



Supplemental Material on the Issuance of New Shares and Series of Stock Acquisition Rights through Third Party Allotment [Relating to Press Release as of April 1, 2016]

TechnoPro Holdings, Inc.

April 1, 2016



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I . Overview of the Transaction

Basic Policy of Mid-Term Management Plan “Growth 1000”

- (1) Strengthen revenue base in the engineers staffing area
- (2) Growth in technical human resource services
- (3) Promoting capital policy to ensure optimum balance among growth investment, shareholders’ return and financial strength
- (4) Enhancing corporate governance

<Financing transaction>

A Third party allotment of new shares (JPY430mn)

B Target Issue Program (“TIP” subject to Issuer’s approval for exercise)

This transaction takes into account the interest of existing shareholders in terms of minimizing impact of dilution

TECHNOPRO

<Purpose of the Issuance>

① **Financing for M&A to further accelerate our growth**

A B

② **Strengthening our balance sheet**

A B

<Secondary Effect>

③ **Leveling our corporate tax expense**

A

II . Transaction structure

- A** In the third party allotment of new shares, we minimize dilution to 0.4% by limiting the number of new shares

A Third party allotment of new shares	
Issue price	JPY3,073
Funds to be raised	JPY430mn
The number of new shares	140,000
Discount to closing price ¹	8.0%
Dilution ²	0.4%

❑ To maintain cash position post the acquisition of ON THE MARK CO., Ltd.

❑ **Limit dilution** in issuing minimal number of shares

1 . As of March 31, 2016

2 . All figures are based on 36,864,000 shares for S/O after dilution (34,074,000 shares for S/O before dilution)

II . Transaction structure

B TIP is a structure which takes into account the interest of existing shareholders

	B Target Issue Program ("TIP" subject to Issuer's approval for exercise)		<div> <div>A</div> <div>B</div> </div> Total
	1st tranche	2nd tranche	
Strike price	JPY3,450	JPY4,500	-
Funds to be raised	JPY9,825mn		JPY10,255mn
	JPY6,900mn	JPY2,925mn	
Number of underlying shares	2,000,000	650,000	2,790,000
Tenor	2 years		-
Premium to closing price ¹	3.3%	34.7%	-
Dilution ²	7.2%		7.6%
	5.4%	1.8%	
Cancellation rights	Can repurchase and cancel existing warrants at issued price on Issuer's discretion with 1 month notice to DB		-
Permission based exercise	DB can only exercise warrants upon issuer's permission		-

□ Dilution via TIP(**B**) will occur **only when share price rises** in line with progress of the mid-term management plan*

※We only give permission to warrant holder only when our share price is sufficiently and stably above the strike price

