

TechnoPro Holdings, Inc.

TechnoPro Group Financial Results for Fiscal Year Ended June 2018

July 31, 2018

Presentation

Sato: Ladies and gentlemen, hello. I am Sato, the CFO. Today, thank you very much for sparing your time from your busy schedules to be here. We very much appreciate your attendance. Today we are also going to present the mid-term plan progress.

◆ Financial Results for Fiscal Year Ended June 2018

▼ Page 2 : FY2018 Overview

I will be presenting that part as well. Please look at page two on the deck, titled TechnoPro Group Financial Results for Fiscal Year Ended June 2018. First of all, on page two, FY 2018 Overview. In terms of the revenue versus last year, the revenue is up by 16.4%, at 116.529 billion yen. The operating profit is up by 16.5%, at 11.238 billion yen. The net profit is up by 10.1%, at 8.498 billion yen. This is how we ended the Fiscal Year 2018. On February 2nd, we guided you with an upward revision of our full-year numbers. That number is on the very right side of this chart. But we have exceeded all of these numbers, as a result. Furthermore, in March, we increased our shares by two million shares. Based on this, the per share net profit - earning per share, the EPS, is 244.81 yen. This too, has exceeded the number that we have presented to you on February 2nd, before we'd issued those stocks. Therefore, regarding the dividend, the full-year numbers are 120 yen for the full year. As for the payout ratio, because we increased the shares, if we calculated per share, we will have some skew in the numbers. Therefore, we took the net profit, and the full-year total dividend was divided by the net profit. That's why the payout ratio is 50%.

▼ Page 3 : Business Line Results FY2018

On page three, this is new information to you. We are disclosing this today. We are very proactive in M&A activities, and because of that our corporate business model is becoming a bit complicated. It is not just engineer staffing business anymore. We have some different characteristics in our business profile, so although this is just managerial basis, we are going to disclose our earnings information by each line of business. So that creates four units, one of which is the original business that we have had, the engineering staffing business, TechnoPro and TechnoPro Construction. The second unit is the acquired companies, the domestic companies that we have acquired. TechnoPro Career also, is the small referral company. The third unit is the two overseas companies, one being TechnoPro China, that we've had originally, our China headquarter, and also the one we acquired in March, Helius

Technologies, from March. The fourth unit is TechnoPro Holdings, and the consolidated adjustments. For TechnoPro Holdings, this one includes the corporate staff functions, for example HR, accounting, finance, and also shared service, for example training and education, etc. These are the functions under THD, TechnoPro Holdings. So as you can see, revenue and operating are shown on these charts, but other than that we have the number of engineers on the bottom. And also we have the non-Japanese number of engineers' utilization rate, sales per head. For the seven domestic companies, we have number of engineers, but the business model is different, so we don't think it is appropriate to calculate the sales per head because we're using outsourced resources as well. For the two overseas companies, we have the number of overseas engineers disclosed in the bottom rank.

▼ Page 5 : P&L Summary

Please skip to page five. This is where we disclose the P&L structure. In terms of revenue, we have some of the reasons why the revenue is up. Impact of engineer increase, 11.1 billion yen. Impact of unit sales price increase, this is the two original engineer staffing business, this is up by 0.6 billion. And also, the five contribution M&A companies. 4.6 billion yen. Now, something that is not written here is the operating contribution from this 4.6 billion. The amount is 370 million of operating profit contribution within the M&A companies in FY 2018. Now the gross profit looks like it's up by 1.9 points. This is, well, we've explained this to you in the quarterly sessions, and that is because of the account classification change, and the detailed impact is shown on the bottom left of this slide. So impact of account classification change for gross profit is 0.7 points. The second one is impact of utilization rate, which went up and I will explain this in more detail. And the third reason is other reasons, other than engineer staffing, for example the Boyd & Moore Executive Search, PC Assist which is education and training school for engineers. This has very high gross profit, above 40%, and that's why these are contributing by 0.8 points to the gross profit.

Next, looking at the SG&A line, as I mentioned earlier, there's also the impact of account classification, change 0.7 points, and others. Others is described on the very bottom left of this slide. It's the hiring expenses, training and education expenses, and also the IT system investment, which we will talk about in the mid-term plan. And the five M&A companies that we did, it includes TOQO as well, which will be consolidated from next fiscal year. And also, because of the M&A, we have the amortization of the intangible assets as well. These are all included in the Others, under SG&A.

