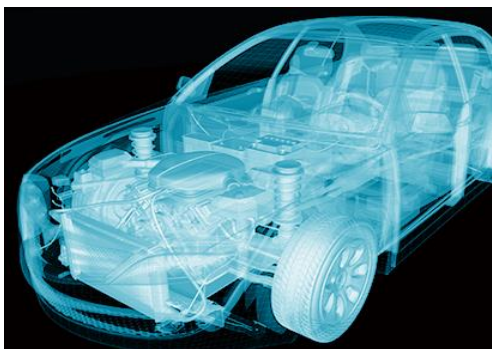


# TechnoPro Holdings, Inc.

## Corporate Information (Consolidated edition)



# Contents

---

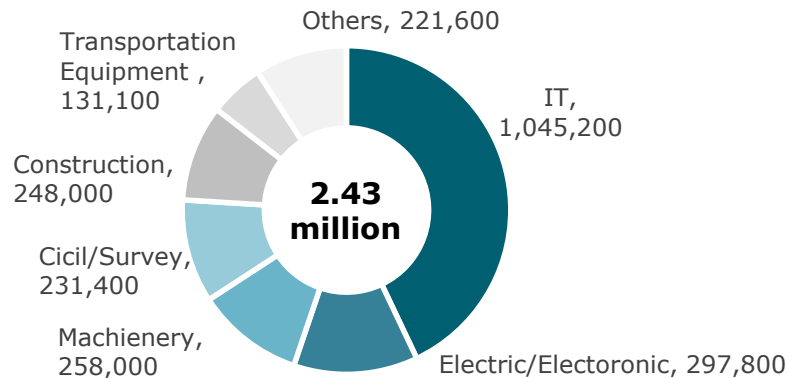
	Page
I : Corporate Information	2
II : FY2019.6 Q2 Financial Results	14
III : Mid-term plan –progress and outlook-	29
IV : Appendix	39

# Distribution of engineers in Japan

- According to the census in 2015, the number of engineers in Japan is 2.43 million and about 40% of them are IT engineers.
- In terms of engineers, the outsourcing ratio is relatively high in Japan
- According to the survey, in the manufacturing industry, 75% of companies outsource IT systems, and 56% outsource Technology development.

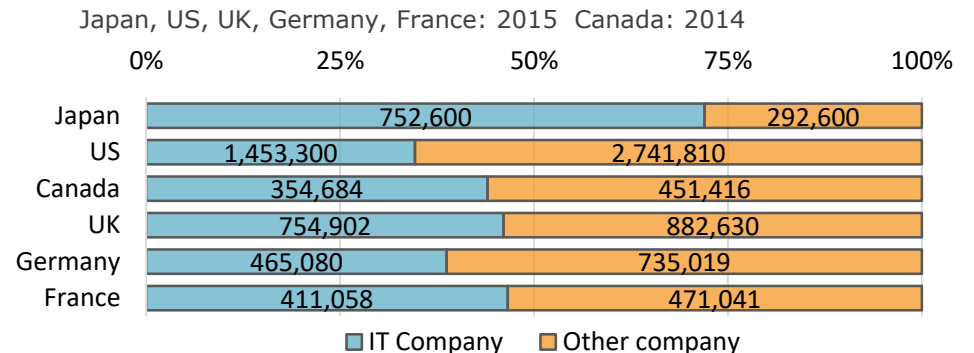
## 1. Number of engineers in Japan (2015)

Source: census 2015



## 2. Ratio of IT talents at IT and non-IT companies

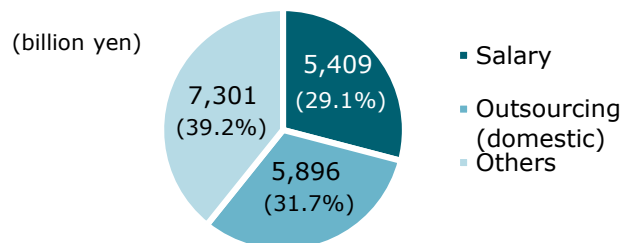
Source: Information-technology Promotion Agency Japan "IT Talent White Paper 2017"



※IT companies mean IT vendors and non-IT companies mean IT user companies

## 3. Cost structure of IT industry

Source: the Ministry of Economy, Trade and Industry "Survey on Specific Service Industries in 2017"



## 4. Outsourcing rate in the manufacturing industry

Source: Nobuyoshi Ota "Technology outsourcing strategy of the automobile industry" 2016

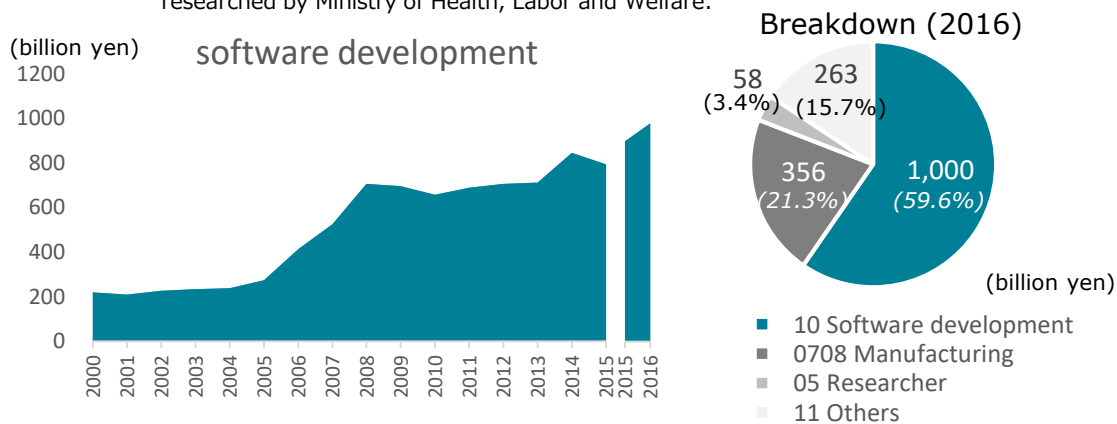
IT System	75%
Technology development	56%

# Engineer Staffing Market Overview

- Estimated the whole staffing market size is about 6.6 trillion yen. (2016)  
Engineer staffing market size (including manufacturing engineers) is about 1.7 trillion yen, about 250,000 people.
- Steady economic growth of this market is forecasted because of the increasing of R&D and Software demand.

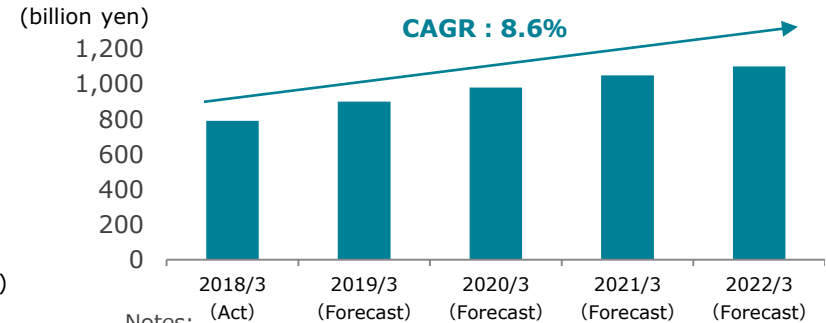
## 1. Transition of engineer staffing market size

Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare.



## 2. Forecast of engineer staffing market size

Source: Yano Research Institute Ltd., "Human Resources Business 2018"

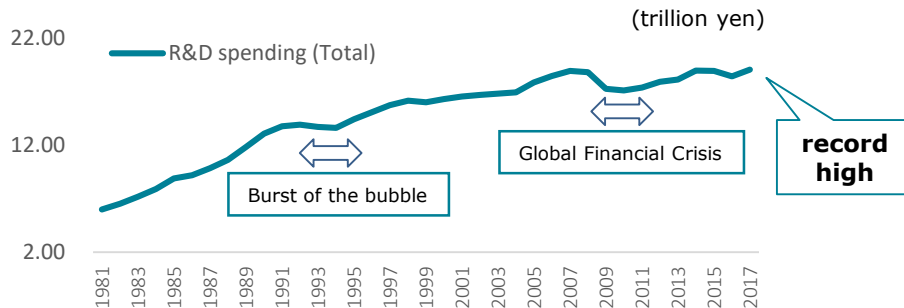


Notes: (Act) (Forecast) (Forecast) (Forecast) (Forecast)

1. The market size is based on the sales of the businesses.
2. The forecast is as of October 2018.

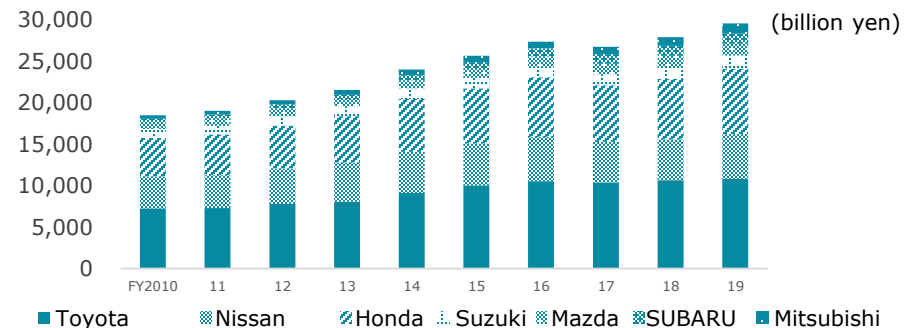
## 3. Transition of R&D spending in Japan

Source: Ministry of Internal Affairs and Communications statistics Bureau, *Survey of Research and Development*



## 4. R&D spending trend of seven major auto companies in Japan

Source: *The Nikkei*

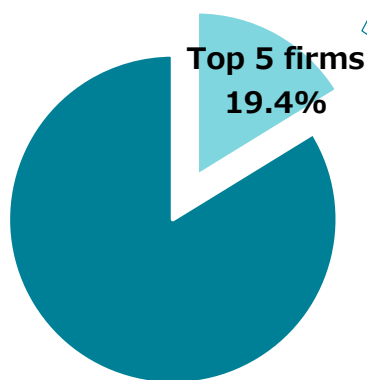


# Our position in the industry

- In the engineer staffing market, we are No. 1 player, with a market share of about 7%.
- In IT service industry, we are within 20<sup>th</sup>.

## Engineer staffing market

1.7trillion yen (2016)\*



\* Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare.

### Top 5 Firms in the Engineer staffing sector

Rank	Company	Revenue (million yen)	Share**
1	<b>TechnoPro Group (consolidated)</b>	116,529	6.9%
2	Meitec (consolidated)	93,618	5.5%
3	Outsourcing (domestic technologies)	51,264	3.0%
4	Forum Engineering	34,500	2.0%
5	Trust Tech	33,573	2.0%
<b>Top 5 total</b>		<b>329,484</b>	<b>19.4%</b>

\*\* Source: The figures are calculated and prepared by TechnoPro based on Yano Research Institute Ltd and individual company's data released on the IR materials

### IT service companies TOP20

Source: "The Nikkei computer" Aug.16<sup>th</sup> 2018

Rank	Company	Revenue (million yen)
1	NTT DATA Corporation	2,117,167
2	OTSUKA CORPORATION	691,166
3	Canon Marketing Japan Inc.	632,189
4	Nomura Research Institute, Ltd.	471,488
5	ITOCHU Techno-Solutions Corporation	429,625
6	TIS Inc.	405,648
7	SCSK Corporation	336,654
8	Nihon Unisys, Ltd.	286,977
9	NEC Networks & System Integration Corporation	267,939
10	transcosmos inc.	266,645
11	NS Solutions Corporation	244,215
12	FUJI SOFT INCORPORATED	180,773
13	Internet Initiative Japan Inc.	176,050
14	Net One Systems Co., Ltd.	161,107
15	GMO Internet, Inc.	154,256
16	Trend Micro Incorporated.	148,811
17	UCHIDA YOKO CO., LTD.	144,537
18	TSUZUKI DENKI CO.,LTD.	111,973
19	Relia, Inc.	109,800
20	Ryoyo Electro Corporation	92,234

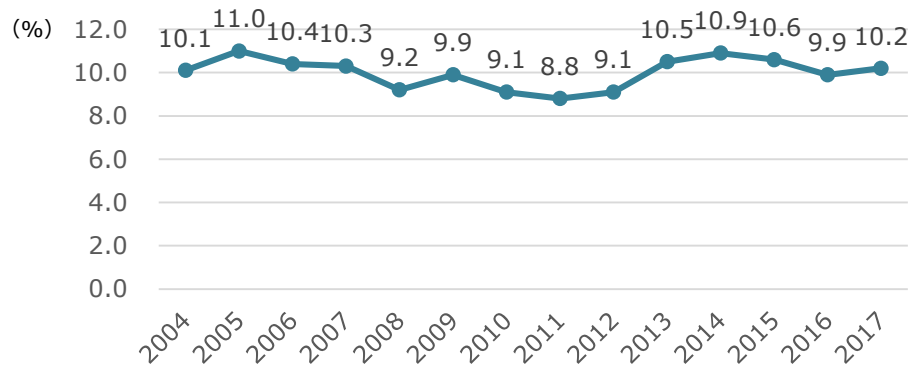
Compare to IT service companies, We are within 20<sup>th</sup>

# Background of Engineer Staffing Market Growth and our strengths – 1. Mid career market

- The turnover ratio in Japan remains around 10% which shows career-change market has a certain scale
- While the life-time employment/seniority wage system firmly remains in Japan, the number of mid-career recruitment by blue-chip companies is limited due to the gap between productivity and salary

## 1. Turnover ratio in Japan

Source: "Employment Trends Survey", Ministry of Health, Labour and Welfare



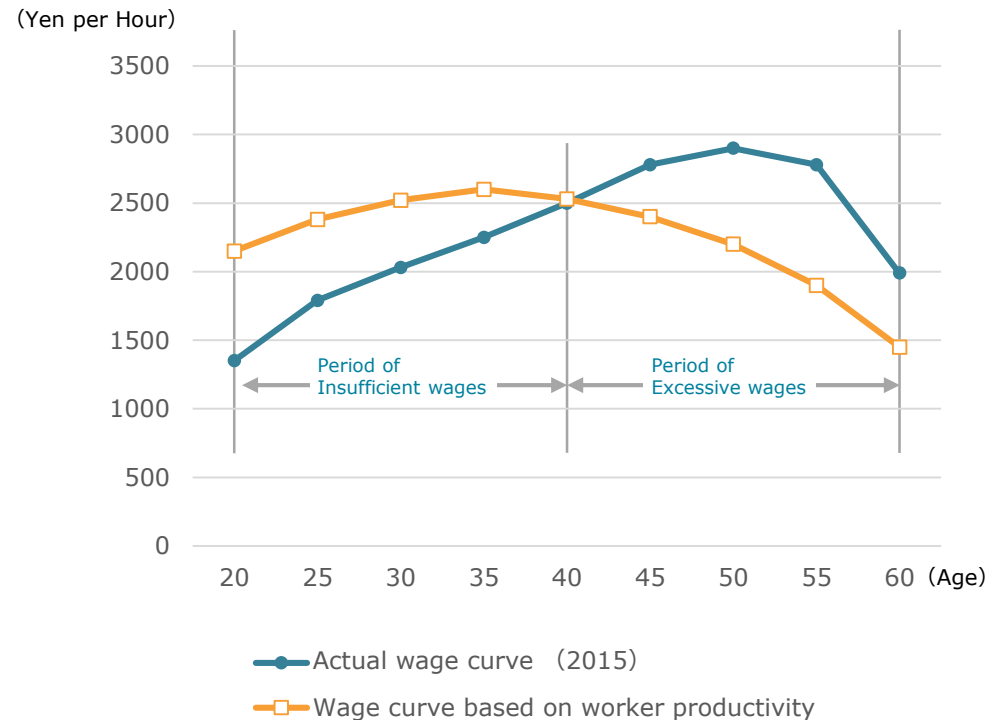
## 2. Engineer's turnover ratio (2007)

