Strategic framework for long-term value creation [FY06/18 to FY06/22]

Sustainable Growth for a Bright Future

July 31, 2017

Yasuji Nishio, CEO

Copyright © TechnoPro Holdings, Inc. All rights reserved.

Contents

		Page
I:	Overview of Previous Medium-Term Management Plan	2
II:	New Medium Term Management Plan [FY06/18–FY06/22]	7

Copyright © TechnoPro Holdings, Inc. All rights reserved.

Overview of “Growth 1000” (Medium-Term Management Plan Announced in August 2015)

☐ Positioning of Three-Year Period for Further Growth

<Medium-Term Management Plan Period>

Create a solid management foundation 2014–2015

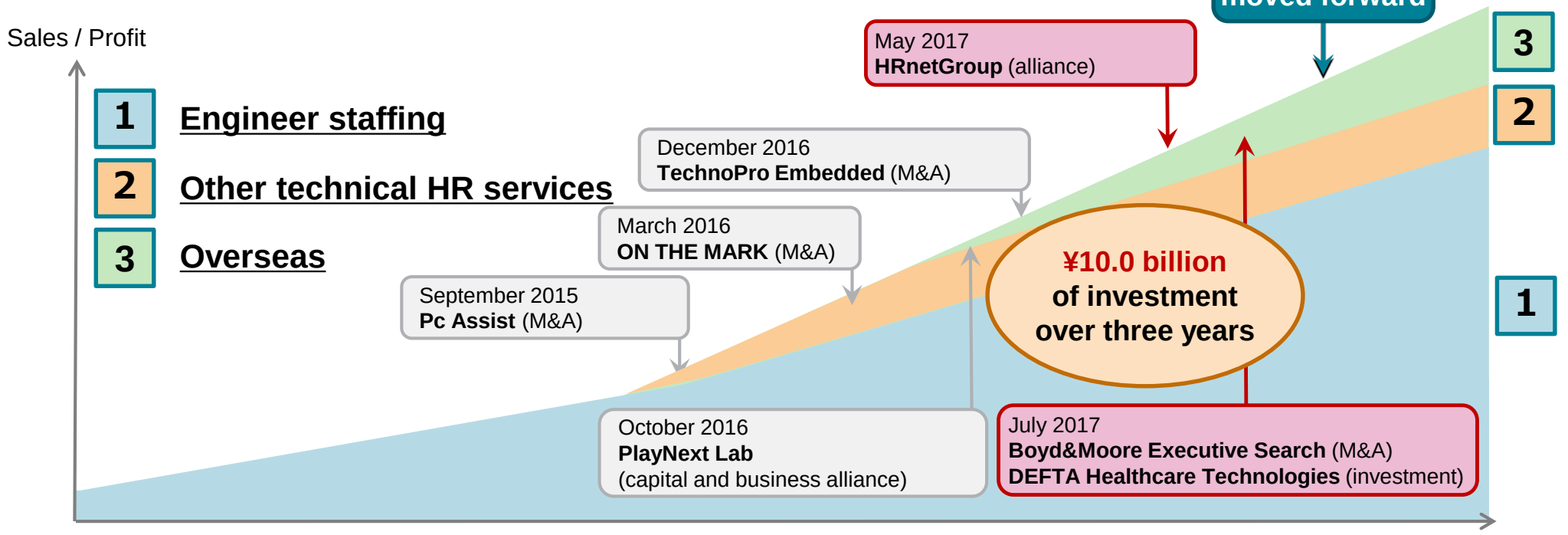
- ✓ Integrate TechnoPro brands
- ✓ Consolidate subsidiaries
- ✓ List on TSE 1st Section

Accelerate growth 2016–2018

- ✓ Growing market for engineer staffing
- ✓ Amendment to the Worker Dispatching Act
- ➡ Invest proactively in growth

Next plan

Next plan moved forward



TECHNOPRO

Copyright © TechnoPro Holdings, Inc. All rights reserved.

(1) HRnetGroup

- June 2017: Invested ¥2.1 billion (3% stake) in HRnetGroup, one of Asia's leading recruiting companies
- July 31, 2017: Signed a **capital and business alliance** with HRnetGroup

Content of the Capital and Business Alliance

1. Business alliance

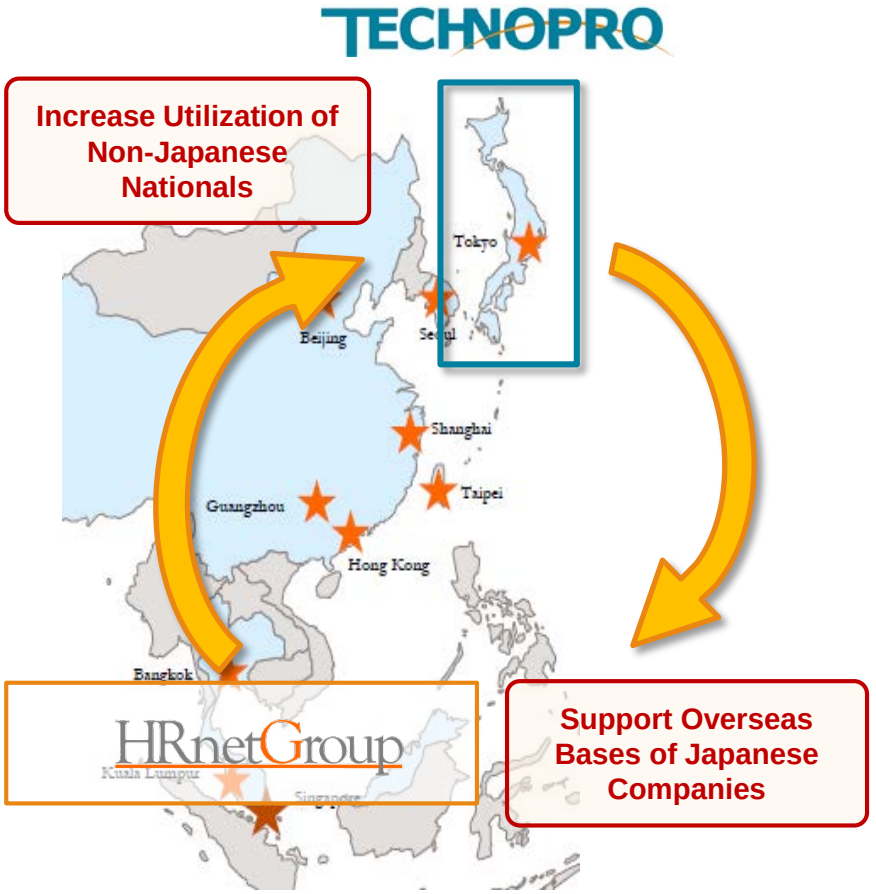
- Support the efforts of Japanese multinationals to secure human resources in Asia
- Support for recruiting of TechnoPro engineers
- Growth of the recruitment agent business in Japan
- Engineer outsourcing in Asia

2. Capital alliance

- Cross shareholdings of 3% or less

3. Other

- Joint investment in Asia
- Future consideration of stronger capital ties and capital restructuring, such as JVs with Group companies



Through an alliance with HRnetGroup, which has the ability to acquire human resources, target medium- to long-term growth in Asia with minimal risk.

