

# **TechnoPro Group Financial Results for the 3rd Quarter of FYE June 2022**

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

April 28, 2022

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

# FY2022 Q3 Financial Overview

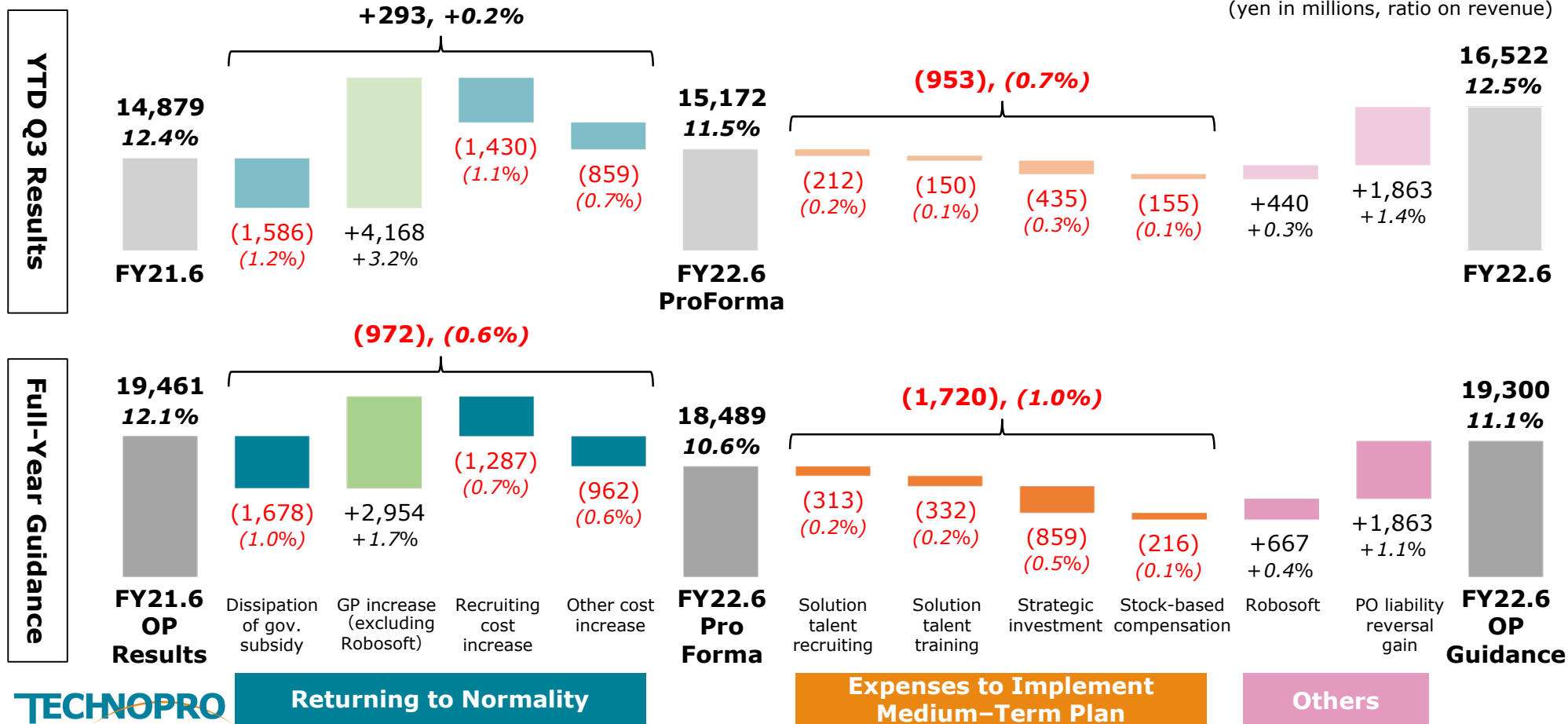
- Year-to-date Q3 FY22.6 revenue was **131.7 billion yen**, up 9.6% year-on-year; gross profit was **34.2 billion yen**, up 18.7% year-on-year; core operating profit was **14.4 billion yen**, up 9.6% year-on-year; operating profit was **16.5 billion yen**, up 11.0% year-on-year; net income was **12.0 billion yen**, up 17.8% year-on-year
- Year-to-date Q3 FY22.6 gross profit was **up 18.7%** year-on-year mainly due to 1) the mix of increased allocation and decreased standby of domestic engineers (up 5.4%), 2) expansion of project-type services (up 4.6%), and 3) new consolidation of Robosoft's earnings (up 4.3%), while gross profit margin improved 2.0 pts and core operating profit increased year-on-year
- Net income significantly improved by reviewing estimated effective tax rate due to Helius' PO liability reversal gain

(yen in millions, except per share amounts)

	Q3 (Three-Months Period)				Nine-Months Ended					Full-Year		
	FY21.6 (Results)	FY22.6 (Results)	YOY		FY21.6 (Results)	FY22.6 (Results)	Progress	YOY		FY21.6 (Results)	FY22.6 (Guidance)	YOY
Revenue	40,729	45,354	+4,624	+11.4%	120,181	131,712	75.7%	+11,531	+9.6%	161,316	174,000	+7.9%
Gross profit	10,363	12,402	+2,039	+19.7%	28,887	34,283	—	+5,396	+18.7%	39,727	—	—
GP margin	25.4%	27.3%	+1.9pt		24.0%	26.0%		+2.0pt		24.6%		
SG&A expenses	5,468	6,988	+1,519	+27.8%	15,700	19,837	—	+4,136	+26.3%	22,087	—	—
Ratio on revenue	13.4%	15.4%	+2.0pt		13.1%	15.1%		+2.0 pts		13.7%		
Core operating profit	4,894	5,414	+519	+10.6%	13,186	14,446	83.5%	+1,260	+9.6%	17,639	17,300	(1.9%)
Core OP margin	12.0%	11.9%	(0.1 pts)		11.0%	11.0%		(0.0 pts)		10.9%	9.9%	
Other income	469	112	(357)	—	1,984	2,265	—	+280	—	2,162	—	—
Other expenses	165	82	(83)	—	291	189	—	(102)	—	340	—	—
Operating profit	5,198	5,444	+245	+4.7%	14,879	16,522	85.6%	+1,642	+11.0%	19,461	19,300	(0.8%)
OP margin	12.8%	12.0%	(0.8 pts)		12.4%	12.5%		+0.2pt		12.1%	11.1%	
Profit before income taxes	5,257	5,547	+290	+5.5%	14,902	16,777	86.9%	+1,874	+12.6%	19,472	19,300	(0.9%)
Net profit	3,626	4,283	+656	+18.1%	10,249	12,077	90.8%	+1,827	+17.8%	13,245	13,300	+0.4%
Net profit margin	8.9%	9.4%	+0.5 pts		8.5%	9.2%		+0.6 pts		8.2%	7.6%	
Earnings per share	33.66	39.76	+6.10	+18.1%	95.15	112.11	—	+16.96	+17.8%	122.96	123.46	+0.4%
Dividend per share	—	—	—	—	16.67	20.00	—	+3.33	+20.0%	61.67	62.00	+0.5%

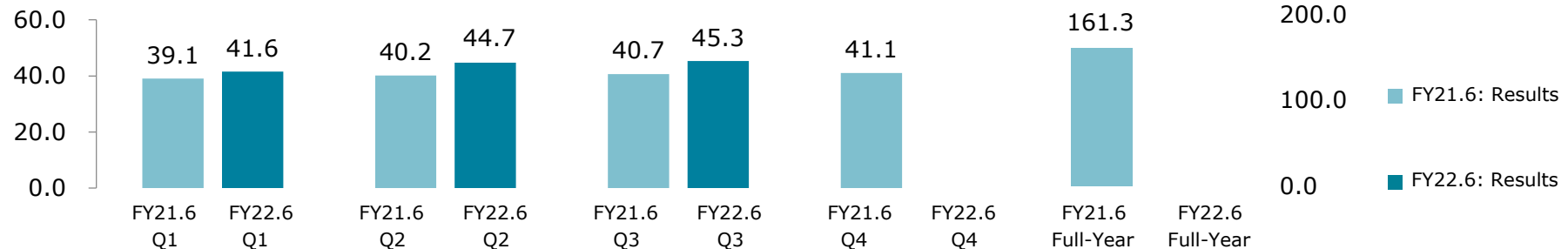
# Operating Profit Bridge

- Increase in recruitment and other costs and the dissipation of the government subsidy for continuous employment were sufficiently offset by the **improvement of gross profit** driven by the increased number of assigned engineers and the unit sales price hike, making year-to-date Q3 pro forma operating profit exceed previous year; (however, the increase of GP is expected to become smaller in Q4 since much larger number of new graduates compared to the previous year joined in April)
- Expenses recorded to date to implement Medium-Term Plan still remain at **55%** against annual budget, but the full year guidance is based on assumption that all budgeted expenses will be spent by the end of this fiscal year



# Reference: Quarterly Performance

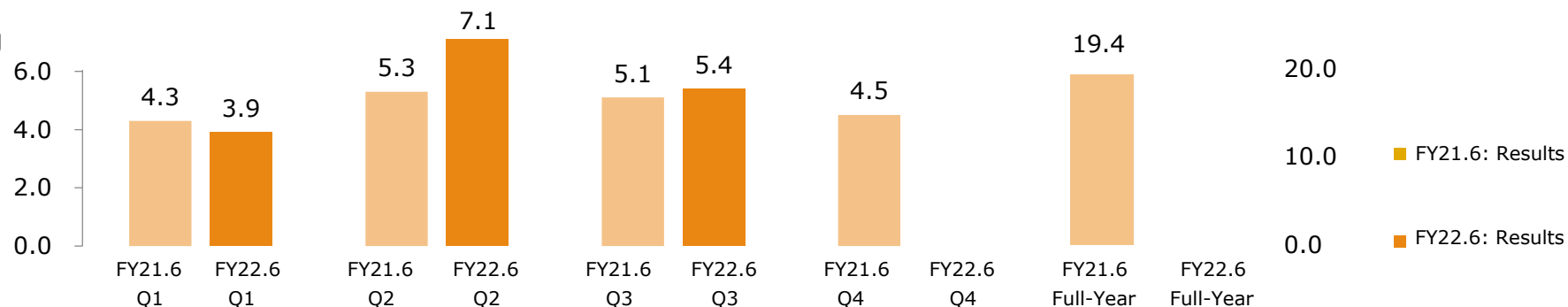
## Revenue



YOY	+6.2%		+11.1%		+11.4%		-		-	
Progress on full-year %	24.3%	-	25.0%	-	25.2%	-	25.5%	-	100.0%	-
Ave. no. of engineers	20,795	20,439	20,287	20,673	19,986	20,949	20,229	[21,950]	20,324	[21,000]
Ave. utilization ratio	92.7%	95.5%	94.8%	95.7%	96.2%	96.0%	94.7%	[93.0%]	94.6%	[95.0%]
Ave. monthly unit sales price (thousand yen)*	620	639	637	660	640	673	639	[650]	634	[655]
Working days*	56.2	55.7	58.6	58.2	56.5	55.7	57.7	[56.6]	229.0	[226.3]
Working hours per day*	8.44	8.49	8.47	8.49	8.51	8.51	8.47	[8.48]	8.47	[8.49]

† Figures in brackets indicate forecast at the time of publication

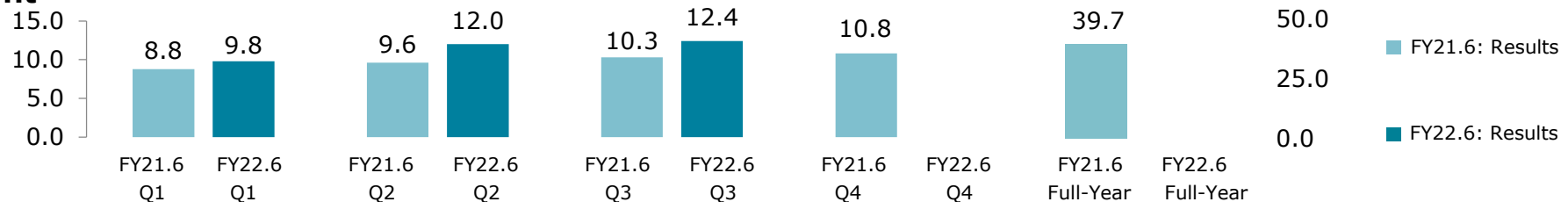
## Operating Profit



YOY	(9.5%)		+34.0%		+4.7%		-		-	
Progress on full-year %	22.4%	-	27.4%	-	26.7%	-	23.5%	-	100.0%	-
OP margin	11.1%	9.5%	13.2%	16.0%	12.8%	12.0%	11.1%	-	12.1%	-

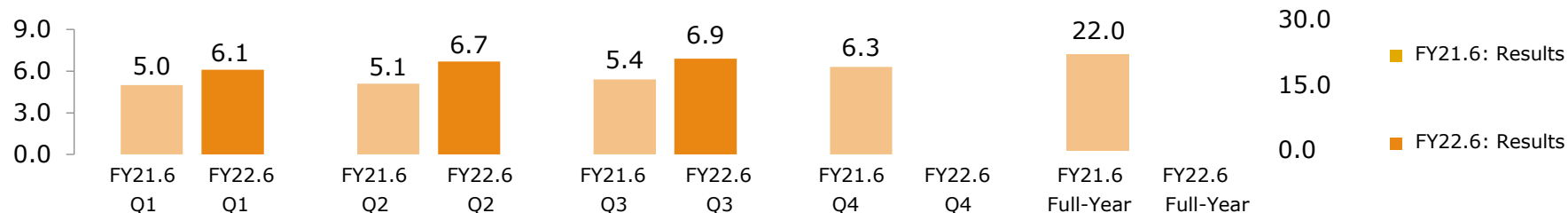
# Reference: Quarterly Performance (cont.)

