Translation



TECHNOPRO

FASF MEMBERSHIP

# Summary of the Consolidated Financial Statements (IFRS) for the Fiscal Year Ended June 30, 2018

July 31, 2018


Listed Company Name TechnoPro Holdings, Inc. Listed Stock Exchange: Tokyo

TSE Code 6028 URL http://www.technoproholdings.com/en/

Representative (Title) Representative Director, President & CEO (Name) Yasuji Nishio

In charge of inquiries (Title) Director & CFO (Name) Hiroshi Sato TEL 03-6385-7998


Scheduled date of the general meeting of shareholders September 27, 2018

Scheduled commencement date for dividend payment September 28, 2018

Scheduled date of submission of securities report September 27, 2018

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 Fiscal Year Ended June 30, 2018 (July 1, 2017 – June 30, 2018)

### (1) Consolidated Operating Results

(% 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 | % |
| FY ended June 30, 2018 | 116,529 | 16.4 | 11,238 | 16.5 | 11,163 | 16.8 | 8,509 | 10.2 | 8,498 | 10.1 | 8,563 | 10.6 |
| FY ended June 30, 2017 | 100,095 | 10.8 | 9,647 | 13.6 | 9,559 | 20.7 | 7,725 | 4.5 | 7,717 | 4.9 | 7,739 | 8.7 |

| | Basic earnings per share | Diluted earnings per share | Ratio of profit to equity attributable to the owners of the parent company | Ratio of profit before income taxes to total assets | Ratio of operating profit to revenue |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| FY ended June 30, 2018 | 244.81 | 244.62 | 24.5 | 14.1 | 9.6 |
| FY ended June 30, 2017 | 225.58 | – | 29.9 | 14.3 | 9.6 |

(Ref.) Equity in net income of affiliates: FY ended June 30, 2018: ¥3 million; FY ended June 30, 2017: (¥1 million)

### (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 | Equity attributable to the owners of the parent company per share |
|---|---|---|---|---|---|
| | Million yen | Million yen | Million yen | % | Yen |
| FY ended June 30, 2018 | 88,201 | 42,967 | 41,694 | 47.3 | 1,150.04 |
| FY ended June 30, 2017 | 70,119 | 27,696 | 27,696 | 39.5 | 809.51 |

### (3) Consolidated Cash Flows

| | Net cash from operating activities | Net cash from (used in) investing activities | Net cash from (used in) financing activities | Cash and cash equivalents at end of period |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| FY ended June 30, 2018 | 10, 798 | (5,361) | 2,826 | 21,652 |
| FY ended June 30, 2017 | 8,634 | (2,864) | (4,087) | 13,398 |

## 2. Dividends

| | Annual dividends per share | | | | | Total Dividends | Dividend payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | End of first quarter | End of second quarter | End of third quarter | End of fiscal year | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| FY ended June 30, 2017 | – | 50.00 | – | 62.79 | 112.79 | 3,858 | 50.0 | 14.9 |
| FY ended June 30, 2018 | – | 50.00 | – | 70.00 | 120.00 | 4,250 | 50.0 | 12.3 |
| FY ending June 30, 2019 (forecast) | – | 50.00 | – | 73.00 | 123.00 | | 50.1 | |

(Notes) The payout ratio is calculated by dividing the total dividends by the profit attributable to owners of parent.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2019 (July 1, 2018 – June 30, 2019)

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

| | Revenue | | Operating profit | | Profit before income taxes | | Net profit attributable to owners of the parent company | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 135,000 | 15.9 | 13,500 | 20.1 | 13,500 | 20.9 | 8,900 | 4.7 | 245.49 |

* 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 (PROBIZMO, Inc.); Excluded: 1 company (TechnoPro Embedded, Inc.)

(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) | FY ended June 30, 2018 | 36,254,932 shares | FY ended June 30, 2017 | 34,214,000 shares |
| ii. Number of treasury shares at the end of the period | FY ended June 30, 2018 | 341 shares | FY ended June 30, 2017 | 215 shares |
| iii. Average number of shares during the period | FY ended June 30, 2018 | 34,716,060 shares | FY ended June 30, 2017 | 34,213,847 shares |

* This Summary of Financial Statements is not subject to audit by CFAs or an audit corporation.

