

TechnoPro Group
Medium-Term Management Plan (FY22.6 – FY26.6)
“Evolution 2026”

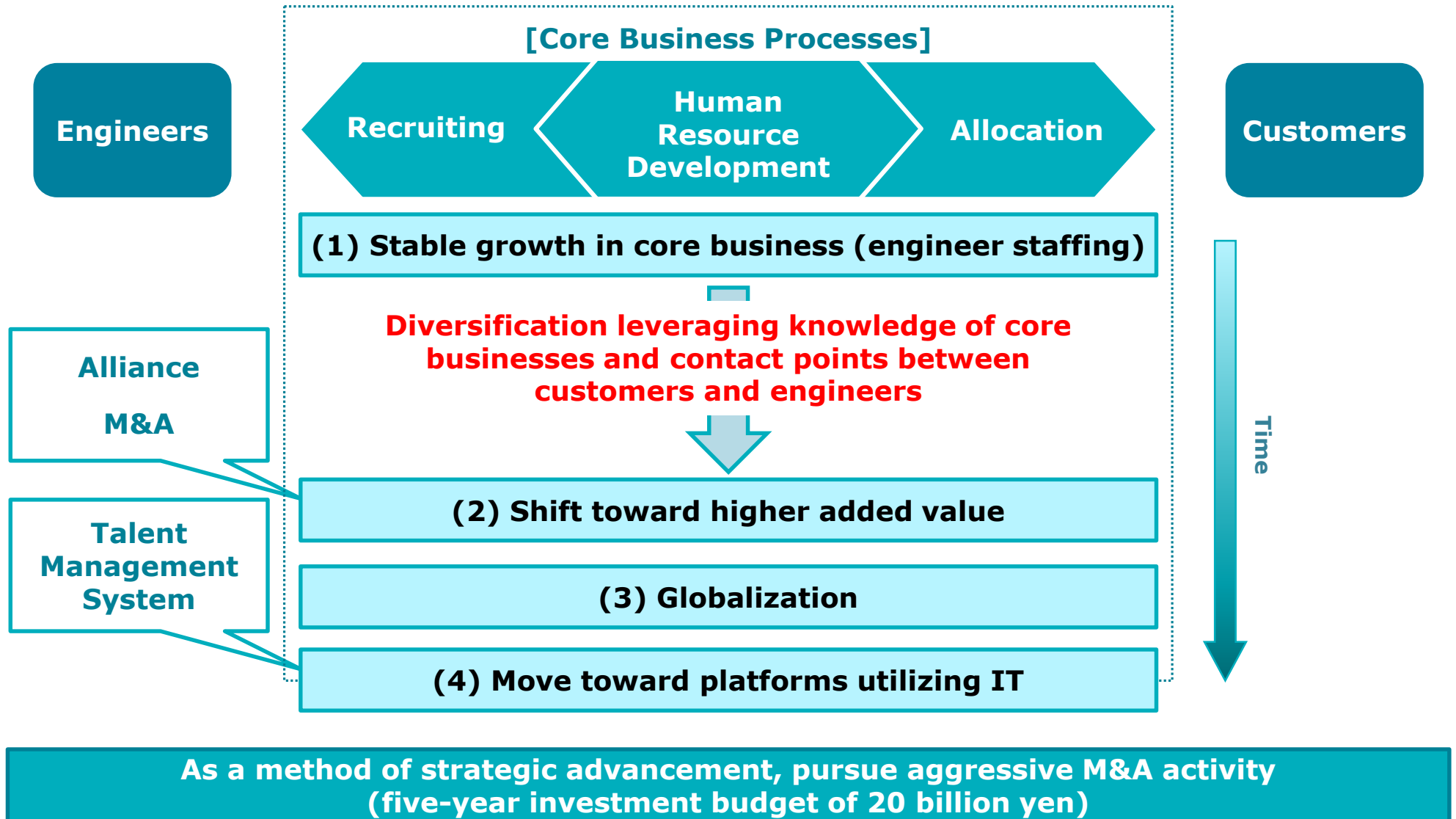
TechnoPro Holdings, Inc. (code: 6028,TSE)

August 10, 2021

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Strategic Initiatives in Previous Plan (announced Jul. 2017)



Previous Medium-Term Management Plan Review

Financials

Target (FY18.6–FY22.6)

	5-year targets			
	FY17.6	FY18.6	FY22.6	CAGR
Revenue (million yen)	100,095	109,000	160,000	9.8%
Operating profit (million yen)	9,647	10,600	17,000	12.0%
Net profit (million yen)	7,717	7,600	11,000	7.3%
Engineers (no. of engineers)	14,346	15,400	19,600	6.4%
Unit sales price (thousand yen/month)	626	635	655	0.9%
ROE*	29.9%	more than 20%		

Growth Strategy

- (1) Stable growth in core business (engineer staffing)
- (2) Shift toward higher added value
- (3) Globalization
- (4) Move toward platforms utilizing IT

M&A

Five-year investment budget of 20 billion yen

Results (FY18.6–FY21.6)

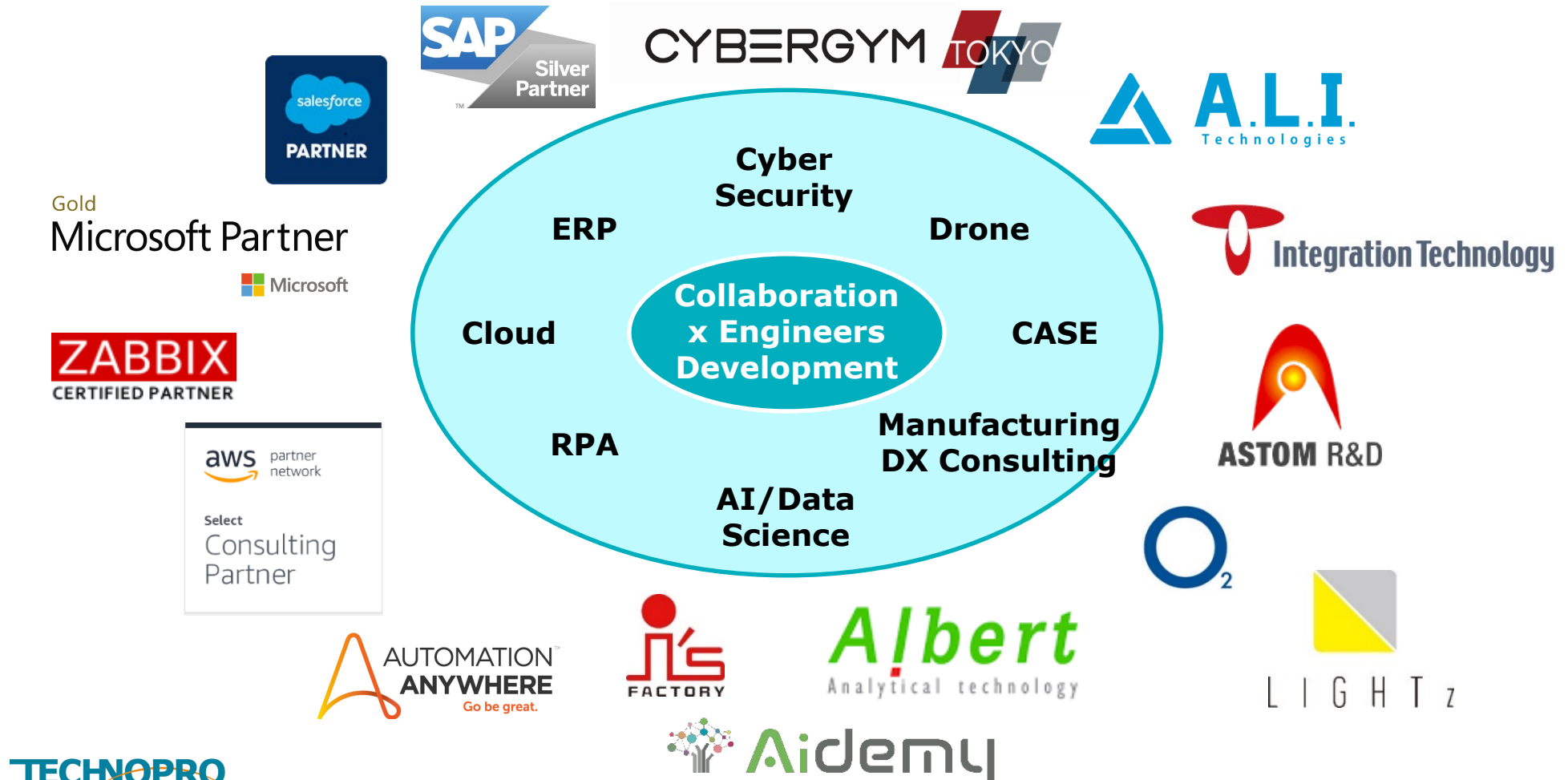
	4-year results			
	FY17.6	FY18.6	FY21.6	CAGR
Revenue (million yen)	100,095	116,529	161,316	12.7%
Operating profit (million yen)	9,647	11,238	19,461	19.2%
Net profit (million yen)	7,717	8,498	13,245	14.5%
Engineers (no. of engineers)	14,346	16,797	20,330	9.1%
Unit sales price (thousand yen/month)	626	630	634	0.3%
ROE*	29.9%	24.5%	25.1%	

Achieved one year ahead (excl. unit sales price)

- ✓ Achieved growth in the number of engineers (quantity) mainly in IT sector, but **improvement of unit sales price (quality) remains slow**
 - ✓ Higher value addition, globalization, platform building are **still in growing phase**
- ↓
- **Elaborate strategy and bold resource investment**
 - **Strengthening of organization to promote and manage strategy progress**
- } needed for plan
- ✓ Invested 11.2 billion yen for M&A, but **yet to become future growth driver**








Reference: Alliance Progress

- Promote fostering of engineers who can perform well in the new technological fields where customer demand is expected to increase in the future, through establishing the ecosystem with alliance partners including major IT vendors and startups that have cutting-edge technologies or platforms
- Specifically fostered **380** data scientists, **348** AI engineers, **234** cloud engineers, and **94** ERP engineers



Reference: M&A Track Record

- Despite having invested* **11.2 billion yen** in total for 10 acquisitions (including three entities absorbed into TechnoPro, Inc.) in the first two fiscal years, struggling to achieve synergy across the Group expected at the time of investment, consequently being unable to generate sufficient returns (ROIC**) exceeding the cost of capital
- No closed deal in the last two fiscal years, due to COVID-19 (instead, part of free cash flows was used for the share buy-back)

FY21.6 Results	Machinery, Elect/Electronics	IT Infrastructure	Other	Invested Capital (JPY)	ROIC
(1) Stable growth in core business (engineer staffing)				1,104M	10.8%
(2) Shift toward higher added value			  	4,358M	9.3%
(3) Globalization				4,238M	7.3%
Invested Capital (JPY)	1,660M	5,214M	2,826M	Invested Capital 9,700M	
ROIC	11.2%	8.1%	7.9%	ROIC 8.6%	
				Cost of Capital 7.6%	

