

TechnoPro Group Financial Results for the 1st Quarter of FY25.6

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

October 31, 2024

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

Q1 FY25.6 Financial Overviews

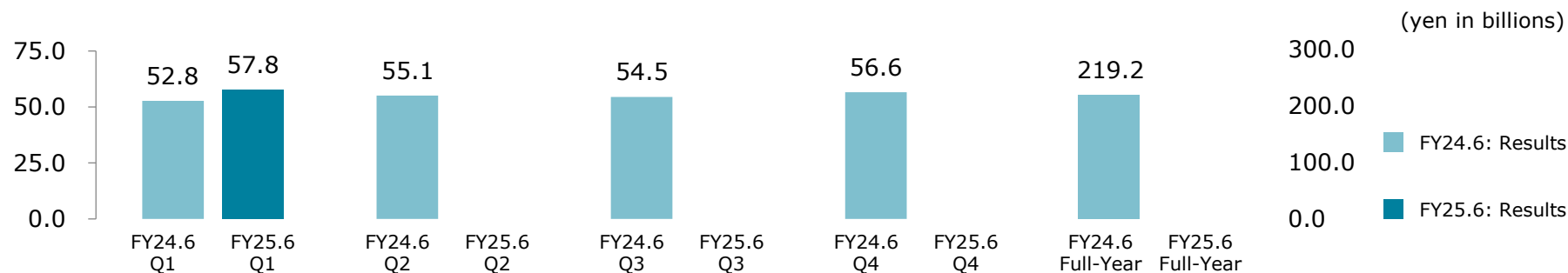
- Q1 FY25.6 revenue was **57.8 billion yen**, up 9.4% year-on-year; gross profit was **15.4 billion yen**, up 10.2% year-on-year; core operating profit was **6.9 billion yen**, up 21.8% year-on-year; operating profit was **7.0 billion yen**, up 21.3% year-on-year; SG&A expenses increased by 190 million yen, of which recruitment costs increased by 150 million yen; SG&A ratio was reduced to below 15%
- Q1 FY25.6 gross profit increased by **1.4 billion yen** year-on-year, mainly due to 1) increased allocation of domestic dispatch engineers (up 520 million yen), 2) price hike of dispatch contracts (up 1.28 billion yen), and 3) expansion of project-type services (up 240 million yen), offset by increases in 4) provision for seasonal and financial results-linked bonuses (down 630 million yen in total), and 5) provision for paid leave (down 110 million yen)
- Q1 FY25.6 results slightly exceeded the initial plan, progressing well against H1 guidance despite uncertainties in the Overseas segment

(yen in millions, except per share amounts)

	Q1 (Three-Month Period)				First Half				Full-Year			
	FY24.6 (Results)	FY25.6 (Results)	YoY		FY24.6 (Results)	FY25.6 (Guidance)	YoY		FY24.6 (Results)	FY25.6 (Guidance)	YoY	
Revenue	52,896	57,874	+4,977	+9.4%	108,009	117,000	+8,990	+8.3%	219,218	237,000	+17,781	+8.1%
Gross profit	14,058	15,496	+1,437	+10.2%	29,062	—	—	—	58,810	—	—	—
GP margin	26.6%	26.8%	+0.2 pts		26.9%				26.8%			
SG&A expenses	8,350	8,545	+195	+2.3%	16,789	—	—	—	34,414	—	—	—
Ratio on revenue	15.8%	14.8%	(1.0 pts)		15.5%				15.7%			
Core operating profit	5,708	6,950	+1,242	+21.8%	12,273	14,000	+1,726	+14.1%	24,395	27,000	+2,604	+10.7%
Core OP margin	10.8%	12.0%	+1.2 pts		11.4%	12.0%	+0.6 pts		11.1%	11.4%	+0.3 pts	
Other income	91	85	(5)	—	160	—	—	—	361	—	—	—
Other expenses	10	15	+5	—	17	—	—	—	2,838	—	—	—
Operating profit	5,788	7,019	+1,231	+21.3%	12,416	14,000	+1,583	+12.8%	21,918	27,000	+5,081	+23.2%
OP margin	10.9%	12.1%	+1.2 pts		11.5%	12.0%	+0.5 pts		10.0%	11.4%	+1.4 pts	
Profit before income taxes	5,852	6,964	+1,112	+19.0%	12,464	14,000	+1,535	+12.3%	22,139	27,000	+4,860	+22.0%
Net profit	4,031	4,780	+748	+18.6%	8,591	9,600	+1,008	+11.7%	14,684	18,500	+3,815	+26.0%
Net profit margin	7.6%	8.3%	+0.6 pts		8.0%	8.2%	+0.3 pts		6.7%	7.8%	+1.1 pts	
Earnings per share	37.67	45.35	+7.69	+20.4%	80.34	91.08	+10.74	+13.4%	137.56	175.52	+37.96	+27.6%
Dividend per share	—	—	—	—	25.00	30.00	+5.00	+20.0%	80.00	90.00	+10.00	+12.5%

Reference: Quarterly Performance

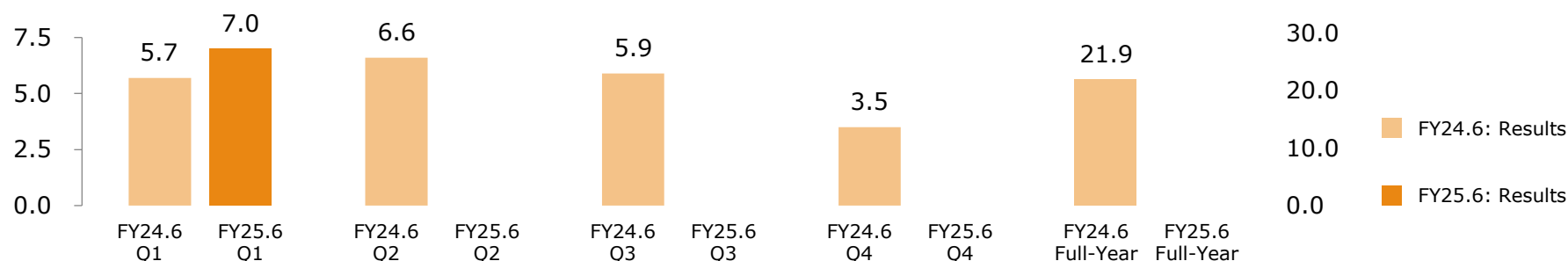
Revenue



YoY	+9.4%		—		—		—		—	
Progress on full-year %	24.1%	—	25.1%	—	24.9%	—	25.8%	—	100.0%	—
Ave. no. of engineers	24,233	26,148	24,589	[26,460]	24,835	—	25,979	—	24,909	—
Ave. utilization ratio	95.0%	95.1%	95.9%	[95.5%]	95.9%	—	93.2%	—	95.0%	—
Ave. monthly unit sales price (thousands yen)*	669	685	684	[703]	675	—	685	—	678	—
Working days*	56.4	55.8	57.9	[58.5]	54.2	—	57.3	—	225.8	—
Working hours per day*	8.39	8.43	8.46	[8.42]	8.46	—	8.41	—	8.43	—

† Figures in brackets indicate forecast at the time of publication

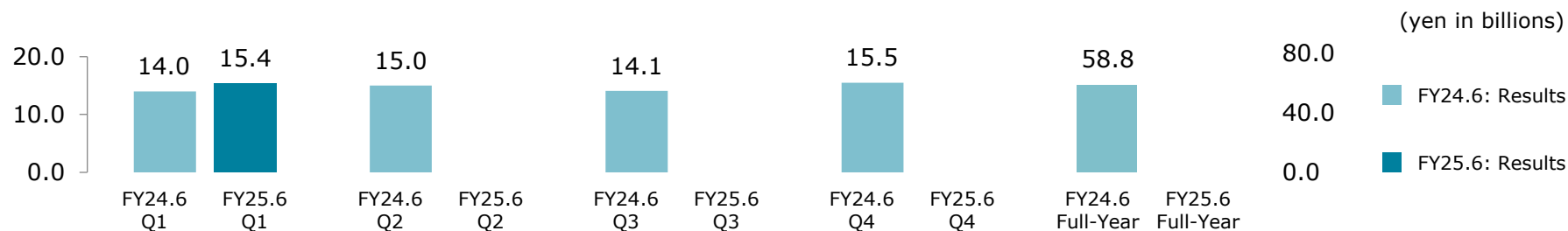
Operating Profit



YoY	+21.3%		—		—		—		—	
Progress on full-year %	26.4%	—	30.2%	—	27.1%	—	16.3%	—	100.0%	—
OP margin	10.9%	12.1%	12.0%	—	10.9%	—	6.3%	—	10.0%	—

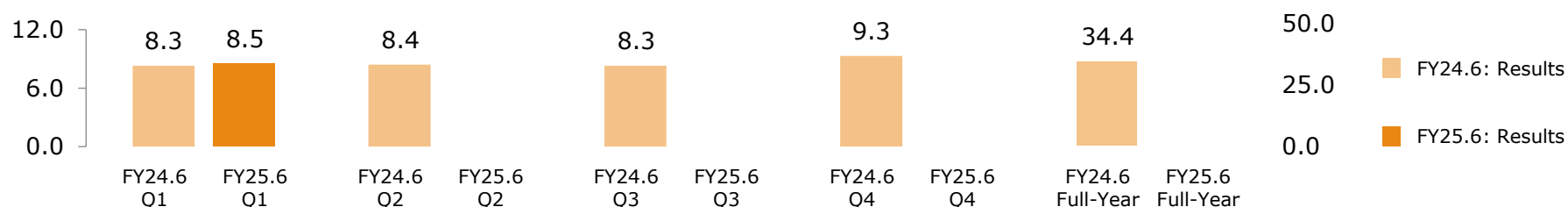
Reference: Quarterly Performance (cont.)

Gross Profit



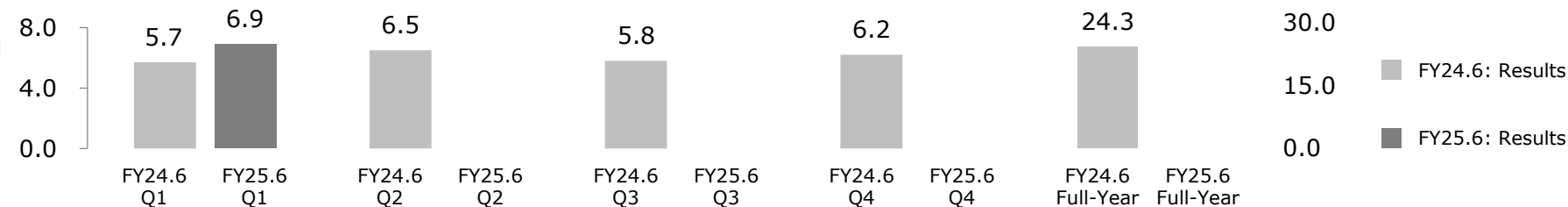
YoY	+10.2%		—		—		—		—	
GP margin	26.6%	26.8%	27.2%	—	25.9%	—	27.5%	—	26.8%	—

SG&A



YoY	+2.3%		—		—		—		—	
GP margin	15.8%	14.8%	15.3%	—	15.2%	—	16.5%	—	15.7%	—

Core Operating Profit



YoY	+21.8%		—		—		—		—	
GP margin	10.8%	12.0%	11.9%	—	10.7%	—	11.1%	—	11.1%	—

Q1 FY25.6 Segment Results

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY23.6 Q1	FY24.6 Q1	FY25.6 Q1	YoY	FY23.6 Q1	FY24.6 Q1	FY25.6 Q1	YoY	FY23.6 Q1	FY24.6 Q1	FY25.6 Q1	YoY	FY23.6 Q1	FY24.6 Q1	FY25.6 Q1	YoY
Revenue	36,591	40,561	45,019	+11.0%	5,187	5,559	6,129	+10.3%	1,272	1,066	1,074	+0.7%	43,051	47,187	52,223	+10.7%
Ratio to consolidated revenue	75.9%	76.7%	77.8%		10.8%	10.5%	10.6%		2.6%	2.0%	1.9%		89.3%	89.2%	90.2%	
Gross profit	9,719	10,467	11,677	+11.6%	1,525	1,735	1,843	+6.2%	915	688	710	+3.2%	12,160	12,891	14,231	+10.4%
GP margin	26.6%	25.8%	25.9%		29.4%	31.2%	30.1%		71.9%	64.5%	66.1%		28.2%	27.3%	27.3%	
Operating profit	4,724	4,749	5,573	+17.3%	651	809	880	+8.8%	110	(79)	5	—	5,486	5,480	6,459	+17.9%
OP margin	12.9%	11.7%	12.4%		12.6%	14.6%	14.4%		8.7%	(7.4%)	0.5%		12.7%	11.6%	12.4%	
OP before PPA asset amortization	4,742	4,767	5,591	+17.3%	651	809	880	+8.8%	110	(79)	5	—	5,504	5,498	6,477	+17.8%
OP margin before PPA asset amortization	13.0%	11.8%	12.4%		12.6%	14.6%	14.4%		8.7%	(7.4%)	0.5%		12.8%	11.7%	12.4%	
PPA asset amortization	(18)	(18)	(18)	—	—	—	—	—	—	—	—	—	(18)	(18)	(18)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	19,473	21,354	23,007	+7.7%	2,800	2,997	3,274	+9.2%	—	—	—	—	22,273	24,351	26,281	+7.9%
o/w Non-Japanese in Japan	778	950	1,045	+10.0%	115	139	195	+40.3%	—	—	—	—	893	1,089	1,240	+13.9%

