



TechnoPro Group Financial Results for Fiscal Year Ended June 2018

TechnoPro Holdings, Inc.

July 31, 2018



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* KPI excludes 'Other' business.

FY2018 Overview

- Delivered strong full-year performance for FY2018: revenue increased JPY 16.4 billion (up 16.4%) year-over-year, operating profit increased JPY 1.59 billion (up 16.5%) year-over-year
- Proposed full-year dividend of JPY 120.00 per share, 50% payout ratio to net profit of JPY 8,498 million (EPS was calculated by the average number of outstanding shares during the period)

(JPY in millions, except per share amounts)

	Quarterly			Full Year				
	Q4 FY2017 (Actual)	Q4 FY2018 (Actual)	YOY	Full Year FY2017 (Actual)	Full Year FY2018 (Actual)	YOY	vs. Guidance	Full Year FY2018 Guidance
Revenue	25,953	32,185	+24.0%	100,095	116,529	+16.4%	+4.5%	111,500
Gross profit (GP)	5,987	8,086	+35.1%	23,435	29,475	+25.8%	+7.0%	27,541
GP margin	23.1%	25.1%		23.4%	25.3%			24.7%
SG&A expenses	3,762	5,641	+49.9%	13,872	18,237	+31.5%	+11.3%	16,391
Ratio on revenue	14.5%	17.5%		13.9%	15.7%			14.7%
Operating profit (OP)	2,239	2,591	+15.7%	9,647	11,238	+16.5%	+1.2%	11,100
OP margin	8.6%	8.1%		9.6%	9.6%			10.0%
Profit before income taxes	2,217	2,603	+17.4%	9,559	11,163	+16.8%	+1.5%	11,000
Net profit**	1,844	2,061	+11.8%	7,717	8,498	+10.1%	+4.9%	8,100
Net profit per share	—	—	—	225.58	244.81	—	—	236.53
Dividend per share (forecast)	—	—	—	112.79	120.00	—	—	118.30

* Amounts are rounded down to the nearest unit.

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

Business Line Results FY2018

- Provides earnings information (managerial) for each line of business, considering expanding business portfolio other than engineer staffing
- Engineers totaled 17,666: 16,797 in Japan, 869 in other countries

(JPY in millions, except headcounts and sales per head)

	Engineer staffing (Japan, two subsidiaries)			Others (Japan)			Others (overseas)			HQ expenses & Consolidation adj., etc.			Consolidated		
	FY2017 (Actual)	FY2018 (Actual)	YOY	FY2017 (Actual)	FY2018 (Actual)	YOY	FY2017 (Actual)	FY2018 (Actual)	YOY	FY2017 (Actual)	FY2018 (Actual)	YOY	FY2017 (Actual)	FY2018 (Actual)	YOY
Revenue	96,862	108,626	+12.1%	3,406	6,743	+98.0%	754	2,200	+191.7%	(927)	(1,039)	-	100,095	116,530	+16.4%
Operating profit (OP)	13,580	16,084	+18.4%	350	691	+97.4%	(17)	128	-	(4,265)	(5,664)	-	9,647	11,239	+16.5%
OP margin	14.0%	14.8%	-	10.3%	10.2%	-	(2.3%)	5.8%	-	-	-	-	9.6%	9.6%	-

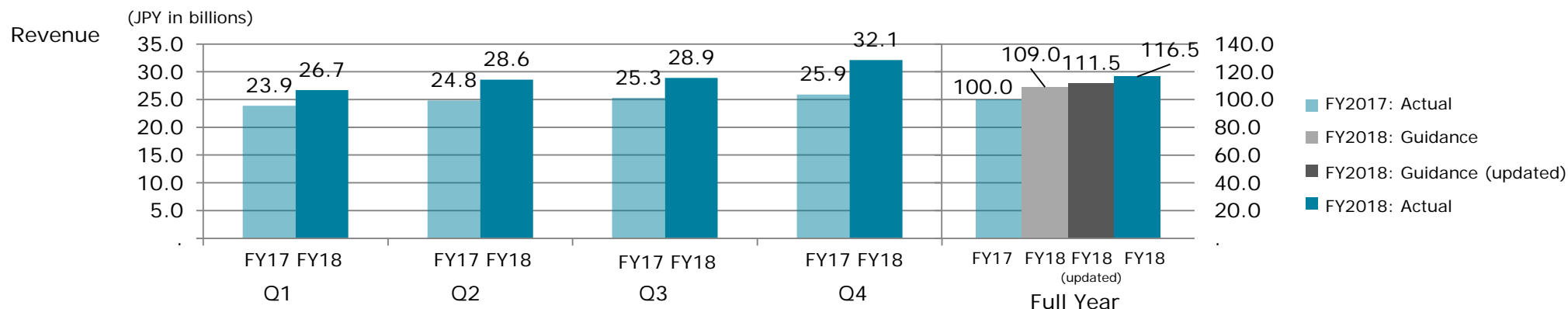
													Consolidated (excl. overseas)		
No. of engineers	14,233	16,183	+13.7%	113	614	+443.4%	-	-	-	-	-	-	14,346	16,797	+17.1%
Non-Japanese	550	756	+37.5%	0	0	-	-	-	-	-	-	-	550	756	+37.5%
No. of engineers (overseas)	-	-	-	-	-	-	250	869	247.6%	-	-	-	-	-	-
Utilization rate	95.3%	95.7%	-	-	-	-	-	-	-	-	-	-	95.3%	95.7%	-
Sales per head (JPY in thousands)	626	630	-	-	-	-	-	-	-	-	-	-	-	-	-

* Amounts are rounded down to the nearest unit.

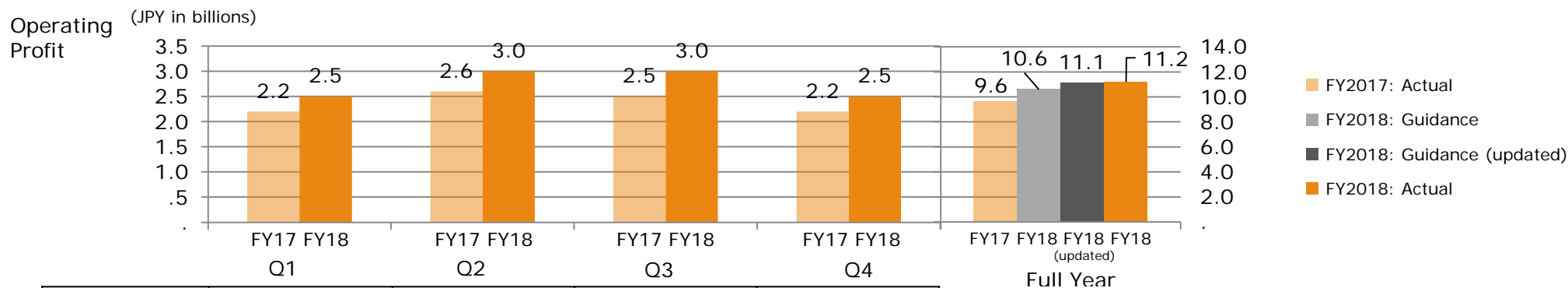
- Engineer staffing* includes TechnoPro, Inc., TechnoPro Construction
- Earnings in *Others (Japan)* includes TechnoPro Careers, Pc Assist, ON THE MARK, TechnoPro Embedded (absorbed to TechnoPro, Inc. on Oct. 1, 2017), Boyd & Moore Executive Search, EDELTA, PROBIZMO, Techno Live
- No. of engineers* in *Others (Japan)* includes ON THE MARK, TechnoPro Embedded, EDELTA, PROBIZMO, Techno Live
- Other (overseas)* includes TechnoPro China, Helius Technologies
- HQ expenses & Consolidation adj., etc.* includes TechnoPro Holdings, TechnoPro Smile, consolidation adjustment