## Gross Profit



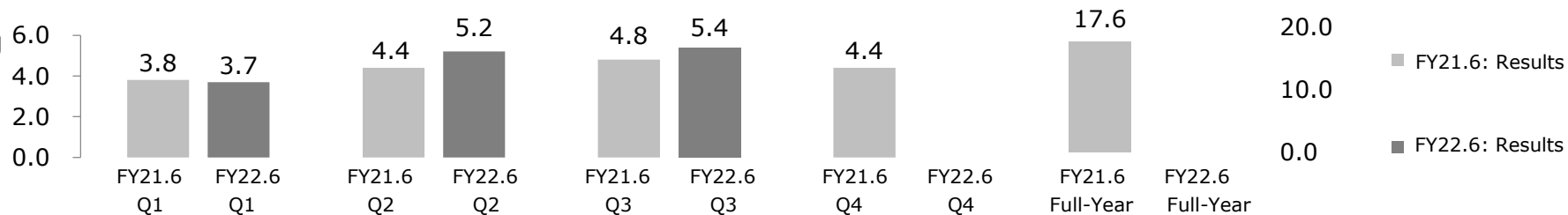
YOY	+11.0%		+24.7%		+19.7%		-		-	
GP margin	22.7%	23.7%	23.9%	26.9%	25.4%	27.3%	26.4%	-	24.6%	-

## SG&A



YOY	+21.1%		+29.9%		+27.8%		-		-	
Ratio on revenue	12.9%	14.7%	12.9%	15.1%	13.4%	15.4%	15.5%	-	13.7%	-

## Core Operating Profit



YOY	(2.2%)		+18.6%		+10.6%		-		-	
Core OP margin	9.8%	9.1%	11.0%	11.8%	12.0%	11.9%	10.8%	-	10.9%	-

# FY2022 Q3 Segment Results [Year-to-date]

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY
Revenue	94,758	95,464	101,554	+6.4%	14,922	14,849	15,213	+2.5%	3,112	2,693	3,346	+24.2%	112,793	113,007	120,113	+6.3%
<i>Ratio to consolidated revenue</i>	79.3%	79.4%	77.1%		12.5%	12.4%	11.6%		2.6%	2.2%	2.5%		94.4%	94.0%	91.2%	
Gross profit	23,178	21,322	24,631	+15.5%	4,610	4,472	4,568	+2.1%	2,223	1,748	2,508	+43.5%	30,012	27,543	31,708	+15.1%
<i>GP margin</i>	24.5%	22.3%	24.3%		30.9%	30.1%	30.0%		71.4%	64.9%	75.0%		26.6%	24.4%	26.4%	
Operating profit	10,221	12,146	11,029	(9.2%)	1,884	2,187	1,971	(9.9%)	306	112	499	+344.6%	12,412	14,445	13,499	(6.6%)
<i>OP margin</i>	10.8%	12.7%	10.9%		12.6%	14.7%	13.0%		9.9%	4.2%	14.9%		11.0%	12.8%	11.2%	
OP before PPA asset amortization	10,281	12,206	11,113	(9.0%)	1,884	2,187	1,971	(9.9%)	306	112	499	+344.6%	12,472	14,506	13,583	(6.4%)
<i>OP margin before PPA asset amortization</i>	10.9%	12.8%	10.9%		12.6%	14.7%	13.0%		9.9%	4.2%	14.9%		11.1%	12.8%	11.3%	
PPA asset amortization	(60)	(60)	(84)	—	—	—	—	—	—	—	—	—	(60)	(60)	(84)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	17,520	17,368	18,356	+5.7%	2,714	2,581	2,698	+4.5%	—	—	—	—	20,234	19,949	21,054	+5.5%
o/w Non-Japanese in Japan	1,065	853	785	(8.0%)	83	91	105	+15.4%	—	—	—	—	1,148	944	890	(5.7%)

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY
Revenue	7,853	8,119	13,464	+65.8%	120,646	121,126	133,577	+10.3%	(1,155)	(945)	(1,865)	—	119,491	120,181	131,712	+9.6%
<i>Ratio to consolidated revenue</i>	6.6%	6.8%	10.2%		101.0%	100.8%	101.4%		(1.0%)	(0.8%)	(1.4%)		100.0%	100.0%	100.0%	
Gross profit	1,767	1,894	3,825	+102.0%	31,780	29,437	35,534	+20.7%	(827)	(550)	(1,250)	—	30,952	28,887	34,283	+18.7%
<i>GP margin</i>	22.5%	23.3%	28.4%		26.3%	24.3%	26.6%		—	—	—		25.9%	24.0%	26.0%	
Operating profit	563	601	1,343	+123.3%	12,976	15,047	14,842	(1.4%)	94	(167)	1,679	—	13,070	14,879	16,522	+11.0%
<i>OP margin</i>	7.2%	7.4%	10.0%		10.8%	12.4%	11.1%		—	—	—		10.9%	12.4%	12.5%	
OP before PPA asset amortization	716	756	1,658	+119.3%	13,189	15,262	15,241	(0.1%)	143	(167)	(183)	—	13,333	15,094	15,058	(0.2%)
<i>OP margin before PPA asset amortization</i>	9.1%	9.3%	12.3%		10.9%	12.6%	11.4%		—	—	—		11.2%	12.6%	11.4%	
PPA asset amortization	(153)	(154)	(315)	—	(213)	(214)	(399)	—	—	—	—	—	(213)	(214)	(399)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	60	—	1,863	—	60	—	1,863	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	(110)	—	—	—	(110)	—	—	—
No. of engineers (period-end)	1,569	1,921	2,890	+50.4%	21,803	21,870	23,944	+9.5%	—	—	—	—	21,803	21,870	23,944	+9.5%

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

# Reference: FY2022 Q3 Segment Results [Three Months]

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY
Revenue	32,081	32,160	34,692	+7.9%	5,154	4,929	5,247	+6.4%	1,068	994	1,128	+13.4%	38,304	38,084	41,067	+7.8%
<i>Ratio to consolidated revenue</i>	79.3%	79.0%	76.5%		12.7%	12.1%	11.6%		2.6%	2.4%	2.5%		94.7%	93.5%	90.5%	
Gross profit	8,149	7,828	8,887	+13.5%	1,634	1,429	1,618	+13.2%	729	643	839	+30.3%	10,512	9,901	11,344	+14.6%
<i>GP margin</i>	25.4%	24.3%	25.6%		31.7%	29.0%	30.8%		68.2%	64.7%	74.4%		27.4%	26.0%	27.6%	
Operating profit	3,790	4,441	4,250	(4.3%)	727	621	744	+19.6%	44	85	107	+25.4%	4,561	5,149	5,102	(0.9%)
<i>OP margin</i>	11.8%	13.8%	12.3%		14.1%	12.6%	14.2%		4.1%	8.6%	9.6%		11.9%	13.5%	12.4%	
OP before PPA asset amortization	3,810	4,461	4,279	(4.1%)	727	621	744	+19.6%	44	85	107	+25.4%	4,581	5,169	5,131	(0.7%)
<i>OP margin before PPA asset amortization</i>	11.9%	13.9%	12.3%		14.1%	12.6%	14.2%		4.1%	8.6%	9.6%		12.0%	13.6%	12.5%	
PPA asset amortization	(20)	(20)	(29)	—	—	—	—	—	—	—	—	—	(20)	(20)	(29)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	17,520	17,368	18,356	+5.7%	2,714	2,581	2,698	+4.5%	—	—	—	—	20,234	19,949	21,054	+5.5%
o/w Non-Japanese in Japan	1,065	853	785	(8.0%)	83	91	105	+15.4%	—	—	—	—	1,148	944	890	(5.7%)

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY	FY20.6 Q3	FY21.6 Q3	FY22.6 Q3	YOY
Revenue	2,562	2,931	4,975	+69.7%	40,866	41,015	46,043	+12.3%	(412)	(286)	(689)	—	40,453	40,729	45,354	+11.4%
<i>Ratio to consolidated revenue</i>	6.3%	7.2%	11.0%		101.0%	100.7%	101.5%		(1.0%)	(0.7%)	(1.5%)		100.0%	100.0%	100.0%	
Gross profit	603	638	1,511	+136.6%	11,116	10,540	12,856	+22.0%	(269)	(177)	(453)	—	10,846	10,363	12,402	+19.7%
<i>GP margin</i>	23.5%	21.8%	30.4%		27.2%	25.7%	27.9%		—	—	—		26.8%	25.4%	27.3%	
Operating profit	210	168	489	+190.5%	4,772	5,317	5,591	+5.2%	76	(118)	(147)	—	4,848	5,198	5,444	+4.7%
<i>OP margin</i>	8.2%	5.7%	9.8%		11.7%	13.0%	12.1%		—	—	—		12.0%	12.8%	12.0%	
OP before PPA asset amortization	261	221	620	+180.5%	4,843	5,390	5,752	+6.7%	186	(118)	(147)	—	5,030	5,271	5,605	+6.3%
<i>OP margin before PPA asset amortization</i>	10.2%	7.6%	12.5%		11.9%	13.1%	12.5%		—	—	—		12.4%	12.9%	12.4%	
PPA asset amortization	(51)	(52)	(131)	—	(71)	(73)	(160)	—	—	—	—	—	(71)	(73)	(160)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	(110)	—	—	—	(110)	—	—	—
No. of engineers (period-end)	1,569	1,921	2,890	+50.4%	21,803	21,870	23,944	+9.5%	—	—	—	—	21,803	21,870	23,944	+9.5%

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



# FY2022 Q3 Balance Sheet & Cash Flows

- **10 billion yen** straight bonds (5 billion yen for 3-year bonds & 5 billion yen for 5-year bond, R&I rating is **A-**) were newly issued in October 2021 to refinance total amount of the bridge loan (**6.5 billion yen**) to acquire Robosoft as a long-term fixed debt, returning unused commitment lines for the M&A purpose back to **10 billion yen**
- Foreign exchange risks associated with potential exercise of put option of Orion and remaining share acquisition of Robosoft have been partially hedged to mitigate negative impact from rapid weakening of Japanese yen

## Q3 FY22.6 End B/S (yen in billions)

Cash & cash equivalents 31.8	Debt 17.0
IFRS 16 related assets 8.5	IFRS 16 related Liabilities 8.5
Goodwill 45.2	Other liabilities 40.0
PPA 4.8	PO, etc. liabilities 4.5
Other assets 45.2	Total equity 65.5