* 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.

The Company plans to hold a briefing on business results for institutional investors and analysts on July 31, 2018. The material for the briefing was posted on the Company’s website at the same time as this financial results disclosure.

## Contents

# 1. Analysis of Business Performance and Financial Position

## (1) Summary of business performance

During the consolidated fiscal year under review (July 1, 2017 to June 30, 2018), despite concerns over geopolitical risks in East Asia and the Middle East, overall global economic performance remained strong, driven by a steady U.S. economy and other factors. In Japan, there were improvements in corporate earnings and the employment situation, and despite uncertainty regarding the current political situation, the modest recovery in the economy continued.

In this economic environment, the engineer dispatching and contract assignment business, the area in which the Group's business is focused, grew steadily. There was particularly strong demand for engineers in the automobile, automotive parts, IT, and construction industries, but the supply shortage in the employment market for engineers continued from the previous fiscal year.

The main initiatives implemented by the Group during the fiscal year under review were as follows:

Implementation of "Shift up" and "Charge up" initiatives

The Group, continued the implementation of 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 from the previous year as a means of increasing the amount of sales per engineer.

Securing engineers

In order to recruit highly skilled engineers, the foundation of the Group's growth, and respond to robust demand for engineers from target companies, the Group further strengthened recruitment efforts. Specifically, the Group promoted the engineer referral system while increasing employment by utilizing employment agencies including consolidated subsidiary TechnoPro Careers, Inc. and Boyd & Moore Executive Search K.K., and held joint seminars with partner companies. In addition, through the acquisition of EDELTA Co., Ltd., PROBIZMO Co., Ltd., and Techno Live Co., Ltd. as consolidated subsidiaries, the Group acquired superior engineers in the field of IT. In terms of human resources policies, the Group will continue to promote the recruitment of superior engineers in future by improving employee benefits through the introduction of a defined contribution pension plan, and other efforts.

Developing engineers

In human resources development of engineers, the Group expanded courses in AI and other areas available through Win School (managed by Pc Assist Co., Ltd.), and developed training for data scientists through its partnership with data analysis leader ALBERT, Inc. In addition, in order to meet the strong demand for construction personnel, TechnoPro Construction, Inc. established a new training facility, the Osaka Technical Training Center. After the Tokyo Technical Training Center, this will be the Group's second training facility focused on the construction and construction management fields. The Group intends to continue working to raise the knowledge and technical skills of the Group's researchers and engineers.

Pursuing globalization

In March 2018, TechnoPro Holdings Inc. acquired Helius Technologies Pte Ltd., an engineer staffing company for the IT industry employing approximately 600 engineers, as a consolidated subsidiary. This acquisition lays the foundations for TechnoPro's business expansion in the medium to long term in Southeast Asia and India.

As a result of the initiatives described above, the number of domestic engineers at the end of the consolidated fiscal year under review increased to 16,797 (up 2,451 compared to the end of the previous fiscal year). The average utilization rate rose 0.4 pts to 95.7% compared to the previous consolidated fiscal year. An increase in sales per engineer (TechnoPro, Inc. and TechnoPro Construction, Inc.) to 630 thousand yen per month (up 3.9 thousand yen) as a result of the continued promotion of the "Shift up" and "Charge up" initiatives also contributed to an increase in revenue compared to the end of the previous fiscal year.

In employment, the number of engineers grew, with newly employed domestic engineers in the consolidated fiscal year under review at 4,151 (1,467 more than the previous fiscal year).

In terms of expenses, the gross profit margin was 25.3% (up 1.9 pts compared to the previous fiscal year), despite an increase in cost of sales due to increased labor costs for engineers associated with improved business performance. However, the ratio of SG&A expenses to sales was 15.7% (up 1.8 pts) due to increased administrative costs owing to expansion of the group.

As a result, at the end of the consolidated fiscal year under review, the Group's revenues were 116,529 million yen (up 16.4% compared to previous fiscal year), operating profit was 11,238 million yen (up 16.5%), profit before taxes was 11,163 million yen (up16.8%), and net profit attributable to the owners of the parent company was 8,498 million yen (up 10.1%).

