

Branding Engineer Co., Ltd.

Financial Results

1st Quarter, FY August 2022

Disclaimer

The opinions and forecasts contained in this document are based on our judgment at the time the document was prepared. We do not guarantee the accuracy of such information. Please be aware that changes in various factors may cause actual performance or results to differ materially. In addition, information in this document concerning companies other than our company is quoted from publicly available information. We do not guarantee the accuracy of such information.

Contents

- 1. Executive Summary**
- 2. Company Description, Segments**
- 3. Market Environment**
- 4. Financials Results - 1st Quarter, FY Aug. 2022**
- 5. Results by Segment**
- 6. Goals for FY Aug. 2022**
- 7. ESG**

1. Executive Summary



Executive Summary ①

1st Quarter, FY Aug. 2022 Results

- **Q1 Sales: JPY 1.39 billion (+JPY 481 million, or +52.9% YoY)**

Sales and gross profits have gained for the 5th successive quarter reaching record highs

- **Continued investment in advertisement and recruitment-related expenses to acquire engineers, who are the main source of our recurring fee revenues**

(Advertisement expenses are upfront investments. Newly acquired engineers will help generate profits over the medium to long term)

- **An operating loss for 1Q was expected due to the office relocation costs and aggressive advertisement expenses, but business exceeded expectations. As result, 1Q operating profits were JPY 20 million.**

(Moving costs in 1Q were JPY 19 million)

Executive Summary ②

Outlook for the 2nd Quarter, FY Aug. 2022 and beyond

- We plan to invest beyond 2Q as we anticipate mid-long term growth. Lower office relocation costs and a higher number of engineers should boost our recurring business and **lead to higher operating profit growth**
- Acquisition of TSR Solutions in January 2022
Synergies with Midworks are expected, leading to further growth.
(Consolidation from 2Q. 1Q numbers are unconsolidated.)

Acquisition of TSR Solutions

Company description



Company	TSR Solutions Co., Ltd.
Address	3-23-3 Takadanobaba, Shinjuku-ku, Tokyo-to, Japan
Established	23 rd April 2008
Paid-up Capital	JPY 50 million
Description	IT solutions business
No. of Employees	Approx. 80
Annual Sales	Approx. JPY 611 million (FY March 2021)
Licenses & Registration	General Worker Dispatching Co. [Reg. no.: Ha 13-305765] Employment Agency Business Permit [Permit no.: 13-Yu-309145] Info. Security Management System: [JIS Q 27001 (ISO/IEC 27001) Permit no.12572]
Main Clients	Fujisoft, Sky, Hitachi Solutions, others

Expected synergies from the acquisition of TSR Solutions

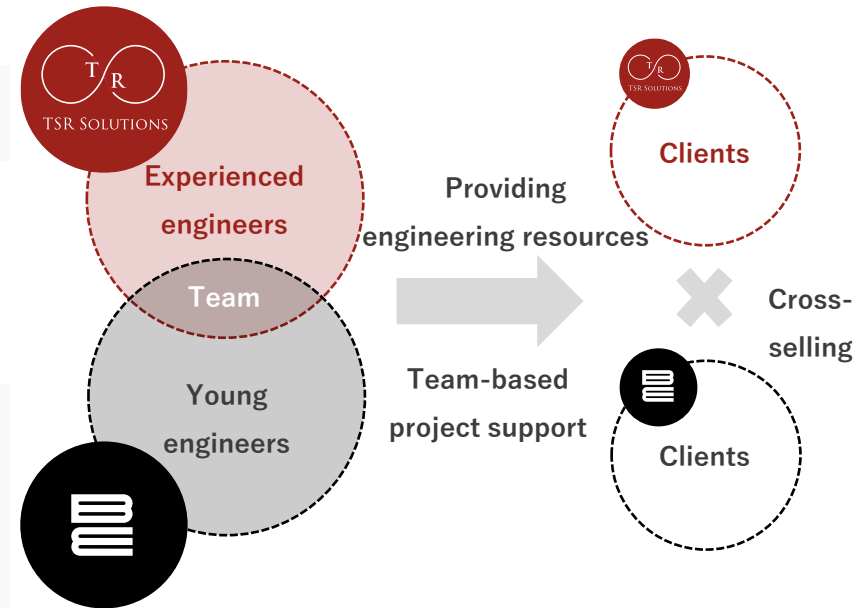
1. Higher sales through cross-selling


Cross-selling by engineers from both companies to clients on both companies

2. High value added proposals by a team with common engineering characteristics

Linking the engineering databases of TSR, which has a strong infrastructure and many experienced IT engineers, and Branding Engineer, which has strong development skills and many young IT engineers.

By providing support on a project-by-project basis, we are able to offer high value-added proposals to meet a wide range of client needs.



An overhead, top-down view of a long wooden conference table. Several people are seated around the table, their heads and shoulders visible. They appear to be in a meeting, with some looking at laptops or tablets. The scene is dimly lit, with a dark, semi-transparent overlay covering the entire image. The text '2. Company Description, Segments' is centered in a large, white, sans-serif font.

2. Company Description, Segments



V i s i o n

“ B r e a k i n g C o m m o n S e n s e ”

Breaking the rules to create true value

A strong entrepreneurial spirit that continues to create new ideas and defy conventional wisdom

Company Description

Company: Branding Engineer Co., Ltd.
(TSE code: 7352)

Established: October 2013

Representatives: Yasushi Kawabata (CEO)
Katsuya Takahara (COO)

Capital: JPY 129.967 million
(as of 31st Aug. 2021)

No. of employees: 160 (as of 31st Aug. 2021)

Business: Midworks
Media
tech boost
FCS
Others (including TechStars)

Permits: General Worker Dispatching Co. [Ha 13-306090]
Employment Agency Business Permit [13-Yu-307261]

Offices:

<Head Office>

6th floor, Shibuya Higashi-guchi Bldg. 2-22-3 Shibuya
Shibuya-ku, Tokyo-to 150-0002 Japan

<Osaka Office>

Room A, 6th floor, Chiyoda Building West, 2-5-4 Umeda
Kita-ku, Osaka-shi, Osaka-fu 530-0001 Japan

<Miyazaki Office>

1st floor, Kurono Building, 3-6-34 Tachibana-dori-higashi
Miyazaki-shi, Miyazaki-ken 880-0805 Japan

<tech boost School>

6th floor, ST Shibuya Building, 1-15-14 Dogenzaka
Shibuya-ku, Tokyo-to 150-0044 Japan

History

2013.10

Branding Engineer Co., Ltd. was established at Ebisu-nishi, Shibuya-ku, Tokyo-to as an IT engineering company specializing in HR technology and systems consulting. Began its FCS business.

2014.9

Conducted a 3rd party allocation of shares of JPY 20.007 million

2015.1

Set up Midworks

2015.10

Set up [TechStars](#), a direct recruiting service specializing in IT engineers

2016.3

Launched [Midworks](#), an IT-support services provider

2016.7

Conducted a 3rd party allocation of shares of JPY 101.99 million

2016.9

Relocated our head office to Maruyama-cho, Shibuya-ku, Tokyo-to

2016.10

Launched [Mayonez](#), a career magazine for IT specialists

2017.5

Launched [Tap-biz](#), a career magazine for business people

2017.10

Opened [tech boost](#), a programming school specializing in the latest AI, blockchain and IoT technologies

2019.8

Launched [SAKAKU](#), a media consulting provider

2019.11

Launched [tech boost pro](#), a course for career counseling offered at tech boost

2020.7

Listed on the Tokyo Stock Exchange Mothers market (TSE ticker code: 7352)

2021.2

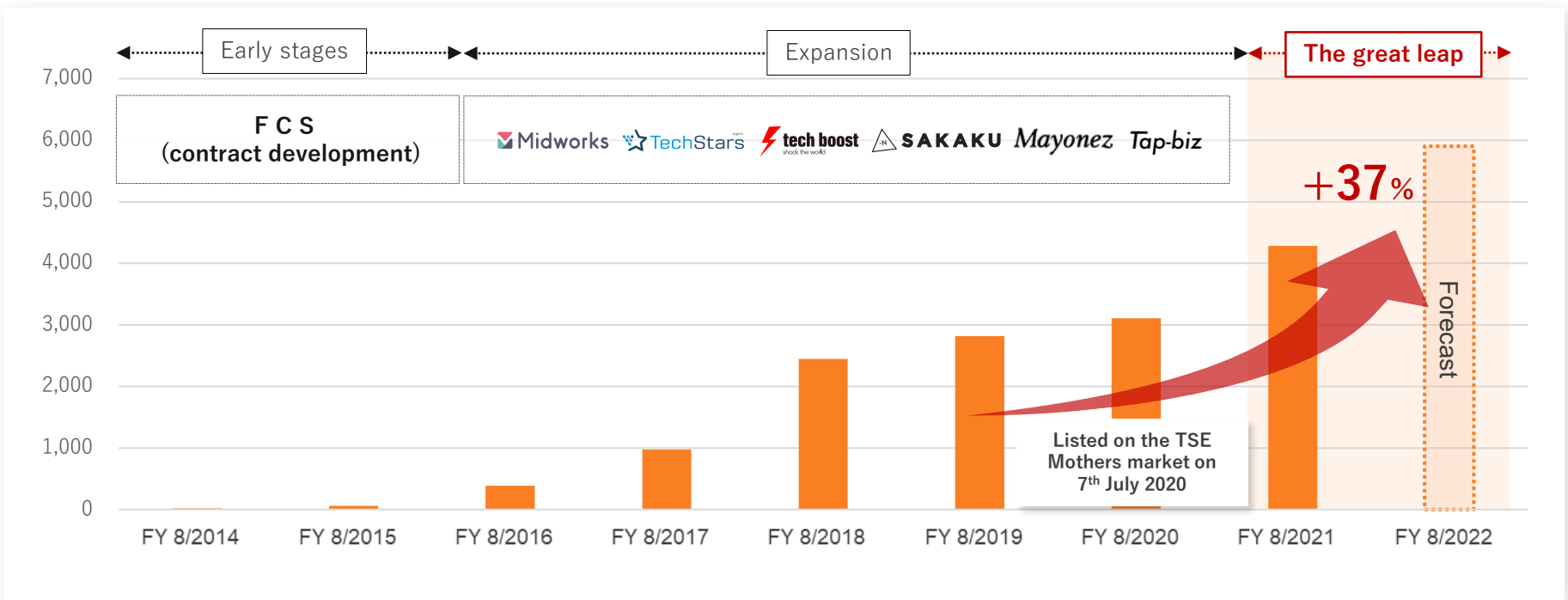
Acquired 100% share of a media company making it a wholly-owned subsidiary, and consolidated the accounts

2021.11

Relocated our head office to Shibuya, Shibuya-ku, Tokyo-to

Historical Earnings

8 successive years of higher revenues since the company was founded in 2013. Revenues set to increase **37%** this year. Our 3 year sales target was achieved a year early. Years 5 to 7 saw management reinforcement. Listed in July 2020.



