

**Strategic framework for long-term value creation
[FY06/18 to FY06/22]**

Sustainable Growth for a Bright Future

July 31, 2017

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Overview of “Growth 1000” (Medium-Term Management Plan Announced in August 2015)

□ Positioning of Three-Year Period for Further Growth

<Medium-Term Management Plan Period>

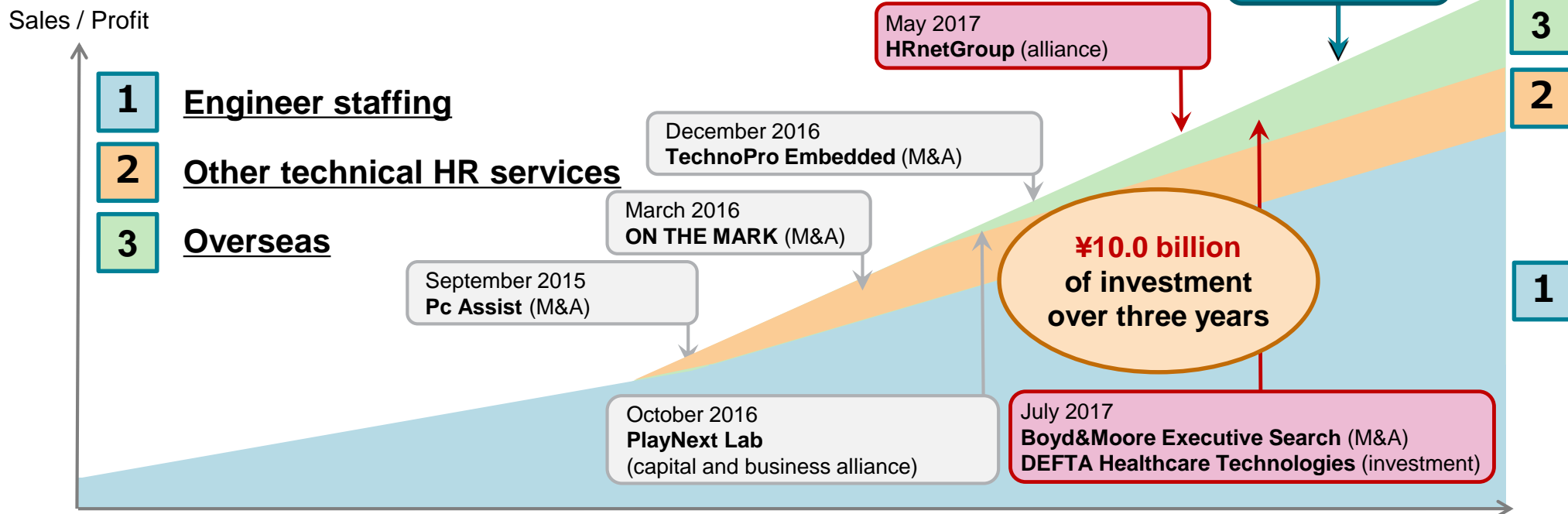


- ✓ Integrate TechnoPro brands
- ✓ Consolidate subsidiaries
- ✓ List on TSE 1st Section

- ✓ Growing market for engineer staffing
- ✓ Amendment to the Worker Dispatching Act

➔ Invest proactively in growth

Next plan moved forward



(1) HRnetGroup

- June 2017: Invested ¥2.1 billion (3% stake) in HRnetGroup, one of Asia's leading recruiting companies
- July 31, 2017: Signed a **capital and business alliance** with HRnetGroup

■ Content of the Capital and Business Alliance

1. Business alliance

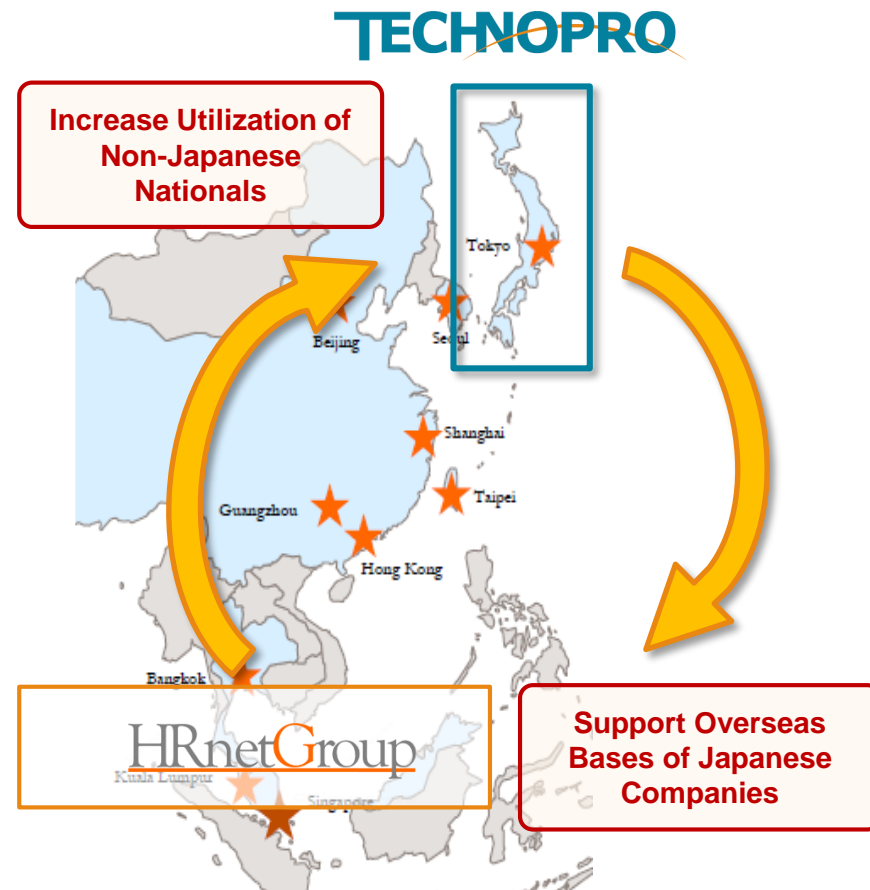
- Support the efforts of Japanese multinationals to secure human resources in Asia
- Support for recruiting of TechnoPro engineers
- Growth of the recruitment agent business in Japan
- Engineer outsourcing in Asia

2. Capital alliance

- Cross shareholdings of 3% or less

3. Other

- Joint investment in Asia
- Future consideration of stronger capital ties and capital restructuring, such as JVs with Group companies

