



August 3, 2015

TechnoPro Holdings, Inc.
TSE Code : 6028 (1st section)
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Announcement of the “Growth 1000” mid-term management plan

Dear all,

TechnoPro Holdings today announced its “Growth 1000” mid-term management plan (FYE June 2016-FYE June 2018).

With around 12,000 engineers providing services to approximately 1,800 corporate clients, the TechnoPro Group employs and trains engineers with the latest technological skills required in Japanese industry, and through supporting clients’ technical development, aims to contribute to the realization of an industrial structure that can flexibly respond to changes in the market.

In the FYE June 2015, the Group strengthened its management base through integration of its main subsidiaries and through listing on the first section of the Tokyo Stock Exchange. In the coming mid-term period, the Group defines its business domain as Technical Human Resource Services, and has formulated its mid-term management plan, named “Growth 1000”, in order to achieve further growth and realize its corporate vision.

All of us at the TechnoPro Group will work together to achieve the objectives detailed in this plan, and we hope that we can continue to count on your continued understanding and support as we pursue these initiatives

About Growth 1000

1. Key policies of the Growth 1000 mid-term management plan

(1) Strengthen engineer dispatch earnings base

In the Group’s core business area of engineer dispatch, demand for human resources is expected to rise, backed by increasing investment in R&D and IT in many industries and increasing numbers of construction projects, but the tight supply situation for engineers will continue. The Group will expand its engineer dispatch business and strengthen its earnings base by implementing the following initiatives in order to increase engineer numbers and improve profitability in response to rising demand:

- Increase sales price by strategic selection of assignments (shift-up), and focus on high-value-added technology fields
- Acquire engineers through the utilization of various employment channels, increasing employment of new graduates, and engaging in M&As
- Promote and strengthen competitive cost structure through increased efficiency in work processes and group collaboration

(2) Growth as a Technical Human Resource Services group

The Group has a number of core competencies in the area of engineer dispatch, including a solid client base, numerous contact points with engineers in the employment process, and know-how in engineer assignment and educational training. The Group aims to achieve mid- to long-term growth by utilizing these core competencies, and investing its management resources in technical human resource services other than engineer dispatch, and overseas services. Examples of services offered include:

- Outsourced development in the areas of automotive, IT, and biotechnology
- Employment support and educational training that leverages our insight/ knowledge of engineers
- Business restructuring support promoting the shift of engineers across industrial fields
- Overseas hiring
- Overseas outsourced R&D and offshoring

(3) Promote balanced capital policy

The Group believes M&A is an important means for realizing the two policies above. This mid-term management plan sets out an M&A investment budget of JPY 10 billion while promoting a capital policy balancing investment with returns to shareholders and financial stability. Serving as concrete benchmarks, the Group has set a consolidated dividend payout ratio of 50% and a 0.4-0.8x D/E ratio. In addition, the Company aims to be selected for the JPX-Nikkei Index 400 in 2018.

(4) Enhancement of corporate governance

The Group strives to enhance corporate governance in order to increase corporate value and the common interests of shareholders through sustainable growth. The Company has adopted, as its corporate governance framework, a corporate auditor system headed by the board of corporate auditors. In this framework, the board of the directors performs decision-making and oversight functions, and the corporate auditors audit the execution of the duties of the board of directors. Furthermore, the Company ensures transparency in management through the establishment of the nomination and compensation committee with the participation of independent external directors and auditors. Directors in charge of business and those in charge of administration are appointed from the standpoint of mutual supervision. In addition, the Company realizes flexible and efficient management by entrusting authority and responsibility for business execution to executive officers.

The Group is planning to introduce a stock option system for its executives to further align their interest with shareholders’.

2. Performance targets

Unit: JPY million

	FYE June 2015	FYE June 2016 forecast	FYE June 2018 targets
Sales	81,200	88,000	100,000
Operating Profit	7,200	8,100	10,000
Net Profit	6,800	7,600	7,000
ROE	37%	32%	20%+
ROE (After normalization)*	23%	21%	-

*Profit before taxes x (1-35%)

Note on translation

This is a translation of the original Japanese document and is provided for informational purposes only. If there are any discrepancies between this and the original, the original Japanese document prevails.

Note on forward-looking information

Performance, targets, and other forward-looking statements contained within this document are based on information available at the time of writing and involve unknown risks and uncertainties. Actual business performance may differ significantly from these forecasts due to changes in a variety of factors.

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TechnoPro Group Mid-Term Management Plan – Growth 1000 –

For accelerated growth

Yasuji Nishio
President, Representative Director & CEO
TechnoPro Holding, Inc.

