



# TechnoPro Group Financial Results for the 2nd Quarter of FYE June 2017

TechnoPro Holdings, Inc.

February 3, 2017



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\* KPI excludes 'Other' business.

# Q2 FY2017 Overview

- Revenue and Operating profit in the 1st Half year grew faster than expected
- Annual guidance announced on July 29, 2016 remains unchanged, although expecting full-year revenue/OP to surpass the plan, because the tax effect cannot be predicted with certainty

(JPY in millions, except per share amounts)

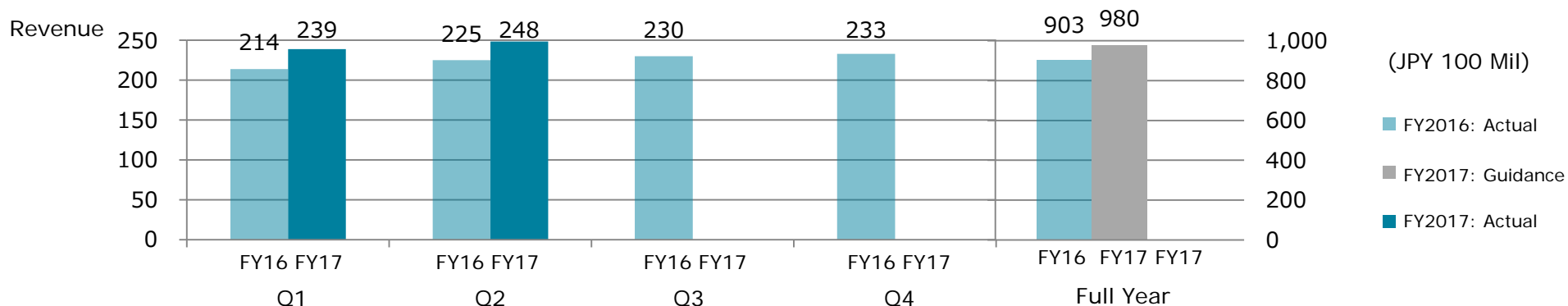
|                                  | Quarterly                      |          |                                |          |        |                          |        | Full Year                       |                                   |        |
|----------------------------------|--------------------------------|----------|--------------------------------|----------|--------|--------------------------|--------|---------------------------------|-----------------------------------|--------|
|                                  | 1st Half<br>FY2016<br>(Actual) | Progress | 1st Half<br>FY2017<br>(Actual) | Progress | YOY    | Q2<br>FY2017<br>(Actual) | YOY    | Full Year<br>FY2016<br>(Actual) | Full Year<br>FY2017<br>(Guidance) | YOY    |
| Revenue                          | 43,989                         | 49%      | 48,811                         | 50%      | +11.0% | 24,850                   | +10.2% | 90,323                          | 98,000                            | +8.5%  |
| Gross profit (GP)                | 10,440                         | 49%      | 11,515                         | 50%      | +10.3% | 5,991                    | +9.9%  | 21,328                          | 23,200                            | +8.8%  |
| <i>GP margin</i>                 | 23.7%                          |          | 23.6%                          |          |        | 24.1%                    |        | 23.6%                           | 23.7%                             |        |
| SG&A expenses                    | 6,152                          | 48%      | 6,663                          | 47%      | +8.3%  | 3,371                    | +6.8%  | 12,831                          | 14,100                            | +9.9%  |
| <i>Ratio on revenue</i>          | 14.0%                          |          | 13.7%                          |          |        | 13.6%                    |        | 14.2%                           | 14.4%                             |        |
| Operating profit (OP)            | 4,343                          | 51%      | 4,902                          | 54%      | +12.9% | 2,639                    | +12.9% | 8,494                           | 9,100                             | +7.1%  |
| <i>OP margin</i>                 | 9.9%                           |          | 10.0%                          |          |        | 10.6%                    |        | 9.4%                            | 9.3%                              |        |
| Profit before income taxes       | 4,178                          | 53%      | 4,858                          | 54%      | +16.3% | 2,617                    | +15.9% | 7,920                           | 9,000                             | +13.6% |
| Net profit**                     | 4,082                          | 55%      | 4,097                          | 53%      | +0.4%  | 2,211                    | +0.4%  | 7,359                           | 7,700                             | +4.6%  |
| Net profit per share             | 119.83                         | —        | 119.77                         | —        | —      | —                        | —      | 215.80                          | 225.05                            | —      |
| Dividend per share<br>(forecast) | 50.00                          | —        | 50.00                          | —        | —      | —                        | —      | 111.52                          | 112.53                            | —      |

\* Amounts are rounded down to the nearest unit.

