TechnoPro Group Financial Results for the 3rd Quarter of FYE June 2015

TechnoPro Holdings, Inc.

May 8, 2015

Copyright © TechnoPro Holdings. All rights reserved.

Table of Contents

	Page
I : Performance Summary for the 3rd Quarter*	1
II : KPI** Analysis	8
i : No. of Engineers	9
ii : Unit Sales prices	12
III : Shareholder Return Policy	13

* Cumulative 1st to 2nd to 3rd is stated as 3rd Quarter in this presentation
** KPI includes all figures except for 'Other' business areas

TECHNOPRO

Copyright © TechnoPro Holdings. All rights reserved.

the 3rd Quarter of FYE June 2015 Results & Annual Forecast

- Annual forecast made public on November 10, 2014 remains unchanged.

(JPY 100 Mil)	3rd Quarter							Full Term		
	1Q-3Q total FYE14.6 (Actual)	1Q-3Q total FYE15.6 (Actual)	Progress	YOY	3Q FYE14.6 (Actual)	3Q FYE15.6 (Actual)	YOY	Full Term 14.6 (Actual)	Full Term 15.6 (Forecast)	YOY
Revenue	551	604	75.9%	*+9.7%*	187	206	*+9.8%*	741	796	*+7.4%*
Gross profit	125	143	77.9%	*+13.6%*	42	48	*+13.8%*	168	183	*+9.0%*
GP margin	*22.8%*	*23.7%*			*22.8%*	*23.7%*		*22.7%*	*23.1%*	
SG&A expenses	79	84	74.9%	*+6.8%*	26	28	*+7.8%*	108	112	*+4.0%*
Ratio on revenue	*14.4%*	*14.0%*			*14.2%*	*13.9%*		*14.7%*	*14.2%*	
Operating profit (OP)	46	58	83.8%	*+26.1%*	16	20	*+23.9%*	56	70	*+23.2%*
OP margin	*8.4%*	*9.7%*			*8.7%*	*9.8%*		*7.7%*	*8.8%*	
E B I T D A	53	63	82.0%	*+19.9%*	18	21	*+17.9%*	66	77	*+16.6%*
Profit before income taxes	39	55	85.0%	*+40.5%*	14	19	*+37.3%*	42	65	*+54.7%*
Net profit	37	53	83.8%	*+41.3%*	13	17	*+33.1%*	40	63	*+57.7%*
Net profit per share	110.63	156.28		–	39.40	52.44	–	118.20	186.38	–
Adjusted operating profit	49	60	84.1%	*+22.2%*	17	20	*+20.1%*	60	72	*+18.8%*
Adjusted profit before income taxes	42	57	85.3%	*+34.8%*	14	19	*+32.2%*	45	66	*+46.2%*
Dividend per share	-	-	-	-			-	-	93.19	-

The Company implemented a 10-for-1 stock split as of September 1, 2014. In addition, a 2-for-1 stock split took place on November 1, 2014. Under the circumstance, net profit and dividend per share are calculated based on the assumption that these stock splits took place at the beginning of the FYE June 2014 with mid-term average number of issued stocks of 34,074,000.
EBITDA= Adjusted operating profit+ Non-cash expenditure (depreciation and amortization expenses + Impairment losses+ Loss on disposal of non-current assets + Deposit amortization expenses+ addition to provision for paid leave)
Adjusted operating profit = Operating profit（IFRS） + Extraordinary expense items (business restructuring expenses + listing related expenses)
Adjusted profit before income taxes = Adjusted operating profit + Financial income − Financial expenses

TECHNOPRO

Copyright © TechnoPro Holdings. All rights reserved.

