

Summary of the Consolidated First Quarter Statements (IFRS) for the Three-Months Period Ended September 30, 2016

October 31, 2016

Listed Company Name TechnoPro Holdings, Inc. Listed Stock Exchange: Tokyo
TSE Code 6028 URL <http://www.technoproholdings.com/>
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Scheduled commencement date for dividend payment -
Supplementary materials for financial results: Yes
Briefing session for financial results: No

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results for the Three Months Ended September 30, 2016 (July 1, 2016 – September 30, 2016) (% represents the change from the same period of the previous fiscal year)

(1) Consolidated Operating Results

	Revenue		Operating profit		Profit before income taxes		Net profit		Net profit attributable to owners of the parent company		Comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the three-months ended September 30, 2016	23,961	11.8	2,263	12.8	2,240	16.8	1,893	0.7	1,885	0.3	1,888	1.3
For the three-months ended September 30, 2015	21,434	9.7	2,005	15.9	1,918	19.5	1,880	19.2	1,880	19.2	1,864	15.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the three-months ended September 30, 2016	55.12	—
For the three-months ended September 30, 2015	55.18	—

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to the owners of the parent company	Percentage of equity attributable to the owners of the parent company
	Million yen	Million yen	Million yen	%
For the three-months ended September 30, 2016	59,216	23,541	23,541	39.8
FY ended June 30, 2016	63,634	24,148	23,963	37.7

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
FY ended June 30, 2016	—	50.00	—	61.52	111.52
FY ending June 30, 2017	—				
FY ending June 30, 2017 (forecast)		50.00	—	62.53	112.53

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2017 (July 1, 2016 – June 30, 2017)

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

	Revenue		Operating profit		Profit before income taxes		Net profit attributable to owners of the parent company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	98,000	8.5	9,100	7.1	9,000	13.6	7,700	4.6	225.05

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

* Notes

(1) Changes to important subsidiaries during the period (changes to "Specified Subsidiaries" that involve changes made to scope of consolidation): None

(2) Changes to accounting policies and accounting estimates

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

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

iii. Changes to accounting estimates: None

(3) Number of outstanding shares (ordinary shares)

i. Number of outstanding shares at the end of the period (including treasury shares)

ii. Number of treasury shares at the end of the period

iii. Average number of shares during the period (cumulative)

As of September 30, 2016	34,214,000 shares	FY ended June 30, 2015	34,214,000 shares
As of September 30, 2016	131 shares	FY ended June 30, 2015	131 shares
For the three-months ended September 30, 2016	34,213,869 shares	For the three-months ended September 30, 2015	34,073,922 shares

* Presentation of the status of implementation of the audit procedures

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

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

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

The Company plans to post briefing materials of business results on the Company's website at the earliest possible time.

Contents

1. Qualitative Information on Financial Results for the Period Under Review	2
(1) Summary of business performance (consolidated)	2
(2) Summary of financial position	3
(3) Results forecasts and other forward-looking information	4
2. Summary information (notes)	5
(1) Changes to important subsidiaries during this period	5
(2) Changes to accounting policies and accounting estimates	5
3. Interim Consolidated Financial Statements (Summary)	6
(1) Consolidated Statement of Financial Position	6
(2) Consolidated Statement of Income (Summary) and Consolidated Statement of Comprehensive Income (Summary)	8
(3) Consolidated Statement of Changes in Equity (Summary)	10
(4) Consolidated Statement of Cash Flows (Summary)	11
(5) Notes to the consolidated financial results (Summary)	12
(Note on assumption about going concern)	12
(Note on significant subsequent events)	12

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

(1) Summary of business performance (consolidated)

During the consolidated first quarter period under review (July 1, 2016 to September 30, 2016), there was continued uncertainty due to factors including low oil prices, lower growth in China and resource-producing nations, and increasing uncertainty following the United Kingdom's decision to leave the EU. In Japan, despite improvements in corporate earnings and the employment situation, share prices and foreign currency rates continued to seesaw, and economic uncertainty about the future continued. In addition, fears of the effects of the strong yen on corporate earnings and overseas issues such as political uncertainty in Europe and the U.S. presidential election also require close attention.

The engineer dispatching and contract assignment business, an area in which the Group is focusing its efforts, grew steadily. Despite strong demand for engineers in the automobile, IT, and construction industries, the supply shortage in the employment market for engineers continued from the previous fiscal year.

