so I will read them out.

You have announced a mid-term forecast of 20% growth in sales, but how sustainable is 20 percent growth in sales given the continued lack of hiring? The question is whether it is possible to achieve 20% growth in productivity and other areas, even if you can't hire enough people.

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The fact that we were not able to hire as many people as we had planned this fiscal year is a major issue for us, and we are working on measures to improve this situation, such as strengthening our system for further recruitment.

On the other hand, we were not able to achieve sufficient sales in the first half of this fiscal year, partly due to the impact of COVID-19, so I think we are in a position to aim for 20% growth in the near term.

We are aware that we need to accelerate the hiring which is a little behind at an early stage. In addition, as you pointed out, we will make every effort to improve the unit price and so on.

Is there anything else you would like to add on our side?

**Ishikawa:** Yes, we have not been able to recruit enough people, but we have been hiring new graduates and making contact with them, so while we are aiming for a 20% increase in the number of employees, we have been able to increase the number of employees by more than 10% this fiscal year. As Mr. Kusano explained earlier, in the case of this year, especially when comparing this year and next year, the portions that could not be hired this year are, on the contrary, the portions that could not grow last year. By making up for that, we will be able to achieve 20% [Inaudible] in the next fiscal year.

After that, I think it is not easy or quite difficult to achieve 20% growth at this level of recruitment, so if that is the case, we can increase the number of partners or [Inaudible]. I think you are right that it will be difficult to achieve 20% growth unless we do something like that. We are aware that we need to think about recruiting, increasing partners, making acquisitions, and strengthening our resources in various aspects.

**Moderator:** Thank you. We are waiting for your questions. Please post your questions.

**Kusano:** While we're waiting for questions, we'll have more announcements.

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## 直近に発表したプレスリリース

評価・受賞	「Rtoaster」が、ITreviewの4部門にて、2期連続「Leader」を受賞 (2021.4.19)	<ul style="list-style-type: none"> <li>IT製品レビュープラットフォームを運営するアイテイクラウド㈱の「ITreview Grid Award 2021 Spring」において、「DMP部門」「CDP部門」「レコメンドエンジン部門」「ABテスト部門」にて、2期連続「Leader」を獲得。</li> <li>チャンネル横断で狙い通りの施策が実行できる精緻な機能群と、専門性の高いサポート体制が評価。</li> </ul>
クックパッドとの取り組み	「Brandwatch」をクックパッドに導入、食の安全を守る活動を目的とした分析にて活用 (2021.4.13)	<ul style="list-style-type: none"> <li>家庭料理シーンにおけるトレンドや課題を把握してサービス向上に役立てるほか、クックパッドの利用者以外にも広く料理の安心・安全に関する情報を発信していくことを目的に、リスクとなり得る情報を発見・分析するためのツールとしても活用されている。</li> </ul>
Rtoasterの強化	RtoasterのAI機能「conomi-optimize」を提供開始 (2021.3.24)	<ul style="list-style-type: none"> <li>「Rtoaster」が標準提供するコンテンツ最適化アルゴリズムを、用途に合わせてより詳細にカスタマイズできる機能。</li> <li>強化学習を用いて、閲覧者ごとにウェブサイトやスマホアプリの表示コンテンツを最適化する。</li> <li>先行導入された企業では、従来のアルゴリズムよりも20%以上成果が向上するなどの効果が得られている。</li> </ul>

We have sent out a number of press releases, but the one that I would like everyone to know about is that Rtoaster has won the "Leader" award in 4 categories of ITreview for 2 consecutive terms.

This time, you may have the impression that the growth of the product business is slowing down, but the power of the product itself has not declined, or rather, it has been highly evaluated by the users, so we recognize that we can still expand this area by improving our marketing and sales activities. Therefore, we will continue to make efforts to make this area [Inaudible].

OK. If there are no other questions, I would like to talk about the hiring situation at our company. In terms of our hiring situation, for analytical personnel, since the company's brand is known to some extent, we have some control over the level of hiring, but basically we are able to create a population and hire.

There are not many companies that can maximize the value of our work in this area, so I think we need to acquire personnel in this area by ourselves through the recruitment process.

On the other hand, in the SI business, which is one of our professional businesses, there are companies that do SI work. I think there is an option to make good use of partners for the increase of business.

Of course, it would be more profitable and better for project management if we could get the work done by our employees, so we will stick to in-house support, but we would like to be flexible in this area.

OK. I received an additional question. ITOCHU has invested in a consulting company, SIGMAX. What synergies do you expect from these companies in the future?