Progress in the 3rd Quarter of FYE June 2015 & Annual Forecast

Progress

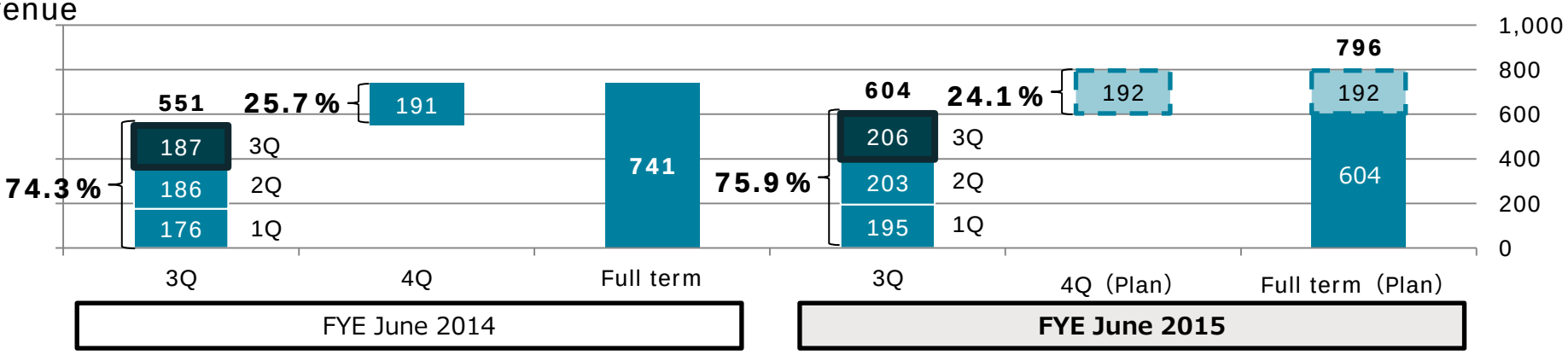
- Progress rates of both revenue and operating profit, against annual forecast, outperformed previous year with 75.9% and 83.8% respectively.

Forecast

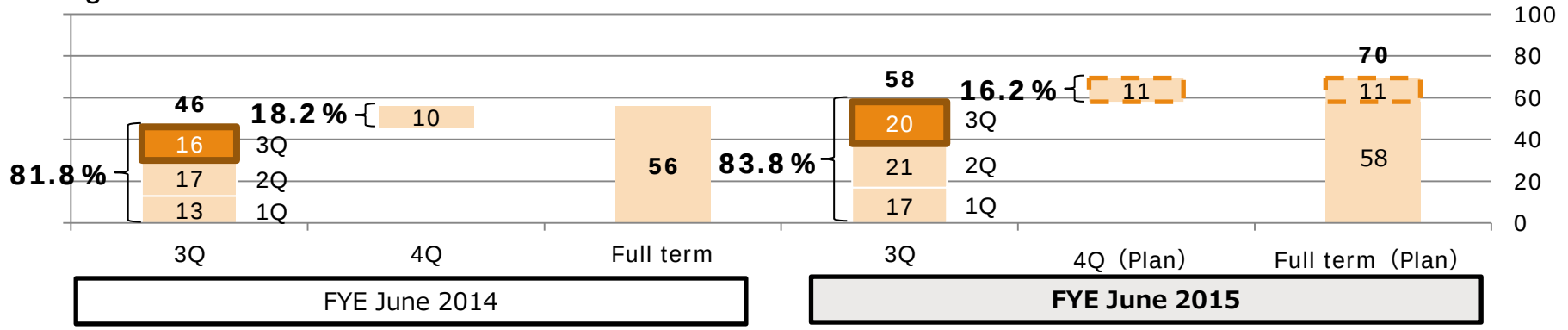
- Annual forecast remains unchanged as no material gap is expected to emerge to the previously announced forecast.

(JPY 100Mil)

Revenue



Operating Profit



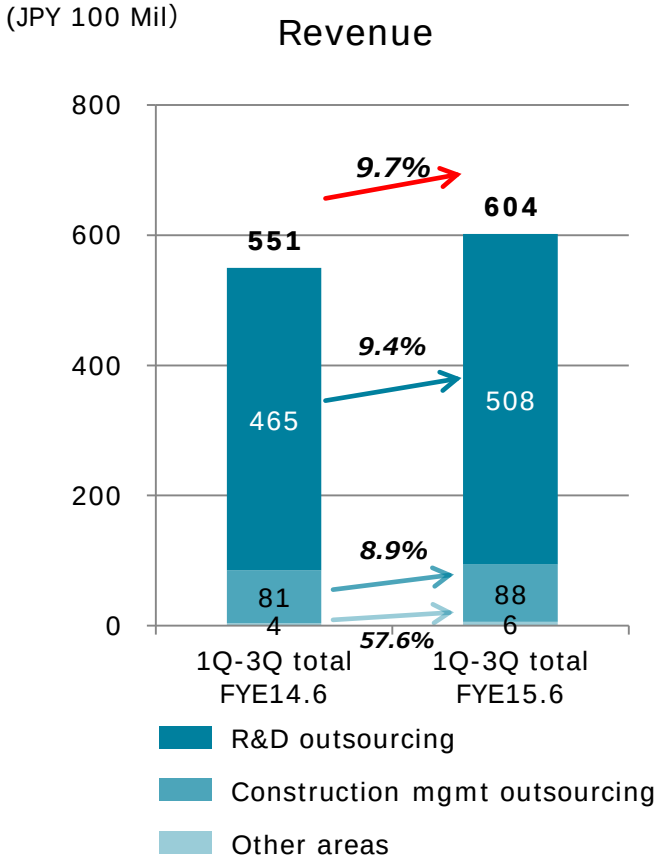
TECHNOPRO

Copyright © TechnoPro Holdings. All rights reserved.

