TechnoPro Holdings, Inc.

Q1 Financial Results Briefing for the Fiscal Year Ending June 2020

October 31, 2019

Presentation

Hagiwara: Hello. I'm Hagiwara, Director and CFO of TechnoPro Holdings. Thank you for joining us today. I will explain using PowerPoint materials of our financial results briefing.

Despite uncertainties in the economy and uncertainties about the outlook, in Q1 of the current fiscal year, the number of allocated engineers and hiring, as well as the sales unit prices, progressed smoothly in accordance with the initial plan. We are developing our business with a focus on technology. However, we have expanded our business domains and geographical areas through M&A and other means. Accordingly, we will formally begin disclosing segment information based on segment accounting standards this time. We will continue to strive to enhance information disclosure in order to contribute to the analysis of investors.

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FY2020 Q1 Overview

- Q1 FY20.6 revenue increased 5.56 billion yen year-on-year (up 16.7%) to **38.9 billion yen**; operating profit increased 701 million yen year-on-year (up 22.0%) to **3.88 billion yen**; net profit increased 576 million yen year-on-year (up 27.7%) to **2.65 billion yen**
- Unspent SG&A budget of 150 million yen in Q1; to be recognized in Q2
- Posted taxes and dues of 93 million yen in Q1 FY20.6, which was resulted from size-based taxation applied to the subsidiary TechnoPro, Inc. (Q1 FY19.6 results do not include taxes and dues from size-based taxation, since total tax amounts of 325 million yen [SG&A] were recorded as one-off expenses in Q4 FY19.6)
- Other income of **200 million yen** includes foreign currency translation gain related to put option (PO) liabilities of 76 million yen, and profit of 65 million yen from early exercise of partial put options by Orion

(yen in millions, except per share amounts)

	Three Months Ended						Full-year		
	FY19.6 Q1 (Results)	*Progress*	FY20.6 Q1 (Results)	*Progress*	*YOY*		FY19.6 (Results)	FY20.6 (Guidance)	*YOY*
Revenue	33,334	*23.1%*	38,896	*24.3%*	+5,561	*+16.7%*	144,176	160,000	*+11.0%*
Gross profit (GP)	8,062	*22.1%*	9,547	—	+1,484	*+18.4%*	36,466	—	—
GP margin	*24.2%*		*24.5%*				*25.3%*		
SG&A expenses	4,828	*21.2%*	5,850	—	+1,022	*+21.2%*	22,767	—	—
Ratio on revenue	*14.5%*		*15.0%*				*15.8%*		
Other income	31	—	200	—	+169	—	1,816	—	—
Other expenses	82	—	12	—	(70)	—	1,775	—	—
Operating profit (OP)	3,183	*23.2%*	3,884	*25.4%*	+701	*+22.0%*	13,739	15,300	*+11.4%*
OP margin	*9.5%*		*10.0%*				*9.5%*	*9.6%*	
Profit before income taxes	3,162	*23.0%*	3,875	*25.7%*	+713	*+22.6%*	13,727	15,100	*+10.0%*
Net profit*	2,082	*21.5%*	2,658	*26.3%*	+576	*+27.7%*	9,683	10,100	*+4.3%*
Net profit margin	*6.2%*		*6.8%*				*6.7%*	*6.3%*	
Earnings per share	57.43	—	73.42	—	—	*+27.8%*	266.86	278.21	*+4.3%*
Dividend per share (plan)	—	—	—	—	—	—	134.00	140.00	*+4.5%*

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* Net profit attributable to owners of the parent company after deducting non-controlling interests

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Page two provides an overview of the results for Q1 of the current fiscal year. Sales for Q1 were 38.9 billion yen, a 16.7% increase year-over-year. Operating profit increased 22% year-over-year to 3.88 billion yen. Net income, which refers to net income attributable to the parent company, excluding minority interests, rose 27.7% year-over-year to 2.65 billion yen.

I would like to explain about two factors for the bigger increase in operating profit for the increase in sales.

The first factor was the postponement of approximately 150 million yen in selling, general and administrative expenses, such as recruitment and educational expenses, which were scheduled to be consumed in Q1, and this has boosted operating profit accordingly.

Second, we recorded 200 million yen in other income, of which approximately 140 million yen is non-recurring and not related to our business. Specifically, 76 million yen was foreign exchange gains on foreign currency; put option obligations to minority shareholders of foreign subsidiaries. The yen appreciated compared to the end of the previous fiscal year, and foreign exchange gains occurred, which are to be included in operating profit by IFRS.

The remaining 65 million yen was profit from the early exercise of a portion of the put options of the company Orion in the UK. Following our acquisition, four of Orion's management continued to hold a 40% stake, one of whom resigned for personal reasons, allowing us to acquire his 3.2% stake at an EBIT multiple lower than normal under options agreements. This resulted in a gain for the difference with the amount recognized as obligation.

At the end of the previous fiscal year, TechnoPro, our subsidiary, was subject to pro forma standard taxation, and one year's worth of taxes and dues of 330 million yen was recorded in Q4 as selling, general and administrative expenses in a lump sum. However, since this fiscal year, the subsidiary will record expenses on a monthly basis, and as a result, the amount for Q1 was recorded at approximately 93 million yen.

We have the financial results for Q1 completed, and there is no change in the guidance for the current fiscal year.

Page three shows the segment information for Q1, and page four shows the full-year segment information, including the forecast for the current fiscal year. Please refer to page five for the classification of segments and target companies.

In order to compare the results with past results, we have arranged three fiscal years from the fiscal year ending June 2018, when the current medium-term management plan began. The head office costs incurred by the holding company, which is the parent company, are distributed to each segment, taking into account the service fees provided.

Operating profit before depreciation of PPA assets, which is calculated by adding the depreciation of customer-related assets recognized at the time of acquisition, is also presented. EBITDA, by adding back depreciation and amortization, also includes the impact of the IFRS 16, which will be discussed later, and is therefore not disclosed here.

FY2020 Q1 Segment Results

- Companies included in each segment are described on p.5
- Provides segment information based on segment accounting standard, responding to topline growth outside Japan with expanding global operation
- Engineers on payroll: in Japan **19,650** (non-Japanese: **1,048**) / overseas **1,566** / group total **21,216**

(yen in millions, except engineer headcounts)

