



TechnoPro Group Financial Results for the 3rd Quarter of FYE June 2021

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

April 28, 2021



Contents

	Page
I : FY2021 Q3 Financial Overview	2
II : KPI Analysis	6
i : Number of Engineers & Utilization Ratio	6
ii : Unit Sales Prices	11
III : FY2021 Guidance	12
IV : Shareholder Return	14
V : Appendix	15
VI : Data References	19

1. Accounting figures are rounded down to the nearest unit unless otherwise stated; KPI figures exclude "Other Businesses in Japan" and "Overseas" segments
2. "Net profit" refers to net profit attributable to owners of the parent company after deducting non-controlling interests
3. "Core operating profit" is calculated by subtracting SG&A expenses from gross profit, excluding extraordinary items (ex. government subsidy, impairment loss) recognized in other income or other expenses
4. "Operating profit before PPA asset amortization" is calculated by adding back following items to operating profit: 1) amortization of client related asset incurred by Purchase Price Allocation 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

FY2021 Q3 Financial Overview

- Cumulative Q3 FY21.6 revenue was **120.1 billion yen**, up 0.6% year-on-year; operating profit was **14.87 billion yen** (including 1.69 billion yen of government subsidy for continuous employment in Japan), up 13.8% year-on-year; core operating profit was **13.18 billion yen**, up 2.6% year-on-year; net profit was **10.24 billion yen**, up 14.1% year-on-year
- Cumulative Q3 FY21.6 gross profit margin **decreased 1.9 pts** year-on-year mainly due to 1) increased standby costs (0.4 pts) impacted by lowered utilization ratio, 2) a decline of unit sales price (0.5 pts) affected by a decrease in working hours, 3) an increase of provision for paid leave (0.5 pts), and 4) an increase in employer-contribution for the defined contribution pension plan (0.3 pts), while SG&A expense ratio on revenue **improved 2.1 pts** year-on-year driven by continued cost-saving efforts, thereby core operating profit margin continues to **expand 0.2 pts** year-on-year

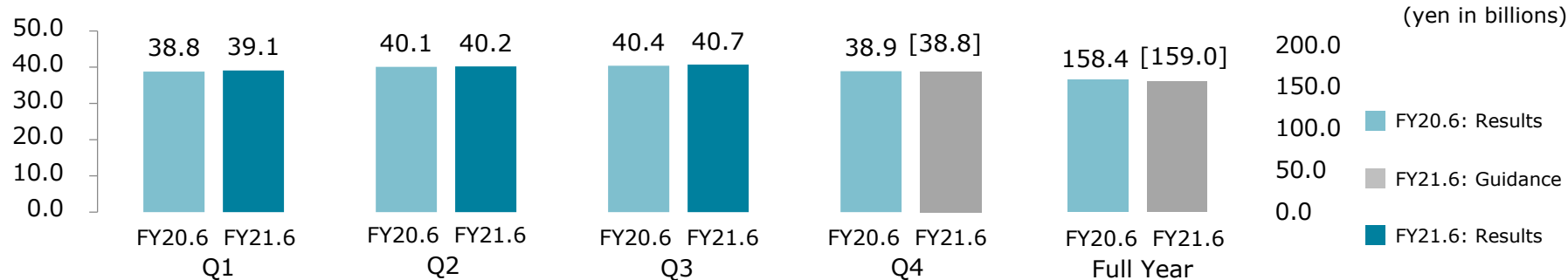
(yen in millions, except per share amounts)

	Q3 (three-month period)				Nine Months Ended					Full-Year		
	FY20.6 (Results)	FY21.6 (Results)	YOY		FY20.6 (Results)	FY21.6 (Results)	vs. Guidance	YOY		FY20.6 (Results)	FY21.6 (Guidance)	YOY
Revenue	40,453	40,729	+276	+0.7%	119,491	120,181	75.6%	+690	+0.6%	158,407	159,000	+0.4%
Gross profit	10,846	10,363	(482)	(4.4%)	30,952	28,887	—	(2,065)	(6.7%)	40,226	—	—
GP margin	26.8%	25.4%	(1.4 pts)		25.9%	24.0%		(1.9 pts)		25.4%		
SG&A expenses	6,109	5,468	(640)	(10.5%)	18,104	15,700	—	(2,403)	(13.3%)	23,960	—	—
Ratio on revenue	15.1%	13.4%	(1.7 pts)		15.2%	13.1%		(2.1 pts)		15.1%		
Core operating profit	4,736	4,894	+157	+3.3%	12,848	13,186	—	+337	+2.6%	16,265	—	—
Core OP margin	11.7%	12.0%	+0.3 pts		10.8%	11.0%		+0.2 pts		10.3%		
Other income	254	469	+215	—	393	1,984	—	+1,591	—	649	—	—
Other expenses	142	165	+23	—	171	291	—	+120	—	1,143	—	—
Operating profit	4,848	5,198	+349	+7.2%	13,070	14,879	82.7%	+1,808	+13.8%	15,772	18,000	+14.1%
OP margin	12.0%	12.8%	+0.8 pts		10.9%	12.4%		+1.4 pts		10.0%	11.3%	
Profit before income taxes	4,897	5,257	+359	+7.3%	13,088	14,902	82.8%	+1,813	+13.9%	15,843	18,000	+13.6%
Net profit	3,325	3,626	+301	+9.1%	8,979	10,249	83.3%	+1,269	+14.1%	10,825	12,300	+13.6%
Net profit margin	8.2%	8.9%	+0.7 pts		7.5%	8.5%		+1.0 pts		6.8%	7.7%	
Earnings per share (yen)	92.09	100.99	+8.90	+9.7%	248.42	285.44	83.3%	+37.02	+14.9%	299.97	342.54	+14.2%
Dividend per share (yen)	—	—	—	—	50.00	50.00	29.1%	0.00	0.0%	150.00	172.00	+14.7%

Quarterly Performance

- Working hours per day in Japan were **8.51 hours** (down 0.05 hours/day or 0.6% year-on-year) for three-months Q3 FY21.6 period mainly impacted by COVID-19

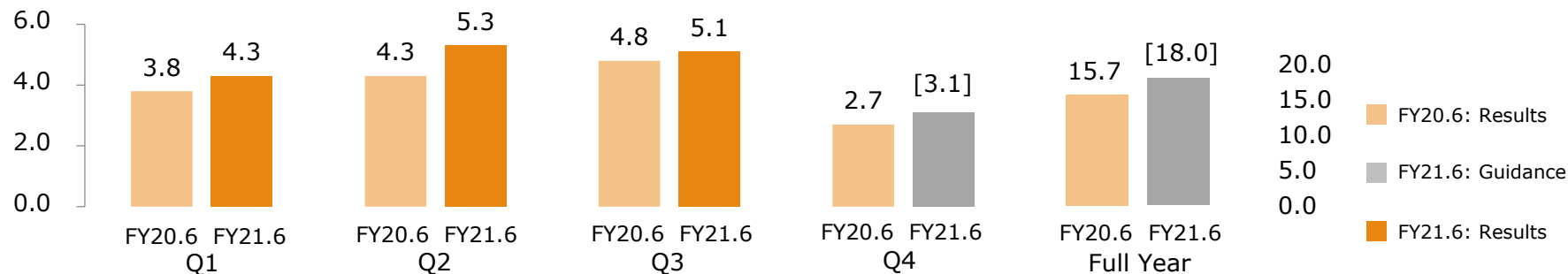
Revenue



YOY	+0.8%		+0.3%		+0.7%		[(0.2%)]		[+0.4%]	
Progress on full-year %	24.6%	[24.7%]	25.3%	[25.3%]	25.5%	[25.6%]	24.6%	[24.4%]	100.0%	100.0%
Working days†	56.5	56.2	58.1	58.6	55.8	56.5	56.7	[57.2]	227.1	[228.5]
Working hours per day†	8.56	8.44	8.56	8.47	8.56	8.51	8.39	[8.47]	8.52	[8.47]
Ave. monthly unit sales price (yen in thousands) †	626	620	635	637	638	640	620	[627]	630	[630]

† Figures of two major subsidiaries in Japan (TechnoPro, Inc. & TechnoPro Construction, Inc.)

Operating Profit



YOY	+12.2%		+22.8%		+7.2%		[+15.5%]		[+14.1%]	
Progress on full-year %	24.6%	[24.2%]	27.5%	[29.6%]	30.7%	[28.9%]	17.1%	[17.3%]	100.0%	100.0%
OP margin	10.0%	11.1%	10.8%	13.2%	12.0%	12.8%	6.9%	[8.0%]	10.0%	[11.3%]

FY2021 Q3 Segment Results (Year-to-date)

- Companies included in each segment are described in Appendix

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY19.6 Q3	FY20.6 Q3	FY21.6 Q3	YOY	FY19.6 Q3	FY20.6 Q3	FY21.6 Q3	YOY	FY19.6 Q3	FY20.6 Q3	FY21.6 Q3	YOY	FY19.6 Q3	FY20.6 Q3	FY21.6 Q3	YOY
Revenue	84,403	94,758	95,464	+0.7%	13,131	14,922	14,849	(0.5%)	2,245	3,112	2,693	(13.5%)	99,780	112,793	113,007	+0.2%
Ratio to consolidated revenue	79.2%	79.3%	79.4%		12.3%	12.5%	12.4%		2.1%	2.6%	2.2%		93.7%	94.4%	94.0%	
Operating profit	8,605	10,221	12,146	+18.8%	1,576	1,884	2,187	+16.1%	212	306	112	(63.4%)	10,395	12,412	14,445	+16.4%
OP margin	10.2%	10.8%	12.7%		12.0%	12.6%	14.7%		9.5%	9.9%	4.2%		10.4%	11.0%	12.8%	
OP before PPA asset amortization	8,666	10,281	12,206	+18.7%	1,576	1,884	2,187	+16.1%	212	306	112	(63.4%)	10,455	12,472	14,506	+16.3%
OP margin before PPA asset amortization	10.3%	10.9%	12.8%		12.0%	12.6%	14.7%		9.5%	9.9%	4.2%		10.5%	11.1%	12.8%	
PPA asset amortization	(60)	(60)	(60)	0.0%	—	—	—	—	—	—	—	—	(60)	(60)	(60)	0.0%
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	15,697	17,520	17,368	(0.9%)	2,363	2,714	2,581	(4.9%)	—	—	—	—	18,060	20,234	19,949	(1.4%)
o/w Non-Japanese in Japan	863	1,065	853	(19.9%)	59	83	91	+9.6%	—	—	—	—	922	1,148	944	(17.8%)

