

**Technology to Empower the Future**



# Integrated Report 2021

For the year ended June 30, 2021

# Corporate Philosophy

The TechnoPro Group's business activities are based on "Technology," "People," and "Customer." Through all of our activities, we will contribute to the realization of a society in which technology, people, and customers can develop in a sustainable manner, transcending all boundaries such as organizations, industries, regions, and national borders.

## Our Purpose

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Driving the Power of Technology and Talent  
to Co-create Value Together with our Customers  
for a Sustainable Society

## Our Value

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**Technology is the driver that brings transformation to business, lives, and society.**

– The challenges and needs of customers and society are diversifying, as dynamic changes occur faster than ever –

**We provide solutions to unlimited challenges our customers face by:**

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- Delivering optimal service and solution through our talent, trained and nurtured well regardless of gender, age, and nationality.
- Working squarely on new, evolving domains and honing our capabilities thoroughly.
- Always meeting our customers' expectations as value-creation partners.

**We continue to maximize the potential of engineers and researchers by:**

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- Providing the conditions and programs to encourage learning and skill development.
- Creating opportunities to not only hone their expertise but also to switch or acquire new skills.
- Supporting our talent through technology evolutions and environmental changes to stay active.

**We contribute to building a sustainable society by:**

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- Solving the challenges of our customers and society as we connect people to technology, and bridge Japan to the world, across various industries and technology domains.
- Promoting a diverse array of talent through continuous enhancement of capabilities.
- Delivering results that have social impact through our business activities.

## Corporate Philosophy Framework



## Our Six Commitments for Excellence

- 1 Act with initiative and accountability**  
We work with the end goal in mind, selecting the best course of action.
- 2 Strive to improve expertise and skills**  
We aspire to greatness in our profession, learning new skills and knowledge every day.
- 3 Communicate effectively and act with sincerity**  
We treat everyone with respect, building relationships of understanding and trust.
- 4 Be an ultimate professional and a trusted team player**  
We work with other entities, incorporating various ideas and insights for superb results.
- 5 Act with insight and speed for the success of others**  
We monitor trends in markets and technology, anticipating needs and offering superior solutions.
- 6 Be perfect in legal and ethical compliance**  
We inspire trust and confidence through perfect compliance with labor laws, information security statutes and practices, and ethics rules governing business in general and our industry in particular.

## Operating Results and Business Environment

### 05 Financial and Non-Financial Highlights

### 07 Engineering Professional Services Market in Japan

- Trends and Growth in the Engineer Staffing Market
- The Accelerating Shortage of Advanced IT Engineers

## Message from Management

### 09 Message from the CEO



- My Aspirations as CEO
- A Purpose Driven Value-Creation Story
- Walking the Path of Evolution
- Build Competitive Advantage Through DX Strategy
- Aiming to Further Enhance Our Presence

### 13 Message from the COO



- My Aspirations as COO
- Looking Back on the Previous Medium-Term Management Plan
- New Pillars such as the Solution Business Under the New Medium-Term Management Plan "Evolution 2026"
- The Growth of Our Group Will Be Achieved Through the Growth of Our Engineers

### 15 Message from the CFO



- Numerical Targets in "Evolution 2026"
- M&A Strategy and Capital Policy
- Disclose the Progress of Our Strategies through KPIs

## Initiatives Targeting Sustainable Growth

### 17 The Value-Creation Process

Through the evolution of our capabilities and the transformation of our business model, we will steadily promote initiatives to address materiality and create value while pursuing our purpose.

### 19 Promoting Sustainability-Centered Management

- TechnoPro Group Sustainability Policy
- Signing the United Nations Global Compact
- Revisions to the TechnoPro Group Code of Conduct

### 21 Material Issues (Materiality) for the TechnoPro Group

- Material Issues
- Materiality Definition and Revision Process
- Examples of Materiality Initiatives

### 23 Quantitative Indicators (KPIs) and Targets for Material Issues (Materiality)

- Human Resources
- Technology
- Social Responsibility
- Governance

### 25 Risk Management

- Events that may affect the achievement of our strategies and business objectives (both positive and negative)

### 29 Business Domain

### 30 Management Interviews



## Enhancement of the Management Foundation to Create Value

## Financial Report

### 33 Message from the Chairman

- Integration of Four Companies, Listing, Reinforcement of Financial Structure, and Improvement of Governance System
- Don't Be Afraid of Change

### 34 Corporate Governance

- An Enhanced Governance System
- Designing Incentives to Promote Shared Value with Shareholders
- Demonstrating Corporate Governance Functions

### 39 Interview with the Chair of the Nomination and Compensation Committee

### 40 Skill Matrix for the Board of Directors and the Audit & Supervisory Board

### 40 Total Shareholder Return (TSR)

### 41 Interview with the Outside Directors



### 43 Directors

### 46 Audit & Supervisory Board Members

### 47 Activities for Compliance, Social Responsibility and Environmental Issues

### 49 Management's Discussion and Analysis

### 51 Consolidated Statement of Financial Position

### 52 Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

### 53 Consolidated Statement of Changes in Equity

### 54 Consolidated Statement of Cash Flows

### 55 Company Data

### 55 Stock Information

#### Editorial Policy

This report describes the corporate philosophy and management policies of TechnoPro Holding, Inc., the business strategy of our medium-term management plan, and our sustainability initiatives. Our business activities aim to provide value to customers and society, and we believe that this approach will deliver revenue and profits as a result. We sincerely hope that this report will help our stakeholders gain a fuller understanding of our value creation activities and medium- to long-term growth potential.

#### Organizations Covered

This report covers the entire TechnoPro Group, comprising TechnoPro Holdings, Inc., and its consolidated subsidiaries. In this report, "the Group" or "the TechnoPro Group" refer to the entire Group; "the Company" or "TechnoPro Holdings" indicate TechnoPro Holdings, Inc., only.

#### Reporting Period

This report covers the fiscal year ended June 30, 2021 (July 1, 2020 to June 30, 2021). The report also refers to certain important matters outside the scope of this fiscal year.

#### Disclaimer Regarding Forward-Looking Statements

This report contains forward-looking statements related to the Company and the TechnoPro Group. Such statements are based on the information available at the time this report was published and involve assumptions, inherent in which are uncertainties that could affect future operating performance. Accordingly, such statements are not guarantees, and actual results may differ substantially from these assumptions. Furthermore, business strategies and other topics that involve predictions of the future reflect the Company's understanding as of the date of publication and incorporate certain risks and uncertainties. For this reason, the future outlook may not coincide with actual results.

## Financial and Non-Financial Highlights

- Revenue grew 1.8% year on year, to ¥161.3 billion, while operating profit grew 23.4% year on year, to ¥19.4 billion
- Engineers employed in Japan numbered 20,330 (including 921 non-Japanese engineers), down 934 year on year
- The annual average utilization rate of engineers in Japan was up 0.5 percentage points, to 94.6%
- The number of newly recruited engineers (including new graduates) in Japan was 1,405, down 2,993 year on year
- Average monthly unit sales price per engineer at the two major subsidiaries in Japan was ¥634,000, up ¥4,000 year on year

TechnoPro Holdings, Inc. and its subsidiaries  
Consolidated fiscal years ended June 30

|   | 2017    | 2018    | 2019    | 2020     | Millions of Yen<br>2021 |
|---|---------|---------|---------|----------|-------------------------|
| Revenue   | 100,095 | 116,529 | 144,176 | 158,407  | 161,316                 |
| Gross profit  | 23,435  | 29,475  | 36,466  | 40,226   | 39,727                  |
| Operating profit  | 9,647   | 11,238  | 13,739  | 15,772   | 19,461                  |
| Profit before income taxes  | 9,559   | 11,163  | 13,727  | 15,843   | 19,472                  |
| Net profit attributable to owners of the parent company   | 7,717   | 8,498   | 9,683   | 10,825   | 13,245                  |
| Basic earnings per share* <sup>1</sup> (yen)  | 225.58  | 244.81  | 266.86  | 299.97   | 368.88                  |
| Diluted earnings per share* <sup>1</sup> (yen)  | —       | 244.62  | 266.79  | —        | —                       |
| Cash dividends per share of common stock* <sup>1</sup> (yen)  | 112.79  | 120.00  | 134.00  | 150.00   | 185.00                  |
| Total assets  | 70,119  | 88,201  | 93,771  | 107,967  | 117,989                 |
| Total equity  | 27,696  | 42,967  | 46,065  | 49,509   | 58,733                  |
| Cash flows from operating activities  | 8,634   | 10,798  | 11,270  | 18,059   | 22,081                  |
| Cash flows from investing activities  | (2,864) | (5,361) | (4,429) | (1,498)  | (1,374)                 |
| Cash flows from financing activities  | (4,087) | 2,826   | (7,184) | (14,927) | (11,114)                |
| Gross profit margin (%)   | 23.4    | 25.3    | 25.3    | 25.4     | 24.6                    |
| Operating profit margin (%)   | 9.6     | 9.6     | 9.5     | 10.0     | 12.1                    |
| ROE* <sup>2</sup> (%)   | 29.9    | 24.5    | 22.4    | 23.3     | 25.1                    |
| Number of engineers employed in Japan (fiscal year-end)   | 14,346  | 16,797  | 19,293  | 21,264   | 20,330                  |
| Utilization rate of engineers in Japan* <sup>3</sup> (%)  | 95.3    | 95.7    | 95.5    | 94.0     | 94.6                    |
| Number of newly recruited engineers in Japan* <sup>4</sup>  | 2,684   | 4,151   | 4,512   | 4,398    | 1,405                   |
| Unit sales price per engineer at the two major subsidiaries in Japan* <sup>5</sup> (thousands of yen/month) | 626     | 630     | 630     | 630      | 634                     |

\*1 Calculated based on the number of shares BEFORE a three-for-one common stock split conducted on July 1, 2021

\*2 Higher ROE due to the effect from income tax deduction derived from losses carried forward until year 2018

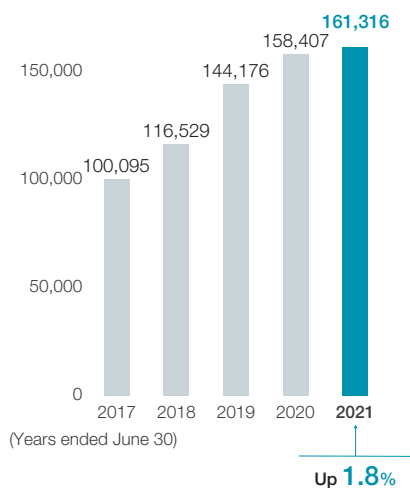
\*3 Utilization rate (%) = The number of engineers on assignment at the end of each month divided by the total number of engineers at the end of the same month (the total number of engineers includes engineers on standby, in training, and on leave)

\*4 Including talent acquisition through M&A

\*5 Calculated as [Total revenue of TechnoPro, Inc. and TechnoPro Construction, Inc.]/Σ [Number of assigned engineers at the end of the month]

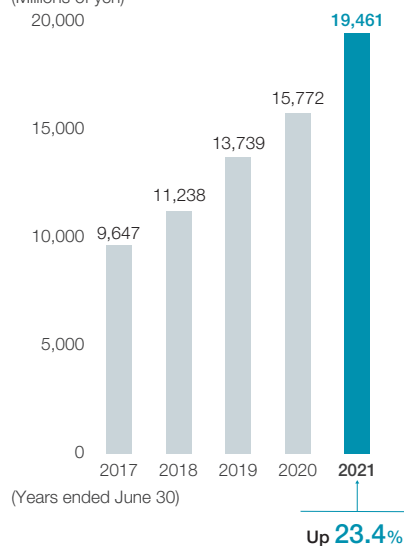
## Revenue

(Millions of yen)  
200,000



## Operating Profit

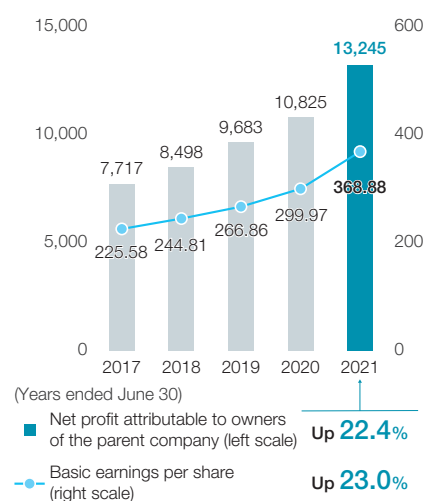
(Millions of yen)  
20,000



## Net Profit Attributable to Owners of the Parent Company/Basic Earnings per Share<sup>\*1</sup>

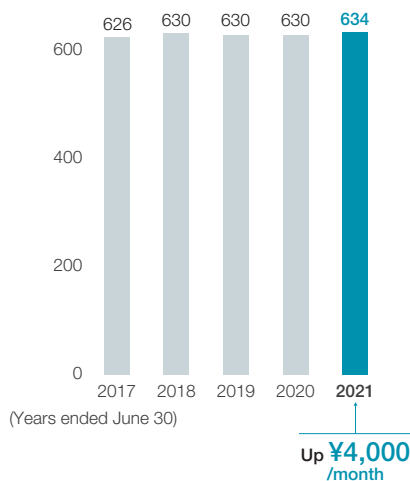
(Millions of yen)  
20,000

(Yen)  
800



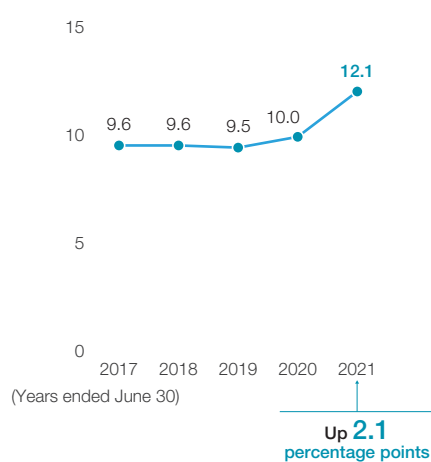
## Unit Sales Price per Engineer at the Two Major Subsidiaries in Japan<sup>\*5</sup>

(Thousands of yen/month)  
800



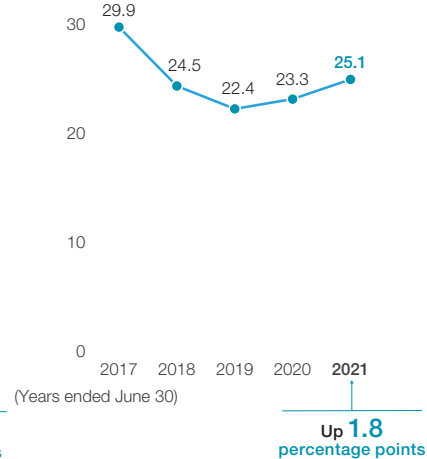
## Operating Profit Margin

(%)  
20



## ROE<sup>\*2</sup>

(%)  
40

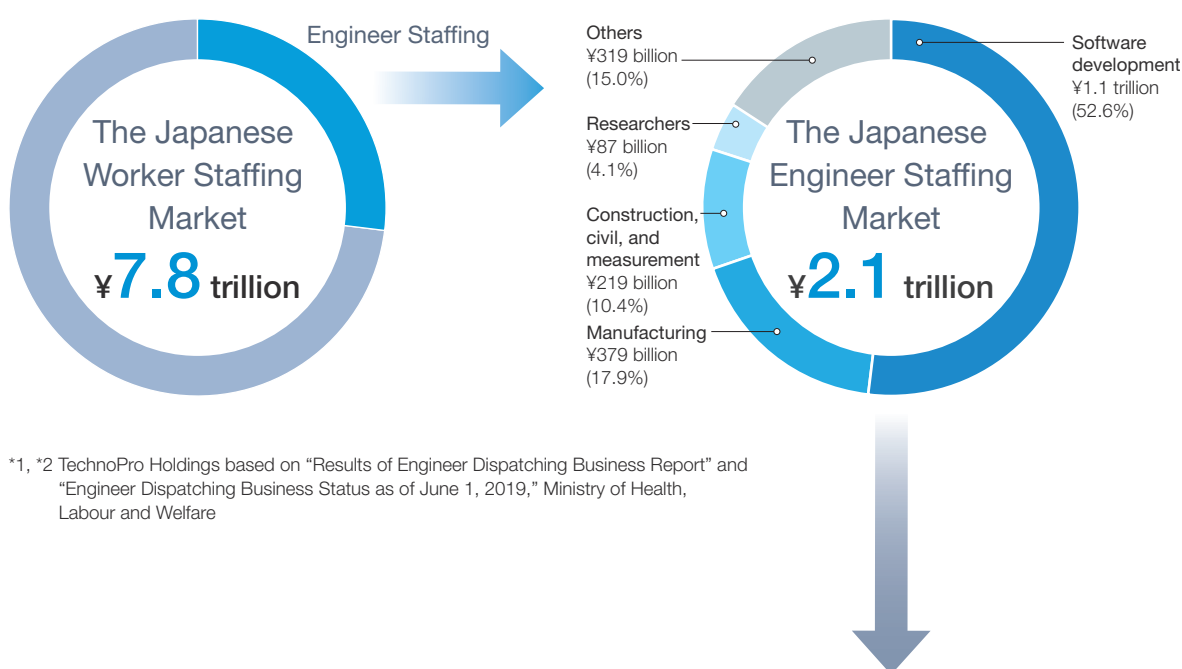


## Engineering Professional Services Market in Japan

### Trends and Growth in the Engineer Staffing Market

Out of a whole worker staffing market of approximately ¥7.8 trillion (\$70.5 billion)\*<sup>1</sup> (in 2019) in Japan, the engineer staffing market, which calls for workers with a high level of expertise such as engineers and researchers, is

estimated at approximately ¥2.1 trillion (\$19.0 billion)\*<sup>2</sup>. Even though the TechnoPro Group is far larger than most companies in the sector, its market share is only 7%, which gives it plenty of opportunity for growth.



\*1, \*2 TechnoPro Holdings based on "Results of Engineer Dispatching Business Report" and "Engineer Dispatching Business Status as of June 1, 2019," Ministry of Health, Labour and Welfare

### Top Nine Firms in the Engineer Staffing Sector

| Rank | Company  | Revenue (Millions of yen) | Share* <sup>1</sup> |
|------|--|---------------------------|---------------------|
| 1    | <b>TechnoPro Holdings, Inc.</b><br>R&D Outsourcing, Construction Management Outsourcing          | <b>147,540</b>            | <b>7.0%</b>         |
| 2    | PERSOL HOLDINGS CO., LTD.<br>Professional Outsourcing SBU  | 113,095                   | 5.4%                |
| 3    | OUTSOURCING Inc.<br>Domestic Engineering Outsourcing Business                                    | 106,416                   | 5.1%                |
| 4    | BeNext-Yumeshin Group Co. * <sup>2</sup><br>Machinery, Electronics and IT Software, Construction | 100,765                   | 4.8%                |
| 5    | Meitec Corporation<br>Engineering Solutions Business   | 95,521                    | 4.5%                |
| 6    | WDB Holdings Co., Ltd.   | 44,126                    | 2.1%                |
| 7    | VSN, Inc.  | 35,907                    | 1.7%                |
| 8    | Altech Corporation<br>The Outsourcing Business   | 34,715                    | 1.7%                |
| 9    | Forum Engineering Inc.   | 27,728                    | 1.3%                |

\*1 Reference figures based on 2019 market size as denominator

\*2 Includes pre-merger revenue for YUMESHIN HOLDINGS CO., LTD.

Source: TechnoPro Holdings based on each company data disclosed by August 31, 2021

## The Accelerating Shortage of Advanced IT Engineers

Even before the COVID-19 pandemic, it was feared that there would be a significant shortage of IT engineers in Japan in the foreseeable future. During the pandemic, however, it became evident that Japan has fallen behind in the adoption of IT. Investment in digital transformation (DX) is expected to further accelerate as society settles into a new way of life known as “the new normal” moving forward.

The shortage of IT engineers is intensifying due to growing demand. According to a survey commissioned by the Ministry of Economy, Trade and Industry, while the shortage of conventional IT engineers who develop websites and applications will be eliminated gradually, the shortage of advanced IT engineers who work in AI, Big Data, IoT, and similar fields is expected to grow to more than 540,000 by 2030 (Assuming moderate growth in the IT market, 0.7% growth in productivity, and a 1.0% reskill rate

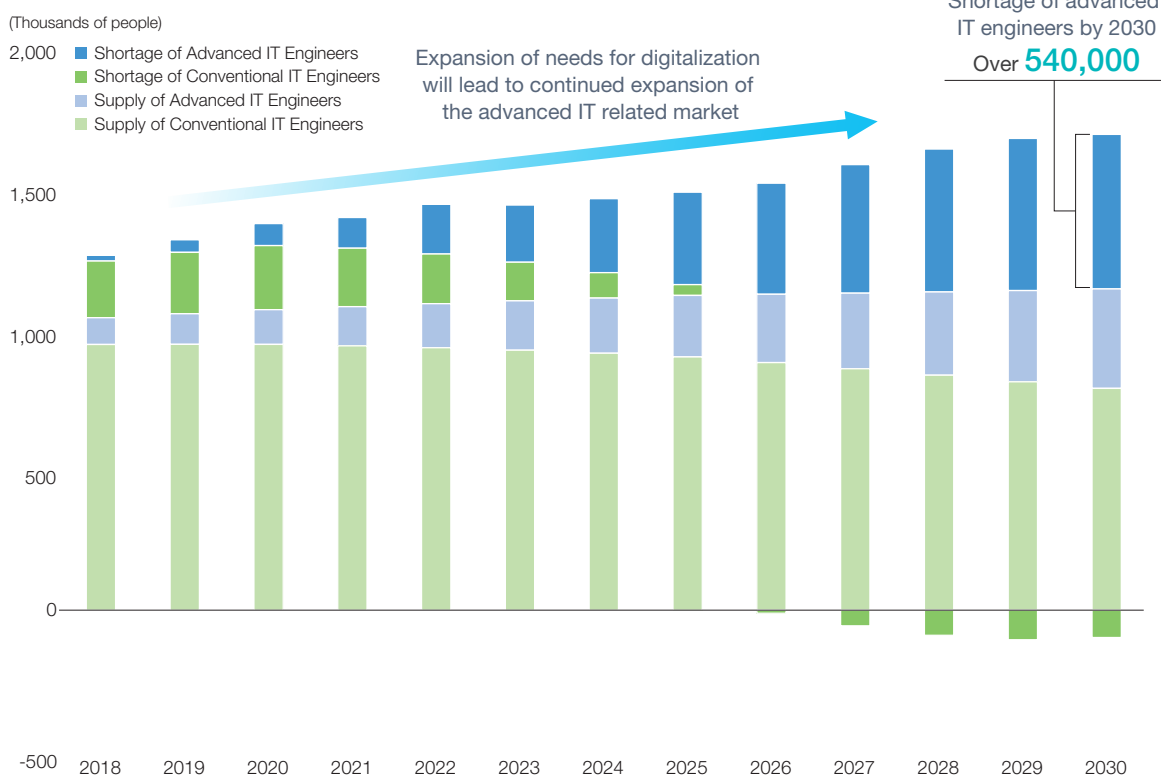
[the rate at which conventional personnel are converted to advanced personnel]).

Further, the labor market for engineers in Japan is still facing issues such as relatively low compensation versus overseas markets and low worker mobility that makes it difficult for engineers to move between industries and companies. In addition, the supply of workers is beginning to decline due to the declining birthrate and aging population, and the shortage of IT engineers may become even greater in the future.

In addition to training and reskilling engineers, the TechnoPro Group is willing to acquire talent beyond domestic supply constraints and employment patterns. By expanding employment possibilities for engineers, who are one of society’s important resources, we hope to improve their compensation while helping resolve the shortage of engineers.

