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TechnoPro Group

Current Business Environment and Medium-Term Management Plan Progress

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

August 8, 2022



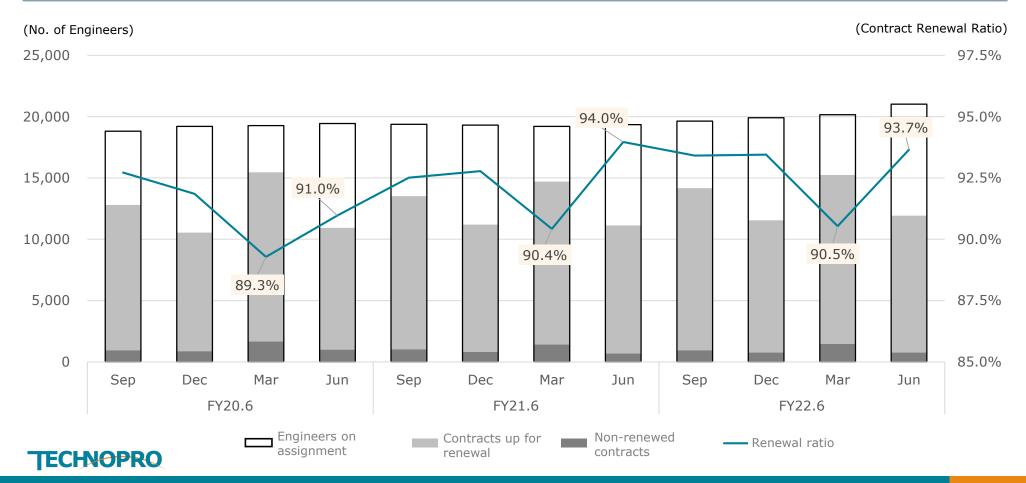
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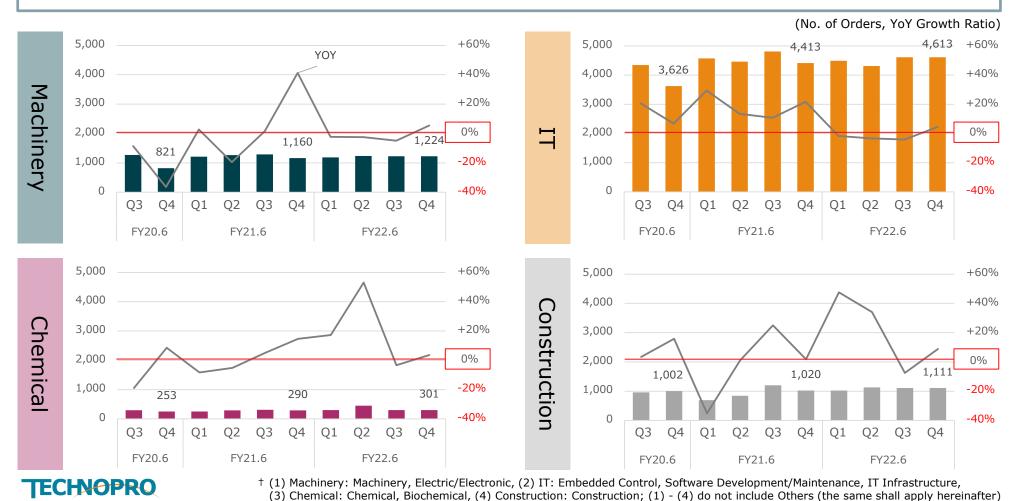
Contract Renewal Ratio [Mar, Jun, Sep, Dec]

- 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; renewal ratio for March and June 2022 ended up with <u>90.5%</u> and <u>93.7%</u> respectively (June renewal ratio could have increased to <u>94.8%</u> if calculated excluding effect from voluntary contract terminations to promote shift-up initiatives)



New Orders Trend by "Technology" [Quarterly]

