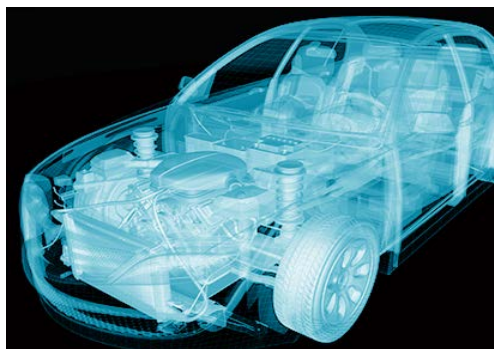


# TechnoPro Holdings, Inc.

## Corporate Information (Consolidated edition)



# Contents

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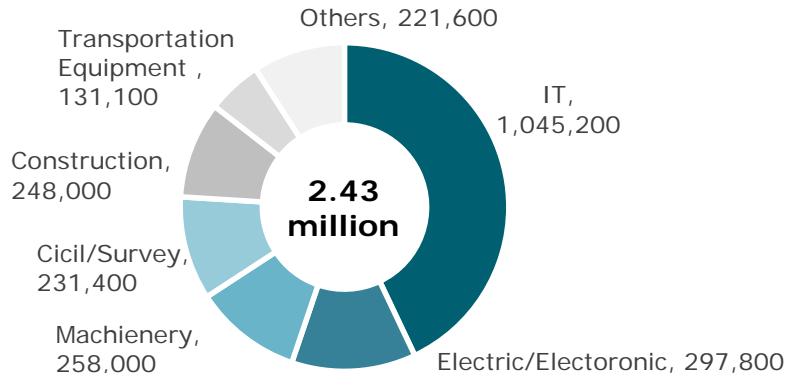
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# Distribution of engineers in Japan

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

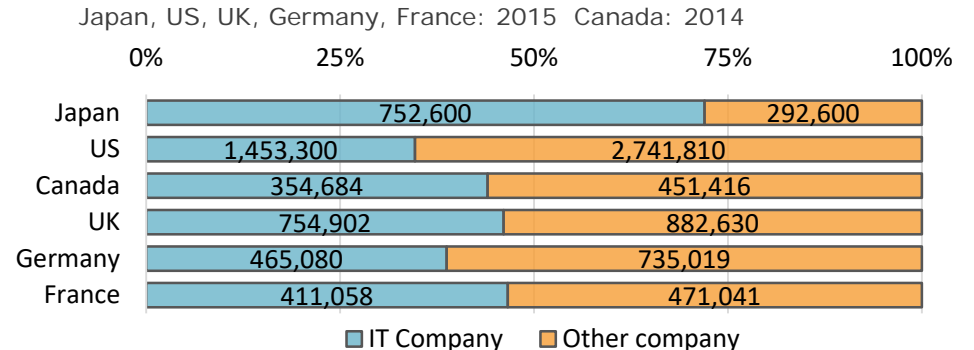
## 1. Number of engineers in Japan (2015)

Source: census 2015



## 2. Ratio of IT talents at IT and non-IT companies

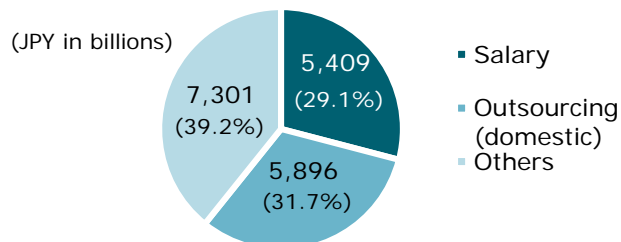
Source: Information-technology Promotion Agency Japan  
"IT Talent White Paper 2017"



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

## 3. Cost structure of IT industry

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



## 4. Outsourcing rate in the manufacturing industry

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

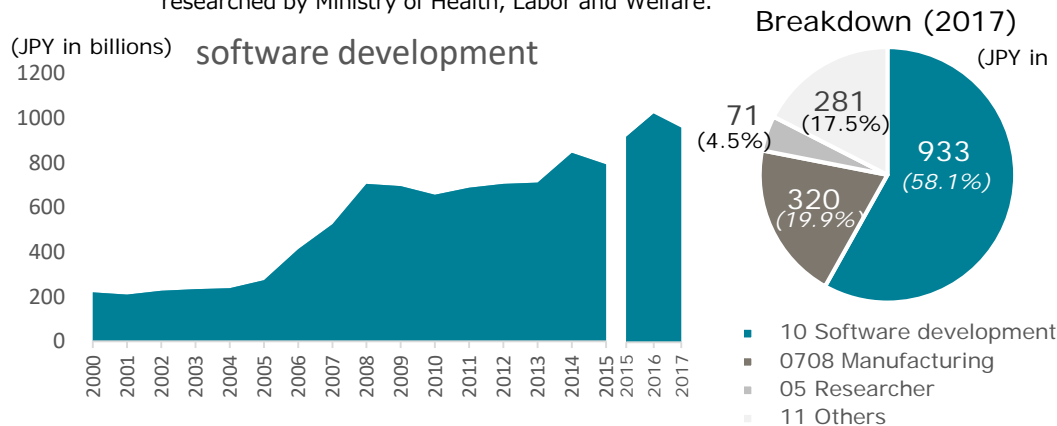
|                        |     |
|------------------------|-----|
| IT System              | 75% |
| Technology development | 56% |

# Engineer Staffing Market Overview

- Estimated the whole staffing market size is about 6.5 trillion yen. (2017)  
Engineer staffing market size (including manufacturing engineers) is about 1.6 trillion yen, about 230,000 people.
- Steady economic growth of this market is forecasted because of the increasing of R&D and Software demand.

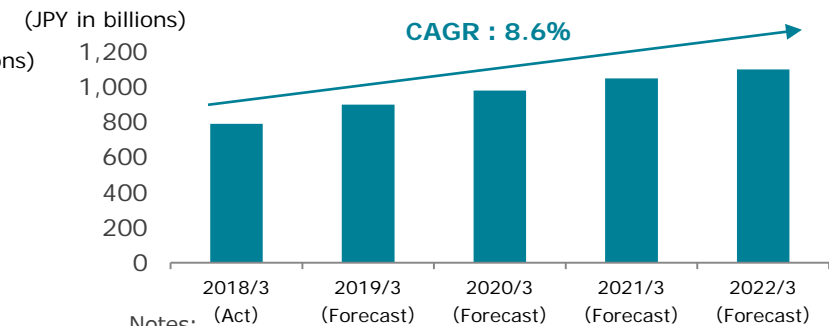
## 1. Transition of engineer staffing market size

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



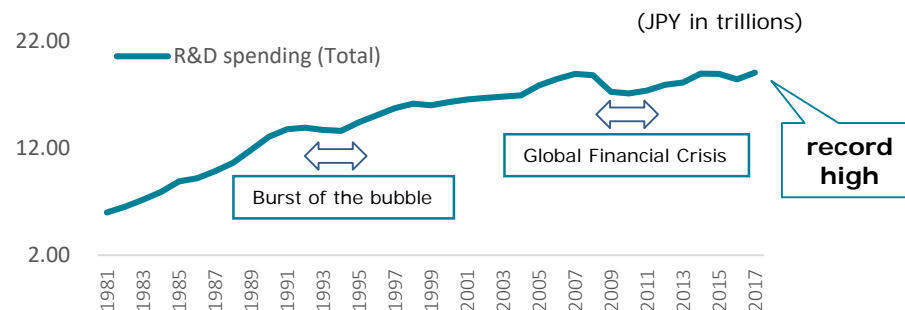
## 2. Forecast of engineer staffing market size

Source: Yano Research Institute Ltd., "Human Resources Business 2018"



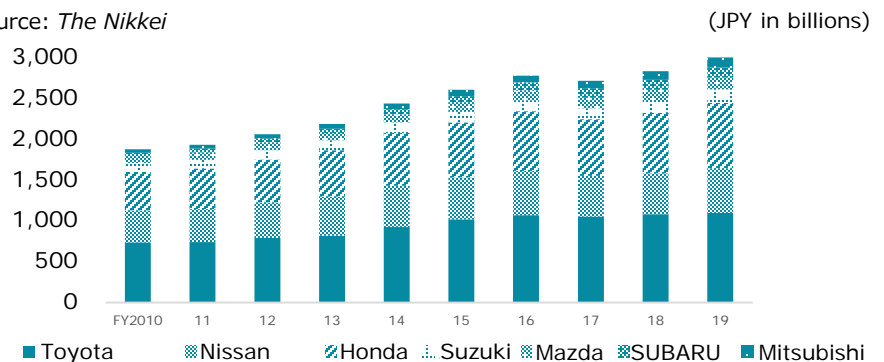
## 3. Transition of R&D spending in Japan

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



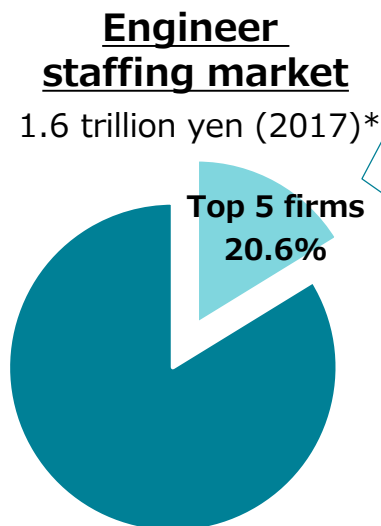
## 4. R&D spending trend of seven major auto companies in Japan

Source: The Nikkei



# Our position in the industry

- In the engineer staffing market, we are No. 1 player, with a market share of about 7%.
- In IT service industry, we are within 20<sup>th</sup>.



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

**Top 5 Firms  
in the Engineer staffing sector**

| Rank               | Company                               | Revenue<br>(million yen) | Share**      |
|--------------------|---------------------------------------|--------------------------|--------------|
| 1                  | <b>TechnoPro Group (consolidated)</b> | 116,529                  | 7.3%         |
| 2                  | Meitec (consolidated)                 | 93,618                   | 5.9%         |
| 3                  | Outsourcing (domestic technologies)   | 51,264                   | 3.2%         |
| 4                  | Forum Engineering                     | 34,500                   | 2.2%         |
| 5                  | Trust Tech                            | 33,573                   | 2.1%         |
| <b>Top 5 total</b> |                                       | <b>329,484</b>           | <b>20.6%</b> |

\*\* Source: The figures are calculated and prepared by TechnoPro based on Yano Research Institute Ltd and individual company's data released on the IR materials

## IT service companies TOP20

Source: "The Nikkei computer" Aug.16<sup>th</sup> 2018

| Rank | Company                                       | Revenue<br>(million yen) |
|------|---|--------------------------|
| 1    | NTT DATA Corporation                          | 2,117,167                |
| 2    | OTSUKA CORPORATION                            | 691,166                  |
| 3    | Canon Marketing Japan Inc.                    | 632,189                  |
| 4    | Nomura Research Institute, Ltd.               | 471,488                  |
| 5    | ITOCHU Techno-Solutions Corporation           | 429,625                  |
| 6    | TIS Inc.                                      | 405,648                  |
| 7    | SCSK Corporation                              | 336,654                  |
| 8    | Nihon Unisys, Ltd.                            | 286,977                  |
| 9    | NEC Networks & System Integration Corporation | 267,939                  |
| 10   | transcosmos inc.                              | 266,645                  |
| 11   | NS Solutions Corporation                      | 244,215                  |
| 12   | FUJI SOFT INCORPORATED                        | 180,773                  |
| 13   | Internet Initiative Japan Inc.                | 176,050                  |
| 14   | Net One Systems Co., Ltd.                     | 161,107                  |
| 15   | GMO Internet, Inc.                            | 154,256                  |
| 16   | Trend Micro Incorporated.                     | 148,811                  |
| 17   | UCHIDA YOKO CO., LTD.                         | 144,537                  |
| 18   | TSUZUKI DENKI CO.,LTD.                        | 111,973                  |
| 19   | Relia, Inc.                                   | 109,800                  |
| 20   | Ryoyo Electro Corporation                     | 92,234                   |

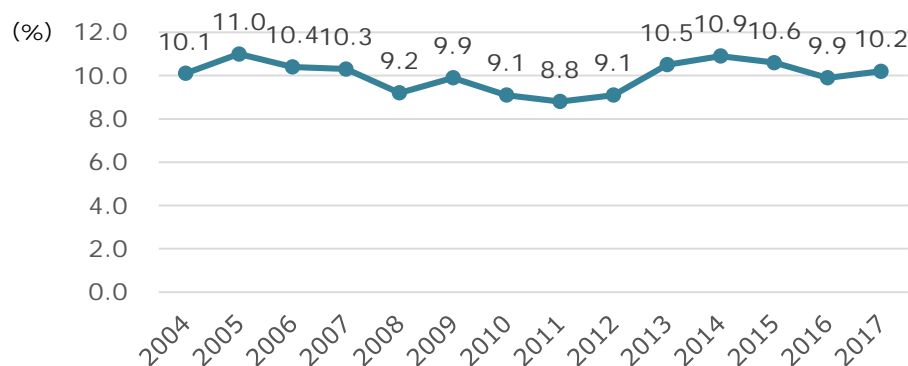
Compare to IT service companies,  
We are within 20<sup>th</sup>

# Background of Engineer Staffing Market Growth and our strengths – 1. Mid career market

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

## 1. Turnover ratio in Japan

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



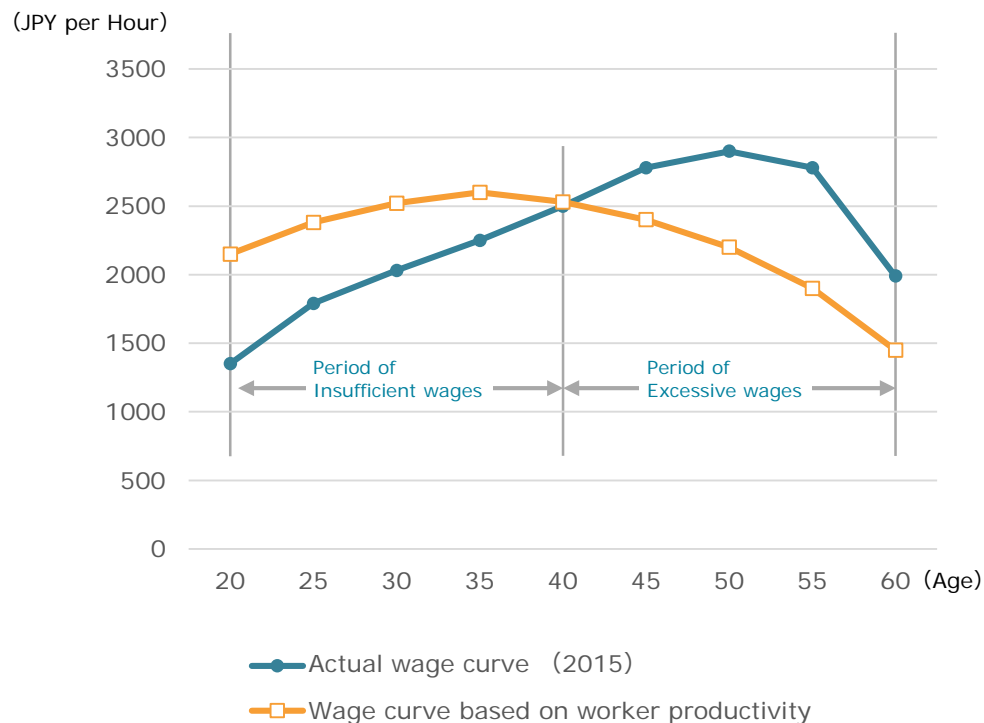
## 2. Engineer's turnover ratio (2007)

Source: "Japanese engineers" Yoshifumi Nakada, 2011

|                  |        |
|------------------|--------|
| Overall engineer | 7.60%  |
| General engineer | 5.90%  |
| IT engineer      | 10.20% |

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

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

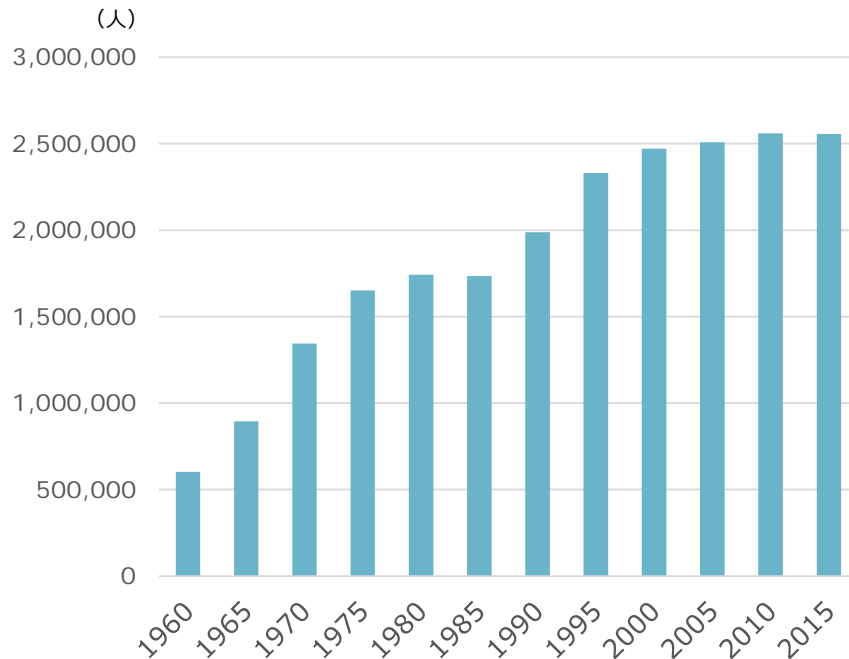


# Background of Engineer Staffing Market Growth and our strengths – 2. New grads market

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

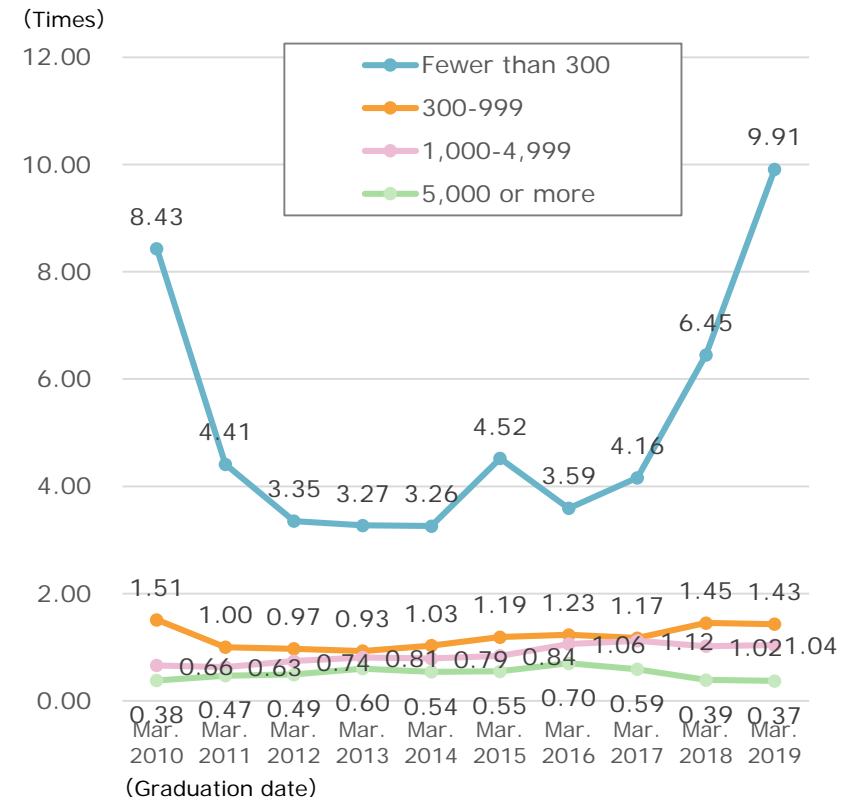
## 4. No. of university grads

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



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

Source : "34<sup>th</sup> College Graduates Job Opening Survey",  
Recruit Works Institute

