



TechnoPro Group Financial Results for the 3rd Quarter of FYE June 2020

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

April 28, 2020



Contents

	Page
I : FY2020 Q3 Financial Overview	2
II : KPI Analysis	7
i : Number of Engineers	7
ii : Unit Sales price	11
III : COVID-19: Impact & Outlook	12
IV : Dividend History & Forecast	15
V : Appendix	16
VI : Data References	19

FY2020 Q3 Financial Overview

- Year-to-date Q3 FY20.6 revenue increased 12.94 billion yen year-on-year (up 12.2%) to **119.4 billion yen**; operating profit increased 1.93 billion yen year-on-year (up 17.4%) to **13.07 billion yen**; net profit increased 1.63 billion yen year-on-year (up 22.3%) to **8.97 billion yen**
- Progress against full year guidance for operating profit surpassed estimation as of Q3 FY20.6, driven by **immediate effects from reduction in SG&A spending** implemented to prepare for negative impacts of COVID-19 outbreak
- Reaffirms current guidance** although expecting slowdown in earnings due to revenue loss and lowering of utilization ratio for Q4 FY20.6 (Q4 average utilization ratio assumption: **90%**)
- Recorded **taxes and dues** (SG&A) of 274 million yen for year-to-date Q3 FY20.6, which was accrued from size-based taxation applied to the subsidiary TechnoPro, Inc. (this item was not posted in the prior-year period)
- Foreign exchange gains** (other income) related to foreign currency denominated put options liabilities were 178 million yen for Q3 and 116 million yen for the nine months period respectively

(yen in millions, except per share amounts)

	Q3				Nine Months Ended					Full Year		
	FY19.6 (Results)	FY20.6 (Results)	YOY		FY19.6 (Results)	FY20.6 (Results)	Progress	YOY		FY19.6 (Results)	FY20.6 (Guidance)	YOY
Revenue	36,430	40,453	+4,023	+11.0%	106,544	119,491	74.7%	+12,946	+12.2%	144,176	160,000	+11.0%
Gross profit (GP)	9,337	10,846	+1,508	+16.2%	26,816	30,952	—	+4,136	+15.4%	36,466	—	—
<i>GP margin</i>	25.6%	26.8%			25.2%	25.9%				25.3%		
SG&A expenses	5,528	6,109	+580	+10.5%	15,787	18,104	—	+2,316	+14.7%	22,767	—	—
<i>Ratio on revenue</i>	15.2%	15.1%			14.8%	15.2%				15.8%		
Other income	35	254	+218	—	132	393	—	+260	—	1,816	—	—
Other expenses	99	142	+42	—	29	171	—	+141	—	1,775	—	—
Operating profit (OP)	3,745	4,848	+1,103	+29.5%	11,131	13,070	85.4%	+1,938	+17.4%	13,739	15,300	+11.4%
<i>OP margin</i>	10.3%	12.0%			10.4%	10.9%				9.5%	9.6%	
Profit before income taxes	3,757	4,897	+1,139	+30.3%	11,085	13,088	86.7%	+2,003	+18.1%	13,727	15,100	+10.0%
Net profit*	2,487	3,325	+838	+33.7%	7,341	8,979	88.9%	+1,638	+22.3%	9,683	10,100	+4.3%
<i>Net profit margin</i>	6.8%	8.2%			6.9%	7.5%				6.7%	6.3%	
Earnings per share	68.51	92.09	+23.58	+34.4%	202.35	248.42	89.3%	+46.07	+22.8%	266.86	278.21	+4.3%
Dividend per share (plan)	—	—	—	—	50.00	50.00	35.7%	+0.00	0.0%	134.00	140.00	+4.5%

FY2020 Q3 Segment Results (Year-to-date)

- Companies included in each segment are described on next page
- Engineers on payroll: in Japan **20,234** (non-Japanese: **1,148**) / overseas **1,569** / group total **21,803**

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY18.6 Q3	FY19.6 Q3	FY20.6 Q3	YOY	FY18.6 Q3	FY19.6 Q3	FY20.6 Q3	YOY	FY18.6 Q3	FY19.6 Q3	FY20.6 Q3	YOY	FY18.6 Q3	FY19.6 Q3	FY20.6 Q3	YOY
Revenue	71,365	84,403	94,758	+12.3%	10,803	13,131	14,922	+13.6%	1,959	2,245	3,112	+38.6%	84,128	99,780	112,793	+13.0%
<i>Ratio to consolidated revenue</i>	84.6%	79.2%	79.3%		12.8%	12.3%	12.5%		2.3%	2.1%	2.6%		99.7%	93.7%	94.4%	
Operating profit	7,104	8,605	10,221	+18.8%	1,250	1,576	1,884	+19.5%	179	212	306	+44.4%	8,534	10,395	12,412	+19.4%
<i>OP margin</i>	10.0%	10.2%	10.8%		11.6%	12.0%	12.6%		9.2%	9.5%	9.9%		10.1%	10.4%	11.0%	
OP before PPA* asset amortization	7,141	8,666	10,281	+18.6%	1,250	1,576	1,884	+19.5%	179	212	306	+44.4%	8,570	10,455	12,472	+19.3%
<i>OP margin before PPA* asset amortization</i>	10.0%	10.3%	10.9%		11.6%	12.0%	12.6%		9.2%	9.5%	9.9%		10.2%	10.5%	11.1%	
No. of engineers (quarter-end)	13,515	15,697	17,520	+11.6%	1,978	2,363	2,714	+14.9%	—	—	—	—	15,493	18,060	20,234	+12.0%
Non-Japanese in Japan	672	863	1,065	+23.4%	28	59	83	+40.7%	—	—	—	—	700	922	1,148	+24.5%

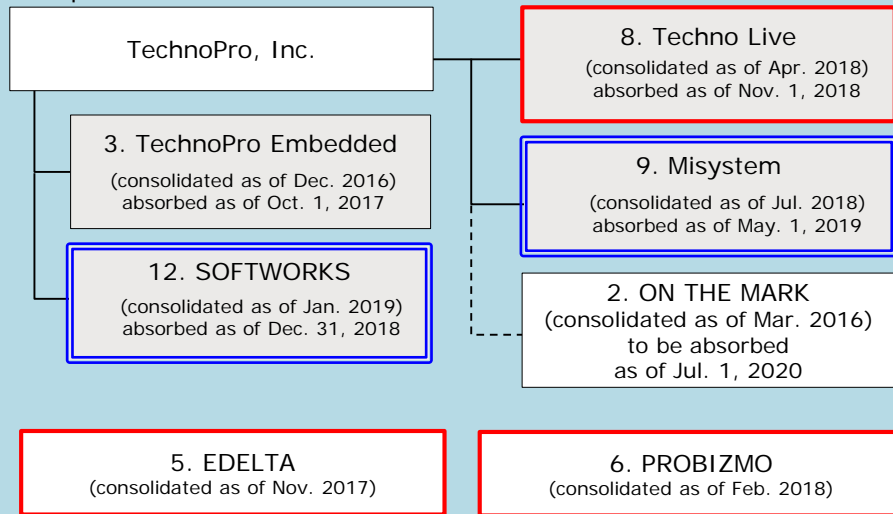
	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY18.6 Q3	FY19.6 Q3	FY20.6 Q3	YOY	FY18.6 Q3	FY19.6 Q3	FY20.6 Q3	YOY	FY18.6 Q3	FY19.6 Q3	FY20.6 Q3	YOY	FY18.6 Q3	FY19.6 Q3	FY20.6 Q3	YOY
Revenue	846	7,619	7,853	+3.1%	84,974	107,400	120,646	+12.3%	(630)	(855)	(1,155)	—	84,344	106,544	119,491	+12.2%
<i>Ratio to consolidated revenue</i>	1.0%	7.2%	6.6%		100.7%	100.8%	101.0%		(0.7%)	(0.8%)	(1.0%)		100.0%	100.0%	100.0%	
Operating profit	87	684	563	(17.7%)	8,621	11,079	12,976	+17.1%	25	52	94	—	8,647	11,131	13,070	+17.4%
<i>OP margin</i>	10.3%	9.0%	7.2%		10.1%	10.3%	10.8%		—	—	—		10.3%	10.4%	10.9%	
OP before PPA* asset amortization	87	867	716	(17.3%)	8,658	11,322	13,189	+16.5%	25	52	94	—	8,684	11,374	13,284	+16.8%
<i>OP margin before PPA* asset amortization</i>	10.3%	11.4%	9.1%		10.2%	10.5%	10.9%		—	—	—		10.3%	10.7%	11.1%	
No. of engineers (quarter-end)	302	1,649	1,569	(4.9%)	15,795	19,709	21,803	+10.6%	—	—	—	—	15,795	19,709	21,803	+10.6%

TECHNOPRO * PPA (Purchase Price Allocation): An accounting operation allocating the purchase price to the assets and liabilities of the acquired company at fair value in the acquirer's consolidated balance sheet; PPA assets mentioned above are all customer-related assets (intangible assets)

[Reference] Reportable Segments (as of Q3 FY20.6 End)