Earnings for the major areas of the business during the consolidated fiscal year under review were as follows:

(R&D outsourcing)
In addition to enhancing profitability by moving forward with negotiations for "Shift up" and "Charge up" initiatives, driven by specialist teams, the Group also continued building information systems related to the recruitment and development of human resources. As a result of these initiatives, revenues in this area were 97,457 million yen (up 14.6%).

(Construction management outsourcing)
The Group, continuing from the previous fiscal year, increased the amount of sales per engineer through the promotion of team assignments. Additionally, the Group expanded in two key areas; the active hiring and development of inexperienced personnel, and the incorporation of design into the business scope of current construction management work. As a result, revenues in this area were 14,659 million yen (up 11.0%).

(2) Summary of financial position

i. Analysis of financial conditions

Assets totaled 88,201 million yen as of the end of the consolidated fiscal year under review (up 18,081 million yen from the end of the previous fiscal year). The primary components were goodwill of 34,498 million yen, accounts receivables and other receivables of 17,378 million yen, and cash and cash equivalents of 21,652 million yen.

The status for each item was as follows.

(Current assets)

Current assets totaled 41,000 million yen as of the end of the consolidated fiscal year under review (up 9,908 million yen from the end of the previous fiscal year). The primary components were cash and cash equivalents of 21,652 million yen (up 8,254 million yen), and accounts receivables and other receivables of 17,378 million yen (up 3,381 million yen).

(Non-current assets)

Non-current assets totaled 47,201 million yen as of the end of the consolidated fiscal year under review (up 8,173 million yen from the end of the previous fiscal year). The primary components were goodwill of 34,498 million yen (up 4,957 million yen), and deferred tax assets of 3,932 million yen (up 317 million yen).

(Current liabilities)

Current liabilities totaled 28,744 million yen as of the end of the consolidated fiscal year under review (up 4,128 million yen from the end of the previous fiscal year). The primary components were accounts payable and other liabilities of 11,045 million yen (up 1,586 million yen), and employee benefit liabilities of 4,894 million yen (up 893 million yen).

(Non-current liabilities)

Non-current liabilities totaled 16,489 million yen as of the end of the consolidated fiscal year under review (down 1,317 million yen from the end of the previous fiscal year). The primary components were bonds and loans payable of 8,144 million yen (down 4,405 million yen), and other long-term liabilities of 7,293 million yen (up 7,179 million yen).

(Equity attributable to the owners of the parent company)

Equity attributable to the owners of the parent company totaled 41,694 million yen as of the end of the consolidated fiscal year under review (up 13,997 million yen from the end of the previous fiscal year). The primary components were capital surplus of 9,003 million yen (up 3,028 million yen) and retained earnings of 25,824 million yen (up 4,749 million yen).

(3) Cash flow conditions

Cash and cash equivalents (hereinafter “Cash”) totaled 21,652 million yen as of end of the consolidated fiscal year under review, representing an increase of 8,254 million yen compared to the end of the previous fiscal year.

Cash flow during the consolidated fiscal year under review as well as the main factors affecting changes are as follows.

(Cash flows from operating activities)

Cash flows from operating activities resulted in cash inflows of 10,798 million yen (previous fiscal year: inflows of 8,634 million), this was mainly due to increases in profits before taxes (11,163 million yen) and deposits received (1,005 million yen) and an income tax refund (2,146 million yen), partially offset by an increase in accounts receivables and other receivables (1,928 million yen) and payments of corporate income taxes (4,170 million yen).

(Cash flows from investing activities)

Cash flows from investing activities resulted in cash outflows of 5,361 million yen (previous fiscal year: outflows of 2,864 million). This was mainly due to outflows for the acquisition of subsidiaries (4,780 million yen), tangible fixed assets (263 million yen) and other financial assets (255 million yen).

(Cash flows from financing activities)

Cash flows from financing activities resulted in cash inflows of 2,826 million yen (previous fiscal year: outflows of 4,087 million). This was mainly due to increases in cash inflows from the proceeds of issuance of new stock (12,259 million yen) and revenue from long-term borrowings (6,900 million yen), offset by a net decrease in total outflows from dividend payments (3,861 million yen) and outflows from repayments of long-term borrowings (10,225 million yen).