Quarterly Performance

- Revenue increased JPY 16.4 billion compared to FY2017, exceeded updated guidance announced on February 2, 2018 by 4.5%
- Operating Profit increased JPY 1.59 billion compared to FY2017, exceeded updated guidance announced on February 2, 2018 by 1.2%



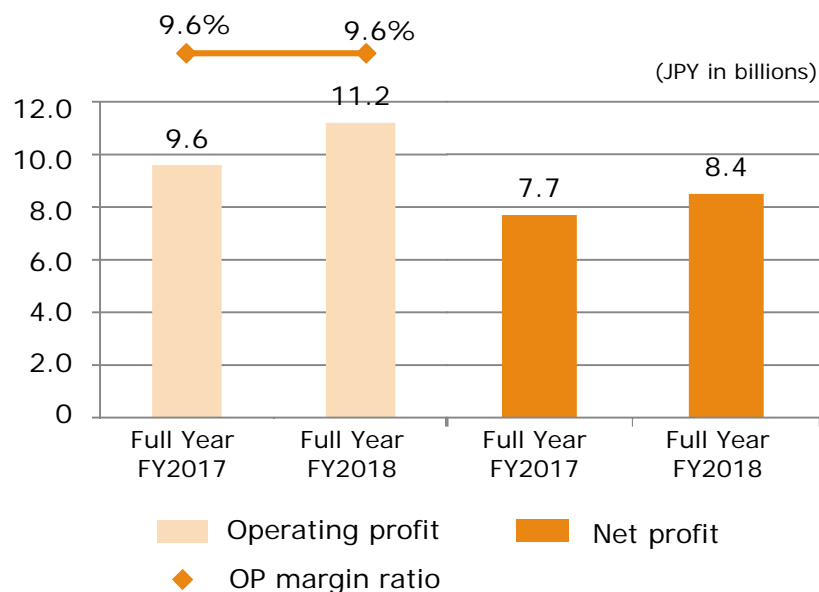
Composition %	24%	23%	25%	25%	25%	25%	26%	28%	
YOY	11.5%		15.4%		14.3%		24.0%		16.4%



Composition %	23%	22%	27%	27%	26%	28%	23%	23%	
OP ratio	9.4%	9.4%	10.6%	10.6%	9.9%	10.7%	8.6%	8.1%	9.6%
YOY	11.0%		15.3%		23.5%		15.7%		16.5%

* Amounts are rounded down to the nearest unit.

P&L Summary



[Account classification change]
 Both gross profit and SG&A increased by JPY 830 million (ratio to revenue up 0.7%)
 (JPY in millions, amounts are rounded down to the nearest unit)

	Full Year FY2017	Full Year FY2018	Classification Change Adj.
Gross profit (GP)	23,435	29,475	28,644
GP margin	23.4%	25.3%	24.6%
SG&A expenses	13,872	18,237	17,406
Ratio on revenue	13.9%	15.7%	14.9%

† Includes recruiting/training expenses (incl. expenses for new graduates), IT systems investment, M&A related expenses, PPA amortization, etc.

(JPY in billions)	Full Year FY2017	Full Year FY2018	Diff. YOY	YOY (%)
Revenue	100.0	116.5	+16.4	+16.4%
Impact of engineer increase (two subsidiaries)			+11.1	
Impact of unit sales price increase (two subsidiaries)			+0.6	
Contribution from M&As in FY2018			+4.6	
CoGs	76.6	87.0	+10.3	+13.6%
Ratio to revenue	<u>76.6%</u>	<u>74.7%</u>	<u>(1.9pt)</u>	
Gross profit	23.4	29.4	+6.0	+25.8%
Ratio to revenue	<u>23.4%</u>	<u>25.3%</u>	<u>+1.9pt</u>	
Impact of account classification change			+0.7pt	
Impact of utilization rate rise			+0.4pt	
Others (other than engineer staffing)			+0.8pt	
SG&A	13.8	18.2	4.3	+31.5%
Ratio to revenue	<u>13.9%</u>	<u>15.7%</u>	<u>+1.8pt</u>	
Impact of account classification change			+0.7pt	
Others†			+1.1pt	
Other income – Other expenses	0	0	0	
Operating profit	9.6	11.2	+1.5	+16.5%
Financial income	0	0	+0	
Financial expenses	0	0.1	+0	
Net profit before income taxes	9.5	11.1	+1.6	+16.8%
Corporate / income taxes	1.8	2.6	+0.8	
Net Profit	7.7	8.4	+0.7	+10.1%

* Amounts are rounded down to the nearest unit.

Balance Sheet & Cash Flow

- Total equity increased JPY 15.2 billion compared to the end of previous year, including JPY 12.3 billion proceeds from new share issuance on March 22, 2018
- PPA[†] increased JPY 2.3 billion from the end of previous year
- FY2018 consolidated balance sheet does not include TOQO.Co.Ltd, whose acquisition announced on June 29, 2018

(JPY in billions)

June 2017

Cash & cash equivalents 13.3	Debt 16.2
Goodwill 29.5	Other liabilities 26.3
Deferred tax assets 3.6	
Intangible assets (PPA) 0.6	Total equity 27.6
Other assets 23.1	

Total assets
70.1

Total liabilities & equity
70.1

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

[†] PPA (Purchase Price Allocation): An operation allocating the purchase price to the assets and liabilities of the acquired company at fair value in the acquirer's consolidated balance sheet

^{††}, ^{†††} Includes non-controlling interests

June 2018

Cash & cash equivalents 21.6	Debt 11.6
Goodwill 34.4	Other liabilities 33.7
Deferred tax assets 3.9	
Intangible assets (PPA) 2.9	Total equity 42.9
Other assets 25.4	

