

TechnoPro Group

Current Business Environment and Medium-Term Management Plan Progress

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

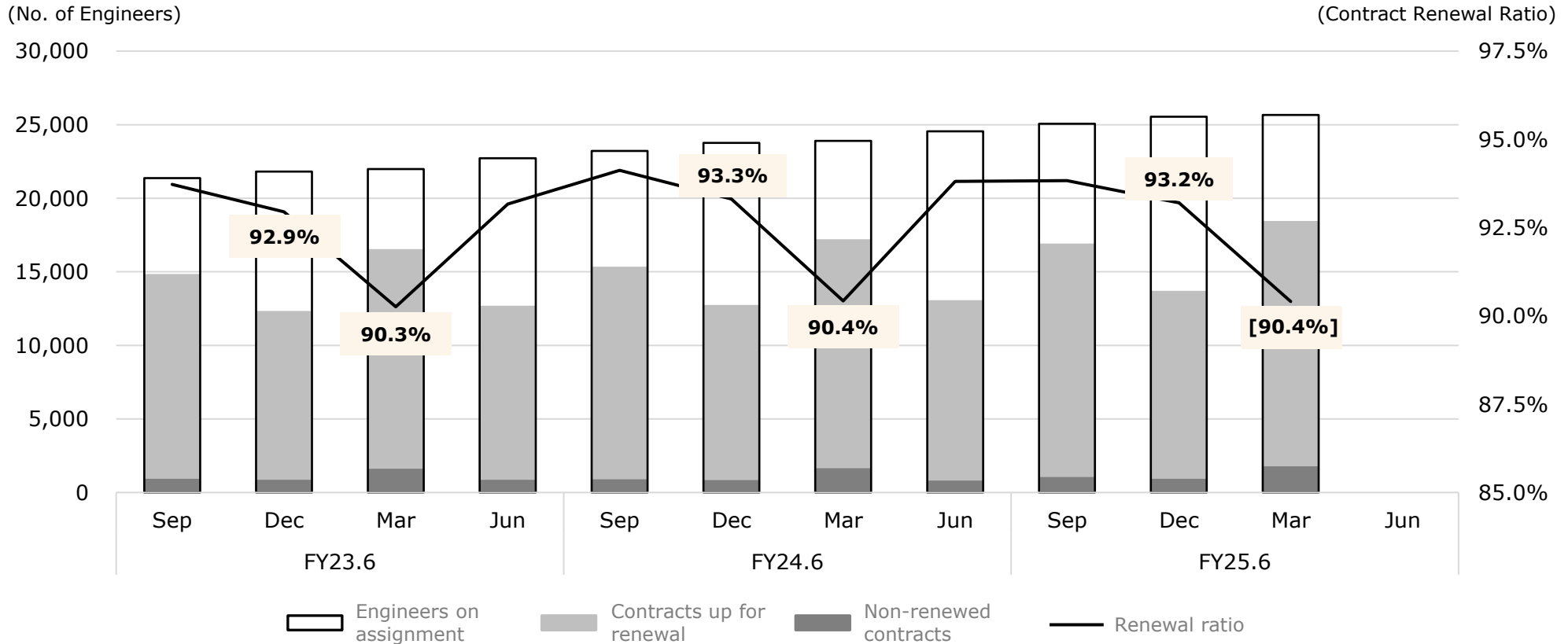
February 7, 2025

Contents

	Page
I : Current Business Environment (Japan KPIs)	2
II : Medium-Term Management Plan "Evolution 2026" Progress	8
III : Sustainability Management	15

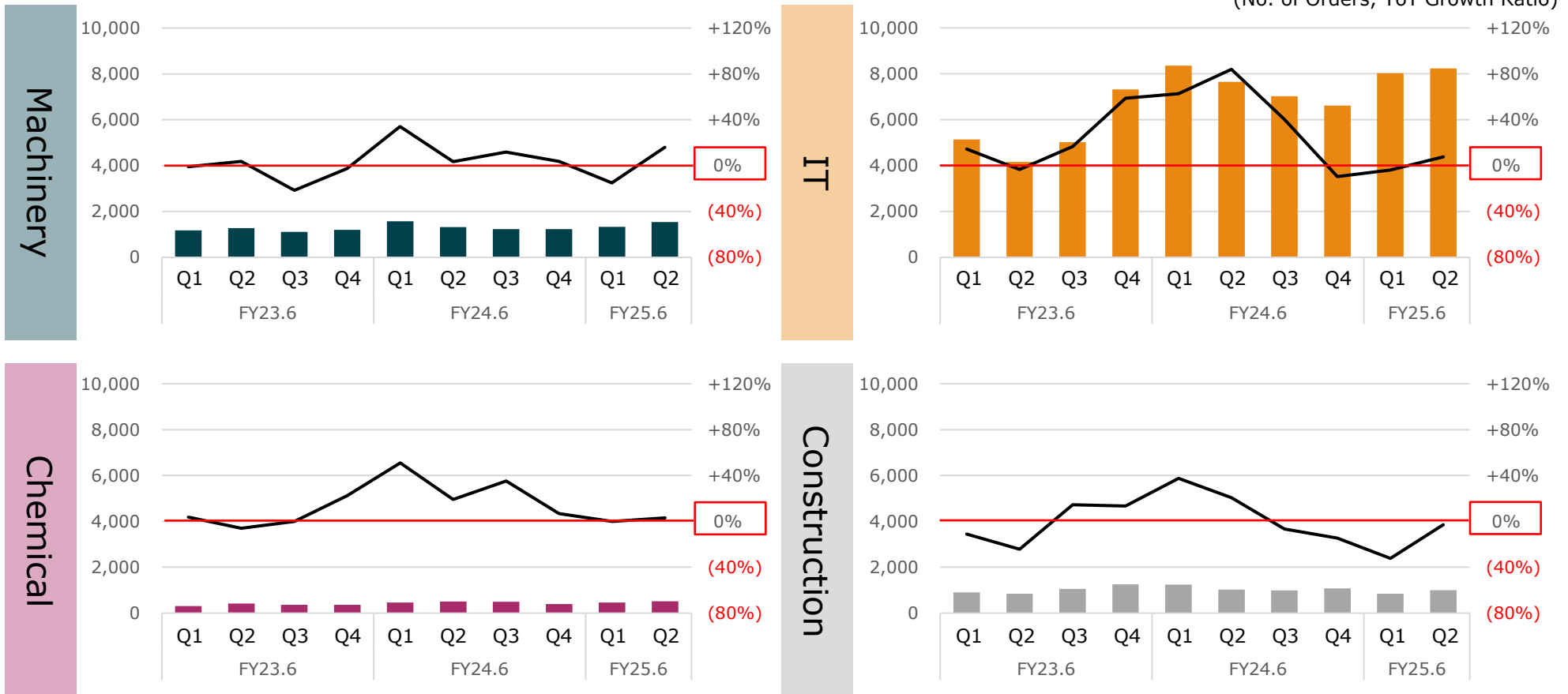
Contract Renewal Ratio [Mar, Jun, Sep, Dec]

- Terms of most staffing contracts are three or six months, therefore major contract renewal cycle occurs every three months (particularly in March, the contracts up for renewal reach more than 70% of total contracts, and March contract renewal ratio usually tends to be around 90% since many projects end to coincide with the closing of our customers' fiscal year)
- There were no major decline in contract renewal ratio or termination of large contracts despite uncertainty in economic environment; renewal ratio for December 2024 ended up with **93.2%** (renewal ratio could have increased to **94.3%** if calculated, excluding effect from voluntary contract terminations to promote shift-up initiatives), anticipating the same level of renewal ratio for March 2025 as previous year if the effect from shift-up is excluded