Source: "Japanese engineers" Yoshifumi Nakada, 2011

Overall engineer	7.60%
General engineer	5.90%
IT engineer	10.20%

## 3. Seniority-Based Wages and Wages based on Work Productivity (Hourly)

Source: "Equity Research Reprinted Report", May 1, 2017, Investment Information Department, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

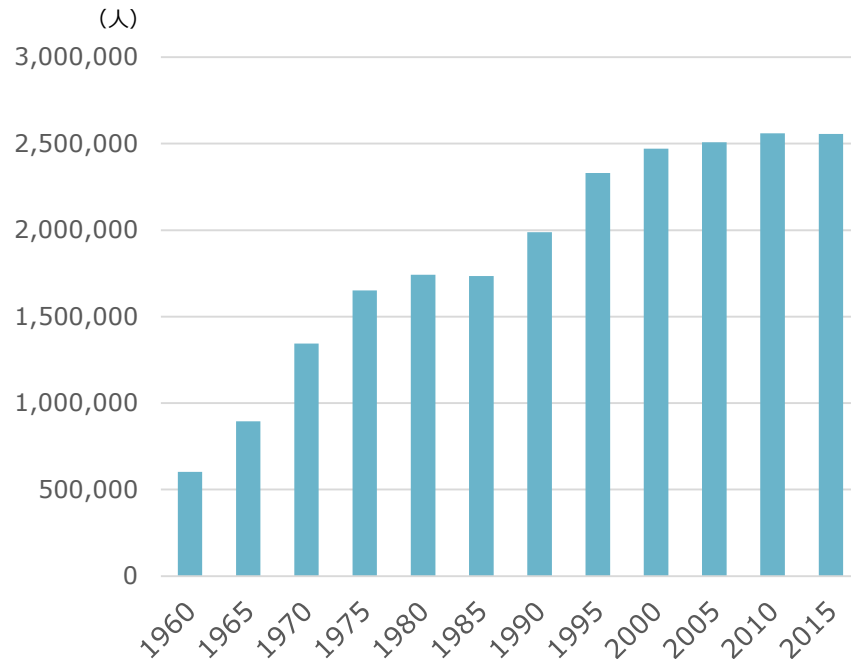


# Background of Engineer Staffing Market Growth and our strengths – 2. New grads market

- While the young population is shrinking, the number of university graduates is slightly increasing because of higher university entrance rate.
- New grads tend to focus on blue-chip companies while such companies have limited number of openings for them

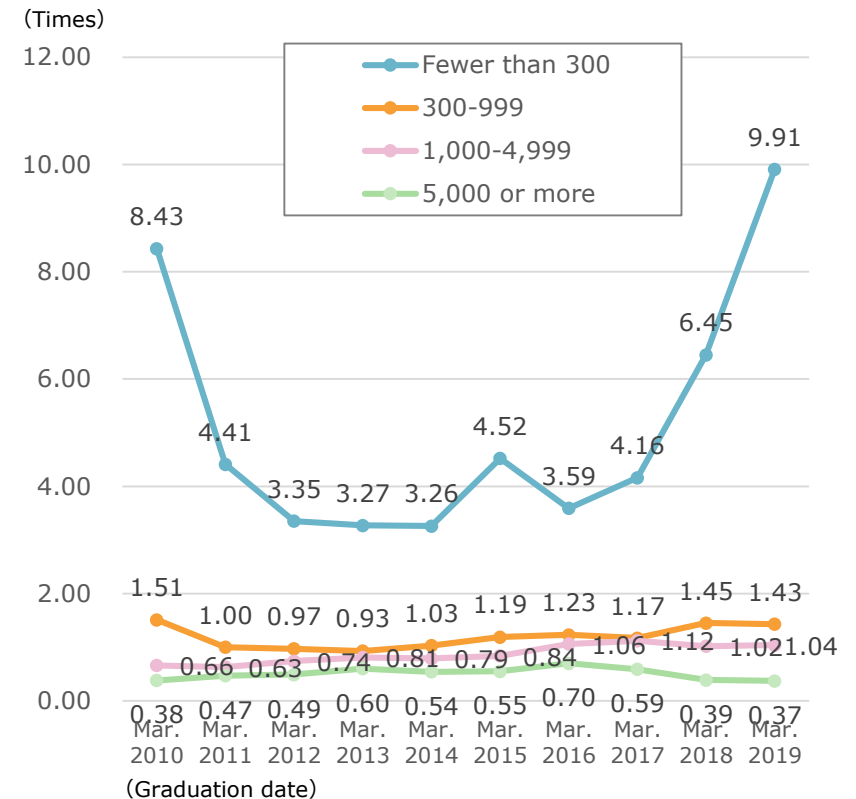
## 4. No. of university grads

Source: "Handbook of Education and Science statistics",  
Ministry of Education, Culture, Sports, Science and Technology



## 5. Job-to Applicants Ratio, by Scale Based on Number of Employees

Source: "34th College Graduates Job Opening Survey",  
Recruit Works Institute

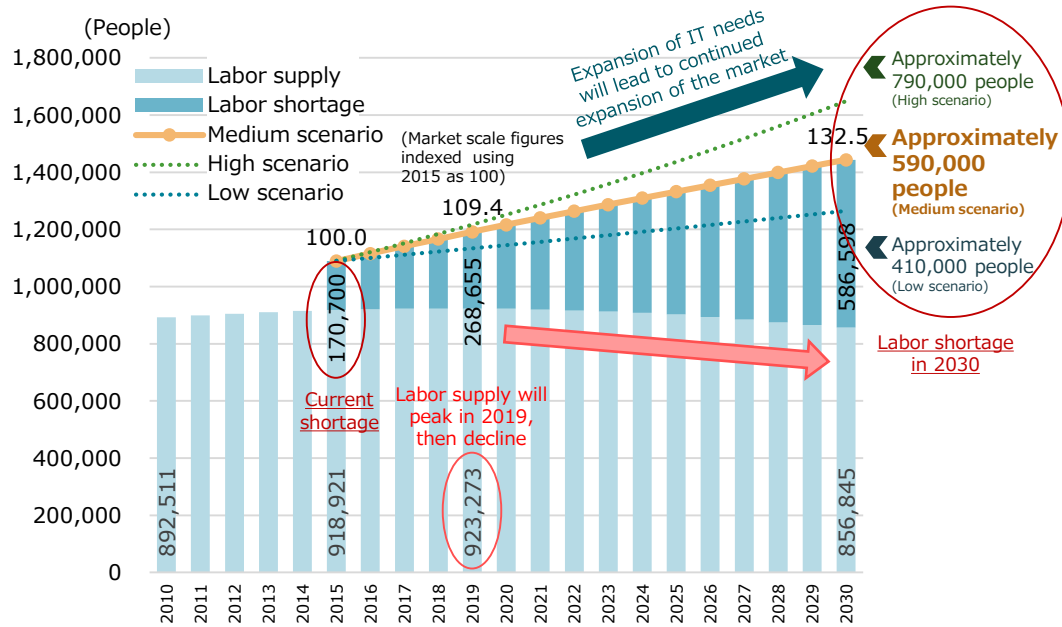


# Background of Engineer Staffing Market Growth and our strengths – 3. Growing demand

- IT-related company is highly competitive because of a huge demand-supply mismatch in the IT sector
- Weakening demand for engineers with the spread of AI will be more than offset by the new demand for engineers

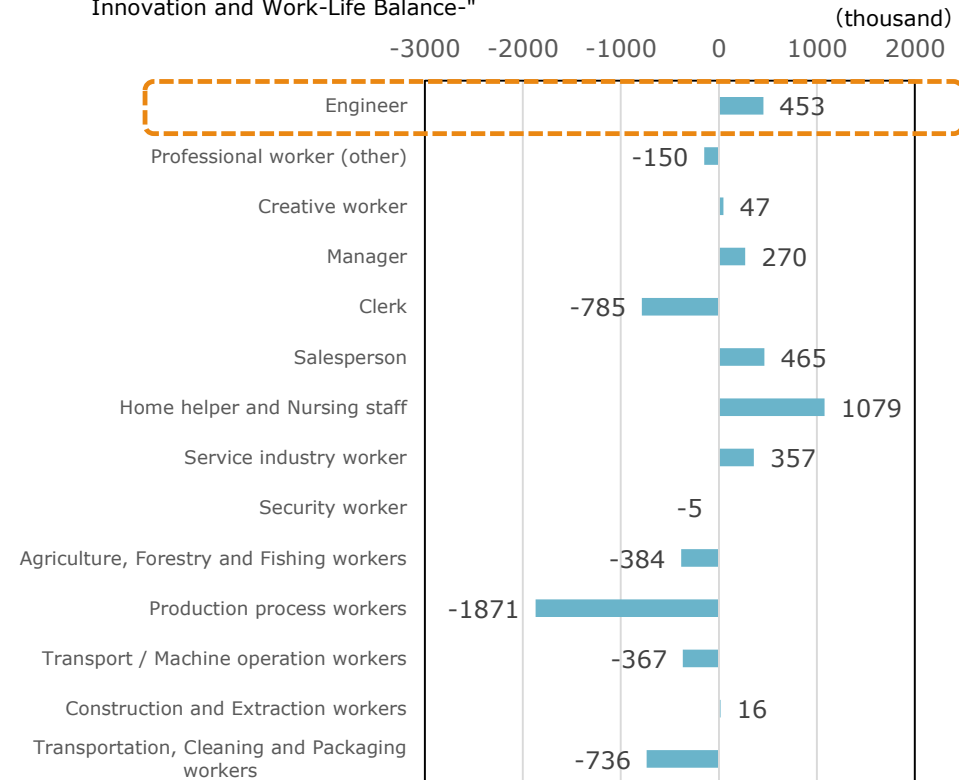
## 6. IT Staff Shortage Projections

Source: Ministry of Economy, Trade and Industry, *Study of Recent Trends and Future Estimates Concerning IT Human Resources*



## 7. Shift in workforce due to progression of AI

Source: Ministry of Health, Labour and Welfare, Labor economy white paper in 2017 "Analysis of Labor Economy - Issues for Promotion of Innovation and Work-Life Balance-"



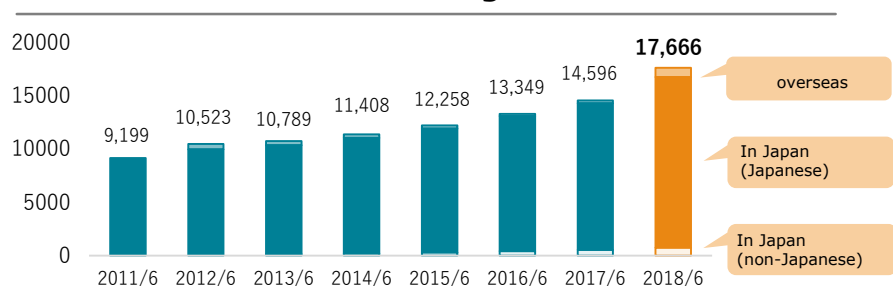
Note: Estimated numbers comparing 2015 and 2030

# Corporate Overview

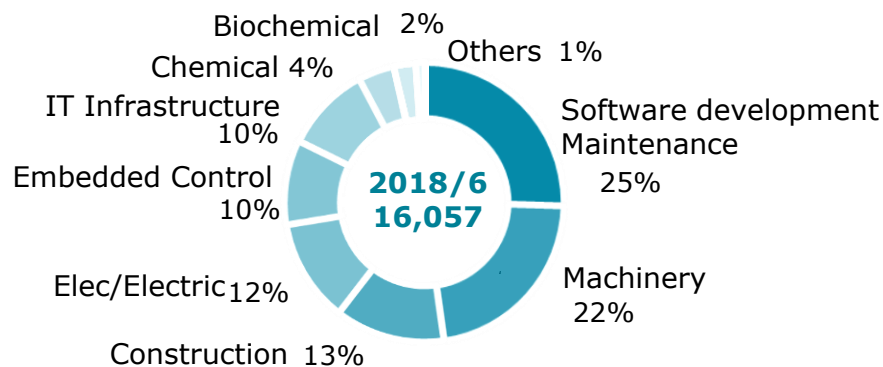
- We have the largest number of engineers in Japan.
- Stable growth of more than 10%/year due to strong recruitment capabilities and marketing capabilities.
- We are also trying to expand our contracting based business, and the domestic non-dispatch sales ratio was 14.8% as of the end of June 2018.

## ① The largest engineer base and broadest technological domains covered in Japan

Transition of number of engineers



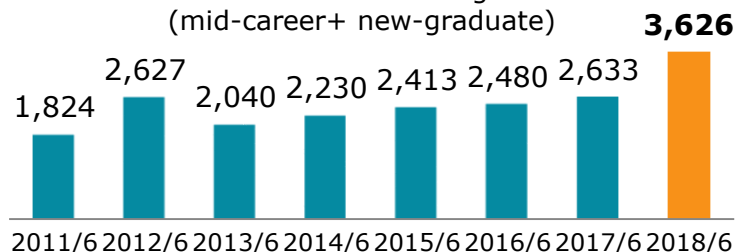
Breakdown of Assigned Engineers by Technological Domains (in Japan)



## ② Strong recruitment capabilities utilizing various channels

Recruiting **more than 2,000 Engineers** every year

Number of recruited engineers (mid-career+ new-graduate)



