

TechnoPro Group Financial Results for the 1st Quarter of FYE June 2023

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

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1. Accounting figures are rounded down to the nearest unit unless otherwise stated; KPI figures indicate "R&D Outsourcing" and "Construction Management Outsourcing" segments in Japan
2. "Net profit" refers to net profit attributable to owners of the parent company after deducting non-controlling interests
3. "Core operating profit" is calculated by subtracting SG&A expenses from gross profit, excluding extraordinary items (ex. government subsidy, impairment loss) recognized in other income or other expenses
4. "Operating profit before PPA asset amortization" is calculated by adding back following items to operating profit: 1) amortization of client related asset incurred by Purchase Price Allocation at M&A transactions, 2) impairment loss, 3) changes in fair value amount and early exercise of put option liabilities, and 4) changes in fair value amount of earn-out liabilities
5. Per share amounts are calculated based on the number of shares after a three-for-one split of shares effective on July 1, 2021

FY2023 Q1 Financial Overviews

- FY23.6 Q1 revenue was **48.2 billion yen**, up 15.8% year-on-year; gross profit was **13.2 billion yen**, up 34.2% year-on-year; core operating profit was **5.9 billion yen**, up 57.6% year-on-year; operating profit was **6.0 billion yen**, up 52.4% year-on-year; net profit was **4.1 billion yen**, up 54.4% year-on-year
- FY23.6 Q1 gross profit **increased 3.3 billion yen** year-on-year; mainly due to 1) increased allocation of domestic engineers (up 930 million yen), 2) price hike of dispatch contracts (up 450 million yen), 3) expansion of project-type services (up 680 million yen), 4) new consolidation of Robosoft's earnings (up 530 million yen), and 5) decrease in provisions due to reduction of remaining paid leave days (up 520 million yen)
- Maintains the previously announced guidance as it is difficult to estimate the amount of change at this time, although earnings for the first half may exceed the guidance

(yen in millions, except per share amounts)

	Q1 (Three-Months Period)				First Half				Full-Year			
	FY22.6 (Results)	FY23.6 (Results)	YOY		FY22.6 (Results)	FY23.6 (Guidance)	YOY		FY22.6 (Results)	FY23.6 (Guidance)	YOY	
Revenue	41,634	48,225	+6,590	+15.8%	86,358	94,500	+8,141	+9.4%	178,756	195,000	+16,243	+9.1%
Gross profit	9,871	13,249	+3,378	+34.2%	21,880	—	—	—	46,858	—	—	—
<i>GP margin</i>	23.7%	27.5%	+3.8 pts		25.3%				26.2%			
SG&A expenses	6,102	7,312	+1,209	+19.8%	12,848	—	—	—	27,819	—	—	—
<i>Ratio on revenue</i>	14.7%	15.2%	+0.5 pts		14.9%				15.6%			
Core operating profit	3,768	5,937	+2,168	+57.6%	9,032	9,200	+167	+1.9%	19,038	20,000	+961	+5.1%
<i>Core OP margin</i>	9.1%	12.3%	+3.3 pts		10.5%	9.7%	(0.7 pts)		10.7%	10.3%	(0.4 pts)	
Other income	183	131	(51)	—	2,153	—	—	—	2,387	—	—	—
Other expenses	9	61	+52	—	107	—	—	—	784	—	—	—
Operating profit	3,942	6,007	+2,064	+52.4%	11,078	9,200	(1,878)	(17.0%)	20,641	20,000	(641)	(3.1%)
<i>OP margin</i>	9.5%	12.5%	+3.0 pts		12.8%	9.7%	(3.1 pts)		11.5%	10.3%	(1.3 pts)	
Profit before income taxes	3,970	6,050	+2,079	+52.4%	11,229	9,100	(2,129)	(19.0%)	20,967	19,800	(1,167)	(5.6%)
Net profit	2,707	4,180	+1,472	+54.4%	7,794	6,200	(1,594)	(20.5%)	15,430	13,600	(1,830)	(11.9%)
<i>Net profit margin</i>	6.5%	8.7%	+2.2 pts		9.0%	6.6%	(2.5 pts)		8.6%	7.0%	(1.7 pts)	
Earnings per share	25.13	38.80	+13.67	+54.4%	72.35	57.55	(14.80)	(20.5%)	143.24	126.25	(16.99)	(11.9%)
Dividend per share	—	—	—	—	20.00	25.00	+5.00	+25.0%	72.00	72.00	—	—

FY2023 Q1 Medium-term Plan Implementation Cost

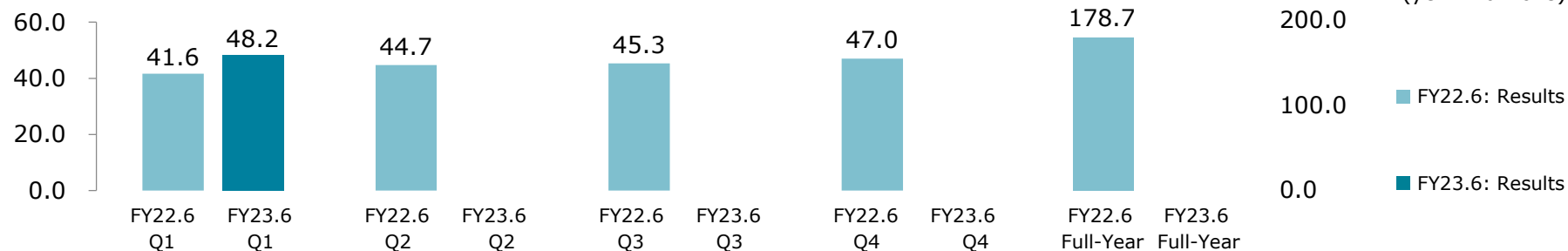
- In FY23.6, plans to spend medium-term plan implementation cost of **2,172 million yen** (ratio on revenue: **1.11%**), aiming to invest full amount with consideration of the return on investment
- In FY23.6 Q1, invested medium-term plan implementation cost of **450 million yen** (ratio on revenue: **0.93%**, annual progress: **20.7%**), spending investment budget as planned in general

(yen in millions)		Ratio on revenue		Progress	
		Plan	Results	vs. Plan	
Solution Talent Recruiting					Solution Talent Recruiting <ul style="list-style-type: none"> Recruiting talents with skills of consulting or project management, and professionals who have expertise in leading-edge digital technologies Plans to invest 0.2-0.3% of revenue every year Expects higher unit sales price and profitability of solution business to expand GP amount and margin
(313) 356		0.18%	0.20%	113.8%	
130 (439)		0.23%	0.27%	29.7%	
Solution Talent Training					Solution Talent Training <ul style="list-style-type: none"> Nurtures professionals capable of introducing leading-edge digital technologies and promoting solution services Plans to invest 0.2-0.3% of revenue every year Expects to have positive effect on recruitment and retention of high-skilled engineers as well as expansion of GP amount and margin
207 (332)		0.19%	0.12%	62.5%	
116 (539)		0.28%	0.24%	21.5%	
Strategic Investment					Strategic Investment <ul style="list-style-type: none"> New organization for DX promotion or COI (Center of Intelligence), branding and marketing, M&A related fees, etc. Plans to invest 0.5% of revenue in the first year, then decrease Aims to raise probability of achieving strategies laid out in medium-term plan through evolving the capability and transforming the business model
712 (859)		0.49%	0.40%	82.9%	
129 (886)		0.45%	0.27%	14.5%	
Stock-based Compensation (recorded from Oct. 2021)					Stock-based Compensation <ul style="list-style-type: none"> Expenses prorated over the medium-term plan period for post-vesting stock-based compensation linked to the earnings performance in the final year of the plan (FY26.6) Records the same expenses annually as far as the expected amount of compensation remains unchanged Aims to incentivize, in addition to the management, employees who play leading roles to achieve earnings target of the plan
(216) 224		0.12%	0.13%	103.6%	
75 (308)		0.16%	0.16%	24.4%	
Total		0.99%	0.84%	87.2%	
		1.11%	0.93%	20.7%	

† Upper row: FY22.6, Lower row: FY23.6, figures in parentheses indicate initial plan

Reference: Quarterly Performance

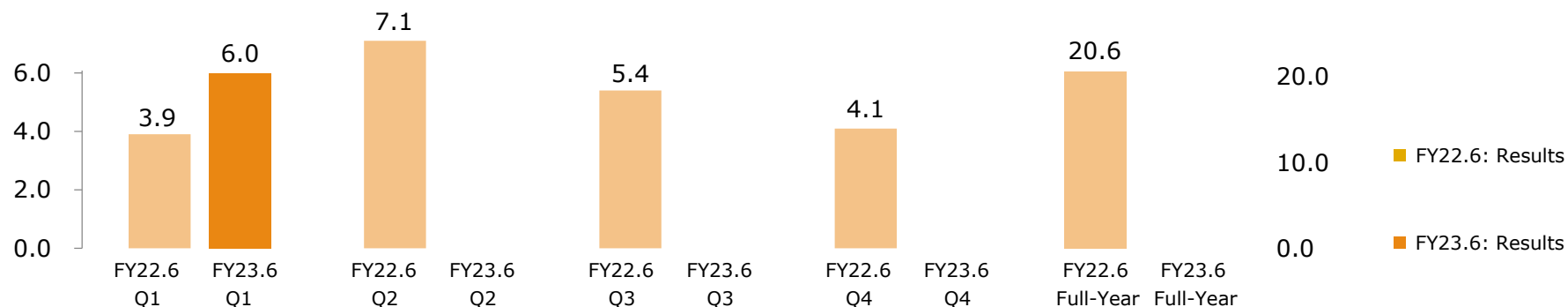
Revenue



YOY	+15.8%		-		-		-		-	
Progress on full-year %	23.3%	-	25.0%	-	25.4%	-	26.3%	-	100.0%	-
Ave. no. of engineers	20,439	22,158	20,673	[22,450]	20,949	-	21,958	-	21,005	-
Ave. utilization ratio	95.5%	95.9%	95.7%	[95.8%]	96.0%	-	94.1%	-	95.3%	-
Ave. monthly unit sales price (thousands yen)*	639	655	660	[665]	673	-	661	-	658	-
Working days*	55.7	56.8	58.2	[57.3]	55.7	-	57.2	-	226.9	-
Working hours per day*	8.49	8.43	8.49	[8.48]	8.51	-	8.45	-	8.49	-

† Figures in brackets indicate forecast at the time of publication

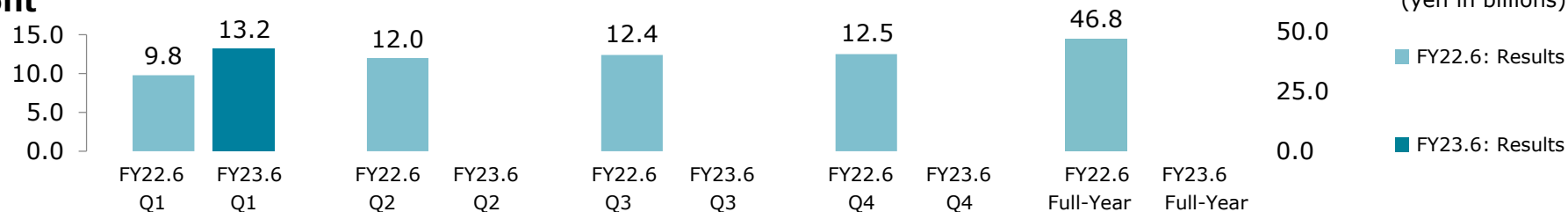
Operating Profit



YOY	+52.4%		-		-		-		-	
Progress on full-year %	19.1%	-	34.6%	-	26.4%	-	20.0%	-	100.0%	-
OP margin	9.5%	12.5%	16.0%	-	12.0%	-	8.8%	-	11.5%	-

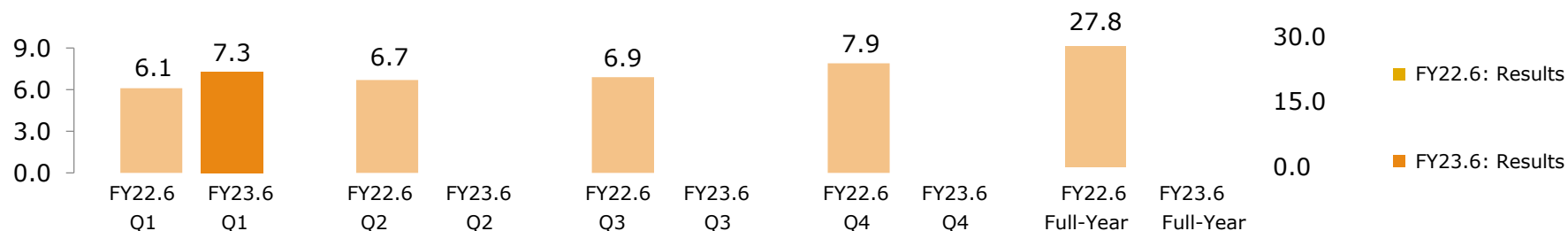
Reference: Quarterly Performance (cont.)