August 3, 2015



Three Years for Further Growth

- Aim for further sales/profits growth with proactive investments

<Period for Mid-Term Management Plan>

Solid Mgmt foundation 2014–2015

- ✓ Integrate TechnoPro brands
- ✓ Consolidate subsidiaries
- ✓ Listing on TSE1

Accelerated growth 2016–2018

- ✓ Growth of engineer staffing market
 - ✓ Amendment to the Worker Dispatching Law
- ➔ **Proactive investments for growth**

Sales / Profit

- 1** Engineers staffing
- 2** Other technical human resource services
- 3** Overseas

Current stage

JPY10.0bn investment in three years

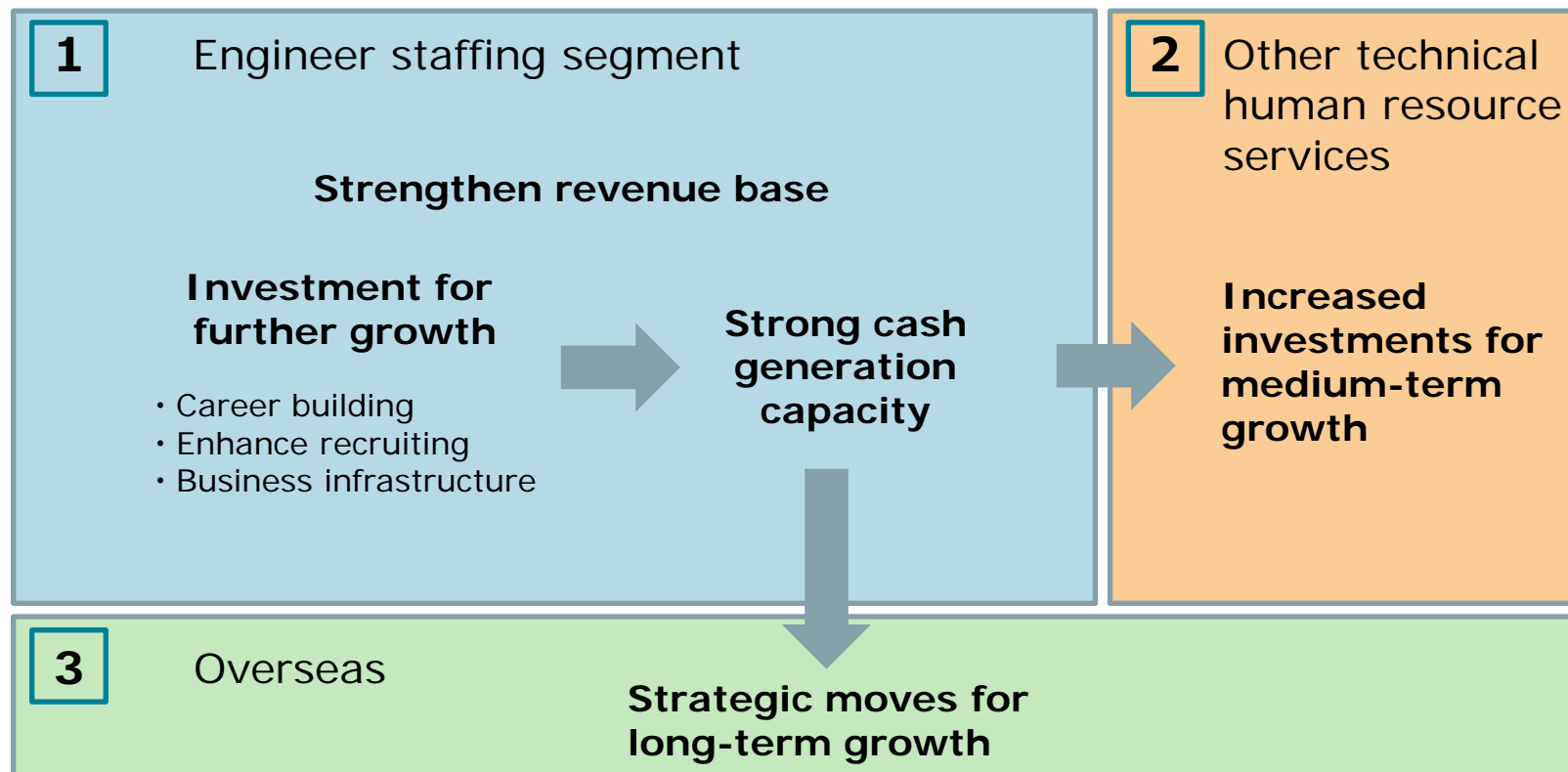
- 3**
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Time

Beyond engineer staffing company

- No.1 group for technical human resource services -

- ❑ **Strengthen the revenue base for engineer staffing segment** and invest generated cash into growth
- ❑ **Achieve growth in "Other technical human resource services" and "Overseas"**, offering solutions to diverse technology related needs of clients



Visions for 2018

- Aim for >JPY100.0bn sales through sustainable growth

Output

Clients' needs

- Meet diversified technical needs and shorter lead time
- Curb fixed costs

TECHNOPRO

Offer diversified solutions

Support engineers' career enhancement

Engineers' needs

- Acquire marketable skills and build careers
- Realize diversified and flexible working styles

