

TechnoPro Group Financial Results for the 3rd Quarter of FYE June 2023

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

April 28, 2023

Contents

	Page
I : FY2023 Q3 Financial Overviews	2
II : KPI Analysis [Japan]	9
i : Number of Engineers & Utilization Ratio	9
ii : Unit Sales Price	13
III : Overseas Subsidiaries	14
IV : FY2023 Guidance	15
V : Shareholder Return	17
VI : Appendix	19
VII : Data References	22

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 on July 1, 2021

FY2023 Q3 Financial Overviews

- Year-to-date Q3 FY23.6 revenue was **148.2 billion yen**, up 12.6% year-on-year; gross profit (GP) was **39.3 billion yen**, up 14.6% year-on-year; core operating profit was **16.4 billion yen**, up 14.2% year-on-year; operating profit was **16.6 billion yen**, up 0.5% year-on-year (in Q2 FY22.6, 1.86 billion yen was recorded as put option liability reversal gain); net profit was **11.3 billion yen**, down 5.6%
- Year-to-date Q3 FY23.6 GP **increased 5.0 billion yen** year-on-year; mainly due to 1) increased allocation of domestic dispatch engineers (up 1.81 billion yen), 2) price hike of dispatch contracts (up 1.38 billion yen), 3) expansion of project-type services (up 1.87 billion yen), and 4) decrease in provision for paid leave (up 150 million yen), offset by 5) increase in standby cost (down 360 million yen) and provision for seasonal and financial results-linked bonuses (down 780 million yen)
- Core operating profit and operating profit in H2 FY23.6 are falling slightly behind the targets, mainly due to proactive investment in mid-career hiring including less experienced individuals, as well as in education and training

(yen in millions, except per share amounts)

	Q3 (Three-Months Period)				Nine-Months Ended					Full-Year		
	FY22.6 (Results)	FY23.6 (Results)	YOY		FY22.6 (Results)	FY23.6 (Results)	Progress	YOY		FY22.6 (Results)	FY23.6 (Guidance)	YOY
Revenue	45,354	50,279	+4,925	+10.9%	131,712	148,291	74.1%	+16,578	+12.6%	178,756	200,000	+11.9%
Gross profit	12,402	13,262	+859	+6.9%	34,283	39,300	—	+5,017	+14.6%	46,858	—	—
GP margin	27.3%	26.4%	(1.0 pts)		26.0%	26.5%		+0.5 pts		26.2%		
SG&A expenses	6,988	7,874	+885	+12.7%	19,837	22,805	—	+2,968	+15.0%	27,819	—	—
Ratio on revenue	15.4%	15.7%	+0.3 pts		15.1%	15.4%		+0.3 pts		15.6%		
Core operating profit	5,414	5,388	(25)	(0.5%)	14,446	16,494	75.0%	+2,048	+14.2%	19,038	22,000	+15.6%
Core OP margin	11.9%	10.7%	(1.2 pts)		11.0%	11.1%		+0.2 pts		10.7%	11.0%	
Other income	112	62	(49)	—	2,265	237	—	(2,027)	—	2,387	—	—
Other expenses	82	33	(48)	—	189	131	—	(57)	—	784	—	—
Operating profit	5,444	5,417	(26)	(0.5%)	16,522	16,601	75.5%	+78	+0.5%	20,641	22,000	+6.6%
OP margin	12.0%	10.8%	(1.2 pts)		12.5%	11.2%		(1.3 pts)		11.5%	11.0%	
Profit before income taxes	5,547	5,377	(169)	(3.1%)	16,777	16,501	75.0%	(275)	(1.6%)	20,967	22,000	+4.9%
Net profit	4,283	3,684	(598)	(14.0%)	12,077	11,398	76.0%	(678)	(5.6%)	15,430	15,000	(2.8%)
Net profit margin	9.4%	7.3%	(2.1 pts)		9.2%	7.7%		(1.5 pts)		8.6%	7.5%	
Earnings per share	39.76	34.20	(5.56)	(14.0%)	112.11	105.81	76.0%	(6.30)	(5.6%)	143.24	139.24	(2.8%)
Dividend per share	—	—	—	—	20.00	25.00	—	+5.00	+25.0%	72.00	72.00	—

FY2023 Q3 Medium-term Plan Implementation Cost

- In FY23.6, plan to spend medium-term plan implementation cost of **2,172 million yen** (ratio on revenue: **1.11%**), aiming to invest full amount with consideration of the return on investment
- For the nine-months ended Q3 FY23.6 period, invested medium-term plan implementation cost of **1,471 million yen** (ratio on revenue: **0.99%**, annual progress: **67.7%**), recruiting and training of solution talents progressed faster than planned

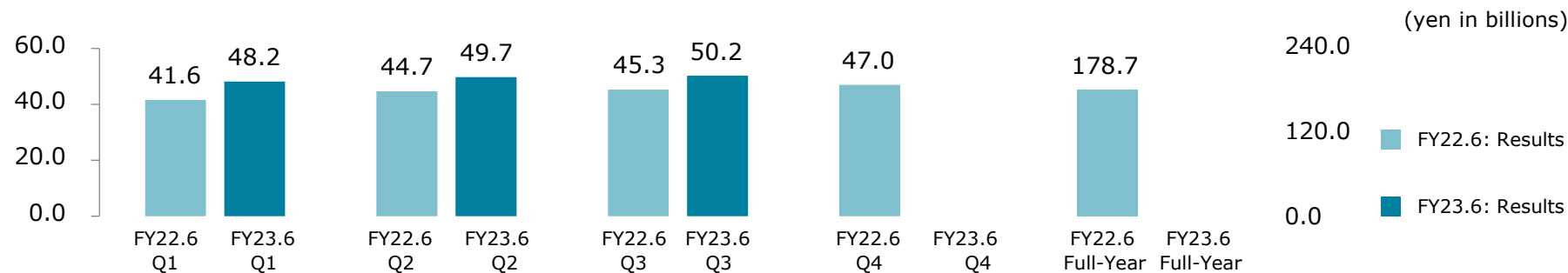
(yen in millions)		Ratio on revenue		Progress		
		Plan	Results	vs. Plan		
Solution Talent Recruiting						
<div><div>(313)</div><div>356</div></div>		0.18%	0.20%	113.8%	Solution Talent Recruiting	<ul style="list-style-type: none">Recruiting talents with skills of consulting or project management, and professionals who have expertise in leading-edge digital technologiesPlan to invest 0.2-0.3% of revenue every yearExpect higher unit sales price and profitability of solution business to expand GP amount and margin
<div><div>362</div><div>(439)</div></div>		0.23%	0.24%	82.5%		
Solution Talent Training						
<div><div>207</div><div>(332)</div></div>		0.19%	0.12%	62.5%	Solution Talent Training	<ul style="list-style-type: none">Nurture professionals capable of introducing leading-edge digital technologies and promoting solution servicesPlan to invest 0.2-0.3% of revenue every yearExpect to have positive effects on recruitment and retention of high-skilled engineers as well as expansion of GP amount and margin
<div><div>461</div><div>(539)</div></div>		0.28%	0.31%	85.6%		
Strategic Investment						
<div><div>712</div><div>(859)</div></div>		0.49%	0.40%	82.9%	Strategic Investment	<ul style="list-style-type: none">New organization for DX promotion or COI (Center of Intelligence), branding and marketing, M&A related fees, etc.Plan to invest 0.5% of revenue in the first year, then decreaseAim to raise the probability of achieving strategies laid out in medium-term plan through evolving the capability and transforming the business model
<div><div>424</div><div>(886)</div></div>		0.45%	0.29%	47.8%		
Stock-based Compensation (recorded from Oct. 2021)						
<div><div>(216)</div><div>224</div></div>		0.12%	0.13%	103.6%	Stock-based Compensation	<ul style="list-style-type: none">Expenses prorated over the medium-term plan period for post-vesting stock-based compensation linked to the earnings performance in the final year of the plan (FY26.6)Record the same expenses annually as far as the expected amount of compensation remains unchangedAim to incentivize, in addition to the management, employees who play leading roles to achieve earnings target of the plan
<div><div>223</div><div>(308)</div></div>		0.16%	0.15%	72.6%		
Total		0.99%	0.84%	87.2%		
		1.11%	0.99%	67.7%		
TECHNOPRO						

† Upper row: FY22.6, Lower row: FY23.6, figures in parentheses indicate initial plan

† Upper row: FY22.6, Lower row: FY23.6, figures in parentheses indicate initial plan

Reference: Quarterly Performance

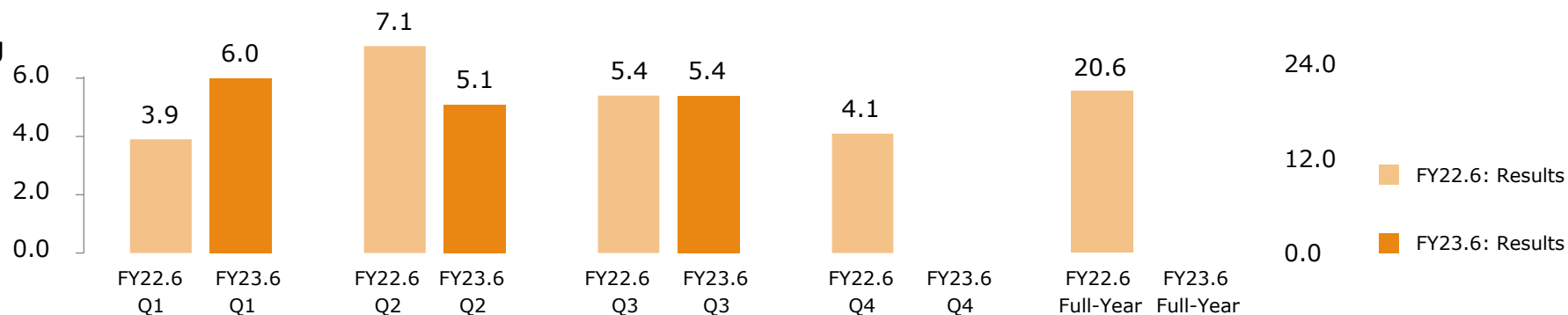
Revenue



YOY	+15.8%		+11.3%		+10.9%		—		—	
Progress on full-year %	23.3%	—	25.0%	—	25.4%	—	26.3%	—	100.0%	—
Ave. no. of engineers	20,439	22,158	20,673	22,506	20,949	22,857	21,958	[24,030]	21,005	[22,890]
Ave. utilization ratio	95.5%	95.9%	95.7%	96.2%	96.0%	95.8%	94.1%	[93.5%]	95.3%	[95.3%]
Ave. monthly unit sales price (thousands yen)*	639	655	660	667	673	679	661	[671]	658	[669]
Working days*	55.7	56.8	58.2	57.4	55.7	55.6	57.2	[58.0]	226.9	[227.8]
Working hours per day*	8.49	8.43	8.49	8.46	8.51	8.46	8.45	[8.44]	8.49	[8.45]

† Figures in brackets indicate forecast at the time of publication

Operating Profit

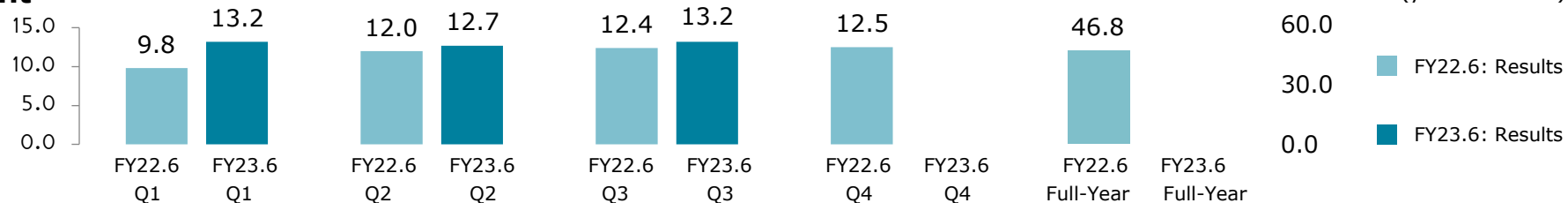


YOY	+52.4%		(27.5%)		(0.5%)		—		—	
Progress on full-year %	19.1%	—	34.6%	—	26.4%	—	20.0%	—	100.0%	—
OP margin	9.5%	12.5%	16.0%	10.4%	12.0%	10.8%	8.8%	—	11.5%	—

* Figures of two major subsidiaries in Japan (TechnoPro, Inc. & TechnoPro Construction, Inc.); Ave. monthly unit sales price includes all subsidiaries in Japan (the same applies hereinafter)

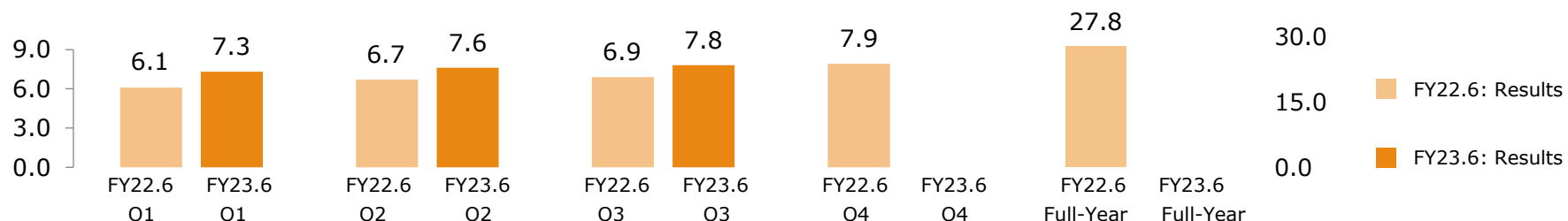
Reference: Quarterly Performance (cont.)

