TechnoPro Group Financial Results for the 1st Quarter of FYE June 2016

TechnoPro Holdings, Inc.

October 30, 2015

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

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The 1st Quarter of FYE June 2016 Results & Annual Forecast

- Annual forecast made public on July 31, 2015 remains unchanged.

(JPY 100 Mil)	1st Quarter					Full Term		
	1Q FYE15.6 (Actual)	Progress	1Q FYE16.6 (Actual)	Progress	YOY	Full Term 15.6 (Actual)	Full Term 16.6 (Forecast)	YOY
Revenue	19,537	*24%*	21,434	*24%*	*+9.7%*	81,241	88,000	*+8.3%*
Gross profit	4,456	*23%*	4,986	*24%*	*+11.9%*	19,081	21,000	*+10.1%*
GP margin	*22.8%*		*23.3%*			*23.5%*	*23.9%*	
SG&A expenses	2,733	*23%*	2,996	*23%*	*+9.6%*	11,797	12,900	*+9.3%*
Ratio on revenue	*14.0%*		*14.0%*			*14.5%*	*14.7%*	
Operating profit (OP)	1,729	*24%*	2,005	*25%*	*+15.9%*	7,283	8,100	*+11.2%*
OP margin	*8.9%*		*9.4%*			*9.0%*	*9.2%*	
Profit before income taxes	1,606	*24%*	1,918	*25%*	*+19.5%*	6,832	7,700	*+12.7%*
Net profit	1,577	*23%*	1,880	*25%*	*+19.2%*	6,875	7,600	*+10.5%*
Net profit per share	46.29	–	55.18	–	–	201.76	223.04	–
Dividend per share	–	–	–	–	–	100.88	111.52	–

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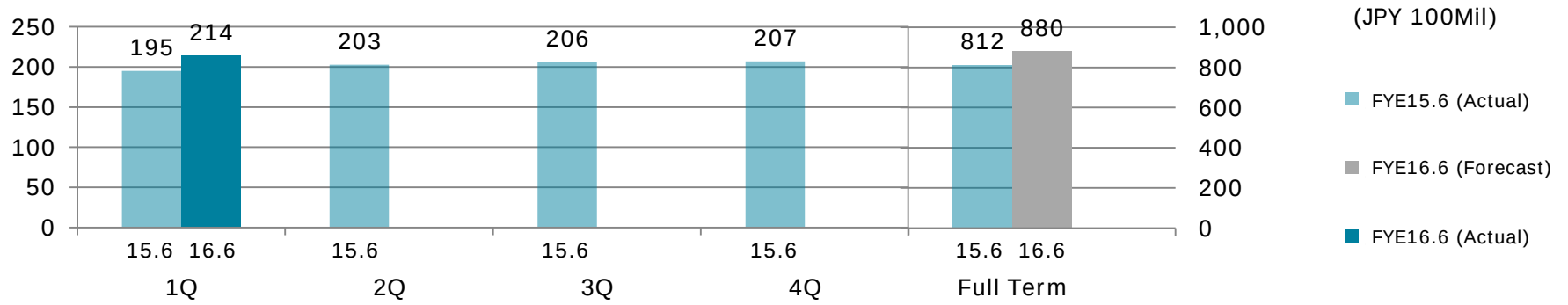
Progress in the 1st Quarter of FYE June 2016 & Annual Forecast

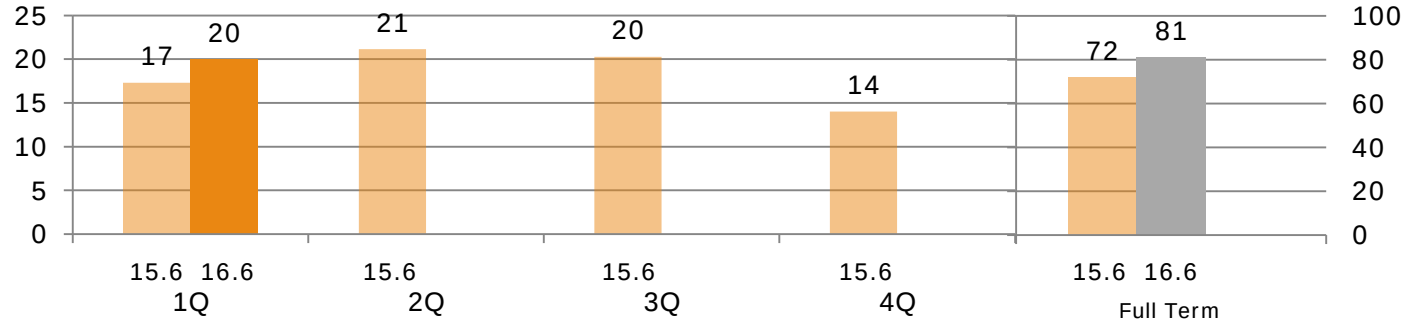
- Progress rates of revenue and OP against forecast are 24% and 25% respectively, on similar level as previous year.
- Gross profit margin increased 0.5% YOY buoyed by unit sales price hike.
- Despite increased operating costs related to the listing of stock (annual shareholders meeting, etc.), SG&A ratio to revenue was held down at 14.0%.
- Operating profit reaches 9.4%, outperformed 1Q of the FYE 2015.