(Changes in indicators related to cash flows)

| | FY ended June 30, 2014 | FY ended June 30, 2015 | FY ended June 30, 2016 | FY ended June 30, 2017 | FY ended June 30, 2018 |
|---|---|---|---|---|---|
| Ratio of equity attributable to owners of the parent company (%) | 28.1 | 37.4 | 37.7 | 39.5 | 47.3 |
| Ratio of equity attributable to owners of the parent company on a market price basis (%) | — | 178.5 | 170.7 | 220.5 | 279.9 |
| Cash flows to interest-bearing debt ratio (years) | 4.3 | 2.4 | 2.0 | 1.9 | 1.1 |
| Interest coverage ratio (times) | 6.3 | 19.9 | 45.6 | 108.4 | 106.0 |

Ratio of equity attributable to owners of the parent company: equity attributable to owners of the parent company/total assets

Ratio of equity attributable to owners of the parent company on a market price basis: market capitalization/total assets

Cash flows to interest-bearing debt ratio: interest-bearing debt/cash flows

Interest coverage ratio: cash flows/interest payments

(Notes)

1. The indicators are calculated based on consolidated financial figures.
2. Market capitalization is calculated based on the number of outstanding shares excluding treasury shares.
3. The ratio of equity attributable to owners of the parent company on a market price basis for the fiscal year ended June 30, 2014 is not stated because the Company’s shares were unlisted.
4. Cash flows from operating activities are used for cash flows.
5. Interest-bearing debt is all of the liabilities recorded on the Consolidated Statement of Financial Position for which the Company is paying interest.

(4) Business performance forecasts

Our forecast for the fiscal year ending 2019 has been made on the expectation of continuing demand for engineer dispatch, backed by the steady growth of the engineer dispatch and contract assignment market. The Group will focus on increasing prices through the continued implementation of our “Charge up” and “Shift up” initiatives, and training and securing highly-skilled engineers. Based on these initiatives, for the fiscal year ending 2019 we forecast the retention of 18,000 engineers (up 7.2%), and a utilization rate of 95.0%-96%, contributing to revenue of 135,000 million yen (up 15.9%), operating profit of 13,500 million yen (up 20.1%), profit before income taxes of 13,500 million yen (up 20.9%) and net profit attributable to the owners of the parent company of 8,900 million yen (up 4.7%).

(5) Basic policy regarding profit allocation and dividends in the fiscal year under review and the next fiscal year

The Company’s basic policy regarding profit allocation is to support demand for funds for growth and financial soundness through internal reserves in an aim to improve corporate value and shareholder value while directly returning a portion of profits to shareholders through dividends with the consolidated dividend payout ratio serving as specific benchmark. In terms of dividend levels, the Company’s basic policy is to pay a stable dividend twice a year (an interim dividend and year-end dividend), based on a medium- to long-term consolidated dividend payout ratio of 50%. In the event of a sudden downturn in the economic environment, the minimum dividend payout is 10% of the consolidated dividend on equity ratio. Uses of internal reserves include operating funds, investments for information systems and personnel development, and strategic business investments including acquisitions.

Dividends from surpluses are decided on by bodies including the general meeting of shareholders in accordance with laws and regulations and the articles of incorporation. The Company’s Articles of Incorporation stipulate that an interim dividend will be provided based on a resolution by the Board of Directors with December 31 as the record date.

Regarding the annual dividend for the fiscal year under review; a year-end dividend of 70 yen is scheduled, which, combined with the interim dividend of 50 yen will bring the annual dividend to 120 yen per share, and a dividend payout ratio of 50.0% of net profit (attributable to the owners of the parent company) of 8,498 million yen for the fiscal year under review.

An annual dividend of 123 yen per share (consisting of an interim dividend of 50 yen and a year-end dividend of 73 yen) is planned for the fiscal year ending June 30, 2019.

## 2. Basic stance towards the selection of accounting standards

The Group has applied the International Accounting Standards since the fiscal year ended June 30, 2014 in an aim to improve comparability with financial information in global capital markets and to improve convenience.

