



TechnoPro Group Financial Results for Fiscal Year Ended June 2020

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

August 7, 2020



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FY2020 Q4 & Full-Year Financial Overview

- Despite COVID-19 damages, full-year FY20.6 revenue was **158.4 billion yen**, up 9.9% year-on-year; operating profit was **15.77 billion yen**, up 14.8% year-on-year; net profit was **10.82 billion yen**, up 11.8% year-on-year
- Q4 FY20.6 gross profit margin **decreased 1.8 pts** year-on-year due to the decline in utilization ratio compared to the previous years, whereas SG&A expense ratio on revenue **improved 3.5 pts** year-on-year driven by cost-saving efforts; continues to manage amount and ratio of SG&A expenses cautiously
- Revenue fell short of guidance by 1.59 billion yen mainly due to **revenue loss of 1.66 billion yen** (Japan: 1.14 billion yen / overseas: 520 million yen) directly incurred by COVID-19
- Other income/expenses mainly consist of foreign exchange profit related to foreign currency denominated put option liabilities, changes in fair value amount of put option liabilities, and impairment loss of goodwill (details described later)

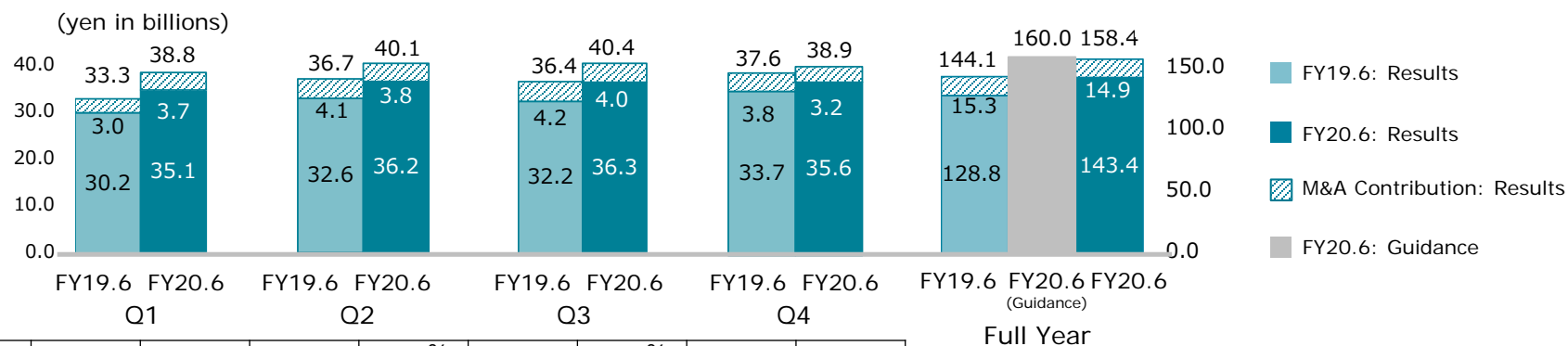
(yen in millions, except per share amounts)

	Q4				Twelve Months Ended						
	FY19.6 (Results)	FY20.6 (Results)	YOY		FY19.6 (Results)	FY20.6 (Guidance)	FY20.6 (Results)	YOY		vs. Guidance	
Revenue	37,631	38,916	+1,285	+3.4%	144,176	160,000	158,407	+14,231	+9.9%	(1,592)	(1.0%)
Gross profit (GP)	9,649	9,273	(376)	(3.9%)	36,466	—	40,226	+3,760	+10.3%	—	—
GP margin	25.6%	23.8%	(1.8 pts)		25.3%	—	25.4%	+0.1 pts		—	—
SG&A expenses	6,980	5,856	(1,123)	(16.1%)	22,767	—	23,960	+1,192	+5.2%	—	—
Ratio on revenue	18.5%	15.0%	(3.5 pts)		15.8%	—	15.1%	(0.7 pts)		—	—
Other income	1,684	290	(1,393)	—	1,816	—	649	(1,167)	—	—	—
Other expenses	1,745	1,005	(740)	—	1,775	—	1,143	(632)	—	—	—
Operating profit (OP)	2,607	2,701	+94	+3.6%	13,739	15,300	15,772	+2,032	+14.8%	+472	+3.1%
OP margin	6.9%	6.9%	+0.0 pts		9.5%	9.6%	10.0%	+0.4 pts		+0.4 pts	
Profit before income taxes	2,642	2,754	+112	+4.3%	13,727	15,100	15,843	+2,115	+15.4%	+743	+4.9%
Net profit*	2,341	1,845	(496)	(21.2%)	9,683	10,100	10,825	+1,141	+11.8%	+725	+7.2%
Net profit margin	6.2%	4.7%	(1.5 pts)		6.7%	6.3%	6.8%	+0.1 pts		+0.5 pts	
Earnings per share	64.50	51.39	(13.11)	(20.3%)	266.86	278.21	299.97	+33.11	+12.4%	+21.76	+7.8%
Dividend per share	—	—	—	—	134.00	140.00	150.00	+16.00	+11.9%	+10.00	+7.1%

Quarterly Performance

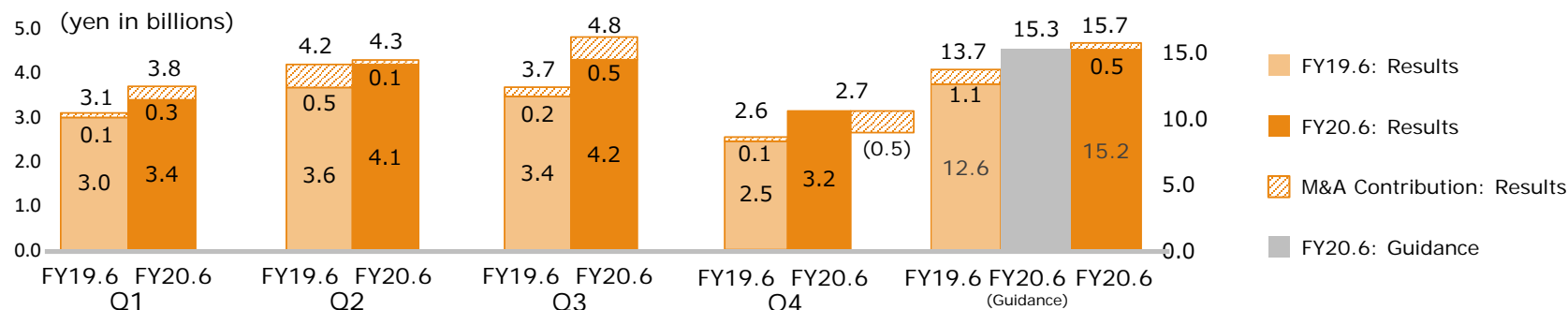
- Organic growth (excluding effect from M&As carried out during current mid-term management plan period) was **up 11.3%** year-on-year in revenue and **up 20.5%** year-on-year in operating profit
- Due to COVID-19 impact, in Japan staffing business, working days **reduced 0.4 days** compared to the latest forecast provided at Q3 financial result briefing and working hours per day **reduced 0.16 hours** year-on-year

Revenue



Composition %	23.1%	24.6%	25.5%	25.3%	25.3%	25.5%	26.1%	24.6%	Full Year		
Working days	56.4	56.5	59.5	58.1	55.2	55.8	56.7	56.7	227.8		227.1
Working hours per day	8.63	8.56	8.64	8.56	8.63	8.56	8.55	8.39	8.61		8.52
YOY	+16.7%		+9.1%		+11.0%		+3.4%		+9.9%		

Operating profit



Composition %	23.2%	24.6%	30.6%	27.5%	27.3%	30.7%	19.0%	17.1%	Full Year		
OP margin	9.5%	10.0%	11.4%	10.8%	10.3%	12.0%	6.9%	6.9%	9.5%	9.6%	10.0%
YOY	+22.0%		+3.2%		+29.5%		+3.6%		+14.8%		

* M&A related amounts recognized under IFRS such as PPA asset amortization, profit/loss from foreign exchange or changes in fair value amount relating to put option liabilities are included in *M&A contributions*

FY2020 Segment Results (Full-Year)

- Companies included in each segment are described in Appendix
- Engineers on payroll: in Japan **21,264** (o/w non-Japanese: **1,178**) / overseas **1,331** / group total **22,595**

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY18.6	FY19.6	FY20.6	YOY	FY18.6	FY19.6	FY20.6	YOY	FY18.6	FY19.6	FY20.6	YOY	FY18.6	FY19.6	FY20.6	YOY
Revenue	97,687	114,021	126,179	+10.7%	14,659	17,720	19,787	+11.7%	2,800	3,474	4,103	+18.1%	115,148	135,217	150,071	+11.0%
<i>Ratio to consolidated revenue</i>	83.8%	79.1%	79.7%		12.6%	12.3%	12.5%		2.4%	2.4%	2.6%		98.8%	93.8%	94.7%	
Operating profit	9,261	10,672	12,880	+20.7%	1,540	1,938	2,109	+8.8%	293	416	(139)	—	11,094	13,028	14,850	+14.0%
<i>OP margin</i>	9.5%	9.4%	10.2%		10.5%	10.9%	10.7%		10.5%	12.0%	(3.4%)		9.6%	9.6%	9.9%	
OP before PPA asset amortization*	9,323	10,752	12,960	+20.5%	1,540	1,938	2,517	+29.9%	293	416	367	(11.8%)	11,156	13,108	15,845	+20.9%
<i>OP margin before PPA asset amortization</i>	9.5%	9.4%	10.3%		10.5%	10.9%	12.7%		10.5%	12.0%	9.0%		9.7%	9.7%	10.6%	
Impairment loss	—	—	—	—	—	—	(408)	—	—	—	(507)	—	—	—	(915)	—
Changes in fair value amount and early exercise of put option liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount of earn-out liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (quarter-end)	14,674	16,748	18,471	+10.3%	2,123	2,545	2,793	+9.7%	—	—	—	—	16,797	19,293	21,264	+10.2%
o/w non-Japanese in Japan	716	922	1,082	+17.4%	40	63	96	+52.4%	—	—	—	—	756	985	1,178	+19.6%

	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY18.6	FY19.6	FY20.6	YOY	FY18.6	FY19.6	FY20.6	YOY	FY18.6	FY19.6	FY20.6	YOY	FY18.6	FY19.6	FY20.6	YOY
Revenue	2,336	10,283	9,941	(3.3%)	117,484	145,500	160,012	+10.0%	(955)	(1,324)	(1,605)	—	116,529	144,176	158,407	+9.9%
<i>Ratio to consolidated revenue</i>	2.0%	7.1%	6.3%		100.8%	100.9%	101.0%		(0.8%)	(0.9%)	(1.0%)		100.0%	100.0%	100.0%	
Operating profit	138	(931)	655	—	11,233	12,096	15,506	+28.2%	4	1,642	266	—	11,238	13,739	15,772	+14.8%
<i>OP margin</i>	5.9%	(9.1%)	6.6%		9.6%	8.3%	9.7%		—	—	—		9.6%	9.5%	10.0%	
OP before PPA asset amortization*	183	993	858	(13.6%)	11,340	14,101	16,704	+18.5%	4	172	119	—	11,345	14,274	16,824	+17.9%
<i>OP margin before PPA asset amortization</i>	7.9%	9.7%	8.6%		9.7%	9.7%	10.4%		—	—	—		9.7%	9.9%	10.6%	
Impairment loss	—	(1,673)	—	—	—	(1,673)	(915)	—	—	—	—	—	—	(1,673)	(915)	—
Changes in fair value amount and early exercise of put option liabilities	—	—	—	—	—	—	—	—	—	1,359	256	—	—	1,359	256	—
Changes in fair value amount of earn-out liabilities	—	—	—	—	—	—	—	—	—	110	(110)	—	—	110	(110)	—
No. of engineers (quarter-end)	869	1,608	1,331	(17.2%)	17,666	20,901	22,595	+8.1%	—	—	—	—	17,666	20,901	22,595	+8.1%