Gross Profit



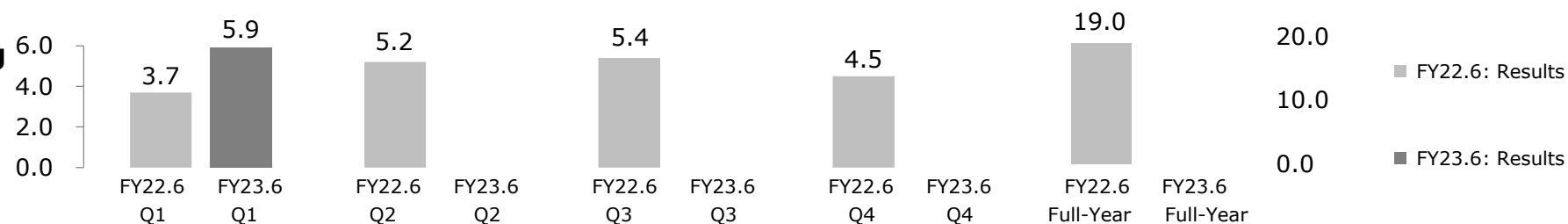
YOY	+34.2%		-		-		-		-	
GP margin	23.7%	27.5%	26.9%	-	27.3%	-	26.7%	-	26.2%	-

SG&A



YOY	+19.8%		-		-		-		-	
Ratio on revenue	14.7%	15.2%	15.1%	-	15.4%	-	17.0%	-	15.6%	-

Core Operating Profit



YOY	+57.6%		-		-		-		-	
Core OP margin	9.1%	12.3%	11.8%	-	11.9%	-	9.8%	-	10.7%	-

FY2023 Q1 Segment Results

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY21.6 Q1	FY22.6 Q1	FY23.6 Q1	YOY	FY21.6 Q1	FY22.6 Q1	FY23.6 Q1	YOY	FY21.6 Q1	FY22.6 Q1	FY23.6 Q1	YOY	FY21.6 Q1	FY22.6 Q1	FY23.6 Q1	YOY
Revenue	31,256	32,585	36,591	+12.3%	4,975	4,916	5,187	+5.5%	863	1,101	1,272	+15.5%	37,095	38,604	43,051	+11.5%
<i>Ratio to consolidated revenue</i>	79.7%	78.3%	75.9%		12.7%	11.8%	10.8%		2.2%	2.6%	2.6%		94.6%	92.7%	89.3%	
Gross profit	6,447	7,134	9,719	+36.2%	1,503	1,387	1,525	+10.0%	555	811	915	+12.8%	8,506	9,333	12,160	+30.3%
<i>GP margin</i>	20.6%	21.9%	26.6%		30.2%	28.2%	29.4%		64.3%	73.6%	71.9%		22.9%	24.2%	28.2%	
Operating profit	3,433	2,858	4,724	+65.2%	785	554	651	+17.6%	(12)	206	110	(46.5%)	4,206	3,619	5,486	+51.6%
<i>OP margin</i>	11.0%	8.8%	12.9%		15.8%	11.3%	12.6%		(1.5%)	18.7%	8.7%		11.3%	9.4%	12.7%	
OP before PPA asset amortization	3,453	2,885	4,742	+64.4%	785	554	651	+17.6%	(12)	206	110	(46.5%)	4,226	3,645	5,504	+51.0%
<i>OP margin before PPA asset amortization</i>	11.0%	8.9%	13.0%		15.8%	11.3%	12.6%		(1.5%)	18.7%	8.7%		11.4%	9.4%	12.8%	
PPA asset amortization	(20)	(26)	(18)	—	—	—	—	—	—	—	—	—	(20)	(26)	(18)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	17,984	17,893	19,473	+8.8%	2,647	2,634	2,800	+6.3%	—	—	—	—	20,631	20,527	22,273	+8.5%
o/w Non-Japanese in Japan	1,001	776	778	+0.3%	89	103	115	+11.7%	—	—	—	—	1,090	879	893	+1.6%

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY21.6 Q1	FY22.6 Q1	FY23.6 Q1	YOY	FY21.6 Q1	FY22.6 Q1	FY23.6 Q1	YOY	FY21.6 Q1	FY22.6 Q1	FY23.6 Q1	YOY	FY21.6 Q1	FY22.6 Q1	FY23.6 Q1	YOY
Revenue	2,414	3,469	5,928	+70.9%	39,510	42,073	48,979	+16.4%	(315)	(438)	(753)	—	39,195	41,634	48,225	+15.8%
<i>Ratio to consolidated revenue</i>	6.2%	8.3%	12.3%		100.8%	101.1%	101.6%		(0.8%)	(1.1%)	(1.6%)		100.0%	100.0%	100.0%	
Gross profit	584	827	1,577	+90.5%	9,091	10,161	13,738	+35.2%	(198)	(289)	(488)	—	8,892	9,871	13,249	+34.2%
<i>GP margin</i>	24.2%	23.9%	26.6%		23.0%	24.2%	28.0%		—	—	—		22.7%	23.7%	27.5%	
Operating profit	162	245	559	+127.9%	4,368	3,865	6,045	+56.4%	(11)	77	(38)	—	4,357	3,942	6,007	+52.4%
<i>OP margin</i>	6.7%	7.1%	9.4%		11.1%	9.2%	12.3%		—	—	—		11.1%	9.5%	12.5%	
OP before PPA asset amortization	212	300	706	+135.5%	4,439	3,945	6,211	+57.4%	(11)	77	(38)	—	4,427	4,023	6,172	+53.4%
<i>OP margin before PPA asset amortization</i>	8.8%	8.6%	11.9%		11.2%	9.4%	12.7%		—	—	—		11.3%	9.7%	12.8%	
PPA asset amortization	(50)	(54)	(147)	—	(70)	(80)	(165)	—	—	—	—	—	(70)	(80)	(165)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	1,482	2,869	3,016	+5.1%	22,113	23,396	25,289	+8.1%	—	—	—	—	22,113	23,396	25,289	+8.1%

FY2023 Q1 Balance Sheet & Cash Flows

- **10 billion yen** straight bonds (5 billion yen for 3-year bond & 5 billion yen for 5-year bond; R&I rating is **A-**) were newly issued in October 2021 to refinance Robosoft acquisition bridge funding as a long-term fixed debt, ensuring sufficient flexibility for unexpected financial needs backed by credit lines for working capital and M&A
- Recorded large cash outflows in Q1 FY23.6 due to seasonal factors including payment of corporate income tax and year-end dividend, and additional purchase of Robosoft shares as an extraordinary item

Q1 FY23.6 End B/S (yen in billions)

Cash & cash equivalents 27.4	Debt 16.0
IFRS 16 related assets 9.1	IFRS 16 related liabilities 9.1
Goodwill 46.2	Other liabilities 36.4
PPA 4.5	PO, etc. liabilities 0.7
Other assets 44.6	Total equity 69.6

Total assets 131.8 Total liabilities & equity 131.8

Net Cash : 11.4bn yen

Net Worth Ratio* : 52.8%

Goodwill/E Ratio* : 0.66x

D/E Ratio* : 0.23x

D/OP Ratio** : 0.80x

* Total equity includes non-controlling interests

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

Q1 FY23.6 Cash Flows (yen in millions)

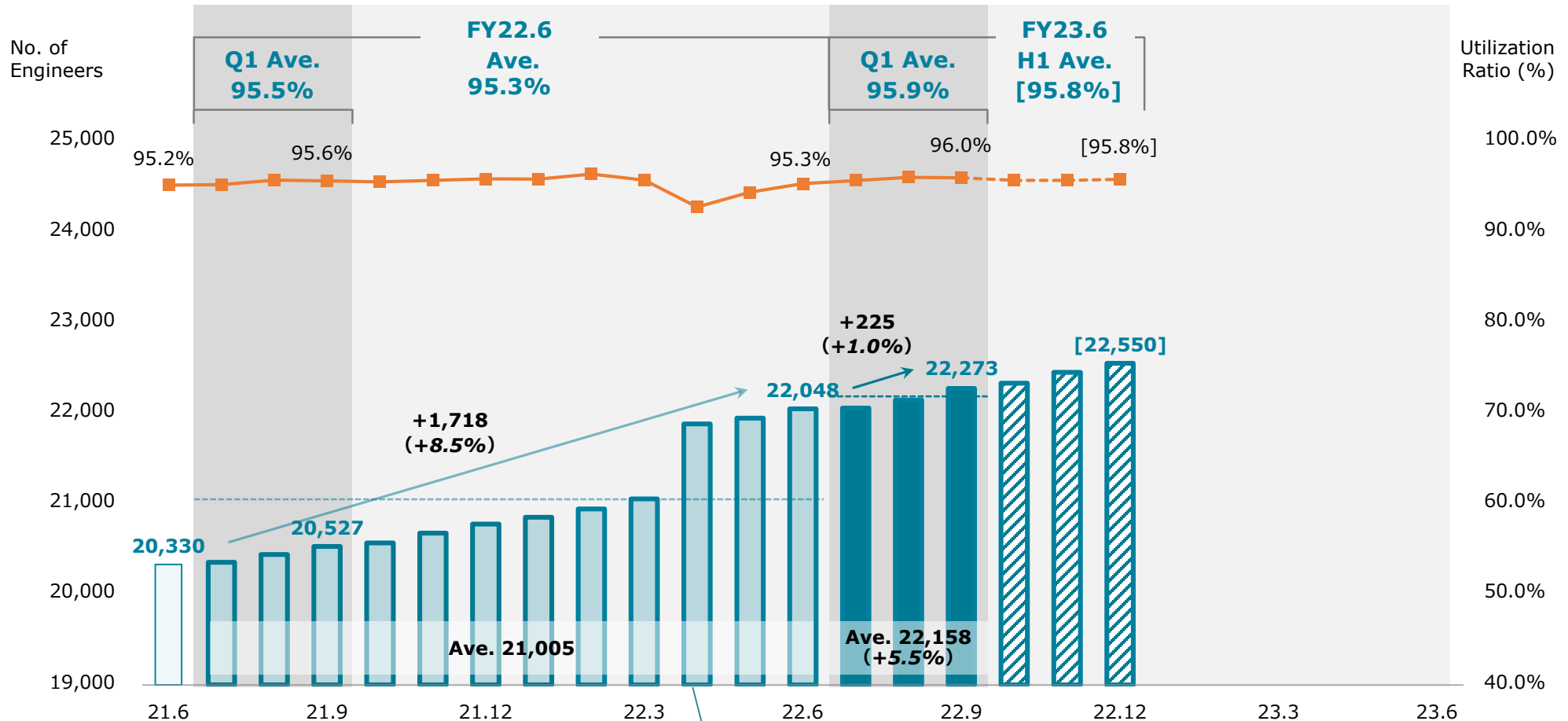
• Operating CF	+1,252
PPA asset amortization	+165
Net cash flow from income tax payment & refund	(3,732)
• Investing CF	(3,609)
M&A consideration payment (20% of Robosoft shares)	(3,623)
Purchase of tangible fixed assets	(72)
Purchase of intangible assets	(21)
• Financing CF	(7,735)
IFRS 16 related lease liability repayment	(1,634)
Net cash flow from debt procurement & repayment	(500)
Dividend payment	(5,601)
Net CF (incl. effect of exchange rate change of 87mn yen)	(10,005)

Commitment Lines (yen in millions)

Purpose	Credit line	Used	Unused	Expiration
1 Working capital	8,000	0	8,000	Jun. 2023
4 M&A	10,000	0	10,000	Dec. 2022
Total	18,000	0	18,000	

Number of Engineers & Utilization Ratio [Japan]

- Engineers in Japan at the end of Q1 FY23.6 totaled **22,273** (up 225 from FY22.6 end), including **893** non-Japanese engineers (down 5 from FY22.6 end)
- Average utilization ratio was **95.9%** for the three months Q1 FY23.6 period (up 0.4 pts year-on-year)
- Engineers working outside Japan totaled **3,016** (not included in number of engineers in Japan, up 165 from FY22.6 end)

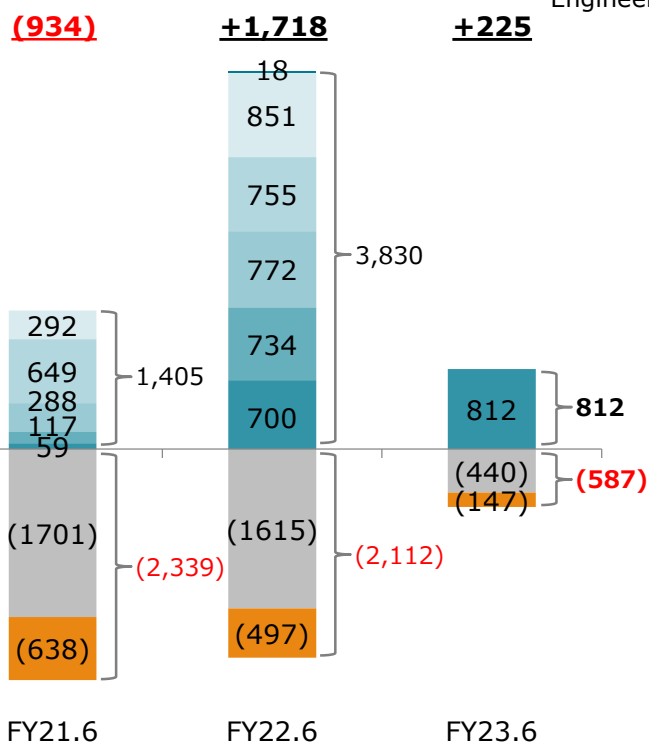


Recruitment & Turnover [Japan]

- Engineers hired in Q1 FY23.6 totaled **812** (up 112 year-on-year), expects to add approx. **900** new-graduates engineers in April 2023
- 587** engineers left in Q1 FY23.6 (up 66 year-on-year): permanent employees of **440** (up 47 year-on-year) and fixed-term employees of **147** (up 19 year-on-year)
- Turnover ratio for permanent employees* was **7.9%** (up 0.3 pts year-on-year) for Q1 FY23.6, expecting the new personnel system for engineers introduced in July 2022 to curb retirement
- Net engineer increase was **225** for Q1 FY23.6; turnover slightly surpassed the initial plan, but hiring is exceeding the plan

