

# TechnoPro Group Financial Results for the 1st Quarter of FYE June 2022

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

October 29, 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 (PPA) at M&A transactions, 2) impairment loss, 3) changes in fair value amount and early exercise of Put Option (PO) liabilities, and 4) changes in fair value amount of Earn-Out (EO) liabilities

# FY2022 Q1 Financial Overview

- Q1 FY22.6 revenue was **41.6 billion yen**, up 6.2% year-on-year; gross profit was **9.87 billion yen**, up 11.0% year-on-year; core operating profit was **3.76 billion yen**, down 2.2% year-on-year; operating profit was **3.94 billion yen**, down 9.5% year-on-year; net profit was **2.70 billion yen**, down 8.9% year-on-year
- Q1 FY22.6 gross profit **increased 11.0%** year-on-year, mainly due to the mix of increased allocation and decreased standby of engineers (up 5.4%) as well as expansion of project-type services (up 4.3%), whereas negatively impacted by decrease in working days (down 1.7%) including increase in paid leave for vaccination and its side effect
- Increased SG&A expenses, including costs for resumed recruitment, were mostly offset by an improvement in gross profit, holding down the decline of core operating profit to **83 million yen** year-on-year

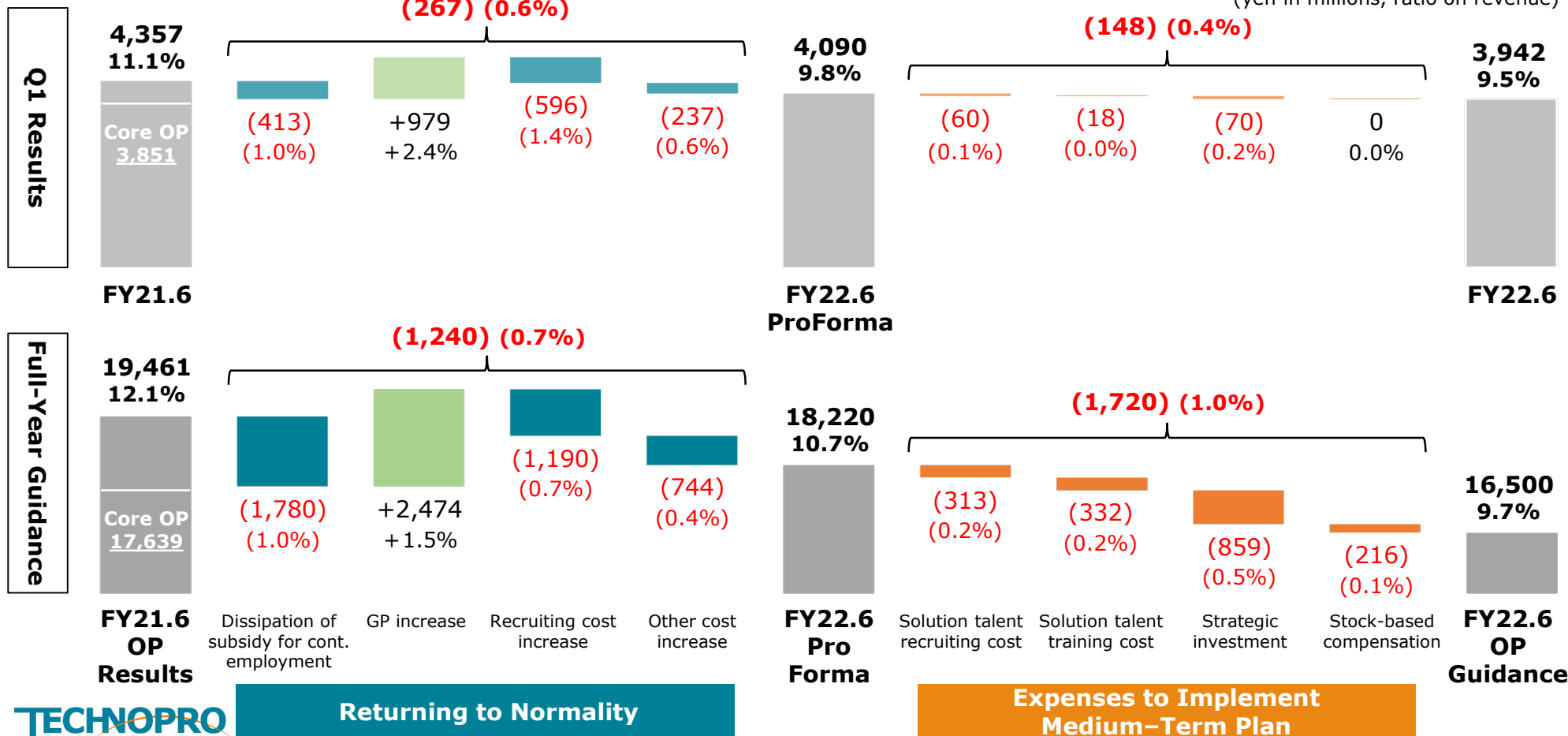
(yen in millions, except per share amounts)

	Q1				First-Half				Full-Year			
	FY21.6 (Results)	FY22.6 (Results)	YOY		FY21.6 (Results)	FY22.6 (Guidance)	YOY		FY21.6 (Results)	FY22.6 (Guidance)	YOY	
Revenue	39,195	41,634	+2,439	+6.2%	79,451	84,000	+4,548	+5.7%	161,316	170,000	+8,683	+5.4%
Gross profit (GP)	8,892	9,871	+979	+11.0%	18,523	—	—	—	39,727	—	—	—
<i>GP margin</i>	22.7%	23.7%	+1.0 pts		23.3%				24.6%			
SG&A expenses	5,040	6,102	+1,062	+21.1%	10,231	—	—	—	22,087	—	—	—
<i>Ratio on revenue</i>	12.9%	14.7%	+1.8 pts		12.9%				13.7%			
Core operating profit	3,851	3,768	(83)	(2.2%)	8,291	7,300	(991)	(12.0%)	17,639	16,500	(1,139)	(6.5%)
<i>Core operating profit margin</i>	9.8%	9.1%	(0.8 pts)		10.4%	8.7%	(1.7 pts)		10.9%	9.7%	(1.2 pts)	
Other income	579	183	(396)	—	1,515	—	—	—	2,162	—	—	—
Other expenses	74	9	(65)	—	126	—	—	—	340	—	—	—
Operating profit (OP)	4,357	3,942	(414)	(9.5%)	9,680	7,300	(2,380)	(24.6%)	19,461	16,500	(2,961)	(15.2%)
<i>OP margin</i>	11.1%	9.5%	(1.6 pts)		12.2%	8.7%	(3.5 pts)		12.1%	9.7%	(2.4 pts)	
Profit before income taxes	4,311	3,970	(340)	(7.9%)	9,645	7,250	(2,395)	(24.8%)	19,472	16,400	(3,072)	(15.8%)
Net profit	2,971	2,707	(264)	(8.9%)	6,623	5,000	(1,623)	(24.5%)	13,245	11,300	(1,945)	(14.7%)
<i>Net profit margin</i>	7.6%	6.5%	(1.1 pts)		8.3%	6.0%	(2.4 pts)		8.2%	6.6%	(1.6 pts)	
Earnings per share*	27.58	25.13	(2.45)	(8.9%)	61.48	46.41	(15.07)	(24.5%)	122.96	104.89	(18.07)	(14.7%)
Dividend per share*	—	—	—	—	16.67	20.00	+3.33	+20.0%	61.67	53.00	(8.67)	(14.1%)

# Operating Profit Bridge

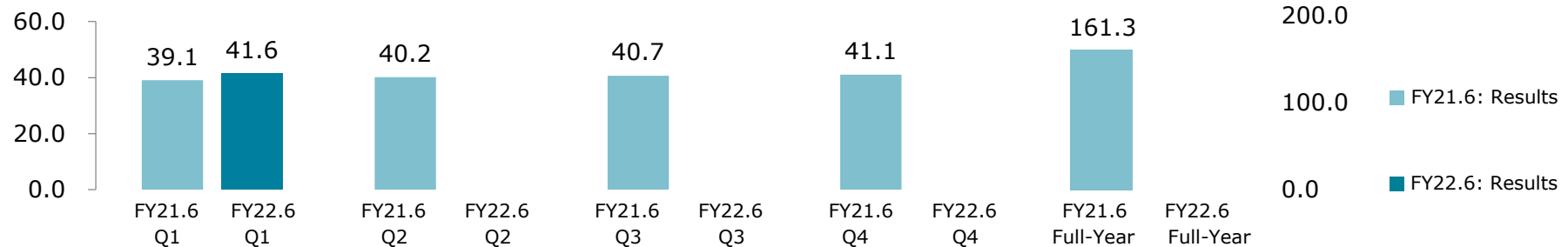
- Although the increase in expenses for normalizing recruiting and other operations was mostly offset by improvement of gross profit driven by recovering number of engineers on assignment and unit sales price, the decrease in government subsidy for continuous employment was not fully made up, and this trend will continue for Q2
- Costs for implementing medium-term plan recognized in Q1 period totaled only 148 million yen (progress on full-year guidance: 8.6%), whereas the investment is expected to accelerate for Q2 onward

(yen in millions, ratio on revenue)



# Reference: Quarterly Performance

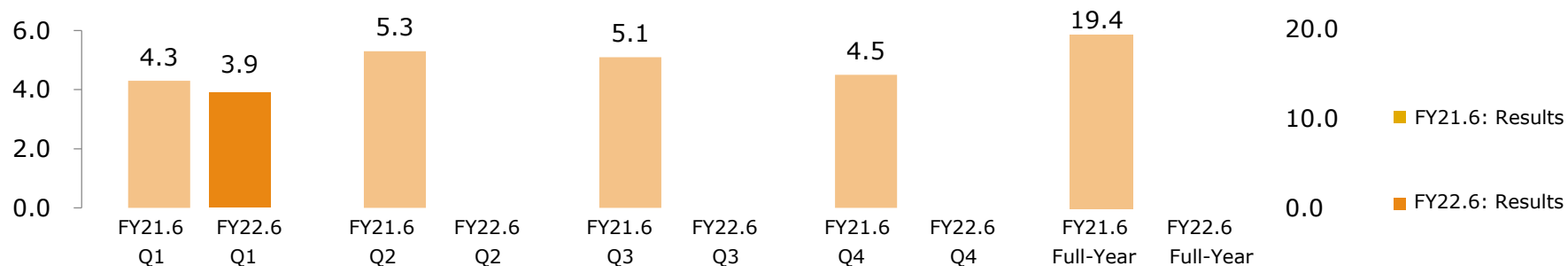
## Revenue



YOY	+6.2%		-		-		-		-	
Progress on full-year %	24.3%	-	25.0%	-	25.2%	-	25.5%	-	100.0%	-
Ave. no. of engineers	20,795	20,439	20,287	[20,630]	19,986	-	20,229	-	20,324	-
Ave. utilization ratio	92.7%	95.5%	94.8%	[95.5%]	96.2%	-	94.7%	-	94.6%	-
Ave. monthly unit sales price (thousand yen)*	620	639	637	[655]	640	-	639	-	634	-
Working days*	56.2	55.7	58.6	[58.7]	56.5	[56.8]	57.7	[57.2]	229.0	[228.4]
Working hours per day*	8.44	8.49	8.47	[8.49]	8.51	-	8.47	-	8.47	-

