

Summary of the Consolidated Financial Statements (IFRS) for the Fiscal Year Ended June 30, 2021

August 10, 2021

Listed Company Name TechnoPro Holdings, Inc. Listed Stock Exchange: Tokyo
TSE Code 6028 URL <https://www.technoproholdings.com/en/>
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Scheduled date of the general meeting of shareholders September 29, 2021
Scheduled commencement date for dividend payment September 30, 2021
Scheduled date of submission of securities report September 29, 2021
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 Fiscal Year Ended June 30, 2021 (July 1, 2020 – June 30, 2021)

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

	Revenue		Core operating profit		Operating profit		Profit before income taxes		Net profit		Net profit attributable to owners of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended June 30, 2021	161,316	1.8	17,639	8.4	19,461	23.4	19,472	22.9	13,392	22.1	13,245	22.4
FY ended June 30, 2020	158,407	9.9	16,265	—	15,772	14.8	15,843	15.4	10,966	16.7	10,825	11.8

	Comprehensive income for the period		Basic earnings per share	Diluted earnings per share	Ratio of profit to equity attributable to the owners of the parent company	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
	Million yen	%	Yen	Yen	%	%	%
FY ended June 30, 2021	14,533	41.5	122.96	—	25.1	17.2	12.1
FY ended June 30, 2020	10,269	17.8	99.99	—	23.3	15.7	10.0

(Ref.) Equity in net income of affiliates: FY ended June 30, 2021: (- million); FY ended June 30, 2020: (¥4 million)

(Note) As core operating profit has only been disclosed since the fiscal year ended June 30, 2021, the percentage change from the previous fiscal year ended June 30, 2020 has been omitted. Core operating profit is the Group's own profit indicator, calculated by subtracting selling, general and administrative expenses from gross profit, which indicates excluding, from operating profit, the impact of extraordinary items (such as employment adjustment subsidies and impairment losses) recorded under other income and other expenses.

(Note) The Group conducted a three-for-one split of ordinary shares on July 1, 2021. "Basic earnings per share" is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(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	Equity attributable to the owners of the parent company per share
	Million yen	Million yen	Million yen	%	Yen
FY ended June 30, 2021	117,989	58,733	57,226	48.5	531.22
FY ended June 30, 2020	107,967	49,509	48,229	44.7	447.70

(Note) The Group conducted a three-for-one split of ordinary shares on July 1, 2021. "Equity attributable to the owners of the parent company per share" is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

	Net cash from operating activities	Net cash from (used in) investing activities	Net cash from (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY ended June 30, 2021	22,081	(1,374)	(11,114)	32,524
FY ended June 30, 2020	18,059	(1,498)	(14,927)	22,797

2. Dividends

	Annual dividends per share					Total Dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended June 30, 2020	—	50.00	—	100.00	150.00	5,397	50.0	11.6
FY ended June 30, 2021	—	50.00	—	135.00	185.00	6,643	50.2	12.6
FY ending June 30, 2022 (forecast)	—	20.00	—	33.00	53.00		50.5	

(Note) The Group conducted a three-for-one split of ordinary shares on July 1, 2021. Actual dividend amounts from before the stock split are stated for FY ended June 30, 2020 and FY ended June 30, 2021.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 – June 30, 2022)

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

	Revenue		Core operating profit		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	%	Million yen	%	Yen
Second quarter (accumulated)	84,000	5.7	7,300	(12.0)	7,300	(24.6)	7,250	(24.8)	5,000	(24.5)	46.41
Full year	170,000	5.4	16,500	(6.5)	16,500	(15.2)	16,400	(15.8)	11,300	(14.7)	104.89

(Note) The Group conducted a three-for-one split of ordinary shares on July 1, 2021. "Basic earnings per share" shows figures after the stock split.

* 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)	FY ended June 30, 2021	108,421,164 shares	FY ended June 30, 2020	108,421,164 shares
ii. Number of treasury shares at the end of the period	FY ended June 30, 2021	695,109 shares	FY ended June 30, 2020	695,043 shares
iii. Average number of shares during the period	FY ended June 30, 2021	107,726,083 shares	FY ended June 30, 2020	108,264,815 shares

(Note) The Group conducted a three-for-one split of ordinary shares on July 1, 2021. "Number of outstanding shares at the end of the period," "Number of treasury shares at the end of the period," and "Average number of shares during the period" are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* This Summary of Financial Statements is not subject to audit by CPAs or an audit firm.

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

(Cautionary note on forward-looking statements)

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 supplementary materials for financial results)

The Company plans to hold a briefing on business results for institutional investors and analysts on August 10, 2021. The Company plans to post supplementary and other materials for the briefing on the Company's website at the same time that the information is disclosed to the Tokyo Stock Exchange.

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1. Analysis of Business Performance and Financial Position

(1) Summary of business performance

During the consolidated fiscal year under review (July 1, 2020 to June 30, 2021), the global economy saw recovery in some regions as governments took aggressive fiscal and monetary measures against the spread of COVID-19. In China in particular, economic activity is quickly normalizing, driven by strong exports of electrical products and electronic components; nevertheless, the escalating conflict between China and the U.S. requires monitoring. In the U.S., the economy is on a recovery track due to the improvement in consumer spending and employment, backed by supplementary economic stimulus measures. In Japan, however, although the economy showed signs of recovery in the manufacturing sector, the outlook remains unclear; a second state of emergency was declared in January 2021 and a third in April 2021, and the concerns about the impact on future economic activities persist.