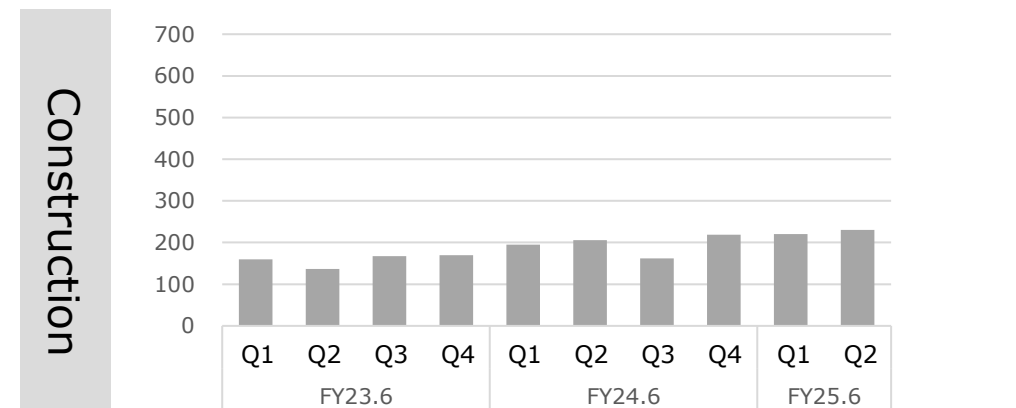
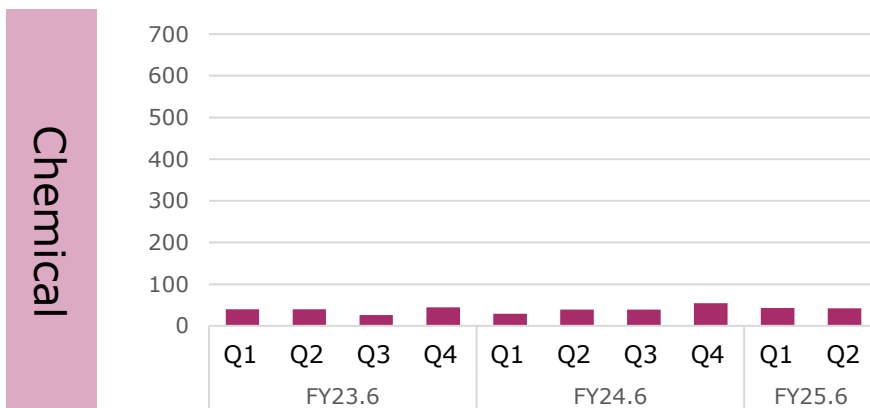
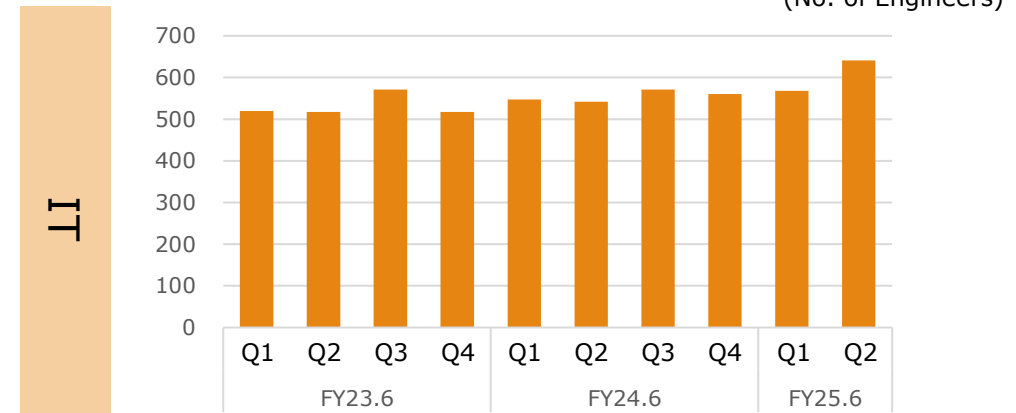
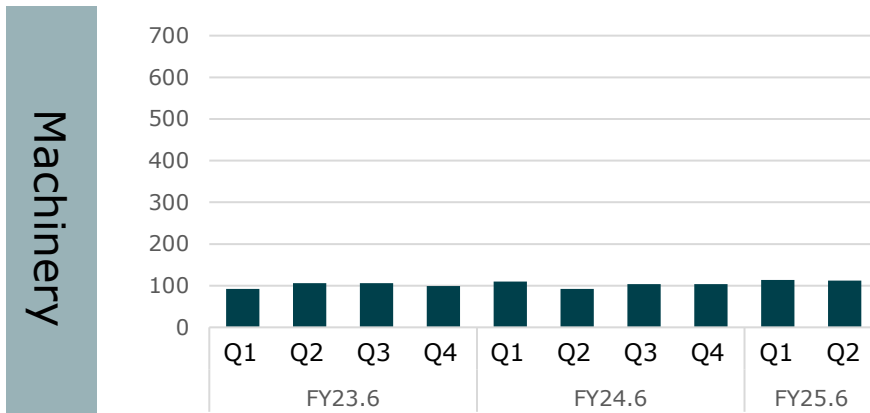
New Orders Trend by "Technology" [Quarterly]

- Strong demand from customers has been continued for H1 FY25.6, **ensuring adequate volume of orders upon engineer resources** (fulfillment ratio of approx. 30% for remaining orders; no difference of utilization ratio among technology areas)
- New orders in IT are increasing after hitting bottom in Q4 FY24.6; shortage of eligible engineers to meet vigorous demand remains as an issue to tackle



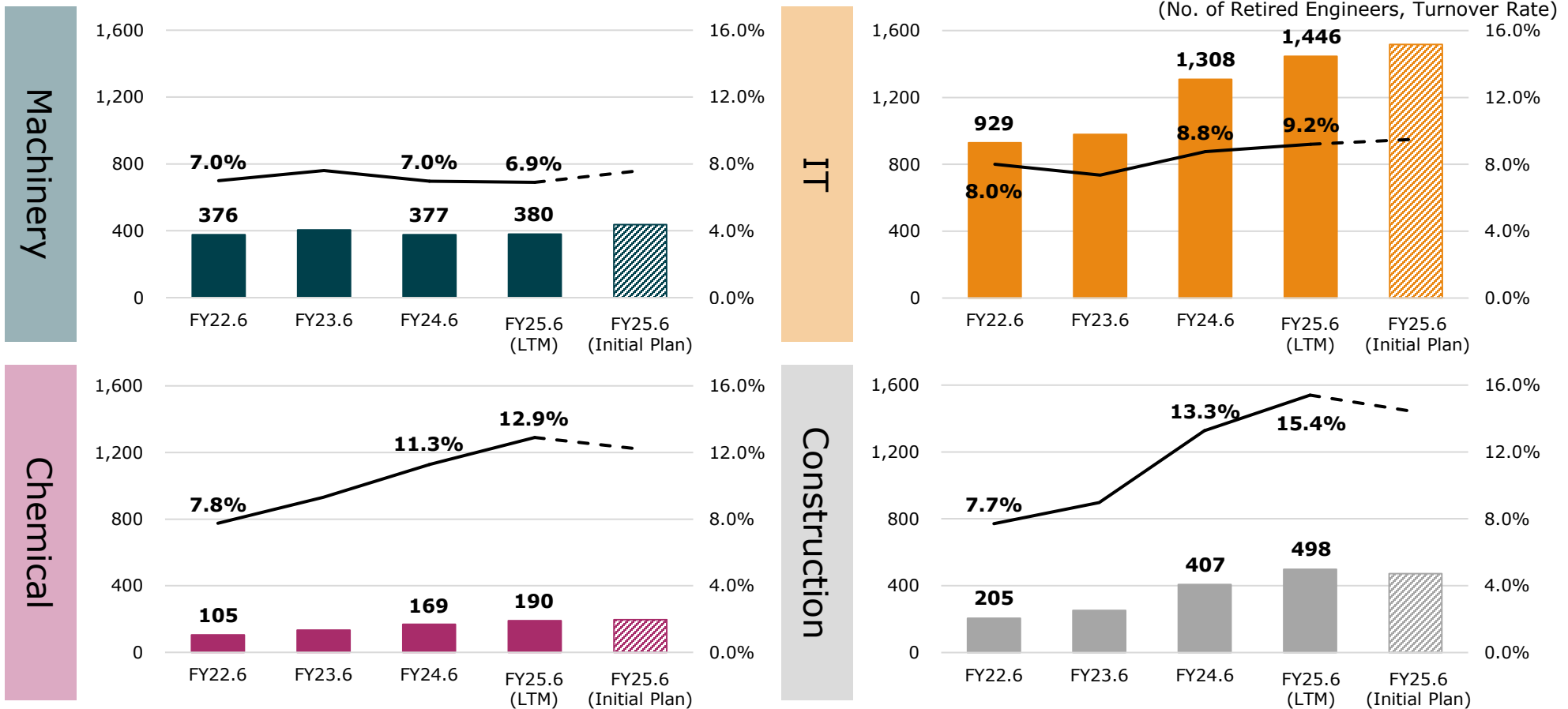
Mid-career Recruitment by “Technology” [Quarterly]