† Figures in brackets indicate forecast at the time of publication

## Operating Profit

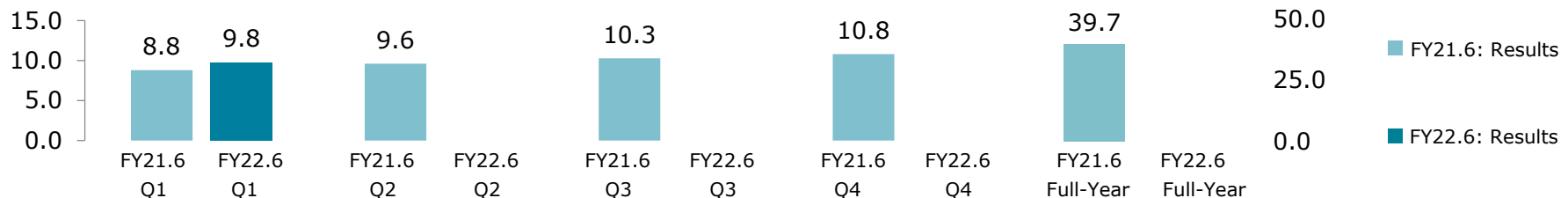


YOY	(9.5%)		-		-		-		-	
Progress on full-year %	22.4%	-	27.4%	-	26.7%	-	23.5%	-	100.0%	-
OP margin	11.1%	9.5%	13.2%	-	12.8%	-	11.1%	-	12.1%	-

\* Figures of two major subsidiaries in Japan (TechnoPro, Inc. & TechnoPro Construction, Inc.); Ave. monthly unit sales price includes all subsidiaries in Japan for FY22.6

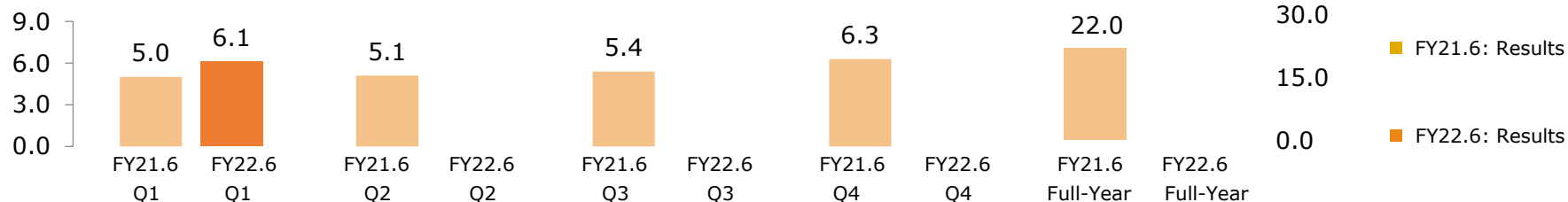
# Reference: Quarterly Performance (Cont.)

## Gross Profit



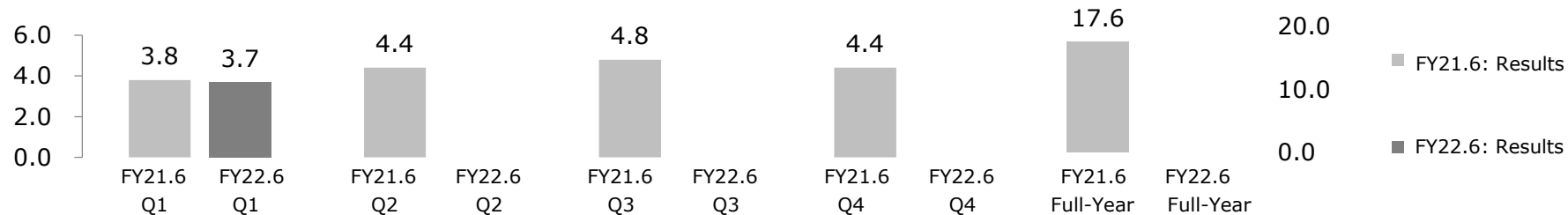
YOY	+11.0%		-		-		-		-	
GP margin	22.7%	23.7%	23.9%	-	25.4%	-	26.4%	-	24.6%	-

## SG&A



YOY	+21.1%		-		-		-		-	
Ratio on revenue	12.9%	14.7%	12.9%	-	13.4%	-	15.5%	-	13.7%	-

## Core Operating Profit



YOY	(2.2%)		-		-		-		-	
Core OP margin	9.8%	9.1%	11.0%	-	12.0%	-	10.8%	-	10.9%	-

# FY2022 Q1 Segment Results

- Companies included in each segment are described in *Appendix: Reportable Segments*

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY20.6 Q1	FY21.6 Q1	FY22.6 Q1	YOY	FY20.6 Q1	FY21.6 Q1	FY22.6 Q1	YOY	FY20.6 Q1	FY21.6 Q1	FY22.6 Q1	YOY	FY20.6 Q1	FY21.6 Q1	FY22.6 Q1	YOY
Revenue	30,819	31,256	32,585	+4.3%	4,824	4,975	4,916	(1.2%)	1,008	863	1,101	+27.6%	36,653	37,095	38,604	+4.1%
<i>Ratio to consolidated revenue</i>	79.2%	79.7%	78.3%		12.4%	12.7%	11.8%		2.6%	2.2%	2.6%		94.2%	94.6%	92.7%	
Operating profit	2,924	3,433	2,858	(16.7%)	549	785	554	(29.5%)	107	(12)	206	—	3,582	4,206	3,619	(14.0%)
<i>OP margin</i>	9.5%	11.0%	8.8%		11.4%	15.8%	11.3%		10.7%	(1.5%)	18.7%		9.8%	11.3%	9.4%	
OP before PPA asset amortization	2,944	3,453	2,885	(16.5%)	549	785	554	(29.5%)	107	(12)	206	—	3,602	4,226	3,645	(13.7%)
<i>OP margin before PPA asset amortization</i>	9.6%	11.0%	8.9%		11.4%	15.8%	11.3%		10.7%	(1.5%)	18.7%		9.8%	11.4%	9.4%	
PPA asset amortization	20	20	26	—	—	—	—	—	—	—	—	—	20	20	26	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	17,045	17,984	17,893	(0.5%)	2,605	2,647	2,634	(0.5%)	—	—	—	—	19,650	20,631	20,527	(0.5%)
o/w Non-Japanese in Japan	984	1,001	776	(22.5%)	64	89	103	+15.7%	—	—	—	—	1,048	1,090	879	(19.4%)

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY20.6 Q1	FY21.6 Q1	FY22.6 Q1	YOY	FY20.6 Q1	FY21.6 Q1	FY22.6 Q1	YOY	FY20.6 Q1	FY21.6 Q1	FY22.6 Q1	YOY	FY20.6 Q1	FY21.6 Q1	FY22.6 Q1	YOY
Revenue	2,586	2,414	3,469	+43.7%	39,239	39,510	42,073	+6.5%	(343)	(315)	(438)	—	38,896	39,195	41,634	+6.2%
<i>Ratio to consolidated revenue</i>	6.6%	6.2%	8.3%		100.9%	100.8%	101.1%		(0.9%)	(0.8%)	(1.1%)		100.0%	100.0%	100.0%	
Operating profit	184	162	245	+51.2%	3,766	4,368	3,865	(11.5%)	118	(11)	77	—	3,884	4,357	3,942	(9.5%)
<i>OP margin</i>	7.1%	6.7%	7.1%		9.6%	11.1%	9.2%		—	—	—		10.0%	11.1%	9.5%	
OP before PPA asset amortization	234	212	300	+40.9%	3,836	4,439	3,945	(11.1%)	53	(11)	77	—	3,889	4,427	4,023	(9.1%)
<i>OP margin before PPA asset amortization</i>	9.1%	8.8%	8.6%		9.8%	11.2%	9.4%		—	—	—		10.0%	11.3%	9.7%	
PPA asset amortization	50	50	54	—	70	70	80	—	—	—	—	—	70	70	80	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	65	—	—	—	65	—	—	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	1,566	1,482	2,869	+93.6%	21,216	22,113	23,396	+5.8%	—	—	—	—	21,216	22,113	23,396	+5.8%



\* Headquarter expenses attributable to the reportable segment (expenses incurred by the holding company, etc.) are allocated to each reportable segment

# FY2022 Q1 Balance Sheet & Cash Flows

- Of the **8.7 billion yen** in consideration for the first tranche of share acquisition of Robosoft (80% ownership), **6.5 billion yen** was funded through a commitment line for M&A use
- The bridge loans above were entirely refinanced with **10 billion yen** proceeds from straight bonds (5 billion yen of 3-year bonds and 5 billion yen of 5-year bonds, R&I credit rating: **A-**) newly issued on October 26, 2021, thereafter remaining amount will be used for the second tranche of share acquisition of Robosoft (20% ownership) scheduled in July 2022

## Q1 FY22.6 End B/S (yen in billions)

Cash & cash equivalents 22.5	Debt 14.5
IFRS 16 related assets 9.1	IFRS 16 related liabilities 9.1
Goodwill 47.0	Other liabilities 34.1
PPA assets 1.9	PO, etc. liabilities 6.0
Other assets 39.7	Total equity 56.5

Total assets 120.2

Total liabilities & equity 120.2

Net Cash : 8.0 billion yen

Net Worth Ratio\* : 47.0%

Goodwill/E Ratio\* : 0.83x

D/E Ratio\* : 0.26x

D/OP Ratio\*\* : 0.88x

\* Total equity includes non-controlling interests

\*\* Calculated using operating profit stated in the full-year guidance

## Q1 FY22.6 Cash Flows (yen in millions)

• Operating CF	(1,466)
Corporate income tax payment	(5,665)
• Investing CF	(7,311)
M&A consideration payment (Robosoft, etc.)	(8,681)
Proceeds from the sale of shares (HRnet)	+1,563
• Financing CF	(1,258)
IFRS 16 related lease liability repayment	(1,637)
Net cash from debt procurement and repayment	+6,000
Dividend payment	(4,849)
Net CF	(9,980)