For corporate income taxes, I'd like to make a comment, finally. So up until quarter three, we were at around 24.8% for corporate tax rate. And we have said that ultimately for the full year, we landed at 23.8%. And the reason is because we were able to apply, and have become eligible for, a system called Tax Credits for a Salary Growth. And because of this, we have one point improvement in the corporate tax rate, and the next year, we're not going to get this at all because the system has changed. So we're not going to have it next year, but this year, it has given us a benefit.

▼ Page 6 : Balance Sheet & Cash Flow

Please look at slide six, which shows the balance sheet. It is quite self-explanatory. Let me point at the goodwill, which is up by 4.9 billion yen, due to the five M&A companies. We have the asset-- the actual asset is much bigger, but we have the intangible assets, PPA - the

purchase price allocation, because most of the assets are customers. And under the IFRS rule, it tells us this needs to be amortized, so that we have 2.3 billion yen of this, including the ones from the past. Therefore, this fiscal year the intangible asset is 2.9 billion yen. And also on June 29th, we announced the acquisition of TOQO. This company will be consolidated from next fiscal year, so that is not included. TOQO is not consolidated into these numbers. For the total equity, we have the details in the statement of changes in consolidated equity in your flash financial result document. That is a document that describes it very well. Now Helius, we acquired 51% of Helius. The current CEO still owns 49% of Helius, but there's a five-year contract, they have a put option. So, evaluating this put option at three billion yen, and it has been shifted to long-term accrued payment. Because of that, if you look at the statement of changes in consolidated equity, all of these details are described there. So please read the flash financial survey.

▼ Page 7 : Number of Engineers & Utilization Rate : Japan

Moving on to slide seven. This is the domestic business, the number of engineers, and utilization rate. This includes the EDELTA, PROBIZMO, Techno Live, and the two original engineer staffing business. As of the end June, we have total engineers on payroll at 16,797 engineers, 756 of them are non-Japanese engineers. I mentioned this at the Tokyo Stock Exchange, the company which has 756 foreign engineers is very rare, probably. We are the only company that has such a high ratio of non-Japanese engineers. The average utilization rate was 95.7%. That's 0.4 points better than last year. This is the reason why the P&L has changed, as I explained in the previous chart. So when you look at the domestic engineers, and then we have 869 engineers that we employed outside of Japan, 269 China, Singapore, India. It's Helius, 573 engineers from there.

▼ Page 8 : Recruitment/Turnover : Japan

It is about recruitment and turnover. Here we have to extend our apology at this moment. In the past, we had calculations and in the turnover figures in the past have been confounded with the number of fixed-term employees, so we'll look back into one whole year. And we had some revisions for the quarterly figures, and the revision have been about 0.1%. So accordingly, there has been no change in terms of trends. But allow us to express our apology, and please accept the new figures. And for the new hires, the figure is 8.1%, and last year it was 7.9%. And then it being the entire Japan, the figure was much higher. The situation here is much better in this company.

▼ Page 9 : Assigned Engineers by Technology : Japan

Moving on to page nine, Assigned Engineers by Technology. Please refer to the pie chart. So we were able to see the figures compared with the previous year. So maybe you are able to take a look at it and see the trend. And for all the technology areas we have seen the number of assigned engineers. Especially noteworthy was a strong demand for IT engineers and software. And also, construction was increased. So I have explained this in the past, and we have made the training center, technology center in Hachioji and Osaka. So that means that the people were able to get training, so they are able to become the skilled engineers. That's the reason why construction has also been revived.

▼ Page 11 : Unit Sales Price

Skipping one page, we would like you to go to page 11. This is about unit sales price. It was

630,000 yen, which is an increase of 3,900 yen, which is up by 0.6%. There has been some misspelling, so this is the decrease of 1.1 day per year, not per month. Based on that, there has been a decrease of 6,000 yen per month, year over year. And you can see the figures for Shift up and Charge up. And then excluding these, you see the price increase of engineers on assignment, and it says 1.9%. Maybe this might not be convincing, until three quarter it was 1.7%, and I said to myself, "Why is it?" And I looked into this, then this is based on the revenue, and then we just used the figures of the number of engineers and the revenues. And then, in 2017, the April last year, the figures for these new graduates have been accounted for three months, April, May, and June. And then the figures' unit price for last year, new grads, 554 of them have been included for the entire year this time. So this might be too misleading, so we decided to have one more line, which is a price increase of engineers on assignment. But this is based on the comparison of the unit price at the end of the period, and the corresponding period last year. For example, in the case of the end of December, we make a comparison between this year and last year. So this way we are able to understand the actual comparison, so this is a simple apple-to-apple comparison, this would be the true reflection of the actual figure situation. So that's what we are seeing now, and we can safely say that the figure of the increase of the engineers on assignment has been 3%, rather than 1.9%.