\* The total of recruited engineers in the Japanese subsidiaries, excluding M&A

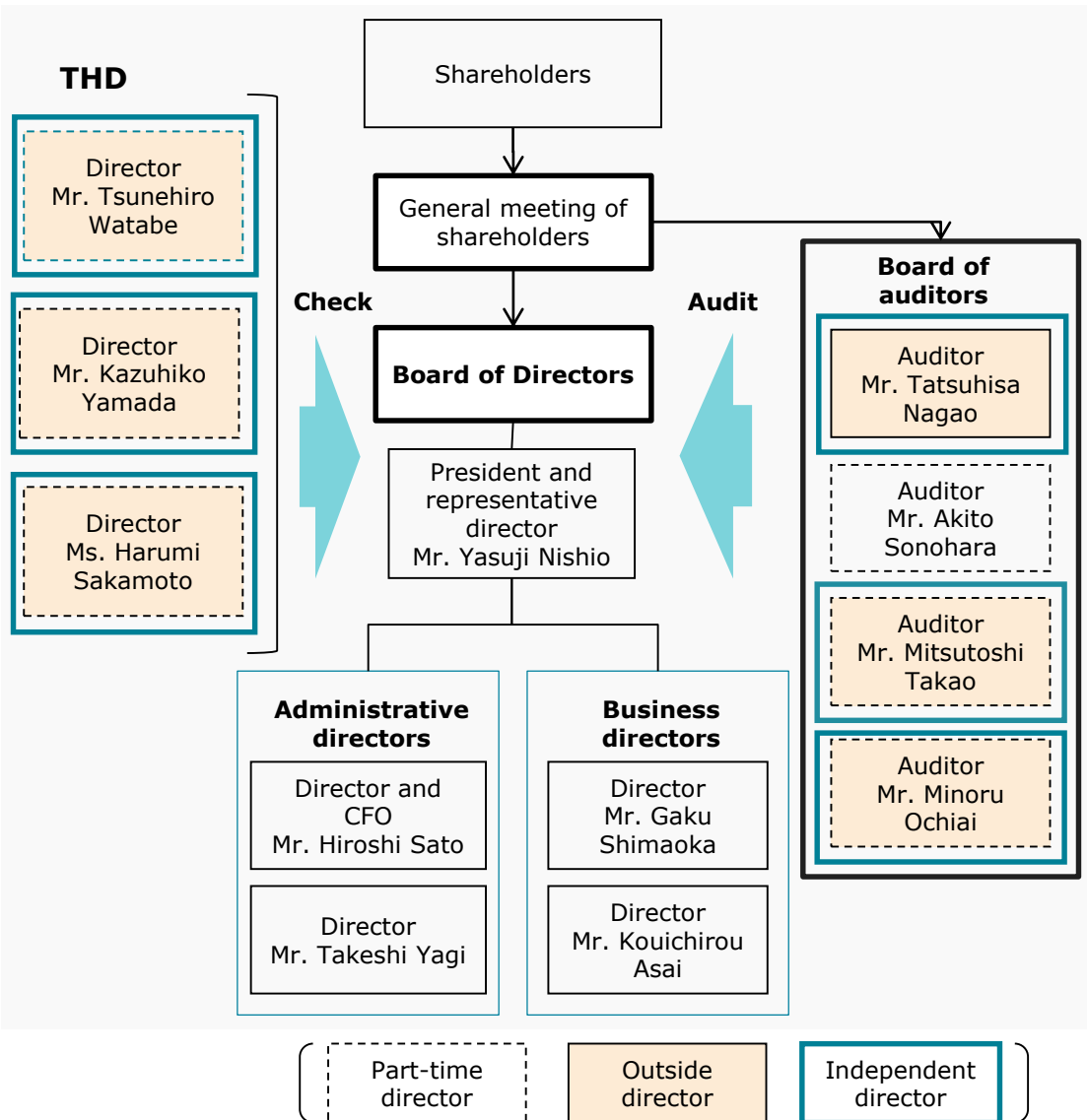
## ③ Strong sales capabilities create broad customer base

**2,030 customers** as of Jun. 2018

			Sales of JPY 1 tn. or more	Contract period with over 10 years
1	Electronics/SIer	Listed	○	○
2	Electronics/SIer	Listed	○	○
3	Electronics/SIer	Listed	○	○
4	Transportation	Listed	○	○
5	Transportation	Listed	○	○
6	Transportation	Listed	○	○
7	Electronics/SIer	Listed	○	○
8	Transportation	Listed	○	○
9	Construction	Non-listed	○	○
10	Electronics	Listed	○	○

# Governance -Corporate Governance Structure-

Secure the functioning governance structure by mutual-check system in top management



## Introduced RS (from 2017)

- Payment Date : October 25, 2018
  - Transfer Restriction Period : until October 24, 2021
  - Type and Number of Shares to be Issued : Common stock 21,097 shares (dilution ratio <0.1)
  - Issuance Price : ¥ 7,060 per share
  - Total Value of Shares to be issued : ¥ 148,994,820
  - Eligible Parties (tentative) : TechnoPro Holdings & Subsidiary, Directors & Executive Officers
- Total : 26 persons

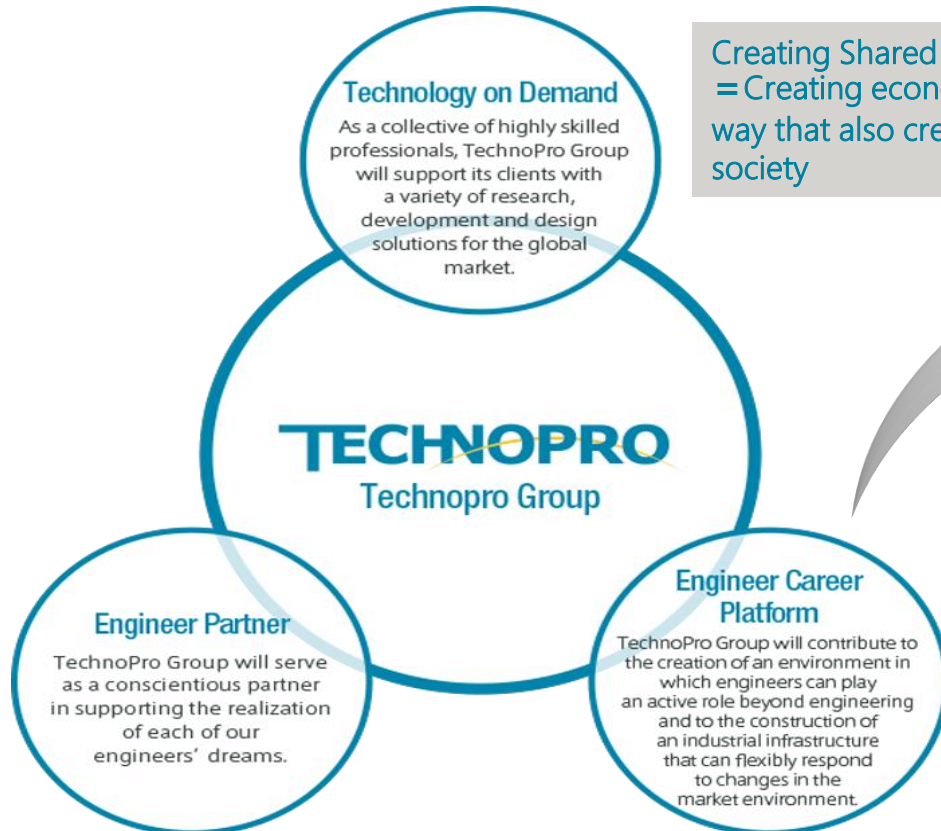
## Succession Plans

- Formulate the "Standards and Procedures for Appointment and Dismissal of CEO"
- The purpose is to select the most appropriate person as CEO, whether internally or externally, and establish procedures for objective, timely and transparent appointments and dismissals
- The Board of Directors (the Nomination and Compensation Committee) continuously supervise the succession plans
- Details disclosed in "Corporate Governance Guidelines"

# Group Values and ESG

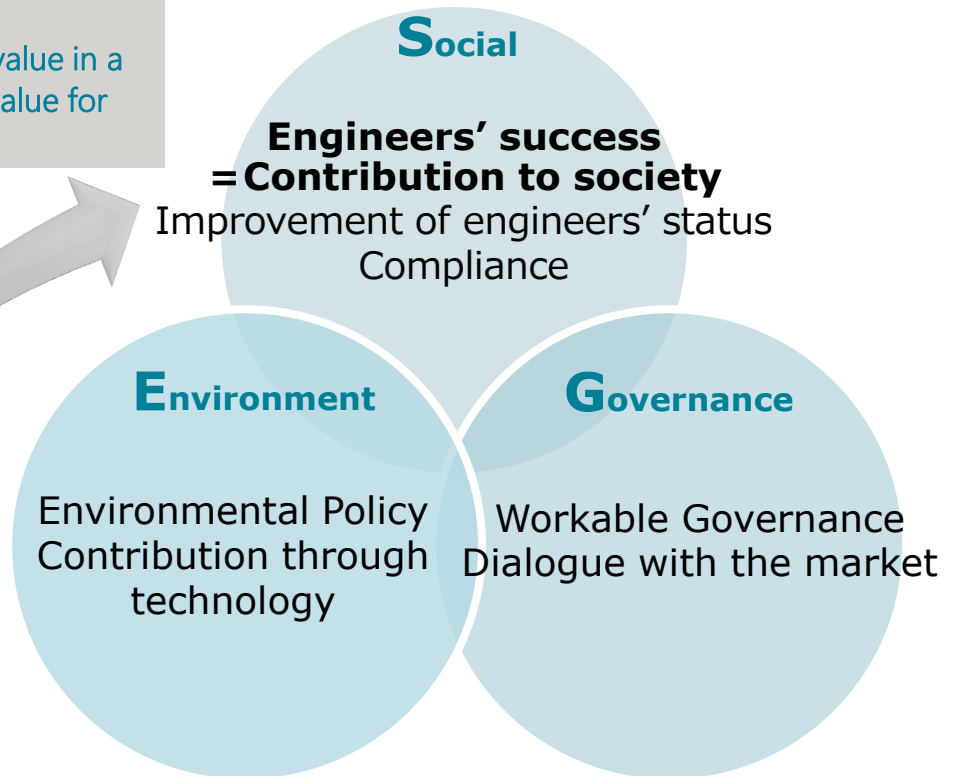
- We have set our Group Values and shared it with all employees.
- Our mission is to contribute to “Technological growth and development of Japan” through engineers’ success.
- Based on the philosophy of “Creating Shared Value” , we focus on **contributing to society through our business itself.**

## TechnoPro Group Values



Creating Shared Value  
= Creating economic value in a way that also creates value for society

## About ESG



# Purpose -Sustainability-

## Environment



### Environment Policy

A peaceful and affluent modern society is a natural requirement for a free and fair marketplace in which businesses can carry out their activities and grow. As such, a stable global environment with few natural disasters and rich diversity is essential to the realization of prosperity.

#### ■ Tree planting activity/Reconstruction assistance

- Relief fund-raising for Kumamoto earthquake (Nikkei newspaper)
- Tree-planting at "MILLENNIUM HOPE HILLS" in Iwanuma, Miyagi
- Tree-planting at "a row of millennium cherry trees" in Onagawa, Miyagi
- To join volunteer activities for reconstruction in Minami-Souma, Fukushima

#### ■ Environmental consideration

- Paper reduction plan.
- To select energy saving offices.

#### ■ Clean-up activities

- Volunteer activities in Sendai
- Clean beach in Hakusan, Ishikawa
- Roppongi Clean up

#### ■ Community activities

- Support for bird watching activity (Roppongi Hills MACHI-IKU Project)



## Compliance

#### ■ To provide various information for customers for free

- To hold the compliance seminars twice a year.
- To hold the client seminars twice a year.
- To provide dispatch law updates on the client's offices on request.  
To provide "Labor Administration NEWS" monthly.
- To provide support services for regulatory inspections.

#### ■ Employees compliance education

- Weekly compliance tests
- Annual employees compliance training

#### ■ Checking compliance system

- Detailed check of the individual contracts by CSR promotion Div.
- Following government inspection, we don't have to amend of labor contracts at all on FY2017.  
(on average 63.6% in FY2014)

#### ■ Occupational safety and health

- 5 year plan on how to minimize and cope with mental stress in the work place.
- Overtime working control.
- Setting up and implementing procedures to reach our target of no accident at the work place. (construction Div.)

# Equal Opportunity Employer

## Human resource development

### ■ Education and training

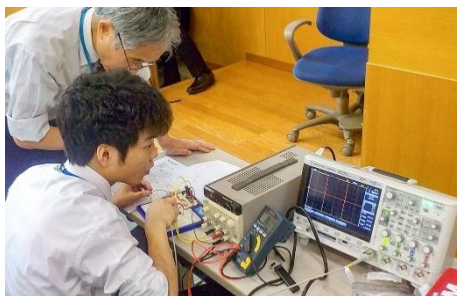
- A leading technical education company has joined us.
- 63 training centers.
- More than 200 courses.
- The number of attendances:79,105 annually

### ■ Career support system

- Dedicated career advisers
- To support career change by engineers desire
- To support acquisition of various qualifications.
- To support voluntary engineers' shop.
- Subsidy for training materials expenses.

### ■ Maximize employee satisfaction

- Information sharing to increase transparency (ex. Company newsletter)
- Annual survey of employee satisfaction.
- Subsidy for club activities



**TECHNOPRO**

## Diversity & Inclusion

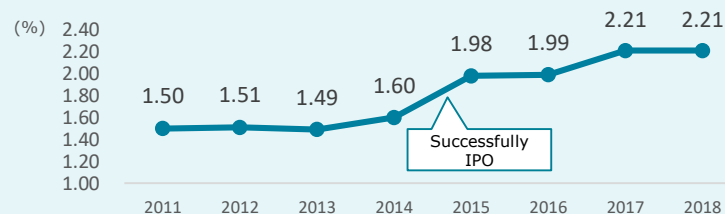
### ■ non-Japanese Engineers' Employment

- To employ non-Japanese engineers from about 30 countries

### ■ Disabled Persons' Employment

- Registered "Tokyo Foundation for Employment Services" as a company which accept disabled people internship.
- A public disabled people support center and a public unemployment office organized a study tour on TechnoPro Smile. More than 20 companies joined it.
- We opened Yokohama Service Center in December 2017 and start on-demand printing service.
- We plan to expand not only internal but also external demand.

### We have improved the hiring rate of disabled people to meet legal requirement



# Material Issues (Materiality) for the TechnoPro Group

## Raising Everyone's Potential

### Training and Education

	FY2017	FY2018
Group training	Cumulative <b>55,521</b> people	Cumulative <b>71,023</b> people
e-learning	<b>8,082</b> people	
Time Spent In Training	<b>258,115</b> hours/year	Average of <b>15.8</b> hours
Number of Unique Participants	<b>7,034</b> people	Average of <b>36.6</b> hours

Target value : Total of 200,000 people/year by 2022 (including e-learning)

### Percentage of People Taking Paid Leave

FY2015	FY2016	FY2017	FY2018
65.0	68.8	71.3	<b>75.0</b> (%)

Target value : Maintain at 75% or higher

### Percentage Employment of Women

	FY2015	FY2016	FY2017	FY2018
New graduates(%)	16.6	14.0	15.6	<b>15.3</b>
Mid-career hires(%)	16.3	17.3	18.1	<b>21.1</b> (%)

Target value : 16% for new graduates, 20% for mid-career hires

### Percentage of Employees with Disabilities

FY2015	FY2016	FY2017	FY2018
1.98	1.99	2.21	<b>2.21</b> (%)

Target value : Remain at or above the statutory rate of 2.2%.

### Intensive Training for People without Field-Specific Industry Experience

	FY2018
People generally Undergoing one Month or more of training	<b>964</b> people

Target value : Continuing increase in the number of attendees

### Employee Satisfaction

FY2014	FY2015	FY2016	FY2017	FY2018
107	111	119	127	<b>122</b> (FY2013:100)

Target value : Ongoing improvements in employee satisfaction

### Number of Non-Japanese Recruits

Number of people working in Japan	End of fiscal 2018
	<b>756</b> people

Target values : Number of non-Japanese nationals working in Japan 1,100 by 2020, 1,500 by 2022

### Employment of People Aged 60 or More

FY2015	FY2016	FY2017	FY2018
443	495	535	<b>641</b> (people)

Target values : Continuous increase in the number of people

## Contributing to Society through Advanced Technology

### Contribution and Collaboration in Leading-Edge Technology Development

- Joint development with Toyohashi university
- Investment in the Drone Fund
- Investment in O2\*, etc.

Target value : At least one new project per year

\*Consulting company specialized in manufacturing industry

### Number of Engineers in Strategic Fields\* (Technology Areas considered Important over the Medium to Long Term)

FY2018.6	
	<b>3,805</b> people

Target value : More than 5,500 by the fiscal year ending June 30, 2022

\*ex. Embedded Control, 3D-CAD, High frequency circuit etc.