Branding Engineer - business description

Platform services for engineers and Marketing platform services

Platform services for engineers



Midworks

Matching services for freelance engineers



tech boost

Online programming education



TechStars

Career support services for IT engineers



FCS

DX promotion and recruitment consulting

Marketing platform services



Media business

In-house media business and web marketing consulting

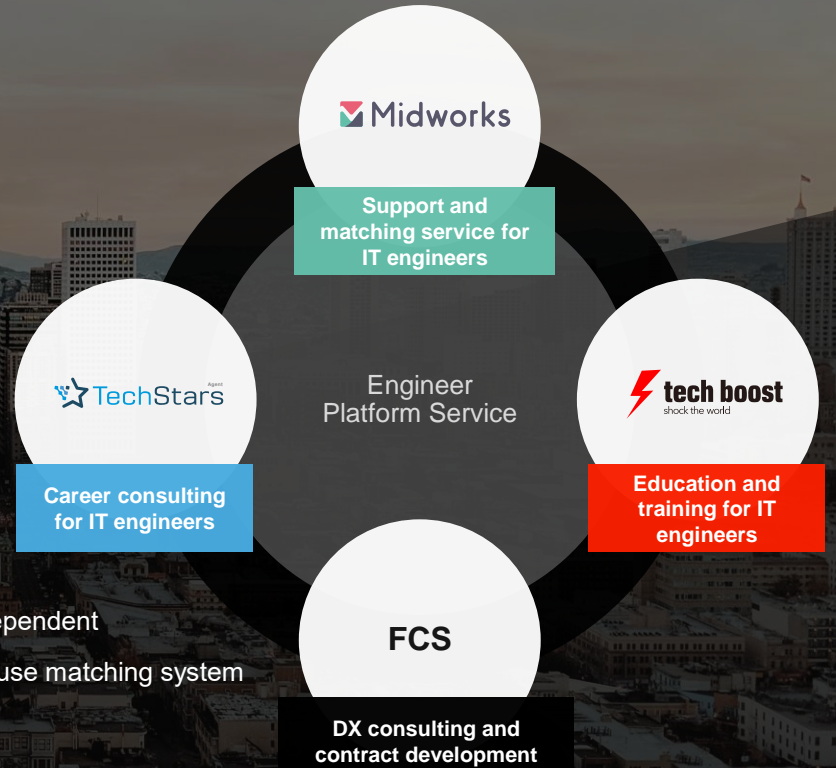


Platform services for engineers

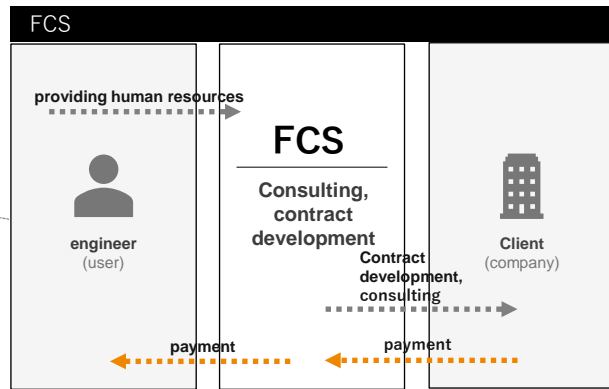
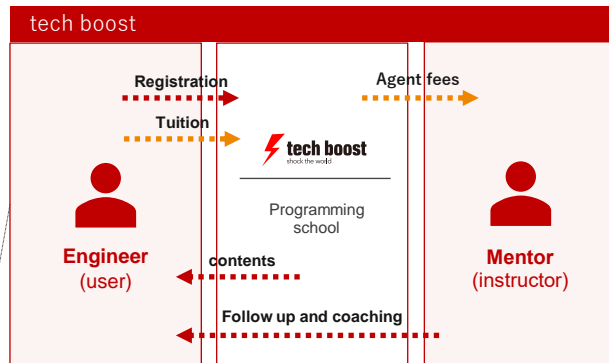
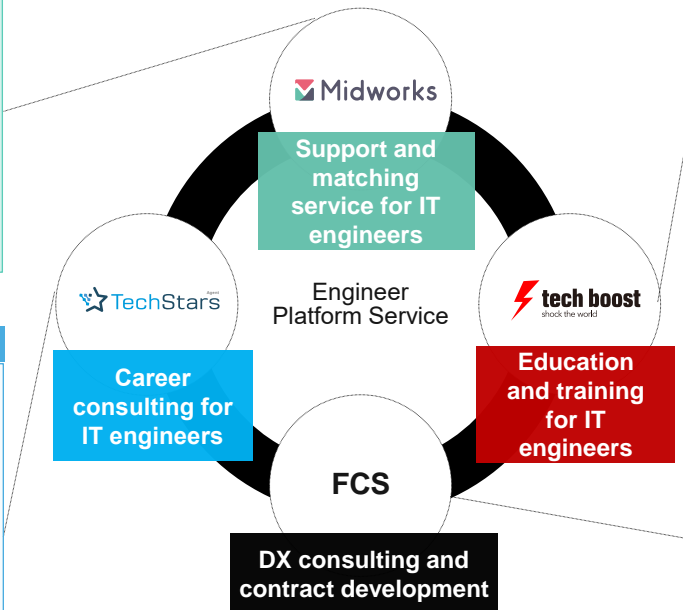
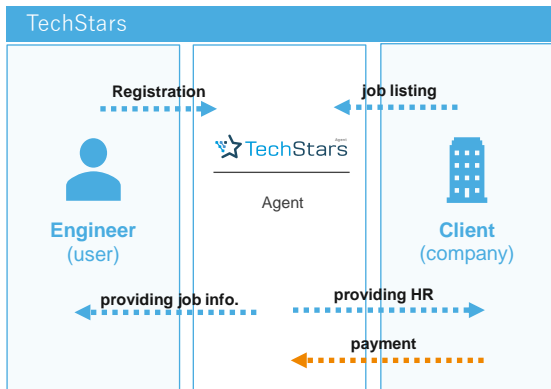
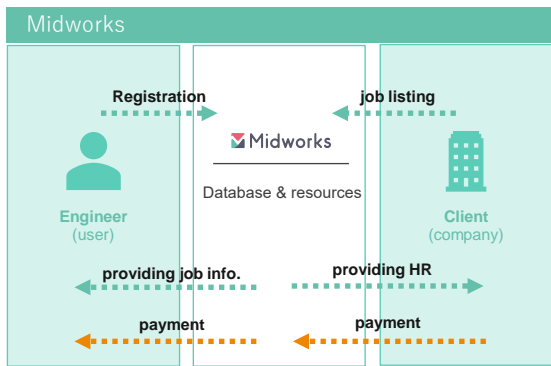
Career cycle

Platform

- ▶ Providing services tailored to all work styles, needs and values of IT engineers
- ▶ Covering and support the entire career cycle from education/training to going independent
- ▶ Propose and introduce engineers suitable to the company's needs using an in-house matching system
- ▶ Match IT engineers with a variety of company projects



Platform services for engineers - summary



Platform business for engineers - list of businesses



Midworks

Freelance engineer matching service
Database of over 20,000 freelance IT professionals (as of Dec. 2021)
Wide variety of projects from companies
Promoting new ways of working with IT professionals



FCS

Providing various consulting services to companies on DX, ranging from contracted system development to providing recruitment consulting services to set up systems development divisions.



tech boost

Programming education for freelance engineers is offered in both classroom and online formats.
Engineers with practical experience act as instructors and provide practical IT training necessary for business people to cope with DX.
We offer a wide range of training programs to meet the needs of our customers.



TechStars

Job search service for IT engineers
By having a single consultant in charge of both the company and the job seeker, we are able to provide positions that match the values and needs of each individual job seeker from a wide variety of job openings.

Platform business for engineers - scope of business

Our in-house engineer database

×

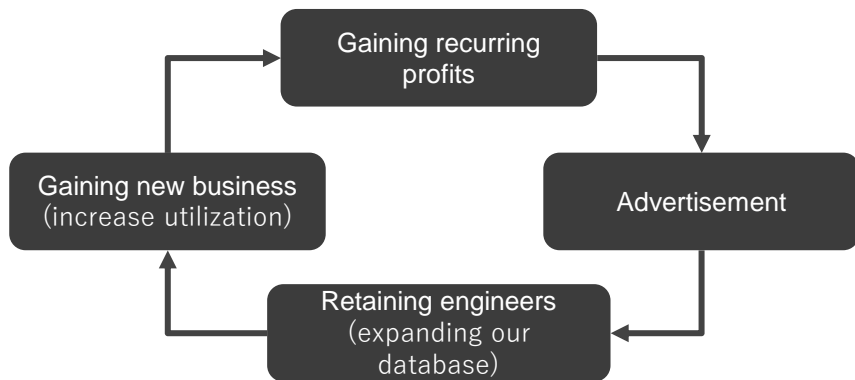
Marketing prowess to source a variety of engineers

...are our competitive strengths. We provide a wide variety of services to meet client needs.