	R&D outsourcing				Construction management outsourcing				Other Businesses in Japan				Japan Total			
	FY18.6 Q1	FY19.6 Q1	FY20.6 Q1	*YOY*	FY18.6 Q1	FY19.6 Q1	FY20.6 Q1	*YOY*	FY18.6 Q1	FY19.6 Q1	FY20.6 Q1	*YOY*	FY18.6 Q1	FY19.6 Q1	FY20.6 Q1	*YOY*
Revenue	22,633	26,965	30,819	*+14.3%*	3,460	4,149	4,824	*+16.3%*	591	742	1,008	*+35.7%*	26,685	31,857	36,653	*+15.1%*
Ratio to consolidated revenue	*84.7%*	*80.9%*	*79.2%*		*12.9%*	*12.4%*	*12.4%*		*2.2%*	*2.2%*	*2.6%*		*99.8%*	*95.6%*	*94.2%*	
Operating profit	2,072	2,491	2,924	*+17.4%*	418	502	549	*+9.4%*	22	75	107	*+42.6%*	2,513	3,069	3,582	*+16.7%*
OP margin	*9.2%*	*9.2%*	*9.5%*		*12.1%*	*12.1%*	*11.4%*		*3.8%*	*10.2%*	*10.7%*		*9.4%*	*9.6%*	*9.8%*	
OP before PPA* asset amortization	2,084	2,511	2,944	*+17.2%*	418	502	549	*+9.4%*	22	75	107	*+42.6%*	2,525	3,089	3,602	*+16.6%*
OP margin before PPA asset amortization*	*9.2%*	*9.3%*	*9.6%*		*12.1%*	*12.1%*	*11.4%*		*3.8%*	*10.2%*	*10.7%*		*9.5%*	*9.7%*	*9.8%*	
No. of engineers (year-end)	12,659	14,976	17,045	*+13.8%*	1,848	2,236	2,605	*+16.5%*	–	–	–	–	14,507	17,212	19,650	*+14.2%*
Non-Japanese in Japan	556	763	984	*+29.0%*	17	46	64	*+39.1%*	–	–	–	–	573	809	1,048	*+29.5%*

	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY18.6 Q1	FY19.6 Q1	FY20.6 Q1	*YOY*	FY18.6 Q1	FY19.6 Q1	FY20.6 Q1	*YOY*	FY18.6 Q1	FY19.6 Q1	FY20.6 Q1	*YOY*	FY18.6 Q1	FY19.6 Q1	FY20.6 Q1	*YOY*
Revenue	231	1,709	2,586	*+51.3%*	26,916	33,567	39,239	*+16.9%*	(190)	(232)	(343)	–	26,726	33,334	38,896	*+16.7%*
Ratio to consolidated revenue	*0.9%*	*5.1%*	*6.6%*		*100.7%*	*100.7%*	*100.9%*		*(0.7%)*	*(0.7%)*	*(0.9%)*		*100.0%*	*100.0%*	*100.0%*	
Operating profit	(1)	176	184	*+4.6%*	2,511	3,245	3,766	*+16.0%*	(0)	(62)	118	–	2,511	3,183	3,884	*+22.0%*
OP margin	*(0.7%)*	*10.3%*	*7.1%*		*9.3%*	*9.7%*	*9.6%*		–	–	–		*9.4%*	*9.5%*	*10.0%*	
OP before PPA* asset amortization	(1)	220	234	*+6.2%*	2,523	3,310	3,836	*+15.9%*	(0)	(62)	118	–	2,523	3,247	3,954	*+21.8%*
OP margin before PPA asset amortization*	*(0.7%)*	*12.9%*	*9.1%*		*9.4%*	*9.9%*	*9.8%*		–	–	–		*9.4%*	*9.7%*	*10.2%*	
No. of engineers (year-end)	260	994	1,566	*+57.5%*	14,767	18,206	21,216	*+16.5%*	–	–	–	–	14,767	18,206	21,216	*+16.5%*

* PPA (Purchase Price Allocation): An accounting operation allocating the purchase price to the assets and liabilities of the acquired company at fair value in the acquirer's consolidated balance sheet; PPA assets above are all customer-related assets (intangible assets)

In the Q1 comparisons on page three, segment sales in Japan and others in the current fiscal year increased substantially. This is because for the entire group, Techno Brain, a recruitment agency business acquired in Q4 of the previous fiscal year, in April of this year, and for our company, Orion UK Ltd., which we acquired in Q2 of the previous fiscal year, in October of last year, have been contributing fully since Q1 in the current fiscal year.

[Reference]

FY2020 Q1 Segment Results (previous 3 years)

(yen in millions, except engineer headcounts)

	R&D outsourcing				Construction management outsourcing				Other Businesses in Japan				Japan Total			
	FY18.6 (Results)	FY19.6 (Results)	FY20.6 (Guidance)	YOY	FY18.6 (Results)	FY19.6 (Results)	FY20.6 (Guidance)	YOY	FY18.6 (Results)	FY19.6 (Results)	FY20.6 (Guidance)	YOY	FY18.6 (Results)	FY19.6 (Results)	FY20.6 (Guidance)	YOY
Revenue	97,687	114,021	125,400	+10.0%	14,659	17,720	20,200	+14.0%	2,800	3,474	4,200	+20.9%	115,148	135,217	149,800	+10.8%
Ratio to consolidated revenue	*83.8%*	*79.1%*	*78.4%*		*12.6%*	*12.3%*	*12.6%*		*2.4%*	*2.4%*	*2.6%*		*98.8%*	*93.8%*	*93.6%*	
Operating profit	9,261	10,672	11,950	+12.0%	1,540	1,938	2,200	+13.5%	293	416	500	+20.0%	11,094	13,028	14,650	+12.4%
OP margin	*9.5%*	*9.4%*	*9.5%*		*10.5%*	*10.9%*	*10.9%*		*10.5%*	*12.0%*	*11.9%*		*9.6%*	*9.6%*	*9.8%*	
OP before PPA asset amortization	9,323	10,752	12,030	+11.9%	1,540	1,938	2,200	+13.5%	293	416	500	+20.0%	11,156	13,108	14,730	+12.4%
OP margin before PPA asset amortization	*9.5%*	*9.4%*	*9.6%*		*10.5%*	*10.9%*	*10.9%*		*10.5%*	*12.0%*	*11.9%*		*9.7%*	*9.7%*	*9.8%*	
No. of engineers (year-end)	14,674	16,748	18,200	+8.7%	2,123	2,545	2,800	+10.0%	–	–	–	–	16,797	19,293	21,000	+8.8%
Non-Japanese in Japan	716	922	–	–	40	63	–	–	–	–	–	–	756	985	–	–

	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY18.6 (Results)	FY19.6 (Results)	FY20.6 (Guidance)	YOY	FY18.6 (Results)	FY19.6 (Results)	FY20.6 (Guidance)	YOY	FY18.6 (Results)	FY19.6 (Results)	FY20.6 (Guidance)	YOY	FY18.6 (Results)	FY19.6 (Results)	FY20.6 (Guidance)	YOY
Revenue	2,336	10,283	12,000	+16.7%	117,484	145,500	161,800	+11.2%	(955)	(1,324)	(1,800)	–	116,529	144,176	160,000	+11.0%
Ratio to consolidated revenue	*2.0%*	*7.1%*	*7.5%*		*100.8%*	*100.9%*	*101.1%*		*(0.8%)*	*(0.9%)*	*(1.1%)*		*100.0%*	*100.0%*	*100.0%*	
Operating profit	138	(931)	650	–	11,233	12,096	15,300	+26.5%	4	1,642	0	–	11,238	13,739	15,300	+11.4%
OP margin	*5.9%*	*(9.1%)*	*5.4%*		*9.6%*	*8.3%*	*9.5%*		–	–	–		*9.6%*	*9.5%*	*9.6%*	
OP before PPA asset amortization	183	993	900	(9.4%)	11,340	14,101	15,630	+10.8%	4	172	0	–	11,345	14,274	15,630	+9.5%
OP margin before PPA asset amortization	*7.9%*	*9.7%*	*7.5%*		*9.7%*	*9.7%*	*9.7%*		–	–	–		*9.7%*	*9.9%*	*9.8%*	
Impairment loss	–	(1,673)	–	–	–	(1,673)	–	–	–	–	–	–	–	(1,673)	–	–
Put option reversal	–	–	–	–	–	–	–	–	–	1,359	–	–	–	1,359	–	–
Earn out reversal	–	–	–	–	–	–	–	–	–	110	–	–	–	110	–	–
No. of engineers (year-end)	869	1,608	–	–	17,666	20,901	–	–	–	–	–	–	17,666	20,901	–	–

