



2019

# Integrated Report

For the year ended June 30, 2019

**We are Japan's leading technology-focused professional services company.**

**TechnoPro Group Vision**

**TECHNOLOGY  
ON DEMAND**

**We are a group of highly specialized engineers, helping our global customers achieve their goals in research, development, and design.**

The TechnoPro Group's 20,000 highly specialized engineers support client companies' technology and IT development. We work in machine design, IT, biotechnology, and construction.



**ENGINEER  
PARTNER**

**We help engineers find and follow their dreams.**

As permanent employees of the TechnoPro Group, engineers develop their skills continuously in line with their long-term vision. We help our engineers to achieve their career goals.



**ENGINEER  
CAREER  
PLATFORM**

**We provide engineers an opportunity to work in many fields, helping build strong and flexible industries capable of responding to ongoing market changes.**

As our engineers work in a dynamically changing environment, they need to be constantly gaining new skills. We give them the chance to learn new technologies that break industry barriers. By optimizing human resource allocation, we are increasing overall productivity in society.



Operating Results and Business Environment

- 05 Financial and Non-Financial Highlights
- 07 Japan's Human Resource Services Market
  - Trends and Growth in the Engineer Dispatch Market
  - Ongoing Growth in R&D and Software Demand
  - Mismatches in the Japanese Labor Market
  - Environment Surrounding Japanese Engineers

Message from Management

11 Message from the CEO



- Steady Progress on Our Medium-Term Management Plan, Despite Some Challenges
- Progress on M&A and Business Alliances
- Progress on the Four Pillars of Our Growth Strategy
- The Steppingstones to Long-Term Sustainable Growth
- Sustainable Growth for a Bright Future

15 Message from the CFO



- My Roles as CFO
- Performance in the Fiscal Year Ended June 30, 2019
- Mergers and Acquisitions
- Medium-Term Capital Policy
- Starting to Formulate a New Medium-Term Management Plan with a View to Sustainable Growth

Initiatives Targeting Sustainable Growth

- 17 The Value-Creation Process
 

By helping engineers achieve their potential and satisfy market needs, we can sustain our growth while adding value to society.
- 19 Risks and Opportunities
  - Risks Related to Business Operations and Compliance
  - Risks that May Affect the Group's Business from a Medium- and Long-Term Perspective
- 23 Material Issues (Materiality) for the TechnoPro Group
 


To support value creation, we define material issues (materiality) from a management perspective and aim to achieve sustainable growth by putting them into practice.
- 25 Quantitative Indicators (KPIs) and Target Values for Material Issues (Materiality)

Business Overview and Strategy

- 27 Business Domain
 

The TechnoPro Group represents one of Japan's largest groups of engineers and researchers and provides one-stop solutions in a wide range of technology areas.
- 28 Business Data
- 29 Management Interviews

Enhancement of the Management Foundation to Create Value

- 33 Corporate Governance
  - An Enhanced Governance System
  - Designing Incentives to Promote Shared Value with Shareholders
  - Demonstrating Corporate Governance Functions
- 37 Compliance and Issues Targeting Social Responsibility and Environmental Issues
- 39 Directors
- 41 A Discussion among Three Outside Directors
 
- 43 Audit & Supervisory Board Members
- 44 Board of Directors and Audit & Supervisory Board Skills Matrix
- 44 Total Shareholder Return (TSR)

Financial Report

- 45 Management's Discussion and Analysis
- 47 Consolidated Statement of Financial Position
- 49 Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
- 50 Consolidated Statement of Changes in Equity
- 51 Consolidated Statement of Cash Flows
- 52 Company Data and Stock Information

Editorial Policy

This report covers TechnoPro Holdings' basic management philosophy, management policy, and commitment to the business strategy and CSR management of the Group. Our business activities aim to provide value to customers and society, and we believe that this approach will deliver sales and profits as a result. We sincerely hope that this report will help our stakeholders gain a fuller understanding of our value creation activities and long-term direction.

Organizations Covered

This report covers the entire TechnoPro Group, comprising TechnoPro Holdings, Inc., and its consolidated subsidiaries. In this report, "the Group" or "the TechnoPro Group" refer to the entire Group; "the Company" indicates TechnoPro Holdings only.

Reporting Period

This report covers the fiscal year ended June 30, 2019 (July 1, 2018 to June 30, 2019). The report also refers to certain important matters before and after this fiscal year.

Disclaimer Regarding Forward-Looking Statements

This report contains forward-looking statements related to the Company and the TechnoPro Group. Such statements are based on the information available at the time this report was produced and involve assumptions, inherent in which are uncertainties that could affect future operating performance. Accordingly, such statements are not guarantees, and actual results may differ substantially from these assumptions. Furthermore, business strategies and other topics that involve predictions of the future reflect the Company's understanding as of the date of publication and incorporate certain risks and uncertainties. For this reason, the future outlook may not coincide with actual results.

## Financial and Non-Financial Highlights

TechnoPro Holdings, Inc. and its subsidiaries  
Consolidated fiscal years ended June 30, 2015 to 2019

	Millions of Yen				Thousands of U.S. Dollars*1	
	2015	2016	2017	2018	2019	2019
Revenue	¥81,241	¥90,323	¥100,095	¥116,529	<b>¥144,176</b>	<b>\$1,334,963</b>
Gross profit	19,081	21,328	23,435	29,475	<b>36,466</b>	<b>337,648</b>
Operating profit	7,283	8,494	9,647	11,238	<b>13,739</b>	<b>127,213</b>
Profit before income taxes	6,832	7,920	9,559	11,163	<b>13,727</b>	<b>127,102</b>
Net profit attributable to owners of the parent company	6,874	7,359	7,717	8,498	<b>9,683</b>	<b>89,657</b>
Basic earnings per share (yen)	¥201.76	¥215.80	¥225.58	¥244.81	<b>¥266.86</b>	<b>\$2.47</b>
Diluted earnings per share (yen)	¥—	¥—	¥—	¥244.62	<b>¥266.79</b>	<b>\$2.47</b>
Cash dividends per share of common stock (yen)	¥100.88	¥111.52	¥112.79	¥120.00	<b>¥134.00</b>	<b>\$1.24</b>
Total assets	¥58,778	¥63,634	¥70,119	¥88,201	<b>¥93,771</b>	<b>\$868,250</b>
Total equity	21,973	24,148	27,696	42,967	<b>46,065</b>	<b>426,528</b>
Cash flows from operating activities	¥6,827	¥7,950	¥8,634	¥10,798	<b>¥11,270</b>	<b>\$104,352</b>
Cash flows from investing activities	(304)	(906)	(2,864)	(5,361)	<b>(4,429)</b>	<b>(41,009)</b>
Cash flows from financing activities	(4,502)	(6,145)	(4,087)	2,826	<b>(7,184)</b>	<b>(66,519)</b>
Gross profit margin (%)	23.5	23.6	23.4	25.3	<b>25.3</b>	
Operating profit margin (%)	9.0	9.4	9.6	9.6	<b>9.5</b>	
ROE (%)	37.1	32.0	29.9	24.5	<b>22.4</b>	
Number of engineers employed in Japan (fiscal year-end)	11,969	13,127	14,346	16,797	<b>19,293</b>	
Utilization rate of engineers in Japan*2 (%)	95.4	95.1	95.3	95.7	<b>95.5</b>	
Number of newly recruited engineers in Japan	2,413	2,541	2,684	4,151	<b>4,512</b>	
Revenue per person at the two engineer dispatching companies*3 (thousands of yen)	¥—	¥—	¥626	¥630	<b>¥630</b>	

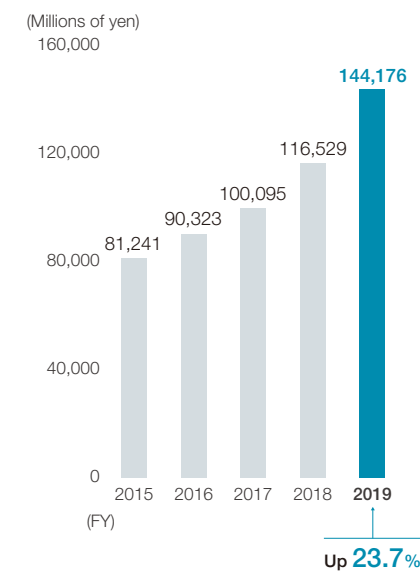
\*1 Yen amounts have been translated into U.S. dollars, for convenience only, at the exchange rate of ¥108=US\$1.

\*2  $\Sigma$  [Number of assigned engineers at the end of the month] /  $\Sigma$  [Number of engineers employed at the end of the month]

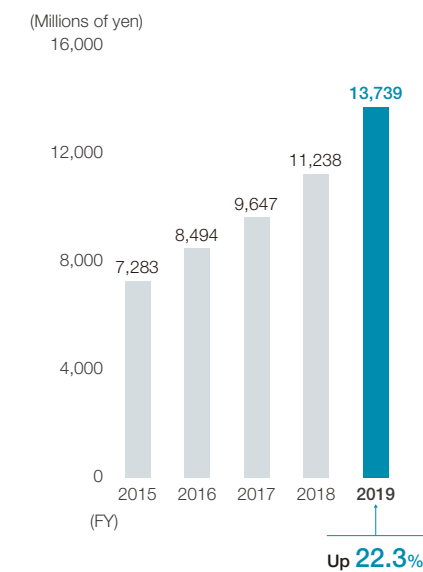
\*3 Total revenue of main subsidiaries /  $\Sigma$  [Number of assigned engineers at the end of the month]

- Revenue rose ¥27.6 billion, or 23.7%, year on year, to ¥144.2 billion.
- Operating profit increased ¥2.5 billion, or 22.3%, year on year, to ¥13.7 billion.
- The Company awarded annual dividends of ¥134 per share, up ¥14, or 11.7%, year on year, for a dividend payout ratio of 50.2%.
- At the end of the fiscal year, the number of engineers at locations in Japan totaled 19,293 (up 14.9% year on year). Of this figure, non-Japanese engineers numbered 985.
- The number of engineers at locations outside Japan was 1,608 at the end of the fiscal year (up 85% from the end of the previous fiscal year).
- The average utilization rate was 95.5% (down 0.2 percentage point), maintaining an appropriate level between 95% and 96%.
- Newly recruited engineers in Japan numbered 4,512 (up 8.7% year on year).
- The turnover rate for permanent employees was 8.3% (up 0.2 percentage point year on year).
- Revenue per person at the two engineer dispatching companies (average revenue per month) was ¥630 thousand (down ¥100 per month year on year).

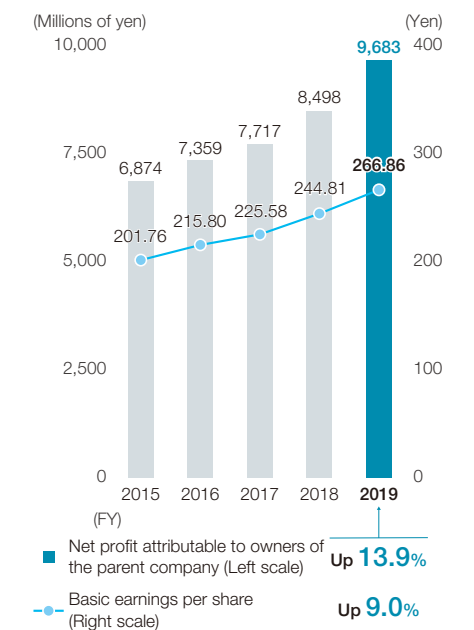
Revenue



Operating Profit



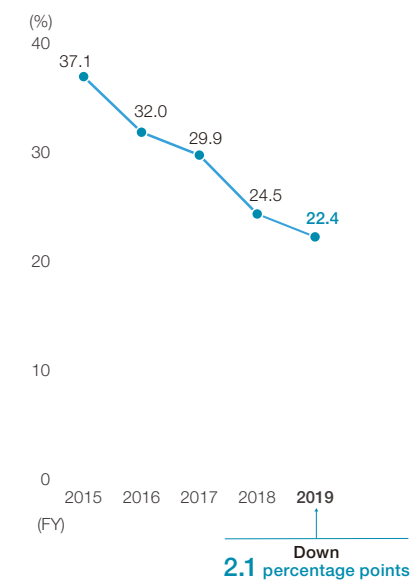
Net Profit Attributable to Owners of the Parent Company  
Basic Earnings per Share



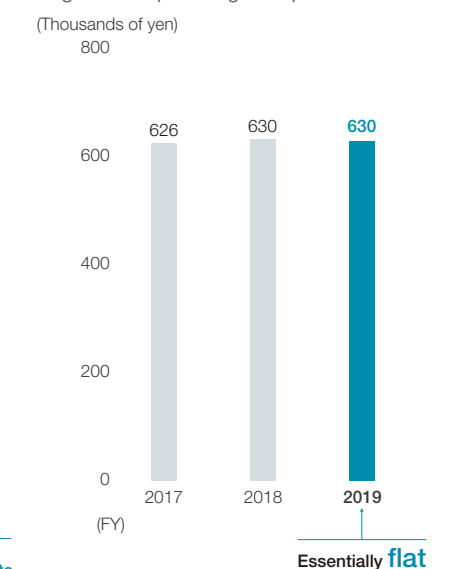
Operating Profit Margin



ROE



Revenue per Person at the Two Engineer Dispatching Companies\*



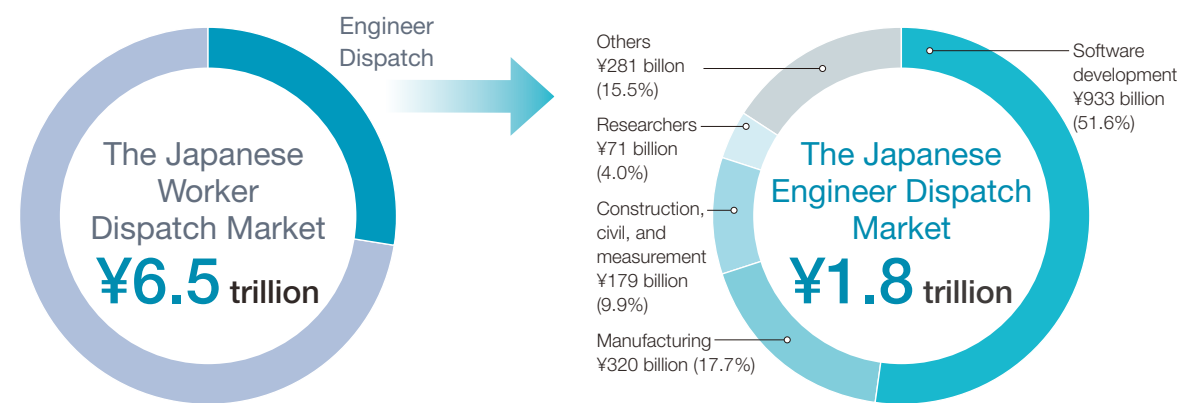
\* Calculated as total revenue of TechnoPro, Inc., and TechnoPro Construction, Inc. /  $\Sigma$  [number of assigned engineers at the end of the month].

# Japan's Human Resource Services Market

## Trends and Growth in the Engineer Dispatch Market

The engineer dispatch market including manufacturing engineers is ¥1.8 trillion\*1 (\$16.7 billion) out of a total worker dispatch market of ¥6.5 trillion\*2 (\$60.2 billion) in Japan. The TechnoPro Group has the leading share of this

market, but at just 8% we believe our share has ample room to grow. Also, recent years have seen a shift toward a concentration into larger companies.



\*1, \*2 Based on "Results of Engineer Dispatching Business Report" and "Engineer Dispatching Business Status as of June 1, 2018," Ministry of Health, Labour and Welfare

Revenue in the Engineer Staffing Business

Rank	Company	Revenue (Millions of Yen)	Share
1	TechnoPro Holdings, Inc.	144,176	8.0%
2	MEITEC CORPORATION	97,736	5.4%
3	OUTSOURCING Inc. (Domestic Engineering Outsourcing Business)	72,434	4.0%
4	WDB Holdings Co., Ltd.	41,569	2.3%
5	Trust Tech Inc. (Engineering Outsourcing Business)	40,439	2.2%
6	Yumeshin Holdings Co., Ltd.	40,419	2.2%
7	Altech Corporation	32,781	1.8%
8	PERSOL HOLDINGS CO., LTD. (Engineering Segment)	29,357	1.6%

Source: TechnoPro study centered on listed companies

## Ongoing Growth in R&D and Software Demand

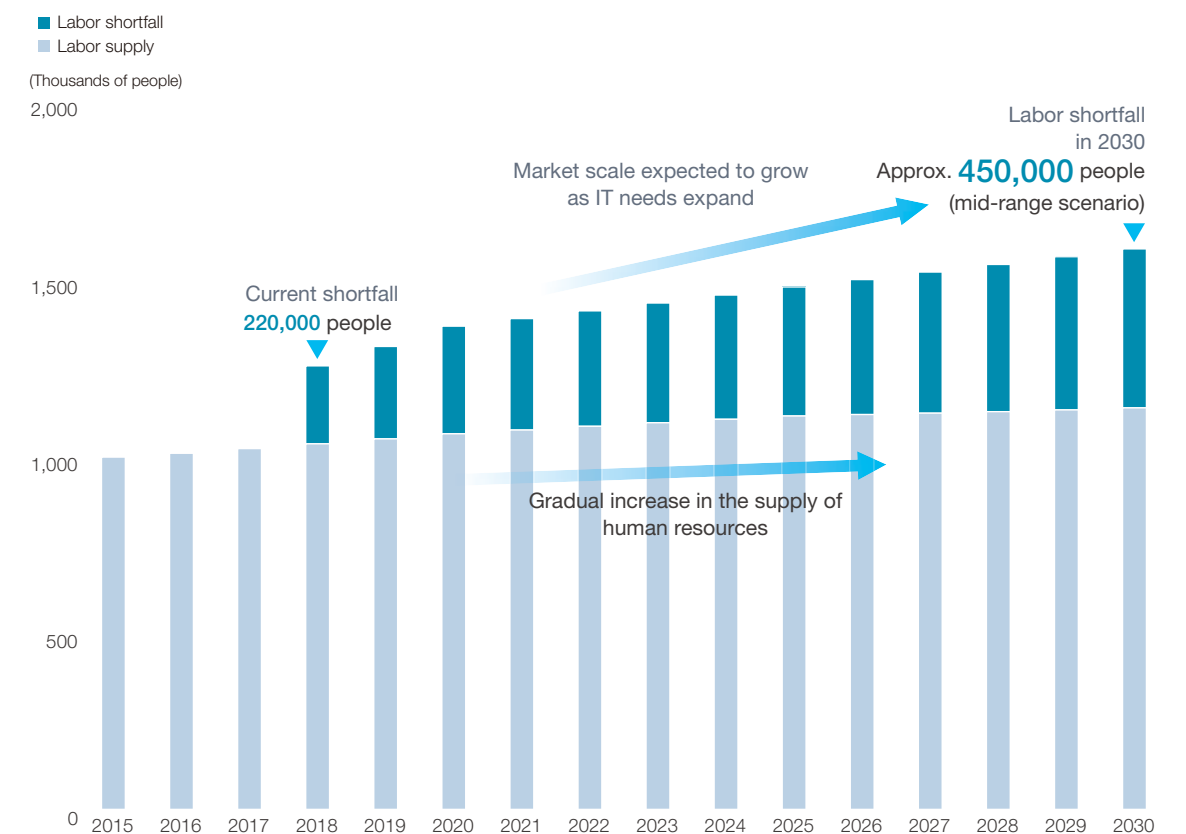
Japanese companies have been steadily increasing their R&D and software expenditures for a long time. In 2017, these expenditures reached a record high, of more than ¥19 trillion. According to a survey by the Nihon Keizai Shimbun, Japanese companies will increase their R&D expenditure by 5.5% year on year in the fiscal year ending March 31, 2020. This would be the 10th consecutive year of increases. R&D is a lifeline for growth and is relatively unaffected by short-term economic fluctuations. Due to technological advancements, the number of fields requiring development is increasing, and companies are finding it difficult to perform R&D using just their own employees. Accordingly, a growing number of companies are choosing to use external human resources. As a result, the technical human resource services market, centering

on engineer dispatching, has continued to grow.