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At this point, we haven't discussed anything in particular about this. Yes. So, I really don't know anything for sure, so I can't say anything. I'm sorry.

As I mentioned at the last briefing, our major basic policy is to create synergies with ITOCHU Group companies, and to find new profit opportunities for our company. However, we have not talked about this company anything in particular at the moment.

## 直近に発表したプレスリリース

伊藤忠商事との取り組み	伊藤忠商事、ヘルシシステム24と協業し、マーケティングDX領域における新サービス創出へ (2021.4.8)	<ul style="list-style-type: none"> <li>・コンタクトセンターで取得する年間5億件以上の対話データと、ウェブサイト閲覧情報やクリック履歴などの年間500億件以上のデジタル接点データの掛け合わせによる新サービス創出を目指す。</li> <li>・対話データをはじめとする膨大な非構造化データのデータ加工業務のサービス化も視野。</li> </ul>
東京大学との取り組み	東京大学素粒子物理国際研究センターによる、「複合AIの研究開発」を技術支援 (2021.2.15)	<ul style="list-style-type: none"> <li>・世界最高レベルのAI研究機関「Beyond AI 研究推進機構」の研究課題である「複合AIの開発・実現」に向けて、問題の定式化、要素技術の調査、プロトタイプの実装などを支援。</li> <li>・当社からは、物理学博士号学位を取得している複数メンバーが参画。</li> </ul>
りそなHDとの取り組み	りそなホールディングスの“DX自走化”のパートナーとして、中核組織を立ち上げ期より支援 (2021.3.12)	<ul style="list-style-type: none"> <li>・りそなHDのDXを牽引する「データサイエンス室」の立ち上げ・自走化と、当社の専門性を活かした受託分析業務にて支援。</li> <li>・金融商品の購入率が2倍以上となったほか、りそなグループアプリのデータを活かした提案活動で以前の約2倍の成約を達成するなど、数々の成果が生まれている。</li> </ul>
DX人材育成	「データ活用人材育成サービス」の受講者が、5万人を突破 (2021.2.18)	<ul style="list-style-type: none"> <li>・オンライン講座の開設により、わずか6か月間で受講者数が1万人増加するというスピードでサービス拡大中。</li> <li>・(株)三菱UFJ銀行などの大手企業や、農林水産省などの官公庁など、幅広い提供実績に裏付けされた品質が、高評価を得ている。</li> </ul>
アサヒグループHDとの取り組み	アサヒグループホールディングスのDX戦略の要となる、データ活用人材の育成プログラムを提供 (2021.4.28)	<ul style="list-style-type: none"> <li>・アサヒグループのDXを牽引する「Value Creation室」と人事部が目指す「ビジネス・アナリスト」の育成を支援。</li> <li>・本プログラムを通じて、今年度は250名程度のデータ活用人材の育成に貢献することが計画されている。</li> </ul>

※ りそなホールディングス、アサヒグループホールディングス両社は、DX先進企業として、「デジタルトランスフォーメーション銘柄2020」に選出されています。

As we announced in our press release the other day, we have already announced a collaboration with Bell System. It's the top of the list in this presentation. So, in the area of marketing and marketing DX, we are working together with Bell System to provide valuable services. If there is something that can create value and new business for both parties, we will actively discuss it in a unbiased manner. We are discussing and working on initiatives to develop partner services.

Okay, I have a question related to ESG.

Firstly, please tell us about expanding the disclosure of the environmental aspects, such as the amount of CO2 emissions from servers, energy consumption, etc.

Secondly. Please tell us about disclosing your human rights policy for dealing with human rights risks, including the disclosure that there is no child labor or forced labor in society.

Thirdly, regarding information security, I know you are already involved in this area, but please tell us about expanding the disclosure of your measures.

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Fourthly, from the perspective of diversity, please tell us about expanding the disclosure of actual and target figures for the ratio of female managers and female employees.

In terms of governance, there are currently 2 outside directors among the 8 directors, which is less than the one-third ratio of outside directors recommended in the Corporate Governance Code to be revised in 2021. Please tell us if consider increasing the ratio of outside directors, including the appointment of female and non-Japanese outside directors.

Fifthly, please tell us about your thoughts on the establishment of voluntary nomination and compensation committees.

Sixthly, please tell us about your thoughts on the introduction of medium- to long-term performance-linked compensation. Thank you very much for these questions.

Nothing has been officially decided yet, but we would like to proceed with the study. If you have any supplement.

**Ishikawa:** As for the disclosure of the environmental and social aspects at the beginning of the questions, we will proceed with it sequentially because it is a requirement of this world.