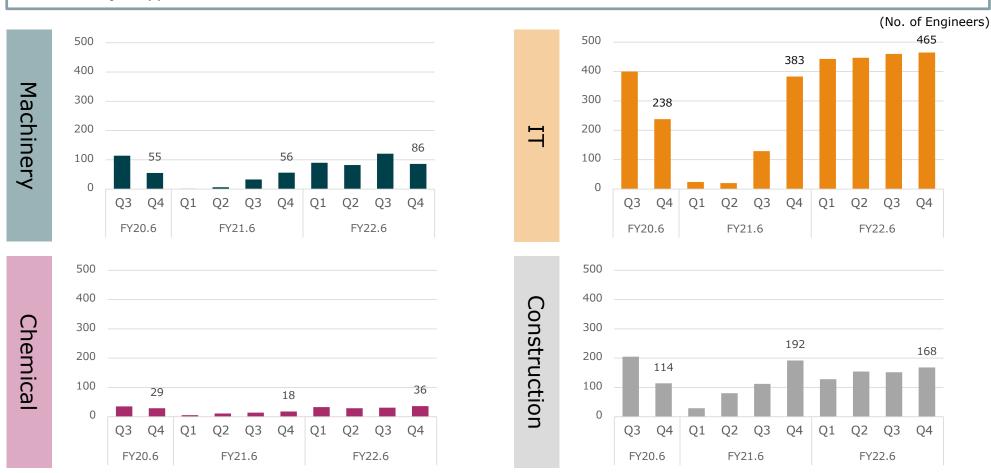
- <u>Number of new orders remains robust</u> at this moment, despite concerns about global economic recession; strong demand from customers continues mainly in the IT sector, but unable to fully respond to orders due to talent resource shortage (fulfillment rate is approx. 30% for remaining orders)
- In Machinery, <u>new orders for leading-edge technologies are increasing</u> mainly in areas such as Autonomous Driving, Electric Vehicle and IoT



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Mid-career Recruitment by "Technology" [Quarterly]

- In FY22.6, succeeded to establish business operation <u>capable of steadily recruiting around 250 mid-career engineers</u> <u>every month</u> without largely compromising on hiring criteria; recruitment of non-Japanese engineers working in Japan has been resumed as of FY23.6, expects to hire about 120 global talents for the first year after resumption
- Amid <u>intensifying competition for seasoned or digital talents</u> especially in the IT field, continuous effort to create attractive job opportunities is vital for recruitment and retention



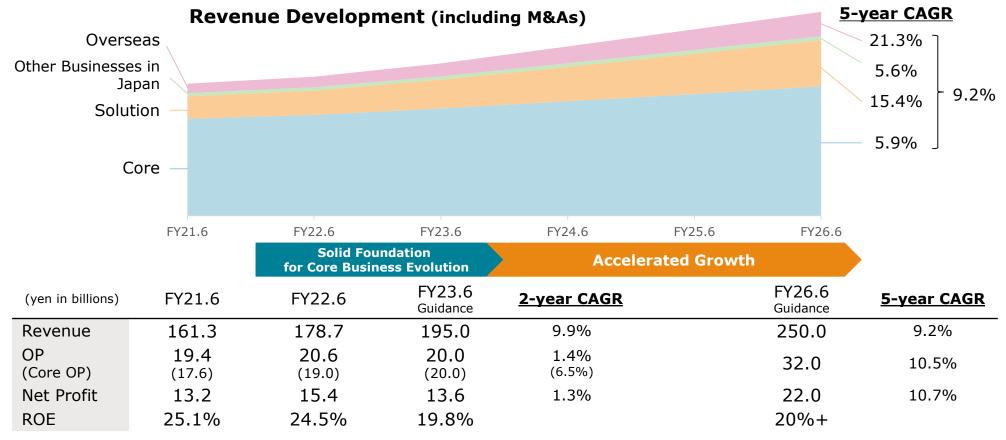
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Medium-Term Management Plan Financial Target

- The transitional first two years of the medium-term plan period (five years) require upfront investment to promote recruitment
 of key talents as well as education and training for Solution Business expansion and to establish business infrastructure for
 Engineer Training and DX Promotion Businesses, <u>building solid foundation for the Core Business Evolution</u>; then aims to
 recoup investment in the last three years, <u>achieving accelerated growth</u> in revenue and profit
- Delivered strong performance in the first year (FY22.6) despite the impact of COVID-19, and revised upwards the guidance for the second year (FY23.6) from the original plan

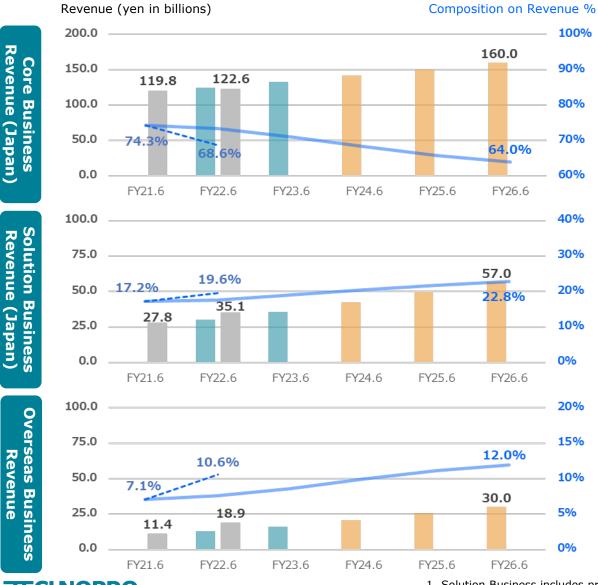




^{1.} CAGR is calculated as the average annual growth rate starting from FY21.6

^{2.} Revenue contribution from M&As to Solution and Overseas Businesses is expected to be 15bn yen and 15bn yen respectively in FY26.6

