



# **TechnoPro Group Financial Results for the 2nd Quarter of FYE June 2021**

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

February 2, 2021



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# FY2021 Q2 Financial Overview

- First half FY21.6 revenue was **79.4 billion yen**, up 0.5% year-on-year; operating profit was **9.68 billion yen** (including 1.33 billion yen of government subsidy for continuous employment in Japan), up 17.7% year-on-year; core operating profit (excluding extraordinary items such as government subsidy and others) was **8.29 billion yen**, up 2.2% year-on-year; net profit was **6.62 billion yen**, up 17.1% year-on-year
- First half FY21.6 gross profit margin **decreased 2.1 pts** year-on-year mainly due to increased standby costs (0.7 pts) impacted by lowered utilization ratio, a decline of unit sales price (0.6 pts) affected by a decrease in working hours, and an increase of provision for paid leave (0.5 pts) as a result of rise in usage ratio of paid leave, while SG&A expense ratio on revenue **improved 2.3 pts** year-on-year driven by continued cost-saving efforts, thereby maintaining slightly higher core operating profit margin year-on-year

(yen in millions, except per share amounts)

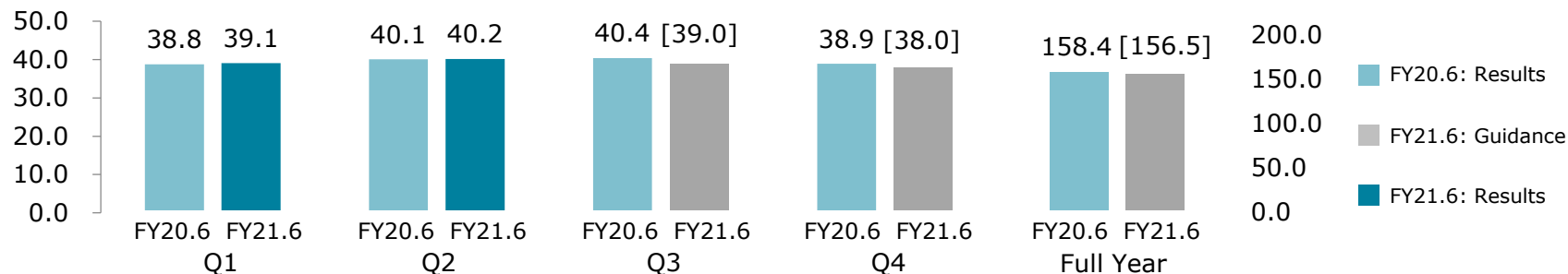
	Q2 (three-months period)				First Half					Full-Year		
	FY20.6 (Results)	FY21.6 (Results)	YOY		FY20.6 (Results)	FY21.6 (Results)	vs. Guidance	YOY		FY20.6 (Results)	FY21.6 (Guidance)	YOY
Revenue	40,141	40,256	+115	+0.3%	79,037	79,451	50.8%	+414	+0.5%	158,407	156,500	(1.2%)
Gross profit (GP)	10,559	9,631	(928)	(8.8%)	20,106	18,523	—	(1,582)	(7.9%)	40,226	—	—
GP margin	26.3%	23.9%	(2.4 pts)		25.4%	23.3%		(2.1 pts)		25.4%		
SG&A expenses	6,144	5,191	(952)	(15.5%)	11,994	10,231	—	(1,762)	(14.7%)	23,960	—	—
Ratio on revenue	15.3%	12.9%	(2.4 pts)		15.2%	12.9%		(2.3 pts)		15.1%		
Core operating profit	4,415	4,439	+24	+0.6%	8,111	8,291	—	+179	+2.2%	16,265	—	—
Core operating profit margin	11.0%	11.0%	+0.0 pts		10.3%	10.4%		+0.2 pts		10.3%		
Other income	80	935	+854	—	191	1,515	—	+1,323	—	649	—	—
Other expenses	158	51	(107)	—	82	126	—	+44	—	1,143	—	—
Operating profit (OP)	4,337	5,323	+986	+22.8%	8,221	9,680	56.9%	+1,459	+17.7%	15,772	17,000	+7.8%
OP margin	10.8%	13.2%	+2.4 pts		10.4%	12.2%		+1.8 pts		10.0%	10.9%	
Profit before income taxes	4,315	5,333	+1,017	+23.6%	8,191	9,645	57.1%	+1,453	+17.7%	15,843	16,900	+6.7%
Net profit*	2,996	3,651	+655	+21.9%	5,654	6,623	57.6%	+968	+17.1%	10,825	11,500	+6.2%
Net profit margin	7.5%	9.1%	+1.6 pts		7.2%	8.3%		+1.2 pts		6.8%	7.3%	
Earnings per share (yen)	82.94	101.70	+18.76	+22.6%	156.35	184.45	57.6%	+28.10	+18.0%	299.97	320.25	+6.8%
Dividend per share (yen)	—	—	—	—	50.00	50.00	31.1%	0.00	0.0%	150.00	161.00	+7.3%

# Quarterly Performance

- Working hours per day in Japan were **8.47 hours** (down 0.09 hours or 1.0% year-on-year) for three-months Q2 FY21.6 period mainly impacted by COVID-19

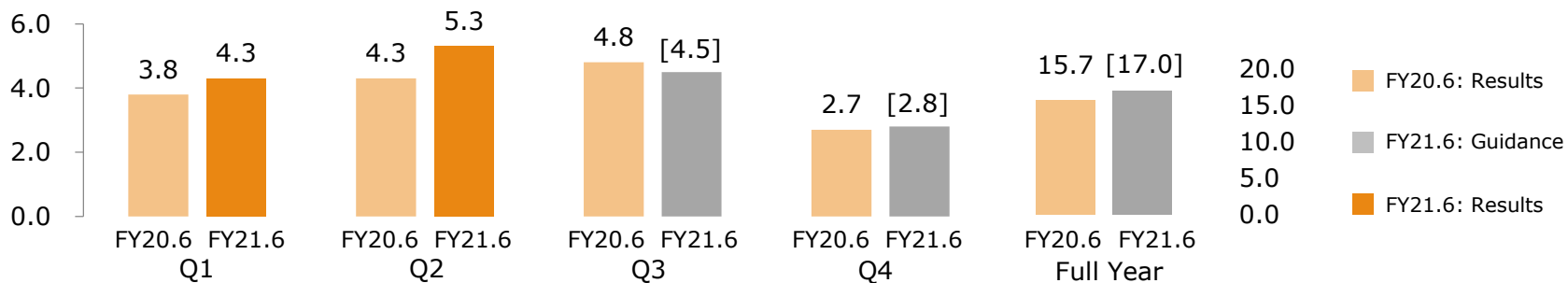
## Revenue

(yen in billions)



Progress on full-year %	24.6%	[25.0%]	25.3%	[25.7%]	25.5%	[24.9%]	24.6%	[24.3%]		
Working days	56.5	56.2	58.1	58.6	55.8	[56.0]	56.7	[57.1]	227.1	[227.9]
Working hours per day	8.56	8.44	8.56	8.47	8.56	[8.44]	8.39	[8.34]	8.52	[8.42]
YOY	+0.8%		+0.3%		[(3.6%)]		[(2.2%)]		[(1.2%)]	

## Operating Profit



Progress on full-year %	24.6%	[25.6%]	27.5%	[31.3%]	30.7%	[26.5%]	17.1%	[16.6%]		
OP margin	10.0%	11.1%	10.8%	13.2%	12.0%	[11.5%]	6.9%	[7.4%]	10.0%	[10.9%]
YOY	+12.2%		+22.8%		[(7.2%)]		[+4.4%]		[+7.8%]	

# FY2021 H1 Segment Results

- 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 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	63,304	+1.0%	8,602	9,768	9,919	+1.5%	1,499	2,044	1,699	(16.9%)	65,963	74,488	74,923	+0.6%
Ratio to consolidated revenue	79.7%	79.3%	79.7%		12.3%	12.4%	12.5%		2.1%	2.6%	2.1%		94.1%	94.2%	94.3%	
Operating profit	5,544	6,431	7,704	+19.8%	1,069	1,157	1,565	+35.3%	160	262	26	(90.0%)	6,775	7,850	9,296	+18.4%
OP margin	9.9%	10.3%	12.2%		12.4%	11.8%	15.8%		10.7%	12.8%	1.5%		10.3%	10.5%	12.4%	
OP before PPA asset amortization*	5,584	6,471	7,745	+19.7%	1,069	1,157	1,565	+35.3%	160	262	26	(90.0%)	6,815	7,890	9,336	+18.3%
OP margin before PPA asset amortization	10.0%	10.3%	12.2%		12.4%	11.8%	15.8%		10.7%	12.8%	1.5%		10.3%	10.6%	12.5%	
PPA asset amortization	40	40	40	0.0%	—	—	—	—	—	—	—	—	40	40	40	0.0%
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	15,350	17,365	17,590	+1.3%	2,288	2,647	2,599	(1.8%)	—	—	—	—	17,638	20,012	20,189	+0.9%
o/w Non-Japanese in Japan	816	1,042	912	(12.5%)	51	69	94	+36.2%	—	—	—	—	867	1,111	1,006	(9.5%)

	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	5,187	(2.0%)	70,655	79,780	80,111	+0.4%	(541)	(742)	(659)	—	70,114	79,037	79,451	+0.5%
Ratio to consolidated revenue	6.7%	6.7%	6.5%		100.8%	100.9%	100.8%		(0.8%)	(0.9%)	(0.8%)		100.0%	100.0%	100.0%	
Operating profit	474	353	433	+22.7%	7,250	8,203	9,729	+18.6%	136	17	(49)	—	7,386	8,221	9,680	+17.7%
OP margin	10.1%	6.7%	8.3%		10.3%	10.3%	12.1%		—	—	—	—	10.5%	10.4%	12.2%	
OP before PPA asset amortization*	564	455	534	+17.5%	7,379	8,346	9,871	+18.3%	136	(42)	(49)	—	7,516	8,303	9,822	+18.3%
OP margin before PPA asset amortization	12.0%	8.6%	10.3%		10.4%	10.5%	12.3%		—	—	—	—	10.7%	10.5%	12.4%	
PPA asset amortization	89	102	101	(0.5%)	129	142	141	(0.4%)	—	—	—	—	129	142	141	(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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	1,623	1,544	1,646	+6.6%	19,261	21,556	21,835	+1.3%	—	—	—	—	19,261	21,556	21,835	+1.3%



