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TechnoPro Group

Current Business Environment and Medium-Term Management Plan Progress

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

August 7, 2023



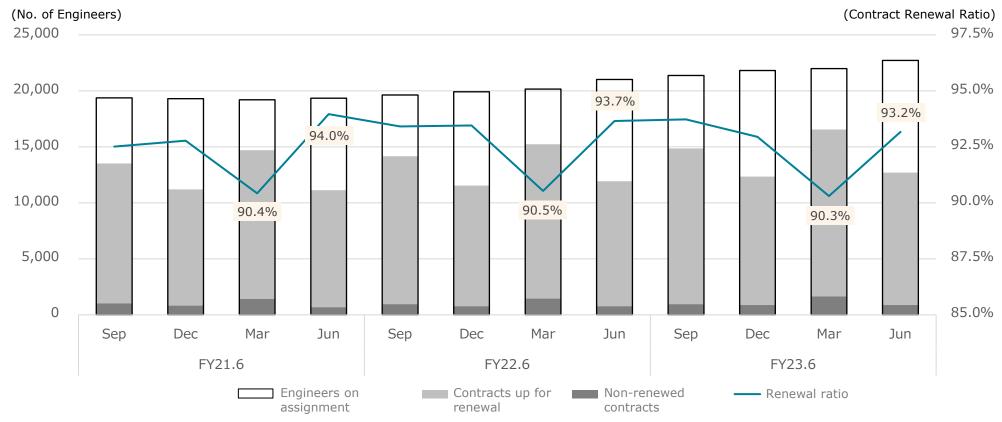
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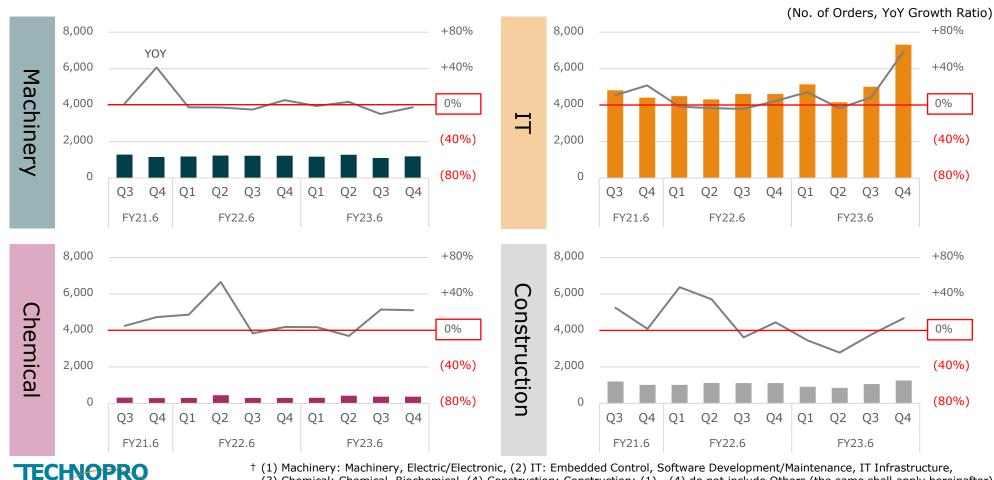
Contract Renewal Ratio [Mar, Jun, Sep, Dec]

- Terms of most staffing contracts are three or six months, therefore major contract renewal cycle occurs every three months (particularly in March, the contracts up for renewal reach around 80% of total contracts, and March contract renewal ratio usually tends to be around 90% since many projects end to coincide with the closing of our customers' fiscal year)
- There was no major decline in contract renewal ratio despite concerns over global recession; renewal ratio for June 2023 ended up with <u>93.2%</u> (renewal ratio could have increased to <u>94.2%</u> if calculated, excluding effect from voluntary contract terminations to promote shift-up initiatives), anticipating the similar renewal ratio for September 2023 as previous year if the effect from shift-up is excluded



New Orders Trend by "Technology" [Quarterly]

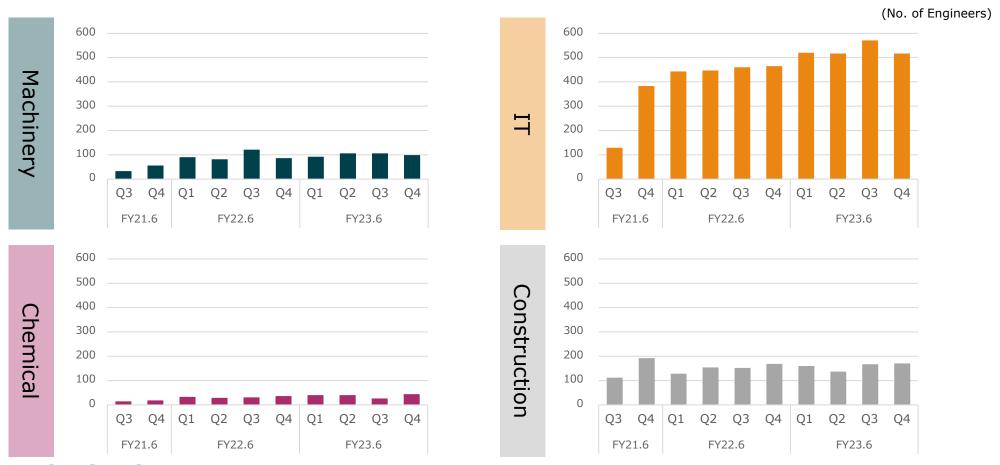
- The newly acquired orders in H2 FY23.6 increased year-on-year except in Machinery, ensuring adequate volume of orders upon engineer resources (fulfillment rate is approx. 30% for remaining orders. No difference of utilization rate among technology areas)
- In Machinery, new orders for leading-edge technologies are increasing mainly in areas such as Autonomous Driving, Electric Vehicle and IoT



(3) Chemical: Chemical, Biochemical, (4) Construction: Construction; (1) - (4) do not include Others (the same shall apply hereinafter)

Mid-career Recruitment by "Technology" [Quarterly]

- 3,312 mid-career engineers hired in FY23.6 include <u>401 inexperienced engineers requiring OJT</u> (223 in IT and 178 in Construction) and <u>132 non-Japanese engineers with in-demand skills hired globally</u> mainly in IT field, reinforcing the experienced hires among increasingly intensifying war for talent
- Through the collaboration with alliance partners, <u>proactively continue to recruit inexperienced engineers requiring OJT</u>,
 while securing projects in advance where they will be assigned immediately after training