□ **Aim for higher EPS which exceeds the short term dilution impact**

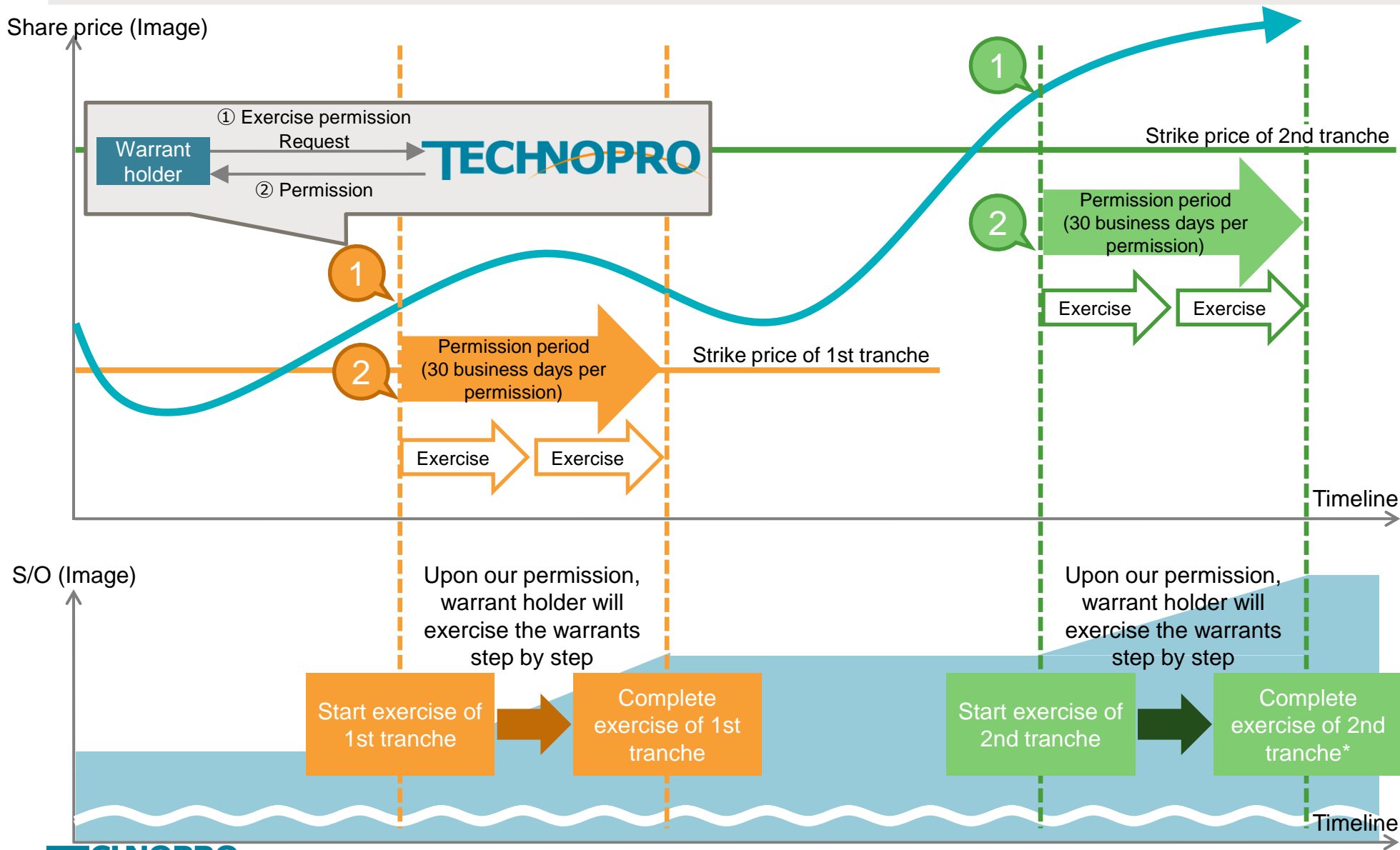
1 . As of March 31, 2016

2 . All figures are based on 36,864,000 shares for S/O after dilution (34,074,000 shares for S/O before dilution)

II . Transaction structure

- Illustrative example of Target Issue Program

B



*In case of cancellation of TIP by us even if warrant holder would not exercise all, # of issued shares does not increase