Net Increase (Decrease)

(No. of Engineers)



Annual Recruitment/Turnover

(No. of Engineers)

	FY21.6	FY22.6	FY23.6	YOY	
Hired Total	1,405	3,830	812	—	—
M&A	0	18	—	—	—
New-grads joined in April	292	851	—	—	—
Mid-carrier: Q4	649	755	—	—	—
Mid-carrier: Q3	288	772	—	—	—
Mid-carrier: Q2	117	734	—	—	—
Mid-carrier: Q1	59	700	812	+112	+16.0%
Turnover Total	2,339	2,112	587	—	—
Permanent employees	1,701	1,615	440	—	—
Contract terms matured, others	638	497	147	—	—

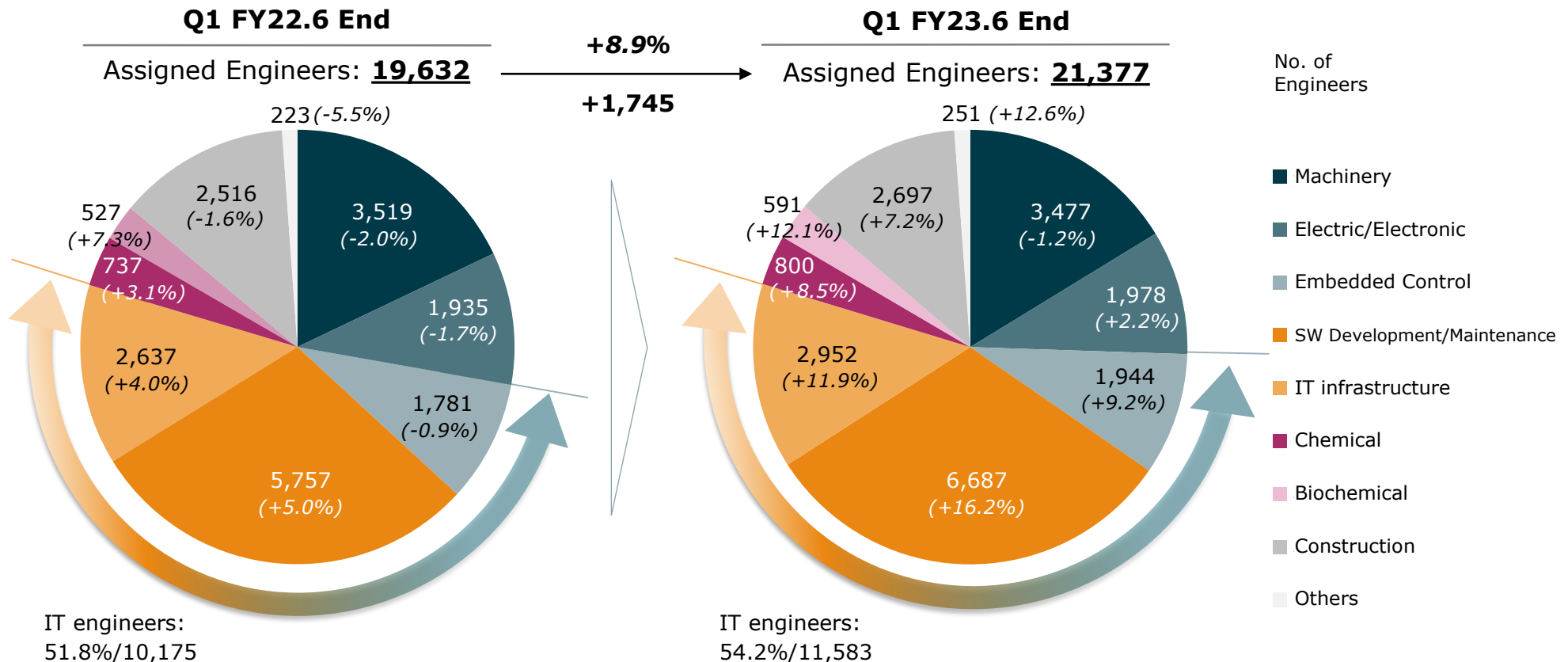
Turnover Ratio for Permanent Employees*

Quarter	FY21.6				FY22.6				FY23.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter	8.8%	8.2%	8.1%	8.3%	7.7%	7.1%	7.4%	8.6%	7.9%	—	—	—
YTD	—	8.5%	8.4%	8.4%	—	7.4%	7.4%	7.7%	—	—	—	—
LTM	8.9%	8.9%	8.8%	8.4%	8.1%	7.8%	7.6%	7.7%	7.8%	—	—	—

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

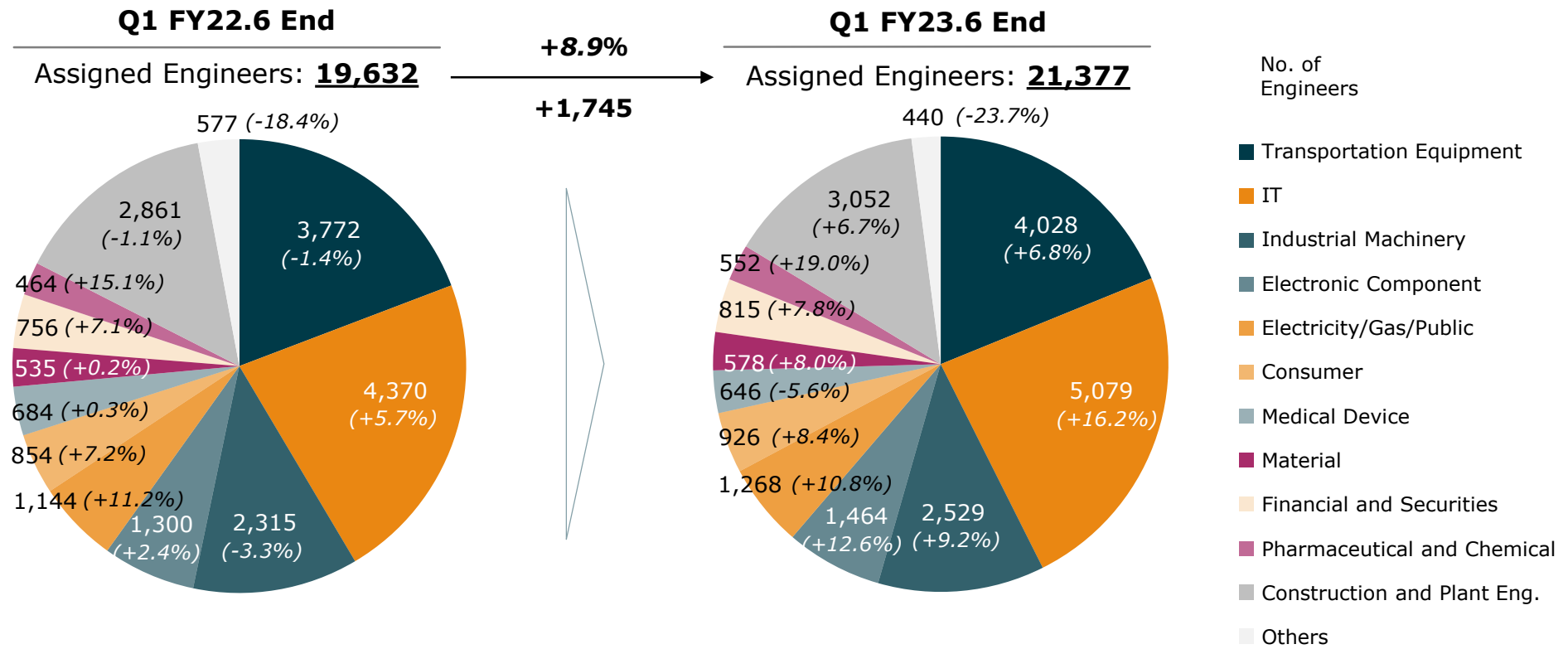
Assigned Engineers Portfolios by "Technology" [Japan]

- With utilization ratio already maintaining a normal level, the number of assigned engineers has exceeded 21,000, continuing to renew record highs
- Expects domestic demands for investment to increase broadly across R&D, IT and digital areas despite concerns about economic recession possibility, therefore continues to focus on increasing number of engineers while aiming to raise average unit sales price by promoting recruitment and training mainly in the software field



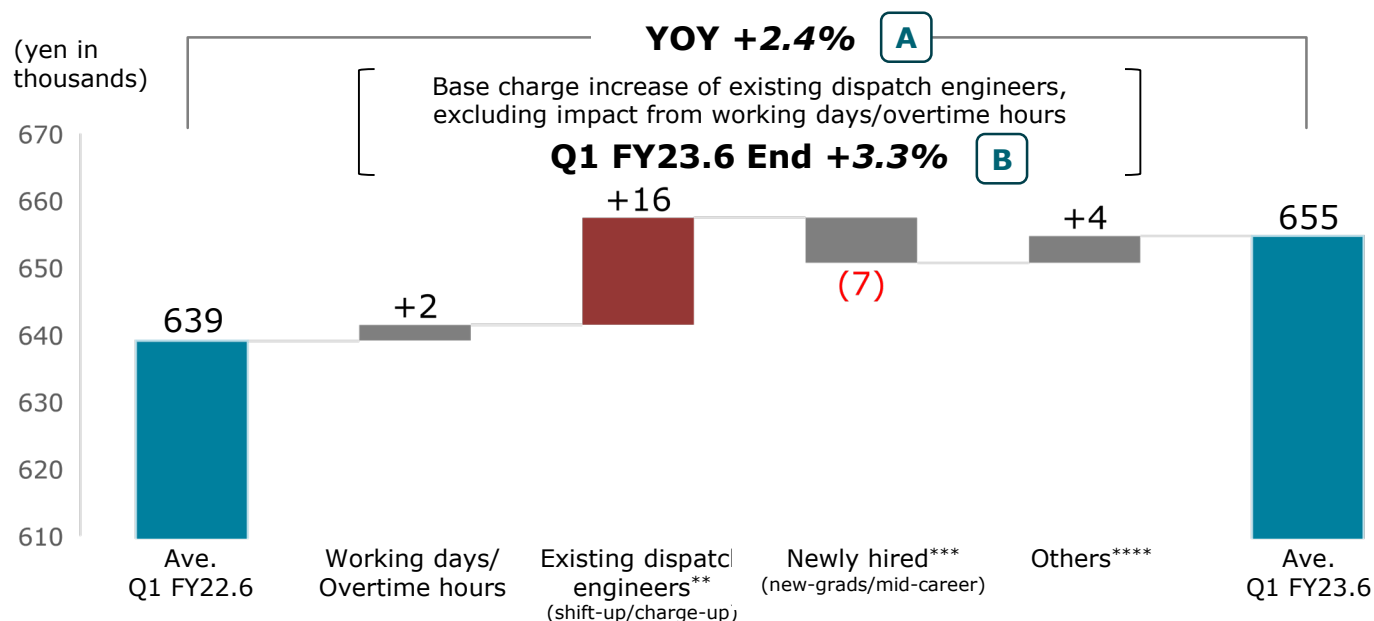
Assigned Engineers Portfolios by "Industry" [Japan]

- 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 concern about recession has not yet been observed, but some customers might become cautious about actual spending of R&D budget for the time being
- Due to the structural shortage of engineers, customers gradually tend to increase OJT-based orders for less experienced engineers, or the medium- to long-term orders in line with their R&D roadmaps



Average Monthly Unit Sales Price [Japan]

- Average monthly unit sales price* for Q1 FY23.6 increased to **655K yen** (up 16K yen/month or 2.4% year-on-year)
- Increased 2K yen/month year-on-year due to the mix of increased working days and shorter overtime hours, and diluted 7K yen/month year-on-year due to first assignment of newly hired new-grads/younger mid-career engineers
- Increased 16K yen/month driven by base charge increase for existing dispatch engineers through shift-up/charge-up efforts
- Increased 4K yen/month driven by the growth of project-type services; there is no effect from scope expansion of subsidiaries for unit sales price calculation in FY23.6



* Unit sales price
Average monthly sales per engineer, which includes base charge, overtime charges and others

** Existing dispatch engineers
Increase (decrease) in price through changes in place of assignment or contract renewal at the same assignment

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

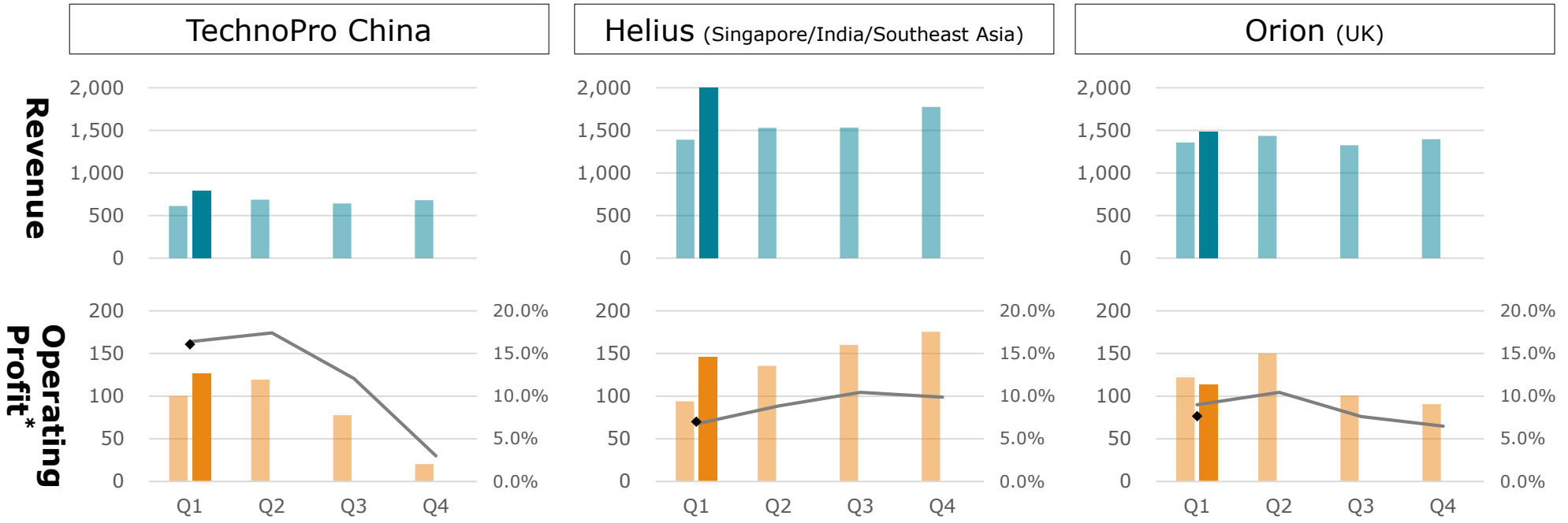
**** Others
Increase (decrease) in price from project-type services and other factors