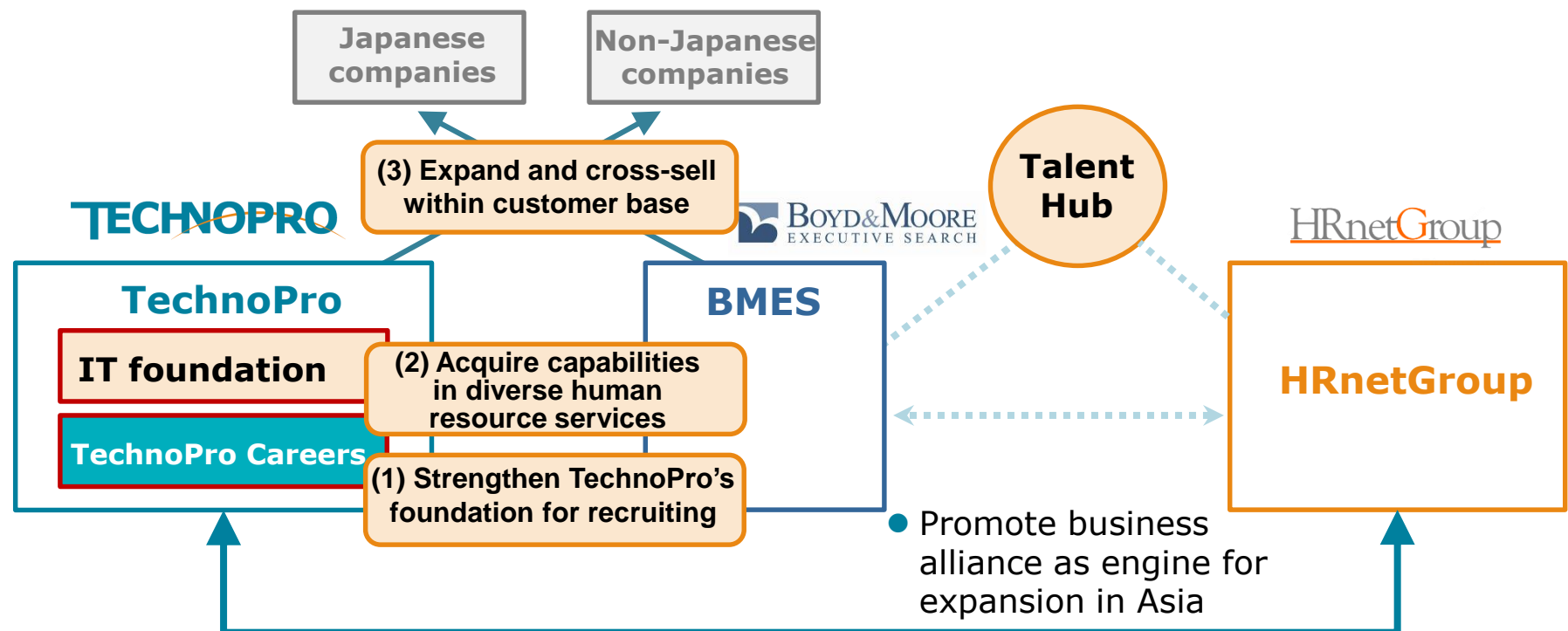


Through an alliance with HRnetGroup, which has the ability to acquire human resources, target medium- to long-term growth in Asia with minimal risk.

(2) Boyd&Moore Executive Search

- July 2017: Acquired 100% stake in Boyd&Moore Executive Search (BMES), a recruitment agent

Goals of the Acquisition



As one aspect of promoting our growth strategy (creating a platform for engineering personnel), generate synergies while expanding the recruitment agency business

Review of the Previous Medium-Term Management Plan

Medium-Term Management Plan, “Growth 1000” (FY06/16 to FY06/18)

Management targets (FY06/18)

- Revenue of ¥100.0 billion, operating profit of ¥10.0 billion, net profit of ¥7.0 billion, payout ratio of 50%, ROE of 20%, D/E ratio of 0.4–0.8x

Strengthen revenue base in engineer staffing segment

- Increase unit price: +2%/year, more than ¥650,000/month
- Increase number of engineers: +5-7%/14,200
- Improve gross profit margin: > 24%
- Maintain/enhance competitive cost structure: SG&A ratio to 14% level

Grow in areas other than staffing businesses

- Development services, services abroad, engineer recruitment support/human resource development, business turnaround support
- Ratio of revenue from non-dispatch areas: 20%

Results (FY06/16 to FY06/17)*

- Revenue of ¥100.0 billion, operating profit of ¥9.6 billion, net profit of ¥7.7 billion, payout ratio of 50%, ROE of 30%, D/E ratio of 0.6x

- Increase unit price: ¥633,000/month (+1.5%)
- Number of engineers: 14,346 (+9.5%)
- Gross profit margin: 23.4%
- SG&A ratio: 13.9%

- M&A investment of ¥4.8 billion
- Ratio of revenue from non-dispatch areas: 14%

**Essentially achieved targets of medium-term management plan one year early.
Formulated new plan.**

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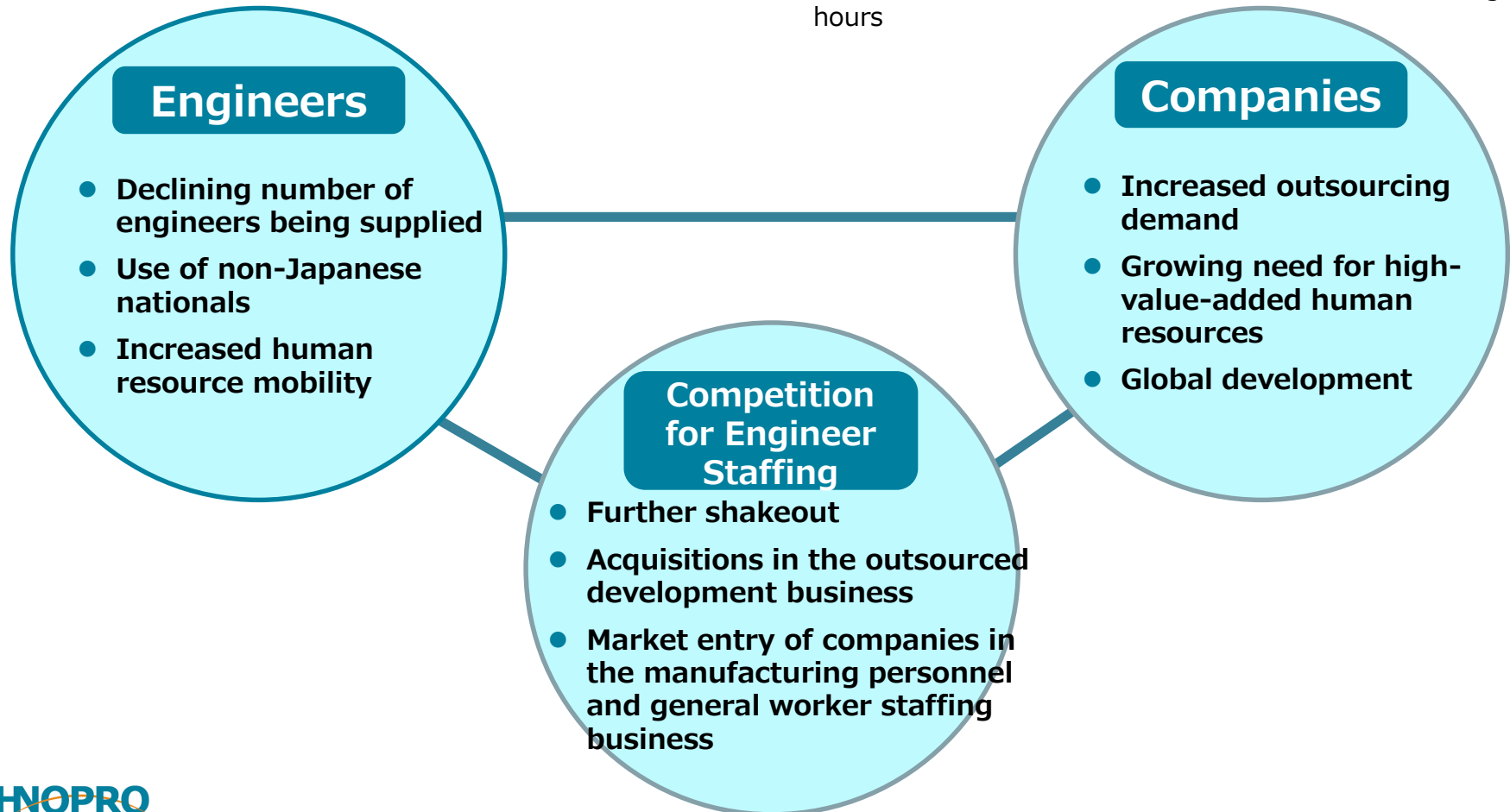
Operating Environment

