TechnoPro Group Financial Results for the 1st Quarter of FYE June 2017

TechnoPro Holdings, Inc.

October 31, 2016

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* KPI excludes 'Other' business.

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Q1 FY2017 Overview

- Annual forecast made public on July 29, 2016 remains unchanged

(JPY in millions, except per share amounts)

	Quarterly					Full Year		
	Q1 FY2016 (Actual)	Progress	Q1 FY2017 (Actual)	Progress	YOY	FY2016 (Actual)	FY2017 (Forecast)	YOY
Revenue	21,434	*24%*	23,961	*24%*	*+11.8%*	90,323	98,000	*+8.5%*
Gross profit (GP)	4,986	*23%*	5,524	*24%*	*+10.8%*	21,328	23,200	*+8.8%*
GP margin	*23.3%*		*23.1%*			*23.6%*	*23.7%*	
SG&A expenses	2,996	*23%*	3,291	*23%*	*+9.8%*	12,831	14,100	*+9.9%*
Ratio on revenue	*14.0%*		*13.7%*			*14.2%*	*14.4%*	
Operating profit (OP)	2,005	*24%*	2,263	*25%*	*+12.8%*	8,494	9,100	*+7.1%*
OP margin	*9.4%*		*9.4%*			*9.4%*	*9.3%*	
Profit before income taxes	1,918	*24%*	2,240	*25%*	*+16.8%*	7,920	9,000	*+13.6%*
Net profit**	1,880	*26%*	1,885	*24%*	*+0.3%*	7,359	7,700	*+4.6%*
Net profit per share	–	–	–	–	–	215.80	225.05	–
Dividend per share (forecast)	–	–	–	–	–	111.52	112.53	–

* Amounts are rounded down to the nearest unit.
** Net profit attributable to owners of the parent company after deducting non-controlling interests

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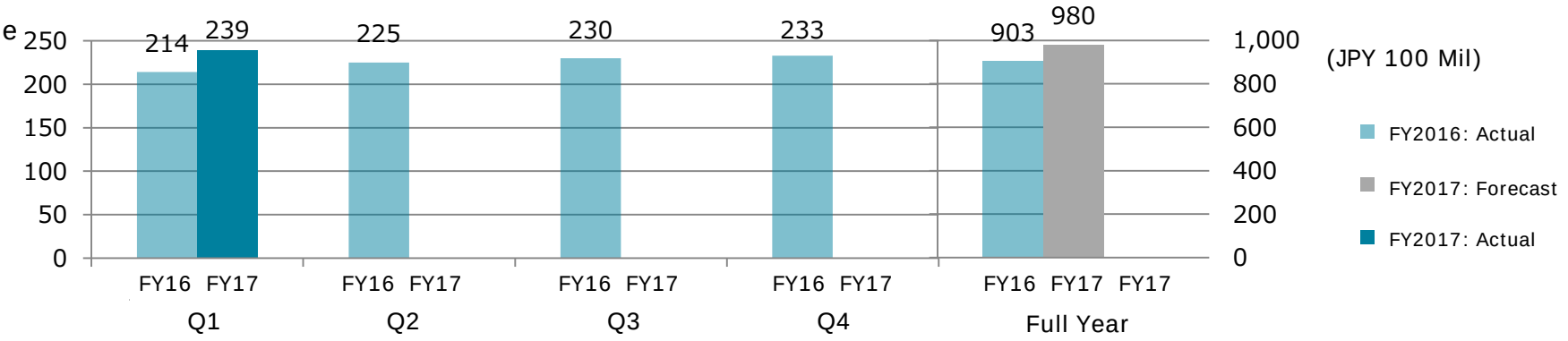
Quarterly Performance