In this environment, the Group has taken a prudent approach to business operations based on timely and appropriate analysis from a multifaceted perspective that accommodates an increasingly uncertain economic climate, changes in customer demand, trends in the job market, and the shift toward new work styles (such as telecommuting and remote working). During the consolidated fiscal year under review, and despite the impact of a resurgence in COVID-19 infections, the period was characterized by robust customer demand, especially in segments on which the Group has been focusing: IT and DX-related business, construction management business, and chemical and biotechnology-related business, etc.

The main initiatives of the Group in the consolidated fiscal year under review are as follows:

Secure engineers

Since the fourth quarter of the previous consolidated fiscal year, when COVID-19 infections began to spread across Japan, the Group made protecting the employment of existing employees its top priority and has drastically reduced new hiring. Since the second quarter of the fiscal year under review, however, the Group has resumed mid-career hiring of high-value-added engineers in response to an improved utilization rate resulting from a shortage of engineers in specific technical fields. Despite the resumption of mid-career hiring, the downward trend in the number of engineers on payroll continued due to the time that was required to accumulate a recruitment population; as such, the number of engineers on payroll in Japan at the end of the third quarter of the consolidated fiscal year under review came to 19,949. Subsequently, however, the induction of 292 new graduate engineers in April 2021 and the resumption of mid-career hiring began to take effect, and the number of engineers on payroll in Japan as of the end of the fiscal year under review stood at 20,330. The Group will continue to focus on hiring engineers to meet the strong demand for IT and DX-related experts, and also continue its efforts to curb retirements to secure a sufficient number of engineers – the source of our growth.

Higher quality and diversification of services, higher value-added engineers

By acquiring partner certification from major IT vendors and forming alliances with the advanced technology partners, we promoted the diversification and improvement of the quality of the services we provide in technology areas where demand is expected to grow in the future. In addition to hiring highly-skilled engineers, we continued to work with major IT vendors and advanced companies to strengthen and develop the skills of existing engineers as a means for adding value to our services.

The following are examples of the Group's efforts to train engineers and diversify its service offerings via partner certification from major IT vendors:

- Certified as an "SAP PartnerEdge Silver Partner" by SAP Japan Co., Ltd., the Japanese subsidiary of one of Europe's largest software companies that provides ERP packages for enterprise solutions
- Certified as a "Consulting Partner" by Salesforce.com, a provider of cloud computing services centered on customer relationship management (CRM) solutions
- Certified as an implementation support partner for the world's standard project management software, Microsoft Project, and as a "Microsoft Partner (Gold Project and Portfolio Management/Gold Communications)" by Microsoft Japan K.K.
- Certified as an "AWS Partner Network (APN) Select Consulting Partner" by Amazon Web Services Japan

K.K., provider of Amazon Web Services (AWS), the world's most widely adopted cloud platform

The following are examples of the Group's efforts to train engineers and improve the quality of services provided through alliances with advanced technology partners:

- Collaboration with i's FACTORY co., Ltd. and ALBERT Inc. in their data scientist and data analyst training and staffing business
- Collaboration with CYBERGYM JAPAN Co., Ltd. in its cybersecurity expert development business
- Collaboration with Integration Technology Co., Ltd., which has strength in Model Based Development for the automotive industry
- Collaboration with LIGHTz Inc., which has strength in AI, and Aidemy, inc., which provides an AI learning support platform

In addition, the Group has advanced various initiatives such as establishing courses for cutting-edge technologies at Win School operated by PC Assist Co., Ltd., a consolidated subsidiary engaged in the technology training business in the technology field.

Shift to the IT sector

Irrespective of the impact of COVID-19, the IT sector is seeing stronger demand in comparison to other sectors, which is expected to increase in future. Currently, IT engineers account for over half of all the Group's engineers on payroll, and both their number and proportion they represent are increasing. The Group is actively investing resources into the IT Sector; in addition to new hires, it is increasing the number of engineers specialized in digital technologies (data science, cloud, IoT, security, 5G, etc.) and shifting engineer skills from hardware-related areas to digital (reskilling) or by having engineers learn multiple skills, as well as by recruitment of such engineers.

Promoting globalization

The Group has continued cooperating with the TechnoPro China Group and Helius Technologies Pte Ltd, which have offices in Asia, and Orion Managed Services Limited, which has offices in the United Kingdom, to provide technology support to Japanese multinational companies in the region. In September 2019, the Group established TPRI Technologies Private Limited in India to lay the foundations for global service development based in India.

Measures to prevent the spread of COVID-19

The Group has prioritized the health and safety of its employees throughout the COVID-19 pandemic. Specifically, it has promoted working from home and staggered commuting, set up systems to enable business discussions and meetings to be conducted via online video conferencing, distributed masks and disinfectant to all offices in Japan, changed *hanko* seal-based approvals to other methods, and continued with furlough procedures. In addition, the Group was named a Certified Health and Productivity Management Outstanding Organization (Large Enterprise Category) in March 2021 by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi (health promotion organization) for the second consecutive year and is implementing measures to support the health of employees, even under changed working circumstances such as working from home. Through such efforts, the Group is working to strengthen systems that will enable it to conduct business even if the COVID-19 pandemic continues to expand in future.