However, the 2015 amendment to the Worker Dispatching Act and the system of equal pay for equal work that is slated for 2020 are making it difficult for some operators—chiefly small and medium-sized companies—to continue operating. As a result, market growth has decelerated in recent years. On the other hand, large companies have increased their share of the market, buoyed by strong demand in such areas as the automotive sector, including self-driving cars, and IT development.

A decreasing population means that increases in the supply of new human resources in Japan will be limited. Against a backdrop of increasingly severe engineer shortages, the engineer staffing services industry is likely to continue growing.

Principal Estimates for IT Worker Supply and Demand

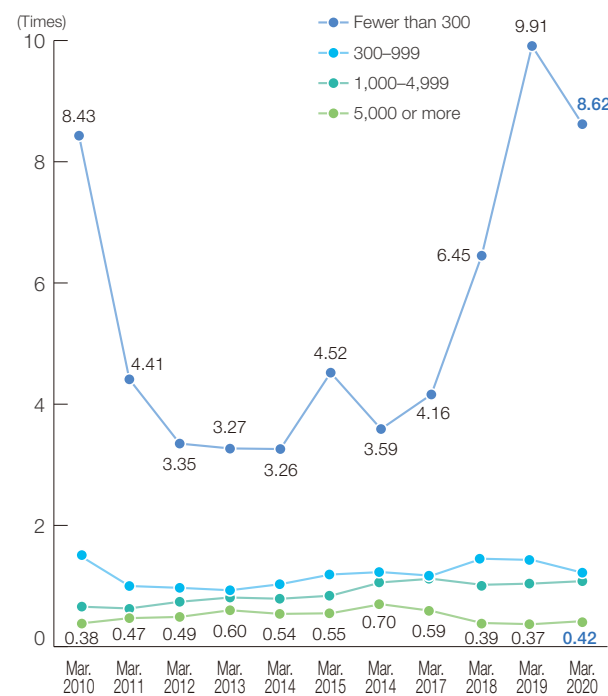


Note: Productivity increase of 0.7%  
 The figure for 2015 was based on the 2015 national census by the Ministry of Internal Affairs and Communications, and estimated figures from 2016 onward were prepared by the Mizuho Information & Research Institute, Inc.  
 Source: Survey on IT Worker Supply and Demand, prepared by Mizuho Information & Research Institute, Inc. under commission from the Ministry of Economy, Trade and Industry

### Mismatches in the Japanese Labor Market

Engineer staffing services help address a mismatch that exists in the Japanese labor market. Even today, many large Japanese companies maintain traditional hiring practices: hiring of new university graduates, seniority-based compensation, and lifetime employment. This system incentivizes workers to remain in the same company for a long period of time, and mid-career hiring is limited, so Japanese labor market mobility is low. As a result, slow improvements in productivity are becoming an issue. The high risks accompanying job changes prevent workers from taking on the challenge of making career changes, leaving them unable to fully utilize their expertise. Another mismatch between supply and demand occurs because new-graduate recruits tend to prioritize the stability of lifetime employment, so prefer to work at large companies. Large companies, however,

Figure 1. Jobs-to-Applicants Ratio for College Graduates, by Scale Based on Number of Employees

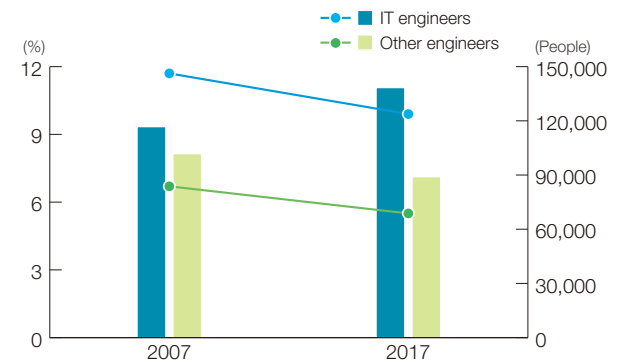


Source: "36th College Graduates Job Opening Survey," Recruit Works Institute

are incentivized to minimize such hiring because of difficulties in adjusting staffing levels. (Figure 1).

The TechnoPro Group has asked the Research Institute for STEM Human Resources at Doshisha University to conduct a survey on the status of engineers changing jobs (Figure 2). This study shows that the percentage of engineers changing jobs decreased over the decade from 2007 to 2017. However, the number of engineers changing jobs increased, as the overall number of engineers rose, centering on IT. With human resource mobility remaining low, the TechnoPro Group shields individual engineers from the risk of career changes, while at the same time placing engineers in optimal positions for leveraging their skills and experience. In these ways, we are raising the market value of engineers and helping make Japanese companies more internationally competitive.

Figure 2. Percentage and Number of Workers Changing Jobs



Category	1997 (%)	2007 (%)	2017 (%)
All sectors	11.0	11.7	10.7
Engineers	7.5	8.7	7.5
Of which, IT engineers		11.7	9.9
Of which, other engineers		6.7	5.5

Category	1997 (People)	2007 (People)	2017 (People)
All sectors	7,391,000	7,727,100	7,065,600
Engineers	178,000	218,600	227,500
Of which, IT engineers		116,800	138,400
Of which, other engineers		101,800	89,100

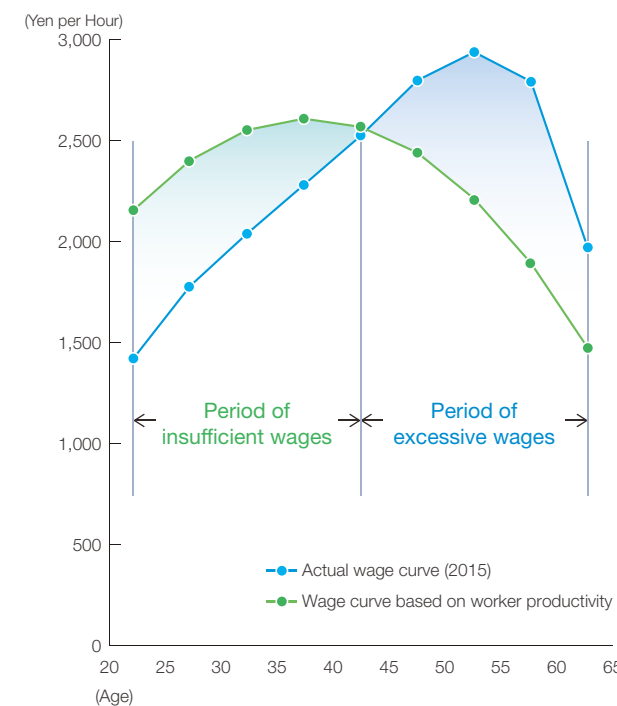
Sources: Survey Report on Recent Characteristics in the Percentage of Japanese Engineers Changing Jobs (by the Doshisha University Research Institute for STEM Human Resources, commissioned by TechnoPro Holdings in 2019) and Basic Employment Structure Survey for 2017 (a tailor-made study by the National Statistics Center in 2019)

### Environment Surrounding Japanese Engineers

In addition to a mismatch between supply and demand, Japanese engineers receive low compensation compared with overseas engineers. Under traditional Japanese employment practices, individuals do not choose their job category. Consequently, many companies find it difficult to adjust compensation in specific categories. This structure makes it problematic to raise compensation in specific categories where labor shortages exist. Also, under the seniority-based compensation system young workers receive relatively low salaries, with salaries rising

with years of service, starting in the middle years (Figure 3, Figure 4). Labor market mobility would alleviate the mismatch between wages and productivity through job changes, but lifetime employment keeps mobility low. This arrangement hampers improvements in engineers' compensation and is one reason behind labor shortages. The TechnoPro Group aims to establish a labor market for professionals and raise the market value of their skills. We aim to help address the social problem of engineer shortages.

Figure 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.

Note: Produced by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., based on the "Basic Survey on Wage Structure," Ministry of Health, Labour and Welfare, Naganuma and Nishioka (2014) and other materials. This curve of correspondence between worker productivity and wages was created by estimating worker productivity by age, looking at the proportionality of wages and productivity, and using trial calculations to hold total personnel costs at a constant level. Worker productivity by age uses trial calculations based on estimates from the "Background for Changing Wages in Japan: Seniority-Based Wages and the Impact of the Aging Workforce" Naganuma and Nishioka (2014).

Figure 4. Age Composition by Type of Position: Management and Technical Positions in Japan (Total Men and Women in Employment) 2017



Age Composition by Type of Position: Management, Technical and Specialist Positions in Japan (Total Men and Women in Employment) 2017

Age Group	Employees in management conditions (%)	Engineers (%)
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28.0
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

Sources: Survey Report on Recent Characteristics in the Percentage of Japanese Engineers Changing Jobs (by the Doshisha University Research Institute for STEM Human Resources, commissioned by TechnoPro Holdings in 2019) and Basic Employment Structure Survey for 2017 (a tailor-made study by the National Statistics Center in 2019)

## Message from the CEO



**We continue to steadily carry out strategies that will maximize corporate value over the long term, make us the true partner of choice for our clients and engineers, and create value for society.**

**Yasuji Nishio**  
President, Representative Director and CEO  
TechnoPro Holdings, Inc.

### Steady Progress on Our Medium-Term Management Plan, Despite Some Challenges

Our medium-term management plan, which runs from the fiscal year ended June 30, 2018 through the fiscal year ending June 30, 2022, states our intentions of achieving stable growth in core business, a shift toward higher added value and globalization. In the fiscal year ended June 30, 2019, the plan's second year, we enjoyed some major successes. We met our revenue and profit targets for the third year of the plan one year early. Also, we engaged in corporate acquisitions to help make our technologies more sophisticated. I think our performance was one of our best in recent years.

Revenue grew 23.7% year on year, to ¥144.2 billion. Operating profit expanded 22.3%, to ¥13.7 billion, outpacing the ¥0.5 billion negative impact due to posting impairment losses on an overseas M&A project and the introduction of a size-based business tax. Net profit attributable to owners of the parent increased 13.9%, to ¥9.7 billion.

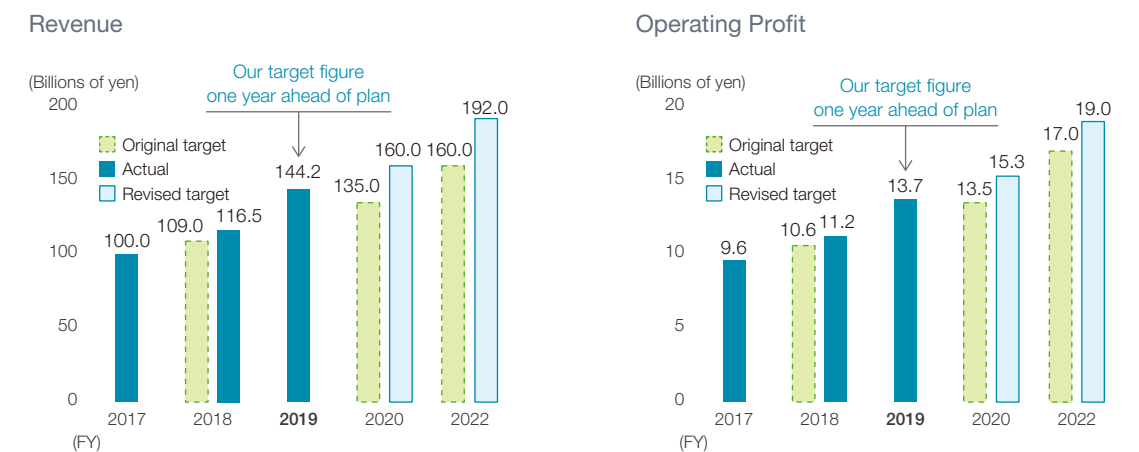
In the approximately five years from the time of our listing through the fiscal year ended June 30, 2019, we have engaged in 13 M&A projects. We posted impairment losses on one of these: Helius Technologies Pte Ltd. of Singapore, of which we acquired a 51% stake from the company's founder in March 2018. I apologize on behalf of management for this loss, and assure you that we will learn from this experience.

Before we acquired it, Helius was a growing company and had recorded an EBITDA margin of 12%, so we believed the purchase price was appropriate. However, we had been aware of several risks prior to the acquisition. The most significant issue, which led to the impairment loss, was the fact that revenues were highly concentrated, with around 80% of revenues derived from the largest client. At the time of purchase, we had planned to increase the number of clients over three to five years. This timeframe turns out to have been too long.

That being said, we had recognized some risks, so instead of purchasing 100% of shares initially, we applied a put option to remaining shares, so that the exercise price would vary according to future operating performance.

In this sense, we successfully hedged our risks to some degree. This measure reflected discussion at the Board of Directors, which I believe demonstrates that the Group's Board of Directors is functioning effectively.

Progress of Medium-Term Management Plan (Announced in July 2017)



### Progress on M&A and Business Alliances

Our medium-term management plan earmarks ¥20.0 billion for M&A investments. Now at the two-year mark, we have already invested ¥11.0 billion. As recruiting activities have been favorable in recent years, we have been able to concentrate solely on a shift toward higher added value rather than on acquisitions just for recruiting purposes.

Starting from last fiscal year's results, we have begun disclosing return on invested capital (ROIC) on our M&A investments. ROIC averaged 8.6% for the fiscal year ended June 30, 2019. This exceeds our current cost of capital, which we calculate to be 7.2%. Still, ROIC is relatively low on acquisitions we made to shift toward higher added value because we expect to benefit from technological synergies. We need to work together with the employees of companies that join the TechnoPro Group to create further value.

Going forward, we will aim for ROIC of at least 10% on each acquisition, based on five-year post-merger integration (PMI) plans. Also, we will proactively involve business divisions and personnel in charge of PMI at an early stage prior to acquisitions to ensure that PMI progresses smoothly. Partly by increasing our overseas acquisitions, we are reinforcing our structure, including through the recruiting of highly experienced professionals.

### Progress on the Four Pillars of Our Growth Strategy

In the fiscal year ended June 30, 2019, we moved steadily forward on all four pillars of our growth strategy.

In the first area, stable growth in our core (engineer staffing) business, progress was extremely solid in terms of the number of recruits and number of employees assigned. In the fiscal year ended June 30, 2019, our

number of engineers in the R&D outsourcing field grew 14.1%. For construction management outsourcing, the rise was 19.9%. However, one issue became apparent. As organic growth in our core business has been slightly faster than anticipated, we are becoming concerned that our management system may be growing shorthanded. In line with the high rate of expansion we have experienced in the past two years, we face the urgent need to fortify our management system, including through increases in administrative personnel.

Looking at the second pillar, making a shift toward higher-added-value fields, in the fiscal year ended June 30, 2019 our revenue in the contract services and subcontracting businesses exceeded ¥20.0 billion for the first time, resulting in an average annual growth rate of 23.4% over the past five years (see Graph 1). Contributing greatly have been the addition to the Group, through M&A, of companies that have facilitated our shift toward higher added value. These include Misystem Co., Ltd., which specializes in enterprise resource planning (ERP), and SOFTWORKS Co., Ltd., whose strength is in automotive embedded software. We plan to continue expanding the contract services and subcontracting businesses by involving superior project managers.

Each year, we have steadily increased the number of people allocated to the strategic technology fields we are focusing on. This figure now exceeds 4,000 (see Graph 2). We are also forming alliances with leading-edge companies in fields where Japan faces labor shortages, such as data science and cyber security. By expanding our personnel-training initiatives, we aim to generate revenue in these areas of more than ¥2.0 billion in the fiscal year ending June 30, 2020.

In the third area, globalization, we maintain our policy of supporting Japanese companies' R&D activities

overseas. In October 2018, we acquired Orion as an overseas corporate partner. Although we booked impairment losses for the first time last year, on Helios, our strategy remains unchanged. Over the long term, we believe that the potential for growth in the Japanese market is limited. Feeling this sense of urgency, we believe now is the time to build an overseas bridgehead while operating performance is robust. In March 2019, we appointed a director with responsibility for overseas business. We will step up our collaboration with overseas Group companies, such as by fortifying our structure to support sales to Japanese companies.

For the fourth pillar, move toward platforms utilizing information technologies, we are seeing success, such as in creating a talent management system and steadily commencing operations on portal sites for individual engineers. Based on various types of analysis that utilize artificial intelligence, we expect to increase the precision of our recruiting, matching and retention. Although not included in our current medium-term management plan, in January 2019 we commenced dramatic revisions to our core system. This will help strengthen our management system. Once complete, we believe the new system will boost operating productivity.

### Sustainable Growth for a Bright Future

Given our early progress on meeting the original targets of our medium-term management plan, we have revised upward our target figures for the fiscal year ending June 30, 2022 to revenue of ¥192.0 billion (previous target of ¥160.0 billion), operating profit of ¥19.0 billion (previous target of ¥17.0 billion) and net profit attributable to owners of the parent of ¥12.5 billion (previous target of ¥11.0 billion). Taking changes in the operating environment into account, we plan to begin formulating our next medium-term management plan next fiscal year or thereafter. Next-generation leaders will be central to the strategy behind these revisions.

We expect demand for outsourcing to grow more pronounced as R&D activities become increasingly important. By enhancing the skills and specialization of its human resources and continuing to provide optimal solutions to its clients, the TechnoPro Group aims to remain a trusted partner. Along with sustainable growth, by developing our human resources we aim to create social value, thereby giving back to our employees, society and shareholders.

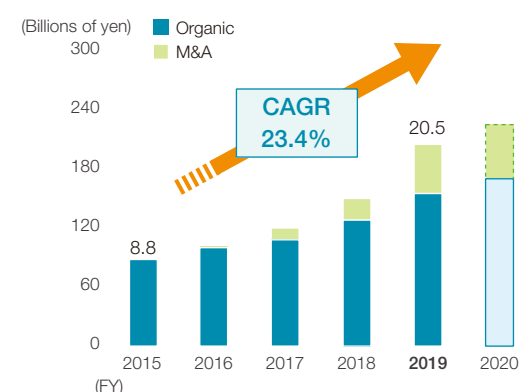
September 2019



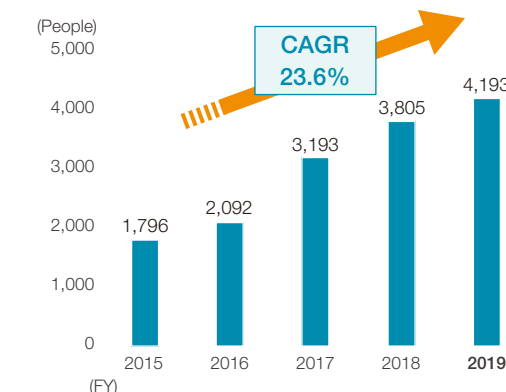
Yasuji Nishio  
President, Representative Director and CEO  
TechnoPro Holdings, Inc.



1. Revenue of Contract Services/Subcontracting



2. Engineers Allocated in Strategic Technology Fields





## Message from the CFO

The CFO's role involves sustainable value creation. We provide services that meet the needs of society and share the benefits with all stakeholders.

**Toshihiro Hagiwara**  
Director and CFO  
TechnoPro Holdings, Inc.

### My Roles as CFO

Having been newly appointed CFO on July 1, 2019, I would first like to talk about my involvement with the TechnoPro Group. Since March 2008, I had been in charge of investments in the Group at an investment fund. In that role, I worked with our current CEO, Mr. Nishio, and other members of the TechnoPro Group's management team to restructure the business of the Group's predecessor. These were difficult times, as the restructuring period coincided with the global financial crisis. However, the Group successfully returned to a growth trajectory, and four years later the Group's business was transferred to a new sponsor. From that point, I was no longer in charge of the Group, but I remembered the Group fondly and continued to monitor its progress. Following its IPO in 2014, I have been delighted to see TechnoPro turn into such an excellent company. Now having been appointed CFO, I feel a sense of responsibility and motivation to drive the Group's further growth and take it to the next stage. First of all, I understand I have an important role in supporting a smooth transition to the next generation of management and helping realize the Company's strategic intention of transforming itself toward high-value-added business.

### Performance in the Fiscal Year Ended June 30, 2019

In the fiscal year ended June 30, 2019, the Group continued to achieve robust growth, with revenue rising 15.1% year on year even on an organic basis. This performance was excellent, as it meant reaching the amount targeted by the medium-term management plan one year early. Revenue at acquired companies also surged, to ¥15.3 billion (up to 3.4 times year on year).