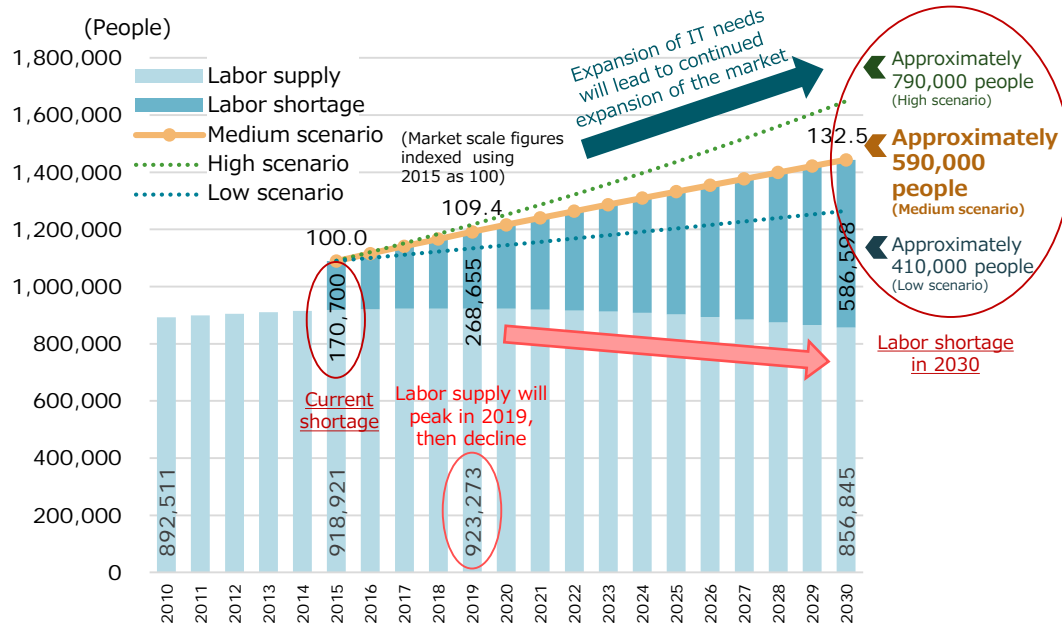


# Background of Engineer Staffing Market Growth and our strengths – 3. Growing demand

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

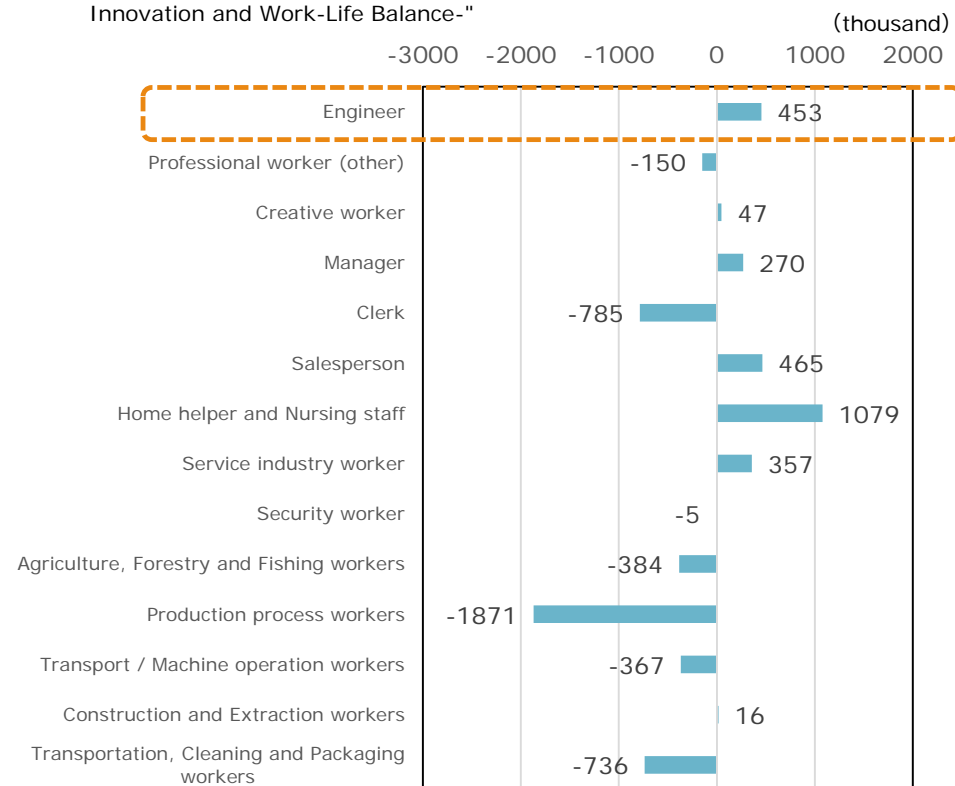
## 6. IT Staff Shortage Projections

Source: Ministry of Economy, Trade and Industry, *Study of Recent Trends and Future Estimates Concerning IT Human Resources*



## 7. Shift in workforce due to progression of AI

Source: Ministry of Health, Labour and Welfare, Labor economy white paper in 2017 "Analysis of Labor Economy - Issues for Promotion of Innovation and Work-Life Balance-"



Note: Estimated numbers comparing 2015 and 2030

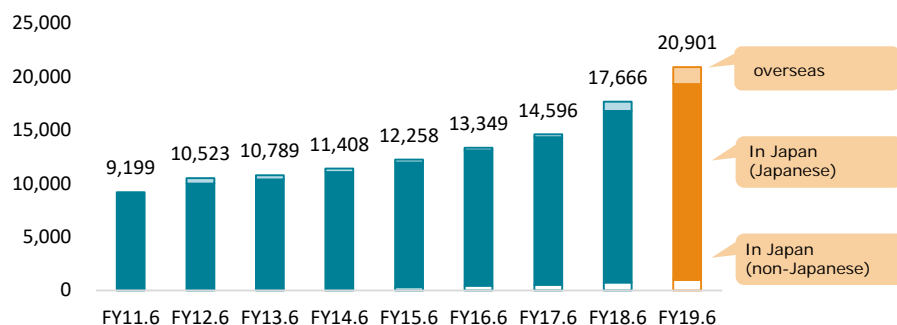


# Corporate Overview

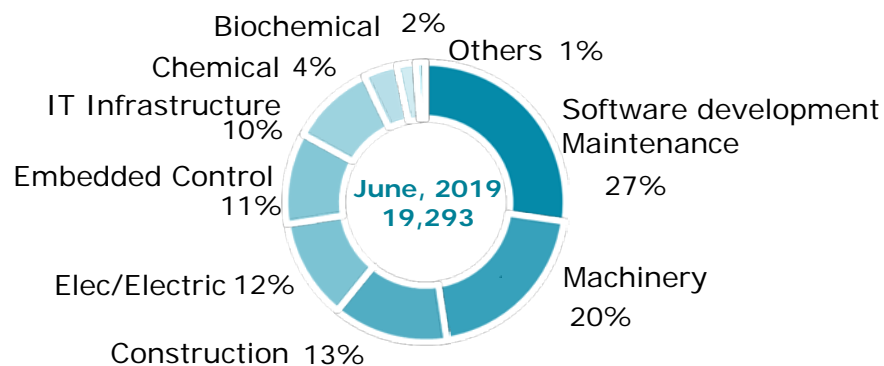
- We have the largest number of engineers in Japan.
- Stable growth of more than 10%/year due to strong recruitment capabilities and marketing capabilities.
- We are also trying to expand our contracting based business, and the domestic non-dispatch sales ratio was 14.5% as of the end of June 2019.

## ① The largest engineer base and broadest technological domains covered in Japan

### Transition of number of engineers

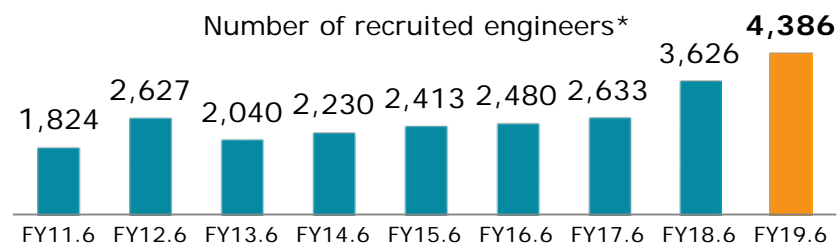


### Breakdown of Assigned Engineers by Technological Domains (in Japan)



## ② Strong recruitment capabilities utilizing various channels

Hiring Mid-career **2,000+** / new-grads **1,000+** annually



\* The total of recruited engineers in the Japanese subsidiaries, excluding M&A

## ③ Stable and broad customer base

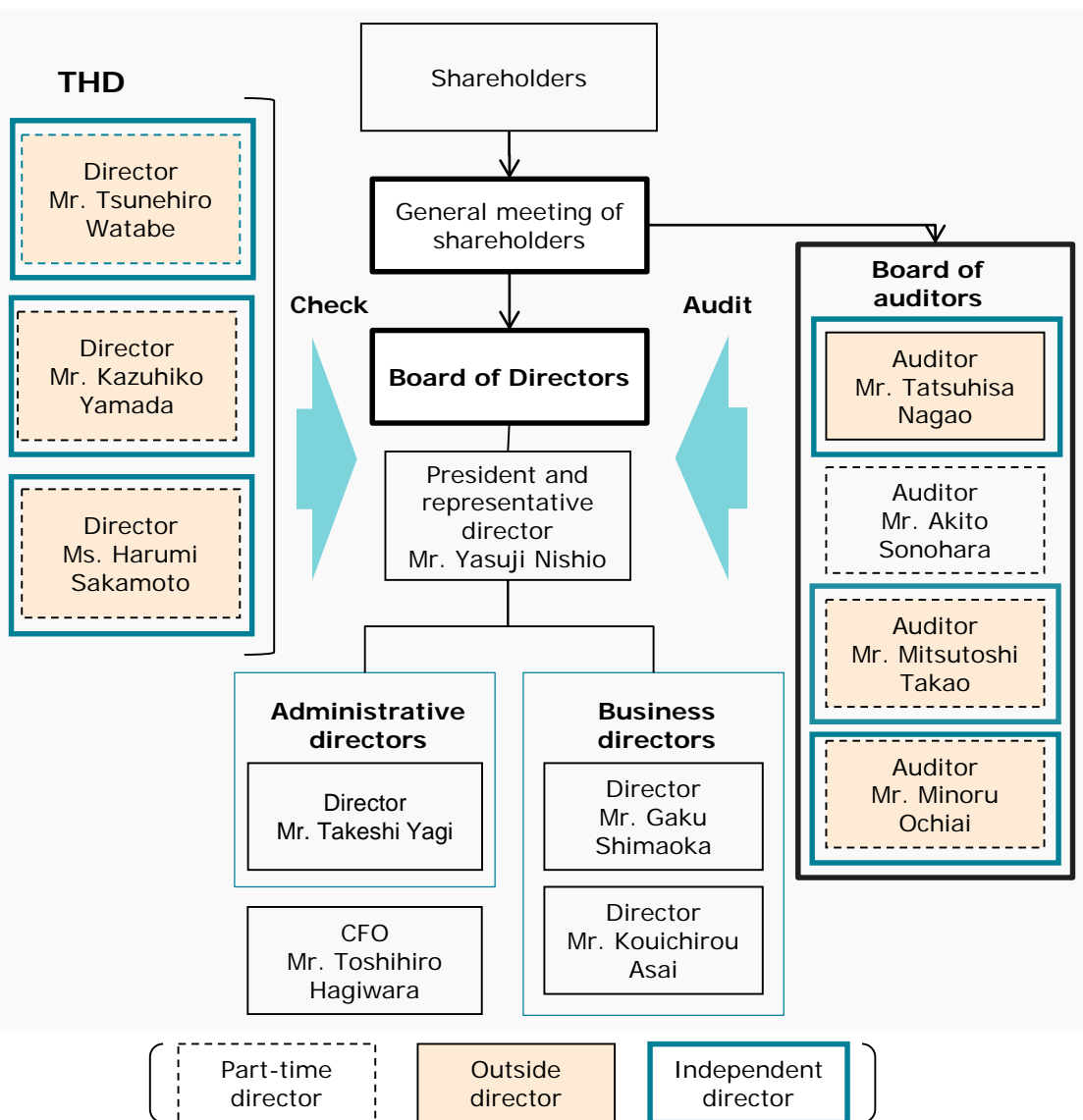
**2,156 customers** as of Jun. 2019

TOP 10 Customer groups (including subsidiaries)

| No. | industry         | Listed/<br>Non-Listed | Sales of JPY<br>1 tn. or more | Contract period<br>with over<br>10 years |
|-----|------------------|-----------------------|-------------------------------|--|
| 1   | Electronics/SIer | Listed                | ○                             | ○  |
| 2   | Electronics/SIer | Listed                | ○                             | ○  |
| 3   | Electronics/SIer | Listed                | ○                             | ○  |
| 4   | Transportation   | Listed                | ○                             | ○  |
| 5   | Transportation   | Listed                | ○                             | ○  |
| 6   | Transportation   | Listed                | ○                             | ○  |
| 7   | Electronics/SIer | Listed                | ○                             | ○  |
| 8   | Transportation   | Listed                | ○                             | ○  |
| 9   | Electronics      | Listed                | ○                             | ○  |
| 10  | Construction     | Non-listed            | ○                             | ○  |

# Governance -Corporate Governance Structure-

Secure the functioning governance structure by mutual-check system in top management



## Introduced RS (from 2017)

- Payment Date : October 25, 2018
  - Transfer Restriction Period : until October 24, 2021
  - Type and Number of Shares to be Issued : Common stock 21,097 shares (dilution ratio <0.1)
  - Issuance Price : ¥ 7,060 per share
  - Total Value of Shares to be issued : ¥ 148,994,820
  - Eligible Parties (tentative) : TechnoPro Holdings & Subsidiary, Directors & Executive Officers
- Total : 26 persons

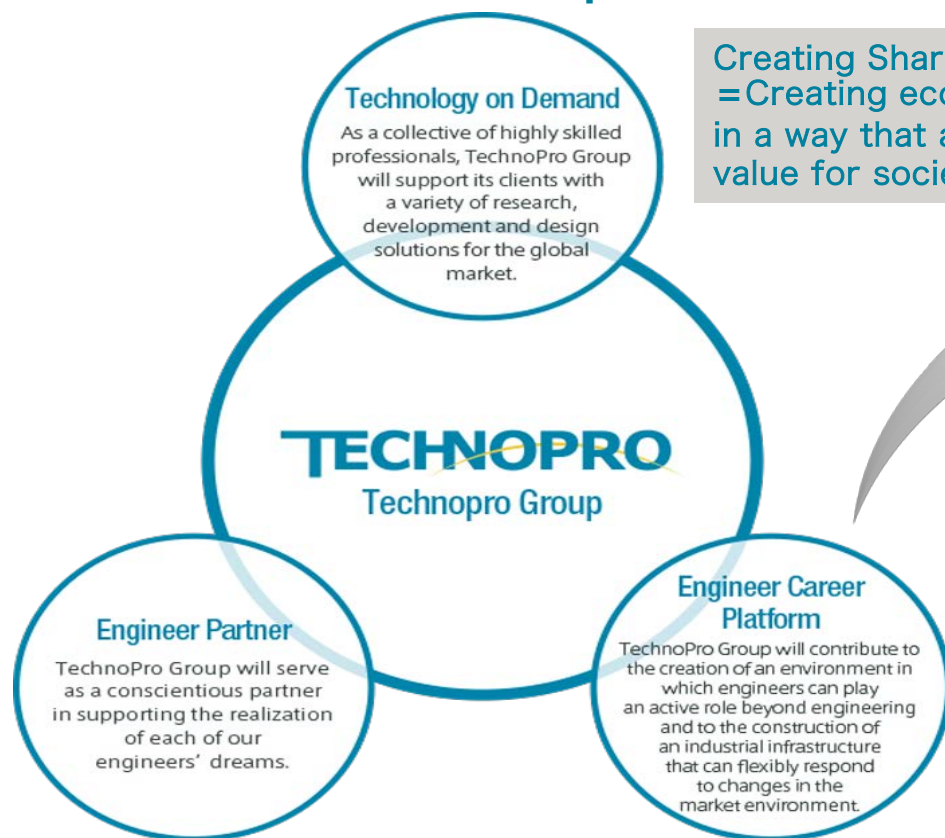
## Succession Plans

- Formulate the "Standards and Procedures for Appointment and Dismissal of CEO"
- The purpose is to select the most appropriate person as CEO, whether internally or externally, and establish procedures for objective, timely and transparent appointments and dismissals
- The Board of Directors (the Nomination and Compensation Committee) continuously supervise the succession plans
- Details disclosed in "Corporate Governance Guidelines"

# Group Values and ESG

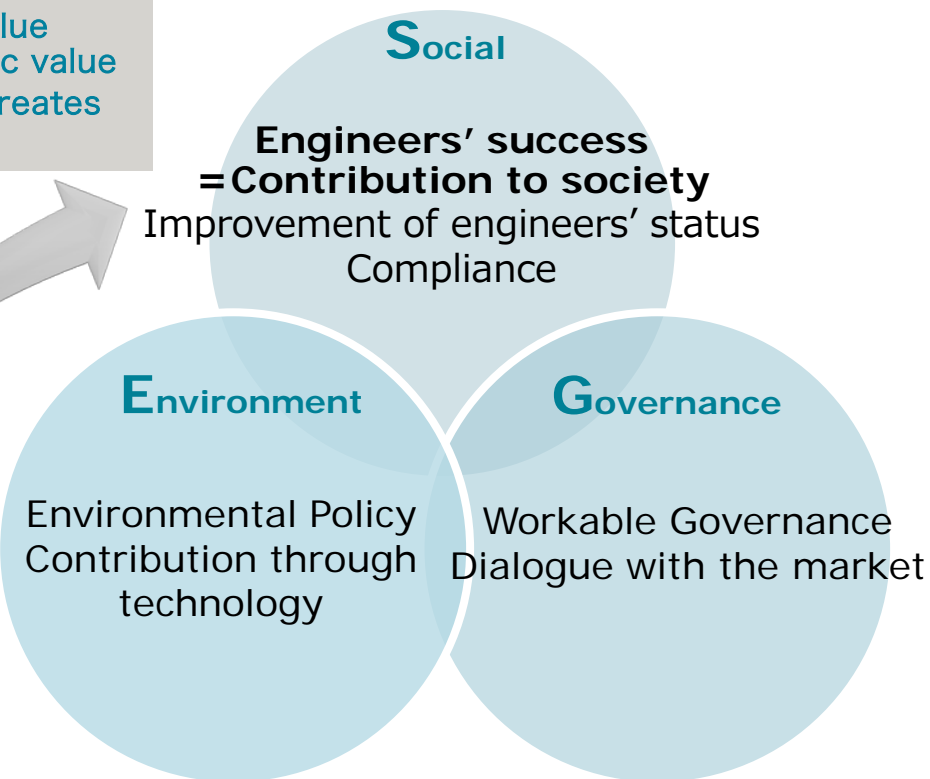
- We have set our Group Values and shared it with all employees.
- Our mission is to contribute to “Technological growth and development of Japan” through engineers’ success.
- Based on the philosophy of “Creating Shared Value” , we focus on **contributing to society through our business itself**.

## TechnoPro Group Values



Creating Shared Value  
= Creating economic value  
in a way that also creates  
value for society

## About ESG



# Purpose -Sustainability-

## Environment



### Environment Policy

A peaceful and affluent modern society is a natural requirement for a free and fair marketplace in which businesses can carry out their activities and grow. As such, a stable global environment with few natural disasters and rich diversity is essential to the realization of prosperity.

#### ■ Tree planting activity/Reconstruction assistance

- Relief fund-raising for Kumamoto earthquake (Nikkei newspaper)
- Tree-planting at "MILLENNIUM HOPE HILLS" in Iwanuma, Miyagi
- Tree-planting at "a row of millennium cherry trees" in Onagawa, Miyagi
- To join volunteer activities for reconstruction in Minami-Souma, Fukushima

#### ■ Environmental consideration

- Paper reduction plan.
- To select energy saving offices.

#### ■ Clean-up activities

- Volunteer activities in Sendai
- Clean beach in Hakusan, Ishikawa
- Roppongi Clean up

#### ■ Community activities

- Support for bird watching activity (Roppongi Hills MACHI-IKU Project)



## Compliance

#### ■ To provide various information for customers for free

- To hold the compliance seminars twice a year.
- To hold the client seminars twice a year.
- To provide dispatch law updates on the client's offices on request.  
To provide "Labor Administration NEWS" monthly.
- To provide support services for regulatory inspections.