### Projected Shortage in Advanced and Conventional IT Engineers

Assuming moderate growth in the IT market, 0.7% growth in productivity, and a 1.0% reskill rate (the rate at which conventional personnel are converted to advanced personnel)



Source: TechnoPro Holdings based on “Survey Report about Supply and Demand of IT Engineers” by Mizuho Information & Research Institute, Inc., commissioned by the Ministry of Economy, Trade and Industry



## Message from the CEO



### ■ My Aspirations as CEO

I am Takeshi Yagi, and as of July 1, 2021, I have been appointed the Representative Director, President and CEO of the Company.

In leading the Group as CEO, I will focus on the three Cs: Continuity, Challenge, and Change.


Since listing on the First Section of the Tokyo Stock Exchange in December 2014, thanks to the support of our customers and shareholders, we have steadily increased our business performance and established ourselves as Japan's top engineer professional service provider. Our customer base, recruiting, order acquisition, and human resource development capabilities, as well as a culture of achieving goals, are the strengths of the Group that have been the driving force behind our growth to date. We will maintain these strengths with "Continuity," along with a sound financial health and a highly transparent and objective corporate governance system.

In addition, we will take on the "Challenge" of evolving our core businesses and expanding our solutions and overseas businesses, while focusing on the quality-oriented growth of our core domestic engineer staff-

ing business. In order to continue to be a true partner to our customers even in the face of external shocks such as economic fluctuations and pandemics, we must improve our ability to solve the increasingly complex and sophisticated technical issues of our customers. Further, the overseas business will become even more important in securing competitive resources that cannot be secured in Japan alone.

Moreover, "Change" in systems, structures, employee mindsets, and behaviors is essential to enable us to take on these challenges. In addition to quickly incorporating changes in the business environment and technological trends to achieve growth, we will also need to take a different approach from our traditional trajectory, making bold investments, and using M&A to transform ourselves.

It is up to each and every one of our employees to play a leading role in solving issues and taking on these challenges. I would like to continue to utilize my expertise in the area of human resources, which I have been involved in for a long time since my previous job, to manage the Group. It is my goal to improve employee en-



## Keeping in mind the three Cs: Continuity, Challenge, and Change.

We will walk the path of “evolution” with conviction and contribute to the realization of a sustainable society through value creation.

### Takeshi Yagi

Representative Director,  
President and CEO  
TechnoPro Holdings, Inc.

gement by providing an environment in which they can do attractive work and experience growth.

#### ■ A Purpose Driven Value-Creation Story

In formulating the new medium-term management plan, we backcasted ourselves after candidly reflecting on the remaining issues from the previous plan and thoroughly discussing our Group’s ideal form in light of our expectations of the business environment 10 years ahead. Then, looking to the future, we went back to the basics and redefined the TechnoPro Group’s purpose as “Driving the power of technology and talent to co-create value together with our customers for a sustainable society.”

Although there may not be many companies that claim their purpose is to “contribute to the realization of a sustainable society,” I do not intend for our purpose to end up sounding insincere. The Group will create customer value, social value, and economic value through our business activities. The more value we provide to our customers, the more we can invest in creating new value for society, and continue to contribute to society.

In order to achieve this, it is necessary for the Group to grow over the medium to long term as a sustainable entity. This is why we are aiming to become a Company that is resilient to changes in the environment and highly profitable, and this is also why we are aiming to expand our solution business.

In addition, since it is our employees who provide customer value, we also need to increase the value of our employees. Therefore, we will proactively invest in human resource development that will help our employees acquire and cultivate skills that will be highly valued by our customers. Investing in human resources will not only enable us to update our talent as sustainable one in a changing environment. By increasing the value proposition to our customers, we will also be able to reward our employees, which in turn will lead to higher retention and growth for the Group. I am convinced that increasing the value of our employees and the value provided to our customers will lead not only to the achievement of our purpose, but also to the fulfillment of shareholders’ and investors’ expectations of our growth and the enhancement of our corporate value.

## Message from the CEO

### ■ Walking the Path of Evolution

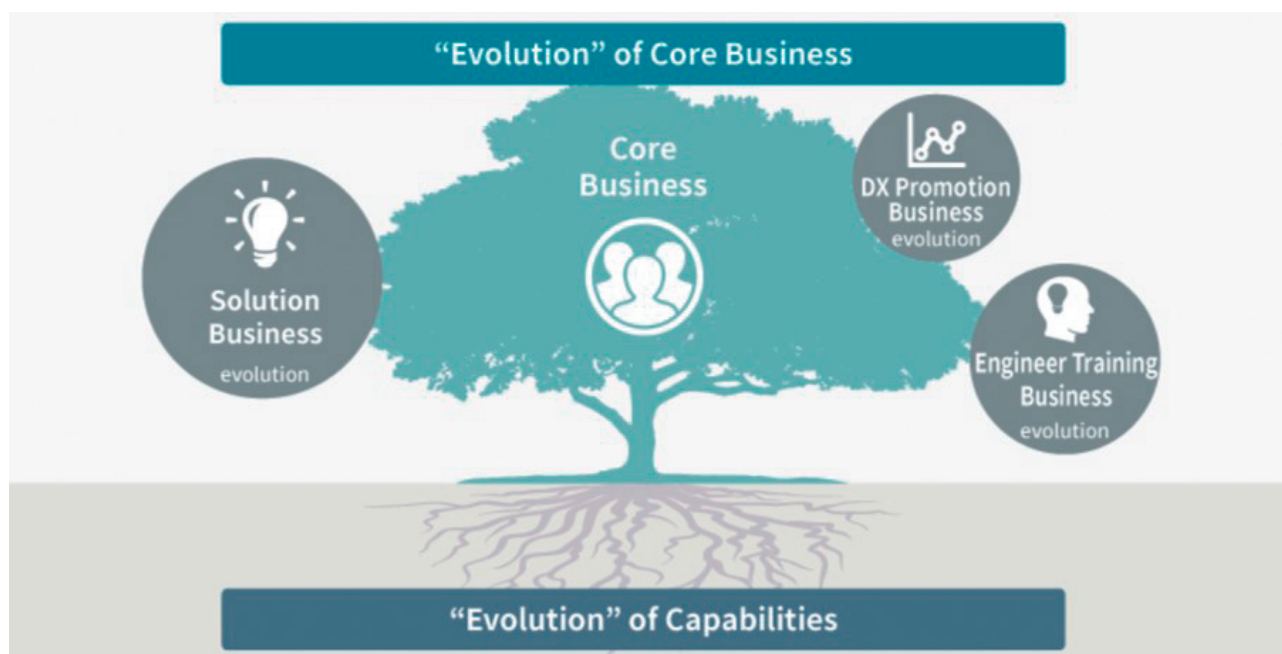
Our new medium-term management plan, “Evolution 2026,” is literally a plan and roadmap for “evolution.” Rather than diversifying into businesses unrelated to engineering services, we have chosen to “evolve” our core engineer staffing business. In other words, we will firmly establish the roots of our core business and aim for greater heights while thickening the trunk. Meanwhile, we will take an evolutionary step and aim to bloom and bear fruit in the solution business, engineer training business, and DX promotion business. This is a strategy of gradual transformation of the business model that we can adopt because of the solidity of the current business. It is possible to achieve this by evolving the capabilities that we have cultivated for the growth of the core business.

As the wave of technological innovation crosses industrial boundaries and national borders, and as product life cycles become shorter and more agile development is required, many customers are increasingly required to cover technologies outside their expertise. In some cases, advanced companies and venture companies with the latest technology do not have sales channels, and therefore do not have many opportu-

nities to utilize their technology for the benefit of the world. Further, the advancement of technology and the prevalence of remote work will make it easier to provide services offshore, and the use of freelancers in the gig economy will also expand in the future.

Our group has the foundation and track record to respond to these changes in the external environment, society, and customer needs. In order to meet the needs for digitalization, which are expected to become more and more vigorous, the fact that about half of the more than 20,000 engineers in Japan are IT engineers should be an advantage for us. In addition to our own education and training system, which boasts the best programs in the industry, we have steadily strengthened our ability to train engineers through an ecosystem of alliances with leading companies and partnerships with major IT vendors. Moving forward, we will continue to further refine our organization’s execution capabilities throughout the value chain in order to bring together talented engineers and solve our customers’ technical issues with the latest technology and optimal methods.

Furthermore, as we aim to increase profits and enhance corporate value over the medium to long term, we will also work to evolve the management foundation that





underpins our business activities. The introduction of a company-wide enterprise risk management (ERM) system and new strict discipline related to M&A at the start of the medium-term management plan are part of such efforts. In particular, focusing on the solution business and overseas business requires the ability to respond to risks that are different from those in the domestic staffing business. We are fully aware that risk management is the cornerstone of management, and under our risk appetite, we will strive for growth while taking sound risks as a matter of course to prevent negative impacts. In addition, we will continue to pursue and maintain a level of corporate governance and sustainability that is appropriate for a company listed on the prime market of the Tokyo Stock Exchange, which the Company is scheduled to be transferred to in April 2022.

### ■ Build Competitive Advantage Through DX Strategy

In “Evolution 2026,” we clearly set out the direction of shifting to higher-value-added business by utilizing digital technology. Specifically, the basic management policies are to further shift to software in the domestic engineer staffing business, to provide development services integrating digital technologies in the solution business, and to build a business model that utilizes data and knowledge through further evolution of the talent management system that we have been developing. In fostering the DX promotion business, we are also planning to develop an AI engine based on hypothesis testing of analysis and measures, which is effective on site, in order to maximize the lifetime value of engineers.

With the advent of the “new normal,” we will also promote DX in internal administrative operations even more strongly than before. Increasing productivity by streamlining and accelerating operations is an important agenda for improving operating leverage and controlling the ratio of SG&A expenses to revenue. At the start of the first year of the new medium-term management plan, along with establishing a new DX Promotion Department, we launched a cross-organizational IT development policy project, to 1) complete revamping the backbone system, 2) automate regular and routine tasks (with robotic process automation [RPA]), 3) build

systems with a view to expanding the solution business, and 4) introduce marketing automation to establish an effective sales style. In building internal systems and introducing RPA, we intend to utilize the Group’s engineers to the extent possible, accumulate know-how and achievements inside the organization, and expand external sales.

As of June 1, 2021, we have been selected by the Ministry of Economy, Trade and Industry as a “DX Certified Operator.” While being aware of the transformation of society and industry that DX will bring about, we will continue to place a high priority on and implement DX strategies in order to strengthen our business, discover new areas, and secure competitive advantages for our customers and ourselves.

### ■ Aiming to Further Enhance Our Presence

Through our future “evolution,” I hope to further increase the social role and presence of our Group, to improve the status of our engineers and researchers, and to give our employees confidence and pride in working for our Group. We aim to become a “strong and flexible company” that is chosen by customers, employees, and job seekers. We will strive to not only raise the quantitative indicators, but also improve our Group in a qualitative sense and the quality of communication, so that we can demonstrate the comprehensive strength of the Group.

We would like to thank all of our stakeholders for their continued support.



Takeshi Yagi  
Representative Director,  
President and CEO  
TechnoPro Holdings, Inc.

## Message from the COO

**The growth of our engineers is the key to the growth of our Group. We will create new business pillars and provide added value by further developing the capabilities of our engineers and leveraging the competitive advantages of our Group.**

### **Gaku Shimaoka**

Representative Director,  
Vice President and COO  
TechnoPro Holdings, Inc.



### ■ My Aspirations as COO

I was appointed COO of the Company in July 2021. My previous position was the Director in charge of Business and Global Business, so I don't think my role has changed significantly. My role as COO is to take charge of the Group's business as a whole. I understand my responsibilities under the new medium-term management plan to include expanding the solution business, creating new business pillars such as the engineer training business and the DX promotion business, and driving the Group toward its vision. I strongly feel that evolution is necessary for broadening the scope of our business, and responding to changes in the external environment.

### ■ Looking Back on the Previous Medium-Term Management Plan

It is commendable that we were able to achieve the targets of the previous medium-term management plan one year ahead of schedule. The number of engineers employed in Japan increased from 14,346 as of June 30, 2017 to 21,264 as of June 30, 2020, backed by strong demand from customers, especially in the IT field, which was a major driver for achieving our targets.

However, due to the impact of the COVID-19 pandemic from the spring of 2020, we were forced to suspend all hiring and freeze M&A activities. In addition, we did not make as much progress as expected in adding value to our services by improving the technical skills and capabilities of our engineers, so the increase in contract unit prices fell short of our plan, and remains an issue.

In M&A, we had planned to expand our business in Europe, the U.S., and China with a focus on DX, and to establish a global delivery center in India. However, due to the impact of the COVID-19 pandemic and other factors, we invested ¥11.2 billion of our ¥20 billion M&A investment budget. Further, due to the lack of a clear M&A strategy, we were not able to acquire the target to be a new core either in Japan or overseas.

Nevertheless, we were able to lay the foundation for our solution business and DX promotion business, which are pillars of our new medium-term management plan. We are steadily moving forward with initiatives such as alliances with partners who have cutting-edge technologies and platforms, and limited partnership investments with Tokyo Institute of Technology and the University of Tokyo. Through our own education system and alliances with partners, we have been able to secure a certain number of engineers for future focus areas such as data science, AI, and ERP.

### ■ New Pillars such as the Solution Business Under the New Medium-Term Management Plan “Evolution 2026”

Demand from customers is shifting toward digitalization and problem-solving. On the other hand, on the supply side, I believe the biggest risk is the decrease in the working population in Japan and the structural shortage of engineers. Also, with the COVID-19 pandemic, freelancing, remote work, and other diverse working styles have become the new normal in Japan. In this external environment, we recognize the importance of evolving the capabilities of our Group and transforming our business model.



Under “Evolution 2026,” we will evolve our existing core business of engineer staffing to create new business pillars such as the solution business, engineer training business, and DX promotion business.

The TechnoPro Group can be considered a latecomer in the new business fields such as the solution business. In order to differentiate ourselves from our competitors, we need to leverage the competitive advantages that we have built up in our core staffing business.

Our Group’s most significant competitive advantage is that we have about 20,000 engineers working for about 2,000 customers at any given time, many of whom have been working for the same customer for 10 years or even 20 years. These engineers see the issues that our customers face on a daily basis, and we will train them so that they can propose and provide solutions to resolve these issues.

On the other hand, in terms of sales activity, due to the major shift brought about by technologies such as AI, RPA, and IoT, the person in charge on site may have the authority over the budget, say, for AI implementation. Rather than focusing solely on top-level sales as major consulting companies do, our Group will focus on providing solutions that our on-site engineers can propose in a detailed, bottom-up manner.

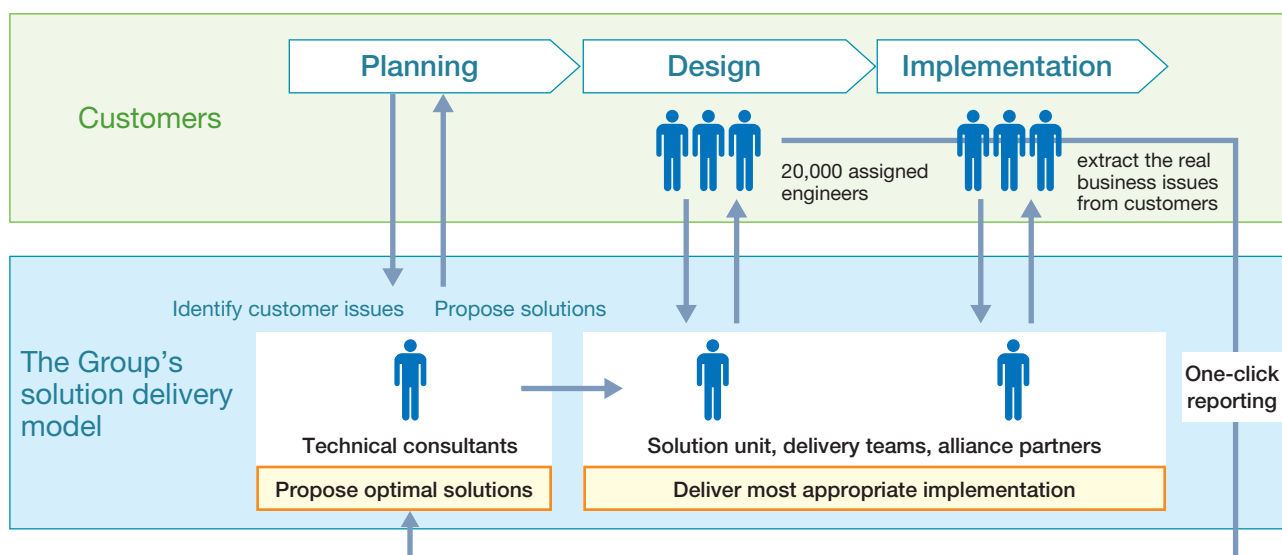
In the DX promotion business, we will be able to analyze and utilize the big data amassed in the Group’s core business, including data items such as recruitment, training, employment history, and retirement. By combining big data with the growth path of engineers, we can determine the appropriate timing and content to offer education, training, and career guidance. In addition, we believe that we can sell algorithms and AI engines that have proven to deliver results

after repeated in-house testing. We envision that these tools will be sold externally not only to engineer dispatch companies, but also to companies and organizations that have issues with employee development and career paths.

Although we will promote the engineer training business as a part of the DX promotion business, our Group has the best training system in Japan, and we will move forward with the commercialization of the training know-how accumulated from a track record of delivering training to a total of 210,000 trainees per year, as this know-how should meet the education and training needs of other companies.

### ■ The Growth of Our Group Will Be Achieved Through the Growth of Our Engineers

Engineer is an important asset for the TechnoPro Group. By having engineers do attractive work, the engineers’ skills and the quality of their work will improve, and their value to society will also increase. The engineer staffing business will continue to be positioned as a core business, and although the growth rate will not be at the same level as in the past, we believe that stable growth is very important for strengthening our efforts in new business domains. Looking overseas, it is becoming clearer to see people doing the work they want, when they want, and where they want, without belonging to an organization. I am convinced that by providing our engineers with attractive, high-value-added work, we will attract even more talented engineers, and will evolve into a partner that can provide valuable solutions for our customers. We will achieve sustainable growth for our Group by having each and every engineer grow and solve the ever-changing issues of our customers in Japan and overseas.



## Message from the CFO



**We will use KPIs to show the progress of specific strategies and directions outlined in the roadmap, and further enhance trust through transparent disclosure and proactive dialogue.**

### **Toshihiro Hagiwara**

Managing Director and CFO  
TechnoPro Holdings, Inc.

#### ■ Numerical Targets in “Evolution 2026”

The COVID-19 pandemic has made it clear that Japan lags significantly behind other countries in the digital field. The fact that society now shares a common understanding of the necessity of investing capital in digitalization is a tailwind for our Group, and I believe that it is a good time to start our new medium-term plan. We are proud of the fact that our Group, which increased the number of IT engineers under the previous medium-term plan and strategically developed our business in anticipation of digitization, is ahead of our competitors. With the aim of further strengthening this advantage, we have positioned the first two years as a period of upfront investment to build a “solid foundation for core businesses evolution,” and plan to recover the investment in the latter three years as we achieve “accelerated growth.”

In the fiscal year ending June 2026, the final year of the new medium-term management plan, we expect to achieve revenue of ¥250 billion (five-year CAGR of 9.2%), operating profit of ¥32 billion (10.5%), and net profit attributable to the owners of the parent company of ¥22 billion (10.7%).

Domestic engineer staffing will continue to be our core business, accounting for more than 60% of total revenue in five years. In addition to forming the backbone of the Group, this business is also important for recruiting and training engineers, collecting data, and understanding trends in customers’ technological development. Over the next five years, we expect to achieve organic growth of about 6% per year. However, unlike the results of the previous medium-term plan, we will not pursue growth in terms of quantity or headcount, but in terms of

quality such as by increasing contract unit prices through higher quality and more diverse services.

We plan to increase revenue in the solution business to ¥57 billion (approx. 23% of total revenue) and revenue in the overseas business to ¥30 billion (12% of total revenue) in five years. In addition to organic growth, we have factored in ¥15 billion respectively in revenue contributions from M&A for each business.

We also plan to make more strategic investments in recruitment and training. This investment will continue for five years, but since it will take one to two years to recoup the investment through incremental gross profit, the first two years will be cost-intensive. However, from the third year onward, such negative impact will diminish.

In the fiscal year ended June 30, 2021, the operating profit margin was superficially higher than normal due to the significant control of SG&A, mainly recruiting expenses, and the government subsidy to keep employment. However, we are still aiming to achieve an operating profit margin of 12.8% in five years (up 0.7 pts compared to the previous fiscal year).

The overall progress versus numerical targets under the new medium-term management plan, “Evolution 2026,” will be measured by whether the gross profit margin is increasing over the five-year period due to expansion of the high-margin solution business and overseas offshore delivery model; whether the SG&A expense ratio decreases from the middle of the period as upfront spending is recovered and operating leverage improves on the increased scale of business; and whether there is a continuous improvement in operating profit margin as a result.

## ■ M&A Strategy and Capital Policy

The growth strategy of the previous medium-term management plan called for 1) stable growth in our core business of engineer staffing, 2) a shift toward high-value-added businesses that meet customer needs, 3) globalization, and 4) a move toward platforms utilizing data. In retrospect, the direction of growth was correct, but the process of formulating the new medium-term management plan required a thorough review of the extent to which we were able to specify the strategy beforehand and properly manage its progress afterward. Based on this reflection, in the new medium-term management plan, we will execute M&A based on more specific and detailed strategies. We have created a matrix of technology domains and solutions that we want to acquire, and have identified the type of the companies that we will target for M&A.

At the same time, we have established strong financial discipline, and when investing, we are conscious of the cost of capital and focus on return on invested capital (ROIC). By making decisions with an eye to synergies with the Group as well as standalone growth, and by conducting appropriate post-merger integration (PMI), we will conduct M&A with ROIC exceeding 10% within three years.

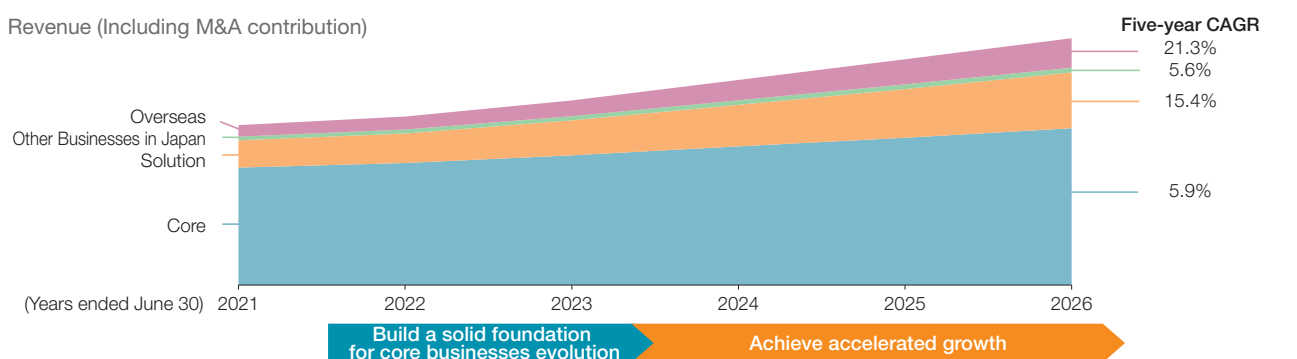
Since I was appointed CFO in July 2019, I have gradually instilled a way of thinking based on finance theory and ROIC into the entire organization. During the new medium-term management plan, we would like to further promote this initiative, including among the management teams of our subsidiaries, so that we can make investment and withdrawal decisions from the same perspective as our shareholders.

Our basic capital policy remains unchanged. The four primary focuses are a payout ratio of 50% or more, continued growth in earnings per share (EPS), ROE of 20% or more, and a debt/equity (D/E) ratio of less than one. For the five-year period of the new medium-term management plan, we have set a cumulative strategic investment budget of ¥40 billion, mainly to be used for M&A. However, if we determine that there will be no justifiable investment opportunities with ROIC exceeding the cost of capital for some time, we will flexibly consider shareholder distribution through share buybacks from the perspective of capital efficiency.