Total assets 135.5

Total liabilities & equity 135.5

Net Cash : 14.8 bn yen

Net Worth Ratio\* : 48.3%

Goodwill/E Ratio\* : 0.69x

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

## YTD Q3 FY22.6 Cash Flows (yen in millions)

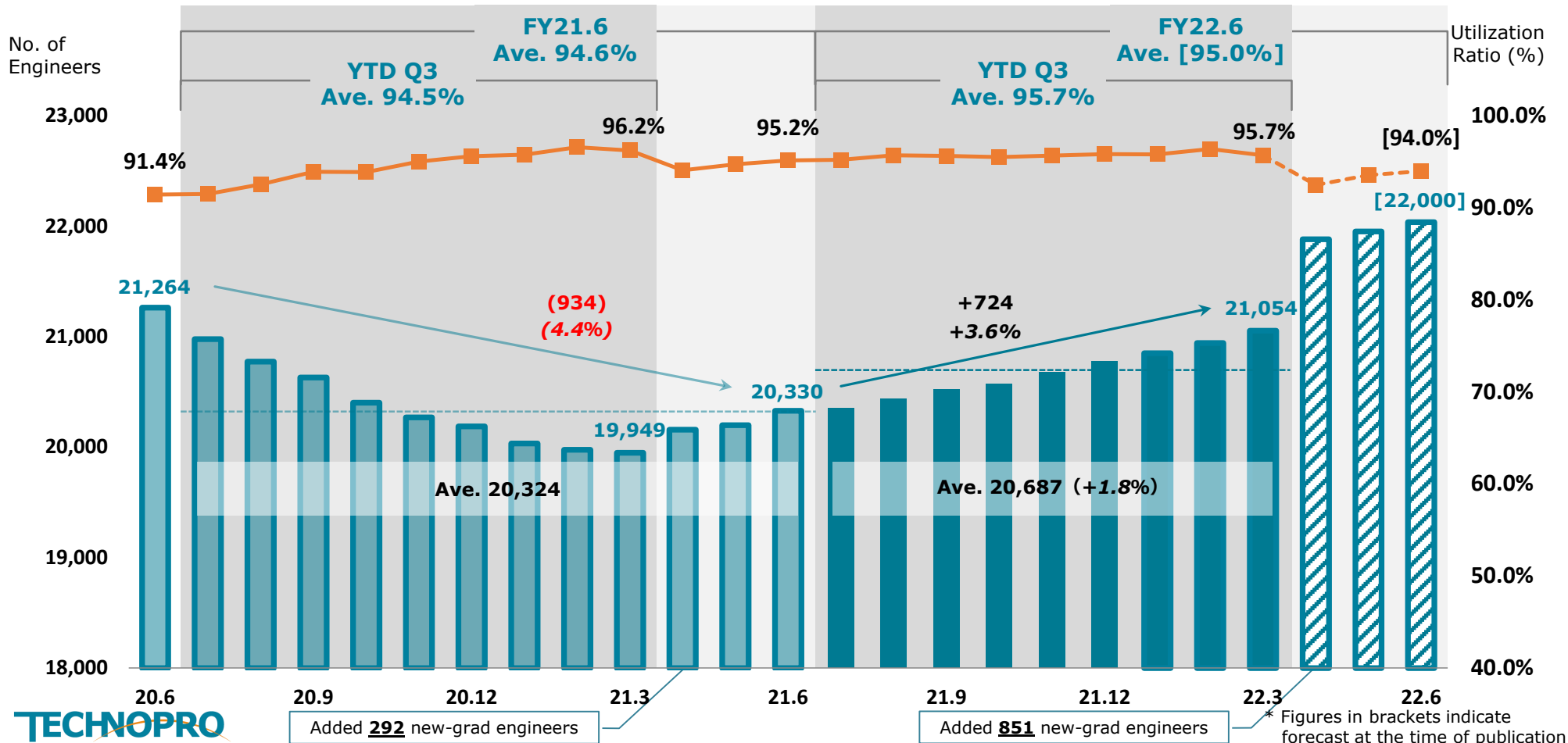
• <b>Operating CF</b>	<b>+10,671</b>
Net cash flow from income tax payment & refund	(7,094)
• <b>Investing CF</b>	<b>(7,441)</b>
M&A consideration payment (Robosoft, etc.)	(8,681)
Proceeds from the sale of investment securities (HRnet)	+1,563
• <b>Financing CF</b>	<b>(4,254)</b>
IFRS 16 related lease liability repayment	(4,871)
Net cash flow from debt procurement & repayment	+8,500
Dividend payment	(7,052)
Net CF (incl. effect of exchange rate change of 343 mn yen)	<b>(681)</b>

## 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	0	10,000	Jun. 2022
Total	20,000	0	20,000	

# Number of Engineers & Utilization Ratio [Japan]

- Engineers in Japan at the end of Q3 FY22.6 totaled **21,054** (up 724 from FY21.6 end), including **890** non-Japanese engineers (down 31 from FY21.6 end)
- Average utilization ratio was **95.7%** for year-to-date Q3 FY22.6 (up 1.2 pts year-on-year), expecting full-year average ratio of **95.0%** (up 0.4 pts year-on-year)
- Engineers outside Japan totaled **2,890** (not included in number of engineers in Japan, up 920 from FY21.6 end)

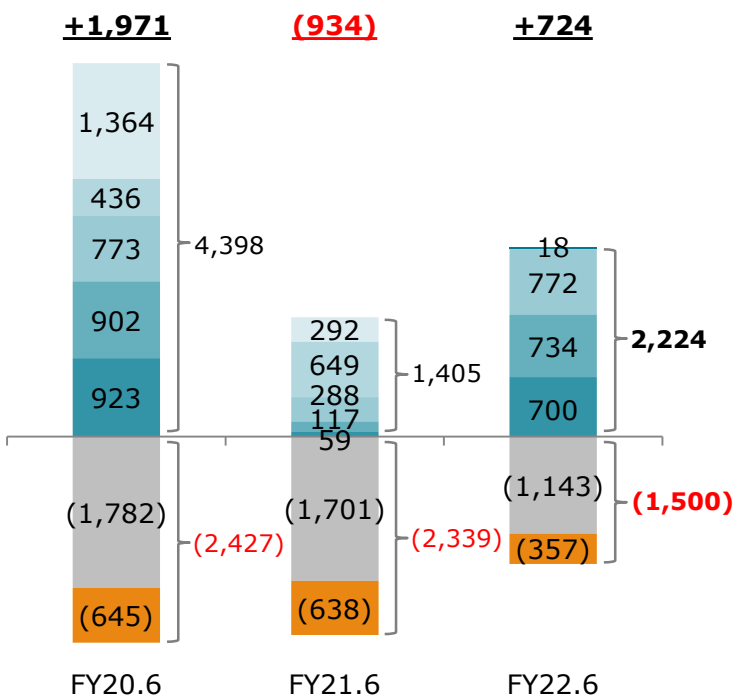


# Recruitment/Turnover [Japan]

- Engineers hired for year-to-date Q3 FY22.6 (including 18 engineers from M&A) totaled **2,224** (up 1,760 year-on-year); **851** new-graduate engineers hired in April 2022
- 1,500** engineers left for year-to-date Q3 FY22.6 (down 279 year-on year); **1,143** permanent employees (down 136 year-on-year) and **357** fixed-term employees
- Turnover ratio for permanent employees\* was **7.4%** (down 1.0 pts year-on-year) for year-to-date Q3 FY22.6, which was below the target of 7.5%, also decreased to less than 8.0% on last twelve months basis
- Net engineer increase was **724** for year-to-date Q3 FY22.6, maintaining monthly net increase driven by mid-carrier recruitment outpacing retirement during the period

## Net Increase (Decrease)

(No. of Engineers)



## Annual Recruitment/Turnover

(No. of Engineers)

	FY20.6	FY21.6	FY22.6 Q3	YOY	
<b>Hired Total</b>	<b>4,398</b>	<b>1,405</b>	<b>2,224</b>	—	—
M&A	0	0	18	—	—
New-grads joined in April	1,364	292	—	—	—
Mid-carrier: Q4	436	649	—	—	—
Mid-carrier: Q3	773	288	772	+484	+168.1%
Mid-carrier: Q2	902	117	734	+617	+527.4%
Mid-carrier: Q1	923	59	700	+641	+1086.4%
<b>Turnover Total</b>	<b>2,427</b>	<b>2,339</b>	<b>1,500</b>	—	—
Permanent employees	1,782	1,701	1,143	—	—
Contract terms matured, others	645	638	357	—	—

## 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%	7.1%	7.4%	—
Year-to-date	—	8.2%	8.3%	8.8%	—	8.5%	8.4%	8.4%	—	7.4%	7.4%	—
Last Twelve Months	8.5%	8.7%	8.3%	8.8%	8.9%	8.9%	8.8%	8.4%	8.1%	7.8%	7.6%	—

