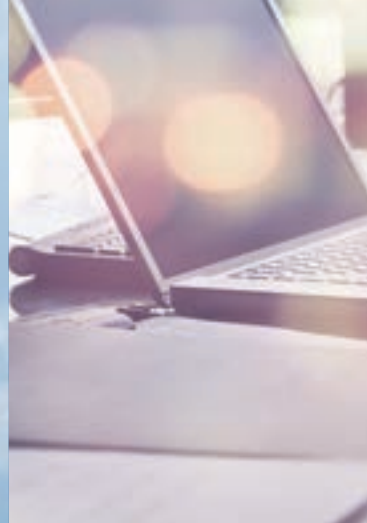


TechnoPro Holdings, Inc.

# SUSTAINABILITY REPORT 2016

Techspert Teams—Serving Society



# Supporting Japan in becoming a technology-oriented nation through engineers value enhancement.



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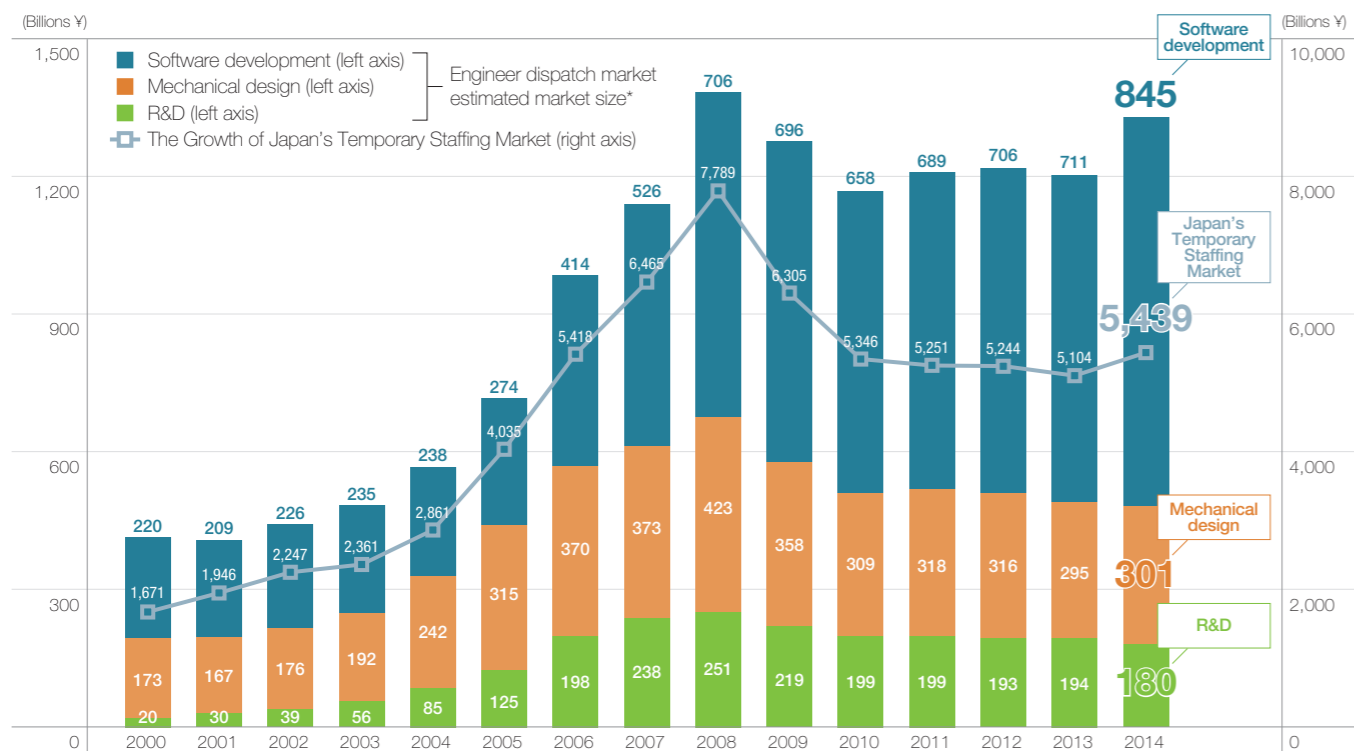
### Editorial Policy of this Report

This report covers issues such as TechnoPro Holdings' basic management philosophy and management policy, and commitment to the business strategy and CSR management of the Group. The aim of our business activities is to provide value to customers and society, and we believe that this approach will deliver sales and profits as a result. We sincerely hope that this report will aid everyone of our various stakeholders in getting a fuller and deeper understanding of our value creation activities and long-term direction. The figures in this report are for the year ended June 2016 unless otherwise stated.

## Japan's Human Resources Service Industry

# Japan's Human Resources Business

### Japan's Temporary Staffing Market



\*Estimated market size by the Company: [Annual average unit price] × [Number of people as of June 1] × [250 days]  
Source: Ministry of Health, Labour and Welfare

#### 1 The start-up phase

The provision of temporary workers started in Japan in the late 1960s in response to the demands of companies in many industries. Meeting this demand resulted in the growth of companies that supplied technical, clerical and other types of workers. However, outsourcing contracts had to be used to supply workers because temporary staffing was prohibited by Japan's Employment Security Act. Enactment of the Worker Dispatching Act in 1986 ended the restriction on temporary staffing for 16 job categories.

#### 2 The growth phase

In the 1990s, Japanese companies began to streamline their operations in response to increasingly heated competition on a global scale. Demand increased for temporary workers in order to gain more workforce flexibility. To meet this need, Japan significantly reduced restrictions on temporary staffing in stages. This led to the complete deregulation of the temporary staffing business in Japan and rapid growth of this industry.

#### 3 The stable growth phase

When the global financial crisis started in late 2008, many companies stopped using temporary workers and canceled existing contracts for these workers. Furthermore, to cut their fixed expenses, many companies used improper temporary workers and even illicit sources of temporary workers in some cases. These events created a negative environment for people who were employed or seeking employment as temporary workers. One response was calls for a return to tighter regulations. In 2015, Japan amended its temporary staffing laws in order to restore the public's trust in this industry. One significant move was requiring government permits for all companies in this industry. From now on, most people expect Japan's temporary staffing industry to expand consistently at an annual rate of about 2%.

# Growth in Outsourced Design and Development Tasks

### Many Reasons for Higher Demand for Technical Services

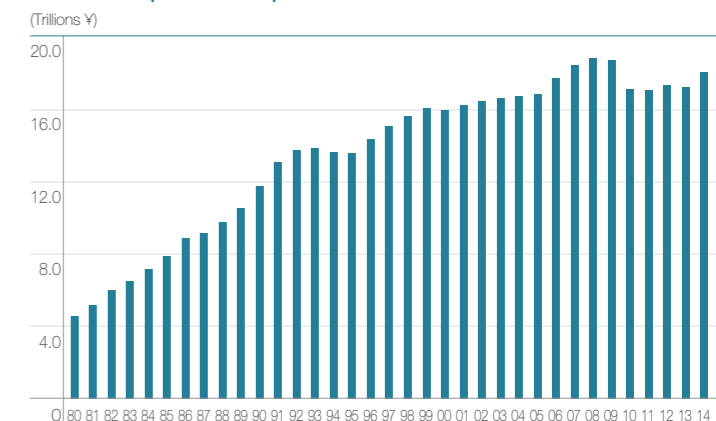
As Japanese companies moved manufacturing operations to other countries, they steadily increased R&D expenditures in Japan. Research, design and development activities are vital sources of innovative technologies and products. In the past, most companies used internal resources to perform these activities. But now, the use of external resources is vital to improve efficiency. The rapid pace of technological advances is one reason. Another is the need to reach management decisions faster and boost productivity to succeed in today's highly competitive markets. As a result, Japan's technical services market, chiefly the supply of temporary engineering personnel, has been expanding faster than the growth in R&D expenditures. This market's growth rate is particularly high in the manufacturing and IT sectors accelerating technical developments.

R&D expenditures in Japan, which are what underpin the temporary placement market, have been increasing consistently for decades. Big cuts were made only twice: after the end of Japan's asset bubble (1992-1994) and during the global financial crisis (2009). R&D is vital to the corporate ability to grow, and is independent of short-term economic trends.

Investments involving IT are another sector where long-term growth continues in Japan. The IT budget diffusion index (forecast for the following-year budget) for companies that use IT, which are the upstream category of this industry, has been climbing steadily with few interruptions. The lowest point was negative 4.0 for the fiscal 2010 forecast due to the global financial crisis.

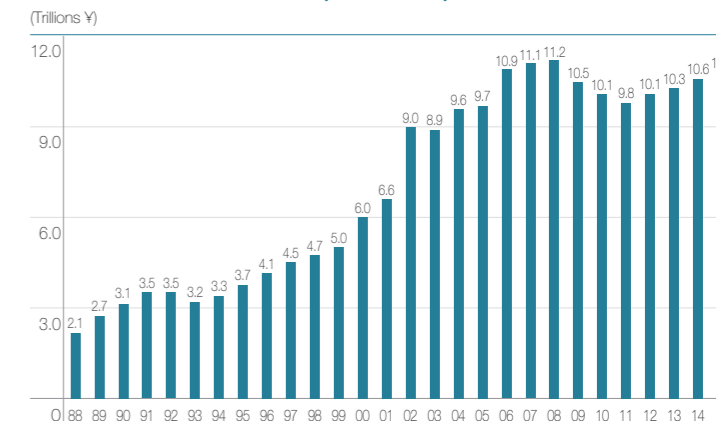
For these reasons, companies in Japan are very likely to continue increasing the use of outsourcing for their research, design and development activities.

#### Research expenses in Japan



Source: Ministry of Internal Affairs and Communications Statistics Bureau [Research on science and technology, outline of results] 1980-2015

#### Information service sales of Japanese companies



Source: Ministry of Economy, Trade and Industry, Service Industries Survey, 2. Information Service Industry

## Outsourcing of Japanese companies

# The Increasing Complexity of Outsourcing Needs

### Challenges Created by the Rapid Pace of Technological Progress

Converting the cost of personnel from a fixed to a variable expense is usually a primary objective of outsourcing. However, when outsourcing is limited to the use of technical services, mainly the temporary placement of engineers, the main purpose is often something other than cutting fixed expenses. For instance, companies may use outsourcing in response to the diversification of technology fields, rapid advances in technology, shorter deadlines for development projects and shorter product life cycles.

In all fields of technology, the speed of progress is increasing. The emergence of more advanced technologies at overseas competitors is another challenge for companies in Japan. Consequently, a new technology may become obsolete after only two

or three years and this period is gradually shortening. Most significant is the ongoing shift in the focus of many industries to software due to artificial intelligence, the Internet of things, electronic control units to operate automobiles, and other emerging technologies. As a result, increasingly advanced skills will be required for the people who create new technologies.

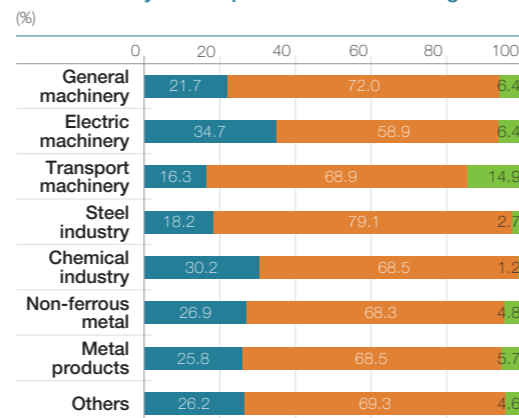
For these reasons, maintaining an engineering staff that covers all categories of technology handled by a particular company is no longer a viable option. This is why there is certain to be more growth in the outsourcing of development activities in order to enable companies to create technologies faster and respond to changes in market conditions with more flexibility.

### Shorter Product Life Cycles Demand More Speed

The life cycles of numerous products have become much shorter over approximately the past two decades. Dramatic advances involving digital technology and the use of software are a major reason. The increasing speed of shifts in customers' requirements is another reason.

In a survey by Japan's Ministry of Economy, Trade and Industry, manufacturers of electrical machinery stated that product life cycles are now shorter than they were just 10 years ago. Many of these companies said that life cycles have decreased by either at least 50% or between 30% and 50%. These responses show that product life cycles are falling faster in the electrical machinery industry than in other industries.

Product life cycle compared with a decade ago (%)



■ Shorter ■ Unchanged ■ Longer

Source : Ministry of Economy, Trade and Industry

# Particularity of the Labor Market and Outsourcing

### The Engineer Recruiting Mismatch in Japan

In Japan, approximately 10% of engineers leave their jobs for various reasons each year. Some of these people switch to another engineering job. Many companies in Japan, especially large corporations, hire new engineers all at once when they finish college, then pay them based on seniority, and offer them lifetime employment. Adhering to this Japanese-style employment system creates a barrier to the efficient recruiting of experienced engineers.

Companies tend to avoid hiring mid-career engineers. This makes it difficult to match companies that need engineers with engineers who are looking for another job.

Outsourcing that uses the temporary placement of engineers is an efficient way to meet the needs of engineers and companies. This system makes it possible for temporary staffing companies to hire engineers and then supply to client companies people with the right skills only when these engineers are needed.

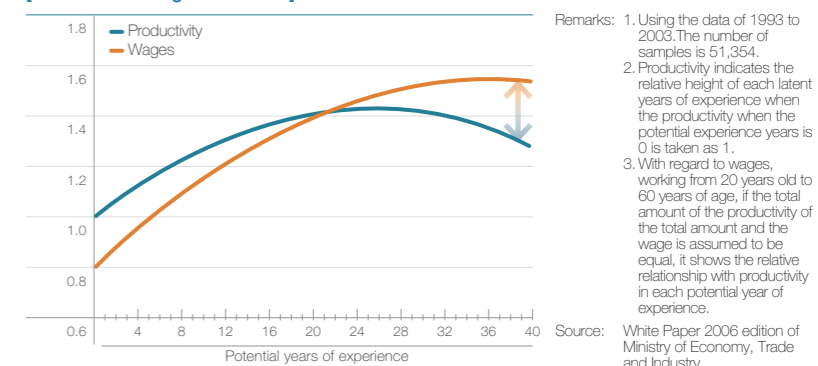
Proportion of the adoption of large companies

	New number of workers	Adoption number of large companies by Nikkei survey	Percentage
Graduation from university	441,344	111,505	25.3%
Mid-career	1,701,200	32,959	1.9%

(Produced by the Company.)

Sources: Number of new employees: Ministry of Health, Labour and Welfare, Employment status of new graduates by occupation period  
Mid-career number of employees: Ministry of Health, Labour and Welfare, Employment trend survey  
Number adopted: Nihon Keizai Shimbun, Recruitment plan survey

Productivity and wages curve of all manufacturing industries [Male full-time regular workers]



### Problems Created by Japan's Low Worker Mobility

Lifetime employment is still a well-established custom in Japan. By preserving the jobs of full-time employees, Japanese companies help maintain social stability. On the other hand, lifetime employment lowers the number of workers who move from one job to another. This creates difficulties for companies in growing business sectors that need to hire engineers. The inability of engineers to utilize their skills adequately is another problem of lifetime employment. Furthermore, low engineer mobility makes Japan less competitive in relation to other

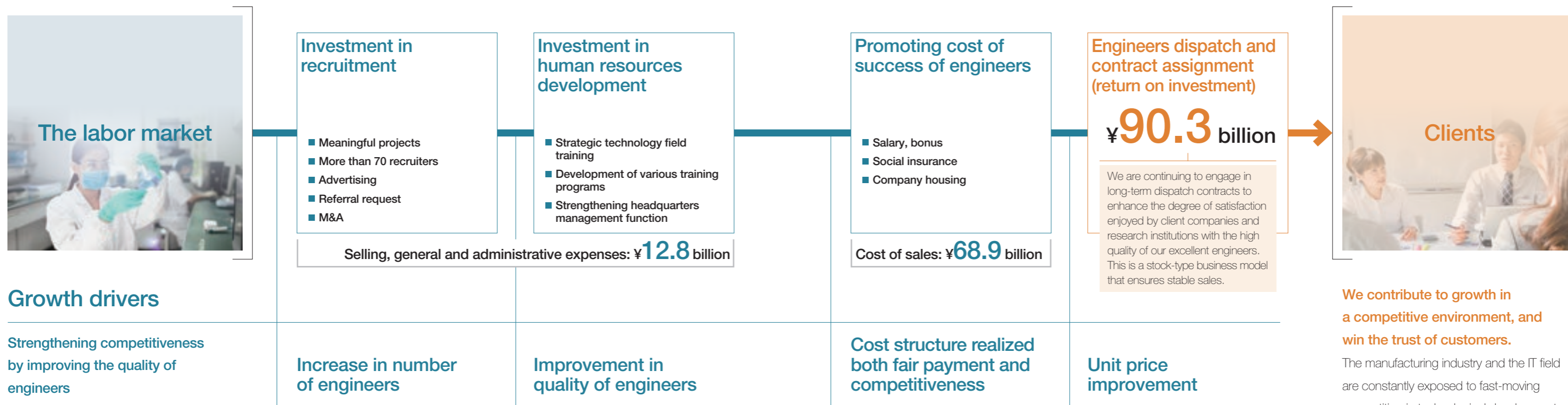
industrialized countries as well as emerging countries where people frequently change jobs.

