

# Strategic framework for long-term value creation

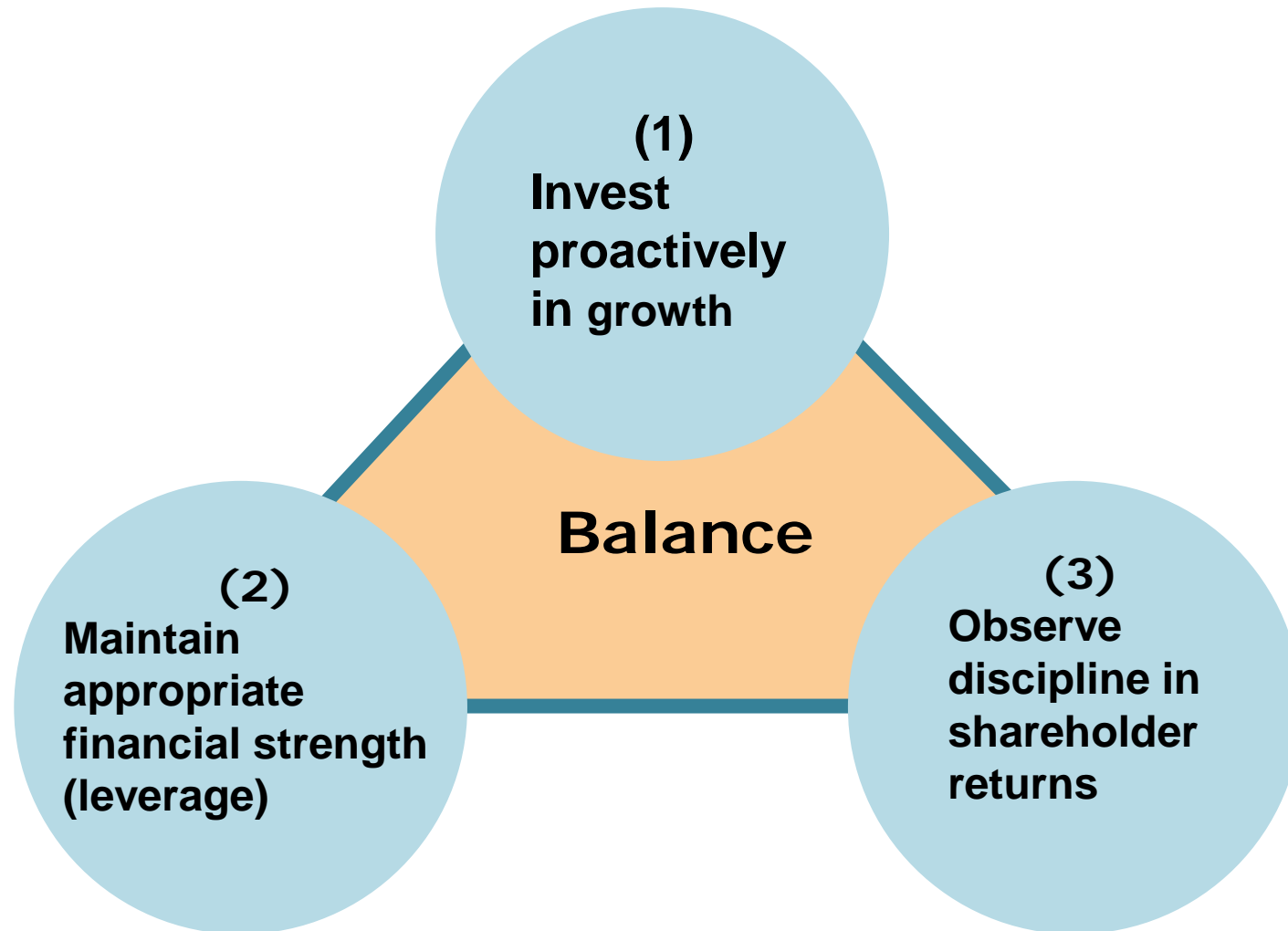
## Capital Policies

July 31, 2017

Hiroshi Sato, CFO

# Creating Value for the TechnoPro Group over the Medium to Long Term

## <Fundamental Thinking behind Our Strategic Financing Framework>



## (1) Investments for Growth

Investing to Create Value over the  
Medium to Long Term

**M&A, Development of new  
technologies and services**

**Employee cultivation and growth**

**ESG initiatives**



✓ **Long-term sustainable profit  
growth, EPS improvement**

Management team commitment:  
Introduce RS (Restricted Stock)

