Translation

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TECHNOPRO

Summary of the Consolidated First Quarter Statements (IFRS) for the Three-Months Period Ended September 30, 2015

October 30, 2015

Listed Company Name	TechnoPro Holdings, Inc.	Listed Stock Exchange: Tokyo
TSE Code	6028 URL http://www.technoproholdings.com/	
Representative	(Title) Representative Director, President & CEO	(Name) Yasuji Nishio
In charge of inquiries	(Title) Director & CFO (Name) Hiroshi Sato	TEL 03-6385-7998
Quarterly report scheduled submission date	November 10, 2015	
Scheduled commencement date for dividend payment	-	
Supplementary materials for financial results:	Yes	
Briefing session for financial results:	Yes (For institutional investors and analysts)	

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results for the Three Months Ended September 30, 2015 (July 1, 2015 – September 30, 2015)

(1) Consolidated Operating Results(Cumulative)

(% represents the change from the same period of the previous fiscal year)

	Revenue		Operating profit		Profit before income taxes		Net profit		Net profit attributable to owners of the parent company		Comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the three-months ended September 30, 2015	21,434	9.7	2,005	15.9	1,918	19.5	1,880	19.2	1,880	19.2	1,864	15.7
For the three-months ended September 30, 2014	19,537	10.6	1,729	32.6	1,606	51.5	1,577	55.3	1,577	55.2	1,611	59.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the three-months ended September 30, 2015	55.18	–
For the three-months ended September 30, 2014	46.29	–

(Notes) 1. The Company implemented a 10-for-1 stock split on September 1, 2014. In addition, a 2-for-1 stock split took place on November 1, 2014. The figure for basic quarterly earnings per share is calculated on the assumption that these stock splits took place at the beginning of the previous consolidated fiscal year ended in June 30, 2014.

2. In the previous consolidated fiscal period, the financial indicators that we believe investors will find useful in assessing our Group's results were adjusted operating profit, EBITDA and adjusted profit before income taxes. However, information on the major adjustments of the previous period – the extraordinary expenses of restructuring costs and costs related to the listing of the company on the Tokyo Stock Exchange – is omitted from the consolidated first quarter under review, as these adjustments are not expected to occur in the current consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to the owners of the parent company	Percentage of equity attributable to the owners of the parent company
	Million yen	Million yen	Million yen	%
For the three-months ended September 30, 2015	54,835	20,559	20,339	37.2
FY ended June 30, 2015	58,778	21,973	21,973	37.4

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
FY ended June 30, 2015	–	0.00	–	100.88	100.88
FY ending June 30, 2016	–				
FY ending June 30, 2016 (forecast)		50.00	–	61.52	111.52

(Notes) Revisions to dividend forecasts published most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2016 (July 1, 2015 – June 30, 2016)

(% represents the change from the same period of the previous year)

	Revenue		Operating profit		Profit before income taxes		Net profit		Net profit attributable to owners of the parent company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	88,000	8.3	8,100	11.2	7,700	12.7	7,600	10.5	7,600	10.6	223.04

(Notes) Revisions to dividend forecasts published most recently: None

* Notes

(1) Changes to important subsidiaries during the period (changes to "Specified Subsidiaries" that involve changes made to scope of consolidation): Yes

New: 1 company (Pc Assist Co., Ltd.); Excluded: None

(2) Changes to accounting policies and accounting estimates

i. Changes to accounting policies as required by IFRS: None

ii. Changes to accounting policies other than i.: None

iii. Changes to accounting estimates: None

(3) Number of outstanding shares (ordinary shares)

i. Number of outstanding shares at the end of the period (including treasury shares)	As of September 30, 2015	34,074,000 shares	FY ended June 30, 2015	34,074,000 shares
ii. Number of treasury shares at the end of the period	As of September 30, 2015	78 shares	FY ended June 30, 2015	78 shares
iii. Average number of shares during the period (cumulative)	For the three-months ended September 30, 2015	34,073,922 shares	For the three-months ended September 30, 2014	34,074,000 shares

(Note) 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. The number of outstanding shares (ordinary shares) is calculated based on the assumption that these stock splits took place at the beginning of the previous consolidated fiscal year ended June 30, 2014.