## ■ Disclose the Progress of Our Strategies through KPIs

In addition to considering “where to compete”—being aware of business domains and “how to compete”—leveraging our competitive advantage, I believe that the execution to realize our plans shall be an integral element of our strategy, and I feel that the execution capability of our management team is being tested the most in the new medium-term management plan. In this plan, which has been formulated after adequately reviewing the result of the previous plan, specific strategies and directions are clearly laid out in a roadmap so that we can properly track our progress. Since we have a new categorization based on our core business, solution business, engineer training business and DX promotion business, in order to gain the full understanding of our investors, we will show the progress of our strategies through KPIs, transparent disclosure, and proactive dialogue to further enhance their trust in the Group.

Revenue (Including M&A contribution)



| Revenue (Including M&A contribution) |       |       |       |               |              |                |
|--------------------------------------|-------|-------|-------|---------------|--------------|----------------|
| (Years ended June 30)                | 2021  | 2022  | 2023  | Two-year CAGR | 2026         | Five-year CAGR |
| Revenue                              | 161.3 | 170.0 | 186.0 | 7.4%          | 250.0        | 9.2%           |
| Operating profit                     | 19.4  | 16.5  | 18.5  |               | 32.0         | 10.5%          |
| OP margin                            | 12.1% | 9.7%  | 9.9%  |               | 12.8%        |                |
| Net profit                           | 13.2  | 11.3  | 12.7  |               | 22.0         | 10.7%          |
| ROE                                  | 25.1% | 19.0% | 19.4% |               | 20% or above |                |

## The Value-Creation Process

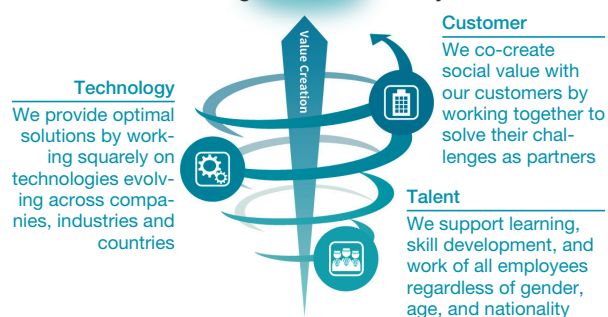
The TechnoPro Group is evolving its capabilities and transforming its business model while responding to the dynamically changing external environment and leveraging the management resources it has cultivated to date. Through these capabilities and business models, we will steadily promote initiatives to address materiality and create value while pursuing our purpose.





## Value Together with our Customers for a Sustainable Society

### Building sustainable society



### Intellectual Capital

- Number of people undergoing training in the fiscal year ended June 30, 2021 (cumulative): 213,795 people
- Training courses: more than 500
- Training institutions in Japan: 59 locations



Reskilling toward digital technology, acquisition of multiple technologies  
Organizational accumulation and utilization of technological knowledge  
Integration of conventional and digital technologies

### Financial Capital

- ROE in the fiscal year ended June 30, 2021: 25.1%
- D/E ratio as of June 30, 2021: 0.15x
- Net worth ratio as of June 30, 2021: 49.8%
- EPS growth for seven consecutive years since listing



Stable revenue base in core businesses  
Growth investment based on robust risk management and financial discipline

## Outputs

### Performance Indicators for 2026

**Revenue (consolidated): ¥250 billion**  
**Number of engineers employed in Japan: 27,500 people**

#### Core Businesses

Revenue: ¥160 billion  
(Percentage of overall revenue: 64.0%)

#### Solution Business

Revenue: ¥57 billion  
(Percentage of overall revenue: 22.8%)

Number of digital-related engineers: 6,000 people  
Revenue from digital-related engineering: ¥50 billion  
Number of environment-related engineers: 500 people  
Revenue from environment-related engineering: ¥4 billion

#### Engineer Training Business

Revenue: ¥2 billion  
(Percentage of overall revenue: 0.8%)

Number of customer participants: 13,000 people

#### DX Promotion Business

Maximize the Lifetime Value (LTV) of engineers

#### Diversity of Human Resources

Percentage of female employees: 20.0%  
Number of employees aged 60 or more: Continuous increase  
Number of non-Japanese engineers working in Japan: 1,500 people

#### Financial

Dividend payout ratio: 50% or higher  
EPS: Continuous growth  
ROE: 20% or higher  
D/E ratio: Less than 1.0x

## Outcomes

9

INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



10

REDUCED  
INEQUALITIES



13

CLIMATE  
ACTION



16

PEACE, JUSTICE  
AND STRONG  
INSTITUTIONS



17

PARTNERSHIPS  
FOR THE GOALS





## Promoting Sustainability-Centered Management

### TechnoPro Group Sustainability Policy

The TechnoPro Group will achieve sustainable business growth and enhance corporate value through creating shared value with our stakeholders, including executives, employees, customers, and society, based on our engineers, technical capabilities and business models, and through the establishment of and the operations built on a solid management foundation. As a result, we will contribute to the sustainable development and prosperity of economies, industries, and societies around the world, as well as to the preservation of the global environment.

- We will identify important management issues (materialities) that have a significant impact not only on the Group, but also on our stakeholders, that should be addressed on a priority basis. We will strive to create and expand our positive impacts and reduce our negative impacts on economies, industries, societies, and the environment.
- We will address and solve sustainability issues through our business activities, striving to capture new business opportunities that arise in the process.
- We will strive to enhance corporate value and trust by incorporating into our corporate activities the feedback we obtain from stakeholders through dialogue and proactive information disclosure.
- We will strive to build a sustainable value chain through the development of fair and honest corporate activities.
- We will formulate appropriate action plans to address sustainability issues, reflecting in these plans the United Nations Global Compact and other international principles and standards.
- We will educate and enlighten our executives and employees to raise awareness of sustainability issues and materialities, as well as to improve the knowledge necessary to implement measures regarding these issues and materialities in our business activities.

Established September 1, 2021

► See website for details: <https://www.technoproholdings.com/en/csr/materiality.html>

### Signing up for the United Nations Global Compact

TechnoPro Holdings, Inc. has become a signatory to the United Nations Global Compact (UNGC) initiative advocated by the United Nations and was registered as a participant on October 12, 2021. At the same time, the Company has joined the Global Compact Network Japan, the UNGC's local network in Japan. The UNGC is a set of principles for voluntary corporate action proposed by then-UN Secretary-General Kofi Annan at the World Economic Forum (Davos Forum) in 1999.

We will continue to act as a good corporate citizen in accordance with the 10 principles of the UNGC in the four areas of human rights, labor, environment, and anti-corruption in the aim of achieving sustainable growth.

► See website for details: <https://www.unglobalcompact.org/>



## Revisions to the TechnoPro Group Code of Conduct

We will practice corporate behavior in accordance with the TechnoPro Group Code of Conduct in order to continue to be a corporate group that can earn the trust of its stakeholders and contribute to the realization of a sustainable society. This Code also sets forth the basic principles guiding our executives and employees in their day-to-day business activities.

► See website for details: [https://www.technoproholdings.com/en/ir/management/code\\_of\\_conduct.html](https://www.technoproholdings.com/en/ir/management/code_of_conduct.html)

### ■ Contributing to a Sustainable Society through Business Activities

We will provide technical services that contribute to sustainable economic growth and resolution of social issues with an accurate awareness of the needs of both our customers and society at large, by improving technical capabilities, accumulating knowledge and expertise, and promoting the distribution of technology. Meanwhile, we will contribute to the social and economic development through generating employment, fostering talent, and maximizing opportunities for engineers and researchers.

### ■ Fair Business Practices and Appropriate Social Relations

We will pursue thorough compliance, fair competition, prevention of corruption and crime, prohibition of bribery, prohibition of entertainment and gifts that exceed socially accepted standards, maintenance of healthy and appropriate relationships with government agencies and public officials, exclusion of antisocial forces, prohibition of conflicts of interest, and selection of appropriate business partners.

### ■ Effective Governance and Highly Transparent Management

We will pursue optimal corporate governance to achieve sustainable growth and ensure sound and transparent management. We will conduct proper accounting treatment and financial reporting as well as the development and operation of internal control systems. Further, we will pursue accurate preparation and management of information on accounting and business activities, and disclosure of this information in a timely and appropriate manner. We will also use insights and opinions obtained through dialogue with stakeholders to enhance corporate value.

### ■ Proper Handling of Information and Assets

We will pursue strict management of confidential and personal information and appropriate information security measures. We will acquire the information necessary to carry out our business activities by legal and appropriate means, and use such information only for legitimate business purposes. We will appropriately manage assets to ensure efficiency and prevent damage, loss, or theft. We will protect intellectual property and respect the intellectual property of others. We will prohibit insider trading.

### ■ Respect for Human Rights and Diversity

In addition to respecting the basic human rights of all people and refraining from complicity in human rights abuses, we will prohibit discrimination, harassment, forced labor, and child labor. Further, we will pursue initiatives for the realization of diversity, equity, and inclusion (DEI).

### ■ Creation of a Comfortable Work Environment and Increasing Engagement

We will promote the safety, health, and well-being of executives and employees; the achievement of work-life balance; the building of healthy labor-management relations; the development of human resources; and the enhancement of organizational strength.

### ■ Coexistence with Society, Communities, and the Global Environment

We will conduct our business activities in consideration of the preservation of the global environment and ecosystems and contribute to resource conservation, efficient energy use, and the reduction of environmental impacts through technologies. We will also contribute to climate change action. We will promote measures for resolving social issues through respect for the culture and customs of each country and region, harmony with international and local communities, and socially contributing activities.

### ■ Building a Sustainable Value Chain

Our business partners are requested to conduct their business activities in compliance with laws and regulations, with respect for human rights, with an eye to improving labor practices and health and safety, and with consideration for sustainable procurement and the environment. In this way, we will build a sustainable value chain by aiming for co-existence and co-prosperity.

### ■ Establishing an Implementation System

Each Group company will establish an effective implementation system and educate and enlighten its employees. In the event of a serious incident, under the direction of top management, it shall promptly investigate the facts, determine the cause, and work to prevent a recurrence, as well as promptly and accurately disclose information, carry out accountability functions, and take strict disciplinary action, including against itself.

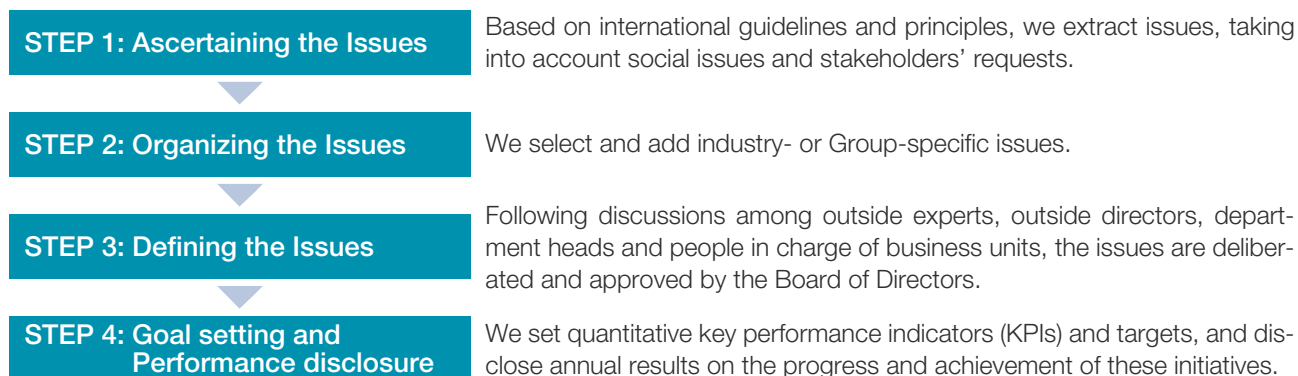
## Material Issues (Materiality) for the TechnoPro Group

To support value creation, the TechnoPro Group defines material issues (materiality) from a management perspective and aims to achieve sustainable growth by putting them into practice. We periodically revise material issues, key performance indicators (KPIs), and targets as necessary based on changes in the business environment, social trends, and medium-term management plans, while keeping in mind our corporate philosophy and the characteristics of our business.

### Material Issues



### Materiality Definition and Revision Process



## Examples of Materiality Initiatives

### Measures Toward Flexible and Diverse Working Styles

We responded flexibly during the worst of the COVID-19 pandemic, giving top priority to ensuring the health and safety of our employees, including implementing measures such as staggered commuting and telecommuting, granting special paid leave in the event that a child's school is closed, and allowing employees to commute by their own car. We have also introduced telework, flex-time, and dress code-free work to improve employee satisfaction and realize more productive working styles.



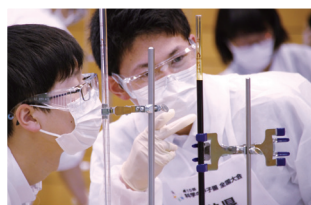
### Selected as a DX Certified Operator by METI

The Company has been selected as a certified operator under the DX Certification Initiative in recognition of our readiness to promote digital transformation. Moving forward, the newly established DX Promotion Department will lead efforts to improve the efficiency of internal operations and promote the visualization and effective use of various data.



### Support for the National Conventions of Science Koshien and the Science Koshien Junior

The Japan Science and Technology Agency (JST) hosts the Science Koshien and the Science Koshien Junior to introduce children nationwide to the appeal of science, thereby broadening the base of science enthusiasts. The hope is that this will promote the development of top-level scientists with the curiosity and creativity needed to take on challenges in heretofore unknown fields. The TechnoPro Group supports the activities of JST as a sponsoring partner.



### Named 2021 Certified Health and Productivity Management Outstanding Organization (Large Enterprise Category)

The Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi have jointly certified the TechnoPro Group as a Health and Productivity Management Outstanding Organization (Large Enterprise Category) for the second year in a row. The Group implements various measures to improve the health of its employees based on the idea that the health of employees is an important management resource and a source of corporate vitality. We will continue to pursue Group unity through health management initiatives in the aim of revitalizing the organization and the individuals that comprise it and improving productivity and creativity.



### Robosoft Technologies Private Limited Joined TechnoPro Group

Robosoft, a provider of solution delivery services in the digital domain, mainly to customers in the United States, Japan and India, has joined the TechnoPro Group. Going forward, we will leverage Robosoft's existing solution business to further enhance our digital technology capabilities.



### Conducting Seminars on Cross-Cultural Understanding

The TechnoPro Group has 938 non-Japanese employees in Japan (as of June 30, 2021). We have established a system to better integrate foreigners by resolving communication issues that are deeper than simple language difficulties. This comprises seminars for employees on communication and cross-cultural understanding to provide basic knowledge on the cultures of foreign nationals and to develop management practices that accommodate workers of different nationalities and cultures.



## Quantitative Indicators (KPIs) and Targets for Material Issues (Materiality)

The TechnoPro Group has set quantitative indicators (KPIs) and targets for each of the four groupings of material issues. We monitor the progress of these indicators, and promote initiatives aimed at achieving the targets.

### Human Resources

### Raising Everyone's Potential

| (Years ended June 30)   |                   | 2017    | 2018    | 2019    | 2020    | 2021    | Target  |
|---|-------------------|---------|---------|---------|---------|---------|---|
| People undergoing training (cumulative)                           | (People)          | 55,521  | 79,105  | 208,522 | 235,670 | 213,795 | Total of 300,000 people/year in 2026 (including e-learning)       |
| Of which, group training (cumulative)                             | (People)          | 55,521  | 71,023  | 97,306  | 120,829 | 47,441  | —   |
| Of which, e-learning (cumulative)                                 | (People)          | —       | 8,082   | 111,216 | 114,841 | 166,354 | —   |
| Hours of training (cumulative)                                    | (Hours)           | 220,618 | 258,115 | 512,231 | 492,566 | 447,809 | —   |
| Number of unique participants (including e-learning)              | (People)          | —       | —       | 17,153  | 22,039  | 22,974  | —   |
| Employee satisfaction (index: FY ended Jun. 2013 = 100)           |                   | 108     | 107     | 113     | 114     | 118     | Improve continuously  |
| Number of customer participants in the engineer training business | (People)          | —       | —       | —       | —       | 10,400  | 13,000 people/year in 2026  |
| Revenue from the engineer training business                       | (Billions of yen) | —       | —       | —       | —       | 1.67    | ¥2 billion by 2026  |
| Percentage of Women Hired (total)                                 |                   | 17.6%   | 19.7%   | 26.1%   | 24.9%   | 22.6%   | 30% or above by 2026  |
| Of which, new graduates   |                   | 15.6%   | 15.3%   | 22.5%   | 19.3%   | 24.3%   | —   |
| Of which, mid-career hires  |                   | 18.1%   | 21.1%   | 27.7%   | 27.1%   | 22.2%   | —   |
| Percentage of female employees                                    |                   | 13.9%   | 15.2%   | 17.2%   | 18.4%   | 18.3%   | 20% by 2026   |
| Percentage of female employees in managerial positions            |                   | 5.4%    | 7.9%    | 8.1%    | 7.6%    | 7.9%    | 10% by 2026   |
| Percentage of non-Japanese nationals in managerial positions      |                   | 0.6%    | 0.9%    | 1.2%    | 1.4%    | 1.4%    | Increase the diversity of the Group's managers over the long term |
| Percentage of mid-career hires                                    |                   | 80.0%   | 76.2%   | 77.7%   | 70.5%   | 80.6%   | —   |
| Percentage of mid-career hires in managerial positions            |                   | —       | —       | —       | —       | 83.6%   | —   |
| Number of non-Japanese engineers working in Japan                 | (People)          | 550     | 756     | 985     | 1,178   | 921     | 1,500 people by 2026  |
| Percentage of women taking childcare leave                        |                   | 95.8%   | 100%    | 98.7%   | 100%    | 100%    | —   |
| Percentage of men taking childcare leave                          |                   | 3.1%    | 4.0%    | 5.7%    | 7.0%    | 11.8%   | 20% or above by 2026  |
| Number of men taking childcare leave                              | (People)          | 11      | 16      | 21      | 35      | 36      | —   |
| Percentage of employees with disabilities                         |                   | 2.21%   | 2.21%   | 2.21%   | 2.21%   | 2.27%   | Maintain employment rate at or above legal mandated level         |
| Employment of people aged 60 or more                              | (People)          | 535     | 641     | 725     | 742     | 768     | Increase continuously   |
| Turnover rate of permanent employee engineers                     |                   | 7.9%    | 8.1%    | 8.3%    | 8.8%    | 8.4%    | At or below 7.5%  |



## Technology

### Contributing to Society through the Power of Technology

| (Years ended June 30)                        |                   | 2017 | 2018 | 2019 | 2020 | 2021  | Target               |
|--|-------------------|------|------|------|------|-------|----------------------|
| Revenue from the solution business (Japan)   | (Billions of yen) | —    | —    | —    | —    | 27.8  | ¥57 billion in 2026  |
| Number of digital-related engineers          | (People)          | —    | —    | —    | —    | 2,991 | 6,000 people in 2026 |
| Revenue from digital-related engineering     | (Billions of yen) | —    | —    | —    | —    | —     | ¥50 billion in 2026  |
| Number of environment-related engineers      | (People)          | —    | —    | —    | —    | —     | 500 people in 2026   |
| Revenue from environment-related engineering | (Billions of yen) | —    | —    | —    | —    | —     | ¥4 billion in 2026   |

## Social Responsibility

### A Trusted Partner

| (Years ended June 30)   |                      | 2017  | 2018  | 2019   | 2020    | 2021    | Target                              |
|---|----------------------|-------|-------|--------|---------|---------|-------------------------------------|
| Material legal violations   | (Cases)              | 0     | 0     | 0      | 0       | 0       | Continue to have zero cases         |
| Paid leave acquisition rate   |                      | 71.3% | 75.0% | 72.1%  | 79.0%   | 74.4%   | 75% or above                        |
| Average hours of overtime   | (Hours/month)        | 19.2  | 17.6  | 16.3   | 13.5    | 13.3    | Maintain at 20 hours/month or below |
| Percentage of people participating in training on human rights, ethics, information security, and anti-corruption |                      | —     | —     | 100.0% | 100.0%  | 100.0%  | Continue at 100%                    |
| CO <sub>2</sub> emissions (Japan)   | (t-CO <sub>2</sub> ) | —     | —     | —      | 2,118.2 | 1,803.9 | Reduce continuously                 |
| CO <sub>2</sub> emissions per ¥1 million in revenue   | (t-CO <sub>2</sub> ) | —     | —     | —      | 0.014   | 0.012   | Reduce continuously                 |
| Paper usage/revenue (index: FY ended Jun. 2015 = 100)   |                      | 85.9  | 77.5  | 70.3   | 53.2    | 40.5    | Improve continuously                |

## Governance

### A Sustainably Growing Company

| (Years ended June 30)   |            | 2017  | 2018  | 2019  | 2020  | 2021                | Target   |
|---|------------|-------|-------|-------|-------|---------------------|--|
| Percentage of outside directors   |            | 37.5% | 37.5% | 37.5% | 37.5% | 37.5%               | —  |
| Number of female directors  | (People)   | 1     | 1     | 1     | 1     | 1 <sup>*1</sup>     | Maintain at two or more  |
| Percentage of female directors  |            | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% <sup>*1</sup> | —  |
| Number of female officers (Directors + Audit & Supervisory Board members)     | (People)   | 1     | 1     | 1     | 1     | 2                   | —  |
| Percentage of female officers (Directors + Audit & Supervisory Board members) |            | 8.3%  | 8.3%  | 8.3%  | 8.3%  | 16.7%               | —  |
| Number of directors (Group)   | (People)   | 25    | 56    | 50    | 53    | 53                  | —  |
| Number of female directors (Group)  | (People)   | 3     | 3     | 2     | 2     | 3                   | —  |
| Percentage of female directors (Group)  |            | 12.0% | 5.4%  | 4.0%  | 3.8%  | 5.7%                | Increase the diversity of the Group's directors over the long term |
| Number of non-Japanese directors (Group)                                      | (People)   | 6     | 8     | 10    | 11    | 12                  | —  |
| Percentage of non-Japanese directors (Group)                                  |            | 24.0% | 14.3% | 20.0% | 20.8% | 22.6%               | Increase the diversity of the Group's directors over the long term |
| Internal reporting system   | (Cases)    | 23    | 36    | 52    | 129   | 93                  | Ensure appropriate operation of the internal reporting system      |
| EPS <sup>*2</sup>   | (Yen)      | 75.19 | 81.60 | 88.95 | 99.99 | 122.96              | Grow continuously (achievement of medium-term plan)                |
| Number of IR meetings   | (Meetings) | 333   | 333   | 390   | 520   | 487                 | Maintain at or above 400 per annum                                 |

<sup>\*1</sup> A new female outside director was elected at the Ordinary General Meeting of Shareholders in September 2021, and as of September 29, 2021, two female directors sit on our Board. (Percentage of female directors of the Company: 22.3%)

<sup>\*2</sup> Calculated based on the number of shares AFTER a three-for-one common stock split conducted on July 1, 2021