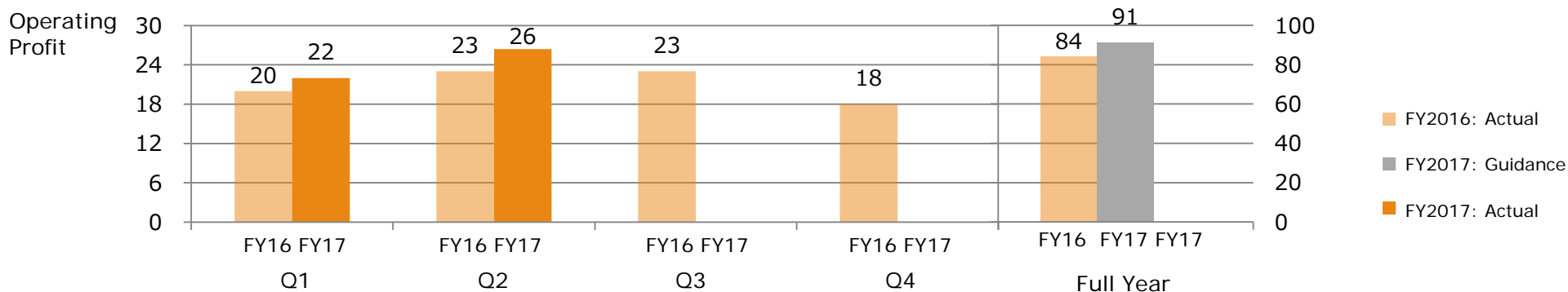
\*\* Net profit attributable to owners of the parent company after deducting non-controlling interests

# Quarterly Performance

- Progress rates against annual guidance are 50% on revenue and 54% on OP, growing as fast as the previous year
- GP margin rate declined 0.1% due to increased outsourcing expenses
- SG&A ratio had been controlled less than 14% to revenue



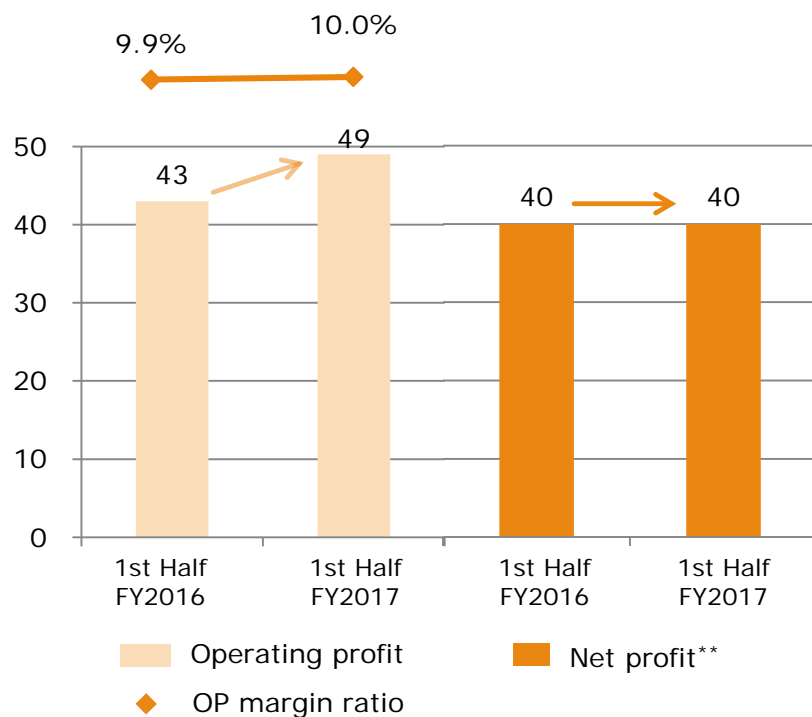
|               |       |     |       |     |     |     |   |
|---------------|-------|-----|-------|-----|-----|-----|---|
| Composition % | 24%   | 24% | 25%   | 25% | 25% | 26% |   |
| YOY           | 11.8% |     | 10.2% |     | -   | -   | - |



|               |       |      |       |       |       |      |      |
|---------------|-------|------|-------|-------|-------|------|------|
| Composition % | 24%   | 25%  | 28%   | 29%   | 27%   | 21%  |      |
| OP ratio      | 9.4%  | 9.4% | 10.4% | 10.6% | 10.1% | 7.8% | 9.4% |
| YOY           | 12.8% |      | 12.9% |       | -     | -    | -    |

