

TechnoPro Group Financial Results for the 1st Quarter of FY24.6

TechnoPro Holdings, Inc. (code: 6028,TSE)

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1. Accounting figures are rounded down to the nearest unit unless otherwise stated; KPI figures indicate "R&D Outsourcing" and "Construction Management Outsourcing" segments in Japan
2. "Net profit" refers to net profit attributable to owners of the parent company after deducting non-controlling interests
3. "Core operating profit" is calculated by subtracting SG&A expenses from gross profit, excluding extraordinary items (ex. government subsidy, impairment loss) recognized in other income or other expenses
4. "Operating profit before PPA asset amortization" is calculated by adding back following items to operating profit: 1) amortization of client related asset incurred by Purchase Price Allocation at M&A transactions, 2) impairment loss, 3) changes in fair value amount and early exercise of put option liabilities, and 4) changes in fair value amount of earn-out liabilities
5. Per share amounts are calculated based on the number of shares after a three-for-one split of shares effective July 1, 2021

Q1 FY24.6 Financial Overviews

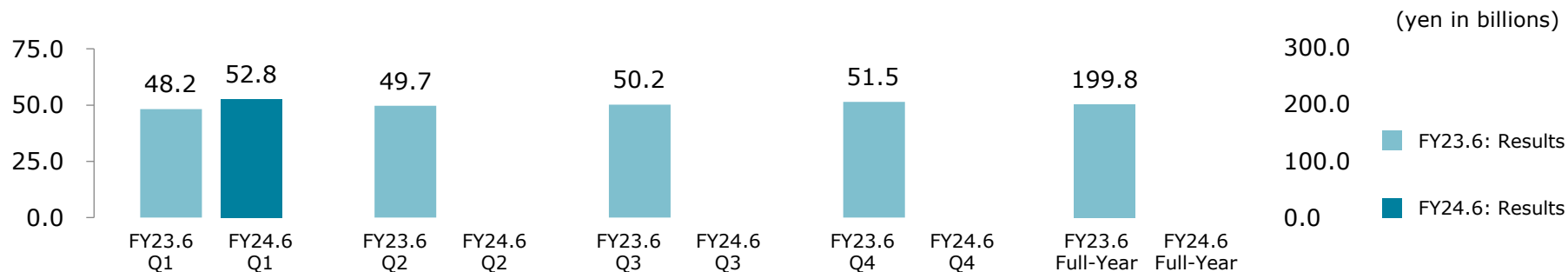
- Q1 FY24.6 revenue was **52.8 billion yen**, up 9.7% year-on-year; gross profit was **14.0 billion yen**, up 6.1% year-on-year; core operating profit was **5.7 billion yen**, down 3.9% year-on-year; operating profit was **5.7 billion yen**, down 3.6% year-on-year; net profit was **4.0 billion yen**, down 3.6% (SG&A expenses increased by 1.0 billion yen, mainly due to 1) soaring recruitment cost of 230 million yen, and 2) increment of 440 million yen in the Overseas segment)
- Q1 FY24.6 gross profit growth was curbed to only **800 million yen** year-on-year, mainly due to 1) increased allocation of domestic dispatch engineers (up 620 million yen), 2) price hike of dispatch contracts (up 720 million yen), and 3) expansion of project-type services (up 680 million yen), offset by increases in 4) provision for paid leave (down 170 million yen), 5) provision for seasonal and financial results-linked bonuses (down 620 million yen in total), and 6) bench cost (down 280 million yen)
- Q1 FY24.6 results slightly exceeded the initial plan; given the Q2 KPIs forecast, making steady progress against H1 guidance

(yen in millions, except per share amounts)

	Q1 (Three-Months Period)				First Half				Full-Year			
	FY23.6 (Results)	FY24.6 (Results)	YoY		FY23.6 (Results)	FY24.6 (Guidance)	YoY		FY23.6 (Results)	FY24.6 (Guidance)	YoY	
Revenue	48,225	52,896	+4,671	+9.7%	98,011	107,000	+8,988	+9.2%	199,851	220,000	+20,148	+10.1%
Gross profit	13,249	14,058	+808	+6.1%	26,038	—	—	—	52,903	—	—	—
GP margin	27.5%	26.6%	(0.9 pts)		26.6%				26.5%			
SG&A expenses	7,312	8,350	+1,038	+14.2%	14,931	—	—	—	31,523	—	—	—
Ratio on revenue	15.2%	15.8%	+0.6 pts		15.2%				15.8%			
Core operating profit	5,937	5,708	(229)	(3.9%)	11,106	11,500	+393	+3.5%	21,379	24,500	+3,120	+14.6%
Core OP margin	12.3%	10.8%	(1.5 pts)		11.3%	10.7%	(0.6 pts)		10.7%	11.1%	+0.4 pts	
Other income	131	91	(40)	—	183	—	—	—	582	—	—	—
Other expenses	61	10	(51)	—	106	—	—	—	124	—	—	—
Operating profit	6,007	5,788	(218)	(3.6%)	11,183	11,500	+316	+2.8%	21,838	24,500	+2,661	+12.2%
OP margin	12.5%	10.9%	(1.5 pts)		11.4%	10.7%	(0.7 pts)		10.9%	11.1%	+0.2 pts	
Profit before income taxes	6,050	5,852	(197)	(3.3%)	11,124	11,500	+375	+3.4%	21,837	24,500	+2,662	+12.2%
Net profit	4,180	4,031	(148)	(3.6%)	7,714	7,800	+85	+1.1%	15,365	16,700	+1,334	+8.7%
Net profit margin	8.7%	7.6%	(1.0 pts)		7.9%	7.3%	(0.6 pts)		7.7%	7.6%	(0.1 pts)	
Earnings per share	38.80	37.67	(1.14)	(2.9%)	71.61	72.97	+1.36	+1.9%	142.71	156.23	+13.52	+9.5%
Dividend per share	—	—	—	—	25.00	25.00	—	—	75.00	80.00	+5.00	+6.7%

Reference: Quarterly Performance

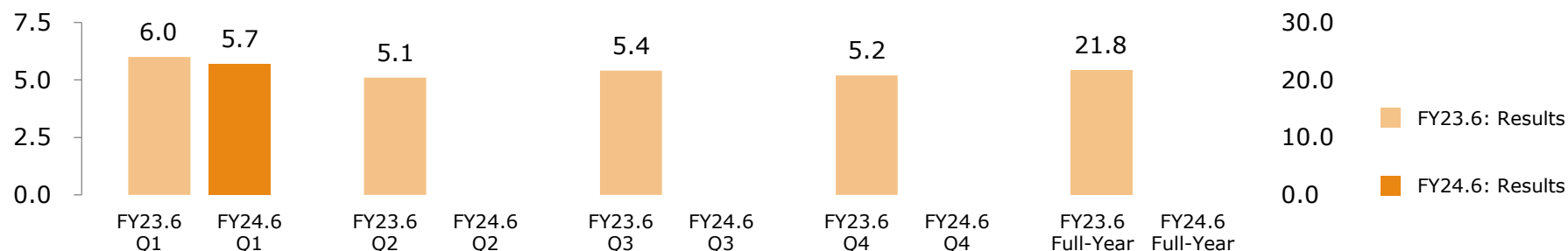
Revenue



YoY	+9.7%		—		—		—		—	
Progress on full-year %	24.1%	—	24.9%	—	25.2%	—	25.8%	—	100.0%	—
Ave. no. of engineers	22,158	24,233	22,506	[24,550]	22,857	—	24,036	—	22,889	—
Ave. utilization ratio	95.9%	95.0%	96.2%	[95.6%]	95.8%	—	93.1%	—	95.2%	—
Ave. monthly unit sales price (thousands yen)*	655	669	667	[684]	679	—	676	—	669	—
Working days*	56.8	56.4	57.4	[58.1]	55.6	—	57.8	—	227.6	—
Working hours per day*	8.43	8.39	8.46	[8.42]	8.46	—	8.39	—	8.43	—

† Figures in brackets indicate forecast at the time of publication

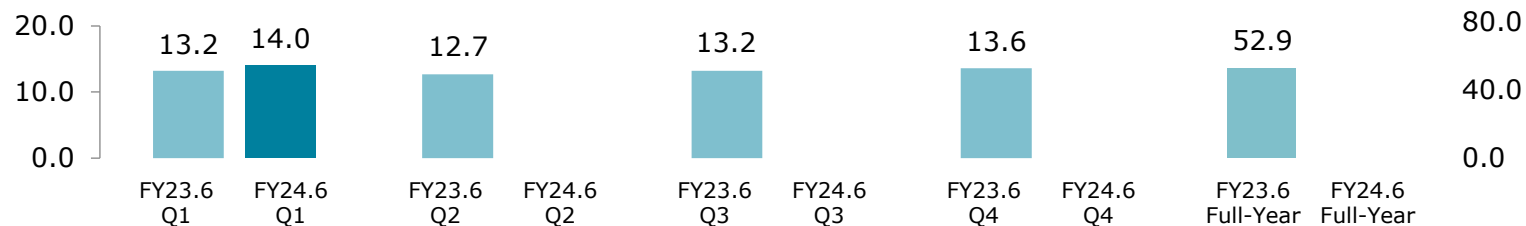
Operating Profit



YoY	(3.6%)		—		—		—		—	
Progress on full-year %	27.5%	—	23.7%	—	24.8%	—	24.0%	—	100.0%	—
OP margin	12.5%	10.9%	10.4%	—	10.8%	—	10.2%	—	10.9%	—

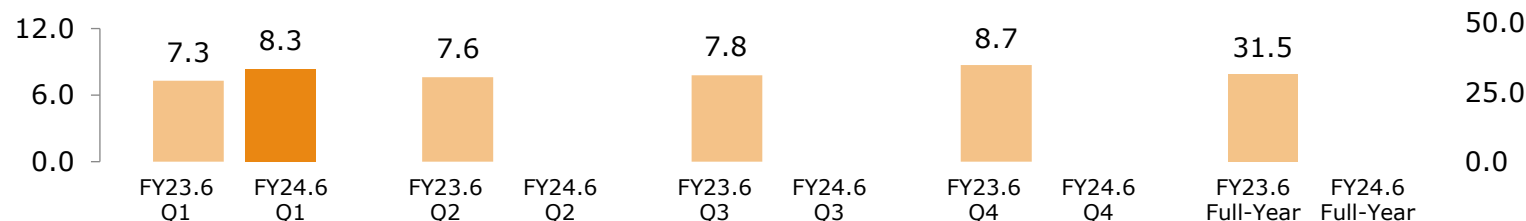
Reference: Quarterly Performance (cont.)

Gross Profit



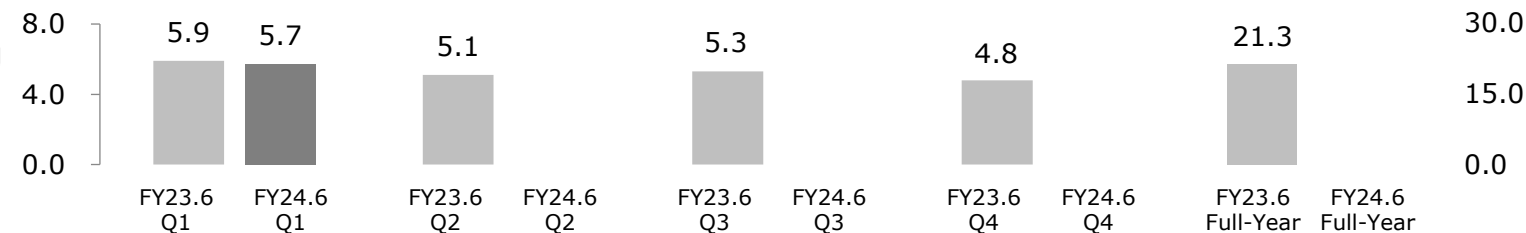
YoY	+6.1%		—		—		—		—	
GP margin	27.5%	26.6%	25.7%	—	26.4%	—	26.4%	—	26.5%	—

SG&A



YOY	+14.2%		—		—		—		—	
Ratio on revenue	15.2%	15.8%	15.3%	—	15.7%	—	16.9%	—	15.8%	—

Core Operating Profit



YOY	(3.9%)		—		—		—		—	
Core OP margin	12.3%	10.8%	10.4%	—	10.7%	—	9.5%	—	10.7%	—

Reference: Q1 FY24.6 Segment Results

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY22.6 Q1	FY23.6 Q1	FY24.6 Q1	YoY	FY22.6 Q1	FY23.6 Q1	FY24.6 Q1	YoY	FY22.6 Q1	FY23.6 Q1	FY24.6 Q1	YoY	FY22.6 Q1	FY23.6 Q1	FY24.6 Q1	YoY
Revenue	32,585	36,591	40,561	+10.9%	4,916	5,187	5,559	+7.2%	1,101	1,272	1,066	(16.2%)	38,604	43,051	47,187	+9.6%
Ratio to consolidated revenue	78.3%	75.9%	76.7%		11.8%	10.8%	10.5%		2.6%	2.6%	2.0%		92.7%	89.3%	89.2%	
Gross profit	7,134	9,719	10,467	+7.7%	1,387	1,525	1,735	+13.7%	811	915	688	(24.8%)	9,333	12,160	12,891	+6.0%
GP margin	21.9%	26.6%	25.8%		28.2%	29.4%	31.2%		73.6%	71.9%	64.5%		24.2%	28.2%	27.3%	
Operating profit	2,858	4,724	4,749	+0.5%	554	651	809	+24.3%	206	110	(79)	—	3,619	5,486	5,480	(0.1%)
OP margin	8.8%	12.9%	11.7%		11.3%	12.6%	14.6%		18.7%	8.7%	(7.4%)		9.4%	12.7%	11.6%	
OP before PPA asset amortization	2,885	4,742	4,767	+0.5%	554	651	809	+24.3%	206	110	(79)	—	3,645	5,504	5,498	(0.1%)
OP margin before PPA asset amortization	8.9%	13.0%	11.8%		11.3%	12.6%	14.6%		18.7%	8.7%	(7.4%)		9.4%	12.8%	11.7%	
PPA asset amortization	(26)	(18)	(18)	—	—	—	—	—	—	—	—	—	(26)	(18)	(18)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	17,893	19,473	21,354	+9.7%	2,634	2,800	2,997	+7.0%	—	—	—	—	20,527	22,273	24,351	+9.3%
o/w Non-Japanese in Japan	776	778	950	+22.1%	103	115	139	+20.9%	—	—	—	—	879	893	1,089	+21.9%

