# COMSYS WAY<sup>a</sup>

Advance of structural reforms and top-line growth

# Annual Report 2014

Fiscal Year Ended March 31, 2014

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### Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this annual report with respect to COMSYS Holdings' plans and benefits as well as other statements that are not historical facts are forward-looking statements, which involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic conditions in COMSYS Holdings' markets, exchange rates, and COMSYS Holdings' ability to continue to win customers' acceptance of its products, which are offered in highly competitive markets characterized by continual new product introductions and rapid developments in technology.

\* Compiled based on the content of COMSYS Holdings' Annual Securities Report submitted in Japanese.



Left-Click tabs at the right-hand edge of the page to jump to the relevant section.

# Profile

COMSYS Holdings Corporation (the "Company") was established as the holding company of the COMSYS Group on September 29, 2003 through share transfers from three companies—Nippon COMSYS Corporation, SANWA ELEC Co., Ltd. (now SANWA COMSYS Engineering Corporation) and HIGASHI NIHON System Construction Co., Ltd. (now TOSYS Corporation).

As of March 31, 2014, the COMSYS Group was made up of 38 subsidiaries and 8 affiliates, centered on 5 core operating subsidiaries, specifically the above 3 companies and TSUKEN Corporation and COMSYS JOHO SYSTEM Corporation.

The COMSYS Group's main businesses are electrical and telecommunications infrastructure construction services, which mainly involve the construction of telecommunications infrastructure, electrical facilities, and other businesses, such as the information processing-related business.

# **COMSYS WAY**<sup>a</sup> (advanced etc.)

The COMSYS Group aims to become a lean corporate entity that steadily generates earnings in the recent severe operating environment, and so has been implementing COMSYS WAY structural reforms at each Group company. Looking ahead, the Group is united in working together to further strengthen these structural reforms under our COMSYS WAY<sup>*a*</sup> (advanced) initiative, which prioritizes not only higher earnings, but top-line growth as well.

# **Our Mission**

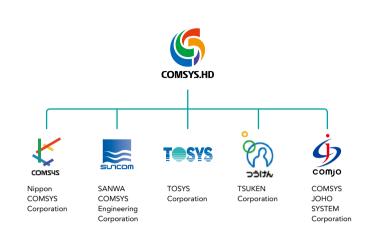
The COMSYS Group devotes every effort to bringing about a "smart, ubiquitous network society" to serve as the infrastructure of a "sustainable society." To this end, we intend to leverage our position as Japan's No. 1 communications infrastructure construction company in maximizing synergies across the whole Group to provide high-quality technologies and services.

# **Management Policies**

Management at the COMSYS Group is based on the following three policies, and every effort is being made to achieve them.

- 1. Fortify further the COMSYS Group's dominant position as Japan's No. 1 communications infrastructure construction company
- 2. Strive to maximize synergies across the COMSYS Group
- 3. Aim to be a knowledge-intensive corporation by sharing know-how through Group-wide IT systems

# **Five Integrated Business Groups**



The COMSYS Group's (COMSYS Holdings and its subsidiaries and affiliates) main businesses comprise electrical and telecommunications infrastructure construction services centered on telecommunications infrastructure and electrical facilities and other businesses, including the information processing-related business. As of March 2014, the Group included 51 subsidiaries.



# COMS42

#### **Business Activities**

With its primary customers consisting of the NTT Group, public offices, and private enterprises, the Nippon COMSYS Group is engaged in the installation of electrical and telecommunications facilities and equipment on a nationwide scale. Address:

17-1, Higashigotanda 2-chome, Shinagawa-ku, Tokyo 141-8647, Japan Establishment: December 1951 Number of Employees: Consolidated 4,681 Non-Consolidated 3,082 URL: http://www.comsys.co.jp/ (Japanese only) Number of Consolidated Subsidiaries: 13 companies

#### **Consolidated Subsidiaries:**

COMSYS Mobile Corporation COMSYS Engineering Co., Ltd. WINTIQ Co., Ltd. COMSYS Kansai Engineering Co., Ltd. COMSYS Kyushu Engineering Co., Ltd. Phos Techno Shikoku Co., Ltd. Tsushin Densetsu Co., Ltd. Nihonkai Tsushinkensetsu Co., Ltd. Yashiro Tsushinkensetsu Co., Ltd. COMSYS Net Corporation COMSYS Tohoku Techno Co., Ltd. COMSYS Tsusan Co., Ltd. Taiei Seisakusho Co., Ltd.



# SANWA COMSYS Engineering Corporation

# **Business Activities**

With its primary customers consisting of the KDDI Group and the SoftBank Group, the SANWA COMSYS Engineering Group is engaged in the installation of electrical and telecommunications facilities and equipment on a nation-wide scale.

### Address:

12-3, Koenji-Minami 2-chome, Suginami-ku, Tokyo 166-0003, Japan Establishment: September 1947 Number of Employees: Consolidated 1,473 Non-Consolidated 720 URL:

http://www.sancom-eng.co.jp/ (Japanese only)

### Number of Consolidated Subsidiaries: 3 companies Consolidated Subsidiaries: SANWA Denshi Inc. SEC Hi Tec Co., Ltd. SUNCOM Technology Corporation

# TOSYS Corporation

#### **Business Activities**

With the NTT Group as its primary customer, the TOSYS Group is engaged in the installation of electrical and telecommunications facilities and equipment, mainly in Nagano and Niigata.

#### Address:

1108-5, Higashiyama Aza, Watauchi, Wakaho, Nagano City, Nagano 381-0193, Japan Establishment:

# January 1960

Number of Employees: Consolidated 1,031 Non-Consolidated 682 URL: http://www.tosys.co.jp/ (Japanese only) Number of Consolidated

# Subsidiaries:

3 companies

# Consolidated Subsidiaries:

Alstar Co., Ltd. TOSYS Niigata Co., Ltd. Tulip Life Co., Ltd.

# **Business Activities**

With the NTT Group as its primary customer, the TSUKEN Group is engaged in the installation of electrical and telecommunications facilities and equipment, mainly in Hokkaido.

**TSUKEN** Corporation

### Address:

6-8, Hondori 19-chome Minami, Shiraishi-ku, Hokkaido 003-0026, Japan **Establishment:** April 1951 **Number of Employees:** Consolidated 1,754 Non-Consolidated 865

### URL:

http://www.tsuken.co.jp/ (Japanese only) Number of Consolidated Subsidiaries: 5 companies

# **Consolidated Subsidiaries:**

TSUKEN ADVANCED SYSTEMS CORPORATION TSUKEN Active TSUKEN TECHNOLOGY Co., Ltd. TSUKEN Act Corporation TSUKEN BUSINESS CO., LTD.

# COMSYS JOHO SYSTEM Corporation

# **Business Activities**

COMIO

With its primary customer consisting of the NTT Group, the COMSYS JOHO SYSTEM Group is primarily engaged in the software development business, mainly in Tokyo.