# P&L Summary

(JPY 100 Mil)



† Outsourcing expenses increased 500 million yen year-on-year, with the acquisition of ON THE MARK as a consolidated subsidiary.

\* Amounts are rounded down to the nearest unit.

\*\* Net profit attributable to owners of the parent company after deducting non-controlling interests

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(JPY 100 Mil)

|   | 1st Half FY2016 | 1st Half FY2017 | Diff. YOY  | YOY(%)        |
|---|-----------------|-----------------|------------|---------------|
| <b>Revenue</b>                          | <b>439</b>      | <b>488</b>      | <b>+48</b> | <b>+11.0%</b> |
| Impact of Engineer increase             |                 |                 | +37        |               |
| Impact of unit sales price increase     |                 |                 | +8         |               |
| Others                                  |                 |                 | +3         |               |
| <b>CoGs</b>                             | <b>335</b>      | <b>372</b>      | <b>+37</b> | <b>+11.2%</b> |
| Ratio to revenue                        | <u>76.3%</u>    | <u>76.4%</u>    |            |               |
| Impact of Engineer increase             |                 |                 | +28        |               |
| Impact of outsourcing expense increase† |                 |                 | +5         |               |
| Others                                  |                 |                 | +4         |               |
| <b>Gross profit</b>                     | <b>104</b>      | <b>115</b>      | <b>+10</b> | <b>+10.3%</b> |
| Ratio to revenue                        | <u>23.7%</u>    | <u>23.6%</u>    |            |               |
| <b>SG&amp;A</b>                         | <b>61</b>       | <b>66</b>       | <b>+5</b>  | <b>+8.3%</b>  |
| Ratio to revenue                        | <u>14.0%</u>    | <u>13.7%</u>    |            |               |
| <b>Other income – Other expenses</b>    | <b>0</b>        | <b>0</b>        | <b>(0)</b> |               |
| <b>Operating profit</b>                 | <b>43</b>       | <b>49</b>       | <b>+5</b>  | <b>+12.9%</b> |
| <b>Financial income</b>                 | <b>0</b>        | <b>0</b>        | <b>(0)</b> |               |
| <b>Financial expenses</b>               | <b>1</b>        | <b>0</b>        | <b>(1)</b> |               |
| <b>Net profit before income taxes</b>   | <b>41</b>       | <b>48</b>       | <b>+6</b>  | <b>+16.3%</b> |
| <b>Corporate / income taxes</b>         | <b>0</b>        | <b>7</b>        | <b>+6</b>  |               |
| <b>Net Profit**</b>                     | <b>40</b>       | <b>40</b>       | <b>+0</b>  | <b>+0.4%</b>  |

# Balance Sheet & Cash Flow

- Cash flows from financing activities resulted in cash outflows of 3.4 billion yen, due mainly to dividend payment (2.1 billion yen) and repayments of interest-bearing debt (900 million yen); Cash & cash equivalents increased by 400 million yen
- Net worth ratio improved to 40.7%

June 2016

|                                |                          |
|--------------------------------|--------------------------|
| Cash & cash equivalents<br>117 | Debt 161                 |
| Goodwill<br>293                | Other liabilities<br>234 |
| Deferred tax assets<br>36      | Total equity<br>241      |
| Other assets<br>190            |                          |

Total assets  
636

Total liabilities & equity  
636

D/E Ratio: 0.7 x  
Net D/E Ratio: 0.2 x  
Net worth ratio: 37.9%

December 2016 (JPY 100Mil)

|                                |                          |
|--------------------------------|--------------------------|
| Cash & cash equivalents<br>121 | Debt 152                 |
| Goodwill<br>295                | Other liabilities<br>224 |
| Deferred tax assets<br>37      | Total equity<br>257      |
| Other assets<br>180            |                          |

