

Annual Securities Report

(Report based on Article 24, Par.1 of the Financial
Instruments and Exchange Act)

For the year ended June 30, 2019

TechnoPro Holdings, Inc.

(E31030)

1.Consolidated financial statements, etc.

(1) Consolidated financial statements

1) Consolidated statement of financial position

(Millions of yen)

	Notes	As of June 30, 2018	As of June 30, 2019
Assets			
Current assets			
Cash and cash equivalents	6	21,652	21,230
Accounts receivable and other receivables	7	17,378	19,765
Income taxes receivable		19	0
Other short-term financial assets	12	435	571
Other current assets	13	1,514	2,993
Total current assets		41,000	44,562
Non-current assets			
Property, plant and equipment	8	1,105	1,261
Goodwill	9	34,498	37,079
Intangible assets	9	3,503	2,596
Investments accounted for using the equity method	10	101	94
Other long-term financial assets	12	3,961	4,167
Deferred tax assets	11	3,932	3,957
Other non-current assets	13	97	52
Total non-current assets		47,201	49,208
Total assets		88,201	93,771
Liabilities and equity			
Current liabilities			
Accounts payable and other liabilities	14	11,045	12,964
Bonds and loans payable	15	3,471	3,360
Income taxes payable		2,043	3,503
Other short-term financial liabilities	16	2,313	2,582
Employee benefit obligations	19	4,894	5,846
Provisions	20	7	3
Other current liabilities	17	4,967	5,909
Total current liabilities		28,744	34,171

(Millions of yen)

	Notes	As of June 30, 2018	As of June 30, 2019
Non-current liabilities			
Bonds and loans payable	15	8,144	5,825
Other long-term financial liabilities	16	7,293	6,697
Deferred tax liabilities	11	599	499
Retirement benefit obligations		30	28
Provisions	20	341	378
Other non-current liabilities	17	79	104
Total non-current liabilities		16,489	13,534
Total liabilities		45,233	47,705
Equity			
Capital stock	21	6,785	6,903
Capital surplus	21	9,003	7,304
Retained earnings	21	25,824	31,129
Treasury stock	21	(1)	(2)
Other components of equity	21	82	(532)
Equity attributable to owners of the parent company		41,694	44,803
Non-controlling interests		1,272	1,262
Total equity		42,967	46,065
Total liabilities and equity		88,201	93,771

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

(Millions of yen)

	Notes	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Revenue	24	116,529	144,176
Cost of sales	25	87,054	107,710
Gross profit		29,475	36,466
Selling, general and administrative expenses	26	18,237	22,767
Other income	29	113	1,816
Other expenses	29	111	1,775
Operating profit		11,238	13,739
Financial income	28	69	109
Financial expenses	28	148	113
Investment profit (loss) under the equity method	10	3	(7)
Profit before income taxes		11,163	13,727
Income taxes	11	2,654	4,327
Net profit		8,509	9,400
Net profit attributable to:			
Owners of the parent company		8,498	9,683
Non-controlling interests		10	(282)
Total		8,509	9,400
(Unit: JPY)			
Earnings per share attributable to owners of the parent company			
Basic earnings per share	33	244.81	266.86
Diluted earnings per share	33	244.62	266.79

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Net profit		8,509	9,400
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value of financial assets measured at fair value through other comprehensive income	30	—	(454)
Remeasurement of defined benefit plan	30	111	—
Total items that will not be reclassified to profit or loss		111	(454)
Items that may be reclassified to profit or loss			
Translation differences related to foreign operations	30	(9)	(228)
Change in fair value of available-for-sale financial assets	30	(47)	—
Total items that may be reclassified to profit or loss		(57)	(228)
Total other comprehensive income		53	(682)
Comprehensive income for the period		8,563	8,717
Comprehensive income for the period attributable to:			
Owners of the parent company		8,556	9,042
Non-controlling interests		7	(324)
Total		8,563	8,717

3) Consolidated Statement of Changes in Equity

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

(Millions of yen)

	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock	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	30			111		(54)	57	(3)	53
Total comprehensive income		—	—	8,610	—	(54)	8,556	7	8,563
Number of new shares issued	21	6,275	6,055				12,330		12,330
Dividends of surplus	22			(3,861)			(3,861)		(3,861)
Share-based payment transactions	32		88				88		88
Purchases of treasury stock	21				(0)		(0)		(0)
Change of scope of consolidation	36						—	1,265	1,265
Put options granted to non-controlling shareholders	21		(3,066)				(3,066)		(3,066)
Other increases (decreases)	21		(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

Fiscal year ended June 30, 2019 (July 1, 2018 to June 30, 2019)

(Millions of yen)

	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock	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				9,683			9,683	(282)	9,400
Other comprehensive income	30			(25)		(615)	(640)	(41)	(682)
Total comprehensive income		—	—	9,657	—	(615)	9,042	(324)	8,717
Number of new shares issued	21	118	(41)				77		77
Dividends of surplus	22			(4,353)			(4,353)	(28)	(4,381)
Share-based payment transactions	32		115				115		115
Purchases of treasury stock	21				(0)		(0)		(0)
Change of scope of consolidation	36						—	343	343
Put options granted to non-controlling shareholders	21		(1,693)				(1,693)		(1,693)
Other increases (decreases)	21		(78)				(78)		(78)
Total transactions with the owners		118	(1,698)	(4,353)	(0)	—	(5,933)	314	(5,619)
As of June 30, 2019		6,903	7,304	31,129	(2)	(532)	44,803	1,262	46,065

4) Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Net cash flows from operating activities			
Profit before income taxes		11,163	13,727
Depreciation and amortization		506	777
Impairment loss		—	1,673
Loss (profit) on put options granted to non-controlling shareholders		—	(1,359)
Interest and dividend income		(61)	(73)
Interest expenses		101	91
Investment loss (profit) under the equity method		(3)	7
Decrease (increase) in accounts receivables and other receivables		(1,928)	(1,786)
Increase (decrease) in accounts payable and other liabilities		839	1,659
Increase (decrease) in deposits received		1,005	206
Increase (decrease) in consumption tax payable		826	459
Increase (decrease) in retirement benefit obligations		(506)	(923)
Other		909	287
Subtotal		12,853	14,748
Dividends received		58	70
Interest received		3	2
Interest paid		(91)	(43)
Income taxes paid		(4,170)	(3,529)
Income tax refund		2,146	21
Net cash flows from operating activities		10,798	11,270
Cash flows from investing activities			
Payments into time deposits		(10)	(167)
Proceeds from withdrawal of time deposits		94	245
Purchase of tangible fixed assets		(263)	(375)
Proceeds from sales of tangible fixed assets		0	38
Purchase of intangible assets		(145)	(85)
Purchase of other financial assets		(255)	(260)
Purchase of marketable securities		(0)	(131)
Purchase of subsidiary	36	(4,780)	(3,705)
Other		0	13
Net cash flows from investing activities		(5,361)	(4,429)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	34	(2,022)	(102)
Proceeds from long-term borrowings	34	6,900	1,000
Repayments of long-term borrowings	34	(10,225)	(3,433)
Redemption of bonds	34	(219)	(304)
Proceeds from issuance of new stock		12,259	0
Purchase of own shares		(0)	(0)
Cash dividends paid	22	(3,861)	(4,338)
Other		(2)	(3)
Net cash flows from financing activities		2,826	(7,184)
Effect of change in exchange rates on cash and cash equivalents			
		(10)	(78)
Net increase (decrease) in cash and cash equivalents		8,254	(421)
Cash and cash equivalents at the beginning of the period		13,398	21,652
Cash and cash equivalents at the end of the period	6	21,652	21,230

Notes to consolidated financial statements

1. Reporting entities

TechnoPro Holdings, Inc.(the Company) is a joint stock company located in Japan, whose registered office is at 6-10-1 Roppongi, Minato-ku Tokyo. The consolidated financial statements of the Company include the financial statements of the Company and its subsidiaries (the Company Group) for the fiscal year ended June 30, 2019. The main businesses of Company Group relate to temporary employee dispatch and contract services.

2. Basis of consolidated financial statements

(1) Accounting standards

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). As the Company meets the criteria for a *specified company* as provided in Article 1.2 of the Regulations on Consolidated Financial Statements, the Company applies provisions of Article 93 of the same regulations.

The Company Group consolidated financial statements were approved on September 27, 2019 by Yasuji Nishio, president and CEO, and by Toshihiro Hagiwara, director and CFO.

(2) Basis of measurement

These consolidated financial statements have been prepared on the cost basis, except for financial instruments, which are measured at fair value.

(3) Functional currencies and presentation currency

These consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. Amounts have been rounded down to the nearest million yen.

(4) Use of estimates and judgements

In preparing consolidated financial statements in compliance with the IFRS, the Company is required to make accounting estimates of certain significant items. When applying Company Group accounting policies, management may be required to make its own judgments. *Note 4, Significant accounting estimates and judgments* provides a description regarding estimates involving significant risk of material restatements in the following fiscal year, as well as assumptions underlying said estimates.

(5) Changes in accounting policies

Beginning with the current consolidated fiscal year, the TechnoPro Group has adopted the following accounting standards.

IFRS		Reporting periods beginning on or after which application is required	Reporting period of application by the Company Group	Overview of new/revised standards and interpretations
IFRS 9	Financial instruments	January 1, 2018	June 2019	Accounting treatment for classification and measurement, impairment, and general hedge accounting for financial assets and financial liabilities
IFRS 15	Revenue from contracts with customers	January 1, 2018	June 2019	Providing comprehensive framework for revenue recognition

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

Transitional provisions were applied at the time of adoption. The new standards are not reflected in the presentation of results from the previous consolidated fiscal year.

The adoption of this standard had only a minor impact on the TechnoPro Group consolidated financial statements.

With the adoption of IFRS 9 beginning in the current consolidated fiscal year, the Company classifies financial assets previously classified as available-for-sale financial assets as financial assets measured at fair value through other comprehensive income (equity instruments).

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

Transitional provisions were applied at the time of adoption, and the cumulative impact of this standard was

recognized on the day of its adoption. However, this change in accounting policy had no impact on retained earnings as of the beginning of the current consolidated fiscal year.

The adoption of this standard had only a minor impact on the TechnoPro Group consolidated financial statements.

(6) Standards and Interpretations issued but not yet applied

The following provides details of new or revised standards or new interpretive guidance which the Company Group has yet to implement early adoption prior to the authorization date of these consolidated financial statements.

IFRS		Reporting periods beginning on or after which application is required	Reporting period of application by the Company Group	Overview of new/revised standards and interpretations
IFRS 16	Leases	January 1, 2019	June 2020	Revision to Accounting Treatment for Leases

With the adoption of IFRS 16, the Company intends to apply the cumulative impact of recognized transitional provisions for leases classified in the past as operating leases as of the first day of adoption. However, the Company intends to select the option to not recognize short-term leases or leases involving minor amounts as right-of-use assets or lease liabilities.

We project the main impact on the TechnoPro Group consolidated financial statements to be an additional 12.1 billion yen in assets and lease liabilities, respectively, presented on the consolidated statement of financial position. Further, as the Company made calculations based on information available currently, the actual amount of impact due to the adoption of this accounting standard may differ. We project that the adoption of this standard will have only a minor impact on our consolidated statements of income.

3. Significant accounting policies

(1) Basis of consolidation

1) Subsidiaries

The Company Group consolidates a subsidiary during the period in which the Company Group exercises management control over said subsidiary. The term subsidiary refers to companies over which the Company Group exercises management control. Control is interpreted as influence over an investee, being affected by the volatility of returns and having influence over said returns.

When subsidiary accounting practices differ from the Company Group, appropriate adjustments are made to the subsidiary company financial results upon consolidation. Internal Company Group transactions, as well as balances of receivables and payables and/or unrealized gains or losses arising from such transactions, are eliminated upon consolidation.

Transactions in which the Company Group transfers a portion of shares owned in a subsidiary while retaining control over said subsidiary are accounted for as an equity transaction. Differences in adjustments to non-controlling interests and the fair value paid in consideration for such shares are credited directly to equity as interests attributable to owners of the parent company.

2) Affiliated companies

Affiliated companies are those companies accounted for under the equity method between the time that the Company Group exerts influence and the time that such influence is lost. The term affiliated company means a company over which control or joint control is not exercised, despite the Company Group having a material influence over financial and management policies of said company. The Company Group is considered to have a material influence on a company when the Company Group owns 20% or greater and less than 50% of the voting rights in said company. Under the equity method, investments in affiliated companies are recognized at the acquisition cost at the time of acquisition. The amount of said investment will fluctuate according to the equity of the Company Group held in the net assets of the affiliated company in question. In the event that the obligation of the Company Group in the losses of the affiliated company exceed the investment interest in said affiliated company, the carrying amount of said investment interest shall be written down to zero. No further losses shall be recognized, except for cases in which the Company Group is liable for legal obligations or presumptive obligations with respect to the affiliated company in question, or when the Company Group will pay such on behalf of the affiliated company in question.