Total assets
88.2

Total liabilities & equity
88.2

D/E ratio^{††}: 0.3 x
Net D/E ratio^{†††}: (0.2 x)
Net worth ratio: 48.7%

June 2018 Cash Flow

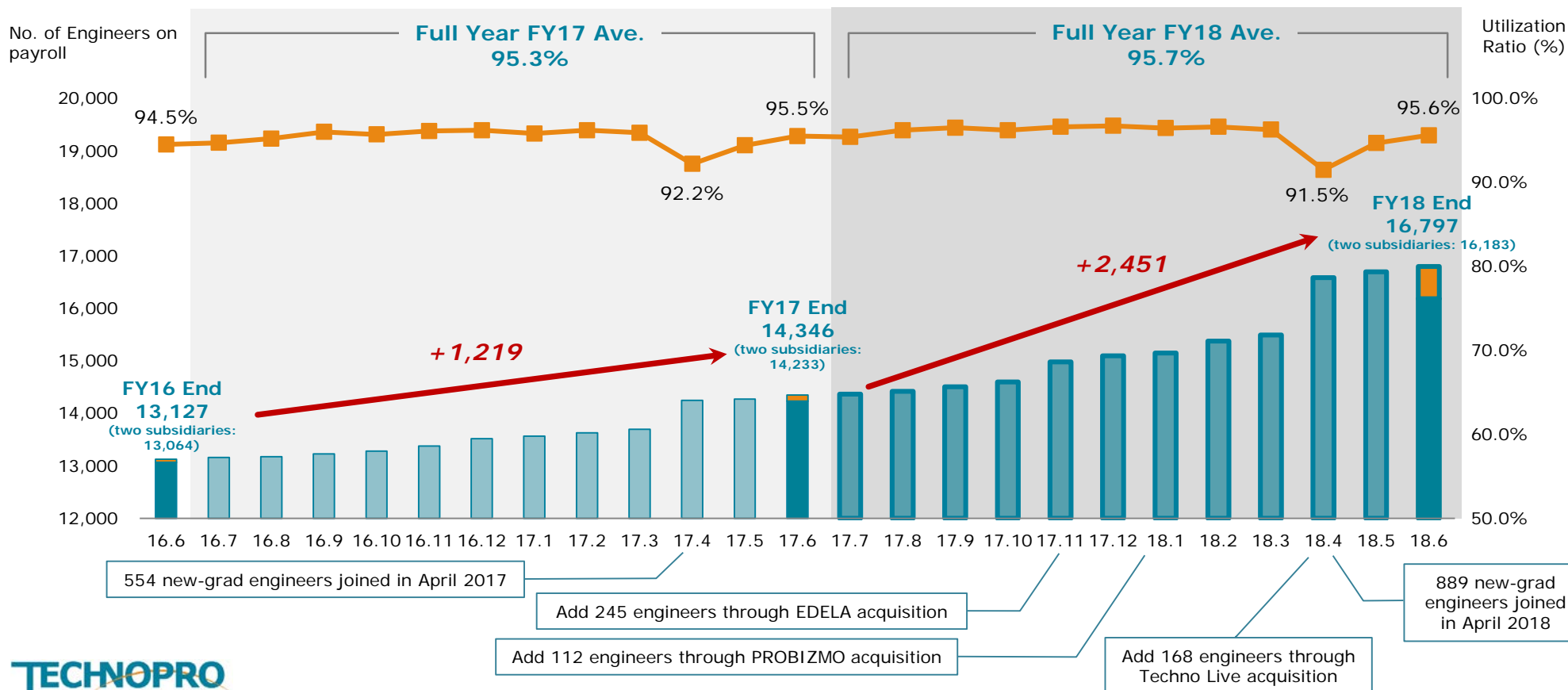
• Operating CF	10.7
• Investing CF	(5.3)
• Financing CF	2.8
Net CF	8.2

FCF 5.4

* Amounts are rounded down to the nearest unit.

Number of Engineers & Utilization Rate: Japan

- In Japan, total engineers on payroll were 16,797 at the end of FY2018 (up 2,451 year-over-year) including 756 non-Japanese engineers (up 206 year-over-year)
- Employed 16,183 at two engineer staffing companies (TechnoPro, Inc. and TechnoPro Construction, Inc.)
- Average utilization rate of 95.7% for FY2018 (up 0.4% year-over-year)
- Employed 869 engineers at locations outside Japan (excluded from figures in this slide)

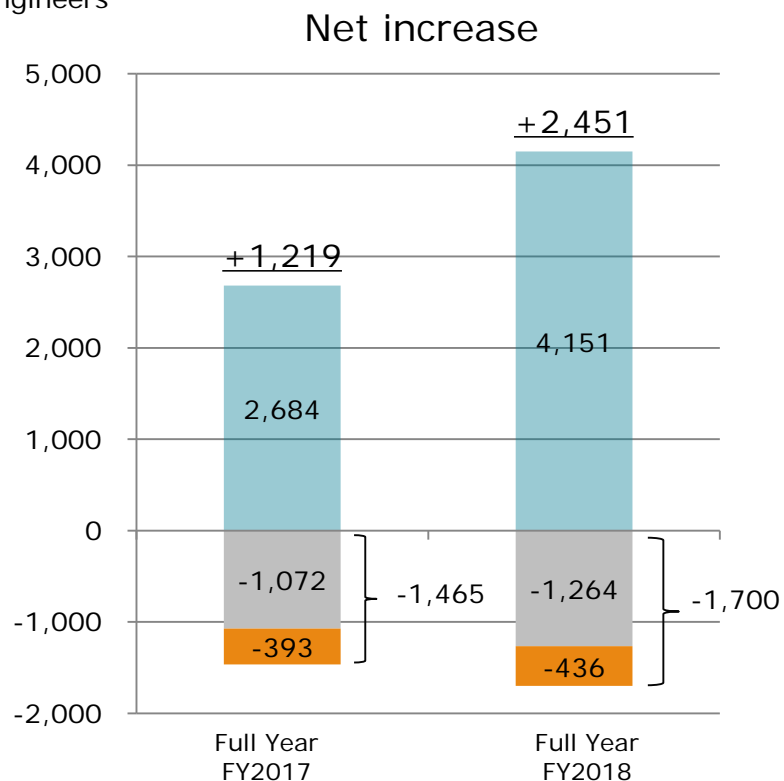


Recruitment/Turnover: Japan

- Hired 4,151 engineers (up 54.7% year-over-year)
- Turnover rate (full-timers) for FY2018: 8.1% (FY2017: 7.9%)

No. of
Engineers

(Difference / % YOY)



Hired 4,151 (+1,467 / +54.7%)

Added 245 engineers through EDELTA acquisition

Added 112 engineers through PROBIZMO acquisition

Added 168 engineers through Techno Live acquisition

[Total engineers acquired through M&A: 525]

Turnover (full-timers) 1,264 (+192 / +17.9%)

Contract terms matured, others 436 (+43 / +10.9%)

[Turnover Trend]*

	FY2017				FY2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarterly	8.4%	6.6%	9.3%	7.2%	9.0%	7.0%	9.4%	7.6%
YTD	—	7.5%	8.1%	7.9%	—	7.9%	8.5%	8.1%