The temporary placement of engineers has two big benefits. First is the ability of temporary staffing companies to continuously upgrade the knowledge and skills of engineers. Second is the ability to select from opportunities in all business sectors of Japan that best match the capabilities of each engineer. These two benefits enable temporary staffing companies to play a major role in alleviating Japan's social problem of low worker mobility.

## Establishment of the Business Model for Sustainable Growth

We are meeting the demands of society by capturing the expanding needs for outsourcing and providing technical services delivered by our excellent human resources. To realize our goals, our business models are designed to increase the market value through stable employment of engineers as regular staffs and lead to sustainable growth of the group.

### Business Model



**We contribute to growth in a competitive environment, and win the trust of customers.**

The manufacturing industry and the IT field are constantly exposed to fast-moving competition in technological development, our client companies need to constantly update their technical skills. We are fully engaged in building win-win business relationships that meet the basic needs of our client companies for securing excellent engineers and converting personnel expenses into variable costs. In addition, by increasing the skills and other capabilities of our engineers, we help clients become more competitive.

### Core competences

Ability to recruit high-quality engineers and strengths across a wide variety of customer levels and types

Recruitment ability enhanced by contact with over **20,000** engineers every year  
Sales force to ensure meaningful projects for engineers

**Know-how** in the development of human resources

**13,000** engineers in a variety of fields

Client base of about **1,900** companies

## Key Figures

### Scale

**13,127** engineers  
Domestic number of employed engineers

We have **13,127 engineers** and researchers on staff (consolidated basis, as of June 30, 2016). We are one of Japan's leading technical human resource services groups.

### Performance

**39,667** employees  
People undergoing training per year

Using our education and training facility, TechnoPro Learning, and external institutions, we conduct training for **39,667 employees** (fiscal year ended June 30, 2016).

### Trust

**1,894** companies  
Clients

We provide excellent services to **1,894 client companies** (as of June 30, 2016) conducting operations in the global market, including manufacturers, IT and pharmaceutical companies, universities, public and private research institutions, general contractors and public bodies.

### Selection

**2,480** engineers  
Domestic number of newly recruited engineers

We screen applications from more than 20,000 applicants, hiring **2,480 superior engineers** and researchers a year (fiscal year ended June 30, 2016, total number of new graduates and mid-career hires).

## Growth Potential of the Industry and the Market

### Size of the Human Resources Industry



Technical Human Resources Industry  
**¥1,300 billion**

Annual sales in Japan's temporary staffing industry are more than ¥5,400 billion. The provision of engineers, research workers and other highly skilled people for technical positions accounts for sales of about ¥1,300 billion. Staffing services for manufacturing, sales, clerical and other jobs account for the remainder of sales.

Source: Based on Fiscal 2014 Results of Temporary Staffing Business Report and Temporary Staffing Business Status on June 1, 2015, Ministry of Health, Labour and Welfare

### Situation of Technical Human Resources Industry

In the temporary staffing service business, there are approximately 20,000 locations that are registered for the provision of engineer dispatching services. The following table shows the 10 largest providers of technical human resource services. The largest two companies, including the Company, are much larger than the other eight.

#### Technical Services Category Top 10

Rank	Company name	Net sales (millions of yen)	Share
1	TechnoPro Holdings, Inc. (consolidated)	90,323	14.7%
2	MEITEC CORPORATION (consolidated)	87,888	14.3%
3	Forum Engineering Inc.	31,900	5.2%
4	WDB Holdings Co., Ltd.	29,755	4.9%
5	Altech Corporation (consolidated)	22,723	3.7%
6	Trust Tech Inc. (engineer dispatch subcontracting department sales)	21,904	3.6%
7	VSN, Inc.	19,379	3.2%
8	JAPAN TECSEED CO., LTD.	10,737	1.8%
9	YUME TECHNOLOGY CO., LTD.	4,772	0.8%
10	HIP CORPORATION (outsourcing business department sales)	4,720	0.8%
Total		324,101	52.9%

Source: Yano Research Institute "Current human resources business and prospects, 2016"

# Financial and Non-financial Highlights

TechnoPro Holdings, Inc. and its subsidiaries  
Years ended June 30, 2014 through 2016

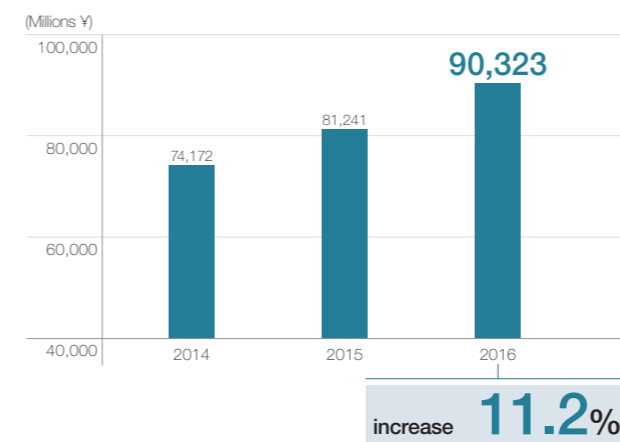
	Millions of Yen			Thousands of U.S. Dollars*1
	2014	2015	2016	2016
Revenue	¥74,172	¥81,241	<b>¥90,323</b>	<b>\$886,310</b>
Gross profit	16,840	19,081	<b>21,328</b>	<b>209,284</b>
Operating profit	5,688	7,283	<b>8,494</b>	<b>83,348</b>
Profit before income taxes	4,201	6,832	<b>7,920</b>	<b>77,725</b>
Net profit attributable to owners of the parent company	4,027	6,874	<b>7,359</b>	<b>72,213</b>
Earnings per share attributable to owners of the parent company				
Basic earnings per share/diluted earnings per share (yen)	¥118.20	¥201.76	<b>¥215.80</b>	<b>\$2.12</b>
Cash dividends per share of common stock (yen)	¥0.00	¥100.88	<b>¥111.52</b>	<b>\$1.09</b>
Total assets	¥53,616	¥58,778	<b>¥63,634</b>	<b>\$624,421</b>
Total equity	15,070	21,973	<b>24,148</b>	<b>236,958</b>
Cash flow from operating activities	¥4,869	¥6,827	<b>¥7,950</b>	<b>\$78,018</b>
Cash flow from investing activities	(279)	(304)	<b>(906)</b>	<b>(8,894)</b>
Cash flow from financing activities	(6,607)	(4,502)	<b>(6,145)</b>	<b>(60,308)</b>
Gross profit margin (%)	22.7	23.5	<b>23.6</b>	
Operating profit margin (%)	7.7	9.0	<b>9.4</b>	
ROE (%)	30.8	37.1	<b>32.0</b>	
Domestic number of employed engineers (at year-end)	11,089	11,969	<b>13,127</b>	
Utilization rate*2 (%)	95.3	95.4	<b>95.1</b>	
Domestic number of newly recruited engineers	2,230	2,413	<b>2,480</b>	
Unit sales price*3 (thousand ¥)	¥ 601	¥ 614	<b>¥ 622</b>	

\*1 Yen amounts have been translated into U.S. dollars, for convenience only, at the exchange rate of ¥101.91=US\$1.

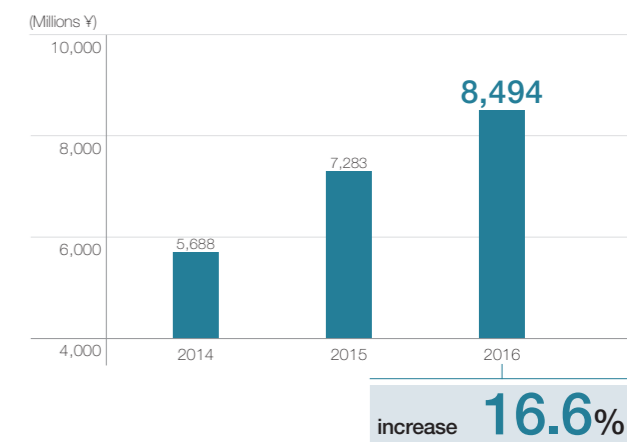
\*2  $\Sigma$ [Domestic number of engineers at the end of the month] /  $\Sigma$ [Domestic number of employed engineers at the end of the month]

\*3 Domestic total sales of main subsidiaries /  $\Sigma$ [Domestic number of operating engineers at the end of the month]

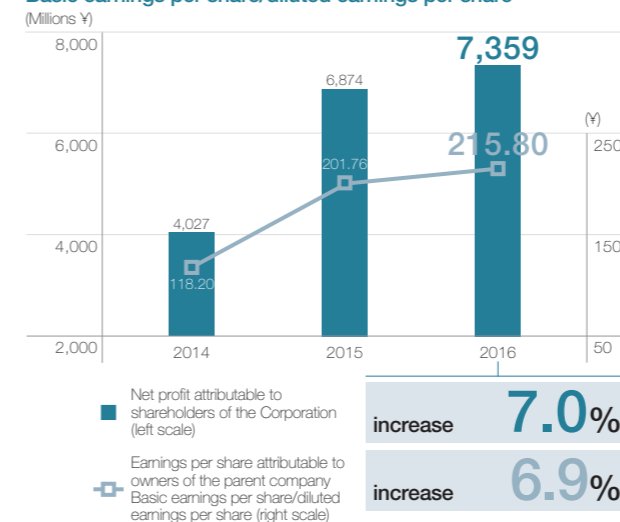
## Revenue



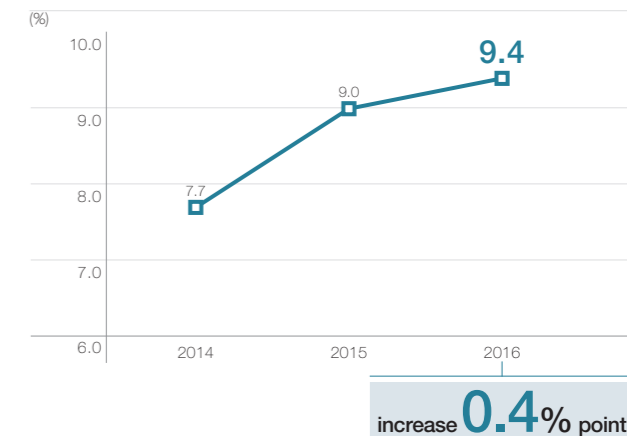
## Operating profit



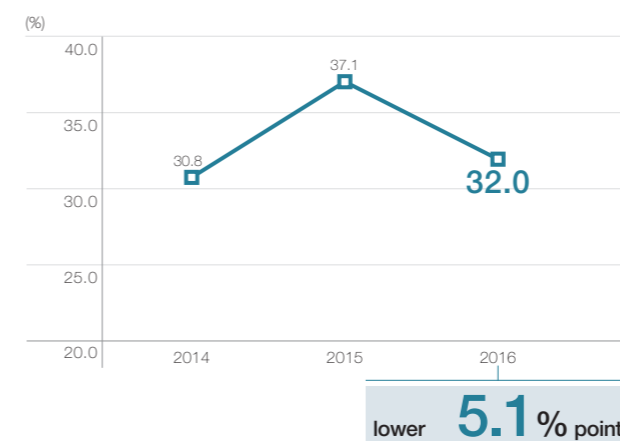
## Net profit attributable to owners of the parent company Earnings per share attributable to owners of the parent company Basic earnings per share/diluted earnings per share



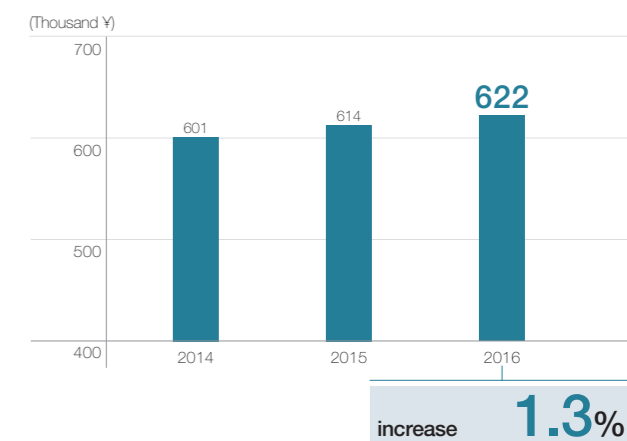
## Operating profit margin



## ROE



## Unit sales price\*



\* Domestic total sales of main subsidiaries /  $\Sigma$ [Domestic number of operating engineers at the end of the month]

## Message from the President

TechnoPro is dedicated to contributing to technological progress in Japan by supplying highly skilled engineers. The engineers we dispatch have the knowledge required by Japanese companies for the R&D and IT activities that are critical to achieving their goals. Furthermore, we give our engineers opportunities to upgrade their capabilities in order to realize their full potential. I look forward to using our resources to play an even greater role in Japan's social and economic progress.



### YASUJI NISHIO

President, Representative Director and CEO

- 1974 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)
- 2000 Head of Controller Division, ditto  
Managing Executive Officer, Yamasa, Co., Ltd.
- 2004 Senior Managing Director,  
SECOM Medical Resources Co., Ltd.
- 2005 Standing Director, Yotsuya Medical Cube,  
Medical Corporation Anshinkai
- 2006 CFO and General Manager of Finance  
Department, Showajisyo Inc.
- 2007 Senior Executive Officer, CFO,  
Kokusai Kogyo Co., Ltd.
- 2008 Director and CFO, The Goodwill Group, Inc.
- 2009 Managing Executive Officer and CFO,  
Radia Holdings, Inc.
- 2010 Managing Director and CFO,  
Advantage Resourcing Japan, Inc.
- 2012 Managing Director, CFO and General Manager of  
Finance & Accounting Division,  
TechnoPro Holdings, Inc.
- 2013 Representative Director, President, CEO, CFO  
and General Manager of Finance & Accounting  
Division, ditto
- 2014 Representative Director, President and CEO, ditto  
(at present)  
Representative Director and President,  
TechnoPro, Inc. (at present)

## Evolving with Our Markets

Progress inevitably causes the demise of some companies and industries and the emergence of others. The same is true of engineers. However, engineering technologies do not easily become obsolete. It is therefore important that engineers be moved to fields where demand has strengthened. People who work with technologies must improve their skills in order to match the requirements of new and growing business fields. We fulfill the key social role of assisting in the redeployment and use of engineers in order to keep up with new technologies. This role requires helping client companies achieve their objectives while providing our engineers with assistance and opportunities to accomplish their personal goals.

## Benefits and Obligations of Public Ownership

Before our initial public offering, short-term earnings were a comparatively high priority of ours due in part to our ownership structure. As a publicly owned company, we now have a large number of shareholders who support measures for the long-term growth of corporate value. Investments in education and our internal IT systems are key elements of our long-term growth. Education contributes to our growth by enhancing the capabilities of our workforce, which means higher satisfaction among client companies. This contributes to reducing the employee turnover rate, and increasing the number of our engineers. This allows us to raise the rates we charge for supplying engineers, resulting in higher earnings and higher wages for our engineers.

IT is vital to the efficiency of our operations by facilitating the centralized management of our four internal companies and subsidiaries. We also use IT to collect and analyze reliable data from activities in prior years for determining the types of people and technologies that are most in demand. Based on this information, we tell our engineers what they need to study to acquire even more competitive skills. In addition, we give our engineers the support needed for upgrading their skills on their own.

Another benefit of public ownership is opportunities for communications with many institutional investors. I want to supply information about our operations and strategies at the same high level as excellent companies throughout the world. We will continue to improve how we disclose information and interact with investors.

To upgrade our governance, we have established a Nominations and Compensation Advisory Committee. I currently chair this committee, but going forward our plan is to have an external director chair this committee.