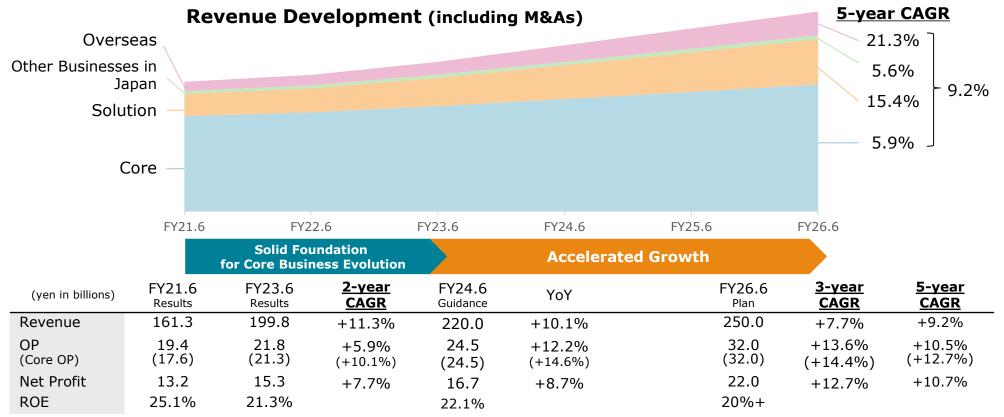
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Medium-Term Management Plan Financial Target

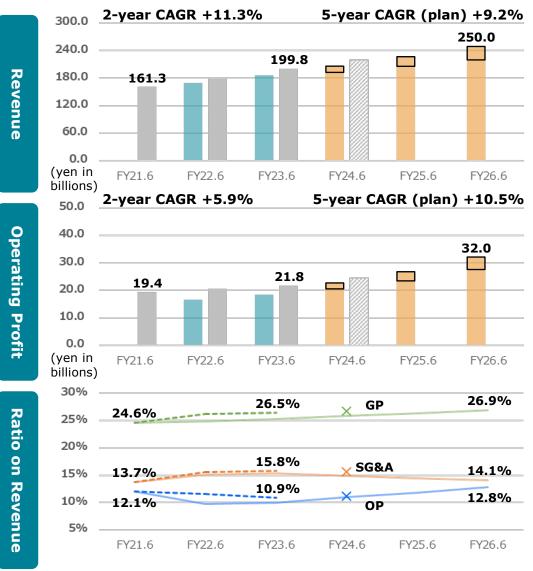
- The transitional first two years of the medium-term plan period (five years) require upfront investment to promote recruitment
 of key talents as well as education and training for Solution Business expansion and to establish business infrastructure for
 Engineer Training and DX Promotion Businesses, <u>building solid foundation for the Core Business evolution</u>; then aims to
 recoup investment in the last three years, <u>achieving accelerated growth</u> in earnings
- FY26.6 guidance remains unchanged although the financial results for the first two years exceeded the initial plan, considering that the earnings plan for the last three years includes contribution from M&As



Note: 1. CAGRs for the first 2- and full 5-year are calculated as the average annual growth rate starting from FY21.6 results; CAGR for the last three years is calculated as the average annual growth rate starting from FY23.6 results

2. Revenue contribution from M&As to Solution/Overseas Businesses is expected to be 15bn yen and 15bn yen respectively in FY26.6; OP contribution is expected to be 15% and 15% respectively

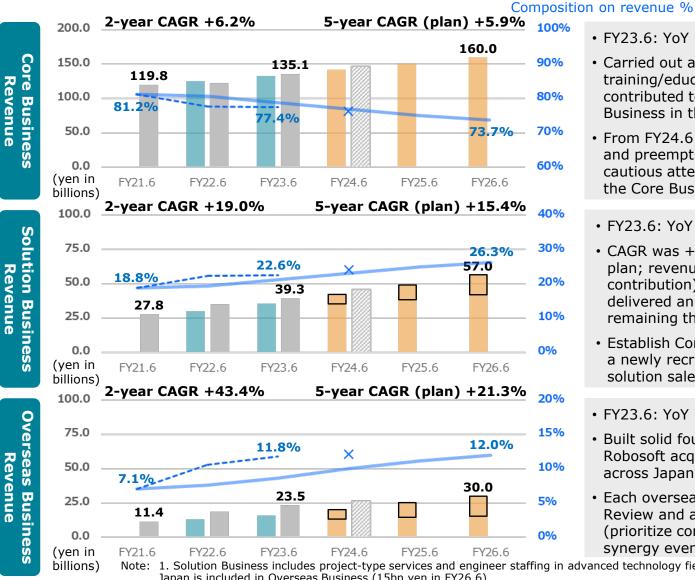
P&L Breakdown [FY24.6 figures: Guidance]



- FY23.6: YoY up 11.8%, vs. plan up 7.2%
- 2-year CAGR was +11.3% in the first two years of the plan, driven by the increase in engineers on payroll well exceeding the target while continuing recruitment without compromising quality
- Revenue guidance for FY24.6 is 220 billion yen; including only Robosoft earnings as notable contribution from M&A, but exceeding the target of the third year (o/w M&A contribution: 14 billion yen)
- FY23.6: YoY up 5.8%, vs. plan up 18.0%
- Profit growth continued in the first two years despite extraordinary items; recruiting cost decline and government subsidy for COVID-19 pandemic in FY21.6, and PO liability reversal gain in FY22.6
- OP guidance for FY24.6 is 24.5 billion yen; exceeding the target in the third year even without new M&A contribution (o/w M&A contribution: 2.1 billion yen)
- FY23.6: YoY GP margin up 0.3 pts / SG&A ratio up 0.2 pts / OP margin down 0.6 pts; vs. plan GP margin up 1.2 pts / SG&A ratio up 0.4 pts / OP margin +1.0 pts
- GP/OP margin exceeded the target in the first two years of the plan driven by the effect from acquisition of highly profitable Robosoft, while improvement in SG&A ratio may take some time due to changes in preconditions (described later)

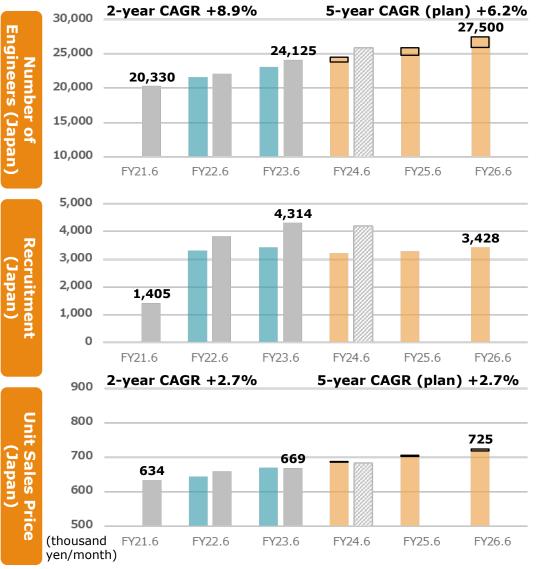
TECHNOPRONote: 1. FY22.6 and thereafter, bar graphs on left and solid lines of line graphs indicate targets in the medium-term plan (the same applies hereinafter) 2. FY24.6 and thereafter, black borders on bar graphs indicate M&A contributions expected in the medium-term plan (the same applies hereinafter)

Revenue Breakdown [FY24.6 figures: Guidance]