So we started the disclosure of the management unit, and also at the same time we are hiring large number of new graduates. From now on, we'd like to continue using the chart that you are seeing in the bottom, which is based on the comparison of the unit price at the end of the period, and the corresponding period last year.

▼ Page 12 : New Share Issuance Overview [announced on March 22, 2018]

Moving on to page 12, thanks to your support, we were able to complete the new share issuance of two million shares in March. So there was more room for future borrowing with this stronger financial foundation. We are able to have the stronger and swift M&As. We'd like to express our sincere appreciation to all of you. So as was mentioned, EPS, based on the average number of outstanding shares during the period, was higher than guidance.

▼ Page 13 : FY2019 Guidance

Lastly, I'd like to speak about the projection of the Fiscal Year 2019. Please take a look at the blue line. For the revenue, should be the increase of 15.9%, which is 135 billion yen. And then operating profit, 20.1% increase, 13.5 billion yen. And then net profit, the increase of 4.7%, which is 8.9 billion yen. And then net profit per share, the 245.49 yen. So that means the dividend per share for next year would be 123 yen. Then, the prerequisite for that would be the number of engineers, which is over 18,000. And the utilization rate would be around 95% to 96%. So we have some range. I and also Nishio has been saying, the guidance is a commitment.

▼ Page 14 : Dividend Forecast

Moving on to next page, dividend forecast. Interim dividend would be 50 yen, so year-end divided is 73 yen. That's the explanation for the financial standing.

◆ Strategic framework for long-term value creation –Progress and Outlook–

Moving on, I would like to give you the update of the mid-term plan. We apologize again for CEO Nishio's absence, deep apologies, and I would like to present this on behalf of him. But please be assured that I myself is involved directly in business strategy, M&A, information system, and business management as well. So please don't hesitate to ask me questions.

▼ Page 1 : Basic Policies of the New Medium-Term Management Plan (repost)

Now first of all, let's review what we've been saying in our mid-term plan. This is what we've mentioned last year in July. This is what we have announced, a mid-term plan that covers five years. But I mentioned when we presented this is that, after three years, there is a possibility that we might revise this mid-term management plan according to circumstances or operating environments.

▼ Page 2 : Management Targets (repost)

Please look at page two. This is also a review of what we presented at that time. We were saying, as of the year ending June 2022, the sales will be more than 160 billion. Operating profit will be more than 17 billion yen, net profit will be more than 11 billion yen. And ROE will stay at 20% or more. This was the plan that we projected.

▼ Page3 : Developing Our Growth Strategy (repost)

Please look at page three. This is the growth strategy that we have, four points were mentioned. Number one, stable growth and core business, number two, shift towards higher added value, number three, globalization, and number four, moving towards IT technology, moving towards building a platform utilizing IT. And also, we were talking about using 20 billion yen for M&A activities. This is what we've mentioned. And also, we said that we will continue to invest proactively for growth in the future. We also mentioned that we focus on the balance of "Invest proactively in growth", "Maintain appropriate financial strength (leverage)" and "Observe discipline in shareholder returns". We will commit to 10% dividend on equity as well. This is what we committed to.

▼ Page 4 : Progress of Medium-Term Management Plan

Page four, this is the mid-term plan. Only one year has passed since we launched this plan, but we already have this progress. The left one is the mid-term plan itself. But if you remember the guidance that I presented earlier for the fiscal year ending June 2019, the numbers that I mentioned is pretty much similar to the number, FY June 2020 in the mid-term plan. Which means we are progressing a year earlier.

