Results Briefing for the 1 H of the Fiscal Year Ending June 30, 2020

■ Explanation of the second quarter results

(cover)
Thank you for attending our results briefing in the second quarter of June 2020.
This is Yutaka Nishida, President and Representative Director, BeNEXT Group Inc.
We will explain our financial results in accordance with the materials on hand.

(Page 2) Group Philosophy and Medium-Term Management Plan

First, I would like to mention the Group Philosophy and the Medium-Term Management Plan.
As you know, on January 1, 2020, our BeNEXT Group changed its name from Trust Tech Co., Ltd. to BeNEXT Group Inc. and at the same time changed to a holding company structure. In this context, we have formulated a new Group Philosophy and are striving to achieve the goals of the Medium-Term Management Plan established last year.
We omit any further details on our philosophy, but as we have stated, we intend to use the words "BE" and "NEXT" to create opportunities for the next challenge.

(Page 3) Contents I Consolidated Financial Results

Let me explain our financial results.
First, I would like to talk about our consolidated results.

(Page 4) Highlights

Highlights: The results up to the first half of the fiscal year were in line with our initial expectations, despite increases in sales and decreases in profits.
EBITDA increased 5.0% surplus over the first half of the fiscal year under review.
Second, we were able to continue growth in the engineering segment and expand the IT field.
In the engineering segment, net sales increased 8.4% by progress in IT field adoption and those of M&A in the IT field will contribute to 3Q's results.
For the first half dividend, we plan to pay 15 yen as initially planned and 25 yen as year-end dividend.

We plan to pay an annual dividend of ¥40 per share, an increase of ¥5 from the previous fiscal year, by adding a year-end dividend of ¥25 per share.

(Page 5) Consolidated Financial Results

Next, I will explain the details of our consolidated results.
As you can see, net sales rose 1.6% year on year and fell 2.2% year on year to ¥40.9 billion.
In EBITDA, which we regard as a key indicator, we recorded ¥3.4 billion, down 7.4% from the previous fiscal year, but this was 5.0% higher than planned.
The increase in sales in the engineering segment compensated for the decrease in sales in manufacturing and overseas segment, and sales continued to increase.
With regard to EBITDA, profits were expected to decline at the beginning of the fiscal year, but exceeded the plan. Operating income declined year on year, but exceeded the plan.
Year-on-year changes and percentages for each income category are as shown. Net sales increased, but other operating income, EBITDA, net income, and EPS fell below the previous fiscal year's level, albeit within the scope of the plan.

(Page 6) Comparison with Forecast (Consolidated)

For your reference only, the forecast of the ratio of the consolidated plan is shown in the diagram. At the beginning of the fiscal year under review, I would like to reiterate that we explained our financial results for August 2019. In the first half of the fiscal year under review, EBITDA forecast was ¥3.2 billion, but the actual result was ¥3.4 billion, which was a positive result. As described in this section, we expect to contribute to higher sales and profits for the full fiscal year in the second half of the fiscal year.

(Page 7) Contents II Segment Performance

Next, I would like to explain our segment performance. We will explain each segment in the following sections.

(Page 8) Net Sales by Segment

In the engineering segment, which we regard as an important segment, net sales were ¥21.6 billion, an increase of 8.4% from the previous fiscal year.

The UK business is at the heart of overseas revenues, but on a local currency basis it grew 2.2% to 106 million pounds. Unfortunately, if we convert this to Japanese yen, it will result in a decrease in sales, but I think we can explain that growth in the local market is progressing sustainably.

(Page 9) Number of Employees (Engineering)

I would like to explain the trend in the number of employees and employees, which is an extremely important point for our business.
We will explain this by focusing only on the engineering segment, but the number of employees is 1,140 more than in the previous year. This figure also includes the number of employees of companies that underwent M&A in 2019 and last November. At the same time, we believe that the prolonged training period and the impact of business sentiment were extremely large, but the recovery in the utilization rate was slightly behind schedule.
We have 6,437 people in operation, which is an increase of 443 people from the previous quarter. The utilization rate was 95.2%, slightly below the previous quarter.
As I will explain later, there is a trend toward recovery. In this regard, we will closely monitor the status of operations, the status of assignments, and the status of operations from the second half onward.