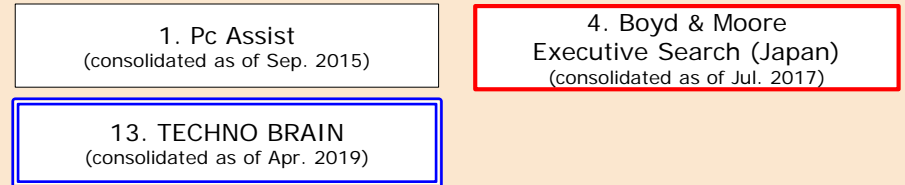
R&D Outsourcing

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



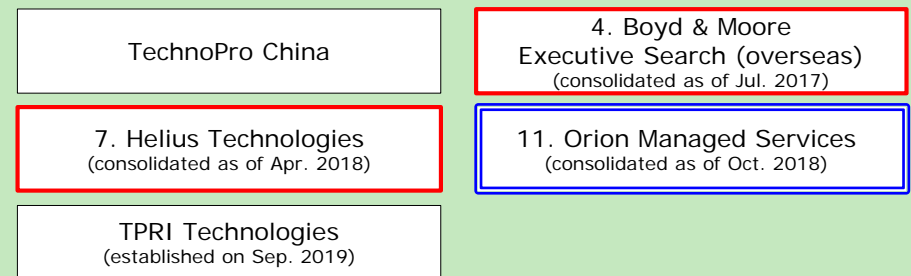
Other Businesses in Japan

Provides permanent placement, technical education and training services



Overseas

Technological outsourcing and professional recruitment services in China; IT engineer staffing service and managed services in Southeast Asia and India; engineer staffing and permanent placement services in the UK



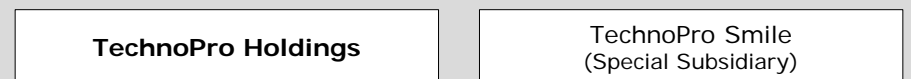
Construction Management Outsourcing

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



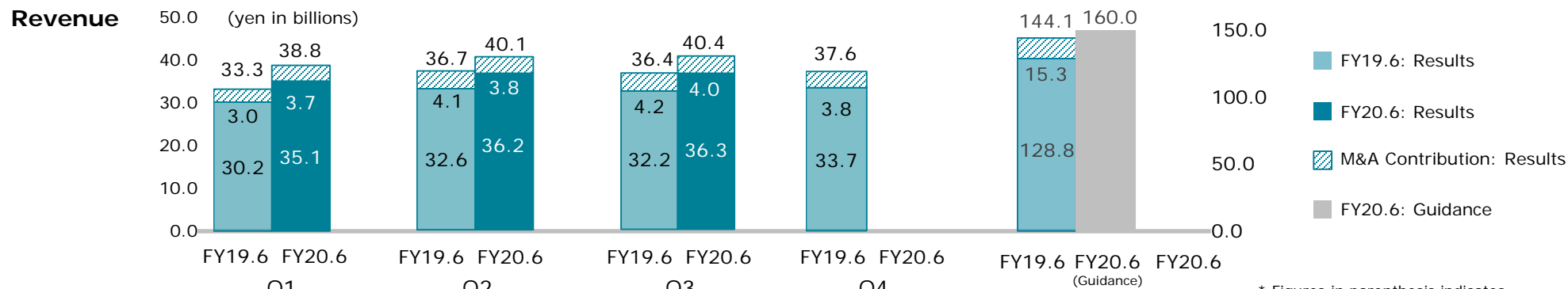
* Initial numbers on company names indicate the order of M&A

* During current medium-term management plan (FY18.6 -), red frame indicates acquisitions in FY18.6, blue double line frame indicates acquisitions in FY19.6

* In Overseas, holding 51.0% of Helius shares and 63.2% of Orion shares

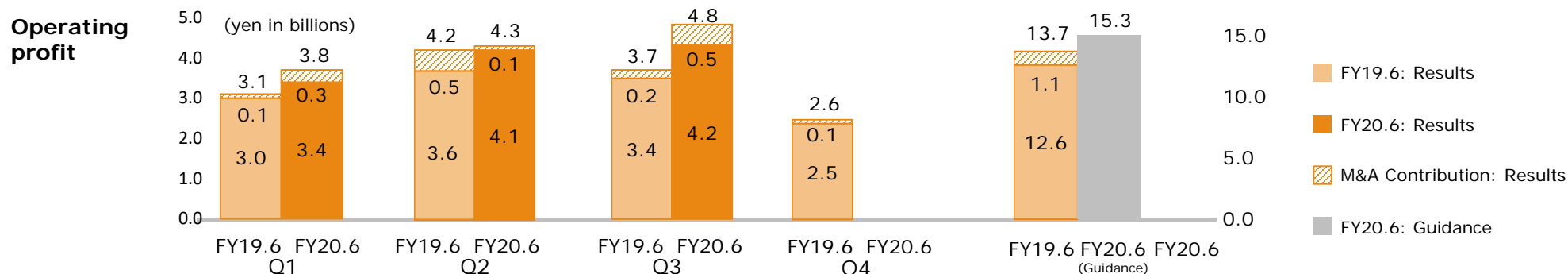
Quarterly Performance

- Solid organic growth excluding effect from M&As during the current medium-term management plan period (year-on-year): **up 13.0%** in revenue, **up 23.8%** in operating profit for Q3 FY20.6
- Operating profit for M&A in Q3 period was affected by foreign exchange gains pertaining to put option liabilities for overseas subsidiaries



* Figures in parenthesis indicates forecast at the time of publication

	Q1		Q2		Q3		Q4		Full Year		
Composition %	23.1%	24.3%	25.5%	25.1%	25.3%	25.3%	26.1%				
Working days*	56.4	56.5	59.5	58.1	55.2	55.8	56.7	(57.1)	227.8	(227.5)	
YOY	+16.7%		+9.1%		+11.0%				+11.0%		



	Q1		Q2		Q3		Q4		Full Year		
Composition %	23.2%	25.4%	30.6%	28.3%	27.3%	31.7%	19.0%				
OP margin	9.5%	10.0%	11.4%	10.8%	10.3%	12.0%	6.9%		9.5%	9.6%	
YOY	+22.0%		+3.2%		+29.5%				+11.4%		

* M&A related amounts recognized under IFRS such as PPA amortization, foreign exchange gain/loss relating to put option liabilities and changes in fair value amount are included in M&A contributions; (Calculated with this basis, Operating profit in M&A contributions FY19.6 above [1.1 billion yen] differs from figures described in FY2019 Full Year Financial Results Slide Presentation [1.4 billion yen])

FY2020 Q3 Balance Sheet & Cash Flows

- Holds cash and cash equivalents of **18.9 billion yen**, amount equivalent to revenue for 1.4 months; in order to prepare for unexpected cash demands, currently negotiating with banks for term extension and credit limit increase with existing line of credit of **6.0 billion yen**, which is due to expire on June 2020, for the use of working capital
- Approx. 1.0 billion yen spent for the share repurchase carried out in March 2020 was fully funded through bank borrowing

Q3 FY20.6 End B/S (yen in billions)

Cash & cash equivalents 18.9	Debt 8.6
IFRS 16 related assets 10.5	IFRS 16 related liabilities 10.5
Goodwill 37.0	Other liabilities 35.4
Intangible assets (PPA) 1.9	PO/EO liabilities 3.4
Other assets 37.0	Total equity 47.4

Total assets 105.3

Total liabilities & equity 105.3

Net worth ratio*: **45.0%**

D/E Ratio* : **0.18x**

D/OP Ratio** : **0.57x**

* Total assets includes non-controlling interests

** Calculated using operating profit guidance for FY20.6

YTD Q3 FY20.6 Cash Flows (yen in millions)

• Operating CF	11,000
Corporate income tax payment	(5,309)
• Investing CF	(935)
• Financing CF	(12,255)
IFRS 16 related lease liability payments***	(4,678)
Share repurchase	(2,061)
Year-end dividend payments	(4,911)
Net CF	(2,272)