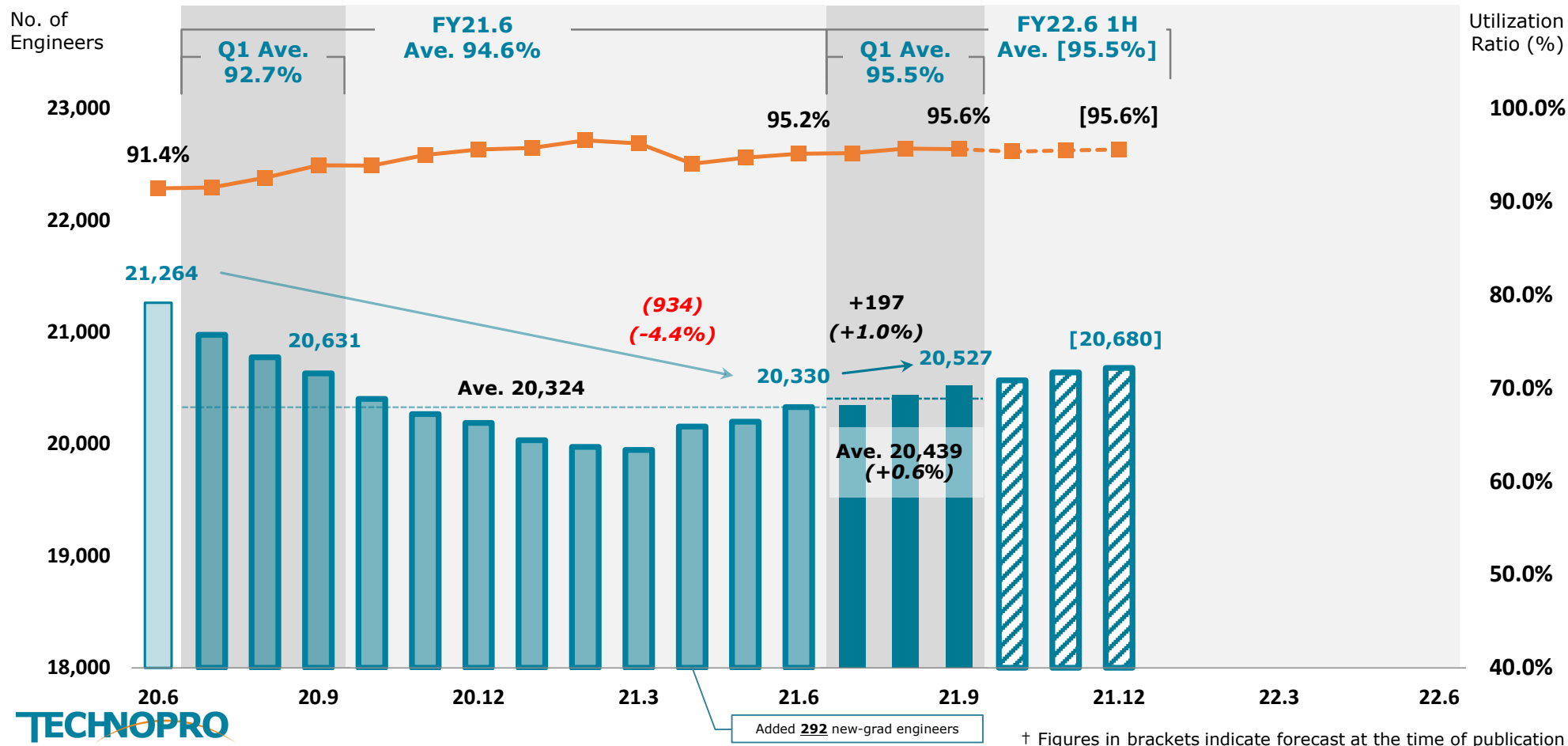
## Commitment Lines (yen in millions)

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. 2022
3 Working capital	1,000	0	1,000	Oct. 2022
4 M&A	10,000	6,500	3,500	Dec. 2021
Total	20,000	6,500	13,500	



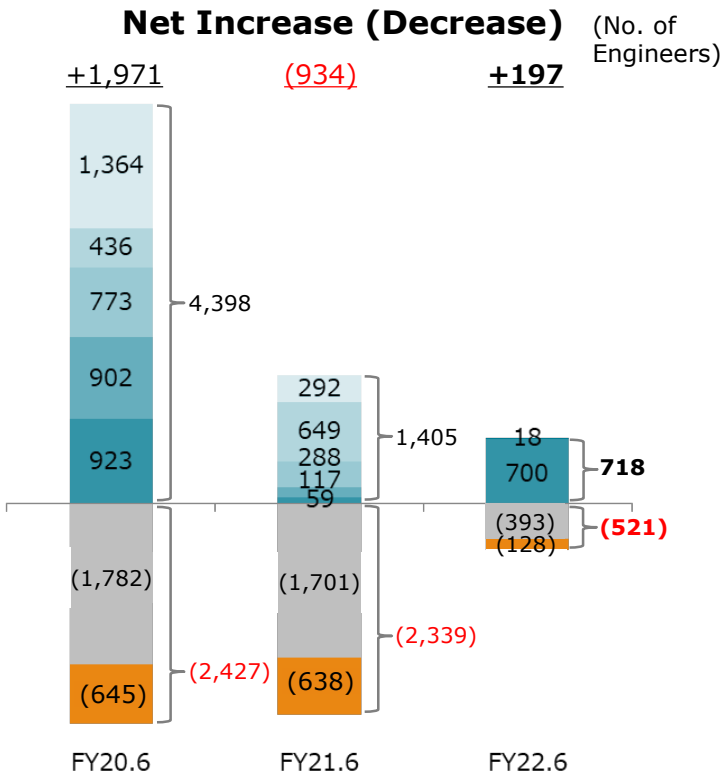
# Number of Engineers & Utilization Ratio [Japan]

- Engineers in Japan at the end of Q1 FY22.6 totaled **20,527** (up 197 from FY21.6 end), including **879** non-Japanese engineers (down 42 from FY21.6 end)
- Average utilization ratio was **95.5%** for Q1 FY22.6 (up 2.9 pts year-on-year), expects **95.5%** (up 1.8 pts year-on-year) as average ratio for the six months Q2 period
- Engineers outside Japan totaled **2,869** (up 899 from FY21.6 end, including **966** Robosoft engineers)



# Recruitment/Turnover [Japan]

- Engineers hired for Q1 FY22.6 (including 18 engineers from M&A) totaled **718** (up 659 year-on-year), expects **800** new-graduate engineers to join in April 2022
- 521** engineers left for Q1 FY22.6 (down 171 year-on-year): permanent employees of **393** (down 65 year-on-year), fixed-term employees of **128**
- Turnover ratio for permanent employees\* was **7.7%** (down 1.1 pts year-on-year) for Q1 FY22.6, representing the lowest turnover for the last 2 years, also continues to improve on last twelve months basis
- Net engineer increase of **197** for Q1 FY22.6, maintaining net increase driven by mid-carrier recruitment outpacing retirement



## Annual Recruitment/Turnover (No. of Engineers)

	FY20.6	FY21.6	FY22.6 Q1	YOY	
<b>Hired Total</b>	<b>4,398</b>	<b>1,405</b>	<b>718</b>	—	—
M&A	0	0	18	—	—
New-grads joined in April	1,364	292	—	—	—
Mid-carrier: Q4	436	649	—	—	—
Mid-carrier: Q3	773	288	—	—	—
Mid-carrier: Q2	902	117	—	—	—
Mid-carrier: Q1	923	59	700	+641	+1086.4%
<b>Turnover Total</b>	<b>2,427</b>	<b>2,339</b>	<b>521</b>	—	—
Permanent employees	1,782	1,701	393	—	—
Contract terms matured, others	645	638	128	—	—

## Turnover Ratio for Permanent Employees\*

	FY20.6				FY21.6				FY22.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter	8.6%	7.8%	8.6%	10.1%	8.8%	8.2%	8.1%	8.3%	7.7%	—	—	—
Year-to-date	—	8.2%	8.3%	8.8%	—	8.5%	8.4%	8.4%	—	—	—	—
Last Twelve Months	8.5%	8.7%	8.3%	8.8%	8.9%	8.9%	8.8%	8.4%	8.1%	—	—	—

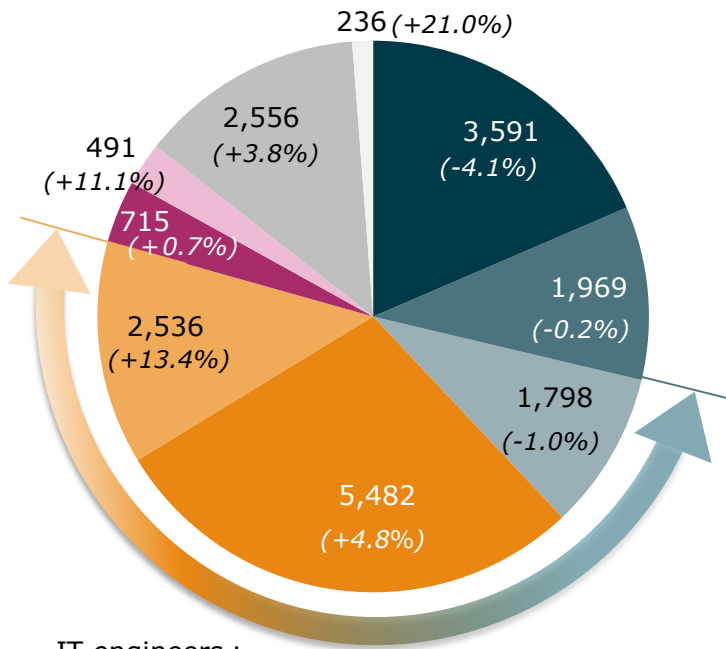
\* Turnover ratio for permanent employees was calculated excluding fixed-term employees left at the end of contract term

# Assigned Engineers Portfolios by “Technology” [Japan]

- Utilization ratio has already recovered to pre-pandemic level, and the number of assigned engineers has turned to increase not only on a month-on-month basis, but also on a year-on-year basis
- Expects demands for investment to increase broadly across R&D, IT and digital areas in line with earnings recovery and improved future prospects of the customers, therefore continues to focus on increasing number of engineers while aiming to raise average unit sales price by promoting recruitment and training mainly in software field

**Q1 FY21.6 End**

Assigned Engineers: **19,374**

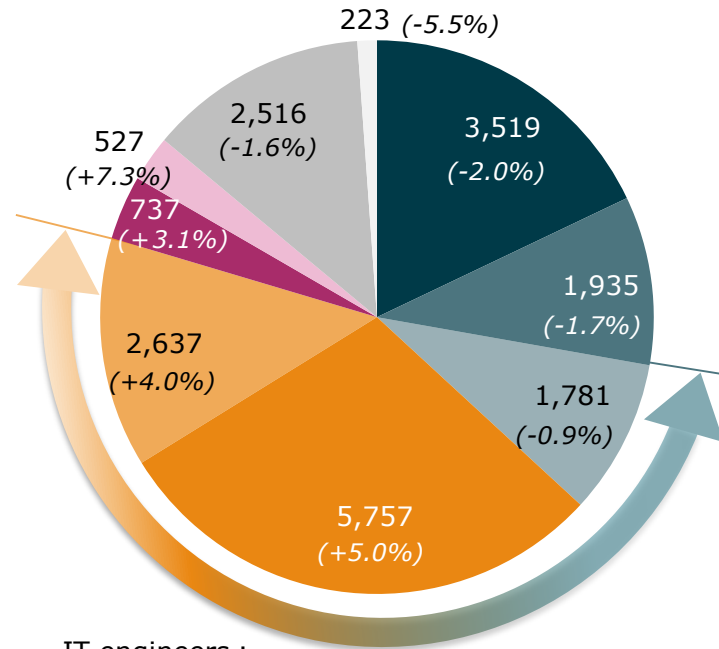


**+1.3%**

**+258**

**Q1 FY22.6 End**

Assigned Engineers: **19,632**



(No. of Engineers)

