

Summary of the Consolidated First Quarter Statements (IFRS) for the Three-Months Period Ended September 30, 2018

October 31, 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	November 9, 2018	
Scheduled commencement date for dividend payment	-	
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 Three Months Ended September 30, 2018 (July 1, 2018 – September 30, 2018)

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

	Revenue		Operating profit		Profit before income taxes		Net profit		Net profit attributable to owners of the parent company		Comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the three-months ended September 30, 2018	33,334	24.7	3,183	26.7	3,162	27.0	2,121	12.9	2,082	10.8	2,291	39.1
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)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the three-months ended September 30, 2018	57.43	57.39
For the three-months ended September 30, 2017	54.92	—

(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, 2018	87,367	42,744	41,400	47.4
FY ended June 30, 2018	88,201	42,967	41,694	47.3

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
FY ended June 30, 2018	—	50.00	—	70.00	120.00
FY ending June 30, 2019	—				
FY ending June 30, 2019 (forecast)		50.00	—	73.00	123.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2019 (July 1, 2018 – June 30, 2019)

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

	Revenue		Operating profit		Profit before income taxes		Net profit attributable to owners of the parent company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	135,000	15.9	13,500	20.1	13,500	20.9	8,900	4.7	245.49

(Notes) Revisions to 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: Yes
- ii. Changes to accounting policies other than i.: None
- iii. Changes to accounting estimates: None

(3) Number of outstanding shares (ordinary shares)

- i. Number of outstanding shares at the end of the period (including treasury shares)
- ii. Number of treasury shares at the end of the period
- iii. Average number of shares during the period (cumulative)

As of September 30, 2018	36,254,932 shares	FY ended June 30, 2017	36,254,932 shares
As of September 30, 2018	388 shares	FY ended June 30, 2017	341 shares
For the three-months ended September 30, 2018	36,254,556 shares	For the three-months ended September 30, 2017	34,223,852 shares

* This Summary of Financial Statements is not subject to audit by certified public accountant or audit corporation.

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

Forward-looking statements in this document about future performance are based on information currently available and certain assumptions that are considered reasonable. Due to unforeseen circumstances, actual results may differ from such estimates. Please refer to page 4, "1. Qualitative Information on Financial Results for the Period Under Review; (3) Results forecasts and other forward-looking information", for criteria for assumptions used in the earnings forecast.

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, 2018 to September 30, 2018), the global economy continued to see a modest recovery centered on the US and Europe, but there were concerns over risks putting downward pressure on the economy such as trade friction between the US and China. In Japan, some businesses suspended operations following a series of natural disasters in the form of heavy rains, typhoons, and earthquakes. However, businesses in general recovered in a short period of time, and the modest recovery in the economy continued as these natural disasters did not significantly impact economic trends such as capital investment or consumer spending.

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 engineers

In order to secure highly skilled engineers, the foundation of the Group's growth, 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 new graduate recruitment, to respond to the tightening of new graduates majoring in science and technology, the Group implemented policies including increasing recruitment personnel and holding events to allow for more opportunities for contact between the Group and students in the time between them receiving job offers and starting work. In addition, the Group proceeded with efforts to hire foreign national new graduates and is working to secure a target of over 900 students as new graduate employees to start in April 2019.

Adding value to engineers

In July, as part of its policy to raise the added value of its engineers, the Group made TOQO.Co.Ltd (“TOQO”) a wholly owned subsidiary of TechnoPro Construction with the aim of developing engineers in field of design within the construction industry. TOQO provides a broad range of services with a greater focus on upstream processes such as surveys and design, than the core construction management services offered by TechnoPro Construction. The Group believes TOQO can make a significant contribution to the development of engineers and raising their added value. Elsewhere in the IT field, the Group launched a new course, “Node.jp”, through Win School (managed by Pc Assist Co., Ltd.), and partnered with i's FACTORY Co., Ltd. for the development of data scientists. Based on the belief that the growth of engineers drives the growth of a company, the Group intends to continue working to raise the knowledge and technical skills of its researchers and 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 17,212 (up 2,705 compared to the end of the first quarter of the previous fiscal year). The average utilization rate for the period under review was to 96.2% (up 0.2 pts) and sales per engineer (average for engineers at TechnoPro, Inc. and TechnoPro Construction, Inc.) were 621 thousand yen per month (up 0.7 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 870 (up 290 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 24.2% (up 0.5% compared to the first quarter 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 14.5% (up 0.1 pt) due to an increase in management costs accompanying the Group's expansion.

As a result, the Group's revenues for the first quarter were 33,334 million yen (up 24.7% compared to the first quarter of the previous fiscal year), operating profit was 3,183 million yen (up 26.7%), profit before taxes was 3,162 million yen (up 27.0%), and net profit attributable to the owners of the parent company was 2,082 million yen (up 10.8%).

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

(R&D outsourcing)

The Group moved forward with negotiations for "Shift up" and "Charge up" initiatives, driven by specialist teams, in addition to constructing information systems for the acquisition and development of human resources. As a result of these initiatives, revenues in this area were 26,912 million yen (up 19.2%).

