TechnoPro Group
Business Environment and Management Policies

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

February 2, 2021

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Responses to Investor Inquiries

1. **Latest KPIs & Outlook for Business Recovery**
2. **Plans for Acceleration of New Hiring**
3. **Engineering Professional Services' Resilience to External Shocks**

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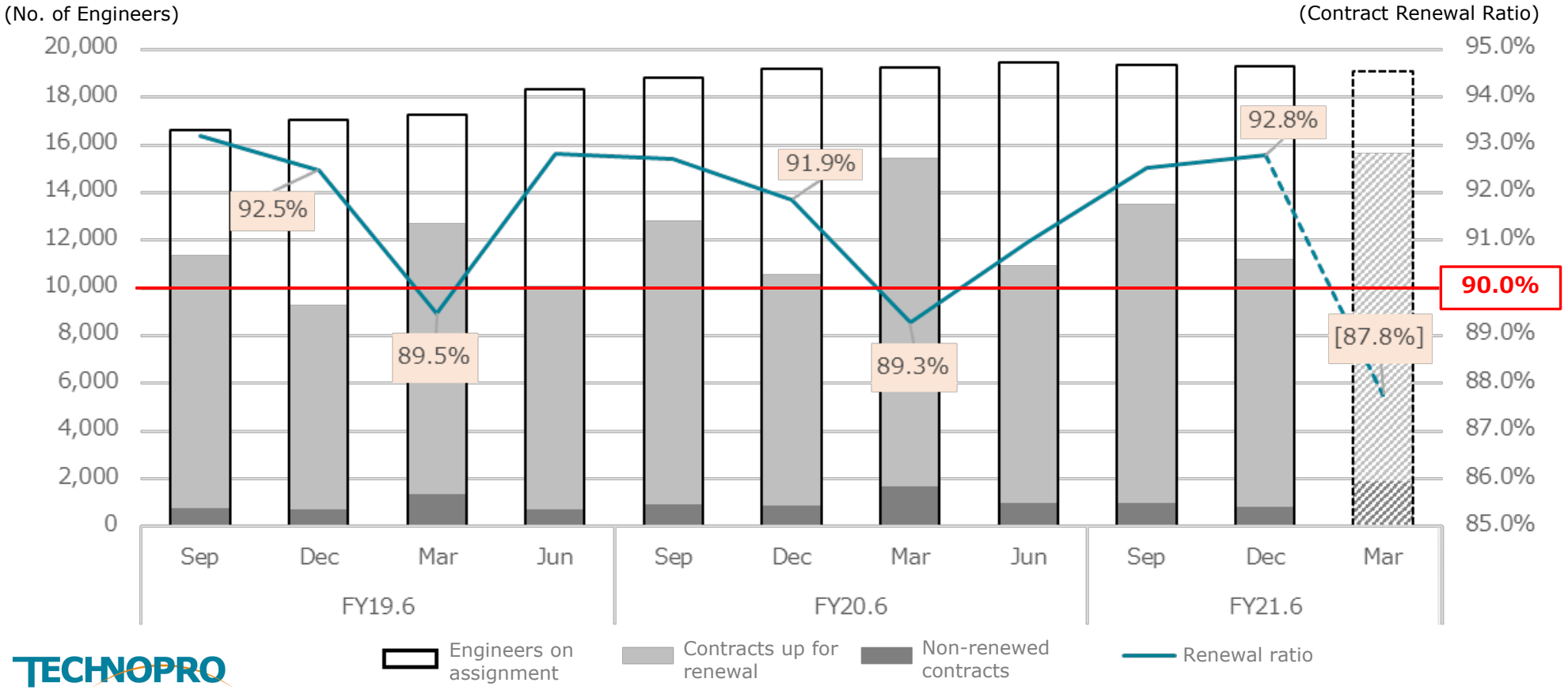
Contract Renewal Ratio (Mar, Jun, Sep, Dec)

- Terms of most staffing contracts are three or six months, therefore major contract renewal cycle occurs every three months (March contract renewal ratio usually tends to **lower slightly less than 90%**, since in March **the contracts up for renewal reach 80% of total contracts** and many projects end to coincide with the closing of our customers' fiscal year)
- There was no major decline in contract renewal ratio even in 2020 COVID-19 pandemic; the renewal ratio for December 2020 ended up with **92.8%** (up 0.9 pts year-on-year)
- Expects **no significant deterioration in year-on-year contract renewal ratio** in March 2021 (however, assuming **around 1,900 engineers** to return from assignment upon expiration of contract)