- 1,970 mid-career engineers hired in H1 FY25.6 include **376 inexperienced talents requiring OJT** (130 in IT and 246 in Construction) and **58 non-Japanese engineers with in-demand skills recruited globally** mainly in IT field, reinforcing the experienced hires among increasingly intensifying war for talent
- Through the collaboration with alliance partners, **proactively continue to hire inexperienced talents requiring OJT**, while securing projects in advance where they will be assigned immediately after training



Turnover by "Technology" [FY25.6: LTM Results & Forecast]

- Turnover ratio for permanent employees was **9.7%** (highest in Construction at 15.4%, lowest in Machinery at 6.9%) in LTM Q2 FY25.6, expecting **9.8%** in FY25.6
- Turnover ratio shows a deteriorating trend particularly in IT sector, as the hiring market is further shifting to the seller's market due to labor shortage and the impact of increased labor mobility
- Construction may bring up the total average, as it may worsen due to increased hiring of young, inexperienced talents

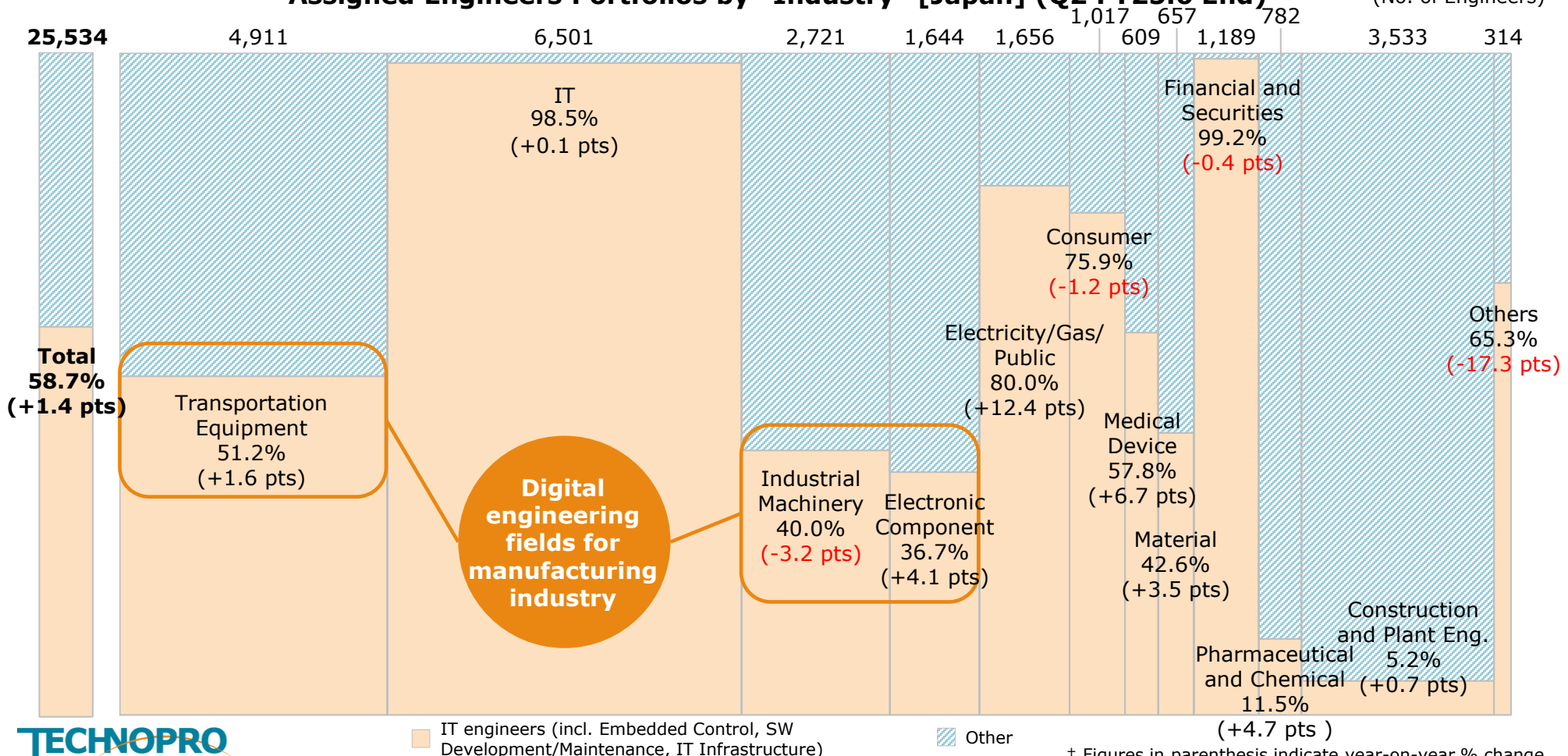


IT Engineers Portfolios by "Industry"

- Focus of the R&D activity at each vertical including Transportation Equipment is **shifting from hardware to software**, therefore the proportion of assigned IT engineers in the Group is growing accordingly
- The potential of the Solution Business lies in the Group's engineers in IT and other fields (mechanical, electric/electronic, chemical, biochemical, construction, etc.)

Assigned Engineers Portfolios by "Industry" [Japan] (Q2 FY25.6 End)

(No. of Engineers)

