

TechnoPro Group Financial Results for Fiscal Year Ended June 2021

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

August 10, 2021

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1. Accounting figures are rounded down to the nearest unit unless otherwise stated; KPI figures exclude "Other Businesses in Japan" and "Overseas" segments
2. "Net profit" refers to net profit attributable to owners of the parent company after deducting non-controlling interests
3. "Core operating profit" is calculated by subtracting SG&A expenses from gross profit, excluding extraordinary items (ex. government subsidy, impairment loss) recognized in other income or other expenses
4. "Operating profit before PPA asset amortization" is calculated by adding back following items to operating profit: 1) amortization of client related asset incurred by Purchase Price Allocation at M&A transactions, 2) impairment loss, 3) changes in fair value amount and early exercise of put option liabilities, and 4) changes in fair value amount of earn-our liabilities

FY2021 Q4 & Full-Year Financial Overview

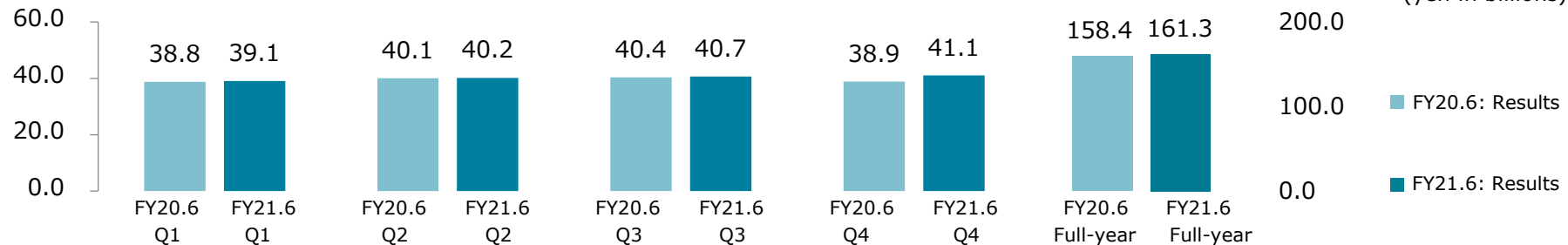
- Full-year FY21.6 revenue was **161.3 billion yen**, up 1.8 % year-on-year; operating profit was **19.46 billion yen** (including **1.78 billion yen** of government subsidy for continuous employment in Japan), up 23.4% year-on-year; core operating profit was **17.63 billion yen**, up 8.4% year-on-year; net profit was **13.24 billion yen**, up 22.4% year-on-year
- Full-year FY21.6 gross profit margin **decreased 0.8 pts** year-on-year, mainly due to 1) a decline of unit sales price (0.2 pts) affected by a decrease in working hours, 2) an increase of provision for paid leave (0.2 pts), and 3) an increase in employer-contribution for the defined contribution pension plan (0.3 pts), while SG&A expenses ratio on revenue **improved 1.4 pts** year-on-year driven by continued cost-saving efforts, thereby core operating profit margin continues to **expand 0.7 pts** year-on-year

(yen in millions, except per share amounts)

	Q4 (three-month period)				Full-Year						
	FY20.6 (Results)	FY21.6 (Results)	YOY		FY20.6 (Results)	FY21.6 (Guidance)	FY21.6 (Results)	YOY		vs. Guidance	
Revenue	38,916	41,135	+2,219	+5.7%	158,407	159,000	161,316	+2,909	+1.8%	+2,316	+1.5%
Gross profit	9,273	10,840	+1,566	+16.9%	40,226	—	39,727	(499)	(1.2%)	—	—
<i>GP margin</i>	23.8%	26.4%	+2.5 pts		25.4%		24.6%	(0.8 pts)			
SG&A expenses	5,856	6,387	+530	+9.1%	23,960	—	22,087	(1,872)	(7.8%)	—	—
<i>Ratio on revenue</i>	15.0%	15.5%	+0.5 pts		15.1%		13.7%	(1.4 pts)			
Core operating profit	3,416	4,452	+1,035	+30.3%	16,265	—	17,639	+1,373	+8.4%	—	—
<i>Core OP margin</i>	8.8%	10.8%	+2.0 pts		10.3%		10.9%	+0.7 pts			
Other income	290	177	(112)	—	649	—	2,162	+1,512	—	—	—
Other expenses	1,005	48	(956)	—	1,143	—	340	(802)	—	—	—
Operating profit	2,701	4,581	+1,879	+69.6%	15,772	18,000	19,461	+3,688	+23.4%	+1,461	+8.1%
<i>OP margin</i>	6.9%	11.1%	+4.2 pts		10.0%	11.3%	12.1%	+2.1 pts		+0.7 pts	
Profit before income taxes	2,754	4,570	+1,815	+65.9%	15,843	18,000	19,472	+3,629	+22.9%	+1,472	+8.2%
Net profit	1,845	2,996	+1,150	+62.4%	10,825	12,300	13,245	+2,420	+22.4%	+945	+7.7%
<i>Net profit margin</i>	4.7%	7.3%	+2.5 pts		6.8%	7.7%	8.2%	+1.4 pts		+0.5 pts	
Earnings per share (yen)*	51.39	83.44	+32.05	+62.4%	299.97	342.54	368.88	+68.91	+23.0%	+26.34	+7.7%
Dividend per share (yen)*	—	—	—	—	150.00	172.00	185.00	+35.00	+23.3%	+13.00	+7.6%

Reference: Quarterly Performance

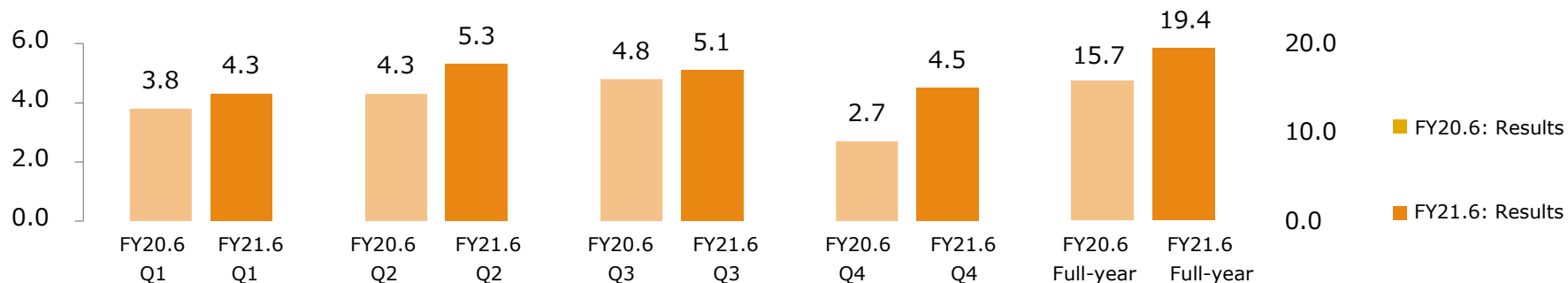
Revenue



YOY	+0.8%		+0.3%		+0.7%		+5.7%		+1.8%	
Progress on full-year %	24.6%	24.3%	25.3%	25.0%	25.5%	25.2%	24.6%	25.5%	100.0%	100.0%
Ave. no. of engineers	19,523	20,795	19,866	20,287	20,165	19,986	21,370	20,229	20,231	20,324
Ave. utilization ratio	95.5%	92.7%	95.9%	94.8%	95.4%	96.2%	89.8%	94.7%	94.0%	94.6%
Ave. monthly unit sales price (thousand yen)*	626	620	635	637	638	640	620	639	630	634
Working days*	56.5	56.2	58.1	58.6	55.8	56.5	56.7	57.7	227.1	229.0
Working hours per day*	8.56	8.44	8.56	8.47	8.56	8.51	8.39	8.47	8.52	8.47

* Figures of two major subsidiaries in Japan (TechnoPro, Inc. & TechnoPro Construction, Inc.)

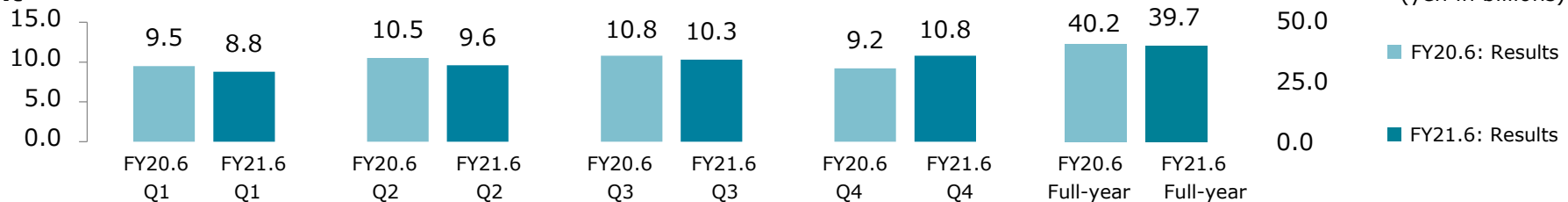
Operating Profit



YOY	+12.2%		+22.8%		+7.2%		+69.6%		+23.4%	
Progress on full-year %	24.6%	22.4%	27.5%	27.4%	30.7%	26.7%	17.1%	23.5%	100.0%	100.0%
OP margin	10.0%	11.1%	10.8%	13.2%	12.0%	12.8%	6.9%	11.1%	10.0%	12.1%

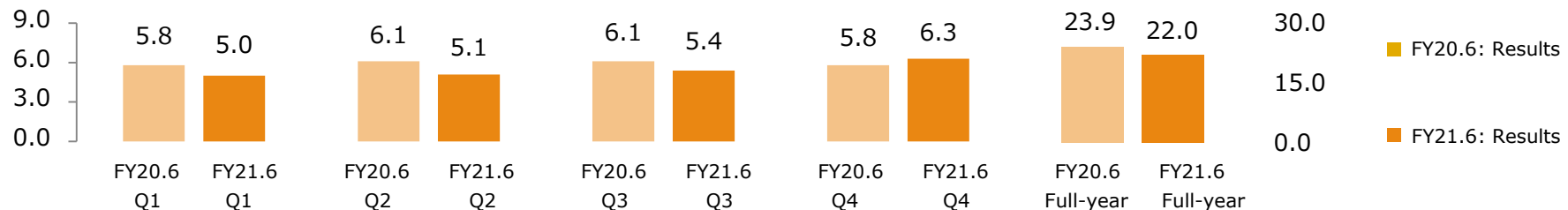
Reference: Quarterly Performance (continued)

Gross Profit



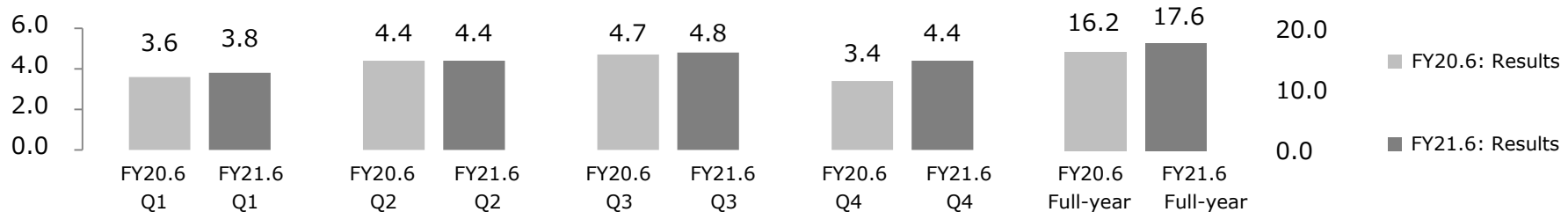
YOY	(6.9%)		(8.8%)		(4.4%)		+16.9%		(1.2%)	
GP margin	24.5%	22.7%	26.3%	23.9%	26.8%	25.4%	23.8%	26.4%	25.4%	24.6%

SG&A



YOY	(13.8%)		(15.5%)		(10.5%)		+9.1%		(7.8%)	
Ratio on revenue	15.0%	12.9%	15.3%	12.9%	15.1%	13.4%	15.0%	15.5%	15.1%	13.7%

Core Operating Profit



YOY	+4.2%		+0.6%		+3.3%		+30.3%		+8.4%	
Core OP margin	9.5%	9.8%	11.0%	11.0%	11.7%	12.0%	8.8%	10.8%	10.3%	10.9%

FY2021 Segment Results (Full-Year)

- Companies included in each segment are described in Appendix

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY
Revenue	114,021	126,179	127,870	+1.3%	17,720	19,787	19,670	(0.6%)	3,474	4,103	3,800	(7.4%)	135,217	150,071	151,341	+0.8%
<i>Ratio to consolidated revenue</i>	79.1%	79.7%	79.3%		12.3%	12.5%	12.2%		2.4%	2.6%	2.4%		93.8%	94.7%	93.8%	
Operating profit	10,672	12,880	15,815	+22.8%	1,938	2,109	2,791	+32.3%	416	(139)	315	—	13,028	14,850	18,922	+27.4%
<i>OP margin</i>	9.4%	10.2%	12.4%		10.9%	10.7%	14.2%		12.0%	(3.4%)	8.3%		9.6%	9.9%	12.5%	
OP before PPA asset amortization	10,752	12,960	15,895	+22.6%	1,938	2,517	2,791	+10.9%	416	367	315	(14.1%)	13,108	15,845	19,002	+19.9%
<i>OP margin before PPA asset amortization</i>	9.4%	10.3%	12.4%		10.9%	12.7%	14.2%		12.0%	9.0%	8.3%		9.7%	10.6%	12.6%	
PPA asset amortization	(80)	(80)	(80)	—	—	—	—	—	—	—	—	—	(80)	(80)	(80)	—
Impairment loss	—	—	—	—	—	(408)	—	—	—	(507)	—	—	—	(915)	—	—
No. of engineers (period-end)	16,748	18,471	17,692	(4.2%)	2,545	2,793	2,638	(5.5%)	—	—	—	—	19,293	21,264	20,330	(4.4%)
o/w non-Japanese in Japan	922	1,082	817	(24.5%)	63	96	104	+8.3%	—	—	—	—	985	1,178	921	(21.8%)