Social needs

- Build industrial structure adaptable to changing market requirements
- Realize stable employment

Outcome

Sales
>JPY100.0bn

Operating profit
>JPY10.0bn

ROE
>20%

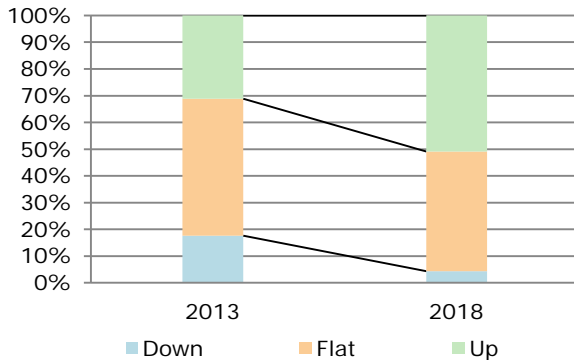
For
JPX-Nikkei 400

1 Strengthen revenue base in engineer staffing segment (1/3)

R&D investments

Approx. half the domestic companies have increased R&D expenses

Changes in R&D expenses



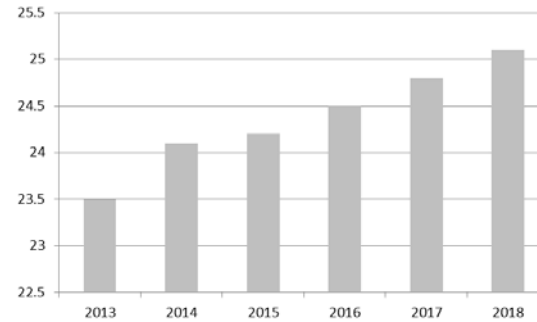
Survey of R&D Trend in Private Sector 2013 (Japan Research Industries and Industrial Technology Association)

IT investments

Expected to increase >1% annually

Changes in domestic IT investments

JPY Trillion



2015 Domestic IT Investment Trend (Gartner Japan)

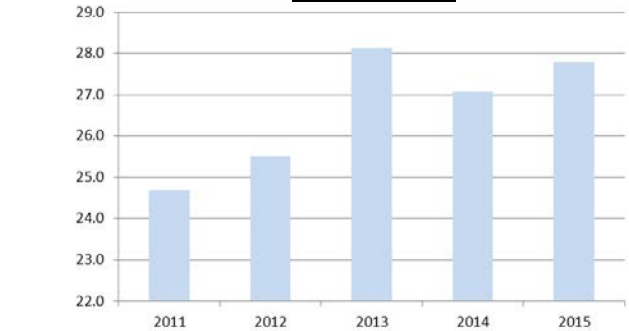
Positive factors include the introduction of My Number, installation of a new accounting system by Mizuho Bank and comprehensive system renewal by Japan Post.

Constructions investments

Expected to remain solid towards Tokyo Olympics

Private sector construction investments

JPY Trillion

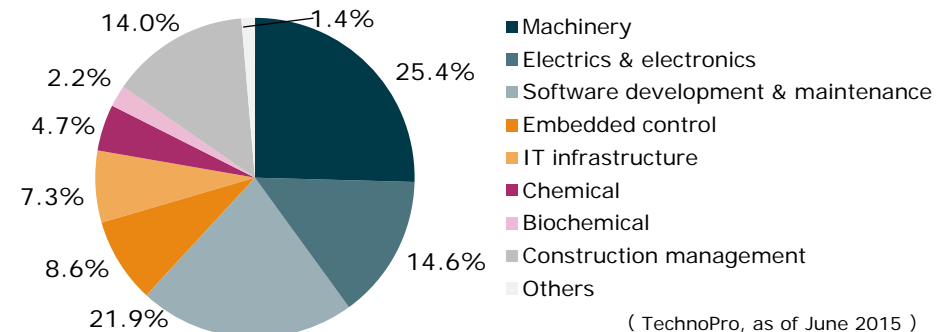


Outlook of Construction Investment (Research Institute of Construction and Economy)

Capability to increase unit price

- ✓ Upside compared to peers
- ✓ Tightening labor supply

Engineers increase in diverse tech. fields



(TechnoPro, as of June 2015)

1 Strengthen revenue base in engineer staffing segment (2/3)

Top Line

Increase unit price

+2% p.a.
JPY614,000 / month → >JPY650,000 / month

- ✓ Shift-up and Charge-up
- ✓ Enhance technical areas of strategic focus
- ✓ Implement key client strategies
- ✓ Promote assignment as a team

Increase engineers

+5-7% p.a.
11,969 → 14,200

- ✓ Utilize diversified recruitment channels
- ✓ Increase new graduates
- ✓ **M&A**
- ✓ Implement engineers retention

Improve gross profit margin

23.5% → >24.0%

- ✓ Unit price growth exceeding CoGs increase

Maintain / enhance competitive cost structure

SG&A/Sales: **14% level**

- ✓ Keep "Kaizen"
- ✓ Continue investing in IT systems, training, etc.