* For fully-owned subsidiaries, invested capital is considered as share acquisition price plus assumed net debt. For other non-100% subsidiaries, invested capital is considered as share acquisition price

** ROIC (Return on Invested Capital) = NOPAT (before PPA amortization, corresponding to ownership %) divided by invested capital

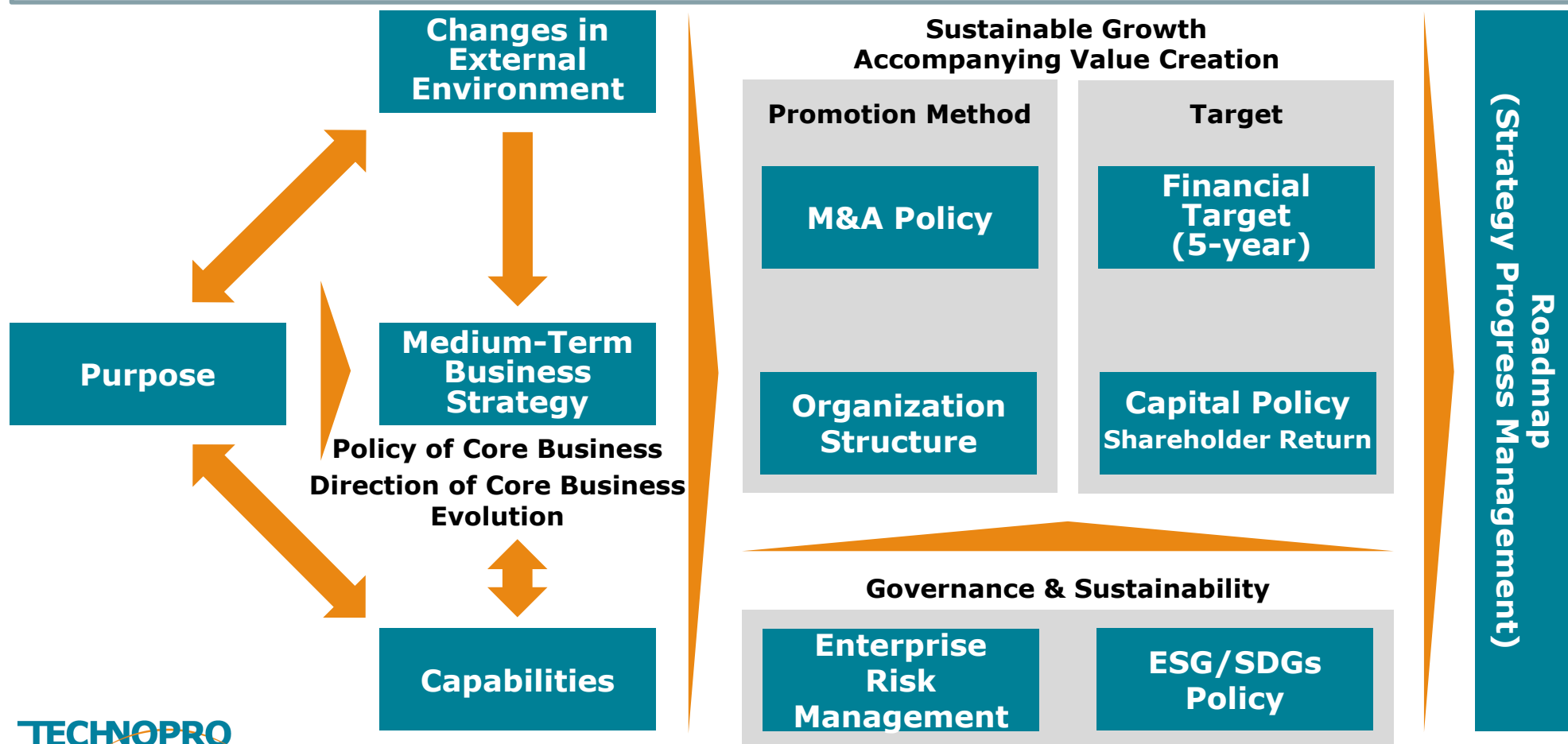
※ Excluding entities merged with TechnoPro, Inc. (Techno Live, Misystem, Softworks)
Total invested capital in three entities amounts to 1,503 million yen

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Medium-Term Management Plan Logic & Overview

- Defined the purpose of TechnoPro Group based on demand from society projected from the external environment forecasted for medium- to long-term and the Group's unique capabilities; formulated a new Medium-Term Management Plan for the next five years, which enables value creation and sustainable growth, by drawing ideas from desirable image in 10 years
- Upon lessons learned from the previous medium-term plan, clarified details of strategies and strengthened the organizational functions to promote and manage progress, as well as paying careful consideration to the balance between growth appetite and risk management



External Environment Changes

- Adoption of new technologies and reduction of gap between demand and supply of engineers are urgently required in order to realize digitalized, more convenient society and enhance competitiveness of Japanese industries
- Although the engineer staffing business in Japan is still attractive, the growth relying on only existing initiatives is expected to be limited, considering the structural shortage of Japanese technology talent

Medium- to Long-Term Trends in Japan

Technology Advancement



- Acceleration of technology innovation
- Penetration of digital and environmental technology into society
- Automation of development

Work Environment/ Labor Market in Japan



- Aging population
- Structural shortage of engineers
- Liquidating job market and diversifying work style
- Future of strict dismissal legislation

Globalization



- Fierce competition with competitors
- Overseas transfer of development
- Evolving digital technologies outside Japan
- Increasing geopolitical risk

Engineer Staffing Business in Japan

Sustainable Market Growth and Continued Engineer Shortage



- Changes of work environment and labor market work as tailwind
- Customers' further depend on external resources of technology and talent

Consolidation of Small/Medium Size Players and Reorganizing Industry

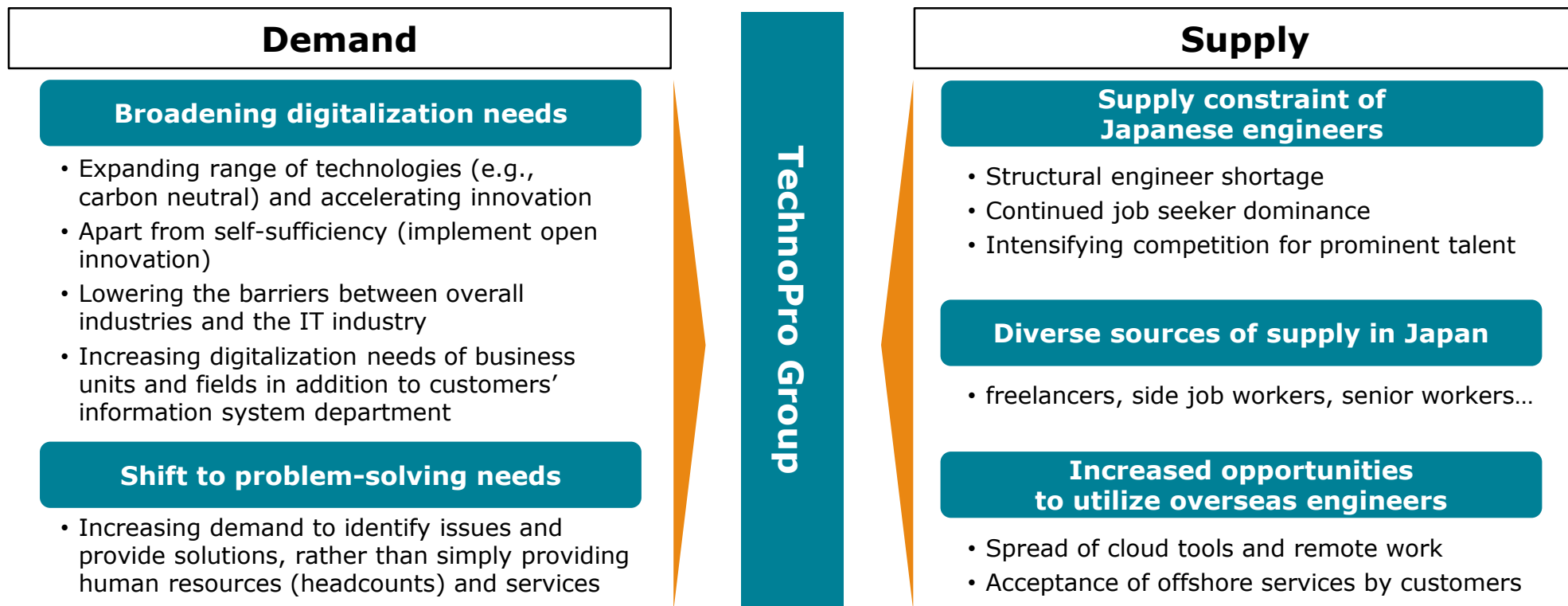


- Major players attracting more customers and engineers
- Expanding market share and competitiveness of larger firms

External Environment Changes (continued)

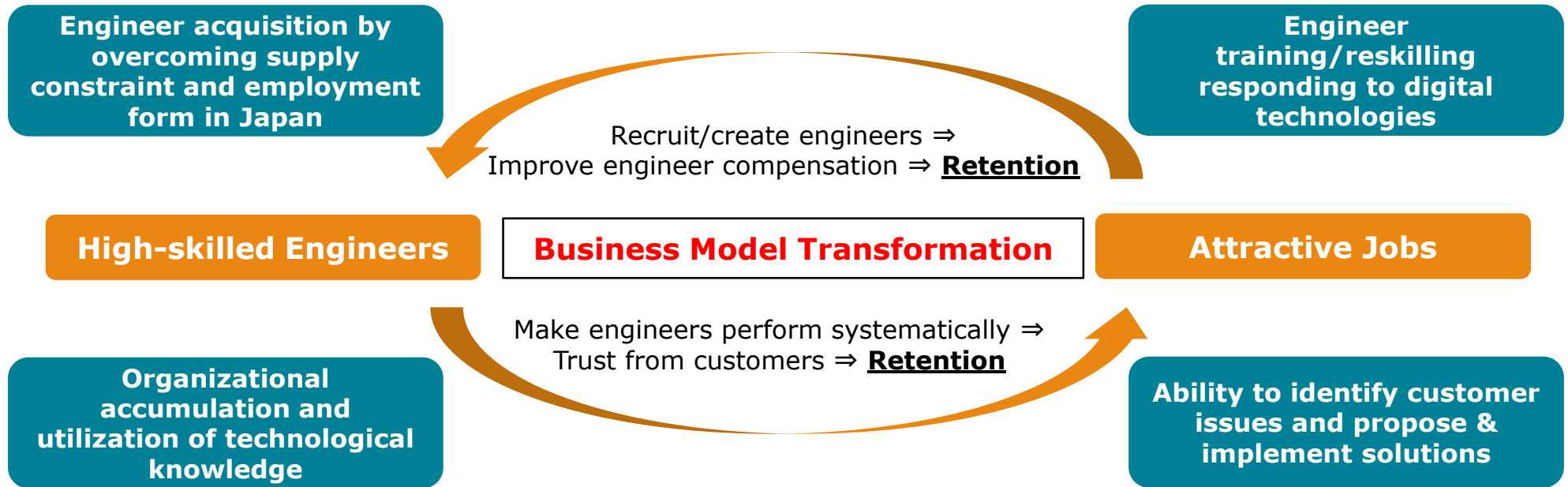
- In order to maintain our competitive advantages, it is crucial to overcome supply constraint by improving and transforming the skills of our engineers through education and training based on R&D trends and technological shifts, as well as utilizing new talent pool such as freelancers and overseas talents, and it is also significant to secure sufficient engineers to meet the changing and growing demand
- Keeping to evolve our capabilities is essential to solve technology-related issues and continue to provide value to society and customers