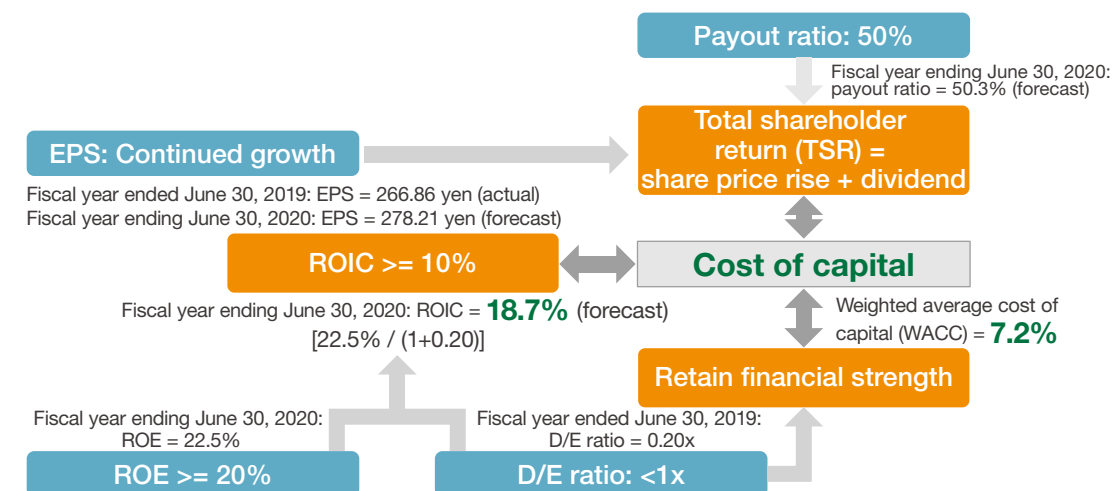
However, the selling, general and administrative (SG&A) expense ratio did not improve in tandem with growth in revenue, as had been forecast under the medium-term management plan. That being said, the Group is currently in an investment phase with a view to sustainable growth, and is increasing its investments in recruiting, education and training in a favorable market environment. In this context, I believe it is important to emphasize long-term growth over short-term improvement in the operating profit margin.

The Group also faced issues related to its acquisition of Helius Technologies, for customer-related assets and goodwill, for which we posed impairment losses of around ¥1.7 billion. We will be sure to learn from this experience and are taking steps to recover value at an early stage. We have booked a reversal of approximately ¥1.4 billion due to reduced liabilities based on an obligation to acquire the remaining shares. This has lowered the total loss to around ¥0.3 billion. The due diligence we conducted at the time of acquisition helped us recognize the risks and proved effective in providing downside protection.

### Mergers and Acquisitions

During the two years the medium-term management plan has been in place, the TechnoPro Group has engaged in 10 M&A projects. Certainly, these have been small in scale, but they have enabled us to develop an M&A team and personnel involved in post-merger integration (PMI). We intend to take on even larger acquisitions in the future, and the experience we have gained to date should provide a solid base. I also have extensive experience in M&A advisory and investment funds, so should be able to contribute to more proactive M&A activity.

### Medium-Term Capital Policy



With large projects comes high risk, so we will use our newly introduced ROIC standard and maintain strict discipline in our investment decisions and PMI management. We also intend to enhance our post-integration internal management structure and sales support structure for generating synergies.

### Medium-Term Capital Policy

The TechnoPro Group's capital policy has four primary focuses: continued growth in earnings per share (EPS), a payout ratio of 50%, return on equity (ROE) of 20% or more and a debt/equity (D/E) ratio of less than one. We are managing the Group with an eye toward total shareholder return (TSR), which addresses the first two of these. The second two require attention to cost of capital and value creation. Simultaneously reaching each of these figures results in return on invested capital (ROIC) of 10% or more, so we set ROIC of 10% as the hurdle rate for individual investment projects. To create value, a company needs to have an ROIC that exceeds cost of capital. The TechnoPro Group recognizes its cost of capital at 7.2%. For overseas acquisitions, which involve country risk, we believe setting ROIC of 10% or more as a hurdle is reasonable.

However, refusing any investment that has ROIC of less than 10% could hinder growth, and it may be possible to pursue excessive cost reductions or fall into a balanced contraction. Even if a company falls short of 10% ROIC at the time of underwriting, when applying this standard we might take into account operational improvements or the realization of synergies through PMI initiatives. In this way, we will take a medium- to long-term position in making business decisions and allocating management resources.

### Starting to Formulate a New Medium-Term Management Plan with a View to Sustainable Growth

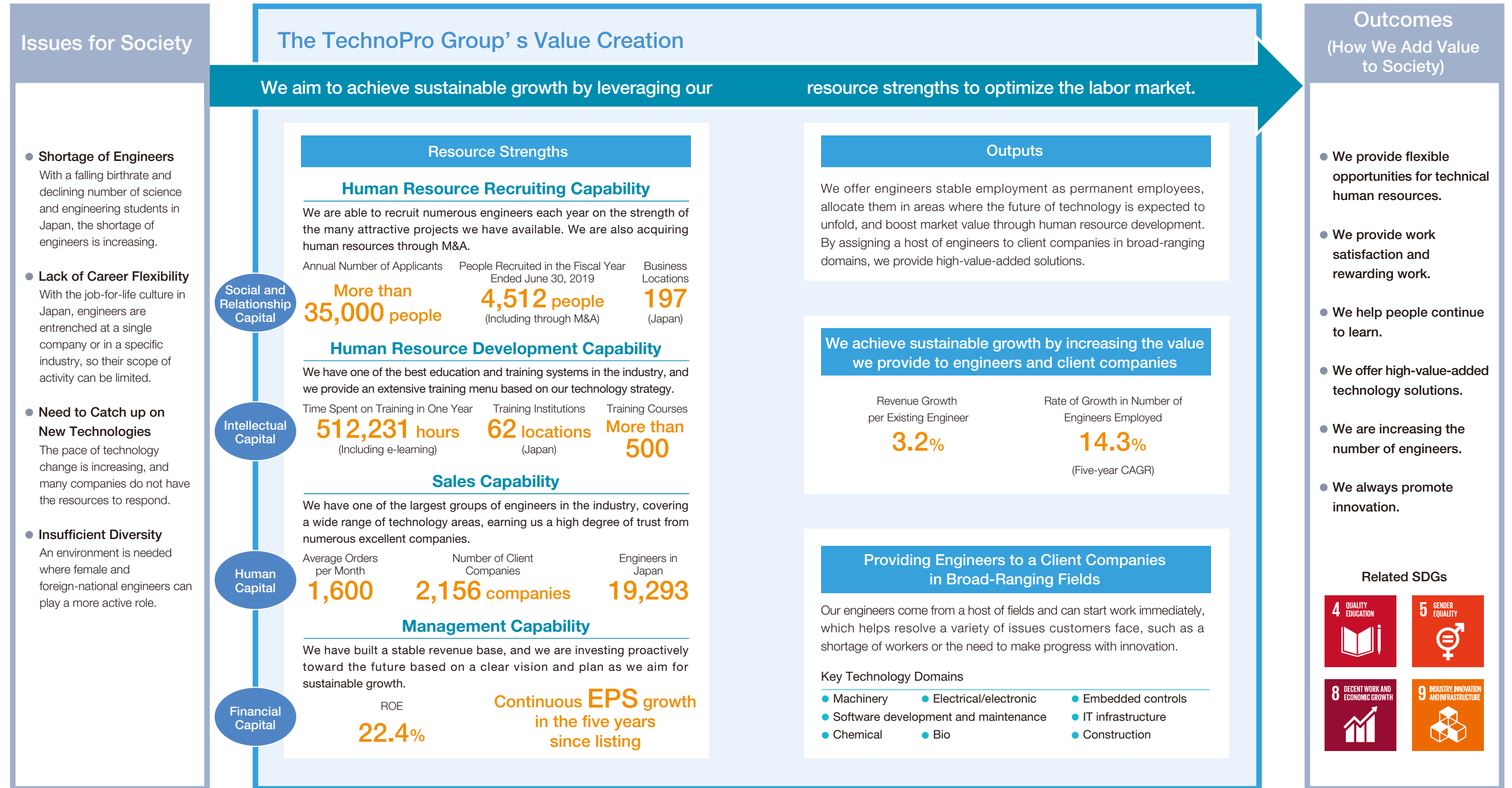
Our forecast for the fiscal year ending June 30, 2020 calls for revenue of ¥160.0 billion and operating profit of ¥15.3 billion. This brings forward by two years the revenue target of ¥160.0 billion we had initially set for the fiscal year ending June 30, 2022. We have revised our revenue target for the fiscal year ending June 30, 2022 to ¥192.0 billion; specific strategy updates remain to be done.

As the sharing economy gains momentum, demand for outside specialists will continue increasing to handle R&D efforts and the digital transformation, benefiting the TechnoPro Group. Clients' needs have expanded, from the provision of services by hour of development labor to the provision of solutions to specific issues. As such, I sense that our business will need to become more diverse. This fiscal year, we have begun to deliberate our new medium-term management plan, taking growing opportunities such as this into consideration. The policies of our new medium-term plan will not differ substantially from our plans to date. When formulating the plan, however, we will clarify the rollout of basic policies under our current plan—a shift toward higher-added-value fields and globalization—looking five and 10 years into the future.

Some aspects of business are a zero-sum game—dividing a pie of a given size—but I think it is important to create a “plus-sum” scenario. The TechnoPro Group's business involves increasing the overall value added to society by supporting the mobility of human resources between industries and broadening people's career possibilities. In my position as CFO, I aim to support sustainable Group growth that delivers pluses for all stakeholders, including engineers, customers, shareholders and society.

# The Value-Creation Process

By helping engineers achieve their potential and satisfy market needs, we can sustain our growth while adding value to society.



## Risks and Opportunities

The TechnoPro Group's Board of Directors has deliberated on and identified business-related risks and opportunities that have the potential to significantly affect investor decisions. We voluntarily report the results of these deliberations in our annual securities report one year in advance. We will continue to make these efforts to prevent or minimize risks and increase opportunities. Some of these risks are described below; this list is not exhaustive.



Deliberation at the Board of Directors

### Risks Related to Business Operations and Compliance

#### (1) Response to Technological Innovations

The speed of technological change is increasing at an accelerated pace. As a global technology-based human resources service provider, we must be able to respond to technological innovation in a timely and appropriate manner. Risks associated with technological innovation include the following. Failure to address these risks may affect the Group's business operations and performance.

- The risk that the Group fails to predict or recognize the direction of technological changes correctly, or the risk that the Group cannot improve the technical skills of engineers in response to recognized technological changes, resulting in an obsolete skill set
- The risk that the Group experiences an excess of personnel due to a decrease in demand for technical staffing stemming from new technologies that cause a major reduction in the work hours required for R&D and IT systems development
- The risk of incurring major expenses to secure or train engineers capable of responding to new technologies
- The risk of losing demand to the direct employment or use of freelance engineers by customers due to the development of HR tech, remote work, and other technologies

At the same time, if customers experience greater needs for technical human resources in connection with technological innovation, the Group could experience increased demand.

The Group strives to improve the capital efficiency of education and training investments by providing various educational and training opportunities to support the advancement of our engineers' abilities and skills, as well as their familiarity with new technologies. To ensure sustainable growth, the Group analyzes future technological trends, identifying as strategic technology fields those fields expected to experience strong demand over the long term. We recruit and train engineers who possess skills in these strategic technology fields.

#### (2) Changes in Related Laws and Regulations

The Group conducts labor dispatch business under the provisions of the Worker Dispatch Act, Standards on the Classification

Between Dispatch Businesses and Subcontracting Businesses (Ministry of Health, Labor and Welfare Notice No. 37, 1986), and other relevant laws and regulations. Any conflict with said laws and regulations could result in the cancellation of permission to engage in the labor dispatch business, suspension of business, etc. Any act in violation of the Worker Dispatch Act or other related laws and regulations may affect the Group's business operations and performance.

The Group has established and operates a strict system of legal compliance, including organizational considerations, internal rules, and training for officers and employees.

The Worker Dispatch Act and other related laws and regulations are revised on a continuous basis in response to changes in the economic and social environments. If revisions occur in the future that are significantly disadvantageous to the Group's business model, such revisions may affect the Group's business operations and performance. Besides revisions to the Worker Dispatch Act, other labor related changes have been introduced in recent years, including overtime hour work limits, seasonal specifications for annual paid leave, fair treatment in employment (regardless of employment terms), and measures ensuring employment of senior-age workers. The Group has adopted a variety of measures to respond to these changes. However, changes in the future could require responses resulting in significant costs to the Group.

At the same time, stricter regulations could result in the weeding out of small and medium-sized staffing companies, increasing demand for the Group's services and allowing the Group to seize larger market share.

The grounds for business abolition, revocation of permission, or business suspension with respect to the Group's permission to operate a labor dispatch business and a paid placement service are stipulated in Article 14 of the Worker Dispatch Act and Article 32 of the Employment Security Act. As of the date of submission of this document, the Group is not aware of any facts or indications that we have become subject to grounds for business abolition, revocation of permission, or business suspension.

#### (3) Economic Trends in Customer Industries

As of June 30, 2019, the Group employs 19,293 engineers in Japan, 88.9% (17,160 people) of whom are employed under terms of indefinite-term employment. If the industries to which our customers belong experience downturns, the Group may experience shortened work hours, less-advantageous contractual terms, or cancellation of labor dispatch contracts in progress. As the Group employs significant numbers of indefinite-term employment engineers, the burden of personnel costs for such employees could increase during phases of economic downturn, which may affect the Group's business performance and financial position.

The Group has bolstered education and training to enhance the added value of our engineers. Since June 2012, the utilization rate of our engineers has been stable at more than 95%. By conducting business with a variety of industries and customers in the R&D outsourcing field, the Group avoids the potential impact of relying on specific industries or specific customers, engaging in risk diversification of our business operations. The top 10 Group customers accounted for 13.3% of total sales for the current consolidated fiscal year.

#### (4) Mergers and Acquisitions (M&A)

As part of the growth strategy outlined in our medium-term management plan, the Group may engage in M&A, equity investments, or the establishment of new companies. When conducting M&A or equity investments, we perform due diligence on target companies, striving to avoid risk. However, subsequent to the acquisition, the Group may discover contingent liabilities, or the business may not be able to achieve business plans initially forecasted, or the Group may not be able to exercise sufficient control or monitoring of the management of the investee company, resulting in interference in business operations. The occurrence of such circumstances may affect the Group's business performance and financial position.

The Group engages in business operations with an awareness of the cost of capital. We have identified return on invested capital (ROIC) as a key performance indicator to consider during price negotiations and post-merger integration of investments, striving to achieve sustainable growth while creating value.

#### (5) Adoption of Impairment Accounting

As of June 30, 2019, the Group had a total of ¥39,675 million in goodwill and intangible assets on our consolidated statement of financial position. Goodwill and intangible assets account for 42.3% of total assets and consist mainly of machinery, electric and electronic-related (¥14,651 million) and embedded control and IT infrastructure-related (¥7,969 million). Goodwill and intangible assets have increased as a result of our active pursuit of M&A in Japan and overseas. However, a notable decline in the Group's

profitability, or changes in the business environment leading us to judge that the expected results of M&A cannot be achieved may require the Group to determine whether goodwill or intangible assets have been impaired. Impairment losses related to goodwill or intangible assets may affect the Group's business performance and financial position. Further, the Group treats goodwill as a non-amortized asset.

In connection with M&A and equity investment, the Group may take action to avoid downside risk by reducing the potential amount of impairment loss by reducing initial investment or ownership ratio, or by granting put options to minority shareholders to act as an incentive to the founders (sellers) of the investee company to reduce management risk associated with the investment. If the performance of an investee business diverges significantly from originally forecast plans, the Group must determine whether a change in the fair value of related options has occurred. Such changes may affect the Group's business performance and financial position.

The Group engages in a disciplined approach to M&A, aware of potential impairment risks. When engaging in M&A, the Group forms a team consisting of business unit and PMI representatives beginning at the due diligence stage, creating a post-investment plan in advance. Plans are executed promptly after the closing of an investment as we strive to improve the management of the investee company and secure expected synergies between the investee company and the Group.

#### (6) Securing Sufficient Human Resources

The supply and demand for engineers in Japan has become tight over the past several years. Depending on future trends in the recruitment market, the Group may experience difficulty in securing sufficient engineering professionals, which may affect the Group's business operations and performance as a result.

We believe that recruiting capability is one of the Group's strengths and that the acquisition of outstanding engineering professionals is a driving force for the Group's growth. In addition to mid-career recruitment, the Group is strengthening our recruitment of new graduates. Our recruitment channels include current online media, *Hello Work* (Japanese government employment service center), etc. By continuing to diversify our recruitment channels, including the use of professional recruitment service providers and personal referrals, we strive to generate greater recruitment expense efficiencies and recruit higher-quality employees, securing engineering resources sufficient for our needs. As a result of these efforts, we are making favorable progress in hiring and employing engineering professionals, as shown in the table below.

The Group conducts annual employee satisfaction surveys and uses the results of these surveys to implement measures for improved treatment. In this way, we strive to strengthen recruitment competitiveness and maintain higher retention.

## Risks and Opportunities

(Fiscal years ended)	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Number of newly recruited engineers	2,413	2,541	2,684	4,151	4,512
Number of engineers employed	11,969	13,127	14,346	16,797	19,293

Note: Figures for engineers hired and total number of engineers employed are for Japan only (including increases due to M&A); number of engineers employed is as of the end of the fiscal year.

To respond to the rapid increase in the number of engineers and the expansion of our organization, the Group must hire and train sufficient administrative staff to support stable business operations. Difficulty in securing such human resources may affect the Group's business operations and performance.

Although the Group is competitive in recruiting engineers, we face severe competition from other entities in the recruitment of administrative personnel, regardless of industry, in this tightening labor market. The Group is investing actively in IT system to construct a platform to support core processes of our engineer staffing business, enhancing productivity of our administrative personnel through adoption of the latest IT technologies and work process revisions. At the same time, we are strengthening our administrative functions, having launched a business process reengineering project which involves a fundamental review of our enterprise systems, including sales, human resources, and accounting.

### (7) Labor

The Group has more than 20,000 employees and hires a large number of new employees each year, including engineers and administrative personnel. Accordingly, disputes may arise with employees regarding occupational health and safety, management-labor relations, etc. Such events may affect the Group's business operations and performance.

One of our management policies is to support our engineers and researchers in realizing their dreams. We are executing initiatives to ensure the quality of human resources at the time of hiring, to enhance engineer management (including labor management that emphasizes compliance), to strengthen education and training, and to improve employee satisfaction.

### (8) Compliance

The Group must comply with laws and regulations in the countries or regions in which we operate. If the Group's executives or employees engage in acts that violate social ethics disregarding compliance, reparations to compensate for damage suffered by society or customers and harm to our reputation may affect the Group's business operations and performance.

The Group has established an integrated risk management plan under our CSR Committee, which consists of the Group directors and members of the Audit & Supervisory Board and is chaired by

the representative director. This plan identifies compliance risks and management focus. In practical terms, the Group has established a cross-Group compliance department. This compliance department is charged with preventing major compliance violations by ensuring consistent escalation of arising issues, implementation and of internal audits and corrective action, and a reporting system for internal communications.

### (9) Information Security

In the course of their duties, the Group's engineers may become aware of confidential information, including customer research and development. If an external leakage of customer confidential information by the Group's engineers results in a demand of reparation for damages, such may affect the Group's business performance and financial position. In addition, data loss or leakage from the Group's information systems may interfere with the Group's business operations.

The Group has developed and operates various rules related to information security. We also instill the proper handling of information and information equipment through education and training of executives and employees. The Group works to address data loss or leakage from the Group's information systems by strengthening network security and taking other measures.

### (10) Business Reputation

The Group's main business is engineer staffing business. This is a significant business with a social responsibility as an employer of numerous people. If the Group's executives or employees engage in acts that damage our social credibility or corporate reputation, such acts may affect the Group's business operations. The engineer staffing market is subdivided across a large number of business operators. If an act that violates social ethics in disregard of compliance is committed by the Group or by any other company engaged in similar business, such act may harm the reputation of the entire industry and may affect the Group's business operations.

### (11) Personal Information Protection

The Group retains a significant amount of personal information related to engineers and other employees, as well as information on job applicants. An external leak of such personal information may result in the loss of social trust in the Group and may affect the Group's business operations.

The Group recognizes that proper management of personal information is extremely important. We instill the proper handling of personal information through ongoing education and training for executives and employees. In addition, we have designated a CSR Promotion Officer responsible for personal information protection. We have also structured other security measures

related to personal information, including the development and operation of personal information protection rules and information systems.