Total assets  
633

Total liabilities & equity  
633

D/E ratio: 0.6 x  
Net D/E ratio: 0.1 x  
Net worth ratio: 40.7%

## 1st Half FY2017 CF

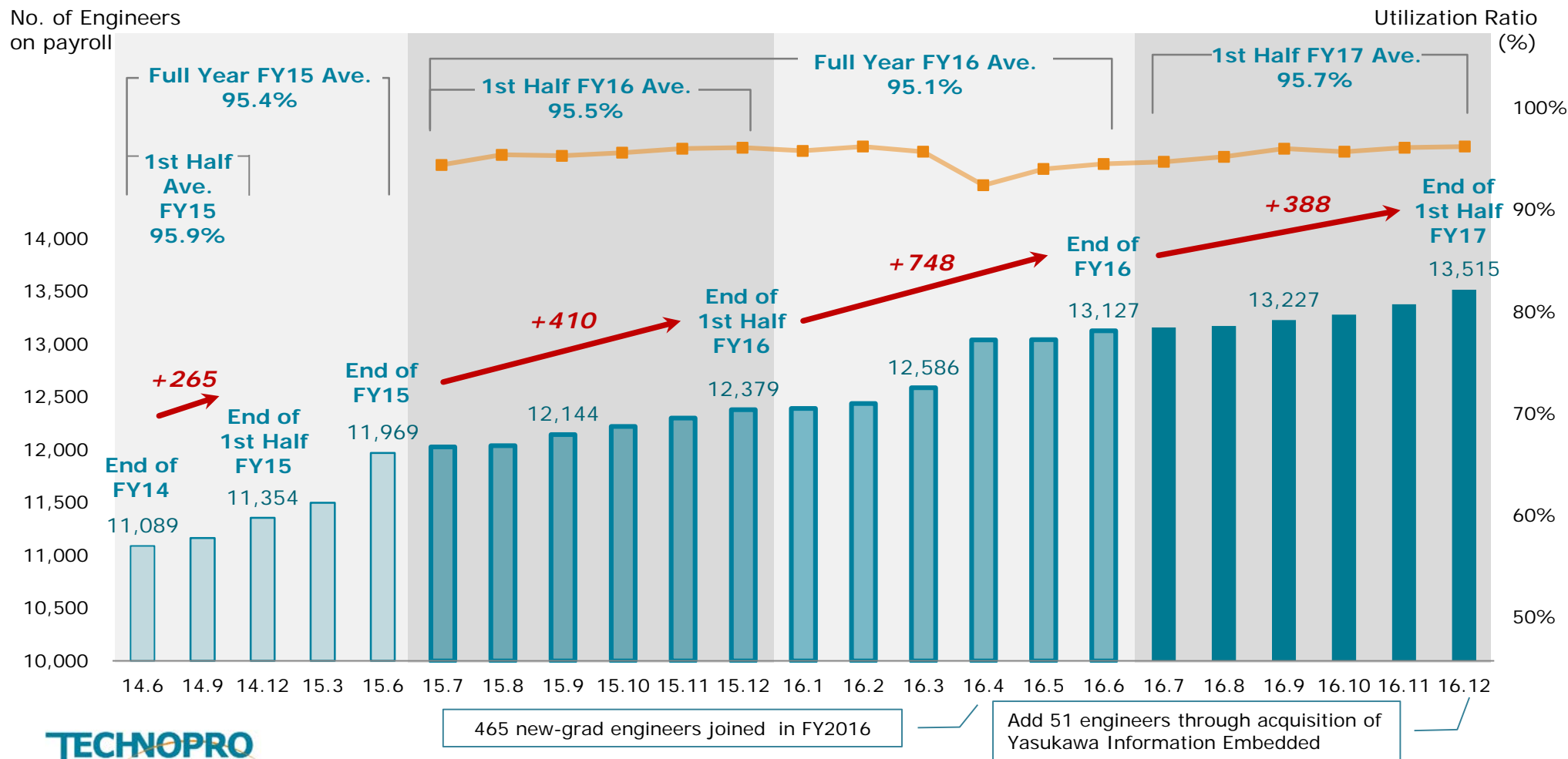
|                |      |
|----------------|------|
| • Operating CF | 43   |
| • Investing CF | (4)  |
| • Financial CF | (34) |
| Net CF         | 4    |

FCF 38

\* Amounts are rounded down to the nearest unit.