Bottom Line

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1 Strengthen revenue base in engineer staffing segment (3/3)

Planned amendment to Workers Dispatch Law in 2015 (with 3-year grace period)

- Improve quality of staffing companies
- Protect workers



- License required to operate staffing business
- Requirements for assets (in terms of net assets, cash and deposits, etc.)
- Required to support career building of employees
 - Education & training, career consulting

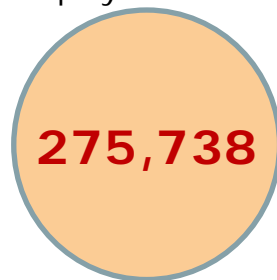
Staffing companies with the license [Tokutei]

- Comprise primarily of small-sized players

Number of businesses



of regularly employed workers



(Report on Staffing Companies 2013)

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- Funding
- Recruitment services
- Education and training
- Compliance

- ✓ Utilization of M&A
- ✓ Tie-up in areas other than staffing businesses

Staffing company A



Staffing company B



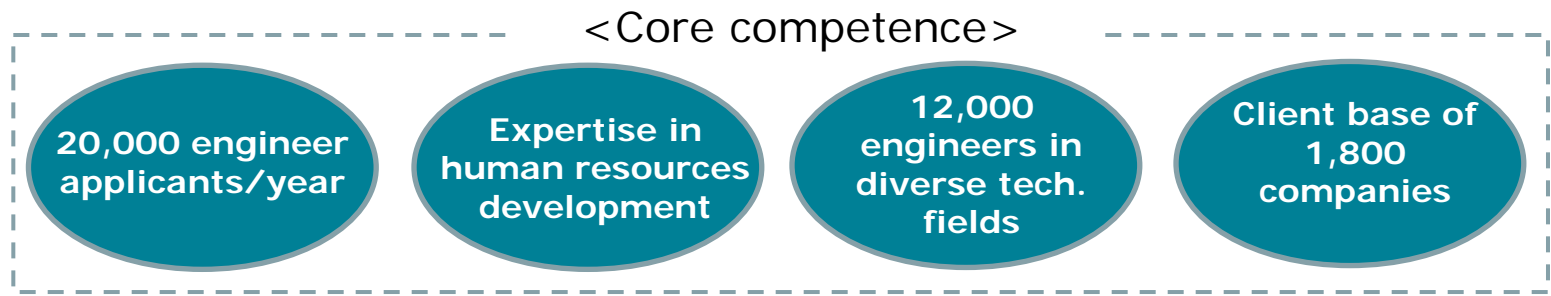
Staffing company C



2 3

Growth in other technical human resource services and overseas (1/4)

1 Engineer staffing segment



2 Other technical human resource services 3 Overseas



Engineers

Clients

Needs for skill upgrade / career building

Technology-related outsourcing needs

2 3 Growth in other technical human resource services and overseas (2/4)

Development Services

- Enhance higher-margin development services

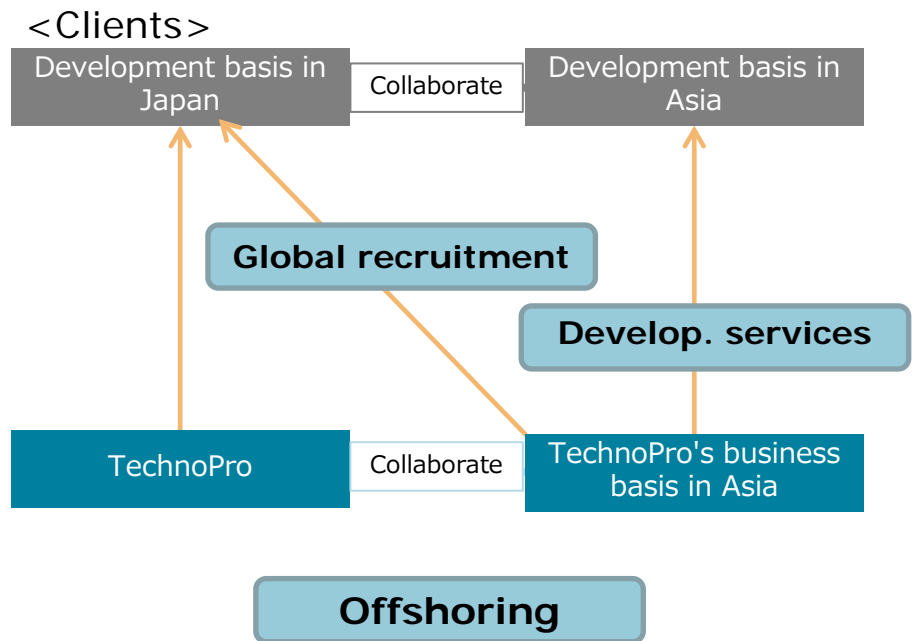
Machinery / electronics : Auto-related (incl. ECU)