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY22.6 Q1	FY23.6 Q1	FY24.6 Q1	YoY	FY22.6 Q1	FY23.6 Q1	FY24.6 Q1	YoY	FY22.6 Q1	FY23.6 Q1	FY24.6 Q1	YoY	FY22.6 Q1	FY23.6 Q1	FY24.6 Q1	YoY
Revenue	3,469	5,928	6,406	+8.1%	42,073	48,979	53,593	+9.4%	(438)	(753)	(696)	—	41,634	48,225	52,896	+9.7%
Ratio to consolidated revenue	8.3%	12.3%	12.1%		101.1%	101.6%	101.3%		(1.1%)	(1.6%)	(1.3%)		100.0%	100.0%	100.0%	
Gross profit	827	1,577	1,728	+9.6%	10,161	13,738	14,620	+6.4%	(289)	(488)	(562)	—	9,871	13,249	14,058	+6.1%
GP margin	23.9%	26.6%	27.0%		24.2%	28.0%	27.3%		—	—	—		23.7%	27.5%	26.6%	
Operating profit	245	559	269	(51.7%)	3,865	6,045	5,750	(4.9%)	77	(38)	38	—	3,942	6,007	5,788	(3.6%)
OP margin	7.1%	9.4%	4.2%		9.2%	12.3%	10.7%		—	—	—		9.5%	12.5%	10.9%	
OP before PPA asset amortization	300	706	441	(37.5%)	3,945	6,211	5,940	(4.4%)	77	(38)	38	—	4,023	6,172	5,978	(3.1%)
OP margin before PPA asset amortization	8.6%	11.9%	6.9%		9.4%	12.7%	11.1%		—	—	—		9.7%	12.8%	11.3%	
PPA asset amortization	(54)	(147)	(172)	—	(80)	(165)	(190)	—	—	—	—	—	(80)	(165)	(190)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	2,869	3,016	3,022	+0.2%	23,396	25,289	27,373	+8.2%	—	—	—	—	23,396	25,289	27,373	+8.2%

Q1 FY24.6 Balance Sheet & Cash Flows

- Q1 FY24.6 cash flows turned significantly negative due to 1) corporate income tax and dividend payments, 2) additional share repurchase from the previous period, 3) acquisition of the remaining shares of Orion (became wholly owned subsidiary through Put Option exercise), etc.; expecting positive cash flows in H1 despite the payment of winter bonus for engineers in Q2
- Ensuring 1) sufficient flexibility for unexpected financial needs, backed by credit lines for working capital and M&A, and 2) diverse funding sources though the shelf registration relating to issuance of corporate bonds

Q1 FY24.6 End B/S (yen in billions)

Cash & cash equivalents 32.0	Debt 14.5
IFRS 16 related assets 9.4	IFRS 16 related liabilities 9.4
Goodwill 46.5	Other liabilities 43.9
PPA 4.0	Total equity 74.3 (Non-controlling interests 0.9)
Other assets 50.2	

Total assets 142.1

Total liabilities & equity 142.1

Net Cash : 17.5bn yen

Net Worth Ratio* : 51.6%

Goodwill/E Ratio* : 0.63x

D/E Ratio* : 0.20x

D/OP Ratio** : 0.59x

* Calculated using equity capital excluding non-controlling interests

** Calculated using operating profit stated in the full-year guidance

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Q1 FY24.6 Cash Flows (yen in millions)

• Operating CF	+6,063
PPA asset amortization	+190
Net cash flow from income tax payment & refund	(4,307)
• Investing CF	+72
Purchase of tangible fixed assets	(169)
Purchase of intangible assets	(74)
• Financing CF	(9,590)
IFRS 16 related lease liability repayment	(1,691)
Net cash flow from debt procurement & repayment	(185)
Dividend payment	(5,505)
Share repurchase payment	(1,423)
Acquisition of Orion's remaining shares	(783)

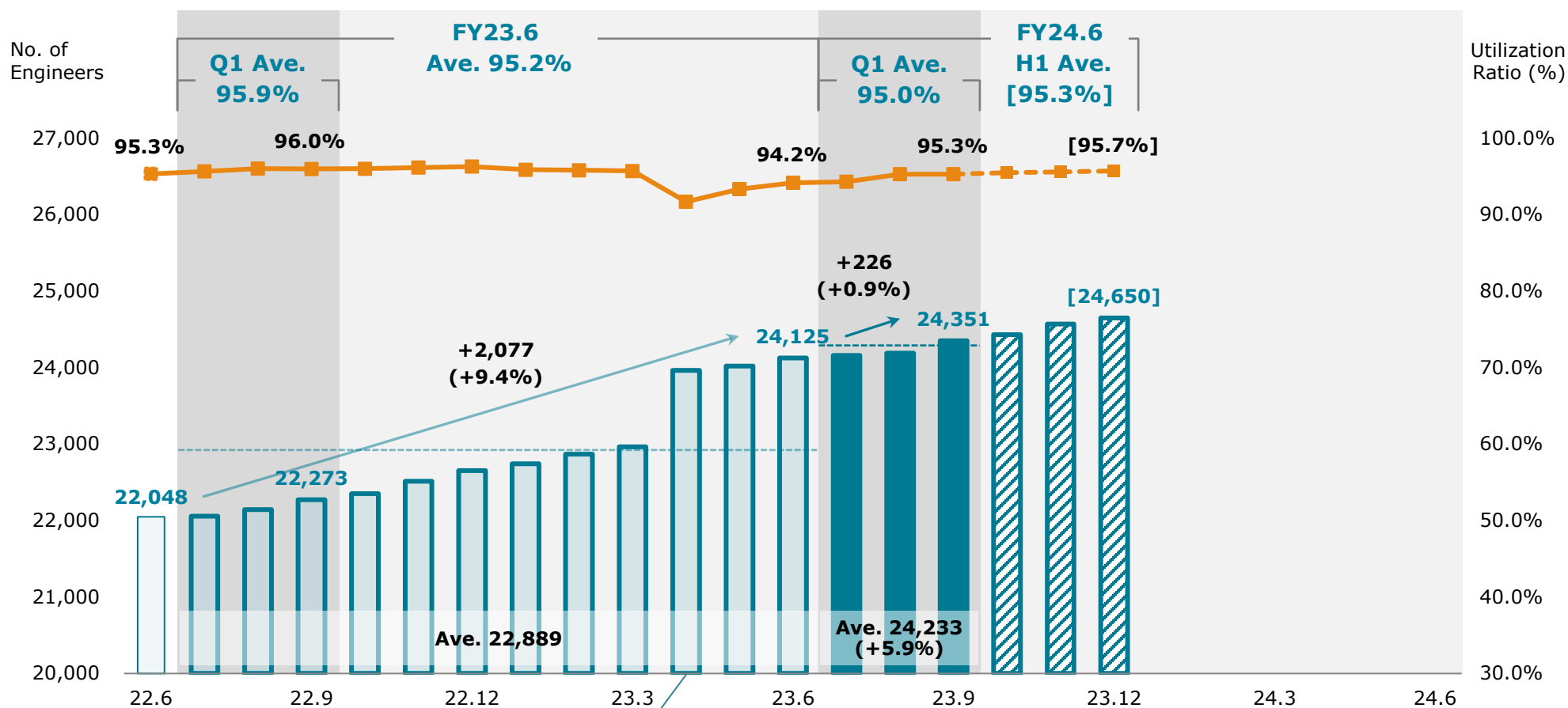
Net CF (incl. effect of exchange rate change of 139mn yen) **(3,314)**

Commitment Lines (yen in millions)

Purpose	Credit line	Used	Unused	Expiration
1 Working capital	8,000	0	8,000	Jun. 2024
2 M&A	10,000	0	10,000	Dec. 2023
Total	18,000	0	18,000	

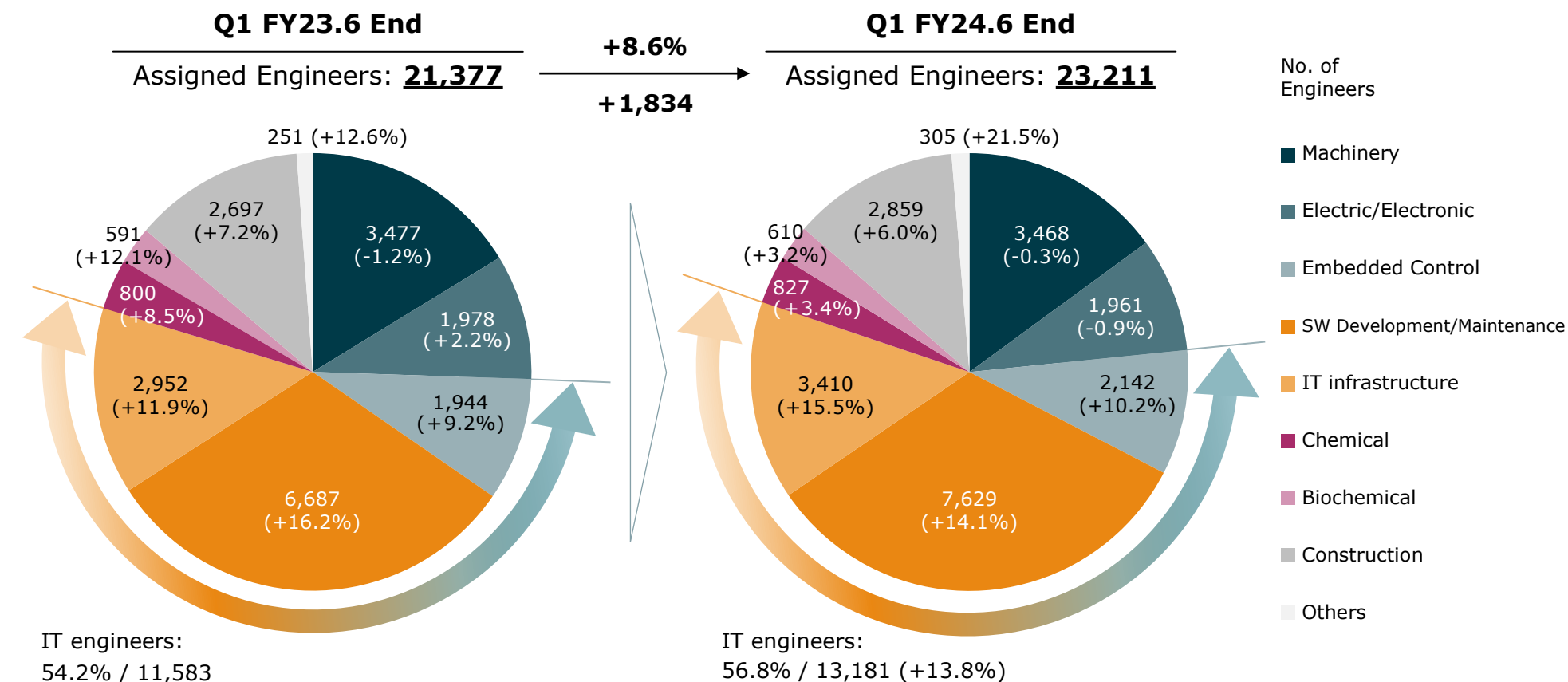
Number of Engineers & Utilization Ratio [Japan]

- Engineers in Japan at the end of Q1 FY24.6 totaled **24,351** (up 226 from FY23.6 end), including **1,089** non-Japanese engineers (up 23 from FY23.6 end)
- Utilization ratio was **95.3%** at the end of Q1 FY24.6 (down 0.7 pts year-on-year), while average one for Q1 three months was **95.0%** (down 0.9 pts year-on-year)
- Engineers working outside Japan totaled **3,022** (not included in the number of engineers in Japan, up 25 from FY23.6 end)



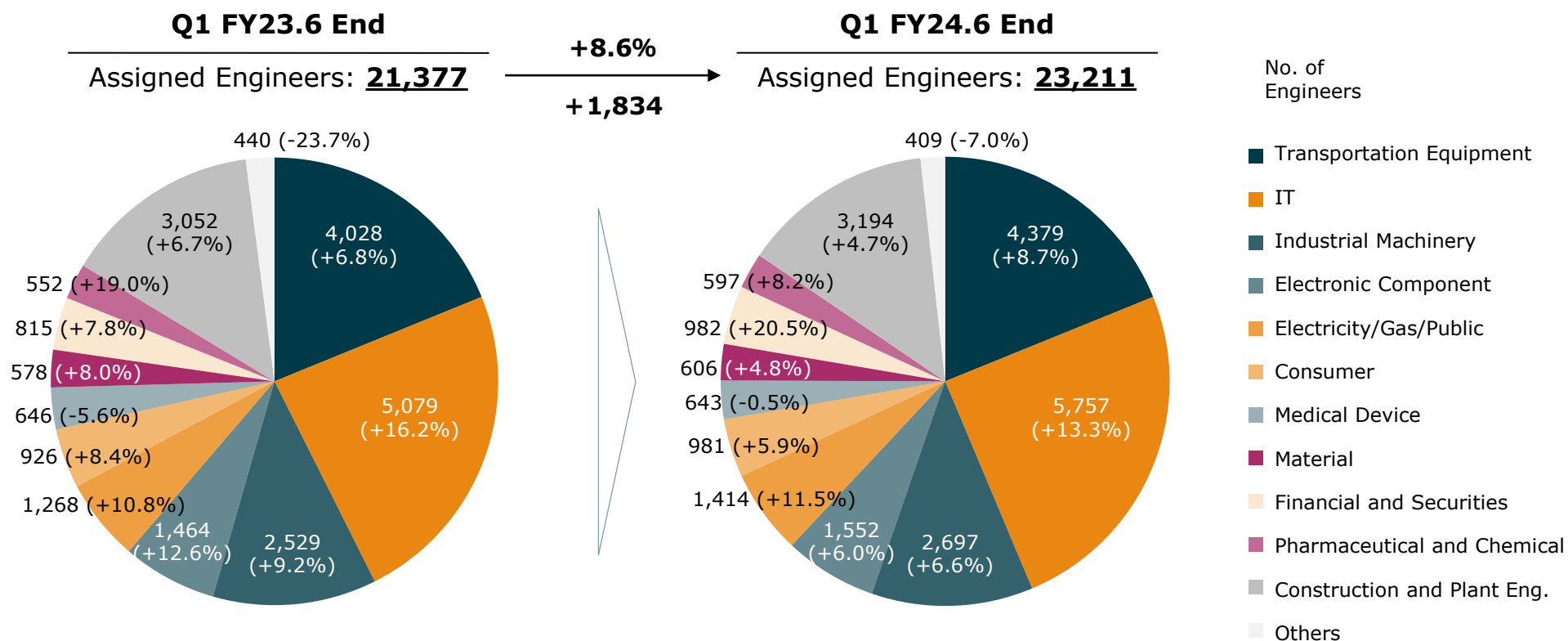
Assigned Engineers Portfolios by “Technology” [Japan]