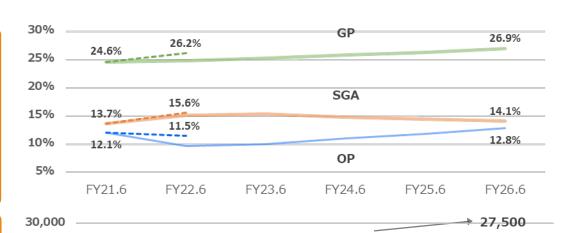
Revenue/KPIs Breakdown

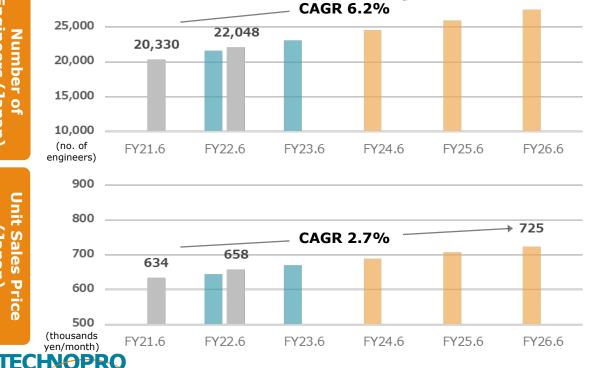


- FY22.6: YoY +2.3%, vs. plan (1.6%)
- Revenue slightly fell short of the original plan, but contributed to foster talents for Solution Business by actively promoting hiring, education and training mainly in the IT sector
- Pursued opportunities for cross-selling by actively proposing IT engineers to customers where bio/chemical or construction management engineers are allocated
- FY22.6: YoY +26.4%, vs. plan +17.1%
- Delivered robust revenue growth for the first year of medium-term plan by promoting KPI management for digital technologies and solution offerings, plans to identify key areas to reinforce in FY23.6
- Clarified solution offerings to deliver and track record, and compiled them as Service Catalogue, driving effective sales activities
- FY22.6: YoY +66.0%, vs. plan +46.0%
- Delivered revenue significantly surpassing the original plan by establishing foundation for offshore delivery model through addition of Robosoft to the Group
- Shared Robosoft's capabilities across affiliates in Japan as well as overseas subsidiaries, rolled them out as a catalyst for accelerated transformation of business model
- 1. Solution Business includes project-type services and engineer staffing in advanced technology fields
- 2. Revenue from solution services outside Japan is included in Overseas Business (15bn yen in FY26.6)

Revenue/KPIs Breakdown (cont.)





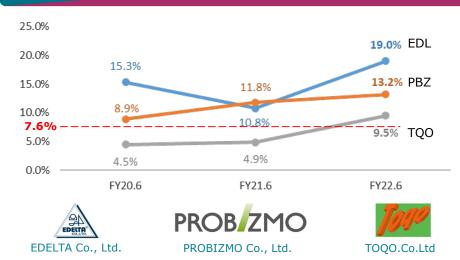


- FY22.6: YoY GP +1.6 pts / SGA +1.9 pts / OP (0.5 pts), vs. plan GP +1.4 pts / SGA +0.5 pts / OP + 1.8 pts
- GP improved driven by expansion of highly profitable Solution Business and offshore delivery, SGA deteriorated due to full-scale resumption of hiring and implementation cost for medium-term plan, while OP increased due to one-off extraordinary profit
- FY22.6: YoY +8.5%, vs. plan +2.1%
- Annual net increase of headcount totaled 1,718 driven by recruitment exceeding the original plan by 430 along with improved retention, expects positive effects to continue in FY23.6 or later
- War for talent is further intensifying, recognizes necessity to offset decline of mid-career hiring with increase in recruitment of global or newgrads engineers
- FY22.6: YoY +3.9%, vs. plan +2.0%
- Grew largely both year-on-year and against the plan driven by high-priced Solution Business, but partly boosted by lower price in FY21.6, which was stagnant due to price pressure and reduced overtime hours during the COVID-19 pandemic
- Aims to focus on raising average unit sales price continuously by mitigating impact of dilution due to addition of new-grads and younger engineers

