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Mid-Term Management Plan Update (2nd Quarter FYE June 2016)

Yasuji Nishio

President, Representative Director & CEO

TechnoPro Holding, Inc.

February 5, 2016

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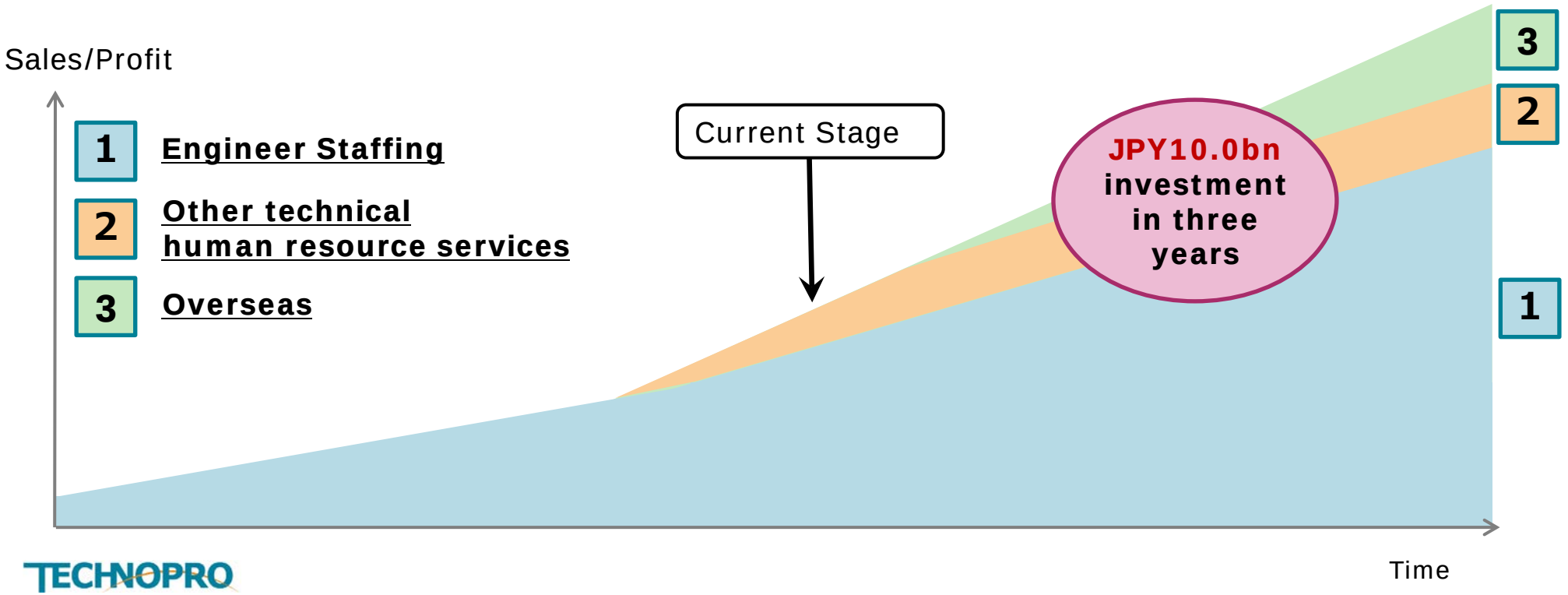
Mid-Term Management Plan Summary (released August 2015)

☐ Accelerate further sales/profits growth with proactive investments

< Period for Mid-Term Management Plan >

Solid Mgmt foundation 2014 - 2015	Accelerated growth 2016–2018
✓ Integrate TechnoPro brands	✓ Growth of engineer staffing market
✓ Consolidate subsidiaries	✓ Amendment to the Worker Dispatching Law
✓ Listing on TSE1	➡ Proactive investments for growth