## The Growth 1000 Medium-term Plan

In August 2015, we announced a medium-term management plan called Growth 1000 that covers the three-year period ending in June 2018. Accelerated growth is the central theme. The plan builds on the accomplishments of prior years for establishing a powerful infrastructure for our group. In this plan's first year, the performance of our engineer dispatching business surpassed our target. However contract assignment business\* and outsourced development failed to reach their respective targets. The short-term provision of contract assignment business is



difficult because of the issue of project manager education and training. Customers want service providers who can come up with ideas to solve problems. There is also a need to expand the contract assignment business as it is high-value-added than the engineer dispatching business. We will be performing thorough training programs for engineers and project managers involved with outsourcing for the growth of this business.

After only one year, I am already seeing significant accomplishments concerning many goals of Growth 1000. We have a stronger framework for revenue in our engineer dispatching service. We are expanding into other sectors of the technical human resource services market to benefit from synergies that leverage our core competence in engineer staffing. Examples include support for recruiting and training engineers and support for realigning operations in response to changes in markets. There is also progress regarding our goal of structuring our operations for more resistance to economic and market cycles. Actions include client diversification, flexible cost management and focusing engineers' skills on strategic and growing market sectors such as embedded software, 3D designs, CAE, inverter technologies and high-frequency circuitry. I am confident that this plan points us in the right direction for profitable and sustained growth.

\*Contract assignment business: Commissioning specialist TechnoPro engineers to undertake development work at one of TechnoPro's in-house development centers and at facilities set up by the company.

## Ambitious Targets for Financial Soundness and Profitability

I believe the TechnoPro Group should aim for ambitious financial targets because of the current favorable financial climate in Japan and a business model that generates substantial cash flows. Regarding earnings, we have made a commitment to maintain a dividend payout ratio of 50% and will use remaining earnings chiefly for investments for growth. Our target for profitability is an ROE that is consistently at least 20%. Sustaining consistent long-term growth is one of our highest priorities. We will retain our aggressive stance for making the investments required to reach our financial targets.

## A More Diverse Technology Staffing Organization

The engineering dispatching service accounts for most of our activities now. At some point, I want to start supplying our client companies with people covering a broader range of tasks that involve technology.

Expanding our operations will demand more investments in training and the growth of our contract assignment business and outsourced development business.

Acquisitions are a quick and cost-effective way to add new services. One example is our September 2015 acquisition of Pc Assist Co., Ltd. Pc Assist is a computer education and training company specializing in CAD and other technologies, that has been able to grow even in a recessionary environment. The company has also contributed to enhancing education and training of our own engineers and rationalization of education and training costs. Another illustration is the March 2016 acquisition of ON THE MARK Co., Ltd. Adding this company to our group will enable us to grow in the engineer dispatching business and outsourced development business market for IT system consulting, development and operations. We expect synergies with our engineer

staffing service business. We will continue to seek acquisitions for the purpose of adding capabilities we do not have rather than simply to become larger. Overseas expansion is a potential area of diversification. These acquisitions may include companies and businesses in other countries if there are suitable opportunities.

## A Firm Commitment to Compliance

Risk factors involving compliance are substantial in the human resource services industry and we have effective measures in place to deal with this risk. Most significant was our decision about seven years ago to withdraw from manufacturing engineer dispatching, temporary staffing business in the U. S. and Europe and production technology in order to concentrate solely on engineer dispatching, a market sector with relatively low compliance risk. To reinforce our compliance system, we constantly monitor revisions to regulations as well as factors affecting reputation risk, notably the public's perception of our business. Our senior executives are well aware of compliance risk and we will be taking more actions for increasing the awareness and understanding of compliance risk among our engineers too.

## Big Opportunities for the TechnoPro Group

As a technology-oriented nation, Japan must become an increasingly important location for R&D activities even as companies continue to move manufacturing overseas. R&D requires highly specialized know-how and companies in Japan are having difficulty hiring the people they need. This situation creates a big opportunity for us. One of our most valuable strengths is the expertise for identifying changes in the technology requirements of client companies and efficiently supplying people with the right skills. Our proven ability to recruit experienced engineers is instrumental to this strength.

As Japan's market for the engineer dispatching service expands, large companies are accounting for an increasing share of this market. Most midsize and small companies in this market rely on only a few regular customers, so they cannot easily adapt to changes in markets. Amendments to Japan's Worker Dispatching Act have created more challenges for these companies. As a result, an increasing number of companies are choosing large providers of human resource services like the TechnoPro Group.

## A Powerful Profit Structure Centered on Consistent Revenue

To build a profit structure with only small exposure to economic downturns, we have been working on creating a business model oriented toward activities that generate steady revenue streams. By using our services, companies can control personnel expenses because our contracts normally cover only a three- to six-month period. From our standpoint, we need to identify the types of engineering expertise and client companies that are most likely to result in contract renewals and long relationships. These ties are essential to increasing sources of consistent revenue.

Basically, our sales depend on the number of engineers we supply and the rates we charge for each one. More people and higher rates are needed for sales and earnings growth. To increase rates, our group has been implementing initiatives we call "shift up" and "charge up." Shifting up aims to receive higher rates by placing people in assignments with better rates. Charging up means negotiating higher unit prices when we renew contracts.

### Decisive Initiatives for Improvement in Many Areas

We have made considerable progress involving numerous issues and goals that existed when we became a publicly owned company. Recruiting is one issue. In the past, few people knew about us because we provide services directly to companies rather than the public. But we can hire people more easily now that our stock listing gives us a higher profile. Another improvement occurred two years ago when we combined four companies to become more efficient through economies of scale. This integration eliminated redundant activities, combined differing personnel systems and stopped companies within our group from competing against each other in overlapping markets. Furthermore, we now have centralized and unified systems for IT, administrative operations and evaluating the performance of our people. Another improvement is a more effective training infrastructure through the use of our strategy map.

To earn higher rates for our engineer dispatching service, I want to increase the number of placement contracts where we supply entire teams. Although the diversity of the companies we serve negatively affects our rates somewhat, it is essential from the standpoint of spreading risk. Nevertheless, we are still able to charge more than the industry average. Increasing synergy among our four companies is another goal. I plan to accomplish this by using standardized operations at all companies and creating a single IT infrastructure. In addition, I expect our administrative operations to become still more efficient. One reason is amendments to Japan's laws governing temporary staffing that had created impediments to unifying administrative departments.

By taking the actions I have outlined, we are steadily moving closer to our overall objective of becoming Japan's leading technical human resource services group. We will continue to take actions to increase our involvement in many categories of services peripheral to our core engineer staffing service business. I am confident that enhancing our existing strengths while building on these strengths to enter new markets and launch new services will lead us to more growth.

September 2016



Yasuji Nishio  
President, Representative Director and CEO

## TOPIC

# Response to the Amended Workers Dispatch Law

### Highlights of the Amendments and their Business Impact

The revised Worker Dispatching Act, whose primary purpose is to protect workers, went into effect on September 30, 2015. These revisions had three main thrusts.

The first thrust was to abolish the notification-type specific staffing business, with only the general worker staffing business requiring a license from the Ministry of Health, Labour and Welfare. Second, restrictions on dispatch to certain types of businesses have been lifted. At the same time, three years was designated as the maximum term for dispatched employees with fixed-term employment periods sent to the same dispatch location. On the other hand, limitations on the dispatch period were lifted for dispatched employees not under fixed-term employment. Third, measures for the career advancement and employment stability of dispatched employees were made compulsory for staffing companies. As we describe below, these amendments are generally advantageous for the TechnoPro Group's business.

The first item, regarding the staffing business authorization system, eliminates malicious and simplistic operators. The TechnoPro Group satisfies the licensing requirements under the new system, and is accordingly designated a "quality staffing operator," further enhancing our trustworthiness.

Regarding the second item on employment period, all TechnoPro Group employees with the exception of certain construction management engineers are permanent employees and not under term-based employment. Accordingly, the dispatch period limitation has little impact on us.

Concerning the third item of making support for career advancement obligatory, we have already been focusing on training human resources and supporting their self-fulfillment. With TechnoPro Learning as our central education and training facility, the TechnoPro Group is firmly in a position of leadership in promoting human resource development.

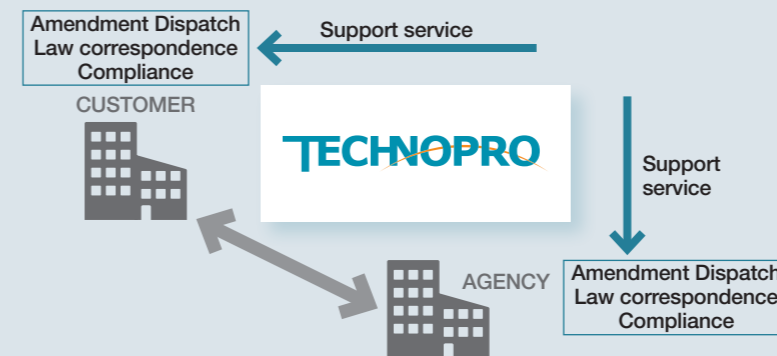
### Responses from the TechnoPro Group

The TechnoPro Group's accreditation as a "quality staffing operator" underscores its trustworthiness and excludes it from the dispatch period limitations under indefinite-term employment. This factor, plus an enhanced career advancement support system, are advantageous conditions for us in the market since the Workers Dispatch Law amendment enables us to secure client companies

and promote proactive measures to attract superior human resources.

At the same time, we see the Workers Dispatch Law amendments as providing a business opportunity, and we intend to leverage the TechnoPro Group's resources to launch the full-scale provision of support services. Specifically, we will address the needs of client companies that need to secure human resources and reinforce compliance in response to amended regulatory trends by conducting compliance seminars and holding compliance tests. Also, for other staffing companies that have no particular career advancement support systems in place, we operate learning centers at four locations throughout Japan and provide education and training, as well as career counseling through Pc Assist Co., Ltd., a subsidiary.

All the TechnoPro Group's staffing business locations have already obtained post-amendment worker dispatch business licenses (formerly, general worker dispatching business licenses).



## Message from the Chief Financial Officer



**My primary roles as chief financial officer are helping achieve the optimum business portfolio, a process that includes investments for growth, maintaining strong lines of communication with shareholders, and increasing corporate value by growing faster than our cost of capital and creating opportunities. Accomplishing this goal requires maintaining a sound balance sheet that can support our business model.**

**HIROSHI SATO**  
Director and CFO, Managing Executive Officer

Medium- and long-term investment for growth

Non-dispatch areas  
Business infrastructure

Shareholder return

Maintain the dividend payout ratio at 50%

Balance sheet with focus on capital efficiency

D/E ratio 0.4–0.8

### Opportunity to Support New Companies with Growth Potential

I became the CFO of the TechnoPro Group in early 2014 because of my belief that this position is a perfect opportunity for me to use my experience as the CFO of a multinational corporation to provide support to a relatively new company with excellent prospects for growth. The TechnoPro Group plays a key role in the technology sector, which is a key component of Japan's economy. I believe the importance of this role will continue to increase. TechnoPro's social mission is to maximize the capabilities of engineers on temporary staffing assignments by placing them in the best possible jobs. This mission is a perfect match with my past experience as a CFO at a TechnoPro client company where I was involved with the utilization of engineers.

### The Importance of Shareholder Engagement

Participating in dialogues with shareholders and other investors is one of the most important aspects of my job. Institutional investors, and especially foreign investors, are our main shareholders. Strong lines of communication with shareholders are vital to enabling us to grow in tandem with shareholders. This is because shareholders have entrusted TechnoPro's executives with the management of our group. Furthermore, shareholders provide extremely valuable and useful information about financial markets and other matters that we use to establish and reexamine our strategies.

Our May 2016 cancellation of our April 2016 offering of stock acquisition rights demonstrates this commitment to listening to shareholders. We sold these rights as one way to procure funds for our investment in growth. Subsequently, shareholders and other investors told us about concerns regarding the negative effect of these stock acquisition rights on our share price. After a quick two-month review of the issue, we decided to repurchase and cancel all stock acquisition rights.

In April 2016, we also procured ¥450 million by selling stock. As a result, we were reclassified as a large company under the tax law and were no longer eligible for special measures for small and medium enterprises, including the special treatment of losses carried forward for tax deductions, for assisting small and midsize companies. Consequently, regarding our income taxes, including both current and deferred taxes, we considered the most recent trends in the tax system, and have created a structure to assure that our tax rates will rise only gradually and not see a sudden surge when losses carried forward are completely written off. Due to more consistent tax expenses, net income will more accurately reflect our actual performance in each year. As part of our commitment to grow along with our shareholders, I want to achieve steady growth in our earnings per share.

### Sustained Growth with Financial Soundness

In August 2015, TechnoPro Holdings announced a medium-term management plan called Growth 1000. During the three years of this plan, we are aiming for double-digit sales and operating income growth with an ROE of at least 20%. Also, we are committed to a dividend payout ratio of at least 50%. We plan to make substantial investments to continue double-digit growth while maintaining an appropriate level of debt in consideration of the cost of capital. I think our balance sheet can easily support a debt-equity ratio in the range of 0.4 to 0.8.

For acquisitions and other investments for growth, our basic stance is to use free cash flows after dividends and loans. Increasing EPS is the primary goal of acquisitions. Therefore, we may subsequently use equity for funding in cases where we are confident of a contribution to medium-term EPS growth and where we have received the understanding of shareholders. Regardless of the funding method, we will continue to aggressively pursue opportunities created by the current favorable operating environment. Acquisitions will target mainly business fields where we can capture synergies with our engineering staffing service. Adding more value to the skills of these engineers is the central objective. Outside Japan, we are focusing on Asia because of its considerable potential for growth. We are considering investments in this region for establishing ties with business partners and other activities.

We consider acquisitions only for companies that have the potential to achieve an operating margin of at least 10%. Decisions about acquisitions will take into account valuations as well as assessments of the quality of engineers and business operations at other companies. Moreover, we acquire mainly privately owned companies. For listed companies, our acquisitions will be limited to business units rather than an entire company. At this time, we are conducting examinations of a number of potential takeover candidates that include due diligence about their technologies.

### Resilience to Economic Downturns

The global financial crisis left many investors with the impression that the temporary staffing services industry is vulnerable to the economic downturns. However, this vulnerability can be reduced by carefully selecting sound and growing categories of this industry. This is why our staffing services are centered on R&D activities and IT investments. For decades, Japan's R&D and IT investments have been climbing consistently with only brief interruptions. As a result, demand for engineers has been relatively steady. We will continue to control risk exposure by selecting business domains with a limited downside during economic adversity. Due to our substantial variable expenses and other reasons, I believe that we can control our expenses as needed by simply cutting back on recruiting activities even in the event of another global financial crisis.

### Financial Reporting and Corporate Governance

We use International Financial Reporting Standards (IFRS) because this is the global standard for accounting. Using these standards makes our financial information easy to understand and makes comparisons with other companies easier. Our policy is to use this standard to supply all pertinent information to investors. For example, some investors are concerned about the size of our goodwill. We have a rigorous examination program in which external professionals evaluate assets that require impairment. In addition, we divide this information based on our five business fields and then announce the results of individual impairment tests. We will continue to use IFRS to disclose information in a manner that is appropriate and easy to understand.

Corporate governance is another element of our dialogue with investors. We will continue to use input from this interaction to improve our governance. Our board of directors holds extensive and unrestricted discussions about subjects just as at companies in the United States and Europe. We announce the results of evaluations of our board so that everyone is aware of points that require attention. This openness is an important part of the TechnoPro corporate culture.

I will continue to focus on the themes and goals in this message so that TechnoPro can grow while preserving soundness and discipline with respect to its financial condition.

## Sustained Growth Backed by Value Creation

The TechnoPro Group's value creation process has three key components. First is the recruiting and training of carefully selected people in order to provide client companies with technically skilled workers. Second is a data processing and management system to oversee our operations. Third is a powerful sales infrastructure for capturing orders. Building win-win relationships for client companies and our temporary placement workforce is the objective. We are also dedicated to contributing to society. We plan to continue to grow through the use of this value creation cycle.

### 3 Value Creation from Promotion of the Success of Engineers

We are making substantial investments to build an even stronger IT infrastructure. Our goal is to create a business operations system based on the IT System Construction Road Map in the current medium-term business plan. Consistently making investments for improving efficiency is essential for maintaining an administrative framework that allows engineers to use their capabilities to the greatest extent. Preserving a sound profit structure also requires continuous IT investments.