* OP before PPA asset amortization: 1) amortization of client related asset incurred by Purchase Price Allocation, 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, to be added back to OP

Reference: FY2020 Q4 Segment Results (three months)

- Year-on-year revenue growth has turned negative in Other Business in Japan which engages in one time fee businesses, and in Overseas which was impacted by strict lockdown
- Subsidiaries in Singapore and the UK maintained profitability despite sharp decline in revenue, as they have different business model from Japan where engineers are basically employed indefinitely

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY18.6 Q4	FY19.6 Q4	FY20.6 Q4	YOY	FY18.6 Q4	FY19.6 Q4	FY20.6 Q4	YOY	FY18.6 Q4	FY19.6 Q4	FY20.6 Q4	YOY	FY18.6 Q4	FY19.6 Q4	FY20.6 Q4	YOY
Revenue	26,322	29,618	31,421	+ 6.1%	3,855	4,588	4,865	+ 6.0%	841	1,229	991	(19.3%)	31,019	35,436	37,278	+ 5.2%
<i>Ratio to consolidated revenue</i>	81.8%	78.7%	80.7%		12.0%	12.2%	12.5%		2.6%	3.3%	2.5%		96.4%	94.2%	95.8%	
Operating profit	2,156	2,066	2,658	+ 28.6%	290	361	225	(37.7%)	113	204	(445)	—	2,560	2,632	2,438	(7.4%)
<i>OP margin</i>	8.2%	7.0%	8.5%		7.5%	7.9%	4.6%		13.5%	16.6%	(45.0%)		8.3%	7.4%	6.5%	
OP before PPA asset amortization*	2,181	2,086	2,678	+ 28.4%	290	361	633	+ 75.0%	113	204	61	(70.1%)	2,586	2,652	3,373	+ 27.1%
<i>OP margin before PPA asset amortization</i>	8.3%	7.0%	8.5%		7.5%	7.9%	13.0%		13.5%	16.6%	6.2%		8.3%	7.5%	9.0%	
Impairment loss	—	—	—	—	—	—	(408)	—	—	—	(507)	—	—	—	(915)	—
Changes in fair value amount and early exercise of put option liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount of earn-out liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (quarter-end)	14,674	16,748	18,471	+ 10.3%	2,123	2,545	2,793	+ 9.7%	—	—	—	—	16,797	19,293	21,264	+ 10.2%
o/w non-Japanese in Japan	716	922	1,082	+ 17.4%	40	63	96	+ 52.4%	—	—	—	—	756	985	1,178	+ 19.6%

	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY18.6 Q4	FY19.6 Q4	FY20.6 Q4	YOY	FY18.6 Q4	FY19.6 Q4	FY20.6 Q4	YOY	FY18.6 Q4	FY19.6 Q4	FY20.6 Q4	YOY	FY18.6 Q4	FY19.6 Q4	FY20.6 Q4	YOY
Revenue	1,490	2,663	2,087	(27.6%)	32,510	38,100	39,365	+ 3.3%	(324)	(468)	(449)	—	32,185	37,631	38,916	+ 3.4%
<i>Ratio to consolidated revenue</i>	4.6%	7.1%	5.4%		101.0%	101.2%	101.2%		(1.0%)	(1.2%)	(1.2%)		100.0%	100.0%	100.0%	
Operating profit	51	(1,615)	92	—	2,612	1,017	2,530	+ 148.7%	(20)	1,589	171	—	2,591	2,607	2,701	+ 3.6%
<i>OP margin</i>	3.5%	(60.6%)	4.4%		8.0%	2.7%	6.4%		—	—	—		8.1%	6.9%	6.9%	
OP before PPA asset amortization*	96	126	141	+ 12.2%	2,682	2,779	3,514	+ 26.5%	(20)	120	(24)	—	2,661	2,899	3,490	+ 20.4%
<i>OP margin before PPA asset amortization</i>	6.5%	4.7%	6.8%		8.3%	7.3%	8.9%		—	—	—		8.3%	7.7%	9.0%	
Impairment loss	—	(1,673)	—	—	—	(1,673)	(915)	—	—	—	—	—	—	(1,673)	(915)	—
Changes in fair value amount and early exercise of put option liabilities	—	—	—	—	—	—	—	—	—	1,359	195	—	—	1,359	195	—
Changes in fair value amount of earn-out liabilities	—	—	—	—	—	—	—	—	—	110	—	—	—	110	—	—
No. of engineers (quarter-end)	869	1,608	1,331	(17.2%)	17,666	20,901	22,595	+ 8.1%	—	—	—	—	17,666	20,901	22,595	+ 8.1%

Impact from COVID-19 Pandemic [Japan]

As of August 7, 2020

R&D/Construction Management Outsourcing (% of consolidated revenue: 92.1%)

Impacts Already Recognized

- **Revenue loss** Revenue loss totaled **57 million yen** for Q3 FY20.6, **924 million yen** for Q4 directly incurred by COVID-19
- **Telecommuting** Increased mainly in IT related assignments, totaled **4,800** engineers at the peak time, **2,416** engineers as of July 2020 end (overtime hours are declining)
- **Engineers on furlough** Increased during state of emergency declaration period, totaled **1,800** engineers at the peak time, **159** engineers as of July 2020 end (may have risks of billable charge decline or contract termination)
- **Demand by sector** IT, Biochemical, Construction: currently sees no sign of steep decline, however may weaken depending on economic condition
Machinery, Electric/Electronic: largely on a declining trend (especially in auto industry)

Possible Impacts on Key KPIs

- **No. of engineers** Declining trend month-on-month due to temporary freeze on new hiring
- **Utilization ratio** Monthly improvement is small and stagnant, since 1) engineers returning from assignment increase due to decline in contract renewal ratio and 2) allocation of stand-by engineers to new assignments takes longer time due to constraint on our sales activity as well as customers' budget control and screening of projects
- **Unit sales price** May decrease year-on-year for the time being, due to charge-down pressure, decline in working days by furlough or paid leave, decrease in working hours as a result of curtailed overtime hours

Other Businesses in Japan (% of consolidated revenue: 2.6%)

- **Revenue loss** Revenue loss totaled **44 million yen** for Q3 FY20.6, **112 million yen** for Q4 directly incurred by COVID-19
- **Permanent placement** Clients' willingness to hire is temporarily becoming weaker, including RPO (Recruitment Process Outsourcing), as the business is vulnerable to economic fluctuation
- **Technical education** Demand from individual/corporate customers is recovering after state of emergency declaration was lifted

Impact from COVID-19 Pandemic [Overseas]

As of August 7, 2020

Overseas (% of consolidated revenue: 6.3%)

UK

% of consolidated revenue: 2.6%

Main tech sector:

Machinery/Electric/Construction

- Year-on-year revenue fell 23.4% in Q4 FY20.6, significantly impacted by lockdown; expecting about 15% decline in Q1 FY21.6
- Both gross and operating profits maintain net positive despite revenue decline, since the engineers working for staffing business are employed under fixed-term contracts
- Demand for permanent placement, which earns higher GP margin, is becoming stagnant

Singapore

% of consolidated revenue: 2.4%

Main tech sector:

IT

- Impacts on revenue from ongoing projects are minor as engineers can telecommute
- Little risks of recording loss for both gross and operating profits due to contract termination, since engineers working for staffing business are employed under fixed-term contracts
- Immigration/travel restrictions, which hinder engineer acquisition from India and other countries, are the bottlenecks for growth
- Customer demand for permanent placement and RPO, which earn higher GP margin, is becoming stagnant

China

% of consolidated revenue: 1.0%

Main tech sector:

Embedded control/Machinery/Electric

- Performance is gradually recovering after April 2020; year-on-year revenue reduced 9.2% in Q3 FY20.6, increased 2.4% in Q4 FY20.6
- Expects continued earnings recovery as economic activities in China have almost returned to normal and orders/inquiries from Japanese firms, our main clients in China, are increasing, although some uncertainties remain for business outlook after Q3 FY21.6

India

% of consolidated revenue: 0.3%

Main tech sector:

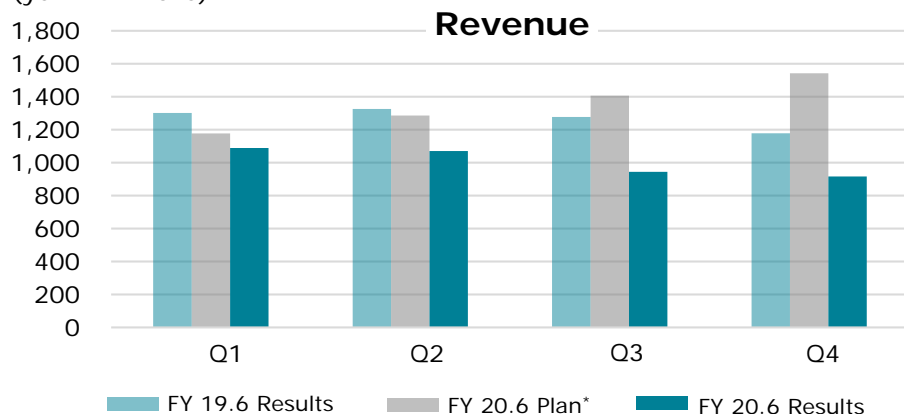
IT

- Lockdown significantly impacted on business, became constraints on acquisition of new projects, although engineers can work by telecommuting
- Temporarily hold down growth investment until seeing a certain outlook for the economic environment
- Will resume investment for expansion of offshoring hubs, M&A and alliances after COVID-19 outbreak stabilizes

Helius Turnaround Plan Progress

- FY20.6 revenue was 4,019 million yen (down 1,063 million yen or 20.9% year-on-year) and largely fell short of planned target of 5,400 million yen, while delivered the operating profit (before PPA asset amortization) of **307 million yen** (down 149 million yen or 32.6 % year-on-year) which surpassed the earnings target of 300 million yen
- Continues to monitor its operation closely as a risk of booking further impairment loss in FY21.6 still remains, although operating profit and profit margin are both in recovery trends after hitting bottom in Q4 FY19.6 and recognition of additional impairment loss in FY20.6 has been avoided

(yen in millions)



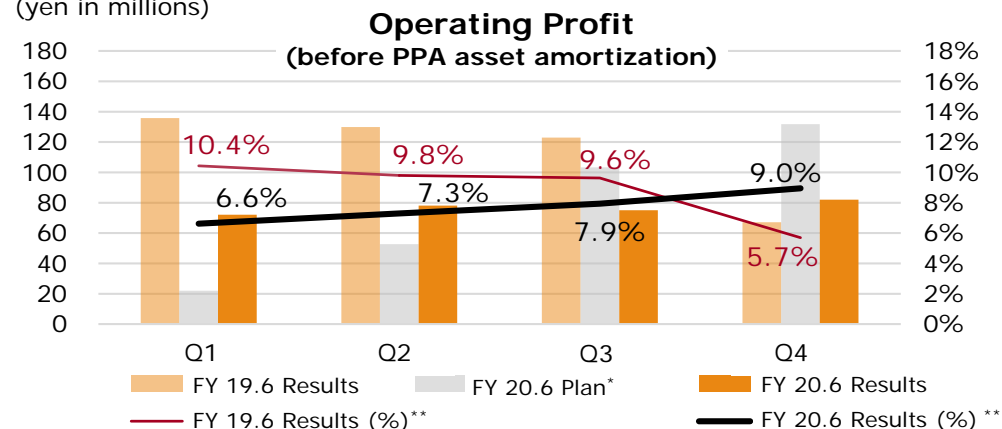
* Calculating FY20.6 plan using exchange rate: 1SGD=80JPY