Medium- to Long-Term Trends in Demand & Supply around TechnoPro Group



Capability Evolution & Business Model Transformation

- To strengthen our resilience against increasing economic volatility and uncertainty, and to retain the high-skilled engineers who are the drivers of our growth, we need to transform our traditional business model, in which we have been playing a role as an employment adjustment function during economic downturns, in addition to evolving our capabilities
- Establish a cycle of creating attractive job opportunities, attracting and developing high-skilled engineers, and encouraging retention of our engineers through improvement of compensation and customer trust



Existing Capabilities & Core Competences of TechnoPro Group

- Relations with large customer base
- Engineer fostering system and know-hows
- Recruitment capability backed by a wealth of orders
- Scale of IT engineers
- Engineer resource engaging to diverse technology fields/industries

Purpose

- As a premise for considering a new medium-term business strategy, redefined the Group's unique Purpose and seek to align it with strategies that contribute to value creation
- Improve the engagement of the Group's employees through a strategic storytelling with the Purpose at its center in order to spread the Plan throughout the organization

Corporate Philosophy Framework



TECHNOPRO

TechnoPro Group Purpose

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

Technology to Empower the Future

TECHNOPRO

Reference: Our Values

Technology is the driver that brings transformation to business, lives, and society.

– The challenges and needs of customers and society are diversifying, as dynamic changes occur faster than ever –

We provide solutions to unlimited challenges our customers face by:

- Delivering optimal service and solution through our talent, trained and nurtured well regardless of gender, age, and nationality
- Working squarely on new, evolving domains and honing our capabilities thoroughly
- Always meeting our customers' expectations as value-creation partners

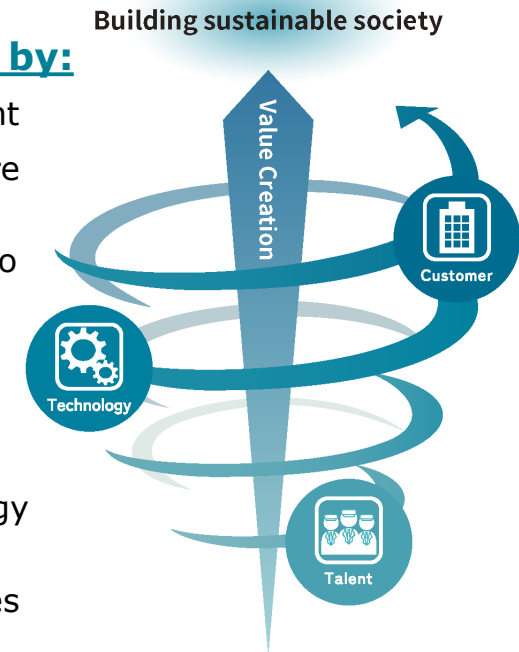
We continue to maximize the potential of engineers and researchers by:

- Providing the conditions and programs to encourage learning and skill development
- Creating opportunities to not only hone their expertise but also to switch or acquire new skills
- Supporting our talent through technology evolutions and environmental changes to stay active

We contribute to building a sustainable society by:

- Solving the challenges of our customers and society as we connect people to technology, and bridge Japan to the world, across various industries and technology domains
- Promoting a diverse array of talent through continuous enhancement of capabilities
- Delivering results that have social impact through our business activities

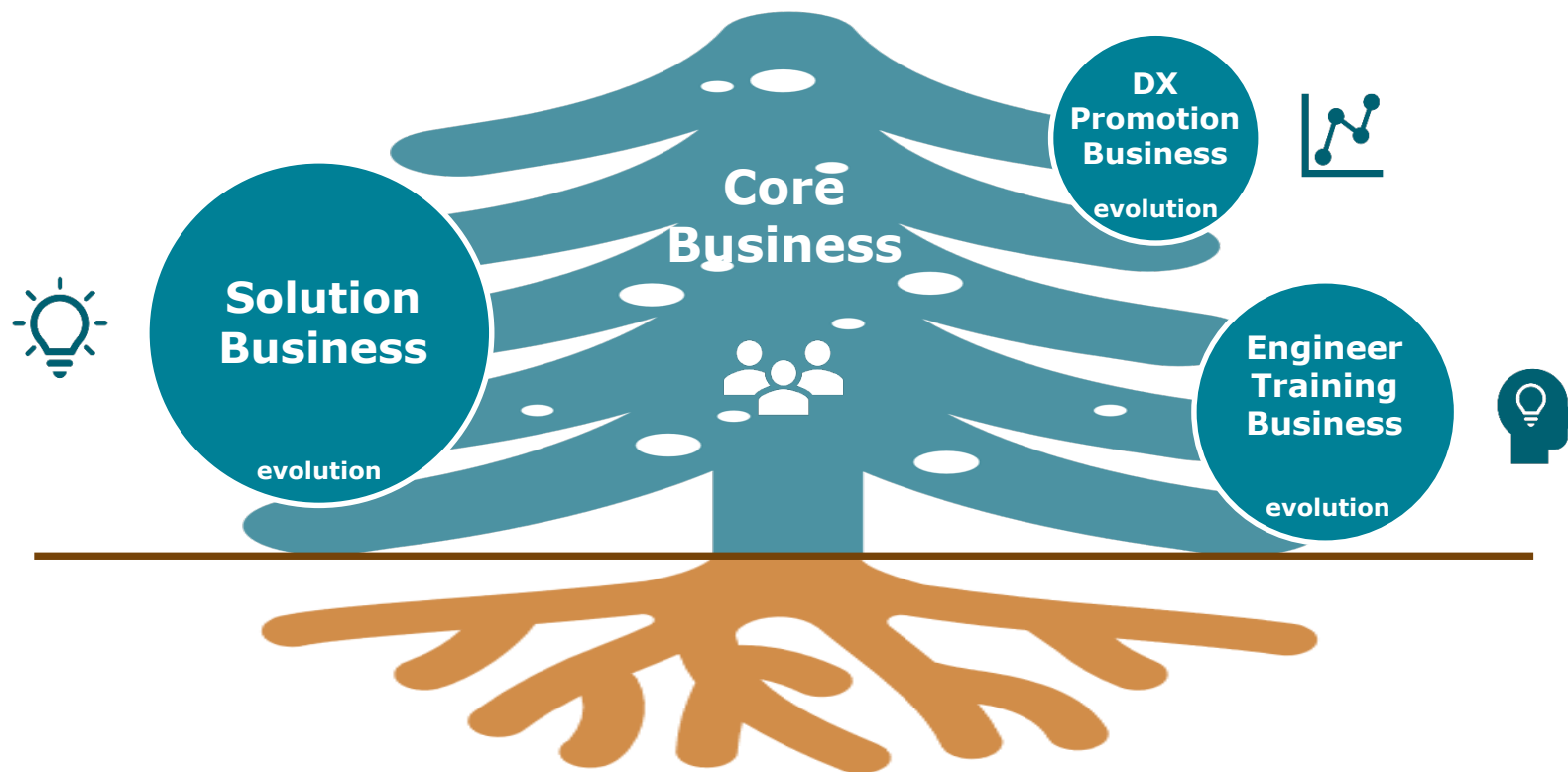
Value Creation Chart



Medium-Term Business Strategy Outline

- Strive growth putting more focus on **“quality”** for Core Business (engineer staffing in Japan), as well as business transformation with **“evolution”** 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

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Core Business

- Expecting growth in Core Business to continue for a short-term, driven by strong demand for digitalization and engineers
- For medium- to long-term, however, if difficulties such as 1) accelerated technological innovation, and overseas transfer/automation of development, 2) intensifying competition for engineers recruitment, and 3) wage hike pressure become apparent, there will be a significant business risk in pursuing only “scale,” namely increase of the number of engineers, as a revenue growth driver under the current business model centered on engineer staffing
- HR development and training functions will become significantly important as a source of differentiation from peers and competitive advantage in this industry, rather than recruitment and allocation capabilities in the past

Basic Operation Policy

Pursue further quality

Increasing emphasis on
software

Seeking room for
growth

Recruit

- Further promote hiring of engineers who require training and non-Japanese engineers with high skills in order to close the gap between demand and supply in Japan
- Utilize human capital in response to increased mobility of job market and diversification of work style, in addition to permanent employees on which the Group currently focuses

HR Development /Training

- Strengthen engineer fostering functions (training framework, contents development, career planning, etc.)
- Enhance OJT training environment (allocation in teams, outsourcing/project-type, alliance, etc.)