* Presentation of the status of implementation of the audit procedures

This Summary of Financial Statements is not subject to audit procedures stipulated in the Financial Instruments and Exchange Act. At the time of disclosure the audit procedures for financial statements in line with the stipulations of Financial Instruments and Exchange Act had not yet been completed.

* Explanation regarding proper use of financial results forecasts, and other notes

Forward-looking statements in this document about future performance are based on information currently available and certain assumptions that are considered reasonable. Due to unforeseen circumstances, actual results may differ from such estimates. Please refer to page 2, “1. Qualitative Information on Financial Results for the Period Under Review”, for criteria for assumptions used in the earnings forecast, and notes for using the earnings forecast.

The Company plans to post a briefing material of business results on the Company’s website at the earliest possible time.

Contents

1. Qualitative Information on Financial Results for the Period Under Review

(1) Summary of business performance

During the consolidated first quarter period under review (July 1, 2015 to September 30, 2015), there was increasing uncertainty in the global economy due to factors including the deceleration of the Chinese economy and decline in share prices and expectations of a rise in U.S. interest rates. In Japan, despite solid business performance largely from large companies and firm capital expenditure, business sentiment deteriorated among small and medium companies and the economy was at a standstill.

However, the engineer dispatching and contract assignment market grew steadily. In particular, demand was strong for engineers in the automobile, IT, and construction industries. In addition, the supply shortage in the employment market for engineers continued from the previous consolidated period continued. On September 30, 2015, the Act for Partial Revision of the “Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers” (The Revised Worker Dispatching Act) was enacted, which unified the worker dispatch business license system, revised worker dispatch time limits, and obligated staffing agencies to take measures to the support career advancement of dispatch workers. Due to this revision, we forecast increased engineer recruitment and greater opportunities for growth through M&A, business collaboration, and other activities for the Group.

In this economic environment, the main initiatives implemented by the Group were as follows:

Implementation of “Shift up” and “Charge up” initiatives

The Group, continuing from the previous fiscal year, implemented the “Shift up” (increase unit prices through changes in place of assignment), and “Charge up” (increase unit prices at the time of contract renewal at the same place of assignment) initiatives as a means of increasing the amount of sales per engineer.

Securing and developing engineers

In order to recruit high-quality engineers, the foundation of the Group’s growth, the Group promoted the engineer introduction system while increasing employment by utilizing employment agencies including consolidated subsidiary TechnoPro Careers, Inc.

In addition, the Group strengthened its engineer development systems through activities including the acquisition of Pc Assist Co., Ltd., which provides education and training services, and the integration of Pc Assist Co., Ltd. with the Group’s existing education and training facility (TechnoPro Learning).

Strengthening contract assignment and consignment

The Group increased profitability in the contract assignment and consignment business through improvements to management of income and expenditure and project management processes.

As a result of the initiatives described above, the number of domestic engineers at the end of the first quarter period under review increased to 12,144 (up 981 compared to the end of the first quarter of the previous fiscal year). An increase in sales per engineer (in Japan) to 617 thousand yen per month (up 11 thousand yen) as a result of sales price controls contributed to an increase in revenue despite a 0.7% fall in utilization rate to 95.1% compared to the end of the first quarter of the previous fiscal year. In employment, the number of newly employed domestic engineers in the first quarter was 529 (up 52 compared to the first quarter of the previous fiscal year), which contributed to an increase in the number of engineers of the Group. In terms of customer industries, there was also a rise in the number of engineers assigned to operations for such industries as IT, automobiles and automobile components.

In terms of expenses, the gross profit margin was 23.3% (up 0.5% compared to the first quarter of the previous fiscal year), despite factors causing increased costs, such as increased labor costs for engineers associated with improved business performance. Despite new costs related to the annual general meeting of shareholders, the SG&A ratio to revenue was held down at 14.0%, the same level as the first quarter of the previous fiscal year.

As a result, at the end of the consolidated first quarter period under review, revenues were 21,434 million yen (up 9.7% compared to the first quarter of the previous fiscal year), operating profit was 2,005 million yen (up of 15.9%), profit before taxes was 1,918 million yen (up 19.5%), and net profit was 1,880 million yen (up 19.2%).