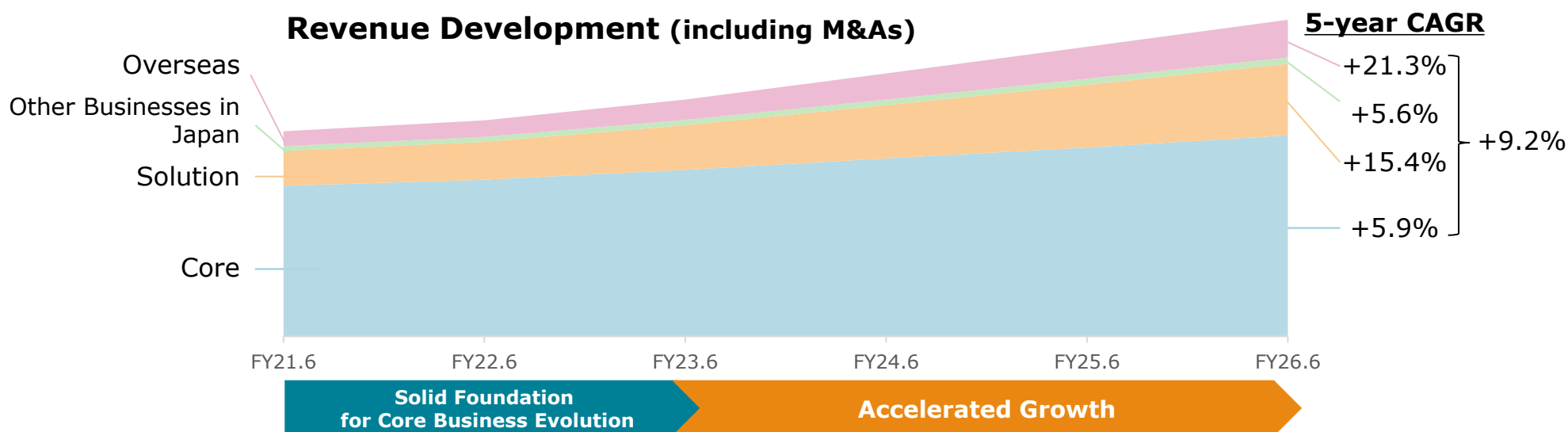


Contents

	Page
I : Current Business Environment (Japan KPIs)	2
II : Medium-Term Management Plan "Evolution 2026" Progress	8
III : Sustainability Management	15

Medium-Term Management Plan Financial Target

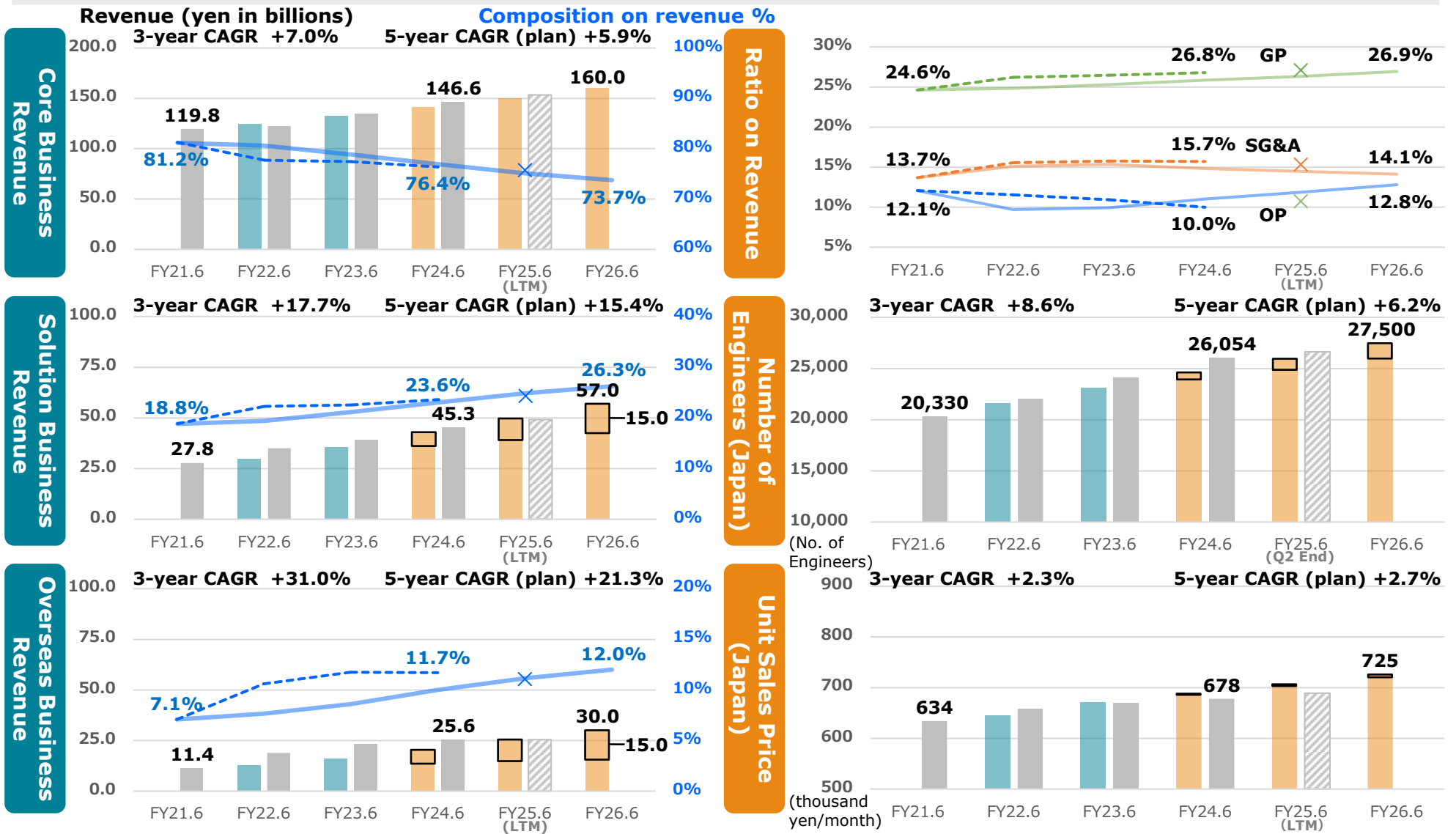
- The transitional first two years of the medium-term plan period (five years) require upfront investment to promote recruitment of key talents as well as education and training for Solution Business expansion and to establish business infrastructure for Engineer Training and DX Promotion Businesses, **building solid foundation for the Core Business evolution**; then aims to recoup investment in the last three years, **achieving accelerated growth** in earnings
- FY26.6 target remains unchanged at this time, although the operating profit for the third year (FY24.6) fell short of the medium-term plan, as the earnings for FY25.6 are expected to recover the growth momentum initially planned



(yen in billions)	FY21.6 Results	FY23.6 Results	<u>2-year CAGR</u>	FY24.6 Results	FY25.6 Guidance	YoY	FY26.6 Plan	<u>3-year CAGR</u>	<u>5-year CAGR</u>
Revenue	161.3	199.8	+11.3%	219.0	237.0	+8.1%	250.0	+7.7%	+9.2%
OP (Core OP)	19.4 (17.6)	21.8 (21.3)	+5.9% (+10.1%)	21.9 (24.3)	27.0 (27.0)	+23.2% (+10.7%)	32.0 (32.0)	+13.6% (+14.4%)	+10.5% (+12.7%)
Net Profit	13.2	15.3	+7.7%	14.6	18.5	+26.0%	22.0	+12.7%	+10.7%
ROE	25.1%	21.3%		18.8%	22.9%		20%+		

Note: 1. CAGRs for the first 2- and full 5-year are calculated as the average annual growth rate starting from FY21.6 results; CAGR for the last three years is calculated as the average annual growth rate starting from FY23.6 results
 2. Revenue contribution from M&As to Solution/Overseas Businesses is expected to be 15bn yen and 15bn yen respectively in FY26.6; OP contribution is expected to be 15% and 15% respectively

Revenue/KPI Breakdown [FY25.6 figures: LTM Results]