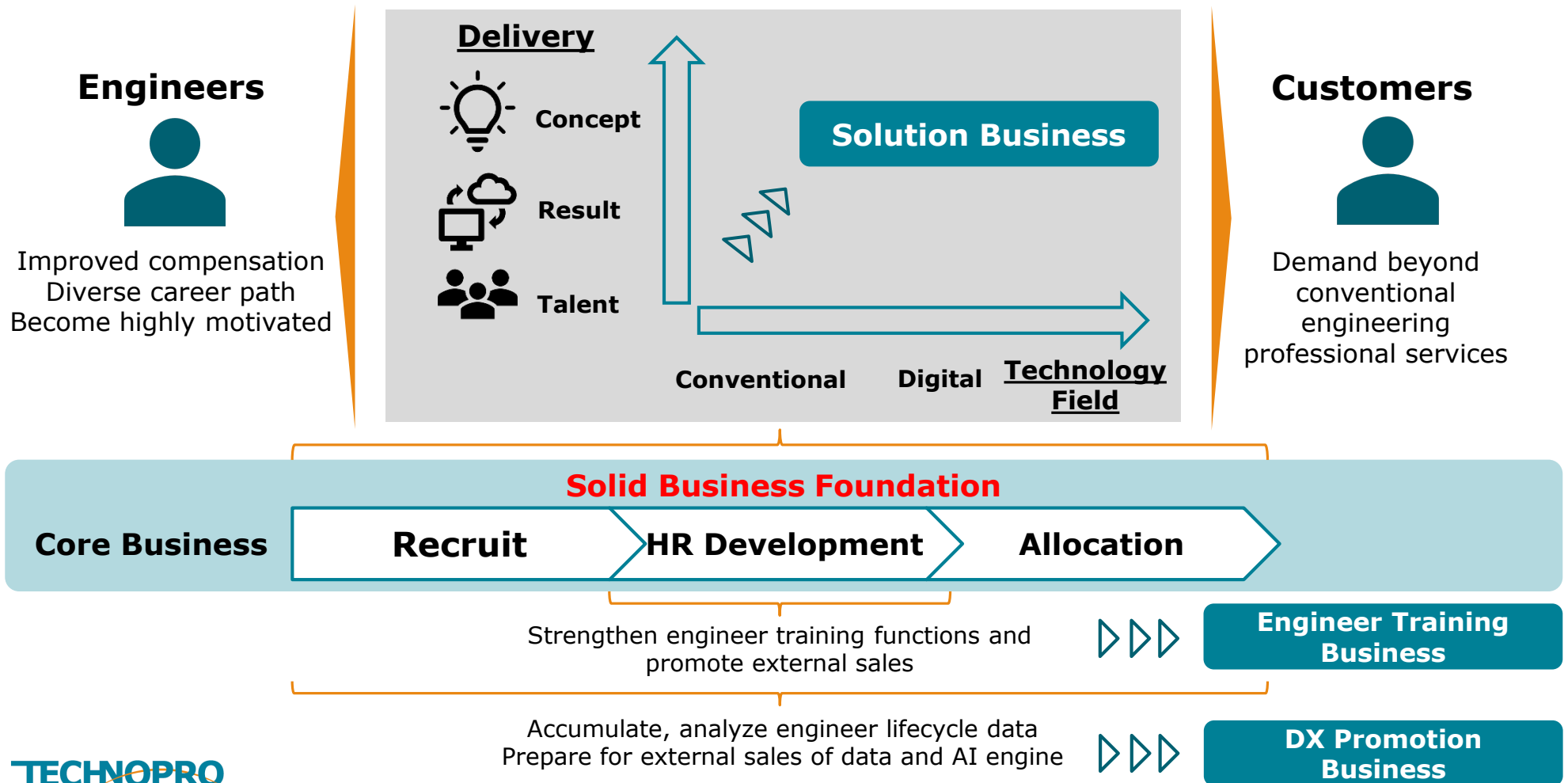
**Differentiating from
competitors**
Source of competence

Allocation/ Sales

- Cultivate new customer base in IT (non-manufacturing such as retail, BFSI, public sectors, etc.)
- Obtain new orders from customers and clues to identify their problems through engineers on assignment, by leveraging the customer touch points the Group currently has

Core Business Evolving Direction

- Considering the medium- to long-term potential risks in Core Business and the possibility of stagnant growth and downward margin pressure due to supply constraints, thoroughly pursue the "evolution" of Core Business in order to respond to changes in customer demand and secure high-skilled engineers (a strategic option only possible with a solid business foundation in Core Business)



Solution Business

- Promptly grasp the rapidly growing demand for digitalization in the New Normal, thereby help customers solve their issues by providing end-to-end services from planning to implementation with optimal solutions developed by combining conventional and digital technologies existing within and outside the Group
- Expand the solution business as early as possible by maximizing the leverage of Core Business assets such as a broad customer base across diverse industries, touch points with customers through our engineers, etc.
- Establish a new Center of Intelligence (COI) organization, which will 1) formulate global strategies to promote the Group's solution business by regularly assessing technology, solution and market trend, 2) accelerate organic growth in this solution area, and 3) provide insights to select appropriate M&A targets and alliance partners

Basic Operation Policy

Focusing on digital field

Leveraging Core Business assets

Overcoming technological resource constraints in Japan

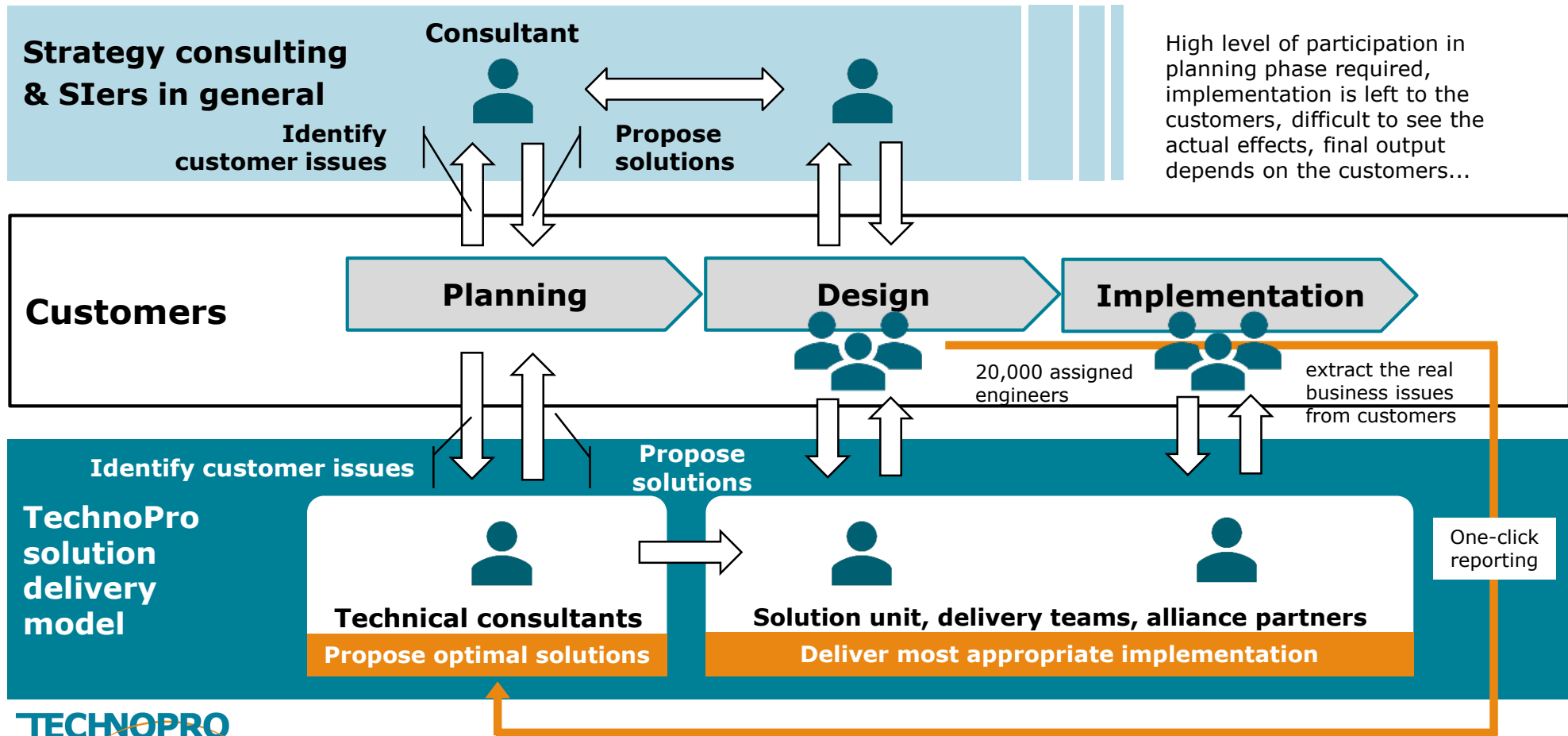
Services providing digital technology
(e.g. IoT, data analysis, cybersecurity, etc.)

Development services integrating existing technologies with digital technologies
(e.g. integration between factory automation and digital, bioinformatics, etc.)

Technology development for global digital products, for which demand is growing
(e.g. SAP, SFDC, AWS, Azure, Splunk, Automation Anywhere, etc.)

Solution Business: TechnoPro Group Competence

- 20,000 engineers engaged in design and implementation work at our customer sites 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, committing to thoroughly solve the customer's issues; consequently differentiates us from strategy consulting firms and SIers in general



Solution Business: Global Expansion

- Focus on distributing digital talents, development know-hows and solutions to Japan from “Talent Countries” or “Technology Countries” such as India, in order to overcome the supply constraints of human and technology resources in Japan
- Establish Centers of Excellence (COE) for advanced technologies across Japan and overseas to strengthen offshore delivery capabilities to “Demand Countries” such as Japan, US and Europe

Business Model Focused on Digital Domains

Recruiting foreign engineers in Japan

Sending non-Japanese engineers to Japan for onsite operation

Offshore staffing

Providing technical services to Japanese customers from overseas offshore on a time & material basis

Solution delivery

Providing technical services from upstream process through combining onsite and overseas offshore services



Reference: Digital Technologies & Solutions

Customer	Automotive/ Mobility	Industrial machinery	Electric components/ Semiconductors	Electronics/ Precision machinery	Information systems/ Telecoms	Plant/Heavy industry/ Energy	Bio/Medical	Materials	Construction
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<Solutions>

Development efficiency	Production efficiency	AI/Data analysis	IoT/System development
Cloud/Network	Materials Informatics	Bioinformatics	i-Construction
ERP	Security	Local authority business consulting	Operational efficiency
BPO	IoT platform	Surveying/Measuring	Automotive transformation

<Digital Technologies>

AI/Machine learning	Data science	Sensor fusion	Edge computing
Cloud services	Cybersecurity	Blockchain	5G/6G network
FPGA (HDL design)	Sensor sensing	Semiconductor design	Mechanical design
Analysis (CAE)	Advanced manufacturing technology	Microcomputer embedded control software	ERP
UI/UX	BIM	CIM	RPA

Engineer Training Business

- Turn the engineer training process itself into a “business” by selling the engineer training curriculum and contents accumulated in Core Business to external corporate customers and individuals, seeking to position it as one of the revenue sources generated from the evolution of Core Business