	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY19.6 Q3	FY20.6 Q3	FY21.6 Q3	YOY	FY19.6 Q3	FY20.6 Q3	FY21.6 Q3	YOY	FY19.6 Q3	FY20.6 Q3	FY21.6 Q3	YOY	FY19.6 Q3	FY20.6 Q3	FY21.6 Q3	YOY
Revenue	7,619	7,853	8,119	+3.4%	107,400	120,646	121,126	+0.4%	(855)	(1,155)	(945)	—	106,544	119,491	120,181	+0.6%
Ratio to consolidated revenue	7.2%	6.6%	6.8%		100.8%	101.0%	100.8%		(0.8%)	(1.0%)	(0.8%)		100.0%	100.0%	100.0%	
Operating profit	684	563	601	+6.8%	11,079	12,976	15,047	+16.0%	52	94	(167)	—	11,131	13,070	14,879	+13.8%
OP margin	9.0%	7.2%	7.4%		10.3%	10.8%	12.4%		—	—	—		10.4%	10.9%	12.4%	
OP before PPA asset amortization	867	716	756	+5.4%	11,322	13,189	15,262	+15.7%	52	143	(167)	—	11,374	13,333	15,094	+13.2%
OP margin before PPA asset amortization	11.4%	9.1%	9.3%		10.5%	10.9%	12.6%		—	—	—		10.7%	11.2%	12.6%	
PPA asset amortization	(182)	(153)	(154)	+0.6%	(242)	(213)	(214)	+0.4%	—	—	—	—	(242)	(213)	(214)	+0.4%
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value and early exercise of put option liabilities	—	—	—	—	—	—	—	—	—	60	—	—	—	60	—	—
Changes in fair value of earn-out liabilities	—	—	—	—	—	—	—	—	—	(110)	—	—	—	(110)	—	—
No. of engineers (period-end)	1,649	1,569	1,921	+22.4%	19,709	21,803	21,870	+0.3%	—	—	—	—	19,709	21,803	21,870	+0.3%

FY2021 Q3 Balance Sheet & Cash Flows

- Conducted a refinancing of existing loans with **10 billion yen** procured in September 2020 through the syndicated loan (five years fully amortizing payment), expecting to repay 500 million yen of the principal every three-month (2 billion yen annually) from December 2020
- Established total **12 billion yen** (amount equivalent to revenue for **0.9 months**) commitment lines for the purpose of working capital, ensuring sufficient level of funds to prepare for unexpected cash demands

FY21.6 Q3 End B/S (yen in billions)

Cash & cash equivalents 26.6	Debt 9.0
	IFRS 16 related liabilities 8.4
IFRS 16 related assets 8.4	
Goodwill 36.3	Other liabilities 36.5
	PO liabilities 3.1
Intangible assets (PPA) 1.7	
Other assets 39.5	Total equity 55.5

Total assets 112.5

Total liabilities & equity 112.5

Net cash : **17.7 Bn**

Net worth ratio*: **49.4%**

D/E Ratio* : **0.16x**

D/OP Ratio** : **0.50x**

* Total equity includes non-controlling interests

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

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FY21.6 YTD Q3 Cash Flows (yen in millions)

• Operating CF	13,827
Corporate income tax payment	(4,663)
• Investing CF	(1,096)
• Financing CF	(8,982)
IFRS 16 related lease liability repayment***	(4,903)
Net cash from loan procurement and repayment	+1,341
Dividend payment	(5,420)
Net CF	+3,888

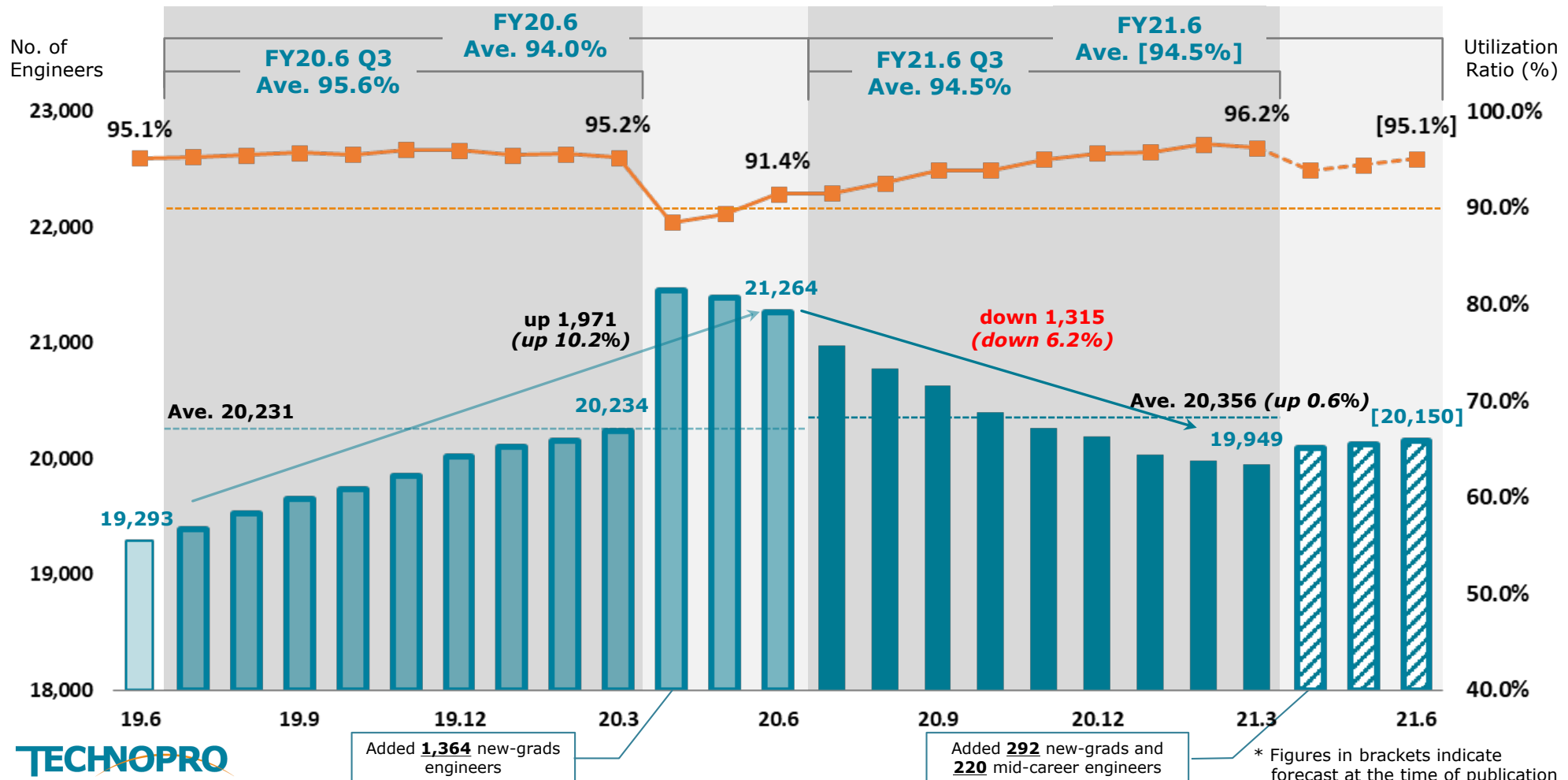
*** Reclassified to Financing CF, previously recognized in Operating CF as lease payment until FY19.6

Commitment Lines (yen in millions)

Purpose	Credit line	Used	Unused	Expiration
1 Working capital	10,000	0	10,000	Jun. 2021
2 Working capital	1,000	0	1,000	Sep. 2021
3 Working capital	1,000	0	1,000	Oct. 2021
4 M&A	10,000	0	10,000	Jun. 2021
Total	22,000	0	22,000	

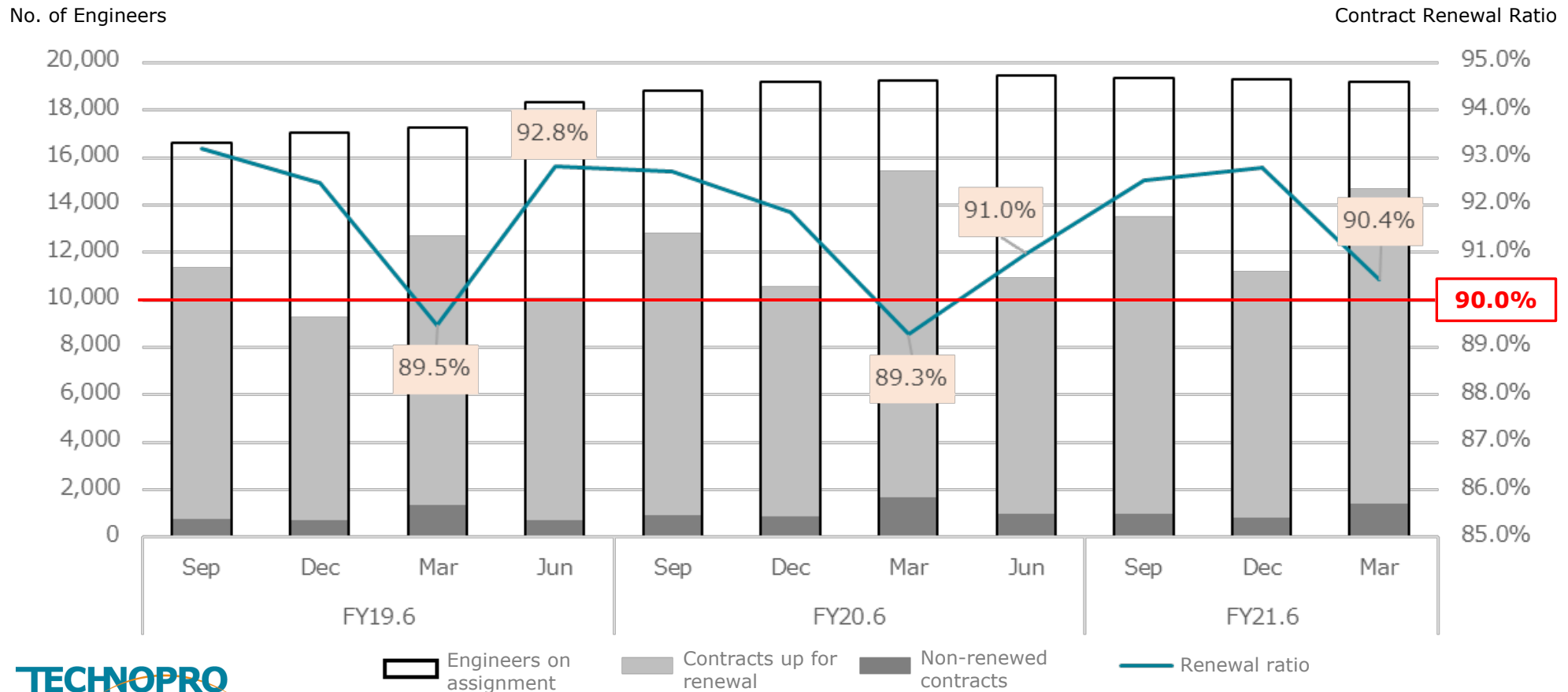
Number of Engineers & Utilization Ratio [Japan]

- Engineers on payroll in Japan at the end of Q3 FY21.6 totaled **19,949** (down 1,315 from FY20.6 end), including **944** non-Japanese engineers working in Japan (down 234 from FY20.6 end)
- Average utilization ratio was **94.5%** for the cumulative Q3 FY21.6 (down 1.1 pts year-on-year), expecting **94.5%** (up 0.5 pts year-on-year) as the full-year FY21.6 average