# Address:

23-14, Takanawa 3-chome, Minato-ku, Tokyo 108-0074, Japan Establishment: April 2009 Number of Employees: Consolidated 502

# Non-Consolidated 361 URL: http://www.comjo.co.jp/

(Japanese only) Number of Consolidated Subsidiaries: 1 company Consolidated Subsidiary: COMSYS Techno Co., Ltd.

# President's Message



We aim to become a business group that can deliver sustainable growth.

Hajime Takashima President and Representative Director

# **Review of the Market Environment and Fiscal 2014**

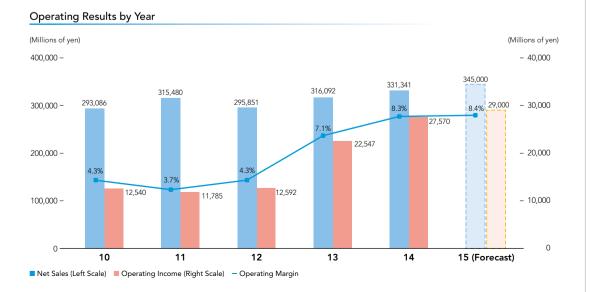
In fiscal 2014, the year ended March 31, 2014, the COMSYS Group's operating domain in the information and communications field in Japan saw rapid buildup of a telecommunications network environment installed to improve connectivity, accelerate communication speeds and adapt to mobile terminals that have grown in sophistication and diversity. This was in response to broader proliferation of broadband services, such as fiber-to-the-home (FTTH) and long-term evolution (LTE) wireless communication, greater functional sophistication of smartphones and tablet devices, and increased usage of cloud computing.

Meanwhile, in both the public and private sectors, advances in the government's promotion of Smart ICT has given rise to new value-added industries and prompted the use of big data, open data and cloud technologies in trying to resolve various social issues, including in the electronic government, healthcare and nursing care fields. This, in addition, is expected to stimulate public spending and capital expenditures by private companies aimed primarily at reinforcing the capabilities of cities for withstanding disasters and building up telecommunications infrastructure.

Under these market conditions, COMSYS took initiatives to promote the Group's COMSYS WAY<sup>a</sup> structural reforms and increase top-line revenues by participating in mega-solar power generation, green energy, and other next-generation business ventures and actively obtaining orders for public works and ICT investment projects. Moreover, in order to cope with an increase in work volume, the Group launched a new IT construction platform providing comprehensive management from order receipt through project management, and fundamentally re-examined its backyard operations to improve construction efficiency.

As a result, continued growth in the Group's IT solutions and social infrastructure businesses made up for the absence of a bulk order in mobile facility construction booked in the previous year, which resulted in orders received falling 2.3% year on year to ¥327,980 million in the year under review. Net sales increased 4.8% year on year to ¥331,341 million owing to the subsequent completion of the mobile facilities and steady work in solar power construction.

On the earnings front, there was a significant increase with recurring profit rising 22.5% year on year to ¥28,078 million and net income improving 23.4% year on year to ¥16,389 million. This significant gain, in addition to increased sales, was mainly attributable to the COMSYS WAY<sup>*a*</sup> structural reforms and cost reductions.



# **Fiscal 2015 Outlook and Priorities Ahead**

For fiscal 2015, more capital investment in the telecommunications network environment is expected in the COMSYS Group's operating domain in the information and communications field in Japan. These investments will once again be driven by connectivity improvements; faster communication speeds; the technological innovation (a shift from LTE to LTE-advanced) needed to support the greater functional sophistication and diversity of smartphones, tablets and other mobile devices; and the increased usage of cloud computing.

Meanwhile, in both the public and private sectors, the ICT Growth Strategy, Smart Community and other policies the government is promoting are expected to give rise to new value-added industries. Such policies should also help prompt full-scale reconstruction in the wake of the Great East Japan Earthquake, while reinforcing the national landscape and strengthening the capabilities of cities for withstanding disasters. The government will also probably aim the policies to eliminate unsightly utility poles above ground and renovate expressways ahead of the 2020 Tokyo Summer Olympic and Paralympic Games. Moreover, such policies are expected to usher the expansion of social infrastructure and IT businesses by stimulating demand in the environmental and energy markets.

Under these market conditions, the COMSYS Group will continue forward with the COMSYS WAY<sup>a</sup> structural reforms to increase top-line revenues, improve productivity and enhance operational efficiency to develop a leaner business management structure. Consequently, we are aiming for ¥29,000 million in consolidated operating income in fiscal 2015.

# **Profit Distribution/Dividend Policy**

COMSYS Holdings views returning earnings to shareholders as an important management priority. Our basic policy is to pay steady and continuous dividends linked to business performance. Based on this policy, in fiscal 2014, we paid an interim dividend of ¥10.00 yen per share. We paid a commemorative dividend of ¥5.00 in celebration of our 10th year of founding in September 2013, in addition to a regular year-end dividend of ¥10.00, combining to make a total year-end dividend of ¥15.00 per share. As a result, our total annual dividend for the term was ¥25.00 per share.

During fiscal 2014, we bought back 5,839 thousand shares worth ¥7,999 million with the aim of stepping up the return of earnings to shareholders and enabling flexible financial policies in response to changes in the business environment.

The philosophy of the COMSYS Group is based on the three key management pillars of sales and earnings growth, increased operation efficiency, and unification of our business operations. Mindful always of these three concepts, the COMSYS Group strives to enhance corporate value and win the trust and admiration of all stakeholders through its performance, with the ultimate aim of becoming a company that can deliver sustainable growth.

In addition, the COMSYS Group will strive to implement measures such as improving security and quality standards, strengthening corporate governance, ensuring compliance, enhancing risk management and implementing the Group's code of conduct, while entrenching internal control systems.

We look forward to the ongoing understanding and support of all our stakeholders, as we endeavor to reach our goals.

September 2014

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Hajime Takashima President and Representative Director

# **NTT Engineering Business**



# **BUSINESS DOMAINS**

- NTT access business
- NTT network business
- NTT DOCOMO business

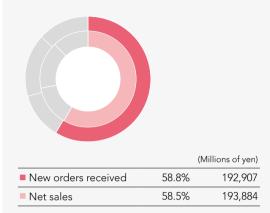
# Respective Areas of Business Operations of Group Companies

1	Nippon COMSYS Group	SANCOM Group	TOSYS Group	TSUKEN Group	COMSYS JOHO SYSTEM Group

### **Business Activities**

In the NTT Engineering segment, the Group is mainly engaged in the construction of telecommunications infrastructure for the NTT Group, including the installation of telephone lines and exchange equipment, and construction of wireless base stations. This is the COMSYS Group's core business and accounts for the largest share of Group-wide sales.

New Orders Received/Net Sales (Year Ended March 31, 2014)



**Operating Results Analysis and Forecast** In NTT access business, there has been a decline in one-stop installation and construction services in response to orders from NTT, as well as in telephone pole upgrade projects due to the absence of bulk orders in the previous fiscal year. In NTT network business, there has been an increase in electrical reception projects and other services. In NTT DOCOMO business, there has been an increase in various construction work, including LTE (3.9 next-generation mobile communications system) related projects.

