



# TechnoPro Group Financial Results for Fiscal Year Ended June 2017

TechnoPro Holdings, Inc.

July 31, 2017



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\* KPI excludes 'Other' business.

# FY2017 Overview

- Strong full year results exceed guidance, revenue increased JPY 9.77 billion (+10.8% YOY), operating profit increased JPY 1.15 billion (+13.6% YOY)
- Proposed full year dividend of JPY 112.79 per share (year-end: JPY 62.79/interim: JPY 50.00, JPY 0.26 increase vs. guidance) based on 50% payout policy, as net profit exceeded guidance

(JPY in millions, except per share amounts)

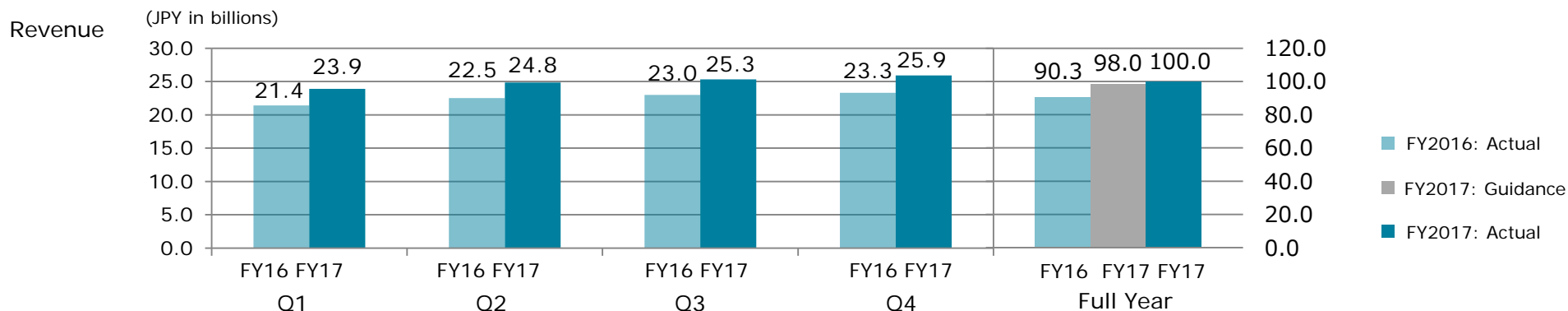
	Quarterly			Full Year				
	Q4 FY2016 (Actual)	Q4 FY2017 (Actual)	YOY	Full Year FY2016 (Actual)	Full Year FY2017 (Actual)	YOY	vs. Guidance	Full Year FY2017 Guidance
Revenue	23,310	25,953	+11.3%	90,323	100,095	+10.8%	+2.1%	98,000
Gross profit (GP)	5,337	5,987	+12.2%	21,328	23,435	+9.9%	+1.0%	23,200
<i>GP margin</i>	22.9%	23.1%		23.6%	23.4%			23.7%
SG&A expenses	3,481	3,762	+8.1%	12,831	13,872	+8.1%	(1.6%)	14,100
<i>Ratio on revenue</i>	14.9%	14.5%		14.2%	13.9%			14.4%
Operating profit (OP)	1,814	2,239	+23.4%	8,494	9,647	+13.6%	+6.0%	9,100
<i>OP margin</i>	7.8%	8.6%		9.4%	9.6%			9.3%
Profit before income taxes	1,483	2,217	+49.5%	7,920	9,559	+20.7%	+6.2%	9,000
Net profit**	1,153	1,844	+59.9%	7,359	7,717	+4.9%	+0.2%	7,700
Net profit per share	33.75	53.92	–	215.80	225.58	–	–	225.05
Dividend per share (forecast)	–	–	–	111.52	112.79	–	–	112.53

\* Amounts are rounded down to the nearest unit.