Gross Profit



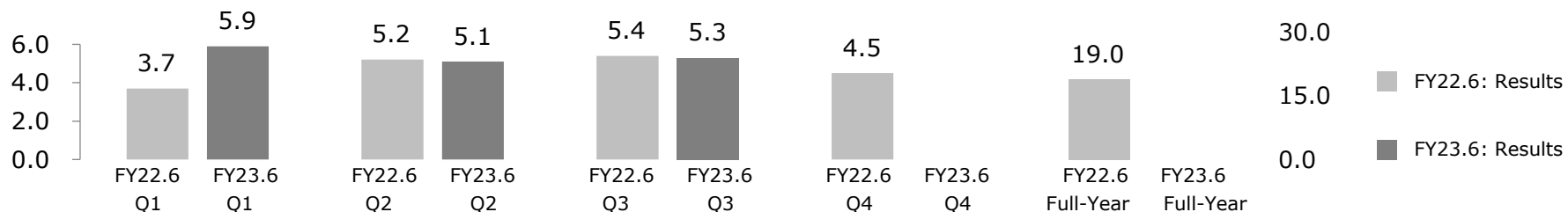
YOY	+34.2%		+6.5%		+6.9%		—		—	
GP margin	23.7%	27.5%	26.9%	25.7%	27.3%	26.4%	26.7%	—	26.2%	—

SG&A



YOY	+19.8%		+13.0%		+12.7%		—		—	
Ratio on revenue	14.7%	15.2%	15.1%	15.3%	15.4%	15.7%	17.0%	—	15.6%	—

Core Operating Profit



YOY	+57.6%		(1.8%)		(0.5%)		—		—	
Core OP margin	9.1%	12.3%	11.8%	10.4%	11.9%	10.7%	9.8%	—	10.7%	—

FY2023 Q3 Segment Results [year-to-date]

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY
Revenue	95,464	101,554	113,104	+11.4%	14,849	15,213	16,205	+6.5%	2,693	3,346	3,912	+16.9%	113,007	120,113	133,222	+10.9%
Ratio to consolidated revenue	79.4%	77.1%	76.3%		12.4%	11.6%	10.9%		2.2%	2.5%	2.6%		94.0%	91.2%	89.8%	
Gross profit	21,322	24,631	28,475	+15.6%	4,472	4,568	4,926	+7.8%	1,748	2,508	2,827	+12.7%	27,543	31,708	36,229	+14.3%
GP margin	22.3%	24.3%	25.2%		30.1%	30.0%	30.4%		64.9%	75.0%	72.3%		24.4%	26.4%	27.2%	
Operating profit	12,146	11,029	12,590	+14.2%	2,187	1,971	2,207	+12.0%	112	499	257	(48.4%)	14,445	13,499	15,055	+11.5%
OP margin	12.7%	10.9%	11.1%		14.7%	13.0%	13.6%		4.2%	14.9%	6.6%		12.8%	11.2%	11.3%	
OP before PPA asset amortization	12,206	11,113	12,645	+13.8%	2,187	1,971	2,207	+12.0%	112	499	257	(48.4%)	14,506	13,583	15,109	+11.2%
OP margin before PPA asset amortization	12.8%	10.9%	11.2%		14.7%	13.0%	13.6%		4.2%	14.9%	6.6%		12.8%	11.3%	11.3%	
PPA asset amortization	(60)	(84)	(54)	—	—	—	—	—	—	—	—	—	(60)	(84)	(54)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	17,368	18,356	20,097	+9.5%	2,581	2,698	2,865	+6.2%	—	—	—	—	19,949	21,054	22,962	+9.1%
o/w Non-Japanese in Japan	853	785	867	+10.4%	91	105	117	+11.4%	—	—	—	—	944	890	984	+10.6%

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY
Revenue	8,119	13,464	17,580	+30.6%	121,126	133,577	150,802	+12.9%	(945)	(1,865)	(2,511)	—	120,181	131,712	148,291	+12.6%
Ratio to consolidated revenue	6.8%	10.2%	11.9%		100.8%	101.4%	101.7%		(0.8%)	(1.4%)	(1.7%)		100.0%	100.0%	100.0%	
Gross profit	1,894	3,825	4,841	+26.6%	29,437	35,534	41,071	+15.6%	(550)	(1,250)	(1,770)	—	28,887	34,283	39,300	+14.6%
GP margin	23.3%	28.4%	27.5%		24.3%	26.6%	27.2%		—	—	—		24.0%	26.0%	26.5%	
Operating profit	601	1,343	1,602	+19.3%	15,047	14,842	16,658	+12.2%	(167)	1,679	(56)	—	14,879	16,522	16,601	+0.5%
OP margin	7.4%	10.0%	9.1%		12.4%	11.1%	11.0%		—	—	—		12.4%	12.5%	11.2%	
OP before PPA asset amortization	756	1,658	2,038	+22.9%	15,262	15,241	17,148	+12.5%	(167)	(183)	(56)	—	15,094	15,058	17,091	+13.5%
OP margin before PPA asset amortization	9.3%	12.3%	11.6%		12.6%	11.4%	11.4%		—	—	—		12.6%	11.4%	11.5%	
PPA asset amortization	(154)	(315)	(436)	—	(214)	(399)	(490)	—	—	—	—	—	(214)	(399)	(490)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	—	1,863	—	—	—	1,863	—	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	1,921	2,890	3,008	+4.1%	21,870	23,944	25,970	+8.5%	—	—	—	—	21,870	23,944	25,970	+8.5%

Reference: Q3 Segment Results [Three-Months]

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY
Revenue	32,160	34,692	38,395	+10.7%	4,929	5,247	5,600	+6.7%	994	1,128	1,425	+26.4%	38,084	41,067	45,421	+10.6%
Ratio to consolidated revenue	79.0%	76.5%	76.4%		12.1%	11.6%	11.1%		2.4%	2.5%	2.8%		93.5%	90.5%	90.3%	
Gross profit	7,828	8,887	9,527	+7.2%	1,429	1,618	1,710	+5.7%	643	839	1,062	+26.6%	9,901	11,344	12,299	+8.4%
GP margin	24.3%	25.6%	24.8%		29.0%	30.8%	30.5%		64.7%	74.4%	74.5%		26.0%	27.6%	27.1%	
Operating profit	4,441	4,250	4,010	(5.6%)	621	744	758	+1.9%	85	107	130	+21.3%	5,149	5,102	4,899	(4.0%)
OP margin	13.8%	12.3%	10.4%		12.6%	14.2%	13.5%		8.6%	9.6%	9.2%		13.5%	12.4%	10.8%	
OP before PPA asset amortization	4,461	4,279	4,028	(5.9%)	621	744	758	+1.9%	85	107	130	+21.3%	5,169	5,131	4,918	(4.2%)
OP margin before PPA asset amortization	13.9%	12.3%	10.5%		12.6%	14.2%	13.5%		8.6%	9.6%	9.2%		13.6%	12.5%	10.8%	
PPA asset amortization	(20)	(29)	(18)	—	—	—	—	—	—	—	—	—	(20)	(29)	(18)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	17,368	18,356	20,097	+9.5%	2,581	2,698	2,865	+6.2%	—	—	—	—	19,949	21,054	22,962	+9.1%
o/w Non-Japanese in Japan	853	785	867	+10.4%	91	105	117	+11.4%	—	—	—	—	944	890	984	+10.6%

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY	FY21.6 Q3	FY22.6 Q3	FY23.6 Q3	YOY
Revenue	2,931	4,975	5,806	+16.7%	41,015	46,043	51,227	+11.3%	(286)	(689)	(947)	—	40,729	45,354	50,279	+10.9%
Ratio to consolidated revenue	7.2%	11.0%	11.5%		100.7%	101.5%	101.9%		(0.7%)	(1.5%)	(1.9%)		100.0%	100.0%	100.0%	
Gross profit	638	1,511	1,696	+12.2%	10,540	12,856	13,996	+8.9%	(177)	(453)	(733)	—	10,363	12,402	13,262	+6.9%
GP margin	21.8%	30.4%	29.2%		25.7%	27.9%	27.3%		—	—	—		25.4%	27.3%	26.4%	
Operating profit	168	489	561	+14.8%	5,317	5,591	5,461	(2.3%)	(118)	(147)	(43)	—	5,198	5,444	5,417	(0.5%)
OP margin	5.7%	9.8%	9.7%		13.0%	12.1%	10.7%		—	—	—		12.8%	12.0%	10.8%	
OP before PPA asset amortization	221	620	702	+13.1%	5,390	5,752	5,620	(2.3%)	(118)	(147)	(43)	—	5,271	5,605	5,576	(0.5%)
OP margin before PPA asset amortization	7.6%	12.5%	12.1%		13.1%	12.5%	11.0%		—	—	—		12.9%	12.4%	11.1%	
PPA asset amortization	(52)	(131)	(140)	—	(73)	(160)	(158)	—	—	—	—	—	(73)	(160)	(158)	—
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)	1,921	2,890	3,008	+4.1%	21,870	23,944	25,970	+8.5%	—	—	—	—	21,870	23,944	25,970	+8.5%

FY2023 Q3 Balance Sheet & Cash Flows

- Annual scheduled principal paydown to be reduced from 2.0 billion yen to 1.0 billion yen, as a result of refinance carried out at the end of March 2023, that replaced existing syndicated loans (remaining period of 2.5 years and outstanding principal balance of 5.0 billion yen) with new bank borrowings of 5.0 billion yen (five-years maturity and same interest rate spread)
- Ensuring sufficient flexibility for unexpected financial needs, backed by credit lines for working capital and M&A

Q3 FY23.6 End B/S (yen in billions)

Cash & cash equivalents 31.7	Debt 15.0
IFRS 16 related assets 9.2	IFRS 16 related liabilities 9.2
Goodwill 45.4	Other liabilities 42.3
PPA 3.9	PO, etc. liabilities 0.7
Other assets 49.3	Total equity 72.3

Total assets 139.5

Total liabilities & equity 139.5

Net Cash : 16.7bn yen

Net Worth Ratio* : 51.8%

Goodwill/E Ratio* : 0.63x

D/E Ratio* : 0.21x

D/OP Ratio** : 0.68x

* Total equity includes non-controlling interests

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

YTD Q3 FY23.6 Cash Flows (yen in millions)

• Operating CF	+14,188
PPA asset amortization	+490
Net cash flow from income tax payment & refund	(5,609)
• Investing CF	(4,312)
M&A consideration payment (20% of Robosoft shares)	(3,623)
Purchase of tangible fixed assets	(261)
Purchase of intangible assets	(135)
• Financing CF	(15,564)
IFRS 16 related lease liability repayment	(4,957)
Net cash flow from debt procurement & repayment	(1,500)
Dividend payment	(9,106)

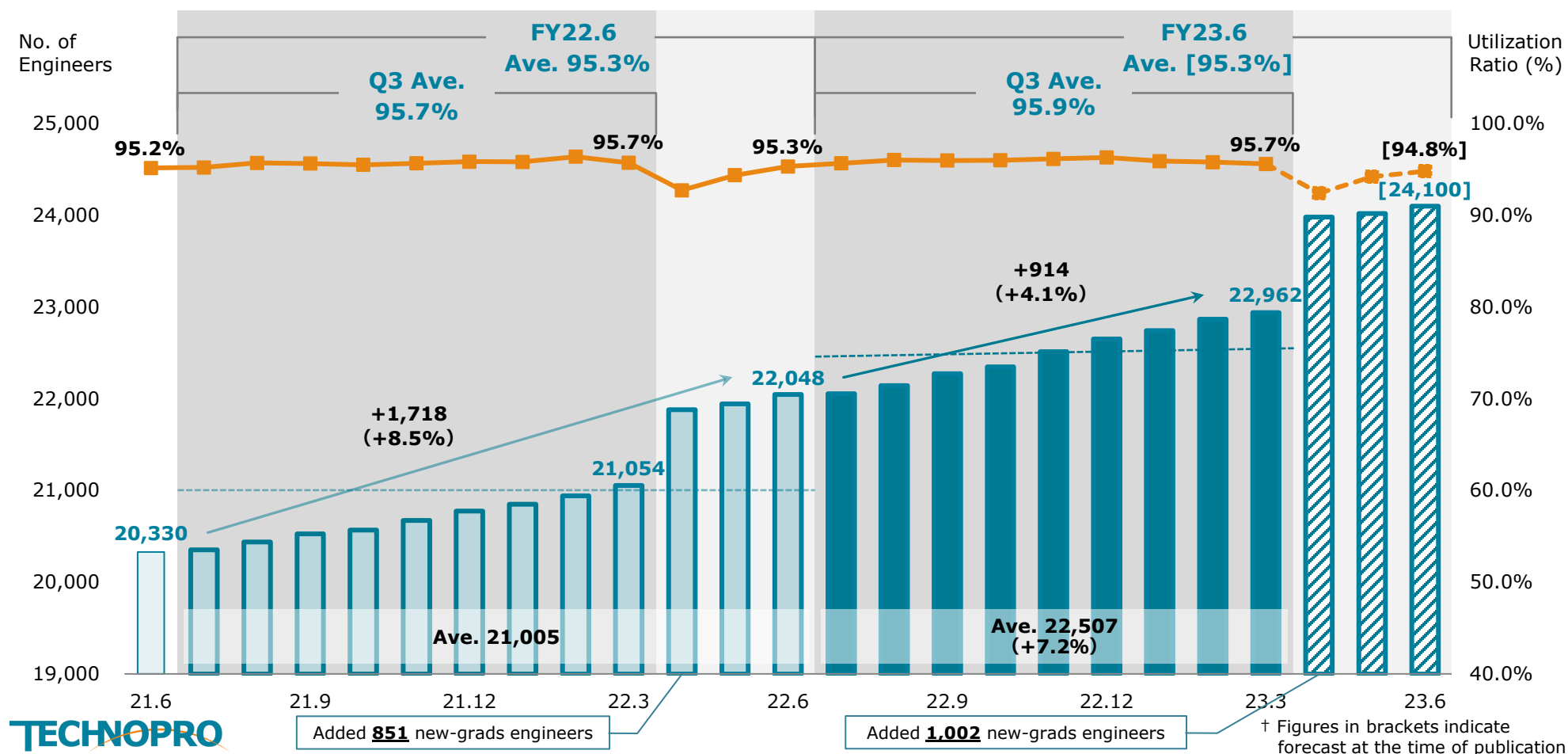
Net CF (incl. effect of exchange rate change of 42mn yen) **(5,646)**

Commitment Lines (yen in millions)

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

Number of Engineers & Utilization Ratio [Japan]

- Engineers in Japan at the end of Q3 FY23.6 totaled **22,962** (up 914 from FY22.6 end), including **984** non-Japanese engineers (up 86 from FY22.6 end)
- Average utilization ratio was **95.9%** for year-to-date Q3 FY23.6 (up 0.2 pts year-on-year), expecting full-year average of **95.3%**
- Engineers working outside Japan totaled **3,008** (not included in number of engineers in Japan, up 157 from FY22.6 end)

