

FY06/2020

# Mid-term Management Plan (Revised)

Benex Group Inc.

August 21, 2020

- ◆ Our Mid-term plan (7/2019~6/2022) released in 8/2019 to be revised due to drastic changes in economic and industries triggered by COVID-19.
- ◆ We should keep EBITDA target but reset term.

## Target: consolidated basis

### 10B yen EBITDA & more than 10% of EBITDA ratio

(EBITDA 10 billion is equivalent to operating income of 9 billion yen)

- **Would reset Term by the end of this fiscal year**
- **Balancing profitability and portfolio**
- ◆ No change in Mid-term Management policy  
We should focus on Engineer staffing, as followed

## ◆ Concentrate our resources on Engineer staffing

- ① Enhance EV (Engineer Value) model to improve operations and profitability. (current EBITDA/sales 13%)
- ② M&A in Engineers industry (Planned 10 to 20BYen)

## ◆ Would continue investors return policy

- ① Have increased dividend for 8 consecutive years.
- ② Plan to increase dividend in this fiscal year and on.

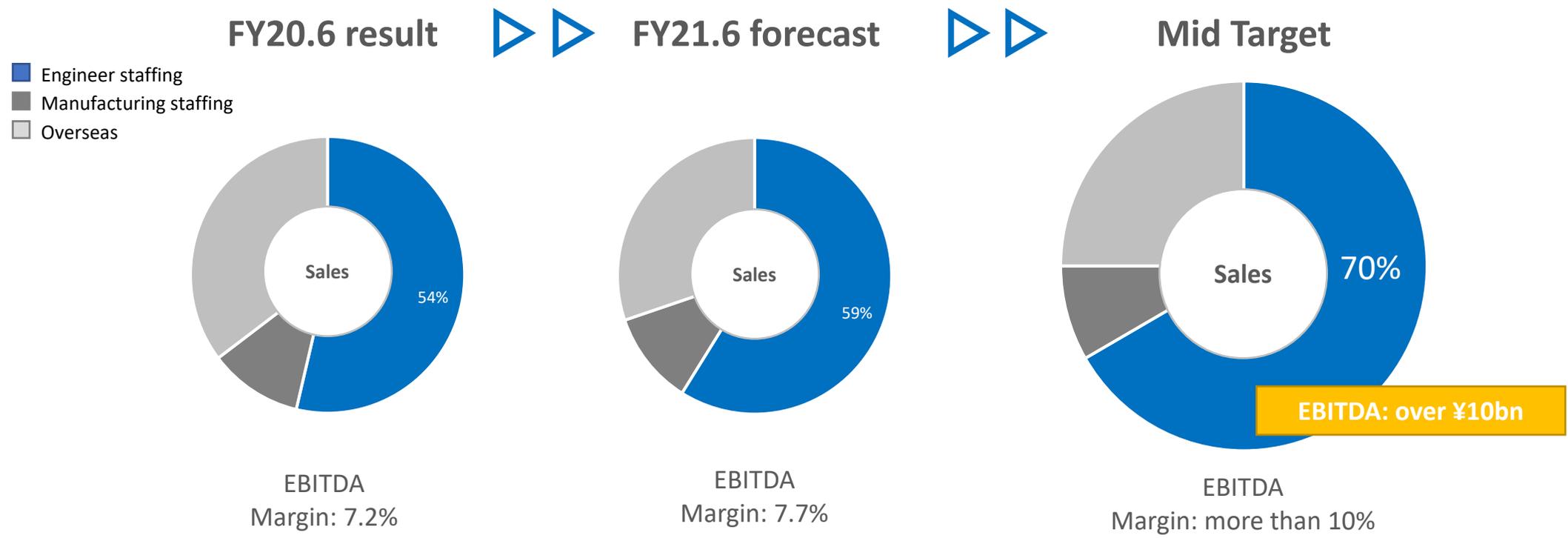
## ◆ Importance on SDGs and ESG

- ① Continue fair disabled persons employment
- ② Flexible treatment on employees, such as special allowance for all domestic employees we did in Q4.

