First Quarter Results for Fiscal Year Ending August 31, 2024

Goodpatch Inc. (TSE Code: 7351)

January 12, 2024

Design to empower1❤️

Goodpatch

Financial Highlights for FY2024 Q1

Goodpatch

Financial Highlights for FY2024 Q1 (Sep. - Nov.)

Net sales

1,024 million yen

YoY change

+20.7% (**+175** million yen)

Progress rate

21.5%

Operating income

−28 million yen

YoY change

− (**+5** million yen)

Progress rate

−

Medium- to long-term policy

A company that "designs" innovations to advance corporate transformation based on customer experience

Business Focus for FY2024

Build deep relationships and expand solutions to help customers transform their businesses

Net sales up 20.7% (YoY)

- Number of companies increased and acquisitions remained strong YoY
- Due to a lack of effective business negotiations in FY2023 Q4, plans were delayed in acquiring new projects, but this is expected to be resolved in the future

Profits up YoY, despite operating deficit

- Despite aggressive investment, designer utilization decreased due to a shortfall in new acquisitions
- Outsourcing costs have increased due to an increase in production projects, which will cause a temporary decline in profitability

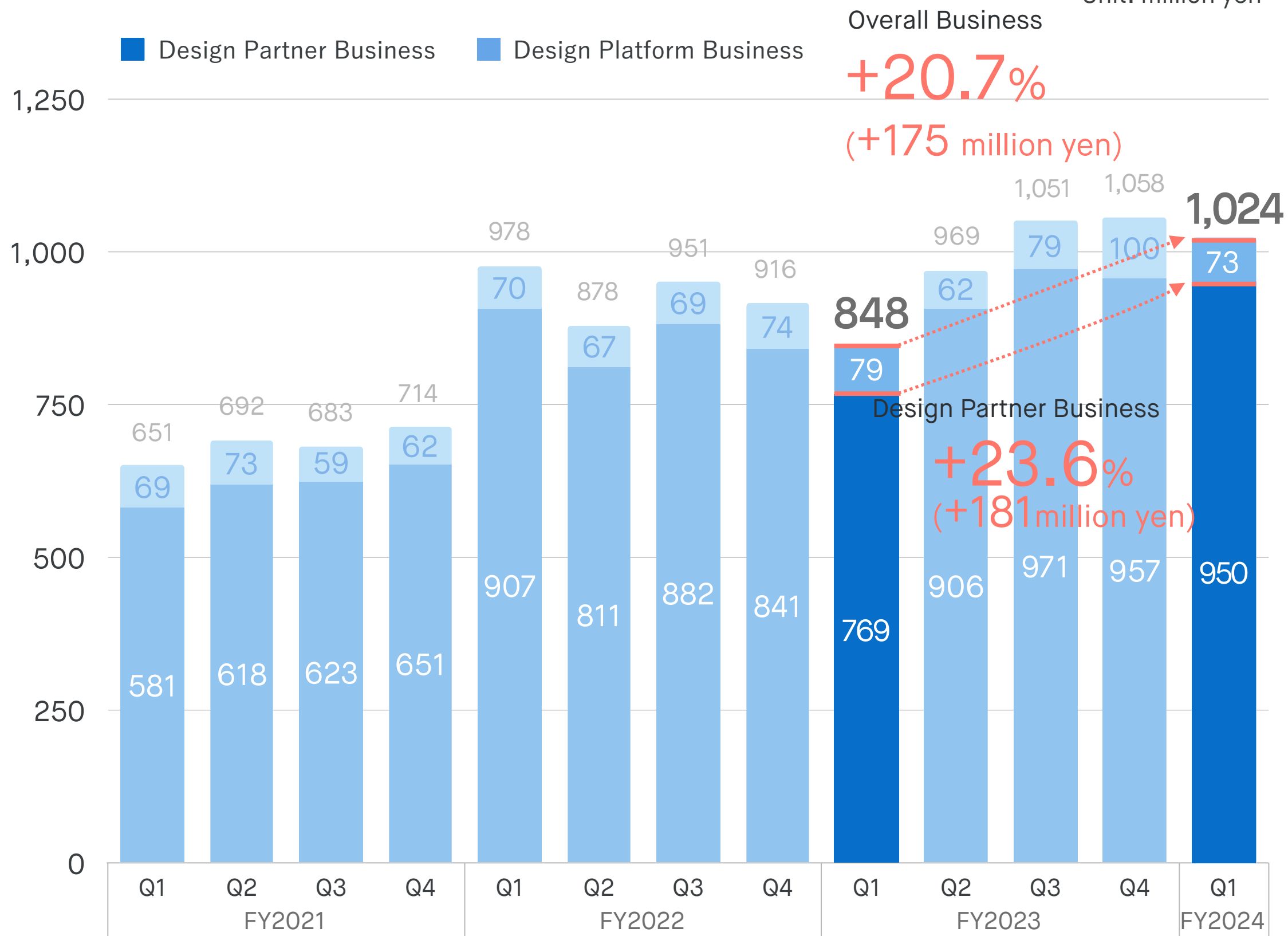## Active investment with an eye on medium- to long-term growth

- Recruitment of designers progressed as planned, maintaining initial plan of hiring 50 designers per year
- Active investment in recruitment and marketing activities

Net sales grew by 20.7% (up 175 million yen) YoY
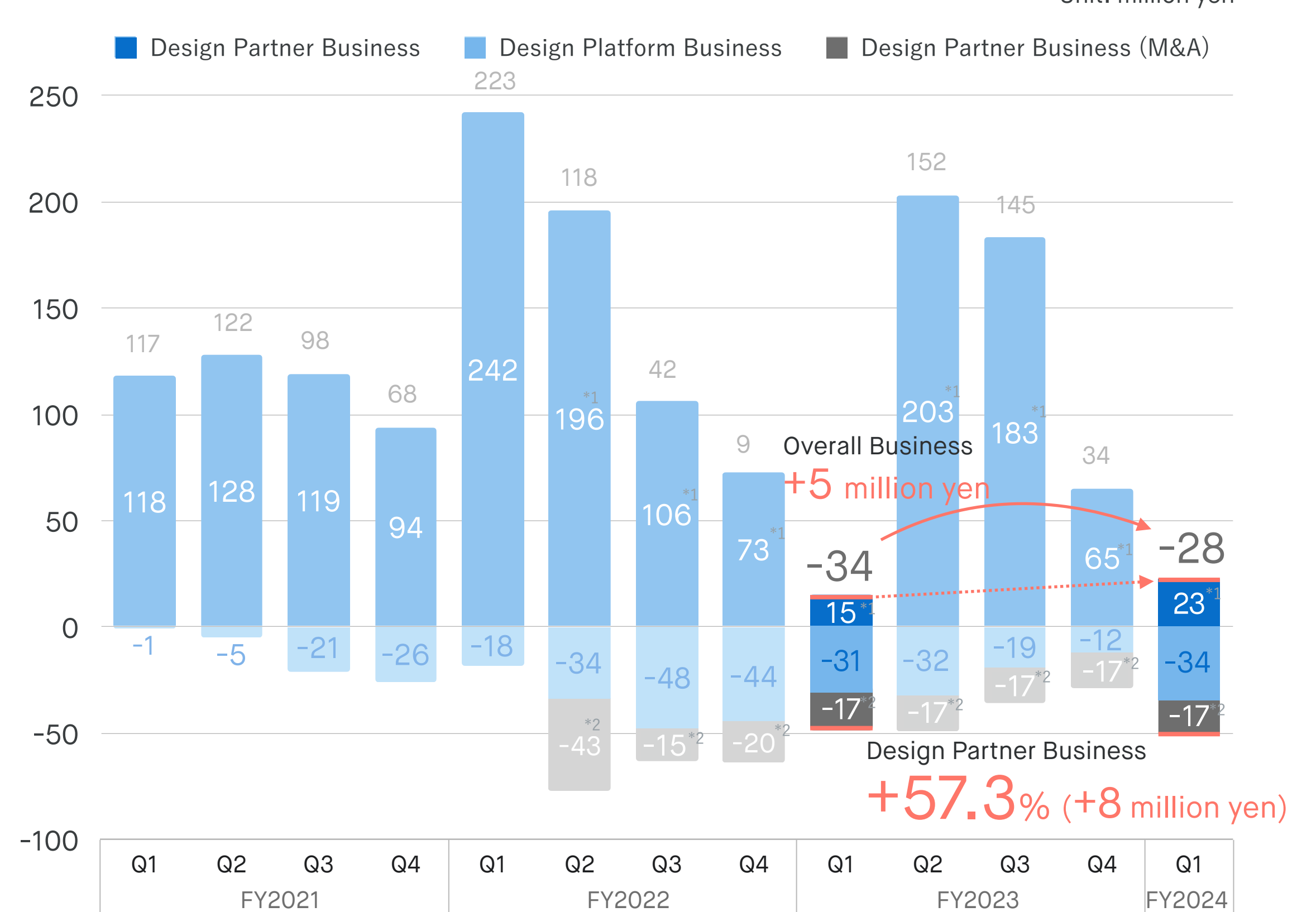# Operating income was in the red due to upfront investment and a temporary fall in profitability

Net sales

Unit: million yen

■ Design Partner Business   ■ Design Platform Business

Overall Business
+20.7%
(+175 million yen)

Design Partner Business
+23.6%
(+181 million yen)

	FY2021				FY2022				FY2023				FY2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total	651	692	683	714	978	878	951	916	848	969	1,051	1,058	1,024
Platform	69	73	59	62	70	67	69	74	79	62	79	100	73
Partner	581	618	623	651	907	811	882	841	769	906	971	957	950

Operating income

Unit: million yen

■ Design Partner Business   ■ Design Platform Business   ■ Design Partner Business (M&A)

Overall Business
+5 million yen

Design Partner Business
+57.3% (+8 million yen)

	FY2021				FY2022				FY2023				FY2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total	117	122	98	68	223	118	42	9	-34	152	145	34	-28
Platform	118	128	119	94	242	196	106	73	15	203	183	65	23
Partner	-1	-5	-21	-26	-18	-34	-48	-44	-31	-32	-19	-12	-34
M&A						-43	-15	-20	-17	-17	-17	-17	-17

*1 Operating income for the Design Partner Business is the amount after deducting M&A-related expenses.
*2 For M&A-related expenses, acquisition-related expenses and goodwill amortization, etc. are recorded for FY2022, and goodwill amortization, etc. are recorded for FY2023 and FY2024.

Goodpatch

Net sales against forecast within expectations at 21.5%, with pace expected to increase from Q2 onwards Profit also expected to increase in line with sales growth
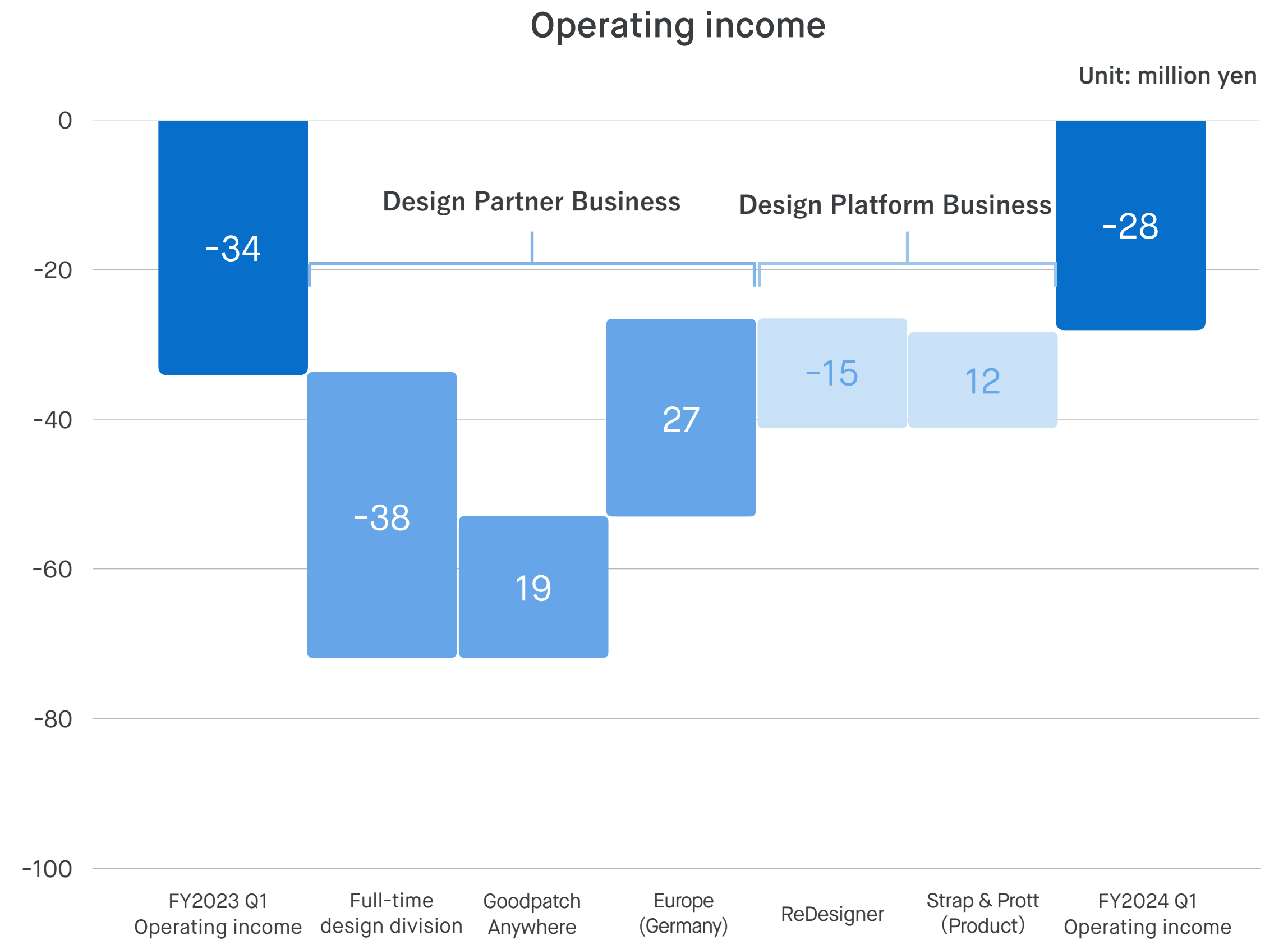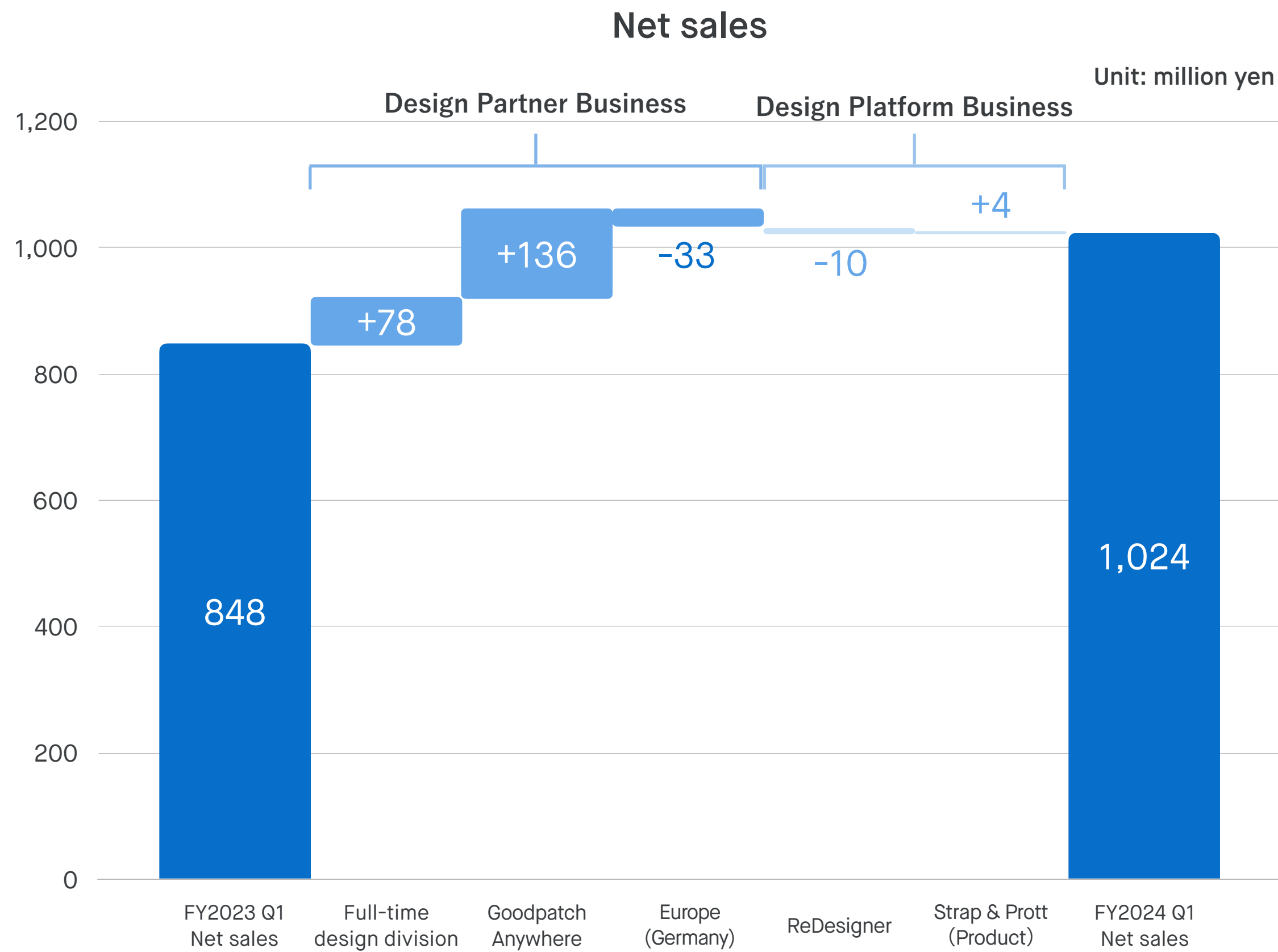
Consolidated Statement of Income (Sep. - Nov.)