Technology Environment

- Advances in information technology (AI, IoT, data science...)
- Progress in HRTech

Legal Environment

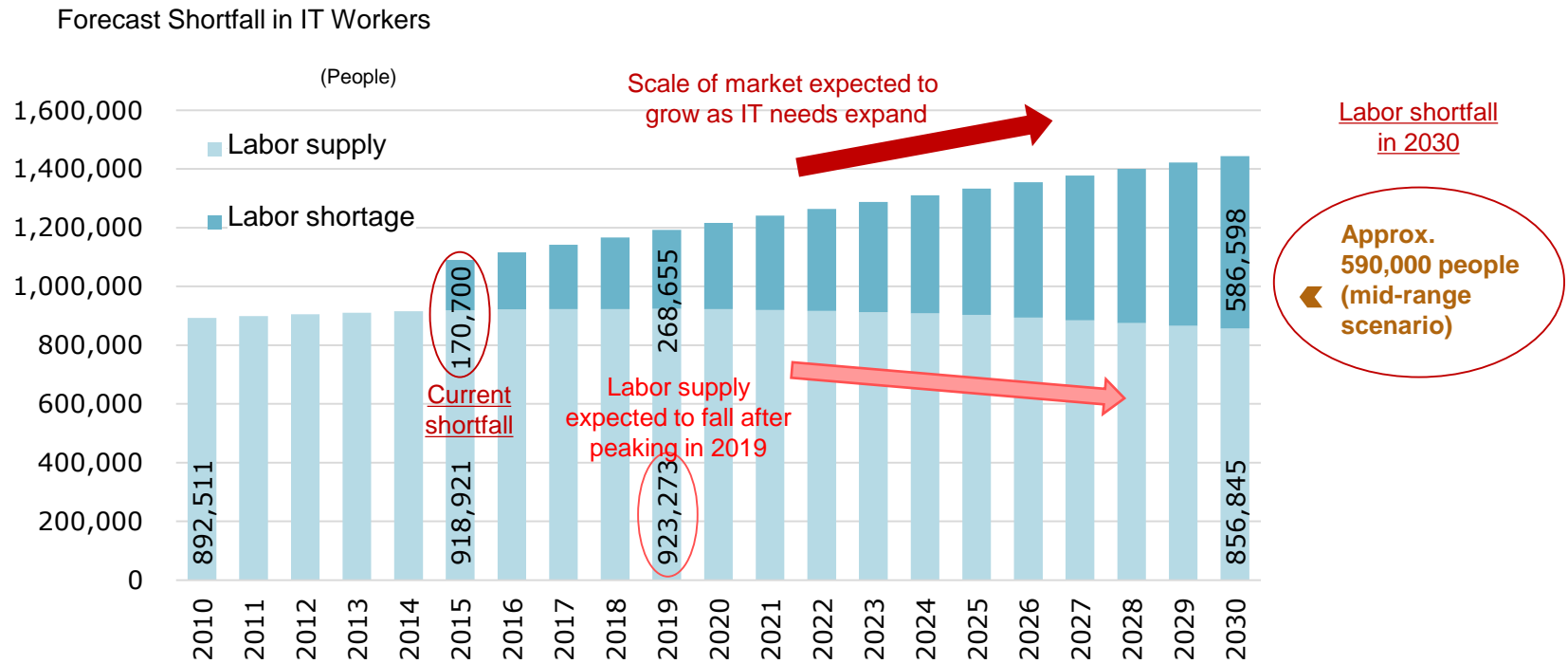
- Worker Dispatch Law Amendment: Ending of grace period, move toward same pay for same work?
- Labor Contract Act: Move to indefinite-term employment for repeated renewals of fixed-term contracts
- Labor Standards Act: Revisions intended to reduce long working hours



Operating Environment-Gaps in Human Resource Supply and Demand

Japan's working-age population is falling at a faster rate than the total population.

Supply of engineers is falling but demand is rising, leading to expectations of increasingly severe worker shortages.



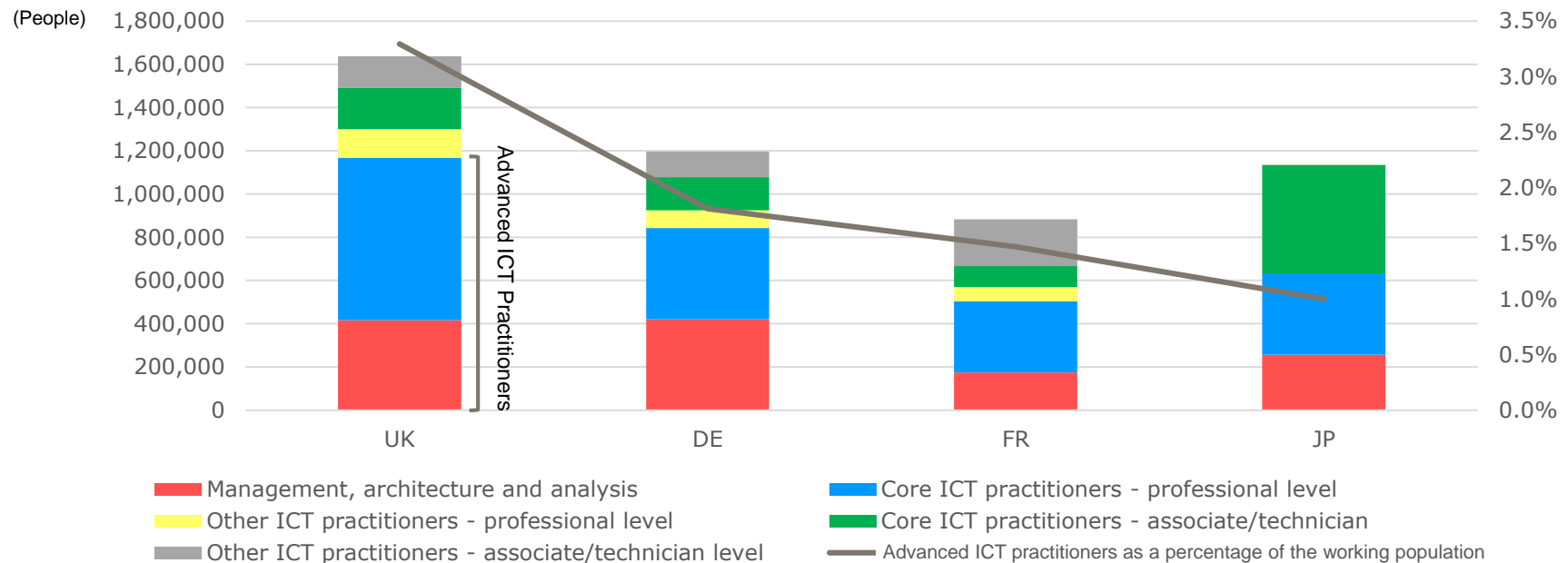
Source: "Results of Survey on Latest Trends in IT Workers and Future Estimates," Ministry of Economy, Trade and Industry