Growth by Leveraging Core Business Assets

No. 1 leader advantages in engineer staffing industry

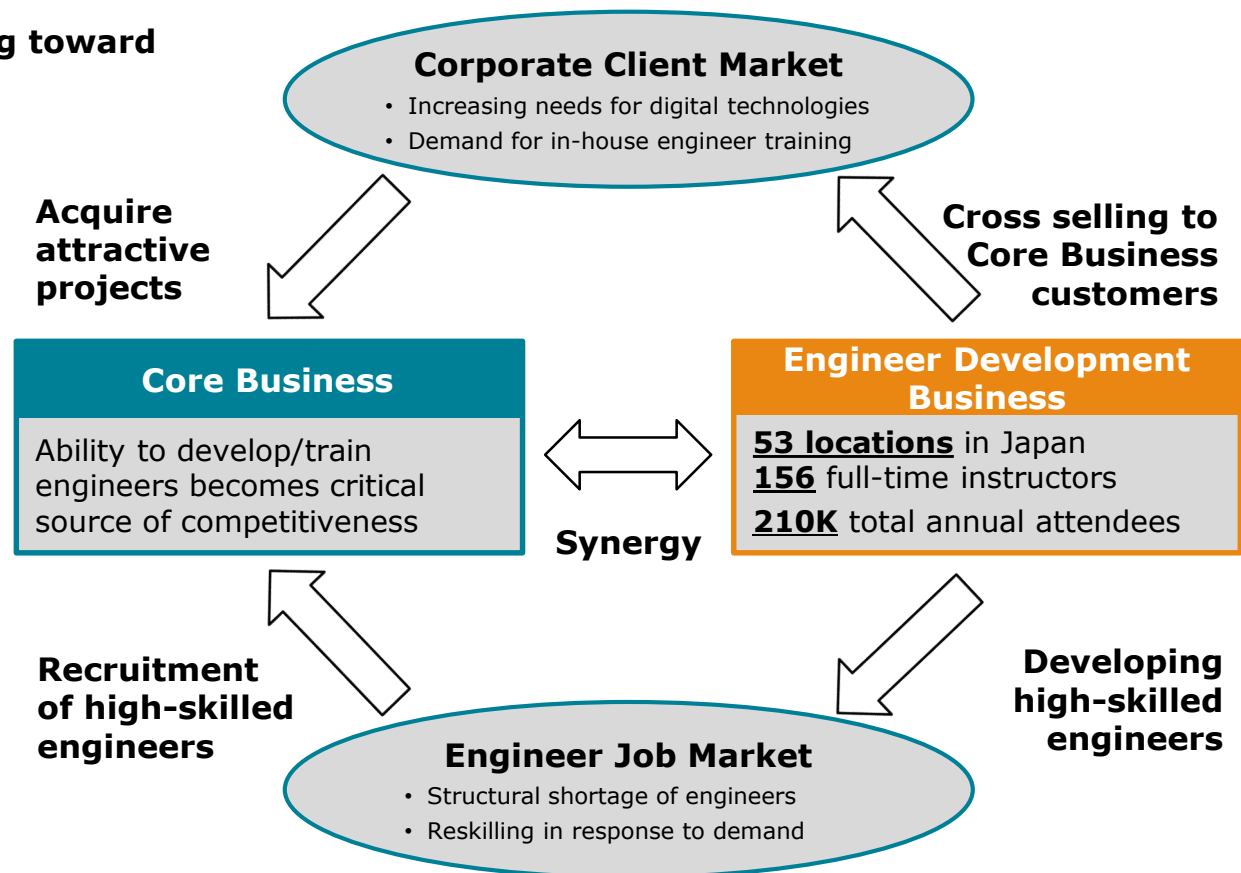
1. Knowledge of Japanese engineer job market
2. Knowledge of R&D/IT systems development demand in each industry
3. Knowledge of trends in technology innovation

Currently

Improve engineer training curriculum and contents

1. Investment in education/training for engineers to solve the current and future shortage of engineers
2. Recoup investment by increasing unit sales price and eliminating bench cost

Shifting toward



DX Promotion Business

- Establish a business model over the medium- to long-term period that utilizes the data knowledge acquired during the process of promoting DX in Core Business (creating a new profit center)
- Maximize life time value (LTV) of engineers, as well as improving operational efficiency, by storing and analyzing market price data regarding engineers and their skills, effects of education and training, and lifecycle data from hiring to retirement
- Selected as a "DX Certified Operator" on June 1, 2021 based on the national DX Certification Initiative implemented by the Ministry of Economy, Trade and Industry

Building Business with DX Know-Hows of Core Business

Promote DX in Core Business

Bring "Talent Management System" that has been developed to a higher level

Develop a new AI engine based on the hypothesis and verification testing regarding analysis and initiatives that were revealed as effective in workplace

Source of our unique value

Operation Efficiency ↑ Engineer LTV ↑

Price data, education and training effectiveness, life cycle data accumulated and analyzed in one place

Hiring

Training

Allocation

Turnover

...

TECHNOPRO

Data will grow exponentially

Build a new business model that leverages data knowledge for the medium- to long-term period

<Examples>

Engineer training
results data

x

Engineer training
consulting

Curriculum development for effective engineer training and reskilling, education and training content delivery

Engineer skill data

x

Engineer unit price data

Assessment of market value of engineers, support for value enhancement

Generate synergy with Engineer Training Business

M&A Policy

- As a mean of accelerating evolution of Core Business and transformation of business model as well as achieving sustainable growth, a total of **40 billion yen** of M&A investment budget is set for the five-year period of the medium-term plan, with the aim of acquiring digital technologies and solutions that are difficult to obtain organically

Basic Policy on M&A

M&A Target

Maintain consistency with detailed business strategies stated in the Medium-Term Management Plan

M&A Process

Early involvement by profit-responsible business units and PMI* personnel, ensuring transparency through M&A Playbook

Financial Discipline

Following disciplines firmly prevail, and any deviations will be thoroughly discussed by the Board

1. With an awareness of the cost of capital, acquisitions will be funded by free cash flow first, then debt
2. The acquisition amount per acquisition should not exceed 5% of our market cap
3. Improve M&A capability and validate the detailed strategy stated in the Medium-Term Management Plan through continuous and repetitive acquisitions (programmatic M&A)
4. Achieve at least 10% ROIC within 3 years from investment (intend to avoid overpriced acquisitions)
5. If ROIC is expected to fall below our cost of capital for three consecutive years, consider replacing the management or selling the target company ("Exit Criteria")
6. The total balance of goodwill shall not exceed the net asset

M&A Budget
5-year total
JPY 40 Bn

Governance

Strengthen controls to create expected synergy, integration of administrative function to pursue scale economies, and regular monitoring of acquisition rationale at the time of investment and its progress

Reference: M&A/Alliance Target

	Center	Complemental (Bolt-On)
Japan	IT systems firm (SIer) <ul style="list-style-type: none"> - Proposal/consulting ability - System concept making ability - Wide digital technologies coverage 	<div>Alternative of recruiting (technology fields difficult to hire)</div> <div>Acquire specific technologies & solutions</div> <div>Acquire training capabilities</div> <div> <div>Technical contents</div> <div>Technical OJT</div> </div>
	Data analysis <ul style="list-style-type: none"> - AI/ML - Data science 	<div>IT platforms/AI engines</div>
Overseas	Offshore hub (+US/Euro customers) <ul style="list-style-type: none"> - Offshore staffing - Solution delivery - Wide digital technologies coverage 	<div>Acquire recruiting capabilities</div> <div>JP language education + dispatch</div> <div>Acquire specific technologies & solutions</div> <div>Acquire specific customer segment</div>

Business Domains



: **Core Business**



Evolve



: **Solution Business**



: **Engineer Training Business**

(+promote fostering ability in Core Business)



: **DX Promotion Business**

(data business)

Control



: **100% acquisition**

(as early as possible even in phased acquisition)



: **Alliance/partnership**

(or minority investing)

Reference: Recent M&A Overview

	Center	Complemental (Bolt-On)
Japan	IT systems firm (SIer) - Proposal/consulting ability - System concept making ability - Wide digital technologies coverage	Alternative of recruiting (technology fields difficult to hire) Acquire specific technologies & solutions Acquire training capabilities Technical contents Technical OJT
	Data analysis - AI/ML - Data science	IT platforms/AI engines
Overseas	Offshore hub (+Euro/US customers) - Offshore staffing - Solution delivery - Wide digital technologies coverage	Acquire recruiting capabilities JP language education + dispatch Acquire specific technologies & solutions Acquire specific customer segment

GCOMNET CO., LTD.

(announced June 30, 2021)

Rationale Bolt-on type M&A in Japan to acquire technologies and solutions of **SAP**

Strength Boast accumulated **know-hows in the upstream process** of SAP/ERP implementation, training of SAP consultants/engineers

Earnings Sales: JPY340M, Adjusted EBITDA: JPY120M, **Profit Margin: 35%**

TECHNOPRO

Robosoft Technologies Pvt. Ltd. (announced August 10, 2021)

Rationale To acquire a core **offshore hub in India** in order to expand offshore staffing and solution delivery services for US/Euro/Japanese companies

Expects to serve as a centric base to accommodate forthcoming bolt-on type M&As to obtain specific technologies, solutions and customer segments

Strength Has strength in delivering high quality digital experiences as its digital technology, mainly in the area of **UI/UX and design** of mobile apps and web

Provides **digital solutions** such as advanced system development, business efficiency improvement, IoT, AI and data analysis to customers in media/entertainment, BFSI, retail/EC, etc.

Earnings Sales: JPY2.8Bn, EBITDA: JPY1.1Bn, **Profit Margin: 40%**

<Solutions>

Development efficiency	Production efficiency	AI/Data analysis	IoT/System development
Cloud/Network	Materials Informatics	Bioinformatics	i-Construction
ERP	Security	Local authority business consulting	Operational efficiency
BPO	IoT platform	Surveying/Measuring	Automotive transformation