In the current situation, as has been said by other companies and the global ESG community, the companies on the delivery side are not that close to this kind of thing, so I think we will just disclose that fact in a simple manner.

In terms of diversity, of course, we are well aware that the ratio of female employees in Japanese IT companies is rather low, but if set this as a target, we are wondering whether we can really achieve it.

In the area of governance, of course, there are the recommendations of the Corporate Governance Code and the conditions of the primary market, so I think it has become a matter of course to be dealt properly. We are also discussing the voluntary Nomination Committee and Nomination and Remuneration Committee with the understanding that these are pressing issues that need to be addressed urgently.

Performance-linked remuneration is a similar story, and of course we are discussing what kind of remuneration is best and how to introduce it in stages, or whether it would be better to introduce it suddenly, while exchanging opinions with directors and outside directors. We have not yet decided on anything, but since the disclosure of remuneration is now mandatory, we would like to proceed and be able to disclose our thinking and direction.

**Kusano:** Yes. In terms of business performance, there was a case in April where Rare Inside experienced widespread concern about its business performance due to the suspension of a contract from one of its customers. Please tell us if your company would disclose the ratio of sales to external customers to the extent possible, and your risk diversification measures to the extent possible.

**Ishikawa:** Isn't it [Inaudible], briefly, on page 15?

**Kusano:** Yes. We do not want to be dependent on a few customers, but on the other hand, from the perspective of profitability, increasing the number of customers with large transaction amounts is a major goal and direction during the current mid-term plan, so we are working on this as well.

Also, as mentioned in the securities report, Yahoo and Itochu have been mentioned as future clients of our company, but as for our relationship with them, we will continue to have a capital and business alliance with Itochu as before. I am aware that [Inaudible] is unlikely to happen.

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As for business with Atres, it is more like multiple projects and work with multiple stores, rather than a single large contract, so it's not likely that all sales disappear when one specific contract expires. I think the most important thing is for customers to feel the value of the service and continue to use it in order for the contract to last longer, but even if we cannot achieve sufficient results, I think it is unlikely that the entire contract will suddenly disappear.

I received a new question. How will the recent changes in IDFA and other rules affect your marketing tool products? We would like to hear your thoughts on whether there will be any problems such as a decrease in accuracy, or whether it could be a tailwind.

I think that the current trend strictly limits the tracking of user behavior, including third-party cookies, and it will probably continue in the future. Up to now, the service we are providing is a first-party cookie that behaves as a cookie of the customer or client company, and we are providing the infrastructure for the client company to store and utilize the behavior on their site or in their application only for them. So there will be no huge impact in the short term.

However, if these regulations become stricter and stricter, there could be an impact in the future, but at present there is no significant impact. In fact, we feel that there is a growing need among customers to improve efficiency by using first-party data to the extent that various numbers cannot be used using third-party cookies.

**Ishikawa:** Last month, cookie management installation is not yet emphasized so much in Japanese offices, so there are not many people who turn it off in this first-party solution, so the impact is quite small at this point in Japan. In the future, when cookie management solutions and cookie consent become mandatory, there will be a possibility that the accuracy will decrease slightly.

I am aware that even in the US and other countries, we have not yet reached a situation where accuracy is greatly degraded or where the majority of people turn off the cookie. In that sense, I don't think there will be any major headwind for our first-party cookie business.

However, to be honest, I'm not sure if there will be a tailwind, which is the current thinking of our team about a first-party cookie as a marketing tool.

**Moderator:** Yes, thank you. We still have some time left, so please feel free to send us your questions, even if they are basic ones. Please.

**Kusano:** Now, while we're waiting for questions, let's get back to the topic. As I mentioned earlier, there will be a presentation on the case of Resona Holdings at our private conference called DOORS, and we are also introducing it in a press release.

This is a case study of how we were able to comprehensively set up a store analysis unit to implement DX. This presentation of a case study has received a great deal of response.

As [Inaudible], our business is to provide the overall capability that companies need to be able to use data.

So, in some basic respects, our business is based on receiving data from customers and analyzing it on their behalf, but they want to do this internally, rather than relying on other companies. There are also customers who recognize the value of having someone who understands the business analyze it. We believe it is true that customers who are capable of doing so will benefit more from the use of data in the long run. We also provide support to these customers.