Worker shortages are growing increasingly severe, which is a positive factor for TechnoPro

Operating Environment-Growing Mismatches

The number of high-level engineers in Japan fails to grow, despite demand for increasing sophistication, leading to a mismatch.

Ratio of IT Workers in Different Countries, by Occupation, Advanced ICT Practitioners as a Percentage of the Working Population



Sources: Compiled by TechnoPro from the following
 (Japan) "IT Worker White Paper 2016," Information-Technology Promotion Agency, Japan
 (Other countries) "e-Skills in Europe, Trends and Forecasts for the European ICT Professional and Digital Leadership Labour Markets (2015-2020)," empirica

Strong potential needs for high-value-added human resources

Basic Policies of the New Medium-Term Management Plan

Five years, from FY06/18 to FY06/22

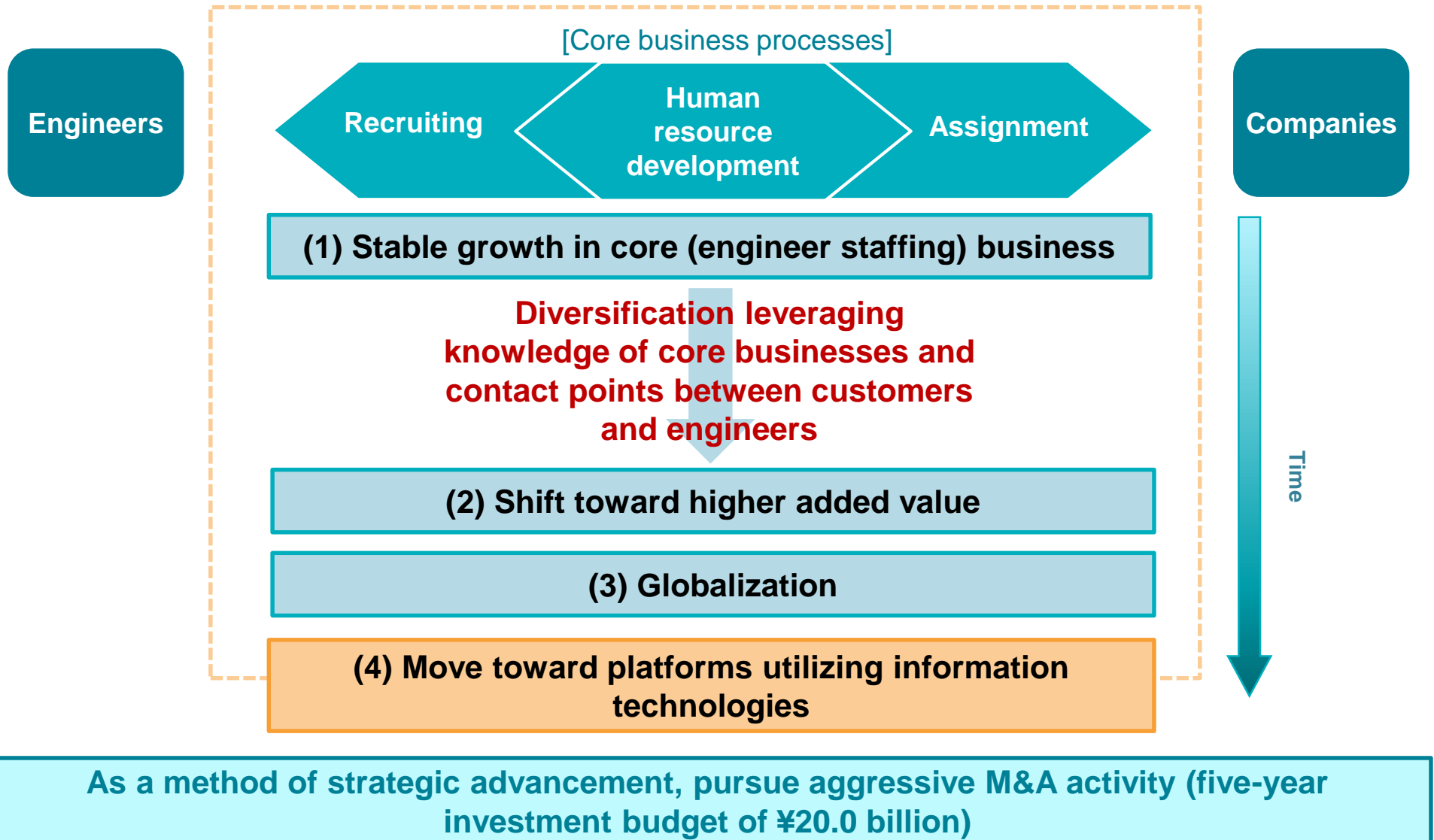
(We expect to be flexible in revising the plan, at around three years, based on Company performance and the operating environment.)

We aim to be a “global human resource services company with technology at its core.”
(Expand the business domain)