\* OP before PPA asset amortization: 1) amortization of client related asset incurred by Purchase Price Allocation at M&A, 2) impairment loss, 3) changes in fair value and early exercise of put option liabilities, and 4) changes in fair value of earn-out liabilities, to be added back to OP (the same shall apply hereinafter)

# FY2021 Q2 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 Q2 End B/S (yen in billions)

Cash & cash equivalents 27.4	Debt 9.5
	IFRS 16 related liabilities 9.3
IFRS 16 related assets 9.3	Other liabilities 34.0
Goodwill 36.1	
	PO liabilities 2.9
Intangible assets (PPA) 1.7	Total equity 52.9
Other assets 34.1	

Total assets 108.6

Total liabilities & equity 108.6

Net cash : **17.9 Bn**  
 Net worth ratio\*: **48.7%**  
 D/E Ratio\* : **0.18x**  
 D/OP Ratio\*\* : **0.56x**

\* Total equity includes non-controlling interests

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

**TECHNOPRO**

## FY21.6 H1 Cash Flows (yen in millions)

• Operating CF	<b>10,641</b>
Corporate income tax payment	(2,693)
• Investing CF	<b>(927)</b>
• Financing CF	<b>(5,107)</b>
IFRS 16 related lease liability repayment***	(3,342)
Net cash from loan procurement and repayment	+1,841
Dividend payment	(3,606)

Net CF **+4,629**

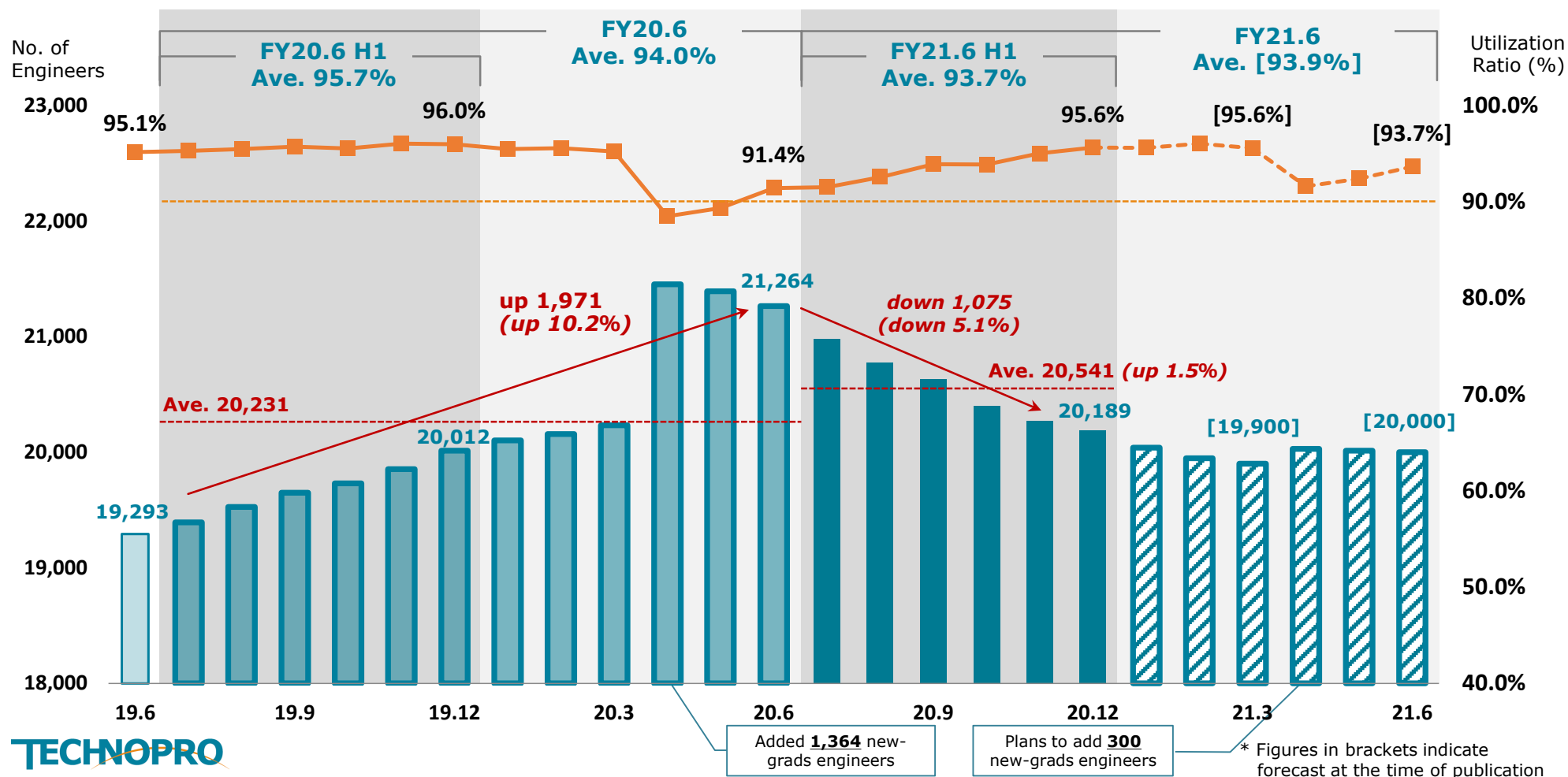
\*\*\* Reclassified to Financing CF, previously recognized in Operating CF as lease payment until FY19.6

## 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	

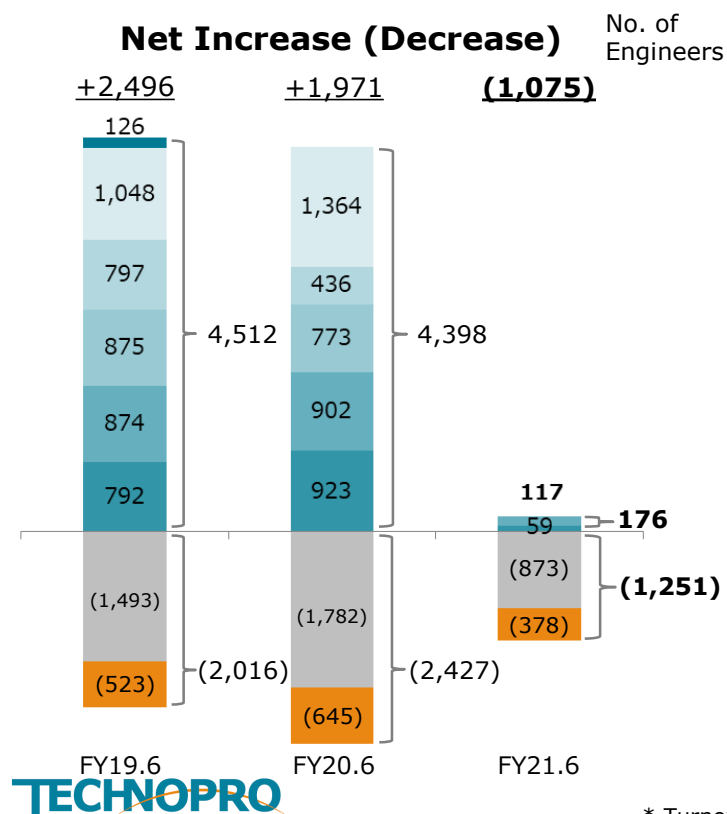
# Number of Engineers & Utilization Ratio [Japan]

- Engineers on payroll in Japan at the end of Q2 FY21.6 totaled **20,189** (down 1,075 from FY20.6 end), including **1,006** non-Japanese engineers working in Japan (down 172 from FY20.6 end)
- Average utilization ratio was **93.7%** for the first half FY21.6 (down 1.9 pts year-on-year), expecting **93.9%** (down 0.1 pts year-on-year) as the full-year FY21.6 average



# Recruitment/Turnover [Japan]

- Mid-carrier engineers hired in the first half FY21.6 totaled **176** (down 1,649 or 90.4% year-on-year) due to temporary freeze on new hiring as a preemptive response to COVID-19 crisis
- 1,251** engineers left in the first half FY21.6: permanent employees of **873** (up 63 year-on-year), fixed-term employees of **378** (up 82 year-on-year)
- Turnover ratio for permanent employees\* was **8.5%** (up 0.3 pts year-on-year) for the first half FY21.6, and **8.9%** (up 0.2 pts year-on-year) for the last twelve months
- Net engineer decrease of **1,075** for the first half FY21.6; focusing on retention efforts and resumed hiring of mid-career engineers in order to enhance engineering talent resources



Recruitment/Turnover		No. of Engineers				
		FY19.6	FY20.6	FY21.6 H1	YOY	
<b>Hired Total</b>		<b>4,512</b>	<b>4,398</b>	<b>176</b>	—	—
M&A		126	0	—	—	—
New-grads joined in April		1,048	1,364	—	—	—
Mid-carrier: Q4		797	436	—	—	—
Mid-carrier: Q3		875	773	—	—	—
Mid-carrier: Q2		874	902	117	(785)	(87.0%)
Mid-carrier: Q1		792	923	59	(864)	(93.6%)
<b>Turnover Total</b>		<b>2,016</b>	<b>2,427</b>	<b>1,251</b>	—	—
Permanent employees		1,493	1,782	873	—	—
Contract terms matured, others		523	645	378	—	—

Turnover Ratio for Permanent Employees*												
	FY19.6				FY20.6				FY21.6			
	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%	—	—
Year-to-date	—	7.3%	8.5%	8.3%	—	8.2%	8.3%	8.8%	—	8.5%	—	—
Last twelve months	8.0%	7.9%	8.2%	8.3%	8.5%	8.7%	8.3%	8.8%	8.9%	8.9%	—	—