## 3. Consolidated Financial Statements and notes

### (1) Consolidated Statement of Financial Position

(Millions of yen)

| | As of June 30, 2017 | As of June 30, 2018 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 13,398 | 21,652 |
| Accounts receivables and other receivables | 13,997 | 17,378 |
| Income taxes receivable | 2,146 | 19 |
| Other short-term financial assets | 379 | 435 |
| Other current assets | 1,169 | 1,514 |
| Total current assets | 31,091 | 41,000 |
| Non-current assets | | |
| Property, plant and equipment | 888 | 1,105 |
| Goodwill | 29,541 | 34,498 |
| Intangible assets | 1,303 | 3,503 |
| Investments accounted for using the equity method | 97 | 101 |
| Other long-term financial assets | 3,574 | 3,961 |
| Deferred tax assets | 3,615 | 3,932 |
| Other non-current assets | 8 | 97 |
| Total non-current assets | 39,027 | 47,201 |
| Total assets | 70,119 | 88,201 |
| Liabilities and equity | | |
| Current liabilities | | |
| Accounts payable and other liabilities | 9,459 | 11,045 |
| Bond and loans payable | 3,744 | 3,471 |
| Income taxes payable | 895 | 2,043 |
| Other financial liabilities | 1,199 | 2,313 |
| Employee benefits liabilities | 4,000 | 4,894 |
| Provisions | 6 | 7 |
| Other current liabilities | 5,310 | 4,967 |
| Total current liabilities | 24,615 | 28,744 |

(Millions of yen)

| | As of June 30, 2017 | As of June 30, 2018 |
|---|---|---|
| Non-current liabilities | | |
| Bonds and loans payable | 12,549 | 8,144 |
| Other financial liabilities | 114 | 7,293 |
| Deferred tax liabilities | 168 | 599 |
| Retirement benefit liabilities | 4,652 | 30 |
| Provisions | 294 | 341 |
| Other non-current liabilities | 28 | 79 |
| Total non-current liabilities | 17,807 | 16,489 |
| Total liabilities | 42,423 | 45,233 |
| | | |
| Equity | | |
| Share capital | 510 | 6,785 |
| Capital surplus | 5,975 | 9,003 |
| Retained earnings | 21,075 | 25,824 |
| Treasury shares | (0) | (1) |
| Other components of equity | 136 | 82 |
| Equity attributable to owners of the parent company | 27,696 | 41,694 |
| Non-controlling interests | — | 1,272 |
| Total equity | 27,696 | 42,967 |
| Total liabilities and equity | 70,119 | 88,201 |

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

| | Fiscal year ended June 30, 2017 (July 1, 2016 to June 30, 2017) | Fiscal year ended June 30, 2018 (July 1, 2017 to June 30, 2018) |
|---|---|---|
| Revenue | 100,095 | 116,529 |
| Cost of sales | 76,660 | 87,054 |
| Gross profit | 23,435 | 29,475 |
| Selling, general and administrative expenses | 13,872 | 18,237 |
| Other income | 106 | 113 |
| Other expenses | 21 | 111 |
| Operating profit | 9,647 | 11,238 |
| Financial income | 3 | 69 |
| Financial expenses | 89 | 148 |
| Investment profit (loss) under the equity method | (1) | 3 |
| Profit before income taxes | 9,559 | 11,163 |
| Income taxes | 1,834 | 2,654 |
| Net profit | 7,725 | 8,509 |
| | | |
| Net profit attributable to: | | |
| Owners of the parent company | 7,717 | 8,498 |
| Non-controlling interests | 7 | 10 |
| Net profit | 7,725 | 8,509 |
| | | |
| | (Yen) | (Yen) |
| Earnings per share attributable to owners of the parent company | | |
| Basic earnings per share | 225.58 | 244.81 |
| Diluted earnings per share | — | 244.62 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Fiscal year ended June 30, 2017 (July 1, 2016 to June 30, 2017) | Fiscal year ended June 30, 2018 (July 1, 2017 to June 30, 2018) |
|---|---|---|
| Net profit | 7,725 | 8,509 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurement of defined benefit plan | (7) | 111 |
| Total items that will not be reclassified to profit or loss | (7) | 111 |
| Items that may be reclassified to profit or loss | | |
| Foreign currency translation adjustments | 17 | (9) |
| Gains or losses on available-for-sale financial assets | 3 | (47) |
| Total items that may be reclassified to profit or loss | 21 | (57) |
| Total other comprehensive income | 13 | 53 |
| Comprehensive income for the period | 7,739 | 8,563 |
| Comprehensive income for the period attributable to: | | |
| Owners of the parent company | 7,731 | 8,556 |
| Non-controlling interests | 7 | 7 |
| Comprehensive income for the period | 7,739 | 8,563 |