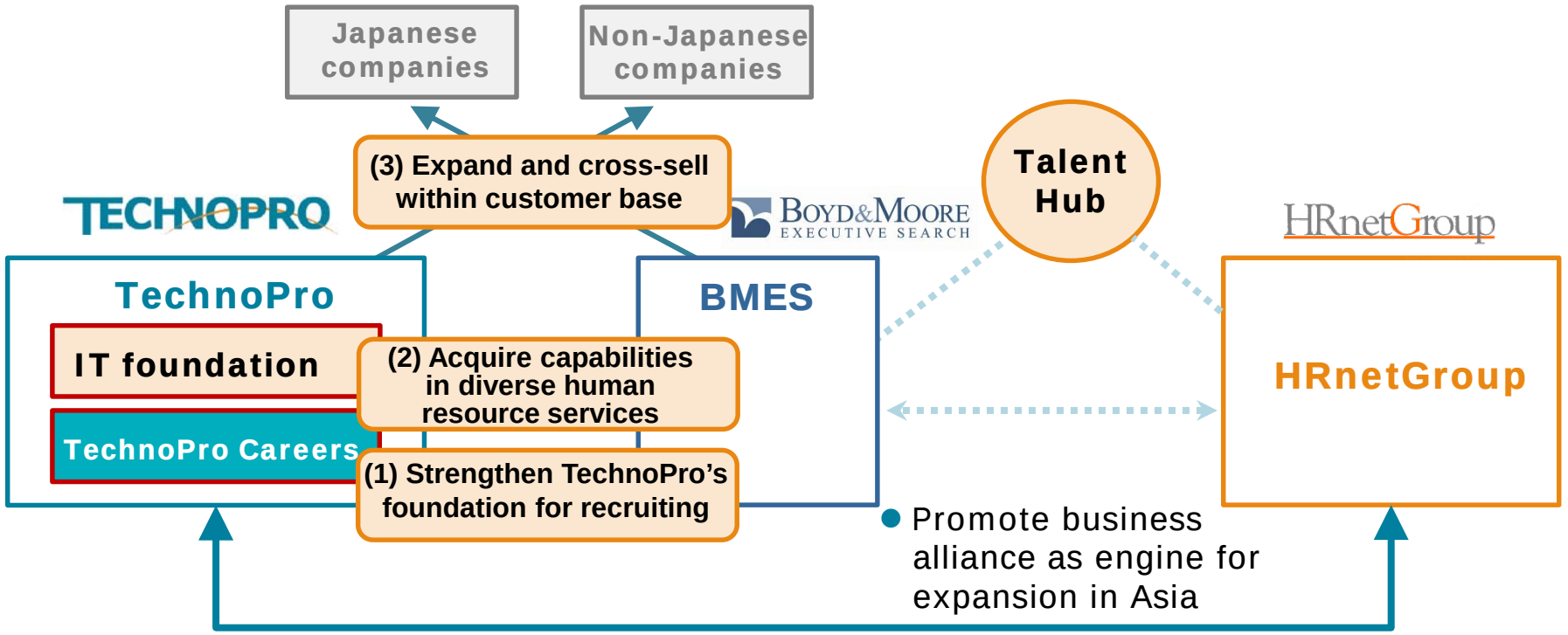
TECHNOPRO

Copyright © TechnoPro Holdings, Inc. All rights reserved.

(2) Boyd&Moore Executive Search

- July 2017: Acquired 100% stake in Boyd&Moore Executive Search (BMES), a recruitment agent

Goals of the Acquisition



As one aspect of promoting our growth strategy (creating a platform for engineering personnel), generate synergies while expanding the recruitment agency business

TECHNOPRO

Copyright © TechnoPro Holdings, Inc. All rights reserved.

Review of the Previous Medium-Term Management Plan

Medium-Term Management Plan, "Growth 1000" (FY06/16 to FY06/18)

Management targets (FY06/18)

- Revenue of ¥100.0 billion, operating profit of ¥10.0 billion, net profit of ¥7.0 billion, payout ratio of 50%, ROE of 20%, D/E ratio of 0.4–0.8x

Strengthen revenue base in engineer staffing segment

- Increase unit price: +2%/year, more than ¥650,000/month
- Increase number of engineers: +5-7%/14,200
- Improve gross profit margin: > 24%
- Maintain/enhance competitive cost structure: SG&A ratio to 14% level

Grow in areas other than staffing businesses

- Development services, services abroad, engineer recruitment support/human resource development, business turnaround support
- Ratio of revenue from non-dispatch areas: 20%

Results (FY06/16 to FY06/17)*

- Revenue of ¥100.0 billion, operating profit of ¥9.6 billion, net profit of ¥7.7 billion, payout ratio of 50%, ROE of 28%, D/E ratio of 0.6x

- Increase unit price: ¥633,000/month (**+1.5%**)
- Number of engineers: 14,346 (**+9.5%**)
- Gross profit margin: 23.4%
- SG&A ratio: 13.9%

- M&A **investment of ¥4.8 billion**
- Ratio of revenue from non-dispatch areas: **14%**

Essentially achieved targets of medium-term management plan one year early. Formulated new plan.

TECHNOPRO

* Growth rates are averages estimates for FY06/16 to FY06/17. Unit price and number of engineers are for the principal five companies only. Revenue from non-dispatch areas indicates contract-based sales plus sales from other companies.

Copyright © TechnoPro Holdings, Inc. All rights reserved.

Contents

		Page
I:	Overview of Previous Medium-Term Management Plan	2
II:	New Medium Term Management Plan [FY06/18–FY06/22]	7

Copyright © TechnoPro Holdings, Inc. All rights reserved.