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

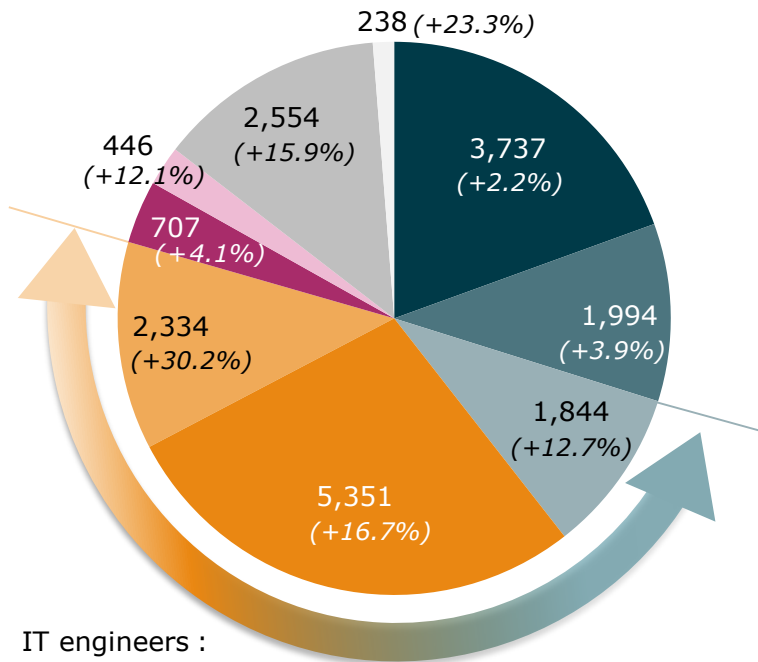


# Assigned Engineers Portfolios by “Technology” [Japan]

- Number of assigned engineers turned to decline year-on-year in Machinery and Electric/Electronic (collectively “mechanical engineers”); growth in other technologies also slows down (number of engineers on assignment decreased 138 from FY20.6 end, 69 from Q1 FY21.6 end respectively)
- IT engineers account for more than half of the total and continue to grow, while the share of mechanical engineers is on a declining trend due to weakening demand

## Q2 FY20.6 End

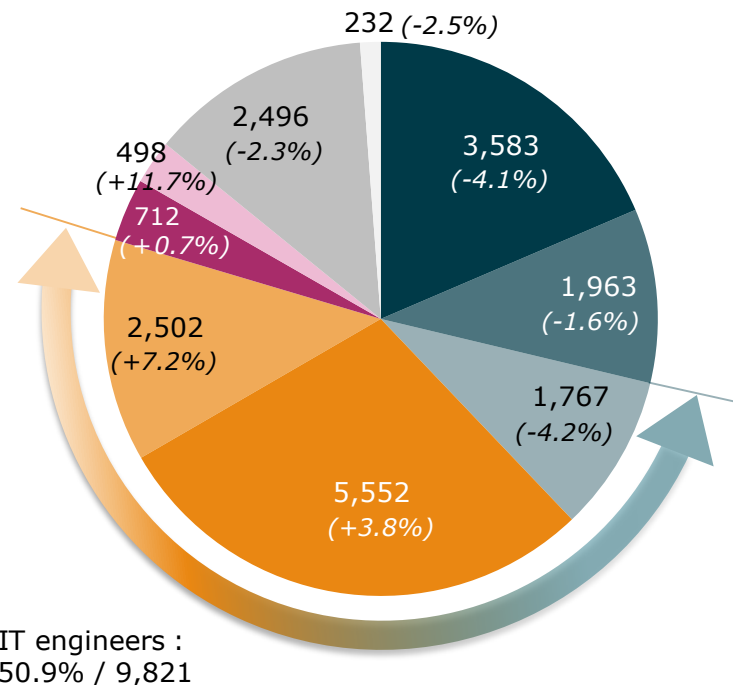
Assigned Engineers: **19,205**



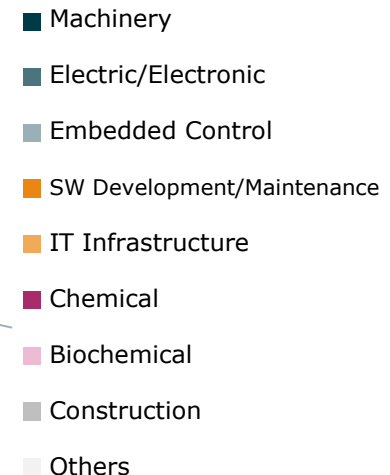
up 0.5%  
up 100

## Q2 FY21.6 End

Assigned Engineers: **19,305**



No. of  
Engineers



# 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

## Q2 FY20.6 End

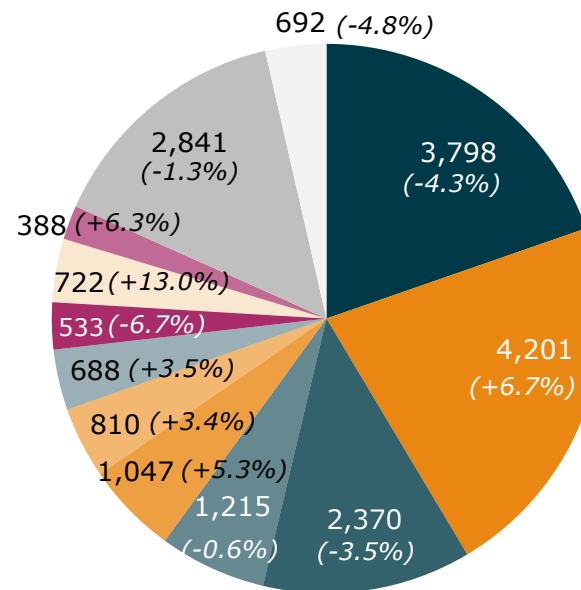
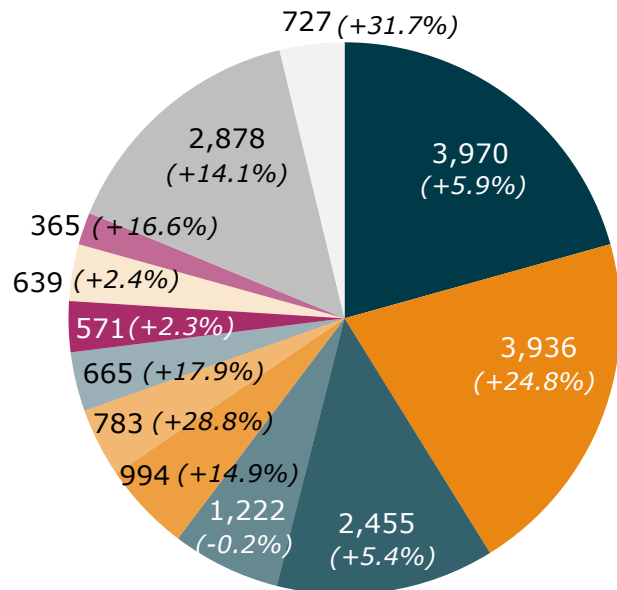
Assigned Engineers: **19,205**

*up 0.5%*  
*up 100*

## Q2 FY21.6 End

Assigned Engineers: **19,305**

No. of  
Engineers



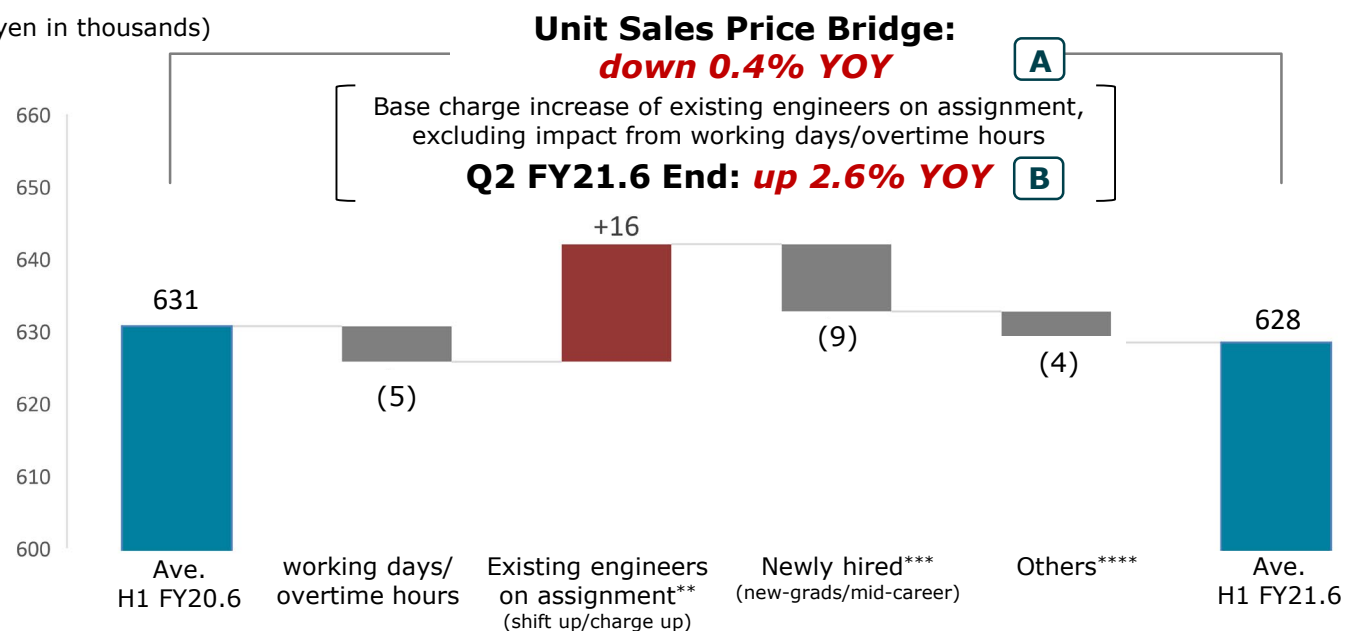
- Transportation Equipment
- IT
- Industrial Machinery
- Electronic Component
- Electricity/Gas/Public
- Consumer
- Medical Device
- Material
- Financial and Securities
- Pharmaceutical/Chemical
- Construction/Plant Eng.
- Others

# Average Monthly Unit Sales Price

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

- First half FY21.6 average monthly unit sales price\* decreased to **628K yen** (down 2K yen/month or 0.4% year-on-year)
- Decreased 5K yen/month year-on-year due to the mix of a slight increase in working days (up 0.04 days/month) and shorter overtime hours (down 2.06 hours/month)
- Increased 16K yen/month driven by base charge increase for existing engineers on assignment through shift-up/charge-up
- Diluted 9K yen/month due to first assignment of newly hired new-grads/mid-career engineers

(yen in thousands)