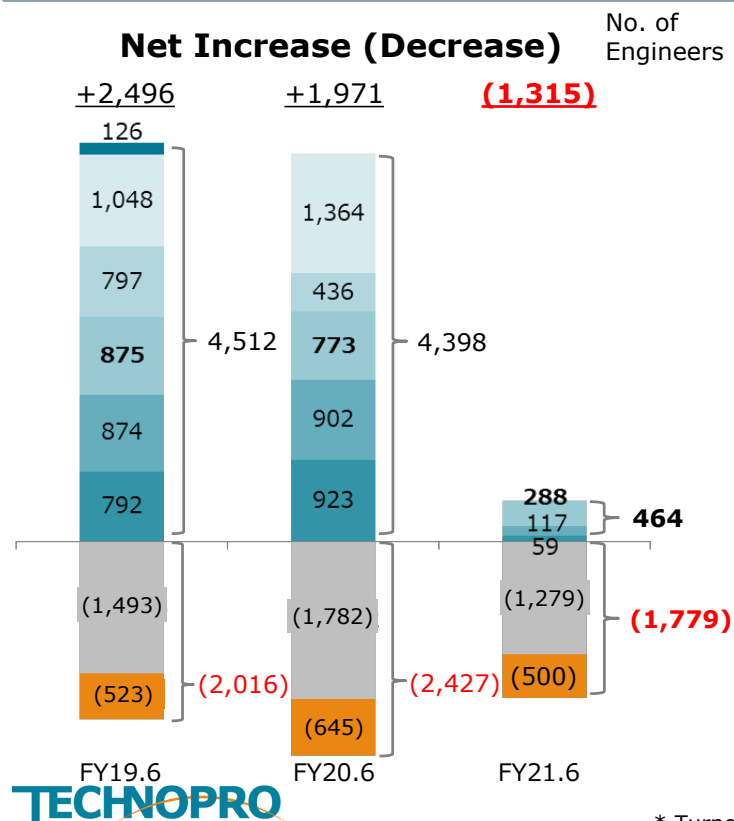
Reference: Contract Renewal Ratio (Mar, Jun, Sep, Dec)

- Terms of most staffing contracts are three or six months, therefore major contract renewal cycle occurs every three months (March contract renewal ratio usually tends to **lower slightly less than 90%**, since in March **the contracts up for renewal reach approx. 80% of total contracts** and many projects end to coincide with the closing of our customers' fiscal year)
- Contract renewal ratio for March 2021 ended up with **90.4%** (up 1.1 pts year-on-year), surpassed the previous year period
- Expects **no significant deterioration in year-on-year contract renewal ratio** in June 2021 (approx. 55% of total contracts will be up for renewal)



Recruitment/Turnover [Japan]

- Mid-carrier engineers hired in cumulative Q3 FY21.6 totaled **464** (down 2,134 or 82.1% year-on-year) due to temporary freeze on new hiring as a preemptive response to COVID-19 crisis
- 1,779** engineers left in cumulative Q3 FY21.6: permanent employees of **1,279** (up 37 year-on-year), fixed-term employees of **500** (up 85 year-on-year)
- Turnover ratio for permanent employees* was **8.4%** (up 0.1 pts year-on-year) for cumulative Q3 FY21.6, and **8.8%** (up 0.5 pts year-on-year) for the last twelve months
- Net engineer decrease of **1,315** for cumulative Q3 FY21.6; focusing on retention efforts and further promoting recruitment of mid-career engineers in order to enhance engineering talent resources



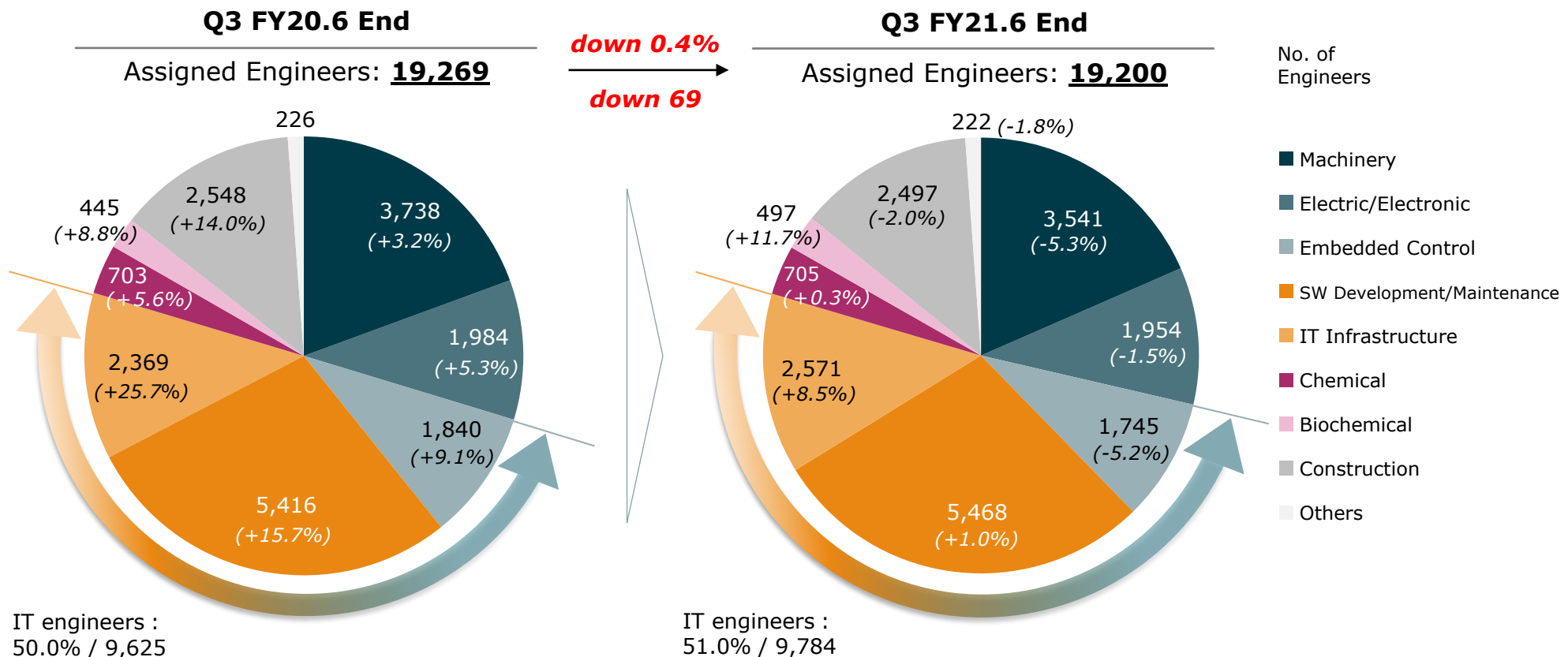
Recruitment/Turnover					No. of Engineers	
		FY19.6	FY20.6	FY21.6 Q3	YOY	
	Hired Total	4,512	4,398	464	—	—
	M&A	126	0	—	—	—
	New-grads joined in April	1,048	1,364	—	—	—
	Mid-carrier: Q4	797	436	—	—	—
	Mid-carrier: Q3	875	773	288	(485)	(62.7%)
	Mid-carrier: Q2	874	902	117	(785)	(87.0%)
	Mid-carrier: Q1	792	923	59	(864)	(93.6%)
	Turnover Total	2,016	2,427	1,779	—	—
	Permanent employees	1,493	1,782	1,279	—	—
	Contract terms matured, others	523	645	500	—	—

Turnover Ratio for Permanent Employees*												
	FY19.6				FY20.6				FY21.6			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter	8.0%	6.7%	10.6%	8.0%	8.6%	7.8%	8.6%	10.1%	8.8%	8.2%	8.1%	—
Year-to-date	—	7.3%	8.5%	8.3%	—	8.2%	8.3%	8.8%	—	8.5%	8.4%	—
Last twelve months	8.0%	7.9%	8.2%	8.3%	8.5%	8.7%	8.3%	8.8%	8.9%	8.9%	8.8%	—

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

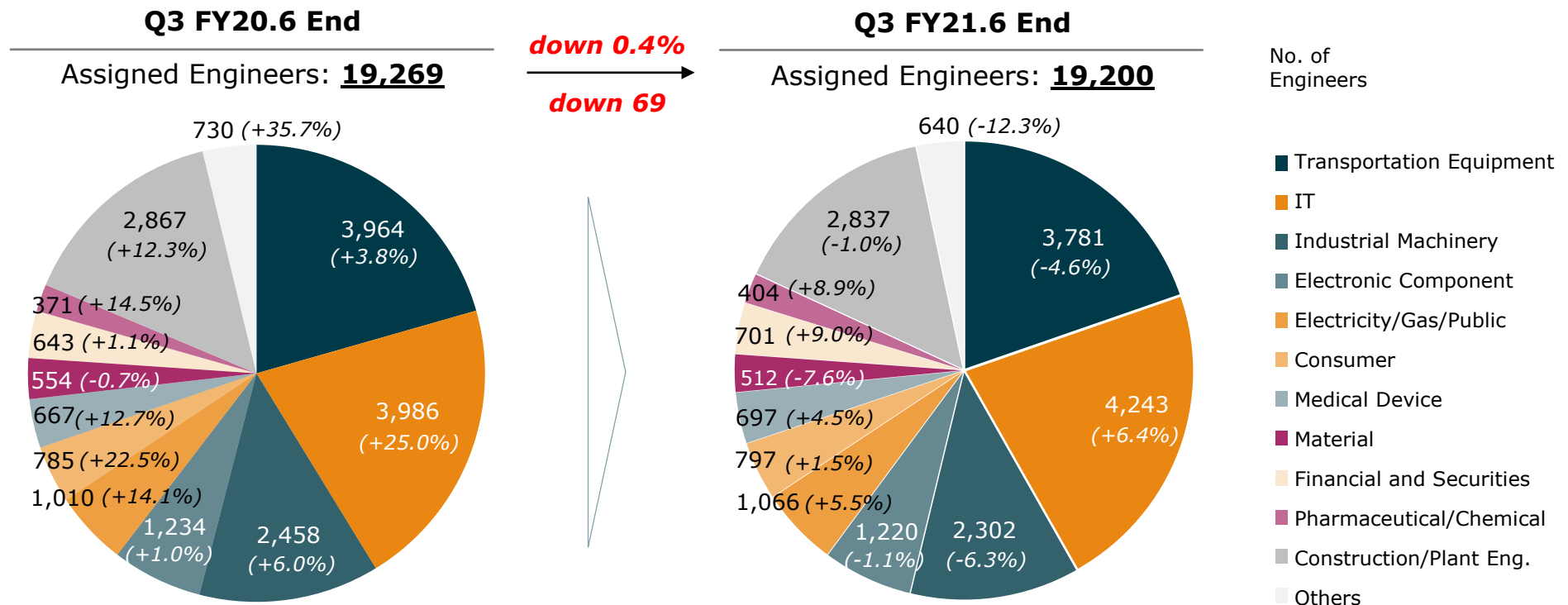
Assigned Engineers Portfolios by “Technology” [Japan]

- Total number of assigned engineers turned to decrease year-on-year, impacted by a decline in engineers on payroll, although the utilization ratio has already recovered to pre-pandemic level
- Also expects number of assigned engineers at the end of FY21.6 to decrease year-on-year, whereas aiming to exceed the previous-year level as early as in FY22.6 by achieving an increase of engineer headcounts through promoting recruitment actively in IT, Construction and Chemical/Biochemical with sustaining the utilization ratio



Assigned Engineers Portfolios by “Industry” [Japan]