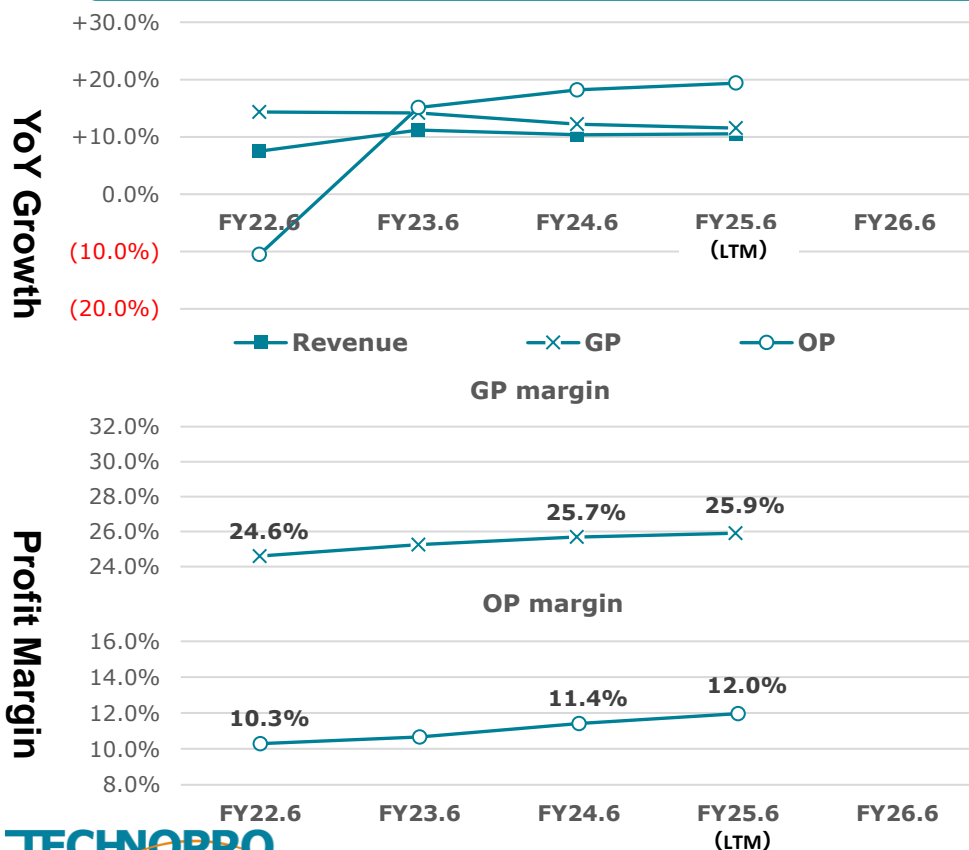


Note: 1. Composition on revenue %: [Core Business, Solution Business] ratio to sum of revenues from R&D Outsourcing/Construction Management Outsourcing segments; [Overseas Business] ratio to consolidated revenue
 2. FY22.6 and thereafter, bar graphs on left and solid lines of line graphs indicate targets in the medium-term plan; FY24.6 and thereafter, black borders on bar graphs indicate M&A contributions expected in the medium-term plan

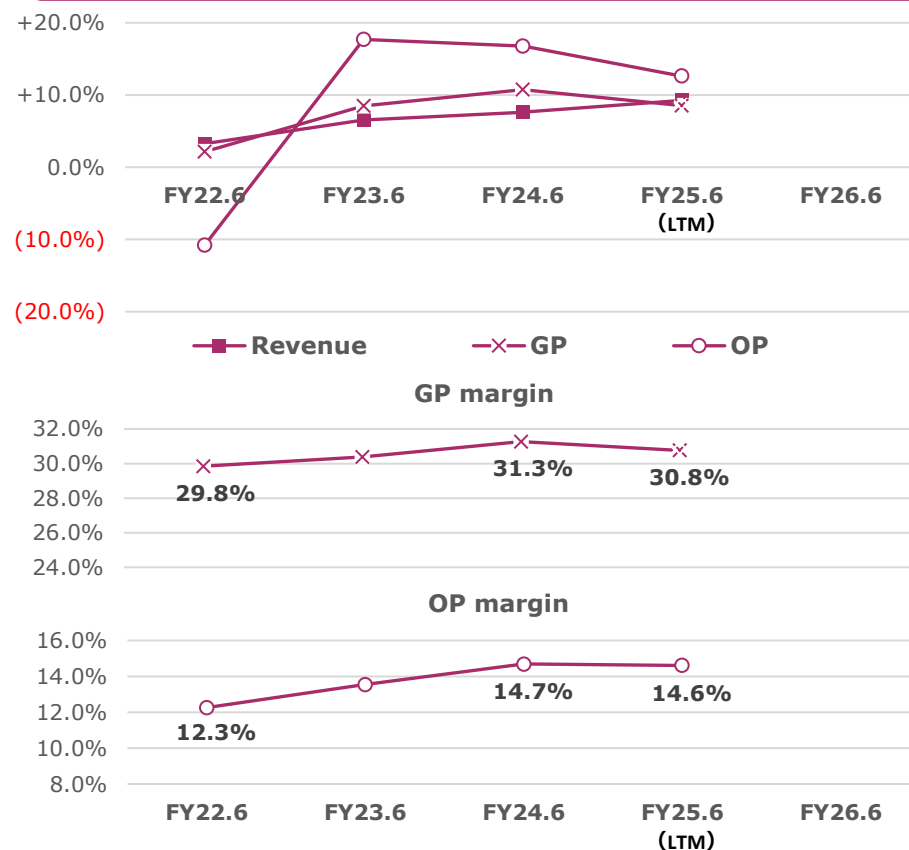
YoY Growth & Profit Margin in Major Businesses in Japan [FY25.6: LTM Results]

- Total of revenue and operating profit for two major domestic segments account for approx. **90%** of the consolidated figures
- Operating profit in FY22.6 declined year-on-year due to the dissipation of the government subsidy for continuous employment; from FY23.6 onward, maintaining over **10%** growth every year
- Despite rising recruitment costs, compensating wage hike by passing costs on billing price to customers; beginning to enjoy operating leverage and continuously improving profitability