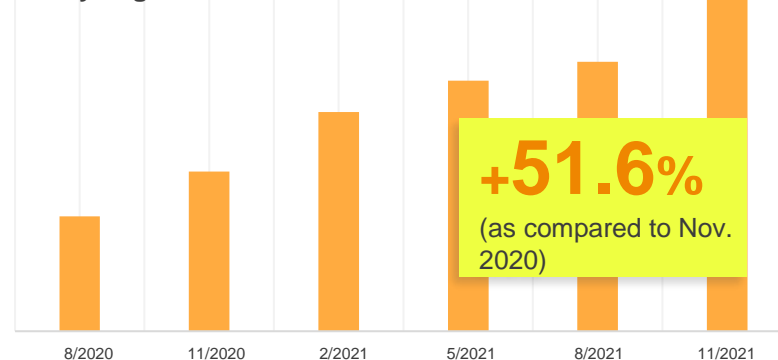
		Branding Engineer	Company A	Company B	Company C	Company D
Sending human resources, organization building	Strategy formulation	-		-	-	
	Defining requirements	FCS		-	-	
	Team design	Midworks		-		
	System design					
	Development					-
	Operations, maintenance		-		-	-
	Testing		-		-	-
HR creation	Programming school	tech boost	-	-		-
	(B-to-B)		-	-	-	-
	(B-to-C)		-	-		-

Platform business for engineers - the business model

Stable sales growth by increasing the number of recurring client companies (projects) and engineers. In 4Q, we continued to focus on acquiring engineers and aggressively advertised, **resulting in a 51.6% increase in monthly engineer utilization** (compared to the months of Nov. 2020 and Nov. 2021)



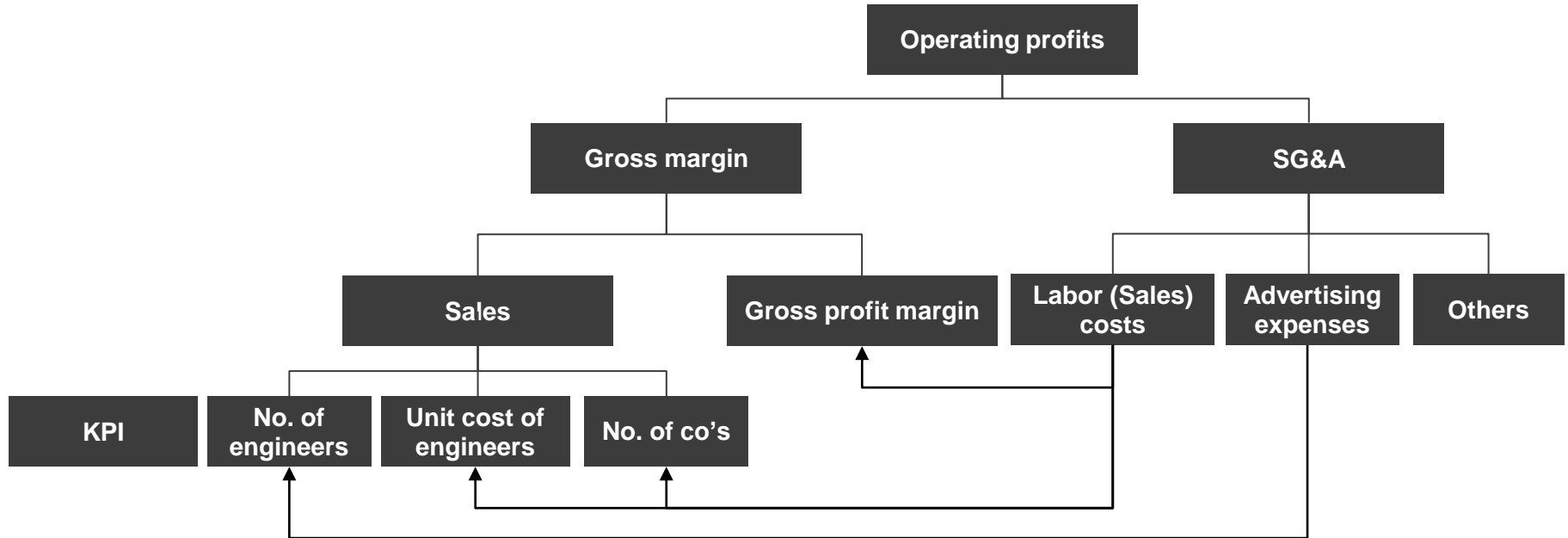
Monthly engineer utilization



Platform business for engineers - the business model

Advertising has contributed to the higher number of engineers.

Personnel (Sales) costs have contributed to the higher number of companies and the unit cost of engineers.



Marketing platform services

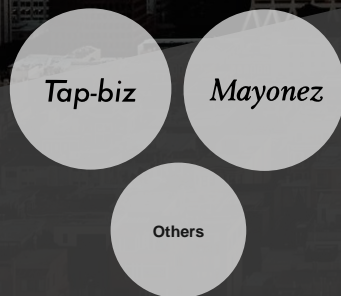
Based on our knowledge of web marketing

Expand into new areas

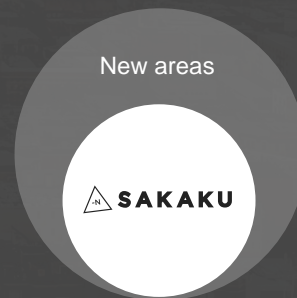
- ▶ We operate over 10 media companies including Mayonez and Tap-biz
- ▶ Using our web marketing know-how through the operation of media companies, we provide web market consulting services to company's via SAKAKU

Web Marketing/Client Solutions

Our media companies



Web marketing consulting services



Marketing platform services - business divisions



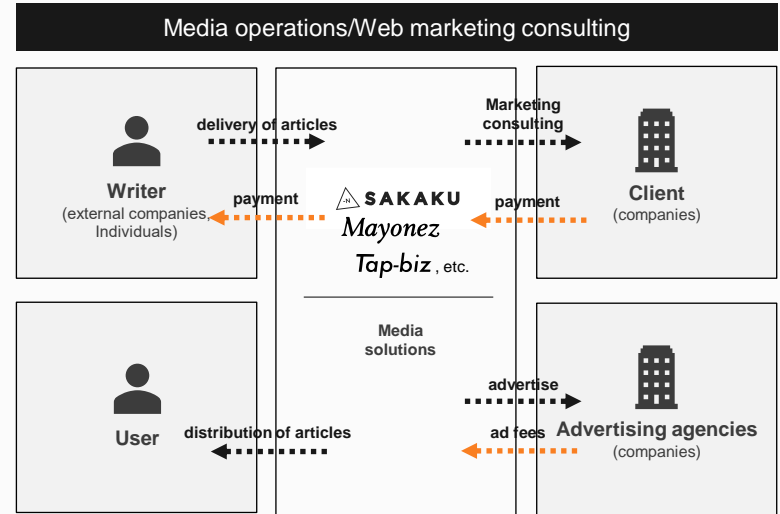
Media operations

We operate over 10 media companies including Mayonez, a lifestyle magazine for IT professionals, and Tap-biz, which provides information and knowledge to business people.



Web marketing consulting

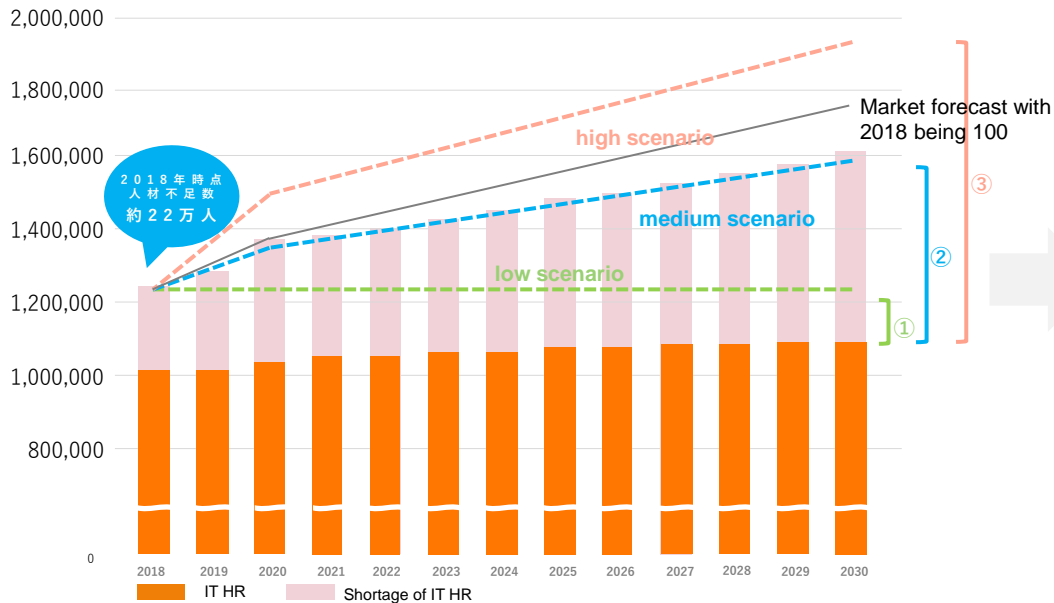
Using our web marketing know-how through the operation of media companies, we provide web market consulting services that include SEO consulting, media start-up and writing articles.