- FY23.6: YoY up 10.2%, vs. plan up 2.0%
- · Carried out active recruitment and training/education mainly in IT/digital domains, contributed to providing talents to the Solution Business in the first 2 years
- From FY24.6 onward, strengthen KPI management and preemptively implement initiatives while paying cautious attention to the environment surrounding the Core Business
- FY23.6: YoY up 12.1%, vs. plan up 10.7%
- CAGR was +19.0% in the first two years of the plan; revenue target of 57.0 billion yen (incl. M&A contribution) in FY26.6 will be achievable if delivered annual growth at +13.1% for the remaining three years
- Establish Consulting & Advisory Division, headed by a newly recruited expert and dedicate to the solution sales, maintaining growth momentum
- FY23.6: YoY up 23.9%, vs. plan up 46.7%
- Built solid foundation of offshore delivery model by Robosoft acquisition, sharing its solution capabilities across Japan and overseas
- Each overseas entity is subject to the Strategic Review and assessed for carve-out possibility (prioritize consistency with strategy and group synergy even if revenue or profit may decline)
- Note: 1. Solution Business includes project-type services and engineer staffing in advanced technology fields in Japan; revenue from solution services outside Japan is included in Overseas Business (15bn yen in FY26.6)
 - 2. Composition on revenue %: [Core Business, Solution Business] ratio to sum of revenues from R&D Outsourcing/Construction Management Outsourcing segments; [Overseas Business] ratio to consolidated revenue

Japan KPI Breakdown [FY24.6 figures: Guidance]



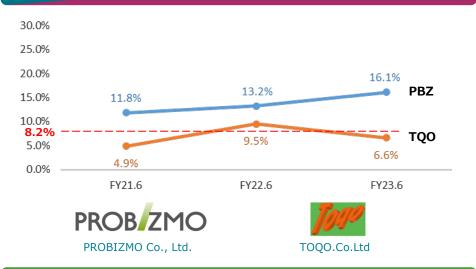
- FY23.6: YoY up 9.4%, vs. plan up 984
- In the first two years of the plan, FY23.6 results and FY24.6 guidance surpass the initial target one year ahead, since recruitment progressed well, and retirement was curbed to a certain level
- However, need to monitor turnover ratio more closely as the Group has many IT engineers, especially digital talents, who are in high demand
- FY23.6: YoY up 502, vs. plan up 890
- Recruitment was well above the target amid intensifying competition for talent by promoting recruitment of engineers requiring OJT or global talent while maintaining adequate hiring criteria
- In FY24.6, expecting slightly fewer hires than previous year, but carry out thorough analysis of cost effectiveness concerning recruitment and training, as hiring costs are soaring
- FY23.6: YoY up 1.6%, vs. plan down 2K yen
- Unit price slightly fell short of the plan for FY23.6 due to decreased overtime hours in the Core Business and increase in recruitment requiring OJT, although proportion of the Solution Business, which earns higher unit price, has expanded
- Continue efforts to raise unit sales price higher than wage hike of each engineer, while FY24.6 guidance is also expected to miss the plan at this moment

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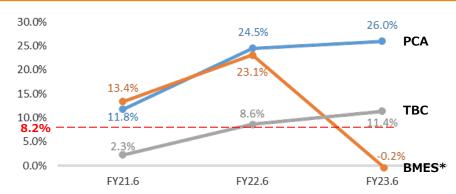
Note: 1. Figures in Recruitment does not include engineers acquired through M&A

Reference: M&A Performance (Changes in ROIC)

R&D/Construction Mgmt Outsourcing



Other Businesses in Japan







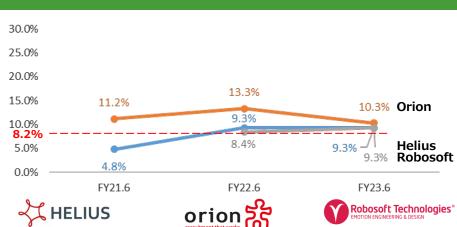
1: TechnoBrain

Pc Assist Co., Ltd.

Boyd & Moore Executive Search K.K.

TechnoBrain Co.,Ltd.

Overseas



Orion Managed Services Limited Robosoft Technologies Private Limited

Total Invested Capital (above 8 post-IPO) **21,331mn yen** incl. entities merged with TechnoPro, Inc. (invested capital 25,584mn yen)

o/w acquired in medium-term period **11,739mn yen**GCOMNET (merged with TechnoPro, Inc.) & Robosoft

ROIC (FY23.6)

<u>9.9%</u>

targeting at least 10% ROIC within 3 years from investment as financial discipline

Cost of Capital (FY23.6)

<u>8.2%</u>

Helius Technologies Pte Ltd
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^{*} Figures of BMES overseas subsidiaries belonging to Overseas were aggregated with BMES Japan, calculated into Other Business in Japan segment

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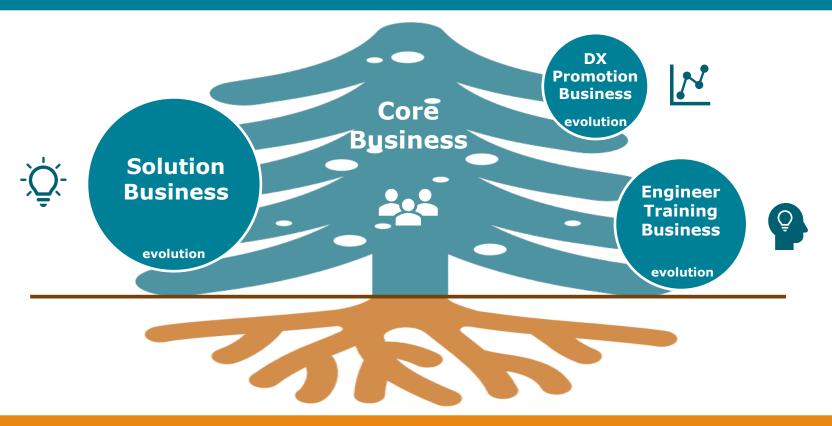
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Medium-Term Business Strategy Outline (repost)

• Strive growth putting more focus on <u>"quality"</u> for the Core Business (engineer staffing in Japan), as well as business transformation with <u>"evolution"</u> as its pivot (not "diversification"), thereby aiming to expand business and change business model by staying ahead of changes in supply and demand over the medium- to long- term

"Evolution" of Core Business



"Evolution" of Capabilities

Roadmap (repost)

Solid Foundation for Core Business Evolution - FY23.6

Accelerated Growth FY24.6 - FY26.6

Core Business

- Enhance recruiting of engineers requiring training or high-skilled foreigners
- · Promote reskilling of existing engineers
- Further internal contribution from our professional recruitment subsidiaries to the Core Business
- Penetrate into new customer segments, e.g. EC/BFSI/public sectors
- Promote use of freelancers or gig workers

Continue to shift toward IT/digital fields organically and inorganically

Solution Business

▲ Establish COI organization

- Enhance market/technology research function and group collaboration
- Establish central operating units in Japan and overseas through M&As
- · Acquire key talents: Pre-Sales/Architect/PM

