

Summary of the Consolidated First Half Statements (IFRS) for the Six-Month Period Ended December 31, 2017

February 2, 2018

Listed Company Name TechnoPro Holdings, Inc. Listed Stock Exchange: Tokyo
TSE Code 6028 URL <http://www.technoproholdings.com/>
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In charge of inquiries (Title) Director & CFO (Name) Hiroshi Sato TEL 03-6385-7998
Quarterly report scheduled submission date February 9, 2018
Scheduled commencement date for dividend payment February 28, 2018
Supplementary materials for financial results: Yes
Briefing session for financial results: Yes (For institutional investors and analysts)

(Amounts less than one million yen are omitted)

1. Consolidated Financial Results for the Six Months Ended December 31, 2017 (July 1, 2017 – December 31, 2017)

(1) Consolidated Operating Results (Cumulative) (% represents the change from the same period of the previous fiscal year)

	Revenue		Operating profit		Profit before income taxes		Net profit		Net profit attributable to owners of the parent company		Comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the six months ended December 31, 2017	55,401	13.5	5,554	13.3	5,504	13.3	4,139	0.8	4,139	1.0	4,037	(2.3)
For the six months ended December 31, 2016	48,811	11.0	4,902	12.9	4,858	16.3	4,105	0.4	4,097	0.4	4,132	1.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the six months ended December 31, 2017	120.90	—
For the six months ended December 31, 2016	119.77	—

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to the owners of the parent company	Percentage of equity attributable to the owners of the parent company
	Million yen	Million yen	Million yen	%
For the six months ended December 31, 2017	72,994	29,624	29,624	40.6
Fiscal year 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	—	50.00	—	—	—
FY ending June 30, 2018 (forecast)	—	—	—	68.30	118.30

(Notes) Revisions to dividend forecasts published most recently: Yes

For information concerning revisions to dividend forecasts, please see "Announcement of Revision of Earnings Guidance and Dividend Forecast" released today (February 2, 2018).

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	111,500	11.4	11,100	15.1	11,000	15.1	8,100	5.0	236.53

(Notes) Revisions to consolidated financial results forecasts published most recently: Yes

For information concerning revisions to consolidated financial results forecasts, please see "Announcement of Revision of Earnings Guidance and Dividend Forecast" released today (February 2, 2018).

* Notes

(1) Changes to important subsidiaries during the period (changes to "Specified Subsidiaries" that involve changes made to scope of consolidation): Yes

New: None; Excluded: 1 company (TechnoPro Embedded, Inc.)

(Note) Please refer to page 14, "2. Interim Consolidated Financial Statements (Summary) and notes, (5) Notes to the consolidated financial results (Summary), (Changes to important subsidiaries during the period)"

(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 December 31, 2017	34,254,932 shares	FY ended June 30, 2017	34,214,000 shares
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ii. Number of treasury shares at the end of the period

As of December 31, 2017	300 shares	FY ended June 30, 2017	215 shares
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iii. Average number of shares during the period (cumulative)

For the six months ended December 31, 2017	34,235,210 shares	For the six months ended December 31, 2016	34,213,869 shares
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* 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.

(Obtaining financial results briefing materials)

On February 2, 2018, the Company plans to hold a briefing for institutional investors and analysts. The Company plans to post the briefing materials reporting the business results used at the briefing 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 half period under review (July 1, 2017 to December 31, 2017), despite concerns over geopolitical risks in East Asia and the Middle East, overall global economic performance remained strong, driven by a steady U.S. economy and other factors. In Japan, there were improvements in corporate earnings and the employment situation, and the modest recovery in the economy continued.

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

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

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

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

Securing engineers

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

Developing engineers

In human resources development of engineers, the Group expanded courses in AI and other areas available through Win School (managed by Pc Assist Co., Ltd.), and developed training for data scientists through its partnership with data analysis leader ALBERT, Inc. In addition, through investment into "MIRAI SOZO 1 Limited Partnership", a venture capital fund in which the Tokyo Institute of Technology plays a leading role, the Group intends to raise the knowledge and technical skills of the Group's researchers and engineers in the form joint research projects with the Tokyo Institute of Technology.

As a result of the initiatives described above, the number of domestic engineers at the end of the consolidated first half period under review increased to 15,094 (up 1,579 compared to the end of the first half of the previous fiscal year). The average utilization rate for the period under review was 96.3% (up 0.6pts) and sales per engineer (average for engineers at TechnoPro, Inc. and TechnoPro Construction, Inc.) were 629 thousand yen per month (up 6.6 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 consolidated first half period under review was 1,532 (up 461 compared to the end of the first half of the previous fiscal year), contributing to an increase in engineer numbers.