(3) Consolidated Statement of Changes in Equity

Fiscal year ended June 30, 2017 (July 1, 2016 to June 30, 2017)

(Millions of yen)

| | Share capital | 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, 2016 | 510 | 6,158 | 17,180 | (0) | 115 | 23,963 | 184 | 24,148 |
| Net profit | | | 7,717 | | | 7,717 | 7 | 7,725 |
| Other comprehensive income | | | (7) | | 21 | 13 | | 13 |
| Total comprehensive income | – | – | 7,709 | – | 21 | 7,731 | 7 | 7,739 |
| Number of new shares issued | | | | | | – | | – |
| Number of share acquisition rights issued | | | | | | – | | – |
| Number of share acquisition rights acquired | | | | | | – | | – |
| Dividends of surplus | | | (3,815) | | | (3,815) | | (3,815) |
| Share-based payment transaction | | 20 | | | | 20 | | 20 |
| Purchase of own shares | | | | (0) | | (0) | | (0) |
| Change of scope of consolidation | | | | | | – | | – |
| Put options granted to non-controlling interests | | | | | | – | | – |
| Changes in ownership of subsidiaries | | (203) | | | | (203) | (192) | (395) |
| Other increases (decreases) | | | | | | – | | – |
| Total transactions with the owners | – | (183) | (3,815) | (0) | – | (3,998) | (192) | (4,191) |
| As of June 30, 2017 | 510 | 5,975 | 21,075 | (0) | 136 | 27,696 | – | 27,696 |

Fiscal year ended June 30, 2018 (July 1, 2017 to June 30, 2018)

(Millions of yen)

| | Share capital | 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, 2017 | 510 | 5,975 | 21,075 | (0) | 136 | 27,696 | — | 27,696 |
| Net profit | | | 8,498 | | | 8,498 | 10 | 8,509 |
| Other comprehensive income | | | 111 | | (54) | 57 | (3) | 53 |
| Total comprehensive income | — | — | 8,610 | — | (54) | 8,556 | 7 | 8,563 |
| Number of new shares issued | 6,275 | 6,055 | | | | 12,330 | | 12,330 |
| Number of share acquisition rights issued | | | | | | — | | — |
| Number of share acquisition rights acquired | | | | | | — | | — |
| Dividends of surplus | | | (3,861) | | | (3,861) | | (3,861) |
| Share-based payment transaction | | 88 | | | | 88 | | 88 |
| Purchase of own shares | | | | (0) | | (0) | | (0) |
| Change of scope of consolidation | | | | | | — | 1,265 | 1,265 |
| Put options granted to non-controlling interests | | (3,066) | | | | (3,066) | | (3,066) |
| Changes in ownership of subsidiaries | | | | | | — | | — |
| Other increases (decreases) | | (48) | | | | (48) | | (48) |
| Total transactions with the owners | 6,275 | 3,028 | (3,861) | (0) | — | 5,441 | 1,265 | 6,707 |
| As of June 30, 2018 | 6,785 | 9,003 | 25,824 | (1) | 82 | 41,694 | 1,272 | 42,967 |

(4) Consolidated Statement of Cash Flows

(Millions of yen)

