

TechnoPro Group Financial Results for the 2nd 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 Q2 Financial Overviews

- H1 FY23.6 revenue was **98.0 billion yen**, up 13.5% year-on-year; gross profit was **26.0 billion yen**, up 19.0% year-on-year; core operating profit was **11.1 billion yen**, up 23.0% year-on-year; operating profit was **11.1 billion yen**, up 0.9% year-on-year (in the previous Q2, 1.86 billion yen was recorded as put option liability reversal gain); net profit was **7.7 billion yen**, down 1.0%
- H1 FY23.6 gross profit **increased 4.1 billion yen** year-on-year; mainly due to 1) increased allocation of domestic dispatch engineers (up 1.36 billion yen), 2) price hike of dispatch contracts (up 920 million yen), 3) expansion of project-type services (up 1.29 billion yen), and 4) decrease in provisions due to reduction of remaining paid leave days (up 150 million yen)
- Revised full year guidance upward based on H1 FY23.6 results and a steady progress on key KPIs, after increasing provision for annual bonus to engineers by approx. 1.0 billion yen

(yen in millions, except per share amounts)

	Q2 (Three-Months Period)				First Half				Full-Year			
	FY22.6 (Results)	FY23.6 (Results)	YOY		FY22.6 (Results)	FY23.6 (Results)	YOY		FY22.6 (Results)	FY23.6 (Revised Guidance)	YOY	
Revenue	44,723	49,786	+5,062	+11.3%	86,358	98,011	+11,653	+13.5%	178,756	200,000	+21,243	+11.9%
Gross profit	12,009	12,788	+779	+6.5%	21,880	26,038	+4,157	+19.0%	46,858	—	—	—
GP margin	26.9%	25.7%	(1.2 pts)		25.3%	26.6%	+1.2 pts		26.2%			
SG&A expenses	6,745	7,619	+873	+13.0%	12,848	14,931	+2,083	+16.2%	27,819	—	—	—
Ratio on revenue	15.1%	15.3%	+0.2 pts		14.9%	15.2%	+0.4 pts		15.6%			
Core operating profit	5,263	5,169	(94)	(1.8%)	9,032	11,106	+2,074	+23.0%	19,038	22,000	+2,961	+15.6%
Core OP margin	11.8%	10.4%	(1.4 pts)		10.5%	11.3%	+0.9 pts		10.7%	11.0%	+0.3 pts	
Other income	1,975	54	(1,920)	—	2,153	183	(1,970)	—	2,387	—	—	—
Other expenses	103	47	(55)	—	107	106	(0)	—	784	—	—	—
Operating profit	7,135	5,176	(1,959)	(27.5%)	11,078	11,183	+105	+0.9%	20,641	22,000	+1,358	+6.6%
OP margin	16.0%	10.4%	(5.6 pts)		12.8%	11.4%	(1.4 pts)		11.5%	11.0%	(0.5 pts)	
Profit before income taxes	7,259	5,074	(2,185)	(30.1%)	11,229	11,124	(105)	(0.9%)	20,967	22,000	+1,032	+4.9%
Net profit	5,086	3,533	(1,552)	(30.5%)	7,794	7,714	(79)	(1.0%)	15,430	15,000	(430)	(2.8%)
Net profit margin	11.4%	7.1%	(4.3 pts)		9.0%	7.9%	(1.2 pts)		8.6%	7.5%	(1.1 pts)	
Earnings per share	47.22	32.80	(14.42)	(30.5%)	72.35	71.61	(0.74)	(1.0%)	143.24	139.24	(4.00)	(2.8%)
Dividend per share	—	—	—	—	20.00	25.00	+5.00	+25.0%	72.00	72.00	—	—

FY2023 Q2 Medium-term Plan Implementation Cost

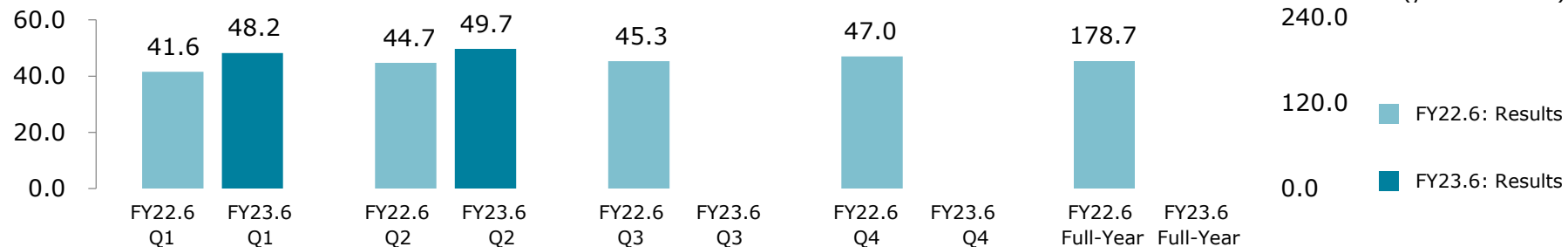
- In FY23.6, plan to spend medium-term plan implementation cost of **2,172 million yen** (ratio on revenue: **1.11%**), aiming to invest full amount with consideration of the return on investment
- In H1 FY23.6, invested medium-term plan implementation cost of **953 million yen** (ratio on revenue: **0.97%**, annual progress: **43.9%**), spending investment budget as planned in general

(yen in millions)		Ratio on revenue		Progress	
		Plan	Results	vs. Plan	
Solution Talent Recruiting					
(313)	356	0.18%	0.20%	113.8%	Solution Talent Recruiting
234	(439)	0.23%	0.24%	53.4%	
Solution Talent Training					
207	(332)	0.19%	0.12%	62.5%	Solution Talent Training
293	(539)	0.28%	0.30%	54.4%	
Strategic Investment					
712	(859)	0.49%	0.40%	82.9%	Strategic Investment
275	(886)	0.45%	0.28%	31.0%	
Stock-based Compensation (recorded from Oct. 2021)					
(216)	224	0.12%	0.13%	103.6%	Stock-based Compensation
151	(308)	0.16%	0.15%	49.0%	
Total		0.99%	0.84%	87.2%	
		1.11%	0.97%	43.9%	

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

Reference: Quarterly Performance

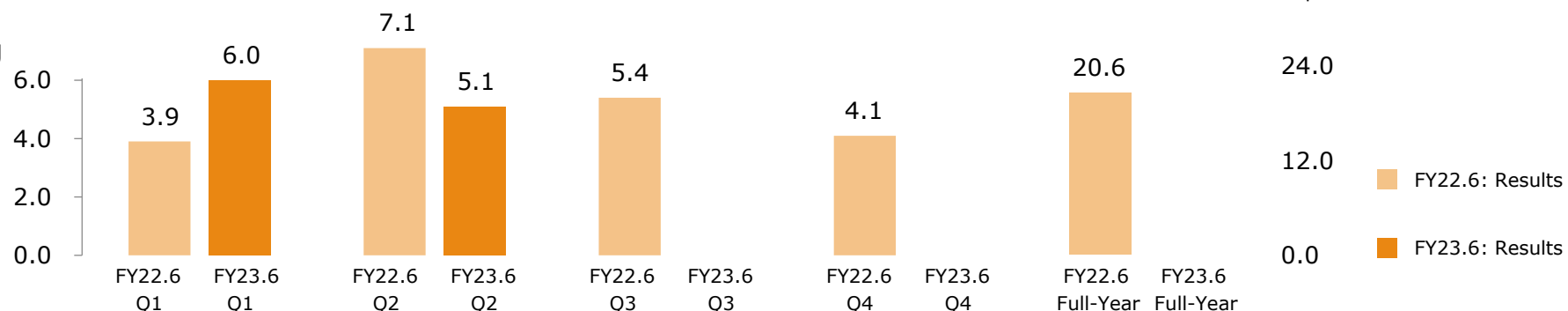
Revenue



YOY	+15.8%		+11.3%		-		-		-	
Progress on full-year %	23.3%	-	25.0%	-	25.4%	-	26.3%	-	100.0%	-
Ave. no. of engineers	20,439	22,158	20,673	22,506	20,949	[22,840]	21,958	[23,900]	21,005	[22,850]
Ave. utilization ratio	95.5%	95.9%	95.7%	96.2%	96.0%	[95.8%]	94.1%	[93.9%]	95.3%	[95.4%]
Ave. monthly unit sales price (thousands yen)*	639	655	660	667	673	[681]	661	[671]	658	[669]
Working days*	55.7	56.8	58.2	57.4	55.7	[55.7]	57.2	[57.9]	226.9	[227.8]
Working hours per day*	8.49	8.43	8.49	8.46	8.51	[8.49]	8.45	[8.44]	8.49	[8.46]

† Figures in brackets indicate forecast at the time of publication

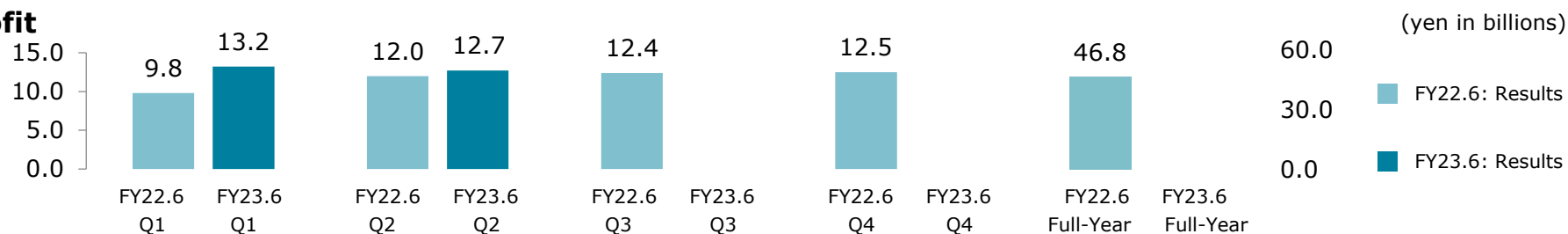
Operating Profit



YOY	+52.4%		(27.5%)		-		-		-	
Progress on full-year %	19.1%	-	34.6%	-	26.4%	-	20.0%	-	100.0%	-
OP margin	9.5%	12.5%	16.0%	10.4%	12.0%	-	8.8%	-	11.5%	-

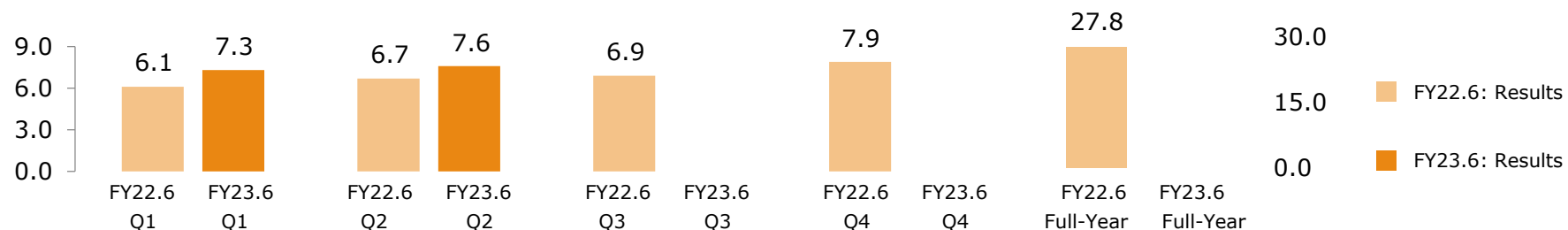
Reference: Quarterly Performance (cont.)

Gross Profit



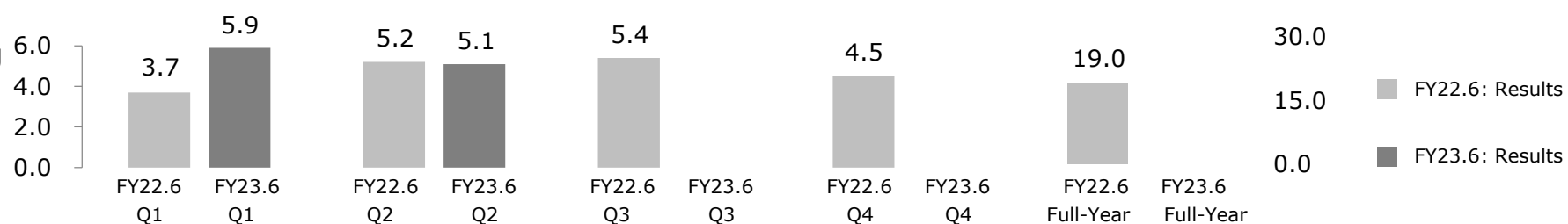
YOY	+34.2%		+6.5%		-		-		-	
GP margin	23.7%	27.5%	26.9%	25.7%	27.3%	-	26.7%	-	26.2%	-

SG&A



YOY	+19.8%		+13.0%		-		-		-	
Ratio on revenue	14.7%	15.2%	15.1%	15.3%	15.4%	-	17.0%	-	15.6%	-

Core Operating Profit



YOY	+57.6%		(1.8%)		-		-		-	
Core OP margin	9.1%	12.3%	11.8%	10.4%	11.9%	-	9.8%	-	10.7%	-

FY2023 Q2 Segment Results [year-to-date]