## Trusted Partner

### Average Hours of Overtime

FY2015	FY2016	FY2017	FY2018
23.3	20.6	19.2	<b>17.6</b> (hours/yen)

Target value : Maintain a level of 20 hours/month or less

### Paper Use/Unit of Sales

FY2016	FY2017	FY2018
92.6	89.1	<b>82.2</b> (FY2015:100)

Target value : Continue to improve

### Training on Human Rights/Ethics/Information Security/Anti-Corruption

Attendance	
	<b>100%</b>

Target value : Continue to increase the number of attendees

## Sustainably Growing Company

### Percentage of Outside Directors

FY2018.6	
	<b>37.5%</b>

Target value : Maintain at least one-third

### Percentage of Directors Who Are Women or Non-Japanese

- TechnoPro Holdings Female directors: 1(13%)
- For the Group as a whole, out of 56 directors, three are Women and eight are non-Japanese

Target values: For TechnoPro Holdings, continue to have at least one Woman on the Board of Directors; for the Group as a whole, continue to increase director diversity over the long term.

### Status of M&A Activity

FY2018.6	
	<b>5</b> projects

Target value: Invest ¥20.0 billion over five years.

### Sustainable Growth in Earnings Per Share (EPS)

FY2015	FY2016	FY2017	FY2018
201.76	215.80	225.58	<b>244.81</b>

Target value: Maintain revenue and profit growth of at least 10% as well as long-term EPS growth (achieve targets of medium-term management plan.)

### Material Legal Violations

FY2018.6	
	<b>0</b>

Target value: Continue to have zero material legal violations.

### Internal Reporting System

FY2016	FY2017	FY2018
24	10	<b>28</b> (Matters reported)

Target value: Ensure the appropriate operation of the internal reporting system.

# TechnoPro Group Financial Results for the 2nd Quarter of FYE June 2019

TechnoPro Holdings, Inc.

February 1, 2019

# FY2019 Q2 Overview

- In first half FY2019, revenue increased JPY 14.7 billion (up 26.6%) year on year, operating profit increased JPY 1.8 billion (up 33.0%) year on year
- Earnings from Orion Managed Services Limited has been consolidated as of October 2018; Earnings from SOFTWORKS Co., Ltd. (acquisition announced on November 26, 2018) to be consolidated as of January 2019
- Full year FY2019 guidance remains unchanged considering uncertainties such as working day reduction in Q4 due to 10-day Golden Week holidays, PPA assessment results, etc., although expecting to deliver better financial results than the guidance

(JPY in millions)

	First Half			Q2			Full Year		
	FY2018 (Actual)	FY2019 (Actual)	YOY	FY2018 (Actual)	FY2019 (Actual)	YOY	FY2018 (Actual)	FY2019 (Guidance)	YOY
Revenue	55,401	70,114	+26.6%	28,674	36,779	+28.3%	116,529	135,000	+15.9%
Gross profit (GP)	13,763	17,478	+27.0%	7,422	9,415	+26.9%	29,475	34,000	+15.4%
<i>GP margin</i>	24.8%	24.9%		25.9%	25.6%		25.3%	25.2%	
SG&A expenses	8,062	10,258	+27.2%	4,221	5,430	+28.6%	18,237	20,500	+12.4%
<i>Ratio on revenue</i>	14.6%	14.6%		14.7%	14.8%		15.7%	15.2%	
Operating profit (OP)	5,554	7,386	+33.0%	3,042	4,203	+38.1%	11,238	13,500	+20.1%
<i>OP margin</i>	10.0%	10.5%		10.6%	11.4%		9.6%	10.0%	
Profit before income taxes	5,504	7,327	+33.1%	3,014	4,165	+38.2%	11,163	13,500	+20.9%
Net profit**	4,139	4,854	+17.3%	2,259	2,772	+22.7%	8,498	8,900	+4.7%

\* Amounts are rounded down to the nearest unit.

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

# Business Line Results FY2019 Q2

- Provides earnings information (managerial) for each line of business, considering expanding business portfolio other than engineer staffing
- Contribution margin of 10.9% (H1 FY2018: 10.5%) in *Engineer staffing*, offset expenses related to headquarters functions provided by TechnoPro Holdings from operating profit
- Aims to maintain appropriate margin for *Overseas*, as its earnings structure differs from businesses in Japan
- Engineers totaled 19,261: 17,638 in Japan, 1,623 in other countries

(JPY in millions, except headcounts and sales per head)

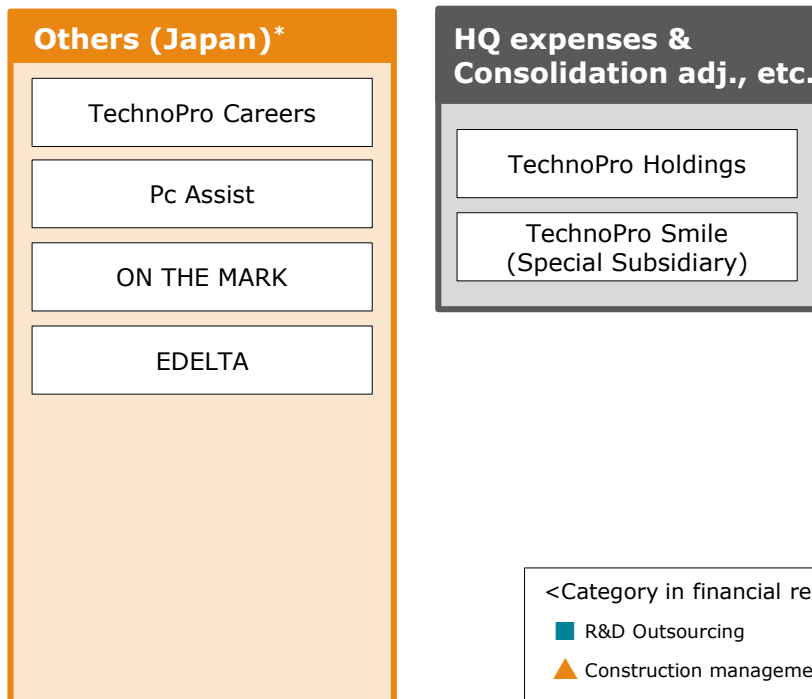
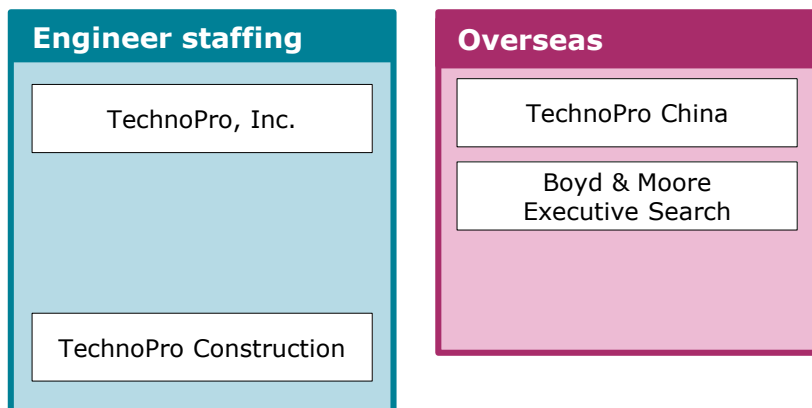
	Engineer staffing (Japan, two subsidiaries)			Others (Japan)			Overseas			HQ expenses & Consolidation adj., etc.			Consolidated		
	1st Half FY2018 (Actual)	1st Half FY2019 (Actual)	YOY	1st Half FY2018 (Actual)	1st Half FY2019 (Actual)	YOY	1st Half FY2018 (Actual)	1st Half FY2019 (Actual)	YOY	1st Half FY2018 (Actual)	1st Half FY2019 (Actual)	YOY	1st Half FY2018 (Actual)	1st Half FY2019 (Actual)	YOY
Revenue	52,672	60,919	+15.7%	1,976	4,445	+124.9%	968	5,192	+436.4%	(216)	(442)	-	55,401	70,114	+26.6%
Operating profit (OP)	7,625	9,054	+18.7%	198	449	+126.8%	121	526	+334.7%	(2,391)	(2,643)	-	5,554	7,386	+33.0%
OP margin	14.5%	14.9%	-	10.0%	10.1%	-	12.5%	10.1%	-	-	-	-	10.0%	10.5%	-
Contribution margin	10.5%	10.9%	-	-	-	-	-	-	-	-	-	-	-	-	-

													Consolidated (excl. overseas)		
No. of engineers	14,791	17,104	+15.6%	60	534	+790.0%	-	-	-	-	-	-	15,094	17,638	+18.8%
Non-Japanese	626	861	+37.5%	-	6	-	-	-	-	-	-	-	626	867	+38.5%
No. of engineers (overseas)	-	-	-	-	-	-	275	1,623	+490.2%	-	-	-	-	-	-
Utilization rate	96.3%	96.4%	-	98.6%	95.5%	-	-	-	-	-	-	-	96.3%	96.4%	-
Sales per head (JPY in thousands)	629	633	-	-	-	-	-	-	-	-	-	-	-	-	-

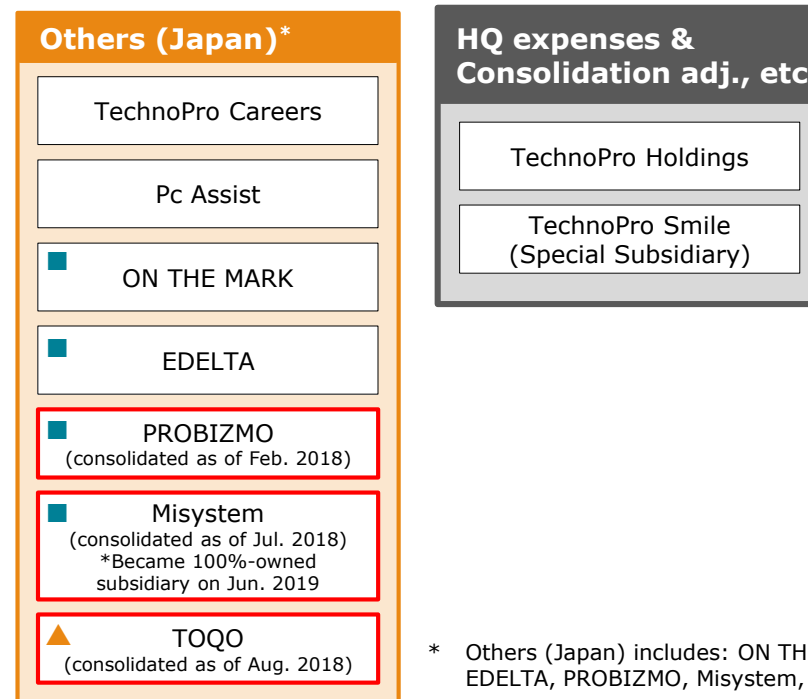
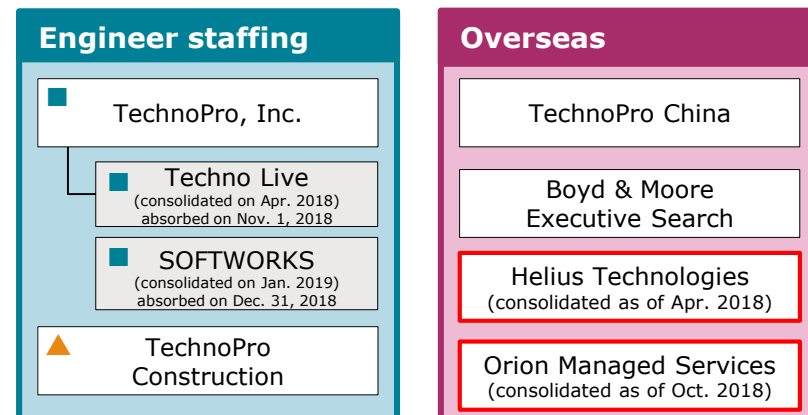
\* Amounts are rounded down to the nearest unit.

# Companies in Each Business Line [managerial]

As of December 31, 2017



As of December 31, 2018

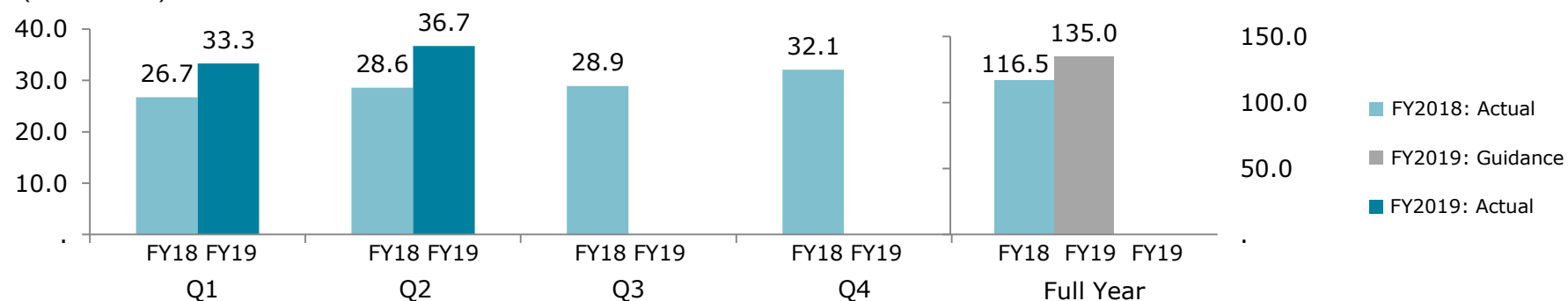


\* Others (Japan) includes: ON THE MARK, EDELTA, PROBIZMO, Misystem, TOQO

# Quarterly Performance

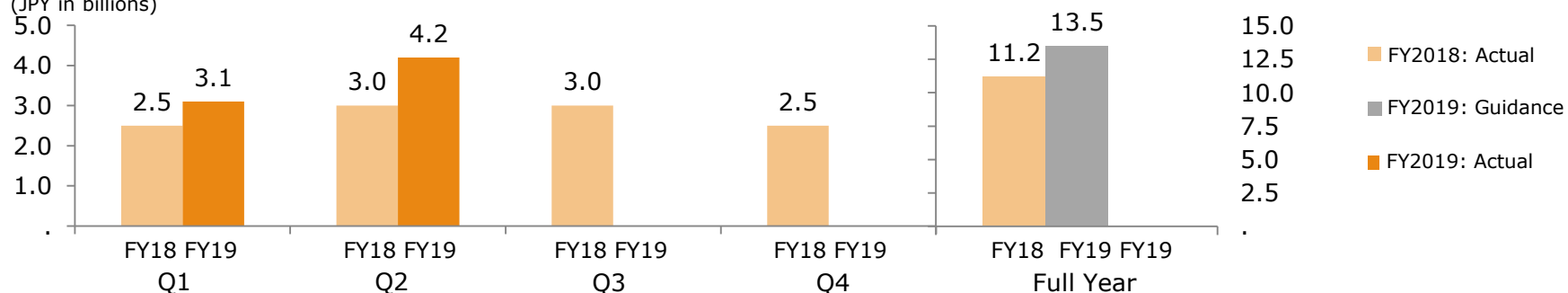
- Progress vs. full year guidance: 52% for revenue, 55% for operating profit, maintaining solid growth momentum as the same period in prior year
- Potential impact from 10-day Golden Week holiday to Q4 working days is still uncertain; also expects seasonal cost increase in Q4 such as training and idle period expenses for new graduate engineers (plans to hire more than 1,000 new graduates in April 2019)

Revenue (JPY in billions)



Composition %	Q1	Q2	Q3	Q4	Full Year
	23% 25%	25% 27%	25% -	28% -	-
YOY	24.7%	28.3%	-	-	-

Operating Profit (JPY in billions)

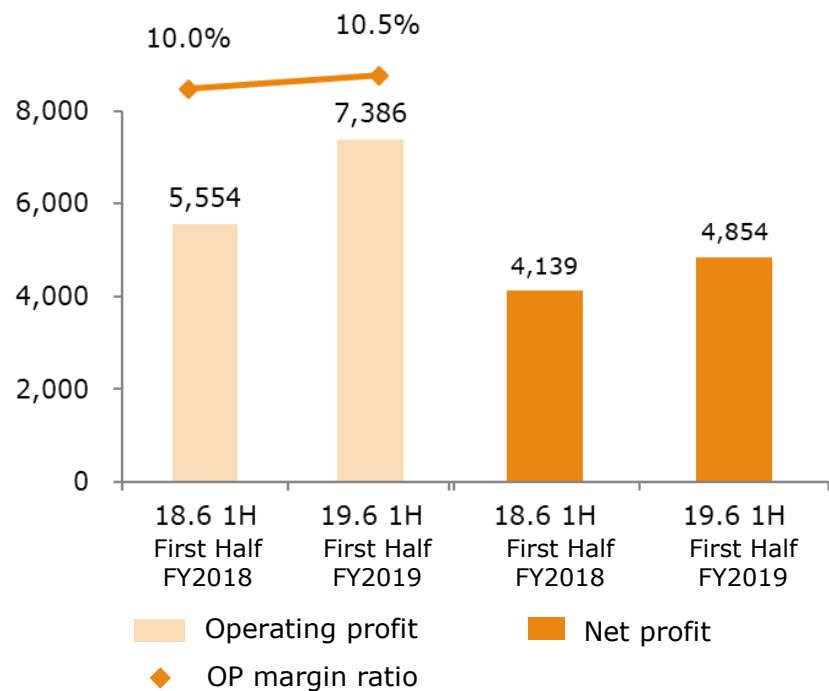


Composition %	Q1	Q2	Q3	Q4	Full Year
	22% 24%	27% 31%	28% -	23% -	-
OP ratio	9.4% 9.5%	10.6% 11.4%	10.7% -	8.1% -	9.6% 10.0%
YOY	26.7%	38.1%	-	-	-

\* Amounts are rounded down to the nearest unit.