Promotion of digital transformation

The Group has been proceeding with the development of a talent management system under the strategy "Move toward platforms utilizing information technologies," one of the four strategies of its Medium-Term Management Plan, "Sustainable Growth for a Bright Future" (July 1, 2017-July 30, 2022) (Note: This plan was ended on June 30, 2020, one year ahead of schedule as five-year numerical targets had largely been achieved within that time.) Many functions have already been developed and the Group is making progress in developing a system for the effective use of various types of internal data. The Group will accelerate its internal digital transformation efforts, leveraging data effectively to improve the efficiency and accuracy of administrative work.

In addition, on June 1, 2021, TechnoPro Holdings, Inc. was selected as a Digital Transformation (DX) Certified

Operator based on the national DX Certification Initiative implemented by METI. This initiative nationally certifies the companies that are recognized as ready to promote digital transformation, satisfying the basic requirements specified in the “Digital Governance Code.”

As a result of the initiatives described above, the number of domestic engineers at the end of the consolidated fiscal year under review was 20,330, partly affected by significant controls placed on new hiring due to business operations prioritizing the securing of employment for employees. This was a decrease of 934 compared to the end of the previous fiscal year, but an increase of 180 compared to the forecast for the end of the consolidated fiscal year under review made at the end of the third quarter due to steady progress in resumed mid-career hiring efforts. The average utilization rate for the fiscal year under review was 94.6% (up 0.5 pts). Regarding continued efforts to improve sales per engineer, despite the hiring of new graduates, and lower levels of overtime due to government-led workplace reforms and the spread of COVID-19, average monthly sales per engineer (average for engineers at TechnoPro, Inc. and TechnoPro Construction, Inc.) were 634 thousand yen per month (up 4 thousand yen). Further, excluding new employees who had joined the Group in the last twelve months, average monthly base charge per engineer rose by 8 thousand yen compared to the previous fiscal year.

In employment, the Group resumed new hiring activities in stages from the second quarter, but due to the impact of the significant controls placed on new hires, the number of newly employed domestic engineers for the fiscal year under review was 1,405 (down 2,993 compared to the previous fiscal year).

In terms of expenses, the gross profit margin was 24.6% (down 0.8 pts compared to the previous fiscal year), impacted by an increase in paid holiday provisions and an increase in the company’s contributions to the defined contribution pension plan. However, the SG&A ratio to revenue was 13.7% (1.4 pts improvement) as a result of the continued implementation of cost controls.

In addition, as a result of our efforts to maintain employment for employees Japan, the employment adjustment subsidy recorded under other income for the consolidated fiscal year under review was 1,780 million yen due to special treatment in response to the impact of COVID-19.

As a result, the Group’s revenue for the consolidated fiscal year under review was 161,316 million yen (up 1.8% compared to the previous fiscal year), core operating profit was 17,639 million yen (up 8.4%), operating profit was 19,461 million yen (up 23.4%), profit before taxes was 19,472 million yen (up 22.9%), and net profit attributable to the owners of the parent company was 13,245 million yen (up 22.4%).

Note: Core operating profit is the Group’s own profit indicator, calculated by subtracting selling, general and administrative expenses from gross profit, which indicates excluding, from operating profit, the impact of extraordinary items (such as employment adjustment subsidies and impairment losses) recorded under other income and other expenses.

The performance by segment during the consolidated fiscal year under review was as follows:

(R&D Outsourcing)

In order to expand its IT business, which has been performing well within R&D outsourcing, the Group implemented IT training for hardware-related engineers and realized engineer assignments through skill conversions or by having engineers learn multiple skills, in addition to restarting the mid-career hiring mainly of high-value-added engineers. The Group also made efforts to secure assignments through business collaborations with advanced technology partners and by actively implementing internal/external training. These efforts resulted in numbers of engineers on payroll and assigned engineers of 17,692 and 16,823, respectively, decreases limited to 779 and 28, respectively, compared to the end of the previous fiscal year. As a result of these initiatives, revenue in this segment was 127,870 million yen (up 1.3%), partly due to an improvement in the utilization rate, an increase in working days and an improvement in unit sales prices.

(Construction Management Outsourcing)

In addition to construction management, the main service provided under Construction Management

Outsourcing, the Group has also expanded its services towards 3D measurement, aerial photography, inspections using drones, and the establishment of first-class qualified architect offices. While in this segment the impact of COVID-19 has been minimal and so a high utilization rate has been maintained, engineers on payroll and assigned engineers are 2,638 and 2,524, respectively (down 155 and 68, respectively, compared to the end of the previous fiscal year). As a result, revenue in this segment was 19,670 million yen (down 0.6%).

(Other Businesses in Japan)

Other Businesses in Japan comprises a professional recruitment service and an education and training service in engineering. These businesses collectively saw a decline in performance due to the impact of COVID-19, but Win School operated by PC Assist Co., Ltd. has been increasing online courses since the previous fiscal year, and this, together with courses held physically at their schools, served to cover this decline to some extent. As a result of these initiatives, revenue in this segment was 3,800 million yen (down 7.4%).