#### ■ Employees compliance education

- Weekly compliance tests
- Annual employees compliance training

#### ■ Checking compliance system

- Detailed check of the individual contracts by CSR promotion Div.
- Following government inspection, we don't have to amend of labor contracts at all on FY2017.  
(on average 63.6% in FY2014)

#### ■ Occupational safety and health

- 5 year plan on how to minimize and cope with mental stress in the work place.
- Overtime working control.
- Setting up and implementing procedures to reach our target of no accident at the work place. (construction Div.)

# Equal Opportunity Employer

## Human resource development

### ■ Education and training

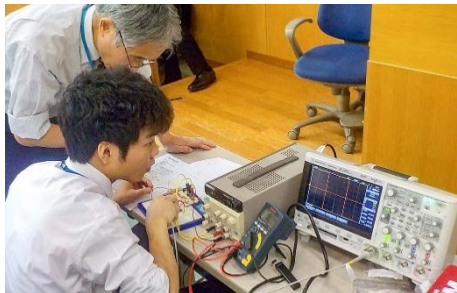
- A leading technical education company has joined us.
- 63 training centers.
- More than 200 courses.
- The number of attendances: 79,105 annually

### ■ Career support system

- Dedicated career advisers
- To support career change by engineers desire
- To support acquisition of various qualifications.
- To support voluntary engineers' shop.
- Subsidy for training materials expenses.

### ■ Maximize employee satisfaction

- Information sharing to increase transparency (ex. Company newsletter)
- Annual survey of employee satisfaction.
- Subsidy for club activities



**TECHNOPRO**

## Diversity & Inclusion

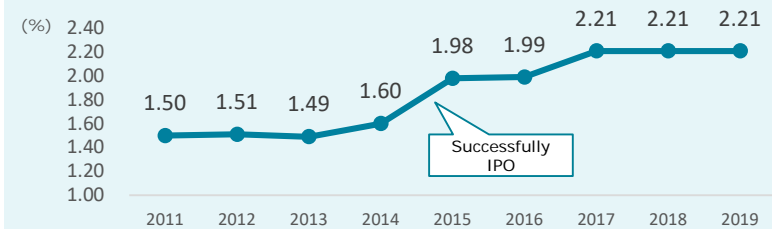
### ■ non-Japanese Engineers' Employment

- To employ non-Japanese engineers from about 30 countries

### ■ Disabled Persons' Employment

- Registered "Tokyo Foundation for Employment Services" as a company which accept disabled people internship.
- A public disabled people support center and a public unemployment office organized a study tour on TechnoPro Smile. More than 20 companies joined it.
- We opened Yokohama Service Center in December 2017 and start on-demand printing service.
- We plan to expand not only internal but also external demand.

### We have improved the hiring rate of disabled people to meet legal requirement



# Material Issues (Materiality) for the TechnoPro Group

## Raising Everyone's Potential

### Training and Education

|                               | FY2017                             | FY2018                             |
|-------------------------------|------------------------------------|------------------------------------|
| Group training                | Cumulative<br><b>55,521</b> people | Cumulative<br><b>71,023</b> people |
| e-learning                    | <b>8,082</b> people                |                                    |
| Time Spent In Training        | <b>258,115</b> hours/year          | Average of<br><b>15.8</b> hours    |
| Number of Unique Participants | <b>7,034</b> people                | Average of<br><b>36.6</b> hours    |

Target value : Total of 200,000 people/year by 2022 (including e-learning)

### Percentage of People Taking Paid Leave

|  | FY2015 | FY2016 | FY2017 | FY2018          |
|--|--------|--------|--------|-----------------|
|  | 65.0   | 68.8   | 71.3   | <b>75.0</b> (%) |

Target value : Maintain at 75% or higher

### Percentage Employment of Women

|                     | FY2015 | FY2016 | FY2017 | FY2018          |
|---------------------|--------|--------|--------|-----------------|
| New graduates(%)    | 16.6   | 14.0   | 15.6   | <b>15.3</b>     |
| Mid-career hires(%) | 16.3   | 17.3   | 18.1   | <b>21.1</b> (%) |

Target value : 16% for new graduates, 20% for mid-career hires

### Percentage of Employees with Disabilities

|  | FY2015 | FY2016 | FY2017 | FY2018          |
|--|--------|--------|--------|-----------------|
|  | 1.98   | 1.99   | 2.21   | <b>2.21</b> (%) |

Target value : Remain at or above the statutory rate of 2.2%.

### Intensive Training for People without Field-Specific Industry Experience

|   | FY2018            |
|---|-------------------|
| People generally Undergoing one Month or more of training | <b>964</b> people |

Target value : Continuing increase in the number of attendees

### Employee Satisfaction

|  | FY2014 | FY2015 | FY2016 | FY2017 | FY2018                   |
|--|--------|--------|--------|--------|--------------------------|
|  | 107    | 111    | 119    | 127    | <b>122</b> (FY2013: 100) |

Target value : Ongoing improvements in employee satisfaction

### Number of Non-Japanese Recruits

|                                   | End of fiscal 2018 |
|-----------------------------------|--------------------|
| Number of people working in Japan | <b>756</b> people  |

Target values : Number of non-Japanese nationals working in Japan 1,100 by 2020, 1,500 by 2022

### Employment of People Aged 60 or More

|  | FY2015 | FY2016 | FY2017 | FY2018              |
|--|--------|--------|--------|---------------------|
|  | 443    | 495    | 535    | <b>641</b> (people) |

Target values : Continuous increase in the number of people

## Contributing to Society through Advanced Technology

### Contribution and Collaboration in Leading-Edge Technology Development

- Joint development with Toyohashi university
- Investment in the Drone Fund
- Investment in O2\*, etc.

Target value : At least one new project per year

\*Consulting company specialized in manufacturing industry

### Number of Engineers in Strategic Fields\* (Technology Areas considered Important over the Medium to Long Term)

|  | FY2018.6            |
|--|---------------------|
|  | <b>3,805</b> people |

Target value : More than 5,500 by the fiscal year ending June 30, 2022

\*ex. Embedded Control, 3D-CAD, High frequency circuit etc.

## Trusted Partner

### Average Hours of Overtime

|  | FY2015 | FY2016 | FY2017 | FY2018                  |
|--|--------|--------|--------|-------------------------|
|  | 23.3   | 20.6   | 19.2   | <b>17.6</b> (hours/JPY) |

Target value : Maintain a level of 20 hours/month or less

### Paper Use/Unit of Sales

|  | FY2016 | FY2017 | FY2018                    |
|--|--------|--------|---------------------------|
|  | 92.6   | 89.1   | <b>82.2</b> (FY2015: 100) |

Target value : Continue to improve

### Training on Human Rights/Ethics/Information Security/Anti-Corruption

|  | Attendance  |
|--|-------------|
|  | <b>100%</b> |

Target value : Continue to increase the number of attendees

## Sustainably Growing Company

### Percentage of Outside Directors

|  | FY2018.6     |
|--|--------------|
|  | <b>37.5%</b> |

Target value : Maintain at least one-third

### Percentage of Directors Who Are Women or Non-Japanese

- TechnoPro Holdings Female directors: 1(13%)
- For the Group as a whole, out of 56 directors, three are Women and eight are non-Japanese

Target values: For TechnoPro Holdings, continue to have at least one Woman on the Board of Directors; for the Group as a whole, continue to increase director diversity over the long term.

### Status of M&A Activity

|  | FY2018.6          |
|--|-------------------|
|  | <b>5</b> projects |

Target value: Invest ¥20.0 billion over five years.

### Sustainable Growth in Earnings Per Share (EPS)

|  | FY2015 | FY2016 | FY2017 | FY2018        |
|--|--------|--------|--------|---------------|
|  | 201.76 | 215.80 | 225.58 | <b>244.81</b> |

Target value: Maintain revenue and profit growth of at least 10% as well as long-term EPS growth (achieve targets of medium-term management plan.)

### Material Legal Violations

|  | FY2018.6 |
|--|----------|
|  | <b>0</b> |

Target value: Continue to have zero material legal violations.

### Internal Reporting System

|  | FY2016 | FY2017 | FY2018                       |
|--|--------|--------|------------------------------|
|  | 24     | 10     | <b>28</b> (Matters reported) |

Target value: Ensure the appropriate operation of the internal reporting system.





# TechnoPro Group Financial Results for Fiscal Year Ended June 2019

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

July 31, 2019



# FY2019 Overview

- Full-year FY19.6 revenue was **144.2 billion yen** and increased 27.6 billion yen (up 23.7% year on year); operating profit was **13.7 billion yen** and increased 2.5 billion yen (up 22.3%); net profit was **9,683 million yen** and increased 1,185 million yen (up 13.9%)
- Adjusted operating profit excluding **extraordinary items (details on p.19-p.21)** such as effects from size-based business tax, impairment and others was **14.3 billion yen**, adjusted net profit was **9.5 billion yen**
- Declared annual dividend of **134.00 yen** per share, increased 14.00 yen (up 11.7%) year on year; to pay out 50.2% of net profit (9,683 million yen)

(JPY in millions, except per share amounts)

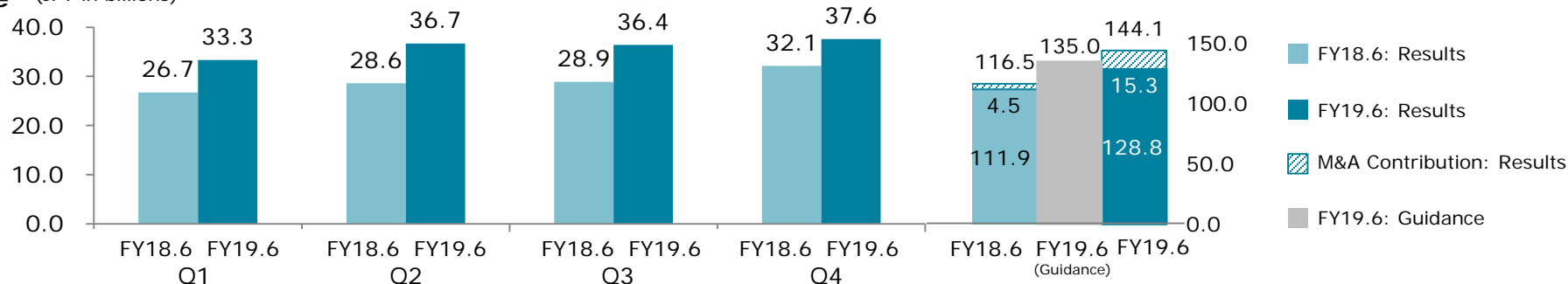
|                            | Q4                  |                     |        | 2nd Half            |                     |        | Full-year           |                     |                      |        |              |
|----------------------------|---------------------|---------------------|--------|---------------------|---------------------|--------|---------------------|---------------------|----------------------|--------|--------------|
|                            | FY18.6<br>(Results) | FY19.6<br>(Results) | YOY    | FY18.6<br>(Results) | FY19.6<br>(Results) | YOY    | FY18.6<br>(Results) | FY19.6<br>(Results) | FY19.6<br>(Guidance) | YOY    | vs. Guidance |
| Revenue                    | 32,185              | 37,631              | +16.9% | 61,128              | 74,061              | +21.2% | 116,529             | <b>144,176</b>      | 135,000              | +23.7% | +6.8%        |
| Gross profit               | 8,086               | 9,649               | +19.3% | 15,711              | 18,987              | +20.9% | 29,475              | <b>36,466</b>       | 34,000               | +23.7% | +7.3%        |
| GP margin                  | 25.1%               | 25.6%               |        | 25.7%               | 25.6%               |        | 25.3%               | <b>25.3%</b>        | 25.2%                |        |              |
| SG&A expenses              | 5,641               | 6,980               | +23.7% | 10,174              | 12,509              | +22.9% | 18,237              | <b>22,767</b>       | 20,500               | +24.8% | +11.1%       |
| Ratio on revenue           | 17.5%               | 18.5%               |        | 16.6%               | 16.9%               |        | 15.7%               | <b>15.8%</b>        | 15.2%                |        |              |
| Operating profit           | 2,591               | 2,607               | +0.6%  | 5,684               | 6,352               | +11.8% | 11,238              | <b>13,739</b>       | 13,500               | +22.3% | +1.8%        |
| OP margin                  | 8.1%                | 6.9%                |        | 9.3%                | 8.6%                |        | 9.6%                | <b>9.5%</b>         | 10.0%                |        |              |
| Operating profit (adj.)    | 2,591               | 3,136               | +21.0% | 5,684               | 6,881               | +21.1% | 11,238              | <b>14,268</b>       | 13,500               | +27.0% | +5.7%        |
| OP (adj.) margin           | 8.1%                | 8.3%                |        | 9.3%                | 9.3%                |        | 9.6%                | <b>9.9%</b>         | 10.0%                |        |              |
| Profit before income taxes | 2,603               | 2,642               | +1.5%  | 5,659               | 6,400               | +13.1% | 11,163              | <b>13,727</b>       | 13,500               | +23.0% | +1.7%        |
| Net profit*                | 2,061               | 2,341               | +13.6% | 4,359               | 4,828               | +10.8% | 8,498               | <b>9,683</b>        | 8,900                | +13.9% | +8.8%        |
| Net profit* (adj.)         | 2,061               | 2,164               | +4.9%  | 4,359               | 4,651               | +6.7%  | 8,498               | <b>9,506</b>        | 8,900                | +11.8% | +6.8%        |
| Earnings per share         | —                   | —                   | —      | —                   | —                   | —      | 244.81              | <b>266.86</b>       | 245.49               | +9.0%  | +8.7%        |
| Dividend per share         | —                   | —                   | —      | —                   | —                   | —      | 120.00              | <b>134.00</b>       | 123.00               | +11.7% | +8.9%        |



# Quarterly Performance

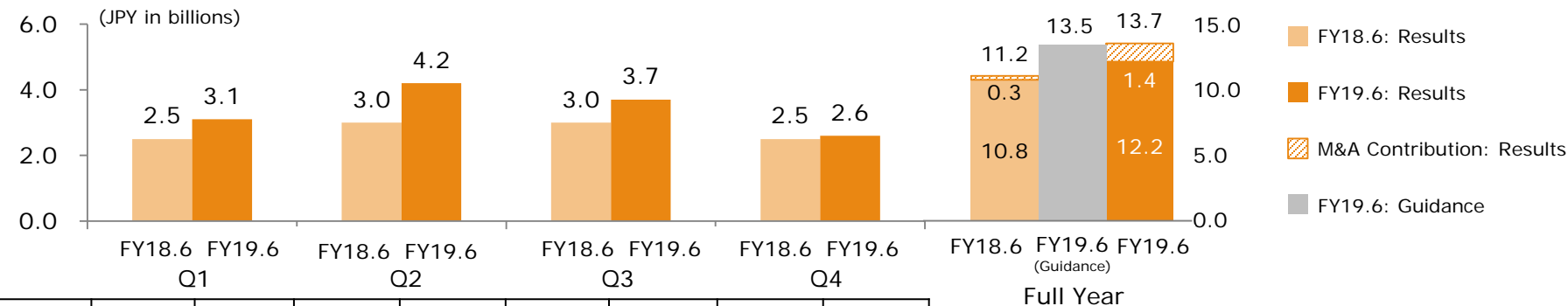
- Revenue and operating profit both surpassed FY18.6 results in each quarter, also exceeded the guidance provided at the beginning of the term by 9,176 million yen and 239 million yen (768 million yen excluding impact from extraordinary items) respectively
- Revenue and operating profit organically grew +15.1% and +13.2% year on year, even excluding contributions from M&As carried out in FY18.6 and FY19.6 period

## Revenue (JPY in billions)



| Composition % | 22.9%  | 23.1% | 24.6%  | 25.5% | 24.8%  | 25.3% | 27.6%  | 26.1% | Full Year |  |
|---------------|--------|-------|--------|-------|--------|-------|--------|-------|-----------|--|
| YOY           | +24.7% |       | +28.3% |       | +25.9% |       | +16.9% |       | +23.7%    |  |

## Operating profit (JPY in billions)



| Composition % | 22.2%  | 23.2% | 27.1%  | 30.6% | 27.5%  | 27.3% | 23.1% | 19.0% | Full Year |       |      |
|---------------|--------|-------|--------|-------|--------|-------|-------|-------|-----------|-------|------|
| OP ratio      | 9.4%   | 9.5%  | 10.6%  | 11.4% | 10.7%  | 10.3% | 8.1%  | 6.9%  | 9.6%      | 10.0% | 9.5% |
| YOY           | +26.7% |       | +38.1% |       | +21.1% |       | +0.6% |       | +22.3%    |       |      |

# Business Line Results [managerial]

- Companies included in each business line are described on p.18
- Revenue growth in *Overseas* for FY19.6 was driven by full year contribution from Helius acquired on March 2018 (owns 51.0% shares) and 9 months contribution from Orion acquired on October 2018 (owns 60.0% shares)
- Considering to provide segment information based on segment accounting standard, responding to topline growth outside Japan with expanding global operation
- Engineers on payroll: in Japan **19,293** (non-Japanese: 985) / overseas **1,608** / group total **20,901**

(JPY in millions, except headcounts)

|                  | R&D outsourcing |         |        | Construction management outsourcing |        |        | Others (Japan) ** |        |        | Overseas** |        |         | HQ expenses & Consolidation adj., etc. (incl. extraordinary items) |         |     | Consolidated |         |        |
|------------------|-----------------|---------|--------|-------------------------------------|--------|--------|-------------------|--------|--------|------------|--------|---------|--|---------|-----|--------------|---------|--------|
|                  | FY18.6          | FY19.6  | YOY    | FY18.6                              | FY19.6 | YOY    | FY18.6            | FY19.6 | YOY    | FY18.6     | FY19.6 | YOY     | FY18.6   | FY19.6  | YOY | FY18.6       | FY19.6  | YOY    |
| Revenue*         | 97,457          | 113,783 | +16.8% | 14,659                              | 17,720 | +20.9% | 2,800             | 3,474  | +24.1% | 2,400      | 10,481 | +336.6% | (788)  | (1,284) | -   | 116,529      | 144,176 | +23.7% |
| Ratio to revenue | 83.6%           | 78.9%   | -      | 12.6%                               | 12.3%  | -      | 2.4%              | 2.4%   | -      | 2.1%       | 7.3%   | -       | -  | -       | -   | 100.0%       | 100.0%  | -      |
| Operating profit | 13,338          | 15,474  | +16.0% | 2,308                               | 2,817  | +22.1% | 310               | 415    | +33.7% | 171        | 1,134  | +560.4% | (4,890)  | (6,103) | -   | 11,238       | 13,739  | +22.3% |
| OP margin        | 13.7%           | 13.6%   | -      | 15.7%                               | 15.9%  | -      | 11.1%             | 11.9%  | -      | 7.2%       | 10.8%  | -       | -  | -       | -   | 9.6%         | 9.5%    | -      |

