TechnoPro Group Financial Results for Fiscal Year Ended June 2015

TechnoPro Holdings, Inc.

July 31, 2015

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* KPI includes all figures except for 'Other' business areas

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Financial Results for FYE June 2015

- Compared to the Annual forecast announced on November 10, 2014, revenue increased 1.62 Bn yen (+2.0%),and operating profit increased 0.28 Bn yen(+3.9%).

(JPY Mil)	4th Quarter			Full Year				
	4Q FYE14.6 (Actual)	4Q FYE15.6 (Actual)	YOY	Full Year 14.6 (Actual)	Full Year 15.6 (Actual)	YOY	Actual to Forecast ratio	Full Year15.6 (Forecast)
Revenue	19,042	20,774	*+9.1%*	74,172	81,241	*+9.5%*	*+2.0%*	79,626
Gross profit	4,245	4,770	*+12.4%*	16,840	19,081	*+13.3%*	*+3.9%*	18,361
GP margin	*22.3%*	*23.0%*		*22.7%*	*23.5%*			*23.1%*
SG&A expenses	2,940	3,331	*+13.3%*	10,867	11,797	*+8.6%*	*+4.6%*	11,297
Ratio to revenue	*15.4%*	*16.0%*		*14.7%*	*14.5%*			*14.2%*
Operating profit (OP)	1,032	1,410	*+36.0%*	5,688	7,283	*+28.0%*	*+3.9%*	7,008
OP margin	*5.4%*	*6.8%*		*7.7%*	*9.0%*			*8.8%*
E B I T D A	1,346	1,566	*+16.4%*	6,653	7,928	*+19.2%*	*+2.2%*	7,755
Profit before income taxes	268	1,306	*+385.8%*	4,201	6,832	*+62.6%*	*+5.1%*	6,500
Net profit	257	1,549	*+501.2%*	4,026	6,875	*+70.7%*	*+8.3%*	6,351
Net profit per share	7.57	45.48	–	118.20	201.76	–	–	186.38
Adjusted operating profit	1,108	1,415	*+27.7%*	6,063	7,468	*+23.2%*	*+3.7%*	7,200
Adjusted profit before income taxes	344	1,311	*+280.5%*	4,576	7,017	*+53.3%*	*+4.9%*	6,692
Dividend per share	–	–	–	–	100.88	–	–	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.
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

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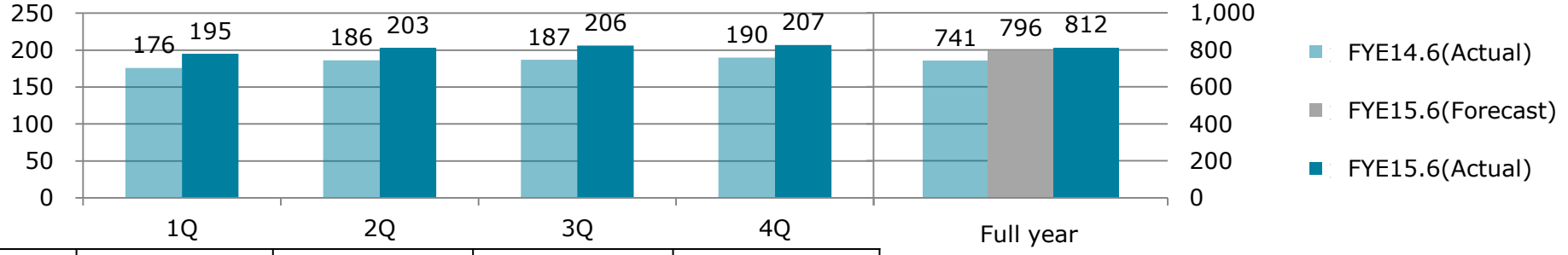
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Quarterly Results for FYE June 2015

- Revenue increased 1.6-1.8 Bn yen YOY every quarter, 7 Bn yen in total, and exceeded the forecast by 2.0%.
- Operating profit increased 0.4Bn yen YOY every quarter, 1.5 Bn yen in total, and exceeded the forecast by 3.9%.