→ For more details, see page 30

### 4 Value Creation from Sales Activities

Our sales force is one of the greatest assets of the TechnoPro Group, performing various activities that generate about 1,400 new orders every month. Receiving a large volume of orders helps attract talented engineers, enabling us to supply client companies with the advanced skills they require. The resulting earnings provide funds for training programs to further enhance these skills. Maintaining this virtuous cycle is a major reason for our growth.

→ For more details, see page 32



### 1 Value Creation from Recruiting Activities

To hire the talented people who are vital to our growth, we have recruiting specialists at all our business locations in Japan. These people use a variety of channels to seek applicants for our temporary placement workforce. Overall, we maintain lines of communication with about 20,000 engineering applicant every year with technical skills. Our goal is to maintain a large number of employment for temporary placements through recruiting activities that utilize the distinctive strengths of different media channels.

→ For more details, see page 25

### 2 Value Creation from Upgrading Skills

Sustained growth and the creation of corporate value require building a win-win-win relationship among client companies, our engineers and the TechnoPro Group. This is why training programs centered on strategic technologies for upgrading the skills of our workers are a priority of ours. Enhancing skills of engineers is critical to our ability to receive higher rates for our services.

→ For more details, see page 27

### 5 Value Creation from Sound Corporate Governance

Sustained growth in sales and earnings as well as corporate value demands a corporate governance framework that emphasizes effective checks and balances. To maintain this framework, TechnoPro Holdings uses the Board of Corporate Auditors management system and has a Nomination and Compensation Advisory Committee. Compliance is another priority in order to ensure that we operate in line with social and other guidelines. There are also many other initiatives for strengthening the management of the TechnoPro Group.

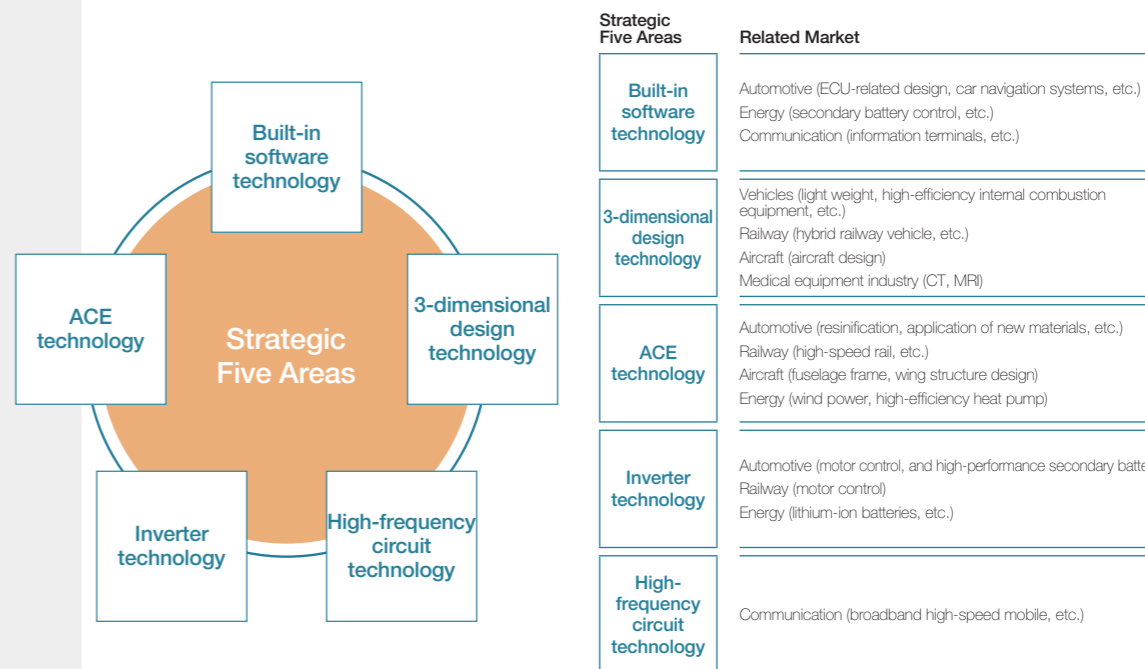
→ For more details, see page 35

## Message from Director



The success of the TechnoPro Group requires more than meeting our customers' demands. We must be an organization capable of targeting the growth industries of the future while continuing to strengthen our ability to upgrade the skills of our engineers.

**GAKU SHIMAOKA**  
 Director, Managing Executive Officer  
 President of TechnoPro Design Company



### The TechnoPro Technology Strategy Map

Our "Technology Strategy Map" defines our strategic objectives. To make this map, we used actual economic and industry data along with our own customer data in order to eliminate conjecture and guesswork. We used this process to create a forecast for the critical technologies that will be required 10 to 20 years from now. Then we determined what types of training and operations will be required. This foresight enables engineers, salespeople and all others at our group to do their jobs based on foresight on how our markets will change over the next 10 or 20 years. Using this strategy map makes it possible to shift the focus of our human resource services to high-quality, advanced technologies that are not likely to be influenced by economic downturns.

The "Technology Strategy Map" allows our sales team to target companies that are developing technologies as projected in the map. We will also use the map to recruit people with the technological skills we anticipate will be in demand. The strategy map is the basis for the expansion of our training activities too. In fact, the curriculum of the training company we acquired in 2015 is consistent with our strategy map. We even use this map to evaluate the performance of our employees. Benefits are quickly emerging. Currently, one-third of the workforce of about 6,000 in our organization works at TechnoPro Design, an in-house company focused on strategic market sectors. We have been able to increase the workforce in these sectors by about 1,000 over the past three years.

### Improving Operations in Many Ways

To continue growing, the TechnoPro Group must take actions for improving three aspects of operations. First is a more powerful salesforce in order to expand our outsourcing business. One big step in this direction was the start in this fiscal year of consultant training for our sales personnel. Second is receiving higher rates for our services. Presently, our prices are slightly above the industry average. But I believe that we can charge higher prices by using our distinctive and competitive business model to improve the composition of our business activities. Third is improving our employee retention. We must become an organization where people want to stay. A lower attrition rate will cut recruiting expenses. This will upgrade our technology skills by enabling us to increase training expenditures. Finally, it will improve the environment and strengthen our profit structure.

Overall, I believe the TechnoPro Group has forward-looking operations that are well positioned for upcoming market and technology trends. We have learned a lot from the challenges we faced in prior years and have taken decisive steps to build a resilient yet flexible business model for steady progress. I look forward to overseeing more initiatives in the coming years that will put us in a still better position for long-term success.

### A Powerful Cycle of Growth

Identifying emerging market trends and needs is instrumental to our ability to target growing market sectors and formulate effective strategies. Our team of dispatched engineers and other employees are able to perform their jobs based on a strong awareness of these trends and needs. The result is a powerful cycle that fuels our growth. Sales growth allows us to increase investments in training and education, which gives us an even more highly skilled workforce. This increasing of our engineers' skills leads to greater customer satisfaction, which enables us to receive higher prices for our services.

### A Sound Business Model

Today's TechnoPro Group's business model is built around a focus on human resource services involving advanced technologies. This model originated from the extreme challenges created by the global financial crisis that began in 2008. Due to economic adversity at that time, TechnoPro as well as our client companies faced daunting challenges. Many engineers who had jobs closely related to manufacturing had to be released as a result.

To reshape our business model, we performed a rigorous analysis of our customers and market conditions. We wanted to know how to create the most value for customers. We looked at the differences between our workers who remained on assignments and those who were returned. We also analyzed the industries and types of workers that survived the so-called Great Recession.

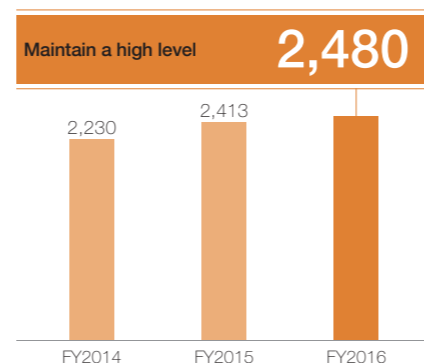
This analysis revealed that the demand for workers does not decline in strong industries and business sectors linked to strong technologies. We then transformed this insight into our "Technology Strategy Map," which shows where investments are most likely to continue even during a recession.

## Using Recruiting Activities to Create Value

Recruiting skilled engineers is vital to the TechnoPro Group's ability to continue growing. Technical knowledge is only one requirement of client looking for experienced professionals. Companies using these workers also want people with communication skills and the ability to create new ideas for solving problems. For new graduates, we look for people with a strong desire to acquire technological know-how for upstream tasks. Our recruiting activities are structured to identify applicants with these attributes.

We hire a large number of people every year. There were almost 2,500 new employees during the year ended in June 2016. In recent years, hiring people has become challenging because of the limited supply of engineers in Japan, and this creates intense recruiting competition between manufacturers, IT related companies, and others.

Domestic number of newly recruited engineers



### Many Types of Recruiting Channels

Our human resources section is only one of many components of our activities for hiring engineers. All of our locations in Japan have people responsible solely for recruiting experienced workers and new graduates. These individuals use a variety of channels to attract a large number of applicants.

Recruiting activities targeting experienced workers are based on TechnoPro's technology strategy. Internet channels like Hello Work are the focus of these activities, but recruiting also uses staff agencies, outplacement firms, referrals from our engineers, paper media, job fairs and other measures. By conducting recruiting activities that utilize the unique strengths of each type of medium, we maintain lines of communication with over 20,000 engineering applicants every year. Referrals from employees are an especially important source of new engineers that generate a positive cycle. Applicants recommended by employees are usually highly skilled. This saves money by simplifying the recruiting process, which allows us to upgrade training programs and increase bonuses.

To hire new graduates of colleges and other schools, we use a distinctive recruiting process to achieve a mutual understanding with students. This process involves following the initial interview with a discussion in a relaxed and informal environment. Using this approach gives students a thorough understanding of our business operations. These discussions give us the opportunity to check for any reasons for not an applicant while giving students more confidence about selecting TechnoPro. Over the years, this recruiting process has proved meaningful in hiring new graduates.

#### Efforts of Each Group Company — TechnoPro R&D

##### Recruiting Activities Focused on Masters and Doctoral Degree Holders Graduate

TechnoPro R&D has a temporary staffing service for biochemical research scientists and performs contract assignment business. Due to the technical nature of its operations, this company hires almost only people who have graduate degrees in master and PhD. This recruiting policy is highly unusual in the temporary staffing industry. However, some experienced workers with only an undergraduate degree are hired. Emphasis is placed on hiring research scientists with a PhD. Recently, about 20% of new graduates and 30% of mid-career workers who were newly hired have a PhD. TechnoPro R&D plans to continue increasing the share of its researchers with doctoral degrees.

TechnoPro R&D has a rigorous selection process to hire only the most talented individuals. For instance, the selection of new graduates includes a presentation about their research to other scientists.

### Medium- to Long-Term Initiatives → Creating a Virtuous Cycle Backed by Stronger Ties with Universities

Competition for hiring people with the right skills is becoming more intense every year. To support recruiting activities, the TechnoPro Group is building stronger ties with universities so that schools and instructors recommend TechnoPro to more students. For instructor recommendations concerning new graduates we are striving to establish relationships rooted in trust with professors lecturing at seminars and also those working in research institutions. University recommendations, usually involve a school's career center or other unit to help students find jobs. Using these recommendations we achieve the efficiency of recruiting and reduce the risk of an applicant accepting and then rejecting a TechnoPro offer. At times, we make a school recruiting visit with a TechnoPro employee who attended the same university. Benefiting from graduate talking about the TechnoPro Group helps raise awareness of the Group and the reliability of working at a group company.

We have been performing many activities since 2014 for increasing the number of new employees resulting from recommendations by schools and instructors. Starting in the fiscal year ending in June 2017, we will use information meetings at research facilities and other new activities aimed at building even stronger relationships with universities.

### Socially Responsible Recruiting Activities

#### Creating Post-doctoral Career Paths

In Japan, there are about 20,000 people with doctoral degrees who are engaged in research projects at universities and other locations. Since these projects are term-based, there is a need to create job opportunities for these people. Currently, opportunities are very limited because

there are no programs to create jobs for these post-doctoral researchers. Japan's custom of hiring new university graduates only once each year is another impediment. Due to this situation, very few PhD research scientists are able to use their skills at the research facilities of companies.

Creating job opportunities for these scientists is a priority of TechnoPro R&D and other group companies. Special emphasis is placed on hiring experienced research scientists currently participating in post-doctoral projects. We now have about 140 of these scientists on our staff and plan to raise this number to about 1,000 as soon as possible.

Post-doctoral recruiting activities included collaboration with universities that participated in the Post-doctoral Career Development Program of the Ministry of Education, Culture, Sports, Science and Technology, which ended in March 2016. Since then, we have been cooperating with programs at universities for helping PhD students nearing graduation and individuals with this degree to start a suitable career.

By increasing opportunities for PhD students and individuals who have received PhD degrees, we contribute to progress of technology in Japan.



#### Jobs and Support for People with Disabilities

We fulfill our legal obligation concerning the employment of employees with disabilities and go one more step by using the skills of these employees to contribute to our growth. Every year, our workforce increases by about 1,000. At TechnoPro Smile, our primary employer of people with disabilities, these

individuals account for more than the legally mandated minimum of 2% of all employees. A special-purpose subsidiary, TechnoPro Smile, performs a variety of office work, chiefly tasks outsourced by other group companies.

Securing a consistent flow of work will be essential for TechnoPro Smile. To help supply this work, from the fiscal year ending in June 2017, TechnoPro Holdings is outsourcing social insurance tasks to TechnoPro Smile and has transferred 10 employees involved with social insurance to this company. This step is consistent with our policy of using the most suitable people in the most suitable jobs in order to fully utilize everyone's capabilities. Furthermore, we provided support for performing and supervising these insurance tasks to ensure a smooth transition to TechnoPro Smile.

To provide more jobs for people with disabilities, we plan to start a printing operation at the Yokohama office for business cards and other internal requirements at group companies. We are confident this will give these individuals the opportunity to demonstrate their ability to perform tasks with reliability and accuracy.



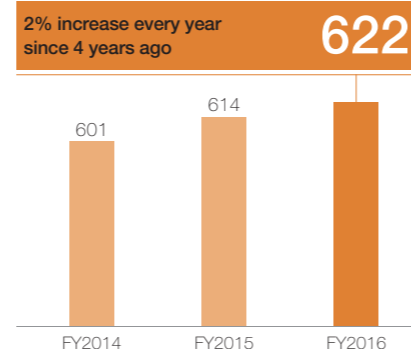
# Creating Value through Human Resources Development

Human resources represent management resources for the TechnoPro Group. Improving engineers' skills creates a win-win relationship for the TechnoPro Group and clients who use these engineers, generating growth and corporate value. Our approach is to identify strategic technologies, positioning those that are important now and will be in the future. On this basis, we then work to develop training programs and cultivate human resources, thereby augmenting the value we offer to clients.

As a result, the TechnoPro Group's monthly unit charge per engineer on a contract basis has grown by around 2% per year since the fiscal year ended June 30, 2011. Increasing unit charge amounts due to rising engineer skill levels will continue to be a growth driver for the TechnoPro Group going forward.

## Unit Sales Price

(Thousand yen per month)



\* Domestic total sales of main subsidiaries / Domestic number of employed engineers at the end of the month

## Handling the Preparation and Operation of Training Programs

TechnoPro Learning, the institution in charge of education and training in the TechnoPro Group, prepares and implements level-based, function-based and region-based training programs. TechnoPro Learning provides training at four centers throughout Japan. In addition, subsidiary PC Assist Co., Ltd. operates Win Schools in 60 major cities in all areas of Japan, forms alliances with other educational institutions, and offers correspondence courses.

Technological field-based training centered on enhancing skills involves programs focused on machinery, 3D CAD, electricity and electronics, embedded controls, information and chemistry, enabling engineers to learn the newest technologies in their fields of expertise. We also offer level-based training and human business training, providing programs themed on such topics as business manners, project management, communications and leadership.

TechnoPro Learning oversees Group human resource development based on three factors: (1) customer needs, (2) the future direction of the TechnoPro Group and (3) engineers' desires. Based on this oversight, individual internal companies select the training that is appropriate for each engineer based on their technical areas. For example, TechnoPro Design, our internal company related to mechanical and electrical engineering, customizes training content according to five strategic areas based on the internally formulated technology strategy map (embedded software, 3D design, CAE, inverter and high-frequency circuit design), conducting detailed human resource training for each engineer. Rather than being fixed, our technology strategy map and five strategic areas are subject to change, and we review their content annually at examination board meetings that include experts from within and outside the Company.