When affiliated company accounting practices differ from the Company Group, appropriate adjustments are made to the affiliated company financial results. Unrealized gains or losses arising from transactions with affiliated companies shall be eliminated according to equity ratio in the affiliated company when preparing consolidated

financial statements.

(2) Business combinations

The Company Group accounts for business combinations under the acquisition method. Transaction costs associated directly with an acquisition are recognized as profit or loss during the fiscal year in which the transaction occurred. Identifiable assets, liabilities, and contingent liabilities of the combined business that meet criteria for recognition are measured at fair value as of the date of acquisition, with certain exceptions:

- Deferred tax assets and liabilities in accordance with IAS 12 Income Taxes
- Assets and liabilities associated with employee benefits in accordance with IAS 19 Employee Benefits

The Company Group recognizes goodwill for the excess of total consideration paid, amount of non-controlling interest in the combined company, and the fair value of equity interest held by the combined company over the net value of identifiable assets and assumed liabilities as of the date of the combination. Negative goodwill is recognized immediately as profit or loss.

No goodwill is recognized for additional acquisitions of non-controlling interests, as such transactions are accounted for as an equity transaction.

(3) Foreign currency translation

1) Transactions denominated in foreign currencies

The Company Group values transactions denominated in foreign currencies into the functional currency of each group Company based on the exchange rate prevailing on the date of the transaction in question. Assets and liabilities denominated in foreign currencies are remeasured at the end of the fiscal year and retranslated into the functional currency based on the exchange rate at the end of the fiscal year. Non-monetary assets and liabilities denominated in foreign currencies are measured at fair value and retranslated into the functional currency based on the exchange rate prevailing on the date that fair value is determined.

Translation differences arising from any re-translation or settlement are recognized as profit or loss for the period.

Translation differences for non-monetary gains or losses in other comprehensive income are recognized in other comprehensive income.

2) Financial statements of foreign operations

The Company Group translates the assets and liabilities of foreign operations into the functional currency based on the exchange rates at the end of the fiscal year. Revenues and expenses are translated into the functional currency based on the average exchange rate for the period.

Translation differences arising from the financial statements of foreign operations are recognized as other comprehensive income. Cumulative translation differences are recognized as Other components of equity in the consolidated statement of financial position. When a portion of equity interests are disposed, resulting in the disposal of all interest or loss of control, the Company Group reclassifies cumulative translation differences related to the foreign operation in question as profit or loss related to said disposal.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits on demand, and short-term highly liquid investments whose maturities are less than three months from the time of acquisition and which can be liquidated easily into a certain amount of cash with low risk of fluctuation in value.

(5) Financial asset measurement standards and methods

1) Initial recognition and measurement

Financial assets are recognized when the Company becomes a party to a financial instrument contract. Upon initial recognition, financial assets are measured at fair value.

Except for those financial assets measured at fair value through net profit or loss (FVPL), measurement of the fair value of financial assets and liabilities includes transaction costs.

2) Financial Assets measured at amortized cost

Financial assets that meet the following conditions are classified as financial assets measured assets measured at amortized cost.

- The financial assets are retained in a business model whose purpose is to own financial assets to collect contractual cash flows.
- The contractual terms specify cash flows on specific dates consisting solely of interest payments based on

principal or principal balances.

The financial assets in question are measured by subtracting impairment loss from amortized cost based on effective interest rate method. The gain or loss when amortization under the effective interest rate method, or recognition is terminated, is recognized in profit and loss.

3) Financial assets measured at fair value through other comprehensive income (equity instruments)

With certain exceptions, the Company has made an irrevocable election to present subsequent fluctuations in the fair value of equity instruments in other comprehensive income (FVOCI). The financial assets in question are measured at fair value after initial recognition. Valuation gains or losses arising from subsequent fluctuations in fair value are recognized in other comprehensive income. When recognition of financial assets valued through FVOCI is terminated, the cumulative balance of other comprehensive income is transferred directly to retained earnings. No profit or loss is recognized. Dividends from the financial assets in question are recognized in profit and loss as financial income.

4) Financial assets measured at fair value through profit or loss (FVPL)

Financial assets not classified as financial assets measured at amortized cost or as financial assets measured through FVOCI are classified as financial assets measured through FVPL. The financial assets in question are measured at fair value after initial recognition. Valuation gains or losses arising from subsequent fluctuations in fair value are recognized in profit and loss as dividend income or interest income.

5) Impairment of financial assets

Financial assets measured at amortized cost are recognized net of allowance for doubtful accounts to reflect expected credit losses. If the credit risk related to the financial asset in question has increased significantly at the end of a financial period subsequent to initial recognition, the allowance for doubtful accounts related to the financial asset in question is measured at the same amount as the expected credit loss for the entire life of the financial asset. If credit risk has not increased significantly, allowance for doubtful accounts related to the financial asset in question is measured at the same amount as the expected credit loss for the 12-month period. Notwithstanding the preceding, allowance for doubtful accounts related to trade receivables is measured at the same amount as the expected credit loss for the entire life of the financial asset. If any subsequent event reduces or reverses the impairment loss, the Company reverses the impairment loss through net profit or loss.

6) Terminating recognition of financial assets

The Company will terminate the recognition of financial assets when contractual rights to cash flows arising from a financial asset expire, or when the Company transfers all risk and reward of ownership for said financial asset by conveying the rights to such to another party.

(6) Financial liability measurement standards and methods

1) Initial recognition and measurement

Financial liabilities are recognized when the Company becomes a party to a financial instrument contract. Upon initial recognition, financial liabilities are measured at fair value.

2) Financial liabilities measured at amortized cost

Financial liabilities other than those measured at FVPL are classified as financial liabilities measured at amortized cost. After initial recognition, the financial liability in question is measured at amortized cost based on the effective interest rate method. Upon termination of amortization based on the effective interest rate method or termination of recognition, gains or losses are recognized in profit and loss.

3) Financial liabilities measured through FVPL

Financial liabilities designated as financial liabilities measured through FVPL and contingent consideration recognized in respect to business combinations are classified as financial liabilities measured through FVPL. Upon initial recognition, the financial liabilities in question are measured at fair value. Valuation gains or losses arising from subsequent fluctuations in fair value are recognized in profit and loss.

4) Terminating recognition of financial liabilities

The Company will terminate the recognition of financial liabilities upon termination of the financial liability contract in question, namely, when indemnified from contractual obligations, or when such contractual obligations are canceled or expire.

(7) Property, plant and equipment

The Company recognizes property, plant and equipment (PP&E) at cost. Carrying value is the difference between cost, accumulated depreciation, and cumulative impairment loss. Acquisition cost for PP&E includes expenses attributable to

the acquisition directly, as well as expected expenses related to the retirement of the asset in the future.

PP&E is depreciated at the point the asset becomes available for use. The asset is depreciated over its estimated useful life, generally under the straight-line method.

Estimated useful lives of major PP&E are as follows:

Buildings and structures:	Three to 15 years
Tools, furniture and fixtures:	Three to 10 years

Assets acquired under finance leasing are depreciated over the shorter of the lease term or the estimated useful life of the asset, except where transfer of ownership prior to the expiration of the lease term is intended.

The Company reviews and revises depreciation methods, useful lives, and residual value at the end of each fiscal year as necessary.

(8) Leases

The Company classifies any lease transaction as a finance lease where the Company Group substantially receives all the risks and rewards under the contract. Other leases are classified as operating leases.

The Company recognizes leased assets as assets valued at the lower of fair value or the present value of the total value of minimum lease payments. The Company recognizes any lease obligations in current liabilities or non-current liabilities in the consolidated statement of financial position. Financial expenses are allocated to each period over the lease term so that their ratios to the balances of outstanding liabilities would remain constant.

Lease payments for operating leases are recognized as expenses using the straight-line method over the lease term.

(9) Intangible assets

The Company measures intangible assets at cost upon initial recognition. Intangible assets acquired through business combinations are recognized separately from goodwill at the time of initial recognition and measured at fair value as of the date of acquisition. After initial recognition, the Company recognizes intangible assets as the difference between cost, and accumulated amortization, and cumulative impairment losses, except for those intangible assets with an indeterminate useful life. Amortization of intangible assets, excluding those with indeterminate useful lives, begins at the point the asset is available for use. Intangible assets are amortized over their useful lives under the straight-line method.

The estimated useful lives of major intangible assets are as follows:

Software:	Five years
Customer-related assets:	Five to 14 years

The Company has no internally created intangible assets.

The Company reviews and revises amortization methods, useful lives, and residual value at the end of each fiscal year as necessary.

(10) Goodwill

The Company includes a description of the valuation of goodwill in *Note 3 Significant accounting policies: (2) Business combinations*. After initial valuation, the Company recognizes goodwill as the difference between cost and cumulative impairment loss. The Company does not amortize goodwill. Rather, the Company conducts an impairment test each fiscal year, recognizing impairment loss as necessary.

(11) Impairment of non-financial assets

At each reporting date, the Company evaluates non-financial assets (excluding inventories and deferred tax assets) for indications of impairment. In the case of an indication of impairment, the Company estimates the recoverable amount of the asset or cash generating unit.

The Company defines cash generating unit as the smallest identifiable group of assets used continuously to generate cash inflow, largely independent of other assets or cash generating units.

The recoverable amount of a non-financial asset is the higher of the value in use or the fair value less selling costs. The Company determines value in use by discounting estimated future cash inflows to the present value using the pre-tax discount rate reflecting the time value of money and risks inherent in the asset.

The Company determines the cash generating unit of goodwill based on the unit managed for internal reporting purposes.

Corporate assets do not generate independent cash inflows. In the event of an indication of impairment, the Company determines the recoverable amount of the cash generating unit to which the corporate assets are related, determining

whether an impairment exists.

When the carrying amount of the asset or cash generating unit exceeds the recoverable amount, the company recognizes an impairment loss as profit or loss. The Company allocates impairment loss for a cash generating unit, reducing the carrying amount of goodwill and allocating the remaining to other assets within the cash generating unit in proportion to their carrying amounts.

The Company evaluates the presence of any indication of, reduction in, or extinguishment of impairment loss at each reporting date for impairment losses recognized previously. The Company reverses impairment loss when it finds an indication for reversal and the estimate used to determine recoverable amounts changes. The reversal of impairment loss is limited to an amount not exceeding the carrying amount of the asset less amortization or depreciation, assuming no impairment loss was ever recognized in the past. The Company does not reverse impairment loss associated with goodwill.

Goodwill consisting partly of the carrying amount of an investment in equity-method affiliates is not categorized and recognized separately. Accordingly, an individual impairment test is not performed for said amounts. If there is an indication of potential impairment of an investment in an equity-method affiliate, an impairment test is conducted for the carrying amount of the entire investment as a single asset, comparing the recoverable amount with the carrying amount.

(12) Employee benefits

1) Post-retirement benefits

The Company and certain of its subsidiaries have adopted a defined contribution pension plan. A defined contribution pension plan is a retirement benefit plan in which the employer contributes installments of a fixed amount to a separate, independent enterprise, bearing no legal or constructive obligations to pay beyond such amounts. Contributions to defined contribution pension plans are recognized as profit or loss in the period in which employees provide services.

Certain of the Company's subsidiaries have adopted a retirement lump sum payment plan as a defined benefit plan. The Company Group pays contributions to public pension plans in Japan. Contributions to public pension plans (defined contribution plans) are recognized as expenses when they are incurred, and are included under employee benefits.

2) Other employee benefits

The Company recognizes other employee benefits as expenses when employees provide services. The Company has legal or constructive obligations to pay bonuses and annual allowance for paid holidays when such amounts can be estimated reasonably. The Company recognizes a liability for the estimated amount to be paid based on the plans.

(13) Provisions

The Company recognizes a provision for obligation when the Company has a current legal or constructive obligation as a result of a past event, and the Company is likely to disburse resources embodying future economic benefit to settle the obligation in an amount that can be estimated reliably.

The Company values the provision at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax discount rate reflecting the current market assessment of the time value of money and specific risks inherent in the obligation. Any increase in the provision over time is recognized as financial expense. The Company estimates, recognizes, and values provisions for asset retirement obligations for restoration costs associated with individual leased offices, buildings, etc. This provision is calculated based on the expected term of use, considering past experience related to restoration costs and the useful lives of internal structures built for offices, etc. These expenses are expected generally to be paid after the passage of one year or more, and depend on future business plans.

To reserve against future losses on contracts, the Company records a provision of accrued losses on sales contracts. This provision is recorded for contracts for which a loss is highly likely, and for which such loss can be estimated. In general, losses on sales contracts are expected to be incurred within one year.

(14) Equity

1) Common stock

The Company records issuance price for shares of common stock in capital stock and capital surplus. Direct issuance costs (after considering tax effects) are deducted from additional paid-in capital.

2) Treasury stock

The Company recognizes the payment cost, including direct transaction costs (after considering tax effects), for treasury stock acquisitions as a deduction from equity. The Company recognizes the payment received for any treasury stock sales as an addition to equity.