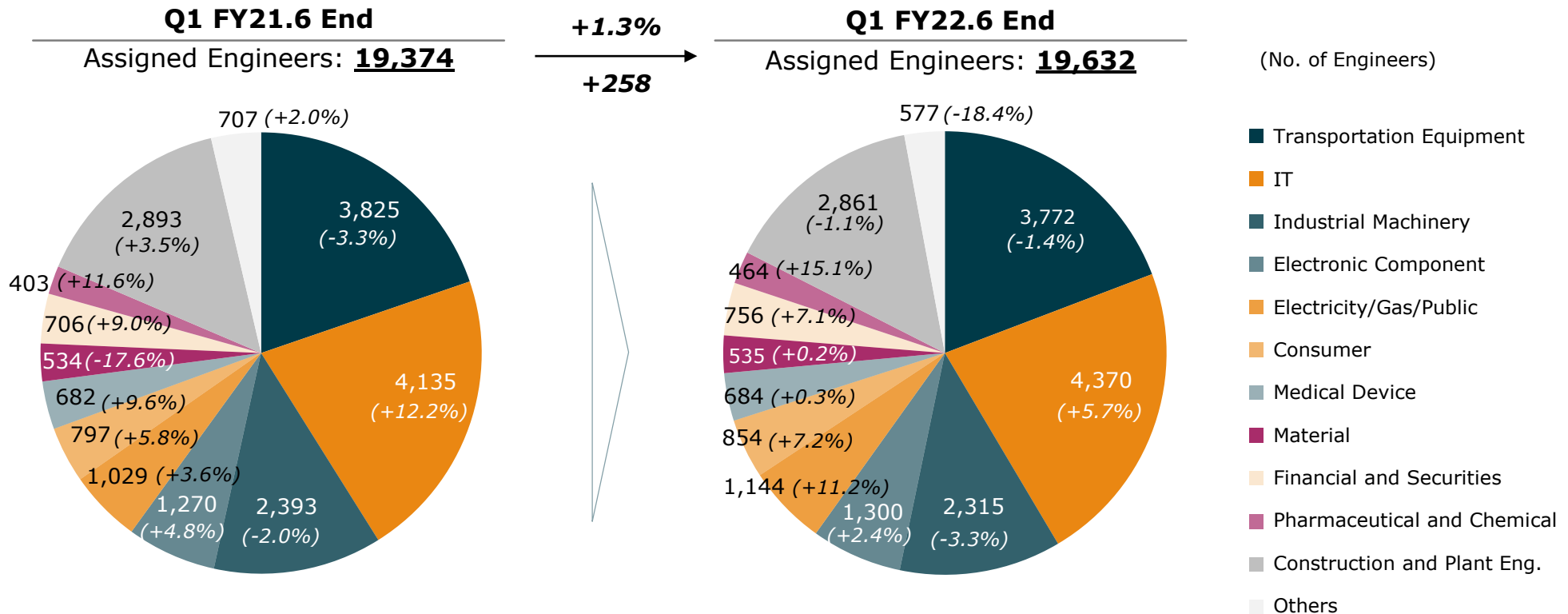
- Machinery
- Electric/Electronic
- Embedded Control
- SW Development/Maintenance
- IT infrastructure
- Chemical
- Biochemical
- Construction
- Others

IT engineers :  
50.7% / 9,816

IT engineers :  
51.8% / 10,175

# 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, although the manufacturers in Transportation Equipment are showing robust willingness to invest in the areas such as autonomous driving technology or electric vehicles
- Continues to receive new orders from Industrial Machinery and Electronic Component specifically relating to semiconductors
- 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

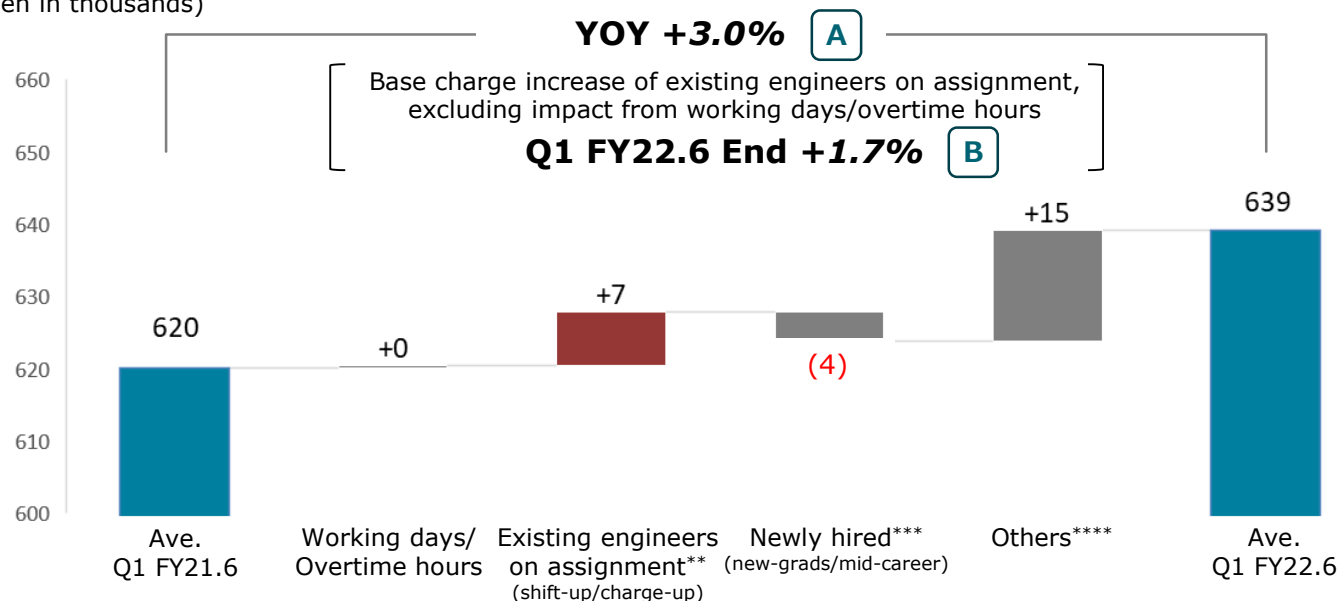


# Average Monthly Unit Sales Price [Japan]

## All Subsidiaries in Japan for FY22.6 (newly included EDELTA, PROBIZMO and TOQO)

- Ave. monthly unit sales price\* for Q1 FY22.6 increased to **639K yen** (up 19K yen/month or 3.0% year-on-year)
- Increased 0.3K yen/month year-on-year due to the mix of decrease in working days (down 0.18 days/month) and longer overtime hours (up 1.09 hours/month)
- Increased 7K 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 monthly sales per engineer, which includes base charge, overtime charges and others

\*\* Existing engineers on assignment  
Increase (decrease) in prices through changes in place of assignment or contract renewal at the same assignment

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

\*\*\*\* Others  
Increase (decrease) in prices from project-type services and other factors, effect from including all subsidiaries in Japan (FY22.6)

### Price Development

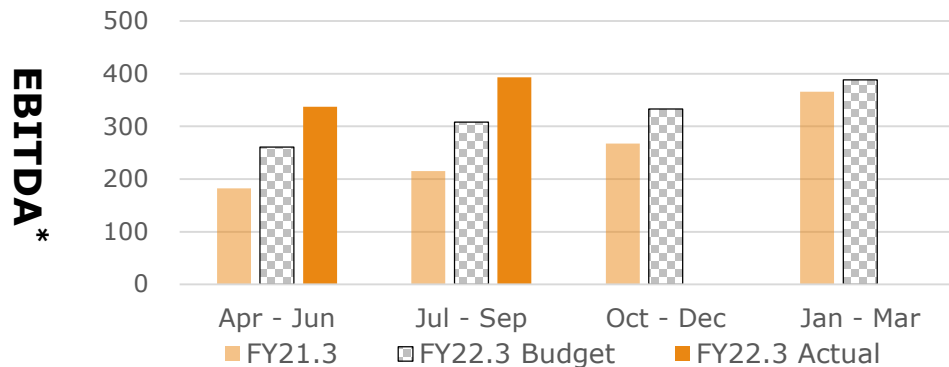
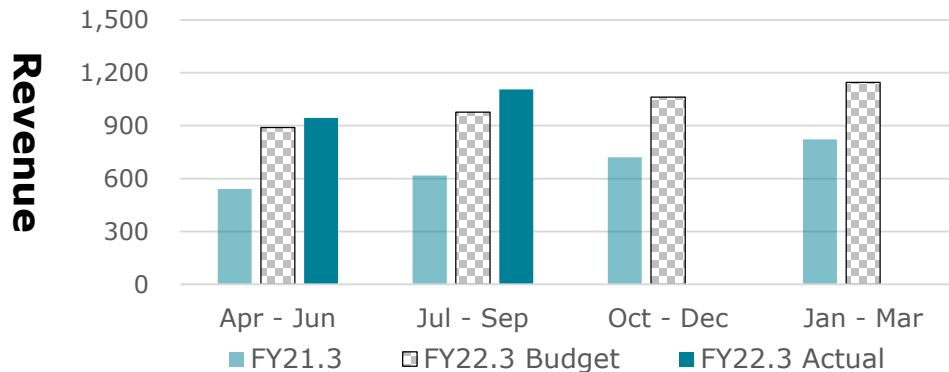
	FY21.6				FY22.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (yen in thousands/month, year-to-date)	620	628	632	634	639	—	—	—
Year-on-year	<b>A</b> (1.0%)	(0.4%)	(0.2%)	+0.7%	+3.0%	—	—	—

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Engineers on Assignment † Year-on-year comparison for each quarter end	<b>B</b> +3.4%	+2.6%	+2.3%	+0.7%	+1.7%	—	—	—

# Robosoft Update

- Revenue and EBITDA for the current first-half (April-September 2021) were **2.05 billion yen** and **730 million yen** (up 77% and 84% year-on-year, profit margin of 35.6%) respectively, and have surpassed the initial budget so far; further penetrating into US market mainly driven by the increase of digital spending of US customers
- Working on business and administrative PMI in parallel, beginning joint customer development in Japan by the end of this year
- Balance sheet of Robosoft was consolidated as of September 2021 (including its net cash balance of **1.25 billion yen**); its profit and loss will be consolidated from Q2 FY22.6 (examining the P&L impact of this M&A over TechnoPro's current fiscal year, since the amortization of PPA assets, which is now under review, will affect the consolidated operating profit)

(yen in millions, calculated at INR1 = JPY1.50)



\* EBITDA excludes extraordinary items such as transaction expenses incurred at Robosoft

## Purpose of Robosoft Acquisition

- Responds to emerging DX-related demands from customers by overcoming supply constraint of talents and technological capabilities in digital domain in Japan
  - Obtain capabilities of digital technology and solution
  - Establish offshore hub in India
  - Expect to serve as a base in India to roll up companies acquired through bolt-on type of M&As

## Strategy for Japan Market

- Gaining new customer base in Japan of Media, BFSI and Retail/EC industries
- Promote cross-selling/up-selling and solution development for existing customers
  - Integrate conventional and digital technologies
- Leverage high-skilled engineer resources in India
  - On-site in Japan and offshore from India
  - Foster TechnoPro engineers in digital domain

# FY2022 Guidance

- Expects FY22.6 revenue to increase compared to FY21.6, the period impacted by COVID-19, while core operating profit and operating profit are both estimated to decline 6.5% and 15.2% 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, and 3) upfront investment for implementation of new medium-term management plan
- **Updated only key KPIs of Japan operation for the first-half** based on the Q1 FY22.6 results (Robosoft financials from Q2 onward to be incorporated to full-year guidance after determining PPA amortization expenses)