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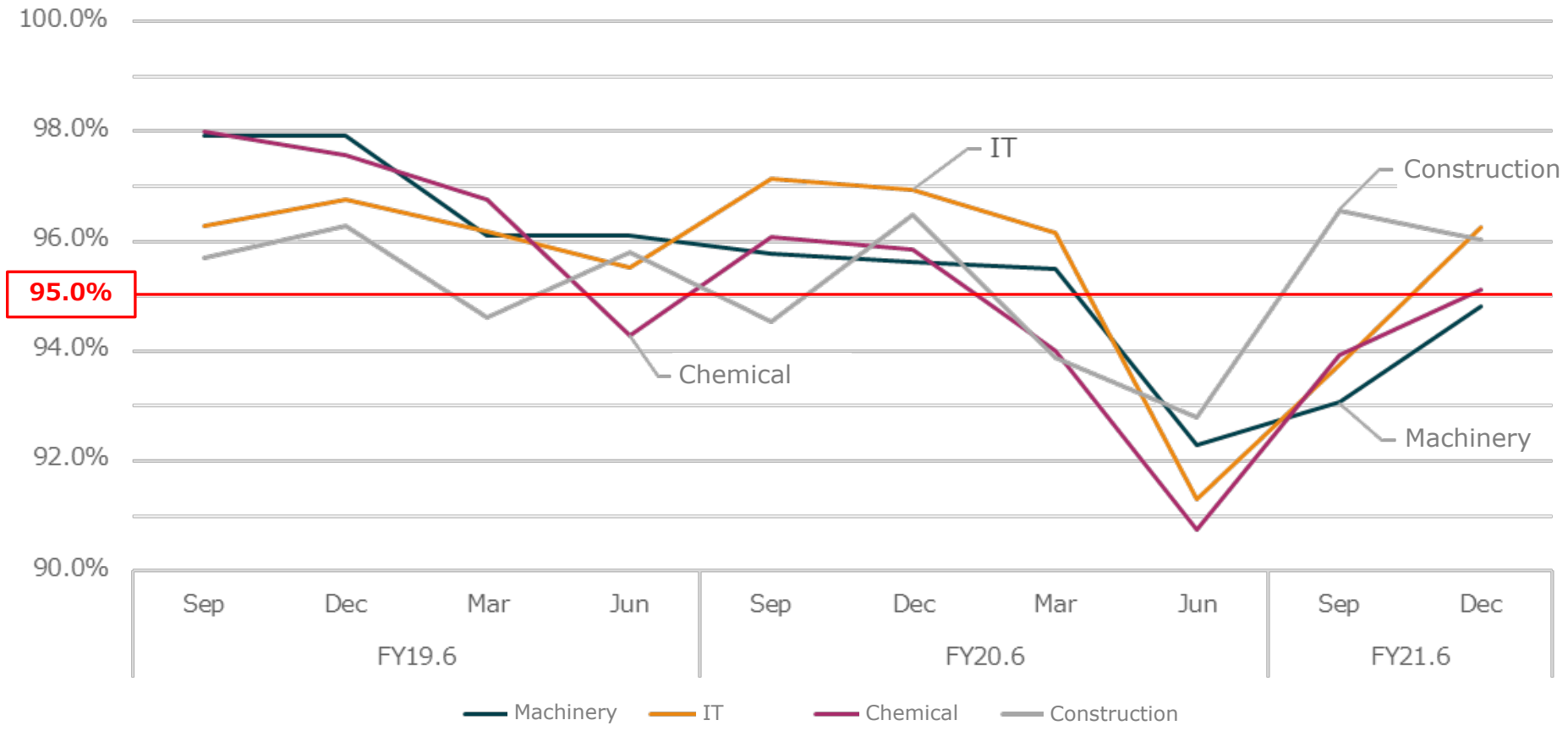
Utilization Ratio by “Technology” (Quarter-end)

- Utilization ratio at June 2020 end fell below the normal year, due to the delay in new allocation of our stand-by engineers including new-grads joined in April 2020, affected by COVID-19 pandemic
- From FY21.6, utilization ratio in some technology fields began to exceed 95%, the figure implying resource shortage, therefore **selectively resumed mid-career recruitment** in Construction in Q1, in IT and Chemical in Q2 respectively