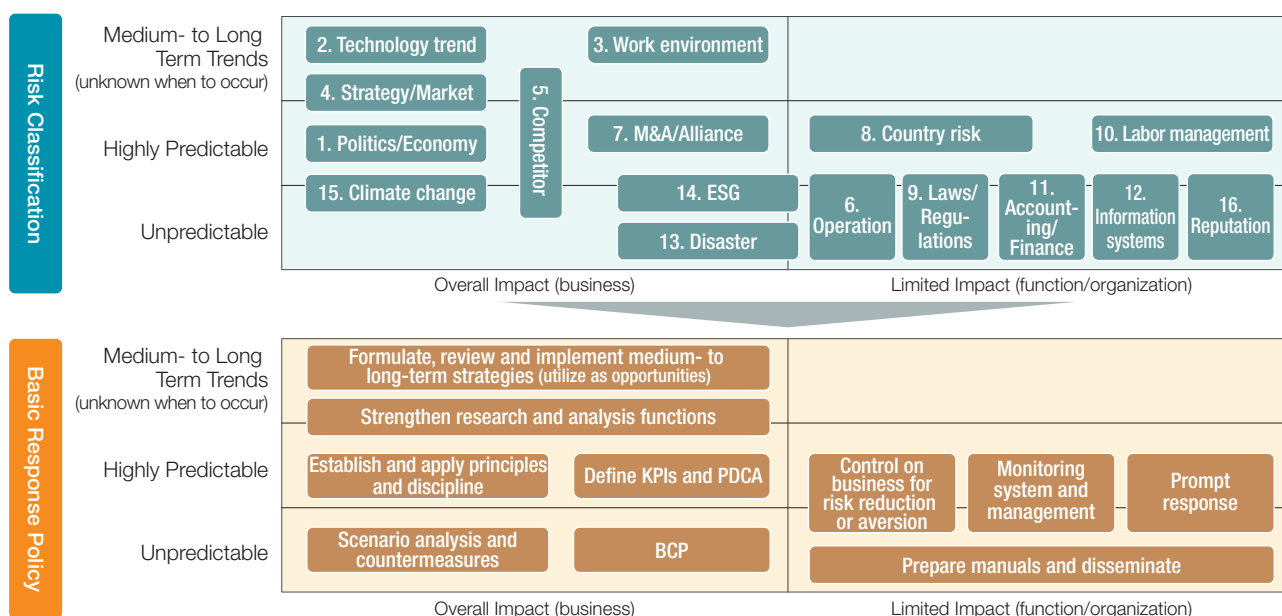
## Risk Management

The Group's Enterprise Risk Management (ERM) system recognizes risks as events (both positive and negative) that may affect the achievement of our strategies and business objectives, and we have created structures and processes to appropriately manage our organization as a whole. We identify all risks based on a clear understanding of the Group's approach to the amount of acceptable risk (risk tolerance). We conduct qualitative

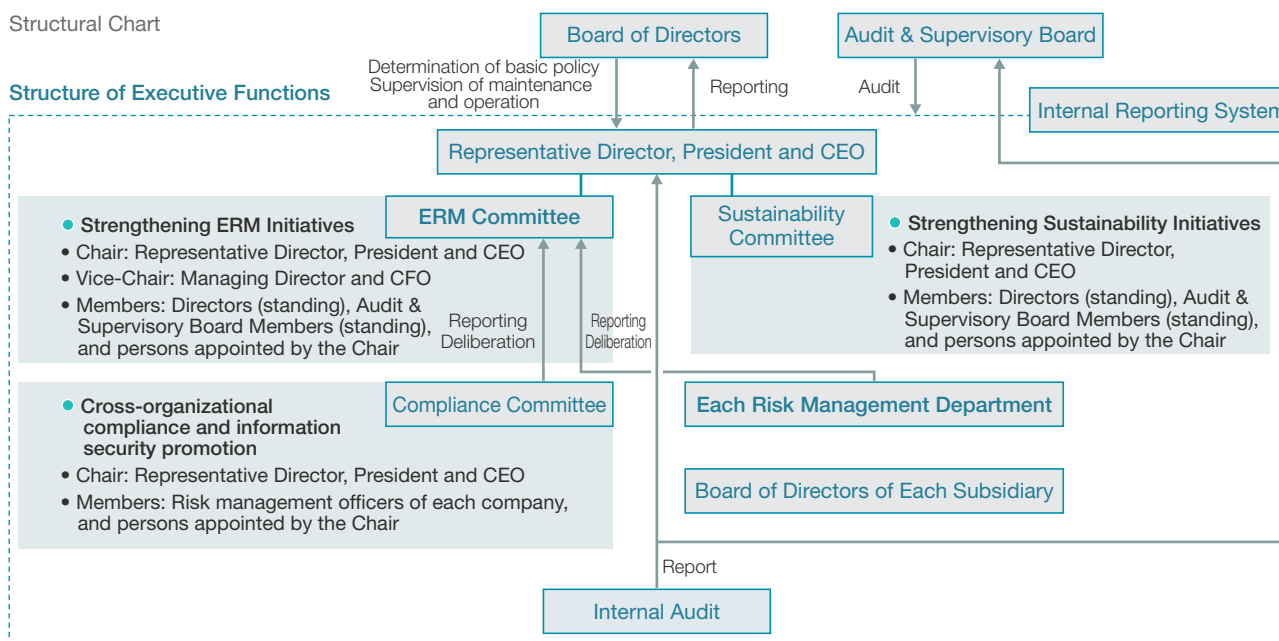
and quantitative assessments of risks in terms of impact, foreseeability, and probability of occurrence, and consider countermeasures in terms of avoidance, reduction, transfer, acceptance, etc.

We believe that the items outlined below are the major risks that investors should take under consideration when making investment decisions about our shares. Some of these risks are described below; this list is not exhaustive.

### Enterprise Risk Management



### Structural Chart



## Events That May Affect the Achievement of Our Strategies and Business Objectives (Both Positive and Negative)

Positives Negatives

| Main Items  | Description  | Measures   |
|---|--|--|
| <b>1. Politics/Economy</b>  |  |  |
| <b>Economic Trends in Customer Industries</b>                         | If the industries to which our customers belong experience downturns, the Group may experience shortened work hours, less-advantageous contractual terms and conditions, or mid-cancellation of labor dispatch contracts in progress.  | The Group is strengthening education and training to increase value added by engineers and is working hard to maintain a stable engineer utilization rate.<br>By conducting business with a variety of industries and customers, the Group avoids the potential impact of relying on specific industries or specific customers, engaging in risk diversification of our business operations (the top 10 customers account for 13.1% of total revenue).                     |
| <b>Long-Term Trends in the Global Economy</b>                         | In the event that the recent return to protectionism around the world, continued restrictions on the free economy in the future, or the shift to regular global spread of new infectious diseases causes a pivot among many Japanese companies to passive investment in R&D, such events could reduce demand for engineering talents in Japan.   | By promoting further globalization, we will enhance overseas delivery sites and build an offshore development model for Japan that will serve as a scheme for meeting customer demand locally, as well as in Europe and the United States.   |
|   | Continued proactive R&D investment by major Japanese companies to maintain international competitiveness.  | Maintain a system that allows us to take the initiative in hiring and proposing solutions by staying abreast of corporate trends and government policies.  |
| <b>2. Technology Trend</b>  |  |  |
| <b>Response to Technology Advancement</b>                             | <p>The Group may fail to predict or recognize the direction of technological changes correctly, and may not be able to improve or convert the technical skills of engineers in response to recognized technological changes, resulting in an obsolete skill set.</p> <p>The Group may experience an excess of personnel due to a decrease in demand for engineering resources stemming from new technologies that cause a major reduction in the work hours required for R&amp;D and IT systems development.</p> <p>The Group may incur major expenses to secure or train engineers capable of adapting to new technologies.</p> | <p>Provide various educational and training opportunities to support the advancement of our engineers' abilities and skills, as well as their familiarity with new technologies, and strive to improve the efficiency of such investments.</p> <p>Analyze future technology trends, identify specific elemental technologies and solutions to focus on, secure and train engineers who will play a key role in these areas, and develop Centers of Excellence (COE).</p>   |
| <b>3. Work Environment</b>  |  |  |
| <b>Securing Engineers</b>   | Due to the continuance of the trend towards a critical shortage of engineers, there is a risk that the Group will face difficulties in securing engineering personnel, and that we will be unable to secure sufficient supply to meet the demand.  | <p>Diversify recruitment channels to utilize recruitment agencies and acquaintance referrals. Additionally, promote the hiring of foreign engineers, and strive to strengthen recruiting capability: placing an emphasis on quality in order to expand our solution business.</p> <p>As an initiative for engineer retention in Japan, conduct annual employee satisfaction surveys and use the results of these surveys to implement measures for improved treatment.</p> |
| <b>Changing Demography in Japan</b>                                   | <p>The total population and the number of engineers are expected to continue to decline in Japan, leading to contraction of the market and increasing competition for new graduates and mid-career recruits.</p> <p>Demand for engineers in Japan remaining high going forward.</p>  | Hire globally diversified technical talent and improve the efficiency of our technological development and delivery.   |
| <b>Changes in Employment Practices and Work Styles</b>                | With the spread of HR technology, remote work, and the gig economy, such as freelancing, further increases in employment mobility and the diversification of work styles in the future could lead customers to directly secure the necessary personnel for development projects, causing the demand for outsourced personnel to decrease.  | Implement flexible measures without being bound by traditional business models.  |
|   | Securing new sources of engineers by taking advantage of changes in employment practices and work styles.  | Review the HR system to match the times.   |
| <b>Finding Qualified Candidates to Expand Into New Business Areas</b> | When it comes to hiring management and operating leaders, in the event that recruitment does not progress as planned, the evolution of the Core Business may slow down.  | Seek to hire personnel through recruitment agencies and M&A.   |

## Risk Management

Positives Negatives

| Main Items  | Description  | Measures   |
|---|--|--|
| <b>4. Strategy/Market 5. Competitor</b>                           |  |  |
| Progress of Globalization   | As globalization in R&D and IT systems development progresses, if the Group is unable to establish a system that can deliver global solutions, it may not be able to respond to changes in demand for technology development services.   | Promote globalization by using M&A as part of our growth strategy.   |
|   | The offshore delivery solutions for Japanese companies (especially in the digital domain) has not yet permeated the market. If we can quickly incorporate competitive capabilities from overseas through M&A, we see this as an opportunity to become a first mover in Japan.  |  |
| Changes in Customer Demand  | The range of technological domains required by customers has been expanding due to the progress of digitalization and software. In addition, customer demand is going beyond the engineer deployment and is increasingly seeking deliverables, as well as the identification and resolution of issues. The Group may not be able to respond to these changes in demand trends. | To evolve into a solutions provider rather than a mere engineer provider, invest in acquiring capabilities and reforming our organization and operations, while maintaining a balance with our engineer staffing business in Japan.  |
| <b>6. Operation</b>   |  |  |
| Achievement of the Medium-Term Management Plan                    | The Group may misread changes in the external environment, fail to keep up with the speed of such changes, or be unable to “evolve” our capabilities as expected, and as a result, may be unable to achieve growth or evolution in our Core Business as laid out in our medium-term management plan, “Evolution 2026.”   | Create a five-year roadmap that outlines detailed policies and timelines for each business strategy, while also establishing detailed KPIs tied to each policy to strengthen our system for promoting and managing the progress of our medium-term business strategies.<br>If there is a delay in the execution of these strategies, or if they need to be revised, invest management resources and strengthen the organizational structure. By doing so, promote the realization of our strategies and achievement of our target figures. |
| <b>7. M&amp;A/Alliance 8. Country Risk 11. Accounting/Finance</b> |  |  |
| Mergers and Acquisitions (M&A)                                    | The Group may be affected by contingent liabilities, etc., that arise after the acquisition, the target company being unable to achieve its initially envisioned earnings plan, or a situation arising that interferes with the business operations of the target company.   | Conduct detailed due diligence on target companies in the process of M&A.<br>Clarify the following as basic principles for M&A: consistency with medium-term business strategy, transparency of the acquisition process, strong financial discipline, and post-merger integration (PMI) and governance policies.<br>In particular, in terms of financial discipline, emphasize return on invested capital (ROIC) in excess of the cost of capital.   |
| Adoption of Impairment Accounting                                 | A notable decline in the Group’s profitability may result in impairment losses related to goodwill or intangible assets.<br>If the performance of an investee business diverges significantly from originally forecasted plans, there may be a change in the fair value of put options granted to minority shareholders.   | Form a team consisting of business unit and PMI representatives beginning at the due diligence stage, creating a post-investment plan in advance. Execute plans promptly after the closing as we improve operation and secure expected synergies between the investee company and the Group.   |
| <b>9. Laws/Regulations 12. Information Systems</b>                |  |  |
| Changes in Related Laws and Regulations                           | Any act in violation of the Worker Dispatch Act or other related laws and regulations could result in the cancellation of permission to engage in the labor dispatch business, suspension of business, etc.  | Establish and operate a strict system of legal compliance, including organizational structure, internal rules, and training for executives and employees.  |
|   | Revisions to related laws and regulations could be significantly disadvantageous to the Group’s business model.  | Strengthen resilience to legal revisions by expanding the solution business and commercializing the engineer training business and DX promotion business.  |
|   | Stricter regulations could result in weeding out small- and medium-sized staffing companies, increasing demand for the Group’s services and allowing the Group to seize larger market share.   | As a leading company in the engineering professional services industry, we will further improve our operations, work styles, and various systems to make them more attractive to job seekers.  |

Positives Negatives

| Main Items                      | Description   | Measures  |
|---------------------------------|---|---|
| Personal Information Protection | An external leak of personal information may result in the loss of social trust in the Group.   | Instill the proper handling of personal information through ongoing education and training for executives and employees.<br>Designate a CSR Promotion Officer responsible for personal information protection, and promote other security measures related to personal information, including the development and operation of personal information protection rules and information systems. |
| Information Security            | An external leakage of customer confidential information by the Group's engineers may result in a demand of indemnity for damages.<br>Data loss or leakage from the Group's information systems may interfere with business operations. | Develop and operate various rules related to information security, and instill the proper handling of information and information equipment through education and training of executives and employees.<br>Address data loss or leakage from information systems by strengthening network security and taking other measures.   |

#### 10. Labor Management

|                  |  |   |
|------------------|--|---|
| Labor Management | Disputes may arise with employees regarding occupational health and safety, management-labor relations, etc. | Implement initiatives such as ensuring the quality of human resources at the time of hiring, enhancing management of engineers including labor management with an emphasis on compliance, strengthening our education and training system, and improving employee satisfaction. |
|------------------|--|---|

#### 13. Disaster 14. ESG 15. Climate Change

|                                 |   |  |
|---------------------------------|---|--|
| Response to Infectious Diseases | Supply-side impact such as requests for remote work, limitations on engineer movement between regions, and restrictions on face-to-face sales and recruitment activities.<br>Demand-side impact in the form of reducing engineer demand and shrinking and postponed R&D projects due to deterioration in business performance of customers. | Practice a business operation that prioritizes the health and safety of employees amid the spread of infectious diseases, including installing and operating information technology and personnel systems that support telecommuting, promoting remote customer development, and more. |
|                                 | The increase in infectious disease risk awareness may promote the penetration of digital technologies in social and corporate activities.   | Enhance our engineering resources and solution capability supporting digital technologies, expanding our business.   |
| Natural Disasters and Accidents | If a natural disaster such as earthquake or flooding occurs, or if an unforeseen accident occurs, such events may damage the Group's or its customers' facilities.  | Establish business continuity plans and corporate crisis countermeasure rules in the event of natural disasters or accidents.<br>Promote measures such as utilizing a data recovery center in the event of information system failure.   |
|                                 | Efforts to realize carbon neutrality, etc., that take climate change into account may progress.   | Expand our business by hiring engineers and creating solutions that utilize related technological innovations.   |

#### 16. Reputation

|                            |  |   |
|----------------------------|--|---|
| Compliance, Industry Image | If the Group's executives or employees engage in acts that violate social ethics disregarding compliance or acts that damage social trust or the corporate image, this may necessitate indemnity for damage suffered by society or customers and harm to our reputation.<br>If other companies involved in similar businesses engage in activities such as those mentioned above, the image of the overall industry could deteriorate. | Identify compliance risks requiring close attention and intensively manage them under the Compliance Committee, which consists of the general managers of each division and others of the Company and is chaired by the president, representative director and CEO.<br>Established a group-wide compliance department charged with preventing major compliance violations by ensuring consistent escalation of arising issues, implementation and of internal audits and corrective action, and a reporting system for internal communications. |
|----------------------------|--|---|



## Business Domain

The TechnoPro Group, one of Japan's largest engineering professional services providers, covers all the technical fields required by industry and provides one-stop solutions through various services, including engineer staffing, contract assignment, engineering consulting, domestic nearshore and overseas offshore delivery, job placement, and education and training.

The domestic business comprises three domains: R&D outsourcing, construction management outsourcing, and other businesses in Japan. R&D outsourcing business includes TechnoPro, Inc., which provides engineering solutions in the fields of machinery, electric/electronic, embedded controls, IT infrastructure installment and maintenance, software development, chemistry, and biotechnology; and EDELTA Co., Ltd. and PROBIZMO Co., Ltd., which provide information systems development. Further, PROBIZMO Co., Ltd. has its head office and development base in Shimane Prefecture and is strong in domestic nearshore delivery. The construction

management outsourcing business consists of TechnoPro Construction, Inc., which provides mainly construction management for buildings, civil engineering, facilities and also conducts 3D measurement using drone and seismic diagnosis, and TOQO. Co., Ltd., which conducts building assessments and diagnoses of existing buildings and engages in the design and management businesses for new buildings. Other businesses in Japan include Pc Assist Co., Ltd., which provides technical educations and trainings, and TechnoBrain Co., Ltd. and Boyd & Moore Executive Search K.K., which conduct job placement.

Overseas businesses include TechnoPro China Group (China), Helius Technologies Pte Ltd (Asia), Orion Managed Services Limited (United Kingdom), TPRI Technologies Private Limited (India), and Robosoft Technologies Private Limited (India), which provide engineering services, and Boyd & Moore Executive Search, which conducts job placement outside Japan as well.

### R&D Outsourcing Business

TechnoPro, Inc.

- TechnoPro Design
- TechnoPro Engineering
- TechnoPro IT
- TechnoPro R&D

TechnoPro, Inc., is composed of four internal companies.

EDELTA Co., Ltd.

PROBIZMO Co., Ltd.

### Other Businesses in Japan

Pc Assist Co., Ltd. (Win School)

TechnoBrain Co., Ltd.

Boyd & Moore Executive Search K.K. (Japan)

### Overseas Businesses

TechnoPro China Group

Helius Technologies Pte Ltd

Orion Managed Services Limited

TPRI Technologies Private Limited

Robosoft Technologies Private Limited

Boyd & Moore Executive Search (Overseas)

### Construction Management Outsourcing Business

TechnoPro Construction, Inc.

TOQO. Co., Ltd

### Employment of the Disabled

TechnoPro Smile, Inc.

(as of October 1, 2021)



## Management Interviews



**We will realize higher quality and more diversified services by understanding the latest technology trends and implementing skill improvement measures that meet the needs of our customers.**

### **Koichiro Asai**

Senior Managing Director  
TechnoPro Holdings, Inc.

### ■ **Making Strenuous Efforts Even Under the Severe Conditions of the COVID-19 Pandemic**

The COVID-19 pandemic, as expected, had a significant impact on our business. I feel that this is the biggest recession since the financial crisis of 2008. However, the impact on the midstream and upstream process areas that our Group has been in charge of was relatively minor and was supported by strong demand from our customers. In particular, in the IT field, which I have been in charge of, we were able to outperform the previous fiscal year in terms of numbers and achieve our previous medium-term management plan one year ahead of schedule amid the accelerating progress of DX in the world.

Under the COVID-19 pandemic, we have made it a top priority to protect the employment status of our employees even if it means temporarily halting the growth of our business, and we completely froze new mid-career hiring for about six months started in April 2020. The effect of this reduction in hiring costs helped to boost profits, but in terms of growth, the year was a standstill. We subsequently resumed hiring in response to the recovery in demand, but it took longer than expected to form an applicant pool due to the revision of hiring criteria to improve the quality standard of hiring, and it took about six months to return to a hiring situation that could be called normal to some extent. We are now just waiting for the resumption of global recruitment of non-Japanese engineers, which is an important pillar of our recruitment strategy.

### ■ **Use M&A in Addition to Organic Growth to Shift to Higher-Value-Added Service Offering**

In our new medium-term management plan, “Evolution 2026,” we are committed to the evolution of our core business of engineer staffing. While it is important to continue

to acquire high-quality human resources from the market, we also plan to improve the quality and diversification of our services by capturing technology trends and implementing company-led skill improvement measures that meet the needs of our customers through leveraging our internal education and training systems, collaborations with cutting-edge technology companies, and partnerships with IT vendors.

Moreover, we have set a budget of ¥40 billion for M&A investment over the five years of the medium-term plan. We will focus on solutions and technologies, targeting M&A that will help us to obtain know-how, rather than M&A that serve as a substitute for hiring conventional engineers. A good example is TechnoPro, Inc.’s July 2021 acquisition of GCOMNET Co., Ltd.\*, which has strengths in upstream SAP consulting and implementation. Also, in terms of AI and other advanced technology domains, I believe that we need to focus on M&A of overseas companies.

The expansion of our solution business is an important factor to increasing the added value of our services. While it is obvious that we should expand the solutions that are already part of our lineup, such as ERP, security, and cloud migration, going forward we will also actively propose solutions to various latent or apparent customer issues that our engineers have identified through the course of their staffing and contract work. This is one of the strengths of the Group, which has more than 2,000 customers at any given time. With the medium-term management plan in mind, all employees will work together to expand the solution business beyond the boundary of sales teams, engineer pools, branch offices, and the head office, and develop it into a core business second only to engineer staffing.

\*On October 1, 2021, GCOMNET merged with TechnoPro, Inc. through an absorption-type merger.

## Management Interviews

In order to capture growing R&D needs, we will expand our solution business to solve customer issues, aiming to become a company that is sought after by both job seekers and customers.

### Masami Hayafune

Executive Officer, TechnoPro Holdings, Inc.



### ■ Research Centers Performing Well, Continuing to Provide High-Quality Services

The R&D work that I have been in charge of in the chemical and biotechnology fields mainly involves laboratory experiments, which makes it difficult to work remotely. Thus, we were affected by the COVID-19 pandemic as many employees had to stay at home. However, the impact on our business performance ended up being slight thanks to the generous cooperation of our customers. In addition, we were able to achieve the numerical targets of the previous medium-term management plan one year ahead of schedule due to the strong performance of the contracting business at our research centers.

About 70% researchers of the staffing market in the chemical and biotechnology fields are dispatched at low unit sales price, mainly for relatively low-end work. Dispatching workers at low prices leads to low wages, which can reduce immediate costs for customers, but does not create a good environment for the researchers.

Our Group mainly provides staffing services at high unit sales price, mainly for mid- to high-end operations, and is also expanding the contracting business, where even higher prices can be expected. Our basic policy is, of course, to provide our customers with services that are commensurate with the higher prices, but also to improve the treatment of our employees (researchers) and to achieve more sustainable growth.

### ■ The Wave of DX in the Chemical and Biotechnology Industries

In our new medium-term management plan, “Evolution 2026,” we aim to increase operating profit by 40% and triple the revenue of our solution business in the chemical and biotechnology fields in five years.

As for the market environment, in the chemical field, R&D investment in next-generation batteries, solar power generation, carbon dioxide reduction and capture, and similar technology for achieving carbon neutrality is expected to increase, while in the biotechnology field, R&D investment in oncology, central nervous system, regenerative medicine, and other areas is expected to rise due to the aging of the global population. I believe this acceleration in R&D investment will translate to greater demand for the Group. Securing excellent human resources to capture these needs is our priority.

All of our Group’s new graduates in the chemical and biotechnology fields hold postgraduate degrees, while more than 80% of all employees, including mid-career hires, whom we hire with an emphasis on skills, hold postgraduate degrees, which differentiates us from our competitors. In order to further enhance our hiring power, we believe it is important to create an attractive work environment by increasing the number of projects that allow for a wider range of self-discretion so that our employees can further improve their skills, and also by expanding the solution business, which can provide rewarding work for researchers who get engaged in actively resolving customers’ issues.

DX is also progressing in these fields, and demands in the fields of cheminformatics and material informatics (chemical) and bioinformatics (biotechnology) are increasing year by year. During the period of the medium-term management plan, we will aim to become a company that is sought after by both customers and job seekers by focusing on education and training, i.e., by having more than 50% of our researchers complete IT and AI-related training courses and by adapting to new R&D methods based on these fields.



While focusing on the staffing of construction management engineers, we will make further investments in education and training and expand our solution business, which is represented by i-Construction.

**Tatsuya Sekiwa**

Executive Officer, TechnoPro Holdings, Inc.