Look ahead toward long-term increases in corporate value 10 years hence

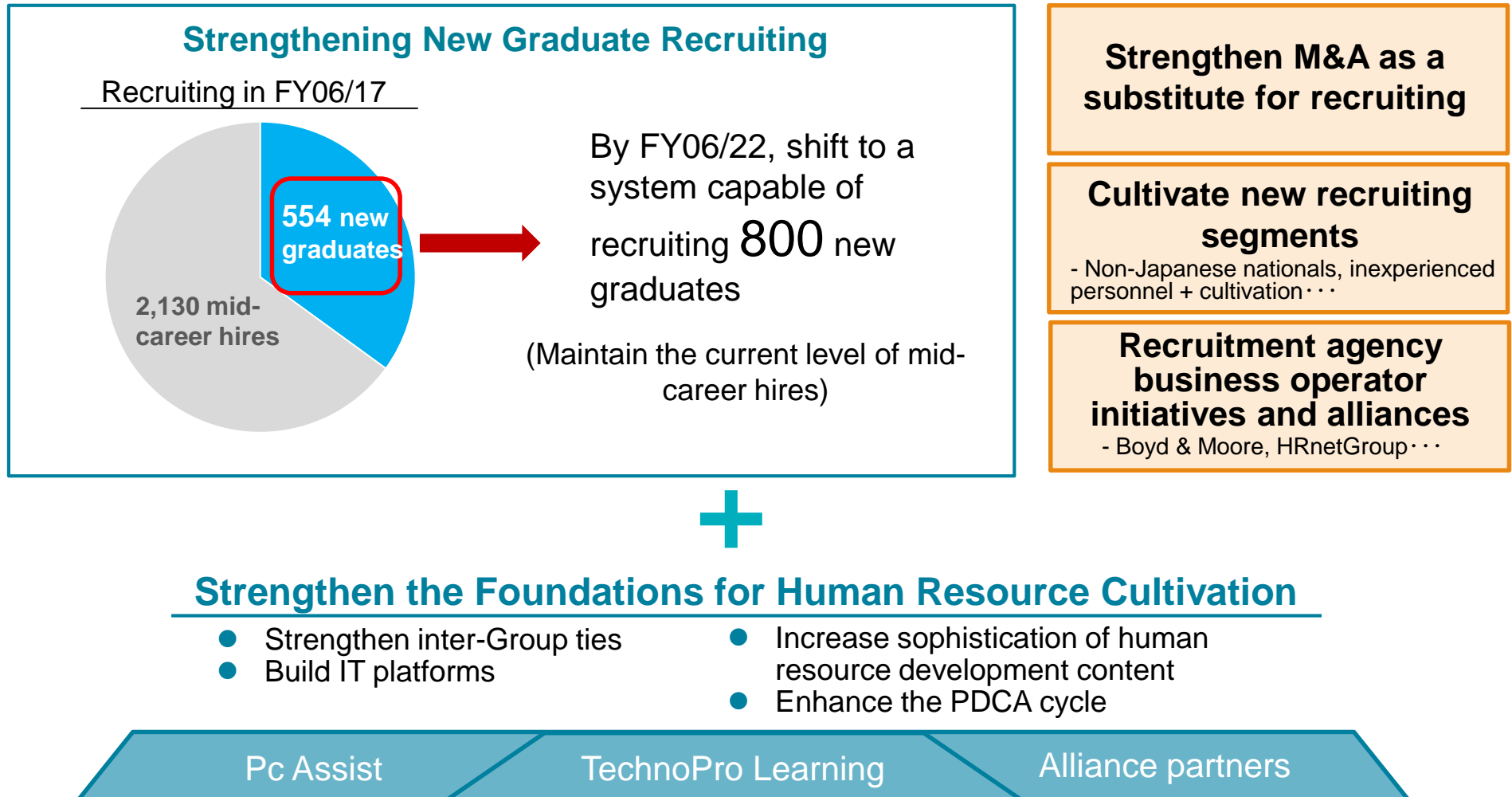
Cultivate engineers and support their transition from maturing and declining industries to growth industries without loss of employment

Developing Our Growth Strategy



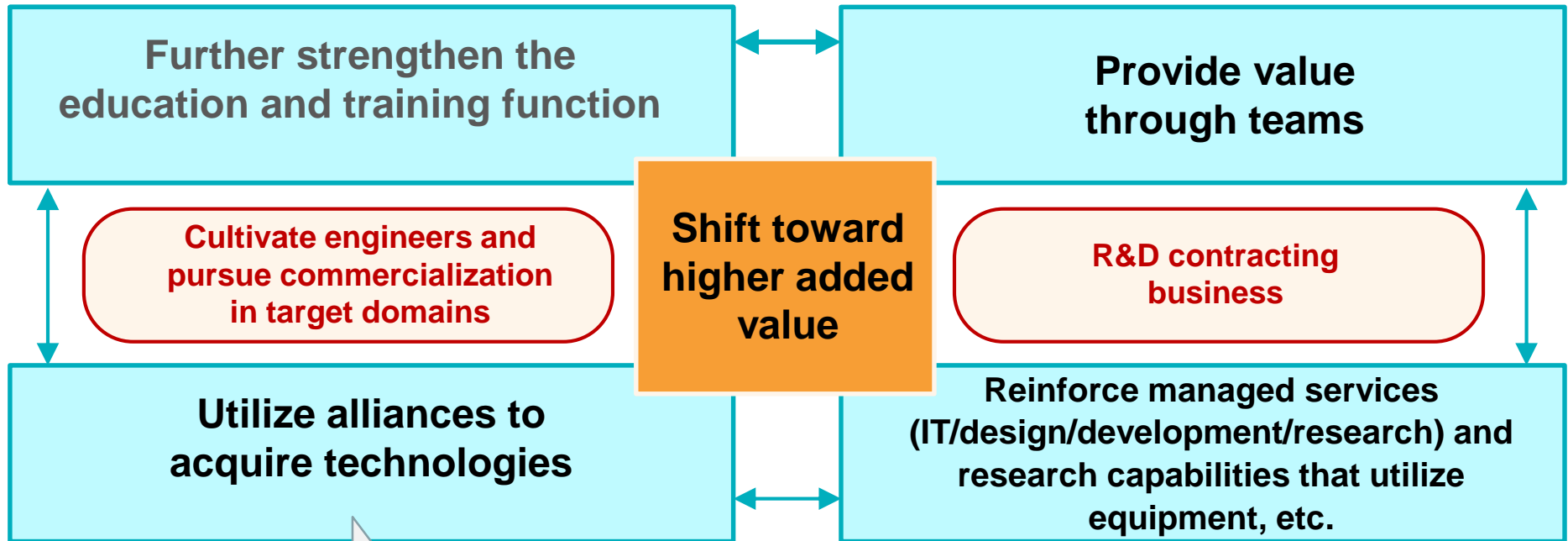
(1) Stable Growth in Core (Engineer Staffing) Business