Revenue Trend in the 3rd Quarter of FYE June 2015

- Each business area posted growth and generated JPY 60.4 Bn revenue (+ JPY 5.3 Bn YOY) in total.
- JPY 3.8 Bn impact on revenue contributed by the increase of average number of assigned engineers 10,830 (+703 YOY).
- JPY 1.2 Bn impact on revenue from unit sales price increase to JPY 614,000/month (+JPY 12,000 YOY)

(JPY 100 Mil)



(JPY 100 Mil)

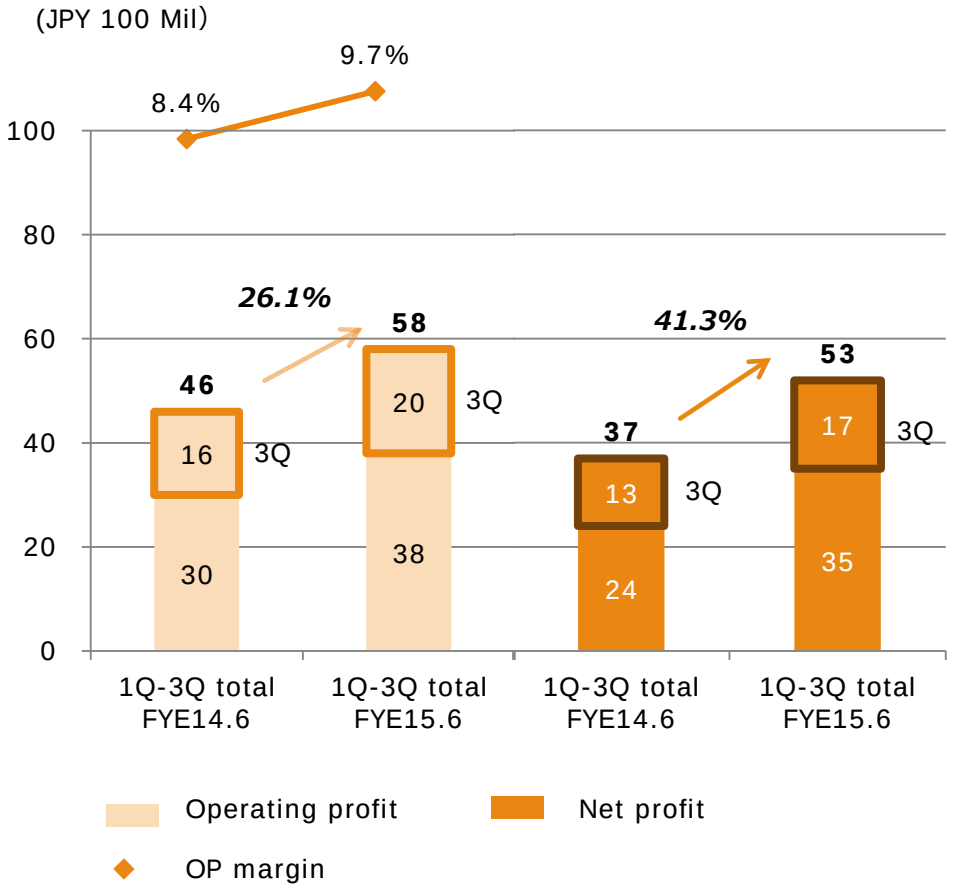
Revenue	
14/6 1Q-3Q total	551
15/6 1Q-3Q total	604
Difference	53
Factors	
Increase of engineer head-count at the beginning of term	26
Increase of engineer head-count during 15/6 1Q-3Q	12
	38
Unit sales price hike	12
Other areas	3

TECHNOPRO

Copyright © TechnoPro Holdings. All rights reserved.

Profit Trend in the 3rd Quarter of FYE June 2015

- Gross profit was JPY 14.3 Bn contributed by revenue increase and GP margin improvement.
- Operating profit was JPY 5.8 Bn as a result of improved SG&A cost ratio on revenue.
- Net profit was JPY 5.3 Bn by scaling down of financial expenses.