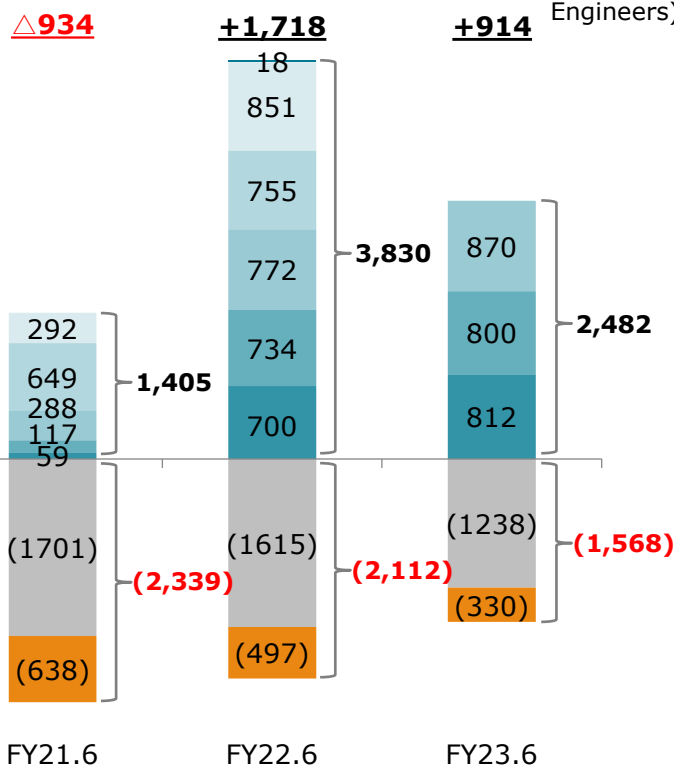


Recruitment & Turnover [Japan]

- Engineers hired for year-to-date Q3 FY23.6 totaled **2,482** (up 276 year-on-year, excluding effect from M&A in Q1 FY22.6); added **1,002** new-grads engineers in April 2023
- 1,568** engineers left for year-to-date Q3 FY23.6 (up 68 year-on-year): permanent employees of **1,238** (up 95 year-on-year) and fixed-term employees of **330** (down 27 year-on-year)
- Turnover ratio for permanent employees* was **7.3%** (down 0.1 pts year-on-year) for year-to-date Q3 FY23.6, expecting the new personnel system for engineers introduced in July 2022 to curb retirement
- Net engineer increase was **914** for year-to-date Q3 FY23.6; hiring exceeded a lot while turnover in line with the initial plan

Net Increase (Decrease)

(No. of Engineers)



Annual Recruitment/Turnover

(No. of Engineers)

	FY21.6	FY22.6	FY23.6	YOY	
Hired Total	1,405	3,830	2,482	—	—
M&A	0	18	—	—	—
New-grads joined in April	292	851	—	—	—
Mid-career: Q4	649	755	—	—	—
Mid-career: Q3	288	772	870	+98	+12.7%
Mid-career: Q2	117	734	800	+66	+9.0%
Mid-career: Q1	59	700	812	+112	+16.0%
Turnover Total	2,339	2,112	1,568	—	—
Permanent employees	1,701	1,615	1,238	—	—
Contract terms matured, others	638	497	330	—	—

Turnover Ratio for Permanent Employees*

	FY21.6				FY22.6				FY23.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter	8.8%	8.2%	8.1%	8.3%	7.7%	7.1%	7.4%	8.6%	7.9%	6.0%	8.0%	—
YTD	—	8.5%	8.4%	8.4%	—	7.4%	7.4%	7.7%	—	7.0%	7.3%	—
LTM	8.9%	8.9%	8.8%	8.4%	8.1%	7.8%	7.6%	7.7%	7.8%	7.5%	7.6%	—

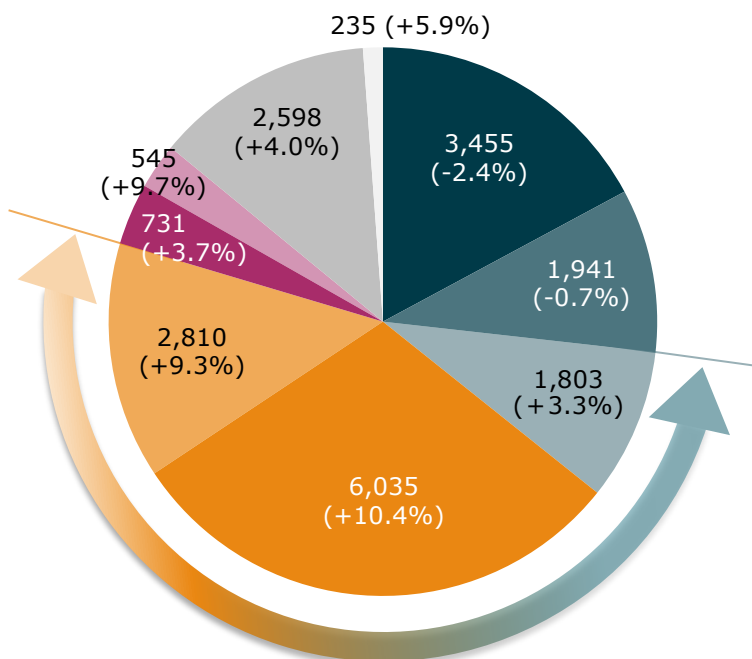
* Turnover ratio for permanent employees was calculated, excluding fixed-term employees left at the end of contract term

Assigned Engineers Portfolios by "Technology" [Japan]

- With utilization ratio already maintaining a normal level, the number of assigned engineers is increasing every month, continuing to renew record highs
- Expect domestic demands 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

Q3 FY22.6 End

Assigned Engineers: **20,153**

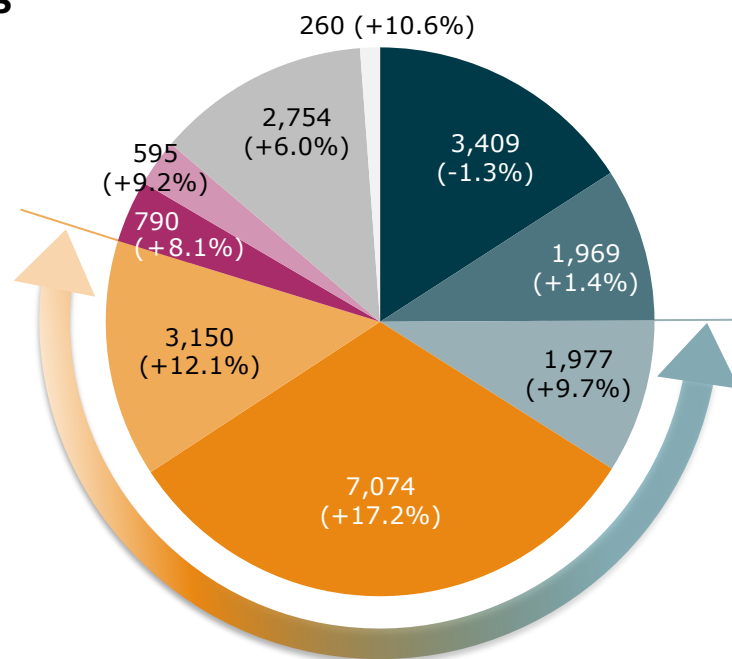


IT engineers:
52.8%/10,648

+9.1%
+1,825

Q3 FY23.6 End

Assigned Engineers: **21,978**



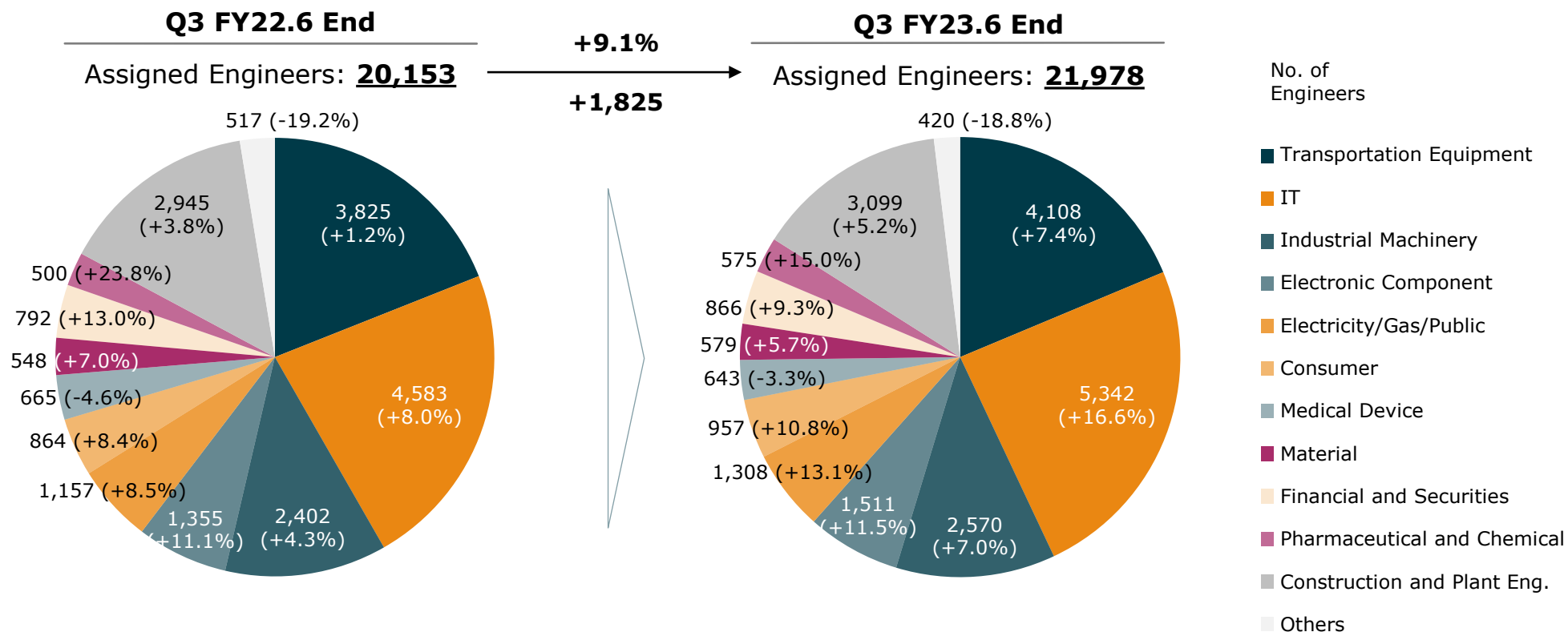
IT engineers:
55.5%/12,201

No. of
Engineers

- Machinery
- Electric/Electronic
- Embedded Control
- SW Development/Maintenance
- IT infrastructure
- Chemical
- Biochemical
- Construction
- Others

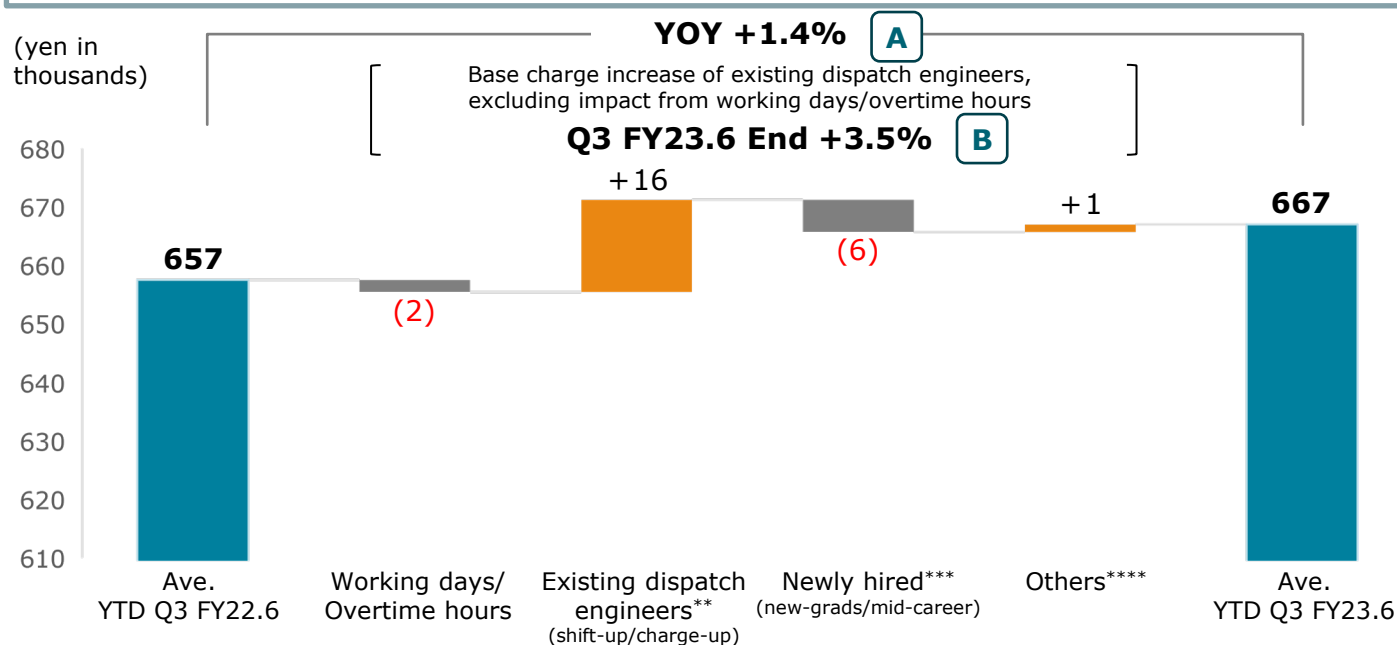
Assigned Engineers Portfolios by “Industry” [Japan]

- Manufacturers in Transportation Equipment continue to show robust willingness to invest in the areas such as autonomous driving technology or EV, and 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
- Promoted shift-up/charge-up initiatives proactively at contract renewal negotiations in March 2023, base charge of dispatch contracts steadily grew



Average Monthly Unit Sales Price [Japan]

- Ave. monthly unit sales price* for year-to-date Q3 FY23.6 increased to **667K yen** (up 10K yen/month or 1.4% year-on-year)
- Decreased 2K yen/month year-on-year due to the mix of increased working days and shorter overtime hours, and diluted 6K yen/month year-on-year due to first assignment of newly hired new-grads/younger mid-career engineers
- Increased 16K yen/month, driven by base charge hike for existing dispatch engineers through shift-up/charge-up efforts
- Increased 1K yen/month, driven by the growth of project-type services; there is no effect from scope expansion of subsidiaries for unit sales price calculation in FY23.6