	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY
Revenue	10,283	9,941	11,432	+15.0%	145,500	160,012	162,773	+1.7%	(1,324)	(1,605)	(1,456)	—	144,176	158,407	161,316	+1.8%
<i>Ratio to consolidated revenue</i>	7.1%	6.3%	7.1%		100.9%	101.0%	100.9%		(0.9%)	(1.0%)	(0.9%)		100.0%	100.0%	100.0%	
Operating profit	(931)	655	764	+16.7%	12,096	15,506	19,687	+27.0%	1,642	266	(226)	—	13,739	15,772	19,461	+23.4%
<i>OP margin</i>	(9.1%)	6.6%	6.7%		8.3%	9.7%	12.1%		—	—	—		9.5%	10.0%	12.1%	
OP before PPA asset amortization	993	858	974	+13.5%	14,101	16,704	19,977	+19.6%	172	119	(267)	—	14,274	16,824	19,709	+17.2%
<i>OP margin before PPA asset amortization</i>	9.7%	8.6%	8.5%		9.7%	10.4%	12.3%		—	—	—		9.9%	10.6%	12.2%	
PPA asset amortization	(250)	(203)	(209)	—	(331)	(283)	(289)	—	—	—	—	—	(331)	(283)	(289)	—
Impairment loss	(1,673)	—	—	—	(1,673)	(915)	—	—	—	—	—	—	(1,673)	(915)	—	—
Changes in fair value amount and early exercise of put option liabilities	—	—	—	—	—	—	—	—	1,359	256	41	—	1,359	256	41	—
Changes in fair value amount of earn-out liabilities	—	—	—	—	—	—	—	—	110	(110)	—	—	110	(110)	—	—
No. of engineers (period-end)	1,608	1,331	1,970	+48.0%	20,901	22,595	22,300	(1.3%)	—	—	—	—	20,901	22,595	22,300	(1.3%)

Reference: FY2021 Q4 Segment Results (Three Months)

- Recorded value adjustment profits of 41 million yen due to changes in fair value of put option liabilities of Orion, while no impairment loss was recorded in Q4 FY21.6 period

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY19.6 Q4	FY20.6 Q4	FY21.6 Q4	YOY	FY19.6 Q4	FY20.6 Q4	FY21.6 Q4	YOY	FY19.6 Q4	FY20.6 Q4	FY21.6 Q4	YOY	FY19.6 Q4	FY20.6 Q4	FY21.6 Q4	YOY
Revenue	29,618	31,421	32,405	+3.1%	4,588	4,865	4,821	(0.9%)	1,229	991	1,106	+11.6%	35,436	37,278	38,333	+2.8%
<i>Ratio to consolidated revenue</i>	78.7%	80.7%	78.8%		12.2%	12.5%	11.7%		3.3%	2.5%	2.7%		94.2%	95.8%	93.2%	
Operating profit	2,066	2,658	3,669	+38.0%	361	225	603	+168.1%	204	(445)	203	—	2,632	2,438	4,476	+83.6%
<i>OP margin</i>	7.0%	8.5%	11.3%		7.9%	4.6%	12.5%		16.6%	(45.0%)	18.4%		7.4%	6.5%	11.7%	
OP before PPA asset amortization	2,086	2,678	3,689	+37.7%	361	633	603	(4.7%)	204	61	203	+233.4%	2,652	3,373	4,496	+33.3%
<i>OP margin before PPA asset amortization</i>	7.0%	8.5%	11.4%		7.9%	13.0%	12.5%		16.6%	6.2%	18.4%		7.5%	9.0%	11.7%	
PPA asset amortization	(20)	(20)	(20)	—	—	—	—	—	—	—	—	—	(20)	(20)	(20)	—
Impairment loss	—	—	—	—	—	(408)	—	—	—	(507)	—	—	—	(915)	—	—
No. of engineers (period-end)	16,748	18,471	17,692	(4.2%)	2,545	2,793	2,638	(5.5%)	—	—	—	—	19,293	21,264	20,330	(4.4%)
o/w non-Japanese in Japan	922	1,082	817	(24.5%)	63	96	104	+8.3%	—	—	—	—	985	1,178	921	(21.8%)

	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY19.6 Q4	FY20.6 Q4	FY21.6 Q4	YOY	FY19.6 Q4	FY20.6 Q4	FY21.6 Q4	YOY	FY19.6 Q4	FY20.6 Q4	FY21.6 Q4	YOY	FY19.6 Q4	FY20.6 Q4	FY21.6 Q4	YOY
Revenue	2,663	2,087	3,313	+58.7%	38,100	39,365	41,646	+5.8%	(468)	(449)	(511)	—	37,631	38,916	41,135	+5.7%
<i>Ratio to consolidated revenue</i>	7.1%	5.4%	8.1%		101.2%	101.2%	101.2%		(1.2%)	(1.2%)	(1.2%)		100.0%	100.0%	100.0%	
Operating profit	(1,615)	92	163	+77.6%	1,017	2,530	4,640	+83.4%	1,589	171	(58)	—	2,607	2,701	4,581	+69.6%
<i>OP margin</i>	(60.6%)	4.4%	4.9%		2.7%	6.4%	11.1%		—	—	—		6.9%	6.9%	11.1%	
OP before PPA asset amortization	126	141	218	+54.2%	2,779	3,514	4,715	+34.2%	120	(24)	(100)	—	2,899	3,490	4,615	+32.2%
<i>OP margin before PPA asset amortization</i>	4.7%	6.8%	6.6%		7.3%	8.9%	11.3%		—	—	—		7.7%	9.0%	11.2%	
PPA asset amortization	(68)	(49)	(55)	—	(88)	(69)	(75)	—	—	—	—	—	(88)	(69)	(75)	—
Impairment loss	(1,673)	—	—	—	(1,673)	(915)	—	—	—	—	—	—	(1,673)	(915)	—	—
Changes in fair value amount and early exercise of put option liabilities	—	—	—	—	—	—	—	—	1,359	195	41	—	1,359	195	41	—
Changes in fair value amount of earn-out liabilities	—	—	—	—	—	—	—	—	110	—	—	—	110	—	—	—
No. of engineers (period-end)	1,608	1,331	1,970	+48.0%	20,901	22,595	22,300	(1.3%)	—	—	—	—	20,901	22,595	22,300	(1.3%)

FY2021 Balance Sheet & Cash Flows

- At the end of June 2021, net cash amount totaled **24.0 billion yen**, net worth ratio was **49.8%**, debt/equity ratio was **0.15**, the line of credit for working capital purposes has been **10.0 billion yen**, maintaining solid financial foundation (issuer rating given by the rating agency R&I remains unchanged from **A-minus**)
- Free cash flows from business and the line of credit of 10 billion yen for M&A purposes can be sufficient to execute M&As programmatically during new medium-term plan period

FY21.6 End B/S (yen in billions)

Cash & cash equivalents 32.5	Debt 8.5
	IFRS 16 related liabilities 9.4
IFRS 16 related assets 9.4	Other liabilities 38.2
Goodwill 36.3	
Intangible assets (PPA) 1.6	PO liabilities 3.1
Other assets 38.1	Total equity 58.7

Total assets 117.9

Total liabilities & equity 117.9

Net Cash : **24.0 Bn**

Net Worth Ratio* : **49.8 %**

D/E Ratio : **0.15x**

D/OP Ratio : **0.44x**

FY21.6 Cash Flows (yen in millions)

• Operating CF	22,081
Corporate income tax payment	(6,169)
• Investing CF	(1,374)
• Financing CF	(11,114)
IFRS 16 related lease liability repayment**	(6,535)
Net cash from loan procurement and repayment	+841
Dividend payment	(5,421)
Net CF	+9,727

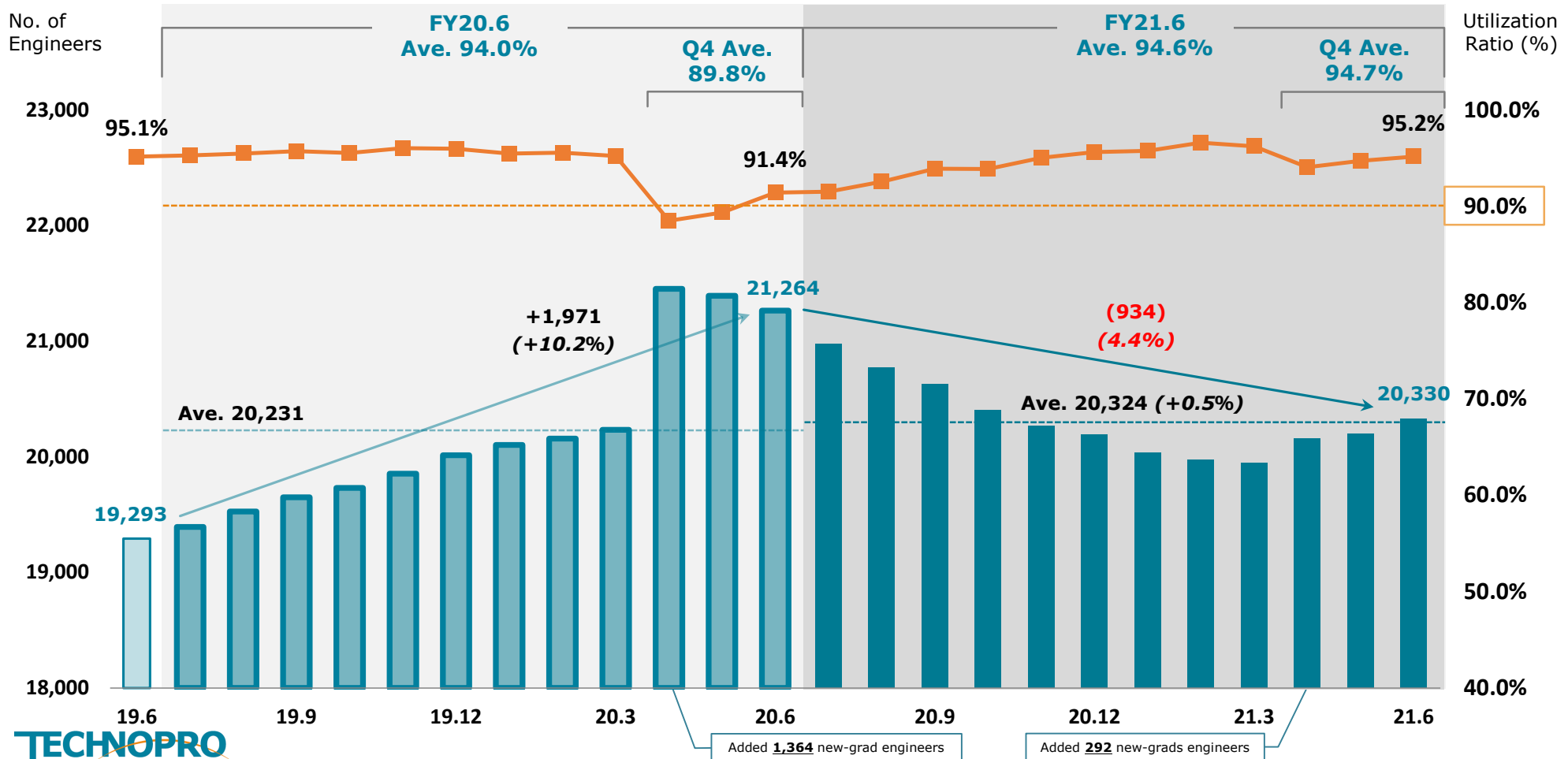
** Reclassified to Financing CF, previously recognized in Operating CF as lease payment until FY19.6

Commitment Lines (yen in millions)

Purpose	Credit line	Used	Unused	Expiration
1 Working capital	8,000	0	8,000	Jun. 2022
2 Working capital	1,000	0	1,000	Sep. 2021
3 Working capital	1,000	0	1,000	Oct. 2021
4 M&A	10,000	0	10,000	Dec. 2021
Total	20,000	0	20,000	

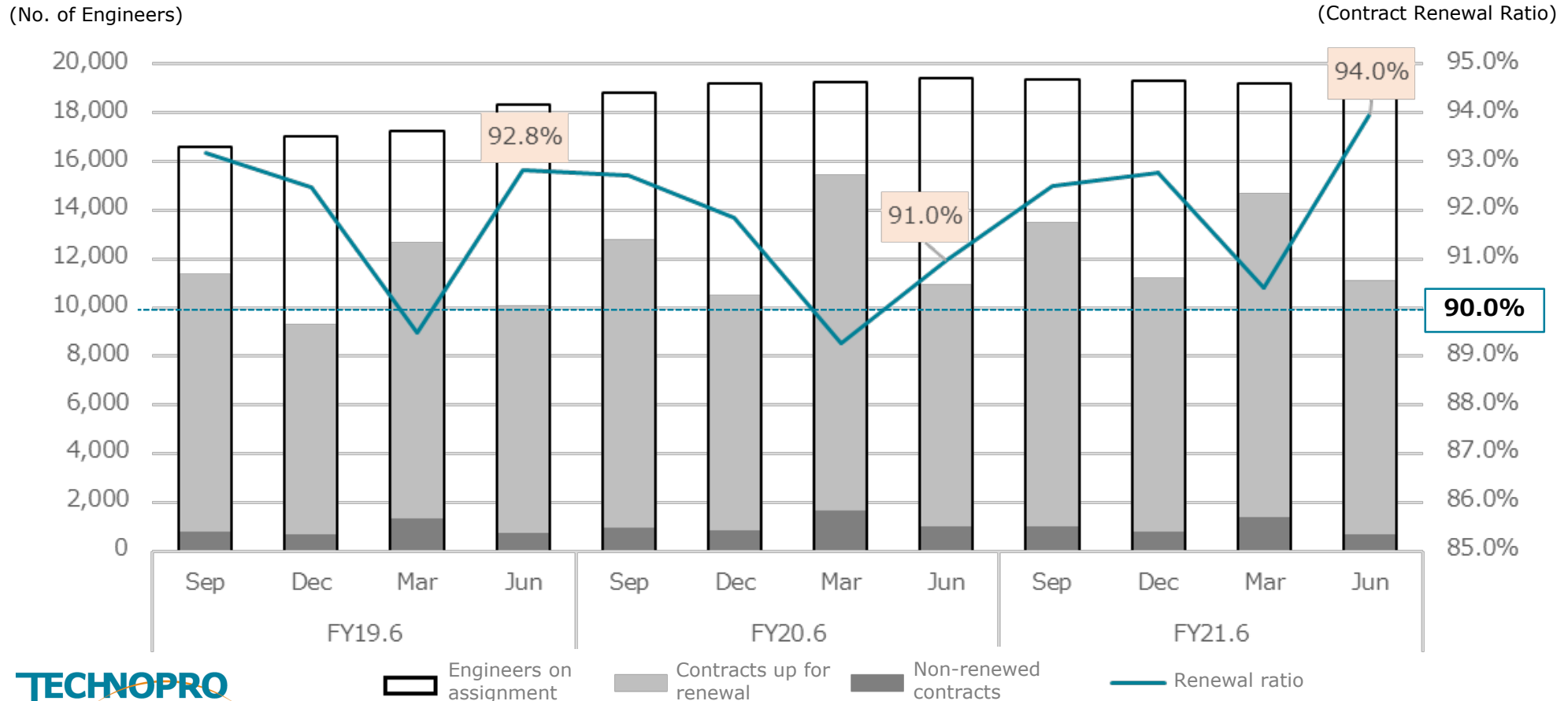
Number of Engineers & Utilization Ratio [Japan]