Under these conditions, new orders received in the fiscal year under review decreased 3.2% year on year to ¥192,907 million, while net sales increased 1.5% to ¥193,884 million. Going forward, we expect NTT DOCOMO business to remain firm due to base station construction work accompanying LTE network expansion, while we anticipate downward trends in NTT access business and NTT network business.

# **NCC Engineering Business**



# **BUSINESS DOMAINS**

Telecommunications Facility Construction Business with telecommunications carriers other than the NTT Group

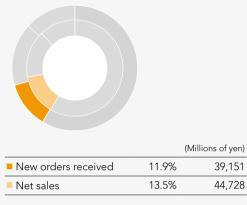
# Respective Areas of Business Operations of Group Companies

Nippon COMSYS Group	SANCOM Group	TOSYS Group	TSUKEN Group	COMSYS JOHO SYSTEM Group

### **Business Activities**

In the NCC Engineering segment, the Group undertakes construction of telecommunication and other related facilities for telecommunications carriers other than the NTT Group.





**Operating Results Analysis and Forecast** In the fiscal year under review, new orders decreased 16.5% year on year to ¥39,151 million due to a downturn in SoftBank platinum band bulk orders in the previous fiscal year and a decline in KDDI landline-related orders. Net sales rose 9.2% to ¥44,728 million, due to the completion of projects carried forward related to the SoftBank Group's platinum band and KDDI Corporation's (au) LTE networks. Going forward, we expect construction work for the SoftBank Group and KDDI Corporation's (au) LTE networks to remain strong.

# **IT Solutions Business**



# **BUSINESS DOMAINS**

- Network Integration (NI) Solutions
- System Integration (SI) Solutions
- Software development and contracted development
- Maintenance

# Respective Areas of Business Operations of Group Companies

Nippon COMSYS Group	SANCOM Group	TOSYS Group	TSUKEN Group	COMSYS JOHO SYSTEM Group
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# **Business Activities**

In the IT Solutions segment, the Group combines its accumulated expertise with cutting-edge network technologies to provide comprehensive solutions services in the IT field, ranging from planning proposals regarding optimal systems integration for customers' business operations to providing maintenance services.





**Operating Results Analysis and Forecast** Due to an increase in projects received through alliances (system construction in health care and education sectors, etc.) and an increase in Postal advanced NETWork (P-NET) orders assignments related to the Ministry of Internal Affairs and Communications, new orders increased 4.7% year on year to ¥52,885 million, while net sales increased 7.1% to ¥52,415 million. Going forward, we expect increases in both capital investment and IT investment based on the government's ICT growth strategy and from private-sector companies.

# **Social System-Related Business and Other**



# **BUSINESS DOMAINS**

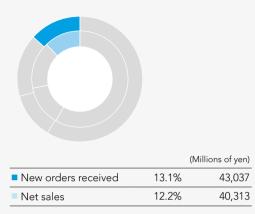
- Electrical facility construction
- Communication cable box (C.C. Box) construction
- Civil engineering construction
- Building construction and associated construction
- Environment and eco-solutions
- Others

# Respective Areas of Business Operations of Group Companies

Nippon COMSYS Group	SANCOM Group	TOSYS Group	TSUKEN Group	COMSYS JOHO SYSTEM Group

### **Business Activities**

In the Social System-Related Business and Other segment, the Group is engaged in the design and construction of electrical facilities for places such as public facilities and office buildings; general civil engineering projects; the construction of office buildings, warehouses, factories, and disaster preparation facilities; as well as businesses related to the environment and eco-businesses, such as solar power generation systems, energy conservation solutions, and other urban infrastructure businesses. New Orders Received/Net Sales (Year Ended March 31, 2014)



**Operating Results Analysis and Forecast** In the fiscal year under review, new orders increased 10.7% year on year to ¥43,037 million, due to factors including the increase in solar power generation construction projects. Net sales rose 14.3% to ¥40,313 million. Going forward, we expect a favorable business environment based on expectations for public sector investment as well as capital investment in the private sector. We also anticipate orders related to the removal of utility poles enabled by the laying of underground cables and the construction of expressways, driven by the future holding of the Tokyo Olympics and Paralympics.

# Topics

# Nippon COMSYS makes Ecosystem Japan into a subsidiary

On May 5, 2014, Nippon COMSYS Corporation bought approximately 82% of the issued shares of Ecosystem Japan Co., Ltd., making the company into a subsidiary.

Ecosystem Japan Co., Ltd. is a specialist in the business of selling and installing industrial- and home-use solar power systems. In particular, the company has been pioneering the popularization and development of standalone solar power systems for residences, and is the leading company in this sector.

By making the company into a subsidiary, Nippon COMSYS will produce synergies by effectively utilizing their mutual management resources, and further advance Nippon COMSYS' solar power business by extending it from mega-solar to small- and medium-sized industrial and residential applications.

Name:	Ecosystem Japan Co., Ltd.
Head office:	Akasaka, Minato-ku, Tokyo
President and Representative Director:	Hiroshi Shirahige (Transfer from Nippon COMSYS Corporation)
Paid-in capital:	¥372 million
Net sales:	¥15.5 billion (Consolidated)
Established:	May 1997
Number of employees:	335 (Consolidated)

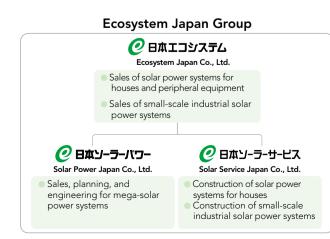
Ecosystem Japan Co., Ltd. possesses two wholly owned subsidiaries: Solar Service Japan Co., Ltd. and Solar Power Japan Co., Ltd.

# Central Building Services made into a wholly owned subsidiary through a simple share exchange

On April 23, 2014, COMSYS Holdings Corporation conducted a simple share exchange by which Central Building Services Co., Ltd. became a wholly owned subsidiary of Nippon COMSYS. On the same day, TSUKEN Act became a subsidiary of the TSUKEN Group.

Central Building Services Co., Ltd. operates building maintenance and security businesses from bases in the cities of Kushiro and Sapporo in Hokkaido. Central Building Services will pursue synergies with the TSUKEN Group in target regions and business sectors under an alliance. The TSUKEN Group is based primarily in Hokkaido and does business with the NTT Group. Central Building Services and the TSUKEN Group will pursue a growth strategy by leveraging their strengths as a group.

Name:	Central Building Services Co., Ltd.
Head office:	Kushiro, Hokkaido
President and Representative Director:	Masato Yoshimoto (Transfer from TSUKEN Corporation)
Paid-in capital:	¥10 million
Net sales:	¥500 million
Established:	September 1973
Number of employees:	26





Central Building Services head office

# Completion of COMSYS Shinagawa Konan Building

Nippon COMSYS decided to construct the COMSYS Shinagawa Konan Building in Minato Ward in Tokyo with the aim of bringing together its various business bases spread over the Tokyo metropolitan area. The construction of this building was completed on March 28, 2014 with the cooperation of the local government and the community. The building comprises two towers: eight floors of offices with total floor area of 8,872 m<sup>2</sup> and eight stories of parking space with total floor area of 10,540 m<sup>2</sup>.