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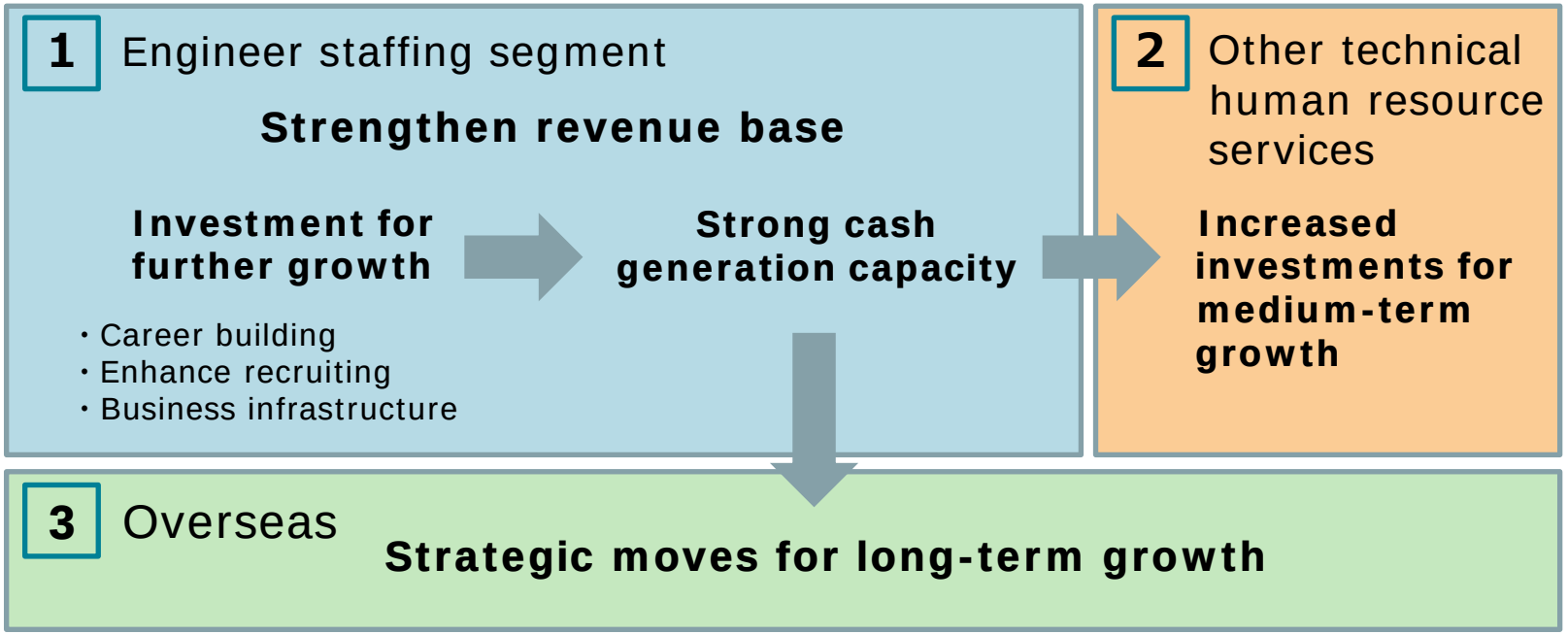
Reinforce leading position in technical HR services market

- **Strengthen the revenue base for engineer staffing segment** and invest generated cash into growth
- **Achieve growth in "Other technical human resource services" and "Overseas"**, offering solutions to diverse technology related needs of clients



Progress & Outlook for 1 2 3 as followed

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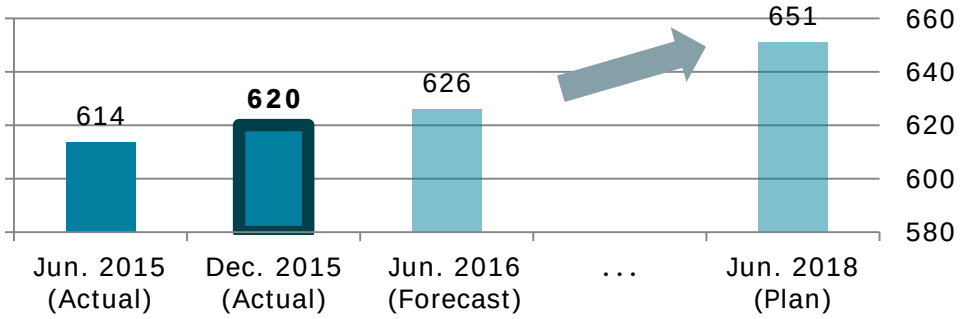
1 Strengthen revenue base in engineer staffing

