

TechnoPro Group
Business Environment and
Medium-Term Management Plan Progress

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

February 1, 2022

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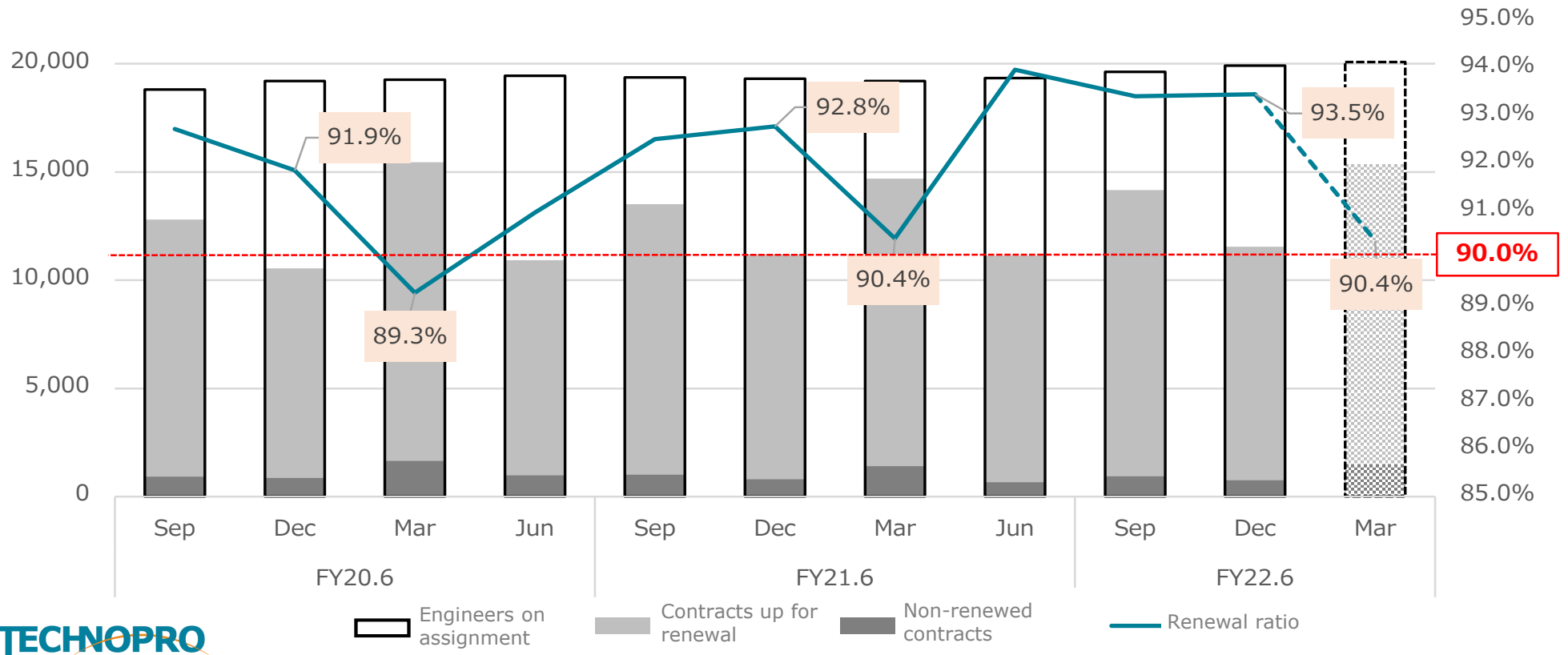
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Contract Renewal Ratio [Mar, Jun, Sep, Dec]

- Terms of most staffing contracts are three or six months, therefore major contract renewal cycle occurs every three months (particularly in March, the contracts up for renewal reach around 80% of total contracts, and March contract renewal ratio usually tends to be around 90% since many projects end to coincide with the closing of our customers' fiscal year)
- There was no major decline in contract renewal ratio during the COVID-19 pandemic that began in 2020; the renewal ratio for December 2021 ended up with **93.5%**
- In March 2022, expects **contract renewal ratio of 90.4%, the same level as the previous year** (however, assuming around 1,500 engineers to return from assignment upon expiration of contract)

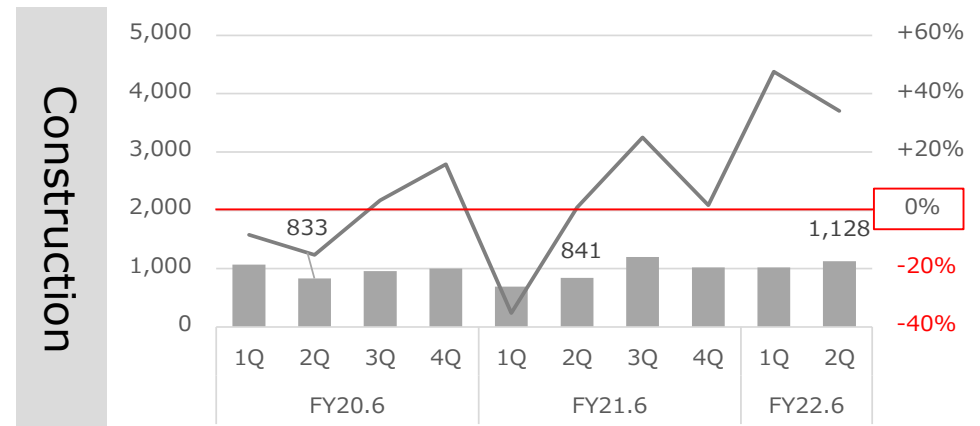
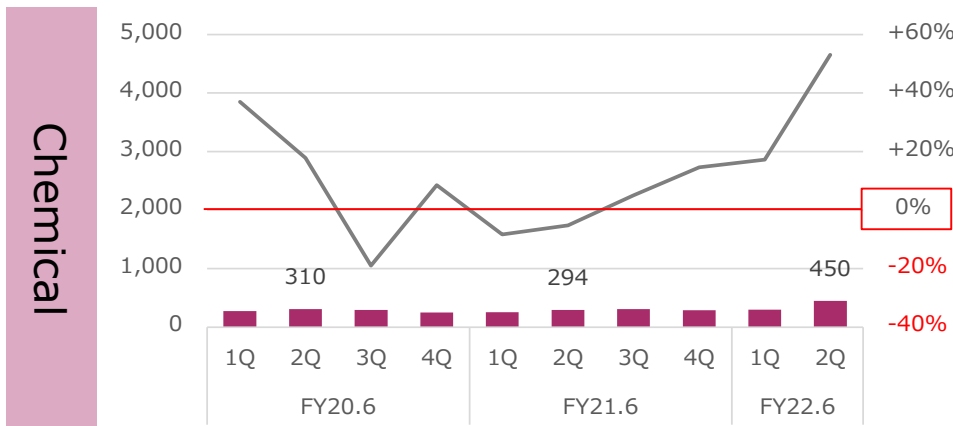
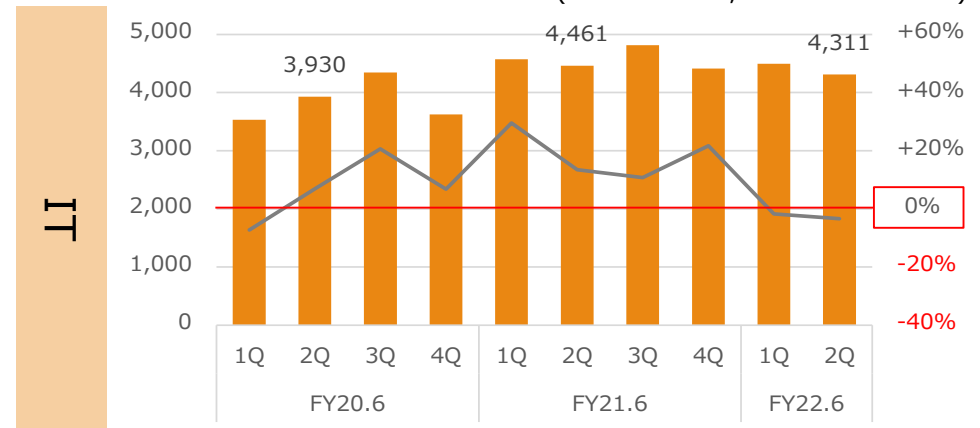
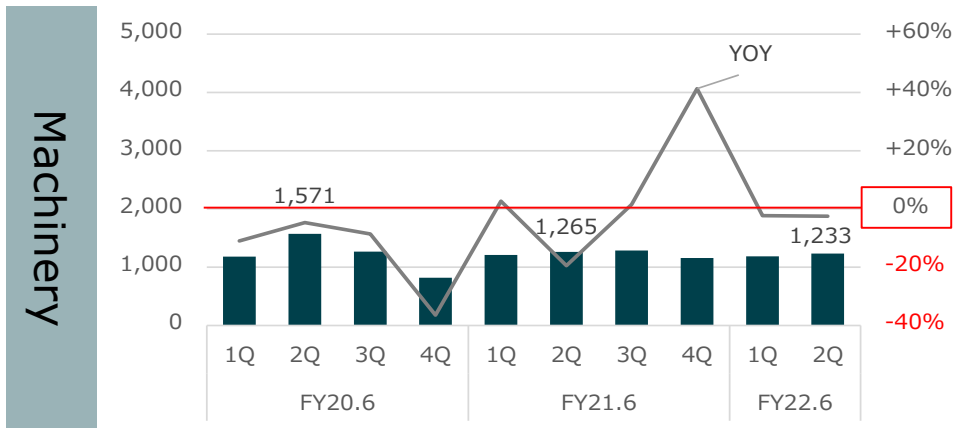
(No. of Engineers)