The building is planned to be occupied by approximately 730 key personnel and to provide parking space for approximately 300 vehicles. In response to a request from Minato Ward, the office area has been designed to provide assistance after a disaster as a temporary facility for people who can't get home and as a warehouse for disaster readiness supplies. If a disaster occurs, the building will function as a temporary shelter and also provide stockpiled items as disaster countermeasures. In this way, it will contribute to the development of the community by offering refuge and accommodation to local people and people working in the area.

# The first development of mega-solar business in western Japan

The COMSYS Group is engaged in the power business with the aim of contributing to the regional society and the global environment through the creation of green energy. The Group's third power station commenced operations on November 1, 2013. The Tsu Solar Power Station (Sun Country Sakakibara Tsu) is the first solar power station in western Japan. It has a total output of approximately 2,505 kW, and comprises 8,640 solar panels installed on idle land belonging to the Sakakibara Golf Club in Tsu City in Mie Prefecture. It is anticipated that the power station will supply approximately 2.7 million kWh per year of electric power, and it is expected to effectively reduce CO<sub>2</sub> emissions by 1,400 tons annually. It uses solar panel stands designed and developed by the COMSYS Group itself.

# (Reference)

First power station: Hitachi Ota Solar Power Station A site and B site (Sun Factory Hiyama station, located in Hitachiota City)

Second power station: Showa Solar Power Station ("Sun Farm Sennen no Mori Showa Village")



Exterior of the COMSYS Shinagawa Konan Building



Tsu Solar Power Station (Sun Country Sakakibara Tsu)

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# Corporate Governance

# **Basic Corporate Governance Philosophy**

The philosophy of the COMSYS Group is based on the three key management pillars of sales and earnings growth, increased operation efficiency, and unification of our business operations. Mindful always of these three concepts, the COMSYS Group strives to enhance corporate value and win the trust and admiration of all stakeholders through its performance.

The COMSYS Group makes all possible efforts to entrench measures such as improving security and quality standards, strengthening corporate governance, ensuring compliance, enhancing risk management, implementing the Group's code of conduct, and bolstering internal control systems based on the Companies Act and the Financial Instruments and Exchange Act of Japan.

# **Organizational Structure**

Corporate governance at COMSYS Holdings Corporation (the "Company") utilizes the Audit & Supervisory Board system under the Japanese law, and has an

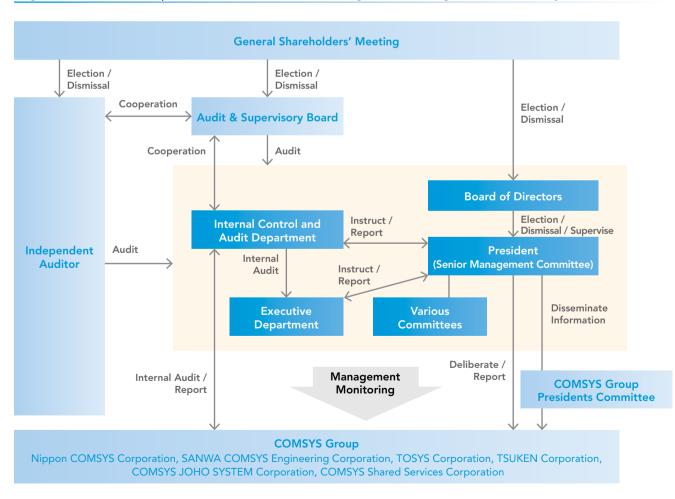


Diagram of the COMSYS Group's business execution framework, management monitoring and internal control system

organizational structure consisting of a general shareholders' meeting, Board of Directors, Audit & Supervisory Board and other organizations.

The Board of Directors, the highest decision-making body with respect to management strategy, has decided to structure the Board around directors well versed in the Company's operations and outside directors who monitor management from an independent standpoint, with the aim of enhancing management efficiency. Meanwhile, the Company has reinforced auditing functions by fully utilizing all Audit & Supervisory Board Members, including outside Audit & Supervisory Board Members, in order to ensure and enhance corporate governance and sound management.

As of June 27, 2014, the Board of Directors consisted of 12 directors. Based on internal rules governing the Board of Directors, the Board meets regularly and ad hoc as necessary to discuss matters stipulated by laws and regulations and to decide on important management issues, and monitors each directors' performance of their duties. In addition, four (as of June 27, 2014) Audit & Supervisory Board Members, including outside Audit & Supervisory Board Members, attend meetings of the Board of Directors and express their views on issues related to business execution, and monitor the directors' performance of their duties.

Every quarter, the directors responsible for each business segment report to the Board of Directors on progress with business execution based on policies determined by the Board. Also, each business segment conducts efficient operational management under the supervision of the responsible director.

The Senior Management Committee is made up of directors other than outside directors and the standing Audit & Supervisory Board Member. In principle, this committee meets once a month to examine, discuss, and pass resolutions on issues related to key decisions, in an effort to improve the efficiency of business execution. The heads of each operating department and certain other personnel attend meetings of the Senior Management Committee as observers, as necessary, to ensure that they fully understand the basis for all management decisions.

The term of office for directors is set at one year in order to clarify directors' management responsibilities every fiscal year, and to flexibly structure an optimal management team in step with changes in the business environment.

# Status of the Internal Control System

The Company implements its internal control system based on a "Basic Policy on Establishing an Internal Control System" that has been approved by resolution of the Board of Directors in May 2006, as follows.

# **Establishing a Compliance Structure**

Based on its internal Compliance Program, the Company has set forth Compliance Action Guidelines and has established the Compliance Committee within the above framework.

This committee, which is chaired by the president, is made up of representatives from the Company and each of the core operating subsidiaries, as well as all Audit & Supervisory Board Members. The committee oversees compliance throughout the COMSYS Group, and strives to increase the COMSYS Group's awareness of compliance and establish an effective compliance structure through various discussions. All COMSYS Group companies have set up similar compliance committees of their own. These committees work to establish an effective compliance structure by implementing educational and training programs, as part of efforts to deepen employee understanding of the corporate philosophy and action guidelines of each respective COMSYS Group company.

Establishing a Risk Management Structure

In its efforts to maintain and enhance corporate value amid a rapidly changing business environment, the COMSYS Group is aware that it faces a variety of business risks which must be managed appropriately. Therefore, the Group has established a Risk Management Committee, chaired by the president and made up of directors from the Company and each of the core operating subsidiaries.

In August 2006, the Basic Policy on Risk Management was formulated in order to promote Group-wide risk management. Furthermore, similar risk management committees were established at each Group company. In this manner, efforts are being made to properly address the business risks faced by each Group company, and to minimize the materialization of each risk.

The Company has formulated Risk Management Guidelines and Crisis Management Guidelines and will strive to maintain sustainable operations and ensure steady growth at the Company and the COMSYS Group by practicing effective risk management.

For example, the COMSYS Group manages operational risk by ensuring that Group companies work in accordance with management systems such as ISO 9001, ISO 14001, COHSMS (Construction Occupational Health and Safety Management Systems), ISMS (Information Security Management Systems) and Privacy Mark certifications given the actual working environments. As a result, the COMSYS Group acquires and maintains certificates of those systems.