▲ Reorganize/enhance solution organization

- Integration of conventional and digital technologies
- M&As to acquire insufficient technologies and customer verticals
- · Strengthening of branding and marketing functions

Engineer Training Business

▲ Reorganize/enhance engineer fostering organization

- Skill standardization, e-Learning system development
- Establish and promote B2B external sales scheme

▲ Develop as key pillar in next phase

- Further cultivate alliance partners for our ecosystem
- Create higher level curriculum and expand B2B customer base

DX Promotion Business

▲ Establish DX promotion organization

- Examine data analysis insights in the Core Business
- Develop new AI engines

▲ Making into profit center

- Improve AI engines and integrate into main IT system
- Business model building, sell to outside B2B customers

HQ Functions

- Streamline and enhance admin work (RPA, etc.)
- Introduce new personnel system for engineers

Promote internal digitalization and reinforce IT systems functions

Reference: Medium-Term Plan Preconditions & Logic

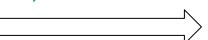
Business Model to date



Trading business (myopic perspective)

Supply

Recruit as many talents meeting the orders (mainly experienced) as possible in a timely manner



Bench (non-operating) is **bad**

Focus on utilization ratio

Demand

Acquire as many new orders as possible through grassroots sales activity

Business Model to be



Manufacturing business (medium/long-term perspective)

Supply

Create as many talents (including recruitment requiring OJT) meeting the orders (including unrealized orders forecasted based on technology trend analysis) as possible

Develop solutions leading to proposals to solve customer issues while honing own capabilities

Strategic bench is **good** + Pricing power

Accept utilization ratio drop to some extent

Focus on price/margin

Demand

Generate as many new orders (including hidden ones) as possible by leveraging scarce talents or sales activities with problemsolving proposal

Determine prices based on added value delivered to clients, not on man-months

Our Value Chain

R&D

Procurement

Recruitment (incl. engineers

requiring OJT or non-Japanese)

Manufacturing

Sales

Follow technology trend (Center of Intelligence)

Develop training contents

Technical level tests

Skill data foundation & analyze

Career path models

M&As - Digital/core technologies

- Solution offerings

Overseas offshore

Nearshore in Japan

Training & education (incl.

strategic training)

Reskilling/upskilling

Foster less experienced

Partially tolerate bench

Develop solution offerings (Center of Excellence)

Dispatch

(Help me do it!)

Project-type services (Do it for me!)

Solutions

(What should I do?)

Medium-Term Plan First Two Years Reviews & Challenges

Reviews/Results

Challenges/Change in Business Environment

Core Business

- Shifted toward IT/digital domains as planned, contributing to <u>providing talents to the Solution Business</u>
- From FY23.6, fully promoted recruitment of engineers requiring OJT and resumed hiring of global talents with indemand skills after border reopening
- Collaboration within the Group further deepened such as 1) progress in reskilling of conventional type of engineers supported by the Engineer Training Business and 2) promotion of experienced hires through professional recruitment subsidiaries

• Continued stringency of engineer market in Japan,

- increasing risks of engineer retention, and upward pressure on salaries
- Intensifying competition for experienced engineers, <u>escalating recruiting costs</u> resulting from increased usage of professional recruitment agencies
- To tackle with issues above, <u>upfront investment</u> <u>(expenses for bench, training, etc.)</u> incurred by recruitment requiring OJT and prolonged training period for new graduates <u>tends to increase</u>

Solution Business

- Engineers engaging in the Solution Business in Japan totaled 4,266 in Q4 FY23.6 (up 11.0% YoY)
- In addition to sales activities leveraging our onsite engineers, began to <u>build new framework for sales lead</u> <u>generation</u> utilizing digital marketing technologies and inside sales
- Promoted involvement of Robosoft, as well as subsidiaries in China, as an offshore delivery hub for domestic customers
- Necessity to establish competitive solution offerings for end customers that can cover from upstream to downstream of projects
 - → Need to enhance scale, price, scope of each project while utilizing our own competitiveness derived from close connection with the Core Business
 - ightarrow Must secure and foster pre-sales team and PM talents
- Working on to establish central unit in Japan by M&A
- Still in progress to implement strategic initiatives into workplace

Engineer Training/ DX Promotion Business

- B2B external sales of consultation services for talent grooming based on standardization and analysis of skills are gradually expanding
- Accumulated <u>insights concerning data analysis of</u> retirement/matching/training
- Further initiatives to make training programs more advanced (including <u>optimization for areas relating to</u> <u>competitive solution offerings</u>)
- Full integration of analytics insights into operation has fallen behind schedule so far

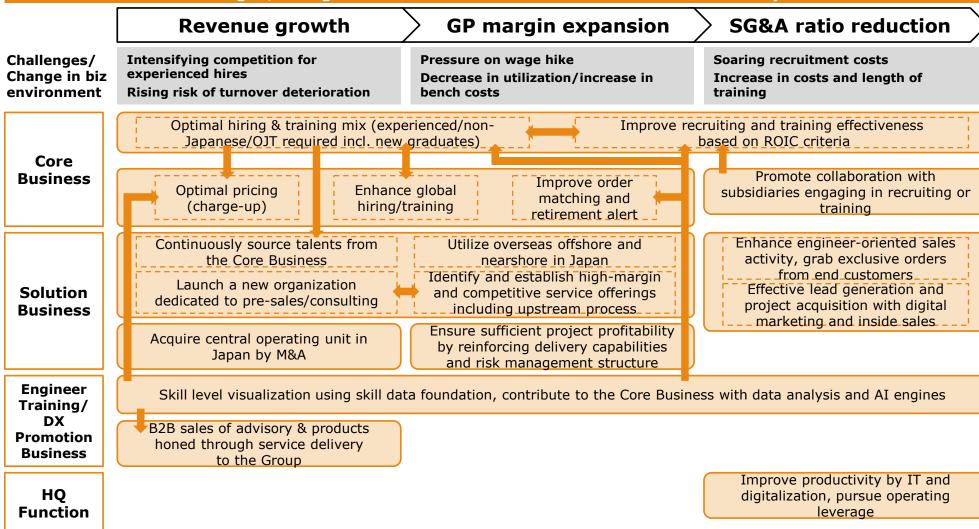
HQ Function

- Introduced **new personnel system** built on our "Purpose"
- Developed RPA capable of processing approx. 30K hours/year workloads

 Plan to start assessment and reorganization of management structure for strategic functions, and evaluate the effectiveness of reinforced IT systems and RPA

Medium-Term Plan Remaining Tree Years Initiatives

Aim to achieve higher earnings growth in the remaining three years by responding to the challenges/change in business environment found in the first two years