\* 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

**Q3 FY21.6 End**

Assigned Engineers: **19,200**

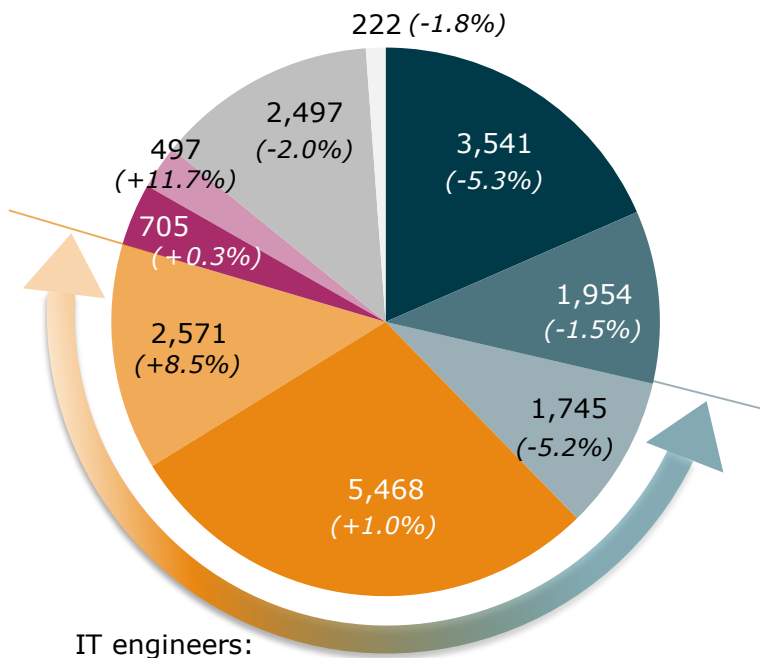
**+5.0%**

**+953**

**Q3 FY22.6 End**

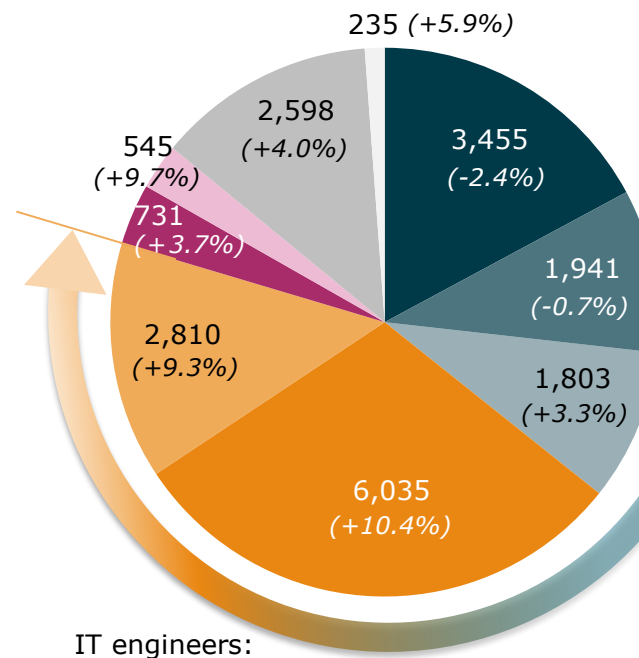
Assigned Engineers: **20,153**

No. of  
Engineers

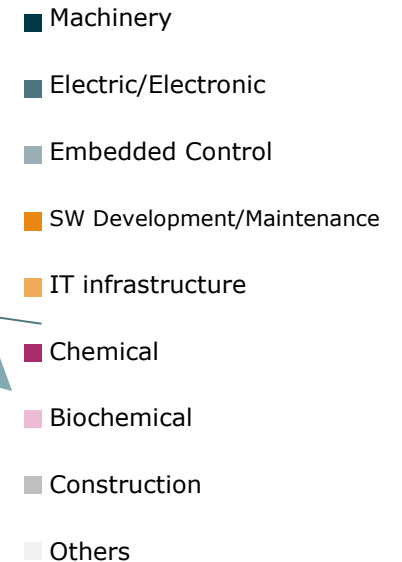


IT engineers:  
51.0%/9,784

**TECHNOPRO**



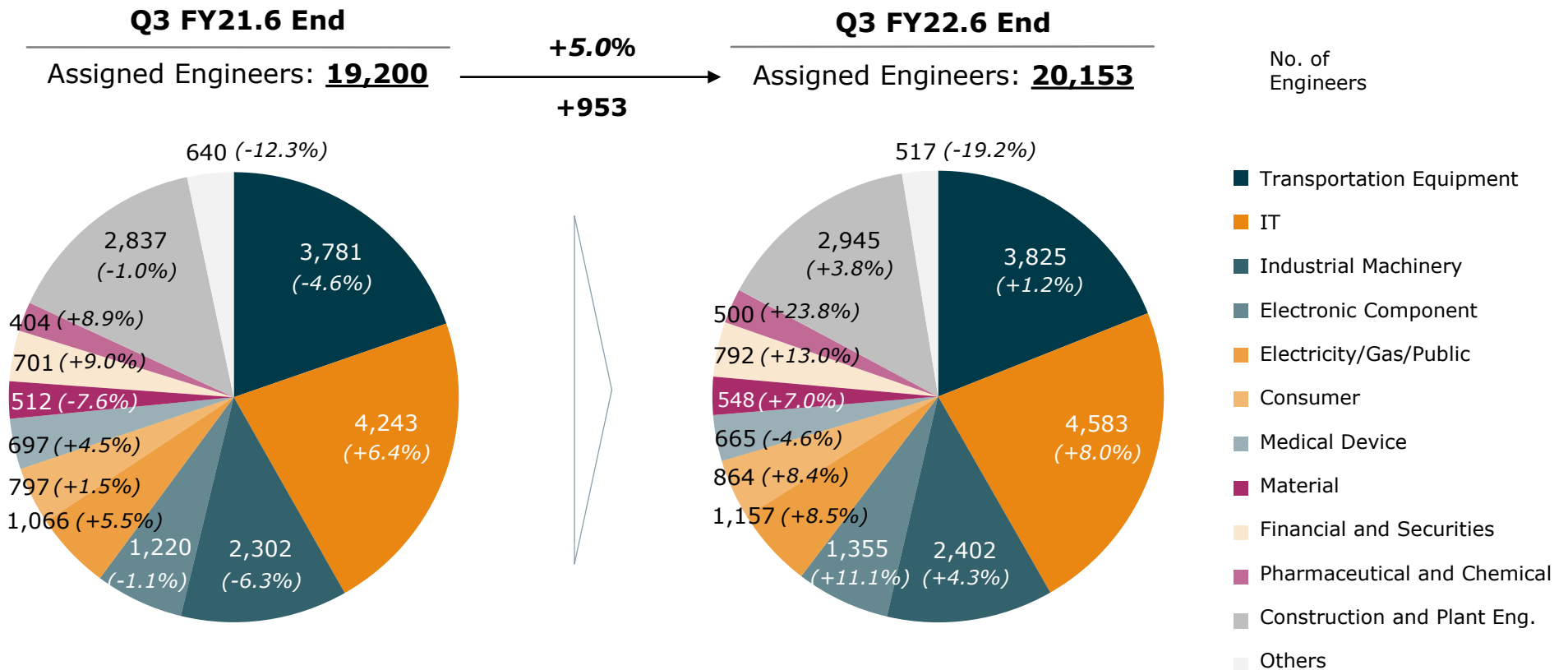
IT engineers:  
52.8%/10,648



† Figures in parenthesis indicate year-on-year % change

# Assigned Engineers Portfolios by "Industry" [Japan]

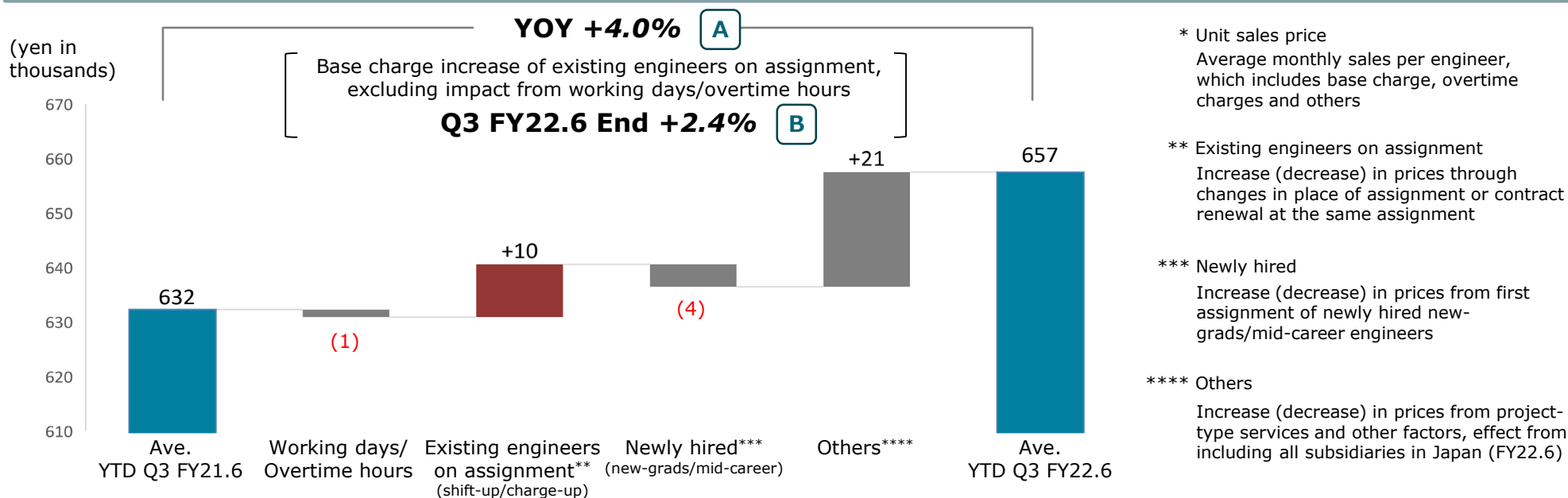
- Manufacturers in Transportation Equipment continue to show robust willingness to invest in the areas such as autonomous driving technology or EV, therefore the number of engineers on assignment in this industry exceeded year-on-year
- Impact on new orders due to the situation in Ukraine has not yet been observed, but some customers might become cautious about actual spending of R&D budget for the time being
- A certain level of skills and experience required to assign engineers, but demand from IT sector remains strong, therefore we began discussing about when to accelerate 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 year-to-date Q3 FY22.6 increased to **657K yen** (up 25K yen/month or 4.0% year-on-year)
- Decreased 1K yen/month year-on-year due to the mix of decreased working days and longer overtime hours, and diluted 4K yen/month year-on-year due to first assignment of newly hired new-grads/mid-career engineers
- Increased 10K yen/month driven by base charge hike for existing engineers on assignment through shift-up/charge-up efforts
- Increased 21K yen/month driven by the growth of project-type services and the effect from including all subsidiaries in Japan (of which, effect from scope expansion was 8K yen/month)



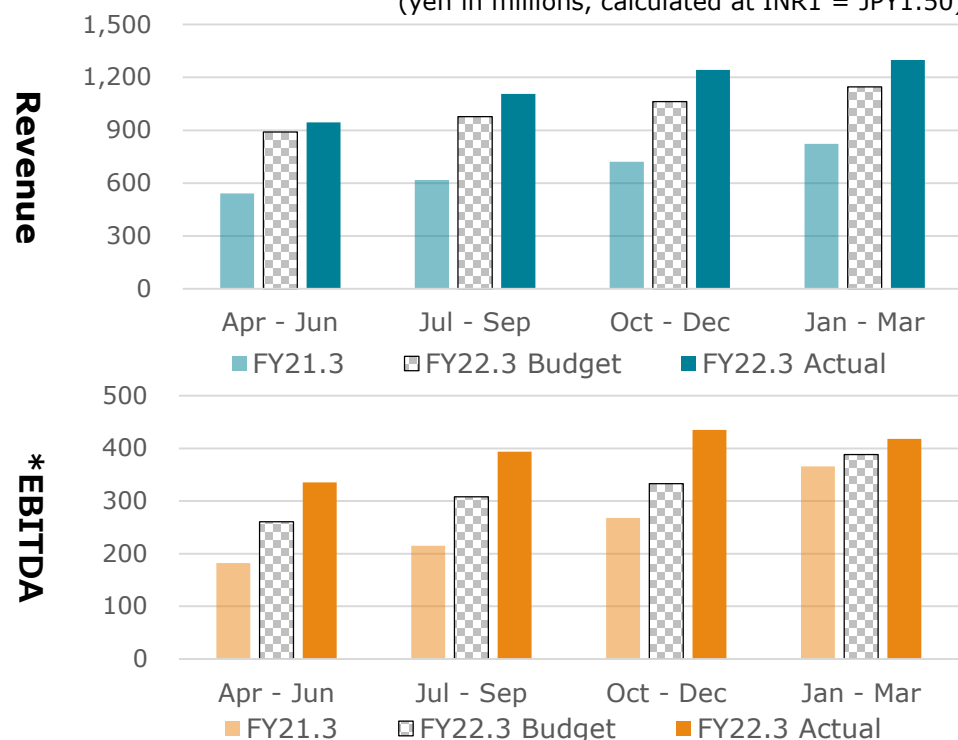
	FY21.6				FY22.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (yen in thousands/month, year-to-date)	620	628	632	634	639	650	657	—
Year-on-year <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">A</span>	(1.0%)	(0.4%)	(0.2%)	+0.7%	+3.0%	+3.4%	+4.0%	—

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Engineers on Assignment <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">B</span>	+3.4%	+2.6%	+2.3%	+0.7%	+1.7%	+2.1%	+2.4%	—
† Year-on-year comparison for each quarter end								

# Robosoft Update [Fiscal Year Ended March 2022]

- Revenue and EBITDA\* for this fiscal year (April 2021 to March 2022) was **4.59 billion yen** and **1.58 billion yen** respectively (both up 66% and 43% respectively year-on-year, EBITDA margin was 34.4%); revenue from the US market expanded to 62% of its total revenue, driven by the significant growth in business with **existing customers** (vs. Japan market: 14%)
- Robosoft recorded one-off transaction expenses to be eventually owed by the Sellers of 250 million yen (SG&A) as of the consolidated Q2 FY22.6 onwards, consequently operating profit consolidated to the Group's P&L was decreased by that amount
- Expects EBITDA to grow by 10% or higher year-on-year, although EBITDA margin for the next fiscal year is expected to fall below 30% due to 1) the upward pressure to wage hike for engineers in India and 2) proactive investments indispensable for sustainable growth, such as enhancement of the hunting sales organization to **explore new customers** in the US and Japan, **talent hiring in the advanced technology fields**, and others

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



\* For EBITDA, added back one-off transaction expenses incurred at Robosoft in FY22.3, but owed by the Sellers

## 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 Update [Full-Year]

- Provides P&L guidance for H2 FY22.6 and full-year, reflecting H1 FY22.6 results and earnings from Robosoft which has been consolidated as of Q2
- With PO liability reversal gain recorded in other income which is coincidentally equivalent to the amount of previous year's government subsidy for continuous employment, the same level of annual dividend as last year is expected to be paid out in line with our annual dividend payout ratio of 50%
- Revised domestic key KPIs stated in the H2 and full-year guidance to reflect Q3 results and Q4 forecasts

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

	First-Half			Second-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	79,451	86,358	+8.7%	81,865	87,642	+7.1%	161,316	174,000	+12,683	+7.9%
Core operating profit	8,291	9,032	+8.9%	9,347	8,268	(11.5%)	17,639	17,300	(339)	(1.9%)
<i>Core OP margin</i>	10.4%	10.5%		11.4%	9.4%		10.9%	9.9%	(1.0 pts)	
Operating profit	9,680	11,078	+14.4%	9,780	8,222	(15.9%)	19,461	19,300	(161)	(0.8%)
<i>OP margin</i>	12.2%	12.8%		11.9%	9.4%		12.1%	11.1%	(1.0 pts)	
Profit before income taxes	9,645	11,229	+16.4%	9,827	8,071	(17.9%)	19,472	19,300	(172)	(0.9%)
Net profit	6,623	7,794	+17.7%	6,622	5,506	(16.9%)	13,245	13,300	+54	+0.4%
<i>Net profit margin</i>	8.3%	9.0%		8.1%	6.3%		8.2%	7.6%	(0.6 pts)	
Earnings per share (yen)	61.48	72.35	+17.7%	61.47	51.11	(16.9%)	122.96	123.46	+0.50	+0.4%
Dividend per share (yen)	16.67	20.00	+20.0%	45.00	42.00	(6.7%)	61.67	62.00	+0.33	+0.5%

Key KPIs [Japan]	First-Half			Second-Half			Full-Year			
	FY21.6 (Results)	FY22.6 (Results)	YOY	FY21.6 (Results)	FY22.6 (Updated Guidance)	YOY	FY21.6 (Results)	FY22.6 (Updated Guidance)	YOY	
No. of engineers (period-end)	20,189	20,776	+2.9%	20,330	22,000	+8.2%	20,330	22,000	+1,670	+8.2%
Engineer hiring*	176	1,452	+725.0%	1,229	2,348	+91.0%	1,405	3,800	+2,395	+170.5%
Ave. utilization ratio	93.7%	95.6%	—	95.4%	94.5%	—	94.6%	95.0%	+0.4 pts	—
Ave. monthly unit sales price (yen in thousands)	628	650	+3.4%	640	661	+3.3%	634	655	+21	+3.3%



# Reference: 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 government subsidy for continuous employment
- Construction Management Outsourcing: Expects a slight revenue growth due to shortfall in the hiring plan in H1, strives to recover in H2 and aims the same level of profit as the previous year
- Other Businesses in Japan: Placement and engineer training businesses have recovered significantly, therefore expecting to increase both revenue and profit year-on-year
- Overseas: Each company has performed well despite a continued uncertainty about Covid-19, therefore, combined with consolidation of Robosoft, foresees large increases in both revenue and profit with OP margin showing the upward trend