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

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

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

Securing and developing engineers

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

In addition, the Group strengthened its engineer training systems through activities including further integration of Pc Assist Co., Ltd. (a consolidated subsidiary acquired the previous fiscal year which provides education and training services) with the Group's pre-existing education and training facility (TechnoPro Learning).

Strengthening contract assignment and consignment

The Group increased profitability in the contract assignment and consignment business through improvements to management of income and expenditure and project management processes. In addition, the Group strengthened its capability in the IT sector through increased collaboration between ON THE MARK Co., Ltd. (a company acquired as a subsidiary by the Group the previous fiscal year) and TechnoPro's contract development center.

As a result of the initiatives described above, the number of domestic engineers at the end of the first quarter of the period under review increased to 13,227 (up 1,083 compared to the end of the first quarter of the previous fiscal year). In addition, a 0.2% increase in the utilization rate to 95.3% compared to the end of the first quarter of the previous fiscal year and an increase in sales per engineer (in Japan) to 626 thousand yen per month (up 9 thousand yen) as a result of sales price controls contributed to an increase in revenue.

In employment, the number of newly employed domestic engineers in the first quarter was 468 (down 61 compared to the first quarter of the previous fiscal year) influenced by the supply shortage in the employment market for engineers. Despite this, engineer numbers increased steadily.

In terms of expenses, the gross profit margin was 23.1% (down 0.2% compared to the first quarter of the previous fiscal year) due to factors causing increased costs, such as increased labor costs for engineers associated with improved business performance and higher outsourcing expenses as a result of expansion in consignment. However, the SG&A ratio to revenue was held down at 13.7%, (down 0.2%) due to efforts to reduce SG&A expenses.

As a result, the Group's revenues for the first quarter were 23,961 million yen (up 11.8% compared to the first quarter of the previous fiscal year), operating profit was 2,263 million yen (up 12.8%), profit before taxes was 2,240 million yen (up 16.8%), and net profit attributable to the owners of the parent company was 1,885 million yen (up 0.3%).

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

(R&D outsourcing)

The Group, continuing from the previous period, moved forward with negotiations for "Shift up" and "Charge up" initiatives, driven by specialist teams, while enhancing the profitability of contract assignments through process improvements. As a result of these initiatives, revenues in this area were 20,282 million yen (up 11.6%).

(Construction management outsourcing)

The Group, continuing from the previous period, facilitated the assignment of engineers to priority customers and increased the amount of sales per engineer through the promotion of team assignments. As a result, revenues in this area were 3,231 million yen (up 6.4%).

(2) Summary of financial position

i. Analysis of financial position

Assets totaled 59,216 million yen as of the end of the consolidated first quarter period under review (down 4,418 million yen from the end of the previous fiscal year). The primary components were goodwill of 29,391 million yen, accounts receivables and other receivables of 12,857 million yen, and cash and cash equivalents of 7,064 million yen.

The status for each item was as follows.

(Current assets)

Current assets totaled 22,825 million yen as of the end of the consolidated first quarter period under review (down 4,393 million yen from the end of the previous fiscal year). The primary components were cash and cash equivalents of 7,064 million yen (down 4,644 million yen), and accounts receivables and other receivables of 12,857 million yen (up 277 million yen).

(Non-current assets)

Non-current assets totaled 36,390 million yen as of the end of the consolidated first quarter period under review (down 24 million yen from the end of the previous fiscal year). The primary components were goodwill of 29,391 million yen, and deferred tax assets of 3,678 million yen (up 3 million yen).

(Current liabilities)

Current liabilities totaled 16,942 million yen as of the end of the consolidated first quarter period under review (down 3,512 million yen from the end of the previous fiscal year). The primary components were accounts payable and other liabilities of 8,264 million yen (down 46 million yen), and employee benefit liabilities of 3,681 million yen (up 84 million yen).

(Non-current liabilities)

Non-current liabilities totaled 18,732 million yen as of the end of the consolidated first quarter period under review (down 298 million yen from the end of the previous fiscal year). The primary components were loans payable of 13,869 million yen (down 424 million yen), and retirement benefit liabilities of 4,279 million yen (up 113 million yen).

(Equity attributable to the owners of the parent company)

Equity attributable to the owners of the parent company totaled 23,541 million yen as of the end of the consolidated first quarter period under review (down 422 million yen from the end of the previous fiscal year). The primary components were capital surplus of 5,960 million yen (down 197 million yen) and retained earnings of 16,962 million yen (down 218 million yen).

ii. Cash flow

Cash and cash equivalents (hereinafter “Cash”) totaled 7,064 million yen as of end of the consolidated first quarter period under review, representing a decline of 4,644 million yen compared to the end of the previous fiscal year.