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* OP before PPA asset amortization in Overseas FY19.6 includes amount of impairment loss (1,673 million yen) added into Operating profit, while OP before PPA asset amortization in Corporate/Eliminations FY19.6 excludes put option reversal (1,359 million yen) and earn out reversal (110 million yen) from Operating profit

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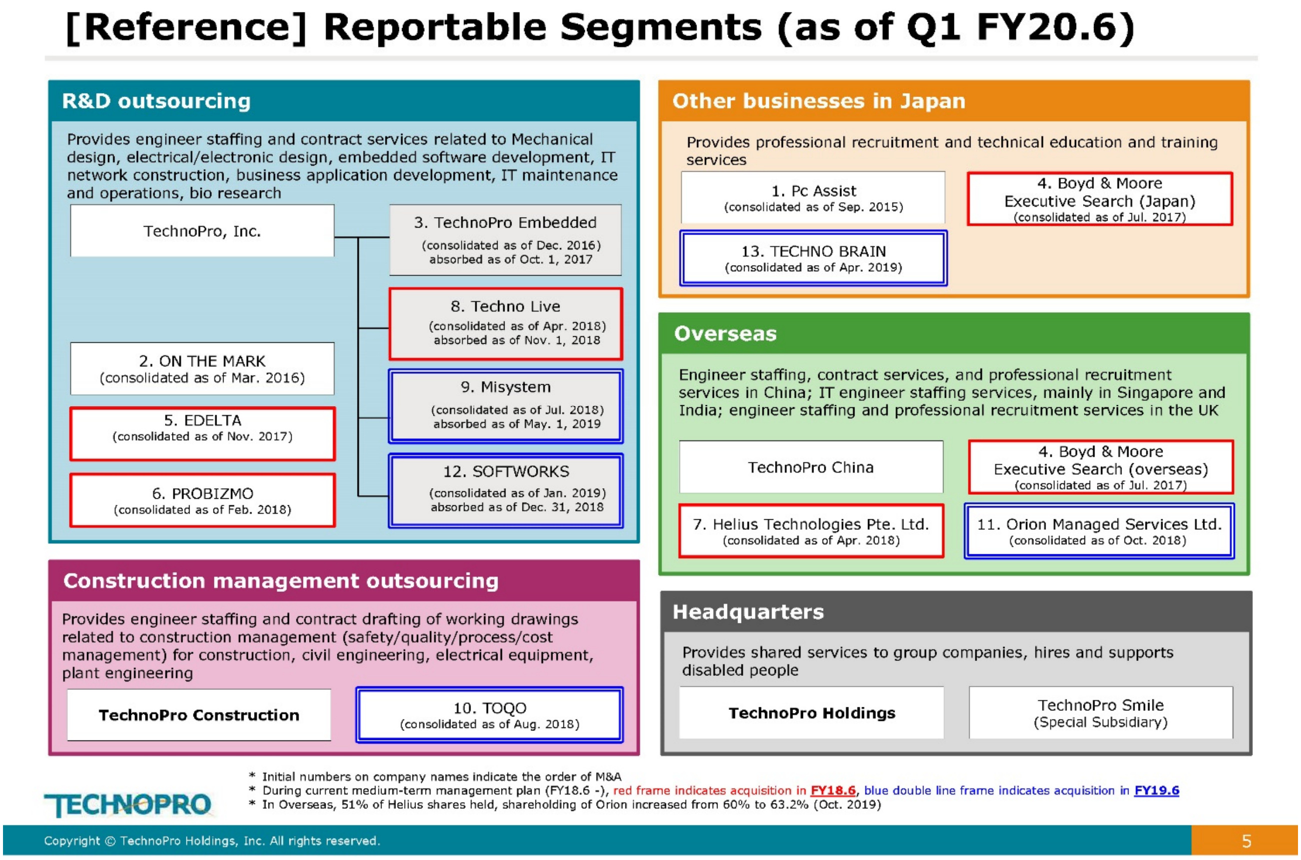
In the comparison on page four, there are special items, such as the impairment of Helius in Singapore in the previous fiscal year ended June 2019, and these are reflected in the Overseas and Corporate/Elimination segments.

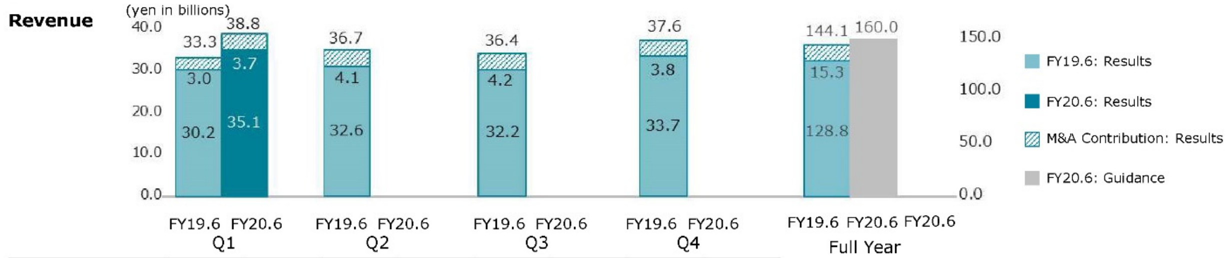


Page five shows segment companies. Since listing in December 2014, we have acquired a total of 13 companies, as shown in the numbering. In the first year of the current medium-term management plan, we acquired five companies with a red-bold framework, and in the second year of the medium-term management plan, five companies with a blue-double-line frame. Please refer to the Medium-term Management Plan progress materials in the previous financial results briefing for the invested capital and ROIC.

In this fiscal year, which is the third year of the medium-term management plan, we are actively considering M&As as a means of growth and value creation while maintaining discipline.

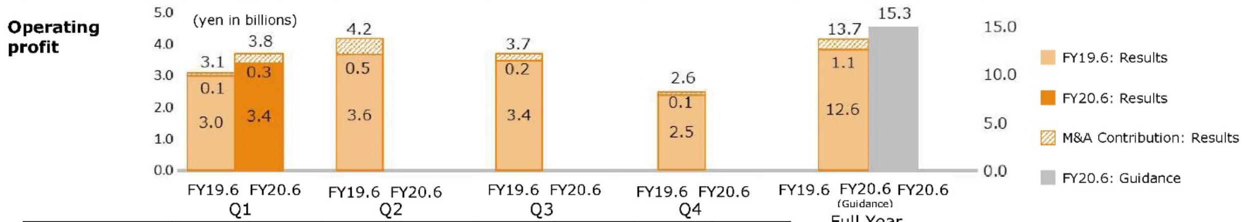
Quarterly Performance

- Progress vs. full year guidance: 24.3% for revenue, 25.4% for operating profit
- Solid organic growth excluding effect from M&As in FY18.6 and FY19.6 (year-on-year): **up 16.2%** for revenue, **up 16.1%** for operating profit