▼ Page 5 : Progress of Medium-Term Management Plan – M&A/Alliance

Please look at page five. Again, this is the report of the progress regarding M&A and Alliance. We have four strategies that I mentioned earlier. You can see how they are related. So you can look at this matrix, but we know that we're not going to do M&A just for the sake of doing M&A. We need to make sure we have a very good organization, a strong foundation to pursue

the benefit out of M&A. That's why to enhance this framework, we have hired people from outside to create a new business division called Affiliate Business Department, under my responsibility. And also, another division called Global Business Promotion Department to enhance M&A, to strengthen management and to strengthen business growth. We are setting up our organization so that we can get the best out of our M&A. We have acquired five companies last fiscal year. The impact next fiscal year will be 11 billion yen, approximately. EBITDA, 1.2 billion yen is written here. But operating profit would be approximately 800 million yen or less. Allow me to mention one point here. You acquire a company, but you know, it doesn't start growing the moment you acquire it. That basically does not happen because we tend to acquire mid-sized companies, so under the management of a bigger company, and also governance, we need to spend cost expenses to include the company into our organization, and we do focus on that. But in the previous fiscal year, although these M&As have only contributed for a few months, from this fiscal year, June 2019, it will contribute for the full 12 months. That's why we project these numbers that you see on the bottom of slide five.

▼ Page 6 : Stable Growth in Core (Engineer Staffing) Business (repost)

Page six, please turn to page six. I would like to explain each point one by one. First of all, Stable Growth and Core Business. And this is the review of what I mentioned last year. Now, please turn to the next page.

▼ Page 7 : Stable Growth in Core (Engineer Staffing) Business

Page seven, in Fiscal Year 2018, we acquired two companies. We have been using the term acquisition hiring. So, there had been two companies, namely "EDELTA" and "Techno Live". EDELTA had 240 engineers, and Techno Live had 170 engineers in different fields. In addition to that, we have been receiving the business lines from the companies in the same business. We acquired IT Helpdesk business, from the system engineer staffing company based in Yokohama. And also, we acquired network business from a system operator based in Ehime. These are the kind of things we have been doing, so there's something incorporated into the hiring box. On the 1st of October, we will have, coming into effect of the law for human resources dispatch, or staffing. And also, in order to increase in new grads and enhance talent development, in April 2018, we were able to hire 889 new graduates, which is an increase of 335, year-over-year. And we were able to have the placement of 100% of them, which means that demand level is really high. And then, on top of that, we have Win School, which run by PC Assist, and we are establishing the training courses. So training has been completed.

▼ Page 8 : Shift toward Higher Added Value (repost)

Page eight, which is the shift toward higher added value. Last year, I talked about this, showing this page eight.

▼ Page 9 : Shift toward Higher Added Value

Then moving onto page nine. In this fiscal year, what had been done? First is the M&A. We had acquired two companies. One is "PROBIZMO". It operates the IT-related contracting business based in the places [Shimane, Tokyo, Tottori and Osaka]. And we have 120 engineers. And then "TOQO", on the right-hand side, has been announced just recently. So this company has not been reflected onto these financial figures, they will come aboard next year. We believe that it will promote diversification and value-added to building construction

supervision, the main service in construction area. And the revenue is 700 million yen, the operating profit will be 70 million yen. And this is not included in last year's financial statements. And then, in terms of alliances, we have "ALBERT", and this has been working on the promotion of data scientists. They do have many data scientists, and they have announced a collaboration with Toyota, and they trained 80 data scientists so far. And then we made an announcement of the investment in O2 Group. We are making the joint investment with the bank-affiliated investment funds. More than half of the 250 million yen invested has been made by ourselves. So this is meant for solution businesses.

▼ Page 10 : Globalization

Next is page 10, which is globalization. As was mentioned earlier, we have the 756 non-Japanese engineers working in Japan. But on top of that, we are planning to expand it to 1,500 within this mid-term business plan, by the year 2022. In the past, there have been many engineers working in China. But now, we see increase of the engineers working in Philippines, in Vietnam, and also in Taiwan and South Korea. Looking at the current figures, we have many people coming from Myanmar, South Korea, and also India. So, that means that-- well, we are dispatching to these places. We acquired "Heliuss Technologies", they are headquartered in Singapore. And then next is "Boyd & Moore". This is the high-end talent search company, mainly in IT companies based in Tokyo, India, and Singapore. And for the unit, the disclosure, they are included in domestic revenues. But in terms of the nationality of the engineers, they should be placed here, for the globalization. Heliuss is headquartered in Hyderabad India, and Boyd & Moore, in Pune. This is close to Mumbai. When I say India, in terms of the number of engineers, and also in terms of the growth potential of the economy, from the viewpoint of our customers in Japan, it is quite attractive. So that's the reason why we have been doing things in order to have a promotion in the future.