# **CSR** Activities

The Company and the COMSYS Group have established the CSR Committee to coordinate Group-wide CSR activities with the aim of ensuring that the Group actively fulfills its economic and social responsibilities, including social contribution activities, as a good corporate citizen.

The CSR Committee is engaged in CSR activities addressing various themes, such as compliance, corporate governance, risk management, information disclosure and protection, security countermeasures, social contributions and environmental issues.

# Establishing an Information Management Structure

Important documents related to business activities and the performance of directors' duties, including minutes of the Board of Directors and Senior Management Committee meetings and other reports, are stored and managed appropriately based on laws and regulations, as well as the Group's internal rules.

Furthermore, in order to improve the efficiency of operations and business execution, after ensuring an adequate level of information security, the Company is working to deploy various information systems to put in place a framework for sharing the latest management information.

# Establishing a Group Management Structure

Important management decisions within the COMSYS Group are reported to and discussed by the Board of Directors and the Senior Management Committee in line with Group Operation Standards, which clarify decisionmaking and reporting rules for the COMSYS Group. In this manner, the Group management and monitoring framework is centered on the Company.

The Company and the COMSYS Group have formulated regulations as regards internal reporting, and established reporting liaison contacts both inside the company and at a law firm outside the Company. In this manner, the Company has put in place a system to report about and prevent such important matters as the possibility of a violation of laws as regards organizations or individuals through reporting by an employee.

In order to ensure that all COMSYS Group operations are carried out appropriately, the directors of each core operating subsidiary also participate as members in the various Group committees established within the Company, including the CSR Committee, the Compliance Committee and the Risk Management Committee. In this way, the COMSYS Group ensures that all policies and decisions discussed by these groups are reported to and thoroughly understood by each Group company.

In addition, the Group has formed the COMSYS Group Presidents Committee, which is made up of the presidents of COMSYS Group companies. This committee meets regularly and works to ensure that management policies and activities are clearly understood by all members.

# System to Eliminate Antisocial Forces

To fulfill our social responsibility as a company, the Company and the COMSYS Group have absolutely no relationship with any antisocial forces or groups that threaten the order and safety of civic society. Moreover, the Company and the COMSYS Group will maintain a resolute and uncompromising attitude in the face of any attempts to form a coercive relationship.

The Company and the COMSYS Group have prepared an organizational framework that enables them to block the formation of a relationship with any antisocial forces or groups, and to maintain a resolute and uncompromising attitude while coordinating with lawyers, the police, and other relevant authorities.

# Internal Auditing and Audit & Supervisory Board Members

The Company's internal auditing organization consists of an Internal Audit Office and an Internal Control Office with a staff of 11 and 4 employees, respectively (as of June 27, 2014), within the Internal Control and Audit Department.

The Internal Audit Office formulates internal auditing policies based on top management requirements, and conducts internal audits of the Company and all Group companies. These activities are intended to ensure that each business risk faced by the Group is minimized, while maximizing the quality of business operations. The Internal Control Office formulates operational internal control policies as regards financial reporting, and provides leadership and effective evaluation as regards entrenching internal control systems in the Company and the COMSYS Group. The Audit & Supervisory Board has four members, two of whom are outside Audit & Supervisory Board Members. No employees are specifically assigned to assist the Audit & Supervisory Board Members with their activities. If such assistance is required, there is a structure in place for addressing personnel issues such as determining appointees and ensuring independence from directors. Audit & Supervisory Board Member Hiroshi Komori has extensive experience in working in accounting-related departments of subsidiaries of the Company, and possesses considerable knowledge of financial and accounting matters.

In addition, based on the rules governing the Audit & Supervisory Board Members, directors and employees are required to report on major business activities or issues that could affect the COMSYS Group's operations or performance to the Audit & Supervisory Board.

Audit & Supervisory Board Members may request further information on the above mentioned reporting at any time as necessary, as well as other required disclosures.

The Audit & Supervisory Board Members regularly attend both regular and extraordinary meetings of the Board of Directors as well as meetings of the Senior Management Committee, the CSR Committee, the Compliance Committee and other important internal committee meetings or discussions. This structure has been established to allow the Audit & Supervisory Board Members to verify the status of business execution on a regular basis and to express their views on these matters. The Audit & Supervisory Board Members also hold regular meetings with the president to directly express their views on issues related to business execution and other topics. In accordance with audit plans formulated by the Audit & Supervisory Board, the Audit & Supervisory Board Members of COMSYS Holdings regularly check to see whether business operations are executed appropriately and efficiently by maintaining close ties with the Internal Control and Audit Department and with the Group's independent auditor. For example, the Audit & Supervisory Board Members accompany the independent auditor and others on on-site internal and financial audits as observers. The Audit & Supervisory Board Members of COMSYS Holdings also convene regular meetings with their counterparts at core COMSYS Group companies, and maintain close ties within the COMSYS Group mainly by sharing information and exchanging views, in order to improve the effectiveness of audits.

Corporate Social Responsibility (CSR)

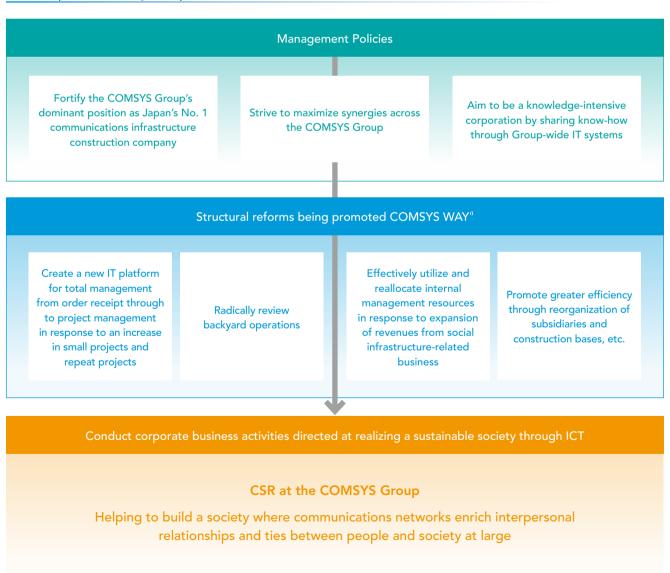
# **Basic Approach to CSR**

In this information-rich society, the role of the COMSYS Group is to build a reliable, safe and convenient communications infrastructure and support the networks that connect every corner of society like clockwork. This is, simultaneously, our responsibility to society as a corporation.

Our mission is to build a high-quality, highly reliable communications infrastructure while giving consideration to the environment and helping to create an information-rich society that coexists harmoniously with the global environment.

With the pride and purpose of being a top-brand group in the communications network construction industry, we will conduct corporate business activities directed at realizing a sustainable society through ICT. At the same time, we aim to be an enterprise that develops together with society while gaining the trust and fulfilling the expectations of the public.