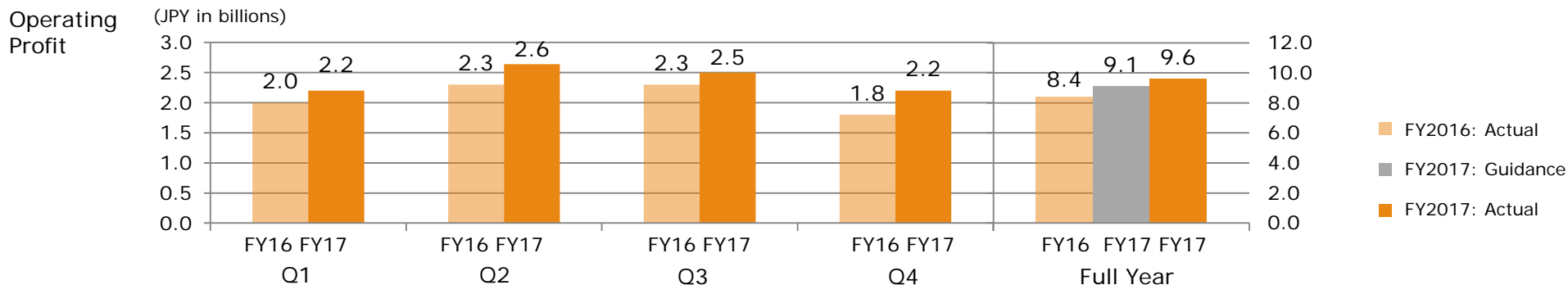
\*\* Net profit attributable to owners of the parent company after deducting non-controlling interests

# Quarterly Performance

- Revenue grew JPY 2.2-2.6 billion each quarter; full year increased JPY 9.7 billion (+2.1% vs. guidance)
- Operating Profit grew JPY 100-400 million each quarter; full year increased JPY 1.1 billion (+6.0% vs. guidance)



Composition %	24%	24%	25%	25%	25%	25%	26%	26%	
YOY	11.8%		10.2%		10.0%		11.3%		10.8%

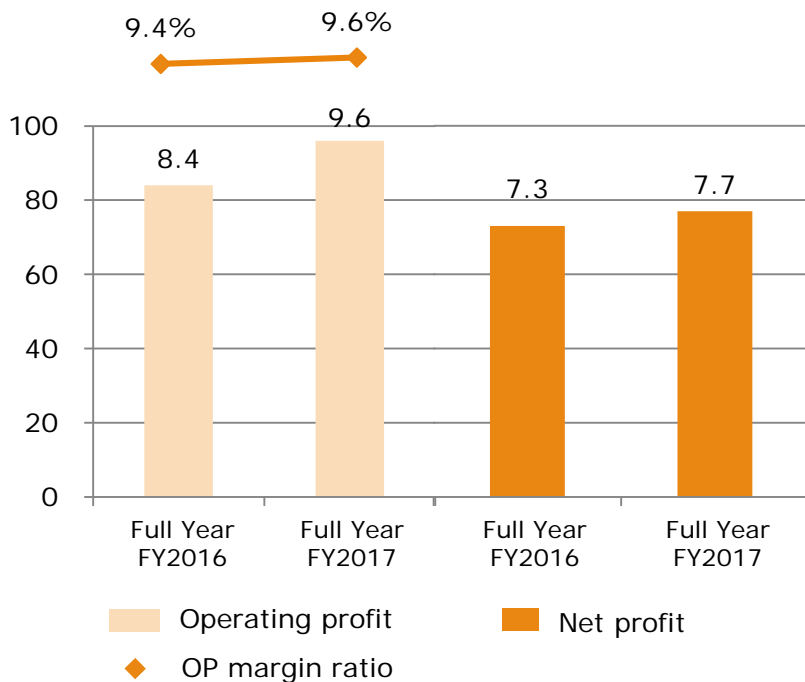


Composition %	24%	23%	28%	27%	27%	26%	21%	23%			
OP ratio	9.4%	9.4%	10.4%	10.6%	10.1%	9.9%	7.8%	8.6%	9.4%	9.3%	9.6%
YOY	12.8%		12.9%		7.3%		23.4%		13.6%		

\* Amounts are rounded down to the nearest unit.