	Q1 FY19.6	Q1 FY20.6	Q2 FY19.6	Q2 FY20.6	Q3 FY19.6	Q3 FY20.6	Q4 FY19.6	Q4 FY20.6	Full Year FY19.6	Full Year FY20.6
Composition %	*23.1%*	*24.3%*	*25.5%*		*25.3%*		*26.1%*			
Working days*	55.1	55.2	58.3	(57.3)	54.3	(54.7)	55.5	(56.3)	223.2	(223.6)
YOY	*16.7%*								*11.0%*	

* Figures in parenthesis indicates forecast at the time of publication



	Q1 FY19.6	Q1 FY20.6	Q2 FY19.6	Q2 FY20.6	Q3 FY19.6	Q3 FY20.6	Q4 FY19.6	Q4 FY20.6	Full Year FY19.6	Full Year FY20.6
Composition %	*23.2%*	*25.4%*	*30.6%*		*27.3%*		*19.0%*			
OP ratio	*9.5%*	*10.0%*	*11.4%*		*10.3%*		*6.9%*		*9.5%*	*9.6%*
YOY	*+22.0%*								*+11.4%*	

* M&A related amounts recognized under IFRS such as PPA amortization, foreign exchange gain/loss relating to put option liabilities and changes in fair value amount are included in M&A contributions; (Calculated with this basis, Operating profit in M&A contributions FY19.6 above [1.1 billion yen] differs from figures described in FY2019 Full Year Financial Results Slide Presentation [1.4 billion yen])

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Page six shows the quarterly changes in net sales and operating profit compared with the previous fiscal year. Revenue was 24.3% for guidance of this fiscal year. Although non-recurring items were included, operating profit reached 25.4% of target.

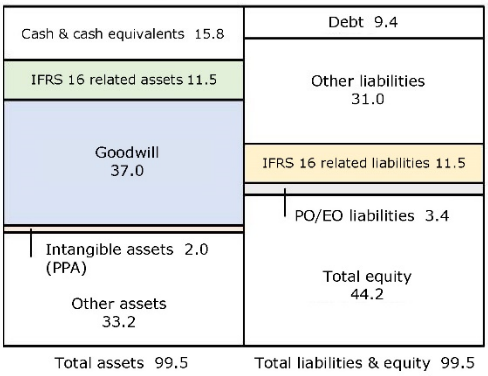
Excluding the effects of M&A, sales from existing businesses rose 16.2% year-over-year. Operating profit rose 16.1%.

In addition, the number working days in Japan by quarter is disclosed starting this time. It is based on the number of business days excluding non-business days, but in practice, it is reduced due to such factors as paid leaves. The numbers for Q2 and later in the current fiscal year are the estimated numbers based on past results. Q2 is usually a quarter with a large number of working days, and Q2 of this fiscal year has 57.3 working days. We expect this to be about one day less than the 58.3 days from Q2 of the previous fiscal year.

Balance Sheet & Cash Flow

- Cash and cash equivalents decreased 5.4 billion yen compared to the balance sheet at June 30, 2019, due to payment of corporate income tax and dividend, etc.
- Posted 11.5 billion yen for both assets and liabilities as of Q1 FY20.6 end, by applying IFRS 16 Leases from FY20.6
- Secure strong financial ground for growth investment with net cash position of **6.4 billion yen** and unutilized commitment lines of **10 billion yen** for M&A purposes

Q1 FY20.6 B/S (yen in billions)



Net worth ratio*: **44.4%**
D/E Ratio*: **0.21x**
D/OP Ratio**: **0.62x**

* Total assets includes non-controlling interests
** Calculated using operating profit guidance for FY20.6

Q1 FY20.6 Cash Flows (yen in millions)

• Operating CF	**416**
Income tax payment	(2,971)
• Investing CF	**(356)**
• Financing CF	**(5,460)**
IFRS 16 related lease liability payments***	(1,577)
Share repurchase	(1,061)
Year-end dividend payments	(3,061)
Net CF	**(5,423)**

*** Reclassified to Financing CF, previously recognized in Operating CF as lease payment

Q1 FY20.6 Commitment Lines (yen in millions)

Purpose	Credit line	Used	Unused	Expiration
1 Working capital	6,000		6,000	Jun. 2020
2 M&A	10,000		10,000	Dec. 2019
3 Share repurchase	2,500	1,062	1,438	Nov. 2019
Total	18,500	1,062	17,438	

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Page seven shows the status of B/S and cash flow. IFRS 16 is applied starting from this fiscal year, and operating leases, which had been off balance sheet, are recorded in both assets and liabilities, which has affected some financial ratios. In addition to our regular offices, such as our head office and sales offices, employees' rented company housing is also targeted.

As of the end of this fiscal year's Q1, this amount totaled 11.5 billion yen, and our balance sheet has expanded substantially from the previous fiscal year. However, this has no impact on net income of P/L or ROE, which is emphasized in our capital policies.

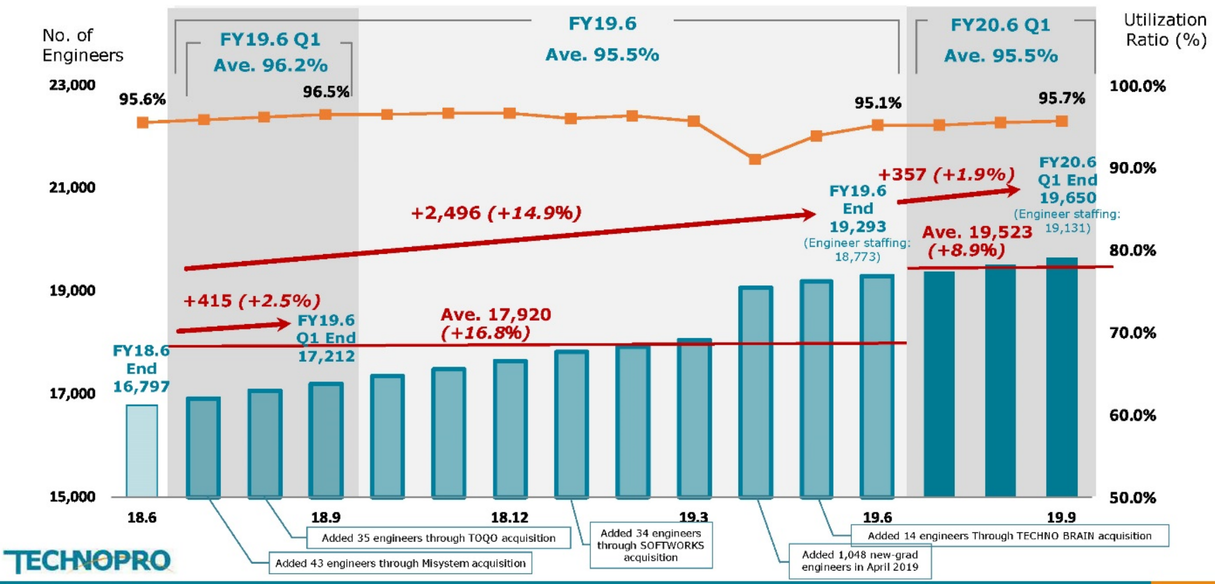
Please be aware that under IFRS 16, what were previously treated as rent payments are recorded as depreciation and amortization, and that different handling was required accordingly for calculation of EBITDA and operating cash flow and financing cash flow in the cash flow statement.