IT : Utilize cloud system; promote tie-ups with promising vendors

(Bio) Chemical : Expand basis for contracted biochemical projects

Services abroad

- Support clients' development projects from both Japan and abroad

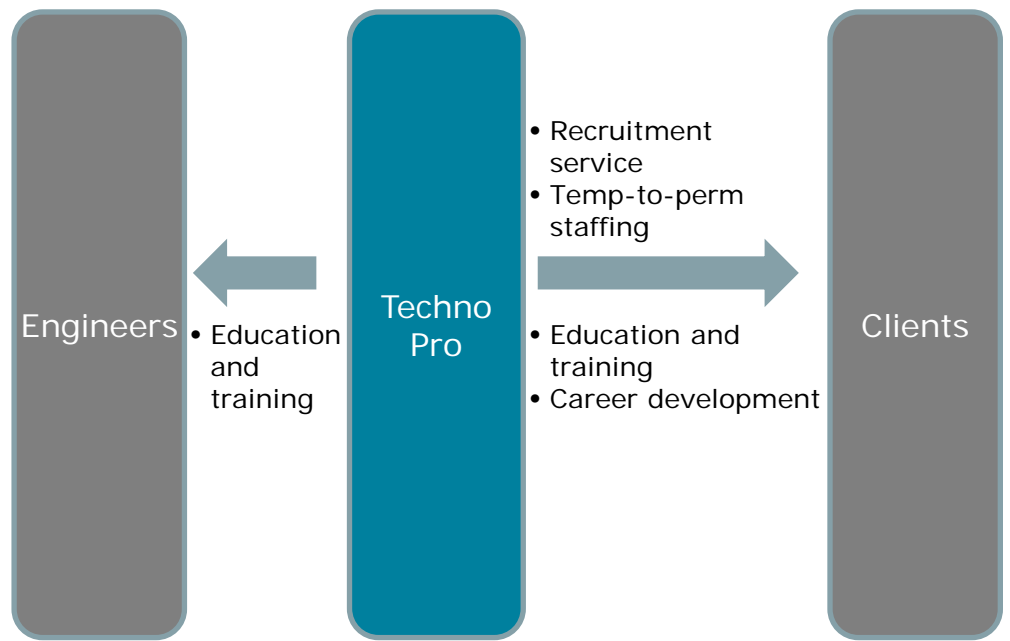


2 3

Growth in other technical human resource services and overseas (3/4)

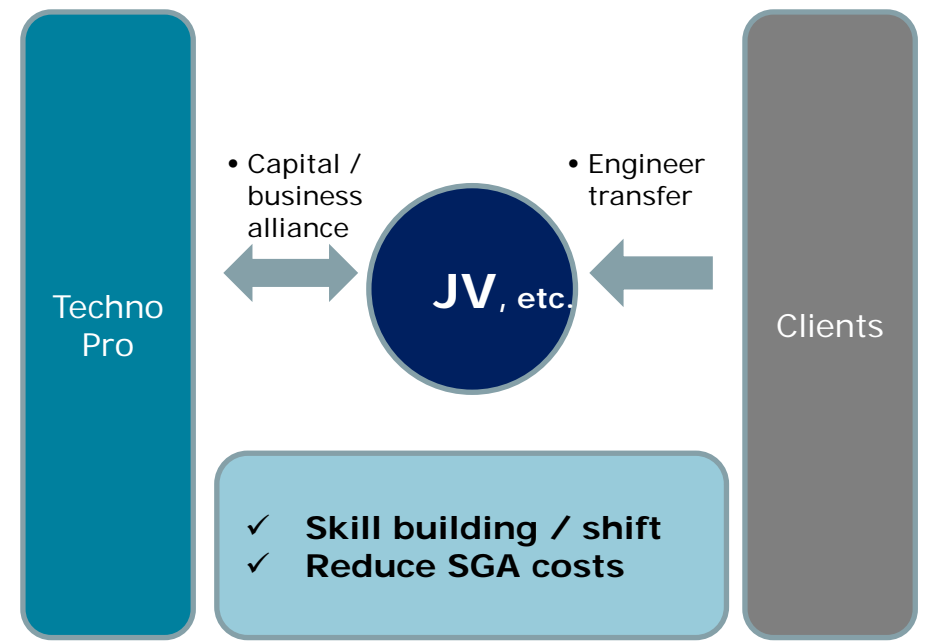
Engineer recruitment support / human resources development