#### Relationship between management policies and CSR



# **Consolidated Balance Sheets**

COMSYS Holdings Corporation and Consolidated Subsidiaries As of March 31, 2013 and 2014

		Millions of ye
	2013	2014
SSETS		
Current assets:		
Cash and cash equivalents	¥ 23,651	¥ 31,036
Notes and accounts receivable—trade	96,579	97,667
Lease investment assets	2,752	2,999
Marketable securities	59	(
Accumulated cost of construction in progress	18,805	17,810
Merchandise	1,087	453
Materials and supplies	512	343
Deferred income taxes	3,842	4,092
Other current assets	2,405	2,15
Less: Allowance for doubtful receivables	(103)	(6)
Total current assets	149,593	156,49
Fixed assets: Property and equipment:		
Buildings and structures	47,345	50,530
Less: Accumulated depreciation	(23,259)	(24,499
Buildings and structures, net	24,085	26,030
Machinery, vehicles and equipment	18,000	17,850
Less: Accumulated depreciation	(13,186)	(13,08)
Machinery, vehicles and equipment, net	4,813	4,76
Land	38,324	38,96
	252	44
Lease assets		
Lease assets	(34)	(7
	(34) 217	(7)

Intangible assets	4,324	3,594
Investments and other assets:		
Investment securities	9,037	9,684
Long-term loans receivable	1,745	3,908
Prepaid pension cost	3,855	_
Net defined benefit asset	_	2,422
Deferred income taxes	1,387	1,245
Other assets	5,521	4,956
Less: Allowance for doubtful receivables	(2,308)	(2,098)
Total investments and other assets	19,239	20,117
Total fixed assets	91,008	94,066
otal assets	¥240,602	¥250,561

67,444

70,353

Total property and equipment .....

67,190

71,147

		Millions of yen
	2013	2014
LIABILITIES		
Current liabilities:		
Accounts payable—trade	¥ 44,456	¥ 45,039
Short-term bank loans	1,660	1,270
Income taxes payable	2,978	6,847
Advances received on construction in progress	1,526	1,018
Allowance for warranty work on construction projects	155	184
Allowance for losses on construction contracts	52	379
Other current liabilities	8,409	8,981
Total current liabilities	59,238	63,720
Long-term liabilities:		
Deferred income taxes	457	428
Deferred tax liabilities for unrealized gains on land revaluation	1,662	1,662
Accrued severance indemnities	5,077	_
Net defined benefit liability	_	4,384
Allowance for directors' retirement benefits	222	193
Other long-term liabilities	532	756
Total long-term liabilities	7,951	7,426

### **NET ASSETS**

	Share	hold	lers'	equity:	
--	-------	------	-------	---------	--

Common stock	10,000	10,000
Additional paid-in capital	55,440	55,494
Retained earnings	134,747	148,713
Treasury stock, at cost	(21,180)	(28,658)
Total shareholders' equity	179,006	185,549

Total liabilities

Accumulated other comprehensive income:		
Unrealized gain (loss) on other securities	1,366	1,803
Unrealized gain (loss) on land revaluation	(8,090)	(8,090)
Remeasurements of defined benefit plans		(1,028)
Total accumulated other comprehensive income	(6,724)	(7,315)

Subscription rights to shares	497	478
Minority interests	631	701
Total net assets	173,411	179,414
Total liabilities and net assets	¥240,602	¥250,561

**Consolidated Statements of Income** COMSYS Holdings Corporation and Consolidated Subsidiaries Years ended March 31, 2013 and 2014

		Millions of ye
Ni-+ [	2013	2014
Net sales	¥316,092	¥331,341
Cost of sales	274,865	285,571
Gross profits	41,226	45,770
Selling, general and administrative expenses	18,679	18,200
Operating income	22,547	27,570
Other income:		
Interest income	42	48
Dividend income	173	164
Reversal of allowance for doubtful receivables	30	130
Rent income on noncurrent assets	120	107
Foreign exchange gains	152	-
Other	209	160
Total other income	729	611
Other expenses:		
Interest expenses	23	ç
Commission for purchase of treasury stock	11	22
Rent expenses	33	30
Provision for allowance for doubtful receivables	260	2
Other	33	19
Total other expenses	362	103
Recurring profit	22,914	28,07
Extraordinary income:		
Gain on sales of fixed assets	4	3!
Gain on negative goodwill	752	_
Gain from reimbursement on investment	_	1,052
Gain on payback of insurance payments	74	198
Other	10	139
Total extraordinary income	841	1,420
Extraordinary loss:		.,
Loss on sales of fixed assets	34	64
Loss on disposal of fixed assets	162	70
Write-down on investments in securities	58	
Loss on impairment of fixed assets	50 54	323
	54	
Business structure improvement expenses	1 72/	1,718
Special payments on employees' retirement benefits	1,736	6
Other	617	18
Total extraordinary loss	2,662	2,42
Income before income taxes and other adjustments to net income	21,093	27,070
Income taxes:		
Current	7,566	10,40
Deferred	163	21
Total income taxes	7,729	10,617
Income before minority interests	13,363	16,459
Minority interests	79	70
Net income	¥ 13,284	¥ 16,389

# **Consolidated Statements of Changes in Net Assets** COMSYS Holdings Corporation and Consolidated Subsidiaries Years ended March 31, 2013 and 2014

					Millions of yen
				Shar	eholders' equity
Year ended March 31, 2013	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
Balance at the end of the previous period	¥10,000	¥55,374	¥123,611	¥(17,504)	¥171,481
Changes during the period:					
Cash dividends			(2,504)		(2,504)
Net income			13,284		13,284
Repurchase of treasury stock				(4,001)	(4,001)
Disposal of treasury stock		65		325	390
Changes of scope of consolidation			355		355
Net changes during the period except for shareholders' equity					
Total changes during the period	_	65	11,135	(3,676)	7,525
Balance at the end of the period	¥10,000	¥55,440	¥134,747	¥(21,180)	¥179,006

							Millions of yen
		Accumul	ated other compre	ehensive income			
Year ended March 31, 2013	Unrealized gain (loss) on other securities	Unrealized gain (loss) on land revaluation	Remeasure- ments of defined benefit plans	Total accumu- lated other comprehen- sive income	Subscription rights to shares	Minority interests	Total net assets
Balance at the end of							
the previous period	¥ 115	¥(8,090)	¥—	¥(7,974)	¥430	¥637	¥164,574
Changes during the period:							
Cash dividends							(2,504)
Net income							13,284
Repurchase of treasury stock							(4,001)
Disposal of treasury stock							390
Changes of scope of consolidation							355
Net changes during the period except for shareholders' equity	1,250	_	_	1,250	67	(5)	1,312
Total changes during				,		(-)	, -
the period	1,250	_	_	1,250	67	(5)	8,837
Balance at the end of the period	¥1,366	¥(8,090)	¥—	¥(6,724)	¥497	¥631	¥173,411