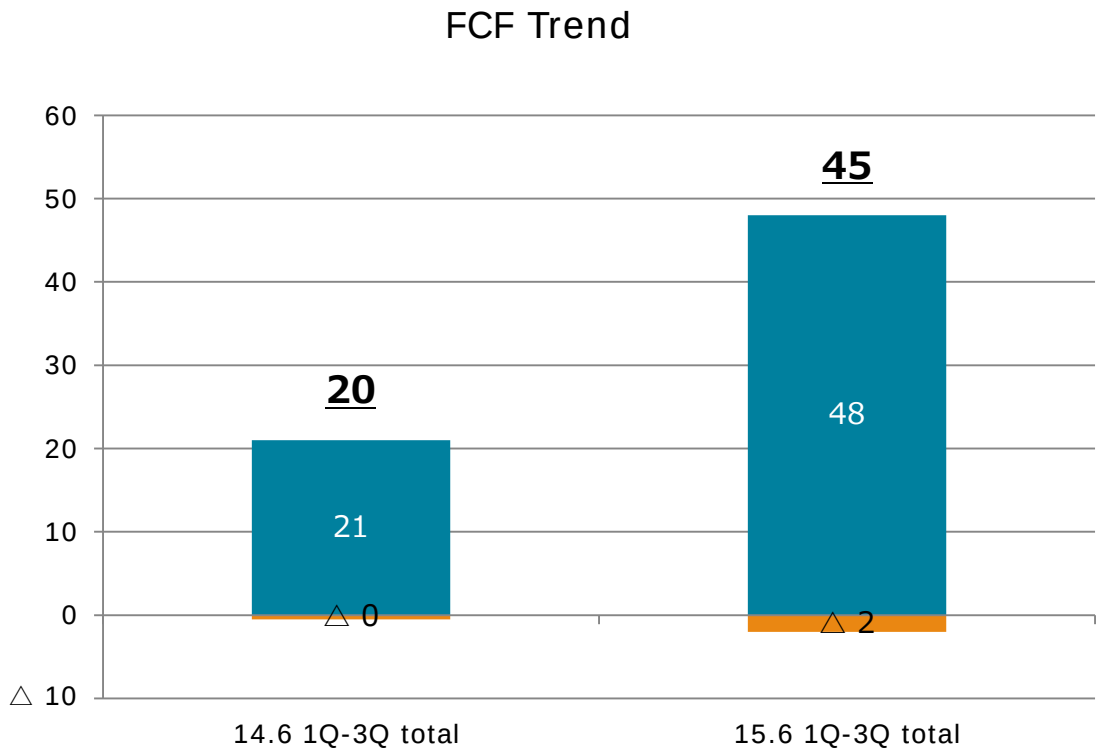
	14.6 1Q-3Q total	15.6 1Q-3Q total	Diff YOY	YOY(%)
CoGs	**425**	**461**	**+36**	*+8.5%*
Ratio on revenue	***77.2%***	***76.3%***	***△0.8%***	
Impact by Engineer increase			+29	
Other			+7	
Gross profit	**125**	**143**	**+17**	*+13.6%*
Ratio on revenue	***22.8%***	***23.7%***	***+0.8%***	
SG&A	**79**	**84**	**+5**	*+6.8%*
Ratio on revenue	***14.4%***	***14.0%***	***△0.4%***	
Other income / Expenses	**△0.1**	**0.2**	**+0.3**	
Operating profit	**46**	**58**	**+12**	*+26.1%*
Financial income	**0.0**	**0.0**	**△0.0**	
Financial expenses	**7.2**	**3.5**	**△3.7**	
Net profit before income taxes	**39**	**55**	**+15**	*+40.5%*
Corporate / income taxes	**1.6**	**2.0**	**+0.3**	
Net Profit	**37**	**53**	**+15**	*+41.3%*

TECHNOPRO

Copyright © TechnoPro Holdings. All rights reserved.

Cash Flow in the 3rd Quarter of FYE June 2015

- As one of the characteristics of our business model, increase of working capital or capex is limited. FCF for the 3rd Quarter of FYE June 2015 was 4.5 Bn.



: CF from operating activities

: CF from investing activities

FCF : CF from operating activities – CF from investing activities

Copyright © TechnoPro Holdings. All rights reserved.

BS Trend in the 3rd Quarter of FYE June 2015

- D/E ratio went down to below 1 by increase of retained earnings as well as debt repayment.
- Net worth ratio is improved to 36.2%.