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So, we can help set up a department, design the department, provide tools to be used in the department, and also transfer skill and teach skills on how to proceed with analysis tools while working on a project together. If necessary, we also provide training and other services to help our clients launch their plans in a comprehensive manner. As one of the representative examples, Resona gave us permission to present the project to the public. The project has been praised by the management of the company as a very successful initiative. I hope we can deepen our relationship in this way.

And in relation to this. In the area of DX human resource development, there is a service for training people to use data, and the number of participants has exceeded 50,000. As the market needs are increasing, there is a growing need for companies to provide training to their employees as the first step in developing analytical human resources within the company.

Well, COVID-19 has made it easier for us to increase our numbers of participant in online courses. If it were for real events and real seminars, there was a limit to the capacity. I think this is a tailwind for us that more and more companies are using e-learning and other methods.

**Moderator:** Yes, thank you. We still have some time left, so if you have even the most rudimentary questions, please post them in the Q&A section.

While we are waiting for a little longer, CFO Ishikawa, if you have anything to add to this earnings announcement that is often asked by investors, please let us know.

**Ishikawa:** Yes, as we were asked at the beginning, what kind of difficulties do we face in the hiring process? As was explained earlier, if the turnover rate is declining, but hiring is stagnant, I honestly believe that there is a lot of competition with large companies.

What I mean by that is that when you go online like this, our appeal becomes a little weaker. To be honest, we are aware that we are losing out to large companies in terms of the sense of security that comes with being a well-known company name or being large and secure. We also need to review our hiring practices in the area we are losing.

It is difficult to have people visit our company in a state of emergency, however, when it is lifted or the situation changes, it is important for us to convey the message that we are a company that can be visited with confidence and that we are a growing company, although we still have about 400 to 500 employees.

Whether the hiring will recover or not is uncertain. It is true that competition in this area is becoming fierce. If we analyze the factors that are causing us to lose, we believe that we can recover by properly communicating our appeal.

**Moderator:** Thank you very much.

**Ishikawa:** Also, the growth of the product business has slowed down a bit, and for the next fiscal year, we need to make some investments for the renewed growth. We are expecting to have to spend a lot of money, but we are not losing in any way in that area, just as Mr. Kusano explained earlier.

However, with the increase in the number of competing companies and the need to communicate online, we recognize that we may be lagging behind in improving our communication skills. In the midst of the IDFA rule changes and various other issues, I think the way we set marketing themes and use tools is also changing.

The world is changing and new venture companies are strongly appealing that their theme is the current mainstream. In such a situation, it is possible that the theme we set may seem outdated for a moment to the world. So we have to appeal ourselves to the world that we are superior to them. We are aware of this, so we

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believe that we need to review the way we appeal to the public and our processes in order to achieve the renewed growth of our product business in the next fiscal year.

Although we believe that we can still grow again, we are no longer in a situation where we can win with easy-to-understand phrases such as "number one in the DMP market". So we have to win the reality-based part.

**Moderator:** Thank you very much. any other questions?

We still accept questions.

**Kusano:** Earlier, Mr. Ishikawa told about this. There is a growing number of students who are unable to visit our company and feel difficult to get a feel for the company in COVID-19 environment. When we are hiring new graduates, I get the impression that they get job offers but can't decide not only on our company but also on other companies. Due to the lack of information, more students become hesitant to make a decision, and at the end of the day, they choose the security of the major companies.

This year, we lost hiring in this kind of pattern. We've been working on rebuilding our communication and other aspects of our business, and we're getting a good response.

Our positive qualities have been wiped out by COVID-19. Back to the online content, this is how we've been able to build relationships with our clients with it. The content is not really advertised or promoted for you to see, so I think it is really purely about how to proceed with DX, and it provides you with insights and learnings.

In each 40 minute session of the content, we set aside about 5 minutes part to ask the participants to evaluate our company. We have received very high evaluations and trust from them. Video includes a scene which I was so moved in the talk with guest speaker. In that sense, the content itself is not only for marketing purposes, but can also be used in the hiring purpose.

I think it can also be used as an inner branding tool for internal use. The purpose of this is to use it as a means to move people's minds in the new environment while strengthening marketing. If you have the time, please take a look at this content as well, and I think you will be able to get a better idea of the reality of [Inaudible].

**Moderator:** Yes, thank you very much. Now, it seems that we have received most of the questions, so I would like to end this presentation a little early.

This concludes the financial results briefing for the third quarter.

Thank you very much for watching. We will send information of DOORS conference via e-mail and other methods. If you would like to have a one-on-one meeting regarding IR, please do not hesitate to contact our IR department. Thank you very much for your time today.

**Kusano:** Thank you very much.

[END]

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### **Document Notes**

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
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