3. Market Environment

Platform services for engineers - the business environment ①

The rapid shift to DX has **made it difficult to source IT personnel**, making companies that possess **a database of IT engineers, such as Branding Engineer, more valuable.**



IT personnel demand gap in 2030

Between 160,000-790,000

- ① low scenario
- ② medium scenario
- ③ high scenario

IT HR Trends

Supply has not kept up with the demand for IT personnel. We envisage a shortage of 790,000 by 2030

This will raise the value of Branding Engineer as a company providing engineer services such as education, training and matching services for freelance engineers.

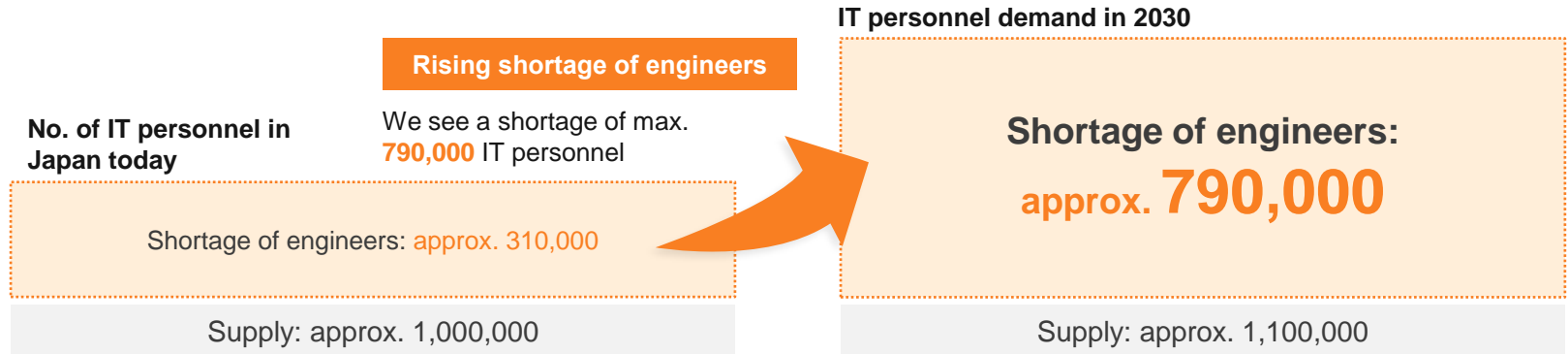
Source: METI, Survey Results on the Latest Trends and Future Estimates of IT Human Resources (2019 ed.)

Copyright © Branding Engineer Co., Ltd. All rights reserved.

Platform services for engineers - the business environment ②

With the shortage of engineers, the market for engineer support, training and employment is expanding, and with it, demand for consulting services that can effectively use engineers is expected to increase.

Source: METI, Survey Results on the Latest Trends and Future Estimates of IT Human Resources (2019 ed.)



generate IT personnel

tech boost
Programming education that generates IT engineers

dispatch IT personnel

Midworks
Support for IT engineers to become independent, matching service

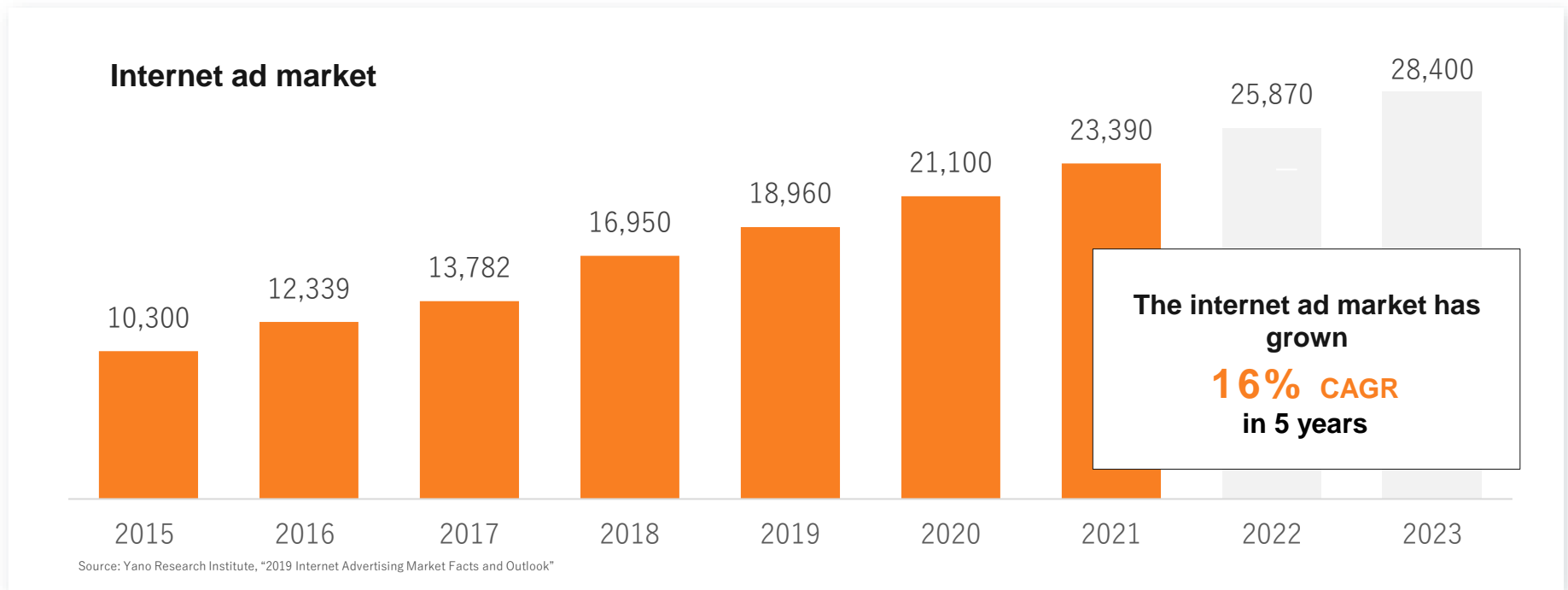
TechStars
Job and career consulting for IT engineers

Build organizations to receive IT personnel

FCS
Consulting on the hiring of engineers

Marketing platform services - the business environment

The internet advertising market is expected to grow at a 16% CAGR over the next five years, reaching 2.8 trillion yen by 2023.





4. Financial Results

1st Quarter, FY August 2022

Sales & profits (quarterly)

Quarterly sales were **+52.9% YoY** • Gross margins were **+37.1% YoY**

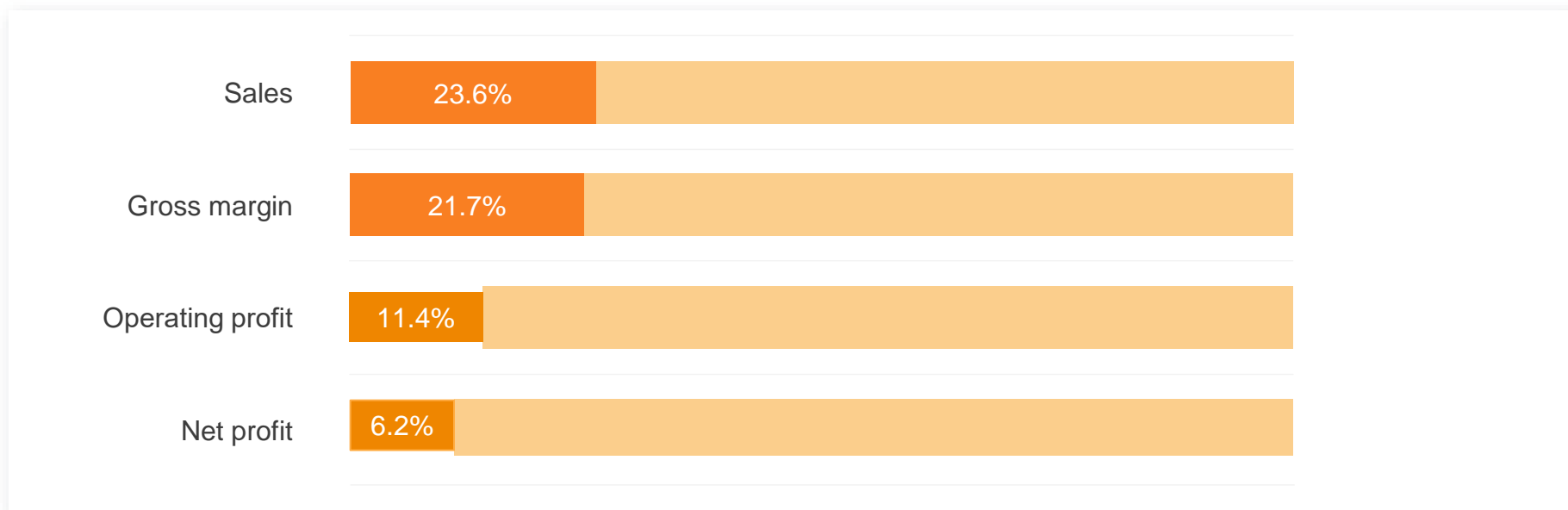
	1st Quarter FY Aug. 2022	1st Quarter FY Aug. 2021	
	Actual	Actual	Change
Sales	1,390,363	909,107	+52.9%
Gross margin	421,176	307,190	+37.1%
Operating profit	20,512	42,309	-51.5%
Net profit	6,869	24,420	-71.9%

Unit: JPY 1,000

Note: The main reasons for the fall in profit were the temporary demand for B-to-B training using subsidies in 1Q FY 2021, and higher advertising expense of 51 million yen and office relocation expenses of 19 million yen in the 1Q FY 2022.