	FY22.6				FY23.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (yen in thousands/month, YTD)	639	650	657	658	655	-	-	-
YOY A	+3.0%	+3.4%	+4.0%	+3.9%	+2.4%	-	-	-

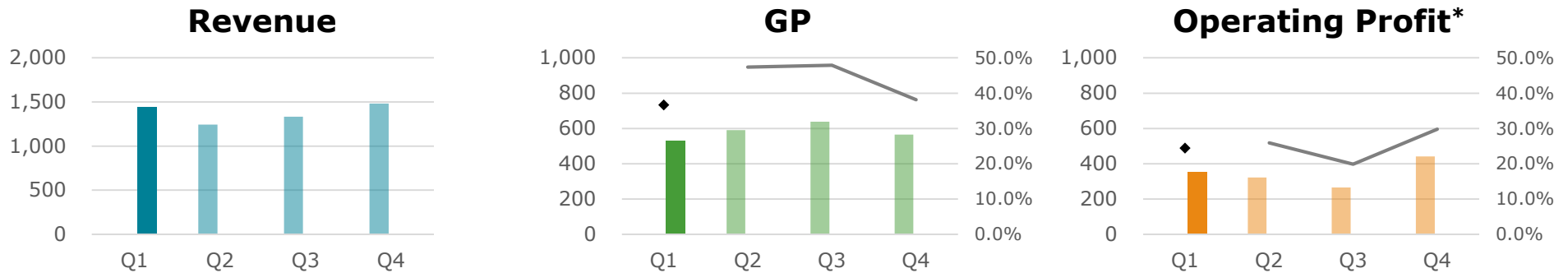
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Dispatch Engineers B † YOY comparison for each quarter end	+1.7%	+2.1%	+2.4%	+2.9%	+3.3%	-	-	-

Overseas Subsidiaries Update

Legend: ■ FY22.6 Results ■ FY23.6 Results (yen in billions)



Robosoft (North America/Japan/Europe/India)



* Operating profit before PPA amortization; line graphs and ◆ indicate profit margin

FY2023 Guidance

- Plans to continue investment for implementing the medium-term plan in FY23.6, expecting 15% range for SG&A ratio on revenue, the almost same level as the previous year
- Assumes core operating profit to grow 5.1% by absorbing incremental medium-term plan implementation cost, while operating profit is expected to decrease due to the lack of extraordinary items such as PO liability reversal gain in the previous year
- Revised only domestic key KPIs forecast for H1, while full-year guidance would be updated at the Q2 earnings announcement if necessary, based on the first half results

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

	First Half					Full-Year				
	FY21.6 (Results)	FY22.6 (Results)	FY23.6 (Guidance)	YOY		FY21.6 (Results)	FY22.6 (Results)	FY23.6 (Guidance)	YOY	
Revenue	79,451	86,358	94,500	+8,141	+9.4%	161,316	178,756	195,000	+16,243	+9.1%
Core operating profit	8,291	9,032	9,200	+167	+1.9%	17,639	19,038	20,000	+961	+5.1%
Core OP margin	10.4%	10.5%	9.7%	(0.7 pts)		10.9%	10.7%	10.3%	(0.4 pts)	
Operating profit	9,680	11,078	9,200	(1,878)	(17.0%)	19,461	20,641	20,000	(641)	(3.1%)
OP margin	12.2%	12.8%	9.7%	(3.1 pts)		12.1%	11.5%	10.3%	(1.3 pts)	
Profit before income taxes	9,645	11,229	9,100	(2,129)	(19.0%)	19,472	20,967	19,800	(1,167)	(5.6%)
Net profit	6,623	7,794	6,200	(1,594)	(20.5%)	13,245	15,430	13,600	(1,830)	(11.9%)
Net profit margin	8.3%	9.0%	6.6%	(2.5 pts)		8.2%	8.6%	7.0%	(1.7 pts)	
Earnings per share	61.48	72.35	57.55	(14.80)	(20.5%)	122.96	143.24	126.25	(16.99)	(11.9%)
Dividend per share	16.67	20.00	25.00	+5.00	+25.0%	61.67	72.00	72.00	—	—

Key KPIs [Japan]	First Half					Full-Year				
	FY21.6 (Results)	FY22.6 (Results)	FY23.6 (Updated Guidance)	YOY		FY21.6 (Results)	FY22.6 (Results)	FY23.6 (Guidance)	YOY	
No. of engineers (period-end)	20,189	20,776	22,550	+1,774	+8.5%	20,330	22,048	23,600	+1,552	+7.0%
Engineer hiring*	176	1,452	1,550	+98	+6.7%	1,405	3,830	3,800	(30)	(0.8%)
Ave. utilization ratio	93.7%	95.6%	95.8%	+0.2 pts	—	94.6%	95.3%	95.2%	(0.1 pts)	—
Ave. monthly unit sales price (yen in thousands)	628	650	659	+9	+1.4%	634	658	668	+10	+1.4%

Reference: FY2023 Segment Guidance [Full-Year]

- R&D Outsourcing: Revenue and GP to grow driven by the increase in engineers on assignment and unit sales price, while expecting slight increase in OP due to investment for medium-term plan implementation
- Construction Management Outsourcing: Strives to achieve higher growth of both revenue and profit year-on-year by promoting recruitment including less experienced engineers and strict control of unit sales price
- Other Businesses in Japan: Aims to grow while maintaining high profitability by focusing on IT/digital talents for permanent placement business and promoting external sales to corporate customers for engineer training business
- Overseas: Expects slightly restrained profit growth due to concerns about inflation and economic uncertainty in each country, as well as performance of Robosoft in its investment phase

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY
Revenue	127,870	137,471	150,000	+9.1%	19,670	20,311	22,300	+9.8%	3,800	4,898	5,400	+10.2%	151,341	162,682	177,700	+9.2%
<i>Ratio to consolidated revenue</i>	79.3%	76.9%	76.9%		12.2%	11.4%	11.4%		2.4%	2.7%	2.8%		93.8%	91.0%	91.1%	
Operating profit	15,815	14,151	14,600	+3.2%	2,791	2,489	2,700	+8.4%	315	672	700	+4.1%	18,922	17,313	18,000	+4.0%
<i>OP margin</i>	12.4%	10.3%	9.7%		14.2%	12.3%	12.1%		8.3%	13.7%	13.0%		12.5%	10.6%	10.1%	
OP before PPA asset amortization	15,895	14,626	14,673	+0.3%	2,791	2,489	2,700	+8.4%	315	672	700	+4.1%	19,002	17,788	18,073	+1.6%
<i>OP margin before PPA asset amortization</i>	12.4%	10.6%	9.8%		14.2%	12.3%	12.1%		8.3%	13.7%	13.0%		12.6%	10.9%	10.2%	
No. of engineers (period-end)	17,692	19,257	20,600	+7.0%	2,638	2,791	3,000	+7.5%	—	—	—	—	20,330	22,048	23,600	+7.0%
o/w non-Japanese in Japan	817	788	—	—	104	110	—	—	—	—	—	—	921	898	—	—

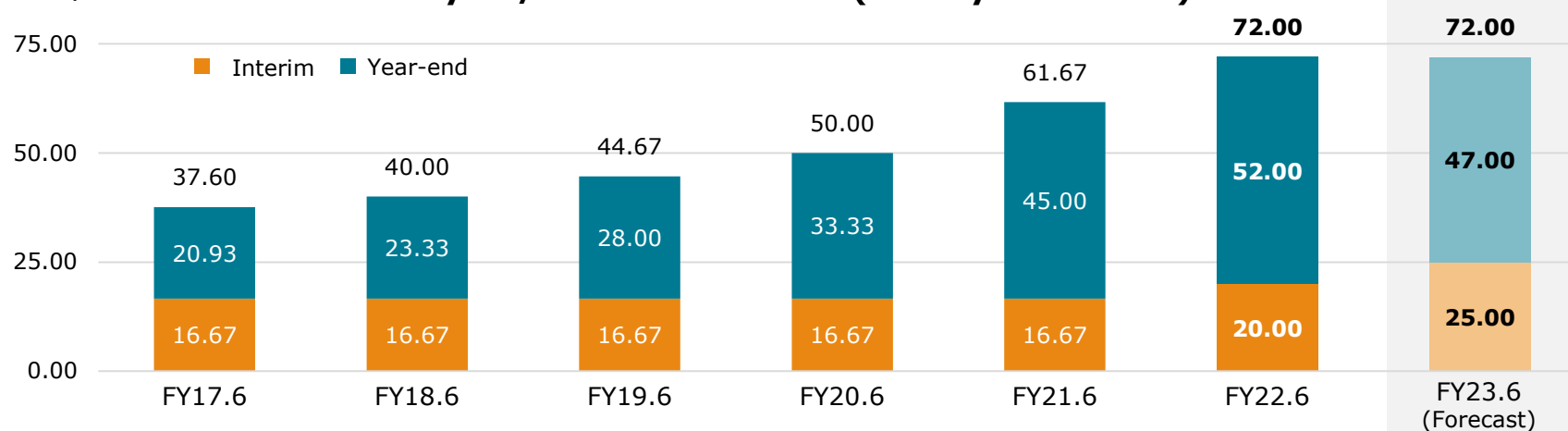
	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY	FY21.6	FY22.6	FY23.6	YOY
Revenue	11,432	18,976	21,000	+10.7%	162,773	181,658	198,700	+9.4%	(1,456)	(2,902)	(3,700)	—	161,316	178,756	195,000	+9.1%
<i>Ratio to consolidated revenue</i>	7.1%	10.6%	10.8%		100.9%	101.6%	101.9%		(0.9%)	(1.6%)	(1.9%)		100.0%	100.0%	100.0%	
Operating profit	764	1,925	2,000	+3.9%	19,687	19,239	20,000	+4.0%	(226)	1,401	0	—	19,461	20,641	20,000	(3.1%)
<i>OP margin</i>	6.7%	10.1%	9.5%		12.1%	10.6%	10.1%		—	—	—		12.1%	11.5%	10.3%	
OP before PPA asset amortization	974	2,381	2,543	+6.8%	19,977	20,170	20,616	+2.2%	(267)	(416)	0	—	19,709	19,754	20,616	+4.4%
<i>OP margin before PPA asset amortization</i>	8.5%	12.6%	12.1%		12.3%	11.1%	10.4%		—	—	—		12.2%	11.1%	10.6%	
No. of engineers (period-end)	1,970	2,851	—	—	22,300	24,899	—	—	—	—	—	—	22,300	24,899	—	—

Shareholder Return

- Assures basic policy to make dividend payment steadily twice a year in the form of interim and year-end ones; **annual dividend payout ratio of 50% or higher** remains unchanged, determined to distribute annual dividend of 72 yen per share (dividend payout ratio: 50.3%) in FY22.6, including year-end dividend of 52 yen per share (already paid on September 30, 2022 after the approval by the Annual General Meeting of Shareholders)
- Despite the net profit guidance to decrease year-on-year, expects FY23.6 annual dividend of **72 yen per share (dividend payout ratio: 57.0%), the same amount as FY22.6**, including interim dividend of 25 yen per share, in consideration of the steady progress of growth strategies laid out in the medium-term plan as of now

(yen per share)