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY23.6 Q1	FY24.6 Q1	FY25.6 Q1	YoY	FY23.6 Q1	FY24.6 Q1	FY25.6 Q1	YoY	FY23.6 Q1	FY24.6 Q1	FY25.6 Q1	YoY	FY23.6 Q1	FY24.6 Q1	FY25.6 Q1	YoY
Revenue	5,928	6,406	6,344	(1.0%)	48,979	53,593	58,568	+9.3%	(753)	(696)	(694)	—	48,225	52,896	57,874	+9.4%
Ratio to consolidated revenue	12.3%	12.1%	11.0%		101.6%	101.3%	101.2%		(1.6%)	(1.3%)	(1.2%)		100.0%	100.0%	100.0%	
Gross profit	1,577	1,728	1,737	+0.5%	13,738	14,620	15,968	+9.2%	(488)	(562)	(472)	—	13,249	14,058	15,496	+10.2%
GP margin	26.6%	27.0%	27.4%		28.0%	27.3%	27.3%		—	—	—		27.5%	26.6%	26.8%	
Operating profit	559	269	478	+77.3%	6,045	5,750	6,938	+20.7%	(38)	38	81	—	6,007	5,788	7,019	+21.3%
OP margin	9.4%	4.2%	7.5%		12.3%	10.7%	11.8%		—	—	—		12.5%	10.9%	12.1%	
OP before PPA asset amortization	706	441	564	+27.6%	6,211	5,940	7,041	+18.5%	(38)	38	81	—	6,172	5,978	7,123	+19.1%
OP margin before PPA asset amortization	11.9%	6.9%	8.9%		12.7%	11.1%	12.0%		—	—	—		12.8%	11.3%	12.3%	
PPA asset amortization	(147)	(172)	(85)	—	(165)	(190)	(103)	—	—	—	—	—	(165)	(190)	(103)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	3,016	3,022	2,517	(16.7%)	25,289	27,373	28,798	+5.2%	—	—	—	—	25,289	27,373	28,798	+5.2%

Q1 FY25.6 Balance Sheet & Cash Flows

- Q1 FY25.6 cash flows turned significantly negative due to 1) delayed payment due to the bank holiday at FY24.6 end, 2) payments for corporate income tax and dividends, and 3) share buyback, etc.
- In October 2024, redeemed 3-year straight bonds of 5.0 billion yen, partially refinanced by 3.0 billion yen bank loans
- Ensuring 1) sufficient flexibility for unexpected financial needs, backed by credit lines for working capital, etc. and 2) diverse funding sources through the shelf registration relating to issuance of corporate bonds

Q1 FY25.6 End B/S (yen in billions)

Cash & cash equivalents 32.7	Debt 13.5
IFRS 16 related assets 9.1	IFRS 16 related liabilities 9.1
Goodwill 45.1	Other liabilities 42.6
PPA 1.6 Other assets 51.5	Total equity 74.8 (Non-controlling interests 1.1)

Total assets 140.0

Total liabilities & equity 140.0

Net Cash : 19.2bn yen

Net Worth Ratio* : 52.6%

Goodwill/E Ratio* : 0.61x

D/E Ratio* : 0.18x

D/OP Ratio** : 0.50x

* Calculated using equity capital excluding non-controlling interests

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

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Q1 FY25.6 Cash Flows (yen in millions)

• Operating CF	(274)
PPA asset amortization	+103
Net cash flow from income tax payment & refund	(5,393)
• Investing CF	(583)
Purchase of tangible fixed assets	(176)
Purchase of intangible assets	(17)
• Financing CF	(11,387)
IFRS 16 related lease liability repayment	(1,756)
Net cash flow from debt procurement & repayment	(250)
Dividend payment	(5,716)
Share repurchase payment	(3,664)

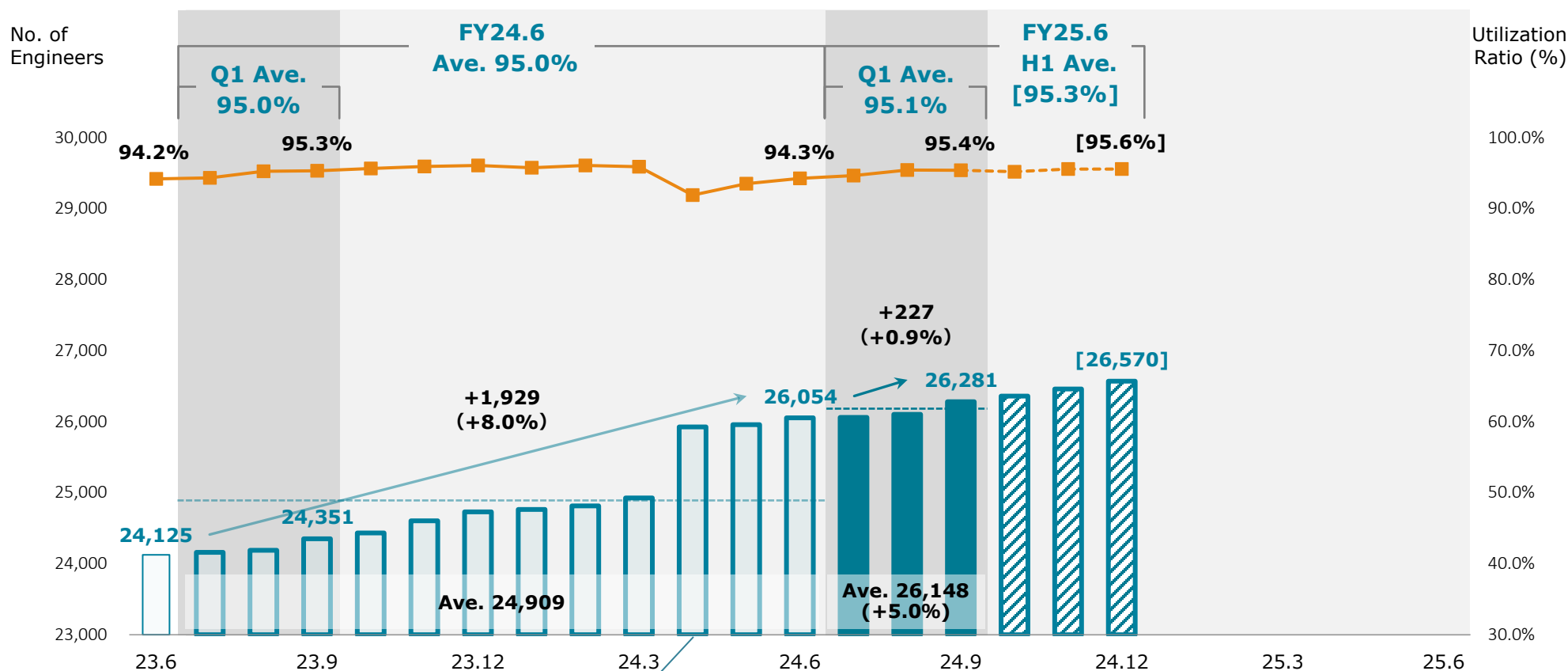
Net CF (incl. effect of exchange rate change of -248mn yen) **(12,493)**

Commitment Lines (yen in millions)

Purpose	Credit line	Used	Unused	Expiration
1 Working capital	6,000	0	6,000	Jun. 2025
2 Working capital etc.	10,000	0	10,000	Dec. 2024
Total	16,000	0	16,000	

Number of Engineers & Utilization Ratio [Japan]

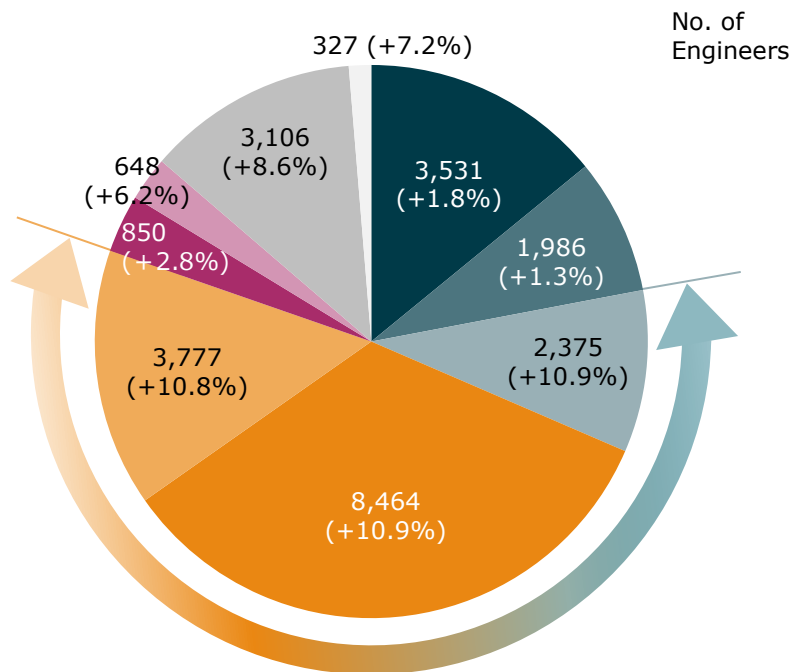
- Engineers in Japan at Q1 FY25.6 end totaled **26,281** (up 1,930 or 7.9% year-on-year), including **1,240** non-Japanese engineers (up 151 year-on-year)
- Engineers working outside Japan at Q1 FY25.6 end totaled **2,517** (not included in the number of engineers in Japan, down 505 or 16.7% year-on-year)
- Utilization ratio was **95.4%** at Q1 FY25.6 end (up 0.1 pts year-on-year), while average one for Q1 three months was **95.1%** (up 0.2 pts year-on-year)



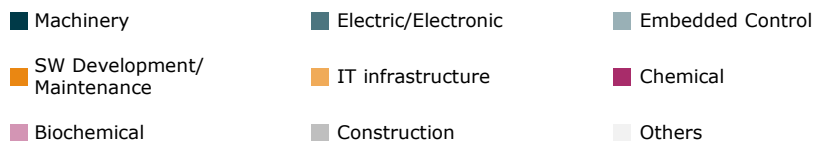
Reference: Assigned Engineers Portfolios [Japan]

Q1 FY25.6 End Assigned Engineers : **25,064** (up 1,853 or 8.0% YoY)

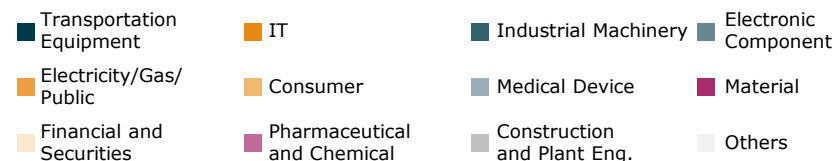
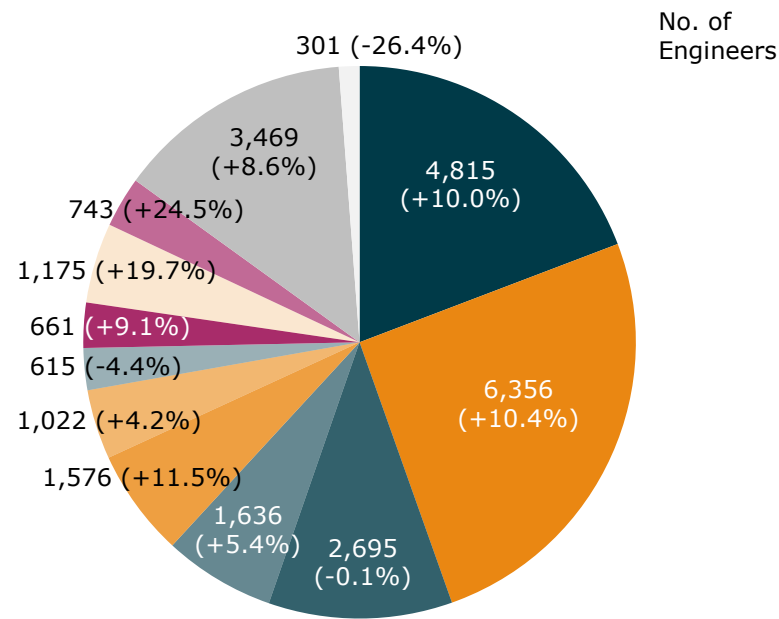
by Technology



IT engineers:
58.3% / 14,616 (+10.9%)



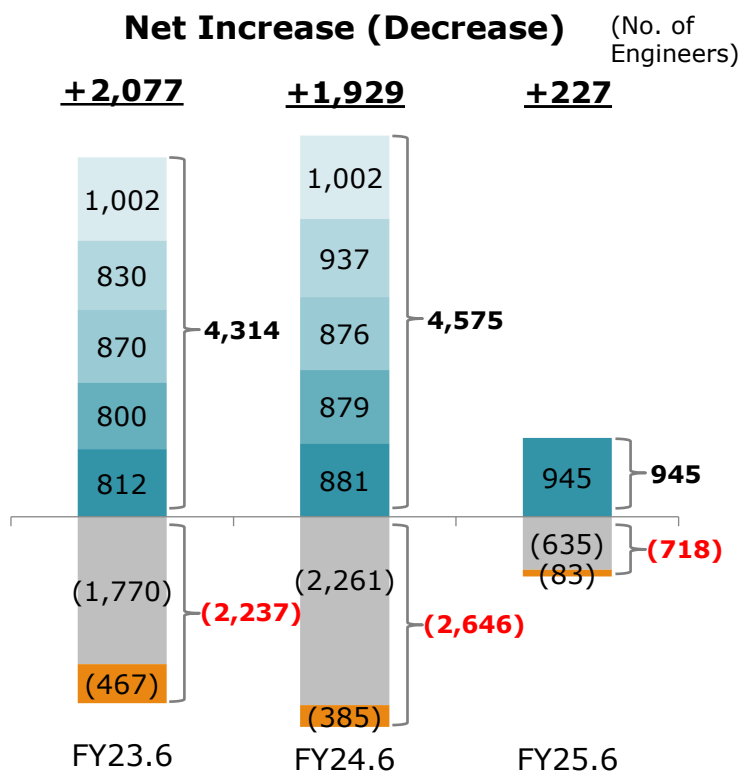
by Industry



† Figures in parenthesis indicate year-on-year % change

Recruitment & Turnover [Japan]