- Engineers on payroll in Japan at the end of FY21.6 totaled **20,330** (down 934 from FY20.6 end), including **921** non-Japanese engineers (down 257 from FY20.6 end)
- Average utilization ratio was **94.7%** for the three months Q4 FY21.6 period (up 4.9 pts year-on-year), annual average for FY21.6 was **94.6%** (up 0.5 pts year-on-year)



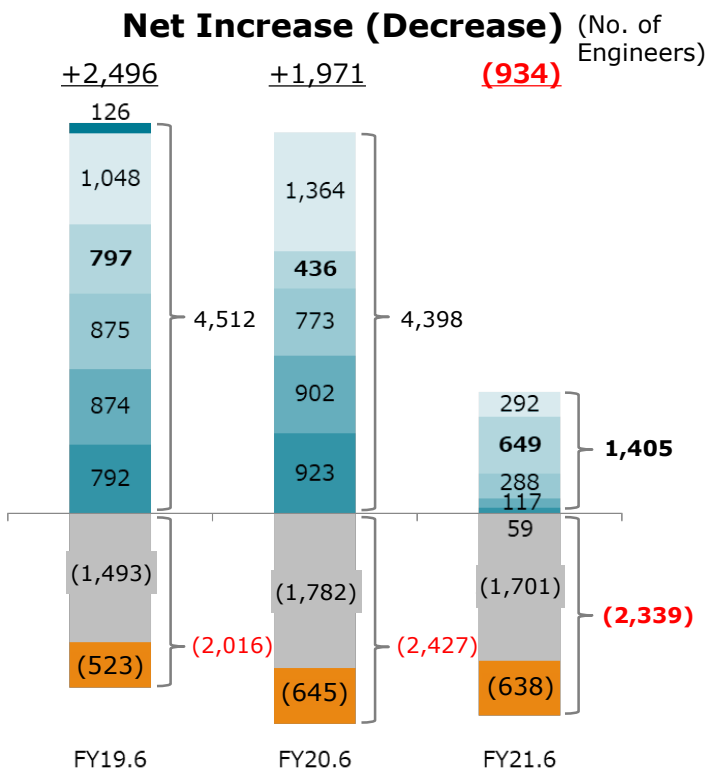
Reference: Contract Renewal Ratio [Mar, Jun, Sep, Dec]

- Terms of most staffing contracts are three or six months, therefore major contract renewal cycle occurs every three months
- March contract renewal ratio usually tends to deteriorate relatively, since in March the contracts up for renewal reach **75% to 80% of total contracts** and many projects end to coincide with the closing of our customers' fiscal year, while the renewal ratio for other periods stays in the range of **92%±1%**
- Contract renewal ratio in June 2021 was **94.0%** (up 3.0 pts year-on-year), record high for the month of June since IPO



Recruitment/Turnover [Japan]

- Engineers hired in FY21.6 (including new-graduate engineers) totaled **1,405** (down 2,993 or 68.1% year-on-year); the number of mid-career hiring for the three months Q4 FY21.6 period has recovered to **649**
- 2,339** engineers left in FY21.6 (down 88 year-on-year): permanent employees of **1,701** (down 81 year-on-year), fixed-term employees of **638**
- Turnover ratio for permanent employees* was **8.4%** (down 0.4 pts year-on-year) for FY21.6, and **8.3%** (down 1.8 pts year-on-year) for the three months Q4 FY21.6 period
- Net engineer decrease of **934** for FY21.6; with focusing on continuing to improve turnover ratio, further promoting recruitment of mid-career engineers while pursuing higher quality of talent



Annual Recruitment/Turnover

	FY19.6	FY20.6	FY21.6	YOY	
Hired Total	4,512	4,398	1,405	(2,993)	(68.1%)
M&A	126	0	0	—	—
New-grads joined in April	1,048	1,364	292	(1,072)	(78.6%)
Mid-carrier: Q4	797	436	649	+213	+48.9%
Mid-carrier: Q3	875	773	288	(485)	(62.7%)
Mid-carrier: Q2	874	902	117	(785)	(87.0%)
Mid-carrier: Q1	792	923	59	(864)	(93.6%)
Turnover Total	2,016	2,427	2,339	(88)	(3.6%)
Permanent employees	1,493	1,782	1,701	(81)	(4.5%)
Contract terms matured, others	523	645	638	(7)	(1.1%)

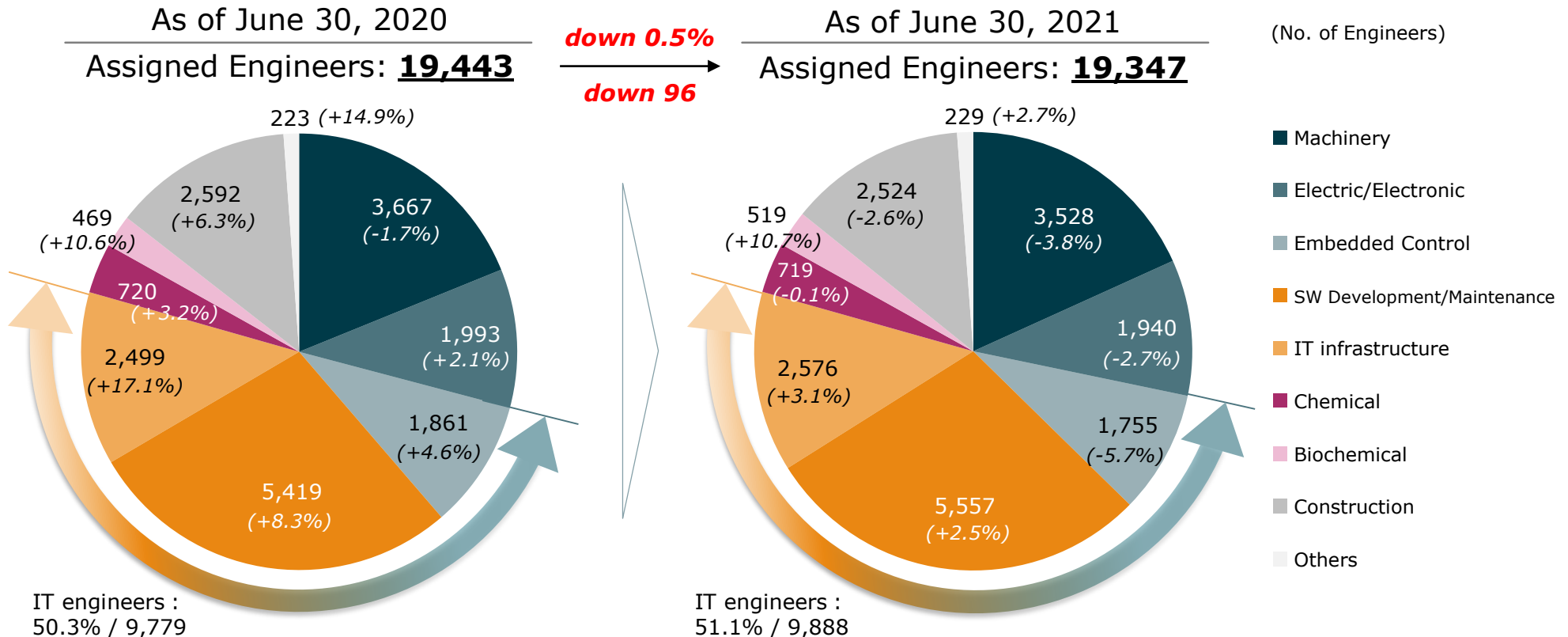
Turnover Ratio for Permanent Employees*

	FY19.6				FY20.6				FY21.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter	8.0%	6.7%	10.6%	8.0%	8.6%	7.8%	8.6%	10.1%	8.8%	8.2%	8.1%	8.3%
Year-to-date	—	7.3%	8.5%	8.3%	—	8.2%	8.3%	8.8%	—	8.5%	8.4%	8.4%
Last Twelve Months	8.0%	7.9%	8.2%	8.3%	8.5%	8.7%	8.3%	8.8%	8.9%	8.9%	8.8%	8.4%

* Turnover ratio for permanent employees was calculated excluding fixed-term employees left at the end of contract term

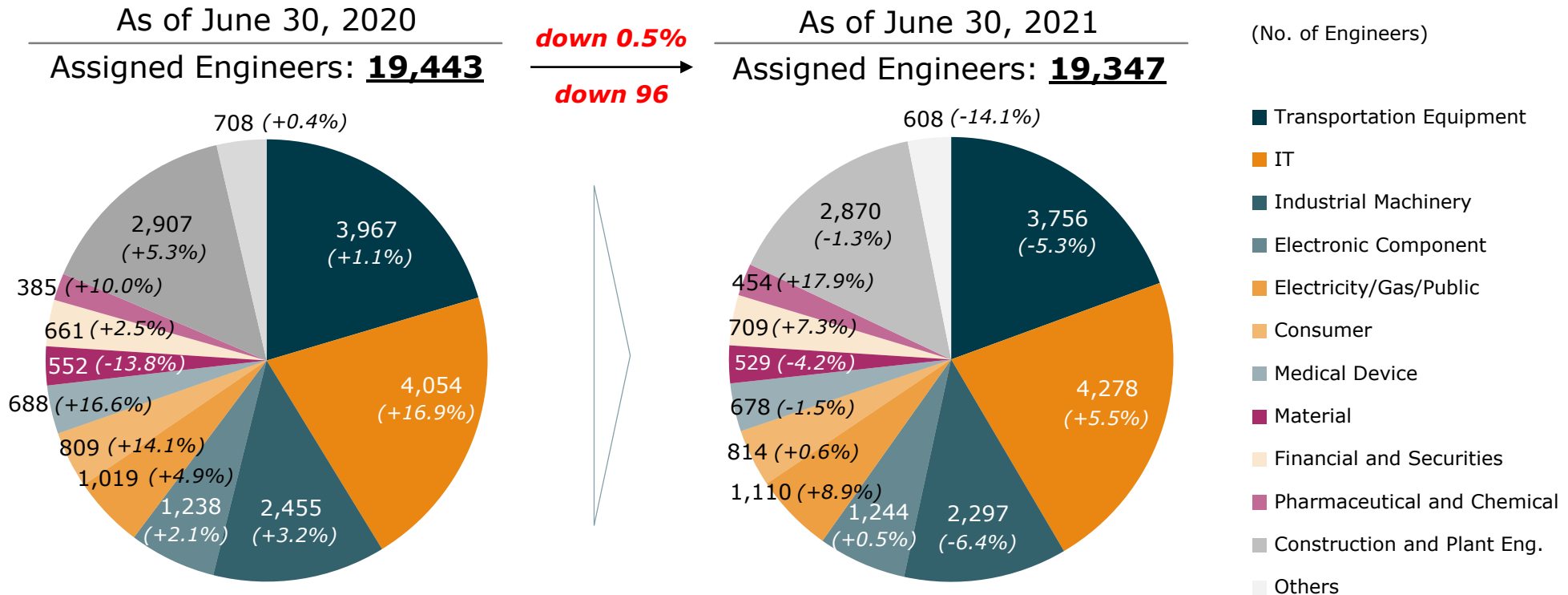
Assigned Engineers Portfolios by “Technology” [Japan]

- Total number of engineers on assignment at the end of FY21.6 has slightly decreased year-on-year, although the utilization ratio has already recovered to pre-pandemic level and total number of engineers has returned to increase again month-on-month
- Expects to see an overall increase in customer demand from October 2021, therefore aiming to make the number of assigned engineers to exceed the previous-year level as early as possible by achieving an increase of engineer headcounts through promoting recruitment actively in IT, Construction and Chemical/Biochemical with sustaining the utilization ratio



Assigned Engineers Portfolios by "Industry" [Japan]

- Pays attention to how the another wave of COVID-19 spread in Asia region will impact the demand for R&D activity of customers, while the manufacturers in Transportation Equipment are showing continued willingness to invest in the areas such as autonomous driving technology or electric vehicles
- New orders from Industrial Machinery and Electronic Component specifically relating to semiconductors continued to grow
- A certain level of skills and experience required to assign engineers, but demand from IT sector remains strong, therefore began discussing about when to promote the recruitment of less experienced engineers who need to be trained

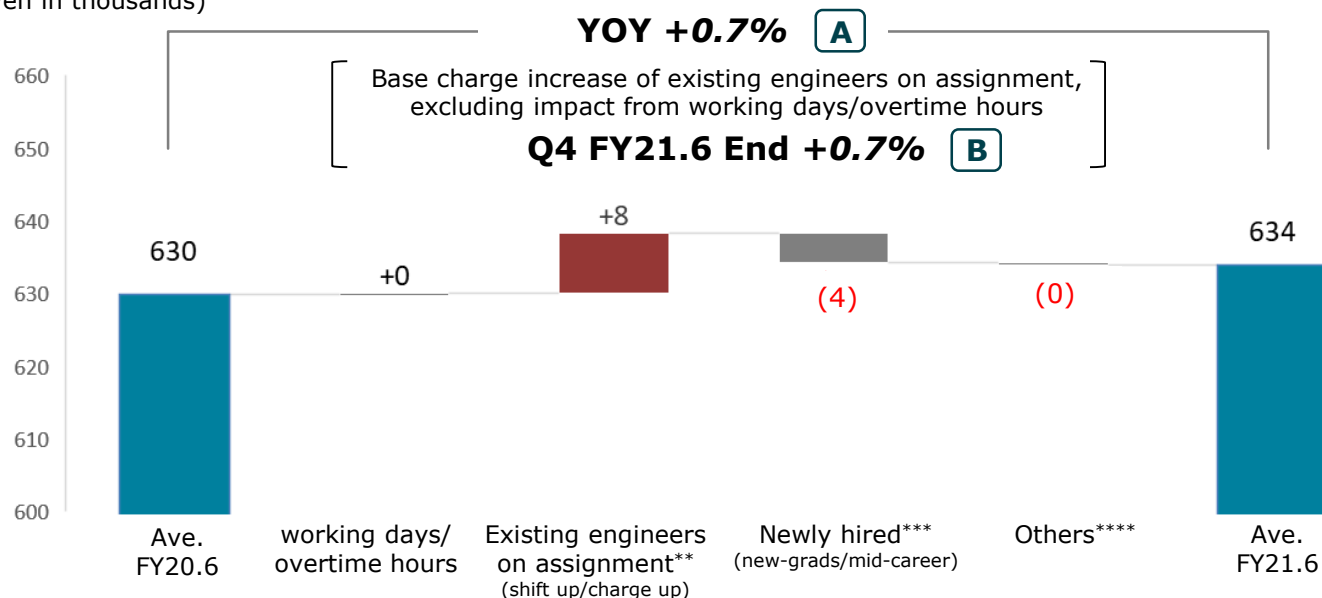


Average Monthly Unit Sales Price

Two Major Subsidiaries in Japan: TechnoPro, Inc. & TechnoPro Construction, Inc.