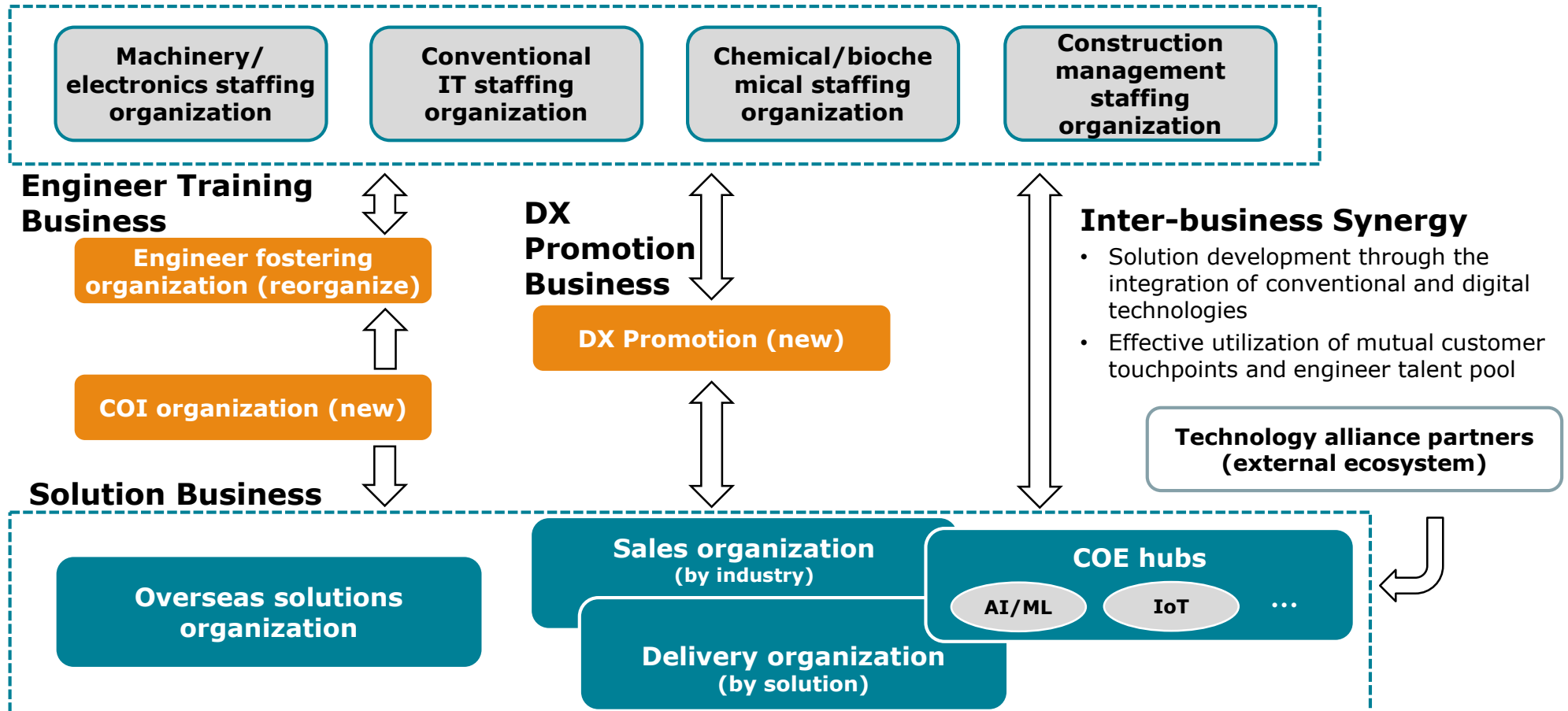
<Digital Technologies>

AI/Machine learning	Data science	Sensor fusion	Edge computing
Cloud services	Cybersecurity	Blockchain	5G/6G network
FPGA (HDL design)	Sensor sensing	Semiconductor design	Mechanical design
Analysis (CAE)	Advanced manufacturing technology	Microcomputer embedded control software	ERP
UI/UX	BIM	CIM	RPA

Organization Structure

- Establish new organizations and carry out reorganization within the mid-term plan period in order to strongly promote the evolution of Core Business
- Consider separating Solution Business once needed, requiring different organizational elements from Core Business, without damaging the strength of Core Business

Core Business



Reference: Roadmap

Solid Foundation for Core Business Evolution – FY23.6

Accelerated Growth FY24.6 – FY26.6

Core Business

- Continue to shift toward IT/digital fields organically and inorganically
- Enhance recruiting of engineers requiring training or high-skilled foreigners
- Promote reskilling of existing engineers
- Further contribution from placement business to Core Business
- Penetrate into new customer segments, e.g. EC/BFSI/public
- Promote use of freelancers or gig workers

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 talent: Pre-Sales/Architect/PM

▲ Reorganize/enhance solution organization

- Integration of conventional and digital technologies
- M&As to acquire insufficient technologies and customer segments
- 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 business 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 knowledge and initiatives in Core Business
- Integrate into IT main system

▲ Making into profit center

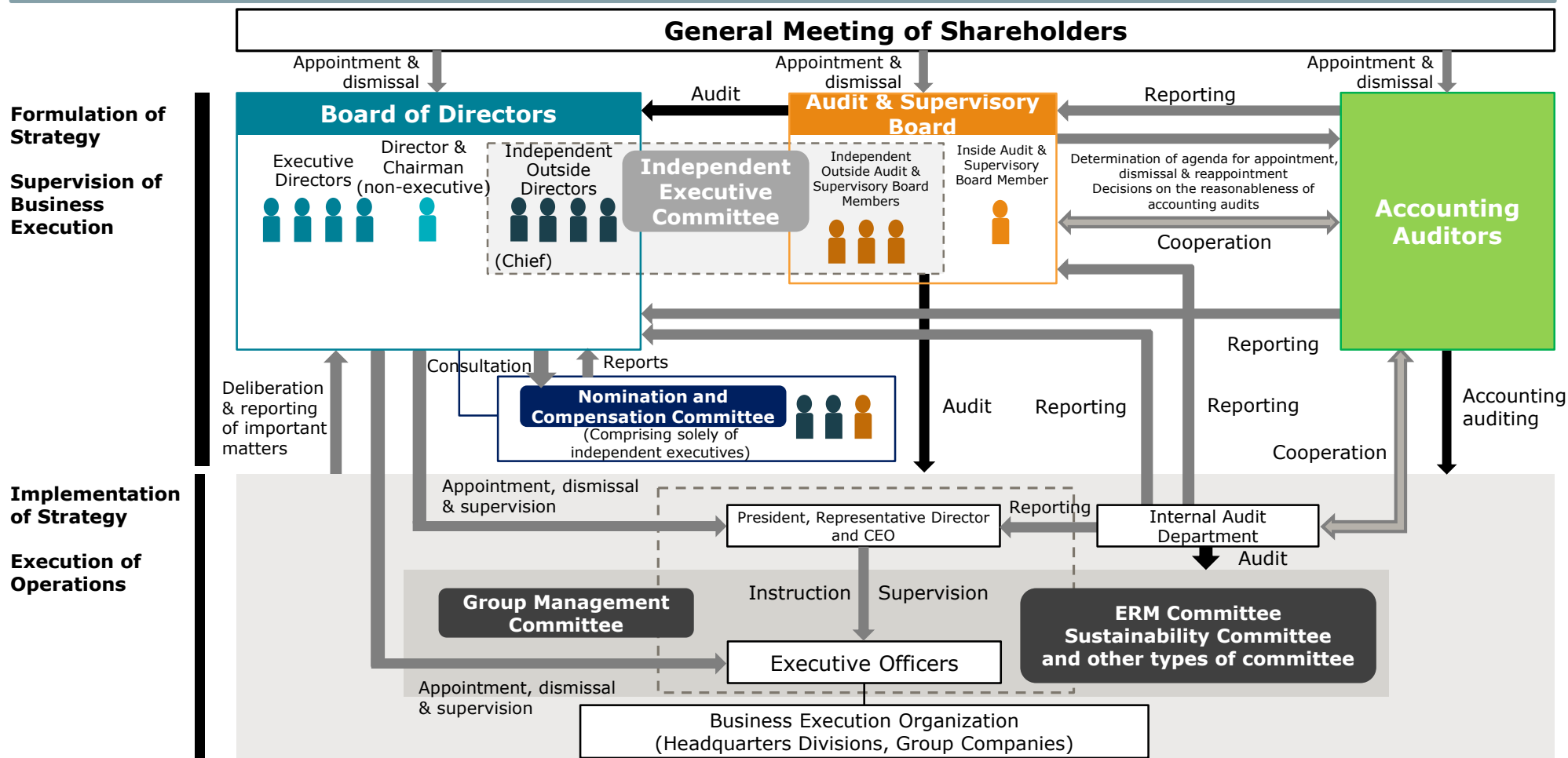
- Develop new AI engine and improve continuously
- Establish business model, sell to outside customers

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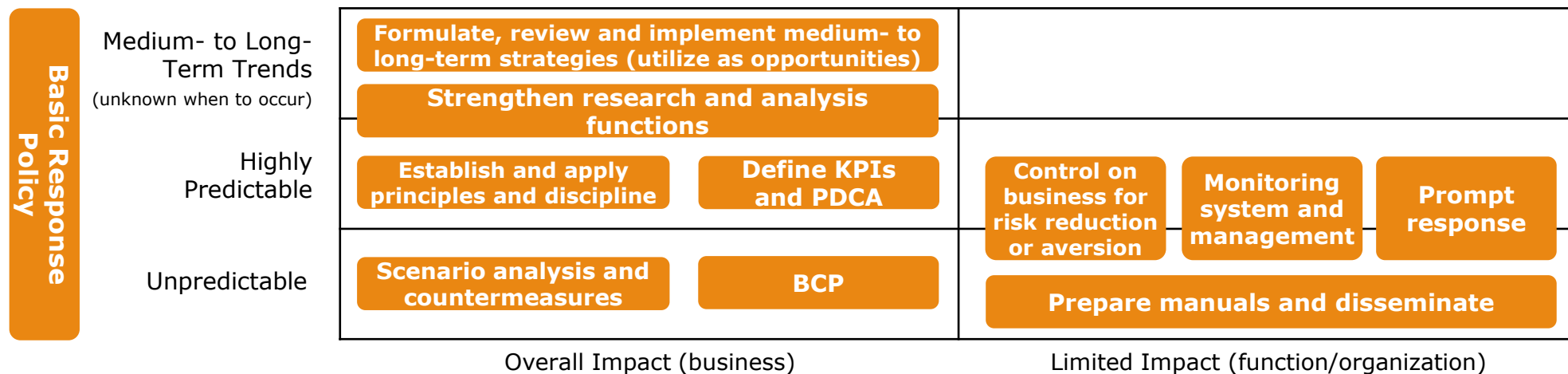
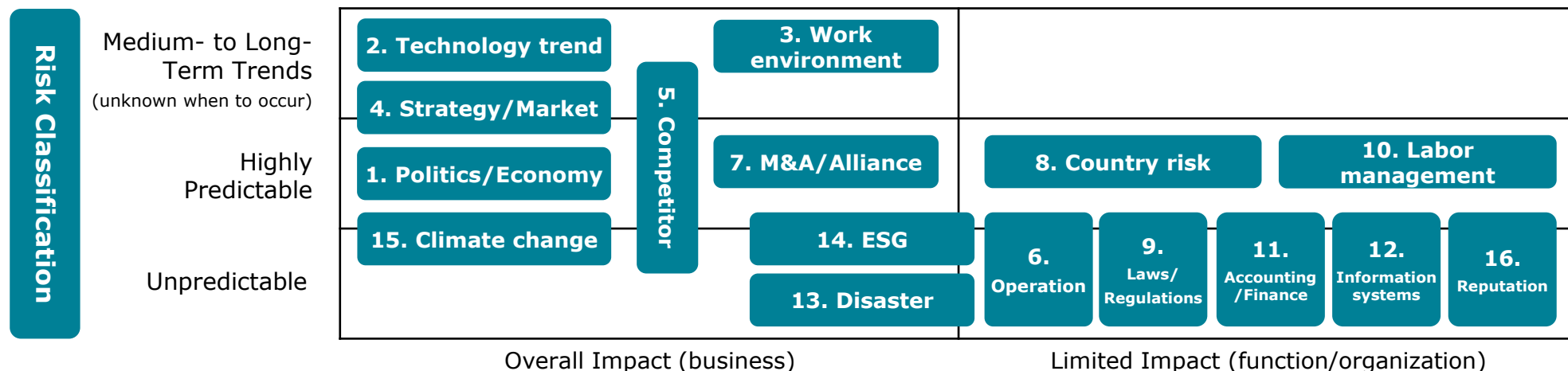
Governance Structure