# P&L Summary

(JPY in billions)



† Engineer outsourcing expenses increased JPY 700 million YOY (acquisition ON THE MARK and TechnoPro Embedded)

†† GP ratio in engineer staffing is slightly improved

\* Amounts are rounded down to the nearest unit.

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(JPY in billions)

	Full Year FY2016	Full Year FY2017	Diff. YOY	YOY (%)
<b>Revenue</b>	<b>90.3</b>	<b>100.0</b>	<b>+9.7</b>	<b>+10.8%</b>
Impact of Engineer increase			+7.8	
Impact of unit sales price increase			+1.4	
Others			+0.5	
<b>CoGs</b>	<b>68.9</b>	<b>76.6</b>	<b>+7.6</b>	<b>+11.1%</b>
Ratio to revenue	<u>76.4%</u>	<u>76.6%</u>	<u>+0.2%</u>	
Impact of Engineer increase			+6.4	
Impact of outsourcing expense increase†			+0.7	
Others			+0.5	
<b>Gross profit</b>	<b>21.3</b>	<b>23.4</b>	<b>+2.1</b>	<b>+9.9%</b>
Ratio to revenue	<u>23.6%</u>	<u>23.4%</u>	<u>(0.2%)</u> ††	
<b>SG&amp;A</b>	<b>12.8</b>	<b>13.8</b>	<b>+1.0</b>	<b>+8.1%</b>
Ratio to revenue	<u>14.2%</u>	<u>13.9%</u>	<u>(0.3%)</u>	
<b>Other income – Other expenses</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	
<b>Operating profit</b>	<b>8.4</b>	<b>9.6</b>	<b>+1.1</b>	<b>+13.6%</b>
<b>Financial income</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	
<b>Financial expenses</b>	<b>0.5</b>	<b>0</b>	<b>(0.4)</b>	
<b>Net profit before income taxes</b>	<b>7.9</b>	<b>9.5</b>	<b>+1.6</b>	<b>+20.7%</b>
<b>Corporate / income taxes</b>	<b>0.5</b>	<b>1.8</b>	<b>+1.3</b>	
<b>Net Profit</b>	<b>7.3</b>	<b>7.7</b>	<b>+0.3</b>	<b>+4.9%</b>

# Balance Sheet & Cash Flow

- Free cash flow of JPY 5.7 billion for FY2017
- Net worth ratio improved to 39.5 %
- Debt/Equity ratio was 0.6x

June 2016 (JPY in billions)

Cash & cash equivalents 11.7	Debt 16.1
Goodwill 29.3	Other liabilities 23.4
Deferred tax assets 3.6	Total equity 24.1
Other assets 19.0	
<b>Total assets</b> 63.6	<b>Total liabilities &amp; equity</b> 63.6

June 2017 (JPY in billions)

Cash & cash equivalents 13.3	Debt 16.2
Goodwill 29.5	Other liabilities 26.3
Deferred tax assets 3.6	Total equity 27.6
Other assets 23.7	
<b>Total assets</b> 70.1	<b>Total liabilities &amp; equity</b> 70.1

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

## FY2017 Cash Flow

• Operating CF	8.6
• Investing CF	(2.8) <sup>†</sup>
• Financial CF	(4.0)
<b>Net CF</b>	<b>+1.6</b>