In terms of expenses, the gross profit margin was 24.8% (up 1.2pts compared to the first half of the previous fiscal year) despite factors which led to increased costs, such as increased labor costs for engineers associated with improved business performance. The SG&A ratio to revenue was 14.6% (up 0.9pts) due to increased administrative costs associated with expansion of the Group.

As a result, the Group's revenues for the first half were 55,401 million yen (up 13.5% compared to the first half

of the previous fiscal year), operating profit was 5,554 million yen (up 13.3%), profit before taxes was 5,504 million yen (up 13.3%), and net profit attributable to the owners of the parent company was 4,139 million yen (up 1.0%).

Earnings for the major areas of the business during the consolidated first half 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 46,793 million yen (up 13.1%).

(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 employment targets, including the start of active hiring of international engineers. As a result, revenues in this area were 7,103 million yen (up 8.2%).

(2) Summary of financial position

i. Analysis of financial conditions

Assets totaled 72,994 million yen as of the end of the consolidated first half period under review (up 2,875 million yen from the end of the previous fiscal year). The primary components were goodwill of 31,044 million yen, accounts receivables and other receivables of 14,776 million yen, and cash and cash equivalents of 15,433 million yen.

The status for each item was as follows.

(Current assets)

Current assets totaled 31,916 million yen (up 825 million yen from the end of the previous fiscal year). The primary components were cash and cash equivalents of 15,433 million yen (up 2,035 million yen), and accounts receivables and other receivables of 14,776 million yen (up 779 million yen).

(Non-current assets)

Non-current assets totaled 41,078 million yen (up 2,050 million yen from the end of the previous fiscal year). The primary components were goodwill of 31,044 million yen (up 1,502 million yen), and deferred tax assets of 4,099 million yen (up 484 million yen).

(Current liabilities)

Current liabilities totaled 23,082 million yen (down 1,533 million yen from the end of the previous fiscal year). The primary components were accounts payables and other liabilities of 8,779 million yen (down 680 million yen), and employee benefit liabilities of 4,311 million yen (up 310 million yen).

(Non-current liabilities)

Non-current liabilities totaled 20,287 million yen (up 2,480 million yen from the end of the previous fiscal year). The primary components were corporate bonds as well as loans payable of 14,497 million yen (up 1,948 million yen), and retirement benefit liabilities of 5,114 million yen (up 462 million yen).

(Equity attributable to the owners of the parent company)

Equity attributable to the owners of the parent company totaled 29,624 million yen (up 1,928 million yen from the end of the previous fiscal year). The primary components were a capital surplus of 5,904 million yen (down 70 million yen) and retained earnings of 23,177 million yen (up 2,102 million yen).

ii. Cash flow conditions

Cash and cash equivalents (hereinafter “Cash”) totaled 15,433 million yen as of end of the consolidated first half period under review, representing an increase of 2,035 million yen compared to the end of the previous fiscal year.

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

(Cash flows from operating activities)

Cash flows from operating activities resulted in cash inflows of 5,181 million yen (same period of the previous fiscal year: inflows of 4,360 million), this was mainly due to increases in profits before taxes (5,504 million yen) and an income tax refund (2,146 million yen), offset by payments of corporate income taxes (3,332 million yen) and a decrease in accounts payables and other liabilities (918 million yen).

(Cash flows from investing activities)

Cash flows from investing activities resulted in cash outflows of 1,163 million yen (same period of the previous fiscal year: outflows of 498 million). This was mainly due to outflows for the acquisition of subsidiary shares (839 million yen), non-current assets (122 million yen) and intangible assets (134 million yen).

(Cash flows from financing activities)

Cash flows from financing activities resulted in cash outflows of 1,991 million yen (same period of the previous fiscal year: outflows of 3,467 million). This was mainly due to revenue from long-term borrowings (3,200 million yen), dividend payments (2,147 million yen), a net decrease in short-term loans payable (2,022 million yen), and cash outflows resulting from repayments of long-term borrowings (1,017 million yen).

(3) Results forecasts and other forward-looking information

There have been changes made 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. Please see “Announcement of Revision of Earnings Guidance and Dividend Forecast” released today (February 2, 2018) for details.