# Our View (Growth Image & Portfolio )

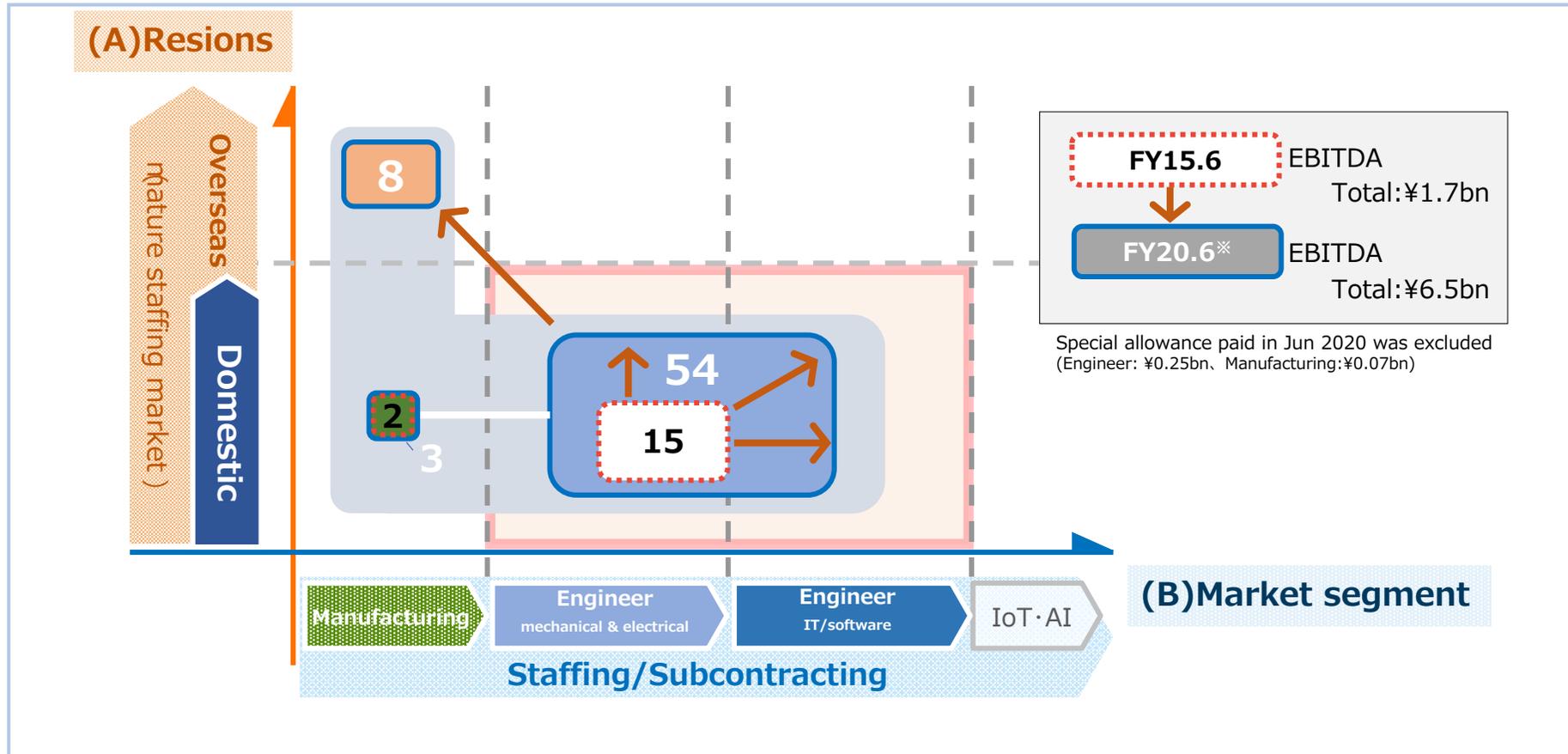
- ❑ Focus on Engineer staffing and seeking Domestic M&A opportunities
- ❑ Manufacturing: focusing on profitability (4-5%) and pursuing stable growth
- ❑ Overseas (UK): stabilize profitability and aiming to improve margins (MIX Cng)