Progress in Second Half

- Acquired new customers, consequently succeeded to lower the dependence on the largest customer DBS from 71% to 64% in a year, contributed to improvement of gross profit margin
- Engineer headcount leveled off due to travel restrictions resulting from COVID-19 crisis, although Helius had promoted recruitment of Singapore citizens to raise percentage of local hiring, with expectation that the work visa issuance for Indian engineers will be facilitated
- Business expansion in India has proceeded beyond expectation, while collaboration with group companies and development of Thai operation are still in progress due to COVID-19

TECHNOPRO

(yen in millions)



** Line graph indicates operating profit margin

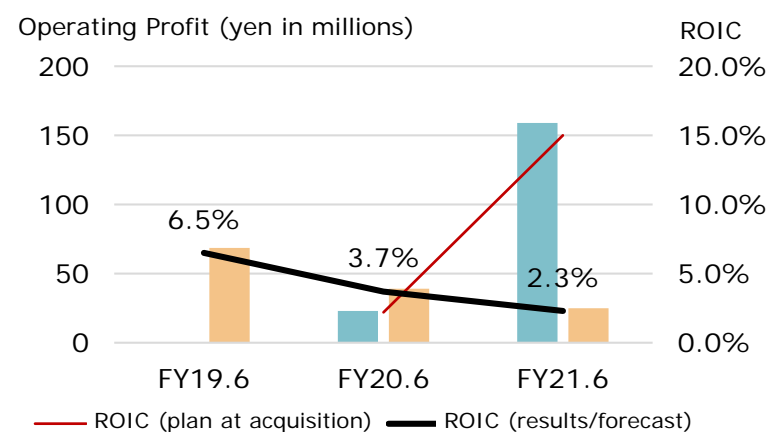
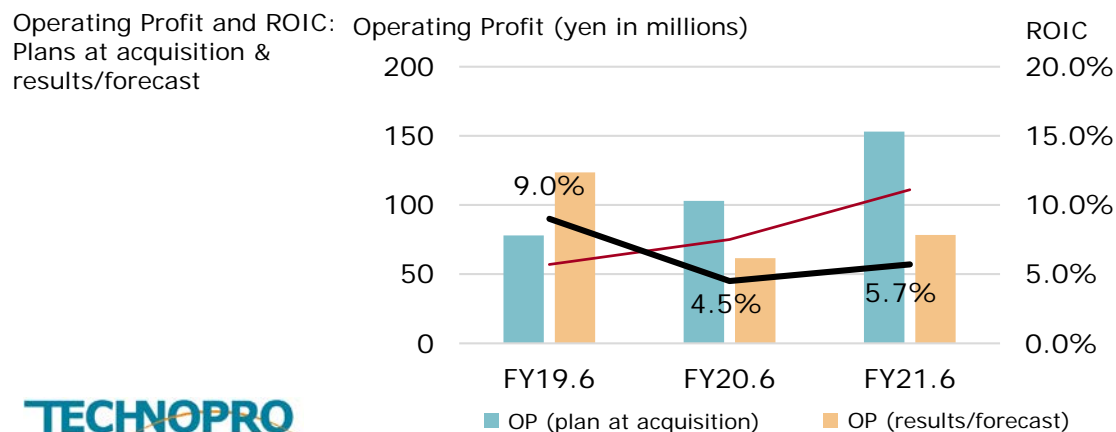
Strategies

- Focuses on maintaining current earnings level since COVID-19 pandemic will inhibit Helius' growth for a while; currently reviewing the necessity of investment in human resources and cutting-edge technologies (Center of Excellence) for future growth
- Currently plans to acquire remaining 49% shareholding of Helius in FY23.6, depending on the share price determined by profit accumulated until FY22.6 and applied multiplier
- Recognizes the need to reconsider Helius' strategic positioning in the group if the situation will not improve, in consideration of the fact that the ROIC of Helius is 5.2% for FY20.6, which stays below cost of capital (7.9%)

TOQO & TechnoBrain Overview

- Proactively recorded an impairment loss of goodwill for two subsidiaries in Japan, which were acquired recently, since the business plans implemented at acquisition should be revised significantly
- Reviewing strategies and plans carefully in order to raise RIOC at least higher than cost of capital (7.9%) (from value creation perspectives) over the short and medium term

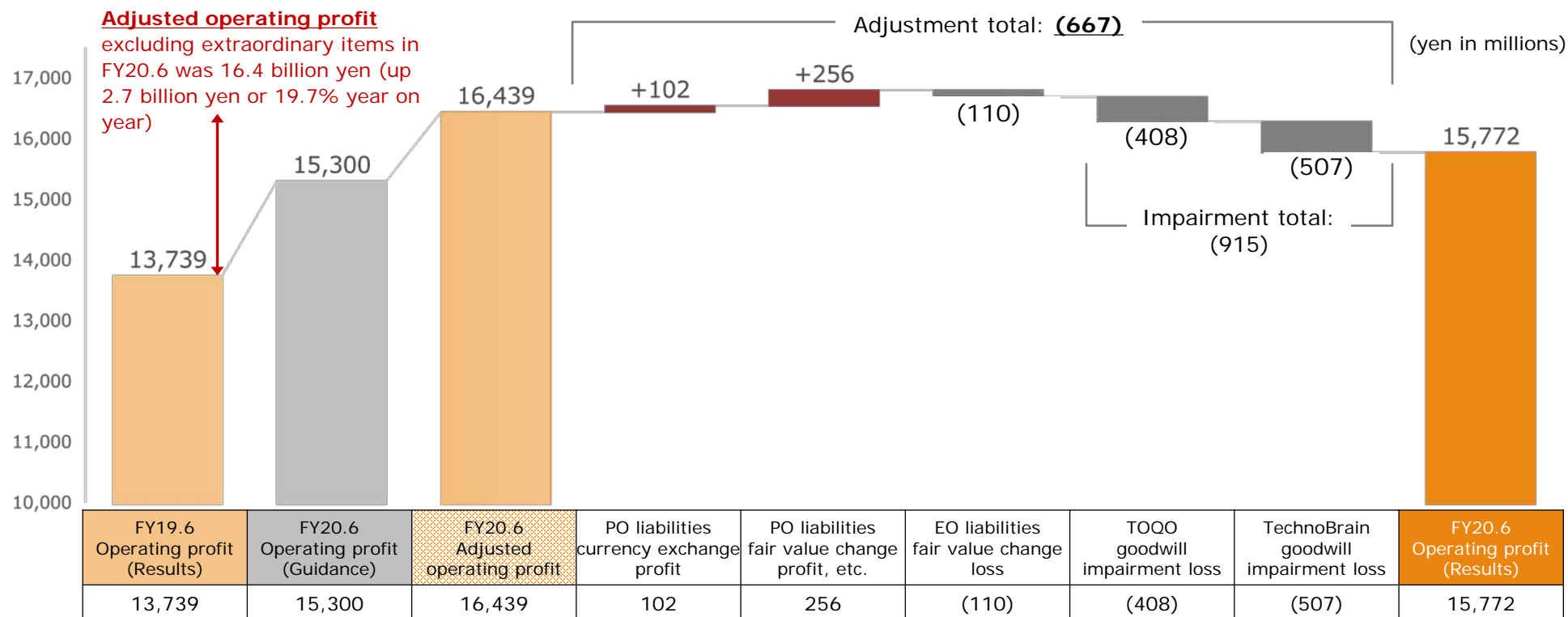
	TOQO.Co.Ltd	TechnoBrain Co.,Ltd.
Acquired on	August 2018 (FY19.6)	April 2019 (FY19.6)
Segment	Construction Management Outsourcing	Other Businesses in Japan
Business	Assessment, inspection, renovation design, supervision and transaction of existing buildings as well as architectural design of new buildings	Placement services focused on engineers, recruitment process outsourcing
Acquisition purpose	To generate higher value by expanding service scope to architectural design and others in addition to legacy construction management, thereby promote services covering whole process of construction field	To reinforce permanent placement services as an technology focused HR service provider, as well as acquire our new recruiting channel for high-skilled talent
Invested capital	905 million yen	695 million yen
FY20.6 results	Revenue: 741 million yen, OP: 61 million, ROIC: 4.5%	Revenue: 784 million yen, OP: 39 million yen, ROIC: 3.7%
Impairment loss amount	Posted impairment loss of 408 million yen out of outstanding goodwill of 598 million yen	Posted impairment loss of 507 million yen out of outstanding goodwill of 658 million yen
Strategies	Post-merger integration completed, subsequently shifting the focus to business expansion; aiming to win architectural design projects requiring high-valued technologies including BIM and others, promote joint sales activities with group companies in order to build a capability to respond to demand from governmental organizations	Has carried out organizational reform after acquisition to satisfy the group's high standards; fosters higher competitiveness than industry peers by strengthening permanent placement business focused on highly skilled engineers who can advance digital transformation, preparing for deteriorating job-change market



Operating Profit Adjustment

• Items adjusted are as follows:

1. Profit resulting from currency exchange related to put option liabilities to Helius/Orion: **+102 million yen** [Other income]
2. Profit related to put option liabilities to Orion; 195 million yen from changes in fair value, 60 million yen from early exercise: **+256 million yen** in total [Other income]
3. Loss from changes in fair value related to earn-out liabilities to Boyd & Moore Executive Search: **(110 million yen)** [Other expenses]
4. Loss from goodwill impairment; (408 million yen) for TOQO, (507 million yen) for TechnoBrain: **(915 million yen)** in total [Other expenses]



FY2020 Balance Sheet & Cash Flows

- Holds cash and cash equivalents of **22.7 billion yen**, amount equivalent to revenue for **1.7 months**; furthermore, extended the commitment term until June 2021 and increased credit limit to **10.0 billion yen** (added amount equivalent to revenue for **0.8 months** as a buffer) in order to prepare for unexpected working capital demands
- Newly obtained an issuer rating (**A-, stable**) from Rating and Investment Information, Inc. (R&I), secures diverse and stable financing sources in the bond market

FY20.6 End B/S (yen in billions)

Cash & cash equivalents 22.7	Debt 7.6
IFRS 16 related assets 11.7	IFRS 16 related liabilities 11.7
Goodwill 36.1	Other liabilities 36.3
Intangible assets (PPA) 1.8	PO liabilities 2.8
Other assets 35.6	Total equity 49.5

Total assets 107.9

Total liabilities & equity 107.9

Net worth ratio*: **45.9%**

D/E Ratio* : **0.15x**

D/OP Ratio** : **0.49x**



* Total assets includes non-controlling interests

** Calculated using operating profit for FY20.6

FY20.6 Cash Flows (yen in millions)

• Operating CF	18,059
Corporate income tax payment	(5,500)
• Investing CF	(1,498)
• Financing CF	(14,927)
IFRS 16 related lease liability repayment***	(6,416)
Share repurchase	(2,062)
Dividend payment	(4,912)