*Correction made to previous figures

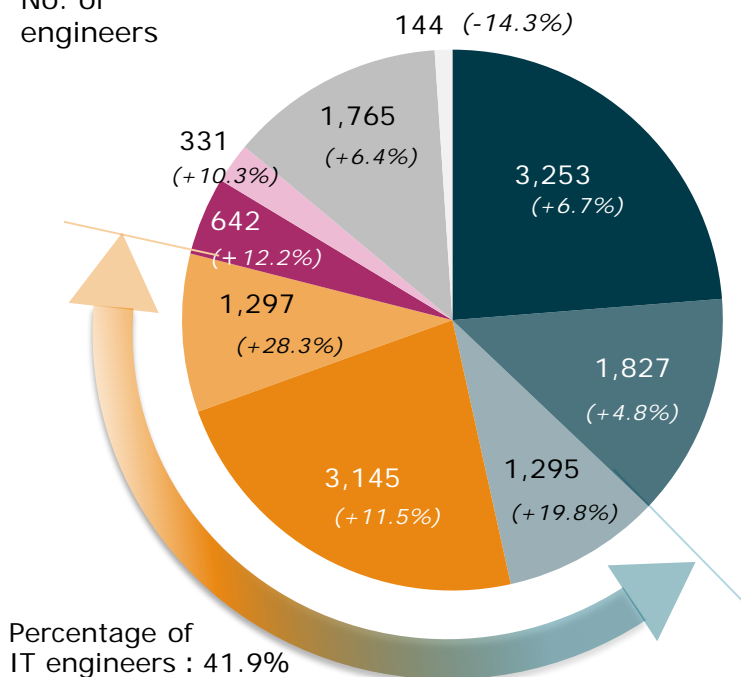
Assigned Engineers by Technology: Japan

- Number of assigned engineers* increased in all technologies
- Strong demand for IT engineers continued
- Engineers increased in software development driven by acquisition of EDELTA and PROBIZMO, Techno Live employs both mechanical/electrical engineers and IT engineers

End of June 2017

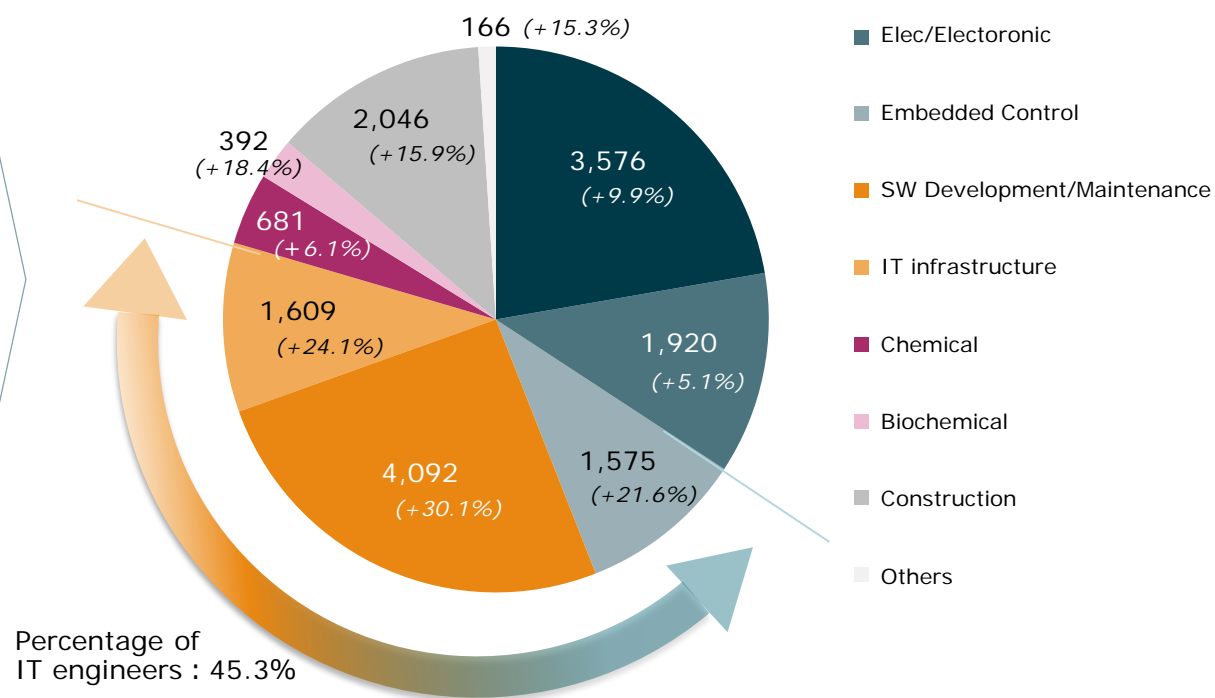
Assigned engineers: 13,699

No. of engineers



End of June 2018

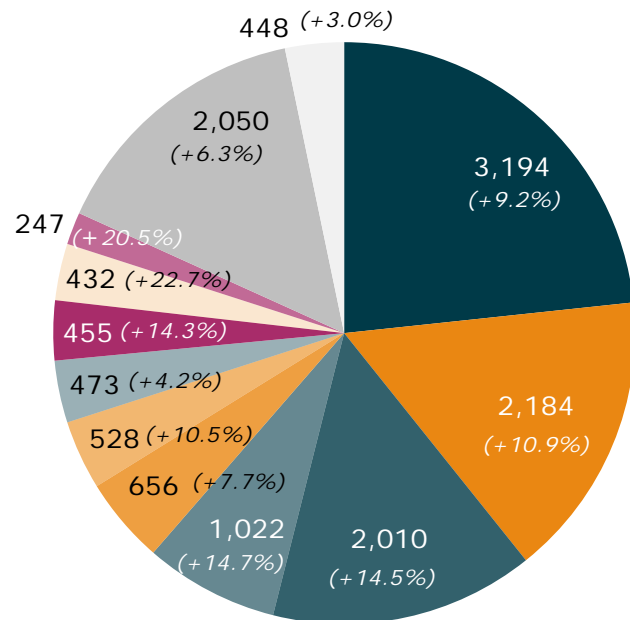
Assigned engineers: 16,057



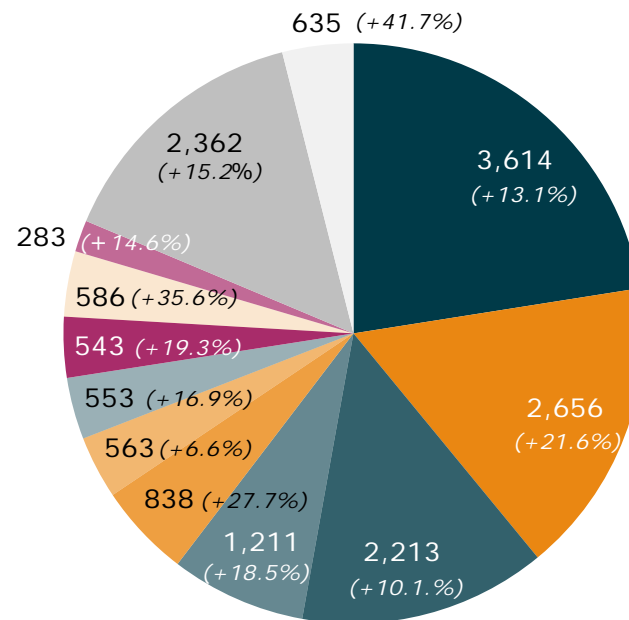
Assigned Engineers by Industrial Sectors: Japan