Earnings for the major areas of the business during the consolidated first quarter period under review were as follows:

R&D outsourcing

The Group established an operation system driven by specialist teams and moved forward with negotiations for "Shift up" and "Charge up" initiatives, while enhancing the profitability of contract assignments through process improvements. Furthermore, the Group strengthened sales collaborations between the internal companies of TechnoPro, Inc. As a result of these initiatives, revenues in this area were 18,168 million yen (an increase of 10.4% compared to the first quarter of the previous fiscal year).

(Construction management outsourcing)

The Group, continuing from the previous fiscal year, facilitated the assignment of engineers to priority customers and the recruitment of engineers through introductions of acquaintances. It increased the amount of sales per engineer through the promotion of team assignments. As a result, revenues in this area were 3,038 million yen (an increase of 6.0% compared to the first quarter of the previous fiscal year).

Note: In the previous consolidated fiscal period, the financial indicators that we believe investors will find useful in assessing our Group's results were adjusted operating profit, EBITDA and adjusted profit before income taxes. However, information on the major adjustments of the previous period – the extraordinary expenses of restructuring costs and costs related to the listing of the company on the Tokyo Stock Exchange – is omitted from the consolidated first quarter under review, as these adjustments are not expected to occur in the current consolidated fiscal year.

(2) Summary of financial position

i. Financial conditions

Assets totaled 54,835 million yen as of the end of the consolidated first quarter period under review (down 3,943 million yen from the end of the previous fiscal year). The primary components were goodwill of 29,684 million yen, accounts receivables and other receivables of 11,639 million yen, and cash and cash equivalents of 6,041 million yen.

The status for each item was as follows.

(Current assets)

Current assets totaled 20,141 million yen as of the end of the consolidated first quarter period under review (down 4,778 million yen from the end of the previous fiscal year). The primary components were cash and cash equivalents of 6,041 million yen (down 4,809 million yen), and accounts receivables and other receivables of 11,639 million yen (up 60 million yen).

(Non-current assets)

Non-current assets totaled 34,693 million yen as of the end of the consolidated first quarter period under review (up 835 million yen from the end of the previous fiscal year). The primary components were goodwill of 29,684 million yen (up 481 million yen), and deferred tax assets of 2,502 million yen.

(Current liabilities)

Current liabilities totaled 15,428 million yen as of the end of the consolidated first quarter period under review (down 2,379 million yen from the end of the previous fiscal year). The primary components were accounts payables and other liabilities of 7,581 million yen (up 382 million yen), and employee benefit liabilities of 3,477 million yen (up 30 million yen).

(Non-current liabilities)

Non-current liabilities totaled 18,847 million yen as of the end of the consolidated first quarter period under review (down 149 million yen from the end of the previous fiscal year). The primary components were loans payable of 14,879 million yen (down 333 million yen), and retirement benefit liabilities of 3,623 million yen (up 107 million yen).

(Equity attributable to the owners of the parent company)

Equity attributable to the owners of the parent company totaled 20,399 million yen as of the end of the consolidated first quarter period under review (down 1,573 million yen from the end of the previous fiscal year). The primary components were capital surplus of 6,525 million yen and retained earnings of 13,590 million yen (down 1,557 million yen).

ii. Cash flow conditions

Cash and cash equivalents (hereinafter “Cash”) totaled 6,041 million yen as of end of the consolidated first quarter period under review, representing a decline of 4,809 million yen compared to the end of the previous fiscal year.

Cash flow conditions during the consolidated first quarter period under review as well as the main factors affecting their changes are as follows.

(Cash flows from operating activities)

Cash flows from operating activities resulted in cash outflows of 646 million yen (up 459.6% compared to the previous fiscal year), this was mainly due to increases in profits before taxes (1,918 million yen) and accounts payables and other liabilities (332 million yen), partially offset by decline in accrued consumption taxes payable (1,106 million yen) and payments of corporate income taxes (1,308 million yen).