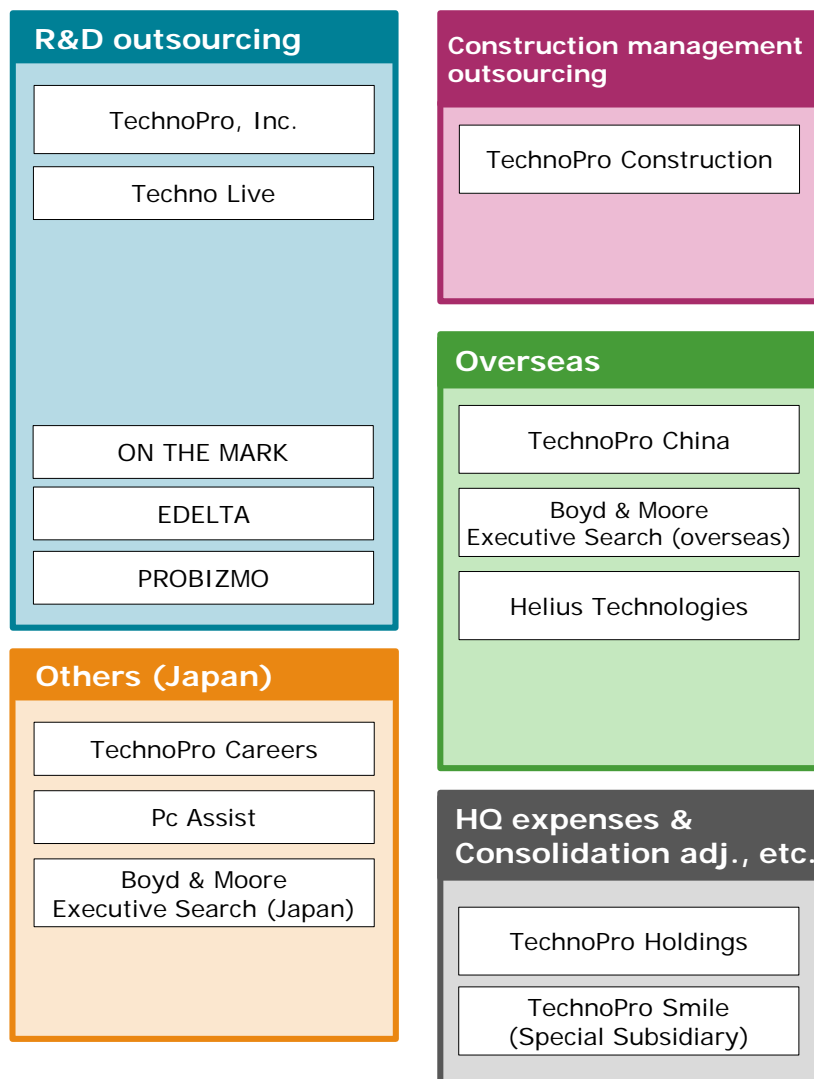
|                              | R&D outsourcing |        |        | Construction management outsourcing |       |        | Others (Japan) |   |   | Overseas |       |        | HQ expenses & Consolidation adj., etc. (incl. extraordinary items) |   |   | Consolidated (excl. overseas) |        |        |
|------------------------------|-----------------|--------|--------|-------------------------------------|-------|--------|----------------|---|---|----------|-------|--------|--|---|---|-------------------------------|--------|--------|
| No. of engineers*            | 14,674          | 16,748 | +14.1% | 2,123                               | 2,545 | +19.9% | -              | - | - | -        | -     | -      | -  | - | - | 16,797                        | 19,293 | +14.9% |
| Non-Japanese*                | 716             | 922    | +28.8% | 40                                  | 63    | +57.5% | -              | - | - | -        | -     | -      | -  | - | - | 756                           | 985    | +30.3% |
| No. of engineers* (overseas) | -               | -      | -      | -                                   | -     | -      | -              | - | - | 869      | 1,608 | +85.0% | -  | - | - | -                             | -      | -      |

\* As of June 30, 2019

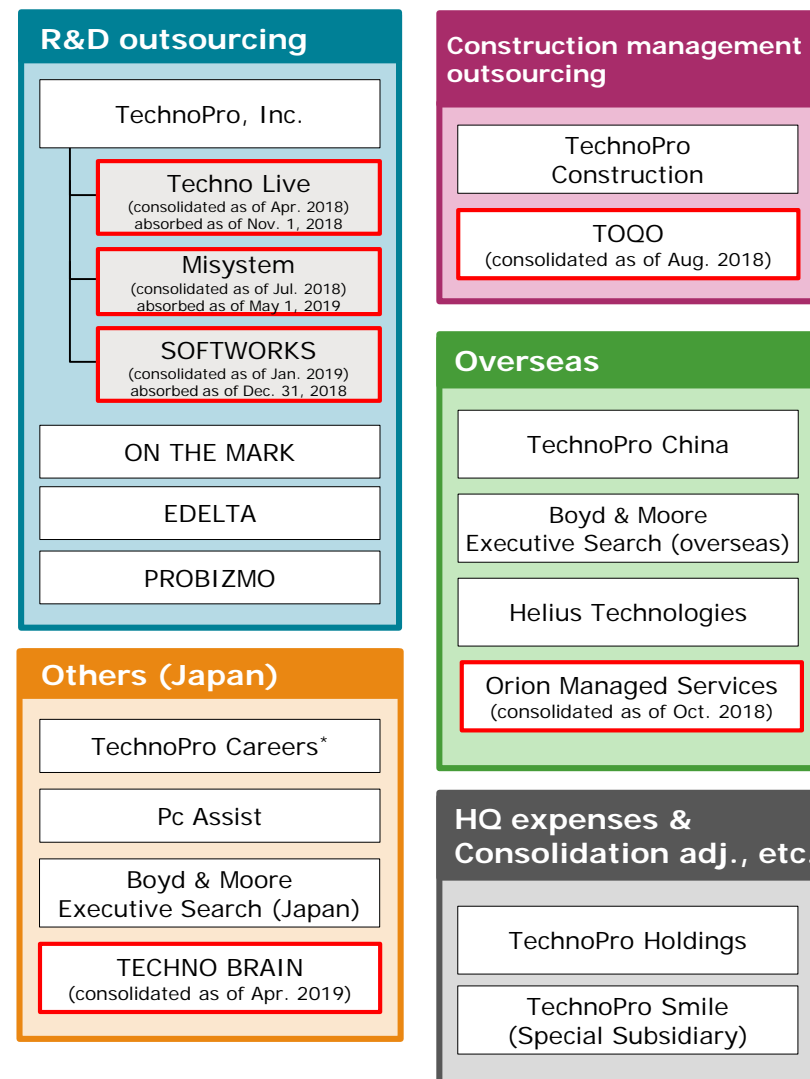
\*\* Earnings from Boyd & Moore Executive Search were separately recognized in *Others (Japan)* and *Overseas*

# Companies in Each Business Line [managerial]

As of June 30, 2018



As of June 30, 2019



\* Merged into TECHNO BRAIN as of July 1, 2019

# Helius Impairment and Turnaround Plan

- Portions of PPA\* assets and goodwill of Helius were wrote down as impairment losses due to slowdown in business performance for Q4 FY19.6, meanwhile the profit from reversal was created by reassessing the fair value of put options held by the minority owners; these factors in total had **313 million yen negative impact (net) on operating profit, 322 million yen positive effect (net) on net profit**
- Providing progress and results of turnaround plan at the financial results announcement semiannually

## Overview & performance of Helius

- Acquired 51% shares for 2,578M yen on Mar. 2018
- Founder holds 49% shares and manages as CEO
- Locating Singapore and India, delivering IT staffing solutions with 600 engineers (mainly for financial services)
- Having advantage in hiring Indian engineers

### ❑ Revised downward the future forecast due to emerged risks recognized at due diligence

- ① Dependence on a specific client (DBS)
- ② Immigration restriction risks in Singapore

| (JPY in billions)<br>SGD:JPY=1:80 | Plans at acquisition |            | Actual | Updated plan |
|-----------------------------------|----------------------|------------|--------|--------------|
|                                   | FY2019               | ... FY2022 | FY2019 | FY2020       |
| Revenue                           | 5.8                  | 7.3        | 5.0    | 5.4          |
| EBITDA                            | 0.7                  | 0.9        | 0.5    | 0.3          |
| %                                 | 12.0%                | 12.0%      | 9.5%   | 6.0%         |

## Turnaround plan

- ✓ Streamlined management structure in order to closely monitor risk factors recognized at acquisition but not dealt with
- ✓ Diversifying client base and businesses to reduce dependency on DBS with hands-on involvement of TechnoPro holdings:  
→ broadening client base to Japanese financial service companies operating abroad, as well as promoting *shift-up* of engineers to high margin clients
- ✓ Taking actions to cope with immigration regulations imposed by Singapore government with strict KPI control of local hiring:  
→ expand operation in South-east Asia region, promote IT talent placement business
- ✓ Redefine the role of Helius in our global strategy, strengthen ties with group companies



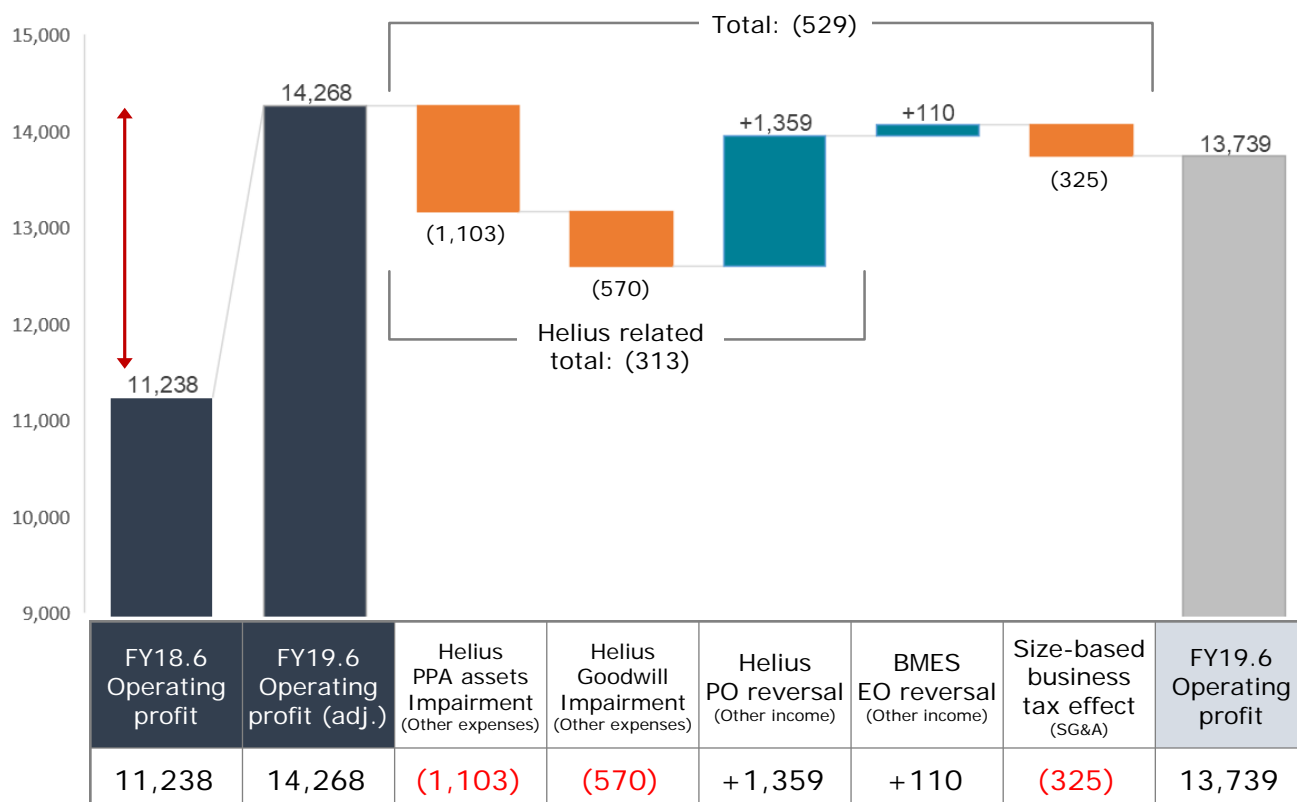
**Ensure sustainable profit generation**

# Operating Profit Adjustment Bridge

• Extraordinary items are as follows:

1. Impairment loss and reversal of put option (PO) liabilities from Helius: **down 313 million yen** net (*Other expenses/income*)
2. Reversal of earn-out (EO) liabilities from Boyd & Moore Executive Search (BMES)\*: **up 110 million yen** (*Other income*)
3. Taxes and dues levied on TechnoPro, Inc. by applying size-based business tax\*\*: **down 325 million yen** (*SG&A*);  
Effective corporate tax rate applied to TechnoPro, Inc. declined from 34.6% to 30.6% by applying size-based business tax

Adjusted operating profit excluding extraordinary items in FY19.6 was 14.3 billion yen (up 300 million yen and 27.0% year on year)



(JPY in millions)

\* Accrued by reassessing the fair value of earn-out payment amount, as the performance target made at the acquisition will not be fully achieved

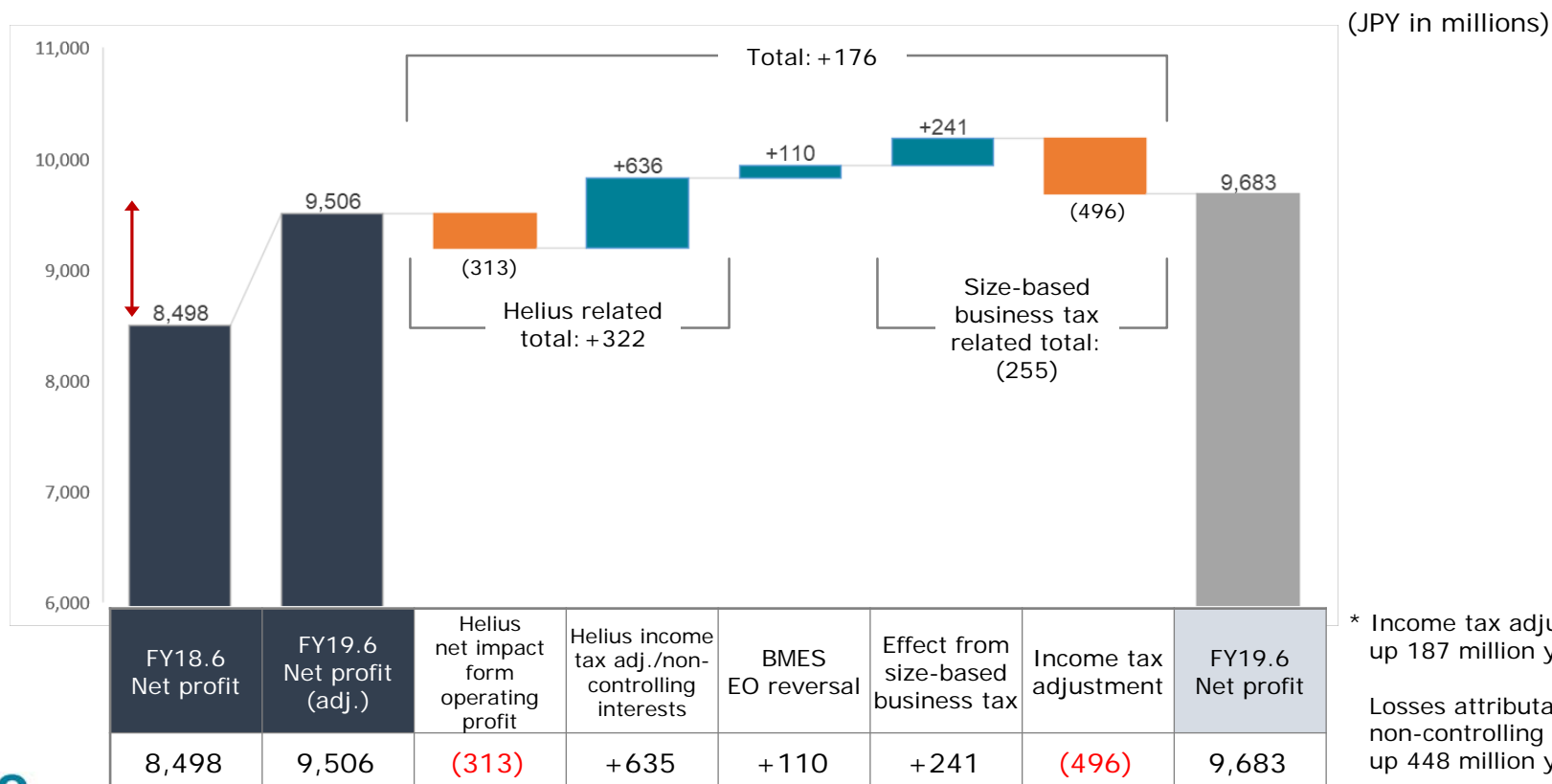
\*\*By applying sized-based business tax (taxes imposed based on objective external reference which are capital-based tax and value added-based tax income, rather than income amount basis) to TechnoPro, Inc. as of June 2019, a certain portion of corporate enterprise tax are recognized as taxes and dues in SG&A, while effective tax rate declined

# Net Profit (attributable to owners of the parent company) Adjustment Bridge

• Extraordinary items are as follows:

1. Impairment loss and reversal of put option (PO) liabilities from Helius: **up 322 million yen (net)**; affected by deferred tax assets (income tax adjustment) created by tax effects relating to impairment of PPA assets, and losses attributable to non-controlling interests\*
2. Effects from size-based business tax applied to TechnoPro, Inc.: **down 255 million yen (net)**; corporate tax decreased 241 million yen as a result of change in taxation which lowered corporate enterprise tax imposed based on taxable income, while SG&A expenses increased; decline in effective corporate tax rate resulted in 496 million yen reduction of deferred tax assets booked previously (one-off for FY19.6 and non-cash)

Adjusted net profit excluding extraordinary items in FY19.6 was 9.5 billion yen (up 1.0 billion yen and 11.9% year on year)



\* Income tax adjustment: up 187 million yen

Losses attributable to non-controlling interests: up 448 million yen

# Balance Sheet & Cash Flow

- Cash and cash equivalents decreased 0.4 billion yen compared to the balance sheet at June 30, 2018, due to acquisition of subsidiaries, payment of dividend, repayment of borrowings, etc.
- Sufficient borrowing capability for further M&A investments, with net cash position of 12.0 billion yen
- Begins to disclose Debt/OP ratio

(JPY in billions)

| June 30, 2018                |                                 | June 30, 2019                |                                 |
|------------------------------|---------------------------------|------------------------------|---------------------------------|
| Cash & cash equivalents 21.6 | Debt 11.6                       | Cash & cash equivalents 21.2 | Debt 9.1                        |
| Goodwill 34.4                | Other liabilities 30.2          | Goodwill 37.0                | Other liabilities 35.0          |
| Intangible assets (PPA) 2.9  | PO/EO liabilities 3.5           | Intangible assets (PPA) 2.1  | PO/EO liabilities 3.6           |
| Other assets 29.3            | Total equity 42.9               | Other assets 33.4            | Total equity 46.0               |
| Total assets 88.2            | Total liabilities & equity 88.2 | Total assets 93.7            | Total liabilities & equity 93.7 |
| D/E Ratio*: 0.27 x           |                                 | D/E Ratio*: 0.20 x           |                                 |
| D/OP Ratio*: 1.03 x          |                                 | D/OP Ratio*: 0.67 x          |                                 |
| Net worth ratio*: 48.7%      |                                 | Net worth ratio*: 49.1%      |                                 |

## FY19.6 Cash Flow

|                |       |
|----------------|-------|
| • Operating CF | 11.2  |
| • Investing CF | (4.4) |
| • Financing CF | (7.1) |
| Net CF         | (0.4) |

FCF 6.8 billion yen

\* Including non-controlling interests

# [Reference] B/S Items of Acquired Companies

- Provides balance sheet information of subsidiaries acquired as of June 30, 2019: goodwill, PPA (customer-related assets), put option (PO) liabilities, earn-out (EO) liabilities (excludes subsidiaries merged into other entities)