Net CF **+1,566**

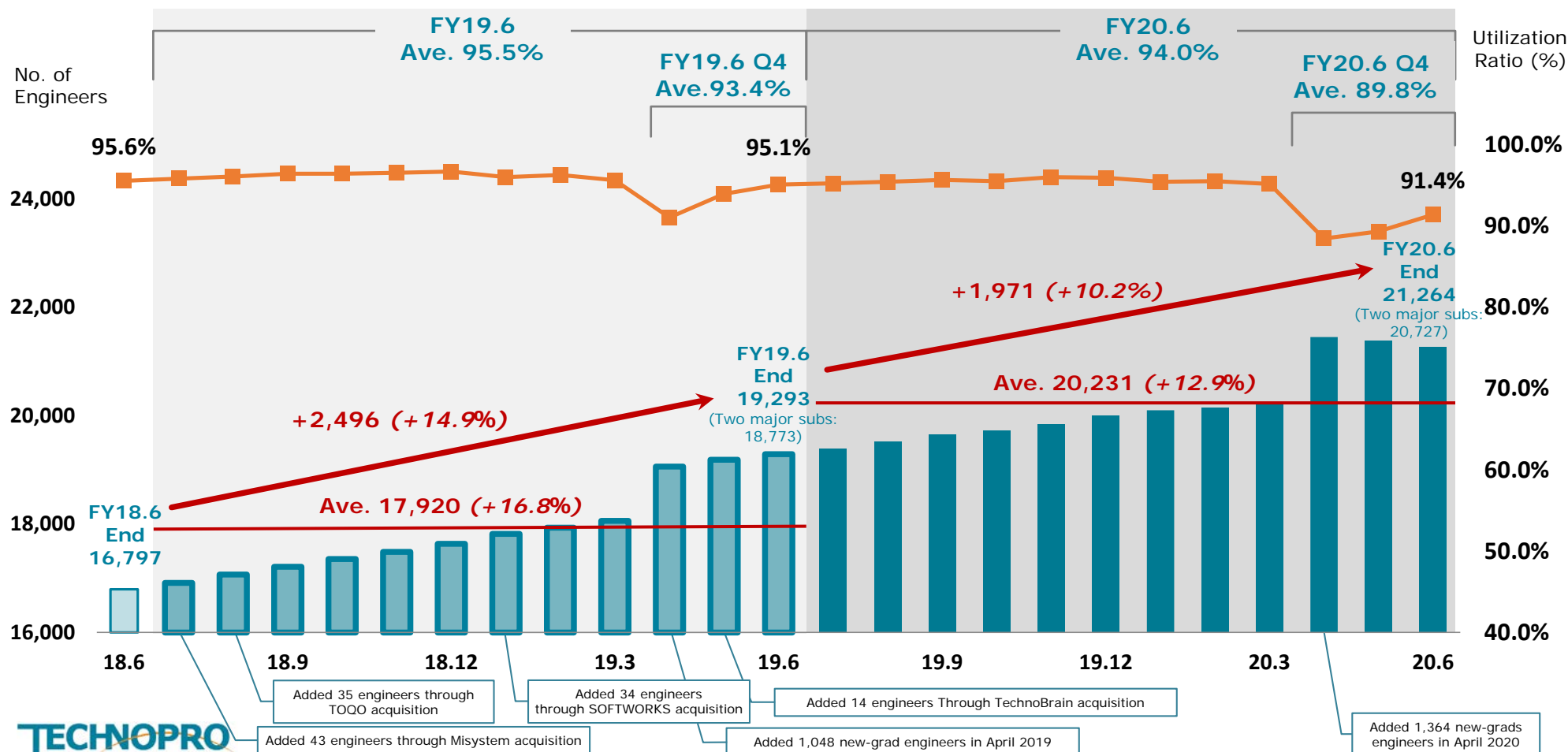
*** Reclassified to Financing CF, previously recognized in Operating CF as lease payment

FY20.6 End Commitment Lines (yen in millions)

Purpose	Credit line	Used	Unused	Expiration
1 Working capital	1,000		1,000	Oct. 2020
2 Working capital	2,000	1,000	1,000	Dec. 2020
3 Working capital	10,000		10,000	Jun. 2021
4 M&A	10,000		10,000	Dec. 2020
Total	23,000	1,000	22,000	

Number of Engineers & Utilization Ratio [Japan]

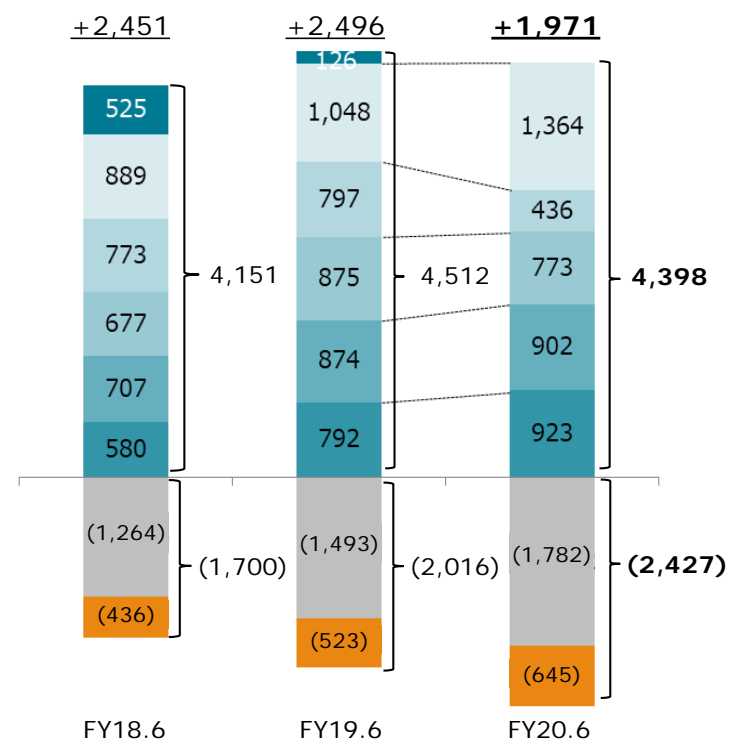
- Engineers on payroll in Japan at the end of FY20.6 totaled **21,264** (up 1,971 from FY19.6 end), including **1,178** non-Japanese engineers (up 193 from FY19.6 end)
- Employs 20,727 (up 1,954 from FY19.6 end) at two major subsidiaries in Japan (TechnoPro & TechnoPro Construction, Inc.)
- Average utilization ratio was **89.8%** for Q4 FY20.6 (down 3.6 pts year-on-year) impacted by COVID-19, annual average for FY20.6 was **94.0%** (down 1.5 pts year-on-year)



Recruitment/Turnover [Japan]

- Hired **4,398** engineers (down 114 or 2.5% year-on-year) in FY20.6, including **1,364** new-grads engineers joined April 2020 (up 316 or 30.2% year-on-year)
- Mid-carrier hiring totaled **436** for Q4 FY20.6 (down 361 or 45.3% year-on-year) due to temporary freeze on new hiring as a response to COVID-19 crisis
- 2,427** engineers left in FY20.6, of which permanent employees consist of **1,782** (up 289 year-on-year), and turnover ratio for permanent employees* was **8.8%** (up 0.5 pts year-on-year)
- Net engineer increase in FY20.6 totaled **1,971** (down 525 or 21.0% year-on-year), focusing on retention efforts to maintain sufficient engineering resources

Annual Net Increase



Annual Recruitment/Turnover

	FY18.6	FY19.6	FY20.6	YOY	
Hired Total	4,151	4,512	4,398	(114)	(2.5%)
M&A	525	126	0	(126)	(100.0%)
New-grads joined in April	889	1,048	1,364	+316	+30.2%
Mid-carrier: Q4	773	797	436	(361)	(45.3%)
Mid-carrier: Q3	677	875	773	(102)	(11.7%)
Mid-carrier: Q2	707	874	902	+28	+3.2%
Mid-carrier: Q1	580	792	923	+131	+16.5%
Turnover Total	1,700	2,016	2,427	+411	+20.4%
Permanent employees	1,264	1,493	1,782	+289	+19.4%
Contract terms matured, others	436	523	645	+122	+23.3%

Turnover Ratio for Permanent Employees*

	FY18.6				FY19.6				FY20.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter	9.0%	7.0%	9.4%	7.6%	8.0%	6.7%	10.6%	8.0%	8.6%	7.8%	8.6%	10.1%
Year-to-date	—	7.9%	8.5%	8.1%	—	7.3%	8.5%	8.3%	—	8.2%	8.3%	8.8%
Last Twelve Months	8.0%	8.1%	8.2%	8.1%	8.0%	7.9%	8.2%	8.3%	8.5%	8.7%	8.3%	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]

- Number of assigned engineers has decreased year-on-year in Machinery; growth in other technologies are slowing down (total number of assigned engineers increased 174 or 0.9% compared to the end of Q3 FY20.6)
- IT engineers account for more than half of the total, while the share of mechanical engineers (Machinery, Electric/Electronic) began to shrink due to weakening demand