(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 [Japan]	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	20,680	+491	+2.4%	21,264	20,330	21,600	+1,270	+6.2%
Engineer hiring	1,825	176	1,375	+1,199	+681.3%	4,398	1,405	3,400	+1,995	+142.0%
Ave. utilization ratio	95.7%	93.7%	95.5%	+1.8 pts	—	94.0%	94.6%	95.0%	+0.4 pts	—
Ave. monthly unit sales price (yen in thousands)	631	628	647	+19	+3.0%	630	634	645	+11	+1.7%

# FY2022 Segment Guidance (Full-Year)

- *R&D Outsourcing*: Revenue to increase year-on-year driven by the increase in engineers on assignment, while expecting profit to significantly decrease mainly due to 1) increased SG&A expenses including recruitment costs, 2) upfront investments, and 3) dissipation of income from employment adjustment subsidy
- *Construction Management Outsourcing*: Strives to achieve profit growth by controlling SG&A expenses including recruitment costs lower than the amount of gross profit improvement
- *Other Businesses in Japan*: Expects the same level of revenue and profit as the previous year, although uncertainty in professional recruitment business remains
- *Overseas*: Expects significant increase in revenue after the recovery from COVID-19, although profit growth will be relatively small as SG&A expenses will also return to normal and therefore profit margin will be relatively narrow

(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 (period-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%
<i>o/w non-Japanese in Japan</i>	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 (period-end)	1,331	1,970	—	—	22,595	22,300	—	—	—	—	—	—	22,595	22,300	—	—



\* Headquarter expenses attributable to the reportable segment (expenses incurred by the holding company, etc.) are allocated to each reportable segment

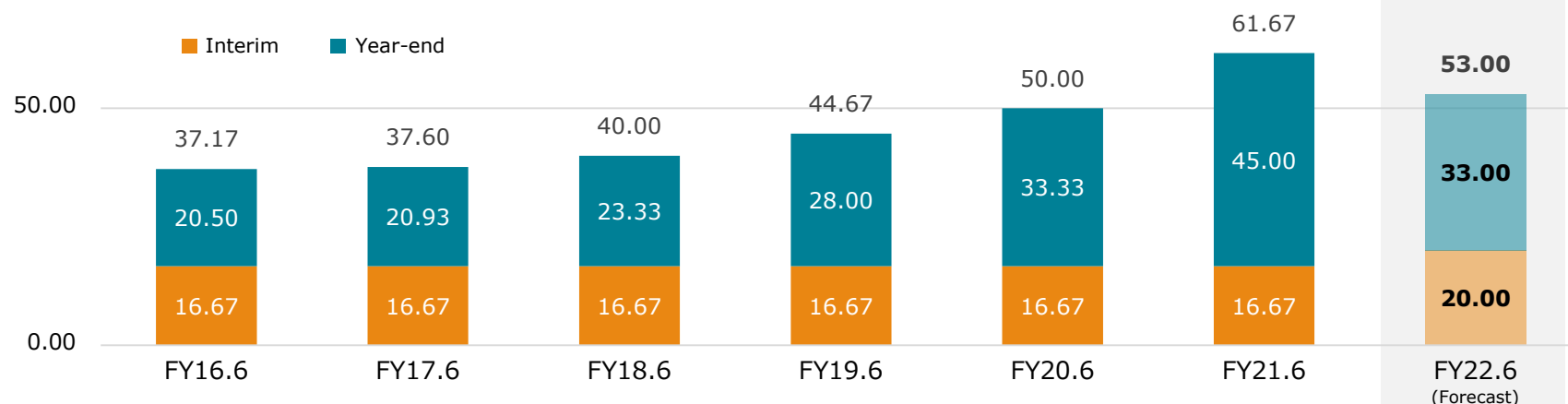


# Shareholder Return

- 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 onward
- 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

(yen per share)

## Dividend and Payout/Total Return Ratio (History/Forecast)



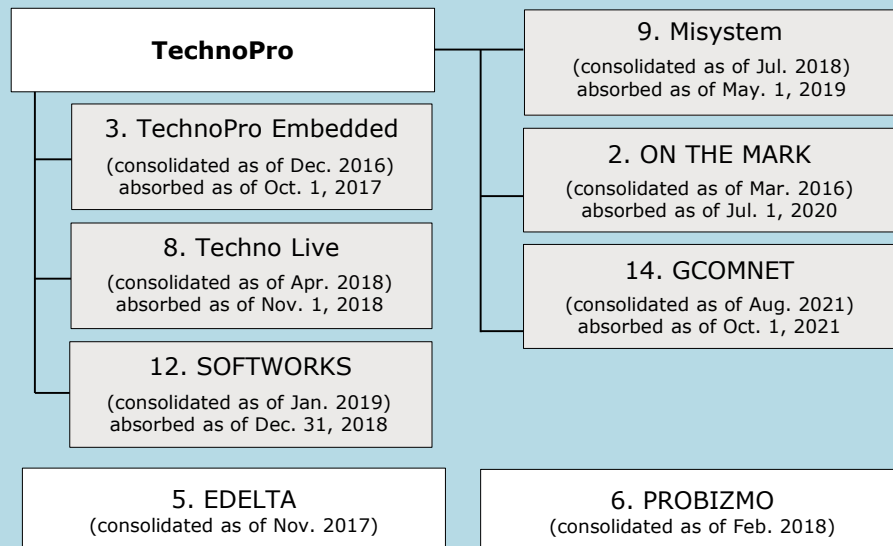
ROE	32.0%	29.9%	24.5%	22.4%	23.3%	25.1%	20.5%
EPS (yen)	71.93	75.19	81.60	88.95	99.99	122.96	104.89
<b>Payout ratio</b>	<b>51.7%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.2%</b>	<b>50.0%</b>	<b>50.2%</b>	<b>50.5%</b>
Dividend amount (yen in millions)	3,808	3,858	4,250	4,864	5,397	6,643	5,709
Share repurchase (yen in millions)	—	—	—	—	2,063	—	N/A
<b>Total return ratio</b>	<b>51.7%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.2%</b>	<b>68.9%</b>	<b>50.2%</b>	<b>N/A</b>

† 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. Higher ROE due to the effect from income tax deduction derived from losses carried forward until FY18.6

# Appendix: Reportable Segments (as of Q1 FY22.6 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



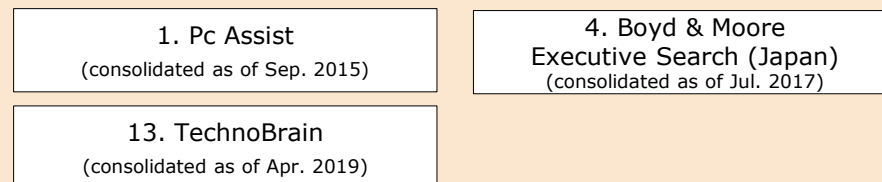
## Construction Management Outsourcing

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



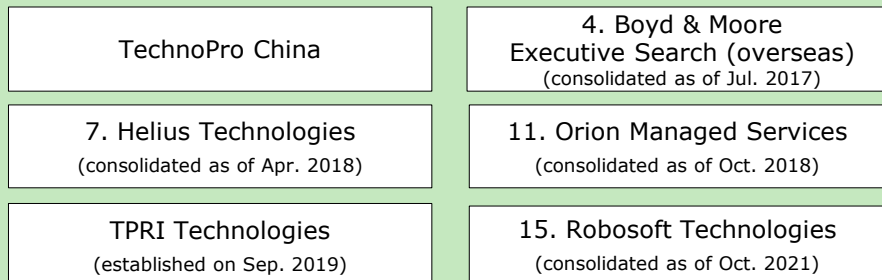
## Other Businesses in Japan

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 (including offshore delivery to US/EMEA/JP customers); engineer staffing and professional recruitment services in the UK



## Headquarters

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



# Appendix: Risk Assets (as of Q1 FY22.6 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 value amount, newly calculated with COVID-19 impact taken into account, well exceeds carrying amount of each CGU, consequently **impairment risks are extremely low**
- Goodwill in R&D Outsourcing (**4.0 billion yen**), which was newly recognized through M&A, is also included into the CGU at the time of MBO, consequently **impairment risks are extremely low**
- Orion: A portion of put options was exercised at **0.7 billion yen**, consequently ownership was raised to 83.2% and corresponding amount of put option liabilities decreased
- Robosoft: Recognized estimated amount (**3.6 billion yen**) of the second tranche of acquisition (20%) as liabilities, provisionally recorded entire excess amount (**10.5 billion yen**), which is exceeding net assets of Robosoft, of total consideration to be paid for acquisition (100%) as goodwill, and plans to determine 1) the amount to be allocated to PPA assets and 2) its amortization period, by the end of Q2 FY22.6

(yen in millions)

Cash Generating Unit (CGU)	Shareholding	Goodwill				PPA Assets		PO, etc. Liabilities	
		MBO	M&A*	Total	Ratio	M&A*	Amortization period (months)	M&A	Value calc. period (months)
<b>R&amp;D Outsourcing</b>									
Machinery, Electric/Electronic	100.0%	13,674	977	14,651	31.2%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	17.0%				
Software dev./maintenance	100.0%	2,912	3,007	5,919	12.6%	1,005	up to 32.7		
Chemical, Biochemical	100.0%	1,262		1,262	2.7%				
<b>Construction Mgmt. Outsourcing</b>									
Construction management	100.0%	3,383		3,383	7.2%				
TOQO	100.0%		190	190	0.4%				
<b>Other Businesses in Japan</b>									
Pc Assist	100.0%		96	96	0.2%				
Boyd & Moore Executive Search	100.0%		1,104	1,104	2.3%				
TechnoBrain	100.0%		151	151	0.3%				
<b>Overseas</b>									
Helius	51.0%		703	703	1.5%	555	up to 26.3	1,796	17.4-22.6
Orion	83.2%		1,092	1,092	2.3%	406	up to 26.9	641	18.4-23.6
Robosoft	80.0%		10,481	10,481	22.3%	N/A	N/A	3,623	21.4-22.3
<b>Total</b>		<b>29,202</b>	<b>17,805</b>	<b>47,007</b>	<b>100.0%</b>	<b>1,967</b>		<b>6,060</b>	

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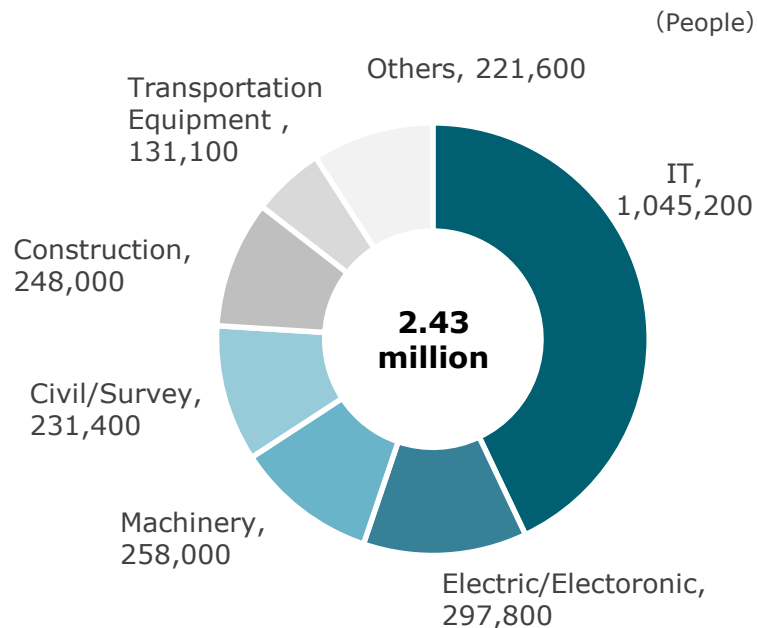
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# Distribution of Engineers in Japan