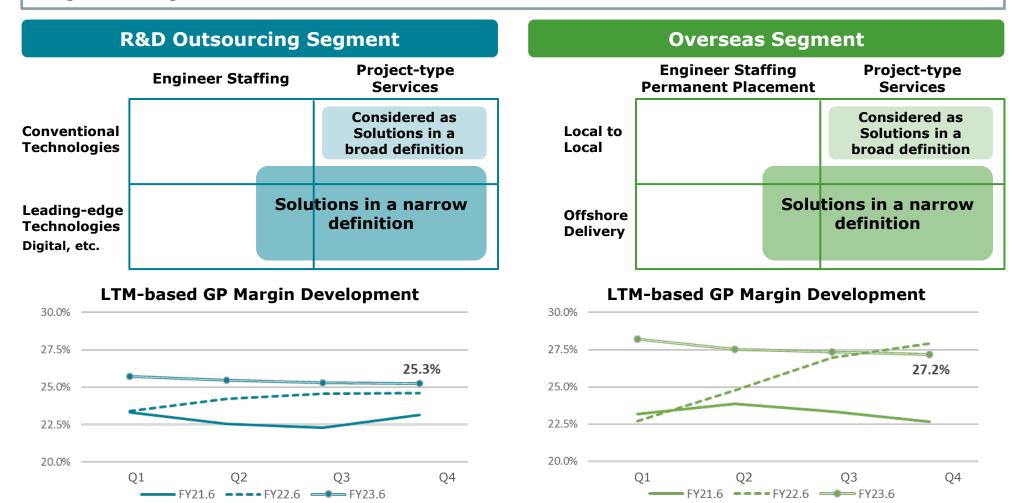
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Solution Business Positioning

- Solution Business is included mainly in R&D Outsourcing and Overseas segments as shown in matrix diagram below
- GP margin in each segment is expected to expand along with an increase in the ratio of the Solution Business, as it **generates**higher GP margin



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† Excluding Construction Management Outsourcing, which also has solution services such as BIM or CIM, as its figures are still small

Digital Technologies & Solution Offerings

Customer

Automotive/ Mobility Industrial Machinery Electronic Components/ Semiconductors Electronics/ Precision Machinery Information Systems/ Telecoms Plant/Heavy Industry/ Energy

Bio/Medical

Materials

Construction

<solution offerings=""></solution>					
Development Efficiency	opment Efficiency Production Efficiency AI/Data Analysis IoT/System Development				
Cloud/Network	Materials Informatics	Bioinformatics	i-Construction		
ERP	Security	Local Authority Business Consulting	Operational Efficiency		
ВРО	IoT Platform	Surveying/Measuring	Automotive Transformation		
	∠Digital To	shnologies			
AT/MI		chnologies>	Edge Computing		
AI/ML	Data Science	Sensor Fusion	Edge Computing		
AI/ML Cloud Services			Edge Computing 5G/6G Network		
	Data Science	Sensor Fusion) [
Cloud Services	Data Science Cybersecurity	Sensor Fusion Blockchain	5G/6G Network		



† The COI will focus on technology trend and customer demand, revising its focus on digital technologies and solution offerings when needed

Japan Solution Business Progress

Revenue and monthly average number of assigned engineers (<u>LTM basis</u>) relating to <u>digital technologies</u> and <u>solution</u>
 <u>offerings</u> have grown steadily every quarter; its proportion of the total number of engineers in Japan at the latest period was <u>18.2%</u>, and solution premiums to the total average unit sales price in Japan was <u>+17.5%</u>

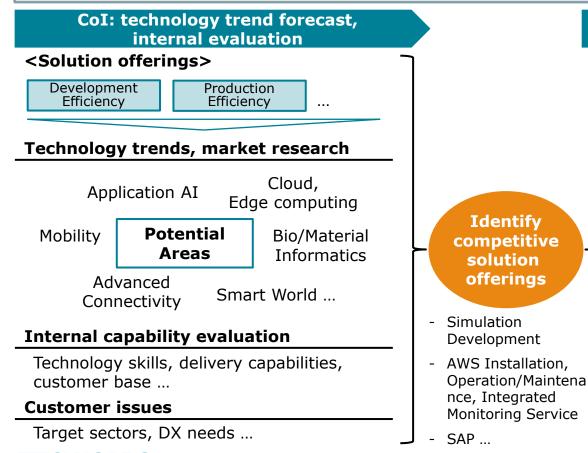
	Revenue (yen in millions)			Ave. Assigned Engineers (No. of Engineers/month)			Ave. Unit Sales Price (thousands yen/month)					
	FY22.6		FY23.6		FY22.6		FY23.6		FY22.6		FY23.6	
	Q4	Q4	YoY	QoQ	Q4	Q4	YoY	QoQ	Q4	Q4	YoY	QoQ
Japan Solution Business Revenue (narrow definition)	35,123	39,386	+12.1%	+3.3%	3,728	4,174	+12.0%	+2.6%	785	786	+0.1%	+0.7%
Ratio on R&D/Construction Mgmt. revenue, premiums to total average unit sales price	22.3%	22.6%			17.7%	18.2%			+19.2%	+17.5%		
o/w Digital Technologies												
AI/ML/Data Science	2,430	3,138	+29.1%	+3.8%	281	345	+22.8%	+3.0%	720	759	+5.4%	+0.8%
Cloud Services	3,289	4,575	+39.1%	+6.9%	363	498	+37.2%	+5.1%	755	765	+1.3%	+1.6%
Cybersecurity	1,028	1,349	+31.2%	+12.8%	126	159	+26.2%	+6.7%	682	705	+3.4%	+5.4%
5G/6G Network	823	638	(22.5%)	(7.9%)	102	76	(25.5%)	(8.4%)	672	700	+4.2%	+0.9%
Sensor Sensing	1,102	1,199	+8.8%	+1.6%	114	121	+6.1%	+0.8%	806	827	+2.6%	+0.9%
Semiconductor Design	2,059	2,327	+13.0%	+2.4%	219	251	+14.6%	+2.9%	782	772	(1.3%)	(0.6%)
Mechanical Design	1,611	1,860	+15.5%	+2.6%	186	210	+12.9%	+1.9%	723	738	+2.1%	+0.7%
Analysis (CAE)	2,612	2,962	+13.4%	+2.2%	320	359	+12.2%	(0.8%)	680	687	+1.0%	+2.8%
Advanced Manufacturing Technology	1,845	1,651	(10.5%)	(8.9%)	186	172	(7.5%)	(3.4%)	824	801	(2.8%)	(5.8%)
Microcomputer Embedded Control SW	8,767	9,429	+7.6%	+2.5%	925	955	+3.2%	+1.3%	790	822	+4.1%	+1.1%
ERP	1,941	2,032	+4.7%	+4.2%	212	204	(3.8%)	(1.0%)	764	829	+8.5%	+5.1%
RPA	569	1,106	+94.4%	+11.0%	50	91	+82.0%	+9.6%	950	1,011	+6.4%	+1.5%
MBD/HILS	1,232	1,206	(2.1%)	+9.4%	94	95	+1.1%	+6.7%	1,091	1,059	(2.9%)	+2.5%
Others	1,723	2,017	+17.1%	+6.6%	202	222	+9.9%	+3.7%	711	758	+6.6%	+2.8%
o/w Solution Offerings												
Development Efficiency	1,622	2,250	+38.7%	+26.2%	133	183	+37.6%	+24.5%	1,015	1,025	+1.0%	+1.6%
Production Efficiency	1,752	1,910	+9.0%	(5.1%)	129	130	+0.8%	(1.5%)	1,132	1,225	+8.2%	(3.7%)
AI/Data Analysis	1,356	1,996	+47.2%	+9.0%	143	212	+48.3%	+11.6%	791	786	(0.6%)	(2.2%)
IoT System Development/Platform	1,226	1,945	+58.6%	+18.5%	100	211	+111.0%	+14.1%	1,024	767	(25.1%)	+3.6%
ERP	1,465	1,136	(22.5%)	(9.0%)	92	105	+14.1%	+2.9%	1,332	898	(32.6%)	(12.2%)
Operational Efficiency, Cloud/Network	3,464	4,023	+16.1%	+4.5%	294	419	+42.5%	+5.5%	980	801	(18.3%)	(0.7%)
Others	1,779	2,810	+58.0%	+16.2%	253	287	+13.4%	+4.7%	587	816	+39.0%	+10.9%