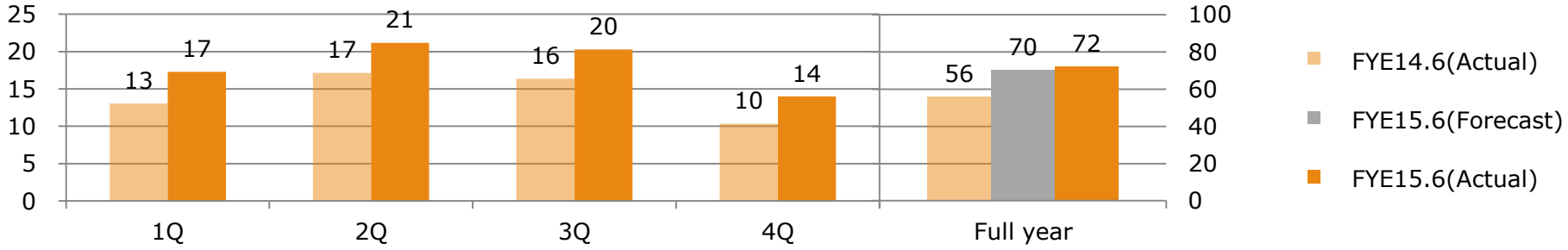
Revenue

(JPY 100 Mil)



Composition%	24%	24%	25%	25%	25%	25%	26%	26%

Operating Profit

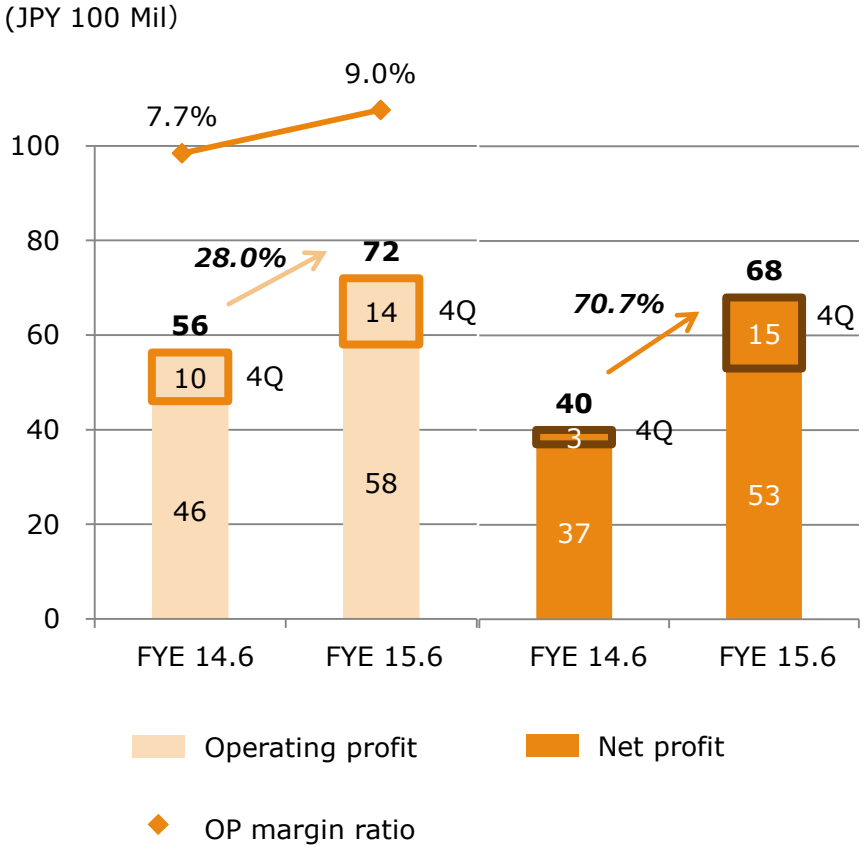


Composition%	23%	24%	30%	29%	29%	28%	18%	19%			
OP ratio	7.4%	8.9%	9.2%	10.4%	8.7%	9.8%	5.4%	6.8%	7.7%	8.8%	9.0%