- 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)

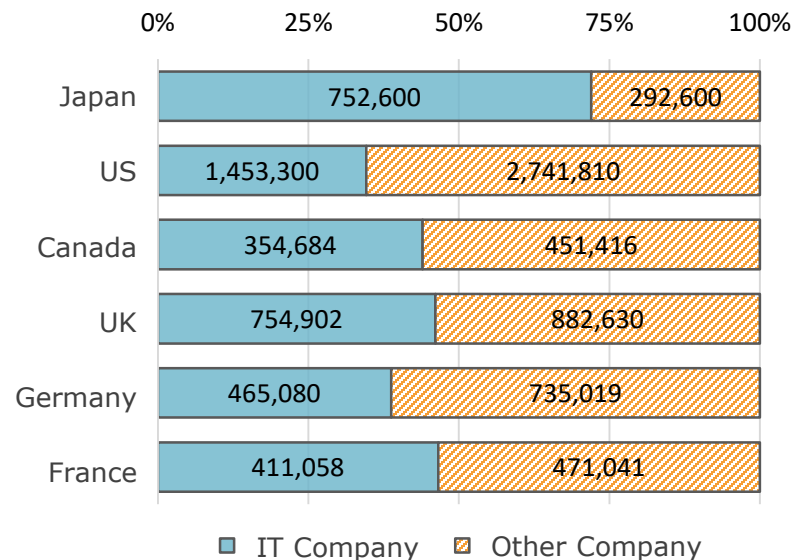
Source: Census 2015



## 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)



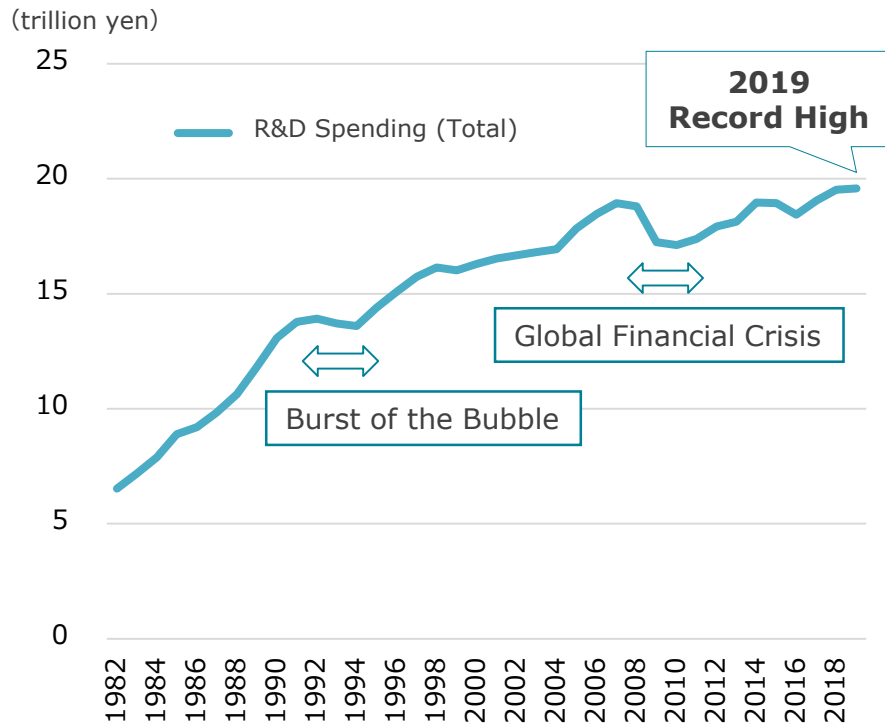
† "IT Company" means IT vendors and "Other Company" means IT user companies

# 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"

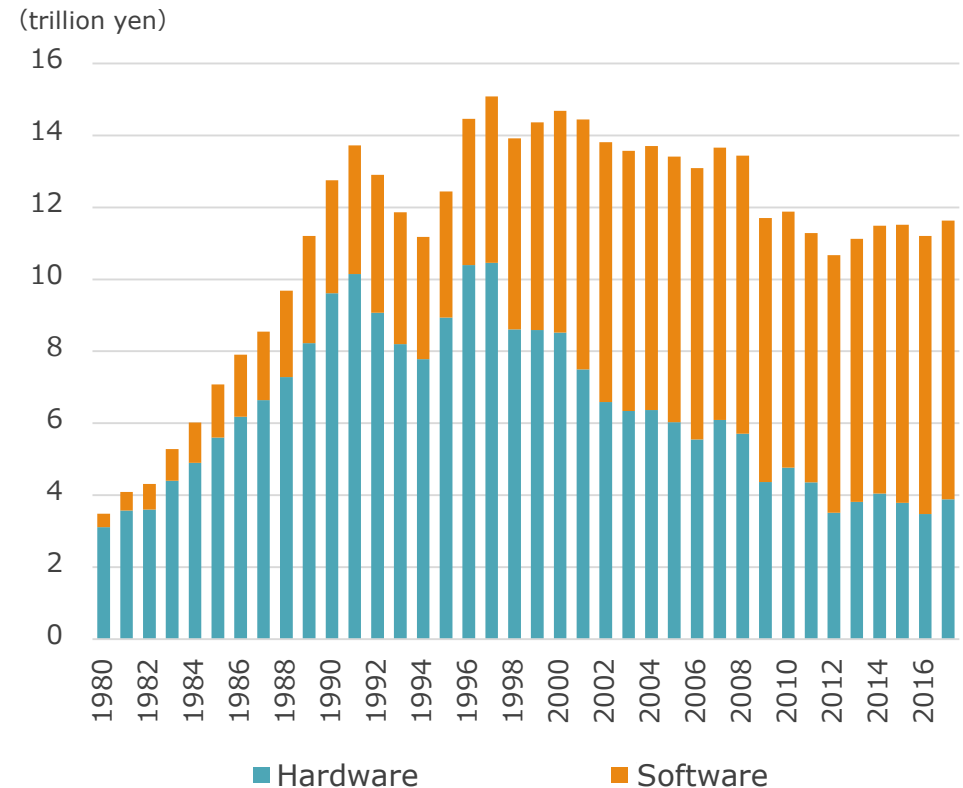
## 3. Trend of R&D Spending in Japan

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"

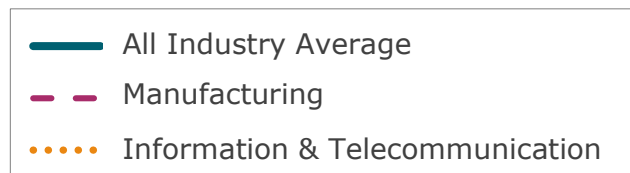
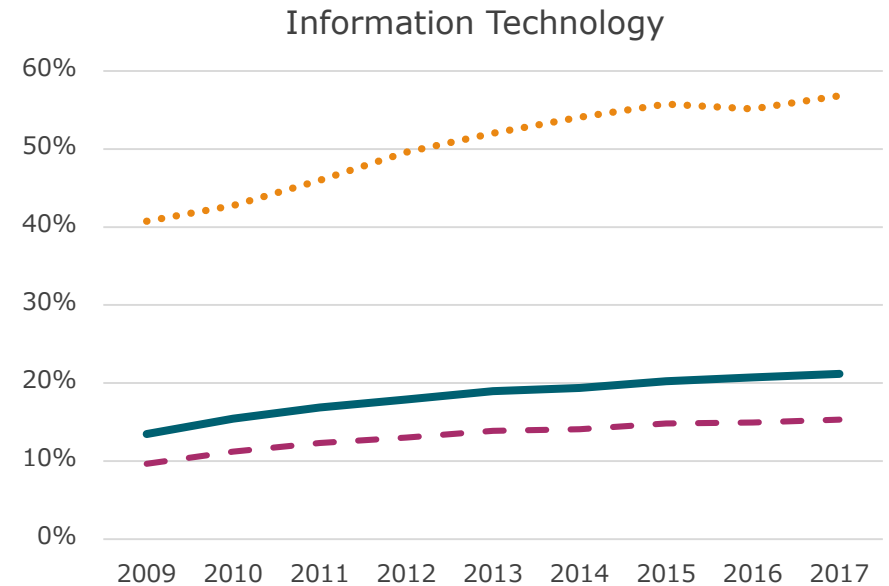
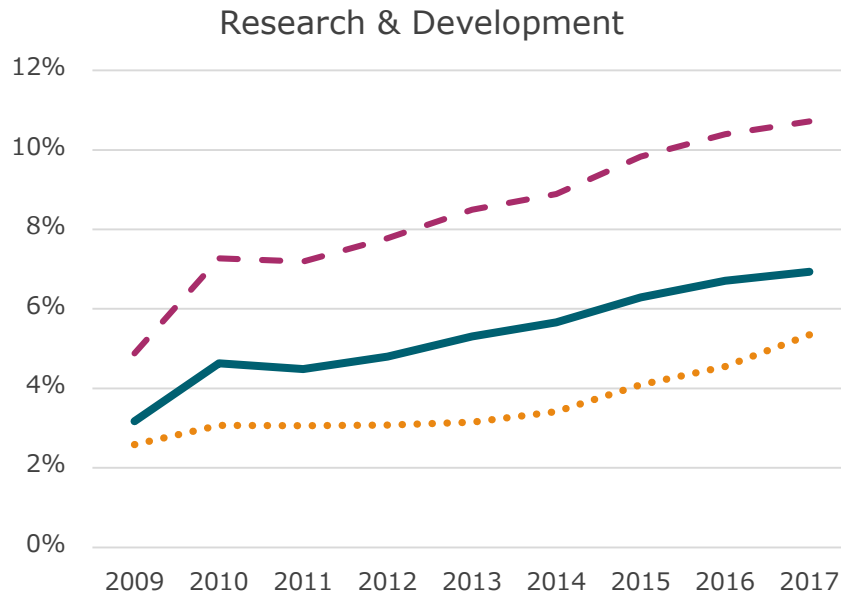