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

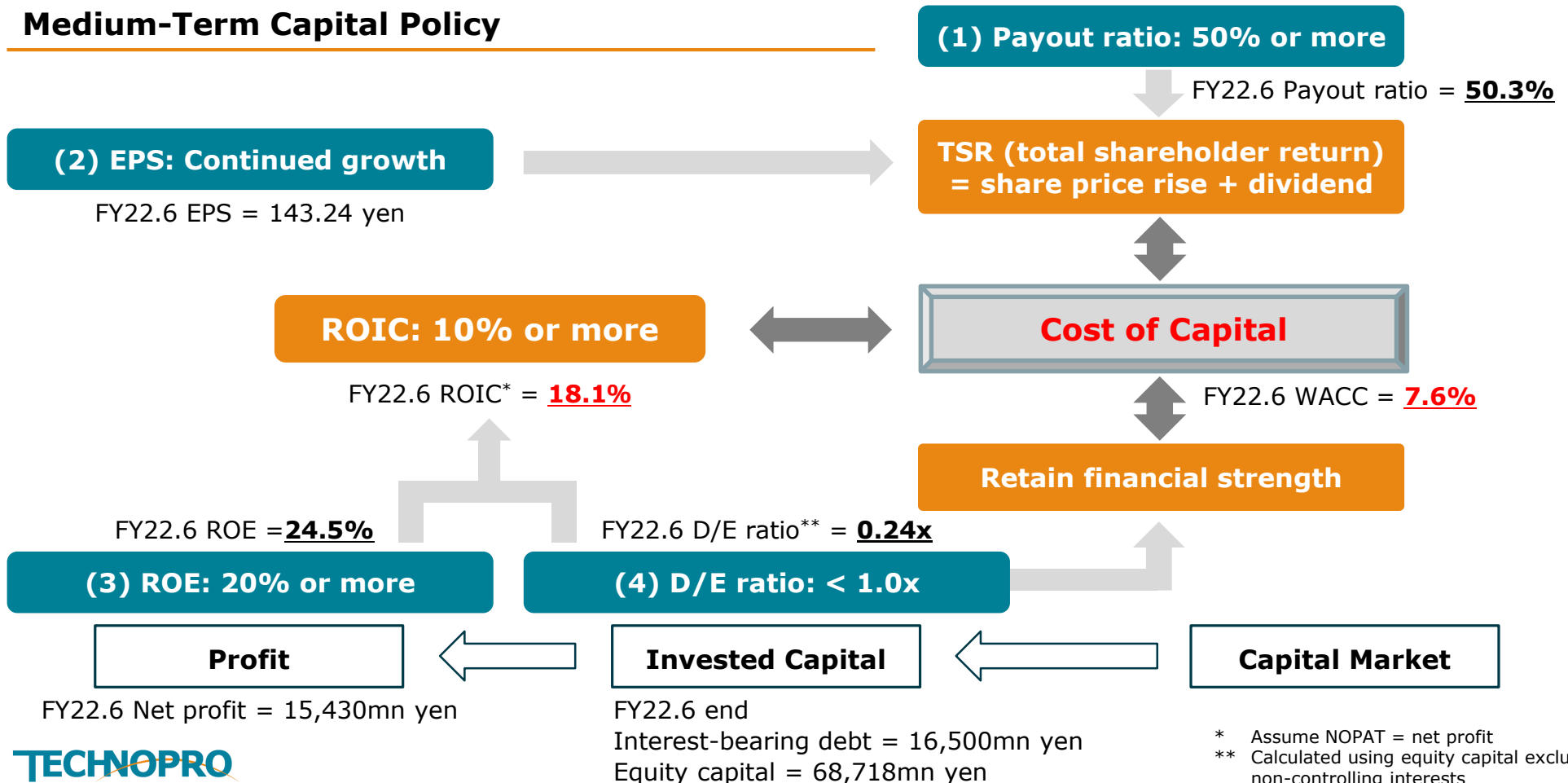


ROE	29.9%	24.5%	22.4%	23.3%	25.1%	24.5%	19.8%
EPS (yen)	75.19	81.60	88.95	99.99	122.96	143.24	126.25
Payout ratio	50.0%	50.0%	50.2%	50.0%	50.2%	50.3%	57.0%
Dividend amount (yen in millions)	3,858	4,250	4,864	5,397	6,643	7,756	7,756
Share repurchase (yen in millions)	—	—	—	2,063	—	—	N/A
Total return ratio	50.0%	50.0%	50.2%	68.9%	50.2%	50.3%	N/A

Capital Policy

- Our four capital policies described below set **value creation (ROIC > cost of capital)** as a primary focus of business operation with maintaining solid financial foundation, as well as placing high importance on TSR
- Free cash flows retained after distributing 50% cash dividend to shareholders will be spent for growth investment such as M&As; 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**

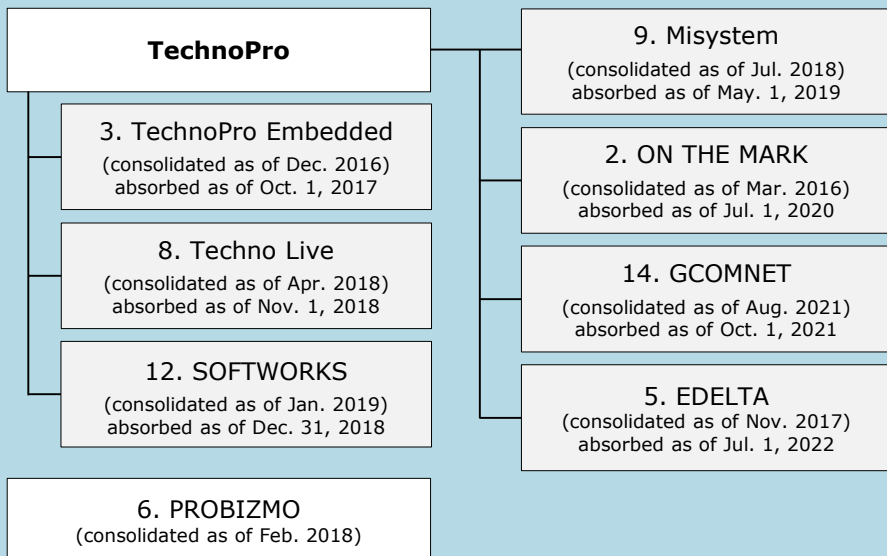
Medium-Term Capital Policy



Appendix: Reportable Segments [as of Q1 FY23.6 End]

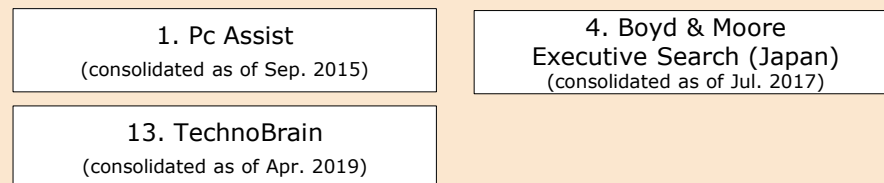
R&D Outsourcing

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



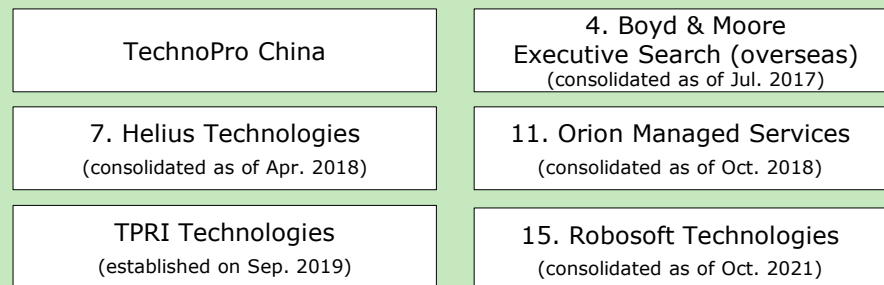
Other Businesses in Japan

Provides professional recruitment, technical education and training services



Overseas

Technological outsourcing and professional recruitment services in China; IT engineer staffing service and contract services in Southeast Asia and India (including offshore delivery to US/EMEA/JP customers); engineer staffing and professional recruitment services in the UK



Construction Management Outsourcing

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



Headquarters

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



Appendix: Risk Assets [as of Q1 FY23.6 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: Put Option had not been exercised by 49% minority shareholder; continues joint holding
- Orion: All Put Option to be exercised by minority shareholders in FY24.6 soon after the end of FY23.6, a final fiscal year for value calculation period
- Robosoft: Completed the phased purchase of remaining 20% shares; shareholding ratio was increased to 100% with share acquisition liabilities extinguished

(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)
R&D Outsourcing									
Machinery, Electric/Electronic	100.0%	13,674	977	14,651	31.7%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	17.2%				
Software dev./maintenance	100.0%	2,912	3,006	5,919	12.8%	555	up to 32.7		
Chemical, Biochemical	100.0%	1,262		1,262	2.7%				
Construction Mgmt Outsourcing									
Construction management	100.0%	3,383		3,383	7.3%				
TOQO	100.0%		190	190	0.4%				
Other Businesses in Japan									
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%				
Overseas									
Helius	51.0%		864	864	1.9%	538	up to 26.3		
Orion	83.2%		1,173	1,173	2.5%	328	up to 26.9	738	18.4-23.6
Robosoft	100.0%		9,453	9,453	20.5%	3,118	up to 31.9		
Total		29,202	17,019	46,221	100.0%	4,540		738	

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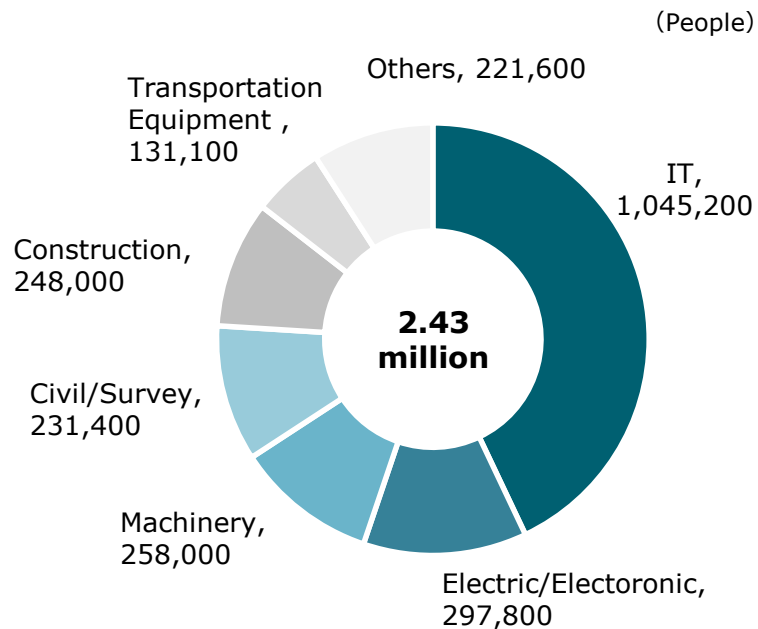
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Distribution of Engineers in Japan

- 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)

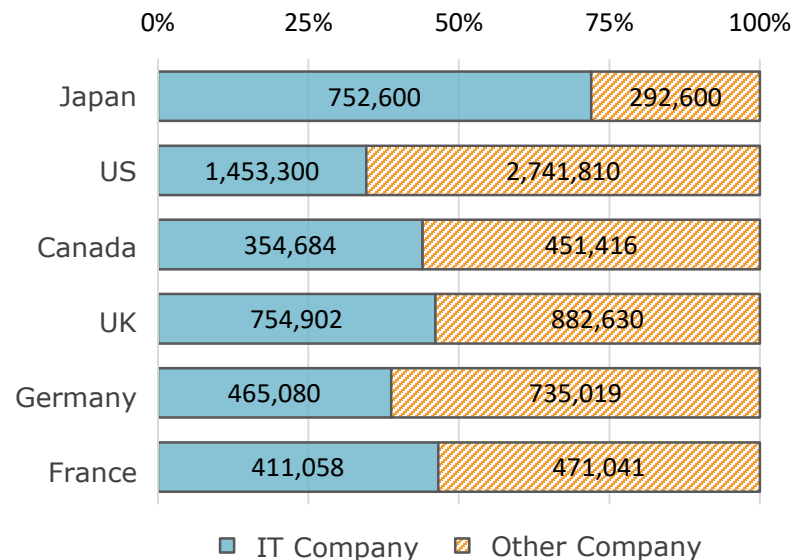
Source: Census 2015



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)



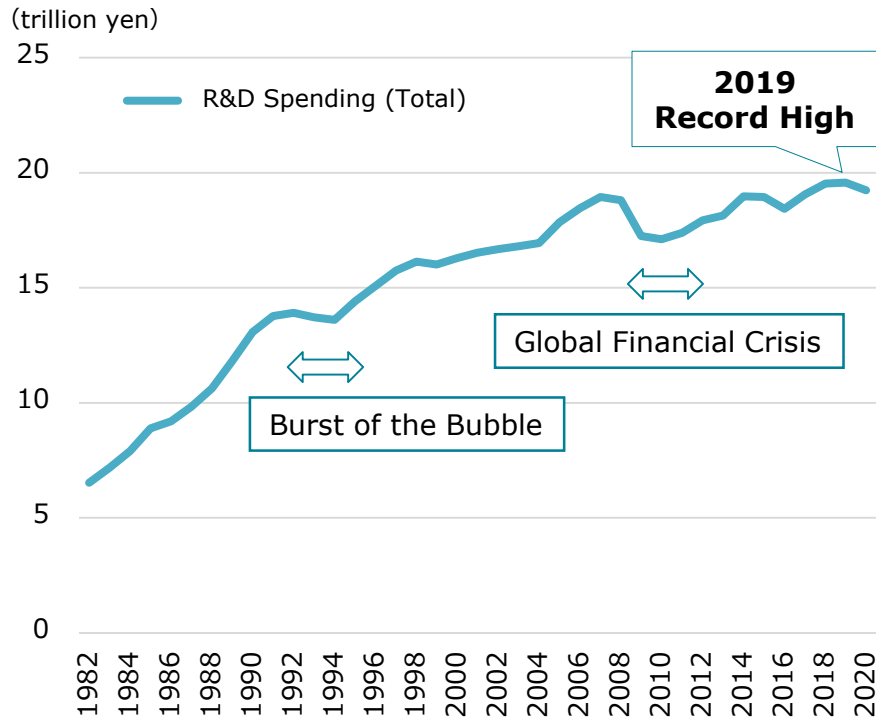
† "IT Company" means IT vendors and "Other Company" means IT user companies

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"