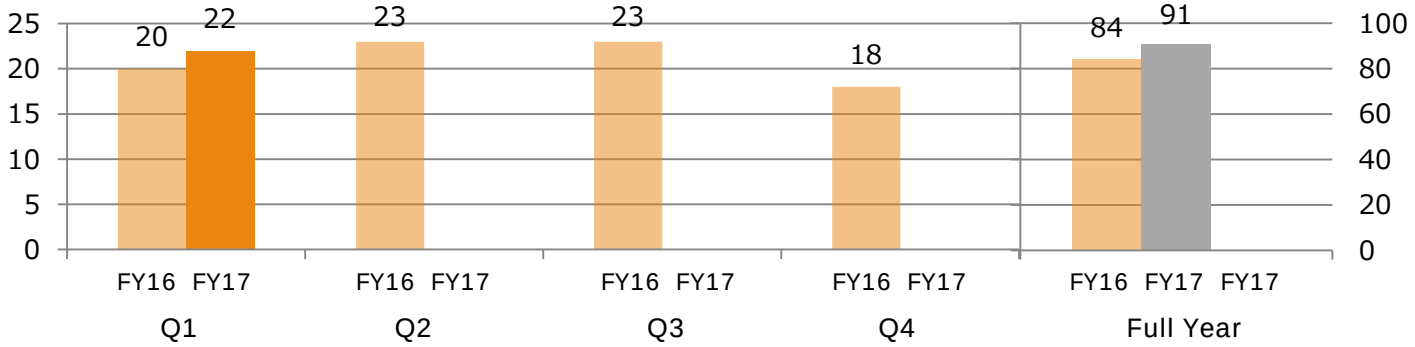
- Progress rates against annual forecast are 24% on revenue and 25% on OP, growing as fast as the previous year
- GP margin rate down 0.2% due to increased outsourcing expenses
- SG&A ratio to revenue improved, down to less than 14%

Revenue



Composition %	24% 24%	25%	25%	26%	
YOY	11.8%	-	-	-	-

Operating Profit



Composition %	24% 25%	28%	27%	21%	
OP ratio	9.4% 9.4%	10.4%	10.1%	7.8%	9.4%
YOY	12.8%	-	-	-	-

* Amounts are rounded down to the nearest unit.

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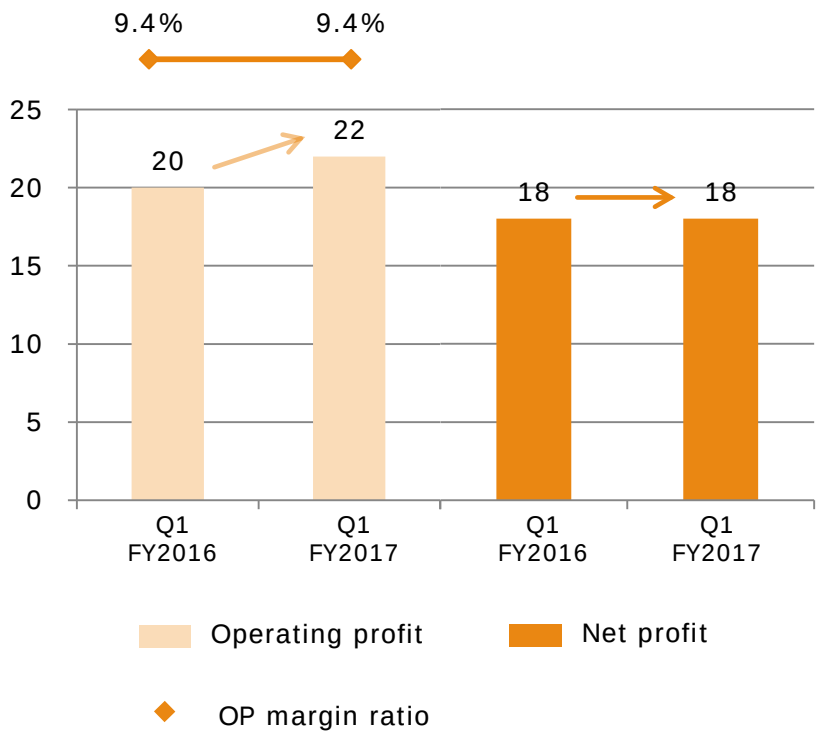
P&L Summary

(JPY 100 Mil)



† Outsourcing expenses increased by 200 million yen year-on-year, with the acquisition of ON THE MARK as a consolidated subsidiary.