Unit: million yen

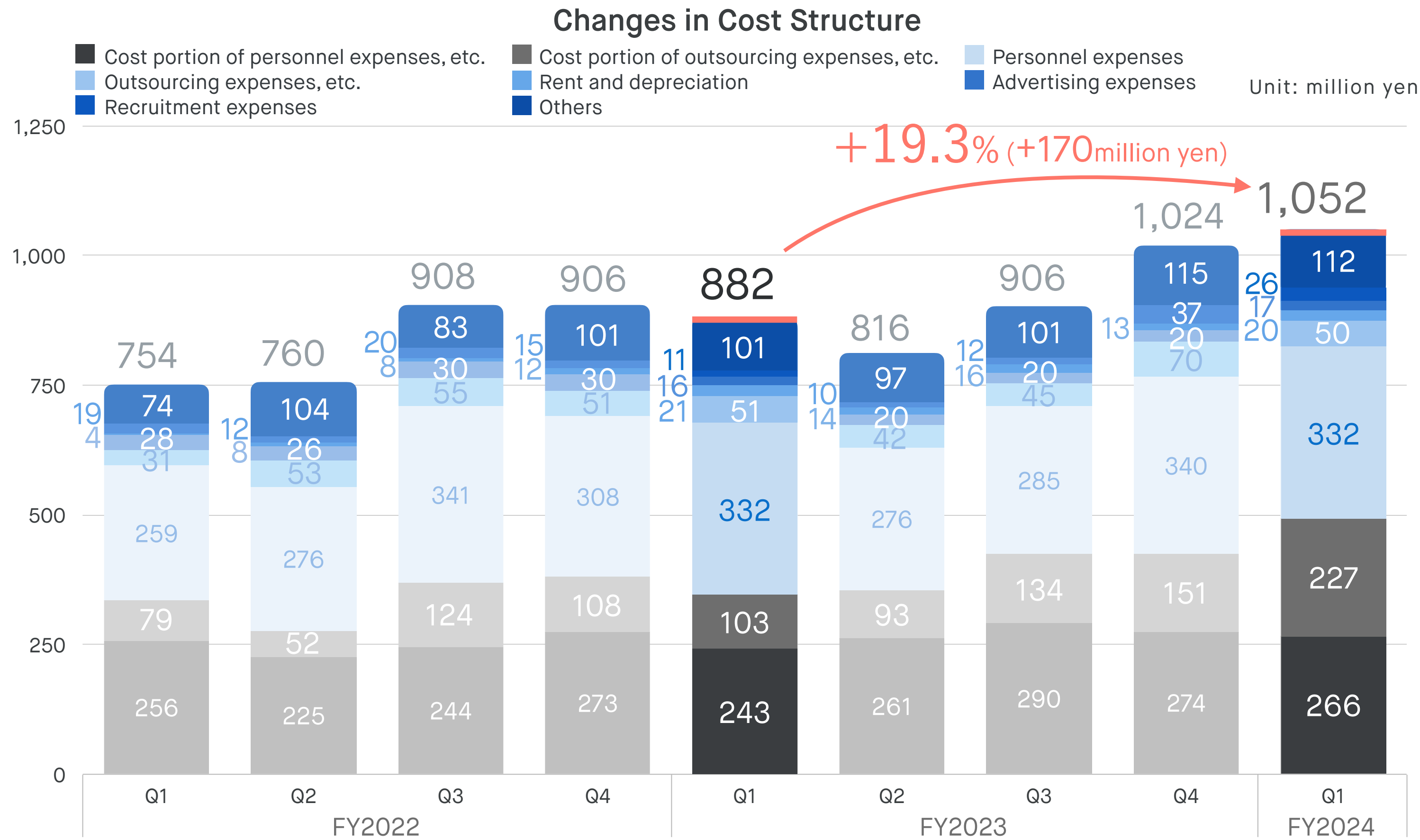|	FY2023 Q1	FY2023 Q4	FY2024 Q1	YoY	QoQ	Full-Year Earnings Forecast	Progress Rate
Net sales	848	1,058	1,024	+20.7%	-3.2%	4,754	21.5%
Operating income	-34	34	-28	-	-	405	-
Operating Margin	-	3.3%	-	-	-	8.5%	-
Ordinary Income	-34	36	-29	-	-	404	-
Net Income	-13	29	-30	-	-	243	-

Goodpatch

Sales grew in the Design Partner Business centered on Goodpatch Anywhere Designer utilization rate at same level as last year leaving room for increase, and deficit at the German subsidiary wiped out

Net sales

Unit: million yen

Design Partner Business | Design Platform Business

| FY2023 Q1 Net sales | Full-time design division | Goodpatch Anywhere | Europe (Germany) | ReDesigner | Strap & Prott (Product) | FY2024 Q1 Net sales |
| 848 | +78 | +136 | −33 | −10 | +4 | 1,024 |

Operating income

Unit: million yen

Design Partner Business | Design Platform Business

| FY2023 Q1 Operating income | Full-time design division | Goodpatch Anywhere | Europe (Germany) | ReDesigner | Strap & Prott (Product) | FY2024 Q1 Operating income |
| −34 | −38 | 19 | 27 | −15 | 12 | −28 |

Total costs up 19.3% (+170 million yen) YoY
Mainly due to a temporary increase in outsourcing expenses to cost owing to an increase in production-related projects

Changes in Cost Structure

- ■ Cost portion of personnel expenses, etc.
- ■ Cost portion of outsourcing expenses, etc.
- ■ Personnel expenses
- ■ Outsourcing expenses, etc.
- ■ Rent and depreciation
- ■ Advertising expenses
- ■ Recruitment expenses
- ■ Others

Unit: million yen

+19.3% (+170 million yen)

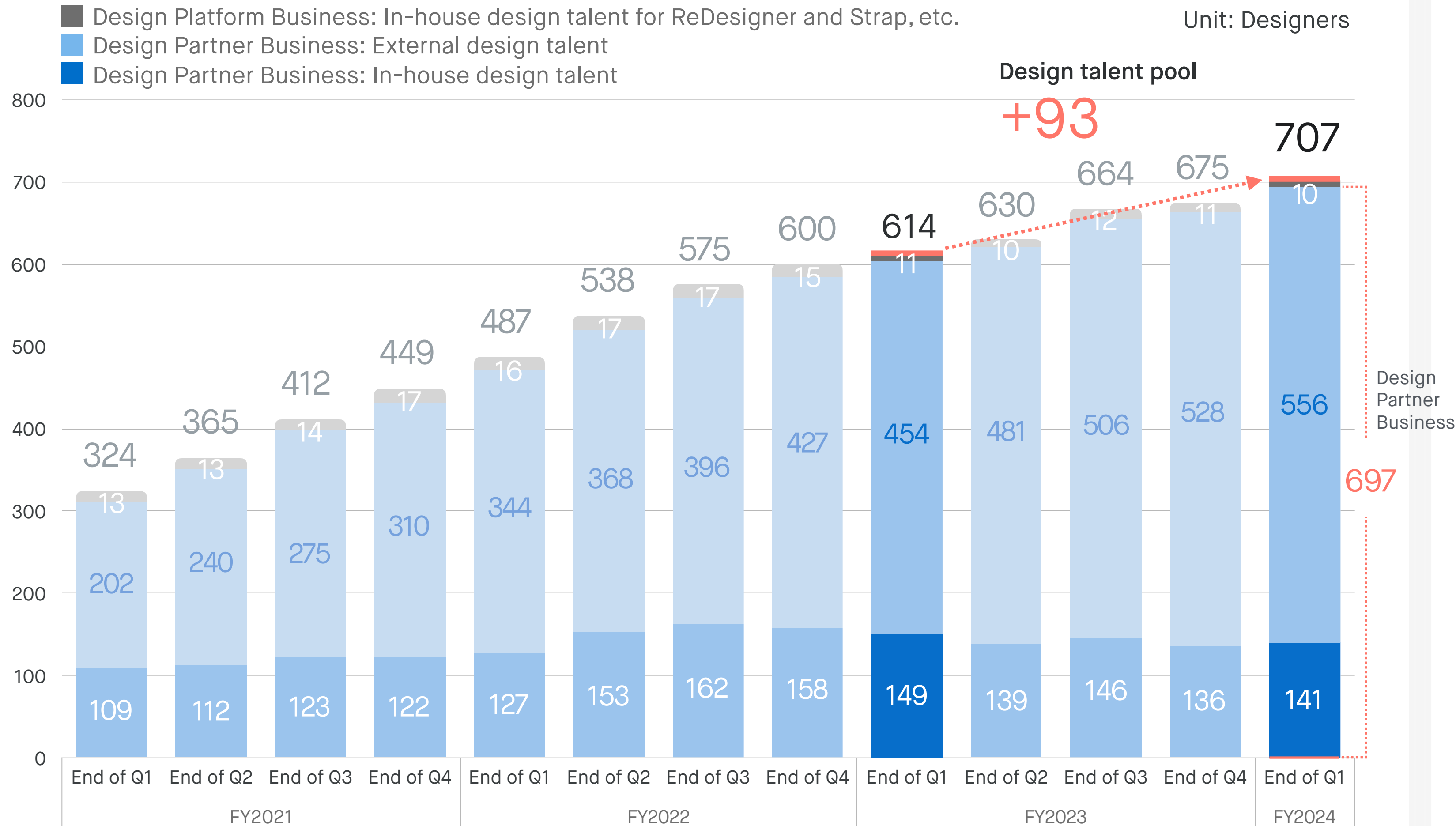|	FY2022				FY2023				FY2024
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total	754	760	908	906	882	816	906	1,024	1,052

- The use of external creators has increased, mainly due to an increase in production projects at Studio Details with outsourcing expenses to cost up by approx. 2.2x, expected to shift to same level as previous quarter
- 54 million yen (expenses) invested in FY2024 Q1, contributing to medium- to long-term growth with continuing focus on acquiring human resources

Business improvement investment **6** million yen
(Personnel expenses for improvement)

Recruitment investment **26** million yen
(Recruitment expenses)

HR development investment **5** million yen
(Training expenses etc.)

Marketing investment **17** million yen
(Advertising expenses)

* The costs indicated above do not include non-operating expenses and extraordinary losses.

Goodpatch

Number of designers continues to grow with 707 in total including both in-house and external, +93 YoY

Trends in Number of Designers

Unit: Designers

- ■ Design Platform Business: In-house design talent for ReDesigner and Strap, etc.
- ■ Design Partner Business: External design talent
- ■ Design Partner Business: In-house design talent

Design talent pool

+93

	FY2021				FY2022				FY2023				FY2024
Total	324	365	412	449	487	538	575	600	614	630	664	675	707
Platform In-house	13	13	14	17	16	17	17	15	11	10	12	11	10
External	202	240	275	310	344	368	396	427	454	481	506	528	556
In-house	109	112	123	122	127	153	162	158	149	139	146	136	141

Design Partner Business

697

Design Partner Business

- Number of in-house designers increased by 5 QoQ, to 141
- **12 new designers with number of hires in line with plan**
- Goodpatch Anywhere continued to expand, up 28 designers QoQ, making 556 in total

Design Platform Business

- Generally no changes, maintaining team structure of certain size

Goodpatch

Maintained cash-rich financial position for investments such as M&A

Consolidated Balance Sheet

Unit: million yen

	End of Q4 FY2023	End of Q1 FY2024	Change	Main Reasons
Current assets	3,799	3,582	-217	Tax payments, Debt repayments, etc.
Cash and deposits	3,273	3,046	-227	Same as above
Fixed assets	871	878	7	
Total assets	4,671	4,461	-210	
Current liabilities	608	443	-164	
Fixed liabilities	119	100	-18	Debt repayments
Net assets	3,943	3,916	-26	
Equity ratio	84.1%	87.4%	+3.3pt	

Operational Review by Segment

Design Partner Business

Goodpatch

Sales grew strongly by 23.6% YoY, with sales expanding in particular at Goodpatch Anywhere, delays in acquiring new projects resolved after Q2 with pace picking up

Overall segment FY2024 Q1 (Sep. - Nov.)

Net sales

950 million yen

YoY change

+23.6% (**+181** million yen)

Progress rate

22.0%

Operating income *

23 million yen

YoY change

+57.3% (**+8** million yen)

Progress rate

–

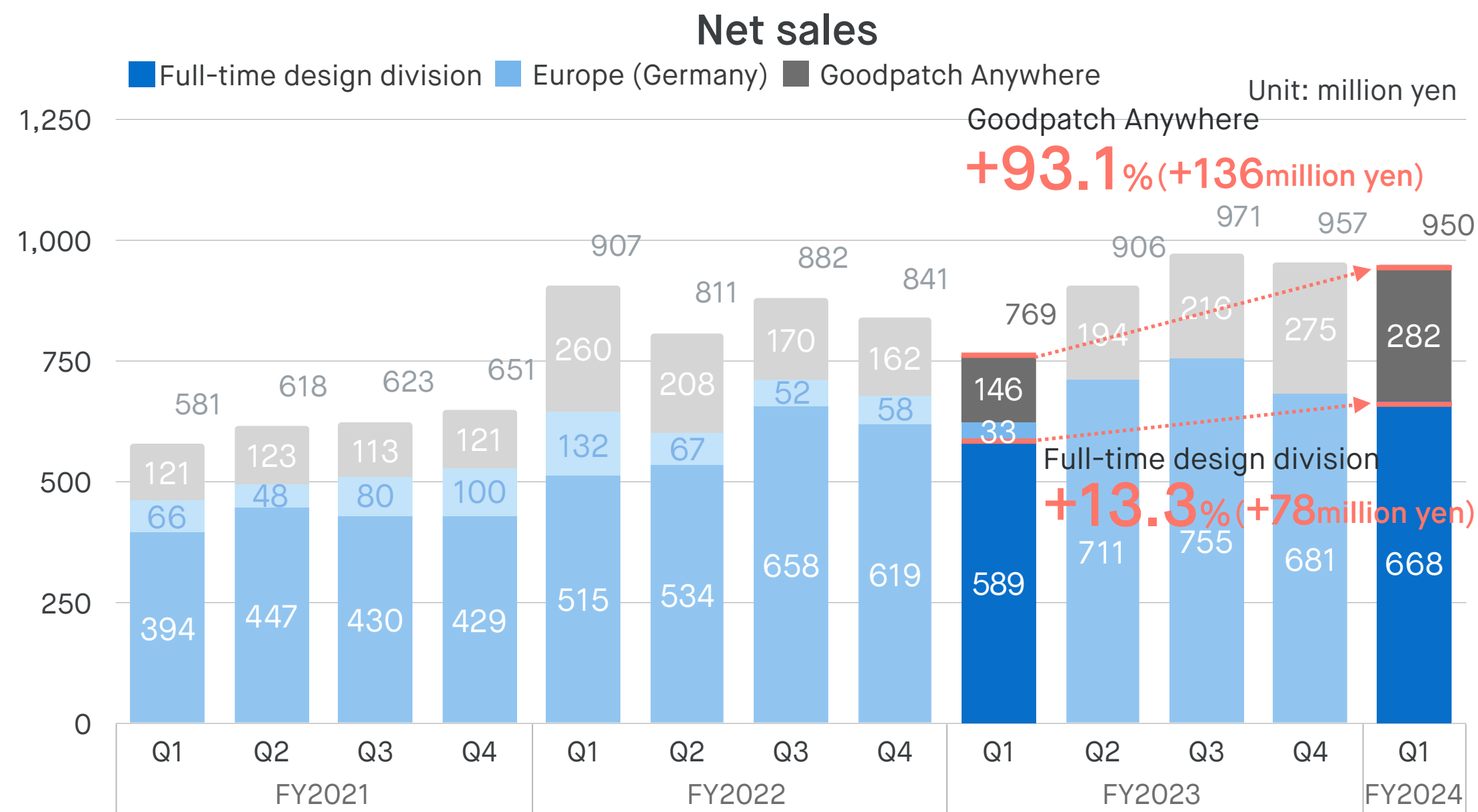* For operating income, goodwill amortization, etc. has been excluded.

Business Focus for FY2024

1. Strengthen marketing to acquire effective business deals
2. Sales promotion to acquire loyal customers
3. Expand solutions offered
4. Value chain expansion, M&A strategy

- Delay in acquiring new projects, although the continuation of existing projects is going well, the utilization of full-time design personnel has fallen below planned levels
- Number of effective business negotiations has recovered with pace of acquiring new projects improving, and designers are expected to operate as planned going forward
- **Goodpatch Anywhere continues to expand, setting new record quarterly sales**
- In accordance with the FY2024 business focus, steadily promote business investment with an awareness of medium- to long-term growth

Net sales and operating income increased YoY, but did not reach expected designer utilization rate
Although profits slowed, profitability will improve going forward and profits will tend to grow

Net sales

■ Full-time design division ■ Europe (Germany) ■ Goodpatch Anywhere

Unit: million yen

Goodpatch Anywhere
+93.1%(**+136**million yen)

Full-time design division
+13.3%(**+78**million yen)

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total	581	618	623	651	907	811	882	841	769	906	971	957	950
Goodpatch Anywhere	121	123	113	121	260	208	170	162	146	194	216	275	282
Europe (Germany)	66	48	80	100	132	67	52	58	33				
Full-time design division	394	447	430	429	515	534	658	619	589	711	755	681	668
	FY2021				FY2022				FY2023				FY2024

Operating income *

■ Full-time design division ■ Europe (Germany) ■ Goodpatch Anywhere ■ M&A

Unit: million yen

+57.3%
(**+8**million yen)

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total	118	128	119	94	242	196	106	73	15	203	183	65	23
Goodpatch Anywhere	32	33	26	4	89	82	48	32	17	32	11	27	37
Europe (Germany)	6	111	26	22	26	-7	-25	-14	27	175	173	39	-11
Full-time design division	78	-15	67	68	127	122	83	56	-29	-17	-17	-17	-17
M&A						-43	-15	-20	-4	-1	-2	-2	
	FY2021				FY2022				FY2023				FY2024

* Operating income is the amount after deducting M&A-related expenses. For M&A-related expenses, acquisition-related expenses and goodwill amortization, etc. are recorded for FY2022, and goodwill amortization, etc. are recorded for FY2023.
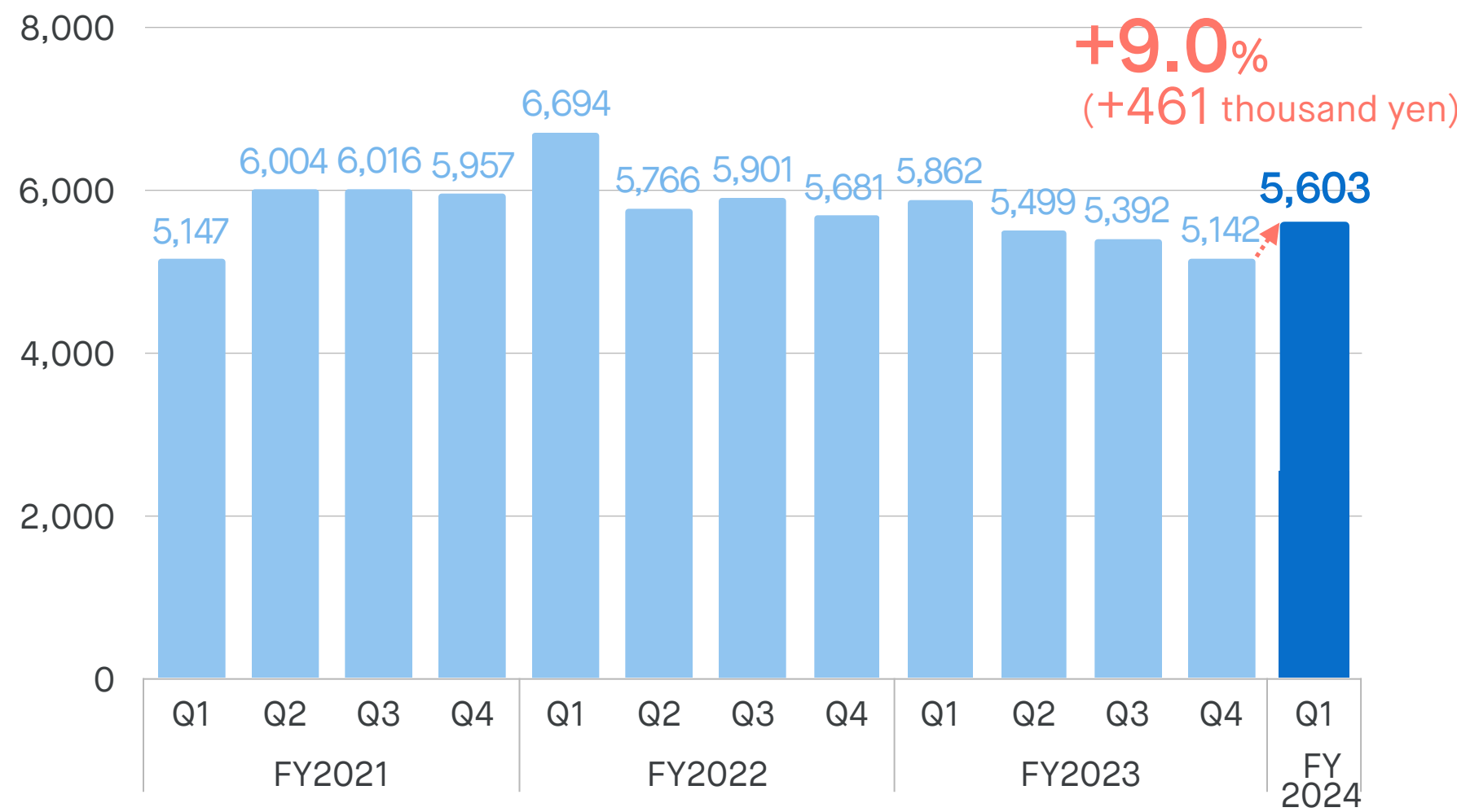
- While the full-time design division (Goodpatch & Studio Details) is actively recruiting, it is struggling to secure new projects and the utilization rate is lower than expected levels
- The number of production projects that utilize external experts has increased, increasing outsourcing costs accordingly, resulting in a temporary deterioration in project profitability
- **Goodpatch Anywhere achieved record high sales, improving profits**