(Construction management outsourcing)

The Group, continuing from the previous fiscal year, increased the amount of sales per engineer through the promotion of team assignments and continued to expand the construction management and design business through the recruitment and training of inexperienced personnel. As a result, revenues in this area were 4,149 million yen (up 19.9%).

(2) Summary of financial position

i. Analysis of financial position

Assets totaled 87,367 million yen as of the end of the consolidated first quarter period under review (down 833 million yen from the end of the previous fiscal year). The primary components were goodwill of 35,380 million yen, accounts receivables and other receivables of 17,280 million yen, and cash and cash equivalents of 18,376 million yen.

The status for each item was as follows.

(Current assets)

Current assets totaled 38,299 million yen as of the end of the consolidated first quarter period under review (down 2,701 million yen from the end of the previous fiscal year). The primary components were cash and cash equivalents of 18,376 million yen (down 3,276 million yen), and accounts receivables and other receivables of 17,280 million yen (down 98 million yen).

(Non-current assets)

Non-current assets totaled 49,068 million yen as of the end of the consolidated first quarter period under review (up 1,867 million yen from the end of the previous fiscal year). The primary components were goodwill of 35,380 million yen (up 881 million yen), and deferred tax assets of 4,482 million yen (up 549 million yen).

(Current liabilities)

Current liabilities totaled 28,770 million yen as of the end of the consolidated first quarter period under review (up 26 million yen from the end of the previous fiscal year). The primary components were accounts payable and other liabilities of 12,679 million yen (up 1,634 million yen), and employee benefit liabilities of 5,108 million yen (up 213 million yen).

(Non-current liabilities)

Non-current liabilities totaled 15,852 million yen as of the end of the consolidated first quarter period under review (down 637 million yen from the end of the previous fiscal year). The primary components were

corporate bonds as well as loans payable of 7,341 million yen (down 802 million yen), and other long-term financial liabilities of 7,368 million yen (up 75 million yen).

(Equity attributable to the owners of the parent company)

Equity attributable to the owners of the parent company totaled 41,400 million yen as of the end of the consolidated first quarter period under review (down 293 million yen from the end of the previous fiscal year). The primary components were capital surplus of 9,027 million yen (up 24 million yen) and retained earnings of 25,369 million yen (down 455 million yen).

ii. Cash flow

Cash and cash equivalents (hereinafter "Cash") totaled 18,376 million yen as of end of the consolidated first quarter period under review, representing a decline of 3,276 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 1,562 million yen (same period of previous fiscal year: inflows of 402 million yen). This was mainly due to profits before taxes (3,162 million yen), and an increase in accounts payable and other liabilities (1,566 million yen), offset by payments of corporate income taxes (1,896 million yen) and an increase in accounts receivables and other receivables (206 million yen).

(Cash flows from investing activities)

Cash outflows from investing activities were 1,390 million yen (same period of previous fiscal year: outflows of 749 million yen). This was mainly due to outflows for the acquisition of subsidiaries (900 million yen), and purchases of other financial assets (161 million yen).

(Cash flows from financing activities)

Cash outflows from financing activities were 3,459 million yen (same period of previous fiscal year: outflows of 2,596 million yen). This was mainly due to dividend payments (2,519 million yen) and repayment of long-term borrowings (791 million yen).

(3) Results forecasts and other forward-looking information

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

2. Interim Consolidated Financial Statements (Summary) and notes

(1) Consolidated Statement of Financial Position (Summary)

(Millions of yen)

	As of June 30, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	21,652	18,376
Accounts receivables and other receivables	17,378	17,280
Income taxes receivable	19	0
Other short-term financial assets	435	620
Other current assets	1,514	2,021
Total current assets	41,000	38,299
Non-current assets		
Property, plant and equipment	1,105	1,147
Goodwill	34,498	35,380
Intangible assets	3,503	3,475
Investments accounted for using the equity method	101	102
Other long-term financial assets	3,961	4,378
Deferred tax assets	3,932	4,482
Other non-current assets	97	102
Total non-current assets	47,201	49,068
Total assets	88,201	87,367
Liabilities and equity		
Current liabilities		
Accounts payable and other liabilities	11,045	12,679
Bonds and loans payable	3,471	3,348
Income taxes payable	2,043	1,682
Other financial liabilities	2,313	2,021
Employee benefits liabilities	4,894	5,108
Provisions	7	9
Other current liabilities	4,967	3,920
Total current liabilities	28,744	28,770

(Millions of yen)

	As of June 30, 2018	As of September 30, 2018
Non-current liabilities		
Bonds and loans payable	8,144	7,341
Other financial liabilities	7,293	7,368
Deferred tax liabilities	599	600
Retirement benefit liabilities	30	105
Provisions	341	354
Other non-current liabilities	79	81
Total non-current liabilities	16,489	15,852
Total liabilities	45,233	44,622
Equity		
Share capital	6,785	6,785
Capital surplus	9,003	9,027
Retained earnings	25,824	25,369
Treasury shares	(1)	(1)
Other components of equity	82	220
Equity attributable to owners of the parent company	41,694	41,400
Non-controlling interests	1,272	1,344
Total equity	42,967	42,744
Total liabilities and equity	88,201	87,367