- Ave. monthly unit sales price* for FY21.6 increased to **634K yen** (up 4K yen/month or 0.7% year-on-year)
- Increased 0.2K yen/month year-on-year due to the mix of increase in working days (up 0.17 days/month) and shorter overtime hours (down 0.85 hours/month)
- Increased 8K yen/month driven by base charge hike for existing engineers on assignment through shift-up/charge-up efforts
- Diluted 4K yen/month due to first assignment of newly hired new-grads/mid-career engineers

(yen in thousands)



* Unit sales price

Average sales per engineer per month, which includes base charge, overtime charges and others

** Existing engineers on assignment

Increase(decrease) of prices through changes in place of assignment or contract renewal at the same assignment

*** Newly hired

Increase(decrease) of prices from first assignment of newly hired new-grads/mid-career engineers

**** Others

Increase(decrease) of prices from other factors than described above

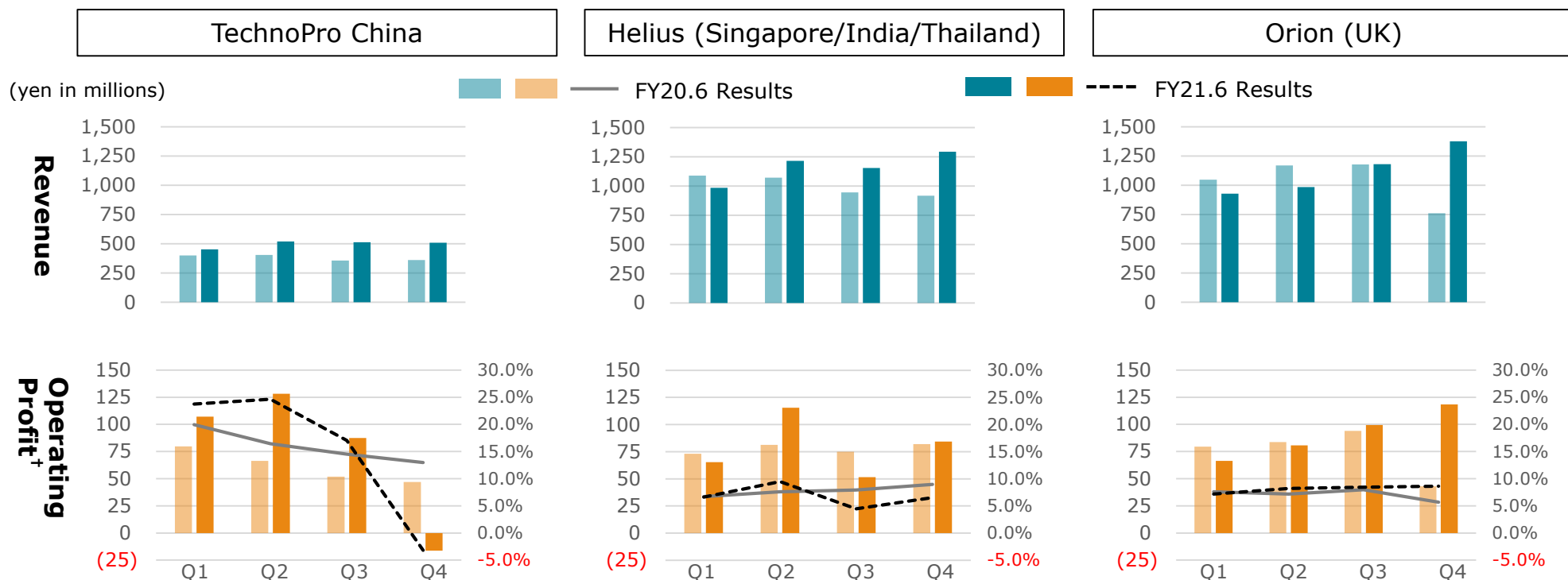
Price Development

	FY20.6				FY21.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (yen in thousands, year-to-date)	626	631	633	630	620	628	632	634
Year-on-year	A +0.8%	(0.3%)	+0.3%	(0.1%)	(1.0%)	(0.4%)	(0.2%)	+0.7%

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Engineers on Assignment	B +3.6%	+3.4%	+3.0%	+3.7%	+3.4%	+2.6%	+2.3%	+0.7%

* Year-on-year comparison for each quarter end

Overseas Subsidiaries



† Operating profit before PPA amortization; line graphs indicate profit margin

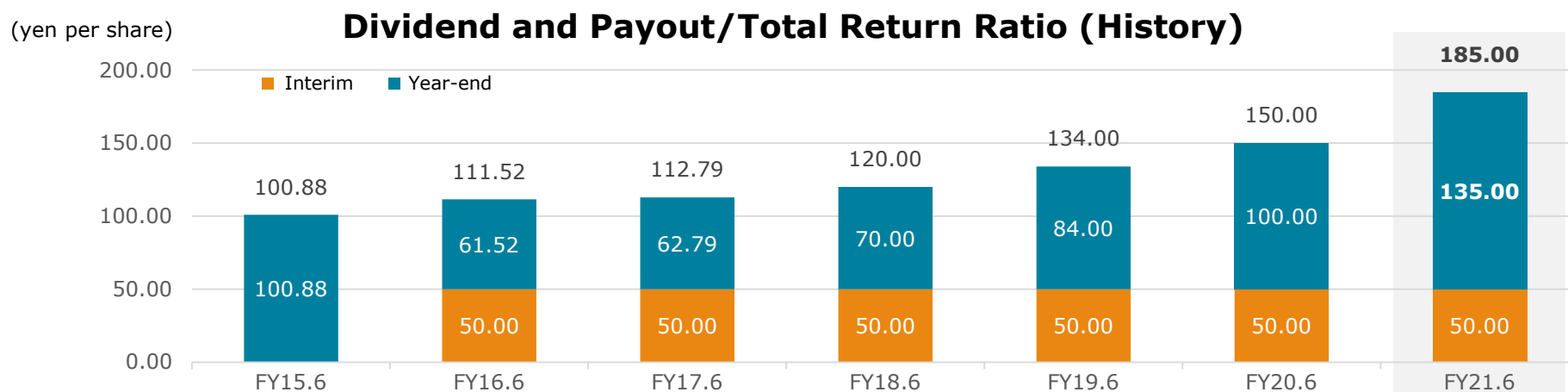
- Recorded solid growth both in revenue and operating profit, up 31% and 25% year-on-year respectively, backed by an increase in demand arising from capital expenditures relating to Japanese manufacturing equipment (losses in Q4 FY21.6 was resulting from the timing of booking of provision for bonuses)
- Demand from Japanese customers increased for R&D outsourcing and other technology related projects in Japan and China, expecting to see further growth

- In Singapore, profit margin declined in the second half FY21.6 impacted by cost increase due to hiring of Singaporean talent and use of sub-contractors, while the number of engineers began to increase
- In India, profit doubled, representing more than 20% profit contribution to overall profit of Helius, as a result of progress in business expansion with existing clients and penetration into new customers
- In Thailand, revenue almost tripled year-on-year and turned into black in the second year after the opening of local operation

- Business continued to recover from the beginning of FY21.6 and reached to the same earnings level as the previous year period in Q3, delivered highest-ever results for Q4 FY21.6 since its establishment
- Both staffing and placement businesses enjoy vigorous demand with resilient management foundation, enabling Orion to overcome negative impact from COVID-19 and enter FY22.6 under favorable environment

Shareholder Return

- Assures basic policy to make dividend payment steadily twice a year in the form of interim and year-end dividend; **annual dividend payout ratio of 50%** remains unchanged for FY21.6, despite the huge business impact from COVID-19, maintaining annual dividend payout ratio of 50% for FY22.6 onwards
- Free cash flows retained after returning 50% cash dividend to shareholders will be spent for growth investment such as M&A; in case of being unable to find justifiable investment opportunities which may generate sufficient return exceeding the cost of capital, flexibly considers carrying out share repurchase as a way of shareholder return in light of capital efficiency



ROE	37.1%	32.0%	29.9%	24.5%	22.4%	23.3%	25.1%
EPS (yen)	201.76	215.80	225.58	244.81	266.86	299.97	368.88
Payout ratio	50.0%	51.7%	50.0%	50.0%	50.2%	50.0%	50.2%
Dividend amount (yen in millions)	3,437	3,808	3,858	4,250	4,864	5,397	6,643
Share repurchase (yen in millions)	—	—	—	—	—	2,063	—
Total return ratio	50.0%	51.7%	50.0%	50.0%	50.2%	68.9%	50.2%

FY2022 Guidance

- Expects revenue for FY22.6 to exceed FY21.6 results, whereas operating profit and core operating profit are estimated to decline 15.2% and 6.5% year-on-year respectively due to 1) dissipation of income from government subsidy for continuous employment, 2) an increase in expenses such as recruitment costs to be spent in order to bring the business back to normal, 3) upfront investment for implementation of new medium-term management plan
- Guidance shown below may be revised to the reasonable extent, depending on the progress of financial performance and inorganic addition through new M&As during the year

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

	First-Half					Full-Year				
	FY20.6	FY21.6	FY22.6	YOY		FY20.6	FY21.6	FY22.6	YOY	
	(Results)	(Results)	(Guidance)			(Results)	(Results)	(Guidance)		
Revenue	79,037	79,451	84,000	+4,548	+5.7%	158,407	161,316	170,000	+8,683	+5.4%
Core operating profit	8,111	8,291	7,300	(991)	(12.0%)	16,265	17,639	16,500	(1,139)	(6.5%)
Core OP margin	10.3%	10.4%	8.7%	(1.7 pts)		10.3%	10.9%	9.7%	(1.2 pts)	
Operating profit	8,221	9,680	7,300	(2,380)	(24.6%)	15,772	19,461	16,500	(2,961)	(15.2%)
OP margin	10.4%	12.2%	8.7%	(3.5 pts)		10.0%	12.1%	9.7%	(2.4 pts)	
Profit before income taxes	8,191	9,645	7,250	(2,395)	(24.8%)	15,843	19,472	16,400	(3,072)	(15.8%)
Net profit	5,654	6,623	5,000	(1,623)	(24.5%)	10,825	13,245	11,300	(1,945)	(14.7%)
Net profit margin	7.2%	8.3%	6.0%	(2.4 pts)		6.8%	8.2%	6.6%	(1.6 pts)	
Earnings per share (yen)*	52.12	61.48	46.41	(15.07)	(24.5%)	99.99	122.96	104.89	(18.07)	(14.7%)
Dividend per share (yen)*	16.67	16.67	20.00	+3.33	+20.0%	50.00	61.67	53.00	(8.67)	(14.1%)

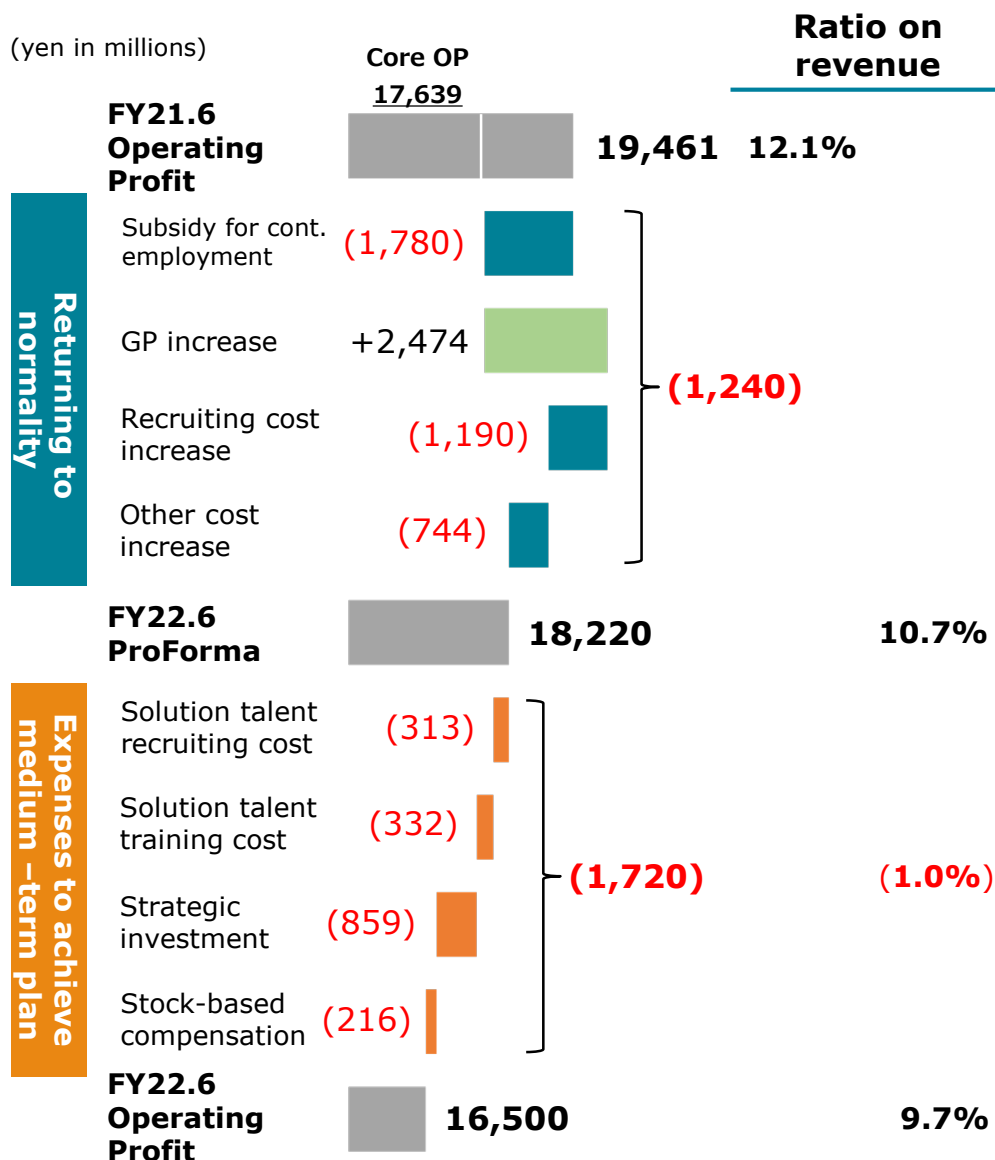
Key KPIs	First-Half					Full-Year				
	FY20.6	FY21.6	FY22.6	YOY		FY20.6	FY21.6	FY22.6	YOY	
	(Results)	(Results)	(Guidance)			(Results)	(Results)	(Guidance)		
No. of engineers (period-end)	20,012	20,189	20,600	+411	+2.0%	21,264	20,330	21,600	+1,270	+6.2%
Engineer hiring	1,825	176	1,300	+1,124	+638.6%	4,398	1,405	3,400	+1,995	+142.0%
Ave. utilization ratio	95.7%	93.7%	95.3%	+1.6 pts	—	94.0%	94.6%	95.0%	+0.4 pts	—
Ave. monthly unit sales price (yen in thousands)**	631	628	643	+15	+2.4%	630	634	645	+11	+1.7%