Bank balance decreased by 5.4 billion yen from the end of the previous fiscal year due to payments of corporate tax and year-end cash dividends. Nevertheless, the company has a net cash position of 6.4 billion yen and, as shown in the table below to the right, has sufficient room until the committed credit line. Accordingly, we recognize that we have sufficient borrowing capacity for investments, such as M&A.

We also set a borrowing limit for share buybacks in this fiscal year, and repurchased approximately 1 billion yen of treasury stock after announcing full-year results at the end of July this year.

Number of Engineers & Utilization Rate [Japan]

- Engineers on payroll in Japan at the end of Q1 FY20.6 totaled **19,650** (up 357 from the end of prior year), including **1,048** non-Japanese engineers (up 63 from the end of prior year)
- Employs **19,131** (up 358 from the end of prior year) at two engineer staffing companies (TechnoPro, Inc. and TechnoPro Construction, Inc.)
- Average utilization rate of **95.5%** for Q1 FY20.6 (down 0.7% year on year)
- Employs **1,566** engineers at overseas subsidiaries (not included in numbers above / down 42 year-on-year)



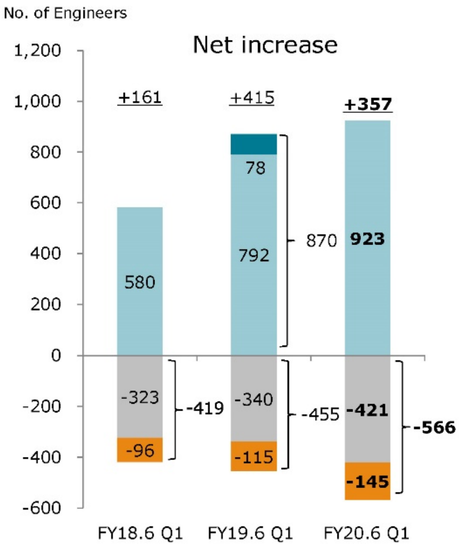
Pages 8 through 12 are our usual KPI analysis.

On page eight, we invested 357 engineers in Japan in the current fiscal year's Q1, and the number of engineers has been steadily increasing from the previous year. The average utilization rate in Q1 declined by about 0.7%, from 96.2% in the same period of the previous fiscal year, to 95.5%. However, this was a conformable 95% to 96% level for us, and we do not regard this as a particular issue.

The number of engineers at overseas subsidiaries decreased by 42 compared to the end of the previous fiscal year. This was mainly because of Helius in Singapore, and the number of orders remained steady. However, due to the tightening of immigration regulations by the Singaporean government, we were struggling to procure human resources from India. While this trend is likely to continue, we are working to secure and recover profit levels by strengthening the recruitment of engineers from Singapore, expanding business in India and Thailand, and controlling selling, general and administrative expenses.

Recruitment/Turnover [Japan]

- Hired **923** engineers (up 6.1% year on year)
- Turnover rate (permanent employees) for Q1 FY19.6: **8.6%** (up 0.6% year-on-year)
  (calculating turnover rate excluding employees left at the end of contract term)



(Difference / % YOY)

Hired 923 (+53 / +6.1%)

Added through M&A 0

Turnover (permanent employees) 421 (+81 / +23.8%)

Contract terms matured, others 145 (+30 / +26.1%)

<Turnover, permanent employees>

	FY18.6				FY19.6				FY20.6
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Quarter	9.0%	7.0%	9.4%	7.6%	8.0%	6.7%	10.6%	8.0%	8.6%
Year-to-date	—	7.9%	8.5%	8.1%	—	7.3%	8.5%	8.3%	—
Last Twelve Months	8.0%	8.1%	8.2%	8.1%	8.0%	7.9%	8.2%	8.3%	8.5%

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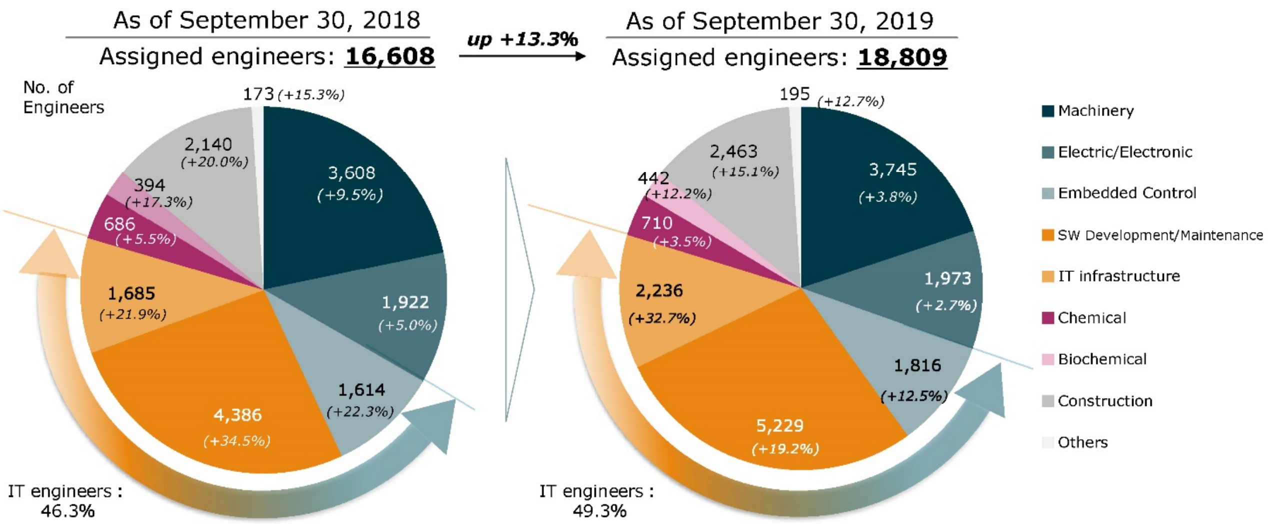
Page nine shows the transition of recruitment/retirement. Mid-career recruitment averages 250 on a monthly basis, with an annual recruitment budget of 3,000 people. The Q1's recruitment of 923 people was favorable similarly with the previous fiscal year. In particular, the recruitment of IT engineers has been steady.

On the other hand, the turnover rate for full-time employees, which began to show signs of improvement in the previous fiscal year's Q4, slightly worsened this fiscal year's Q1. While the number of engineers is rapidly increasing, the number of management employees who can keep a close eye on engineers at each branch is not enough to keep up with the number of engineers. We believe that this is the reason why we are slightly neglecting the need to provide adequate care and match with attractive orders. Accordingly, we are striving to make improvements at an early stage, including the recruitment of management employees. Retirement rate is one of the most important KPI indicators, so we will continue to strive to achieve our immediate goal of 8% or less on a continuous basis.

