Translation

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TECHNOPRO

Summary of the Consolidated First Half Statements (IFRS) for the Six-Month Period Ended December 31, 2018

February 1, 2019

Listed Company Name	TechnoPro Holdings, Inc.	Listed Stock Exchange: Tokyo
TSE Code	6028 URL https://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	February 8, 2019	
Scheduled commencement date for dividend payment	February 28, 2019	
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 Six Months Ended December 31, 2018 (July 1, 2018 – December 31, 2018)

(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 six months ended December 31, 2018	70,114	26.6	7,386	33.0	7,327	33.1	4,953	19.7	4,854	17.3	4,656	15.3
For the six months ended December 31, 2017	55,401	13.5	5,554	13.3	5,504	13.3	4,139	0.8	4,139	1.0	4,037	(2.3)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the six months ended December 31, 2018	133.85	133.78
For the six months ended December 31, 2017	120.90	–

(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 six months ended December 31, 2018	89,715	43,560	42,076	46.9
Fiscal year ended June 30, 2018	88,201	42,967	41,694	47.3

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, 2018	–	50.00	–	70.00	120.00
FY ending June 30, 2019	–	50.00			
FY ending June 30, 2019 (forecast)			–	73.00	123.00

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

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) Revisions to consolidated financial results 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): None

(2) Changes to accounting policies and accounting estimates

i. Changes to accounting policies as required by IFRS: Yes

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 December 31, 2018	36,304,029 shares	FY ended June 30, 2018	36,254,932 shares
ii. Number of treasury shares at the end of the period	As of December 31, 2018	434 shares	FY ended June 30, 2018	341 shares
iii. Average number of shares during the period (cumulative)	For the six months ended December 31, 2018	36,271,607 shares	For the six months ended December 31, 2018	34,235,210 shares

* This Summary of Financial Statements is not subject to audit by certified public accountant or 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. Please refer to page 4, “1. Qualitative Information on Financial Results for the Period Under Review; (3) Results forecasts and other forward-looking information”, for criteria for assumptions used in the earnings forecast.

(Obtaining financial results briefing materials)

On February 1, 2019, the Company plans to hold a briefing for institutional investors and analysts. The Company plans to post the briefing materials used at the briefing 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 half period under review (July 1, 2018 to December 31, 2018), the global economy remained at a standstill as a result of the tightening of U.S. monetary policy, U.S.-China trade friction, and other factors. In Japan, the continued decline of the Nikkei Stock Average since a high in October 2018 and concerns over the planned sales tax increase gave rise to caution about the future of the economy.

In this economic environment, the engineer dispatching and contract assignment business – the area in which the Group's business is focused – grew as a whole, and demand for engineers in the IT and construction industries remained high.

The main initiatives implemented by the Group during the period 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.

Adding value to engineers

As part of its policy to continue adding value to engineers, the Group acquired, Misystem Co., Ltd., a Kansai-based business strong in SAP-related business, and SOFTWORKS Co., Ltd., a Tokai-based business strong in contracted automotive design and development, as consolidated subsidiaries in July 2018 and November 2018, respectively. The Group will continue to acquire companies in the IT and automotive fields in need of skilled engineers in order to improve the technical expertise of and add value to its own engineers. In addition, as a part of the Group's efforts to create further synergy, TechnoPro, Inc. absorbed SOFTWORKS via merger in December 2018 and plans to absorb Misystem via merger in May 2019.

Promoting globalization

In October 2018, the Group made Orion Managed Services Limited, a staffing and permanent recruitment company based in the United Kingdom, a consolidated subsidiary, laying the foundation for mid-to-long-term expansion in Europe, in addition to its expansion efforts in Asia. The group will continue cooperating with TechnoPro China Group and Helius Technologies Pte Ltd to provide IT support to Japanese companies with offices in Europe and Asia. In addition, the Group is building a system to respond to the current shortage of engineers in the Japanese market by procuring overseas engineers capable of working in Japan.