(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	135,500	+6.0%	19,787	19,670	20,000	+1.7%	4,103	3,800	4,000	+5.3%	150,071	151,341	159,500	+5.4%
<i>Ratio to consolidated revenue</i>	79.7%	79.3%	77.9%		12.5%	12.2%	11.5%		2.6%	2.4%	2.3%		94.7%	93.8%	91.7%	
Operating profit	12,880	15,815	12,700	(19.7%)	2,109	2,791	2,500	(10.4%)	(139)	315	600	+90.0%	14,850	18,922	15,800	(16.5%)
<i>OP margin</i>	10.2%	12.4%	9.4%		10.7%	14.2%	12.5%		(3.4%)	8.3%	15.0%		9.9%	12.5%	9.9%	
OP before PPA asset amortization	12,960	15,895	12,810	(19.4%)	2,517	2,791	2,500	(10.4%)	367	315	600	+90.0%	15,845	19,002	15,910	(16.3%)
<i>OP margin before PPA asset amortization</i>	10.3%	12.4%	9.5%		12.7%	14.2%	12.5%		9.0%	8.3%	15.0%		10.6%	12.6%	10.0%	
No. of engineers (period-end)	18,471	17,692	19,200	+8.5%	2,793	2,638	2,800	+6.1%	—	—	—	—	21,264	20,330	22,000	+8.2%
<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	17,500	+53.1%	160,012	162,773	177,000	+8.7%	(1,605)	(1,456)	(3,000)	—	158,407	161,316	174,000	+7.9%
<i>Ratio to consolidated revenue</i>	6.3%	7.1%	10.1%		101.0%	100.9%	101.7%		(1.0%)	(0.9%)	(1.7%)		100.0%	100.0%	100.0%	
Operating profit	655	764	1,700	+122.2%	15,506	19,687	17,500	(11.1%)	266	(226)	1,800	—	15,772	19,461	19,300	(0.8%)
<i>OP margin</i>	6.6%	6.7%	9.7%		9.7%	12.1%	9.9%		—	—	—		10.0%	12.1%	11.1%	
OP before PPA asset amortization	858	974	2,150	+120.6%	16,704	19,977	18,060	(9.6%)	119	(267)	0	—	16,824	19,709	18,060	(8.4%)
<i>OP margin before PPA asset amortization</i>	8.6%	8.5%	12.3%		10.4%	12.3%	10.2%		—	—	—		10.6%	12.2%	10.4%	
No. of engineers (period-end)	1,331	1,970	—	—	22,595	22,300	—	—	—	—	—	—	22,595	22,300	—	—



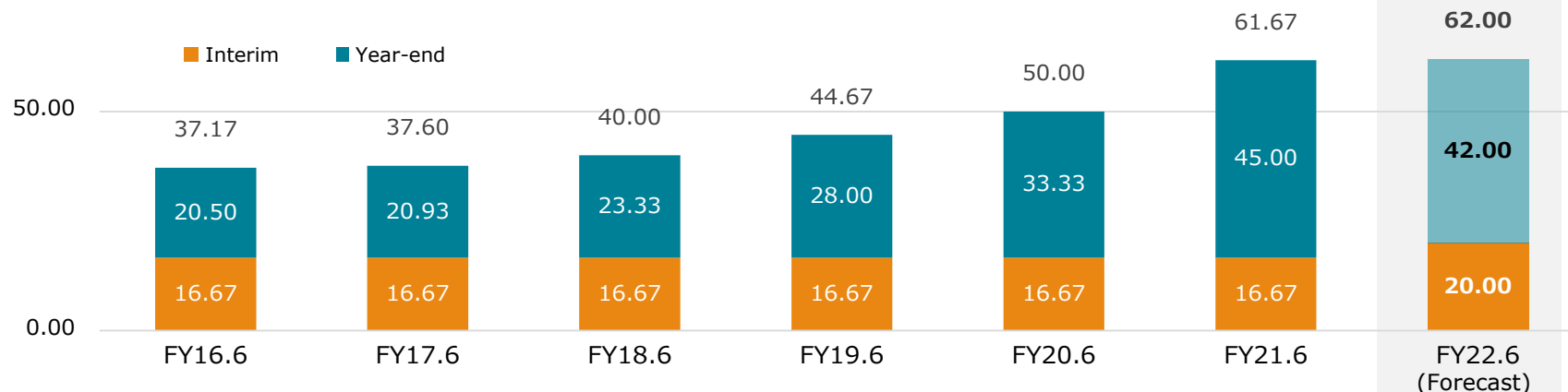
\* Headquarter expenses attributable to the reportable segment (expenses incurred by the holding company, etc.) are allocated to each reportable segment

# 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)

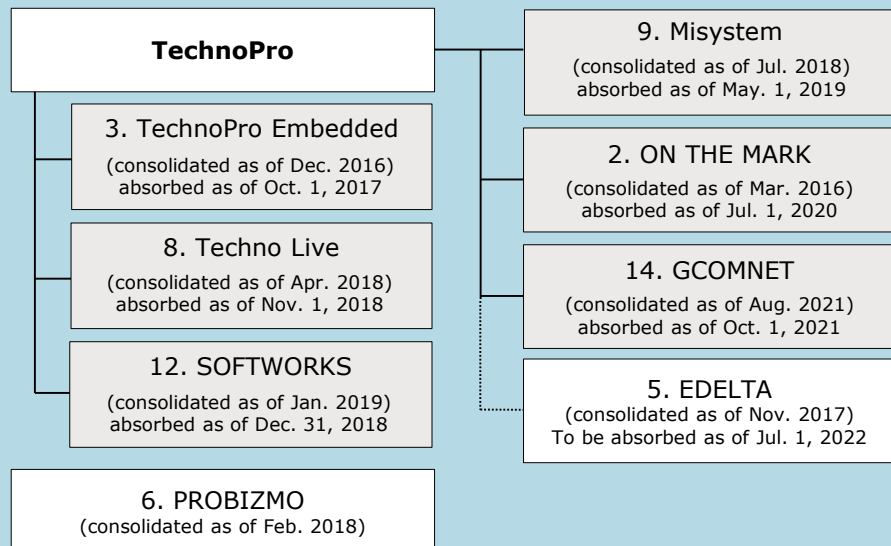


ROE	32.0%	29.9%	24.5%	22.4%	23.3%	25.1%	21.9%
EPS (yen)	71.93	75.19	81.60	88.95	99.99	122.96	123.46
<b>Payout ratio</b>	<b>51.7%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.2%</b>	<b>50.0%</b>	<b>50.2%</b>	<b>50.2%</b>
Dividend amount (yen in millions)	3,808	3,858	4,250	4,864	5,397	6,643	6,679
Share repurchase (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>

# Appendix: Reportable Segments [as of Q3 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



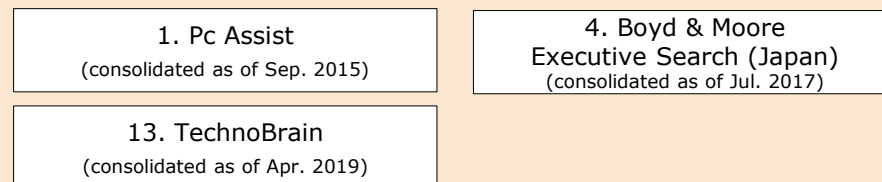
## Construction Management Outsourcing

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



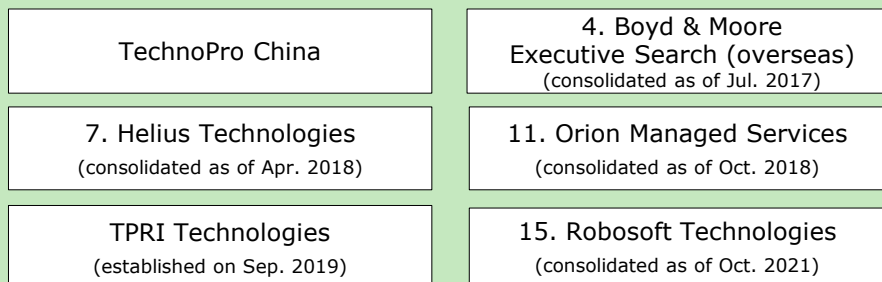
## Other Businesses in Japan

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 Q3 FY22.6 End]

- Major component of goodwill (**29.2 billion yen**) in R&D/Construction Management Outsourcing was 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&As, is also included into the CGU at the time of MBO, consequently **impairment risks are extremely low**
- Helius: The condition for exercising Put Option (accumulated EBITDA during the value calculation periods needs to reach a pre-set criteria) is, based on the reasonable expectation, considered to be difficult to satisfy, and the likelihood of being exercised by the option holder would get quite low; accordingly the fair value of the Put Option liabilities is deemed to become zero
- Robosoft: The estimated price for the second tranche of share acquisition (20% of shareholding) was temporarily recognized as liabilities, while the amount (**2.9 billion yen**) and the amortization period (**10 years**) of PPA assets were determined

(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	32.4%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	17.6%				
Software dev./maintenance	100.0%	2,912	3,006	5,919	13.1%	947	up to 32.7		
Chemical, Biochemical	100.0%	1,262		1,262	2.8%				
<b>Construction Mgmt. Outsourcing</b>									
Construction management	100.0%	3,383		3,383	7.5%				
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	2.4%				
TechnoBrain	100.0%		151	151	0.3%				
<b>Overseas</b>									
Helius	51.0%		773	773	1.7%	546	up to 26.3	0	17.4-22.6
Orion	83.2%		1,168	1,168	2.6%	380	up to 26.9	688	18.4-23.6
Robosoft	80.0%		8,603	8,603	19.0%	2,995	up to 31.9	3,861	21.4-22.3
Total		<b>29,202</b>	<b>16,073</b>	<b>45,275</b>	<b>100.0%</b>	<b>4,870</b>		<b>4,549</b>	

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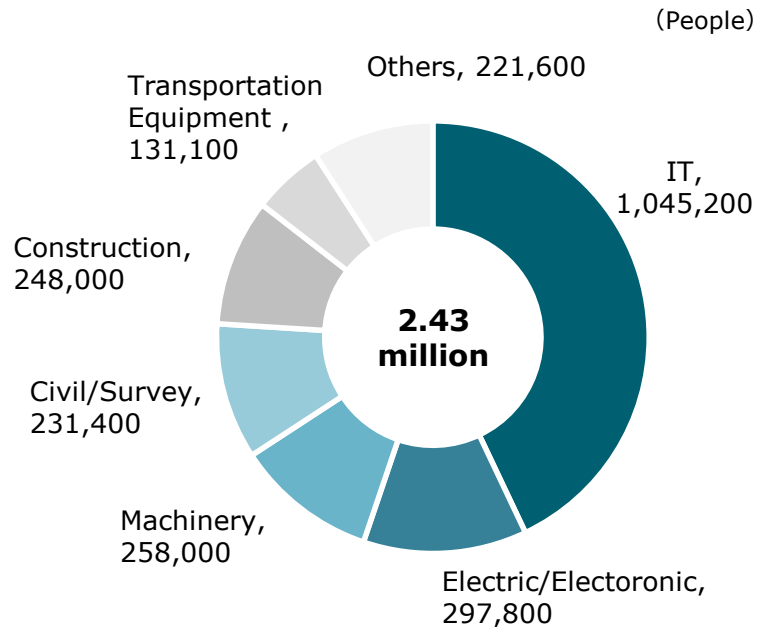
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# Distribution of Engineers in Japan

- 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)