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Profit Analysis for FYE June 2015



(JPY 100 Mil)	FYE14.6	FYE15.6	Diff YOY	YOY(%)
Revenue	**741**	**812**	**+70**	***+9.5%***
Impact by Engineer increase			**+52**	
Impact by unit sales price increase			**+17**	
Other			**+2**	
CoGs	**573**	**621**	**+48**	***+8.4%***
Ratio to revenue	***77.3%***	***76.5%***	***-0.8%***	
Impact by Engineer increase			**+41**	
Other			**+8**	
Gross profit	**168**	**190**	**+22**	***+13.3%***
Ratio to revenue	***22.7%***	***23.5%***	***+0.8%***	
SG&A	**108**	**117**	**+9**	***+8.6%***
Ratio to revenue	***14.7%***	***14.5%***	***-0.2%***	
Other income－Other expenses	**-2**	**- 0**	**+2**	
Operating profit	**56**	**72**	**+15**	***+28.0%***
Financial income	**0**	**0**	**- 0**	
Financial expenses	**14**	**4**	**-10**	
Net profit before income taxes	**42**	**68**	**+26**	***+62.6%***
Corporate / income taxes	**1**	**-0**	**-2**	
Net Profit	**40**	**68**	**+28**	***+70.7%***

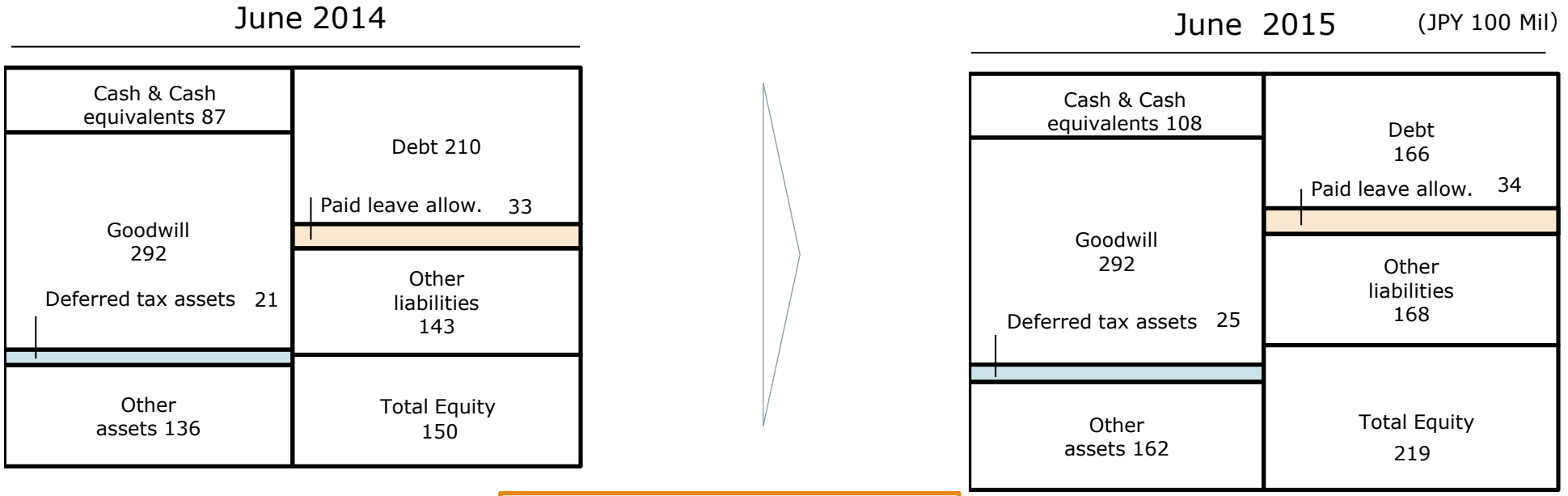
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Cash Flow and BS for FYE June 2015

- FCF for FYE June 2015 was 6.5 Bn yen.（As one of the characteristics of our business model, increase of working capital or capex is limited.）
- D/E ratio went down to 0.8x due to increase of retained earnings as well as debt repayment.
- Net worth ratio is improved to 37.4%.