D/E ratio: 0.6 x  
 Net D/E ratio: 0.1 x  
 Net worth ratio: 39.5%

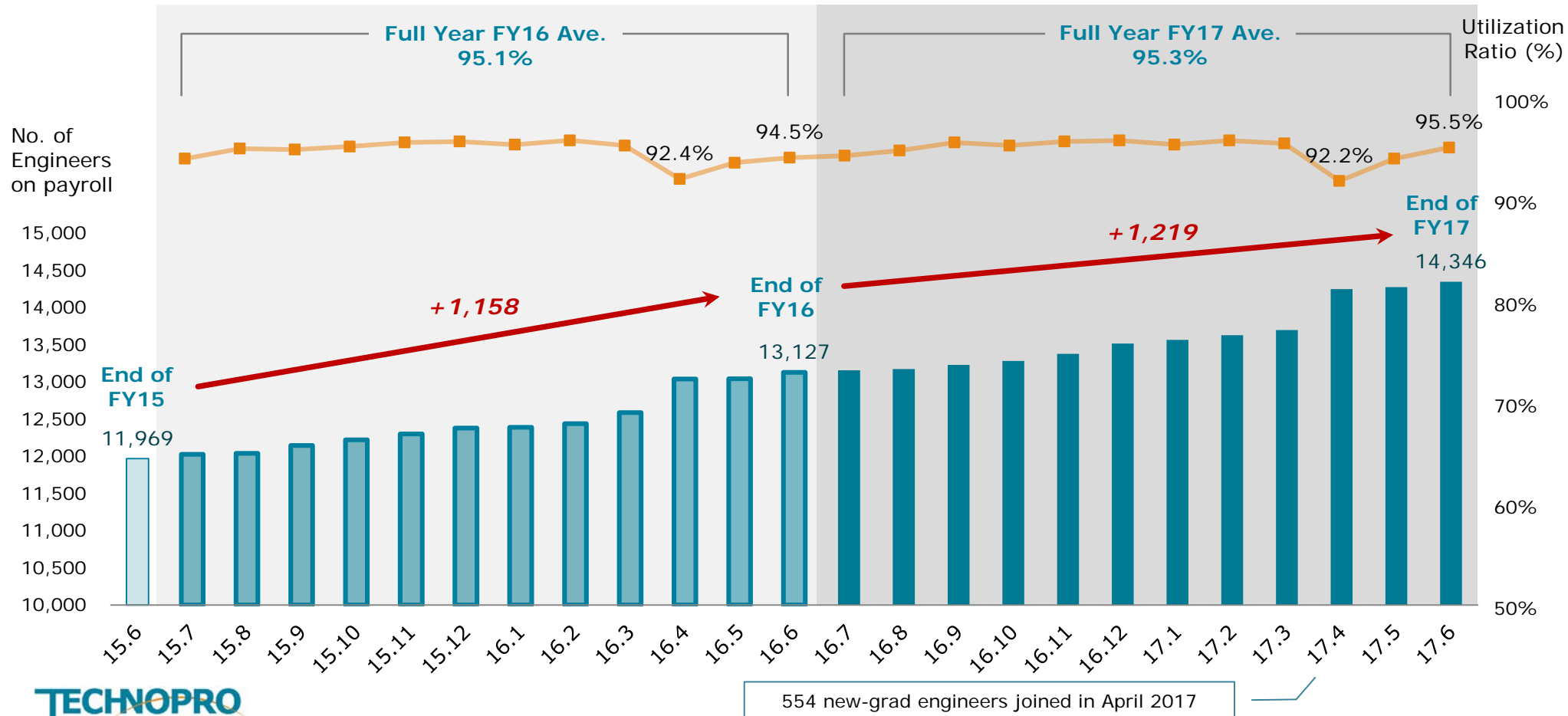
<sup>†</sup> JPY 2.17 billion used for investment in HRnetGroup

FCF +5.7

\* Amounts are rounded down to the nearest unit.