## Growth of Engineer staffing, changing sales portfolio to improve profitability



# Our View (our goal and focusing area)

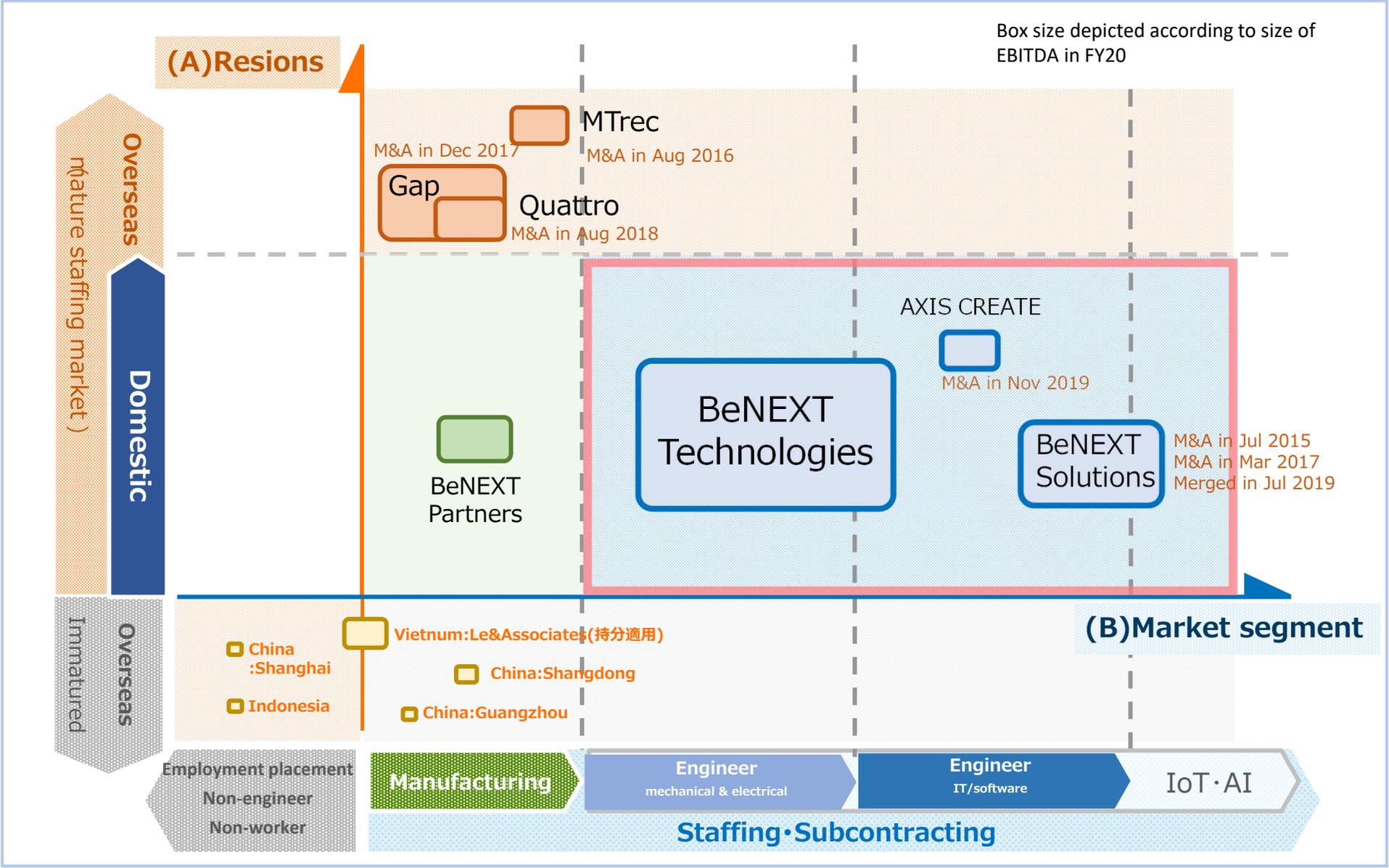
- Our **long-term goal** is to be a global human resources services company.
- Realized growth from new portfolio of "IT & software" and "overseas" business since June/2015



- We will not expand and invest overseas for the time being and will focus on expanding and investing in the domestic engineer field on the current situations.

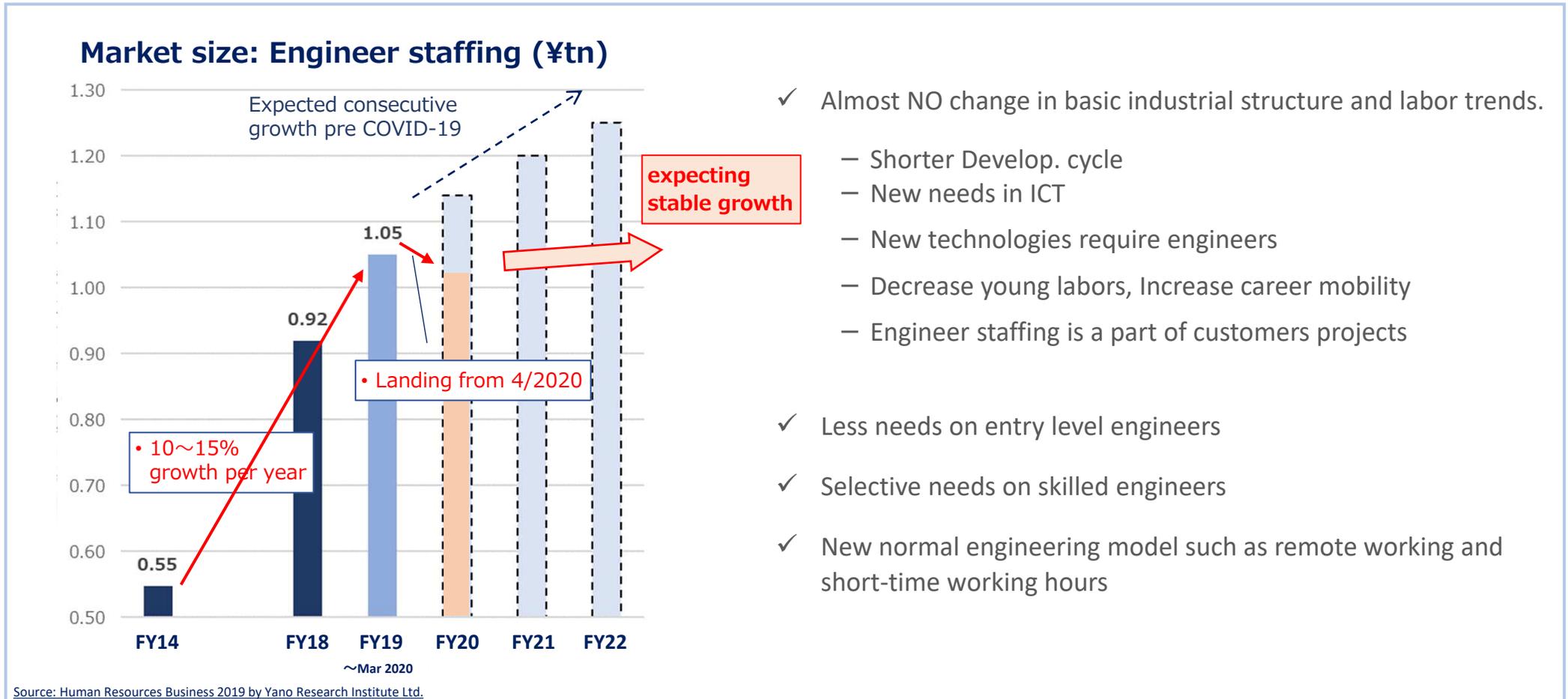
# Our View (Business portfolio as of now)