(JPY 100 Mil)	Q1 FY2016	Q1 FY2017	Diff. YOY	YOY(%)
Revenue	**214**	**239**	**+25**	*+11.8%*
Impact of Engineer increase			+20	
Impact of unit sales price increase			+3	
Other			+2	
CoGs	**164**	**184**	**+19**	*+12.1%*
Ratio to revenue	***76.7%***	***76.9%***		
Impact of Engineer increase			+15	
Impact of outsourcing expense increase†			+2	
Other			+2	
Gross profit	**49**	**55**	**+5**	*+10.8%*
Ratio to revenue	***23.3%***	***23.1%***		
SG&A	**29**	**32**	**+2**	*+9.8%*
Ratio to revenue	***14.0%***	***13.7%***		
Other income−Other expenses	**0**	**0**	**+0**	
Operating profit	**20**	**22**	**+2**	*+12.8%*
Financial income	**0.0**	**0.0**	**(0.0)**	
Financial expenses	**0.8**	**0.2**	**(0.6)**	
Net profit before income taxes	**19**	**22**	**+3**	*+16.8%*
Corporate / income taxes	**0**	**3**	**+3**	
Net Profit	**18**	**18**	**+0**	*+0.3%*

- Amounts are rounded down to the nearest unit.

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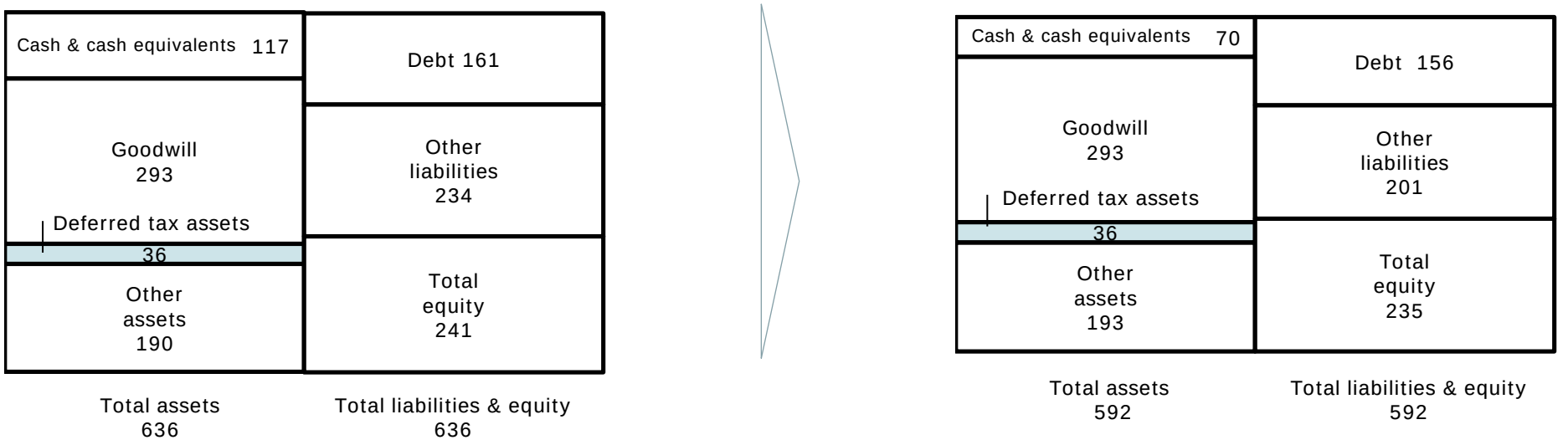
Balance Sheet & Cash Flow

- Cash & cash equivalents amounted to an outflow of 4.6 billion yen, reflecting the corporate income tax and dividend payment.
- Net worth ratio improved to 39.8%

(JPY 100Mil)



D/E ratio :	0.7 x
Net D/E ratio :	0.2 x
Net worth ratio :	37.9%

Q1 FY2017 CF	
・Operating CF	(14)
・Investing CF	(1)
・Financial CF	(30)
Net CF	(46)

FCF (16)

D/E ratio :	0.7 x
Net D/E ratio :	0.4 x
Net worth ratio :	39.8%

* Amounts are rounded down to the nearest unit.