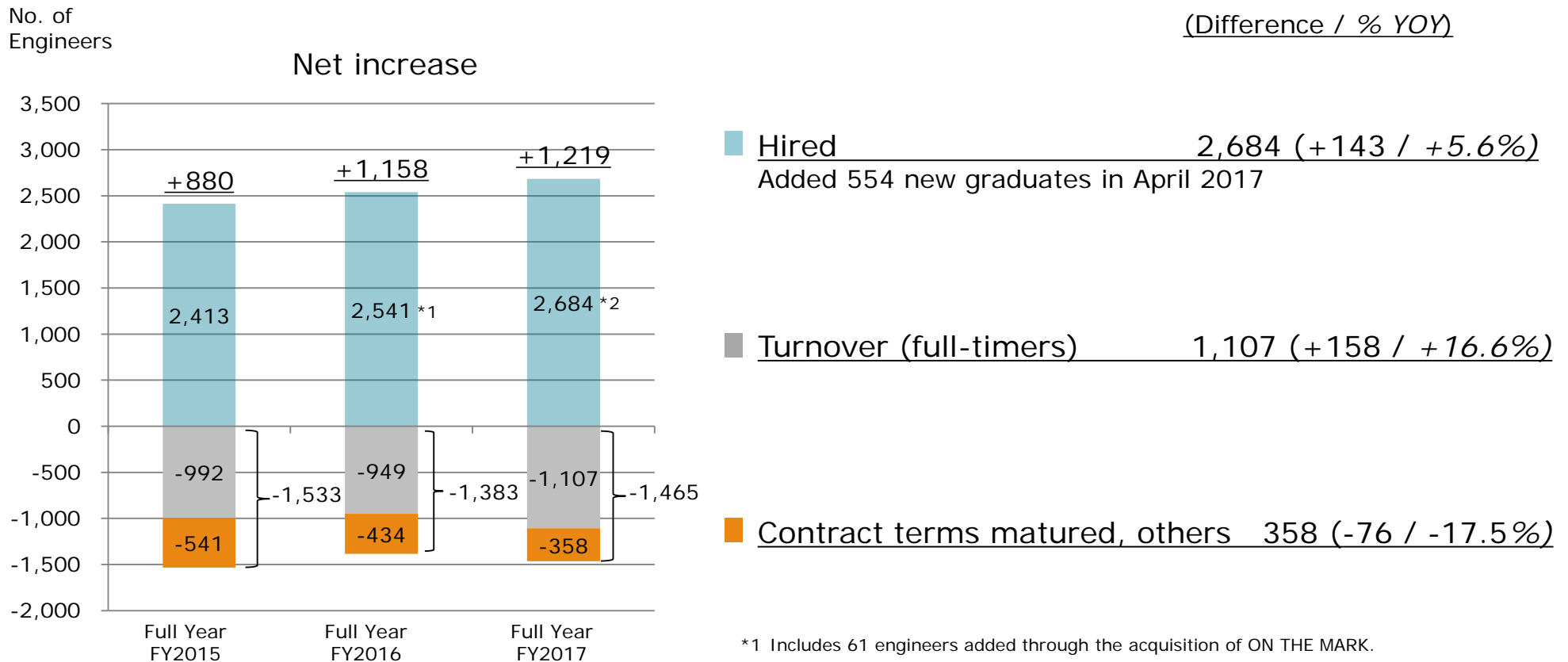
# Number of Engineers & Utilization Rate

- Total engineers on payroll were 14,346 at FY2017 year end, with net increase of 1,219 from the end of previous fiscal year
- Average utilization rate was 95.3% for FY2017, maintaining optimal 95% - 96% range



# Recruitment/Turnover

- Hired 2,684 engineers (up 5.6% YOY, up 11.2% from FY2015)
- Turnover rate (full-timers): 8.1% (FY2016: 7.6%, FY2015: 8.7%)



\*1 Includes 61 engineers added through the acquisition of ON THE MARK.

\*2 Includes 51 engineers added through the acquisition of Yaskawa Information Embedded (renamed to "TechnoPro Embedded" after acquisition).