## Training Plan for New-Graduate Human Resources

In addition to its practice of hiring work-ready recruits, the TechnoPro Group concentrates on recruiting and training new-graduate engineers. To date, we have employed full-time career design advisors (CDAs) to handle support activities that prepare engineers for the future. To reinforce our newly graduated human resources, in 2015 we introduced a young human resources training system.

The young human resources training system is a five-year program aimed at giving people design process skills in the fields of machinery, electricity and electronics. Young engineers work with CDAs, who function as career navigators. CDAs interview engineers after they join TechnoPro and help them tailor individual career and training plans. The CDA system helps new engineers reach training milestones, gain experience and earn necessary qualifications. In the IT sector, one priority is the visualization of skills by providing assistance for acquiring qualifications.

Emphasis is also placed on supportive activities that increase motivation. Due to these activities every new employee recruited immediately after graduation from a school has passed the tests for receiving qualifications designated by TechnoPro. In the chemistry and biology research sector, we are increasing on-the-job training by using the R&D facilities where we perform contract assignment business by client companies. In the construction management sector, new workers hired after graduation are usually paired with experienced workers on temporary placement assignments. Using this system allows new employees to acquire know-how directly from experienced workers as they do their jobs. Passing knowledge on to younger workers is critical in the construction industry due to the serious problem created by the aging of the construction engineering workforce.

Internally, the technology and sales departments interact with team leaders and members at the dispatch location to support the growth of new-graduate engineers after they join us. To prepare for more new-graduate recruits going forward, we plan to increase the number of CDAs and develop CDA expertise among team leaders at individual locations, thereby promoting companywide support for the growth of young employees.

## Providing Overall Support for the Self-Realization of Our Engineers

In 2012, TechnoPro Design introduced a self-fulfillment support system in which we provide overall backup for our engineers wanting to do a specific type of work and selecting target candidates. To date, 514 employees have applied and 359 have been provided with support, with 153 having already found their desired position (as of June 30, 2016).

The objective of the self-fulfillment support system is to demonstrate clearly our intent to work with employees into the future and help them voluntarily acquire technologies that have a strong future according to our technology strategy map. Furthermore, engineers who are able to realize their dreams command higher unit contract values and market values and are more motivated to enhance their skills. This situation also helps to boost engineer retention rates.

### Group Companies' Responses — TechnoPro Design

#### The Engineer Prism System and VEM Activities

TechnoPro Design objectively evaluates each engineer's technological skills and has introduced the Engineer Prism System (EPS) to calculate their appropriate market value. The EPS creates a database of information on all engineers—their fields of specialization, experience, performance and skills—creating a numerically managed evaluation standard.

Our Value Engineer Management (VEM) effort aims to fill the gap between engineers' current rates and their contract unit rates based on their market value as indicated by the EPS. We are seeking clients who will provide an appropriate valuation for engineers who are "young" and "work at low contract rates," with the agreement of these engineers. As a result, so far, we have succeeded in raising the charges at existing clients of approximately 50% of target engineers, and some 25% have increased their evaluations upon shifting to other clients.

The VEM effort is a measure to improve the contract unit rate. At the same time, it allows engineers to recognize their own market value and encourages them to undertake efforts to raise it. By introducing VEM activities, the TechnoPro Group is raising its unit sales and fostering the evolution of engineers' own awareness. In the future, we plan to make EPS-based evaluation a routine part of the sales process, and we expect performance to increase as a result.

# Value Creation

## Creating Value by Promoting the Success of Our Engineers

### Initiatives from a Medium- to Long-Term Perspective → CDA Follow-up Supporting Human Resource Development

Career design advisors (CDAs) support newly graduated human resources, playing an important role in human resource development. To achieve growth over the medium to long term, the TechnoPro Group sees CDA improvements—both quantitative and qualitative—as essential.

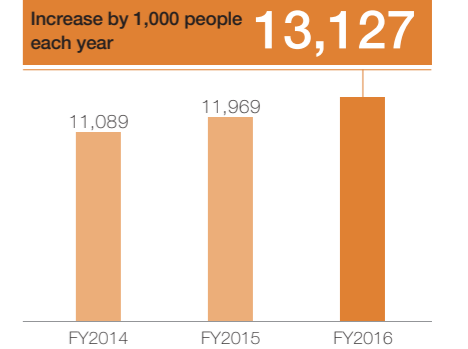
Follow-up training for CDAs is held twice a year to enhance their counseling skills. Training programs typically concentrate on role-playing. Through counseling, CDAs develop a rapport (trust-based relationships) with young employees and encourage their independent growth. This sort of counseling requires different skills to those that are provided through general training.

Going forward, we will share CDA-based young employee training expertise throughout the Group, customizing the format for individual companies' fields of business.

The TechnoPro Group is reinforcing its information systems to help engineers make the most of their capabilities. Through ongoing investments to enhance efficiency, we aim to establish a firm revenue base.

The total number of engineers provided by the TechnoPro Group continues to grow at a rate of 1,000 people per year, as the Group maintains a steady rate of recruiting and employee retention. To facilitate this expansion, we are building up our management structure. We also continue to invest aggressively in IT systems in order to maintain or enhance our cost-competitive structure.

Domestic number of employed engineers (at year-end)



### Human Resource Development from a CSR Perspective

#### Initiatives Connected with Employee Retention

Compared with turnover for the manufacturing industry on the whole which is in double digits (10.4% according to the 2015 Employment Trends Survey by the Ministry of Health, Labour and Welfare), employee turnover for the TechnoPro

Group is around 7% (full fiscal year ended June 30, 2016), and this level is improving every year.

We believe one reason turnover is falling is the success of our efforts to enhance employee satisfaction by steadily improving their compensation, particularly salaries and bonuses. By clarifying standards for salary and bonuses, we have cultivated an environment in which employees can work without anxiety. We are enhancing our internal information sharing.

In addition to improving compensation, we expand educational opportunities and foster among employees a sense of value and pride in their work. Through club activities, we work to cultivate horizontal ties among employees. Efforts such as these to enhance the working environment have proven effective at employee retention.

In addition, TechnoPro Holdings, Inc. was listed on the First Section of the Tokyo Stock Exchange on December 15, 2014. We believe this development has also contributed significantly to employee satisfaction and peace of mind.



#### Distributing an Employee Satisfaction Questionnaire

Measures to improve employee satisfaction result in better benefits as well as improvements in customer services, which makes employee satisfaction critical for sales activities, too. The TechnoPro Group distributes an employee satisfaction questionnaire each year. We consider our internal status based on its results and reflect them in our various measures and policy.

We started conducting this survey three years ago, and overall satisfaction has improved steadily each year through fiscal 2016. Survey results in fiscal 2016 indicated high levels of satisfaction with regard to items pertaining to the status of dispatch employment, with respondents indicating satisfaction with "the work itself," with "interpersonal relations" and with "working conditions." Satisfaction with "management policy" has also improved from three years ago. We take these results to mean that employee understanding of our target directions is increasing.

We started conducting this survey three years ago, and overall satisfaction has improved steadily each year through fiscal 2016. Survey results in fiscal 2016 indicated high levels of satisfaction with regard to items pertaining to the status of dispatch employment, with respondents indicating satisfaction with "the work itself," with "interpersonal relations" and with "working conditions." Satisfaction with "management policy" has also improved from three years ago. We take these results to mean that employee understanding of our target directions is increasing.

### Making Ongoing Investments in Information Systems

The TechnoPro Group has formulated a "system configuration roadmap" related to its medium-term management plan. Based on this roadmap, we are creating business systems and enhancing our IT infrastructure.

In the fiscal year ended June 30, 2016, we enhanced our business systems, centered on attendance and invoice management, as well as workflow. In parallel, we relocated our data center and disaster recovery center, and made investments necessary for these systems. As a result, we promoted business standardization and visibility and prepared to respond rapidly to legal system reforms. These efforts also succeeded in lowering operating expenses at our data center and disaster recovery center.

From the fiscal year ending June 30, 2017, we plan to make ongoing system investments centering on three areas: an integrated human resource management system, a sales force management and supply-demand matching system, and an integrated accounting and budget control system. Through these investments, we aim to further improve business efficiency and lower our ratio of selling, general and administrative expenses as a percentage of sales. We also aim to promote human resource cultivation through these investments.

### Medium- to Long-Term Initiatives → Investment Plan Based on Our System Configuration Roadmap

From the perspective of our medium- to long-term growth strategy, our investment in management efficiency improvements focuses on the optimal placement of engineers and the centralization of IT systems within the Group.

Using cumulative data is essential for matching skills and demand with greater precision in order to achieve the optimal placement of engineers. In addition, integrated IT management must be reinforced for growth in other technical human resource services. This includes integrated IT management at M&A target companies as well as the management of licenses and assets.

Based on its system configuration roadmap, over the next few years the TechnoPro Group will invest steadily toward achieving growth over the medium to long term.



# Value Creation

## Creating Value through Our Sales Activities

### Promoting the Success of Our Engineers from a CSR Perspective

#### Protecting Employees' Mental Health

The TechnoPro Group is working to improve various aspects of the working environment to maximize employee performance. Mental health measures are an important theme.

We introduced groupwide mental health measures in 2011, and

launched a five-year mental health plan in the fiscal year ended June 30, 2013. Under this plan, we are pursuing initiatives in stages, aiming to become a "group that puts in place autonomous mental health measures in the workplace" by the final year of the plan. During the four years so far, we have aligned the pace of measures under the plan across Group companies and, following Ministry of Health, Labour and Welfare guidelines, we have worked to promote awareness and self-care internally. We have put in place provisions for returning to work after leave, put in place structures to ensure sufficient recuperation when returning to work, incorporated mental health education in our training system, and provided opportunities to learn about self-care and line care.

Along with these measures, we have put in place an Internet-based mental health consultation system. This system provides materials that can be used throughout the Group and offers a mental health consultation function. In addition to employees themselves, we are actively promoting use of this system among managers and supervisors, aiming to contribute to mental health at each workplace.



#### Responding to Harassment in the Dispatch Business Category

Along with mental health, responding to harassment is an important theme of improving the working environment. The TechnoPro Group makes an ongoing effort to ensure awareness throughout the Group of moral harassment and sexual

harassment, with a focus on power harassment. In 2016, we began full-fledged efforts targeting maternity harassment.

As a feature of dispatch business, not only human relationships within our company but also harassment at client companies are a concern, so appropriate measures are required.

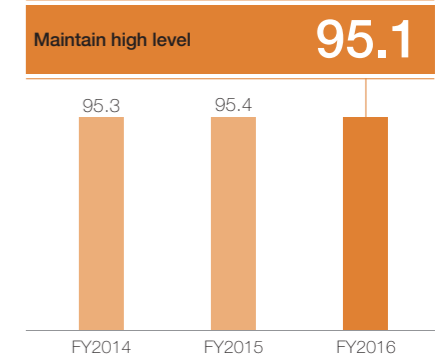
Similar to its mental health consultation system, the TechnoPro Group has set up a harassment consultation desk on the Internet to share information throughout the Group and respond to consultations.

Mental health and harassment-related issues reduce employee work motivation, which have a negative impact on clients and the TechnoPro Group alike. We will step up our responses in an effort to protect employees going forward.



A sales organization capable of receiving about 1,400 orders every month is one of our greatest strengths. More orders make it easier to recruit high grade engineers and other engineers because we can give them a large selection of attractive projects. Lots of excellent engineers also makes the TechnoPro Group more appealing to high-quality companies. Due to this positive cycle, we provide our services to prominent companies in numerous industries. This diversity significantly reduces the vulnerability of our profit structure to changes in the health of the economy or a particular industry.

#### Utilization rate (%)



\*  $\frac{\sum[\text{Domestic number of engineers at the end of the month}]}{\sum[\text{Domestic number of employed engineers at the end of the month}]}$

### More Customers in Key Business Fields

From our standpoint, the ideal customers are companies with jobs that enable our people to refine their skills and increase their market value. Sales activities are critical to our ability to give our engineers these opportunities. Our sales organization uses an enormous quantity of data to analyze past trends, current market conditions, create forecasts and establish core strategic objectives.

TechnoPro Design plays a central role in conducting sales activities targeting key fields of technology for our group. Our Technology Strategy Map, which sets forth fundamental strategic directions, is the basis for selecting key fields in the machinery, electricity and electronics, control technology, and other industries. Currently, there are five priority technology fields for sales activities: embedded software, 3D designs, computer-aided engineering, inverters and high-frequency circuit designs.

TechnoPro R&D is the primary company for services extended to companies in the chemicals, medicine and biotechnology sectors. The main goal is to receive orders for temporary staffing and contract assignment R&D operations from large pharmaceutical and chemical companies. One significant trend is the growth in demand for services involving advances in the drug and biotechnology fields. Regenerative medicine is one such field. Another is antibody drugs, which are attracting a lot of attention as a potentially revolutionary method for fighting cancer. In these fields, work begins with research at national research institutes and universities in accordance with policies of the Japanese government. Once research has progressed to a certain point, pharmaceutical companies start their own R&D programs. Supplying people to these national research institutes allows us to give our researchers valuable knowledge concerning these leading-edge research activities.

### Medium- to long-term Initiatives → Future Development Based on Strategic Maps

The Technology Strategy Map shows industries and technologies with the best future prospects so that we can focus our engineers on those fields. Sales activities select prospective customers by using a medium to long-term outlook derived from this map. TechnoPro Design has a temporary placement workforce of about 6,000 engineers. Currently, about 2,000 are on assignments in one of the five priority technology fields and this company plans to continue increasing the number of people in these fields.

TechnoPro R&D has produced a Technology Skill Map with 1,200 to 1,300 categories of skills involving basic research. The company uses this map to monitor progress while increasing the capabilities of research personnel. The aim is to receive orders from clients with the best prospects for enabling our researchers to improve their skills and acquire new knowledge. Sending people to these types of clients will enhance the skills associated with research and technology, which is an important source of growth for the TechnoPro Group.

In the IT area, we are expanding in growth areas such as self-driving cars while at the same time increasing our contract assignment business. We are also developing value-added human resources by creating opportunities for employees to engage in project management by participating in in-house IT system development projects.

## Our Commitment to the Environment

### Our Environmental Philosophy

We are dedicated to protecting the environment and encouraging everyone who works at the Group to participate in environmental activities. We will continue to be a responsible corporate citizen that plays a meaningful role in helping to solve many environmental issues. In addition, we will use the technology solutions that we provide to clients in a broad spectrum of industries to ensure that our development, design, research and other activities are environmentally responsible.

Established April 1, 2014 Revised July 1, 2015

### Our Basic Environmental Policies

#### 1. Compliance with Laws and Regulations:

We will comply with social guidelines and environmental protection laws and regulations as well as environmental agreements at TechnoPro Group companies.

#### 2. Environmental Impact:

We will use the knowledge and dedication of our workforce to conserve resources and energy, increase recycling, prevent pollution, and take other actions that reduce the environmental impact of our business activities.

#### 3. CSR Committee:

We will use our CSR Committee, which consists of senior executives of the TechnoPro Group, for the planning and execution of activities involving environmental protection.

#### 4. Environmental Awareness and Participation:

We will use a variety of measures to make executives and employees of the TechnoPro Group more aware of environmental issues and encourage them to participate in programs for protecting the environment.

#### 5. Disclosure of Information:

We will give everyone at the TechnoPro Group a sound understanding of our environmental policies and use measures for giving the general public access to information about our environmental policies and activities

Revision History April 1, 2014, enacted July 1, 2015 revised

## Contribution to the environment at client companies

### Environmentally Friendly Wastewater Treatment Using Microbes

**FUMIHIKO OKUMURA**  
Fukuoka Branch, TechnoPro R&D

I am engaged in research at a client company for the development of a new wastewater treatment technology. Sewer treatment plants clean wastewater through oxidation and decomposition that occurs as microbes consume organic materials in the water. My research uses the same basic principle. This technology is for removing substances in thermal power plant effluents that are prohibited by Japan's Water Pollution Control Act.

Most thermal power plant water treatment facilities use physico-chemical processes. However, the cost of chemicals is high and this process produces sludge. As a result, there is a need for a better treatment method that uses microorganisms. I am part of a research team that is making steady progress toward achieving the practical use of this eco-friendly technology.

### More Rechargeable Battery Use for a Sustainable Society

**KENYA ISHIKAWA**  
Fukuoka Branch, TechnoPro R&D

I am participating in a research project with the goal of creating stationary applications for automotive rechargeable batteries. Supplying renewable energy and putting unused nighttime electricity to use are two possible uses. We are collecting extensive data concerning the storage and discharge of electricity and systems for managing battery operations.