# Outsourcing Usage Ratio of R&D and IT Activity

- 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



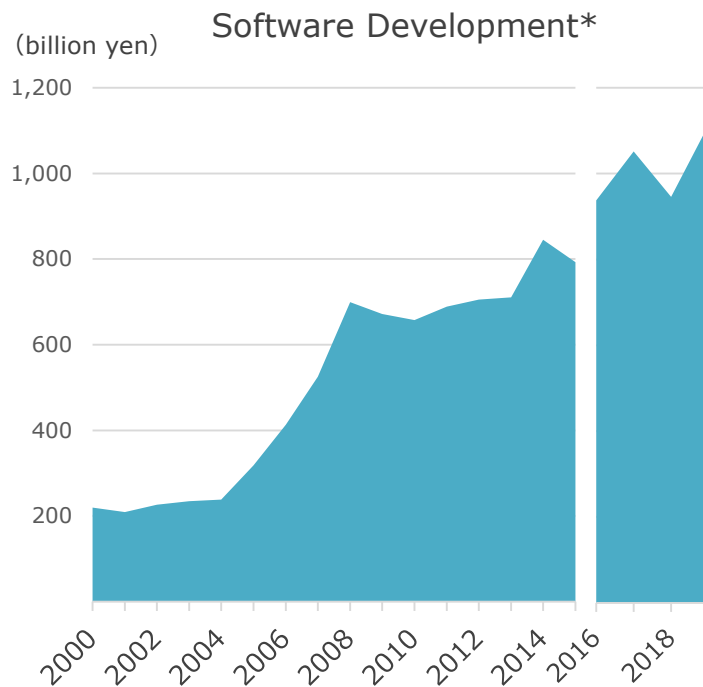


# Engineer Staffing Market Overview

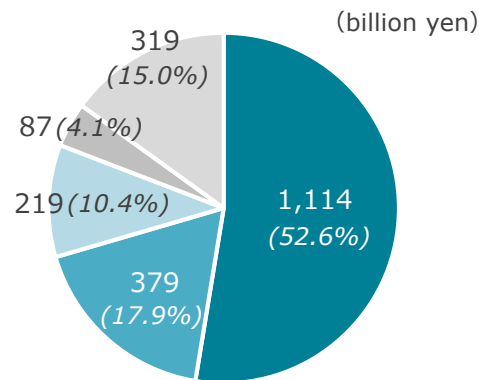
- Estimated the whole staffing market size in Japan is about 7.8 trillion yen (2019); of which, engineer staffing market size is about 2.1 trillion yen, about 280,000 engineers
- Yano Research Institute forecasts that the engineer staffing market in Japan is expected to grow at a CAGR of 6.3%

## 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

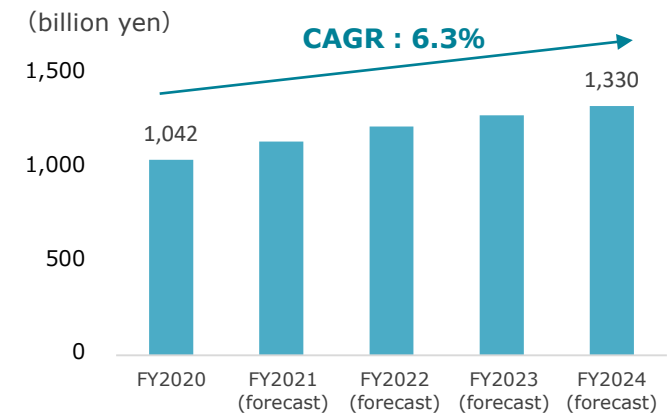


- 10 Software development
- 0708 Manufacturing
- 09 Construction
- 05 Researcher
- 11 Others

\* 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 2021, PART 2: Services by Industry/Occupation"



† The market size is based on the sales of businesses; FY2021 onward is forecast (as of September 2021)

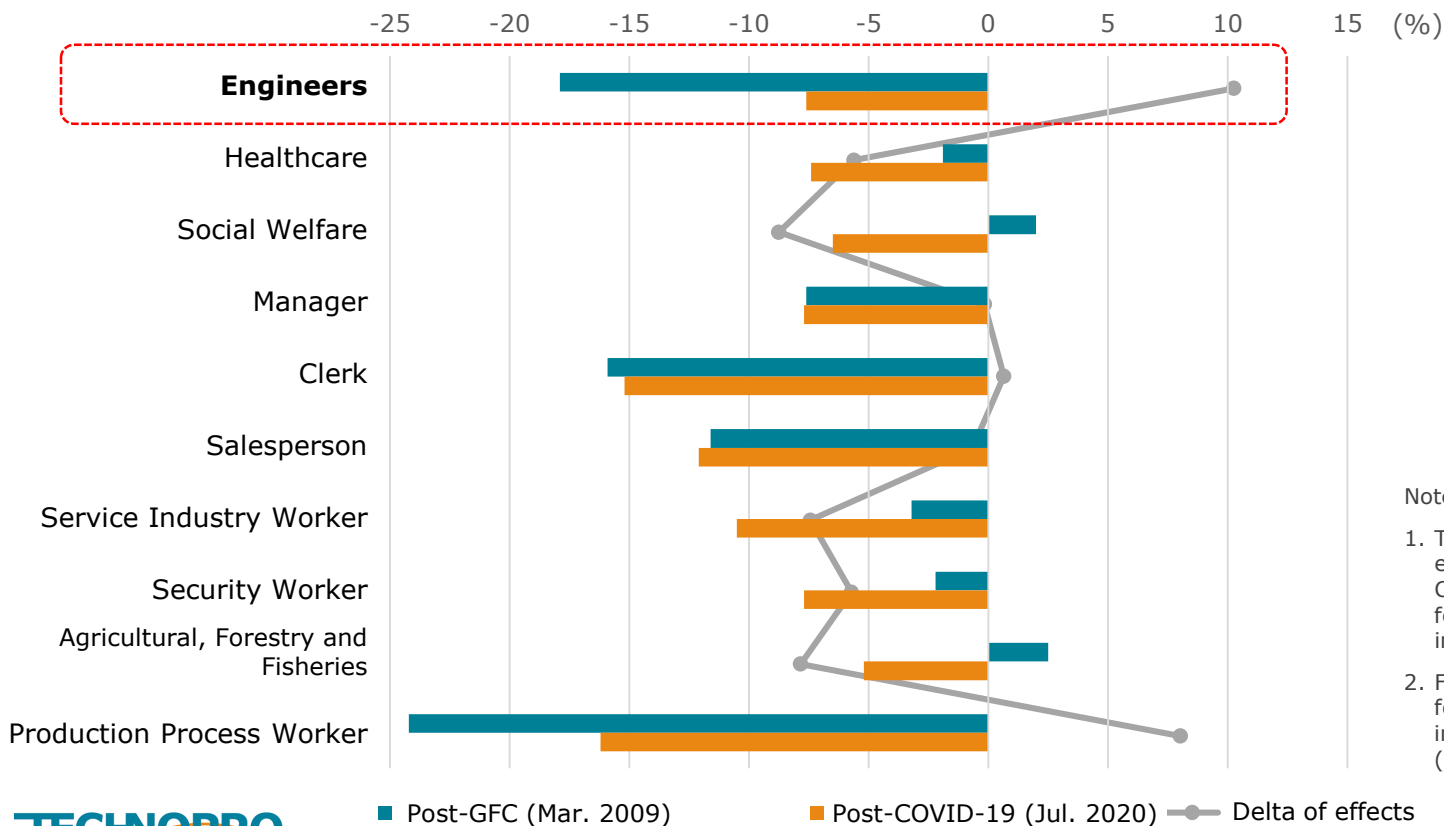
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole

# 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:

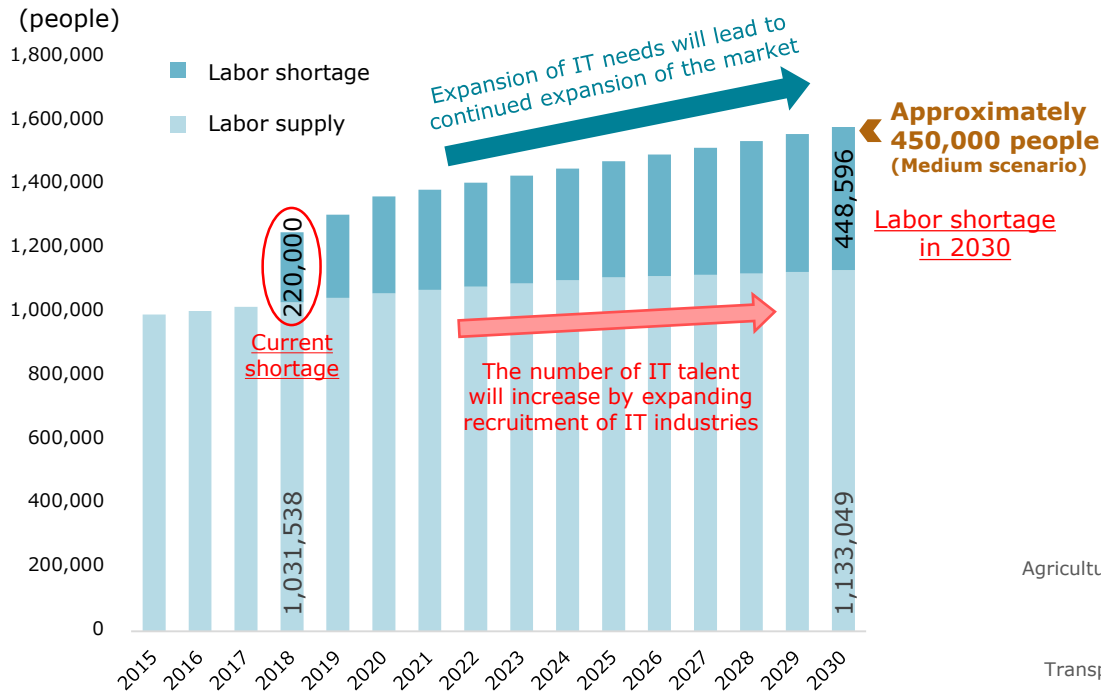
1. The figure left shows the comparison of the effect from the Global Financial Crisis (GFC) and COVID-19 on the index data of new job offers for each job category after 6 months from the initial outbreak of the crisis
2. Figures in September 2008 was indexed as 100 for the GFC, figures in January 2020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

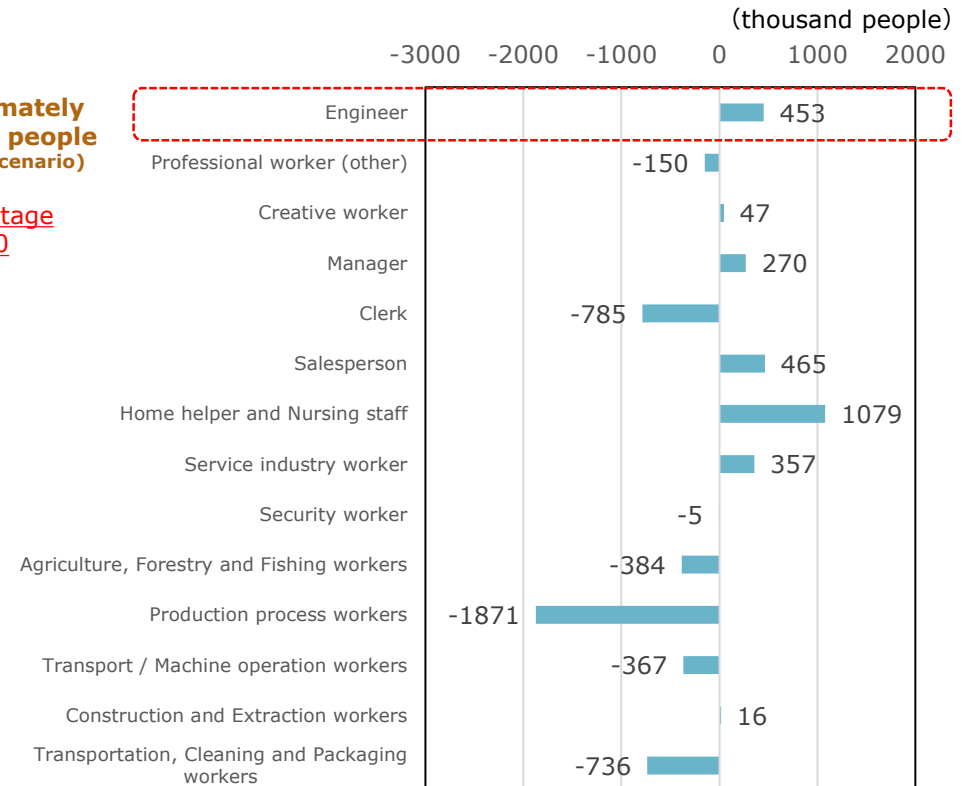
## 10. IT Talent Shortage Projections

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"