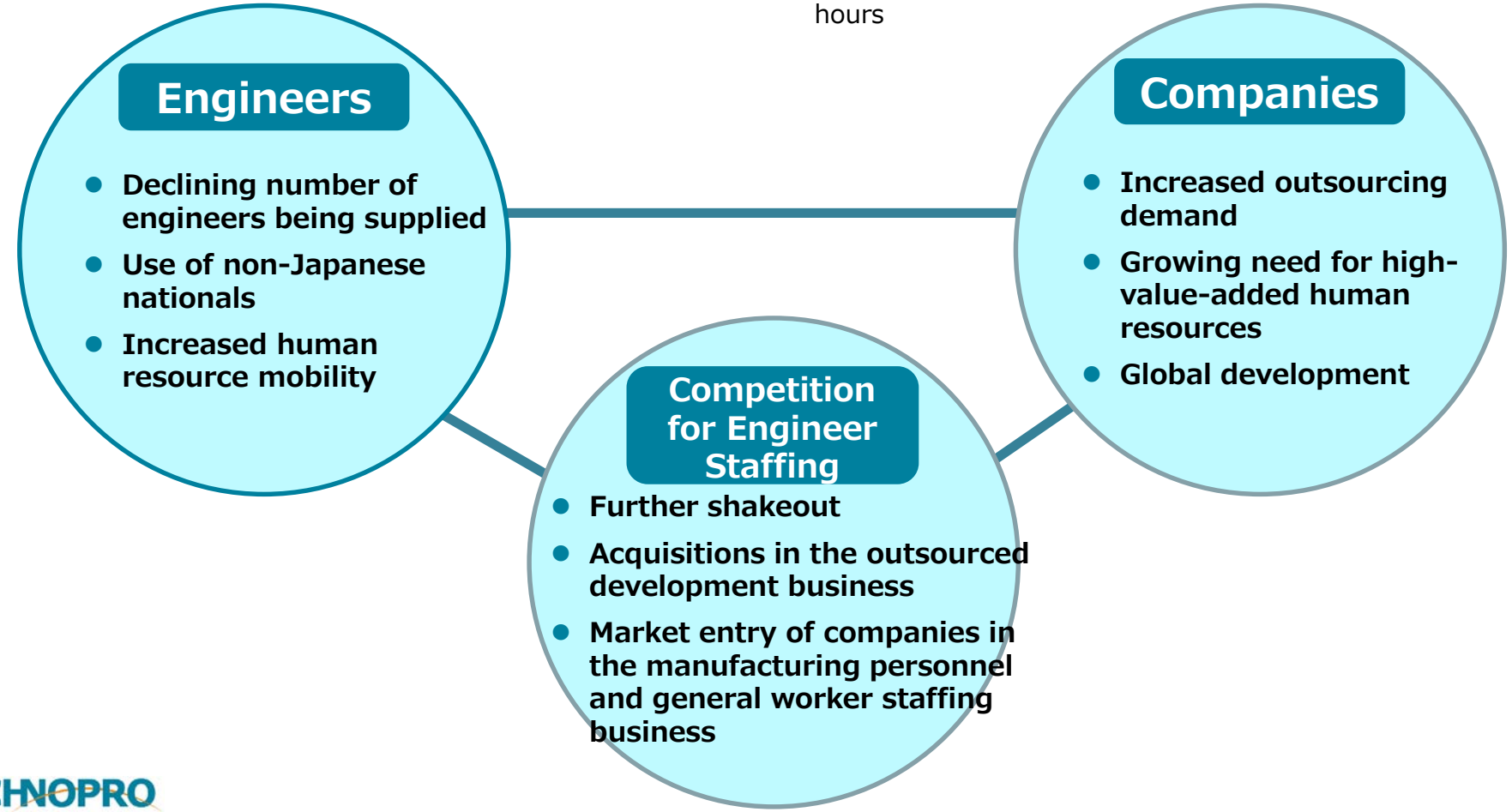
Operating Environment

Technology Environment

- Advances in information technology (AI, IoT, data science…)
- Progress in HRTech

Legal Environment

- Worker Dispatch Law Amendment: Ending of grace period, move toward same pay for same work?
- Labor Contract Act: Move to indefinite-term employment for repeated renewals of fixed-term contracts
- Labor Standards Act: Revisions intended to reduce long working hours



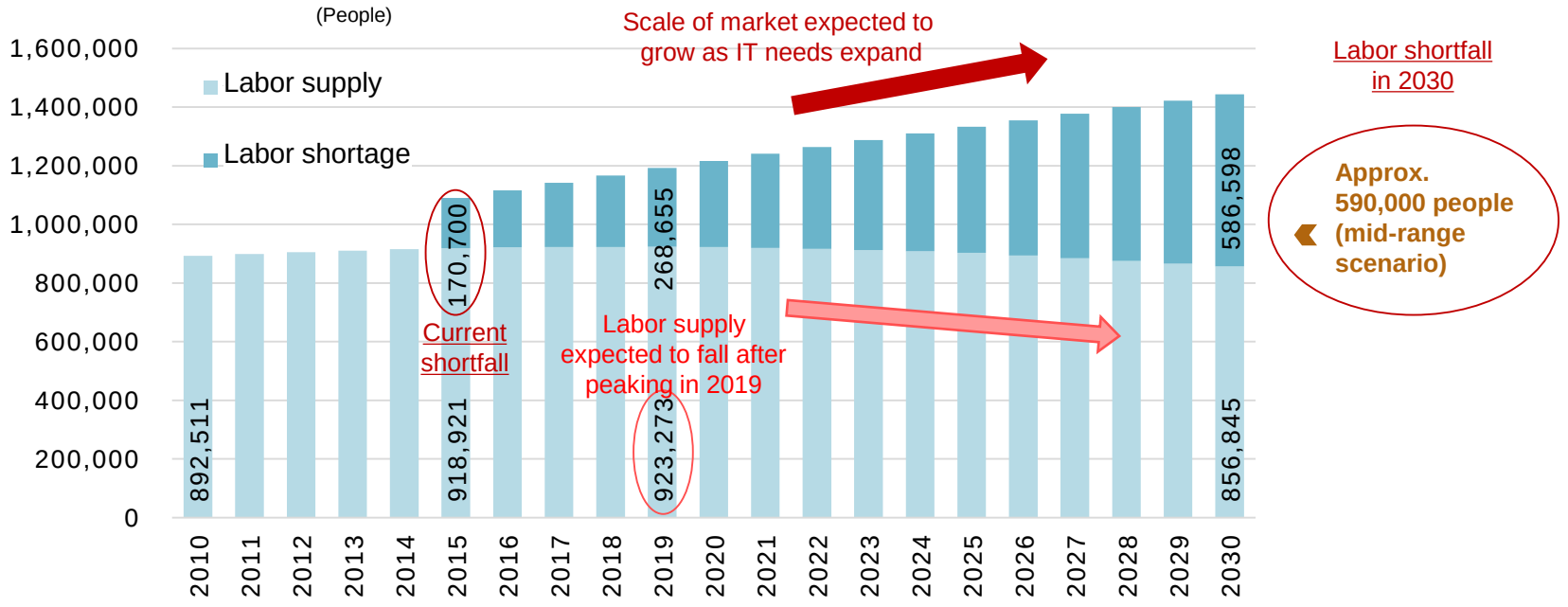
Copyright © TechnoPro Holdings, Inc. All rights reserved.

Operating Environment-Gaps in Human Resource Supply and Demand

Japan's working-age population is falling at a faster rate than the total population.

Supply of engineers is falling but demand is rising, leading to expectations of increasingly severe worker shortages.