(15) Revenue

The TechnoPro Group recognizes revenue based on an application of the following five-step approach (excluding interest and dividend income based on IFRS 9: Financial Instruments):

Step 1: Identify contracts with customers

Step 2: Identify performance on contractual obligations

Step 3: Calculate transaction price

Step 4: Allocate transaction price to performance of contractual obligations

Step 5: Recognize revenue when (or concurrently) performance on contractual obligations is satisfied

The TechnoPro Group provides services including R&D outsourcing and construction management outsourcing. These services are generally transferred to the control of the customer during the contract period. Accordingly, in our opinion, we satisfy performance on contractual obligations through a definite period of time. Therefore, we recognize revenue according to the progress of services provided. The progress of labor dispatch contracts is based on the progress of time, while the progress of contract services contracts is measured based on the ratio of costs incurred compared to the total cost estimate.

(16) Share-based compensation

The TechnoPro Group has adopted a restricted stock option plan as an equity-settled share-based compensation structure for directors and executive officers. Payment for services received is measured at fair value of TechnoPro Group stock on the grant date. The Company recognizes expenses through the straight-line method from the grant date through the vesting period, recognizing such amounts as an increase in equity.

(17) Finance income and costs

Finance income consists mainly of interest income and dividend income. The Company recognizes interest income as it occurs, based on the effective interest method. Dividend income is recognized when the Company is entitled to receive the dividend.

Finance costs mainly include interest expense. Interest expense is recognized as it occurs, based on the effective interest method.

(18) Government subsidies

The Company recognizes government subsidies when such are reasonably guaranteed, and the Company meets primary conditions for the delivery of said government subsidy. When government subsidies relate to the payment of expenses, the Company recognizes the government subsidy as revenue in the same period in which any expense compensated by the government subsidy is incurred.

(19) Income taxes

Income tax expenses consist of current taxes and deferred taxes. The Company recognizes current taxes and deferred taxes as net profit or loss, except for such recognized under the other comprehensive income and those charged directly to equity.

The Company measures current taxes at the amount expected to be paid to or refunded from the tax authority, based on tax rates and laws that have been enacted or substantively enacted as of the end of fiscal year.

The Company recognizes deferred tax assets and deferred tax liabilities for temporary differences arising between the carrying amounts of assets or liabilities for financial accounting purposes and tax purposes. However, the Company does not recognize deferred tax assets or deferred tax liabilities for certain temporary differences:

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of a transaction that is not a business combination and whose assets and liabilities do not impact profit or loss for financial accounting or tax purposes
- Temporary differences arising from investments in subsidiaries that are unlikely to be reversed within a foreseeable period

The Company calculates deferred tax assets and deferred tax liabilities based on tax rates expected to be applied when the temporary differences are expected to be reversed. Calculations use tax rates enacted or substantively enacted by the

end of the fiscal period.

The Company recognizes deferred tax assets to the extent that the Company generates sufficient taxable income to use the benefits from temporary differences, tax losses carried forward, and tax credits, and when temporary differences are likely to be reversed within a foreseeable period.

The Company may offset deferred tax assets and deferred tax liabilities under certain circumstances. These circumstances arise when the company has legally enforceable rights to offset such current tax assets and current tax liabilities and, further, the identical tax-paying entity (or a different tax-paying entity intending to settle on a net basis) is assessed income taxes by the identical tax authority.

(20) Earnings per share (attributable to the owners of the parent company)

Basic earnings per share is determined by dividing the net profit attributable to the owners of the parent company by the weighted average number of common stock issued and outstanding, adjusting for the number of shares of treasury stock for the period. Diluted earnings per share is calculated adjusting for the number of weighted average of shares of issued and outstanding stock adjusted for net profit attributable to owners of the parent and treasury stock to reflect the impact of all dilutive potential ordinary shares.

4. Significant accounting estimates and judgments

In preparing consolidated financial statements, Company management has identified judgments, estimates and assumptions which might influence the application of accounting policies and reported amounts of assets, liabilities, revenues, or expenses. Accounting estimates may differ from the actual results. The Company continues to review and update estimates and assumptions underlying estimates.

Effects of changes in accounting estimates are recognized in the period in which the changes occur, as well as in future periods affected.

The following identifies estimates having significant risk of future significant adjustment in following periods and the underlying assumptions:

- Recoverable amounts for cash generating units including property, plant and equipment, goodwill and intangible assets (Note 8. Property, plant and equipment; Note 9. Goodwill and intangible assets)
- Recoverability of deferred tax assets (Note 11. Deferred taxes and corporate income taxes)
- Future plans based on present value of written put options granted to shareholders of non-controlling interests (Note 23. Financial instruments)

5. Segment information

(1) Overview of reportable segments

The Company Group operates in a single segment, dispatching engineers and contract services in the fields of machinery, electricity, electronics, embedded controls, software development and maintenance, biochemistry, and construction management. Accordingly, the Company omits descriptions for each reportable segment here.

(2) Products and services

The Company Group receives sales proceeds from the following services:

	(Millions of yen)	
	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
R&D outsourcing	97,457	113,783
Construction management outsourcing	14,659	17,720
Other	4,412	12,671
Total	116,529	144,176

(3) Geographical segments

Description omitted here, as non-current assets and sales to external customers in Japan account for the majority of Company Group assets and sales.

(4) Major customers

Description omitted here, as the Company Group has no single external customer accounting for 10% or more of Group sales revenue.

6. Cash and cash equivalents

Details of cash and cash equivalents are as provided below:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Cash and cash equivalents		
Cash and time deposits	21,822	21,447
Time deposits with deposit term more than three months	(170)	(216)
Total: Cash and cash equivalents disclosed in the consolidated statements of financial position	21,652	21,230
Cash and cash equivalents disclosed in the consolidated statements of cash flows	21,652	21,230

7. Accounts receivable and other receivables

(1) Details of accounts receivable and other receivables are as provided below:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Notes receivable	265	278
Accounts receivable	17,144	19,511
Operating account receivable	1	29
Allowance for doubtful accounts	(32)	(53)
Total	17,378	19,765

(2) Details of changes in allowance for doubtful accounts related to Accounts receivable and other receivables are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Balance, beginning of period	31	32
Increase during the fiscal year (provision)	8	40
Increase due to business combination	3	0
Decrease during the fiscal year (intended use)	(1)	—
Decrease during the fiscal year (reversal)	(9)	(18)
Foreign currency translation	0	(1)
Balance, end of period	32	53

8. Property, plant and equipment

- (1) Details of property, plant and equipment acquisition costs, accumulated depreciation, cumulative impairment loss, and change in carrying amounts are as provided below:

(Millions of yen)

Acquisition cost	Buildings and structures	Tools, furniture and fixtures	Other	Total
As of July 1, 2017	914	992	41	1,948
Acquisition	164	132	6	304
Acquisition through business combination	67	75	2	144
Disposal	(19)	(33)	(1)	(54)
Foreign currency translation	(0)	(1)	0	(1)
Other	6	0	2	9
As of June 30, 2018	1,133	1,166	51	2,351
Acquisition	241	132	6	380
Acquisition through business combination	19	5	7	32
Disposal	(22)	(27)	(8)	(58)
Foreign currency translation	(2)	(10)	(0)	(12)
Other	(0)	(16)	(3)	(20)
As of June 30, 2019	1,368	1,250	53	2,671

(Millions of yen)

Accumulated depreciation and cumulative impairment loss	Buildings and structures	Tools, furniture and fixtures	Other	Total
As of July 1, 2017	(330)	(720)	(9)	(1,060)
Depreciation and amortization	(82)	(111)	(2)	(196)
Disposal	19	18	1	39
Foreign currency translation	0	0	(0)	1
Other	(25)	(1)	(2)	(29)
As of June 30, 2018	(418)	(814)	(13)	(1,245)
Depreciation and amortization	(99)	(127)	(6)	(233)
Disposal	13	23	0	37
Foreign currency translation	1	6	0	9
Other	(0)	19	2	22
As of June 30, 2019	(501)	(891)	(17)	(1,410)

(Millions of yen)

Carrying amount	Buildings and structures	Tools, furniture and fixtures	Other	Total
As of July 1, 2017	584	271	31	888
As of June 30, 2018	714	352	37	1,105
As of June 30, 2019	866	358	36	1,261

(Note) Amortization is recorded *cost of sales and selling, general and administrative expense*.

9. Goodwill and intangible assets

- (1) Details of goodwill and intangible asset acquisition costs, accumulated depreciation, cumulative impairment loss, and change in carrying amounts are as provided below:

(Millions of yen)

Acquisition cost	Goodwill	Intangible assets			
		Software	Customer-related	Other	Total
As of July 1, 2017	29,541	2,171	689	38	2,899
Acquisition	—	71	—	9	80
Acquisition through business combination	4,955	33	2,435	1	2,469
Disposal	—	—	—	(0)	(0)
Foreign currency translation	2	0	(4)	—	(3)
Other	—	(33)	—	—	(33)
As of June 30, 2018	34,498	2,243	3,119	49	5,412
Acquisition	—	76	—	8	85
Acquisition through business combination	3,243	7	702	0	710
Foreign currency translation	(105)	(5)	(87)	—	(93)
Other	—	2	—	—	2
As of June 30, 2019	37,637	2,324	3,734	58	6,117

(Millions of yen)

Accumulated amortization and cumulative impairment loss	Goodwill	Intangible assets			
		Software	Customer-related	Other	Total
As of July 1, 2017	—	(1,533)	(61)	(1)	(1,596)
Amortization	—	(201)	(107)	(2)	(310)
Disposal	—	—	—	0	0
Foreign currency translation	—	(0)	0	—	0
Other	—	(2)	—	—	(2)
As of June 30, 2018	—	(1,737)	(167)	(3)	(1,909)
Amortization	—	(209)	(331)	(4)	(544)
Impairment loss	(570)	—	(1,103)	—	(1,103)
Foreign currency translation	12	3	32	—	36
Other	—	(0)	—	—	(0)
As of June 30, 2019	(558)	(1,943)	(1,569)	(7)	(3,521)

(Millions of yen)

Carrying amount	Goodwill	Intangible assets			
		Software	Customer-related	Other	Total
As of July 1, 2017	29,541	638	627	37	1,303
As of June 30, 2018	34,498	505	2,951	45	3,503
As of June 30, 2019	37,079	381	2,164	50	2,596

(Note) Amortization costs are included in *cost of sales* and *selling, general and administrative expenses*.Impairment losses are included in *other expenses*.

(2) Goodwill and intangible assets

TechnoPro Group goodwill consists of 29,202 million yen related to the acquisition of an engineer dispatch and contract services business via MBO in April 2012 and goodwill arising from M&A activities executed since our initial public offering in December 2014. The Company allocates goodwill to the respective cash generating units based on the technological field of the businesses.

The following provides carrying amounts of material goodwill allocated to respective cash generating units. Goodwill recognized in connection with the acquisition of Helius Technologies Pte Ltd, considered as a candidate for cash generating unit during the previous consolidated fiscal year, has been fully allocated to the Helius Group. As other group entities increased in importance during the current consolidated fiscal year, we have provided separate disclosure.

(Millions of yen)

Cash generating unit	As of June 30, 2018	As of June 30, 2019
Field relating to machinery, electricity and electronics	13,991	14,651
Field relating to embedded control and IT infrastructure	7,969	7,969
Field relating to software development and maintenance	5,432	5,681
Field relating to chemical and biotechnology	1,262	1,262
Field relating to construction management	3,383	3,383
Helius Group	—	681
Orion Group	—	991
Other Groups	—	2,458

Material intangible assets other than goodwill consist of customer-related assets recognized in connection with the March 2018 acquisition of Helius Technologies Pte Ltd stock (carrying amount of 2,076 million yen and 792 million yen as of the previous and current consolidated fiscal years, respectively; remaining depreciable life of six years) and recognition of customer-related assets in connection with the October 2018 acquisition of Orion Managed Services Limited stock (carrying amount of 576 million as of the current consolidated fiscal year; remaining depreciable life of four to seven years). The Company amortizes these intangible assets using the straight-line method.

(3) Goodwill impairment test

Goodwill is managed according to the related individual cash generating unit. The Company tests goodwill for impairment at least once annually, following a policy to carry out impairment tests in response to any indication of impairment.

Decisions regarding impairment of recoverable amounts reflect calculations based on usage value. Usage value is calculated by discounting expected cash flows over five years to present value based on the Company's medium-term business plan approved by management and expected growth rate. Calculations of continuing value throughout the plan period for growth rates of between 2.0% and 19.9% use the long-term GDP deflator of each country, between 1.5% and 2.0% (1.5% for the current consolidated fiscal year). The Company reflects evaluations of future forecasts and past experience in its medium-term business plan and assumed growth rate. A basis discount rate of between 10.8% and 14.3% has been used (9.0% to 12.0% based on weighted average cost of capital after taxes) based on the pre-tax weighted average cost of capital for the cash generating unit.

The following represent major assumptions used in the calculations of recoverable amounts (use value) for each cash generating unit.