(Overseas Businesses)

The impact of COVID-19 on the Group's Overseas Businesses varied by country. China was able to exit from its economic downturn at an early stage and the Group proceeded with offshoring R&D operations with key customers: Japanese companies in China and their parent Japanese companies. In addition, staffing and professional recruitment services in the UK performed well, supported by strong demand. As a result of these initiatives, revenue in this segment was 11,432 million yen (up 15.0%).

(2) Summary of financial position

Assets totaled 117,989 million yen as of the end of the consolidated fiscal year under review (up 10,022 million yen from the end of the previous fiscal year). The primary components were goodwill of 36,307 million yen, cash and cash equivalents of 32,524 million yen, and accounts receivables and other receivables of 20,716 million yen.

The status for each item was as follows.

(Current assets)

Current assets totaled 64,113 million yen as of the end of the consolidated fiscal year under review (up 12,806 million yen from the end of the previous fiscal year). The primary components were cash and cash equivalents of 32,524 million yen (up 9,727 million yen), and accounts receivables and other receivables of 20,716 million yen (up 502 million yen).

(Non-current assets)

Non-current assets totaled 53,876 million yen as of the end of the consolidated fiscal year under review (down 2,783 million yen from the end of the previous fiscal year). The primary components were goodwill of 36,307 million yen (up 192 million yen), right-of-use assets of 5,074 million yen (down 1,574 million yen), and deferred tax assets of 4,393 million yen (up 110 million yen).

(Current liabilities)

Current liabilities totaled 43,647 million yen as of the end of the consolidated fiscal year under review (up 481 million yen from the end of the previous fiscal year). The primary components were accounts payable and other liabilities of 14,288 million yen (up 919 million yen), employee benefit liabilities of 7,348 million yen (up 949 million yen), and other current liabilities of 7,093 million yen (down 943 million yen).

(Non-current liabilities)

Non-current liabilities totaled 15,609 million yen as of the end of the consolidated fiscal year under review (up 317 million yen from the end of the previous fiscal year). The primary components were loans payable of 6,467 million yen (up 3,262 million yen), lease liabilities of 4,202 million yen (down 1,663 million yen), and other long-term financial liabilities of 4,118 million yen (down 1,095 million yen).

(Equity attributable to the owners of the parent company)

Equity attributable to the owners of the parent company totaled 57,226 million yen as of the end of the

consolidated fiscal year under review (up 8,996 million yen from the end of the previous fiscal year). The primary components were capital surplus of 7,460 million yen (up 111 million yen) and retained earnings of 43,557 million yen (up 7,418 million yen).

(3) Cash flow conditions

Cash and cash equivalents (hereinafter "Cash") totaled 32,524 million yen as of the end of the consolidated fiscal year under review, representing an increase of 9,727 million yen compared to the end of the previous fiscal year.

Cash flow during the consolidated fiscal year 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 inflows of 22,081 million yen (previous fiscal year: inflows of 18,059 million), this was mainly due to profits before taxes (19,472 million yen), a decrease in prepaid expenses (2,980 million yen), and depreciation and amortization (2,658 million yen), partially offset by payments of corporate income taxes (6,169 million yen), and a decrease in consumption tax payable (1,300 million yen).

(Cash flows from investing activities)

Cash flows from investing activities resulted in cash outflows of 1,374 million yen (previous fiscal year: outflows of 1,498 million). This was mainly due to payments into time deposits (1,198 million yen) and the acquisition of tangible fixed assets (265 million yen).

(Cash flows from financing activities)

Cash flows from financing activities resulted in cash outflows of 11,114 million yen (previous fiscal year: outflows of 14,927 million). This was mainly due to inflows from long-term borrowings (10,000 million yen), offset by outflows from repayments of long-term borrowings (8,158 million yen), and outflows from repayment of lease liabilities (6,535 million yen) and dividend payments (5,421 million yen).

(4) Business performance forecasts

In the medium-to-long term, customer demand for technological innovation, a source of their competitiveness, is expected to be robust. Further, given the continued shortage of engineers in Japan, the Group expects strong demand for engineer resources. The Group will promote higher quality services with a focus on training and securing capable IT engineers for whom customer demand is particularly strong. In addition, the Group will seek further global expansion through the use of remote work, which has quickly become more widespread as a result of the COVID-19 pandemic.

Based on these initiatives, for the fiscal year ending June 30, 2022, the first year of "Evolution 2026," the Group's new five-year Medium-term Management Plan, the Group expects the number of engineers on payroll in Japan at the end of the fiscal year will be 21,600 (up 1,270 compared to the end of the consolidated fiscal year under review), the average utilization rate for the fiscal year will be 95.0% (up 0.4 pts), and sales per engineer will be 645 thousand yen (up 11 thousand yen). With these assumptions, revenue is expected to be 170,000 million yen (up 5.4 pts), core operating profit is expected to be 16,500 million yen (down 6.5%), operating profit is expected to be 16,500 million yen (down 15.2%), profit before taxes is expected to be 16,400 million yen (down 15.8%), and net income attributable to owners of the parent is expected to be 11.3 billion yen (down 14.7%).