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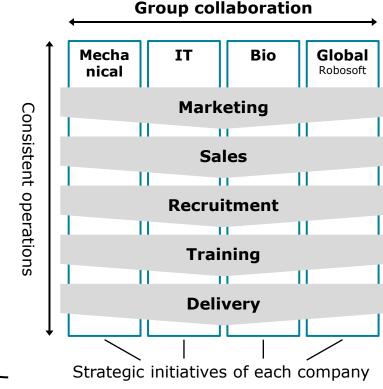
[†] Figures are calculated on the LTM basis (for quarterly/YTD figures, refer to the Factbook posted on our website)

Strengthen Solution Business with CoI/CoE

- <u>CoI (Center of Intelligence)</u> identifies the competitive solution offerings to focus on, in accordance with the customer issues that we can resolve, while conducting research on domestic/overseas technology trends and markets, as well as evaluating our internal capabilities
- <u>CoE (Center of Excellence)</u> interconnects the strategic initiatives of each group company in the competitive solution offerings identified by the CoI, realizes consistent operations from marketing to delivery, thereby accumulating and continuing to improve solution capabilities within the Group



CoE: solution capabilities building and enhancement



Reference: Solution Offerings Case Study

Development Efficiency Solution

Technology trends and internal capabilities

- The global market of model-based enterprise is expected to grow from US\$1.6 billion in 2023 to US\$3.5 billion in 2028, mainly manufacturing industries such as automotive and aerospace (annual average growth of 16.1%)
- Track record of handling all the process from analysis of required specifications for MBSE (Model-based Systems Engineering) to virtual environment construction

Customer needs

DX needs to improve verification efficiency by visualizing the development process and boosting execution (parallel processing) in development, design, prototyping, and verification departments of control equipment for automobiles, construction machinery, agricultural machinery, and industrial equipment

[Simulation Development Solution]

- Select HW/SW required for HILS* construction, construction of automatic verification environment, and test operation
- Realize integrated verification of HW/SW
- Reduce development period by verification on virtual environment

Initiatives to build & improve solution capabilities

- Support group collaboration through in-house "Service Catalogue"
- Promote training and recruitment by visualizing MBSE resources

*HILS stands for Hardware In the Loop Simulator, a testing device for ECUs (electronic control units)

Cloud/Network Solution

Technology trends and internal capabilities

- Public cloud market in Japan was 2 trillion yen in 2022, growing at an average annual rate of 20.4% from 2021 to 2026, AWS (Amazon Web Services) has the global cloud market share of 15.2% in 2021
- Wealth of experience in AWS introduction plan, design and development, operation and maintenance, and integrated monitoring

<u>Customer needs</u>

Needs for implementation of advanced technology after the spread of telecommuting, cost reduction in introduction and operation at transition from on-premises to public cloud, and security assurance

[AWS Installation, Operation/Maintenance, Integrated Monitoring Service]

- AWS introduction: planning/design/development/test/initial setting
- AWS operation/maintenance: manuals, training, troubleshooting
- AWS integrated monitoring: integrated monitoring with Zabbix (AWS status monitoring and auto-notification)

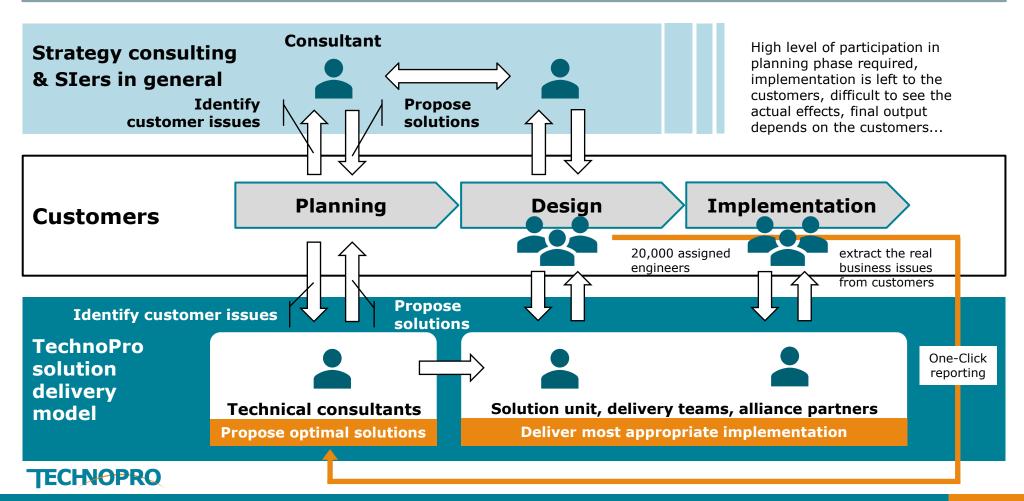
Initiatives to build & improve solution capabilities

- Support group collaboration through in-house "Service Catalogue"
- PR activities of AWS partner certification
- Implement acquisition program for AWS certification
- Promote/monitor assignment of certified engineers to AWS project



Solution Business: TechnoPro Group Competence (repost)

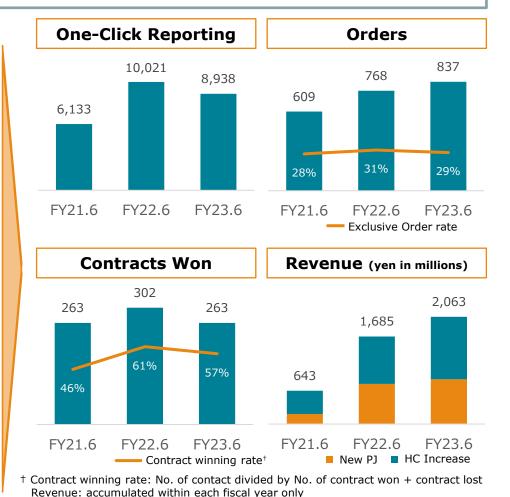
- <u>20,000 or more engineers engaged in design and implementation work at our customer sites</u> have great opportunities to discover the essential business issues of customers
- Based on the information provided by the engineers, our technical consultants propose the optimal solutions and consistently
 deliver solutions from design to implementation (i.e. End-to-End Solutions), committing to thoroughly solve the
 customer's issues and pain points; consequently differentiates us from strategy consulting firms and SIers in general