Forecast Shortfall in IT Workers



Source: "Results of Survey on Latest Trends in IT Workers and Future Estimates," Ministry of Economy, Trade and Industry

Worker shortages are growing increasingly severe, which is a positive factor for TechnoPro

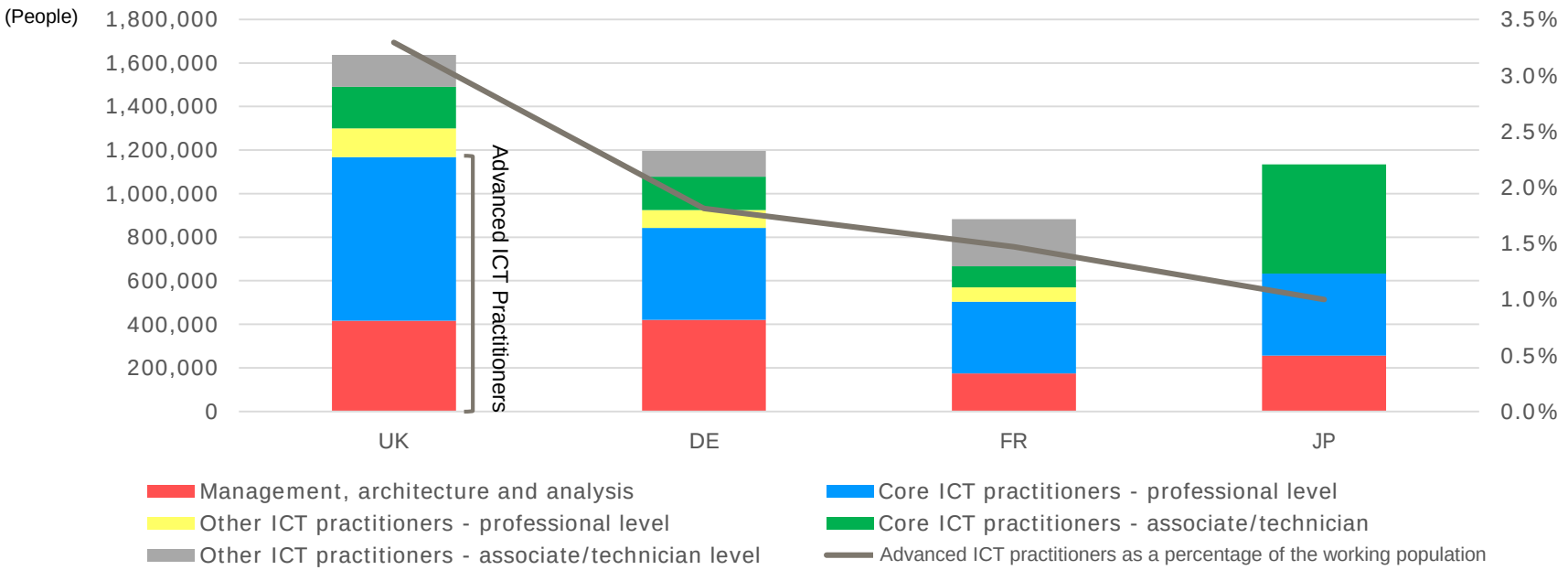
TECHNOPRO

Copyright © TechnoPro Holdings, Inc. All rights reserved.

Operating Environment-Growing Mismatches

The number of high-level engineers in Japan fails to grow, despite demand for increasing sophistication, leading to a mismatch.

Ratio of IT Workers in Different Countries, by Occupation, Advanced ICT Practitioners as a Percentage of the Working Population



Sources: Compiled by TechnoPro from the following
(Japan) “IT Worker White Paper 2016,” Information-Technology Promotion Agency, Japan
(Other countries) “e-Skills in Europe, Trends and Forecasts for the European ICT Professional and Digital Leadership Labour Markets (2015-2020),” empirica

Strong potential needs for high-value-added human resources

TECHNOPRO

Copyright © TechnoPro Holdings, Inc. All rights reserved.

Basic Policies of the New Medium-Term Management Plan

Five years, from FY06/18 to FY06/22

(We expect to be flexible in revising the plan, at around three years, based on Company performance and the operating environment.)

We aim to be a "global human resource services company with technology at its core."

(Expand the business domain)

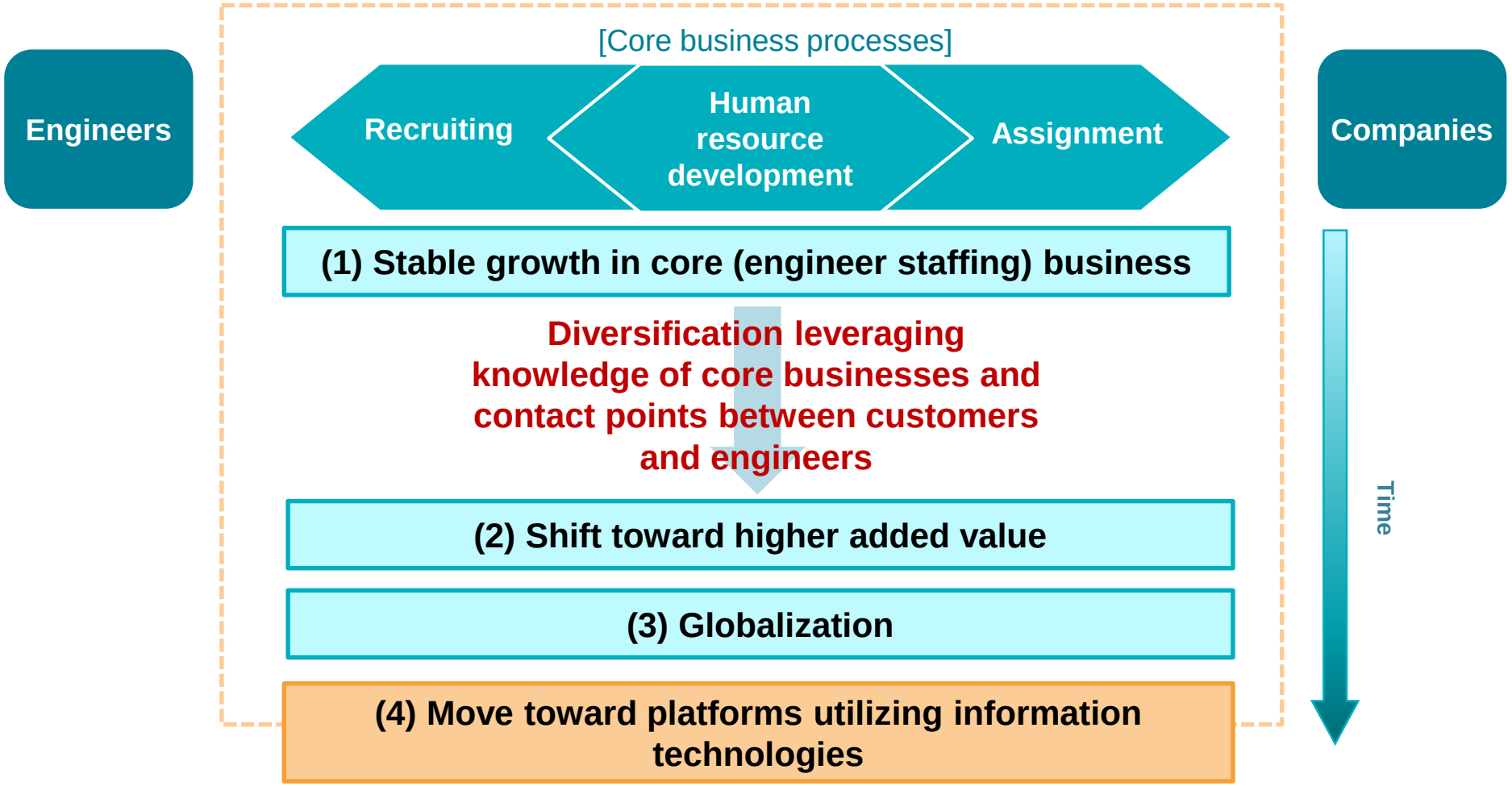
Look ahead toward long-term increases in corporate value 10 years hence

Cultivate engineers and support their transition from maturing and declining industries to growth industries without loss of employment

TECHNOPRO

Copyright © TechnoPro Holdings, Inc. All rights reserved.