- Number of assigned engineers* increased in all industrial sectors

End of June 2017
Assigned engineers: 13,699



End of June 2018
Assigned engineers: 16,057

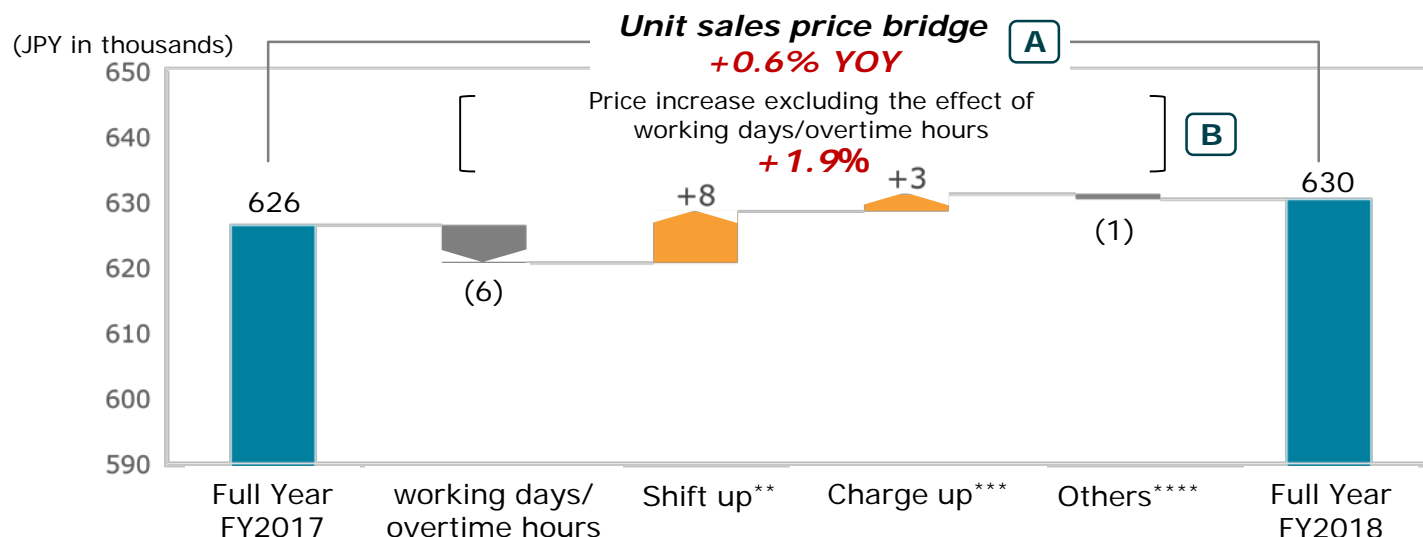


- Transportation Equipment
- IT
- Industrial Machinery
- Elec/Electronic
- Electricity/Gas/Public
- Consumer
- Medical Device
- Material
- Financial and Securities
- Pharmaceutical and Chemical
- Construction and Plant Eng.
- Others

Unit Sales Price

Engineer Staffing Companies: TechnoPro, Inc., TechnoPro Construction, Inc.

- Unit sales price* increased 0.6% (up JPY 3,900/month year-over-year) to JPY 630,000
- Decreased JPY 6,000/month year-over-year due to fewer working days (down 1.1 days/year) and shorter overtime hours (down 0.1 hours/day)
- Increased JPY 8,000/month by shift up** and JPY 3,000/month by charge up***



* Unit sales price
Average sales per engineer per month, which includes contract price, overtime charges and others. Excludes impact of outsourced development services

** 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

**** Others
Impact from other factors than engineers on assignment (e.g.: new graduate engineers, etc.)

[Price Development]

	FY2017				FY2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Price (year-to-date)	617	623	626	626	620	629	629	630
YOY A	+0.1%	+0.4%	+0.1%	+0.6%	+0.5%	+1.1%	+0.6%	+0.6%
Price increase of engineers on assignment† (excluding impact from working days/overtime hours) B	+2.6%	+2.6%	+2.6%	+2.8%	+2.7%	+2.6%	+2.7%	+1.9%

Amounts are rounded off to the nearest unit.

† Below table indicates figures calculated by comparing unit price at the end of period

Price increase of engineers on assignment (excluding impact from working days/overtime hours)	+2.8%	+2.8%	+2.7%	+2.9%	+3.0%	+2.8%	+2.7%	+3.0%
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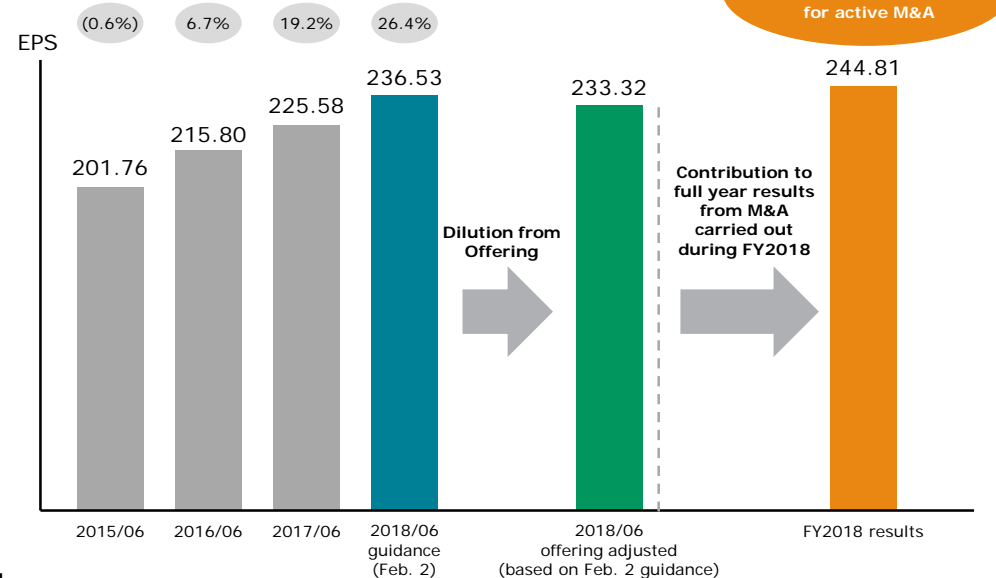
New Share Issuance Overview [announced on March 22, 2018]

[Issuance Overview]

- Shares offered: 2,000,000 shares of common stock
- Offer Price: JPY 6,439 per share
- Underwriting value: JPY 6,165 per share
- Net proceeds from offering: JPY 12,330 million
- Discount rate: 6.00%
(Calculation base date and price: JPY 6,850 as of March 22)
- Closing date: Friday, April 6, 2018
- Purpose: To spend approx. JPY 9.0 billion to redeem a part of the outstanding borrowings utilized for M&A; remaining amount to be used for IT systems investment

<EPS* Growth>

● = Tax rate



* Calculates EPS using the average number of outstanding shares during the period

Achieved growth exceeding guidance (EPS: JPY 236.53, DPS: JPY 118.3) announced on February 2, 2018 prior to the issuance

Strengthen financial foundation to promote active and swift M&A

FY2019 Guidance

- For FY2019, expects 15.9% growth in revenue, 20.1% growth in operating profit compared to FY2018 results
- Maintaining good performance momentum with stable growth in engineer staffing business, underpinned by full-year contribution from acquired companies during FY2018 period
- Guidance excludes possible impact from further M&As in the future; provides financial results for each business line quarterly