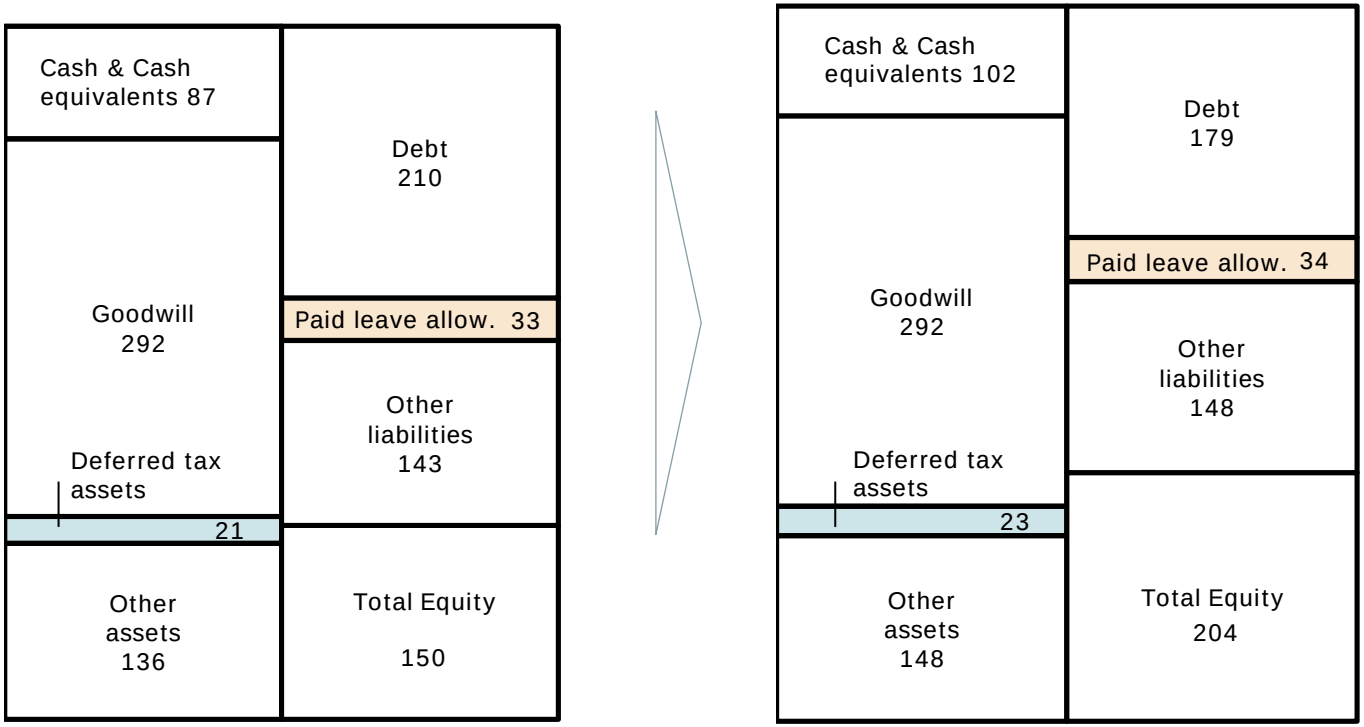
Jun 2014

D/E ratio : 1.4 x
Net D/E ratio : 0.8 x
Net worth ratio : 28.1%

Mar 2015

D/E ratio : 0.9 x
Net D/E ratio : 0.4 x
Net worth ratio : 36.2%

(JPY 100 Mil)



Copyright © TechnoPro Holdings. All rights reserved.