- Engineers hired in Q1 FY25.6 totaled **945** (up 64 year-on-year); expecting to add **1,100** new-grads (up approx. 100 year-on-year) in April 2025
- 718** engineers left in Q1 FY25.6 (up 63 year-on-year): permanent employees of **635** (up 104 year-on-year) and fixed-term employees of **83** (down 41 year-on-year)
- Turnover ratio for permanent employees* was **9.7%** for Q1 FY25.6 (up 0.9 pts year-on-year), and **9.3%** on LTM basis; expecting **9.8%** for full-year FY25.6
- Net engineer addition was **227** for Q1 FY25.6; expecting recruitment for H1 FY25.6 to exceed the plan, while turnover to proceed as planned



Annual Recruitment/Turnover

(No. of Engineers)

	FY23.6	FY24.6	FY25.6	YoY	
Hired Total	4,314	4,575	945	—	—
M&A	0	0	—	—	—
New-grads joined in April	1,002	1,002	—	—	—
Mid-career: Q4	830	937	—	—	—
Mid-career: Q3	870	876	—	—	—
Mid-career: Q2	800	879	—	—	—
Mid-career: Q1	812	881	945	+64	+7.3%
Turnover Total	2,237	2,646	718	—	—
Permanent employees	1,770	2,261	635	—	—
Contract terms matured, others	467	385	83	—	—

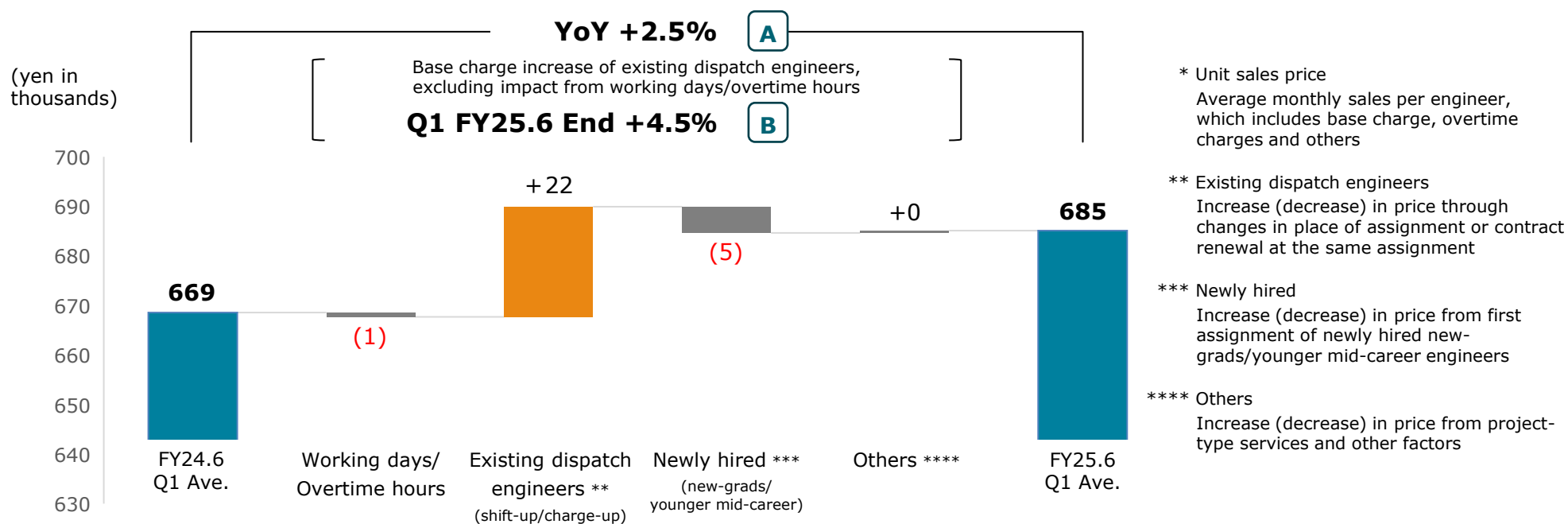
Turnover Ratio for Permanent Employees*

	FY23.6				FY24.6				FY25.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter	7.9%	6.0%	8.0%	8.9%	8.8%	7.1%	9.6%	10.8%	9.7%	—	—	—
YTD	—	7.0%	7.3%	7.7%	—	7.9%	8.5%	9.1%	—	—	—	—
LTM	7.8%	7.5%	7.6%	7.7%	8.0%	8.2%	8.6%	9.1%	9.3%	—	—	—

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

Average Monthly Unit Sales Price [Japan]

- Ave. monthly unit sales price* for Q1 FY25.6 was **685K yen** (up 17K yen/month or 2.5% year-on-year)
- Decreased 1K yen/month year-on-year due to the mix of decrease in working days and increase in overtime hours, and diluted 5K yen/month year-on-year due to first assignment of newly hired new-grads and younger mid-career engineers
- Increased 22K yen/month, driven by base charge hike for existing dispatch engineers through shift-up and charge-up efforts
- Contribution from project-type services remain almost the same as the previous year



	FY24.6				FY25.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (yen in thousands/month, YTD)	669	676	676	678	685	—	—	—
YoY A	+2.1%	+2.3%	+1.3%	+1.3%	+2.5%	—	—	—

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Dispatch Engineers B † YoY comparison for each quarter end	+4.1%	+4.0%	+4.1%	+4.2%	+4.5%	—	—	—

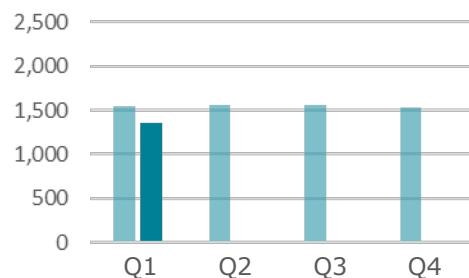
Overseas Subsidiaries Update

■ ■ ■ — FY24.6 Results

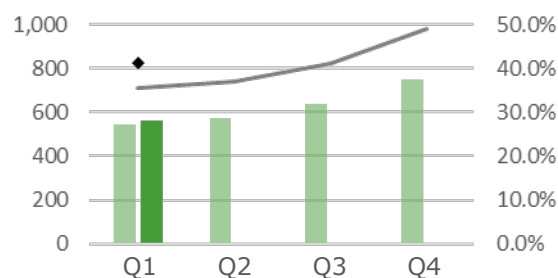
■ ■ ■ ◆ FY25.6 Results (yen in millions)

Robosoft (North America/Japan/Europe/India)

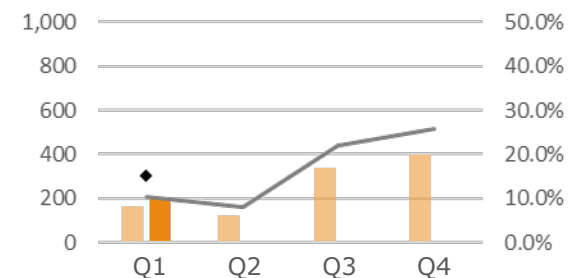
Revenue



GP

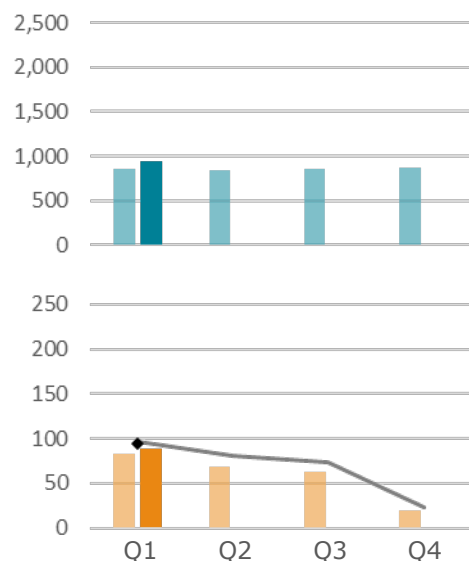


Operating Profit*

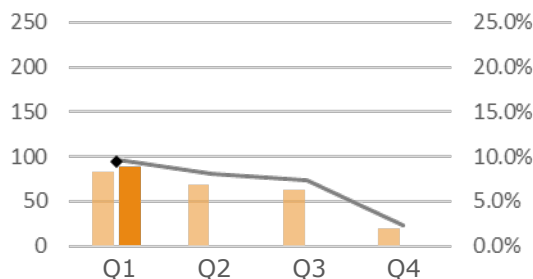


TechnoPro China

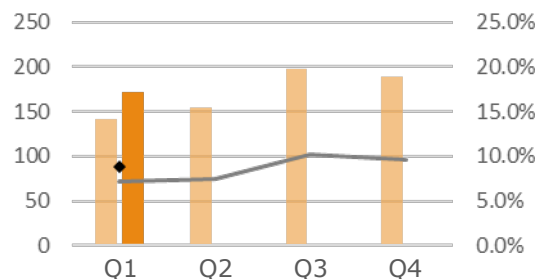
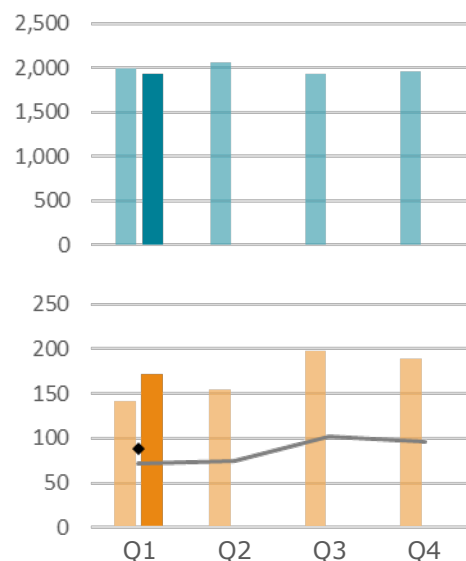
Revenue



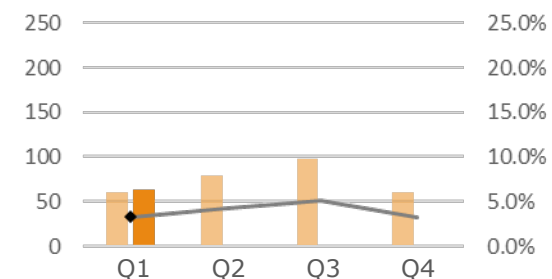
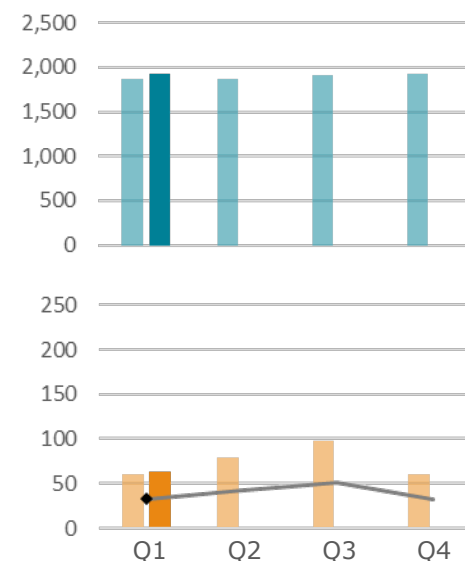
Operating Profit*



Helius (Singapore/India/Southeast Asia)



Orion (UK)



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

FY25.6 Guidance – Updated Key KPIs for H1 FY25.6

- In FY25.6 (the fourth year of the medium-term plan), expect revenue to **increase by 9 billion yen** from the plan and operating profit of **27 billion yen**, the same level as the plan, despite assuming M&A contributions behind the plan
- Core operating profit margin will steadily grow although there has been a delay in the reduction of SG&A ratio due to soaring recruitment fees associated with changes in the business environment, etc.
- Anticipate unit sales price to improve more than previous years by promoting sufficient price pass-on to accommodate annual pay hike, even though the growth in the number of engineers is expected to decline due to worsening turnover ratio