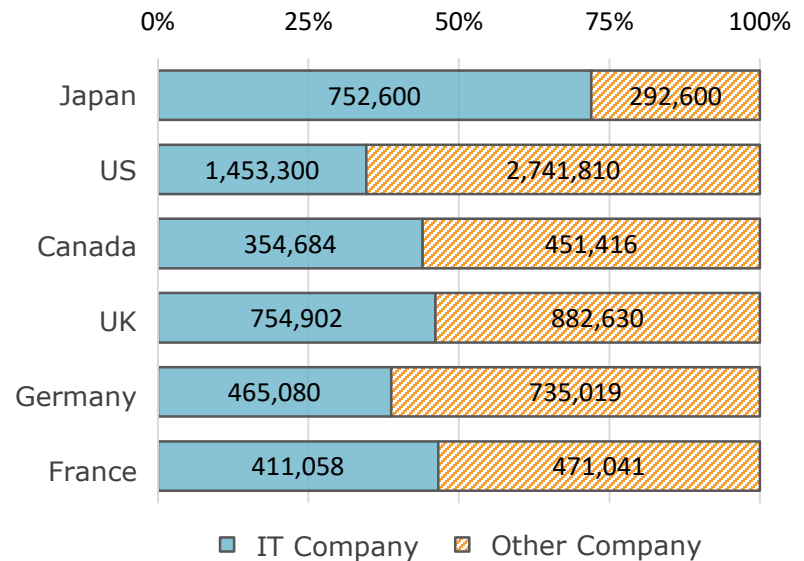
Source: Census 2015



## 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)



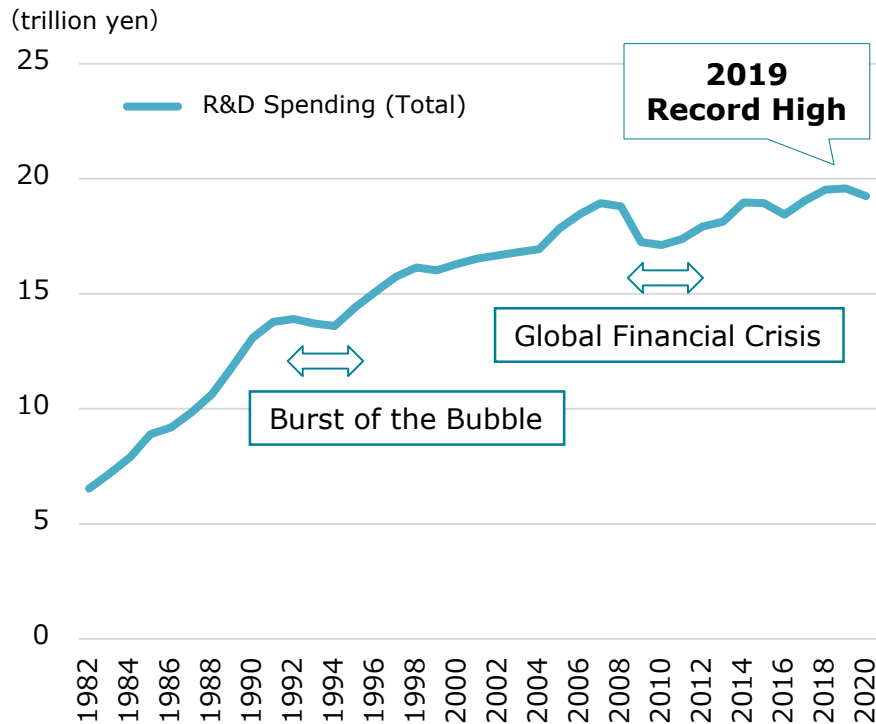
† "IT Company" means IT vendors and "Other Company" means IT user companies

# 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"

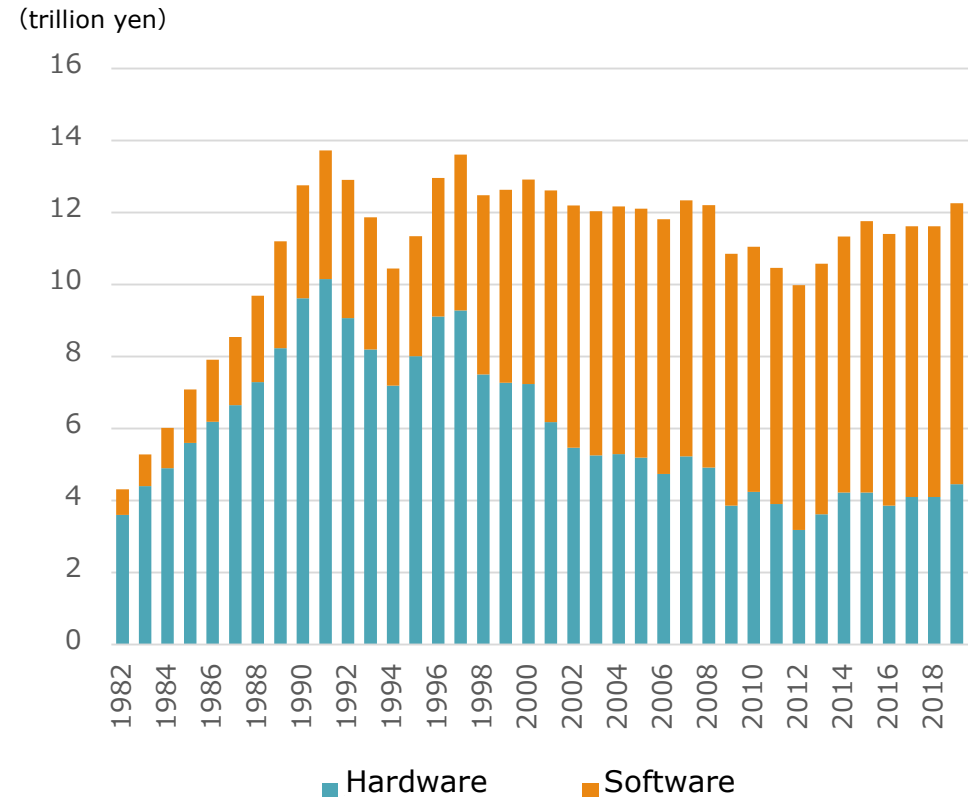
## 3. Trend of R&D Spending in Japan

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"

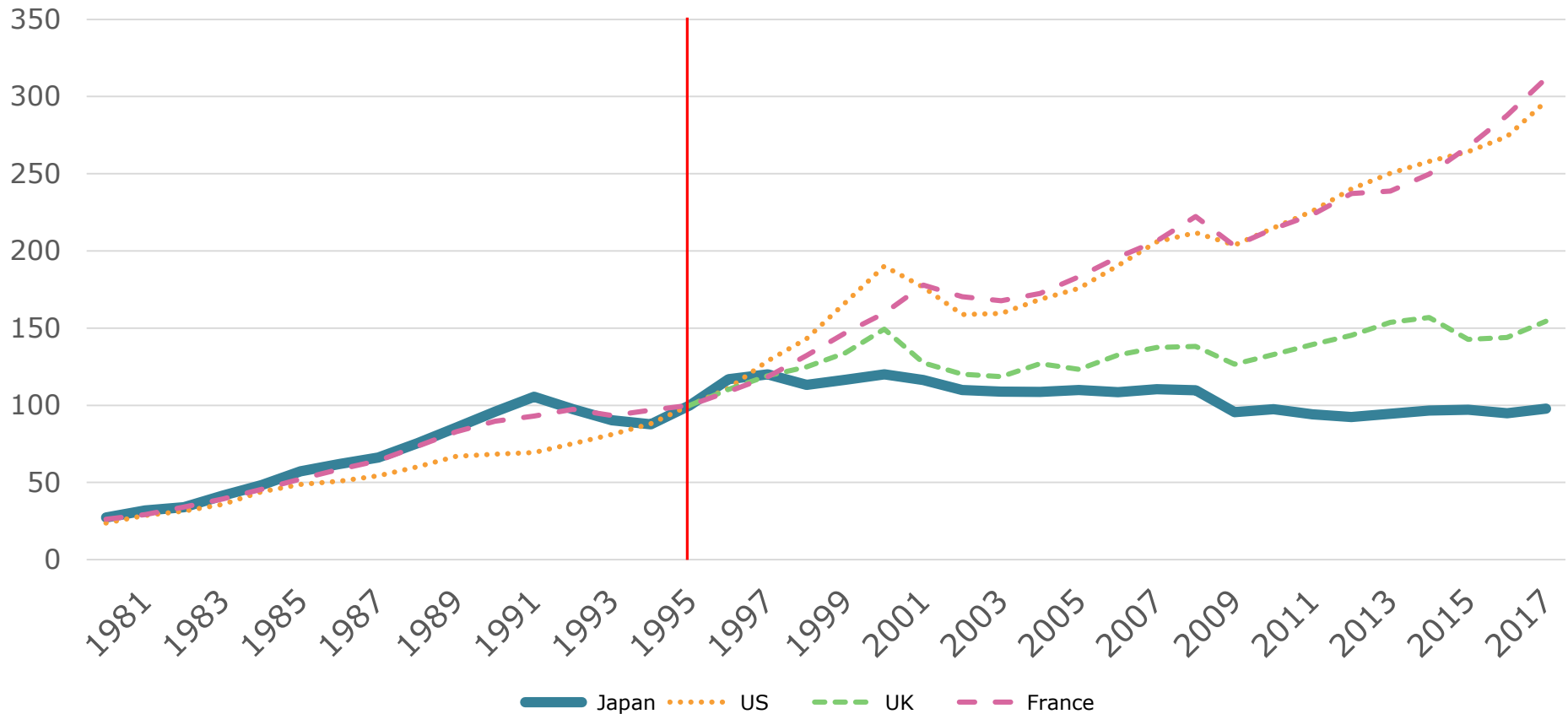


# Sluggish Digitalization in Japan

- 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"



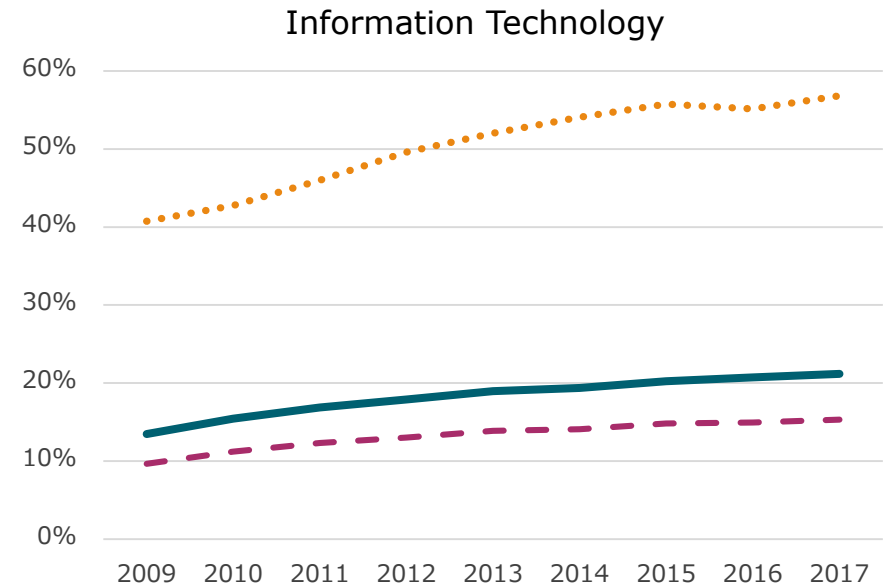
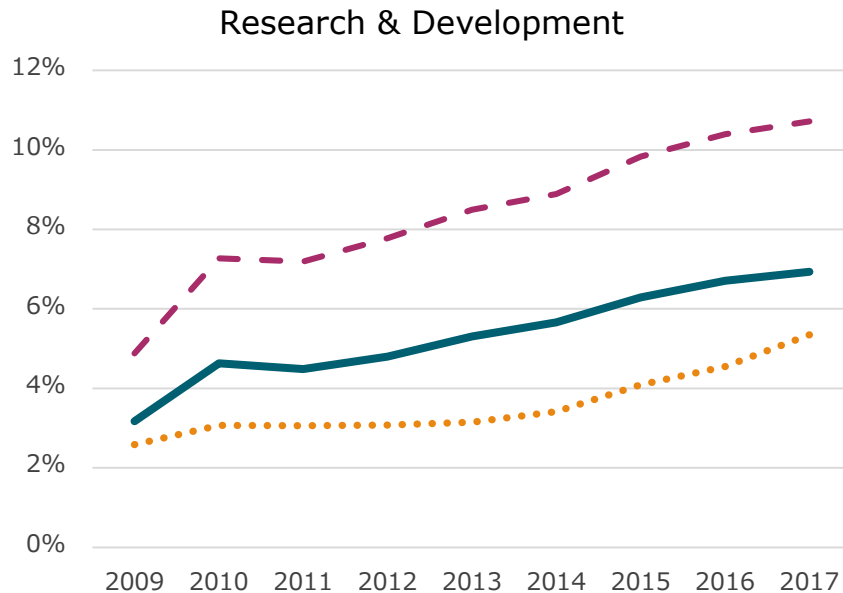


# Outsourcing Usage Ratio of R&D and IT Activity

- 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

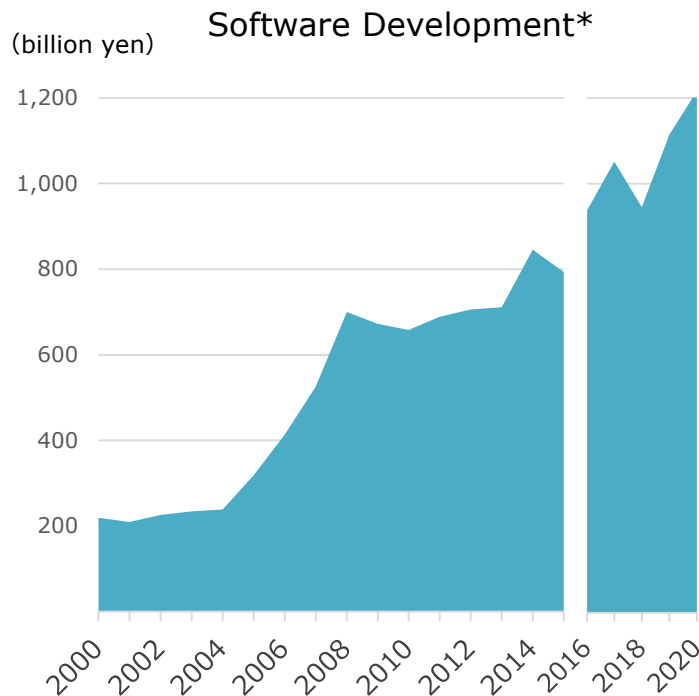


# Engineer Staffing Market Overview

- Estimated whole engineer staffing market size in Japan was about 2.3 trillion yen in 2020; up 9.8% year-on-year, of which software development market size was about 1.2 trillion yen; up 9.2% year-on-year
- 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