Revenue



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

Operating Profit



Composition %	24% 25%	29%	28%	19%	
OP ratio	8.9% 9.4%	10.4%	9.8%	6.8%	9.0% 9.2%

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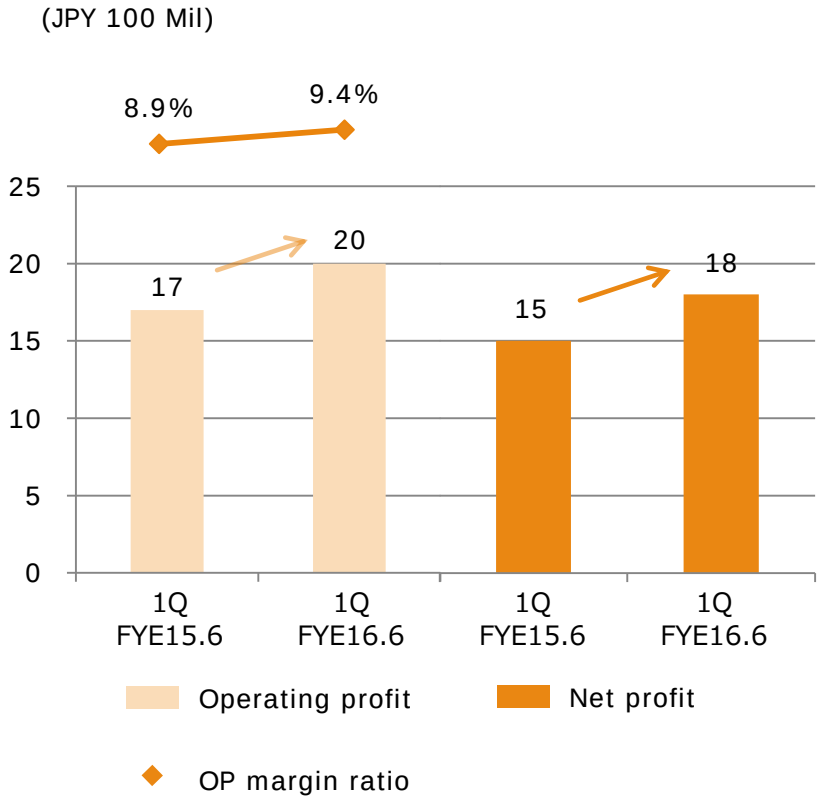
Profit Trend in the 1st Quarter of FYE June 2016



(JPY 100 Mil)	15.6 1Q	16.6 1Q	Diff YOY	YOY(%)
Revenue	**195**	**214**	**+18**	*+9.7%*
Impact by Engineer increase			+15	
Impact by unit sales price increase			+4	
Other			+0	
CoGs	**150**	**164**	**+13**	*+9.1%*
Ratio to revenue	***77.2%***	***76.7%***	***-0.5%***	
Impact by Engineer increase			+12	
Other			+2	
Gross profit	**44**	**49**	**+5**	*+11.9%*
Ratio to revenue	***22.8%***	***23.3%***	***+0.5%***	
SG&A	**27**	**29**	**+2**	*+9.6%*
Ratio to revenue	***14.0%***	***14.0%***	***-0.0%***	
Other income–Other expenses	**0**	**0**	**+0**	
Operating profit	**17**	**20**	**+2**	*+15.9%*
Financial income	**0**	**0**	**+0**	
Financial expenses	**1**	**0**	**-0**	
Net profit before income taxes	**16**	**19**	**+3**	*+19.5%*
Corporate / income taxes	**0**	**0**	**+0**	
Net profit	**15**	**18**	**+3**	*+19.2%*