* Unit sales price
Average monthly sales per engineer, which includes base charge, overtime charges and others

** Existing dispatch engineers
Increase (decrease) in price through changes in place of assignment or contract renewal at the same assignment

*** Newly hired
Increase (decrease) in price from first assignment of newly hired new-grads/younger mid-career engineers

**** Others
Increase (decrease) in price from project-type services and other factors

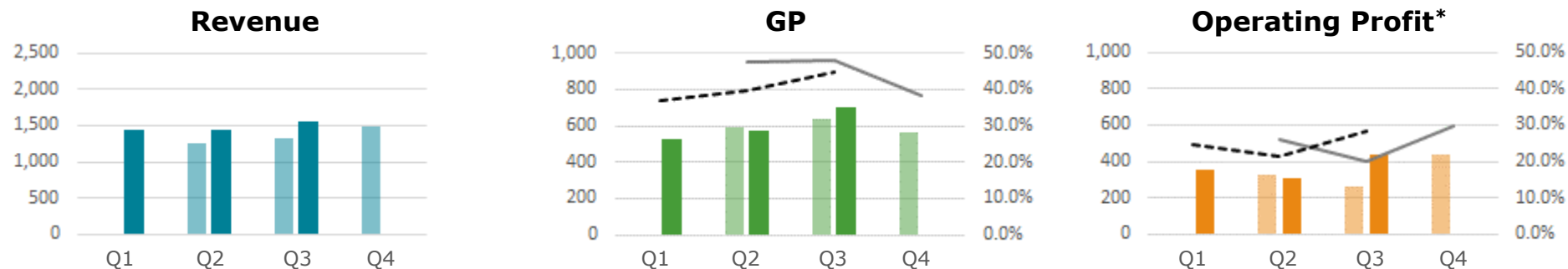
	FY22.6				FY23.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (yen in thousands/month, YTD)	639	650	657	658	655	661	667	—
YOY A	+3.0%	+3.4%	+4.0%	+3.9%	+2.4%	+1.7%	+1.4%	—

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Dispatch Engineers B † YOY comparison for each quarter end	+1.7%	+2.1%	+2.4%	+2.9%	+3.3%	+3.4%	+3.5%	—

Overseas Subsidiaries Update

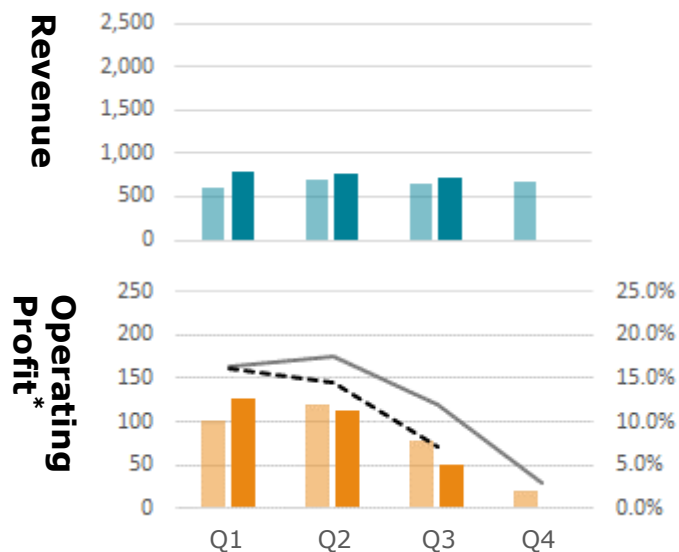
■ ■ ■ — FY22.6 Results ■ ■ ■ - - - FY23.6 Results (yen in millions)

Robosoft (North America/Japan/Europe/India) consolidated as of Q2 FY22.6

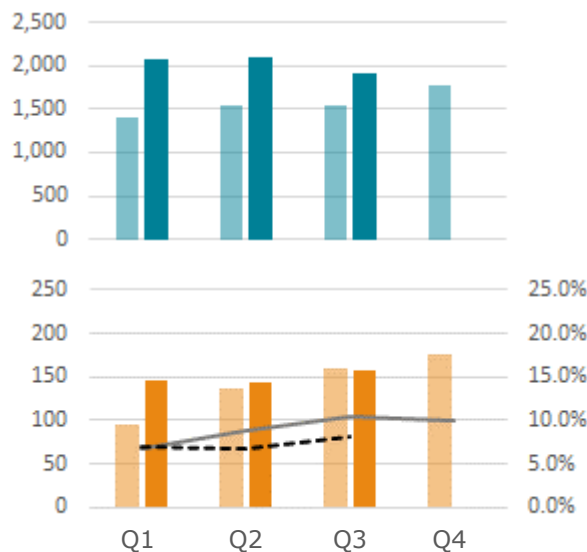


† Recorded transaction expenses owed by the Sellers (SG&A) in FY22.6: 100 million yen for Q2 and 150 million yen for Q3, offsetting operating profit

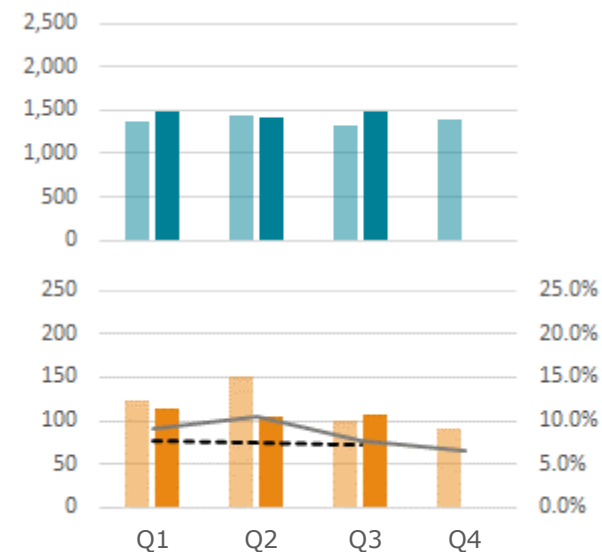
TechnoPro China



Helius (Singapore/India/Southeast Asia)



Orion (UK)



FY2023 Guidance [Revised Key KPIs for Japan]

- Plan to continue investment for implementing the medium-term plan in FY23.6, expecting 15% range for SG&A ratio on revenue, the almost same level as the previous year
- Expect core operating profit to grow by 15.6% by absorbing incremental medium-term plan implementation cost, whereas operating profit is anticipated to increase by 6.6 % even without the extraordinary profit as in the previous year
- Revised hiring plan upwards for both mid-careers and new-grads, expecting to improve unit sales price as of Q4 FY23.6 based on the contract price negotiations in March 2023

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

	First Half			Second Half			Full-Year			
	FY22.6 (Results)	FY23.6 (Results)	YOY	FY22.6 (Results)	FY23.6 (Guidance)	YOY	FY22.6 (Results)	FY23.6 (Guidance)	YOY	
Revenue	86,358	98,011	+13.5%	92,398	101,989	+10.4%	178,756	200,000	+21,243	+11.9%
Core operating profit	9,032	11,106	+23.0%	10,006	10,894	+8.9%	19,038	22,000	+2,961	+15.6%
Core OP margin	10.5%	11.3%		10.8%	10.7%		10.7%	11.0%	+0.3 pts	
Operating profit	11,078	11,183	+0.9%	9,562	10,817	+13.1%	20,641	22,000	+1,358	+6.6%
OP margin	12.8%	11.4%		10.3%	10.6%		11.5%	11.0%	(0.5 pts)	
Profit before income taxes	11,229	11,124	(0.9%)	9,737	10,876	+11.7%	20,967	22,000	+1,032	+4.9%
Net profit	7,794	7,714	(1.0%)	7,636	7,286	(4.6%)	15,430	15,000	(430)	(2.8%)
Net profit margin	9.0%	7.9%		8.3%	7.1%		8.6%	7.5%	(1.1 pts)	
Earnings per share	72.35	71.61	(1.0%)	70.89	67.63	(4.6%)	143.24	139.24	(4.00)	(2.8%)
Dividend per share	20.00	25.00	+25.0%	52.00	47.00	(9.6%)	72.00	72.00	—	—

Key KPIs [Japan]	First Half			Second Half			Full-Year			
	FY22.6 (Results)	FY23.6 (Results)	YOY	FY22.6 (Results)	FY23.6 (Revised Guidance)	YOY	FY22.6 (Results)	FY23.6 (Revised Guidance)	YOY	
No. of engineers (period-end)	20,776	22,653	+9.0%	22,048	24,100	+9.3%	22,048	24,100	+2,052	+9.3%
Engineer hiring*	1,452	1,612	+11.0%	2,378	2,688	+13.0%	3,830	4,300	+470	+12.3%
Ave. utilization ratio	95.6%	96.0%	+0.4 pts	95.0%	94.7%	(0.3 pts)	95.3%	95.3%	—	—
Ave. monthly unit sales price (yen in thousands)	650	661	+1.7%	667	675	+1.2%	658	669	+11	+1.6%

* Including new-grads engineers joined in April (FY21.6: 292, FY22.6: 851, FY23.6: 1,002) and engineers acquired through M&A (FY22.6: 18)

Reference: FY2023 Segment Guidance [Full-Year]

- R&D Outsourcing: Revenue to grow, driven by the increase in engineers on assignment and unit sales price, expecting operating profit to grow faster than revenue by achieving improvement in profit margin
- Construction Management Outsourcing: Strives to achieve higher growth of both revenue and profit year-on-year by promoting recruitment including less experienced engineers and strict control of unit sales price
- Other Businesses in Japan: Anticipate sluggish performance in permanent placement for foreign firms in Japan; actively expand external sales of training and education offerings to corporate customers, aiming to foster as a future growth driver
- Overseas: Expect profit margin to narrow slightly due to concerns over inflation and economic uncertainty in each country, as well as performance of Robosoft in its investment phase

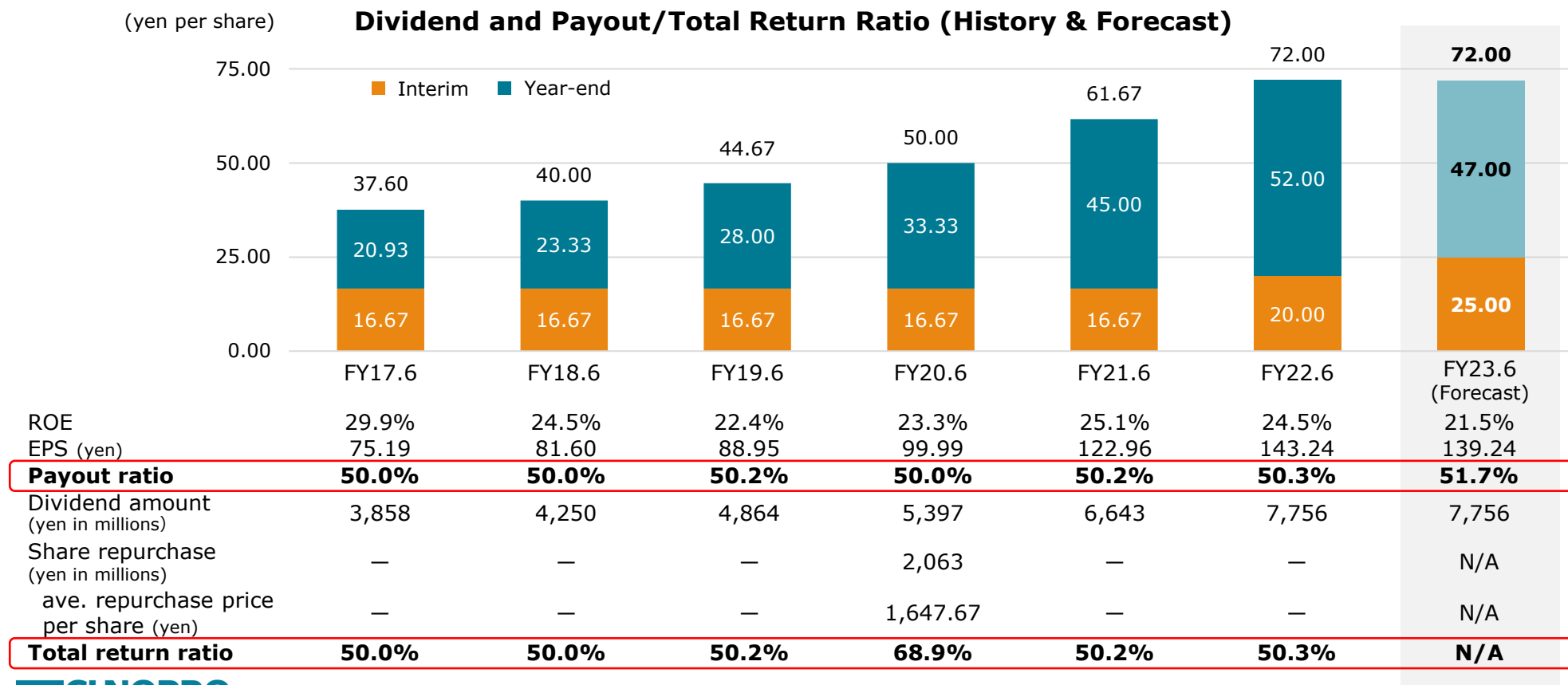
(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY
Revenue	127,870	137,471	152,300	+10.8%	19,670	20,311	22,300	+9.8%	3,800	4,898	5,200	+6.2%	151,341	162,682	179,800	+10.5%
Ratio to consolidated revenue	79.3%	76.9%	76.2%		12.2%	11.4%	11.2%		2.4%	2.7%	2.6%		93.8%	91.0%	89.9%	
Operating profit	15,815	14,151	16,500	+16.6%	2,791	2,489	2,700	+8.4%	315	672	500	(25.6%)	18,922	17,313	19,700	+13.8%
OP margin	12.4%	10.3%	10.8%		14.2%	12.3%	12.1%		8.3%	13.7%	9.6%		12.5%	10.6%	11.0%	
OP before PPA asset amortization	15,895	14,626	16,573	+13.3%	2,791	2,489	2,700	+8.4%	315	672	500	(25.6%)	19,002	17,788	19,773	+11.2%
OP margin before PPA asset amortization	12.4%	10.6%	10.9%		14.2%	12.3%	12.1%		8.3%	13.7%	9.6%		12.6%	10.9%	11.0%	
No. of engineers (period-end)	17,692	19,257	21,100	+9.6%	2,638	2,791	3,000	+7.5%	—	—	—	—	20,330	22,048	24,100	+9.3%
o/w non-Japanese in Japan	817	788	—	—	104	110	—	—	—	—	—	—	921	898	—	—