R&D Outsourcing

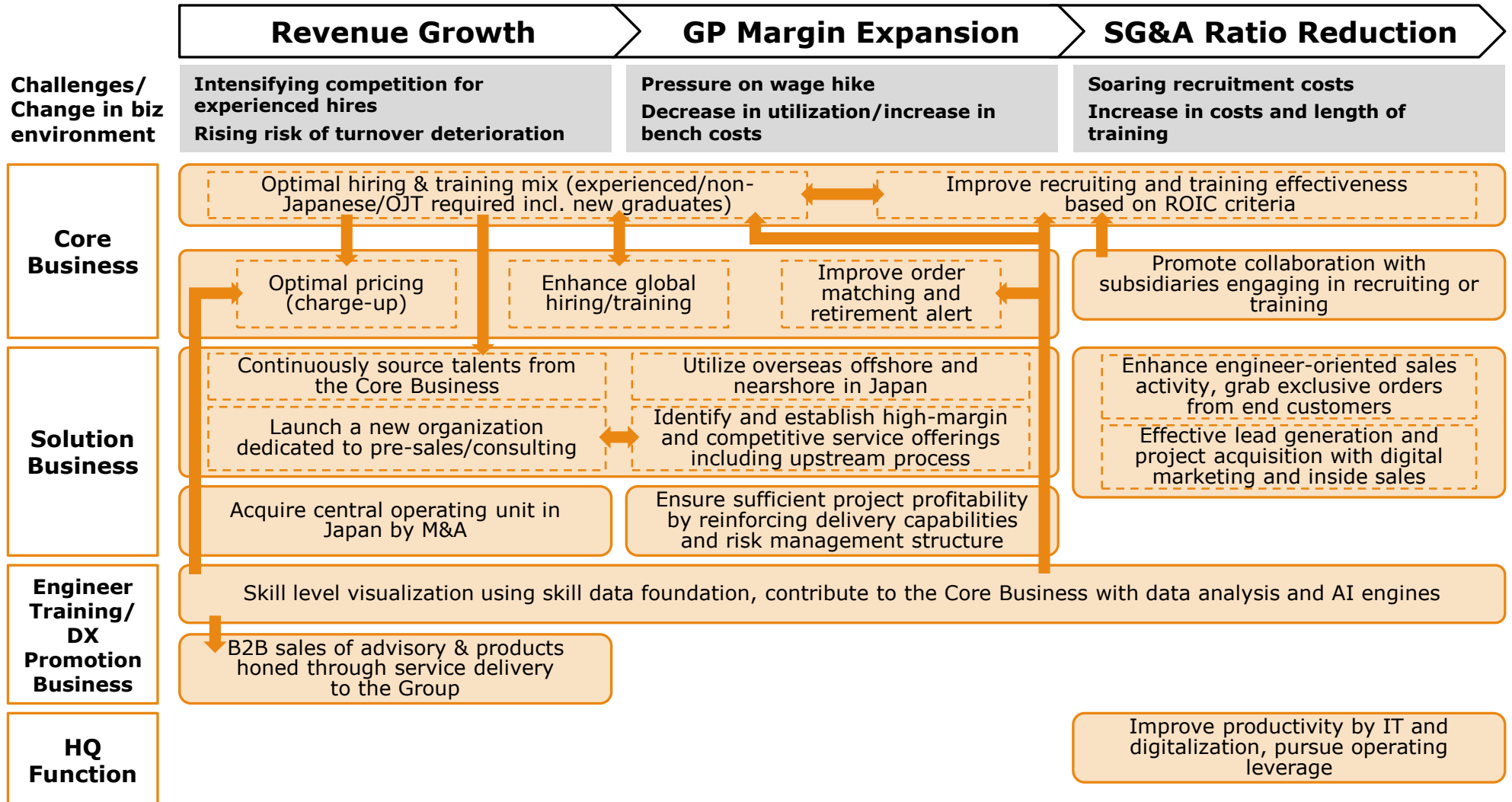


Construction Management Outsourcing



Medium-Term Plan Remaining Three Years Initiatives

Aim to achieve higher earnings growth in the remaining three years by responding to the challenges/change in business environment found in the first two years



Financial Performance for Remaining Three Years

- **Continuously supply engineers from the Core Business to the Solution Business** through training, while promoting shift-up initiatives focusing on the price development in the Core Business
- Also **promote the strategic shift of engineers to solution offerings** with higher unit prices, once they have acquired digital technologies and work experiences
- SG&A ratio in H1 FY25.6 was **14.8%**, largely improved year-on-year, driven by the growing effect of operating leverage while continuing growth investment

(yen in millions)	First Half			
	FY24.6 (Results)	FY25.6 (Results)	YoY	
Revenue	108,009	118,439	+10,429	+9.7%
Core Business	72,187	79,002	+6,815	+9.4%
Solution Business	22,281	26,198	+3,917	+17.6%
Other	13,540	13,238	(302)	(2.2%)
Unit sales price [Japan] (thousands yen/month)	676	698	+22	+3.3%
Core Business	647	666	+18	+2.9%
Solution Business	790	818	+28	+3.6%
Assigned engineers [Japan] (no. of engineers/month)	23,297	25,122	+1,825	+7.8%
Core Business	18,594	19,785	+1,191	+6.4%
Solution Business	4,703	5,337	+634	+13.5%
Gross profit	29,062	32,447	+3,384	+11.6%
GP margin	26.9%	27.4%	+0.5 pts	
SG&A expenses	16,789	17,569	+780	+4.6%
Ratio on revenue	15.5%	14.8%	(0.7 pts)	
Other income	160	256	+95	—
Other expenses	17	25	+8	—
Operating profit	12,416	15,108	+2,691	+21.7%
OP margin	11.5%	12.8%	+1.3 pts	

Reviews of Initiatives

Sustainable Revenue Growth

- Charge hike through adequate pricing (up 3.3% YoY); base charge for existing engineers rose by 4.4% compared to a year ago
- Transferred 495 engineers from Core Business to Solution Business in H1
- After establishing consulting & advisory division, the number of upstream projects has been increased
- Meaningful size of solution entity in Japan has not been acquired by M&A

Sustainable GP Margin Expansion

- Expanded Solution Business which earns higher unit sales/GP margin
- Improved the training performance (price improvement relative to training cost) by curriculum selection based on training ROIC
- Reduced the number of projects with lower margin by reinforcing organizational control to mitigate delivery risks
- Cultivation of global offshore offerings and more precise retirement prediction remain as ongoing challenges

Continuous SG&A Ratio Reduction

- SG&A ratio decreased to the 14% range driven by the effect of operating leverage while continuing upfront investments such as active hires of engineers and acquisition of solution sales reps
- Deepening the collaboration with the subsidiaries engaging in permanent placement and training, and pursuing effective recruitment and training activities

M&A Strategy

- Seeking opportunities in Japan focusing mainly on IT systems firms that will be **core entities in the Solution Business**
- As acquisition targets, actively reach out to listed companies as well as private companies
- Currently suspended acquisition of overseas companies to focus on strengthening sales/delivery capabilities of Robosoft, which is the core overseas entity
- Concerning the M&A principle, extended the target period for achieving 10% ROIC to 5 years (from 3 years or less), focusing on medium-term synergies and growth potential (rather than immediate performance)

M&A/Alliance Target

	Core	Complemental (Bolt-On)
Japan	<p style="background-color: red; color: white; padding: 2px;">Core of the solutions business</p> <div style="border: 2px solid red; padding: 5px; background-color: #008080; color: white;"> <p>IT systems firm (SIer)</p> <ul style="list-style-type: none"> - Proposal/consulting ability - System concept making ability - Wide digital technologies coverage </div> <div style="border: 1px solid #008080; padding: 5px; background-color: #008080; color: white; margin-top: 10px;"> <p>Data analysis</p> <ul style="list-style-type: none"> - AI/ML - Data science </div>	<div style="border: 1px solid gray; padding: 5px; background-color: #d3d3d3; margin-bottom: 10px;"> <p>Alternative of IT engineer recruiting (technology fields difficult to hire)</p> </div> <div style="border: 1px solid #008080; padding: 5px; background-color: #008080; color: white; margin-bottom: 10px;"> <p>Acquire specific technologies & solutions</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p>Acquire training capabilities</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 2px dashed orange; padding: 5px; background-color: #ff8c00; color: white;"> <p>Technical contents</p> </div> <div style="border: 2px dashed orange; padding: 5px; background-color: #ff8c00; color: white;"> <p>Technical OJT</p> </div> </div> </div> <div style="border: 1px solid #9932cc; padding: 5px; background-color: #9932cc; color: white;"> <p>IT platforms/AI engines</p> </div>
Over-seas	Suspended	

Business Domains

- : Core Business
- : Solution Business
- : Engineer Training Business
- : DX Promotion Business

Control

- : **100% acquisition**
(as early as possible even in phased acquisition)
- : **Alliance/partnership**
(or minority investing)

Contents

	Page
I : Current Business Environment (Japan KPIs)	2
II : Medium-Term Management Plan "Evolution 2026" Progress	8
III : Sustainability Management	15

Integrated Report 2024

- **Published “Integrated Report 2024”** as a communication tool to help all stakeholders understand the Group better
- Demonstrating the Group’s growth potential from a medium- to long-term perspective by disclosing financial/non-financial information on sustainable value creation, human capital strategies, ESG-related strategies, etc.