Unit Sales Price

- **Continued Shift-up/Charge-up initiative and grouped staffing in a team**
  - JPY 9,000/m increase driven by Shift-up
  - Unit price steadily increasing even though 3.3 working days decline moderates the growth

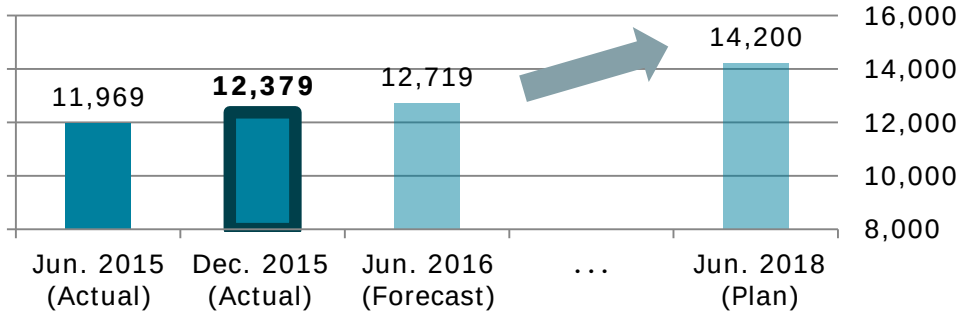
• Plan: 2% yearly growth to reach over JPY 650,000/month



Number of Engineers

- **Improved turnover ratio driven by retention measures and enhanced training programs**
  - Turnover ratio improved to **7.0%**
  - Stronger growth than expected with new-grad engineers about to join on April 2016

• Plan: Adding 750 engineers annually to reach over 14,200



Examining M&A possibility to **reinforce our value-adding capability**, rather than an alternate measure for recruiting, as engineer increase is still solid

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2 3 Growth in other technical human resource services and overseas

HR Services – Acquisition of Pc Assist

1 Engineer staffing segment

Recruitment → Human resources development → Engineer management → Marketing

Compliance / risk management

Engineers

<Core competence>

- 20,000 engineer applicants/year
- Expertise in human resources development
- 12,000 engineers in diverse tech. fields
- Client base of 1,800 companies

Clients

2 Other technical human resource services

3 Overseas

- Provide **synergetic services by leveraging the core competence** of the engineer staffing segment
  - Contract-based Development
  - Engineer recruitment support / Career Development
  - Offshore Contracted business
  - • • •

Needs for skill upgrade / career building

Technology-related outsourcing needs

Pc Assist

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2 3 Growth in other technical human resource services and overseas

Enhance technical competence of TechnoPro group engineers



- Prospective employee education
- New-grads education
- Expert training（ex. CATIA）
- Strategic Technical Areas training
- Acquired qualification (3D CAD engineer, ETEC, etc.)

Potential for sales/profit growth in **training business**

- Leading companies such as auto-parts manufacturers, SIers are showing strong interest in training service

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2 3 Growth in other technical human resource services and overseas

Undertaking Contract-based Development

- Improved undertaking contract-based business

  H1 FY2015: JPY 4.2 billion
  H1 FY2016: JPY 5.0 billion

  - Strong growth in IT, bio/biochemical sector

- Opening a new R&D center in Kashiwa

  - In addition to Kobe RC, to accommodate increasing demand for R&D support in biogenetics/cell technology field



Global Services

- Increased foreign engineers living in Japan

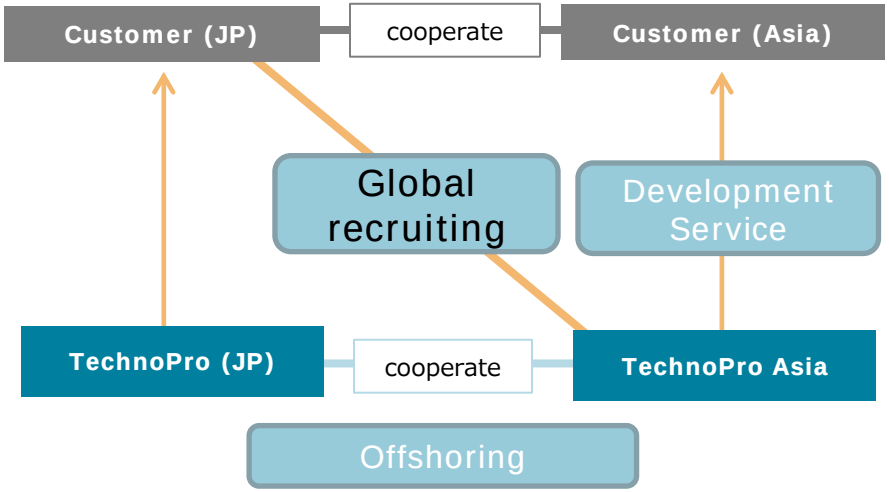
  End of H1 FY2015: 233
  End of H1 FY2016: 388