2. Basic stance towards the selection of accounting standards

The Group has applied the International Accounting Standards since the fiscal year ended June 30, 2014 in an aim to improve comparability with financial information in global capital markets and to improve convenience.

3. Consolidated Financial Statements and notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of June 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and cash equivalents	22,797	32,524
Accounts receivables and other receivables	20,214	20,716
Income taxes receivable	1,159	1,591
Other short-term financial assets	2,275	4,829
Other current assets	4,860	4,450
Total current assets	51,307	64,113
Non-current assets		
Property, plant and equipment	1,726	1,757
Right-of-use assets	6,649	5,074
Goodwill	36,115	36,307
Intangible assets	2,149	1,975
Other long-term financial assets	4,865	3,656
Deferred tax assets	4,282	4,393
Other non-current assets	871	710
Total non-current assets	56,660	53,876
Total assets	107,967	117,989
Liabilities and equity		
Current liabilities		
Accounts payable and other liabilities	13,369	14,288
Loans payable	4,453	1,990
Lease liabilities	5,888	5,161
Income taxes payable	2,952	4,129
Other financial liabilities	2,055	3,632
Employee benefits liabilities	6,398	7,348
Provisions	11	3
Other current liabilities	8,037	7,093
Total current liabilities	43,165	43,647

(Millions of yen)

	As of June 30, 2020	As of June 30, 2021
Non-current liabilities		
Loans payable	3,205	6,467
Lease liabilities	5,865	4,202
Other financial liabilities	5,214	4,118
Deferred tax liabilities	400	238
Retirement benefit liabilities	9	14
Provisions	459	449
Other non-current liabilities	138	117
Total non-current liabilities	15,292	15,609
Total liabilities	58,457	59,256
Equity		
Share capital	6,929	6,929
Capital surplus	7,349	7,460
Retained earnings	36,139	43,557
Treasury shares	(1,000)	(1,000)
Other components of equity	(1,188)	279
Equity attributable to owners of the parent company	48,229	57,226
Non-controlling interests	1,279	1,506
Total equity	49,509	58,733
Total liabilities and equity	107,967	117,989

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

(Millions of yen)

	Fiscal year ended June 30, 2020 (July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (July 1, 2020 to June 30, 2021)
Revenue	158,407	161,316
Cost of sales	118,181	121,589
Gross profit	40,226	39,727
Selling, general and administrative expenses	23,960	22,087
Other income	649	2,162
Other expenses	1,143	340
Operating profit	15,772	19,461
Financial income	203	202
Financial expenses	127	190
Investment profit (loss) under the equity method	(4)	-
Profit before income taxes	15,843	19,472
Income taxes	4,877	6,080
Net profit	10,966	13,392
Net profit attributable to:		
Owners of the parent company	10,825	13,245
Non-controlling interests	140	146
Net profit	10,966	13,392
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic earnings per share	99.99	122.96
Diluted earnings per share	-	-

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended June 30, 2020 (July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (July 1, 2020 to June 30, 2021)
Net profit	10,966	13,392
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	(530)	567
Total items that will not be reclassified to profit or loss	(530)	567
Items that may be reclassified to profit or loss		
Foreign currency translation adjustments	(165)	573
Total items that may be reclassified to profit or loss	(165)	573
Total other comprehensive income	(696)	1,140
Comprehensive income for the period	10,269	14,533
Comprehensive income for the period attributable to:		
Owners of the parent company	10,171	14,272
Non-controlling interests	98	261
Comprehensive income for the period	10,269	14,533

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

Fiscal year ended June 30, 2020 (July 1, 2019 to June 30, 2020)

(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, 2019	6,903	7,304	31,129	(2)	(532)	44,803	1,262	46,065
Net profit			10,825			10,825	140	10,966
Other comprehensive income			2		(656)	(653)	(42)	(696)
Total comprehensive income	—	—	10,828	—	(656)	10,171	98	10,269
Issuance of new shares	25	(25)				—		—
Dividends of surplus			(4,856)			(4,856)	(55)	(4,911)
Share-based payment transaction		46				46		46
Purchase of treasury shares				(2,062)		(2,062)		(2,062)
Disposal of treasury shares		12		90		102		102
Cancellation of treasury shares		(12)	(961)	973		—		—
Changes in ownership interests in subsidiaries		25				25	(25)	—
Other increases (decreases)		(2)				(2)		(2)
Total transactions with the owners	25	44	(5,817)	(998)	—	(6,745)	(80)	(6,826)
As of June 30, 2020	6,929	7,349	36,139	(1,000)	(1,188)	48,229	1,279	49,509

Fiscal year ended June 30, 2021 (July 1, 2020 to June 30, 2021)

(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, 2020	6,929	7,349	36,139	(1,000)	(1,188)	48,229	1,279	49,509
Net profit			13,245			13,245	146	13,392
Other comprehensive income			(441)		1,467	1,026	114	1,140
Total comprehensive income	-	-	12,804	-	1,467	14,272	261	14,533
Dividends of surplus			(5,386)			(5,386)	(34)	(5,420)
Share-based payment transaction		111				111		111
Purchase of treasury shares				(0)		(0)		(0)
Total transactions with the owners	-	111	(5,386)	(0)	-	(5,275)	(34)	(5,309)
As of June 30, 2021	6,929	7,460	43,557	(1,000)	279	57,226	1,506	58,733