Integrated Report 2024 Contents

1. Introduction	6. Sustainability	12. Risk Management
2. Highlights of the Report	7. Materiality	13. Roundtable Discussion with Outside Directors
3. Message from the CEO	8. Partner Dialogue	14. ESG Strategy
4. The Market Environment	9. Human Capital Strategy	15. Company Data
5. The Value Creation Process	10. Business Strategy	
	11. Message from the CFO	

Point 1. Growth story based on value creation process

Clearly identified where each content fits in the Group’s value creation process to fabricate growth story from medium- to long-term perspective

Point 2. Shareholder value creation based on human capital strategy

Redefine the Group’s approach to the human capital strategy, explain with a tree diagram how initiatives such as Career Design Advisors system, town hall meetings with the CEO, business strategies, and KPIs lead to shareholder value creation

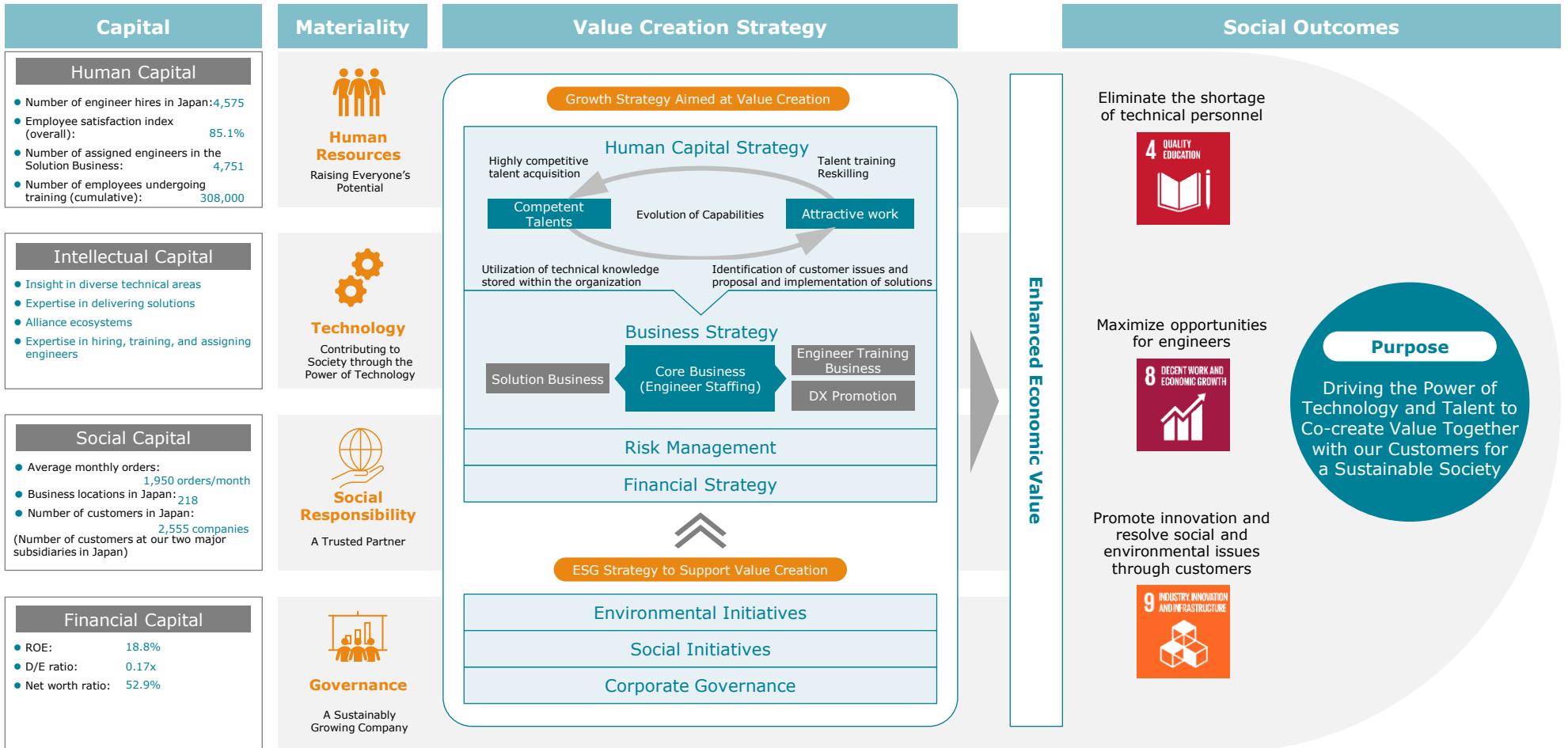
Point 3. Deliver lively image of TechnoPro Group

Show in-depth image of the Group by publishing interviews of employees working in various positions and dialogue with an alliance partner

Integrated Report feedback form*: <https://forms.office.com/r/y4bBz0r0MP>

Value Creation Process

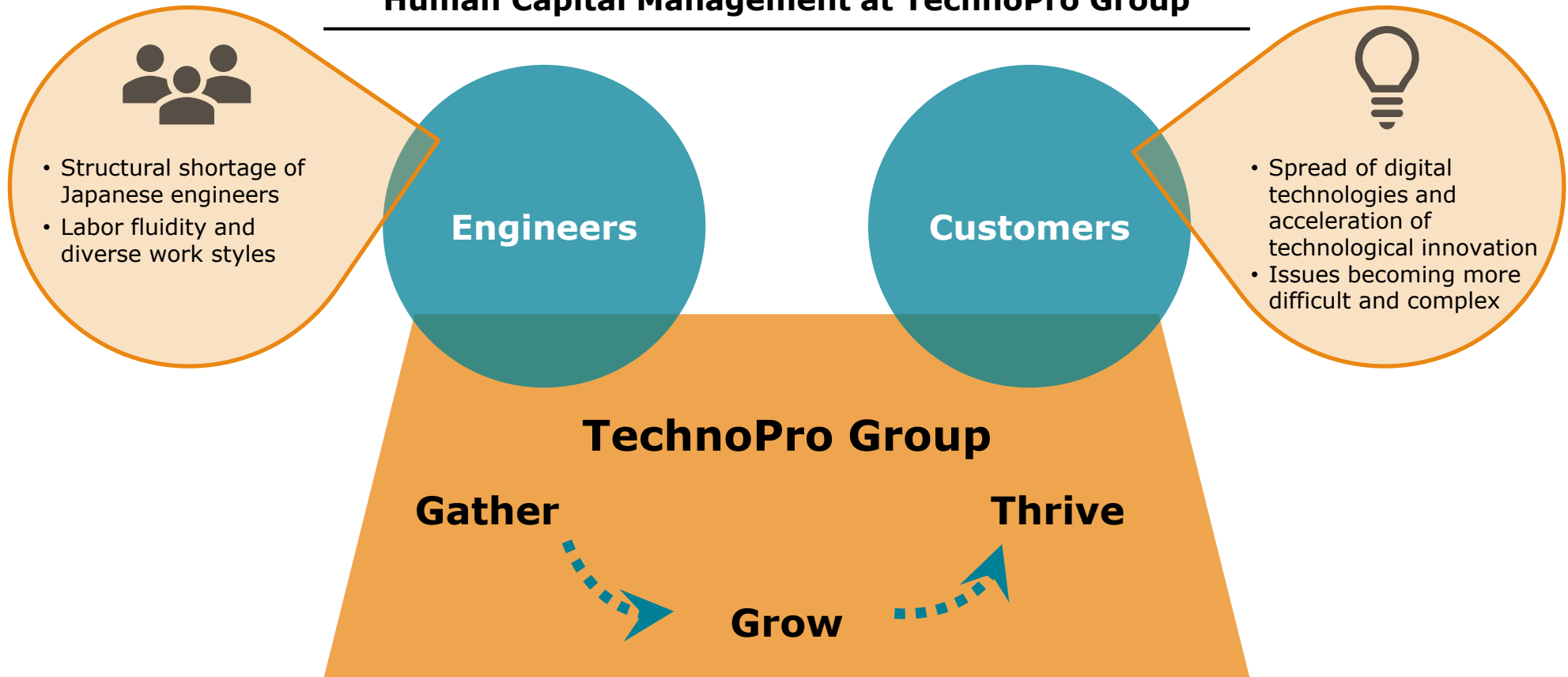
- Through initiatives to address materiality issues, aiming to realize following social outcomes: **“Eliminate the shortage of technical personnel,” “Maximize opportunities for engineers,”** and **“Promote innovation and resolve social and environmental issues through customers”**
- Enhancing economic value through steady execution of growth strategy, **strive to realize the Group’s Purpose**