Assigned Engineers by Technology [Japan]

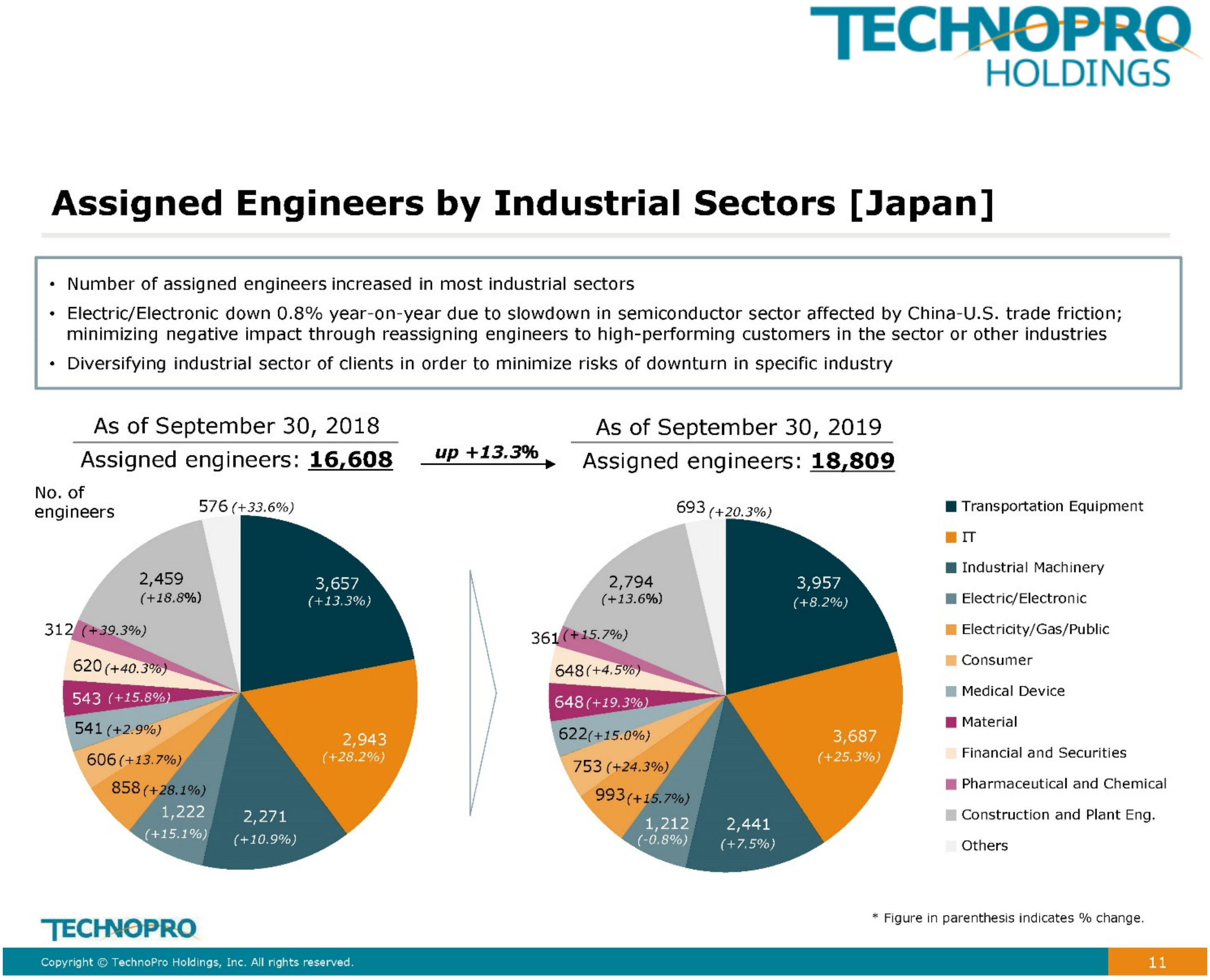
- Number of assigned engineers increased in all technologies
- Maintaining robust hiring even in continued IT engineer shortage, while facing a challenge in recruiting mechanical engineers due to constraint of job seekers
- Engineers increased driven by acquisitions: Embedded Control for SOFTWORKS, and software for TECHNO BRAIN



* Figure in parenthesis indicates % change

Page 10 is the portfolio by technology area, and page 11 is the customer's industry sector portfolio.

As can be seen on page 10, the percentage of IT technicians is reaching 50%. Meanwhile, mechanics-related engineers have not entered the job-change market much, and I believe this is also the case for other companies in the same industry, but mid-career recruitment is struggling. Although there are sufficient inquiries for orders, there is little momentum in the growth in the number of active employees. Accordingly, we are focusing on raising unit prices by enhancing education and training and promoting team-based assignments.

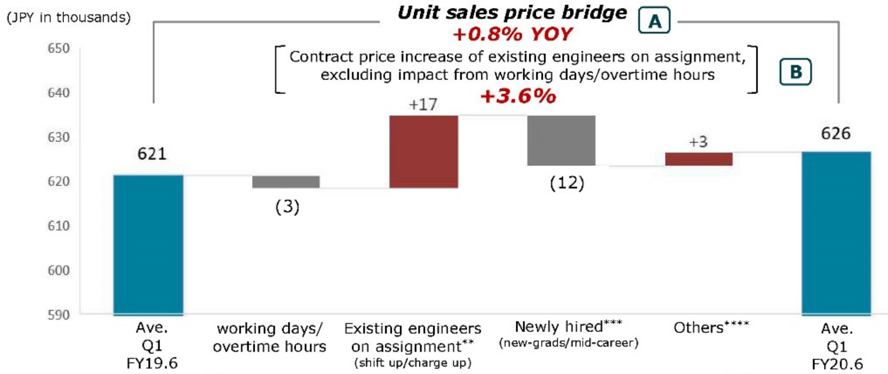


On page 11, although growth continued in most of the industrial sectors, the electronic components sector recorded a year-over-year decline. The impact of trade friction between the US and China has been partly felt in the semiconductor and device sectors. However, we are carefully diversifying risks by shifting to favorable companies in the same industry and shifting to other industries.

Unit Sales Price

Engineer Staffing Companies: TechnoPro, Inc., TechnoPro Construction, Inc.

- Unit sales price* up 0.8% year on year to **626,000 yen** (up 5,000 yen/month)
- Decreased 3,000 yen/month year on year affected by working days (up 0.02 days/month) and shorter overtime hours (down 1.42 hours/month)
- Increased 17,000 yen/month driven by increased contract price for existing engineers on assignment through shit-up/charge-up initiatives
- Decreased 12,000 yen/month due to first assignment of newly hired new graduate/mid-career engineers



* Unit sales price
Average sales per engineer per month, which includes contract price, overtime charges and others.