Japan has many programs aimed at increasing the use of rechargeable batteries for a broad spectrum of requirements. The Ministry of Economy, Trade and Industry is taking the lead in most instances. However, many problems have to be solved. Lowering the initial cost will be vital to the widespread use of rechargeable batteries. Another challenge is finding a way to create a battery with a larger capacity.

I look forward to using this research to learn more about these issues so that I can be part of progress that helps create a sustainable society.

## Corporate Social Responsibility (A Responsible Member of the Community)

### Volunteers for Kumamoto Earthquake Recovery Activities

#### TechnoPro Construction Co., Inc.

The Kumamoto region of the island of Kyushu was hit by powerful earthquakes in April 2016. TechnoPro Group employees responded with a drive to collect donations for Japan Red Cross activities to aid earthquake victims. In addition, a number of TechnoPro Construction employees joined earthquake recovery volunteers in Mifune-machi in the Kamimashiki district of Kumamoto. Known for centuries as a producer of sake, Mifune suffered the loss of many very old houses, mostly on farms. TechnoPro Construction and other volunteers formed teams to help residents of houses which had suffered roof damage removed about three tons of roof tiles that were destroyed by the earthquake tremors.

### Volunteers for Neighborhood Cleaning

#### Sendai Branch, TechnoPro Design Co., Ltd.

Looking ahead to fiscal 2018, the final year of the TechnoPro Group's medium-term plan, members of the Technology Department at TechnoPro Design's Sendai Branch decided to establish guidelines for the department's leaders. One guideline is participation in charitable activities in order to contribute to communities as a responsible corporate citizen. As one way to make a contribution, members of the department picked up litter and performed other activities to clean up the area around Sendai Station, which is adjacent to the building where the department is located. Many people stopped to thank the TechnoPro Design volunteer cleaning teams as they did their work. This created a feeling that we had achieved more closer communication with local communities.

### Participation in Shoreline Cleaning Event

#### Kanazawa Branch, TechnoPro IT Co., Ltd.

In May 2016, volunteers from the Kanazawa Branch of TechnoPro IT took part in an event in Ishikawa Prefecture called Clean Beach Ishikawa. Sponsored by radio station FM Ishikawa, this event has taken place since 1995 in order to preserve the appearance of Ishikawa's 583-kilometer shoreline on the Sea of Japan. Today, there are separate cleaning events covering the entire shoreline that collectively mobilize more than 5,000 participants each time. Employees of the TechnoPro IT Kanazawa Branch have been taking part in this event since 2014. Members of the branch plan to continue to make Clean Beach Ishikawa one of the ways they demonstrate a commitment to serving the local community.

### Support for Birdwatching Tours

#### TechnoPro Compliance Department

In May 2016, Mori Building Co., Ltd., owner of Roppongi Hills, where TechnoPro has its Tokyo head office, held birdwatching tours on the building grounds. Students between grades 3 and 6 and their parents and guardians visited the Mori Garden and a rooftop garden that is normally closed to the public. This event was an opportunity to experience a natural environment in the center of Tokyo, see birds and learn about creating areas of greenery in urban areas.

Members of the TechnoPro Compliance Department volunteered to serve as guides for these tours in order to help support this activity that fosters communications with residents of the surrounding area.

# Corporate Governance

## A Governance System with an Emphasis on Checks and Balances

### Governance System Outline

The TechnoPro Group defines corporate governance as a structure for realizing our corporate philosophy through the supervision and monitoring of business execution by the management team, achieving sustainable growth and long-term increases in corporate value, and ensuring increases in the common interests of the shareholders over the long term.

As a holding company, TechnoPro Holdings, Inc. handles the strategic policy planning and management control functions for the overall Group. To handle these functions, we believe it is necessary to have a management focused on internal directors who are well-versed in technical human resource services. To this end, we have adopted the form of a company with an Audit & Supervisory Board, with a mutual emphasis on checks and balances between operational directors and management directors.

We also have in place a Nomination and Compensation Committee, in which an independent outside director and independent outside Audit & Supervisory Board member participate. By clarifying the management supervision and auditing functions, we are working to enhance management transparency and accountability. At the same time, authority and responsibility for day-to-day business execution is assigned to executive officers to ensure that operations are operated in a flexible and efficient manner.

### Six Independent Executives

A proposal for the election of directors was approved at the 11th General Meeting of Shareholders on September 29, 2016. As a result, the Company's Board of Directors and Audit & Supervisory Board are composed of five internal and

three outside directors, and one internal and three outside Audit & Supervisory Board members. All six of the outside directors and outside Audit & Supervisory Board members satisfy the conditions as independent executives.

### Establishment of a Nomination and Compensation Committee

The Company's Board of Directors has established a Nomination and Compensation Committee as an advisory body on the nomination and compensation of TechnoPro Group directors, Audit & Supervisory Board members and executive officers. Outside directors and outside Audit & Supervisory Board members constitute a majority of committee members, enhancing the objectivity and accountability of decisions related to nomination and compensation.

The Nomination and Compensation Committee comprises six members: two internal directors, including the president and representative director; two outside directors; and two outside Audit & Supervisory Board members.

### Compliance with Japan's Corporate Governance Code

We have put in place internal structures whose policies are in agreement with all provisions of Japan's Corporate Governance Code, which was formulated as a corporate governance guideline for listed companies by the Financial Services Agency and the Tokyo Stock Exchange.

## Designing Medium- to Long-Term Incentives

### Introducing Stock Options

At a meeting on September 29, 2015, the Board of Directors resolved to issue the TechnoPro Holdings, Inc. No. 1 Stock Acquisition Rights as share compensation-type stock options for directors (excluding outside directors) and executive officers of the Company and its subsidiaries. The objective of this issue was to enable executives to share with shareholders the benefits and risks of share price fluctuations, thereby contributing further to their motivation to enhance medium- to long-term operating performance and corporate value.

These stock acquisition rights have an exercise period from October 1, 2018, through September 30, 2023. These rights can be exercised on a percentage basis according to the degree to which we meet our cumulative consolidated operating profit target for the three years through the fiscal year ending June 30, 2018.

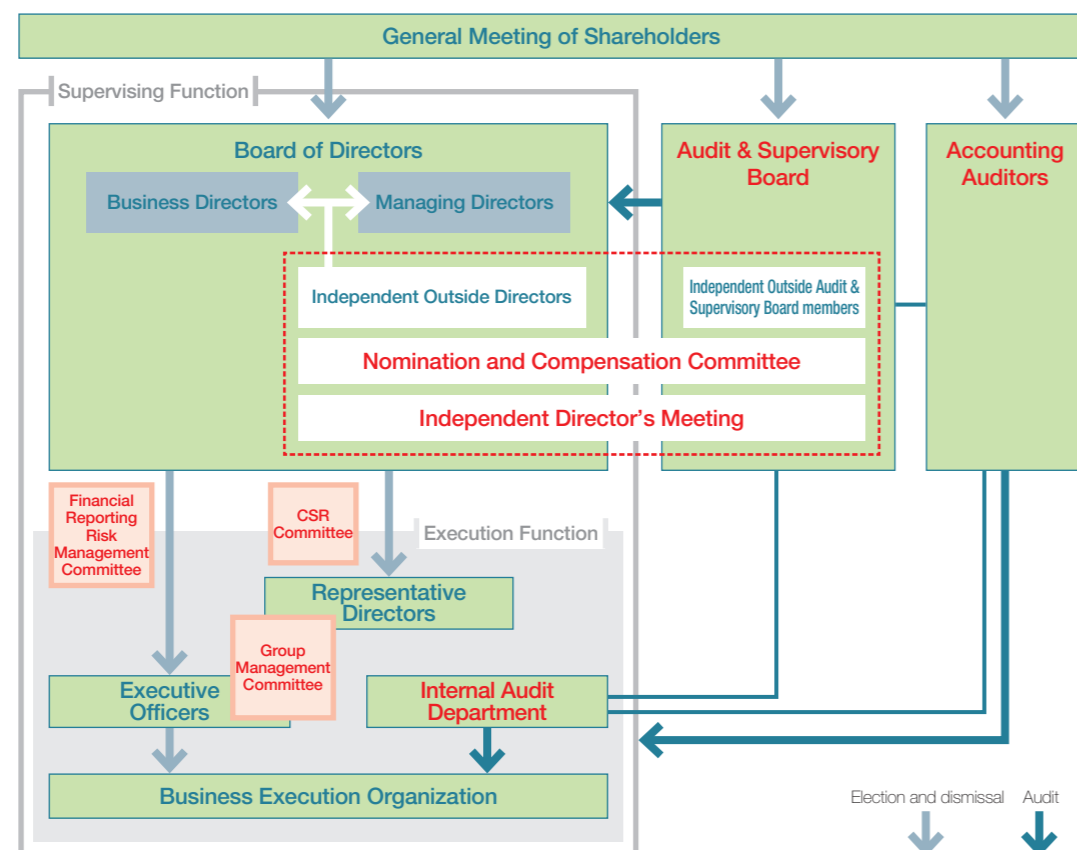
### Executive Compensation and Performance Evaluations

From the perspective of providing a medium- to long-term incentive, decisions on compensation for the TechnoPro Group's directors, Audit & Supervisory Board members and executive officers takes into account the following three points.

First, the remuneration for the officers of the Group shall be rational in the context of fulfilling accountability and responsibility to stakeholders, including shareholders. Second, the remuneration structure for the officers of the Group shall be designed with the aim of motivating them to contribute to successful achievement of management strategies and improvement of Company performance, to enable the sustainable enhancement of corporate value, as well as shareholder value. Third, the remuneration for the officers of the Group shall be sufficient as compensation for responsibilities, and enough to motivate, attract and retain talented human resources.

Evaluations for directors in charge of business execution and executive officers are determined by reviewing items such as the contribution to consolidated performance for a single fiscal year by their department; the achievement by their department in sales revenues and operating profit before depreciation, and year-on-year changes, among other KPIs, for the relevant fiscal year compared with budget plans; the status of their internal control system and adherence to compliance; and initiatives aimed at medium- to long-term corporate growth, including human resources development.

Corporate Governance & Compliance System



## Demonstrating Corporate Governance Functions

### Activity Status of the Board of Directors and Audit & Supervisory Board

The Company's Board of Directors holds regular monthly meetings and convenes extraordinary meetings as necessary. At these meetings, the board makes decisions on important matters of business execution, receives reports on the status of operating performance, deliberates response measures and supervises the status of execution of operations by individual directors. During the fiscal year ended June 30, 2016, the Board of Directors met a total of 15 times.

The Audit & Supervisory Board liaises closely with the accounting auditors and the Internal Audit Department, receiving reports on audit methods and results. The board also makes use of these audits and undertakes initiatives aimed at enhancing audit quality and efficiency. In the fiscal year ended June 30, 2016, the Audit & Supervisory Board met a total of 12 times.

### Process of Selecting Directors and Audit & Supervisory Board Members

Director and Audit & Supervisory Board member candidates must satisfy statutory requirements and those of the Articles of Incorporation, exhibit no behavior that would be grounds for disqualification as stipulated in the Directors/Audit & Supervisory Board Members Regulations, and having no current or prior involvement with anti-social forces. They must also exhibit outstanding character, knowledge and insight, while maintaining high regard for regulatory compliance and ethical standards, and must maintain objectivity in making decisions, perceptiveness and foresight.

When appointing members, consideration is given to ensuring diversity on the Board of Directors and Audit & Supervisory Board. Furthermore, at least one Audit & Supervisory Board member must possess appropriate knowledge of finance and accounting.

Taking the above-mentioned factors into consideration, the Board of Directors deliberates and selects appropriate directors and Audit & Supervisory Board members after receiving advice, deliberations and reports from the Nomination and Compensation Committee.

### Selection of Outside Directors and Outside Audit & Supervisory Board Members

Outside directors and outside Audit & Supervisory Board members must have a high degree of knowledge, along with extensive practical experience and experience of serving in a leadership role in one or more fields such as corporate management, internal control, compliance, finance and accounting, financing, legal affairs, government, crisis management and education. Such individuals must possess the capacity to gain an overall understanding of the entire TechnoPro Group, and to ascertain the essential issues and risks thereof, and should be capable of being counted on for making constructive contributions during deliberations of meetings of the Board of Directors and other such forums in a candid and active manner.

Outside directors must be people who can be counted on for objective business oversight and managerial decisions from a practical point of view based on extensive experience in corporate management and specialized fields, and for providing advice and support to facilitate our sustainable growth.

Outside Audit & Supervisory Board members must be appointed with the aim of heightening neutrality and independence of the audit framework, and must be individuals capable of expressing an objective audit opinion from a neutral standpoint.

### Internal Control Policy and Implementation Status

The TechnoPro Group defines internal control as "a structure for realizing the objectives of corporate governance by controlling the business execution framework, thereby enhancing operational effectiveness and efficiency and the reliability of financial reporting, as well as ensuring legal compliance and the preservation of assets."

Undertaking initiatives in accordance with this definition, we strive to create an environment that inculcates such control organizationally in the scope of corporate activity, formulate an integrated risk management structure and regularly evaluate risks. We have in place committees, such as the CSR Committee and the Financial Reporting Risk Management Committee, and information systems, which we employ as systems for communicating information appropriately and in a timely manner. We have in place and maintain various internal provisions with regard to control activities. We evaluate the status of control and make revisions on an ongoing basis through the day-to-day monitoring of various organizations, conducting internal audits and operating the internal reporting system.

As a system for ensuring operational appropriateness, we have established a basic policy related to internal control systems. The operation of this policy has multifaceted governance functions, including compliance and information management, risk management, and efficient business execution by directors.

## Compliance

### Our Perspective on Compliance

The word “compliance” typically points to legal compliance. The TechnoPro Group believes in going beyond simply following the minimum rules established by laws and regulations, however. Rather, we strive to answer society’s requirements of us as a company and to fulfill our responsibilities accordingly.

The TechnoPro Group responds to adjustments in workforce supply and demand and, by providing technological services performed by excellent engineers, supports client companies’ efforts to maintain and develop “A technology-oriented nation”. We are responsible for ensuring sound and fulfilling work methods for engineers to fully demonstrate advanced functions, and to create innovation for clients. The TechnoPro Group endeavors to contribute to society by building win-win relationships with client companies and engineers.

In 2014, the TechnoPro Group publicized this perspective as a “compliance charter.” Since then, the charter has become a cornerstone for various types of corporate activity.

#### COMPLIANCE DECLARATION

We, the TechnoPro Group, fulfill our corporate social responsibilities on the basis of high ethical standards and in full compliance with laws and regulations.

We, the TechnoPro Group, shall develop our business to make a high level of social contribution and to be a company that is greatly involved in the employment of people through ‘the stabilization and expansion of employment, adjustment in the supply and demand balance in the labor/work force, and innovation in business structures’.

As both market leader and as a good corporate citizen, we believe that transparency in management leads to the maximization of corporate value and that, through compliance with laws and regulations and by the disclosure of information, we can ensure that the rights and interests of all of our stakeholders, including our shareholders, customers, business partners, and employees, are really respected.

We hereby swear to carry out our business operations with full and thorough execution of our compliance responsibilities, and to focus on corporate governance in order to fulfill our social responsibilities.

In addition, each and every one of our officers and employees are fully belonging to the Group and have a sense of ownership, as being ‘my own personal issues, of these considerations, and so we thereby aim to be a truly attractive company in that it is one that is capable of making a contribution to society as well as being one that has a strong sense of its corporate responsibilities and higher ethical standards.

### Configuring a Robust Compliance Structure

The Ministry of Health, Labour and Welfare’s prefectural labor bureaus conduct surveys (supervision through unannounced inspections) of dispatch locations and dispatching companies. Based on the results of these surveys, the bureaus may provide documented instructions or corrective citations, as needed. We make every effort to ensure that we meet such regulatory requirements. The Compliance Promotion Department takes the lead in efforts to boost compliance awareness throughout the Company, and stringently checks for appropriateness of the 8,000 individual agreements that come up for renewal each year. As a result of these initiatives, despite the document guidance rate by the Labor Bureau to the dispatch companies being 78.6% (FY 2012), the guidance rate to us since March 2012 has been 2%. This is a significantly lower value.

To ensure that engineers are not subject to overwork as a result of the instructions and orders they receive at dispatch locations, each of our sales offices conduct checks, with support from the CSR Promotion Section.