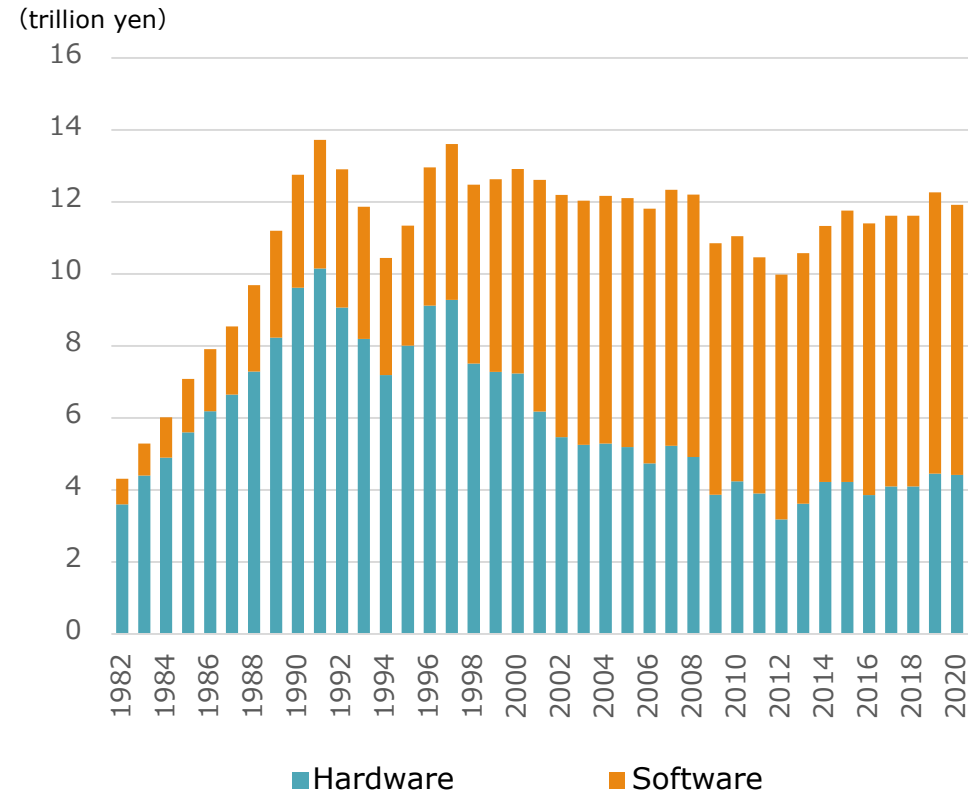
3. Trend of R&D Spending in Japan

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



4. The Breakdown of ICT Investment in Japan

Source: Cabinet Office, "National Accounts of Japan"

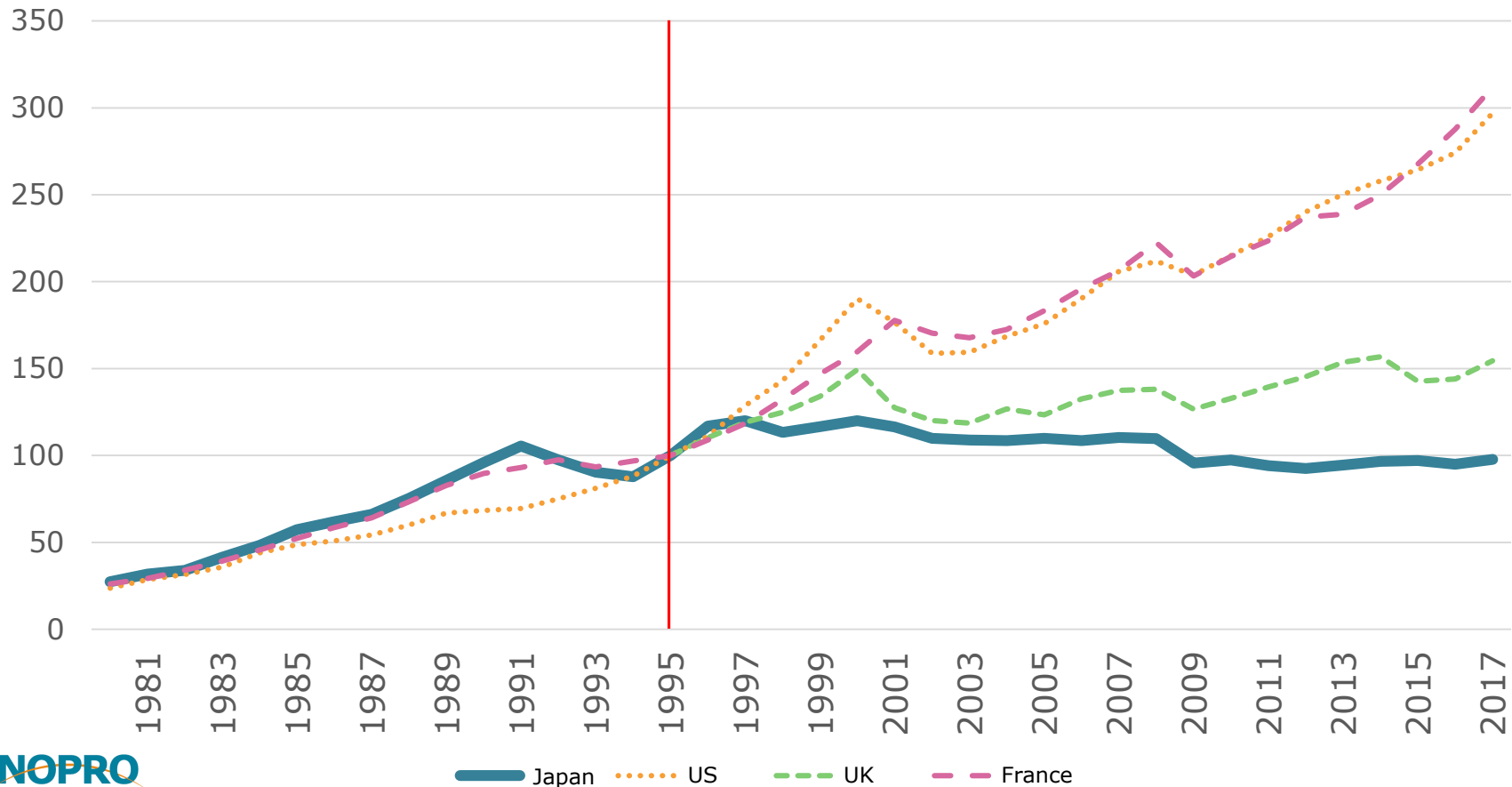


Sluggish Digitalization in Japan

- 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"

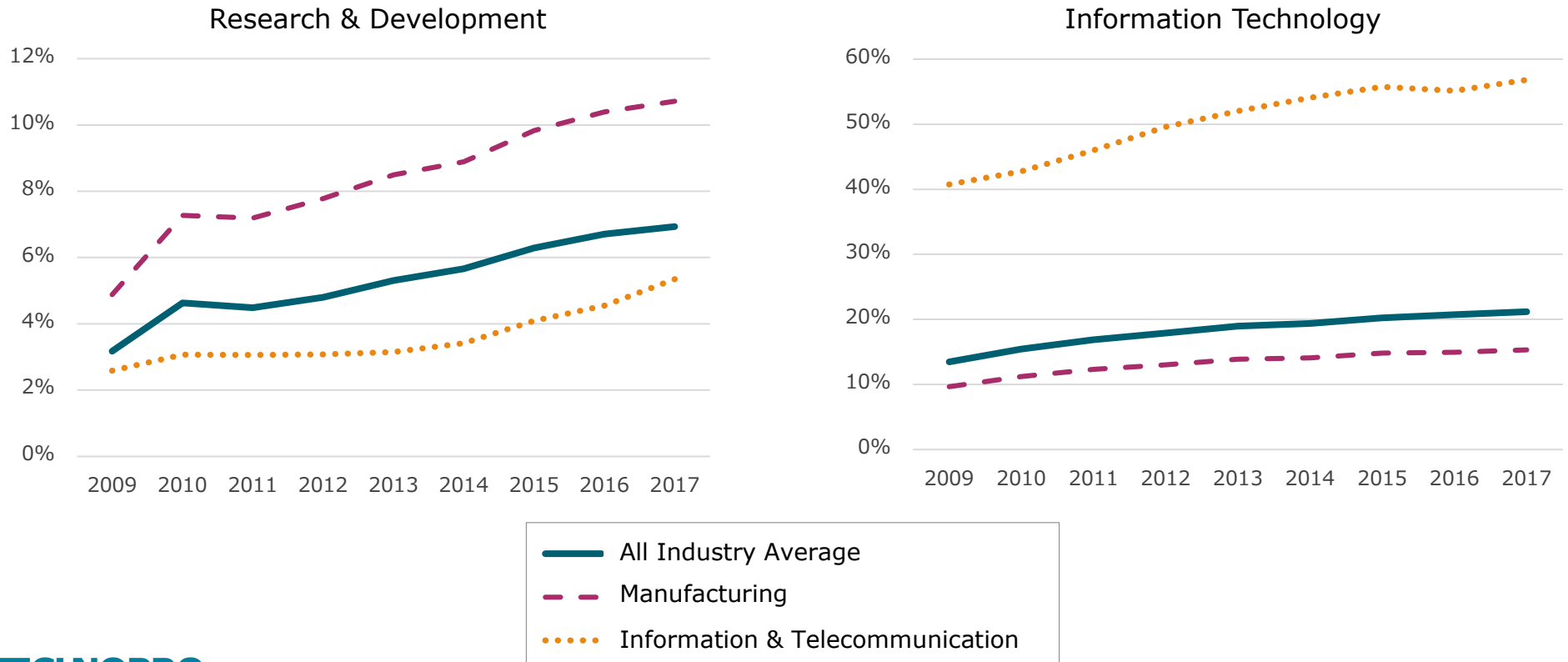


Outsourcing Usage Ratio of R&D and IT Activity

- 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

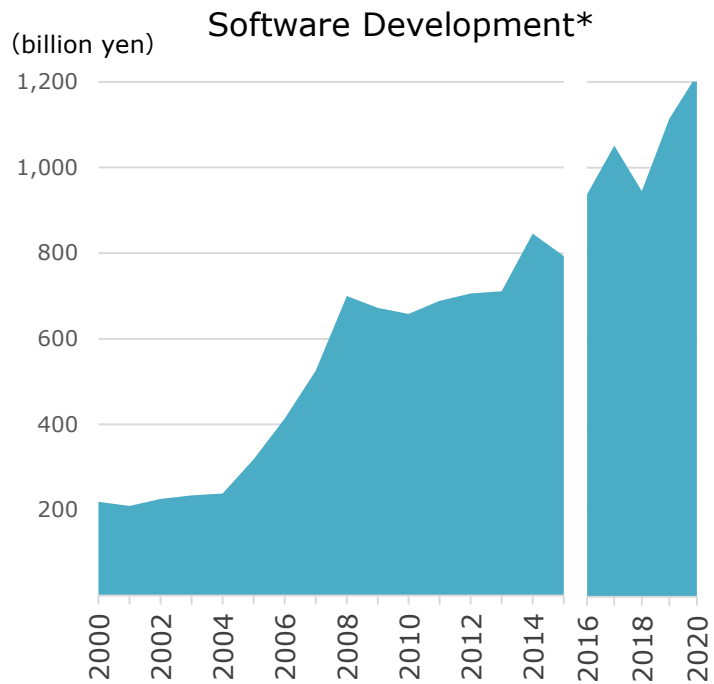


Engineer Staffing Market Overview

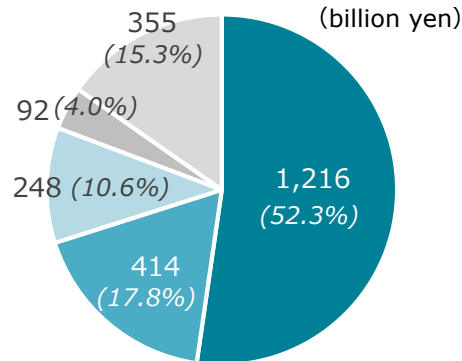
- Estimated whole engineer staffing market size in Japan was about 2.3 trillion yen in 2020; up 9.8% year-on-year, of which software development market size was about 1.2 trillion yen; up 9.2% year-on-year
- Yano Research Institute forecasts that the engineer staffing market in Japan is expected to grow 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



Market Size
2.3 trillion yen (2020)
Breakdown

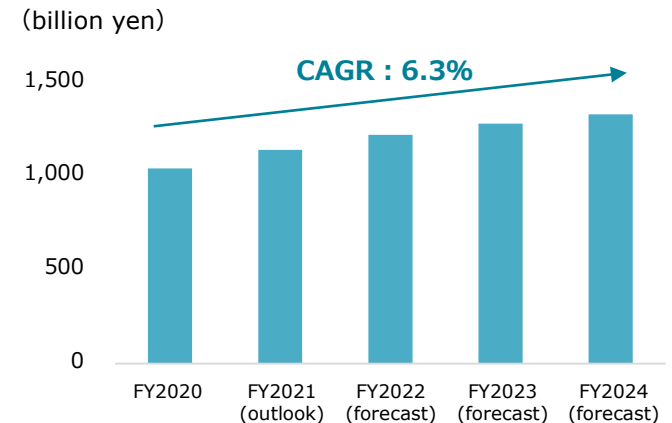


- 10 Software Development
- 0708 Manufacturing
- 09 Construction
- 05 Researcher
- 11 Others

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

8. Forecast of Engineer Staffing Market Size

Source: Yano Research Institute Ltd., "Human Resources Business 2021, PART 2: Services by Industry/Occupation"



