

Summary of the Consolidated First Quarter Statements (IFRS) for the Three-Months Period Ended September 30, 2017

October 31, 2017

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, 2017 (July 1, 2017 – September 30, 2017) (1) Consolidated Operating Results (% represents the change from the same period of the previous fiscal year)

	Revenue		Operating profit		Profit before income taxes		Net profit		Net profit attributable to owners of the parent company		Comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the three-months ended September 30, 2017	26,726	11.5	2,511	11.0	2,489	11.1	1,879	(0.7)	1,879	(0.3)	1,647	(12.7)
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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the three-months ended September 30, 2017	54.92	—
For the three-months ended September 30, 2016	55.12	—

(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, 2017	68,905	27,215	27,215	39.5
FY ended June 30, 2017	70,119	27,696	27,696	39.5

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, 2017	—	50.00	—	62.79	112.79
FY ending June 30, 2018	—	—	—	—	—
FY ending June 30, 2018 (forecast)	—	50.00	—	63.00	113.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2018 (July 1, 2017 – June 30, 2018) (% 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	109,000	9	10,600	10	10,500	10	7,600	(2)	222.05

(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)	As of September 30, 2017	34,226,400 shares	FY ended June 30, 2016	34,214,000 shares
ii. Number of treasury shares at the end of the period	As of September 30, 2017	300 shares	FY ended June 30, 2016	215 shares
iii. Average number of shares during the period (cumulative)	For the three-months ended September 30, 2017	34,223,852 shares	For the three-months ended September 30, 2016	34,213,869 shares

* This Summary of Financial Statements is not subject to audit.

* 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.

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

(1) Summary of business performance

During the consolidated first quarter period under review (July 1, 2017 to September 30, 2017), despite concerns over geopolitical risks in East Asia, overall global economic performance remained strong, including in developed countries such as the United States and those in Europe. In Japan, there were improvements in corporate earnings and the employment situation, share prices rose, and the modest recovery in the economy continued.

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

The main initiatives implemented by the Group during the period under review 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 strengthened its recruitment efforts through promotion of the engineer referral system and other means. In addition, the Group diversified its engineer employment capabilities through the acquisition of Boyd & Moore Executive Search K.K., a recruiting services company whose main customers are leading European and U.S. businesses in the technology industry.

In human resources development, Win School (managed by Pc Assist Co., Ltd.) began offering new courses to teach personnel IoT and AI-related skills, areas for which demand has risen rapidly in recent years. The Group also partnered with data analysis leader ALBERT, Inc. to launch a data scientist training program. The Group will continue to provide practical training programs and improve its engineer training systems.

Shifting toward globalization

Having entered into a capital and business alliance with HRnetGroup Limited, we have begun efforts to support Japanese businesses expanding in Asia in acquiring local staff, and to acquire engineers necessary in the course of expanding the Group’s technological development outsourcing business in Japan and Asia. In addition, we will also strengthen our capital and business alliance with PlayNext Lab Inc., which manages TalentHub, the online recruitment platform for non-Japanese engineers.

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 14,507 (up 1,280 compared to the end of the first quarter of the previous fiscal year). The average utilization rate for the period under review was to 96% (up 0.7% compared to the first quarter of the previous fiscal year) and sales per engineer (average for engineers at TechnoPro, Inc. and TechnoPro Construction, Inc.) were 620 thousand yen per month (up 3.1 thousand yen) as a result of continued implementation of the “Shift up” and “Charge up” initiatives.

In employment, the number of newly employed domestic engineers at the end of the first quarter of the period under review was 580 (up 112 compared to the end of the first quarter of the previous fiscal year), contributing to an increase in engineer numbers.

In terms of expenses, the gross profit margin was 23.7% (up 0.7%) despite factors which led to increased costs, such as increased labor costs for engineers associated with improved business performance. The SG&A ratio to revenue was 14.4% (up 0.6%) due to IT-driven business optimization.

As a result, the Group's revenues for the first quarter were 26,726 million yen (up 11.5% compared to the first quarter of the previous fiscal year), operating profit was 2,511 million yen (up 11.0%), profit before taxes was 2,489 million yen (up 11.1%), and net profit attributable to the owners of the parent company was 1,879 million yen (down 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 22,583 million yen (up 11.3%).

(Construction management outsourcing)

The Group, continuing from the previous period, increased the amount of sales per engineer through the promotion of team assignments, and conducted a review of its overseas engineer employment targets. As a result, revenues in this area were 3,460 million yen (up 7.1%).

(2) Summary of financial position

i. Analysis of financial position

Assets totaled 68,905 million yen as of the end of the consolidated first quarter period under review (down 1,214 million yen from the end of the previous fiscal year). The primary components were goodwill of 29,993 million yen, accounts receivables and other receivables of 14,472 million yen, and cash and cash equivalents of 10,457 million yen.

The status for each item was as follows.

(Current assets)

Current assets totaled 28,616 million yen as of the end of the consolidated first quarter period under review (down 2,475 million yen from the end of the previous fiscal year). The primary components were cash and cash equivalents of 10,457 million yen (down 2,940 million yen), and accounts receivables and other receivables of 14,472 million yen (up 474 million yen).