Developing Our Growth Strategy



As a method of strategic advancement, pursue aggressive M&A activity (five-year investment budget of ¥20.0 billion)

TECHNOPRO

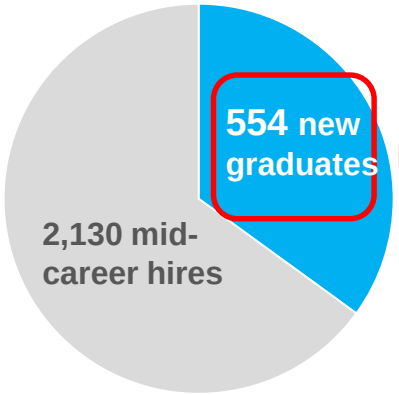
Copyright © TechnoPro Holdings, Inc. All rights reserved.

(1) Stable Growth in Core (Engineer Staffing) Business

Enhancing Our Ability to Acquire Engineers, a Driver of Growth

Strengthening New Graduate Recruiting

Recruiting in FY06/17



By FY06/22, shift to a system capable of recruiting 800 new graduates

(Maintain the current level of mid-career hires)

Strengthen M&A as a substitute for recruiting

Cultivate new recruiting segments

- Non-Japanese nationals, inexperienced personnel + cultivation・・・

Recruitment agency business operator initiatives and alliances

- Boyd & Moore, HRnetGroup・・・

Strengthen the Foundations for Human Resource Cultivation

- Strengthen inter-Group ties
- Build IT platforms
- Increase sophistication of human resource development content
- Enhance the PDCA cycle

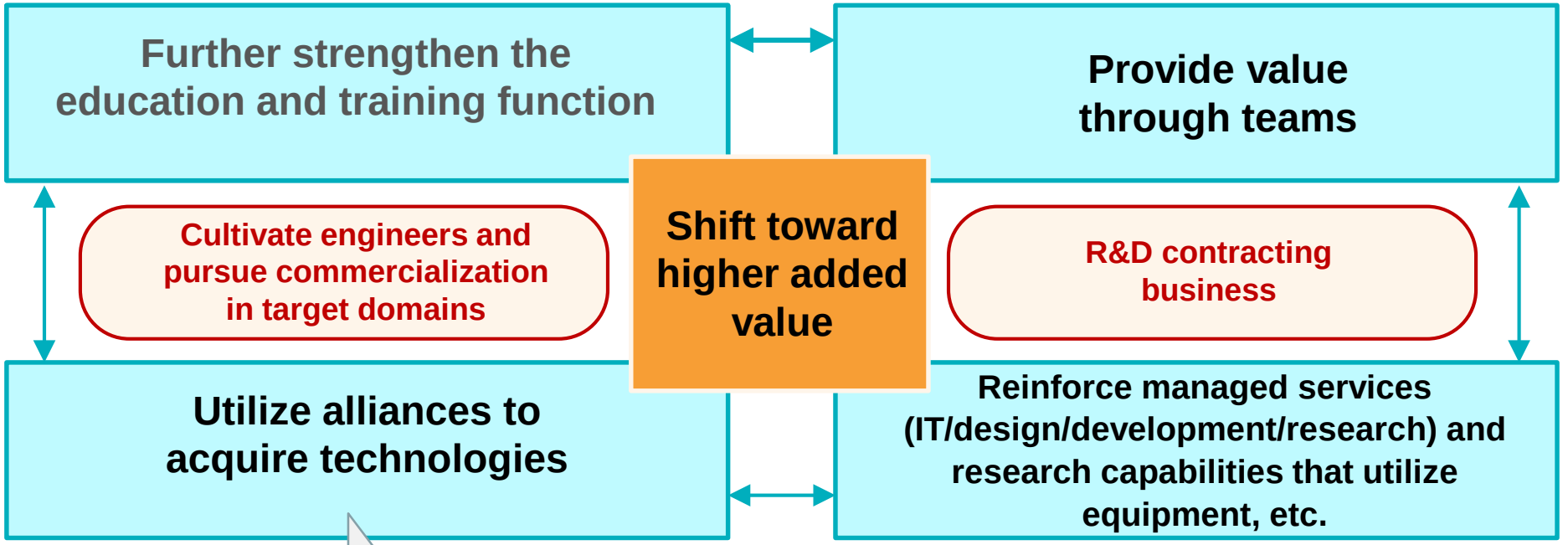
Pc Assist | TechnoPro Learning | Alliance partners

TECHNOPRO

Copyright © TechnoPro Holdings, Inc. All rights reserved.

(2) Shift toward Higher Added Value

Transition to a Group of Engineers That Provides Higher-Added-Value Solutions



Cases of Initiatives Underway

- dSPACE (model base development)
- Toyohashi University of Technology (neuroscience collaborative research)
- O2 (technical consulting)
- Keio University (drone technologies)
- ...

TECHNOPRO

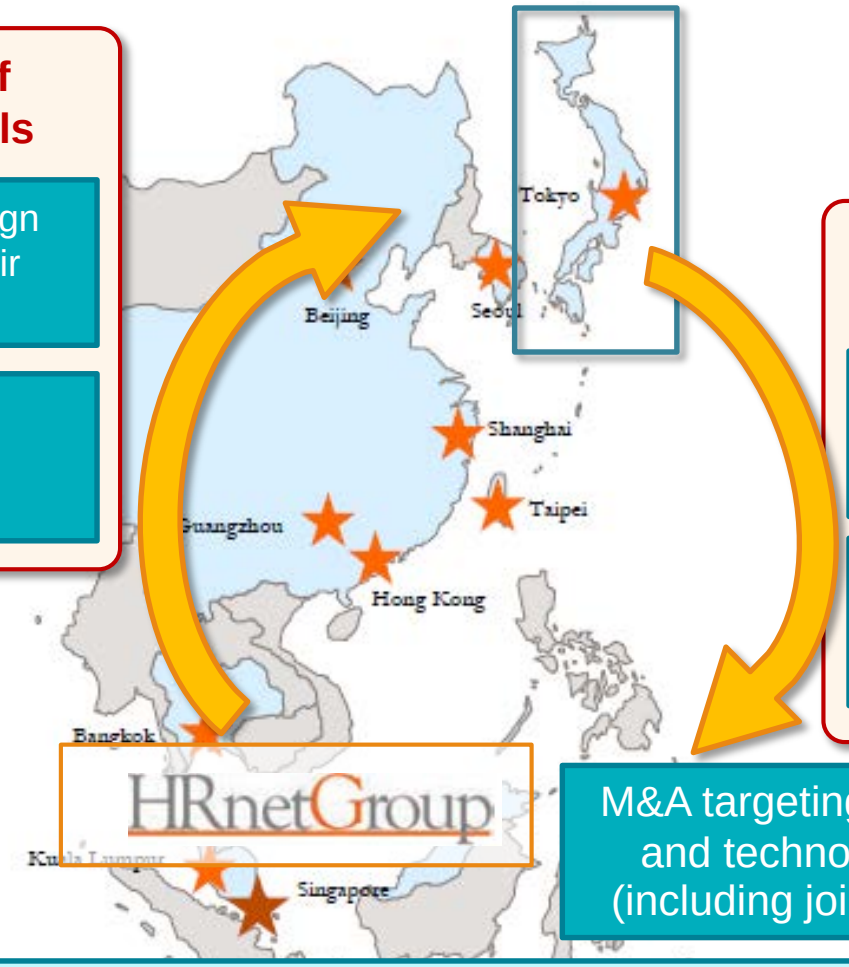
Copyright © TechnoPro Holdings, Inc. All rights reserved.