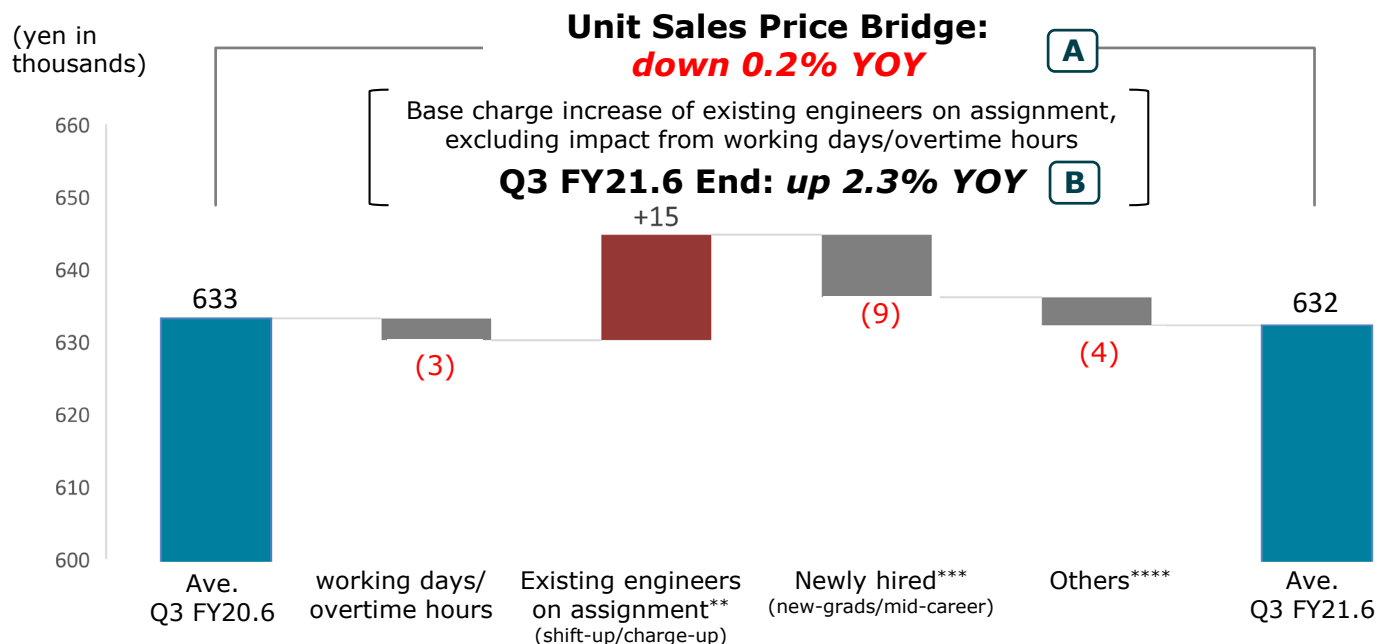
- In Transportation Equipment, demand for OEMs has began to recover, while automotive suppliers are still struggling with weak demand
- Industrial Machinery and Electronic Component specifically relating to semiconductors are recovering
- IT sector maintains relatively robust assignments, while skill requirements from customers are getting higher; promote investment in the training of our existing engineers and prioritize recruitment of well experienced mid-career talent



Average Monthly Unit Sales Price

Two Major Subsidiaries in Japan: TechnoPro, Inc. & TechnoPro Construction, Inc.

- Ave. monthly unit sales price* for cumulative Q3 FY21.6 decreased to **632K yen** (down 1K yen/month or 0.2% year-on-year)
- Decreased 3K yen/month year-on-year due to the mix of a slight increase in working days (up 0.10 days/month) and shorter overtime hours (down 1.72 hours/month)
- Increased 15K yen/month driven by base charge hike for existing engineers on assignment through shift-up/charge-up efforts
- Diluted 9K yen/month due to first assignment of newly hired new-grads/mid-career engineers



* Unit sales price

Average sales per engineer per month, which includes base charge, overtime charges and others

** Existing engineers on assignment

Increase(decrease) of prices through changes in place of assignment or contract renewal at the same assignment

*** Newly hired

Increase(decrease) of prices from first assignment of newly hired new-grads/mid-career engineers

**** Others

Increase(decrease) of prices from other factors than described above

Price Development

	FY20.6				FY21.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (yen in thousands, year-to-date)	626	631	633	630	620	628	632	—
Year-on-year	+0.8%	(0.3%)	+0.3%	(0.1%)	(1.0%)	(0.4%)	(0.2%)	—

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Base Charge Increase of Existing Engineers on Assignment

* Year-on-year comparison for each quarter end

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	+3.6%	+3.4%	+3.0%	+3.7%	+3.4%	+2.6%	+2.3%	—

FY2021 Guidance Update (Full-Year)

- Updated Q4 FY2021 guidance which was **estimated within a reasonable extent**; reflecting the key KPIs for Q4 period which was revised again to include effects from successful contract renewal negotiation in March 2021 and smooth allocation of new-grads engineers joined in April
- Full-year guidance was also **revised upwards** to reflect the update described above and quarterly results for Q3 FY21.6
- Expects income of **1.73 billion yen** in total from government subsidy for continuous employment in Japan for cumulative full-year FY21.6 period (income to be recorded in three-month period Q4 FY21.6 will be insignificant)

(yen in millions, except per share amounts, average monthly unit price, and engineer headcounts)

	Q4 (three-months period)						Full-Year					
	FY20.6 (Results)	FY21.6 (Guidance)	FY21.6 (Updated guidance)	vs. prior guidance	YOY		FY20.6 (Results)	FY21.6 (Guidance)	FY21.6 (Updated guidance)	vs. prior guidance	YOY	
Revenue	38,916	38,049	38,820	+771	(96)	(0.2%)	158,407	156,500	159,000	+2,500	+592	+0.4%
Operating profit	2,701	2,820	3,120	+300	+418	+15.5%	15,772	17,000	18,000	+1,000	+2,227	+14.1%
OP margin	6.9%	7.4%	8.0%	+0.6 pts	+1.1 pts		10.0%	10.9%	11.3%	+0.5 pts	+1.4 pts	
Profit before income taxes	2,754	2,806	3,097	+291	+342	+12.4%	15,843	16,900	18,000	+1,100	+2,156	+13.6%
Net profit	1,845	1,878	2,051	+173	+205	+11.1%	10,825	11,500	12,300	+800	+1,474	+13.6%
Net profit margin	4.7%	4.9%	5.3%	+0.3 pts	+0.5 pts		6.8%	7.3%	7.7%	+0.4 pts	+0.9 pts	
Earnings per share (yen)	51.39	52.29	57.12	+4.83	+5.73	+11.2%	299.97	320.25	342.54	+22.29	+42.57	+14.2%
Dividend per share (yen)	—	—	—	—	—	—	150.00	161.00	172.00	+11.00	+22.00	+14.7%

Key KPIs	Q4 (three-months period)						Full-Year					
	FY20.6 (Results)	FY21.6 (Guidance)	FY21.6 (Updated guidance)	vs. prior guidance	YOY		FY20.6 (Results)	FY21.6 (Guidance)	FY21.6 (Updated guidance)	vs. prior guidance	YOY	
Engineers (period-end)	21,264	20,000	20,150	+150	(1,114)	(5.2%)	21,264	20,000	20,150	+150	(1,114)	(5.2%)
Ave. utilization ratio	89.8%	92.6%	94.5%	+1.9 pts	+4.7 pts	—	94.0%	93.9%	94.5%	+0.6 pts	+0.5 pts	—
Ave. monthly unit price* (yen in thousands)	620	620	627	+7	+7	+1.1%	630	626	630	+4	0	0.0%

Reference: FY2021 Segment Guidance Update (Full-Year)

- *R&D Outsourcing*: Operating profit to surpass year-on-year results thanks to income from government subsidy for continuous employment in Japan, although gross profit may decrease due to a decline in utilization ratio in the first half period
- *Construction Management Outsourcing*: Expects to maintain high profit margin driven by early effects from cost-cutting efforts, although revenue will slightly decline due to shrinking engineers base
- *Other Businesses in Japan*: Aims to secure profit by continuously managing expenses, although expecting decline in both revenue and profit due to stagnant permanent placement business
- *Overseas*: Delivered earnings above the guidance in both revenue and profit for the first half period, also planning to post an increase in revenue and profit for the full year period underlined by the growth expectation of TechnoPro China's business

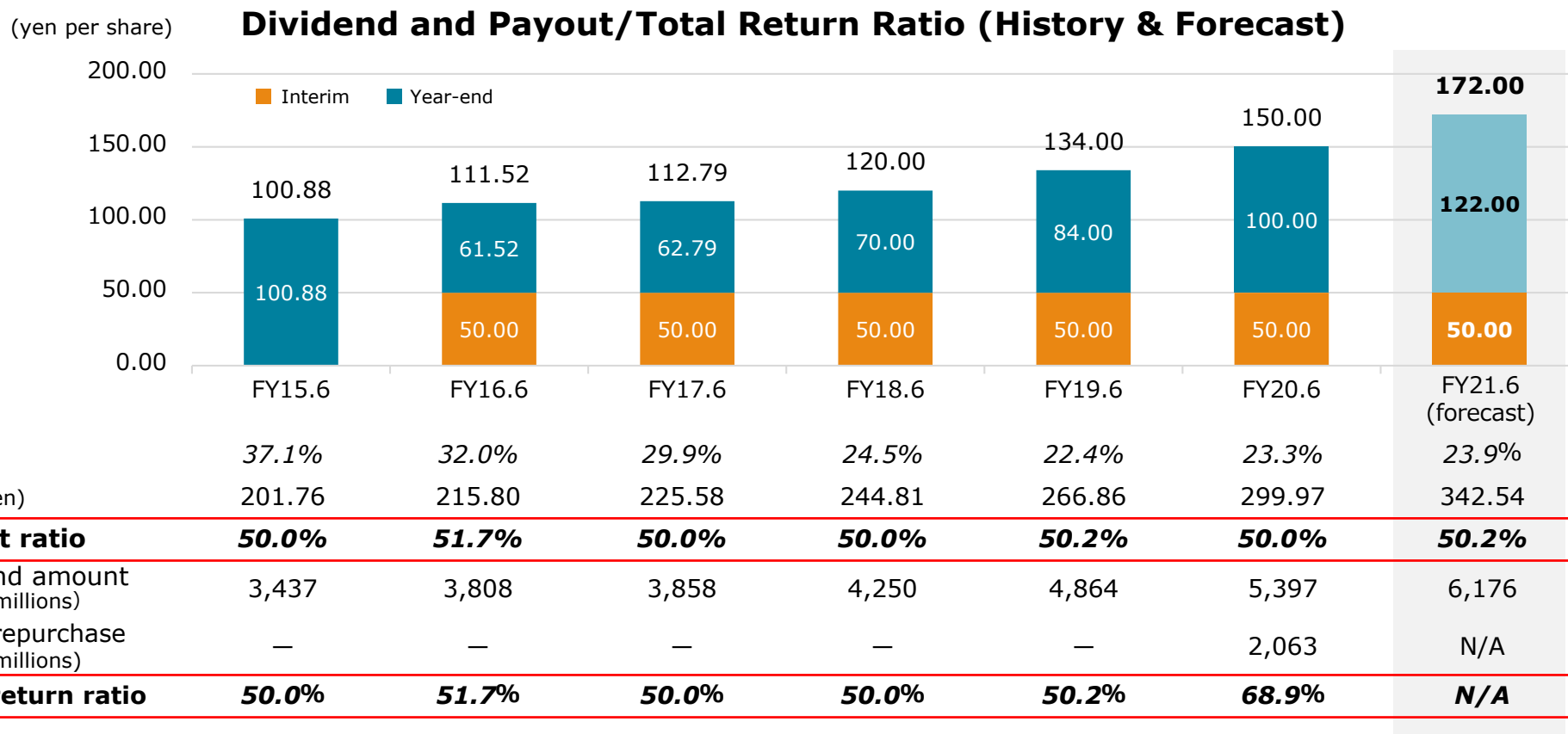
(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY
Revenue	114,021	126,179	127,000	+0.7%	17,720	19,787	19,500	(1.5%)	3,474	4,103	3,500	(14.7%)	135,217	150,071	150,000	(0.0%)
Ratio to consolidated revenue	79.1%	79.7%	79.9%		12.3%	12.5%	12.3%		2.4%	2.6%	2.2%		93.8%	94.7%	94.3%	
Operating profit	10,672	12,880	14,300	+11.0%	1,938	2,109	2,800	+32.7%	416	(139)	150	—	13,028	14,850	17,250	+16.2%
OP margin	9.4%	10.2%	11.3%		10.9%	10.7%	14.4%		12.0%	(3.4%)	4.3%		9.6%	9.9%	11.5%	
OP before PPA asset amortization	10,752	12,960	14,380	+11.0%	1,938	2,517	2,800	+11.2%	416	367	150	(59.2%)	13,108	15,845	17,330	+9.4%
OP margin before PPA asset amortization	9.4%	10.3%	11.3%		10.9%	12.7%	14.4%		12.0%	9.0%	4.3%		9.7%	10.6%	11.6%	
No. of engineers (period-end)	16,748	18,471	17,560	(4.9%)	2,545	2,793	2,590	(7.3%)	—	—	—	—	19,293	21,264	20,150	(5.2%)
o/w non-Japanese in Japan	922	1,082	—	—	63	96	—	—	—	—	—	—	985	1,178	—	—