- Upon the launch of the Medium-Term Management Plan, completed CEO succession in accordance with the predetermined criteria for CEO appointment with deliberation on the report from the Nomination and Compensation Committee
- Plan to appoint one new outside director who has expertise in IT field and management experience in other companies in light of the business strategy of the Plan (at the Annual General Meeting of Shareholders to be held September 2021)



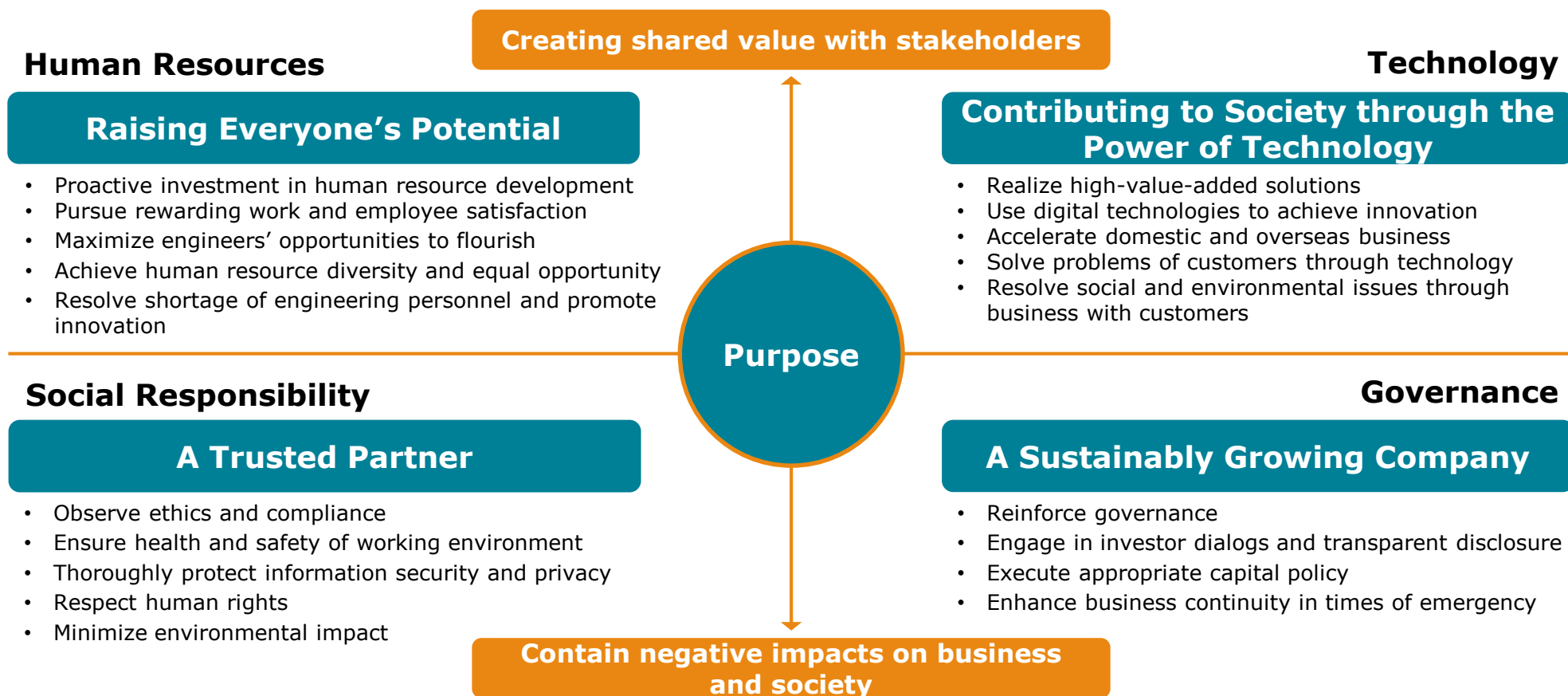
Enterprise Risk Management (ERM)

- Identify risk events that may affect the Group, classify each of them based on its predictability and impact
- Formulate a basic response policy (ERM plan) and continuously being monitored by the ERM Committee, based on the Group's appetite for growth and risk tolerance



ESG/SDGs & Materiality

- We strive to create shared value with all stakeholders including engineers, customers and society by utilizing our assets, which are engineers, technological capabilities and business model, as well as aim to achieve sustainable business growth and solve social and environmental issues by developing and operating a solid management foundation

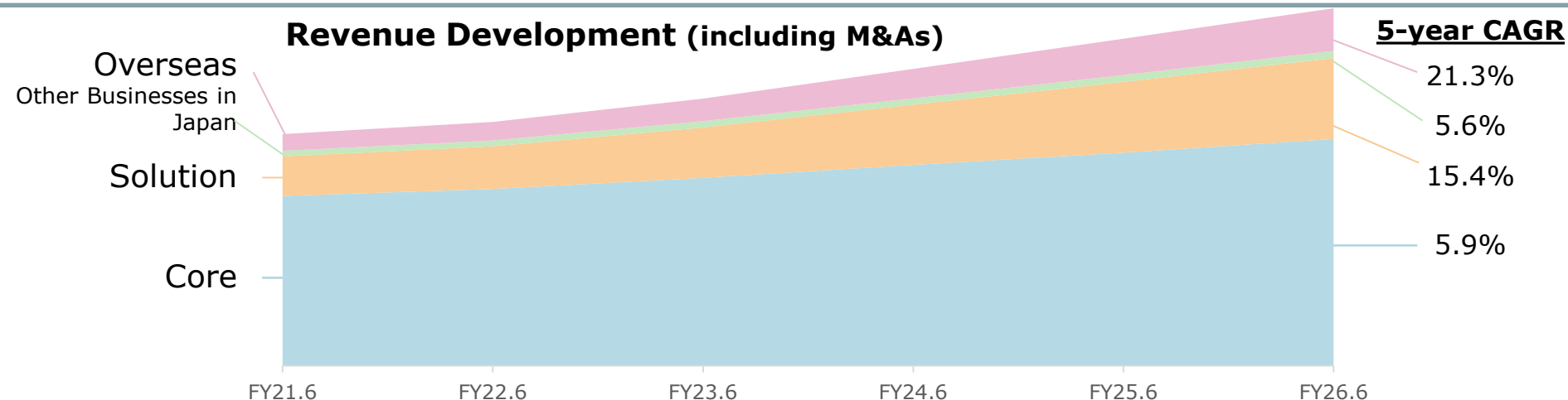


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Medium-Term Management Plan Financial Target

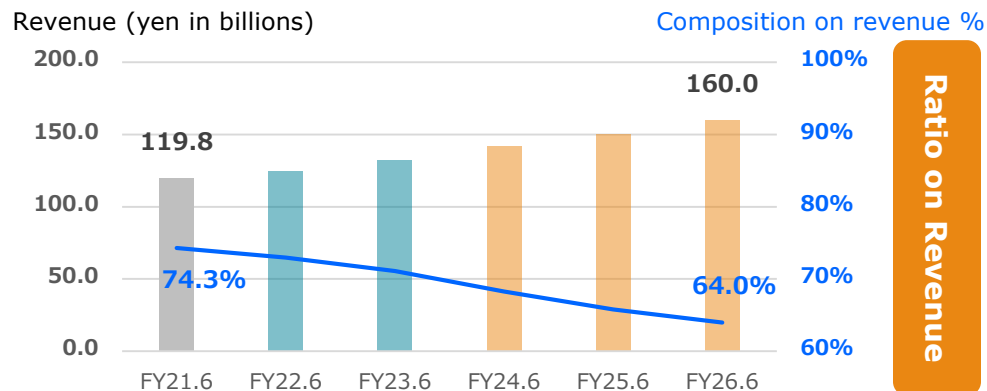
- For the first two years, expecting revenue growth rate of 7.4% since the number of engineers at the beginning of FY22.6 fell short from the previous year and the Solution Business is still in the early stage of growth
- Operating profit margin is projected to be below 10% in FY23.6 due to upfront investments for 1) acquiring key talents and strategic implementation of education and training needed for the growth of Solution Business, and 2) building the foundation for Engineer Training and DX Promotion Businesses, however, investment will be recouped in the latter three years, assuming to achieve accelerated growth in both revenue and profit



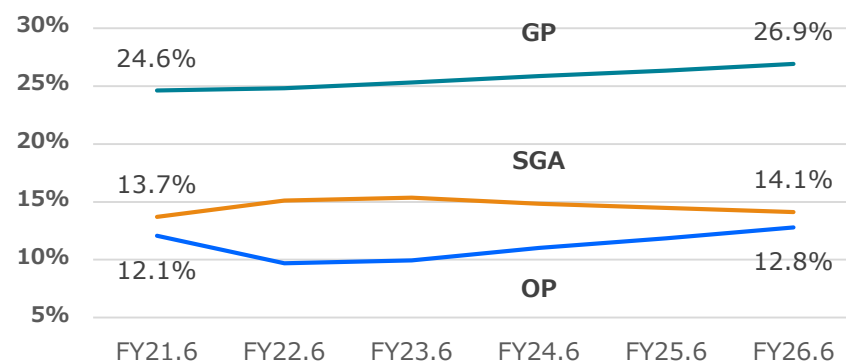
(yen in billions)	FY21.6	FY22.6	FY23.6	2-year CAGR	FY26.6	5-year CAGR
Revenue	161.3	170.0	186.0	7.4%	250.0	9.2%
OP (Core OP)	19.4 (17.6)	16.5	18.5		32.0	10.5%
Net Profit	13.2	11.3	12.7		22.0	10.7%
ROE	25.1%	19.0%	19.4%		20%+	