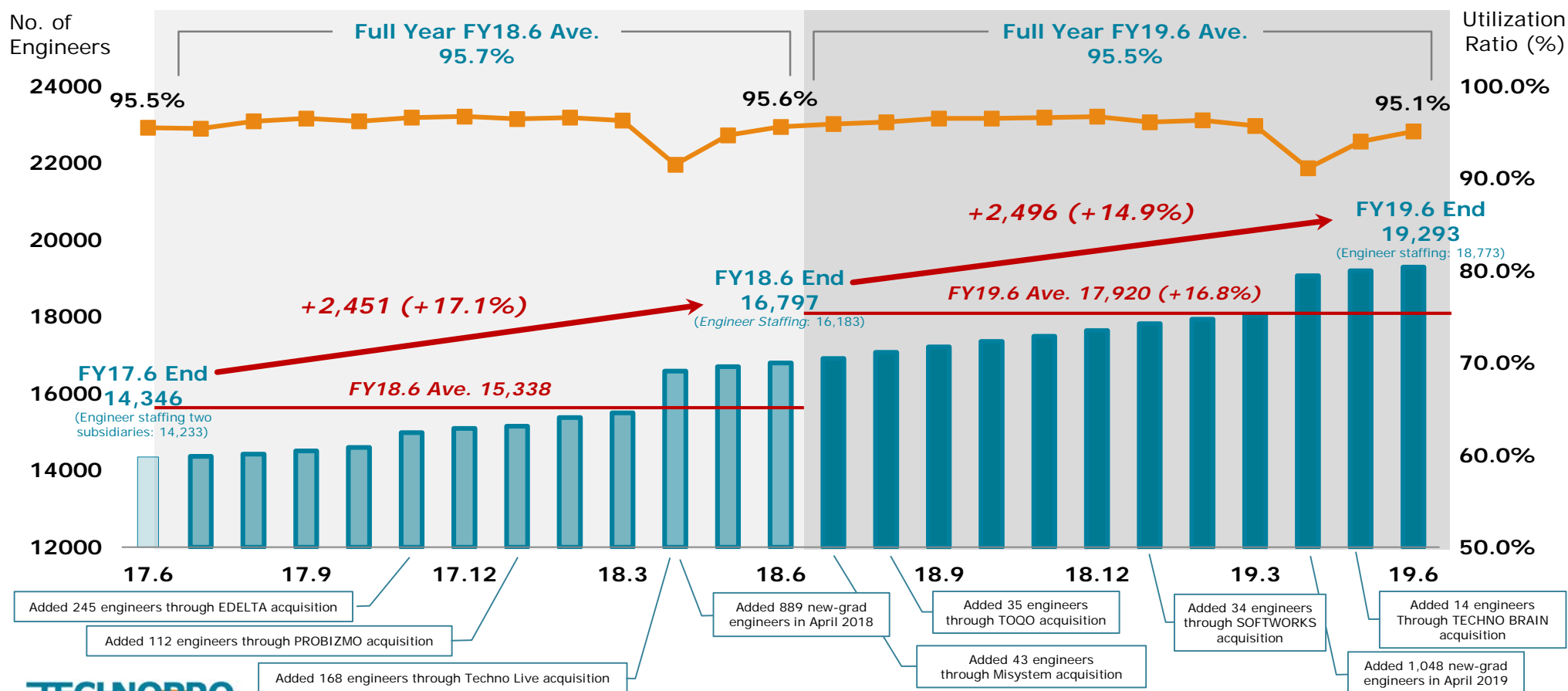
(JPY in millions)

| As of June 30, 2019                   | Shareholding | Assets       |              |              | Liabilities  |            |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|
|                                       |              | Goodwill     | PPA          | Total        | PO           | EO         | Total        |
| <b>R&amp;D Outsourcing</b>            |              |              |              |              |              |            |              |
| ON THE MARK                           | 100%         | 92           | 529          | 621          | —            | —          | —            |
| EDELTA                                | 100%         | 1,013        | —            | 1,013        | —            | —          | —            |
| PROBIZMO                              | 100%         | 1,058        | 266          | 1,324        | —            | —          | —            |
| Subtotal                              |              | 2,164        | 795          | 2,959        | —            | —          | —            |
| <b>Construction mgmt. outsourcing</b> |              |              |              |              |              |            |              |
| TOQO                                  | 100%         | 598          | —            | 598          | —            | —          | —            |
| Subtotal                              |              | 598          | —            | 598          | —            | —          | —            |
| <b>Others (Japan)</b>                 |              |              |              |              |              |            |              |
| Pc Assist                             | 100%         | 96           | —            | 96           | —            | —          | —            |
| TECHNO BRAIN                          | 100%         | 658          | —            | 658          | —            | —          | —            |
| Subtotal                              |              | 755          | —            | 755          | —            | —          | —            |
| <b>Overseas</b>                       |              |              |              |              |              |            |              |
| Boyd & Moore Executive Search         | 100%         | 1,104        | —            | 1,104        | —            | 330        | 330          |
| Heliuss Technologies                  | 51%          | 681          | 792          | 1,473        | 1,712        | —          | 1,712        |
| Orion Managed Services                | 60%          | 991          | 576          | 1,568        | 1,566        | —          | 1,566        |
| Subtotal                              |              | 2,776        | 1,369        | 4,146        | 3,278        | 330        | 3,608        |
| <b>Total</b>                          |              | <b>6,294</b> | <b>2,164</b> | <b>8,458</b> | <b>3,278</b> | <b>330</b> | <b>3,608</b> |



# Number of Engineers & Utilization Rate [Japan]

- Engineers on payroll in Japan at the end of FY19.6 totaled **19,293** (up 2,496 from the end of prior year), including **985** non-Japanese engineers (up 229 from the end of prior year)
- Employs **18,773\*** at two engineer staffing companies (TechnoPro, Inc. and TechnoPro Construction, Inc.)
- Average utilization rate of **95.5%** for FY19.6 (down 0.2% year on year)
- Employs **1,608** engineers at overseas subsidiaries (not included in numbers above)



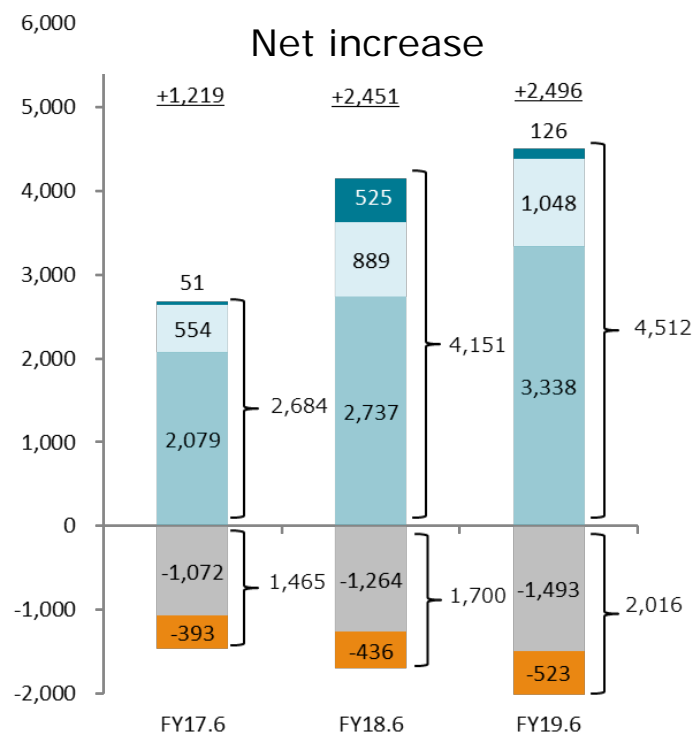
\* Includes engineers belong to companies absorbed after acquisition

# Recruitment/Turnover [Japan]

- Hired **4,512** engineers (up 8.7% year on year)
- Turnover rate\* (permanent staff) for FY19.6: **8.3%** (FY18.6: 8.1%)

\*Excludes employees left at the end of contract term

No. of Engineers



(Difference / % YOY)

**Hired** 4,512 (+361 / +8.7%)

**Added through M&A** 126

- Misystem Co., Ltd.: 43 engineers
- TOQO.Co.Ltd: 35 engineers
- SOFTWORKS: 34 engineers
- TECHNO BRAIN: 14 engineers

**New graduate** 1,048 (+159 / +17.9%)

**Turnover (permanent-staff)** 1,493 (+229 / +18.1%)

**Contract terms matured, others** 523 (+87 / +20.0%)

<Turnover>

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

# Assigned Engineers by Technology [Japan]

- Number of assigned engineers\* increased in all technologies
- Strong demand for IT engineers continues
- Engineers increased driven by acquisitions: Software for Misystem, Construction for TOQO, Embedded Control for SOFTWORKS, and software for TECHNO BRAIN

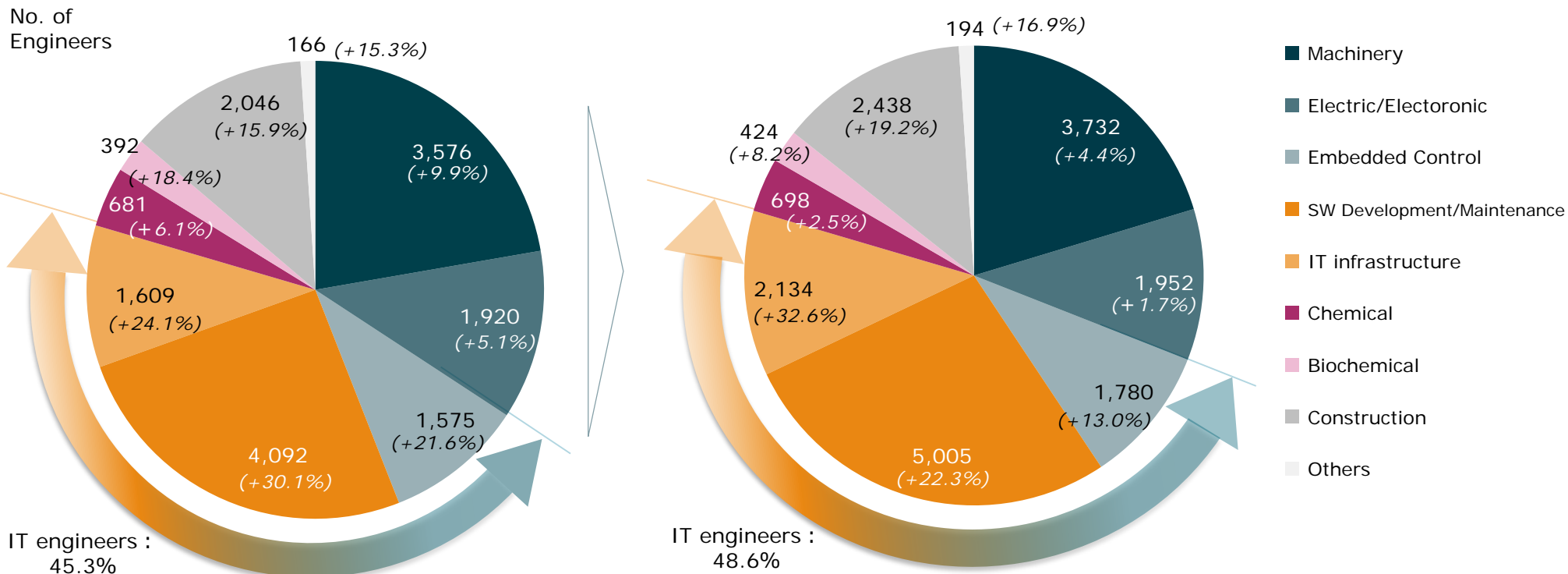
As of June 30, 2018

Assigned engineers: 16,057

up +14.3%

As of June 30, 2019

Assigned engineers: 18,357



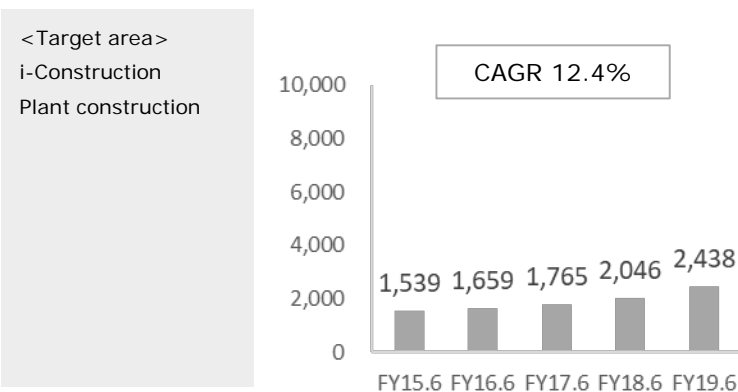
\* Figures indicate assigned engineers at the end of month.  
 \*\* Figure in parenthesis indicates % change.

# [Reference] Assigned Engineers by Technology [Japan] : Development

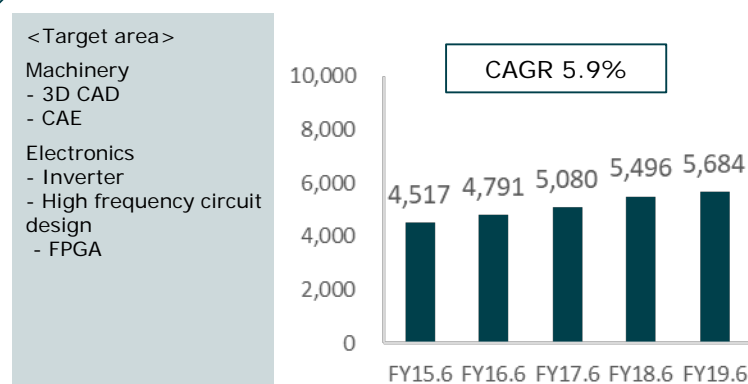
- Indicates development in number of engineers by four technologies in the past five years
- Strongest growth in IT, compound annual growth rate (CAGR) of 20.0%
- Construction grew CAGR 12.4%, driven by hiring of inexperienced candidates bundled with introductory training

(No. of Engineers)

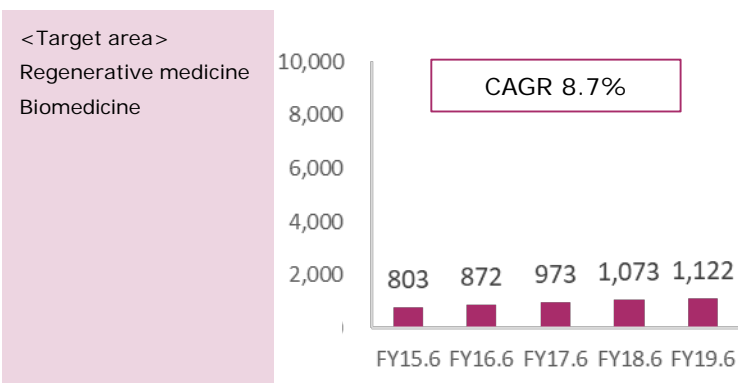
## Construction | ■ Construction



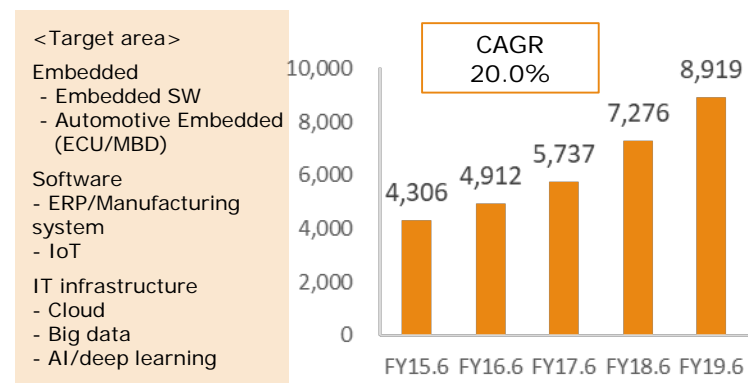
## Machinery | ■ Machinery ■ Electric/Electronic



## Chemical/Bio | ■ Chemical ■ Biochemical

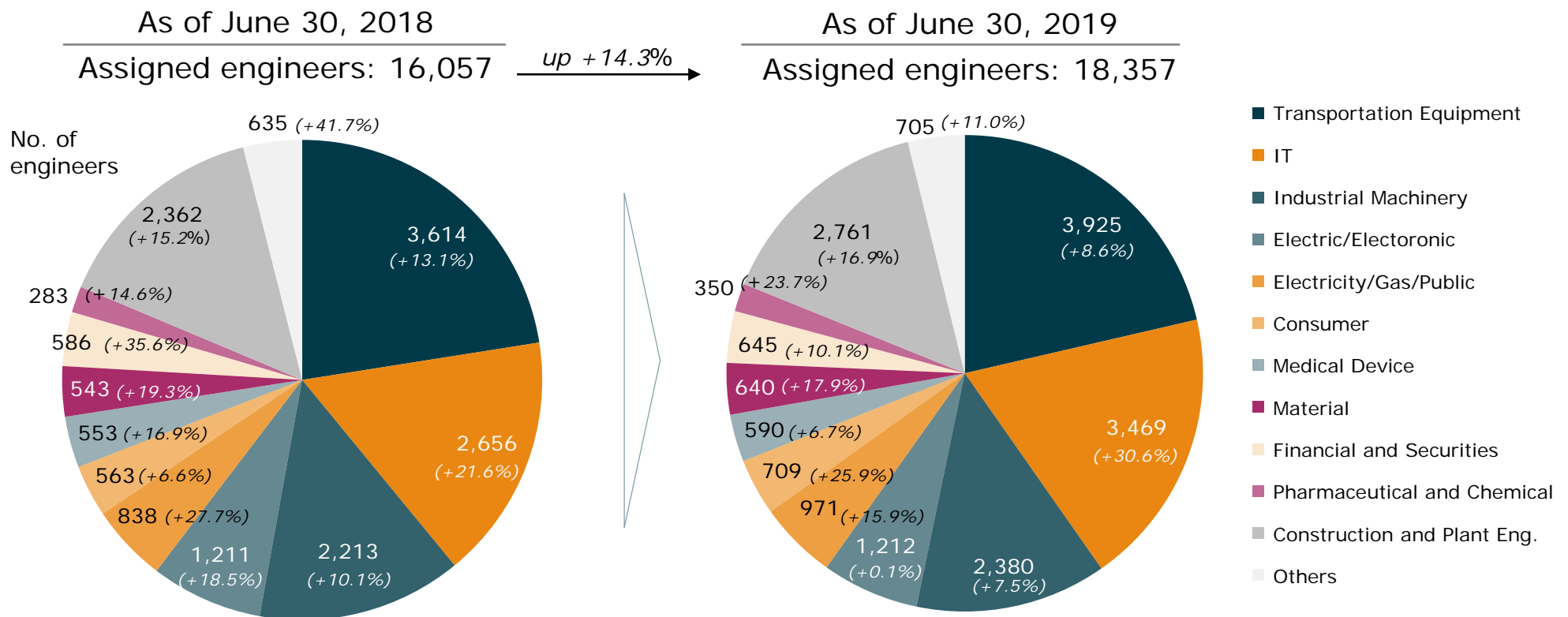


## IT | ■ Embedded ■ Software ■ IT infrastructure



# Assigned Engineers by Industrial Sectors [Japan]

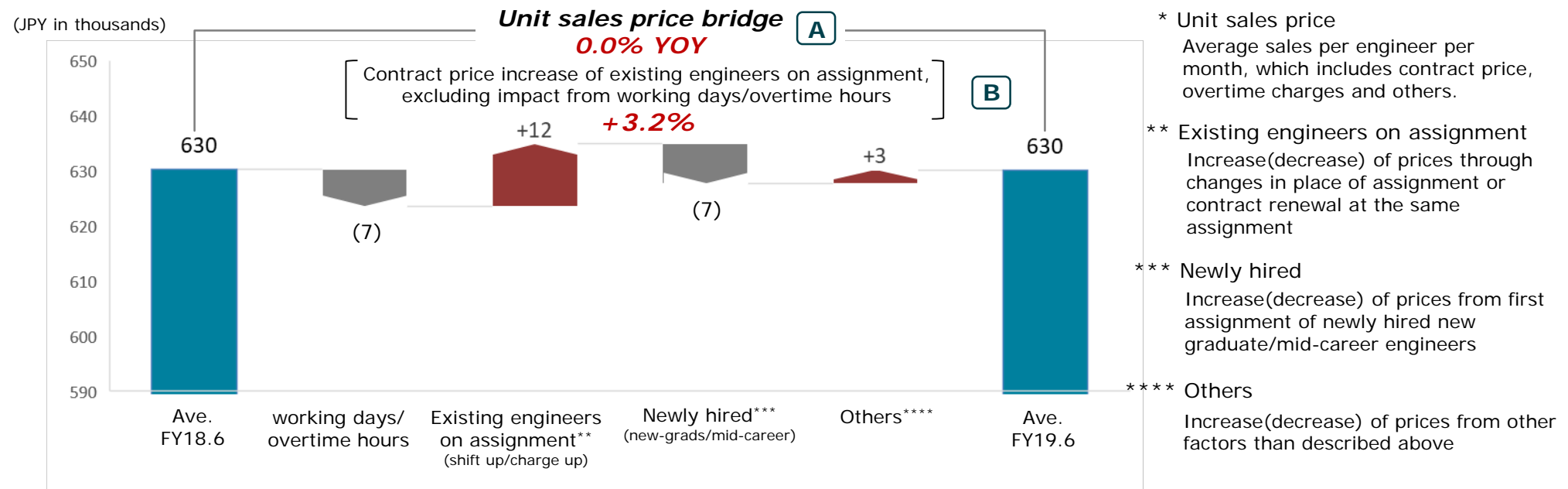
- Number of assigned engineers\* increased in all industrial sectors
- Diversifying industrial sector of clients in order to minimize risks of downturn in specific industry