** Existing engineers on assignment
Increase(decrease) of prices through changes in place of assignment or contract renewal at the same assignment

*** Newly hired
Increase(decrease) of prices from first assignment of newly hired new graduate/mid-career engineers

**** Others
Increase(decrease) of prices from other factors than described above

[Price Development]

	FY19.6				FY20.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Price (year-to-date)	621	633	632	630	626			
Year on year A	*+0.1%*	*+0.5%*	*+0.3%*	*0.0%*	+0.8%			

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Contract price increase of existing engineers on assignment B **year-on-year comparison for each quarter end*	*+3.0%*	*+2.8%*	*+2.7%*	*+3.2%*	+3.6%			

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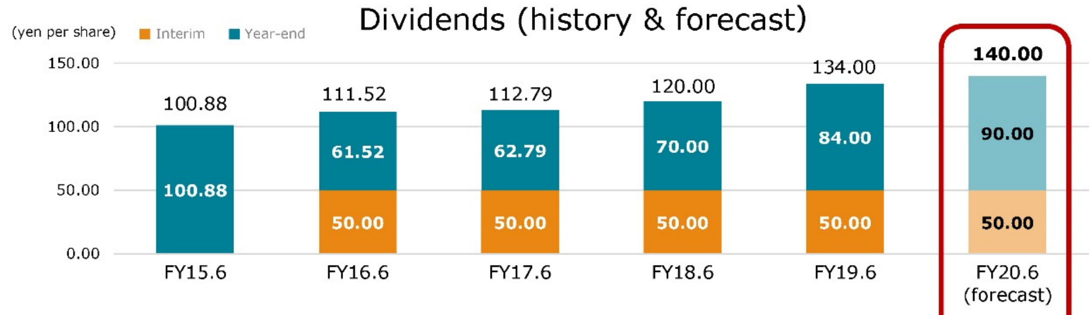
Page 12 shows changes in unit sales prices. The average monthly sales unit price including overtime work for Q1 was 626,000 yen, an increase of 0.8% year-over-year. Despite the recent trend of a decline in overtime working hours and the dilution of new employees with low unit prices, based on our clear strategy, we were able to increase the contract unit price, or base charges, for existing technicians by 3.6% year-over-year. We will continue to work to increase unit prices so that we can improve the base charges of existing engineers by at least 3% year-on-year in each quarter.

Dividend History & Forecast

Dividends (history & forecast)



	FY15.6	FY16.6	FY17.6	FY18.6	FY19.6	FY20.6 (forecast)
EPS (yen)	201.76	215.80	225.58	244.81	266.86	**278.21**
Payout ratio	*50.0%*	*51.7%*	*50.0%*	*50.0%*	*50.2%*	***50.3%***
Total amount (yen in millions)	3,437	3,808	3,858	4,250	4,864	**5,082**

* Dividends in FY15.6 were wholly paid at year-end payout

Share Repurchase Program (announced Nov. 28, 2018)

- Class of shares to be repurchased : Ordinary shares
- Total shares to be repurchased: Up to 500,000 shares (Ratio to outstanding shares: 1.38% [excl. treasury shares])
- Total amount of repurchase: Up to 2.5 billion yen
- Repurchase period: Nov. 29, 2018 - Nov. 28, 2019

Repurchase status (as of Oct. 31, 2019)

Total shares repurchased	**186,200 shares** (37.2% of program)
Total amount repurchased	**1,062,634,405 yen** (42.5% of program)
Repurchase price per share	**5,610 - 5,999 yen**

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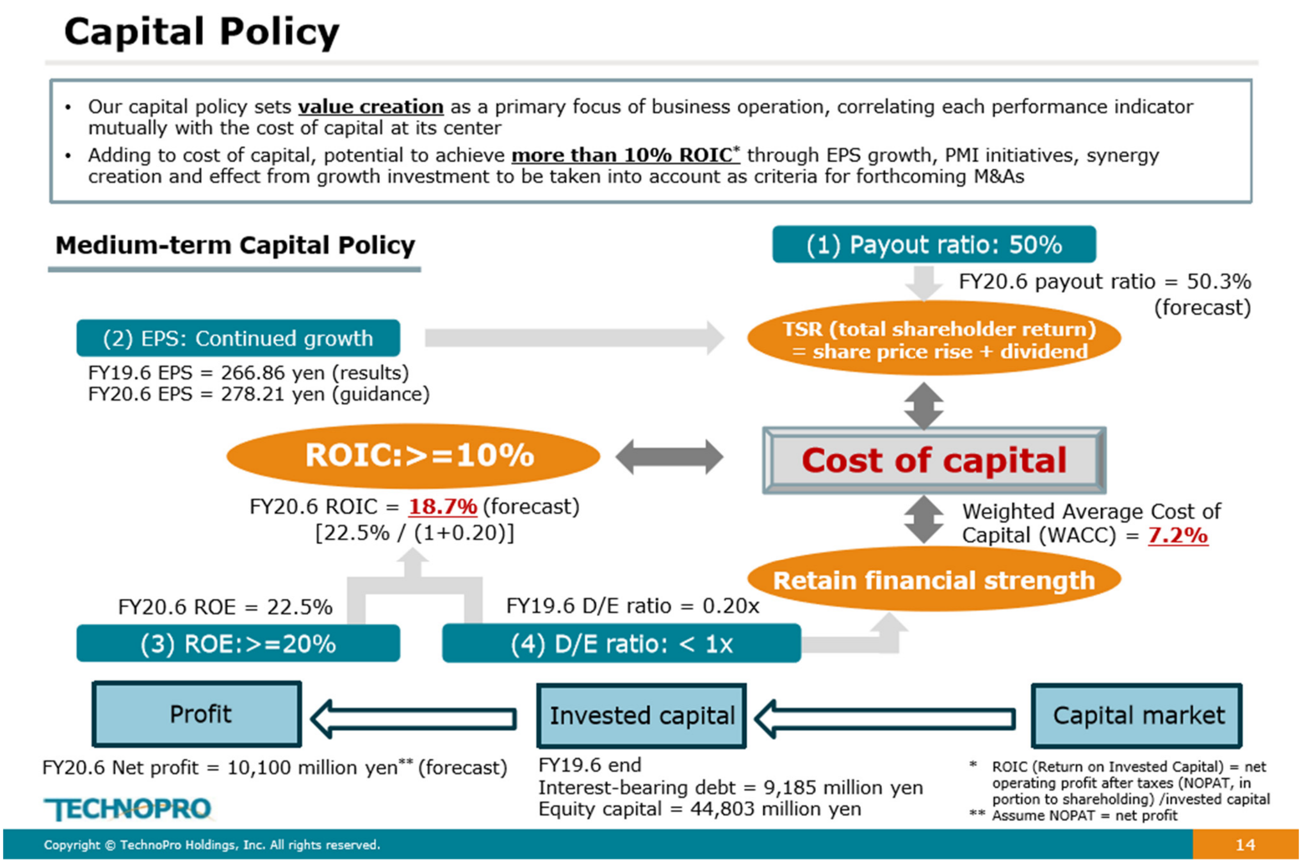
Page 13 shows our EPS and dividend trends since listing. We have achieved sustained growth by adhering to a dividend payout ratio of 50%, and we expect to pay an annual dividend of 140 yen per share for the current fiscal year.

As I mentioned earlier, we have purchased treasury stock worth approximately 1 billion yen at a price below 6,000 yen since the release of the previous full-year financial results. Our main shareholder return policy is to pay a regular dividend based on a 50% dividend payout ratio and to increase share prices based on the sustainable growth of EPS and the creation of value. However, if our shares are undervalued in the market, an opportunistic share repurchase is another option from the perspective of capital efficiency.

The current treasury stock repurchase program is scheduled to terminate on November 28, and we will continue to consider this matter while paying attention to the level of stock prices in the market.



Please refer to page 14 for details of our capital policy announced in the medium-term management plan, which is from the previous financial results briefing materials.

We will continue to pursue management that realizes value creation centered on the cost of capital.