# P&L Summary

(JPY in millions)



(JPY in millions)	1st Half FY2018	1st Half FY2019	Diff. YOY	YOY (%)
<b>Revenue</b>	<b>55,401</b>	<b>70,114</b>	<b>+14,713</b>	<b>+26.6%</b>
<i>Impact of Engineer increase**</i>			<b>+8,234</b>	
<i>Impact of unit sales price increase**</i>			<b>+320</b>	
<i>M&amp;A contribution, etc.</i>			<b>+6,159</b>	
<b>CoGs</b>	<b>41,637</b>	<b>52,636</b>	<b>+10,998</b>	<b>+26.4%</b>
<i>Ratio to revenue</i>	<u>75.2%</u>	<u>75.1%</u>	<b>(0.1pt)</b>	
<b>Gross profit</b>	<b>13,763</b>	<b>17,478</b>	<b>+3,714</b>	<b>+27.0%</b>
<i>Ratio to revenue</i>	<u>24.8%</u>	<u>24.9%</u>	<b>+0.1pt</b>	
<i>Impact of utilization rate rise</i>			<b>+0.1pt</b>	
<b>SG&amp;A</b>	<b>8,062</b>	<b>10,258</b>	<b>+2,196</b>	<b>+27.2%</b>
<i>Ratio to revenue</i>	<u>14.6%</u>	<u>14.6%</u>	<b>+0.0pt</b>	
<b>Other income – Other expenses</b>	<b>(146)</b>	<b>167</b>	<b>+313</b>	
<b>Operating profit</b>	<b>5,554</b>	<b>7,386</b>	<b>+1,832</b>	<b>+33.0%</b>
<b>Financial income</b>	<b>2</b>	<b>2</b>	<b>+0</b>	
<b>Financial expenses</b>	<b>52</b>	<b>57</b>	<b>+5</b>	
<b>Net profit before income taxes</b>	<b>5,504</b>	<b>7,327</b>	<b>+1,823</b>	<b>+33.1%</b>
<b>Corporate / income taxes</b>	<b>1,365</b>	<b>2,374</b>	<b>+1,009</b>	
<b>Net Profit</b>	<b>4,139</b>	<b>4,854</b>	<b>+715</b>	<b>+17.3%</b>

\* Amounts are rounded down to the nearest unit.

\*\* Includes figures of TechnoPro, Inc. and TechnoPro Construction, Inc.

# Balance Sheet & Cash Flow

- Cash and cash equivalents decreased JPY 2.8 billion compared to the balance sheet at June 2018, due to acquisition of subsidiaries, payment of income tax and dividend, etc.
- The balance sheet includes SOFTWORKS (acquisition announced on November 26, 2018) as of the end of December

(JPY in billions)

June 2018

Cash & cash equivalents 21.6	Debt 11.6
Goodwill 34.4	Other liabilities 33.7
Deferred tax assets 3.9	Total equity 42.9
Intangible assets (PPA <sup>+1</sup> ) 2.9	
Other assets 25.4	

Total assets 88.2      Total liabilities & equity 88.2

D/E Ratio<sup>+2</sup>: 0.3 x

Net D/E Ratio<sup>+3</sup>: (0.2) x

Net worth ratio: 48.7%

December 2018

Cash & cash equivalents 18.7	Debt 10.0
Goodwill 37.3	Other liabilities 36.2
Deferred tax assets 3.8	Total equity 43.5
Intangible assets (PPA <sup>+1</sup> ) 2.8	
Other assets 27.1	

Total assets 89.7      Total liabilities & equity 89.7

D/E Ratio<sup>+2</sup>: 0.2 x

Net D/E Ratio<sup>+3</sup>: (0.2) x

Net worth ratio: 48.6%

## Q2 FY2019 Cash Flow

• Operating CF	5.1
• Investing CF	(3.6)
• Financing CF	(4.3)
Net CF	(2.8)

FCF 1.4

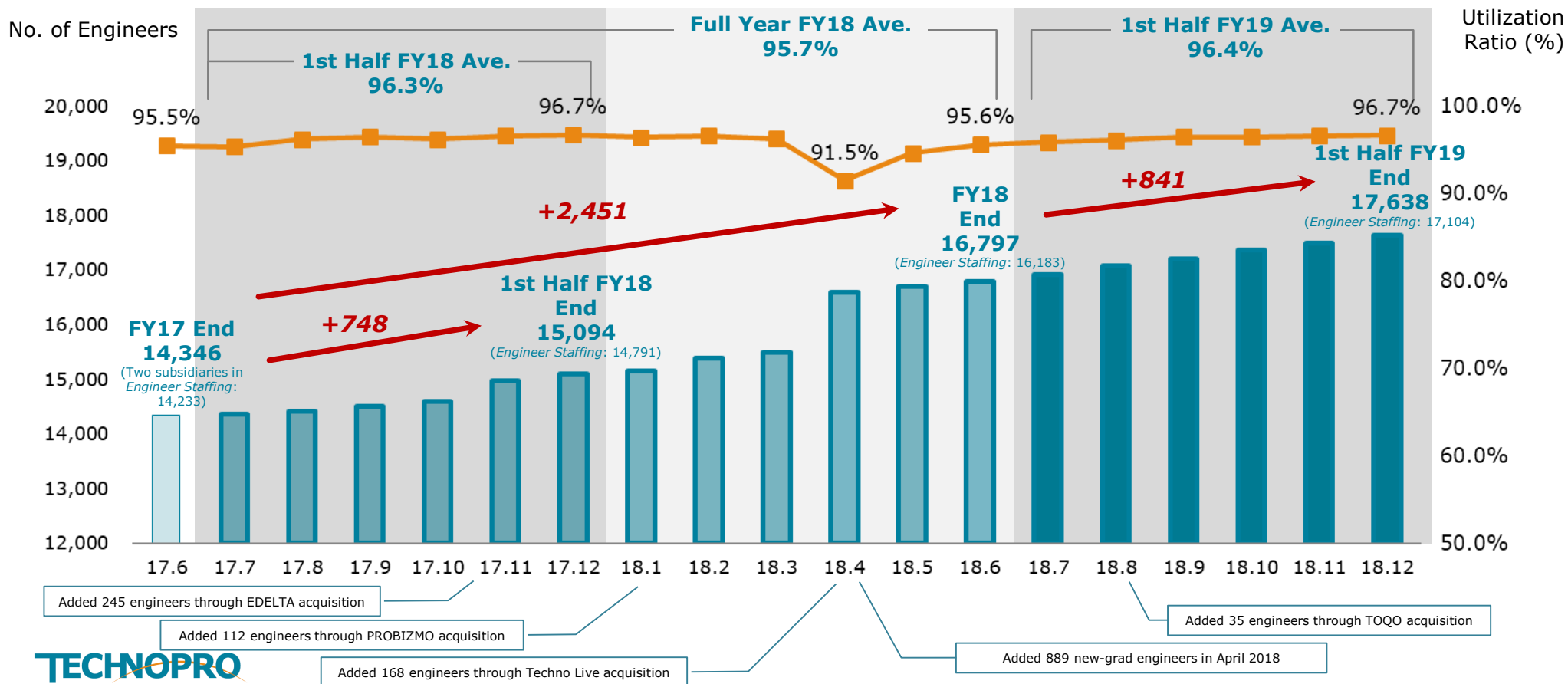
<sup>+1</sup> PPA (Purchase Price Allocation): An operation allocating the purchase price to the assets and liabilities of the acquired company at fair value in the acquirer's consolidated balance sheet

<sup>+2,3</sup> Including non-controlling interests

\* Amounts are rounded down to the nearest unit.

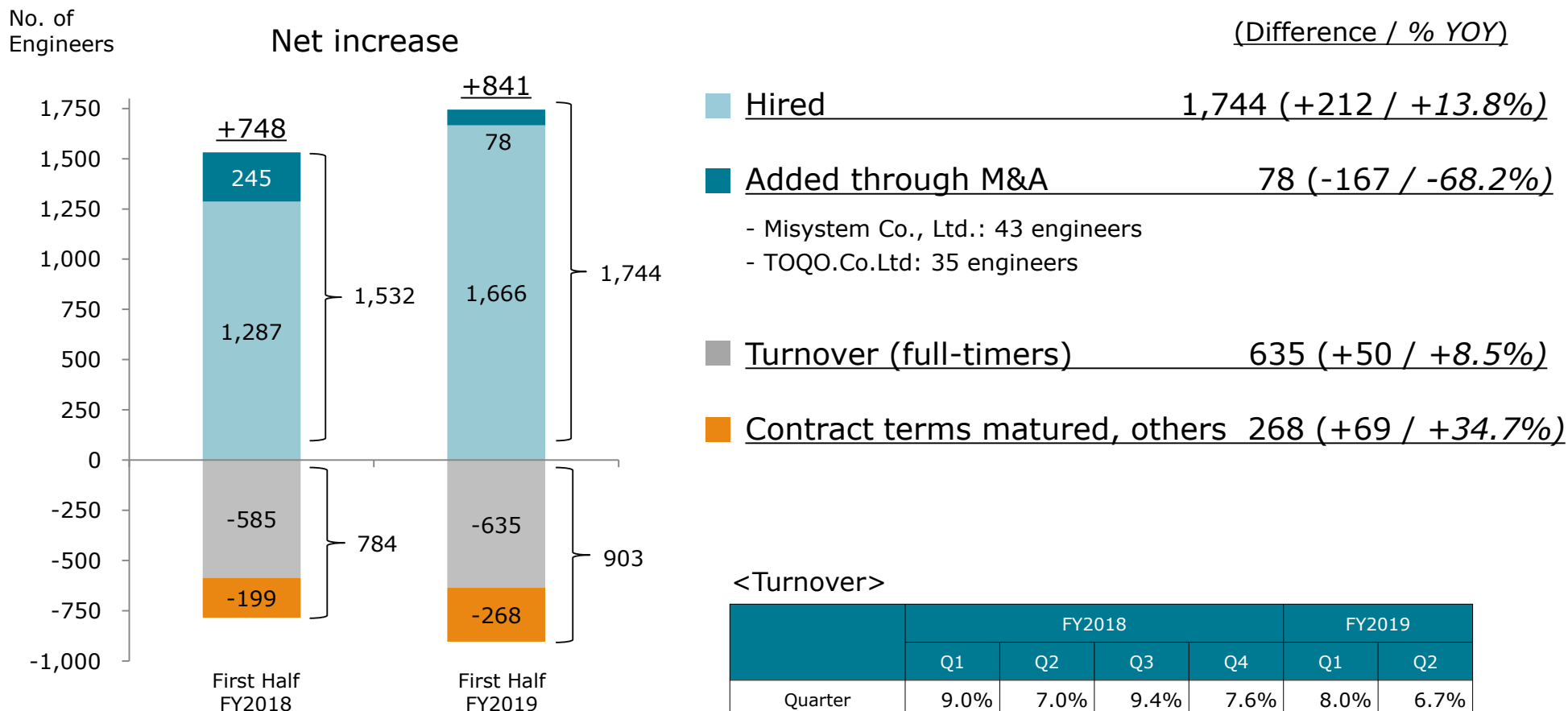
# Number of Engineers & Utilization Rate (Japan)

- Engineers on payroll in Japan at the end of Q2 FY2019 totaled 17,638 (up 841 from the end of prior year), including 861 non-Japanese engineers (up 105 from the end of prior year); employs 17,104 at two companies in *Engineer staffing* (TechnoPro, Inc. and TechnoPro Construction, Inc.)
- Average utilization rate of 96.4% for first half FY2019 (up 0.1% year on year), exceeding our comfortable utilization rate 95-96% which provides extra resources to let engineers have trainings or assign engineers to clients promptly
- Employs 1,623 engineers at overseas subsidiaries (not included in numbers above)



# Recruitment/Turnover

- Hired 1,744 engineers (up 13.8% year on year)
- Turnover rate (full-timers) in first half FY2019: 7.3% (H1 FY2018: 7.9%)

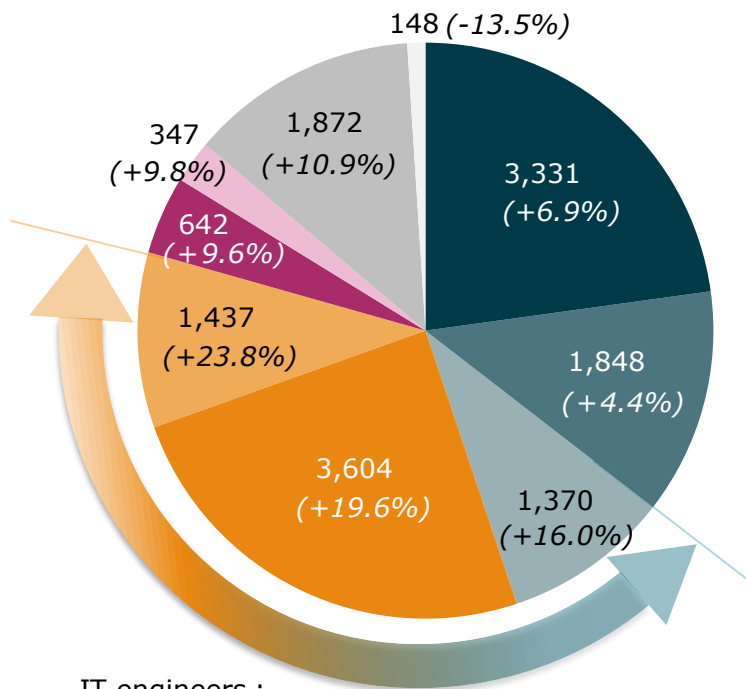


# Assigned Engineers by Technology

- Number of assigned engineers\* increased in all technologies
- Strong demand for IT engineers continues
- Engineers increased in software development driven by the acquisition of Misystem; Techno Live employs engineers both in Machinery and IT; construction engineers increased through TOQO acquisition