				Millions of yen
			Shar	eholders' equity
Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
¥10,000	¥55,440	¥134,747	¥(21,180)	¥179,006
		(2,423)		(2,423)
		16,389		16,389
			(8,002)	(8,002)
	54		525	579
		_		_
_	54	13,966	(7,477)	6,542
¥10,000	¥55,494	¥148,713	¥(28,658)	¥185,549
	stock ¥10,000	stock paid-in capital ¥10,000 ¥55,440 54 54	stock         paid-in capital         earnings           ¥10,000         ¥55,440         ¥134,747           (2,423)         16,389           54         —            54            54	Common stock         Additional paid-in capital         Retained earnings         Treasury stock, at cost           ¥10,000         ¥55,440         ¥134,747         ¥(21,180)           (2,423)         16,389         (8,002)           54         525             54         13,966         (7,477)

							Millions of yen
		Accumul	ated other compre	hensive income			
Year ended March 31, 2014	Unrealized gain (loss) on other securities	Unrealized gain (loss) on land revaluation	Remeasure- ments of defined benefit plans	Total accumu- lated other comprehen- sive income	Subscription rights to shares	Minority interests	Total net assets
Balance at the end of the previous period	¥1,366	¥(8,090)	¥ —	¥(6,724)	¥497	¥631	¥173,411
Changes during the period:							
Cash dividends							(2,423)
Net income							16,389
Repurchase of treasury stock							(8,002)
Disposal of treasury stock							579
Changes of scope of consolidation							_
Net changes during the period except for shareholders' equity	436		(1,028)	(591)	(19)	70	(540
Total changes during the period	436	_	(1,028)	(591)	(19)	70	6,002
Balance at the end of the period	¥1,803	¥(8,090)	¥(1,028)	¥(7,315)	¥478	¥701	¥179,414

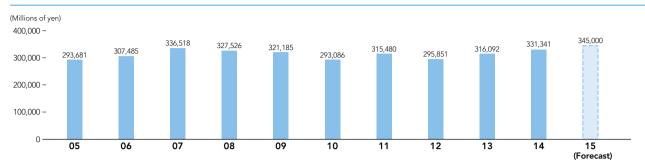
# **Consolidated Statements of Cash Flows** COMSYS Holdings Corporation and Consolidated Subsidiaries Years ended March 31, 2013 and 2014

Cash flows from operating activities:           Income before income taxes and other adjustments to net income         ¥ 21,0	013	Millions of yen 2014
Cash flows from operating activities:           Income before income taxes and other adjustments to net income         ¥ 21,0	013	2014
Income before income taxes and other adjustments to net income ¥21,0		
•	93	¥ 27,076
44	-86	4,426
	54	323
	58	
	18	(247)
	63)	(5,077)
		4,398
		(212)
	23	(212)
Increase in receivables—trade		
		(1,440)
(Increase) decrease in inventories		1,793
Increase in payables—trade		601
	39	(99)
	77)	(881)
	52)	
	04	(139)
12,1	50	30,532
	19	209
Cash and cash equivalents paid for interest expenses	(22)	(9)
Cash and cash equivalents paid for income taxes	83)	(6,546)
Net cash provided by operating activities	63	24,185
Cash flows from investing activities:		
Decrease in time deposits, net	53	120
Payment for purchases of investment securities	(46)	(7)
	73	41
Collection of investments in capital	_	1,220
Proceeds from acquisition of stocks of subsidiaries resulting in changes		
	37	_
Acquisitions of property and equipment	27)	(5,244)
Acquisitions of intangible fixed assets		(1,251)
	44	358
	79)	(2,502)
•	47	557
	(74)	(670)
	,, 4) 09	1,247
	(32)	(99)
		(6,228)
	54)	(0,220)
Cash flows from financing activities:	95)	(390)
5.		(390)
	(34)	(0.025)
Acquisitions of treasury stock	•	(8,025)
5	94	378
Cash dividends paid		(2,423)
Cash dividends paid to minority shareholders	(5)	(3)
	(31)	(48)
Net cash used in financing activities         (6,4)		(10,511)
Effect of exchange rate changes on cash and cash equivalents	5	0
Net increase (decrease) in cash and cash equivalents         (10,0)	73)	7,445
Cash and cash equivalents at beginning of year	54	23,469
Increase (decrease) in cash and cash equivalents resulting		
	88	
Cash and cash equivalents at end of year ¥ 23,4	69	¥ 30,915

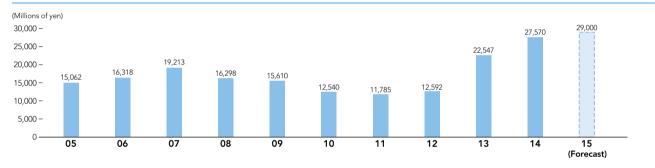
# Ten-Year Summary of Business Results and Financial Data

Years ended March 31

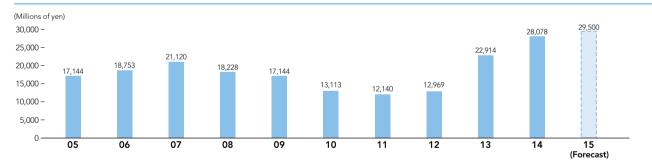
Net Sales

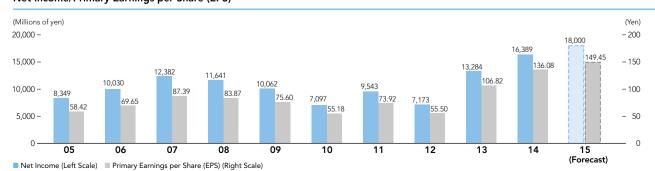


**Operating Income** 



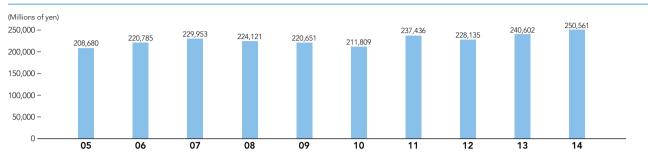
**Recurring Profit** 

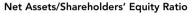




Net Income/Primary Earnings per Share (EPS)

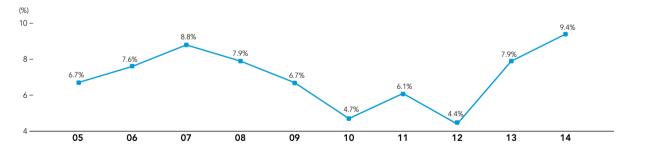




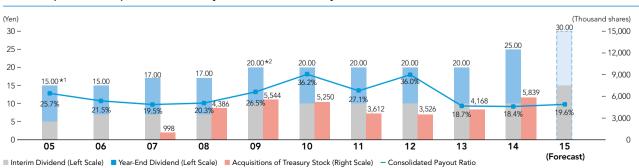












\*1: Includes a ¥3 commemorative dividend to mark the fifth anniversary of the Company's establishment.
 \*2: Includes a ¥3 special dividend paid to reflect the benefits of the merger.