In addition to organic growth, we expanded IT software and UK business through M&A.



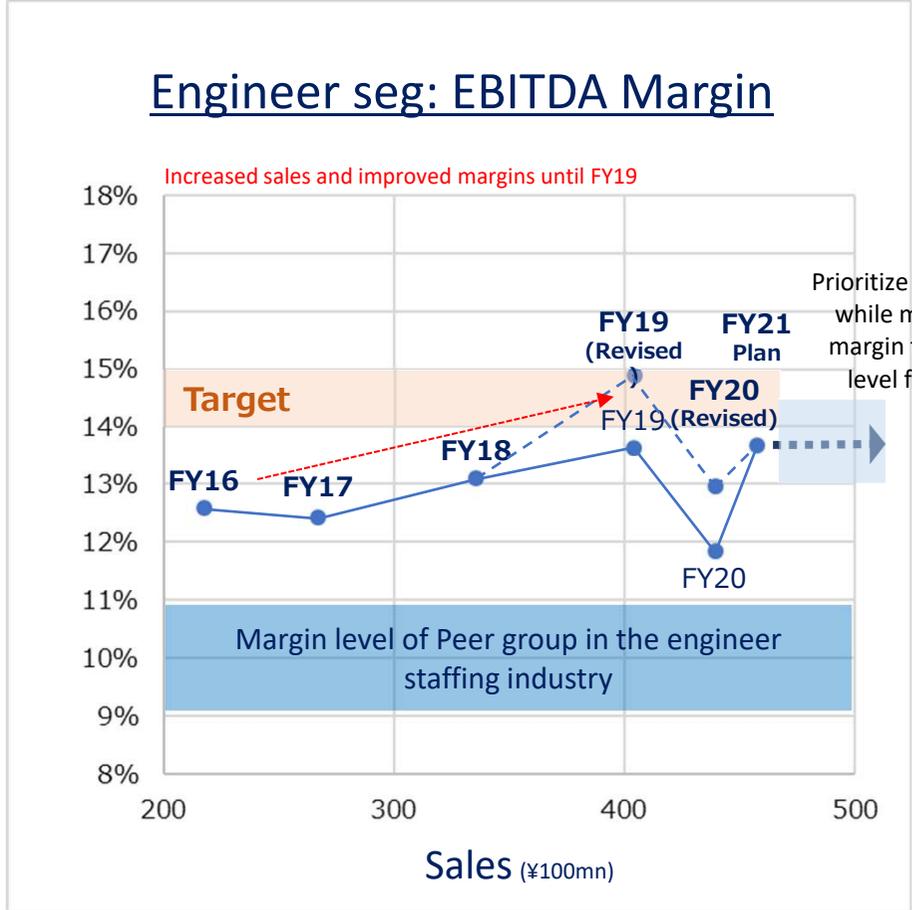
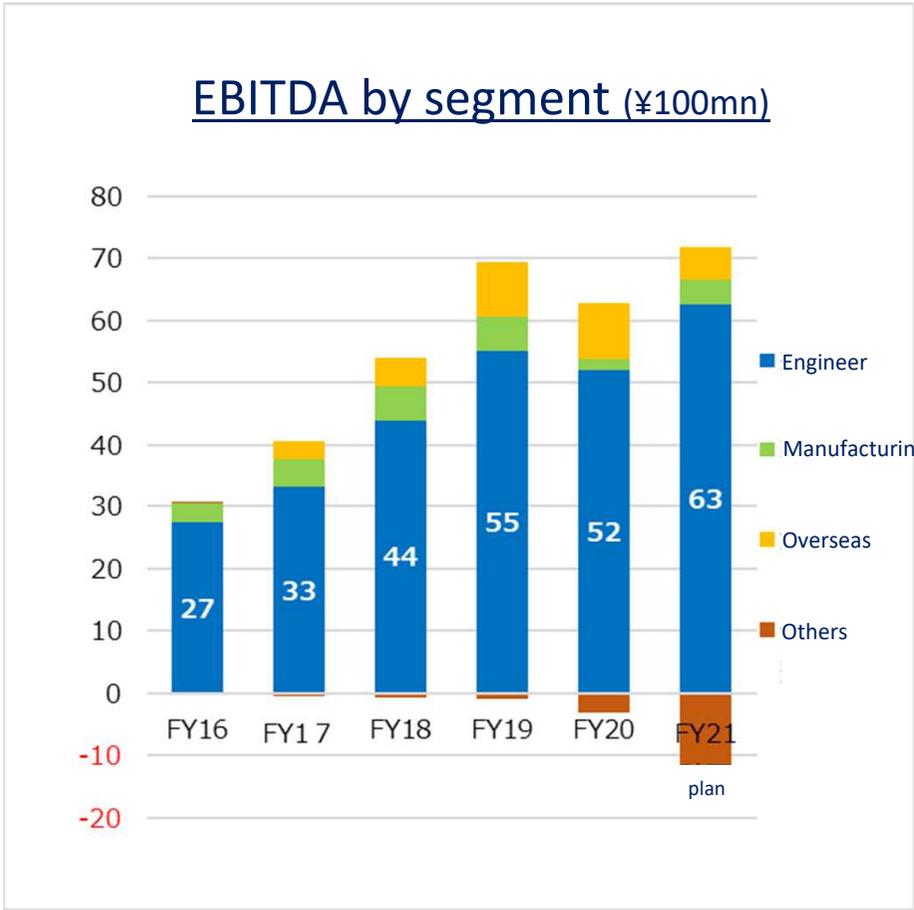
# Our View (Engineer staffing market)