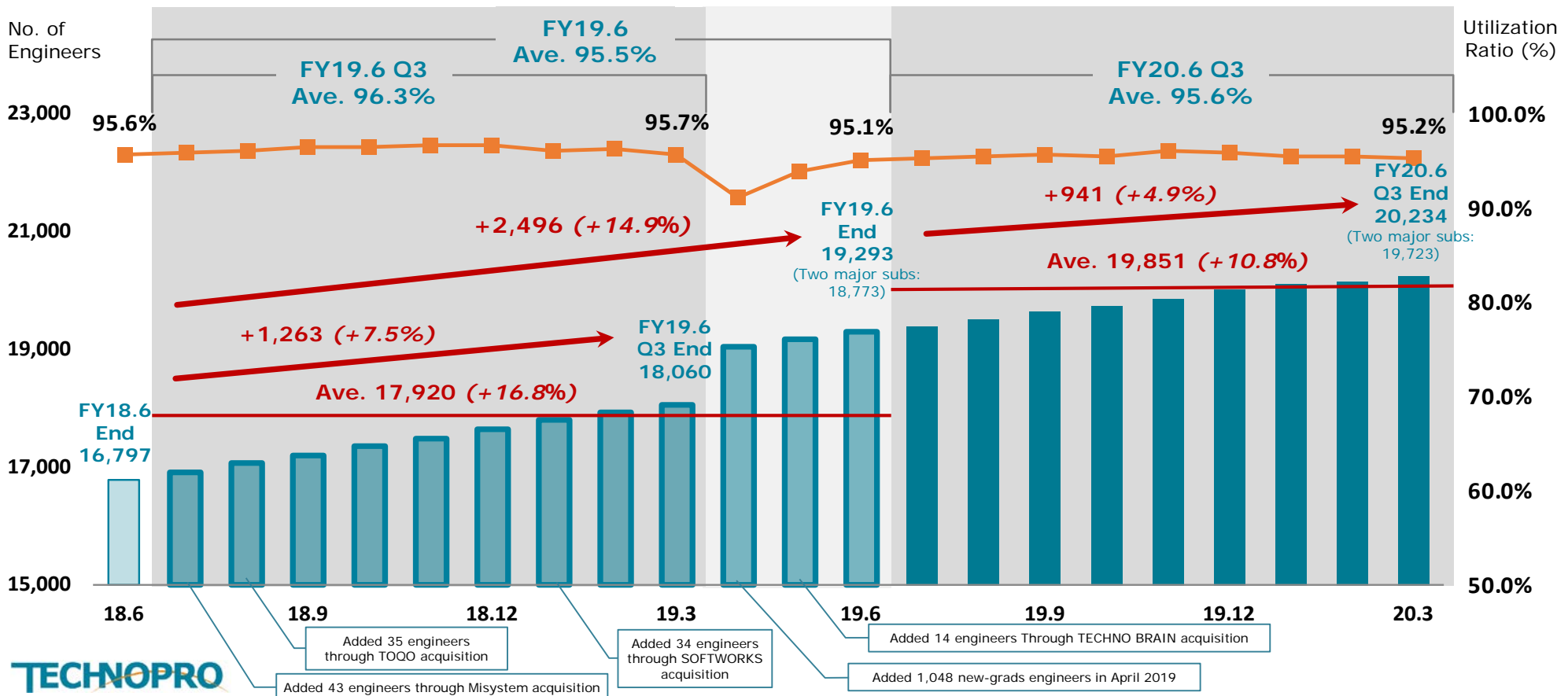
*** Reclassified to Financing CF, previously recognized in Operating CF as lease payment

Q3 FY20.6 End Commitment Lines (yen in millions)

Purpose	Credit line	Used	Unused	Expiration
1 Working capital	6,000		6,000	Jun. 2020
2 M&A	10,000		10,000	Jun. 2020
3 Working capital	2,000	1,000	1,000	Dec. 2020
Total	18,000	1,000	17,000	

Number of Engineers & Utilization Ratio [Japan]

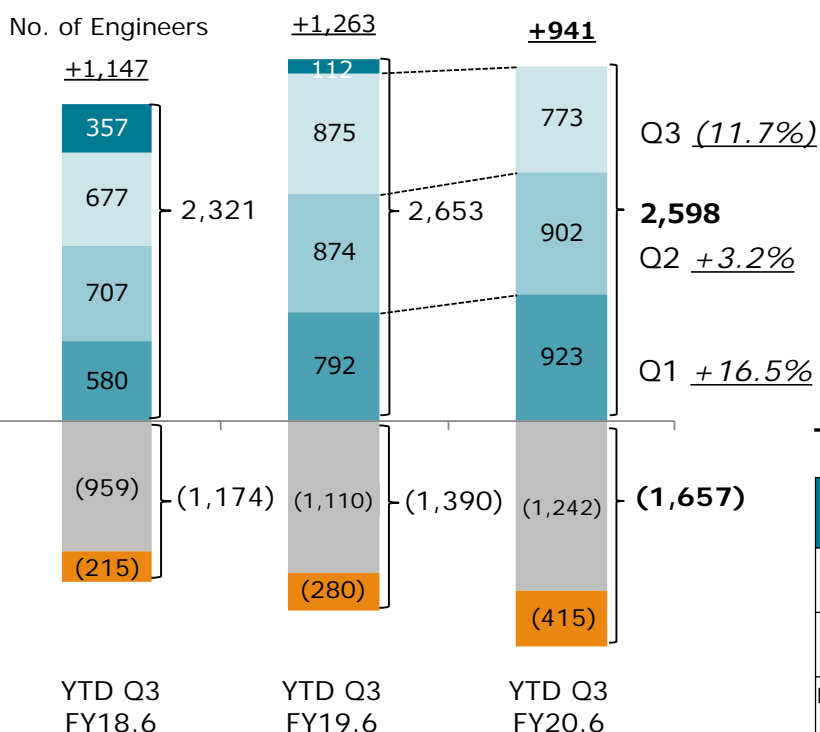
- Engineers on payroll in Japan at the end of Q3 FY20.6 totaled **20,234** (up 941 from the end of FY19.6), including **1,148** non-Japanese engineers (up 163 from the end of FY19.6)
- Employs **19,723** (up 950 from the end of FY19.6) at two major subsidiaries in Japan (TechnoPro, Inc. and TechnoPro Construction, Inc.)
- Average utilization ratio was **95.6%** for year-to-date Q3 FY20.6 (down 0.7 pts year-on-year), and **95.2%** (down 0.5 pts year-on-year) at the end of Q3 FY20.6
- Expects utilization ratio to fall below 90% at the end of April 2020 (April 2019: 91.1%) and slightly exceed 90% at the end of June 2020 (June 2019: 95.1%)



Recruitment/Turnover [Japan]

- Hired **2,598** engineers (down 55 or 2.1% year-on-year) in year-to-date Q3 FY20.6; decelerate hiring in Q3 (down 11.7%)
- **1,657** engineers left in year-to-date Q3 FY20.6, of which permanent employees were **1,242** (up 132 or 11.9% year-on-year)
- Turnover rate for permanent employees* in year-to-date Q3 FY20.6 was **8.3%** (down 0.2 pts year-on-year); 8.6% in Q3 FY20.6 (down 2.0 pts)
- Year-to-date net engineer increase from the end of FY19.6: **941** (down 322 or 25.5% year-on-year)
- **1,364** new-grads engineers joined in April 2020 (up 316 or 30.2%)

Net Increase for YTD Q3



(Difference / % YOY)

Hired Total	2,598	(-55 / -2.1%)
Added through M&A	0	
Turnover (permanent employees)	1,242	(+132 / +11.9%)
Contract terms matured, others	415	(+135 / +48.2%)

Turnover Rate for Permanent Employees*

	FY18.6				FY19.6				FY20.6		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Quarter	9.0%	7.0%	9.4%	7.6%	8.0%	6.7%	10.6%	8.0%	8.6%	7.8%	8.6%
Year-to-date	—	7.9%	8.5%	8.1%	—	7.3%	8.5%	8.3%	—	8.2%	8.3%
Last Twelve Months	8.0%	8.1%	8.2%	8.1%	8.0%	7.9%	8.2%	8.3%	8.5%	8.7%	8.3%

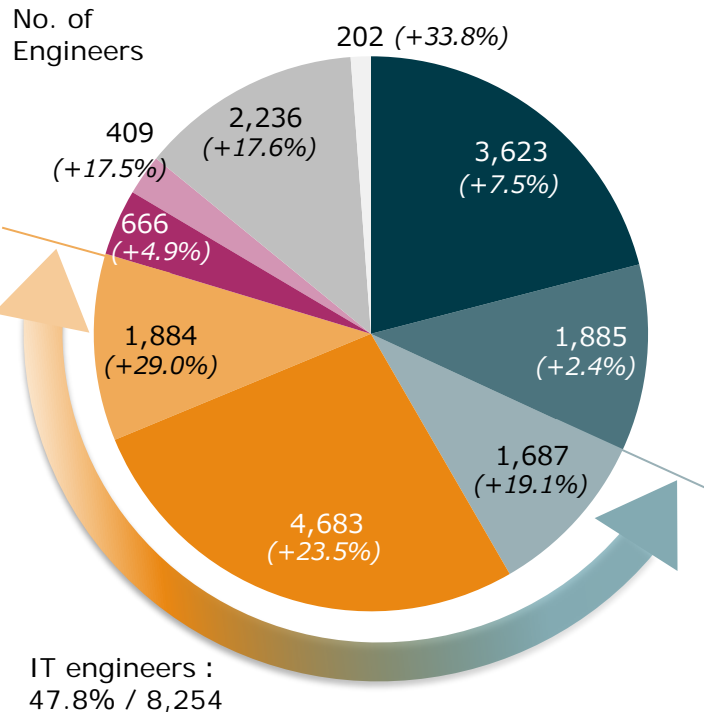
* Turnover rate for permanent employees was calculated excluding fixed-term employees left at the end of contract term

Assigned Engineers by Technology [Japan]

