

Update ZIGExN New Outside Director, Isao Moriyasu × Representative Director, Joe Hirao Special Talk (Part 1)



In June 2021, ZIGExN's management structure has changed a lot. This time, we are pleased to present the first and second parts of a conversation between one of the new outside directors, Isao Moriyasu, who has supported the management of DeNA for 20 years, and CEO Hirao, two people at the forefront of the IT industry. In the first part, Moriyasu talks about how he will be involved in ZIGExN's management in the future, and ZIGExN's second mid-term management plan "Z CORE".

The first time the two met was ten years ago.

Q. Mr. Moriyasu and Mr. Hirao have known each other for a long time?

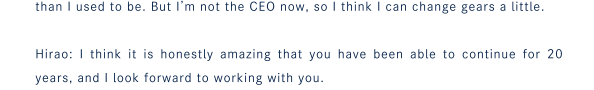
Moriyasu: We met at an event about 10 years ago, and it wasn't just the two of us, but we did go out to eat together.

Hirao: Yes, right.

Moriyasu: Many of the young people at the time were rather reserved, but I had the impression that Mr. Hirao was very proactive and energetic.

Hirao: Thank you very much. Why did you accept the position of outside director of ZIGExN?

Moriyasu: In February of this year, I announced my resignation as the representative director of DeNA on SNS. I received messages saying like "I was surprised" and "I'd like to talk to you over dinner sometime". But Mr. Hirao contacted me out of the blue and said "Please be an outside director of ZIGExN!!". It was very direct, and I remembered "This is Mr. Joe Hirao" (laughs). After that we talked online, and he told me about ZIGExN's situation and future goals which made me think "This is reckless, but very interesting".



Hirao: Thank you very much.

Moriyasu: It may be the opposite of the current trend, but we should set high goals. He was very passionate and has convinced me, so I have decided to cooperate with him.

Hirao: While people around me were talking about why Mr. Moriyasu stepped down, I was convinced that the battle for Mr. Moriyasu had already started, so before I knew it, I sent him a message (laughs).

Moriyasu: Your energy is tremendous. Normally, even if they are acquaintances, it is customary to make a probing offer. It feels good to come straight to the point, doesn't it?

Hirao: I'm so direct that my friends of senior managements sometimes get a little mad at me (laughs). They tell me to see the situation and explain the background before asking.

It is a great honor to have someone like Mr. Moriyasu, who has managed such a "mega-venture", join us. I think ZIGExN's employees, including myself, are nervous in a good way.

*mega-venture: a company growing into a large and mature company but still has a startup kind of culture at the same time.

Moriyasu: I've been doing this for 20 years, and I think I've become much gentler than I used to be. But I'm not the CEO now, so I think I can change gears a little.

Hirao: I think it is honestly amazing that you have been able to continue for 20 years, and I look forward to working with you.



Q. What kind of impression did you have of ZIGExN?

Moriyasu: I had the impression that Mr. Hirao himself was a vigorous and proactive person, but he was building up and expanding his business gradually, so I felt there is a certain gap. On the other hand, while "Joe Hirao" and "ZIGExN" were well known if you work in the IT industry, but I had no idea if people in general (i.e. non-IT people) knew about them.

I think that the core business has the room for improvement, and since I was offered the position of outside director, I'd like to help with that. I think that we need to change the line of thinking.

Q. How did you think about the ZIGExN's 2nd medium-term management plan "Z CORE"?

---As for the ZIGExN's 2nd medium-term management plan "Z CORE"

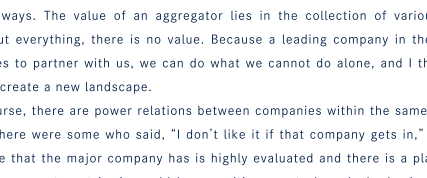
Hirao: This time, on the occasion of our 15th anniversary, we announced the new corporate logo, the Purpose, and the medium-term management plan, and I incorporated the advice I received from Mr. Moriyasu as the theme to it. Over the past 15 years, I have received advice from many people, even though I have rarely implemented it directly, but I have reflected on the words of Mr. Moriyasu many times and have done a lot of self-reflection.

Moriyasu: I thought "You have set a low goal (laughs)".

Hirao: I am sorry.

Moriyasu: A business can only be called a business when it exceeds 10 billion yen in profit. I want you to aim for the next level after "Z CORE" announced in the mid-term management plan. By setting a goal one level higher than "Z CORE," we should be able to capture a larger share of the market. By creating a business with a larger scope, we will be able to see even further ahead. While building Z CORE over the next few years, we must always keep in mind what we will do after that. When that is in sight, they need to change the resources allocation.

If you don't set your sights on the next level and keep that in mind, your business will suffer, and it will inevitably keep being small. I think it is necessary to find the next level while it is still, and when you see it, you need to greatly accelerate and stretch it.



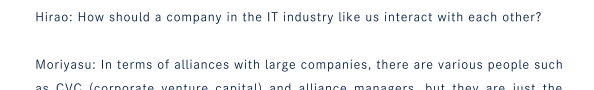
--- What specific advice did you give them?