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of yen)

	Fiscal year ended June 30, 2020 (July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (July 1, 2020 to June 30, 2021)
Cash flows from operating activities		
Profit before income taxes	15,843	19,472
Depreciation and amortization	2,604	2,658
Impairment loss	915	-
Loss (profit) from put options granted to non-controlling interest	(256)	(41)
Interest and dividend income	(67)	(69)
Interest expense	113	105
Investment loss (profit) under the equity method	4	-
Decrease (increase) in accounts receivables and other receivables	(448)	(494)
Increase (decrease) in accounts payable and other liabilities	405	914
Increase (decrease) in deposits received	(828)	62
Decrease (increase) in prepaid expenses	3,330	2,980
Decrease (increase) in lease repayments	1,737	1,817
Increase (decrease) in consumption tax payable	1,402	(1,300)
Increase (decrease) in retirement benefit liabilities	(717)	(679)
Other	(508)	1,645
Subtotal	23,530	27,070
Interest received	67	65
Interest paid	(78)	(68)
Income taxes paid	(5,500)	(6,169)
Income tax refund	40	1,182
Net cash flows from operating activities	18,059	22,081
Cash flows from investing activities		
Payments into time deposits	(68)	(1,198)
Proceeds from withdrawal of time deposits	47	242
Purchase of tangible fixed assets	(635)	(265)
Proceeds from sales of tangible fixed assets	27	-
Purchase of intangible assets	(38)	(86)
Purchase of marketable securities	(139)	-
Payment for acquisition of other financial assets	(255)	(105)
Proceeds from sale of other financial assets	-	103
Purchase of subsidiary shares at conditional acquisition price	(440)	-
Other	6	(63)
Net cash flows from investing activities	(1,498)	(1,374)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	912	(999)
Repayment of lease liabilities	(6,416)	(6,535)
Proceeds from long-term borrowings	1,000	10,000
Repayments of long-term borrowings	(3,298)	(8,158)
Redemption of bonds	(138)	-
Purchase of treasury shares	(2,062)	(0)
Cash dividends paid	(4,912)	(5,421)
Payments for purchase of interests in subsidiaries from noncontrolling interests	(67)	-
Other	55	-

Net cash flows from financing activities	(14,927)	(11,114)
Effect of change in exchange rates on cash and cash equivalents	(67)	135
Net increase (decrease) in cash and cash equivalents	1,566	9,727
Cash and cash equivalents at the beginning of the period	21,230	22,797
Cash and cash equivalents at the end of the period	22,797	32,524

(5) Notes to the consolidated financial results

(Note on assumption about going concern)

Not applicable.

(Note on segment information)

1. Segment information overview

The Group's business segments are Group components for which separate financial information can be obtained. Each segment is subject to periodic examinations to allow the Board of Directors to decide how to allocate management resources and assess performance. In determining reportable segments, the Group does not consolidate business segments; reportable segments and business segments are the same.

Overview of the reportable segments:

- In R&D Outsourcing Business, the Group provides engineer dispatch and contract assignment services in technological fields including machinery, electronics/electricals, embedded controllers, IT networks, business applications, system maintenance/management, and biochemistry; its customers are major businesses and other organizations in industries including automotive and automotive parts, industrial machinery and equipment, telecommunications equipment, electronic and electrical equipment, IT, semiconductors, energy, pharmaceuticals, and chemicals.
- In Construction Management Outsourcing Business, the Group provides contract assignment services for construction design and engineer dispatch services for construction management (safety administration, quality control, process administration, and cost management) in the construction industry in the fields of construction, civil engineering, facility machinery, and plant; its customers are mainly general contractors and subcontractors.
- In Other Businesses in Japan, the Group provides professional recruitment services and education and training services in engineering.
- In Overseas Business, the Group provides technical outsourcing and professional recruitment services in China, engineer dispatch services and contracted R&D operations in Southeast Asia and India, and engineer dispatch and professional recruitment services in the UK.

2. Information on reportable segments

Accounting principles for the reportable segments are the same as those used in the creation of the Consolidated Financial Statements by the Group. Business between reportable segments is based on market prices, and segment profit is shown as operating profit.

Fiscal year ended June 30, 2020 (July 1, 2019 to June 30, 2020)

(Millions of yen)

	Reportable segment					Eliminations/ Corporate	Consoli- dated
	R&D Outsourcing Business	Construction Management Outsourcing Business	Other Businesses in Japan	Overseas Businesses	Total		
Revenue							
Revenue from external customers	125,901	19,787	3,238	9,431	158,359	47	158,407
Intersegment sales or transfers	277	-	865	509	1,652	(1,652)	-
Total revenue	126,179	19,787	4,103	9,941	160,012	(1,605)	158,407
Segment profit (loss)	12,880	2,109	(139)	655	15,506	266	15,772
Financial income	-	-	-	-	-	-	203
Financial expenses	-	-	-	-	-	-	127
Investment profit (loss) under equity method	-	-	-	-	-	-	(4)
Profit before income taxes	-	-	-	-	-	-	15,843
Segment assets	83,767	10,820	4,543	7,029	106,160	1,806	107,967
Other							
Depreciation and amortization	928	201	304	223	1,658	662	2,320
Amortization of customer-related assets	80	-	-	203	283	-	283
Profit on early exercise of put options	-	-	-	-	-	60	60
Change (profit) in fair value related to put option	-	-	-	-	-	195	195
Change (loss) from fair value adjustments related to contingent consideration	-	-	-	-	-	110	110
Profit on currency exchange related to put option liabilities	-	-	-	-	-	102	102
Loss on currency exchange related to put option liabilities	-	-	-	-	-	-	-
Impairment loss	-	408	507	-	915	-	915