(Contract Renewal Ratio)



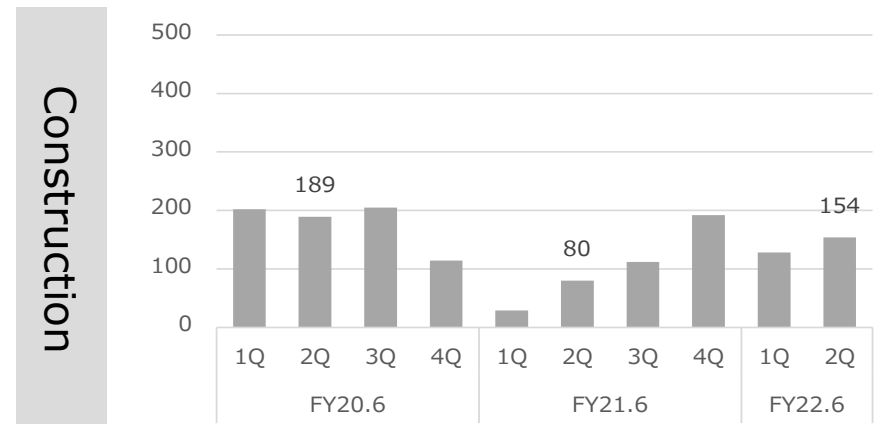
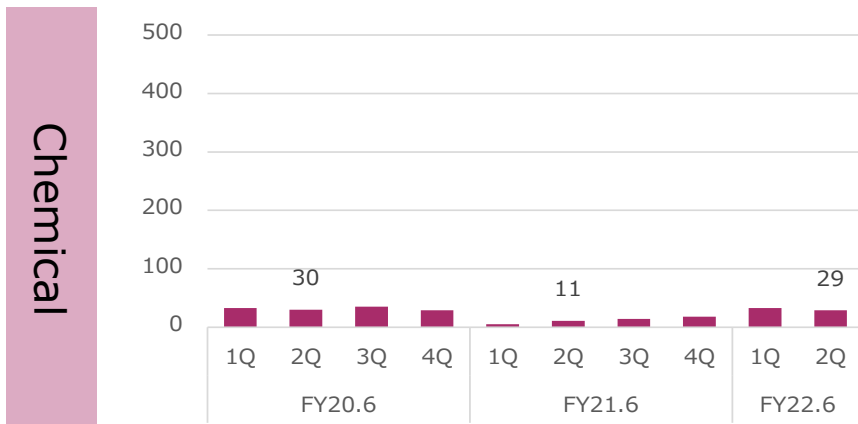
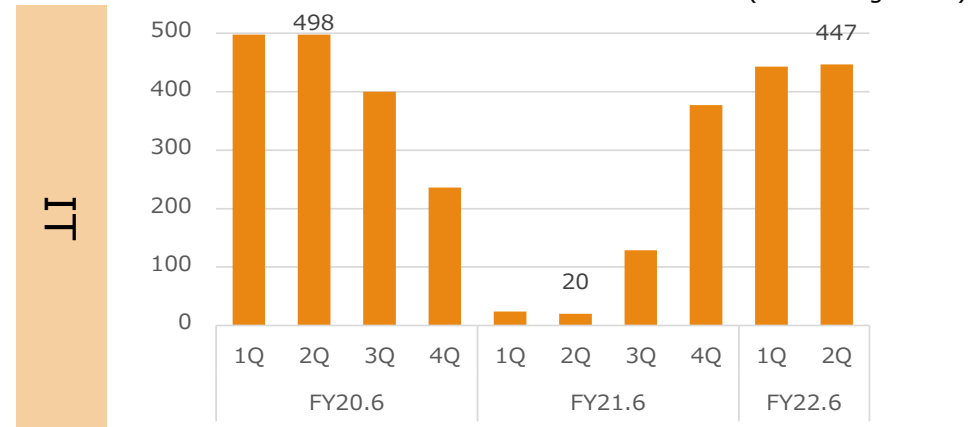
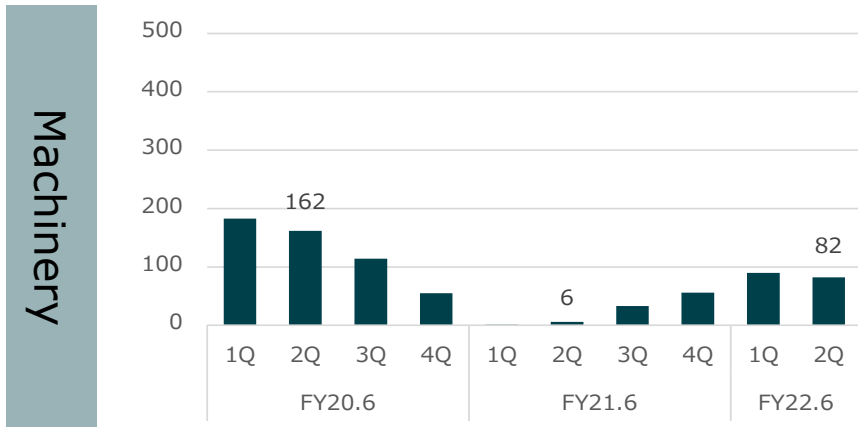
New Orders Trend by "Technology" [Quarterly]