### ■ Solid Demand with a Focus on Training Young Engineers

One of the most significant events in the construction industry during the period of the previous medium-term management plan was the Tokyo Olympics and Paralympics held in the summer of 2021. However, the share of the Group's revenue from Olympic and Paralympic-related businesses was relatively small. In terms of the impact on our business, we experienced the positive effects of an increase in new construction of warehouses and logistics facilities due to the increase in distribution caused by the COVID-19 pandemic.

On the other hand, the shortage of manpower in the construction industry, especially for young people, has not improved, and as a response, our Group has been providing intensive one-month training for people with no experience in this industry at our technical training centers in Tokyo and Osaka. We are continuing our efforts to train young engineers by having them acquire basic knowledge of construction management and basic on-site skills.

### ■ Focusing on the Solution Business under the Medium-Term Management Plan

More than 50 years have passed since the period of rapid economic growth in Japan, and the number of buildings, public infrastructure, and other facilities that will reach the end of their useful life, which is considered to be 50 years, will increase at an accelerating pace over the next decade. As a result, demand for diagnostic work, maintenance and repair, reconstruction, and redevelopment is on the rise.

In anticipation of this situation, the construction and civil engineering industries are also seeing changes in the nature of on-site work through the introduction of digital technologies such as i-Construction. The use of digital technology is a powerful means of addressing the worsening shortage of human resources in the construction industry, which is in inverse proportion to the increase in construction investment.

During the period of the new medium-term management plan, our Group plans to pursue our core business of staffing construction management engineers, while also expanding our scope in the digital domain—which we call the solution business—in which younger talents tend to show interest. Specifically, we are planning to expand our business in the areas of building information modeling (BIM), which utilizes centrally managed data in all processes from design and construction to maintenance and management of buildings, and construction information modeling/management (CIM), which aims to improve the efficiency and productivity of civil engineering work. Furthermore, we plan to strengthen the solution business, which includes seismic diagnosis and 3D surveying using drones, for which we have already launched services. Moreover, it is said that it is difficult to retain know-how in construction projects due to the one-time nature of the projects, but the Group will also focus on accumulating know-how and knowledge through the introduction of development management IT systems, with the aim of improving the quality of its solution business.

The hiring of construction management engineers is becoming more and more difficult every year. In particular, since it is very difficult to recruit engineers capable of shouldering responsibility in the solution business, we will broaden our training curriculum and invest more in education. We believe that these efforts will also contribute to improving retention of engineers.

In addition, decarbonization efforts are becoming more and more important, such that they are an issue that cannot be ignored even by the major general contractors that are our customers. Large-scale strategic investments for decarbonization are being made in many countries, and new urban development projects are expected in the future in line with renewable energy strategies. We will seize this trend as an opportunity and continue to respond flexibly.



## Message from the Chairman



**Yasuji Nishio**

Director and Chairman  
TechnoPro Holdings, Inc.

### ■ Integration of Four Companies, Listing, Reinforcement of Financial Structure, and Improvement of Governance System

I served as Representative Director, President and CEO for eight years, during which time we were able to steadily grow our business, more than doubling our revenue and tripling our operating profit. This was all thanks to our shareholders, customers, and employees. I would like to take this opportunity to thank these parties for their support.

Looking back, many things had happened during this period, including the unification of our group brand to “TechnoPro” in November 2013, the subsequent reorganization of our four operating companies, our listing on the First Section of the Tokyo Stock Exchange in December 2014, 11 domestic and 2 overseas M&A, the promotion of alliances with leading companies, and joint research with university laboratories. We have been making special efforts to strengthen our business foundation, rather than simply expanding our business. We have also improved the working environment for our employees by putting in place human resource systems and fringe benefit programs. The fact that we were able to obtain various external certifications and accreditations was a good example of the successful efforts of each respective department at our head office.

We also worked to fortify our financial health. When the Company was listed on the stock exchange, goodwill exceeded net worth, and we had little cash on hand. However, by accumulating profits as well as issuing new equity and acquiring external credit ratings for potential bond issuance, we were able to build a financial base that would be able to withstand even an economic recession.

In terms of decision-making and business operations, the Board of Directors has become a place for highly effective discussion and decision-making in the true sense of the term by inviting outside directors and outside Audit & Supervisory Board members. Moreover, the introduction of the executive officer system has enabled the transfer of

authority and timely decision-making, which has been a major factor in enabling business expansion even in an environment of discontinuous change.

Further, the Nomination and Compensation Committee fulfilled its role and responsibility in the recent change of CEO, which once again has confirmed our strong corporate governance system.

### ■ Don't Be Afraid of Change

During my tenure as CEO, we worked on two medium-term management plans. We achieved our financial targets for both of these plans earlier than the deadline, and were able to complete them ahead of schedule. On the other hand, I feel that we have only just begun to improve the quality of our services and promote digitalization within the Group, and I can't shake the feeling that we have unfinished such initiatives.

The new medium-term management plan “Evolution 2026” was formulated after more than a year of deliberations mainly by our Board of Directors, while listening to the opinions of our operating companies, with more involvement from management than ever before. Under the business environment of the COVID-19 pandemic, we will always have to make prudent management decisions, but I am confident that we will be able to achieve our goals in terms of both quality and quantity, including the agendas that I have left undone.

From now on, I will not be involved in the execution of business operations, but will serve as the Chairman of the Board of Directors until we can confirm that the new executive leadership is off to a smooth start. I would like to reiterate to all employees the words that I kept repeating when TechnoPro, Inc. was born in July 2014 through the corporate integration of four operating companies, holding various concerns: “Don't be afraid of change.” I strongly feel that each and every employee needs to be ready to turn change into an opportunity and to always take on challenges.

# Corporate Governance

## An Enhanced Governance System

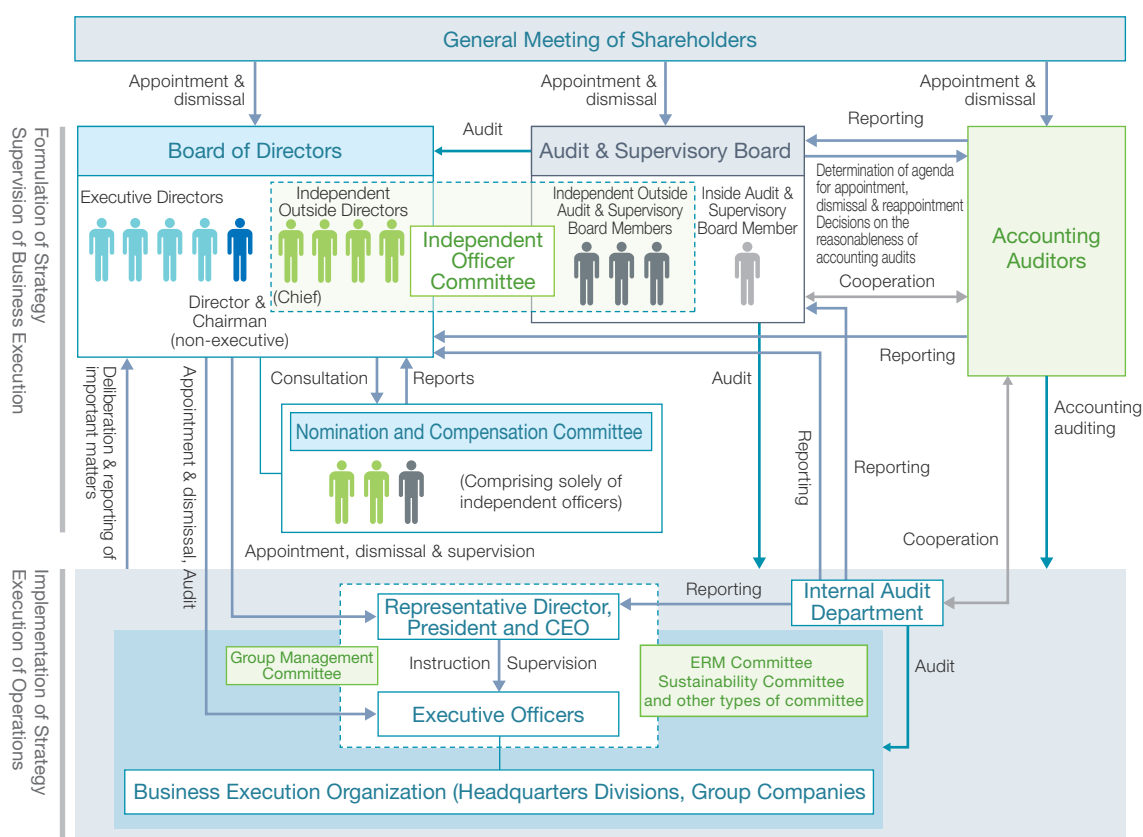
### • Governance System Outline

The Company has formulated and implemented the TechnoPro Group Corporate Governance Guidelines as part of its ongoing activities to ensure the best practices in corporate governance. We are strengthening our governance function and internal control system based on the belief that respecting the rights of shareholders, ensuring the fairness and transparency of decision-making, and maximizing management's vigor are the essence of corporate governance.

As a holding company, we handle the strategic plan-

ning and management functions for the entire Group, and we have adopted the form of a company with an Audit & Supervisory Board. This system, characterized by supervision by the Board of Directors and an Audit & Supervisory Board that oversees audit functions, achieves appropriate management decision-making and business execution, as well as creating a system having sufficient organizational checks. The Auditor & Supervisory Board fulfills the function of monitoring and supervising management from an independent standpoint. Furthermore, we have established the Nomination and Compensation Committee and the Independent Officer Committee

Corporate Governance and Compliance System (as of September 29, 2021)



Note: The Board of Directors is chaired by the Director and Chairman. The Audit & Supervisory Board is chaired by an inside member of the Audit & Supervisory Board. The Nomination and Compensation Committee is chaired by an independent outside member of the Audit & Supervisory Board. The Independent Officer Committee is chaired by the chief Independent Outside Director.

Composition of Key Management Bodies and Number of Meetings

| Management Body                       | Structure (as of June 30, 2021)  | Fiscal Year Ended June 30, 2021 Meetings Held | Attendance Rate |
|---------------------------------------|--|---|-----------------|
| Board of Directors                    | Five executive directors, three outside directors  | 15 times                                      | 100%            |
| Audit & Supervisory Board             | One inside Audit & Supervisory Board member, three outside Audit & Supervisory Board members | 16 times                                      | 100%            |
| Independent Officer Committee         | Three outside directors, three outside Audit & Supervisory Board members                     | 2 times                                       | 100%            |
| Nomination and Compensation Committee | Two outside directors, one outside Audit & Supervisory Board member                          | 12 times                                      | 100%            |



## Corporate Governance

in accordance with the Corporate Governance Code, which stipulates corporate governance guidelines for listed companies set forth by the Financial Services Agency and the Tokyo Stock Exchange.

Moreover, we have introduced an executive officer system in which directors are responsible for strategic decision-making and supervision, while executive officers are given the authority and responsibility for day-to-day business execution. In addition, the Group Management Committee has been established to discuss and deliberate on important matters related to business execution; to manage the progress of the business performance of the Company and its subsidiaries; and to share necessary information, coordinate closely, and flexibly adjust strategies for the entire Group. In addition, we have established the ERM Committee, the Compliance Committee, the Sustainability Committee, and other committees to promote matters that need to be addressed from a cross-organizational perspective.

### • Seven Independent Officers

The Company has appointed four outside directors and three outside Audit & Supervisory Board members out

of its nine directors and four Audit & Supervisory Board members. All seven of the outside directors and outside Audit & Supervisory Board members meet the requirements for independence.

### • Composition of the Board of Directors and Audit & Supervisory Board

In addition to taking into consideration the balance and diversity of expertise by utilizing the skills matrix, at least one of the independent outside directors must have management experience at another company, and at least one of the Audit & Supervisory Board members must have appropriate knowledge of finance and accounting.

Furthermore, with approval of the 16<sup>th</sup> Ordinary General Meeting of Shareholders held on September 29, 2021, we added a female outside director with extensive knowledge in the IT field in light of the strategy of the “Evolution 2026” medium-term management plan. As a result, we have made progress in ensuring diversity in gender and areas of expertise on the Board of Directors, and the ratio of outside directors has increased from 37.5% (three out of eight directors) to 44.4% (four out of nine directors), and the ratio of non-executive directors

### Message from Newly Appointed Outside Director



Shoko Takase  
Outside Director

My name is Shoko Takase, and I was appointed as an outside director at the Ordinary General Meeting of Shareholders held on September 29, 2021.

Since I started my career, I have been working for a company that provides total IT solutions, and have been in charge of a business that uses technology to provide solutions for the growth of our customers, and beyond that, to enrich their lives. I have been learning about new technologies from around the world, thinking about how to develop them for the Japanese market, and

working with many people to advance business while enjoying the changes.

I am very interested and honored to be appointed as an outside director of the TechnoPro Group, which has IT technologies from various perspectives and is promoting the support of customers from a global perspective. I believe that the job of an outside director is to help the Group achieve sound and sustainable growth and enhance its corporate value by utilizing outside perspectives and my own knowledge as a person who reflects the opinions of stakeholders while understanding the corporate philosophy, values, and culture. It is a job with a great deal of responsibility, but the most important thing I want to emphasize in fulfilling this responsibility is “communication.” I will try to deepen my understanding of the industry landscape and transfer my experience and knowledge through communication, so that I can contribute to the continued growth of the TechnoPro Group.

has increased from 50.0% (four out of eight directors) to 55.6% (five out of nine directors).

#### • Nomination and Compensation Committee

The Board of Directors has established the Nomination and Compensation Committee, which consists of only two outside directors and one outside Audit & Supervisory Board member, as an advisory body regarding the nomination and compensation of the Group's directors and executive officers, in order to strengthen objectivity and accountability in decisions regarding the nomination and compensation of the Group's executives. Currently, the Nomination and Compensation Committee is chaired by an outside Audit & Supervisory Board member.

#### • Compliance with Japan's Corporate Governance Code

It is the Group's policy to comply with all the principles of the Corporate Governance Code.

### Designing Incentives to Promote Shared Value with Shareholders

#### • Executive Compensation Policy

The Company has established and published the "Basic Policies and Procedures for Executive Compensation" as part of the "TechnoPro Group Corporate Governance Guidelines." The Board of Directors, based on deliberations and the report by the Nomination and Compensation Committee, has also determined the "Policy for Determining Individual Director Compensation." The following three points shall be taken into consideration when determining the compensation of directors and Audit and Supervisory Board members of the Company.

- (1) Maintain practicality that ensures our ability to fulfill our responsibilities to shareholders in terms of accountability and performance.
- (2) Ensure compensation that serves as an incentive for the implementation of management policies and increases profits and shareholder value. Compensation that promotes not only short-term results, but also continuous enhancement to corporate value and shareholder value.

- (3) Represent sufficient compensation relative to performance, at a level that supports the hiring of, provides motivation to, and ensures the retention of elite personnel.

The amount of individual compensation and individual stock compensation for each director of the Company shall be determined by a resolution of the Board of Directors, with maximum respect for the deliberations of the Nomination and Compensation Committee.

#### • Type and Composition of Executive Compensation

The Company's basic policy is to increase the ratio of performance-linked compensation for executive directors, with their compensation consisting of base compensation (fixed compensation), a single-year bonus (short-term incentive) and stock-based compensation (medium- to long-term incentive). Under the new system to be adopted in the fiscal year ending June 30, 2022, the specific ratio of compensation upon achievement of the target is set at approximately [basic compensation : single-year bonus : stock-based compensation = 45-47 : 22-26 : 26-33].

The compensation of non-executive directors (Director and Chairman, and outside directors) and Audit & Supervisory Board members is limited to base compensation (fixed compensation) in consideration of their position, which requires a high level of objectivity and independence.

#### • Introduction of a Performance-Based Stock Compensation Plan

The Company has introduced a performance-based restricted stock compensation plan for its executive directors (performance share unit: PSU). The aim is to provide incentives to achieve the performance targets of the medium-term management plan and sustainably enhance corporate value, as well as to further promote shared value with shareholders.

Under this stock compensation plan, in principle, the amount of compensation is linked to the rate of achievement of the performance targets (KPIs) for the final year of the medium-term management plan, such that an equivalent amount of the Group's restricted stock is provided. The current medium-term management plan uses

Compensation by Officer Category, Total Compensation by Type, and Number of Eligible Officers  
(For the Fiscal Year Ended June 30, 2021)

| Officer Category  | Total Compensation (Millions of yen) | Total Compensation, by Type (Millions of yen) |                                |  | Number of Eligible Officers |
|---|--------------------------------------|---|--------------------------------|--|-----------------------------|
|   |                                      | Fixed Compensation                            | Bonuses (Short-Term Incentive) | Share-Based Payment (Medium- to Long-Term Incentive) |                             |
| Directors (Excluding Outside Directors)                       | 282                                  | 168   | 78                             | 36   | 5                           |
| Audit & Supervisory Board Members (Excluding Outside Members) | 15                                   | 15  | —                              | —  | 1                           |
| Outside Officers  | 56                                   | 56  | —                              | —  | 7                           |

## Corporate Governance

consolidated net profit and consolidated ROE as the two KPIs, and the performance-linked coefficient (provision rate) is set between 0 and 200%.

The same PSUs have been introduced for the Company's executive officers, the directors and executive officers of its subsidiaries, and other core personnel in the Group.

### Demonstrating Corporate Governance Functions

#### • Activity Status of the Board of Directors and Audit & Supervisory Board

The Company's Board of Directors holds regular monthly meetings and convenes extraordinary meetings as necessary. At these meetings, the Board makes decisions on important matters of business execution, receives reports on the status of operating performance, deliberates response measures, and supervises the status of execution of operations by individual directors. During the fiscal year ended June 30, 2021, the Board of Directors met a total of 15 times. The Board of Directors is chaired by the Director and Chairman (a non-executive director) to ensure the effectiveness of governance.

The Audit & Supervisory Board liaises closely with the accounting auditors and the Internal Audit Department, receiving reports on audit methods and results. The Board also makes use of these audits and undertakes initiatives aimed at enhancing the quality and efficiency of its audits. In the fiscal year ended June 30, 2021, the Audit & Supervisory Board met a total of 16 times.

The Company has also established the Independent Officer Committee for the purpose of sharing information and awareness among independent officers. The Independent Officer Committee met two times in the fiscal year ended June 30, 2021.

#### • Appointment and Dismissal of Directors, Audit & Supervisory Board Members, and the CEO

As part of the "Technopro Group Corporate Governance

Guidelines," the Group has established and published the "Selection Standards and Appointment and Dismissal Procedures for Directors and Audit & Supervisory Board Members", the "Independence Standards for Outside Directors/Audit & Supervisory Board Members" and the "Standards and Procedures for Appointment and Dismissal of CEO." All of these procedures are subject to deliberation by the Nomination and Compensation Committee. With regard to candidates for Audit & Supervisory Board member, we obtain the consent of the Audit & Supervisory Board to submit a proposal for their appointment to the General Meeting of Shareholders.

#### • Analysis and Evaluation of the Effectiveness of the Board of Directors

Once each year, the Company's Board of Directors conducts an analysis and evaluation of the effectiveness of the Board of Directors and publishes a summary of the results. The goal of this activity is to improve the function of the Board of Directors.

As a result of the analysis and evaluation conducted in the fiscal year ended June 30, 2021, the Board of Directors concluded that, overall, it has performed its roles and responsibilities appropriately and effectively. The board evaluated itself particularly highly in the following areas.

- (1) Upon formulating the new medium-term management plan starting in the fiscal year ending June 30, 2022, the Board of Directors, including outside directors and Audit & Supervisor Board members, spent sufficient time discussing from a wide range of perspectives. As a result, the management team built common understanding of the Purpose and Vision and the management direction forward that the Group should pursue, and deepened strategic discussions.
- (2) In the process of discussing the medium-term management plan, important themes that strengthen cor-

### Progress and Improvement in Effectiveness of the Board of Directors

| Fiscal year ended June 30, 2020  | Fiscal year ended June 30, 2021  |
|--|--|
| <ul style="list-style-type: none"> <li>Established cost of capital as a reference in management, strategy reviews, investment decisions, etc.</li> <li>Updated cash flow simulations assuming worsening business conditions</li> </ul> | <ul style="list-style-type: none"> <li>Deepened strategic discussions through deliberating on formulation of the medium-term management plan</li> <li>Completed CEO succession through the objective process</li> </ul>  |
| <ul style="list-style-type: none"> <li>Created a skills matrix for the Board of Directors and the Audit &amp; Supervisory Board</li> </ul>   | <ul style="list-style-type: none"> <li>Discussed the executive compensation system that has higher linkage to the performance and promotes value sharing with shareholders</li> <li>Appointed one female outside Audit &amp; Supervisory Board member, further promoted diversity in the Board of Directors and the Audit &amp; Supervisory Board</li> </ul> |
| <ul style="list-style-type: none"> <li>Began discussions to revise executive compensation plans</li> <li>Endeavored in prior expansions of agenda items, improved board meeting minutes reflecting details of deliberations</li> </ul> | <ul style="list-style-type: none"> <li>Implemented electronic signature on board meetings minutes</li> </ul>   |

porate governance structure, such as the introduction of the ERM and the revision of the executive compensation system, were discussed, and risk appetite policies and M&A discipline were developed.

- (3) Completed CEO succession through an objective process where only outside officers carried out deliberation, selection of candidates in the Nomination and Compensation Committee, and final report to the Board of Directors, in accordance with the criteria and procedures for appointment of CEO that had been formulated beforehand.
- (4) Through appropriate conduct of board meetings, the board chair has continued to foster an atmosphere in which the participants can express themselves freely from their own professional viewpoints, thereby constructive and fruitful discussions were made.

The Board of Directors has acknowledged the necessity of following initiatives and considerations, as areas in which it recognizes room for improvement of its effectiveness, or issues to be addressed.

- (1) Where monitoring the progress of the medium-term management plan is important, conduct effective evaluation and necessary discussions at the Board meetings through devising methods of policy tracking and selection of themes and KPIs.
- (2) Carry out substantive discussions, not just formal reports, on matters related to the internal control system and risk management framework, as well as the status of implementation of the code of conduct by the Company, its executives and employees.
- (3) In PMI reviews of acquired companies and investees, verify the status of achievement of the initial aims of the acquisition and discuss areas requiring improvement in addition to financial performance figures.
- (4) Discuss the succession plan for key positions other than the CEO and the development for the Group's leadership personnel at the Nomination and Compensation Committee, appropriately supervise the content and progress of such discussions at the Board of Directors.

In the context of this Analysis and Evaluation of the Effectiveness of the Board of Directors, the Company will strive for greater board effectiveness, aiming for best practices in corporate governance and further growth in corporate value by reviewing and reporting in a focused way to the issues to address.

#### • Implementation Status of the Internal Control and Risk Management Systems

The TechnoPro Group has established and is operating an "Internal Control System Basic Policy" as a system for ensuring work appropriateness. While preparing a con-

trol environment to promote an organization for formulating the "TechnoPro Group Code of Conduct," we have established appropriate group-wide internal controls and a risk management system to ensure the practicality of the decision-making process for entrusted matters related to operational execution and to ensure the appropriateness of the status of operations. As an organizational structure, the Internal Audit Department, which is directly overseen by the Company's representative director, president and CEO, conducts Group-wide business audits and compliance audits. It also works to maintain and validate the operating status of internal controls as well as provide advice and recommendations towards improvements from the perspective of ensuring work efficacy, financial reporting reliability, and compliance. We have established a whistleblower system to promote the prevention and early discovery of compliance violations and to ensure rapid and efficient responses in the event of an incident. We also reflect feedback from employees involved in compliance in management decisions. Under the whistleblower system, we have established a consultation desk run by an outside attorney who is independent of the Group's management members. This arrangement allows the system to be used anonymously. Internal regulations clearly state that people making reports shall not be subjected to unfair treatment as a result of this reporting. We ensure thorough awareness through education and training opportunities.