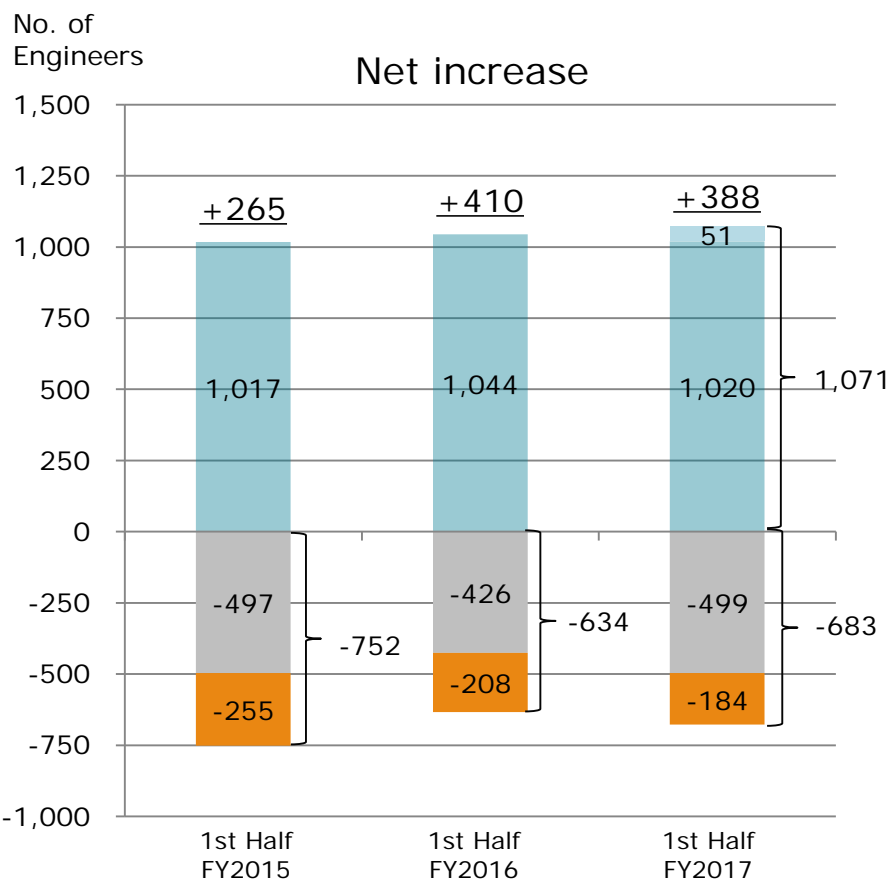
# Number of Engineers & Utilization Rate

- Total engineers on payroll at the end of 1st Half FY2017 were 13,515, with net increase of 388 from the end of the previous fiscal year
- 288 net engineer increase in Q2 FY2017 (up 235/22.6% YOY)
- Average utilization rate during 1st Half FY2017 was 95.7%, maintaining eligible 95% range



# Recruitment/Turnover

- Hired 1,071 engineers (up 2.6% YOY, up 5.3% from FY2015 1st Half)
- Turnover rate: 7.5% (FY2016 1st Half: 7.0%, FY2015 1st Half: 8.9%)



- Hired** 1,071 (+27 / +2.6%)  
Includes 51 engineers joined through the acquisition of Yasukawa Information Embedded (currently rebranded to "TechnoPro Embedded")
- Turnover** 499 (+73 / +17.1%)
- Contract terms matured, others** 184 (-24 / -11.5%)