* Per share amounts were calculated by using number of shares **after the three-for-one stock split** which was in effect on July 1, 2021

** Figures of two major subsidiaries in Japan (TechnoPro, Inc. & TechnoPro Construction, Inc.)

Reference: Operating Profit Bridge

(yen in millions)



Returning to normality

Expenses to achieve medium-term plan

Effects expected during medium-term plan period

Solution talent recruiting cost

- Recruiting talents with skills of consulting or project management, and professionals who have expertise in cutting-edge digital technologies
- Plans to invest **0.2-0.3%** of revenue every year
- Expects higher unit sales price and profitability of solution business to expand GP amount and margin

Solution talent training cost

- Nurture professionals capable of introducing cutting-edge digital technologies and promoting solution services
- Plans to invest **0.2-0.3%** of revenue every year
- Expects to have positive effect on recruitment and retention of talented engineers as well as expansion of GP amount and margin

Strategic investment

- New organization for DX promotion or COI (Center of Intelligence), branding and marketing, M&A related fees
- Plans to invest **0.5%** of revenue in the first year, then decrease
- Aims to raise probability of achieving strategies stated in medium-term plan through evolving the capability and transforming the business model

Stock-based compensation

- Expenses prorated over the medium-term plan period for post-vesting share-based compensation linked to the earnings performance* in the final year of the plan (FY26.6)
- Records the same expenses annually as far as the expected amount of compensation remains unchanged
- Aims to incentivize, in addition to the management, employees who play leading role to achieve earnings target of the plan

Reference: FY2022 Segment Guidance (Full-Year)

- *R&D Outsourcing*: Estimates profits to decrease considerably mainly due to increased recruitment cost, upfront investment and dissipation of income from subsidy for continuous employment, while the revenue will grow driven by increase of engineers on assignment through resumed active hiring
- *Construction Management Outsourcing*: Seeks to achieve profit growth at least by controlling the increase of SG&A expenses including recruitment cost within the improvement in gross profit
- *Other Business in Japan*: Expects both revenue and profit to reach the results of previous year, although there is still uncertainty in permanent placement business
- *Overseas*: Predicts relatively small profit increase as the profit margin will be pressured due to normalized SG&A spending, despite expecting significant revenue increase along with the recovery from COVID-19 pandemic

(yen in millions, except engineer headcounts)

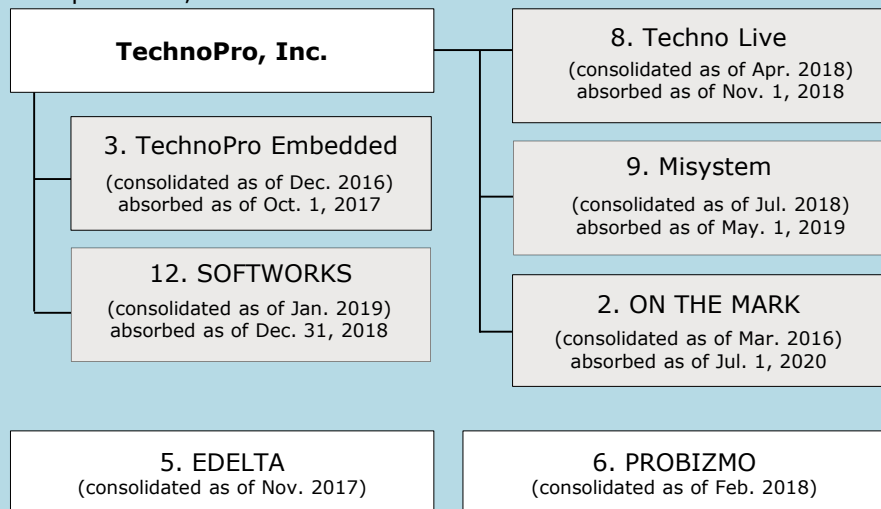
	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY20.6	FY21.6	FY22.6	YOY	FY20.6	FY21.6	FY22.6	YOY	FY20.6	FY21.6	FY22.6	YOY	FY20.6	FY21.6	FY22.6	YOY
Revenue	126,179	127,870	134,200	+4.9%	19,787	19,670	20,500	+4.2%	4,103	3,800	3,800	(0.0%)	150,071	151,341	158,500	+4.7%
<i>Ratio to consolidated revenue</i>	79.7%	79.3%	78.9%		12.5%	12.2%	12.1%		2.6%	2.4%	2.2%		94.7%	93.8%	93.2%	
Operating profit	12,880	15,815	12,600	(20.3%)	2,109	2,791	2,800	+0.3%	(139)	315	300	(5.0%)	14,850	18,922	15,700	(17.0%)
<i>OP margin</i>	10.2%	12.4%	9.4%		10.7%	14.2%	13.7%		(3.4%)	8.3%	7.9%		9.9%	12.5%	9.9%	
OP before PPA asset amortization	12,960	15,895	12,710	(20.0%)	2,517	2,791	2,800	+0.3%	367	315	300	(5.0%)	15,845	19,002	15,810	(16.8%)
<i>OP margin before PPA asset amortization</i>	10.3%	12.4%	9.5%		12.7%	14.2%	13.7%		9.0%	8.3%	7.9%		10.6%	12.6%	10.0%	
No. of engineers (year-end)	18,471	17,692	18,840	+6.5%	2,793	2,638	2,760	+4.6%	—	—	—	—	21,264	20,330	21,600	+6.2%
o/w non-Japanese in Japan	1,082	817	—	—	96	104	—	—	—	—	—	—	1,178	921	—	—

	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY20.6	FY21.6	FY22.6	YOY	FY20.6	FY21.6	FY22.6	YOY	FY20.6	FY21.6	FY22.6	YOY	FY20.6	FY21.6	FY22.6	YOY
Revenue	9,941	11,432	13,000	+13.7%	160,012	162,773	171,500	+5.4%	(1,605)	(1,456)	(1,500)	—	158,407	161,316	170,000	+5.4%
<i>Ratio to consolidated revenue</i>	6.3%	7.1%	7.6%		101.0%	100.9%	100.9%		(1.0%)	(0.9%)	(0.9%)		100.0%	100.0%	100.0%	
Operating profit	655	764	800	+4.6%	15,506	19,687	16,500	(16.2%)	266	(226)	0	—	15,772	19,461	16,500	(15.2%)
<i>OP margin</i>	6.6%	6.7%	6.2%		9.7%	12.1%	9.6%		—	—	—		10.0%	12.1%	9.7%	
OP before PPA asset amortization	858	974	1,000	+2.6%	16,704	19,977	16,810	(15.9%)	119	(267)	0	—	16,824	19,709	16,810	(14.7%)
<i>OP margin before PPA asset amortization</i>	8.6%	8.5%	7.7%		10.4%	12.3%	9.8%		—	—	—		10.6%	12.2%	9.9%	
No. of engineers (year-end)	1,331	1,970	—	—	22,595	22,300	—	—	—	—	—	—	22,595	22,300	—	—

Appendix: Reportable Segments (as of FY21.6 End)

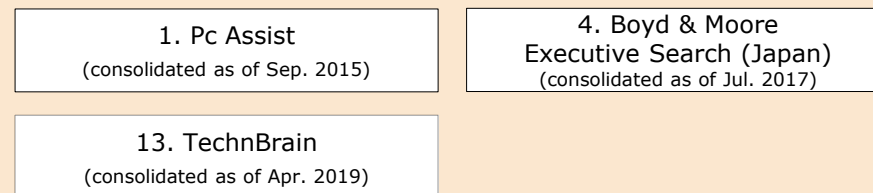
R&D Outsourcing

Provides engineer staffing and contract services related to Mechanical design, electrical/electronic design, embedded software development, IT network construction, business application development, IT maintenance and operations, bio research



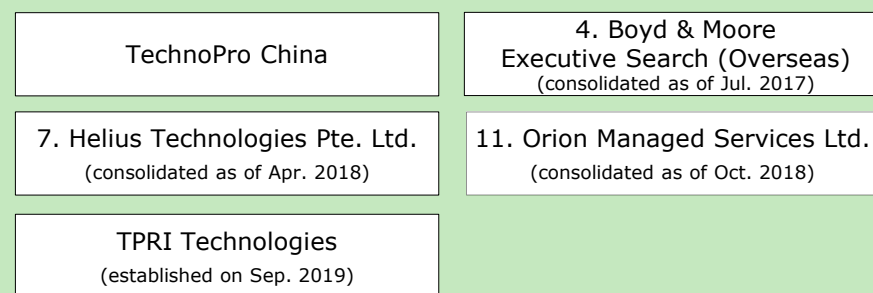
Other Businesses in Japan

Provides professional recruitment, technical education and training services



Overseas

Technological outsourcing and professional recruitment services in China; IT engineer staffing service and contract services in Southeast Asia and India; engineer staffing and professional recruitment services in the UK



Construction Management Outsourcing

Provides engineer staffing and contract drafting of working drawings related to construction management (safety/quality/process/cost management) for construction, civil engineering, electrical equipment, plant engineering



Headquarters

Provides shared services to group companies, hires and supports disabled people



Appendix: Risk Assets as of FY21.6 End

- Major component of goodwill (**29.2 billion yen**) in R&D/Construction Management Outsourcing were derived from MBO transaction carried out by management and private equity fund; its fair market value, newly calculated with COVID-19 impact taken into account, well exceeds carrying amount of goodwill and consequently **impairment risks are very low**
- Proactively recorded impairment loss for goodwill of TOQO and TechnoBrain, which engage in one time fee businesses, in FY20.6; **risks of recording additional impairment are limited** even if COVID-19 crisis continues for the coming periods
- Boyd & Moore Executive Search engages in permanent placement business and therefore its earnings might be affected by economic fluctuation, but many customers in IT sector are currently showing strong performance despite COVID-19 pandemic; the estimated loss amount that may arise from impairment will not exceed **1.1 billion yen**
- Although two overseas subsidiaries still have impairment risks, slowdown in their earnings performance will reduce fair value of put option liabilities, accordingly such losses can be partially offset by profit from changes in fair value of these liabilities

(yen in millions)

Cash Generating Unit (CGU)	Shareholding	Goodwill				PPA Assets		PO Liabilities	
		MBO	M&A*	Total	Ratio	M&A*	Amortization period (months)	M&A	Value calc. period (months)
R&D Outsourcing									
Machinery, Electric/Electronic	100.0%	13,674	977	14,651	40.4%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	21.9%				
Software dev./maintenance	100.0%	2,912	2,768	5,681	15.6%	634	up to 30.3		
Chemical, Biochemical	100.0%	1,262		1,262	3.5%				
Construction Mgmt. Outsourcing									
Construction management	100.0%	3,383		3,383	9.3%				
TOQO	100.0%		190	190	0.5%				
Other Businesses in Japan									
Pc Assist	100.0%		96	96	0.3%				
Boyd & Moore Executive Search	100.0%		1,104	1,104	3.0%				
TechnoBrain	100.0%		151	151	0.4%				
Overseas									
Helius	51.0%		703	703	1.9%	584	up to 26.3	1,792	17.4-22.6
Orion	63.2%		1,112	1,112	3.1%	440	up to 26.9	1,362	18.4-23.6
Total		29,202	7,105	36,307	100.0%	1,659		3,155	

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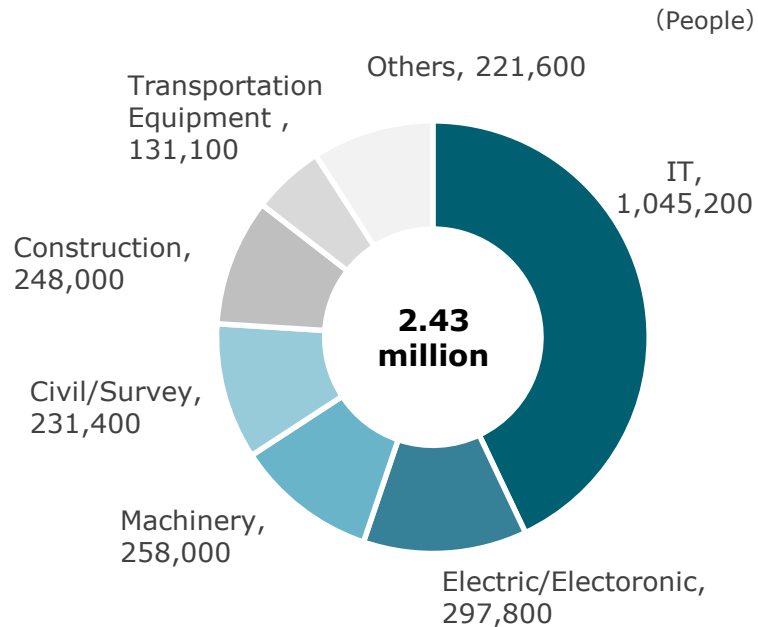
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Distribution of Engineers in Japan