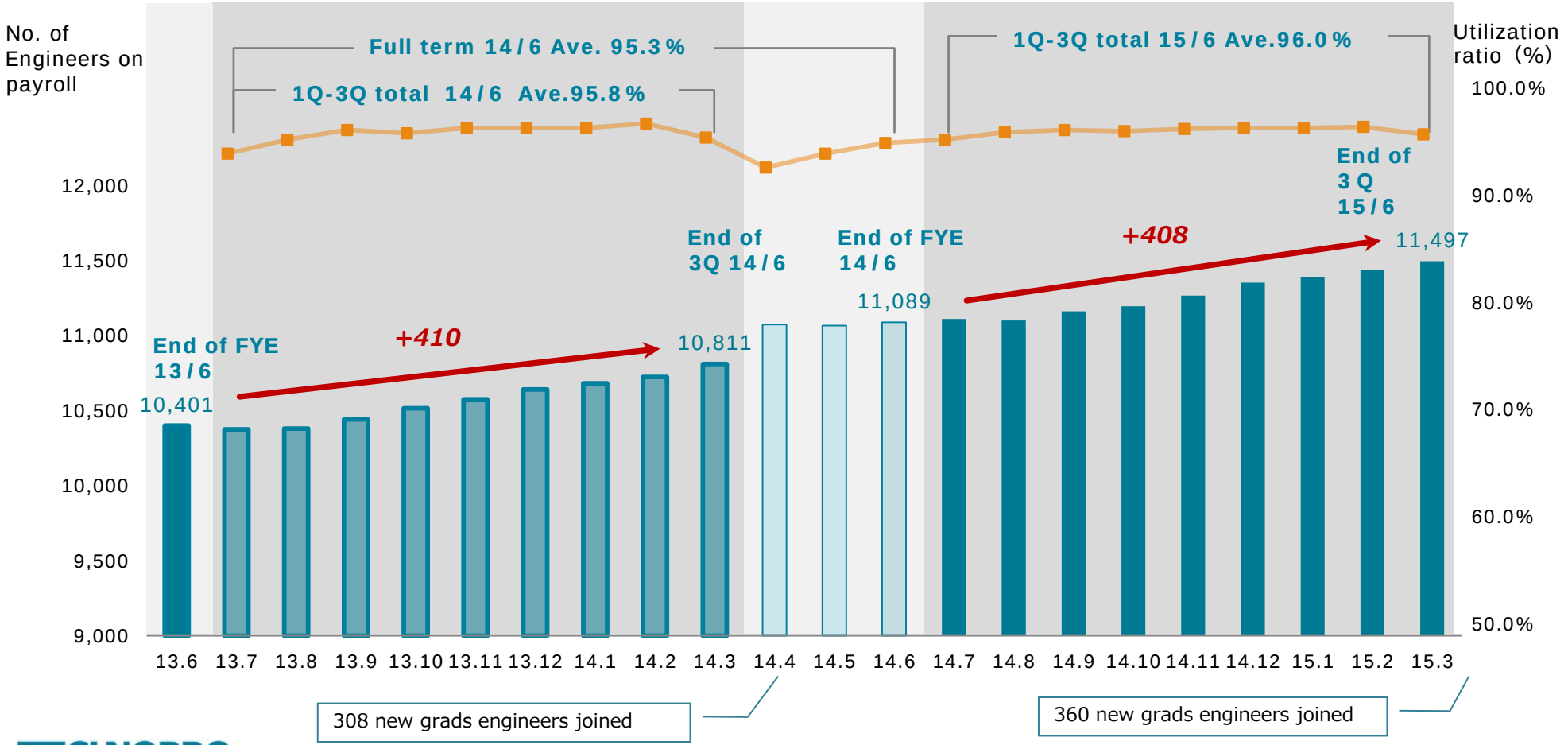
Table of Contents

		Page
I :	Performance Summary for the 3rd Quarter	1
II :	KPI Analysis	8
i :	No. of Engineers	9
ii :	Unit Sales prices	12
III :	Shareholder Return Policy	13

Copyright © TechnoPro Holdings. All rights reserved.

No. of Engineers・Utilization Rate

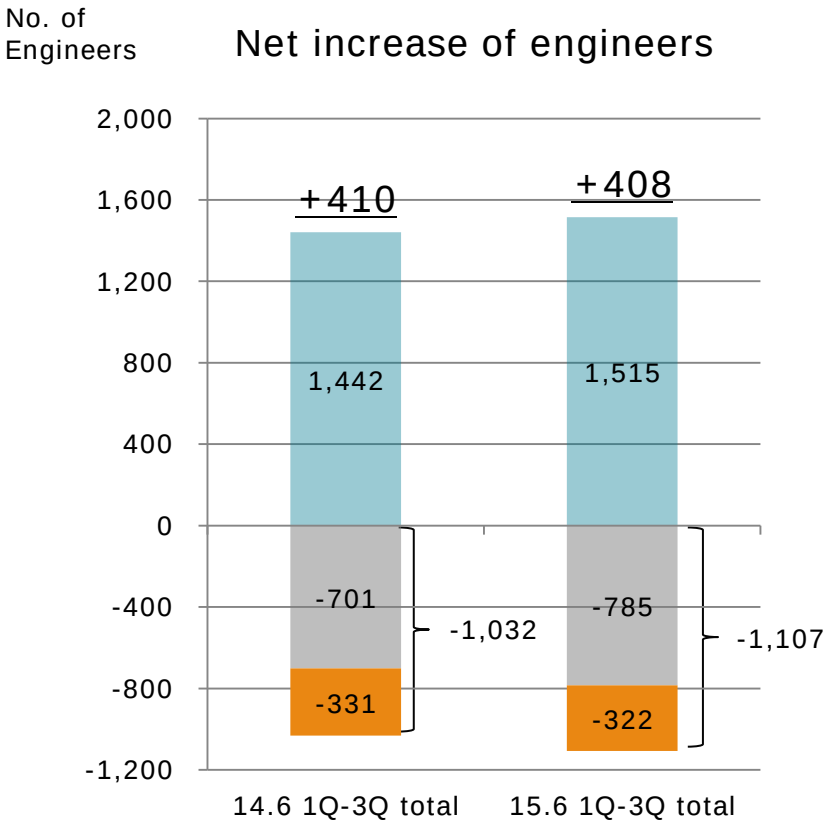
- Total engineers on payroll as at the end of the 3rd Quarter were 11,497, with net increase of 408
- Engineer utilization rate in the 3rd Quarter was 96.0%.