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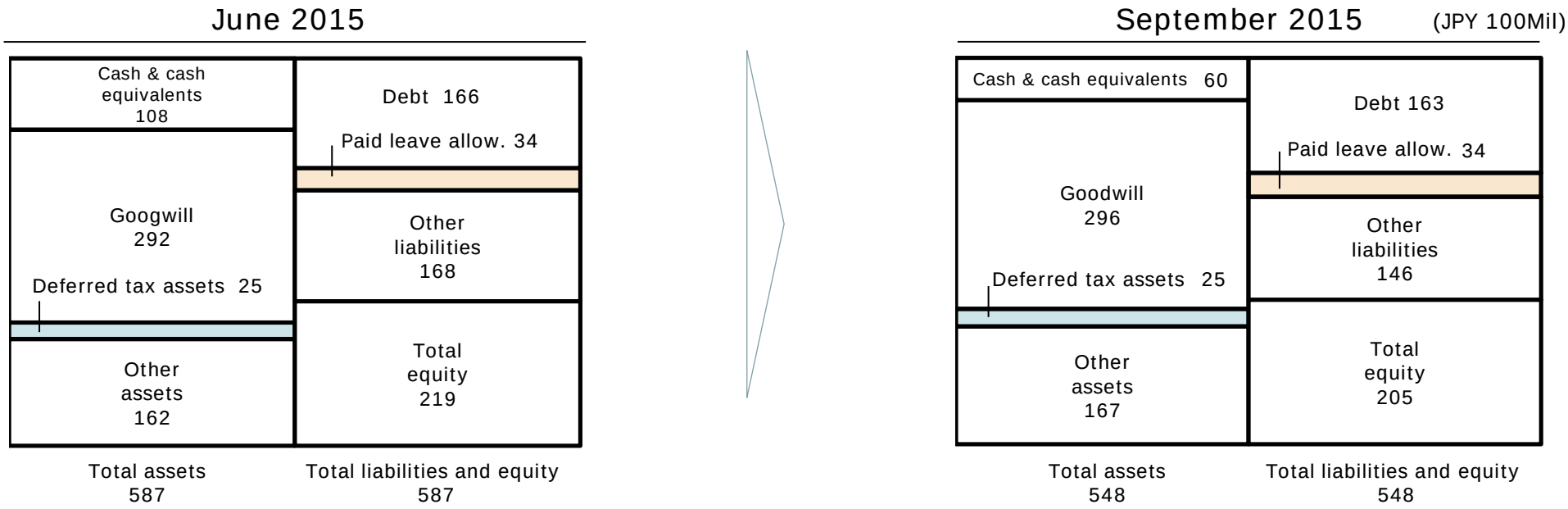
Cash Flow and BS Trend in the 1st Quarter of FYE June 2016

- Cash & cash equivalents decreased by 4.8 Bn yen for the 1Q of FYE June 2016 due to cash dividends paid of 3.2 Bn yen and income tax paid 1.1 Bn yen for dividends from subsidiaries, etc.
- Net worth ratio remains the same level as the end of the last fiscal year.

(JPY 100Mil)



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

FYE16.6 1Q CF	
・Operating CF	- 6
・Investing CF	- 4
・Financial CF	- 36
Net CF	- 48