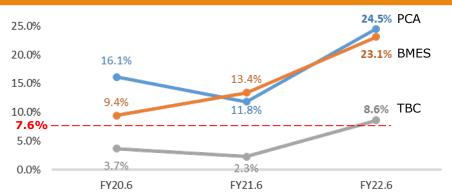
Reference: M&A Performance (Changes in ROIC)

Robosoft Technologies Private Limited

R&D/Construction Mgmt Outsourcing











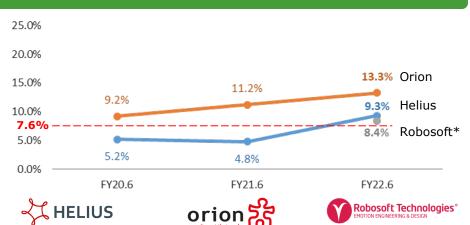
1: TechnoBrain

Pc Assist Co., Ltd.

Boyd & Moore Executive Search K.K.

TechnoBrain Co.,Ltd.

Overseas



Orion Managed Services Limited

Total Invested Capital (above 9 post-IPO) **22,435mn yen** incl. entities merged with TechnoPro, Inc. (invested capital 25,584mn yen)

o/w acquired in medium-term period **11,739mn yen**GCOMNET (merged with TechnoPro, Inc.) & Robosoft

ROIC (FY22.6) <u>11.3%</u>

targeting at least 10% ROIC within 3 years from investment as financial discipline

Cost of Capital (FY22.6)

7.6%

Helius Technologies Pte Ltd

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^{*} The return used for ROIC calculation of Robosoft (adjusted transaction expenses owed by the Sellers) are only those for nine months reflected in the Company's consolidated P&L

Roadmap

Solid Foundation for Core Business Evolution - FY23.6

Accelerated Growth FY24.6 - FY26.6

Core Business

- Enhance recruiting of engineers requiring training or high-skilled foreigners
- · Promote reskilling of existing engineers
- Further internal contribution from our placement business to Core Business

- Penetrate into new customer segments, e.g. EC/BFSI/public sectors
- Promote use of freelancers or gig workers

Continue to shift toward IT/digital fields organically and inorganically

Solution Business

▲ Establish COI organization

- Enhance market/technology research function and group collaboration
- Establish central operating units in Japan and overseas through M&As
- Acquire key talents: Pre-Sales/Architect/PM

▲ Reorganize/enhance solution organization

- Integration of conventional and digital technologies
- M&As to acquire insufficient technologies and customer segments
- · Strengthening of branding and marketing functions

Engineer Training Business

▲ Reorganize/enhance engineer fostering organization

- Skill standardization, e-Learning system development
- Establish and promote B2B external sales scheme

▲ Develop as key pillar in next phase

- Further cultivate alliance partners for our ecosystem
- Create higher level curriculum and expand B2B customer base

DX Promotion Business

▲ Establish DX promotion organization

- Examine data knowledge and initiatives in Core Business
- Develop new AI engines

▲ Making into profit center

- Improve AI engines and integrate into main IT system
- Business model building, sell to outside B2B customers

HQ Functions

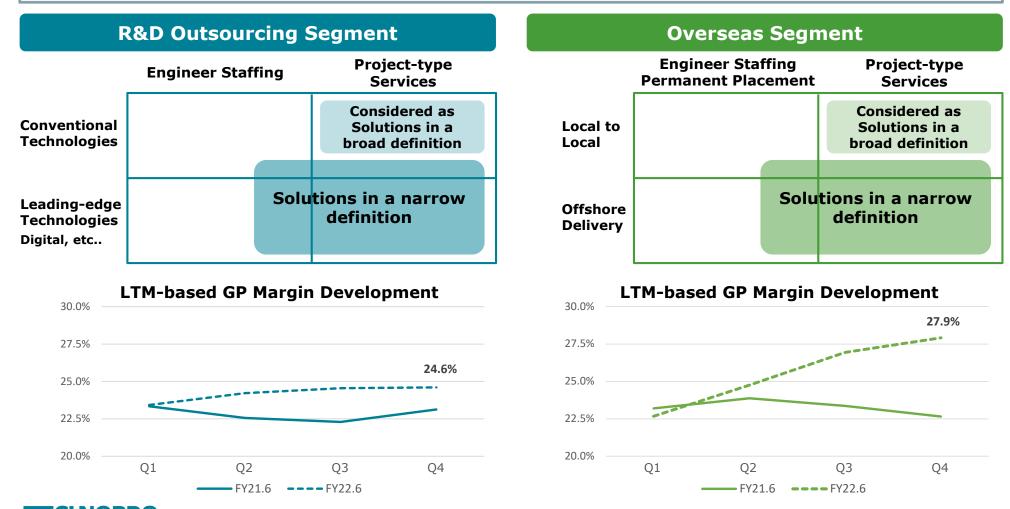
- Streamline and enhance admin work (RPA, etc.)
- Introduce new personnel system for engineers