(Utilization Ratio)



* (1) Machinery: Machinery, Electric/Electronic, (2) IT: Embedded Control, Software Development/Maintenance, IT Infrastructure, (3) Chemical: Chemical, Biochemical, (4) Construction: Construction; (1) - (4) do not include Others (the same shall apply hereinafter)

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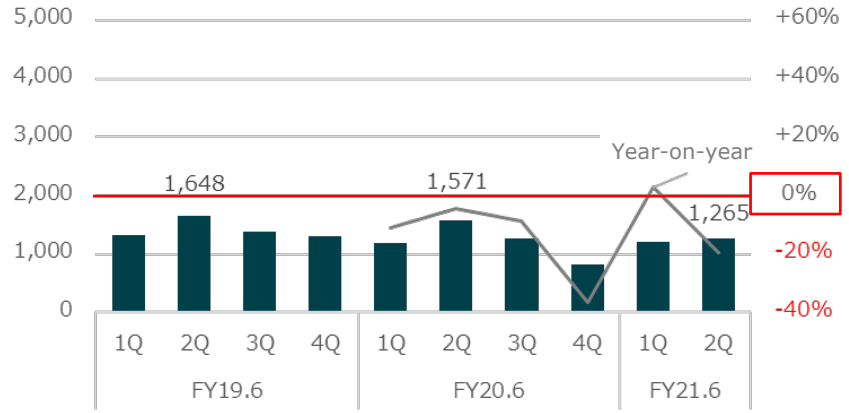
New Orders Trend by “Technology” (Quarterly)

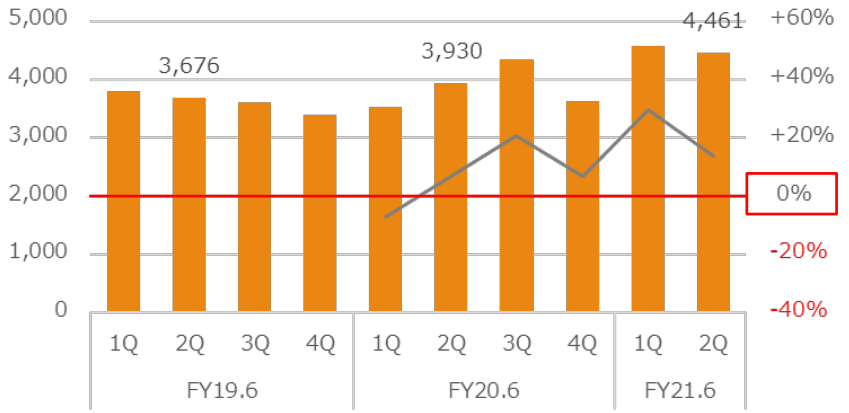
- Number of new orders received in Q4 FY20.6 remained sluggish in all technology fields due to restricted sales activities as a result of the declaration of COVID-19 related state of emergency in Japan
- Although **the numbers of new orders are recovering** from Q1 FY21.6 driven by promoting sales activities adapted to “with COVID-19” environment, the fact that customers **require higher experience and skill level** for engineers than in the past underlines their continued cautious attitude

(No. of Orders, YoY Growth Ratio)