(Notes)

- Segment profit under Corporate/Eliminations includes corporate expenses not allocated to individual reportable segments and eliminations of intersegment transactions. Corporate expenses are recorded as general administrative expenses not allocated to reportable segments.
- Segment assets under Eliminations/Corporate includes corporate assets of 12,975 million yen not allocated to individual reportable segments and eliminations of intersegment transactions of -11,169 million yen. Corporate assets are recorded as cash and cash equivalents, right-of-use assets, and marketable securities not allocated to reportable segments.
- Depreciation and amortization does not include amortization of customer-related assets.

Fiscal year ended June 30, 2021 (July 1, 2020 to June 30, 2021)

(Millions of yen)

	Reportable segment					Eliminations/ Corporate	Consoli- dated
	R&D Outsourcing Business	Construction Management Outsourcing Business	Other Businesses in Japan	Overseas Businesses	Total		
Revenue							
Revenue from external customers	127,483	19,670	3,311	10,808	161,273	42	161,316
Intersegment sales or transfers	386	-	489	624	1,499	(1,499)	-
Total revenue	127,870	19,670	3,800	11,432	162,773	(1,456)	161,316
Segment profit (loss)	15,815	2,791	315	764	19,687	(226)	19,461
Financial income	-	-	-	-	-	-	202
Financial expenses	-	-	-	-	-	-	190
Profit before income taxes	-	-	-	-	-	-	19,472
Segment assets	86,226	11,463	4,619	8,577	110,888	7,101	117,989
Other							
Depreciation and amortization	1,009	210	308	179	1,708	660	2,368
Amortization of customer-related assets	80	-	-	209	289	-	289
Change (profit) in fair value related to put option	-	-	-	-	-	41	41
Profit on currency exchange related to put option liabilities	-	-	-	-	-	-	-
Loss on currency exchange related to put option liabilities	-	-	-	-	-	210	210
Impairment loss	-	-	-	-	-	-	-

(Notes)

1. Segment profit under Corporate/Eliminations includes corporate expenses not allocated to individual reportable segments and eliminations of intersegment transactions. Corporate expenses are recorded as general administrative expenses not allocated to reportable segments..
2. Segment assets under Eliminations/Corporate includes corporate assets of 11,637 million yen not allocated to individual reportable segments and eliminations of intersegment transactions of -4,536 million yen. Corporate assets are recorded as cash and cash equivalents, right-of-use assets, and income taxes receivable not allocated to reportable segments.
3. Depreciation and amortization does not include amortization of customer-related assets.

(Per share information)

The per share information is as follows.

	Fiscal year ended June 30, 2020 (July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (July 1, 2020 to June 30, 2021)
Net profit attributable to the owners of the parent company (millions of yen)	10,825	13,245
Average outstanding ordinary shares during the fiscal year (shares)	108,264,815	107,726,083
Adjustments for dilutive effect		
Increase in stock options (shares)	-	-
Average number of common shares (shares) after dilution	108,264,815	107,726,083
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	99.99	122.96
Diluted earnings per share (yen)	-	-

(Note) The Group conducted a three-for-one split of ordinary shares on July 1, 2021. "Per share information" is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(Subsequent events)

(Stock Split and Partial Amendment to the Articles of Incorporation)

1. Purpose of the stock split

Through the stock split, TechnoPro Holdings, Inc. intends to lower the price of each trading unit, making its shares more accessible to a wider range of investors and enhance liquidity in the stock market.

2. Overview of stock split

(1) Method

With Wednesday, June 30, 2021 as the record date, TechnoPro Holdings Inc. conducted a three-for-one split of outstanding ordinary shares held by shareholders listed or recorded on the final shareholders registry as of said date.

(2) Number of shares to be increased by the stock split

- i. Number of shares outstanding before the stock split: 36,140,388 shares
- ii. Number of shares added through the stock split: 72,280,776 shares
- iii. Number of shares outstanding after the stock split: 108,421,164 shares
- iv. Total number of authorized shares after the stock split: 300,000,000 shares

(3) Schedule

- i. Public notice date of the record date: Tuesday, June 15, 2021
- ii. Record date: Wednesday, June 30, 2021
- iii. Effective date: Thursday, July 1, 2021

3. Partial amendment to the Articles of Incorporation

(1) Reason for the amendment

Upon the implementation of the stock split described above, TechnoPro Holdings, Inc. will change the total number of authorized shares stated in Article 6 of its Articles of Incorporation effective Thursday, July 1, 2021, pursuant to the Article 184, Paragraph 2 of the Companies Act.