- With utilization ratio already maintaining an acceptable high level, the number of assigned engineers has been increasing every month, continuing to renew record highs
- Expect domestic demand for investment to increase broadly across R&D, IT and digital areas despite concerns about economic recession possibility; therefore, continue to focus on increasing number of engineers while aiming to raise average unit sales price by promoting recruitment and training mainly in the software field



Assigned Engineers Portfolios by “Industry” [Japan]

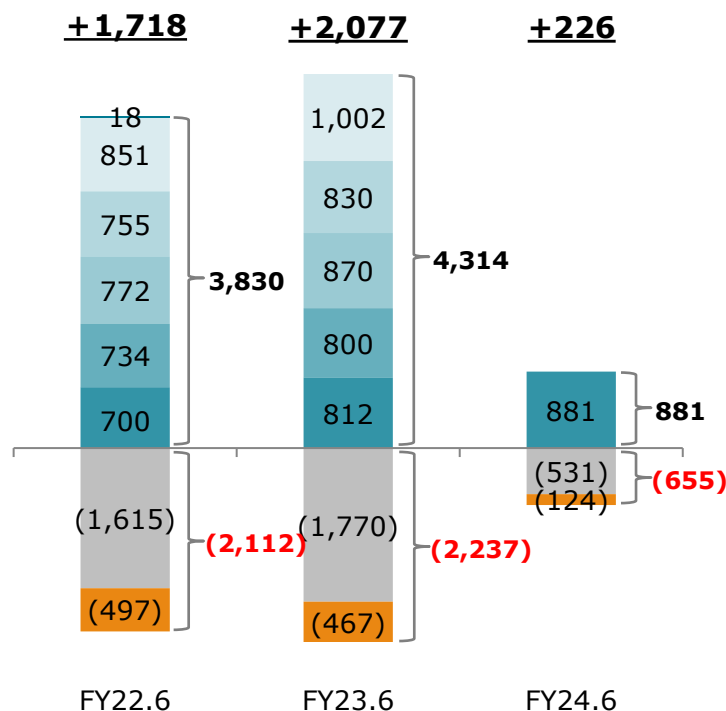
- Manufacturers in Transportation Equipment continue to show robust willingness to invest in the areas such as autonomous driving technology or EV, while performance in IT sector continues to be strong
- Due to the structural shortage of engineers, customers gradually tend to increase OJT-based orders for less experienced engineers, or the medium- to long-term orders in line with their R&D roadmaps
- Promoting shift-up/charge-up initiatives proactively at every contract renewal; base charge of dispatch contracts has steadily grown



Recruitment & Turnover [Japan]

- Engineers hired in Q1 FY24.6 totaled **881** (up 69 year-on-year); expecting to add about **1,000** new-grads in April 2024
- 655** engineers left in Q1 FY24.6 (up 68 year-on-year): permanent employees of **531** (up 91 year-on-year) and fixed-term employees of **124** (down 23 year-on-year)
- Turnover ratio for permanent employees* was **8.8%** (up 0.8 pts year-on-year) for Q1 FY24.6, and fell into **8.0%** on LTM basis; considering current turnover deterioration trend as a significant challenge to be addressed
- Net engineer increase was **226** for Q1 FY24.6; along with robust mid-career hires, forecast of engineers in Japan at the end of Q2 was revised upward to **24,650** (up 50 from the initial plan)

Net Increase (Decrease) (No. of Engineers)



Annual Recruitment/Turnover

(No. of Engineers)

	FY22.6	FY23.6	FY24.6	YoY	
Hired Total	3,830	4,314	881	—	—
M&A	18	0	—	—	—
New-grads joined in April	851	1,002	—	—	—
Mid-career: Q4	755	830	—	—	—
Mid-career: Q3	772	870	—	—	—
Mid-career: Q2	734	800	—	—	—
Mid-career: Q1	700	812	881	+69	+8.5%
Turnover Total	2,112	2,237	655	—	—
Permanent employees	1,615	1,770	531	—	—
Contract terms matured, others	497	467	124	—	—

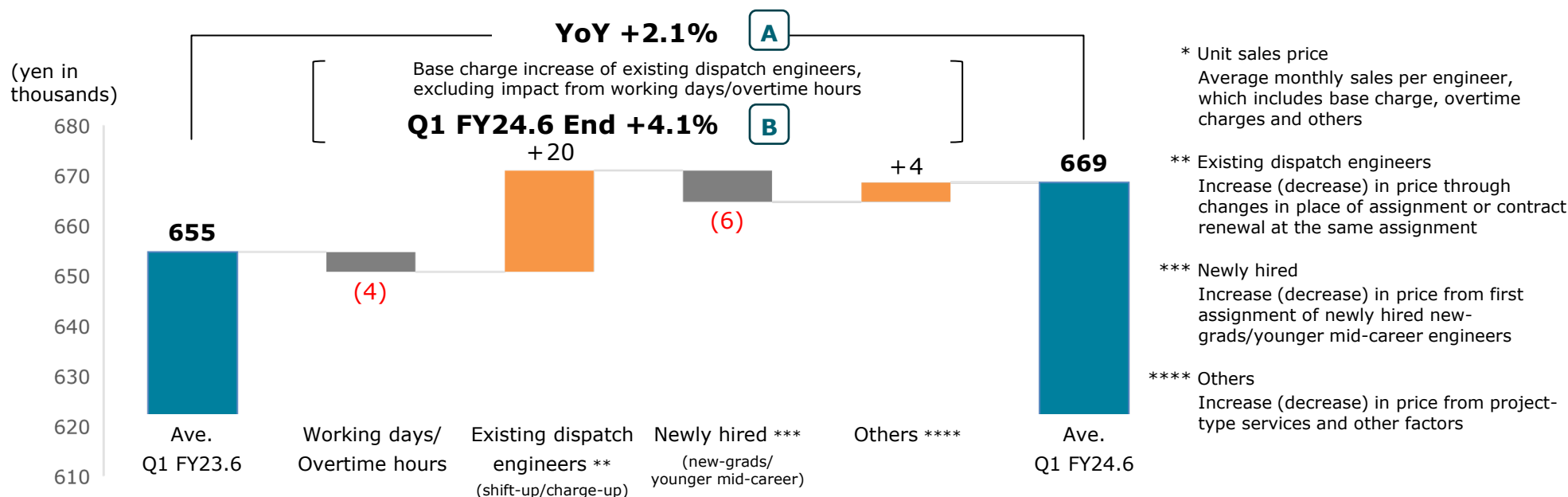
Turnover Ratio for Permanent Employees*

	FY22.6				FY23.6				FY24.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter	7.7%	7.1%	7.4%	8.6%	7.9%	6.0%	8.0%	8.9%	8.8%	—	—	—
YTD	—	7.4%	7.4%	7.7%	—	7.0%	7.3%	7.7%	—	—	—	—
LTM	8.1%	7.8%	7.6%	7.7%	7.8%	7.5%	7.6%	7.7%	8.0%	—	—	—

* Turnover ratio for permanent employees was calculated, excluding fixed-term employees left at the end of contract term

Average Monthly Unit Sales Price [Japan]

- Ave. monthly unit sales price* for Q1 FY24.6 increased to **669K yen** (up 14K yen/month or 2.1% year-on-year)
- Decreased 4K yen/month year-on-year due to less working days and overtime hours, and diluted 6K yen/month year-on-year due to first assignment of newly hired new-grads/younger mid-career engineers
- Increased 20K yen/month, driven by base charge hike for existing dispatch engineers through shift-up/charge-up efforts
- Increased 4K yen/month, driven by the growth of project-type services



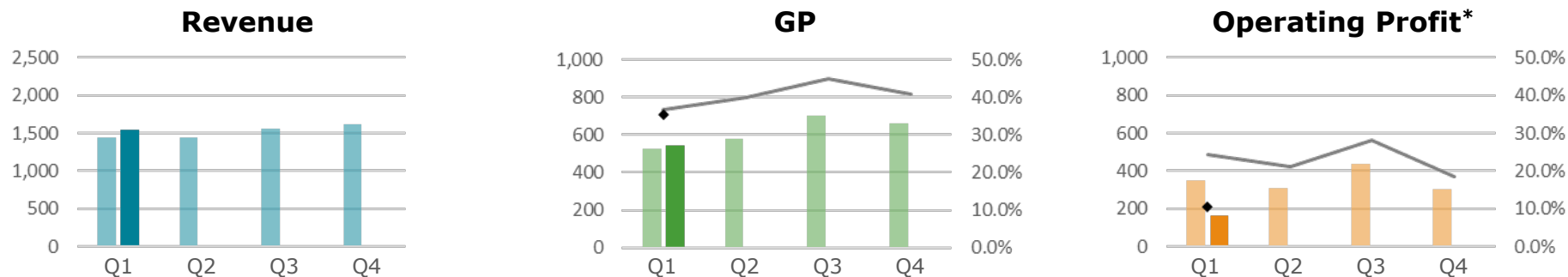
	FY23.6				FY24.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (yen in thousands/month, YTD)	655	661	667	669	669			
YoY A	+2.4%	+1.7%	+1.4%	+1.6%	+2.1%			

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Dispatch Engineers B † YoY comparison for each quarter end	+3.3%	+3.4%	+3.5%	+4.0%	+4.1%			

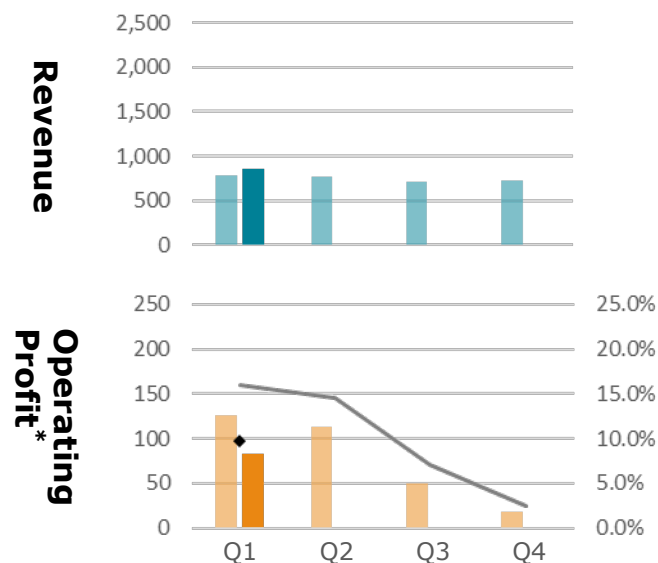
Overseas Subsidiaries Update

■ ■ ■ — FY23.6: Results ■ ■ ■ ◆ FY24.6: Results (yen in millions)

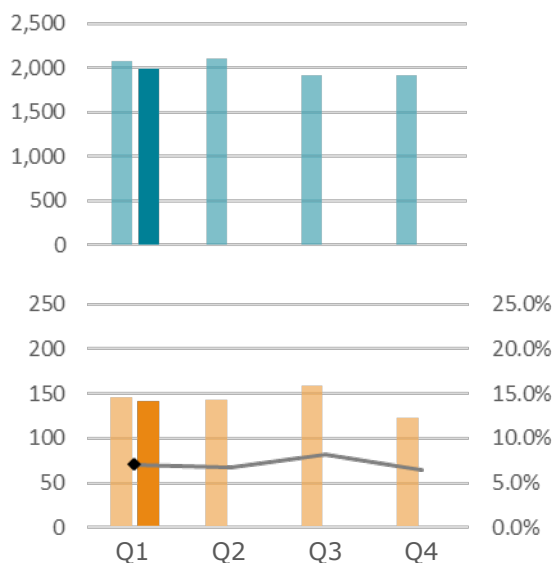
Robosoft (North America/Japan/Europe/India)



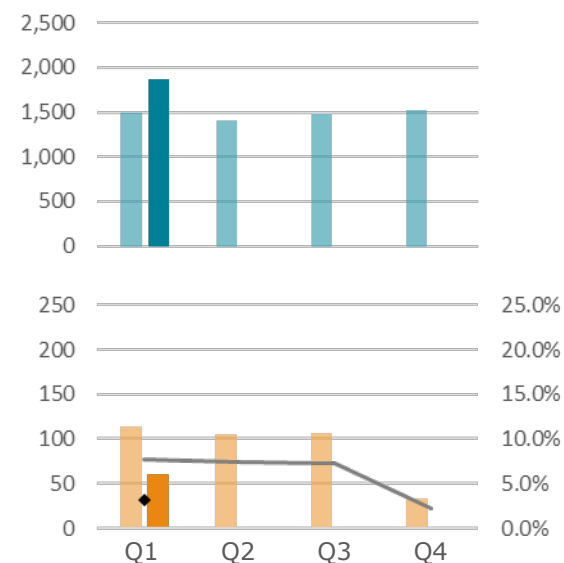
TechnoPro China



Helius (Singapore/India/Southeast Asia)



Orion (UK)



FY24.6 Guidance – Updated Key KPIs for H1 FY24.6

- In FY24.6, earnings are expected to exceed the initial target for the third year of the medium-term plan: revenue up 10.1% year-on-year; core operating profit up 14.6% year-on-year; operating profit up 12.2% year-on-year; anticipating that improvement in SG&A ratio is supposed to take some time, as upward pressure on cost is rising overall due to creeping changes in the business environment
- Although predicting slightly weak growth in the number of engineers on the assumption of decrease in new hires and increase in retirees, plan to offset by the increase in unit sales price; slight decrease in utilization ratio within the expectation

(yen in millions, except per share amounts and engineer headcounts)