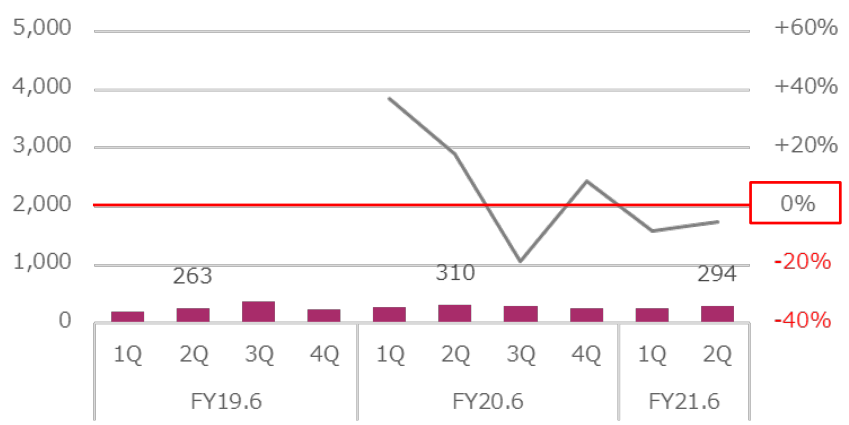
Machinery



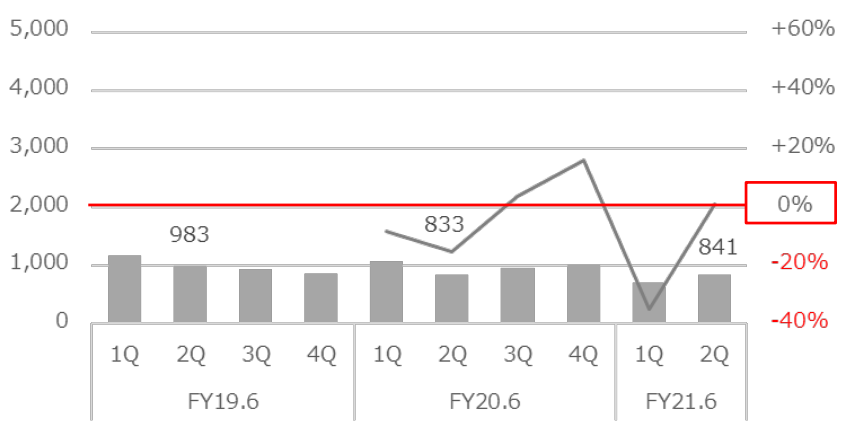
IT



Chemical



Construction



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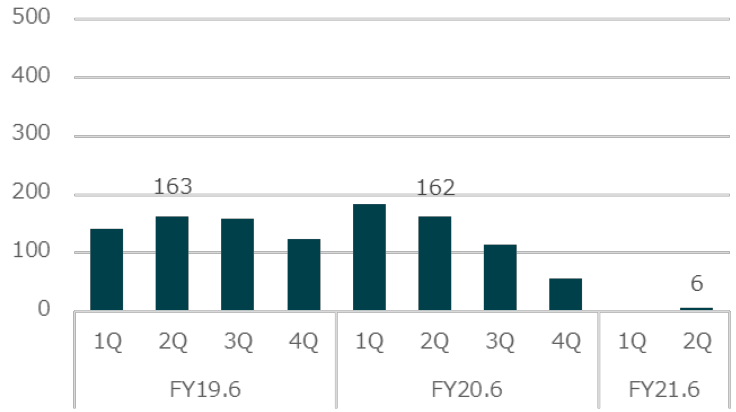
Mid-career Recruitment by “Technology” (Quarterly)

- Resumed mid-career hiring in Q2 FY21.6 to secure engineer resources to deal with utilization ratio recovery, however **enrollment takes 2-3 months as lead time** (hired 88 in January 2021 with expecting 300 in total for Q3)
- Fully promoting mid-career recruitment from Q3 FY21.6 in order to meet customer demand, **planning to recruit at least more newly hired engineers than the retired** in Q4

(No. of Engineers)

Machinery



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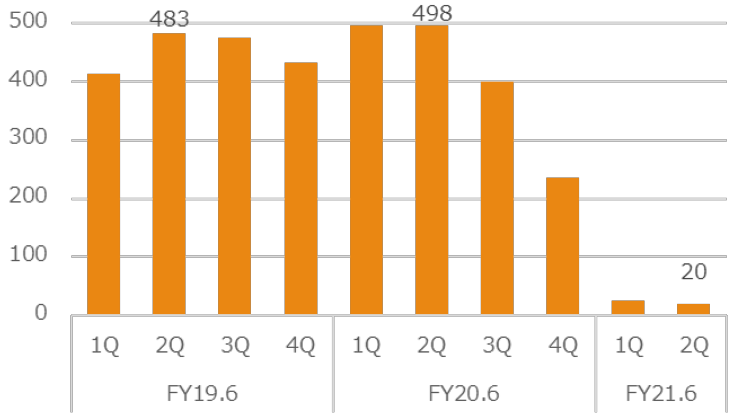