- Recruiting new-grads from overseas

  - Adding to mid-career foreign engineers, 15 new-grads joined from overseas

- Business in China is at a standstill

[Customer]



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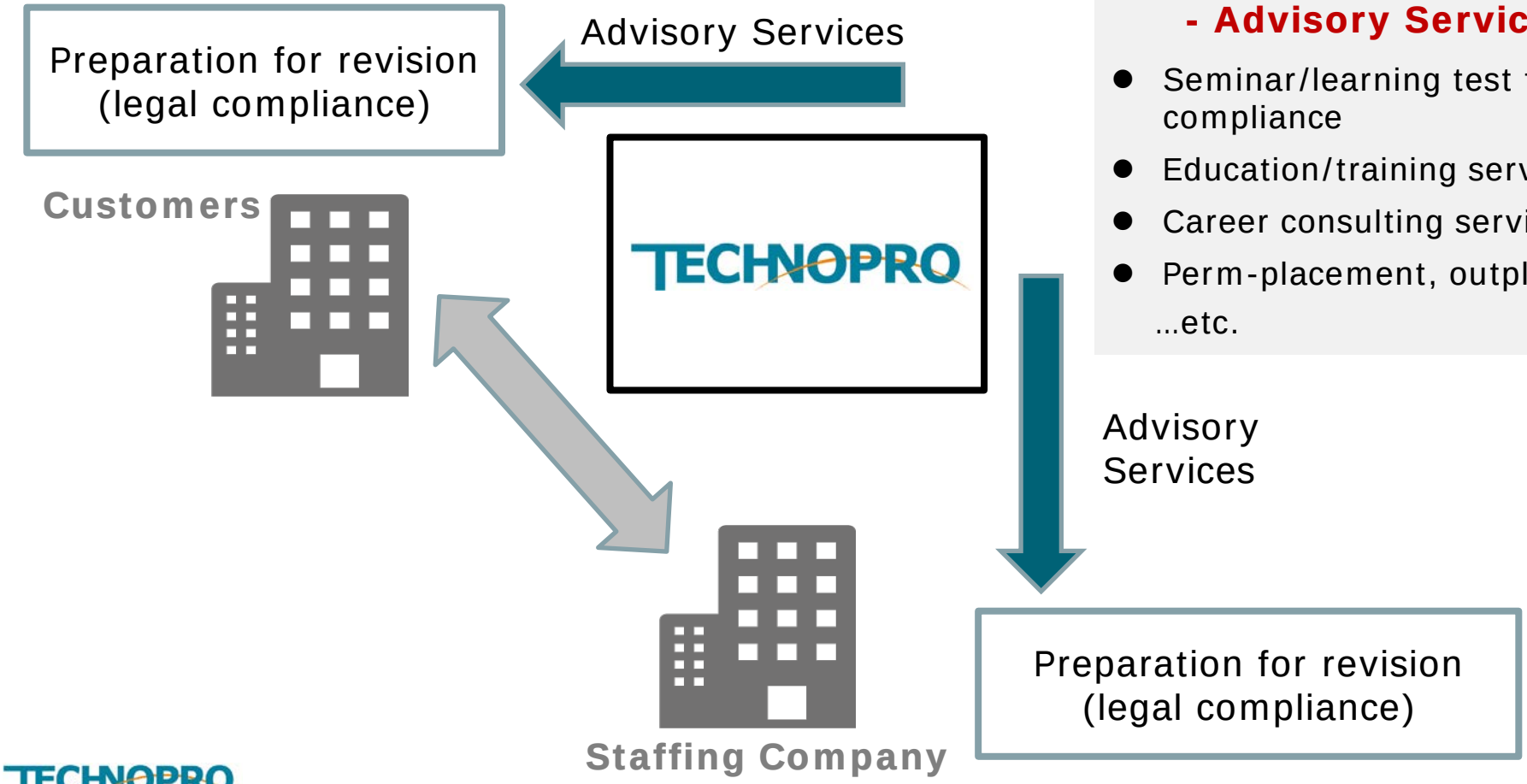
Initiatives for Worker Dispatch Law Amendment