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY21.6 H1	FY22.6 H1	FY23.6 H1	YOY	FY21.6 H1	FY22.6 H1	FY23.6 H1	YOY	FY21.6 H1	FY22.6 H1	FY23.6 H1	YOY	FY21.6 H1	FY22.6 H1	FY23.6 H1	YOY
Revenue	63,304	66,861	74,709	+11.7%	9,919	9,966	10,605	+6.4%	1,699	2,218	2,486	+12.1%	74,923	79,045	87,801	+11.1%
Ratio to consolidated revenue	79.7%	77.4%	76.2%		12.5%	11.5%	10.8%		2.1%	2.6%	2.5%		94.3%	91.5%	89.6%	
Gross profit	13,493	15,743	18,947	+20.3%	3,042	2,950	3,216	+9.0%	1,104	1,669	1,765	+5.7%	17,641	20,364	23,929	+17.5%
GP margin	21.3%	23.5%	25.4%		30.7%	29.6%	30.3%		65.0%	75.3%	71.0%		23.5%	25.8%	27.3%	
Operating profit	7,704	6,778	8,580	+26.6%	1,565	1,227	1,448	+18.1%	26	391	126	(67.6%)	9,296	8,396	10,155	+20.9%
OP margin	12.2%	10.1%	11.5%		15.8%	12.3%	13.7%		1.5%	17.6%	5.1%		12.4%	10.6%	11.6%	
OP before PPA asset amortization	7,745	6,833	8,616	+26.1%	1,565	1,227	1,448	+18.1%	26	391	126	(67.6%)	9,336	8,452	10,191	+20.6%
OP margin before PPA asset amortization	12.2%	10.2%	11.5%		15.8%	12.3%	13.7%		1.5%	17.6%	5.1%		12.5%	10.7%	11.6%	
PPA asset amortization	(40)	(55)	(36)	—	—	—	—	—	—	—	—	—	(40)	(55)	(36)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	17,590	18,109	19,824	+9.5%	2,599	2,667	2,829	+6.1%	—	—	—	—	20,189	20,776	22,653	+9.0%
o/w Non-Japanese in Japan	912	772	828	+7.3%	94	101	112	+10.9%	—	—	—	—	1,006	873	940	+7.7%

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY21.6 H1	FY22.6 H1	FY23.6 H1	YOY	FY21.6 H1	FY22.6 H1	FY23.6 H1	YOY	FY21.6 H1	FY22.6 H1	FY23.6 H1	YOY	FY21.6 H1	FY22.6 H1	FY23.6 H1	YOY
Revenue	5,187	8,488	11,774	+38.7%	80,111	87,534	99,575	+13.8%	(659)	(1,176)	(1,563)	—	79,451	86,358	98,011	+13.5%
Ratio to consolidated revenue	6.5%	9.8%	12.0%		100.8%	101.4%	101.6%		(0.8%)	(1.4%)	(1.6%)		100.0%	100.0%	100.0%	
Gross profit	1,255	2,313	3,145	+35.9%	18,896	22,678	27,075	+19.4%	(373)	(797)	(1,036)	—	18,523	21,880	26,038	+19.0%
GP margin	24.2%	27.3%	26.7%		23.6%	25.9%	27.2%		—	—	—		23.3%	25.3%	26.6%	
Operating profit	433	854	1,041	+21.9%	9,729	9,251	11,196	+21.0%	(49)	1,827	(13)	—	9,680	11,078	11,183	+0.9%
OP margin	8.3%	10.1%	8.8%		12.1%	10.6%	11.2%		—	—	—		12.2%	12.8%	11.4%	
OP before PPA asset amortization	534	1,037	1,336	+28.8%	9,871	9,489	11,528	+21.5%	(49)	(36)	(13)	—	9,822	9,453	11,515	+21.8%
OP margin before PPA asset amortization	10.3%	12.2%	11.4%		12.3%	10.8%	11.6%		—	—	—		12.4%	10.9%	11.7%	
PPA asset amortization	(101)	(183)	(295)	—	(141)	(238)	(331)	—	—	—	—	—	(141)	(238)	(331)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	—	1,863	—	—	—	1,863	—	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	1,646	2,823	2,873	+1.8%	21,835	23,599	25,526	+8.2%	—	—	—	—	21,835	23,599	25,526	+8.2%

Reference: Q2 Segment Results [Three-Months]

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY21.6 Q2	FY22.6 Q2	FY23.6 Q2	YOY	FY21.6 Q2	FY22.6 Q2	FY23.6 Q2	YOY	FY21.6 Q2	FY22.6 Q2	FY23.6 Q2	YOY	FY21.6 Q2	FY22.6 Q2	FY23.6 Q2	YOY
Revenue	32,048	34,275	38,118	+11.2%	4,943	5,049	5,418	+7.3%	835	1,116	1,213	+8.7%	37,827	40,441	44,749	+10.7%
Ratio to consolidated revenue	79.6%	76.6%	76.6%		12.3%	11.3%	10.9%		2.1%	2.5%	2.4%		94.0%	90.4%	89.9%	
Gross profit	7,046	8,609	9,228	+7.2%	1,539	1,563	1,690	+8.2%	549	858	850	(1.0%)	9,134	11,030	11,768	+6.7%
GP margin	22.0%	25.1%	24.2%		31.1%	31.0%	31.2%		65.7%	76.9%	70.1%		24.1%	27.3%	26.3%	
Operating profit	4,271	3,919	3,855	(1.6%)	780	672	797	+18.5%	38	184	16	(91.2%)	5,090	4,777	4,669	(2.3%)
OP margin	13.3%	11.4%	10.1%		15.8%	13.3%	14.7%		4.6%	16.5%	1.3%		13.5%	11.8%	10.4%	
OP before PPA asset amortization	4,291	3,948	3,873	(1.9%)	780	672	797	+18.5%	38	184	16	(91.2%)	5,110	4,806	4,687	(2.5%)
OP margin before PPA asset amortization	13.4%	11.5%	10.2%		15.8%	13.3%	14.7%		4.6%	16.5%	1.3%		13.5%	11.9%	10.5%	
PPA asset amortization	(20)	(29)	(18)	—	—	—	—	—	—	—	—	—	(20)	(29)	(18)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	17,590	18,109	19,824	+9.5%	2,599	2,667	2,829	+6.1%	—	—	—	—	20,189	20,776	22,653	+9.0%
o/w Non-Japanese in Japan	912	772	828	+7.3%	94	101	112	+10.9%	—	—	—	—	1,006	873	940	+7.7%

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY21.6 Q2	FY22.6 Q2	FY23.6 Q2	YOY	FY21.6 Q2	FY22.6 Q2	FY23.6 Q2	YOY	FY21.6 Q2	FY22.6 Q2	FY23.6 Q2	YOY	FY21.6 Q2	FY22.6 Q2	FY23.6 Q2	YOY
Revenue	2,773	5,019	5,845	+16.5%	40,600	45,460	50,595	+11.3%	(344)	(737)	(809)	—	40,256	44,723	49,786	+11.3%
Ratio to consolidated revenue	6.9%	11.2%	11.7%		100.9%	101.6%	101.6%		(0.9%)	(1.6%)	(1.6%)		100.0%	100.0%	100.0%	
Gross profit	671	1,486	1,568	+5.5%	9,805	12,516	13,336	+6.6%	(174)	(507)	(548)	—	9,631	12,009	12,788	+6.5%
GP margin	24.2%	29.6%	26.8%		24.2%	27.5%	26.4%		—	—	—		23.9%	26.9%	25.7%	
Operating profit	270	608	481	(20.8%)	5,361	5,385	5,151	(4.4%)	(37)	1,749	24	—	5,323	7,135	5,176	(27.5%)
OP margin	9.8%	12.1%	8.2%		13.2%	11.8%	10.2%		—	—	—		13.2%	16.0%	10.4%	
OP before PPA asset amortization	321	737	629	(14.6%)	5,431	5,543	5,317	(4.1%)	(37)	(113)	24	—	5,394	5,429	5,342	(1.6%)
OP margin before PPA asset amortization	11.6%	14.7%	10.8%		13.4%	12.2%	10.5%		—	—	—		13.4%	12.1%	10.7%	
PPA asset amortization	(50)	(128)	(147)	—	(70)	(157)	(166)	—	—	—	—	—	(70)	(157)	(166)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	—	1,863	—	—	—	1,863	—	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	1,646	2,823	2,873	+1.8%	21,835	23,599	25,526	+8.2%	—	—	—	—	21,835	23,599	25,526	+8.2%

FY2023 Q2 Balance Sheet & Cash Flows

- Recorded negative cash flows for H1 FY23.6 mainly due to payment of income tax and year-end dividend, additional purchase of Robosoft shares
- Cash and cash equivalent of 33.6 billion yen at Q2 FY23.6 end includes social insurance premium of approx. 3.5 billion yen to be paid on the first business day in Q3 as a result of delayed payment date due to the bank holiday
- Ensuring sufficient flexibility for unexpected financial needs, backed by credit lines for working capital and M&A

Q2 FY23.6 End B/S (yen in billions)

Cash & cash equivalents 33.6	Debt 15.5
IFRS 16 related assets 9.0	IFRS 16 related liabilities 9.0
Goodwill 45.2	Other liabilities 39.0
PPA 4.0	PO, etc. liabilities 0.7
Other assets 43.2	Total assets 70.8

Total assets 135.0

Total liabilities & equity 135.0

Net Cash : 18.1bn yen

Net Worth Ratio* : 52.5%

Goodwill/E Ratio* : 0.64x

D/E Ratio* : 0.22x

D/OP Ratio** : 0.70x

* Total equity includes non-controlling interests

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

H1 FY23.6 Cash Flows (yen in millions)

• Operating CF	+11,031
PPA asset amortization	+331
Net cash flow from income tax payment & refund	(3,019)
• Investing CF	(4,269)
M&A consideration payment (20% of Robosoft shares)	(3,623)
Purchase of tangible fixed assets	(147)
Purchase of intangible assets	(27)
• Financing CF	(10,512)
IFRS 16 related lease liability repayment	(3,112)
Net cash flow from debt procurement & repayment	(1,000)
Dividend payment	(6,400)

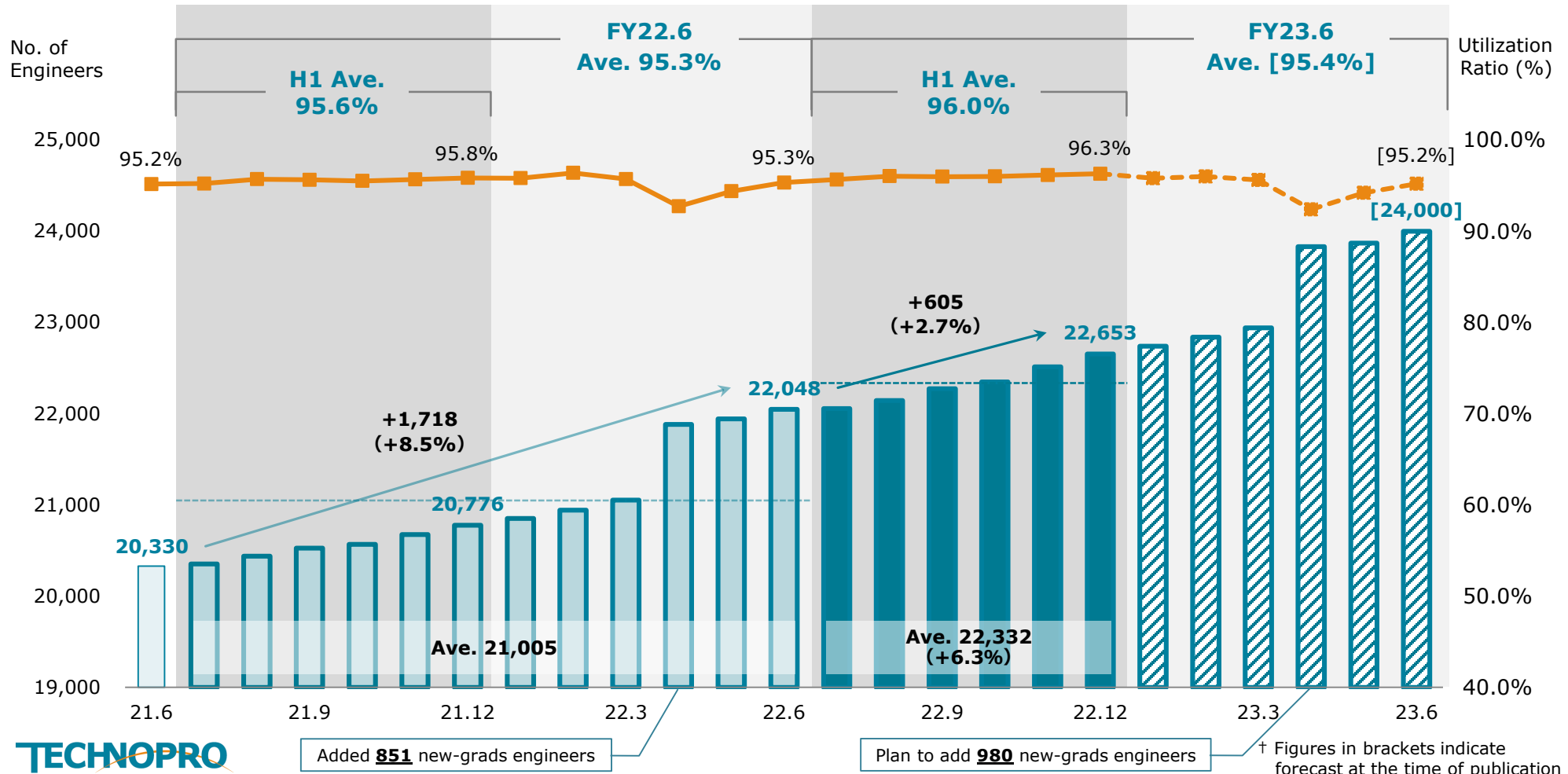
Net CF (incl. effect of exchange rate change of 11mn yen) **(3,739)**

Commitment Lines (yen in millions)

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

Number of Engineers & Utilization Ratio [Japan]

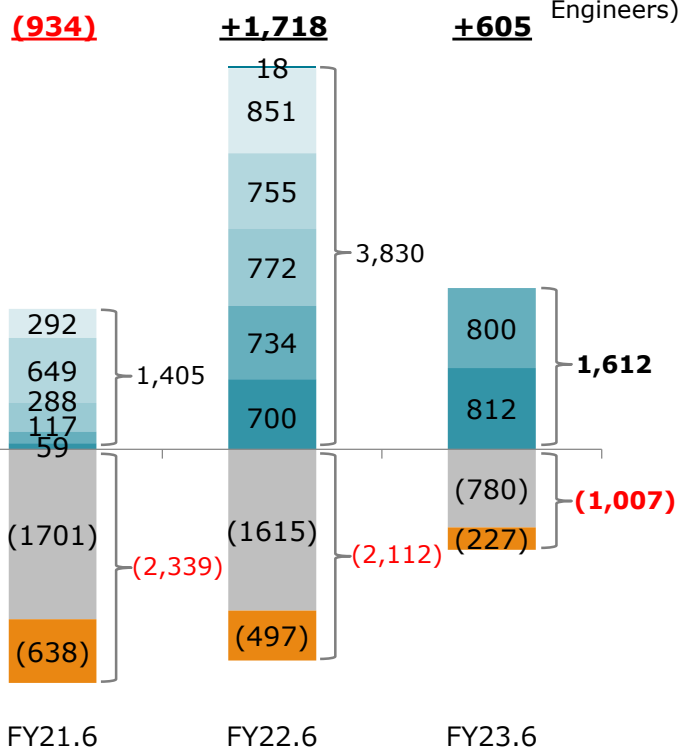
- Engineers in Japan at the end of Q2 FY23.6 totaled **22,653** (up 605 from FY22.6 end), including **940** non-Japanese engineers (up 42 from FY22.6 end)
- Average utilization ratio was **96.0%** for H1 FY23.6 (up 0.4 pts year-on-year)
- Engineers working outside Japan totaled **2,873** (not included in number of engineers in Japan, up 22 from FY22.6 end)