Full year earnings forecast and progress

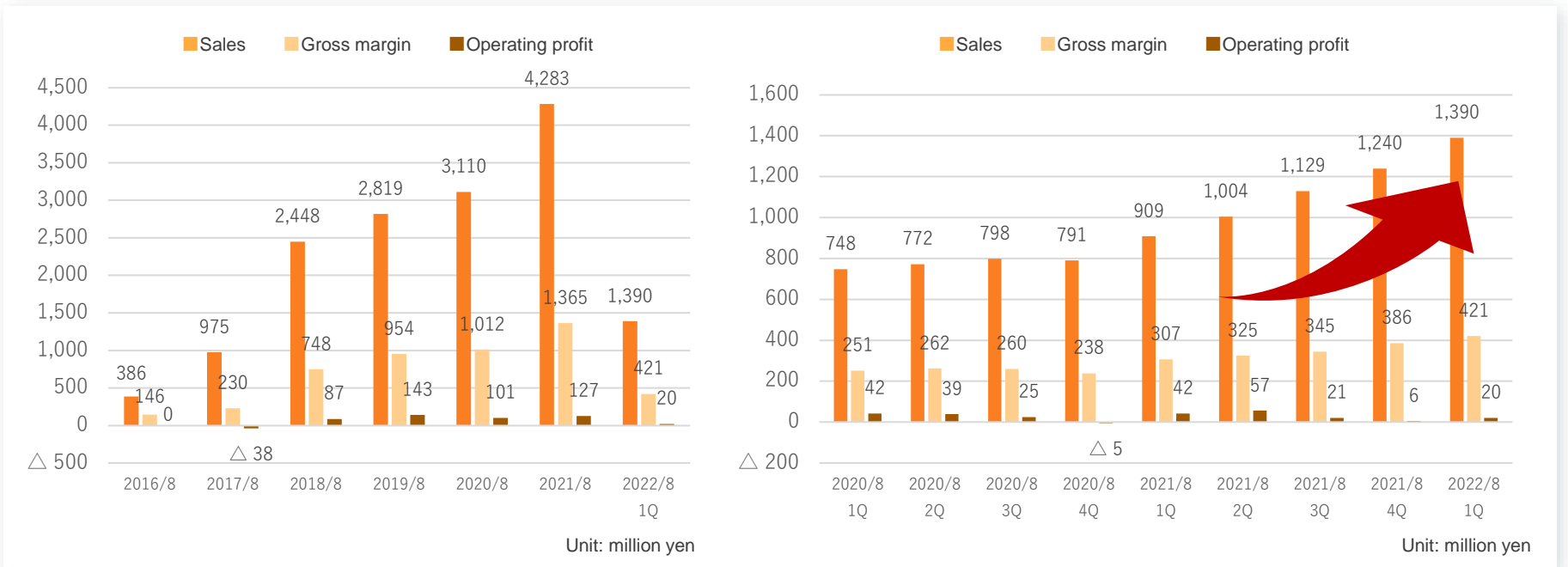
1Q sales and profits exceeded initial expectations, albeit a loss due to one-time costs associated with office relocation. From 2Q onwards, office relocation expenses will be reduced, and sales & profits are expected to make substantial gains through the efficiency of the matching system and an increasing number of engineers.



Quarterly earnings

Quarterly sales surpassed **1.3 billion yen**

Sales and profits recorded highs for the **5th successive quarter**



SG&A - YoY by quarter

1Q saw continued aggressive capex to promote growth

Advertising expenses to attract engineers, the source of recurring earnings, were up 112.5% YoY.

Rents doubled temporarily due to office relocation, and labor costs rose.

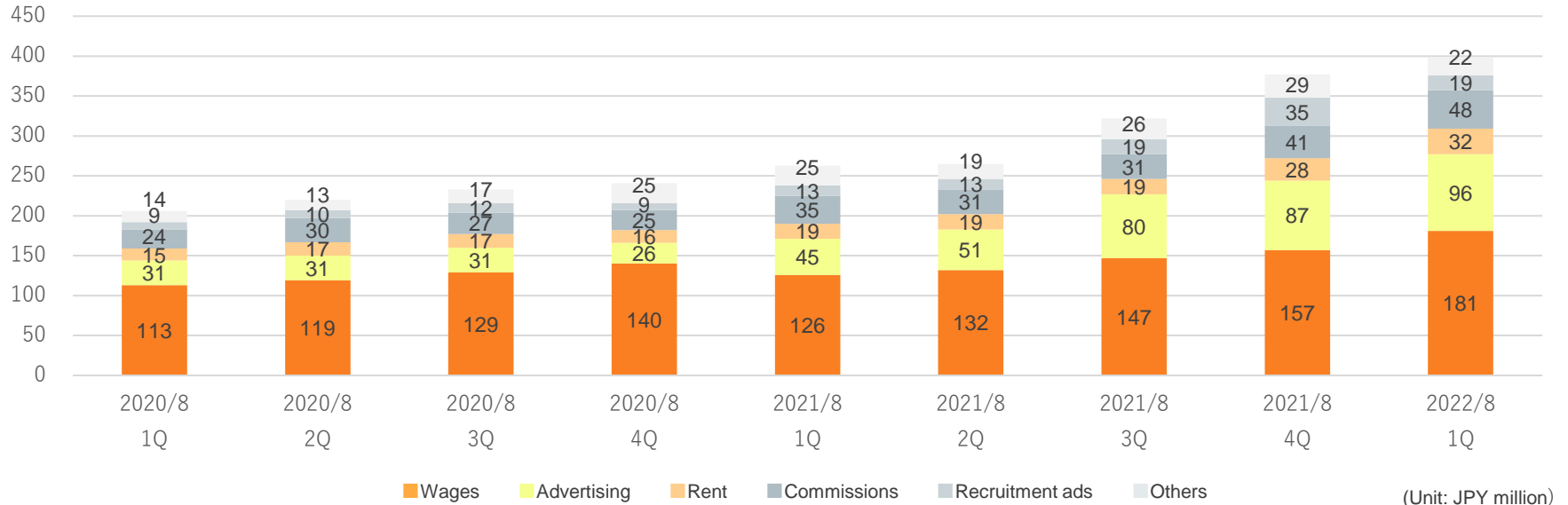
However, with DX, our in-house system has improved the labor cost to sales ratio.


	1Q	1Q	
	FY Aug. 2021	FY Aug. 2021	
	Actual	Actual	Change
Wages	181,205	126,751	+43.0%
Advertising expenses	96,705	45,499	+112.5%
Rents	32,449	19,340	+67.8%
Commissions payable	48,852	35,008	+39.5%
Recruitment advertising	19,250	13,068	+47.3%
Others	22,199	25,213	-12.0%

Unit: 1,000 yen

SG&A - by quarter

Advertising expenses to acquire engineers, the main source of recurring earnings, increased in line with business growth. Increased advertising expenses rose by 260% compared to 4Q FY Aug. 2020, the quarter in which the company was listed, for future expansion. Advertising expenses are an up-front investment, and acquired engineers are expected to contribute to recurring profits over the medium to long term.



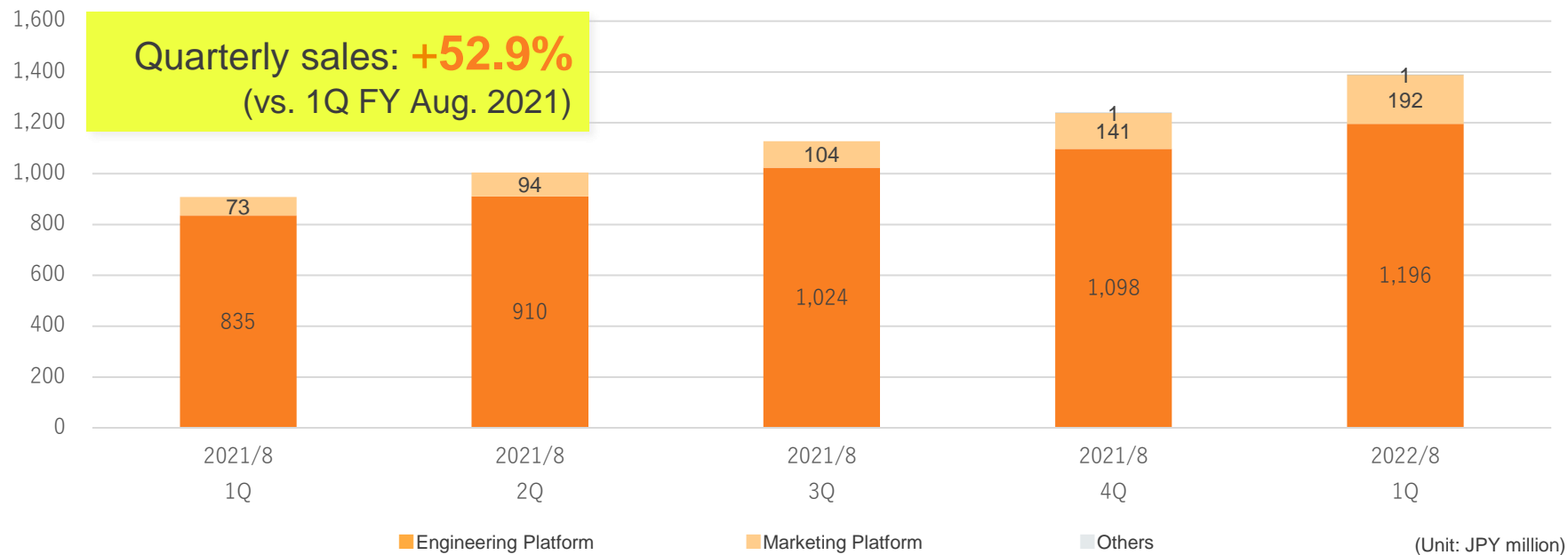
A top-down view of a meeting around a wooden table. Several people are seated around the table, some using laptops and tablets. The scene is dimly lit, with the primary light source being the screens of the devices. The overall atmosphere is professional and collaborative.