### (12) Natural Disasters and Accidents

The Group operates more than 200 business locations throughout Japan and the Group's engineers work at more than 2,000 customers in Japan. Accordingly, if a natural disaster such as earthquake or flooding occurs, or if an unforeseen accident occurs, such events may affect the Group's business operations and performance.

The Group has established business continuity plans and corporate crisis countermeasure rules in the event of natural disasters or accidents. Measures include utilizing a data recovery center in the event of information system failure.

### Risks that May Affect the Group's Business from a Medium- and Long-Term Perspective

#### (1) Progress of Globalization

In recent years, major Japanese companies, many of which are main customers of the Group, have pursued globalization in R&D and IT systems development. This movement is expected to accelerate further in the future. The improvement of technological capabilities in emerging economies has resulted in low-cost offshore development from Europe and the United States, even for critical development projects. In the future, the number and scale of development projects in Japan could shrink and demand for technology development services could decrease. If the Group is unable to respond to such geographical shift, such changes may affect the Group's business operations and performance.

At the same time, the Group could develop new growth opportunities if the Group can establish a business foundation to meet customer demand on a global scale and propose the best technology development services and solutions in each region.

The Group is pursuing globalization as part of a growth strategy based on our medium-term management plan. As of June 30, 2019, the Group employs a total of 1,608 engineers in overseas locations that include China, Singapore, India, and the United Kingdom.

#### (2) Changes in Employment Practices

One reason behind the strong demand for technology development services in Japan is employment practices that encounter difficulty in adjusting quickly to direct employment needs. R&D and IT systems development projects sometimes have difficulty in securing human resources in a timely and appropriate manner. In recent years, employment practices have been changing gradually in Japan. At the same time, employment fluidity will only become more prominent in the future. If customers generally begin direct

hiring on a development project basis, such practices could reduce demand for engineering resources outsourcing. This may affect the Group's business operations and performance.

Working from our medium-term management plan, the Group is diversifying our business domain into a higher-value-added technology development service that includes training engineers who have the latest technology skills, engineering consulting, and professional recruitment services for engineers and others.

#### (3) Changes in Customer Demand

In recent years, progress in digitalization and software have introduced significant changes in R&D methods and IT systems development. In Europe and the United States, in-house IT systems development and systems packaging has become a widespread practice. The advancement of technology is also likely to change development methods among our customers in Japan in the future. An inability to respond to these changes may affect the Group's business operations and performance.

At the same time, the Group could develop new growth opportunities if the Group can train engineers in mastering new development methods and optimize development resources on a global basis. In so doing, we may be able to propose technology development services for customers to respond to changes in technology.

#### (4) Population Trends in Japan

Although the large part of the Group's business is conducted in Japan, the total population and the number of engineers are expected to continue to decline in Japan. Contraction of the market in which the Group operates and increasing competition for new graduates and mid-career recruits may affect the Group's business operations and performance.

At the same time, the Group could develop new opportunities for growth if demand for technical human resources in Japan continues to rise as expected and if the Group can meet the technical development needs of our customers by recruiting global human resources and improving technological development.

#### (5) Long-Term Trends in the Global Economy

Demand for the Group's services links to our customers' willingness to invest in R&D and IT systems development.

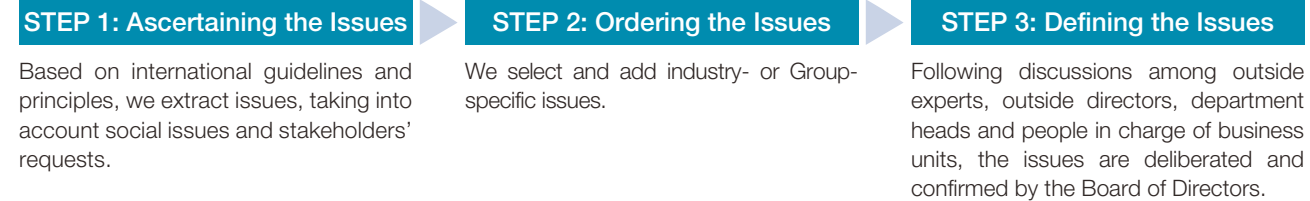
Major Japanese companies, many of which are main customers of the Group, continue to invest in R&D to maintain global competitiveness. This is a key factor in the Group's growth.

However, if the return to global protectionism over recent years and ongoing constraints to a free trade economy result in many Japanese corporations becoming reluctant to invest in R&D, such events could reduce demand for technical human resources and may affect the Group's business operations and performance.

# Material Issues (Materiality) for the TechnoPro Group

To support value creation, we define material issues (materiality) from a management perspective and aim to achieve sustainable growth by putting them into practice.

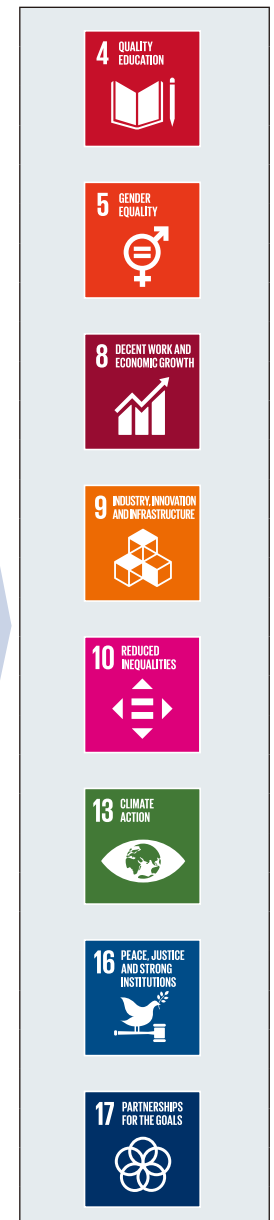
## The Material Issues Definition Process



## Material Issues for the TechnoPro Group

Theme 1: Human Resources
<b>Raising Everyone's Potential</b>
<ul style="list-style-type: none"> <li>Develop human resources and maximize opportunities to flourish</li> <li>Resolve shortage of engineering talent and promote innovation</li> <li>Pursue rewarding work and employee satisfaction</li> <li>Provide learning opportunities for all people</li> <li>Achieve human resource diversity and equal opportunity</li> </ul>
Theme 2: Business
<b>Contributing to Society through the Power of Technology</b>
<ul style="list-style-type: none"> <li>Realize high-value-added solutions</li> <li>Use IT to achieve business innovation</li> <li>Accelerate overseas business</li> <li>Maximize customer satisfaction</li> <li>Resolve social issues through business</li> </ul>
Theme 3: Social Responsibility
<b>A Trusted Partner</b>
<ul style="list-style-type: none"> <li>Observe ethics and compliance</li> <li>Ensure health and safety of the working environment</li> <li>Thoroughly protect information security and privacy</li> <li>Respect human rights</li> <li>Minimize environmental impact</li> </ul>
Theme 4: Governance
<b>A Sustainably Growing Company</b>
<ul style="list-style-type: none"> <li>Reinforce governance</li> <li>Expand business through sound trading relationships</li> <li>Engage in dialogue and disclosure</li> <li>Enhance business continuity in times of emergency</li> <li>Execute appropriate capital strategies</li> </ul>

## Related SDGs



## Specific Initiatives for Meeting Target KPIs

**Overseas Developments Targeting Sustainable Growth**  
Orion Managed Services Limited of the United Kingdom joined the TechnoPro Group in October 2018. Orion was named by *The Sunday Times*, a UK newspaper, as one of the "100 Best Small Companies to Work For 2019."



## Career Education for High School Students

We provide career education for high school students, encouraging them to consider their future career when deciding whether to pursue an education in the humanities or a technical area.



## TechnoPro Kids School

With TechnoPro Kids School, we help elementary school children enjoy learning about science.



## Family Day

On Family Day, employees bring their children to work, giving them an experience of the workplace and participating in volunteer activities.



## Lecture at the Indian Institute of Technology Hyderabad

We took charge of the "lecture by a Japanese technology company (Japanese companies and the Japanese market)" for students at the Indian Institute of Technology with an interest in working in Japan.



## Joint R&D with Universities

TechnoPro is making an effort to conduct joint R&D with universities.



Joint research on drones in times of disaster with the Takeda Lab of Keio University SFC

# Quantitative Indicators (KPIs) and Target Values for Material Issues (Materiality)

## Theme 1: Raising Everyone's Potential

We provide the venue for engineers to move beyond the borders of specific industries or fields and make the most of their abilities. In this way, we aim to help create an even more attractive society. Furthermore, we aim to continue

being the platform that enables the engineers who drive innovation in society to hone their skills. Going forward, we aim to continue providing opportunities that will enable the engineers of the future to unlock their potential.

### Quantitative Indicators (KPIs) and Target Values

#### Training and Education

(Years ended June 30)	2018	2019
Group training	Cumulative 71,023 people	Cumulative 97,306 people
e-learning	8,082 people	111,216 people
Time Spent in Training (including e-learning)	293,546 hours/year	512,231 hours/year
Number of Unique Participants	7,034 people	8,175 people

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

#### Long-Term Training for People without Field-Specific Industry Experience

(Years ended June 30)	2018	2019
People generally undergoing one month or more of training	964 people	1,543 people

Target value: Continuing increase in the number of attendees

#### Percentage of People Taking Paid Leave

(Years ended June 30)	2015	2016	2017	2018	2019
(%)	65.0	68.8	71.3	75.0	72.1

Target value: Maintain at 75% or higher

#### Employee Satisfaction

(Years ended June 30)	2015	2016	2017	2018	2019
(2013: 100)	104	106	108	107	113

Target value: Ongoing improvements in employee satisfaction

#### Percentage Employment of Women

(Years ended June 30)	2015	2016	2017	2018	2019
New graduates (%)	16.6	14.0	15.6	15.3	22.5
Mid-career hires (%)	16.3	17.3	18.1	21.1	27.7

Target value: 17%\*1 for new graduates, 20%\*2 for mid-career hires

\*1 The percentage of women graduating from university schools of science and engineering is 17.2% (2018).

\*2 According to a 2015 national census survey, the percentage of women involved in engineering and research is 10.8%.

#### Number of Non-Japanese Recruits

(Years ended June 30)	2018	2019
Number of people working in Japan	756 people	985 people

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

#### Percentage of Employees with Disabilities

(Years ended June 30)	2015	2016	2017	2018	2019
(%)	1.98	1.99	2.21	2.21	2.21

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

#### Employment of People Aged 60 or More

(Years ended June 30)	2015	2016	2017	2018	2019
(People)	443	495	535	641	725

Target values: Continuous increase in the number of people

## Theme 2: Contributing to Society through the Power of Technology

We are always working to strengthen our technical capabilities and skills, providing new value to clients and society.

### Quantitative Indicators (KPIs) and Target Values

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

- Joint research with the University of Tokyo School of Engineering
- Joint research with the Tokyo Institute of Technology Laboratory for Future Interdisciplinary Research of Science and Technology
- Joint research with the Tottori University Chromosome Engineering Research Center

Target value: At least one new project per year

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

(Years ended June 30)	2018	2019
	3,805 people	4,193 people

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

## Theme 3: A Trusted Partner

The TechnoPro Group engages in business connected both with employment and social responsibility. As such, we believe in the importance of being sincere and remaining a trusted partner for all our stakeholders.

### Quantitative Indicators (KPIs) and Target Values

#### Average Hours of Overtime

(Years ended June 30)	2015	2016	2017	2018	2019
(Hours/month)	23.3	20.6	19.2	17.6	16.3

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

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

Attendance rate	Fiscal year ended June 30, 2019
	100%

Target value: Continue to increase the number of attendees

#### Paper Use/Unit of Sales

(Years ended June 30)	2016	2017	2018	2019
(2015: 100)	92.6	89.1	82.2	75.9

Target value: Continue to improve

## Theme 4: A Sustainably Growing Company

We recognize the need for sustainable growth and are taking responsibility for providing value to society through our business.

### Quantitative Indicators (KPIs) and Target Values

#### Percentage of Outside Directors

(Years ended June 30)	2018	2019
(%)	37.5	37.5

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 50 directors, two are women and 10 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

(Years ended June 30)	2018	2019
(Number)	5	5

Target value: Invest ¥20.0 billion over five years.

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

(Years ended June 30)	2015	2016	2017	2018	2019
(Yen)	201.76	215.80	225.58	244.81	266.86

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

(Years ended June 30)	2018	2019
(Number)	0	0

Target value: Continue to have zero material legal violations.

#### Internal Reporting System

(Years ended June 30)	2016	2017	2018	2019
(Matters reported)	24	23	36	52

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

## Business Domain

The TechnoPro Group represents one of Japan's largest groups of engineers and researchers and provides one-stop solutions in a wide range of technology areas, including machinery, electricity and electronics, embedded controls, IT infrastructure, software development and maintenance, chemistry, biotechnology, and construction management.

TechnoPro, Inc., and TechnoPro Construction, Inc., provide technology solutions. They take into overall consideration such factors as project scope and processes, delivery times and working environment. Solutions include the dispatch of engineers, contract assignment and outsourced development, and offshore business. TECHNO BRAIN COMPANY, LTD. and Boyd & Moore Executive Search K.K. conduct job placement.

Helius Technologies Pte Ltd is developing the dispatched worker business in Asia, and TechnoPro Smile, Inc., employs people with disabilities. Pc Assist Co., Ltd., conducts technology-related education and training services through its "Win School" in major cities around Japan, and ON THE MARK Co., Ltd., EDELTA Co., Ltd., and PROBIZMO, Co., Ltd. are engaged in system integration, meeting various needs in the field of IT. In the construction field, TOQO. Co., Ltd., conducts building assessments and diagnoses and engages in the design and management businesses. The TechnoPro Group is also establishing overseas bases, mainly in other parts of Asia, to meet the needs of Japanese companies operating locally.

### R&D Outsourcing Business

TechnoPro, Inc.

- TechnoPro Design
- TechnoPro Engineering
- TechnoPro IT
- TechnoPro R&D

TechnoPro, Inc., is composed of four virtual companies.

ON THE MARK Co., Ltd.  
EDELTA Co., Ltd.  
PROBIZMO Co., Ltd.

### Other Businesses in Japan

Pc Assist Co., Ltd.

Boyd & Moore Executive Search K.K. (Japan)  
TECHNO BRAIN Co., Ltd.

### Overseas Businesses

TechnoPro China Group  
Helius Technologies Pte Ltd  
Boyd & Moore Executive Search (Overseas)  
Orion Managed Services Limited

### Construction Management Outsourcing Business

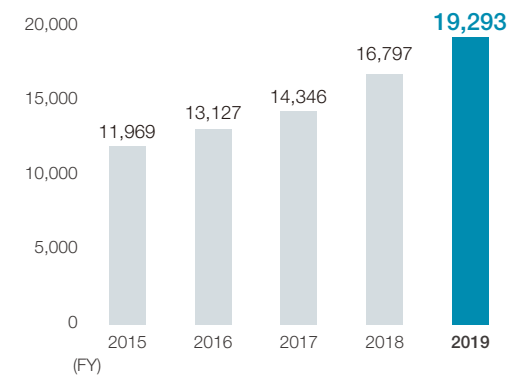
TechnoPro Construction, Inc.  
TOQO. Co., Ltd

### Employment of People with Disabilities

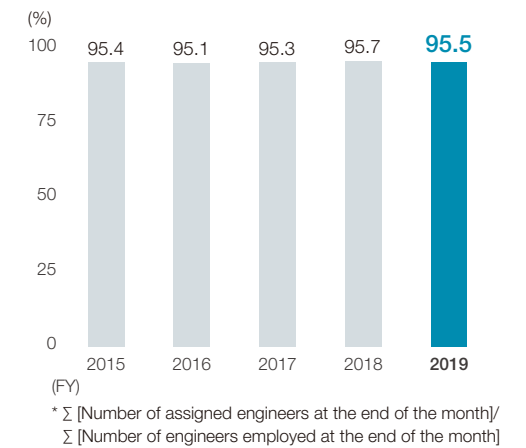
TechnoPro Smile, Inc.

## Business Data

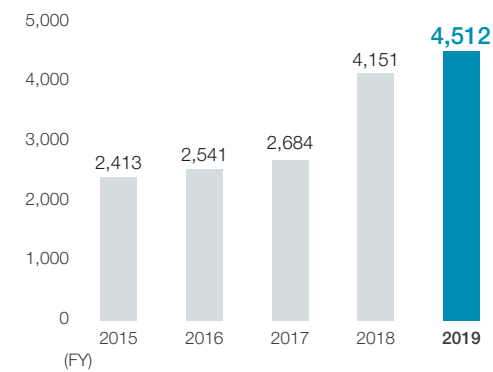
Number of Engineers Employed in Japan (Fiscal Year-End)



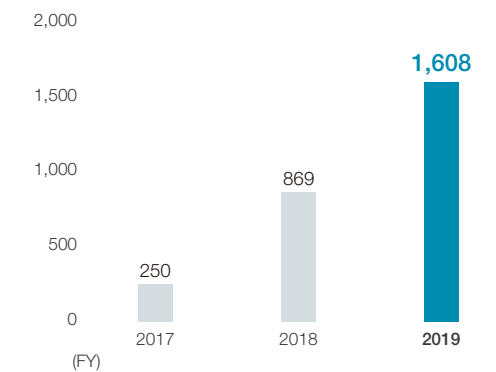
Utilization Rate of Engineers in Japan



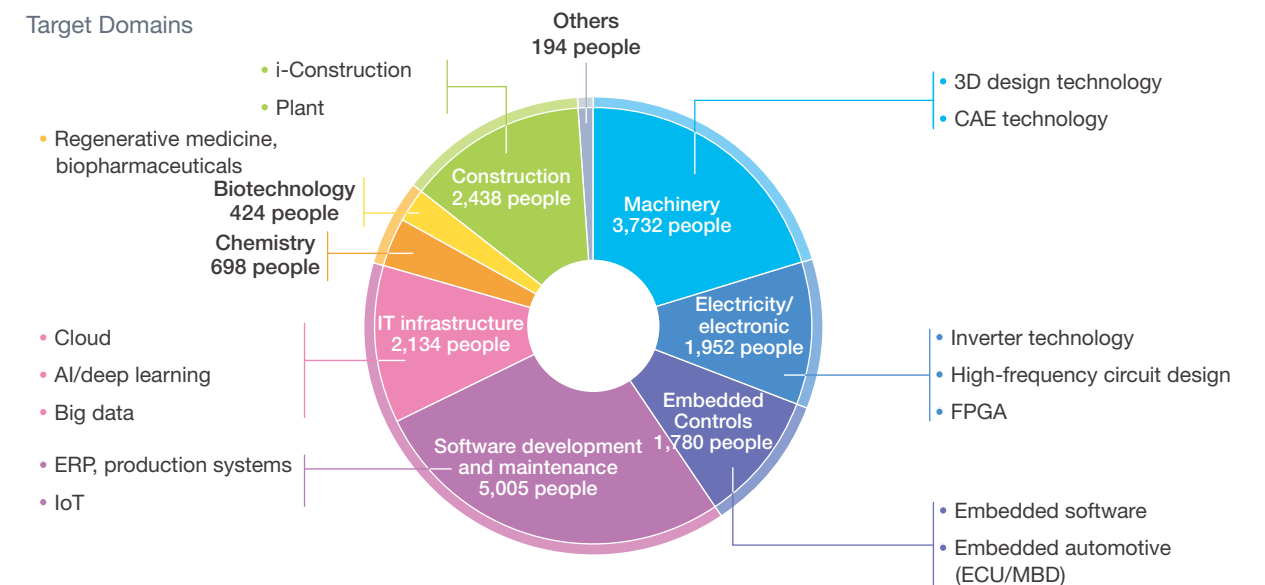
Number of Newly Recruited Engineers in Japan



Engineers at Overseas Locations (Fiscal Year-End)



Target Domains



## Management Interviews

This was a year when taking on challenges in new fields led to success. We honed engineers' capabilities and strengthened relations with clients by providing high-value-added solutions.