Recruitment & Turnover [Japan]

- Engineers hired in H1 FY23.6 totaled **1,612** (up 178 year-on-year, excluding effect from M&A in Q1 FY22.6), expects to add approx. **980** new-grads engineers in April 2023
- 1,007** engineers left in H1 FY23.6 (up one year-on-year): permanent employees of **780** (up 22 year-on-year) and fixed-term employees of **227** (down 21 year-on-year)
- Turnover ratio for permanent employees* was **7.0%** (down 0.4 pts year-on-year) for H1 FY23.6, expecting the new personnel system for engineers introduced in July 2022 to curb retirement
- Net engineer increase was **605** for H1 FY23.6; turnover reduced from the initial plan while hiring is exceeding the plan

Net Increase (Decrease)



Annual Recruitment/Turnover

(No. of Engineers)

	FY21.6	FY22.6	FY23.6	YOY	
Hired Total	1,405	3,830	1,612	—	—
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	800	+66	+9.0%
Mid-carrier: Q1	59	700	812	+112	+16.0%
Turnover Total	2,339	2,112	1,007	—	—
Permanent employees	1,701	1,615	780	—	—
Contract terms matured, others	638	497	227	—	—

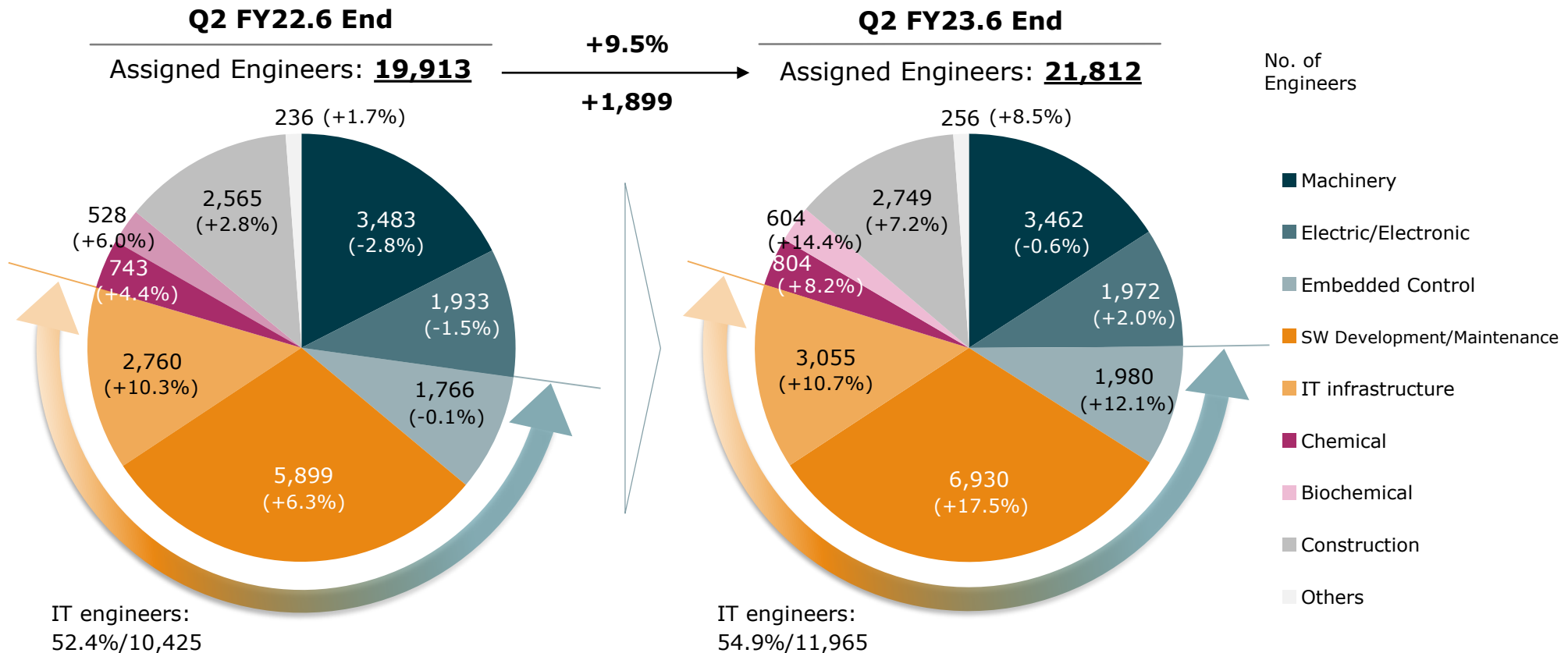
Turnover Ratio for Permanent Employees*

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%	6.0%	—	—
YTD	—	8.5%	8.4%	8.4%	—	7.4%	7.4%	7.7%	—	7.0%	—	—
LTM	8.9%	8.9%	8.8%	8.4%	8.1%	7.8%	7.6%	7.7%	7.8%	7.5%	—	—

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

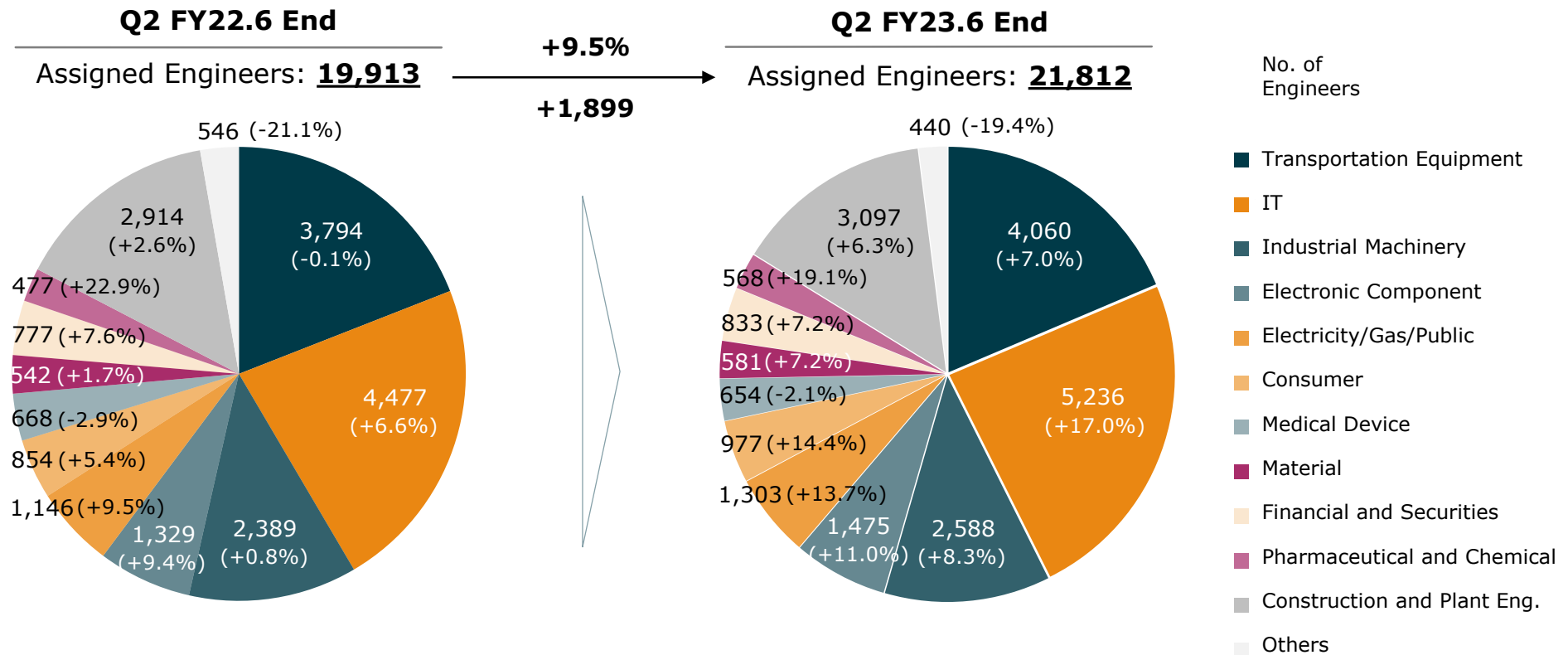
Assigned Engineers Portfolios by "Technology" [Japan]

- With utilization ratio already maintaining a normal level, the number of assigned engineers is increasing every month, continuing to renew record highs
- Expect domestic demands for investment to increase broadly across R&D, IT and digital areas despite concerns about economic recession possibility, therefore continue 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



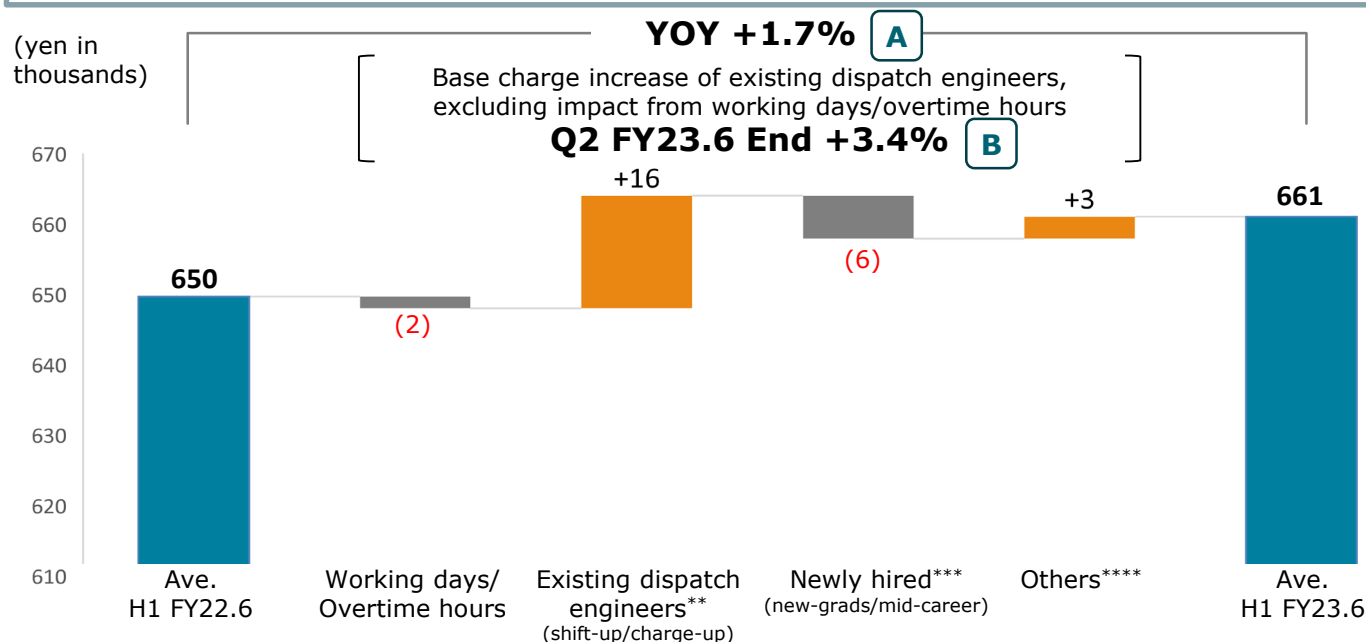
Assigned Engineers Portfolios by "Industry" [Japan]

- Manufacturers in Transportation Equipment continue to show robust willingness to invest in the areas such as autonomous driving technology or EV, and performance in IT sector continues to be strong
- 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
- Promote shift-up/charge-up initiatives proactively at contract renewal negotiations in March 2023, while carefully observing the status of annual budget planning at each customer or industry



Average Monthly Unit Sales Price [Japan]

- Average monthly unit sales price* for H1 FY23.6 increased to **661K yen** (up 11K yen/month or 1.7% year-on-year)
- Decreased 2K yen/month year-on-year due to the mix of increased working days and shorter overtime hours, and diluted 6K 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 hike for existing dispatch engineers through shift-up/charge-up efforts
- Increased 3K 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	661	-	-
YOY A	+3.0%	+3.4%	+4.0%	+3.9%	+2.4%	+1.7%	-	-

	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%	+3.4%	-	-

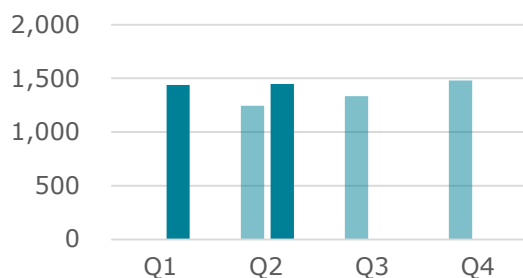
Overseas Subsidiaries Update

- H1 FY23.6 Overseas revenue was up 38.7% year-on-year, gross profit was up 35.9% year-on-year, and operating profit was up 21.9% year-on-year; the depreciation of the Japanese yen as a result of the exchange rate changes from the previous year contributed to an increase in revenue and operating profit by 1.5 billion yen and 180 million yen, respectively
- Revenue proportion on consolidated one by customer location: 6.2% for Asia, 3.1% for Europe, and 1.4% for North America

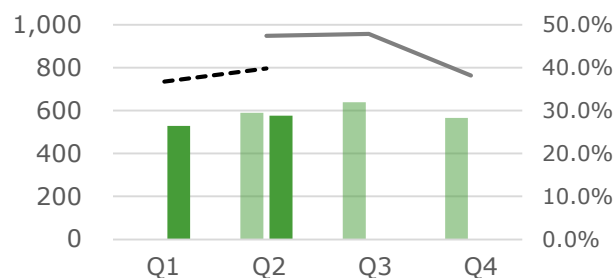
■ ■ ■ — FY22.6 Results ■ ■ ■ - - - - FY23.6 Results (yen in millions)