- Domestic Engineer staffing market is adjusting or landing period for further growth.
- Expect stable demand of engineer staffing.



- We, BENEXT group supports manufacturing and software companies by supplying appropriate engineers in short-mid term, to meet changes in the industries and technologies.

- Engineer Staffing drives consolidated EBITDA and Profitability
- EBITDA/SALES 14%+ in FY2019、Recovery in 2H this Fiscal Year, then expect further growth in next year and thereafter.



\*Regarding profit margin adjustments  
 FY19 ~ 20 includes group-wide costs (corresponding to HD company function) in the engineering field, and since they were separated from FY21 by HD ("others"), they are roughly adjusted for the purpose of trend comparisons.

# ① EV (Engineer Value) Model 1

Aiming to increase share in engineer staffing through progress of EV model

**Incorporate engineers' training cycle and progress into business model.**

## ● Visualize engineer's "value"

Collect data concerning each engineer in a variety of areas, such as skill, experience, achievement and client's evaluation.

Use a smart phone site targeting engineers to increase the convenience and collect their detailed data, such as their technological strength, career orientation, preferable workplace, to help conduct AI analysis.

## ● Improve engineer's "value"

Build a mechanism, using HR Tech or other technologies to help upgrade engineers' skills according to their visualized abilities, problems and orientation.

Develop a placement plan according to an engineer's skill level and properly charge fees based on market evaluation (staffing unit price, etc.).

The logo for BeNEXT, featuring the letters 'B=NEXT' in a bold, sans-serif font. The 'B' is red, and the '=' is a red arrow pointing to the right. 'NEXT' is in black.

**EV model** (EV: Engineer value)

**Have engineers challenge to the Next Progress  
by creating appropriate opportunities**

## ● Deepen engineer's "possibility"

Make full use of web-based interview and marketing tools.

Enhance specialization by dividing sales process into smaller sub-processes and assigning specialists to each sub-process. Thus, improve the accuracy of proposals both for jobs and engineers.

Raise utilization rates of newly hired and re-assigned workers.