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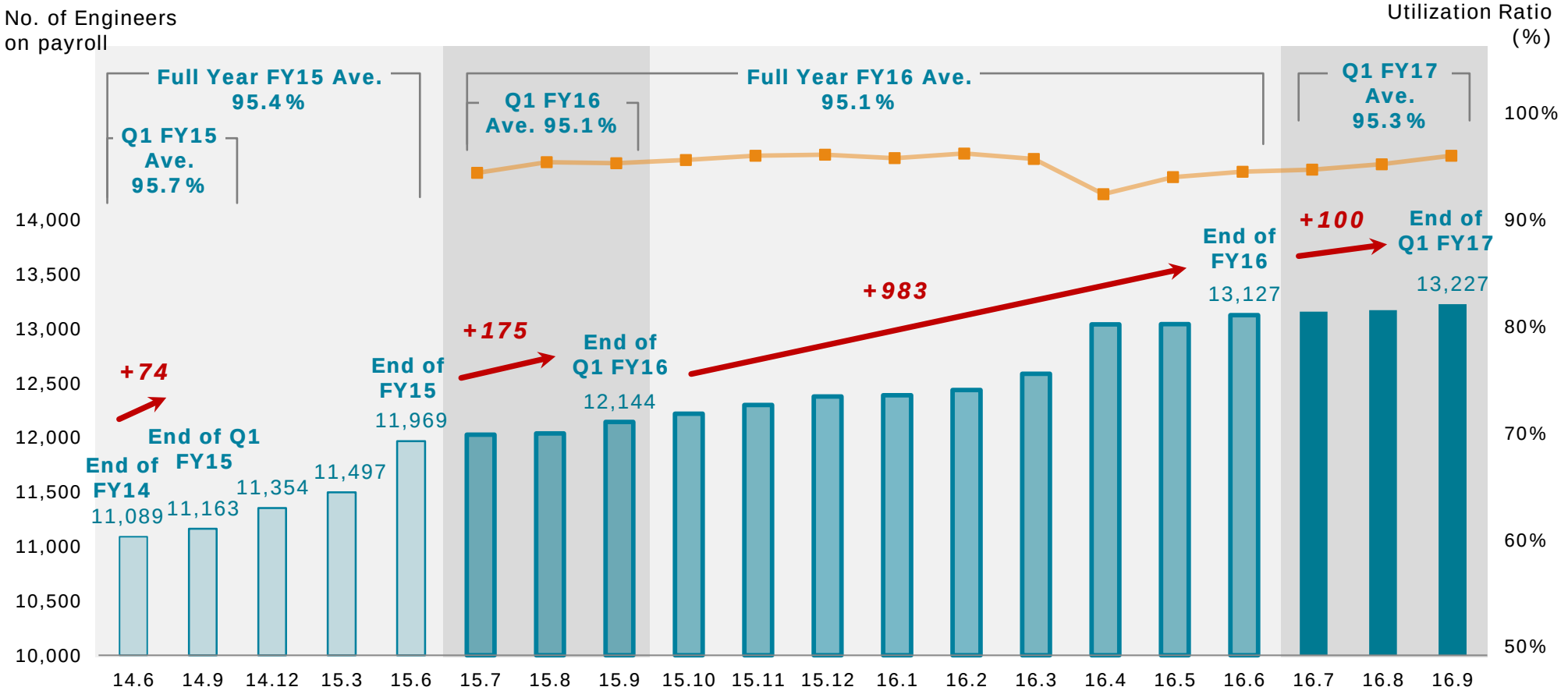
No. of Engineers & Utilization Rate