Goodpatch

With a greater number of effective business negotiations leading to more new projects acquired, the number of companies will increase from Q2 onwards
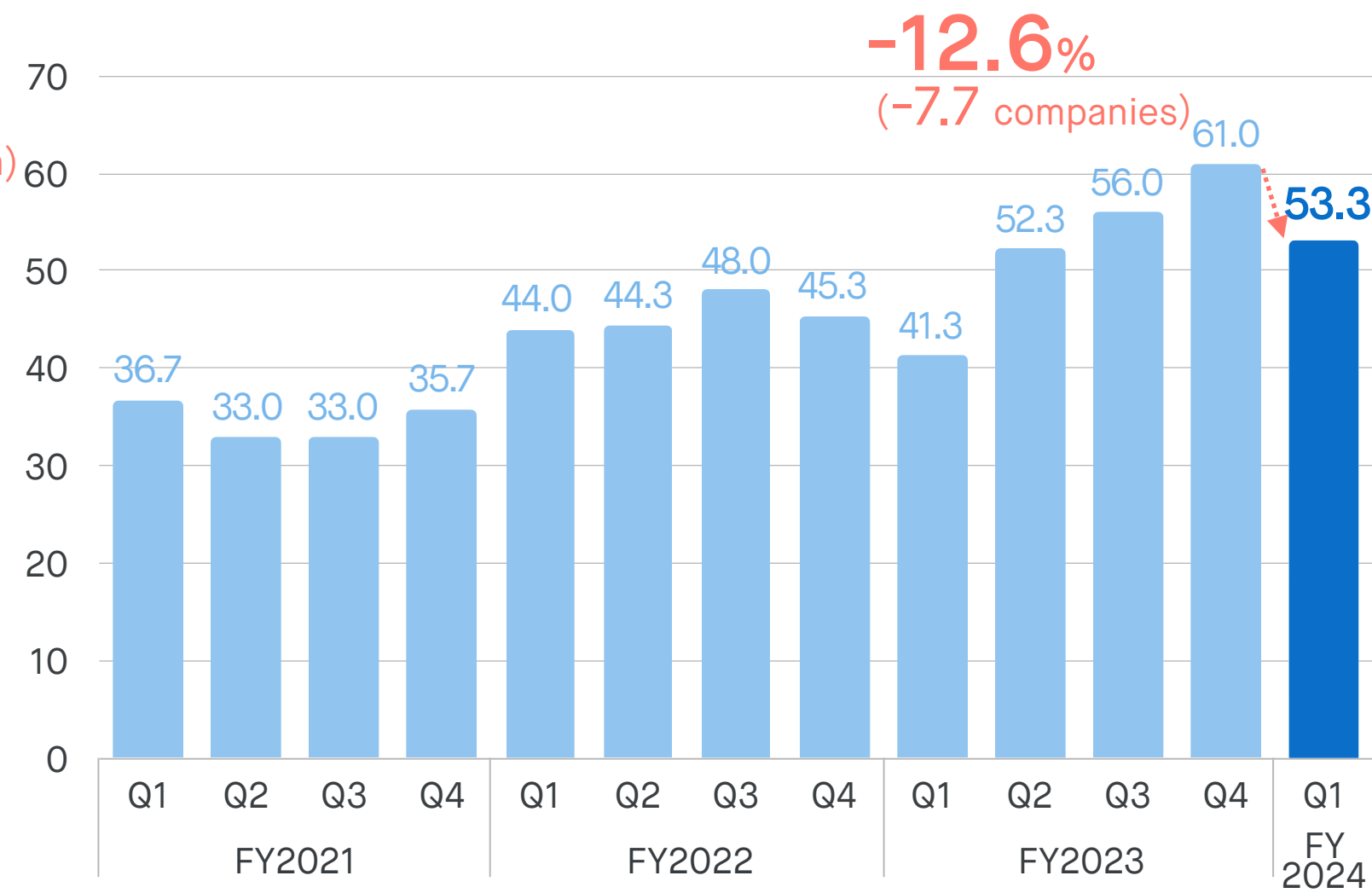
Project Sales Indicators

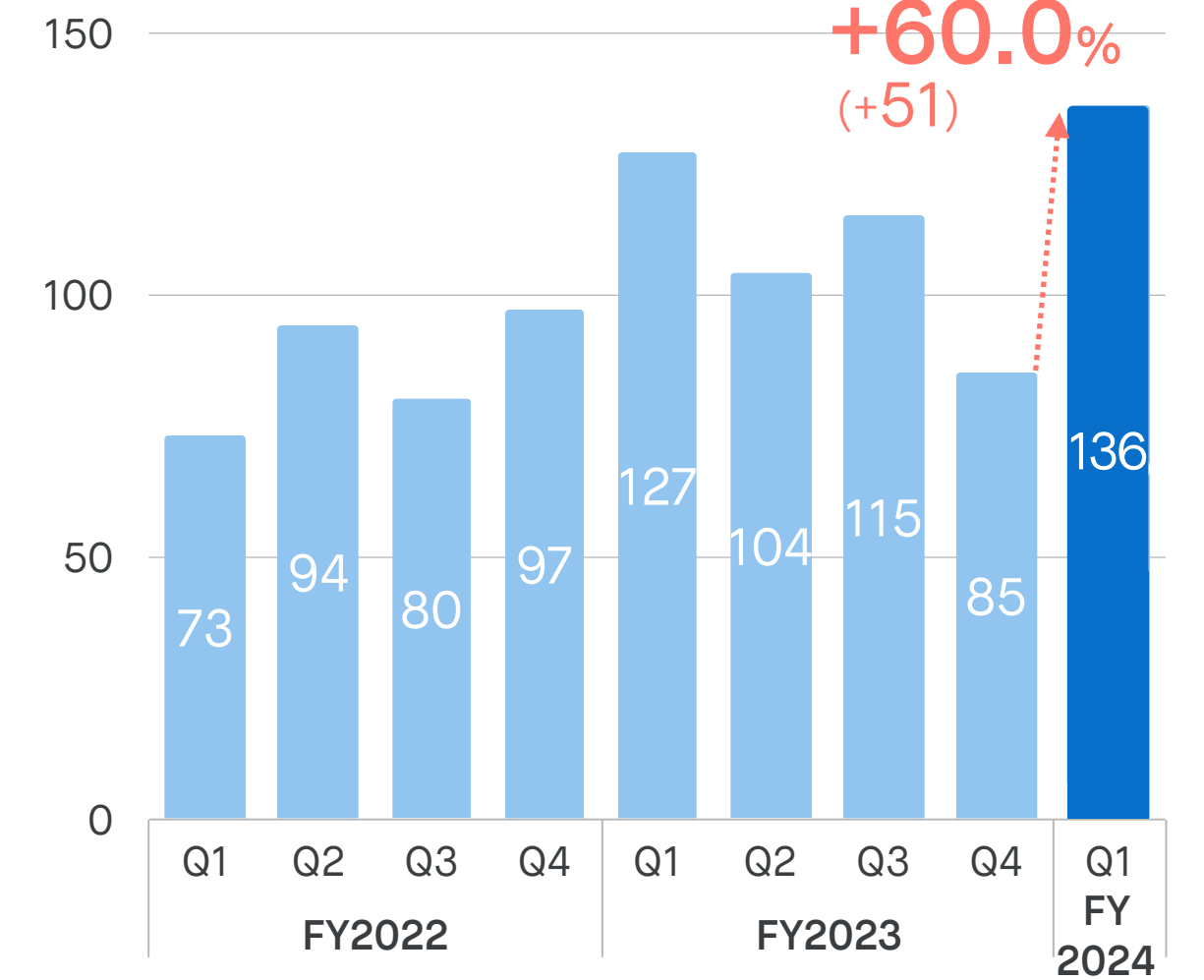### Average Revenue per Company / Month

Unit: thousand yen

+9.0% (+461 thousand yen)

Quarter	Value
Q1 FY2021	5,147
Q2 FY2021	6,004
Q3 FY2021	6,016
Q4 FY2021	5,957
Q1 FY2022	6,694
Q2 FY2022	5,766
Q3 FY2022	5,901
Q4 FY2022	5,681
Q1 FY2023	5,862
Q2 FY2023	5,499
Q3 FY2023	5,392
Q4 FY2023	5,142
Q1 FY2024	5,603

Average Number of Companies / Month

Unit: companies

−12.6% (−7.7 companies)

Quarter	Value
Q1 FY2021	36.7
Q2 FY2021	33.0
Q3 FY2021	33.0
Q4 FY2021	35.7
Q1 FY2022	44.0
Q2 FY2022	44.3
Q3 FY2022	48.0
Q4 FY2022	45.3
Q1 FY2023	41.3
Q2 FY2023	52.3
Q3 FY2023	56.0
Q4 FY2023	61.0
Q1 FY2024	53.3

Leading Indicator of Sales

Number of Effective Business Negotiations [*]

+60.0% (+51)

Quarter	Value
Q1 FY2022	73
Q2 FY2022	94
Q3 FY2022	80
Q4 FY2022	97
Q1 FY2023	127
Q2 FY2023	104
Q3 FY2023	115
Q4 FY2023	85
Q1 FY2024	136

* Figures include Goodpatch Anywhere and exclude Studio Details.

- Revenue per company increased QoQ but remained essentially unchanged as high sales production projects pushed up the average
- The slowdown in effective business negotiations in the previous quarter affected new acquisitions, resulting in a decrease in the number of companies
- **The number of effective business negotiations has increased in FY2024 to a new quarterly record, and is expected to lead to an increase in new project acquisitions going forward**

Goodpatch

The number of full-time design personnel was 141, an increase of 5 designers QoQ
Talent acquisition in line with annual recruitment goals

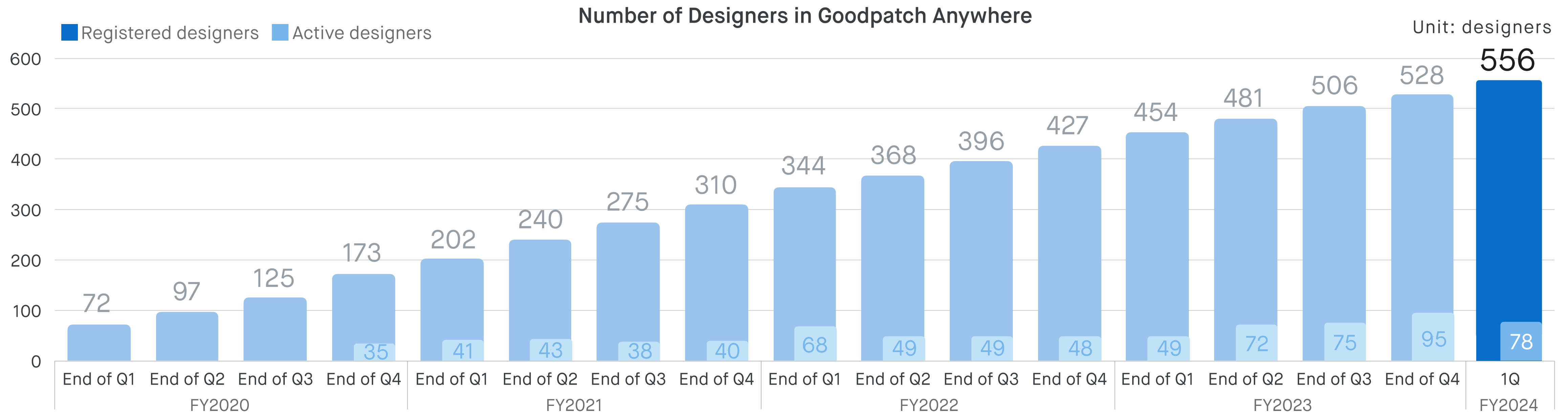### Number of In-house Design Personnel in Design Partner Business

■ Full-time design division   ■ Europe (Germany)   Unit: designers

	FY2020				FY2021				FY2022				FY2023				FY2024
	End of Q1	End of Q2	End of Q3	End of Q4	End of Q1	End of Q2	End of Q3	End of Q4	End of Q1	End of Q2	End of Q3	End of Q4	End of Q1	End of Q2	End of Q3	End of Q4	End of Q1
Total	95	101	110	110	109	112	123	122	127	153	163	158	149				
Europe	23	25	21	21	15	15	15	14	15	14	16	15	13				
Full-time	72	76	89	89	94	97	108	108	112	139	147	143	136	139	146	136	141

*1 Figures for FY2022 Q2 and thereafter include Studio Details in Japan.

- **12 new hires in Q1** on track with annual hiring target of 50 full-time design personnel
- With the number of retired designers in line with expectations, generally on course to reach target number of full-time design personnel of 165 by the end of FY2024

Quarterly sales hit record high
Number of active designers dropped by 17 QoQ

Number of Designers in Goodpatch Anywhere

■ Registered designers ■ Active designers   Unit: designers

	End of Q1	End of Q2	End of Q3	End of Q4	End of Q1	End of Q2	End of Q3	End of Q4	End of Q1	End of Q2	End of Q3	End of Q4	End of Q1	End of Q2	End of Q3	End of Q4	1Q
Registered	72	97	125	173	202	240	275	310	344	368	396	427	454	481	506	528	556
Active				35	41	43	38	40	68	49	49	48	49	72	75	95	78
	FY2020				FY2021				FY2022				FY2023				FY2024

*The number of designers in Goodpatch Anywhere includes employee designers who are responsible for Goodpatch Anywhere's quality control.

- To improve utilization rate of the full-time design division, effective business negotiations were given as a priority to the full-time design division. As a result, new projects acquisitions ceased so projects were allocated to existing designers, reducing the number of active designers (-17 QoQ)
- Talent pool continues to expand to 556 people (+28 QoQ)

Operational Review by Segment

Design Platform Business

Goodpatch

Net sales for business as a whole were negative YoY
The deficit widened as ReDesigner sales decreased

Overall segment FY2024 Q1 (Sep. - Nov.)

Net sales

73 million yen

YoY change

-7.2%

(**-5** million yen)

Progress rate

17.2%

Operating income

-34 million yen

YoY change

-

(**-2** million yen)

Progress rate

-

Business Focus for FY2024

1 Growth of ReDesigner

Further energize the market to accelerate growth through implementation of direct recruiting

2 Growth of Strap

Generate growth by strengthening development and sales toward expansion into the enterprise domain while keeping SaaS business KPIs in mind

- ReDesigner: Negative YoY sales due to sluggish growth in mid-career referral service, but active investment to introduce direct recruiting service in FY2024 Q2
- Strap: Successful introduction of plan combined with training, leading to increased sales

Overall business sales down 7.2% YoY (-5 million yen)
Notable slowdown in mid-career referrals for ReDesigner

Net sales — Unit: million yen

Legend: Strap & Prott, ReDesigner, Athena, Others

Overall segment **-7.2%** (-5 million yen)

ReDesigner **-18.2%** (-10 million yen)

Strap&Prott **+23.4%** (+4 million yen)