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 December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	13,398	15,433
Accounts receivables and other receivables	13,997	14,776
Income taxes receivable	2,146	0
Other short-term financial assets	379	367
Other current assets	1,169	1,339
Total current assets	31,091	31,916
Non-current assets		
Property, plant and equipment	888	943
Goodwill	29,541	31,044
Intangible assets	1,303	1,262
Investments accounted for using the equity method	97	97
Other long-term financial assets	3,574	3,603
Deferred tax assets	3,615	4,099
Other non-current assets	8	27
Total non-current assets	39,027	41,078
Total assets	70,119	72,994
Liabilities and equity		
Current liabilities		
Accounts payable and other liabilities	9,459	8,779
Bonds and loans payable	3,744	2,807
Income taxes payable	895	1,643
Other financial liabilities	1,199	947
Employee benefits liabilities	4,000	4,311
Provisions	6	6
Other current liabilities	5,310	4,587
Total current liabilities	24,615	23,082

(Millions of yen)

	As of June 30, 2017	As of December 31, 2017
Non-current liabilities		
Bonds and loans payable	12,549	14,497
Other financial liabilities	114	147
Deferred tax liabilities	168	175
Retirement benefit liabilities	4,652	5,114
Provisions	294	309
Other non-current liabilities	28	43
Total non-current liabilities	17,807	20,287
Total liabilities	42,423	43,370
Equity		
Share capital	510	620
Capital surplus	5,975	5,904
Retained earnings	21,075	23,177
Treasury shares	(0)	(1)
Other components of equity	136	(76)
Equity attributable to owners of the parent company	27,696	29,624
Non-controlling interests	—	0
Total equity	27,696	29,624
Total liabilities and equity	70,119	72,994

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

(Millions of yen)

	Six months ended December 31, 2016 (July 1, 2016 to December 31, 2016)	Six months ended December 31 2017 (July 1, 2017 to December 31, 2017)
Revenue	48,811	55,401
Cost of sales	37,295	41,637
Gross profit	11,515	13,763
Selling, general and administrative expenses	6,663	8,062
Other income	62	53
Other expenses	12	199
Operating profit	4,902	5,554
Financial income	1	2
Financial expenses	45	52
Investment profit (loss) under the equity method	(0)	(0)
Profit before income taxes	4,858	5,504
Income taxes	753	1,365
Net profit	4,105	4,139
Net profit attributable to:		
Owners of the parent company	4,097	4,139
Non-controlling interests	7	(0)
Net profit	4,105	4,139
		(Yen)
Earnings per share attributable to owners of the parent company		
Basic and diluted earnings per share	119.77	120.90

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

	Three months ended December 31 2016 (October 1, 2016 to December 31, 2016)	Three months ended December 31, 2017 (October 1, 2017 to December 31, 2017)
Revenue	24,850	28,674
Cost of sales	18,859	21,251
Gross profit	5,991	7,422
Selling, general and administrative expenses	3,371	4,221
Other income	29	28
Other expenses	10	187
Operating profit	2,639	3,042
Financial income	0	0
Financial expenses	22	28
Investment profit (loss) under the equity method	(0)	(0)
Profit before income taxes	2,617	3,014
Income taxes	405	755
Net profit	2,211	2,259
Net profit attributable to:		
Owners of the parent company	2,211	2,259
Non-controlling interests	—	0
Net profit	2,211	2,259
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic and diluted earnings per share	64.65	65.97

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

(Millions of yen)

	Six months ended December 31, 2016 (July 1, 2016 to December 31, 2016)	Six months ended December 31, 2017 (July 1, 2017 to December 31, 2017)
Net profit	4,105	4,139
Other comprehensive income		
Items that will not be classified 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	22	16
Changes in fair value of available-for-sale financial assets	4	(229)
Total items that may be reclassified to profit or loss	26	(213)
Total other comprehensive income	26	(101)
Comprehensive income for the period	4,132	4,037
Comprehensive income for the period attributable to:		
Owners of the parent company	4,124	4,037
Non-controlling interests	7	(0)
Comprehensive income for the period	4,132	4,037

The consolidated three-month period

(Millions of yen)

	Three months ended December 31 2016 (October 1, 2016 to December 31, 2016)	Three months ended December 31, 2017 (October 1, 2017 to December 31, 2017)
Net profit	2,211	2,259
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign currency translation adjustments	27	7
Changes in fair value of available-for-sale financial assets	4	122
Total items that may be reclassified to profit or loss	31	130
Total other comprehensive income	31	130
Comprehensive income for the period	2,243	2,389
Comprehensive income for the period attributable to:		
Owners of the parent company	2,243	2,389
Non-controlling interests	—	0
Comprehensive income for the period	2,243	2,389