- Multi-dimensional support in relation to engineers



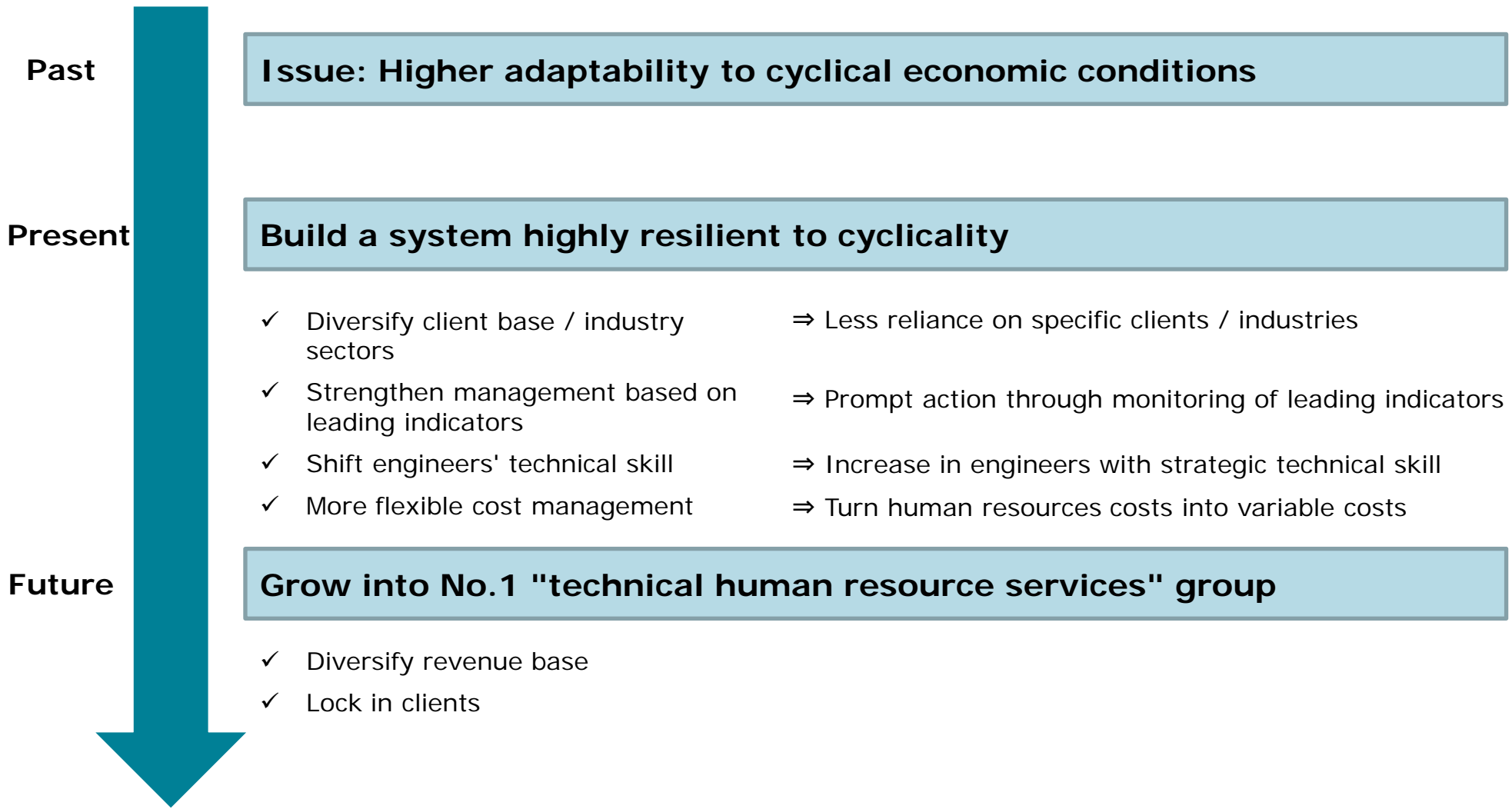
Business turnaround support

- Support clients to enable flexible shift of engineers to adopt market changes



2 3

Growth in other technical human resource services and overseas (4/4)



Enhanced Corporate Governance

- Enhance both enterprise value and shareholders' common interests through sustainable growth

Establish and implement
"Corporate Governance Guidelines"