(3) Globalization

Enhance Utilization of Non-Japanese Nationals

Recruit sophisticated foreign workers and promote their employment in Japan

Develop a direct online recruiting platform



Support Overseas Bases of Japanese Companies

At Japanese companies, support localization and replacement of workers with local Asian hires

Local TechnoPro outsourcing development base

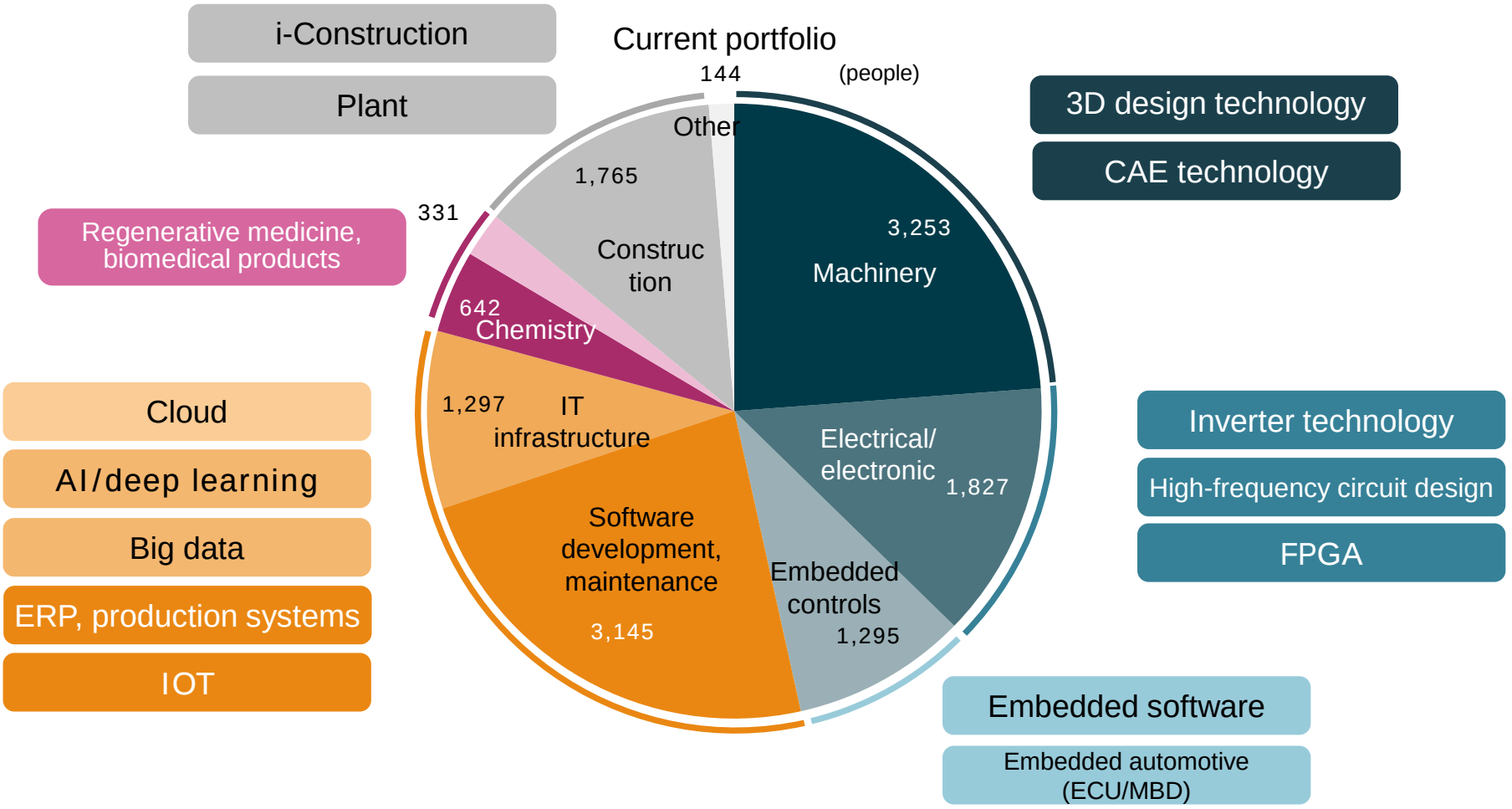
HRnetGroup

M&A targeting human resource and technology companies (including joint investments）

Through an alliance with HRnetGroup, which has the ability to acquire human resources, target medium- to long-term growth in Asia with minimal risk.

Copyright © TechnoPro Holdings, Inc. All rights reserved.

Target Domains in the Shift from Strategy (1) to (3)