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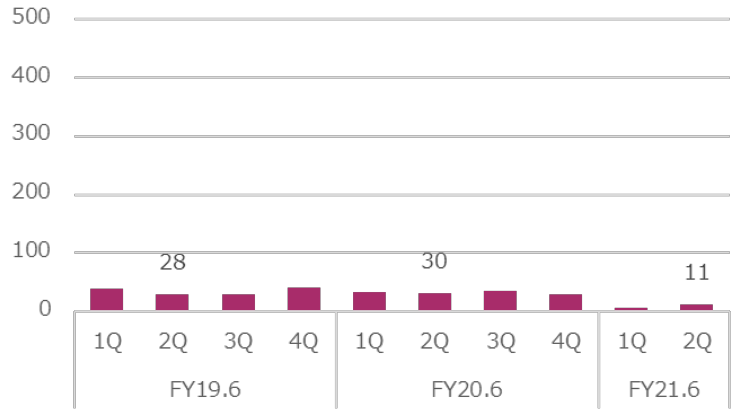
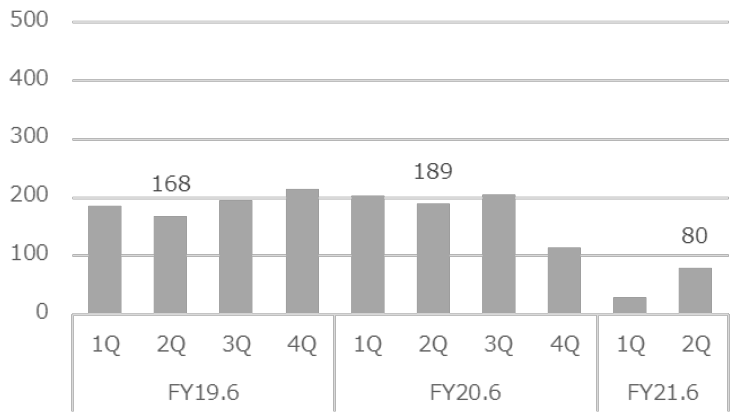


Construction



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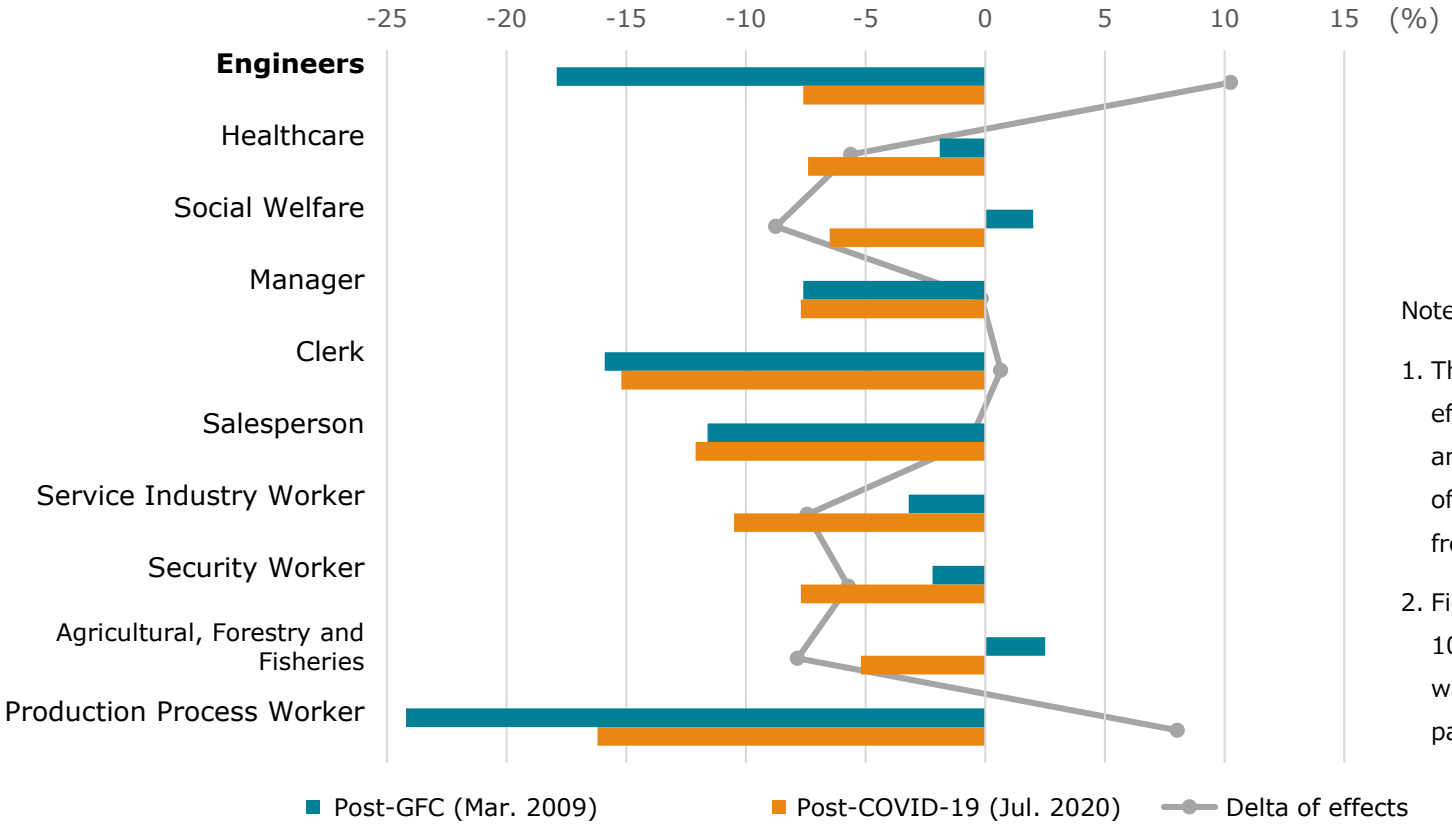
Engineering Professional Services' Resilience to External Shocks