As a result of the initiatives described above, the number of domestic engineers at the end of the consolidated first half period under review increased to 17,638 (up 2,787 compared to the end of the first half of the previous fiscal year). The average utilization rate for the consolidated first half period under review was 96.4% (up 0.1pts) and sales per engineer (average for engineers at TechnoPro, Inc. and TechnoPro Construction, Inc.) were 633 thousand yen per month (up 3.3 thousand yen) as a result of continued implementation of the "Shift up" and "Charge up" initiatives.

In employment, the number of newly employed domestic engineers in the consolidated first half period under review was 1,744 (up 212 compared to the end of the consolidated first half of the previous fiscal year), contributing to an increase in engineer numbers.

In terms of expenses, the gross profit margin was 24.9% (up 0.1pts compared to the first half of the previous fiscal year) despite factors which led to increased costs, such as increased labor costs for engineers associated with improved business performance. The SG&A ratio to revenue was 14.6% (up 0.0pts) due to increased administrative costs associated with expansion of the Group.

As a result, the Group's revenues for the first half were 70,114 million yen (up 26.6% compared to the first half of the previous fiscal year), operating profit was 7,386 million yen (up 33.0%), profit before taxes was 7,327 million yen (up 33.1%), and net profit attributable to the owners of the parent company was 4,854 million yen (up

17.3%).

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

(R&D outsourcing)

The Group continued to enhance profitability by moving forward with negotiations for “Shift up” and “Charge up” initiatives, driven by specialist teams, in addition to constructing information systems for the acquisition and development of human resources. As a result of these initiatives, revenues in this area were 55,753 million yen (up 19.1%).

(Construction management outsourcing)

The Group, continuing from the previous fiscal year, increased the amount of sales per engineer through the promotion of team assignments. It also implemented initiatives to recruit and train inexperienced personnel and expand business areas in addition to construction management, such as design. As a result, revenues in this area were 8,602 million yen (up 21.1%).

(2) Summary of financial position

i. Analysis of financial conditions

Assets totaled 89,715 million yen as of the end of the consolidated first half period under review (up 1,514 million yen from the end of the previous fiscal year). The primary components were goodwill of 37,342 million yen, accounts receivables and other receivables of 17,994 million yen, and cash and cash equivalents of 18,761 million yen.

The status for each item was as follows.

(Current assets)

Current assets totaled 39,703 million yen (down 1,296 million yen from the end of the previous fiscal year). The primary components were cash and cash equivalents of 18,761 million yen (down 2,890 million yen), and accounts receivables and other receivables of 17,994 million yen (up 615 million yen).

(Non-current assets)

Non-current assets totaled 50,011 million yen (up 2,810 million yen from the end of the previous fiscal year). The primary components were goodwill of 37,342 million yen (up 2,843 million yen), and deferred tax assets of 3,862 million yen (down 69 million yen).

(Current liabilities)

Current liabilities totaled 29,491 million yen (up 746 million yen from the end of the previous fiscal year). The primary components were accounts payables and other liabilities of 10,871 million yen (down 173 million yen), and employee benefit liabilities of 5,422 million yen (up 527 million yen).

(Non-current liabilities)

Non-current liabilities totaled 16,663 million yen (up 173 million yen from the end of the previous fiscal year). The primary components were corporate bonds as well as loans payable of 6,608 million yen (down 1,536 million yen), and other long-term financial liabilities of 8,857 million yen (up 1,563 million yen).

(Equity attributable to the owners of the parent company)

Equity attributable to the owners of the parent company totaled 42,076 million yen (up 382 million yen from the end of the previous fiscal year). The primary components were a capital surplus of 7,239 million yen (down 1,763 million yen) and retained earnings of 28,140 million yen (up 2,316 million yen).

ii. Cash flow conditions

Cash and cash equivalents (hereinafter “Cash”) totaled 18,761 million yen as of end of the consolidated first half period under review, representing a decrease of 2,890 million yen compared to the end of the previous fiscal year.