Outlook & Strategy

1. Outlook & Strategy: Q2 FY20.6

- Unspent SG&A budget of 150 million yen in Q1; to be recognized in Q2
- Working days in Q2 to decrease around 1 day (one working day decline has 0.3 billion yen negative impact on operating profit)
- 137 engineers are strategically on standby or receiving on-the-job training (e.g. data scientist fostering, etc.), plans to continue to invest in education and training for engineers
- A new subsidiary established in India, TPRI Technologies Pvt. Ltd., has started operation, aiming to deliver services to India-based subsidiaries of Japanese firms or win offshore development projects from customers outside India

2. Outlook & Strategy: Q3 FY20.6 or Later

- Although Helius's Q1 operating profit before PPA asset amortization exceeded 70 million yen, continues to monitor its operation closely as the further growth in the remaining fiscal year period required to achieve earnings target
- Currently expects to recruit more than 1,300 new graduate engineers, exceeding the original plan of 1,000, consequently plans to post a lot more expenses than initial budget, such as training, salary payment during standby, etc.
- Keeping SG&A expenses under control and promoting industry/customer diversification in order to prepare for a weakening customer mind or budget shrinking as a result from China-U.S. trade friction or macroeconomic uncertainty
- Proactively seeking for M&A opportunities both in Japan and overseas, while securing consistency with business strategy and taking cost of capital or ROIC as a discipline

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Finally, I would like to explain our outlook and policies for the future, as shown on page 15.

I believe that this fiscal year's Q1 has made a smooth start, but in Q2, the Company will take a cautious approach towards management, including 150 million yen in selling, general and administrative expenses, which have not yet been consumed in Q1, and being 300 million yen behind due to the fact that the number of working days is about one day less than in the same period of the previous fiscal year.

We will also continue to invest in human resource development for the future at the expense of utilization ratio and gross profit. In fact, after completion of a training period of about three to six months, employees can be assigned at significantly higher contract prices, and the investment effect has been extremely high.

Also, we established a subsidiary in India, which is attracting increasing attention as an R&D base for Japanese companies. By providing technical services to local Japanese companies and developing offshore businesses that leverage Indian human resources with high technological capabilities and a wealth of talent, we aim to achieve organic growth and also contribute to the sourcing of M&A deals with Indian companies.

Next, we have summarized our outlook and policies for Q3 and beyond.

Helius in Singapore, which recorded impairment losses in the previous fiscal year, posted higher-than-expected profits, but as explained earlier, the number of engineers is sluggish, so we will continue to pay close attention to this.

A person who was in charge of PMI, including overseas subsidiaries at a company that deals with foreign investment funds and general trading companies, was recruited mid-career and has been working full time with Helius since October, which we believe will enable us to provide even more intense management and support.

The number of new graduates to be hired in April of next year exceed the budget of 1,000 people, which is the same as the number of new graduates hired in April of this year, by 300 people, and will incur costs that exceed the budget over the delivery date. On the other hand, this will certainly lead to increased operations and gross profit from the next fiscal year onward, but in order to offset the negative impact of the current fiscal year, we will strive to assign new graduates during Q4.

We are also starting to negotiate price increases, mainly for clerical staffing companies, using the same wages for equal work that will go into effect in April of next year. Taking this as an opportunity, we intend to actively promote negotiations to increase charges and shift up.

There are economic uncertainties caused by trade friction between the United States and China and such. However, currently, there are no events that hinder or force us to revise our growth strategy. Nevertheless, we will continue to adopt the same strict KPI management approach as in the past, striving to respond quickly and disperse risks.

Finally, in addition to organic growth, M&A is an important driver of our growth strategy. Currently, we have pipelines in Japan and abroad, but M&A activities are not aimed at themselves. In accordance with the future M&A promotion policies announced at the previous financial results briefing, we are considering proactive M&A with quantitative discipline, such as cost-of-capital and ROIC, while keeping in mind strategic alignment.

This is all from me. Thank you.

Question & Answer

Questioner 1: Thanks. Please let me ask two questions.

The first question is about profitability. This time, in terms of gross profit margin, it has risen by about 0.3%. I would like to hear what is behind this and what will happen moving forward. I think a 0.3% rise is unusual for your company. Should this level be maintained for a long time? Or is it too optimistic to consider in this way, given that it might have been the effect of a difference in the number of working days, overseas subsidiaries, or the like? What are your views on this? This is the first question.

The second question is about the underlying business environment. I think since January to February last year in particular, I guess depending on customer attributes, the utilization ratio has been slightly below the previous year's level. What are the projections regarding this? For example, at what time would it be at or above the previous year's level? In addition, Helius, the oversea company, was impaired to reduce risk at an early stage. Regarding this, I would like to know if there are things to be noted.

I would like to hear about these two questions.

Hagiwara: Thank you.

Regarding the GP rate for the first question, although there were no changes in the number of working days compared to the same period last year, the GP rate improved slightly. We think there are several factors, but I think that the increase in the unit price had been a little effective.

We reported that Techno Brain has joined us since Q1 of the current fiscal year. For recruitment consulting companies, the sales directly become GP, and the personnel expenses of consultants and others are included in SG&A expenses. I think the attributes of the businesses are partly different.

The GP rate was 25.3% for the full previous fiscal year, and it is below 25% due to the smaller number of working days in Q1. At present, we expect to achieve GP levels on par with the previous fiscal year on a full-year basis.

Regarding the second question, underlying business, there are questions from various investors about the low utilization ratio. We do not feel that it has worsened very much, and if it is still above 95%, I think it is extremely good and safe. If we do not have a certain level of human resources, we may not be able to properly introduce and propose to attractive proposals, so we are not worried about this point.

The speed of operation, or the time it takes for the returned engineer to be assigned to the next workplace, may be slightly slower for a particular industry or for a particular technological area. In this regard, there are some companies in the same industry that are performing very well, and there are also strategic standby programs. With various training systems, these engineers learn technologies in adjacent areas and are reallocated to other companies.

Regarding Helius, the scenario is from a lackluster budget in Q1 to fast growth towards the busy season. In Q1, profits slightly exceeded budgets, mainly due to the control of selling, general and administrative expenses.

However, for the government's policy to hire as many Singaporeans as possible in this economic downturn, Helius's business model is to bring Indian engineers to Singapore and dispatch them to the Singapore company to provide technical services. The growth is somewhat slower in some cases. Since there are still orders and recruitment of engineers from Singapore, we strive to resolve such bottlenecks.

We have also recently established a subsidiary in Thailand and have begun to take orders primarily from financial institutions with a similar business model. We are working to achieve our budget while expanding and diversifying to such countries.

Also, as we announced at the last financial results briefing, we would like to explain more specifically about the underlying status of Helius in the Q2 financial results briefing and the outlook for the future as well.

Questioner 1: I see. Thank you.

Questioner 2: I just have one simple question. The newly established subsidiary in India, according to the presentation material, will provide services to Japanese companies in India, offshore development, and a sourcing base for M&A.

Is there a possibility of bringing Indian employees to Japan in the future in some way?

Hagiwara: Of course, it's possible.

Questioner 2: Does that mean to provide training for them to understand the Japanese language?

Hagiwara: As for IT-related Indian engineers, there is an increasing number of clients in Japan who would accept them if they speak English. I believe that they do not necessarily have to speak Japanese to come to Japan.

Questioner 2: I see. Thank you. It was simple, but that's all.

Hagiwara: Thank you.

[END]