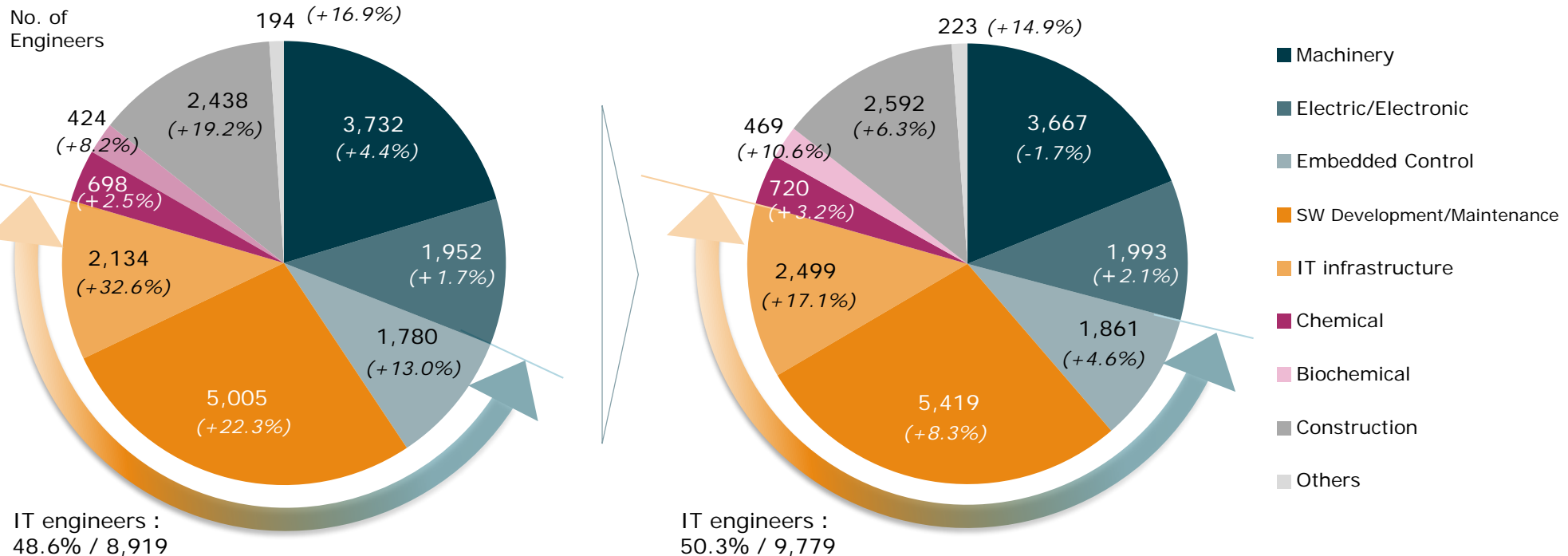
As of June 30, 2019

Assigned Engineers: **18,357**

up +5.9%

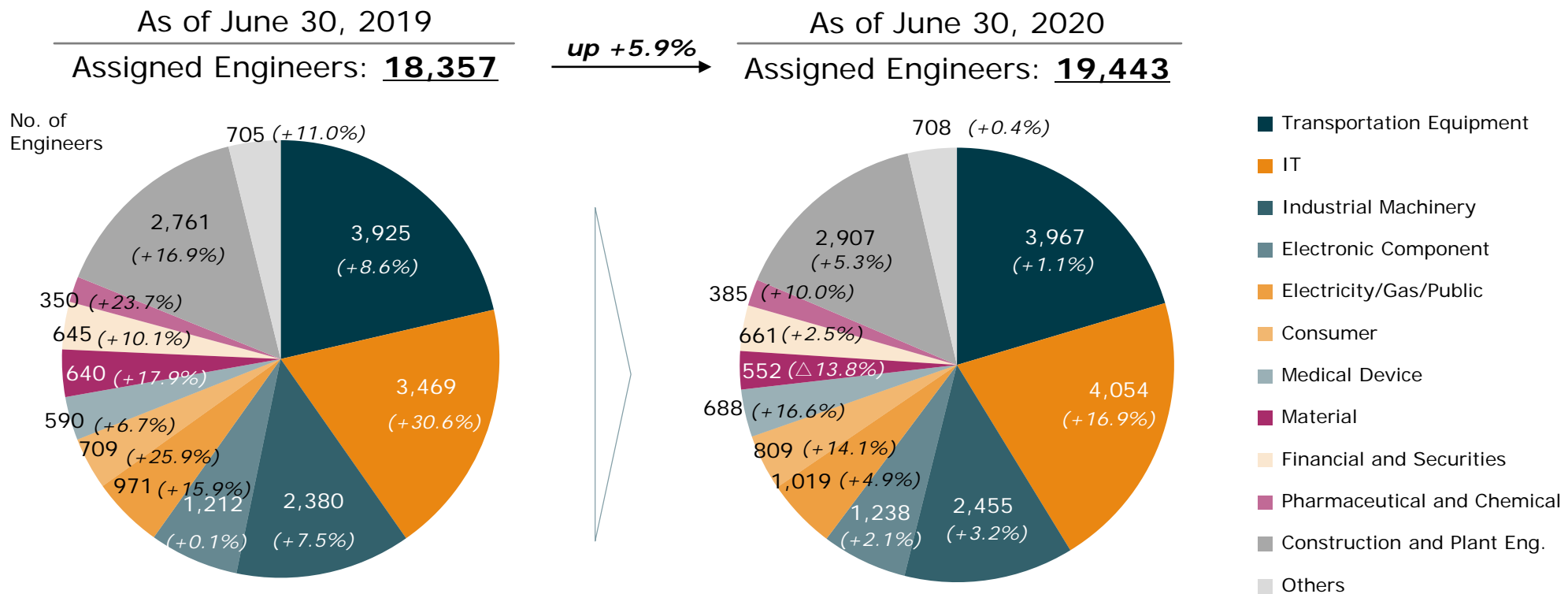
As of June 30, 2020

Assigned Engineers: **19,443**



Assigned Engineers Portfolios by “Industry” [Japan]

- Growth in each industrial sector including Transportation Equipment such as auto industry became sluggish due to COVID-19 impact; our exposure to industries severely hit by pandemic such as hotel/leisure, travel or restaurant is quite small
- IT sector maintains robust assignments, although keeping an eye on the impacts from COVID-19 pandemic as the number of new projects may vary depending on business conditions of end users

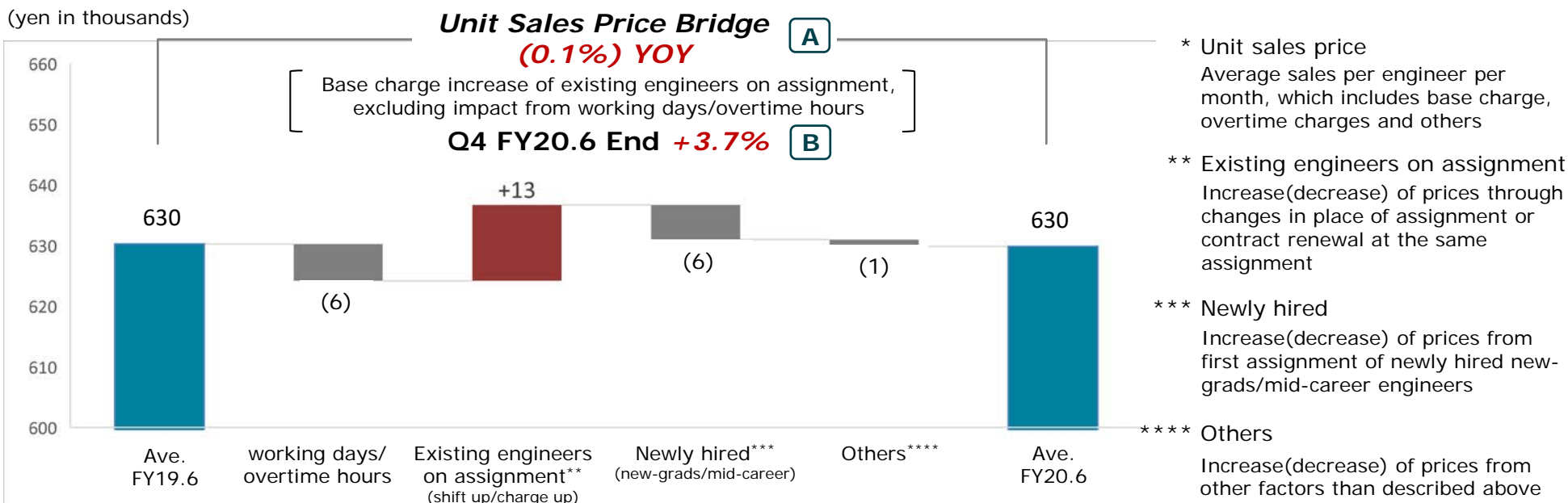


Average Monthly Unit Sales Price

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

- FY20.6 average monthly unit sales price* decreased 0.1% year-on-year to **630K yen** (down 0.4K yen/month)
- Decreased 6K yen/month year-on-year affected by fewer working days (down 0.06 days/month) and shorter overtime hours (down 1.96 hours/month)
- Increased 13K yen/month driven by increased base charge for existing engineers on assignment through shift-up/charge-up
- Diluted 6K yen/month due to first assignment of newly hired new-grads/mid-career engineers

(yen in thousands)



Price Development

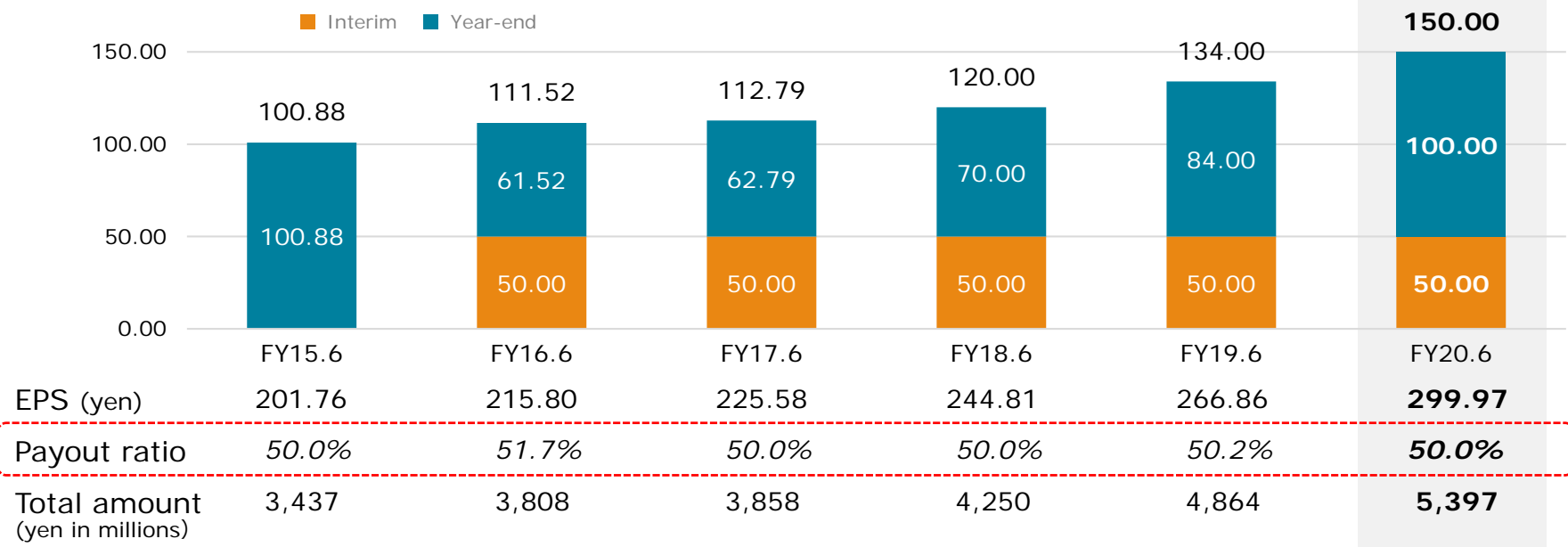
	FY19.6				FY20.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (yen in thousands, year-to-date)	621	633	632	630	626	631	633	630
Year-on-year A	+0.1%	+0.5%	+0.3%	+0.0%	+0.8%	(0.3%)	+0.3%	(0.1%)

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Engineers on Assignment B	+3.0%	+2.8%	+2.7%	+3.2%	+3.6%	+3.4%	+3.0%	+3.7%
* Year-on-year comparison for each quarter end								

Dividend History & Share Repurchase

Dividends

(yen per share)



* Dividends in FY15.6 were wholly paid at year-end payout

Share Repurchase Program

	Program 1	Program 2	Total
Repurchase period	August 2019	March 2020	
Total shares repurchased	186,200 shares	231,300 shares	417,500 shares
Total amount repurchased	1,062M yen	1,001M yen	2,063M yen
Repurchase price per share	5,610 - 5,999 yen	3,925 - 4,625 yen	@4,943 yen

- No M&A carried out in FY20.6; a certain portion (2,063 million yen) of free cash flow after distributing 50% of profit as dividend (5,397 million yen) was used for opportunistic share repurchase in the case of facing a steep share price decline
- Total shareholder return in FY20.6 including cash dividend and share repurchase was **68.9%** of net profit (10,825 million yen)
- Treasury shares repurchased in August 2019 were all cancelled

FY2021 Guidance

- **Provides FY2021 guidance only for the first half period** where the reasonable forecast can be made at this time; full-year guidance to be published as soon as the reasonable estimate becomes available
- Amount of interim dividend to be determined at Q2 FY21.6 financial results announcement with consideration for earnings for the first half and outlook for the second half, while **payout ratio of 50% for annual dividend remains unchanged** (however, freezes the policy to keep 10% for dividend on equity ratio in order to secure liquidity on hand)
- Following guidance does not include government subsidies for continuous employment; if these subsidies were granted, they will be added as extra profit