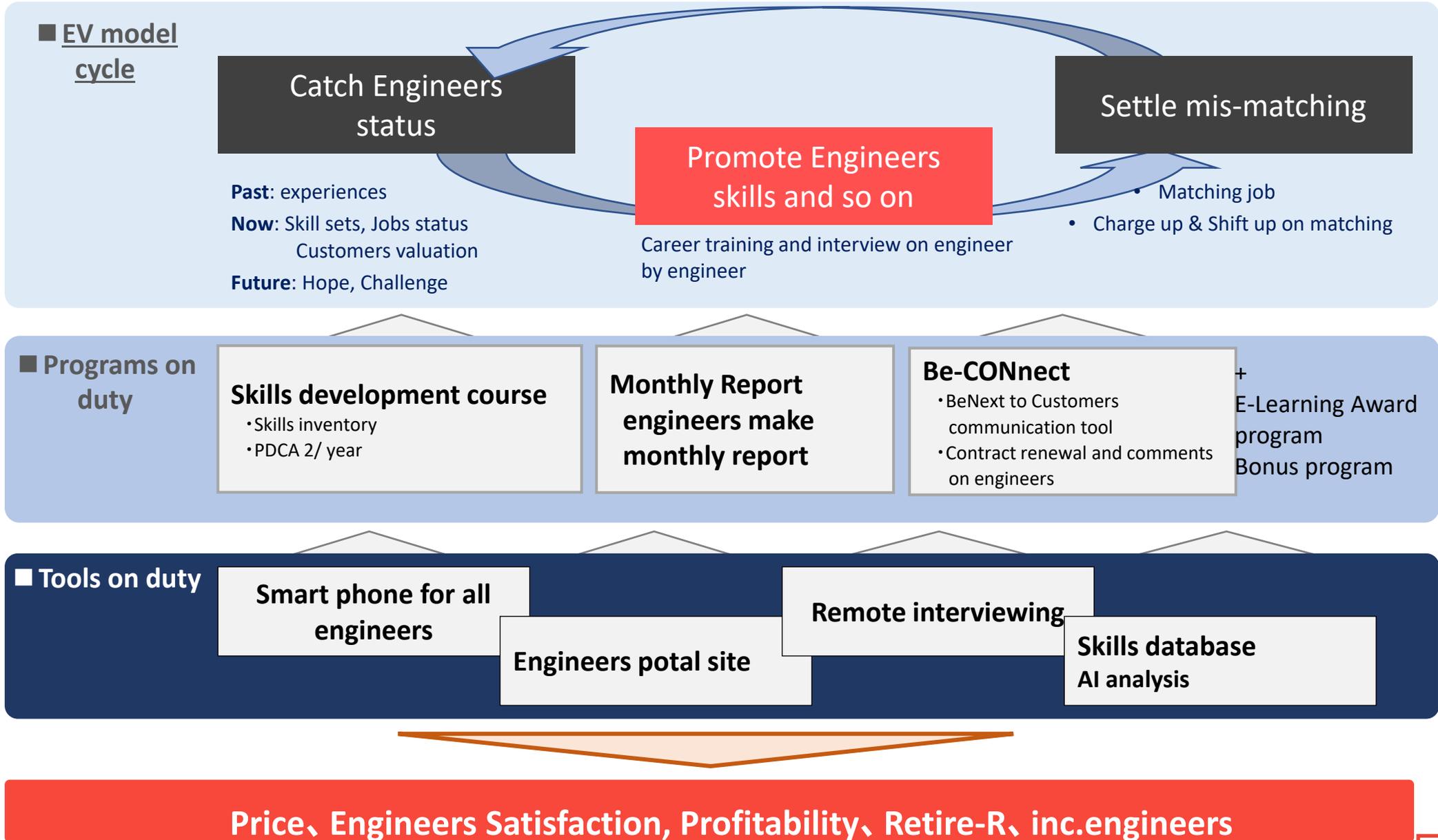
## ● Satisfy engineer's "dream & demand"

Adopt a performance appraisal and employment type that are suitable for Engineer/Technology segment to adeptly respond to diversity and work-style changes

Have award programs, pay raise and bonus plans, training programs in place to help engineers feel motivated to work better and feel proud of themselves.