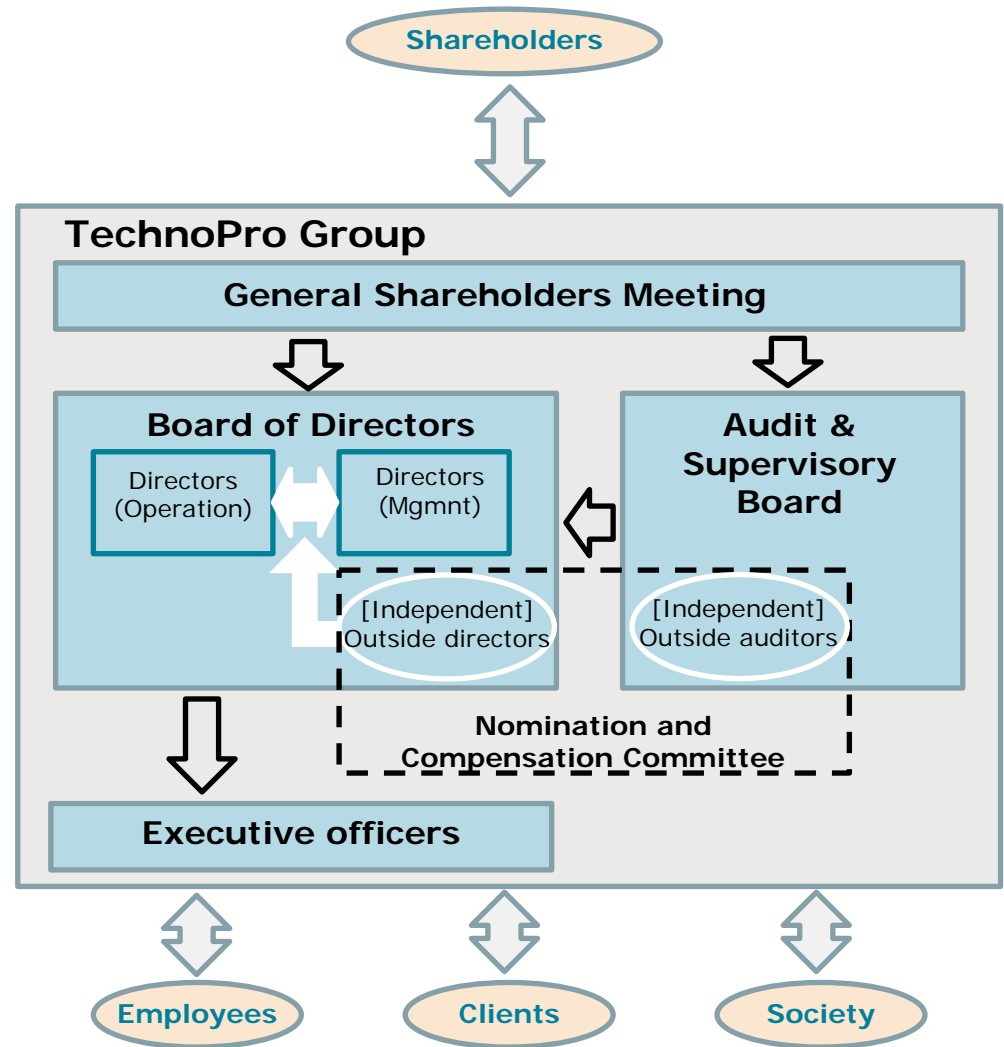
Relationship with shareholders

- ✓ Ensure timely and appropriate disclosures and transparency through constructive interactions with shareholders
- ✓ Respect shareholders' rights and ensure equality

Governance system

- ✓ Ensure the optimum balance between the supervising/monitoring functions and agile business execution by the board of directors, etc.

Introduce stock option



Optimal Cash Management

- Promote capital policy to ensure **optimum balance of Growth investment and Shareholders' return/Financial strength**