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

	Q1				1st Half				Full-Year			
	FY20.6	FY21.6	YOY		FY20.6	FY21.6	YOY		FY20.6	FY21.6	YOY	
	(Results)	(Guidance)			(Results)	(Guidance)			(Results)	(Guidance)		
Revenue	38,896	37,500	(1,396)	(3.6%)	79,037	74,000	(5,037)	(6.4%)	158,407	—	—	—
Operating profit (OP)	3,884	3,200	(684)	(17.6%)	8,221	5,500	(2,721)	(33.1%)	15,772	—	—	—
OP margin	10.0%	8.5%	(1.5 pts)		10.4%	7.4%	(3.0 pts)		10.0%	—	—	—
Profit before income taxes	3,875	3,150	(725)	(18.7%)	8,191	5,400	(2,791)	(34.1%)	15,843	—	—	—
Net profit	2,658	2,150	(508)	(19.1%)	5,654	3,700	(1,954)	(34.6%)	10,825	—	—	—
Net profit margin	6.8%	5.7%	(1.1 pts)		7.2%	5.0%	(2.2 pts)		6.8%	—	—	—
Earnings per share	73.42	59.87	(13.55)	(18.5%)	156.35	103.03	(53.32)	(34.1%)	299.97	—	—	—
Dividend per share	—	—	—	—	50.00	—	—	—	150.00	—	—	—

Key KPIs	Q1				1st Half				Full-Year			
	FY20.6	FY21.6	YOY		FY20.6	FY21.6	YOY		FY20.6	FY21.6	YOY	
	(Results)	(Guidance)			(Results)	(Guidance)			(Results)	(Guidance)		
Engineers (quarter end)	19,650	20,650	+1,000	+5.1%	20,012	20,150	+138	+0.7%	21,264	—	—	—
Ave. utilization ratio	95.5%	91.5%	(4.0 pts)	—	95.7%	89.0%	(6.7 pts)	—	94.0%	—	—	—
Ave. monthly unit price* (yen in thousands)	626	607	(19)	(3.1%)	631	618	(13)	(2.1%)	630	—	—	—

Reference: FY2021 Segment Guidance (First Half)

- *R&D Outsourcing*: Expects deterioration in utilization ratio due to decrease in contract renewal ratio in September and slower pace of reallocation, estimating Q2 earnings to fall significantly below the prior year
- *Construction Management Outsourcing*: Plans to resume mid-career hiring, especially experienced engineers, to cope with shortage of engineering resources, anticipating to secure profit same as the prior year period
- *Other Businesses in Japan*: Assuming permanent placement business to remain sluggish for the a while, aims to avoid to fall in red by strictly controlling expenses
- *Overseas*: Risks of recording deficit are considered to be limited, although decline in profitability may continue for a while

(yen in millions, except engineer headcounts)

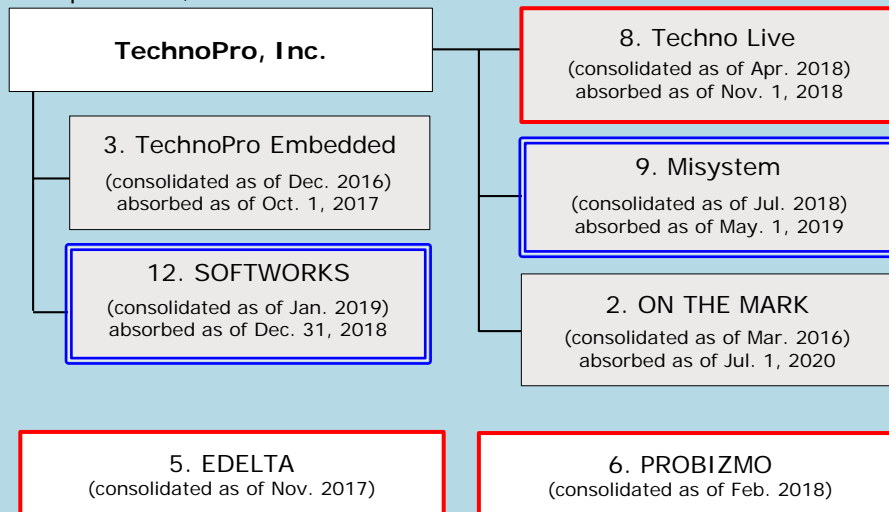
	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY19.6 H1	FY20.6 H1	FY21.6 H1	YOY	FY19.6 H1	FY20.6 H1	FY21.6 H1	YOY	FY19.6 H1	FY20.6 H1	FY21.6 H1	YOY	FY19.6 H1	FY20.6 H1	FY21.6 H1	YOY
Revenue	55,861	62,676	58,800	(6.2%)	8,602	9,768	9,800	+0.3%	1,499	2,044	1,800	(11.9%)	65,963	74,488	70,400	(5.5%)
Ratio to consolidated revenue	79.7%	79.3%	79.5%		12.3%	12.4%	13.2%		2.1%	2.6%	2.4%		94.1%	94.2%	95.1%	
Operating profit	5,544	6,431	3,930	(38.9%)	1,069	1,157	1,300	+12.4%	160	262	70	(73.3%)	6,775	7,850	5,300	(32.5%)
OP margin	9.9%	10.3%	6.7%		12.4%	11.8%	13.3%		10.7%	12.8%	3.9%		10.3%	10.5%	7.5%	
OP before PPA asset amortization	5,584	6,471	3,970	(38.7%)	1,069	1,157	1,300	+12.4%	160	262	70	(73.3%)	6,815	7,890	5,340	(32.3%)
OP margin before PPA asset amortization	10.0%	10.3%	6.8%		12.4%	11.8%	13.3%		10.7%	12.8%	3.9%		10.3%	10.6%	7.6%	
No. of engineers (H1 end)	15,350	17,365	17,570	+1.2%	2,288	2,647	2,580	(2.5%)	—	—	—	—	17,638	20,012	20,150	+0.7%
o/w non-Japanese in Japan	816	1,042	—	—	51	69	—	—	—	—	—	—	867	1,111	—	—

	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY19.6 H1	FY20.6 H1	FY21.6 H1	YOY	FY19.6 H1	FY20.6 H1	FY21.6 H1	YOY	FY19.6 H1	FY20.6 H1	FY21.6 H1	YOY	FY19.6 H1	FY20.6 H1	FY21.6 H1	YOY
Revenue	4,692	5,291	4,500	(15.0%)	70,655	79,780	74,900	(6.1%)	(541)	(742)	(900)	—	70,114	79,037	74,000	(6.4%)
Ratio to consolidated revenue	6.7%	6.7%	6.1%		100.8%	100.9%	101.2%		(0.8%)	(0.9%)	(1.2%)		100.0%	100.0%	100.0%	
Operating profit	474	353	200	(43.4%)	7,250	8,203	5,500	(33.0%)	136	17	—	—	7,386	8,221	5,500	(33.1%)
OP margin	10.1%	6.7%	4.4%		10.3%	10.3%	7.3%		—	—	—	—	10.5%	10.4%	7.4%	
OP before PPA asset amortization	564	455	300	(34.1%)	7,379	8,346	5,640	(32.4%)	136	(42)	—	—	7,516	8,303	5,640	(32.1%)
OP margin before PPA asset amortization	12.0%	8.6%	6.7%		10.4%	10.5%	7.5%		—	—	—	—	10.7%	10.5%	7.6%	
No. of engineers (H1 end)	1,623	1,544	—	—	19,261	21,556	—	—	—	—	—	—	19,261	21,556	—	—

Appendix: Reportable Segments (as of FY20.6 End)

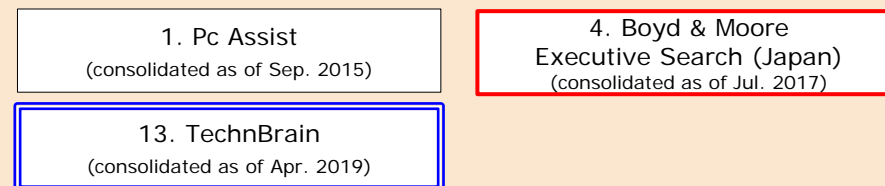
R&D Outsourcing

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



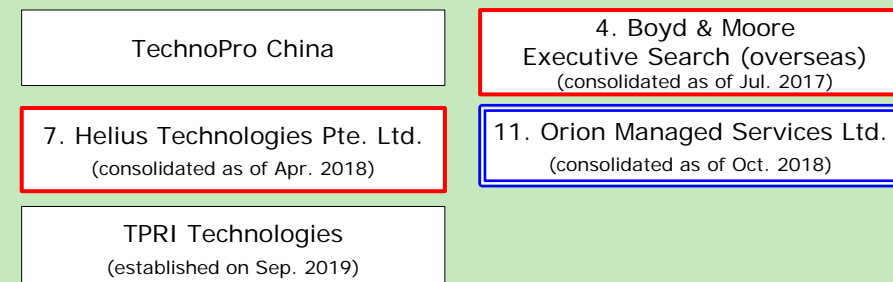
Other Businesses in Japan

Provides professional recruitment, technical education and training services



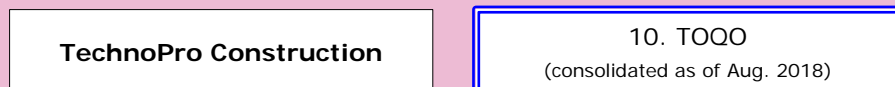
Overseas

Technological outsourcing and professional recruitment services in China; IT engineer staffing service and contract services in Southeast Asia and India; 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 FY20.6 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

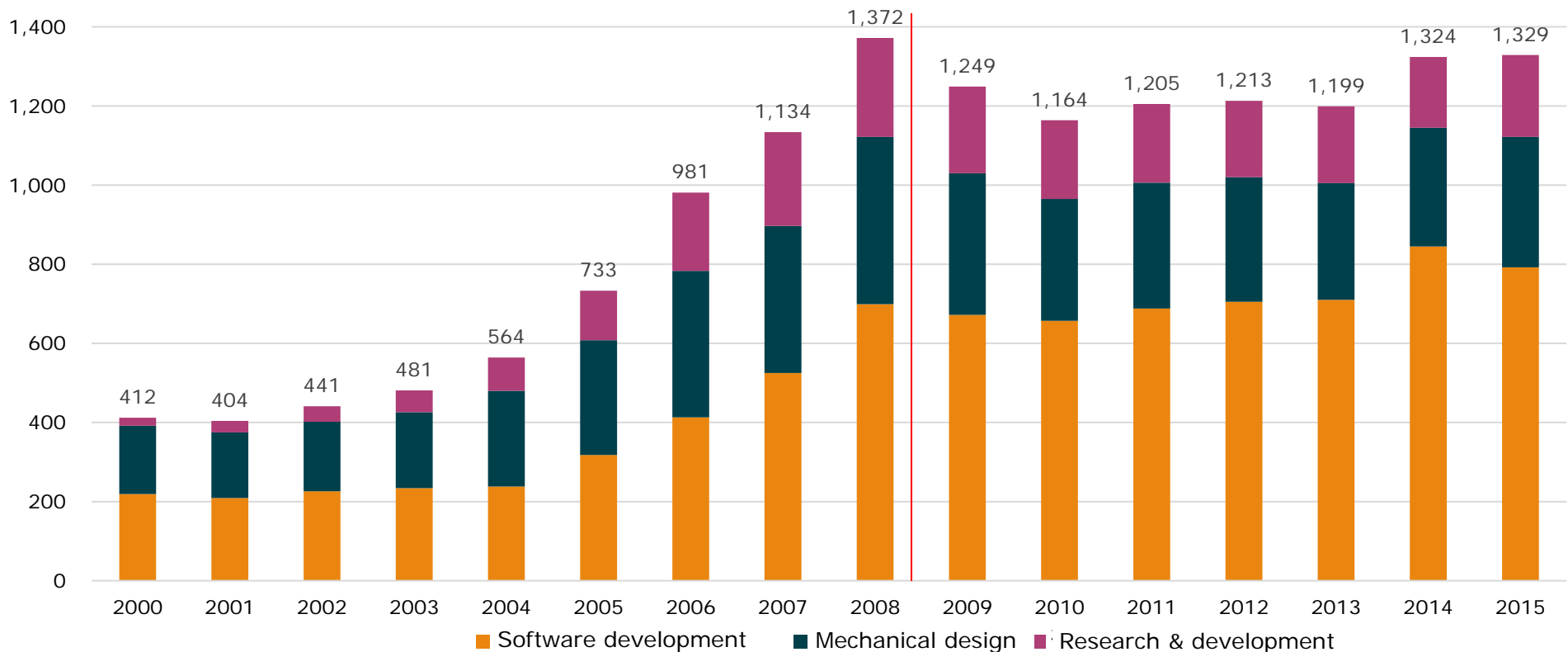
(yen in millions)