- 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 IT engineers, the outsourcing ratio is relatively high in Japan

1. Number of Engineers in Japan (2015)

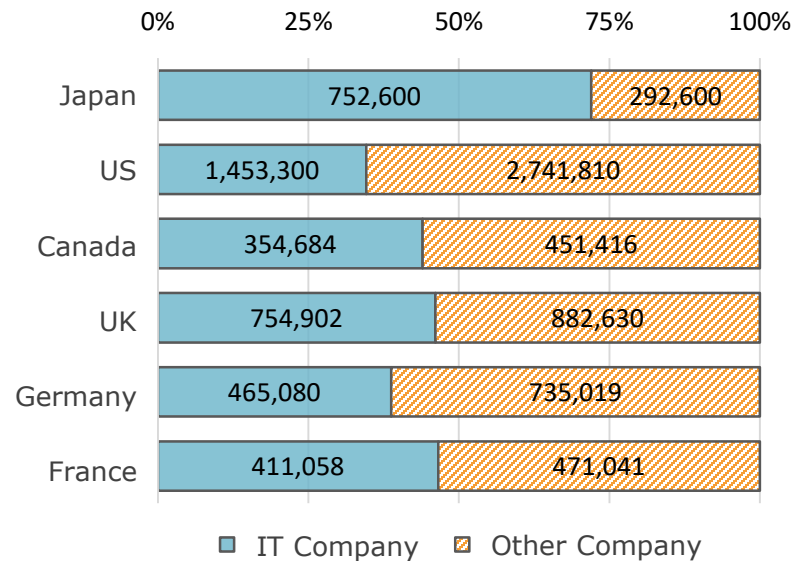
Source: Census 2015



2. Ratio of IT Talents at IT and Other Companies

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

Japan, US, UK, Germany, France: 2015 Canada: 2014 (People)



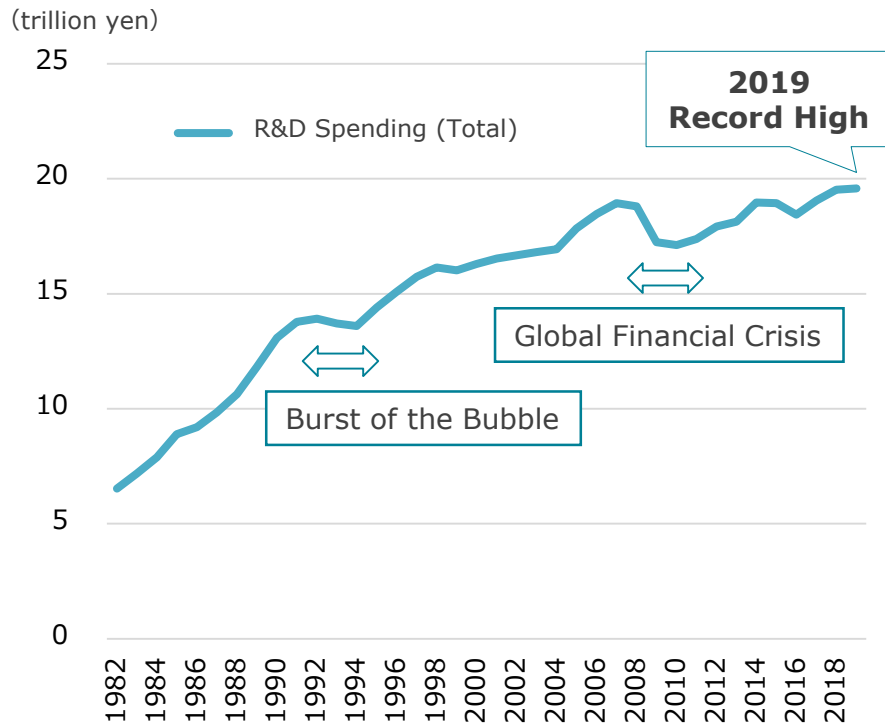
* "IT Company" means IT vendors and "Other Company" means IT user companies

Trend of R&D Spending and ICT Investment

- R&D is a field less susceptible to impact of the economy; as a nation, Japan reported a record-high for R&D spending in 2019 and its growth is expected to continue in the future
- Japan's ICT investment is gradually shifting from "hardware" to "software"

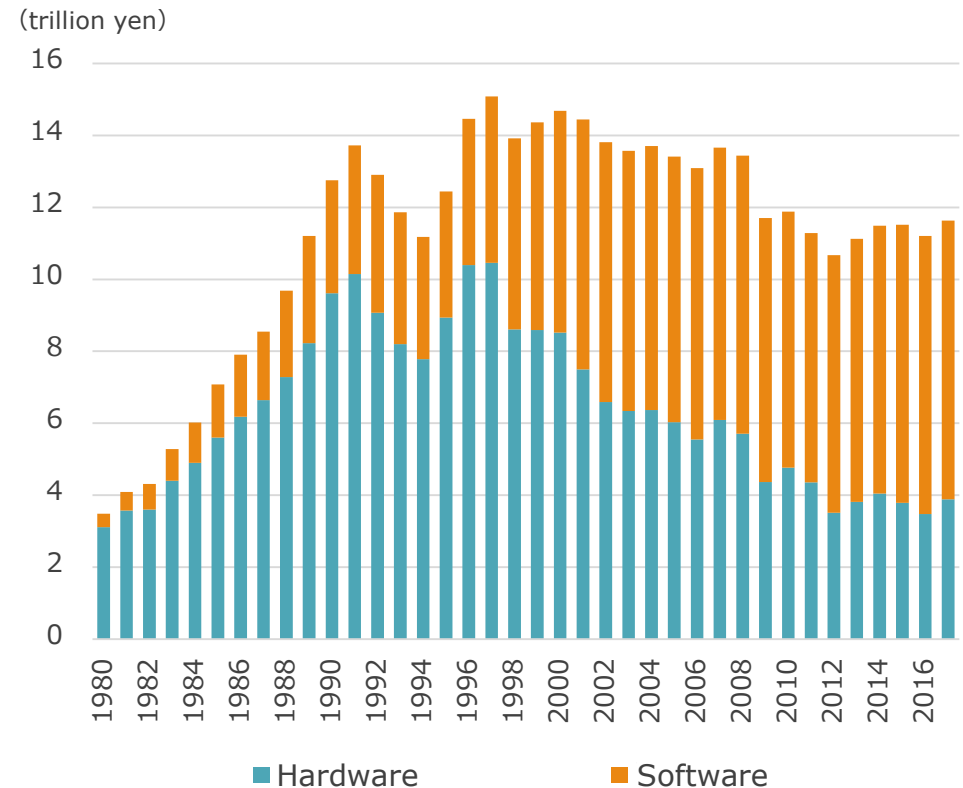
3. Trend of R&D Spending in Japan

Source: Ministry of Internal Affairs and Communications Statistics Bureau, "Survey of Research and Development"



4. The Breakdown of ICT Investment in Japan

Source: Ministry of Internal Affairs and Communications, "2019 White Paper on Information and Communication"

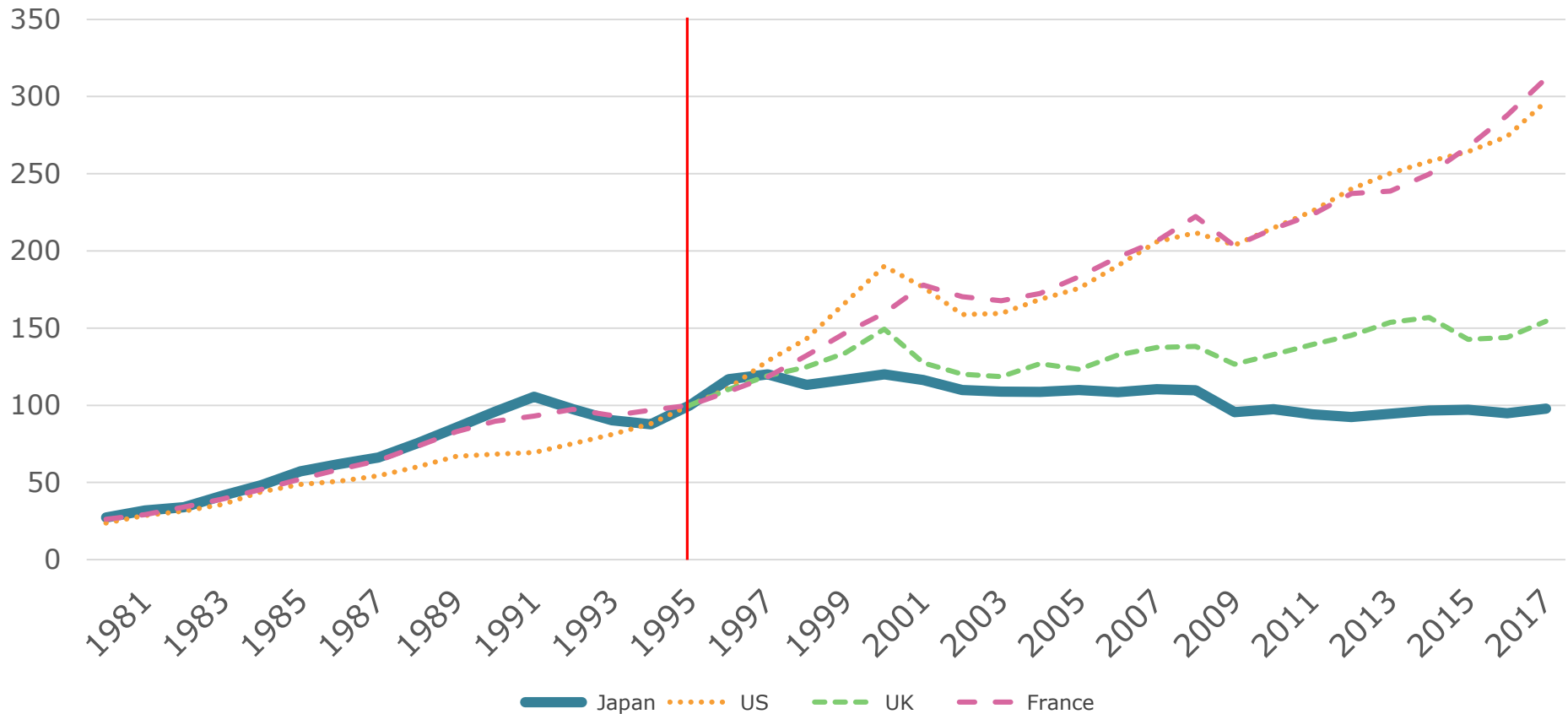


Sluggish Digitalization in Japan

- Japan's ICT investment growth from 1995 remains significantly low compared to the US, UK and France
- COVID-19 has revealed Japan's lag in digitalization once again and will lead to increased ICT investment in Japan

5. Comparison of ICT Investment in Each Country (Nominal, Indexed Figures in 1995 as 100)

Source: Ministry of Internal Affairs and Communications, "2019 White Paper on Information and Communication"

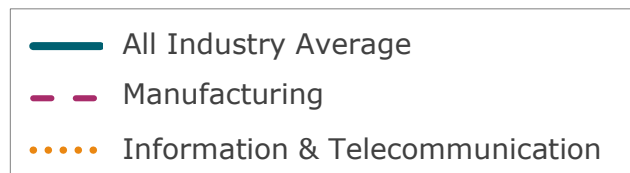
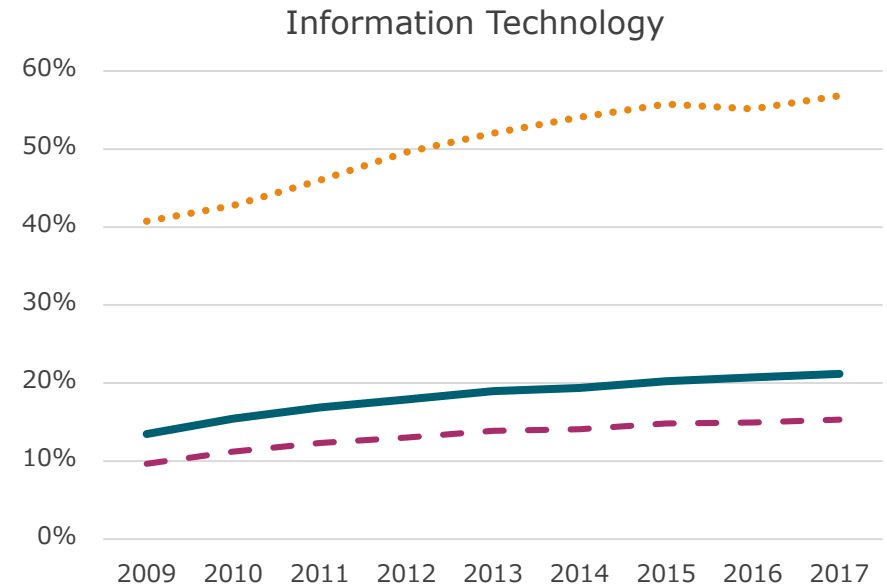
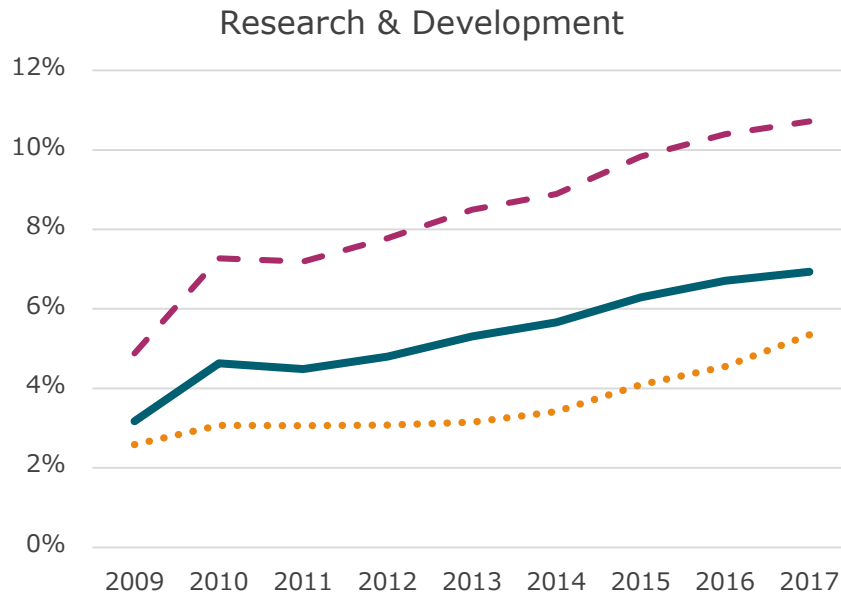