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY
Revenue	11,432	18,976	24,000	+26.5%	162,773	181,658	203,800	+12.2%	(1,456)	(2,902)	(3,800)	—	161,316	178,756	200,000	+11.9%
Ratio to consolidated revenue	7.1%	10.6%	12.0%		100.9%	101.6%	101.9%		(0.9%)	(1.6%)	(1.9%)		100.0%	100.0%	100.0%	
Operating profit	764	1,925	2,300	+19.4%	19,687	19,239	22,000	+14.3%	(226)	1,401	0	—	19,461	20,641	22,000	+6.6%
OP margin	6.7%	10.1%	9.6%		12.1%	10.6%	10.8%		—	—	—		12.1%	11.5%	11.0%	
OP before PPA asset amortization	974	2,381	2,843	+19.4%	19,977	20,170	22,616	+12.1%	(267)	(416)	0	—	19,709	19,754	22,616	+14.5%
OP margin before PPA asset amortization	8.5%	12.6%	11.8%		12.3%	11.1%	11.1%		—	—	—		12.2%	11.1%	11.3%	
No. of engineers (period-end)	1,970	2,851	—	—	22,300	24,899	—	—	—	—	—	—	22,300	24,899	—	—

Shareholder Return

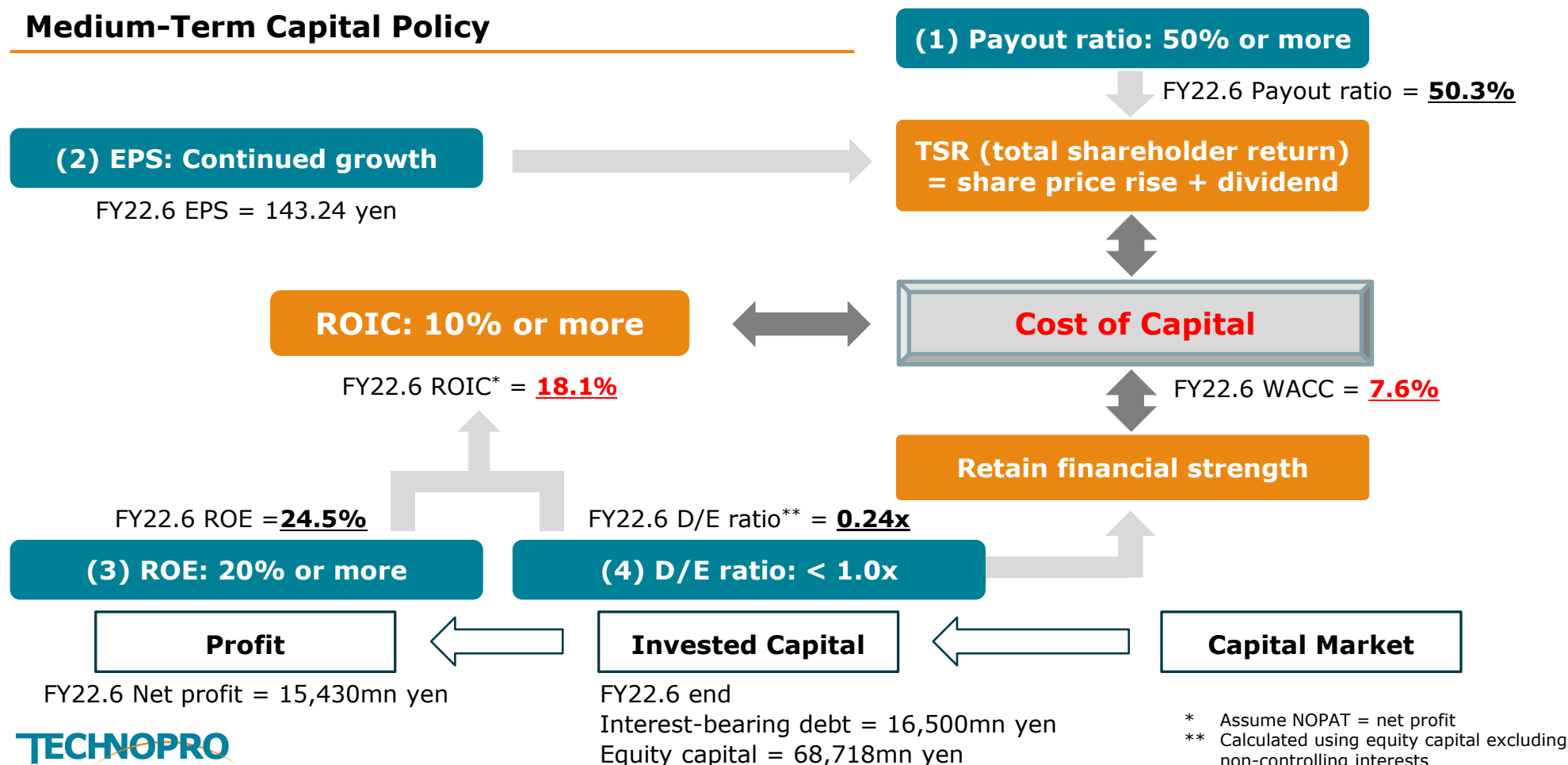
- Reaffirm basic policy to make dividend payment steadily twice a year in the form of interim and year-end ones pursuant to **annual dividend payout ratio of 50% or higher**; despite lower EPS forecast for FY23.6 year-on-year, plan to distribute FY23.6 annual dividend of **72 yen per share (payout ratio: 51.7%)**, the same amount as FY22.6
- Based on the FY23.6 guidance, net profit for the transitional first two years of the medium term plan is expected to exceed the target by 6.4 billion yen in total, while there were no M&A transactions carried out after Robosoft acquisition; therefore, introduced **a new share repurchase program with a total amount of 3.0 billion yen**, which is the residual after distributing 50% of profit through dividend (repurchase period: May 1, 2023 to September 29, 2023)



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**

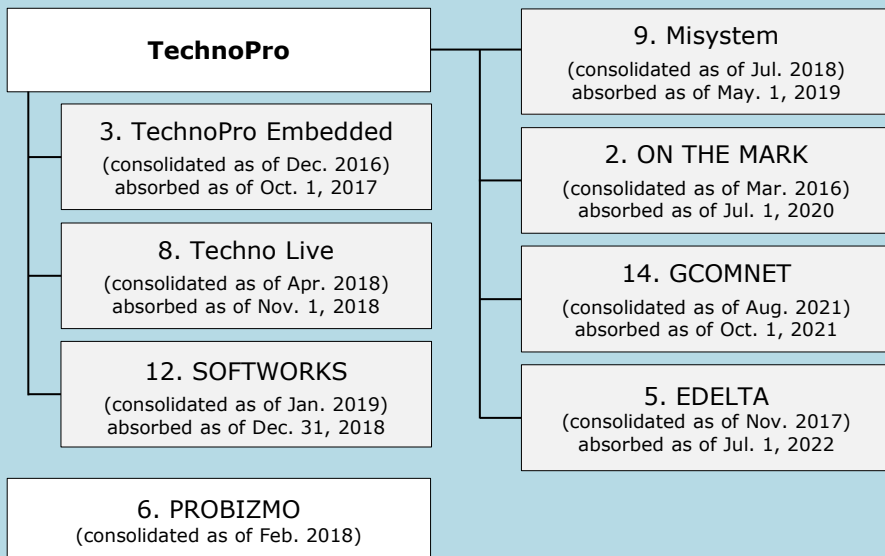
Medium-Term Capital Policy



Appendix: Reportable Segments [as of Q3 FY23.6 End]

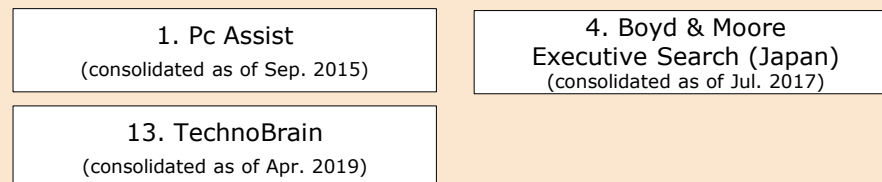
R&D Outsourcing

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



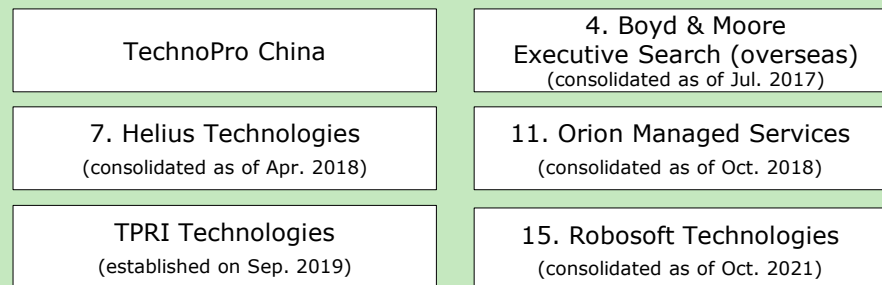
Other Businesses in Japan

Provides professional recruitment, technical education and training services



Overseas

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



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



Headquarters

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



Appendix: Risk Assets [as of Q3 FY23.6 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; continues joint holding
- Orion: All Put Option to be exercised by minority shareholders in FY24.6 soon after the end of FY23.6, a final fiscal year for value calculation period
- Robosoft: Completed the phased purchase of remaining 20% shares; shareholding ratio was increased to 100% with share acquisition liabilities extinguished

(yen in millions)

Cash Generating Unit (CGU)	Shareholding	Goodwill				PPA Assets		PO, etc. Liabilities	
		MBO	M&A*	Total	Ratio	M&A*	Amortization period (months)	M&A	Value calc. period (months)
R&D Outsourcing									
Machinery, Electric/Electronic	100.0%	13,674	977	14,651	32.2%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	17.5%				
Software dev./maintenance	100.0%	2,912	3,006	5,919	13.0%	519	up to 32.7		
Chemical, Biochemical	100.0%	1,262		1,262	2.8%				
Construction Mgmt Outsourcing									
Construction management	100.0%	3,383		3,383	7.4%				
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%		860	860	1.9%	464	up to 26.3		
Orion	83.2%		1,201	1,201	2.6%	279	up to 26.9	758	18.4-23.6
Robosoft	100.0%		8,656	8,656	19.0%	2,696	up to 31.9		
Total		29,202	16,246	45,449	100.0%	3,960		758	

Contents

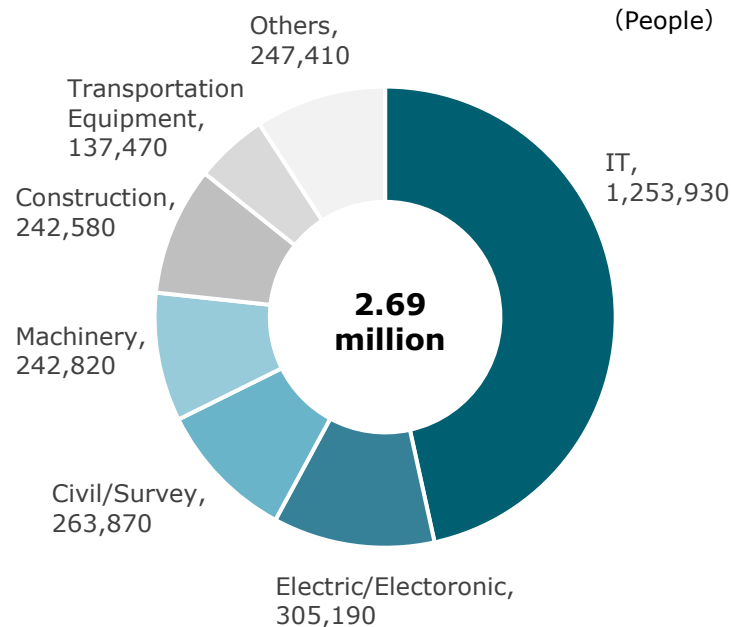
	Page
I : FY2023 Q3 Financial Overviews	2
II : KPI Analysis [Japan]	9
i : Number of Engineers & Utilization Ratio	9
ii : Unit Sales Price	13
III : Overseas Subsidiaries	14
IV : FY2023 Guidance	15
V : Shareholder Return	17
VI : Appendix	19
VII : Data References	22

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

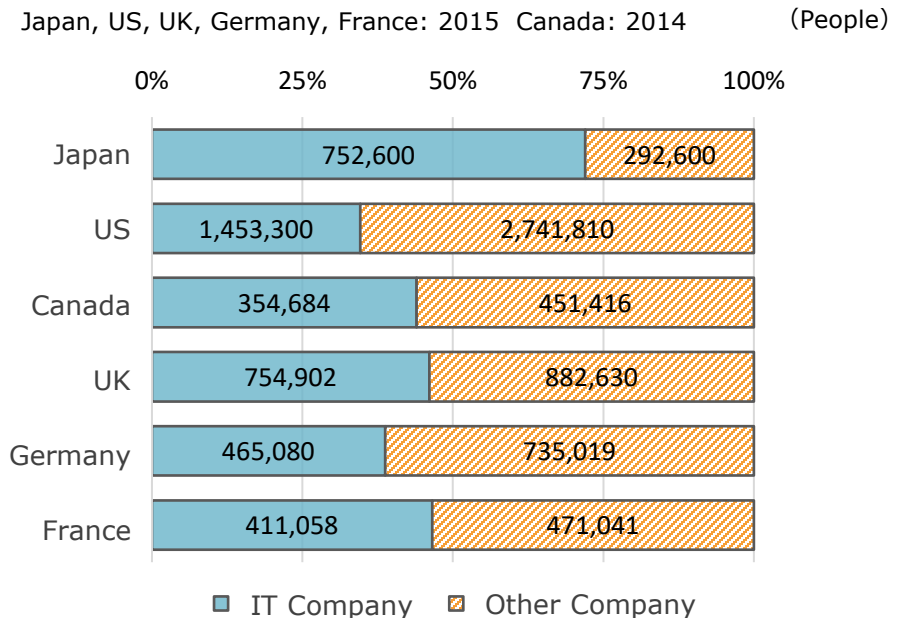
1. Number of Engineers in Japan (2020)