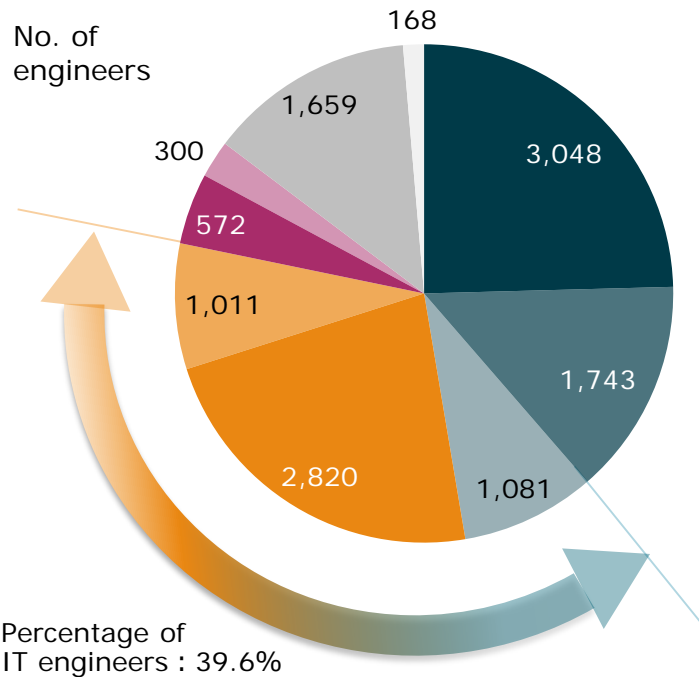


# Assigned Engineers by Technology

- Number of assigned engineers\* increased in almost all technologies
- Strong demand for IT engineers continues