Robosoft (North America/Japan/Europe/India)

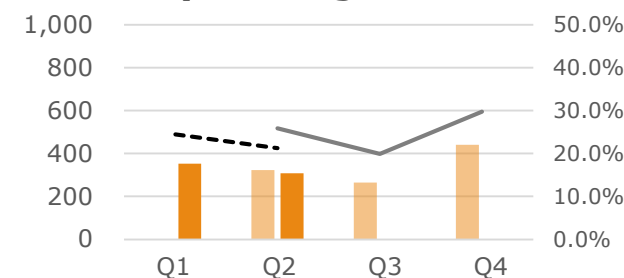
Revenue



GP



Operating Profit*



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

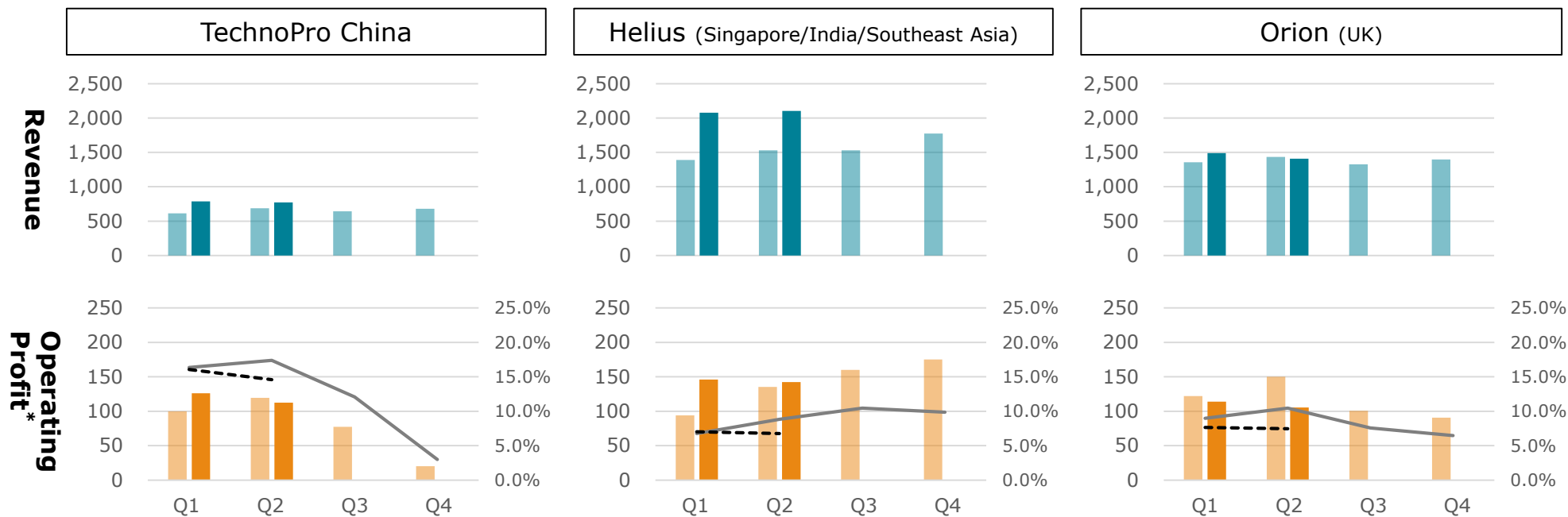
- H1 FY23.6 revenue remained stagnant, but considered to have hit bottom in Q1
- Revenue from existing customers in North America began to slow and its proportion on total revenue decreased to 50% level, but seeing recovery trend from Q3 along with acquisition of new customers' projects
- Established a new UK office, collaboration among the Group has firmly progressed, aiming to diversify customer region base

- Although GP margin fell to 37% in Q1 FY23.6 due to wage hike in India, it has recovered to 40% range in Q2, expecting to maintain 40% or higher margin from Q3 onwards by passing costs on billing price and assigning new-grads engineers on bench to billable projects
- Q2 FY23.6 GP slightly decreased year-on-year in line with GP margin deterioration, but returned to growth quarter-on-quarter

- In FY23.6, enhanced sales organization to further penetrate into existing accounts and cultivation of new ones in end-user markets in North America and Japan, accordingly SG&A expenses are increasing both year-on-year and quarter-on-quarter
- Maintained 20%+ OP margin despite upfront investments; expect mid-20% range, the same level as peers, if further revenue growth and GP margin improvement were achieved

Overseas Subsidiaries Update (cont.)

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



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

- In H1 FY23.6, sales activities were largely constrained due to lockdown imposed by stricter Zero-COVID policy, but achieved growth in both revenue and profit year-on-year, driven by successful collaboration with operations in Japan
- Anticipate similar level of annual revenue and profits as previous year, driven by the shift toward solution business, although the engineer utilization may be negatively impacted by pandemic

- Revenue and OP were up +43% and +26% year-on-year respectively in H1 FY23.6, offsetting dissipation of government subsidy for COVID-19 during Q2-Q4 FY22.6
- GP margin improved by expansion of customer base and shift-up initiatives in Singapore; newly entered into Malaysia following Thailand and Vietnam
- Offshore delivery is expanding with reinforced talent and organization

- OP decreased by close to 20% as highly profitable permanent placement became sluggish due to high inflation and concern over economic slowdown in UK
- Manufacturing & Engineering division delivered solid performance, offsetting decline in earnings in other divisions
- With a new Robosoft office in UK, seek opportunities to promote joint sales activities

FY2023 Guidance Update [Full-Year]

- Plan 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
- Expect core operating profit to grow by 15.6% by absorbing incremental medium-term plan implementation cost, whereas operating profit is anticipated to increase by 6.6 % even without the extraordinary profit as in the previous year
- Revised hiring plan upwards for both mid-careers and new-grads, expecting to improve unit sales price as of Q4 FY23.6 based on the contract price negotiations in March 2023

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

	First Half			Second Half			Full-Year					
	FY22.6 (Results)	FY23.6 (Results)	YOY	FY22.6 (Results)	FY23.6 (Revised Guidance)	YOY	FY22.6 (Results)	FY23.6 (Guidance)	FY23.6 (Revised Guidance)	vs. prior guidance	YOY	
Revenue	86,358	98,011	+13.5%	92,398	101,989	+10.4%	178,756	195,000	200,000	+5,000	+21,243	+11.9%
Core operating profit	9,032	11,106	+23.0%	10,006	10,894	+8.9%	19,038	20,000	22,000	+2,000	+2,961	+15.6%
Core OP margin	10.5%	11.3%		10.8%	10.7%		10.7%	10.3%	11.0%	+0.7 pts	+0.3 pts	
Operating profit	11,078	11,183	+0.9%	9,562	10,817	+13.1%	20,641	20,000	22,000	+2,000	+1,358	+6.6%
OP margin	12.8%	11.4%		10.3%	10.6%		11.5%	10.3%	11.0%	+0.7 pts	(0.5 pts)	
Profit before income taxes	11,229	11,124	(0.9%)	9,737	10,876	+11.7%	20,967	19,800	22,000	+2,200	+1,032	+4.9%
Net profit	7,794	7,714	(1.0%)	7,636	7,286	(4.6%)	15,430	13,600	15,000	+1,400	(430)	(2.8%)
Net profit margin	9.0%	7.9%		8.3%	7.1%		8.6%	7.0%	7.5%	+0.5 pts	(1.1 pts)	
Earnings per share	72.35	71.61	(1.0%)	70.89	67.63	(4.6%)	143.24	126.25	139.24	+12.99	(4.00)	(2.8%)
Dividend per share	20.00	25.00	+25.0%	52.00	47.00	(9.6%)	72.00	72.00	72.00	—	—	—

Key KPIs [Japan]	First Half			Second Half			Full-Year					
	FY22.6 (Results)	FY23.6 (Results)	YOY	FY22.6 (Results)	FY23.6 (Revised Guidance)	YOY	FY22.6 (Results)	FY23.6 (Guidance)	FY23.6 (Revised Guidance)	vs. prior guidance	YOY	
No. of engineers (period-end)	20,776	22,653	+9.0%	22,048	24,000	+8.9%	22,048	23,600	24,000	+400	+1,952	+8.9%
Engineer hiring*	1,452	1,612	+11.0%	2,378	2,488	+4.6%	3,830	3,800	4,100	+300	+270	+7.0%
Ave. utilization ratio	95.6%	96.0%	+0.4 pts	95.0%	94.8%	(0.2 pts)	95.3%	95.2%	95.4%	+0.2 pts	+0.1 pts	—
Ave. monthly unit sales price (yen in thousands)	650	661	+1.7%	667	676	+1.4%	658	668	669	+1	+11	+1.6%

Reference: FY2023 Segment Guidance Update [Full-Year]

- R&D Outsourcing: Revenue to grow, driven by the increase in engineers on assignment and unit sales price, expecting OP to grow faster than revenue by achieving improvement in profit margin
- 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: Anticipate sluggish performance in permanent placement for foreign firms in Japan; actively expand external sales of training and education offerings to corporate customers, aiming to foster as a future growth driver
- Overseas: Expect profit margin to narrow slightly due to concerns over inflation and economic uncertainty in each country, as well as performance of Robosoft in its investment phase

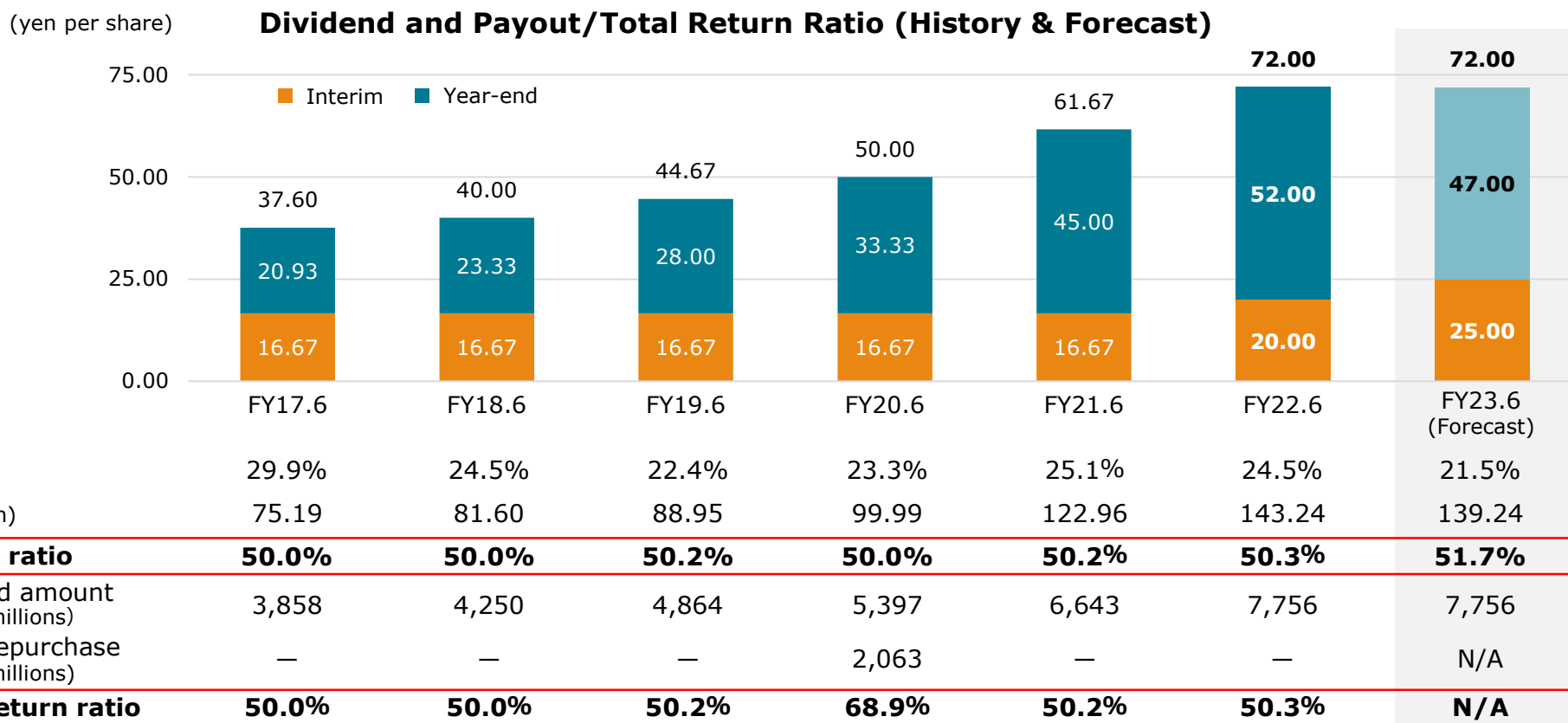
(yen in millions, except engineer headcounts)

	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	152,300	+10.8%	19,670	20,311	22,300	+9.8%	3,800	4,898	5,200	+6.2%	151,341	162,682	179,800	+10.5%
Ratio to consolidated revenue	79.3%	76.9%	76.2%		12.2%	11.4%	11.2%		2.4%	2.7%	2.6%		93.8%	91.0%	89.9%	
Operating profit	15,815	14,151	16,500	+16.6%	2,791	2,489	2,700	+8.4%	315	672	500	(25.6%)	18,922	17,313	19,700	+13.8%
OP margin	12.4%	10.3%	10.8%		14.2%	12.3%	12.1%		8.3%	13.7%	9.6%		12.5%	10.6%	11.0%	
OP before PPA asset amortization	15,895	14,626	16,573	+13.3%	2,791	2,489	2,700	+8.4%	315	672	500	(25.6%)	19,002	17,788	19,773	+11.2%
OP margin before PPA asset amortization	12.4%	10.6%	10.9%		14.2%	12.3%	12.1%		8.3%	13.7%	9.6%		12.6%	10.9%	11.0%	
No. of engineers (period-end)	17,692	19,257	21,000	+9.1%	2,638	2,791	3,000	+7.5%	—	—	—	—	20,330	22,048	24,000	+8.9%
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	24,000	+26.5%	162,773	181,658	203,800	+12.2%	(1,456)	(2,902)	(3,800)	—	161,316	178,756	200,000	+11.9%
Ratio to consolidated revenue	7.1%	10.6%	12.0%		100.9%	101.6%	101.9%		(0.9%)	(1.6%)	(1.9%)		100.0%	100.0%	100.0%	
Operating profit	764	1,925	2,300	+19.4%	19,687	19,239	22,000	+14.3%	(226)	1,401	0	—	19,461	20,641	22,000	+6.6%
OP margin	6.7%	10.1%	9.6%		12.1%	10.6%	10.8%		—	—	—		12.1%	11.5%	11.0%	
OP before PPA asset amortization	974	2,381	2,843	+19.4%	19,977	20,170	22,616	+12.1%	(267)	(416)	0	—	19,709	19,754	22,616	+14.5%
OP margin before PPA asset amortization	8.5%	12.6%	11.8%		12.3%	11.1%	11.1%		—	—	—		12.2%	11.1%	11.3%	
No. of engineers (period-end)	1,970	2,851	—	—	22,300	24,899	—	—	—	—	—	—	22,300	24,899	—	—