Operating income — Unit: million yen

Design Platform Business

-2 million yen
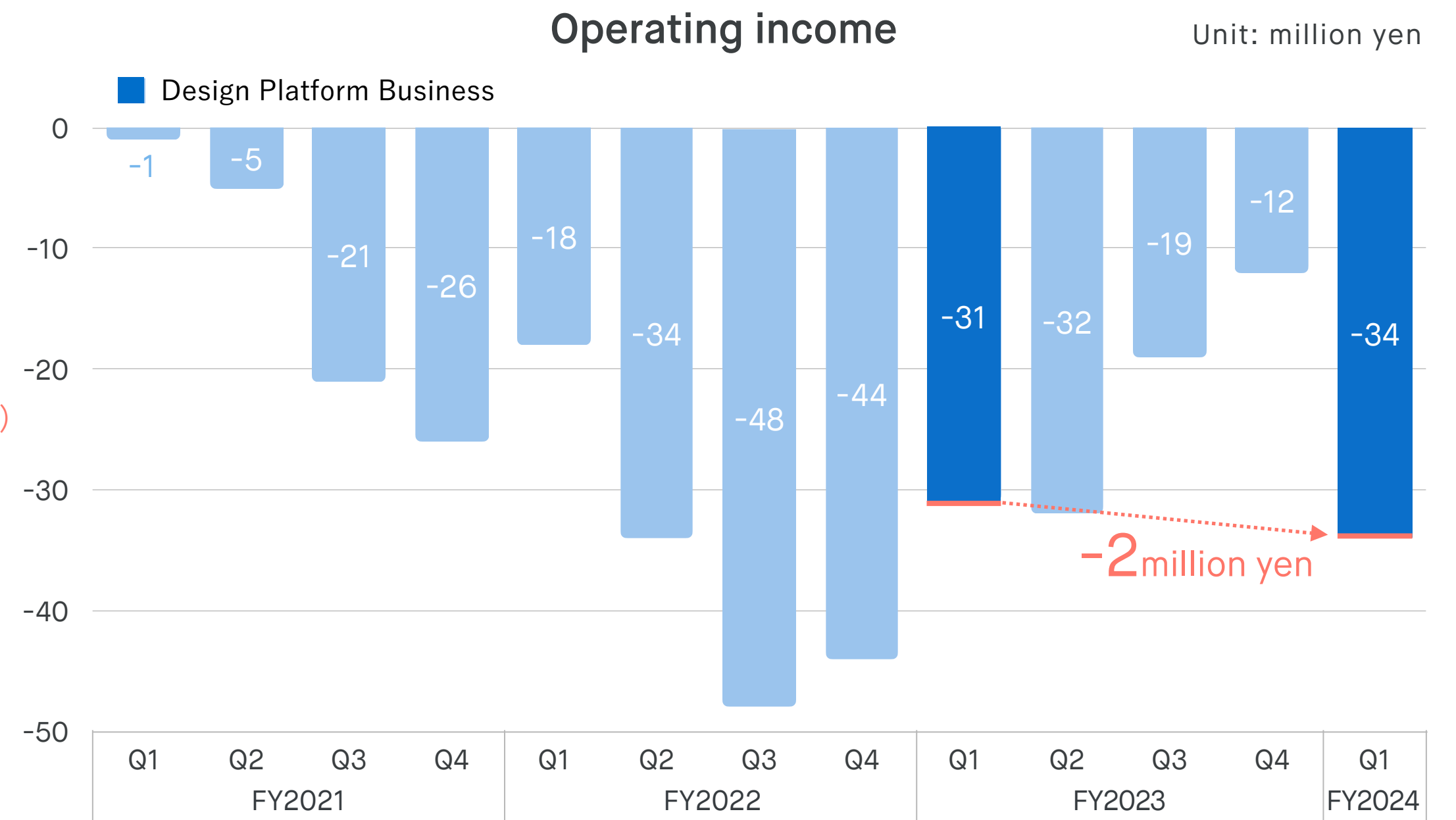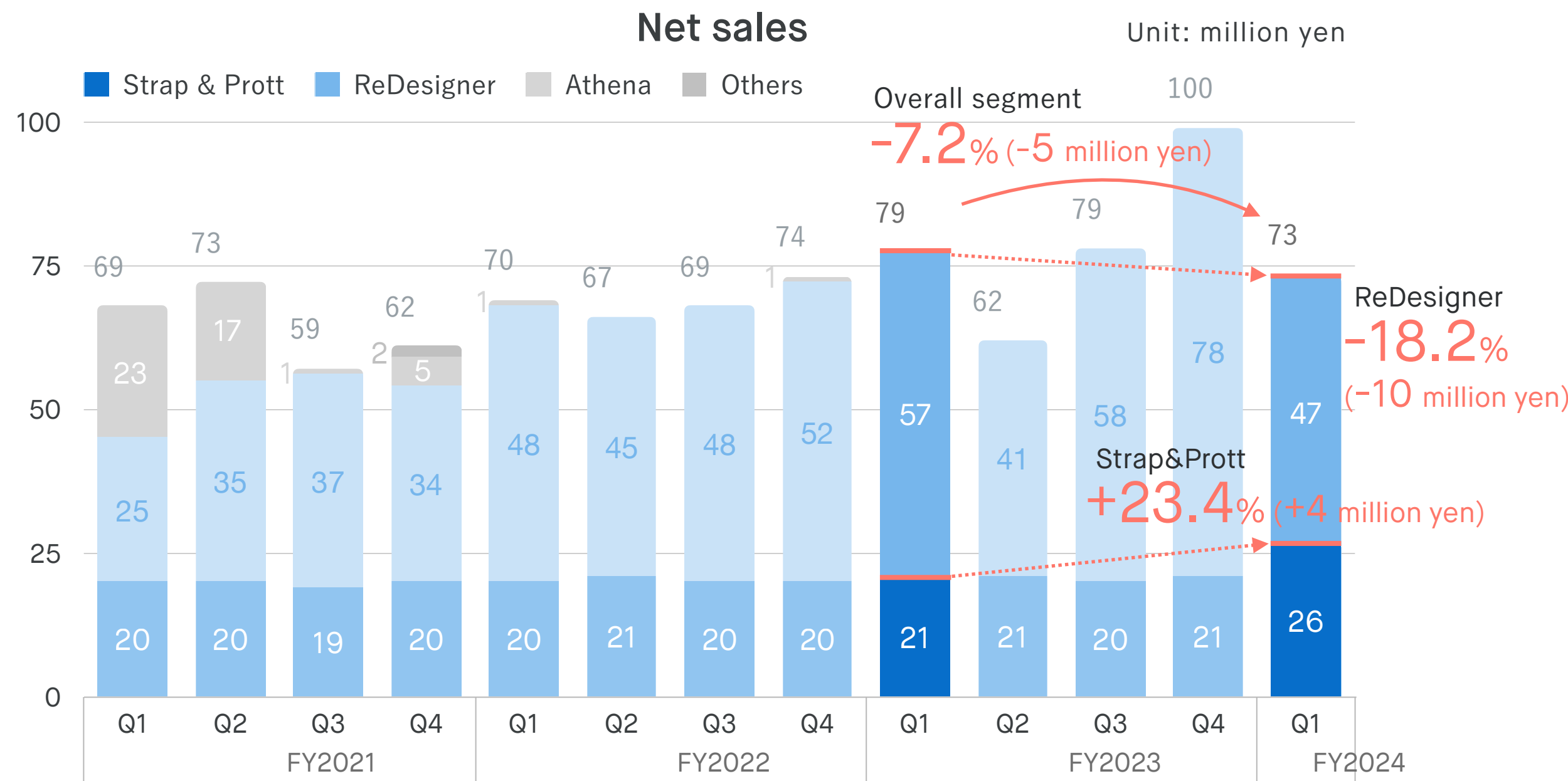
- Sluggish mid-career referral service for ReDesigner
- **Strap continues to grow, up 23.4% YoY,** gaining sales through services combined with training

19

Cumulative number of registrants continues to increase, with direct recruiting scheduled for release in Q2

Trends in the Number of Registrants in ReDesigner

Unit: persons

■ Mid-career candidates ■ New graduate candidates

+2,943 → 38,518

	FY2020				FY2021				FY2022				FY2023				Q1 FY2024
Total	3,923	5,488	7,847	9,637	12,186	14,199	16,708	18,305	19,736	22,074	24,576	27,541	29,564	32,393	35,575		38,518
New grad	2,440	3,681	5,608	7,055	7,870	9,156	10,817	12,826	14,031	15,026	16,846	18,827	20,094	21,432	23,557	26,149	27,725
Mid-career	1,483	1,807	2,239	2,582	2,786	3,030	3,382	3,882	4,274	4,710	5,228	5,749	7,447	8,132	8,836	9,426	10,793

Mid-career referral service (Career change support service)

- Total number of companies using service has expanded to over 780
- Plan to launch direct recruiting service during Q2

New graduate referral service

- Highest quarterly sales with total number of contracted companies reaching 130

Total number of contracted companies continues to expand, approaching 400

Trends in the Accumulated Number of Contracted Companies for Strap
Unit: companies
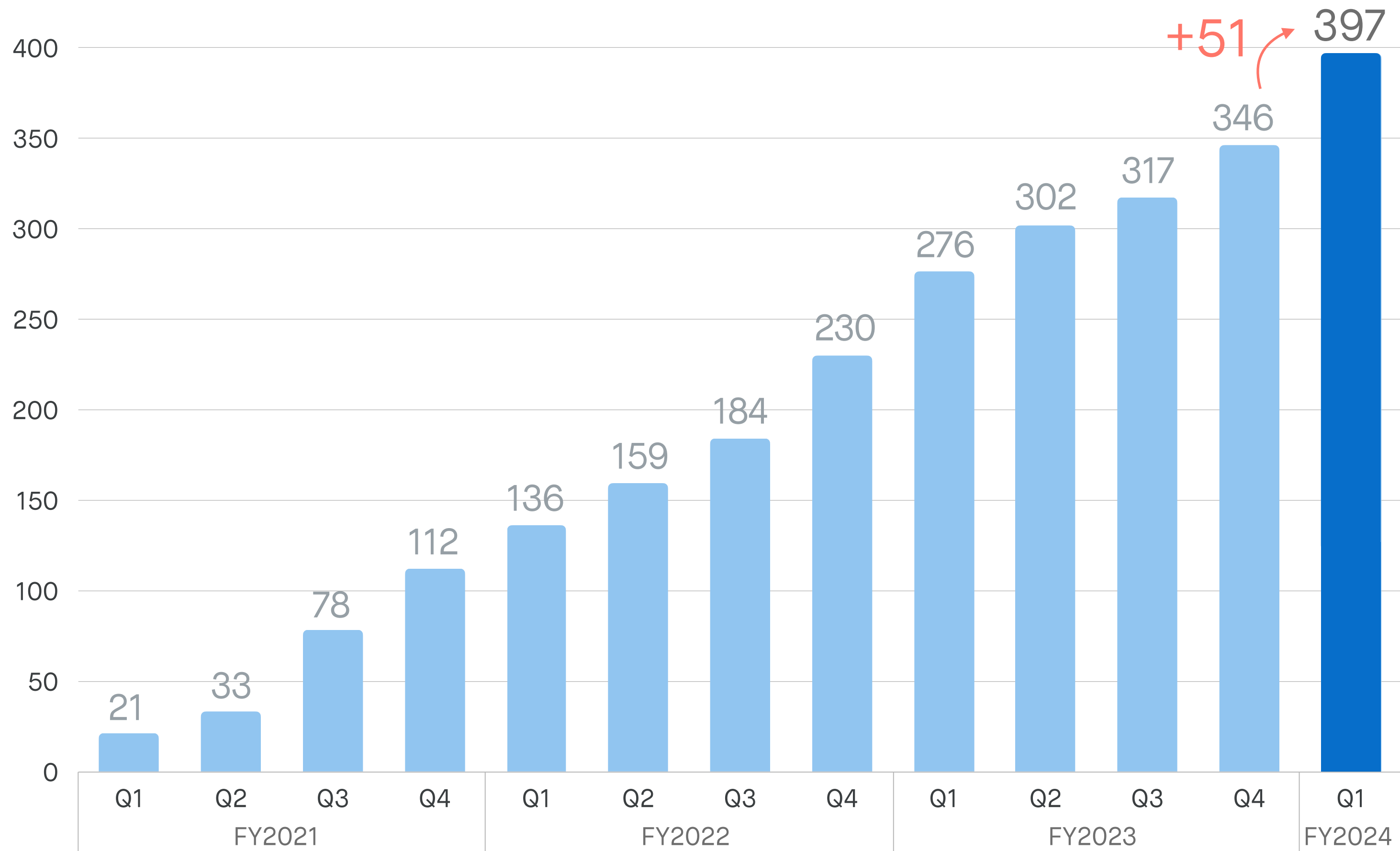
Strap's growth strategy

- Accelerate introductions from specific areas: Strengthen appeal to corporate planning and human resources divisions to meet the process generalization and training needs within companies. Support digital transformation (DX) and human capital management needs with training solutions

- Accelerate company-wide implementation: Provide training solutions customized to company needs, penetrating into daily operations. Further accelerate company-wide implementation and support corporate transformation

Chart data:

Period	Value
Q1 FY2021	21
Q2 FY2021	33
Q3 FY2021	78
Q4 FY2021	112
Q1 FY2022	136
Q2 FY2022	159
Q3 FY2022	184
Q4 FY2022	230
Q1 FY2023	276
Q2 FY2023	302
Q3 FY2023	317
Q4 FY2023	346
Q1 FY2024	397

+51

FY2024 Q1 TOPICS

Goodpatch

Goodpatch

Launched "Product Growth Partnerships" to support product management

Goodpatch's product managers (PdM) with strengths in the user experience (UX) field supporting product value creation, product management system construction, in-house production, and more

*Click here for details: https://goodpatch.com/news/2023-10-pgp (Japanese only)

Service features

Product management
centered on customer experience

Product marketing management
that optimizes business domains

Organizational support
to achieve product vision

In-house production support growth strategy
to drive independent operation

Identifying SB Payment Service's product and organizational issues to produce improvements to customer experience

SB Payment Service

Needs
- Specific actions to improve customer satisfaction
- Work with external agile development partner to identify issues and make improvements while creating systems

Solutions
- Identified current customer experience issues from interviews with customers and management
- Designed ideal customer experience by creating customer persona and customer journey map
- Created KPIs across departments to improve customer experience and redesigned customer satisfaction survey
- Created guidelines to lead design based on customer quantitative/qualitative data

Design support by Goodpatch

Interviews with merchants and executives within SB Payment Service to understand the current customer experience and identify issues

Analyzed interview content, established issues and systems to improve customer satisfaction, and started improving services
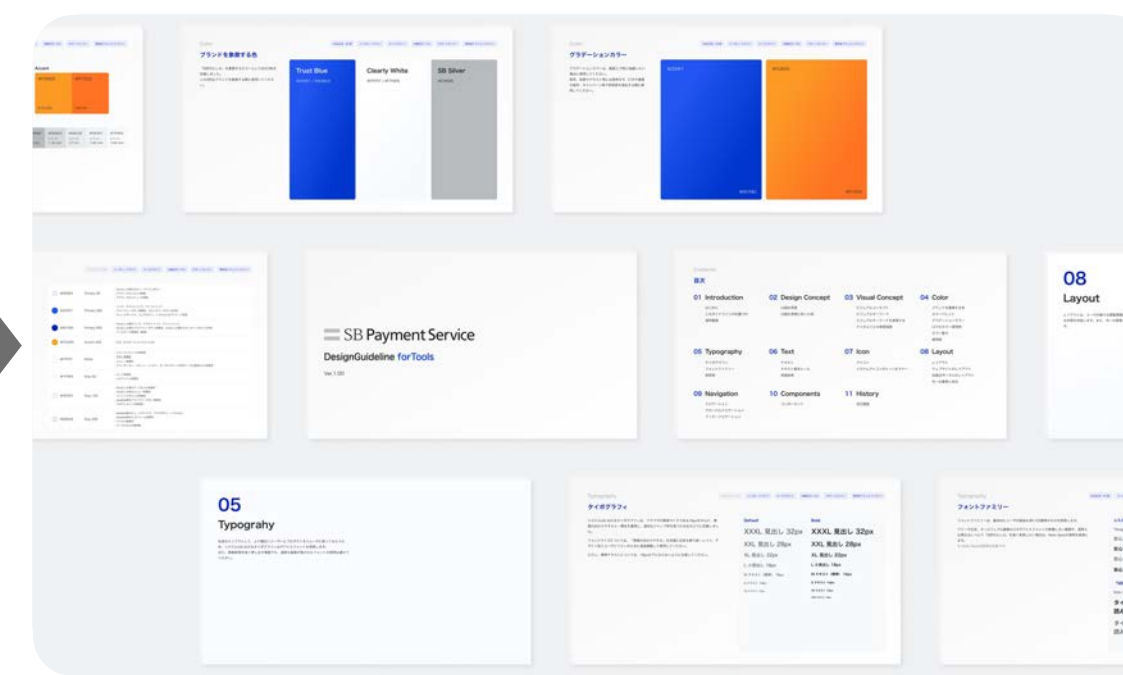
Reviewed tools and leads with a focus on user experience, formulating "Design Guidelines" to help with design
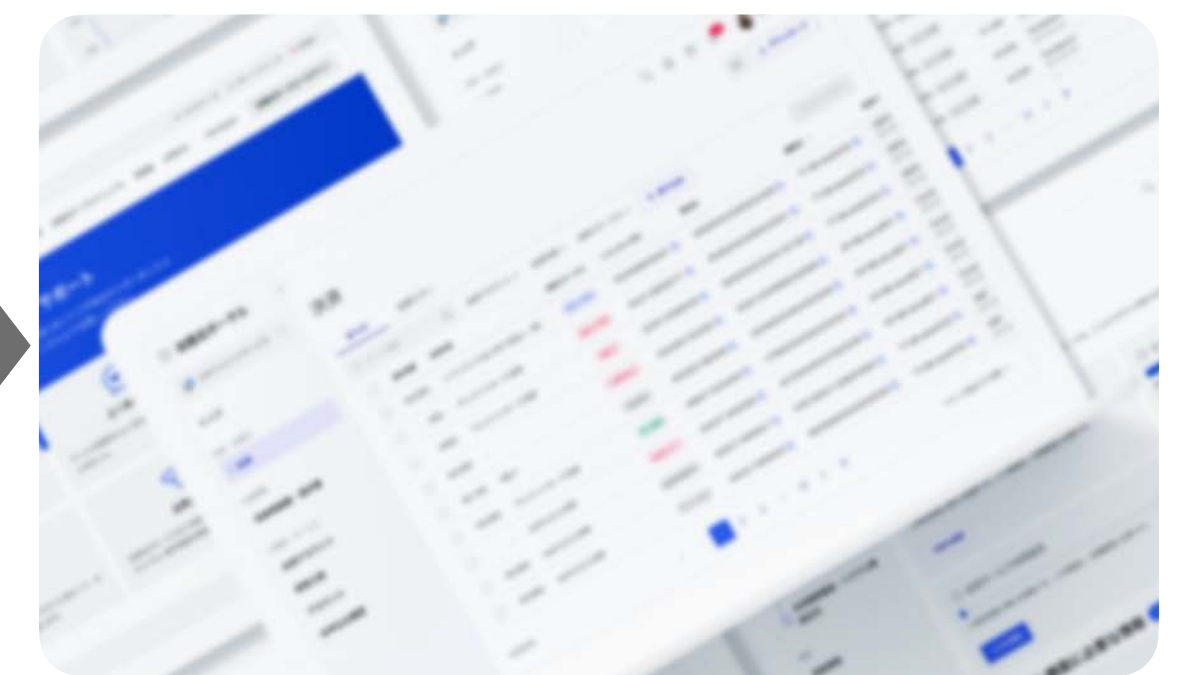
Looking to the future, a project to improve the user interface (UI) design of support sites and developer sites is underway with support also provided to create UI specifications, etc.

Goodpatch

Decision on Share buyback

Goodpatch has resolved to acquire treasury stock with the aim of increasing shareholder returns through improved capital efficiency and enabling the flexible implementation of future capital policies, including their use in M&A

Overview of share buyback

Type of shares to be acquired	Common stock
Total number of shares to be acquired	Up to 200,000 *Percentage to total shares issued: 2.18%
Total amount to be paid for acquisition	Up to 100 million yen
Period of acquisition	January 15 to April 12, 2024
Method of acquisition	Market purchase on the Tokyo Stock Exchange

*For details, please refer to the disclosure document, Notice Regarding Matters Related to Share Buyback, on our investor relations website www.goodpatch.com/ir (Japanese only).