\* 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

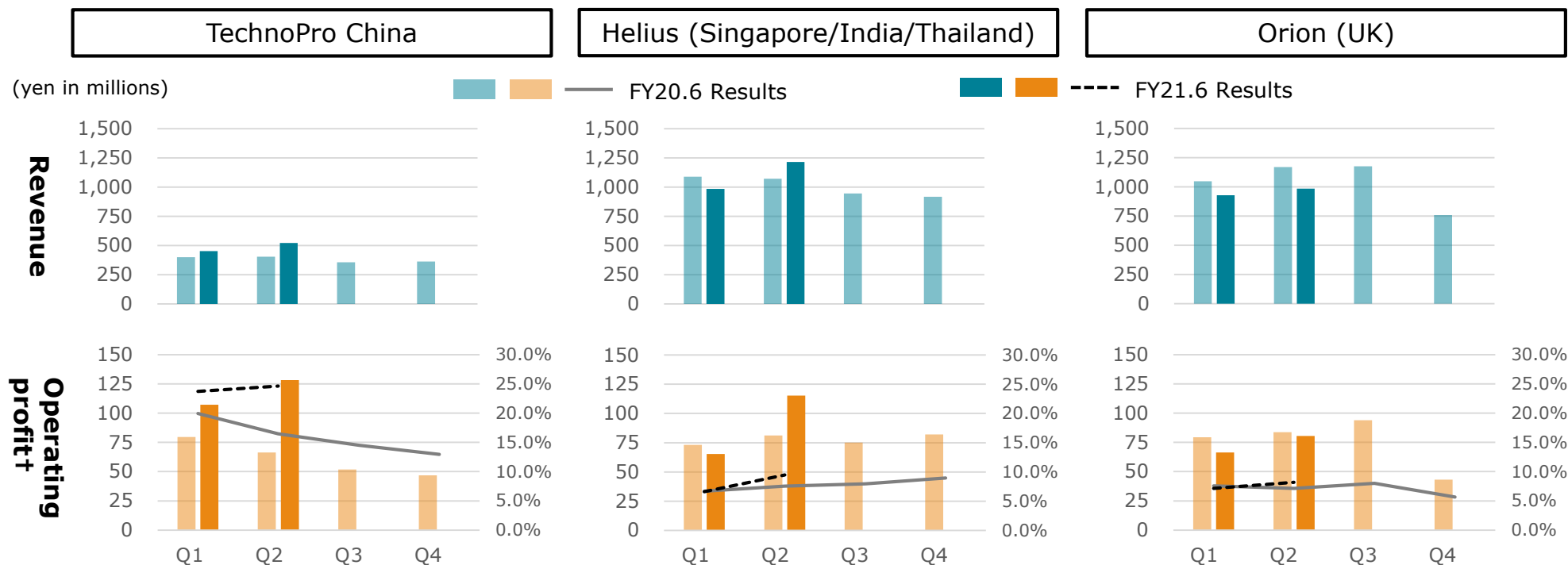
Increase(decrease) of prices from other factors than described above

### 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	—	—
Year-on-year	+0.8%	(0.3%)	+0.3%	(0.1%)	(1.0%)	(0.4%)	—	—

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Engineers on Assignment	+3.6%	+3.4%	+3.0%	+3.7%	+3.4%	+2.6%	—	—
* Year-on-year comparison for each quarter end								

# Overseas Subsidiaries



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

- Performance rapidly recovered from Q1 FY21.6 mainly driven by businesses relating to LCD manufacturing equipment, expecting around 30% year-on-year growth in operating profit for FY21.6
- Demands increased for both offshoring of contract services in Japan and businesses with local Chinese subsidiaries of Japanese firms, contributing to profitability improvement

- Although active hiring of Singaporean talent and up-front investment in leading technologies lowered profitability for Q1 FY21.6 in Singapore, revenue and number of engineers bottomed out
- Business expansion in Thailand remains slow, while expecting around 35% year-on-year revenue growth in India through expanding business with existing customers and acquiring new customers

- Bottomed out in Q4 FY20.6 and stays on a recovery trend as of Q1 FY21.6, but still lags behind the earnings of previous year, the period when the performance was on track toward growth; carrying risks to be negatively impacted by COVID-19 pandemic in Q3 FY21.6 or later
- Although the performance of permanent placement business, which earns higher margin, remains volatile and unstable, planning to deliver a certain level of profit margin through controlling expenses

# FY2021 Guidance Update (Full-Year)

- Provides full-year FY2021 guidance which was **estimated within a reasonable extent** in light of 1) the results of the current first half period and 2) the information currently available, although the unpredictable business environment may continue with the re-expansion of COVID-19
- Made estimation of earnings and major KPIs in Q4 FY21.6 under the assumption that the contract renewal ratio in March 2021 was **87.8%** (down 1.5 pts year-on-year); actual results may differ depending on the outcome of contract renewal negotiations
- The guidance includes expected income from government subsidy for continuous employment in Japan: 300 million yen for Q3 FY21.6 or later and **1.63 billion yen** in total for cumulative full-year FY21.6 period

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

	Q3 (three-months period)				Q4 (three-months period)				Full-Year			
	FY20.6 (Results)	FY21.6 (Guidance)	YOY		FY20.6 (Results)	FY21.6 (Guidance)	YOY		FY20.6 (Results)	FY21.6 (Guidance)	YOY	
Revenue	40,453	39,000	(1,453)	(3.6%)	38,916	38,049	(867)	(2.2%)	158,407	156,500	(1,907)	(1.2%)
Operating profit (OP)	4,848	4,500	(348)	(7.2%)	2,701	2,820	+118	+4.4%	15,772	17,000	+1,227	+7.8%
OP margin	12.0%	11.5%	(0.4 pts)		6.9%	7.4%	+0.5 pts		10.0%	10.9%	+0.9 pts	
Profit before income taxes	4,897	4,450	(447)	(9.1%)	2,754	2,806	+51	+1.9%	15,843	16,900	+1,056	+6.7%
Net profit	3,325	3,000	(325)	(9.8%)	1,845	1,878	+32	+1.8%	10,825	11,500	+674	+6.2%
Net profit margin	8.2%	7.7%	(0.5 pts)		4.7%	4.9%	+0.2 pts		6.8%	7.3%	+0.5 pts	
Earnings per share (yen)	92.09	83.54	(8.55)	(9.3%)	51.39	52.29	+0.89	+1.8%	299.97	320.25	+20.28	+6.8%
Dividend per share (yen)	—	—	—	—	—	—	—	—	150.00	161.00	+11.00	+7.3%

Key KPIs	Q3 (three-months period)				Q4 (three-months period)				Full-Year			
	FY20.6 (Results)	FY21.6 (Guidance)	YOY		FY20.6 (Results)	FY21.6 (Guidance)	YOY		FY20.6 (Results)	FY21.6 (Guidance)	YOY	
Engineers (quarter end)	20,234	19,900	(334)	(1.7%)	21,264	20,000	(1,264)	(5.9%)	21,264	20,000	(1,264)	(5.9%)
Ave. utilization ratio	95.4%	95.8%	+0.4 pts	—	89.8%	92.6%	+2.8 pts	—	94.0%	93.9%	(0.1 pts)	—
Ave. monthly unit price* (yen in thousands)	638	630	(8)	(1.3%)	620	620	0	0.0%	630	626	(4)	(0.6%)

# 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 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	124,800	(1.1%)	17,720	19,787	19,400	(2.0%)	3,474	4,103	3,500	(14.7%)	135,217	150,071	147,700	(1.6%)
Ratio to consolidated revenue	79.1%	79.7%	79.7%		12.3%	12.5%	12.4%		2.4%	2.6%	2.2%		93.8%	94.7%	94.4%	
Operating profit	10,672	12,880	13,300	+3.3%	1,938	2,109	2,850	+35.1%	416	(139)	100	—	13,028	14,850	16,250	+9.4%
OP margin	9.4%	10.2%	10.7%		10.9%	10.7%	14.7%		12.0%	(3.4%)	2.9%		9.6%	9.9%	11.0%	
OP before PPA asset amortization	10,752	12,960	13,380	+3.2%	1,938	2,517	2,850	+13.2%	416	367	100	(72.8%)	13,108	15,845	16,330	+3.1%
OP margin before PPA asset amortization	9.4%	10.3%	10.7%		10.9%	12.7%	14.7%		12.0%	9.0%	2.9%		9.7%	10.6%	11.1%	
No. of engineers (period-end)	16,748	18,471	17,470	(5.4%)	2,545	2,793	2,530	(9.4%)	—	—	—	—	19,293	21,264	20,000	(5.9%)
o/w non-Japanese in Japan	922	1,082	—	—	63	96	—	—	—	—	—	—	985	1,178	—	—

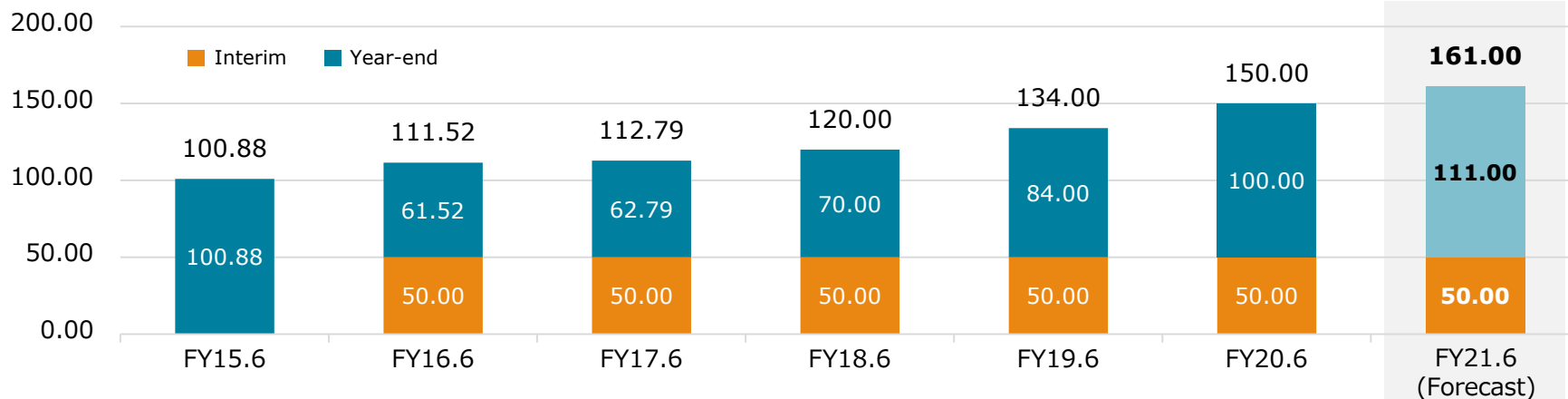
	Overseas				Reporting Segment Total				Corporate/Eliminations				Consolidated Total			
	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY	FY19.6	FY20.6	FY21.6	YOY
Revenue	10,283	9,941	10,300	+3.6%	145,500	160,012	158,000	(1.3%)	(1,324)	(1,605)	(1,500)	—	144,176	158,407	156,500	(1.2%)
Ratio to consolidated revenue	7.1%	6.3%	6.6%		100.9%	101.0%	101.0%		(0.9%)	(1.0%)	(1.0%)		100.0%	100.0%	100.0%	
Operating profit	(931)	655	750	+14.4%	12,096	15,506	17,000	+9.6%	1,642	266	0	—	13,739	15,772	17,000	+7.8%
OP margin	(9.1%)	6.6%	7.3%		8.3%	9.7%	10.8%		—	—	—		9.5%	10.0%	10.9%	
OP before PPA asset amortization	993	858	950	+10.6%	14,101	16,704	17,280	+3.4%	172	119	0	—	14,274	16,824	17,280	+2.7%
OP margin before PPA asset amortization	9.7%	8.6%	9.2%		9.7%	10.4%	10.9%		—	—	—		9.9%	10.6%	11.0%	
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 (similarly to the previous years, an interim dividend of 50 yen per share to be paid for FY21.6)
- 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