Sales Promotion Leveraging Engineers [Japan]

- <u>Captured customers' challenges and issues before they become visible</u> through touch points created by engineers working on-site, offered tailored proposals (using "One-Click Reporting" and "Service Catalogue" integrated into internal IT systems) more proactively than peers, achieved results despite constraints on sales activities due to the COVID-19 pandemic
- <u>Achieved higher ratio of obtaining exclusive orders and winning contracts</u> compared with the orders acquired by standard field sales, also providing monetary incentives to engineers

One-Click Reporting and Service Catalogue Communicate from **Customers** potential phase → Higher rate to obtain exclusive **Order Information** order Provide information **Engineers** swiftly → Higher contract **One-Click Reporting** winning ratio Online portal Share solution lineups and case studies Field sales, **Tech consultants** → Tailored proposal **Service Catalogue TECHNOPRO**



Engineer Training Efforts for Japan Solution Business

- Working with alliance partners to <u>bring forward training of engineers capable of delivering excellent performance in</u>
 <u>emerging technology areas</u>
 where demand is expected to grow
- Targeting an aggregate of 3,000 AWS cloud certifications acquired by our engineers by the end of FY25.6, under the partnership with Amazon (1,850 at the end of FY23.6)
- Entered into strategic partnership with dentsu Japan to enhance DX-related businesses, aiming to foster 500 DX talents

	FY21.6	FY22.6	FY23	3.6	FY23.6
	Cumulative	Cumulative	H1	H2	Cumulative
	Total	Total			Total
No. of Trained Engineers					
AI/ML	348	1,233	285	107	1,625
Data Science	380	440	25	35	500
Cloud Services	234	573	835	668	2,076
ERP	94	221	38	21	280
Total	1,056	2,467	1,183	831	4,481
	21.6 End	22.6 End	22.12 End		23.6 End
No. of Certifications*		ZZIO ZIIG	LLILL LIIG		2510 Liiu
AI/ML/Data Science					
G Certification	32	78	107		125
E License	3	10	28		37
Python 3 Certified Engineer	196	268	350		467
Japan Statistical Society	117	116	124		134
Certificate grade 2 or higher	11/	110	124		134
Cloud					
AWS	243	683	1,235		1,850
Azure	19	54	131		136
Salesforce	27	48	46		64
ERP					
SAP	14	35	57		83
Total	651	1,292	2,078		2,896
		, -	,		,

Alliance Partners



Gold

dentsu japan



Microsoft Partner









* Excluding certifications acquired by retired engineers

Global Strategy

- <u>Global strategy became more specific</u> (focusing on digital domain, promote offshore delivery mainly from India) as a result of adding Robosoft to the Group in the first year of the medium-term plan; aim to align the strategic growth direction of existing overseas subsidiaries, thereby crystallizing the integrated and synergistic value of the Overseas Business as a whole
- Make Robosoft play a key role in overseas Solution Business, pursuing <u>opportunities for bolt-on type M&As</u> which will contribute to 1) acquisition of capabilities to complement value chain of IT/digital services and 2) penetration into US/Euro customers, in addition to its own organic growth
- <u>Drive growth of Solution Business in Japan</u> by proactively transferring overseas technology knowledge and talents to Japan (i.e. strategic rationale and intent to expand our overseas operation)

IT/Digital Service Value Chain Small High Profitability Planning & Advisory Design Engineering Implementation Robosoft's Competitive Advantages Analytics



- Reconsidered strategic/regional positioning of overseas subsidiaries (FY22.6), continues to drive transformation to solution companies (FY23.6 onward)
- Commenced joint-sales activity with Robosoft in Japan, accumulated sales leads and won the first project (FY22.6), deliver steady top-line growth for Japanese customers (FY23.6 results: up 34% YoY, FY24.6 plan: up 40%)
- Shared know-how of Robosoft's solution business (delivery process, talent development, marketing, etc.) (FY22.6), accelerates systems integration and exchange program of engineers between Japan and India (FY23.6 onward)
- Involved Robosoft team in M&A deal process (FY22.6 onward)

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Value-Creation Process

- · Evolve capabilities and transform business model by leveraging management resources accumulated to date
- <u>Fulfill the Purpose while pursuing value creation</u> by steadily implementing initiatives for material issues through capabilities and business models

[Our Purpose] Driving the Power of Technology and Talent to Co-create Value Together with our Customers for a Sustainable Society

External Environment Surrounding the Business Technology Advancement Acceleration of technology innovation Penetration of digital- and environmentrerated technology into society Work Environment/Labor Market in Japan Aging population Structural shortage of engineers • Future of strict dismissal legislation Globalization • Fierce competition with competitors Overseas transfer of development activity Evolving digital technologies outside Japan Impact on Demand and Supply Demand Broadening digitalization needs Shift to addressing needs by identifying and solving issues, rather than simply providing human resources (headcounts) and services Supply • Supply constraints of engineers in Japan due to shortage of Japanese engineers Emergence of diverse sources of supply, such as freelancers and those engaged in Increased availability of overseas engineers due to the spread of remote work tools, etc.

Management Resources as a Source of Value Creation **Existing Strengths Evolving Capabilities** Number of engineers employed in Japan: 24,125 people •IT engineers as a percentage of assigned Ability to acquire engineers beyond domestic engineers: 56.2% supply constraints Human • Number of applicants (mid-career engineers): Reskilling toward digital technology, acquisition Capital of multiple technologies more than 66,000 people Number of engineers undergoing training (cumulative): 303 thousands of people Organizational accumulation and utilization of Alliance ecosystems technological knowledge Intellectual Expertise in hiring, training, and assigning Integration of conventional and digital technologies Capital • Transfer of technical know-how from global bases • Further expansion and utilization of engineer data Average monthly orders: 1,550 orders/month Social and Business locations: 220 Ability to identity customer issues and propose and Relationship • Number of customers in Japan: implement solutions Capital 2,469 companies ●ROE: 21.3% ●D/E ratio*: 0.20x • Stable revenue base in Core Businesses **Financial** ● Net worth ratio*: 52.4% Growth investment based on robust risk Capital EPS growth for eight consecutive years management and financial discipline since listing Note: The above figures are for the fiscal year ended June 30, 2023 or as of June 30, 2023 * Calculated using equity capital excluding non-controlling interests

Business Model

Conventional Businesses
 Core Business
 (Engineer Staffing Business)
 Project-Type Services
 Technical Consulting
 Overseas Business and Offshore
 Development
 Professional Recruitment Business

Create a virtuous cycle whereby we attract skilled engineers by offering a wide variety of attractive jobs, and have those engineers earn the trust and appreciation of customers.