Cash flow conditions during the consolidated first half 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 inflows of 5,125 million yen (same period of the previous fiscal year: inflows of 5,181 million yen), this was mainly due to increases in profits before taxes (7,327 million yen), offset by payments of corporate income taxes (2,042 million yen) and a decrease in accounts payables and other liabilities (332 million yen).

(Cash flows from investing activities)

Cash flows from investing activities resulted in cash outflows of 3,669 million yen (same period of the previous fiscal year: outflows of 1,163 million yen). This was mainly due to outflows for the acquisition of subsidiary shares (3,259 million yen), non-current assets (180 million yen) and other financial assets (161 million yen).

(Cash flows from financing activities)

Cash flows from financing activities resulted in cash outflows of 4,301 million yen (same period of the previous fiscal year: outflows of 1,991 million yen). This was mainly due to dividend payments (2,538 million yen), and cash outflows resulting from repayments of long-term borrowings (1,583 million yen).

(3) Results forecasts and other forward-looking information

There have been no changes made to the consolidated financial results forecast for the fiscal year Ending June 30, 2019 as announced in the “Summary of Consolidated Financial Statements (IFRS) for the Fiscal Year Ended June 30, 2018” on July 31, 2018.

2. Interim Consolidated Financial Statements (Summary) and notes

(1) Consolidated Statement of Financial Position (Summary)

(Millions of yen)

	As of June 30, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	21,652	18,761
Accounts receivables and other receivables	17,378	17,994
Income taxes receivable	19	-
Other short-term financial assets	435	477
Other current assets	1,514	2,470
Total current assets	41,000	39,703
Non-current assets		
Property, plant and equipment	1,105	1,157
Goodwill	34,498	37,342
Intangible assets	3,503	3,331
Investments accounted for using the equity method	101	98
Other long-term financial assets	3,961	4,121
Deferred tax assets	3,932	3,862
Other non-current assets	97	98
Total non-current assets	47,201	50,011
Total assets	88,201	89,715
Liabilities and equity		
Current liabilities		
Accounts payable and other liabilities	11,045	10,871
Bonds and loans payable	3,471	3,448
Income taxes payable	2,043	2,265
Other financial liabilities	2,313	2,187
Employee benefits liabilities	4,894	5,422
Provisions	7	8
Other current liabilities	4,967	5,287
Total current liabilities	28,744	29,491

(Millions of yen)

	As of June 30, 2018	As of December 31, 2018
Non-current liabilities		
Bonds and loans payable	8,144	6,608
Other financial liabilities	7,293	8,857
Deferred tax liabilities	599	602
Retirement benefit liabilities	30	90
Provisions	341	356
Other non-current liabilities	79	148
Total non-current liabilities	16,489	16,663
Total liabilities	45,233	46,154
Equity		
Share capital	6,785	6,903
Capital surplus	9,003	7,239
Retained earnings	25,824	28,140
Treasury shares	(1)	(2)
Other components of equity	82	(205)
Equity attributable to owners of the parent company	41,694	42,076
Non-controlling interests	1,272	1,484
Total equity	42,967	43,560
Total liabilities and equity	88,201	89,715

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

Consolidated Statement of Income (Summary)

The consolidated six-month period

(Millions of yen)

	Six months ended December 31, 2017 (July 1, 2017 to December 31, 2017)	Six months ended December 31, 2018 (July 1, 2018 to December 31, 2018)
Revenue	55,401	70,114
Cost of sales	41,637	52,636
Gross profit	13,763	17,478
Selling, general and administrative expenses	8,062	10,258
Other income	53	191
Other expenses	199	24
Operating profit	5,554	7,386
Financial income	2	2
Financial expenses	52	57
Investment profit (loss) under the equity method	(0)	(3)
Profit before income taxes	5,504	7,327
Income taxes	1,365	2,374
Net profit	4,139	4,953
Net profit attributable to:		
Owners of the parent company	4,139	4,854
Non-controlling interests	(0)	98
Net profit	4,139	4,953

(Yen)