5. Results by Segment

Quarterly sales by segment

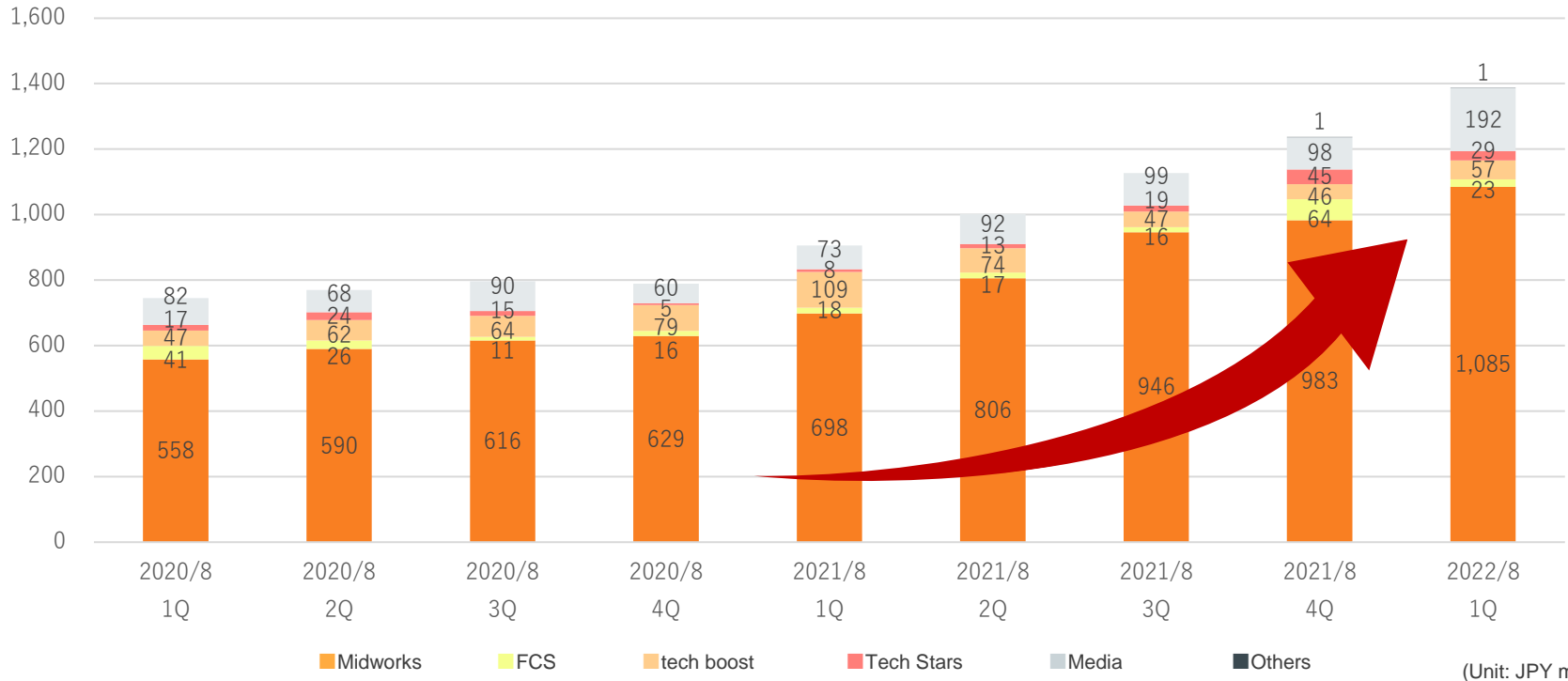
Sales from the engineering platform showed firm growth

Quarterly sales were **+52.9% YoY**



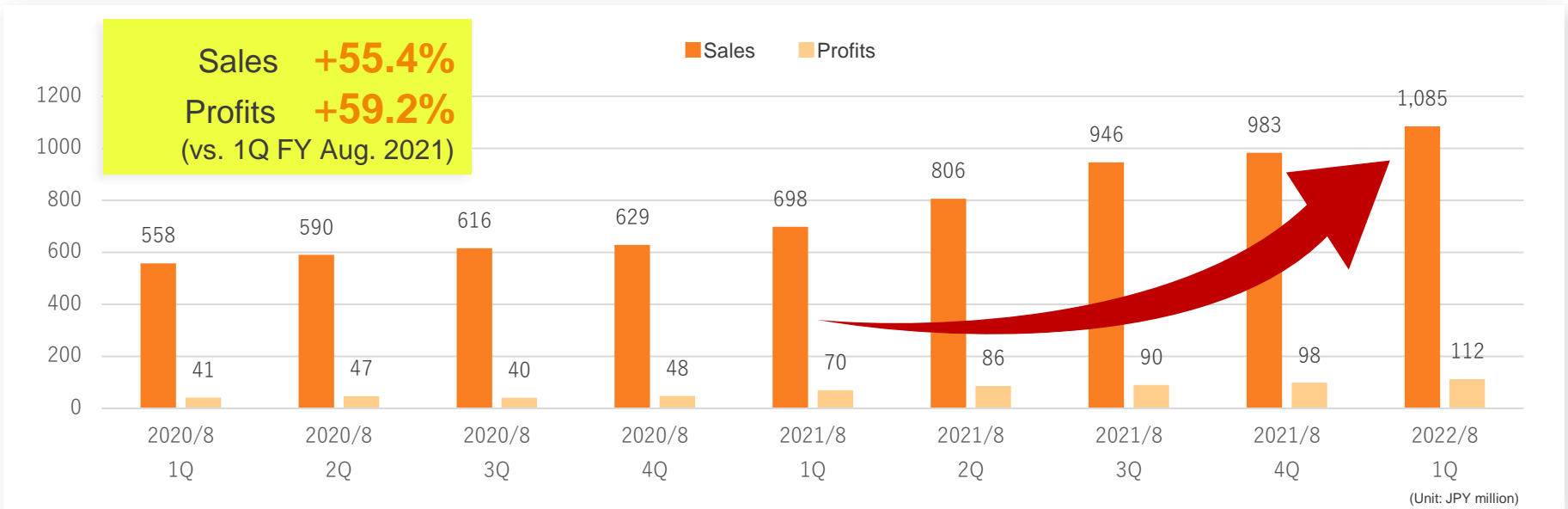
Quarterly sales by business division

1Q sales was uplifted by Midworks and the media business



Midworks

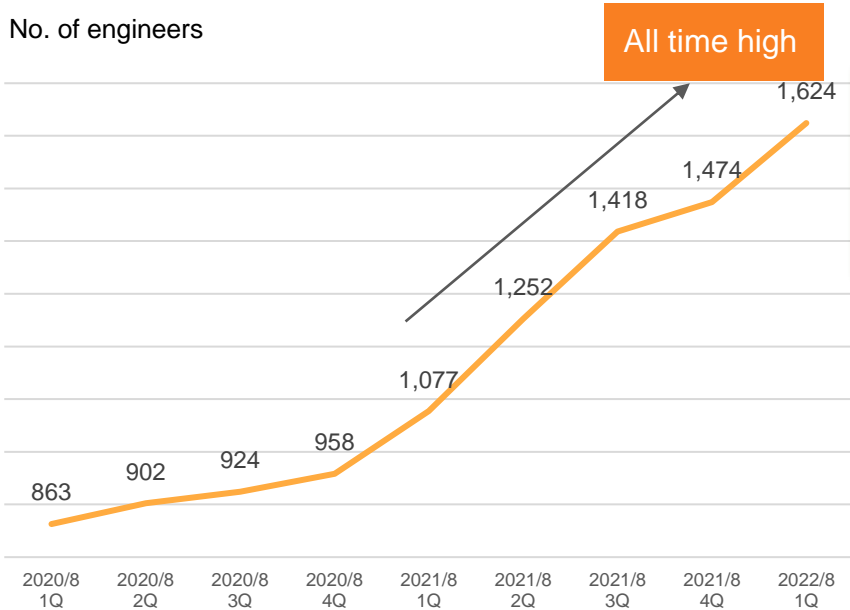
Quarterly sales exceeded **1 billion yen** and profits continued to **reach record highs**. Accelerated investment in advertising and recruitment-related expenses for mid- to long-term business growth. **Sales were +55.4% and profits were +59.2% YoY.**



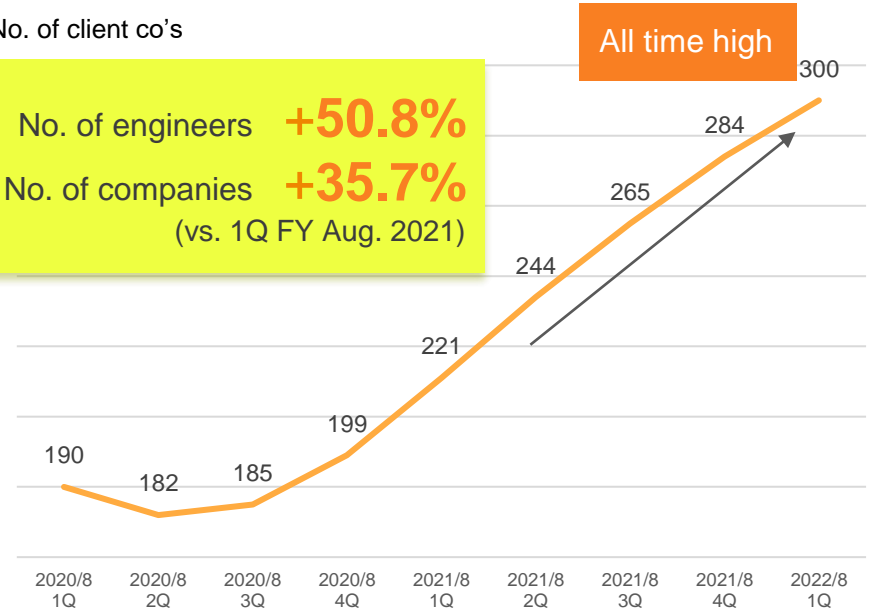
Midworks

In 4Q FY Aug. 2021, our priority was on reinforcing the internal engineering support team in anticipation of growth in FY Aug. 2022, resulting in a temporary decline in the number of active positions. In 1Q FY Aug. 2022, the reinforcement was completed and the increase in the number of engineers accelerated. **Both the number of engineers and the number of companies with which we do business continue to reach record highs.**