	First Half					Full-Year				
	FY22.6 (Results)	FY23.6 (Results)	FY24.6 (Guidance)	YoY		FY22.6 (Results)	FY23.6 (Results)	FY24.6 (Guidance)	YoY	
Revenue	86,358	98,011	107,000	+8,988	+9.2%	178,756	199,851	220,000	+20,148	+10.1%
Core operating profit	9,032	11,106	11,500	+393	+3.5%	19,038	21,379	24,500	+3,120	+14.6%
Core OP margin	10.5%	11.3%	10.7%	(0.6 pts)		10.7%	10.7%	11.1%	+0.4 pts	
Operating profit	11,078	11,183	11,500	+316	+2.8%	20,641	21,838	24,500	+2,661	+12.2%
OP margin	12.8%	11.4%	10.7%	(0.7 pts)		11.5%	10.9%	11.1%	+0.2 pts	
Profit before income taxes	11,229	11,124	11,500	+375	+3.4%	20,967	21,837	24,500	+2,662	+12.2%
Net profit	7,794	7,714	7,800	+85	+1.1%	15,430	15,365	16,700	+1,334	+8.7%
Net profit margin	9.0%	7.9%	7.3%	(0.6 pts)		8.6%	7.7%	7.6%	(0.1 pts)	
Earnings per share	72.35	71.61	72.97	+1.36	+1.9%	143.24	142.71	156.23	+13.52	+9.5%
Dividend per share	20.00	25.00	25.00	—	—	72.00	75.00	80.00	+5.00	+6.7%

Key KPIs [Japan]	First Half					Full-Year				
	FY22.6 (Results)	FY23.6 (Results)	FY24.6 (Revised Guidance)	YoY		FY22.6 (Results)	FY23.6 (Results)	FY24.6 (Guidance)	YoY	
No. of engineers (period-end)	20,776	22,653	24,650	+1,997	+8.8%	22,048	24,125	25,900	+1,775	+7.4%
Engineer hiring*	1,452	1,612	1,700	+88	+5.5%	3,830	4,314	4,200	(114)	(2.6%)
Ave. utilization ratio	95.6%	96.0%	95.3%	(0.7 pts)	—	95.3%	95.2%	94.7%	(0.5 pts)	—
Ave. monthly unit sales price (yen in thousands)	650	661	677	+16	+2.4%	658	669	683	+14	+2.1%

Reference: FY24.6 Segment Guidance [Full-Year]

- R&D Outsourcing: Revenue to grow at the same level year-on-year, while expecting slight improvement in margin due to surging upward pressure on cost
- Construction Management Outsourcing: Strive to achieve higher growth of both revenue and earnings exceeding headcount growth of assigned employees by focusing on unit sales price hike
- Other Business in Japan: Earnings of professional recruitment services for global firms might be impacted by economic fluctuations, while engineer training and domestic recruitment business, both expected to perform well, could compensate
- Overseas: Expect Robosoft, although it is still in its investment phase, to drive growth in overall overseas business, thereby achieving significant earnings recovery from the previous year

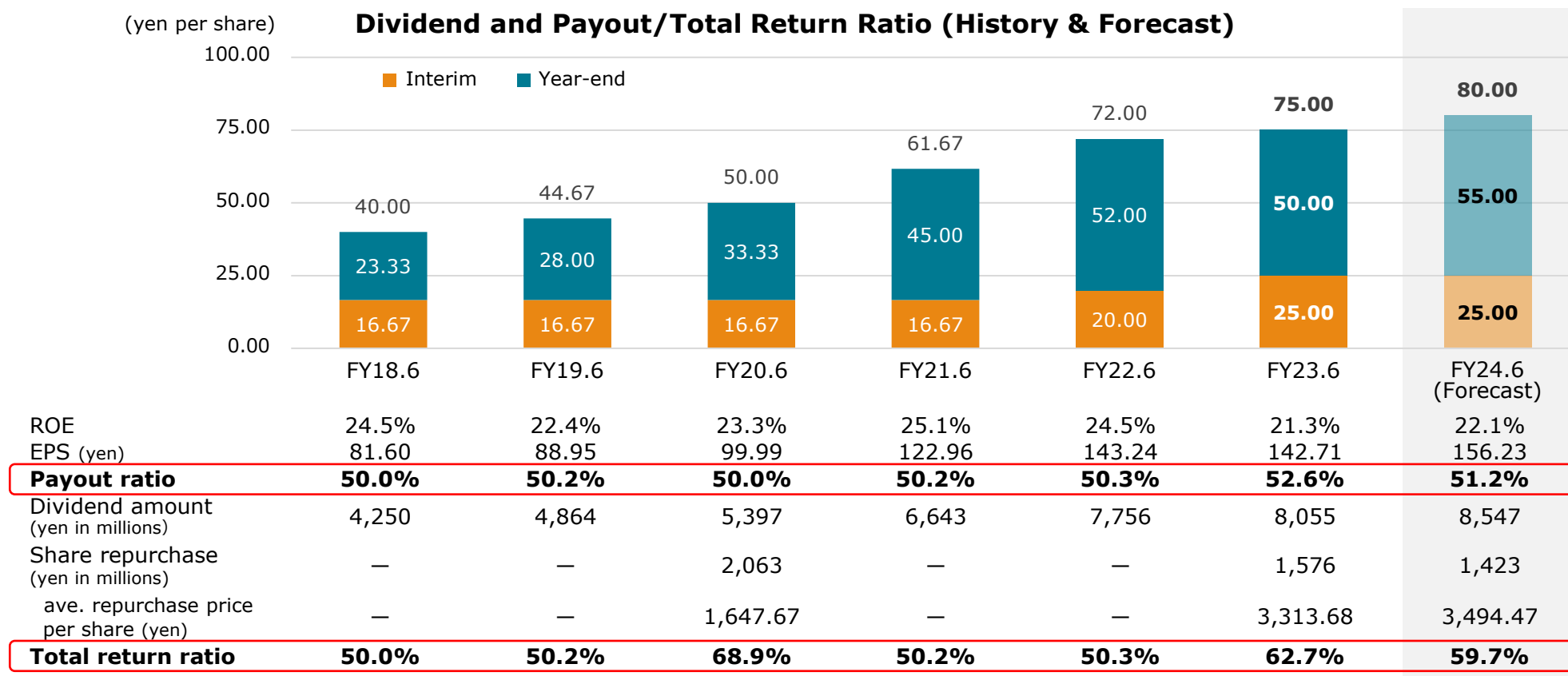
(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY
Revenue	137,471	152,858	169,000	+10.6%	20,311	21,643	23,500	+8.6%	4,898	5,569	5,700	+2.3%	162,682	180,071	198,200	+10.1%
Ratio to consolidated revenue	76.9%	76.5%	76.8%		11.4%	10.8%	10.7%		2.7%	2.8%	2.6%		91.0%	90.1%	90.1%	
Operating profit	14,151	16,292	18,300	+12.3%	2,489	2,930	3,300	+12.6%	672	561	600	+6.9%	17,313	19,784	22,200	+12.2%
OP margin	10.3%	10.7%	10.8%		12.3%	13.5%	14.0%		13.7%	10.1%	10.5%		10.6%	11.0%	11.2%	
OP before PPA asset amortization	14,626	16,365	18,373	+12.3%	2,489	2,930	3,300	+12.6%	672	561	600	+6.9%	17,788	19,856	22,273	+12.2%
OP margin before PPA asset amortization	10.6%	10.7%	10.9%		12.3%	13.5%	14.0%		13.7%	10.1%	10.5%		10.9%	11.0%	11.2%	
No. of engineers (period-end)	19,257	21,163	22,770	+7.6%	2,791	2,962	3,130	+5.7%	—	—	—	—	22,048	24,125	25,900	+7.4%
o/w non-Japanese in Japan	788	930	—	—	110	136	—	—	—	—	—	—	898	1,066	—	—

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY
Revenue	18,976	23,508	26,500	+12.7%	181,658	203,580	224,700	+10.4%	(2,902)	(3,728)	(4,700)	—	178,756	199,851	220,000	+10.1%
Ratio to consolidated revenue	10.6%	11.8%	12.0%		101.6%	101.9%	102.1%		(1.6%)	(1.9%)	(2.1%)		100.0%	100.0%	100.0%	
Operating profit	1,925	1,873	2,300	+22.7%	19,239	21,658	24,500	+13.1%	1,401	179	0	—	20,641	21,838	24,500	+12.2%
OP margin	10.1%	8.0%	8.7%		10.6%	10.6%	10.9%		—	—	—		11.5%	10.9%	11.1%	
OP before PPA asset amortization	2,381	2,460	2,903	+18.0%	20,170	22,317	25,176	+12.8%	(416)	124	0	—	19,754	22,441	25,176	+12.2%
OP margin before PPA asset amortization	12.6%	10.5%	11.0%		11.1%	11.0%	11.2%		—	—	—		11.1%	11.2%	11.4%	
No. of engineers (period-end)	2,851	2,997	—	—	24,899	27,122	—	—	—	—	—	—	24,899	27,122	—	—

Shareholder Return

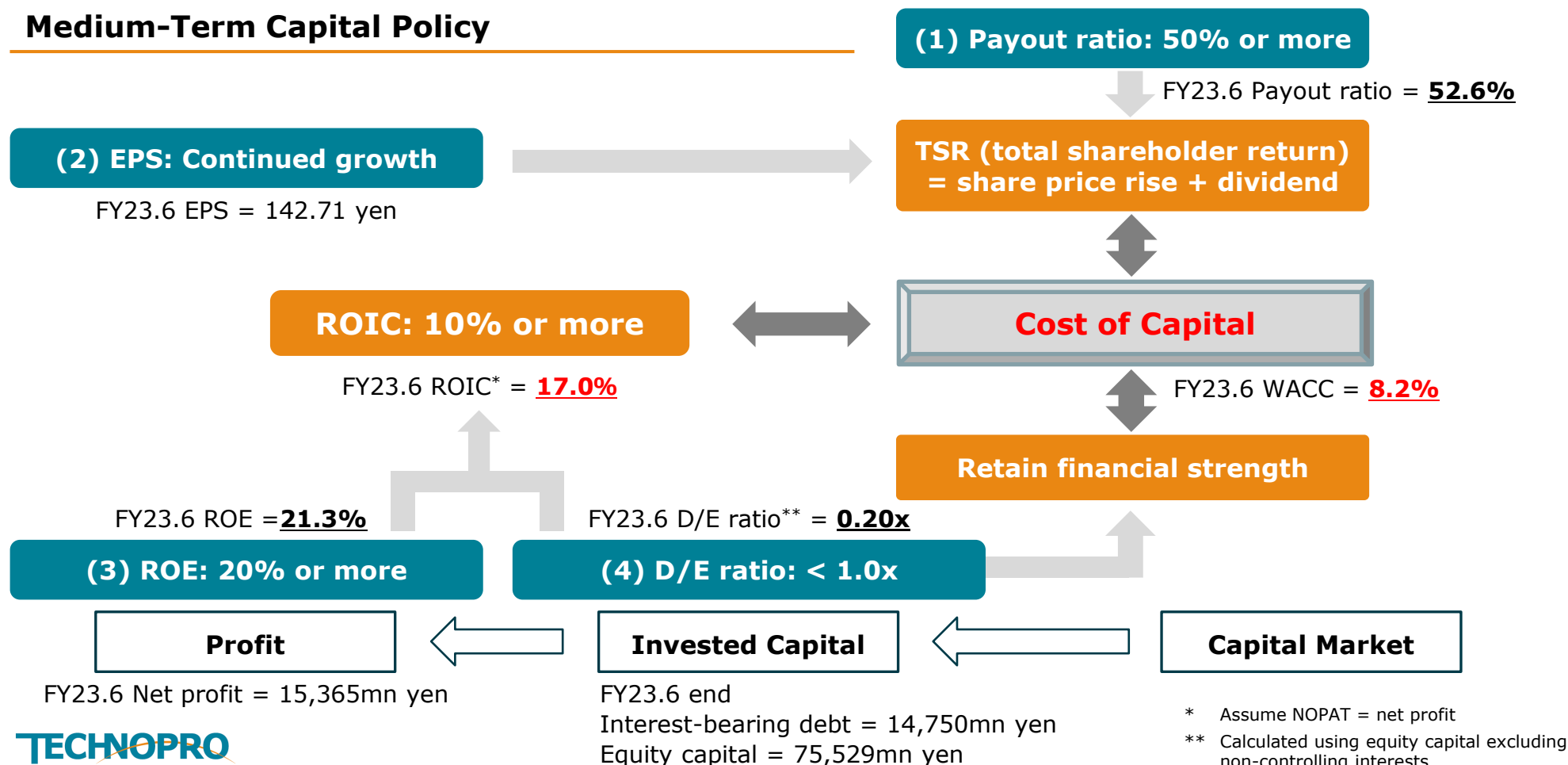
- Reaffirm basic policy to make dividend payment steadily twice a year in the form of interim and year-end ones pursuant to **annual dividend payout ratio of 50% or higher**; with considering a progressive annual dividend, provide the forecast of 80 yen per share (up 5 yen year-on-year, payout ratio 51.2%) as the annual dividend for FY24.6
- Repurchased the shares of 1.58 billion yen in Q4 FY23.6 and 1.42 billion yen in Q1 FY24.6 out of **3.0 billion yen buy-back program** (buy-back period: May 1 to September 29, 2023) launched in Q4 FY23.6, and concluded this program (average repurchase price per share: 3,397 yen, the number of acquired shares: 883,100 shares)



Capital Policy

- Our four capital policies described below set **value creation (ROIC > cost of capital)** as a primary focus of business operation with maintaining solid financial foundation, as well as placing high importance on TSR
- Free cash flows retained after distributing 50% cash dividend to shareholders will be spent for growth investment such as M&As; in case of being unable to find justifiable investment opportunities which may generate sufficient return exceeding the cost of capital, flexibly considers carrying out share repurchase as a way of shareholder return in light of **capital efficiency**

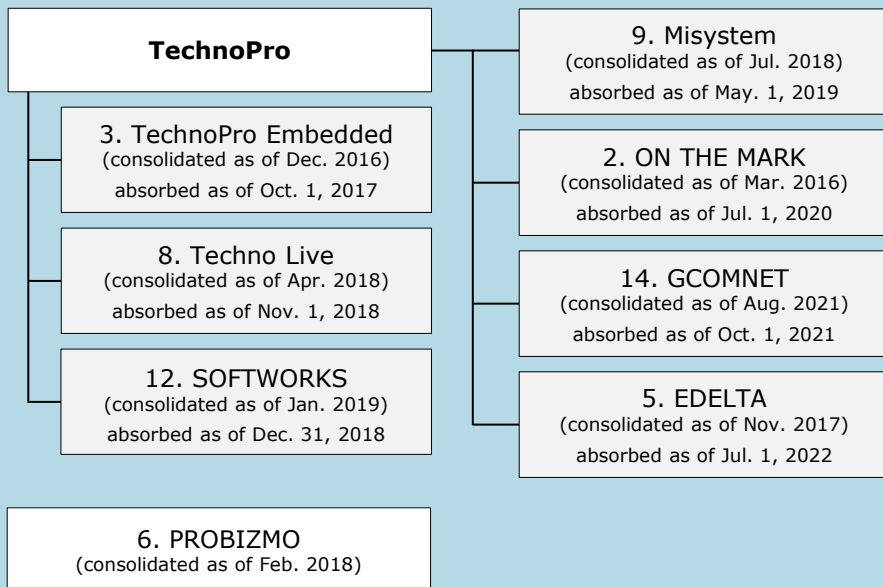
Medium-Term Capital Policy



Appendix: Reportable Segments [as of Q1 FY24.6 End]

R&D Outsourcing

Provides engineer staffing and contract services related to mechanical design, electrical/electronic design, embedded software development, IT network construction, business application development, IT maintenance and operations, bio research, etc.