(Cash flows from investing activities)

Cash flows from investing activities resulted in cash outflows of 480 million yen (up 292.0% compared to the previous fiscal year). This was mainly due to outflows for the acquisition of subsidiary shares (274 million yen) and non-current assets (71 million yen) and intangible assets (133 million yen).

(Cash flows from financing activities)

Cash flows from financing activities resulted in cash outflows of 3,674 million yen (up 8.8% compared to the previous fiscal year). This was mainly due to dividend payments (3,298 million yen) and cash outflows resulting from repayments of long-term borrowings (375 million yen).

(3) Results forecasts and other forward-looking information

Consolidated results forecasts for the period ending June 2016 are for revenue of 88,000 million yen (up 8.3% compared to the previous fiscal year), and operating profit of 8,100 million yen (up 11.2%), assuming stable growth of the engineer dispatching and contract assignment markets, increased unit prices for engineers in response to our “Charge-up” and “Shift-up” initiatives, and increased use of engineers driven by an increase in our stock of engineers.

In addition, we expect lower financial expenses to contribute due to the refinancing that we implemented in June 2014, and we forecast profit before taxes of 7,700 million yen (up 12.7%), net profit of 7,600 million yen (up 10.5%) and net profit attributable to owners of the parent company of 7,600 million yen (up 10.6%).

As announced on July 31, 2015 “Summary of Consolidated Financial Statements (IFRS) for the Fiscal Year Ended June 30, 2015,” there has been no change to the consolidated results forecast for the full year.

2. Summary information (notes)

(1) Changes to important subsidiaries during this period

In the consolidated first quarter period under review, the Company acquired Pc Assist Co., Ltd. as a new subsidiary through share acquisition. In this acquisition the capital of the acquired company is equivalent to over 10/100 of the Company’s capital.

(2) Changes to accounting policies and accounting estimates

Not applicable.

3. Interim Consolidated Financial Statements (Summary)

(1) Consolidated Statement of Financial Position (Summary)

(Millions of yen)

	As of June 30, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and cash equivalents	10,851	6,041
Accounts receivables and other receivables	11,579	11,639
Income taxes receivable	1,187	1,195
Other short-term financial assets	355	365
Other current assets	946	900
Total current assets	24,920	20,141
Non-current assets		
Property, plant and equipment	658	776
Goodwill	29,202	29,684
Intangible assets	571	592
Other long-term financial assets	922	1,133
Deferred tax assets	2,503	2,502
Other non-current assets	0	4
Total non-current assets	33,858	34,693
Total assets	58,778	54,835
Liabilities and equity		
Current liabilities		
Accounts payable and other liabilities	7,199	7,581
Loans payable	1,406	1,438
Income taxes payable	184	—
Dividends payable	—	138
Other financial liabilities	946	692
Employee benefits liabilities	3,446	3,477
Provisions	1	3
Other current liabilities	4,623	2,096
Total current liabilities	17,808	15,428

(Millions of yen)

	As of June 30, 2015	As of September 30, 2015
Non-current liabilities		
Loans payable	15,212	14,879
Other financial liabilities	32	33
Deferred tax liabilities	0	0
Retirement benefit liabilities	3,515	3,623
Provisions	235	286
Other non-current liabilities	—	24
Total non-current liabilities	18,997	18,847
Total liabilities	36,805	34,275
Equity		
Capital stock	100	100
Capital surplus	6,525	6,525
Retained earnings	15,148	13,590
Treasury shares	(0)	(0)
Other components of equity	200	184
Equity attributable to owners of the parent company	21,973	20,399
Non-controlling interests	0	159
Total equity	21,973	20,559
Total liabilities and equity	58,778	54,835

(2) Consolidated Statement of Income (Summary) and Consolidated Statement of Comprehensive Income (Summary)
Consolidated Statement of Income (Summary)
The consolidated three month period

(Millions of yen)