Strong cash generation capacity

Mid. – Long term growth

- ✓ Non-staffing business / business infrastructure

Shareholders' return

- ✓ Dividend payout ratio

= 50%*

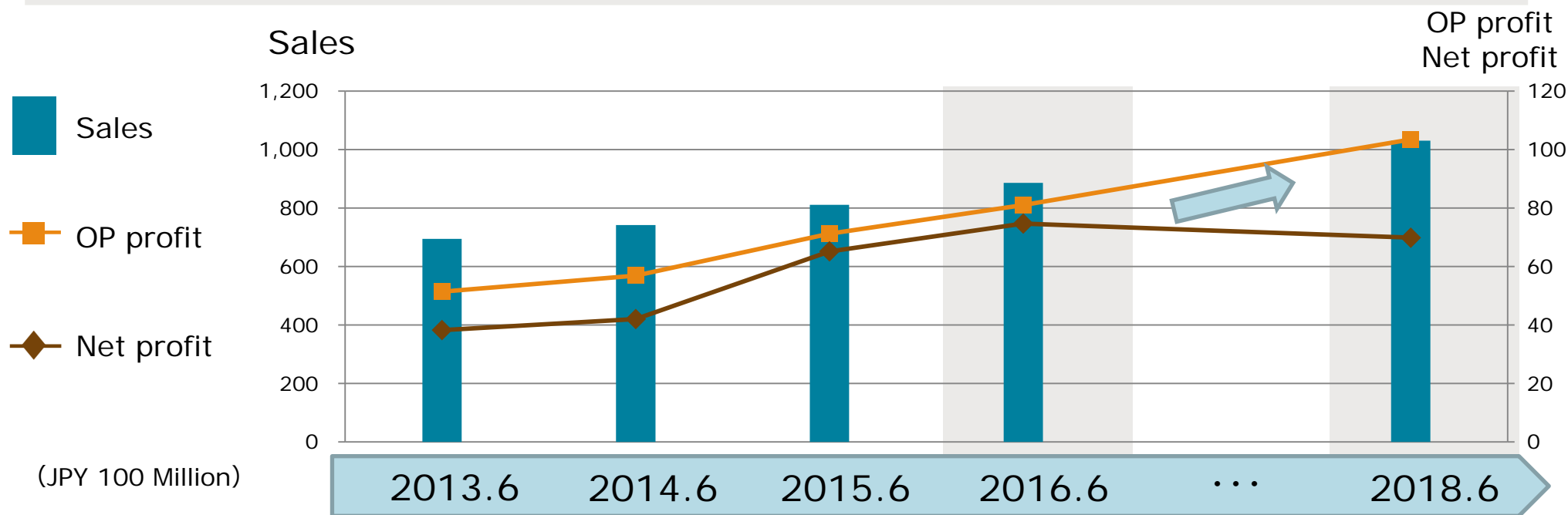
Debt repayment

- ✓ D/E ratio

0.8x → **0.4–0.8x**

Achieve Balance

Financial Targets (Summary)



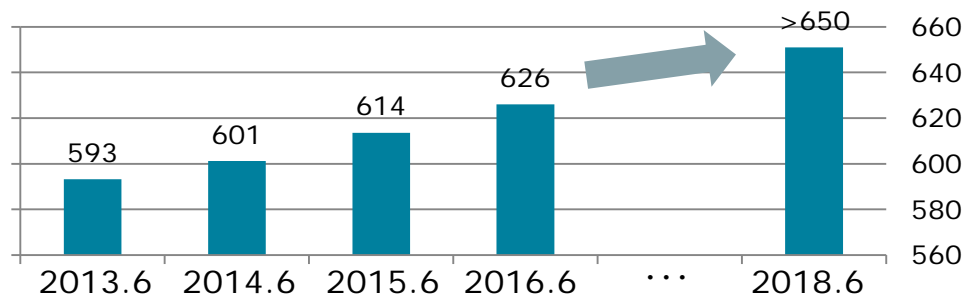
Sales	694	741	812	880	1,000
OP profit	51	56	72	81	100
Net profit	37	40	68	76	70
ROE	28%	31%	37%	32%	> 20%
ROE(Normalized)*	19%	21%	23%	21%	-

*Profit before income taxes x (1-35%)

KPI (Summary)

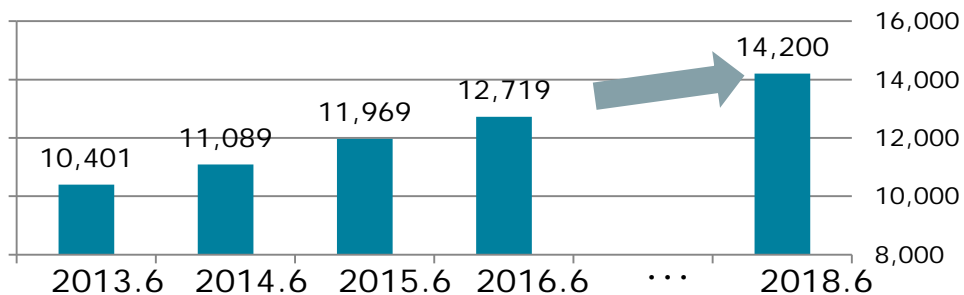
Sales per engineer*

- Grow 2% annually to over JPY 650,000/month



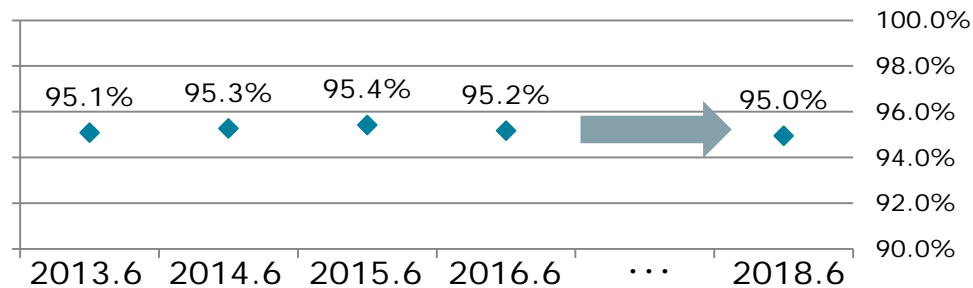
Engineers on payroll*

- Grow 5-7% annually to 14,200



Engineers utilization rate *

- Keep 95% level



*only domestic; the number of engineers on payroll as of each fiscal year end

Assumptions: Corporate client and engineer labor market trends remain unchanged from those in recent years

Disclaimer

This material contains forward - looking statements. These statements are based on the information currently available to us at the time of preparing this material and our assumptions and premises subject to risks and uncertainties which will affect future business performance. There is no guarantee that such statements and assumptions come true in the future, and they may differ greatly from actual results.

Also matters for future estimates such as business strategies are based on our recognition at the time of stating such matters and contain a certain degree of risks and uncertainties. Actual results, therefore, may vary from future estimates. We shall not necessarily update any of the forward - looking statements and disclaim any obligation to conduct such updates.

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