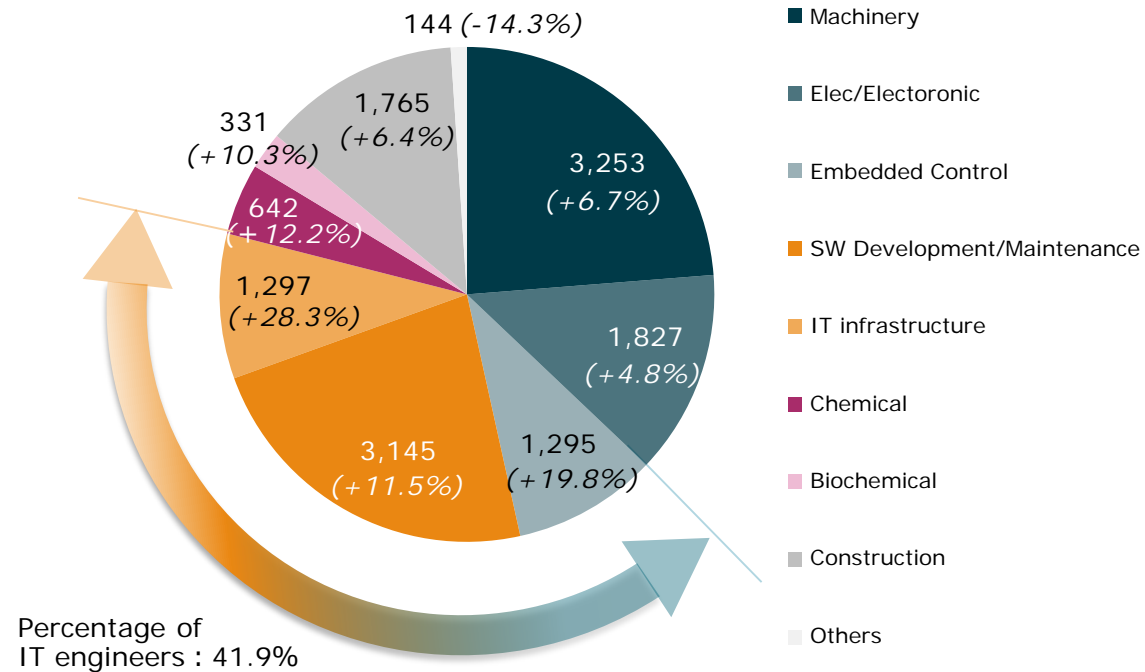
End of June 2016

Assigned engineers: 12,402



End of June 2017

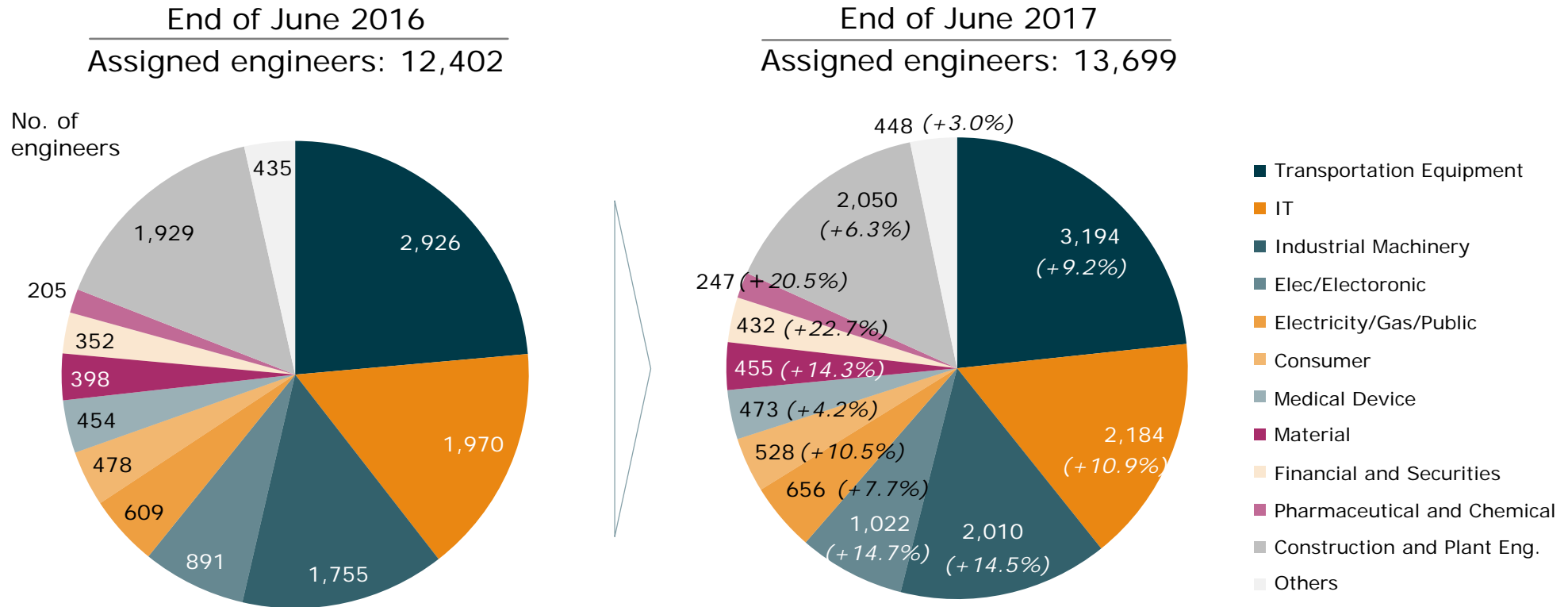
Assigned engineers: 13,699



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

# Assigned Engineers by Industrial Sectors

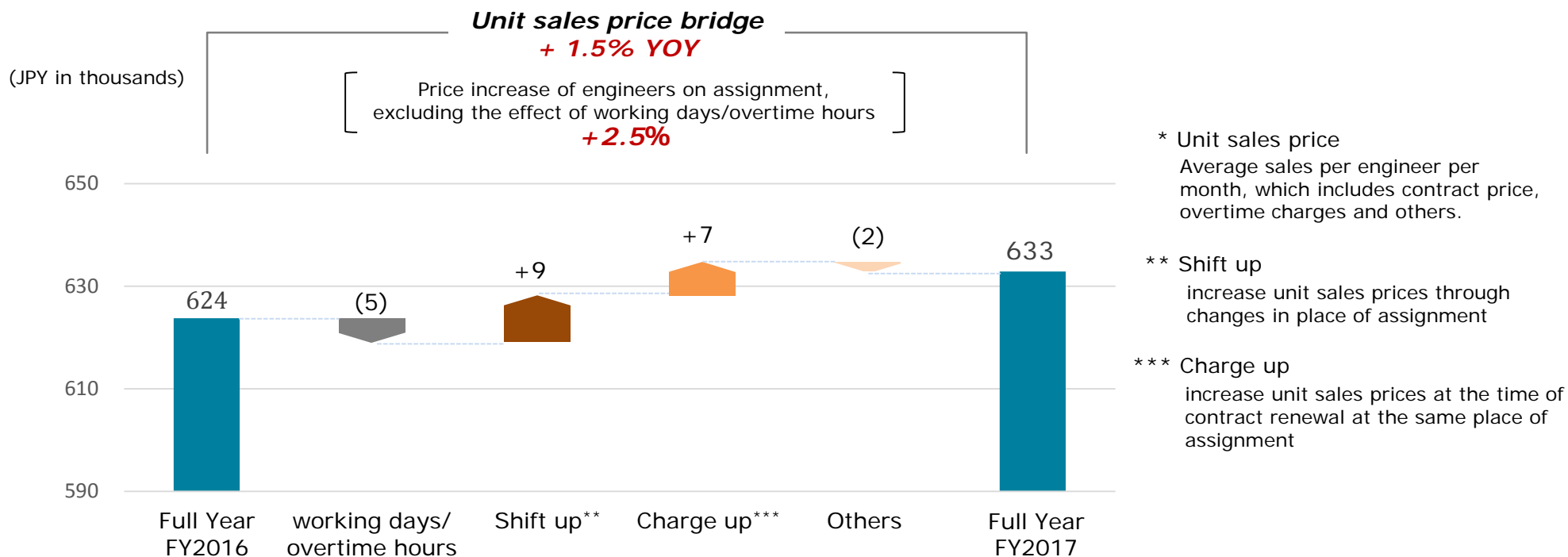
- Number of assigned engineers\* increased in all industrial sectors



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

# Unit Sales Price

- Unit sales price\* increased 1.5% (up JPY 9,000/month YOY) to JPY 633,000
- Decreased JPY 5,000/month YOY due to fewer working days (down 0.1 days) and shorter overtime hours (down 0.1 hours/day)
- Increased JPY 9,000/month by shift up\*\* and JPY 7,000/month by charge up\*\*\*



Amounts are rounded off to the nearest unit.

# FY2018 Guidance

- +9% revenue growth and +10% operating profit growth in FY2018
- Commitment to keep dividend above previous fiscal year, even expecting net profit to decline slightly due to tax rate hike in the final year of three-year tax normalization process