(JPY 100 Mil)



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

FYE15.6 CF	
・Operating CF	+68
・Investing CF	−3
・Financial CF	−45
Net CF	+20

FCF +65

D/E ratio :	0.8 x
Net D/E ratio :	0.3 x
Net worth ratio :	37.4%

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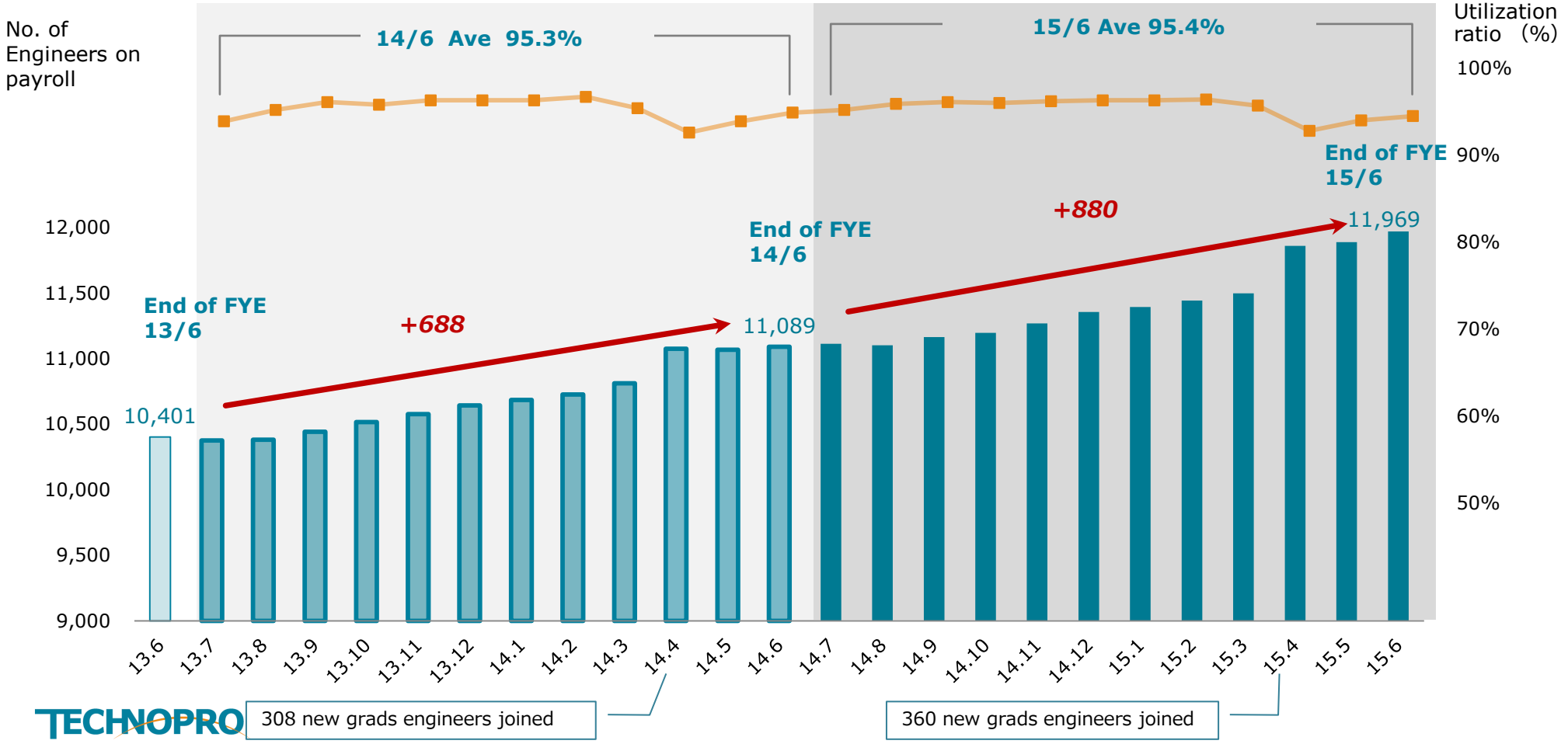
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No. of Engineers · Utilization Rate