As of December 31, 2017

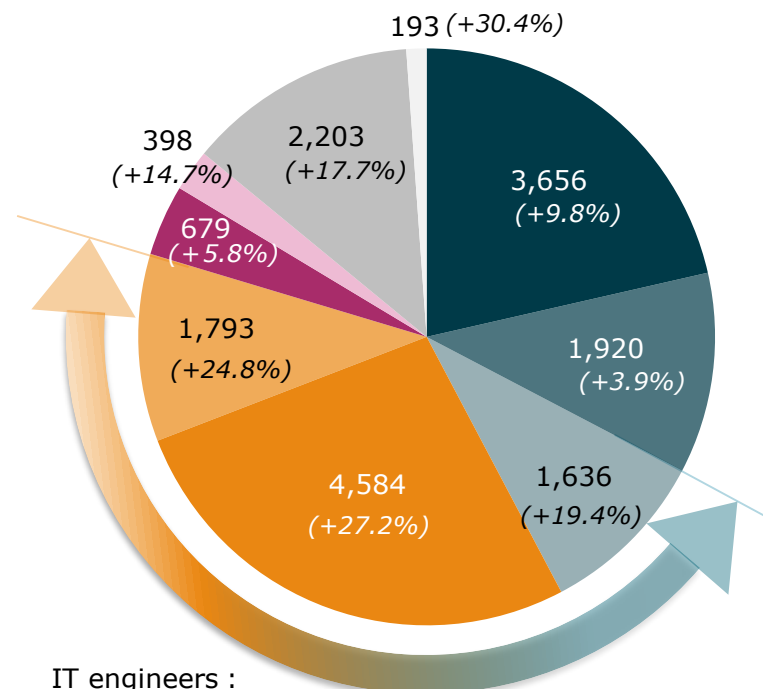
Assigned engineers: 14,599



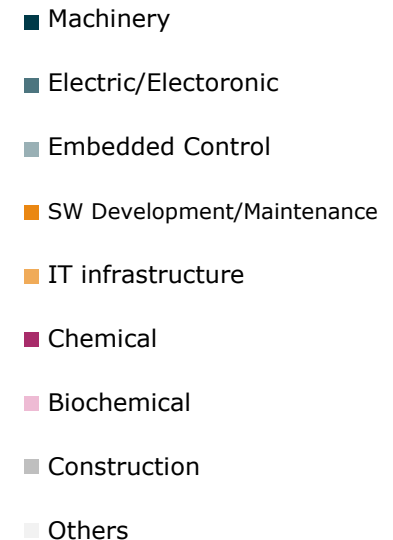
IT engineers :  
43.9%

As of December 31, 2018

Assigned engineers: 17,062



IT engineers :  
47.0%



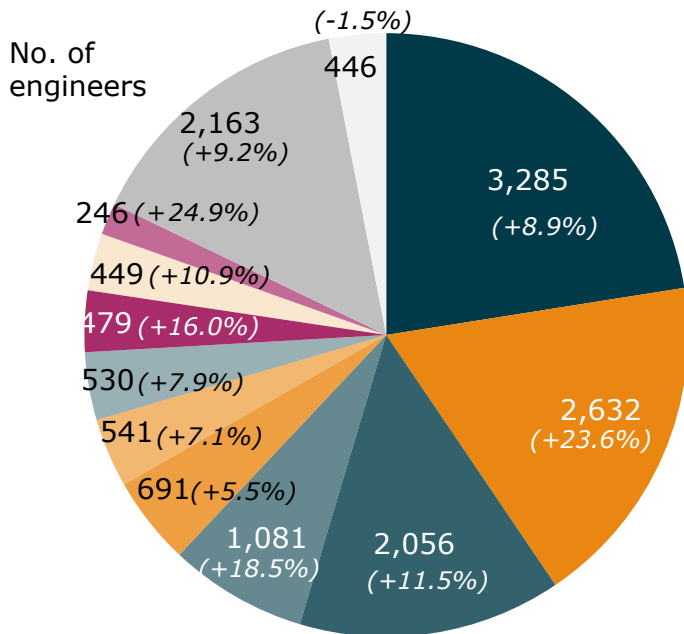
\* Figures indicate assigned engineers at the end of month.  
\*\* Figure in parenthesis indicates % change.

# Assigned Engineers by Industrial Sectors

- Number of assigned engineers\* increased in all industrial sectors

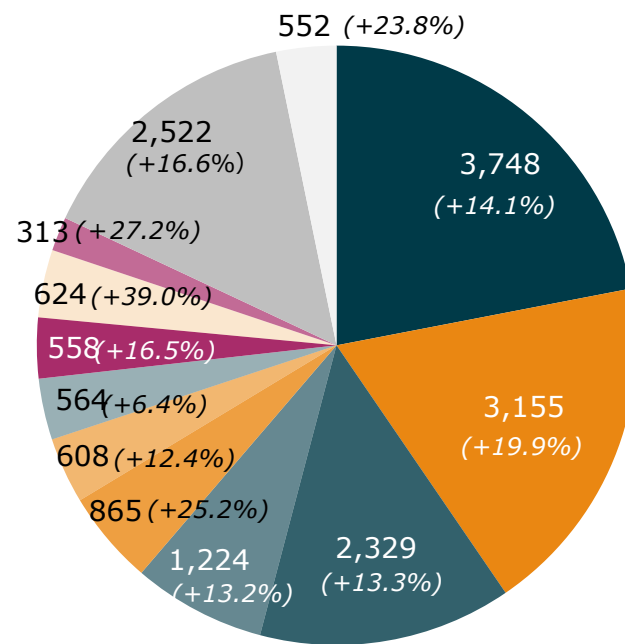
As of December 31, 2017

Assigned engineers: 14,599



As of December 31, 2018

Assigned engineers: 17,062



- Transportation Equipment
- IT
- Industrial Machinery
- Electric/Electronic
- Electricity/Gas/Public
- Consumer
- Medical Device
- Material
- Financial and Securities
- Pharmaceutical and Chemical
- Construction and Plant Eng.
- Others

# Unit Sales Price

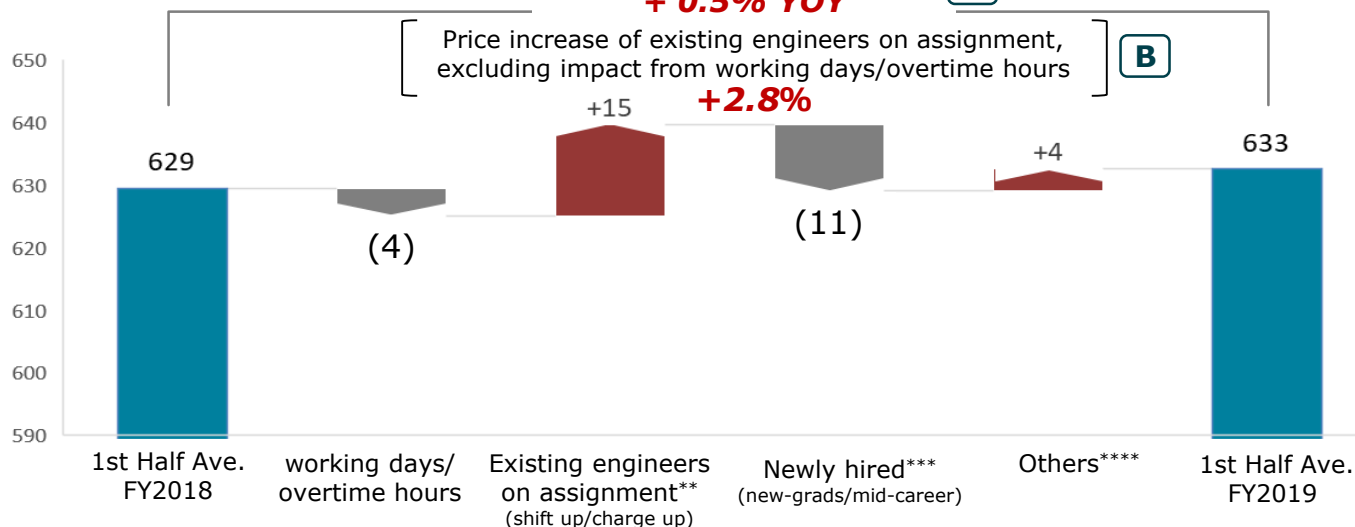
## Engineer Staffing Companies: TechnoPro, Inc., TechnoPro Construction, Inc.

- Unit sales price\* increased 0.5% (up JPY 3,300/month year on year) to JPY 633,000
- Decreased JPY 4,000/month year on year due to fewer working days (down 0.1 days/month) and shorter overtime hours (down 0.8 hours/month)
- Increased JPY 15,000/month driven by increased contract price for existing engineers on assignment
- Decreased JPY 11,000/month due to first assignment of newly hired new graduate/mid-career engineers
- New graduates (within 3 years after joining) account for 9.9% of total engineers as of Q2 FY2019 end (FY2018: 8.9%)

(JPY in thousands)

### Unit sales price bridge A

**+ 0.5% YOY**



\* Unit sales price

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

\*\* 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

Amounts are rounded off to the nearest unit

### [Price Development]

	FY2018				FY2019	
	Q1	Q2	Q3	Q4	Q1	Q2
Unit Price (year-to-date) <span style="border: 1px solid black; padding: 2px;">A</span>	620	629	629	630	621	633
Year on year	+0.5%	+1.1%	+0.6%	+0.6%	+0.1%	+0.5%

Price increase of existing engineers on assignment B  
(figures calculated by comparing unit price at the end of period)

+3.0%	+2.8%	+2.7%	+3.0%	+3.0%	+2.8%
-------	-------	-------	-------	-------	-------

# Share Repurchase Program (announced on November 28, 2018)

## [Program overview]

- 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 2,500,000,000 yen
- Repurchase period: From Nov. 29, 2018 to Nov. 28, 2019

## [Reason to launch the program]

- To enhance shareholder value by implementing flexible capital policies such as using treasury shares for incentive plans or M&A considerations
- To ensure stable dividend payment, which is central to our shareholder return measures, through expanding profit and raising EPS growth for the long term

Share Price Trend (Jul. 2, 2018 – Jan. 30, 2019)



# Dividend Forecast

- Expects more than 50% dividend payout ratio and annual dividend of 123.00 yen per share\*
- 2.22% expected dividend yield, based on the closing price of January 30, 2019 (JPY 5,550/share)

(JPY per share)

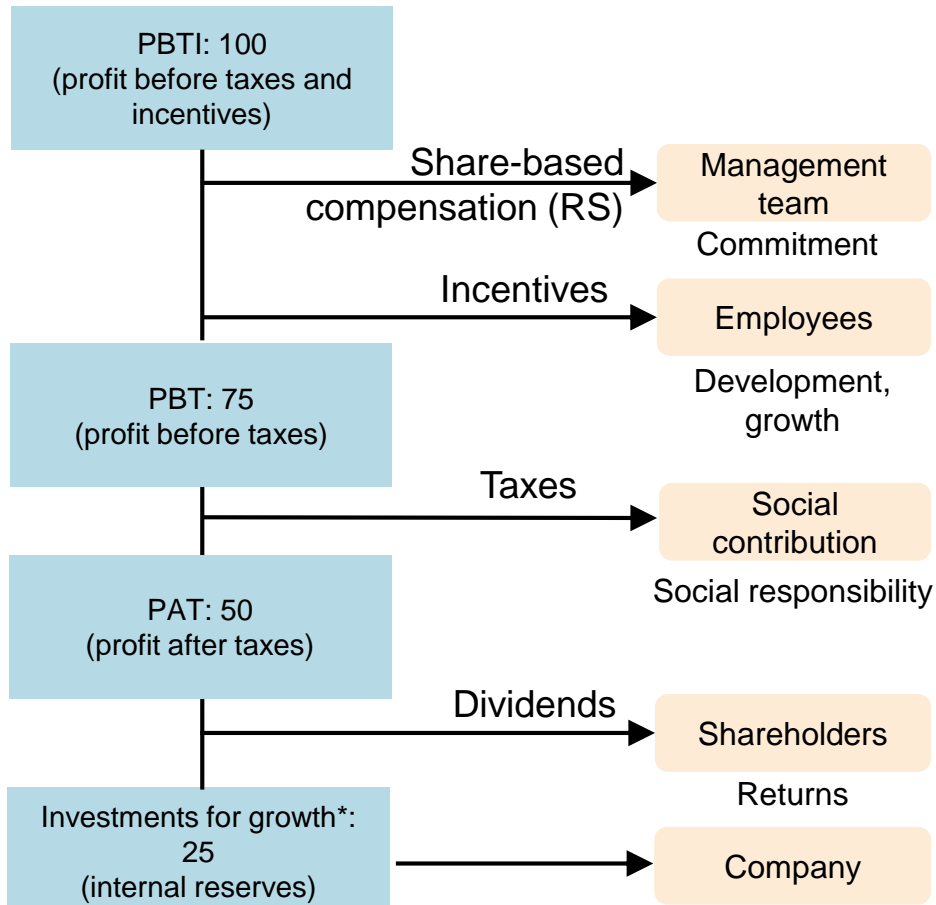
	FY2019
Interim dividend	50.00
Year-end dividend* (forecast)	73.00
EPS (forecast)	245.49
Payout ratio	50%

\* Does not include potential impact of share repurchase

# Capital Policy: Shareholder Returns

## Value Distribution Policy

- To achieve sustainable, long-term growth, we share value equally among stakeholders (Figures are for reference only,  $P \approx C/F$ )



\* Investment criteria is profitability beyond capital cost

## Basic Policy on Shareholder Returns

Maintain a **dividend payout ratio of 50% or more** (reserve buybacks as an option)

**Above DOE of 10%**

# Financial Updates and Progress of Medium-Term Management Plan

TechnoPro Holdings, Inc.

February 1, 2019

# 1. Basic Policies of the New Medium-Term Management Plan (repost)

## Five years, from FY06/18 to FY06/22

(We expect to be flexible in revising the plan, at around three years, based on Company performance and the operating environment.)