No. of engineers



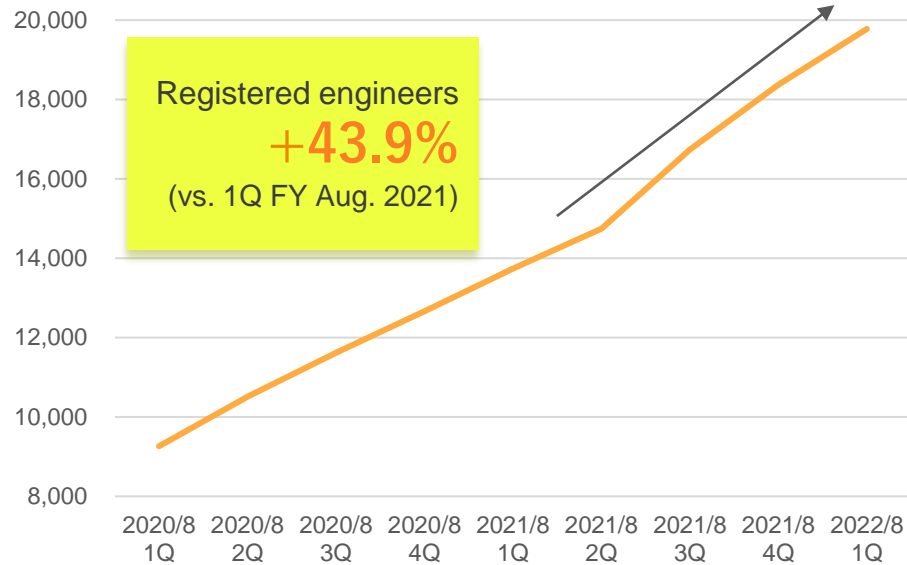
No. of client co's



No. of engineers **+50.8%**
No. of companies **+35.7%**
(vs. 1Q FY Aug. 2021)

Midworks

Registered engineers at Midworks



The number of registered engineers continue to rise

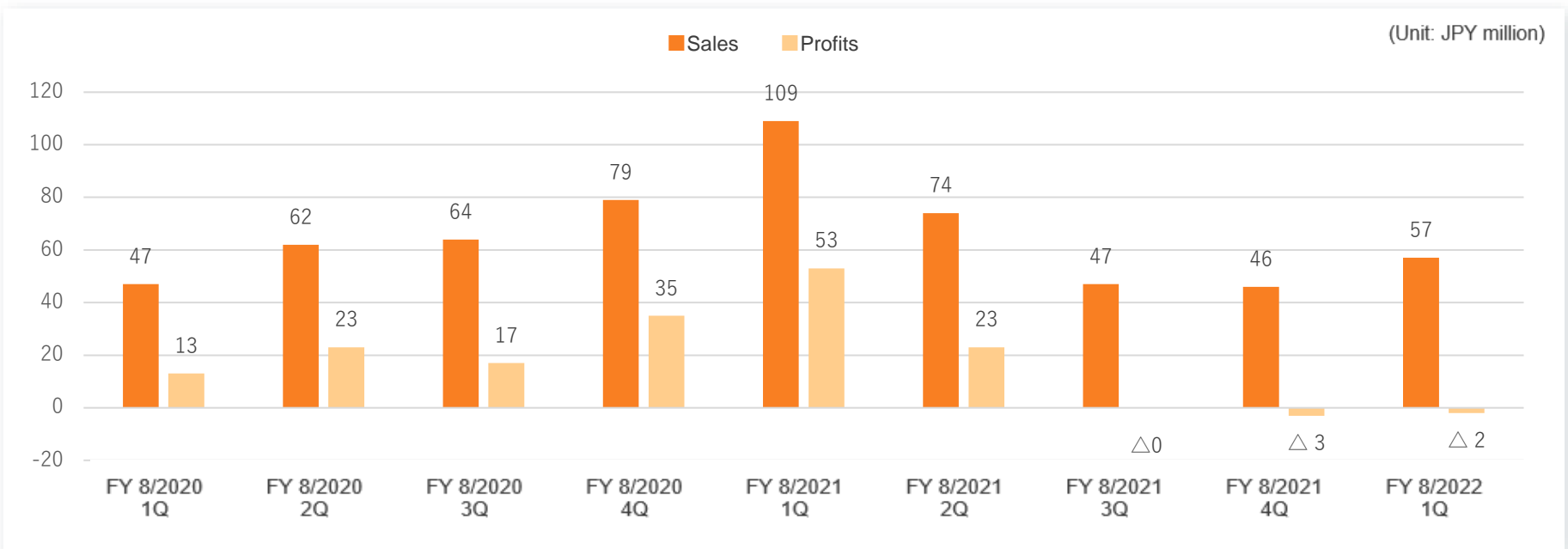
As of end 1Q, it surpassed

19,000 (+43.9% YoY)

(As of Dec. 2021, we have surpassed 20,000)

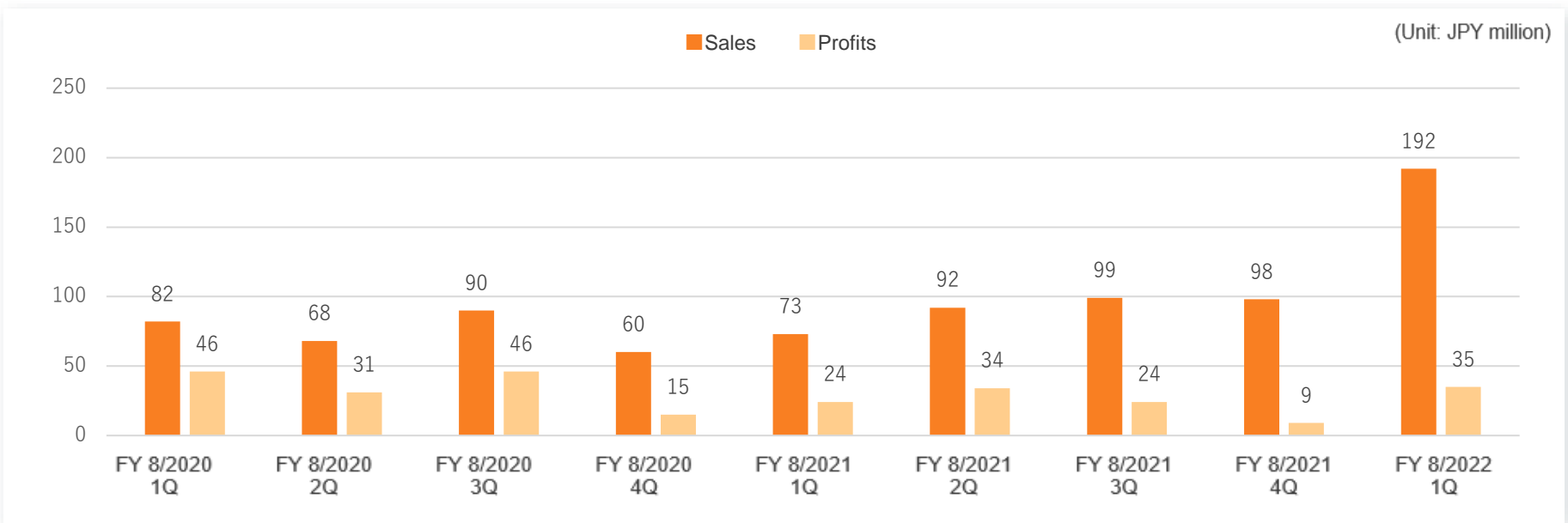
tech boost

Sales fell QoQ as a result of the end of temporary B-to-B training demand which was funded through grants. Sales should recover as Java/Front-end courses will be offered from Nov. 2021 and as we see expansion of services for individuals.



Media business

Sales exceeded **100 million yen (+160.6% YoY)** by expanding the business domain of **web marketing consulting and enhancing services**. We aim to further expand business through ongoing service enhancements.



A dark, top-down view of a desk. In the upper right, there is a small white pot with a green succulent. A black pen lies diagonally across the desk. Several paper clips are scattered on the left side. In the lower right, a black Citizen LC-210NR calculator is visible. The text "6. Goals for FY Aug. 2022" is centered in white.

6. Goals for FY Aug. 2022

FY Aug. 2022 - key features

Continued investments for growth

Focusing on advertising expenses, which is the growth trigger for engineering platform services, we will continue to invest for growth. Management is not focused on short-term profits, but on becoming a company with a 100 billion yen market capitalization in the shortest amount of time possible.