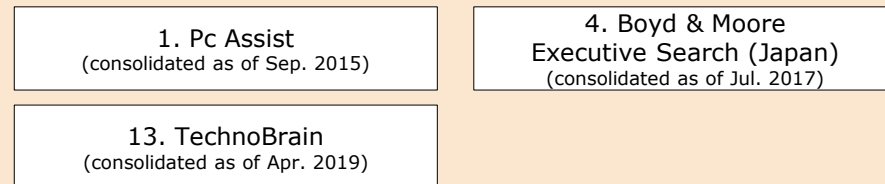
Construction Management Outsourcing

Provides engineer staffing and contract drafting of working drawings related to construction management (safety/quality/process/cost management) for construction, civil engineering, electrical equipment, plant engineering, etc.



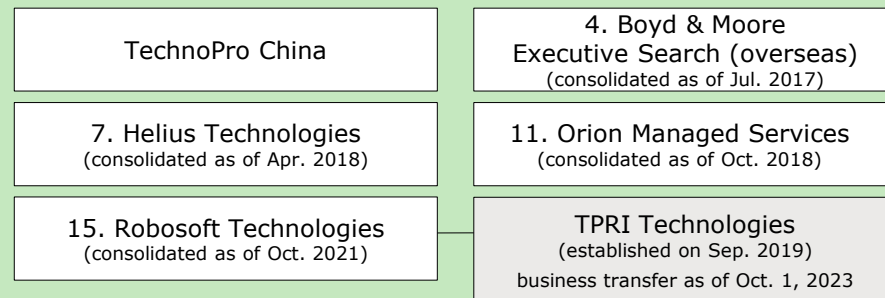
Other Businesses in Japan

Provides professional recruitment, technical education and training services



Overseas

Provides technological outsourcing and professional recruitment services in China; IT engineer staffing service and contract services in Southeast Asia and India (including offshore delivery to US/EMEA/JP customers); engineer staffing and professional recruitment services in the UK



Headquarters

Provides shared services to group companies, hires and supports disabled people



Appendix: Risk Assets [as of Q1 FY24.6 End]

- Major component of goodwill (**29.2 billion yen**) in R&D/Construction Management Outsourcing was derived from MBO transaction carried out by management and private equity fund; its fair value amount, newly calculated with COVID-19 impact taken into account, well exceeds carrying amount of each CGU, consequently **impairment risks are extremely low**
- Goodwill in R&D Outsourcing (**4.0 billion yen**), which was newly recognized through M&As, is also included into the CGU at the time of MBO, consequently **impairment risks are extremely low**
- Helius: Put Option had not been exercised by 49% minority shareholder during the exercise period; continues joint holding
- Orion: Final Put Option was exercised by 16.8% minority shareholders in Q1 FY24.6; shareholding ratio increased to 100% with PO liability extinguished
- Robosoft: Acquired the remaining 20% shares in Q1 FY23.6; shareholding ratio increased to 100% with share acquisition liability extinguished

(yen in millions)

Cash Generating Unit (CGU)	Shareholding	Goodwill				PPA Assets		PO, etc. Liabilities	
		MBO	M&A*	Total	Ratio	M&A*	Amortization period	M&A	Value calc. period
R&D Outsourcing									
Machinery, Electric/Electronic	100.0%	13,674	977	14,651	31.5%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	17.1%				
Software dev./maintenance	100.0%	2,912	3,006	5,919	12.7%	482	-Jul.32		
Chemical, Biochemical	100.0%	1,262		1,262	2.7%				
Construction Mgmt Outsourcing									
Construction management	100.0%	3,383		3,383	7.3%				
TOQO	100.0%		190	190	0.4%				
Other Businesses in Japan									
Pc Assist	100.0%		96	96	0.2%				
Boyd & Moore Executive Search	100.0%		1,104	1,104	2.4%				
TechnoBrain	100.0%		151	151	0.3%				
Overseas									
Helius	51.0%		936	936	2.0%	427	-Mar.26		
Orion	100.0%		1,325	1,325	2.8%	246	-Sep.26		
Robosoft	100.0%		9,559	9,559	20.5%	2,919	-Sep.31		
Total		29,202	17,348	46,550	100.0%	4,077		0	

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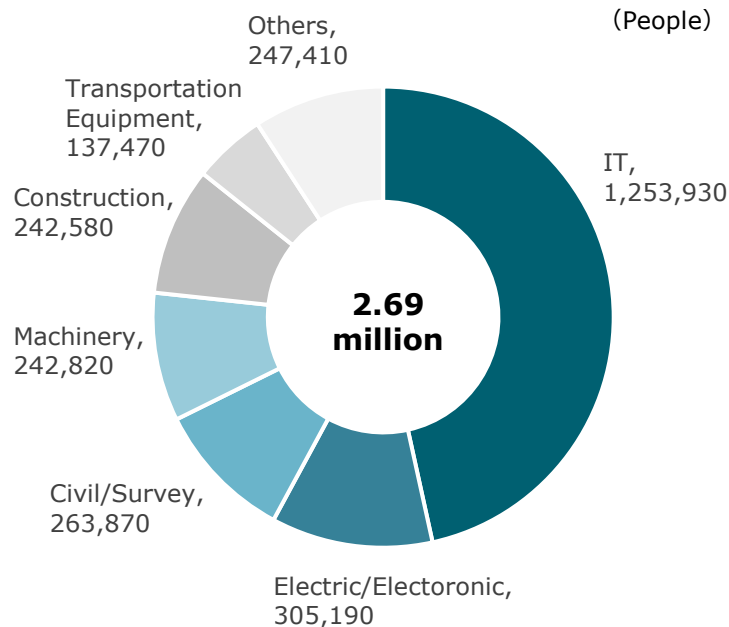
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Distribution of Engineers in Japan

- According to the national census in 2020, the number of engineers in Japan is 2.69 million (of which, about 47% of them are IT engineers), and increased by 260 thousand in five years
- In terms of IT engineers, the outsourcing ratio is relatively high in Japan

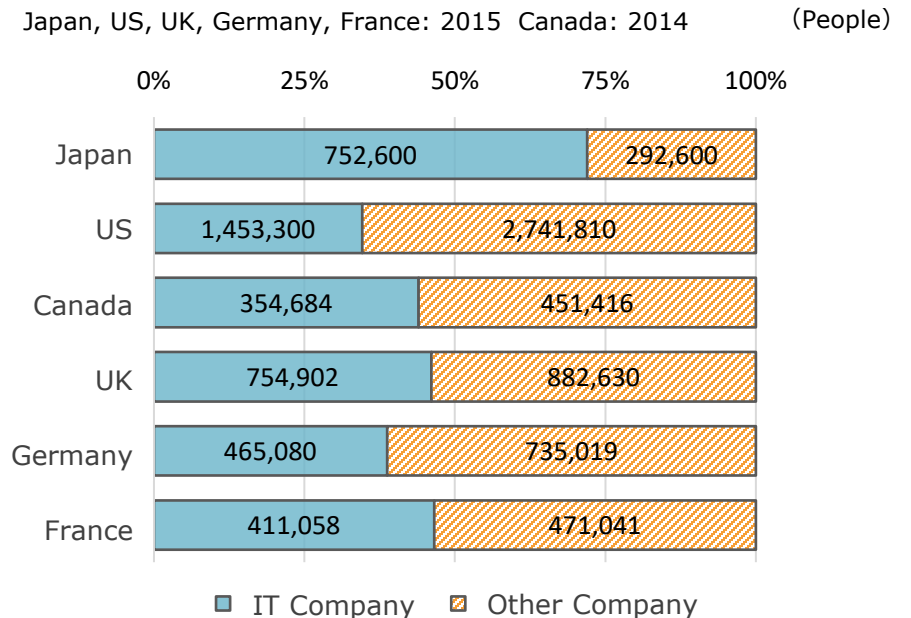
1. Number of Engineers in Japan (2020)

Source: 2020 Population Census



2. Ratio of IT Talents at IT and Other Companies

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



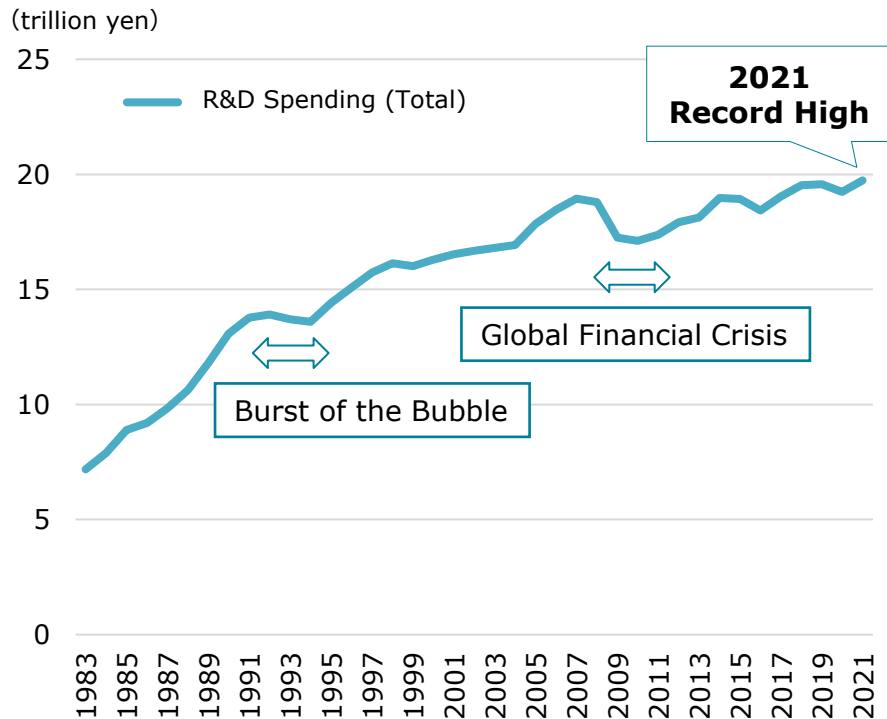
† "IT Company" means IT vendors and
"Other Company" means IT user companies

Trend of R&D Spending and ICT Investment

- R&D is a field less susceptible to impact of the economy; as a nation, Japan reported 19.7 trillion yen, a record-high for R&D spending in 2021, and its growth is expected to continue in the future
- Japan's ICT investment is gradually shifting from "hardware" to "software"

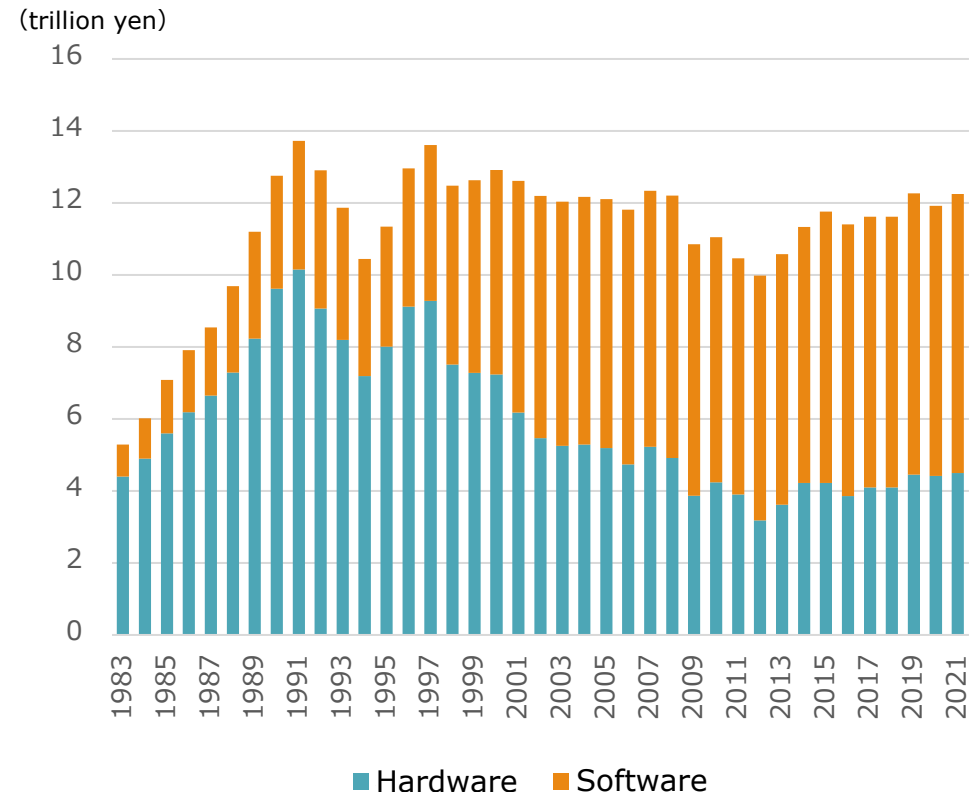
3. Trend of R&D Spending in Japan

Source: Ministry of Internal Affairs and Communications Statistics Bureau, "Report on the survey of research and development"