FCF - 11

D/E ratio :	0.8 x
Net D/E ratio :	0.5 x
Net worth ratio :	37.5%

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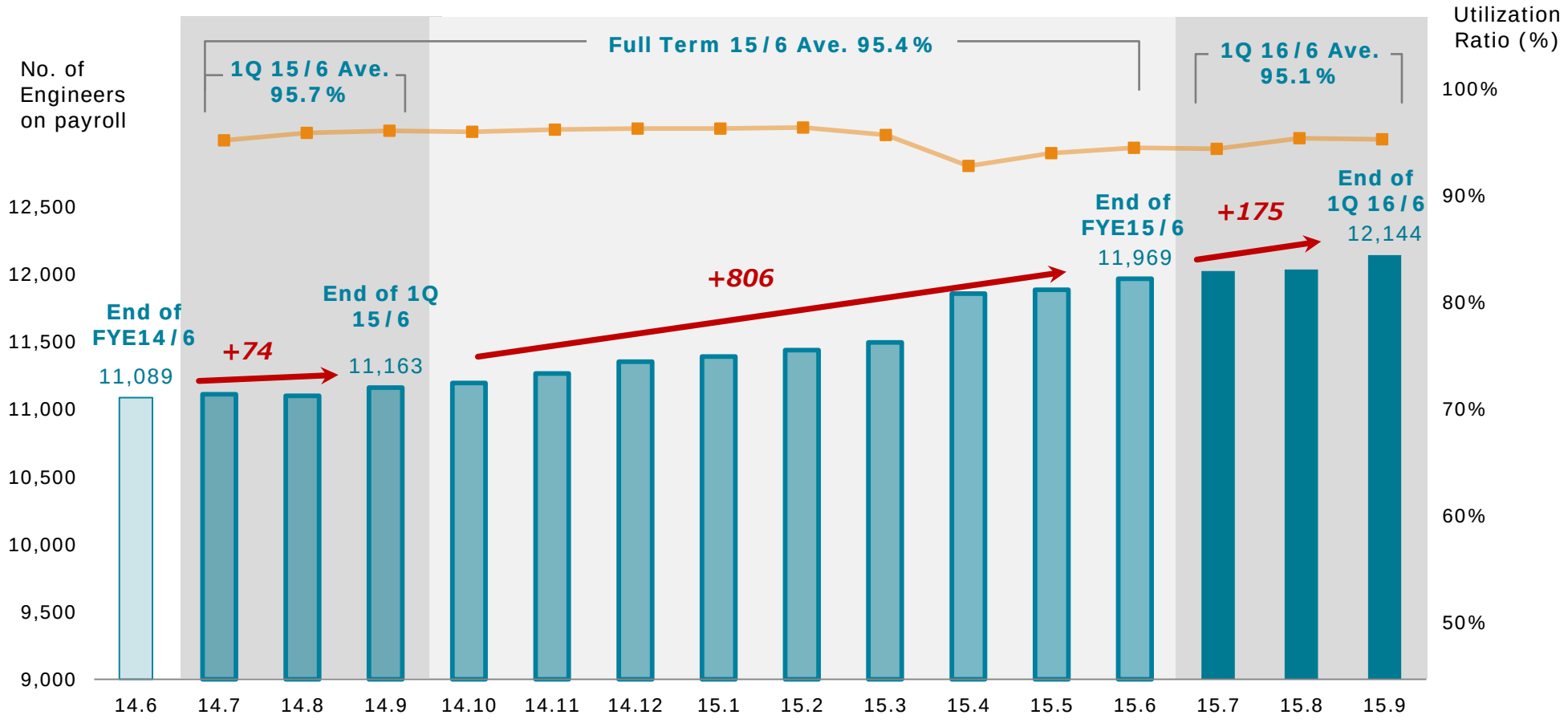
No. of Engineers・Utilization Rate

- Total engineers on payroll at the end of September 2015 were 12,144, with net increase of 175. (+136.5% YOY)
- Engineer utilization rate in the 1st Quarter of FYE June 2015 was 95.1%, exceeding eligible ratio 95.0%.