Business Progress in FY2024 Q1

Net sales against forecast within expectations at 21.5% with pace expected to increase from Q2 onwards
Profit also expected to increase in line with sales growth

FY2024 Full-Year Forecast (announced on 13 Oct., 2023)

Net sales

4,754 million yen   YoY (**+21.0%**)

Breakdown

Design Partner Business

4,325 million yen   YoY (**+20.0%**)

Design Platform Business

428 million yen   YoY (**+32.7%**)

Operating income   **405** million yen   YoY (**+35.6%**)

Net income   **243** million yen   YoY (**+12.5%**)

Progress status at the end of FY2024 Q1

Unit: million yen

Net sales	1,024 — Progress rate **21.5%**	4,754
Design Partner Business	950 — Progress rate **22.0%**	4,325
Design Platform Business	73 — Progress rate **17.2%**	428
Operating income	Progress rate **−%**	405
Net income	Progress rate **−%**	243

0% 25% 50% 75% 100%
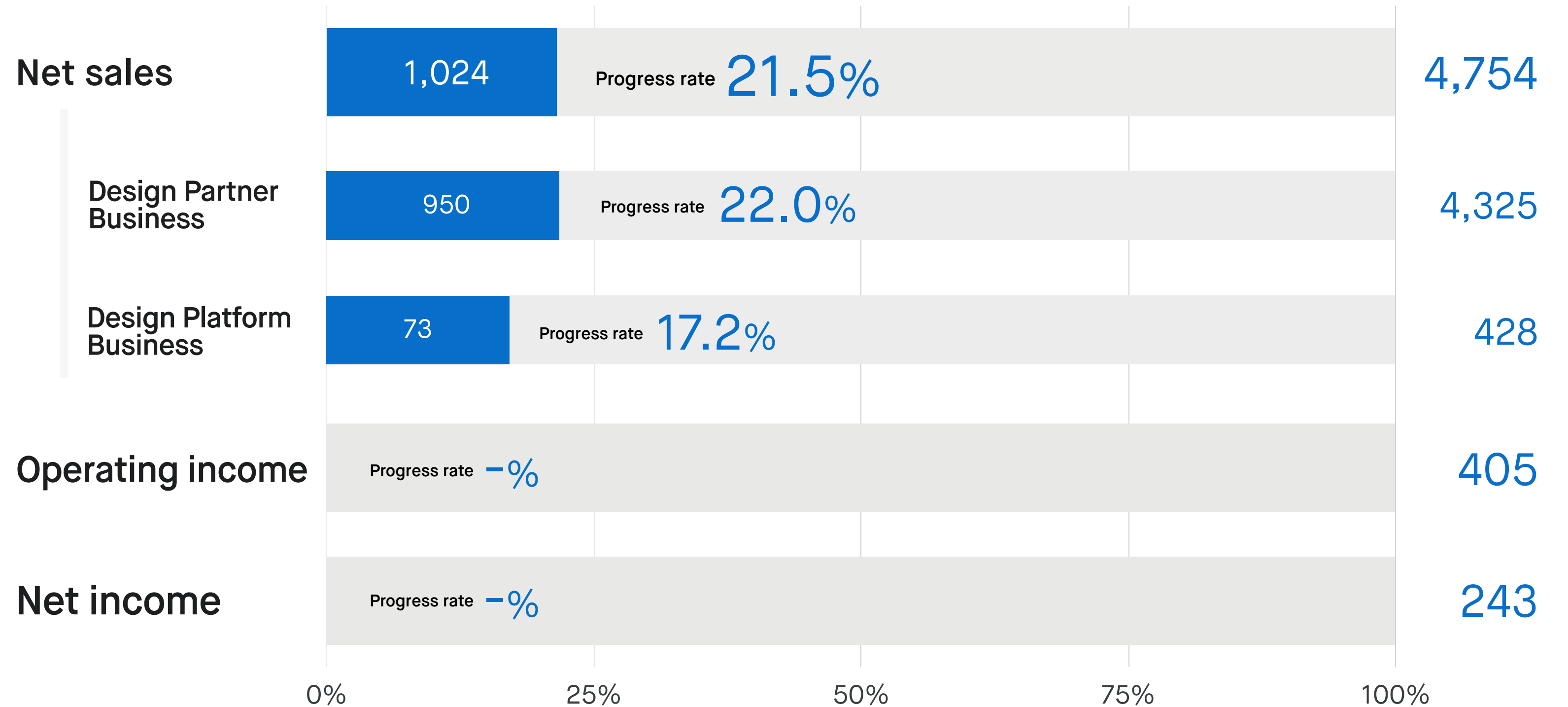
Growth Strategy

Medium- to Long-Term Direction and FY2024 Growth Strategy

Goodpatch

Need to expand the design's 'value realization' domain in response to societal and corporate challenges

A company that designs software with UI/UX as its strength
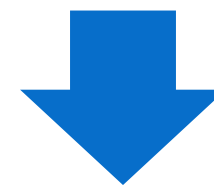
Become a company that "designs" innovation to promote corporate transformation with customer experience

Direction of medium-term strategy

In order to support corporate transformation and innovation,
we must deepen our relationships with client companies

⬇
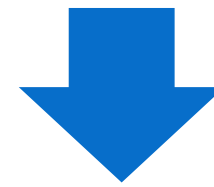
Deep partnerships through business co-creation

Goodpatch

Strengthening partnerships through business co-creation

Joint venture partnerships

OIOI
MARUI GROUP

Business alliance partnerships

CyberAgent

CTC
Challenging Tomorrow's Changes

M&A partnerships

STUDIO
DETAILS

Balancing the corporate transformation of client companies with expansion of our own business portfolio and business growth

For clients' corporate transformation

Must build close relationships and provide a greater range of solutions to transform client's businesses

Goodpatch

Setting a FY2024 growth strategy with the aim for medium- to long-term growth

Design Partner Business

1. Strengthen marketing to acquire effective business deals
2. Sales promotion to acquire loyal customers
3. Expand solutions offered
4. Value chain expansion, M&A strategy

Design Platform Business

1. Growth of ReDesigner
2. Growth of Strap

Business infrastructure supporting growth

1. Talent strategy with quantity and quality
2. Design and sustainability

Expand marketing investment, aiming for 20% growth in number of effective business deals

Increase awareness among potential customers ➡		Interest from potential customers

Key policy

Creation of new projects through alliances	Better communication of case studies	Stronger nurturing

Initiatives Measures

• Expand sales through alliances • Acquire new alliance projects modeled after CyberAgent and CTC • Target number of business deals via alliance • (35 in FY2023 → 60 in FY2024) **CyberAgent** **CTC** *Challenging Tomorrow's Changes*	• Increase the number of case studies reported • Increase the number of marketing/ inside sales personnel (6 people at end of FY2023 → 11 people at end of FY2024)	• House list (target leads) • Number of deals created from 6,000 cases (6 cases in FY2023 → 12 cases or more in FY2024) • House list approach Increase inside sales staff to create deals

Number of effective deals: 436 in FY2023 → 517 in FY2024
Aim to increase total number of effective business deals acquired

Implementing measures based on sales strategy to increase the number of customers with annual sales of 60 million yen or more

Distribution of annual sales per customer
(Including Anywhere and Studio Details)   Unit: companies

	FY2021	FY2022	FY2023
Over 100 million yen	3	5	6
Between 60 and 100 million yen	8	5	6
Between 30 and 60 million yen	13	22	20
Less than 30 million yen	68	110	119
Total	92	142	151

Number of customers with annual sales of 60 million yen or more:
12 companies in FY2023 → 15 companies in FY2024

Increase contact with decision makers to increase loyal customers
Continuously improve project quality and increase customer unit price

Sales strategy policy to build deeper relationships

- **Widen:** Expand solutions
- **Climb:** Increase the number of cases that can approach management
- **Deepen:** In-depth sales that gets deeper into business issues with customers

Monitoring, analysis and improvement of business status

- Visualize introduction routes and order trends from marketing measures
- Set negotiation and monitor decision rate by negotiation level
- Understand customer needs trends and analyze orders/ losses, sharing them with design organization
- Visualize sales force activity

Expanding solutions into four areas centered on experience design

Management strategy / Design management

Human capital management

Business strategy /
New business
development strategy

Design × Business strategy

Design × Organization

Organizational
change strategy

User Experience Design

Customer experience
management
Enterprise
Agile

Design × CX technology

Design × Brand

Brand
Communication
Marketing

Digital transformation strategy

Corporate brand strategy

Create a design organization system that meets customer issues based on four areas to expand the solutions we provide

Goodpatch

Strengthen M&A promotion, expand value chain, and build a comprehensive group structure

Greater management strategy, area of digital transformation, and organizational strategy

- Expand collaboration through business alliances with leading companies (CyberAgent, CTC, etc.) Contribute to corporate organizational change.
- Through joint venture with Marui Group (Muture), which we have been working on since before FY2023, we have realized the creation of new business value by leveraging the assets of both parties.

Creating synergistic M&A

- Utilize M&A to expand capabilities and build an all-in-one system in the downstream area of the value chain.
- Make effective use of the Group's assets and enter new areas where there is synergy with partner businesses.

Our current fields of expertise

Corporate strategy	Strategy consultants
DX strategy	Strategy/ IT consultants
	Expansion based on business partnerships, including capital alliances
Product strategy	IT consultants/ design firms
UI/UX strategy	Design firms
	Expanding through enhancing internal resources
Development	Systems integrators
Maintenance and operation	Cloud vendors
	Expanding through M&A
Growth	Digital marketing

Goodpatch

Further growth for the Design Platform Business

Growth of ReDesigner

Re Designer

Design talent recruitment platform
Providing a place for designers to play an active role in their respective growth phases

New graduate

End of FY2023	FY2024
Total number of contract companies 100 Total number of users 26,000	Total number of contract companies 120 Total number of users 30,000

Mid-career

End of FY2023	FY2024
Total number of contract companies 750 Total number of users 9,400	Total number of contract companies 900 Total number of users 12,000

- Developed and implemented with UI/UX in mind as an open platform
- Further activated the market and increased the growth trajectory by implementing direct recruiting function
- Developed and implemented skill maps and portfolio creation support

Growth of Strap

Strap

Online collaboration platform
Providing digital transformation tools that transform individual creative thinking and organizational meetings

FY2022	FY2023	FY2024
Introduced at 230 companies	Introduced at 346 companies	Introduced at 500 companies

- Growth while keeping SaaS business KPIs in mind
- Strengthen development and sales toward expansion into the enterprise field
- Supporting digital transformation and human capital management needs with training solutions

Investing 180 million yen in human resources recruitment and development to realize business growth

Total HR investment of 180 million yen

Recruitment investment

Recruitment costs

147 million yen

HR development investment

Training expenses and others

32 million yen

Human capital investment total

180 million yen

Actions

HR recruitment

Expand recruitment channels
Strengthen recruitment personnel
Casual employee interviews
(all employees)
Recruitment PR / Branding
Recruitment strategy meetings

HR development

Training system
Potential manager system
Regular personnel interviews
Rating system
Language training / book assistance
HR development meetings

Talent system

Motivation survey
Geppo
General meeting (twice a year) /
Awards
Remote work / Full flexitime
Common-law / same-sex marriage
Family support leave
Culture of mutual respect

Desired Results

Increase talent
acquisition actions
Realize timely
recruitment
Improve human
resources matching

Career up
Skill up
Revitalize HR
Revitalize organisation

Improve motivation
Improve
communication
Promote DE&I
Promote health
management

Realizing the value of design talent

FY2024 Target KPIs

Number of designers
hired annually

50 designers

Number of full-time
designers at end of 4Q

165 designers

Annual attrition rate

14 %

Considering four key themes (materiality) to realize vision and mission Working with stakeholders to spread the power of design to advance society

Design for Talent

- Hiring and training human resources to create opportunities for success
- Promotion of diversity, equity & inclusion (DE&I)
- Improving the value (treatment) of designers
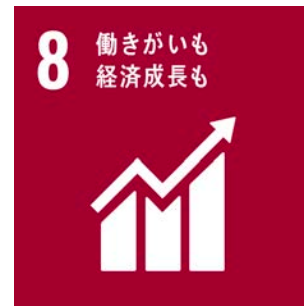
Design for Partner

- Co-creation with business partners
- Creating and transforming customer value

Design for Society

- Initiatives that consider the global environment
- Community empowerment

Design with Governance

- Employee health and safety
- Sound corporate governance system

- Corporate ethics and compliance
- Design ethics and responsibility

Goodpatch

Expand the possibilities of design, aiming for sales of 10 billion yen or more in full speed

Others

Expansion of design field through business co-creation

SaaS products
Increased recurring revenue

Marketing strategy, sales strategy
Expansion of solutions offered
Value chain expansion, M&A strategy

End of FY2023

Strap

Re Designer

Goodpatch anywhere

Design Partner
Digital transformation projects
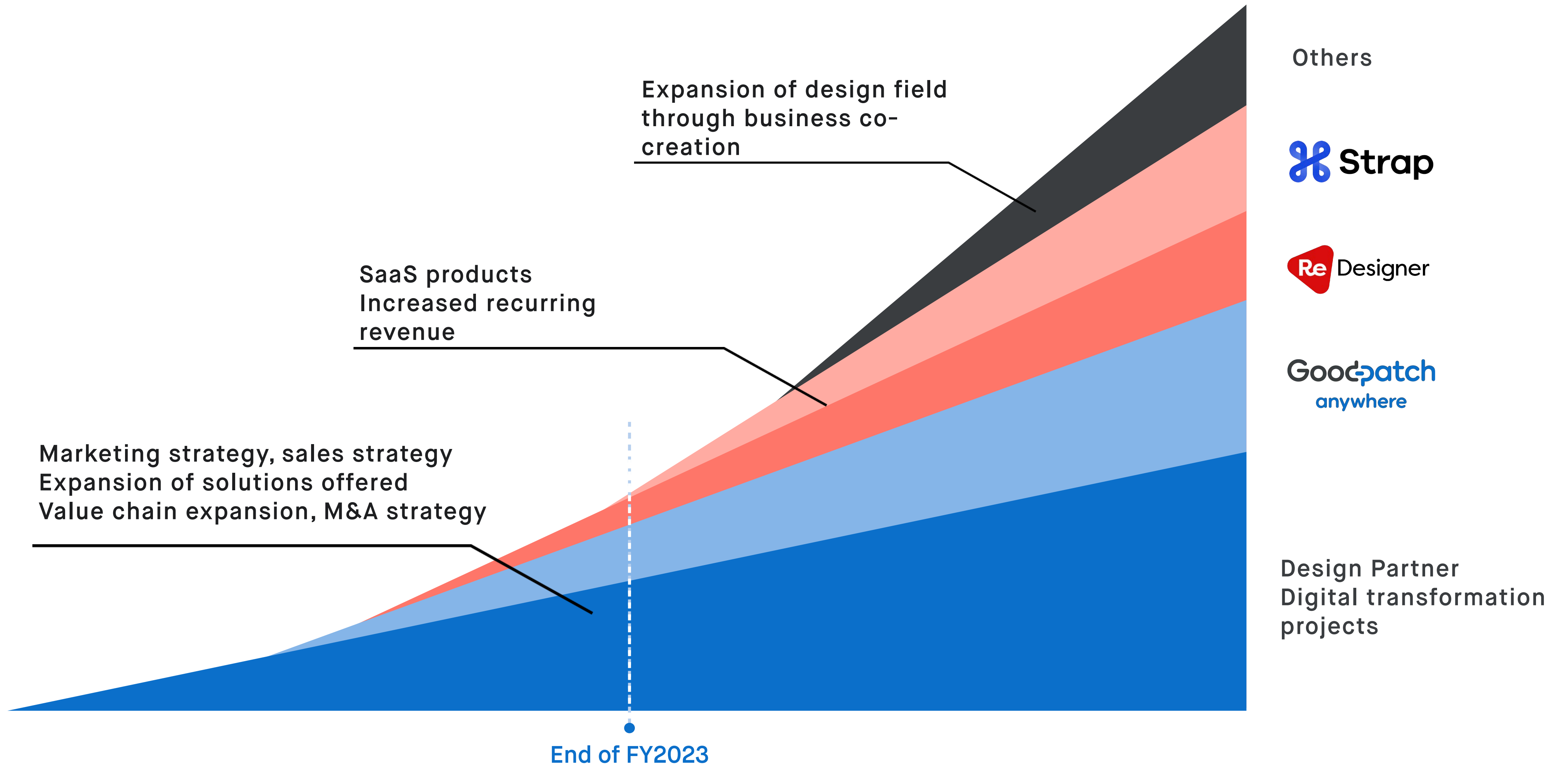
Appendix

Company Information

Basic Information

Company name	Goodpatch Inc.
Incorporated	September 2011
Address	VORT Shibuya South 2F 3-3 Uguisudanicho, Shibuya-ku, Tokyo 150-0032, Japan
Number of employees	240 (full-time employees as of November 30, 2023 on a consolidated basis)

Directors and auditors	Representative Director / CEO	Naofumi Tsuchiya
	Director / Executive Officer	Toshiyuki Makishima
	Outside Director	Hiroshi Kozuka
	Outside Director	Asuka Sato
	Outside Director	Daichi Hiroki
	Full-time Auditor	Osamu Satake
	Part-time Auditor	Toshiki Sada
	Part-time Auditor	Masaki Kawaguchi

Business description	UI/UX design, business model design, brand experience design, organizational design, and software development
Subsidiaries and affiliates (ownership ratio)	Goodpatch GmbH (100%)*, Studio Details Inc. (100%), Muture Corp. (40%), X.1 Inc. (33%)
Offices	Japan (Tokyo and Nagoya)

* Business ended in January 2023, liquidation process underway as of January 2024

Goodpatch Inc.
Tokyo

Studio Details Inc.
Nagoya

Studio Details Inc.
Tokyo

Vision and Mission

VISION

Push the world forward with design that moves people's hearts

MISSION

Prove the power of design

Why Design Matters Now?

Why Design?