(JPY in millions, except per share amounts)

	Full Year FY2017	Full Year FY2018		Full Year FY2019	
	Actual	Actual	YOY	Guidance	YOY
Revenue	100,095	116,529	+16.4%	135,000	+15.9%
Gross profit (GP)	23,435	29,475	+25.8%	34,000	+15.4%
<i>GP margin</i>	23.4%	25.3%		25.2%	
SG&A expenses	13,872	18,237	+31.5%	20,500	+12.4%
<i>Ratio on revenue</i>	13.9%	15.7%		15.2%	
Operating profit (OP)	9,647	11,238	+16.5%	13,500	+20.1%
<i>OP margin</i>	9.6%	9.6%		10.0%	
Profit before income taxes	9,559	11,163	+16.8%	13,500	+20.9%
Net profit**	7,717	8,498	+10.1%	8,900	+4.7%
Net profit per share	225.58	244.81	—	245.49	—
Dividend per share (Plan)	112.79	120.00	—	123.00	—
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)	14,346	16,797	+17.1%	18,000 or more	+7.2% or higher
Utilization rate	95.3%	95.7%	0.4pt	95-96%	—

* Amounts are rounded down to the nearest unit.

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

Dividend Forecast

- Expects more than 50% dividend payout ratio and annual dividend of 123.00 yen per share
- 1.69% expected dividend yield, based on the closing price of July 27, 2018 (JPY 7,280/share)

	(JPY/share)
	FY2019
Interim dividend (forecast)	50.00
Year-end dividend (forecast)	73.00
EPS (forecast)	245.49
Payout ratio	50%

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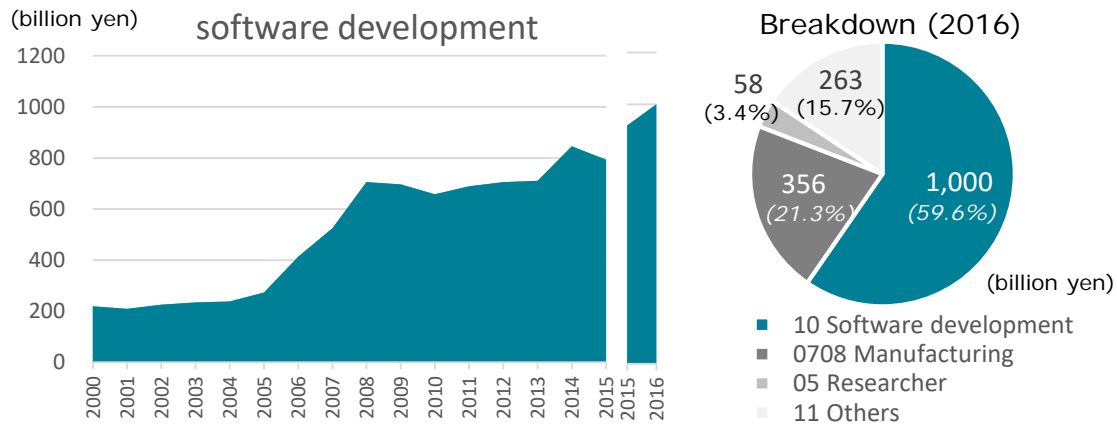
* KPI excludes 'Other' business.

Appendix: Engineer Staffing Market Overview

- Estimated the whole staffing market size is about 6.6 trillion yen. (2016)
Engineer staffing market size (including manufacturing engineers) is about 1.7 trillion yen, about 250,000 people.
- Steady economic growth of this market is forecasted because of the increasing of R&D and Software demand.

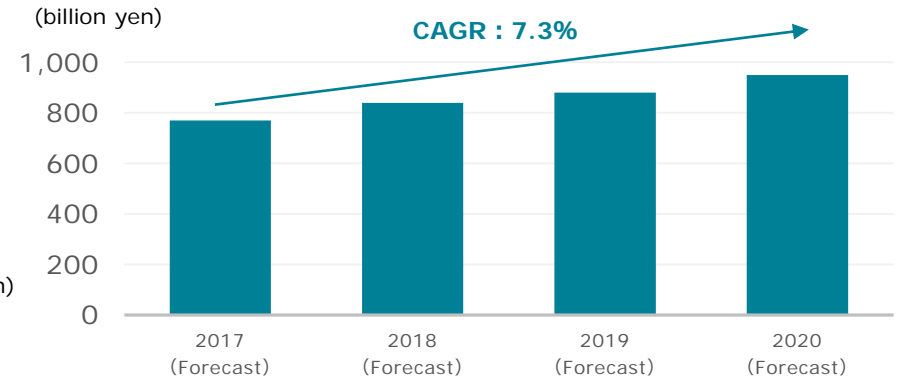
1. Transition of engineer staffing market size

Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare.



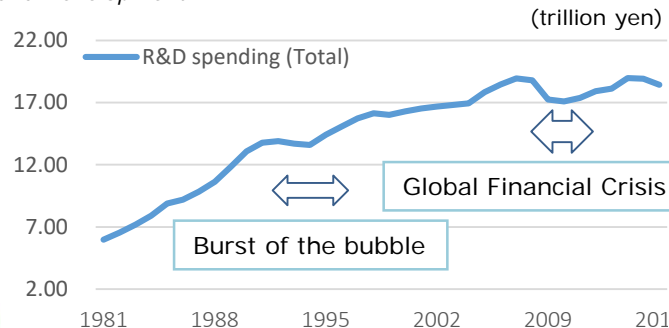
2. Forecast of engineer staffing market size

Yano Research Institute gathered information by research



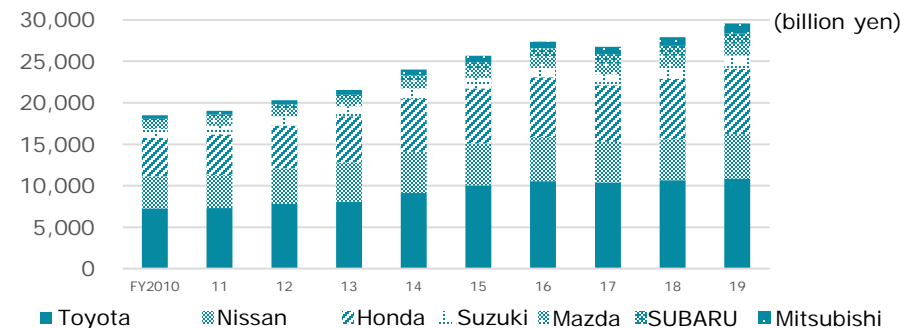
3. Transition of R&D spending in Japan

Source: Ministry of Internal Affairs and Communications statistics Bureau, *Survey of Research and Development*