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

(Cash flows from operating activities)

Cash flows from operating activities resulted in cash outflows of 1,465 million yen (same period of previous fiscal year: outflows of 646 million), this was mainly due to increases in profits before taxes (2,240 million yen), offset by payments of corporate income taxes (3,075 million yen) and an increase in accounts receivables and other receivables (277 million).

(Cash flows from investing activities)

Cash flows from investing activities resulted in cash outflows of 173 million yen (same period of previous fiscal year: outflows of 480 million). This was mainly due to outflows for the acquisition of non-current assets (76 million yen) and intangible assets (57 million yen).

(Cash flows from financing activities)

Cash flows from financing activities resulted in cash outflows of 3,003 million yen (previous fiscal year: outflows of 3,674 million). This was mainly due to dividend payments (2,067 million yen), cash outflows resulting from repayments of long-term borrowings (449 million yen), and cash outflows resulting from payments for purchase of interests in subsidiaries from non-controlling interests (395 million yen).

(3) Results forecasts and other forward-looking information

Assuming stable growth of the engineer dispatching and contract assignment markets, increased unit prices for engineers in response to our “Charge-up” and “Shift-up” initiatives, and increased use of engineers driven by an increase in our stock of engineers, consolidated results forecasts for the period ending June 2017 are for revenue of 98,000 million yen (up 8.5% compared to the same period of the previous fiscal year), operating profit of 9,100 million yen (up 7.1%), profit before taxes of 9,000 million yen (up 13.6%), and net profit attributable to owners of the parent company of 7,700 million yen (up 4.6%).

There have been no changes to the consolidated results forecast for the full year as announced in the “Summary of Consolidated Financial Statements (IFRS) for the Fiscal Year Ended June 30, 2016” on July 29, 2016.

2. Summary information (notes)

(1) Changes to important subsidiaries during this period

None.

(2) Changes to accounting policies and accounting estimates

None.

3. Interim Consolidated Financial Statements (Summary)

(1) Consolidated Statement of Financial Position (Summary)

(Millions of yen)

	As of June 30, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and cash equivalents	11,708	7,064
Accounts receivables and other receivables	12,579	12,857
Income taxes receivable	1,571	1,571
Other short-term financial assets	331	338
Other current assets	1,027	994
Total current assets	27,219	22,825
Non-current assets		
Property, plant and equipment	790	801
Goodwill	29,391	29,391
Intangible assets	1,345	1,315
Other long-term financial assets	1,202	1,189
Deferred tax assets	3,674	3,678
Other non-current assets	9	14
Total non-current assets	36,415	36,390
Total assets	63,634	59,216
Liabilities and equity		
Current liabilities		
Accounts payable and other liabilities	8,310	8,264
Bonds and loans payable	1,871	1,757
Income taxes payable	1,031	337
Dividends payable	2	40
Other financial liabilities	926	730
Employee benefits liabilities	3,597	3,681
Provisions	19	8
Other current liabilities	4,695	2,123
Total current liabilities	20,455	16,942

(Millions of yen)

	As of June 30, 2016	As of September 30, 2016
Non-current liabilities		
Loans payable	14,294	13,869
Other financial liabilities	117	116
Deferred tax liabilities	149	162
Retirement benefit liabilities	4,165	4,279
Provisions	276	278
Other non-current liabilities	27	26
Total non-current liabilities	19,030	18,732
Total liabilities	39,486	35,675
Equity		
Share capital	510	510
Capital surplus	6,158	5,960
Retained earnings	17,180	16,962
Treasury shares	(0)	(0)
Other components of equity	115	109
Equity attributable to owners of the parent company	23,963	23,541
Non-controlling interests	184	—
Total equity	24,148	23,541
Total liabilities and equity	63,634	59,216

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

(Millions of yen)

	Three months ended September 30, 2015 (July 1, 2015 to September 30, 2015)	Three months ended September 30, 2016 (July 1, 2016 to September 30, 2016)
Revenue	21,434	23,961
Cost of sales	16,447	18,436
Gross profit	4,986	5,524
Selling, general and administrative expenses	2,996	3,291
Other income	29	32
Other expenses	13	2
Operating profit	2,005	2,263
Financial income	2	1
Financial expenses	89	23
Profit before income taxes	1,918	2,240
Income taxes	38	347
Net profit	1,880	1,893
Net profit attributable to:		
Owners of the parent company	1,880	1,885
Non-controlling interests	0	7
Net profit	1,880	1,893
		(Yen)
Earnings per share attributable to owners of the parent company		
Basic and diluted earnings per share	55.18	55.12