Cash generating unit	As of June 30, 2018		As of June 30, 2019	
	Growth rate	Discount rate (before taxes)	Growth rate	Discount rate (before taxes)
Field relating to machinery, electricity and electronics	2.8% to 8.1%	13.1%	2.9% to 8.3%	13.8%
Field relating to embedded control and IT infrastructure	4.7% to 17.3%	12.9%	5.2% to 19.8%	13.7%
Field relating to software development and maintenance	6.4% to 25.9%	12.9%	4.8% to 18.1%	13.8%
Field relating to chemical and biotechnology	3.8% to 13.0%	13.0%	3.3% to 10.5%	13.8%
Field relating to construction management	4.1% to 14.7%	13.0%	4.9% to 18.7%	13.8%
Helius Group	—	—	2.0% to 4.5%	14.3%
Orion Group	—	—	3.7% to 10.5%	10.8%
Other Groups	—	—	3.6% to 19.9%	12.5% to 13.7%

The carrying amount is equal to the use value of the Helius Group. In the event that growth rate falls below the expected rate noted above, the Company may recognize impairment losses. Additionally, if the discount rate (pre-tax) for certain cash generating units other than the Helius Group rises to between 4.0% and 9.8%, the Company may recognize impairment losses.

With respect to cash generating units other than those noted above (included such arising in connection with the MBO), the usage value exceeds the carrying amount by a sufficient margin. Accordingly, the Company believes it extremely unlikely that an impairment loss will be incurred, as long as fluctuations in growth rate and discount rate (pre-tax) used are within a rational scope.

(4) Goodwill and intangible asset impairment losses

The Company did not recognize impairment loss in the prior consolidated fiscal year. In the current consolidated fiscal year, the Company recognized 570 million yen in impairment loss related to goodwill allocated to the Helius Group cash generating unit and 1,103 million yen in impairment loss related to intangible assets (customer-related assets)

allocated to the Heliuss Group at the time of acquisition. These impairment losses (1,673 million yen in total) have been charged to other expenses.

The Heliuss Group operates an IT engineer dispatch business for clients in the financial industry, mainly through bases in Singapore and India. In March 2018, the Company acquired 51% of Heliuss Group stock for 2,577 million yen, converting the Heliuss Group into a subsidiary. During the acquisition, the Company recognized Heliuss Group risks related to excessive reliance on specific customers and restrictions on immigration in Singapore. These risks subsequently emerged, causing a downturn in Heliuss Group performance. As profitability was lower than forecast in our initial plan, the Company recorded an impairment loss for the current consolidated fiscal year.

(5) Research and development expenses

The Company recognized 41 million yen in research and development expenses during the prior consolidated fiscal year, recording such as *Selling, general and administrative expenses*. The Company recognized 23 million yen in research and development expenses during the current consolidated fiscal year, recording such as *Selling, general and administrative expenses*.

10. Investments accounted for using the equity method

The following provides information related to affiliated companies. The TechnoPro Group does not have any material affiliates.

Carrying amounts of investments in individual affiliated companies are as provided below.

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Total carrying amounts	101	94

Investments in affiliates presented in comprehensive income for the period are as follows.

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Share of profit from investments in affiliates	3	(7)
Share of other comprehensive income from investments in affiliates	—	—
Share of comprehensive income for the period from investments in affiliates	3	(7)

11. Deferred taxes and corporate income taxes

(1) The following provides changes in deferred tax assets and deferred tax liabilities:

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

(Millions of yen)

	As of July 1, 2017	Amount recognized in net profit or loss	Amount recognized in other comprehensive income	Business combinations	Other	As of June 30, 2018
Deferred tax assets						
Accrued bonus	941	(303)	—	53	—	691
Retirement benefit obligations (Note)	368	1,104	—	96	—	1,569
Employee benefit obligations	1,376	217	—	65	—	1,659
Tax loss carried forward	947	(927)	—	46	—	66
Other	179	(78)	111	1	22	235
Total deferred tax assets	3,813	12	111	262	22	4,222
Deferred tax liabilities						
Intangible assets	218	(30)	—	466	0	654
Other	148	76	—	10	0	235
Total deferred tax liabilities	366	46	—	477	0	889

(Note) The amount of assets not transferred as a result of the transition to a defined contribution pension plan is included in retirement benefit obligation.

Fiscal year ended June 30, 2019 (July 1, 2018 to June 30, 2019)

(Millions of yen)

	As of July 1, 2018	Amount recognized in net profit or loss	Amount recognized in other comprehensive income	Business combinations	Other	As of June 30, 2019
Deferred tax assets						
Accrued bonus	691	39	—	15	—	747
Retirement benefit obligations (Note)	1,569	(416)	—	47	—	1,201
Employee benefit obligations	1,659	96	—	27	—	1,783
Tax loss carried forward	66	(47)	—	—	—	18
Other	235	163	0	12	10	422
Total deferred tax assets	4,222	(163)	0	102	10	4,172
Deferred tax liabilities						
Intangible assets	654	(281)	—	133	—	506
Other	235	(54)	—	27	—	207
Total deferred tax liabilities	889	(335)	—	160	—	714

(Note) The amount of assets not transferred as a result of the transition to a defined contribution pension plan is included in retirement benefit obligation.

The following provides details of deferred tax assets and deferred tax liabilities in the consolidated statements of financial position:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Deferred tax assets	3,932	3,957
Deferred tax liabilities	599	499

The Company considers expected future taxable profit as an offset to deductible temporary differences and tax losses carried forward when recognizing deferred tax assets. The Company considers expected reversals of deferred tax liabilities, expected future taxable profit, and tax planning when evaluating the recoverability of deferred tax assets. Having evaluated the recoverability of deferred tax assets referenced above, the Company has determined not to recognize deferred tax assets for certain deductible temporary differences and tax losses carried forward. The following provides details of deductible temporary differences and tax losses carried forward for which the Company has not recognized deferred tax assets:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Employee benefit obligations	24	21
Retirement benefit obligations	64	13
Tax loss carried forward	156	36
Other	503	348
Total	749	420

The amount of unrecognized deferred tax assets related to the figures above amounted to ¥253 million for the prior consolidated fiscal year (FYE June 2018) and ¥139 million for the current consolidated fiscal year (FYE June 2019)

The following provides details for the periods of tax losses carried forward for which no deferred tax assets have been recognized:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
1st year	—	—
2nd year	—	—
3rd year	—	—
4th year	—	—
5th year and later	156	36
Total	156	36

(2) Income taxes

Details of income taxes are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Current income tax expense	2,620	4,500
Deferred income tax expense	33	(173)
Total	2,654	4,327

Current income tax expenses include losses for tax purposes not recognized previously and benefits arising from tax credits or temporary differences in prior periods. Decreases in current tax expenses in the prior and current consolidated fiscal years amounted to ¥60 million and ¥21 million.

Deferred tax expenses include losses for tax purposes not recognized previously and benefits arising from tax credits or temporary differences in prior periods. Decreases in the deferred tax expenses in the prior and current consolidated fiscal years amounted to ¥1,127 million and ¥63 million.

The following provides details of differences between the normal effective statutory tax rate and the actual effective tax rate:

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Effective statutory tax rate	30.9%	30.6%
Items which cannot be taken as a permanent deduction	1.2%	(1.7%)
Unrecognized deferred tax assets	(11.3%)	(1.3%)
Tax credits	(1.0%)	(0.1%)
Other	4.0%	4.0%
Actual effective tax rate	23.8%	31.5%

The amount of income taxes recognized in the consolidated statement of income for the current consolidated fiscal year is calculated as the total of current income tax expense and deferred income tax expense (the same as in the prior consolidated fiscal year), in keeping with the statutory tax rates and tax laws in force in nations and regions where the Company Group does business.

The effective statutory tax rate for the parent company, including income taxes - current and enterprise tax, in the current consolidated fiscal year is 30.6% (30.9% in the prior consolidated fiscal year).

Differences in the effective statutory tax rate between the parent company and consolidated subsidiaries are included in other.

12. Other financial assets

(1) Details of other financial assets are as provided below:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Time deposits	170	216
Receivables	264	354
Available-for-sale financial assets	2,205	—
Financial assets at fair value through other comprehensive income	—	1,837
Leasehold deposits	1,458	1,726
Other	307	616
Allowance for doubtful accounts	(9)	(11)
Total	4,397	4,739
Current assets	435	571
Non-current assets	3,961	4,167
Total	4,397	4,739

(2) Details of changes in allowance for doubtful accounts related to other financial assets are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Balance, beginning of period	8	9
Increase during the fiscal year (provision)	4	3
Increase due to business combination	—	13
Decrease during the fiscal year (intended use)	(3)	(13)
Decrease during the fiscal year (reversal)	(0)	(0)
Foreign currency translation	—	(0)
Balance, end of period	9	11

The following provides details of consolidated statements of financial position:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Current assets	—	—
Non-current assets	9	11

13. Other assets

Details of other financial assets are as provided below:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Prepaid expenses	1,384	1,708
Assets under contract	—	627
Advance payment-other	8	521
Other	219	188
Total	1,612	3,046
Current assets	1,514	2,993
Non-current assets	97	52
Total	1,612	3,046

14. Accounts payable and other payables

Details of accounts payable and other payables are as provided below:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Salaries and wages payable	9,165	10,321
Accrued bonus	1,784	2,495
Accounts payable	95	147
Total	11,045	12,964

15. Bonds and loans payable

(1) Details of bonds and loans payable are as provided below:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019	Average interest rate (%)	Repayment term
Short-term loans	—	91	0.14%	—
Current portion of long-term loans	3,167	3,131	0.40%	—
Current portion of bonds	304	138	0.34%	—
Long-term loans	8,006	5,825	0.39%	2019 to 2024
Bonds	138	—	—	—
Total	11,616	9,185		

(Note) 1. The interest rate disclosed here is the weighted average interest rate for the balance at the end of the period.

2. When borrowing money, the Company references the prevailing market interest and reviews interest terms.

Certain Company borrowings are subject to the following financial covenants:

1) Profit maintenance

Operating profit disclosed on consolidated statement of income of the borrower must be positive for each fiscal year.

2) Net asset restrictions

Net assets disclosed on the consolidated balance sheet of the borrower at the end of each fiscal year must be equivalent to 75% or more of the net assets disclosed on the consolidated balance sheet of the

borrower.

(2) Collateralized bonds and borrowings

The Company has pledged no assets as collateral, nor has the obligation to pledge collateral, as of the end of the prior and current consolidated fiscal years.

(3) Commitment lines

The following provides details of total commitment line agreements, current account overdrafts, and balances of undisbursed borrowings as of the balance sheet date:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Total amount of commitment line	6,000	6,000
Total maximum overdraft limit	5,000	10,000
Balance of borrowings extended	—	—
Less: Undisbursed borrowings	11,000	16,000

16. Other financial liabilities

Details of other financial liabilities are as provided below:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Accounts payable - other	2,307	2,577
Long-term accounts payable	7,289	6,695
Other	9	7
Total	9,606	9,280
Current liabilities	2,313	2,582
Non-current liabilities	7,293	6,697
Total	9,606	9,280

17. Other liabilities

Details of other liabilities are as provided below:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Consumption taxes payable	2,724	3,316
Deposits received	1,914	2,154
Liabilities under contract	—	267
Other	408	275
Total	5,047	6,014
Current liabilities	4,967	5,909
Non-current liabilities	79	104
Total	5,047	6,014

18. Lease transactions

The Company leases office buildings and other locations under cancellable or non-cancellable operating leases.

Lease payments for operating leases for the prior consolidated fiscal year and current consolidated fiscal year were ¥529 million and ¥703 million, respectively.

The following provides details of non-cancellable operating leases according to their respective payments dates:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Due in less than one year	484	658
Due between 1 and 5 years	874	690
Due in 5 years or later	1	—
Total	1,360	1,349

19. Employee benefits

(1) Post-retirement benefits

The Company and certain consolidated subsidiaries have adopted a defined contribution plan (defined contribution pension plan) as their retirement plan.

In addition, a major subsidiary has discontinued its defined benefit plan as of January 2, 2018 and is transitioning to a defined contribution plan. The asset transfer will take place over a period of eight years, while the amount of assets not transferred is included in *other financial liabilities* under current liabilities and non-current liabilities in the consolidated statement of financial position. Decreases in other financial liabilities related to the amount not transferred are included in *increase (decrease) in retirement benefit obligations* in the consolidated statement of cash flows.

Defined contribution plan

- The Company's defined contribution plan recognized fees of 606 million yen and 1,341 million yen for the prior and current consolidated fiscal years, respectively.
- The Company contributes the employer's portion of welfare insurance premiums based on the Welfare Pension Insurance Act of Japan. The amount recognized as expenses amounted to 6,881 million yen for the prior consolidated fiscal year (FYE June 2018) and 7,938 million yen for the current consolidated fiscal year.