Ⅲ. Objective and impact of the transaction ①

- Funding for M&A for our business growth

A B

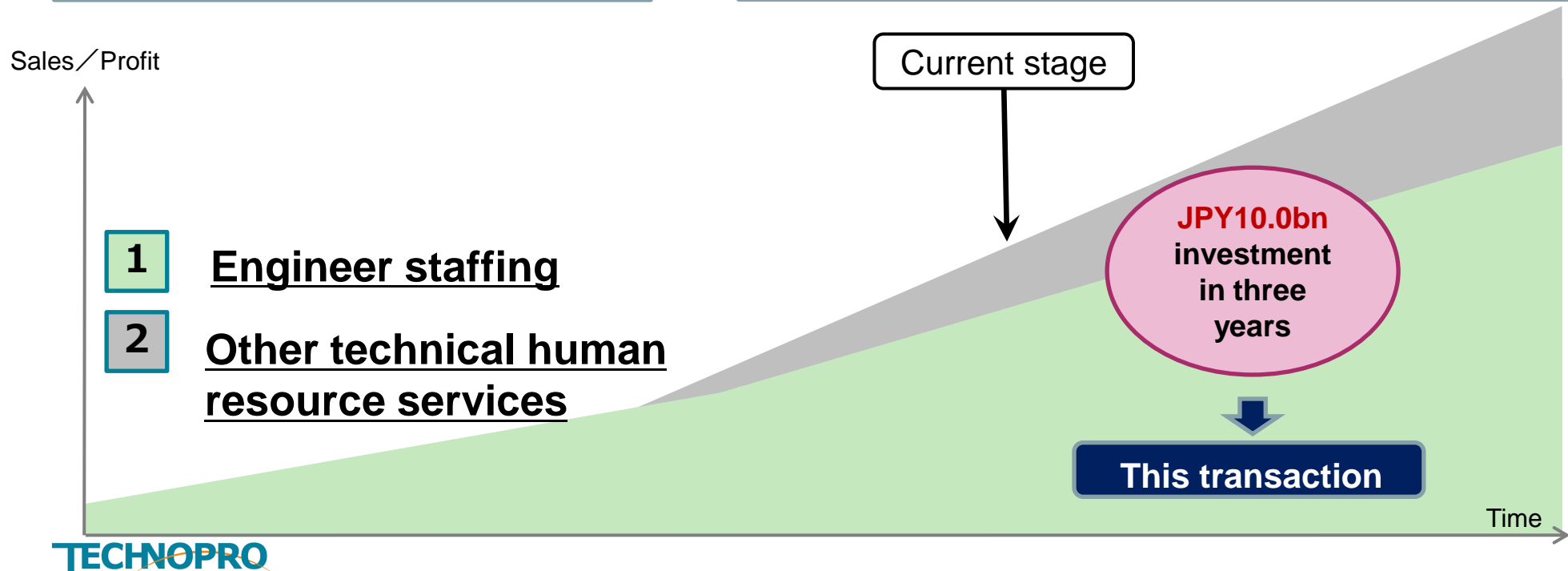
- ❑ Utilize capital raised for M&A investment, which will have synergy effect to our engineer staffing area and increase the value of engineers

M&A Track record (Jul.2015~)

Sep 2015 : PC Assist corporation
- Education and training of engineers
Mar 2016 : ON THE MARK Co., Ltd.
- Contracted IT development

M&A Target for growth to utilize fund

- Software development for embedded software in the auto industry, etc.
- Contracted IT development for Cloud/package solution, etc.
- Contracted R&D clinical study in bio/biochemical sector
- Engineer placement, recruitment outsourcing, etc.



III. Purpose and effect of this transaction ②

- Strengthening our balance sheet



- Accelerate increase of net asset to exceed the size of goodwill*1

(JPY bn)

December 31, 2015

Cash 10.1	Loan 15.9
Goodwill 29.6	Other liabilities 19.3
Other assets 18.2	Equity 22.7

Total assets 57.9

Total liability and equity 57.9

Pro Forma (post transaction)*2

Cash 20.1	Loan 15.9
Goodwill 29.6	Other liabilities 19.3
Other assets 18.2	Equity 32.7

Total assets 67.9

Total liability and equity 67.9

D/E ratio : 0.7x

Net D/E ratio : 0.3x

Equity ratio : 39%

Net asset/Goodwill : 77%

D/E ratio : 0.5x

Net D/E ratio : Δ 0.1x

Equity ratio : 48%

Net asset/Goodwill : 110%

*1: Assuming issuance of shares and exercise of all share acquisition rights

*2: Pro Forma is based on BS as of Dec 31, 2015 plus financial impact by this transaction; profit & loss from Jan 2016 is NOT reflected on Pro Forma.

Ⅲ. Purpose and effect of this transaction ③

- Corporate tax expense will be leveled

A

- Since our capital stock exceeds JPY 500mn, our subsidiaries will lose a part of tax benefit including no limitation of deductions associated with losses carried forward
- our income tax expense will be leveled during the mid-term management plan period
- There is no impact to operating profit, so our business result will appropriately be reflected to net income