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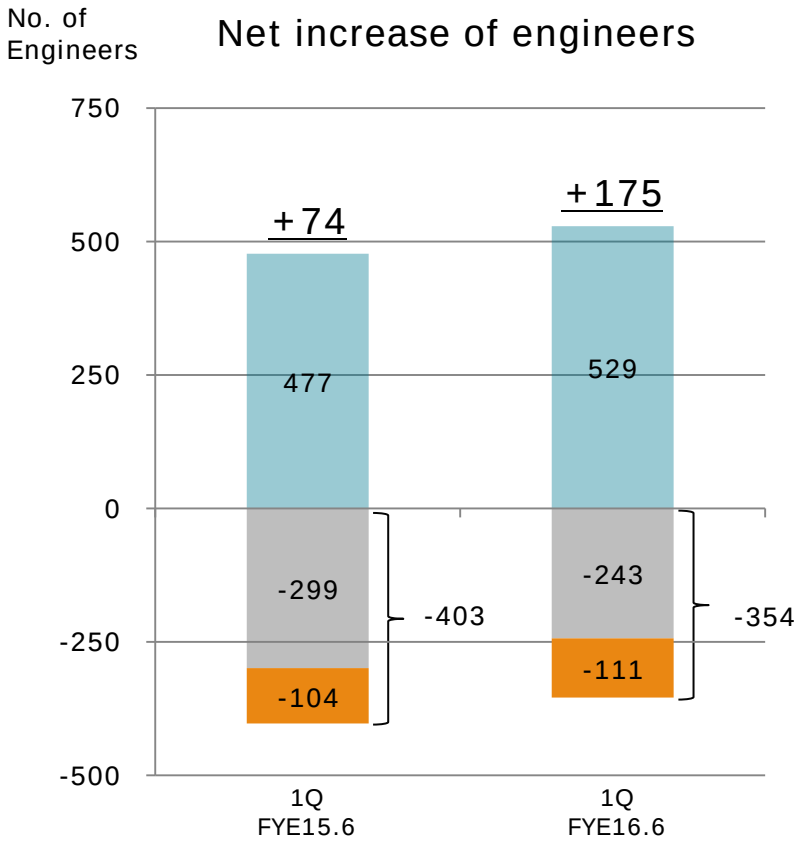
Year-on-year Comparison of Hiring/Retirement

- Newly hired engineers were 527 (+10.9% YOY).
- Retirement rate was 8.1%, contributed to net increase of engineers as well as robust hiring.



(Difference / % YOY)

Hired 529 (+52 / +*10.9%*)

Retired 243 (- 56 / - *18.7%*)
Retirement rate decreased to 8.1% compared with the previous year (10.8%)

Contract terms matured, others 111 (+7 / + *6.7%*)

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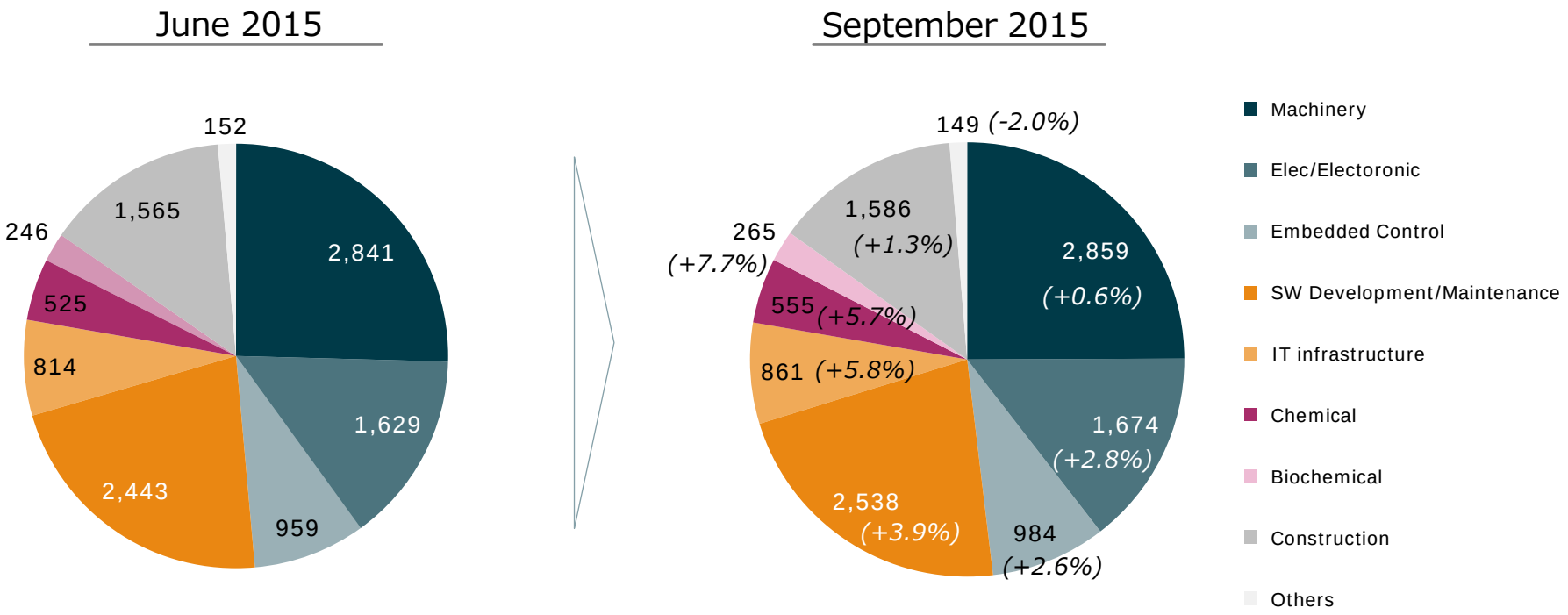
Assigned Engineers by Technology