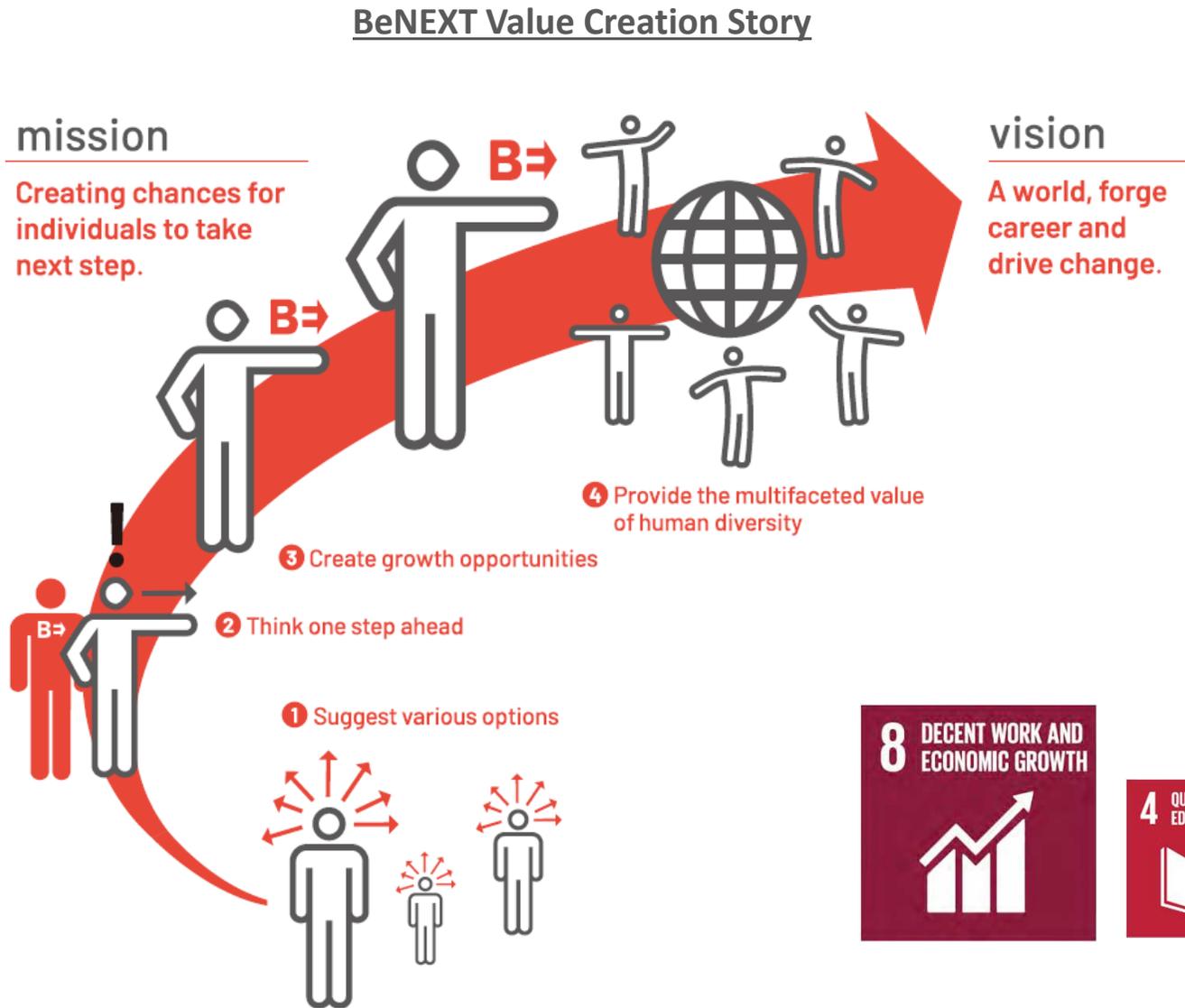
# ① EV (Engineer Value) Model 2

## ■ To blend EV model to operations



# ① EV (Engineer Value) Model 3

■ The EV model is applied by BeNEXT value creation story, to engineers.

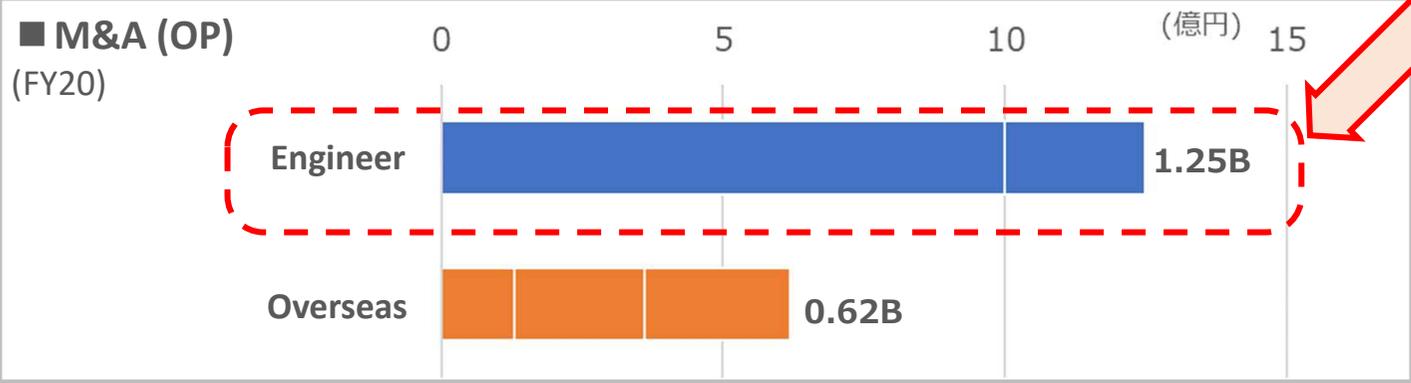
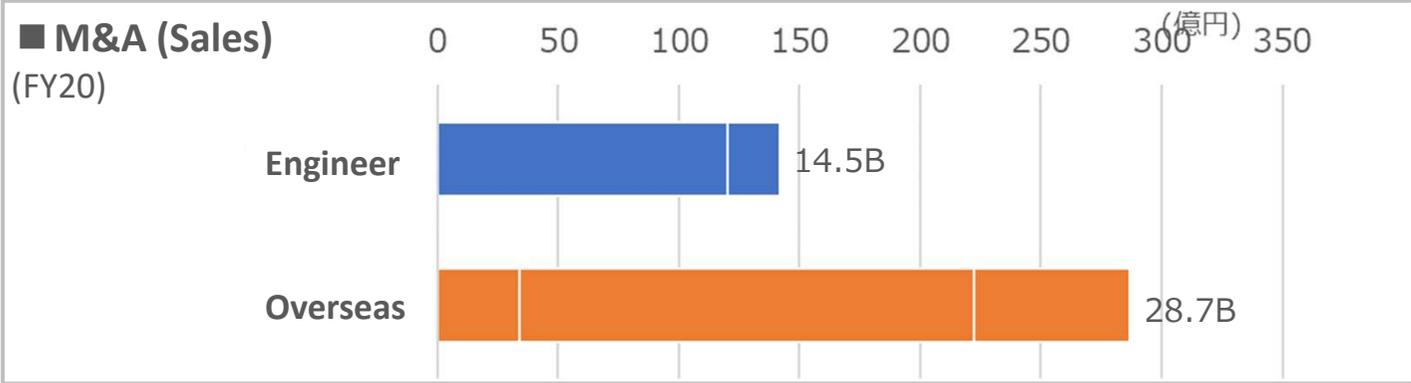
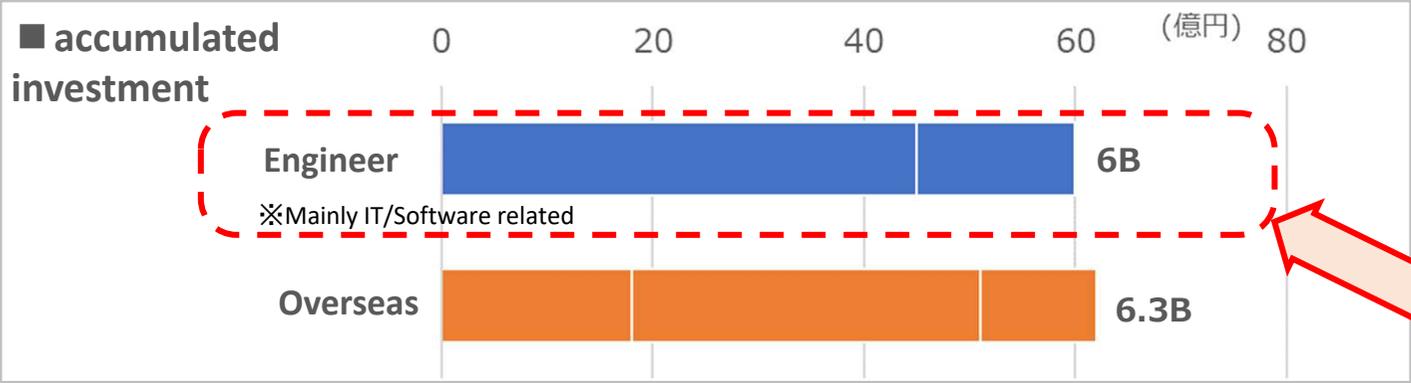


