

■ Explanation of Financial Statement

Good morning everyone. I am Yutaka Nishida, President and Representative Director of Trust Tech, Inc. Thank you for joining us today for the conference call to explain our financial statement for the second quarter of the fiscal year ending in June 2019.

I will now speak about our financial statement for the second quarter of the fiscal year ending in June 2019, based on the materials in front of you.

(Page 3) About Our Consolidated Results

In the second quarter of this fiscal year, we were able to achieve substantial increases in both net sales and profit. The net sales increased by 35.6% from the previous year, the EBITDA increased by 31.0% and the net profit for the quarter increased by 52.4%, resulting in substantial increases both in revenue and profit.

We were able to achieve higher revenue and profit in all three of our main segments compared to the same period in the previous fiscal year. The Engineering Segment continued to maintain high growth with a 23.7% increase in the net sales compared to the previous year and a 32.0% increase in the EBITDA. In addition, the number of engineering employees increased by approximately 1,100.

Regarding the new graduate hiring, a part of the company's important business strategy, the Group is also planning to hire approximately 950 new graduates this spring.

(Page 4) About the New Graduate Hiring

As I mentioned earlier, approximately 950 new graduates are scheduled to join the Group this spring. This is an increase of approximately 300 people compared to the same period last year.

(Page 5) About Our Consolidated Performance

Both revenue and profits increased beyond our expectations. We have decided on an interim dividend of JPY 30, an increase of JPY 10 compared to the same period in the previous year.

(Page 7) About Our Segments

Our business units are largely divided into three segments: the Engineering Segment as our growth driver, the Manufacturing Segment as the source of stable growth and the Overseas Segment expected to grow into a new earnings driver for the future. I will talk about these three segments.

(Page 8) About Net Sales by Segment

The Engineering Segment continued to grow over 20% compared to the same period in the previous year. The net sales was 19.875 billion yen, increased by 23.7%.

In overseas markets, the consolidated contribution of the two UK companies acquired over the past two years caused the net sales to increase significantly. As a result, sales for the Overseas Segment was 15.3 billion yen, increased by 75.8%.

(Page 9) About EBITDA by Segment

In the Engineering Segment, there was significant growth in the EBITDA similar to sales, with an increase of over 30% compared to the same period in the previous year. The net profit increased by 32.0%. Furthermore, the profit margin improved to the 15% level.

In the Manufacturing Segment, which is trying to maintain steady business growth, the profit margin also improved to the 5% level. It was dropped to 1.9% in the first quarter as a result of up-front investment, but improved and recovered to the 5% level in the second quarter.

(Page 10) Segment Results (Oct.–Dec.): About the Engineering Segment

Compared to the first quarter from July to September, we were able to increase the number of employees by 234 people in the second quarter from October to December. Additionally, the number of days worked, which has a major impact on business, increased by 3.3 days in the second quarter from October to December compared to the period from July to September. This contributed greatly to sales and profit.

(Page 11) Segment Results (Oct.–Dec.): About the Manufacturing Segment

Although the number of employees has been flat, the profit margin improved significantly as a result of increasing the number of days worked by 2.3 days and focusing on locally oriented sales.

(Page 12) Segment Results (Oct.–Dec.): About the Overseas Segment

Due to the contribution of Quattro acquired in August last year to the consolidated performance, we were able to achieve higher revenue and profit. We have also started to see the effects of our ongoing efforts to improve profit margin. Additionally, we decided in January 2019 to invest in L&A, a company in Vietnam, and we intend to further expand our business in the Overseas Segment.

(Page 14) About Our Business Forecasts

The progress we made with the net sales exceeded the progress we made last fiscal year, while the progress made with the EBITDA was about the same as last fiscal year. The sales of 29.6 billion

yen in 2018 became 40.2 billion yen in the current fiscal year. Similarly, the EBITDA of 2.8 billion yen became 3.6 billion yen.

On the other hand, in view of the current business climate, we are making a plan for the second half of the fiscal year with a conservative outlook.

(Page 15) About Our Dividend Forecast

We have decided to pay JPY 30 as an interim dividend. We also plan to pay a dividend of JPY 40 at the end of the fiscal year, an increase of JPY 5 compared to the same period last year. Therefore, the total annual dividend is expected to be JPY 70, after adding both the interim and year-end dividends.

I would now like to conclude my brief explanation for our financial statement for the second quarter of the fiscal year ending in June 2019. Thank you for your attention.

■ Summary of Q&A

【Q1】 The number of new graduates to join the company is 950. Please tell us the breakdown by segment?

【A1】 Of the 950 new graduates, 750 will work in the Engineering Segment and 200 will work in the Manufacturing Segment.

【Q2】 It may be too early to know, but how many new graduates are you planning to hire next fiscal year?

【A2】 It will depend on the business climate, but since there continues to be strong demand, we hope to hire about the same number of new graduates or possibly more.

【Q3】 Regarding the number of days worked, how many days will it be declined in the second half of the fiscal year compared to the first half?

【A3】 Regarding the number of days worked, since there will be about three more days of holiday before and after May 1st this year, the number of days worked will be slightly lower compared to the first half of the fiscal year.

【Q4】 How about the number of days worked in the second half of this fiscal year compared to last fiscal year?

【A4】 It will also be lower than in the second half of last fiscal year. All employment agencies are

expected to have fewer working days in the second half of this fiscal year (January to June) than in the past.

【Q5】 The profit margin of the Engineering Segment is improving. Please tell us what the goal is going forward.

【A5】 We have been working very hard to improve the profit margin of the Engineering Segment. There are several areas such as IT, mechanical and electrical services, and we are working to improve a profit margin for each one. We hope to achieve an improvement of one or two more points from current levels. We will also continue to work on improving operational issues and compensation such as salaries and bonuses, based on a clear plan.

【Q6】 Profit of the Overseas Segment is improving, but is there still room to further improve profitability?

【A6】 We are shifting from large customers with narrow margins of profit to customers who are small but have high gross margin ratios. We also believe we can improve our profit margin, even if it is slowly, by reviewing local operations and costs. In the medium-term, we are aiming to increase the profit margin from the current level of around 3 percent to 4 percent, or to the level of domestic manufacturers, which is about 5 percent.

【Q7】 The Overseas Segment has been working actively on M&A over the past several years. Please tell us what your plans are going forward.

【A7】 We believe that M&A is one of growth drivers for our company. We must of course think about M&A strategies while considering the profitability of the company we aim to acquire. We hope to continue searching for and actively pursuing opportunities if there is a potential to contribute to our company's growth.