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

(Millions of yen)

	Three months ended September 30, 2015 (July 1, 2015 to September 30, 2015)	Three months ended September 30, 2016 (July 1, 2016 to September 30, 2016)
Net profit	1,880	1,893
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign currency translation adjustments	(16)	(5)
Changes in fair value of available-for-sale financial assets	—	(0)
Gains and losses on cash flow hedges	0	—
Total items that may be reclassified to profit or loss	(16)	(5)
Total other comprehensive income	(16)	(5)
Comprehensive income for the period	1,864	1,888
Comprehensive income for the period attributable to:		
Owners of the parent company	1,864	1,880
Non-controlling interests	0	7
Comprehensive income for the period	1,864	1,888

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

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

(Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of July 1, 2015	100	6,525	15,148	(0)	200	21,973	0	21,973
Net profit			1,880			1,880	0	1,880
Other comprehensive income					(15)	(15)	(0)	(16)
Total comprehensive income	—	—	1,880	—	(15)	1,864	0	1,864
Dividends of surplus			(3,437)			(3,437)		(3,437)
Share-based payment transactions						—		—
Change of scope of consolidation						—	158	158
Changes in ownership of subsidiaries						—		—
Total transactions with the owners	—	—	(3,437)	—	—	(3,437)	158	(3,278)
As of September 30, 2015	100	6,525	13,590	(0)	184	20,399	159	20,559

Three-months ended September 30, 2016 (July 1, 2016 to September 30, 2016)

(Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of July 1, 2016	510	6,158	17,180	(0)	115	23,963	184	24,148
Net profit			1,885			1,885	7	1,893
Other comprehensive income					(5)	(5)		(5)
Total comprehensive income	—	—	1,885	—	(5)	1,880	7	1,888
Dividends of surplus			(2,104)			(2,104)		(2,104)
Share-based payment transactions		5				5		5
Change of scope of consolidation						—		—
Changes in ownership of subsidiaries		(203)				(203)	(192)	(395)
Total transactions with the owners	—	(197)	(2,104)	—	—	(2,302)	(192)	(2,494)
As of September 30, 2016	510	5,960	16,962	(0)	109	23,541	—	23,541

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of yen)

	Three month ended September 30, 2015 (July 1, 2015 to September 30, 2015)	Three month ended September 30, 2016 (July 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Profit before income taxes	1,918	2,240
Depreciation and amortization	68	96
Interest and dividend income	(2)	(1)
Interest expense	81	20
Decrease (increase) in accounts receivables and other receivables	21	(277)
Increase (decrease) in accounts payable and other liabilities	332	(46)
Increase (decrease) in consumption taxes payable	(1,106)	183
Increase (decrease) in retirement benefit liabilities	107	113
Other	(710)	(700)
Subtotal	712	1,630
Interest received	2	1
Interest paid	(53)	(21)
Income taxes paid	(1,308)	(3,075)
Net cash flows from operating activities	(646)	(1,465)
Cash flows from investing activities		
Payments into time deposits	(1)	(0)
Purchase of property, plant and equipment	(71)	(76)
Proceeds from sale of property, plant and equipment	—	19
Purchase of intangible assets	(133)	(57)
Purchase of subsidiary shares	(274)	—
Purchase of subsidiary shares at conditional acquisition price	—	(58)
Other	—	0
Net cash flows from investing activities	(480)	(173)
Cash flows from financing activities		
Repayments of long-term borrowings	(375)	(449)
Redemption of corporate bonds	—	(90)
Cash dividends paid	(3,298)	(2,067)
Payments for purchase of interests in subsidiaries from non-controlling interests	—	(395)
Other	(0)	(1)
Net cash flows from financing activities	(3,674)	(3,003)
Effect of change in exchange rates on cash and cash equivalents	(8)	(2)
Net increase (decrease) in cash and cash equivalents	(4,809)	(4,644)
Cash and cash equivalents at the beginning of the period	10,851	11,708
Cash and cash equivalents at the end of the period	6,041	7,064

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

(Note on assumption about going concern)

Not applicable.

(Note on significant subsequent events)

Not applicable.