Enhancing Our Ability to Acquire Engineers, a Driver of Growth



(2) Shift toward Higher Added Value

Transition to a Group of Engineers That Provides Higher-Added-Value Solutions



Cases of Initiatives Underway

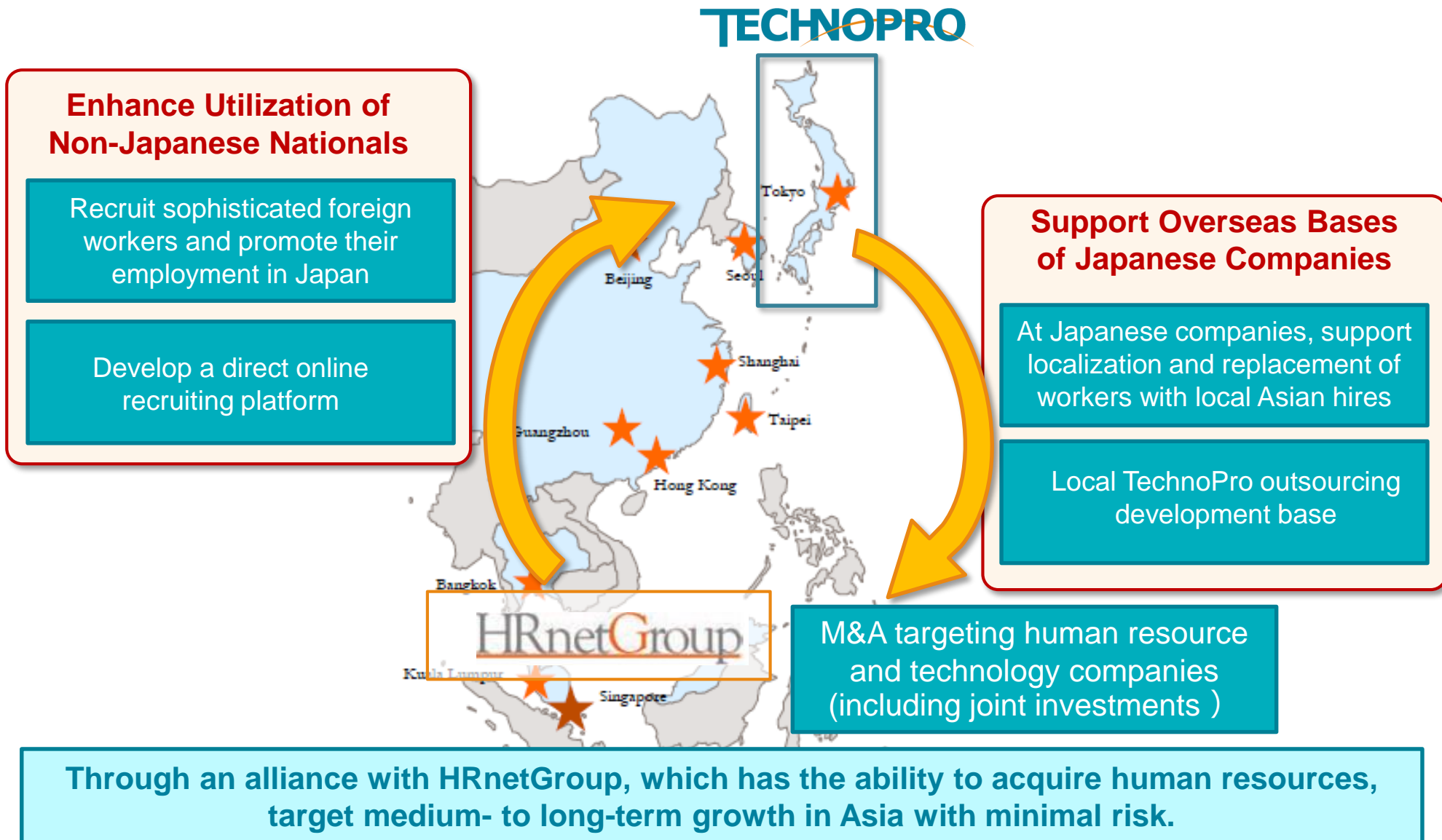
dSPACE (model base development)

Toyohashi University of Technology
(neuroscience collaborative research)

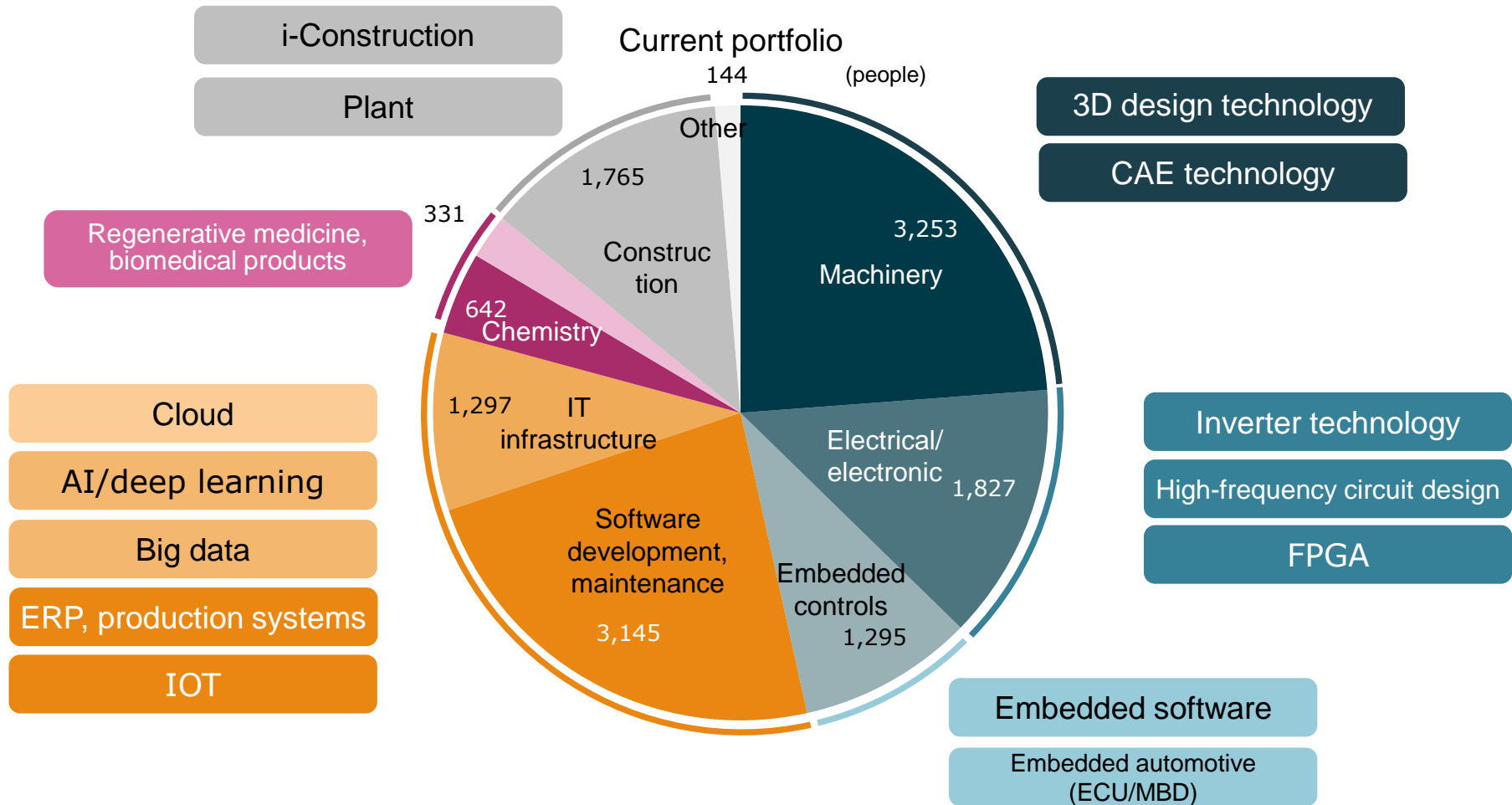
O2 (technical consulting)

Keio University (drone technologies) ...