	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY
Revenue	10,283	9,941	10,700	+7.6%	145,500	160,012	160,700	+0.4%	(1,324)	(1,605)	(1,700)	—	144,176	158,407	159,000	+0.4%
Ratio to consolidated revenue	7.1%	6.3%	6.7%		100.9%	101.0%	101.1%		(0.9%)	(1.0%)	(1.1%)		100.0%	100.0%	100.0%	
Operating profit	(931)	655	750	+14.4%	12,096	15,506	18,000	+16.1%	1,642	266	0	—	13,739	15,772	18,000	+14.1%
OP margin	(9.1%)	6.6%	7.0%		8.3%	9.7%	11.2%		—	—	—		9.5%	10.0%	11.3%	
OP before PPA asset amortization	993	858	950	+10.6%	14,101	16,704	18,280	+9.4%	172	119	0	—	14,274	16,824	18,280	+8.7%
OP margin before PPA asset amortization	9.7%	8.6%	8.9%		9.7%	10.4%	11.4%		—	—	—		9.9%	10.6%	11.5%	
No. of engineers (period-end)	1,608	1,331	—	—	20,901	22,595	—	—	—	—	—	—	20,901	22,595	—	—

Shareholder Return

- Assures basic policy to make dividend payment steadily twice a year in the form of interim and year-end dividend; **annual dividend payout ratio of 50%** remains unchanged for FY21.6, despite the huge business impact from COVID-19, which is expected during the period (FY21.6 year-end dividend forecast updated due to upward revision of full-year guidance)
- Free cash flows retained after returning 50% cash dividend to shareholders will be spent for growth investment such as M&A; in case of being unable to find justifiable investment opportunities which may generate sufficient return (ROIC) exceeding the cost of capital, flexibly considers carrying out share repurchase as a way of shareholder return in light of capital efficiency



Appendix: 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

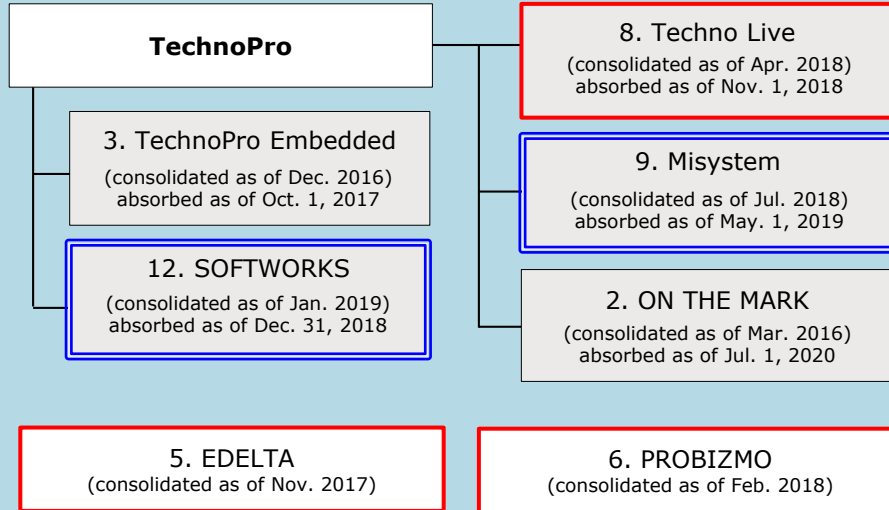
Comparison of ICT Investment in Each Country (Nominal, Indexed Figures in 1995 as 100)



Appendix: Reportable Segments (as of Q3 FY21.6 End)

R&D Outsourcing

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



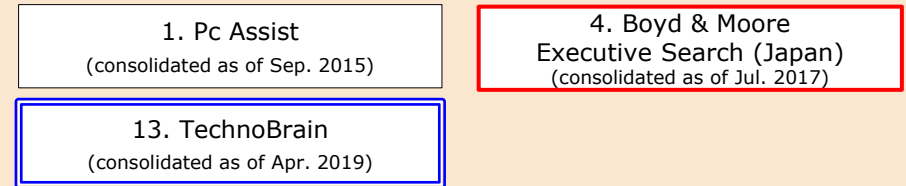
Construction Management Outsourcing

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



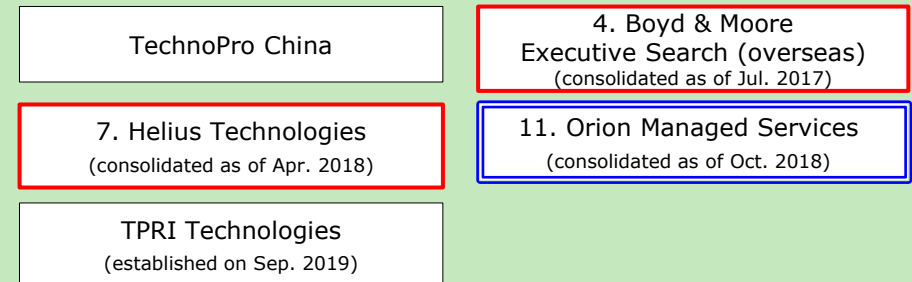
Other Businesses in Japan

Provides professional recruitment, technical education and training services



Overseas

Technological outsourcing and professional recruitment services in China; IT engineer staffing service and contract services in Southeast Asia and India; engineer staffing and professional recruitment services in the UK



Headquarters

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



Appendix: Risk Assets (as of Q3 FY21.6 End)

- Major component of goodwill (**29.2 billion yen**) in *R&D/Construction Management Outsourcing* were derived from MBO transaction carried out by management and private equity fund; its fair market value, newly calculated with COVID-19 impact taken into account, well exceeds carrying amount of goodwill, and consequently **impairment risks are very low**
- Proactively recorded impairment losses for goodwill of TOQO and TechnoBrain, which engage in one time fee businesses, in FY20.6; **risks of recording additional impairment are limited** even if COVID-19 crisis continues for the coming periods
- Boyd & Moore Executive Search engages in permanent placement business and therefore its earnings might be affected by economic fluctuation, but many customers in IT sector are currently showing strong performance despite COVID-19 pandemic; the estimated loss amount that may arise from impairment will not exceed **1.1 billion yen**
- Although two overseas subsidiaries still have impairment risks, slowdown in their earnings performance will reduce fair value of put option liabilities, accordingly such losses can be partially offset by profit from changes in fair value of these liabilities

(yen in millions)

Cash-generating unit (CGU)	Shareholding	Goodwill				PPA Assets		PO 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	40.4%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	22.0%				
Software dev./maintenance	100.0%	2,912	2,768	5,681	15.7%	654	up to 30.3		
Chemical, Biochemical	100.0%	1,262		1,262	3.5%				
Construction Mgmt. Outsourcing									
Construction management	100.0%	3,383		3,383	9.3%				
TOQO	100.0%		190	190	0.5%				
Other Businesses in Japan									
Pc Assist	100.0%		96	96	0.3%				
Boyd & Moore Executive Search	100.0%		1,104	1,104	3.0%				
TechnoBrain	100.0%		151	151	0.4%				
Overseas									
Helius	51.0%		703	703	1.9%	613	up to 26.3	1,790	17.4-22.6
Orion	63.2%		1,104	1,104	3.0%	462	up to 26.9	1,391	18.4-23.6
Total		29,202	7,098	36,300	100.0%	1,731		3,182	

Contents

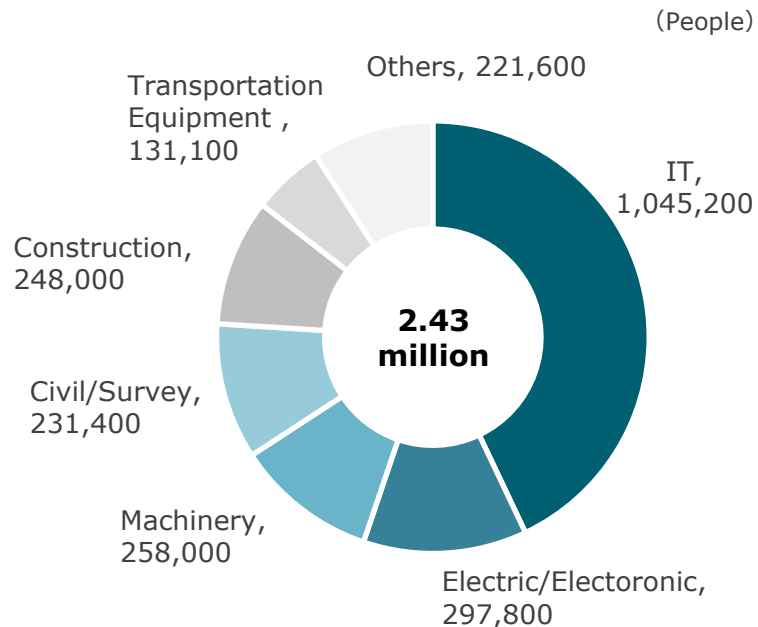
	Page
I : FY2021 Q2 Financial Overview	2
II : KPI Analysis	6
i : Number of Engineers & Utilization Ratio	6
ii : Unit Sales Prices	11
III : FY2021 Guidance	12
IV : Shareholder Return	14
V : Appendix	15
VI : Data References	19