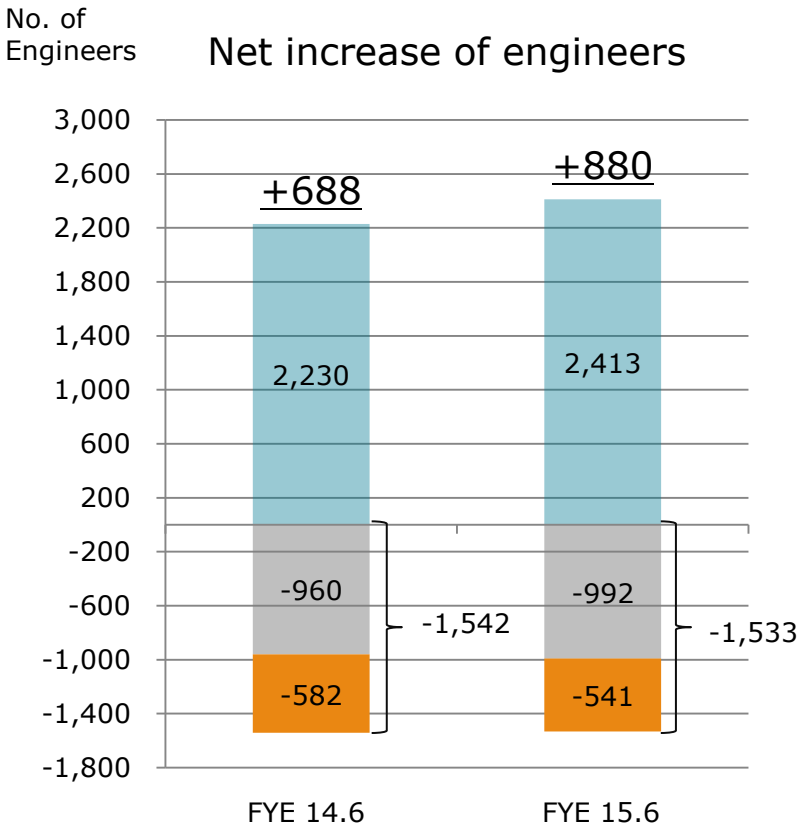
- Total engineers on payroll as at the end of June 2015 were 11,969, with net increase of 880. (27.9% YOY)
- Engineer utilization rate in FYE June, 2015 was 95.4%.



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Year-on-year Comparison of Hiring/Retirement

- Newly hired engineers were 2,413 (+8.2% YOY).
- Retirement rate was 8.7%.



(Difference /% YOY)

Hired 2,413 (+ 183／+ 8.2%)
360 new grads engineers joined in Apr 2015.