- Number of assigned engineers increased year-on-year in all technologies, although entire growth trend slows down (assigned engineers grew 64 or 0.3% compared to the end of Q2 FY20.6)
- IT engineers consists almost half of the total, while mechanical engineers (Machinery, Electric/Electronic) are on a downward trend due to weakening demand

As of March 31, 2019

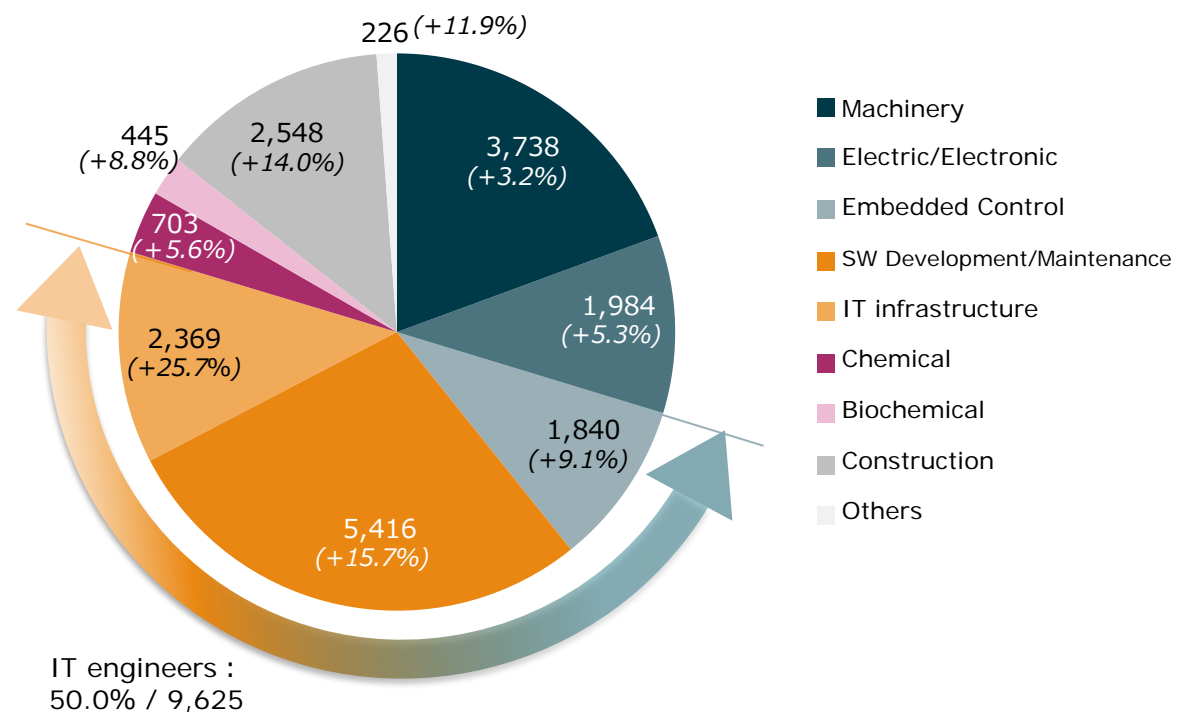
Assigned Engineers: **17,275**



up 11.5%

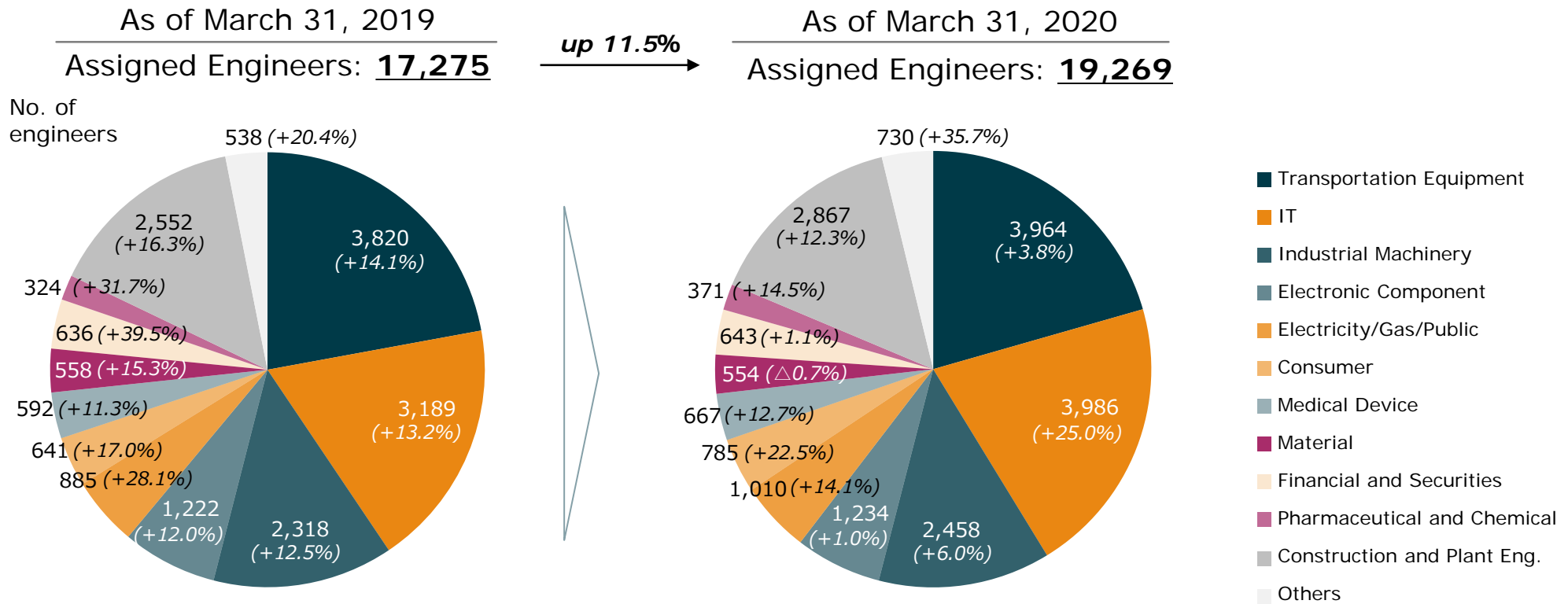
As of March 31, 2020

Assigned Engineers: **19,269**



Assigned Engineers by Industrial Sectors [Japan]

- Business environment getting tougher due to the recent COVID-19 impact, in addition to continued slowing trends in Industrial Machinery and Electronic Component due to US-China trade friction which has been also affecting demands in Transportation Equipment such as automotive industry
- IT sector maintains robust assignments, although keeping an eye on the impacts from COVID-19 spread as it may affect business operations of end users

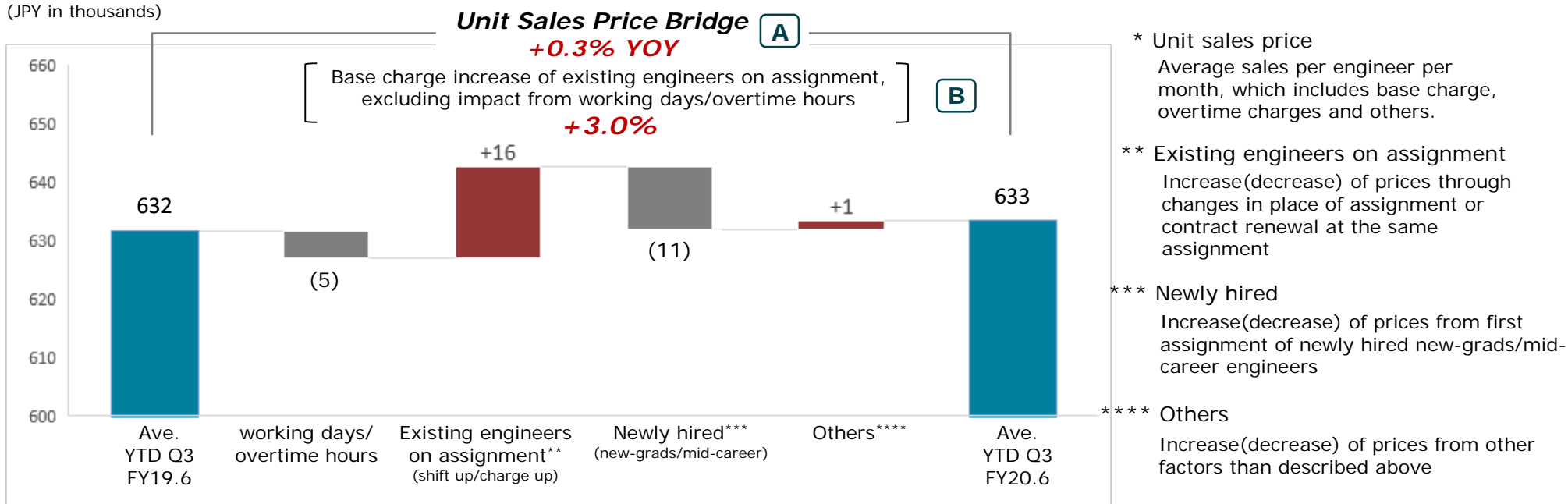


Unit Sales Price

Two Major Subsidiaries in Japan: TechnoPro, Inc., TechnoPro Construction, Inc.