In addition, in order to implement specific measures for internal control and risk management, we have established the ERM Committee, which conducts core initiatives related to risk management and is chaired by the Representative Director, President and CEO, who is the Chief Compliance Officer. The ERM Committee is responsible for making decisions on important matters related to the Group's basic policy on enterprise risks and the development and operation of systems. It also comprehensively evaluates risks related to strategy, markets, competition, operations, compliance, J-SOX, and other factors; formulates ERM plans outlining policies and monitoring categories; and issues progress reports to the Board of Directors.

Recognizing sustainability initiatives and risk management as an essential part of enhancing corporate value, the TechnoPro Group provides ongoing sustainability training, comprehensively covering these topics, to all Group's executives and employees. Furthermore, the Board of Directors conducts annual reviews to identify business risks and evaluate the risk management system.



## Interview with the Chair of the Nomination and Compensation Committee

### Mitsutoshi Takao

Outside Audit & Supervisory Board Member  
TechnoPro Holdings, Inc.



#### ► Please tell us about the background to the CEO succession that took place on July 1, 2021.

First of all, the Nomination and Compensation Committee would like to express our heartfelt appreciation to Mr. Nishio, who had led the Group for 10 years since he became CFO in April 2012.

The timing of the CEO succession coincides with the start of the new medium-term management plan, and Mr. Nishio himself expressed his desire to be replaced, so the Nomination and Compensation Committee began considering this matter in February 2021. Of the 12 committee meetings held during the previous fiscal year, six were devoted to considering successor candidates. Fortunately, we had several excellent candidates within the Company, so we decided to exclude external invitations from consideration at an early stage. In the process of considering candidates for CEO, we interviewed the candidates and also listened to the opinions of Mr. Nishio and outside directors who are not members of the Nomination and Compensation Committee. In the end, the committee decided that Mr. Yagi was the most suitable candidate for the position because of his outstanding character, knowledge and experience, as well as his sense of balance. The committee also judged that he would be able to contribute to the further development of the internal system and the stable growth of the Group, and reported this decision to the Board of Directors.

Since Mr. Yagi specializes in human resources and general affairs, we believe that he will further promote our governance system. The new medium-term management plan, “Evolution 2026,” has been developed through a series of heated discussions involving outside directors and Audit & Supervisory Board members from the early stages of its formulation, and I am very much looking forward to seeing the entire Group work together to achieve its goals.

#### ► How would you assess the Company’s current level of governance?

I feel that we have achieved extremely strong governance as a company with an Audit & Supervisory Board. The TSE Corporate Governance Code (CG Code) was recently revised, and in the public comments received

at the time of the revision, the following comments were made regarding the selection and dismissal of CEOs: “It is important to ensure the independence of the Nomination and Compensation Committee, but definitions, authority, and roles regarding independence are not disclosed. In addition, there are many cases where the current CEO effectively decides on the candidates and the procedures for their selection, with the members of the committee simply approving them.” This may be a somewhat symbolic comment, but I think that at least in part, it touches on an undeniable truth.

However, at this Company there was no such atmosphere at all, and the consideration of candidates was conducted under a clear role, with the Nomination and Compensation Committee being entrusted with the selection of CEO candidates. To be honest, I was a bit surprised by this clear role, but at the same time, I was very proud of the Nomination and Compensation Committee and I still remember feeling a heavy responsibility.

I believe that the high level of governance is due in part to the fact that the Company’s stock was listed on the stock exchange in December 2014 and the CG Code was formulated in June 2015, immediately after that. At that time, I felt firsthand the strong awareness, by the management team, of building a governance system with effective mutual checks and balances, and this has not changed in the slightest.

#### ► What are some of the issues facing the Company?

As I mentioned in my annual analysis and evaluation of the effectiveness of the Board of Directors, while we have achieved an excellent governance system, there are some aspects that are inadequate, such as succession planning for key positions and the fostering of Group executives, and I feel that the Nomination and Compensation Committee needs to have a thorough discussion on these issues. With regard to the fostering of future executives, I believe that the Board of Directors needs to properly oversee the formulation of a clear action plan during the medium-term management plan period and ensure that it is implemented while looking 10 years into the future.



# Skill Matrix for the Board of Directors and the Audit & Supervisory Board

The chart below outlines the major skills, experience and expertise of the Company's Board of Directors and Audit & Supervisory Board members. By leveraging their individual specializations and achieving an overall balance, our Board of Directors and Audit & Supervisory Board ensure diversity and provide a structure for responding flexibly to changes in various business environments.

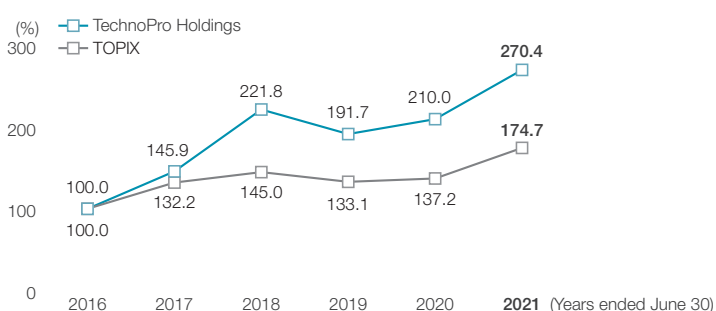
|                           |  | Nomination and Compensation Committee<br>Chairperson | Independent Officer<br>Committee<br>Chairperson | Attributes               |              | Fields of Experience, Expertise, etc.                |   |                            |   |   |                                 |  |  |  |  | Specialization |
|---------------------------|--|--|---|--------------------------|--------------|--|---|----------------------------|---|---|---------------------------------|--|--|--|--|----------------|
|                           |  |  |   | Gender<br>Male<br>Female | Independence | Background and Experience in the Company's Operation | Knowledge of Customer and Technology trends | Member of a Listed Company | Experience as Director or Audit & Supervisory Board | Experience as CFO or Experience and Expertise in Finance Accounting and Tax | Experience and Knowledge of M&A | International Experience and Language Skills | Experience and Expertise in Personnel and Human Resource Development | Experience and Expertise in Law, Compliance, Risk Management and Internal Auditing | (Profession or Qualifications with High Business Relevance)        |                |
| Board of Directors        | Name/Position  |  |   |                          |              |  |   |                            |   |   |                                 |  |  |  |  |                |
|                           | Yasuji Nishio<br>Director and Chairman                           |  |   | Male                     |              | ●  |   | ●                          | ●   |   | ●                               |  |  |  |  |                |
|                           | Takeshi Yagi<br>Representative Director, President and CEO       |  |   | Male                     |              |  |   |                            | ●   |   | ●                               | ●  |  |  |  |                |
|                           | Gaku Shimaoka<br>Vice President, Representative Director and COO |  |   | Male                     |              | ●  | ●   | ●                          |   |   |                                 |  |  |  |  |                |
|                           | Koichiro Asai<br>Senior Managing Director                        |  |   | Male                     |              | ●  | ●   | ●                          |   |   |                                 |  |  |  |  |                |
|                           | Toshihiro Hagiwara<br>Managing Director and CFO                  |  |   | Male                     |              |  |   |                            | ●   | ●   | ●                               |  |  |  | Certified public accountant  |                |
|                           | Tsunehiro Watabe<br>Chief Outside Director                       | ●  | ●   | Male                     | ●            |  |   | ●                          |   | ●   | ●                               |  |  |  |  |                |
|                           | Kazuhiko Yamada<br>Outside Director                              | ●  | ●   | Male                     | ●            |  |   | ●                          |   |   |                                 | ●  |  |  | Attorney   |                |
|                           | Harumi Sakamoto<br>Outside Director                              |  | ●   | Female                   | ●            |  |   | ●                          |   |   |                                 |  |  |  |  |                |
| Audit & Supervisory Board | Shoko Takase<br>Outside Director                                 |  | ●   | Female                   | ●            |  | ●   |                            |   | ●   |                                 |  |  |  |  |                |
|                           | Hitoshi Madarame<br>Audit & Supervisory Board Member (standing)  |  |   | Male                     |              |  |   |                            |   |   |                                 | ●  |  |  |  |                |
|                           | Mitsutoshi Takao<br>Outside Audit & Supervisory Board Member     | ●  | ●   | Male                     | ●            |  |   | ●                          | ●   |   |                                 |  |  |  |  |                |
|                           | Akira Mikami<br>Outside Audit & Supervisory Board Member         |  | ●   | Male                     | ●            |  |   | ●                          |   |   | ●                               |  | ●  |  | Certified internal auditor<br>certified financial services auditor |                |
|                           | Rumiko Tanabe<br>Outside Audit & Supervisory Board Member        |  | ●   | Female                   | ●            |  |   |                            | ●   |   |                                 |  |  |  | Certified public accountant  |                |

Note 1: The above does not represent every single item of skills, experience, ability, knowledge, and attainment of each member.

Note 2: In principle, "experience" of each item indicates at least three years of involvement in the given operation or position in total.

## Total Shareholder Return (TSR)

Since our listing in the fiscal year ended June 30, 2015, we have achieved consistent increases in operating performance and raised our dividend levels. As a result, our total shareholder return (TSR) has exceeded the TOPIX average.



## Interview with the Outside Directors



Kazuhiko Yamada  
Outside Director

Tsunehiro Watabe  
Lead Outside Director

Harumi Sakamoto  
Outside Director

### Q How would you assess the Company's execution of the CEO succession?

**Yamada** Our Nomination and Compensation Committee is composed of three members, two outside directors, Mr. Watabe and myself, and an outside Audit & Supervisory Board member, Mr. Takao. I think it is very meaningful that we were able to conduct the CEO succession through an objective process this time. The committee met six times and interviewed the candidates, which led to our final report.



**Watabe** First of all, as an outside director, I would like to express my gratitude to Mr. Nishio, who has become Chairman, for driving the growth of the TechnoPro Group since he assumed the position of CEO in July 2013. It is common to select a new CEO based on the candidate's past career, achievements, management ability, experience, and personality. However, this time, in addition to those factors, amidst the growing focus on ESG, it was necessary for the CEO to be someone who could respond to changes in the business environment while keeping in mind long-term management issues such as the environment, society, corporate governance, and technological development. We judged that the new CEO, Mr. Yagi, would be able to deal with long-term

management issues such as ESG and technological development with an awareness of the issues.

**Sakamoto** Since there were criteria for selecting the next CEO set beforehand by the Board of Directors, the appointment was made transparently based on extremely clear criteria, and it was a refreshing change of executives. Looking at the contents of the new medium-term management plan, the first two years are an investment period for future growth, while the latter three years are a growth period. In the triple jump, the hop, step, and jump require the jumper to conduct an approach run. I believe the approach run phase is an appropriate time for the CEO to be replaced.

### Q Could you give us a review of the previous medium-term management plan and comment on the new medium-term management plan?

**Watabe** In the previous medium-term management plan, under the leadership of Mr. Nishio, we were able to achieve our targets one year ahead of schedule despite the difficult environment presented by the COVID-19 pandemic. In the new medium-term management plan, we will not only achieve our targets for revenue and profit, but also enhance our corporate value and improve the image of our staffing services to make the TechnoPro Group a true leader in the industry.

**Sakamoto** In the previous medium-term management plan, we achieved the quantitative targets, but we did not

achieve the unit sales price improvement target, so we still had qualitative issues. We also did not use up the M&A budget, though it was not necessarily our goal to do so. The new medium-term management plan has been formulated based on the recognition of the issues in the previous plan, and I believe it is very important to take on challenges in the solution business, engineer training business, DX promotion business, and in other areas. M&A may involve risks, but risk-taking and challenge-taking are two sides of the same coin. In addition to organic growth, we have set a ¥40 billion investment budget and will continue to pursue M&A ambitiously while adhering to financial discipline.



**Yamada** While the previous medium-term management plan should be highly evaluated from a numerical standpoint, but we achieved the growth strategy by increasing the number of engineers; on the qualitative side, our progress fell short. Under the new medium-term management plan, it will be important not only to achieve the numerical targets but also to grow the solution business while investing in securing and training technologically skilled human resources. In addition, we would like to use the experience and know-how in education and training for our employees so that we can sell it externally for the training of engineers. The acquisition of India's Robosoft Technologies, which was announced in August 2021, was the largest and most promising M&A for the Group. We will need to create group synergies through post-merger integration (PMI) moving forward, and I am very pleased that we were able to execute such an M&A at the start of the new medium-term plan.

## Q What kind of contributions do you think the TechnoPro Group should make to social issues?

**Sakamoto** It is important in management to have a corporate culture that balances these two goals: to challenge and overcome social issues and to enhance corporate value. I believe that the most immediate social is-

sue that our Group can take on while increasing profits is the engineers-related one. The shortage of engineers in Japan and the lag in the level of technology compared to other countries must be social issues that need to be addressed immediately. The key agendas are how to train advanced engineers and supply them to society, how to build a system to utilize human resources who are underutilized, and how to recruit non-Japanese engineers in Japan.

**Yamada** With the revision of the Corporate Governance Code, we are now in an era where ESG factors are attracting more attention. In the basic policy for sustainability in the new medium-term management plan, one of the main pillars is to provide value to society through the activities of our customers by utilizing the high level of technical skills of the Group's engineers. Developing engineers is a prerequisite to contributing to society through the staffing of engineers. Steadily advancing the new medium-term management plan will lead to the solution of social issues and, furthermore, to the enhancement of our corporate value.

**Watabe** I think it is important for the TechnoPro Group to be a company that all employees feel happy to work for. Otherwise, we will not be able to hire excellent people. Although the management team is making efforts to this end, I feel that there is room for improvement in employee treatment. The concepts in medium-term management plan and the action plan, which took more than a year to formulate, including the participation of outside directors, need to be disseminated to each and every employee. In order to improve employee treatment, we need to become even more financially solid, so we must put forth our best efforts in the preparation period of the first two years of the medium-term management plan for the sake of growth in the following three years. We will continue to engage in proactive and appropriate dialogue with investors and shareholders, led by the CEO and CFO, and we hope our stakeholders will support us in this endeavor.





## Directors



### Reasons for Selection as a Director

Mr. Yasuji Nishio has worked in managerial positions in banking and various other industries. Subsequent to that, he served as CFO of the Company. Since his appointment as the Company's Representative Director, President and CEO in July 2013, he has been involved in guiding and overseeing overall management, and he has achieved continuous improvement in the Group's earnings results. He has also contributed to the strengthening of the decision-making and oversight functions of the Company's Board of Directors, in acting as its chairperson. He has been serving as a Director and Chairman since July 2021, and provides advice from a right viewpoint backed by his extensive management experience at the Company and an objective non-executive standpoint, as well as strives to improve the effectiveness of corporate governance. Mr. Yasuji Nishio has been selected as a Director because the Company expects that he will continue to play a satisfactory role with the aim of heightening its corporate value continuously.

Apr. 1974 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)  
Mar. 2000 Head of Controller Division, ditto  
Jul. 2000 Managing Executive Officer, Yamasa, Co., Ltd.  
Dec. 2004 Senior Managing Director, SECOM Medical Resources Co., Ltd.  
Oct. 2005 Standing Director, Yotsuya Medical Cube, Medical Corporation Anshinkai  
Oct. 2006 CFO and General Manager of Finance Department, Showajisyo Inc.  
Jul. 2007 Senior Executive Officer, CFO, Kokusai Kogyo Co., Ltd.  
May 2008 Director and CFO, The Goodwill Group, Inc.  
Oct. 2009 Managing Executive Officer and CFO, Radia Holdings, Inc.  
Oct. 2010 Managing Director and CFO, Advantage Resourcing Japan, Inc.  
Apr. 2012 Managing Director, CFO and General Manager of Finance & Accounting Division, TechnoPro Holdings, Inc.  
Jul. 2013 Representative Director, President, CEO, CFO and General Manager of Finance & Accounting Division, ditto  
Feb. 2014 Representative Director, President and CEO, ditto  
Jul. 2014 Representative Director and President, TechnoPro, Inc.  
Jul. 2021 Director and Chairman, TechnoPro Holdings, Inc. (at present)



### Reasons for Selection as a Director

Mr. Takeshi Yagi has long been involved with the banking industry in the field of human resources. Since July 2014, he has been participating in the management as a Director of the Company, taking charge of the HR, human resources development, general affairs and CSR promotion departments, all fields in which he has extensive experience and expansive knowledge. He has achieved results with respect to strengthening corporate governance practices, developing an internal control framework, introducing personnel systems, and establishing an educational training system and other initiatives, and has also contributed to business growth and performance improvement by participating in strategy formulation, and strengthening of the decision-making function of the Board of Directors. In addition, he was appointed Representative Director, President and CEO in July 2021 and has been involved in guiding and overseeing overall management of the Group. Mr. Takeshi Yagi has been selected as a Director because the Company expects that, as a Director, he will play a satisfactory role not only in the execution of business but also in deciding important matters involving the Group.

Apr. 1991 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)  
May 2008 General Manager of Human Resources Division, Shinsei Bank, Limited  
Nov. 2012 Managing Executive Officer and General Manager of Human Resources Division, TechnoPro Holdings, Inc.  
Aug. 2013 Director, TechnoPro Construction, Inc. (at present)  
Feb. 2014 Managing Executive Officer (in charge of HR and General Affairs), TechnoPro Holdings, Inc.  
Jul. 2014 Director (in charge of HR and General Affairs), Managing Executive Officer, ditto  
Director and Senior Executive Officer, TechnoPro, Inc.  
Sep. 2018 Director (in charge of HR and General Affairs, and Vice in charge of CSR promotion), Managing Executive Officer, TechnoPro Holdings, Inc.  
Jul. 2021 Representative Director, President and CEO, ditto (at present)  
Director, TechnoPro, Inc. (at present)



### Reasons for Selection as a Director

Mr. Gaku Shimaoka has been involved in the human resources services business over many years, and is thus intimately familiar with industry, customer, and technology trends, as well as possessing extensive experience of the Group's business operations. He has been serving as a Director (in charge of Business) of the Company since February 2014 and as a Director (in charge of Business and Global Business) since March 2019. In particular, he has achieved results with respect to cultivating high value-added engineers in the department of which he is in charge, focusing on solution business, promoting collaboration with companies having the latest technologies, developing global business strategies, pursuing synergies with domestic business and other initiatives as well as contributed to the strengthening of the decision-making function of the Board of Directors. In addition, he was appointed Vice President, Representative Director and COO in July 2021 and has overseen the business execution related to the Group's business operation. Mr. Gaku Shimaoka has been selected as a Director because the Company expects that, as a Director, he will play a satisfactory role not only in the execution of business but also in deciding important matters involving the Group.

Aug. 2006 Representative Director and President, Ctec, Inc.  
Nov. 2006 Representative Director and President, Crystal, Inc.  
Jun. 2007 Managing Executive Officer, The Goodwill Group, Inc.  
May 2008 Director and COO, ditto  
Oct. 2009 Managing Executive Officer, Radia Holdings, Inc.  
Apr. 2012 Managing Executive Officer, TechnoPro Holdings, Inc.  
Feb. 2014 Director (in charge of Business) and Managing Executive Officer, ditto  
Jul. 2014 Representative Director (President of TechnoPro Design Company) and Senior Executive Officer, TechnoPro, Inc.  
Mar. 2019 Director (in charge of Business and Global Business) and Managing Executive Officer, TechnoPro Holdings, Inc.  
Jul. 2021 Representative Director, President and COO, ditto (at present)  
Representative Director and President, TechnoPro, Inc.  
(President of TechnoPro Design Company) (at present)  
Director, TechnoPro Construction, Inc. (at present)

**Koichiro Asai**  
Senior Managing Director



#### Reasons for Selection as a Director

Mr. Koichiro Asai has been involved in the human resources services business over many years, and is thus intimately familiar with industry, customer, and technology trends, as well as possessing extensive experience of the Group's business operations. He has been serving as a Director (in charge of Business) of the Company since February 2014 and as a Senior Managing Director since July 2021. In particular, he has been driving the growth and the evolution of the core business, such as increasing profit and the number of engineers and in the department of which he is in charge, promoting partnership with large IT companies, focusing on cloud, security, and ERP-related business and taking other initiatives. He has also contributed to the strengthening of the decision-making function of the Board of Directors. Mr. Koichiro Asai has been selected as a Director because the Company expects that, as a Director, he will play a satisfactory role not only in the execution of business but also in deciding important matters involving the Group.

Jan. 2006 Representative Director and President, Crystal, Inc.  
Jun. 2007 Executive Officer, The Goodwill Group, Inc.  
Nov. 2008 Representative Director and President, TechnoPro Engineering, Inc.  
Jul. 2010 Representative Director and President, CSI, Inc.  
Jun. 2011 Representative Director and President, Advantage Science, Inc.  
Apr. 2012 Managing Executive Officer, TechnoPro Holdings, Inc.  
Feb. 2014 Director (in charge of Business) and Managing Executive Officer, ditto  
Jul. 2014 Representative Director (President of TechnoPro Engineering Company and President of TechnoPro IT Company) and Senior Executive Officer, TechnoPro, Inc.  
Jul. 2021 Senior Managing Director, TechnoPro Holdings, Inc. (at present)  
Representative Director and President, TechnoPro, Inc.  
(President of TechnoPro Engineering Company and President of TechnoPro IT Company) (at present)

**Toshihiro Hagiwara**  
Managing Director and CFO



#### Reasons for Selection as a Director

Mr. Toshihiro Hagiwara has in-depth knowledge and extensive experience in corporate acquisitions, finance, capital markets, accounting, and tax matters. Further, having got deeply involved in investment into a former incarnation of TechnoPro Holdings during his working for a global investment fund, he is already well-versed in the company's business and industry structure. He has been serving as a Director (in charge of Management) and CFO of the Company since September 2019 and as a Managing Director and CFO since July 2021. In particular, he has achieved results with respect to strengthening of business management by utilizing the cost of capital, capital policies to enhance the effectiveness of medium- to longterm growth strategies, securing financial stability, and IR activities, as well as contributed to the strengthening of the decision-making function of the Board of Directors. Mr. Toshihiro Hagiwara has been selected as a Director because the Company expects that, as a Director, he will play a satisfactory role not only in the execution of business but also in deciding important matters involving the Group.

Apr. 1996 Joined RECOF Corporation  
Aug. 2004 Joined Cerberus Japan K.K.  
Apr. 2006 Managing director, ditto  
Jan. 2017 Joined The Asahi Shimbun Company (Corporate Planning Office, Strategic Investment Division)  
May 2019 Managing Executive Officer (in charge of Management), TechnoPro Holdings, Inc.  
Director and Senior Executive Officer, TechnoPro, Inc. (at present)  
Jul. 2019 Managing Executive Officer (in charge of Management) and CFO, TechnoPro Holdings, Inc.  
Sep. 2019 Director (in charge of Management) and CFO, ditto  
Director, TechnoPro Construction, Inc. (at present)  
Jul. 2021 Managing Director and CFO, ditto (at present)

**Tsunehiro Watabe**  
Outside Director



#### Reasons for Selection as a Director

Mr. Tsunehiro Watabe has extensive experience and expansive knowledge as a manager of banks, foreign-affiliated financial institutions, and other corporations. Since his appointment as Outside Director of the Company in April 2012, he has actively provided opinions and advice on the overall management of the Group at meetings of the Board of Directors and has also provided proper oversight by objectively assessing business matters affecting the Company. In addition, he has contributed to the strengthening of management functions by providing necessary and appropriate advice in the deliberation of appointment and remuneration of officers, and other proposals as a member of the Nomination and Compensation Committee. Mr. Tsunehiro Watabe has been selected as an Independent Outside Director because the Company expects that he will fulfill the above role with the aim of heightening its corporate value continuously.

Apr. 1968 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)  
Jun. 1994 Director, ditto  
Jul. 1998 Director and Chairman, UBS Trust Bank, Ltd.  
Dec. 2004 Director and Vice Chairman, UBS Securities Japan Co., Ltd.  
Mar. 2007 Vice Chairman, Morgan Stanley Japan Securities Co., Ltd. (current Morgan Stanley MUFG Securities Co., Ltd.)  
Aug. 2010 Chairman, CVC Asia Pacific (Japan) KK  
Jun. 2011 Outside Audit & Supervisory Board Member, D.A. Consortium Inc.  
Apr. 2012 Director, TechnoPro Holdings, Inc. (at present)  
Member of Board of Trustees, Japan Economic Foundation (at present)  
Jun. 2015 Outside Director, D.A. Consortium Inc.