(Non-current assets)

Non-current assets totaled 40,288 million yen as of the end of the consolidated first quarter period under review (up 1,261 million yen from the end of the previous fiscal year). The primary components were goodwill of 29,993 million yen (up 451 million yen), and deferred tax assets of 4,644 million yen (up 1,028 million yen).

(Current liabilities)

Current liabilities totaled 22,576 million yen as of the end of the consolidated first quarter period under review (down 2,039 million yen from the end of the previous fiscal year). The primary components were accounts payable and other liabilities of 10,482 million yen (up 1,023 million yen), and employee benefit liabilities of 4,100 million yen (up 100 million yen).

(Non-current liabilities)

Non-current liabilities totaled 19,113 million yen as of the end of the consolidated first quarter period under review (up 1,306 million yen from the end of the previous fiscal year). The primary components were loans payable of 13,709 million yen (up 1,160 million yen), and retirement benefit liabilities of 4,780 million yen (up 128 million yen).

(Equity attributable to the owners of the parent company)

Equity attributable to the owners of the parent company totaled 27,215 million yen as of the end of the

consolidated first quarter period under review (down 480 million yen from the end of the previous fiscal year). The primary components were capital surplus of 5,965 million yen (down 9 million yen) and retained earnings of 20,918 million yen (down 157 million yen).

ii. Cash flow

Cash and cash equivalents (hereinafter "Cash") totaled 10,457 million yen as of end of the consolidated first quarter period under review, representing a decline of 2,940 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 inflows from operating activities were 402 million yen (same period of previous fiscal year: outflows of 1,465 million yen), this was mainly due to profits before taxes (2,489 million yen), and an increase in accounts payable and other liabilities (1,004 million yen), offset by payments of corporate income taxes (3,312 million yen) and an increase in accounts receivables and other receivables (387 million yen).

(Cash flows from investing activities)

Cash outflows from investing activities were 749 million yen (same period of previous fiscal year: outflows of 173 million yen). This was mainly due to outflows for the acquisition of subsidiaries (472 million yen), purchase of intangible assets (103 million yen), and purchases of other financial assets (100 million yen).

(Cash flows from financing activities)

Cash outflows from financing activities were 2,596 million yen (same period of previous fiscal year: outflows of 3,003 million yen). This was mainly due to dividend payments (2,125 million yen) and a net decrease in short-term loans payable (2,000 million yen), offset by proceeds from long-term borrowings (2,000 million yen)

(3) Results forecasts and other forward-looking information

Our forecast for the fiscal year ending 2018 has been made on the expectation of continuing demand for engineer dispatch, backed by the steady growth of the engineer dispatch and contract assignment market. The Group will focus on increasing prices through the continued implementation of our "Charge up" and "Shift up" initiatives, and training and securing highly-quality engineers. Based on these initiatives, for the fiscal year ending 2018 we forecast the retention of 15,400 engineers (up 7% compared to the previous fiscal year), and a utilization rate of 95%-96%, contributing to revenue of 109,000 million yen (up 9%), operating profit of 10,600 million yen (up 10%), profit before income taxes of 10,500 million yen (up 10%) and net profit attributable to the owners of the parent company of 7,600 million yen (down 2%).

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, 2017" on July 31, 2017.

2. Interim Consolidated Financial Statements (Summary) and notes

(1) Consolidated Statement of Financial Position (Summary)

(Millions of yen)

	As of June 30, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	13,398	10,457
Accounts receivables and other receivables	13,997	14,472
Income taxes receivable	2,146	2,146
Other short-term financial assets	379	370
Other current assets	1,169	1,169
Total current assets	31,091	28,616
Non-current assets		
Property, plant and equipment	888	934
Goodwill	29,541	29,993
Intangible assets	1,303	1,286
Investments accounted for using the equity method	97	97
Other long-term financial assets	3,574	3,322
Deferred tax assets	3,615	4,644
Other non-current assets	8	10
Total non-current assets	39,027	40,288
Total assets	70,119	68,905
Liabilities and equity		
Current liabilities		
Accounts payable and other liabilities	9,459	10,482
Loans payable	3,744	2,159
Income taxes payable	895	1,552
Other financial liabilities	1,199	866
Employee benefits liabilities	4,000	4,100
Provisions	6	8
Other current liabilities	5,310	3,405
Total current liabilities	24,615	22,576

(Millions of yen)

	As of June 30, 2017	As of September 30, 2017
Non-current liabilities		
Loans payable	12,549	13,709
Other financial liabilities	114	129
Deferred tax liabilities	168	172
Retirement benefit liabilities	4,652	4,780
Provisions	294	299
Other non-current liabilities	28	21
Total non-current liabilities	17,807	19,113
Total liabilities	42,423	41,689
Equity		
Share capital	510	540
Capital surplus	5,975	5,965
Retained earnings	21,075	20,918
Treasury shares	(0)	(1)
Other components of equity	136	(206)
Equity attributable to owners of the parent company	27,696	27,215
Non-controlling interests	—	0
Total equity	27,696	27,215
Total liabilities and equity	70,119	68,905