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

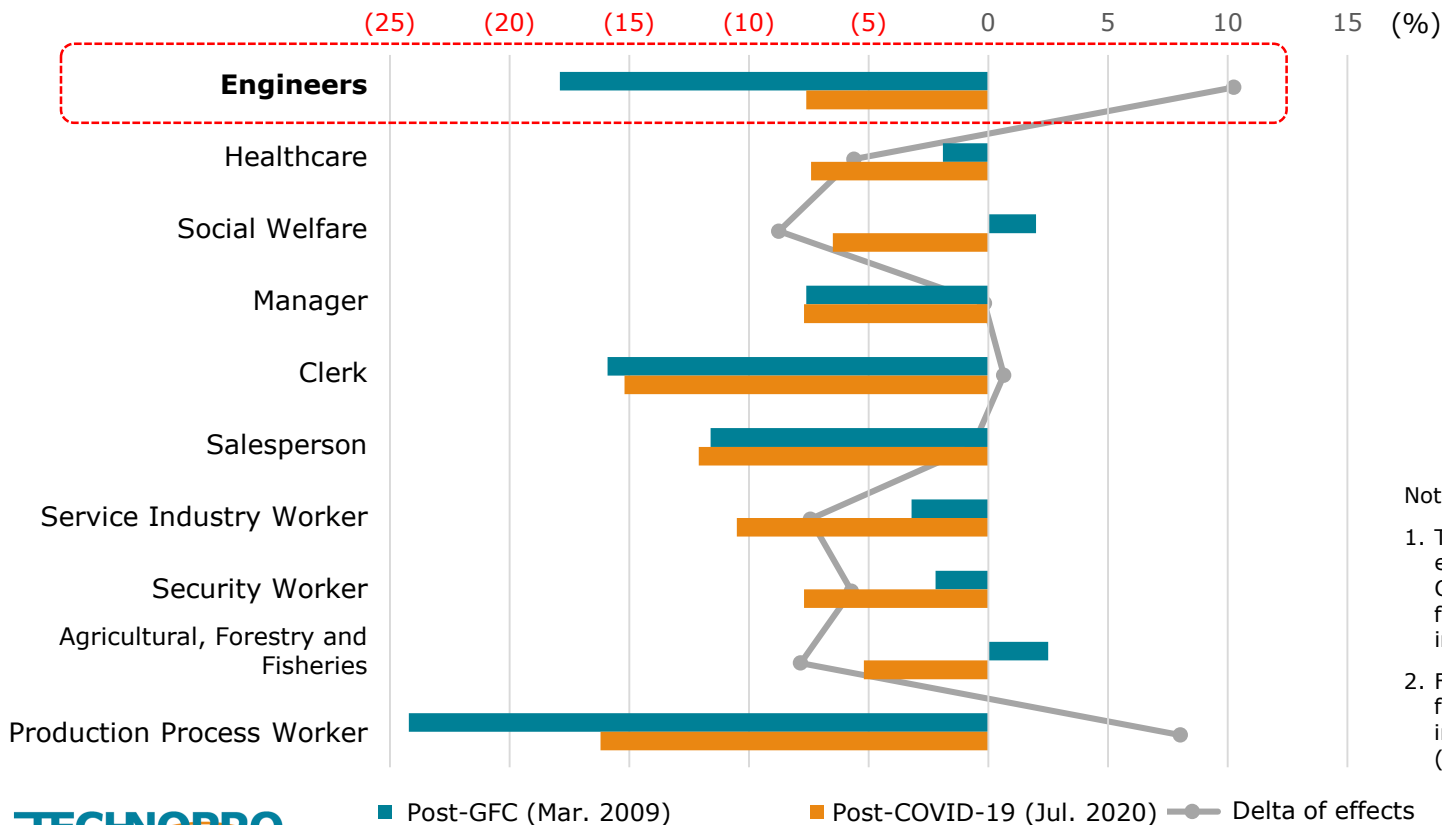
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole

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:

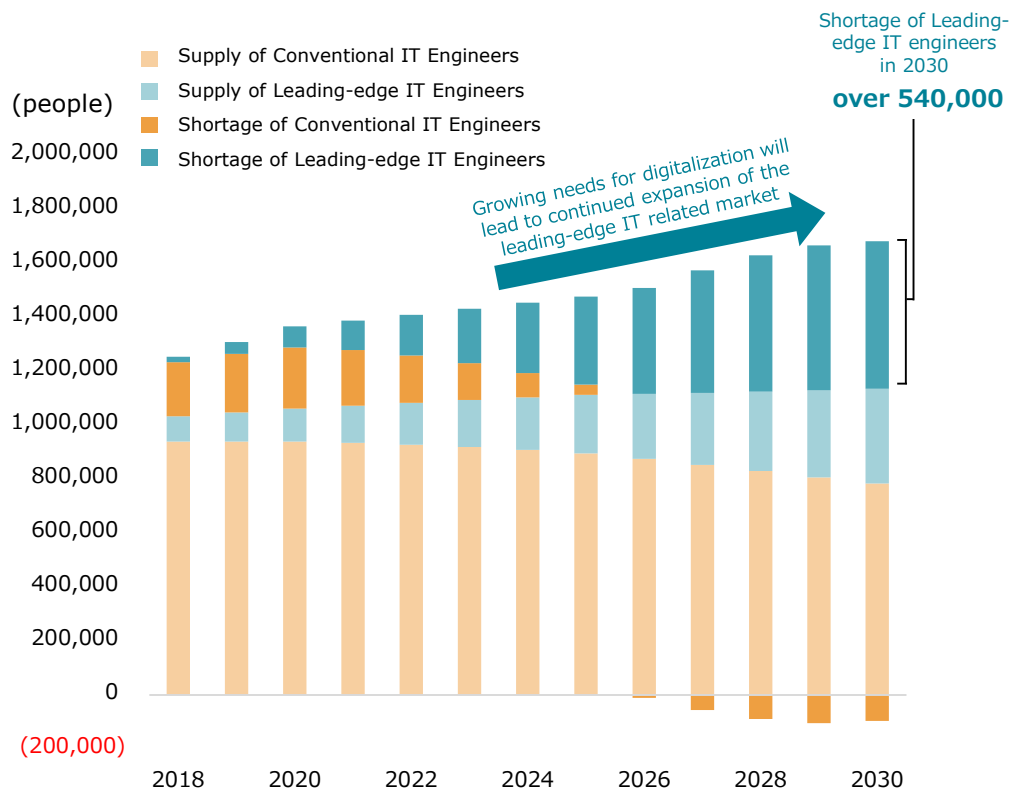
1. The figure left shows the comparison of the effect from the Global Financial Crisis (GFC) and COVID-19 on the index data of new job offers for each job category after 6 months from the initial outbreak of the crisis
2. Figures in September 2008 was indexed as 100 for the GFC, figures in January 2020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

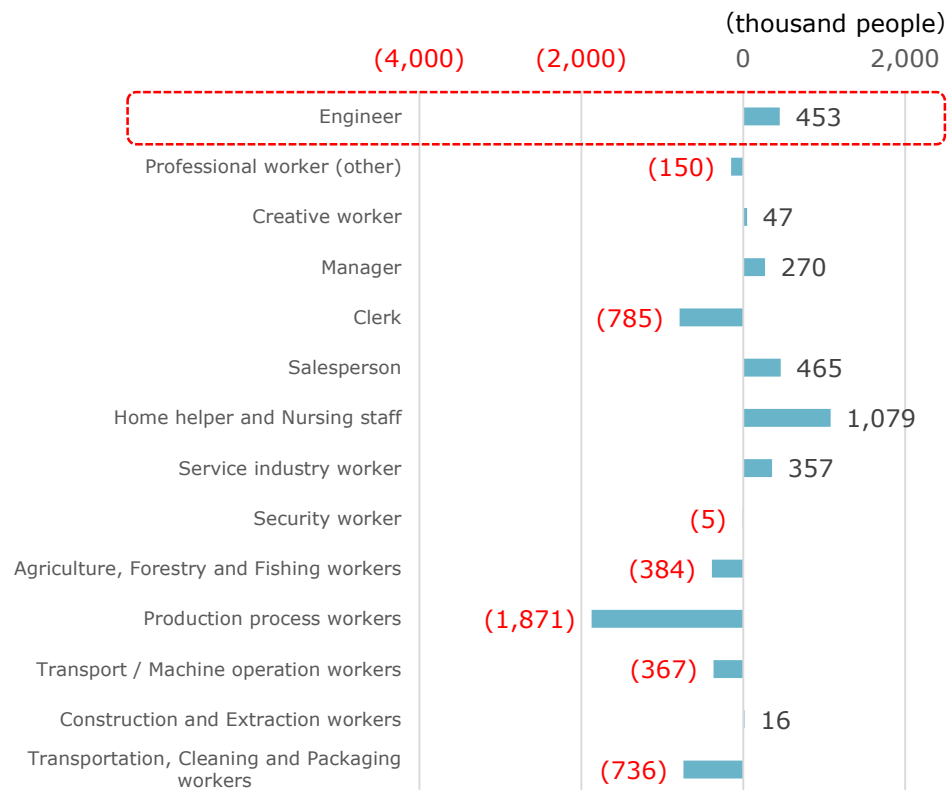
10. Projected Shortage in Advanced and Conventional IT engineers

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"



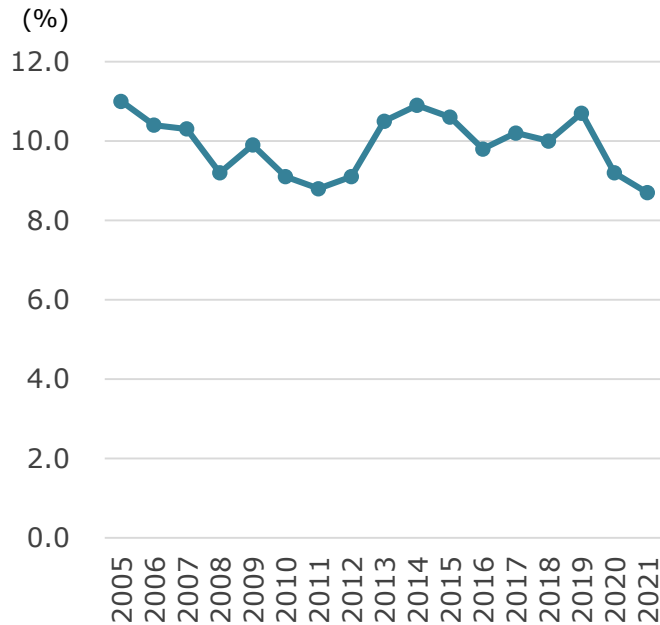
† Estimated numbers comparing 2015 and 2030

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

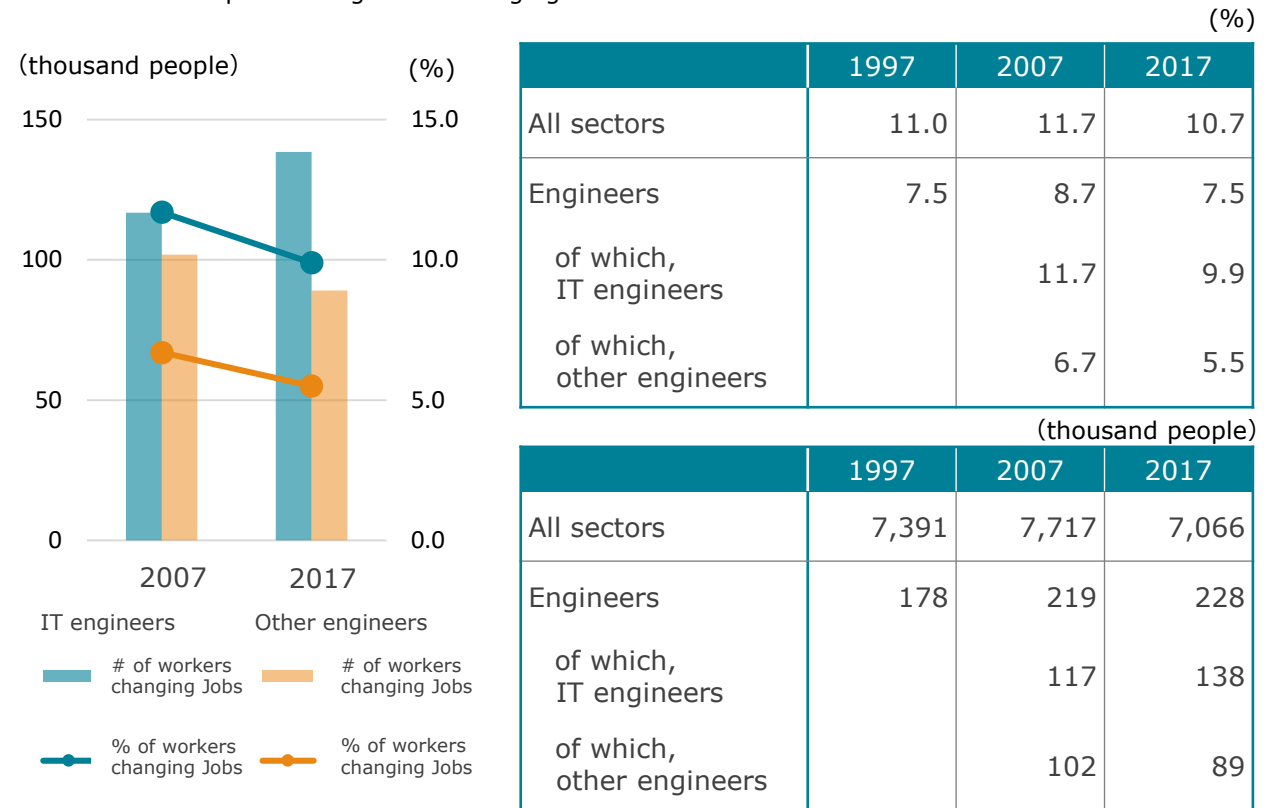
12. Turnover Ratio in Japan

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"