(2) Employee benefit obligations

Details of employee benefit obligations are as provided below:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Unused paid holidays	4,894	5,846
Total	4,894	5,846

20. Provisions

Details of provisions and related changes are as provided below:

(Millions of yen)

	Provision for asset retirement obligation	Provision for accrued loss on sales contracts	Total
As of July 1, 2017	294	6	301
Increase for the current term	27	10	37
Increase due to business combination	38	—	38
Periodic interest cost of discount rate calculation	0	—	0
Decrease due to intended use	(17)	(8)	(25)
Current term reversals	(0)	(1)	(2)
Foreign currency translation	(0)	—	(0)
As of June 30, 2018	341	7	349
Increase for the current term	31	10	41
Increase due to business combination	12	5	18
Periodic interest cost of discount rate calculation	0	—	0
Decrease due to intended use	(6)	(19)	(25)
Current term reversals	(0)	(1)	(1)
Foreign currency translation	(0)	—	(0)
As of June 30, 2019	378	3	382

The following provides details of consolidated statements of financial position:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Current liabilities	7	3
(Provision for asset retirement obligation)	(—)	(—)
(Portion consisting of allowance for loss on sales contracts)	(7)	(3)
Non-current liabilities	341	378
(Provision for asset retirement obligation)	(341)	(378)
(Portion consisting of allowance for loss on sales contracts)	(—)	(—)

21. Capital stock and other components of equity

(1) Total number of authorized shares and number of shares outstanding

	Total no. of voting shares	No. of shares issued and outstanding
As of July 1, 2017	136,296,000	34,214,000
Change during ther period	—	2,040,932
As of June 30, 2018	136,296,000	36,254,932
Change during ther period	—	49,097
As of June 30, 2019	136,296,000	36,304,029

(Note) 1. All shares issued by the Company are shares of common stock with no par value. Compensation has been paid for all shares.

2. Increase in number of shares issued due do issuance of new shares.

(2) Capital stock and capital surplus

The following provides details of changes in capital stock and capital surplus.

(Millions of yen)

	Capital stock	Capital surplus		
		Capital reserve	Other capital surplus	Total
As of July 1, 2017	510	6,545	(570)	5,975
Number of new shares issued	6,275	6,260	(205)	6,055
Share-based payment transactions	—	—	88	88
Put options granted to non-controlling shareholders	—	—	(3,066)	(3,066)
Other increases (decreases)	—	—	(48)	(48)
As of June 30, 2018	6,785	12,805	(3,802)	9,003
Number of new shares issued	118	107	(148)	(41)
Share-based payment transactions	—	—	115	115
Put options granted to non-controlling shareholders	—	—	(1,693)	(1,693)
Other increases (decreases)	—	—	(78)	(78)
As of June 30, 2019	6,903	12,913	(5,608)	7,304

(Note) 1. The Companies Act of Japan provides that one half or more of payments made for issued shares or the amounts related to the projected benefits shall be included in the shareholders' equity. The remaining amount is to be recorded as additional paid-in capital included in legal capital surplus.

2. Put options for shares of overseas subsidiaries granted to owners of non-controlling interests are recognized as financial liabilities at the present value of potential future payments. This amount is deducted from capital surplus.

(3) Retained earnings

The following provides details of changes in retained earnings:

(Millions of yen)

	Legal earnings reserve	Other retained earnings	Total
As of July 1, 2017	—	21,075	21,075
Net profit	—	8,498	8,498
Remeasurement of defined benefit plan	—	111	111
Dividends of surplus	—	(3,861)	(3,861)
As of June 30, 2018	—	25,824	25,824
Net profit	—	9,683	9,683
Fair value of financial assets measured at fair value through other comprehensive income	—	(25)	(25)
Dividends of surplus	—	(4,353)	(4,353)
As of June 30, 2019	—	31,129	31,129

(Note) Legal earnings reserve is the surplus reserve required by the Companies Act of Japan. The same act provides that companies must set aside one-tenth of the expenditure associated with dividends of surplus until the total of additional paid-in capital and legal earnings reserve reaches one-fourth of the amount of shareholders' equity.

The amount available for the distribution pursuant to the Companies Act is calculated based on the amount of retained earnings recorded in the accounting records of the Company prepared in accordance with the generally accepted accounting principles in Japan.

(4) Treasury shares

The following provides details of changes in treasury stock:

	No. of shares	Amount (Millions of yen)
As of July 1, 2017	215	0
Increase due to share purchases of less than one trading unit	126	0
As of June 30, 2018	341	1
Increase due to share purchases of less than one trading unit	157	0
As of June 30, 2019	498	2

(5) Other components of equity

The following provides details of other components of equity:

(Millions of yen)

	Translation differences related to foreign operations	Gains or losses on an available-for-sale financial assets	Changes in fair value of financial assets measured at fair value through other comprehensive income	Total
As of July 1, 2017	136	0	—	136
Amount incurred during the period	(6)	(47)	—	(54)
As of June 30, 2018	130	(47)	—	82
Impact of change in accounting policy	—	47	(47)	—
Amount incurred during the period	(186)	—	(428)	(615)
As of June 30, 2019	(56)	—	(476)	(532)

22. Dividends

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

(1) Cash dividends paid

Resolution date	Type of shares	Total dividend amount (Millions of yen)	Dividends per share (yen)	Date of record	Effective date
September 28, 2017 General shareholders' meeting	Common stock	2,148	62.79	June 30, 2017	September 29, 2017
February 2, 2018 Board of directors	Common stock	1,712	50.00	December 31, 2017	February 28, 2018

(2) Dividends whose record date falls within the current consolidated fiscal year (July 1, 2017 to June 30, 2018) whose effective date will fall within the next fiscal year.

Resolution date	Type of shares	Total dividend amount (Millions of yen)	Dividends per share (yen)	Date of record	Effective date
September 27, 2018 General shareholders' meeting	Common stock	2,537	70.00	June 30, 2018	September 28, 2018

Fiscal year ended June 30, 2019 (July 1, 2018 to June 30, 2019)

(1) Cash dividends paid

Resolution date	Type of shares	Total dividend amount (Millions of yen)	Dividends per share (yen)	Date of record	Effective date
September 27, 2018 General shareholders' meeting	Common stock	2,537	70.00	June 30, 2018	September 28, 2018

February 1, 2019 Board of directors	Common stock	1,815	50.00	December 31, 2018	February 28, 2019
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- (2) Dividends whose record date falls within the current consolidated fiscal year (July 1, 2018 to June 30, 2019) whose effective date will fall within the next fiscal year.

Resolution date	Type of shares	Total dividend amount (Millions of yen)	Dividends per share (yen)	Date of record	Effective date
September 27, 2019 General shareholders' meeting	Common stock	3,049	84.00	June 30, 2019	September 30, 2019

23. Financial instruments

(1) Capital management

The Company Group aims to maximize corporate value by enhancing the competitiveness of our businesses and achieving sustainable growth.

To accomplish this, the Company primarily finances investments in businesses using internal funds. For any needs in excess of internal funds, the Company considers and coordinates the procurement of funds through the issue of shares, corporate bonds or borrowings, stock, etc., while paying sufficient attention to the cost of capital.

The Company Group strives to maintain sufficient internal funds to address risks, as well as to bolster holdings and make effective use of internal funds. The Company aims to achieve an appropriate capital composition by balancing financial soundness and cost of capital. The Company Group is not subject to external regulations regarding capital adequacy.

The Company Group specifically manages net interest-bearing debt (interest-bearing debt less cash and cash equivalents) and total shareholders' equity (portion attributable to owners of the parent company). The following provides details of balances for these items as of the reporting date:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Interest-bearing debt	11,621	9,189
Cash and cash equivalents	21,652	21,230
Net interest-bearing debt	(10,030)	(12,041)
Total shareholders' equity	41,694	44,803

(2) Classification of financial assets and liabilities

The following provides carrying amounts for each category of financial assets and liabilities:

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Financial assets		
Loans and receivables		
Accounts receivable and other receivables	17,378	—
Other financial assets	1,907	—
Cash and cash equivalents	21,652	21,230
Financial assets at fair value through profit or loss		
Other financial assets	283	573
Available-for-sale financial assets		
Other financial assets	2,205	—
Financial assets at amortized cost		
Accounts receivable and other receivables	—	19,765
Other financial assets	—	2,328
Financial assets at fair value through other comprehensive income		
Other financial assets	—	1,837
Total financial assets	43,428	45,735
Financial liabilities		
Financial liabilities measured at amortized cost		
Accounts payable and other payables	11,045	12,964
Bonds and loans payable	11,616	9,185
Other financial liabilities	9,166	8,950
Financial liabilities measured at fair value through profit or loss		
Other financial liabilities	440	330
Total financial liabilities	32,268	31,429

(3) Risk management

The Company Group is subject to financial risks as it pursues its business activities. To avoid or mitigate risks, the Company Group engages in risk management.

The Company Group uses derivatives to avoid risks; speculative trading is prohibited by policy.

1) Credit risk

Notes and trade receivables (operating receivables) are subject to customer credit risk.

Divisions and departments regularly monitor transaction partners and related operating receivables in accordance with rules for managing receivables. These divisions and departments exercise control of payment dates and balances based on credit limits established for each customer. This control enables the Company Group to mitigate risk by identifying concerns early regarding recoverability due to deteriorating financial condition, as well as reviewing recoverability of trade and other receivables, recording allowances for doubtful accounts as appropriate.

The carrying amounts of financial assets presented in the consolidated financial statements represent the maximum exposure to credit risks of financial assets held by the Company Group.

The Company Group has no financial assets past due or impaired. This indicates that the group does business with many customers who have high credit quality and that the group has incurred almost no bad debt associated with these customers in the past. The Company Group omits an analysis of financial aging here, as there are no material financial assets past due.

2) Interest rate risk

The Company Group applies variable interest rates to borrowings, which expose it to interest rate volatility risks.

The Company Group strives to reduce and mitigate interest rate volatility risk by reviewing the terms and conditions of borrowings as appropriate.

The following provides details of the effect of a 1% change in interest rate for the borrowings held as of the end of fiscal year on pre-tax income.

This description assumes that other factors remain constant.

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Increase by 1%	(102)	(78)
Decrease by 1%	102	78

3) Liquidity risk

The Company Group may be subject to liquidity risk if it encounters difficulty in procuring funds. Such risk could make it difficult for the Company Group to satisfy payment obligations.

The Company Group accounting and finance division prepares and updates fund procurement plans based on reports from respective divisions and departments on a monthly basis, managing liquidity risks by maintaining funds at hand. The accounting and finance division also aims to reduce and mitigate liquidity risks by entering into commitment lines and current account overdraft arrangements with relevant financial institutions.

Details of year-end financial liability balances are as provided below:

(Millions of yen)

	Within 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years
Fiscal year ended June 30, 2018						
Accounts payable and other liabilities	11,045	—	—	—	—	—
Bonds and loans payable	3,512	3,097	2,935	1,386	776	—
Other financial liabilities	2,313	701	1,071	627	3,780	1,334
Fiscal year ended June 30, 2019						
Accounts payable and other liabilities	12,964	—	—	—	—	—
Bonds and loans payable	3,360	3,120	1,580	975	150	—
Other financial liabilities	3,175	918	1,313	2,294	1,419	159

4) Market price volatility risk

Publicly listed shares and other securities traded on active markets are exposed to market price volatility risk. The Company Group strives to reduce and mitigate market price volatility through continued monitoring of the financial condition of the issuer and market prices.

The impact (before considering tax effects) of equity instruments held by the Company whose market prices have fallen 10% are included in Other comprehensive income on the consolidated statement of comprehensive income.

This description assumes that other factors remain constant.

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Other comprehensive income (before tax effects)	(220)	(170)

(4) Fair value of financial instruments

Details of carrying amounts and fair value of financial instruments are as provided below:

(Millions of yen)

	As of June 30, 2018		As of June 30, 2019	
	Carrying amount	Fair value	Carrying amounts	Fair value
Financial assets				
Loans and receivables				
Accounts receivable and other receivables	17,378	17,378	—	—
Other financial assets	1,907	1,885	—	—
Cash and cash equivalents	21,652	21,652	21,230	21,230
Financial assets at fair value through profit or loss				
Other financial assets	283	283	573	573
Available-for-sale financial assets				
Other financial assets	2,205	2,205	—	—
Financial assets at amortized cost				
Accounts receivable and other receivables	—	—	19,765	19,765
Other financial assets	—	—	2,328	2,305
Financial assets at fair value through other comprehensive income				
Other financial assets	—	—	1,837	1,837
Total financial assets	43,428	43,405	45,735	45,713
Financial liabilities				
Financial liabilities measured at amortized cost				
Accounts payable and other payables	11,045	11,045	12,964	12,964
Bonds and loans payable	11,616	11,616	9,185	9,185
Other financial liabilities	9,166	9,190	8,950	8,953
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities	440	440	330	330
Total financial liabilities	32,268	32,292	31,429	31,432

1) Financial assets at amortized cost

Loans and receivables mainly settled in the short term. Accordingly, carrying amounts approximate fair values.

Leasehold deposit guarantees are categorized according to a determined period, calculated to a discounted present value using the rate of return for a risk-free bond.

2) Cash and cash equivalents

Cash and cash equivalents have short maturities. Accordingly, carrying amounts approximate fair values.

3) Financial assets at fair value

Publicly traded stock is valued at market price. The price for unlisted shares and financial assets for which market prices are unavailable are measured using an appropriate valuation technique, such as a valuation technique based on net asset value. Insurance funds are calculated based on the price as measured by cash surrender value.