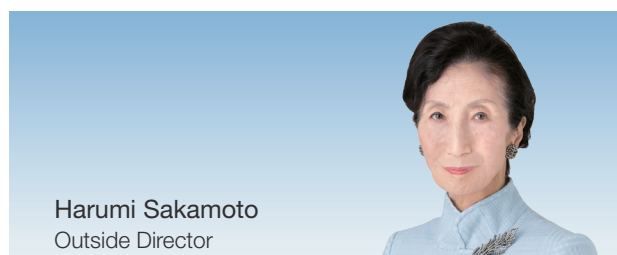
## Directors



### Reasons for Selection as a Director

Mr. Kazuhiko Yamada has extensive experience and knowledge as an attorney particularly in the fields of corporate acquisitions, corporate restructuring, equity practice, etc., the Companies Act, and the Financial Instruments and Exchange Act. Moreover, since his appointment as Outside Director of the Company in September 2015, he has provided opinions and advice particularly with respect to strengthening corporate governance practices at meetings of the Board of Directors and has also provided proper oversight by objectively assessing business matters affecting the Company. In addition, he has contributed to the strengthening of management functions by providing necessary and appropriate advice in the deliberation of appointment and remuneration of officers, and other proposals as a member of the Nomination and Compensation Committee. Mr. Kazuhiko Yamada has been selected as an Independent Outside Director because the Company expects that he will fulfill the above role with the aim of heightening its corporate value continuously.

Oct. 2005 Registered at Daini Tokyo Bar Association  
Assigned to Nakamura, Tsunoda & Matsumoto  
Jan. 2012 Partner, Nakamura, Tsunoda & Matsumoto (at present)  
Sep. 2015 Director, TechnoPro Holdings, Inc. (at present)  
Sep. 2016 Special Visiting Professor, Gakushuin University Law School (at present)  
Dec. 2019 Outside Auditor, Tokyo Commodity Exchange, Inc. (at present)



### Reasons for Selection as a Director

Ms. Harumi Sakamoto has extensive experience and expansive knowledge which she has gained acting as a government administrator involved in policy of the Ministry of International Trade and Industry and as an executive of various corporations and organizations. Since her appointment as Outside Director of the Company in September 2016, she has actively provided opinions and advice on the overall management of the Group at meetings of the Board of Directors and has also provided proper oversight by objectively assessing business matters affecting the Company. Ms. Harumi Sakamoto has been selected as an Independent Outside Director because the Company expects that she will fulfill the above role with the aim of heightening its corporate value continuously.

Apr. 1962 Joined Ministry of International Trade and Industry (current Ministry of Economy, Trade and Industry)  
Jul. 1984 Head of Policy Planning Office of Minister's Secretariat, ditto  
Jun. 1986 Chief, Sapporo Trade and Industry Bureau, ditto  
Aug. 1987 Advisor, The Dai-ichi Kangyo Bank, Ltd.  
May 1990 Managing Director, The Seiyu, Ltd.  
May 1997 Executive Vice President, ditto  
Sep. 1997 Executive Vice President, The Seibu Department Stores, Ltd.  
Apr. 1999 Vice Chairman, Japan Association of Corporate Executives  
Oct. 2000 Secretary General, Japan Association for the 2005 World Exposition  
Oct. 2003 Vice Chairperson, ditto  
Jun. 2006 President, The Distribution Systems Research Institute  
Jun. 2008 Outside Director, The Bank of Yokohama, Ltd.  
Jun. 2010 Chairman, Japan Facility Management Promotion Association  
Jun. 2013 Outside Director, Mitsubishi Motors Corporation  
Sep. 2016 Director, TechnoPro Holdings, Inc. (at present)



### Reasons for Selection as a Director

Ms. Shoko Takase has a wealth of achievements in global IT companies and expansive knowledge regarding customer and technology trends. As the Company aims to expand the solution business with a focus on the digital field as part of its medium-term management plan, the Company expects that Ms. Shoko Takase will provide useful advice from a practical point of view based on the numerous transformations she has achieved for customers utilizing IT technology. In addition, because Ms. Shoko Takase has experience as a corporate manager, the Company expects that she will objectively assess the Company's management and provide proper oversight. Ms. Shoko Takase has been selected as an Independent Outside Director because the Company expects that she will fulfill the above role with the aim of heightening its corporate value continuously.

Apr. 1987 Joined IBM Japan, Ltd.  
Jan. 2005 Seconded to IBM Corporation (IBM Corporation USA Headquarter)  
Jan. 2007 Manager of Strategy and Marketing, Global Technology Services, IBM Japan, Ltd.  
Jan. 2010 Brand Executive of Tivoli, Software Group, ditto  
Jul. 2015 Mobile County Leader, Growth Initiatives, ditto  
Jul. 2016 Brand Executive of Resiliency Services, Global Technology Services, ditto  
Jul. 2018 Director, Head of IBM Cloud Solutioning Center, IBM Japan, Ltd.  
Apr. 2019 Managing Director for Enterprise Sector, Cisco Systems G.K.  
Jul. 2021 Advisor, TechnoPro Holdings, Inc.  
Sep. 2021 Director, TechnoPro Holdings, Inc. (at present)

# Audit & Supervisory Board Members

**Hitoshi Madarame**

Audit & Supervisory  
Board Member



## Reasons for Selection as an Audit & Supervisory Board Member

Mr. Hitoshi Madarame is well-informed regarding the organization, business pursuits and operating processes of the Group, as well as the laws and regulations to be observed, gained from his extensive experience as a person in charge of administrative departments in companies within the Group and in charge of the Internal Audit Department of the Company. Mr. Hitoshi Madarame has been selected as an Audit & Supervisory Board Member because the Company expects that he will provide effective oversight, auditing and advice.

Apr. 1981 Joined Ishimaru Denki Co., Ltd.  
Mar. 1997 Joined TST, Inc.  
Jun. 2007 Executive Officer, General Manager of Management Division, ditto  
Dec. 2008 Executive Officer, CSI, Inc. (Compliance Promotion Division)  
Jul. 2012 Executive Officer, General Manager of Management Division, ditto  
Jun. 2013 General Manager of Internal Audit Department, TechnoPro Holdings, Inc.  
Sep. 2019 Audit & Supervisory Board Member, TechnoPro Holdings, Inc. (at present)  
Audit & Supervisory Board Member, TechnoPro, Inc. (at present)  
Audit & Supervisory Board Member, TechnoPro Construction, Inc. (at present)

**Mitsutoshi Takao**

Outside Audit & Supervisory  
Board Member



## Reasons for Selection as an Outside Audit & Supervisory Board Member

Mr. Mitsutoshi Takao possesses knowledge of general management, including finance and accounting, as well as extensive experience in the management of a major listed company. Based on them, since assuming office as an Outside Audit & Supervisory Board Member of the Company in April 2014, he has appropriately performed the duties of the Outside Audit & Supervisory Board Member, including actively expressing useful opinions at meetings of the Board of Directors, the Audit & Supervisory Board and others. In addition, he has contributed to strengthen management functions by providing necessary and appropriate advice in the deliberation of appointment, remuneration, and other proposals as the chairperson of the Nomination and Compensation Committee. Mr. Mitsutoshi Takao has been selected as an Independent Outside Audit & Supervisory Board Member because the Company expects that he will provide oversight, auditing and advice from a neutral and objective perspective.

Apr. 1972 Joined Kawasaki Heavy Industries, Ltd.  
Jan. 1998 Senior Manager, Planning & Control Department, Jet Engine Division, Aerospace Group, ditto  
Apr. 2004 Senior Manager, Head Office Finance & Accounting Department, ditto  
Apr. 2005 Executive Officer, ditto  
Jun. 2008 Senior Vice President (Representative Director), ditto  
Apr. 2012 Senior Executive Vice President (Representative Director), ditto  
Apr. 2014 Audit & Supervisory Board Member, TechnoPro Holdings, Inc. (at present)  
Mar. 2018 Director Audit & Supervisory Committee Member, MEC COMPANY LTD. (at present)  
Sep. 2020 Audit & Supervisory Board Member, TechnoPro, Inc. (at present)  
Audit & Supervisory Board Member, TechnoPro Construction, Inc. (at present)

**Akira Mikami**

Outside Audit & Supervisory  
Board Member



## Reasons for Selection as an Outside Audit & Supervisory Board Member

Mr. Akira Mikami possesses wide-ranging knowledge and practical experience of internal control, internal audit and risk management; international mindset nurtured through his service in a major trading company; and extensive experience as a full-time auditor in listed enterprises. Mr. Akira Mikami has been selected as an Independent Outside Audit & Supervisory Board Member because the Company expects that he will provide oversight, auditing and advice from an objective perspective.

Apr. 1975 Joined Mitsubishi Corporation  
Oct. 1985 Vice President, Machinery Department, Mitsubishi Corporation (Hong Kong) Limited  
Apr. 1995 Vice President, General Manager of Machinery Department, Mitsubishi Canada Limited  
Oct. 2001 Team leader of Supervisory Audit Team, Internal Audit Department, Mitsubishi Corporation  
Nov. 2003 Team leader of Quality Control Team, Internal Audit Department, ditto  
Apr. 2007 Deputy Manager in charge of Affiliate Internal Audit Promotion Office, Internal Audit Department, ditto  
Jun. 2011 Audit & Supervisory Board Member, San Holdings, Inc.  
Jul. 2017 Audit & Supervisory Board Member, Last One Mile Co., Ltd. (at present)  
Sep. 2019 Audit & Supervisory Board Member, TechnoPro Holdings, Inc. (at present)

**Rumiko Tanabe**

Outside Audit & Supervisory  
Board Member



## Reasons for Selection as an Outside Audit & Supervisory Board Member

Ms. Rumiko Tanabe possesses wide-ranging knowledge in finance, accounts, overall audit, corporate governance, etc., accumulated through her experience in financial accounting operations in listed enterprises and auditing subsidiaries in addition to her professional expertise as a certified public accountant. Ms. Rumiko Tanabe has been selected as an Independent Outside Audit & Supervisory Board Member because the Company expects that she will provide oversight, auditing and advice from an objective perspective.

Apr. 1992 Audit Department, Asahi Shinwa Audit Corporation (current KPMG AZSA LLC)  
Jan. 2003 Assistant Controller, American Home Assurance Company, Ltd.  
Dec. 2004 General Manager of Accounts and Finance Division and Controller, ditto  
Mar. 2006 Leader of Consolidated Accounts Team, FAST RETAILING CO., LTD.  
Jan. 2007 Consolidated Group Leader, HOYA CORPORATION  
Oct. 2014 Accounting General Manager of Finance Division, ditto  
Jul. 2018 Senior Manager of Vision Care Company Global Headquarters, ditto  
Jun. 2020 Director (audit & supervisory committee member), Fast Fitness Japan, Inc. (at present)  
Jul. 2020 Founded Tanabe Accounting Office (at present)  
Sep. 2020 Audit & Supervisory Board Member, TechnoPro Holdings, Inc. (at present)  
Oct. 2020 Audit & Supervisory Board Member, Credit Engine Group, Inc. (at present)

## Activities for Compliance, Social Responsibility and Environmental Issues

The TechnoPro Group, which conducts business in Japanese and overseas markets, recognizes its responsibility to a variety of stakeholders, including customers, engineers, subcontractors and residents of local communities. We fulfill our responsibilities as a corporate citizen.

### Thorough Operations Management Related to the Labor Standards Act

We provide appropriate working environments for the personnel who belong to the TechnoPro Group. As we employ numerous human resources, we regard this as our duty and an element essential to sustainable corporate growth. The TechnoPro Group has established a dedicated compliance department, and created a proprietary labor management system. This system allows us to optimize working hours, manage the taking of holidays and work leave, and ensure thorough compliance with health checkups. In these ways, we provide a safe and healthy working environment for all employees.

### Safe Work Environment and Ensuring a Healthy

The TechnoPro Group has a Safety and Health Committee in each business segment, which shares information on and discusses occupational safety and health issues to continuously work on prevention of work-related accidents and employee illness.

| (Fiscal year ended June 30)                                | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------|------|------|------|------|
| Work-related accidents                                     | 68   | 60   | 74   | 86   | 53   |
| Fatalities due to work-related accidents                   | 0    | 0    | 0    | 0    | 0    |
| Accident rate per 1,000 employees*<br>(4 or more days off) | 0.67 | 0.61 | 0.58 | 0.75 | 0.50 |

\* Accident rate per 1,000 employees indicates the number of work-related accidents that occur per 1,000 employees per year, and is calculated as follows:  
Number of annual work-related accidents ÷ annual average number of employees × 1,000

### COMPLIANCE DECLARATION

- We, the TechnoPro Group, fulfill our corporate social responsibilities on the basis of high ethical standards and in full compliance with laws and regulations.
- We, the TechnoPro Group, shall develop our business to make a high level of social contribution and to be a company that is greatly involved in the employment of people through ‘the stabilization and expansion of employment, adjustment in the supply and demand balance in the labor/work force, and innovation in business structures’.
- As both a market leader and as a good corporate citizen, we believe that transparency in management leads to the maximization of corporate value and that, through compliance with laws and regulations and by the disclosure of information, we can ensure that the rights and interests of all of our stakeholders, including our shareholders, customers, business partners, and employees, are truly respected.
- We hereby swear to carry out our business operations with full and thorough execution of our compliance responsibilities, and to focus on corporate governance in order to fulfill our social responsibilities.
- In addition, each and every one of our officers and employees are fully belonging to the Group and have a sense of ownership, as being “my own personal issues,” of these considerations, and so we thereby aim to be a truly attractive company in that it is one that is capable of making a contribution to society as well as being one that has a strong sense of its corporate responsibilities and higher ethical standards.

#### Topics: CSR Training

The TechnoPro Group conducts CSR training online once a year for all employees. Content includes areas such as compliance, ethics, human rights, personal information protection, information security, anti-corruption and environment, and we follow up with employees until the participation rate reaches 100%. In the next round, we plan to expand the content of the training as sustainability training.

## TechnoPro Group Human Rights Policy

### 1. Basic Approach to Human Rights

Respecting the dignity and rights of every human is our basic stance. We do our best to avoid direct involvement, as well as indirect influence through relevant external parties, in any abuse of human rights in our business activities.

### 2. Respect for Norms and Standards

We comply with social rules, including domestic and international laws and regulations, engaging in fair and honest business activities based on social norms.

### 3. Key Human Rights Issues

- (1) Prohibition of Discrimination
- (2) Prohibition of Harassment
- (3) Prohibition of Forced Labor and Child Labor
- (4) Achieving Diversity, Equity, and Inclusion (DEI)
- (5) Respect for Freedom of Association and the Right to Collective Bargaining
- (6) Appropriate Wages and Work Hour Management
- (7) Ensuring Employee Safety, Hygiene, and Health
- (8) Protecting Freedom of Expression and Privacy

Established: October 29, 2021

► The above is an excerpt. See website for details: [https://www.technoproholdings.com/en/ir/management/human\\_rights.html](https://www.technoproholdings.com/en/ir/management/human_rights.html)

## OUR BASIC ENVIRONMENTAL POLICIES

### 1. Compliance with Laws and Regulations:

We will comply with social guidelines and environmental protection laws and regulations as well as environmental agreements at TechnoPro Group companies.

### 2. Environmental Impact:

We will use the knowledge and dedication of our workforce to conserve resources and energy, increase recycling, prevent pollution, and take other actions that reduce the environmental impact of our business activities.

### 3. Sustainability Committee:

We will use our Sustainability Committee, chaired by the CEO, for the planning and execution of activities involving environmental protection.

### 4. Environmental Awareness and Participation:

We will use a variety of measures to make executives and employees of the TechnoPro Group more aware of environmental issues and encourage them to participate in programs for protecting the environment.

### 5. Disclosure of Information:

We will give everyone at the TechnoPro Group a sound understanding of our environmental policies and use measures for giving the general public access to information about our environmental policies and activities.

Enacted April 1, 2014, revised July 1, 2015

### Topics: Contributing our Expertise in Recruitment to Help Companies Supporting the Environment

Our subsidiary, Boyd & Moore has provided recruitment services on a non-fee basis to Plastic Bank, a company that is revolutionizing the recycling global supply chain by using ocean plastic pollution and recycled materials. In this way, it is contributing to environmental issues through its ability to search for suitable candidates in support of companies that are addressing the global plastic issue.



## Management's Discussion and Analysis

### Business Performance and Operating Result

During the fiscal year under review, the economy began to show signs of improvement in some regions due to the aggressive fiscal and monetary measures taken by governments in response to the COVID-19 pandemic. In Japan, on the other hand, although there were signs of a pickup in the manufacturing sector, the outlook remains uncertain due to concerns about the impact on future economic activities caused by the repeated issuance of state of emergency declarations.

In this environment, the Group has been conducting prudent business operations based on timely and appropriate analysis from a multifaceted perspective, including the increasingly uncertain economic climate, the changes in customer demand, the trends in the job transfer market, and the transformation to new work styles such as telecommuting. Despite the impact of the COVID-19 pandemic, the fiscal year ended June 30, 2021 was supported by solid customer demand, particularly in the IT/DX-related, construction management, and chemical/biotechnology-related businesses on which the Group has been focusing.

As a result, the number of engineers employed in Japan at the end of the consolidated fiscal year under review stood at 20,330, partly due to significant restraint on new hiring by business operations that place top priority on securing employees. This represented a decrease of 934 from the end of the previous fiscal year, but an increase of 180 from the forecast for the current fiscal year as of the end of the third quarter due to the resumption and steady progress of mid-career hiring. The annual average utilization rate was 94.6%, up 0.5 pts compared to the previous fiscal year. Meanwhile, improvement in unit sales price per engineer, which we have been promoting for some time, was affected by the hiring of new graduates and lower levels of overtime caused by government-led workplace reforms and widespread teleworking accompanying the COVID-19 pandemic. Thus, the average monthly unit sales price per engineer for the current fiscal year was 634 thousand yen per month (up 4 thousand yen, average of TechnoPro, Inc. and TechnoPro Construction, Inc.). However, excluding engineers hired in the past one year, contract unit price per existing engineer rose by 8 thousand yen compared to the previous fiscal year.

In recruitment, we resumed new hiring activities in stages from the second quarter of the current fiscal year, but due to the impact of a period of significant restraint in new hiring, the number of newly recruited engineers in Japan for the period under review was 1,405 (down 2,993 compared to the previous fiscal year).

In terms of expenses, the gross profit margin was 24.6% (down 0.8 pts compared to the previous fiscal year), affected by an increase in the provision for paid leave and an increase in the company's contribution to the defined contribution pension plan. On the other hand, SG&A ratio to revenue was kept at 13.7% (down 1.4 pts) as a result of continued cost control initiatives.

In addition, due to the special case presented by the COVID-19 pandemic, we have utilized government subsidies that are based on ongoing employment as part of our efforts to maintain employment in Japan. These are recorded as other income and amounted to 1,780 million yen in the fiscal year under review.

As a result, the Group's revenue for the consolidated fiscal year under review was 161,316 million yen (up 1.8% compared to the previous fiscal year), core operating profit\*<sup>1</sup> was 17,639 million yen (up 8.4%), operating profit was 19,461 million yen (up 23.4%), profit before taxes was 19,472 million yen (up 22.9%), and net profit attributable to owners of the parent company was 13,245 million yen (up 22.4%).

\*<sup>1</sup> Core operating profit is the Group's own profit indicator, calculated by subtracting selling, general and administrative expenses from gross profit and excluding the impact of extraordinary items (such as government subsidies and impairment losses) recorded under other income and other expenses.

### Performance by Segment

#### ● R&D Outsourcing Business

In order to expand its IT business, which has been performing well in R&D outsourcing, the Group resumed mid-career hiring, mainly of high-value-added engineers, and implemented IT training for hardware engineers, and took initiatives to promote assignments by encouraging reskilling and the acquisition of multiple skills. In addition, we worked to secure assignments by collaborating with partners who possess advanced technologies and actively promoting internal and external training programs. As a result of these efforts, the number of employed and assigned engineers at the end of the current fiscal year



was 17,692 and 16,823, respectively, a decrease of 779 and 28, respectively, from the end of the previous fiscal year. There was also an improvement in the utilization rate, an increase in the number of working days, and an increase in sales per engineer. As a result, revenue in this segment was 127,870 million yen (up 1.3%).

### ● Construction Management Outsourcing Business

In addition to construction management services, which is the main focus of the construction management outsourcing business, the Group is developing various services based on its technical capabilities cultivated in the design and construction management fields, including the implementation of 3D measurement, aerial photography, and inspection using drones, and the establishment of a new first-class architect office. In this segment, despite the relatively minor impact of the COVID-19 pandemic and the maintenance of a high utilization rate, the number of employed and assigned engineers at the end of the current fiscal year was 2,638 and 2,524, respectively, a decrease of 155 and 68, respectively, from the end of the previous fiscal year. As a result, revenue in this segment was 19,670 million yen (down 0.6%).

### ● Other Businesses in Japan

Other Businesses in Japan comprise professional recruitment service and education and training service in engineering. Both of these businesses were affected by the COVID-19 pandemic, but WinSchool operated by Pc Assist Co., Ltd. has been gradually opening online school courses since the previous fiscal year, and is taking measures to offset the decline by promoting online courses in addition to the regular in-person courses. As a result, revenue in this segment was 3,800 million yen (down 7.4%).

### ● Overseas Businesses

In Overseas Businesses, the impact of the COVID-19 pandemic varied by country. In China, we were quick to recover from sluggish conditions and made progress in cross-country contract development with our main customer, a Japanese subsidiary in China, and its parent company in Japan. In the United Kingdom, both worker staffing and professional recruitment services performed well, supported by strong demand. As a result, revenue in this segment was 11,432 million yen (up 15.0%).

## Results by Segment

(Millions of yen)

| (Years ended June 30)        | R&D Outsourcing Business |                | Construction Management Outsourcing Business |               | Other Business in Japan |              | Overseas Businesses |               |
|------------------------------|--------------------------|----------------|--|---------------|-------------------------|--------------|---------------------|---------------|
|                              | 2020                     | 2021           | 2020   | 2021          | 2020                    | 2021         | 2020                | 2021          |
| Sales revenues               | 126,179                  | <b>127,870</b> | 19,787                                       | <b>19,670</b> | 4,103                   | <b>3,800</b> | 9,941               | <b>11,432</b> |
| Segment profit (loss)        | 12,880                   | <b>15,815</b>  | 2,109  | <b>2,791</b>  | (139)                   | <b>315</b>   | 655                 | <b>764</b>    |
| Segment assets               | 83,767                   | <b>86,226</b>  | 10,820                                       | <b>11,463</b> | 4,543                   | <b>4,619</b> | 7,029               | <b>8,577</b>  |
| Number of engineers (people) | 18,471                   | <b>17,692</b>  | 2,793  | <b>2,638</b>  | —                       | —            | 1,331               | <b>1,970</b>  |

| (Years ended June 30)        | Total for Reportable Segments |                | Corporate/Eliminations*2 | Consolidated |                |
|------------------------------|-------------------------------|----------------|--------------------------|--------------|----------------|
|                              | 2020                          | 2021           |                          | 2020         | 2021           |
| Sales revenues               | 160,012                       | <b>162,773</b> | (1,605)                  | 158,407      | <b>161,316</b> |
| Segment profit (loss)        | 15,506                        | <b>19,687</b>  | 266                      | 15,772       | <b>19,461</b>  |
| Segment assets               | 106,160                       | <b>110,888</b> | 1,806                    | 107,967      | <b>117,989</b> |
| Number of engineers (people) | 22,595                        | <b>22,300</b>  | —                        | 22,595       | <b>22,300</b>  |

\*2 Headquarter expenses attributable to the reportable segments (expenses incurred by the holding company, etc.) are allocated to each reportable segment.