(3) Globalization

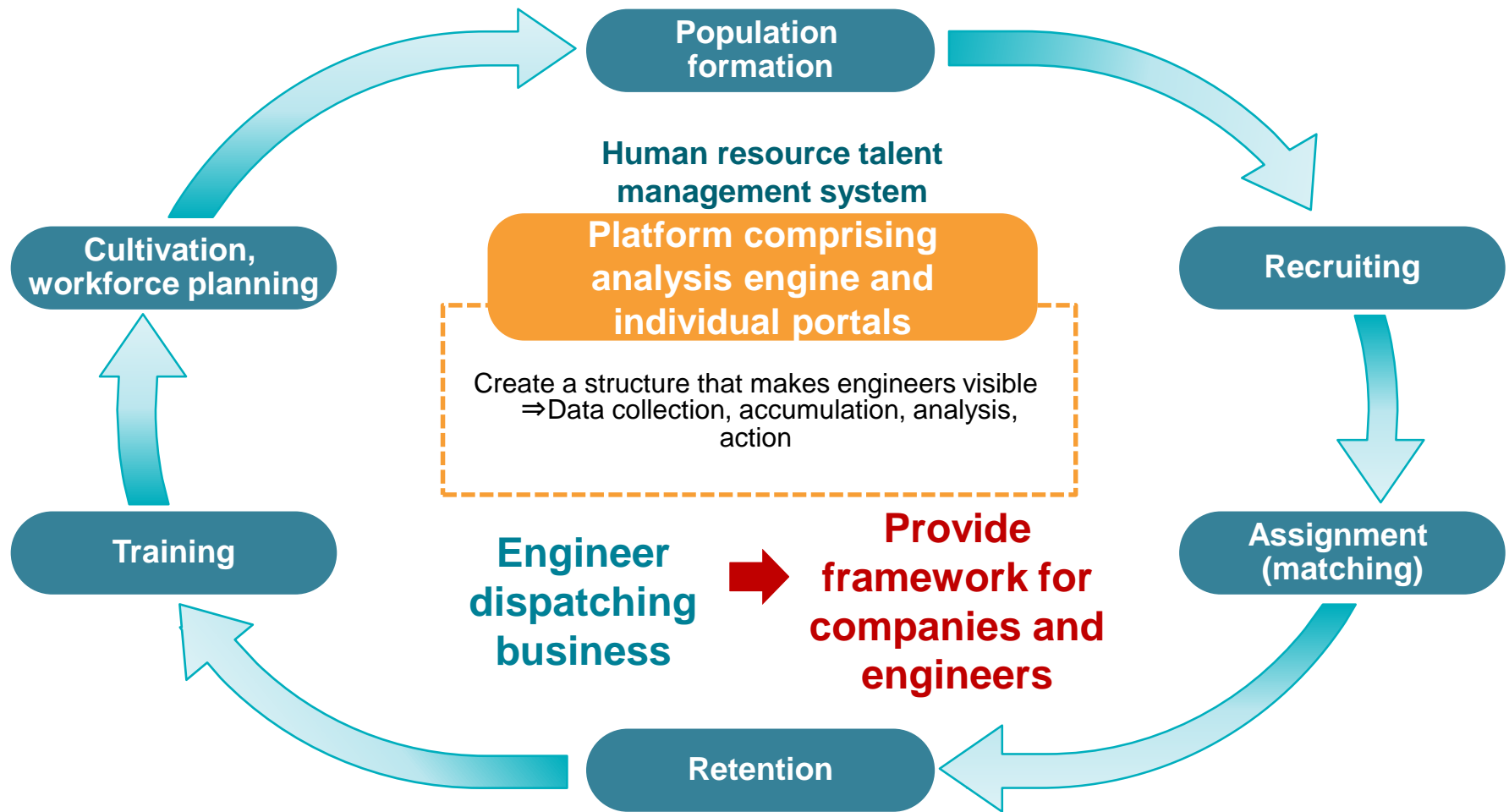


Target Domains in the Shift from Strategy (1) to (3)



Steadily respond to growing demand by strengthening core businesses, shifting toward higher added value, and globalizing

(4) Move toward Platforms Utilizing Information Technologies

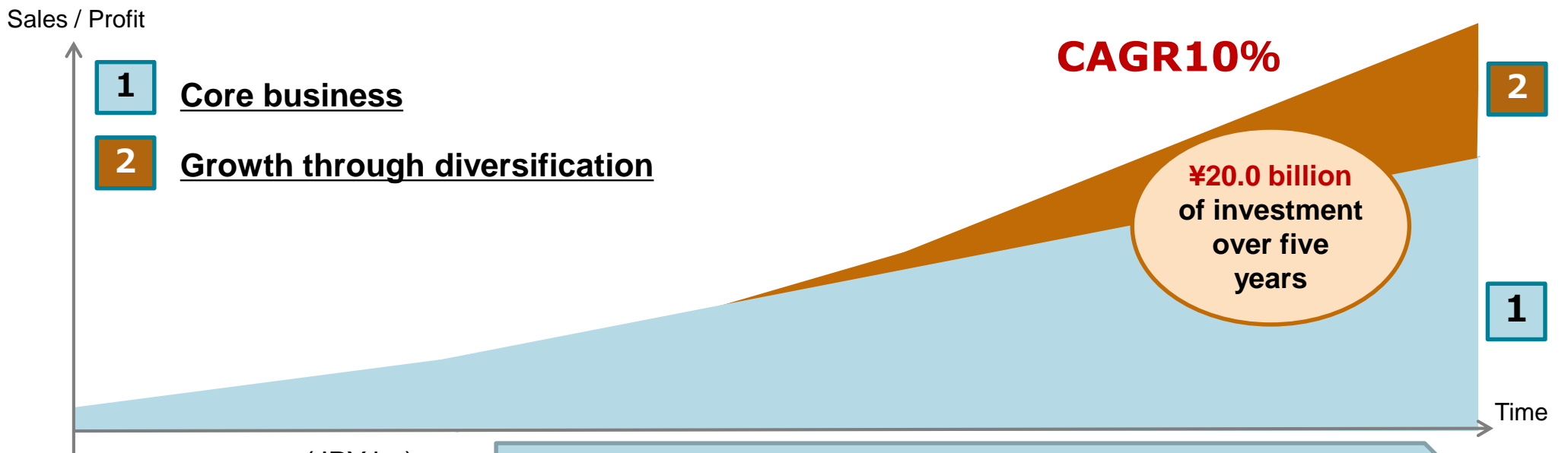


Arm core businesses with IT, and provide human resource services that meet the needs of companies and engineers.