Copyright © TechnoPro Holdings. All rights reserved.

Year-on-year Comparison of Hiring/Retirement

- Newly hired engineers were 1,515 (+5.1% YOY).
- Retirement rate was 9.3%.



(Difference /% YOY)

Hired 1,515 (+73／+ 5.1%)

No new grads hired during Jul-Mar.
(360 new grads engineers joined in Apr 2015.)

Retired 785 (+84／ + 12.0%)

Retirement rate slightly increased compared with the previous year(8.8%).

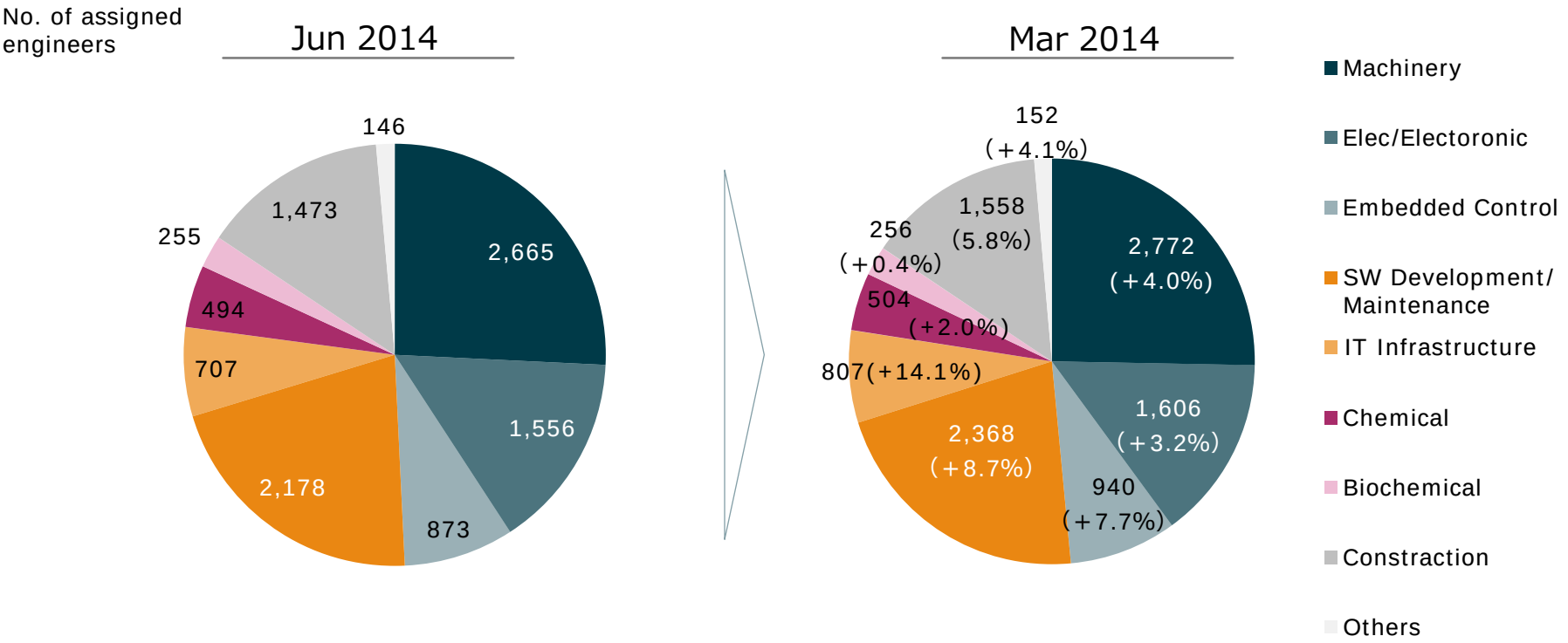
Contract terms matured, others 322 (△9／△ 2.7%)

TECHNOPRO

Copyright © TechnoPro Holdings. All rights reserved.

Assigned Engineers by Technical Area

- Number of assigned engineers increased in all technical areas.
- Shortfall of IT engineers became obvious in the market, and the assigned engineers posted a major growth in IT sector such as software development/maintenance and infrastructure.



* ( ) is difference %
** No. of assigned engineers in the beginning of month

Copyright © TechnoPro Holdings. All rights reserved.