### Gaku Shimaoka

Director, TechnoPro Holdings, Inc.  
In charge of R&D outsourcing business  
(Machinery and electrical/electronic fields)  
Overseas Business



### Promoting a Shift toward Higher Added Value and Globalization

We have been pursuing measures to shift toward higher added value and taking on the challenge of globalization. During the fiscal year ended June 30, 2019, these efforts steadily bore fruit. Revenue in high-value-added fields grew fourfold year on year, and we extended state-of-the-art technical personnel training beyond data scientists to include such fields as AI and cyber security. We are also leveraging the leading-edge data analysis technologies and consulting know-how of alliance partner ALBERT to train more than 100 data analysts and consultants every year. In addition, we began incorporating leading-edge technologies via venture capital investments and providing service to customers.

We proceeded with M&A involving high-value-added companies. SOFTWORKS, which we acquired in November 2018, excels in upstream automotive model-based development. Recruiting in this area had been problematic for SOFTWORKS, and achieving growth on its own had proven difficult. We anticipate major success through synergies gained by combining our recruiting and sales capabilities with SOFTWORKS' technological prowess. By augmenting our service menu in this way, we plan to gradually reduce the percentage of services we provide through dispatch agreements.

In March 2019, I also took charge of overseas business. I am now in the process of communicating closely with our overseas companies and working to reflect global growth into our next medium-term management plan. I had previously been involved in the China business, and our business with Japanese customers there has been gaining traction as we provide services that deliver high customer satisfaction. I hope to accelerate growth by forging organic links with companies in other regions as well.

### Continuing to Progress as a Solution-Providing Company

The center of gravity is shifting from hardware to software, but we will never find ourselves in a world completely free of hardware. Augmenting mechanical and electronic technologies with expertise in software makes it possible to gain high-value-added skills. We have started using Talent Cube, a talent management system, to help engineers enhance their skills.

In addition to raising pay for engineers with advanced skills, we continue focusing on improvements that will foster high levels of motivation in such areas as the content of work and the working environment. As our human resources grow, our principal roles are to provide optimal solutions to our customers and support engineers' skill development to match the ongoing march of technology.

#### TechnoPro Design

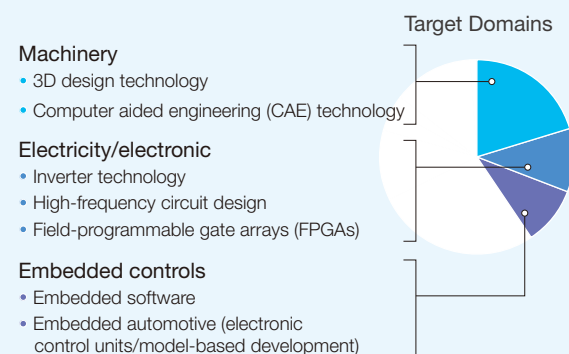
Technical services for technology and product development in domains centered on machinery, electrical/electronic equipment, and embedded controls

#### Overseas Group Companies

[TechnoPro China Group](#)

[Helius Technologies Pte Ltd](#)

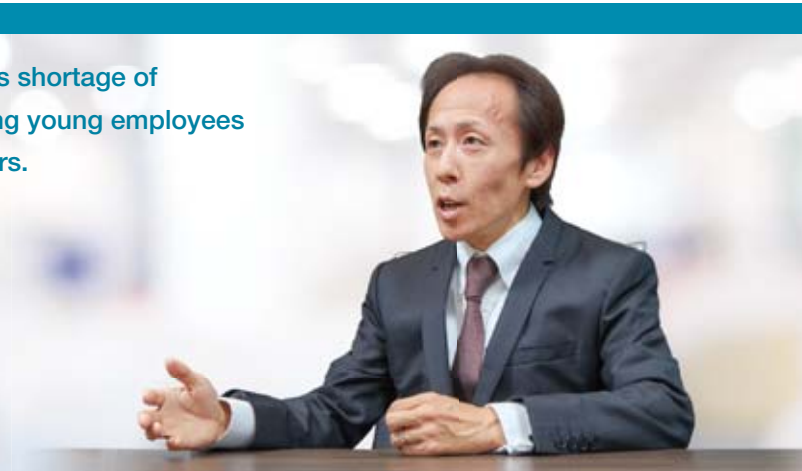
[Orion Managed Services Limited](#)



We are helping to resolve the increasingly serious shortage of IT engineers by accelerating hiring and developing young employees and helping mid-level engineers build their careers.

### Koichiro Asai

Director, TechnoPro Holdings, Inc.  
In charge of R&D outsourcing business  
(IT field)



### Favorable Recruiting of Human Resources Who Will Drive Growth

TechnoPro Engineering and TechnoPro IT have focused on stepping up recruiting and securing human resources. As a result, in the fiscal year ended June 30, 2019 the two companies together hired more than 2,300 people. Of these, around 500 were new graduates. The number of assigned engineers grew by more than 20% year on year, reaching approximately 7,700 as of August 31, 2019. In the next two years, ending June 30, 2021, we aim to have 10,000 IT engineers.

Given the robust demand for IT talent, our recruiting capabilities are driving growth. Our three main pillars of recruiting are referrals, global candidates and new graduates. In the past fiscal year, employment based on referrals has been particularly robust. As new engineers are hired and then grow comfortable in their roles and learn to trust the Company, they introduce other engineers, creating a virtuous circle.

In global recruiting, we have expanded our scope to countries we had not previously targeted, such as the Philippines, Myanmar and India, and increased the number of recruits. Our recruiting of new graduates has remained robust, as well. We expect to hire around 150 more April 2020 graduates than in the previous year. Competition for mid-career hires remains stringent, but we have successfully maintained recruiting levels by expanding our sales locations and developing recruiting strategies tailored to individual locations.

### Helping Resolve a Shortage of IT Engineers through a Shift Toward Higher-Value Human Resources

Demand for IT engineers continues to flourish, and our client base is deepening as IT demand broadens into additional fields, such as the cloud, IoT, AI and digital transformation (DX). Demand for IT engineers is strong, both in the field of cyber security and in the face of migration due to SAP's decision to discontinue maintenance and support on older versions from 2025. Seeing this situation as an opportunity, we have set up cyber security and ERP divisions. Misystem Co., Ltd., which we acquired in July 2018, has numerous SAP engineers, which is contributing to our expansion of high-value-added business.

Furthermore, we are developing young, relatively inexperienced engineers by providing education and training to help them gain technical skills in high-value-added fields, and improving their compensation commensurately. Such moves bolster employee satisfaction, and as the productivity of engineers increases our customer service level rises as well. With Japan's shortage of IT engineers expected to grow more serious, we believe that taking on new engineers and helping them develop their skills will improve the productivity of society as a whole.

#### TechnoPro Engineering

Comprehensive engineering services business covering various technical fields, including information systems, IT networks, machinery, embedded controls, and electrical/electronic equipment

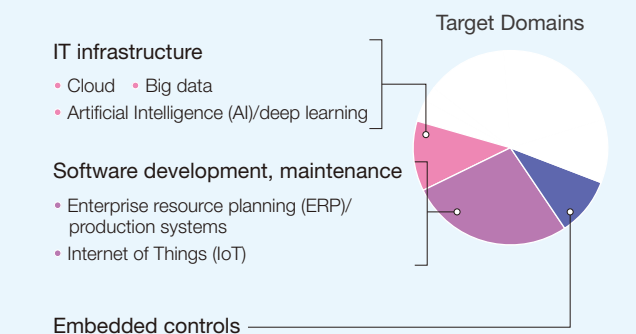
#### TechnoPro IT

Technical services for technology and product development fields involving business applications, operation, and cloud technology

[ON THE MARK Co., Ltd.](#)

[EDELTA Co., Ltd.](#)

[PROBIZMO Co., Ltd.](#)



## Management Interviews

By being a rewarding company for engineers to work for, we will sustain growth in existing businesses and cultivate new fields of business by utilizing new technologies and overseas resources.



**Tatsuya Sekiwa**  
Executive Officer, TechnoPro Holdings, Inc.  
In charge of Construction Management Outsourcing Business

### Using Our Technical Training Centers to Expand Recruiting and Training of Inexperienced Personnel

As of June 30, 2019, 2,438 engineers were assigned to TechnoPro Construction (up 19.2% year on year), reaching the highest level in five years and demonstrating accelerating growth. Labor shortages have been a boon to us, as they have raised the status of engineers across the industry. I am proud to note that we have in place some of the industry's most advanced systems in terms of working style.

Demand for the construction of commercial facilities, hotels and equipment is expected to continue growing, and projects related to fifth-generation (5G) telecommunications are beginning to emerge. A falloff in construction demand following the surge surrounding the Tokyo Olympic and Paralympic Games had been a concern. However, we now expect demand to remain robust long-term, so we are accelerating our recruiting and training efforts accordingly.

In July 2017, we began using our technical training centers to provide training to inexperienced construction engineers. We have expanded this effort, and during the fiscal year ended June 30, 2019, 217 people graduated from this course. Although the curriculum at the centers is focused on the field of construction, in response to customer demand we have also developed curricula in such areas as electrical and air conditioning and sanitation equipment. In addition, we

have expanded the center in Tokyo, and we plan to add a new location in Osaka. Some customers have shown interest in having their employees undergo training at our centers, and we are steadily putting in place systems to facilitate this.

### Establishing a New Portfolio Through Initiatives Involving Leading-Edge Technologies

New technologies are constantly being developed in the construction industry to compensate for an aging workforce and labor shortages. We have set up dedicated departments to take advantage of the new opportunities arising due to technological innovation in such areas as building information modeling (BIM), mixed reality (MR), augmented reality (AR) and aerial photography using drones. Other countries are more advanced than Japan in new technology areas, so we are leveraging the strengths of Group management to incorporate overseas resources. In July 2018, we acquired TOQO, which handles structural design and seismic diagnosis, allowing us to embark on the high-value-added non-dispatch business.

In addition to existing businesses that are our areas of strength, such as the staffing of engineers for construction management, we are working to establish a portfolio in new fields. By doing so, we encourage engineers to take on rewarding work and continue engaging in new initiatives so the Company can achieve high levels of growth.

#### TechnoPro Construction, Inc.

Manages construction and provides design technology for architecture, civil engineering, building facilities (electrical, air conditioning, sanitation), and plants

#### TOQO. Co., Ltd

Assessment, inspection, design and supervision of buildings



Enhancing employee relations, boosting employee satisfaction, initiatives to help increase the value of engineers and administrative personnel, and expanded corporate governance contribute to increases in corporate value.



**Takeshi Yagi**  
Director  
TechnoPro Holdings, Inc.

### Augmenting Corporate Value through Better Employee Relations and Employee Satisfaction

I am in charge of HR, governance and CSR. From the HR standpoint, I aim to reinforce employee relations and enhance employee satisfaction. By doing so, we intend to become a group that engineers and administrative personnel grow more strongly attached to and proud of. This, in turn, should enhance corporate value.

To date, we have put various systems in place and augmented our welfare offerings. Over the next three years, in addition to regular base salary increases we are investing around ¥3.0 billion to improve the working environment. We will address one issue of Japanese society, namely that Japanese engineers earn less than their counterparts in Europe and the United States. This is also a proactive investment, providing an extra boost to steadily promote our engineers. Specific measures and allocation methods will be determined when we formulate the new medium-term management plan.

In April 2020, revised legislation will go into effect in Japan, mandating equal pay for equal work. This revision will have little impact on our operating performance. Rather, the change in Japanese labor practices this represents should be an opportunity for us. In short, appropriate working conditions—increasing the value of engineers and remunerating them appropriately—will become more important.

By expanding education and training for administrative personnel as well as engineers, we will work to enhance their capabilities. At the same time, we will reconfigure core systems to promote operational efficiency and standardization. We intend to use the resulting productivity increases to enhance our return to employees.

As we engage in the post-merger integration of companies we have acquired and added to the Group in recent years, our policy is to respect the other party and engage in sufficient deliberation. We want our new colleagues to be glad they have become a part of the TechnoPro Group.

Creating shared value (CSV) is an important aspect of “proactive CSR” that involves creating value for society, underpinned by robust compliance. In line with a story linked to materiality, we will contribute to society in a way that also benefits our business. Going forward, we also plan to focus more closely on diversity and inclusion.

### CEO Succession Planning

In our pursuit of effective corporate governance, in the fiscal year ended June 30, 2019 we formulated Standards and Procedures for Appointment and Dismissal of CEO. The Board of Directors took its time in resolving these regulations, following deliberations by the Nomination and Compensation Committee, which comprises two independent outside directors, two independent outside Audit & Supervisory Board members and two inside directors (Yasuji Nishio, CEO, and Takeshi Yagi).

In addition to these criteria and procedures, we have formulated a CEO succession plan. Although our timing for a change of CEO is undetermined, in line with these standards and plans we plan to select and cultivate our next leader in the next two years, or somewhere thereabouts. We believe that selecting a future CEO focused on the Company's sustainable growth and enhancing corporate value over the medium to long term is of utmost importance in terms of strategic decision-making. Accordingly, the Nomination and Compensation Committee and the Board of Directors will focus closely on this decision.

## Corporate Governance

### An Enhanced Governance System

#### • Governance System Outline

The Company has formulated and implemented the TechnoPro Group Corporate Governance Guidelines as part of its ongoing activities to ensure the best practices in corporate governance. We are enhancing our governance function and internal control system based on the belief that respecting the rights of shareholders, ensuring the fairness and transparency of decision-making, and maximizing management's vigor are the essence of corporate governance.

As a holding company, we handle the strategic planning and management functions for the entire Group, and we have adopted the form of a company with an Audit & Supervisory Board. This system, characterized by supervision by the

Board of Directors and an Audit & Supervisory Board that oversees audit functions, achieves appropriate management decision-making and business execution, as well as creating a system having sufficient organizational checks. We also have mutual checks and balances on the business execution front, between operational directors and administrative directors. At the same time, authority and responsibility for day-to-day business execution is assigned to executive officers to ensure that operations are managed in a flexible and efficient manner.

We also have in place a Nomination and Compensation Committee, in which an independent outside director and independent outside Audit & Supervisory Board member participate and are working to enhance management transparency and accountability.

#### • Six Independent Executives

A proposal for the election of directors and Audit & Supervisory Board members was approved at the 14th Ordinary General Meeting of Shareholders on September 27, 2019. As a result, the Company's Board of Directors and Audit & Supervisory Board are composed of five internal and three outside directors, and one internal and three outside Audit & Supervisory Board members. All six of the outside directors and outside Audit & Supervisory Board members satisfy the conditions as independent executives. Separately from the Board of Directors, the Independent Executive Committee met two times in the fiscal year ended June 30, 2019.

#### • Establishment of a Nomination and Compensation Committee

The Company's Board of Directors has established a Nomination and Compensation Committee as an advisory body on the nomination and compensation of TechnoPro Group directors, Audit & Supervisory Board members and executive officers. Outside directors and outside Audit & Supervisory Board members constitute a majority of committee members, enhancing the objectivity and accountability of decisions related to the nomination and compensation of Group executives.

The Nomination and Compensation Committee comprises six members: two internal directors, including the president and representative director; two outside directors; and two outside Audit & Supervisory Board members.

#### • Compliance with Japan's Corporate Governance Code

We have put in place internal structures whose policies are compliant and responsive with all provisions of Japan's Corporate Governance Code, which was formulated as a guideline for listed companies by the Financial Services Agency and the Tokyo Stock Exchange.

### Designing Incentives to Promote Shared Value with Shareholders

**• Introducing a Restricted Stock Compensation Plan**  
The Company has introduced a new restricted stock compensation plan. The aim of this system is to grant

directors (excluding outside directors) and executive officers, as well as directors and executive officers of the Company's subsidiaries, incentives to enhance sustainable growth in corporate and shareholder value of the Group over the medium to long term and further promote shared value with shareholders.

Specific payment timing and allocations for eligible directors and executive officers shall be determined by the Board of Directors following deliberations of the Nomination and Compensation Committee.

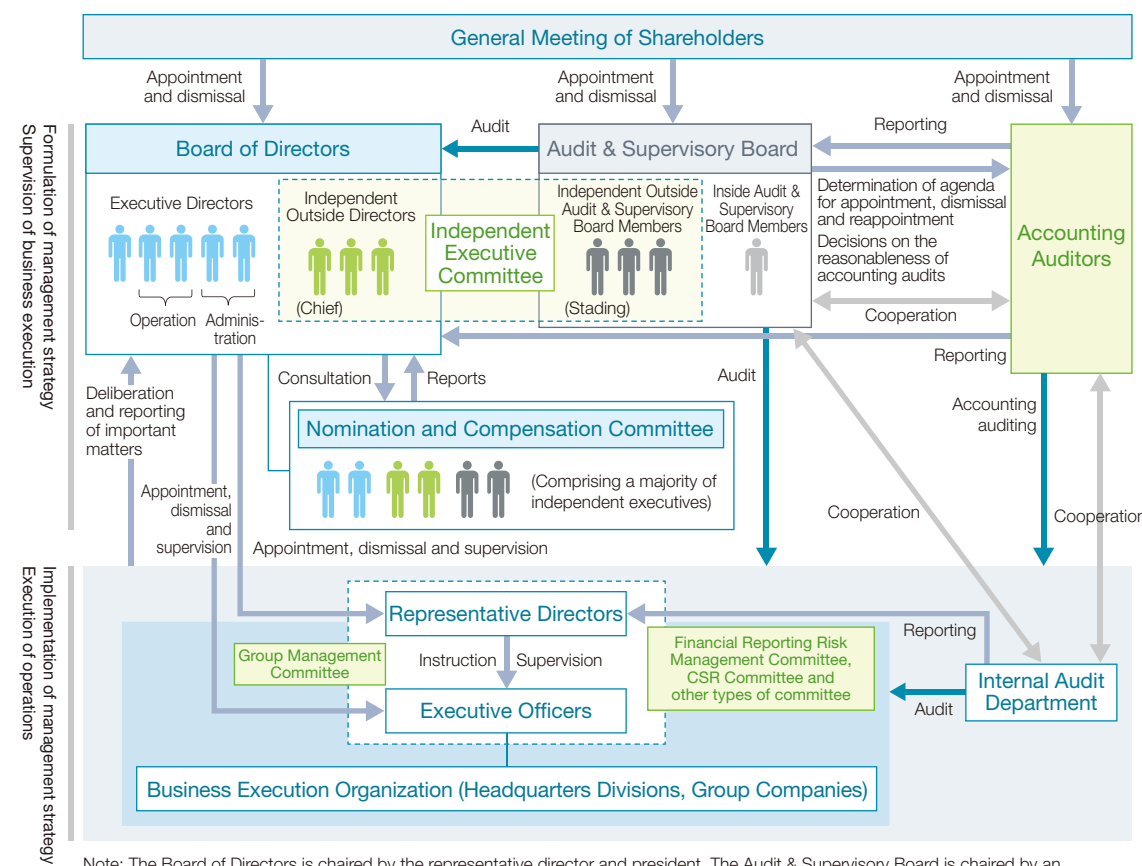
#### • Executive Compensation and Performance Evaluations

The TechnoPro Group takes the three factors outlined below into consideration when determining the compensation of directors, Audit & Supervisory Board members, and executive officers.

First, remuneration for the officers of the Group shall be rational in the context of fulfilling accountability and responsibility to stakeholders, including shareholders. Second, the remuneration structure for the officers of the Group shall be designed with the aim of motivating them to contribute to successful achievement of management strategies and improvement of Company performance, to enable the sustainable enhancement of corporate value, as well as shareholder value. Third, remuneration for the officers of the Group shall be sufficient as compensation for responsibilities, and enough to motivate, attract and retain talented human resources.

Evaluations for directors (excluding outside directors) and executive officers are determined by reviewing items such as the contribution to consolidated performance for a single fiscal year by their department; the achievement by their department in sales and operating profit before depreciation, and year-on-year changes, among other KPIs, for the relevant fiscal year compared with budget plans; the status of their internal control system and adherence to compliance; and initiatives aimed at medium- to long-term corporate growth, including human resources development.

Corporate Governance and Compliance System



Note: The Board of Directors is chaired by the representative director and president. The Audit & Supervisory Board is chaired by an independent outside member (standing). The Nomination and Compensation Committee is chaired by an independent outside member of the Audit & Supervisory Board. The Independent Executive Committee is chaired by the chief independent outside director.