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



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

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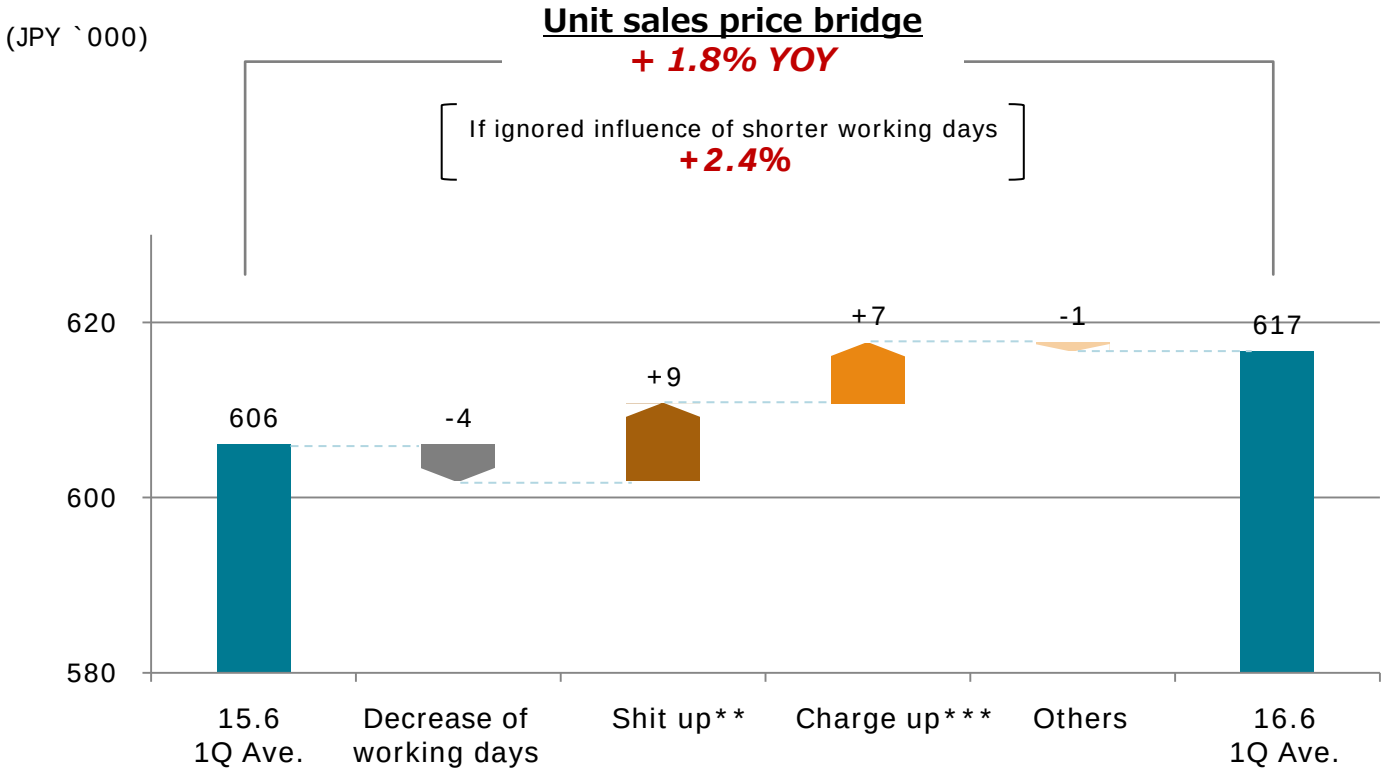
Unit Sales Price Trend

- Unit sales price* was JPY 617,000 (+JPY 11,000/month YOY), increased by +1.8% YOY.
- Comparing to the previous year, revenue decreased by JPY 4,000/month due to 1.0 shorter working days, by JPY 2,000/month due to decline of overtime hours.
- Unit sales price went up JPY 9,000/month by shift up**, and JPY 7,000/month by charge up***.