Goodpatch

Company co-founded by designers grow significantly
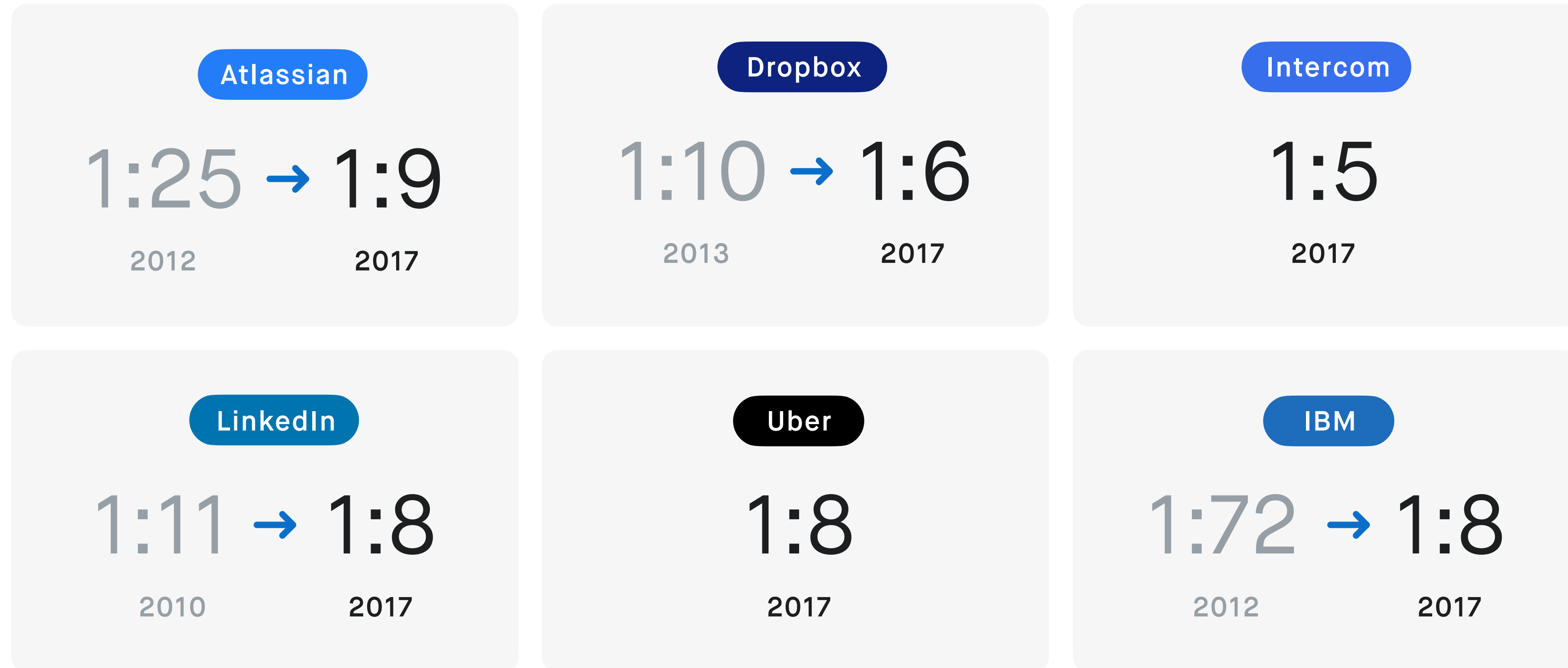
Slack

Instagram

Airbnb

YouTube

Twitter

Pinterest

Designers were among the co-founders of these companies

# Designers vs. engineers ratio has changed in global companies

Atlassian

1:25 → 1:9

2012   2017

Dropbox

1:10 → 1:6

2013   2017

Intercom

1:5

2017

LinkedIn

1:11 → 1:8

2010   2017

Uber

1:8

2017

IBM

1:72 → 1:8

2012   2017

Designers are becoming increasingly important

https://techcrunch.com/2017/05/31/here-are-some-reasons-behind-techs-design-shortage/

*The number of engineers per designer is indicated by ratio.

From functional value to experience value

Functional Value → **Surface design value** → **Experience Value**
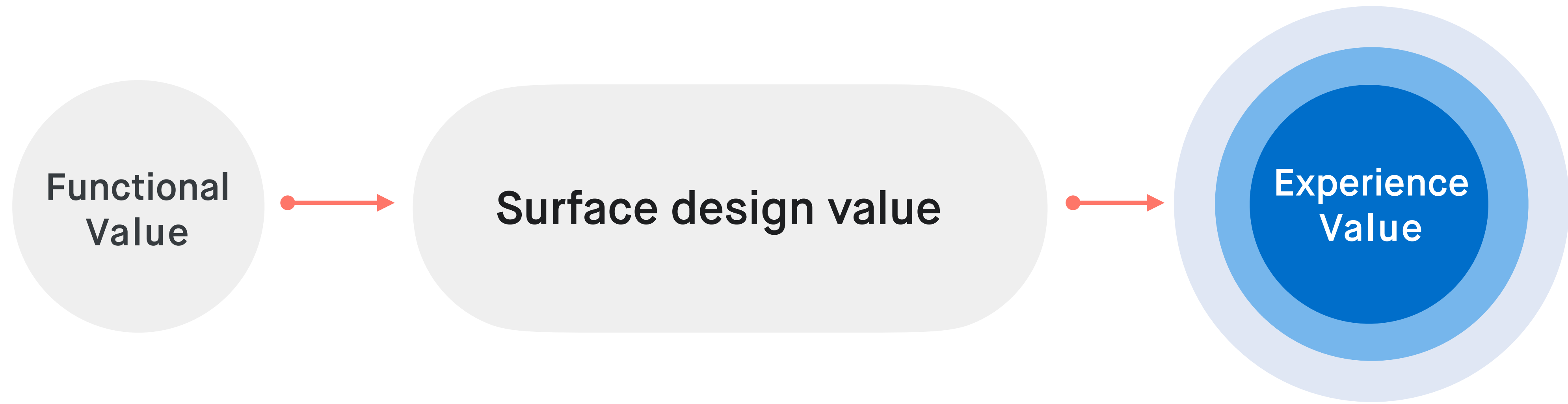
The age of selling products is over, the age of selling experience has arrived

Paradigm shift in user experience

Differentiating user experience (UX) from others significantly affects business performance

Smartphones, the device closest to users, have changed peoples' lives.

Comfortable **UI design** and **UX design**, which designs all use scenes and ever-complicated user experience as a whole, have become increasingly important
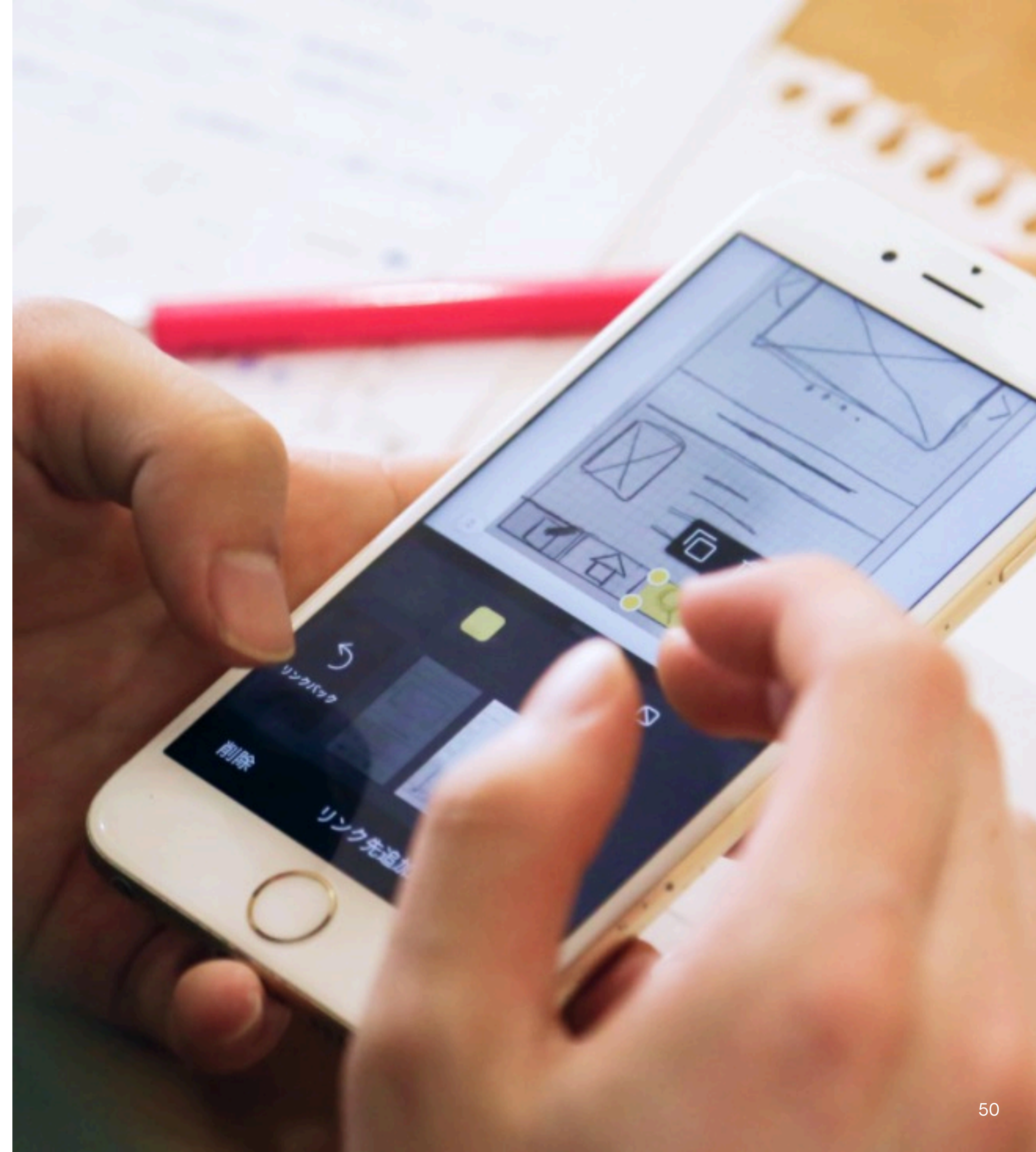
Differentiating the user experience (UX) from others significantly affects business performance

Design is misunderstood in Japan

In Japan, design is often misunderstood for decoration and to be superficial, but **design essentially involves "planning and architecture"**

Effects of design management

Reinforce brand strengths **+** Enhance innovation capabilities **=** **Boost corporate competitiveness**
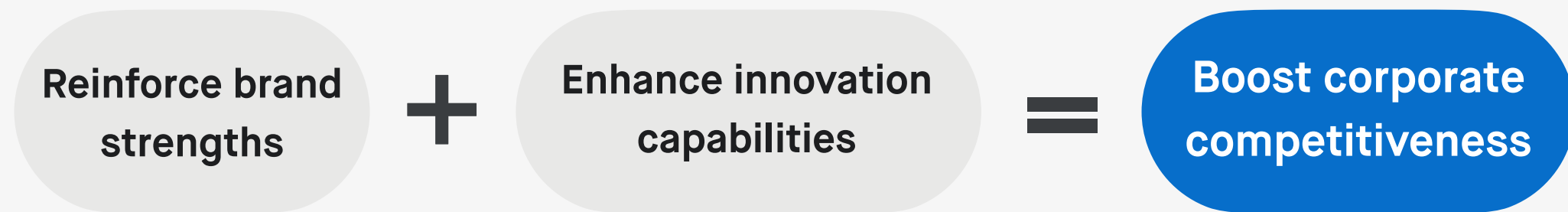
What is required to promote management by design

1. Have a design executive in the management team
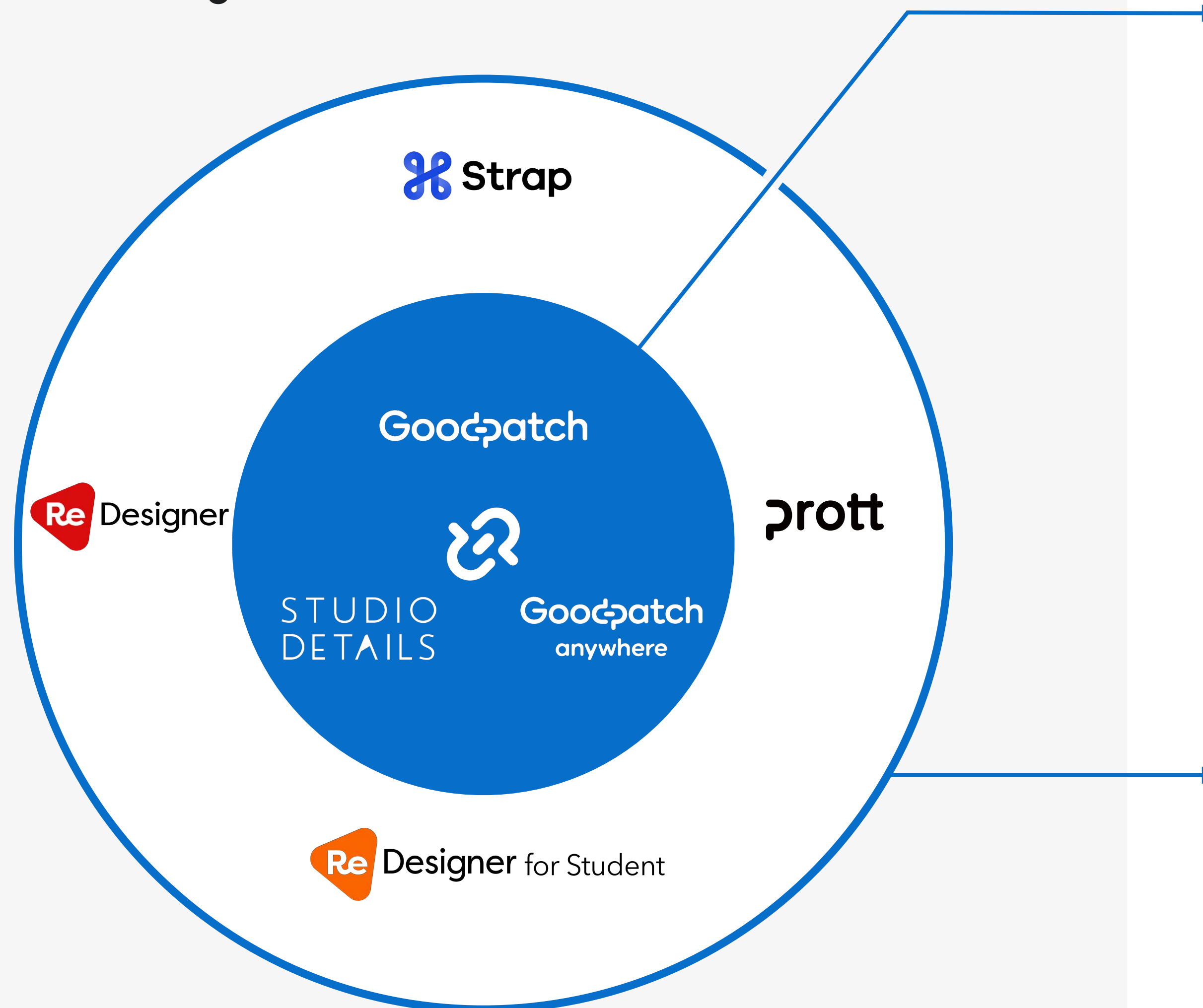2. Have design involved from the start of creating business strategy

The Five Elements of User Experience

Concrete

Design process

Abstract

Surface
Skeleton
Structure
Scope
Strategy
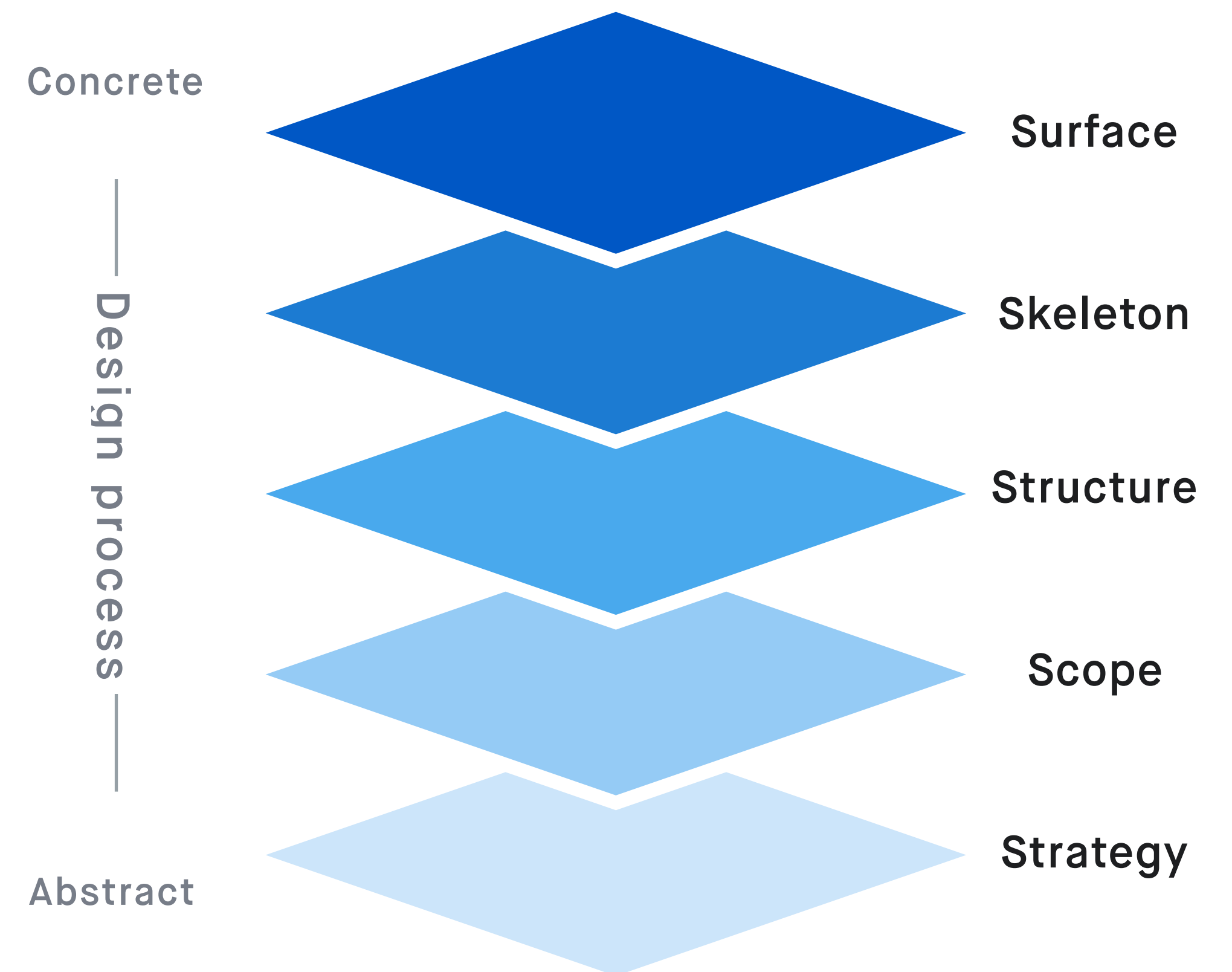
Elements of User Experience (Jesse James Garrett)

Our Business

The Two Segments

Goodpatch

Re Designer

Prott

STUDIO DETAILS

Goodpatch anywhere

Re Designer for Student

Design Partner Business

Goodpatch: Provides one-stop services from strategy building to concept design, UI/UX design and development for product development related to websites, iOS, Android, and IoT, and offers support for launching new businesses, renovating existing businesses, planning corporate design strategies and building design organizations

Studio Details: A digital branding firm founded in Nagoya and acquired in December 2021, supporting client companies for their creative works and branding strategies, whether for websites, apps, or graphics

Goodpatch Anywhere: Implements full-remote UI/UX design projects by registered external design talents

Design Platform Business

Provides in-house services and products, including designer-specific career support service "ReDesigner", online whiteboard tool "Strap", and prototyping tool "Prott"

Design Partner Business

Works to solve challenges facing clients together as their design partner, not just another vendor

- Design entire services through co-creation with clients, engaged from the initial strategic layer of the business

- Work together with clients throughout the development of digital product offered to end users

- At least 2 (average of 3-4) designers (including engineers) are involved in the clients' projects

- Project duration per client is around 8~10 months on average

  *Actual results for FY2021~2023, excluding short-term projects lasting less than one month.