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

Six months ended December 31, 2016 (July 1, 2016 to December 31, 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			4,097			4,097	7	4,105
Other comprehensive income					26	26		26
Total comprehensive income	—	—	4,097	—	26	4,124	7	4,132
Number of new shares issued						—		—
Dividends of surplus			(2,104)			(2,104)		(2,104)
Share-based payment transaction		10				10		10
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	—	(192)	(2,104)	—	—	(2,297)	(192)	(2,489)
As of December 31, 2016	510	5,965	19,174	(0)	141	25,790	—	25,790

Six months ended December 31, 2017 (July 1, 2017 to December 31, 2017)

(Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of July 1, 2017	510	5,975	21,075	(0)	136	27,696	—	27,696
Net profit			4,139			4,139	(0)	4,139
Other comprehensive income			111		(213)	(101)	0	(101)
Total comprehensive income	—	—	4,250	—	(213)	4,037	(0)	4,037
Number of new shares issued	110	(110)				—		—
Dividends of surplus			(2,148)			(2,148)		(2,148)
Share-based payment transaction		40				40		40
Purchase of own shares				(0)		(0)		(0)
Change of scope of consolidation						—	0	0
Changes in ownership of subsidiaries						—		—
Other increases (decreases)		(1)				(1)		(1)
Total transactions with the owners	110	(70)	(2,148)	(0)	—	(2,109)	0	(2,109)
As of December 31, 2017	620	5,904	23,177	(1)	(76)	29,624	0	29,624

(4) Consolidated Statement of Cash Flows (Summary)

	(Millions of yen)	
	Six months ended December 31, 2016 (July 1, 2016 to December 31, 2016)	Six months ended December 31, 2017 (July 1, 2017 to December 31, 2017)
Cash flows from operating activities		
Profit before income taxes	4,858	5,504
Depreciation and amortization	198	205
Interest and dividend income	(1)	(2)
Interest expense	40	43
Investment profit (loss) under the equity method	0	0
Decrease (increase) in accounts receivables and other receivables	(346)	(486)
Increase (decrease) in accounts payable and other liabilities	(108)	(918)
Increase (decrease) in consumption taxes payable	334	384
Increase (decrease) in retirement benefit liabilities	241	462
Other	686	1,213
Subtotal	5,904	6,407
Dividends received	0	0
Interest received	1	1
Interest paid	(40)	(42)
Income taxes paid	(3,075)	(3,332)
Income tax refund	1,571	2,146
Net cash flows from operating activities	4,360	5,181
Cash flows from investing activities		
Payments into time deposits	(1)	(0)
Withdrawal of time deposits	16	44
Purchase of property, plant and equipment	(102)	(122)
Sale of property, plant and equipment	19	—
Purchase of intangible assets	(145)	(134)
Purchases of other financial assets	—	(110)
Purchases of investments accounted for using the equity method	(99)	—
Purchase of subsidiary shares	(128)	(839)
Purchase of subsidiary shares at conditional acquisition price	(58)	—
Other	0	0
Net cash flows from investing activities	(498)	(1,163)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	(2,022)
Proceeds from long-term borrowings	—	3,200
Outflows from repayments of long-term borrowings	(875)	(1,017)
Redemption of corporate bonds	(90)	—
Outflows from purchase of treasury stock	—	(0)
Cash dividends paid	(2,104)	(2,147)
Payments for purchase of interests in subsidiaries from non-controlling interests	(395)	—
Other	(2)	(3)
Net cash flows from financing activities	(3,467)	(1,991)

Effect of change in exchange rates on cash and cash equivalents	8	8
Net increase (decrease) in cash and cash equivalents	402	2,035
Cash and cash equivalents at the beginning of the period	11,708	13,398
Cash and cash equivalents at the end of the period	12,111	15,433

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

(Note on assumption about going concern)

Not applicable.

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

Not applicable.

(Changes to important subsidiaries during the period)

In the consolidated first half period under review, TechnoPro Embedded, Inc., a subsidiary of TechnoPro, Inc. (a subsidiary of TechnoPro Holdings, Inc.), was dissolved in an absorption-type merger with TechnoPro, Inc. on October 1, 2017 (effective date of the merger).