At the same time, the Compliance Audit Office within the Internal Audit Department, which reports directly to the president, conducts multifaceted internal audits of sales locations, covering regulatory compliance items related to the Worker Dispatching Law and the Labor Standards Act, as well as matters related to agreements with business partners.

Along with these internal initiatives, undergoing labor bureau audits has provided a double or triple compliance structure functioning according to a PDCA (plan, do, check, act) cycle.

### Introducing Workstyle Reform Initiatives

To cultivate a compliance-oriented corporate culture, the TechnoPro Group has created the 89-Item Compliance Manual, which it uses to enhance internal understanding and penetration. Particularly useful in the training, we use the manual to foster compliance awareness during compliance testing, which is conducted each year for all employees, as well as for weekly compliance Web tests. Serving as a structural framework and being useful in the training, the TechnoPro Group will further reinforce compliance and promote working style reform initiatives centering on curtailing excessive work. Rather than to avoid administrative guidance from the Labour Standards Inspection Office and labor bureaus, the objective of these initiatives is to ensure that all employees are working appropriate hours, improving their work-life balance. We are taking the industry lead in such efforts with our client companies. In September 2016, the Tokyo metropolitan government promoted working-style reforms, calling for companies within the prefecture to improve styles of working and taking vacations. As a result, three Group companies, TechnoPro Holdings, TechnoPro and TechnoPro Construction, were approved as TOKYO Working Style Reform Declaration Companies.



### Providing Information through Seminars and Study Sessions

The TechnoPro Group uses the knowledge about the Labor Standards Act it has gained through its thorough compliance activities to provide information to client companies. We regularly hold customer seminars, in which we disseminate basic knowledge about the Labor Standards Act, as well as regular theme-based compliance seminars. We also conduct Worker Dispatching Act study sessions on an as-needed basis to communicate regulatory directions stemming from legal revisions and respond in advance of such changes. In the fiscal year ended June 30, 2015, we held 11 Worker Dispatching Act study sessions, but increased this number to 32 in the fiscal year ended June 30, 2016, due to the enforcement of the Revised Worker Dispatching Act. The content of these study sessions, which are held at the request of our clients, typically centers on explaining the impact of revisions. We also endeavor to understand regulatory trends in areas of outsourcing not covered by the Worker Dispatching Act, such as subcontracting and transfers, thereby responding to the need to have an overall understanding of human resource strategies.

We aim to forge strong win-win-win relationships among client companies, engineers and the TechnoPro Group, and plan to continue holding seminars and study sessions to this end.

## Directors and Auditors



### Yasuji Nishio

President, Representative Director and CEO

- Apr. 1974 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)
- Mar. 2000 Head of Controller Division, ditto
- Jul. 2000 Managing Executive Officer, Yamasa, Co., Ltd.
- Dec. 2004 Senior Managing Director, SECOM Medical Resources Co., Ltd.
- Oct. 2005 Standing Director, Yotsuya Medical Cube, Medical Corporation Anshinkai
- Oct. 2006 CFO and General Manager of Finance Department, Showajisyo Inc.
- Jul. 2007 Senior Executive Officer, CFO, Kokusai Kogyo Co., Ltd.
- Apr. 2008 Director and CFO, The Goodwill Group, Inc.
- Oct. 2009 Managing Executive Officer and CFO, Radia Holdings, Inc.
- Oct. 2010 Managing Director and CFO, Advantage Resourcing Japan, Inc.
- Apr. 2012 Managing Director, CFO and General Manager of Finance & Accounting Division, TechnoPro Holdings, Inc.
- Jul. 2013 Representative Director, President, CEO, CFO and General Manager of Finance & Accounting Division, ditto
- Feb. 2014 Representative Director, President and CEO, ditto (at present)
- Jul. 2014 Representative Director and President, TechnoPro, Inc. (at present)

#### Significant concurrent positions

Representative Director and President, TechnoPro, Inc.  
Director, TechnoPro Construction, Inc. (formerly N&C, Inc.)  
Director, TechnoPro Careers, Inc.

#### Reasons for nomination as a Director

Mr. Yasuji Nishio has extensive managerial skills and knowledge which he has developed in banking and various other industries. Moreover, since his appointment as the Company's President in July 2013, after he served as its Chief Financial Officer, Mr. Yasuji Nishio has been involved in guiding and overseeing overall management of the Group and getting the Company listed on the First Section of the Tokyo Stock Exchange in December 2014. He has also been involved in promoting integration of Group operations, developing the managerial framework and otherwise bringing about continuous improvement in earnings results. In addition, he has contributed to strengthening the decision-making and oversight functions of the Company's Board of Directors, in acting as its chairperson. Accordingly, Mr. Yasuji Nishio has been selected as a candidate for another term as Director in light of the fact that he possesses character and insight suitable for being a member of our top management and has demonstrated outstanding leadership and managerial competency.



### Hiroshi Sato

Director and CFO, Managing Executive Officer

- Apr. 1979 Joined NEC Corporation
- Dec. 2002 Head of Finance Division (CFO), NEC Electronics Corporation
- Oct. 2003 Senior Vice President and Head of Finance Division (CFO), ditto
- Apr. 2010 Senior Vice President, CFO and Head of Business Planning Department, NEC Networks & System Integration Corporation
- Apr. 2013 Senior Vice President and CFO, ditto
- Feb. 2014 Director (in charge of Management), CFO and Managing Executive Officer, TechnoPro Holdings, Inc. (at present)
- Jul. 2014 Director and Senior Executive Officer, TechnoPro, Inc. (at present)

#### Significant concurrent positions

Director and Senior Executive Officer, TechnoPro, Inc.

#### Reasons for nomination as a Director

Drawing on his extensive experience and knowledge which he has developed as the Chief Financial Officer of a major manufacturing group company listed on the stock exchange, Mr. Hiroshi Sato has served concurrently as a Director (in charge of Management) of the Company and CFO since February 2014, taking charge of operations involving respective departments in the realms of finance, accounting, management planning, business management, communication and IR, and information systems. In so doing, he has achieved results not only with respect to administrative and financial operations, but also with initiatives such as corporate acquisitions as well as strategic planning and promotion, and has also contributed to strengthening the decision-making function of the Board of Directors. Accordingly, Mr. Hiroshi Sato has been selected as a candidate for another term as Director in light of the fact that he possesses character and insight suitable to serve as a member of our management team and has demonstrated outstanding managerial competency.



### Gaku Shimaoka

Director, Managing Executive Officer

- Apr. 1998 Joined Crystal, Inc.
- Aug. 2006 Representative Director and President, Ctec, Inc.
- Nov. 2006 Representative Director and President, Crystal, Inc.
- Jun. 2007 Managing Executive Officer, The Goodwill Group, Inc.
- May. 2008 Director and COO, ditto
- Oct. 2009 Managing Executive Officer, Radia Holdings, Inc.
- Apr. 2012 Managing Executive Officer, TechnoPro Holdings, Inc.
- Feb. 2014 Director (in charge of Business) and Managing Executive Officer, ditto (at present)
- Jul. 2014 Representative Director (President of TechnoPro Design Company) and Senior Executive Officer, TechnoPro, Inc. (at present)

#### Significant concurrent positions

Representative Director (President of TechnoPro Design Company) and Senior Executive Officer, TechnoPro, Inc.  
Director, TechnoPro Careers, Inc.

#### Reasons for nomination as a Director

Mr. Gaku Shimaoka has been involved in the human resources services business over many years, maintains substantial familiarity with respect to our business as well as industry and customer trends, and in particular shows vision with respect to planning and strong leadership skills. On that basis, he has helped drive our growth by achieving outstanding results in business operations, and has also contributed to strengthening the decision-making function of the Board of Directors. Accordingly, Mr. Gaku Shimaoka has been selected as a candidate for another term as Director in light of the fact that he possesses character and insight suitable to serve as a member of our management team and has demonstrated outstanding managerial competency.



### Koichiro Asai

Director, Managing Executive Officer

- Apr. 1992 Joined Funcs, Inc.
- Jan. 2006 Representative Director and President, Crystal, Inc.
- Mar. 2008 Executive Officer, The Goodwill Group, Inc.
- Nov. 2008 Representative Director and President, TechnoPro Engineering, Inc.
- Jul. 2010 Representative Director and President, CSI, Inc.
- Jun. 2011 Representative Director and President, Advantage Science, Inc.
- Apr. 2012 Managing Executive Officer, TechnoPro Holdings, Inc.
- Feb. 2014 Director (in charge of Business) and Managing Executive Officer, ditto (at present)
- Jul. 2014 Representative Director (President of TechnoPro Engineering Company and President of TechnoPro IT Company) and Senior Executive Officer, TechnoPro, Inc. (at present)

#### Significant concurrent positions

Representative Director (President of TechnoPro Engineering Company and President of TechnoPro IT Company) and Senior Executive Officer, TechnoPro, Inc.  
Director, TechnoPro Careers, Inc.  
Director, ON THE MARK Co., Ltd.

#### Reasons for nomination as a Director

Mr. Koichiro Asai has been involved in the human resources services business over many years, maintains substantial familiarity with respect to our business as well as industry and customer trends, and in particular shows analytical competency, the ability to take action, and strong leadership skills. On that basis, he has helped drive our growth by achieving outstanding results in business operations, and has also contributed to strengthen the decision-making function of the Board of Directors. Accordingly, Mr. Koichiro Asai has been selected as a candidate for another term as Director in light of the fact that he possesses character and insight suitable to serve as a member of our management team and has demonstrated outstanding managerial competency.



### Takeshi Yagi

Director, Managing Executive Officer

- Apr. 1991 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)
- May. 2008 General Manager of Human Resources Division, Shinsei Bank, Limited
- Nov. 2012 Managing Executive Officer and General Manager of Human Resources Division, TechnoPro Holdings, Inc.
- Feb. 2014 Managing Executive Officer (in charge of HR and General Affairs), ditto
- Jul. 2014 Director (in charge of HR and General Affairs), Managing Executive Officer, ditto (at present)
- Director and Senior Executive Officer, TechnoPro, Inc. (at present)

#### Significant concurrent positions

Director and Senior Executive Officer, TechnoPro, Inc.  
Director, TechnoPro Construction, Inc. (formerly N&C, Inc.)  
Director, TechnoPro Careers, Inc.

#### Reasons for nomination as a Director

Drawing on his extensive experience and knowledge primarily in the field of human resources which he has developed in banking, Mr. Takeshi Yagi has served as a Director (in charge of HR and General Affairs) of the Company since July 2014, taking charge of HR and general affairs. In so doing, he has achieved results particularly with respect to developing a Group-wide managerial framework, strengthening corporate governance practices and improving and introducing personnel systems and other initiatives, and has also contributed to strengthening the decision-making function of the Board of Directors. Accordingly, Mr. Takeshi Yagi has been selected as a candidate for another term as Director in light of the fact that he possesses character and insight suitable to serve as a member of our management team and has demonstrated outstanding managerial competency.



### Tsunehiro Watabe

Director and Chief Advisor

- Apr. 1968 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)
- Jun. 1994 Director, ditto
- Jul. 1998 Director and Chairman, UBS Trust Bank, Ltd.
- Dec. 2004 Director and Vice Chairman, UBS Securities Japan Co., Ltd.
- Mar. 2007 Vice Chairman, Morgan Stanley Japan Securities Co., Ltd. (current Morgan Stanley MUFG Securities Co., Ltd.)
- Aug. 2010 Chairman, CVC Asia Pacific (Japan) KK (at present)
- Jun. 2011 Outside Audit & Supervisory Board Member, D.A. Consortium Inc.
- Apr. 2012 Director and Chief Advisor, TechnoPro Holdings, Inc. (at present)
- Jun. 2015 Outside Director, D.A. Consortium Inc. (at present)

#### Significant concurrent positions

Chairman, CVC Asia Pacific (Japan) KK  
Outside Director, D.A. Consortium Inc.  
Member of Board of Trustees, Japan Economic Foundation

#### Reasons for nomination as an Outside Director

Since his appointment as Outside Director of the Company in April 2012, Mr. Tsunehiro Watabe has drawn on knowledge backed by his extensive experience and expansive network of contacts developed as an officer of banks and foreign-affiliated financial institutions, in the course of actively speaking up at the meetings of the Board of Directors regarding our management strategy and other such issues, objectively assessing business matters affecting us, and providing proper oversight in that regard. Mr. Tsunehiro Watabe has been selected as a candidate for Independent Outside Director so that we can further draw on his insight with the aim of further heightening its corporate value continuously.



**Kazuhiko Yamada**

Director

- Oct. 2005 Registered at Daini Tokyo Bar Association, Assigned to Nakamura, Tsunoda & Matsumoto
- Jan. 2012 Partner, Nakamura, Tsunoda & Matsumoto (at present)
- Sep. 2015 Director, TechnoPro Holdings, Inc. (at present)
- Sep. 2016 Special Visiting Professor, Gakushuin University Law School (at present)

**Significant concurrent positions**

Partner, Nakamura, Tsunoda & Matsumoto

**Reasons for nomination as an Outside Director**

Mr. Kazuhiko Yamada has extensive experience and knowledge as an attorney particularly in the fields of corporate acquisitions, corporate restructuring, equity practice, etc., the Companies Act, and the Financial Instruments and Exchange Act. Moreover, since his appointment as Outside Director of the Company in September 2015, Mr. Kazuhiko Yamada has been providing his opinions and advice at meetings of the Board of Directors particularly with respect to strengthening corporate governance practices, objectively assessing business matters affecting the Company, and providing proper oversight in that regard. Mr. Kazuhiko Yamada has been selected as a candidate for Independent Outside Director so that we can further draw on his insight with the aim of further heightening our corporate value continuously.



**Harumi Sakamoto**

Director

- Apr. 1962 Joined Ministry of International Trade and Industry (current Ministry of Economy, Trade and Industry)
- Jul. 1984 Head of Policy Planning Office of Minister's Secretariat, ditto
- Jun. 1986 Chief, Sapporo Trade and Industry Bureau, ditto
- Aug. 1987 Advisor, The Dai-ichi Kangyo Bank, Ltd.
- May. 1990 Managing Director, The Seiyu, Ltd.
- May. 1997 Executive Vice President, ditto
- Sep. 1997 Executive Vice President, The Seibu Department Stores, Ltd.
- Apr. 1999 Vice Chairman, Japan Association of Corporate Executives
- Oct. 2000 Secretary General, Japan Association for the 2005 World Exposition
- Oct. 2003 Vice Chairperson, ditto
- Jun. 2006 President, The Distribution Systems Research Institute
- Jun. 2008 Outside Director, The Bank of Yokohama, Ltd.
- Jun. 2010 Chairman, Japan Facility Management Promotion Association
- Jun. 2013 Outside Director, Mitsubishi Motors Corporation (at present)

**Significant concurrent positions**

Outside Director, Mitsubishi Motors Corporation

**Reasons for nomination as an Outside Director**

As an industry and trade policy administrative officer and entrepreneur, Ms. Harumi Sakamoto has abundant experience and wide-ranging expertise. Keying off these, the Company's management can anticipate objective advice and supervision, as well as added value from the standpoint of Board of Directors diversification. For further continuation of corporate value improvement, Ms. Harumi Sakamoto was appointed in September 2016 as an independent outside director.



**Tatsuhisa Nagao**

Auditor (standing)

- Apr. 1974 Joined Industrial Bank of Japan, Limited (current Mizuho Bank, Ltd.)
- Jun. 2000 Yokohama branch manager of the bank
- Apr. 2004 Business executive, Hitachi Capital Corporation, Home appliances and remodeling business development director
- Apr. 2005 Business executive, ditto & Managing director, Northeast Sales Director
- Jun. 2006 Auditor, Hitachi Capital Securities Co., Ltd.
- Apr. 2010 Auditor, Hitachi Capital Auto Lease Co., Ltd.
- Sep. 2014 Auditor, TechnoPro Holdings, Inc. (at present)
- Aug. 2015 Auditor, TechnoPro, Inc. (at present)

**Reasons for nomination as an Auditor**

With his wide-ranging knowledge of finance and as a standing auditor with a major corporate group, Mr. Tatsuhisa Nagao is well experienced. From an objective viewpoint, the Company anticipates his day-to-day supervision, audit and advice, and has appointed him as an independent outside auditor.