- **Work mainly on time-and-material contracts instead of fixed-price contracts**

  Time-and-material contract: Sales are recorded monthly, the same as consulting firm > Sales are more stable

  Fixed-price contract: Sales are recorded in lump-sum upon delivery, the same as a system development company > Sales are less stable

Market

Client company

Business

Service

Digital product

User

Business

Service, UX

UX, UI, Engineering
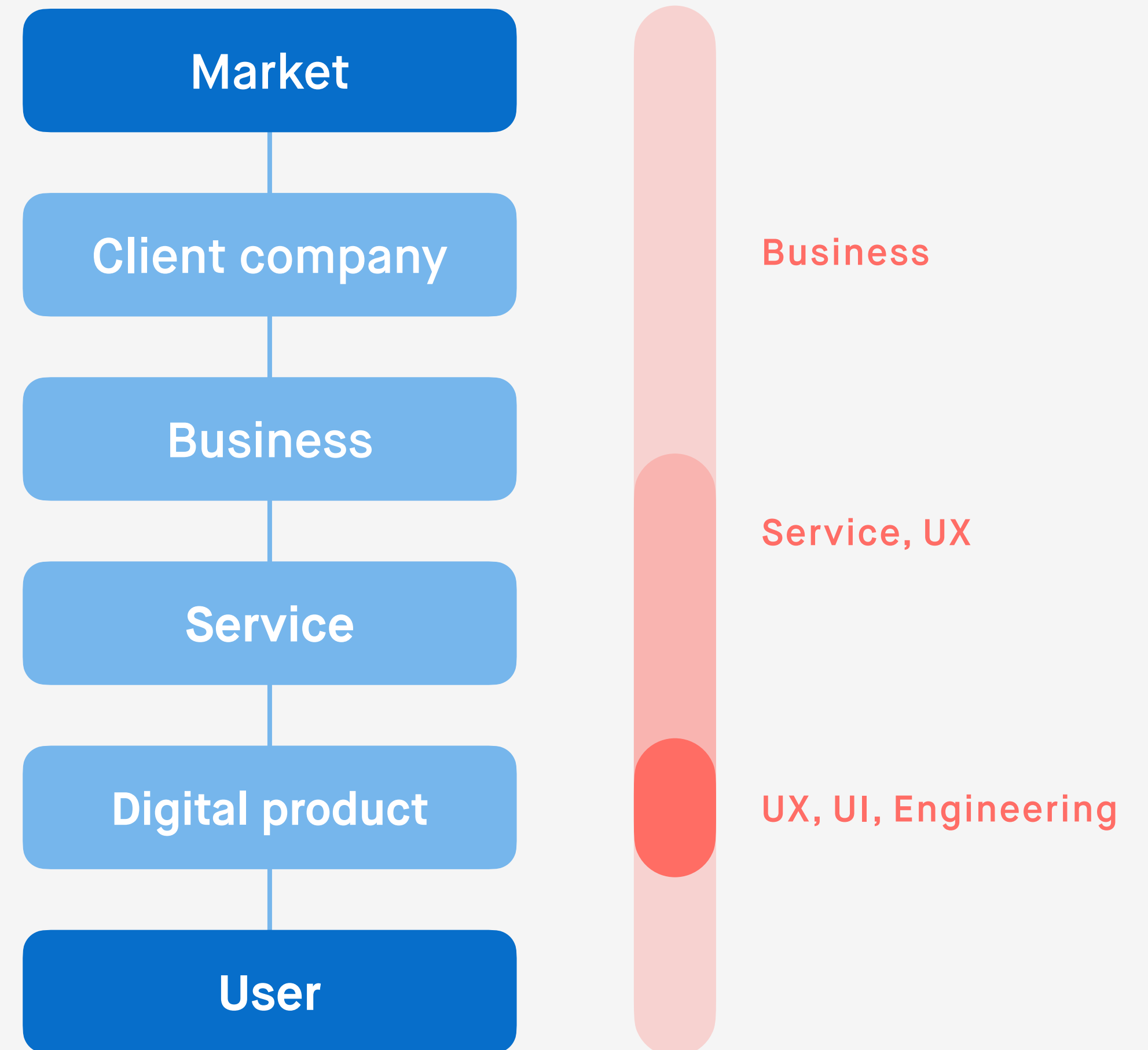
Design Partner Business・Design Fields

Offer design support for a wide range of areas, with a focus on Experience Design while covering Brand Experience and Business Design

Experience Design

Provide support for UI/UX design (support for strategy building, planning, product designing and development) of digital products, mainly smartphone and SaaS applications, to achieve easier-to-use services from the users' perspective.

Brand Experience

Conduct organizational design and brand image design based on the client company's management vision and mission, helping to build a strong brand by embodying in design the minds and value embedded in the brand owner's services.

Business Design

Design the strategies and business models for client companies' overall products, not limited to digital areas.
Define the requirements for a service that is accepted by users to drive product growth, and design measures to achieve the goal.

Experience Design (UI/UX) Product

Empowering Experiences

Brand Experience Brand/ Organization

Business Design Strategy/ Business Model

Design Partner Business · Proven Track Record (By Company)

12 companies went public after our support.

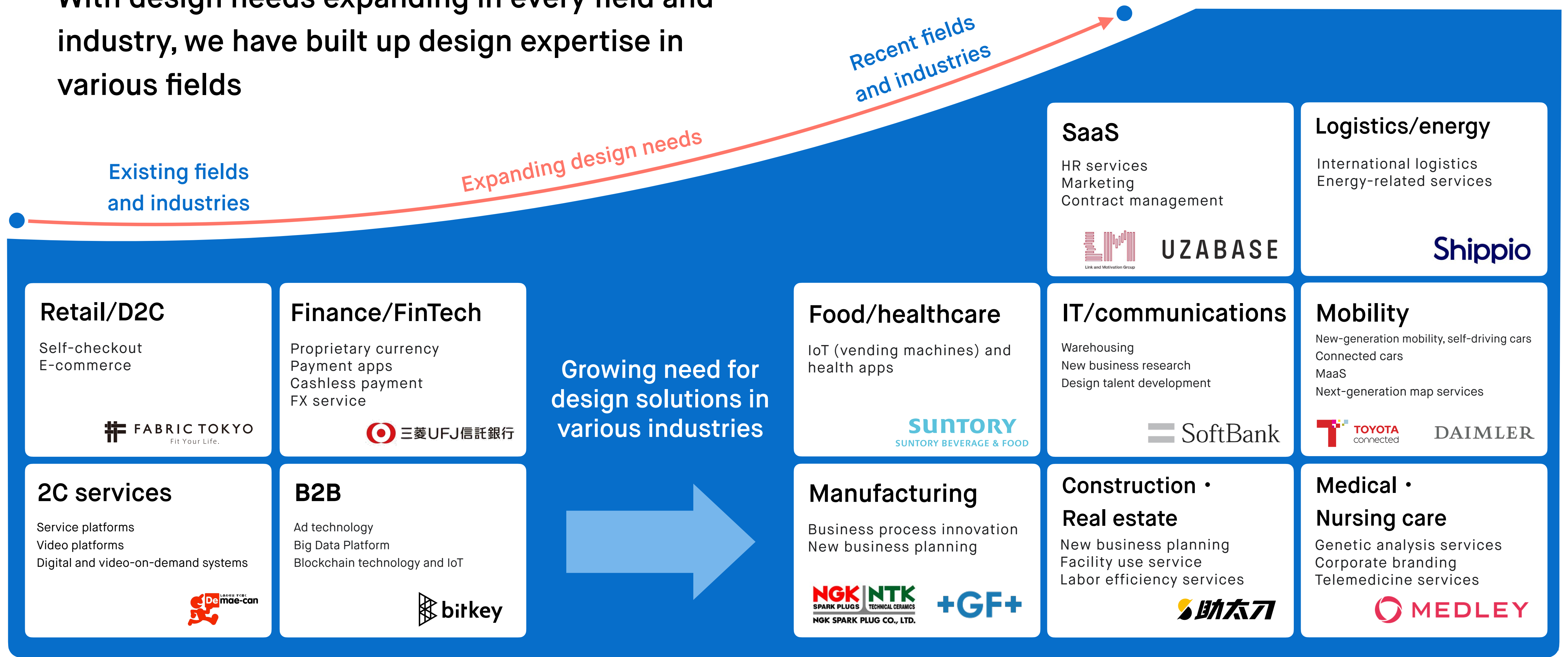## B2C and B2B enterprises

Startups

Serve a wide range of customers from B2C and B2B enterprises to startups
Good Design Award granted to our clients (or our proprietary products or Studio Details products)
13 times to date and for 10 consecutive years

* Above are some of the companies for which the Goodpatch Group has conducted design support.

# Design Partner Business・Extensive Cases (by Industry)

With design needs expanding in every field and industry, we have built up design expertise in various fields

Recent fields and industries

Expanding design needs

Existing fields and industries

SaaS
HR services
Marketing
Contract management

UZABASE

Logistics/energy
International logistics
Energy-related services

Shippio

Retail/D2C
Self-checkout
E-commerce

FABRIC TOKYO
Fit Your Life.

Finance/FinTech
Proprietary currency
Payment apps
Cashless payment
FX service

三菱UFJ信託銀行

Growing need for design solutions in various industries

Food/healthcare
IoT (vending machines) and health apps

SUNTORY
SUNTORY BEVERAGE & FOOD

IT/communications
Warehousing
New business research
Design talent development

SoftBank

Mobility
New-generation mobility, self-driving cars
Connected cars
MaaS
Next-generation map services

TOYOTA connected   **DAIMLER**

2C services
Service platforms
Video platforms
Digital and video-on-demand systems

Demae-can

B2B
Ad technology
Big Data Platform
Blockchain technology and IoT

bitkey

Manufacturing
Business process innovation
New business planning

NGK SPARK PLUGS **NTK TECHNICAL CERAMICS**
NGK SPARK PLUG CO., LTD.   **+GF+**

Construction・Real estate
New business planning
Facility use service
Labor efficiency services

助太刀

Medical・Nursing care
Genetic analysis services
Corporate branding
Telemedicine services

MEDLEY

*The chart below indicates some of the cases in which the Goodpatch Group has conducted design support. The company logos are shown under the permission of the relevant companies.

Design Platform Business

Career Support
Service for Designers

Re Designer

Re Designer for Student
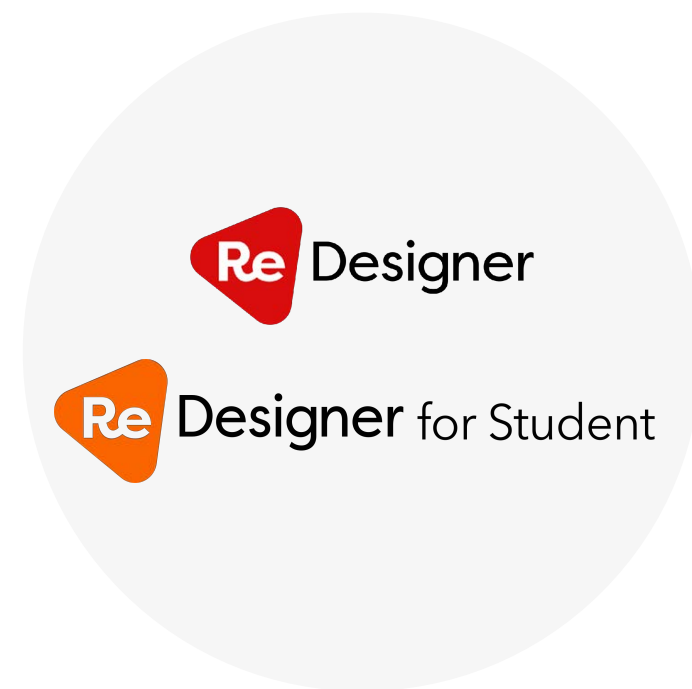
Profit Model

• For mid-career hires, a contingency fee-based model in which the recruiting company is compensated for successful hires.
• For new graduates, a monthly fee is charged to companies using the service.
• A portion of revenues are booked as options, such as events and media coverage
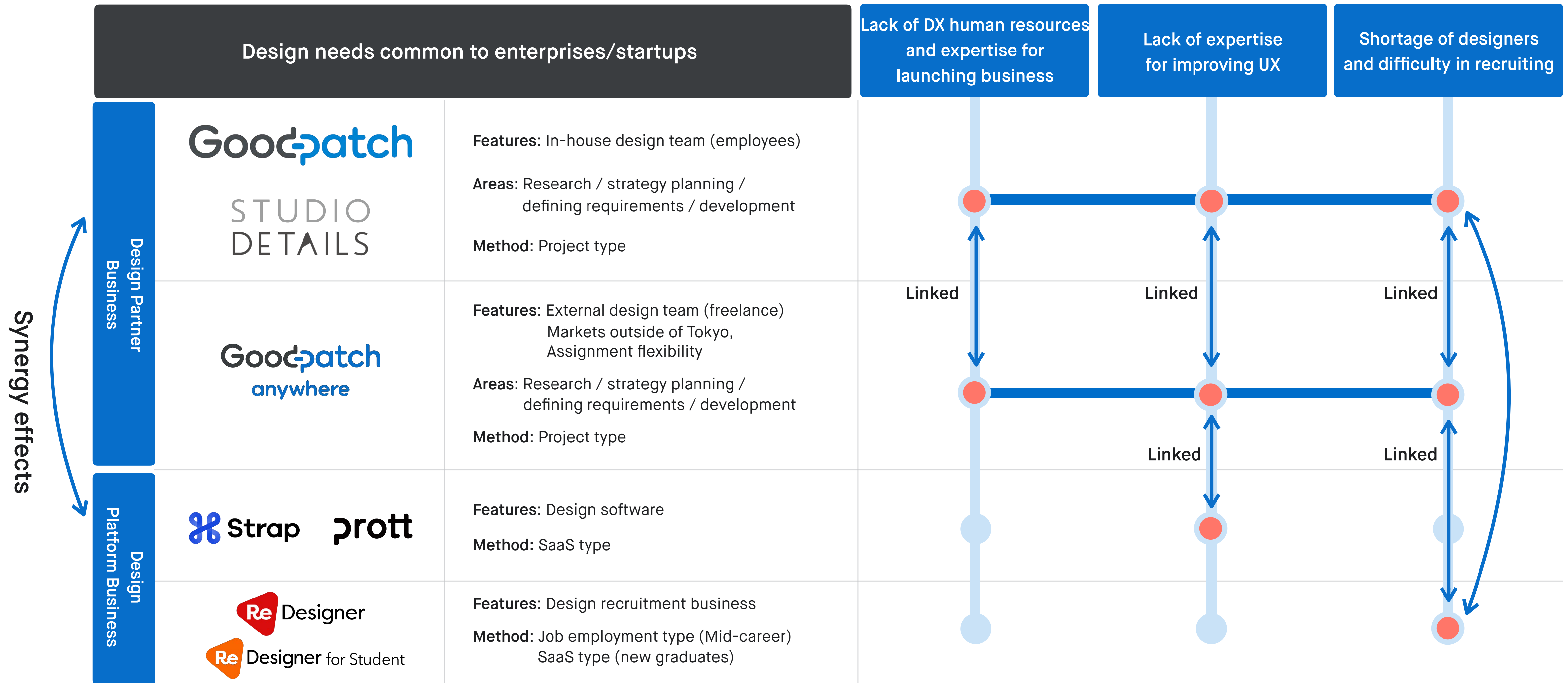
Online whiteboard
Prototyping SaaS tool

Strap

prott

Profit Model

• Various plans are offered according to the size of the user company's organization
• Monthly billing model with an average monthly fee of approximately 1,000 yen per user or 20,000 yen or more per month per company

Provide solutions on our own that enable us to offer multifaceted and long-term support in sync with evolving client needs

Two Business Segments Meeting Clients' Diverse Design Needs

	Design needs common to enterprises/startups		Lack of DX human resources and expertise for launching business	Lack of expertise for improving UX	Shortage of designers and difficulty in recruiting
Design Partner Business	Goodpatch / STUDIO DETAILS	**Features:** In-house design team (employees) **Areas:** Research / strategy planning / defining requirements / development **Method:** Project type	●	●	●
		Linked	Linked	Linked	
	Goodpatch anywhere	**Features:** External design team (freelance) Markets outside of Tokyo, Assignment flexibility **Areas:** Research / strategy planning / defining requirements / development **Method:** Project type	●	●	●
			Linked	Linked	
Design Platform Business	Strap / prott	**Features:** Design software **Method:** SaaS type		●	
	Re Designer / Re Designer for Student	**Features:** Design recruitment business **Method:** Job employment type (Mid-career) SaaS type (new graduates)			●

Synergy effects

Our Features and Strengths

Company Strengths

Goodpatch

Goodpatch competitive advantages

1 Unique positioning, dominant performance and brand value in design

2 Accumulation of systematized design know-how and knowledge

3 Ability to gather employees and freelancers, despite increasingly scarce design talent

4 Highly efficient and profitable business model centered on the Design Partner Business

Unique positioning based on dominant performance and brand value in design

Our strong track record centering on the UI/UX and **brand value** have enabled us to support creation of new businesses and improvement of services, which should facilitate DX

*Companies listed above are just a few of the companies our group has supported in the past

Accumulation of systematized design know-how and knowledge

Systematic process

A systematic process based on many achievements and a training system for industry-ready designers
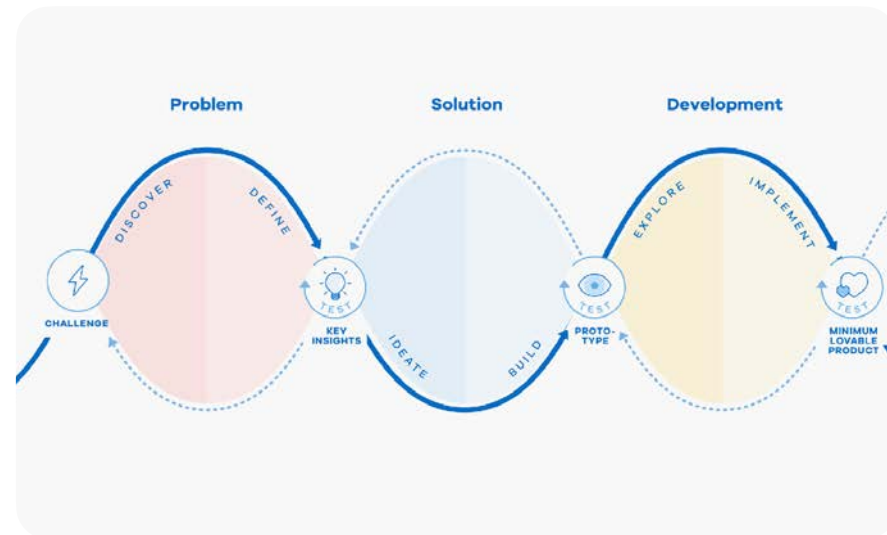
**Systematic
design process**

In-house training to
sharpen skills as designers

×

Over 30,000 know-how assets

We have built a mechanism to share internal knowledge and accumulate unique know-how assets
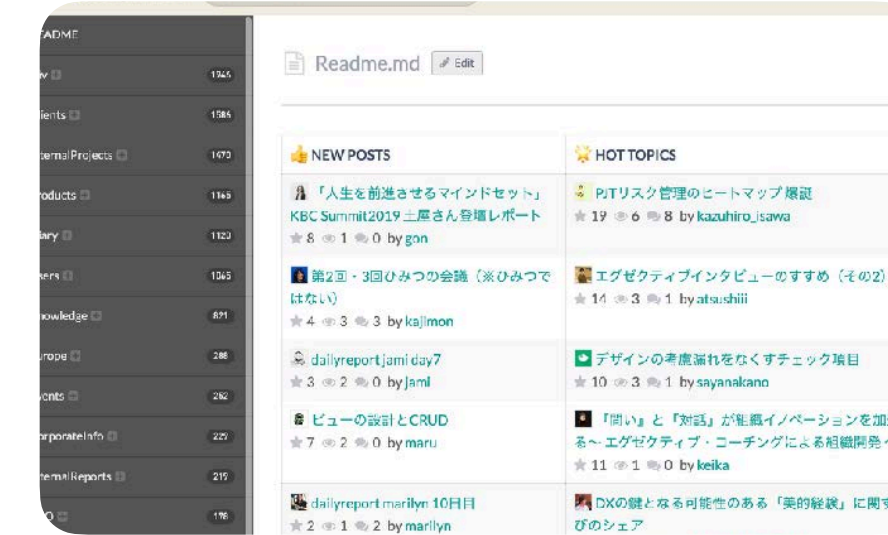
Internal knowledge database
where the knowledge is
constantly posted

**Project reviews shared
across the company**

A system that reduces dependency on the individual
skill of designers and increases the reproducibility of quality

Have an array of design talents, both employees and freelancers, whose scarcity value is rising

Market Status ↗ **Demand for design talents increases through digital transformation. The key success factor is how to hire and retain talented people.**

→ **Demand rising:** Market value of UI/UX designers rises in the digital domain during digital transformation.
Supply limited: Designers need to understand and be involved in the core business. Traditional art colleges are not equipped to train such human resources.