- Although the number of new orders recovered from FY21.6 driven by promoting sales activities adapted to "with COVID-19" environment, customers continuously **tend to require higher experience and skill level for engineers** even in IT, the most in demand area
- In Machinery, **new orders for leading-edge technologies are increasing** mainly in areas such as Autonomous Driving, Electric Vehicle and IoT, while demand for conventional technologies is on the decline



Mid-career Recruitment by “Technology” [Quarterly]

- Although had to spend some time to cultivate potential candidates pool since resuming mid-career hiring in Q2 FY21.6, established business operation **capable of steadily recruiting around 250 mid-career engineers every month** in FY22.6 without largely compromising on hiring criteria
- Amid **intensifying competition for seasoned or digital talent** especially in IT field, continuous effort to create attractive job opportunities is vital for recruitment and retention



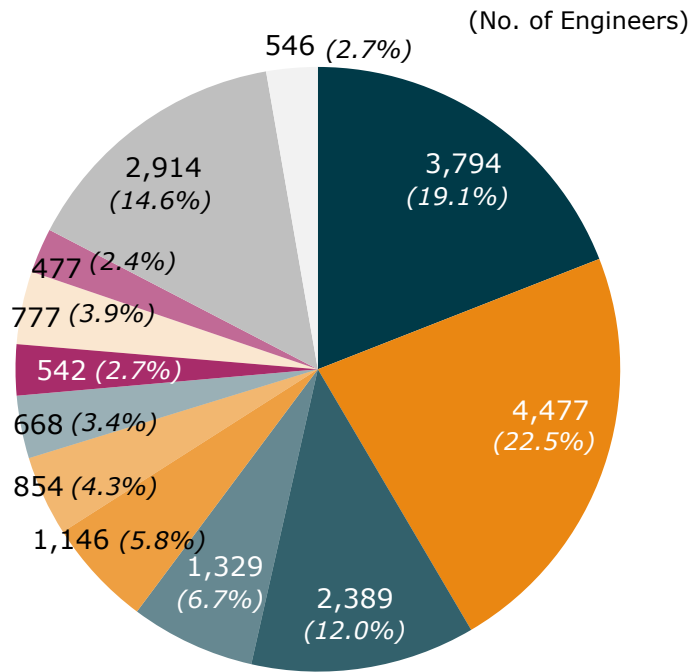
IT Engineer Proportion by "Industry"

- Customer demand for IT engineers is extremely growing regardless of industry
- Particularly in Transportation Equipment area mainly including automotive industry, its focus of the R&D activity is **shifting to hardware to software**, thereby the proportion of IT engineers has already exceeded 40%

Assigned Engineers Portfolios by "Industry" [Japan]

Q2 FY22.6 End

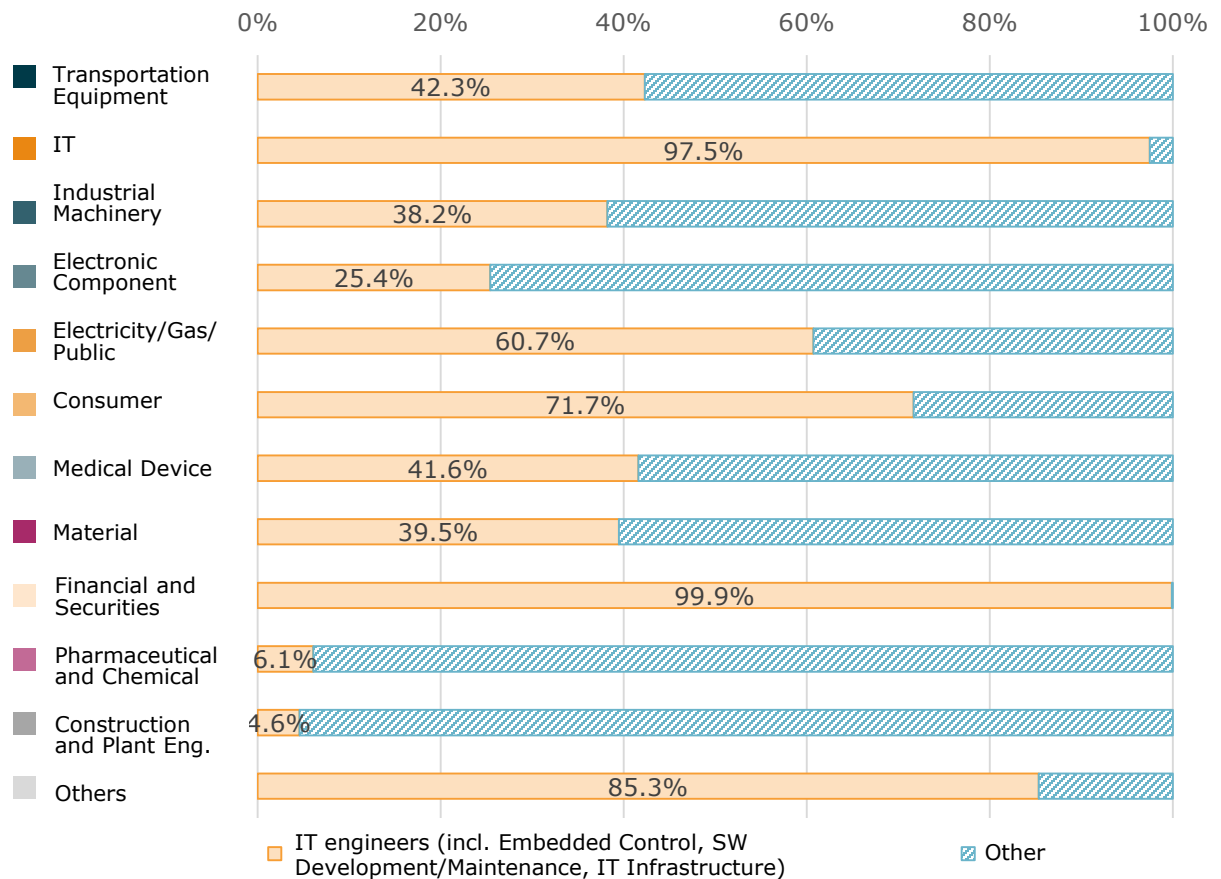
Assigned Engineers: **19,913**



† Figures in parenthesis indicate proportion of the total number of assigned engineers