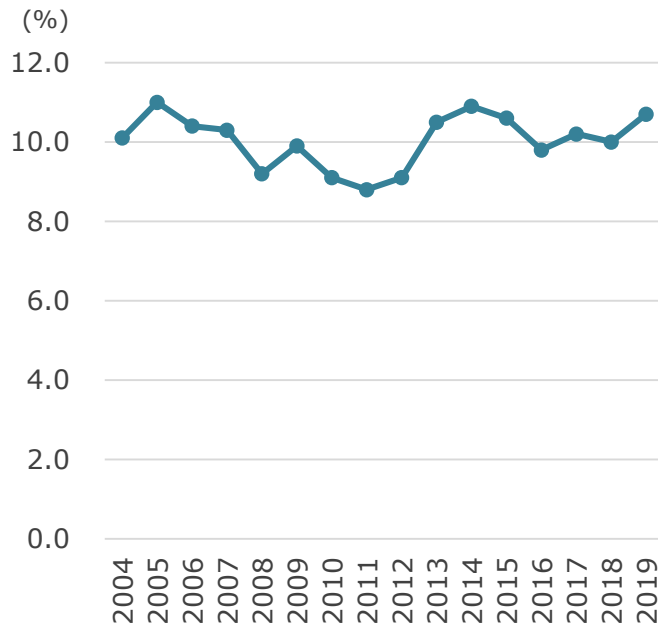
† Estimated numbers comparing 2015 and 2030

# 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

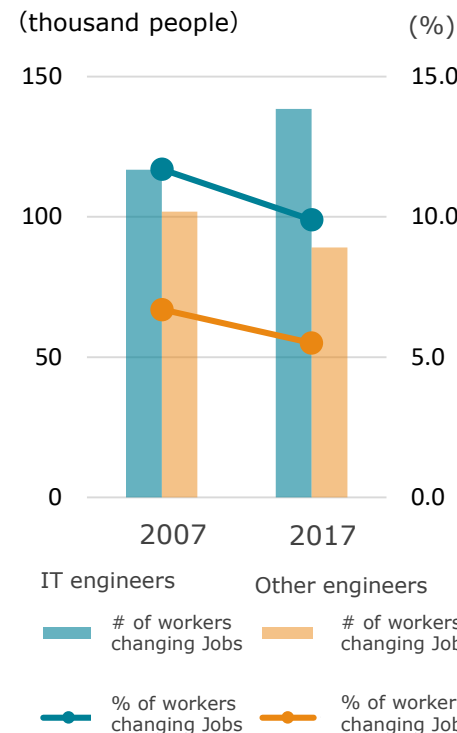
## 12. Turnover Ratio in Japan

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"



	1997	2007	2017
All sectors	11.0	11.7	10.7
Engineers	7.5	8.7	7.5
of which, IT engineers		11.7	9.9
of which, other engineers		6.7	5.5

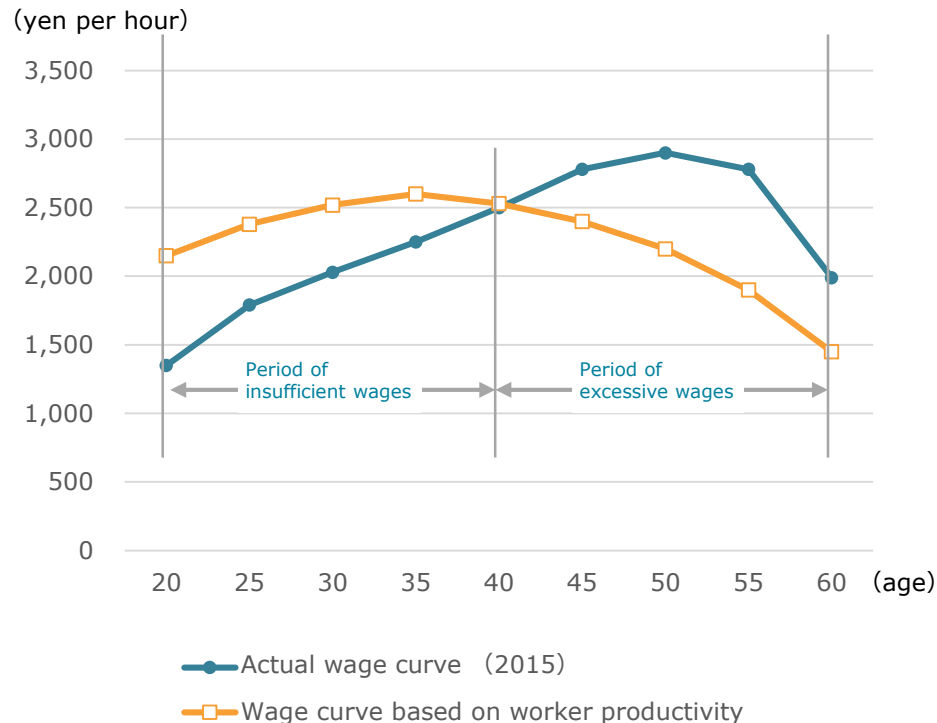
	1997	2007	2017
All sectors	7,391	7,717	7,066
Engineers	178	219	228
of which, IT engineers		117	138
of which, other engineers		102	89

# 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

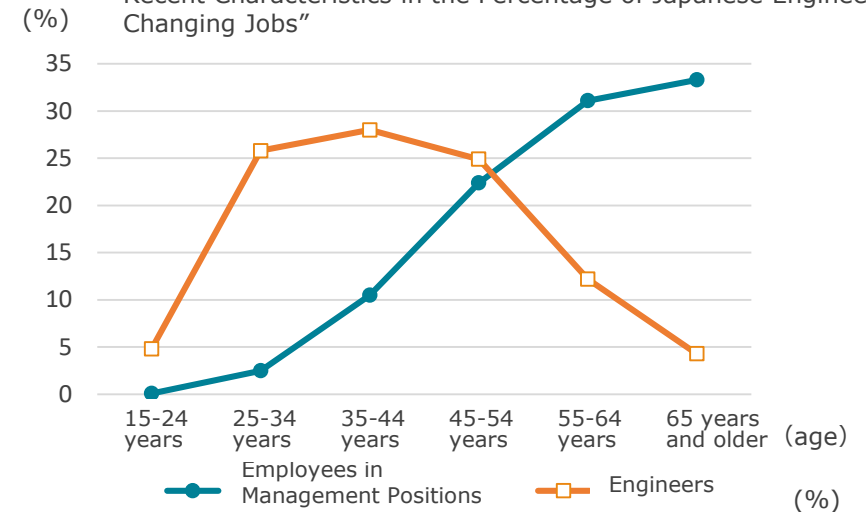
## 14. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

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"



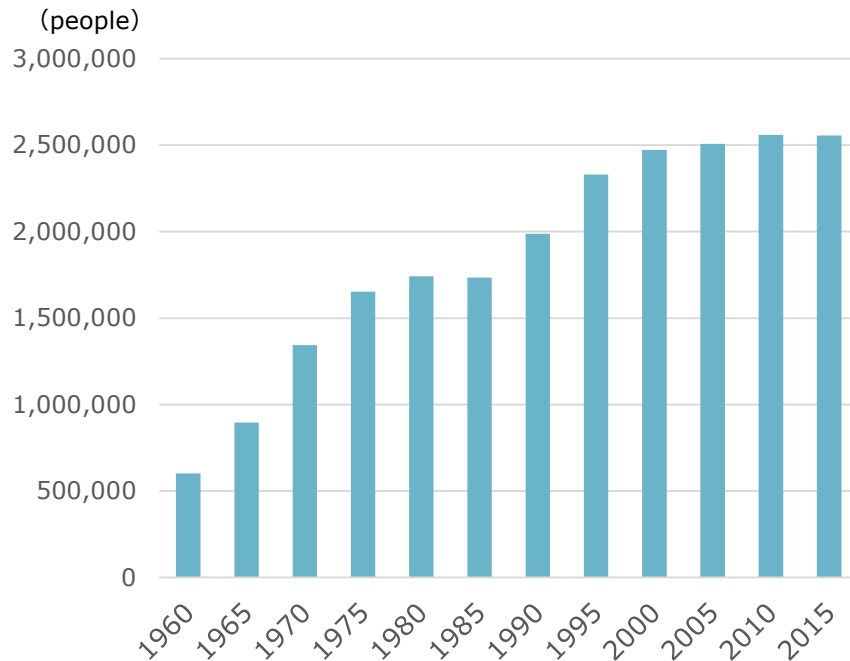
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

# 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

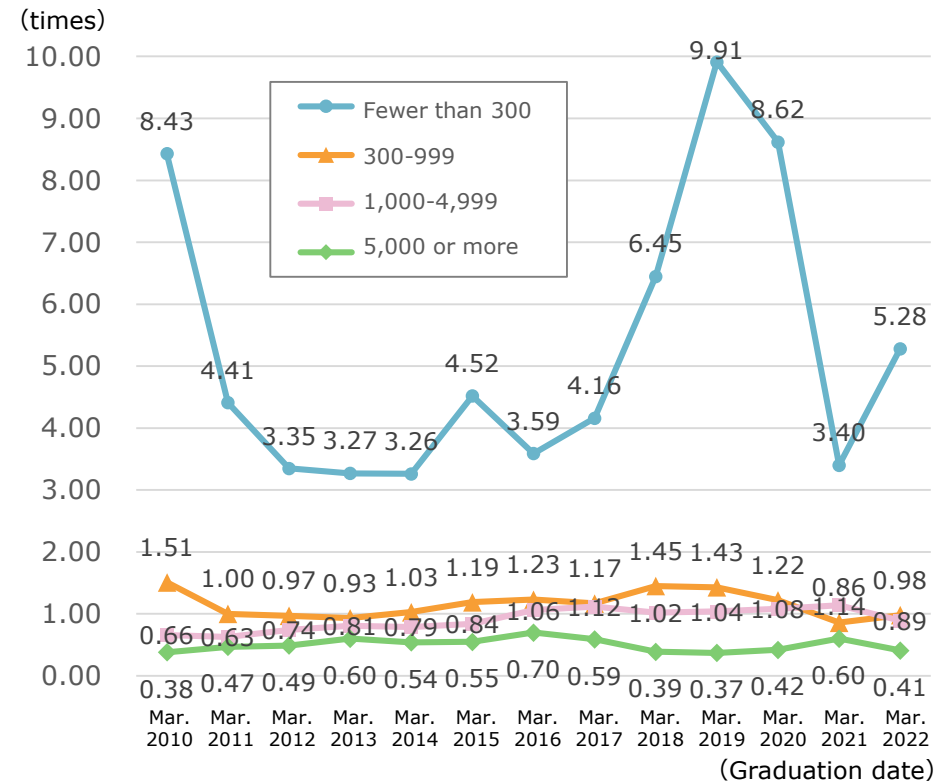
## 16. No. of University Students

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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