# Unit Sales Price

## Engineer Staffing Companies: TechnoPro, Inc., TechnoPro Construction, Inc.

- Unit sales price\* was **630,000 yen** (down 100 yen/month year on year), almost unchanged
- Decreased 7,000 yen/month year on year due to fewer working days (down 0.2 days/month) and shorter overtime hours (down 0.9 hours/month)
- Increased 12,000 yen/month driven by increased contract price for existing engineers on assignment
- Decreased 7,000 yen/month due to first assignment of newly hired new graduate/mid-career engineers
- New graduates (within 3 years after joining) account for 11.6% of total engineers at FY19.6 end (FY18.6: 10.5%)



### [Price Development]

|                           |          | FY18.6 |       |       |       | FY19.6 |       |       |      |
|---------------------------|----------|--------|-------|-------|-------|--------|-------|-------|------|
|                           |          | Q1     | Q2    | Q3    | Q4    | Q1     | Q2    | Q3    | Q4   |
| Unit Price (year-to-date) | <b>A</b> | 620    | 629   | 629   | 630   | 621    | 633   | 632   | 630  |
| Year on year              |          | +0.5%  | +1.1% | +0.6% | +0.6% | +0.1%  | +0.5% | +0.3% | 0.0% |

|   |          |       |       |       |       |       |       |       |       |
|---|----------|-------|-------|-------|-------|-------|-------|-------|-------|
| Price increase of existing engineers on assignment<br>(figures calculated by comparing unit price at the end of period) | <b>B</b> | +3.0% | +2.8% | +2.7% | +3.0% | +3.0% | +2.8% | +2.7% | +3.2% |
|---|----------|-------|-------|-------|-------|-------|-------|-------|-------|

# FY2020 Guidance

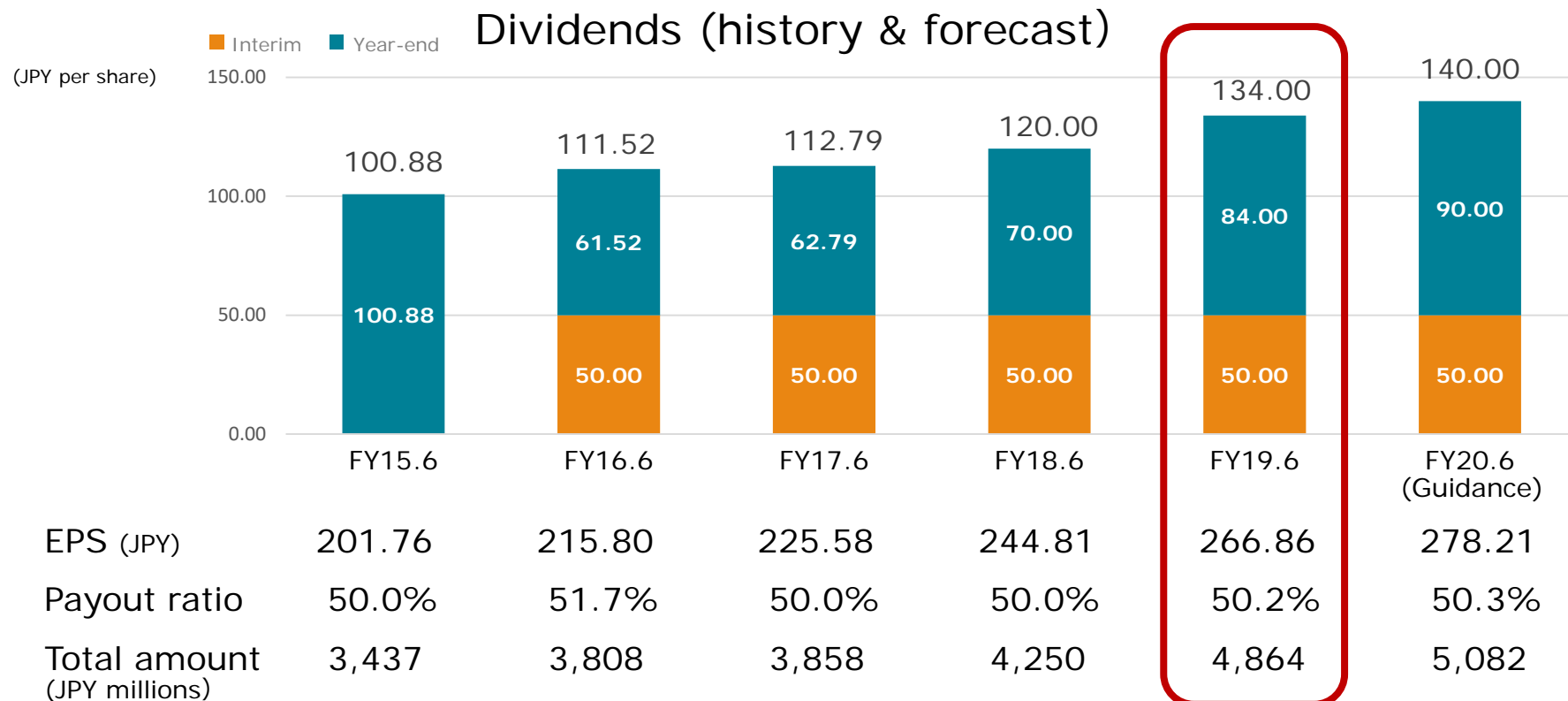
- For FY20.6, expects **+11.0%** growth in revenue, **+11.4%** growth in operating profit compared with FY19.6 results;  
guidance provided includes first year expenses to be spent for employee benefits improvement, details of which stated in “Financial Updates and Progress of Medium-Term Management Plan”
- SG&A as of FY19.6 includes increase of taxes and dues resulted from size-based business tax applied to TechnoPro, Inc.
- Guidance excludes possible effects from M&As during the period

(JPY in millions, except per share amounts and headcounts)

|                            | FY18.6<br>(Results) | FY19.6<br>(Results) | YOY    | FY20.6<br>(Guidance) | YOY    |
|----------------------------|---------------------|---------------------|--------|----------------------|--------|
| Revenue                    | 116,529             | 144,176             | +23.7% | 160,000              | +11.0% |
| Operating profit (OP)      | 11,238              | 13,739              | +22.3% | 15,300               | +11.4% |
| <i>OP margin</i>           | 9.6%                | 9.5%                |        | 9.6%                 |        |
| Profit before income taxes | 11,163              | 13,727              | +23.0% | 15,100               | +10.0% |
| Net profit*                | 8,498               | 9,683               | +13.9% | 10,100               | +4.3%  |
| Earnings per share         | 244.81              | 266.86              | +9.0%  | 278.21               | +4.3%  |
| Dividend per share (Plan)  | 120.00              | 134.00              | +11.7% | 140.00               | +4.5%  |
| Interim dividend (Plan)    | 50.00               | 50.00               | —      | 50.00                | —      |

| KPI<br>(Japan)       | FY18.6<br>(Results) | FY19.6<br>(Results) | YOY    | FY20.6<br>(Guidance) | YOY  |
|----------------------|---------------------|---------------------|--------|----------------------|------|
| Engineers (year end) | 16,797              | 19,293              | 14.9%  | 21,000               | 8.8% |
| Utilization rate     | 95.7%               | 95.5%               | (0.2%) | 95-96%               | —    |

# Dividend History & Forecast



## Share Repurchase Program

- Class of shares to be repurchased : Ordinary shares
- Total shares to be repurchased: Up to 500,000 shares  
(Ratio to outstanding shares: 1.38% [excl. treasury shares])
- Total amount of repurchase: Up to 2.5 billion yen
- Repurchase period: Nov. 29, 2018 - Nov. 28, 2019

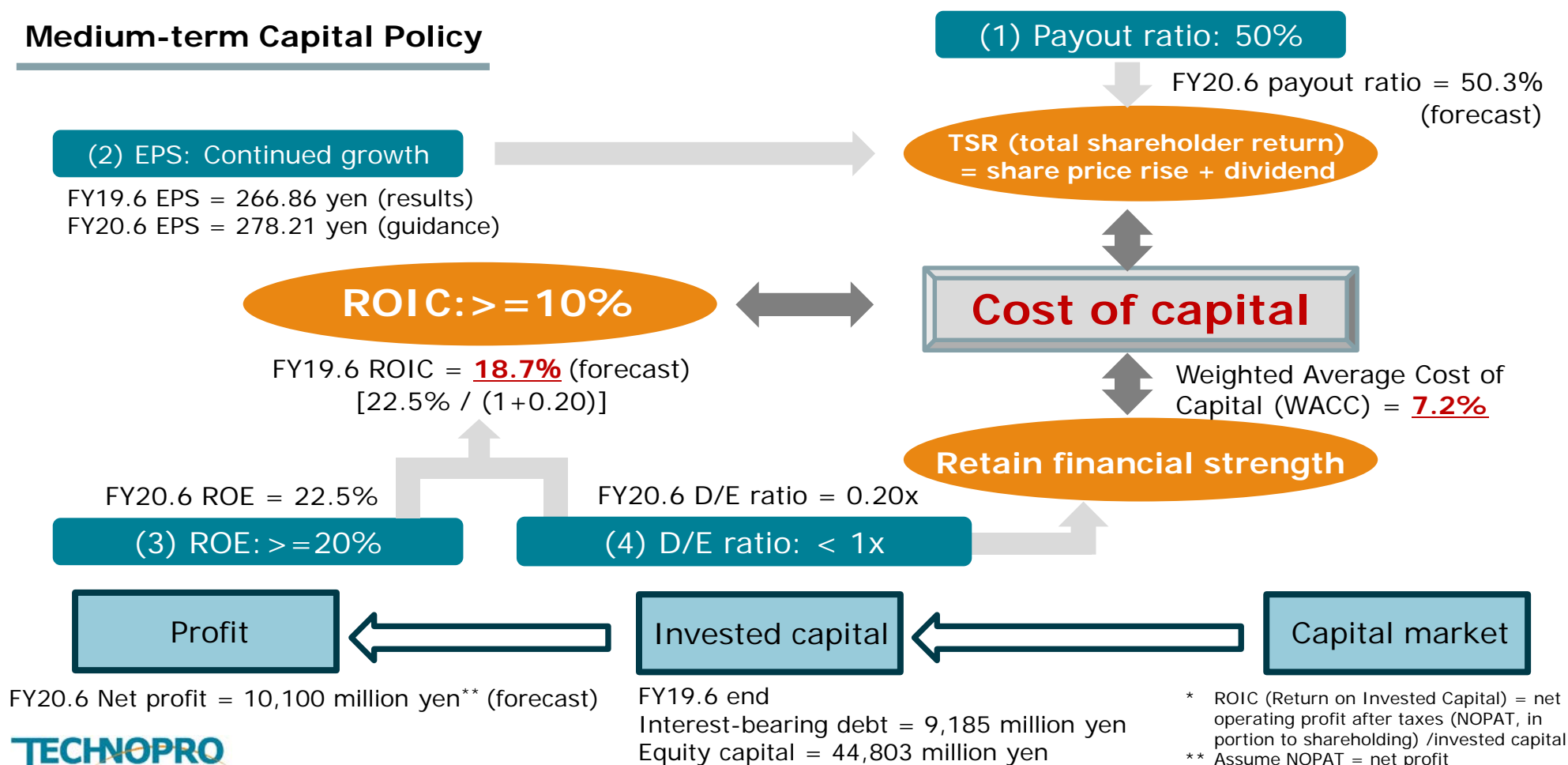
\* Dividends in FY2015 were returned to shareholders wholly at year-end payout  
Dividend forecast for FY20.6 does not include potential effects from share repurchase in the future



# Capital Policy

- Our capital policy sets generating added value as a primary focus of business operation, correlating each performance indicator mutually with the cost of capital at its center
- Adding to cost of capital, potential to achieve **more than 10% ROIC\*** through EPS growth, PMI initiatives (including growth investment) and creating synergy to be taken into account as criteria for forthcoming M&As

## Medium-term Capital Policy



# **TechnoPro Group**

## **Financial Updates and Progress of Medium-Term Management Plan**

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

July 31, 2019

# Basic Policies of the New Medium-Term Management Plan (repost)

## Five years, from FY18.6 to FY22.6

(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)

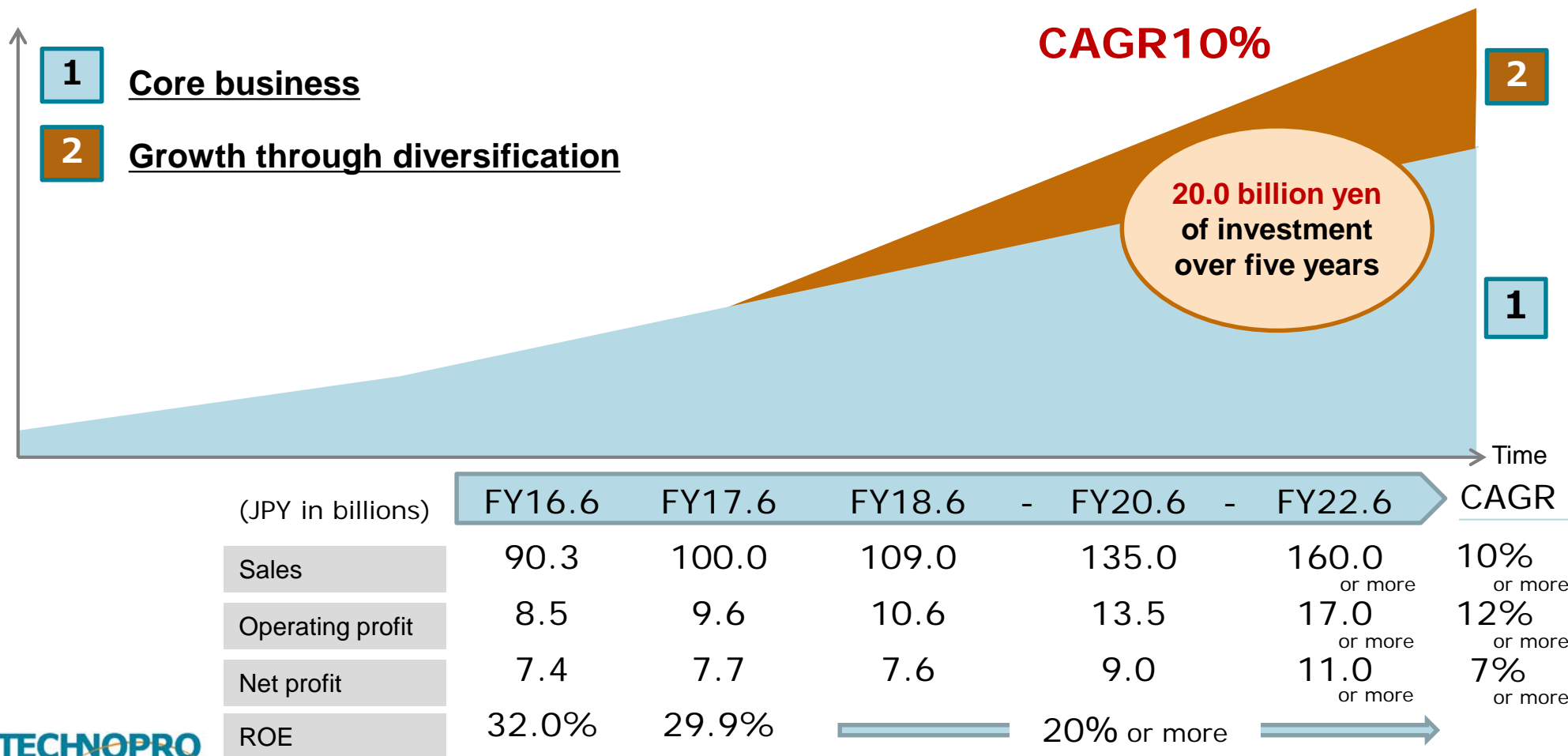
**Look ahead toward long-term  
increases in corporate value  
10 years hence**

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

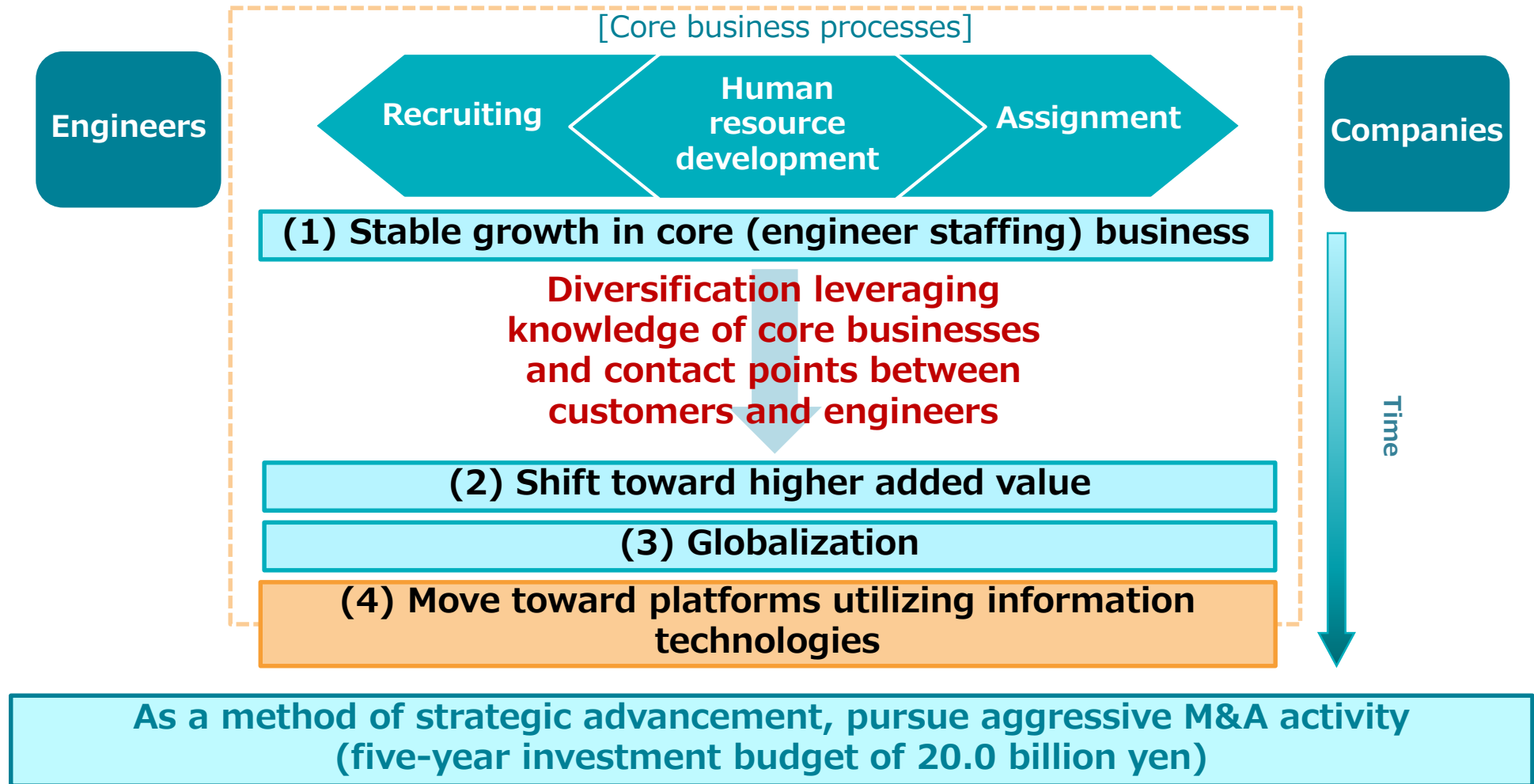
# Management Targets (repost)

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

<Current Medium-Term Management Plan>



# Developing Our Growth Strategy (repost)



# Progress of Medium-Term Management Plan

## – Financial Updates (1/3)

- Achieved medium-term plan goals for third year in FY19.6, one year ahead of schedule
- FY20.6 revenue expected to exceed FY22.6 plans (final year of medium-term plan)
- Three years beginning FY20.6 will include strategic investments for engineer benefits, growth, and operating efficiencies