Proportion of IT Engineers in each Industry



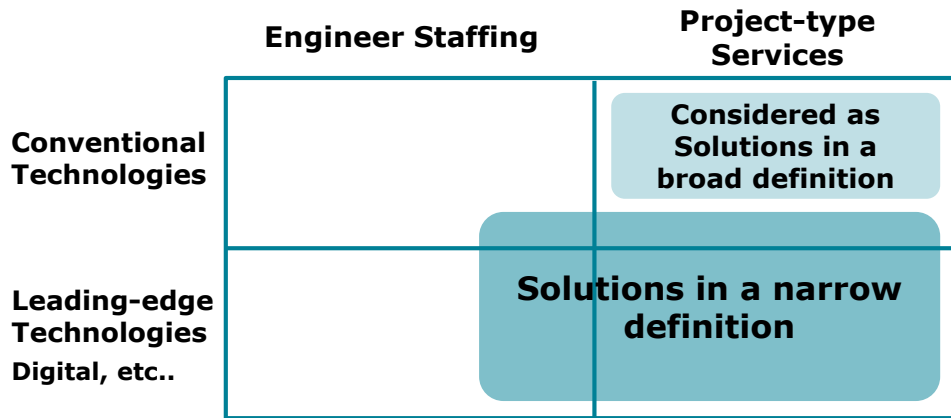
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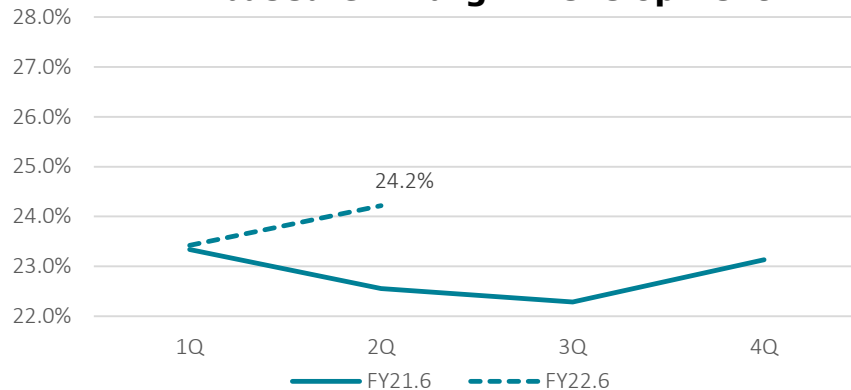
Solution Business Positioning

- Solution Business is included mainly in R&D Outsourcing and Overseas segments as shown in matrix diagram below
- GP margin in each segment is expected to expand along with an increase in the ratio of Solution Business, as it **generates higher GP margin**

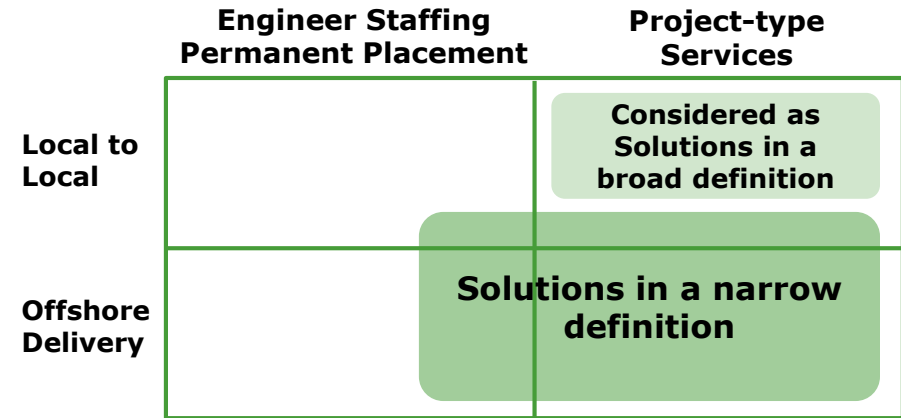
R&D Outsourcing Segment



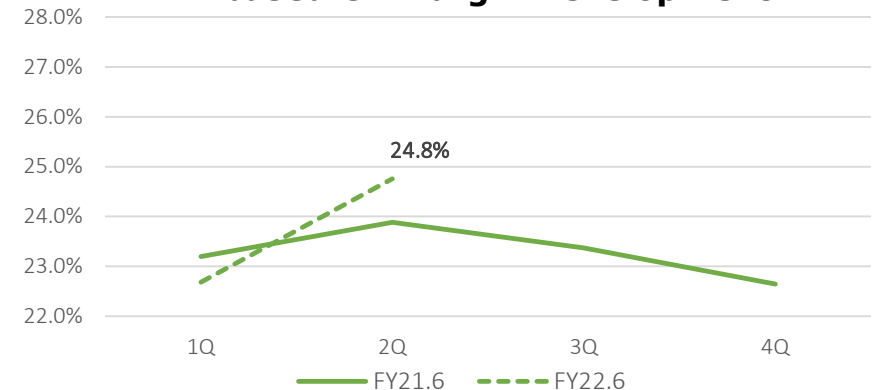
LTM-based GP Margin Development



Overseas Segment



LTM-based GP Margin Development



Digital Technologies & Solution Offerings

Customer	Automotive/ Mobility	Industrial Machinery	Electronic Components/ Semiconductors	Electronics/ Precision Machinery	Information Systems/ Telecoms	Plant/Heavy Industry/ Energy	Bio/Medical	Materials	Construction
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<Solution Offerings>

Development Efficiency	Production Efficiency	AI/Data Analysis	IoT/System Development
Cloud/Network	Materials Informatics	Bioinformatics	i-Construction
ERP	Security	Local Authority Business Consulting	Operational Efficiency
BPO	IoT Platform	Surveying/Measuring	Automotive Transformation

<Digital Technologies>

AI/ML	Data Science	Sensor Fusion	Edge Computing
Cloud Services	Cybersecurity	Blockchain	5G/6G Network
FPGA (HDL Design)	Sensor Sensing	Semiconductor Design	Mechanical Design
Analysis (CAE)	Advanced Manufacturing Technology	Microcomputer Embedded Control Software	ERP
UI/UX	BIM/CIM	RPA	MBD/HILS

Japan Solution Business Progress

- Established strategic objectives which are 1) increasing engineers capable of responding to **digital technologies** on which the Group focuses, and 2) expanding **solution offerings** designed to solve customer issues by leveraging the combination of these leading-edge technologies
- Regularly discloses KPIs** concerning major digital technologies and solution offerings as factors comprising Japan Solution Business in addition to sum total figures