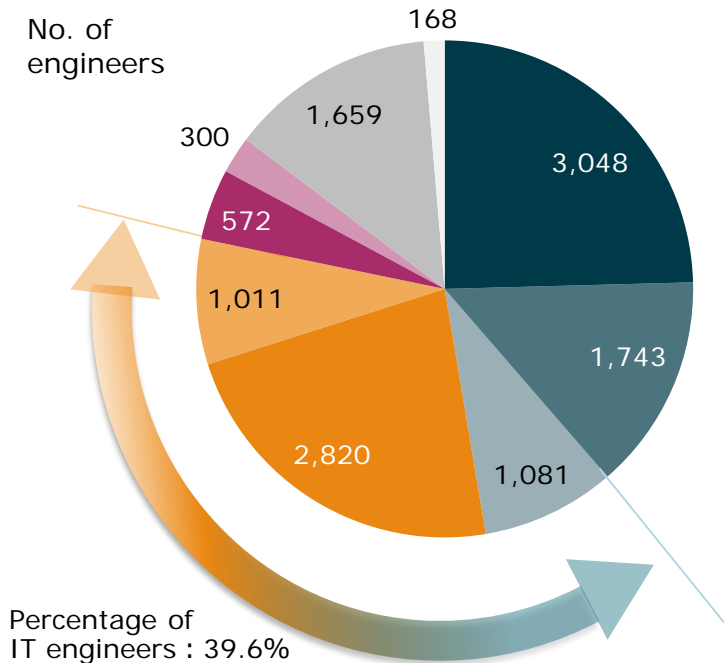


# Assigned Engineers by Technology

- Number of assigned engineers\* increased in every technology
- Embedded control sector grew, driven by the acquisition of Yasukawa Information Embedded (currently rebranded to "TechnoPro Embedded")
- IT engineers are continuously scarce and strongly in-demand; IT infrastructure engineers notably increased among the IT related sectors