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"



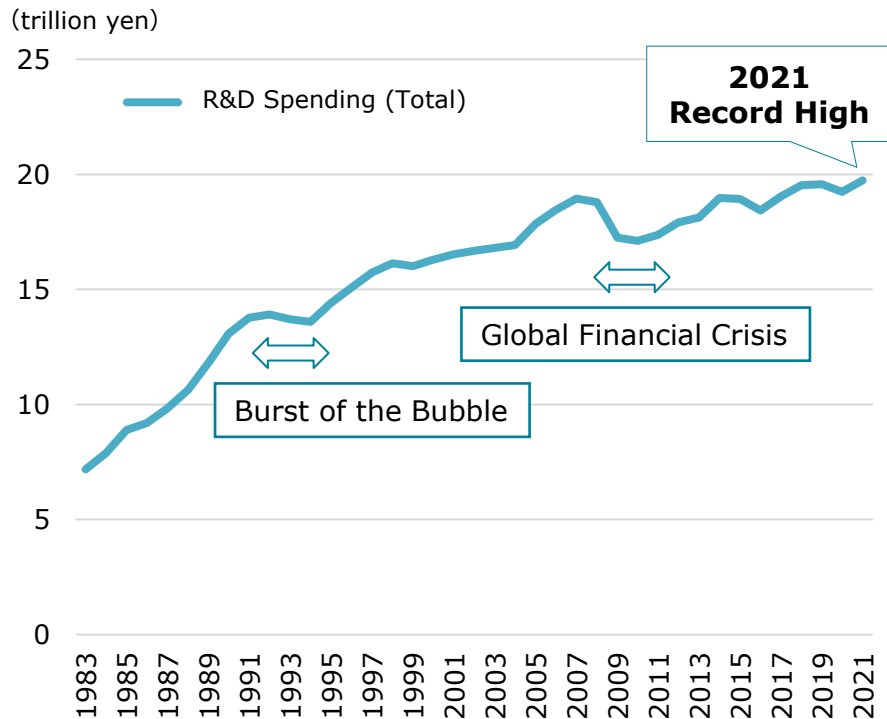
† "IT Company" means IT vendors and
"Other Company" means IT user companies

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"

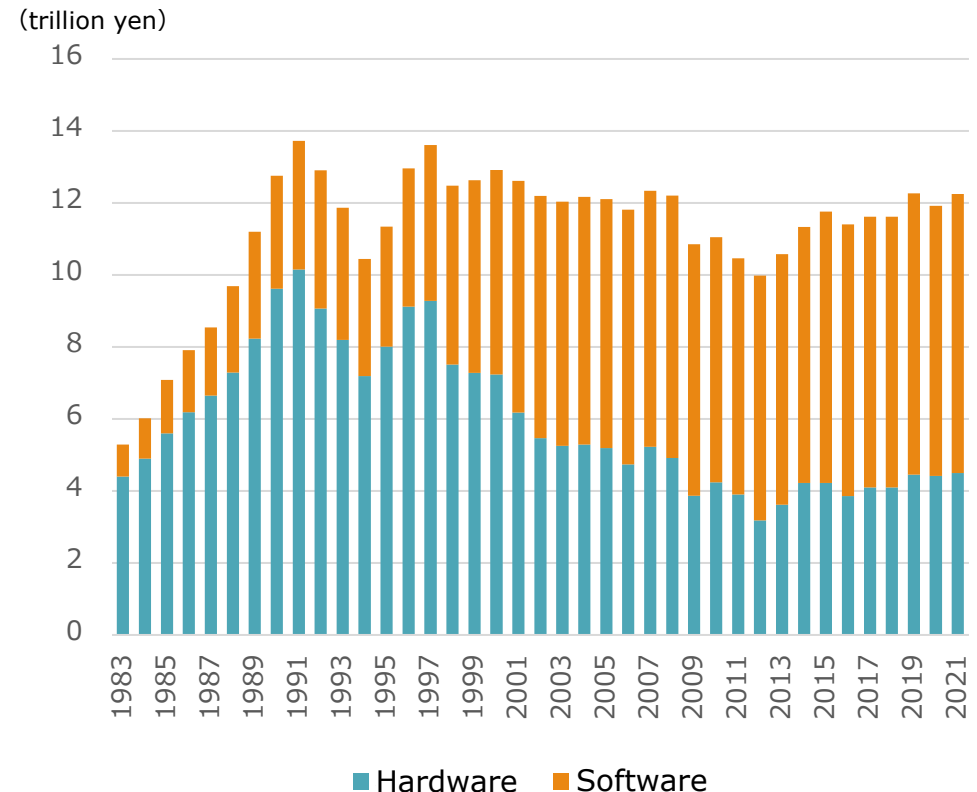
3. Trend of R&D Spending in Japan

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"

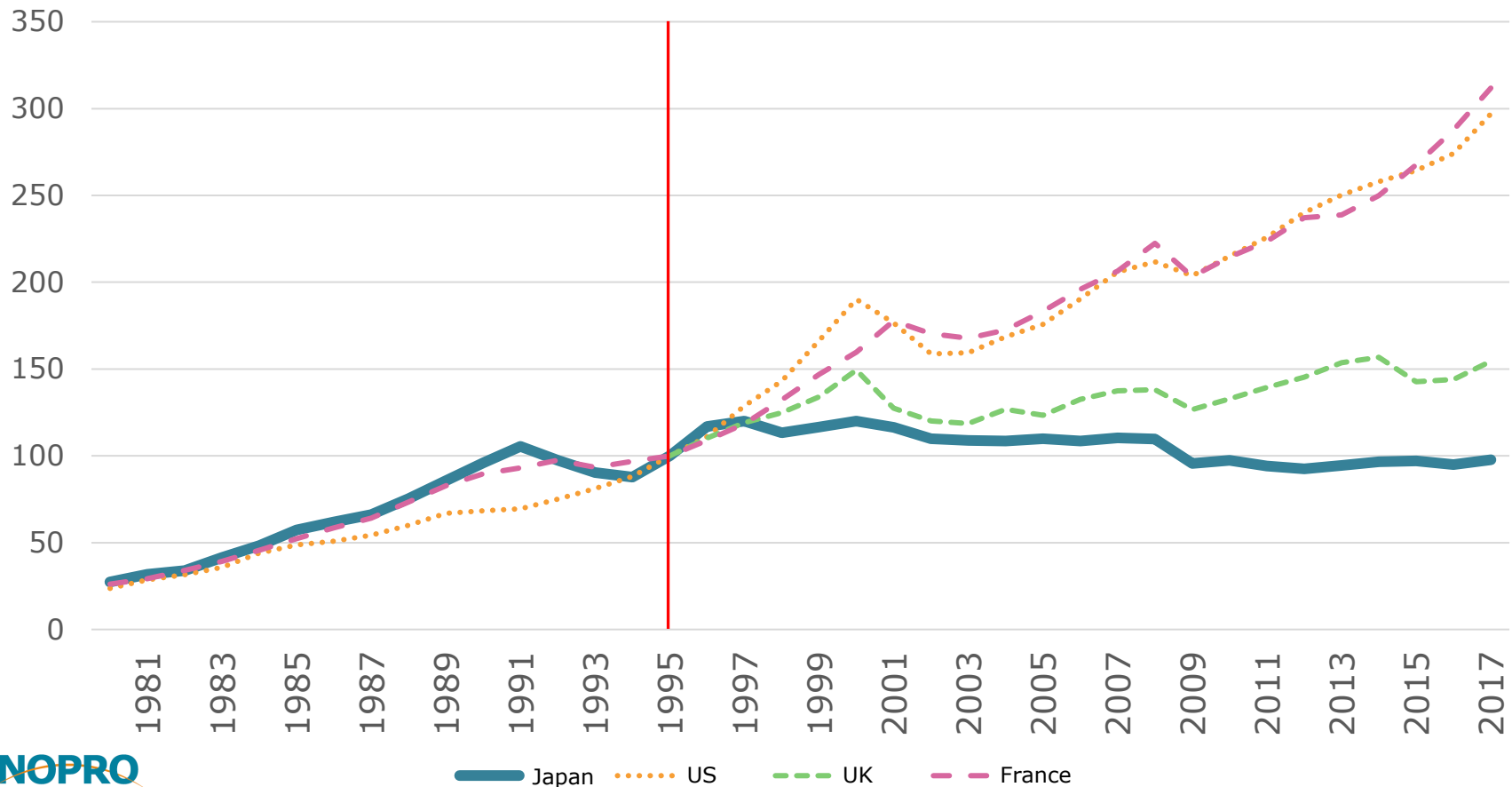


Sluggish Digitalization in Japan

- 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"

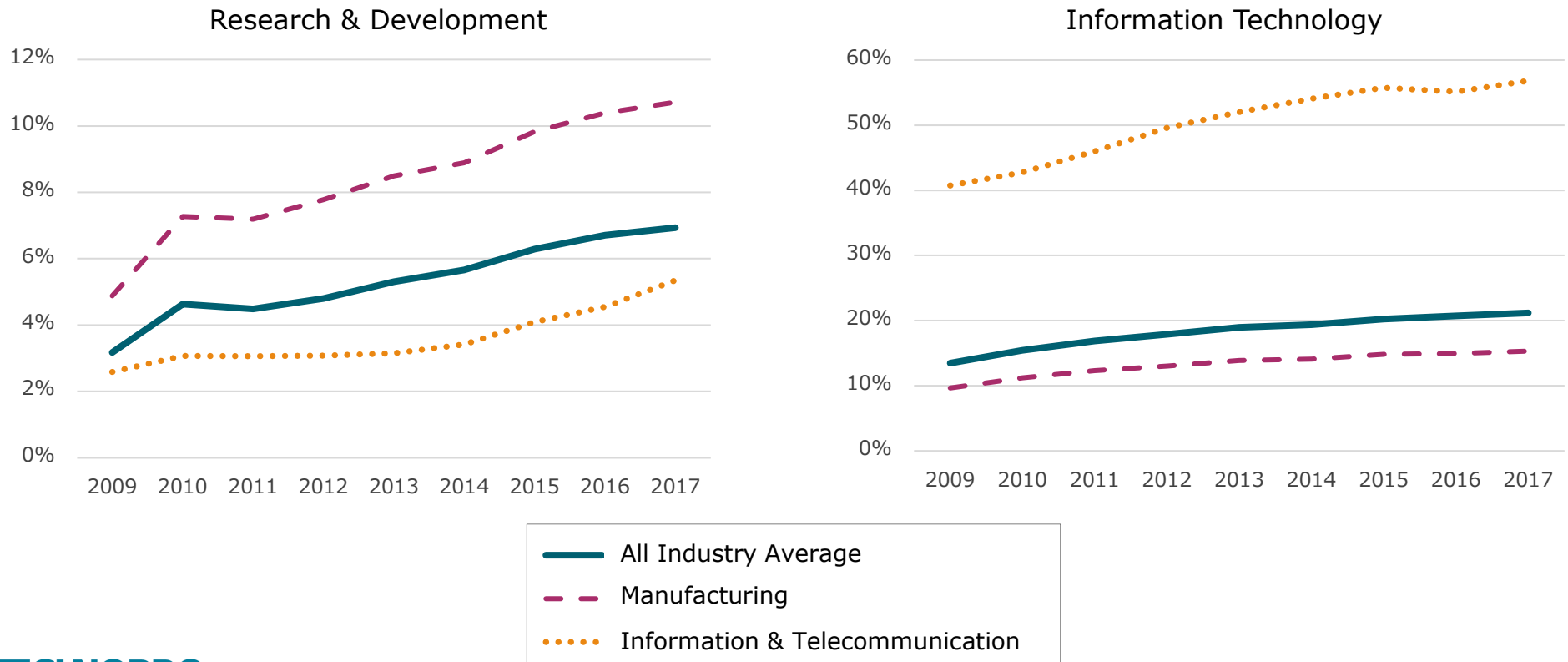


Outsourcing Usage Ratio of R&D and IT Activity

- 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

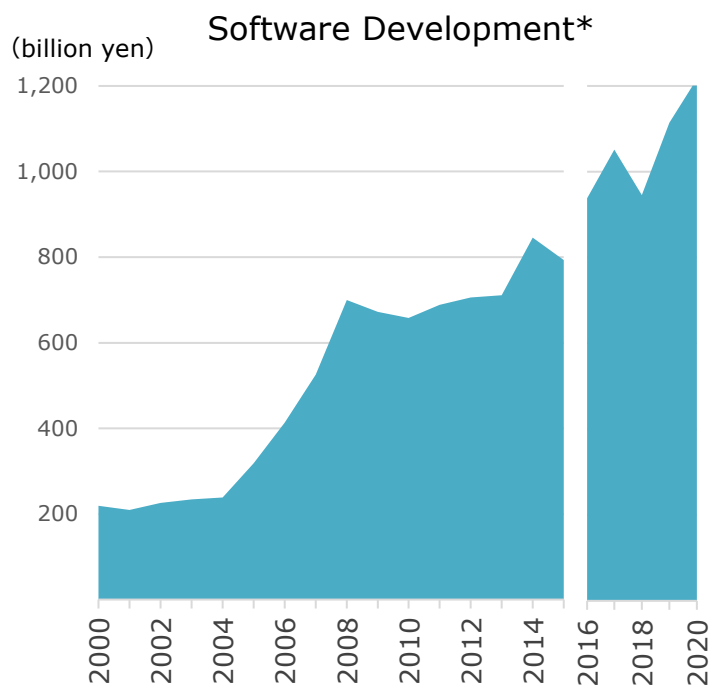


Engineer Staffing Market Overview

- Estimated whole engineer staffing market size in Japan was about 2.3 trillion yen in 2020; up 9.8% year-on-year, of which software development market size was about 1.2 trillion yen; up 9.2% 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

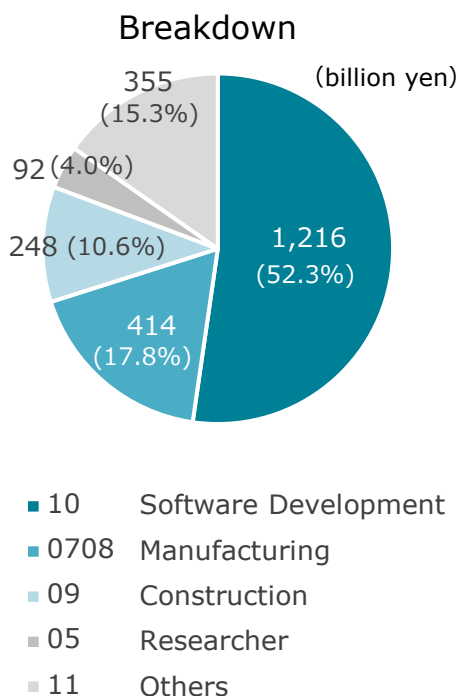
Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare



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

TECHNOPRO

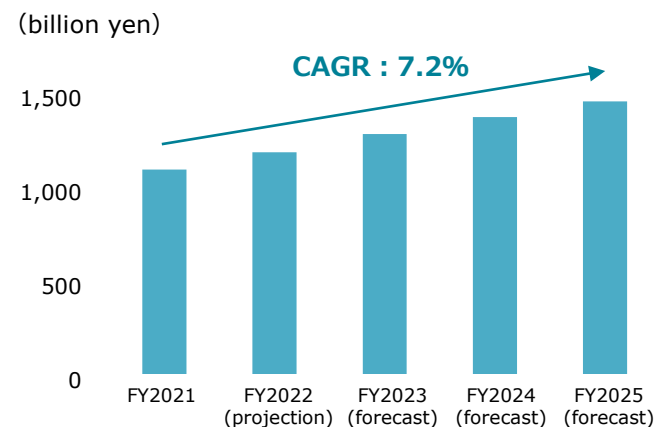
Market Size 2.3 trillion yen (2020)



- 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)

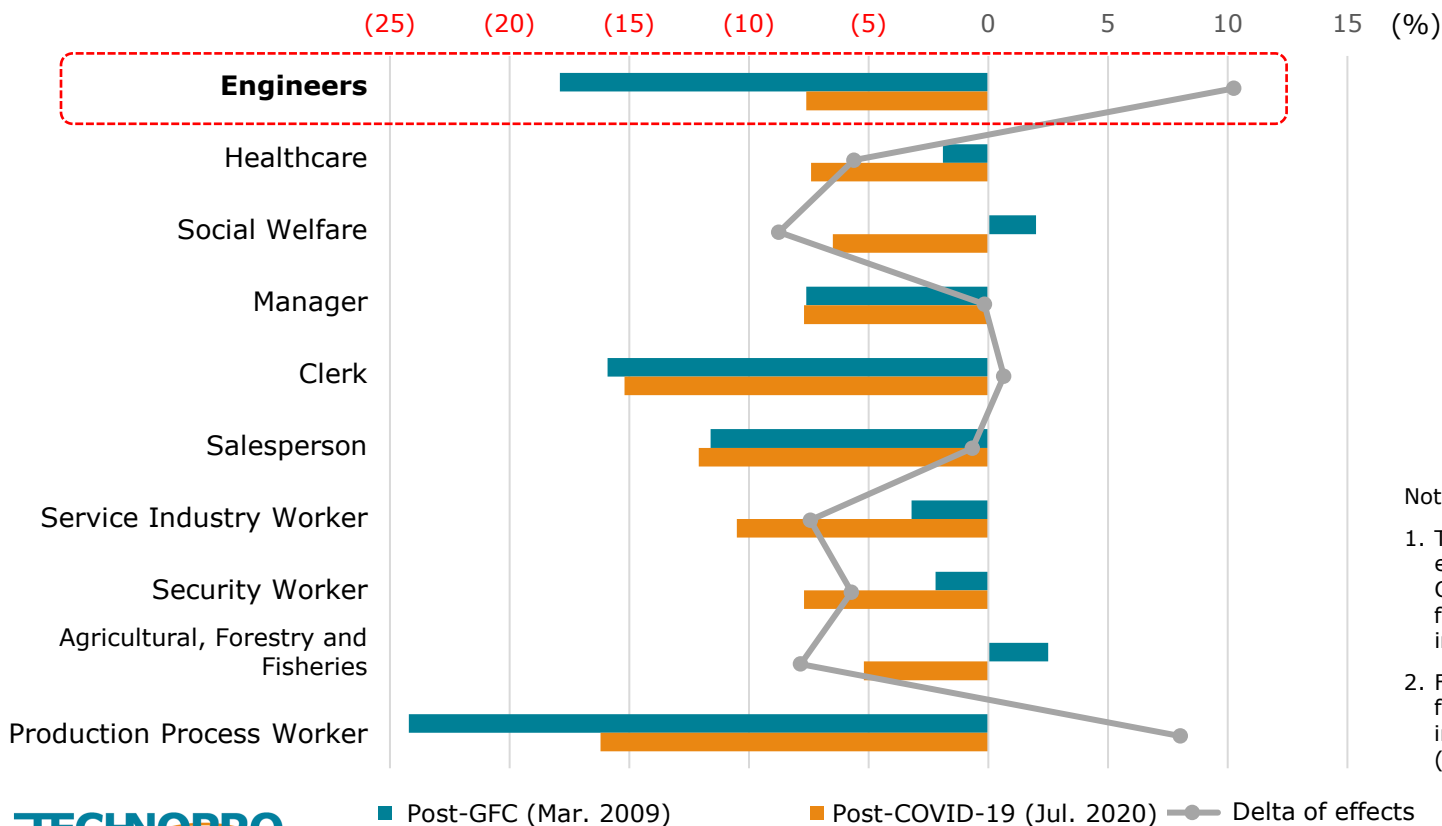
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole

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:

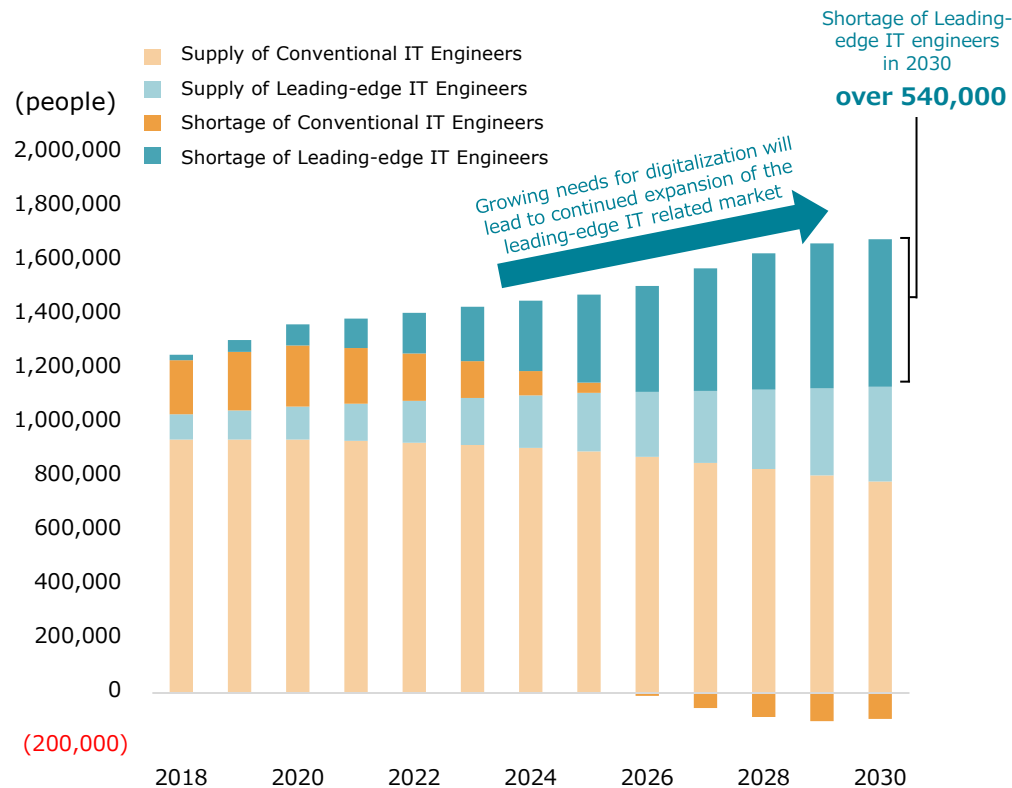
1. The figure left shows the comparison of the effect from the Global Financial Crisis (GFC) and COVID-19 on the index data of new job offers for each job category after 6 months from the initial outbreak of the crisis
2. Figures in September 2008 was indexed as 100 for the GFC, figures in January 2020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

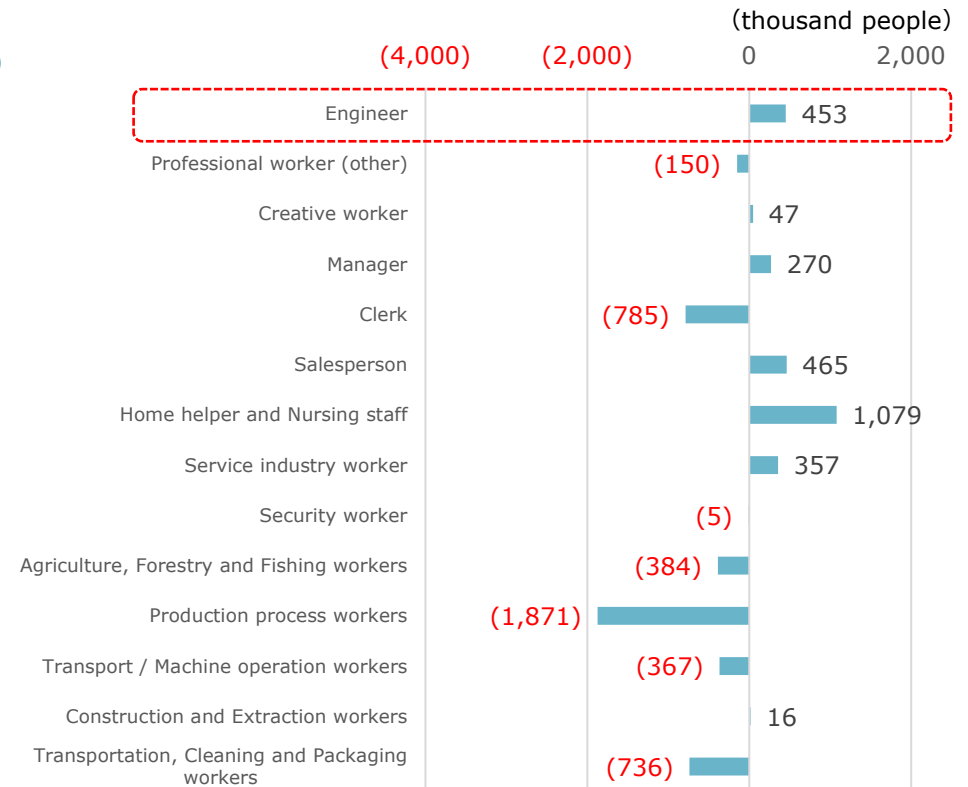
10. Projected Shortage in Advanced and Conventional IT engineers

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"

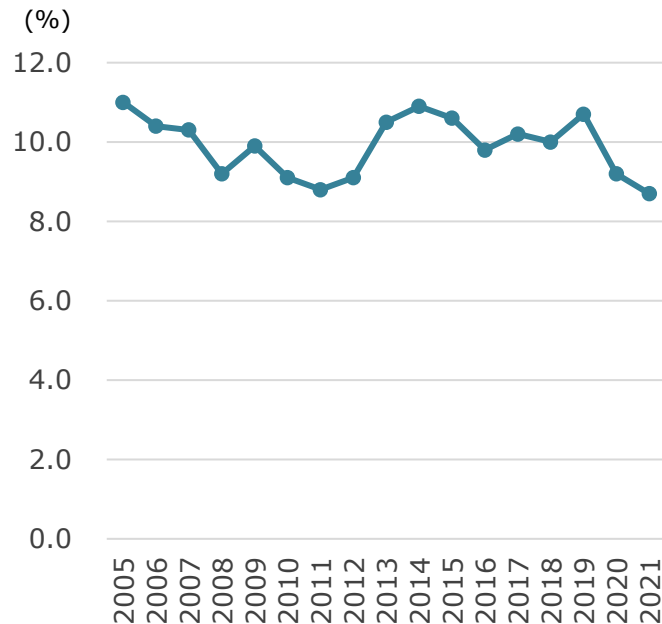


Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market

- 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

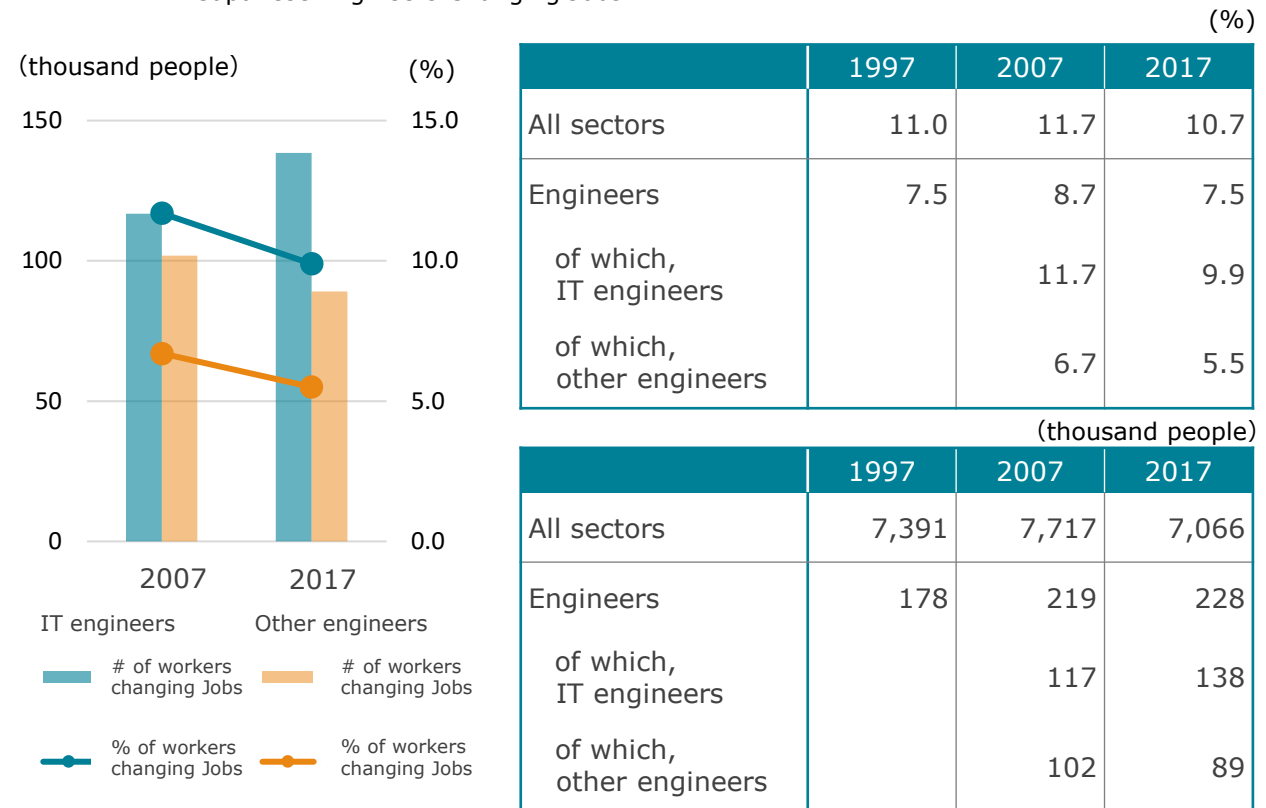
12. Turnover Ratio in Japan

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"