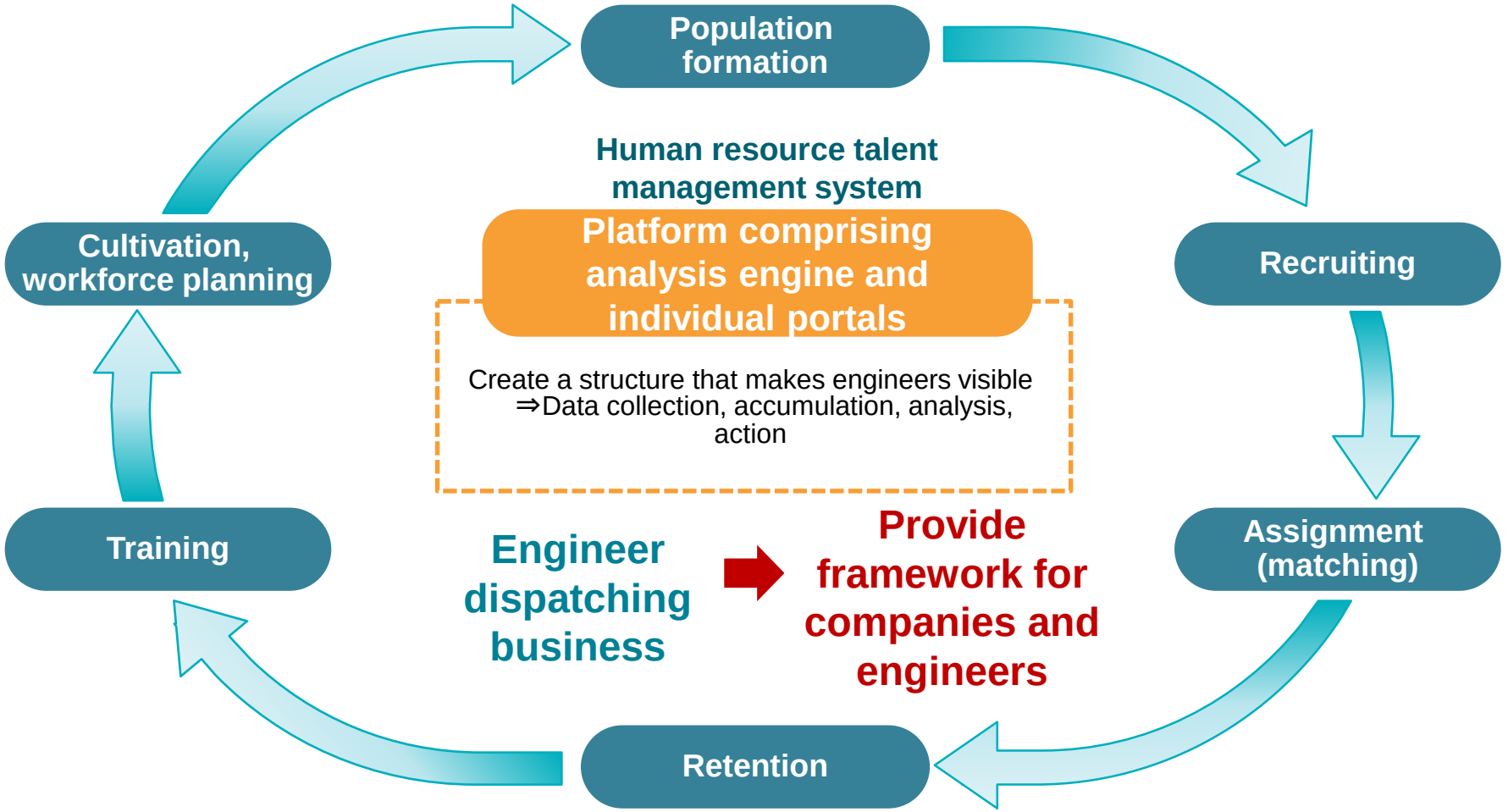


Steadily respond to growing demand by strengthening core businesses, shifting toward higher added value, and globalizing

TECHNOPRO

Copyright © TechnoPro Holdings, Inc. All rights reserved.

(4) Move toward Platforms Utilizing Information Technologies



Arm core businesses with IT, and provide human resource services that meet the needs of companies and engineers.

TECHNOPRO

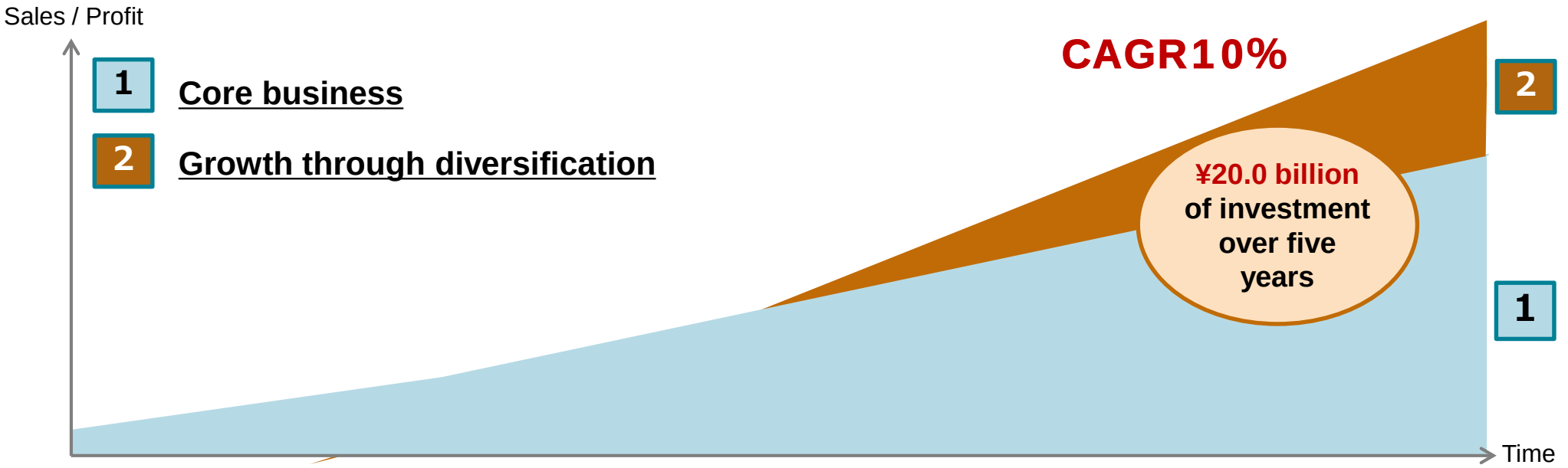
Copyright © TechnoPro Holdings, Inc. All rights reserved.

Management Targets

- Position five-year period as time to build foundations for 10 years into the future

<Current Medium-Term Management Plan>

Create a solid management foundation 2014–2015 → Accelerate growth 2016–2017 → **Foundation for 10 years in the future 2018–2022** → Long-term sustainability



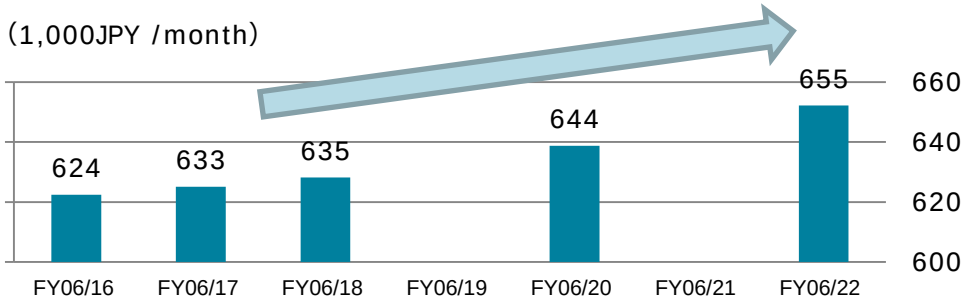
(JPY bn)	FY06/16	FY06/17	FY06/18 - FY06/20 - FY06/22			CAGR
Sales	90.3	100.0	109.0	135.0	160.0 or more	10% or more
Operating profit	8.5	9.6	10.6	13.5	17.0 or more	12% or more
Net profit	7.4	7.7	7.6	9.0	10.0 or more	7% or more
ROE	31%	28%	→	20% or more	→	

TECHNOPRO

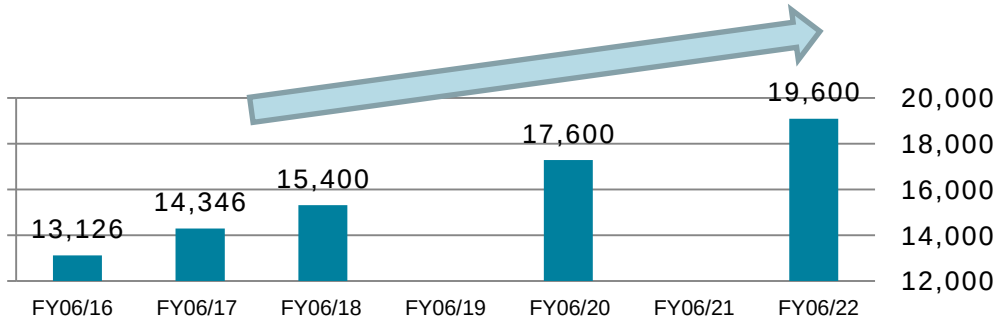
Copyright © TechnoPro Holdings, Inc. All rights reserved.