Promote internal digitalization and reinforce IT systems functions

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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



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† Excluding Construction Management Outsourcing, which also has solution services such as BIM or CIM, as its figures are still small

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

Development Efficiency Production Efficiency AI/Data Analysis IoT/System Devel										
Cloud/Network	Materials Informatics	Bioinformatics	i-Construction							
ERP	Security	Local Authority Business Consulting	Operational Efficiency							
ВРО	IoT Platform	Surveying/Measuring	Automotive Transformation							
	<digital te<="" th=""><th>chnologies></th><th></th></digital>	chnologies>								
AI/ML	Output Output Data Science	chnologies> Sensor Fusion	Edge Computing							
AI/ML Cloud Services		_	Edge Computing 5G/6G Network							
	Data Science	Sensor Fusion								
Cloud Services	Data Science Cybersecurity	Sensor Fusion Blockchain	5G/6G Network							

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[†] The COI will focus on technology trend and customer demand, revising its focus on digital technologies and solution offerings when needed

Japan Solution Business Progress

- Revenue and monthly average number of assigned engineers relating to <u>digital technologies</u> and <u>solution offerings</u> have grown steadily every quarter; ratio on consolidated revenue increased from 17.2% to <u>19.6%</u> (FY26.6 target: <u>22.8%</u>) while ratio on total number of engineers in Japan was <u>16.4%</u> in June 2022
- Aims to cultivate and expand the solution offerings lineup from FY23.6, leveraging digital technologies to achieve further improvement of unit sales price

	Revenue (yen in millions)					Ave. Assigned Engineers (No. of Engineers/month)				Ave. Unit Sales Price (thousands yen/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	9,375	9,120	35,123	3,458	3,527	3,617	3,610	783	804	864	842
Ratio on consolidated revenue	17.2%	19.5%	19.0%	20.7%	19.4%	19.6%								
o/w Major Digital Technologies														
AI/ML/Data Science		520	561	658	691	2,430	252	265	295	312	687	705	743	738
Cloud Services		772	783	837	897	3,289	329	336	374	412	782	776	746	726
Cybersecurity		229	269	282	248	1,028	117	124	136	126	654	724	690	656
5G/6G Network		200	224	202	198	823	100	116	98	95	669	646	683	695
Sensor Sensing		277	292	253	280	1,102	114	119	110	112	809	819	764	830
Semiconductor Design		478	521	512	547	2,059	209	218	224	227	763	798	761	803
Mechanical Design		368	408	399	437	1,611	173	182	191	198	710	748	696	736
Analysis (CAE)		578	650	697	687	2,612	284	315	322	359	678	687	722	638
Advanced Manufacturing Technology		398	436	431	579	1,845	173	186	193	194	769	783	744	993
Microcomputer Embedded Control SW		2,120	2,001	2,511	2,136	8,767	950	861	1,013	877	744	774	826	812
ERP		468	487	494	492	1,941	208	214	215	211	750	759	767	778
RPA		70	149	123	227	569	50	34	48	68	464	1,478	855	1,114
MBD/HILS		297	308	354	273	1,232	92	94	102	88	1,081	1,091	1,155	1,029
o/w Major Solution Offerings														
Development Efficiency		553	499	292	278	1,622	182	168	97	86	1,015	991	1,006	1,074
Production Efficiency		315	274	629	533	1,752	123	97	193	104	858	947	1,088	1,707
AI/Data Analysis		295	302	389	371	1,356	131	129	156	156	751	783	828	794
IoT System Development/Platform		191	277	470	288	1,226	76	84	111	127	832	1,096	1,408	757
ERP		316	345	382	422	1,465	73	98	98	98	1,450	1,169	1,300	1,439
Operational Efficiency		420	472	499	367	1,759	98	108	111	118	1,436	1,460	1,501	1,034



^{*} Applied same definition used for "Solution Business Revenue" in Japan, shown on the aforementioned slide "Revenue/KPIs Breakdown"

Engineer Training Efforts for Japan Solution Business

- Working with alliance partners to bring forward training of engineers capable of delivering excellent performance in emerging technology areas where demand is expected to grow
- Targets an aggregate of 3,000 AWS cloud certifications acquired by our engineers by the end of FY25.6, under the partnership with Amazon