(JPY in millions, except per share amounts)

	Actual			Guidance	
	Full Year FY2016 (Actual)	Full Year FY2017 (Actual)	YOY	Full Year FY2018 (Guidance)	YOY
Revenue	90,323	100,095	+ 10.8%	109,000	+ 9%
Gross profit (GP)	21,328	23,435	+ 9.9%	25,600	+ 9%
<i>GP margin</i>	23.6%	23.4%		23.5%	
SG&A expenses	12,831	13,872	+ 8.1%	15,300	+ 10%
<i>Ratio on revenue</i>	14.2%	13.9%		14.0%	
Operating profit (OP)	8,494	9,647	+ 13.6%	10,600	+ 10%
<i>OP margin</i>	9.4%	9.6%		9.7%	
Profit before income taxes	7,920	9,559	+ 20.7%	10,500	+ 10%
Net profit**	7,359	7,717	+ 4.9%	7,600	(2%)
Net profit per share	215.80	225.58	–	222.05	–
Dividend per share (Plan)	111.52	112.79	–	113.00	–
Interim dividend (Plan)	50.00	50.00	–	50.00	–

KPI	Full Year FY2016 (Actual)	Full Year FY2017 (Actual)	YOY	Full Year FY2018 (Guidance)	YOY
Engineers (year end)	13,127	14,346	+ 9.3%	15,400	+ 7%
Utilization rate	95.1%	95.3%	+0.2%	95-96%	–

\* Amounts are rounded down to the nearest unit.

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

# Disclaimer

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