- Year-to-date Q3 FY20.6 monthly average unit sales price* increased 0.3% year-on-year to **633K yen** (up 1.6K yen/month)
- Decreased 5K yen/month year-on-year affected by fewer working days (down 0.07 days/month) and shorter overtime hours (down 1.52 hours/month)
- Increased 16K yen/month driven by increased base charge for existing engineers on assignment through shift-up/charge-up
- Diluted 11K yen/month due to first assignment of newly hired new-grads/mid-career engineers

(JPY in thousands)



Price Development

	FY19.6				FY20.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (year-to-date)	621	633	632	630	626	631	633	
Year-on-year A	+0.1%	+0.5%	+0.3%	+0.0%	+0.8%	(0.3%)	+0.3%	

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Engineers on Assignment B * Year-on-year comparison for each quarter end	+3.0%	+2.8%	+2.7%	+3.2%	+3.6%	+3.4%	+3.0%	

Impact from COVID-19 Outbreak [Japan]

As of April 28, 2020

R&D/Construction Management Outsourcing (% of consolidated revenue: 91.8%)

Impacts already recognized

- **Revenue loss** Expects approx. 50 million yen in March 2020; total **500-1,000 million yen** for Q4 FY20.6
- **Telecommuting** Increasing mainly in IT related assignments, exceeds **4,000** engineers (fee-charging continues, contributing to revenue)
- **Engineers on furlough** Request from clients increased after a state of emergency declaration, around **1,200** engineers (may have risks of revenue loss or contract termination)
- **Demand by sector** [IT, chemical/biochemical, construction] → sees no meaningful impact (however, expects screening or partial postponement of the new projects)
[Machinery, Electric/Electronic] → significantly declining

Possible impacts on key KPIs

- **No. of engineers** Year-on-year growth slows down due to temporary freeze on new hiring
- **Utilization ratio** Lowering as allocation of stand-by engineers (incl. new-grads) to new assignments takes longer time due to constraint on sales activity or project screening at clients for budget control purposes
- **Unit sales price** May decrease due to decline in working days resulting from furlough or paid leave, shortening overtime hours, constraint for charge-up negotiation and others

Other Businesses in Japan (% of consolidated revenue: 2.6%)

- **Permanent placement** Demands from clients are temporarily becoming weaker including RPO (Recruitment Process Outsourcing) as the business is vulnerable to economic fluctuation
- **Technical education** Temporarily closed several training facilities after a state of emergency declaration

Impact from COVID-19 Outbreak [Overseas]

As of April 28, 2020

Overseas (% of consolidated revenue: 6.6%)

UK

% of consolidated revenue: 2.8%
Main tech sector:
Machinery/Electric/Construction

- Expects 40% revenue drop year-on-year for Q4 FY20.6 due to lockdown continued from March 23, 2020
- Gross profit only has little risks to fall in red due to furlough or termination, since the engineers working for staffing business are employed under fixed-term agreements
- Demands for permanent placement, which earns higher GP margin, are temporarily becoming weaker

Singapore

% of consolidated revenue: 2.5%
Main tech sector:
IT

- Impacts from office shutdown from April 7, 2020 are limited as engineers can telecommute
- Immigration and travel restrictions, which hinder the engineer acquisition from India, are the bottlenecks for growth
- Gross profit only has little risks to fall in red due to furlough or termination, since the engineers working for staffing business are employed under fixed-term agreements
- Demands for permanent placement and RPO, which earn higher GP margin, are temporarily becoming weaker

China

% of consolidated revenue: 1.1%
Main tech sector:
Embedded control/Machinery/Electric

- Utilization ratio has fallen significantly during February-March 2020 period
- Utilization ratio in April 2020 is recovering, confident to achieve full year earnings target
- Expects to take some time to back on track for growth, as its demands mainly comes from offshore contracting for clients based in Japan or technological outsourcing for Japanese firms in China

India

% of consolidated revenue: 0.3%
Main tech sector:
IT

- Shutdown continued from March 25, 2020, but engineers can work by telecommuting
- Temporarily hold down growth investment until seeing a certain outlook for the economic environment
- Will resume investment for expansion of offshoring hubs, M&A and alliances after COVID-19 outbreak stabilizes

Outlook & Strategies / New Medium-term Management Plan

1. Outlook & Strategies

Outlook

- Stays vigilant about making business judgements based on the assumption that worldwide business downturn may continue even after COVID-19 stabilizes, considering the unprecedentedly severe economic environment
- Anticipates further industry consolidation; customer demands and engineers will converge on the remaining major operators
- At the previous global financial crisis, demands for engineer staffing hit the bottom within one year and then steadily recovered, although a simple comparison may not be possible

Strategies

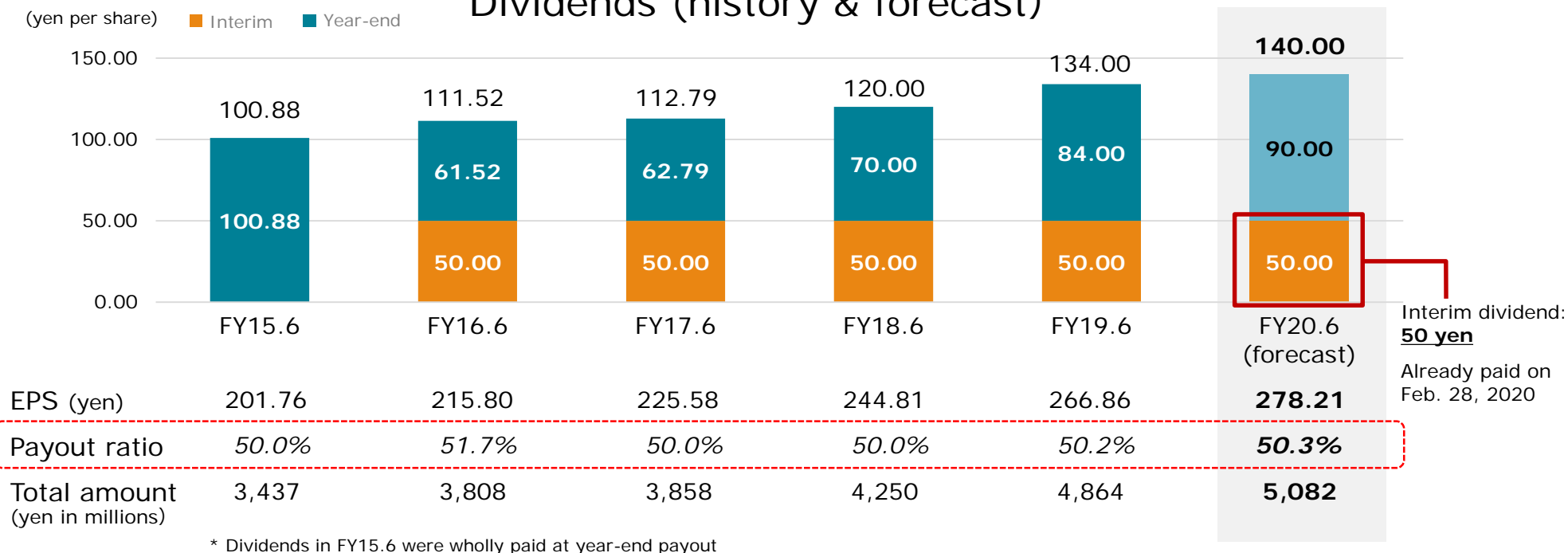
- Put a highest priority on the business continuity while maintaining sufficient engineer resources in preparation for economic recovery
- Holds down new recruitment temporarily in order to secure employment of the current engineers (already implemented)
- Ensure stable profit generation and cash management through drastic cost reduction and restraint on investment (already implemented)
- Focusing on maintaining current contract renewal ratio for the immediate future, under the assumption that the ratio will worsen at contract renewal in June 2020, although the ratio in March keeps the same level as FY19.6
- Anticipates 80% as break-even point for utilization rate in domestic engineer staffing and managed services (under the moderate scenario excluding drastic cuts in seasonal bonus and government subsidies for continuous employment)
- Currently negotiating with banks for credit limit increase with existing line of credit, towards the end of June 2020, for the use of working capital in order to prepare for unexpected cash demands

2. New Medium-term Management Plan

- Unable to publish a new medium-term management plan with realistic and legitimate numerical target under the current business situation and macro economic environment
- Consequently, withholds issuance of the new medium-term management plan to be disclosed at full year FY20.6 financial results briefing
- Continues to review on the future vision and growth strategies, which were discussed during the development of the new medium-term management plan
 - ✓ Business transformation with a focus on delivering value created with technology to customers and solving problems through technology
 - ✓ New business opportunities in response to the new normal of post-coronavirus economy, etc.