**SDGs items**



# ② M&A strategy

■ 6Byen of M&A in engineer field and earn 1.2Byen of OP margin, Keep investing.



**M&A**  
**Another 10-20Byen**  
**OP 2-4Byen\***  
 \*including after M&A OP

\* 1GBP = ¥135

## Branding



- Rename the brand to “BeNEXT” which expresses future-oriented mindset.
- Raise the brand awareness among both job-seeking engineers and prospective job seekers and thus increase recruiting and utilization rates.

Targeting engineers from those with little work experience to those experienced, aiming to be a company willing to move up to the “NEXT Progress”

“BeNEXT” philosophy is accepted and empathized in M&A.

## M&A and Business alliance

- Focus on M&A in Engineer/ Technology segment  
By introducing know-hows such as engineers’ recruitment and matching at an early phase, it is possible to proceed to an organic growth phase after M&A.
- We will choose the target company for M&A on our investment standards and increase the profitability.
- Based on good financial positions, raise a credit line from financial institutions. Use it to pay back interest bearing debts and increase funding flexibility.
- Through business alliance and investment, expand business in growing areas of new technologies or new industries that creates another demand for engineers. Be involved in open innovations for next generations, including HR Tech and other technologies designed to help engineers to get hired and upgrade their skills.

## Introduction of IFRS

### Reconsider the transition period to IFRS

<Previous>

- We have adopted EBITDA as one of the appropriate indicators of the sustainable growth of our business and will continue to explain it in IR.
- Considering and preparing to shift to IFRS as EBITDA approximates operating income in IFRS



<Revised>

Expedite shifting business operations on “with Corona virus” and recovery of performance first.  
Postpone IFRS implementation after recovery.

\*EBITDA will be used as our main KPI

## Shareholder Return

As in the mid-term management plan of Aug 2019

"Dividends" is the main means of returning profits to shareholders, and "acquisition of treasury stock" is also considered depending on the situation.

- We have increased dividend for 8 years in a row up to FY2019.  
We will return profits to shareholders in proportion to the level of business performance.
- Plan to increase the dividend by 5% in FY21
- We recognize the growth rate of EPS as an important indicator of shareholder value. On the precondition of sustainable profit improvement, we would like to increase the flexibility in shareholder return, including stock buy-backs, in order to ensure of sustainable improvement of shareholder value.

## Disclaimer

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