(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, 2016 (July 1, 2016 to September 30, 2016)	Three months ended September 30, 2017 (July 1, 2017 to September 30, 2017)
Revenue	23,961	26,726
Cost of sales	18,436	20,385
Gross profit	5,524	6,340
Selling, general and administrative expenses	3,291	3,841
Other income	32	24
Other expenses	2	12
Operating profit	2,263	2,511
Financial income	1	1
Financial expenses	23	23
Investment loss (profit) under the equity method	—	0
Profit before income taxes	2,240	2,489
Income taxes	347	609
Net profit	1,893	1,879
Net profit attributable to:		
Owners of the parent company	1,885	1,879
Non-controlling interests	7	(0)
Net profit	1,893	1,879
		(Yen)
Earnings per share attributable to owners of the parent company		
Basic and diluted earnings per share	55.12	54.92

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

(Millions of yen)

	Three months ended September 30, 2016 (July 1, 2016 to September 30, 2016)	Three months ended September 30, 2017 (July 1, 2017 to September 30, 2017)
Net profit	1,893	1,879
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plan	—	111
Total items that will not be reclassified to profit or loss	—	111
Items that may be reclassified to profit or loss		
Foreign currency translation adjustments	(5)	8
Changes in fair value of available-for-sale financial assets	(0)	(352)
Total items that may be reclassified to profit or loss	(5)	(343)
Total other comprehensive income	(5)	(231)
Comprehensive income for the period	1,888	1,647
Comprehensive income for the period attributable to:		
Owners of the parent company	1,880	1,647
Non-controlling interests	7	(0)
Comprehensive income for the period	1,888	1,647

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

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
Issue of new shares						—		—
Dividends of surplus			(2,104)			(2,104)		(2,104)
Share-based payment transactions		5				5		5
Purchase of own shares						—		—
Change of scope of consolidation						—		—
Changes in ownership of subsidiaries		(203)				(203)	(192)	(395)
Other increases (decreases)						—		—
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

Three-months ended September 30, 2017 (July 1, 2017 to September 30, 2017)

(Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of July 1, 2017	510	5,975	21,075	(0)	136	27,696	—	27,696
Net profit			1,879			1,879	(0)	1,879
Other comprehensive income			111		(343)	(231)	(0)	(231)
Total comprehensive income	—	—	1,991	—	(343)	1,647	(0)	1,647
Issue of new shares	30	(30)				—		—
Dividends of surplus			(2,148)			(2,148)		(2,148)
Share-based payment transactions		20				20		20
Purchase of own shares				(0)		(0)		(0)
Change of scope of consolidation						—	0	0
Changes in ownership of subsidiaries						—		—
Other increases (decreases)		(0)				(0)		(0)
Total transactions with the owners	30	(9)	(2,148)	(0)	—	(2,128)	0	(2,128)
As of September 30, 2017	540	5,965	20,918	(1)	(206)	27,215	0	27,215

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of yen)

	Three months ended September 30, 2016 (July 1, 2016 to September 30, 2016)	Three months ended September 30, 2017 (July 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	2,240	2,489
Depreciation and amortization	96	103
Interest and dividend income	(1)	(1)
Interest expense	20	21
Investment loss (profit) under the equity method	—	(0)
Decrease (increase) in accounts receivables and other receivables	(277)	(387)
Increase (decrease) in accounts payable and other liabilities	(46)	1,004
Increase (decrease) in consumption taxes payable	183	170
Increase (decrease) in retirement benefit liabilities	113	128
Other	(700)	205
Subtotal	1,630	3,734
Interest received	1	1
Interest paid	(21)	(21)
Income taxes paid	(3,075)	(3,312)
Net cash flows from operating activities	(1,465)	402
Cash flows from investing activities		
Payments into time deposits	(0)	(0)
Proceeds from withdrawal of time deposits	—	19
Purchase of property, plant and equipment	(76)	(92)
Proceeds from sale of property, plant and equipment	19	—
Purchase of intangible assets	(57)	(103)
Purchases of other financial assets	—	(100)
Purchase of subsidiary shares	—	(472)
Purchase of subsidiary shares at conditional acquisition price	(58)	—
Other	0	0
Net cash flows from investing activities	(173)	(749)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	(2,000)
Proceeds from long-term borrowings	—	2,000
Repayments of long-term borrowings	(449)	(469)
Redemption of corporate bonds	(90)	—
Purchase of own shares	—	(0)
Cash dividends paid	(2,067)	(2,125)
Payments for purchase of interests in subsidiaries from non-controlling interests	(395)	—
Other	(1)	(1)
Net cash flows from financing activities	(3,003)	(2,596)
Effect of change in exchange rates on cash and cash equivalents	(2)	2
Net increase (decrease) in cash and cash equivalents	(4,644)	(2,940)
Cash and cash equivalents at the beginning of the period	11,708	13,398
Cash and cash equivalents at the end of the period	7,064	10,457

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

(Note on assumption about going concern)

Not applicable.

(Note on significant subsequent events)

Not applicable.