# Consolidated Statement of Financial Position

TechnoPro Holdings, Inc. and its subsidiaries  
As of June 30, 2020 and 2021

|   | Millions of Yen |          | Millions of U.S. Dollars |
|---|-----------------|----------|--------------------------|
|   | 2020            | 2021     | 2021                     |
| <b>Assets</b>                                       |                 |          |                          |
| Current assets                                      |                 |          |                          |
| Cash and cash equivalents                           | ¥ 22,797        | ¥ 32,524 | \$ 294.1                 |
| Accounts receivables and other receivables          | 20,214          | 20,716   | 187.3                    |
| Income taxes receivable                             | 1,159           | 1,591    | 14.4                     |
| Other short-term financial assets                   | 2,275           | 4,829    | 43.7                     |
| Other current assets                                | 4,860           | 4,450    | 40.2                     |
| Total current assets                                | 51,307          | 64,113   | 579.8                    |
| Non-current assets                                  |                 |          |                          |
| Property, plant and equipment                       | 1,726           | 1,757    | 15.9                     |
| Right-of-use assets                                 | 6,649           | 5,074    | 45.9                     |
| Goodwill  | 36,115          | 36,307   | 328.3                    |
| Intangible assets                                   | 2,149           | 1,975    | 17.9                     |
| Other long-term financial assets                    | 4,865           | 3,656    | 33.1                     |
| Deferred tax assets                                 | 4,282           | 4,393    | 39.7                     |
| Other non-current assets                            | 871             | 710      | 6.4                      |
| Total non-current assets                            | 56,660          | 53,876   | 487.2                    |
| Total assets  | ¥107,967        | ¥117,989 | \$1,067.0                |
| <b>Liabilities and equity</b>                       |                 |          |                          |
| Current liabilities                                 |                 |          |                          |
| Accounts payable and other liabilities              | ¥ 13,369        | ¥ 14,288 | \$ 129.2                 |
| Loans payable                                       | 4,453           | 1,990    | 18.0                     |
| Lease liabilities                                   | 5,888           | 5,161    | 46.7                     |
| Income taxes payable                                | 2,952           | 4,129    | 37.3                     |
| Other financial liabilities                         | 2,055           | 3,632    | 32.8                     |
| Employee benefits liabilities                       | 6,398           | 7,348    | 66.4                     |
| Provisions  | 11              | 3        | 0.0                      |
| Other current liabilities                           | 8,037           | 7,093    | 64.1                     |
| Total current liabilities                           | 43,165          | 43,647   | 394.7                    |
| Non-current liabilities                             |                 |          |                          |
| Loans payable                                       | 3,205           | 6,467    | 58.5                     |
| Lease liabilities                                   | 5,865           | 4,202    | 38.0                     |
| Other financial liabilities                         | 5,214           | 4,118    | 37.2                     |
| Deferred tax liabilities                            | 400             | 238      | 2.2                      |
| Retirement benefit liabilities                      | 9               | 14       | 0.1                      |
| Provisions  | 459             | 449      | 4.1                      |
| Other non-current liabilities                       | 138             | 117      | 1.1                      |
| Total non-current liabilities                       | 15,292          | 15,609   | 141.2                    |
| Total liabilities                                   | 58,457          | 59,256   | 535.9                    |
| Equity  |                 |          |                          |
| Share capital                                       | 6,929           | 6,929    | 62.7                     |
| Capital surplus                                     | 7,349           | 7,460    | 67.5                     |
| Retained earnings                                   | 36,139          | 43,557   | 393.9                    |
| Treasury shares                                     | (1,000)         | (1,000)  | (9.0)                    |
| Other components of equity                          | (1,188)         | 279      | 2.5                      |
| Equity attributable to owners of the parent company | 48,229          | 57,226   | 517.5                    |
| Non-controlling interests                           | 1,279           | 1,506    | 13.6                     |
| Total equity  | 49,509          | 58,733   | 531.1                    |
| Total liabilities and equity                        | ¥107,967        | ¥117,989 | \$1,067.0                |

# Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

TechnoPro Holdings, Inc. and its subsidiaries  
Fiscal years ended June 30, 2020 and 2021

## Consolidated Statement of Income

|  | Millions of Yen |          | Millions of U.S. Dollars |
|--|-----------------|----------|--------------------------|
|  | 2020            | 2021     | 2021                     |
| Revenue  | ¥158,407        | ¥161,316 | \$1,458.8                |
| Cost of sales                                    | 118,181         | 121,589  | 1,099.6                  |
| Gross profit                                     | 40,226          | 39,727   | 359.3                    |
| Selling, general and administrative expenses     | 23,960          | 22,087   | 199.7                    |
| Other income                                     | 649             | 2,162    | 19.6                     |
| Other expenses                                   | 1,143           | 340      | 3.1                      |
| Operating profit                                 | 15,772          | 19,461   | 176.0                    |
| Financial income                                 | 203             | 202      | 1.8                      |
| Financial expenses                               | 127             | 190      | 1.7                      |
| Investment profit (loss) under the equity method | (4)             | —        | —                        |
| Profit before income taxes                       | 15,843          | 19,472   | 176.1                    |
| Income taxes                                     | 4,877           | 6,080    | 55.0                     |
| Net profit                                       | 10,966          | 13,392   | 121.1                    |
| Net profit attributable to:                      |                 |          |                          |
| Owners of the parent company                     | 10,825          | 13,245   | 119.8                    |
| Non-controlling interests                        | 140             | 146      | 1.3                      |
| Net profit                                       | ¥ 10,966        | ¥ 13,392 | \$ 121.1                 |

|  | Yen    |         | U.S. Dollars |
|--|--------|---------|--------------|
|  | 2020   | 2021    | 2021         |
| Earnings per share attributable to owners of the parent company* |        |         |              |
| Basic earnings per share   | ¥99.99 | ¥122.96 | \$1.11       |
| Diluted earnings per share                                       | —      | —       | —            |

\* Calculated based on the number of shares AFTER a three-for-one common stock split conducted on July 1, 2021

## Consolidated Statement of Comprehensive Income

|  | Millions of Yen |         | Millions of U.S. Dollars |
|--|-----------------|---------|--------------------------|
|  | 2020            | 2021    | 2021                     |
| Net profit   | ¥10,966         | ¥13,392 | \$121.1                  |
| Other comprehensive income   |                 |         |                          |
| Items that will not be reclassified to profit or loss                                      |                 |         |                          |
| Changes in fair value of financial assets at fair value through other comprehensive income | (530)           | 567     | 5.1                      |
| Total items that will not be reclassified to profit or loss                                | (530)           | 567     | 5.1                      |
| Items that may be reclassified to profit or loss   |                 |         |                          |
| Foreign currency translation adjustments   | (165)           | 573     | 5.2                      |
| Total items that may be reclassified to profit or loss                                     | (165)           | 573     | 5.2                      |
| Total other comprehensive income   | (696)           | 1,140   | 10.3                     |
| Comprehensive income for the period  | 10,269          | 14,533  | 131.4                    |
| Comprehensive income for the period attributable to:                                       |                 |         |                          |
| Owners of the parent company   | 10,171          | 14,272  | 129.1                    |
| Non-controlling interests  | 98              | 261     | 2.4                      |
| Comprehensive income for the period  | ¥10,269         | ¥14,533 | \$131.4                  |

# Consolidated Statement of Changes in Equity

TechnoPro Holdings, Inc. and its subsidiaries  
Fiscal years ended June 30, 2020 and 2021

| Millions of Yen  |               |                 |                   |                 |                            |   |                          |              |
|--|---------------|-----------------|-------------------|-----------------|----------------------------|---|--------------------------|--------------|
| Fiscal year ended June 30, 2020<br>(July 1, 2019 to June 30, 2020) | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total equity attributable to owners of the parent company | Noncontrolling interests | Total equity |
| As of July 1, 2019   | ¥6,903        | ¥7,304          | ¥31,129           | ¥ (2)           | ¥ (532)                    | ¥44,803   | ¥1,262                   | ¥46,065      |
| Net profit   |               |                 | 10,825            |                 |                            | 10,825  | 140                      | 10,966       |
| Other comprehensive income   |               |                 | 2                 |                 | (656)                      | (653)   | (42)                     | (696)        |
| Total comprehensive income   | —             | —               | 10,828            | —               | (656)                      | 10,171  | 98                       | 10,269       |
| Issuance of new shares   | 25            | (25)            |                   |                 |                            | —   |                          | —            |
| Dividends of surplus   |               |                 | (4,856)           |                 |                            | (4,856)   | (55)                     | (4,911)      |
| Share-based payment transaction                                    |               | 46              |                   |                 |                            | 46  |                          | 46           |
| Purchase of treasury shares  |               |                 |                   | (2,062)         |                            | (2,062)   |                          | (2,062)      |
| Disposal of treasury shares  |               | 12              |                   | 90              |                            | 102   |                          | 102          |
| Cancellation of treasury shares                                    |               | (12)            | (961)             | 973             |                            | —   |                          | —            |
| Changes in ownership interests in subsidiaries                     |               | 25              |                   |                 |                            | 25  | (25)                     | —            |
| Other increases (decreases)  |               | (2)             |                   |                 |                            | (2)   |                          | (2)          |
| Total transactions with the owners                                 | 25            | 44              | (5,817)           | (998)           | —                          | (6,745)   | (80)                     | (6,826)      |
| As of June 30, 2020  | ¥6,929        | ¥7,349          | ¥36,139           | ¥(1,000)        | ¥(1,188)                   | ¥48,229   | ¥1,279                   | ¥49,509      |

| Millions of Yen  |               |                 |                   |                 |                            |   |                          |              |
|--|---------------|-----------------|-------------------|-----------------|----------------------------|---|--------------------------|--------------|
| Fiscal year ended June 30, 2021<br>(July 1, 2020 to June 30, 2021) | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total equity attributable to owners of the parent company | Noncontrolling interests | Total equity |
| As of July 1, 2020   | ¥6,929        | ¥7,349          | ¥36,139           | ¥(1,000)        | ¥(1,188)                   | ¥48,229   | ¥1,279                   | ¥49,509      |
| Net profit   |               |                 | 13,245            |                 |                            | 13,245  | 146                      | 13,392       |
| Other comprehensive income   |               |                 | (441)             |                 | 1,467                      | 1,026   | 114                      | 1,140        |
| Total comprehensive income   | —             | —               | 12,804            | —               | 1,467                      | 14,272  | 261                      | 14,533       |
| Dividends of surplus   |               |                 | (5,386)           |                 |                            | (5,386)   | (34)                     | (5,420)      |
| Share-based payment transaction                                    |               | 111             |                   |                 |                            | 111   |                          | 111          |
| Purchase of treasury shares  |               |                 |                   | (0)             |                            | (0)   |                          | (0)          |
| Total transactions with the owners                                 | —             | 111             | (5,386)           | (0)             | —                          | (5,275)   | (34)                     | (5,309)      |
| As of June 30, 2021  | ¥6,929        | ¥7,460          | ¥43,557           | ¥(1,000)        | ¥ 279                      | ¥57,226   | ¥1,506                   | ¥58,733      |

| Millions of U.S. Dollars   |               |                 |                   |                 |                            |   |                          |              |
|--|---------------|-----------------|-------------------|-----------------|----------------------------|---|--------------------------|--------------|
| Fiscal year ended June 30, 2021<br>(July 1, 2020 to June 30, 2021) | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total equity attributable to owners of the parent company | Noncontrolling interests | Total equity |
| As of July 1, 2020   | \$62.7        | \$66.5          | \$326.8           | \$(9.0)         | \$(10.7)                   | \$436.1   | \$11.6                   | \$447.7      |
| Net profit   |               |                 | 119.8             |                 |                            | 119.8   | 1.3                      | 121.1        |
| Other comprehensive income   |               |                 | (4.0)             |                 | 13.3                       | 9.3   | 1.0                      | 10.3         |
| Total comprehensive income   | —             | —               | 115.8             | —               | 13.3                       | 129.1   | 2.4                      | 131.4        |
| Dividends of surplus   |               |                 | (48.7)            |                 |                            | (48.7)  | (0.3)                    | (49.0)       |
| Share-based payment transaction                                    |               | 1.0             |                   |                 |                            | 1.0   |                          | 1.0          |
| Purchase of treasury shares  |               |                 |                   | (0.0)           |                            | (0.0)   |                          | (0.0)        |
| Total transactions with the owners                                 | —             | 1.0             | (48.7)            | (0.0)           | —                          | (47.7)  | (0.3)                    | (48.0)       |
| As of June 30, 2021  | \$62.7        | \$67.5          | \$393.9           | \$(9.0)         | \$ 2.5                     | \$517.5   | \$13.6                   | \$531.1      |



# Consolidated Statement of Cash Flows

TechnoPro Holdings, Inc. and its subsidiaries  
Fiscal years ended June 30, 2020 and 2021

|  | Millions of Yen |                 | Millions of U.S. Dollars |
|--|-----------------|-----------------|--------------------------|
|  | 2020            | 2021            | 2021                     |
| <b>Cash flows from operating activities</b>                                      |                 |                 |                          |
| Profit before income taxes   | ¥ 15,843        | ¥ 19,472        | \$ 176.1                 |
| Depreciation and amortization  | 2,604           | 2,658           | 24.0                     |
| Impairment loss  | 915             | —               | —                        |
| Loss (profit) from put options granted to non-controlling interest               | (256)           | (41)            | (0.4)                    |
| Interest and dividend income   | (67)            | (69)            | (0.6)                    |
| Interest expense   | 113             | 105             | 0.9                      |
| Investment loss (profit) under the equity method                                 | 4               | —               | —                        |
| Decrease (increase) in accounts receivables and other receivables                | (448)           | (494)           | (4.5)                    |
| Increase (decrease) in accounts payable and other liabilities                    | 405             | 914             | 8.3                      |
| Increase (decrease) in deposits received   | (828)           | 62              | 0.6                      |
| Decrease (increase) in prepaid expenses  | 3,330           | 2,980           | 26.9                     |
| Decrease (increase) in lease repayments  | 1,737           | 1,817           | 16.4                     |
| Increase (decrease) in consumption tax payable                                   | 1,402           | (1,300)         | (11.8)                   |
| Increase (decrease) in retirement benefit liabilities                            | (717)           | (679)           | (6.1)                    |
| Other  | (508)           | 1,645           | 14.9                     |
| <b>Subtotal</b>  | <b>23,530</b>   | <b>27,070</b>   | <b>244.8</b>             |
| Interest received  | 67              | 65              | 0.6                      |
| Interest paid  | (78)            | (68)            | (0.6)                    |
| Income taxes paid  | (5,500)         | (6,169)         | (55.8)                   |
| Income tax refund  | 40              | 1,182           | 10.7                     |
| <b>Net cash flows from operating activities</b>                                  | <b>18,059</b>   | <b>22,081</b>   | <b>199.7</b>             |
| <b>Cash flows from investing activities</b>                                      |                 |                 |                          |
| Payments into time deposits  | (68)            | (1,198)         | (10.8)                   |
| Proceeds from withdrawal of time deposits  | 47              | 242             | 2.2                      |
| Purchase of tangible fixed assets  | (635)           | (265)           | (2.4)                    |
| Proceeds from sales of tangible fixed assets                                     | 27              | —               | —                        |
| Purchase of intangible assets  | (38)            | (86)            | (0.8)                    |
| Purchase of marketable securities  | (139)           | —               | —                        |
| Payment for acquisition of other financial assets                                | (255)           | (105)           | (0.9)                    |
| Proceeds from sale of other financial assets                                     | —               | 103             | 0.9                      |
| Purchase of subsidiary shares at conditional acquisition price                   | (440)           | —               | —                        |
| Other  | 6               | (63)            | (0.6)                    |
| <b>Net cash flows from investing activities</b>                                  | <b>(1,498)</b>  | <b>(1,374)</b>  | <b>(12.4)</b>            |
| <b>Cash flows from financing activities</b>                                      |                 |                 |                          |
| Net increase (decrease) in short-term loans payable                              | 912             | (999)           | (9.0)                    |
| Repayments of lease liabilities  | (6,416)         | (6,535)         | (59.1)                   |
| Proceeds from long-term borrowings   | 1,000           | 10,000          | 90.4                     |
| Repayments of long-term borrowings   | (3,298)         | (8,158)         | (73.8)                   |
| Redemption of bonds  | (138)           | —               | —                        |
| Purchase of treasury shares  | (2,062)         | (0)             | (0.0)                    |
| Cash dividends paid  | (4,912)         | (5,421)         | (49.0)                   |
| Payments for purchase of interests in subsidiaries from noncontrolling interests | (67)            | —               | —                        |
| Other  | 55              | —               | —                        |
| <b>Net cash flows from financing activities</b>                                  | <b>(14,927)</b> | <b>(11,114)</b> | <b>(100.5)</b>           |
| Effect of change in exchange rates on cash and cash equivalents                  | (67)            | 135             | 1.2                      |
| Net increase (decrease) in cash and cash equivalents                             | 1,566           | 9,727           | 88.0                     |
| Cash and cash equivalents at the beginning of the period                         | 21,230          | 22,797          | 206.2                    |
| Cash and cash equivalents at the end of the period                               | ¥ 22,797        | ¥ 32,524        | \$ 294.1                 |

## Company Data

|  |  |  |   |
|--|--|--|---|
| Name   | TechnoPro Holdings, Inc.   | Group Companies<br>(as of October 1, 2021) | TechnoPro, Inc.<br>EDELTA Co., Ltd.<br>PROBIZMO Co., Ltd.<br>TechnoPro Construction, Inc.<br>TOQO. Co., Ltd<br>Pc Assist Co., Ltd. (Win School)<br>TechnoBrain Co., Ltd.<br>Boyd & Moore Executive Search K.K.<br>TechnoPro China Group<br>Helius Technologies Pte Ltd<br>Orion Managed Services Limited<br>TPRI Technologies Private Limited<br>Robosoft Technologies Private Limited<br>TechnoPro Smile, Inc. |
| Representative<br>Director, President<br>and CEO | Takeshi Yagi   |  |   |
| Established                                      | April 27, 2012   |  |   |
| Headquarters                                     | 35F, Roppongi Hills Mori Tower<br>6-10-1 Roppongi, Minato-ku,<br>Tokyo 106-6135, Japan |  |   |
| Share capital                                    | ¥6,929 million   |  |   |
| Revenue  | ¥161.3 billion (consolidated, for the fiscal<br>year ended June 30, 2021)              |  |   |
| Business   | Supervising and managing Group<br>companies  |  |   |
| Employees  | 24,638 (consolidated, as of June 30, 2021)   |  |   |

## Stock Information

### Basic Stock Information

|  |   |
|--|---|
| Stock exchange                               | First Section, Tokyo Stock Exchange   |
| Stock listed date                            | December 15, 2014   |
| Ordinary General Meeting<br>of Share holders | September   |
| Dividend Payout                              | Interim dividend record date: December 31<br>Year-end dividend record date: June 30                               |
| Trading unit                                 | 100 shares  |
| Number of shares issued<br>and outstanding   | 108,421,164 shares (as of July 1, 2021)   |
| Number of shareholders                       | 4,160 (as of June 30, 2021)   |
| Selected Indices                             | JPX NIKKEI 400<br>Nikkei 500 Stock Average<br>MSCI Japan ESG Select Leaders Index<br>S&P Carbon Efficient Indices |



2021 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX



### Major Shareholders (as of June 30, 2021)

| Shareholders   | Shares held*1 | % of shares*2 |
|--|---------------|---------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)                             | 3,055,110     | 8.50          |
| SSBTC CLIENT OMNIBUS ACCOUNT   | 2,672,866     | 7.44          |
| Custody Bank of Japan, Ltd. (Trust Account)                                      | 1,625,491     | 4.52          |
| JP MORGAN CHASE BANK 385635  | 1,352,710     | 3.76          |
| THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY<br>RECEIPT HOLDERS | 1,218,762     | 3.39          |
| SMBC Nikko Securities Inc.   | 933,400       | 2.59          |
| JP MORGAN CHASE BANK 380072  | 902,971       | 2.51          |
| THE BANK OF NEW YORK MELLON SA/NV 10   | 852,499       | 2.37          |
| STATE STREET BANK AND TRUST COMPANY 505001                                       | 792,204       | 2.20          |
| STATE STREET BANK AND TRUST COMPANY 505225                                       | 750,675       | 2.09          |

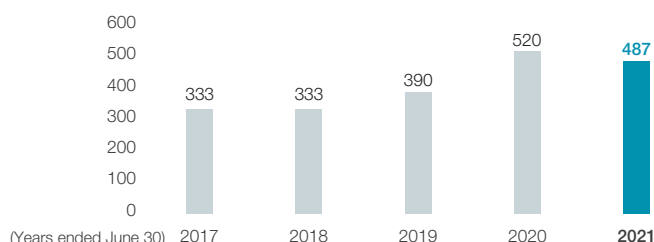
\*1 Shares held BEFORE a three-for-one common stock split conducted on July 1, 2021

\*2 Calculated excluding treasury shares

## Main IR Activities in the Fiscal Year Ended June 30, 2021

| Activity  | Frequency |
|---|-----------|
| Financial results briefings for analysts and institutional investors  | 4 times   |
| IR meetings   | 487 times |
| Participation in conferences hosted by securities companies           | 11 days   |
| Briefings for retail investors  | 2 times   |
| Placement of advertisements in various media (radio, magazines, etc.) | 9 times   |

Number of IR Meetings



## Awards Received for IR Activities

| Award   | Year           | Awarding Body                            |
|---|----------------|--|
| Best IR Award   | 2021           | Japan Investor Relations Association     |
| Best IR Award for Encouragement                                     | 2019           |  |
| All-Japan Executive Team<br>(Professional/Consumer Services sector) |                | Institutional Investor                   |
| Most Honored Companies 2 <sup>nd</sup> place                        | 2018/2019/2021 |  |
| Best CEOs 3 <sup>rd</sup> place                                     | 2018           |  |
| Best CFOs 1 <sup>st</sup> place                                     | 2019/2021      |  |
| Best IR Programs 2 <sup>nd</sup> place                              | 2018/2019      |  |
| Best IR Team 2 <sup>nd</sup> place                                  | 2021           |  |
| IR Professional 2 <sup>nd</sup> place, 3 <sup>rd</sup> place        | 2021           |  |
| Corporate Governance 2 <sup>nd</sup> place                          | 2021           |  |
| IR Good Visual Award  | 2020           | IR Good Visual Award Executive Committee |
| Internet IR Awards  |                | Daiwa Investor Relations Co., Ltd.       |
| Excellence Award / 44 <sup>th</sup>                                 | 2020           |  |
| All Japanese Listed Companies' Website Ranking                      |                | Nikko Investor Relations Co., Ltd.       |
| AAA Website   | 2020           |  |
| AA Website  | 2019           |  |
| Gomez IR Site Ranking   |                | BroadBand Security, Inc.                 |
| Silver Prize / 63 <sup>rd</sup> overall                             | 2020           |  |
| Silver Prize / 79 <sup>th</sup> overall                             | 2019           |  |

## Application for the Tokyo Stock Exchange's New Prime Market

As of April 4, 2022, the market classification of the Tokyo Stock Exchange is scheduled to be revised into three categories: Prime Market, Standard Market, and Growth Market.

On July 9, 2021, TechnoPro Holdings, Inc. received a notification from the Tokyo Stock Exchange (TSE) informing the results of the initial assessment of its compliance with the listing standards of the new market segments, and has confirmed that the Company satisfied the listing standards for the Prime Market. Based on the results above, our Board of Directors has resolved to choose the Prime Market as its new market segment and submit to the TSE an application for transition.

### Concept Behind the TSE's Prime Market:

A market for companies that have a market capitalization (liquidity) large enough to be the investment target of many institutional investors, have a higher level of governance, and are committed to sustainable growth and enhancement of corporate value over the medium to long term, with a focus on constructive dialogue with investors.



**TechnoPro Holdings, Inc.**

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