(2) Details of the amendment (Underlined text indicates changed text)

Current	After Amendment
Article 6. (Total Number of Shares Authorized to Be Issued)	Article 6. (Total Number of Shares Authorized to Be Issued)
The total number of shares authorized to be issued by the Company shall be <u>one hundred thirty-six million two hundred and ninety-six thousand (136,296,000).</u>	The total number of shares authorized to be issued by the Company shall be <u>three hundred million (300,000,000).</u>

(3) Schedule

Effective date: Thursday, July 1, 2021

4. Others

(1) Change in capital

The stock split will not change the amount of share capital.

(2) Dividends

Since the stock split will become effective Thursday, July 1, 2021, the year-end dividends for the fiscal year ending June 30, 2021 to be paid to shareholders of record on Wednesday, June 30, 2021 will be based on the number of shares before the stock split.

(Obtaining a subsidiary through share acquisition)

TechnoPro Holdings, Inc. (“TechnoPro”) agreed to acquire 100 percent of the shares issued and outstanding of Robosoft Technologies Private Limited (“Robosoft” or “the Company”), an India-headquartered company delivering solution services in a digital sphere mainly to the clients in the United States, Japan and India, which will become a subsidiary of TechnoPro in the two phased transactions: 80% in the first tranche and remaining 20% in the second one approximately one year later (hereinafter referred to as the “Share Acquisition”).

1. Purpose of share acquisition

TechnoPro is to identify the digital solution delivery services to the clients in the developed countries utilizing overseas offshore hubs as one of the pillars of the growth strategy in its new medium-term management plan published on August 10, 2021. The purpose of the Share Acquisition is to promote this growth strategy by acquiring the Indian offshore core hub and the capability of technology and solution in a digital field.

Robosoft employs more than 800 engineers with a mission of “Simplifying Lives with Delightful Digital Experiences”, providing one-stop digital solutions such as digital advisory, UI/UX design, engineering services, analytics, middle/back-end development to customers located in the United States and Europe, Japan and India. The Company has accelerated its growth during these three years by succeeding in gaining major accounts in the United States and Japan, and realized the revenue growth of +89% YoY and the EBITDA growth of +165% YoY, with achieving the EBITDA margin of 40%, in the latest fiscal year. And it has offices in the United States and Japan as well and the revenues from the customers in both regions in the latest fiscal year accounted for c. 45% and c. 24% of the total respectively.

Robosoft especially has a reputation in offshore delivery with Design Thinking and UI/UX at its core, leveraging emerging digital technologies such as AI/ML, IoT, 5G and VR/AR, and has following strengths and track records:

- Design Thinking based advisory utilizing workshops and expertise in UI/UX design
- Strong technical capabilities across front-end, middle/back-end and analytics
- Agile and highly mature offshore delivery model
- Realization of DX at global companies of Media, BFSI and Retail/EC industries

TechnoPro intends to work in collaboration with Robosoft to generate synergy effects such as:

- Gaining and expanding customer base in Japan of Media, BFSI and Retail/EC industries utilizing the existing solutions of Robosoft
- Developing and providing TechnoPro’s customers such as manufacturers etc., with digital solutions combining Robosoft’s unique offerings of advisory and UI/UX design and TechnoPro’s existing technologies
- Leveraging Robosoft’s engineers at domestic on-site and offshore and nurturing TechnoPro’s engineers in a digital sphere, given the tight supply of digital savvy engineers in Japan

TechnoPro will continue realizing its sustainable growth and further value creation during the periods of the new medium-term management plan through the Share Acquisition.

2. Name and business lines of the acquired company

Name of the acquired company: Robosoft Technologies Private Limited

Business lines: Software development service

3. Method to obtain control of the acquired company

Share acquisition in exchange for cash

4. Number of acquired shares, acquisition cost, and ownership ratio after acquisition

(1) No. of shares acquired Common shares: 21,858,994 shares

Class A shares: 11,602,477 shares

Class B shares: 8,928,703 shares

Number of voting rights: 39,881,969 (after converting Class A/Class B shares to common shares)

(2) Acquisition cost INR 8,000 million (estimate)

Based on due diligence performed by outside experts (finance, tax, law and business), the above purchase price was assessed comprehensively according to the EBITDA multiple method, net cash balance and so forth, and agreed after prudent discussions with the sellers. Incidentally, 100% of the shares will be transferred in two phases and the share price in the first tranche (80%) is determined based on the EBITDA, net cash balance and so forth of the fiscal year ended March 2021, while the share price in the second tranche (remaining 20%) will be determined based on the EBITDA, net cash balance and so forth of the fiscal year ending March 2022. So the purchase price for the second tranche is estimated by the financial forecast at present and the actual amount will be varied subject to the actual financial result.

(3) Ownership ratio after acquisition 100.0%

5. Schedule

(1) Date of resolution	August 10, 2021
(2) Date of execution of share purchase agreement	August 10, 2021
(3) Date of first Share transfer (80% of ownership ratio)	Late August 2021 (scheduled)
(4) Date of second share transfer (20% of ownership ratio)	July 2022 (scheduled)

6. Assets acquired and liabilities assumed

The amount thereof has yet to be determined.