**We aim to be a “global human resource services company with technology at its core.”**

(Expand the business domain)

**Look ahead toward long-term increases in corporate value 10 years hence**

**Cultivate engineers and support their transition from maturing and declining industries to growth industries without loss of employment**

## 2. Progress of Medium-Term Management Plan

(JPY100 million, except headcounts and sales per head)

	FY06/17	FY06/18	FY06/20	FY06/22	CAGR
	(Actual)	(Plan)	(Plan)	(Plan)	5 years
Revenue	1,000	1,090	1,350	1,600	10%
Operating Profit	96	106	135	170	12%
Net Profit	77	76	90	110	7%
ROE*	30%	20%+		-	-
Sales per head (JPY in thousands)	626**	635	644	655	1%
Number of Engineers	14,346	15,400	17,600	19,600	6%

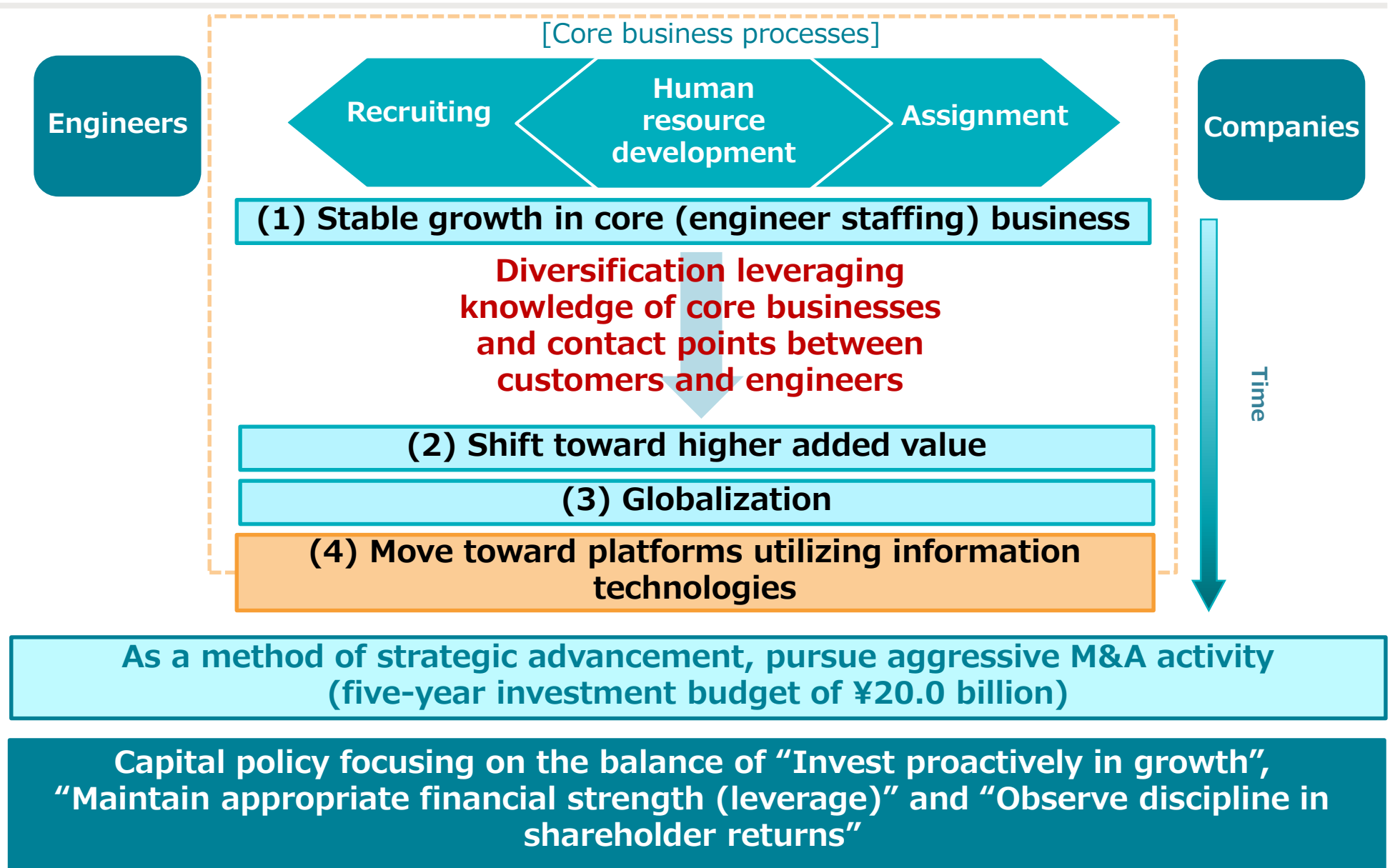


FY06/18	YoY%	FY06/19	YoY%
(Actual)		(Guidance)	
1,165	16%	1,350	16%
112	16%	135	20%
84	10%	89	6%
24%	-	21%	-
630**	1%	-	-
16,797	17%	18,000+	7%+

\* FY06/19 is based on the BS at the beginning of the FY, others are based on the average BS amount of the beginning and the end of FY

\*\* TechnoPro + TechnoPro Construction

### 3. Developing Our Growth Strategy (repost)



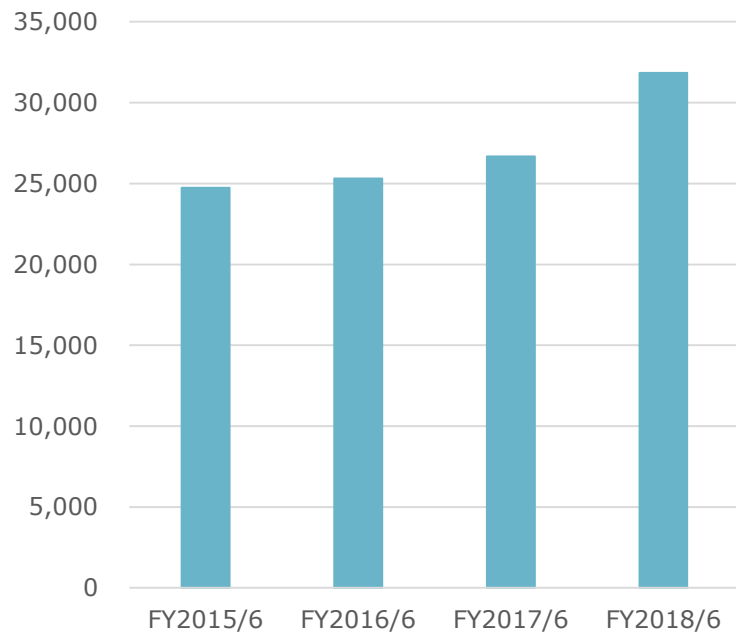
# 4. Progress of Medium-Term Management Plan – M&A

	FY2016.6	FY2017.6	FY2018.6	FY2019.6
① Stable growth in core (engineer staffing) business		<b>TechnoPro Embedded</b> (Dec. 2016) Machinery Elec/Electronics Embedded Control	<b>EDELTA</b> (Nov. 2017) IT infrastructure  <b>Techno Live</b> (Apr. 2018) Machinery Elec/Electronics Embedded Control	
② Shift toward higher added value	<b>Pc Assist</b> (Sep. 2015) Education/ Training  <b>ON THE MARK</b> (Mar.2016) IT infrastructure		<b>PROBIZMO</b> (Feb. 2018) IT infrastructure	<b>Misystem</b> (Jul. 2018) IT infrastructure  <b>TOQO</b> (Aug. 2018) Construction  <b>SOFTWORKS</b> (Jan. 2019) Machinery Elec/Electronics Embedded Control
③ Globalization			<b>Boyd &amp; Moore Executive Search</b> (Jul. 2017) Recruitment agency  <b>Helius Technologies</b> (Apr. 2018) IT infrastructure	<b>Orion Managed Services</b> (Oct. 2018) Machinery Elec/Electronics Embedded Control

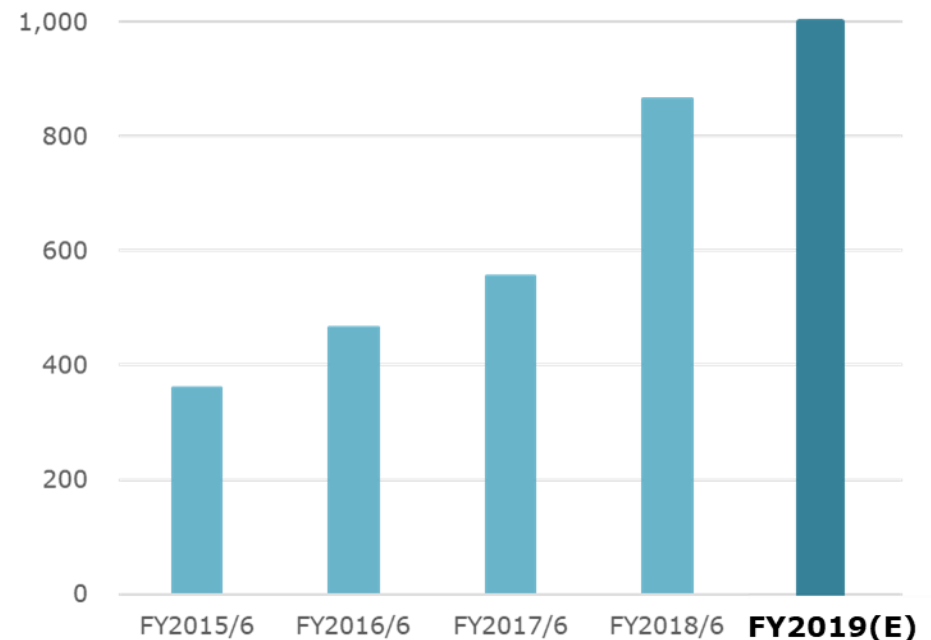
## ① Stable growth in core (engineer staffing) business

- Hired 1,744 engineers (+13.8%YoY) as reported in Q2
- Recruitment has become more cost-efficient as applicants and hires increase
- More than 1,000 new grads are expected to join in Apr. 2019
- Under a favorable recruitment conditions, the M&A strategy is focused on higher added value

No. of annual mid career applicants



No. of hired new grad engineers



## ② Shift toward higher added value

### Acquisition of SOFTWORKS

- ✓ Engaged in contracting business of embedded automotive system for over 20 years in Tokai area
- ✓ Approx. 40 engineers
- ✓ Advantages in the upstream of embedded automotive system development, with high level of technical expertise and know-hows
- ✓ Merged with TechnoPro (2018/12/31)

### Acquisition of Misystem

- ✓ Headquartered in Osaka and undertakes development and maintenance of SAP ERP /business applications and Web development
- ✓ Approx. 40 engineers
- ✓ Consultants/SEs have expertise to design and implement SAP business
- ✓ To be merged with TechnoPro (2019/5/1)

### Business alliance with i's FACTORY

- ✓ Partnered with i's FACTORY, a data analytics company to provide training and development programs for data scientists
- ✓ Offers data analytics service to the customers of TechnoPro Design and i's FACTORY jointly

### Initiation of RPA lectures

- ✓ Developed and initiated RPA lectures at Win Schools (PC Assist Corporation) with RPA Technologies
- ✓ Educate engineers who are capable of RPA

※RPA (Robotic Process Automation:  
Business automation led by robot)

### ③ Globalization

Expand global footprint, in addition to the operational base in China (TechnoPro China Group) to:

**Support overseas bases of Japanese companies**

**Increase utilization of non-Japanese nationals**



#### Acquisition of Orion Managed Services

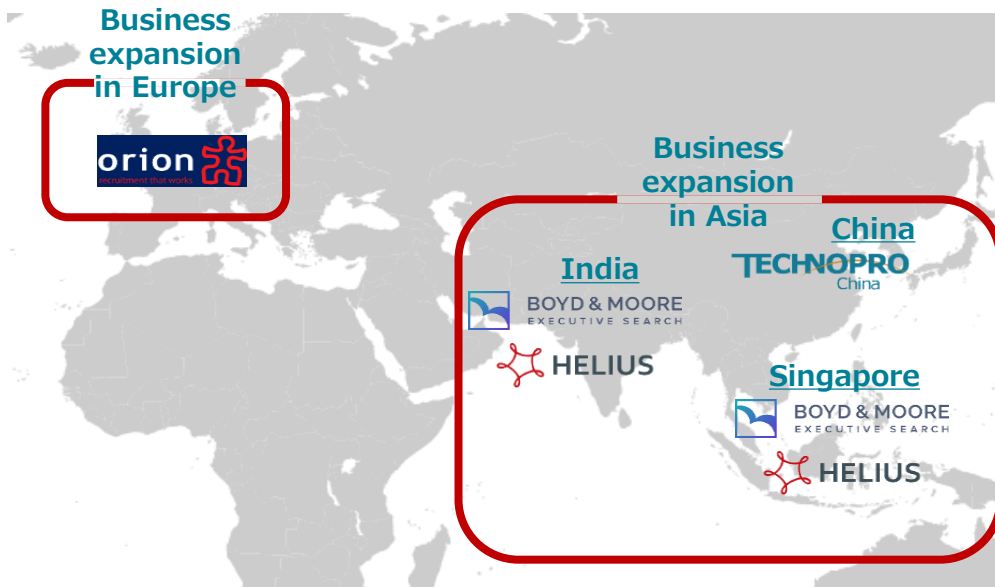
- ✓ Delivers engineering related staffing and permanent recruitment services
- ✓ Engineers: approx. 600
- ✓ Delivery of technical recruitment services to Japanese companies operating in the U.K.

#### Acquisition of Helius Technologies

- ✓ Delivers engineer staffing services in Singapore, India and Malaysia
- ✓ Engineers: approx. 600
- ✓ Expand offshore development service in India

#### Acquisition of Boyd & Moore Executive Search

- ✓ High-end talent search company mainly for IT companies based in Tokyo, India and Singapore
- ✓ Enhance engineer staffing to TechnoPro customers and talent acquisition capability of TechnoPro