* 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

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Dividend Forecast for FYE June 2016

- Consolidated dividend payout ratio is 50% and dividend forecast is JPY 111.52/share. Company's earnings forecast previously announced remains unchanged.
- Estimated dividend yield based on the closing price of October 23, 2015 (JPY 3,100), is 3.6%.

(JPY/share)

	June 2016
Interim dividend (forecast)	50.00
End-term dividend (forecast)	61.52
EPS (forecast)	223.04
Payout ratio	50%

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Expected Synergy by Acquiring PC Assist

Acquisition of Pc Assist Co., Ltd.

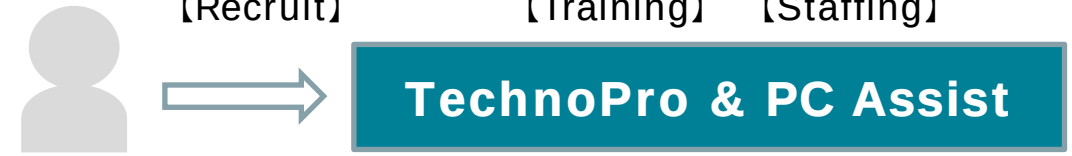
- Purchased 67% of PC Assist shares (Sep/4/15).
- Integrate its B/S 1Q end of FY June 2016, periodic P&L consolidated since 2Q.

- **Strengthen technical skills** of Group's engineers.
- Potential sales and profit growth in **education/training services** encouraged by the law amendment and active use of subsidy system.

Taking advantages of acquisition

① Joint development of education and training programs w/TechnoPro Group

【Recruit】 【Training】 【Staffing】



- Prospective employee education
- New-grads education
- Expert training（ex. CATIA）

- Strategic Technical Areas training
- Acquired qualification (3D CAD engineer, ETEC, etc.)

② Sales opportunities in corporate education/training encouraged by partnership

③ Operation improvement, Effective usage of subsidy, etc.

- **Boost recruitment**
- **Unit sales price increase**

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Macroeconomic & market prospect

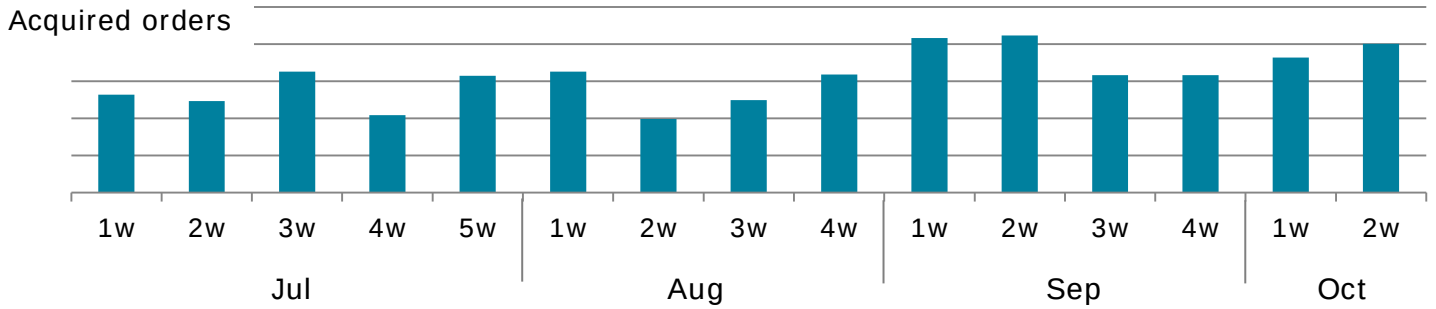
Japanese economy might be remained at a standstill due to Chinese downturn

- Orders Received for Machinery: Down 3.6% on July 2015, down 5.7% on August*
- Indices of Industrial Production: Down 0.8% on July 2015, down 1.2% on August*

(* m/m)

However...

Customer demand for our R&D/construction engineers is still strong



Worker Dispatch Law Revision went into effect on Sep.30, 2015

Major players employing full time engineer staff such as TechnPro **may benefit of the revision over the medium term**

→ *Potential for **market share growth** by increased hiring, broader **opportunities for M&A/partnership***

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