Composition of Key Management Bodies and Number of Meetings

Management Body	Structure	Fiscal Year Ended June 30, 2019 Meetings Held	Attendance Rate
Board of Directors	Five internal directors, three outside directors	15 times	99.2%
Audit & Supervisory Board	One inside Audit & Supervisory Board member, three outside Audit & Supervisory Board members	15 times	100.0%
Independent Executive Committee	Three independent outside directors, three independent outside Audit & Supervisory Board members	2 times	100.0%
Nomination and Compensation Committee	Two inside directors, two outside directors, two outside Audit & Supervisory Board members	8 times	100.0%

Compensation by Executive Category, Total Compensation by Type, and Number of Eligible Executives (For the Fiscal Year Ended June 30, 2019)

Executive Category	Total Compensation (Millions of yen)	Total Compensation, by Type (Millions of yen)			Number of Eligible Executives
		Base Compensation	Bonuses (Short-Term Incentive)	Share-Based Payment (Medium- to Long-Term Incentive)	
Directors (Excluding Outside Directors)	277	175	55	47	5
Audit & Supervisory Board Members (Excluding Outside Members)	10	10	—	—	1
Outside Executives	60	60	—	—	6

## Corporate Governance

### Demonstrating Corporate Governance Functions

#### • Activity Status of the Board of Directors and Audit & Supervisory Board

The Company's Board of Directors holds regular monthly meetings and convenes extraordinary meetings as necessary. At these meetings, the board makes decisions on important matters of business execution, receives reports on the status of operating performance, deliberates response measures, and supervises the status of execution of operations by individual directors. During the fiscal year ended June 30, 2019, the Board of Directors met a total of 15 times.

The Audit & Supervisory Board liaises closely with the accounting auditors and the Internal Audit Department, receiving reports on audit methods and results. The board also makes use of these audits and undertakes initiatives aimed at enhancing the quality and efficiency of its audits. In the fiscal year ended June 30, 2019, the Audit & Supervisory Board met a total of 15 times.

#### • Process of Selecting Directors and Audit & Supervisory Board Members

Director and Audit & Supervisory Board member candidates must satisfy statutory requirements and those of the Articles of Incorporation, exhibit no behavior that would be grounds for disqualification as stipulated in the Directors/Audit & Supervisory Board Members Regulations, and have no current or prior involvement with anti-social forces. They must also exhibit outstanding character, knowledge and insight, while maintaining high regard for regulatory compliance and ethical standards, and must maintain objectivity in making decisions, perceptiveness and foresight.

When appointing members, consideration is given to ensuring diversity on the Board of Directors and Audit & Supervisory Board. Furthermore, at least one Audit & Supervisory Board member must possess appropriate knowledge of finance and accounting.

Taking the above-mentioned factors into consideration, the Board of Directors deliberates and selects appropriate directors and Audit & Supervisory Board members after receiving advice, deliberations and reports from the Nomination and Compensation Committee and agreement from the Audit & Supervisory Board with regard to Audit & Supervisory Board members.

#### • Selection of Outside Directors and Outside Audit & Supervisory Board Members

Outside directors and outside Audit & Supervisory Board members must have a high degree of knowledge, along with

an extensive practical background and experience serving in a leadership role in one or more fields such as corporate management, internal control, compliance, finance and accounting, financing, legal affairs, government, crisis management, and education. Such individuals must be able to gain an overall understanding of the entire TechnoPro Group, ascertain essential issues and risks for the Group, and make constructive contributions during deliberations of meetings of the Board of Directors and other such forums in a candid and active manner.

Outside directors must be people who can be counted on for objective business oversight and managerial decisions from a practical point of view based on extensive experience in corporate management and specialized fields, and for providing advice and support to facilitate our sustainable growth.

Outside Audit & Supervisory Board members must be appointed with the aim of heightening neutrality and independence of the audit framework, and must be individuals capable of expressing an objective audit opinion from a neutral standpoint.

#### • Analysis and Evaluation of the Overall Effectiveness of the Board of Directors

Once each year, the Company's Board of Directors conducts an analysis and evaluation of the effectiveness of the Board of Directors. Based on Japan's Corporate Governance Code and the TechnoPro Group Corporate Governance Guidelines, the goal of this activity is to improve the function of the Board of Directors.

As a result of the analysis and evaluation conducted in the fiscal year ended June 30, 2018, the Board of Directors concluded that, overall, it performs its roles and responsibilities appropriately and effectively. The board evaluated itself particularly highly in the following areas.

- (1) Through appropriate conduct of board meetings, the board chair has continued to foster an atmosphere in which participants can express themselves freely from their own professional viewpoints.
- (2) A continuing high level of organization, including the Independent Executive Committee, the selection of lead independent outside director, the establishment of the Nomination and Compensation Committee, the appointment of supporting staff for Audit & Supervisor board members, etc.
- (3) In formulating the annual budget, the board works in good faith through discussions to execute its required roles and responsibilities in deliberations right from the policy formulation stage.

Progress and improvements related to issues identified in the evaluation for the fiscal year ended June 30, 2018, as "issues to address," are as described below.

- (1) Formulated "Standards and Procedures for Appointment and Dismissal of CEO"
- (2) Carried out more in-depth discussions and sharing of material Company issues, strategies, and measures (including work style reform, improvements to employee satisfaction, global business strategies, and projects to promote business process innovation)
- (3) Carried out reporting on performance of acquired subsidiaries and investees, as well as discussions into the usage of cost of capital

The following issues represent areas in which the board recognizes room for improvement and/or a need for greater efforts to improve the effectiveness of the Board of Directors.

- (1) Appropriate monitoring by the Board of Directors through reporting to not only the Nomination and Compensation Committee but also the Board of Directors as regards the progress of succession plans for the CEO
- (2) Reporting semiannually to the Board of Directors regarding not only the main operating company, but also on the business status and challenges of other subsidiary companies, acquired companies, and investees
- (3) From the perspective of ensuring the balance and diversity of the Board of Directors and of the Audit & Supervisory Board as a whole, studying the formulation and utilization of a "skill matrix" for members of the Board of Directors and Audit & Supervisory Board
- (4) Continue to consider and improve the timing of providing prior explanations of the agenda and advance sending of materials to outside directors and outside Audit & Supervisory Board members, and variations in management by the Board of Directors in accordance with content of the agenda

#### • Implementation Status of the Internal Control and Risk Management Systems

The TechnoPro Group has established and is operating an "Internal Control System Basic Policy" as a "system for ensuring work appropriateness." While preparing a control environment to promote an organization for formulating the "TechnoPro Group Code of Conduct," we have established appropriate group-wide internal controls and a risk management system to ensure the practicality of the decision-making process for entrusted matters related to business execution and to ensure the appropriateness of the status of operations. As an organizational structure, the Internal Audit Department, which is directly overseen by

the Company's representative director, conducts Group-side business audits and compliance audits. It also works to maintain and validate the operating status of internal controls as well as provide advice and recommendations towards improvements from the perspective of ensuring work efficacy, financial reporting reliability, and compliance. We have established a whistleblower system to promote the prevention and early discovery of compliance violations and to ensure rapid and efficient responses in the event of an incident. We also reflect feedback from employees involved in compliance in management decisions. Under the whistleblower system, we have established a consultation desk run by an outside attorney who is independent of Group Management. This arrangement allows the system to be used anonymously. Internal regulations clearly state that people making reports shall not be subjected to unfair treatment as a result of this reporting. We ensure thorough awareness through education and training opportunities.

Furthermore, the CSR Promotion Department was established to implement specific policies related to internal controls and risk management. This department creates an integrated risk management plan outlining matters such as core initiatives related to risk management and monitoring categories, and issues progress reports to the Board of Directors. We also established a CSR Committee with the president and representative director serving as committee chairman and consisting of Group directors and executive officers as committee members. This committee deliberates on important matters related to compliance system planning and management. The CSR Committee was established to ensure we fulfill our social responsibilities as a corporate group. The committee deliberates on matters such as risk management, compliance, information security, and social contributions, and issues reports to the Board of Directors of the Company and its subsidiaries.

Recognizing risk management as an essential part of enhancing corporate value, the TechnoPro Group provides ongoing risk management education and training to all Group directors and employees. Furthermore, the Board of Directors conducts annual reviews to evaluate definitions of business risks and evaluate the risk management system.

## Compliance and Issues Targeting Social Responsibility and Environmental Issues

The TechnoPro Group, which conducts business in Japanese and overseas markets, recognizes its responsibility to a variety of stakeholders, including customers, engineers, subcontractor companies and residents of local communities. We fulfill our compliance and responsibilities as a corporate citizen.

### Thorough Operations Management Related to the Labor Standards Act

We provide appropriate working environments for the personnel who belong to the TechnoPro Group. As we employ numerous human resources, we regard this as our duty and an element essential to sustainable corporate growth.

The TechnoPro Group has established a dedicated compliance department, and created a proprietary labor management system. This system allows us to optimize working hours, manage the taking of holidays and work leave, and ensure thorough compliance with health checkups. In these ways, we provide a safe and healthy working environment for all employees.

### Appropriate Application of Dispatching and Contract Assignment

Dispatched managers periodically visit dispatch work locations to provide support for dispatched workers. They also perform legal checks of individual contracts, some 13,500 of which are updated annually. The headquarters compliance department also makes periodic rounds, providing backup and ensuring that an appropriate working environment is being maintained. As a result, in audits by the Labor Bureau, we

have maintained a low document guidance rate, indicating the appropriateness of business operations.

Document Guidance Rate in Audits by the Labor Bureau  
All dispatching company

Fiscal years (April to March of the following year)	Fiscal 2016	Fiscal 2017	Fiscal 2018
Document guidance rate	69.3%	67.1%	60.4%

Source: "The Current State of Worker Dispatch" on the Ministry of Health, Labour and Welfare's website

TechnoPro Group (dispatching business)

Fiscal years (July to June of the following year)	Fiscal 2017	Fiscal 2018	Fiscal 2019
Documentation guidance rate	15.4%	30.8%	0.0%
Number of audits by the Labor Bureau	13	13	4
Cases of documentation guidance	2	4	0

With regard to on-site contracts, we have formulated Contract/Quasi-Appointment Compliance Guidelines, and we have built and manage and appropriate implementation structure based on clear definitions. When accepting contracts and preparing environments at work locations, we educate related internal personnel. Even after operations begin, personnel from dedicated departments conduct routine checks to provide workers with appropriate working environments. We also work closely with customers to avoid compliance risk.

### COMPLIANCE DECLARATION

- We, the TechnoPro Group, fulfill our corporate social responsibilities on the basis of high ethical standards and in full compliance with laws and regulations.
- We, the TechnoPro Group, shall develop our business to make a high level of social contribution and to be a company that is greatly involved in the employment of people through 'the stabilization and expansion of employment, adjustment in the supply and demand balance in the labor/work force, and innovation in business structures'.
- As both a market leader and as a good corporate citizen, we believe that transparency in management leads to the maximization of corporate value and that, through compliance with laws and regulations and by the disclosure of information, we can ensure that the rights and interests of all of our stakeholders, including our shareholders, customers, business partners, and employees, are truly respected.
- We hereby swear to carry out our business operations with full and thorough execution of our compliance responsibilities, and to focus on corporate governance in order to fulfill our social responsibilities.
- In addition, each and every one of our officers and employees are fully belonging to the Group and have a sense of ownership, as being "my own personal issues," of these considerations, and so we thereby aim to be a truly attractive company in that it is one that is capable of making a contribution to society as well as being one that has a strong sense of its corporate responsibilities and higher ethical standards.

### Promoting the Employment of People with Disabilities

We have specialized offices in Sapporo, Tokyo, Yokohama and Fukuoka as part of our efforts to employ people with disabilities.

We support and sponsor the Special Olympics Nippon Foundation, which helps people with intellectual disabilities participate in society. We also encourage employees to volunteer.



The Hikarigaoka Service Center, which opened in May 2019



### Holding of Compliance Seminar 2019

We hold compliance seminars for client companies, providing them with the most recent information on workstyle reform and labor-related legislation.



### Coexisting with Local Communities

At our locations throughout Japan, we provide support to disaster-affected areas and actively participate in a host of regional events, including festivals, greening activities, clean-ups and nature-appreciation events.



Ongoing support of afforestation activities in the area affected by the Great East Japan Earthquake



Annual employee volunteering at the Mito Koumon Festival in Mito, Ibaraki Prefecture

### OUR BASIC ENVIRONMENTAL POLICIES

- 1. Compliance with Laws and Regulations:**  
We will comply with social guidelines and environmental protection laws and regulations as well as environmental agreements at TechnoPro Group companies.
- 2. Environmental Impact:**  
We will use the knowledge and dedication of our workforce to conserve resources and energy, increase recycling, prevent pollution, and take other actions that reduce the environmental impact of our business activities.
- 3. CSR Committee:**  
We will use our CSR Committee, which consists of senior executives of the TechnoPro Group, for the planning and execution of activities involving environmental protection.
- 4. Environmental Awareness and Participation:**  
We will use a variety of measures to make executives and employees of the TechnoPro Group more aware of environmental issues and encourage them to participate in programs for protecting the environment.
- 5. Disclosure of Information:**  
We will give everyone at the TechnoPro Group a sound understanding of our environmental policies and use measures for giving the general public access to information about our environmental policies and activities

Enacted April 1, 2014, revised July 1, 2015

## Directors



**Yasuji Nishio**  
President,  
Representative Director and CEO

Apr. 1974 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)  
Mar. 2000 Head of Controller Division, ditto  
Jul. 2000 Managing Executive Officer, Yamasa, Co., Ltd.  
Dec. 2004 Senior Managing Director, SECOM Medical Resources Co., Ltd.  
Oct. 2005 Standing Director, Yotsuya Medical Cube, Medical Corporation Anshinkai  
Oct. 2006 CFO and General Manager of Finance Department, Showajisyo Inc.  
Jul. 2007 Senior Executive Officer, CFO, Kokusai Kogyo Co., Ltd.  
Apr. 2008 Director and CFO, The Goodwill Group, Inc.  
Oct. 2009 Managing Executive Officer and CFO, Radia Holdings, Inc.  
Oct. 2010 Managing Director and CFO, Advantage Resourcing Japan, Inc.  
Apr. 2012 Managing Director, CFO and General Manager of Finance & Accounting Division, TechnoPro Holdings, Inc.  
Jul. 2013 Representative Director, President, CEO, CFO and General Manager of Finance & Accounting Division, ditto  
Feb. 2014 President, Representative Director and CEO, ditto (at present)  
Jul. 2014 President and Representative Director, TechnoPro, Inc. (at present)

### Reasons for Selection as a Director

Mr. Yasuji Nishio has worked in managerial positions in banking and various other industries. Subsequent to that, he served as Chief Financial Officer of the Company. Since his appointment as the Company's Representative Director, President and CEO in July 2013, he has been involved in guiding and overseeing overall management, and he has accumulated extensive experience and wide-ranging insight into the Group's businesses and corporate management. In addition, he has been involved in promoting integration of Group operations, developing the managerial framework and otherwise bringing about continuous improvement in earnings results. He has also contributed to the strengthening of the decision-making and oversight functions of the Company's Board of Directors, in acting as its chairperson. Mr. Yasuji Nishio has been selected as a director because the Company expects that he will demonstrate outstanding leadership and managerial competency, in light of the fact that he possesses the character and insight suitable for being a member of the top management of the Company.



**Koichiro Asai**  
Director,  
Managing Executive Officer

Jan. 2006 Representative Director and President, Crystal, Inc.  
Mar. 2008 Executive Officer, The Goodwill Group, Inc.  
Nov. 2008 Representative Director and President, TechnoPro Engineering, Inc.  
Jul. 2010 Representative Director and President, CSI, Inc.  
Jun. 2011 Representative Director and President, Advantage Science, Inc.  
Apr. 2012 Managing Executive Officer, TechnoPro Holdings, Inc.  
Feb. 2014 Director (in charge of Business) and Managing Executive Officer, ditto (at present)  
Jul. 2014 Representative Director (President of TechnoPro Engineering Company and President of TechnoPro IT Company) and Senior Executive Officer, TechnoPro, Inc. (at present)

### Reasons for Selection as a Director

Mr. Koichiro Asai has been involved in the human resources services business over many years, and is thus intimately familiar with industry and customer trends, as well as possessing extensive experience of the Group's business operations. Since February 2014, he has been serving as a Director (in charge of Business) of the Company, and in particular has helped drive the growth of the Group by achieving a remarkable increase in the number of engineers operating in the department of which he is in charge, as well as contributing to the strengthening of the decision-making function of the Board of Directors. Mr. Koichiro Asai has been selected as a director because the Company expects that, as a Director, he will play a satisfactory role not only in the execution of business but also in deciding important matters involving the Group, in light of the fact that he possesses the character and insight suitable to serve as a member of the Company's management team.



**Gaku Shimaoka**  
Director,  
Managing Executive Officer

Aug. 2006 Representative Director and President, Ctec, Inc.  
Nov. 2006 Representative Director and President, Crystal, Inc.  
Jun. 2007 Managing Executive Officer, The Goodwill Group, Inc.  
May 2008 Director and COO, ditto  
Oct. 2009 Managing Executive Officer, Radia Holdings, Inc.  
Apr. 2012 Managing Executive Officer, TechnoPro Holdings, Inc.  
Feb. 2014 Director (in charge of Business) and Managing Executive Officer, ditto  
Jul. 2014 Representative Director (President of TechnoPro Design Company) and Senior Executive Officer, TechnoPro, Inc. (at present)  
Mar. 2019 Director (in charge of Business and Global Business) and Managing Executive Officer, TechnoPro Holdings, Inc. (at present)

### Reasons for Selection as a Director

Mr. Gaku Shimaoka has been involved in the human resources services business over many years, and is thus intimately familiar with industry and customer trends, as well as possessing extensive experience of the Group's business operations. He has been serving as a Director (in charge of Business) of the Company since February 2014, and also assumed responsibility for Global Business since March 2019. In particular, he has helped drive the growth of the Group by promoting the shift to higher added value engineers in the departments of which he is in charge, and implementing global strategies of the Group, as well as contributing to the strengthening of the decision-making function of the Board of Directors. Mr. Gaku Shimaoka has been selected as a director because the Company expects that, as a Director, he will play a satisfactory role not only in the execution of business but also in deciding important matters involving the Group, in light of the fact that he possesses the character and insight suitable to serve as a member of the Company's management team.



**Takeshi Yagi**  
Director,  
Managing Executive Officer

Apr. 1991 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)  
May 2008 General Manager of Human Resources Division, Shinsei Bank, Limited  
Nov. 2012 Managing Executive Officer and General Manager of Human Resources Division, TechnoPro Holdings, Inc.  
Feb. 2014 Managing Executive Officer (in charge of HR and General Affairs), ditto  
Jul. 2014 Director (in charge of HR and General Affairs), Managing Executive Officer, ditto Director and Senior Executive Officer, TechnoPro, Inc. (at present)  
Sep. 2018 Director (in charge of HR and General Affairs, and Vice in charge of CSR promotion), Managing Executive Officer, TechnoPro Holdings, Inc. (at present)

### Reasons for Selection as a Director

Mr. Takeshi Yagi has long been involved with the banking industry in the field of human resources. Since July 2014, he has been serving as a Director (in charge of HR and General Affairs) of the Company, taking charge of the HR, human resources development and general affairs departments, all fields in which he has extensive experience. Since September 2018, he has been vice in charge of CSR promotion and promoting measures to fulfill social responsibilities. He has achieved results particularly with respect to developing a Group-wide managerial framework, strengthening corporate governance practices and introducing personnel systems and other initiatives, and has also contributed to strengthen the decision-making function of the Board of Directors. Mr. Takeshi Yagi has been selected as a director because the Company expects that, as a Director, he will play a satisfactory role not only in the execution of business but also in deciding important matters involving the Group, in light of the fact that he possesses the character and insight suitable to serve as a member of the Company's management team.



**Toshihiro Hagiwara**  
Director,  
Managing Executive Officer and CFO

Apr. 1996 Joined RECOF Corporation  
Aug. 2004 Joined Cerberus Japan K.K.  
Apr. 2006 Managing director, ditto  
Jan. 2017 Joined The Asahi Shimbun Company (Corporate Planning Office, Strategic Investment Division)  
May 2019 Managing Executive Officer (in charge of Management), TechnoPro Holdings, Inc. Director and Senior Executive Officer, TechnoPro, Inc. (at present)  
Jul. 2019 Managing Executive Officer (in charge of Management) and CFO, TechnoPro Holdings, Inc.  
Sep. 2019 Director (in charge of Management), Managing Executive Officer and CFO TechnoPro Holdings, Inc. (at present)

### Reasons for Selection as a Director

Mr. Toshihiro Hagiwara has in-depth knowledge and extensive experience in corporate acquisitions, finance, capital markets, accounting, and tax matters. Further, having got deeply involved in investment into a former incarnation of TechnoPro Holdings during his working for a global investment fund, he is already well-versed in the company's business and industry structure. Therefore, the Company considers him capable of contributing to greater value creation and sustainable growth for the TechnoPro Holdings Group. Mr. Toshihiro Hagiwara has been selected as a director because the Company expects that, as a Director, he will play a satisfactory role not only in the execution of business but also in deciding important matters involving the Group, in light of the fact that he possesses the character and insight suitable to serve as a member of the Company's management team.