| | Fiscal year ended June 30, 2017 (July 1, 2016 to June 30, 2017) | Fiscal year ended June 30, 2018 (July 1, 2017 to June 30, 2018) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 9,559 | 11,163 |
| Depreciation and amortization | 412 | 506 |
| Interest and dividend income | (3) | (61) |
| Interest expense | 79 | 101 |
| Investment loss (profit) under the equity method | 1 | (3) |
| Decrease (increase) in accounts receivables and other receivables | (1,344) | (1,928) |
| Increase (decrease) in accounts payable and other liabilities | 1,089 | 839 |
| Increase (decrease) in deposits received | 86 | 1,005 |
| Increase (decrease) in consumption tax payable | 189 | 826 |
| Increase (decrease) in retirement benefit liabilities | 478 | (506) |
| Other | 259 | 909 |
| Subtotal | 10,807 | 12,853 |
| Dividends received | 0 | 58 |
| Interest received | 3 | 3 |
| Interest paid | (79) | (91) |
| Income taxes paid | (3,669) | (4,170) |
| Income tax refund | 1,571 | 2,146 |
| Net cash flows from operating activities | 8,634 | 10,798 |
| | | |
| Cash flows from investing activities | | |
| Payments into time deposits | (18) | (10) |
| Proceeds from withdrawal of time deposits | 32 | 94 |
| Purchase of tangible fixed assets | (218) | (263) |
| Proceeds from sales of tangible fixed assets | 19 | 0 |
| Purchase of intangible assets | (201) | (145) |
| Purchases of other financial assets | — | (255) |
| Purchase of marketable securities | (2,195) | (0) |
| Purchase of investments accounted for using the equity method | (99) | — |
| Purchase of subsidiary | (128) | (4,780) |
| Purchase of subsidiary shares at conditional acquisition price | (58) | — |
| Other | 3 | 0 |
| Net cash flows from investing activities | (2,864) | (5,361) |
| | | |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 2,000 | (2,022) |
| Proceeds from long-term borrowings | — | 6,900 |
| Repayments of long-term borrowings | (1,781) | (10,225) |
| Redemption of bonds | (90) | (219) |
| Proceeds from issuance of new stock | — | 12,259 |
| Purchase of own shares | (0) | (0) |
| Cash dividends paid | (3,815) | (3,861) |
| Payments for purchase of interests in subsidiaries from non-controlling interests | (395) | — |
| Other | (3) | (2) |
| Net cash flows from financing activities | (4,087) | 2,826 |

| | | |
|---|---|---|
| Effect of change in exchange rates on cash and cash equivalents | 6 | (10) |
| Net increase (decrease) in cash and cash equivalents | 1,689 | 8,254 |
| Cash and cash equivalents at the beginning of the period | 11,708 | 13,398 |
| Cash and cash equivalents at the end of the period | 13,398 | 21,652 |

(5) Notes on the going concern assumption

Not applicable.

(6) Significant accounting policies in the preparation of the consolidated financial statements

(Reporting entity)

TechnoPro Holdings, Inc. (hereinafter, “the Company”) is a stock company located in Japan, and the registered address of its head office is 6-10-1 Roppongi, Minato-ku, Tokyo.

The Company and its subsidiaries (hereinafter, “the Group”) are mainly engaged in the human resources dispatching business and the outsourcing business.

The Company’s consolidated financial statements for the fiscal year ended June 30, 2018 are composed of the Group.

(Preparation basis)

i. Applicable accounting standards

The Group’s consolidated financial statements have been prepared based on the IFRS published by the International Accounting Standards Board. As the Group fulfills all the requirements for a “Designated IFRS Specified Company” listed in Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) the Group applies the provisions of Article 93 of that ordinance.

ii. Basis for measurement

The Group’s consolidated financial statements are prepared on the basis of acquisition costs excluding financial products, etc. that are measured at fair value.

iii. Functional currency and presentation currency

The Group’s consolidated financial statements use the Company’s functional currency of Japanese yen as the presentation currency, and all figures less than 1 million yen have been rounded down.

(7) Notes to the consolidated financial statements

(Segment information)

This information has been omitted because the Group has only one reporting segment.

(Per share information)

The per share information is as follows.

| | Fiscal year ended June 30, 2017 (July 1, 2016 to June 30, 2017) | Fiscal year ended June 30, 2018 (July 1, 2017 to June 30, 2018) |
|---|---|---|
| Net profit attributable to the owners of the parent company (millions of yen) | 7,717 | 8,498 |
| Average outstanding ordinary shares during the fiscal year (shares) | 34,213,847 | 34,716,060 |
| Adjustments for dilutive effect | | |
| Increase in stock options (shares) | — | 27,378 |
| Average number of common shares (shares) after dilution | — | 34,743,438 |
| Earnings per share attributable to owners of the parent company | | |
| Basic earnings per share (yen) | 225.58 | 244.81 |
| Diluted earnings per share (yen) | — | 244.62 |

(Notes) Diluted earnings per share is from the previous fiscal year are not presented as there are no potential shares with dilutive effects.

(Subsequent events)

Not applicable