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

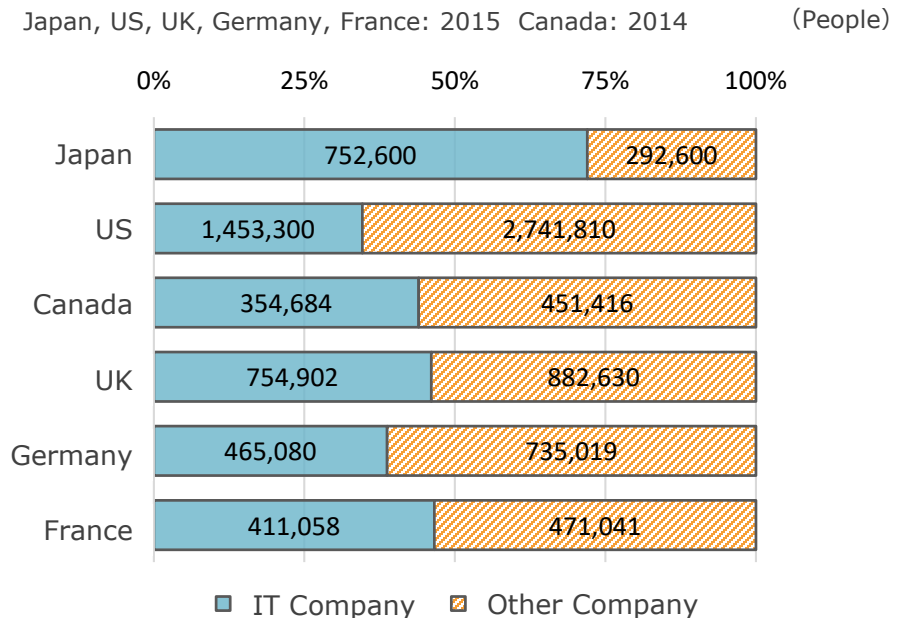
1. Number of Engineers in Japan (2015)

Source: Census 2015



2. Ratio of IT Talents at IT and Other Companies

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



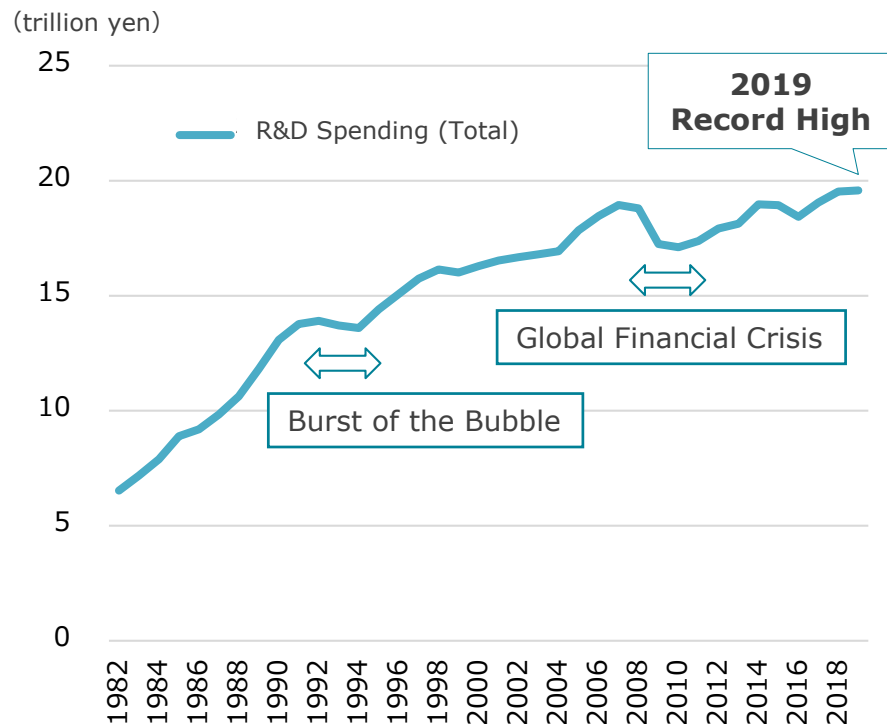
* "IT Company" means IT vendors and
"Other Company" means IT user companies

Trend of R&D Spending and ICT Investment

- R&D is a field less susceptible to impact of the economy; as a nation, Japan reported a record-high for R&D spending in 2019 and its growth is expected to continue in the future
- Japan's ICT investment is gradually shifting from "hardware" to "software"

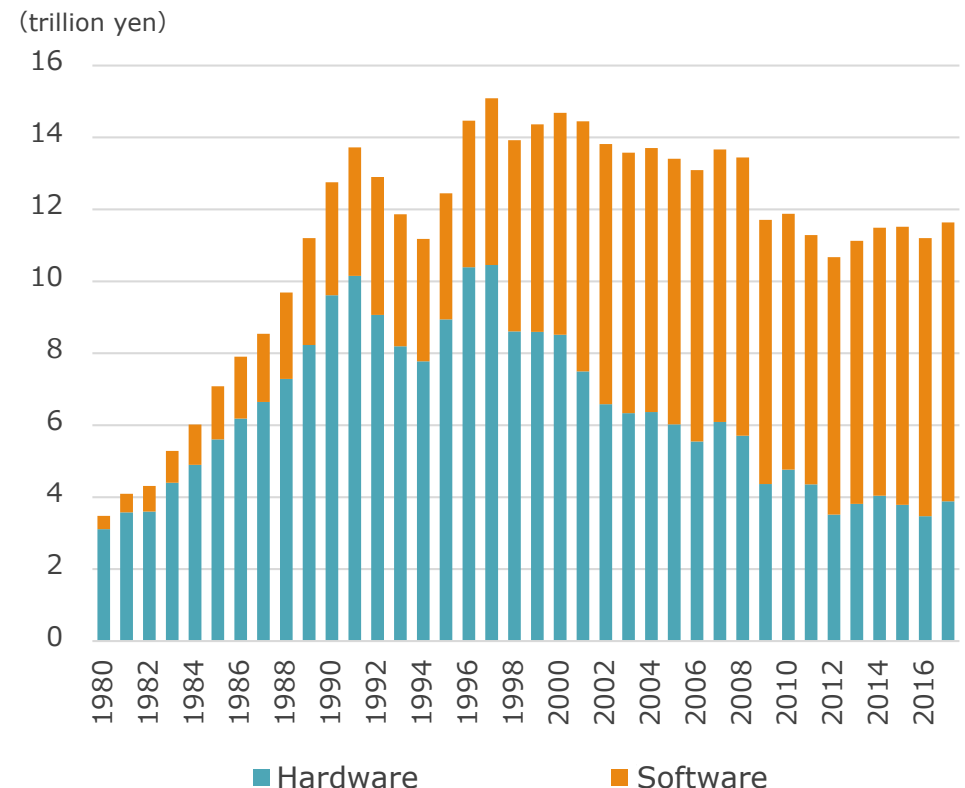
3. Trend of R&D Spending in Japan

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



4. The Breakdown of ICT Investment in Japan

Source: Ministry of Internal Affairs and Communications, "2019 White Paper on Information and Communication"

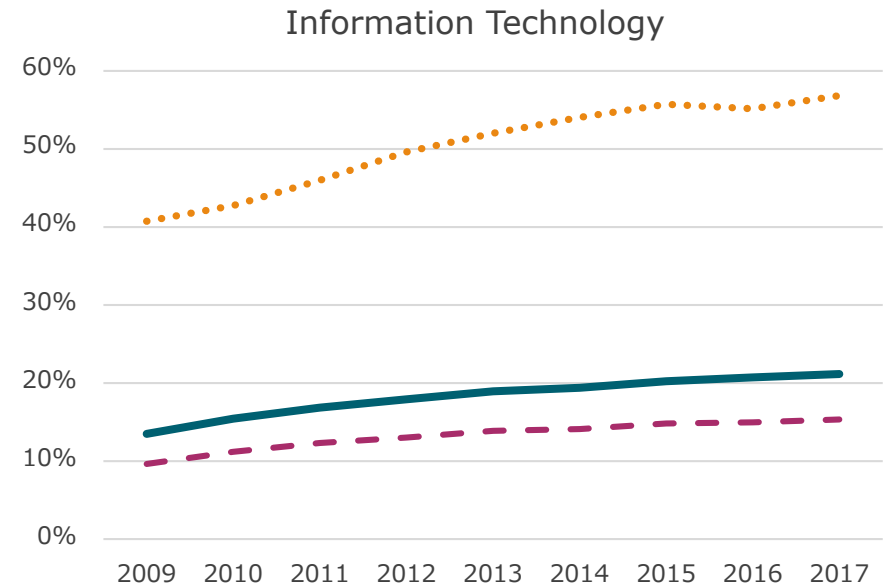
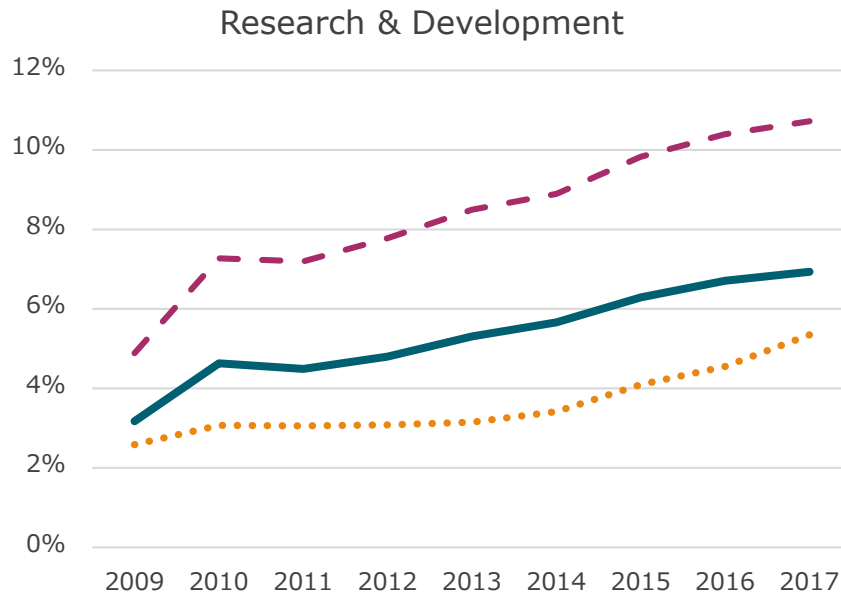


Outsourcing Usage Ratio of R&D and IT Activity

- 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

5. 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



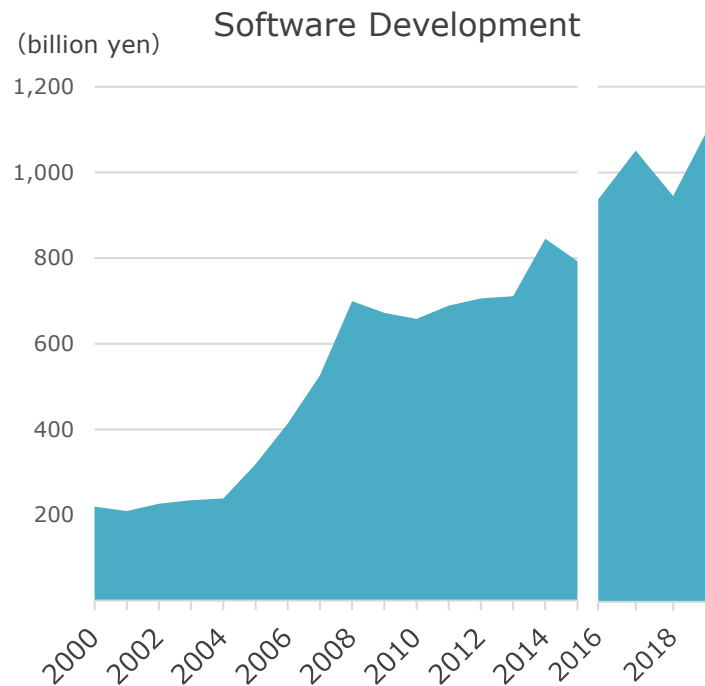
— All Industry Average
- - Manufacturing
... Information & Telecommunication