Shareholder Return

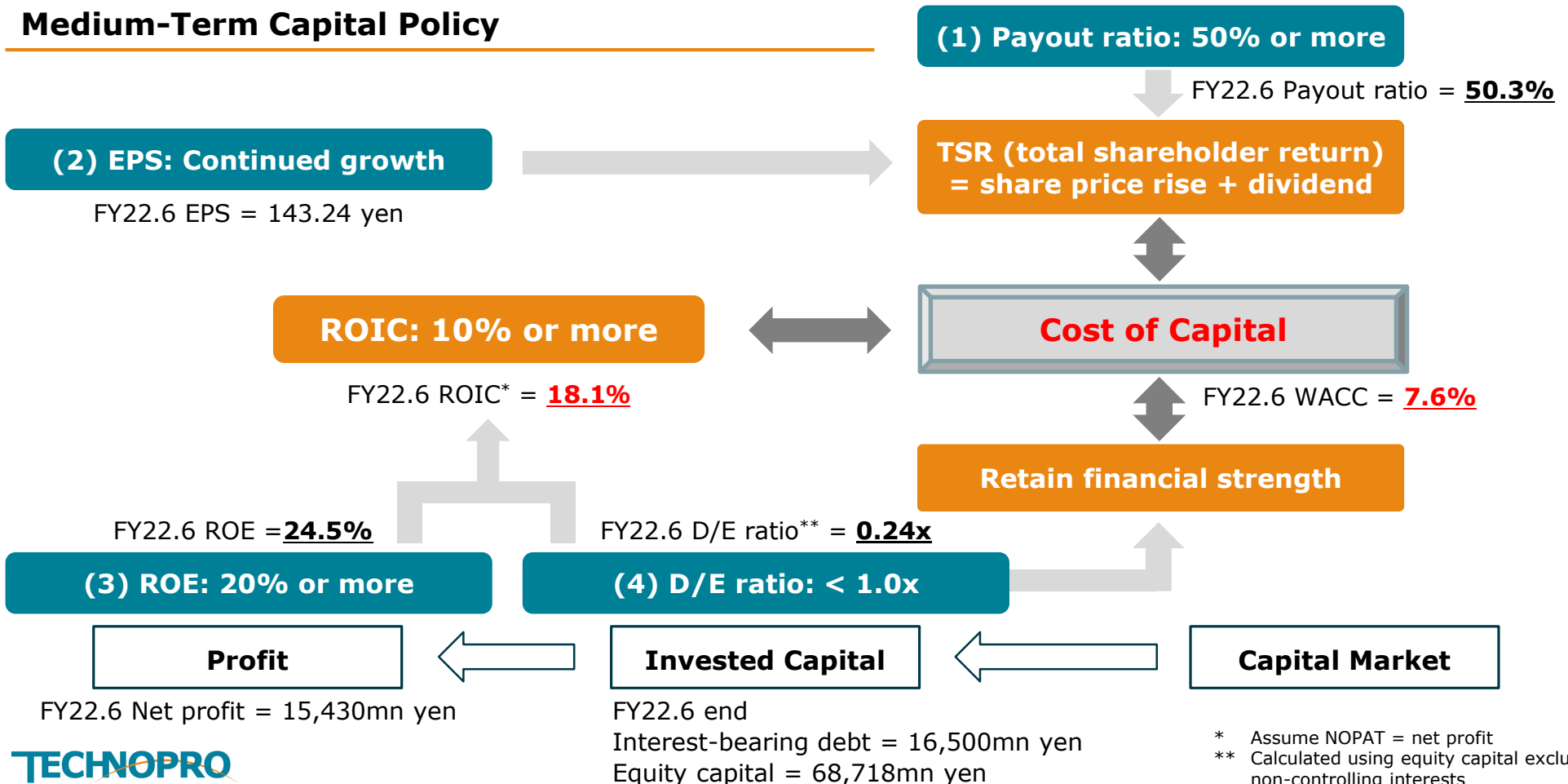
- Reaffirm basic policy to make dividend payment steadily twice a year in the form of interim and year-end ones; **annual dividend payout ratio of 50% or higher** remains unchanged, distributed annual dividend of 72 yen per share (dividend payout ratio: 50.3%) in FY22.6, including year-end dividend of 52 yen per share (already paid on September 30, 2022 after the approval by the Annual General Meeting of Shareholders)
- Despite EPS for FY23.6 is expected to decrease year-on-year, plan to distribute FY23.6 annual dividend of **72 yen per share (payout ratio: 51.7%), the same amount as FY22.6**, including interim dividend of 25 yen per share (to be paid on February 28, 2023), in consideration of the steady progress of growth strategies laid out in the medium-term plan as of now



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**

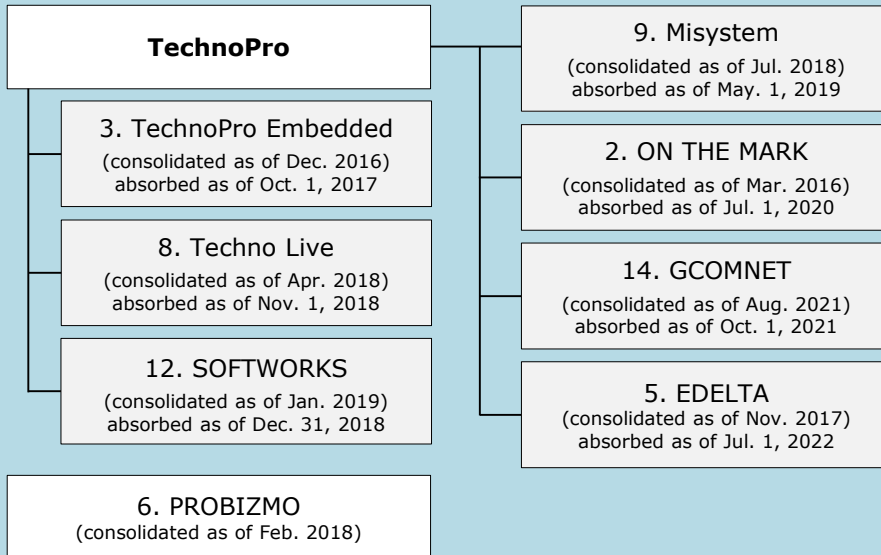
Medium-Term Capital Policy



Appendix: Reportable Segments [as of Q2 FY23.6 End]

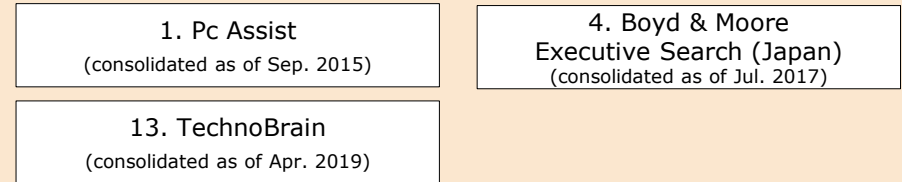
R&D Outsourcing

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



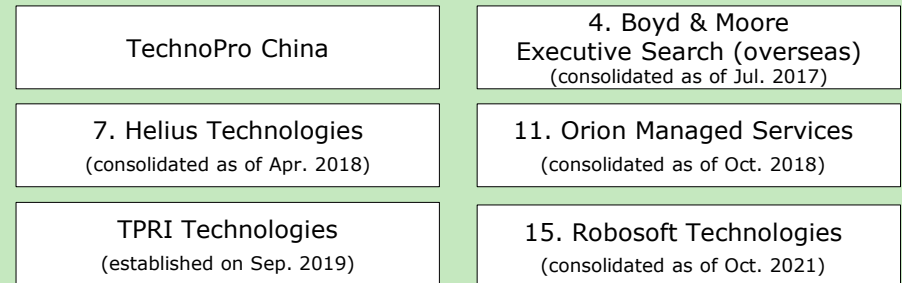
Other Businesses in Japan

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 Q2 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	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%	537	up to 32.7		
Chemical, Biochemical	100.0%	1,262		1,262	2.8%				
Construction Mgmt Outsourcing									
Construction management	100.0%	3,383		3,383	7.5%				
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%		844	844	1.9%	491	up to 26.3		
Orion	83.2%		1,161	1,161	2.6%	297	up to 26.9	732	18.4-23.6
Robosoft	100.0%		8,550	8,550	18.9%	2,742	up to 31.9		
Total		29,202	16,084	45,286	100.0%	4,068		732	

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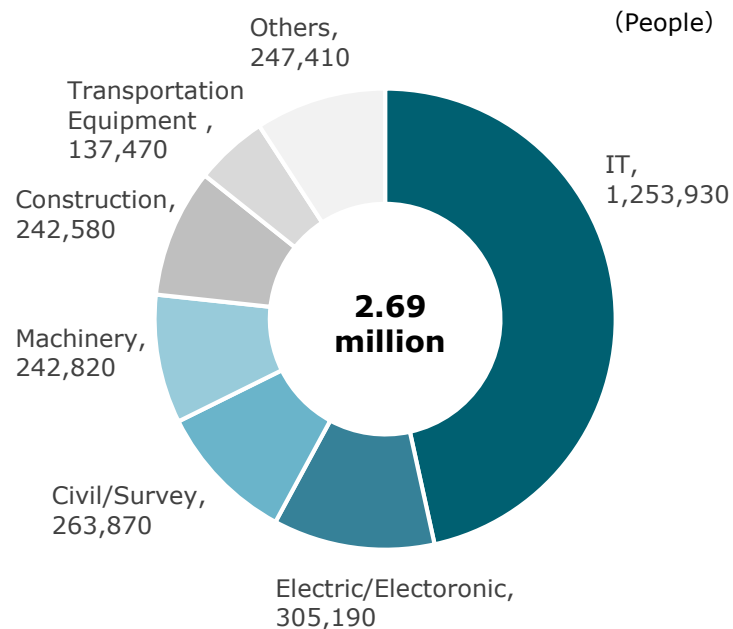
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Distribution of Engineers in Japan

- According to the national census in 2020, the number of engineers in Japan is 2.69 million (of which, about 47% of them are IT engineers), and increased by 260 thousand in five years
- In terms of IT engineers, the outsourcing ratio is relatively high in Japan

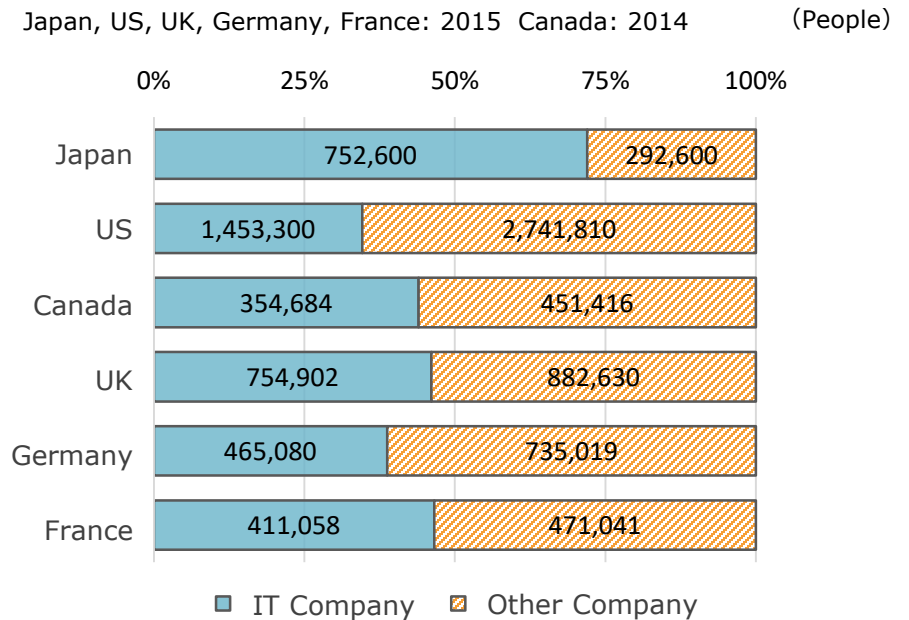
1. Number of Engineers in Japan (2020)

Source: 2020 Population Census



2. Ratio of IT Talents at IT and Other Companies

Source: Information-technology Promotion Agency Japan, "IT Talent White Paper 2017"