(yen per share)

## Dividend History & Forecast, Payout/Total Return Ratio

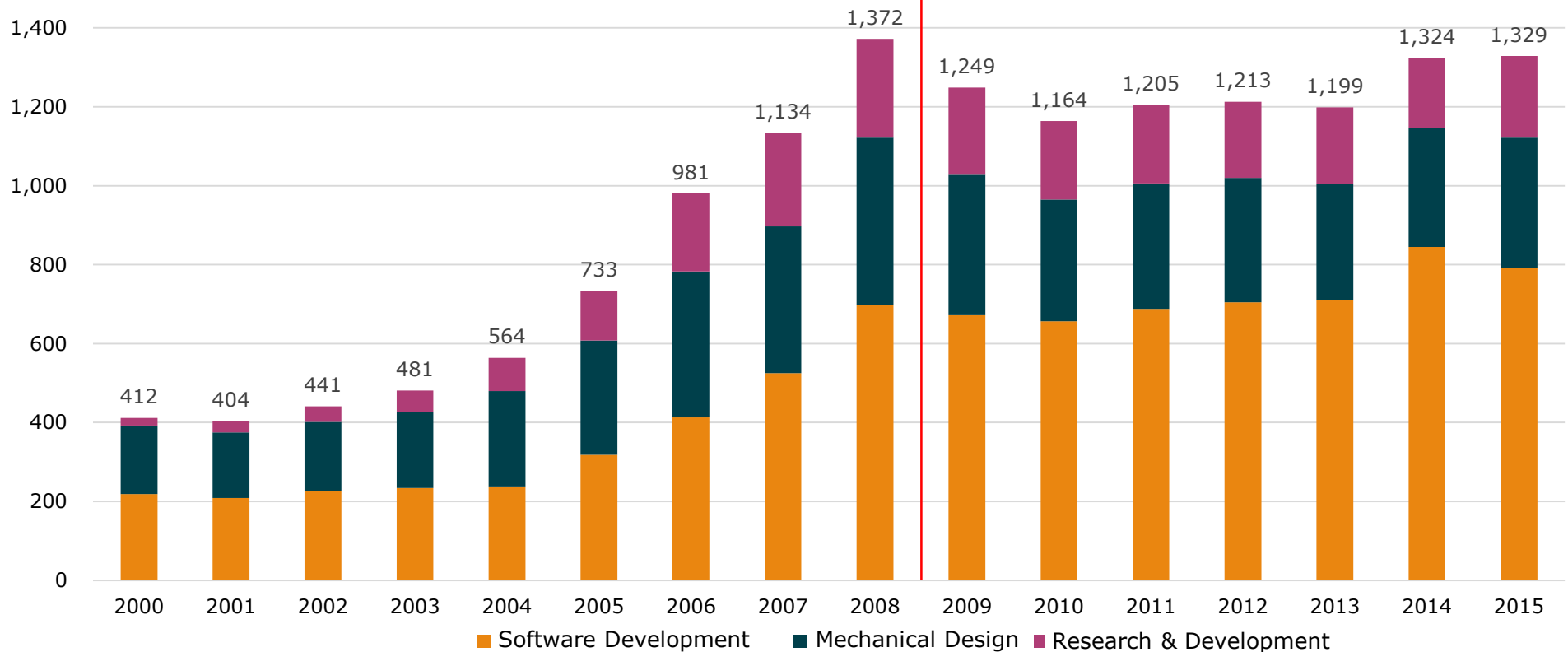


ROE	37.1%	32.0%	29.9%	24.5%	22.4%	23.3%	22.3%
EPS (yen)	201.76	215.80	225.58	244.81	266.86	299.97	320.25
<b>Payout ratio</b>	<b>50.0%</b>	<b>51.7%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.2%</b>	<b>50.0%</b>	<b>50.3%</b>
Total amount (yen in millions)	3,437	3,808	3,858	4,250	4,864	5,397	5,781
Share repurchase (yen in millions)	—	—	—	—	—	2,063	N/A
<b>Total return ratio</b>	<b>50.0%</b>	<b>51.7%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.2%</b>	<b>68.9%</b>	<b>N/A</b>

# 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]

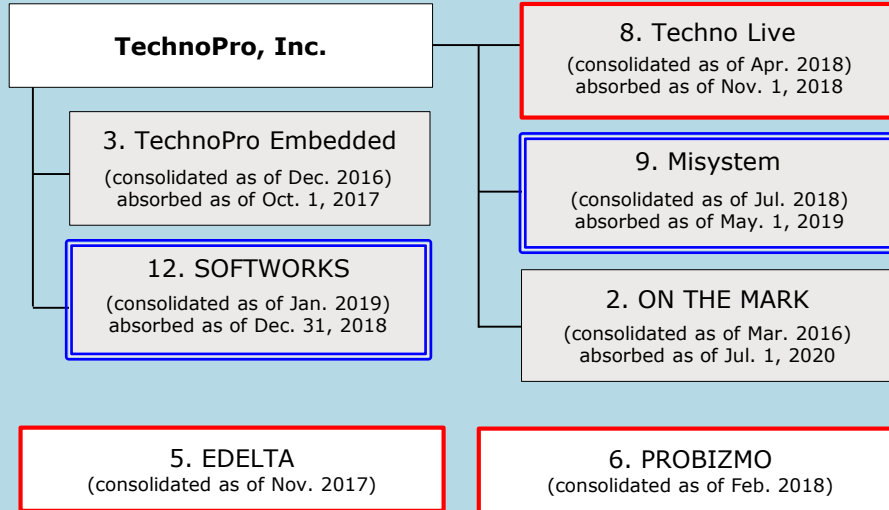
\* Excluding construction management as its figures were not included in the census (specified 26 occupations) since 2016



# Appendix: Reportable Segments (as of Q2 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



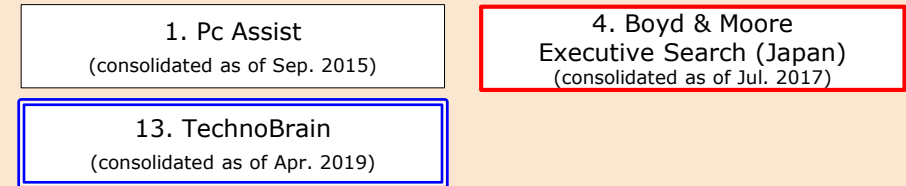
## Construction Management Outsourcing

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



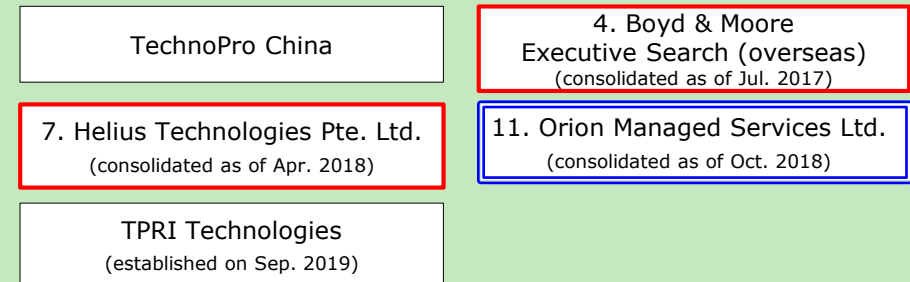
## Other Businesses in Japan

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 Q2 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)
<b>R&amp;D Outsourcing</b>									
Machinery, Electric/Electronic	100.0%	13,674	977	14,651	40.5%				
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%	674	up to 30.3		
Chemical, Biochemical	100.0%	1,262		1,262	3.5%				
<b>Construction Mgmt. Outsourcing</b>									
Construction management	100.0%	3,383		3,383	9.4%				
TOQO	100.0%		190	190	0.5%				
<b>Other Businesses in Japan</b>									
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%				
<b>Overseas</b>									
Helius	51.0%		667	667	1.8%	609	up to 26.3	1,694	17.4-22.6
Orion	63.2%		1,015	1,015	2.8%	449	up to 26.9	1,277	18.4-23.6
Total		29,202	6,972	36,174	100.0%	1,733		2,971	

# Contents

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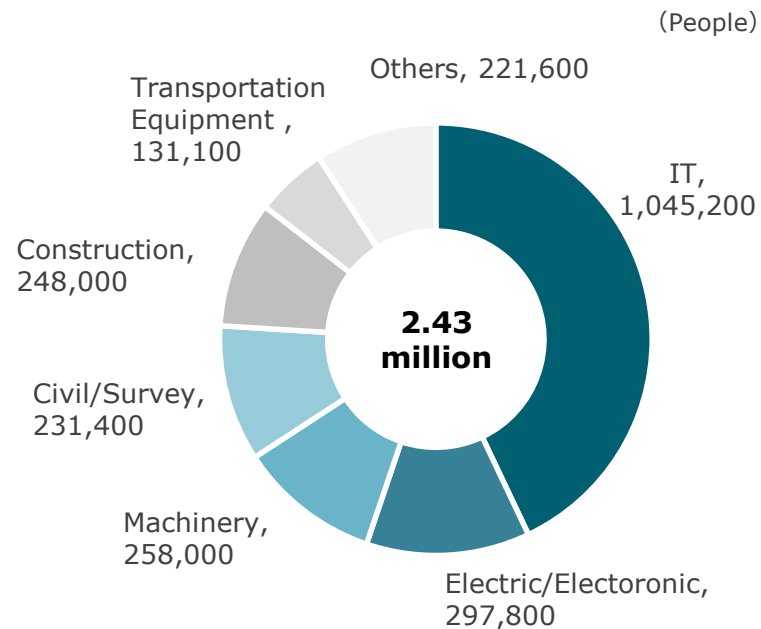
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# Distribution of Engineers in Japan