	Tree month ended September 30, 2014 (July 1, 2014 to September 30, 2014)	Tree month ended September 30, 2015 (July 1, 2015 to September 30, 2015)
Revenue	19,537	21,434
Cost of sales	15,080	16,447
Gross profit	4,456	4,986
Selling, general and administrative expenses	2,733	2,996
Other income	32	29
Other expenses	25	13
Operating profit	1,729	2,005
Financial income	2	2
Financial expenses	125	89
Profit before income taxes	1,606	1,918
Income taxes	28	38
Net profit	1,577	1,880
Net profit attributable to:		
Owners of the parent company	1,577	1,880
Non-controlling interests	0	0
Net profit	1,577	1,880

(Yen)

Earnings per share attributable to owners of the parent company		
Basic earnings per share	46.29	55.18

Consolidated Statement of Comprehensive Income (Summary)

The consolidated tree month period

(Millions of yen)

	Tree month ended September 30, 2014 (July 1, 2014 to September 30, 2014)	Tree month ended September 30, 2015 (July 1, 2015 to September 30, 2015)
Net profit	1,577	1,880
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign currency translation adjustments	33	(16)
Gains and losses on cash flow hedges	0	0
Total items that may be reclassified to profit or loss	33	(16)
Total other comprehensive income	33	(16)
Comprehensive income for the period	1,611	1,864
Comprehensive income for the period attributable to:		
Owners of the parent company	1,611	1,864
Non-controlling interests	0	0
Comprehensive income for the period	1,611	1,864

(3) Consolidated Statement of Changes in Equity (Summary)

Tree-months ended September 30, 2014 (July 1, 2014 to September 30, 2014)

(Millions of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of July 1, 2014	100	8,936	5,916	—	118	15,071	(0)	15,070
Net profit			1,577			1,577	0	1,577
Other comprehensive income					33	33	0	33
Total comprehensive income			1,577		33	1,611	0	1,611
Dividends of surplus						—		—
Change of scope of consolidation						—		—
As of September 30, 2014	100	8,936	7,493	—	152	16,682	(0)	16,682

Tree-months ended September 30, 2015 (July 1, 2015 to September 30, 2015)

(Millions of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of July 1, 2015	100	6,525	15,148	(0)	200	21,973	0	21,973
Net profit			1,880			1,880	0	1,880
Other comprehensive income					(15)	(15)	(0)	(16)
Total comprehensive income			1,880		(15)	1,864	0	1,864
Dividends of surplus			(3,437)			(3,437)		(3,437)
Change of scope of consolidation						—	158	158
As of September 30, 2015	100	6,525	13,590	(0)	184	20,399	159	20,559

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of yen)

	Tree month ended September 30, 2014 (July 1, 2014 to September 30, 2014)	Tree month ended September 30, 2015 (July 1, 2015 to September 30, 2015)
Cash flows from operating activities		
Profit before income taxes	1,606	1,918
Depreciation and amortization	62	68
Interest and dividend income	(2)	(2)
Interest expense	119	81
Decrease (increase) in accounts receivables and other receivables	(255)	21
Increase (decrease) in accounts payable and other liabilities	(927)	332
Increase (decrease) in consumption taxes payable	121	(1,106)
Increase (decrease) in retirement benefit liabilities	73	107
Other	(408)	(710)
Subtotal	388	712
Interest received	2	2
Interest paid	(100)	(53)
Income taxes paid	(405)	(1,308)
Net cash flows from operating activities	(115)	(646)
Cash flows from investing activities		
Payments into time deposits	(10)	(1)
Purchase of property, plant and equipment	(76)	(71)
Purchase of intangible assets	(35)	(133)
Purchase of subsidiary shares	－	(274)
Other	(0)	－
Net cash flows from investing activities	(122)	(480)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,000)	－
Repayments of long-term borrowings	(375)	(375)
Cash dividends paid	－	(3,298)
Other	(0)	(0)
Net cash flows from financing activities	(3,375)	(3,674)
Effect of change in exchange rates on cash and cash equivalents	9	(8)
Net increase (decrease) in cash and cash equivalents	(3,604)	(4,809)
Cash and cash equivalents at the beginning of the period	8,791	10,851
Cash and cash equivalents at the end of the period	5,187	6,041

(5) Notes to the consolidated financial results (Summary)

(Note on assumption about going concern)

Not applicable.

(Note on significant subsequent events)

Not applicable.