	Revenue (JPY millions)						Ave. Assigned Engineers (no. of engineers/month)				Ave. Unit Sales Price (JPY thousands/month)			
	FY21.6		FY22.6				FY22.6				FY22.6			
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan Solution Business Revenue (narrow definition*)	27,796	8,120	8,508				3,458	3,527			783	804		
Ratio on consolidated revenue	17.2%	19.5%	19.0%											
o/w Major Digital Technologies														
AI/ML/Data Science		520	561				252	265			687	705		
Cloud Services		772	783				329	336			782	776		
Cybersecurity		229	269				117	124			654	724		
5G/6G Network		200	224				100	116			669	646		
Sensor Sensing		277	292				114	119			809	819		
Semiconductor Design		478	521				209	218			763	798		
Mechanical Design		368	408				173	182			710	748		
Analysis (CAE)		578	650				284	315			678	687		
Advanced Manufacturing Technology		398	436				173	186			769	783		
Microcomputer Embedded Control SW		2,120	2,001				950	861			744	774		
ERP		468	487				208	214			750	759		
RPA		70	149				50	34			464	1,478		
MBD/HILS		297	308				92	94			1,081	1,091		
o/w Major Solution Offerings														
Development Efficiency		553	499				182	168			1,015	991		
Production Efficiency		315	274				123	97			858	947		
AI/Data Analysis		295	302				131	129			751	783		
IoT System Development/Platform		191	277				76	84			832	1,096		
ERP		316	345				73	98			1,450	1,169		
Operational Efficiency		420	472				98	108			1,436	1,460		

Engineer Training Efforts for Japan Solution Business

- Build ecosystem with alliance partners including global IT vendors and startups who boast leading-edge technologies or platforms, thereby **bring forward training of engineers** capable of delivering excellent performance in emerging technology areas where demand is expected to grow

No. of Trained & Qualified Engineers in Major Leading-edge Technologies (no. of engineers)

	As of FY21.6	FY22.6		As of FY22.6
	Cumulative Total	H1	H2	Cumulative Total
No. of Trained Engineers				
AI/ML	348	620		968
Data Science	380	29		409
Cloud Services	234	90		324
ERP	94	75		169
Total	1,056	814		1,870

No. of Qualified Engineers

	21.6 End	21.12 End	22.6 End
AI/ML/Data Science			
G Certification	32	51	
E License	3	8	
Python 3 Certified Engineer	196	228	
Japan Statistical Society Certificate grade 2 or higher	117	123	
Cloud			
AWS	243	449	
Azure	19	31	
Salesforce	27	32	
ERP			
SAP	14	14	
Total	651	936	