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

	First Half					Full-Year				
	FY23.6	FY24.6	FY25.6			FY23.6	FY24.6	FY25.6		
	(Results)	(Results)	(Guidance)	YoY		(Results)	(Results)	(Guidance)	YoY	
Revenue	98,011	108,009	117,000	+8,990	+8.3%	199,851	219,218	237,000	+17,781	+8.1%
Core operating profit	11,106	12,273	14,000	+1,726	+14.1%	21,379	24,395	27,000	+2,604	+10.7%
Core OP margin	11.3%	11.4%	12.0%	+0.6 pts		10.7%	11.1%	11.4%	+0.3 pts	
Operating profit	11,183	12,416	14,000	+1,583	+12.8%	21,838	21,918	27,000	+5,081	+23.2%
OP margin	11.4%	11.5%	12.0%	+0.5 pts		10.9%	10.0%	11.4%	+1.4 pts	
Profit before income taxes	11,124	12,464	14,000	+1,535	+12.3%	21,837	22,139	27,000	+4,860	+22.0%
Net profit	7,714	8,591	9,600	+1,008	+11.7%	15,365	14,684	18,500	+3,815	+26.0%
Net profit margin	7.9%	8.0%	8.2%	+0.3 pts		7.7%	6.7%	7.8%	+1.1 pts	
Earnings per share	71.61	80.34	91.08	+10.74	+13.4%	142.71	137.56	175.52	+37.96	+27.6%
Dividend per share	25.00	25.00	30.00	+5.00	+20.0%	75.00	80.00	90.00	+10.00	+12.5%

Key KPIs [Japan]	First Half					Full-Year				
	FY23.6	FY24.6	FY25.6			FY23.6	FY24.6	FY25.6		
	(Results)	(Results)	(Revised Guidance)	YoY		(Results)	(Results)	(Guidance)	YoY	
No. of engineers (period-end)	22,653	24,730	26,570	+1,840	+7.4%	24,125	26,054	27,500	+1,446	+5.6%
Engineer hiring*	1,612	1,760	1,870	+110	+6.3%	4,314	4,575	4,500	(75)	(1.6%)
Ave. utilization ratio	96.0%	95.4%	95.3%	(0.1 pts)	—	95.2%	95.0%	94.7%	(0.3 pts)	—
Ave. monthly unit sales price (yen in thousands)	661	676	694	+18	+2.6%	669	678	695	+17	+2.5%

Reference: Segment Guidance [Full-Year]

- R&D Outsourcing: Ensure earnings growth exceeding 10% despite facing challenges such as deterioration in turnover and intensifying competition for talent
- Construction Management Outsourcing: Anticipate profit margin to decline slightly, due to decreases in holiday work and overtime hours, and full-scale inexperienced hires
- Other Businesses in Japan: Continue to invest in expanding the external sale of training for engineers to competitors and customers, expecting sufficient returns over the remaining two years of the medium-term plan
- Overseas: Aim to securely meet the earnings budget by carrying out proactive initiatives, rather than relying on an optimistic outlook, amid the uncertainty of the global economy

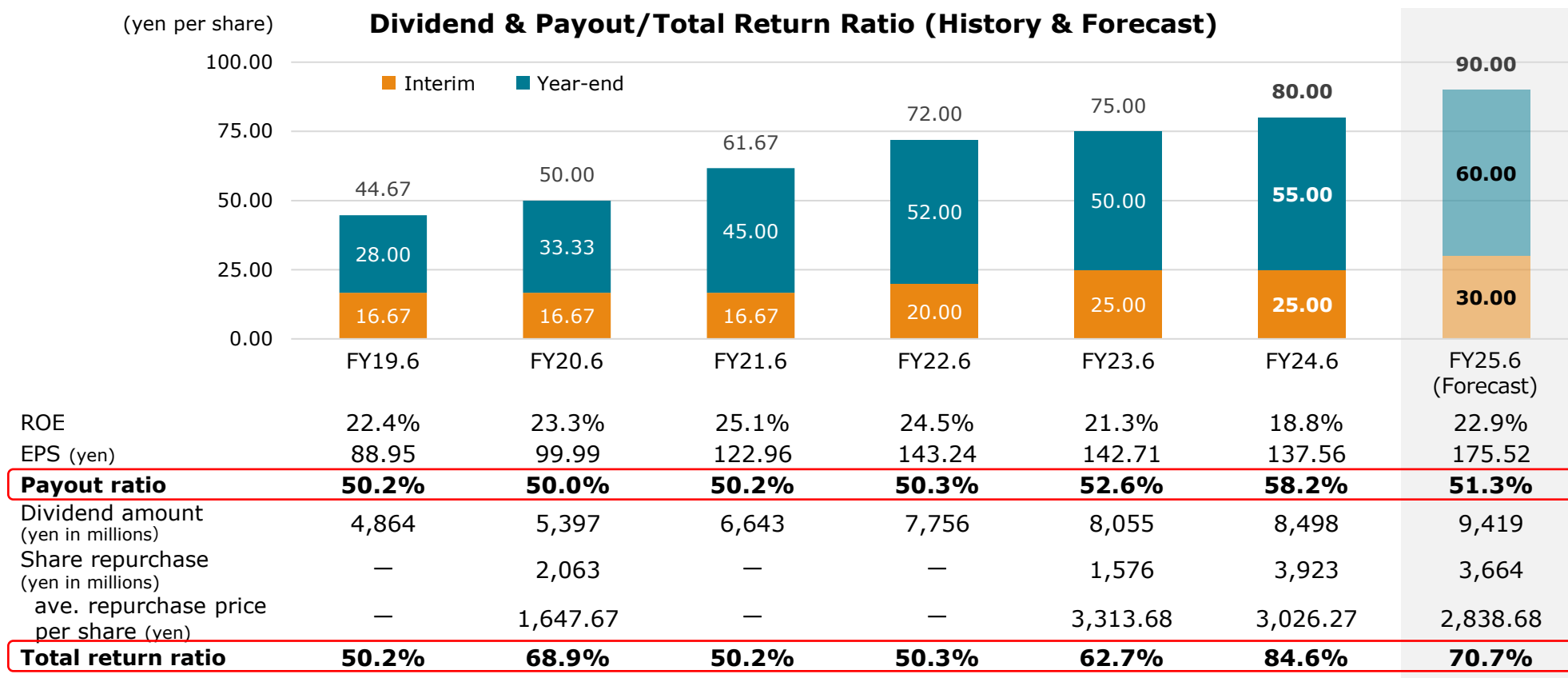
(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY23.6	FY24.6	FY25.6	YoY	FY23.6	FY24.6	FY25.6	YoY	FY23.6	FY24.6	FY25.6	YoY	FY23.6	FY24.6	FY25.6	YoY
Revenue	152,858	168,694	184,800	+9.5%	21,643	23,293	25,300	+8.6%	5,569	4,839	5,000	+3.3%	180,071	196,826	215,100	+9.3%
Ratio to consolidated revenue	76.5%	77.0%	78.0%		10.8%	10.6%	10.7%		2.8%	2.2%	2.1%		90.1%	89.8%	90.8%	
Operating profit	16,292	19,259	21,300	+10.6%	2,930	3,422	3,600	+5.2%	561	(771)	300	—	19,784	21,911	25,200	+15.0%
OP margin	10.7%	11.4%	11.5%		13.5%	14.7%	14.2%		10.1%	(15.9%)	6.0%		11.0%	11.1%	11.7%	
OP before PPA asset amortization	16,365	19,332	21,372	+10.6%	2,930	3,422	3,600	+5.2%	561	205	300	+45.7%	19,856	22,960	25,272	+10.1%
OP margin before PPA asset amortization	10.7%	11.5%	11.6%		13.5%	14.7%	14.2%		10.1%	4.3%	6.0%		11.0%	11.7%	11.7%	
No. of engineers (period-end)	21,163	22,848	24,000	+5.0%	2,962	3,206	3,500	+9.2%	—	—	—	—	24,125	26,054	27,500	+5.6%
o/w non-Japanese in Japan	930	1,034	—	—	136	176	—	—	—	—	—	—	1,066	1,210	—	—

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY23.6	FY24.6	FY25.6	YoY	FY23.6	FY24.6	FY25.6	YoY	FY23.6	FY24.6	FY25.6	YoY	FY23.6	FY24.6	FY25.6	YoY
Revenue	23,508	25,682	26,000	+1.2%	203,580	222,508	241,100	+8.4%	(3,728)	(3,289)	(4,100)	—	199,851	219,218	237,000	+8.1%
Ratio to consolidated revenue	11.8%	11.7%	11.0%		101.9%	101.5%	101.7%		(1.9%)	(1.5%)	(1.7%)		100.0%	100.0%	100.0%	
Operating profit	1,873	(188)	1,800	—	21,658	21,722	27,000	+24.3%	179	195	0	—	21,838	21,918	27,000	+23.2%
OP margin	8.0%	(0.7%)	6.9%		10.6%	9.8%	11.2%		—	—	—		10.9%	10.0%	11.4%	
OP before PPA asset amortization	2,460	2,184	2,110	(3.4%)	22,317	25,145	27,382	+8.9%	124	195	0	—	22,441	25,340	27,382	+8.1%
OP margin before PPA asset amortization	10.5%	8.5%	8.1%		11.0%	11.3%	11.4%		—	—	—		11.2%	11.6%	11.6%	
No. of engineers (period-end)	2,997	2,567	—	—	27,122	28,621	—	—	—	—	—	—	27,122	28,621	—	—

Shareholder Return

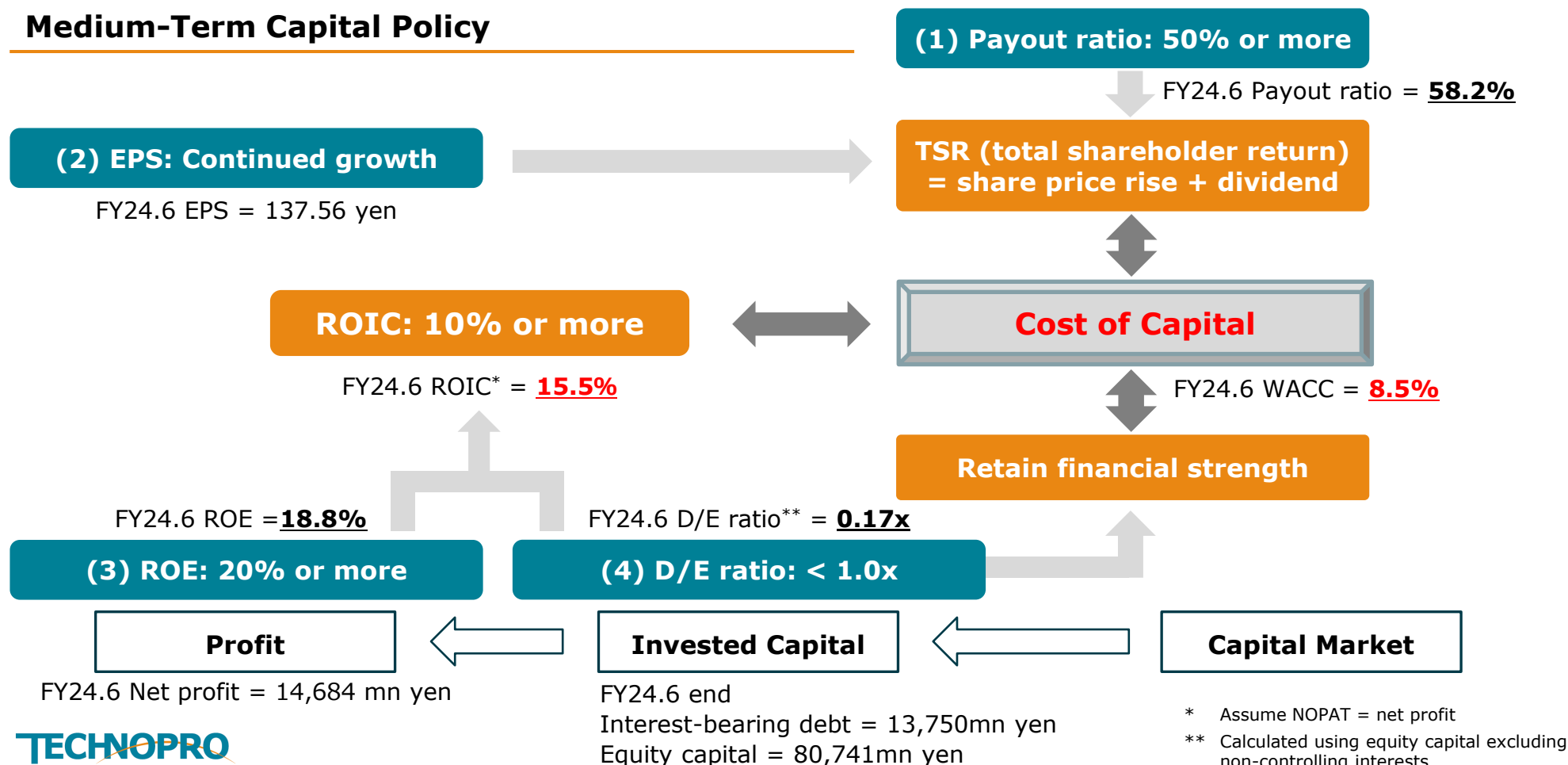
- Reaffirm basic policy to make dividend payment steadily twice a year in the form of interim and year-end ones pursuant to **annual dividend payout ratio of 50% or higher**; with considering **a progressive annual dividend**, distributed the annual dividend of **80 yen** per share (payout ratio **58.2%**) for FY24.6, and provide the forecast of **90 yen** per share (payout ratio **51.3%**) as the annual dividend for FY25.6
- With an aim to further improve capital efficiency, carried out a share repurchase of **3.9 billion yen** (total shareholder return ratio of **84.6%**) in FY24.6, and launched a new **share buyback program of 5.0 billion yen** in Q1 FY25.6 (repurchased **3.6 billion yen** by the end of September 2024) with comprehensive consideration of cash reserves and stock price level