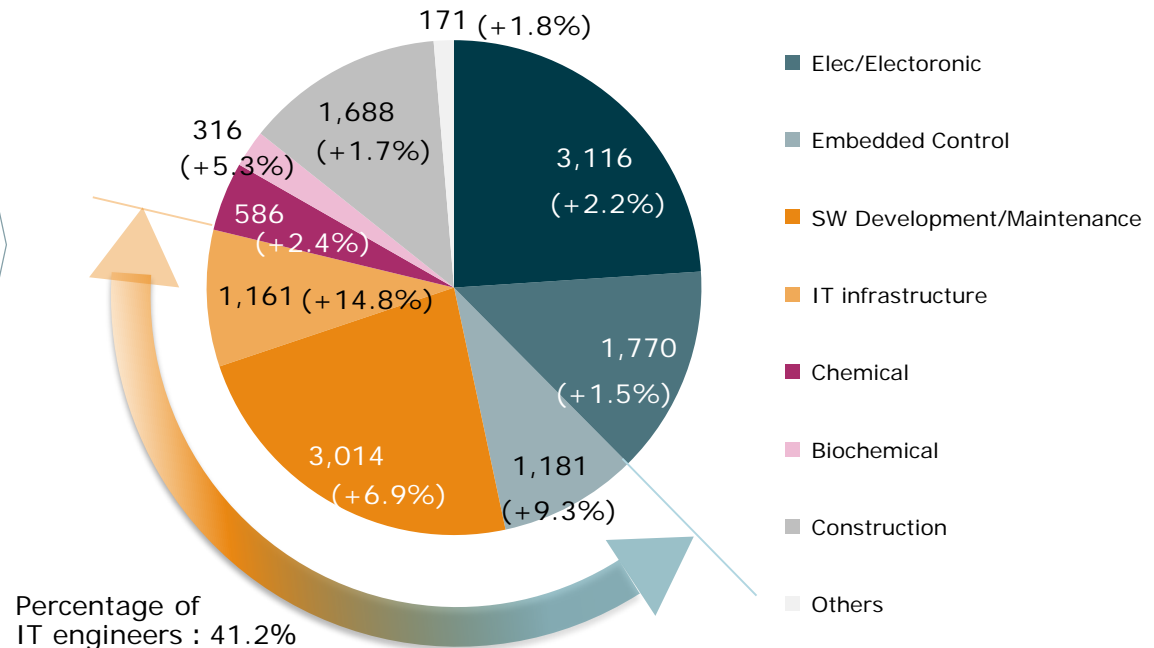
End of June 2016

Assigned engineers: 12,402



End of December 2016

Assigned engineers: 13,003

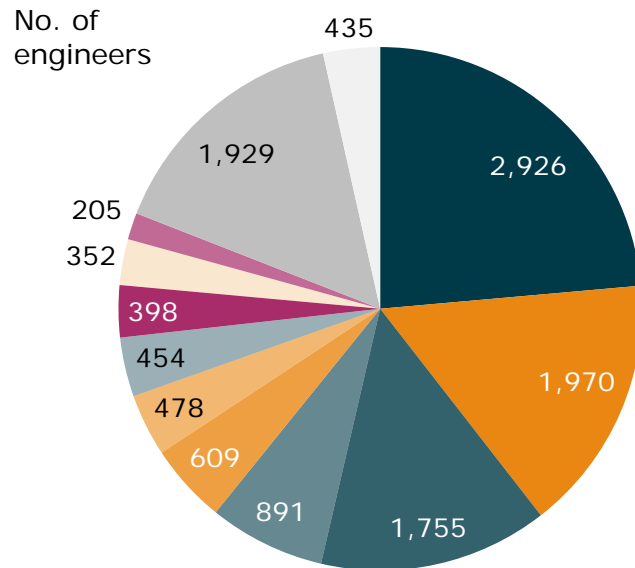


\* Figures indicate assigned engineers at the end of month.  
 \*\* Figure in parenthesis indicates % change.

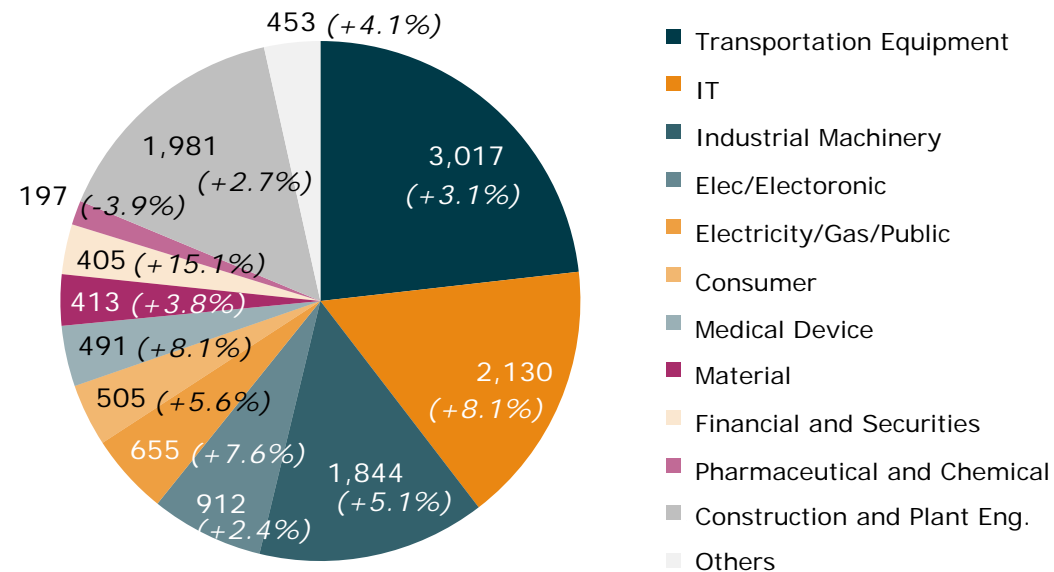
# Assigned Engineers by Industrial Sectors