4. The Breakdown of ICT Investment in Japan

Source: Cabinet Office, "National Accounts of Japan"

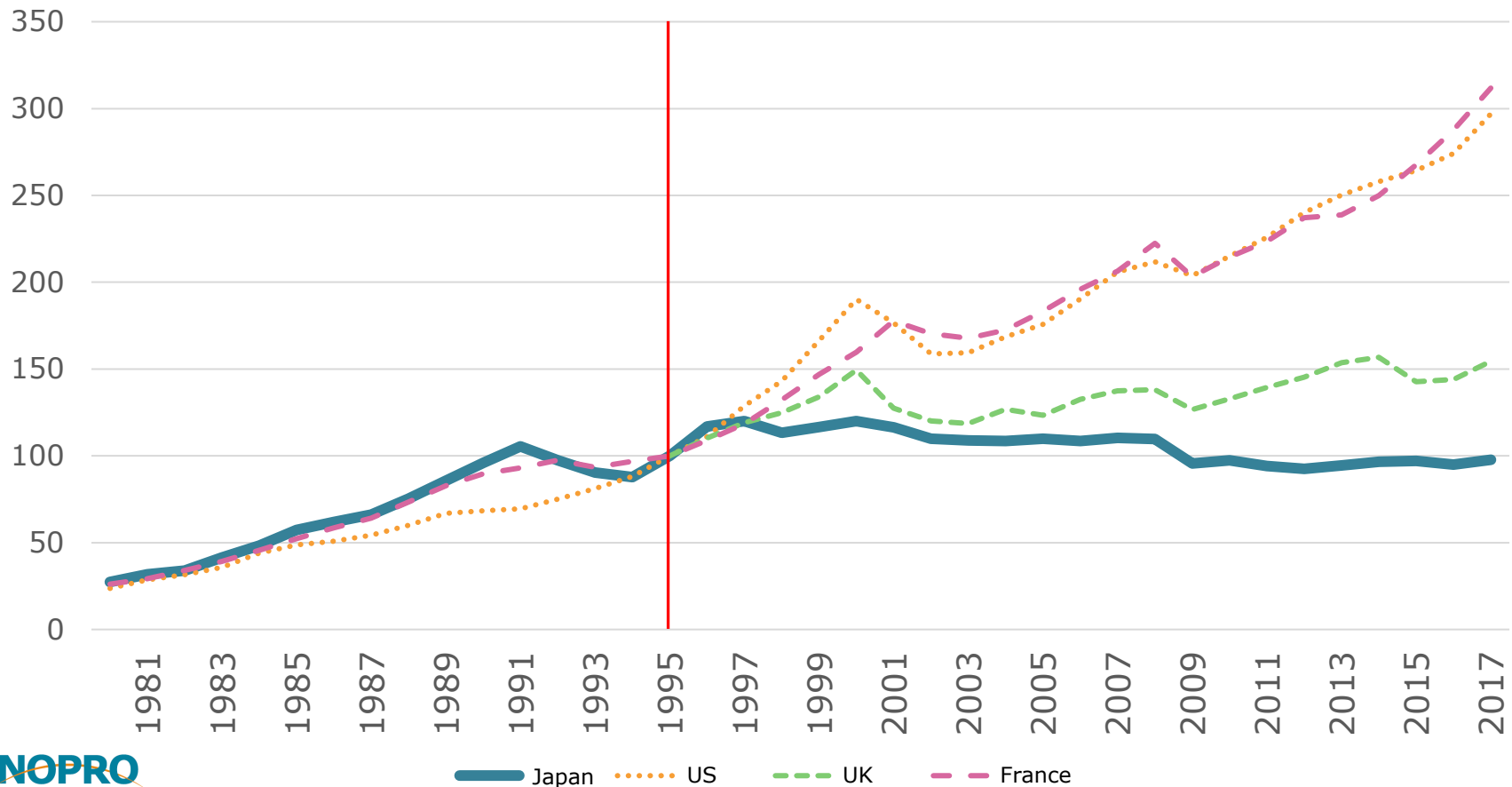


Sluggish Digitalization in Japan

- Japan's ICT investment growth from 1995 remains significantly low compared to the US, UK and France
- COVID-19 has revealed Japan's lag in digitalization once again and will lead to increased ICT investment in Japan

5. Comparison of ICT Investment in Each Country (Nominal, Indexed Figures in 1995 as 100)

Source: Ministry of Internal Affairs and Communications, "2019 White Paper on Information and Communication"

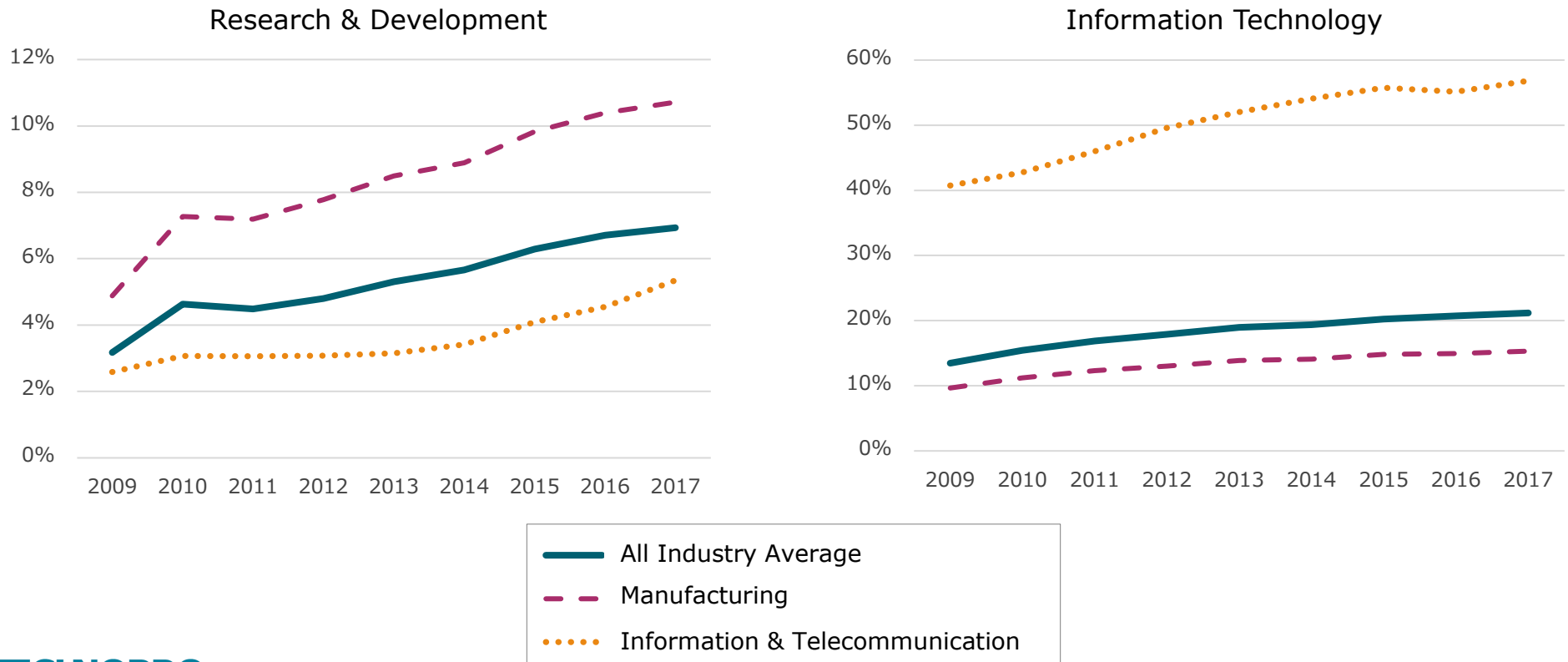


Outsourcing Usage Ratio of R&D and IT Activity

- Outsourcing usage ratio of R&D and IT activity is gradually increasing overall
- Even Information & Telecommunication companies are using more outside resources in their own IT activity

6. Outsourcing Usage Ratio by Industry

Source: Ministry of Economy, Trade and Industry, "Basic Business Activity Survey",
aggregation by Doshisha University Research Institute for STEM Human Resources, commissioned by TechnoPro in 2020

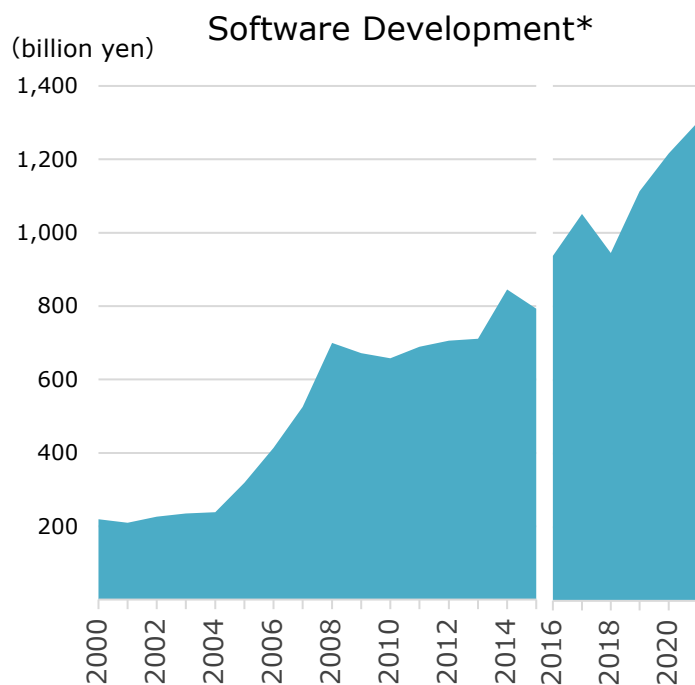


Engineer Staffing Market Overview

- Estimated whole engineer staffing market size in Japan was about 2.4 trillion yen in 2021; up 4.7% year-on-year, of which software development market size was about 1.3 trillion yen; up 7.0% year-on-year
- Yano Research Institute forecasts that the engineer staffing market in Japan is expected to grow at a CAGR of 7.2% from FY2021 to FY2025 (forecast)

7. Engineer Staffing Market Size

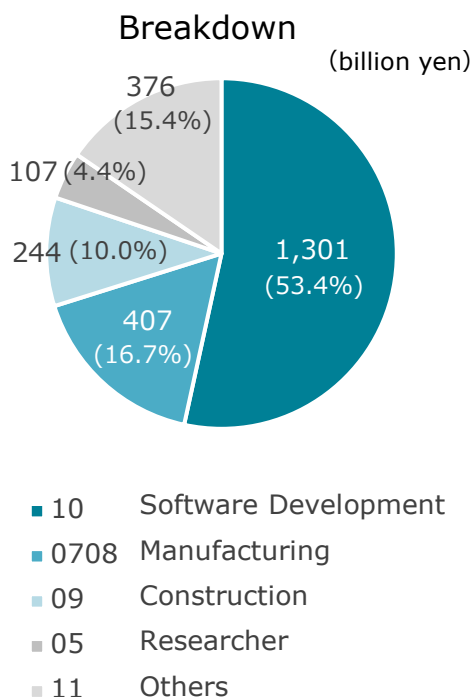
Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare



* The aggregate standard has been changed as of 2015 due to revision of the classification of occupation on September 30, 2015

TECHNOPRO

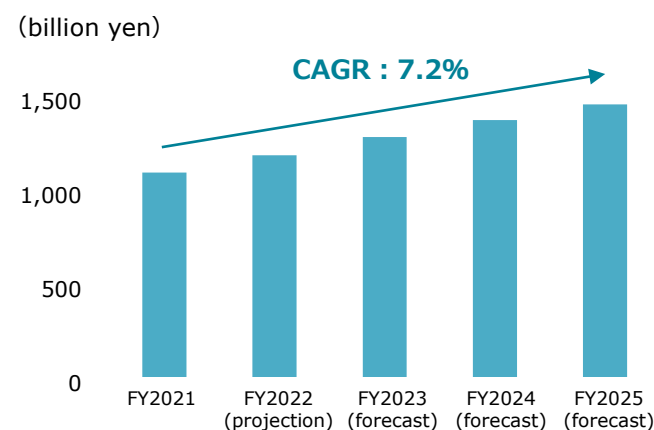
Market Size 2.4 trillion yen (2021)



- 10 Software Development
- 0708 Manufacturing
- 09 Construction
- 05 Researcher
- 11 Others

8. Forecast of Engineer Staffing Market Size

Source: Yano Research Institute Ltd.,
"Human Resources Business 2022,
PART 2: Services by Industry/Job Category"



† The market size is based on the sales of businesses; The figure for FY2022 is a projection, for FY2023 and beyond are forecasts (as of October 2022)