Engineer Staffing Market Overview

- Estimated the whole staffing market size in Japan is about 7.8 trillion yen (2019); of which, engineer staffing market size is about 2.1 trillion yen, about 280,000 engineers
- Yano Research Institute forecasts that the engineer staffing market in Japan is expected to grow at a CAGR of 6.2%

6. Engineer Staffing Market Size

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

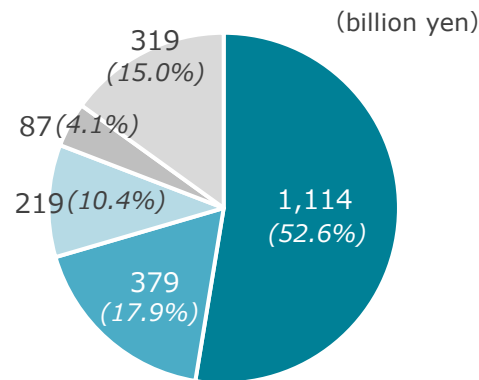


* The aggregate standard has been changed as of 2015 due to revision of the classification of occupation on September 30, 2015

TECHNOPRO

Market Size 2.1 trillion yen (2019)

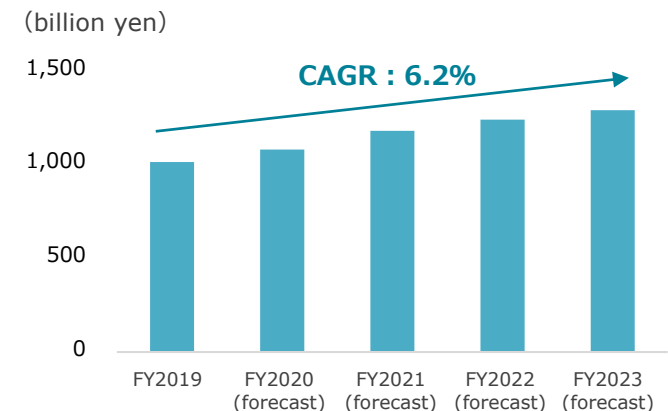
Breakdown



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

7. Forecast of Engineer Staffing Market Size

Source: Yano Research Institute Ltd.,
"Human Resources Business 2020,
PART 2: Services by Industry/Occupation"



* The market size is based on the sales of businesses; FY2020 onward is forecast (as of October 2020)

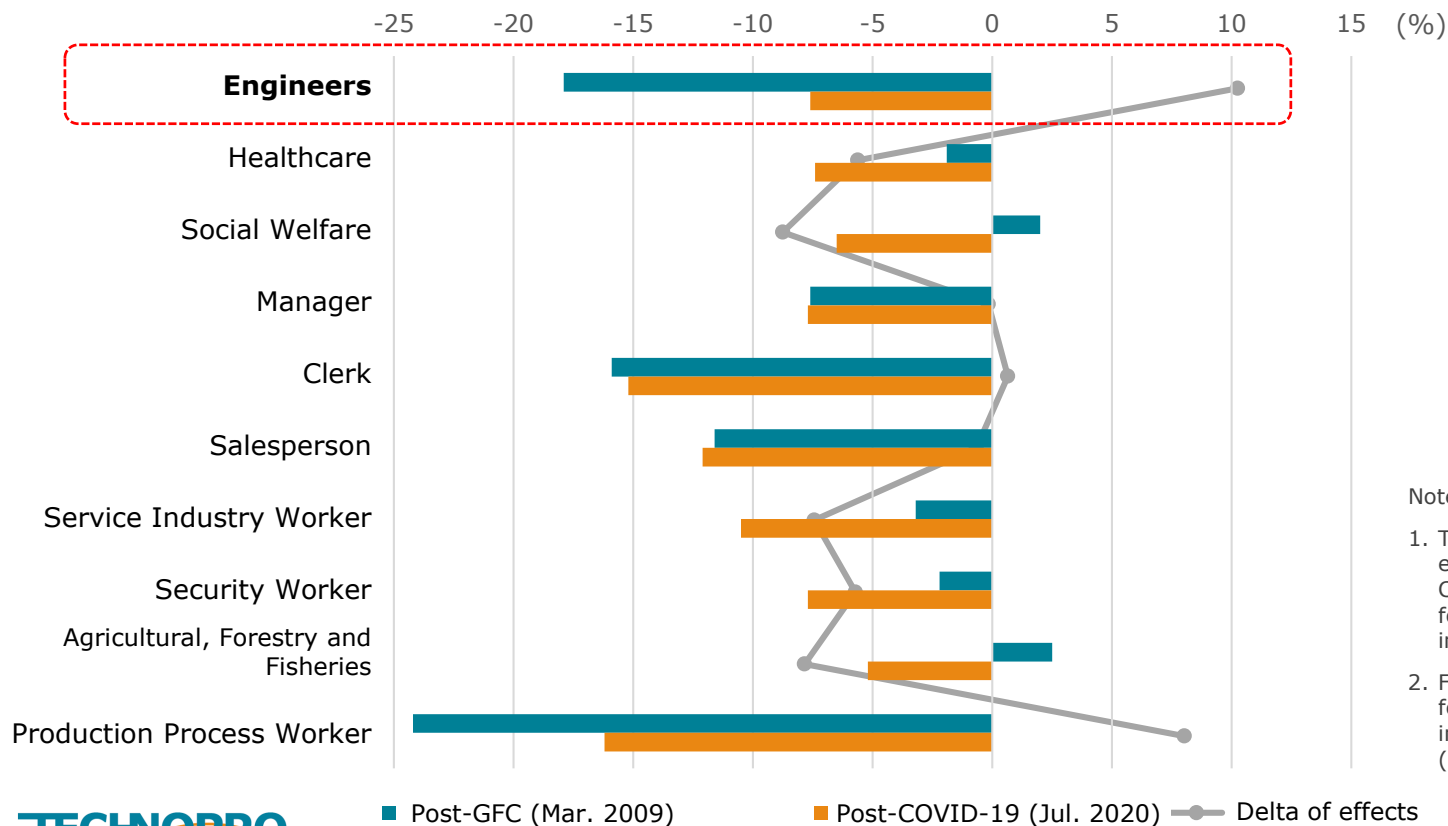
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole

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

8. 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:

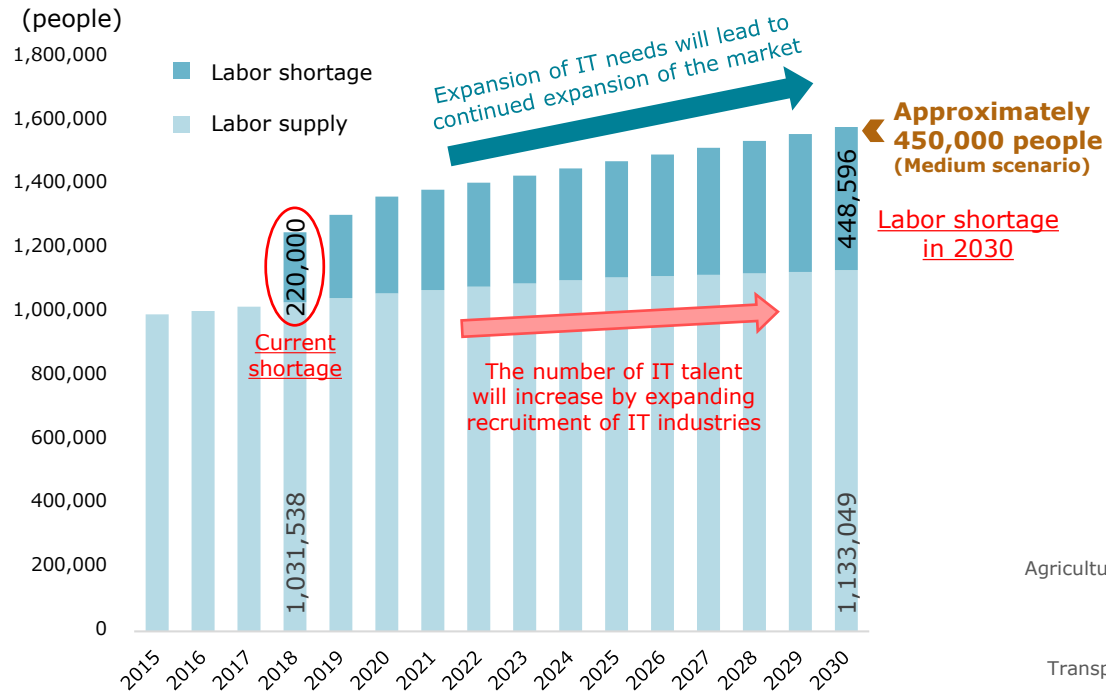
1. The figure left shows the comparison of the effect from the Global Financial Crisis (GFC) and COVID-19 on the index data of new job offers for each job category after 6 months from the initial outbreak of the crisis
2. Figures in September 2008 was indexed as 100 for the GFC, figures in January 2020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

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

- IT-focused professional service provider is highly competitive because of a huge demand-supply gap in the IT sector
- Weakening demand for engineers due to the spread of AI will be more than offset by the new demand for engineers

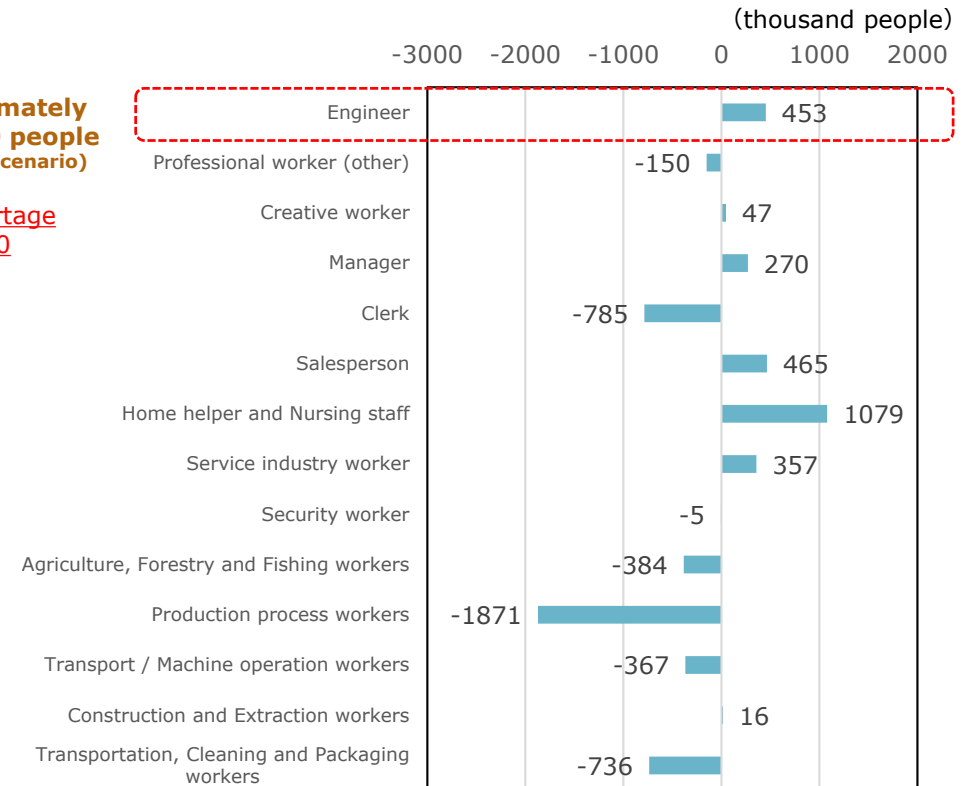
9. IT Talent Shortage Projections

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



10. 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"