Alliance Partners

Albert
Analytical technology

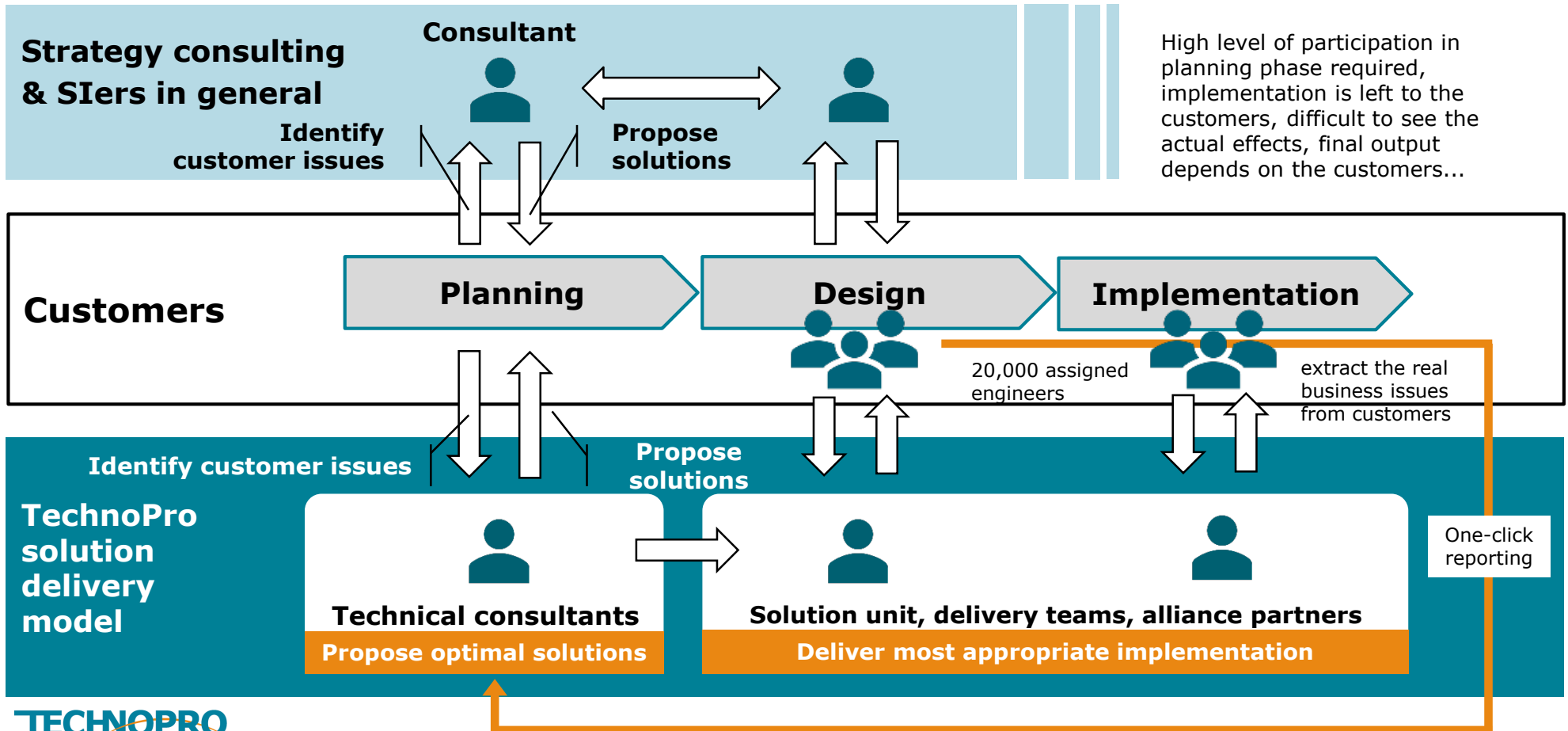


Gold
Microsoft Partner



Solution Business: TechnoPro Group Competence

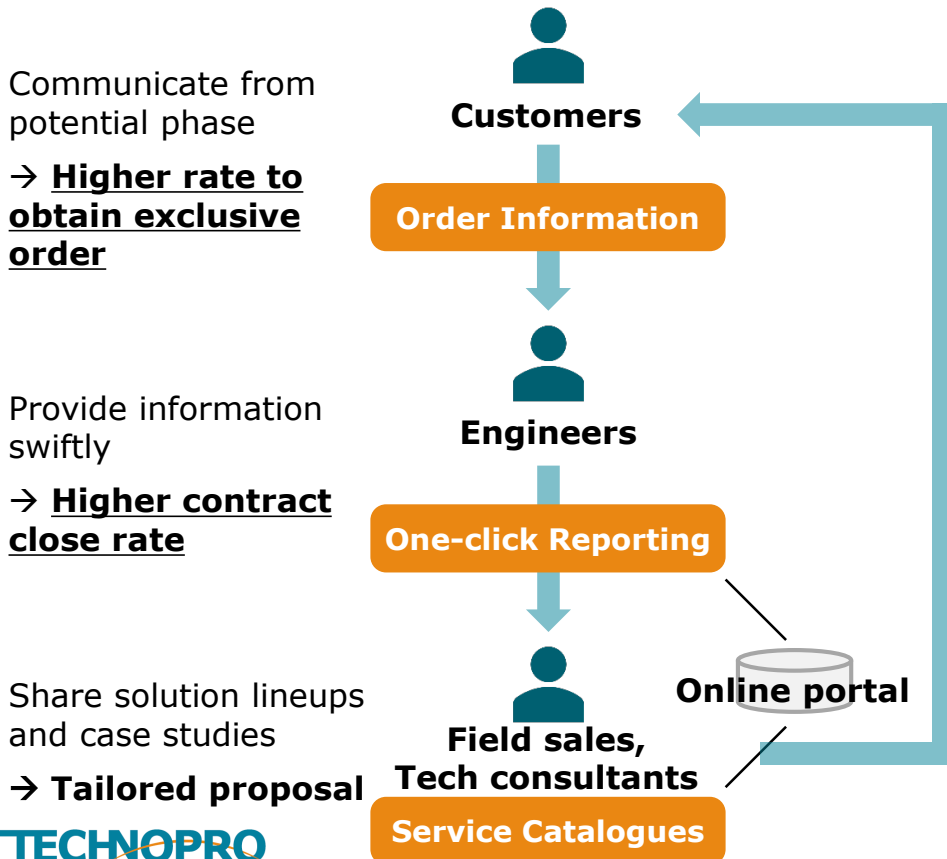
- **20,000 engineers engaged in design and implementation work at our customer sites** have great opportunities to discover the essential business issues of customers
- Based on the information provided by the engineers, our technical consultants propose the optimal solutions and consistently **deliver solutions from design to implementation (i.e. End-to-End Solutions)**, committing to thoroughly solve the customer's issues and pain points; consequently differentiates us from strategy consulting firms and SIers in general



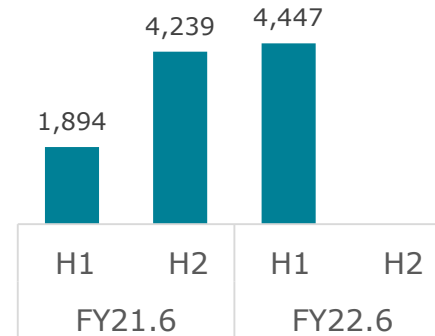
Sales Promotion Leveraging Engineers [Japan]

- **Captured customers' challenges and issues before they become visible** through touch points created by engineers working on-site, offered tailored proposals (using "one-click reporting" and "service catalogues" integrated into internal IT systems) more proactively than peers, achieved results despite constraints on sales activities due to COVID-19 pandemic
- **Achieved higher ratio of obtaining exclusive orders and closing contracts** compared with the orders acquired by field sales, also provided monetary incentives to engineers

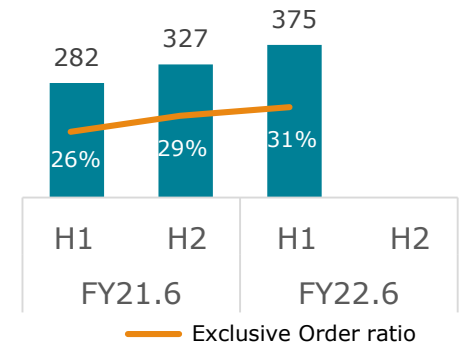
One-click Reporting and Service Catalogues



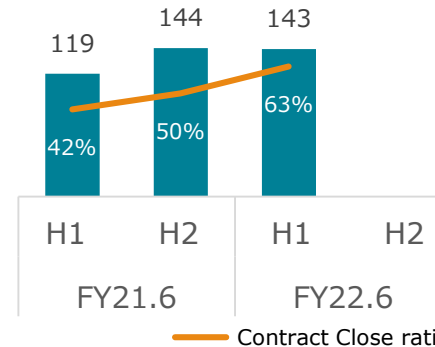
One-Click Reporting



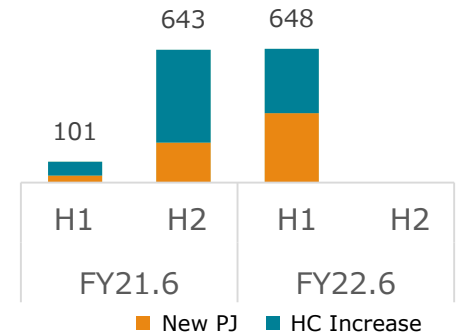
Orders



Contracts Closed



Revenue (JPY millions)



† Contract close ratio: No. of contact divided by (No. of contract + No. of lost contract)
Revenue: Accumulated within each fiscal year only

Robosoft PMI Status

- Carried out 100-day PMI plan after the closing of acquisition in September 2021 and achieved **smooth implementation of governance foundation** both in commercial and administrative areas
- Aims to accelerate integration of its solution business prowess and digital technologies capability into Japan, as well as **increase of newly acquired orders and executed contracts in Japan**

<100-day PMI Plan Major Initiatives>

Commercial Initiatives

- **Introduce a long-term incentive plan for key management including CEO**
 - Linked with 5-year business plan, mitigating retention risk
- **Newly establish Japan Client Development (JCD)**
 - Integrated Robosoft's solution offerings into the Group's service catalogues, commenced sales activities for Japanese customer base
 - UI/UX design solutions are attracting strong interest, although deals are not closed yet
- **Share prowess in Solution Business**
 - Examining and importing Robosoft's expertise such as delivery process, engineer/sales training, marketing
- **Formulate bolt-on acquisition strategy centered with Robosoft**
 - Create a list of offshore delivery companies that complement specific technological capabilities and solutions, and explore M&A possibilities

Administrative Initiatives

- **Correct & improve issues identified in due diligence**
 - Thoroughly corrected compliance related issues identified in the legal DD
- **Establish management system compliant with the Group's criteria**
 - Management standards were very high, therefore smoothly carries out monthly accounting consolidation, budget vs. actual analysis/KPI management, forecasts
 - Began to build internal control system, IT governance required for subsidiary of the TSE listed company
 - Started to discuss plans to introduce new systems for accounting, HR, delivery process management along with company growth
- **Succession of Promotor & CFO**
 - Named a new CFO from TechnoPro's Overseas Business Dept. who has been in charge of Robosoft's PMI, will send to India while considering the COVID-19 situation