Earnings per share attributable to owners of the parent company		
Basic earnings per share	120.90	133.85
Diluted earnings per share	120.90	133.78

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

	Three months ended December 31, 2017 (October 1, 2017 to December 31, 2017)	Three months ended December 31, 2018 (October 1, 2018 to December 31, 2018)
Revenue	28,674	36,779
Cost of sales	21,251	27,364
Gross profit	7,422	9,415
Selling, general and administrative expenses	4,221	5,430
Other income	28	237
Other expenses	187	18
Operating profit	3,042	4,203
Financial income	0	(3)
Financial expenses	28	30
Investment profit (loss) under the equity method	(0)	(4)
Profit before income taxes	3,014	4,165
Income taxes	755	1,333
Net profit	2,259	2,831
Net profit attributable to:		
Owners of the parent company	2,259	2,772
Non-controlling interests	0	58
Net profit	2,259	2,831
		(Yen)
Earnings per share attributable to owners of the parent company		
Basic earnings per share	65.97	76.41
Diluted earnings per share	65.97	76.39

Consolidated Statement of Comprehensive Income (Summary)
The consolidated six-month period

(Millions of yen)

	Six months ended December 31, 2017 (July 1, 2017 to December 31, 2017)	Six months ended December 31, 2018 (July 1, 2018 to December 31, 2018)
Net profit	4,139	4,953
Other comprehensive income		
Items that will not be classified to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income	—	(184)
Remeasurement of defined benefit plan	111	—
Total items that will not be reclassified to profit or loss	111	(184)
Items that may be reclassified to profit or loss		
Foreign currency translation adjustments	16	(112)
Changes in fair value of available-for-sale financial assets	(229)	—
Total items that may be reclassified to profit or loss	(213)	(112)
Total other comprehensive income	(101)	(296)
Comprehensive income for the period	4,037	4,656
Comprehensive income for the period attributable to:		
Owners of the parent company	4,037	4,565
Non-controlling interests	(0)	90
Comprehensive income for the period	4,037	4,656

The consolidated three-month period

(Millions of yen)

	Three months ended December 31, 2017 (October 1, 2017 to December 31, 2017)	Three months ended December 31, 2018 (October 1, 2018 to December 31, 2018)
Net profit	2,259	2,831
Other comprehensive income		
Items that will not be classified to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income	–	(257)
Total items that will not be reclassified to profit or loss	–	(257)
Items that may be reclassified to profit or loss		
Foreign currency translation adjustments	7	(209)
Changes in fair value of available-for-sale financial assets	122	–
Total items that may be reclassified to profit or loss	130	(209)
Total other comprehensive income	130	(466)
Comprehensive income for the period	2,389	2,364
Comprehensive income for the period attributable to:		
Owners of the parent company	2,389	2,345
Non-controlling interests	0	19
Comprehensive income for the period	2,389	2,364

(3) Consolidated Statement of Changes in Equity (Summary) Six months ended December 31, 2017 (July 1, 2017 to December 31, 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, 2017	510	5,975	21,075	(0)	136	27,696	—	27,696
Net profit			4,139			4,139	(0)	4,139
Other comprehensive income			111		(213)	(101)	0	(101)
Total comprehensive income	—	—	4,250	—	(213)	4,037	(0)	4,037
Number of new shares issued	110	(110)				—		—
Dividends of surplus			(2,148)			(2,148)		(2,148)
Share-based payment transaction		40				40		40
Purchase of own shares				(0)		(0)		(0)
Change of scope of consolidation						—	0	0
Put option granted to non-controlling interest						—		—
Other increases (decreases)		(1)				(1)		(1)
Total transactions with the owners	110	(70)	(2,148)	(0)	—	(2,109)	0	(2,109)
As of December 31, 2017	620	5,904	23,177	(1)	(76)	29,624	0	29,624