Management Targets

□ Position five-year period as time to build foundations for 10 years into the future

<Current Medium-Term Management Plan>

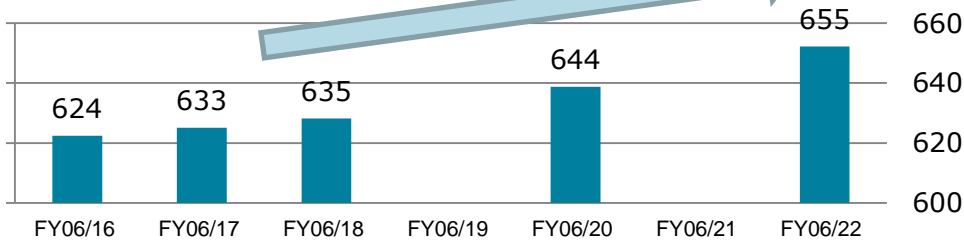


(JPY bn)	FY06/16	FY06/17	FY06/18	-	FY06/20	-	FY06/22	CAGR
Sales	90.3	100.0	109.0		135.0		160.0 or more	10% or more
Operating profit	8.5	9.6	10.6		13.5		17.0 or more	12% or more
Net profit	7.4	7.7	7.6		9.0		11.0 or more	7% or more
ROE*	32%	30%			20% or more			

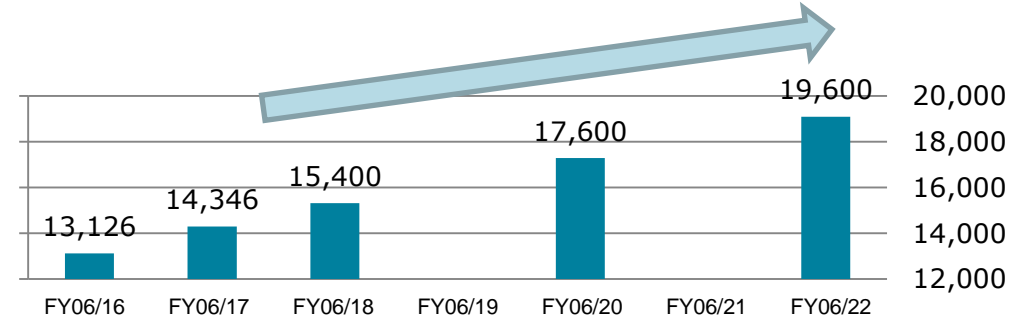
KPIs

Revenue per Engineer*

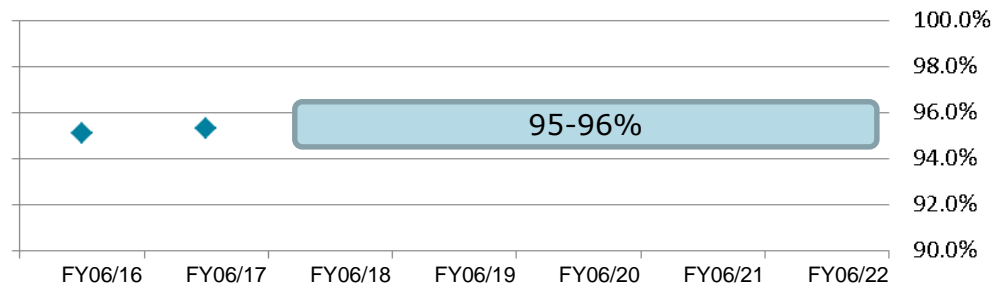
(1,000JPY /month)



Number of Engineers*



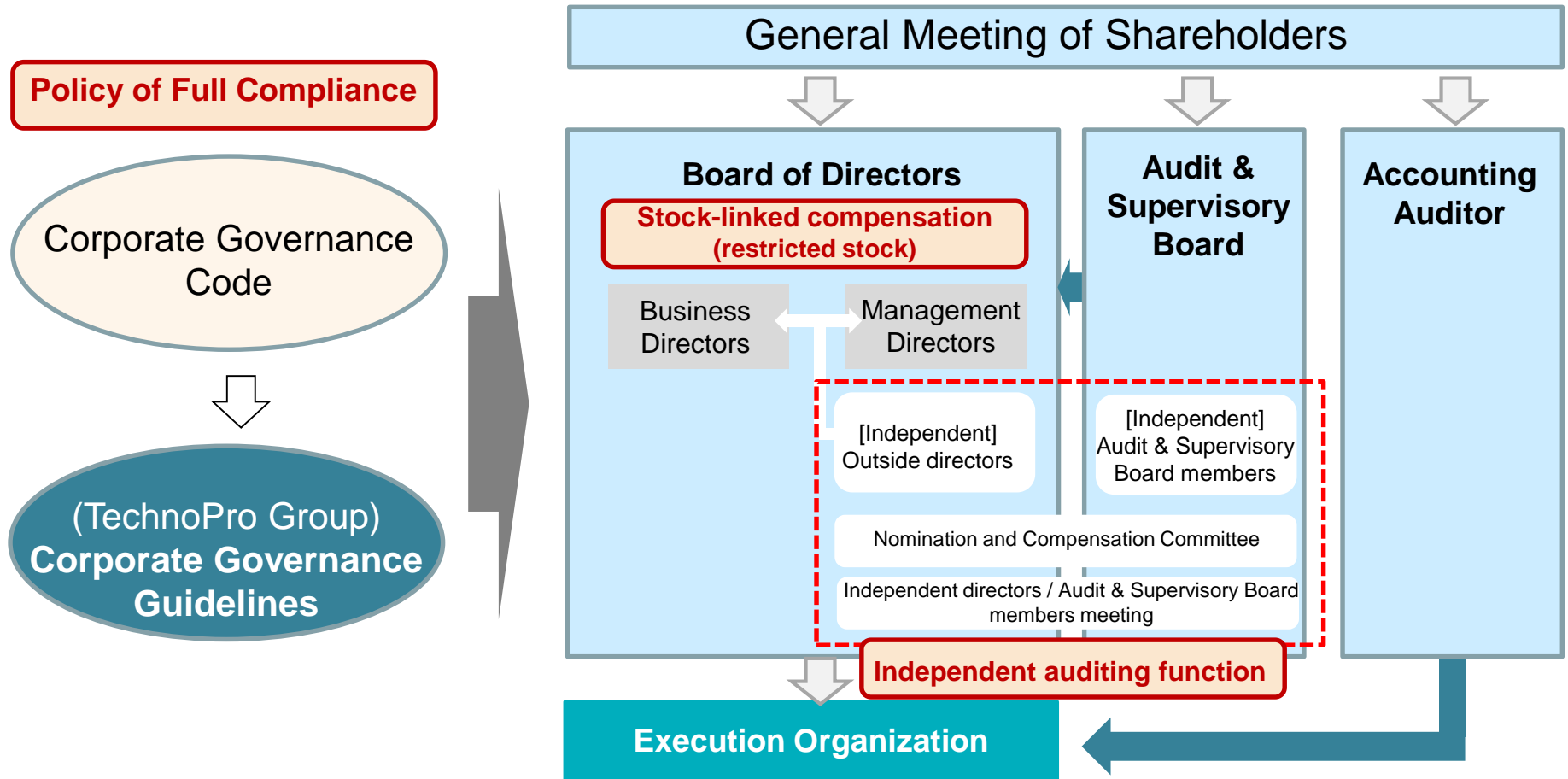
Engineer Utilization Rate*



➤ Assumptions behind the above management targets:
The corporate customer and engineer labor markets follow trends similar to those in recent years.

*Figures are for Japan. The number of engineers is as of fiscal year-end.

Governance System to Enhance Corporate Value and the Common Interests of Shareholders



Continue to strengthen the governance system and introduce a system of stock-linked compensation (restricted stock)

(* Scheduled to be appointed to the Company's ordinary general meeting of shareholders in September, 2017)

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