- 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

Ratio of increase/decrease and delta of new job offers after 6 months from external shocks



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)

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

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ESG Initiatives

- Placing a strong priority on contributing to society through our business activity, KPIs and target for the material issues have been clearly defined and disclosed by the Integrated Report issued every December
- Continues to improve ESG-related activities and disclosure based on the requirement from society and investors

Material Issues (Materiality) for the TechnoPro Group

I Raising Everyone's Potential

- Issues related to human resources
- 10 KPIs incl. Training and Education, etc.

II Contributing to Society through the Power of Technology

- Issues related to technology
- 2 KPIs incl. No. of Engineers in Strategic Fields

III A Trusted Partner

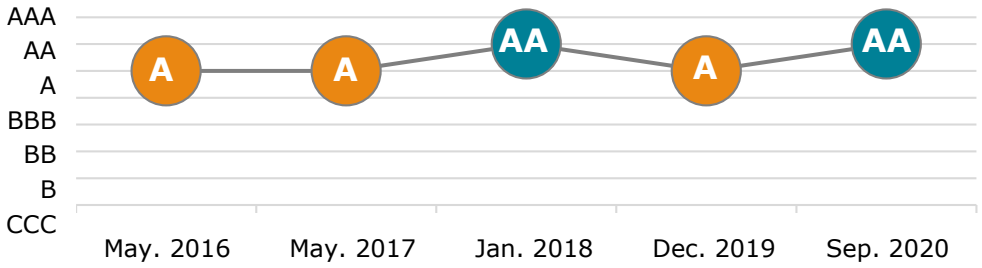
- Issues related to CSR
- 4 KPIs incl. CO_2 Emissions

IV A Sustainably Growing Company

- Issues related to corporate governance
- 6 KPIs incl. Percentage of Outside Directors

MSCI ESG Ratings and Selected ESG Indices

As of 2020, TechnoPro Holdings, Inc. received an MSCI ESG Rating of AA.



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2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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The TechnoPro Group's Key SDGs



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Leveraging Digital Technologies

- Expects increase in demand due to accelerating digitalization, whereas anticipates intensifying competition for the talent acquisition in terms of supply
- Strives to capture the demand for digitalization by nurturing DX talents and leveraging the experience from DX projects of the Group's own business

External Environment

Penetration of digital technology

Shrinking & graying working population

Impact on the Group

Increased demand for engineering talents

Fierce competition for digital specialists

Business Challenges

Necessity to evolve the Group's business through leveraging digital technology

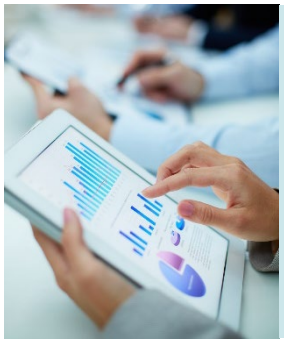


Develop DX Talents

Develop talents by partnering with external firms ("Ecosystem"): Mechanical & AI, Bio & AI, etc.