**Kazuhiko Yamada**  
Director

Oct. 2005 Registered at Daini Tokyo Bar Association  
Assigned to Nakamura, Tsunoda & Matsumoto  
Jan. 2012 Partner, Nakamura, Tsunoda & Matsumoto (at present)  
Sep. 2015 Director, TechnoPro Holdings, Inc. (at present)  
Sep. 2016 Special Visiting Professor, Gakushuin University Law School (at present)

### Reasons for Selection as a Director

Mr. Kazuhiko Yamada has extensive experience and knowledge as an attorney particularly in the fields of corporate acquisitions, corporate restructuring, equity practice, etc., the Companies Act, and the Financial Instruments and Exchange Act. Moreover, since his appointment as Outside Director of the Company in September 2015, Mr. Kazuhiko Yamada has provided opinions and advice particularly with respect to strengthening corporate governance practices at meetings of the Board of Directors and has also provided proper oversight by objectively assessing business matters affecting the Company. Mr. Kazuhiko Yamada has been selected as an Independent Outside Director so that the Company can further draw on his insight with the aim of further heightening its corporate value continuously.



**Tsunehiro Watabe**  
Director

Apr. 1968 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)  
Jun. 1994 Director, ditto  
Jul. 1998 Director and Chairman, UBS Trust Bank, Ltd.  
Dec. 2004 Director and Vice Chairman, UBS Securities Japan Co., Ltd.  
Mar. 2007 Vice Chairman, Morgan Stanley Japan Securities Co., Ltd. (current Morgan Stanley MUFG Securities Co., Ltd.)  
Aug. 2010 Chairman, CVC Asia Pacific (Japan) KK  
Jun. 2011 Outside Audit & Supervisory Board Member, D.A. Consortium Inc.  
Apr. 2012 Director, TechnoPro Holdings, Inc. (at present)  
Member of Board of Trustees, Japan Economic Foundation (at present)  
Jun. 2015 Outside Director, D.A. Consortium Inc.  
May 2017 Chief Advisor, Credit Suisse Securities (Japan) Limited (at present)

### Reasons for Selection as a Director

Mr. Tsunehiro Watabe has knowledge backed by his extensive experience and expansive network of contacts developed as an officer of banks, foreign-affiliated financial institutions, and other corporations. Since his appointment as Outside Director of the Company in April 2012, Mr. Tsunehiro Watabe has actively provided opinions and advice on the overall management of the Group at meetings of the Board of Directors and has also provided proper oversight by objectively assessing business matters affecting the Company. Mr. Tsunehiro Watabe has been selected as an Independent Outside Director so that the Company can further draw on his insight with the aim of further heightening its corporate value continuously.



**Harumi Sakamoto**  
Director

Apr. 1962 Joined Ministry of International Trade and Industry (current Ministry of Economy, Trade and Industry)  
Jul. 1984 Head of Policy Planning Office of Minister's Secretariat, ditto  
Jun. 1986 Chief, Sapporo Trade and Industry Bureau, ditto  
Aug. 1987 Advisor, The Dai-ichi Kangyo Bank, Ltd.  
May 1990 Managing Director, The Seiyu, Ltd.  
May 1997 Executive Vice President, ditto  
Sep. 1997 Executive Vice President, The Seibu Department Stores, Ltd.  
Apr. 1999 Vice Chairman, Japan Association of Corporate Executives  
Oct. 2000 Secretary General, Japan Association for the 2005 World Exposition  
Oct. 2003 Vice Chairperson, ditto  
Jun. 2006 President, The Distribution Systems Research Institute  
Jun. 2008 Outside Director, The Bank of Yokohama, Ltd.  
Jun. 2010 Chairman, Japan Facility Management Promotion Association  
Jun. 2013 Outside Director, Mitsubishi Motors Corporation  
Sep. 2016 Director, TechnoPro Holdings, Inc. (at present)

### Reasons for Selection as a Director

Ms. Harumi Sakamoto has extensive experience and expansive knowledge which she has gained acting as a government administrator involved in policy of the Ministry of International Trade and Industry and as an executive of various corporations and organizations. Since her appointment as Outside Director of the Company in September 2016, Ms. Harumi Sakamoto has actively provided opinions and advice on the overall management of the Group at meetings of the Board of Directors and has also provided proper oversight by objectively assessing business matters affecting the Company. Ms. Harumi Sakamoto has been selected as an Independent Outside Director so that the Company can further draw on her insight with the aim of further heightening its corporate value continuously.

## A Discussion among Three Outside Directors



**Kazuhiko Yamada**  
Outside director

**Tsunehiro Watabe**  
Lead outside director

**Harumi Sakamoto**  
Outside director

**Q** Could you give us a summary of the fiscal year ended June 30, 2019, the second year of the medium-term management plan?

**Sakamoto**

I think this was a good year, when our efforts on the revenue, profit, engineer recruiting, and utilization rate fronts bore fruit.

**Watabe**



Revenue and EBITDA grew steadily. With regard to M&A, the Group posted an impairment loss on Helius, but ROIC was generally in line with our 10% target.

**Yamada**

We made steady progress on the four pillars of the medium-term management plan's growth strategy. I think progress was evident on managing the Group from an investor's perspective, such as comparing our ROIC and cost of capital.

**Q** What are your thoughts on the impairment loss posted in relation to Helius?

**Sakamoto**

One thing I regret was that although the presence of risks surrounding the acquisition was deliberated, no specific simulations were run for addressing these risks. That said, I approve of the way the Group dealt with the issue by recording an impairment loss rather than procrastinating.

**Watabe**

The customer concentration risk was raised at the time of acquisition. I regret that we did not discuss how to address the issue until after the acquisition. We have tightened up our policies on investment.

**Yamada**

At the same time, the mechanism for minimizing risk was effective. The Group acquired a majority stake of 51% and used a put option on the remaining shares. This structure avoided fixing an exercise price, and linking the share price to operating performance helped cover some of the impairment loss.



**Q** You are working toward the formulation of a new medium-term management plan. Could you outline the medium- to long-term outlook and risks?

**Sakamoto**

My biggest concern over the medium to long term involves the continued ability to recruit engineers. Things are going well now, but as the absolute number of new graduates in Japan is certain to decrease, the Group will need policies such as bringing human capital from overseas and cultivating engineers. However, the Group must maintain its high level of technological expertise in order to remain attractive. It will be important to take advantage of opportunities to nurture our engineers through friendly ties with alliance partners and universities in Japan and overseas.

**Watabe**

I think the business environment will grow more challenging. Although they are improving, the social recognition and business foundation of staffing companies are still insufficient. The industry needs to earn a greater level of social trust in order to attract stability-oriented applicants. The salary aspect is also important. Interesting work, high salaries and good colleagues are needed to attract good human resources. With engineers, in particular, we need to be aware of disparities between Japan and other countries. We need to make an effort to ensure our customers appropriately understand the value of technical expertise.

**Yamada**

This is in line with our growth strategy, but I think the initiative to start importing technologies from overseas rather than looking for growth through domestic staffing alone was a good move. Learning cutting-edge technologies will make engineers more valuable.

**Q** How do you think operating risks should be addressed?

**Watabe**

I have seen many instances where so-called blue-chip companies take on major risks and then fail. We must always take risks into account when making decisions, but I think the TechnoPro Group's Board of Directors helps mitigate risks by engaging in vigorous deliberation.

**Sakamoto**

Although M&A involves risk, our M&A activities will not tail off. As it engages in these initiatives, the Company will need to create contingency plans and bear in mind the business impact of these risks.



**Yamada**

When acquiring Orion in October 2018, we engaged in a variety of discussions surrounding such risks as the size of the investment and the potential for Brexit. The upshot, I believe, was an appropriate investment in the Group's first location in Europe.

**Q** What are your opinions about the CEO succession plan?

**Yamada**

The Nomination and Compensation Committee is formulating plans under two scenarios. The first is to ensure management would continue to function if something were to happen to our current CEO, Mr. Nishio. The second scenario involves succession to a new generation. The CEO and CFO are two key management positions, so we also engaged in deliberation about a CFO successor. The appointment of Mr. Hagiwara as our new CFO was part of this succession plan.

**Sakamoto**

Although I am not a member of the Nomination and Compensation Committee, I realize what an important task the people making appointments face. Rather than being simply cosmetic, the people making appointments need to be provided with sufficient information and opportunities to discuss choosing the person who is best for the Company at that time.

**Watabe**

To remain attractive, companies must continue changing. Management needs to continue working to ensure that employees keep thinking TechnoPro is interesting. We need to continue selecting a management team with the perspective of boosting the TechnoPro Group's attractiveness and achieving growth.

## Audit & Supervisory Board Members



**Tatsuhisa Nagao**  
Audit & Supervisory Board Member

Apr. 1974 Joined The Industrial Bank of Japan, Limited (current Mizuho Bank, Ltd.)  
Jun. 2000 Yokohama Branch Manager of the bank  
Apr. 2004 Business executive, Hitachi Capital Corporation, & Director, Home appliance & Refurbishment Business Development Department  
Apr. 2005 Business executive, ditto & Managing director, Tohoku Regional Head Office  
Jun. 2006 Auditor, Hitachi Capital Securities Co., Ltd.  
Apr. 2010 Auditor, Hitachi Capital Auto Lease Co., Ltd.  
Sep. 2014 Audit & Supervisory Board Member, TechnoPro Holdings, Inc. (at present)  
Aug. 2015 Audit & Supervisory Board Member, TechnoPro, Inc. (at present)

### Reasons for Selection as an Outside Audit & Supervisory Board Member

Mr. Tatsuhisa Nagao possesses wide-ranging knowledge of financing, as well as extensive experience as a standing audit & supervisory board member of major corporate groups. Mr. Tatsuhisa Nagao has been selected as an independent outside Audit & Supervisory Board member because the Company expects that he will provide oversight, auditing and advice from an objective perspective.



**Hitoshi Madarame**  
Audit & Supervisory Board Member

Apr. 1981 Joined Ishimaru Denki Co., Ltd.  
Mar. 1997 Joined TST, Inc.  
Jun. 2007 Executive Officer, General Manager of Management Division, ditto  
Dec. 2008 Executive Officer, CSI, Inc. (Compliance Promotion Division)  
Jul. 2012 Executive Officer, General Manager of Management Division, ditto  
Jun. 2013 General Manager of Internal Audit Department, TechnoPro Holdings, Inc.  
Sep. 2019 Audit & Supervisory Board Member, TechnoPro Holdings, Inc. (at present)  
Sep. 2019 Audit & Supervisory Board Member, TechnoPro, Inc. (at present)

### Reasons for Selection as an Audit & Supervisory Board Member

Mr. Hitoshi Madarame is well-informed regarding the organization, business pursuits and operating processes of the Group, as well as the laws and regulations to be observed, gained from his extensive experience as a person in charge of administrative departments in companies within the Group and in charge of the Internal Audit Department of the Company. Mr. Hitoshi Madarame has been selected as an Audit & Supervisory Board Member because the Company expects that he will provide effective oversight, auditing and advice.



**Mitsutoshi Takao**  
Audit & Supervisory Board Member

Apr. 1972 Joined Kawasaki Heavy Industries, Ltd.  
Jan. 1998 Senior Manager, Planning & Control Department, Jet Engine Division, ditto  
Apr. 2004 Senior Manager, Head Office Finance & Accounting Department, ditto  
Apr. 2005 Executive Officer, ditto  
Jun. 2008 Senior Vice President (Representative Director), ditto  
Apr. 2012 Senior Executive Vice President (Representative Director), ditto  
Apr. 2014 Audit & Supervisory Board Member, TechnoPro Holdings, Inc. (at present)  
Mar. 2018 Outside Director, Audit and Supervisory Committee Member, MEC COMPANIES LTD. (at present)

### Reasons for Selection as an Outside Audit & Supervisory Board Member

Centering on finance and accounting, Mr. Mitsutoshi Takao, having worked as a manager in major corporations, is well experienced and also knowledgeable in all areas of management operations. The Company anticipates obtaining his objective viewpoint based on his supervision, auditing, and advice, and has appointed him as an independent outside auditor.



**Akira Mikami**  
Audit & Supervisory Board Member

Apr. 1975 Joined Mitsubishi Corporation  
Oct. 1985 Vice President, Machinery Department, Mitsubishi Corporation (Hong Kong) Limited  
Apr. 1995 Vice President, General Manager of Machinery Department, Mitsubishi Canada Limited  
Oct. 2001 Team leader of Supervisory Audit Team, Internal Audit Department, Mitsubishi Corporation  
Nov. 2003 Team leader of Quality Control Team, Internal Audit Department, ditto  
Apr. 2007 Deputy Manager in charge of Affiliate Internal Audit Promotion Office, Internal Audit Department, ditto  
Jun. 2011 Audit & Supervisory Board Member, San Holdings, Inc.  
Jul. 2017 Audit & Supervisory Board Member, Last One Mile Co., Ltd. (at present)  
Sep. 2019 Audit & Supervisory Board Member, TechnoPro Holdings, Inc. (at present)

### Reasons for Selection as an Outside Audit & Supervisory Board Member

Mr. Akira Mikami possesses wide-ranging knowledge and practical experience of internal control, internal audit and risk management; international mindset nurtured through his service in a major trading company; and extensive experience as a full-time auditor in listed enterprises. Mr. Akira Mikami has been selected as an Independent Outside Audit & Supervisory Board Member because the Company expects that he will provide oversight, auditing and advice from an objective perspective.

## Board of Directors and Audit & Supervisory Board Skills Matrix

The chart below outlines the major skills, experience and expertise of the Company's Board of Directors and Audit & Supervisory Board members. By leveraging their individual specializations and achieving an overall balance, our Board of Directors and Audit & Supervisory Board ensure diversity and provide a structure for responding flexibly to changes in various business environments.

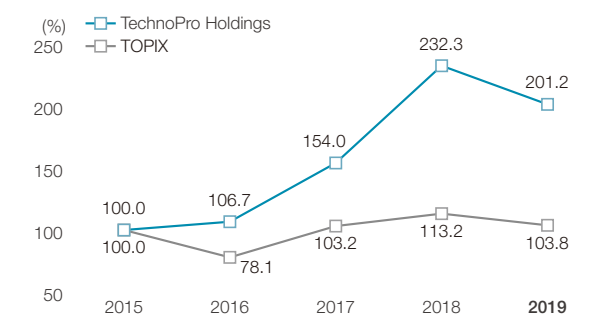
	Attributes		Fields of Experience, Expertise, etc.								Specialization
	Gender	Independence	Background and Experience in the Company's Operation	Knowledge of Customer and Technology trends	Experience as Director or Audit & Supervisory Board Member of a Listed Company	Experience as CFO or Experience and Expertise in Finance, Accounting and Tax	Experience and Knowledge of M&A	International Expertise and Language Skills	Experience and Expertise in Personnel and Human Resource Development	Experience and Expertise in Law, Compliance, Risk Management and Internal Auditing	Profession or Qualifications with High Business Relevance
<b>Board of Directors</b>											
<b>Yasuji Nishio</b> President, Representative Director and CEO	Male		●		●	●					
<b>Gaku Shimaoka</b> Director, Managing Executive Officer	Male		●	●	●						
<b>Koichiro Asai</b> Director, Managing Executive Officer	Male		●	●	●						
<b>Takeshi Yagi</b> Director, Managing Executive Officer	Male				●			●	●		
<b>Toshihiro Hagiwara</b> Director, Managing Executive Officer and CFO	Male					●	●	●			Certified public accountant
<b>Tsunehiro Watabe</b> Outside Director	Male	●			●		●	●			
<b>Kazuhiko Yamada</b> Outside Director	Male	●			●					●	Attorney
<b>Harumi Sakamoto</b> Outside Director	Female	●			●						
<b>Audit &amp; Supervisory Board</b>											
<b>Tatsuhisa Nagao</b> Outside Audit & Supervisory Board Member (standing)	Male	●			●			●			
<b>Hitoshi Madarame</b> Audit & Supervisory Board Member (standing)	Male								●		
<b>Mitsutoshi Takao</b> Outside Audit & Supervisory Board Member	Male	●			●	●					
<b>Akira Mikami</b> Outside Audit & Supervisory Board Member	Male	●			●			●	●	●	Certified internal auditor, certified financial services auditor

Note 1: The chart above does not indicate all the skills, experience, capabilities and other knowledge the listed individuals possess.

Note 2: "Experience" above in principle indicates three years or more of continuous experience in the said occupation or role.

## Total Shareholder Return (TSR)

Since our listing in the fiscal year ended June 30, 2015, we have achieved consistent increases in operating performance and raised our dividend levels. As a result, our total shareholder return (TSR) has exceeded the TOPIX average.



# Management's Discussion and Analysis

## Initiatives in the Fiscal Year Ended June 30, 2019

### • Implementing "Shift-up" and "Charge-up" Initiatives

The Group continued to implement the "shift-up" (increase unit prices through changes in place of assignment) and "charge-up" (increase unit prices at the time of contract renewal at the same place of assignment) initiatives from the previous year in an effort to increase sales per engineer.

### • Securing Engineers

In the Japanese market for recruiting engineers, demand continues to outstrip supply. For the TechnoPro Group to grow further, securing engineers is an important priority. We are actively recruiting new graduates and engaging in specific initiatives to ensure excellent engineers, utilizing referrals by our engineers, employing recruitment agencies and holding recruiting seminars. In February 2019, we included in the scope of consolidation TECHNO BRAIN COMPANY, LTD., a recruitment agency that specializes in scouting high-end engineers. In July 2019, we conducted an absorption-type merger between that company and TechnoPro Careers, Inc.—another consolidated subsidiary engaged in the recruitment agency business—with TECHNO BRAIN as the surviving company. This merger made it possible for us to provide recruitment agency services in a variety of domains by leveraging our strengths in registration- and scout-type recruiting. To promote the growth of a recruitment agency business focused on engineers, we intend to continue increasing the supply of engineers both inside and outside the Group.

### • Making a Shift toward Higher-Value-Added Engineers

Our measures to promote a shift toward higher-value-added engineers include collaboration with ALBERT, Inc. and i's FACTORY Co., Ltd. on the cultivation and dispatch of data scientists. We are working with Strategic Cyber Holdings

LLC, which operates CYBERGYM TOKYO, to develop cyber security experts. In addition, with A.L.I. Technologies Inc. we are jointly rolling out a drone solution service that utilizes AI technologies. Furthermore, we are conducting joint research with the University of Tokyo, the Tokyo Institute of Technology, Tottori University and other research institutions. Pc Assist Co., Ltd., a consolidated subsidiary involved in education and training services that runs the Win School, is establishing new courses to help people learn technologies currently in high demand and engages in various other initiatives to promote a shift toward higher-value-added engineers. Going forward, the TechnoPro Group will continue working proactively to enhance the expertise and technologies of its engineers and researchers and foster higher-value-added engineers.

### • Pursuing Globalization

In October 2018, we converted Orion Managed Services Limited to a consolidated subsidiary. Through this company, which conducts engineer dispatch and recruitment agency businesses at its locations in the United Kingdom, we have put in place a steppingstone to expand our business over the medium to long term in Europe, as well as Asia. By also collaborating with companies in the TechnoPro China Group, which operate at locations in Asia, and Helius Technologies Pte Ltd., we will provide technological services to Japanese companies with operations in Europe and Asia. We are also building a system to offset the shortage of domestic engineers by securing non-Japanese engineers who can work in Japan.

## Operating Performance

As of June 30, 2019, our engineers in Japan numbered 19,293 (up 2,496 year on year). Although remaining high,

the average utilization rate decreased 0.2 percentage point during the year, to 95.5%. While shift-up and charge-up initiatives contributed to sales per engineer (the average for TechnoPro, Inc. and TechnoPro Construction, Inc.), the figure fell ¥100 per month, to ¥630,000, due to the influx of numerous new-graduate engineers and a reduction in overtime hours in line with government-mandated working style reforms.