▼ Page 11 : Towards platforms utilizing IT

And then, the next one is the formation of the platforms utilizing IT. The starting point is to promote HR services to meet companies' and engineers' needs with the promotion of IT. So this way, we are able to look into the supply chain in human resources by the systematic approaches using IT. About hiring, starting in April 2018, we have been working on the pilot company, and the system implementation has been done in this company. And then looking into the left-hand side, we have introduced LMS (Learning Management System) to all officers and employees. Application approval and record management have already been centralized. Now we are in the process of coming up with the e-learning process and training courses. We have the analysis engine and individual portals, we look into the profile of the engineers including their aptitude. We tried to look into the analysis to understand how we were able to use it. For example, we could have the hiring standard of the model. Now we do have the recruiters and they are able to work on this, but we could enter the past experiences or resume into this system, and then this way we are able to have the hiring standard. And also we could have a turnover projection. We have their working hours, the data, and also the days off for them, maybe we are able to have the turnover projection. And also the leaders' aptitude model. These are the kind of things we have been doing. This is facing trial and error in these areas. We make investment from the money that we funded from the market, and I think it would be of major contribution to what we do.

▼ Page 12 : Future outlook

Then on page 12. As I said, we are doing things one year ahead of the projection, or the guidance. So what we tried to do is to look into the Fiscal Year 2020. We might be able to have a revision based on this, the Fiscal Year 2020 target could be achieved. That's what we are trying to do. I was able to complete my presentation in 40 minutes. I'd like to take questions.

Question & Answer

Questioner1: Thank you very much for your explanations. I have two questions, and I'm going to ask them both at once. The first one is about the actual result and your plans going forward, just checking on numbers. As for your actual numbers, especially for Q4, it seems like the SG&A is up, and other items too. Maybe it's because of the M&A expenses. So if you can just note on why the SG&A is a little bit higher for Q4. My second question is for this fiscal year, compared to normal years, the corporate plan itself has 20% growth and profit. I think you have a very steady growth in your results, and now Helius, etc. The companies that you have acquired, you said that the EBITDA contribution will be approximately 700 million yen. You have communicated that information to us already, but I'd just like to confirm the contribution of the acquired companies, and also other companies' contribution too. If you can break down the numbers, that would be great.

Now, actually there's another question about the mid-term plan. Looking at any item on your mid-term plan, I think you're progressing very steadily. But especially, if you can point to any line that you would like to be a little bit more aggressive on, because looking from outside, globalization and hiring engineers is progressing well. But how about high-added value? It's hard to tell if you have good progress here or not, so how is that actually going? And as you mentioned, it does take time for acquired companies to start contributing to the bottom line. So maybe you can let us know the timeline as to when these companies will start contributing to profit.

Sato: First of all, your questions regarding Q4, in the year ended June 2018. The SG&A sales promotion cost is, well, abnormal, and you do have a point. As you have pointed out, it is related to M&A expenses, due diligence, various fees that we had to pay at a lump sum during this Q4. And another point would be, to be very frank, the business performance of all of the companies were very good, so we decided to invest in hiring that we can invest more for growth. We knew that we will be in good shape, so we used more than 200 million yen ahead of time to hire. And also, system as well, we're continuing to spend in IT, and we did spend a lot in Q4 as well. These are the reasons why the SG&A has gone up in Q4, and the percentage is not really in proportion with the revenue. And we acknowledge that. The absolute amount is because we have two more companies that we added into Q4, so that does push the absolute number up. For next fiscal year's numbers, everybody often says that the numbers I present are bullish. I think that's what you're trying to say but this is a commitment. We firmly believe this should be the commitment from the company. Now I may have mentioned in my presentations earlier, the companies that we acquired in the calendar 2018, next fiscal year, the revenue will be 11 billion yen, and profit is 800 million yen. This will be the contribution just with Helius. EBITDA contribution will be 700 million yen. That's an IT company, they have IT system facilities, so they don't have so much operating profit, but about 850 million yen contribution.

For the domestic companies, two years ago, PC Assist that we acquired, ON THE MARK, also Boyd & Moore. These companies' operating margin is more than 10%. The company that we acquired last fiscal year has been disclosed to you already, and they don't really contribute to

profit so much. We will be able to absorb their resources gradually, and the staff will be in our operations in a little bit more efficient manner over time. But we don't have any company that are in red ink, at all. So they will slowly contribute to the bottom line. Hopefully, you understand.