- TechnoPro group **already met legal requirements**, **accredited as quality staffing operators by MHLW**
- New service to provide **advisory services** to engineer staffing customers or other staffing operators



- Advisory Services -

- Seminar/learning test for compliance
- Education/training service
- Career consulting service
- Perm-placement, outplacement

...etc.

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Reinforce Corporate Governance

- **Enhance both enterprise value and shareholders' common interests** through sustainable growth

Secure the management system to follow "Corporate Governance Code"

- Introduced the Corporate Governance Guidelines
- Appointed **two new** independent outside director/auditor (**five outside executives instead of previous three**)
- Operates Nomination and Compensation Committee
- Operates Independent Executive Committee

New independent outside director/auditor appointed



[New director]

Kazuhiko Yamada

Lawyer

Partner of Nakamura, Tsunoda & Matsumoto

Part-time lecturer: Gakushuin University Law School



[New auditor]

Minoru Ochiai

CPA

Professor, Meiji University Graduate School of Global Business

Introduced stock option

- Exercise period : from October 1, 2018
- Conditions for exercise : Performance must exceed 105% or more of 27.2 billion yen, the total consolidated operating profit target in the mid-term management plan in order to exercise 100% of subscription warrants
- Aggregate number of subscription warrants: 312 (dilution ratio <0.1)

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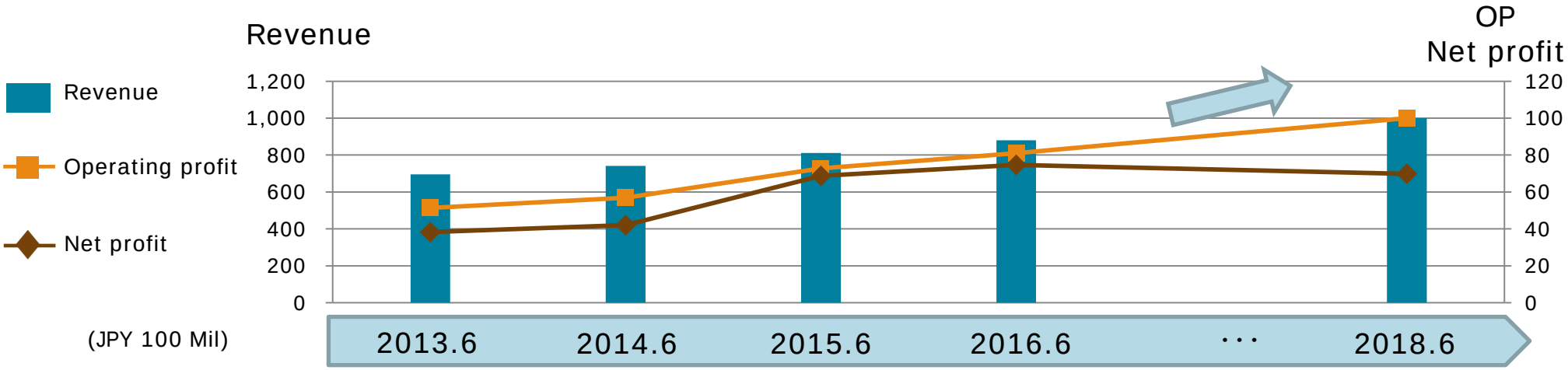
Business Strategy

- Our mid-term management plan is subject to change when revenue/profit target is achieved ahead of schedule
- Capital policy
  - ✓ Maintain 50% consolidated dividend payout ratio, at least the same or better dividend amount per share than previous payment.
  - ✓ Carry out funding for M&A investment without deteriorating current shareholders' value.



	2013.6	2014.6	2015.6	2016.6	2018.6
Revenue	694	741	812	880	1,000
Operating profit	51	56	72	81	100
Net profit	37	40	68	76	70
ROE	28%	31%	37%	32%	＞20%

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