On the employment front, the number of engineers grew, with newly recruited engineers in Japan (including those joining the Group as the result of acquisitions) numbering 4,512, up 361.

The gross profit margin was 25.3%, despite an increase in cost of sales due to higher labor costs for engineers associated with improved business performance. However, administrative costs also rose as the Group expanded in scale, leading to an SGA expense/revenue ratio of 15.8%.

As a result, revenue amounted to ¥144,176 million in the fiscal year ended June 30, 2019 (up 23.7% year on year). Operating profit was ¥13,739 million (up 22.3%), profit before income taxes was ¥13,727 million (up 23.0%), and net profit attributable to owners of the parent company was ¥9,683 million (up 13.9%).

### • R&D Outsourcing Field

In addition to enhancing profitability by moving forward with negotiations for shift-up and charge-up initiatives, driven by specialist teams, the Group also continued building information systems related to the recruitment and development of human resources. Owing to these initiatives, revenue in this field was ¥113,783 million (up 16.8%).

### • Construction Management Outsourcing

The Group, continuing from the previous fiscal year, increased the amount of sales per engineer through the promotion of team assignments. Additionally, the Group expanded in two key areas; the active hiring and development of inexperienced personnel, and the incorporation of design into the business scope of current construction management work. Consequently, revenue in this field amounted to ¥17,720 million (up 20.9%).

## Financial Position

As of June 30, 2019, total assets amounted to ¥93,771 million (up ¥5,569 million from one year earlier).

### • Current Assets

Current assets totaled ¥44,562 million (up ¥3,561 million). Of this amount, cash and cash equivalents were ¥21,230 million (down ¥421 million), and accounts receivable and other receivables were ¥19,765 million (up ¥2,386 million).

### • Non-Current Assets

Non-current assets came to ¥49,208 million (up ¥2,007 million).

### • Current Liabilities

Current liabilities were ¥34,171 million (up ¥5,426 million). The primary components were accounts payable and other liabilities of ¥12,964 million (up ¥1,918 million) and employee benefit liabilities of ¥5,846 million (up ¥952 million).

### • Non-Current Liabilities

Non-current liabilities at fiscal year-end came to ¥13,534 million (down ¥2,955 million). Of this figure, bonds and loans payable were ¥5,825 million (down ¥2,319 million), and other long-term financial liabilities were ¥6,697 million (down ¥595 million).

### • Equity Attributable to the Owners of the Parent Company

Equity attributable to the owners of the parent company amounted to ¥4,483 million (up ¥3,109 million). Key components were capital surplus of ¥7,304 million (down ¥1,698 million) and retained earnings of ¥31,129 million (up ¥5,304 million).

## Cash Flows

Cash and cash equivalents amounted to ¥21,230 million as of June 30, 2019, down ¥421 million from a year earlier.

### • Cash Flows from Operating Activities

Net cash provided by operating activities was ¥11,270 million, compared with ¥10,798 million in the preceding fiscal year. Sources of cash included profit before income taxes (¥13,727 million) and an increase in accounts payable and other liabilities (¥1,659 million). Principal uses of cash were an increase in accounts receivable and other receivables (¥1,786 million) and income taxes paid (¥3,529 million).

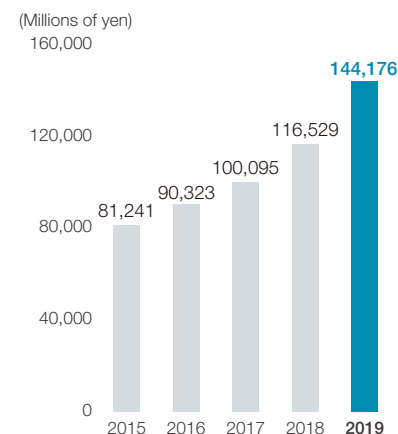
### • Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥4,429 million, compared with ¥5,361 in the previous fiscal year. Principal uses included purchases of subsidiaries (¥3,705 million), purchases of tangible fixed assets (¥375 million) and purchases of other financial assets (¥260 million).

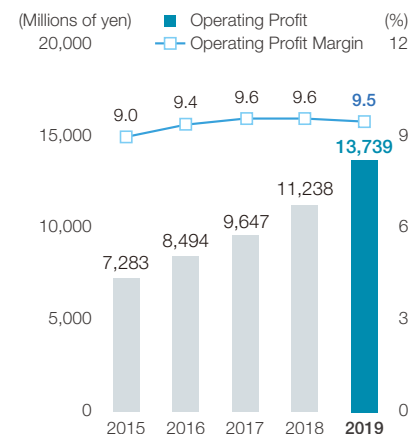
### • Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥7,184 million, compared with ¥2,826 million provided by these activities in the fiscal year ended June 30, 2018. Proceeds from long-term borrowings provided ¥1.0 billion, while cash dividends paid used ¥4,338 million and repayments of long-term borrowings used ¥3,433 million.

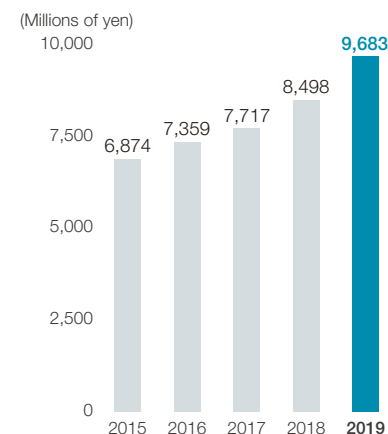
## Revenue



## Operating Profit/ Operating Profit Margin



## Net Profit Attributable to Owners of the Parent Company



## Consolidated Statement of Financial Position

TechnoPro Holdings, Inc. and its subsidiaries  
As at June 30, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
<b>Assets</b>			
Current assets			
Cash and cash equivalents	¥21,652	<b>¥21,230</b>	<b>\$196,574</b>
Accounts receivable and other receivables	17,378	<b>19,756</b>	<b>182,926</b>
Income taxes receivable	19	<b>0</b>	<b>0</b>
Other short-term financial assets	435	<b>571</b>	<b>5,287</b>
Other current assets	1,514	<b>2,993</b>	<b>27,713</b>
Total current assets	41,000	<b>44,562</b>	<b>412,611</b>
Non-current assets			
Property, plant and equipment	1,105	<b>1,261</b>	<b>11,676</b>
Goodwill	34,498	<b>37,079</b>	<b>343,324</b>
Intangible assets	3,503	<b>2,596</b>	<b>24,037</b>
Investments accounted for using the equity method	101	<b>94</b>	<b>870</b>
Other long-term financial assets	3,961	<b>4,167</b>	<b>38,583</b>
Deferred tax assets	3,932	<b>3,957</b>	<b>36,639</b>
Other non-current assets	97	<b>52</b>	<b>481</b>
Total non-current assets	47,201	<b>49,208</b>	<b>455,630</b>
Total assets	¥88,201	<b>¥93,771</b>	<b>\$868,250</b>

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
<b>Liabilities and equity</b>			
Current liabilities			
Accounts payable and other liabilities	¥11,045	<b>¥12,964</b>	<b>\$120,037</b>
Bonds and loans payable	3,471	<b>3,360</b>	<b>31,111</b>
Income taxes payable	2,043	<b>3,503</b>	<b>32,435</b>
Other short-term financial liabilities	2,313	<b>2,582</b>	<b>23,907</b>
Employee benefit obligations	4,894	<b>5,846</b>	<b>54,130</b>
Provisions	7	<b>3</b>	<b>28</b>
Other current liabilities	4,967	<b>5,909</b>	<b>54,713</b>
Total current liabilities	28,744	<b>34,171</b>	<b>316,398</b>
Non-current liabilities			
Bonds and loans payable	8,144	<b>5,825</b>	<b>53,935</b>
Other long-term financial liabilities	7,293	<b>6,697</b>	<b>62,009</b>
Deferred tax liabilities	599	<b>499</b>	<b>4,620</b>
Retirement benefit obligations	30	<b>28</b>	<b>259</b>
Provisions	341	<b>378</b>	<b>3,500</b>
Other non-current liabilities	79	<b>104</b>	<b>963</b>
Total non-current liabilities	16,489	<b>13,534</b>	<b>125,315</b>
Total liabilities	45,233	<b>47,705</b>	<b>441,713</b>
Equity			
Capital stock	6,785	<b>6,903</b>	<b>63,917</b>
Capital surplus	9,003	<b>7,304</b>	<b>67,630</b>
Retained earnings	25,824	<b>31,129</b>	<b>288,231</b>
Treasury stock	(1)	<b>(2)</b>	<b>(19)</b>
Other components of equity	82	<b>(532)</b>	<b>(4,926)</b>
Equity attributable to owners of the parent company	41,694	<b>44,803</b>	<b>414,843</b>
Non-controlling interests	1,272	<b>1,262</b>	<b>11,685</b>
Total equity	42,967	<b>46,065</b>	<b>426,528</b>
Total liabilities and equity	¥88,201	<b>¥93,771</b>	<b>\$868,250</b>

## Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

TechnoPro Holdings, Inc. and its subsidiaries  
For the years ended June 30, 2018 and 2019

### Consolidated Statement of Income

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Revenue	¥116,529	¥144,176	\$1,334,963
Cost of sales	87,054	107,710	997,315
Gross profit	29,475	36,466	337,648
Selling, general and administrative expenses	18,237	22,767	210,806
Other income	113	1,816	16,815
Other expenses	111	1,775	16,435
Operating profit	11,238	13,739	127,213
Financial income	69	109	1,009
Financial expenses	148	113	1,046
Investment profit (loss) under the equity method	3	(7)	(65)
Profit before income taxes	11,163	13,727	127,102
Income taxes	2,654	4,327	40,065
Net profit	8,509	9,400	87,037
Net profit attributable to:			
Owners of the parent company	8,498	9,683	89,657
Non-controlling interests	10	(282)	(2,611)
Total	¥ 8,509	¥ 9,400	\$ 87,037

	Yen		U.S. Dollars
	2018	2019	2019
Earnings per share attributable to owners of the parent company			
Basic earnings per share	¥244.81	¥266.86	\$2.47
Diluted earnings per share	244.62	266.79	2.47

### Consolidated Statement of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net profit	¥8,509	¥9,400	\$87,037
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value of financial assets measured at fair value through other comprehensive income	—	(454)	(4,204)
Remeasurement of defined benefit plan	111	—	—
Total items that will not be reclassified to profit or loss	111	(454)	(4,204)
Items that may be reclassified to profit or loss			
Translation differences related to foreign operations	(9)	(228)	(2,111)
Change in fair value of available-for-sale financial assets	(47)	—	—
Total items that may be reclassified to profit or loss	(57)	(228)	(2,111)
Total other comprehensive income (loss)	53	(682)	(6,315)
Comprehensive income for the period	8,563	8,717	80,713
Comprehensive income for the period attributable to:			
Owners of the parent company	8,556	9,042	83,722
Non-controlling interests	7	(324)	(3,000)
Total	¥8,563	¥8,717	\$80,713

## Consolidated Statement of Changes in Equity

TechnoPro Holdings, Inc. and its subsidiaries  
For the years ended June 30, 2018 and 2019

Fiscal year ended June 30, 2018 (July 1, 2017 to June 30, 2018)	Millions of Yen							Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity					
As of July 1, 2017	¥ 510	¥ 5,975	¥21,075	¥ (0)	¥136	¥27,696	¥ —	¥27,696		
Net profit			8,498			8,498	10	8,509		
Other comprehensive income			111		(54)	57	(3)	53		
Total comprehensive income			8,610		(54)	8,556	7	8,563		
Number of new shares issued	6,275	6,055				12,330		12,330		
Dividends of surplus			(3,861)			(3,861)		(3,861)		
Share-based payment transaction		88				88		88		
Purchases of treasury stock				(0)		(0)		(0)		
Change of scope of consolidation						—	1,265	1,265		
Put options granted to non-controlling shareholders		(3,066)				(3,066)		(3,066)		
Other increases (decreases)		(48)				(48)		(48)		
Total transactions with the owners	6,275	3,028	(3,861)	(0)	—	(5,441)	1,265	6,707		
As of June 30, 2018	¥6,785	¥ 9,003	¥25,824	¥ (1)	¥ 82	¥41,694	¥1,272	¥42,967		

Fiscal year ended June 30, 2019 (July 1, 2018 to June 30, 2019)	Millions of Yen							Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity					
As of July 1, 2018	¥6,785	¥ 9,003	¥25,824	¥ (1)	¥ 82	¥41,694	¥1,272	¥42,967		
Net profit			9,683			9,683	(282)	9,400		
Other comprehensive income			(25)		(615)	(640)	(41)	(682)		
Total comprehensive income			9,657		(615)	9,042	(324)	8,717		
Number of new shares issued	118	(41)				77		77		
Dividends of surplus			(4,353)			(4,353)	(28)	(4,381)		
Share-based payment transaction		115				115		115		
Purchases of treasury stock				(0)		(0)		(0)		
Change of scope of consolidation						—	343	343		
Put options granted to non-controlling shareholders		(1,693)				(1,693)		(1,693)		
Other increases (decreases)		(78)				(78)		(78)		
Total transactions with the owners	118	(1,698)	(4,353)	(0)	—	(5,933)	314	(5,619)		
As of June 30, 2019	¥6,903	¥ 7,304	¥31,129	¥ (2)	¥(532)	¥44,803	¥1,262	¥46,065		

Fiscal year ended June 30, 2019 (July 1, 2018 to June 30, 2019)	Thousands of U.S. Dollars							Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity					
As of July 1, 2018	\$62,824	\$ 83,361	\$239,111	\$ (9)	\$ 759	\$386,056	\$11,778	\$397,843		
Net profit			89,657			89,657	(2,611)	87,037		
Other comprehensive income			(231)		(5,694)	(5,926)	(380)	(6,315)		
Total comprehensive income			89,417		(5,694)	83,722	(3,000)	80,713		
Number of new shares issued	1,093	(380)				713		713		
Dividends of surplus			(40,306)			(40,306)	(259)	(40,565)		
Share-based payment transaction		1,065				1,065		1,065		
Purchases of treasury stock				(0)		(0)		(0)		
Change of scope of consolidation						—	3,176	3,176		
Put options granted to non-controlling shareholders		(15,676)				(15,676)		(15,676)		
Other increases (decreases)		(722)				(722)		(722)		
Total transactions with the owners	1,093	(15,722)	(40,306)	(0)	—	(54,935)	2,907	(52,028)		
As of June 30, 2019	\$63,917	\$ 67,630	\$288,231	\$ (19)	\$ (4,926)	\$414,843	\$11,685	\$426,528		

## Consolidated Statement of Cash Flows

TechnoPro Holdings, Inc. and its subsidiaries  
For the years ended June 30, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net cash flows from operating activities			
Profit before income taxes	¥ 11,163	¥13,727	\$127,102
Depreciation and amortization	506	777	7,194
Impairment loss	—	1,673	15,491
Loss (profit) on put options granted to non-controlling shareholders	—	(1,359)	(12,583)
Interest and dividend income	(61)	(73)	(676)
Interest expenses	101	91	843
Investment loss (profit) under the equity method	(3)	7	65
Decrease (increase) in accounts receivables and other receivables	(1,928)	(1,786)	(16,537)
Increase (decrease) in accounts payable and other liabilities	839	1,659	15,361
Increase (decrease) in deposits received	1,005	206	1,907
Increase (decrease) in consumption tax payable	826	459	4,250
Increase (decrease) in retirement benefit obligations	(506)	(923)	(8,546)
Other	909	287	2,657
Subtotal	12,853	14,748	136,556
Dividends received	58	70	648
Interest received	3	2	19
Interest paid	(91)	(43)	(398)
Income taxes paid	(4,170)	(3,529)	(32,676)
Income tax refund	2,146	21	194
Net cash flows from operating activities	10,798	11,270	104,352
Cash flows from investing activities			
Payments into time deposits	(10)	(167)	(1,546)
Proceeds from withdrawal of time deposits	94	245	2,269
Purchase of tangible fixed assets	(263)	(375)	(3,472)
Proceeds from sales of tangible fixed assets	0	38	352
Purchase of intangible assets	(145)	(85)	(787)
Purchase of other financial assets	(255)	(260)	(2,407)
Purchase of marketable securities	(0)	(131)	(1,213)
Purchases of subsidiaries	(4,780)	(3,705)	(34,306)
Other	0	13	120
Net cash flows from investing activities	(5,361)	(4,429)	(41,009)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(2,022)	(102)	(944)
Proceeds from long-term borrowings	6,900	1,000	9,259
Repayments of long-term borrowings	(10,225)	(3,433)	(31,787)
Redemption of bonds	(219)	(304)	(2,815)
Proceeds from issuance of new stock	12,259	0	0
Purchase of treasury stock	(0)	(0)	(0)
Cash dividends paid	(3,861)	(4,338)	(40,167)
Other	(2)	(3)	(28)
Net cash flows from financing activities	2,826	(7,184)	(66,519)
Effect of change in exchange rates on cash and cash equivalents	(10)	(78)	(722)
Net increase (decrease) in cash and cash equivalents	8,254	(421)	(3,898)
Cash and cash equivalents at the beginning of the period	13,398	21,652	200,481
Cash and cash equivalents at the end of the period	¥ 21,652	¥21,230	\$196,574

## Company Data

Name	TechnoPro Holdings, Inc.	Group Companies	TechnoPro, Inc. ON THE MARK Co., Ltd. EDELTA Co., Ltd. PROBIZMO Co., Ltd. TechnoPro Construction, Inc. TOQO. Co., Ltd TechnoPro Smile, Inc. Pc Assist Co., Ltd. (Win School) TECHNO BRAIN COMPANY., LTD. Boyd & Moore Executive Search K.K. TechnoPro China Group Helius Technologies Pte Ltd Orion Managed Services Limited
President, representative director, and CEO	Yasuji Nishio		
Established	April 27, 2012		
Headquarters	35F, Roppongi Hills Mori Tower 6-10-1 Roppongi, Minato-ku, Tokyo 106-6135, Japan		
Capital	¥6,903.8 million		
Annual sales	¥144.2 billion (consolidated, for the fiscal year ended June 30, 2019)		
Business	Supervising and managing Group companies		
Employees	23,039 (consolidated, for the Group, as of June 30, 2019)		

## Stock Information

### Basic Stock Information

Stock exchange	First Section, Tokyo Stock Exchange
Listing date	December 15, 2014
Ordinary General Meeting of Shareholders	September
Reference date for confirming the number of shareholders	June 30 for the Ordinary General Meeting of Shareholders and dividends, December 31 for interim dividends
Trading unit	100 shares
Shares outstanding	36,304,029 (as of June 30, 2019)
Shareholders	4,014 (as of June 30, 2019)
Major Indexes	JPX-Nikkei Index 400 MSCI Japan Empowering Women Index (WIN) MSCI Japan ESG Select Leaders Index



### Major Shareholders (as of June 30, 2019)

Shareholders	Shares held (thousands)	% of shares*
SSBTC CLIENT OMNIBUS ACCOUNT	2,833	7.80
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,186	6.02
Japan Trustee Services Bank, Ltd. (Trust Account)	2,095	5.77
STATE STREET BANK AND TRUST COMPANY 505001	999	2.75
CITIBANK, N. A. -NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	929	2.56
BBH FOR MATTHEWS JAPAN FUND	928	2.55
Mizuho Securities Co., Ltd.	879	2.42
GOLDMAN, SACHS & CO. REG	846	2.33
BNYM AS AGT/CLTS NON TREATY JASDEC	814	2.24
THE BANK OF NEW YORK MELLON 140044	807	2.22

\*Calculations for the percentages of shares held exclude 498 shares of treasury stock.

Received the "Best IR Award for Encouragement" at 2019 IR Award, the 24th Sponsored by the Japan Investor Relations Association

The "IR Award" is designed to recognize companies that have been highly accredited in the investment community for their understanding and promotion of IR activities.

In 2019, the Company was selected to receive the "Best IR Award for Encouragement."



## TechnoPro Holdings, Inc.

35F, Roppongi Hills Mori Tower  
6-10-1 Roppongi, Minato-ku,  
Tokyo 106-6135, Japan  
TEL: +81-3-6385-7998