## (2) Financial Strength (Capital Policies)

**Capital Policy Directions**

**Concentrate on EPS**

**Maintain ROE of 20% or more**



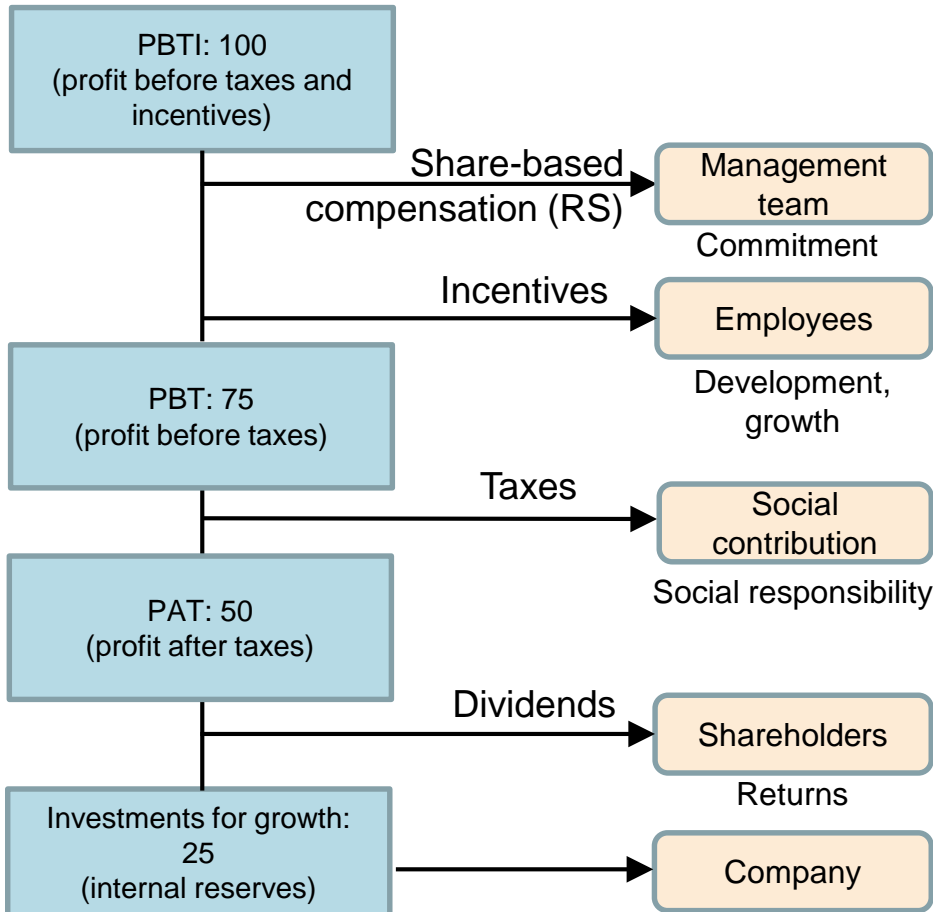
✓ **Finance mainly through debt  
(D/E < 1x)**

**(If utilizing equity for large-scale M&A, do so  
while confirming EPS growth)**

# (3) Shareholder Returns

## Value Distribution Policy

- To achieve sustainable, long-term growth, we share value equally among stakeholders (Figures are for reference only,  $P \approx C/F$ )



## Basic Policy on Shareholder Returns

Maintain a **dividend payout ratio of 50% or more** (reserve buybacks as an option)

Above **DOE of 10%**

# Appendix

We **maintain an appropriate level of financial strength**, taking into account the characteristics of our core business (recurring earnings).

Indicators of Financial Strength	June 30, 2017
Total equity/goodwill	94%
D/E ratio	0.6
Net worth ratio	39%

Our **risk of goodwill impairment is slight**, as we have a low base for such impairment (carrying value of goodwill).

[FYE 06/17]

(Billions of yen)	Cash-Generating Units	Carrying Value
	Machinery, electrical/electronic	13.8
	Embedded control, IT infrastructure	8.0
	Software development/maintenance	3.0
	Chemical/biochemical	1.3
	Construction management	3.4
	Others	0.1
	<b>Total</b>	<b>29.5</b>

\* Valuation of goodwill based on the recoverable amount calculated from future amount of earnings obtainable from each cash-generating unit

\*\*This amount is presented in our annual securities report. (This fiscal year, we plan to begin translating sections of this report into English.)

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## Point 1

Goodwill impairment is considered based on the fair value\* and carrying value\*\* of the goodwill.

⇒ **Currently, the fair value of our goodwill is around five times its carrying value.**

## Point 2

Impairment of the full amount would only occur if net profit **remained** negative.

⇒ **The ordinary profit of our cash-generating units has been consistently positive since FY06/10.**

## Point 3

**New M&A (goodwill) can also be incorporated into existing recurring-revenue-type cash-generating units.**

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