- According to the census in 2015, the number of engineers in Japan is 2.43 million and about 40% of them are IT engineers
- In terms of IT engineers, the outsourcing ratio is relatively high in Japan

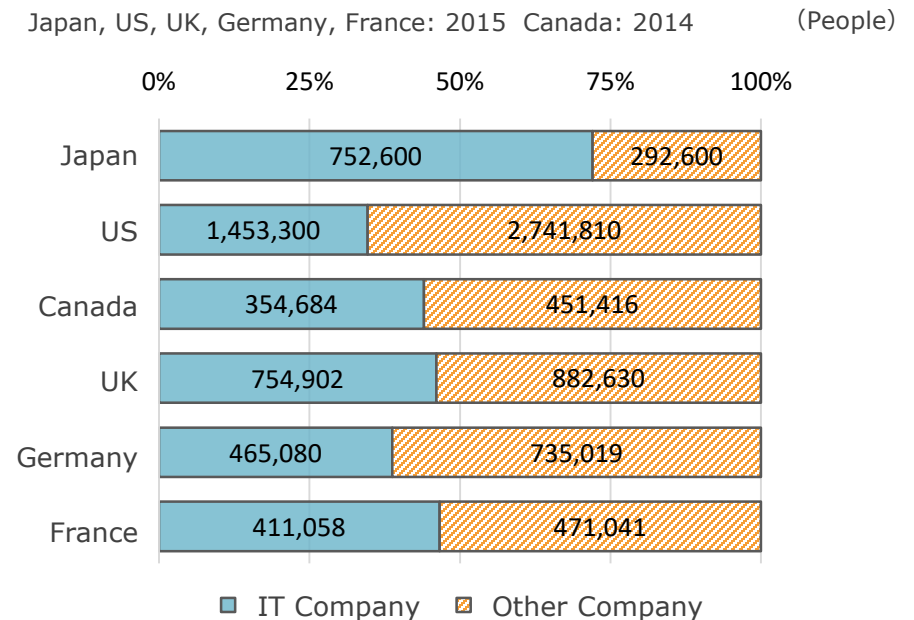
## 1. Number of Engineers in Japan (2015)

Source: Census 2015



## 2. Ratio of IT Talents at IT and Other Companies

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



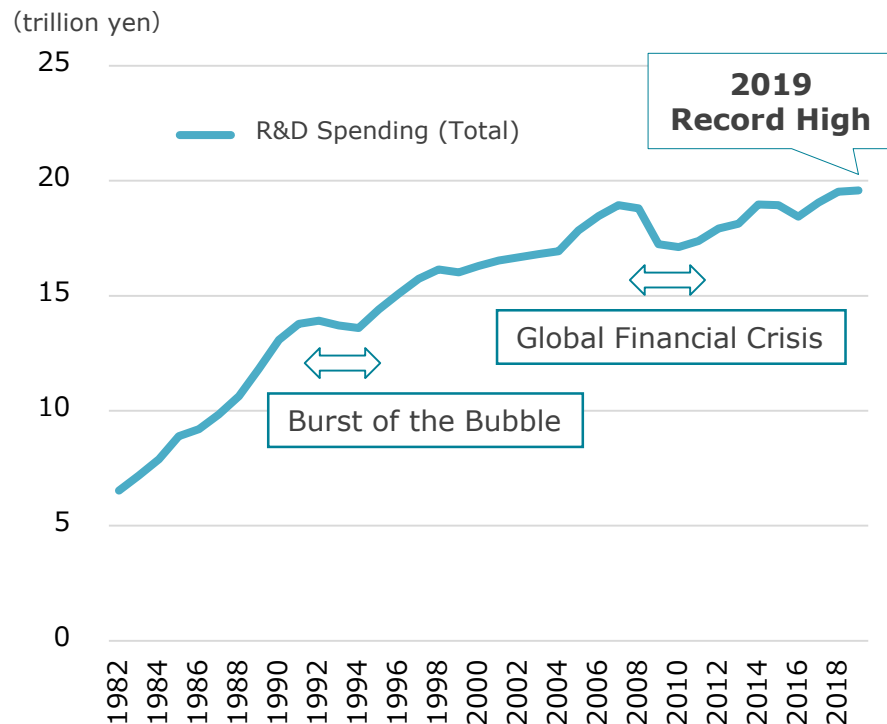
\* "IT Company" means IT vendors and  
"Other Company" means IT user companies

# Trend of R&D Spending & 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"

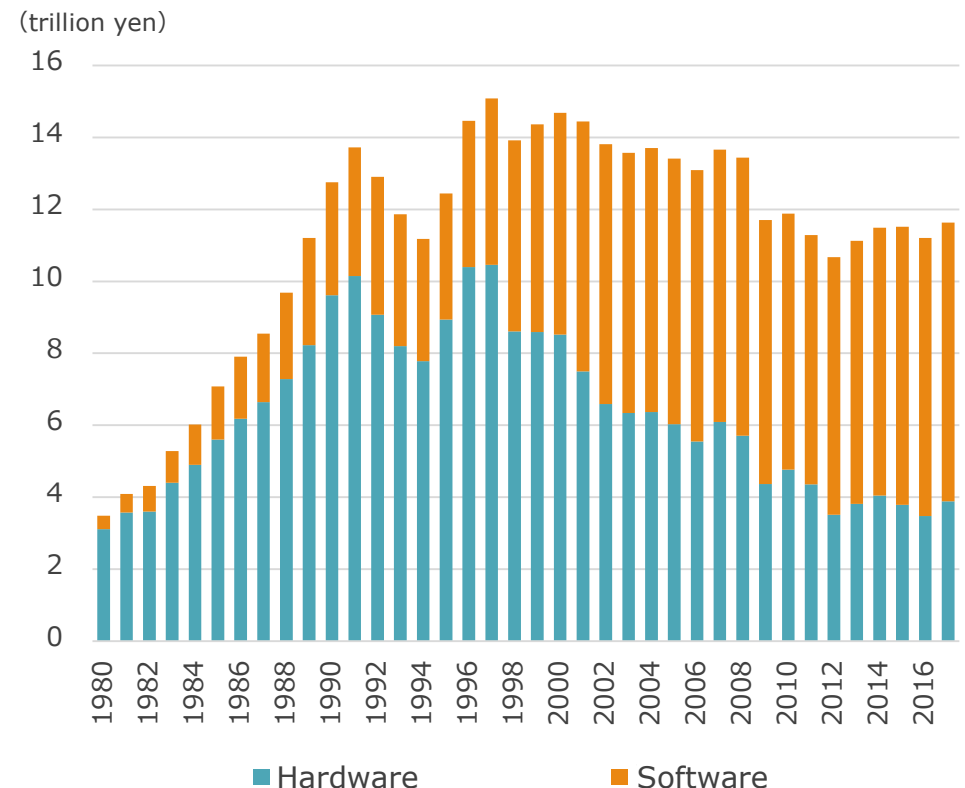
## 3. Trend of R&D Spending in Japan

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"

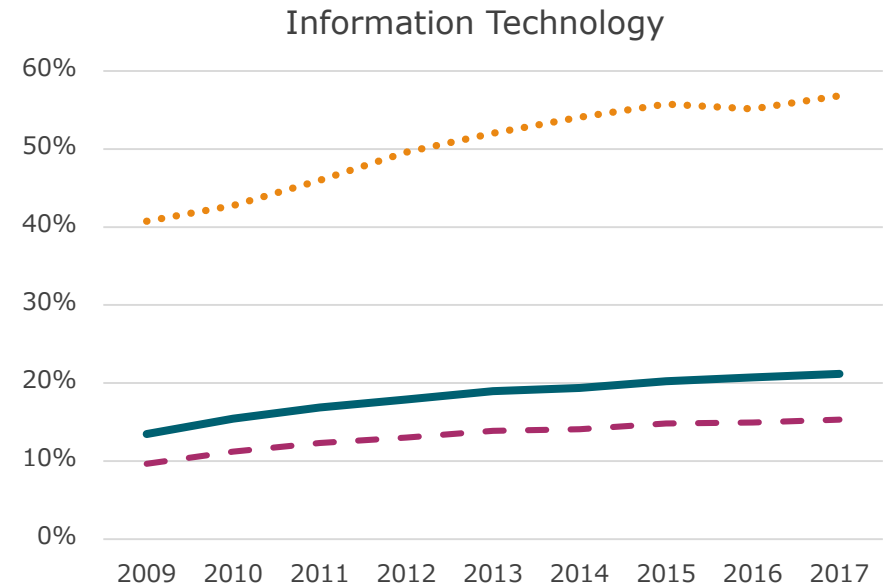
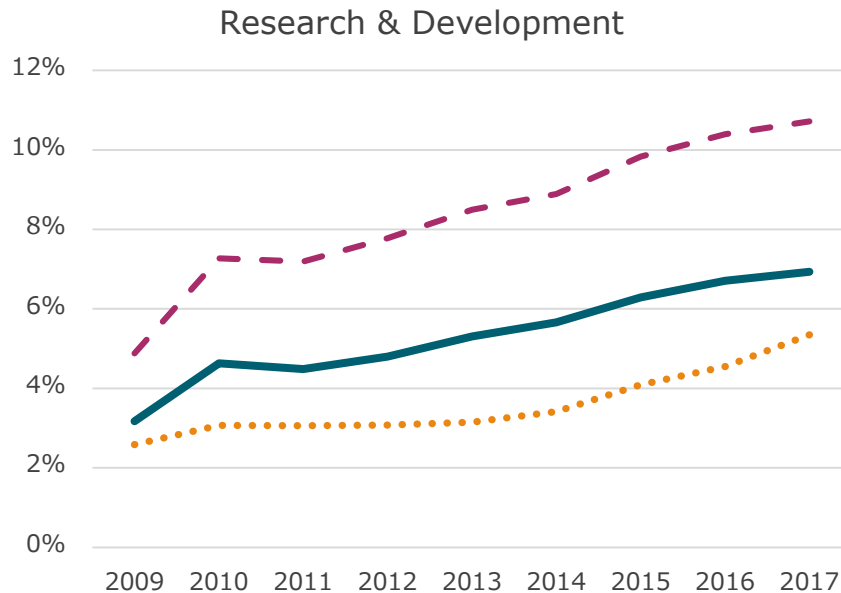