- Total engineers on payroll at the end of Q1 FY2017 were 13,227, with net increase of 100 from the end of the previous fiscal year
- Utilization rate in Q1 FY2017 was 95.3%, maintaining eligible 95% range



61 ON THE MARK engineers joined by acquisition

465 new-grad engineers joined in FY2016

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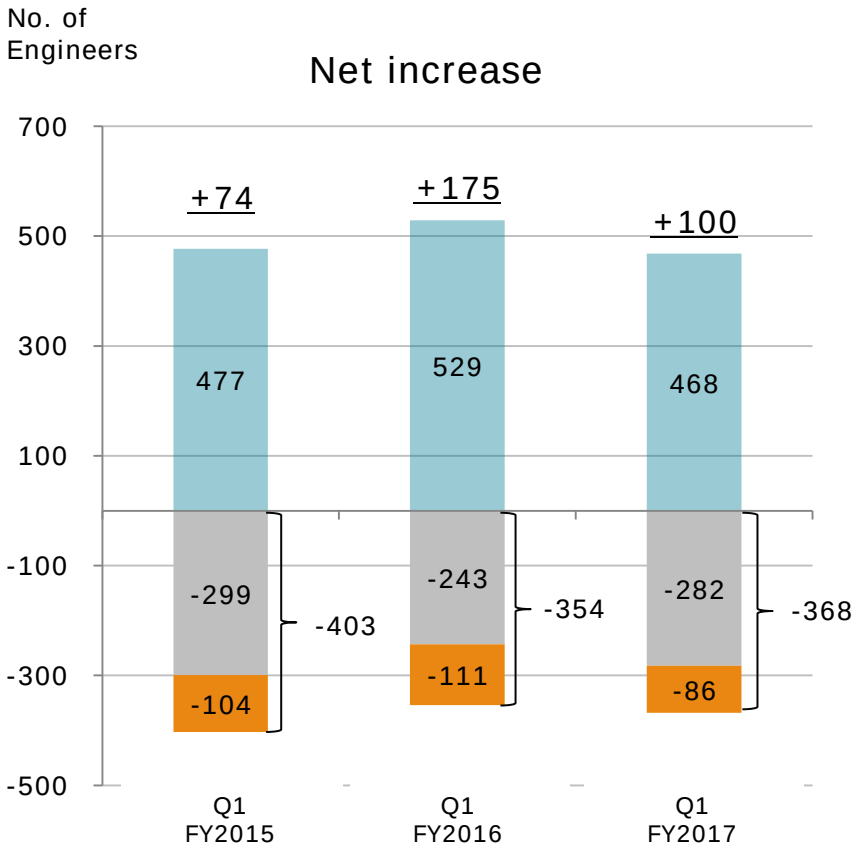
Recruitment / Turnover

- Newly hired engineers were 468 (down 11.5% year-on-year, down 1.9% from FY2015 Q1)
- Turnover rate was 8.6% (FY2016 Q1: 8.1%, FY2015 Q1: 10.8%)



(Difference / % YOY)

Hired	468	(-61 / -11.5%)
Turnover	282	(+39 / +16.0%)
Contract terms matured, others	86	(-25 / -22.5%)