Digital Transformation (DX) in the Group

- By leveraging assets obtained through Core Business (engineers/customer touchpoints/training curriculums), **promotes evolution of Core Business** with digital technologies and data utilization (the key to achieve DX in the Group lies in the development of AI engine through accumulating and analyzing engineer lifecycle data)
- Plans to **assign in-house engineers** as far as possible to develop the Group's internal IT systems in order to gain know-how and experience concerning leading-edge technologies

Core Business
(Engineer staffing)

Solid Business Foundation

Recruiting

HR Development

Allocation/Sales

Utilization of digital technologies and data to leverage Core Business

Solution Business

- Plans to introduce system modules particularly applicable to Solution Business including following functions, integrate into main systems for Core Business currently under development (attendance/contract issuance/billing, to be replaced stepwise in January 2023 onward)
 - Take full advantage of on-site customer touchpoints, optimize & reinforce presales activities and delivery process
 - Utilization of engineers, proposals, deliverables and delivery framework across the Group

Engineer Training Business

- Starts operation of a new LMS platform which can support external sales by September 2022
- Considers to deliver consulting to external customers based on accumulation and analysis of learning history and training data across the Group

DX Promotion Business

- Plans to commence in early 2022, mainly led by Advanced Technology Center in the Group, development of AI engine which will contribute to matching, retention, and job seeker screening, while considering to partner with university laboratories as an option

Back-office Function

- Aims to streamline and improve productivity through proactive utilization of RPA for back office operations
- Continues to strengthen IT infrastructure and security globally

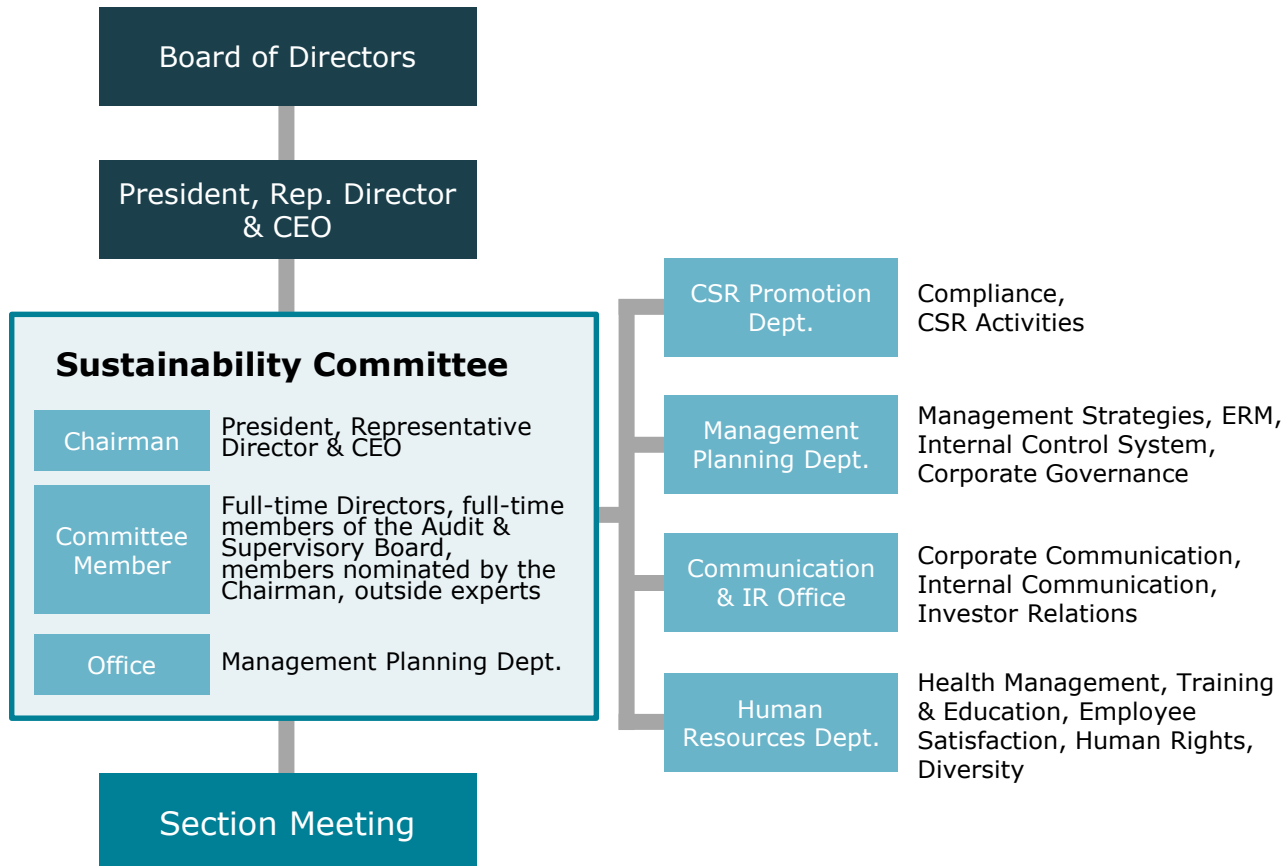
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Sustainability Management

- **Established Sustainability Committee** chaired by the President, Representative Director & CEO to make decisions relating to the consideration of material issues, development and operation
- Aims to develop and operate rules and regulations including Sustainability Policy, thereby **promote understanding of sustainability management at business operation**

Sustainability Promotion System Structure



TechnoPro Group Sustainability Policy

The TechnoPro Group will achieve sustainable business growth and increase corporate value through creating shared value with our stakeholders, including executives, employees, customers, and society, based on our engineers, technical capabilities, and business models, and through the establishment of and operations built on a solid management foundation. As a result, we will contribute to the sustainable development and prosperity of economies, industries, and societies around the world, as well as to the preservation of the global environment.

(omitted below)

Established: September 1, 2021

To learn more about our rules and regulations including TechnoPro Group Code of Conduct, please visit **Sustainability pages on our website, which was thoroughly revised.**



<https://www.technoproholdings.com/en/csr/>

ESG/SDGs Initiatives

- Focusing on contributing to social issues through business activities, **established KPIs and targets relating to materiality** and disclose in the Integrated Report published every December
- The Integrated Report 2021 provides ever wider information concerning the KPI figures and targets in order to respond to the needs from society and investor community

Material Issues (Materiality) for the TechnoPro Group

I Raising Everyone's Potential

- Issues related to Human Resources
- 23 KPIs incl. People undergoing training, etc.

II Contributing to Society through the Power of Technology

- Issues related to Technology
- 5 KPIs incl. No. of digital-related engineers, etc.