		Goodpatch
Attractive job （Chosen）	**Be involved from strategy planning to development**	– Opportunities to see the entire flow from strategy planning to product development – Various career paths including Goodpatch's own operations, in addition to client work
Ample design talent pool （Accept）	**Having an array of abundant talents covering business development through UI design**	– People with business experience in start-ups and growth turned into designers – Hiring talents with specialized skills such as strategy and engineering with a focus on UI/UX – Promoting design projects through collaboration of our employees and Goodpatch Anywhere members
Designer management （Retain）	**Designer-centric culture and structure**	– Designer-centric organizational culture – A structure for designers to output knowledge and review of projects

A pool of design talents with strengths in UI/UX and business creation continues to expand
Have an array of design talents as No.1* design company in Japan

*Among design companies focused on the digital domain

Highly efficient and profitable business model centered on the Design Partner Business

Project lead for design support projects, mainly via word of mouth and websites

Browse Blog Site Visit → Inquiries → Business Talks

Sort by project types and resource availability

Design Partner Business in Japan

Employee Designer

- Highly-committed team with advanced design skills and business know-how
- Fixed cost

Maintain high operating rates by winning projects on a priority basis (Cost ratio is low)

Project and human resource collaboration

Goodpatch Anywhere

Freelance Designer

- Become part-time employees at project origination
- Pool of experienced professionals
- Variable cost

- **Linear growth in gross profit as more projects are acquired**
- **Low management costs for the talent pool (low SG&A ratio)**

Achieve high profit margin

Projects and talents are closely coordinated within the Design Partner Business

High profit margins achieved through highly integrated business model

The Environment Surrounding Our Business

Goodpatch

Growing Demand for DX

The domestic DX market is expected to expand to a scale of 6 trillion yen by the fiscal year 2030. Major companies are at the forefront of formulating and advancing DX strategies, and investments for DX initiatives are gaining momentum.
Furthermore, it has been identified through research that the service areas we offer are insufficient in facilitating the adoption of DX.

Top 5 Skills Shortages in Implementing DX

N＝612 (multi-answer)

	Answer rate
DX planning, promotion, and adoption facilitators	46.9%
Engineer/Programmer (in-house)	36.9%
Digital marketing	34.2%
Data scientist	27.6%
Business/Service Designer (Personnel responsible for creating and designing new services)	26.3%

In driving DX, the workforce supplied by our company

*Fuji Chimera Soken: 2023 Future Outlook of the Digital Transformation Market - Market Section / Vendor Strategy Section. A user survey was conducted to understand the business strategies of 41 DX-related solution vendors, the implementation status and promotion structure of domestic companies' DX, investment areas/budgets, challenges, and more.
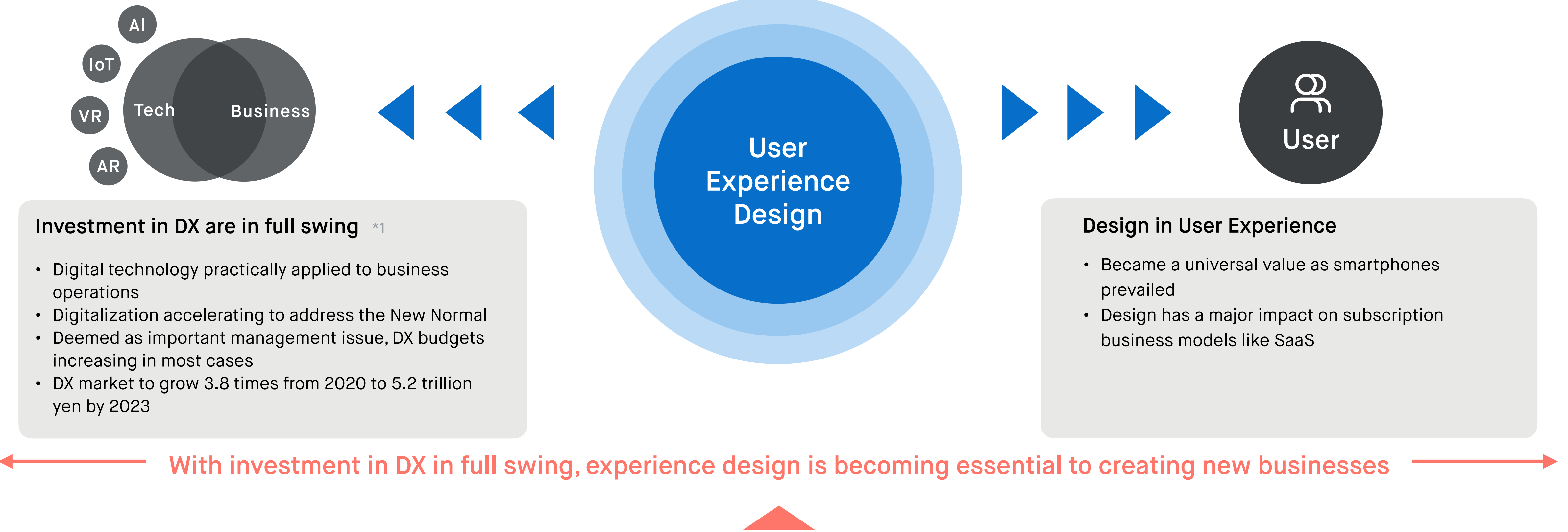
DX-related market size in Japan

Unit: million dollars

FY2022~FY2030 CAGR
10.2%

27,277 (FY2022)
65,195 (FY2030)
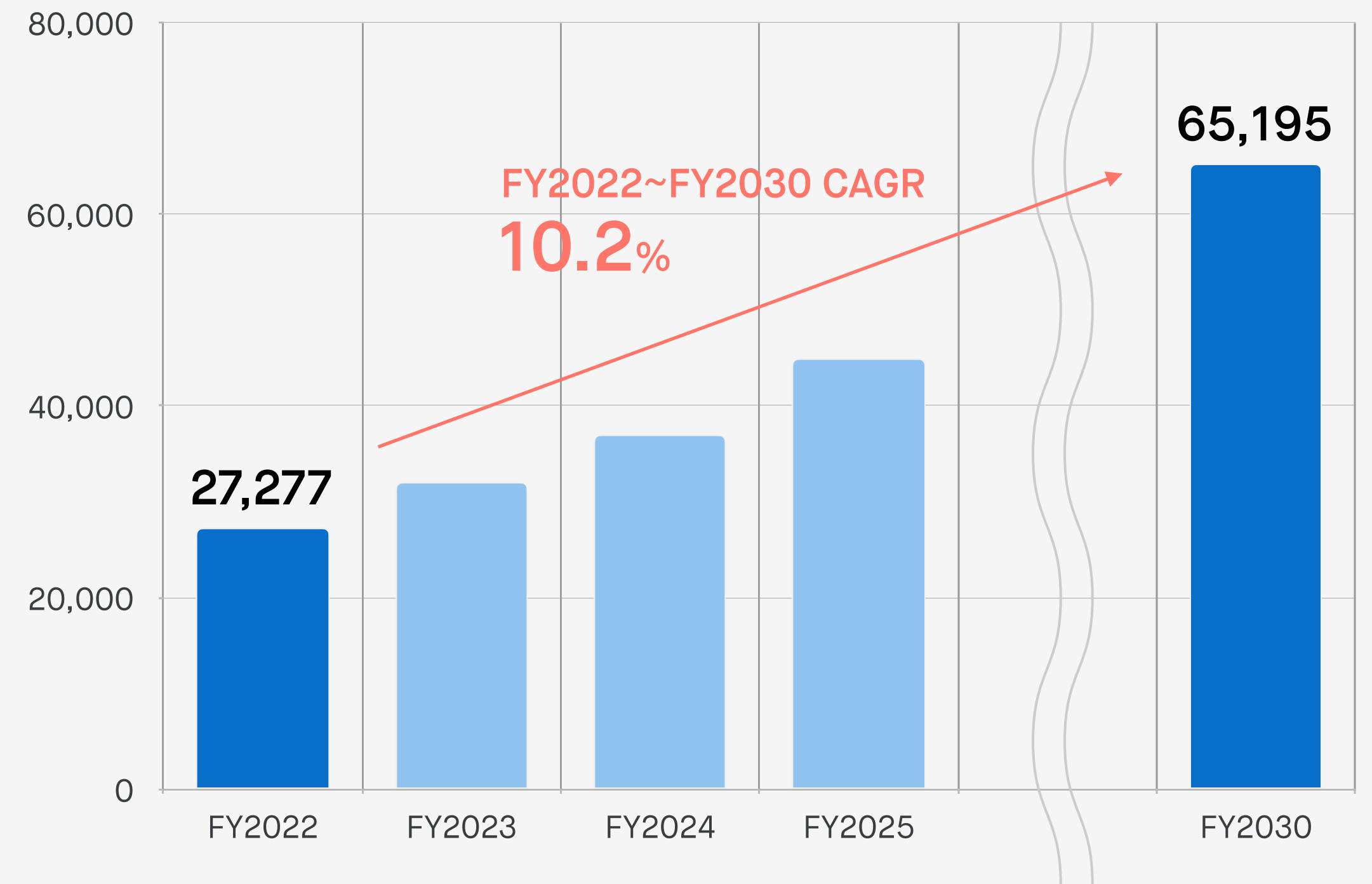
*Fuji Chimera Research Institute, Inc. Digital Transformation Business New Market 2023 Edition

Where Experience Design Stands in DX

AI
IoT
VR
AR

Tech Business

User Experience Design

User

Investment in DX are in full swing *1

- Digital technology practically applied to business operations
- Digitalization accelerating to address the New Normal
- Deemed as important management issue, DX budgets increasing in most cases
- DX market to grow 3.8 times from 2020 to 5.2 trillion yen by 2023

Design in User Experience

- Became a universal value as smartphones prevailed
- Design has a major impact on subscription business models like SaaS

With investment in DX in full swing, experience design is becoming essential to creating new businesses

New relationship between user company and its vender company

As a "Business Partner" Goodpatch works to deeply understand the user companies' business operations and jointly investigates the client's new business models *2

Points to consider when selecting a partner 1st rank: well-versed with the relevant industry and operations (25.3%)

2nd rank: excellent in problem-solving skills, business design and planning (24.4%) *1

Implementing design management and creating business cases in Japan

May 2018　　　March 2019　　　March 2020　　　　　　　　　　　April 2020　　　June 2022

"Design Management" declaration

METI　Patent Office

Advanced design talent guidelines

METI

Examples of design management challenges and solutions

Patent Office

Aiming to start service design

METI

Design policy handbook

METI

Priority Policy Program for Realizing Digital Society

Digital Agency
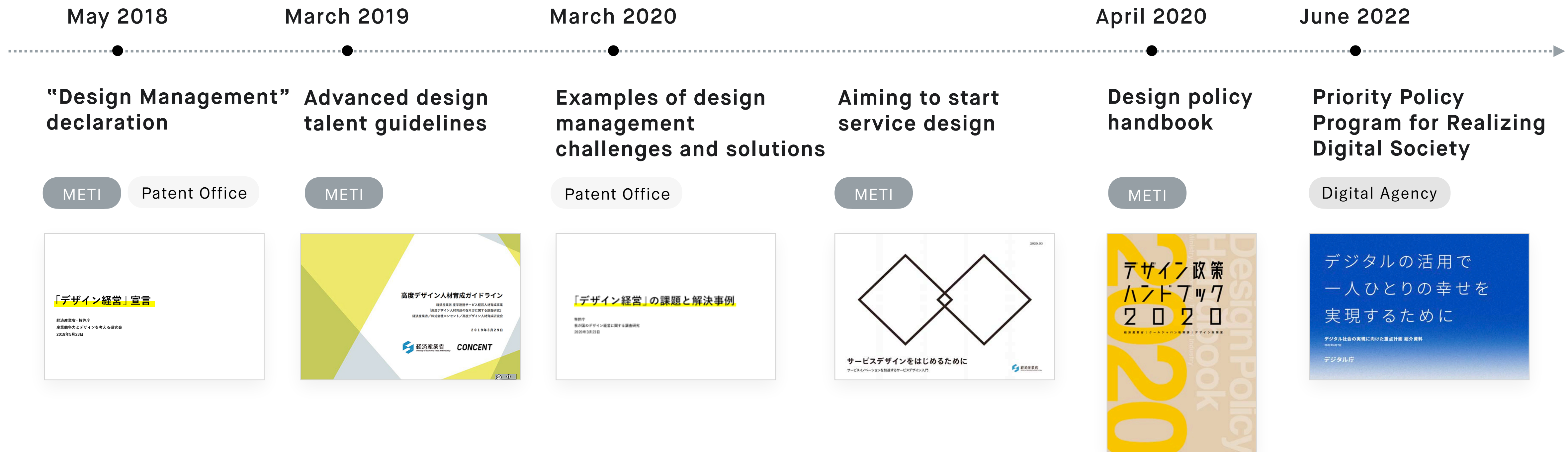
Importance of design (especially digital design) is growing in Japan, as seen in the "Digital Management" declaration by METI and Patent Office

Management Team

Management Team

Chief Executive Officer
Naofumi Tsuchiya

With extensive experiences as a web director, he supported various startups at a design company in San Francisco.
Established Goodpatch Inc. in September 2011.

Director and Executive Officer, CFO
Toshiyuki Makishima

After serving as CFO of a one-to-one English conversation school company, which went public on TSE Mothers, he served as CEO of an education-related company, among other tasks. Joined Goodpatch in February 2019.
Took office as Executive Officer in September 2019 and has been the Director and Executive Officer, CFO since November 2020.
Mainly supervises accounting, finance and IR.

Executive Officer
Tsubasa Ohyama

After gaining experience in producing and directing at a video production company and web design company, worked in a director role at NetYear Group and Recruit. In November 2017, joined Goodpatch. In December 2020, assumed the role of General Manager and business leader of the Design Division, responsible for domestic client work. His responsibilities are the Design Division and the Market Design Division since March 2023.

President and CEO, Studio Detail
Kenta Namba

Graduated from the Graphic Design Department of University of the Arts London. Subsequently, he was based in London and worked on various global projects. Has been involved with Goodpatch as Design Director since 2018, and became Director of Studio Details, Inc. in December 2021. Took office as President and CEO of Studio Details in January 2023.

Management Team

Outside Director
Hiroshi Kozuka

Joined Nomura Research Institute after graduating from Kyoto University. Worked for McKinsey & Company and BayCurrent Consulting before founding Digital Connect in January 2019 and took office as its President and CEO. He is an outside director of CINC Corp. Took office as Outside Director of Goodpatch in November 2022.

Outside Director
Asuka Sato

Joined Arthur D. Little after completing graduate studies at Kyoto University. Subsequently, took the master's course at Massachusetts Institute of Technology, and worked for Innovation Network Corporation of Japan (currently INCJ, Ltd.) and JIC Capital. Has been Director of INCJ since August 2021. She also serves as outside director of Peach Aviation Limited and EDOTCO Group Sdn Bhd. Took office as Outside Director of Goodpatch in November 2022.

Outside Director
Daichi Hiroki

Joined MIXI, Inc. after graduating from University of Tsukuba Graduate School. He has served as director of Japan CTO Association since June 2019. Founded rector. inc. in June 2022 and took office as President and CEO. Works as outside chief technology officer for The Asahi Shimbun Company. Took office as Outside Director of Goodpatch in November 2022.

Auditor

Full-time Auditor
Osamu Satake

With extensive experiences as a sales representative at Kanematsu Co., Ltd., he served as Director of Internal Audit at the company and full-time Corporate Auditor at Kanematsu Communications. Has served as full-time Auditor of Goodpatch since December 2018.

Part-time Auditor
Toshiki Sada

After working for Nomura Securities Group, served as Auditor for Kayak Co., Ltd. for four years during which it went public on Mothers in December 2014.
Has served as Auditor of Goodpatch since July 2016.
He also serves as auditor at several other companies.

Part-time Auditor
Masaki Kawaguchi

After graduating from the Legal Training and Research Institute of Japan in December 2012 joined the law firm, Authense.
June 2018, appointed as the head of the Pro Bono Promotion Office at Authense, and in January 2020 appointed to Supervision.
Has served as Auditor of Goodpatch since November 2023.

Design concept "MAKE A MARK"

The "MAKE A MARK" design concept is a verbalization of all that is necessary for Goodpatch today.
It has been three years since Goodpatch's IPO. At times the Company was underperforming but every member persevered and continued to uphold our mission and vision. Now we are back and on a growth path with a clear recovery in our business performance.
When we look at the progress we have made and the future ahead, we ask ourselves, "What will we leave in the future?"
Goodpatch continues to take on the challenge to leave a new business impact on the world, or in other words, **MAKE A MARK is proof of the power of design.**

Goodpatch

First Quarter Results for Fiscal Year Ending August 31, 2024

Goodpatch Inc. (TSE Code: 7351)

January 12, 2024

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Design to empower

This material is the English translation of the financial results for Goodpatch Inc. The Japanese original is authoritative and the company does not assume responsibility for any differences in interpretation between the English version and the official Japanese version of the disclosed materials. The forward-looking statements and projected figures concerning the future performance of Goodpatch Inc. contained or referred to herein are based on a series of assumptions, projections, estimates, judgments and beliefs of the management based on currently available information.

These projections and estimates might be affected by the future business operations of Goodpatch Inc., the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the effects of competition, services and new businesses, changes to laws and regulations affecting the industry in Japan and elsewhere, other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included in any other materials publicly disclosed by Goodpatch Inc. on its website.

Goodpatch

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