Human Capital Management

- Based on the factors such as domestic labor market and technological trends that our customers are facing, aiming to become **a platform** where engineers gather, grow, and thrive successfully
- As our business is the embodiment of human capital management, **human resources are sources of our value creation**

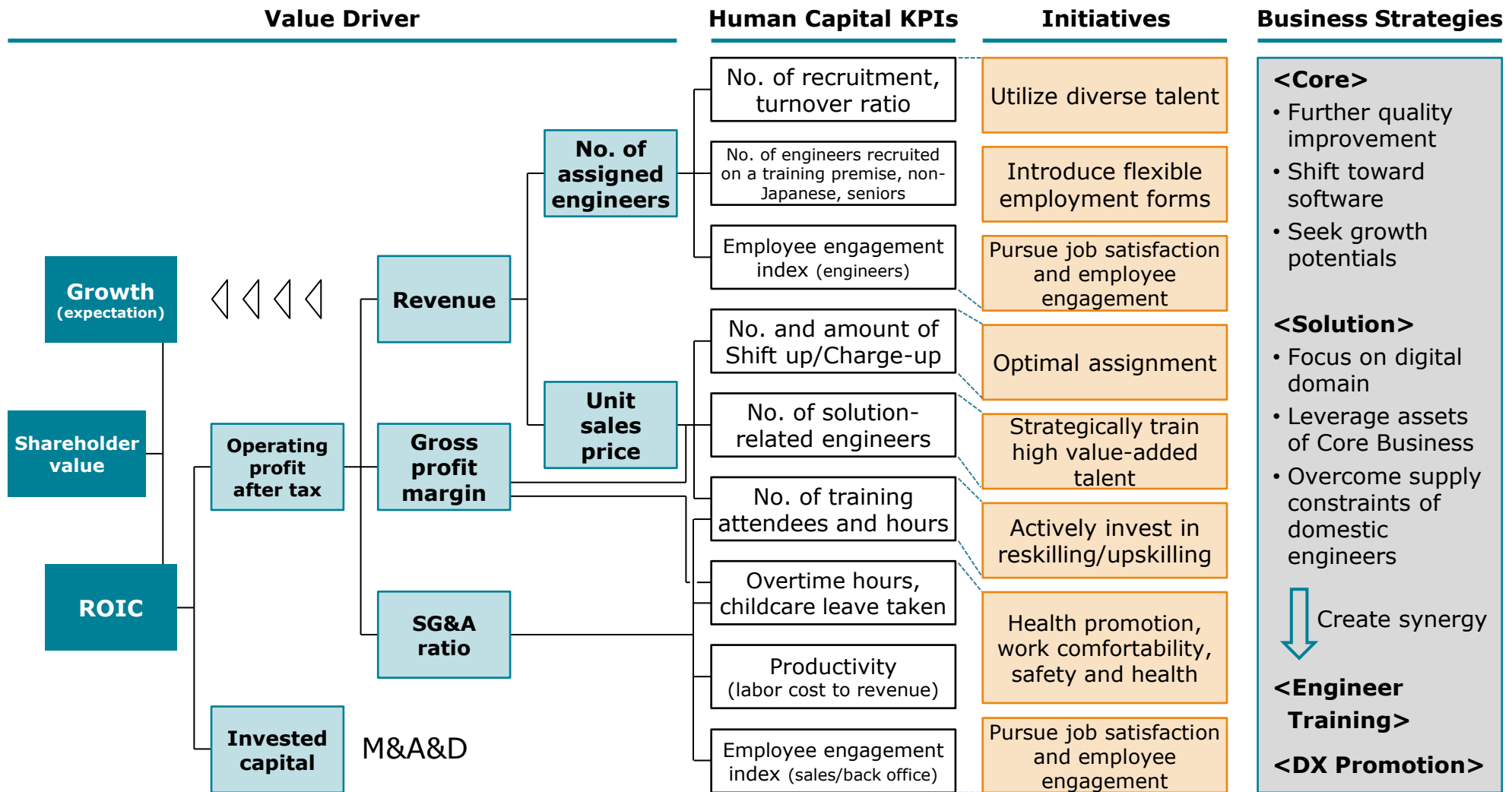
Human Capital Management at TechnoPro Group



Platform for Engineers

Human Capital Investment & Value Creation

Execute business strategies and create value through human capital initiatives
(human capital KPIs impacts value drivers)



Human Capital KPIs

- Most human capital KPIs in H1 FY25.6 improved compared to H1 FY24.6, except for a few items
- Carry out root cause analysis of turnover ratio and hours of training, thereby identifying and implementing countermeasures to improve KPIs and value drivers

Initiatives	KPIs	FY24.6 H1 Results		FY24.6 Full-Year Results		FY25.6 H1 Results		Target	
Utilize diverse talent	Number of engineer recruitment	1,760		4,575		1,970		3,000/year or above	
	Turnover ratio of permanent employee engineers	7.9%		9.1%		9.3%		At or below 7.5%	
Introduce flexible employment forms	Number of engineers recruited on a training premise	292		542		376		250/year or above	
	Number of non-Japanese engineers	1,119		1,210		1,281		1,500 *3	
	Number of engineers aged 60 and over	1,224		1,359		1,512		2,000 *3	
Pursue job satisfaction and employee engagement	Employee satisfaction *1	—	—	(Engineers) 84.8%	(Non-engineers) 87.3%	—	—	90.0% or above	
Optimal assignment	Average monthly unit sales price	676K yen		678K yen		698K yen		725K yen *3	
Strategically train high value-added talent	Number of assigned engineers in the Solutions Business	4,703		4,751		5,337		6,200 *3	
Actively invest in reskilling/upskilling	Number of training attendees (cumulative)	123K		308K		115K		360K/year *3	
	Hours of training (cumulative)	231,000h		790,000h		203,000h		1,000,000h/year *3	
Health promotion, work comfortability, safety and health	Average hours of overtime	12.2h/month		12.5h/month		12.6h/month		Maintain at 20h/month or below	
	Percentage of taking childcare leave	(male) 59.0%	(female) 100.0%	(male) 41.8%	(female) 94.7%	(male) 64.7%	(female) 97.4%	(male) 50% or above *3	(female) 100.0%
	Productivity (personnel expenses to revenue ratio) *2	8.8%		8.8%		8.2%		At or below 8.0%	

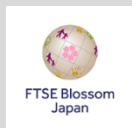
External Certifications/Recognitions

- Selected as **a constituent of all ESG investment indices** used by the GPIF (Government Pension Investment Fund)
- Selected as a constituent of the JPX Prime 150 Index, which began calculation in July 2023, based on **return on capital (equity spread criteria)**

ESG Indices adopted by GPIF

General ESG Index

FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index



MSCI Nihonkabu ESG Select Leaders Index

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Thematic Index

S&P/JPX Carbon Efficient Indices



MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Morningstar Japan ex-REIT Gender Diversity Tilt Index

Other Indices

JPX Nikkei Index 400

<Joint Index>

JPX Prime150 Index

<Stock Selection>

NIKKEI 500 INDEX



IR Grand Prix & "Most Liked!" IR Award at IR Award 2024

Award to recognize companies proactively engaging in IR initiatives



Certified Health and Productivity Management Outstanding Organization (Large Enterprise Category)

Recognition for companies engaging in notable health and productivity management
Named for five consecutive years from 2020



DX Certification

Certification to recognize companies ready for DX promotion
Selected first time on June 6, 2021
Renewed every two years, successfully selected again in 2023



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[Email Alerts]

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Technology to Empower the Future

The logo for TechnoPro features the word "TECHNOPRO" in a bold, blue, sans-serif font. A thin orange line with arrowheads at both ends is positioned horizontally across the middle of the letters, passing through the center of the 'T', 'H', 'N', 'O', and 'P'.

TECHNOPRO