Dividend History & Forecast

Dividends (history & forecast)



Share Repurchase Program

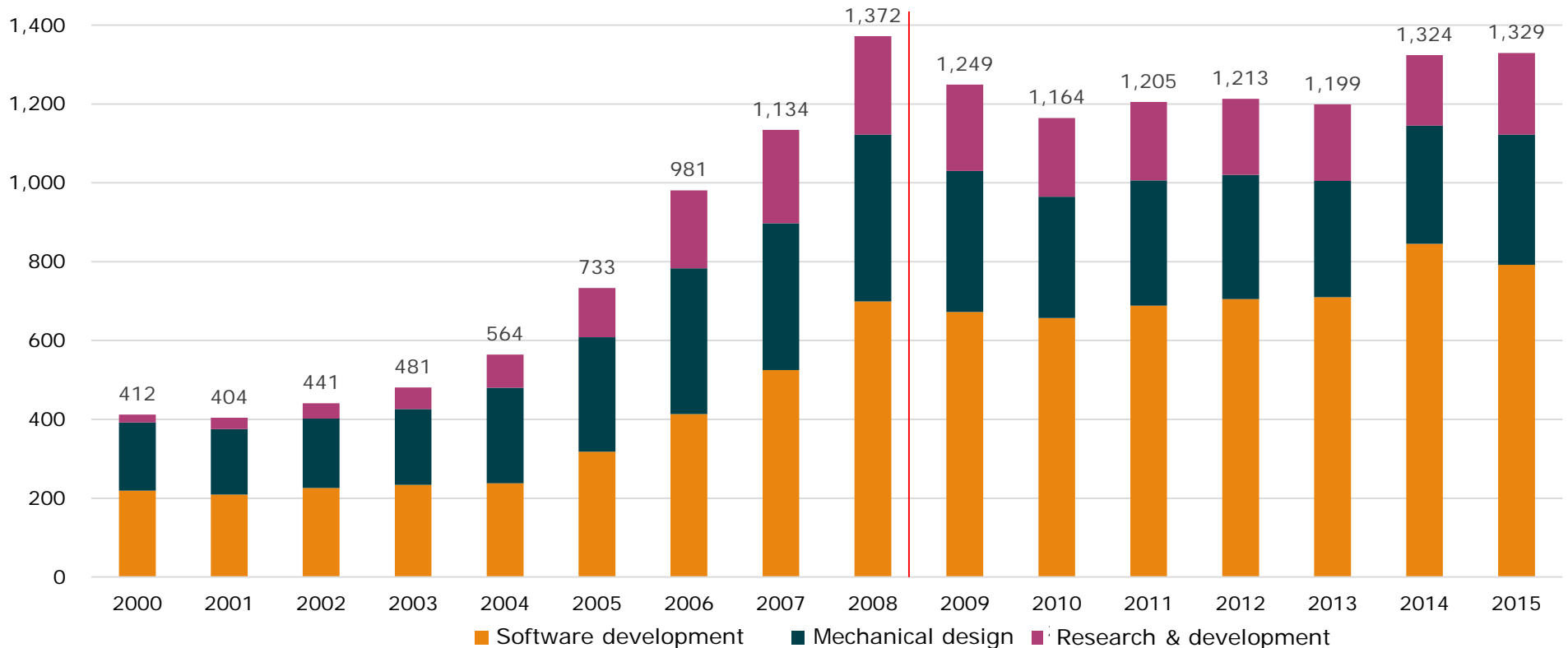
	Previous program	Current program	Total
Repurchase period	August 2019	March 2020	
Total shares repurchased	186,200 shares	231,300 shares	417,500 shares
Total amount repurchased	1,062M yen	1,001M yen	2,063M yen
Repurchase price per share	5,610 - 5,999 yen	3,925 - 4,625 yen	@4,943 yen

- Launched the new repurchase program on March 2020, when the share price plummeted, in order to achieve value creation through carrying out an agile capital policy aiming for sustainable growth, including 1) the introduction of stock-based incentive plans for directors and employees and 2) capital efficiency improvement, upon comprehensive consideration to factors such as funds on hand, share price level in the market, and others.
- In FY20.6 period, carried out a total of **2,063 million yen** share repurchase including the previous program, returned back to the shareholders **20.4%** against the net profit guidance of 10,100 million yen

[Appendix] Engineer Staffing Market Trends Since 2000

- Domestic engineer staffing market temporarily shrunk by approx. **15.2%** compared to its peak, impacted by the global financial crisis began in September 2008
- Demand for engineer staffing was remaining robust, gradually recovered after hitting bottom in 2010

(yen in billions)



* Estimated by TechnoPro Holdings using formula: [average annual price (dispatching price)] by [headcount at June 1] by [250 days]

* Excluding construction management as its figures were not included in the census (specified 26 occupations) since 2016

Source: Ministry of Health, Labour and Welfare, *Summary of business report for a worker dispatching undertaking*

[Appendix] Risk Assets (as of Q3 FY20.6 End)

- In order to determine if the goodwill should be impaired, conduct an impairment test at least once a year to compare the **fair market value** of each cash-generating unit (CGU) (obtain valuation reports from professional third parties) with the **carrying amount of goodwill** (intends to test for impairment each time the possibility of impairment were seen)
- **Fair market value** is determined by calculating the CF of each CGU for the five years based on the medium-term plan approved by management and growth rate going forward under the DCF method using the applicable discount rate (using the growth rate equivalent to the long-term GDP deflator of each country for the terminal value beyond the plan period)
- **Sees very low risk for impairment** as the goodwill (**29.2 billion yen**) in R&D Outsourcing and Construction Management Outsourcing segments were accrued when the investment fund and managements carried out MBO prior to listing, and each fair market value sufficiently surpasses the carrying amount of each goodwill
- **The amount of impact would be small** even if a particular item for additional goodwill post listing were to incur an impairment loss, because the maximum goodwill amount per deal is **1.1 billion yen** among the 13 M&As

(yen in millions)

Cash-generating unit (CGU)	Shareholding	Goodwill				PPA Assets		PO/EO	
		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	39.6%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	21.5%				
Software dev./maintenance	100.0%	2,912	2,769	5,681	15.3%	734	up to 30.3		
Chemical, biochemical	100.0%	1,262		1,262	3.4%				
Construction Mgmt. Outsourcing									
Construction management	100.0%	3,383		3,383	9.1%				
TOOO	100.0%		598	598	1.6%				
Other Businesses in Japan									
Pc Assist	100.0%		96	96	0.3%				
Boyd & Moore Executive Search	100.0%		1,104	1,104	3.0%			440	17.3-20.2
TECHNO BRAIN	100.0%		658	658	1.8%				
Overseas									
Helius	51.0%		652	652	1.8%	677	up to 26.3	1,649	17.4-22.6
Orion	63.2%		968	968	2.6%	496	up to 26.9	1,409	18.4-23.6
合計		29,202	7,826	37,028	100.0%	1,909		3,498	

Contents

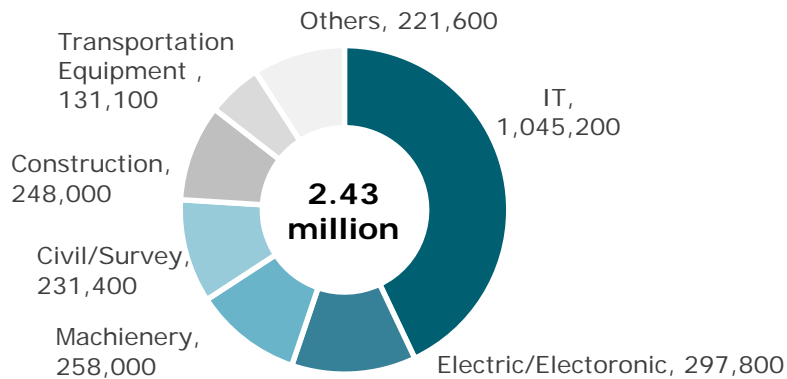
	Page
I : FY2020 Q3 Financial Overview	2
II : KPI Analysis	7
i : Number of Engineers	7
ii : Unit Sales price	11
III : COVID-19: Impact & Outlook	12
IV : Dividend History & Forecast	15
V : Appendix	16
VI : Data References	19

Distribution of Engineers in Japan

- According to the census in 2015, the number of engineers in Japan is 2.43 million and about 40% of them are IT engineers
- In terms of engineers, the outsourcing ratio is relatively high in Japan
- According to the survey, in the manufacturing industry, 75% of companies outsource IT systems, and 56% outsource Technology development