Outsourcing Usage Ratio of R&D and IT Activity

- Outsourcing usage ratio of R&D and IT activity is gradually increasing overall
- Even Information & Telecommunication companies are using more outside resources in their own IT activity

6. Outsourcing Usage Ratio by Industry

Source: Ministry of Economy, Trade and Industry, "Basic Business Activity Survey",
aggregation by Doshisha University Research Institute for STEM Human Resources, commissioned by TechnoPro in 2020

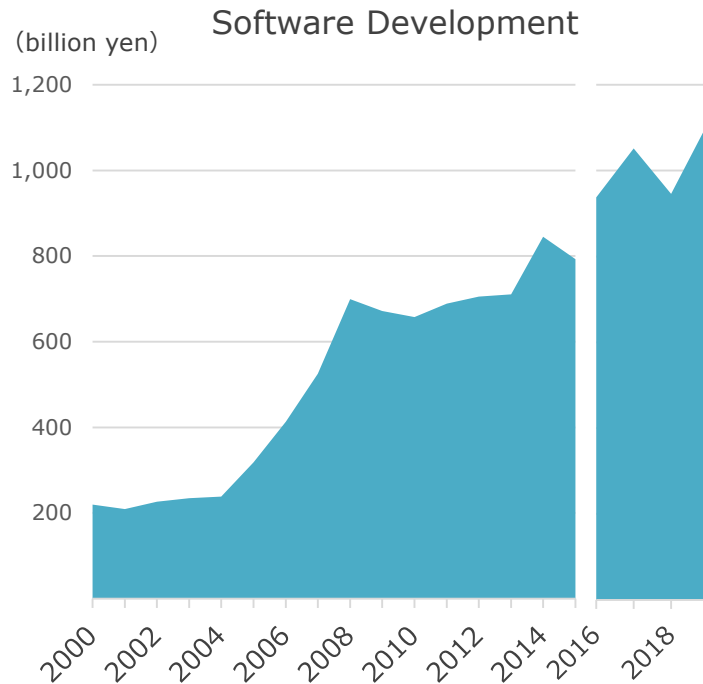


Engineer Staffing Market Overview

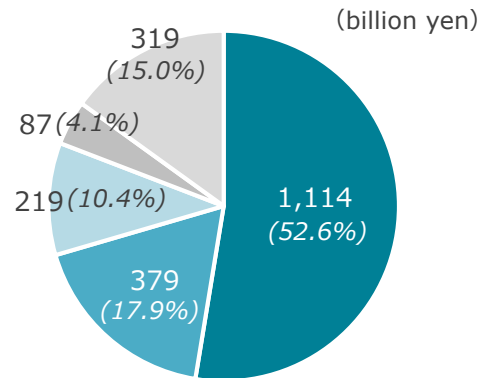
- Estimated the whole staffing market size in Japan is about 7.8 trillion yen (2019); of which, engineer staffing market size is about 2.1 trillion yen, about 280,000 engineers
- Yano Research Institute forecasts that the engineer staffing market in Japan is expected to grow at a CAGR of 6.2%

7. Engineer Staffing Market Size

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



Market Size
2.1 trillion yen (2019)
Breakdown

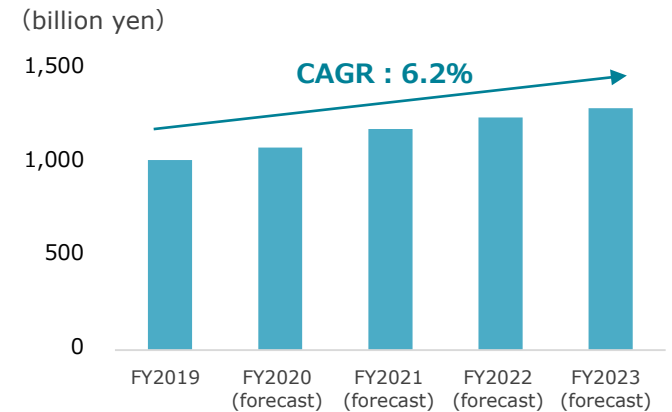


- 10 Software development
- 0708 Manufacturing
- 09 Construction
- 05 Researcher
- 11 Others

* The aggregate standard has been changed as of 2015 due to revision of the classification of occupation on September 30, 2015

8. Forecast of Engineer Staffing Market Size

Source: Yano Research Institute Ltd., "Human Resources Business 2020, PART 2: Services by Industry/Occupation"



* The market size is based on the sales of businesses; FY2020 onward is forecast (as of October 2020)

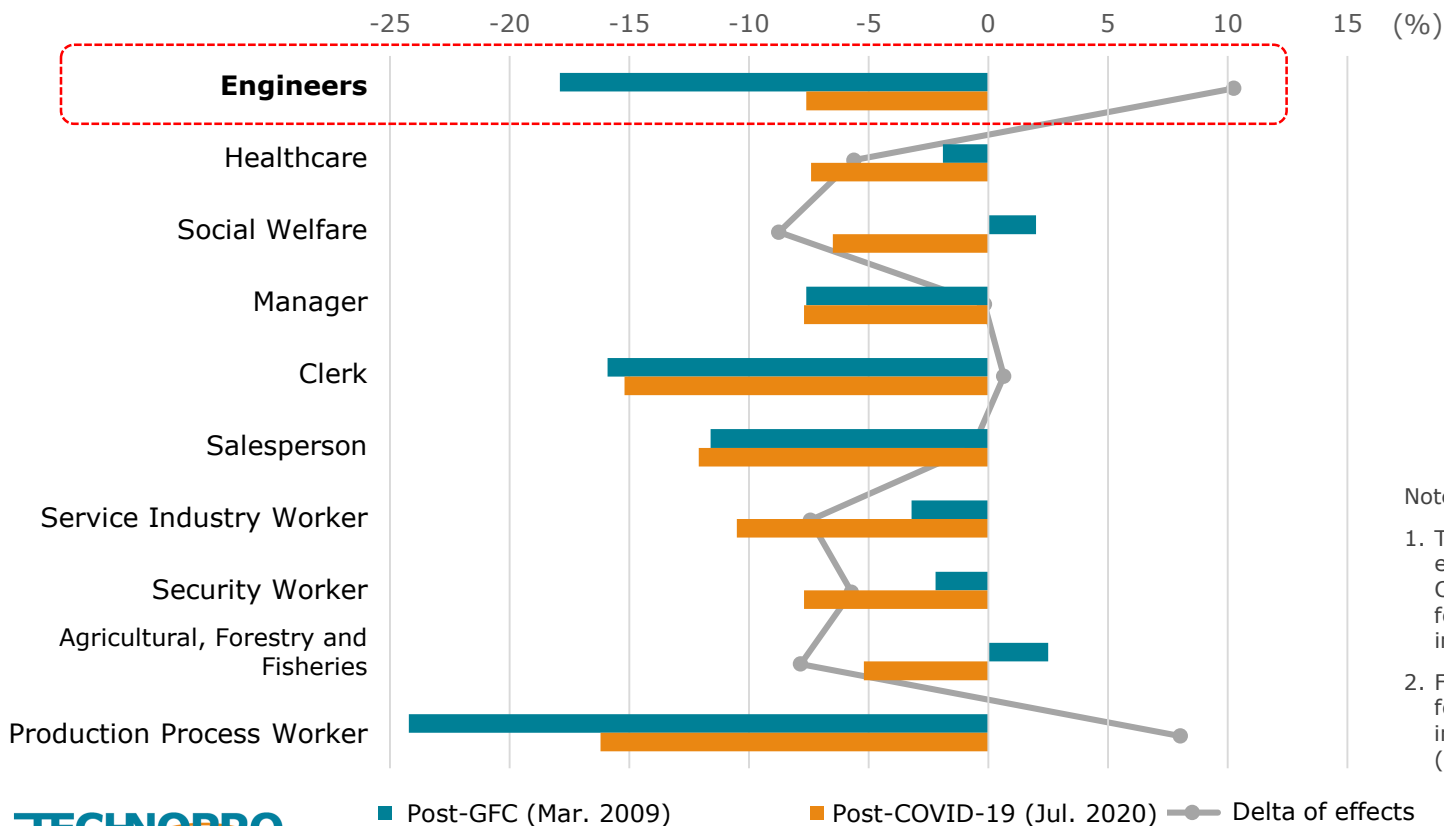
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole

Engineering Professional Services' Resilience to External Shocks

- First wave of COVID-19 spread impacted a lot less on new job offers for engineers compared to the Global Financial Crisis
- The fact above indicates the possibility that the importance of talents with technological expertise or the priority of R&D and IT system development to maintain competitiveness has been increased in the past 10 years, corroborating the robustness of our business

9. Ratio of Increase/Decrease and Delta of New Job Offers after 6 Months from External Shocks

Source: Ministry of Health, Labor and Welfare, Labor "EMPLOYMENT REFERRALS FOR GENERAL WORKERS," the Doshisha University Research Institute for STEM Human Resources, Commissioned by TechnoPro in 2020



Note:

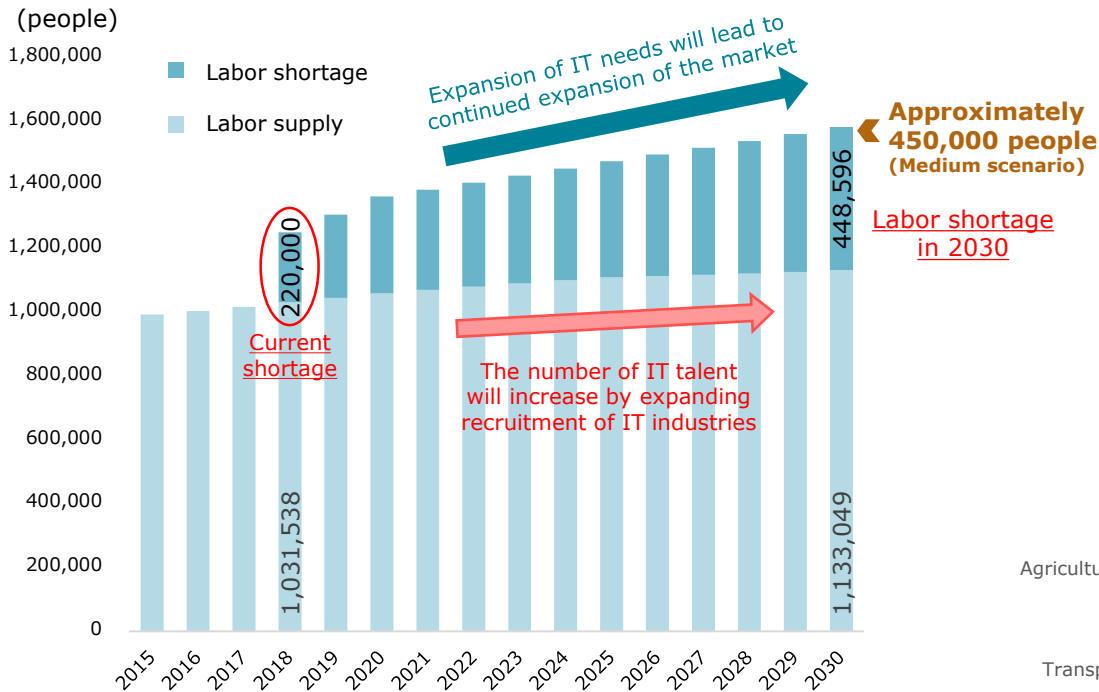
1. The figure left shows the comparison of the effect from the Global Financial Crisis (GFC) and COVID-19 on the index data of new job offers for each job category after 6 months from the initial outbreak of the crisis
2. Figures in September 2008 was indexed as 100 for the GFC, figures in January 2020 was indexed as 100 for the COVID-19 pandemic (seasonally adjusted)

Background of Engineer Staffing Market Growth and Our Strengths – 1. Growing Demand

- IT-focused professional service provider is highly competitive because of a huge demand-supply gap in the IT sector
- Weakening demand for engineers due to the spread of AI will be more than offset by the new demand for engineers

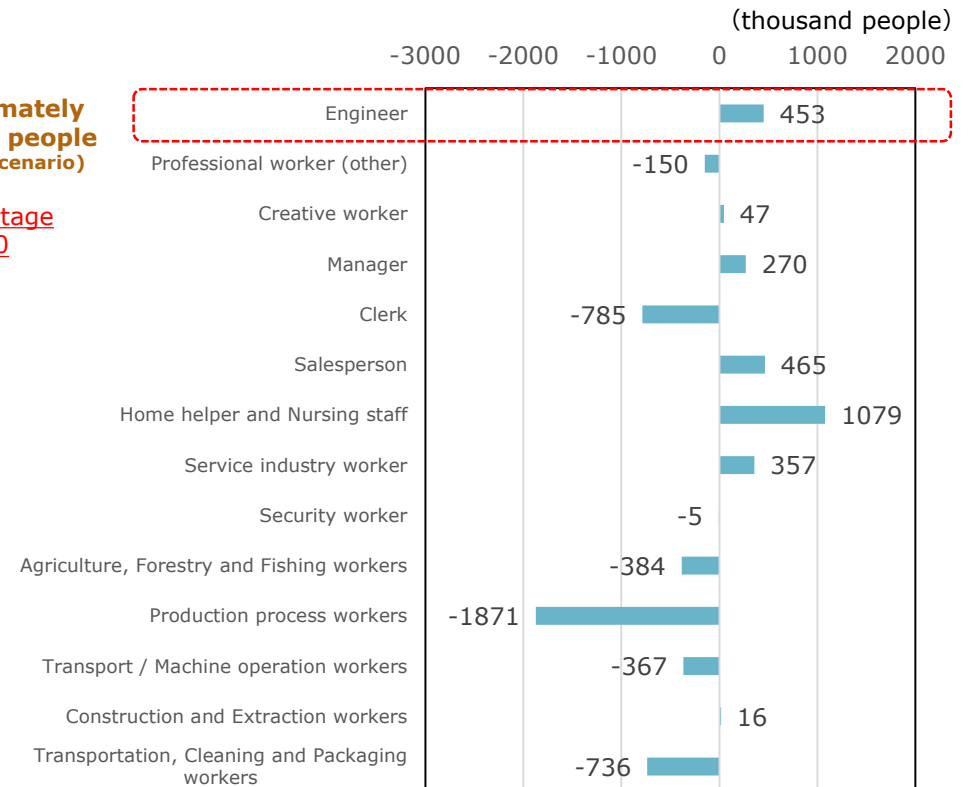
10. IT Talent Shortage Projections

Source: Ministry of Economy, Trade and Industry, "Survey report about supply and demand of IT talent"