# Outsourcing Usage Ratio of R&D and IT Activity

- 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



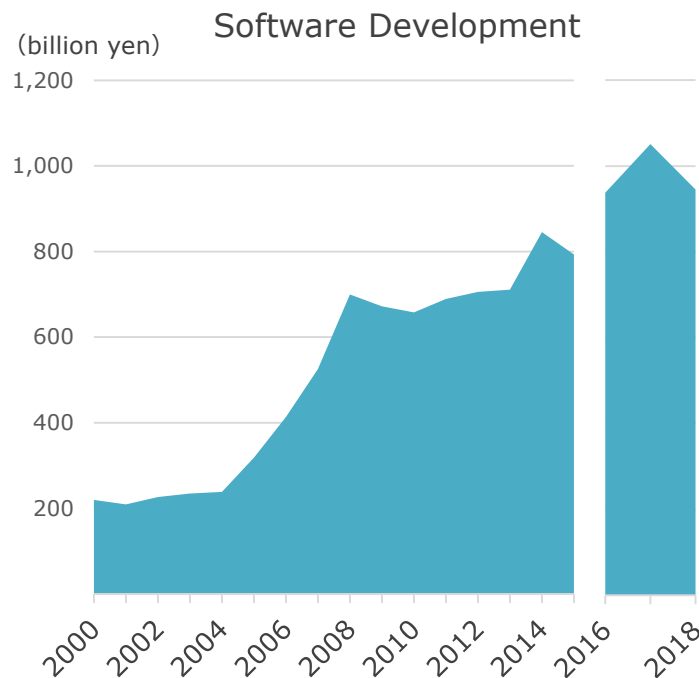
— All Industry Average  
- - Manufacturing  
... Information & Telecommunication

# Engineer Staffing Market Overview

- Estimated the whole staffing market size in Japan is about 6.5 trillion yen (2018); of which, engineer staffing market size is about 1.8 trillion yen, about 250,000 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

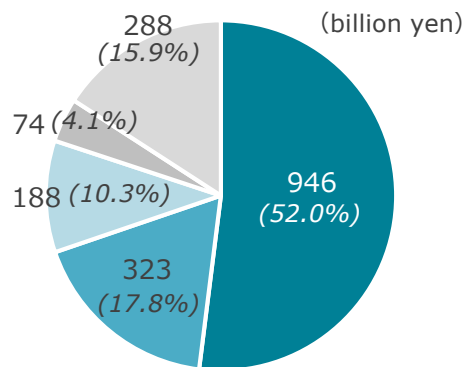
Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare



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

### Market Size 1.8 trillion yen (2018)

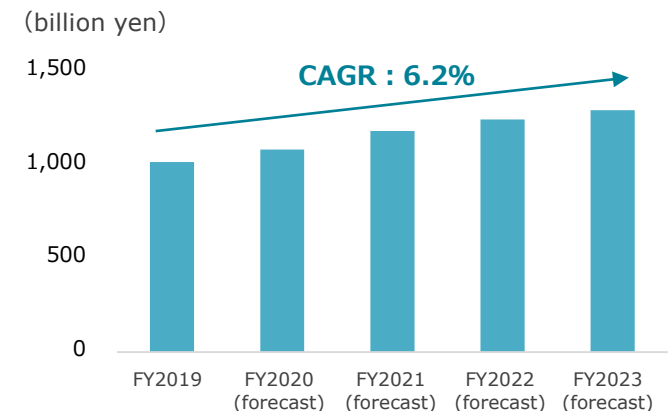
#### Breakdown



- 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)

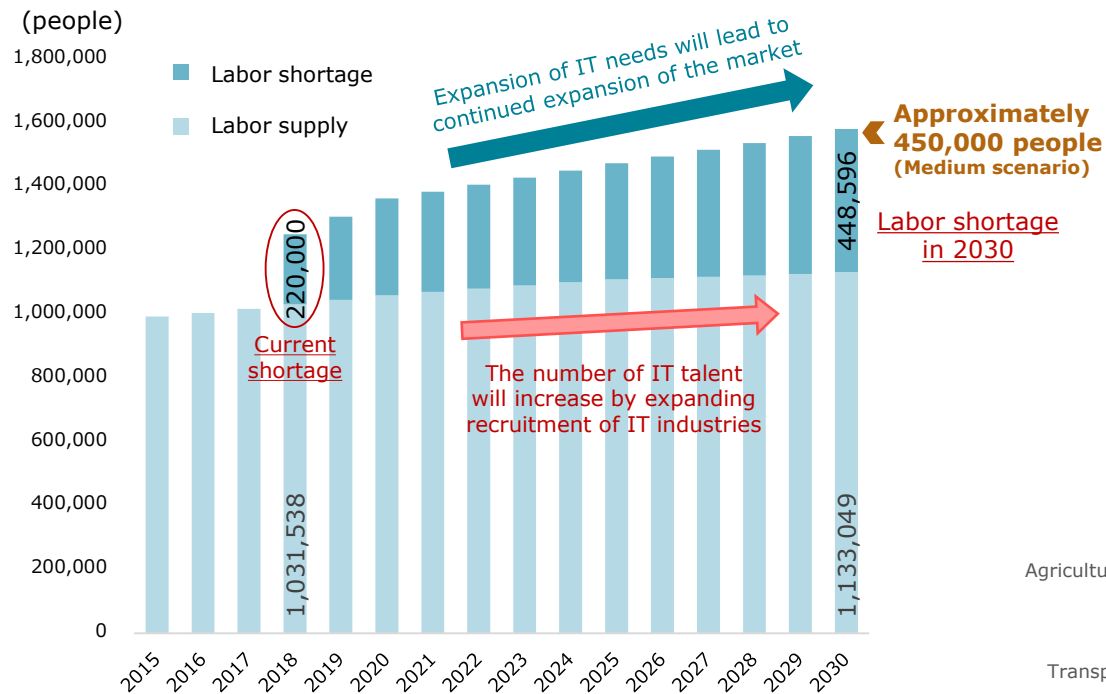
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole.

# 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 with the spread of AI will be more than offset by the new demand for engineers