To your second question regarding the mid-term plan-- what are the parts we need to work more on? We're hiring a large number of new grads, and mid-careers as well. It's not like we're hiring the ones that can get high unit price. That means they tend to drag us down on our performance when we hire new grads and mid-careers who are not necessarily super-high performers. This is where we need to improve. That's about it, I believe.

Questioner1: Then, if that is the case in Q4, well, the figure would be about 300 million yen-- 400 million yen more. So expenditure have been more in Q4, maybe more. In terms of core businesses, you saw the increase of the engineers and the unit price increase both lower. You try to do more in this field. I understand. Thank you.

Questioner2: I have two questions. Earlier you just talked about this briefly, about the staffing law, so starting October, you will have the employment stabilization measures. So, relative to that, would it be conducive to the M&A, or are there any changes in the industry as a whole? Or have you not seen any changes so far? And the second question about the mid-term plan. On page 10, which is about globalization promotion, something you mentioned. So you purchased a company, and then they would not become full-fledged for quite some time. So, I'd like you to share with us a long-term view for the overseas operations. You're bringing the non-Japanese engineers to Japanese companies operating outside, so this will be the synergy. What would be the timing which you are able to do this? Maybe that could be gradual, but still, could you tell us a bit about the time frame for that? What's your take on that? Could you tell us a bit so that we are able to have a good understanding of the situation, the implementation, or the coming into effect of the staffing act on October?

Sato: Your question was about the M&A projections? Well, we are seeing the momentum gradually increasing. That's for sure. Some of the companies will not be able to have a license, we have been working on the sourcing. We have been using the roller approach. We have been conducting them. So that's what we are doing in order to have good M&A activities. And then, on the 1st of October, would it be effective overnight? Well, it's not the situation like that. The effect of the change of the law would be seen after a while. So we have to say that these companies, they are very small, maybe this might not be related to M&A. But maybe we could hire some of them who are from these companies.

And then, about the synergy realization of globalization. This is your second question, I believe. For example, in the case of Helius, the Slers of Japanese companies are now placing the first orders for them. Well actually, it's less than 10 people. But this way we are able to increase our past record, and then with this, we would be able to have the creative synergy based on that. And then about hiring, I did not talk about this year, but we have HRnet. We invested for them only 3% equity, but we are now thinking of hiring the non-Japanese engineers in this framework. There is a growth of 10%, and so, are we able to see the 10% growth in this area? Well, not quite. It is difficult, if not impossible. Only several months have elapsed since we acquired the non-Japanese companies, so internal controls will be the key word. So we look

into them. It was the governance, so we're not able to say when, and at what time they will become fully functional.

Questioner2: Allow me to ask you one more question, which is a different topic. So you talked about the 756 non-Japanese engineers. In the past, you had many of them working in China, and then moving to Taiwan, South Korea, and then into Southeast Asia as a whole. And then, what way are you dealing with this? So, in what way would they come to you, and they can come through this network? So in what way are you doing this, and in what way are you going to promote that? I understand your final goal will be 1,500 engineers, could you tell us a bit more about it?

Sato: Basically, the overseas locations we have agencies and we have good communication with them. Basically, we hire new graduates, our approach is to have contact the new graduates. And then also at the same time we contact the students studying in Japan, non-Japanese students studying in Japan. For example, we hold seminars in Vietnam and others, they are studying abroad. And we go to these sites quarterly, for example. And then we have presentation meetings. And then, for example, we are able to have the interviews for them for hiring 40 people, 50 people. I'm not able to disclose this, since many other companies are interested in this, but still, that's what we are trying to do.

Questioner3: Thank you very much for your explanation. I want to come from one point, if I may. In terms of your M&A, you have many deals, and you've done some financing during the fiscal year. So in terms of financial strategy, I was wondering how much capital cost do you set? Do you have some kind of criteria when you make these investments?

Sato: Yes, capital costs. We always do the simulation, usually at 6.5%. We do our simulations. I know that there is various ways to look at this. So there's not one answer. But at least that is the way we look at the level internally. Does this answer your question?

Questioner3: Yes. WACC, right?

Sato: Yes.

Questioner3: Thank you.

[END]