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	40.6%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	22.1%				
Software dev./maintenance	100.0%	2,912	2,769	5,681	15.7%	714	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	9.4%				
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	3.1%				
TechnoBrain	100.0%		151	151	0.4%				
Overseas									
Helius	51.0%		661	661	1.8%	659	up to 26.3	1,673	17.4-22.6
Orion	63.2%		961	961	2.7%	470	up to 26.9	1,205	18.4-23.6
Total		29,202	6,913	36,115	100.0%	1,844		2,879	

Appendix: Engineer Staffing Market Trends Since 2000

- Domestic engineer staffing market temporarily shrunk approx. **15.2%** compared to its peak, impacted by the global financial crisis began in September 2008
- Demand for engineer staffing remains robust, gradually recovered after hitting bottom in 2010

(yen in billions)



* Estimated by TechnoPro Holdings using formula: [average annual price (dispatching price)] by [headcount at June 1] by [250 days]
* Excluding construction management as its figures were not included in the census (specified 26 occupations) since 2016

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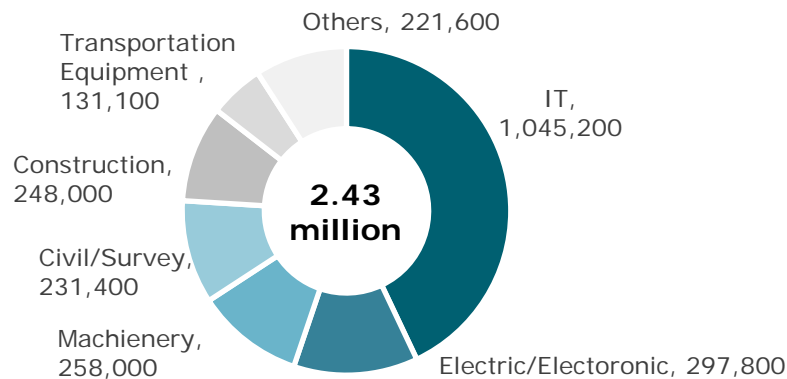
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Distribution of Engineers in Japan

- 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 engineers, the outsourcing ratio is relatively high in Japan
- According to the survey, in the manufacturing industry, 75% of companies outsource IT systems, and 56% outsource Technology development

1. Number of Engineers in Japan (2015)

Source: census 2015

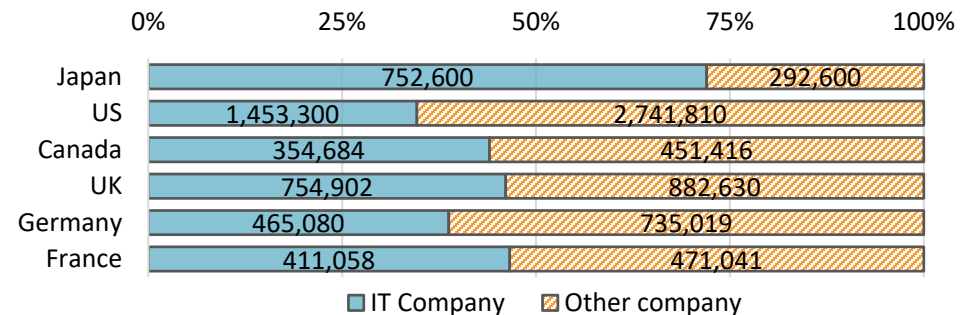


2. Ratio of IT Talents at IT and Non-IT Companies

Source: Information-technology Promotion Agency Japan

"IT Talent White Paper 2017"

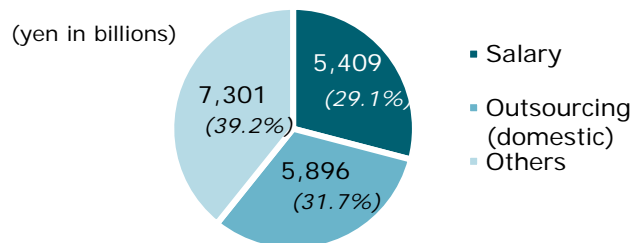
Japan, US, UK, Germany, France: 2015 Canada: 2014



※IT companies mean IT vendors and non-IT companies mean IT user companies

3. Cost Structure of IT Industry

Source: the Ministry of Economy, Trade and Industry
"Survey on Specific Service Industries in 2017"



4. Outsourcing Rate in the Manufacturing Industry

Source: Nobuyoshi Ota "Technology outsourcing strategy of the automobile industry" 2016

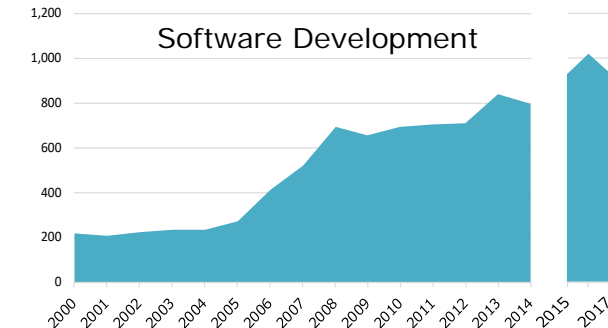
IT System	75%
Technology Development	56%

Engineer Staffing Market Overview

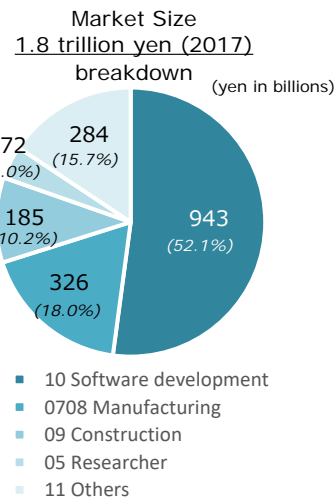
- Estimated the whole staffing market size is about 6.5 trillion yen (2017)
Engineer staffing market size is about 1.8 trillion yen, about 250,000 engineers
- R&D is a field less susceptible to impact of the economy; As a nation, Japan reported a record-high for R&D spending in 2018 and its growth is expected to continue in the future

1. Engineer Staffing Market Size

Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare (yen in billions)

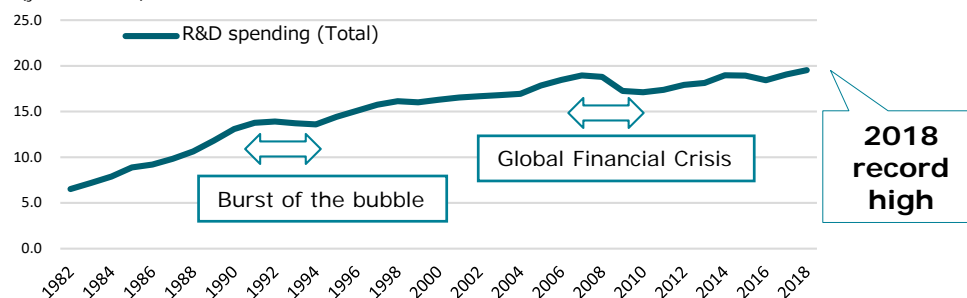


† The aggregate standard has been changed as of 2015 due to revision of the classification of occupation on September 30, 2015



3. Trend of R&D Spending in Japan

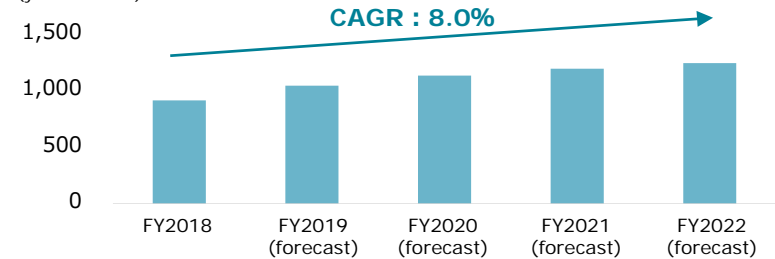
Source: Ministry of Internal Affairs and Communications statistics Bureau, Survey of Research and Development (yen in trillions)



TECHNOPRO

2. Forecast of Engineer Staffing Market Size

Source: Human Resources Business 2019, Yano Research Institute Ltd. (yen in billions)

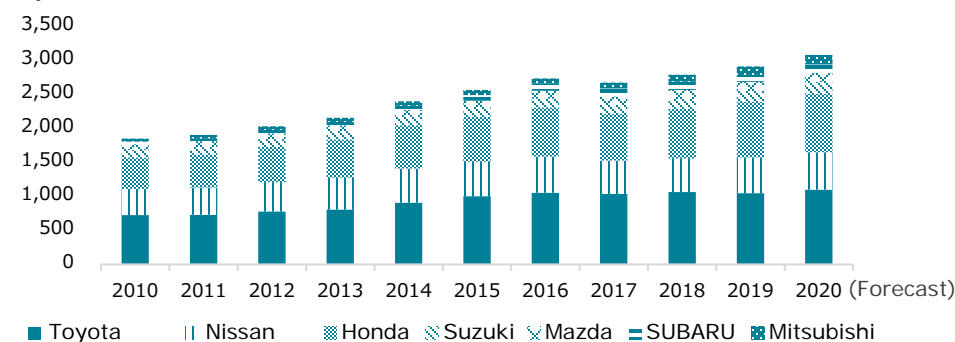


* The market size is based on the sales of businesses, after FY2019 are forecast (as of November 2019)

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

4. R&D Spending Trend of Major Auto Companies in Japan

Source: The Nikkei (yen in billions)

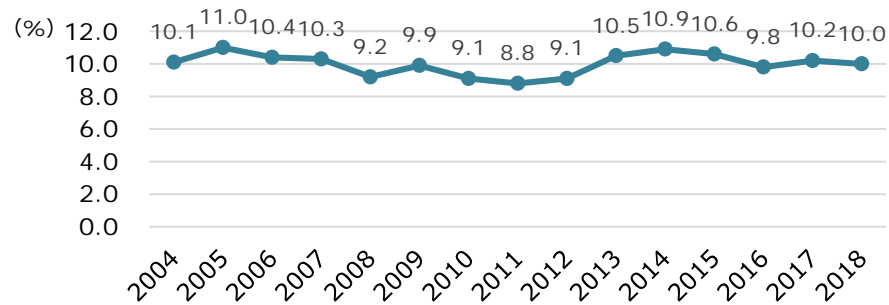


Background of Engineer Staffing Market Growth and Our Strengths – 1. Mid Career Market