4. R&D spending trend of seven major auto companies in Japan

Source: The Nikkei



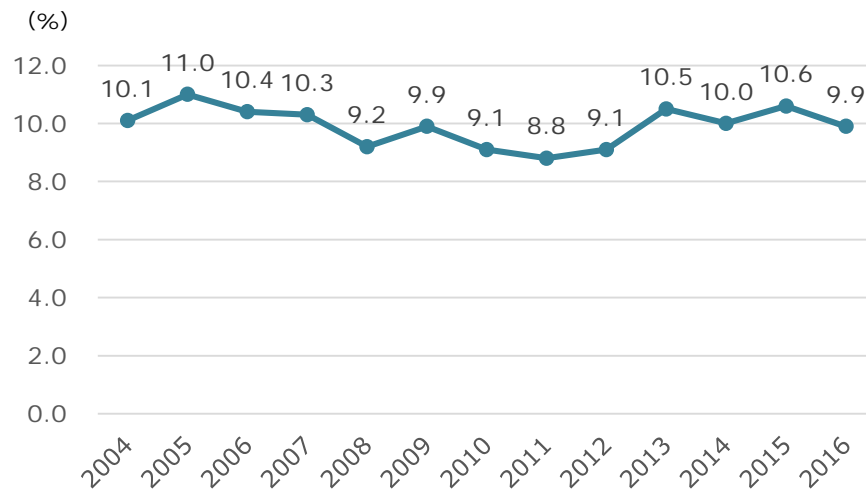
Appendix: Background of Engineer Staffing Market

Growth and our strengths – 1. Mid career market

- The turnover ratio in Japan remains around 10% which shows career-change market has a certain scale
- While the life-time employment/seniority wage system firmly remains in Japan, the number of mid-career recruitment by blue-chip companies is limited due to the gap between productivity and salary

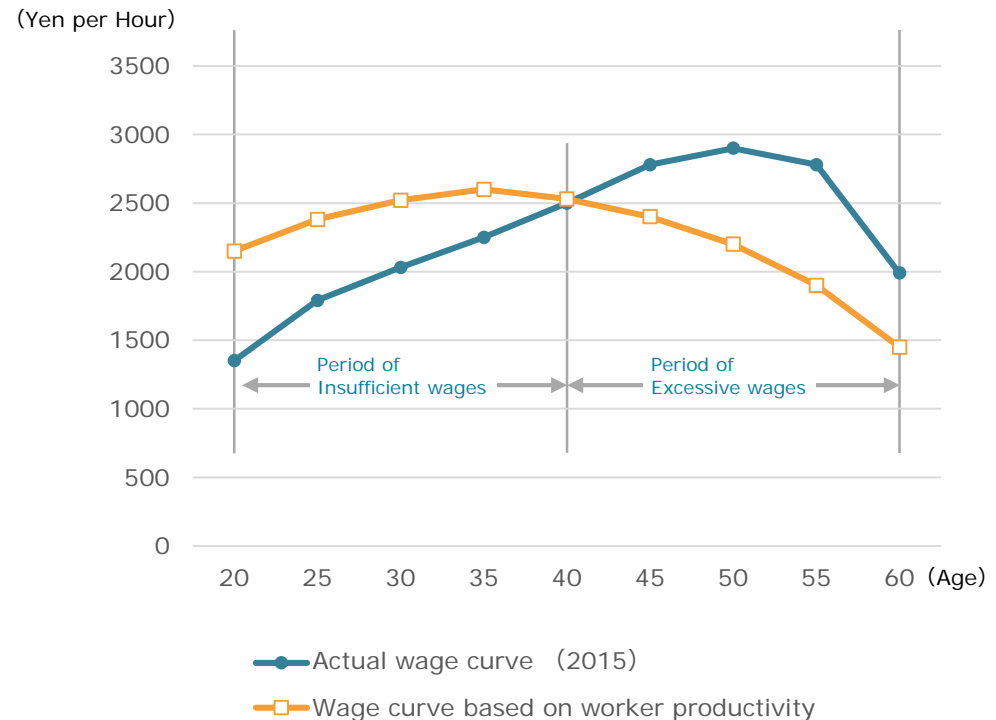
1. Turnover ratio in Japan

Source: "Employment Trends Survey",
Ministry of Health, Labour and Welfare



2. Seniority-Based Wages and Wages based on Work Productivity (Hourly)

Source: "Equity Research Reprinted Report", May 1, 2017,
Investment Information Department, Mitsubishi UFJ Morgan
Stanley Securities Co., Ltd.



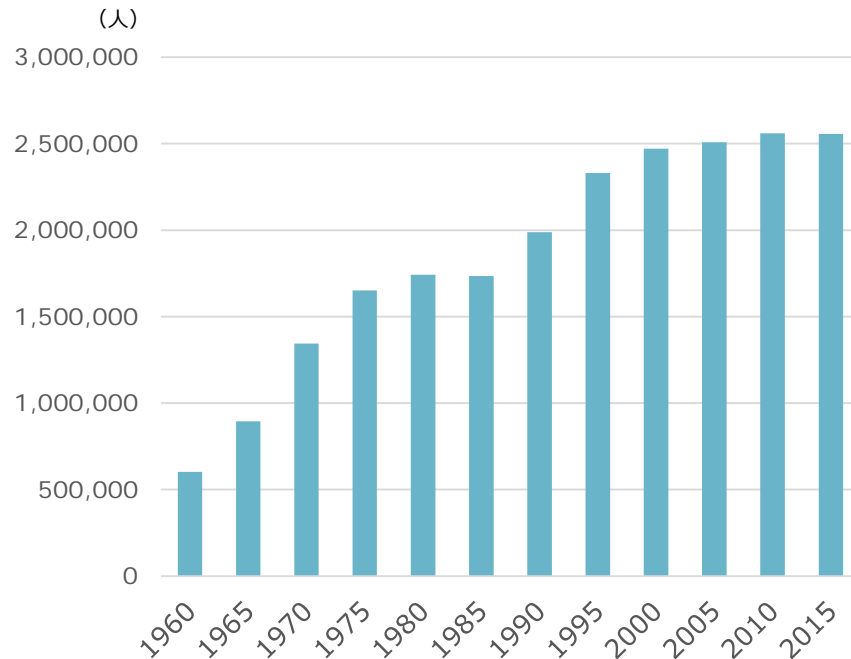
Appendix: Background of Engineer Staffing Market

Growth and our strengths – 2. New grads market

- While the young population is shrinking, the number of university graduates is slightly increasing because of higher university entrance rate.
- New grads tend to focus on blue-chip companies while such companies have limited number of openings for them