Moriyasu: I looked at the plan this time, and I think it is wonderful that the company is building on its strengths and what it has done so far. I told them that the key to the future will be how to find a business domain with different potentials and invest in them.

There is no one right answer, but I am a person who looks at data very carefully. Even if the business is growing at the same angle, the potential varies greatly depending on the underlying repeat rate and the number of customers. It's important to greatly invest when you have confidence that you can do it. ZIGExN has more than 40 services. I'm sure everyone is seriously working on each of them, and all of them are important. However, I think it is necessary for the management to have a higher perspective, find out what can be a winning strategy among them, and then change the perspective you had and put it into action.

Hirao: Mr. Moriyasu, what is the key to finding a "winning strategy" as you put it? I think you have found it many times in the past and have been able to expand your business.

Moriyasu: It depends on the business, but for example, the growth of sales data in the initial stage and the beauty of the growth curve and the things that a growing business has. If you make full use of various data and make some simulations based on the repeat rate and the growth of the natural inflow rate of users, you will find some businesses where it is obvious that sales will reach 100 times and profit 25 to 30 times.



The Isao Moriyasu Way of Building a Business

--- Mr. Hirao, I know you have seen Mr. Moriyasu's speaking events, but are there any impressive ones?

Hirao: Mr. Moriyasu once told me that there are three ways to create a business: organically, through M&A, and by teaming up with a major company.

Moriyasu: Creating it from scratch is more difficult. Services that have already started have more data and are easier to understand. I think it is good to have a number of different methods.

Hirao: It takes a long time to start up a company and make it grow organically, and with M&A, the company might be damaged, and there is also goodwill. Joint ventures (JVs) are also very difficult. How did you manage such difficult JVs?

Moriyasu: When working with a large company, there is no need to stick to a JV. I think we should be flexible in this area, and business alliances are also fine. However, it is not easy to join hands with a large company. There are a lot of people with different ways of thinking, so how do we get in? It is very important to know how we can complement what they cannot do alone. Thankfully, some of the companies we have worked with so far are the largest companies in the industry with a long history. They are very strong, so we had to think through what we could do to leverage the strengths that the company had.

Hirao: I think it's better to work with multiple companies than one. You also worked with a game company that is famous for never working with other companies.

Moriyasu: The experience I had with several game companies came in handy in some ways. The value of an aggregator lies in the collection of various things. Without everything, there is no value. Because a leading company in the industry decides to partner with us, we can do what we cannot do alone, and I thought we could create a new landscape.

Of course, there are power relations between companies within the same field. I'm sure there were some who said, "I don't like it if that company gets in," but if the service that the major company has is highly evaluated and there is a platform for that company to get in, it would be a positive way to launch the business. It will create more benefits if we do it, and I hope that we can convince people that we can continue to do it if it has value in itself.

Hirao: I'd like to ask you, Mr. Moriyasu, about if there were any projects that you were excited about at the beginning, but at the end of the project, you were like "I don't know..." and the project fizzled out?

Moriyasu: Of course, there are also breakdowns. Contracts are very important. Philosophy and ideas are important, but after three or five years, the person in charge and the manager change. When that happens, the contract is what you come back to. If you don't have something that you can insist on, it is quite difficult. I often hear of cases where people fail because they are unable to put their ideas into a proper contract and just proceed with the conversation.

Knowing your partner well is the key to a successful project.

--- What is particularly difficult about alliances with other companies?

Hirao: I was also in a large company, so I can imagine what it is like, but I think it is quite difficult to know who the key players are from the outside. Do you have any tips for working with large companies?

Moriyasu: In the case of a startup company, all you have to do is hold the CEO, but in the case of a large building company, there are always power relations and appropriate routes for each department. It is very important to understand the other party, including this.

Hirao: How should a company in the IT industry like us interact with each other?

Moriyasu: In terms of alliances with large companies, there are various people such as CVC (corporate venture capital) and alliance managers, but they are just the entrance. There is a boss at the division manager level, so how you get in there is important. Even from the CEO's point of view, there must be someone who says, "If that person says it, it's okay", so it is important to be able to approach to the person and convince him/her. There are also people who can express their opinions at board meetings, so you can tell them. "We are going to do this project, so please support us".

Hirao: I agree. You're saying that you should access the key person in the company. Laying the groundwork is important. Should large companies and startups get more cooperate with each other?

Moriyasu: There are startups that do things without getting cooperated, and if it is difficult to do so, it is better to try to cooperate with other large companies. If there is a certain scale, there are various options you can take, but if you just started a business and resources and assets are limited, so you have to decide what you will not do.

Hirao: I see. I've heard that when small startups work with large companies, they are often forced to put them in a weak bargaining position. Is there any ways to prevent this in terms of the startup perspective?

Moriyasu: Of course, the scale is totally different, but I think it is better to never show a bearish attitude. No matter what happens, we have a fifty-fifty relationship. Even if things go wrong before the contract is signed, that's fine. If you don't have that mindset, you will end up accepting the contract no matter how weak the situation is to get the contract, so you have to be like "we are doing on an equal footing."

Hirao: The goal should be what we will do with a large company but sometimes working with a large company tends to be the goal. This is very important.