Expand training curriculum with own resources

Continue to invest in education even in COVID-19 crisis



Business Transformation through Digitalization

AI-backed "Talent Management System"

Back end systems for operational efficiency

Reducing workload, improving productivity by introducing RPA

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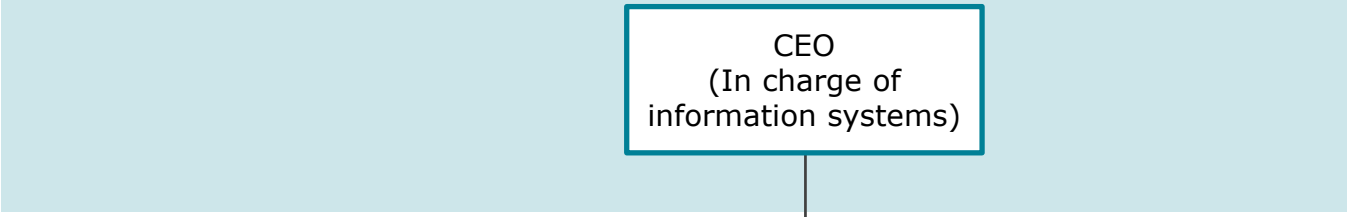
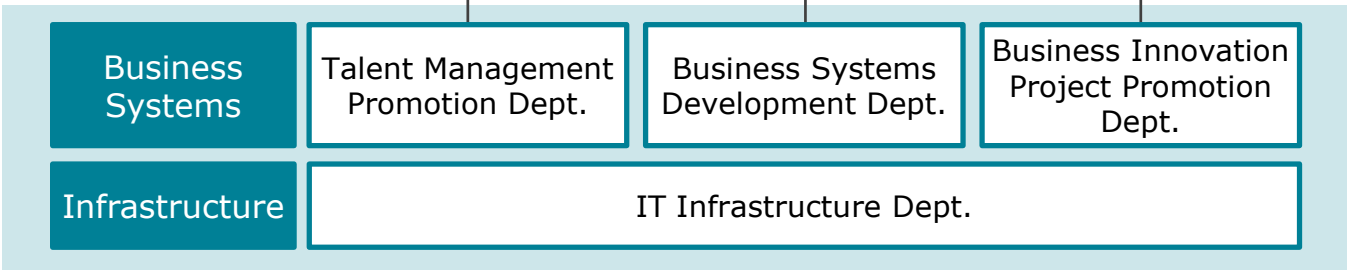
Structure for Promoting Business Digitalization

- CEO helms systems division to promote digitalization project (success in implementing telecommuting under COVID-19 crisis)
- Plans to progressively develop and launch core business systems used for back end operations* (i.e. invoicing, attendance management, etc.) before January 2023 through in-house system development (assigning the team consist of members who have wealth of operation know-how accumulated as a leading technology-focused professional service provider and expertise in cutting-edge IT technologies utilized at our internal development centers)

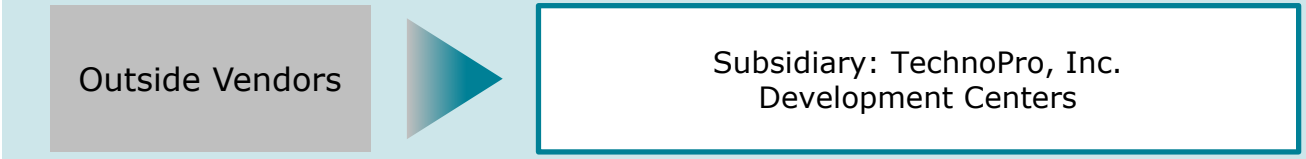
Management's commitment to digitalization



Establish divisions dedicated to the project



Making progress on in-house development and maintenance



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* Proactively introduce third party package products for operations not specific to our business, such as expense payment or work flow management