Reference: Revenue/KPI Breakdown

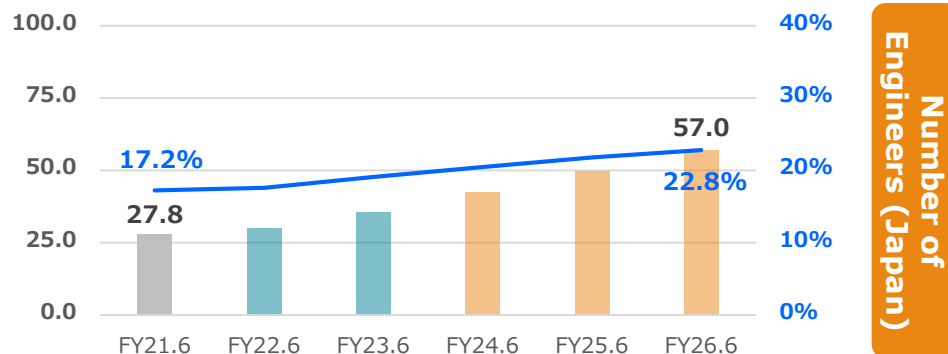
Core Business Revenue



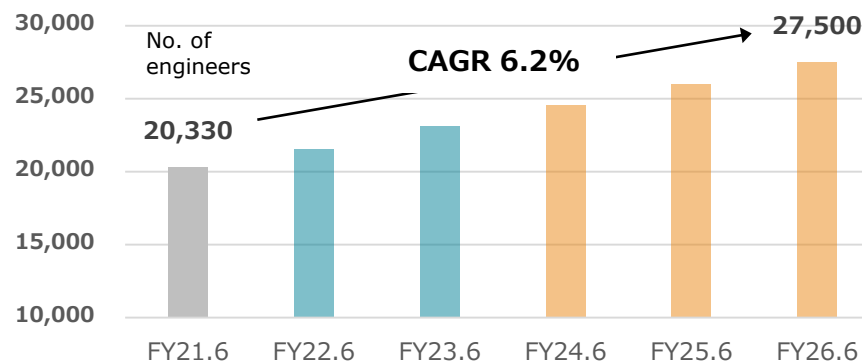
Ratio on Revenue



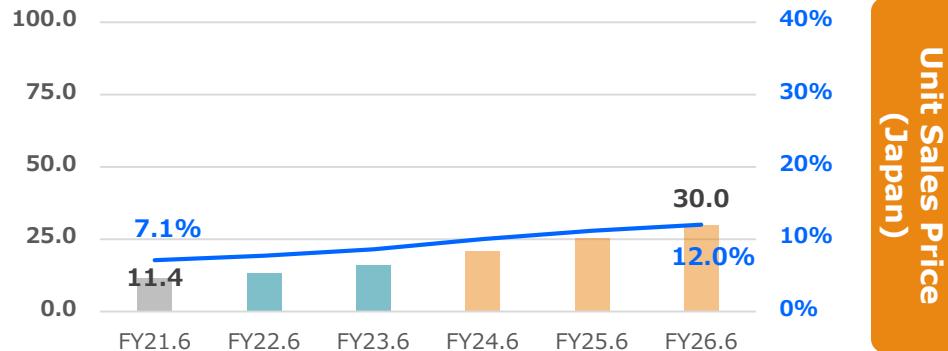
Solution Business Revenue



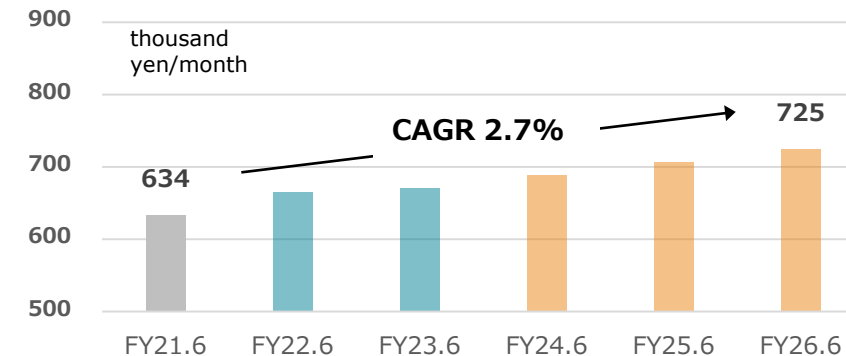
Number of Engineers (Japan)



Overseas Business Revenue



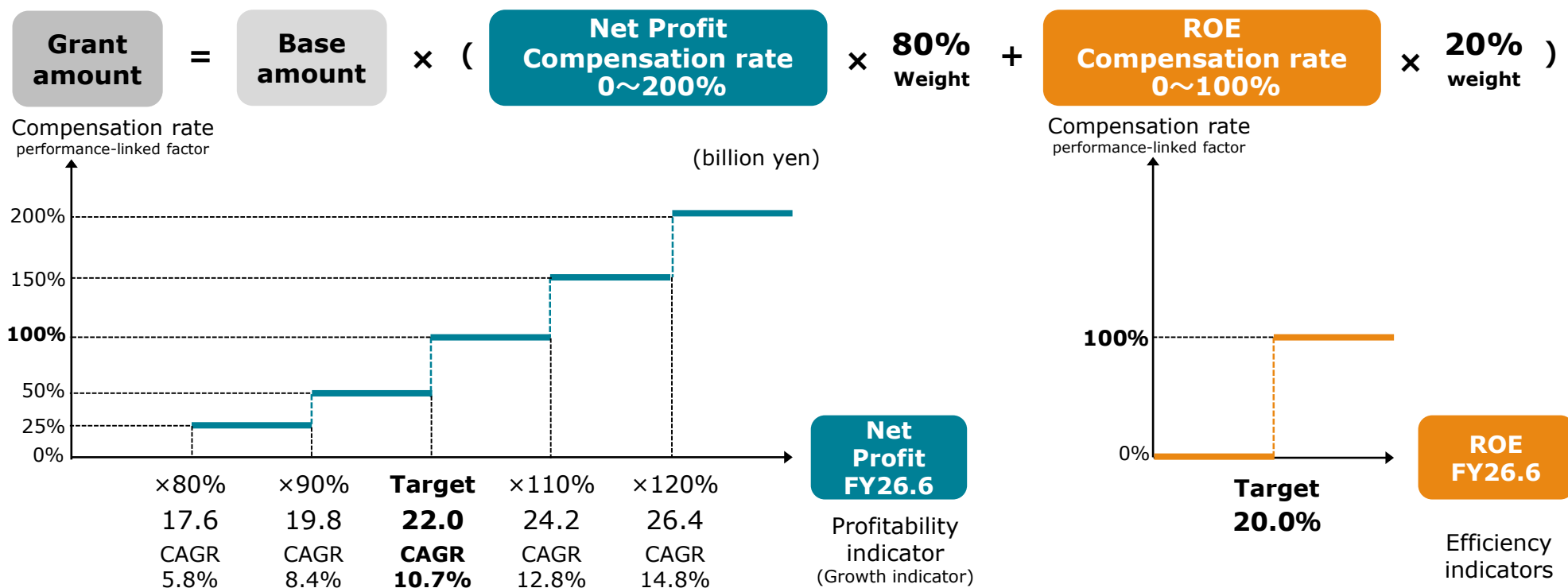
Unit Sales Price (Japan)



Medium-Term Performance Linked Share Compensation

- Introduced a performance-linked share compensation (post-vesting performance share units) in which the linkage between the compensation of the Group's executive directors, executive officers and other core employees and the value of the Company's stock price is further clarified, in order to provide incentives for the achievement of the earnings target stated in the Medium-Term Management Plan, as well as ally the shared value with shareholders
- Grant Company shares equivalent to the amount of compensation determined based on the achievement level against the net profit/ROE targets for the final year of the Plan (FY26.6)
- In case of achieving 100% of the target of the Plan, the compensation for CEO will comprise of basic salary of 47.4%, annual performance-linked bonus of 26.3%, and medium-term performance-linked share compensation of 26.3%

Calculation Method and Incentive Curve

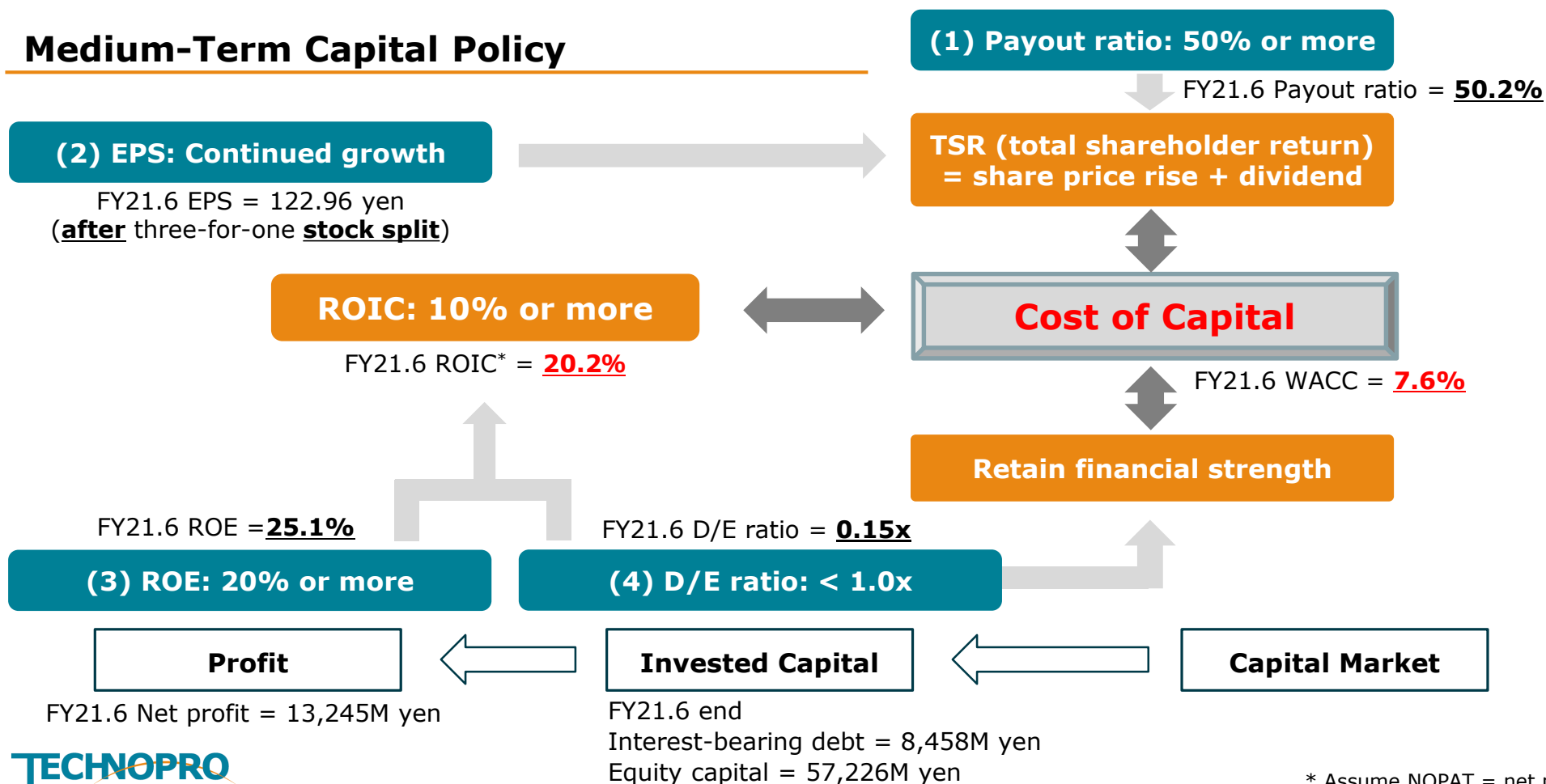


* For details, refer to the "Announcement of the Adoption of Performance-Based Restricted Stock Compensation Plan" announced August 10, 2021

Capital Policy & Shareholder Return

- 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 returning 50% cash dividend to shareholders will be spent for growth investment such as M&A; 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



Disclaimer

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