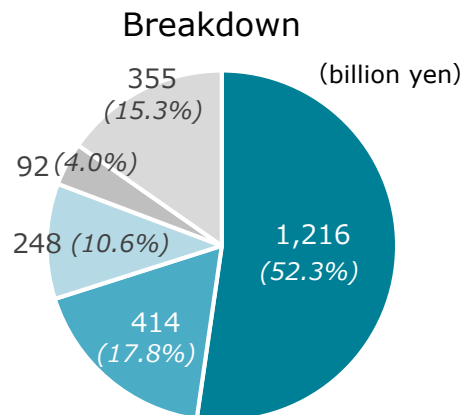
Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare



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



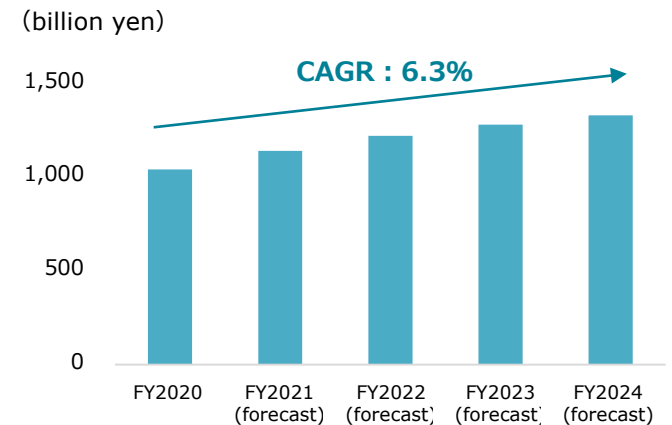
## Market Size 2.3 trillion yen (2020)



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

## 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 October 2021)

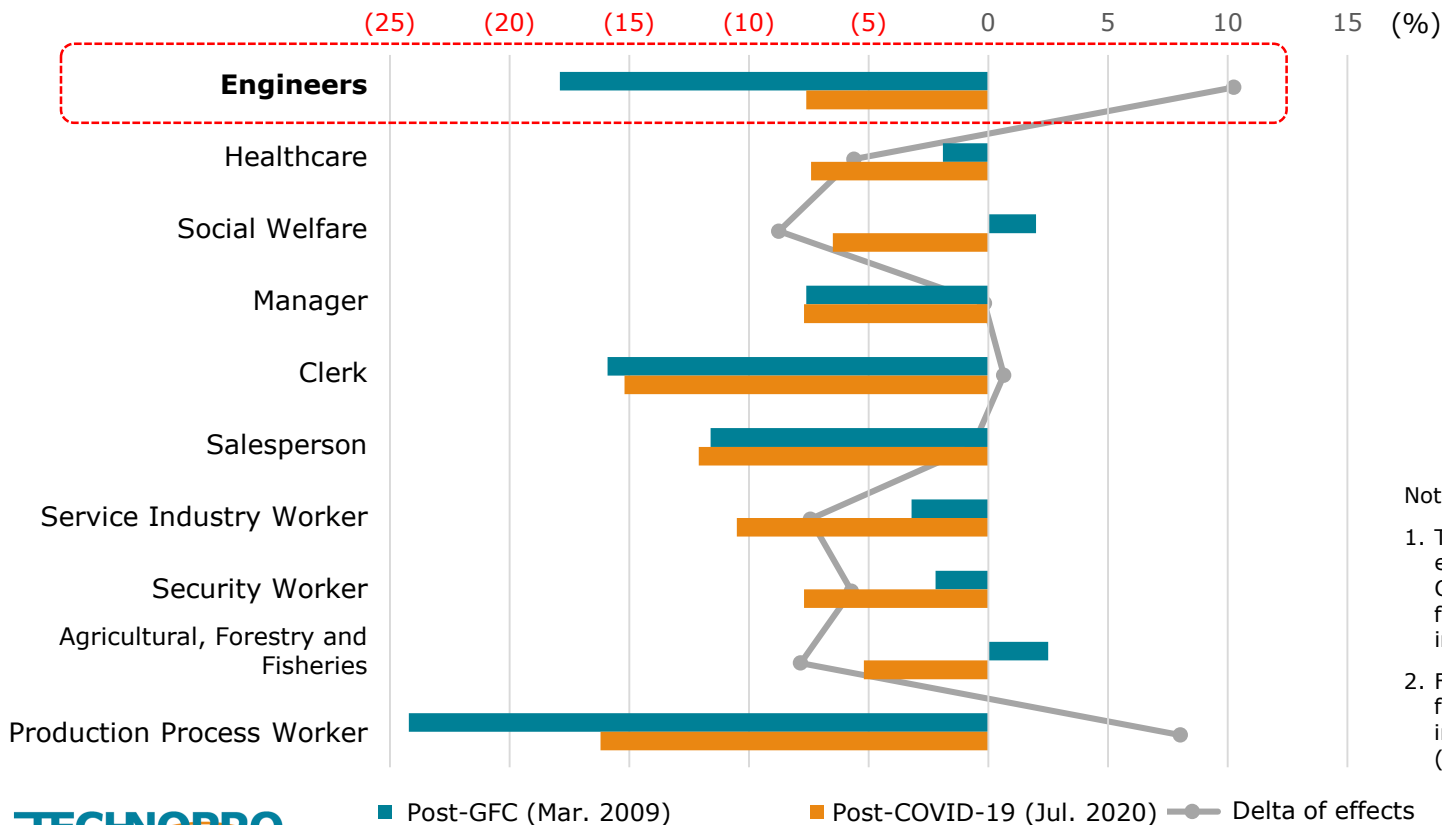
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole

# 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:

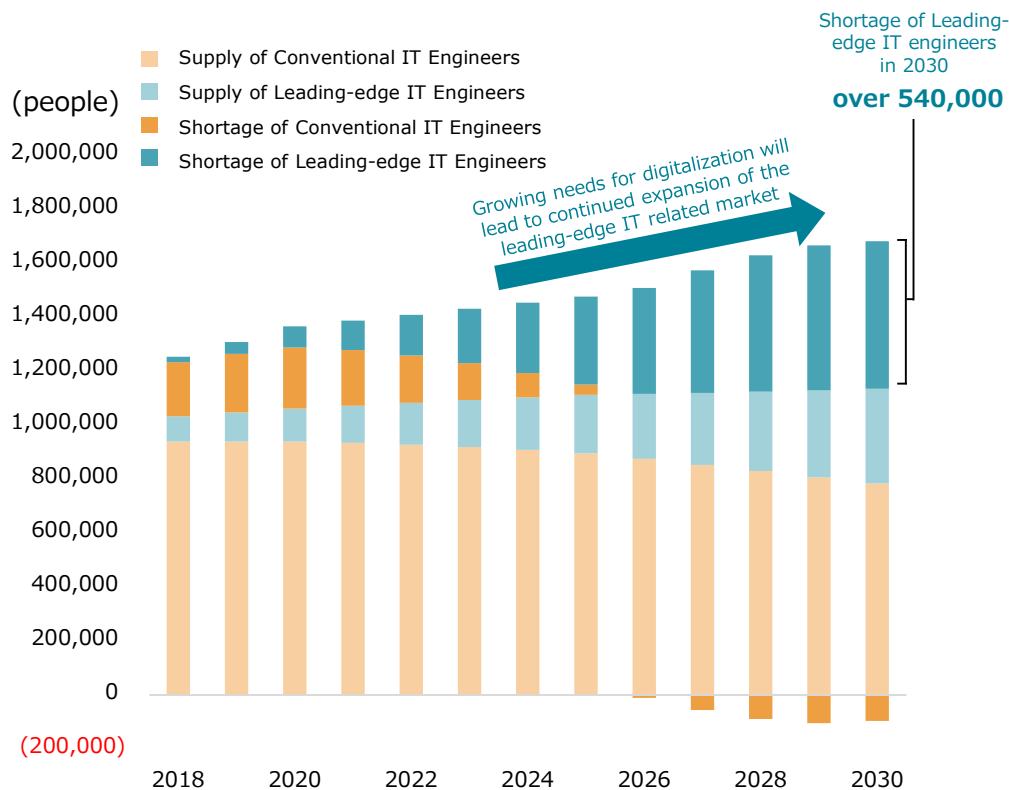
1. The figure left shows the comparison of the effect from the Global Financial Crisis (GFC) and COVID-19 on the index data of new job offers for each job category after 6 months from the initial outbreak of the crisis
2. Figures in September 2008 was indexed as 100 for the GFC, figures in January 2020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

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

- Demand-supply gap in IT sector is huge; especially leading-edge IT engineers (AI, big data, IoT, etc.) will be in higher demand
- Weakening demand for engineers due to the spread of AI will be more than offset by the new demand for engineers

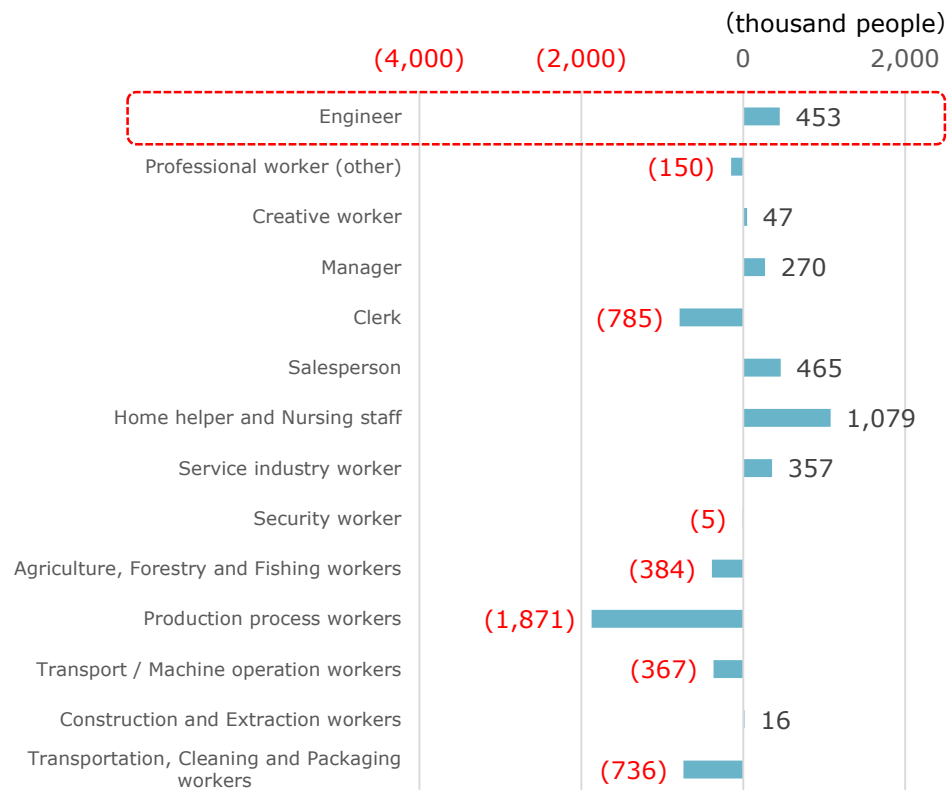
## 10. Projected Shortage in Advanced and Conventional IT engineers

Source: Ministry of Economy, Trade and Industry, "Survey report about supply and demand of IT talent (March 2019)"



## 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-"



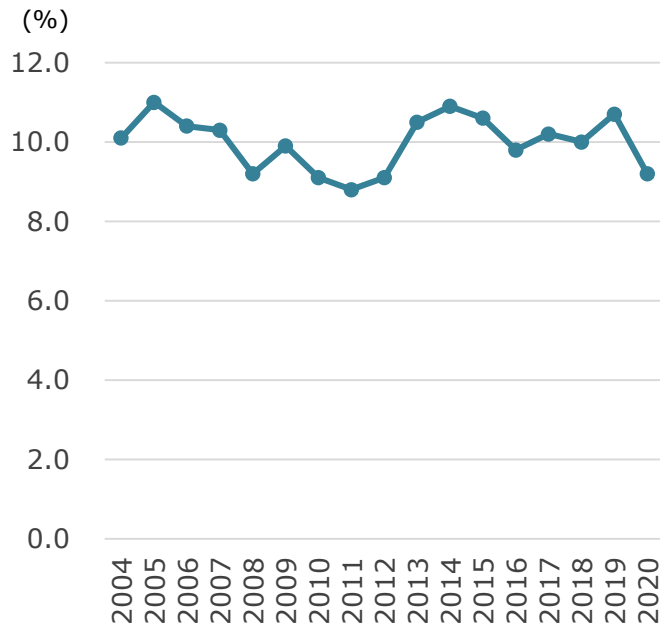
† Estimated numbers comparing 2015 and 2030