Image of income tax expense
during Growth 1000

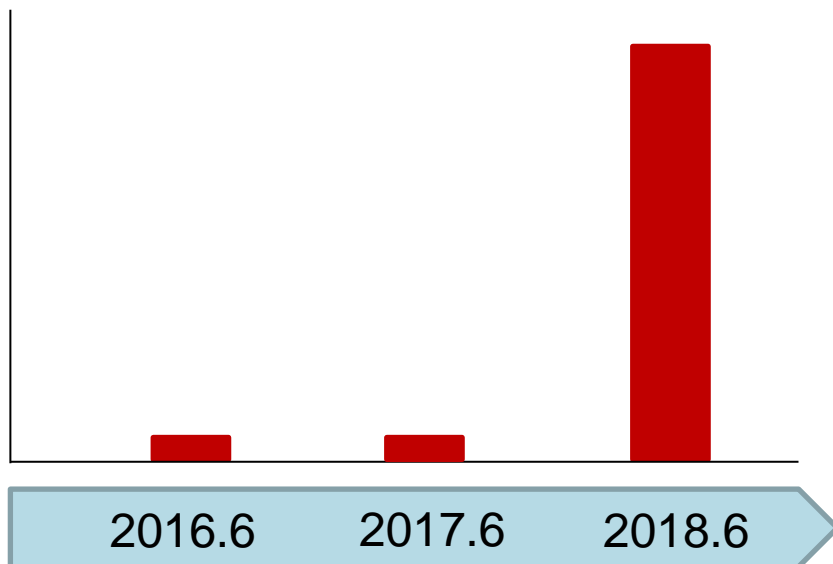
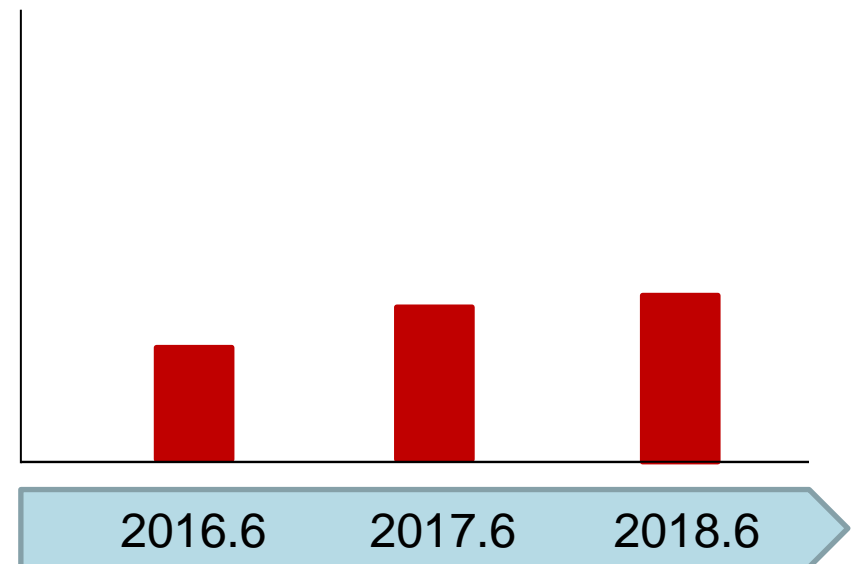


Image of income tax expense
after this transaction



(■ : Income tax expense)

IV. FAQ (1/3)

Questions	Answers
Please explain the impact to business result for FY2016.6	<ul style="list-style-type: none">• Projection of business result in FY2016.6 remain unchanged after this transaction. We will continue to keep the same level of dividend as of now, JPY111.52 per year
What are views on the impact of dilution/shareholder return?	<ul style="list-style-type: none">• Dilution for new share issuance is 0.4%, 1st tranche of TIP is 5.4%, 2nd tranche is 1.8%, totaling 7.6% (fully diluted base)• Though there will be a temporary minus impact to EPS, we plan to keep dividend payout ratio of 50%, and will take prior year's dividend payment per share into consideration, for the payout for coming fiscal year• We believe that we can achieve EPS growth which exceeds the dilution by utilizing the funds for future M&A. Therefore, we think the dilution of this transaction is reasonable
Please explain the tax impact by the third party allotment of new shares	<ul style="list-style-type: none">• Our capital stock is currently JPY100mn. Post the third party allotment of new shares, our capital stock will exceed JPY500mn, so we anticipate that going forward, Size-based Business Taxation will be applied• Due to this change in tax treatment, our subsidiaries will lose a part of tax benefit including no limitation of deductions associated with losses carried forward. We expected that our corporate tax expense would increase in FY2018, but due to this tax impact, the corporate tax expense during the mid-term management plan period will be leveled• Additionally, the change of tax treatment will have impact on the appropriation of a deferred tax asset in deferred tax accounting, and then deferred tax expense will be also leveled during the mid-term management plan period• Due to the tax impact on corporate tax expense and deferred tax expense, our income tax expense and net income will be leveled, which would properly reflect our business results