- Number of assigned engineers\* increased in almost every industrial sector

End of June 2016  
Assigned engineers: 12,402



End of December 2016  
Assigned engineers: 13,003

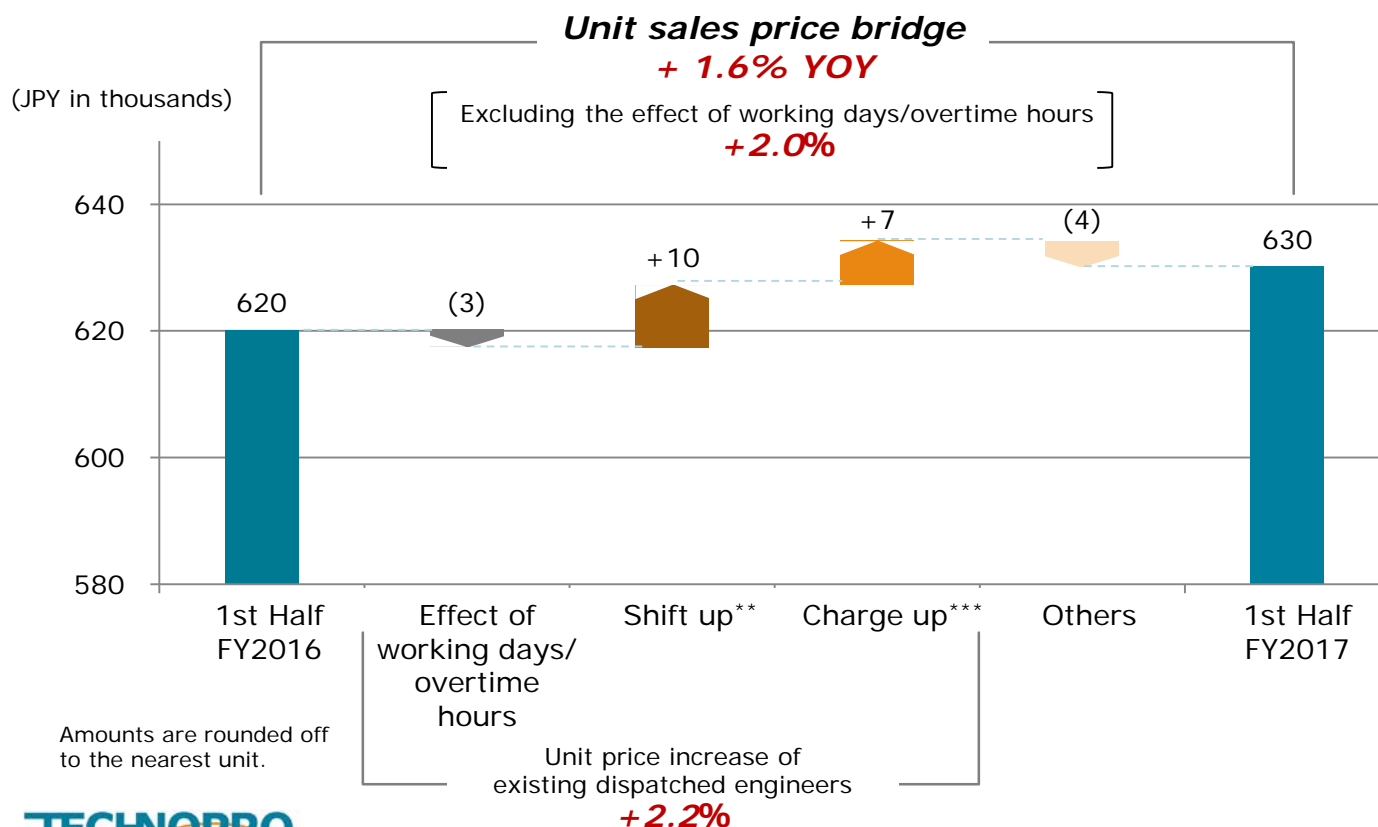


\* Figures indicate assigned engineers at the end of month.

\*\* Figure in parenthesis indicates % change.

# Unit Sales Price

- Unit sales price\* increased 1.6% (up 10,000 yen/month YOY) to 630,000 yen
- Decreased 3,000 yen/month YOY due to decline of overtime hours (0.1 hour/day shorter), even with longer working days (+0.1 day/month)
- Increased 10,000 yen/month by shift up\*\* and 7,000 yen/month by charge up\*\*\*
- Decreased 4,000 yen/month due to new graduate engineer assignment, etc. ("Others")



\* Unit sales price  
Average sales per engineer per month, which includes contract price, overtime charges and others.

\*\* Shift up  
increase unit sales prices through changes in place of assignment

\*\*\* Charge up  
increase unit sales prices at the time of contract renewal at the same place of assignment

# Dividends Forecast

- Consolidated dividend payout ratio is 50% and dividend forecast is 112.53 yen/share, keeping the same amount in the Company's earnings guidance which was announced previously
- Estimated dividend yield based on the closing price of January 31, 2017 (JPY 3,895), is 2.89%

|                              | (JPY/share) |
|------------------------------|-------------|
|                              | FY2017      |
| Interim dividend             | 50.00       |
| Year-end dividend (forecast) | 62.53       |
| EPS (forecast)               | 225.05      |
| Payout ratio                 | 50%         |

# Disclaimer

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