				(No. of Engineers)
		As of FY21.6	FY22.0	5	As of FY22.6
	-	Cumulative Total	H1	H2	Cumulative Total
No. of Trained Engineers					
AI/ML		348	620	265	1,233
Data Science		380	29	31	440
Cloud Services		234	90	249	573
ERP	_	94	75	52	221
	Total	1,056	814	597	2,467

	21.6 End	21.12 End	22.6 End
. of Certifications			
AI/ML/Data Science			
G Certification	32	51	78
E License	3	8	10
Python 3 Certified Engineer	196	228	268
Japan Statistical Society Certificate grade 2 or higher	117	123	116
Cloud			
AWS	243	449	683
Azure	19	31	54
Salesforce	27	32	48
ERP			
SAP*	14	22	35
Total	651	944	1,292
CHNOPRO	* Undated the f	igure for 21 12 End from n	roviously disclosed amoun

Alliance Partners





Gold Microsoft Partner

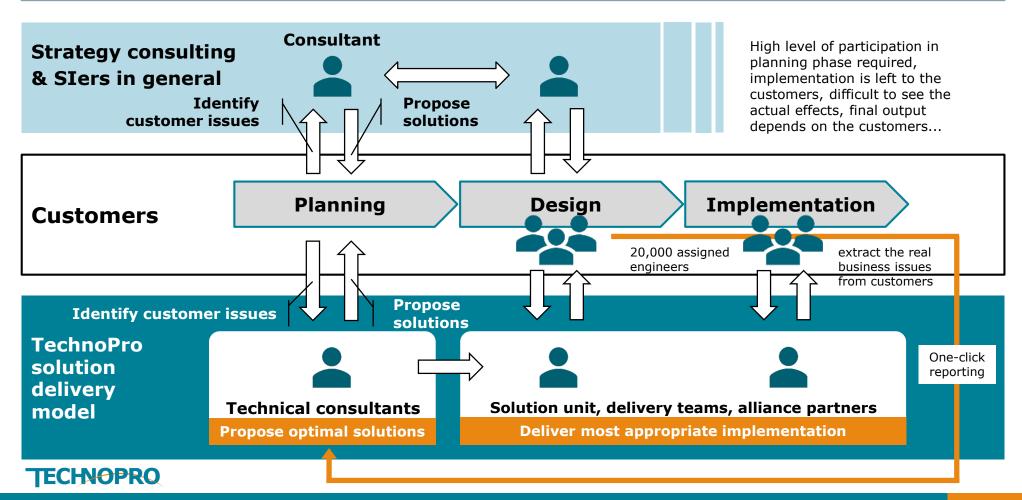






Solution Business: TechnoPro Group Competence

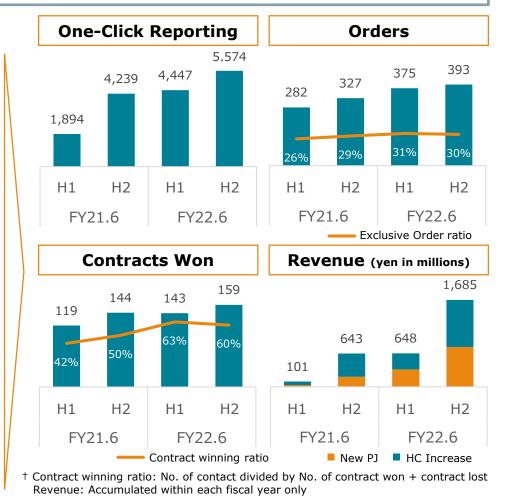
- <u>20,000 or more engineers engaged in design and implementation work at our customer sites</u> have great opportunities to discover the essential business issues of customers
- Based on the information provided by the engineers, our technical consultants propose the optimal solutions and consistently
 <u>deliver solutions from design to implementation (i.e. End-to-End Solutions)</u>, 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]

- <u>Captured customers' challenges and issues before they become visible</u> through touch points created by engineers working on-site, offered tailored proposals (using "One-click Reporting" and "Service Catalogue" integrated into internal IT systems) more proactively than peers, achieved results despite constraints on sales activities due to the COVID-19 pandemic
- Achieved higher ratio of obtaining exclusive orders and winning contracts compared with the orders acquired by standard field sales, also providing monetary incentives to engineers