# Information

# **COMSYS Holdings Information**

### **Corporate Data**

As of March 31, 2014

Name: COMSYS Holdings Corporation

Head Office: 17-1, Higashigotanda 2-chome, Shinagawa-ku, Tokyo 141-8647, Japan

URL: http://www.comsys-hd.co.jp/english/

#### **Date of Establishment:** September 29, 2003

**Paid-In Capital:** ¥10 billion

Number of Employees: 9,625 (Consolidated)

# **Directors and Audit & Supervisory Board Members**

As of June 27, 2014

### **President and Representative Director**

Hajime Takashima

### Directors

Noriaki Itoh (President and Representative Director of Nippon COMSYS Corporation)

Hirofumi Yamasaki (President and Representative Director of SANWA COMSYS Engineering Corporation)

Akio Ogawa (President and Representative Director of TOSYS Corporation)

Hidetoshi Miura (President and Representative Director of TSUKEN Corporation)

Masaru Kudo (President and Representative Director of COMSYS JOHO SYSTEM Corporation)

Yoshihiro Mimata

Tomoaki Yamamoto

Tsuyoshi Nishiyama

Hitoshi Kumagai

Shigemi Sakamoto

Takeshi Gotoh\*1

### Audit & Supervisory Board Members

Hiroshi Komori *(Standing)* Hideki Niimi

Masahiko Miyashita\*<sup>2</sup>

Takaharu Saegusa\*2

\*1 Outside Director

\*2 Outside Audit & Supervisory Board Member

( ): Concurrent positions held

# **Corporate History**

October 2010 Management integration of TSUKEN Corporation.

#### June 2009

Minimum share purchase unit reduced from 1,000 shares to 100 shares.

### April 2009

The information systems business related to software development outsourcing was spun off from Nippon COMSYS Corporation to form COMSYS JOHO SYSTEM Corporation.

### April 2007

COMSYS Holdings Corporation converted COMSYS Shared Services Corporation, previously a consolidated subsidiary of Nippon COMSYS Corporation, into a wholly owned subsidiary in order to clarify its role as a common provider of business process outsourcing services for the COMSYS Group.

### October 2005

COMSYS Holdings Corporation converted Kokusai Densetsu Co., Ltd. (now COMSYS WING Corporation) into a wholly owned subsidiary through a stock exchange, and made Kokusai Densetsu a wholly owned subsidiary of Nippon COMSYS Corporation on the same day.

### April 2005

SANWA ELEC Co., Ltd. was renamed SANWA COMSYS Engineering Corporation.

#### January 2005

The NTT Information Telecommunication Engineering Business of SANWA ELEC Co., Ltd. was centralized at Nippon COMSYS Corporation.

### September 2004

COMSYS Holdings Corporation subscribed to a third-party allotment of shares of SANWA ELEC Co., Ltd.

### September 2003

COMSYS Holdings Corporation listed its shares on the first sections of the Tokyo Stock Exchange and Osaka Securities Exchange.

#### September 2003

Nippon COMSYS Corporation delisted its shares in line with the establishment of the holding company.

#### March 2002

Nippon COMSYS Corporation was selected as one of the 225 components of the Nikkei Stock Average.

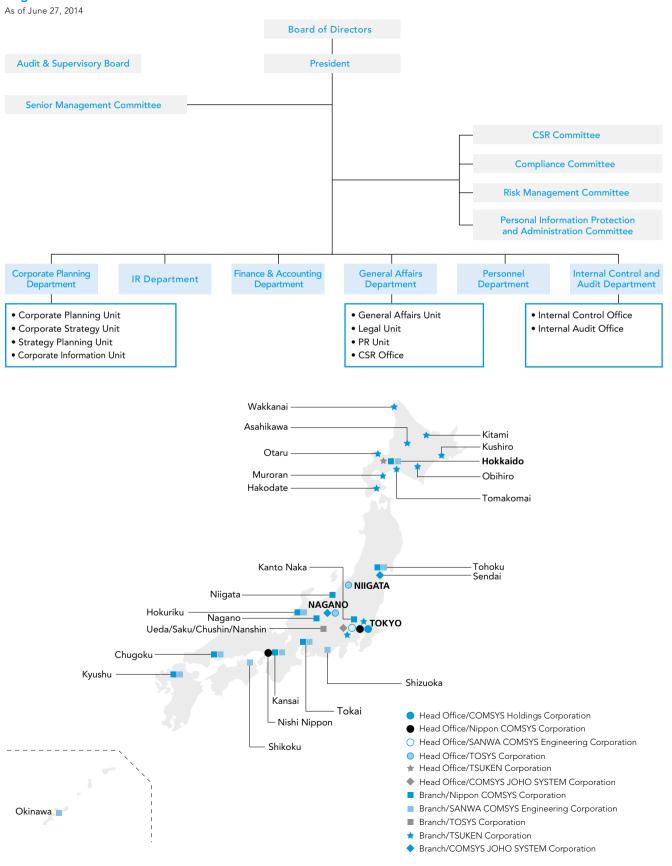
# December 2001

Nippon COMSYS Corporation celebrated its 50th founding anniversary.

# July 1990

The Company was renamed Nippon COMSYS Corporation.

### **Organization Chart**



# **Investor Information**

**Fiscal Year-End:** March 31, 2014

□ Annual Shareholders' Meeting: June 27, 2014

Common Stock: Authorized: 580,000,000 shares Issued: 145,977,886 shares

**Number of Shareholders:** 9,051

#### **Date of Listing:** September 2003

#### □ Stock Exchange Listings:

First Section of the Tokyo Stock Exchange (Securities code: 1721)

# □ Transfer Agent:

Mitsubishi UFJ Trust and Banking Corporation Securities Department 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

# Auditor:

GYOSEI & CO.

# □ For Further Information on This Annual Report,

# Please Contact:

IR Department Tel: +81-3-3448-7000 (direct) Fax: +81-3-3448-7001 E-Mail: chd-ir@comsys.co.jp

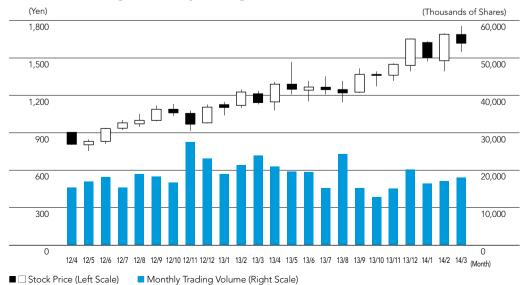
### □ Major Shareholders:

As of March 31, 2014

Shareholders	Shares Held (Thousands)	Percentage of Total (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,498	9.24
Japan Trustee Services Bank, Ltd. (Trust Account)	10,205	6.99
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. Retrust Account, Sumitomo Electric Industries, Ltd.		
Employee Pension Trust Account)	5,166	3.53
BNP Paribas Securities, Ltd.	3,310	2.26
Nippon Life Insurance Company	2,784	1.90
Trust & Custody Services Bank, Ltd. (Investment Trust Account)	2,528	1.73
COMSYS Holdings Corporation Employee Shareholder Association	1,564	1.07
Meiji Yasuda Life Insurance Company	1,544	1.05
MLI EFG NON TREATY CUSTODY ACOUNT	1,448	0.99
NEC Corporation	1,408	0.96

#### Composition of Shareholders: As of March 31, 2014





### □ Stock Price Range / Monthly Trading Volume