11. Shift in Workforce due to Progression of AI

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



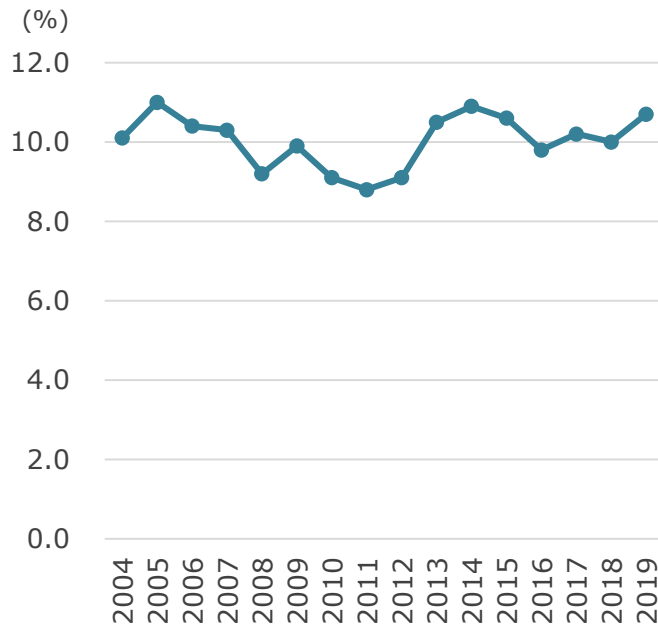
Note: Estimated numbers comparing 2015 and 2030

Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market

- The turnover ratio in Japan remains around 10% which shows career-change market has a certain scale; more than 200,000 engineers per year
- Turnover ratio of IT engineers tends to be relatively higher than other type of engineers

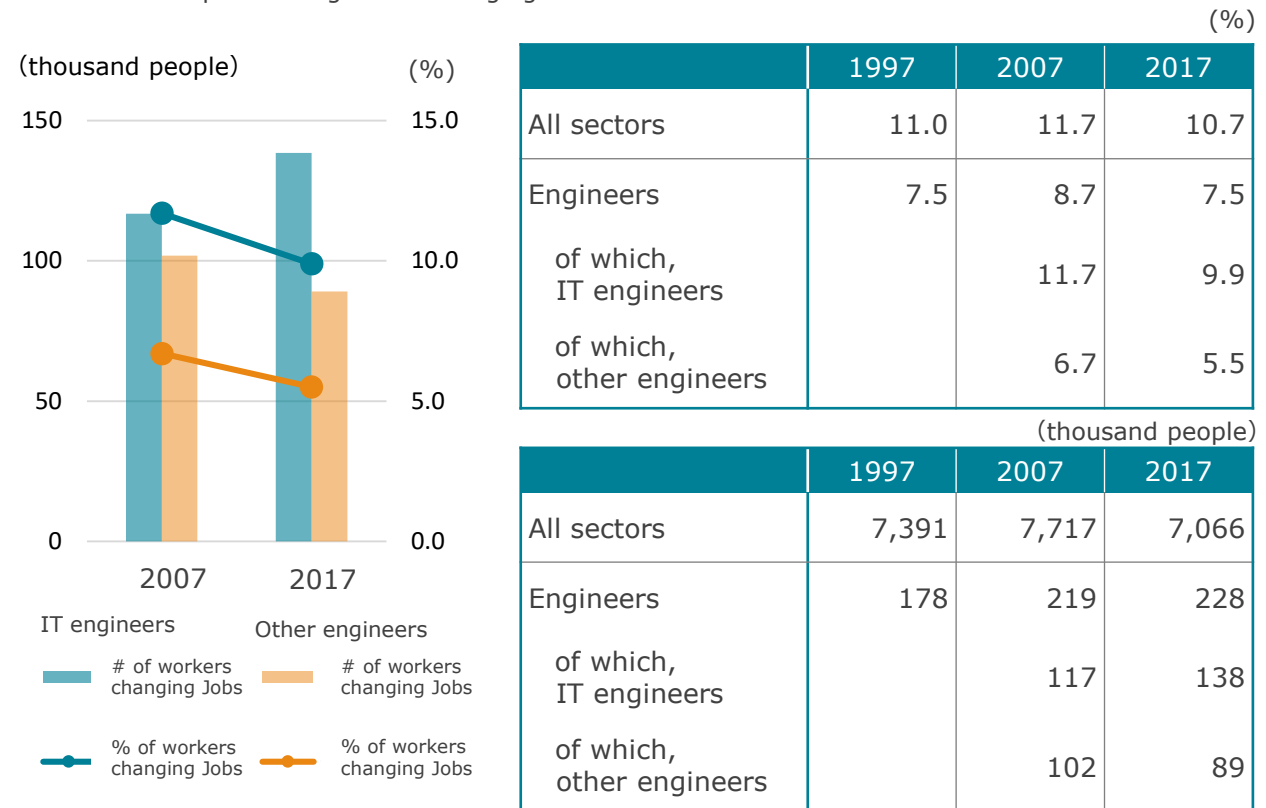
12. Turnover Ratio in Japan

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



13. Turnover of Engineers

Source: Doshisha University Research Institute for STEM Human Resources, commissioned by TechnoPro in 2019, "Survey Report on Recent Characteristics in the Percentage of Japanese Engineers Changing Jobs"

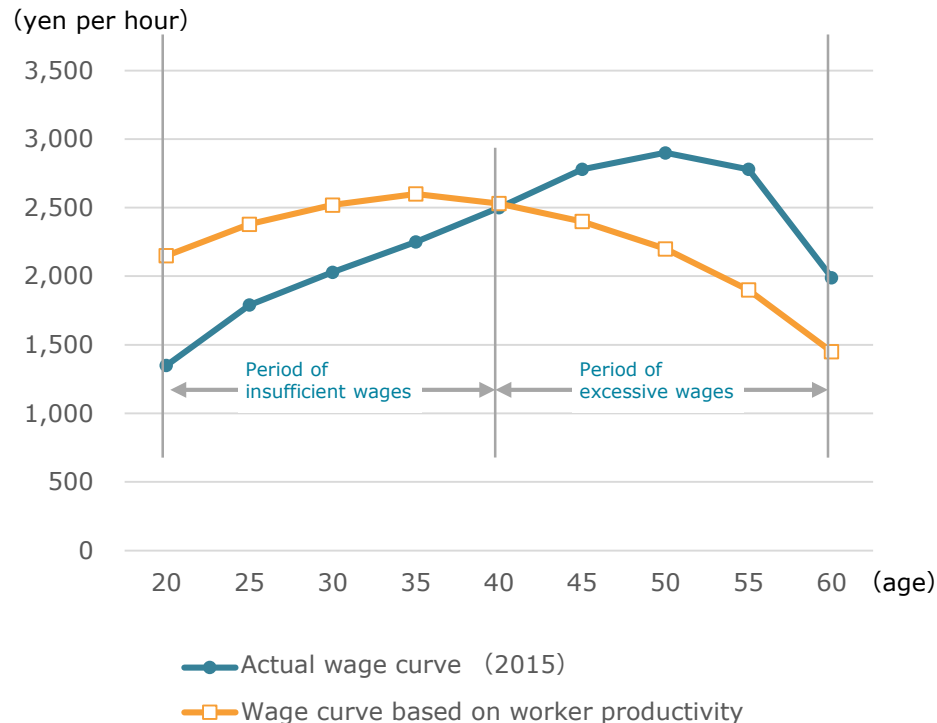


Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market (Cont.)

- The lifetime employment and seniority-based wage system have firmly remained in Japan
- The number of mid-career recruitment by blue-chip companies is limited due to the gap between productivity and salary

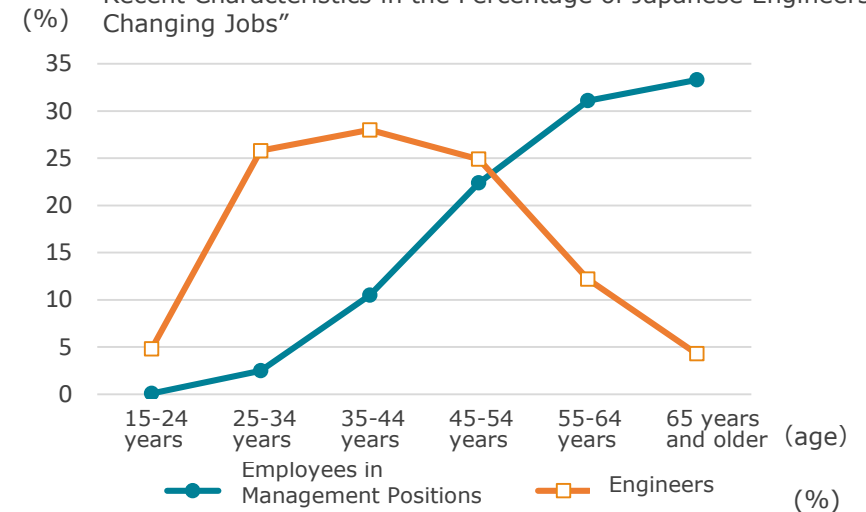
14. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

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



15. Age Composition: Management and Technical Position (2017, Japan)

Source: Doshisha University Research Institute for STEM Human Survey Resources, commissioned by TechnoPro in 2019, "Report on Recent Characteristics in the Percentage of Japanese Engineers Changing Jobs"



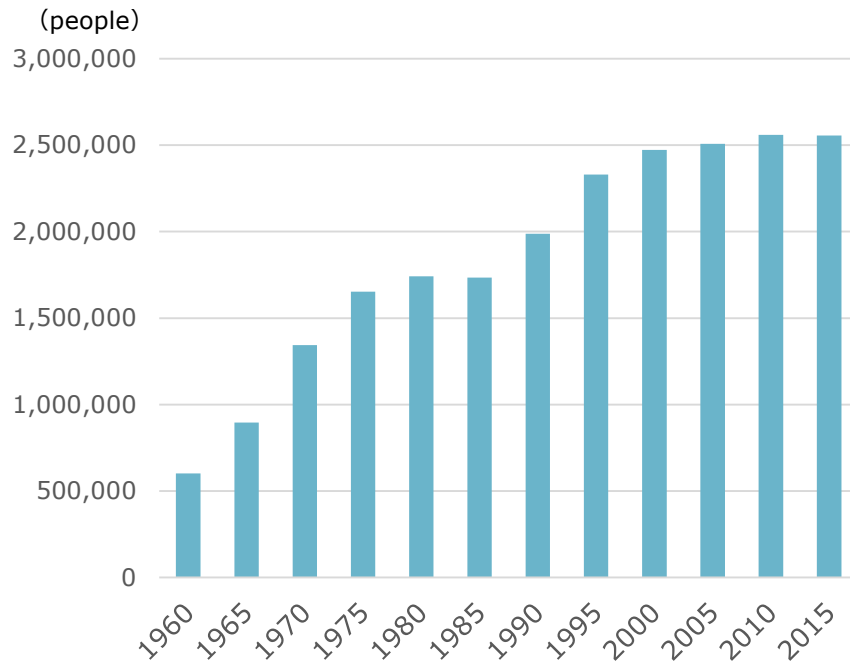
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

Background of Engineer Staffing Market Growth and Our Strengths – 3. New Grads Market

- While the young population is shrinking in Japan, the number of university graduate students is slightly increasing because of higher university entrance rate
- New grads tend to prefer blue-chip companies while such companies have limited number of job openings for them

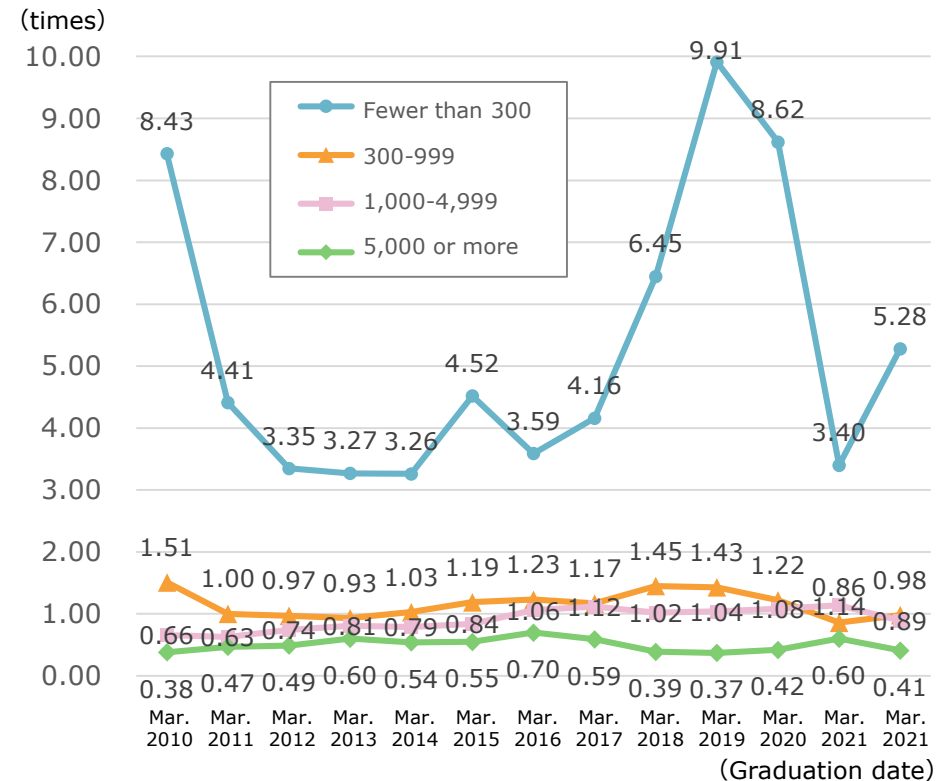
16. No. of University Students

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



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

Source: Recruit Works Institute, "38th College Graduates Job Opening Survey"



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