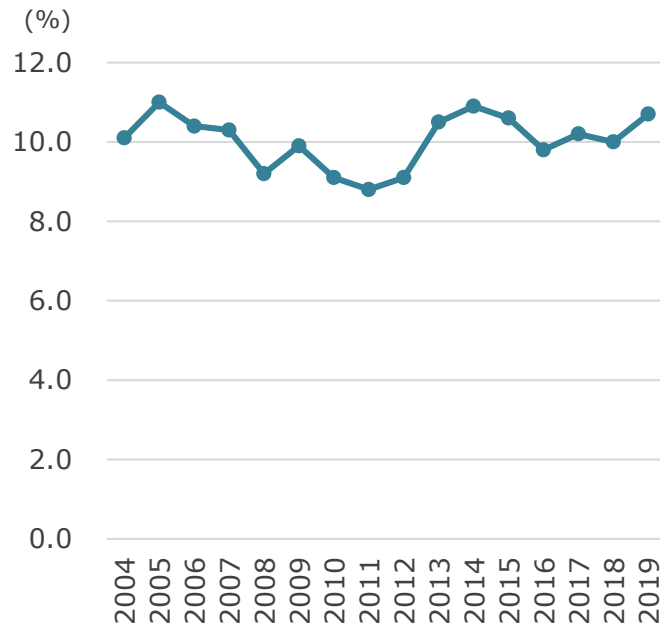
Note: Estimated numbers comparing 2015 and 2030

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

11. Turnover Ratio in Japan

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



12. 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

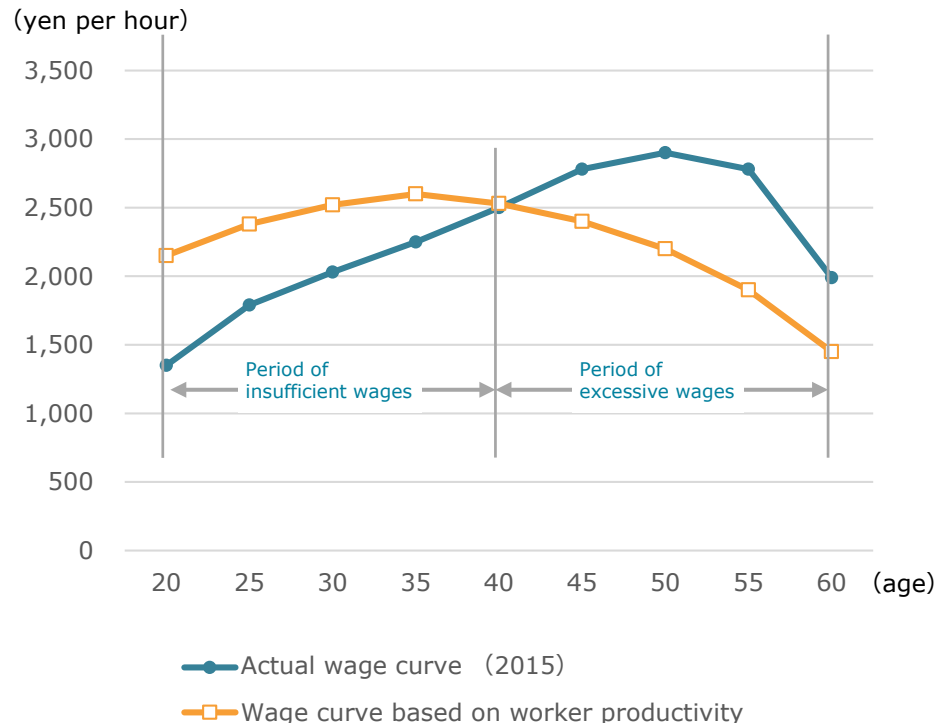
	1997	2007	2017
All sectors	7,391	7,717	7,066
Engineers	178	219	228
of which, IT engineers		117	138
of which, other engineers		102	89

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

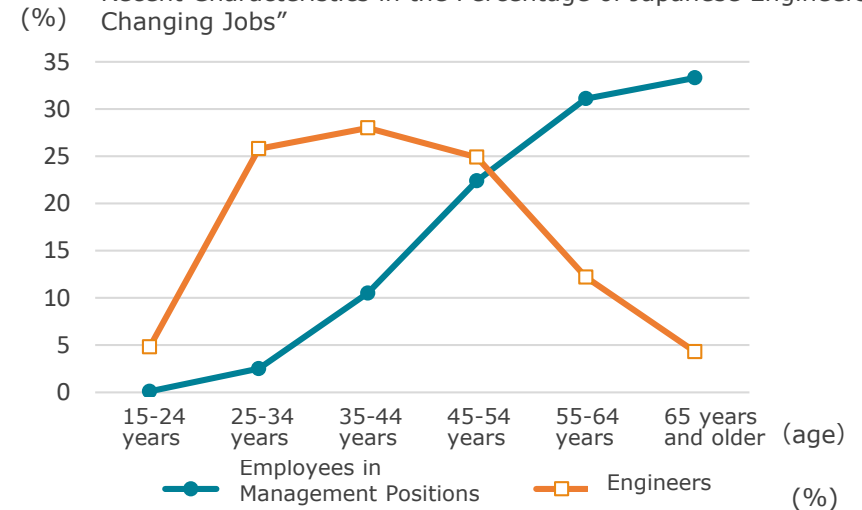
13. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

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



14. 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"



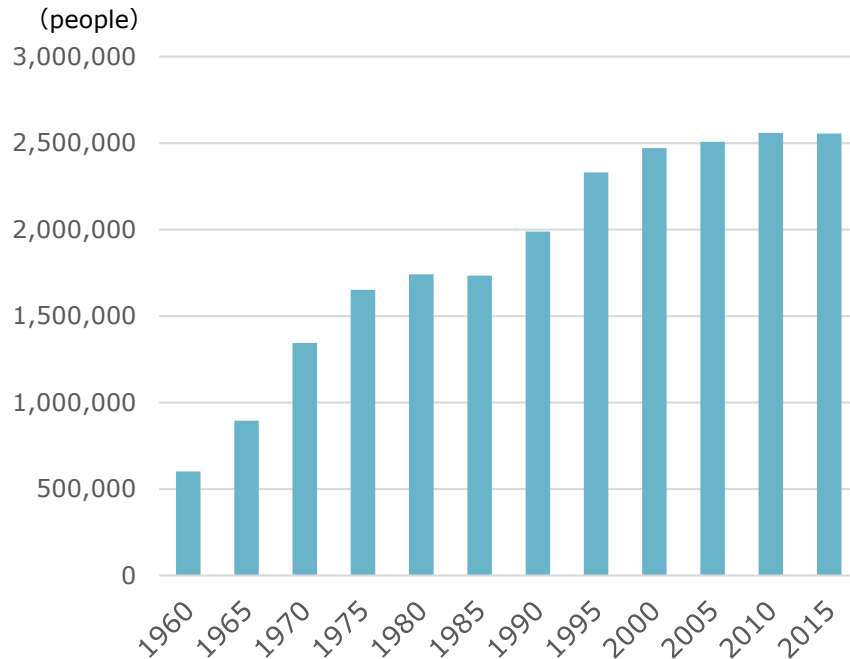
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

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

- While the young population is shrinking in Japan, the number of university graduate students is slightly increasing because of higher university entrance rate
- New grads tend to prefer blue-chip companies while such companies have limited number of job openings for them

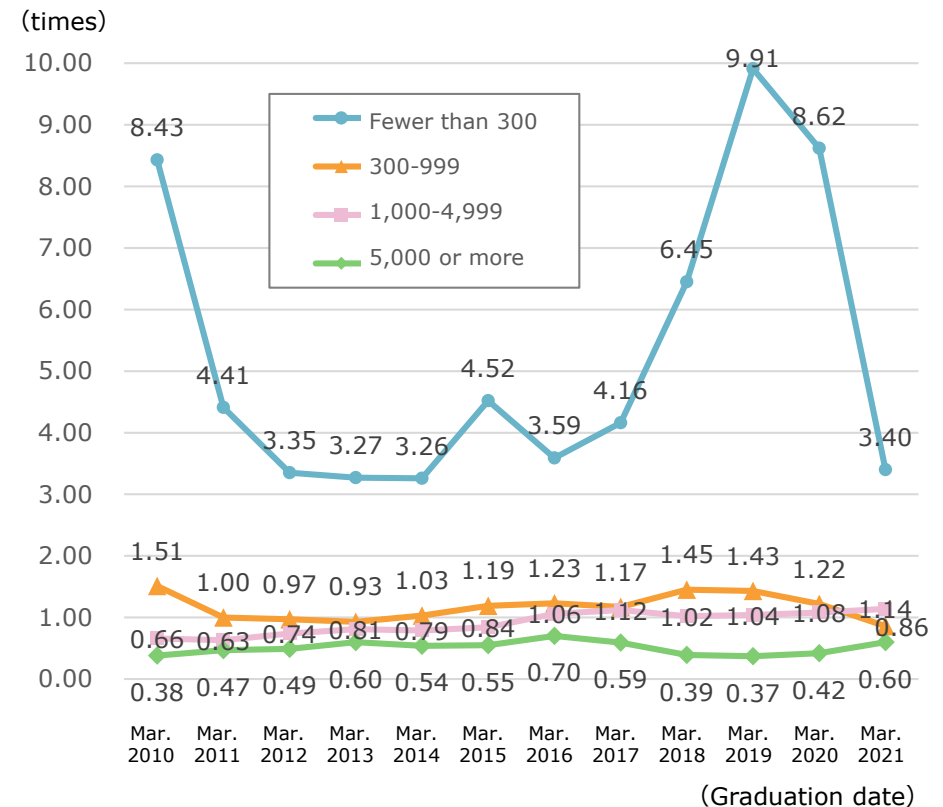
15. No. of University Students

Source: Ministry of Education, Culture, Sports, Science and Technology, "Handbook of Education and Science Statistics"



16. Job-to Applicants Ratio, by Scale Based on Number of Employees

Source: Recruit Works Institute, "36th College Graduates Job Opening Survey"



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