(JPY in billions, except headcounts and sales per head)

|                  | FY 17.6<br>(Results) | FY 18.6<br>(Results) | FY 20.6<br>(Plan) | FY 22.6<br>(Plan) | CAGR<br>5 years |
|------------------|----------------------|----------------------|-------------------|-------------------|-----------------|
| Revenue          | 100.0                | 109.0                | 135.0             | 160.0             | +10%            |
| Operating Profit | 9.6                  | 10.6                 | 13.5              | 17.0              | +12%            |
| OP Margin        | 9.6%                 | 9.7%                 | 10.0%             | 10.6%             | -               |
| Net Profit       | 7.7                  | 7.6                  | 9.0               | 11.0              | +7%             |
| ROE*             | 29.9%                | 20%-plus             |                   |                   | -               |



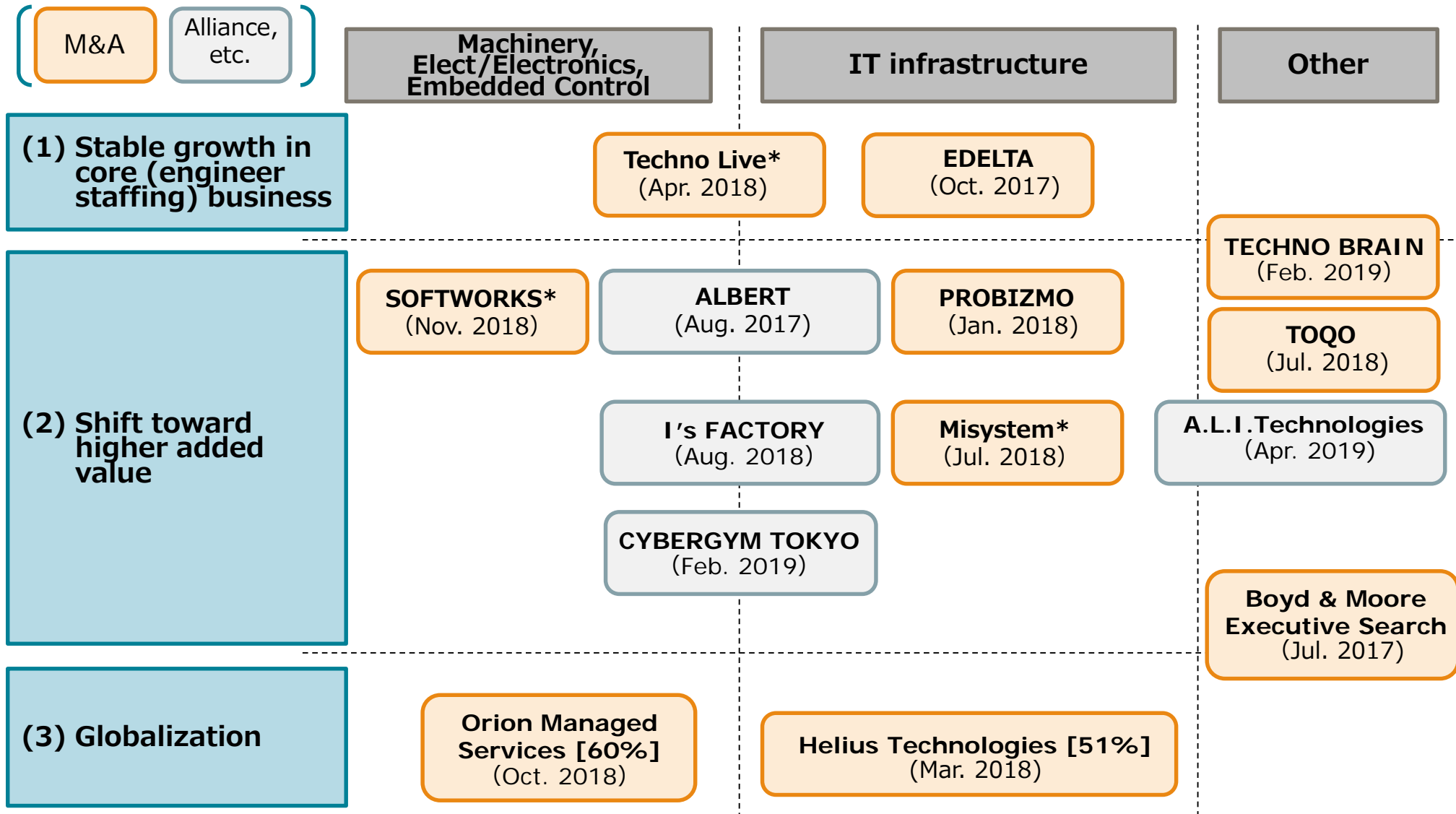
| FY 18.6<br>(Results) | YoY  | FY 19.6<br>(Results) | YoY  | FY 20.6<br>(Guidance) | YoY  |
|----------------------|------|----------------------|------|-----------------------|------|
| 116.5                | +16% | 144.1                | +24% | 160.0                 | +11% |
| 11.2                 | +17% | 13.7                 | +22% | 15.3                  | +11% |
| 9.6%                 | -    | 9.5%                 | -    | 9.6%                  | -    |
| 8.4                  | +10% | 9.6                  | +14% | 10.1                  | +4%  |
| 24.5%                | -    | 22.4%                | -    | 22.5%                 | -    |

|  |        |        |        |        |     |
|--|--------|--------|--------|--------|-----|
| Sales per head**<br>(yen in thousands) | 626    | 635    | 644    | 655    | +1% |
| Number of<br>Engineers [Japan]         | 14,346 | 15,400 | 17,600 | 19,600 | +6% |

|        |      |        |      |        |     |
|--------|------|--------|------|--------|-----|
| 630    | +1%  | 630    | 0%   | -      | -   |
| 16,797 | +17% | 19,293 | +15% | 21,000 | +9% |

# Progress of Medium-Term Management Plan

## –M&A / Alliance (2/3)



\* entities merged into TechnoPro, Inc.

Figures in [ ] represent ownership ratio; companies without figures are wholly owned.

# Progress of Medium-Term Management Plan

## – M&A review (3/3)

- Invested capital\* in M&A during medium-term plan amounted to **9.5 billion yen in total** (excluding 1.5 billion yen in investments in entities merged into TechnoPro, Inc.), related FY19.6 ROIC\*\* was **8.6%**
- Progress in ¥20.0 billion investment budget at 55% as of second year (including invested capital in three entities merged into TechnoPro Inc.)
- Aiming for ROIC of **10%-plus** for each investment area and each acquired company, creating value moving forward (our Cost of capital is **7.2%**)

| FY19.6 Results   | Machinery,<br>Elect/Electronics,<br>Embedded Control  | IT infrastructure | Other    | Invested<br>Capital<br>(JPY) | ROIC  |
|--|---|-------------------|----------|------------------------------|-------|
|  | Invested Capital 9,522 million yen<br>Profit Contribution After Tax*** 823 million yen<br>ROIC 8.6% |                   |          | 1,104 mn                     | 13.4% |
|  |   |                   |          | 4,248 mn                     | 7.5%  |
|  |   |                   |          | 4,170 mn                     | 8.6%  |
| (1) Stable growth in core (engineer staffing) business |   |                   |          |                              |       |
| (2) Shift toward higher added value                    |   |                   |          |                              |       |
| (3) Globalization                                      |   |                   |          |                              |       |
| Invested Capital (JPY)                                 | 1,592 mn  | 5,214 mn          | 2,716 mn | Cost of capital (WACC)       |       |
| ROIC   | 10.4%   | 8.8%              | 7.3%     | 7.2%                         |       |

\* When acquiring 100% of a company, invested capital is considered share acquisition price plus assumption of net interest-bearing debt. In other cases, invested capital is considered share acquisition price

\*\* ROIC (Return on Invested Capital) = Operating profit after taxes (share ownership ratio) ÷ Invested Capital

\*\*\* Twelve-month period trailing back from the end of the period in which Orion and other companies acquired

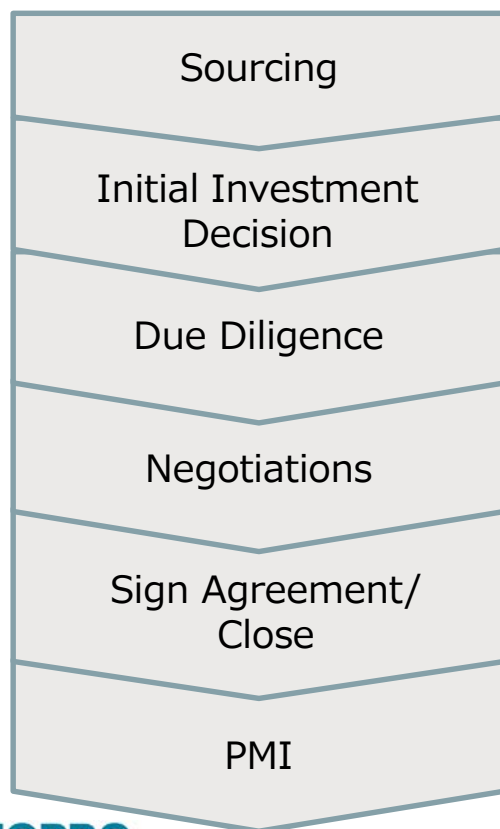
\*Excluding entities merged with TechnoPro, Inc. (Techno Live, Misystem, SOFTWAREWORKS). Total invested capital in three entities amounted to 1,503 million yen.



# Approach to Future M&A Activities

- We will continue to be **active in M&A** as a growth strategy
  - ✓ Emphasis not only on EPS growth, but also on value creation (ROIC exceeds cost of capital)
  - ✓ Proactive approach to target companies aligned with our business strategy
- **Operating division and post-merger integration management team to be active** from the due diligence stage, starting post-merger integration measures and group collaboration as soon as possible

## M&A Process



- Select target based on business strategy
- **Proactive approach based on our long list**
- Disciplined investment decision reflecting cost of capital and ROIC after operating improvements
- Select acquisition method reflecting risk sharing and incentives
- **Active participation of operating division and post-merger integration managers in due diligence**
- Draft post-merger integration plan (100-day plan) ahead of time
- Comprehensive consideration of all due research categories during due diligence
- **Negotiate terms and protection mechanism to avoid down-side risk**
- Procure funds reflecting cost of capital
- Set strict closing condition terms
- **Begin post-merger integration as soon as possible**
- **Strengthen relationships with group companies for cross-selling, etc.; achieve expected synergies**
- Achieve/maintain minimum ROIC targets

# (1) Stable growth in core (engineer staffing) business

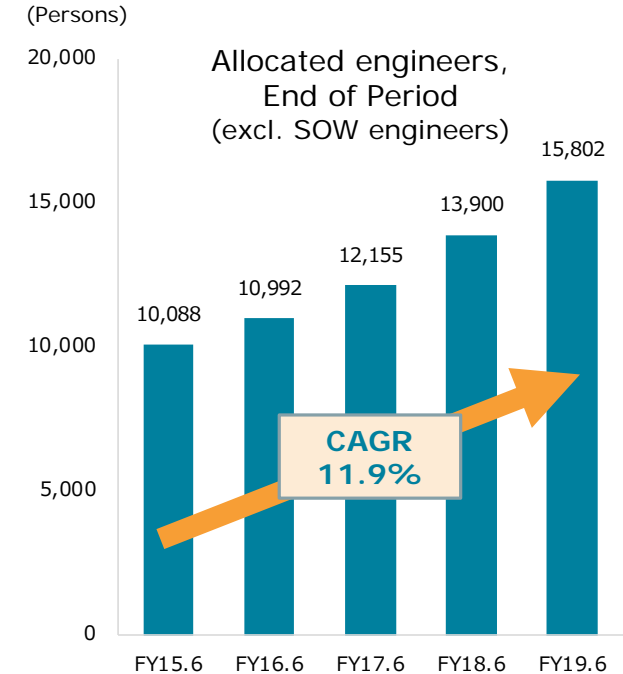
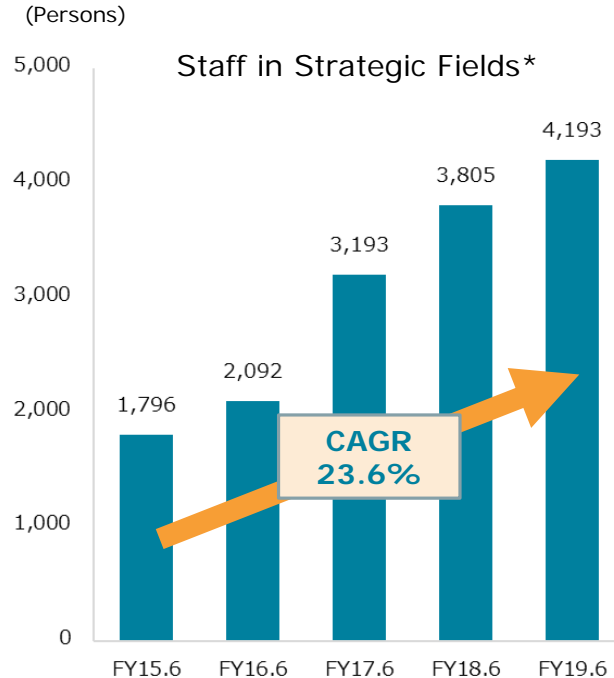
Engineer Staffing Companies: TechnoPro, Inc., TechnoPro Construction, Inc.

- Hired **4,289 engineers** in FY19.6; five-year avg. growth of **15.5%**
- Total of **4,193 engineers** in strategic fields as of FY19.6; five-year avg. growth of **23.6%**
- Total of **15,802 allocated engineers** utilization cases as of FY19.6; five-year avg. growth of **11.9%**

Hire

Develop HR

Assign



\*Strategic fields

Technology fields determined to be important over the medium and long term.

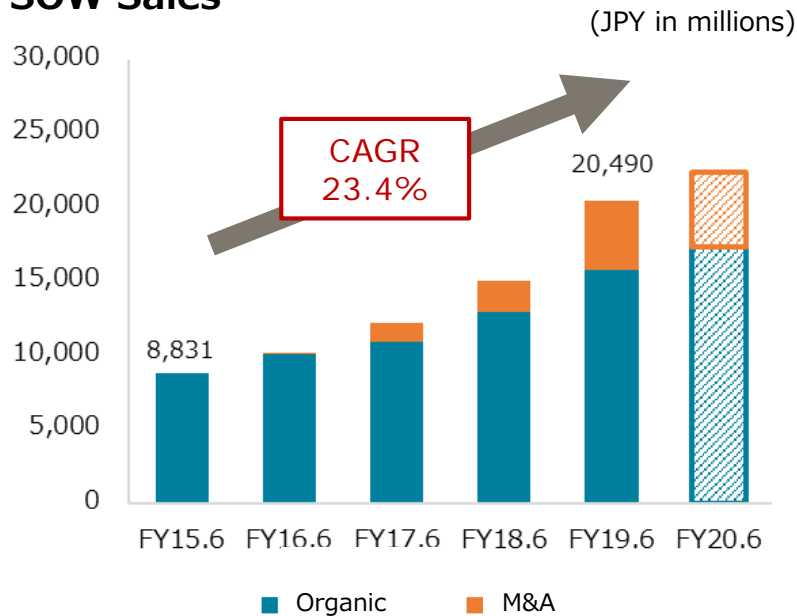
Ex. 3D design technology, embedded software, ERP, security, finance and automobile ICT, etc.

## (2) Shift toward higher added value

### SOW Strategy (Contract Services/ Subcontracting)

Adding Misystem, with its strengths in ERP, and SOFTWORKS, with its strengths in embedded software for automobiles, and other high-value-added companies to the group has brought in talented project managers and accelerated SOW business growth.

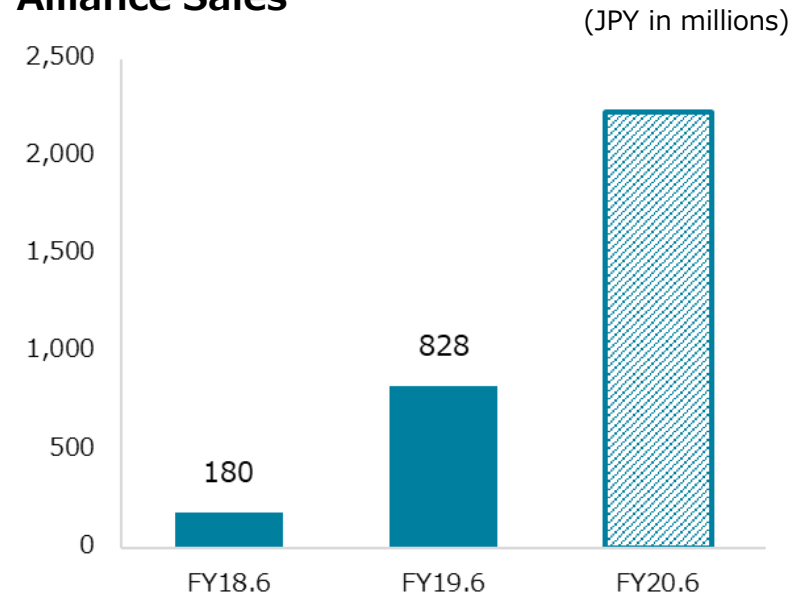
#### SOW Sales



### Alliance Strategy

We are expanding alliances\* and partnerships with data scientists and cyber security experts to foster an environment in which more engineers can take on projects in leading-edge technologies.