III A Trusted Partner

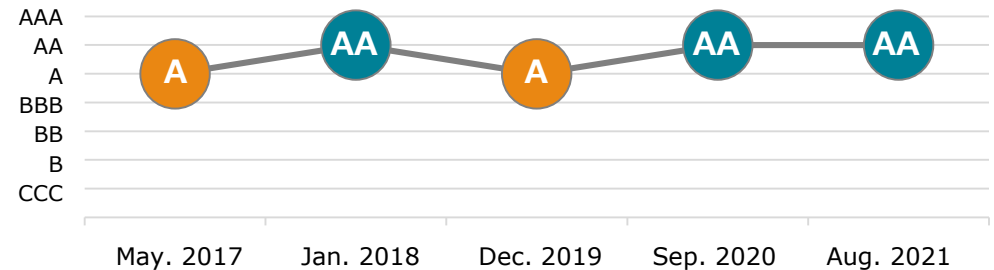
- Issues related to Social Responsibility
- 7 KPIs incl. CO₂ emissions, etc.

IV A Sustainably Growing Company

- Issues related to Corporate Governance
- 13 KPIs incl. % of outside directors , etc.

MSCI ESG Ratings and Selected ESG Indices

As of 2021, TechnoPro Holdings, Inc. received an MSCI ESG Rating of AA



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2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

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The TechnoPro Group's Key SDGs



KPIs and Targets for Material Issues (Materiality)

Human Resources

Raising Everyone's Potential

		FY17.6	FY18.6	FY19.6	FY20.6	FY21.6	Target
No. of People undergoing training (cumulative)	(People)	55,521	79,105	208,522	235,670	213,795	Total of 300,000 people/year in FY26.6 (incl. e-learning)
Of which, group training (cumulative)	(People)	55,521	71,023	97,306	120,829	47,441	—
Of which, e-learning (cumulative)	(People)	—	8,082	111,216	114,841	166,354	—
Hours of training (cumulative)	(Hours)	220,618	258,115	512,231	492,566	447,809	—
No. of unique participants (including e-learning)	(People)	—	—	17,153	22,039	22,974	—
Employee satisfaction (index: FY13.6 = 100)		108	107	113	114	118	Improve continuously
No. of customer participants in the engineer training business	(People)	—	—	—	—	10,400	13,000 people/year by FY26.6
Revenue from the engineer training business	(billion yen)	—	—	—	—	16.7	¥2 billion in FY26.6
% of Women Hired (total)		17.6%	19.7%	26.1%	24.9%	22.6%	30% or above by June 2026
Of which, new graduates		15.6%	15.3%	22.5%	19.3%	24.3%	—
Of which, mid-career hires		18.1%	21.1%	27.7%	27.1%	22.2%	—
% of female employees		13.9%	15.2%	17.2%	18.4%	18.3%	20% by June 2026
% of female employees in managerial positions		5.4%	7.9%	8.1%	7.6%	7.9%	10% by June 2026
% of non-Japanese nationals in managerial positions		0.6%	0.9%	1.2%	1.4%	1.4%	Increase the diversity of the Group's managers over the long term
% of mid-career hires		80.0%	76.2%	77.7%	70.5%	80.6%	—
% of mid-career hires in managerial positions		—	—	—	—	83.6%	—
No. of non-Japanese engineers working in Japan	(People)	550	756	985	1,178	921	1,500 people by June 2026
% of women taking childcare leave		95.8%	100.0%	98.7%	100.0%	100.0%	—
% of men taking childcare leave		3.1%	4.0%	5.7%	7.0%	11.8%	20% or above by FY 26.6
No. of men taking childcare leave	(People)	11	16	21	35	36	—
% of employees with disabilities		2.21%	2.21%	2.21%	2.21%	2.27%	Maintain employment rate at or above legal mandated level
No. of people aged 60 or more	(People)	535	641	725	742	768	Increase continuously
Turnover rate of permanent employee engineers		7.9%	8.1%	8.3%	8.8%	8.4%	At or below 7.5%

Technology

Contributing to Society through the Power of Technology

		FY17.6	FY18.6	FY19.6	FY20.6	FY21.6	Target
Revenue from the solution business (Japan)	(billion yen)	—	—	—	—	27.8	¥57 billion in FY26.6
No. of digital-related engineers	(People)	—	—	—	—	2,991	6,000 people by June 2026
Revenue from digital-related engineering	(billion yen)	—	—	—	—	—	¥50 billion in FY26.6
No. of environment-related engineers	(People)	—	—	—	—	—	500 people by June 2026
Revenue from environment-related engineering	(billion yen)	—	—	—	—	—	¥4 billion in FY26.6

KPIs and Targets for Material Issues (Materiality) (cont.)

Social Responsibility

A Trusted Partner

		FY17.6	FY18.6	FY19.6	FY20.6	FY21.6	Target
Material legal violations	(Cases)	0	0	0	0	0	Continue to have zero cases
Paid leave acquisition rate		71.3%	75.0%	72.1%	79.0%	74.4%	75% or above
Average hours of overtime	(Hours/month)	19.2	17.6	16.3	13.5	13.3	Maintain at 20 hours/month or below
% of people participating in training on human rights, ethics, information security, and anti-corruption		—	—	100.0%	100.0%	100.0%	Continue at 100%
CO ₂ emissions (Japan)	(t-CO ₂)	—	—	—	2,118.2	1,803.9	Reduce continuously
CO ₂ emissions per ¥1 million in revenue	(t-CO ₂)	—	—	—	0.014	0.012	Reduce continuously
Paper usage/revenue (index: FY15.6 = 100)		85.9	77.5	70.3	53.2	40.5	Improve continuously

Governance

A Sustainably Growing Company

		FY17.6	FY18.6	FY19.6	FY20.6	FY21.6	Target
% of outside directors		37.5%	37.5%	37.5%	37.5%	37.5%	—
No. of female directors	(people)	1	1	1	1	1 *1	Maintain at two or more
% of female directors		12.5%	12.5%	12.5%	12.5%	12.5% *1	—
No. of female officers (Directors + Audit & Supervisory Board members)	(people)	1	1	1	1	2	—
% of female officers (Directors + Audit & Supervisory Board members)		8.3%	8.3%	8.3%	8.3%	16.7%	—
No. of directors (Group)	(people)	25	56	50	53	53	—
No. of female directors (Group)	(people)	3	3	2	2	3	—
% of female directors (Group)		12.0%	5.4%	4.0%	3.8%	5.7%	Increase the diversity of the Group's directors over the long term
No. of non-Japanese directors (Group)	(people)	6	8	10	11	12	—
% of non-Japanese directors (Group)		24.0%	14.3%	20.0%	20.8%	22.6%	Increase the diversity of the Group's directors over the long term
Internal reporting system	(Cases)	23	36	52	129	93	Ensure appropriate operation of the internal reporting system
EPS *2	(Yen)	75.19	81.60	88.95	99.99	122.96	Grow continuously (achievement of medium-term plan)
No. of IR meetings	(Cases)	333	333	390	520	487	Maintain at or above 400 per annum

*1 A new female outside director was elected at the Ordinary General Meeting of Shareholders in September 2021, and as of September 29, 2021, two female directors sit on our Board. (% of female directors of the Company: 22.3%)

*2 Calculated based on the number of shares AFTER a three-for-one common stock split conducted on July 1, 2021

Integrated Report 2021

https://www.technoproholdings.com/en/ir/ir_library/integrated_report.html



Disclaimer

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