4) Financial liabilities measured at amortized cost

Of those financial liabilities measured at amortized cost, accounts payable, other payables, and other financial liabilities are primarily settled in the short term. Accordingly, carrying amounts approximate fair values. Borrowings are based on variable interest rates, reflecting short-term market conditions. As the credit rating of the Company has not changed significantly since the time of the borrowing, carrying amounts approximate fair values.

Some long-term accounts payable within other financial liabilities are calculated according to current value, determined using a discount rate assumed for a new equivalent transaction. Put options granted to non-controlling shareholders are calculated at current amount, determined to be the amount of payment potentially demanded by a future contract counterparty.

5) Financial liabilities measured at fair value through profit or loss

Liabilities related to contingent consideration are calculated using estimating payments that take into account future earnings, etc.

The fair value hierarchy of financial instruments is categorized between Level 1 and Level 3:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Fair value (other than Level 1) calculated using value observable directly or indirectly

Level 3: Fair value calculated according to valuation techniques including unobservable inputs

Reallocation between fair value hierarchies is performed as if occurring at the beginning of each quarter.

Financial instruments measured at amortized cost

The carrying amounts and fair value of financial instruments measured at amortized cost are as provided below: We have omitted disclosure of financial instruments for which the carrying amounts rationally approximate fair value.

As of June 30, 2018

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<Financial assets>					
Loans and receivables					
Other financial assets					
Leasehold deposit guarantees	1,458	—	1,435	—	1,435
<Financial liabilities>					
Other financial liabilities					
Long-term accounts payable	6,693	—	3,651	3,066	6,717

As of June 30, 2019

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<Financial assets>					
Financial assets at amortized cost					
Other financial assets					
Leasehold deposit guarantees	1,726	—	1,704	—	1,704
<Financial liabilities>					
Other financial liabilities					
Long-term accounts payable	6,186	—	2,911	3,278	6,189

Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value are as provided below.

As of June 30, 2018

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
<Financial assets>				
Financial assets at fair value through profit or loss				
Other financial assets				
Investments	—	—	245	245
Insurance funds	—	—	37	37
Available-for-sale financial assets				
Other financial assets				
Stock	2,201	—	3	2,205
Total financial assets	2,201	—	287	2,489
<Financial liabilities>				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities	—	—	440	440
Total financial liabilities	—	—	440	440

(Note) The Company did not reallocate any financial instruments to other levels during the current consolidated fiscal year.

As of June 30, 2019

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
<Financial assets>				
Financial assets at fair value through profit or loss				
Other financial assets				
Investments	—	—	532	532
Insurance funds	—	—	41	41
Financial assets at fair value through other comprehensive income				
Other financial assets				
Stock	1,705	—	131	1,837
Total financial assets	1,705	—	705	2,411
<Financial liabilities>				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities	—	—	330	330
Total financial liabilities	—	—	330	330

(Note) The Company did not reallocate any financial instruments to other levels during the current consolidated fiscal year.

The following details changes in financial instruments categorized as Level 3:

(Millions of yen)

	Financial assets	Financial liabilities
As of July 1, 2017	101	—
Total gains and losses	(8)	—
Net profit or loss (Note) 1	(8)	—
Purchases	156	—
Business combinations (Note) 2	39	440
Other	(1)	—
As of June 30, 2018	287	440
Total gains and losses	25	(110)
Net profit or loss (Note) 1	26	(110)
Other comprehensive income	(0)	—
Purchases	394	—
Sales	(2)	—
Business combinations	0	—
As of June 30, 2019	705	330

(Notes) 1. Gains or losses included in net profit or loss related to financial assets are included in financial income and financial expenses on the consolidated statement of income. Gains or losses included in net profit or loss related to financial liabilities are included in other income on the consolidated statement of income.

2. Financial liabilities are contingent consideration arising as a result of business combinations.

Financial assets measured at fair value through other comprehensive income

The TechnoPro Group designates investments in equity instruments for the purpose of maintaining or strengthening business relationships as financial assets measured at fair value through other comprehensive income. The following provides fair values for major investments.

Current Consolidated Fiscal Year (June 30, 2019)

(Millions of yen)

Description	Fair value
HRnetGroup Limited	1,691

24. Sales revenues

(1) Analysis of revenues

Details of sales revenues are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
R&D outsourcing	97,457	113,783
Construction management outsourcing	14,659	17,720
Other	4,412	12,671
Total	116,529	144,176

The TechnoPro Group provides services including R&D outsourcing and construction management outsourcing. These services are generally transferred to the control of the customer during the contract period. Accordingly, in our opinion, we satisfy performance on contractual obligations through a definite period of time. Therefore, we recognize revenue according to the progress of services provided. The progress of labor dispatch contracts is based on the progress of time, while the progress of contract services contracts is measured based on the ratio of costs incurred compared to the total cost estimate. We generally receive payment within two months of satisfying performance on contractual obligations. No significant financial elements are included.

(2) Contract backlog

Receivables, assets under contract, and liability balances arising from contracts with customers are as follows.

(Millions of yen)

	As of July 1, 2018	As of June 30, 2019
Receivables from contracts with customers		
Accounts receivable and other receivables	17,378	19,765
Assets under contract	400	627
Liabilities under contract	198	267

(Note) Contract backlog for the TechnoPro Group consists of receivables (mainly accounts receivable) from contracts with customers, contract assets (mainly rights exercised arising from contracting services contracts), and contract liabilities (tuition fees received in advance related to our education and training business).

Income recognized during the current consolidated fiscal year included in contract liabilities at the beginning of the period amounted to 198 million yen. No significant income was recognized during the current consolidated fiscal year for past satisfaction (or partial satisfaction) of contractual obligations.

(3) Transaction price allocated to remaining performance obligations

The TechnoPro Group does not have any individual material transactions for which the projected contract period exceeds one year. In addition, no consideration arising from contracts with customers contains material amounts not included in the transaction price.

25. Cost of sales

Details of cost of sales are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Employee benefit expenses	79,941	98,279
Rent	2,641	3,087
Travel expenses	2,232	2,719
Subcontract expenses	1,737	2,874
Depreciation and amortization	97	137
Other	404	611
Total	87,054	107,710

26. Selling, general and administrative expenses

Details of selling, general and administrative expenses are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Employee benefit expenses	9,580	11,562
Rent	1,409	1,568
Travel expenses	798	966
Outsourcing fees	840	1,360
Depreciation and amortization	409	640

Other	5,200	6,669
Total	18,237	22,767

27. Employee benefit expenses

Details of employee benefit expenses are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Cost of sales		
Salaries and benefits for employees	57,751	71,831
Bonuses	10,320	12,335
Statutory welfare costs	10,881	12,787
Retirement benefit expenses	973	1,273
Other	13	50
Total	79,941	98,279
Selling, general and administrative expenses		
Executive salaries	520	654
Salaries and benefits for employees	6,863	8,132
Bonuses	706	910
Statutory welfare costs	1,211	1,436
Retirement benefit expenses	53	115
Other	224	312
Total	9,580	11,562
Other expenses		
Retirement lump sum payments	9	7
Retirement benefit plan transition losses	59	—
Total	68	7

28. Financial income and financial expenses

(1) Financial income

Details of financial income are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Interest income		
Cash and cash equivalents	3	2
Dividend income		
Available-for-sale financial assets	58	—
Financial assets at fair value through other comprehensive income	—	70
Other	8	35
Total	69	109

(2) Financial expenses

Details of financial expenses are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Financial liabilities measured at amortized cost		
Interest expenses	101	91
Commissions	29	12
Financial assets at fair value through profit or loss		
Loss on valuation of investments in capital	17	9
Total	148	113

29. Other revenue and expense

(1) Other revenue

Details of other income are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Government subsidies	90	146
Foreign exchange gains	—	148
Profit on put options granted to non-controlling shareholders	—	1,359
Change in fair value of contingent consideration	—	110
Other	22	52
Total	113	1,816

(Note) Government subsidies are mainly subsidies related to the hiring of employees.

(2) Other expense

Details of other expense are as provided below:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Retirement lump sum payments	9	7
Retirement benefit plan transition losses	59	—
Impairment loss	—	1,673
Other	43	94
Total	111	1,775

(Note) A major subsidiary has discontinued its defined benefit plan as of January 2, 2018 and is transitioning to a defined contribution pension plan. Losses resulting from this transition are recognized as retirement benefit plan transition losses in the current consolidated fiscal year.

30. Other comprehensive income

The following provides details of other comprehensive income and related tax effects:

(Millions of yen)

	Fiscal year ended June 30, 2018			Fiscal year ended June 30, 2019		
	Before tax effect	Tax effect	After tax effect	Before tax effect	Tax effect	After tax effect
Other comprehensive income attributable to owners of the parent company						
Translation differences related to foreign operations						
Amount incurred during the period	(6)	—	(6)	(186)	—	(186)
Change in fair value of available-for-sale financial assets						
Amount incurred during the period	(47)	(0)	(47)	—	—	—
Fair value of financial assets measured at fair value through other comprehensive income						
Amount incurred during the period	—	—	—	(453)	(0)	(454)
Remeasurement of defined benefit plan						
Amount incurred during the period	—	111	111	—	—	—
Subtotal	(53)	110	57	(640)	(0)	(640)
Other comprehensive income attributable to non-controlling interests						
Translation differences related to foreign operations						
Amount incurred during the period	(3)	—	(3)	(41)	—	(41)
Subtotal	(3)	—	(3)	(41)	—	(41)
Total	(57)	110	53	(682)	(0)	(682)

31. Related party transactions

(1) Major subsidiaries

Registered name	Location	Capital stock (Millions of yen)	Ownership ratio of voting shares (%)	
			As of June 30, 2018	As of June 30, 2019
TechnoPro, Inc.	Minato-ku, Tokyo	101	100.0	100.0
TechnoPro Construction, Inc. (Note)	Minato-ku, Tokyo	110	100.0 (100.0)	100.0 (100.0)

(Note) Figures in parentheses in the ownership ratio of voting shares column indicate the ratio of indirect ownership.

(2) Related party transactions

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

Omitted, as there are no material transactions to report.

Fiscal year ended June 30, 2019 (July 1, 2018 to June 30, 2019)

Title	Name	Position	Transaction Details	Transaction Amount (millions of yen)	Unpaid Balance
Director	Yasuji Nishio	Director	Allotment of restricted stock (Note 1)	16	—
Director	Manabu Shimaoka	Directors and executive officers of the Company	Allotment of restricted stock (Note 1)	12	—
Director	Koichiro Asai	Directors and executive officers of the Company	Allotment of restricted stock (Note 1)	12	—
Director	Takeshi Yagi	Directors and executive officers of the Company	Allotment of restricted stock (Note 1)	12	—
Director	Hiroshi Sato (Note 2)	Directors and executive officers of the Company	Allotment of restricted stock (Note 1)	12	—

(Notes) 1. The adoption of a restricted stock-based compensation plan was approved by resolution of the board of directors on August 23, 2017, and resolution of the general shareholders' meeting held on September 28, 2017. The shares referenced are restricted stock allotted according to a written resolution on October 4, 2018, taking the place of a board of directors meeting as provided under the provisions of Article 370 of the Companies Act. Further, transaction prices were calculated according to the closing price of TechnoPro Holdings common shares on the Tokyo Stock Exchange as of the business day prior (October 3, 2018) to the board resolution.

2. Mr. Hiroshi Sato retired from his position as director on July 1, 2019.

(3) Remuneration of key management personnel

The following provides details of remuneration for key management personnel:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Short-term employee benefits	340	315
Share-based compensation	34	48
Total	375	363

32. Share-based compensation

Based on a resolution of the 12th General Shareholders' Meeting held September 28, 2017, the Company adopted a restricted stock-based compensation plan as stock-based compensation for executive directors. The stock option plan approved at the 10th General Shareholders' Meeting held on September 29, 2015, has been terminated as of the 12th General Shareholders' Meeting, with the exception of stock already granted.

(1) Stock option plan

1) Stock option agreement terms and conditions

Company Name	Number of options granted (shares)	Grant date	Exercise period	Settlement method	Rights Vesting conditions
First Option and equity warrants	31,200	October 14, 2015	October 1, 2018 to September 30, 2023	Equity- settled	(Note)

(Note) Vesting conditions

- 1) The following provides the ratio of subscription warrants exercisable in relation to achievement of the three-year cumulative goal of 27.2 billion yen in consolidated operating income from June 2016 to June 2018, as defined in the Company's mid-term management plan.
 - a. Performance is less than 100% of target: The ratio of exercisable subscription warrants to the subscription warrants allotted to each Subscription Warrants Holder ("Allotted Subscription Warrants") shall be 0%.
 - b. Performance is 100% or more and less than 105% of target: The ratio of exercisable Allotted Subscription Warrants shall be 75%.
 - c. Performance is 105% or more of target: The ratio of exercisable Allotted Subscription Warrants shall be 100%.If a fraction of less than one subscription warrant is generated as a result of calculation, the number of exercisable subscription warrants shall be rounded down to the nearest integer. Allotted Subscription Warrants not exercisable shall cease to be effective.
- 2) Determination of consolidated operating income shall be made in reference to the consolidated statements of income in the Company's securities reports. If the concept of the consolidated operating income changes significantly due to changes in applicable accounting standards, etc., the Company board of directors shall meet to determine a different appropriate indicator within judged to be reasonable.
- 3) Any Subscription Warrant Holder ceasing to serve in the position of Company (or Company subsidiary) director or executive officer prior to June 30, 2018 shall lose their standing to exercise subscription warrants.
- 4) In the event of the death of a Subscription Warrant Holder, his or her heir shall not be eligible to exercise subscription warrants.
- 5) Other conditions shall be set out in a subscription warrant allotment agreement to be executed between the Company and each Subscription Warrant Holder.