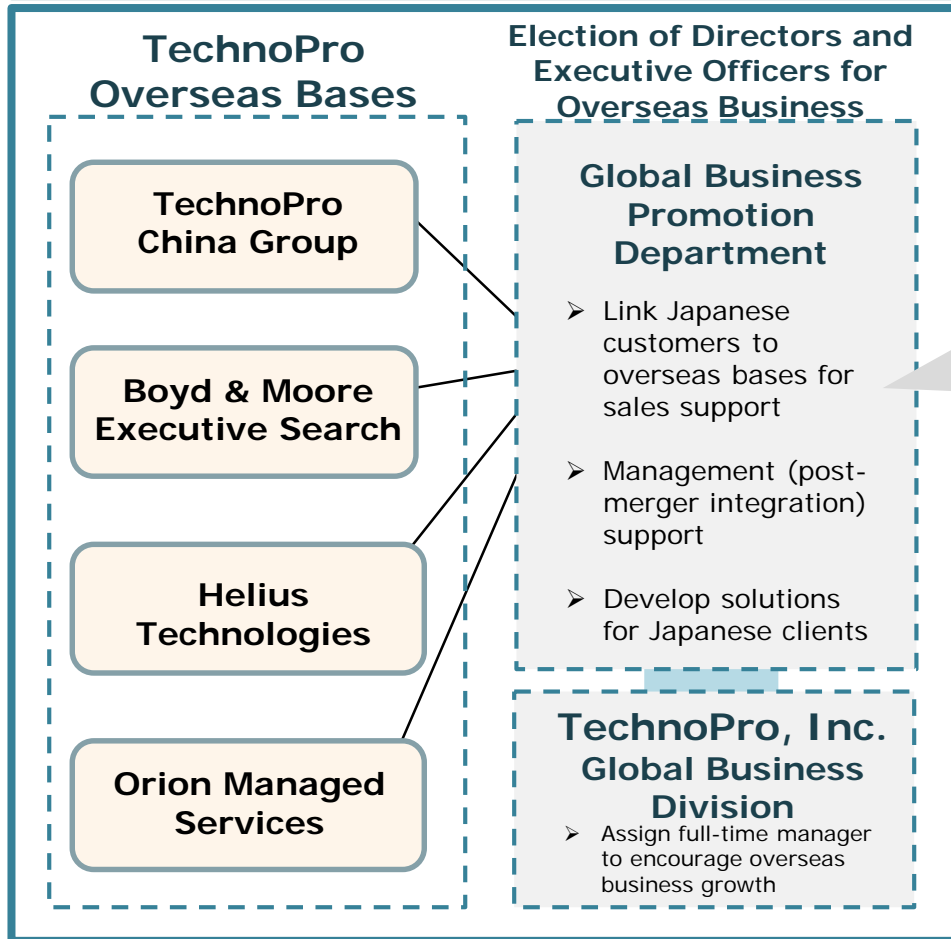
#### Alliance Sales



# (3) Globalization

## – Initiatives for Global Collaboration

- Continue to emphasize globalization for ongoing sustainable growth
- Clarify management responsibility for overseas businesses and strengthen the role of the Global Business Promotion Department
  - ✓ Bolster sales support functions for overseas bases and introduce systematic sales at overseas bases leveraging the 2,000-strong customer list in Japan



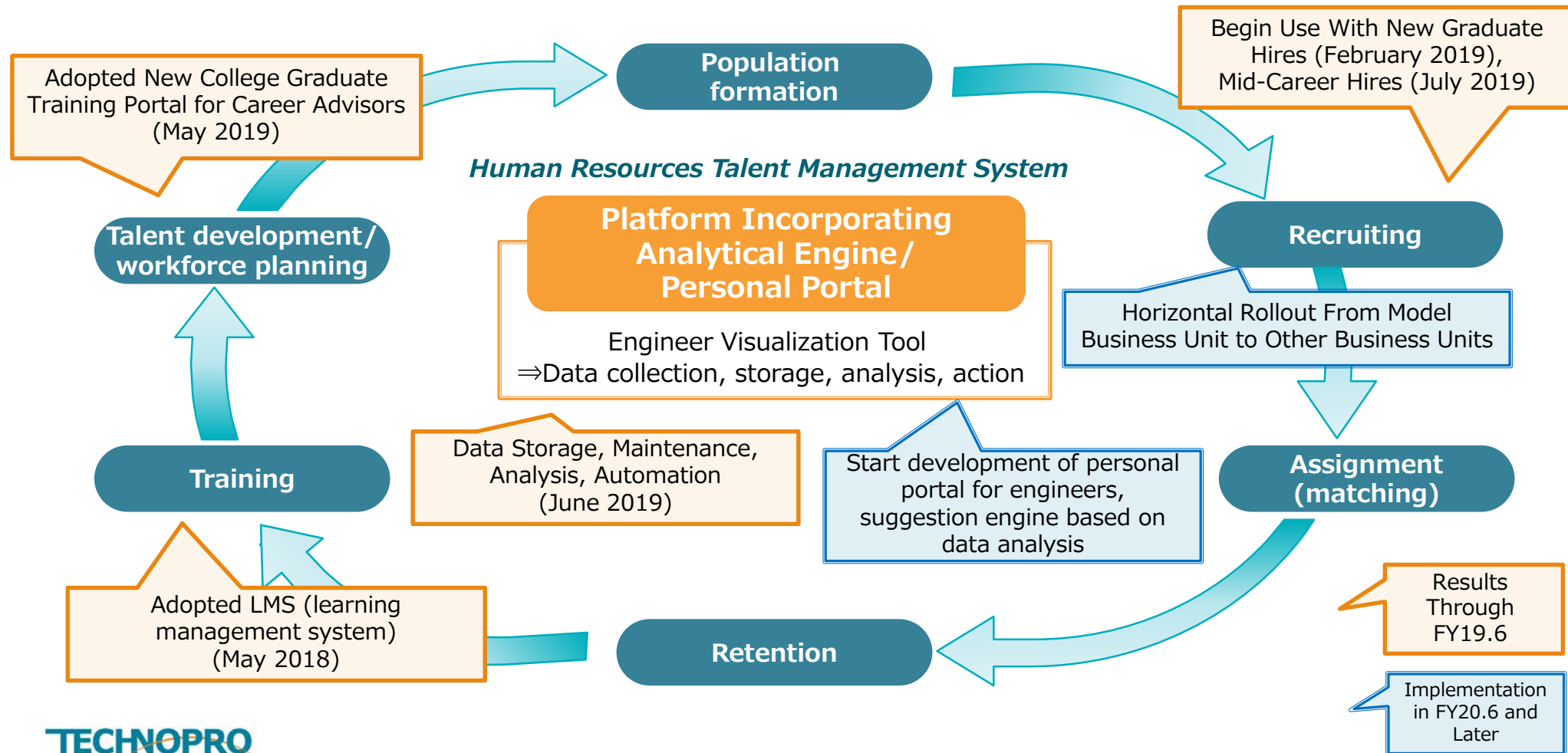
- Establish regular meeting system to link global bases together, deepen involvement in budget and KPI control, sales activities
- Establish Global Business Division at both holding company level and within operating company TechnoPro, Inc.
- Develop new global strategy toward TechnoPro Group medium- and long-term growth



# (4) Move toward platforms utilizing information technologies

## Building a Human Resources Talent Management System

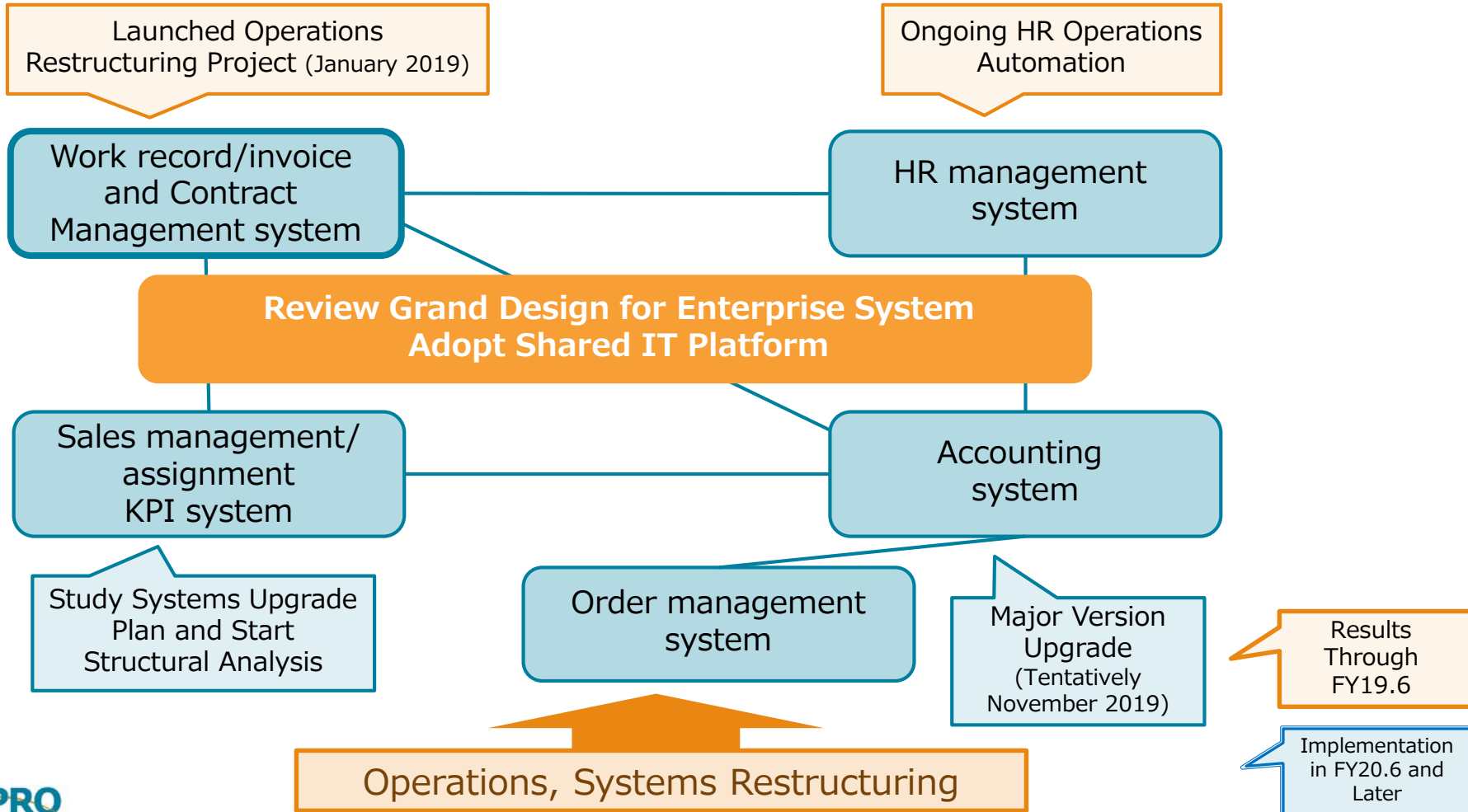
- Incorporate IT into core businesses to accelerate HR services that anticipate company and engineer needs
- FY19.6 will show progress in efficient hiring activities, secure relations with offerees, and improved engineer motivation
- Actively improve engineer value, aiming for improved hiring efficiency, effective HR training, and appropriate engineer assignments (increased base charge)



# (4) Move toward platforms utilizing information technologies

## Restructure Enterprise System

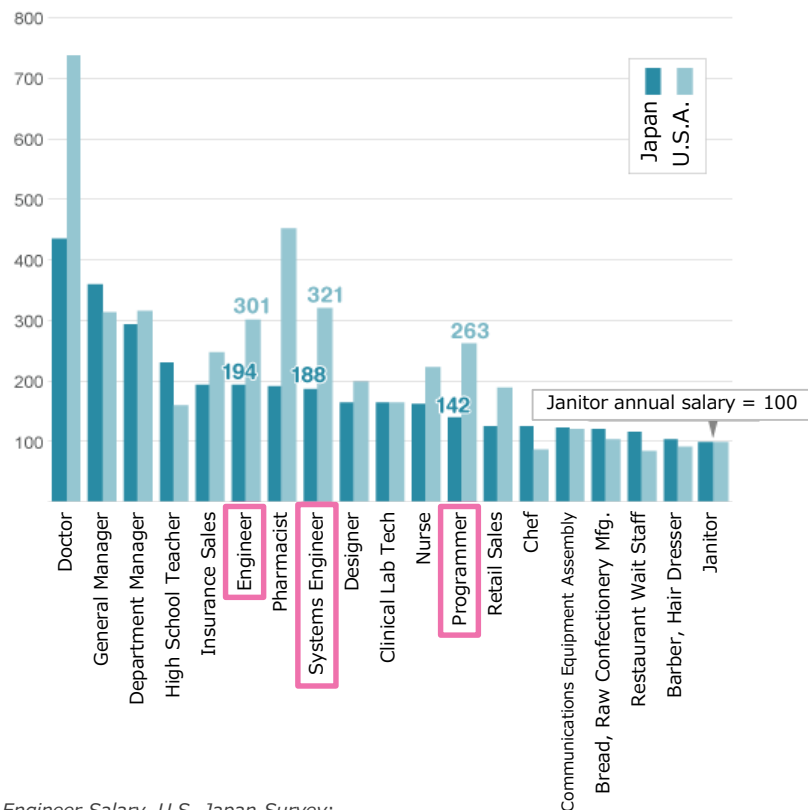
- Toward our new system release in July 2022, we launched an operations restructuring project in January 2019: Conceiving a New Approach to Next-Generation Work Flow and New System Adoption
- In connection with the new system adoption, we are reviewing the grand design for our enterprise system, while identifying investment returns. We are also launching a new systems structure analysis and version upgrade ⇒ Aiming for a Single System, Aiming for a Shared IT Platform



# Approach to Improving Employee Benefits

- Additional costs to comply with equal pay for equal work rules will (enforced beginning April 2020) be small focus. At the same time, we will invest actively in improving employee benefits and training for engineers.
- Improved employee satisfaction contributes to increased retention, more efficient hiring, and increased employee motivation, etc., resulting in higher profitability

Salary by Occupation: U.S.-Japan Comparison (2016/Males)  
(Janitor annual salary indexed to 100)



Source: Report: Engineer Salary, U.S.-Japan Survey;  
TechnoPro Holdings  
Research Institute for STEM Human Resources, Doshisha University

## Background

Engineers have a relatively low status in Japan  
(see graph to the left)

Poor benefits are one factor contributing to  
chronic shortages of engineers

## Details

In addition to increasing regular base, we will  
invest **3.0 billion yen over three years** to  
improve employee benefits

Cost increases will be absorbed by improved  
profits due to base charge hike, value added  
services and higher productivity, leading to  
maintenance of profit margins

# Future Developments

- FY22.6 revenue forecast of **192.0 billion yen** on an organic basis (+32.0 billion yen vs. current), annual avg. growth rate of **10.0%** over three years
- Invest 3.0 billion yen in engineer benefits over three years, aiming for profit margin improvement
- We intend to **create a new medium-term management plan** over the next year, making an official announcement in July 2020

(JPY in billions)

|  | FY19.6    |        | FY20.6     |        | FY22.6        |        |          |        |
|--|-----------|--------|------------|--------|---------------|--------|----------|--------|
|  | (Results) | YoY    | (Guidance) | YoY    | Mid-term Plan | (Plan) | Vs. Plan | CAGR** |
| Revenue                                  | 144.1     | +23.7% | 160.0      | +11.0% | 160.0         | 192.0  | +32.0    | +10.0% |
| Operating Profit                         | 13.7      | +22.3% | 15.3       | +10.0% | 17.0          | 19.0   | +2.0     | +11.4% |
| OP margin                                | 9.5%      |        | 9.6%       |        | 10.6%         | 9.9%   | -        | -      |
| Net Profit*                              | 9.6       | +13.9% | 10.1       | +4.6%  | 11.0          | 12.5   | +1.5     | +8.9%  |
| Number of Engineers<br>[Japan, year-end] | 19,293    | +14.9% | 21,000     | +8.8%  | 19,600        | 24,600 | +5,000   | +8.4%  |
| Utilization rate [Japan]                 | 95.5%     | -0.2pt | 95-96%     | -      | 95-96%        | 95-96% | -        | -      |

\* Net profit attributable to owners of parent after non-controlling interests referred to as *Net Profit* in this document

\*\* 3 years average based on FY19.6



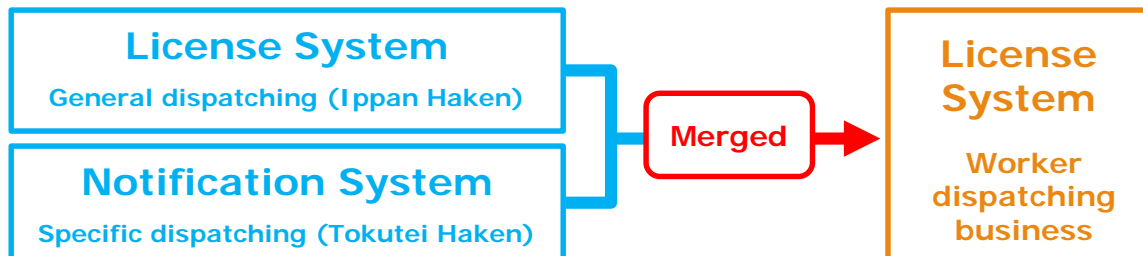
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# Appendix: Key Amendments in the Workers Dispatch Law

## POINT 1 All operators must have a license



### Possible effects on TechnoPro



## Positive

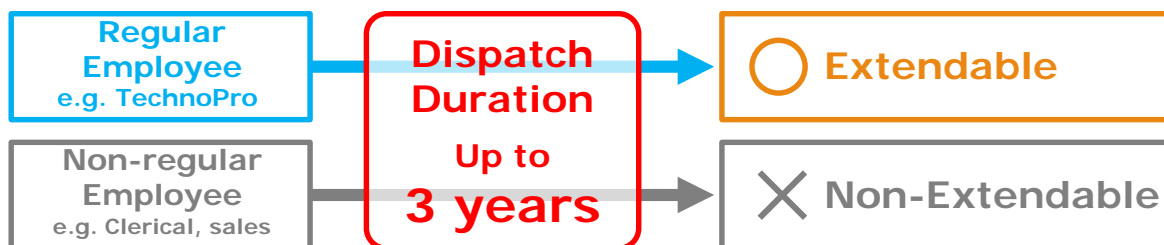
\*TechnoPro group companies already meet requirements for the new license system.

\*TechnoPro, Inc. is accredited as one of the quality staffing operators by MHLW.



優良派遣事業者

## POINT 2 3-Year Limit for Fixed-term Contract Staff



### Possible effect on TechnoPro



## Positive

\*Most of TechnoPro engineers are working on indefinite-term(full-time) contracts so they can work with the same client for more than 3 years.

\*Even though some construction engineers are working on fixed-term contracts, they are not affected as their project terms is less than 1 year.

## POINT 3 Mandatory Career Support for Workers



### Possible effect on TechnoPro



## Positive

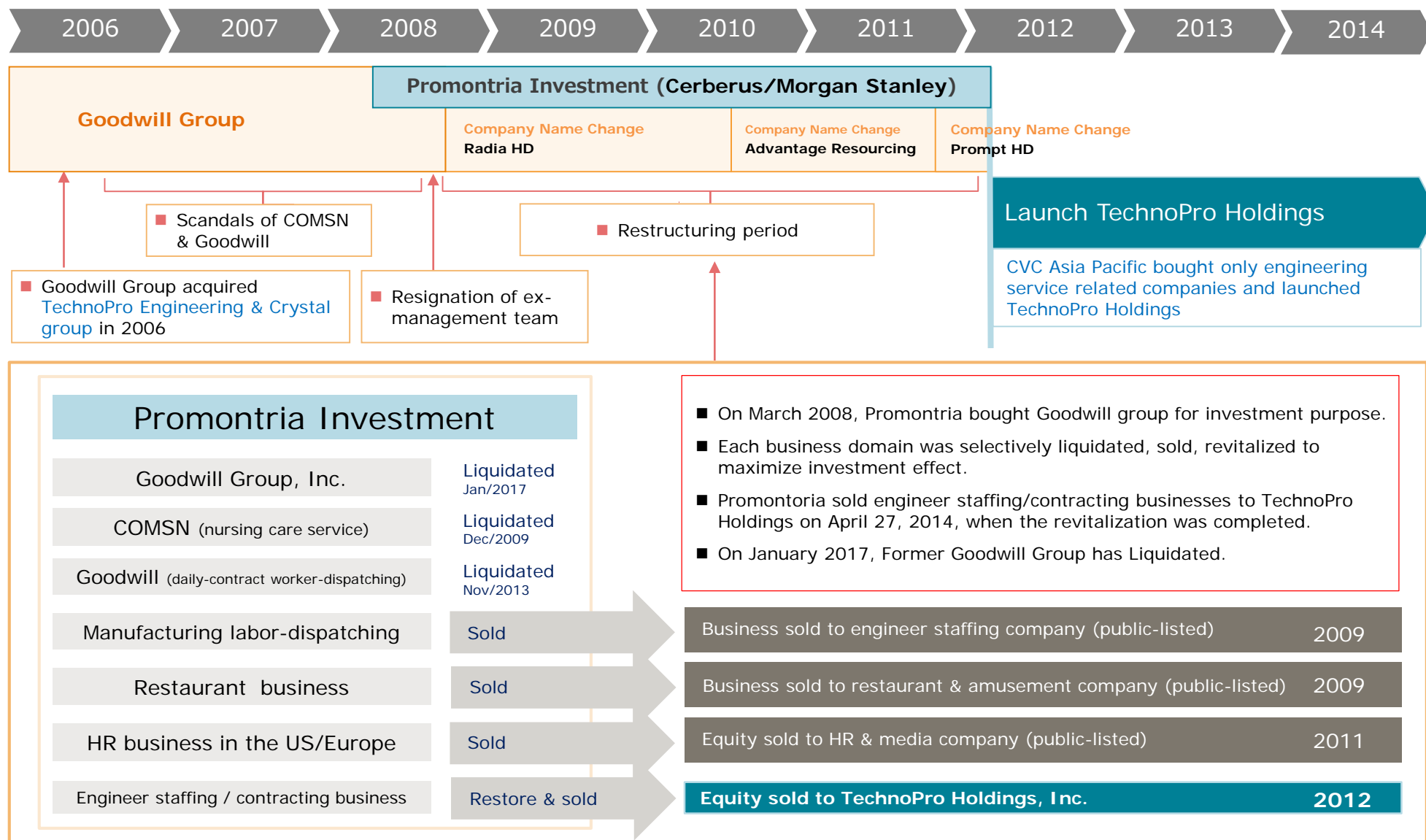
\* TechnoPro already has various career support systems.

\* We have four TechnoPro Learning training centers.

\* We have over 60 Win school, training facilities across Japan.

\* Internally we have more than 200 of professional/business training programs.

# Appendix: Past background before the Launch of TechnoPro HD



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