 Evolutionary Businesses Solution Business
 Engineer Training Business
 DX Promotion Business

Businesses for medium- to long-term growth, leveraging the foundation of our conventional businesses

Outputs

- Engineers who can meet R&D and digital demands
- Technical solutions to resolve pain points
- Training programs to support engineer skill development
- Data analysis and application to leverage engineers

Outcomes















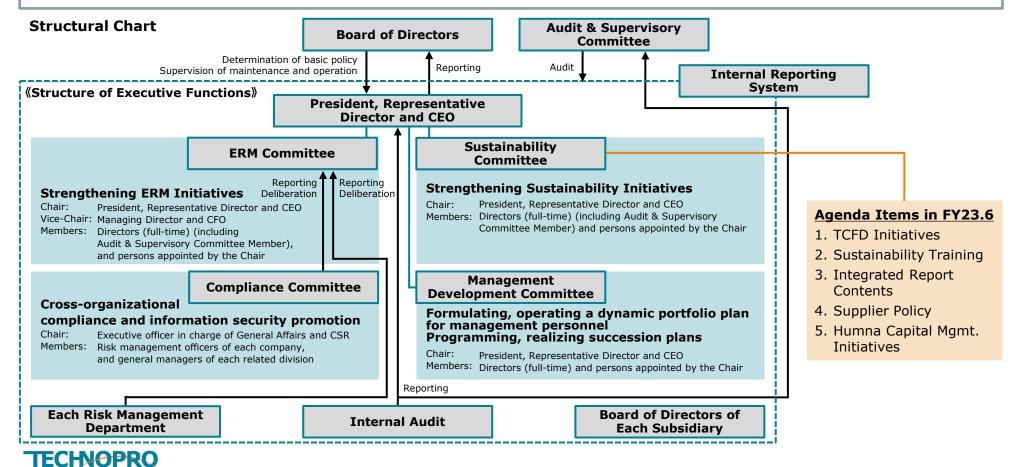






Sustainability Management Organization Structure

- <u>Sustainability Committee</u> deliberates and makes decisions on matters relating to development, implementation, and operation concerning essential issues required for execution of our Sustainability Policy
- **ERM Committee** recognizes risks including personal information and information security, formulating risk management plans and strictly monitoring their implementation
- Established <u>Management Development Committee</u> in August 2023, systematically promoting recruitment, assignment, training of management personnel from the perspectives of medium-term plan execution



Human Capital Management

- In HR business, <u>human resources</u>, <u>which shall be intangible assets</u>, <u>are sources of value creation</u>, therefore investment in human capital has direct impact on our financial performance
- Aim to generate both economic and social value by 1) implementing recruitment/training initiatives to make the most of diverse individual strengths of employees, and 2) assigning to attractive and motivational jobs

Creating economic and social value through a business model centered on human capital

Recruitment

Actively recruit diverse talents (requiring OJT, non-Japanese, seniors, etc.)

Introduce and utilize flexible forms of employment (freelance, side jobs, etc.)

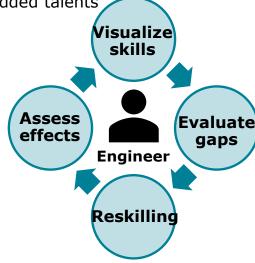
Secure sources for service supply

Realize diversity and equal opportunity

Promote human resource mobility across industry and technology boundaries

HR development/training

Strategically develop high valueadded talents



Increase market value of engineers (hone technical skills/create engineers)

Enhance job satisfaction an

Enhance job satisfaction and employee engagement

Assignment/Sales

Offer attractive and motivational jobs and diverse career paths through expansion of the Solutions Business



Raise price, improve profit margin through optimal assignments Increase salaries and motivation of engineers, reduce turnover ratio

Maximize opportunities and lifetime value (LTV) of engineers

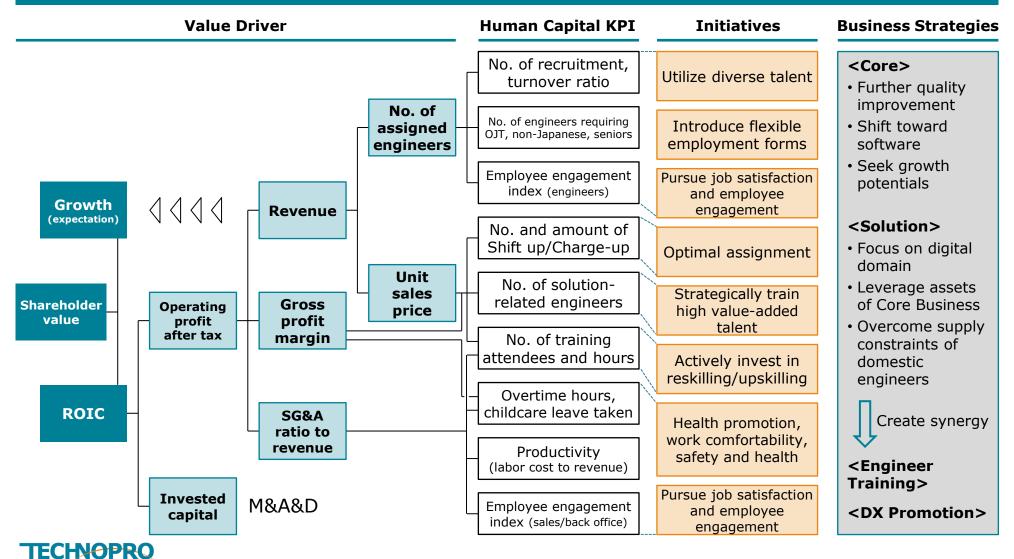
Contribute to solving engineer shortage and innovation at clients

TECHNOPRO

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Reference: Human Capital Investment & Value Creation

Execute business strategies and create value through human capital initiatives(human capital KPIs impacts value drivers)



External Certifications/Recognitions

- Selected as a constituent of all ESG investment indices used by the GPIF (Government Pension Investment Fund)
- Selected as a constituent of the JPX Prime 150 Index, which began calculation in July 2023, based on <u>return on capital</u> (equity spread criteria)

ESG Indices adopted by GPIF

General ESG Index

FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index



FTSE Blossom Japan Sector Relative Index

MSCI Japan ESG Select Leaders Index

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Thematic Index

S&P/JPX Carbon Efficient Indices



MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Morningstar Japan ex-REIT Gender Diversity Tilt Index

Other Indices

JPX Nikkei Index 400

<Joint Index>

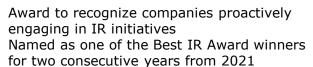
JPX Prime150 Index

<Stock Selection>

NIKKEI 500 INDEX



Best IR Award







Certified Health and Productivity Management Outstanding Organization (Large Enterprise Category)



Recognition for companies engaging in notable health and productivity management Named for three consecutive years from 2020



DX Certification

Certification to recognize companies ready for DX promotion Selected first time on June 6, 2021
Renewed every two years, successfully Digital Transformation Selected again in 2023

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