(2) Change in number of stock options and exercise price

	Fiscal year ended June 30, 2018		Fiscal year ended June 30, 2019	
	No. of shares	Weighted average Exercise price (yen)	No. of shares	Weighted average Exercise price (yen)
Unexercised options, beginning of period	30,000	1	28,000	1
Granted	—	—	—	—
Exercised (Note) 2	—	—	28,000	1
Expired	2,000	1	—	—
Unexercised options, end of period	28,000	1	—	—
Exercisable options, end of period	—	—	—	—

(Note) 1. The number of stock options has been converted to number of shares for presentation.

2. All rights exercised as of November 1, 2018.

(3) Stock option fair value and fair value measurement method

No stock options were granted in the prior consolidated fiscal year or current consolidated fiscal year.

(2) Restricted Stock-based compensation plan

Details of the restricted stock-based compensation plan are as provided below:

	Fiscal year ended June 30, 2018		Fiscal year ended June 30, 2019
	July 18, 2017	October 27, 2017	October 25, 2018
Number of □ options granted □ (shares)	12,400	28,532	21,097
Fair value (yen)	4,575	5,220	7,060
Granted to	Directors of subsidiaries	Directors and executive officers of the Company Directors and executive officers of subsidiaries	Directors and executive officers of the Company Directors and executive officers of subsidiaries
Settlement method	Equity-settled	Equity-settled	Equity-settled
Transfer restriction period	2 years and 9 months	3 years	3 years

(Notes) 1. In principle, the Company lifts transfer restrictions on all allotted shares when the transfer restriction period ends, under the condition that the person granted stock options remained continuously in his or her prescribed position at the subject company during the transfer restriction period.

2. When the Company has prohibited transfer of a stock to a third party, use of stock as collateral, or any other restriction as to disposition of said stock for a given amount of time, or should other certain conditions arise, the Company shall execute an agreement the company and grantee in question for the Company's non-compensated acquisition of said shares, including such conditions as referred to above.

3. Fair value is measured based on observable market prices of Company shares.

(3) Share-based compensation expense

The following provides details of amounts recorded on the consolidated statements of financial position:

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Expenses related to stock options	34	6
Cost of restricted stock-based compensation plan	53	108
Total	88	115

33. Net income per share

Per-share information is as provided below.

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Net income per share attributable to the parent company (millions of yen)	8,498	9,683
Average common shares during the period (shares)	34,716,060	36,287,445
Adjustment for dilutive effect		
Increase resulting from stock options (shares)	27,378	9,434
Average diluted common shares during the period (shares)	34,743,438	36,296,879
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	244.81	266.86
Diluted earnings per share (yen)	244.62	266.79

34. Changes in financing activities obligations

Changes in financing activities obligations are as follows:

(Millions of yen)

	Short-term borrowings	Long-term borrowings	Bonds	Other
As of July 1, 2017	2,000	14,294	—	6
Changes involving cash flow	(2,022)	(3,325)	(219)	(2)
Changes not involving cash flow				
Business combinations	22	205	662	—
Other	—	—	—	2
As of June 30, 2018	—	11,173	442	5
Changes involving cash flow	(102)	(2,433)	(304)	(1)
Changes not involving cash flow				
Business combinations	213	216	—	—
Other	(19)	—	—	0
As of June 30, 2019	91	8,956	138	3

35. Subsidiaries

Information about transactions with related parties is as disclosed in *Note 31. Related party transactions (1) Major*

subsidiaries.

No subsidiaries accounted individually for material non-controlling interests in the prior or current consolidated fiscal years.

Information related to affiliated companies is as disclosed in *Note 10. Investments accounted for using the equity method*

36. Business combinations

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

(1) Acquisition of Boyd&Moore Executive Search

1) Overview of business combination

a. Name and business lines of acquired company

Name of acquired company: Boyd & Moore Executive Search and its subsidiaries

Business lines: Recruitment services

b. Acquisition date

July 3, 2017

c. Ratio of shares with voting rights acquired

100%

d. Method of control acquisition in acquired company

Acquisition of stock paid in cash

e. Main objectives of the business combination

Boyd & Moore Executive Search is a global recruitment services agency operating primarily in technology industries, serving multinational clients based in the EU and US. The company offers recruitment process outsourcing (RPO), market mapping, and a variety of other services. In connection with this acquisition, the Company Group intends to expand the scope of recruitment services and leverage the acquisition by promoting medium- and long-term solutions in the HRtech era, including building a solid recruiting base for engineer staffing services, promoting cross-selling of recruitment and engineer staffing services by leveraging each other's client bases, and developing capabilities across a wide range of human resource services, including recruitment process outsourcing, and leveraging the resources of the Global Intelligence Center (Boyd & Moore Executive Search Indian subsidiary offshore recruitment center).

2) Fair values of payment prices, assets acquired, and liabilities undertaken as of acquisition date

	Amount (Millions of yen)
Cash	860
Contingent consideration	440
Total payment price	1,300
Cash and cash equivalents	177
Trade receivables	85
Other assets	66
Loans payable	(44)
Other liabilities	(89)
Net Assets	195
Non-controlling interests	(0)
Goodwill	1,104
Total	1,300

(Note) 1. The Company finalized acquisition costs in the prior consolidated fiscal year. With this finalization, temporary accounting treatments resulted in an increase of 652 million yen in goodwill, consisting mainly of an increase in payment consideration (increase of 440 million yen in contingent consideration and increase in cash (including unpaid sums) of 210 million yen).

2. Goodwill consists mainly of excess earning power and synergistic effects with existing businesses.

Goodwill recognized does not include any amounts expected to be included in tax deductible expenses.

3) Contingent consideration

Contingent consideration denotes the possibility of payments of up to 550 million yen depending on how well an acquired company meets its specific earnings indicators after a business combination. The fair value hierarchy for contingent consideration is categorized as Level 3.

4) Cash flow information

	Amount (Millions of yen)
Cash payment prices	720
Cash and cash equivalents owned by acquired company	(177)
Payments resulting from acquiring subsidiary shares	542

5) Other

The Company has omitted disclosure of revenues and profits of the acquired company on our consolidated statements of income for the period after acquisition. The Company has also omitted disclosure of revenues and profits of the acquired company, as well as acquisition costs related to the business combination, that assume the date of said acquisition coincides with the beginning of the Company's current consolidated fiscal year. This decision is based on our judgment that the impact of such amounts are immaterial.

(2) Acquisition of EDELTA Co., Ltd.

1) Overview of business combination

a. Name and business lines of acquired company

Name of acquired company: EDELTA Co., Ltd.

Business lines: System integration and package product sales

b. Acquisition date

October 31, 2017

c. Ratio of shares with voting rights acquired

100%

d. Method of control acquisition in acquired company

Acquisition of stock paid in cash

e. Main objectives of the business combination

TechnoPro Holdings has identified stable growth of the Company's core business and ensuring high added value as a growth strategy in the Company's medium-term management plan as published July 31, 2017. To contribute to that growth strategy, this business combination will bring IT engineers into the Company Group as growth drivers and strengthen its response to customer demand at a time of tight supply and demand of engineers. The acquired company has more than 240 IT engineers in Tokyo and Yokohama. Most of these engineers are early in their careers and the average monthly unit price on sales is 640,000 yen. The combination will make a steady contribution to consolidated earnings by achieving synergies with the Company Group's approximately 1,900-company customer base and foundation for human resources development (TechnoPro Learning, Inc., Win School, Inc., etc.).

2) Fair values of payment prices, assets acquired, and liabilities undertaken as of acquisition date

	Amount (Millions of yen)
Cash	1,184
Total payment price	1,184
Cash and cash equivalents	816
Trade receivables	206
Other assets	538
Bonds and loans payable	(806)
Other liabilities	(584)
Net Assets	170
Non-controlling interests	—
Goodwill	1,013
Total	1,184

(Note) 1. The Company performed provisional accounting during the second quarter of the consolidated accounting period. However, the allocation of acquisition costs was finalized during the current consolidated fiscal year.

2. Goodwill consists mainly of excess earning power and synergistic effects with existing businesses. Goodwill recognized does not include any amounts expected to be included in tax deductible expenses.

3) Cash flow information

	Amount (Millions of yen)
Total payment price	1,184
Cash and cash equivalents owned by acquired company	(816)
Payments resulting from acquiring subsidiary shares	367

4) Other

The Company has omitted disclosure of revenues and profits of the acquired company on our consolidated statements of income for the period after acquisition. The Company has also omitted disclosure of revenues and profits of the acquired company, as well as acquisition costs related to the business combination, that assume the date of said acquisition coincides with the beginning of the Company's current consolidated fiscal year. This decision is based on our judgment that the impact of such amounts are immaterial.

(3) Acquisition of PROBIZMO Co., Ltd.

1) Overview of business combination

a. Name and business lines of acquired company

Name of acquired company: PROBIZMO Co., Ltd.

Business lines: Applications development, maintenance, and operations; IT consulting; IT infrastructure development; network maintenance and operations: ISP service operations

b. Acquisition date

January 31, 2018

c. Ratio of shares with voting rights acquired

100%

d. Method of control acquisition in acquired company

Acquisition of stock paid in cash

e. Main objectives of the business combination

TechnoPro Holdings identified the pursuit of high-value services as one growth strategy in the new medium-term management plan published July 31, 2017. One key to this strategy is expanding the company's presence in the contract services sector, thereby providing more advanced solutions to our clients and improving the engineering capacity of the company through contract services projects. PROBIZMO has about 120 engineers and contracts

to perform IT work in Tokyo, Shimane, Tottori, and Osaka. It has web application development capacity with Ruby,

Java, etc., and a track record in consulting in the RPA field. Among its other strengths, the company's team of about 20 professional managers have the capacity to develop under contract from prime contractors, the capacity to suggest solutions, and nearshore development and IT infrastructure development expertise in the San'in region. TechnoPro Holdings intends to use this acquisition to expand nearshore contract services developing web applications. The company will accomplish this by leveraging its IT engineer staffing services customer base and employee recruiting infrastructure, while coordinating more closely with the existing Company IT Development Center.

2) Fair values of payment prices, assets acquired, and liabilities undertaken as of acquisition date

	Amount (Millions of yen)
Cash	1,755
Total payment price	1,755
Cash and cash equivalents	444
Trade receivables	318
Customer-related assets	310
Other assets	300
Loans payable	(39)
Other liabilities	(637)
Net Assets	696
Non-controlling interests	—
Goodwill	1,058
Total	1,755

(Note) 1. The Company performed provisional accounting during the third quarter of the consolidated accounting period. However, the allocation of acquisition costs was finalized during the current consolidated fiscal year. With finalization, the value of goodwill declined by 203 million yen, the result of a 310 million yen rise in customer-related assets and 106 million yen rise in deferred tax liabilities.

2. Goodwill consists mainly of excess earning power and synergistic effects with existing businesses. Goodwill recognized does not include any amounts expected to be included in tax deductible expenses.

3) Cash flow information

	Amount (Millions of yen)
Total payment price	1,755
Cash and cash equivalents owned by acquired company	(444)
Payments resulting from acquiring subsidiary shares	1,310

4) Other

The Company has omitted disclosure of revenues and profits of the acquired company on our consolidated statements of income for the period after acquisition. The Company has also omitted disclosure of revenues and profits of the acquired company, as well as acquisition costs related to the business combination, that assume the date of said acquisition coincides with the beginning of the Company's current consolidated fiscal year. This decision is based on our judgment that the impact of such amounts are immaterial.

(4) Acquisition of Helius Technologies Pte Ltd.

1) Overview of business combination

a. Name and business lines of acquired company

Name of acquired company: Helius Technologies Pte Ltd. and its subsidiaries

Business lines: Engineer staffing

b. Acquisition date

March 19, 2018

c. Ratio of shares with voting rights acquired

51%

d. Method of control acquisition in acquired company

Acquisition of stock paid in cash

e. Main objectives of the business combination

TechnoPro Holdings has identified globalization as one growth strategy in the company's new medium-term management plan as published July 31, 2017. Two aspects of globalization are providing stronger support for local Japanese-affiliated companies and leveraging the use of non-Japanese engineers. One key to this strategy is to invest in (including joint equity investments) or acquire human resources and technical staffing companies to build a solid business structure based on partnerships with local managements. More specifically, TechnoPro Holdings looks for two conditions when selecting M&A candidates: capable of providing local engineer talent to Japaneseaffiliated

companies and capable of serving as an off-shore development center for contract services projects from TechnoPro Group customers. Helius Technologies employs approximately 600 engineers, providing IT staffing augmentation services to companies based in Singapore, India, and Malaysia. The company offers strengths and a solid track record, making it an ideal candidate for investment:

- Capability to hire and assign high-level engineers from India and other countries in Asia quickly
- Unique business model combining engineer staffing and work facilities
- Strong track record in helping financial institutions digitize operations
- High profitability (12 percent EBITDA margin)

Through this acquisition of shares, TechnoPro Holdings plans to work with the acquired company to expand engineering services in Southeast Asia from Singapore, make better use of India as a center with strong growth and an abundance of young engineering talent, and expand services to Japanese-affiliated companies. The Company aims to keep growing as a global technology human resources services company and further increase corporate value.