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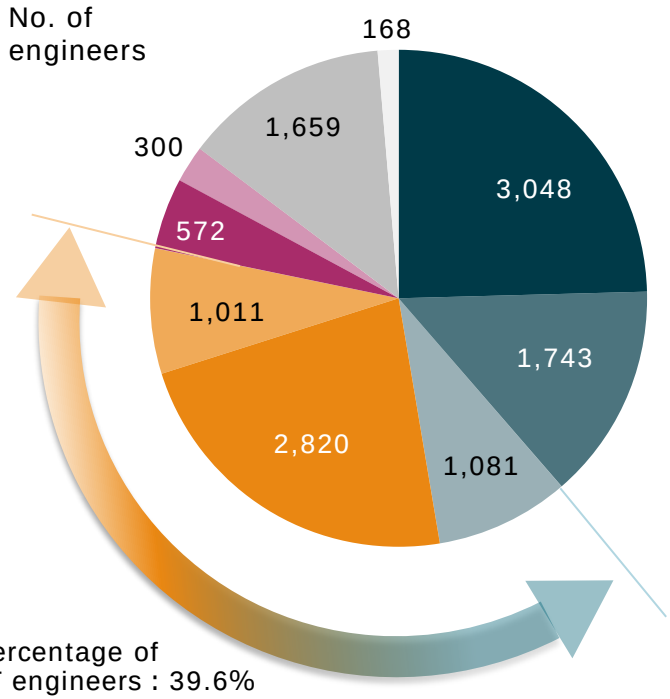
Assigned Engineers by Technology

- Number of assigned engineers* increased in almost every technology
- Shortfall of IT engineers remains obvious in the market, and the assigned engineers posted a major growth in IT sector such as IT infrastructure

End of June 2016

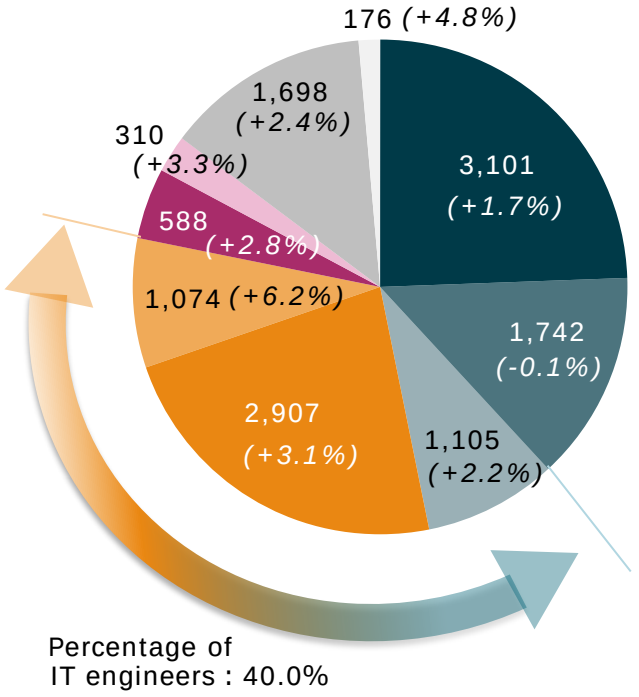
Assigned engineers: 12,402



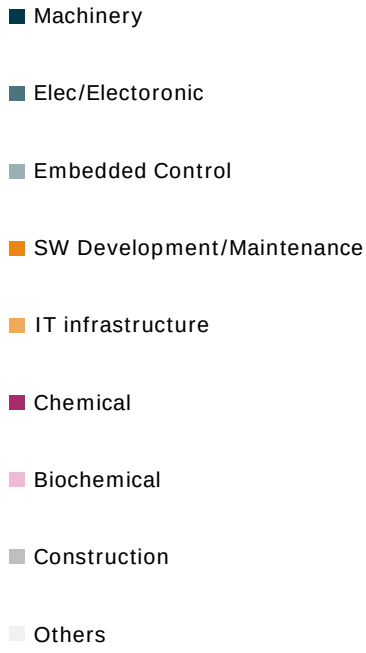
Percentage of IT engineers : 39.6%

End of September 2016

Assigned engineers: 12,701



Percentage of IT engineers : 40.0%



* Figures indicate assigned engineers at the end of month.
** Figure in parenthesis indicates % change.