IV. FAQ (2/3)

Questions	Answers
Are there any change to the targets for the mid-term management plan?	<ul style="list-style-type: none"> • There are no significant impacts to target of sales or operation profit. • Our business result will become appropriately reflected to net income, but 3 year total amount of expected net income remain unchanged • Also, there is no change to ROE target (achieve over 20%) and D/E ratio (keep 0.4x-0.8x), though net assets will increase at maximum by around JPY10bn through this transaction
What is the use of proceeds for the TIP warrants?	<ul style="list-style-type: none"> • We plan to utilize funds for M&A which increase value of engineers in “Other technical human resource services” area which is synergistic with engineer staffing area • We envision specific investment fields such as, software development for embedded software in the auto industry, contracted IT development for Cloud/package solution, contracted R&D clinical study in bio/biochemical sector, engineer placement, recruitment outsourcing and engineer training/ consulting service, etc • Timing and size for these opportunities are not decided, but we will look to carefully select investment opportunities which will increase our enterprise value
What happens if mismatch happens between funding from TIP and M&A opportunities?	<ul style="list-style-type: none"> • When funding from TIP precedes M&A investment, we will keep the funds in a way considered to be safe and accessible. If M&A opportunities precedes the funding from TIP, we will temporarily allocate cash on hand or utilize bank loan
What is the reason to select TIP?	<ul style="list-style-type: none"> • We concluded TIP is the best way for us for the following reasons <ol style="list-style-type: none"> ①Interest of existing shareholders: The strike price of TIP is set higher than current market price, so for existing shareholders, dilution will only happen when share price rises and is sufficiently and stably above the strike price. ②Funding for future M&A opportunities: We do not have large scale of funding needs at this point in time, though we will require JPY10bn for M&A during our mid-term management plan period ③To strengthen our balance sheet: In addition to accumulation of net income through the mid-term management plan, funding from TIP in early period will allow our net assets to exceed the amount of goodwill earlier

IV. FAQ (3/3)

Questions	Answers
What are characteristics of Target Issue Program “TIP”?	<ul style="list-style-type: none"> • Key characteristics are below ① Strike price is set higher than current share price, so dilution will happen only when share price have performed well (Given these warrants’ strike price is fixed, these warrants are not classified as “MSCB” outlined by Tokyo Stock Exchange (TSE) and Japan Securities Dealers Association (JSDA)) ② Since we have permission right for exercising warrants, we can control the timing of the exercise while considering our financing needs and market conditions ③ The maximum number of underlying shares is fixed at 2,650,000 shares as initially set, and this will not change
Please explain the rationale for setting of the strike prices of TIP	<ul style="list-style-type: none"> • We set JPY3,450 for the strike price of 1st tranche considering the probability of fund raising, taking into account our historical share price performance and projection of our net income, etc • And JPY4,500 for the strike price of 2nd tranche is set considering our projection of our business result for FY2018.6. It is 35% premium to closing price on March 31 (previous date of announcement), and we believe that the strike price is reasonable level assuming execution of mid-term management plan
At what share price level does warrant exercise of TIP happen?	<ul style="list-style-type: none"> • We understand that Deutsche Bank will exercise, taking into account the liquidity and volatility of our share price in exercising the warrants, so when the share price is stably above the strike price • Deutsche Bank need “Exercise permission” (This clause is put in place to restrict exercise by DB. DB cannot exercise the warrant without our permission), therefore, we can control the timing of the exercise while considering our financing needs and market conditions
Please explain capital policy going forward	<ul style="list-style-type: none"> • We have not changed our capital policy. We will keep promoting capital policy to “ensure optimum balance of Growth investment, Shareholder’s return, and Financial strength”, and bank loan or other borrowed capital will be considered going forward depending on market condition