Reference: Capital Policy

- Our four capital policies described below set **value creation (ROIC > cost of capital)** as a primary focus of business operation with maintaining solid financial foundation, as well as placing high importance on TSR
- Free cash flows retained after distributing 50% cash dividend to shareholders will be spent for growth investment such as M&As; in case of being unable to find justifiable investment opportunities which may generate sufficient return exceeding the cost of capital, flexibly considers carrying out share repurchase as a way of shareholder return in light of **capital efficiency**

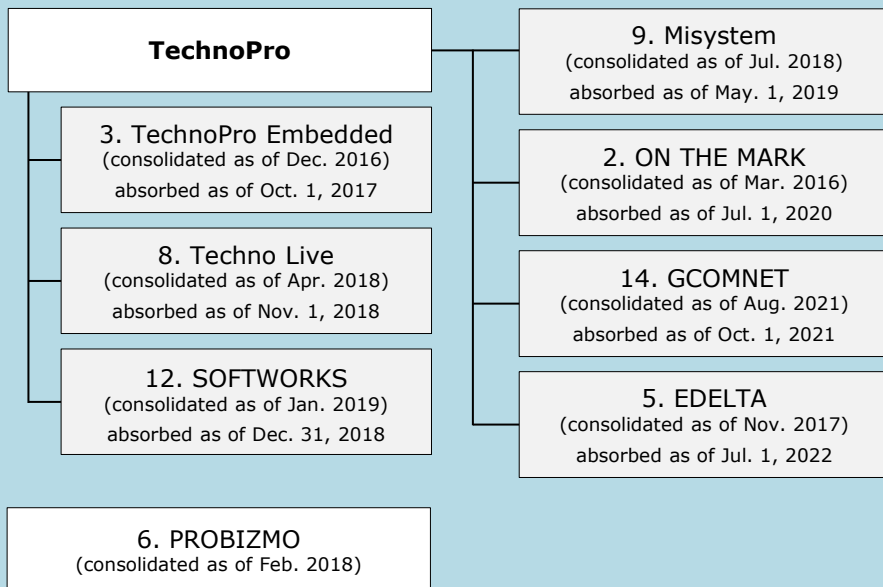
Medium-Term Capital Policy



Appendix: Reportable Segments [as of Q1 FY25.6 End]

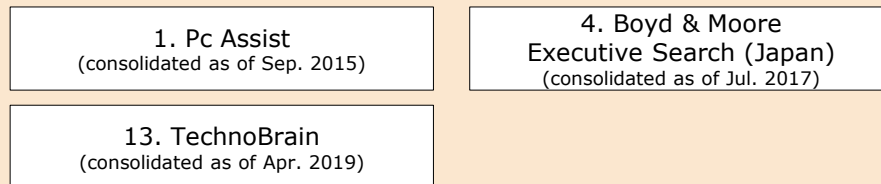
R&D Outsourcing

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, etc.



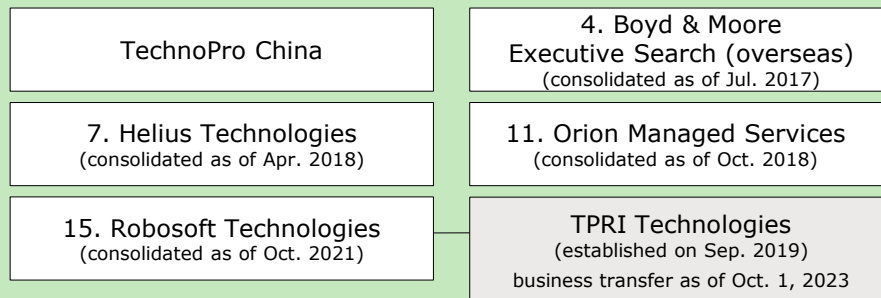
Other Businesses in Japan

Provides professional recruitment, technical education and training services



Overseas

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



Construction Management Outsourcing

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



Headquarters

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



Appendix: Risk Assets [as of Q1 FY25.6 End]

- Major component of goodwill (**29.2 billion yen**) in R&D/Construction Management Outsourcing was derived from MBO transaction carried out by management and private equity fund; its fair value amount well exceeds carrying amount of each CGU even in the COVID-19 environment, consequently **impairment risks are extremely low**
- Goodwill in R&D Outsourcing (**4.0 billion yen**), which was newly recognized through M&As, is also included into the CGU at the time of MBO, consequently **impairment risks are extremely low**
- Other Businesses in Japan: Based on the strategic review, considering a carve-out of Boyd & Moore, which recorded goodwill impairment in FY24.6
- Overseas: Continue discussions with a 49% shareholder of Helius regarding its future management policies; seeking the possibility of selling Orion to a third party; to overcome struggles to acquire new projects, Robosoft strengthens collaboration with Japan and enhances sales activities by leveraging domestic customer base

(yen in millions)

Cash Generating Unit (CGU)	Shareholding	Goodwill				PPA Assets		PO, etc. Liabilities	
		MBO	M&A*	Total	Ratio	M&A*	Amortization period	M&A	Value calc. period
R&D Outsourcing									
Machinery, Electric/Electronic	100.0%	13,674	977	14,651	32.4%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	17.6%				
Software dev./maintenance	100.0%	2,912	3,006	5,919	13.1%	410	-Jul.32		
Chemical, Biochemical	100.0%	1,262		1,262	2.8%				
Construction Mgmt Outsourcing									
Construction management	100.0%	3,383		3,383	7.5%				
TOQO	100.0%		190	190	0.4%				
Other Businesses in Japan									
Pc Assist	100.0%		96	96	0.2%				
Boyd & Moore Executive Search	100.0%		127	127	0.3%				
TechnoBrain	100.0%		151	151	0.3%				
Overseas									
Helius	51.0%		954	954	2.1%	277	-Mar.26		
Orion	100.0%		1,387	1,387	3.1%				
Robosoft	100.0%		9,081	9,081	20.1%	968	-Sep.31		
Total		29,202	15,973	45,175	100.0%	1,656		0	

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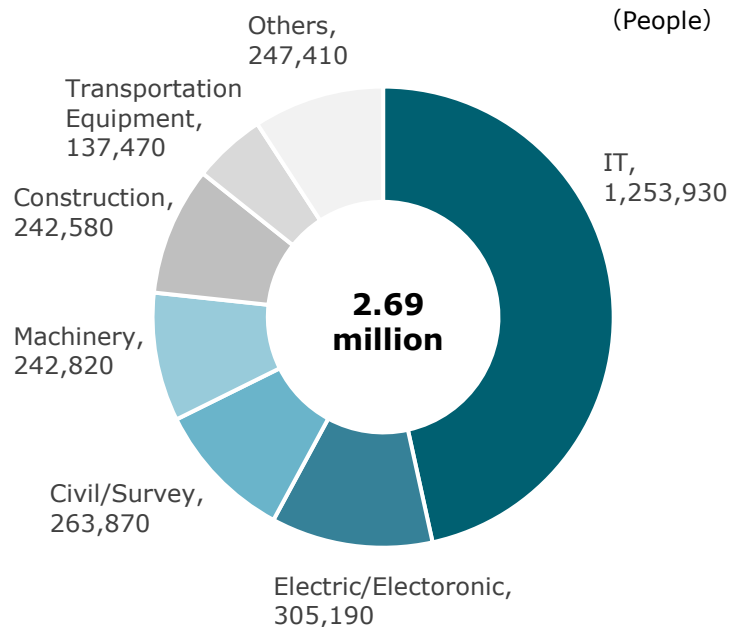
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Distribution of Engineers in Japan

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

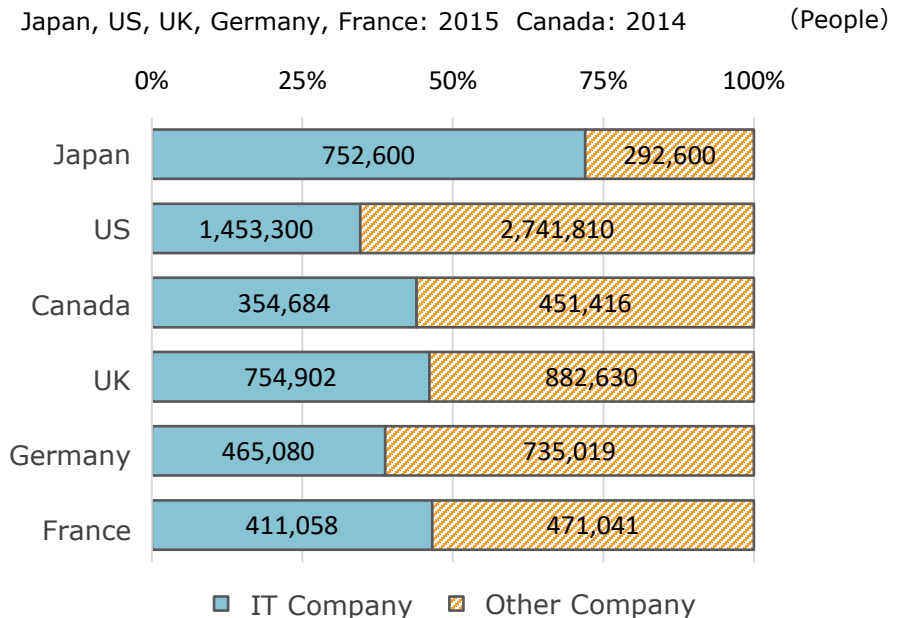
1. Number of Engineers in Japan (2020)

Source: 2020 Population Census



2. Ratio of IT Talents at IT and Other Companies

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



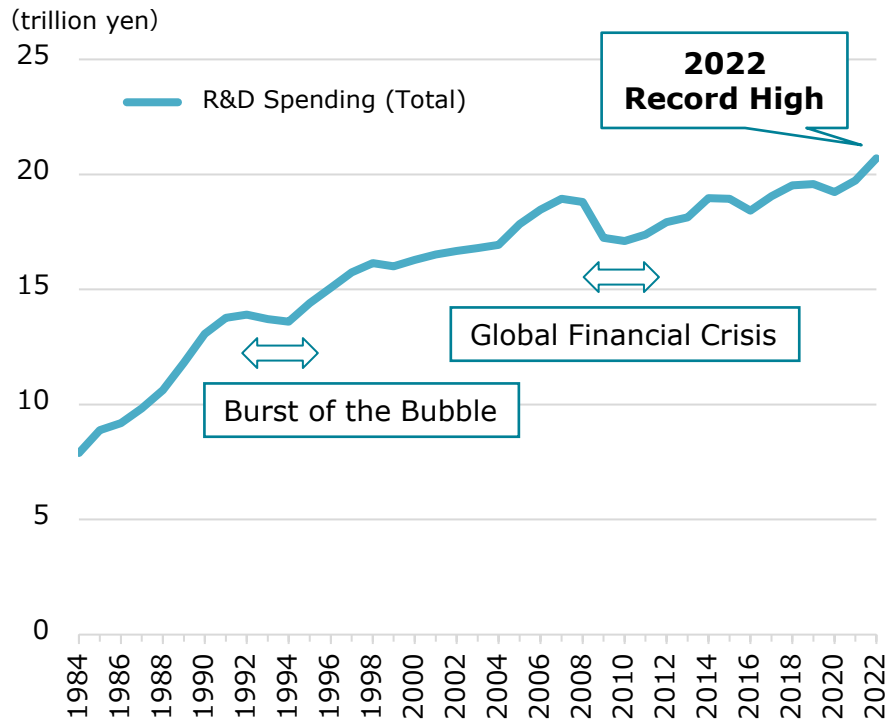
† "IT Company" means IT vendors and
"Other Company" means IT user companies

Trend of R&D Spending and ICT Investment

- R&D is a field less susceptible to impact of the economy; as a nation, Japan reported 20.7 trillion yen, a record-high for R&D spending in 2022, and its growth is expected to continue in the future
- Japan's ICT investment is gradually shifting from "hardware" to "software"

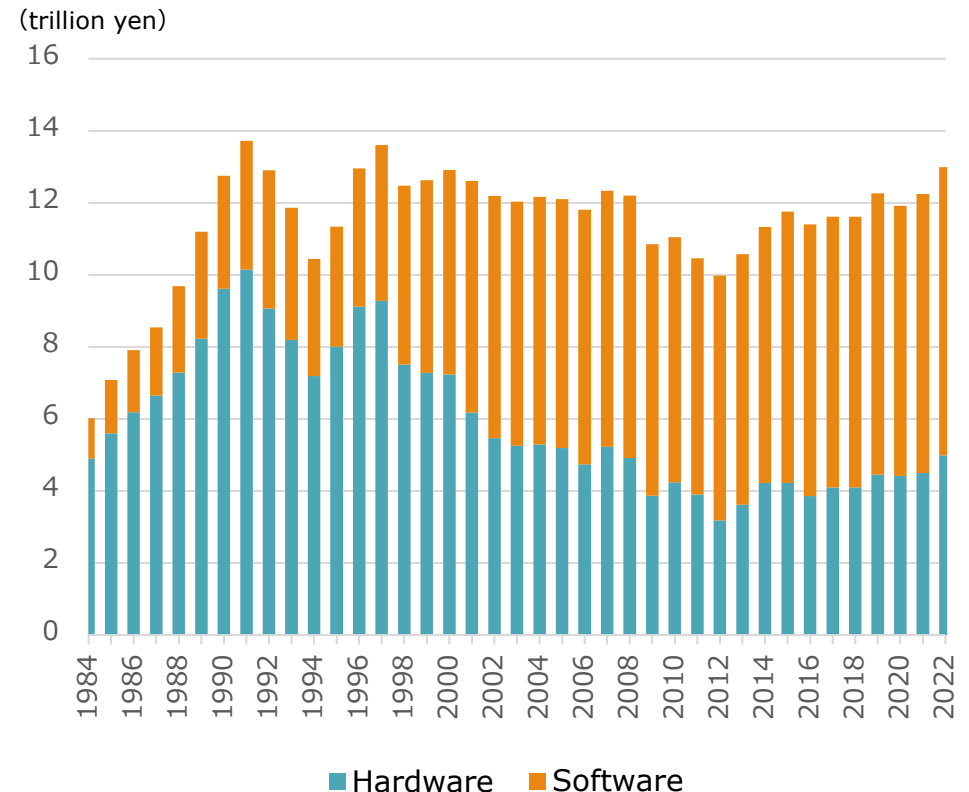
3. Trend of R&D Spending in Japan

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



4. The Breakdown of ICT Investment in Japan

Source: Cabinet Office, "National Accounts of Japan"