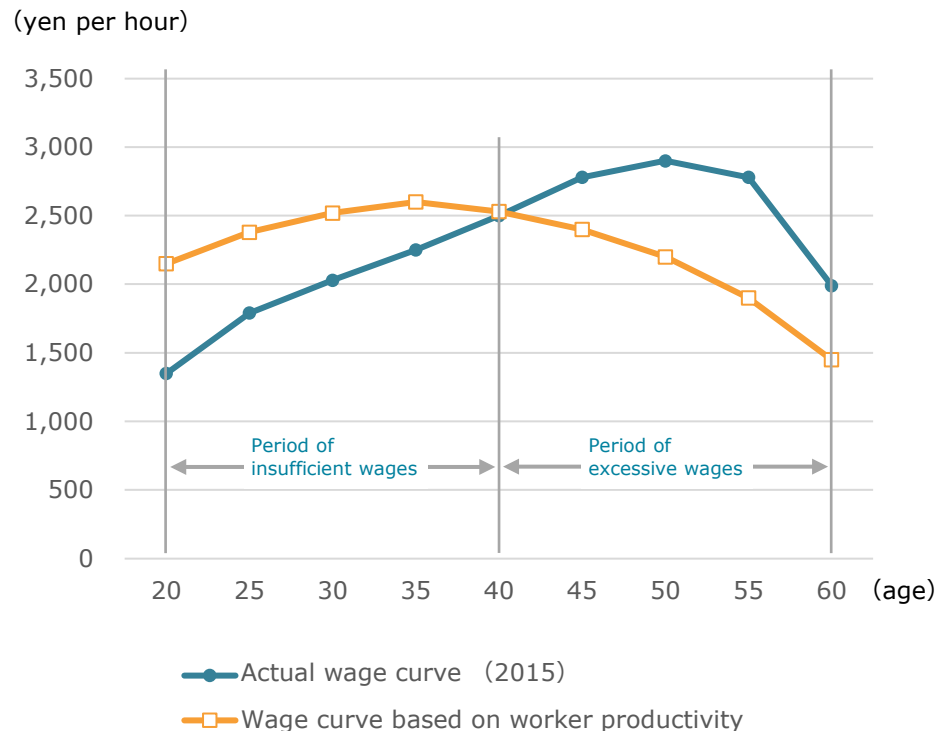


Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market (Cont.)

- 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

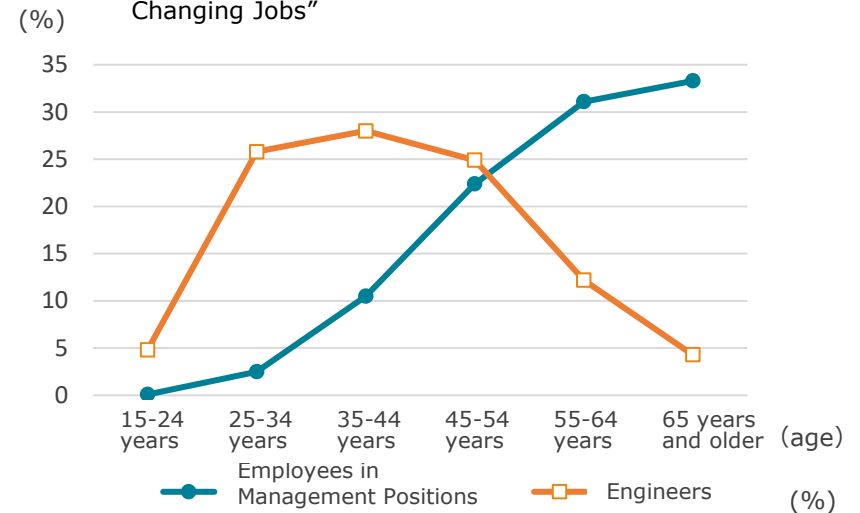
14. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

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"



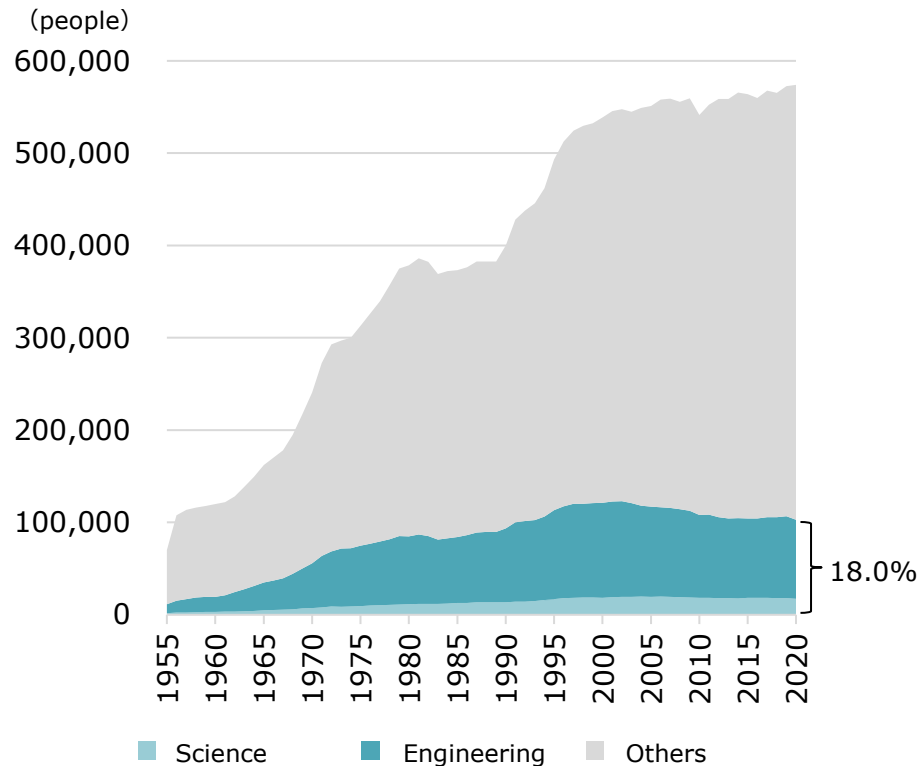
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

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

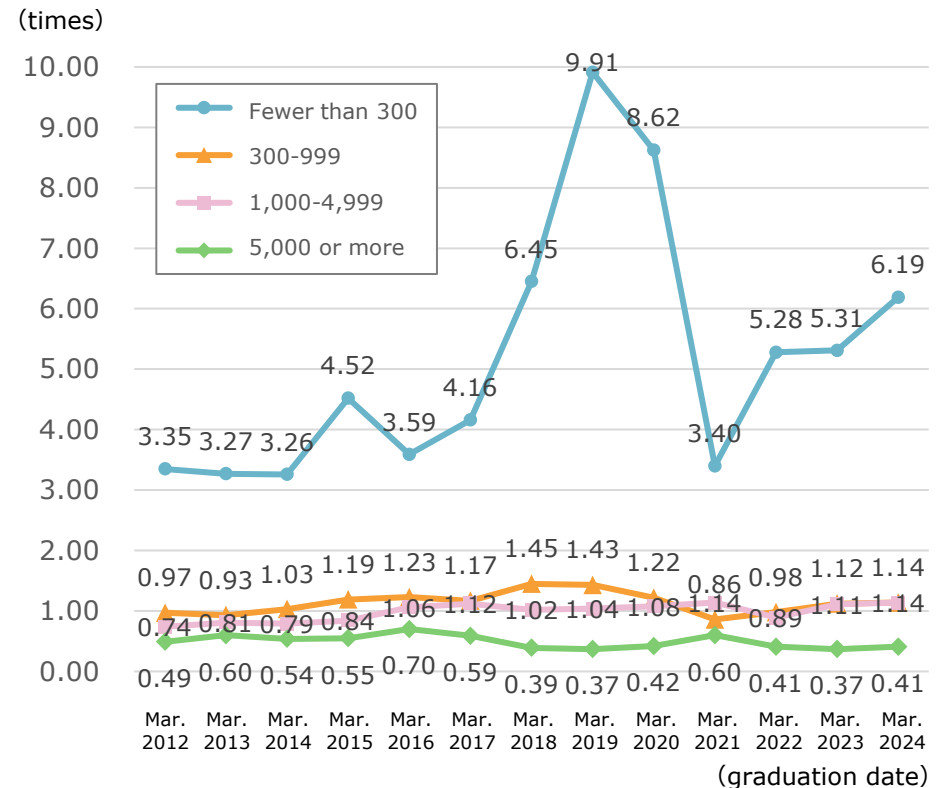
16. No. of University Graduates by Faculty

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"

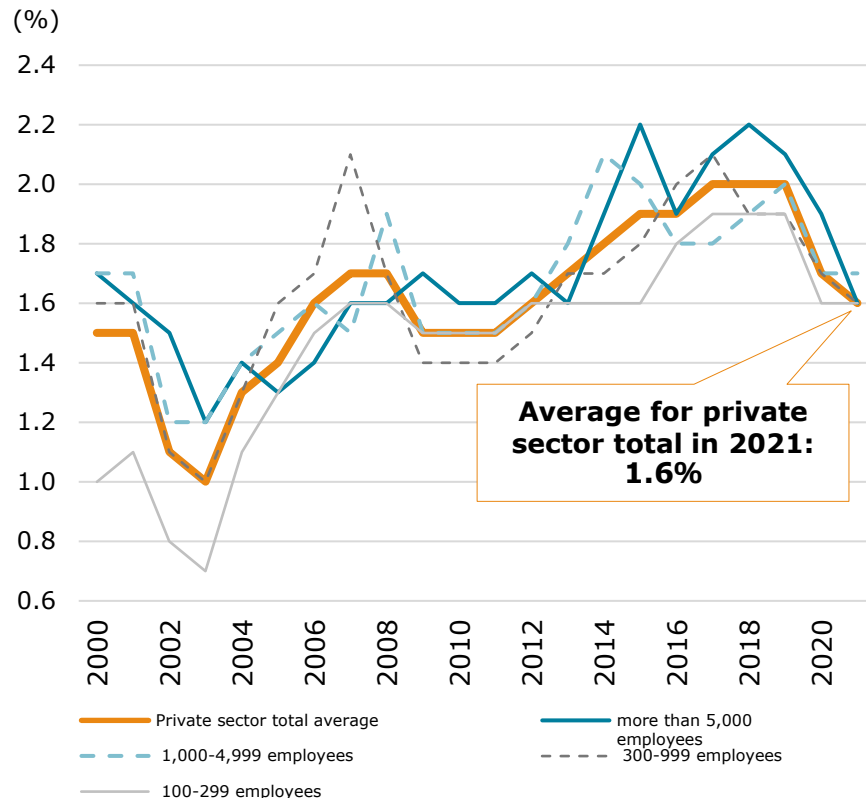


Wage Hike & Human Capital Investment in Japan

- 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

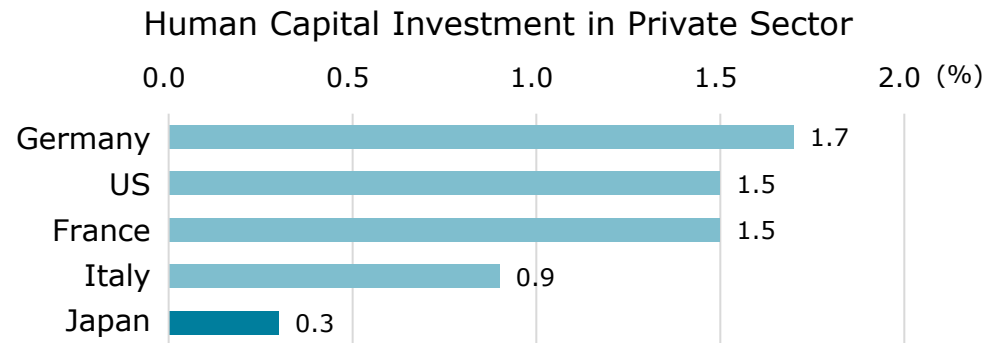
18. Wage Revision Ratio per Worker

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

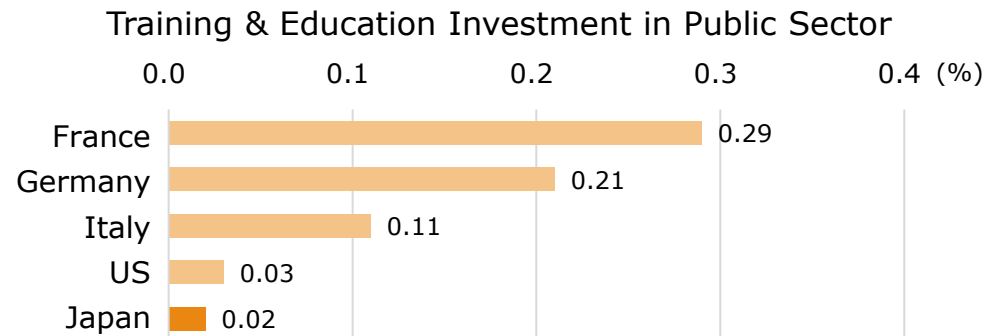


19. World's Human Capital Investment (GDP ratio)

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

Disclaimer

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

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

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

[Email Alerts]

To receive notifications about news release update on TechnoPro Holdings, Inc. via email, please access to the subscription website using QR code on the right and follow the instruction to subscribe.



TECHNOPRO