(Page 10) EBITDA by Segments

This is a segment-specific EBITDA.
This person will also explain in detail the engineering segment, which is our core business.
Engineer-related EBITDA decreased 6.6% year on year, but planned expenses increased 2.6% to ¥2.8 billion. EBITDA total of 3.4 billion yen is as I explained earlier.
In the Engineering segment, the improvement in the utilization rate was lower than expected, and operating hours, such as overtime due to “work style reforms” at each company and sluggish business sentiment, fell short of expectations. These factors had a major impact. As I explained earlier, the prolonged training period has led to a prolonged period of non-operating conditions, and costs have increased due to an increase in the number of such cases. On the other hand, we believe that a considerable amount of control over SG&A expenses and other items in response to this reduction led to an improvement in profits. Detailed figures and information on each area are as you see. We believe it is important to continue to make improvements in this area of engineer.

Overseas, as I explained earlier, on both a UK pound basis and a Japanese yen basis, sales were positive compared to the previous fiscal year, so I believe that we are making steady progress in this area.

(Page 11) Engineering Segment: Operating Days and Hours

On the engineering segment page, we will explain in detail the utilization rate of the number of days in operation as explained above.
The number of operating days has decreased by one day compared to the previous fiscal year. The total number of days is 111 days, so it is about a 1% decrease.
So-called overtime hours and after-hours hours have been decreasing significantly, from a little more than one hour on average to about 0.8 hours. In this regard, we believe that this is a major factor in the improvement of utilization rates and the decrease in operating hours in the engineering segment, which is our core business.

(Page 12) Contents III Results and Dividends Forecast

Let me now explain our third forecast for earnings and dividends.

(Page 13) Second Half Plan (Consolidated)

This is a consolidated plan for the second half. For the second half of the fiscal year, we are targeting net sales of ¥87.0 billion, which is our initial forecast, followed by ¥46.1 billion in the second half and ¥7.5 billion in EBITDA forecast for the full fiscal year, for which we need to achieve ¥4.1 billion in the second half. We would like to keep it as set at the beginning of the term.
In terms of factors (which we believe are achievable), the number of engineers is on the rise. Also, the number of operating days and the operating hours, which have a major impact on our earnings as I explained earlier, are expected to increase by 1.4 days compared to the previous year.
The utilization ratio also improved. Thanks to this, we expect cost of sales to improve as the utilization rate, including in the IT field, improves.
On the other hand, as you are well aware, there are serious concerns about the spillover effects on the global economy, such as the recent outbreak of new diseases and the shutdown of operations due to the spread of COVID-19. Today's report suggests that the impact on GDP may

be very large, and that the Group's business performance may be significantly affected. Therefore, I think there are great concerns about the initial and current forecasts. There has been some signs that the U.S.-China trade friction, which has been a problem since last year, has been resolved, but I believe that the impact of the pandemic has been further exacerbated.

In the U.K. business, steady growth has continued, as I have reported, but we have not yet reached a conclusion regarding the ultimate transition to the end of the year. Therefore, in this context, I think it is necessary to carefully monitor the effects of foreign exchange rates and business sentiment.
In this sense, we have left our full-year consolidated forecast unchanged, but I believe that this is the second half of the fiscal year, for which there are a lot of concerns.

(Page 14) Dividend Forecast

We expect dividends.
We have decided to pay an interim dividend of 15 yen per share.
We also plan to pay a dividend of ¥25 per share at the end of the fiscal year, totaling ¥40 per share. In this regard, we will continue to return profits to shareholders.

The above is an explanation of the results for the second quarter of the fiscal year ending June 30, 2020 of the BeNEXT Group Inc.
In addition, as supplemental materials, KPIs in the engineering segment and KPIs of BeNEXT Technologies Inc. are listed.
We will explain some of the issues in question and answer sessions later on, but I would like to see you see them.

We thank you for your hearing. (End)