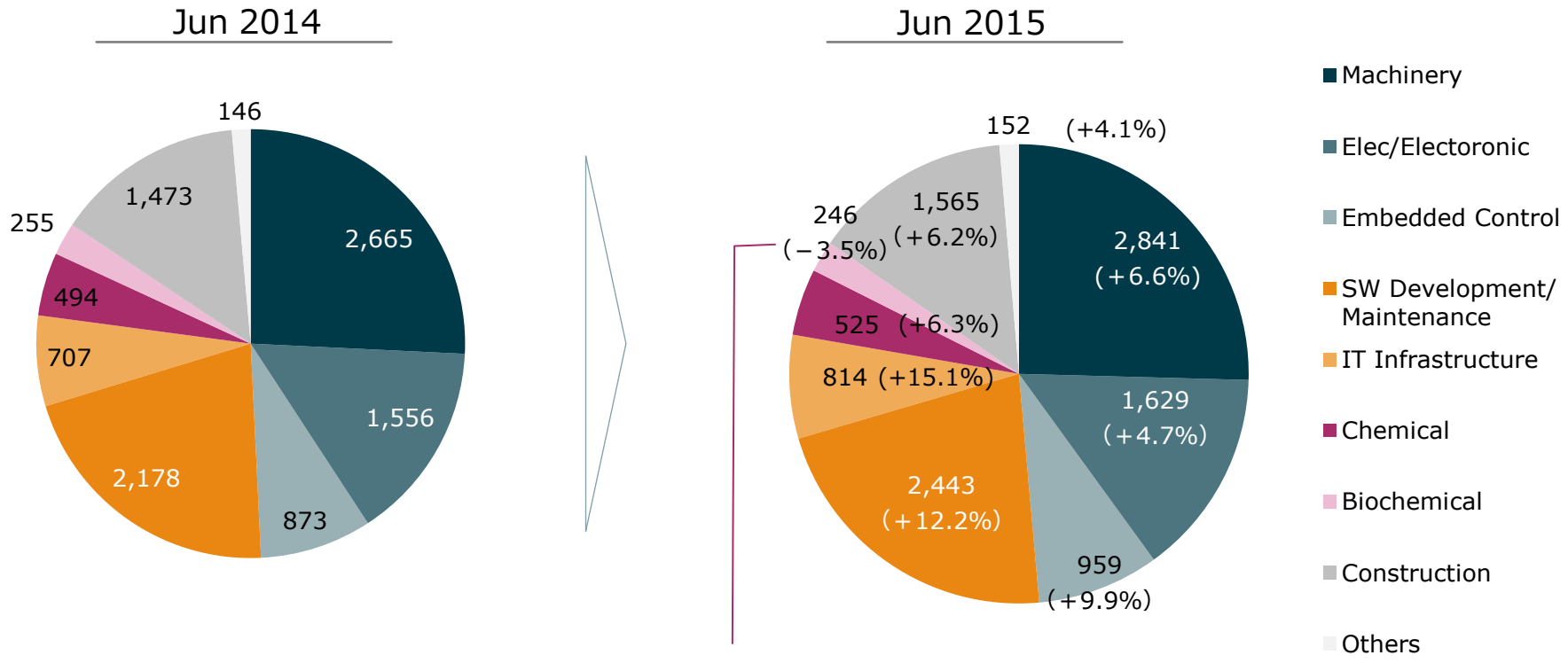
Retired 992 (+ 32／ + 3.3%)
Retirement rate decreased to 8.7% compared with the previous year(9.0%).

Contract terms matured, others 541 (- 41／ - 7.0%)

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Assigned Engineers by Technical Area

- Number of assigned engineers increased in almost 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.



Due to the delay of budget implementation to AMED
（National Research and Development Institute of Japan medical research and development mechanism）