Six months ended December 31, 2018 (July 1, 2018 to December 31, 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, 2018	6,785	9,003	25,824	(1)	82	41,694	1,272	42,967
Net profit			4,854			4,854	98	4,953
Other comprehensive income			(0)		(287)	(288)	(7)	(296)
Total comprehensive income	—	—	4,853	—	(287)	4,565	90	4,656
Number of new shares issued	118	(41)				77		77
Dividends of surplus			(2,537)			(2,537)		(2,537)
Share-based payment transaction		49				49		49
Purchase of own shares				(0)		(0)		(0)
Change of scope of consolidation						—	120	120
Put option granted to non-controlling interest		(1,693)				(1,693)		(1,693)
Other increases (decreases)		(78)				(78)		(78)
Total transactions with the owners	118	(1,763)	(2,537)	(0)	—	(4,183)	120	(4,062)
As of December 31, 2018	6,903	7,239	28,140	(2)	(205)	42,076	1,484	43,560

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of yen)

	Six months ended December 31, 2017 (July 1, 2017 to December 31, 2017)	Six months ended December 31, 2018 (July 1, 2018 to December 31, 2018)
Cash flows from operating activities		
Profit before income taxes	5,504	7,327
Depreciation and amortization	205	347
Interest and dividend income	(2)	(1)
Interest expense	43	48
Investment profit (loss) under the equity method	0	3
Decrease (increase) in accounts receivables and other receivables	(486)	(193)
Increase (decrease) in accounts payable and other liabilities	(918)	(332)
Increase (decrease) in deposits	1,015	277
Increase (decrease) in consumption taxes payable	384	(115)
Increase (decrease) in retirement benefit liabilities	462	(133)
Other	198	(56)
Subtotal	6,407	7,170
Dividends received	0	0
Interest received	1	1
Interest paid	(42)	(25)
Income taxes paid	(3,332)	(2,042)
Income tax refund	2,146	20
Net cash flows from operating activities	5,181	5,125
Cash flows from investing activities		
Payments into time deposits	(0)	(148)
Withdrawal of time deposits	44	230
Purchase of property, plant and equipment	(122)	(180)
Sale of property, plant and equipment	—	37
Purchase of intangible assets	(134)	(53)
Purchases of other financial assets	(110)	(161)
Purchases of marketable securities	—	(131)
Purchase of subsidiary shares	(839)	(3,259)
Other	0	(4)
Net cash flows from investing activities	(1,163)	(3,669)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,022)	(30)
Proceeds from long-term borrowings	3,200	—
Outflows from repayments of long-term borrowings	(1,017)	(1,583)
Redemption of corporate bonds	—	(147)
Outflows from purchase of treasury stock	(0)	(0)
Cash dividends paid	(2,147)	(2,538)
Other	(3)	(2)
Net cash flows from financing activities	(1,991)	(4,301)
Effect of change in exchange rates on cash and cash equivalents	8	(44)
Net increase (decrease) in cash and cash equivalents	2,035	(2,890)
Cash and cash equivalents at the beginning of the period	13,398	21,652
Cash and cash equivalents at the end of the period	15,433	18,761

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

(Note on assumption about going concern)

Not applicable.

(Note on significant changes in the amount of shareholders' equity)

Not applicable.

(Note on changes to accounting policy)

The Group has adopted the following standards from the first three months of the fiscal year ending June 2019.

1. Adoption of IFRS 9: Financial Instruments (amended July 2014)

The Group has adopted IFRS 9 Financial Instruments (amended July 2014) from the first three months of the fiscal year ending June 2019. Transitional provisions were applied at the time of adoption. The new standards are not reflected in the presentation of results from the previous fiscal year.

The adoption of this standard had no significant impact on the Group's performance and financial position.

2. Adoption of IFRS 15: Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from the first three months of the fiscal year ending June 2019. Transitional provisions were applied at the time of adoption, and the cumulative impact of this standard has been recognized as an adjustment to retained earnings at the beginning of the period and applied as such.

Revenue is recognized under the application of IFRS 15 using the following five steps (excluding dividend and interest income based on IFRS 9 Financial Instruments):

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The adoption of this standard had no significant impact on the Group's performance and financial position