KPIs

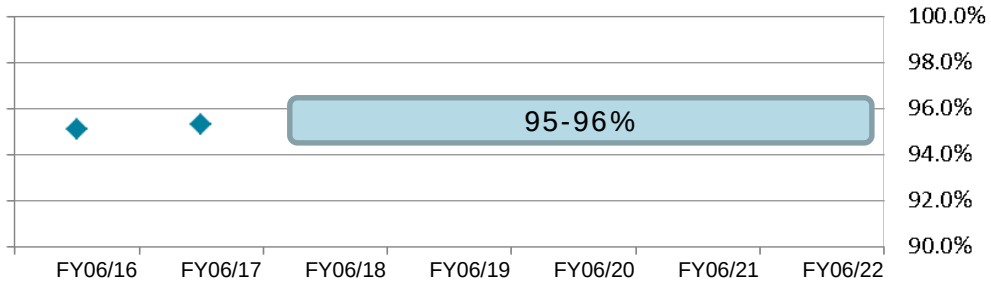
Revenue per Engineer*



Number of Engineers*



Engineer Utilization Rate*



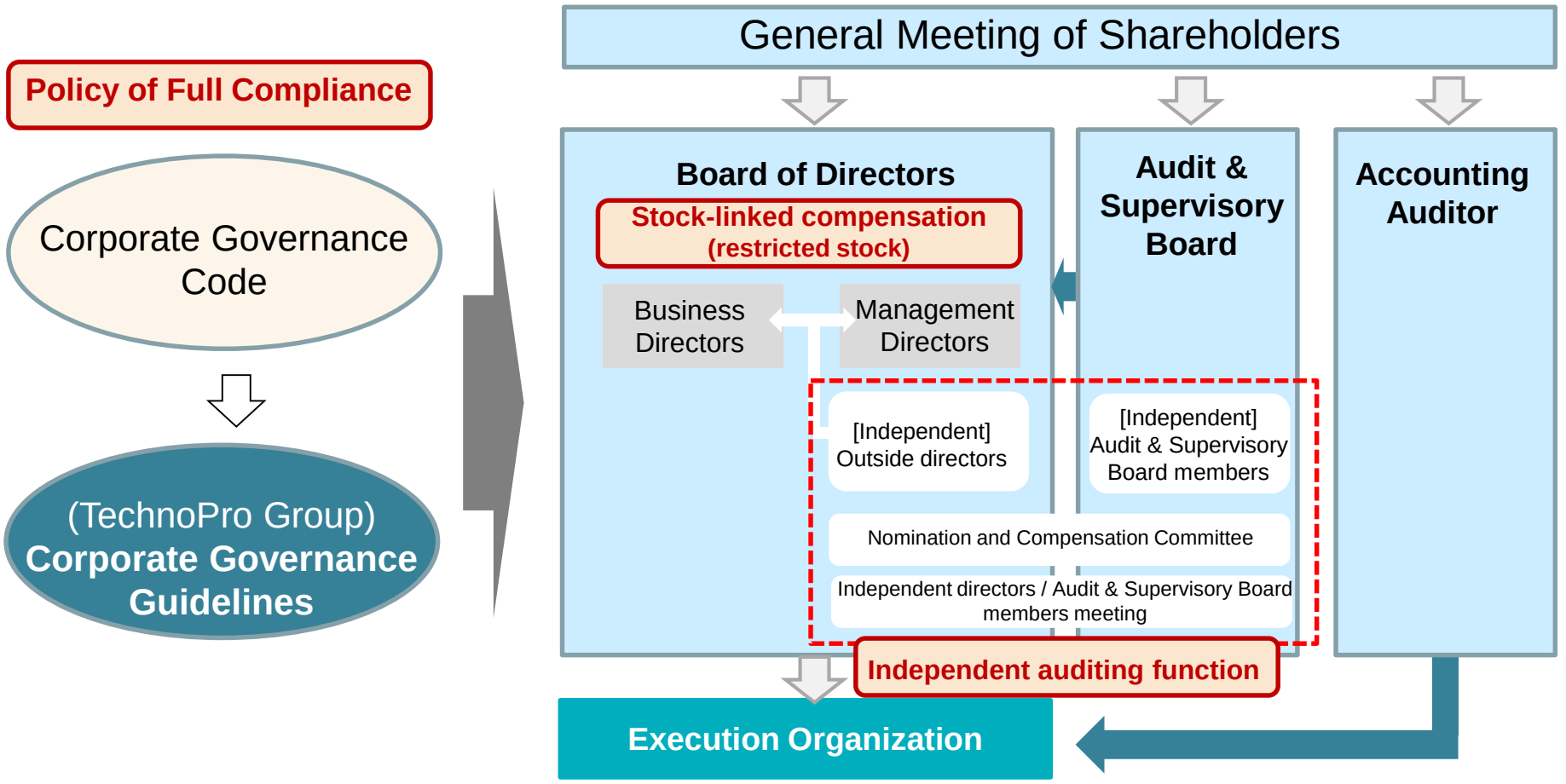
➢ Assumptions behind the above management targets:
The corporate customer and engineer labor markets follow trends similar to those in recent years.

*Figures are for Japan. The number of engineers is as of fiscal year-end.

TECHNOPRO

Copyright © TechnoPro Holdings, Inc. All rights reserved.

Governance System to Enhance Corporate Value and the Common Interests of Shareholders



Continue to strengthen the governance system and introduce a system of stock-linked compensation (restricted stock)

(* Scheduled to be appointed to the Company's ordinary general meeting of shareholders in September, 2017)

Copyright © TechnoPro Holdings, Inc. All rights reserved.

Disclaimer

This presentation is based on the information we obtained or on the certain assumptions that we understand to be reasonable. However, this is not for the Company to represent or imply any guarantee to the accuracy or completeness of the contents.
Further, statement in this presentation may contain forward-looking information that could be impacted by various risks and uncertainties, and that may significantly affect expected results. Therefore, it is to be noted not to entirely rely on forward-looking information.
It should be also noted that this presentation or any statement herein is not allowed to make copy or transfer without our written consent in prior.

TECHNOPRO

Copyright © TechnoPro Holdings, Inc. All rights reserved.



Copyright © TechnoPro Holdings, Inc. All rights reserved.