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

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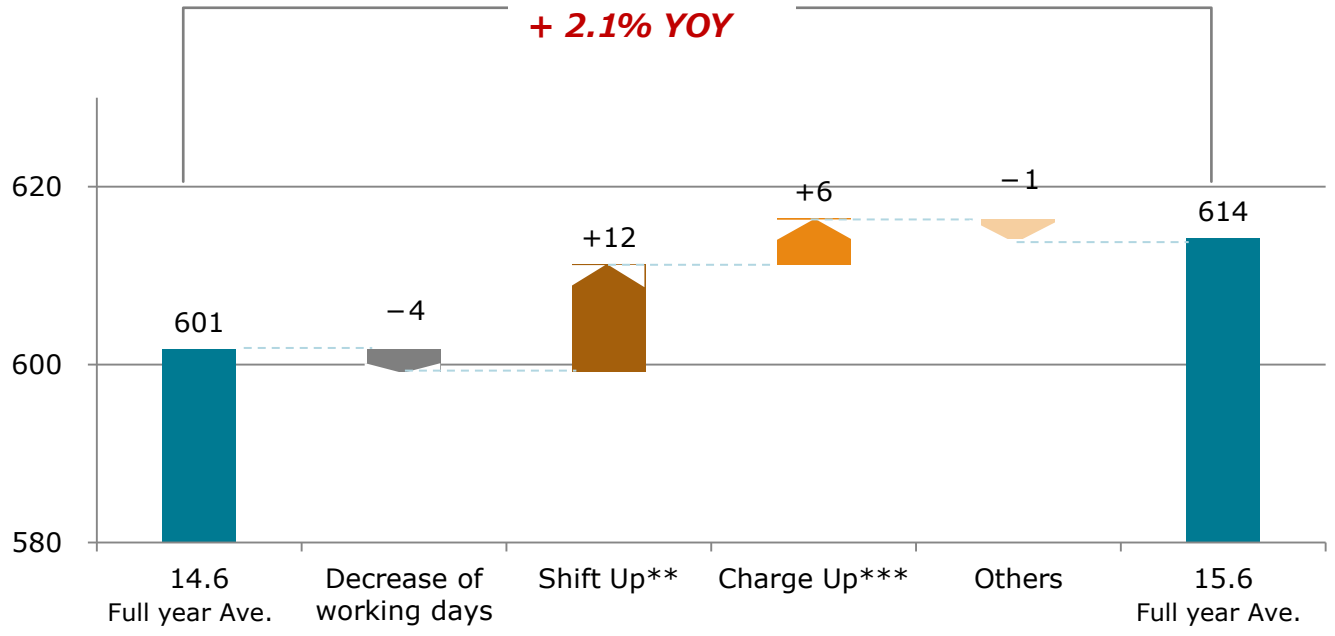
Unit Sales Price Analysis

- Unit sales price* was JPY 614,000 (+JPY 13,000/month YOY), increase was +2.1% YOY.
- Downside impact on revenue due to 3.9 shorter working days than the previous year was JPY 4,000/month.
- Unit sales price went up JPY 12,000/month by shift up, and JPY 6,000/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 Full year Average price JPY643,000 → + JPY11,000 → 15.6 Full year Average price JPY654,000

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

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Forecast for FYE June 2016

- Revenue is expected to increase +8.3% YOY, and operating profit is +11.2% YOY.
- Consolidated dividend payout ratio will be 50%.

(JPY 100 Mil)	Actual			Forecast	
	Full year 14.6	Full year 15.6	YOY	Full year 16.6	YOY
Revenue	74,172	81,241	+9.5%	88,000	+8.3%
Gross profit	16,840	19,081	+13.3%	21,000	+10.1%
GP margin	*22.7%*	*23.5%*		*23.9%*	
SG&A expenses	10,867	11,797	+8.6%	12,900	+9.3%
Ratio to revenue	*14.7%*	*14.5%*		*14.7%*	
Operating profit (OP)	5,688	7,283	+28.0%	8,100	+11.2%
OP margin	*7.7%*	*9.0%*		*9.2%*	
Profit before income taxes	4,201	6,832	+62.6%	7,700	+12.7%
Net profit	4,026	6,875	+70.7%	7,600	+10.5%
Net profit per share	118.20	201.76	–	223	–
Dividend per share(Forecast)	–	100.88	–	111	–
Unit sales price	601	614	+2.1%	626	+2.0%
Total engineers (as at the end of the fiscal year)	11,089	11,969	+7.9%	12,719	+6.3%
Utilization rate	95.3%	95.4%	+0.1%	95.2%	-0.2%

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