1. Number of Engineers in Japan (2015)

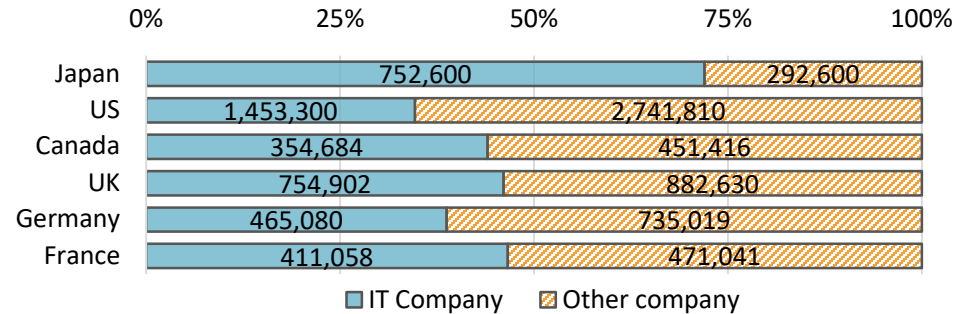
Source: census 2015



2. Ratio of IT Talents at IT and Non-IT Companies

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

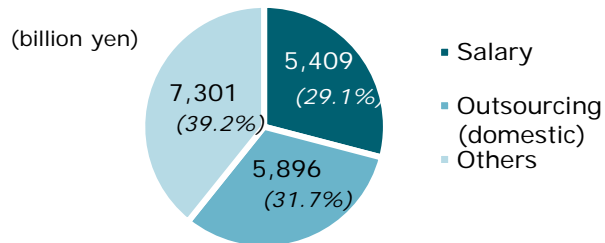
Japan, US, UK, Germany, France: 2015 Canada: 2014



※IT companies mean IT vendors and non-IT companies mean IT user companies

3. Cost Structure of IT Industry

Source: the Ministry of Economy, Trade and Industry "Survey on Specific Service Industries in 2017"



4. Outsourcing Rate in the Manufacturing Industry

Source: Nobuyoshi Ota "Technology outsourcing strategy of the automobile industry" 2016

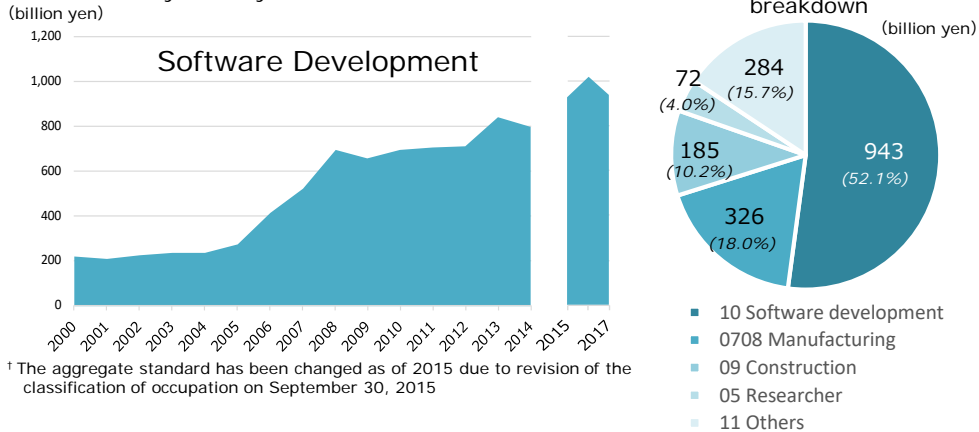
IT System	75%
Technology Development	56%

Engineer Staffing Market Overview

- Estimated the whole staffing market size is about 6.5 trillion yen (2017)
Engineer staffing market size is about 1.8 trillion yen, about 250,000 engineers
- R&D is a field less susceptible to impact of the economy; As a nation, Japan reported a record-high for R&D spending in 2018 and its growth is expected to continue in the future

1. Engineer Staffing Market Size

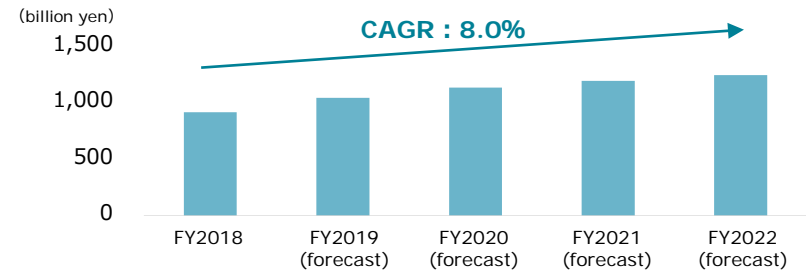
Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare



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

2. Forecast of Engineer Staffing Market Size

Source: Human Resources Business 2019, Yano Research Institute Ltd.

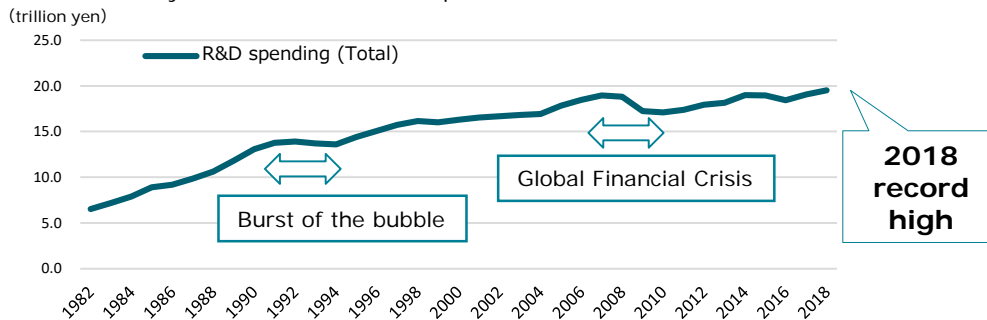


* The market size is based on the sales of businesses, after FY2019 are forecast (as of November 2019)

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

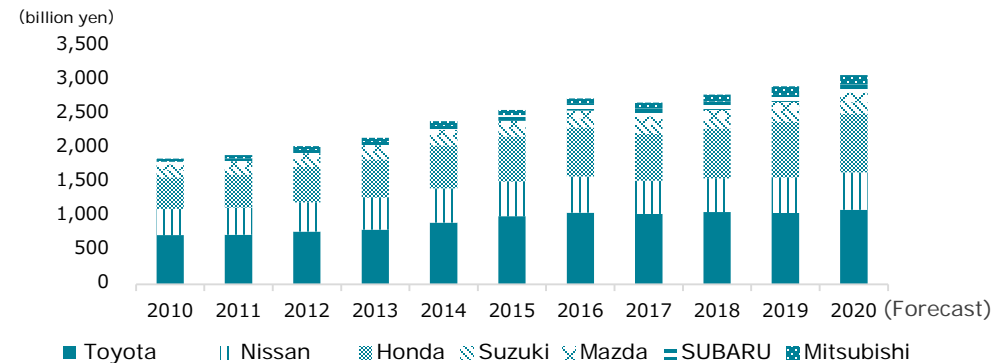
3. Trend of R&D Spending in Japan

Source: Ministry of Internal Affairs and Communications statistics Bureau, Survey of Research and Development



4. R&D Spending Trend of Major Auto Companies in Japan

Source: The Nikkei

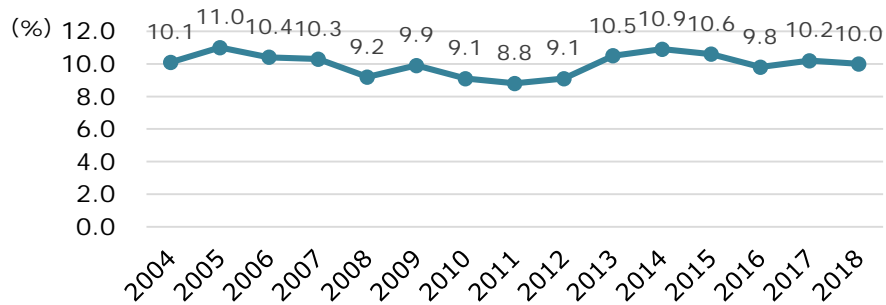


Background of Engineer Staffing Market Growth and Our Strengths – 1. Mid Career Market

- The turnover ratio in Japan remains around 10% which shows career-change market has a certain scale
- While the life-time employment/seniority wage system firmly remains in Japan, the number of mid-career recruitment by blue-chip companies is limited due to the gap between productivity and salary