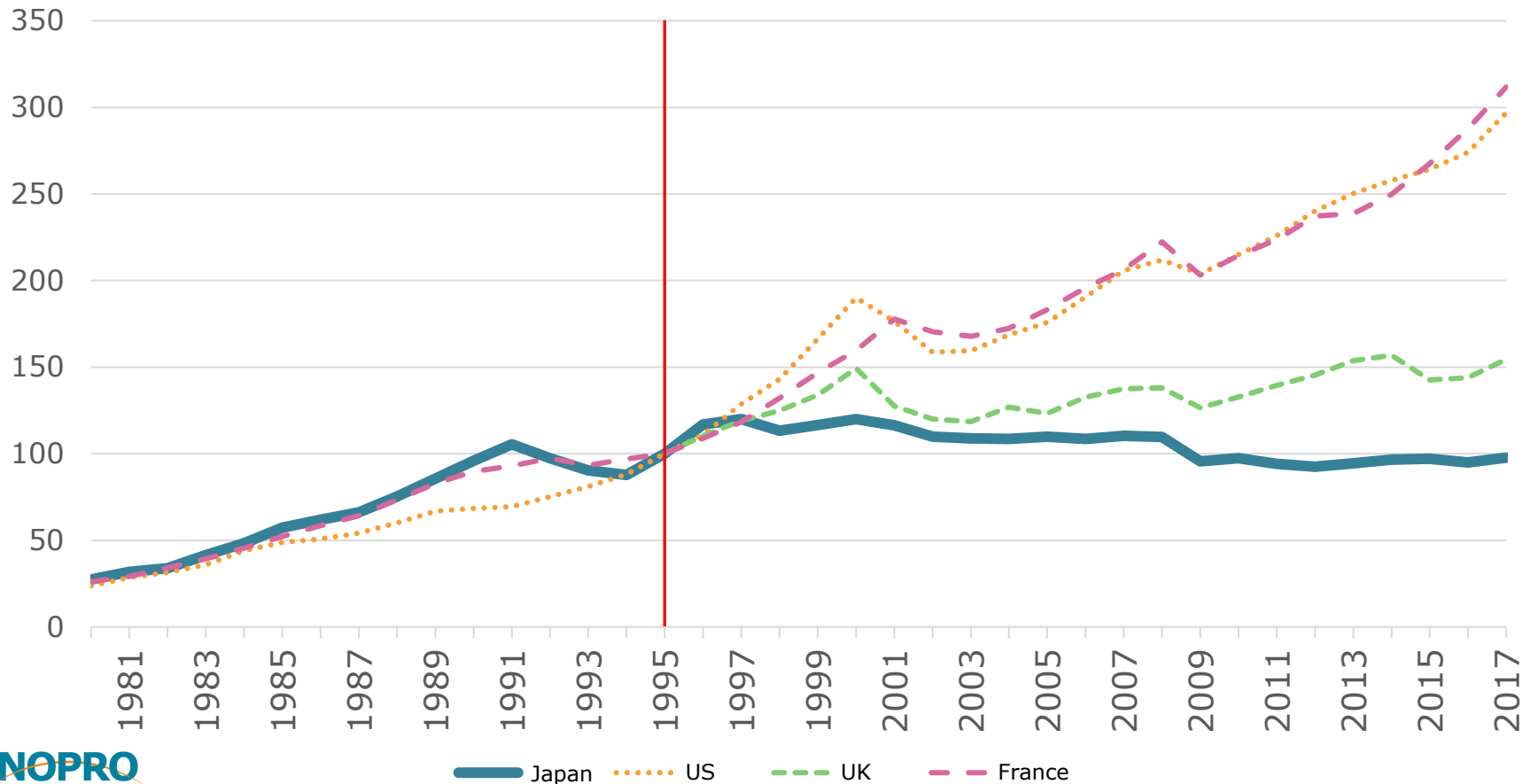


Sluggish Digitalization in Japan

- Japan's ICT investment growth from 1995 remains significantly low compared to the US, UK and France
- COVID-19 has revealed Japan's lag in digitalization once again and will lead to increased ICT investment in Japan

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

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

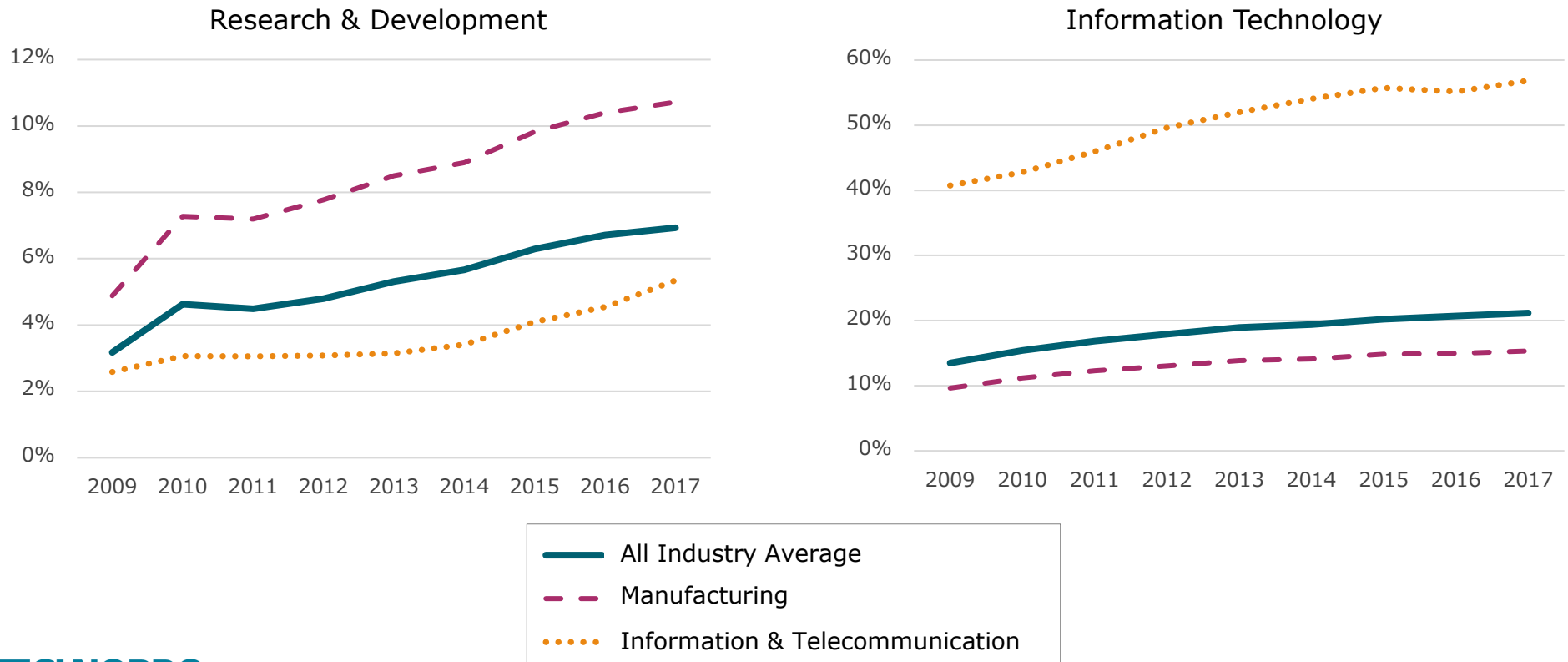


Outsourcing Usage Ratio of R&D and IT Activity

- Outsourcing usage ratio of R&D and IT activity is gradually increasing overall
- Even Information & Telecommunication companies are using more outside resources in their own IT activity

6. Outsourcing Usage Ratio by Industry

Source: Ministry of Economy, Trade and Industry, "Basic Business Activity Survey",
aggregation by Doshisha University Research Institute for STEM Human Resources, commissioned by TechnoPro in 2020

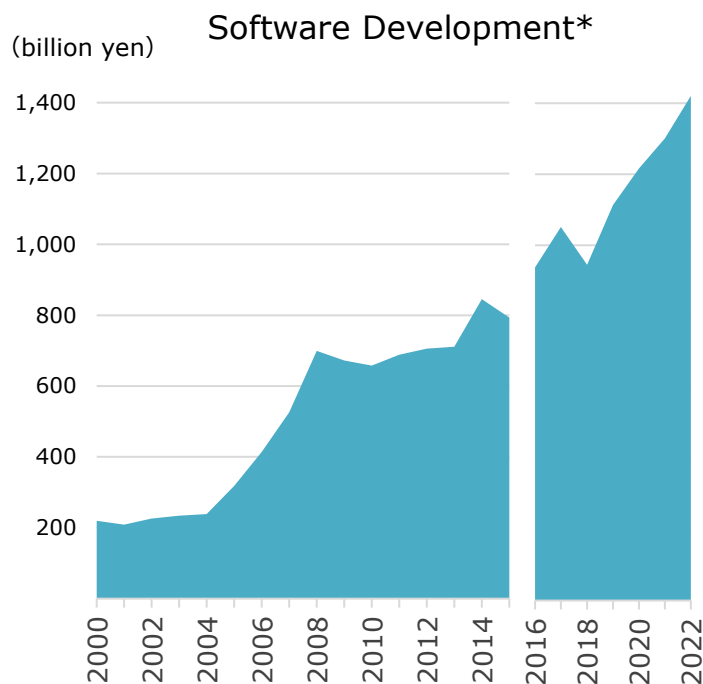


Engineer Staffing Market Overview

- Estimated whole engineer staffing market size in Japan was about 2.7 trillion yen in 2022; up 11.4% year-on-year, of which software development market size was about 1.4 trillion yen; up 9.2% year-on-year
- Yano Research Institute forecasts that the engineer staffing market in Japan is expected to grow at a CAGR of 5.7% from FY2022 to FY2026 (forecast)

7. Engineer Staffing Market Size

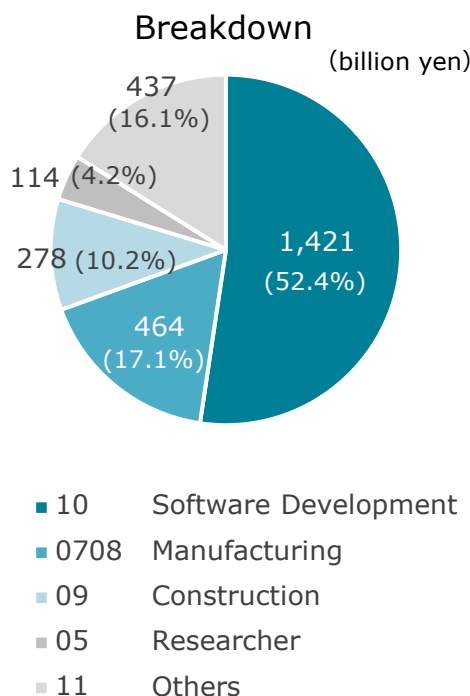
Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare



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

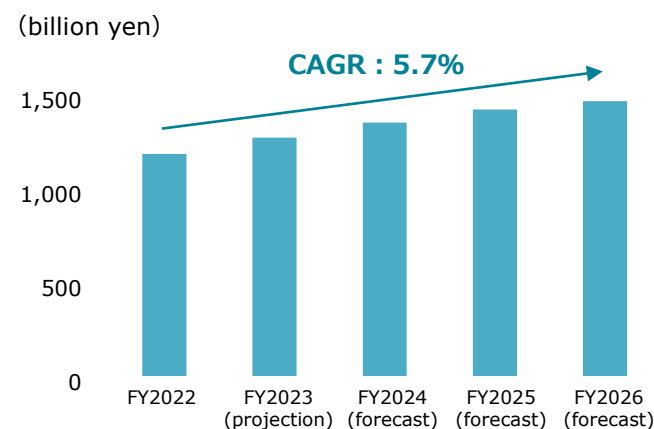
TECHNOPRO

Market Size 2.7 trillion yen (2022)



8. Forecast of Engineer Staffing Market Size

Source: Yano Research Institute Ltd.,
"Human Resources Business 2023,
PART 2: Services by Industry/Job Category"



† The market size is based on the sales of businesses; The figure for FY2023 is a projection, for FY2024 and beyond are forecasts (as of October 2023)