One-click Reporting and Service Catalogue Communicate from **Customers** potential phase → Higher rate to obtain exclusive **Order Information** order Provide information **Engineers** swiftly → Higher contract **One-click Reporting** winning ratio Online portal Share solution lineups and case studies Field sales, **Tech consultants** → Tailored proposal **Service Catalogues TECHNOPRO**



Global Strategy

- <u>Global strategy has become more specific</u> (focusing on digital domain, promote offshore delivery mainly from India) as a result of adding Robosoft to the Group in the first year of the medium-term plan; aims to align the strategic growth direction of existing overseas subsidiaries, thereby crystallizing the integrated and synergistic value of Overseas Business as a whole
- Makes Robosoft play a key role in overseas Solution Business, pursuing <u>opportunities for bolt-on type M&As</u> which will contribute to 1) acquisition of capabilities to complement value chain of IT/digital services and 2) penetration into US/Euro customers, in addition to its own organic growth
- <u>Drives growth of Solution Business in Japan</u> by proactively transferring overseas technology knowledge and talents to Japan (i.e. strategic rationale and intent to expand our overseas operation)

IT/Digital Service Value Chain Small High Profitability Planning & Advisory Design Engineering Robosoft's Competitive Advantages Analytics



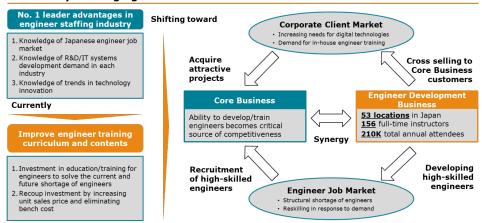
- Reconsidered strategic/regional positioning of overseas subsidiaries (FY22.6), continues to drive transformation to solution companies (FY23.6 onward)
- Commenced joint-sales activity with Robosoft in Japan, accumulated sales leads and won the first project (FY22.6), plans more than 50% growth for Japanese customers (FY23.6)
- Shared know-how of Robosoft's solution business (delivery process, talent development, marketing, etc.) (FY22.6), accelerates systems integration and exchange program of engineers between Japan and India (FY23.6 onward)
- Involved Robosoft team in M&A deal process (FY22.6 onward)

Engineer Training Business & DX Promotion Business

Capabilities for these businesses are considered as indispensable for the growth of the Group's Core Business and Solution
Business; strives to build a position to <u>provide platform for reskilling/upskilling</u> by honing process and data analysis of
engineer training, thereby expanding external sales to the Group's corporate customers as a profit center

Engineer Training Business

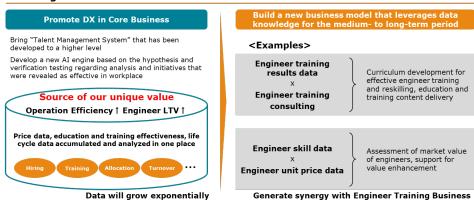
Growth by Leveraging Core Business Assets



- Extended programs regarding digital technologies on which Solution Business is focusing, promoted acquisition of certifications (FY22.6)
- Provides new courses relating to skills required for solution delivery such as design thinking, consultant training, etc. (FY23.6)
- Introduces unified management of training record data with LMS, prepares for active external sales by bundling visualization of required skill gap, formulation of training curriculum and consultation for talent development as a whole package (FY23.6)

DX Promotion Business

Building Business with DX Know-Hows of Core Business



Seeking to maximize GP and LTV (Life Time Value) by leveraging the mix of field capabilities (sales, hiring, technology) and the power of data

- Started development of retirement forecast engine, order & talent matching engine, sales support / customer analysis dashboard (FY22.6), implements these systems (FY23.6)
- Standardizes data input based on the organized skill maps, builds engineer database, and improves performance of matching engine (FY23.6)
- Continues to analyze retirement, matching, training and recruitment (FY23.6 onward)
- Analyzes relationship between skills and jobs, trends of skills under the partnership with University of Tokyo (FY23.6 onward)