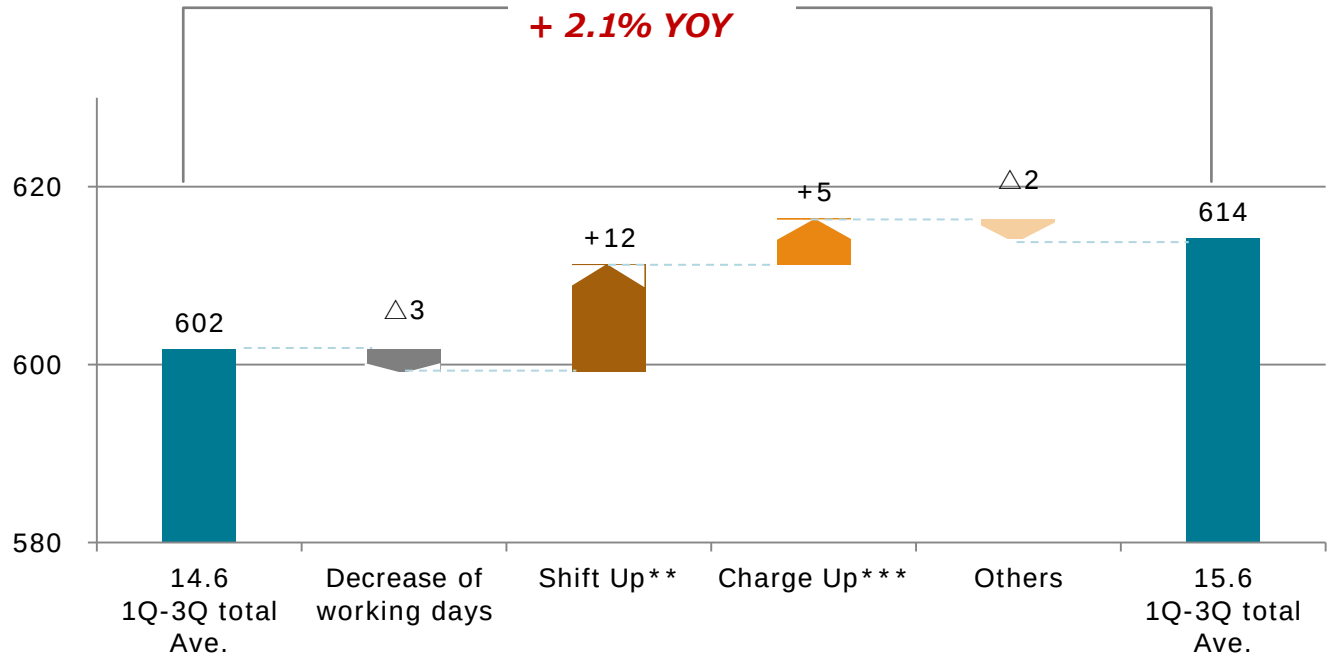
Unit Sales Price Trend

- Unit sales price* was JPY 614,000 (+JPY 12,000/month YOY), increase was +2.1% YOY.
- Downside impact on revenue due to 1.9 shorter working days than the previous year was JPY 3,000/month.
- Unit sales price went up JPY 12,000/month by shift up, and JPY 5,000/month by charge up.

(JPY '000)

Unit sales price bridge

+ 2.1% YOY



* 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

Strategic Technical Areas****

14.6 1Q-3Q total Average price JPY644,000 → + JPY11,000 → 15.6 1Q-3Q total Average price JPY655,000

**** Technical skill areas to concentrate effort in hiring and training engineers as they have or will have strong demand.

Copyright © TechnoPro Holdings. All rights reserved.

Table of Contents

		Page
I	: Performance Summary for the 3rd Quarter	1
II	: KPI Analysis	8
i	: No. of Engineers	9
ii	: Unit Sales prices	12
III	: Shareholder Return Policy	13

Copyright © TechnoPro Holdings. All rights reserved.

Dividend Forecast for FYE June 2015

- Consolidated dividend payout ratio is 50% and dividend forecast is JPY 93.19/share.
- Estimated dividend yield based on the closing price of April 30, 2015 (JPY 3,330), is 2.8%.

(JPY/share)

	Jun 2015
Interim dividend	0
End-term dividend (forecast)	93.19
EPS (forecast)	186.38
Payout ratio	50%

TECHNOPRO

Copyright © TechnoPro Holdings. All rights reserved.

Disclaimer

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.

It should be also noted that this presentation or any statement herein is not allowed to make copy or transfer without our written consent in prior.

Copyright © TechnoPro Holdings. All rights reserved.