# 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

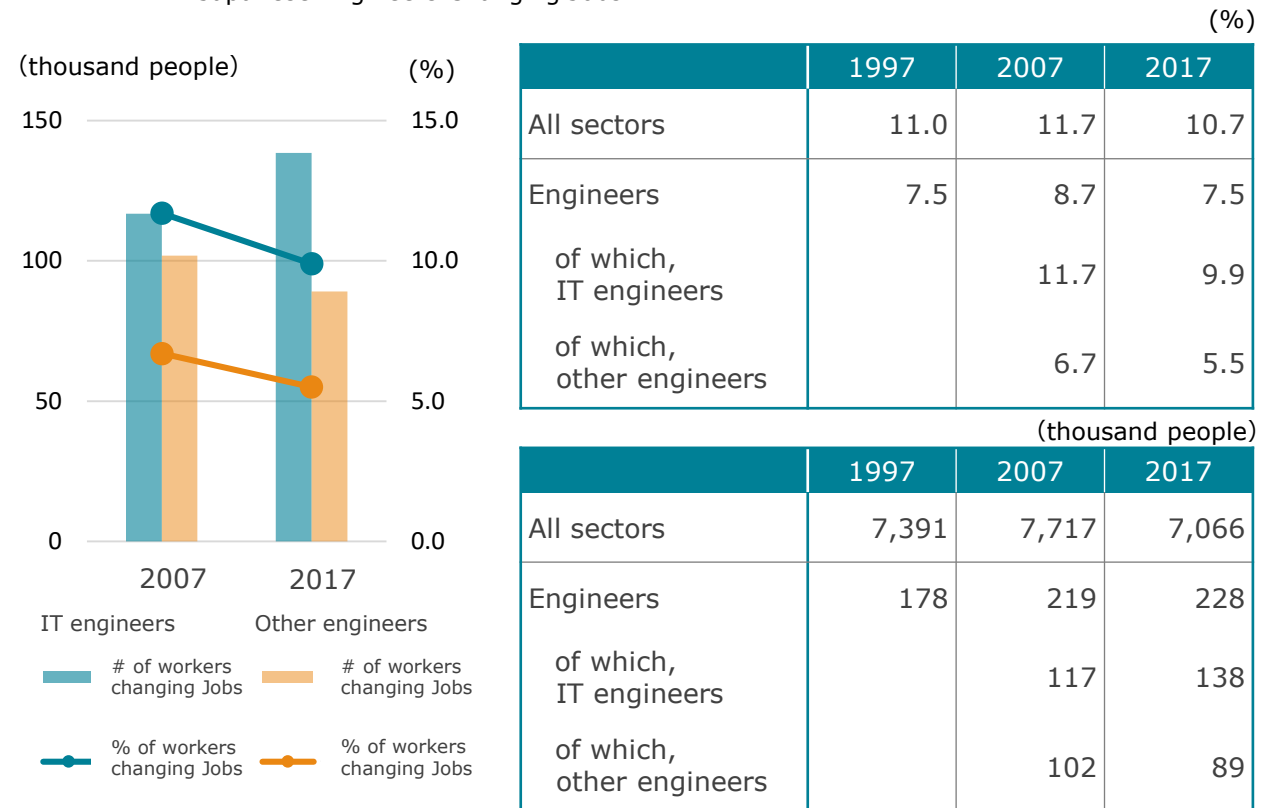
## 12. Turnover Ratio in Japan

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"

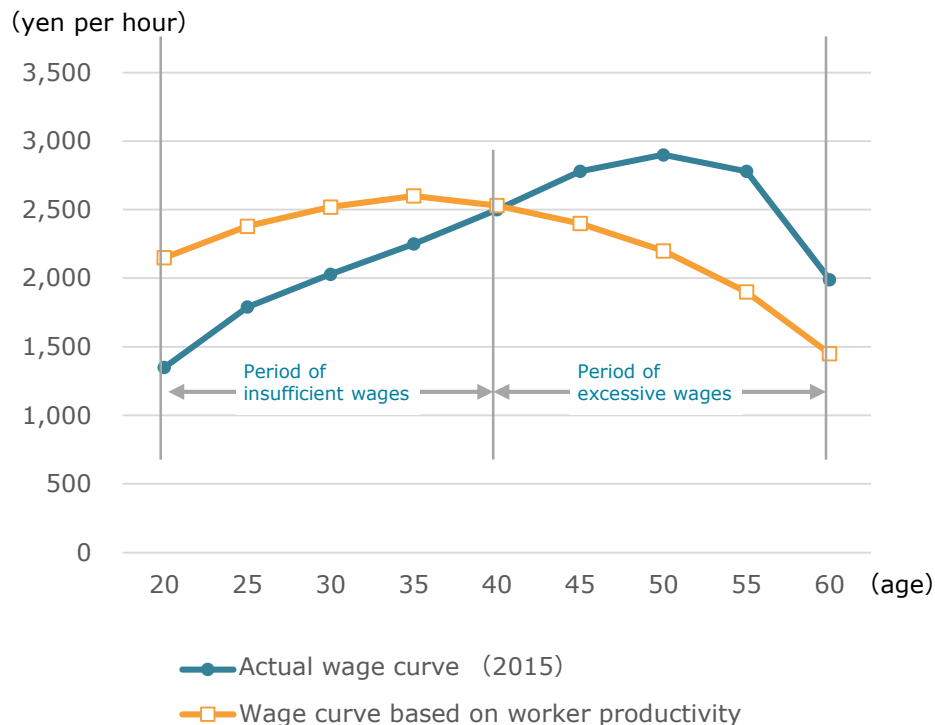


# Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market (Cont.)

- 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

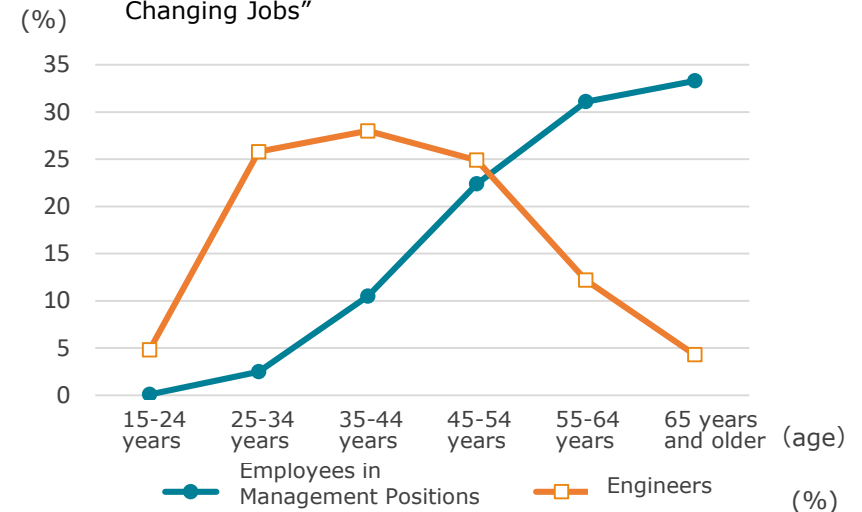
## 14. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

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"



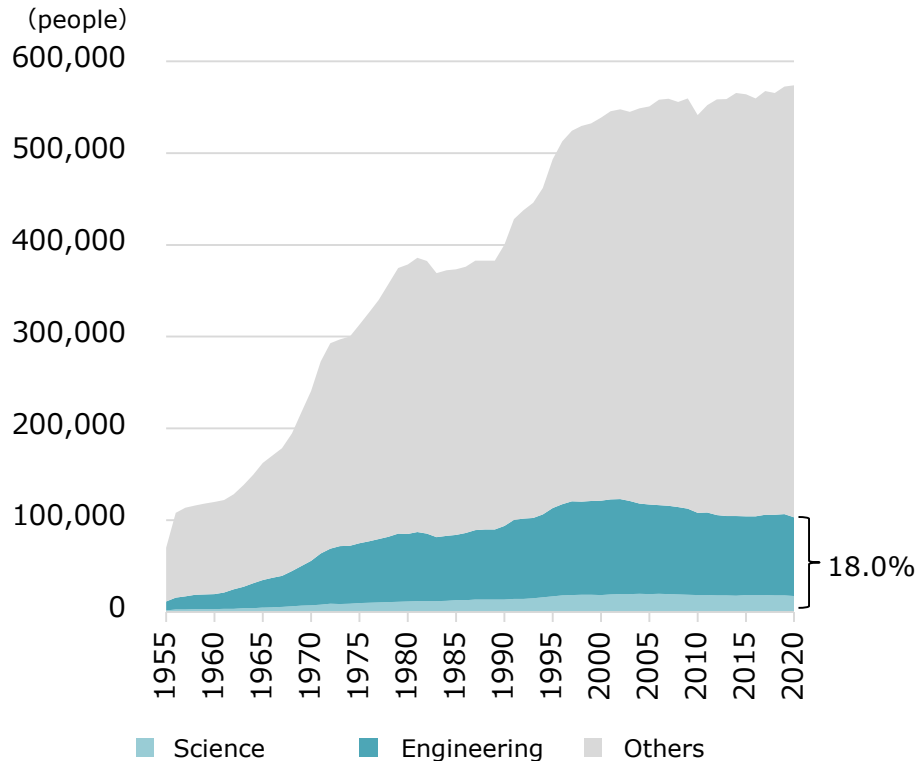
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

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

- Even though the number of university graduates is slightly increasing because of higher university entrance rate, the number of science and engineering graduates begins to decrease from 2000
- New grads tend to prefer blue-chip companies while such companies have limited number of job openings for them

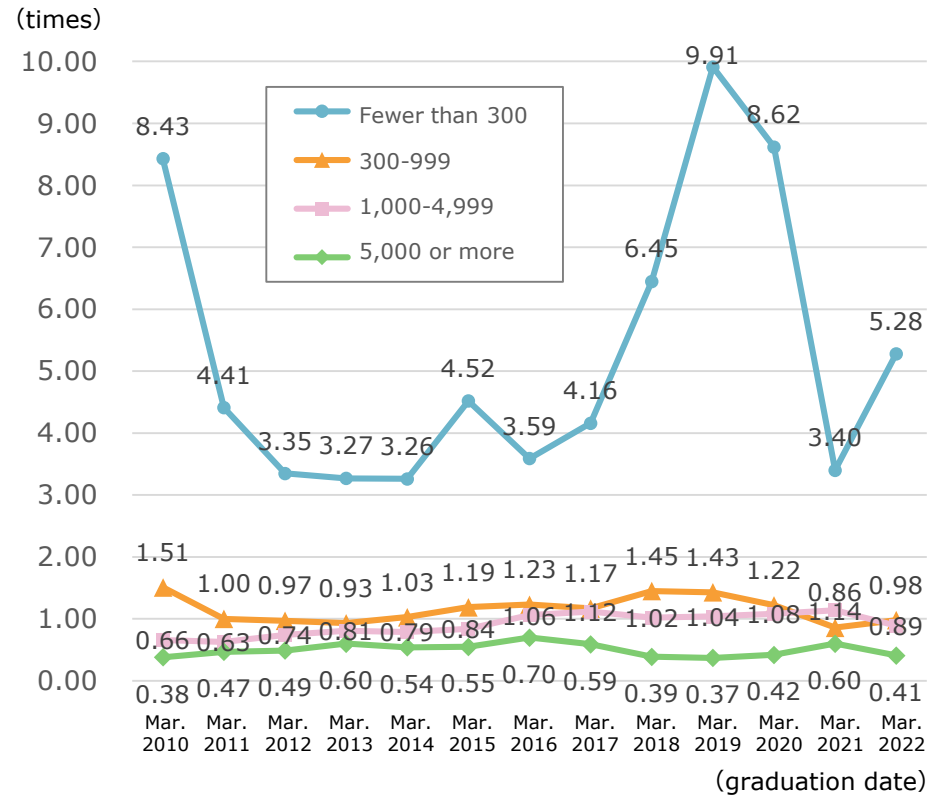
## 16. No. of University Graduates by Faculty

Source: TechnoPro based on "School Basic Survey" by Ministry of Education, Culture, Sports, Science and Technology



## 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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