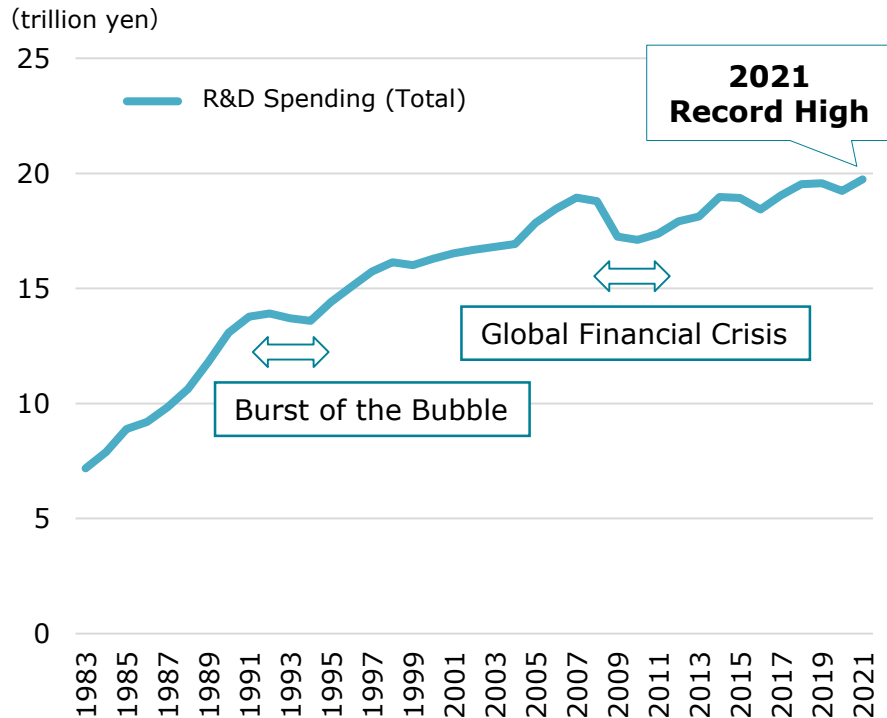
† "IT Company" means IT vendors and "Other Company" means IT user companies

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 19.7 trillion yen, a record-high for R&D spending in 2021, and its growth is expected to continue in the future
- Japan's ICT investment is gradually shifting from "hardware" to "software"

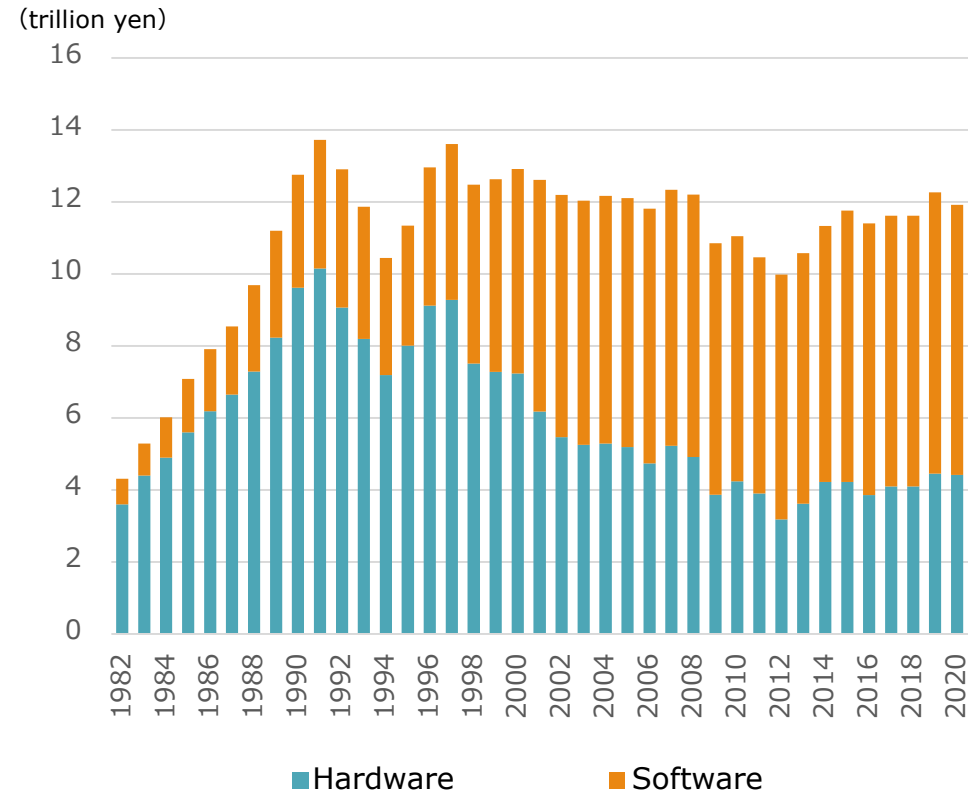
3. Trend of R&D Spending in Japan

Source: Ministry of Internal Affairs and Communications Statistics Bureau, "Report on the survey of research and development"



4. The Breakdown of ICT Investment in Japan

Source: Cabinet Office, "National Accounts of Japan"

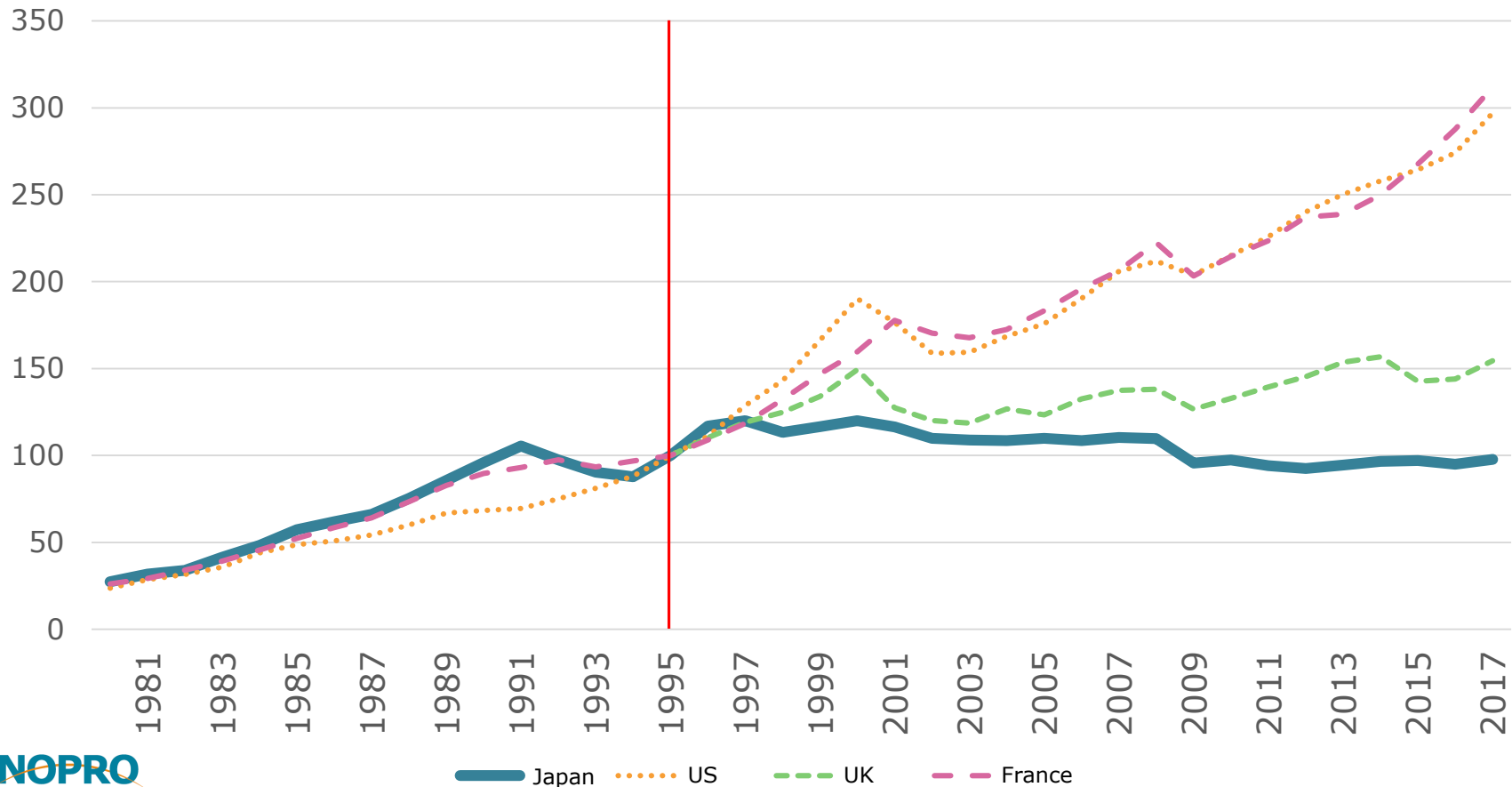


Sluggish Digitalization in Japan

- 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"

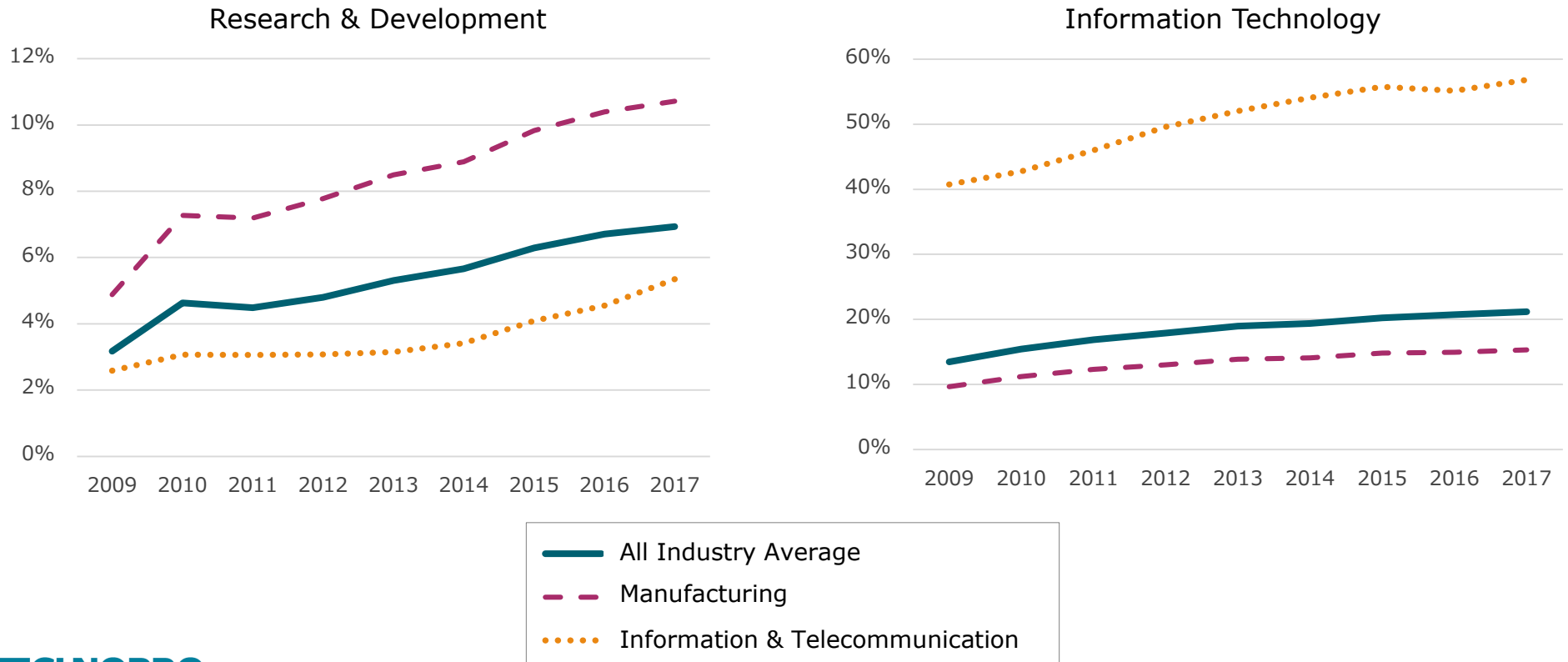


Outsourcing Usage Ratio of R&D and IT Activity

- 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

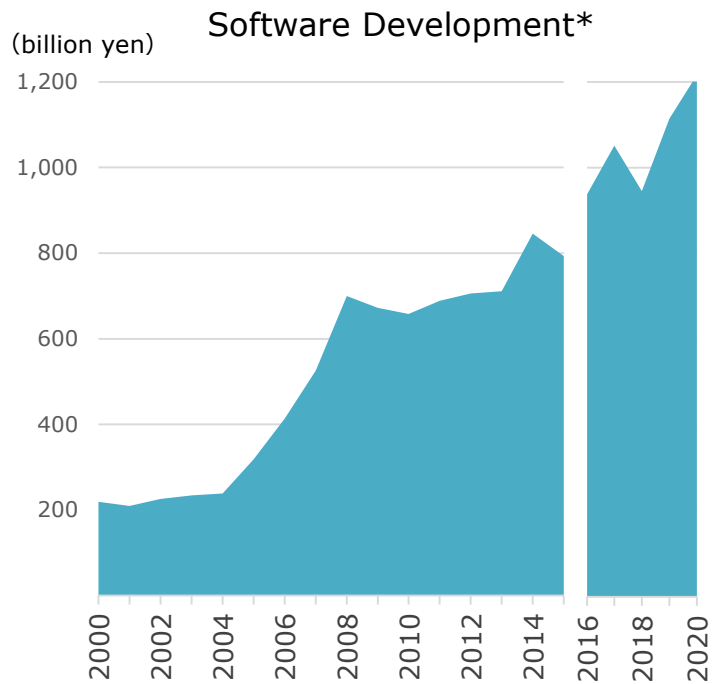


Engineer Staffing Market Overview

- 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 7.2% from FY2021 to FY2025 (forecast)

7. Engineer Staffing Market Size

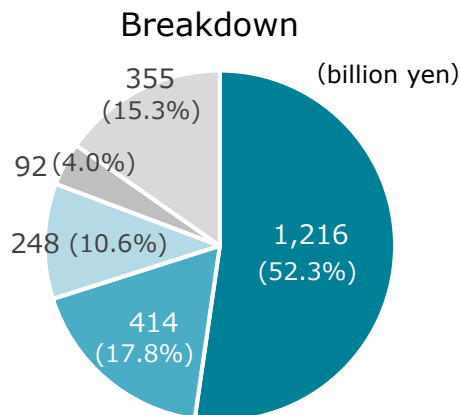
Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare



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



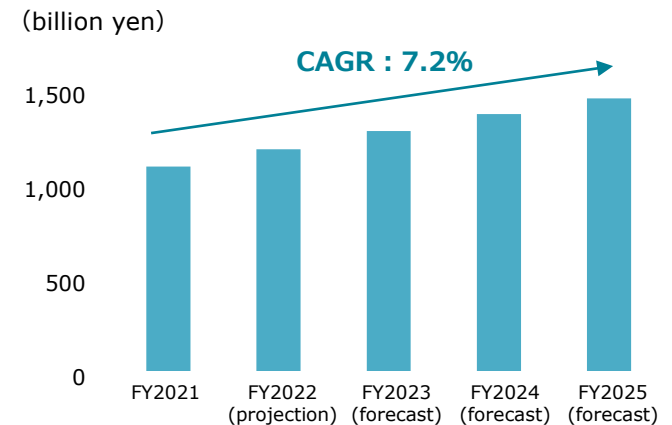
Market Size 2.3 trillion yen (2020)



- 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 2022, PART 2: Services by Industry/Job Category"



† The market size is based on the sales of businesses; The figure for FY2022 is a projection, for FY2023 and beyond are forecasts (as of October 2022)

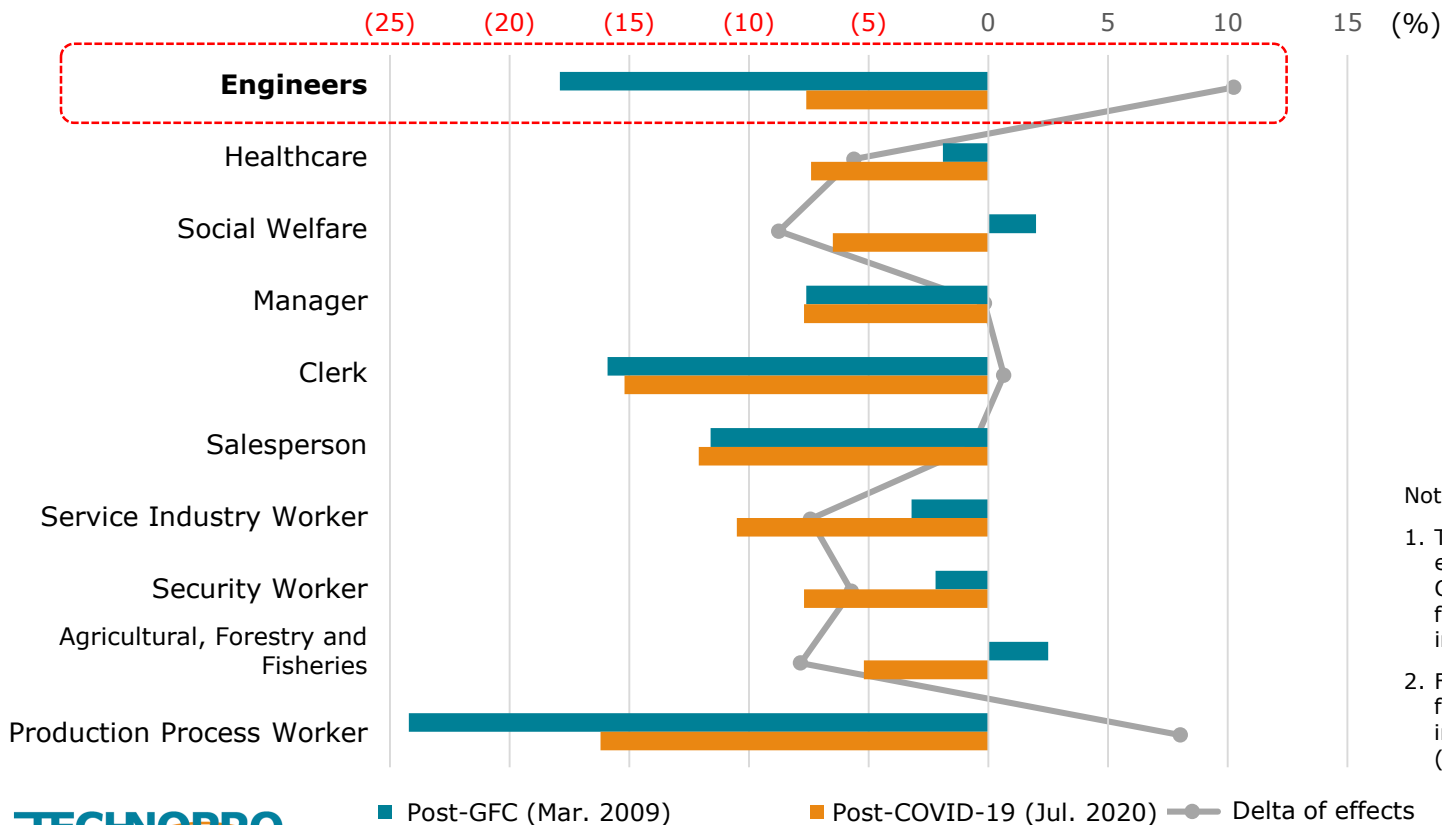
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole

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:

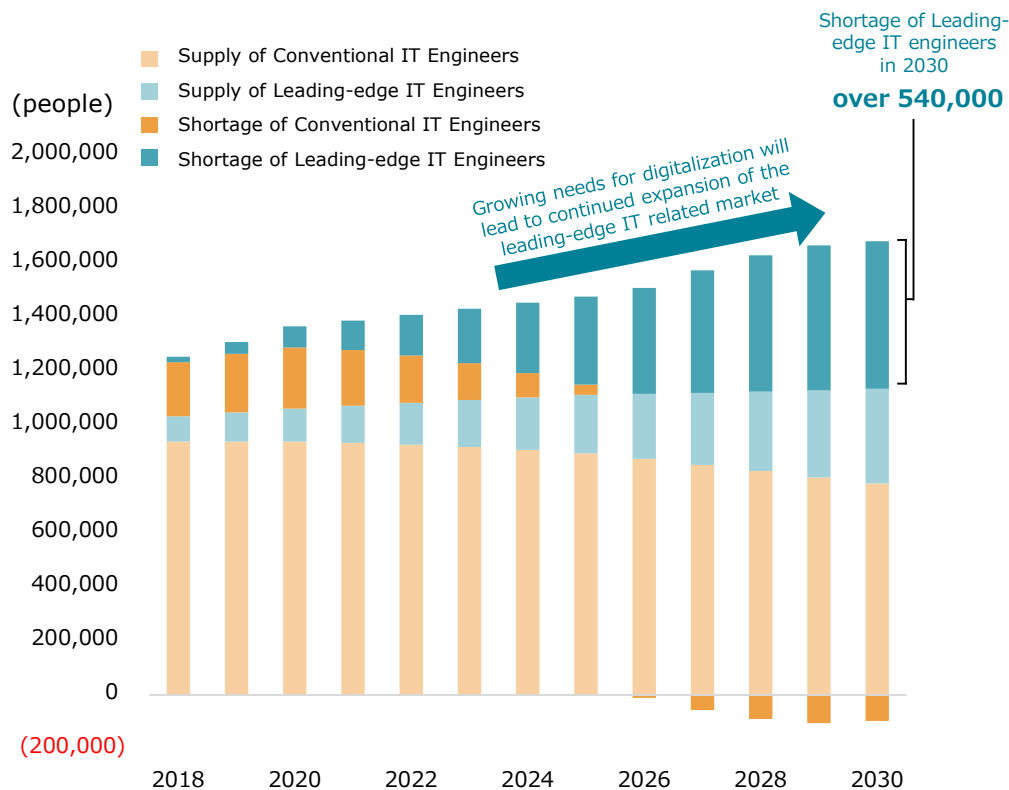
1. The figure left shows the comparison of the effect from the Global Financial Crisis (GFC) and COVID-19 on the index data of new job offers for each job category after 6 months from the initial outbreak of the crisis
2. Figures in September 2008 was indexed as 100 for the GFC, figures in January 2020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

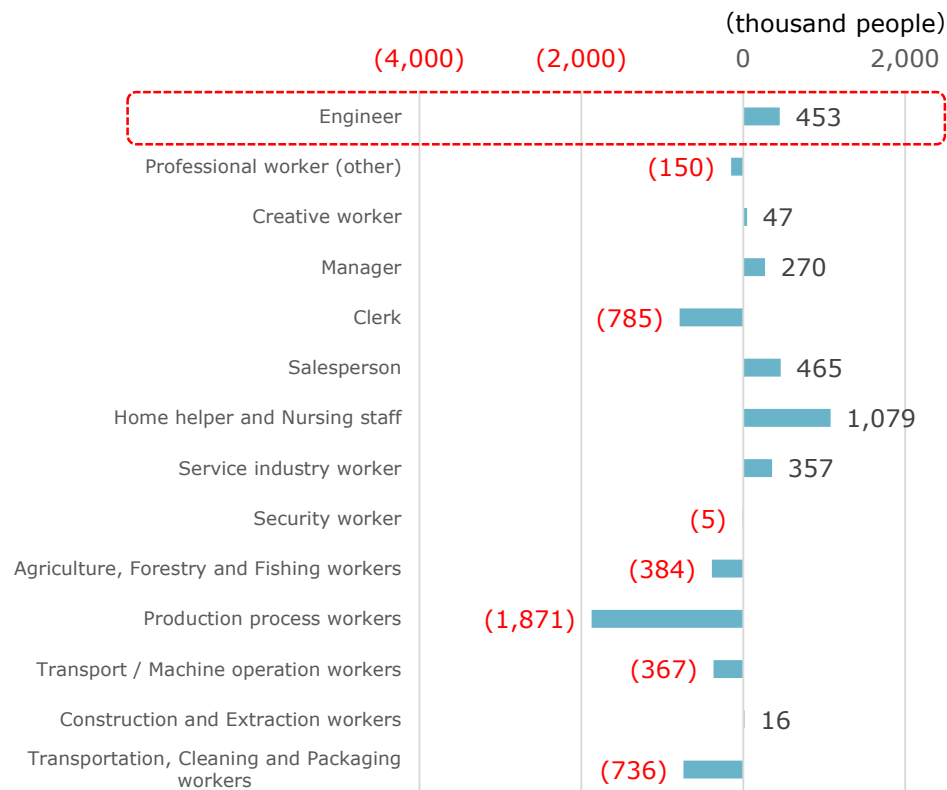
10. Projected Shortage in Advanced and Conventional IT engineers

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"



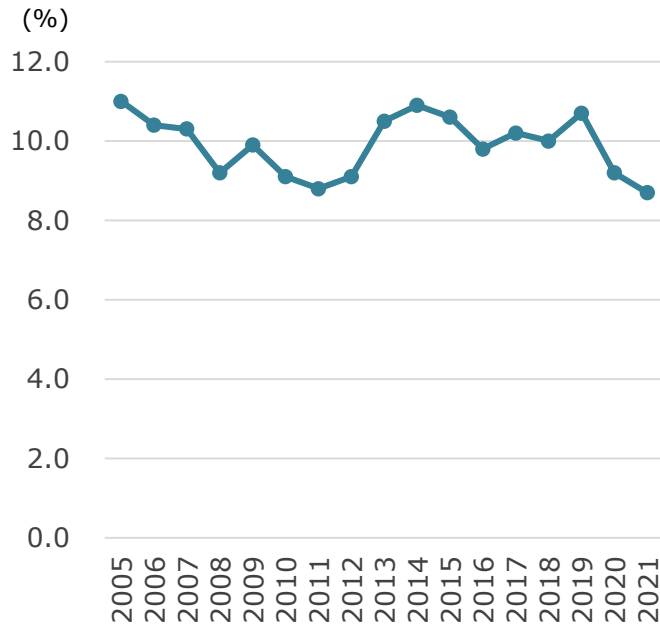
† Estimated numbers comparing 2015 and 2030

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

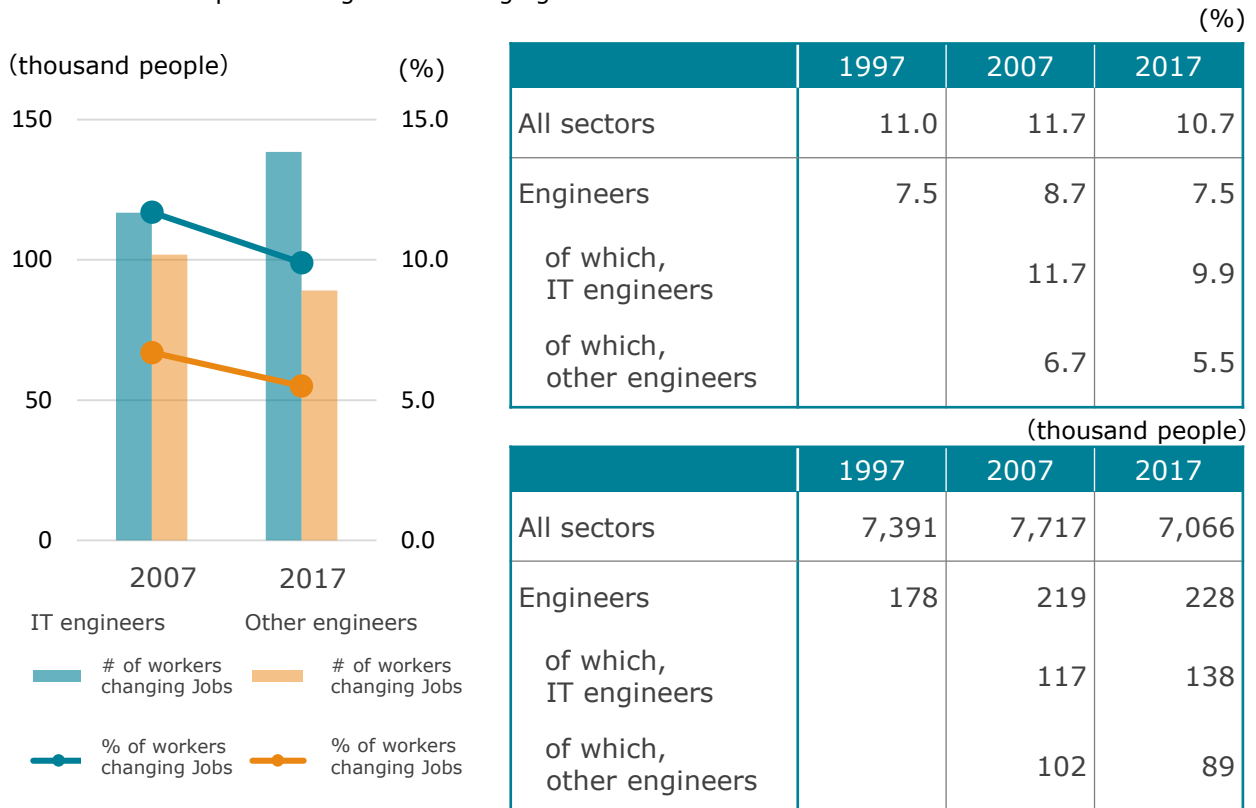
12. Turnover Ratio in Japan

Source: Ministry of Health, Labor and Welfare, "Survey on Employment Trends"