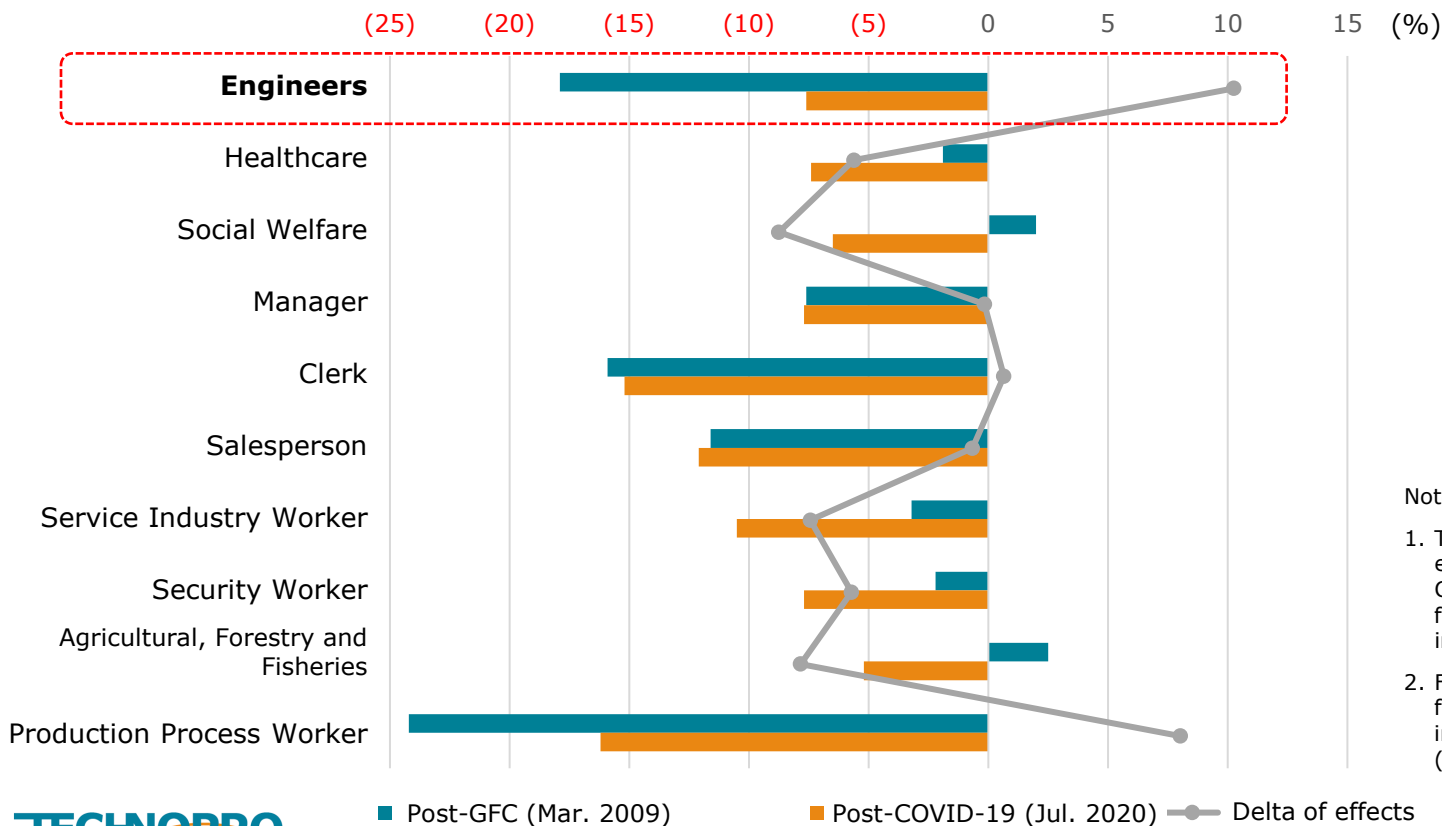
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole

Engineering Professional Services' Resilience to External Shocks

- First wave of COVID-19 spread impacted a lot less on new job offers for engineers compared to the Global Financial Crisis
- The fact above indicates the possibility that the importance of talents with technological expertise or the priority of R&D and IT system development to maintain competitiveness has been increased in the past 10 years, corroborating the robustness of our business

9. Ratio of Increase/Decrease and Delta of New Job Offers after 6 Months from External Shocks

Source: Ministry of Health, Labor and Welfare, Labor "EMPLOYMENT REFERRALS FOR GENERAL WORKERS," the Doshisha University Research Institute for STEM Human Resources, Commissioned by TechnoPro in 2020



Note:

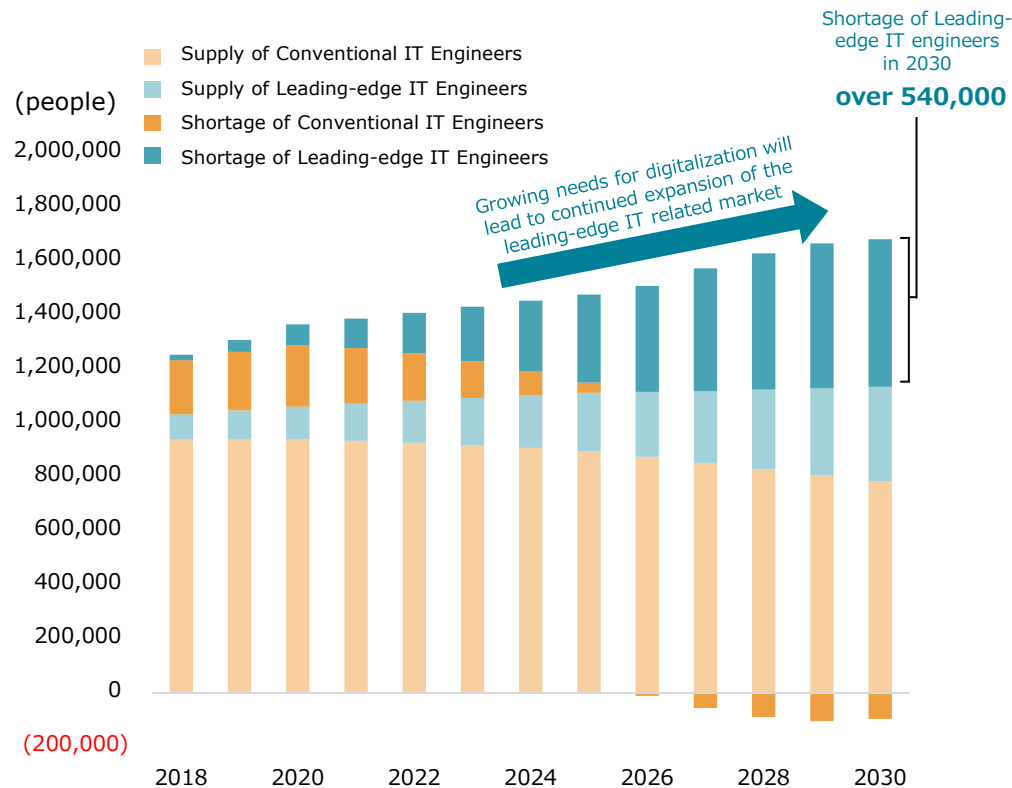
1. The figure left shows the comparison of the effect from the Global Financial Crisis (GFC) and COVID-19 on the index data of new job offers for each job category after 6 months from the initial outbreak of the crisis
2. Figures in September 2008 was indexed as 100 for the GFC, figures in January 2020 was indexed as 100 for the COVID-19 pandemic (seasonally adjusted)

Background of Engineer Staffing Market Growth and Our Strengths – 1. Growing Demand

- Demand-supply gap in IT sector is huge; especially leading-edge IT engineers (AI, big data, IoT, etc.) will be in higher demand
- Weakening demand for engineers due to the spread of AI will be more than offset by the new demand for engineers

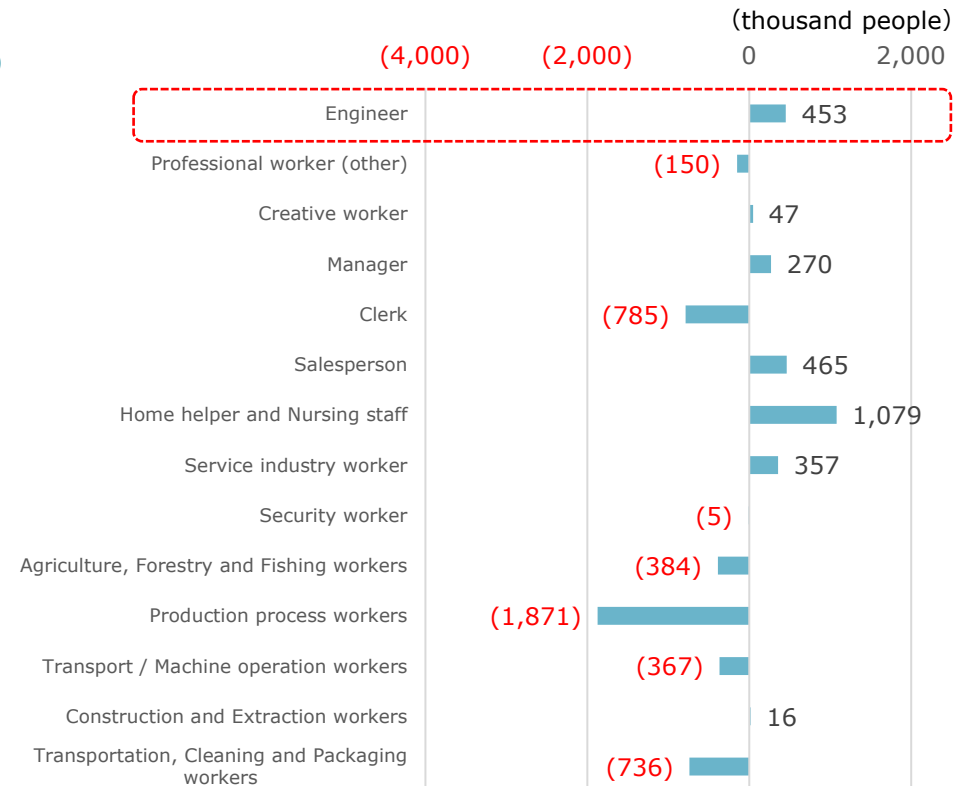
10. Projected Shortage in Advanced and Conventional IT engineers

Source: Ministry of Economy, Trade and Industry, "Survey report about supply and demand of IT talent (March 2019)"



11. Shift in Workforce due to Progression of AI

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

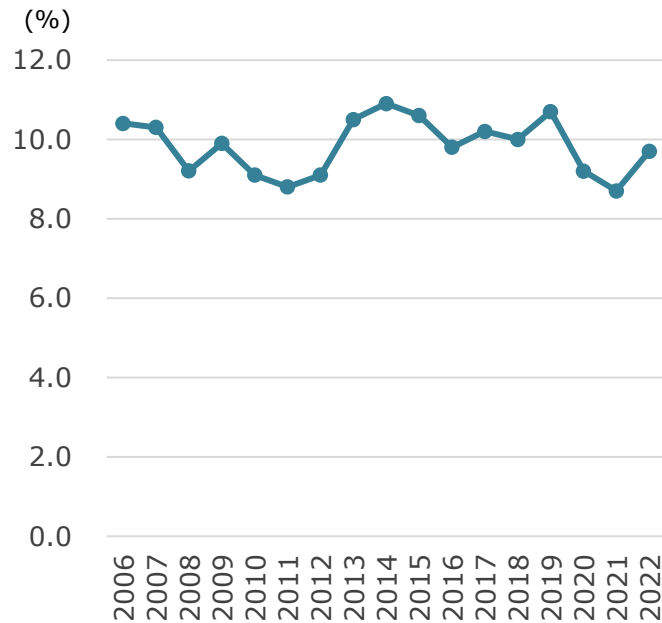


Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market

- The turnover ratio in Japan remains around 10% which shows career-change market has a certain scale; more than 200,000 engineers per year
- Turnover ratio of IT engineers tends to be relatively higher than other type of engineers

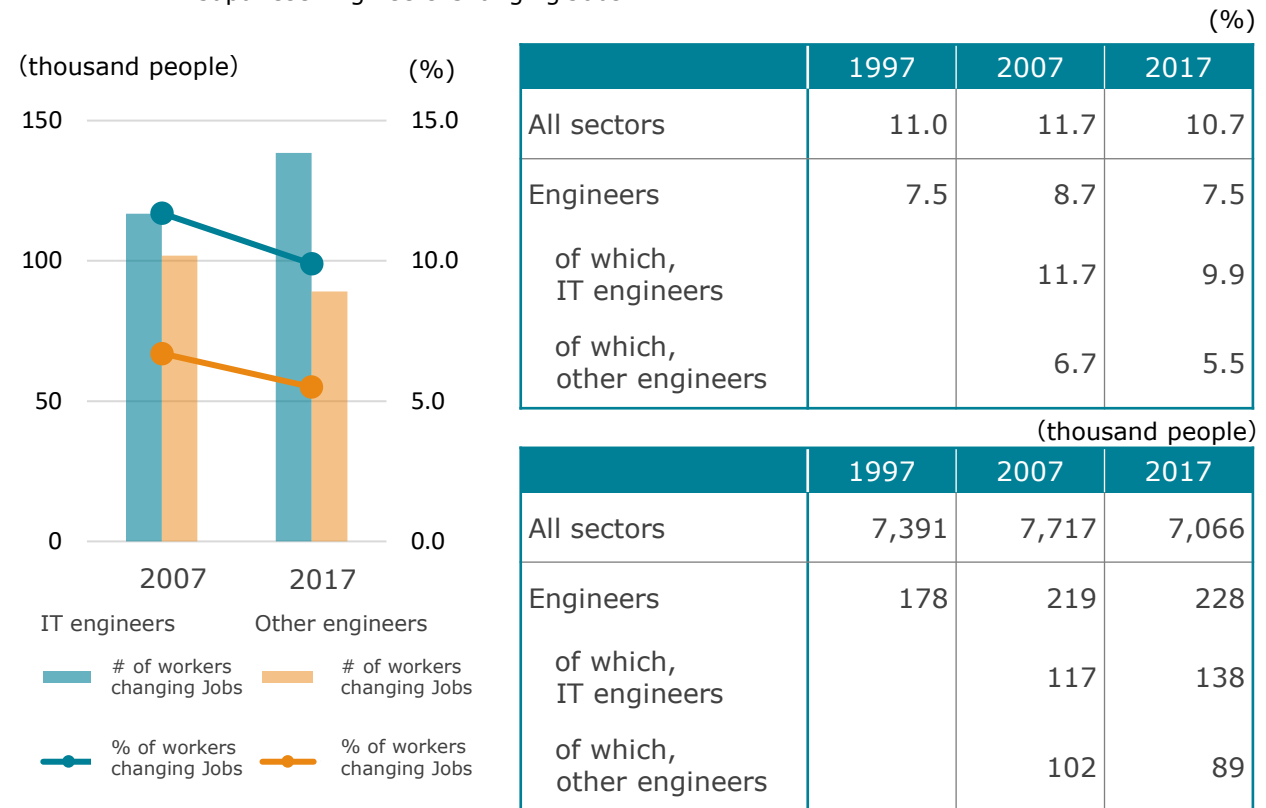
12. Turnover Ratio in Japan

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



13. Turnover of Engineers

Source: Doshisha University Research Institute for STEM Human Resources, commissioned by TechnoPro in 2019, "Survey Report on Recent Characteristics in the Percentage of Japanese Engineers Changing Jobs"

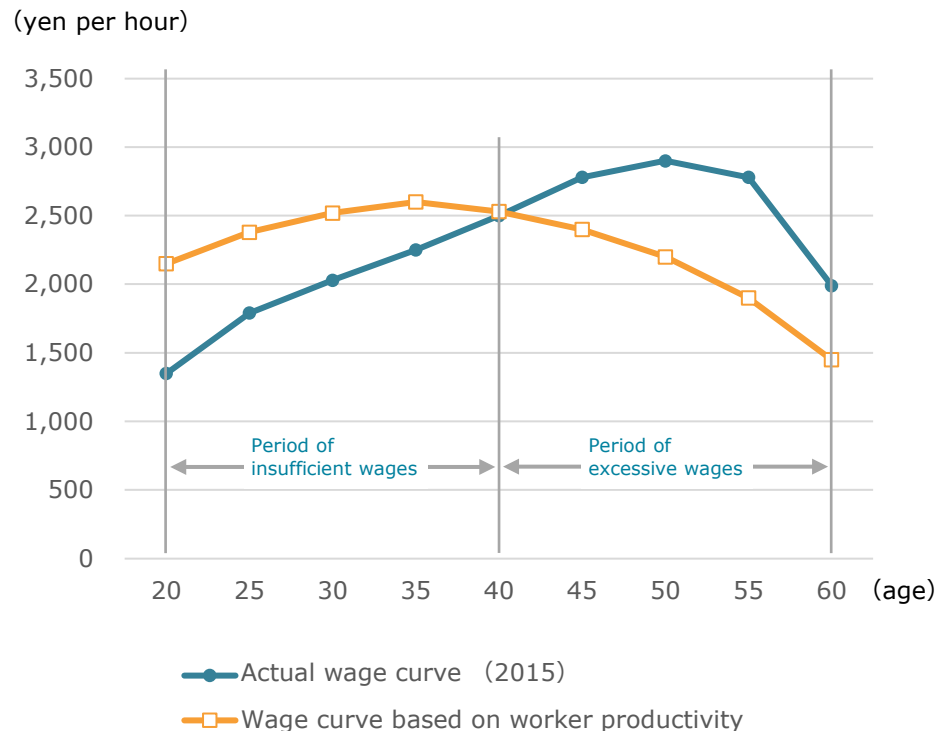


Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market (Cont.)