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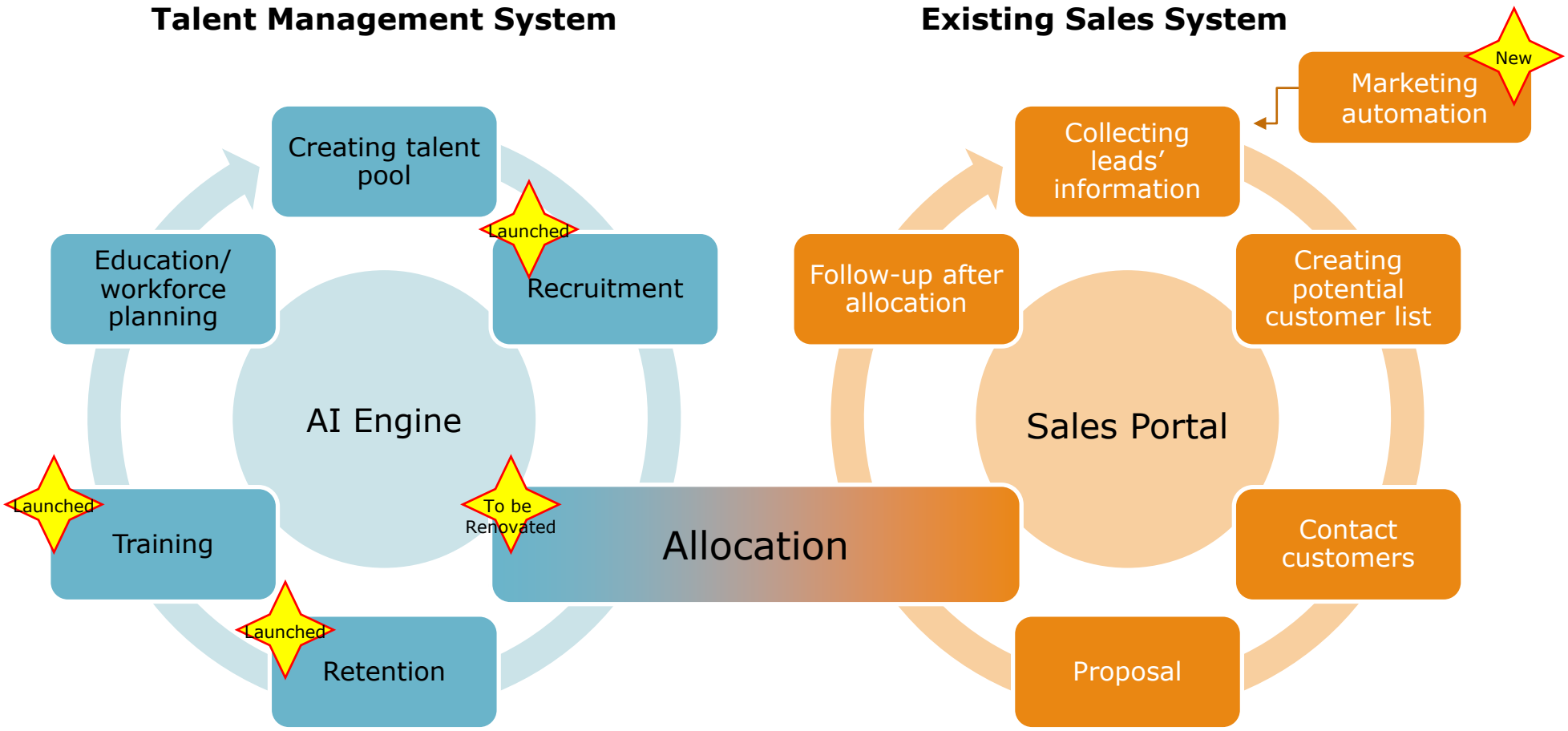
Progress on Front End Operation Systems Renovation

- Renovation of front end operation systems is proceeding as planned by using third party package products such as Salesforce or SAP; continues to carry out evaluation and make necessary improvements
- Began to promote inside sales activities and enhance sales function to cope with current COVID-19 crisis and post COVID-19



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New Medium-term Management Plan Development

Formulating a new medium-term management plan whose announcement was previously withdrawn due to COVID-19, planning to disclose in summer 2021

Ideas drawn from desirable image for the next 10 years

- Purpose & Vision
- Trends of customers' demand, technology and labor market in post-COVID-19 era
- Progression of globalization

Determine solid policy with outside directors/Audit & Supervisory Board members

- Discussed over 40 hours so far from a broad perspective
- Ensuring a balance between aspiration for growth and risk management
- Introducing M&A Playbook and M&A Strategy (with investment budget and financial discipline)

Robust growth and evolution in core business

- Engineering talent development and reskilling as a key driver for higher added-value creation
- Promoting solution services with digital technology functioning as a pivot
- Reform of our own business through digital transformation

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