2) Fair values of payment prices, assets acquired, and liabilities undertaken as of acquisition date

	Amount (Millions of yen)
Cash	2,577
Total payment price	2,577
Cash and cash equivalents	488
Trade receivables	666
Customer-related assets	2,125
Other assets	275
Other liabilities	(971)
Net Assets	2,583
Non-controlling interests	(1,265)
Goodwill	1,260
Total	2,577

(Note) 1. The Company performed provisional accounting during the third quarter of the consolidated accounting period. However, the allocation of acquisition costs was finalized during the current consolidated fiscal year. With finalization, the value of goodwill declined by 926 million yen, the result of a 2,125 million yen rise in customer-related assets, 361 million yen rise in deferred tax liabilities, and 837 million yen rise in non-controlling interests.

2. Non-controlling interests are measured based on proportional share of the fair value of identifiable net assets of the acquired company.

3. Goodwill consists mainly of excess earning power and synergistic effects with existing businesses.
Goodwill recognized does not include any amounts expected to be included in tax deductible expenses.

3) Cash flow information

	Amount (Millions of yen)
Total payment price	2,577
Cash and cash equivalents owned by acquired company	(488)
Payments resulting from acquiring subsidiary shares	2,089

4) Other

The Company has omitted disclosure of revenues and profits of the acquired company on our consolidated statements of income for the period after acquisition. The Company has also omitted disclosure of revenues and profits of the acquired company, as well as acquisition costs related to the business combination, that assume the date of said acquisition coincides with the beginning of the Company's current consolidated fiscal year. This decision is based on our judgment that the impact of such amounts are immaterial.

(5) Acquisition of Techno Live Co., Ltd.

1) Overview of business combination

a. Name and business lines of acquired company

Name of acquired company: Techno Live Co., Ltd.

Business lines: Technical development support, contract development services, system development

b. Acquisition date

April 2, 2018

c. Ratio of shares with voting rights acquired

100%

d. Method of control acquisition in acquired company

Acquisition of stock paid in cash

e. Main objectives of the business combination

The acquisition brings into the Company Group a company with engineers involved in a wide range of fields, including machinery, electricity, electronics, embedded controls, and IT, which will promote growth in our core business. The acquired company has about 170 engineers, primarily in Hiroshima and Tokyo, including a large number of engineers with strong potential in embedded control, CAE analysis, etc. The Company Group will step up training at the acquired company and work to enhance its unit price and review its cost structure. The Company Group will strive to improve earnings at the acquired company to ensure it contributes profits to our consolidated earnings.

2) Fair values of payment prices, assets acquired, and liabilities undertaken as of acquisition date

	Amount (Millions of yen)
Cash	550
Total payment price	550
Cash and cash equivalents	79
Trade receivables	142
Other assets	41
Other liabilities	(237)
Net Assets	26
Non-controlling interests	—
Goodwill	523
Total	550

(Note) Goodwill consists mainly of excess earning power and synergistic effects with existing businesses. Goodwill

recognized does not include any amounts expected to be included in tax deductible expenses.

3) Cash flow information

	Amount (Millions of yen)
Total payment price	550
Cash and cash equivalents owned by acquired company	(79)
Payments resulting from acquiring subsidiary shares	470

4) Other

The Company has omitted disclosure of revenues and profits of the acquired company on our consolidated statements of income for the period after acquisition. The Company has also omitted disclosure of revenues and profits of the acquired company, as well as acquisition costs related to the business combination, that assume the date of said acquisition coincides with the beginning of the Company's current consolidated fiscal year. This decision is based on our judgment that the impact of such amounts are immaterial.

Fiscal year ended June 30, 2019 (July 1, 2018 to June 30, 2019)

(1) Acquisition of TOQO Co., Ltd.

1) Overview of business combination

a. Name and business lines of acquired company

Name of acquired company: TOQO Co., Ltd.

Business lines: Survey/assessment and renovation design and management for existing buildings, newconstruction design and management, home construction, various surveys and inspections of measuring professionals

b. Acquisition date

July 20, 2018

c. Ratio of shares with voting rights acquired

100%

d. Method of control acquisition in acquired company

Acquisition of stock paid in cash

e. Main objectives of the business combination

The purpose of this acquisition is to diversify outside our core construction management services in the TechnoPro Holdings Group construction business, as well as to raise the level of added value offered by group engineers. The target of this acquisition, TOQO.Co.Ltd, operates locations in Aichi, Mie, Tokyo, and Osaka, performing surveys, seismic assessments, design, and management as core services in the renovation construction field. TOQO employs 22 certified employees, including 15 first-class architects (three of whom are structural design first-class architects), and 35 engineers. The company boasts a high-margin structure, providing services ranging from surveys to design in-house.

2) Fair values of payment prices, assets acquired, and liabilities undertaken as of acquisition date

	Amount (Millions of yen)
Cash	1,220
Total payment price	1,220
Cash and cash equivalents	327
Trade receivables	39
Other assets	385
Loans payable	(11)
Other liabilities	(119)
Net assets	621
Non-controlling interests	—
Goodwill	598
Total	1,220

(Note) 1. The Company performed provisional accounting during the first quarter of the consolidated accounting period. However, the allocation of acquisition costs was finalized during the current consolidated fiscal year.

2. Goodwill consists mainly of excess earning power and synergistic effects with existing businesses. Goodwill recognized does not include any amounts expected to be included in tax deductible expenses.

3) Cash flow information

	Amount (Millions of yen)
Cash payment prices	1,220
Cash and cash equivalents owned by acquired company	(327)
Payments resulting from acquiring subsidiary shares	892

4) Other

The Company has omitted disclosure of revenues and profits of the acquired company on our consolidated statements of income for the period after acquisition. The Company has also omitted disclosure of revenues and profits of the acquired company, as well as acquisition costs related to the business combination, that assume the date of said acquisition coincides with the beginning of the Company's current consolidated fiscal year. This decision is based on our judgment that the impact of such amounts are immaterial.

(2) Acquisition of Orion Managed Services Limited

1) Overview of business combination

a. Name and business lines of acquired company

Name of acquired company: Orion Managed Services Limited and its subsidiaries

Business lines: Engineering, manufacturing, utilities and construction related staffing and permanent recruitment services

b. Acquisition date

October 10, 2018

c. Ratio of shares with voting rights acquired

60%

d. Method of control acquisition in acquired company

Acquisition of stock paid in cash

e. Main objectives of the business combination

Orion, trading as Orion Electrotech, provides technical staffing and permanent recruitment services to the engineering, manufacturing, utilities and construction sectors. Orion has approximately 800 engineers / qualified technical professionals on contract placement with large blue chip and small-medium-enterprise clients in the UK.

Orion has developed the following key commercial strengths:

1. Sector focused consultant teams with niche sector expertise and networks
2. High net fee income per sales consultant of £176k
3. Over 50% of net fee income is generated from the engineering sector
4. Strong focus on compliance and business processes to deliver operating efficiencies

TechnoPro will work with the Orion Executive Management Team post-deal to explore the following potential synergy opportunities: delivery of technical recruitment services to Japanese companies operating in the U.K., delivery of technical recruitment services Orion's clients with operations in Japan and Asia and collaboration between Orion with TechnoPro's subsidiaries in India to leverage resourcing capabilities and to identify Asian engineering talent for deployment in the UK market.

2) Fair values of payment prices, assets acquired, and liabilities undertaken as of acquisition date

	Amount (Millions of yen)
Cash	1,592
Total payment price	1,592
Cash and cash equivalents	5
Trade receivables	726
Customer-related assets	702
Other assets	36
Loans payable	(201)
Other liabilities	(412)
Net Assets	857
Non-controlling interests	(343)
Goodwill	1,077
Total	1,592

(Note) 1. The Company performed provisional accounting during the second quarter of the consolidated accounting period. However, the allocation of acquisition costs was finalized during the current consolidated fiscal year. With finalization, the value of goodwill declined by 333 million yen, the result of a 702 million yen rise in customer-related assets, 130 million yen rise in deferred tax liabilities, and 222 million yen rise in non-controlling interests.

2. Non-controlling interests are measured based on proportional share of the fair value of identifiable net assets of the acquired company.
3. Goodwill consists mainly of excess earning power and synergistic effects with existing businesses. Goodwill recognized does not include any amounts expected to be included in tax deductible expenses.

3) Cash flow information

	Amount (Millions of yen)
Cash payment prices	1,592
Cash and cash equivalents owned by acquired company	(5)
Payments resulting from acquiring subsidiary shares	1,586

4) Other

The Company has omitted disclosure of revenues and profits of the acquired company on our consolidated statements of income for the period after acquisition. The Company has also omitted disclosure of revenues and profits of the acquired company, as well as acquisition costs related to the business combination, that assume the date of said acquisition coincides with the beginning of the Company's current consolidated fiscal year. This decision is based on our judgment that the impact of such amounts are immaterial.

(3) Acquisition of TECHNO BRAIN COMPANY., LTD.

1) Overview of business combination

a. Name and business lines of acquired company

Name of acquired company: TECHNO BRAIN COMPANY., LTD.

Placement services focused on engineers, recruitment process outsourcing, specific health guidance, IT engineer staffing, etc.

b. Acquisition date

February 28, 2019

c. Ratio of shares with voting rights acquired

100%

d. Method of control acquisition in acquired company

Acquisition of stock paid in cash

e. Main objectives of the business combination

TECHNO BRAIN is a recruiting firm with strong track records in the areas of placing middle-to-high end engineers and recruitment process outsourcing (RPO). This acquisition will promote the growth of TechnoPro's engineer staffing business, while broadening its service offerings in addition to engineer staffing, as a technology-focused human resource services group.

TECHNO BRAIN engages in placement services focused on engineers with a robust client base and large number of talented consultants; it searches and places the right candidates to meet high-level needs of clients, using its database with more than 600,000 candidates and its own proprietary search method. In particular, TECHNO BRAIN maintains an after-placement attrition rate of less than 1%, demonstrating the high degree of satisfaction it has earned from clients and engineers. In addition, TECHNO BRAIN has established a strong track record and know-how in the RPO business, to deliver integrated recruitment services for various needs by utilizing a number of recruitment tools. By joining the TechnoPro Group, TECHNO BRAIN will promote further growth of TechnoPro's placement services focused on engineers, as well as RPO services. In addition, it will strengthen the recruitment capabilities of TechnoPro's engineer staffing business, and drive the placement of foreign engineers in Japan and overseas.

2) Fair values of payment prices, assets acquired, and liabilities undertaken as of acquisition date

	Amount (Millions of yen)
Cash	1,000
Total payment price	1,000
Cash and cash equivalents	755
Trade receivables	178
Other assets	56
Loans payable	(416)
Other liabilities	(231)
Net assets	341
Non-controlling interests	—
Goodwill	658
Total	1,000

(Note) 1. The Company performed provisional accounting during the third quarter of the consolidated accounting period. However, the allocation of acquisition costs was finalized during the current consolidated fiscal year.

2. Goodwill consists mainly of excess earning power and synergistic effects with existing businesses.

Goodwill recognized does not include any amounts expected to be included in tax deductible expenses.

3) Cash flow information

	Amount (Millions of yen)
Cash payment prices	1,000
Cash and cash equivalents owned by acquired company	(755)
Payments resulting from acquiring subsidiary shares	244

4) Other

The Company has omitted disclosure of revenues and profits of the acquired company on our consolidated statements of income for the period after acquisition. The Company has also omitted disclosure of revenues and profits of the acquired company, as well as acquisition costs related to the business combination, that assume the date of said acquisition coincides with the beginning of the Company's current consolidated fiscal year. This decision is based on our judgment that the impact of such amounts are immaterial.

37. Contingent liabilities

No items to report.

38. Subsequent events

No items to report.

(3) Other

Quarterly information for the current consolidated accounting period:

(Cumulative period)	First quarter	Second quarter	Third quarter	Fourth quarter
Revenue (millions of yen)	33,334	70,114	106,544	144,176
Net income before taxes (millions of yen)	3,162	7,327	11,085	13,727
Net profit (current) attributable to owners of the parent company(millions of yen)	2,082	4,854	7,341	9,683
Basic earnings per share (yen)	57.43	133.85	202.35	266.86

(Accounting Period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (yen)	57.43	76.41	68.51	64.50