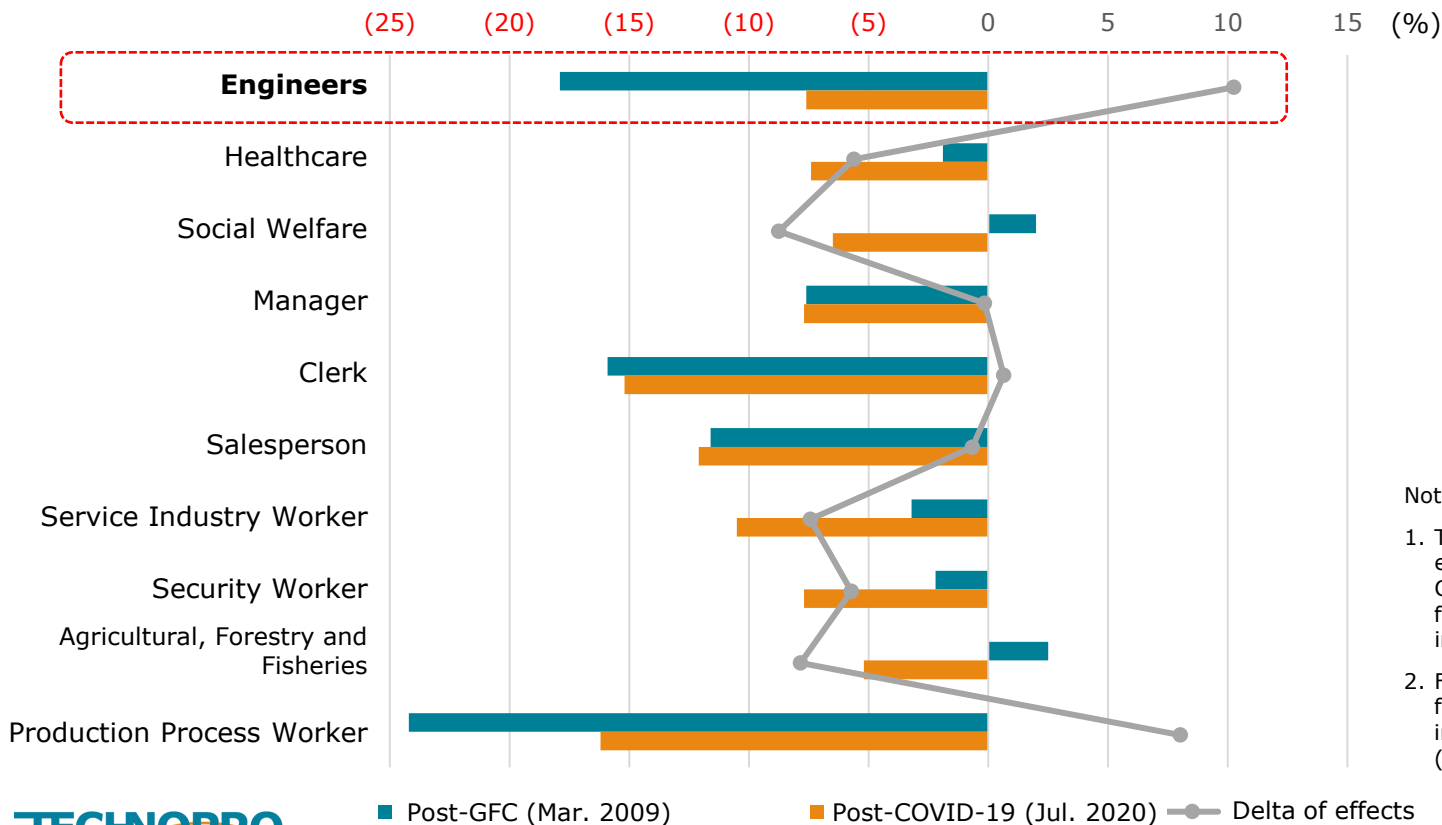
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole

Engineering Professional Services' Resilience to External Shocks

- First wave of COVID-19 spread impacted a lot less on new job offers for engineers compared to the Global Financial Crisis
- The fact above indicates the possibility that the importance of talents with technological expertise or the priority of R&D and IT system development to maintain competitiveness has been increased in the past 10 years, corroborating the robustness of our business

9. Ratio of Increase/Decrease and Delta of New Job Offers after 6 Months from External Shocks

Source: Ministry of Health, Labor and Welfare, Labor "EMPLOYMENT REFERRALS FOR GENERAL WORKERS," the Doshisha University Research Institute for STEM Human Resources, Commissioned by TechnoPro in 2020



Note:

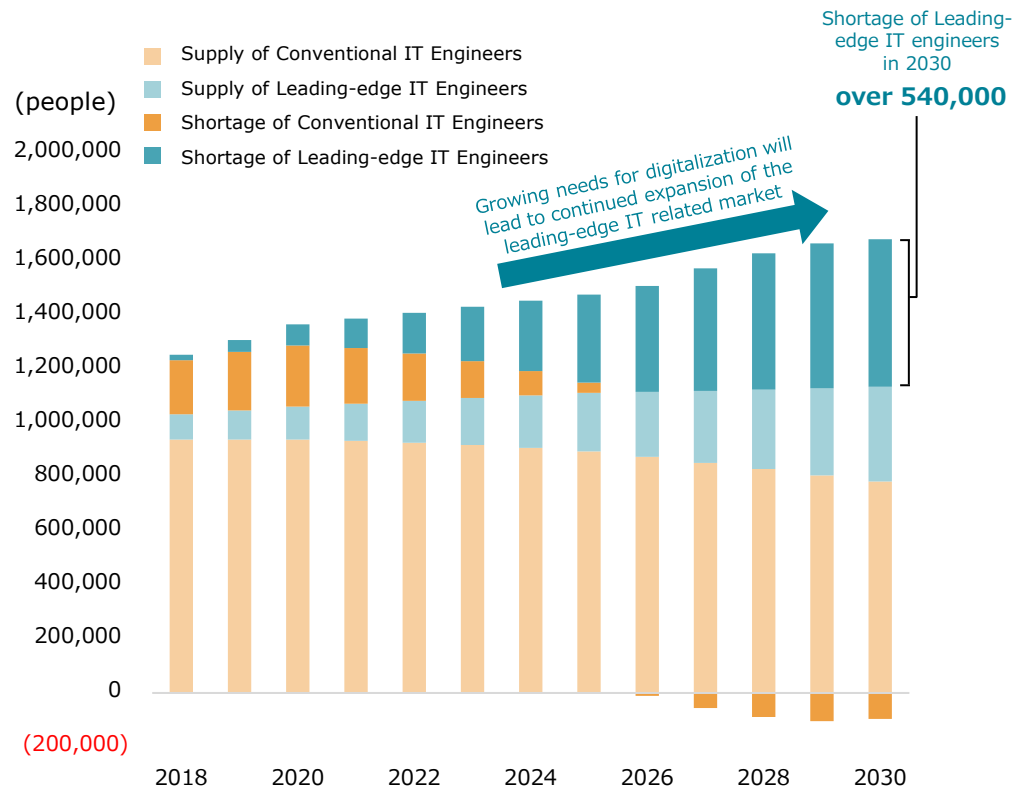
1. The figure left shows the comparison of the effect from the Global Financial Crisis (GFC) and COVID-19 on the index data of new job offers for each job category after 6 months from the initial outbreak of the crisis
2. Figures in September 2008 was indexed as 100 for the GFC, figures in January 2020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

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

- Demand-supply gap in IT sector is huge; especially leading-edge IT engineers (AI, big data, IoT, etc.) will be in higher demand
- Weakening demand for engineers due to the spread of AI will be more than offset by the new demand for engineers

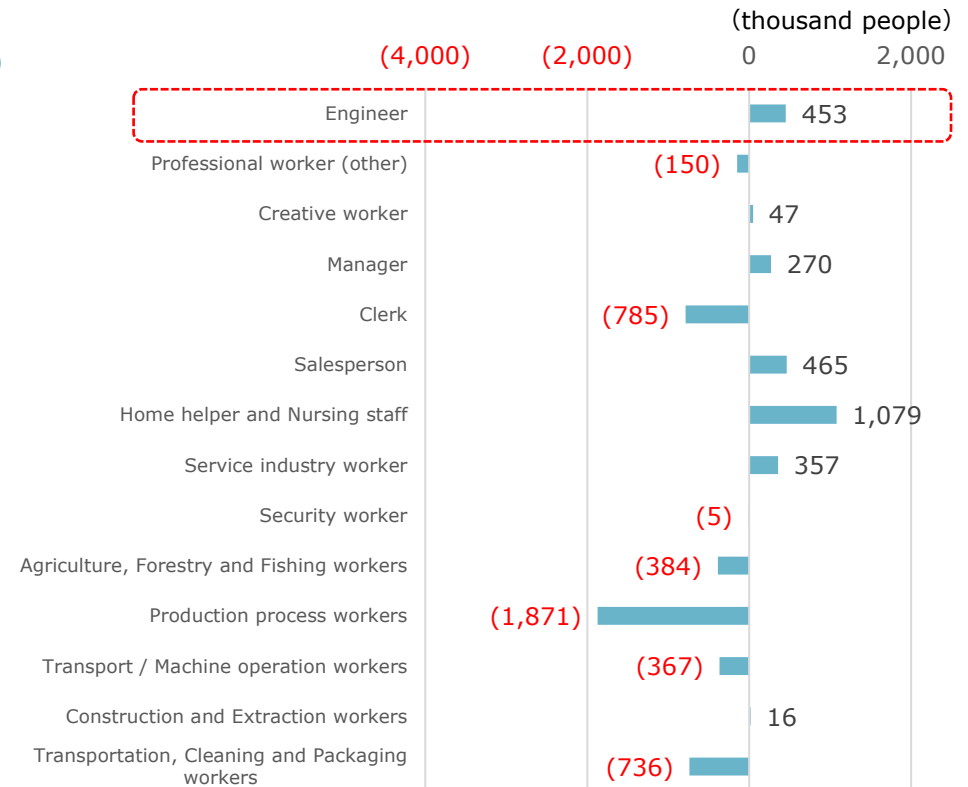
10. Projected Shortage in Advanced and Conventional IT engineers

Source: Ministry of Economy, Trade and Industry, "Survey report about supply and demand of IT talent (March 2019)"



11. Shift in Workforce due to Progression of AI

Source: Ministry of Health, Labor and Welfare, "Labor economy white paper in 2017; Analysis of Labor Economy - Issues for Promotion of Innovation and Work-Life Balance"

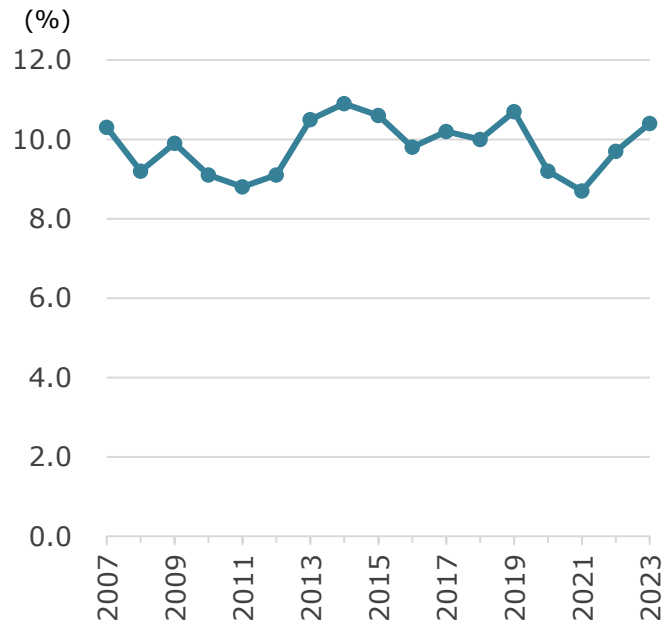


Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market

- The turnover ratio in Japan remains around 10% which shows career-change market has a certain scale; more than 200,000 engineers per year
- Turnover ratio of IT engineers tends to be relatively higher than other type of engineers