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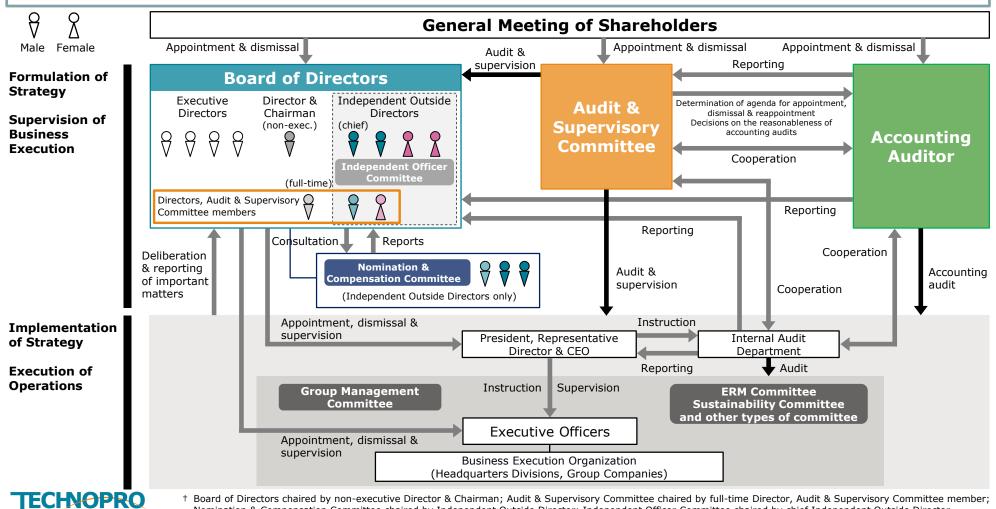
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Adopt Audit & Supervisory Committee System

- Plans to make a transition to a company with Audit & Supervisory Committee to strengthen audit and supervisory functions and expedite decision making and business execution (after general meeting of shareholders on September 2022)
- Expects ratio of independent outside directors and female directors to become **50.0%** and **25.0%** respectively, phased succession of outside directors to be considered

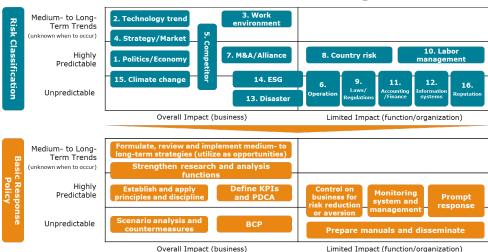


Nomination & Compensation Committee chaired by Independent Outside Director; Independent Officer Committee chaired by chief Independent Outside Director

Sustainability Management Initiatives

- Upon the launch of the medium-term plan, promotes initiatives relating to sustainability management including establishment of various committees, rules and regulations (details provided on our corporate website)
- **Endorsed the TCFD recommendations** in June 2022, planning to proactively disclose information on how to respond to climate change through our integrated report, website and others

ERM Plan & Continuous Monitoring



Materiality KPIs & Target Values

Human Resources	uman 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 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 abo 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%					

rechnology	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

Participation in External Initiatives WE SUPPORT



Signed up UN Global Compact

Creating a global framework for sustainable growth

TECHNOPRO



Partnered with Waffle

Eliminating the gender gap and promoting diversity in STEM fields



Participated in Iku-Boss Corporate Alliance

Improving employees' work-life balance, supporting their careers and lives



Expressed support for TCFD recommendations and joined TCFD Consortium

Disclosing information on climate change-related risks and opportunities in four areas: Governance, Strategy, Risk Management, and Metrics and Targets

New Personnel System for Engineers

- Implemented a new personnel system for engineers in July 2022 as part of **investment for human capital** to achieve purpose-oriented management and medium-term plan
- **<u>Defines and identifies market value at each grade</u>**, rewarding engineers with fair and reasonable treatment
- More clarifies talent development strategy through providing diverse career paths along with Solution Business expansion
- Expects to recoup incremaental cost of 700 million yen for the first year after implementation in a short period through unit sales price hike and improved retention to be expected

TechnoPro Group Purpose

Driving the Power of Technology and Talent to Co-create Value Together with our Customers for a Sustainable Society

Technology to Empower the Future



Market Value based Talent Definition & Fair Treatment

Identifies engineers who own both **technical & business skills** as talent with higher market value, also considers contribution to earnings

Technical Skills
Power of
Technology

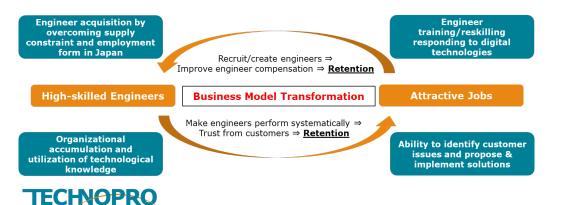




Contribution to Earnings

- Technical skills
- Ability to perform tasks in specialty area
- Appetite for self-study
- Initiative
- Effective communication & sincerity
- Teamwork
- Insight and speed
- Expected unit price (contract charge)

Provide Diverse Career Paths



Job Categories (where to head for) Grade Specialist PM/Leader Consultant, Advanced areas Technical expertise Management skills (how Scarce know-how ç Apply no job classification ascent) until a certain grade level, positioned as a group to acquire a wide range of skills and experiences

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