- The turnover ratio in Japan remains around 10% which shows career-change market has a certain scale
- While the life-time employment/seniority wage system firmly remains in Japan, the number of mid-career recruitment by blue-chip companies is limited due to the gap between productivity and salary

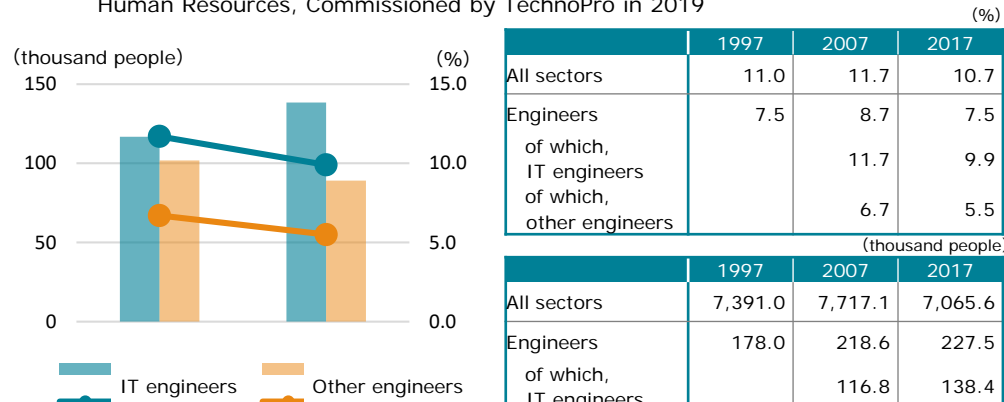
1. Turnover Ratio in Japan

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



2. Turnover of Engineers

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



TECHNOPRO

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

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

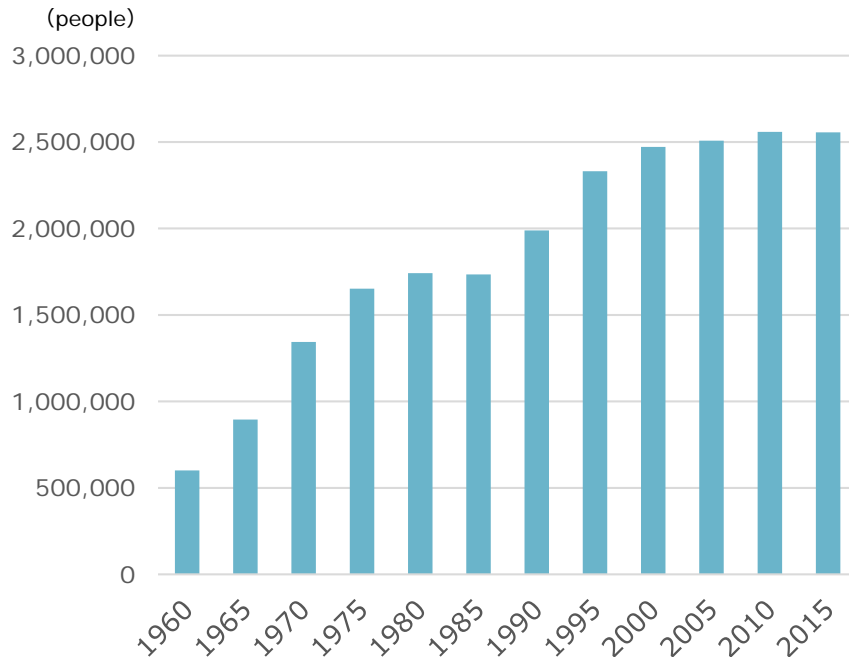


Background of Engineer Staffing Market Growth and Our Strengths – 2. New Grads Market

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

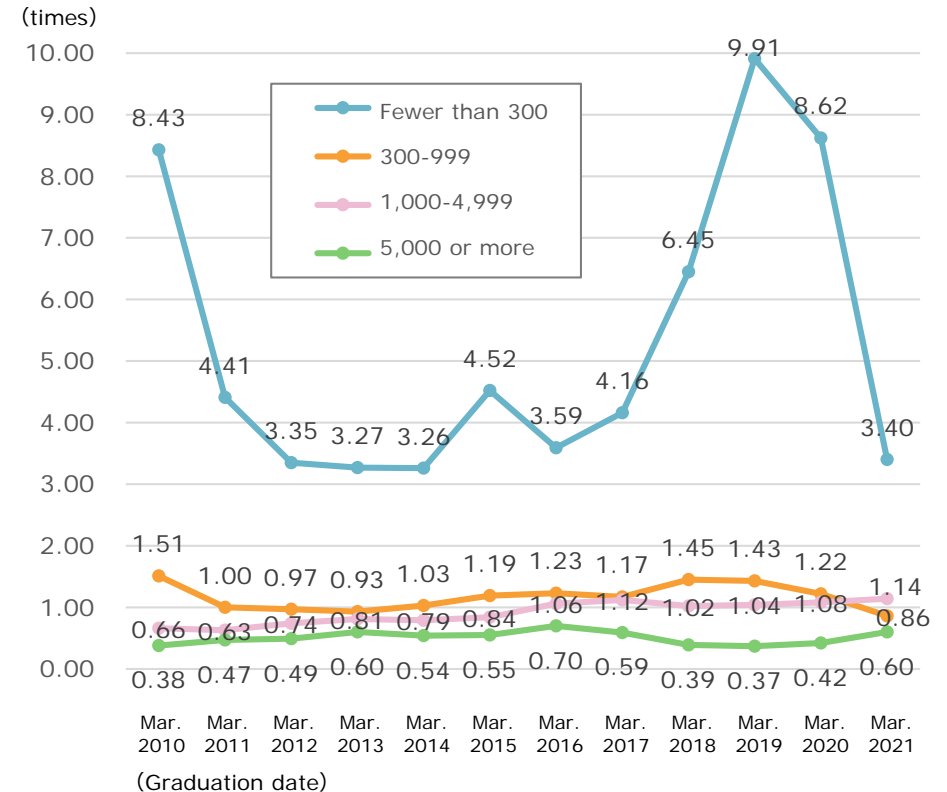
4. No. of University Students

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



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

Source : "37th College Graduates Job Opening Survey",
Recruit Works Institute

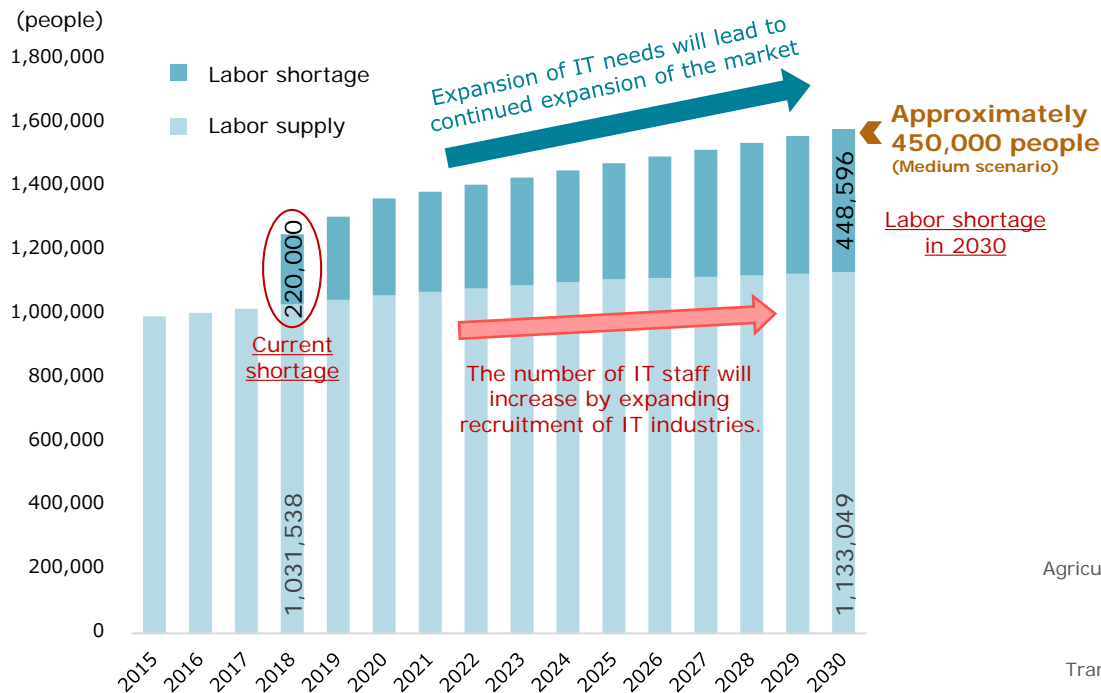


Background of Engineer Staffing Market Growth and Our Strengths – 3. Growing Demand

- IT-related company is highly competitive because of a huge demand-supply mismatch in the IT sector
- Weakening demand for engineers with the spread of AI will be more than offset by the new demand for engineers

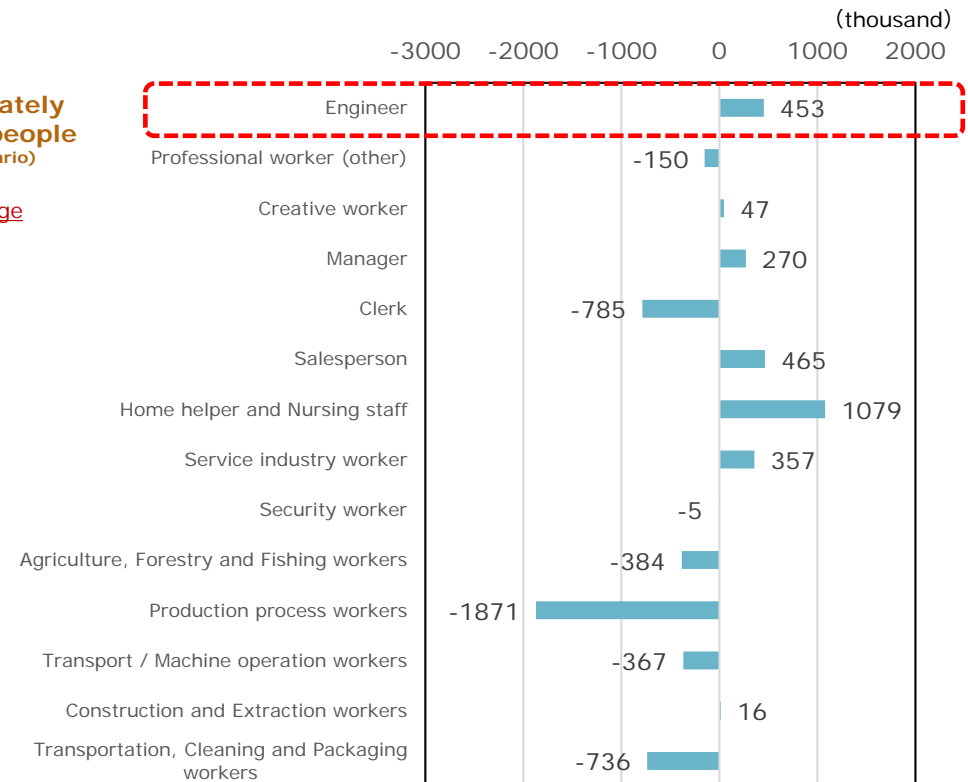
6. IT Staff Shortage Projections

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



7. 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

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