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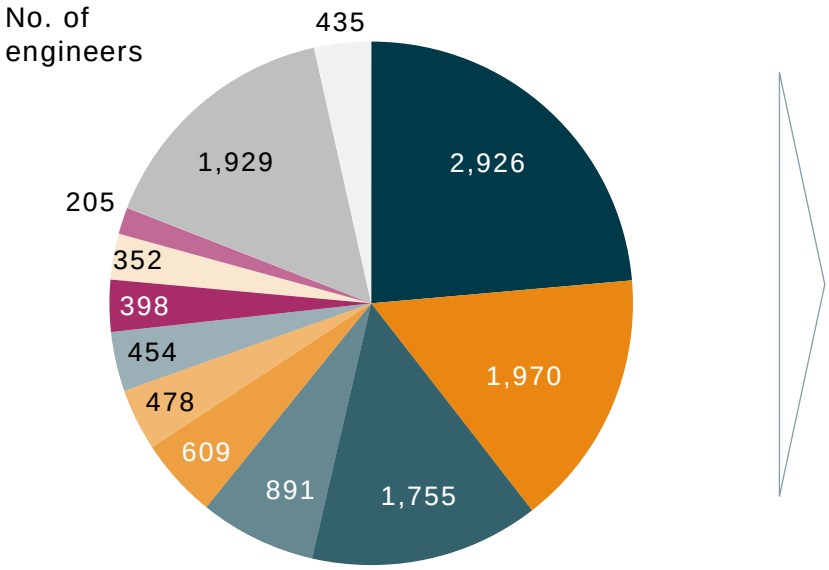
Assigned Engineers by Industrial Sectors