(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, 2017 (July 1, 2017 to September 30, 2017)	Three months ended September 30, 2018 (July 1, 2018 to September 30, 2018)
Revenue	26,726	33,334
Cost of sales	20,385	25,271
Gross profit	6,340	8,062
Selling, general and administrative expenses	3,841	4,828
Other income	24	31
Other expenses	12	82
Operating profit	2,511	3,183
Financial income	1	5
Financial expenses	23	27
Investment loss (profit) under the equity method	0	1
Profit before income taxes	2,489	3,162
Income taxes	609	1,040
Net profit	1,879	2,121
Net profit attributable to:		
Owners of the parent company	1,879	2,082
Non-controlling interests	(0)	39
Net profit	1,879	2,121
		(Yen)
Earnings per share attributable to owners of the parent company		
Basic earnings per share	54.92	57.43
Diluted earnings per share	54.92	57.39

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

(Millions of yen)

	Three months ended September 30, 2017 (July 1, 2017 to September 30, 2017)	Three months ended September 30, 2018 (July 1, 2018 to September 30, 2018)
Net profit	1,879	2,121
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income	—	72
Remeasurement of defined benefit plan	111	—
Total items that will not be reclassified to profit or loss	111	72
Items that may be reclassified to profit or loss		
Foreign currency translation adjustments	8	97
Changes in fair value of available-for-sale financial assets	(352)	—
Total items that may be reclassified to profit or loss	(343)	97
Total other comprehensive income	(231)	170
Comprehensive income for the period	1,647	2,291
Comprehensive income for the period attributable to:		
Owners of the parent company	1,647	2,220
Non-controlling interests	(0)	71
Comprehensive income for the period	1,647	2,291

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

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
Number of new shares issued	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
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

Three-months ended September 30, 2018 (July 1, 2018 to September 30, 2018)

(Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of July 1, 2018	6,785	9,003	25,824	(1)	82	41,694	1,272	42,967
Net profit			2,082			2,082	39	2,121
Other comprehensive income					138	138	31	170
Total comprehensive income	—	—	2,082	—	138	2,220	71	2,291
Number of new shares issued						—		—
Dividends of surplus			(2,537)			(2,537)		(2,537)
Share-based payment transactions		24				24		24
Purchase of own shares				(0)		(0)		(0)
Change of scope of consolidation						—		—
Other increases (decreases)						—		—
Total transactions with the owners	—	24	(2,537)	(0)	—	(2,514)	—	(2,514)
As of September 30, 2018	6,785	9,027	25,369	(1)	220	41,400	1,344	42,744

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of yen)

	Three months ended September 30, 2017 (July 1, 2017 to September 30, 2017)	Three months ended September 30, 2018 (July 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	2,489	3,162
Depreciation and amortization	103	172
Interest and dividend income	(1)	(0)
Interest expense	21	22
Investment loss (profit) under the equity method	(0)	(1)
Decrease (increase) in accounts receivables and other receivables	(387)	(206)
Increase (decrease) in accounts payable and other liabilities	1,004	1,566
Increase (decrease) in deposits	355	(643)
Increase (decrease) in consumption taxes payable	170	(380)
Increase (decrease) in retirement benefit liabilities	128	(46)
Other	(149)	(193)
Subtotal	3,734	3,451
Interest received	1	1
Interest paid	(21)	(13)
Income taxes paid	(3,312)	(1,896)
Income tax refund	—	19
Net cash flows from operating activities	402	1,562
Cash flows from investing activities		
Payments into time deposits	(0)	(143)
Proceeds from withdrawal of time deposits	19	88
Purchase of property, plant and equipment	(92)	(122)
Proceeds from sale of property, plant and equipment	—	0
Purchase of intangible assets	(103)	(13)
Purchase of marketable securities	—	(131)
Purchases of other financial assets	(100)	(161)
Purchase of subsidiary	(472)	(900)
Other	0	(6)
Net cash flows from investing activities	(749)	(1,390)
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	(469)	(791)
Redemption of corporate bonds	—	(147)
Purchase of own shares	(0)	(0)
Cash dividends paid	(2,125)	(2,519)
Other	(1)	(0)
Net cash flows from financing activities	(2,596)	(3,459)
Effect of change in exchange rates on cash and cash equivalents	2	10
Net increase (decrease) in cash and cash equivalents	(2,940)	(3,276)
Cash and cash equivalents at the beginning of the period	13,398	21,652
Cash and cash equivalents at the end of the period	10,457	18,376

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

(Note on assumption about going concern)

Not applicable.

(Note on changes to accounting policy)

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

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

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

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

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

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

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

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