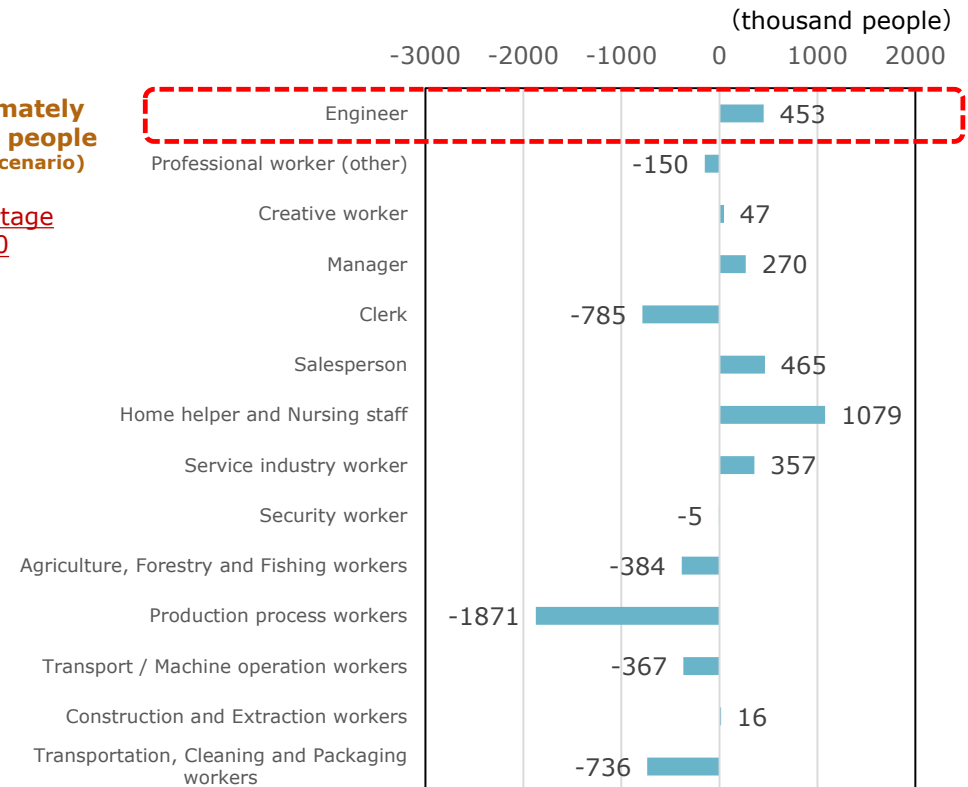
## 8. IT Talent Shortage Projections

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



## 9. 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

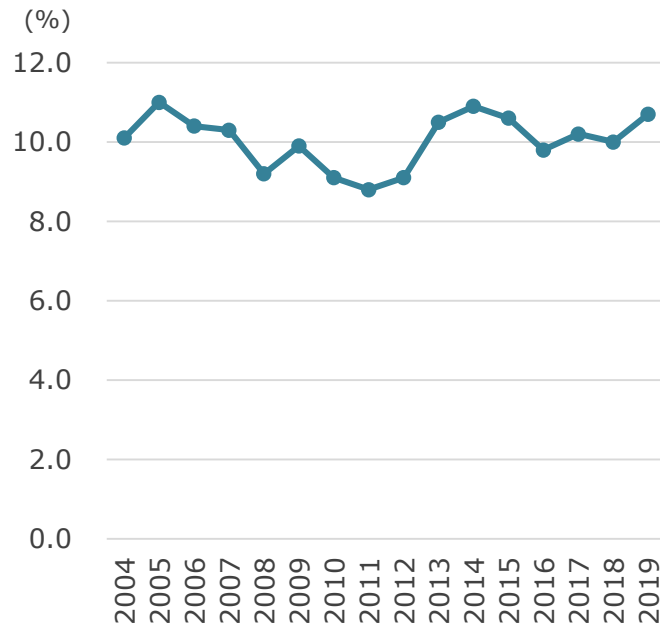


# Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market

- 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

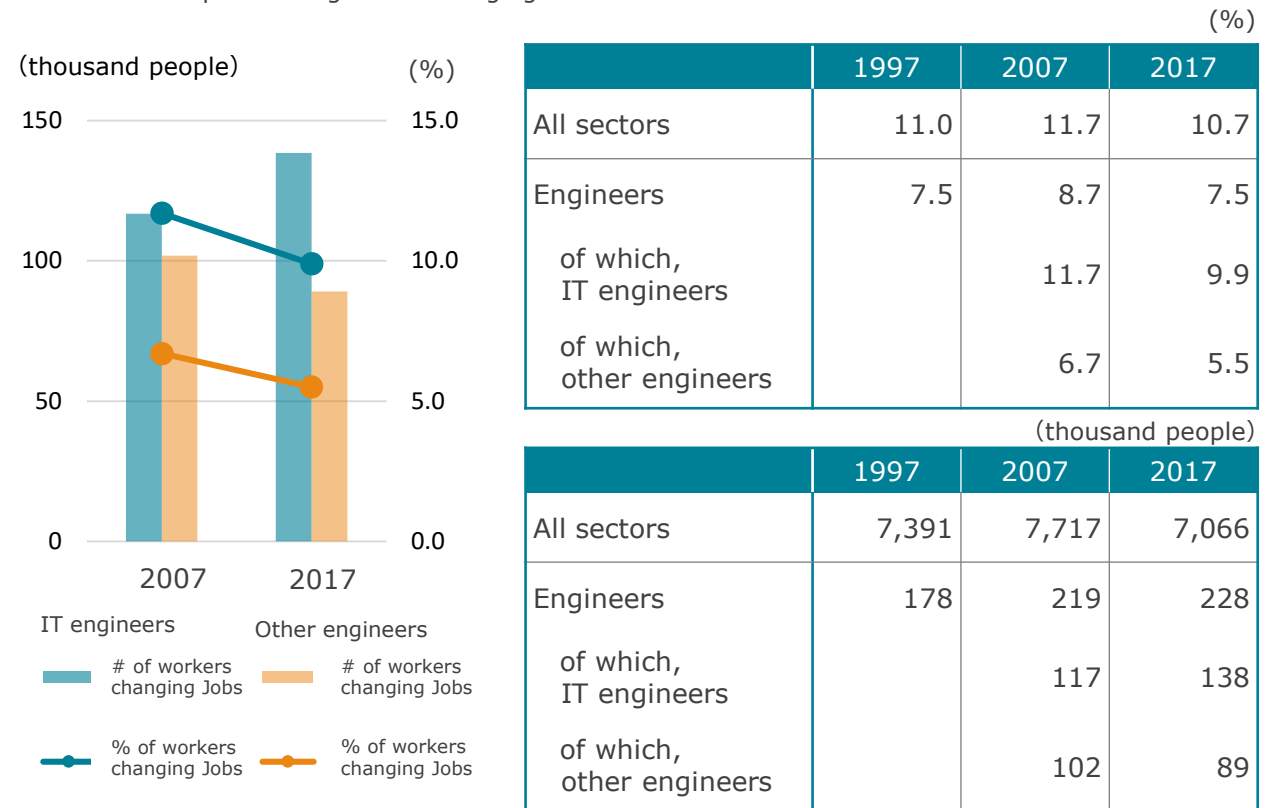
## 10. Turnover Ratio in Japan

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



## 11. Turnover of Engineers

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

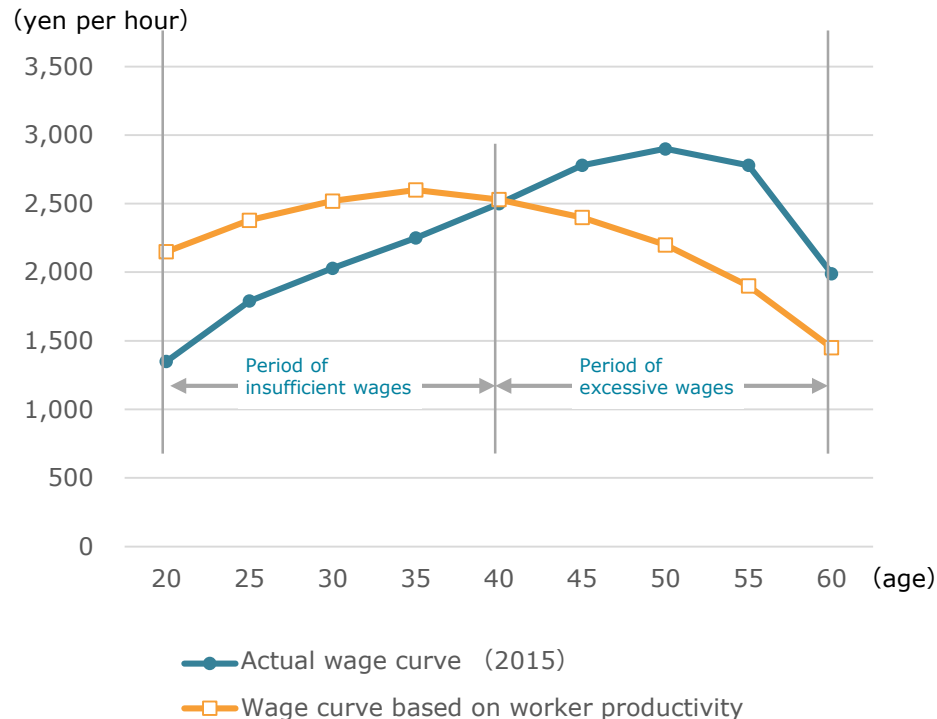


# Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market (Cont.)

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

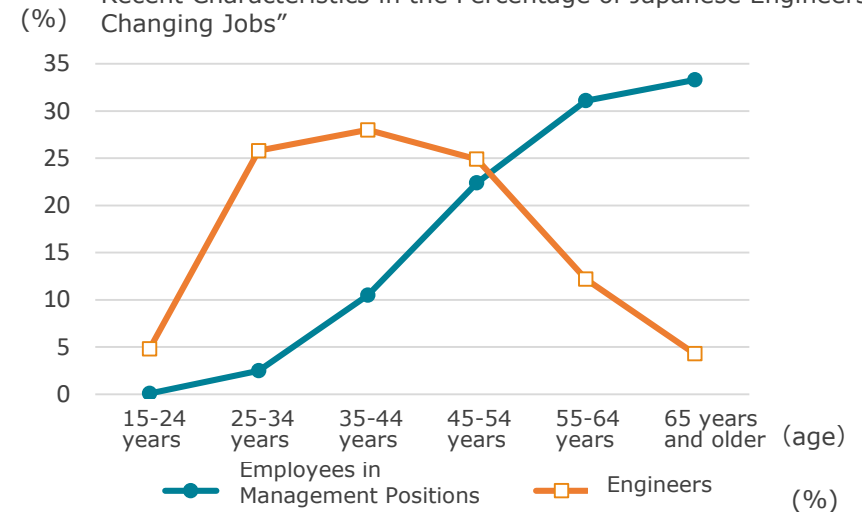
## 12. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

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



## 13. 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"



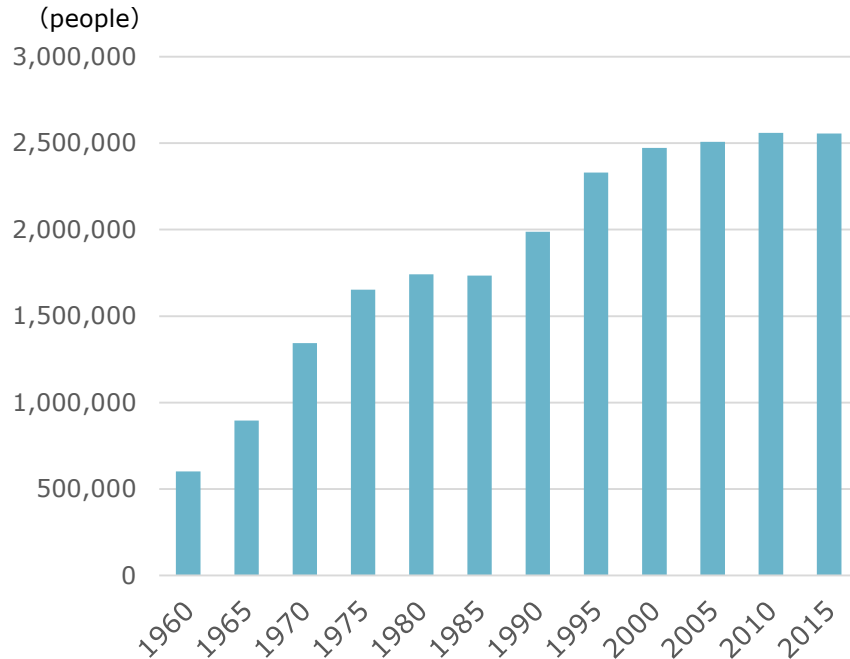
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

# 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

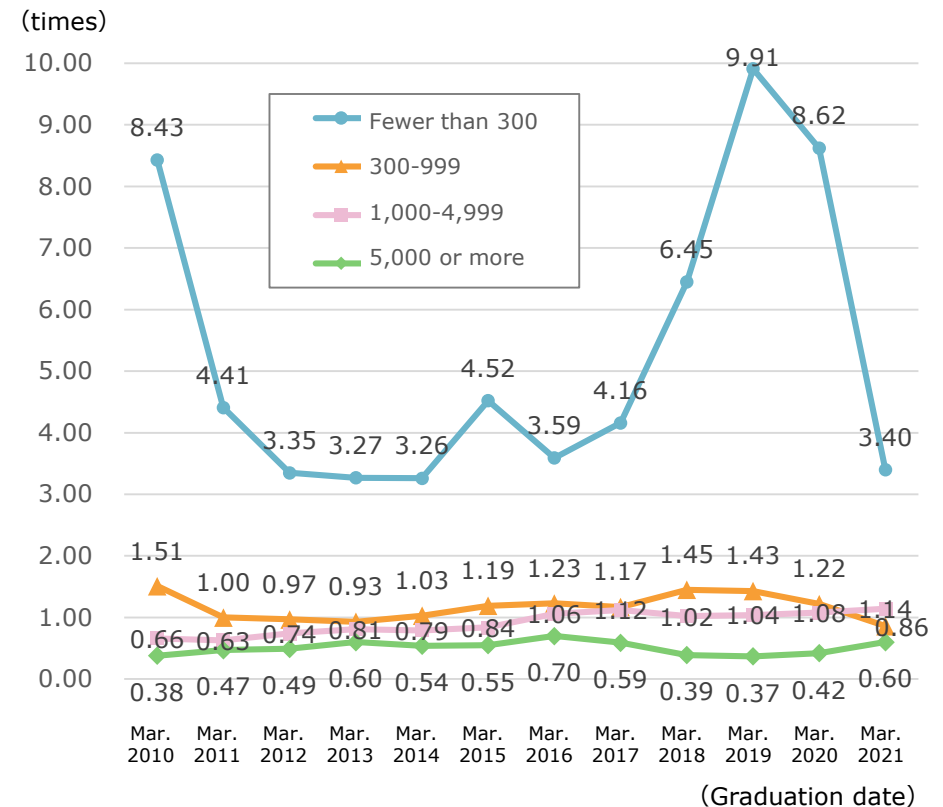
## 14. No. of University Students

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



## 15. 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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