- Number of assigned engineers increased in almost every industrial sector

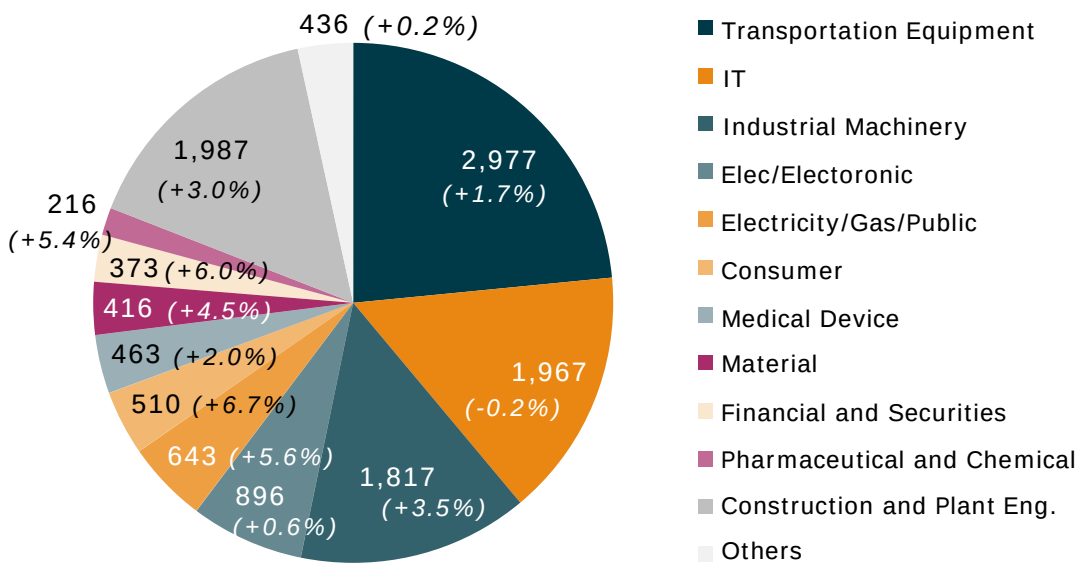
End of June 2016

Assigned engineers: 12,402



End of September 2016

Assigned engineers: 12,701



* Figures indicate assigned engineers at the end of month.
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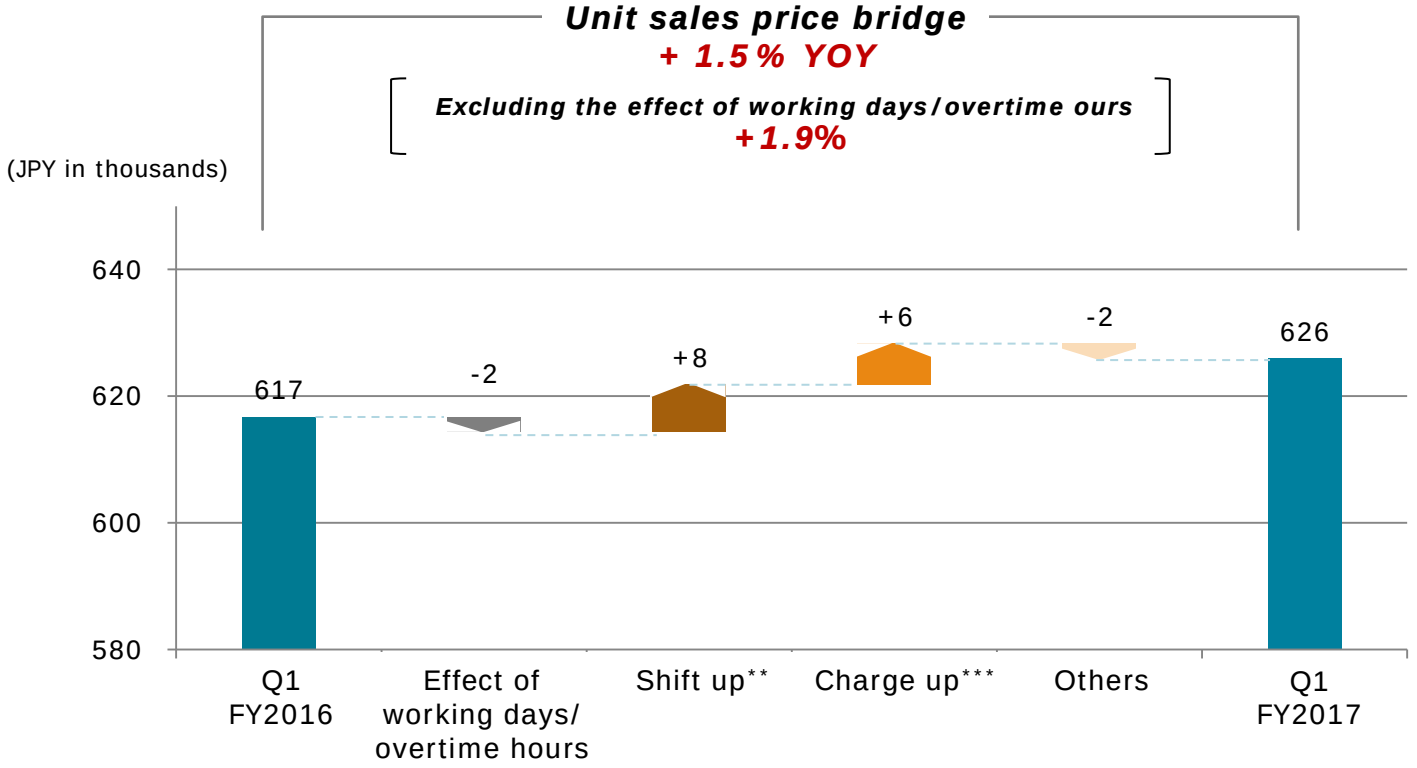
Unit Sales Price

- Unit sales price* was 626,000 yen (+9,000 yen/month YOY), increased +1.5% YOY
- Down 2,000 yen/month YOY due to 0.1 hour shorter overtime hours, even with 0.1 day longer working days
- Up 8,000 yen/month by shift up** and 6,000 yen/month by charge up***



Amounts are rounded off to the nearest unit.

* 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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Dividends Forecast

- Consolidated dividend payout ratio is 50% and dividend forecast is 112.53 yen/share, keeping the same amount in the company's earnings guidance which was announced previously
- Estimated dividend yield based on the closing price of October 28, 2016 (JPY 3,620), is 3.11%

(JPY/share)

	FY2017
Interim dividend (forecast)	50.00
End-term dividend (forecast)	62.53
EPS (forecast)	225.05
Payout ratio	50%

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