Further cooperation amongst business divisions

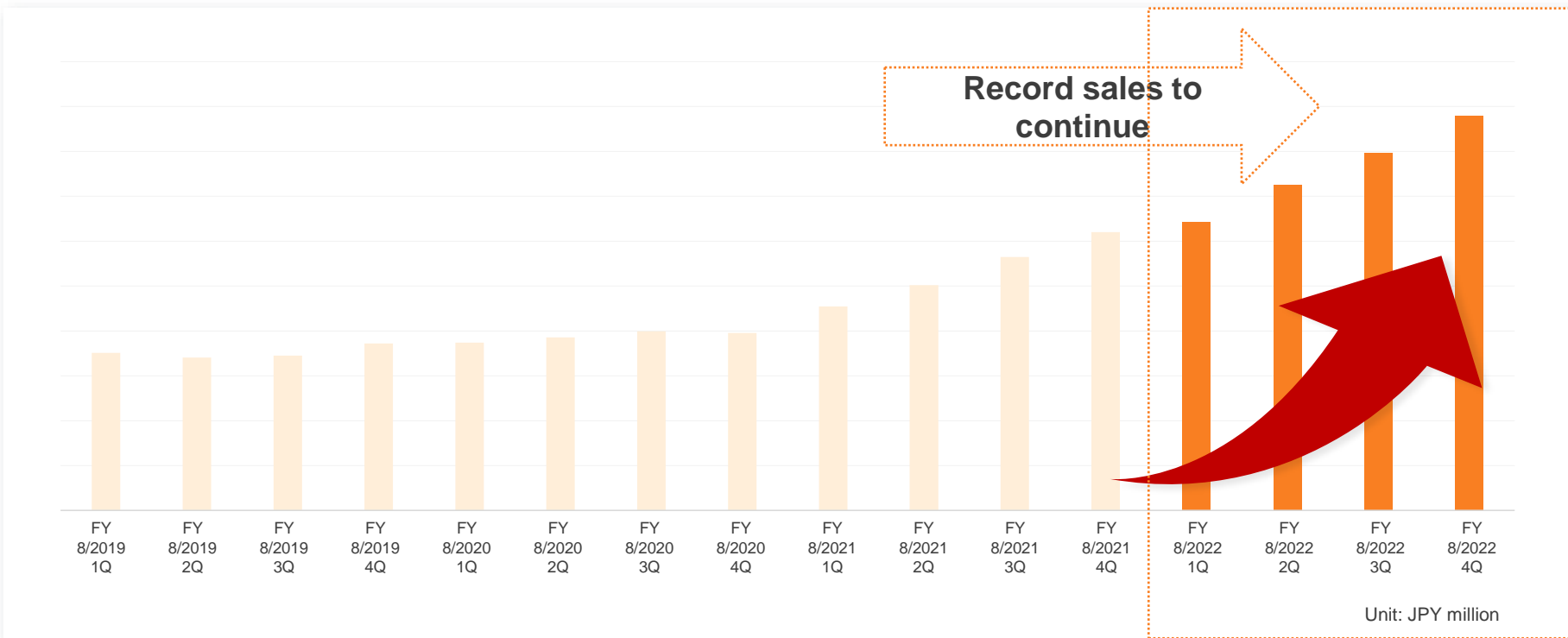
Changed segments to Platform Services for Engineers and Marketing Platform Services. Reinforce collaboration between each business division to accelerate expansion and become a platform company for both engineers and marketing.

New businesses and M&A

Expand our structure and functions to enter new domains and to conduct M&A to raise our growth curve by leveraging our strengths in IT engineering and digital marketing

Quarterly sales

We see **record sales** for each quarter in FY Aug. 2022



Platform service for engineers

For FY Aug. 2022, our focus is on creating new ways for freelance engineers to work, and improve our value added in matching engineers with companies

Present

Measure ①

Maximize advertising expenses to attract engineers

Measure ②

Increase sales staff, increase proposals to companies

Present Support freelancers

Midworks × Workstyle
Freelance

segmentation

Beyond the current fiscal year

Not only to match engineers with companies, but to **enlighten companies on new workstyles** for engineers

Beyond 2022 **【Create new workstyles】**

Midworks	Workstyle	
	Shorter working hours	Crowdsourcing
	Remote work	Technical advice

Build a comprehensive platform for engineers

Future goals

IT engineers

Promote a free workstyle. Create an environment by enhancing options and increasing value whereby every IT engineer can enjoy his/her workstyle.

Companies

Create hybrid engineering teams of full-time and freelance engineers. Building essential IT that enables every company to achieve DX.

Marketing platform services

Expanding our business from web media consulting to web marketing consulting
Offer comprehensive web marketing services such as SNS and web advertising, and other new forms of marketing support unavailable in the past



New businesses

Entering new domains where we can leverage our own strengths

Our strengths

Using our engineer platform

IT engineers

By using our Marketing platform services

Digital marketing

Target domains

- Industries that have lagged behind in digital transformation (DX)
- Industries where DX has yet to be introduced

×

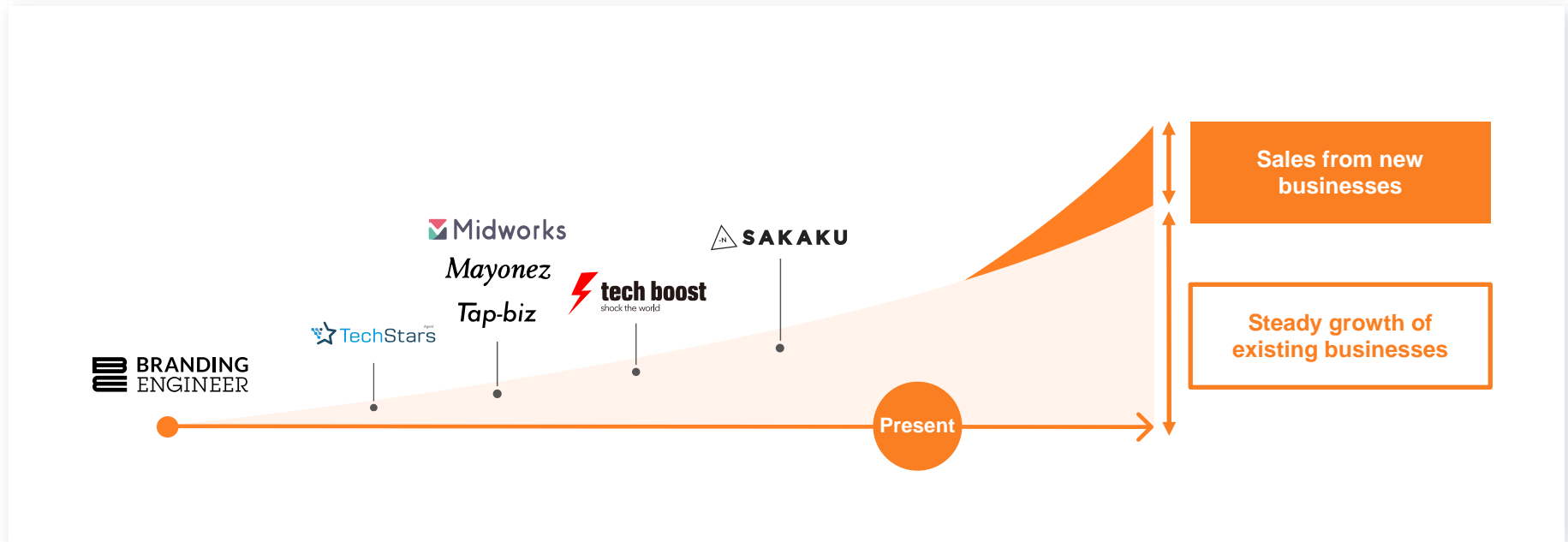
- Industries offering a large opportunity



Proceed, if these conditions are satisfied

New businesses

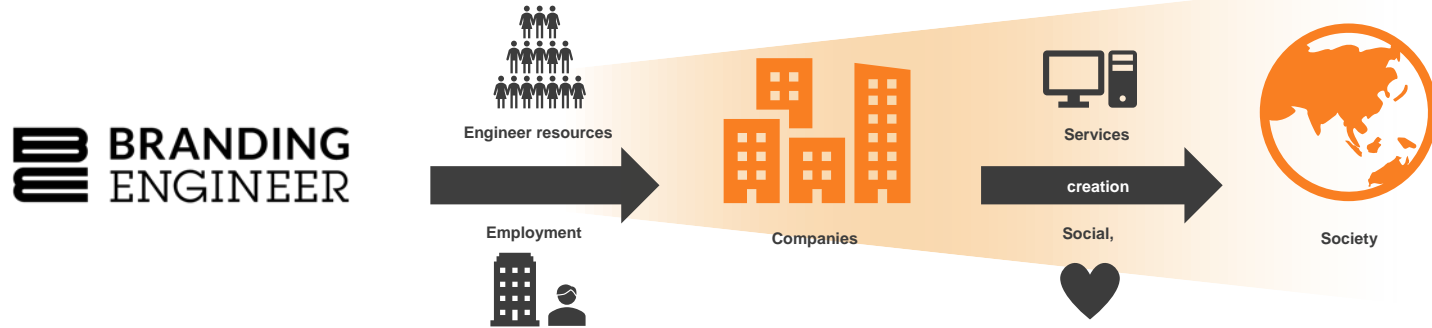
Continue to invest for growth while expanding business scale through steady growth of existing businesses and the contribution of sales from new businesses



7. ESG

ESG

Eliminating IT staffing shortages by matching companies with IT engineers
Promoting DX in society and supporting the creation of new services
New services bring environmental protection and social revitalization



Social & Environment	Governance
<ul style="list-style-type: none">Propose new ways of work for engineers, including support for freelancersProvide engineering resources to companies and create new servicesCreating services to enrich people's lives and revitalize society	<ul style="list-style-type: none">Enhancing corporate governanceCompliance with the relevant laws and regulations

Disclaimer

This document contains forward-looking statements, plans and management objectives related to the Company.

These forward-looking statements are based on current assumptions about future events and trends, do not guarantee that such assumptions will prove accurate, and involve risks and uncertainties. Please note that actual results may differ materially from these forward-looking statements due to changes in the business environment and other factors.

Unless otherwise indicated, the financial data presented in this document are presented in accordance with accounting principles generally accepted in Japan.

The information contained in this document regarding companies other than the Company is based on publicly available information. The Company has not verified and does not guarantee the accuracy or adequacy of such information.

This document does not constitute or form the basis of any contract or obligation to make any solicitation or offer to sell or to solicit any offer to buy any securities (hereinafter referred to as "Solicitation")