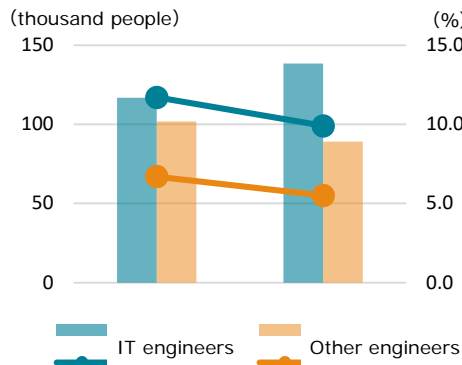
1. Turnover Ratio in Japan

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



2. Turnover of Engineers

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

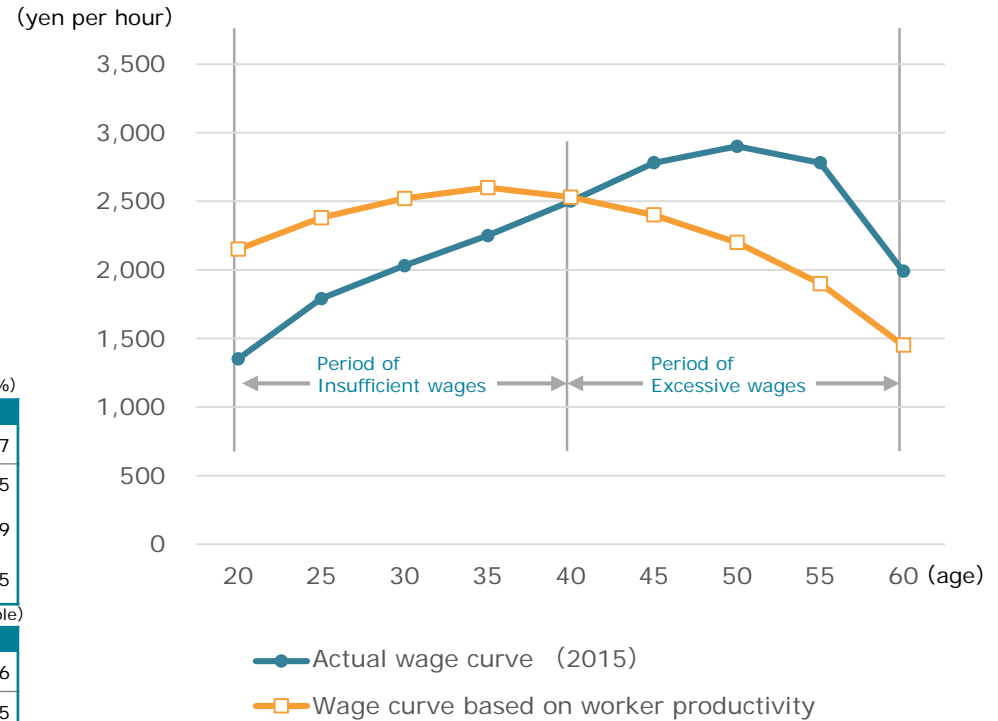


	1997	2007	2017
All sectors	11.0	11.7	10.7
Engineers	7.5	8.7	7.5
of which, IT engineers		11.7	9.9
of which, other engineers		6.7	5.5

	1997	2007	2017
All sectors	7,391.0	7,717.1	7,065.6
Engineers	178.0	218.6	227.5
of which, IT engineers		116.8	138.4
of which, other engineers		101.8	89.1

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

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

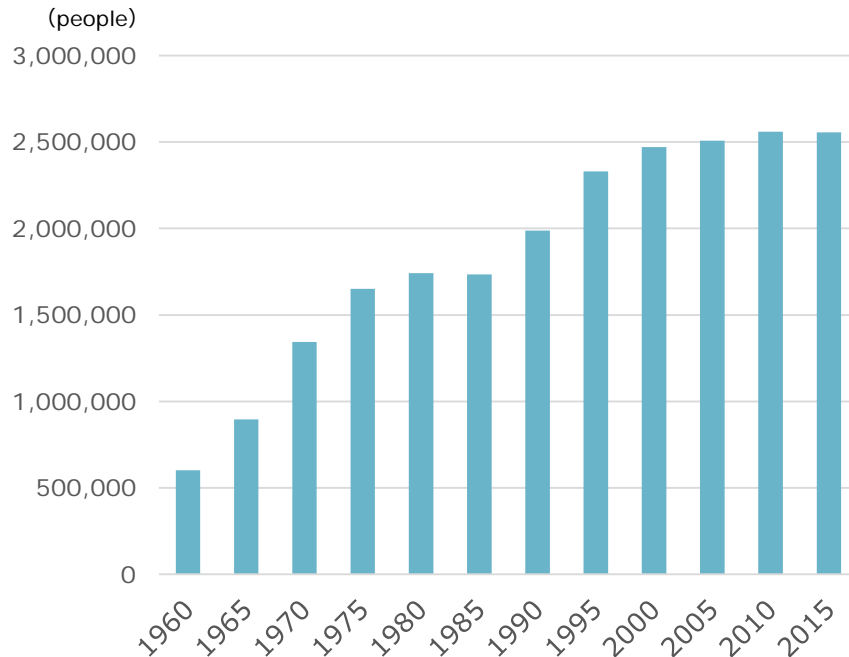


Background of Engineer Staffing Market Growth and Our Strengths – 2. New Grads Market

- While the young population is shrinking, the number of university students is slightly increasing because of higher university entrance rate
- New grads tend to focus on blue-chip companies while such companies have limited number of openings for them

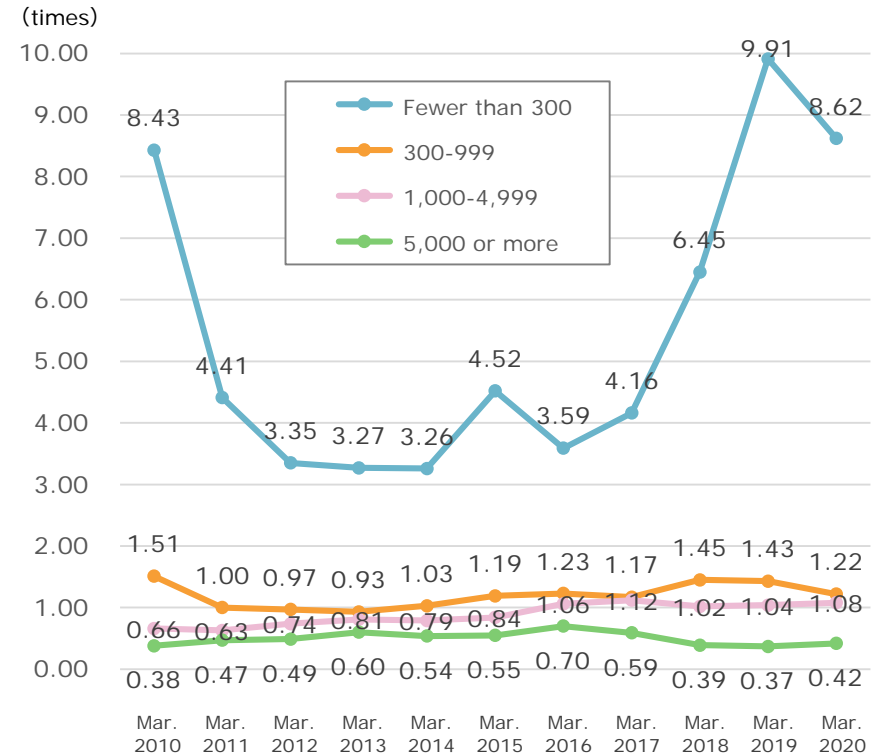
4. No. of University Students

Source: "Handbook of Education and Science statistics",
Ministry of Education, Culture, Sports, Science and Technology



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

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



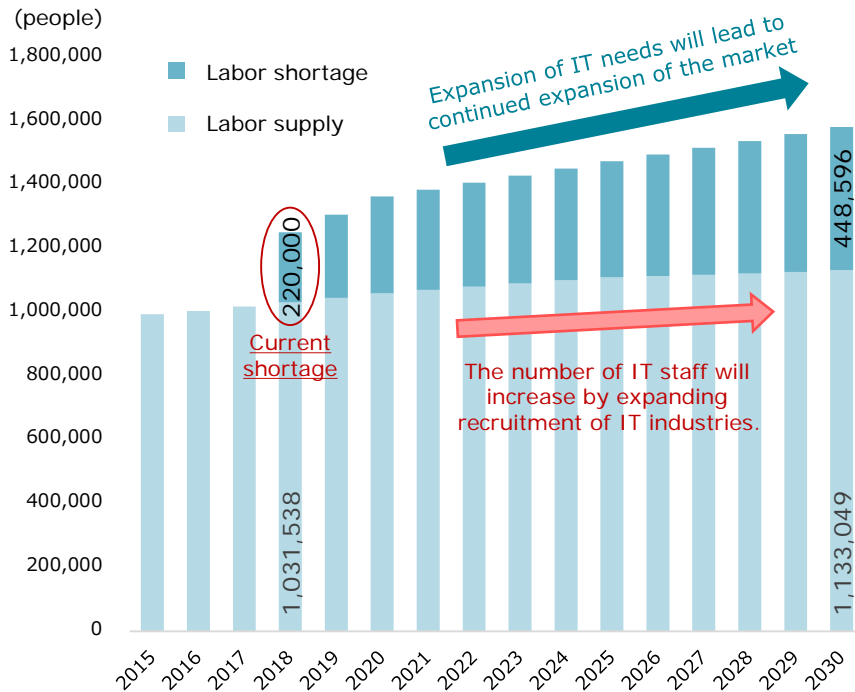
(Graduation date)

Background of Engineer Staffing Market Growth and Our Strengths – 3. Growing Demand

- IT-related company is highly competitive because of a huge demand-supply mismatch in the IT sector
- Weakening demand for engineers with the spread of AI will be more than offset by the new demand for engineers

6. IT Staff Shortage Projections

Source: Ministry of Economy, Trade and Industry, "Survey report about supply and demand of IT staff"



7. 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-"



Note: Estimated numbers comparing 2015 and 2030

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