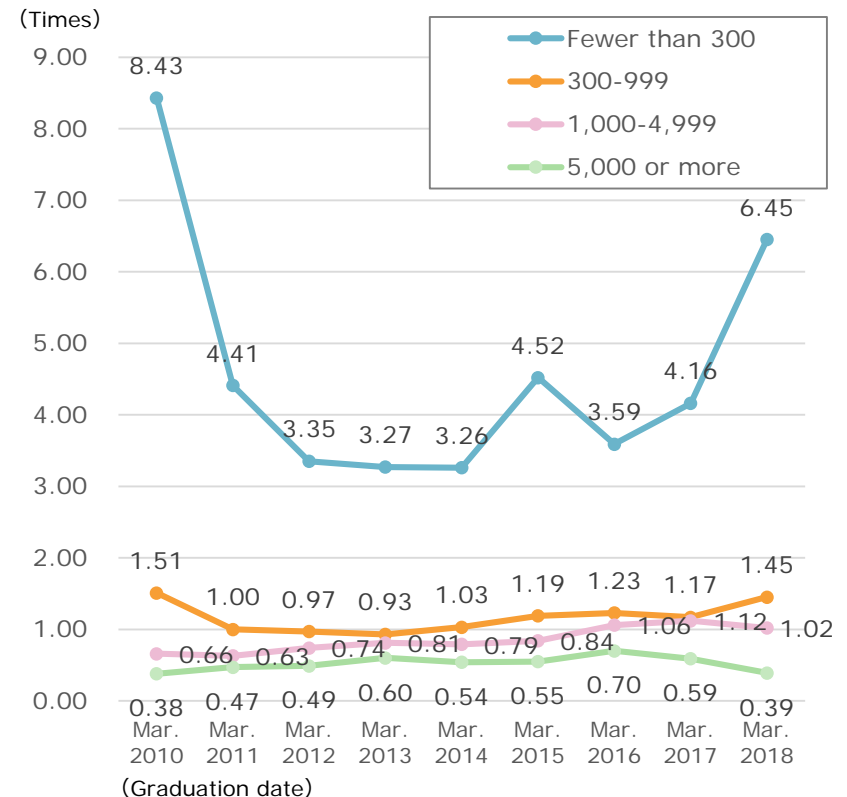
3. No. of university grads

Source: "Handbook of Education and Science statistics",
Ministry of Education, Culture, Sports, Science and Technology



4. Job-to Applicants Ratio, by Scale Based on Number of Employees

Source : "34th College Graduates Job Opening Survey",
Recruit Works Institute



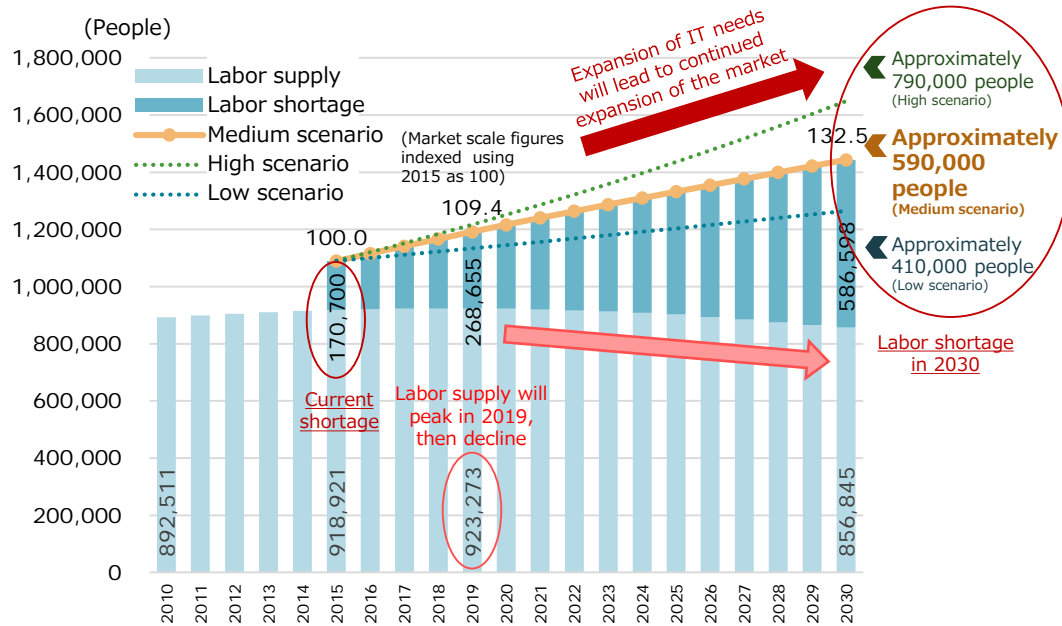
Appendix: Background of Engineer Staffing Market

Growth and our strengths – 3. Growing demand

- IT-related company is highly competitive because of a huge demand-supply mismatch in the IT sector
- Weakening demand for engineers with the spread of AI will be more than offset by the new demand for engineers

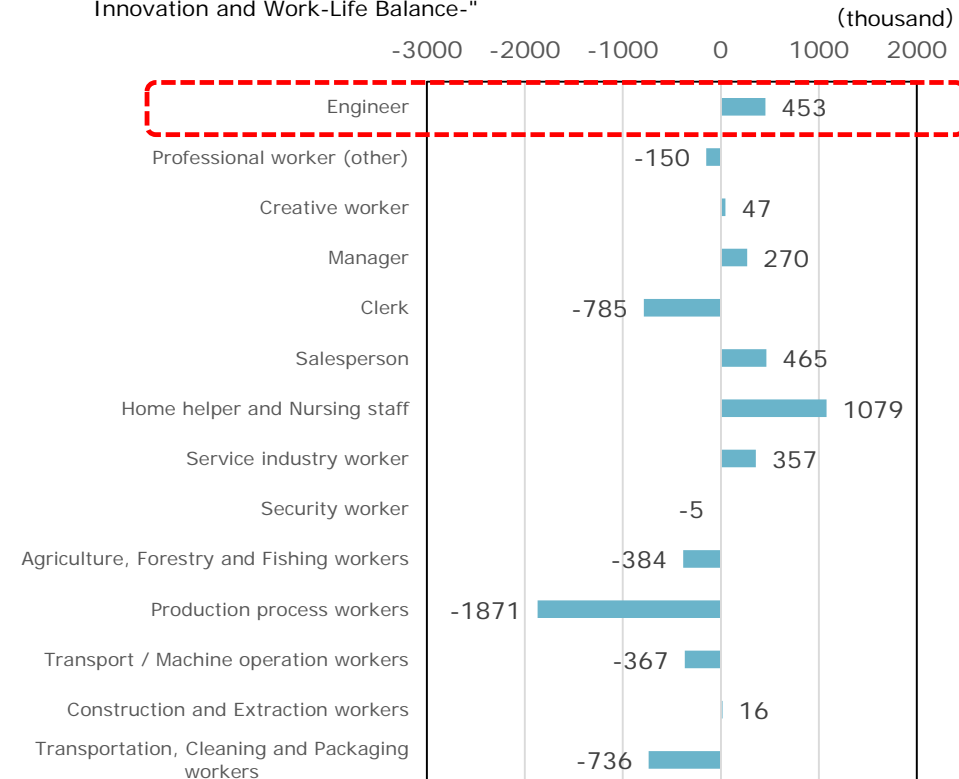
5. IT Staff Shortage Projections

Source: Ministry of Economy, Trade and Industry, *Study of Recent Trends and Future Estimates Concerning IT Human Resources*



6. Shift in workforce due to progression of AI

Source: Ministry of Health, Labour and Welfare, Labor economy white paper in 2017 "Analysis of Labor Economy - Issues for Promotion of Innovation and Work-Life Balance-"



Note: Estimated numbers comparing 2015 and 2030

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This presentation is based on the information we obtained or on the certain assumptions that we understand to be reasonable. However, this is not for the Company to represent or imply any guarantee to the accuracy or completeness of the contents.

Further, statement in this presentation may contain forward-looking information that could be impacted by various risks and uncertainties, and that may significantly affect expected results. Therefore, it is to be noted not to entirely rely on forward-looking information.

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