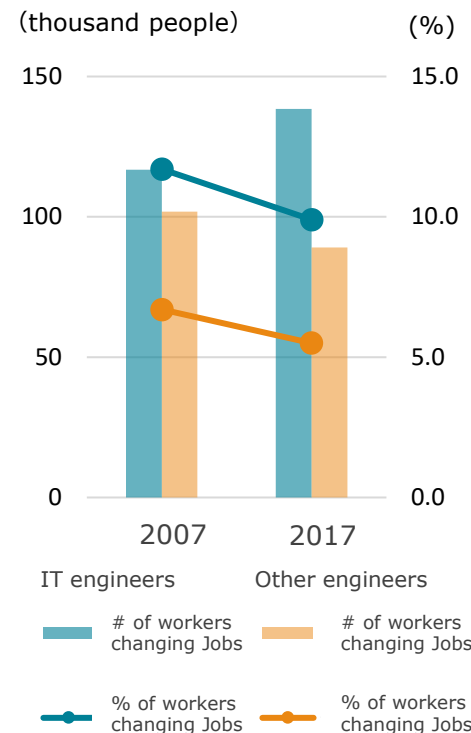
12. Turnover Ratio in Japan

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



13. Turnover of Engineers

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



	2007 (%)		
	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

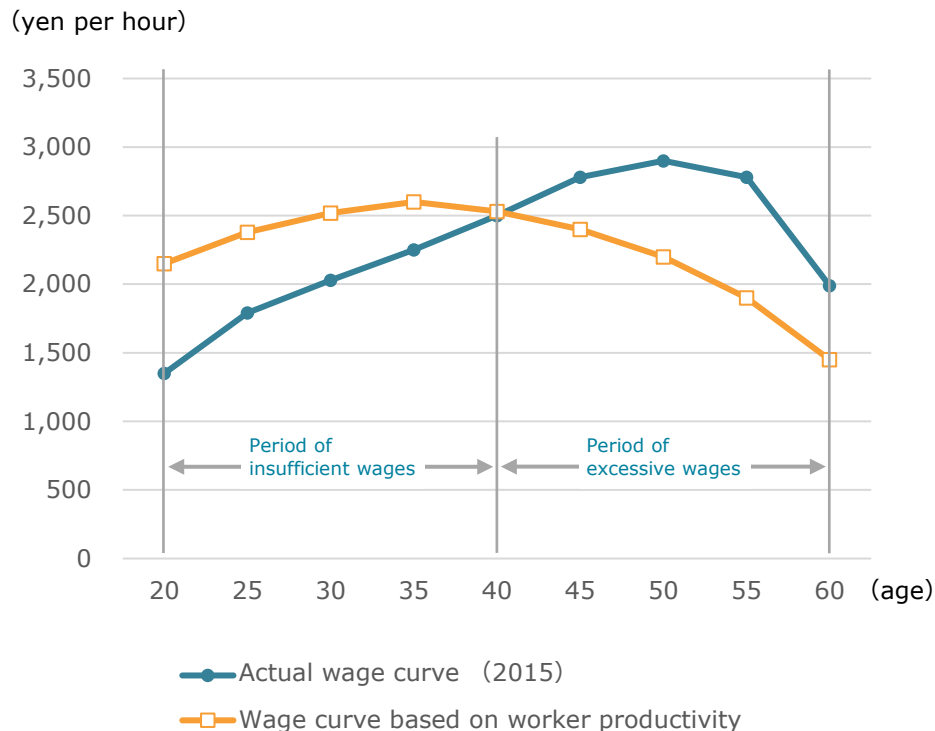
	2007 (thousand people)		
	1997	2007	2017
All sectors	7,391	7,717	7,066
Engineers	178	219	228
of which, IT engineers		117	138
of which, other engineers		102	89

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

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

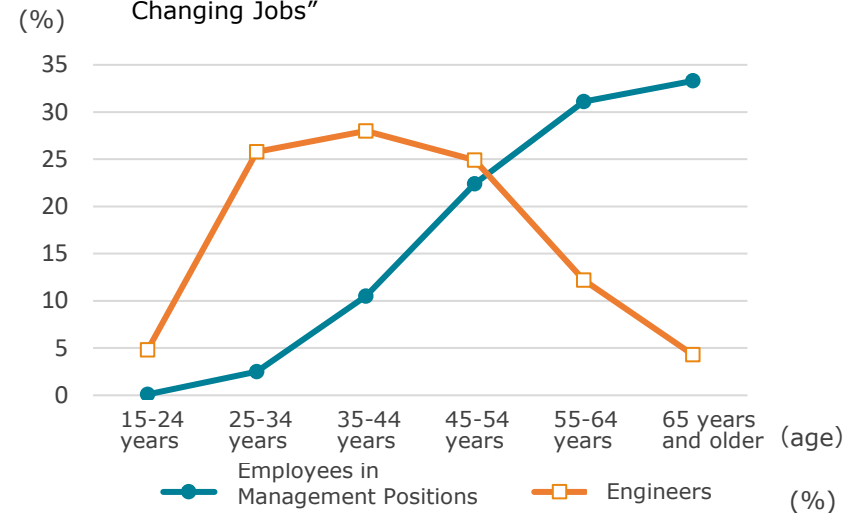
14. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

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



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

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



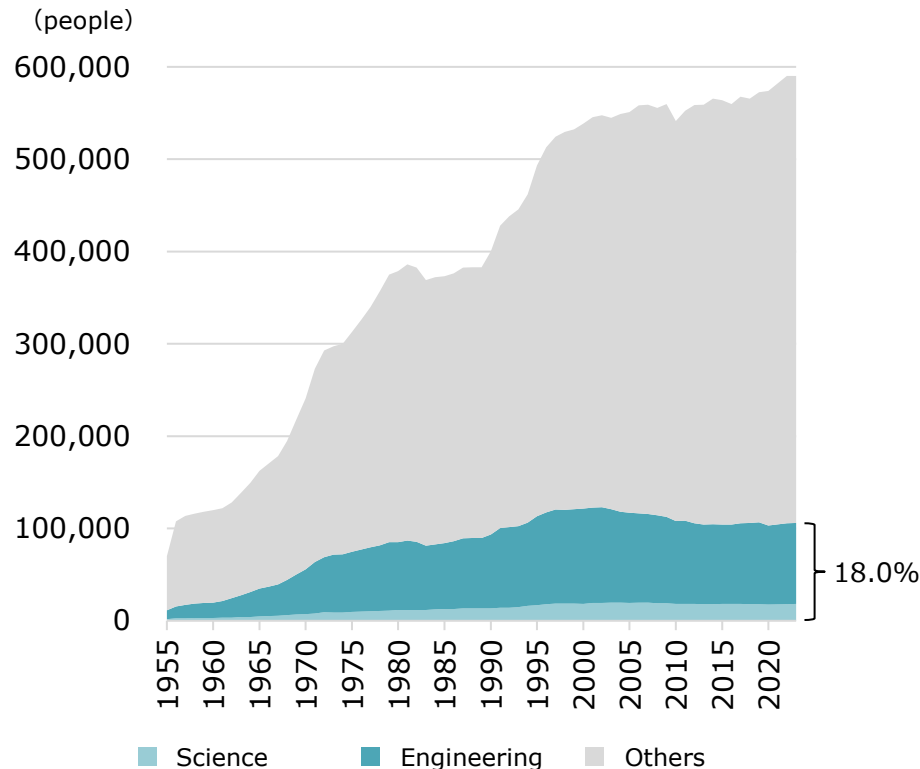
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

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

- Even though the number of university graduates is slightly increasing because of higher university entrance rate, the number of science and engineering graduates begins to decrease from 2000
- New grads tend to prefer blue-chip companies while such companies have limited number of job openings for them

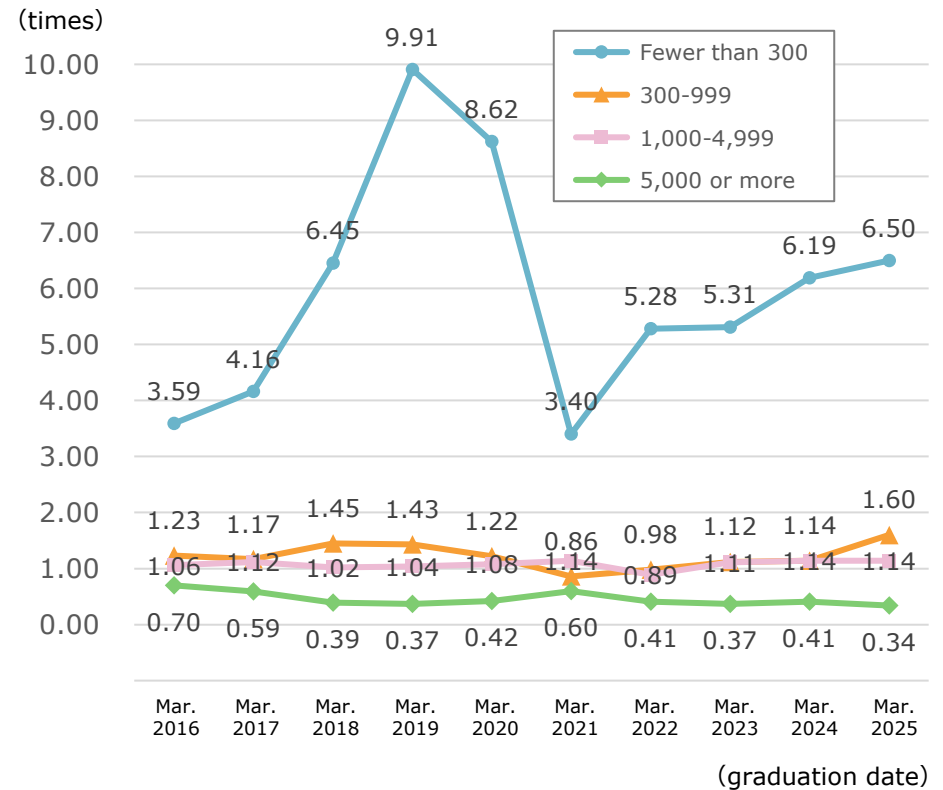
16. No. of University Graduates by Faculty

Source: TechnoPro based on "School Basic Survey" by Ministry of Education, Culture, Sports, Science and Technology



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

Source: Recruit Works Institute, "41th College Graduates Job Opening Survey"

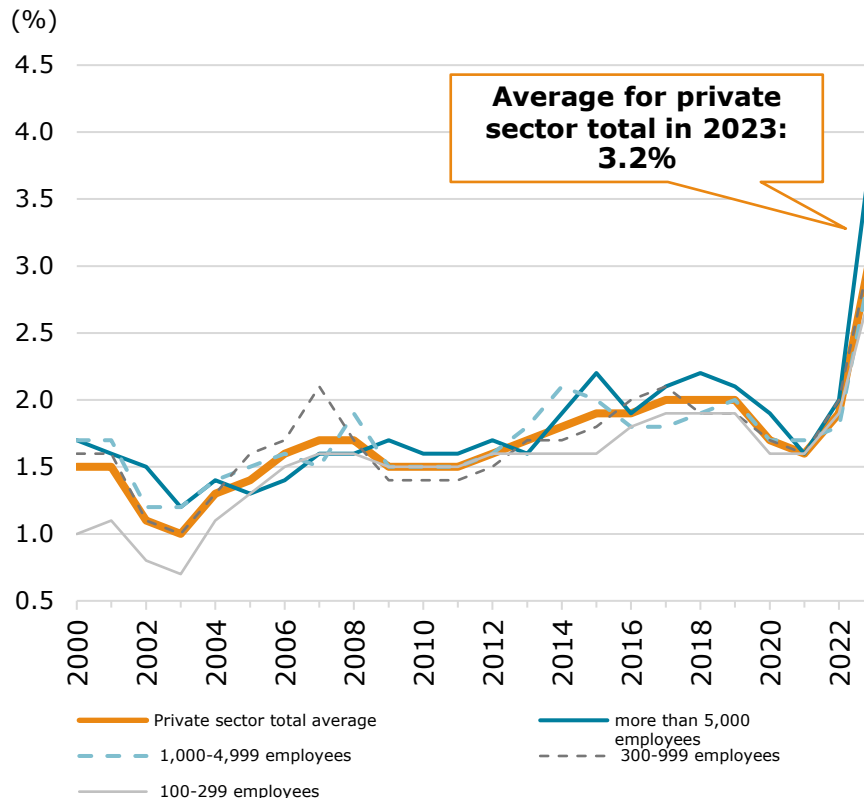


Wage Hike & Human Capital Investment in Japan

- Average annual wage hike in the private sector in Japan was 3.2% in 2023, a significant increase from 1.9% in the previous year, driven by the recent wage hike momentum
- Japan's investment in human capital, both public and private, is significantly lower than other developed countries

18. Wage Revision Ratio per Worker

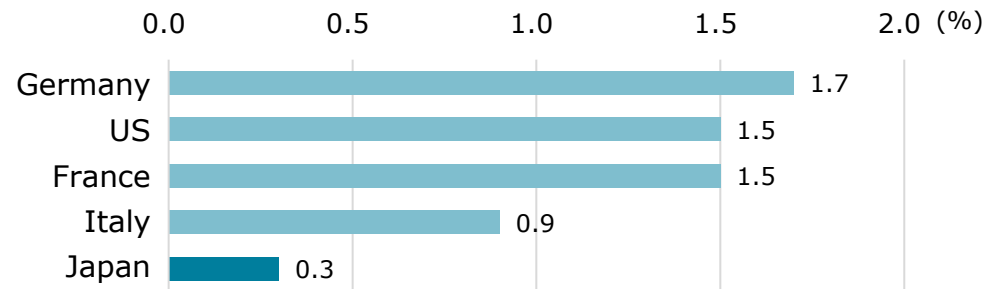
Source: Ministry of Health, Labor and Welfare, "Survey on wage increase"



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

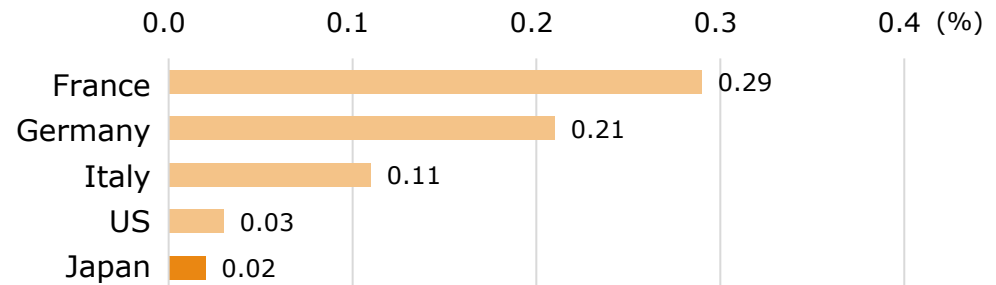
Source: Mizuho Research & Technologies, Ltd., "New Form of Capitalism and Human Capital Investment"

Human Capital Investment in Private Sector



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

Training & Education Investment in Public Sector



† Figures indicate averages for 2010-2019

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