13. Turnover of Engineers

Source: Doshisha University Research Institute for STEM Human Resources, commissioned by TechnoPro in 2019, "Survey Report on Recent Characteristics in the Percentage of Japanese Engineers Changing Jobs"



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

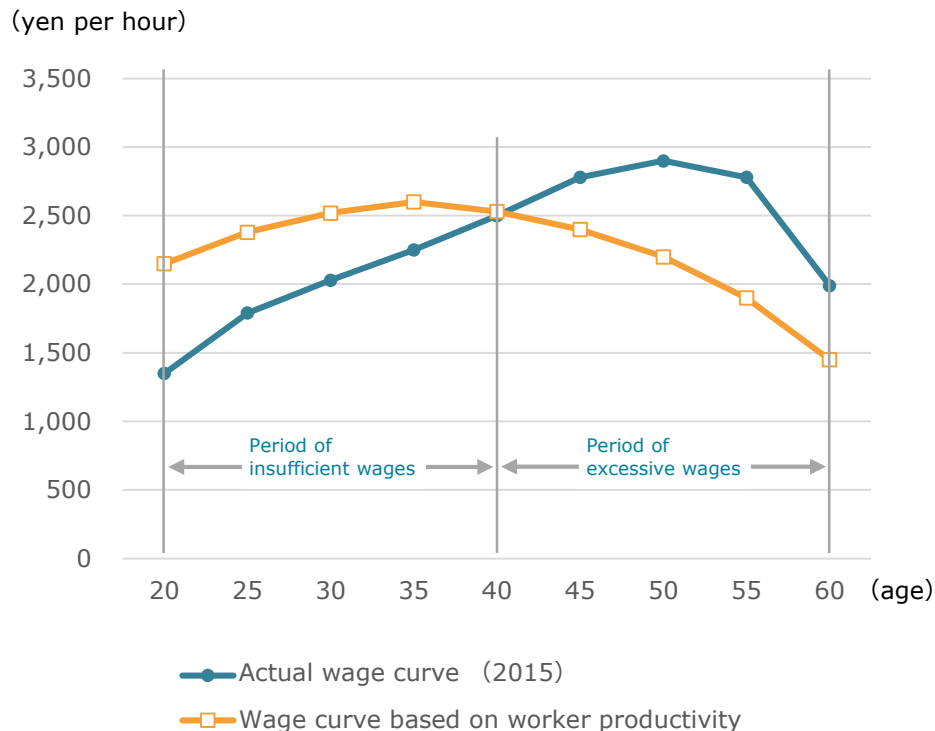
	1997	2007	2017
All sectors	7,391	7,717	7,066
Engineers	178	219	228
of which, IT engineers		117	138
of which, other engineers		102	89

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

- The lifetime employment and seniority-based wage system have firmly remained in Japan
- The number of mid-career recruitment by blue-chip companies is limited due to the gap between productivity and salary

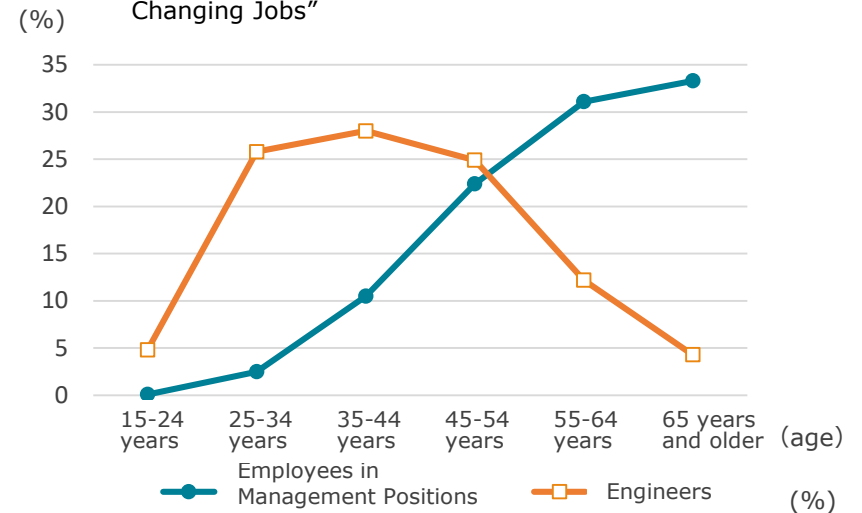
14. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

Source: Investment Information Department, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., "Equity Research Reprinted Report, May 1, 2017"



15. Age Composition: Management and Technical Position (2017, Japan)

Source: Doshisha University Research Institute for STEM Human Survey Resources, commissioned by TechnoPro in 2019, "Report on Recent Characteristics in the Percentage of Japanese Engineers Changing Jobs"



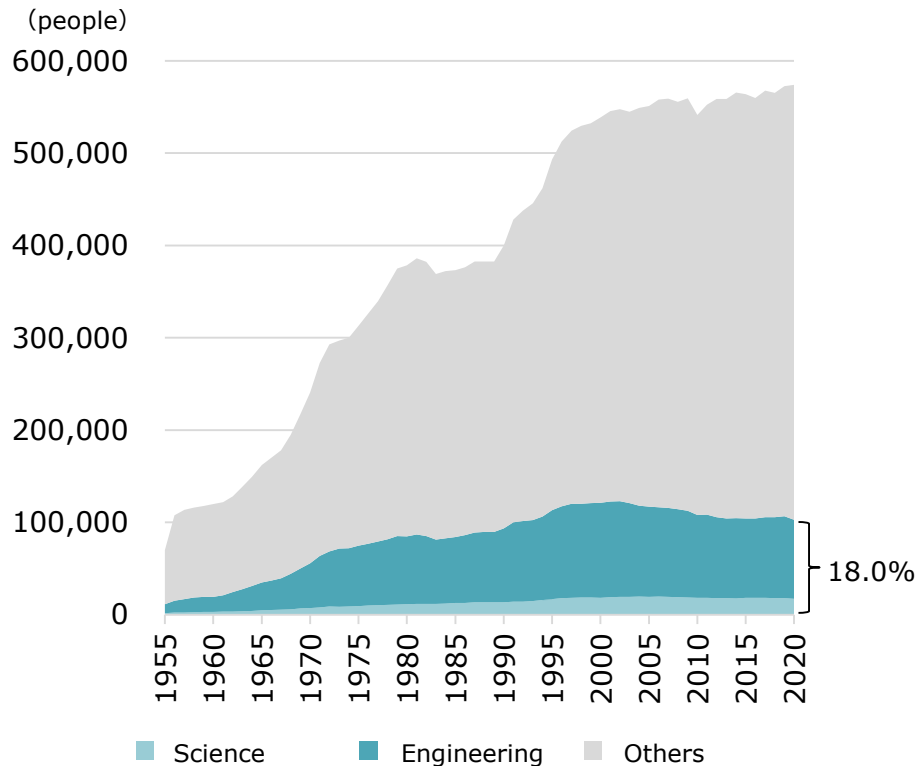
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

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

- 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

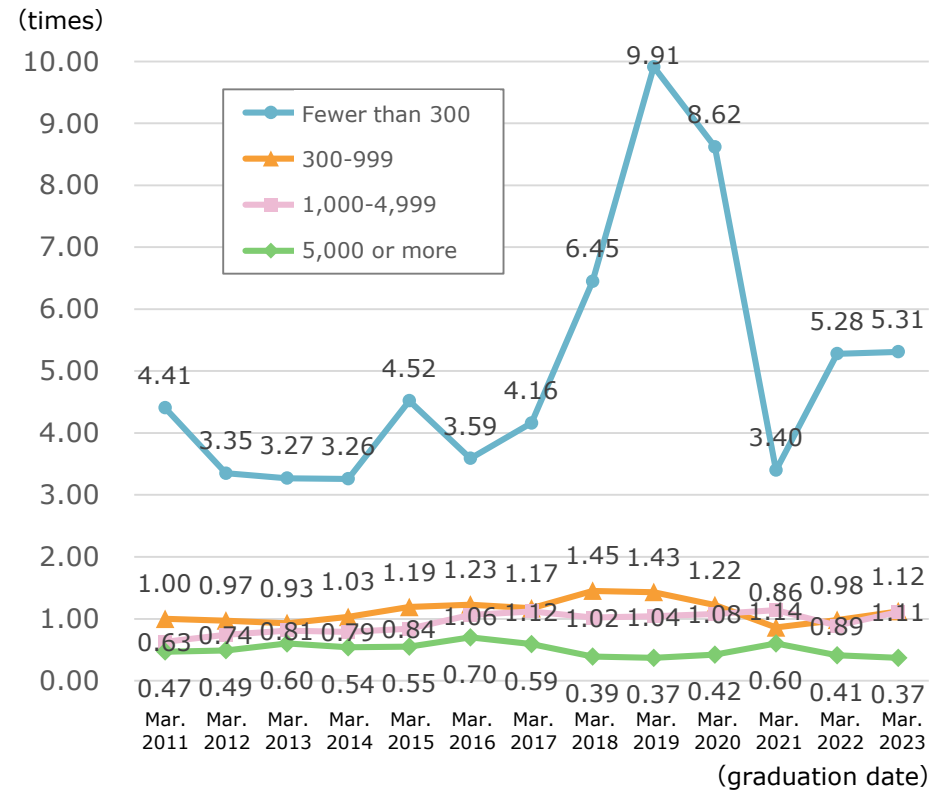
16. No. of University Graduates by Faculty

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"

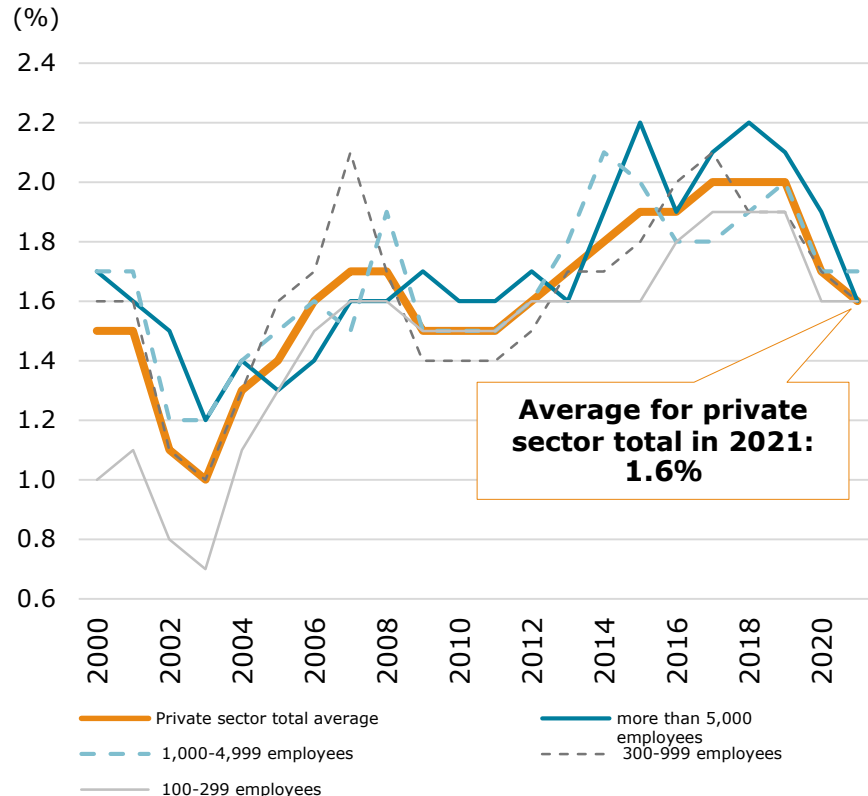


Wage Hike & Human Capital Investment in Japan

- 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

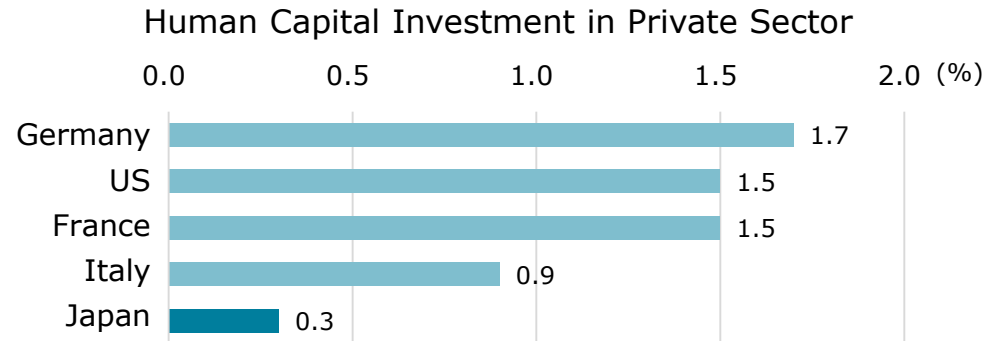
18. Wage Revision Ratio per Worker

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



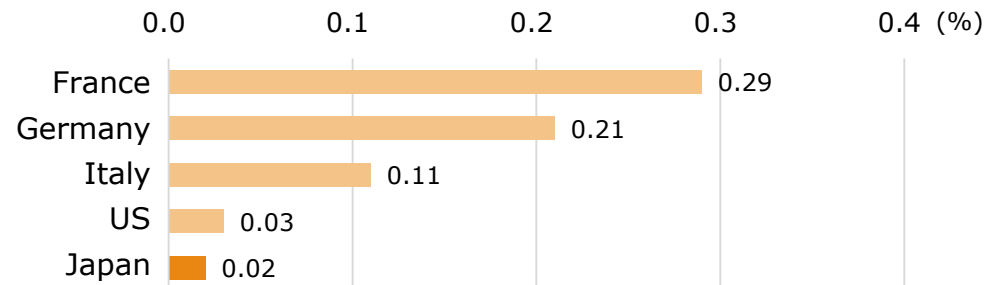
19. World's Human Capital Investment (GDP ratio)

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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