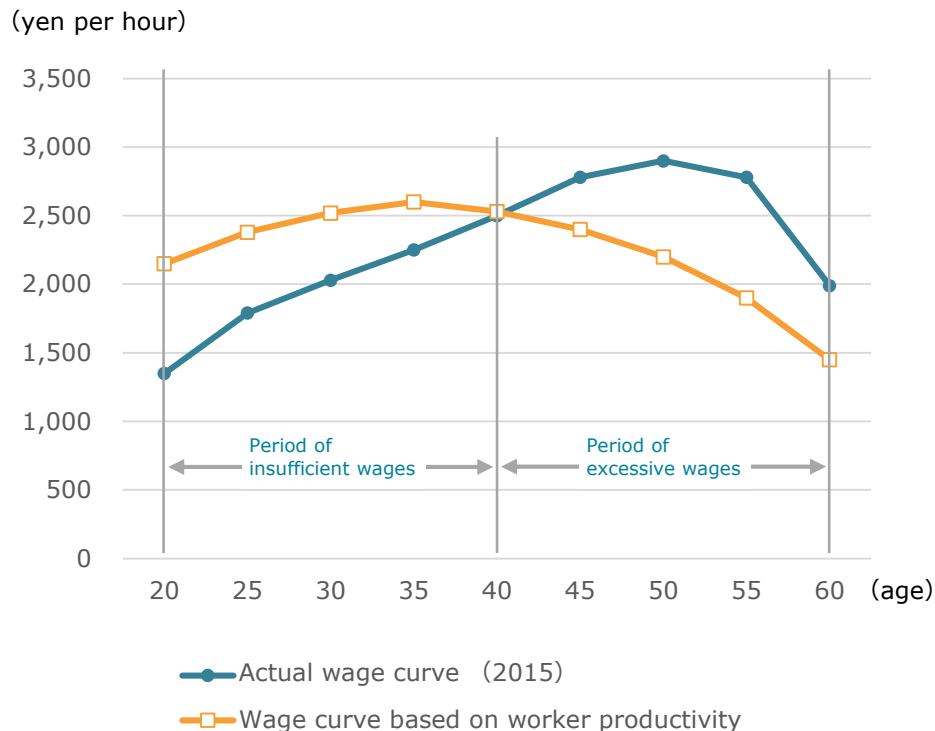


Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market (Cont.)

- 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

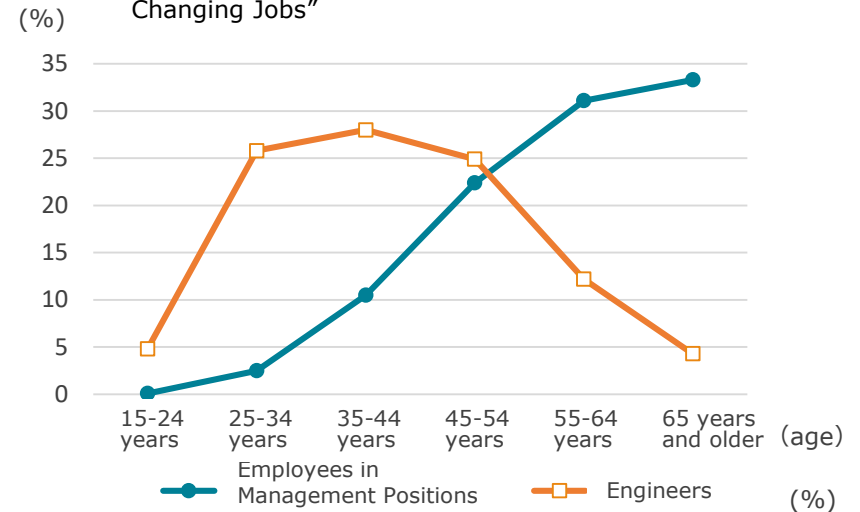
14. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

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"



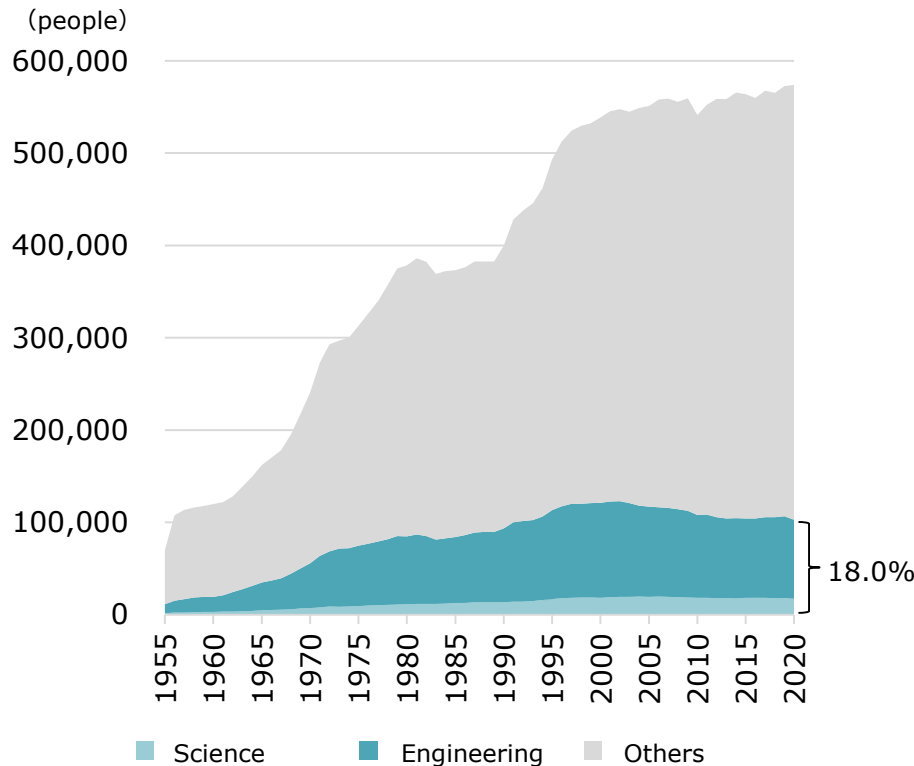
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

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

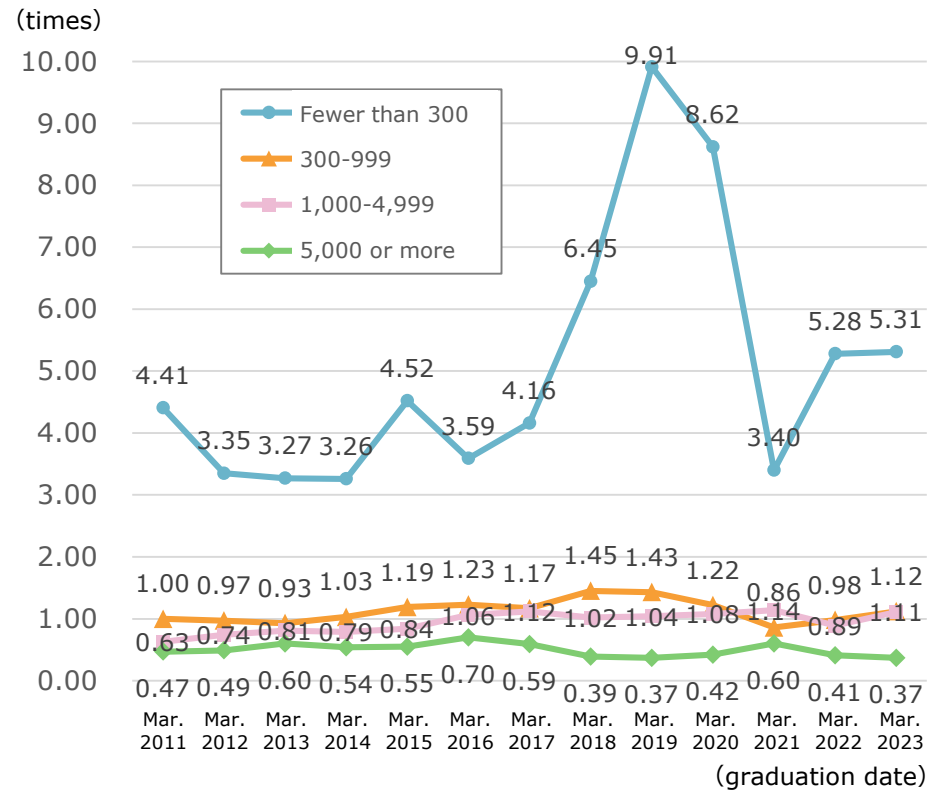
16. No. of University Graduates by Faculty

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, "39th College Graduates Job Opening Survey"

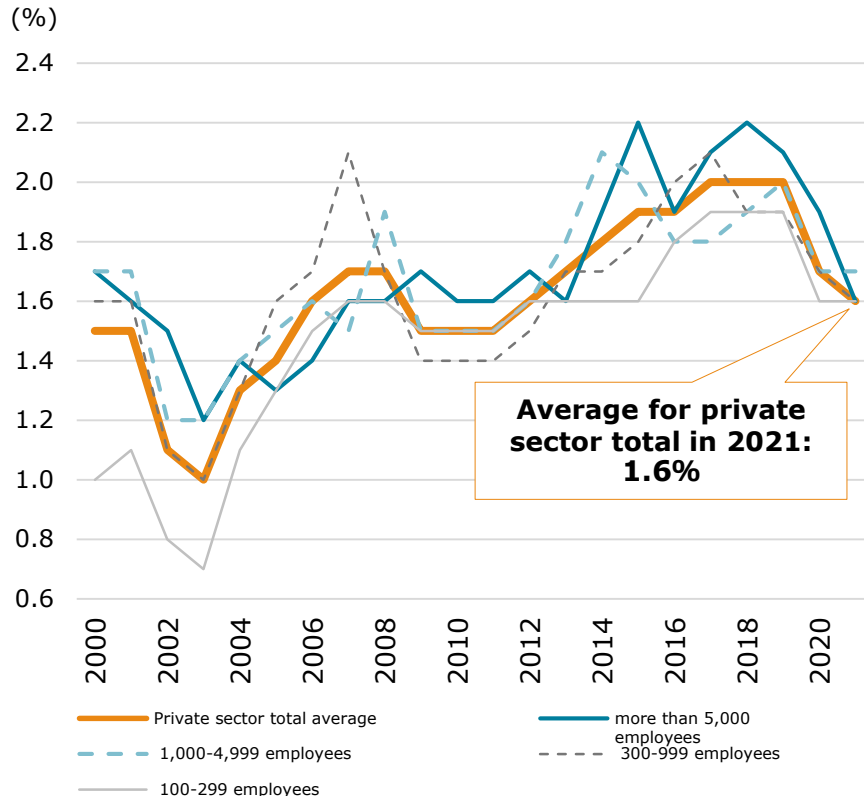


Wage Hike & Human Capital Investment in Japan

- Average annual wage hike in the private sector in Japan has been around 2%, although the ratio varies depending on the number of employees
- Japan's investment in human capital, both public and private, is significantly lower than other developed countries

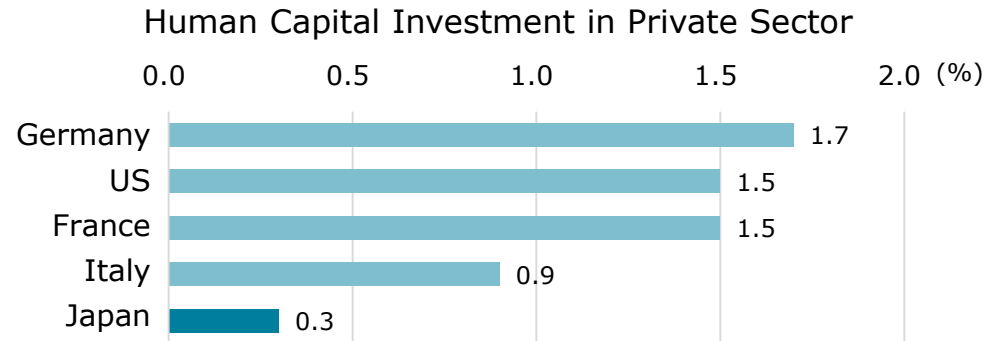
18. Wage Revision Ratio per Worker

Source: Ministry of Health, Labor and Welfare, "Survey on wage increase"



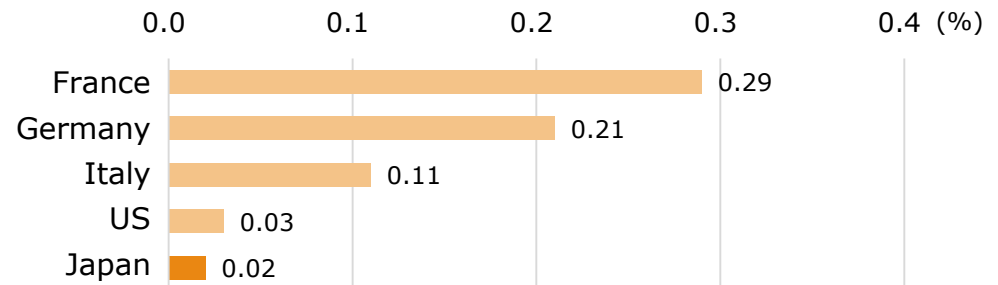
19. World's Human Capital Investment (GDP ratio)

Source: Mizuho Research & Technologies, Ltd., "New Form of Capitalism and Human Capital Investment"



† Figures indicate averages for 2010-2018 (2010-2017 only for US), using investment amounts excluding OJT

Training & Education Investment in Public Sector



† Figures indicate averages for 2010-2019

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