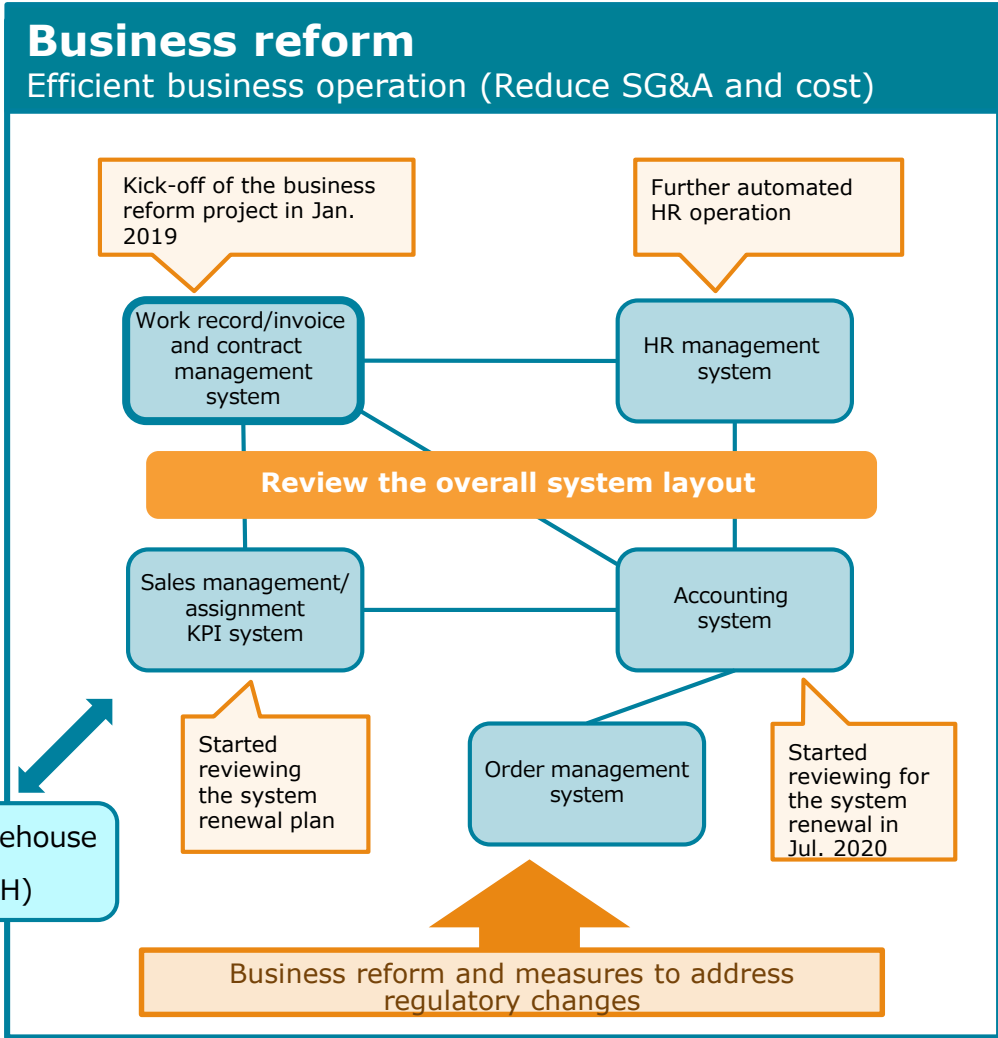
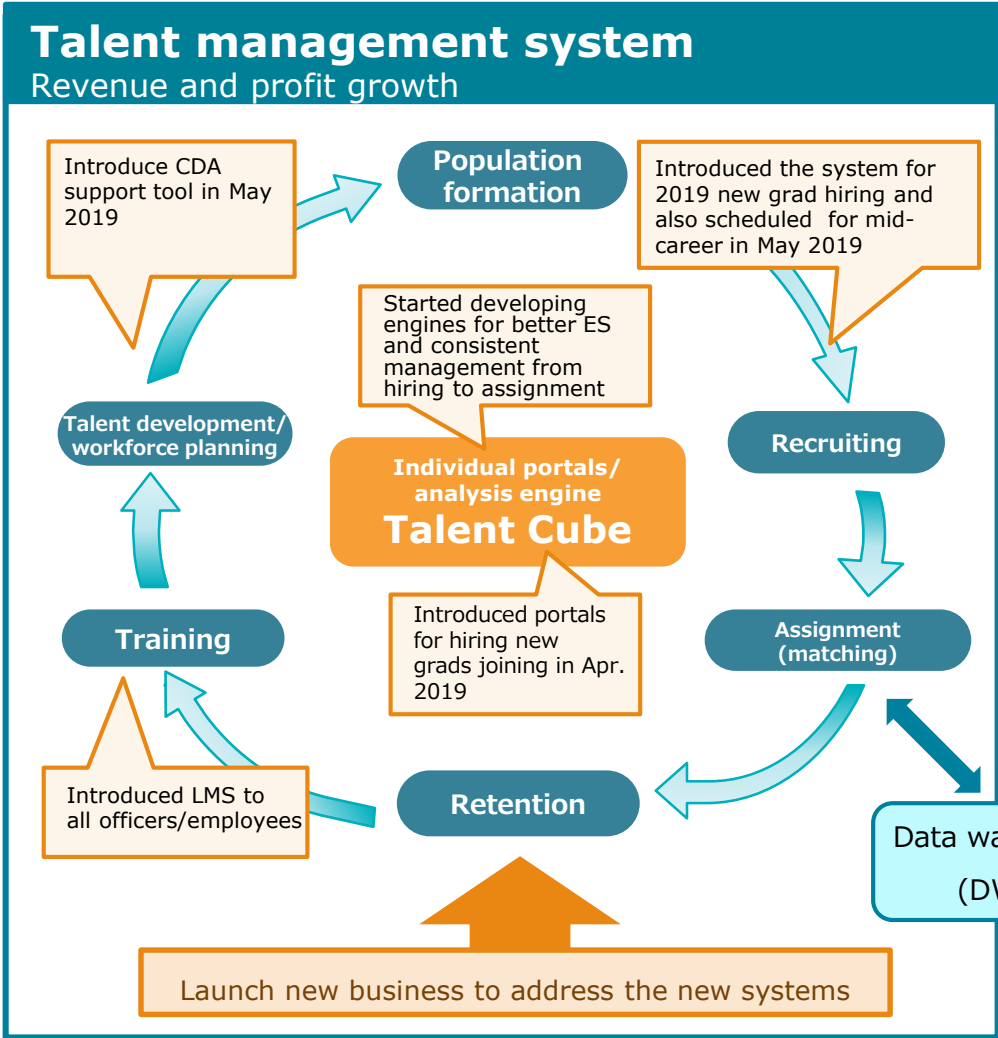
**Number of non-Japanese engineers**

2015.6 Actual	2018.6 Actual	2018.12 Actual	2022.6 Target
315	756	861	<b>1,500</b>

(people)

# ④ Towards platforms utilizing IT (Proactive IT system)

Arm the core business with IT and promote HR services to meet the needs of companies and engineers



## 5. Future outlook

---

FY06/20 target – to be almost achieved 1 year ahead of plan



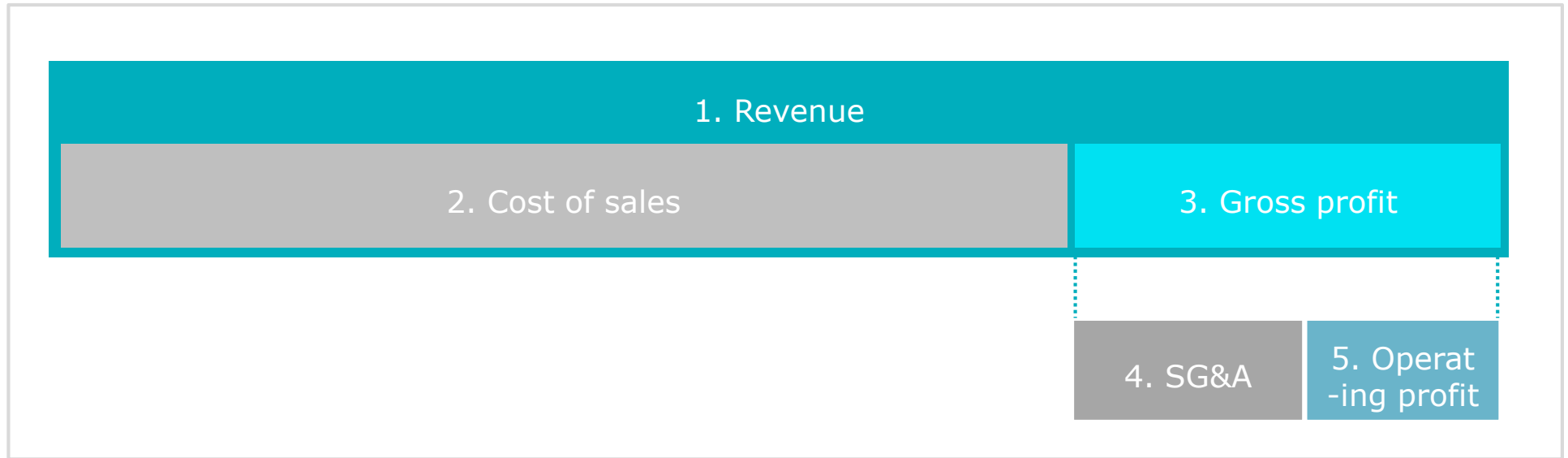
Medium-Term Management Plan – may be revised earlier, aligning with the progress of growth strategy

# Contents

---

	Page
I : Corporate Information	2
II : FY2019.6 Q2 Financial Results	14
III : Mid-term plan –progress and outlook-	29
IV : Appendix	39

# Appendix: Cost Structure



## 1. Revenue

Total charge to customers

## 2. Cost of sales

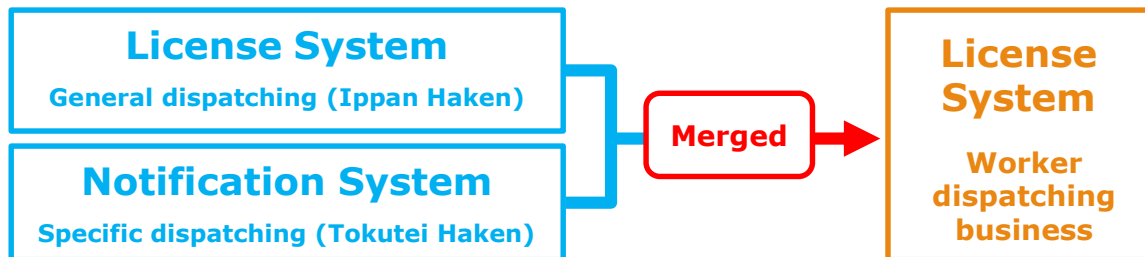
Salary of active engineers/engineers in-waiting, social insurance premium, company housing cost, etc.

## 4. SG&A

Managerial staff cost, employment of persons with disabilities, education & training cost, recruitment cost, etc.

# Appendix: Key Amendments in the Workers Dispatch Law

## POINT 1 All operators must have a license



### Possible effects on TechnoPro



**Positive**

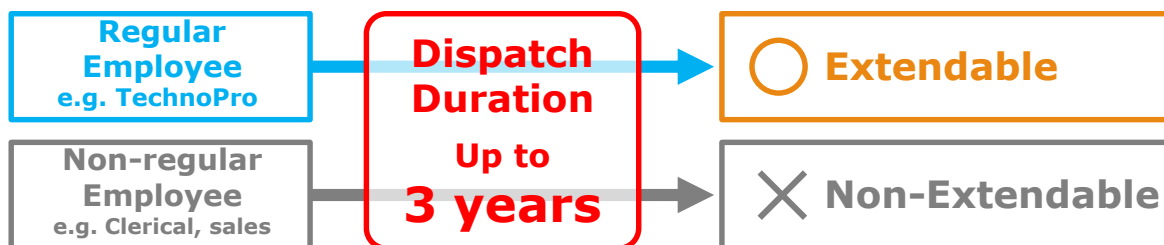
\*TechnoPro group companies already meet requirements for the new license system.

\*TechnoPro, Inc. is accredited as one of the quality staffing operators by MHLW.



優良派遣事業者

## POINT 2 3-Year Limit for Fixed-term Contract Staff



### Possible effect on TechnoPro

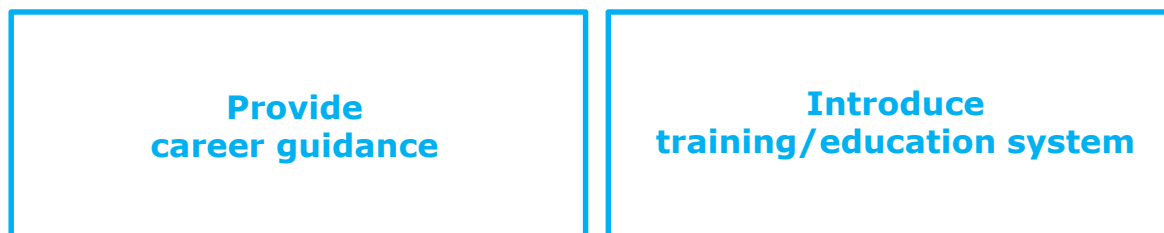


**Positive**

\*Most of TechnoPro engineers are working on indefinite-term(full-time) contracts so they can work with the same client for more than 3 years.

\*Even though some construction engineers are working on fixed-term contracts, they are not affected as their project terms is less than 1 year.

## POINT 3 Mandatory Career Support for Workers



### Possible effect on TechnoPro



**Positive**

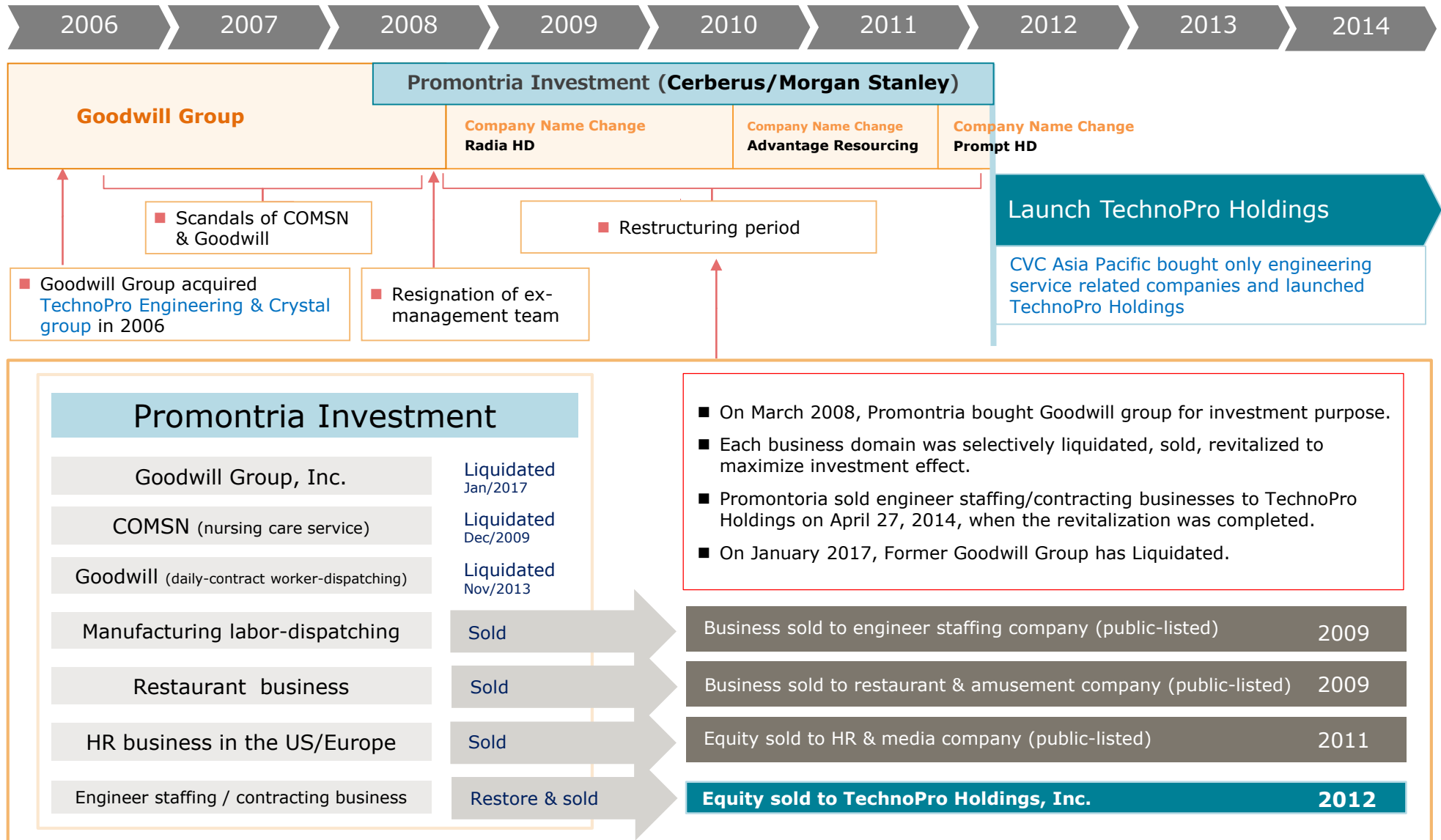
\* TechnoPro already has various career support systems.

\* We have four TechnoPro Learning training centers.

\* We have over 60 Win school, training facilities across Japan.

\* Internally we have more than 200 of professional/business training programs.

# Appendix: Past background before the Launch of TechnoPro HD



# Disclaimer

---

This presentation is based on the information we obtained or on the certain assumptions that we understand to be reasonable. However, this is not for the Company to represent or imply any guarantee to the accuracy or completeness of the contents.

Further, statement in this presentation may contain forward-looking information that could be impacted by various risks and uncertainties, and that may significantly affect expected results. Therefore, it is to be noted not to entirely rely on forward-looking information.

It should be also noted that this presentation or any statement herein is not allowed to make copy or transfer without our written consent in prior.

**TECHNOPRO**