- The lifetime employment and seniority-based wage system have firmly remained in Japan
- The number of mid-career recruitment by blue-chip companies is limited due to the gap between productivity and salary

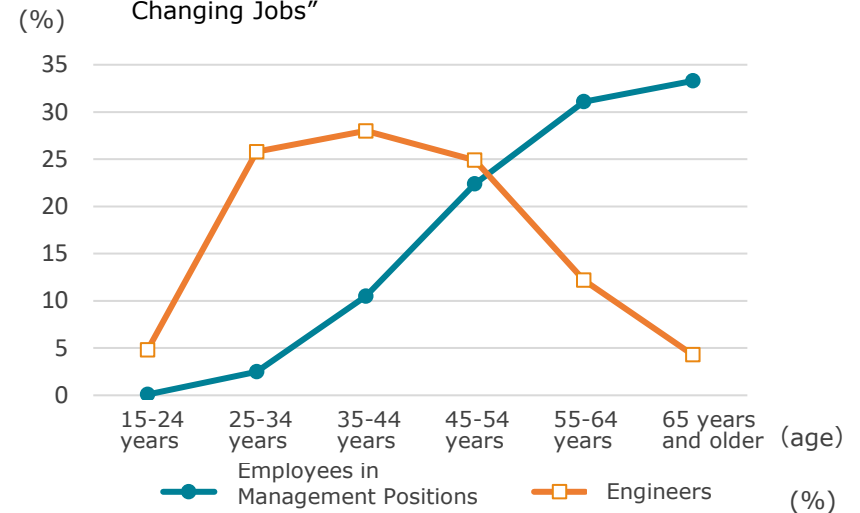
14. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

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



15. Age Composition: Management and Technical Position (2017, Japan)

Source: Doshisha University Research Institute for STEM Human Survey Resources, commissioned by TechnoPro in 2019, "Report on Recent Characteristics in the Percentage of Japanese Engineers Changing Jobs"



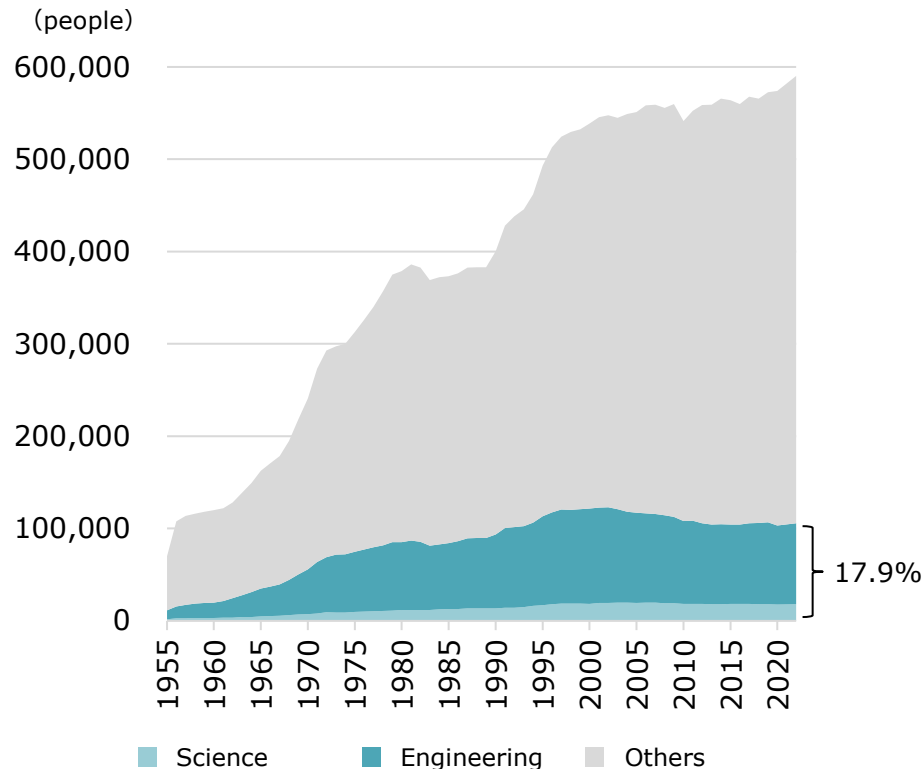
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

Background of Engineer Staffing Market Growth and Our Strengths – 3. New Grads Market

- Even though the number of university graduates is slightly increasing because of higher university entrance rate, the number of science and engineering graduates begins to decrease from 2000
- New grads tend to prefer blue-chip companies while such companies have limited number of job openings for them

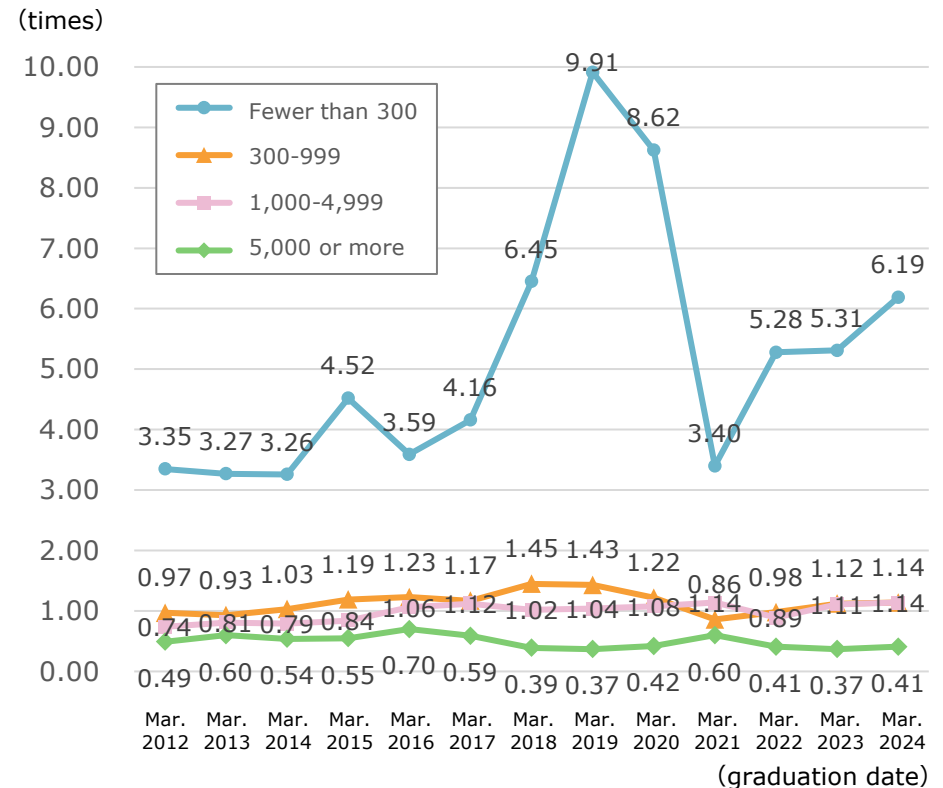
16. No. of University Graduates by Faculty

Source: TechnoPro based on "School Basic Survey" by Ministry of Education, Culture, Sports, Science and Technology



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

Source: Recruit Works Institute, "40th College Graduates Job Opening Survey"

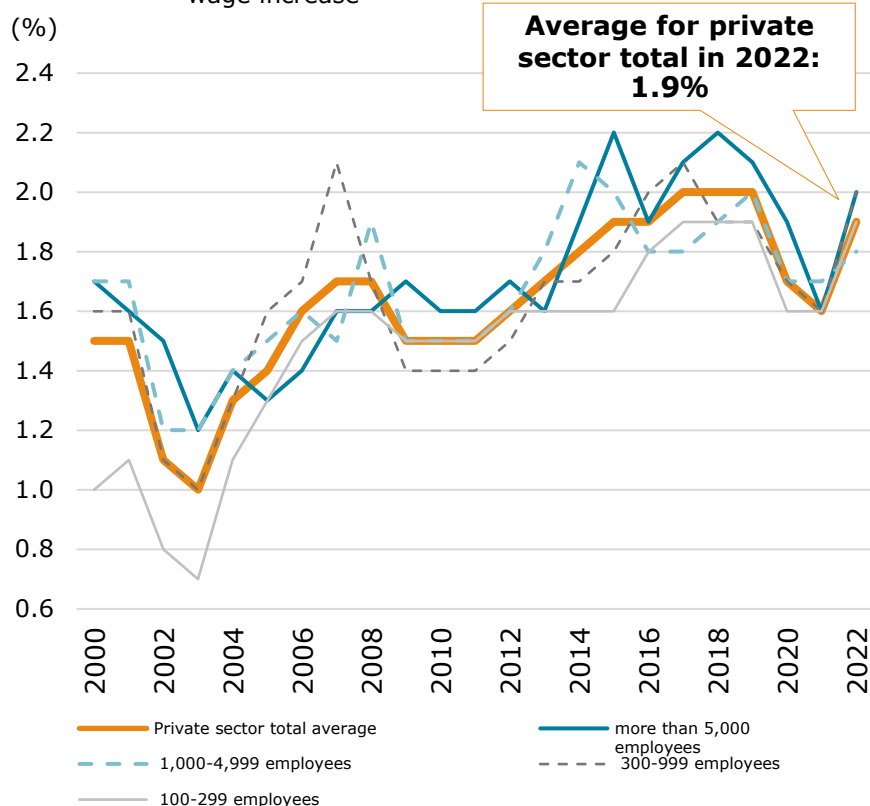


Wage Hike & Human Capital Investment in Japan

- Average annual wage hike in the private sector in Japan has been around 2%, although the ratio varies depending on the number of employees
- Japan's investment in human capital, both public and private, is significantly lower than other developed countries

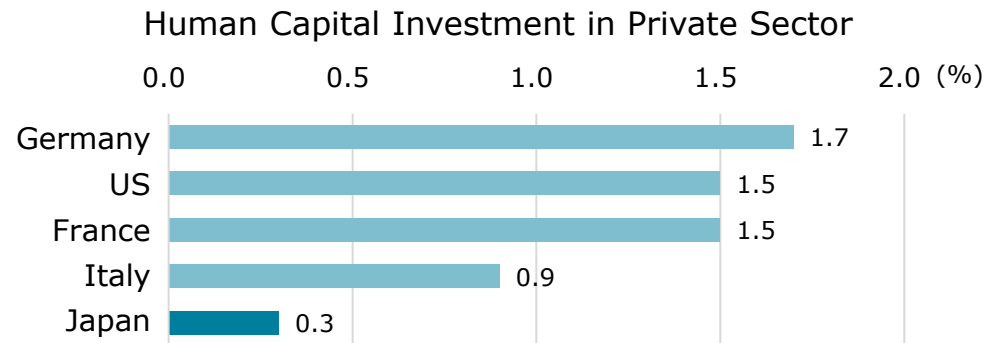
18. Wage Revision Ratio per Worker

Source: Ministry of Health, Labor and Welfare, "Survey on wage increase"

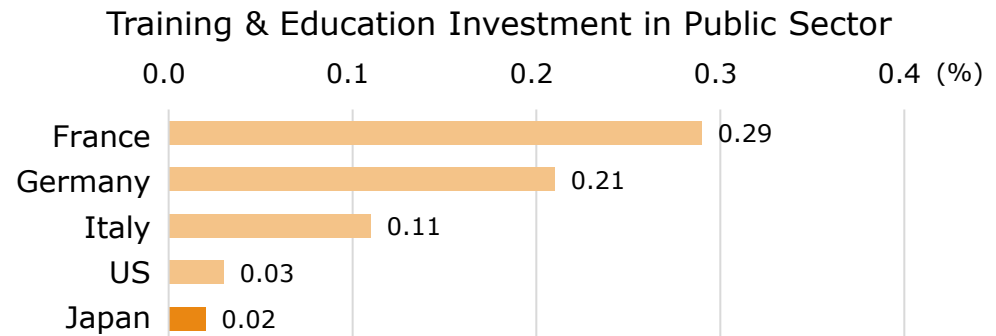


19. World's Human Capital Investment (GDP ratio)

Source: Mizuho Research & Technologies, Ltd., "New Form of Capitalism and Human Capital Investment"



† Figures indicate averages for 2010-2018 (2010-2017 only for US), using investment amounts excluding OJT



† Figures indicate averages for 2010-2019

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