**Akito Sonohara**

Auditor (standing)

- Jan. 1978 Joined Matsushita Electric Industrial Co., Ltd. (current Panasonic Corporation)
- Oct. 2002 Director, Crystal Co., Ltd.
- Oct. 2005 Senior Managing director, ditto
- Mar. 2008 Operating officer, The Goodwill Group, Inc.
- Oct. 2010 Executive director, Advantage Resourcing Japan Co., Ltd.
- Apr. 2011 Representative director, Premier Smile Co., Ltd.
- Apr. 2012 Managing officer & Human Resources and General Affairs Division, TechnoPro Holdings, Inc.
- Feb. 2014 Managing officer (in charge of general affairs), TechnoPro Holdings, Inc.
- Jul. 2014 Auditor, TechnoPro Holdings, Inc. (at present), & Auditor, TechnoPro, Inc. (at present)

**Reasons for nomination as an Auditor**

Since he joined the Company from a major manufacturer, Mr. Akito Sonohara has filled important positions in various management related departments, contributing expertise to Group organization, business and operating processes, and in appropriate collection of internal information has enabled highly effective auditing, and has therefore been appointed as a standing auditor.



**Mitsutoshi Takao**

Auditor

- Apr. 1972 Joined Kawasaki Heavy Industries, Ltd.
- Jan. 1998 Jet engine division Administration manager, Kawasaki Heavy Industries, Ltd.
- Apr. 2002 Gas Turbines & Machinery Company Planning Division Deputy Planning Chief
- Apr. 2003 Director, ditto
- Apr. 2004 Head Office Finance & Accounting Director, ditto
- Apr. 2005 Operating officer, ditto
- Jun. 2008 Representative & Managing director, ditto
- Apr. 2012 Representative director & Vice president, ditto
- Apr. 2014 Auditor, TechnoPro Holdings, Inc. (at present)

**Reasons for nomination as an Auditor**

Centering on finance and accounting, Mr. Mitsutoshi Takao, having worked as a manager in major corporations, is well experienced and also knowledgeable in all areas of management operations. The Company anticipates obtaining his objective viewpoint based on his supervision, audit and advice, and has appointed him as an independent outside auditor.



**Minoru Ochiai**

Auditor

- Apr. 1973 Joined Arthur Andersen & Co.
- Oct. 1979 Joined Tommy Corporation (current TOMY COMPANY, LTD.)
- Jun. 1992 Executive director & CFO, ditto
- Apr. 1995 Senior Managing Director & CFO, ditto
- Jun. 2000 Non-executive director, ditto
- Apr. 2002 CFO, College, Inc.
- Apr. 2004 Professor, Meiji University Professional Global Business Graduate School (present post)
- Sep. 2015 Auditor, TechnoPro Holdings, Inc. (at present)

**Reasons for nomination as an Auditor**

As an accounting specialist and top finance officer for a listed corporation, Mr. Minoru Ochiai has both expertise and experience. In light of his engagement in adult education and corporate training, moreover, we look forward to gaining his objective supervision, audit and advice, and has appointed him as an independent outside auditor.

## Consolidated Statement of Financial Position

TechnoPro Holdings, Inc. and its subsidiaries  
As at June 30, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	¥10,851	<b>¥11,708</b>	<b>\$114,895</b>
Accounts receivables and other receivables	11,579	<b>12,579</b>	<b>123,439</b>
Income taxes receivable	1,187	<b>1,571</b>	<b>15,422</b>
Other short-term financial assets	355	<b>331</b>	<b>3,252</b>
Other current assets	946	<b>1,027</b>	<b>10,083</b>
Total current assets	¥24,920	<b>¥27,219</b>	<b>\$267,091</b>
Non-current assets			
Property, plant and equipment	658	<b>790</b>	<b>7,761</b>
Goodwill	29,202	<b>29,391</b>	<b>288,405</b>
Intangible assets	571	<b>1,345</b>	<b>13,206</b>
Other long-term financial assets	922	<b>1,202</b>	<b>11,804</b>
Deferred tax assets	2,503	<b>3,674</b>	<b>36,056</b>
Other non-current assets	0	<b>9</b>	<b>98</b>
Total non-current assets	¥33,858	<b>¥36,415</b>	<b>\$357,330</b>
Total assets	¥58,778	<b>¥63,634</b>	<b>\$624,421</b>

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Accounts payable and other liabilities	¥ 7,199	<b>¥ 8,310</b>	<b>\$ 81,550</b>
Bonds and loans payable	1,406	<b>1,871</b>	<b>18,363</b>
Income taxes payable	184	<b>1,031</b>	<b>10,118</b>
Dividends payable	—	<b>2</b>	<b>29</b>
Other financial liabilities	946	<b>926</b>	<b>9,094</b>
Employee benefits liabilities	3,446	<b>3,597</b>	<b>35,302</b>
Provisions	1	<b>19</b>	<b>191</b>
Other current liabilities	4,623	<b>4,695</b>	<b>46,073</b>
Total current liabilities	¥17,808	<b>¥20,455</b>	<b>\$200,721</b>
Non-current liabilities			
Loans payable	15,212	<b>14,294</b>	<b>140,263</b>
Other financial liabilities	32	<b>117</b>	<b>1,154</b>
Deferred tax liabilities	0	<b>149</b>	<b>1,471</b>
Retirement benefit liabilities	3,515	<b>4,165</b>	<b>40,876</b>
Provisions	235	<b>276</b>	<b>2,713</b>
Other non-current liabilities	—	<b>27</b>	<b>265</b>
Total non-current liabilities	¥18,997	<b>¥19,030</b>	<b>\$186,742</b>
Total liabilities	¥36,805	<b>¥39,486</b>	<b>\$387,464</b>
Equity			
Capital stock	100	<b>510</b>	<b>5,004</b>
Capital surplus	6,525	<b>6,158</b>	<b>60,427</b>
Retained earnings	15,148	<b>17,180</b>	<b>168,590</b>
Treasury shares	(0)	<b>(0)</b>	<b>(0)</b>
Other components of equity	200	<b>115</b>	<b>1,130</b>
Equity attributable to owners of the parent company	21,973	<b>23,963</b>	<b>235,147</b>
Non-controlling interests	0	<b>184</b>	<b>1,811</b>
Total equity	¥21,973	<b>¥24,148</b>	<b>\$236,958</b>
Total liabilities and equity	¥58,778	<b>¥63,634</b>	<b>\$624,421</b>



## Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

TechnoPro Holdings, Inc. and its subsidiaries  
For the years ended June 30, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Revenue	¥81,241	¥90,323	\$886,310
Cost of sales	62,160	68,995	677,025
Gross profit	19,081	21,328	209,284
Selling, general and administrative expenses	11,797	12,831	125,909
Other income	113	124	1,226
Other expenses	113	127	1,253
Operating profit	7,283	8,494	83,348
Financial income	7	5	59
Financial expenses	458	579	5,682
Profit before income taxes	6,832	7,920	77,725
Income taxes	(43)	530	5,203
Net profit	6,875	7,390	72,522
Net profit attributable to:			
Owners of the parent company	6,874	7,359	72,213
Non-controlling interests	0	31	309
Net profit	¥6,875	¥7,390	\$72,522
	Yen		U.S. Dollars
Earnings per share attributable to owners of the parent company			
Basic earnings per share/diluted earnings per share	¥201.76	¥215.80	\$2.12

### Consolidated Statement of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Net profit	¥6,875	¥7,390	\$72,522
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan	(54)	(185)	(1,817)
Total items that will not be reclassified to profit or loss	(54)	(185)	(1,817)
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments	78	(84)	(832)
Changes in fair value of available-for-sale financial assets	–	(3)	(34)
Gains and losses on cash flow hedges	3	3	31
Total items that may be reclassified to profit or loss	81	(85)	(835)
Total other comprehensive income	27	(270)	(2,652)
Comprehensive income for the period	6,902	7,120	69,870
Comprehensive income for the period attributable to:			
Owners of the parent company	6,902	7,088	69,561
Non-controlling interests	0	31	309
Comprehensive income for the period	¥6,902	¥7,120	\$69,870

## Consolidated Statement of Changes in Equity

TechnoPro Holdings, Inc. and its subsidiaries  
For the years ended June 30, 2015 and 2016

	Millions of Yen							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Fiscal year ended June 30, 2015 (July 1, 2014 to June 30, 2015)								
As of July 1, 2014	¥100	¥ 8,936	¥ 5,916	¥ –	¥118	¥15,071	¥(0)	¥15,070
Net profit			6,874			6,874	0	6,875
Other comprehensive income			(54)		81	27	(0)	27
Total comprehensive income			6,820		81	6,902	0	6,902
Number of new shares issued								
Number of share acquisition rights issued								
Number of share acquisition rights acquired								
Dividends of surplus								
Stock-based compensation								
Purchase of own shares				(0)		(0)		(0)
Change of scope of consolidation								
Changes in ownership of subsidiaries								
Transfer to retained earnings from capital surplus		(2,411)	2,411					
Other increases (decreases)								
Total transactions with the owners		(2,411)	2,411	(0)		(0)		(0)
As of June 30, 2015	¥100	¥ 6,525	¥15,148	¥(0)	¥200	¥21,973	¥0	¥21,973

	Millions of Yen							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Fiscal year ended June 30, 2016 (July 1, 2015 to June 30, 2016)								
As of July 1, 2015	¥100	¥6,525	¥15,148	¥(0)	¥200	¥21,973	¥0	¥21,973
Net profit			7,359			7,359	31	7,390
Other comprehensive income			(185)		(85)	(270)	(0)	(270)
Total comprehensive income			7,174		(85)	7,088	31	7,120
Number of new shares issued	410	20				430		430
Number of share acquisition rights issued		24				24		24
Number of share acquisition rights acquired		(24)				(24)		(24)
Dividends of surplus			(5,141)			(5,141)		(5,141)
Stock-based compensation		16				16		16
Purchase of own shares				(0)		(0)		(0)
Change of scope of consolidation		(395)				(395)	153	(242)
Changes in ownership of subsidiaries		0				0	(0)	–
Transfer to retained earnings from capital surplus								–
Other increases (decreases)		(8)				(8)		(8)
Total transactions with the owners	410	(366)	(5,141)	(0)	–	(5,098)	152	(4,945)
As of June 30, 2016	¥510	¥6,158	¥17,180	¥(0)	¥115	¥23,963	¥184	¥24,148

	Thousands of U.S. Dollars							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Fiscal year ended June 30, 2016 (July 1, 2015 to June 30, 2016)								
As of July 1, 2015	\$981	\$64,027	\$148,641	\$(0)	\$1,965	\$215,612	\$0	\$215,616
Net profit			72,213			72,213	309	72,522
Other comprehensive income			(1,817)		(835)	(2,652)	(0)	(2,652)
Total comprehensive income			70,396		(835)	69,561	309	69,870
Number of new shares issued	4,023	198				4,222		4,222
Number of share acquisition rights issued		244				244		244
Number of share acquisition rights acquired		(244)				(244)		(244)
Dividends of surplus			(50,447)			(50,447)		(50,447)
Stock-based compensation		159				159		159
Purchase of own shares				(0)		(0)		(0)
Change of scope of consolidation		(3,881)				(3,881)	1,506	(2,376)
Changes in ownership of subsidiaries		0				0	(0)	–
Transfer to retained earnings from capital surplus								–
Other increases (decreases)		(84)				(84)		(84)
Total transactions with the owners	4,023	(3,600)	(50,447)	(0)	–	(50,026)	1,498	(48,528)
As of June 30, 2016	\$5,004	\$60,427	\$168,590	\$(0)	\$1,130	\$235,147	\$1,811	\$236,958

## Consolidated Statement of Cash Flows

TechnoPro Holdings, Inc. and its subsidiaries  
For the years ended June 30, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
<b>Cash flows from operating activities</b>			
Profit before income taxes	¥6,832	¥7,920	\$77,725
Depreciation and amortization	272	358	3,515
Interest and dividend income	(7)	(5)	(59)
Interest expense	431	300	2,945
Decrease (increase) in accounts receivables and other receivables	(1,109)	(630)	(6,186)
Increase (decrease) in accounts payable and other liabilities	(525)	1,031	10,124
Increase (decrease) in consumption tax payable	1,353	(1,121)	(11,006)
Increase (decrease) in retirement benefit liabilities	352	456	4,484
Other	94	93	920
<b>Subtotal</b>	<b>7,693</b>	<b>8,403</b>	<b>82,463</b>
Dividends received	0	0	0
Interest received	8	5	58
Interest paid	(342)	(174)	(1,710)
Income taxes paid	(532)	(1,472)	(14,445)
Income tax refund	—	1,187	11,649
<b>Net cash flows from operating activities</b>	<b>¥6,827</b>	<b>¥7,950</b>	<b>\$78,018</b>
<b>Cash flows from investing activities</b>			
Payments into time deposits	(14)	(25)	(249)
Proceeds from withdrawal of time deposits	75	—	—
Purchase of property, plant and equipment	(177)	(261)	(2,563)
Proceeds from sale of property, plant and equipment	—	17	172
Purchase of intangible assets	(186)	(340)	(3,343)
Purchase of subsidiary shares	—	(296)	(2,911)
Other	(0)	0	0
<b>Net cash flows from investing activities</b>	<b>¥(304)</b>	<b>¥(906)</b>	<b>\$(8,894)</b>
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans payable	(3,000)	(258)	(2,537)
Proceeds from long-term borrowings	—	16,000	157,001
Repayments of long-term borrowings	(1,500)	(17,189)	(168,670)
Proceeds from issuance of new stock	—	417	4,096
Purchase of own shares	(0)	(0)	(0)
Cash dividends paid	—	(5,138)	(50,418)
Other	(1)	22	222
<b>Net cash flows from financing activities</b>	<b>¥(4,502)</b>	<b>¥(6,145)</b>	<b>\$(60,308)</b>
Effect of change in exchange rates on cash and cash equivalents	37	(40)	(397)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,059</b>	<b>857</b>	<b>8,419</b>
Cash and cash equivalents at the beginning of the period	8,791	10,851	106,476
<b>Cash and cash equivalents at the end of the period</b>	<b>¥10,851</b>	<b>¥11,708</b>	<b>\$114,895</b>

## Company Data

<b>Name of Company:</b>	TechnoPro Holdings, Inc.	<b>Group Companies:</b>	TechnoPro, Inc. TechnoPro Construction, Inc. TechnoPro Careers, Inc. TechnoPro Smile, Inc. TechnoPro China Group TechnoPro Engineering Shanghai, Inc. TechnoPro Engineering Dalian, Inc. TechnoPro Staffing Shanghai, Inc. TechnoPro Engineering Hefei, Inc.
<b>President, Representative Director and CEO:</b>	Yasuji Nishio		Pc Assist Co., Ltd. (Win School) ON THE MARK Co., Ltd.
<b>Established:</b>	April 27, 2012		
<b>Head Office:</b>	Roppongi Hills Mori Tower 35F, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6135, Japan		
<b>Capital:</b>	510 million yen		
<b>Annual Sales:</b>	90.3 billion yen (consolidated, for the year ended June 30, 2016)	<b>Employees:</b>	14,746 (consolidated, as of June 30, 2016)
<b>Business:</b>	Supervising and management of group companies		

## Basic Stock Information

<b>Basic Stock Information</b>	<b>Stock Exchange:</b>	Tokyo Stock Exchange, First Section
	<b>Listing Date:</b>	December 15, 2014
	<b>Annual Shareholders Meeting:</b>	September
	<b>Stockholders Confirmed Reference Date:</b>	Annual Shareholders Meeting and Final Dividends: June 30, Interim Dividend: December 31
	<b>Trading Unit:</b>	100 shares
	<b>The Total Number of Outstanding Shares:</b>	34,214,000
	<b>The Total Number of Shareholders (Including the treasury stock):</b>	6,095 (as of June 30, 2016)

### Main Shareholders (as of June 30, 2016)

Names	No. of shares held	% of shares*
Japan Trustee Services Bank, Ltd. (Trust Account)	3,323,900	9.71%
GOLDMAN, SACHS & CO. REG	2,772,400	8.10%
BBH FOR MATTHEWS JAPAN FUND	2,312,000	6.75%
STATE STREET BANK AND TRUST COMPANY	2,130,666	6.22%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,772,600	5.18%
THE BANK OF NEW YORK 133522	1,135,866	3.31%
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	809,400	2.36%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	730,000	2.13%
NORTHERN TRUST CO. (AVFC) RE 10PCT TREATY ACCOUNT	690,689	2.01%
CBLDN RE FUND 116-CLIENT AC	602,200	1.76%
Total	16,279,721	47.58%

\* Excluding treasury stock

## TechnoPro Holdings, Inc.

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